

# QUARTERLY STATEMENT

CONNECTING VALUES

3/2019

## MASTERFLEX AT A GLANCE

in €k	9M 2019*	9M 2018*	Change
Consolidated revenue	62,528	59,144	5.7%
EBITDA	8,290	7,666	8.1%
EBIT (operative)	5,251	5,206	0.9%
EBIT margin (operative)	8.4%	8.8%	
EBIT	5,136	5,068	1.3%
EBT	4,408	4,401	0.2%
Financial result	-728	-667	-9.1%
Consolidated earnings from continued business units**	3,104	3,108	-0.1%
Consolidated earnings from discontinued business units	0	-58	
Consolidated net income	3,121	3,121	0.0%
Consolidated earnings per share (€)			
from continued business units	0.32	0.33	-3.0%
from discontinued business units	0.00	-0.01	
from continued and discontinued business units	0.32	0.32	0.0%
Employees	678	655	3.5%

in €k	30.09.2019*	31.12.2018	Change
Consolidated equity	42,871	40,223	6.6%
Consolidated balance sheet total	82,412	75,173	9.6%
Consolidated equity ratio	52.0%	53.5%	

\* unaudited

\*\* without minority interests

## MASTERFLEX SE: CONTINUATION OF GROWTH COURSE IN THE FIRST NINE MONTHS OF 2019

- **Revenue growth of 5.7% to EUR 62.5 million**
- **Stable earnings and positive cash flow development**
- **Successful implementation start of the “Back to Double Digit“ optimisation programme**
- **Outlook dampened by economic downturn in individual target sectors**

Gelsenkirchen, 8 November 2019 – The Masterflex Group continued its growth course in the first nine months of 2019, increasing revenue by 5.7% from EUR 59.1 million to EUR 62.5 million. Masterflex is thus at the upper end of its full-year forecast, which projects growth of between 3% and 6%. At the same time, some target sectors, such as automotive and mechanical engineering, showed clear signs of a downturn, which prevented even stronger growth and will at the same time have a dampening effect on the further development in the fourth quarter and probably also at the start of the new year. So far, these effects have been offset by the very good development in medical technology in particular.

At the level of the individual regions and subsidiaries, the revenue development is quite heterogeneous. The industrial hose activities in Europe, especially in Germany, have been hit harder by the difficult situation in some customer industries. On the other hand, the main growth drivers are the activities in Asia and in our so-called white customer industries (medicine, food, pharmaceuticals, bio). The US subsidiary also performed well, additionally benefiting from positive currency effects. In the case of the activities for the aviation industry, the positive trend reversal in revenue could not yet be achieved, even though order intake is already significantly more positive than in the previous quarters. Group-wide, the current developments in order intake confirm the previously discernible trends in the heterogeneous revenue development and suggest that demand in selected target industries will continue to cool down at least in part.

At EUR 5.3 million, operating EBIT was almost on a par with the previous year's figure of EUR 5.2 million. Accordingly, the operating EBIT margin was 8.4% after 8.8% in the previous year. The overall solid earnings performance was also reflected in the 8.1% increase in EBITDA from EUR 7.7 million to EUR 8.3 million. At EUR 3.1 million, consolidated net income for the first nine months was exactly at the same level as in the same period of the previous year. Cash flow developed very positively in the reporting period. Accordingly, cash flow from operating activities rose by EUR 1.7 million or 72.1% from EUR 2.4 million to EUR 4.1 million.

An isolated analysis of the third quarter shows a revenue growth of 5.8%, which was thus slightly above the dynamic of the first six months. The development of earnings in the third quarter and the entire nine-month period was largely analogous. Accordingly, EBIT of EUR 1.6 million and earnings after taxes of EUR 1.0 million in the third quarter were both on a par with the same period of the previous year.

The Masterflex Group has made a successful start to implementation with the “Back to Double Digit“ (B2DD) optimisation programme announced in September 2019, which aims at gradually bringing

the operating EBIT margin back into double figures by 2021 on a sustained basis. First measures and successes have already been implemented or achieved in improving personnel productivity, although the effects will only become apparent in the coming quarters. Further cost effects were also realised with the disposal of the heating hose business and the concentration on the supply of individual components, which will have an effect from the first quarter of 2020. Depending on the degree of economic slowdown in individual target sectors, it may become necessary to implement additional measures within the B2DD programme, especially in 2020, which were not planned in the scope to date. In the first nine months of the year, the B2DD programme has hardly generated any one-off costs. The total amount of these one-off charges is estimated at a maximum of EUR 1.0 million, distributed between 2019 and 2020.

Dr. Andreas Bastin, CEO of Masterflex Group: "The Group has done well so far this year, has continued to grow and has achieved the targets. At the same time, the challenges continue to increase. With our B2DD optimisation programme measures – which are already having first positive effects – we happen to be entering a phase in which the climate in key customer industries is deteriorating significantly. Accordingly, our measures and market effects can overlap or reinforce each other. If the economic and industry-specific outlook remains the same, we will take additional measures to avoid jeopardizing our return targets until 2021."

## **FURTHER INFORMATION ON THE EARNINGS POSITION**

In the first three quarters of 2019, the cost of materials and personnel expenses developed largely in line with revenue growth. The slightly higher increase in cost of materials is due to the shortage that has occurred since 2018 and the resulting price increases for some raw materials. On the raw materials side, the situation has meanwhile eased considerably, on the one hand due to our own substitution measures and on the other due to a calming of the market. Accordingly, the cost of materials ratio even improved slightly in the third quarter. The overall increase in personnel costs, which was slightly disproportionately high in the third quarter, is due to the temporary staff increase to reduce the backlog of orders incurred at the turn of the year 2018/2019. Lowering effects from the most recent personnel measures will only have a delayed effect. The 28.2% increase in depreciation and amortisation was mainly caused by the first-time application of IFRS 16. The financial result, which rose by 9.3% to EUR -0.7 million, was slightly impacted by the one-off effect of the newly concluded syndicated loan agreement, while the positive effects will become visible over the term.

## **NET ASSETS AND FINANCIAL POSITION**

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As of 30 September 2019, the balance sheet total increased by 9.6% from EUR 75.2 million to EUR 82.4 million. Current assets rose due to higher inventories of raw materials, consumables and supplies as well as of finished goods. Both effects resulted from the overall growth in business volume and the special working capital management in response to the procurement market. The increase in trade receivables is mainly due to balance sheet date related factors.

Consolidated equity grew by 6.6% from EUR 40.2 million to EUR 42.9 million as of 30 September 2019. With an even stronger increase in the balance sheet total at the same time, the equity ratio in the Group decreased accordingly from 53.5% to 52.0%.

The Group's cash and cash equivalents were up from EUR 4.4 million to EUR 5.3 million in the first nine months. The main reason for this was the very good development of the cash flow from operating activities in the amount of EUR 4.1 million, supported by the stable earnings development.

## **FORECAST**

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Group revenue is expected to grow by 3.0% to 6.0% in 2019 as a whole, corresponding to a range of EUR 79.5 million to EUR 81.8 million. At the same time, operating EBIT is expected to improve slightly compared to the previous year. The prerequisite for achieving these targets is that the economic climate and developments in key target sectors such as automotive and mechanical engineering do not deteriorate beyond the extent already apparent in the nine-month period and the third quarter of 2019.

## CONSOLIDATED BALANCE SHEET

Assets in €k	30.09.2019*	31.12.2018
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>13,104</b>	<b>12,529</b>
Concessions, industrial property rights	1,871	887
Development costs	1,201	947
Goodwill	9,187	9,187
Advance Payments	845	1,508
<b>Property, plant and equipment</b>	<b>33,361</b>	<b>31,892</b>
Land and buildings	16,653	16,542
Technical equipment and machinery	11,854	11,782
Other equipment, operating and office equipment	3,599	2,787
Advance payments and assets under construction	1,255	781
<b>Financial assets</b>	<b>93</b>	<b>98</b>
Non-current financial instruments	93	98
<b>Other assets</b>	<b>33</b>	<b>29</b>
<b>Deferred taxes</b>	<b>320</b>	<b>511</b>
	<b>46,911</b>	<b>45,059</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>	<b>19,535</b>	<b>16,662</b>
Raw materials, consumables and supplies	10,319	8,050
Unfinished goods and services	698	581
Finished goods and products	8,508	8,025
Advance payments	10	6
<b>Receivables and other assets</b>	<b>10,496</b>	<b>8,217</b>
Trade receivables	9,750	7,490
Other assets	746	725
Other financial assets	0	2
<b>Income tax assets</b>	<b>186</b>	<b>865</b>
<b>Cash in hand and bank balances</b>	<b>5,284</b>	<b>4,370</b>
	<b>35,501</b>	<b>30,114</b>
<b>Total assets</b>	<b>82,412</b>	<b>75,173</b>

\* unaudited



## CONSOLIDATED BALANCE SHEET

Equity and liabilities in €k	30.09.2019*	31.12.2018
<b>SHAREHOLDERS' EQUITY</b>		
<b>Consolidated equity</b>	<b>43,415</b>	<b>40,720</b>
Subscribed capital	9,618	9,618
Capital reserve	31,306	31,306
Retained earnings	3,636	1,189
Reserve for the market valuation of financial instruments	-614	-609
Hedging instruments	-143	-31
Exchange differences	-388	-753
<b>Minority interests</b>	<b>-544</b>	<b>-497</b>
<b>Total equity</b>	<b>42,871</b>	<b>40,223</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>Provisions</b>	<b>105</b>	<b>209</b>
<b>Financial liabilities</b>	<b>25,401</b>	<b>18,856</b>
<b>Other liabilities</b>	<b>1,135</b>	<b>956</b>
<b>Deferred taxes</b>	<b>1,210</b>	<b>861</b>
	<b>27,851</b>	<b>20,882</b>
<b>CURRENT LIABILITIES</b>		
<b>Provisions</b>	<b>260</b>	<b>632</b>
<b>Financial liabilities</b>	<b>4,664</b>	<b>7,643</b>
<b>Income tax liabilities</b>	<b>318</b>	<b>249</b>
<b>Other liabilities</b>	<b>6,448</b>	<b>5,544</b>
Trade payables	1,956	2,101
Other liabilities	4,492	3,443
	<b>11,690</b>	<b>14,068</b>
<b>Total equity and liabilities</b>	<b>82,412</b>	<b>75,173</b>

\* unaudited

## CONSOLIDATED INCOME STATEMENT (9M 2019)

Continued business units in €k	01.01.-30.09.2019*	01.01.-30.09.2018*
1. Revenue	62,528	59,144
2. Increase or decrease in inventories of finished and unfinished goods	655	446
3. Other own work capitalised	183	310
<b>Total operating performance</b>	<b>63,366</b>	<b>59,900</b>
4. Other income	791	370
<b>Operating revenue</b>	<b>64,157</b>	<b>60,270</b>
5. Cost of materials	-20,783	-19,074
6. Personnel expenses	-24,665	-22,933
7. Depreciation and amortisation	-3,154	-2,460
8. Other expenses	-10,419	-10,735
9. Financial result		
Financial expenses	-731	-669
Other financial result	3	2
<b>10. Earnings before taxes</b>	<b>4,408</b>	<b>4,401</b>
11. Income tax expenses	-1,304	-1,293
<b>12. Earnings after taxes from continued business units</b>	<b>3,104</b>	<b>3,108</b>
<b>Discontinued business units in €k</b>		
<b>13. Earnings after taxes from discontinued business units</b>	<b>0</b>	<b>-58</b>
<b>14. Consolidated net income</b>	<b>3,104</b>	<b>3,050</b>
thereof minority interests	-17	-71
<b>    thereof attributable to shareholders of Masterflex SE</b>	<b>3,121</b>	<b>3,121</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	0.32	0.33
from discontinued business units	0.00	-0.01
from continued and discontinued business units	0.32	0.32

\* unaudited



## CONSOLIDATED INCOME STATEMENT (Q3 2019)

Continued business units in €k	01.07.-30.09.2019*	01.07.-30.09.2018*
1. Revenue	20,588	19,451
2. Increase or decrease in inventories of finished and unfinished goods	331	229
3. Other own work capitalised	52	116
<b>Total operating performance</b>	<b>20,971</b>	<b>19,796</b>
4. Other income	123	131
<b>Operating revenue</b>	<b>21,094</b>	<b>19,927</b>
5. Cost of materials	-6,704	-6,350
6. Personnel expenses	-8,316	-7,752
7. Depreciation and amortisation	-1,070	-827
8. Other expenses	-3,401	-3,394
9. Financial result		
Financial expenses	-245	-229
Other financial result	0	-2
<b>10. Earnings before taxes</b>	<b>1,358</b>	<b>1,373</b>
11. Income tax expenses	-375	-373
<b>12. Earnings after taxes from continued business units</b>	<b>983</b>	<b>1,000</b>
<b>Discontinued business units in €k</b>		
<b>13. Earnings after taxes from discontinued business units</b>	<b>0</b>	<b>0</b>
<b>14. Consolidated net income</b>	<b>983</b>	<b>1,000</b>
thereof minority interests	-8	-63
<b>    thereof attributable to shareholders of Masterflex SE</b>	<b>991</b>	<b>1,063</b>
<b>Earnings per share (diluted and non-diluted)</b>		
from continued business units	0.10	0.11
from discontinued business units	0.00	0.00
from continued and discontinued business units	0.10	0.11

\* unaudited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (9M AND Q3 2019)

in €k	01.01.-30.09.2019*	01.01.-30.09.2018*
<b>Consolidated net income</b>	<b>3,104</b>	<b>3,050</b>
<b>Other result</b>		
<b>Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled</b>		
1. Exchange gains/losses on the translation of foreign financial statements	403	-6
2. Changes in fair values of financial instruments	-5	18
3. Hedging instruments	-112	0
4. Income taxes	-38	-15
<b>5. Other result after taxes</b>	<b>248</b>	<b>-3</b>
<b>6. Comprehensive income</b>	<b>3,352</b>	<b>3,047</b>
<b>Comprehensive income</b>	<b>3,352</b>	<b>3,047</b>
thereof minority interests	-17	-71
<b>thereof attributable to shareholders of Masterflex SE</b>	<b>3,369</b>	<b>3,118</b>

in €k	01.07.-30.09.2019*	01.07.-30.09.2018*
<b>Consolidated net income</b>	<b>983</b>	<b>1,000</b>
<b>Other result</b>		
<b>Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled</b>		
1. Exchange gains/losses on the translation of foreign financial statements	523	-89
2. Changes in fair values of financial instruments	5	-2
3. Hedging instruments	-80	0
4. Income taxes	-51	-4
<b>5. Other result after taxes</b>	<b>397</b>	<b>-95</b>
<b>6. Comprehensive income</b>	<b>1,380</b>	<b>905</b>
<b>Comprehensive income</b>	<b>1,380</b>	<b>905</b>
thereof minority interests	-8	-63
<b>thereof attributable to shareholders of Masterflex SE</b>	<b>1,388</b>	<b>968</b>

\* unaudited

## CONSOLIDATED CASH FLOW STATEMENT

in €k	01.01.-30.09.2019*	01.01.-30.09.2018*
Result for the period before taxes, interest expenses and financial income	5,153	5,124
Income tax expenses	-647	-1,359
Depreciation and amortisation on property, plant and equipment and intangible assets	3,154	2,460
Decrease in provisions	-476	-363
Other non-cash income and gains from the disposal of non-current assets	-200	-382
Increase in inventories	-2,873	-1,004
Increase in trade receivables and other assets not attributable to investing or financing activities	-1,470	-1,330
Increase/decrease in trade payables and other liabilities not attributable to investing or financing activities	1,430	-780
<b>Cash flow from operating activities</b>	<b>4,071</b>	<b>2,366</b>
Payments for investments in non-current assets	-3,490	-3,089
<b>Cash flow from investing activities</b>	<b>-3,490</b>	<b>-3,089</b>
Payments to shareholders and minority interests	-704	-673
Interest and dividend income	3	4
Interest payments	-673	-786
Proceeds from raising loans	4,090	3,000
Payments for the repayment of loans	-2,779	-1,875
<b>Cash flow from financing activities</b>	<b>-63</b>	<b>-330</b>
<b>Cash-effective changes in cash and cash equivalents</b>	<b>518</b>	<b>-1,053</b>
Exchange-rate related and other value changes in cash and cash equivalents	396	-21
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,370</b>	<b>5,336</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>5,284</b>	<b>4,262</b>

\* unaudited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in €k	Sub- scribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of finan- cial instru- ments	Reserve for hedging instru- ments	Ex- change diffe- rences	Interests attributable to share- holders of Masterflex SE	Non- controlling interests	Equity
<b>Equity as at 31.12.2017</b>	<b>9,618</b>	<b>31,306</b>	<b>-1,511</b>	<b>-629</b>	<b>0</b>	<b>-1,048</b>	<b>37,736</b>	<b>-340</b>	<b>37,396</b>
Distributions	0	0	-673	0	0	0	-673	0	-673
Other changes	0	0	0	0	0	0	0	0	0
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>3,121</b>	<b>18</b>	<b>0</b>	<b>-21</b>	<b>3,118</b>	<b>-72</b>	<b>3,046</b>
Consolidated net income	0	0	3,121	0	0	0	3,121	-72	3,049
Other income after income taxes	0	0	0	18	0	-21	-3	0	-3
Changes in the fair value of financial instruments	0	0	0	18	0	0	18	0	18
Exchange gains/ losses on the translation of foreign financial statements	0	0	0	0	0	-6	-6	0	-6
Income taxes on other comprehensive income	0	0	0	0	0	-15	-15	0	-15
<b>Equity as at 30.09.2018</b>	<b>9,618</b>	<b>31,306</b>	<b>937</b>	<b>-611</b>	<b>0</b>	<b>-1,069</b>	<b>40,181</b>	<b>-412</b>	<b>39,769</b>
<b>Equity as at 31.12.2018</b>	<b>9,618</b>	<b>31,306</b>	<b>1,189</b>	<b>-609</b>	<b>-31</b>	<b>-753</b>	<b>40,720</b>	<b>-497</b>	<b>40,223</b>
Distributions	0	0	-674	0	0	0	-674	-30	-704
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>3,121</b>	<b>-5</b>	<b>-112</b>	<b>365</b>	<b>3,369</b>	<b>-17</b>	<b>3,352</b>
Consolidated net income	0	0	3,121	0	0	0	3,121	-17	3,104
Other income after income taxes	0	0	0	-5	-112	365	248	0	248
Changes in the fair value of financial instruments	0	0	0	-5	-112	0	-117	0	-117
Exchange gains/ losses on the translation of foreign financial statements	0	0	0	0	0	403	403	0	403
Income taxes on other comprehensive income	0	0	0	0	0	-38	-38	0	-38
<b>Equity as at 30.09.2019</b>	<b>9,618</b>	<b>31,306</b>	<b>3,636</b>	<b>-614</b>	<b>-143</b>	<b>-388</b>	<b>43,415</b>	<b>-544</b>	<b>42,871</b>