



PRESS RELEASE

SHW AG: Internationalisation the decisive growth driver

- Dividend proposal: € 1.00 per share
- Significant improvement in sales and margins from 2018

Aalen, 24 March 2017. SHW AG, one of the leading automotive suppliers of CO₂-relevant pumps and engine components and composite brake discs, has published its Annual Report today with the final key performance indicators for its fiscal year 2016. “We have achieved a lot in 2016”, said Dr Frank Boshoff, Chief Executive Officer of SHW AG. “Despite a significant decline in sales, we were still able to slightly improve our adjusted EBITDA figure on the previous year. This was thanks to our manifold measures to improve our production and business processes.”

In the fiscal year 2016, in overall terms one customer’s technology switchover and declining call-offs for specific individual products in the Pumps and Engine Components business segment as well as declining sales figures and lower material surcharges in the Brake Discs business segment resulted in a significant fall in Group sales that had already been announced in July 2016. Group sales came to €405.8 million and were thereby down by 12 per cent (previous year €463.5 million).

At €43.6 million, adjusted consolidated earnings before interest, tax and depreciation and amortisation (EBITDA adjusted) were slightly higher than the previous year’s result of €43.5 million and were thereby at the lower end of the €43 million to €47 million range which was notified last July. However, at 10.7 per cent, the EBITDA margin is significantly higher than the previous year’s figure of 9.4 per cent.

The investments in capacity- and productivity-boosting production facilities and the establishment and expansion of international production plants over the last few years led to a nine per cent increase in depreciation to €24.6 million. Groups’ net profit declined by almost 11 per cent to €12.8 million (previous year €14.4 million) due to higher depreciation. The previous year’s result also included a one-off income¹ in the amount of €1.1 million. Earnings per share came to €1.99 (previous year €2.26).

Payout ratio: 50.3 per cent

With an equity ratio of 53.2 per cent and a net liquidity position of €1.6 million as at the balance sheet date 31 December 2016, SHW AG’s financial position remains highly robust and above average for its industry. Due to the clear increase in efficiency and solid balance-sheet structure, the Management Board and the Supervisory Board have decided to propose a dividend of €1.00 per share at the Annual General Meeting which will be held in Heidenheim on 9 May 2017. Overall, 50.3 per cent of the Group’s net profit for the year will thus be distributed to its shareholders.

¹ The one-off income resulted from the initial measurement of the Chinese brake discs joint venture, in the amount of €1.1 million, in the second quarter of 2015.



Internationalisation pushes ahead

In this year and the next, SHW will push ahead the internationalisation of its business – a cornerstone of the ‘SHW 2020’ strategy.

The Group’s Chinese subsidiary SHW Automotive Pumps (Kunshan) Co., Ltd. launched production of a variable engine oil pump for a Chinese-European joint venture in September 2016. In 2017, it will commence production of a primary transmission oil pump and an electric auxiliary transmission oil pump for a leading Chinese automobile manufacturer. Two further new orders have also been acquired: a variable engine oil pump with a balancer shaft for a Chinese-North American joint venture and an electric auxiliary transmission oil pump for a European automobile manufacturer. In each case, production is set to begin in 2018. Overall, the order book with local and international OEMs represents annual sales of approx. €100 million in 2020/2021.

In 2017, the Chinese subsidiary will focus on safeguarding the launch of its first series production runs. The validation of prototypes and the initial operation of assembly lines will require close cooperation between on-site project management and the central divisions in Bad Schussenried.

In the past fiscal year, in addition to its variable engine oil pumps order for a global engine platform the Group’s Canadian subsidiary SHW Pumps & Engine Components Inc. secured an order from the same customer for a variable engine oil pump featuring a control valve for 3-cylinder and 4-cylinder engines. The current planning envisages the start of production for 2019. In its further development of the North American market, for passenger car applications SHW Pumps & Engine Components Inc. will continue to focus on the leading North American vehicle manufacturers as well as suppliers of vehicle transmissions. As well as engine oil pumps, electric transmission oil pumps are especially seen as offering further potential. In the area of industrial applications, the Company will intensify its existing business relationships with North American agricultural and construction machinery manufacturers.

In Brazil, the Company has manufactured engine oil pumps for a well-known US vehicle manufacturer since July 2014. Production of an identical engine oil pump will begin for this customer’s European market in fiscal year 2017. In the past fiscal year, the SHW Group’s Brazilian subsidiary won a contract from another North American customer for the delivery of variable engine oil pumps. Production for this contract is set to begin in 2019. Further projects are currently in the tendering phase.

SHW’s Brazilian plant plays an important role in its global production network. Together with its plants in North America and China, SHW thus has the global presence which the North American vehicle manufacturers in particular require of it.

An important aspect in strengthening the SHW Group’s relative cost position is the optimisation of its production network with the planned establishment of a new plant in Romania. This will be accompanied by the transfer of selected existing pump projects with reduced technological complexity as well as the allocation of some specific new projects. The start of production is scheduled for the second half of 2017.

“Within the space of two years, we will ramp up our manufacturing in China, North America and Eastern Europe with a significant programme of investment in excess of €30 million. In 2020, we will generate almost a quarter of our Group sales outside of Europe”, says Dr Frank Boshoff, Chief Executive Officer of SHW AG.



Significant improvement in sales and margins from 2018

Based on the expected economic and industry environment and while considering the potential risks and opportunities, the Management Board of SHW expects Group sales of €400 million to €420 million in the fiscal year 2017.

It is therefore forecasting sales of €310 million to €330 million in its Pumps and Engine Components business segment and sales similar to the previous year's level of €90 million in its Brake Discs business segment, with a further increase anticipated in the percentage of higher-value composite brake discs in 2017.

Based on these assumptions, SHW expects an EBITDA margin of 10.0 per cent to 11.0 per cent (previous year 10.7 per cent) for fiscal year 2017 as a whole. In particular, this reflects the continuing effects of the successful implementation of the Group's operational excellence programmes.

From 2018 onwards, the Company once again expects a significant increase in sales and earnings. Within the scope of its "SHW 2020" strategy, sales are to be increased to €620 million to €650 million in the period up until 2020. In the same period, the EBITDA margin should increase to at least 12 per cent. The expansion of the global production network, innovation leadership and CIP (continuous improvement processes) are key areas of focus. Following temporarily increased investments in new markets and further production sites in 2017, from 2018 the Company plans to reduce capital expenditure to a level of between approx. 5 and 6 per cent of Group sales.

SHW will publish its interim report for the first quarter of 2017 on 3 May 2017. Its Annual General Meeting will take place on 9 May 2017 in Heidenheim.



Key performance indicators for the fourth quarter and fiscal year 2016 (in K EUR)

Key performance indicators – SHW Group	Q4			Fiscal year		
	2016	2015	Change	2016	2015	Change
Sales	93.551	105.024	-10,9%	405.770	463.478	-12,5%
EBITDA adjusted	11.084	10.462	5,9%	43.553	43.458	0,2%
as % of sales	11,8%	10,0%	-	10,7%	9,4%	-
Depreciation (excl. PPA)	6.272	5.974	5,0%	24.615	22.430	9,7%
as % of sales	6,7%	5,7%	-	6,1%	4,8%	-
EBIT adjusted	4.812	4.488	7,2%	18.938	21.028	-9,9%
as % of sales	5,1%	4,3%	-	4,7%	4,5%	-
ROCE	-	-	-	13,0%	17,2%	-
Net income for the period	2.898	2.000	44,9%	12.805	14.351	-10,8%

Key performance indicators – Pumps and Engine Components	Q4			Fiscal year		
	2016	2015	Change	2016	2015	Change
Sales	72.083	81.124	-11,1%	317.521	365.158	-13,0%
EBITDA adjusted	10.309	9.219	11,8%	37.454	35.201	6,4%
as % of sales	14,3%	11,4%	-	11,8%	9,6%	-
Depreciation (excl. PPA)	5.145	4.790	7,4%	19.926	17.859	11,6%
as % of sales	7,1%	5,9%	-	6,3%	4,9%	-
EBIT adjusted	5.164	4.429	16,6%	17.528	17.342	1,1%
as % of sales	7,2%	5,5%	-	5,5%	4,7%	-
ROCE	-	-	-	18,4%	21,9%	-

Key performance indicators – Brake Discs	Q4			Fiscal year		
	2016	2015	Change	2016	2015	Change
Sales	21.468	23.900	-10,2%	88.249	98.320	-10,2%
EBITDA adjusted	1.320	1.992	-33,7%	7.899	9.797	-19,4%
as % of sales	6,1%	8,3%	-	9,0%	10,0%	-
Depreciation (excl. PPA)	1.052	1.107	-5,0%	4.388	4.287	2,4%
as % of sales	4,9%	4,6%	-	5,0%	4,4%	-
EBIT adjusted	268	885	-69,7%	3.511	5.510	-36,3%
as % of sales	1,2%	3,7%	-	4,0%	5,6%	-
ROCE	-	-	-	7,3%	13,9%	-



About SHW

The Company was established in 1365 making it one of the oldest industrial companies in Germany. Today, SHW AG is a leading automotive supplier providing products that make a substantial contribution to reducing fuel consumption and, consequently, to lowering CO₂ emissions. In its Pumps and Engine Components business segment, the SHW Group develops and produces pumps for passenger vehicles and industry applications (e.g., trucks, agricultural and construction vehicles, stationary engines and wind farms) as well as engine components. The Brake Discs business segment develops and produces monobloc ventilated brake discs made of cast iron and composite brake discs made of a combination of an iron friction ring and an aluminium pot. The SHW Group's customers include renowned automotive manufacturers, manufacturers of commercial, agricultural, and construction vehicles as well as other suppliers to the automotive industry. Currently, the SHW Group has four production sites in Germany located in Bad Schussenried, Aalen-Wasserralfingen, Tuttlingen-Ludwigstal and Neuhausen ob Eck, one site in Brazil (Sao Paulo) and China (Kunshan) and has a sales and development centre in Toronto, Canada. Besides, SHW Automotive GmbH also holds a 51 per cent interest in the joint venture SHW Longji Brake Discs (LongKou) Co., Ltd., in LongKou (China). With just over 1,250 employees, the Company generated Group sales in fiscal year 2016 of €406 million. Further information is available at: www.shw.de

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Future-oriented statements

This press release contains certain future-oriented statements that are based on current assumptions and forecasts made by the management of SHW AG. Various known and unknown risks, uncertainties and other factors may lead to the actual results, financial position, development or performance of the company deviating considerably from the appraisals specified here. The company assumes no obligation to update future-oriented statements of this nature or adapt them to future events or developments.

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