

MASTERFLEX SE / TOP INNOVATOR 2019

# QUARTERLY STATEMENT

## 1/2020

CONNECTING VALUES

## MASTERFLEX AT A GLANCE

in €k	31.03.2020	31.03.2019	Change
Consolidated revenue	20,510	21,123	-2.9%
EBITDA	3,261	2,979	9.5%
EBIT (operative)	2,051	2,076	-1.2%
EBIT	1,968	2,061	-4.5%
EBT	1,693	1,703	-0.6%
Financial result	-192	-343	-44.0%
Consolidated result	1,311	1,247	5.1%
Consolidated earnings per share (€)	0.14	0.13	7.7%
EBIT margin (operative)	10.0%	9.8%	
Net return on sales	6.4%	5.9%	
Employees (number)	632	679	-6.9%

in €k	31.03.2020	31.03.2019	Change
Consolidated equity	43,162	42,015	2.7%
Consolidated balance sheet total	82,606	81,559	1.3%
Consolidated equity ratio	52.3%	51.5%	

## MASTERFLEX SE: STABLE BUSINESS DEVELOPMENT IN THE FIRST QUARTER OF 2020

- **Medical technology continues to show encouraging growth rates; mechanical engineering and automotive industry still subdued**
- **Production in China almost back to full capacity after several weeks of closure**
- **Revenue of EUR 20.5 million (-2.9%), operating EBIT of EUR 2.1 million (Q1/2019: EUR 2.1 million)**
- **Order backlog up EUR 3.5 million thanks to demand for medical technology**
- **Solid equity and liquidity position extended by purely precautionary covenant suspension**
- **Cautious financial forecast 2020 with expected decline in revenue of 10% to 15%**

Gelsenkirchen, 13 May 2020 – The Masterflex Group recorded stable business development overall in the first quarter of 2020. Consolidated revenue declined slightly by 2.9% from EUR 21.1 million to EUR 20.5 million. Revenue generated with customers in the medical and laboratory technology as well as the food industry continued to develop encouragingly. In contrast, the mechanical engineering and automotive industries continued their weak demand, which was already noticeable in 2019, which had a correspondingly dampening effect on the Masterflex Group's revenue development. The closure of the Chinese site for several weeks in the first quarter was a key factor in the decline in revenue. As a result, planned revenue of EUR 0.4 million was not generated. Production is now almost running at full capacity again. The comparability with the first quarter of 2019 is additionally somewhat distorted by the slightly higher revenue figures for 2019 due to revenue shifts from 2018 at that time.

Dr. Andreas Bastin, CEO of the Masterflex Group: “We did well in the first quarter - especially against the background of the corona-related closure in China and the demanding targets from the prior-year quarter. Developments in the medical technology segment remain very positive. On the revenue side, we were not able to fully compensate for the closure in China and the current weakness in the automotive industry. However, in the first quarter alone, we increased our order backlog by EUR 3.5 million, two-thirds of which was attributable to medical technology.”

### **EFFECTS OF THE CORONA CRISIS**

#### **on the Masterflex Group**

In the first quarter of 2020, the effects of the corona crisis on the Masterflex Group as a whole were well manageable. Only the sites in China, which were closed for several weeks, and those in France and the United Kingdom, which have been closed since mid-March and are still ongoing at the editorial deadline for this quarterly statement, were severely affected. Production in China has now resumed and has almost reached full capacity.

The Masterflex Group has been able to largely offset the effects of the corona crisis thanks to its highly diversified product portfolio for various target industries and its broad international positioning. The major German sites remained in production until the editorial deadline for this quarterly statement. Many Masterflex Group products are classified as system-relevant and are used in the medical and laboratory technology as well as the food industry. Production in the USA is also continuing unchanged. So far, the supply chains have proven to be stable, but further developments will have to be awaited. Possibly critical input materials have been stockpiled accordingly.

As a precautionary measure, 100% short-time work has been applied for at all German locations in order to be able to react quickly and flexibly to current developments. As far as possible, a similar approach was adopted at the international locations. Only a very small amount of short-time work was actually implemented. The strictest spending discipline applies at all levels of the Masterflex Group. Investments were currently limited to maintenance investments, investments with very short amortisation periods and few future projects with high relevance. On the basis of various scenario calculations, discussions have already been held with the bank partners with regard to additional scope for safeguarding liquidity and a purely precautionary covenant suspension, which has now already been agreed, in relation to the debt ratio until the end of Q3/2021.

## **EARNINGS POSITION**

### **Stable profit development slightly above previous year; progress in personnel productivity**

Operating EBIT in the first quarter of 2020 was confirmed at EUR 2.1 million, the same level as in the same quarter of the previous year. Accordingly, the EBIT margin was 10.0% after 9.8% in the same period of the previous year. The financial result improved significantly due to the new syndicated loan concluded in 2019. Accordingly, the Masterflex Group was able to increase consolidated result slightly from EUR 1.2 million to EUR 1.3 million. This corresponds to earnings per share for the three-month period of 2020 of EUR 0.14 after EUR 0.13 in Q1/2019.

The main reason for the good operating earnings development was the fact that the company succeeded in significantly improving the cost of materials ratio. This was achieved through further savings projects in production, the use of new purchasing sources as well as the bundling of requirements within the Group. Personnel costs were kept at the previous year's level, which compensated for inflationary effects of around EUR 0.2 million. One of the primary objectives of the Masterflex Group was and is to significantly improve personnel productivity and personnel cost structures. Significant successes have already been recorded, particularly at the Gelsenkirchen site, which is the focus of these efforts. Based on the B2DD optimisation programme and additional cost-cutting measures, the current environment has also shown that additional cost-cutting potential must be leveraged at other locations. The number of employees in the Group as a whole on the reporting date fell by 7% in the first quarter of 2020. Short-time work effects are hardly included in the reporting period.

## **NET ASSETS AND FINANCIAL POSITION**

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### **Very solid liquidity position**

The 1.3% increase in the balance sheet total to EUR 82.6 million is primarily due to a 5.4% rise in current assets to EUR 36.0 million (31 December 2019: EUR 34.2 million). Inventories, at EUR 18.5 million, remained almost at the level of the end of 2019 (EUR 18.6 million) and were characterised by slightly more intensive stockpiling overall. Trade receivables increased by 27.8% to EUR 10.4 million (31 December 2019: EUR 8.1 million), mainly due to balance sheet date related factors. This development corresponds to the multi-year historical values.

The equity development followed the good profit development with an increase in equity of 2.7%. Accordingly, the equity ratio rose from 51.5% to 52.3%. While non-current liabilities fell slightly from EUR 28.4 million to EUR 28.0 million, current liabilities climbed marginally from EUR 11.1 million to EUR 11.4 million.

Operating cash flow rose to EUR 0.9 million after EUR -0.1 million in the previous year. It essentially reflects the good earnings performance. The increase in working capital, triggered by the higher level of receivables, slightly dampened the rise. Investment activity in the first quarter of 2020 was certainly already dominated by the measures taken to counter the effects of the corona pandemic. Accordingly, investment activity was significantly reduced and cut back to the absolute minimum. Cash flow from financing activities in the amount of EUR -0.3 million was mainly influenced by the regular redemption payments, which are slightly below the previous year's figures in connection with the new syndicated loan concluded in 2019. At the same time, an additional EUR 0.5 million of the credit line was utilized in the first quarter of 2020.

The Masterflex Group's cash and cash equivalents amounted to EUR 6.9 million at the balance sheet date.

## **OUTLOOK**

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### **Revenue decline expected in 2020 with significant recovery in the fourth quarter**

The Masterflex Group expects the corona pandemic to have a much stronger impact on revenue development in the second quarter of 2020. The Management Board does not anticipate a gradual improvement in the environment until the third or perhaps even fourth quarter. Overall, Masterflex remains cautiously optimistic for 2020. The Group is very robustly positioned for the challenges ahead. A cash balance of currently EUR 6.9 million and a positive, intensive exchange of information with the syndicate banks are also contributing to this. Masterflex expects that there will be little or no need to increase debt over the course of the year. Only in the positive case of a very rapid economic upturn

could higher short-term liquidity requirements become necessary for a temporary increase in working capital in line with demand. Masterflex will not apply for a KfW corona assistance loan as things stand at present. However, the instrument of short-time work remains an option in order to be able to react quickly and flexibly to fluctuations in demand and production. In the current corona crisis, Masterflex has target industries with growing demand as well as others with a currently weak environment. This mutual compensation is a reasonable starting point for emerging well from the crisis.

With regard to a financial forecast for the fiscal year 2020, Masterflex assumes that the COVID-19 impact on the economy will be U-shaped. This assumes that the upturn will return to almost the planned level by the end of the year. Under this premise, Masterflex expects a decline in revenue of between 10% and 15% for the year as a whole. This means that the decline will be significantly higher in the second and third quarters in particular than in the first and fourth quarters. Accordingly, EBIT will be between EUR 2.5 million and EUR 1.0 million at Group level. The Masterflex Group continues to adhere to its medium-term forecast and aims to grow organically to EUR 100 million in revenue by 2023/2024 and to generate a sustained double-digit EBIT margin from 2022 onwards.

Despite a possible significant decline in revenue in 2020 due to the effects of the pandemic, liquidity is ensured for the next few quarters even in these scenarios. Lower investment volume, short-time work, reduction of working capital, lower tax payments as well as strict spending discipline largely compensate for the possible loss of liquidity due to the decline in revenue.

## CONSOLIDATED BALANCE SHEET

Assets in €k	31.03.2020*	31.12.2019
<b>NON-CURRENT ASSETS</b>		
<b>Intangible assets</b>	<b>13,131</b>	<b>13,115</b>
Concessions, industrial property rights	2,140	2,209
Development costs	1,463	1,381
Goodwill	9,187	9,187
Advance payments	341	338
<b>Property, plant and equipment</b>	<b>33,020</b>	<b>33,776</b>
Land and buildings	17,898	18,318
Technical equipment and machinery	11,858	12,227
Other equipment, operating and office equipment	2,961	3,029
Advance payments and assets under construction	303	202
<b>Financial assets</b>	<b>65</b>	<b>65</b>
Investment securities	65	65
<b>Other assets</b>	<b>25</b>	<b>27</b>
<b>Deferred taxes</b>	<b>334</b>	<b>398</b>
	<b>46,575</b>	<b>47,381</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>	<b>18,461</b>	<b>18,623</b>
Raw materials, consumables and supplies	9,585	9,757
Unfinished goods and services	694	630
Finished goods and products	8,162	8,218
Advance payments	20	18
<b>Receivables and other assets</b>	<b>10,390</b>	<b>8,127</b>
Trade receivables	9,521	7,359
Other assets	869	768
Other financial assets	0	0
<b>Income tax assets</b>	<b>283</b>	<b>520</b>
<b>Cash in hand and bank balances</b>	<b>6,897</b>	<b>6,908</b>
	<b>36,031</b>	<b>34,178</b>
<b>Total assets</b>	<b>82,606</b>	<b>81,559</b>

\* unaudited

## CONSOLIDATED BALANCE SHEET

Equity and liabilities in €k	31.03.2020*	31.12.2019
<b>EQUITY</b>		
<b>Consolidated equity</b>	<b>43,794</b>	<b>42,633</b>
Issued capital	9,618	9,618
Capital reserve	31,306	31,306
Retained earnings	4,359	3,048
Reserve for the market valuation of financial instruments	-650	-642
Hedging instruments	-76	-90
Currency differences	-763	-607
<b>Non-controlling interests</b>	<b>-632</b>	<b>-618</b>
<b>Total equity</b>	<b>43,162</b>	<b>42,015</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>Provisions</b>	<b>164</b>	<b>164</b>
<b>Financial liabilities</b>	<b>25,770</b>	<b>26,304</b>
<b>Other liabilities</b>	<b>992</b>	<b>1,006</b>
<b>Deferred taxes</b>	<b>1,101</b>	<b>926</b>
	<b>28,027</b>	<b>28,400</b>
<b>CURRENT LIABILITIES</b>		
<b>Financial liabilities</b>	<b>4,971</b>	<b>4,545</b>
<b>Income tax liabilities</b>	<b>227</b>	<b>185</b>
<b>Other liabilities</b>	<b>6,219</b>	<b>6,414</b>
Trade payables	2,257	2,249
Other liabilities	3,962	4,165
	<b>11,417</b>	<b>11,144</b>
<b>Total equity and liabilities</b>	<b>82,606</b>	<b>81,559</b>

\* unaudited



## CONSOLIDATED INCOME STATEMENT

in €k	01.01.-31.03.2020*	01.01.-31.03.2019*
1. Revenue	20,510	21,123
2. Increase or decrease in inventories of finished and unfinished goods	99	226
3. Other own work capitalised	39	49
4. Other income	148	424
<b>Operating performance</b>	<b>20,796</b>	<b>21,822</b>
5. Cost of materials	-6,153	-7,089
6. Personnel expenses	-8,145	-8,138
7. Depreciation and amortisation	-1,210	-903
8. Other expenses	-3,320	-3,631
9. Financial result		
Financial expenses	-193	-344
Other financial result	1	1
<b>10. Earnings before taxes</b>	<b>1,776</b>	<b>1,718</b>
11. Income taxes	-479	-458
<b>12. Consolidated result</b>	<b>1,297</b>	<b>1,260</b>
thereof: non-controlling interests	-14	13
<b>thereof: share of shareholders of Masterflex SE</b>	<b>1,311</b>	<b>1,247</b>
<b>Earnings per share (undiluted and diluted)</b>	<b>0.14</b>	<b>0.13</b>

\* unaudited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in €k	01.01.-31.03.2020*	01.01.-31.03.2019*
<b>Consolidated result</b>	<b>1,297</b>	<b>1,260</b>
<b>Other income</b>		
<b>Items that are subsequently reclassified to profit or loss if certain conditions are fulfilled</b>		
1. Currency gains/losses from the translation of foreign financial statements	-168	459
2. Changes in the fair value of financial instruments	-8	3
3. Hedging transactions	14	0
4. Income taxes	12	-15
<b>5. Other income after taxes</b>	<b>-150</b>	<b>447</b>
<b>6. Comprehensive income</b>	<b>1,147</b>	<b>1,707</b>
<b>Comprehensive income</b>	<b>1,147</b>	<b>1,707</b>
thereof: non-controlling interests	-14	13
<b>thereof: share of shareholders of Masterflex SE</b>	<b>1,161</b>	<b>1,694</b>

\* unaudited

## CONSOLIDATED CASH FLOW STATEMENT

in €k	01.01.-31.03.2020*	01.01.-31.03.2019*
Result for the period before taxes, interest expenses and financial income	1,982	1,991
Income tax expenses	-54	-247
Depreciation and amortisation on property, plant and equipment and intangible assets	1,210	903
Decrease in provisions	0	-586
Other non-cash income and profit from the disposal of non-current assets	-53	-36
Decrease/increase in inventories	162	-1,639
Increase in trade receivables and other assets not attributable to investing or financing activities	-2,396	-1,238
Increase in trade payables and other liabilities not attributable to investing or financing activities	37	710
<b>Cash flow from operating activities</b>	<b>888</b>	<b>-142</b>
Payments for investments in non-current assets	-515	-1,435
<b>Cash flow from investing activities</b>	<b>-515</b>	<b>-1,435</b>
Interest and dividend income	11	1
Interest payments	-192	-255
Proceeds from borrowings	500	3,000
Payments for the repayment of loans	-637	-750
<b>Cash flow from financing activities</b>	<b>-318</b>	<b>1,996</b>
<b>Cash-effective changes in cash and cash equivalents</b>	<b>55</b>	<b>419</b>
Changes in cash and cash equivalents due to exchange rates and other changes in value	-66	444
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,908</b>	<b>4,370</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>6,897</b>	<b>5,233</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 trans- actions	Currency diffe- rences	Shares of share- holders of Masterflex SE	Non- cont- rolling interests	Equity
<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>
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>1,247</b>	<b>3</b>	<b>0</b>	<b>444</b>	<b>1,694</b>	<b>13</b>	<b>1,707</b>
Consolidated result	0	0	1,247	0	0	0	1,247	13	1,260
Other income after income taxes	0	0	0	3	0	444	447	0	447
Changes in the fair value of financial instruments	0	0	0	3	0	0	3	0	3
Currency gains/losses from the translation of foreign financial statements	0	0	0	0	0	459	459	0	459
Income taxes on other comprehensive income	0	0	0	0	0	-15	-15	0	-15
<b>Equity as at 31.03.2019</b>	<b>9,618</b>	<b>31,306</b>	<b>2,436</b>	<b>-606</b>	<b>-31</b>	<b>-309</b>	<b>42,414</b>	<b>-484</b>	<b>41,930</b>
<b>Equity as at 31.12.2019</b>	<b>9,618</b>	<b>31,306</b>	<b>3,048</b>	<b>-642</b>	<b>-90</b>	<b>-607</b>	<b>42,633</b>	<b>-618</b>	<b>42,015</b>
<b>Comprehensive income</b>	<b>0</b>	<b>0</b>	<b>1,311</b>	<b>-8</b>	<b>14</b>	<b>-156</b>	<b>1,161</b>	<b>-14</b>	<b>1,147</b>
Consolidated result	0	0	1,311	0	0	0	1,311	-14	1,297
Other income after income taxes	0	0	0	-8	14	-156	-150	0	-150
Changes in the fair value of financial instruments	0	0	0	-8	14	0	6	0	6
Currency gains/losses from the translation of foreign financial statements	0	0	0	0	0	-168	-168	0	-168
Income taxes on other comprehensive income	0	0	0	0	0	12	12	0	12
<b>Equity as at 31.03.2020</b>	<b>9,618</b>	<b>31,306</b>	<b>4,359</b>	<b>-650</b>	<b>-76</b>	<b>-763</b>	<b>43,794</b>	<b>-632</b>	<b>43,162</b>