Presse-Information Press release

Financial year 2019:
KUKA Group stable despite difficult market environment – improved earnings and positive free cash flow

KUKA Aktiengesellschaft

Your contact:
Wolfgang Meisen
Corporate Communications

T +49 821 797 3722
F +49 821 797 5213

press@kuka.com
twitter.com/KUKA_press
blog.kuka.com

- EBIT increases by 39.4% over 2018 to €47.8 million, EBIT margin rises to 1.5% (2018: 1.1%)
- Positive free cash flow (€20.7 million) for the first time in three years and increase in operating cash flow to €214.5 million (2018: -€48.2 million)
- Weak economic situation in core markets: orders received down by 3.5%, revenues decline slightly by 1.5% to €3,192.6 million
- €500 million investment in research and development over the next three years
- CEO Peter Mohnen: "We're back on track. However, corona is presenting entirely new obstacles to overcome."

Augsburg, March 26, 2020 – Augsburg-based automation specialist KUKA published its business results today. CEO Peter Mohnen already commented on the coronavirus pandemic ahead of the press conference. "For today, we had actually prepared for another scenario. But the pandemic is impacting us and causing us great concern," said the CEO, praising the solidarity of his workforce and calling for appreciation of those working in medical and nursing jobs worldwide. In his view, it is now crucial for KUKA to master the new challenges and "get prepared for the time after the corona crisis".

It will be helpful in these endeavors that KUKA was able to stabilize in the past financial year and significantly improve its results. "2019 was a year of profound changes. Economic challenges and the technological shift towards new drive systems in the automotive sector have made our customers more reluctant to invest," stated Peter Mohnen.

"At KUKA, we responded early to changes in the business environment: by taking the right measures, we have achieved better earnings despite lower sales revenues. We improved our free cash flow by more than €200 million compared to 2018. We are in positive territory here for the first time since 2015.

We’re back on track in spite of the difficult times. However, corona is presenting entirely new obstacles to overcome.”

Growing focus markets such as e-commerce/retail and consumer goods had a positive effect on the intralogistics division of KUKA subsidiary Swisslog in 2019. Nevertheless, the economic environment remained tense, particularly in the automotive and electronics industries and in the regions of Europe and China. For this reason, the volume of orders received and revenues of the Augsburg-based automation specialist showed a decrease compared to the previous year.

KUKA expects the market environment to remain difficult in 2020, a situation that will be worsened by the coronavirus crisis. “The pandemic is presenting society and the economy with entirely new challenges. We at KUKA are feeling this too, around the globe,” said Peter Mohnen. “But I am proud to see how our employees are showing great solidarity in these difficult times. We are working together to overcome this crisis and have a stable basis to start from.”

The CEO emphasized that rather than discussing the market situation, it is important, especially in these times, to shift the right gears for the future: over the next three years, KUKA is planning to invest around €500 million in research and development to drive innovations forward. Each division is actively focusing its innovations on growth areas. The goal is to expand business into new markets, software and digital services. At the same time, KUKA is placing a focus on the issue of sustainability and, in improving its portfolio, is working to conserve resources in an even more targeted manner and to reduce energy consumption in its own systems and those of its customers.

The new KR IONTEC robot, for example, is characterized by low energy consumption, operating costs and maintenance requirements. “With years of expertise built up in various markets, KUKA offers resource-saving products, smart solutions and digital services in times of digital and social transformation,” said Peter Mohnen. “This makes us a reliable and strong partner for our customers, especially in difficult times.”

Financial results for 2019 – KUKA Group

In the year under review, KUKA Group’s volume of **orders received** declined by 3.5% to €3,190.7 million (cf. 2018: €3,305.3 million). Sales revenues decreased slightly by 1.5% to €3,192.6 million (2018: €3,242.1 million). The **book-to-bill ratio** was 1.00 in the 2019 financial year, down slightly on the previous year (2018: 1.02). Values of 1.00 or more signify good capacity utilization and are an indicator of growth.

Despite the difficult market environment, **EBIT** grew significantly from €34.3 million in 2018 to €47.8 million in the financial year under review. KUKA reacted to the changed framework conditions in good time and initiated wide-ranging efficiency measures in January 2019. This made it possible to improve the cost structure considerably, especially in the central functions. The **EBIT margin** increased from 1.1% to 1.5% in 2019.

KUKA had 14,014 **employees** as at December 31, 2019 (previous year: 14,235). The efficiency program initiated at the beginning of 2019 also included a socially responsible reduction of 350 jobs at the Augsburg location. This was completed at the end of the year.

Systems

The Systems business segment, responsible for plant engineering in the automotive sector, saw its volume of orders received fall from €959.8 million in 2018 to €858.0 million in the year under review. This corresponds to a considerable decline of 10.6% and reflects the noticeable reluctance of customers to place orders. The technology-driven trend in the automotive industry towards the conversion of existing production lines instead of installing new systems contributed to a significant reduction in the size of the market. The sales revenues of €925.4 million were nevertheless at the same level as in 2018 (€925.4 million). The lower revenues due to the reduced order volume were offset by the start of production at KTPO (KUKA Toledo Production Operations in Ohio, USA). The book-to-bill ratio decreased year-on-year from 1.04 to 0.93 in 2019. EBIT amounted to €26.9 million, thus remaining 8.8% below the previous year’s level of €29.5 million. The earnings were impacted by the difficult order situation and deteriorations in existing projects in Europe. The high complexity of these projects led to delays in project execution and consequently also to additional costs. The EBIT margin fell from 3.2% to 2.9% in the financial year under review.

Robotics

In the 2019 financial year, the Robotics business segment generated orders received totaling €1,037.1 million, 13.3% down on the previous year (2018: €1,196.5 million). Sales revenues dropped by 7.1% to €1,159.2 million in the year under review (2018: €1,247.3 million). Due to the ongoing difficult situation of the global economy, customers are still holding back on placing orders. The book-to-bill ratio stood at 0.89 (2018: 0.96). Not only the lower revenue volume, but also the strained economic development in a subdivision of the Robotics segment over recent years had a negative impact on earnings. The aforementioned subdivision supplies automated production solutions, such as cells and special machines, worldwide. In September 2019, KUKA announced a restructuring program for it, which had a negative impact on EBIT in the low double-digit millions in the year under review. EBIT in the Robotics segment amounted to €37.7 million, after €80.9 million in the previous year. As a result, the EBIT margin of 3.3% was also down on the previous year's figure of 6.5%. In the previous year, a low double-digit million euro amount from the sale of shareholdings in companies had had a positive effect on EBIT.

Swisslog

The logistics division of Swisslog recorded a strong increase in orders received of 24.8% to €750.2 million, after €601.1 million in the 2018 financial year. This increase was possible due to systematic implementation of the growth strategy. Swisslog continues to benefit from high global customer demand in its focus markets of e-commerce/retail and consumer goods. Sales revenues totaled €600.0 million and were thus 1.2% below the previous year's level of €607.1 million. The book-to-bill ratio rose to 1.25 (2018: 0.99). EBIT increased sharply to €10.5 million after -€0.2 million in the previous year. The EBIT margin was up to 1.8% from 0.0% in 2018.

Swisslog Healthcare

At €251.3 million, orders received at Swisslog Healthcare in 2019 considerably surpassed the prior-year figure of €234.5 million by 7.2%. In this segment, more orders were generated primarily in the areas of Pharmacy Automation and Transport Automation. The sales revenues of €222.3 million achieved in the reporting period were 4.4% above the previous year's level of €212.9 million. This increase is attributable in particular to the areas of Pharmacy Automation and Transport Automation. The book-to-bill ratio improved accordingly from 1.10 in 2018 to 1.13 in 2019. EBIT amounted to -€10.0 million, after -€4.7 million in the previous year. This corresponds to an EBIT margin of -4.5% (2018: -2.2%). The decrease is due in part to one-off effects. In addition, deteriorations in ongoing customer projects and increased R&D expenditure also had an impact on earnings. Swisslog Healthcare continued to invest in software developments and is expanding its product portfolio in order to strengthen its customer base.

China

In 2019, the China segment posted orders received amounting to €456.4 million. This represents a substantial decline of 14.8% on the previous year's value (2018: €535.9 million). In China, the reluctance of customers to place orders due to the developments in trade politics and the global uncertainties can be clearly felt, particularly in the automotive and electronics industries. Sales revenues fell by 13.2% from €527.9 million to €458.2 million as a result of the lower volume of orders received. It nevertheless proved possible to keep market shares stable in a temporarily declining market for industrial robots. The book-to-bill ratio remained stable at 1.00 in 2019 (2018: 1.02). EBIT amounted to €3.6 million in the past year (2018: -€5.4 million). This corresponds to an EBIT margin of 0.8% (2018: -1.0%). Despite the difficult general conditions, the margin showed a small improvement year-on-year and was slightly positive at the end of the year. This increase is partly attributable to the positive effects of the change of consolidation method in the first quarter of 2019. In this context, a Chinese subsidiary was deconsolidated and conversely a 50% at-equity investment was recognized. The reluctance of customers to place orders also had a negative impact on the margin development.

Outlook for 2020

It is not yet possible to estimate the effects of the coronavirus crisis on the forecast results. Consequently, no revenue and earnings forecast can be given at present. This has already been pointed out in the annual report. KUKA is working to prepare for the time after the Corona pandemic. The Group is particularly strong in those topics that have become the focus of attention due to the pandemic: online and digital services, logistics, robotic automation and the entire healthcare sector.

KUKA

KUKA is a global automation corporation with sales of around 3.2 billion euro and roughly 14,000 employees. The company is headquartered in Augsburg, Germany. As one of the world's leading suppliers of intelligent automation solutions, KUKA offers customers everything they need from a single source: from robots and cells to fully automated systems and their networking in markets such as automotive, electronics, general industry, consumer goods, e-commerce/retail and healthcare. (As at December 31, 2019)