

PRESS RELEASE

Annual results

Neways turnover up 4.9% at € 531.7 million; operating result of € 15.1 million in 2019

Son (the Netherlands), 21 February 2020 – Neways Electronics International N.V. (Euronext: NEWAY) (“Neways” or the “Company”), today announces its results for the financial year ending on 31 December 2019.

HIGHLIGHTS

- Net turnover up by 4.9% to € 531.7 million on the back of strong demand in Automotive (in particular e-mobility)
- Order book down by 4.1% to € 291.4 million, but remains at a healthy level
- EBITDA comes in at € 30.3 million (including IFRS 16 effect of € 5.1 million), compared to € 30.2 million in 2018
- Operating result comes in at € 15.1 million, down € 5.9 million from 2018 but in line with the adjusted profit forecast published in January
- Net cash flow increased by € 20.9 million to € 16.4 million, largely due to a strong reduction in inventories
- Net result of € 8.5 million, which translates to € 0.70 per share; cash dividend proposal of € 0.28 per share (40% pay-out in line with the dividend policy)
- Changes in the composition of the Supervisory Board and an increase from three to four members

KEY FIGURES

€ mln unless otherwise stated	2019	2019 exIFRS16	2018	Δ
Net turnover	531.7		506.8	+4.9%
Order book (as per year-end)	291.4		304.0	-4.1%
Gross margin	196.6		195.1	+1.1%
EBITDA	30.3	25.2	30.2	+0.3%
Normalised operating result ¹⁾	15.9		22.0	-27.7%
Operating result	15.1		21.0	-28.1%
Net result	8.5		14.4	-41.0%
Net cash flow	16.4		-4.5	N/A

¹⁾ Excluding Purchase Price Amortisation (PPA) effect of € 0.8 million in 2019. The PPA is related to the acquisition of BuS Groep in 2014.

MESSAGE FROM THE CEO

Eric Stodel: “Neways recorded healthy turnover growth in 2019, but at the same time this growth was accompanied by sharp fluctuations in demand. This puts high requirements on our internal organisation and our business processes. Despite our efforts, Neways was unable to turn turnover growth into healthy profit growth in 2019. The priorities for 2020 are therefore to increase productivity and flexibility, to position technological solutions with higher added value and to improve the agreements with customers to make Neways' operational and financial performance more robust and raise it to a higher level on a structural basis.

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At the start of 2020, the order book is well filled and there is a balanced spread between the sectors that are important to Neways, such as the automotive market (including e-mobility), healthcare, the semiconductor industry, industrial automation, power & energy and agri-business.”

FINANCIAL AND OPERATIONAL OVERVIEW

€ mln unless otherwise stated	2019	2018	Δ
Net turnover	531.7	506.8	+4.9%
Order book (at year-end)	291.4	304.0	-4.1%
Order intake	520.5	547.2	-4.9%
Book-to-bill (ratio)	0.98	1.08	-9.3%

Net turnover increased fully organically by 4.9% to € 531.7 million. The decrease in the order book to € 291.4 million at year-end 2019 is due to less forward planning of orders by clients because of the reduced scarcity of components. The order book is at a healthy level at year-end.

Net turnover – per market sector			
€ mln unless otherwise stated	2019	2018	Δ
Industrial	163	164	-0.8%
Semiconductor	145	149	-3.0%
Automotive	160	130	+23.8%
Medical	54	56	-4.3%
Other ¹⁾	9	8	+12.5%
Total	532	507	+4.9%

¹⁾ Defence is no longer reported separately as of 2019 and is included in Industrial. The comparative figures for 2018 have been adjusted to reflect this change.

Turnover growth was largely driven by higher turnover in Automotive (in particular in e-mobility).

€ mln unless otherwise stated	2019	2018	Δ
Gross margin	196.6	195.1	+ 0.8%
Normalised operating result	15.9	22.0	-27.7%
Margin	3.0%	4.3%	N/A

The gross margin increased by 0.8% as a result of the higher activities levels. As a percentage of turnover, the gross margin declined to 37.0% in 2019, from 38.5% in 2018. This was due to an ongoing shift in the mix to more Automotive and more complex box-build systems with higher material content, plus higher material costs that could not be fully charged on to customers.

Operating expenses increased by 4.3% to € 180.7 million for the full year 2019. This increase in expenses was primarily due to the extra effort we had to put into the start-up of new projects and to respond to strong volatility in customer demand. As a result of these two developments, productivity lagged and personnel expenses rose to 70.2% of gross margin in 2019, from 68.6% in 2018. Depreciation and amortisation increased as a result of the implementation of IFRS 16 ‘Leases’ (€ 5.1 million) and investments primarily aimed at realising capacity to meet the strong demand in the automotive segment. In the last quarter of 2019 in particular, material cost reductions were implemented, among others by accelerating the reduction of temporary employees, in order to improve productivity.

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As a result, the normalised operating result decreased by 27.7% to € 15.9 million, which translates into a margin of 3%. The operating result including exceptional items came in at € 15.1 million.

€ mln unless otherwise stated	2019	2018	Δ
Financing expenses (net)	2.9	2.0	+45.0%
Tax rate	30.2%	+24.3%	+24.3%
Net result	8.5	14.4	-41.0%
Earnings per share (€)	0.70	1.20	-41.7%

The increase of 45% in financing expenses was largely due to the impact of the implementation of IFRS 16, which was € 0.6 million in 2019. Furthermore, the use of customer finance programmes and the increase in working capital through the year also contributed to the higher financing expenses.

The tax rate was 30.8% in 2019, which was higher than in 2018 due to a higher tax burden in Germany. The net result and earnings per share declined by 41.0% and 41.7% respectively, and came in at € 8.5 million and € 0.70 per share, on the basis of 12,149,534 outstanding shares at year-end 2019.

DIVIDEND

Neways proposes to pay out a cash dividend of € 0.28 per share for the financial year 2019, subject to the approval of its shareholders at the upcoming General Meeting of Shareholders. The proposed dividend represents a pay-out ratio of 40%. The dividend will be made payable from 4 May 2020.

FINANCIAL CONDITION

€ mln unless otherwise stated	2019	2018	Δ
Operational cash flow	29.4	7.6	+286.8%
Net working capital	81.5	87.7	-7.1%
Investments	-13.0	-12.1	+7.4%
Net cash flow	16.4	-4.5	N/A

The operational cash flow rose by € 21.8 million to € 29.4 million as a result of, on balance, the lower result improved working capital management and the IFRS effect. Net working capital had declined to € 81.5 million at year-end 2019, compared with € 87.7 million at the end of 2018.

Working capital improved in 2019 in particular due to stricter inventory management with an inventory reduction of € 14.5 million (-12.6%) on a year-end basis. The inventory turnover rate, measured in days inventory outstanding (DIO), declined to 72 at year-end 2019 from 85 at year-end 2018. The number of days sales outstanding (DSO) stood at 38, slightly higher than in 2018 (36). The slight increase in DSO is mainly due to the higher turnover in automotive where longer payment terms apply, while it was still at a good level. Payables outstanding fell to 56 days at year-end 2019 from 64 days at year-end 2018 due to faster payments.

Capex was up by 7.4% at € 13.0 million (2.4% of net turnover) and was therefore above the level of depreciation. Investments were mainly aimed at facilitating growth in e-mobility and on improvements within the organisation. In 2019, we renewed and expanded to 8,250 m² in production space at our production facilities in Děčín (Czech Republic). The return on invested capital came in at 11.5%, compared with 21.0% in 2018.

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Net cash flow improved strongly and came in at € 16.4 million in 2019, compared with a negative net cash flow of € 4.5 million in 2018.

	YE-2019	YE- 19 Ex. IFRS 16	YE-2018
Net debt / EBITDA	2.3	1.3	1.4
Interest coverage	5.4	6.9	11.2
Solvency ¹	38.2%	43.7%	41.9%

¹ Guaranteed equity as a percentage of the balance sheet total

Net debt stood at € 34.3 million at year-end 2019, down 18.1% compared with year-end 2018, largely due to the lower working capital. A positive IFRS 16 impact of € 5.1 million resulted in a more or less unchanged EBITDA of € 30.3 million.

Reduced profitability and the higher interest rates had an impact on the interest coverage ratio, which came in at 5.4. Solvency declined to 38.2% at year-end 2019, compared with 41.9% at year-end 2018, primarily due to the effects of IFRS 16. Excluding IFRS 16, solvency came in at 43.7%.

At year-end 2019, Neways was operating within the parameters of its covenants. EBITDA for the last twelve months (LTM) was with € 25.2 million, excluding the effects of IFRS 16, well above the required minimum of € 12.5 million. The guaranteed equity stood at € 104.1 million. The adjusted guaranteed equity (guaranteed equity less intangible fixed assets and deferred tax assets) stood at € 91.8 million at year-end 2019. This was well above the agreed minimum of € 55.0 million.

DEVELOPMENTS AFTER THE BALANCE SHEET DATE

René Penning de Vries has decided to step down as a member of the Supervisory Board after the General Meeting of Shareholders on 16 April 2020. As the Supervisory Board, we have great respect for his decision and thank him for his significant contribution to the Board and to Neways over the past seven years.

As a result of this decision, the Supervisory Board has evaluated its composition and considered what composition the Supervisory Board needs in order to best support Neways in the coming years. This led to the decision to expand the Supervisory Board with a new member in addition to replacing René Penning de Vries. Karin de Jong (CFO of Fagron N.V.) and Hans Büthker (CEO of GKN Aerospace) will be nominated for appointment to the Supervisory Board for a period of four years.

Karin de Jong has broad international experience in the field of finance, including fiscal matters, due diligence and acquisitions. She is currently CFO at Fagron N.V. in the pharmaceutical sector. Hans Büthker is an experienced executive and supervisory board member, with extensive experience in the field of strategy development, innovation, operations and IT. He has held various senior management positions in the semiconductor and aviation industries, including Stork and Fokker and his current position as CEO at GKN Aerospace. The two nominees have relevant expertise, board experience and know-how of important sectors in which Neways is active and are thus valuable additions to the Neways Supervisory Board.

Henk Scheepers will be nominated for a third term of two years as member of the Supervisory Board in his role of chairman, to safeguard the continuity in the supervision and board of Neways.

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OUTLOOK

The outlook for the growth sectors selected by Neways is positive. The order book is at a good level and the balanced spread between the sectors makes Neways resilient against possible fluctuations in economic growth.

Neways' focus for 2020 will be less on growth and more clearly on returns. Neways' priorities are specifically to strengthen its positioning as a Life Cycle Partner and System Innovator for clients. Another priority is to control costs and at the same time make the organisation more robust and flexible. The latter will be achieved mainly through further standardisation of the business processes within the group, making the internal outsourcing of production orders more efficient and standardising the order intake process.

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 general industry. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia and China, and the United States with a total of 2,808 employees at 31 December 2018. Neways recorded net turnover of € 531.7 million in 2019. 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

Neways will hold a combined press conference / analysts' meeting on its full year 2019 results today, Friday 21 February 2020, 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

IMPORTANT DATES

21 February 2020 (today)	Publication annual results 2019
27 February 2020	Publication annual report 2019
16 April 2020	Publication trading update
16 April 2020	General Meeting of Shareholder
27 August 2020	Publication half-year results 2020

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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

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Consolidated profit and loss account

Amounts x € mln.	2019	2018
Turnover	531.7	506.8
Costs of materials	-335.1	-
Gross margin	196.6	195.9
Operating expenses		
Personnel costs	138.5	134.0
Depreciation and amortization tangible and intangible fixed assets	14.4	8.2
Other operating expenses	27.8	31.0
Total operating expenses	180.7	173.2
Normalized operating result	15.9	22.7
Financial expenses	-2.9	-2.0
Result from ordinary activities before taxes	13.0	20.7
Taxation on ordinary activities	-3.9	-4.9
Result from ordinary activities after taxes	9.1	15.8
Extraordinary expenses	-0.8	-1.0
Taxes extraordinary expenses	0.2	0.3
Net result	8.5	15.1

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Consolidated balance sheet

Amounts x € mln.	31-12-2019	31-12-2018
Assets		
Fixed assets	90.3	53.7
Tangible fixed assets	78.3	39.7
Intangible fixed assets	8.5	10.2
Deferred tax assets	3.5	3.8
Current assets	187.2	191.2
Inventories	100.6	115.1
Receivables	84.4	75.0
Cash and cash equivalents	2.2	1.1
Total assets	277.5	244.9
Liabilities		
Group equity	106.0	101.6
Long term liabilities	36.8	7.0
Interest bearing loans	29.5	0.0
Provisions	0.6	0.7
Pension and long service awards liabilities	5.4	4.9
Deferred tax liabilities	1.3	1.4
Short term liabilities	134.7	136.3
Bank overdrafts	36.5	41.8
Interest bearing loans	5.4	1.1
Trade creditors and other payables	82.9	82.9
Taxes and social insurance premiums	7.2	6.6
Corporate income tax	1.6	2.1
Provisions	1.1	1.8
Total shareholders equity and liabilities	277.5	244.9

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Consolidated cash flow statement

Amounts x € mln.	2019	2018
Cash flow from operating activities		
Results before tax	12.2	19.0
<i>Adjustments for:</i>		
Depreciation and amortization	14.4	9.2
Costs granted staff options	0.1	0.1
Costs granted performance shares	0.4	0.2
Finance costs	2.9	2.0
Interest paid	-2.6	-1.9
Change in provisions	-1.0	-0.4
Received (paid) corporate income taxes	-3.9	-3.3
Changes in working capital *)	6.9	-17.3
Total **)	29.4	7.6
Cash flow from investment activities		
Investments in intangible fixed assets	-0.1	-0.2
Investments in tangible fixed assets	-12.9	-11.9
Total **)	-13.0	-12.1
Cash flow from financing activities		
Repayments of interest bearing loans	0.0	-0.3
Repayments of lease obligations	-4.8	0.0
Use of bank overdrafts	-5.3	8.9
Returns from options exercised	0.5	0.1
Dividends paid to shareholders	-5.8	-4.2
Total	-15.4	4.5
Change in cash and cash equivalents		
	1.0	0.0
Net exchange rate differences	0.1	0.1
Cash and cash equivalents as per 1 January	1.1	1.0
Cash and cash equivalents as per 31 December		
	2.2	1.1
*) Changes in working capital		
Inventories	13.7	-26.5
Accounts receivables	-9.4	-8.8
Trade creditors and other liabilities	2.6	18.0
	6.9	-17.3
***) Net cash flow		
	16.4	-4.5

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Statement of changes in group equity

Amounts x € mln.	2019	2018
Balance as of 1 January	101.6	85.0
Adjustment for initial application IFRS 15 **)	0.0	2.1
Adjusted balance as of 1 January	101.6	87.1
Other comprehensive income	-0.3	0.0
Net result	8.5	14.4
Exercised share options	0.5	0.1
Issuance of performance shares	0.4	0.3
Issuance of shares through conversion of loans	1.1	3.9
Dividends	-5.8	-4.2
Balance on 31 December	106.0	101.6

Additional data

Amounts x € mln.	31-12-2019	31-12-2018
Operating result in % of turnover *)	3.0%	4.3%
Net result in % of turnover	1.6%	2.8%
Total equity in % of balance total	38.2%	41.9%
Average number of employees	2.940	2.943
Per ordinary share in €		
Operating result *)	1.31	1.84
Net result *)	0.07	1.26
Net result	0.07	1.20
Total equity	8.83	8.50
Dividend	0.28	0.48
Number of outstanding shares x 1,000	12,150	11,958

*) Excluding exceptional charges and PPA

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