

Media release

The 2018 business year

CPH Group achieves record operating margin

The CPH Group increased its annual net sales by 13.6% to CHF 533.5 million in 2018. Earnings before interest and taxes (EBIT) were raised from CHF 2.9 million to CHF 51.6 million. The net result amounted to CHF 42.3 million. A doubled dividend of CHF 1.30 per share will be proposed for the year, together with a special 200th anniversary dividend of CHF 0.50 per share.

in CHF million	2017	2018	± in CHF	± in %
Net sales	469.8	533.5	63.7	13.6
Earnings before interest, taxes, depreciation and amortization (EBITDA)	33.8	83.1	49.3	146.2
in % of net sales	7.2	15.6		
Earnings before interest and taxes (EBIT)	2.9	51.6	48.7	1 679.8
in % of net sales	0.6	9.7		
Net result for the year	16.2	42.3	26.1	161.3
in % of net sales	3.4	7.9		

Perlen, 26 February 2019 – With revenues raised in all three of its business divisions, the CPH Group achieved net sales for 2018 of CHF 533.5 million, a 13.6% improvement on the previous year. “We can look back on a very successful anniversary year of expanded business activities, further international growth and the integration of new acquisitions,” says Peter Schildknecht, CEO of parent company CPH Chemie + Papier Holding AG.

Chemistry confirms growth course

The Chemistry Division generated net sales for the year of CHF 79.4 million, a 5.3% improvement on 2017. The division benefited from high investment activities in the energy sector and the growing demand for molecular sieves for oxygen purification purposes. As a result, its production capacities in the USA and China were fully utilized throughout the year. The division assimilated the Chinese molecular sieve distribution activities, which it had acquired from Shanghai Yusheng Chemical and the deuterated product business of new acquisition Armar, and also moved into its new Swiss site. The new manufacturing plants in

Zvornik (Bosnia and Herzegovina) and Rüti (Switzerland) ramped up their production in the first and fourth quarters respectively. The successful realignment of the Chemistry Division has already had a sustainable impact on its profitability: for the third year in succession, the division reported a positive EBIT result that was a substantial improvement on the previous year. Divisional EBIT margin for 2018 amounted to 7.7%.

Paper sees broad balance between supply and demand

The Paper Division increased its annual production 1.3% to 543 554 tonnes, and sold 542 126 tonnes of newsprint and magazine paper in the course of the year. With supply and demand broadly balanced in both product areas, paper prices were up on their prior-year levels. This boosted the division's net sales, which increased by 14.0% to CHF 301.1 million. On the expenditure front, despite higher prices, the costs of recovered paper were reduced because, following the division's acquisition of the activities of Papierfabrik Utzenstorf on 1 January 2018, some 81% of this key raw material was sourced in Switzerland, with correspondingly lower transport costs. Energy costs rose, while a weakening of the Swiss franc against the euro had a positive impact on earnings. The favourable business developments were duly reflected in a divisional EBIT margin of 10.0%.

Packaging substantially raises earnings

Demand for medicines continued to grow in 2018, and so did the demand for the films used in manufacturing their blister packs. The growth showed regional variations, however, with the highest rates recorded in the emerging Asian and Latin American markets. The Packaging Division increased its net sales for the year 17.5% to CHF 153.0 million, and substantially raised its EBIT margin to 10.1%. The division invested in enhancing the productivity of its European plants and raised the utilization of its Chinese manufacturing facility to handle the higher demand. Operations were also expanded to Brazil with the acquisition of the Sekoya company and the opening in autumn of a new Anápolis plant. The division's new Perlamed BLISTair single-use powder inhaler continued to win further innovation prizes, including the packaging industry's most prestigious distinction, the World Packaging Award.

Efficiency further enhanced

The prices of key raw materials such as recovered paper, energy and ethylene all rose in 2018. At least part of these increases could be passed on to the markets. That the cost of materials compared to production-generated sales was reduced from 54% to 49% was due largely to the

favourable developments in the Paper Division. While workforce numbers were increased from 1 019 to 1 081, personnel cost declined from 18% to 17% as a proportion of total costs. The new recruits primarily strengthened the Packaging Division, which now employs over 400 personnel. The strong demand and high plant utilizations entailed additional production shifts. With efficiency showing positive trends in all three divisions, consolidated EBITDA for the year was raised 146.2% to CHF 83.1 million, and EBITDA margin improved to 15.6%.

A record operating result

After ordinary depreciation and amortization of CHF 31.5 million, the Group reported consolidated earnings before interest and taxes (EBIT) of CHF 51.6 million, a CHF 48.7 million improvement on the prior-year result. “Our consolidated EBIT result and our EBIT margin of 9.7% are the highest the CPH Group has ever achieved since its stock exchange listing in 2001,” notes Peter Schildknecht. The financial result was slightly below its prior-year level at CHF –6.0 million. With no major real estate disposals (unlike in 2017), the non-operating result declined from CHF 22.8 million to CHF 0.1 million. Despite this, however, the net result for the year was improved from CHF 16.2 million to CHF 42.3 million.

CHF 1.80 dividend proposed

The Board of Directors will propose to the Ordinary General Meeting of 19 March 2019 that a dividend of CHF 1.30 (double the 2017 amount) per share be distributed for the 2018 financial year, and that a further special dividend of CHF 0.50 per share be awarded to mark the 200th anniversary of the CPH Group. Both dividends will be paid from the capital contribution reserve.

CPH Group refinances its Swiss-franc bond

The CPH Group had liquid funds of CHF 89.0 million and an equity ratio of 51% at the end of 2018. To secure its long-term outside financing, the Group issued a CHF 100 million five-year 2% corporate bond in autumn 2018. The proceeds from this are intended to refinance the current CHF 120 million 2.75% bond, which matures in summer 2019. A total of CHF 22.4 million was invested in tangible fixed assets in 2018, largely to enhance efficiency and to establish and develop the new Rüti and Anápolis sites. The Group generated a cash flow of CHF 69.0 million and a free cash flow of CHF 18.3 million.

Encouraging outlook for 2019

In view of its current order book health, the CPH Group expects to see a continuation of the present positive business trends in the first half of 2019. "Provided prices and currencies remain stable, we should see a slight further increase in our net sales this year," says Peter Schildknecht. "It will be challenging, however, to maintain our EBIT margin at its 2018 level." Thanks to higher non-operating income, the net result excluding extraordinary influences is likely to be broadly in line with its prior-year level. The Group plans to invest a further CHF 29.9 million in tangible fixed assets during the year, to further enhance efficiencies and raise production capacities.

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About CPH

CPH is an internationally active and diversified industrial group which is headquartered in Switzerland. The CPH Group develops, manufactures and distributes chemical products, wood-based paper and pharmaceutical packaging films. The Group and its subsidiaries maintain production facilities in Switzerland, Germany, Bosnia and Herzegovina, the USA, Brazil and China. The shares of its holding company CPH Chemie + Papier Holding AG are listed on the SIX Swiss Exchange (ticker: CPHN).

This media release contains future-oriented statements about the CPH Group that are subject to risk and uncertainties. These statements reflect the management's opinions at the time of the release's compilation, but they may deviate from actual future events.

Presentation of the CPH Group's 2018 annual results

Annual Results Media Conference (in German)

Date: Tuesday 26 February 2019
Time: 11:00 (CET)
Speakers: Peter Schaub, Chairman of the Board of Directors
Peter Schildknecht, CEO
Richard Unterhuber, CFO
Venue: CPH Group Head Office, Perlenring 1, CH-6035 Perlen

Key figures

in CHF million	2017	2018	± in CHF	± in %
The CPH Group				
Net sales	469.8	533.5	63.7	13.6
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in % of net sales	7.2	15.6		
Earnings before interest and taxes (EBIT)	2.9	51.6	48.7	1679.8
in % of net sales	0.6	9.7		
Financial result	-6.6	-6.0	0.6	n.a.
Earnings before taxes and extraordinary items	-3.7	45.7	49.4	n.a.
Net result for the year	16.2	42.3	26.1	161.3
in % of net sales	3.4	7.9		
in % of equity	4.1	10.4		
in % of total capital	2.3	5.3		
Cash flow	14.5	69.0	54.5	376.7
Gross investments in tangible fixed assets	32.3	22.4	-9.9	-30.8
Free cash flow	12.9	18.3	5.4	42.1
Balance sheet total	697.6	800.5	102.9	14.8
Fixed assets	455.3	447.2	-8.1	-1.8
in % of balance sheet total	65.3	58.9		
Equity	396.2	407.1	10.9	2.8
in % of balance sheet total	56.8	50.9		
Net cash	-73.1	-56.1	17.0	n.a.
Personnel at year-end (in FTEs)	1 019	1 081	62	6.1
By division				
Chemistry				
Net sales	75.5	79.4	3.9	5.3
EBIT	3.8	6.1	2.3	60.6
Paper				
Net sales	264.1	301.1	37.0	14.0
EBIT	-12.3	30.1	42.4	n.a.
Packaging				
Net sales	130.2	153.0	22.8	17.5
EBIT	9.6	15.4	5.8	61.2
CPH Chemie + Papier Holding AG				
Net profit/loss for the year	7.1	13.1	6.0	82.5
Equity	387.4	396.6	9.2	2.4
Per-share statistics (in CHF)				
Consolidated equity per share	66.06	67.87		
Consolidated net result per share	2.66	7.05		
Consolidated cash flow per share	2.41	11.50		
Dividend (from capital contribution reserve)	0.65	1.80*		

* Board's recommendation to the 2019 Ordinary General Meeting