

Connecting Values

Quarterly statement 3/2021



Masterflex at a glance

in EUR thousand	30.09.21	30.09.20	Change
Consolidated revenue	59,577	55,778	6.8%
EBITDA	9,344	6,624	41.1%
EBIT (operational)	5,761	3,497	64.7%
EBIT	5,670	2,770	104.7%
EBT	5,076	2,106	141.0%
Financial result	-594	-664	10.5%
Consolidated result	3,763	1,429	163.3%
Consolidated earnings per share (EUR)	0.39	0.15	160.0%
EBIT margin (operational)	9.7%	6.3%	
Net return on sales	6.3%	2.6%	
Employees (number)	556	635	-12.4%

in EUR thousand	30.09.21	31.12.20	Change
Consolidated equity	44,958	41,285	8.9%
Consolidated total assets	79,196	76,354	3.7%
Consolidated equity ratio	56.8%	54.1%	

Masterflex SE: Strong third quarter of 2021: Profitability exceeds pre-corona level

- Growth in the 9-month period above plan
- Consolidated revenue 6.8% above previous year's level with EUR 59.6 million after nine months
- Consolidated operational EBIT at EUR 5.8 million or 9.7% of revenue
- More exact and upwardly adjusted forecast for the full year

Management Board Report

Gelsenkirchen, November 10, 2021 – Nine months into fiscal year 2021, the Masterflex Group is ahead of plan in terms of the growth targets it has set for the year as a whole. Although not all customer industries have recovered from the after-effects of the corona pandemic, overall growth has continued to gain momentum and the Group managed to return to pre-corona sales levels in the third quarter. At the same time, the successful implementation of the Back to Double Digit program (B2DD) is reflected in higher profitability.

In the first nine months of the current fiscal year, the Masterflex Group generated revenue of EUR 59.6 million, compared to EUR 55.8 million in the same period of the previous year. This equates to a 6.8% increase in revenue compared to the same period last year. Masterflex is therefore still comfortably above its target of a 2% to 5% increase in revenue for the year as a whole, although not all end industries that the Masterflex Group supplies to have returned to their pre-corona crisis level.

Business in the area of medical technology continued to be characterized by the fact that, on the one hand, the special economic situation resulting from COVID-19-relevant equipment has leveled off and, on the other hand, there was a lack of growth impetus in the actual core business of medical technology. Postponements of surgical procedures are still the order of the day, which means that the pre-pandemic level has not yet been reached again for surgeries. In particular, investments and work on new projects and the start of series production of products already developed are still being postponed by a few customers. In line with the long-term orientation of the Masterflex Group, the product portfolio of medical technology hose solutions was consistently further expanded in the first three quarters of 2021. At the same time, production capacities were expanded in line with planning in order to be prepared for the expected growth and catch-up phase.

The traditional industrial hose business, on the other hand, continued to show strong momentum as in previous quarters. Catch-up effects as a result of the restrained demand in fiscal year 2020 as well as the conversion to more sustainable production processes had a positive impact on revenue development here. In this area, the Masterflex Group benefited in particular from the high level of material expertise and hose diversity in its portfolio.

Activities in the aviation industry continued to progress at a low level. All other companies reported higher sales and earnings year-on-year. Positive growth impetus also came from Asia. However, the increasing shortage of raw materials slightly slowed the growth momentum in the various sectors.

The tense supply situation on the raw materials side and the resulting price increases are also reflected in the earnings situation of the Masterflex Group. The cost of materials ratio (in relation to total output) increased to 32.2% in the nine-month period, compared to 31.4% in the same period of the previous year. Despite these effects, operating EBIT amounted to EUR 5.8 million in the first nine months of the current fiscal year (9M/2020: EUR 3.5 million). The Masterflex Group has thus exceeded the earnings level before corona in the comparable period of 2019 (9M/2019: EUR 5.3 million) despite a lower revenue base, which is also reflected in a higher operating EBIT margin of 9.7%. The EBIT margin increased significantly (9M/2019: 8.4%; 9M/2020: 6.3%; 9M/2021: 9.7%).

Consolidated EBITDA reached EUR 9.3 million in the nine-month period (9M/2020: EUR 6.6 million) and consolidated net income EUR 3.8 million (9M/2020: EUR 1.4 million).

Dr. Andreas Bastin, CEO of the Masterflex Group: “We are very satisfied with our development in the first nine months. Despite all the challenges arising from the aftermath of the corona pandemic, the tense supply chains and the related rise in raw material prices, our growth has stabilized and our profitability is developing in the right direction. We are more convinced than ever that, starting from a good fiscal year 2021, we will achieve the medium-term targets we have communicated. We have solid order intake and the fact that not all customer industries by any means have found their way back to growth leaves even further room for improvement.”

Earnings Position

Earnings affected by increase in raw material prices

Despite rising raw material prices and the related higher stockpiling of critical materials, operating EBIT increased in both nominal and relative terms. Operating EBIT increased by 64.7% to EUR 5.8 million in the 9-month period (9M/2020: EUR 3.5 million). This equates to an operating EBIT margin of 9.7% (9M/2020: 6.3%).

The increases in cost of materials (cost of materials ratio 9M/2021: 32.2%; 9M/2020: 31.4%) were partly offset by savings in the area of personnel costs. The reduction in personnel costs is attributable to the consistent implementation of the B2DD program. As a result, personnel costs declined by EUR 0.4 million compared to the same period of the previous year and amounted to EUR 22.6 million as of the quarterly reporting date. This represents a personnel cost ratio (in relation to total operating performance) of 37.4% (9M/2020: 41.6%). The efficiency enhancement programs in particular had a positive impact here, unfolding their full effect as sales revenues increased.

The moderate increase in other operating expenses is attributable to the rise in freight, energy and travel costs, which increased in line with the increase in revenue as the demand brake was released.

Net Assets and Financial Position

Increased working capital to secure the order situation

The growing shortage of raw materials led to a strategic increase in raw materials and supplies in the 9-month period. The positive order situation was also reflected in an increase in work in progress as of the quarterly reporting date. In total, inventories increased by EUR 1.6 million to EUR 17.2 million in the nine-month period.

Trade accounts receivable also increased as of the quarterly reporting date (9M/2021: EUR 9.4 million; 12M/2020: EUR 5.6 million), which is attributable to the structural recovery in demand dynamics. As a result, the change in working capital led to an increase in the balance sheet to EUR 79.2 million (12M/2020: EUR 76.4 million).

Consolidated equity amounted to EUR 45.0 million as of September 30, 2021, compared to EUR 41.3 million as of December 31, 2020. Despite a simultaneous increase in total assets, the Masterflex Group's equity ratio increased from 54.1% as of December 31, 2020, to 56.8% as of September 30, 2021. The Masterflex Group's net debt improved by EUR 0.9 million to EUR 17.3 million as of September 30, 2021 (12M/2020: EUR 18.2 million).

Cash and cash equivalents decreased by EUR 1.1 million to EUR 8.1 million in the reporting period. Cash flow from operating activities in the first nine months of the fiscal year was dominated by the increase in inventories and the build-up of trade accounts receivable as of the reporting date (9M/2021: EUR 2.9 million, 9M/2020: EUR 7.8 million). Cash flow from investing activities amounted to EUR 2.3 million (9M/2020: EUR 1.4 million), still below the level of the pre-corona year 2019. Overall, investing activities were reduced to the necessary level during the COVID-19 pandemic. Cash flow from financing activities in the 9-month period reflected the repayment agreements under the current syndicated loan agreement, the dividend paid, and interest expense.

Immediate Effects of the Corona Crisis

Industry diversification stabilizes the business model

Coping with the COVID-19 pandemic has become the new reality. Demand restraint has been released in a number of industries. Other industries, such as some areas of medical technology, are undergoing structural changes to reconcile COVID-related challenges with pre-corona medical routines.

At the Masterflex Group, activities related to the aviation industry have been particularly affected (revenue losses of EUR 0.6 million compared to the previous year).

Further packages of measures are available to strengthen profitability in the event that the pandemic should lead to a strongly fluctuating global economy.

No impairment on intangible assets was necessary. The Masterflex Group has not drawn on any government corona aid loans. On the contrary, debt has actually been reduced. There are also no plans to make use of governmental aid loans in the future.

Forecast

Outlook for 2021: Earnings power exceeds level prior to corona

At the end of the third quarter, the Masterflex Group's revenue forecast for the year, which was based on an increase in revenue of 2% to 5%, is above the upper end of the target range. Based on a solid order situation, it is foreseeable that the Masterflex Group will perform better than originally planned in terms of revenue for the full year, which allows the annual targets to be specified and increased. For this reason, the Management Board expects revenue within a range of EUR 76 million to EUR 78 million for the full year 2021. This equates to year-on-year revenue growth of 5% to 8%.

Operating EBIT for the full year 2021 is expected to be significantly above the level of fiscal year 2020 (EUR 3.2 million) and above the level of fiscal year 2019 (EUR 5.1 million) – in line with the business development in the first nine months of the current fiscal year – which underscores the successful implementation of the B2DD program given the lower revenue base compared to 2019. Therefore, management continues to see the Masterflex Group full on track to achieve a double-digit EBIT margin again from 2022 on, as previously communicated.

Consolidated Statement of Financial Position

Assets in EUR thousand	30.09.2021*	31.12.2020
Non-current assets		
Intangible assets	13,157	13,242
Licenses, industrial property rights	1,817	2,087
Development costs	1,757	1,635
Goodwill	9,187	9,187
Advance payments	396	333
Property, plant and equipment	30,217	31,434
Land and buildings	16,255	17,300
Technical equipment and machinery	10,320	11,095
Other equipment, operating and office equipment	2,531	2,742
Advance payments and assets under construction	1,111	297
Financial assets	95	64
Investment securities	95	64
Other assets	19	21
Deferred taxes	84	213
	43,572	44,974
Current assets		
Inventories	17,164	15,518
Raw materials, consumables and supplies	8,462	7,723
Unfinished goods and services	1,307	715
Finished products and goods	7,393	7,075
Advance payments	2	5
Receivables and other assets	10,315	6,228
Trade receivables	9,420	5,558
Other assets	895	670
Income tax assets	43	417
Cash and bank balances	8,102	9,217
	35,624	31,380
Total assets	79,196	76,354

* unaudited

Consolidated Statement of Financial Position

Equity and liabilities in EUR thousand	30.09.2021*	31.12.2020
Equity		
Consolidated equity	44,618	40,982
Issued capital	9,618	9,618
Capital reserve	31,306	31,306
Retained earnings	5,135	2,142
Reserve for the market valuation of financial instruments	-612	-643
Hedging instruments	-55	-224
Currency differences	-774	-1,217
Non-controlling interests	340	303
Total equity	44,958	41,285
Non-current liabilities		
Provisions	165	165
Financial liabilities	23,585	24,922
Other liabilities	871	1,172
Deferred taxes	951	696
	25,572	26,955
Current liabilities		
Provisions	200	325
Financial liabilities	1,777	2,447
Income tax liabilities	299	149
Other liabilities	6,390	5,193
Trade payables	2,095	1,647
Other liabilities	4,295	3,546
	8,666	8,114
Total equity and liabilities	79,196	76,354

* unaudited

Consolidated Statement of Income (9M)

	01.01.-30.09.21*	01.01.-30.09.20*
	EUR thousand	EUR thousand
1. Sales revenue	59,577	55,778
2. Increase or decrease in inventories of finished and unfinished goods	760	-419
3. Other own work capitalized	43	66
4. Other income	393	798
Operating performance	60,773	56,223
5. Cost of materials	-19,445	-17,376
6. Personnel expenses	-22,584	-23,033
7. Depreciation and amortization	-3,583	-3,854
8. Other expenses	-9,491	-9,190
9. Financial result		
Financing expenses	-598	-670
Other financial result	4	6
10. Earnings before taxes	5,076	2,106
11. Income taxes	-1,276	-659
12. Consolidated result	3,800	1,447
thereof: non-controlling interests	37	18
thereof: share of shareholders of Masterflex SE	3,763	1,429
Earnings per share (undiluted and diluted)	0.39	0.15

* unaudited

Consolidated Statement of Income (Q3)

	01.07.-30.09.21*	01.07.-30.09.20*
	EUR thousand	EUR thousand
1. Sales revenue	20,706	18,400
2. Increase or decrease in inventories of finished and unfinished goods	301	-363
3. Other own work capitalized	-9	15
4. Other income	96	246
Operating performance	21,094	18,298
5. Cost of materials	-6,910	-5,857
6. Personnel expenses	-7,716	-7,587
7. Depreciation and amortization	-1,193	-1,438
8. Other expenses	-3,285	-2,895
9. Financial result		
Financing expenses	-173	-235
Other financial result	1	2
10. Earnings before taxes	1,818	288
11. Income taxes	-490	-132
12. Consolidated result	1,328	156
thereof: non-controlling interests	3	19
thereof: share of shareholders of Masterflex SE	1,325	137
Earnings per share (undiluted and diluted)	0.14	0.02

* unaudited

Consolidated Statement of Comprehensive Income (9M)

	01.01.-30.09.21*	01.01.-30.09.20*
	EUR thousand	EUR thousand
Consolidated result	3,800	1,447
Other income		
Items that are subsequently reclassified to profit or loss if certain conditions are met		
1. Currency gains/losses from the translation of foreign financial statements	475	-873
2. Changes in the fair value of financial instruments	31	13
3. Hedging transactions	169	12
4. Income taxes	-32	23
5. Other income after taxes	643	-825
6. Comprehensive income	4,443	622
Comprehensive income:	4,443	622
thereof: non-controlling interests	37	18
thereof: share of shareholders of Masterflex SE	4,406	604

* unaudited

Consolidated Statement of Comprehensive Income (Q3)

	01.07.-30.09.21*	01.07.-30.09.20*
	EUR thousand	EUR thousand
Consolidated result	1,328	156
Other income		
Items that are subsequently reclassified to profit or loss if certain conditions are met		
1. Currency gains/losses from the translation of foreign financial statements	108	-469
2. Changes in the fair value of financial instruments	4	2
3. Hedging transactions	74	15
4. Income taxes	-4	-8
5. Other income after taxes	182	-460
6. Comprehensive income	1,510	-304
Comprehensive income:	1,510	-304
thereof: non-controlling interests	3	19
thereof: share of shareholders of Masterflex SE	1,507	-323

* unaudited

Consolidated Statement of Cash Flows

in EUR thousand	30.09.2021*	30.09.2020*
Result for the period before taxes, interest expenses and financial income	5,633	2,752
Income tax expenses	-657	-433
Depreciation and amortization of property, plant and equipment and intangible assets	3,583	3,854
Decrease in provisions	-125	-86
Other non-cash income and profit from the disposal of non-current assets	-6	-48
Increase / decrease in inventories	-1,646	2,071
Increase in trade receivables and other assets not attributable to investing or financing activities	-4,273	-494
Increase in trade payables and other liabilities not attributable to investing or financing activities	431	162
Cash flow from operating activities	2,940	7,778
Payments for investments in non-current assets	-2,293	-1,420
Cash flow from investing activities	-2,293	-1,420
Dividends to Masterflex shareholders	-769	-687
Interest and dividend income	4	12
Interest payments	-526	-657
Proceeds from borrowings	0	500
Payments for the repayment of loans	-1,137	-3,463
Cash flow from financing activities	-2,428	-4,295
Cash-effective changes in cash and cash equivalents	-1,781	2,063
Changes in cash and cash equivalents due to exchange rates and other changes in value	666	-760
Cash and cash equivalents at the beginning of the period	9,217	6,908
Cash and cash equivalents at the end of the period	8,102	8,211

* unaudited

Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital reserve	Retained earnings	Reserve for the market valuation of financial instru- ments	Reserve for hedging transac- tions	Currency diffe- rences	Shares of sharehol- ders of Master- flex SE	Non- cont- rolling interests	Equity
in EUR thousand									
Equity as of 31.12.2019	9,618	31,306	3,048	-642	-90	-607	42,633	-618	42,015
Comprehensive income	0	0	1,429	13	12	-850	604	18	622
Consolidated result	0	0	1,429	0	0	0	1,429	18	1,447
Other income after income taxes	0	0	0	13	12	-850	-825	0	-825
Changes in the fair value of financial instruments	0	0	0	13	12	0	25	0	25
Currency gains/losses from the translation of foreign financial statements	0	0	0	0	0	-873	-873	0	-873
Income taxes on other comprehensive income	0	0	0	0	0	23	23	0	23
Equity as of 30.09.2020	9,618	31,306	2,777	-629	-78	-1,457	41,537	413	41,950
Equity as of 31.12.2020	9,618	31,306	2,142	-643	-224	-1,217	40,982	303	41,285
Comprehensive income	0	0	3,763	31	169	443	4,406	37	4,443
Consolidated result	0	0	3,763	0	0	0	3,763	37	3,800
Other income after income taxes	0	0	0	31	169	443	643	0	643
Changes in the fair value of financial instruments	0	0	0	31	169	0	200	0	200
Currency gains/ losses from the translation of foreign financial statements	0	0	0	0	0	475	475	0	475
Income taxes on other comprehensive income	0	0	0	0	0	-32	-32	0	-32
Equity as of 30.09.2021	9,618	31,306	5,135	-612	-55	-774	44,618	340	44,958

Information on the Share

Ticker symbol	MZX
GSIN	549 293
ISIN	DE0005492938
Stock exchange	Frankfurt, FWB
Stock exchange segment	Prime Standard
Total number of shares	9,752,460
Shares outstanding	9,618,334
Treasury shares	134,126
Dividend in fiscal year 2020	0.08€
Designated sponsor	ICF Bank AG

Investor Relations

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Forward-looking statements

This report contains forward-looking statements. These statements are based on the current expectations, assumptions and forecasts of the Management Board and the information it currently has available. Forward-looking statements are not to be considered guarantees of future performance and results. Rather, future developments and results depend on a variety of factors, involve various risks and uncertainties, and are based on assumptions that may not prove to be accurate. We do not assume any obligation to update the forward-looking statements made in this report.

