

## PRESS RELEASE

Annual results

# Neways records turnover of € 478.6 mln and positive cash flow of € 37.6 mln in 2020

**Son (the Netherlands), 26 February 2021** – Neways Electronics International N.V. (Euronext: NEWAY) ('Neways', or 'the Company') today announces its results for the financial year ending 31 December 2020.

### HIGHLIGHTS

- Net turnover declines by 10.3% to € 478.6 million due to reduced demand in Automotive and the automotive-related part of Industrial;
- Net cash flow increases to € 37.6 million due to focus on cash and strong improvement in working capital, and in particular inventories. € 8.8 million of this was due to the deferral of taxes and social security payments;
- Order book declines by 22.8% to € 225 million compared to last year, due to decline in orders from Automotive sector; orders from Medical and Semiconductor were stable or higher;
- Normalised operating result of € 7.9 million; decline limited due to rapid reduction of 200 (flexibly deployable) employees and strict cost controls;
- One-off charge of € 9.6 million (gross) for costs related to the previously announced reorganisation in Germany and the Netherlands; structural annual cost savings of around € 8 million in total;
- Net result including one-off reorganisation expense comes in at € -3.9 million.

### KEY FIGURES

€ mln unless otherwise stated	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Net turnover	<b>478.6</b>	<b>533.4</b>	-10.3%
Order book (as per year-end)	<b>225.0</b>	<b>291.4</b>	-22.8%
Gross margin	<b>175.6</b>	<b>196.6</b>	-10.7%
EBITDA	<b>21.7</b>	<b>30.3</b>	-28.4%
Normalised operating result <sup>1)</sup>	<b>7.9</b>	<b>15.9</b>	-50.3%
Operating result	<b>-2.5</b>	<b>15.1</b>	-116.3%
Net result	<b>-3.9</b>	<b>8.5</b>	-146.1%
Net cash flow	<b>37.6</b>	<b>16.4</b>	+129.3%

<sup>1)</sup> Excluding one-off reorganisation charge of € 9.6 million and PPA effect of € 0.7 million in 2020 (2019: PPA effect € 0.8 million)

### MESSAGE FROM THE CEO

Eric Stodel: "2020 was a challenging year, as we saw a drop in demand in Automotive due to the Covid-19 pandemic, translating into a decline in both turnover and result. The effective strategic spread across various sectors and, in particular, strong growth in Semiconductor partly compensated for the decline in turnover in Automotive. To offset the sharp and abrupt drop in demand in Automotive in the spring, we responded quickly through strict control of costs and investments and a strong focus on cash and working capital. In addition, we were able to close better agreements with clients, which greatly improved our inventories position and enabled us to realise a strong positive cash flow. We also immediately scaled down production and reduced working hours. Thanks to all the measures we took and the adaptability of our employees, we were able to ensure a safe working environment for everyone within the group without any significant disruptions to production.

The reorganisation announced in November is necessary to adapt the capacity utilisation in Germany to the reduced demand from Automotive on a structural basis. At the same time, we are implementing a number of organisational adjustments to bring the management of the operating companies involved, more in line with that of the group. For this purpose, we are taking a provision of € 9.6 million in total, which will be charged to the result for 2020. The structural cost savings will amount to approximately € 8 million on an annual basis and will be fully reflected in our results as from 2022.

If we look ahead, the Covid-19 pandemic is still creating a lot of uncertainty and increased vigilance. We do see an increase in order intake in the first two months of this year. Our priority for this year is to restructure the organisation and operations to align more effectively with our role as System Innovator and Product Life Cycle Partner, for which we see an increasing demand from our clients. We see this as the most important condition if we are to take profitability to a higher level. We will also invest in those knowledge areas where we see opportunities as a System Innovator to offer more advanced solutions that simultaneously help us to meet the growing demand for more complex (box-build) systems. Strengthening long-term partnerships with clients, standardising business processes and intensifying knowledge exchange will provide the basis for more profitable turnover and growth on a structural basis".

## FINANCIAL AND OPERATIONAL OVERVIEW

€ million unless otherwise stated	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Net turnover	<b>478.6</b>	<b>533.4</b>	-10.3%
Order book (as per year-end)	<b>225.0</b>	<b>291.4</b>	-22.8%
Order intake	<b>416.4</b>	<b>520.5</b>	-20.0%
Book-to-bill (ratio)	<b>0.87</b>	<b>0.98</b>	-10.9%

Net turnover declined by 10.3% to € 478.6 million compared to last year, primarily as a result of the turnover decline in Automotive and the automotive-related part of Industrial. We also chose to disengage from a number of clients with less profitable turnover.

Order intake declined by 20% due to postponements and a decline in demand in Automotive. The order intake from Semiconductor and Medical was higher than in 2019. The book-to-bill ratio came in at 0.87.

<b>Net turnover – per market sector</b>			
€ million unless otherwise stated	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Industrial	<b>144</b>	<b>163</b>	-11.5%
Semiconductor	<b>162</b>	<b>145</b>	+11.9%
Automotive	<b>114</b>	<b>160</b>	-28.5%
Medical	<b>53</b>	<b>54</b>	-2.3%
Other	<b>6</b>	<b>11</b>	n.a
<b>Total</b>	<b>479</b>	<b>533</b>	-10.3%

<sup>1)</sup> As of 2020, Neways no longer reports Defence separately and this is included in Industrial. The comparable figures for 2019 have been adjusted to reflect this.

Turnover from Automotive and Industrial declined by 28.5% and 11.5% respectively. After the temporary closures of the production facilities of major car manufacturers and the end of the first lockdowns in the first half of the year, we saw a cautious recovery in Automotive, although turnover levels remained well below those of the previous year. In Semiconductor turnover increased by 11.9% in 2020, while turnover in Medical came in close to the previous year's level.

€ million unless otherwise stated	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Gross margin	175.6	196.6	-10.7%
Normalised operating result	7.9	15.9	-50.3%
Margin	1.6%	3.0%	-44.8%

The gross margin declined by 10.7%. As a percentage of turnover, the gross margin remained stable at 36.7%. Lower demand from Automotive had a positive impact on the mix in the relative margin, but this was offset by the increase in demand for box-build systems.

Operating expenses (excluding the one-off reorganisation charge) fell by 7.2% to € 167.7 million for the full year 2020. This cost reduction was mainly driven by the reduction of our flexible shell of temporary staff and indirect staff, by the short-time work benefit (Kurzarbeit) scheme in Germany and by other cost savings.

Personnel expenses fell by 7.9% to € 127.6 million. Relative to the gross margin, personnel costs increased to 72.7% in 2020 from 70.4% in 2019, mainly due to the fact that the workforce reduction could not keep pace with the sharp and abrupt drop in demand from Automotive in the spring.

The normalised operating result declined by 50.3% to € 7.9 million. The € 9.6 million provision taken for the previously announced reorganisation in Germany and the Netherlands consisted mainly of redundancy costs, costs for restructuring organisational processes and a write-down on inventories. Including this one-off expense, the operating result amounted to € -2.5 million.

€ million unless otherwise stated	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Financing expenses (net)	2.1	2.9	-28.6%
Tax charge	-13.7%	30.2%	-145.3%
Net result	-3.9	8.5	-146.1%
Earnings per share (€)	-0.32	0.70	-145.7%

Strict working capital controls and the resulting lower average debt position resulted in a 28.6% decline in financing costs when compared with 2019. Due to the loss in Germany, there will be a tax gain in 2020, with the tax asset added to the provision for tax loss carry-forwards. The net result amounted to € -3.9 million.

## DIVIDEND

Neways reported a net loss for 2020. In line with the dividend policy, Neways will therefore propose to the General Meeting of Shareholders not to pay-out dividend for the 2020 financial year. In 2022, Neways intends to pay-out the withdrawn 2019 fiscal year dividend, barring unforeseen circumstances.

## FINANCIAL CONDITION

€ million unless otherwise stated	<u>2020</u>	<u>2019</u>	<u>Δ</u>
Operational cash flow	40.9	29.4	+39.1%
Net working capital (as per year-end)	60.4	81.5	-25.9%
Investments	-3.3	-13.0	-74.2%
Net cash flow	37.6	16.4	+129.3%

Operational cash flow increased by 39.1% to € 40.9 million on the back of our increased focus on costs and cash following the outbreak of the Covid-19 pandemic. Working capital declined by 25.9%, mainly due to a strong reduction of the inventories position (-18.2%). The inventory turnover rate, measured in days of realised turnover, had fallen to 69 at year-end 2020, from 72 at year-end 2019. The number of

days sales outstanding improved to 35 from 38 in 2019 and is at a low level. Outstanding payables had fallen to 50 days at year-end 2020 from 56 days at year-end 2019, due to faster payments.

As a precautionary measure, Neways has made use of several government schemes. In Germany, for instance, we made use of the Kurzarbeit short-time work benefit scheme, while in the Netherlands we made use of the NOW wage compensation scheme and obtained a deferral for the payment of taxes and social security contributions, which had a positive impact of € 8.8 million effect on our cash flow. As Neways ultimately did not meet the criterion of a minimum 20% decline in turnover for the NOW wage compensation, we repaid the advance payment in the first months of 2021.

Capex declined by € 9.7 million to € 3.3 million (0.7% of turnover) and is well below the level of depreciation, partly due to the temporary investment freeze in response to the Covid-19 pandemic. In 2020, Neways limited investments to essential replacement investments.

Net cash flow was strong at € 37.6 million for 2020, more than double the figure recorded in 2019.

	<u>Year-end 2020</u>	<u>Year-end 2019</u>
Net debt / EBITDA	1.5	2.2
Interest coverage	3.8	5.4
Solvency <sup>1</sup>	43.6%	38.2%

<sup>1</sup> Guaranteed equity as a percentage of the balance sheet total

Net debt stood at € 33.5 million (including € 30.9 million lease obligations) at year-end 2020, a decline of 51.7% compared with year-end 2019, as a result of the strong positive cash flow.

As per year-end 2020, Neways met the covenants on its outstanding credit facility. The banks have issued a waiver for the restructuring provision. Normalised EBITDA for the last twelve months (LTM) was € 16.5 million, well above the required minimum of € 12.5 million. Guaranteed equity amounted to € 102.0 million. The adjusted guaranteed equity (guaranteed equity less intangible fixed assets and deferred tax assets) amounted to € 92.9 million at year-end 2020. This is well above the agreed minimum of € 55.0 million. Solvency had increased to 43.6% at year-end 2020, from 38.2% a year earlier.

## **PROGRESS WITH REORGANISATION**

The reorganisation in the Netherlands and Germany began at the end of 2020. In addition to the reduction of 200 FTEs in 2020, the number of employees will be reduced by an additional 150 FTEs as a result of the reorganisation. The structural cost savings will be approximately € 8 million on an annual basis and will be fully reflected in our results from 2022 onwards. This reduction will bring capacity utilisation structurally in line with the expected demand in Automotive and will harmonise working processes. This will enable us to create a stronger foundation for future growth and free up capacity for clients that are a better fit with our role as System Innovator. We expect to complete the reorganisation in the second quarter of 2021.

## **OUTLOOK**

Neways will start 2021 with a lower order portfolio than at the start of 2020. However, order intake has picked up across the board in the first months of 2021, and we are also seeing an increase in interest in and demand for System Innovator solutions. Looking at the sectors, Semiconductor is still as strong as ever, while Medical and Industrial clients are more positive in their planning and projections. Automotive is showing a cautious recovery, but the e-mobility market remains erratic, especially because it still has to settle. In combination with the recent shortage of automotive components, this leads to limited visibility for this part of our activities. We are closely monitoring Covid-19 developments and remain alert to our cost levels and cash flow.



We expect to complete the reorganisation in the first half of 2021. Parallel to this, we are focusing on strengthening the order portfolio and the accelerated implementation of the ONE Neways programme. Looking further ahead, we see that Neways is in an excellent position in strategic growth sectors, with growing demand for increasingly complex systems. As a System Innovator, we anticipate these trends and raise Neways' profitability to a higher level on a structural basis in the coming years.

**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 and Industrial. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia, China and the United States, with a total of 2,598 employees at year-end 2020. Neways recorded net turnover of € 478.6 million in 2020. Neways shares are listed on the Euronext Amsterdam stock exchange (symbol: NEWAY).

[www.newayselectronics.com](http://www.newayselectronics.com)

**Contact information, not for publication**

**FOR MORE INFORMATION**

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**MEDIA / ANALYSTS SESSION**

The live teams webinar for media and analysts will start at 10.30 hours today, Friday 26 February. The presentation will be made available via our website: [www.newayselectronics.com](http://www.newayselectronics.com).

**IMPORTANT DATES**

26 February 2021 (today)	Publication annual results 2020
26 February 2021 (today)	Publication annual report 2020
19 April 2021	Publication trading update
19 April 2021	General Meeting of Shareholders
25 August 2021	Publication half-year results 2021

**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.	2020	2019
<b>Turnover</b>	<b>478.6</b>	<b>533.4</b>
Costs of materials	-303.0	-336.8
<b>Gross margin</b>	<b>175.6</b>	<b>196.6</b>
<b>Operating expenses</b>		
Personnel costs	127.6	138.5
Depreciation and amortization tangible and intangible fixed assets	13.8	14.4
Other operating expenses	26.3	27.8
<b>Total operating expenses</b>	<b>167.7</b>	<b>180.7</b>
<b>Normalised operating result</b>	<b>7.9</b>	<b>15.9</b>
Financial expenses	-2.1	-2.9
<b>Result from ordinary activities before taxes</b>	<b>5.8</b>	<b>13.0</b>
Taxation on ordinary activities	-2.3	-3.9
<b>Result from ordinary activities after taxes</b>	<b>3.5</b>	<b>9.1</b>
Extraordinary expenses	-10.3	-0.8
Taxes extraordinary expenses	2.9	0.2
<b>Net result</b>	<b>-3.9</b>	<b>8.5</b>

## Consolidated Balance Sheet

Amounts x € mln.	31/12/2020	31/12/2019
<b>Assets</b>		
<b>Fixed assets</b>	<b>83.2</b>	<b>90.3</b>
Tangible fixed assets	69.4	78.3
Intangible fixed assets	6.9	8.5
Deferred tax assets	6.9	3.5
<b>Current assets</b>	<b>151.0</b>	<b>187.4</b>
Inventories	82.3	100.7
Receivables	66.7	84.5
Cash and cash equivalents	2.0	2.2
<b>Total assets</b>	<b>234.2</b>	<b>277.7</b>
<b>Liabilities</b>		
<b>Group equity</b>	<b>102.0</b>	<b>106.1</b>
<b>Long-term liabilities</b>	<b>32.6</b>	<b>36.9</b>
Lease liabilities	25.8	29.5
Provisions	0.0	0.6
Pension and long service awards liabilities	5.6	5.4
Deferred tax liabilities	1.2	1.4
<b>Short-term liabilities</b>	<b>99.6</b>	<b>134.7</b>
Bank overdrafts	4.6	36.5
Lease liabilities	5.1	5.4
Trade creditors and other payables	68.7	82.9
Taxes and social security contributions	9.4	7.2
Corporate income tax	3.2	1.6
Provisions	8.6	1.1
<b>Total shareholders equity and liabilities</b>	<b>234.2</b>	<b>277.7</b>

## Consolidated cash flow statement

Amounts x € mln.	2020	2019
<b>Cash flow from operating activities</b>		
Results before tax	-4.5	12.2
<i>Adjustments for:</i>		
Depreciation and amortization	14.5	14.4
Costs employee options granted	0.0	0.1
Costs employee performance shares awarded	-0.1	0.4
Finance costs	2.1	2.9
Interest paid	-1.6	-2.6
Change in provisions	7.0	-0.8
Received (paid) corporate income taxes	-1.3	-3.9
Changes in working capital *)	24.8	6.7
<b>Total **)</b>	<b>40.9</b>	<b>29.4</b>
<b>Cash flow from investment activities</b>		
Investments in intangible fixed assets	0.0	-0.1
Investments in tangible fixed assets	-3.3	-12.9
<b>Total **)</b>	<b>-3.3</b>	<b>-13.0</b>
<b>Cash flow from financing activities</b>		
Payments pursuant to leases	-5.8	-4.8
Use of bank overdrafts	-31.9	-5.3
Proceeds from options exercised	0.0	0.5
Dividends paid to shareholders	0.0	-5.8
<b>Total</b>	<b>-37.6</b>	<b>-15.4</b>
<b>Change in cash and cash equivalents</b>	<b>-0.1</b>	<b>1.0</b>
Net exchange rate differences	-0.1	0.1
Cash and cash equivalents as per 1 January	2.2	1.1
<b>Cash and cash equivalents as per 31 December</b>	<b>2.0</b>	<b>2.2</b>
<b>*) Changes in working capital</b>		
Inventories	18.4	13.6
Receivables	17.8	-9.5
Trade creditors and other liabilities	-11.4	2.6
	<b>24.8</b>	<b>6.7</b>
<b>**) Net cash flow</b>	<b>37.6</b>	<b>16.4</b>

## Statement of changes in group equity

Amounts x € mln.	2020	2019
<b>Balance as per 1 January</b>	<b>106.1</b>	<b>101.6</b>
Other comprehensive income	-0.1	-0.3
Net result	-3.9	8.5
Exercised share options	0.0	0.5
Issuance of performance shares	-0.1	0.5
Issued shares through conversion of loans	0.0	1.1
Dividends	0.0	-5.8
<b>Balance on 31 December</b>	<b>102.0</b>	<b>106.1</b>

## Additional data

Amounts x € mln.	31/12/2020	31/12/2019
Operating result as % of turnover *)	1.7%	3.0%
Net result as % of turnover *)	-0.8%	1.6%
Guaranteed equity as % of balance total	43.6%	38.2%
Average number of employees	2,705	2,940
<b>Per ordinary share in €</b>		
Operating result *)	0.65	1.31
Net earnings *)	0.29	0.75
Net earnings	-0.32	0.70
Total equity	8.38	8.84
Dividends	0.00	0.28
Number of outstanding shares x 1.000	12,174	12,150

\*) Excluding exceptional charges and PPA