

PRESS RELEASE

Annual results

Neways passes turnover mark of € 500 million; net profit rises 45% to € 14.4 million in 2018

Son (the Netherlands), 21 February 2019 – Neways Electronics International N.V. (Euronext: NEWAY) (“Neways” or the “Company”), today announces its results for the financial year ending on 31 December 2018.

HIGHLIGHTS

- Net turnover of € 506,8 million, an increase of 15.5% due to strong demand, primarily in the semiconductor and automotive sectors
- Order book rises 15.3% to above the € 300 million mark, increases in all market sectors
- Normalised operating result increases by 43.8% to € 22.0 million as a result of higher activity levels and increased scalability
- Net result up 45.5% at € 14.4 million; dividend proposal 37.1% higher at € 0.48 per share

KEY FIGURES

€ mln unless otherwise stated	2018	2017	Δ
Net turnover	506.8	438.7	+15.5%
Order book (as per year-end)	304.0	263.6	+15.3%
Gross margin	195.2	171.3	+14.0%
Normalised operating result ¹⁾	22.0	15.3	+43.8%
Operating result	21.0	14.3	+46.9%
Net result	14.4	9.9	+45.5%
Net cash flow	-4.5	-3.4	-32.4%

¹⁾ Excluding Purchase Price Amortisation (PPA) effect of € 1.0 million in 2018. The PPA is related to the acquisition of BuS Groep in 2014.

MESSAGE FROM THE CEO

Huub van der Vrande: “Last year was a record year for us, both in terms of turnover and profit. We passed the turnover mark of € 500 million. We are seeing a continued rise in the demand for more complex box-build systems and that our positioning as a product life-cycle partner is gaining traction. However, the high demand from clients in combination with the scarcity of components is putting pressure on our organisation and creating extra challenges. We had to do more to serve our clients and get our orders delivered. This led to extra costs and higher use of capital. At the same time, this also showed that there is a good deal of room for improvement.

Despite these additional challenges, we managed to further improve our effectiveness and responsiveness. Our organisation is again more professional and more robust than a year ago. As a result, we work more efficiently and we are more aware of the risks that go hand in hand with the larger and more complex projects Neways is involved in. To facilitate our continued growth with our clients, we have expanded our production capacity in Germany and China.

Our order book was well filled at year-end 2018. On the basis of our order book and the potential to improve within the group, we are anticipating a good start to 2019. And barring unforeseen macro-economic developments, we expect to record higher turnover and a higher operating result for the full year.”

On the basis of the strong improvement in our result, in combination with the positive expectations for 2019, at the upcoming General Meeting of Shareholders we will submit a proposal to raise the dividend to € 0.48 per share.

FINANCIAL AND OPERATIONAL OVERVIEW

€ mln, unless otherwise stated	<u>2018</u>	<u>2017</u>	<u>Δ</u>
Net turnover	506.8	438.7	+15.5%
Order book (at year-end)	304.0	263.6	+15.3%
Order intake	547.2	556.6	-1.7%
Book-to-bill (ratio)	1.08	1.15	-6.1%

Net turnover increased entirely organically by 15.5% to € 506.8 million in 2018. The order book increased by 15.3% to € 304.0 million on the back of higher orders in all five market sectors. The order increase was highest in the semiconductor sector.

Net turnover – per market sector			
€ mln, unless otherwise stated	<u>2018</u>	<u>2017</u>	<u>Δ</u>
Industrial	152	143	+6.3%
Semiconductor	149	105	+41.9%
Automotive	130	103	+26.2%
Medical	56	55	+1.8%
Defence	12	15	-20.0%
Other	8	18	-55.6%
Total	507	439	+15.5%

The turnover growth was largely driven by higher turnover in the semiconductor and automotive (especially e-mobility) sectors.

€ mln, unless otherwise stated	<u>2018</u>	<u>2017</u>	<u>Δ</u>
Gross margin	195.2	171.3	+14.0%
Normalised operating result	22.0	15.3	+43.8%
Margin	4.3%	3.5%	

The gross margin came in 14.0% higher as a result of the higher activities levels. As a percentage of turnover, the gross margin declined slightly to 38.5% from 39.0% in 2017 as a result of a further shift in the mix towards more complex box-build systems.

Operating expenses rose by 11.0%, less than turnover, largely due to the improvement of our operational processes. Personnel expenses as a percentage of the gross margin declined to 68.6% in 2018 from 70.3% in 2017, which shows that we have improved the scalability of our organisation and that we were able to deploy employees more efficiently. As a result of this, the normalised operating result increased by 43.8% to € 22.0 million, which translates into a margin of 4.3%. The operating result including one-off items rose by 46.9% to € 21.0 million, compared with € 14.3 million in 2017.

€ mln, unless otherwise stated	<u>2018</u>	<u>2017</u>	<u>Δ</u>
Financing expenses (net)	2.0	1.6	25.0%
Tax rate	24.3%	21.8%	
Net result	14.4	9.9	45.5%
Earnings per share (€)	1.20	0.86	39.5%

The higher use of customer finance programmes and the increase in working capital as a result of the rising turnover led to a 25% increase in financing expenses.

At 24.3% in 2018, the tax rate was higher than in 2017. In 2017, this included the recognition of a tax credit of € 0.7 million in Germany. Net result and earnings per share were up by 45.5% and 39.5% to € 14.4 million and € 1.20 per share respectively, on the basis of 11,957,624 outstanding shares at year-end 2018.

DIVIDEND

Neways proposes to pay out a cash dividend of € 0.48 per share for the financial year 2018, subject to the approval of its shareholders at the upcoming General Meeting of Shareholders. The proposed dividend represents an increase of 37.1% and a pay-out ratio of 40%. The dividend will be made payable from 23 April 2019.

FINANCIAL CONDITION

€ mln, unless otherwise stated	<u>2018</u>	<u>2017</u>	<u>Δ</u>
Operational cash flow	7.6	3.2	+137.5%
Net cash flow	-4.5	-3.4	-32.4%
Investments	-12.1	-6.6	+83.3%

Net cash flow stood at € -4.5 million at year-end 2018, compared with € -3.4 million at year-end 2017. Neways' higher activity levels, combined with the scarcity of components in the chain, resulted in a rise in inventories. Inventory turnover, measured in days inventory outstanding (DIO), increased to 85 days at year-end 2018 from 76 days at year-end 2017. The number of days sales outstanding (DSO) stood at 36, the same level as 2017, due in part to the current customer finance programmes. The payables outstanding increased as a result of higher activity levels and was also higher in relative terms, at 64 days at year-end 2018, compared with 61 days at year-end 2017. The operating cash flow came in at € 7.6 million, a rise of 137.5% due to the higher result.

Capex rose by 83.3% to € 12.1 million (2.4% of net turnover) and was therefore above the level of depreciation. Investments were related to replacement and expansion investments in materials and tools and organisational improvements to facilitate growth. The main driver of the increase in investments was the expansion of production capacity to facilitate growth. In addition, Neways modernised its production facilities in Neunkirchen (Germany) and Wuxi (China). The expansions added a total of around 2,400 m² in production floor space in 2018. Over the past year, Neways also made preparations for the expansion of its facility in Děčín (Czech Republic), which will take place in 2019. The return on invested capital stood at 21.0% in 2018, compared with 16.5% in 2017.

	<u>Year-end 2018</u>	<u>End H1 2018</u>	<u>Year-end 2017</u>
Net debt / EBITDA	1.4	1.4	1.6
Interest coverage	11.2	10.8	10.2
Solvency ¹	41.9%	39.9%	44.0%

¹ Guaranteed equity as a percentage of the balance sheet total



Net debt stood at € 41.9 million at year-end 2018, an increase of 12.6% compared with year-end 2017, largely due to the refinancing of the working capital. EBITDA was up by 29.1% at € 30.2 million, compared with € 23.4 million at year-end 2017. The net debt / EBITDA ratio stood at 1.4, an improvement on the ratio at year-end 2017.

Interest coverage improved due to the improvement in profitability, which had a greater impact on the ratio than the rise in interest expenses. Solvency declined to 41.9% at year-end 2018, compared with 44.0% at year-end 2017, due to the strong increase in the balance sheet total.

At year-end 2018, Neways was operating within the parameters of its covenants. EBITDA for the last twelve months (LTM) was well above the required minimum of € 10.0 million. The guaranteed equity stood at € 102.7 million. The adjusted guaranteed equity (guaranteed equity less intangible fixed assets and deferred tax assets) stood at € 88.7 million at year-end 2018. This was above the agreed minimum of € 55.0 million.

EVENTS AFTER THE BALANCE SHEET DATE

In February 2019, Neways expanded its financing facility from € 52,5 million to € 65 million, at better terms. The covenants were set at a minimum adjusted guaranteed equity of € 55 million (unchanged) and a minimum EBITDA of € 12.5 million. The facility now runs to the start of 2022.

OUTLOOK

Our order book was well-filled at year-end 2018 and we have made a good start to 2019. At the same time, we are faced with a growing number of uncertainties in the global economy, while the shortage of components is set to continue for the foreseeable future. The chain is highly dependent on these components. Any breakdowns or delays among our own or other suppliers could result in our clients making adjustments to their plans.

It is up to us to work with our clients and other players in the chain to respond as effectively as possible to these market conditions. As a product life-cycle partner, we want to fulfil that role more effectively. In 2019, we will therefore continue with the implementation of our strategy with a clear focus on improvements to our operational processes and scalability, our client focus and our role as a chain director. Barring unforeseen macro-economic circumstances, we expect our net turnover and operating result for the full year 2019 to be higher than in 2018.

END

ABOUT NEWAYS

Neways Electronics International N.V. (Neways) is an international company active in the EMS (Electronic Manufacturing Services) market. Neways offers its clients custom-made solutions for the complete product life cycle (from product development to after-sales service) of both electronic components and complete (box-built) electronic control systems. Neways operates in a niche of the EMS market and focuses primarily on small to medium-sized specialist series, in which quality, flexibility and time-to-market play a crucial role. Neways products are used in sectors such as the semiconductor, medical, automotive, general industry and defence industries. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia and China, and the United States with a total of 2,998 employees at 31 December 2018. Neways recorded net turnover of € 506.8 million in 2018. Neways shares are listed on the Euronext Amsterdam stock exchange (symbol: NEWAY). www.newayselectronics.com

Not for publication:

INFORMATION

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MEDIA, ANALYST & INVESTOR MEETING

This press release is a translation of the original Dutch version. In the event of any inconsistencies, the Dutch version of this press release is leading.



Neways will hold a combined press conference / analysts' meeting on its full year 2018 results today, Thursday 21 February 2019, at 10.30 hours, at Crowne Plaza Hotel South, George Gershwinlaan 101 in Amsterdam. The presentation is available on Neways' corporate website www.newayselectronics.com

ANNUAL REPORT

Neways' annual report for the year ending 31 December 2018 will be published on 22 February 2019. From that date onward the annual report will be available online at www.newayselectronics.com

IMPORTANT DATES

21 February 2019 (today)	Publication annual results 2018
22 February 2019	Publication annual report 2018
11 April 2019	Annual General Meeting of Shareholders
11 April 2019	Publication trading update
27 August 2019	Publication interim results 2019

FORWARD-LOOKING INFORMATION / DISCLAIMER

This press release includes forward-looking statements. Other than reported financial results and historical information, all statements included in this press release, including, without limitation, those regarding our financial position, business strategy and management plans and objectives for future operations, are forward-looking statements. These forward-looking statements are based on our current expectations and projections about future events and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond Neways' ability to control or estimate precisely, such as future market conditions, the behaviour of other market participants and the actions of governmental regulators. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release and are subject to change without notice. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be traded, we have no intention or obligation to update forward-looking statements.

ADDENDA:

- Consolidated profit and loss account
- Consolidated balance sheet
- Consolidated cash flow statement
- Statement of changes in Group equity
- Additional data

Consolidated Profit and Loss Account

Amounts x € mln.	2018	2017
Turnover	506.8	438.7
Costs of materials	-310.9	-268.1
Change in work in progress and finished products	-0.7	0.7
Gross margin	195.2	171.3
Operating expenses		
Personnel costs	134.0	120.5
Depreciation and amortization tangible and intangible fixed assets	8.2	8.1
Other expenses	31.0	27.4
Total operating expenses	173.2	156.0
Normalized operating result	22.0	15.3
Financial expenses	-2.0	-1.6
Result from ordinary activities before taxes	20.0	13.7
Taxation on ordinary activities	-4.9	-3.7
Result from ordinary activities after taxes	15.1	10.0
Extraordinary expenses	-1.0	-1.0
Taxes extraordinary expenses	0.3	0.3
Valuation tax liability on loss compensation Germany	0.0	0.6
Net result	14.4	9.9

Consolidated Balance Sheet

Amounts x € mln.	31-12-2018	31-12-2017 *)
Assets		
Fixed assets	53.7	51.9
Tangible fixed assets	39.7	35.6
Intangible fixed assets	10.2	11.9
Deferred tax assets	3.8	4.4
Current assets	191.3	152.5
Inventories	115.2	98.0
Receivables	75.0	53.3
Corporate income tax	0.0	0.2
Cash and cash equivalents	1.1	1.0
Total assets	245.0	204.4
Liabilities		
Group equity	101.6	85.0
Long-term liabilities	7.1	11.7
Interest bearing loans	0.0	5.0
Provisions	0.7	0.9
Pension and long service awards liabilities	5.0	5.1
Deferred tax liabilities	1.4	0.7
Short-term liabilities	136.3	107.7
Bank overdrafts	41.8	32.9
Interest bearing loans	1.1	0.4
Trade creditors and other payables	82.9	66.1
Taxes and social security contributions	6.6	5.8
Corporate income tax	2.1	1.2
Provisions	1.8	1.3
Total equity and liabilities	245.0	204.4

*) Neways initially applied IFRS 9 and IFRS 15 from 1 January 2018. As a result of the chosen transition method, the comparative information has not been adjusted. IFRS 15 has led to a € 9.3 million reduction in inventories and a € 13.0 million increase in receivables per 31 December 2018.

Consolidated Cash Flow Statement

Amounts x € mln.	2018	2017
Cash flow from operating activities		
Results before tax	19.0	12.7
<i>Adjustments for:</i>		
Depreciation and amortization	9.2	9.1
Costs granted staff options	0.1	0.1
Costs granted performance shares	0.2	0.1
Finance costs	2.0	1.6
Interest paid	-1.9	-1.5
Change in provisions	-0.4	0.7
Received (paid) corporate income taxes	-3.3	-2.1
Changes in working capital *)	-17.3	-17.5
Total **)	7.6	3.2
Cash flow from investment activities		
Investments in intangible fixed assets	-0.2	-0.1
Investments in tangible fixed assets	-11.9	-6.5
Total **)	-12.1	-6.6
Cash flow from financing activities		
Repayments of interest bearing loans	-0.3	-6.0
More (less) use of bank overdrafts	8.9	13.0
Returns from options exercised	0.1	0.2
Dividends paid to shareholders	-4.2	-3.9
Total	4.5	3.3
Change in cash and cash equivalents		
Net exchange rate differences	0.1	-0.1
Cash and cash equivalents as per 1 January	1.0	1.2
Cash and cash equivalents as per 31 December		
	1.1	1.0
*) Changes in working capital		
Inventories	-26.5	-11.7
Accounts receivables	-8.8	-4.8
Trade creditors and other liabilities	18.0	-1.0
	-17.3	-17.5
**) Net cash flow		
	-4.5	-3.4

Statement of Changes in Group Equity

Amounts x € mln.	2018	2017 **)
Balance as per 1 January	85.0	78.9
Adjustment after initial application of IFRS 15 **)	2.1	0.0
Adjusted balance as per 1 January	87.1	78.9
Unrealised results	0.0	-0.2
Net result	14.4	9.9
Exercised share options	0.1	0.1
Issued share options and performance shares	0.3	0.2
Issued shares through conversion of loans	3.9	0.0
Dividends	-4.2	-3.9
Balance on 31 December	101.6	85.0

Additional Data

Amounts x € mln.	31-12-2018	31-12-2017
Operating result in % of turnover *)	4.3	3.5
Net result in % of turnover *)	2.8	2.3
Guaranteed equity in % of balance total	41.9	44.0
Average number of employees	2,943	2,750
Per ordinary share in €		
Operating result *)	1.84	1.33
Net earnings *)	1.26	0.87
Net earnings	1.20	0.86
Equity	8.50	7.40
Dividends	0.48	0.35
Number of outstanding shares x 1,000	11,958	11,481

*) Excluding exceptional charges and PPA

***) Neways initially applied IFRS 9 and IFRS 15 from 1 January 2018. As a result of the chosen transition method, the comparative information has not been adjusted. IFRS 15 has led to a € 9.3 million reduction in inventories and a € 13.0 million increase in receivables per 31 December 2018.