PRESS RELEASE

Annual results

NEWAYS RECORDS RISING MARGINS AND MORE PROFIT; STRONGLY POSITIONED FOR 2022 WITH WELL-FILLED ORDER BOOK

Son, 25 February 2022 – 07:00 - Neways Electronics International N.V. (Euronext: NEWAY) ('Neways'), today announces the results for the financial year ending on 31 December 2021.

HIGHLIGHTS

- Net turnover of € 469.5 million, 1.9% lower than in 2020, largely due to the rationalization of less profitable customers. Growth with existing clients was dampened by continued material shortages and supply chain disruptions;
- Order intake up by 47.4% to € 613.5 million in 2021; order portfolio increases to € 364.3 million at year-end 2021, a rise of 61.9% compared with year-end 2020, driven by a recovery in Automotive, increasing demand in Medical and continued growth in demand in Semiconductor;
- Gross margin as a percentage of turnover increases to 39.2% from 36.7%, driven by Neways' focus on profitable turnover and positive mix effects;
- Normalised EBITDA rises by 26.7% to € 27.5 million in 2021, primarily driven by improvement in gross margin;
- Normalised operating result increases by 86.1 % to € 14.7 million;
- Net result recovers strongly and rises to € 8.7 million (€ 0.71 per share), compared to a net loss of € 3.9 million in 2020;
- Net cash flow comes in at a negative € 33.4 million, among other things, due to higher working capital utilisation, one-off cash-out effects related to the reorganisation in Germany and the integration of two operating companies in the Netherlands, plus the payment of deferred taxes;
- Neways is strongly positioned for further growth in 2022. The order book is well filled, market developments are positive and the demand for System Innovator solutions is gaining traction among our clients. Continued supply chain disruptions, high energy costs and rising inflation could have a dampening effect on turnover and profit growth in 2022.

KEY FIGURES

€ million stated otherwise	2021	2020	Δ
Net turnover	**469.5**	478.6	-1.9%
Order book (at year-end)	**364.3**	225.0	61.9%
Gross margin	**183.9**	175.6	4.7%
Normalised EBITDA[1]	**27.5**	21.7	26.7%
Normalised operating result[2)]	**14.7**	7.9	86.1%
Operating result	**12.6**	-2.5	n.a.
Net result	**8.7**	-3.9	n.a.
Net cash flow	**-33.4**	37.6	n.a.

[1] 2021: Excluding consultancy costs public offers (€ 1.6 million) and release of reorganisation charge (€ -/-0.2 million); 2020: Excluding one-off reorganization charge (€ 9.6 million).

[2] 2021: Excluding PPA effect (€ 0.7 million), consultancy costs public offers (€ 1.6 million) and release of reorganisation charge (€ -/-0.2 million); 2020: Excluding PPA effect (€ 0.7 million) and one-off reorganization charge (€ 9.6 million). The PPA is related to the acquisition of BuS Groep in 2014.

MESSAGE FROM THE CEO

Eric Stodel: "In the second half year we continued the strong trend as seen in the first half of 2021. We saw a strong improvement in our margin, primarily as a result of more deliberate choices, positive mix effects and a strong focus on offering greater added value. We also managed to limit the impact of international supply chain disruptions on our margins. In combination with our OneNeways transformation, this led to recovery and improvement of our profitability.

Due to the rationalization of less profitable customers, turnover is slightly lower in 2021 than in 2020, and turnover growth with existing clients was limited by shortages of materials and supply chain disruptions. On the other hand, strong demand resulted in a well-filled order book at the start of the new year. The recovery in the Automotive market is continuing and the number of long-term initiatives in other market sectors, including Medical, are now starting to translate into higher order intake. The demand in the Semiconductor sector is still very strong and we expect this to continue in the year ahead.

In terms of deploying our strategy, we are well on schedule. We are making increasingd headway in our positioning as a System Innovator, focusing on providing our clients with greater added value. For instance, we gained a number of new clients last year, divided across all our strategic market sectors, and at the same time saw continued growth in our pipeline of prospects. We also made solid progress in our transformation to OneNeways, which is helping to make our organisation more efficient and to optimise the delivery of services to our clients.

In 2022, the ongoing supply chain disruptions, high energy costs and rising inflation could have a dampening effect on our turnover growth and/or our profitability. Despite this, we are in a good starting position for 2022. Our order portfolio is well filled and we will continue to offer high-grade solutions in order to strengthen our competitive position and improve our profitability. We are seeing an increasing demand for these solutions from our clients and we will continue to invest in distinctive innovative technologies that contribute to the energy transition, the growth of the semiconductor industry and high-grade medical solutions."

FINANCIAL AND OPERATIONAL OVERVIEW

€ million unless otherwise stated	2021	2020	Δ
Net turnover	**469.5**	**478.6**	-1.9%
Order portfolio (at year-end)	**364.3**	**225.0**	61.9%
Order intake	**613.5**	**416.4**	47.4%
Book-to-bill (ratio)	**1.31**	**0.87**	50.2%

We deliberately chose to discontinue selected clients with less profitable turnover. Continued turnover growth with our existing clients was dampened by the impact of ongoing material shortages, especially in the Automotive sector. Our order intake increased by 47.4%, driven by increasing demand from the Automotive and Medical sectors and continued strong demand from the Semiconductor sector. We are seeing a continuation of our recovery in 2022.

Net turnover – per market sector			
€ million unless otherwise stated	2021	2020	Δ
Industrial	**131.1**	144.3	-9.2%
Semiconductor	**180.9**	162.2	11.5%
Automotive	**106.3**	114.3	-7.0%
Medical	**50.1**	52.7	-5.1%
Other	**1.1**	5.0	-77.1%
Total	**469.5**	478.6	-1.9%

In the Semiconductor sector, turnover was up 11.5%, driven by continued strong demand for electronic components. The decline in the Automotive and Industrial sectors was primarily due to the downscaling of loss-making clients. Turnover growth with our existing clients in these sectors was dampened by persistent supply chain disruptions. However, we saw a strong increase in order intake in all these sectors compared with 2020.

€ mln unless otherwise stated	2021	2020	Δ
Gross margin	**183.9**	175.6	4.7%
Gross margin as % of net turnover	***39.2%***	*36.7%*	n.a.
Normalised EBITDA[1)]	**27.5**	21.7	26.7%
Normalised EBITDA als % of net turnover[1)]	***5.9%***	*4.5%*	n.a.
Normalised operating result[2)]	**14.7**	7.9	86.1%
Normalised EBIT margin[2)]	***3.1%***	*1.7%*	n.a.

[1] 2021: Excluding consultancy costs public offers (€ 1.6 million) and release of reorganisation charge (€ -/-0.2 million); 2020: Excluding one-off reorganization charge (€ 9.6 million).
[2] 2021: Excluding PPA effect (€ 0.7 million), consultancy costs public offers (€ 1.6 million) and release of reorganisation charge (€ -/-0.2 million); 2020: Excluding PPA effect (€ 0.7 million) and one-off reorganization charge (€ 9.6 million). The PPA is related to the acquisition of BuS Groep in 2014.

As a percentage of turnover, the gross margin improved to 39.2% from 36.7%. This was largely due to positive mix effects and a stronger focus on higher added value activities. Neways managed to limit the impact of higher material and logistics costs in connection with the disruptions in the supply chain thanks to strict chain management, close cooperation and improved agreements with clients.

Neways' operating expenses, excluding depreciation and amortisation, increased by 1.6% to € 156.4 million. Personnel expenses rose by 2.0% to € 130.1 million. In 2021, Neways completed the reorganisation in Germany and the integration of two operating companies in the Netherlands, which led to a reduction in the number of employees of around 170 FTEs.

To meet the strong market demand, Neways also opted for a targeted increase in capacity using both permanent and flexible staff. On balance, the total number of FTEs at year end was around the same as at year-end 2020. Operating costs are excluding € 1.6 million in one-off consultancy costs related to the public offers and a € 0.2 million release from the previous year's reorganisation charge.

Normalised EBITDA increased by 26.7% to 27.5 mln in 2021 due to the focus on profitable turnover growth. The normalised operating result rose by 86.1% to € 14.7 million, which corresponds with an operating margin of 3.1%.

€ million unless otherwise stated	2021	2020	Δ
Financing expenses (net)	**1.7**	2.1	-16.6%
Tax rate	**19.7%**	-13.7%	n.a.
Net result	**8.7**	-3.9	n.a.
Earnings per share (€)	**0.71**	-0.32	n.a.

Financing expenses declined by € 0.4 million as a result of lower credit use in the first half of the year. The tax rate increased to 19.7% in 2021. The tax rate was lower due to tax loss carry-forwards in Germany at a higher tax rate. In 2020 Neways recognised a tax asset as a result of the losses in Germany and the tax asset was added to the provision for tax loss carry-forwards. The number of outstanding ordinary shares stood at 12,270,134 at year-end 2021, which resulted in earnings per share of € 0.71.

DIVIDEND
Since the General Meeting of Shareholders held in 2015, Neways dividend policy has been to pay out a maximum of 40% of its profit after tax as dividend. In view of the current, much simplified shareholder structure, with a shareholder that holds almost the entire issued capital following a public bid, the Board of Directors and the Supervisory Board believe it would be appropriate to deviate from this dividend policy. The proposed dividend pay-out falls within the parameters laid down in the articles of association, the legal framework and agreements laid down in the company's bank financing.

Neways will propose to the General Meeting of Shareholders to pay out a dividend of € 1.06 per share over 2021, to be paid from the retained earnings reserve recognised in the financial statements. Neways will also propose to the General Meeting that, as stated at the General Meetings of Shareholders held in 2020 and 2021, the dividend for 2019, of € 0.28 per share, will be paid from the retained earnings reserve. The latter dividend proposal was withdrawn on 16 April 2020, due to the uncertain situation at the time regarding the Covid-19 pandemic.

FINANCIAL CONDITION

€ million unless otherwise stated	2021	2020	Δ
Operational cash flow	**-29.0**	40.9	-170.9%
Net working capital (at year-end)	**112.0**	60.4	85.4%
Investments	**-4.4**	-3.3	33.3 %
Net cash flow	**-33.4**	37.6	-188.8 %

The net cash flow came in at a negative € 33.4 million, among other things due to higher working capital utilisation and higher cash out in connection with the reorganisation in Germany and the combination of two operating companies in the Netherlands announced at the end of 2020, plus the payment of taxes to the government that were deferred in early 2021 due to Covid-19.

Net working capital increased by 85.4% to € 112.0 million, compared with € 60.4 million at year-end 2020. This was driven by an increase in inventories in anticipation of stronger demand, ongoing supply chain disruptions, the scarcity of components and the deliberate choice, in consultation with our clients, to build up extra inventories to guarantee deliveries. This resulted in an inventory turnover rate, measured in days of realised turnover, of 110 days at year-end 2021, compared with 69 days at year-end 2020. The number of days sales outstanding had risen to 41 days, six days higher than at year-end 2020, largely driven by higher turnover in December. The number of outstanding days payable ended at 56 days, six days higher than at year-end 2020. Neways expects the scarcity of components to continue for a large part of 2022, and our focus will therefore be on strict working capital management to control the impact of this scarcity.

Besides the start of the construction of a new production facility of approximately 15,000m2 in Slovakia, no large changes in our investment plans are expected in 2022.

	Year-end 2021	Year-end 2020
Net debt / normalised EBITDA	**2.5**	1.5
Interest coverage[1)]	8.5	3.8
Solvency[2)]	**37.7%**	43.6%

[1] EBIT divided by interest expenses
[2] Shareholders' equity divided by the balance sheet total

The improvement in the interest coverage was a direct consequence of the improved profitability and the lower interest expenses due to the limited use of credit in the first half of the year. The decline in solvency at year-end 2021 was due to the sharp rise in working capital utilisation, which was offset only to a limited degree by the increase in shareholders' equity. At the start of 2022, the current credit facility was increased to € 80 million from € 65 million, with covenants unchanged.

OUTLOOK

Neways is in a strong position for 2022. Our order book is well filled and we will continue to offer more high-grade solutions to further improve our competitive position and increase our profitability. We are seeing increasing client demand for our System Innovator solutions and we will continue to invest in distinctive innovative technologies that contribute to the energy transition, the growth of the semiconductor industry and high-grade medical solutions. At the same time, continued supply chain disruptions, high energy costs and rising prices for electronic components could have a dampening effect on our turnover growth and/or results in 2022.

Together with our new shareholder Infestos, we are accelerating our transition and we will focus even more explicitly on innovative systems that help to create a more sustainable economy. Propelled by the energy transition, we see a rapid increase in demand for complex and smart electronic systems in all our end markets.

At the same time, through our OneNeways transformation, we will invest in intensifying the collaboration between our operating companies and the harmonisation of our operating processes. We started the roll-out of this transformation in 2021 and we will continue with this process in 2022. In the coming months, we will provide more information on our chosen strategy and our priorities for the years ahead.

If we look beyond the immediate future, Neways is in an excellent position in its strategic growth sectors, with increasing demand for more and more complex systems and high-grade technological innovations. We are confident that we are on the right path to using our know-how and expertise to provide our clients with a broader range of products and services in the years ahead. Strengthening our long-term partnerships with clients even further puts us in an excellent position to take maximum advantage of this position and by doing so take Neways' profitability to a structurally higher level in 2022 and the years beyond.

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 2,589 employees at year-end 2021. Neways recorded net turnover of € 469.5 million in 2021. Neways shares are listed on the Euronext Amsterdam stock exchange (symbol: NEWAY). www.newayselectronics.com

Not for publication

FOR MORE INFORMATION

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MEDIA / ANALYST MEETING

Neways will hold a combined press conference / analysts' meeting on its full year 2021 results today, Friday 25 February 2022, at 14.00 hours, at Science Park Eindhoven 5010 in Son. A live webcast of the meeting is available via this link.

IMPORTANT DATES

25 February 2022 (today)	Publication annual results 2021
25 February 2022 (today)	Publication annual report 2021
21 April 2022	General Meeting of Shareholders

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. This document includes information that qualifies as insider information in the sense of article 7(1) of (EU) Directive No. 596/2014 relating to market abuse.

In the presentation and discussion of Neways' financial position, operating results and cash flows, the management uses certain non-IFRS financial criteria. These non-IFRS financial criteria should not be seen in themselves as alternatives for the equivalent IFRS criteria and should be used in conjunction with the most directly comparable IFRS criteria. Non-IFRS financial criteria have no standardised meaning under IFRS and therefore may not be comparable with similar criteria presented by other companies. For the audited financial results, we refer to the financial statements available on the website www.newayselectronics.com.

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.	2021	2020
Turnover	**469.5**	**478.6**
Costs of materials	-285.6	-303.0
Gross margin	**183.9**	**175.6**
Operating expenses		
Personnel costs	130.1	127.6
Depreciation and amortization		
Tangible and intangible fixed assets	12.8	13.8
Other operating expenses	26.3	26.3
Total operating expenses	**169.2**	**167.7**
Normalized operating result[1)]	**14.7**	**7.9**
Financial expenses	-1.7	-2.1
Result from ordinary activities before taxes	**13.0**	**5.8**
Taxation on ordinary activities	-2.8	-2.3
Result from ordinary activities after taxes	**10.2**	**3.5**
Extraordinary expenses[1)]	-2.1	-10.3
Taxes extraordinary expenses	0.6	2.9
Net result	**8.7**	**-3.9**

[1)] Results in the financial statement are corrected for 2021: Excluding PPA effect (€ 0.7 million), consultancy costs public offers (€ 1.6 mln) and release of reorganisation charge (€ -/-0.2 million); 2020: Excluding PPA effect (€ 0.7 million) and one-off reorganization charge (€ 9.6 million). The PPA is related to the acquisition of BuS Groep in 2014.

Consolidated Balance Sheet

Amounts x € mln.	31-12-2021	31-12-2020
Assets		
Fixed assets	**77.3**	**83.2**
Tangible fixed assets	63.2	69.4
Intangible fixed assets	5.8	6.9
Deferred tax assets	8.3	6.9
Current assets	**219.0**	**151.0**
Inventories	140.9	82.3
Receivables	74.1	66.7
Cash and cash equivalents	4.0	2.0
Total assets	**296.3**	**234.2**
Liabilities		
Group equity	**111.8**	**102.0**
Long-term liabilities	**29.1**	**32.6**
lease liabilities	22.1	25.8
Provisions	1.3	0.0
Pension and long service awards liabilities	5.0	5.6
Deferred tax liabilities	0.7	1.2
Short-term liabilities	**155.4**	**99.6**
Bank overdrafts	45.0	4.6
lease liabilities	5.3	5.1
Trade creditors and other payables	97.0	68.7
Taxes and social security contributions	5.9	9.4
Corporate income tax	1.3	3.2
Provisions	0.9	8.6
Total group equity and liabilities	**296.3**	**234.2**

Consolidated Cash Flow Statement

Amounts x € mln.		2021		2020	
Cash flow from operating activities					
Results before tax		10.9		-4.5	
Adjustments for:					
Depreciation and amortization		13.5		14.5	
Costs employee options granted		0.0		0.0	
Costs employee performance shares awarded		0.0		-0.1	
Finance costs		1.7		2.1	
Interest paid		-1.2		-1.6	
Change in provisions		-6.7		7.0	
Received (paid) corporate income taxes		-6.0		-1.3	
Changes in working capital *)		-41.2		24.8	
	Total **)		**-29.0**		**40.9**
Cash flow from investment activities					
Investments in intangible fixed assets		0.0		0.0	
Investments in tangible fixed assets		-4.4		-3.3	
	Total **)		**-4.4**		**-3.3**
Cash flow from financing activities					
Payments pursuant to leases		-5.8		-5.8	
Use of bank overdrafts		40.4		-31.9	
Returns from options excercised		0.8		0.0	
Dividends paid to shareholders		0.0		0.0	
	Total		**35.4**		**-37.7**
Change in cash and cash equivalents			**2.0**		**-0.1**
Net exchange rate differences			0.0		-0.1
Cash and cash equivalents as per 1 January			2.0		2.2
Cash and cash equivalents as per 31 December			**4.0**		**2.0**

	2021	2020
***) Changes in working capital**		
Inventories	-58.6	18.4
Receivables	-7.4	17.8
Trade creditors and other liabilities	24.8	-11.4
	-41.2	**24.8**

	2021	2020
****) Net cash flow**	**-33.4**	**37.6**

Statement of Changes in Group Equity

Amounts x € mln.	2021	2020
Balance as per 1 January	**102.0**	**106.1**
Unrealised results	0.3	-0.1
Net result	8.7	-3.9
Exercised share options	0.8	0.0
Issuance of performance shares	0.0	-0.1
Balance on 31 December	**111.8**	**102.0**

Additional data

	31-12-2021	31-12-2020
Amounts x € mln.		
Operating result as % of turnover *)	3.1%	1.7%
Net result as % of turnover *)	1.9%	-0.8%
Guaranteed equity as % of balance total	37.7%	43.6%
Average number of employees	2,542	2,705
Per ordinary share in €		
Operating result *)	1.20	0.65
Net earnings *)	0.83	0.29
Net earnings	0.71	-0.32
Total equity	9.11	8.38
Dividends	1.06	0.00
Number of outstanding shares x 1,000	12,270	12,174

*) Excluding exceptional charges and PPA