Press Release

Thursday, September 26, 2019, 5:45 pm

BUSINESS OUTPERFORMANCE
RETURN OF POSITIVE FREE CASH FLOW TO €26.1 million
€46.9 M IN CURRENT OPERATING INCOME

AKWEL (FR0000053027, AKW, eligible for the French Equity Savings Plan (PEA)), an automotive and heavy goods vehicle components manufacturer and specialist in fluid management and mechanisms, has announced its HY1 2019 results, approved by its Executive Board on September 23, 2019. Statutory auditors conducted a limited review of the financial statements.

Consolidated data - In €millions	06.30.2019	06.30.2018	Change in %
Sales	**566.5**	559.3	+1.3 %
Gross operating surplus	**66.6**	74.6	-10.7 %
Current operating income	**46.9**	57.5	-18.5 %
Current operating margin	***8.3 %***	*10.3 %*	*-2.0 pts*
Operating income	**46.7**	57.5	-18.9 %
Financial income	**(1.1)**	(1.1)	n.s.
Net income (group share)	**35.5**	45.7	-22.4 %
Net margin	***6.3 %***	*8.2 %*	*-1.9 pts*

OUTPERFORMANCE COMPARED WITH THE GLOBAL AUTOMOBILE MARKET

In HY1 2019, AKWEL recorded sales of €566.5 million, up 1.3% and 3.4% on a like-for-like basis. The continued growth should be compared with a 7% decline in global automotive production over the period, i.e. an outperformance of more than 10%. The continued dynamism of the Cooling product line (+14.1% at €136.5 million) and the anticipated decline in the Pollution Control line (-5.7% at €112.7 million), entirely due to diesel, notably characterized the activity.

REGIONAL DISPARITIES AND INVESTMENTS IN QUALITY PERFORMANCE

As growth has an uneven geographic distribution, some facilities not sufficiently adapted to the business downturn recorded lower profitability. In the first half year, the Group also maintained significant investments to improve its quality performance, in particular to facilitate starting new production. Lastly, continued pressure regarding raw materials and exchange rate effects led to an increase in some purchase prices over the period.

Consequently, the gross operating surplus amounted to €66.6 million, down 10.7% from €74.6 million in HY1 2018. Current operating income fell by 18.5% to €46.9 million from €57.5 million a year earlier but remained significantly better than in HY2 2018 (€19.9 million) and above the average for European automotive equipment manufacturers, with a current operating margin of 8.3%. Provisions for warranty returns continued to be reigned in over the period.

After a stable financial income of -€1.1 million and a slightly higher tax rate compared to HY1 2018, net income group share amounted to €35.5 million, representing a 6.3% net margin on sales.

RETURN TO OVERALL POSITIVE FREE CASH FLOW

One of the company's major highlights over the past half-year was that it hit its positive free cash flow target, which stands at €26.1 million vs. -€3.3 million in HY1 2018. This performance can be explained by:

- A major improvement in cash flow generated from business, which stands at €50.2 million, up 58.1% on HY1 2018, along with better control of WCR due to the actions taken to reduce inventories to more standard levels.
- Investments fell by 37.2% to €24.8 million from €39.4 million after two years of intensive investment in new production facilities. However, this amount of investment remains high and is completely in line with the group's growth targets.

The AKWEL group's net financial debt decreased significantly from €40.6 million to €27.5 million in HY1. Shareholders' equity amounted to €478.5 million at 06.30.2019, vs. €454.0 million at 12.31.2018. The impact of enforcing FRS 16 for debt remains limited compared to the size of the balance sheet and represents +€6.0 million.

FOCUS ON HIGHER PROFITABILITY

With investments in production processes contributing to a significant improvement in quality performance, AKWEL now intends to focus more on boosting its profitability. In an increasingly volatile and unpredictable market, efforts over the next six months shall focus specifically on improving industrial performance and the agility of facilities to keep resources more efficiently in line with business volume. Taking a big step forward in HY1, the company has continued to hit its positive free cash flow target and should continue to benefit from a more standard level of investment and higher margins in inventory optimization.

Against this backdrop, the Group anticipates further growth in its business in 2019 and higher operating income than in the previous year given the favorable base effect related to an additional €23 million in non-recurring provisions recorded in 2018. AKWEL also confirms its target of achieving approximately €1.2 billion in sales by 2020.

Next press release: *Q3 2019 sales, Thursday, November 14, 2019, after closing of the stock exchange.*

An independent family-owned group listed on Euronext Paris, AKWEL is an automotive and heavy goods vehicle components manufacturer and specialist in fluid management and mechanisms with cutting-edge industrial and technological expertise in the application and transformation of materials (plastic, rubber, and metal) as well as mechatronics integration.

Present in 20 countries on five continents, AKWEL has a headcount of nearly 12,000 employees worldwide.

Euronext Paris - Compartment B - ISIN: FR0000053027 – Reuters: AKW.PA – Bloomberg: AKW:FP

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