

## PRESS RELEASE

First half results

# Neways records significantly higher turnover and improved result

**Son, 30 August 2018** – Neways Electronics International N.V. (Euronext: NEWAY) (“Neways” or the “Company”) today publishes its results for the first half of the year (H1) ending 30 June 2018

### HIGHLIGHTS

- Net turnover rose to € 247.0 million, an increase of 15.6% on the same period of last year, largely driven by stronger contributions from the semiconductor and automotive sectors.
- Order intake was up 8,2% compared to the first half of 2017, primarily due to new orders in the semiconductor, medical, automotive and industrial sectors. The order book had increased to € 300.8 million at end-June 2018, compared with € 218.0 million at end-June 2017.
- Gross margin came in at € 96.6 million, an increase of 13.9% compared to the first half of 2017, largely driven by the higher activity levels.
- Normalised operating result came in at € 11.0 million, an increase of 52.8% compared with the first half of 2017. The positive impact of Neways’ improvement programmes has helped improve the efficiency of the organisation.
- Net income was up 46.9% at € 7.2 million.

### KEY FIGURES

€ million unless otherwise stated	<b>H1-18</b>	<b>H1-17</b>	<b>Δ</b>
Net turnover	<b>247.0</b>	213.6	+15.6%
Order book (at end-June)	<b>300.8</b>	218.0	+38.0%
Gross margin	<b>96.6</b>	84.8	+13.9%
Normalised operating result <sup>1)</sup>	<b>11.0</b>	7.2	+52.8%
Operating result	<b>10.5</b>	6.7	+56.7%
Normalised net income	<b>7.2</b>	4.9	+46.9%
Net cash flow	<b>-1.2</b>	-8.5	+85.9%

<sup>1)</sup> Excluding purchase price allocation (PPA) effect of € 0.5 million per half year. The PPA is related to the BuS Group acquisition in 2014.

### CEO MESSAGE

Huub van der Vrande, CEO: “Following the strong start to 2018, Neways also recorded substantial turnover growth and a continued increase in the order book in the second quarter of the year. The growth could have been higher but was hampered by the increasingly visible shortages in the market for components and on the labour market. However, we were in a better position to respond to these challenges in the market thanks to our strong focus on tighter operational processes, the knowledge of our clients and the markets in which they operate, plus investments in high-grade technological expertise. We will continue to focus on these areas. One example of our current ability to respond more effectively to challenges is how we, together with our clients and suppliers, are looking for innovative and alternative components that are more readily available. This is even more necessary, given we do not expect to see any easing in current shortages until next year.

We will continue to invest in the improvement of our logistics and operational processes and improve cooperation within the company itself and with clients and suppliers to progress further to the position of a strategic partner.

We are optimistic about the opportunities presented by the growth in our order book and, while not losing sight of challenges in the labour and component markets, we are positive about the second half of the year.

## FINANCIAL AND OPERATIONAL OVERVIEW

€ million unless otherwise stated	<b>H1-18</b>	<b>H1-17</b>	<b>Δ</b>
Net turnover	<b>247.0</b>	213.6	+15.6%
Order book (at end-June)	<b>300.8</b>	218.0	+38.0%
Order intake	<b>284.2</b>	262.6	+8.2%
Book-to-bill (ratio)	<b>1.15</b>	1.11	+3.7%

Net turnover increased, entirely organically, by 15.6% to € 247.0 million in the first half of 2018, mainly on the back of a stronger contribution from the automotive and semiconductor sectors. Order intake increased by 8.2% or € 21.6 million in the first half of the year, thanks to which the order book increased by 38.0% to € 300.8 million, from € 218.0 million at end-June 2017. The book-to-bill ratio was 1.15, primarily driven by new orders in the semiconductor, medical, automotive and industrial sectors.

<b>Net turnover – market sector breakdown</b>			
€ million unless otherwise stated	<b>H1-18</b>	<b>H1-17</b>	<b>Δ</b>
Industrial	<b>74</b>	73	+1.4%
Semiconductor	<b>71</b>	50	+42.0%
Automotive	<b>66</b>	51	+29.4%
Medical	<b>27</b>	27	0.0%
Defence	<b>7</b>	8	-12.5%
Other	<b>2</b>	5	-60.0%
<b>Total</b>	<b>247</b>	214	+15.7%

€ million unless otherwise stated	<b>H1-18</b>	<b>H1-17</b>	<b>Δ</b>
Gross margin	<b>96.6</b>	84.8	+13.9%
Normalised operating result	<b>11.0</b>	7.2	+52.8%
<i>Margin</i>	<b>4.5%</b>	3.4%	

The gross margin rose by 13.9% on the back of the increased activity levels. As a percentage of net turnover, the gross margin declined to 39.1% in the first half of 2018, from 39.7% in the first half of 2017 (H2 2017: 38.4%). This was due to the change in the product mix, which represents a higher material value.

Operating expenses came in 10.3% higher, primarily due to the increased activity levels. The normalised operating result increased to € 11.0 million, which translates into a margin of 4.5%. The improvement in the margin was the result of higher productivity and improved capacity utilisation in the organisation. This was partly offset by increased price pressure from our suppliers due to the scarcity of components.

€ million unless otherwise stated	<b>H1-18</b>	<b>H1-17</b>	<b>Δ</b>
Financial expenses (net)	<b>1.0</b>	0.7	+42.9%
Tax rate	<b>28.0%</b>	24.6%	
Net income	<b>6.8</b>	4.9	+38.8%
Earnings per share (€)	<b>0.57</b>	0.43	+32.6%

Financing expenses came in € 0.3 million higher, primarily due to an increase in turnover from clients for which Neways uses customer finance programmes, as well as an increase in credit uptake. In the first half of 2018, Neways converted convertible subordinated loans worth a total of € 3.9 million into shares. As a result of this and the exercise of personnel share options, the total number of current outstanding ordinary shares increased to 11,955,124.

The tax rate was 28.0% in the first half of 2018, up from 24.6% in the first half of 2017. Net income was up 38.8% at € 6.8 million on the back of higher turnover and improved and more efficient working methods. Earnings per share were 32.6% higher at € 0.57 per share.

## FINANCIAL CONDITION

€ million unless otherwise stated	<b>H1-18</b>	<b>H1-17</b>	<b>Δ</b>
Operating cash flow	<b>5.1</b>	-5.7	189.5%
Investments	<b>-6.3</b>	-2.8	-125.0%

Operating cash flow came in at € 5.1 million, largely on the back of the higher income and a smaller increase in working capital.

The net working capital increased to € 86.2 million, from € 79.6 million at the end of June 2017. Both inventories and receivables were higher due to the strong increase in activities and order levels. Days inventory outstanding (DIO) increased to 82 days, up two days compared to end-June 2017. Measured in terms of future, yet to be realised turnover, this was an increase of four days to 86 days per end-June 2018. Days sales outstanding came in at 35 days, which was lower than at end-June 2017. The total sum of receivables outstanding stood at 66 days, higher than the number of days at end-June 2017.

Neways invested € 6.3 million to drive growth and the capacity necessary to facilitate this.

	<b>End-H1 18</b>	<b>Year-end 17</b>	<b>End-H1 17</b>
Net debt / EBITDA *)	<b>1.4</b>	1.6	1.8
Interest coverage	<b>10.8</b>	10.2	10.4
Solvency	<b>39.9%</b>	43.7%	42.1%

\*) With effect from 2017, net debt excludes guaranteed equity.

Net debt stood at € 38.8 million at end-June 2018, up 3.6% from end-June 2017 on a like-for-like basis. At the same time, LTM (last twelve months) EBITDA rose by 33.2% to € 27.3 million, from €20.5 million in the year-earlier period. The net debt / EBITDA ratio stood at 1.4. The interest cover ratio had improved to 10.8 at end-June 2018, from 10.4 a year earlier.

Solvency stood at 39.9% at the end of the first half of 2018, a decline when compared to the same period of last year (42.1%), as a result of the increase in working capital. At year-end 2017, solvency stood at 43.7%.

## OUTLOOK

Neways recorded improved results in the period under review, in terms of both turnover and profitability. The order book for the second half of the year is well filled and includes a pipeline that runs into 2019. Neways will continue to make improvements in the organisation, primarily in the field of logistics and procurement processes, to ensure that Neways makes the most of the healthy order book and to help realise continued growth in turnover and profitability for the full year. However, the higher activity levels



combined with growing price pressure due to the scarcity of components will continue to be a challenge in the second half of the year.

**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, general industry and defence industries. Neways has operating companies in the Netherlands, Germany, the Czech Republic, Slovakia and China, with a total of 2,792 employees at 31 December 2017. Neways recorded net turnover of € 438.7 million in 2017. Neways shares are listed on the Euronext Amsterdam stock exchange (symbol: NEWAY). [www.newayselectronics.com](http://www.newayselectronics.com)

#### **Not for publication**

#### **ENQUIRIES**

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#### **PRESS CONFERENCE / ANALYST MEETING**

Neways will hold a combined press conference / analyst meeting on its results for the first half of 2018 today at 10.30 hours in Hotel Casa 400, Eerste Ringdijk 4 in Amsterdam. The presentation will be available for download on Neways' corporate website: [www.newayselectronics.com](http://www.newayselectronics.com).

#### **INTERIM FINANCIAL REPORT**

Neways today published its interim financial report for the six months to 30 June 2018. This report includes the information legally required pursuant to articles 1:1 and 5:25d of the Dutch Financial Supervision Act (*Wet op het financieel toezicht* - Wft). The report is available online via [www.newayselectronics.com](http://www.newayselectronics.com).

## IMPORTANT DATES

30 August 2018 (today)	Publication first half results 2018
18 September 2018	Open day for shareholders
30 October 2018	Publication trading update
21 February 2019	Publication annual results 2018

## 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.	first half year 2018	first half year 2017	year 2017
<b>Turnover</b>	<b>247.0</b>	<b>213.6</b>	<b>438.7</b>
Costs of materials	-152.1	-130.7	-268.1
Change in work in progress and finished products	1.7	1.9	0.7
<b>Gross margin</b>	<b>96.6</b>	<b>84.8</b>	<b>171.3</b>
<b>Operating expenses</b>			
Personnel costs	66.6	60.0	120.5
Depreciation and amortization tangible and intangible fixed assets	4.1	3.9	8.1
Other operating expenses	14.9	13.7	27.4
<b>Total operating expenses</b>	<b>85.6</b>	<b>77.6</b>	<b>156.0</b>
<b>Normalized operating result</b>	<b>11.0</b>	<b>7.2</b>	<b>15.3</b>
Financial expenses	-1.0	-0.7	-1.6
<b>Result from ordinary activities before taxes</b>	<b>10.0</b>	<b>6.5</b>	<b>13.7</b>
Taxation on ordinary activities	-2.8	-1.6	-3.7
<b>Result from ordinary activities after taxes</b>	<b>7.2</b>	<b>4.9</b>	<b>10.0</b>
Extraordinary expenses	-0.5	-0.5	-1.0
Taxes extraordinary expenses	0.1	0.1	0.3
Valuation tax liability on loss compensation Germany	0.0	0.4	0.6
<b>Net result</b>	<b>6.8</b>	<b>4.9</b>	<b>9.9</b>

## Consolidated Balance Sheet

Bedragen x € mln.	30-06-2018	31-12-2017 Adjusted *)	30-06-2017
<b>Assets</b>			
<b>Fixed assets</b>	<b>51.8</b>	<b>51.9</b>	<b>50.5</b>
Tangible fixed assets	36.8	35.6	33.6
Intangible fixed assets	11.2	11.9	12.5
Deferred taks assets	3.8	4.4	4.4
<b>Current assets</b>	<b>179.3</b>	<b>152.5</b>	<b>151.1</b>
Inventories	117.8	98.0	97.3
Receivables	58.7	53.3	52.6
Corporate income taks	0.2	0.2	0.1
Cash and cash equivalents	2.6	1.0	1.1
<b>Total assets</b>	<b>231.1</b>	<b>204.4</b>	<b>201.6</b>
<b>Liabilities</b>			
<b>Group equity</b>	<b>91.1</b>	<b>84.4</b>	<b>80.0</b>
<b>Long term liabilities</b>	<b>7.5</b>	<b>12.3</b>	<b>11.6</b>
Interest bearing loans	1.1	5.0	5.0
Provisions	0.9	1.5	0.7
Pension and long service awards liabilities	4.9	5.1	5.2
Deferred taks liabilities	0.6	0.7	0.7
<b>Short term liabilities</b>	<b>132.5</b>	<b>107.7</b>	<b>110.0</b>
Bank overdrafts	40.2	32.9	35.3
Interest bearing loans	0.0	0.4	3.2
Trade creditors and other payables	83.0	66.1	63.5
Taxes and social insurance premiums	7.3	5.8	7.0
Corporate income taks	0.8	1.2	0.4
Provisions	1.2	1.3	0.6
<b>Total liabilities</b>	<b>231.1</b>	<b>204.4</b>	<b>201.6</b>

\*) The Group applied IFRS 15 initially on 1 January 2018. As a result of the chosen method for cumulative effects the Group does not apply the IFRS 15 requirements to comparable figures

## Consolidated Cash Flow Statement

Amounts x € mln.	first half year 2018	first half year 2017
<b>Cash flow from operating activities</b>		
Results before taxes	9.5	6.5
<i>Adjustments for:</i>		
Depreciation and amortisation	4.6	3.9
Costs granted staff options	0.0	0.0
Costs granted performance shares	0.1	0.0
Finance costs	1.0	0.7
Interest paid	-0.9	-0.6
Change in provisions	-0.9	0.0
Received (paid) corporate income taxes	-2.7	-1.1
Changes in working capital *)	-5.6	-15.1
<b>Total **)</b>	<b>5.1</b>	<b>-5.7</b>
<b>Cash flow from investment activities</b>		
Investments in intangible fixed assets	0.0	-0.2
Investments in tangible fixed assets	-6.3	-2.6
<b>Total **)</b>	<b>-6.3</b>	<b>-2.8</b>
<b>Cash flow from financing activities</b>		
Returns from interest bearing loans	-0.3	-3.0
More (less) use of bank overdrafts	7.3	15.4
Returns from options exercised	0.1	0.1
Dividends paid to shareholders	-4.2	-3.9
<b>Total</b>	<b>2.9</b>	<b>8.6</b>
<b>Change in cash and cash equivalents</b>		
	<b>1.7</b>	<b>0.1</b>
Net exchange rate differences	-0.1	-0.2
Cash and cash equivalents as per 1 January	1.0	1.2
<b>Cash and cash equivalents as per 30 June</b>	<b>2.6</b>	<b>1.1</b>
<b>*) Changes in working capital</b>		
Inventories	-19.8	-11.0
Accounts receivable	-5.4	-4.1
Trade creditors and other liabilities	19.6	0.0
	<b>-5.6</b>	<b>-15.1</b>
<b>***) Net cashflow</b>	<b>-1.2</b>	<b>-8.5</b>



## Statement of Changes in Group Equity

<b>Amounts x € mln.</b>	<b>first half year 2018</b>	<b>first half year 2017</b>
<b>Balance as per 1 January</b>	<b>85.0</b>	<b>78.9</b>
Adjustment for initial application IFRS 15 **)	-0.6	0.0
<b>Adjusted balance as per 1 January</b>	<b>84.4</b>	<b>78.9</b>
Unrealised results	0.0	-0.1
Net income	6.8	4.9
Exercised share options	0.1	0.1
Issuance share options	0.1	0.1
Issuance of shares through conversion of loans	3.9	0.0
Dividends	-4.2	-3.9
<b>Balance on 30 June</b>	<b>91.1</b>	<b>80.0</b>

## Additional data

<b>Amounts x € mln.</b>	<b>30-06-2018</b>	<b>30-06-2017</b>	<b>31-12-2017</b>
Operating result in % of turnover *)	4.5	3.4	3.5
Net result in % of turnover	2.8	2.3	2.3
Total equity in % of balance total	39.9	42.1	43.7 **)
Average number of employees	2,916	2,676	2,750
<b>Per ordinary share in €</b>			
Operating result *)	0.92	0.63	1.33
Net earnings *)	0.60	0.43	0.87
Net earnings	0.57	0.43	0.86
Total equity	7.62	6.97	7.35 **)
Dividends	0.00	0.00	0.35
Number of outstanding shares x 1.000	11,955	11,479	11,481

\*) Excluding exceptional charges and PPA

\*\*\*) The Group applied IFRS 15 initially on 1 January 2018. As a result of the chosen method for cumulative effects the Group does not apply the IFRS 15 requirements to comparable figures