Corporate News

# SMT Scharf AG significantly increases revenues and earnings in 2019 thanks to strong business in China

- **Consolidated revenue of EUR 75.4 million well above previous year**
- **Operating profit (EBIT) grows significantly to EUR 6.8 million**
- **Strong business in China delivers strong revenue and earnings surge in Q4/2019**
- **Progress of business in China in 2020 still dependent on China III approval**

Hamm, March 30, 2020 – SMT Scharf AG (WKN 575198, ISIN DE0005751986), one of the world's leading suppliers of customized transport solutions and logistics systems for underground mining, achieved significant revenue and earnings growth in the 2019 fiscal year, on the basis of final figures. This growth particularly reflected a dynamic increase in revenue in China, where business slowed much less than expected as a consequence of continuing market distortions caused by the new regulation for engines (China III). SMT Scharf increased its consolidated revenues by 6.5 % to EUR 75.4 million during the year under review (2018: EUR 70.8 million). At the same time, the company achieved an operating result (EBIT) of EUR 6.8 million (2018: EUR 5.3 million), which corresponds to a significant rise of 28.3 %. SMT Scharf improved its consolidated net profit for the year by EUR 1.1 million year-on-year to EUR 5.7 million (2018: EUR 4.6 million).

Hans Joachim Theiss, CEO of SMT Scharf AG, puts the 2019 business trend into context: "As a niche specialty machinery manufacturer, we are well positioned in the important mining markets to benefit from growth opportunities and the continuing drive for modernisation among mine operators. In 2019, we have again increased revenue and profitability in the face of an increasingly complex market environment. Our strong business in China gave us a strong boost, enabling us to exceed even our original forecast targets."

From 2021, the new so-called China III regulation will be binding for mine operators in China. In order to make full use of their capacities, some companies have decided to use transport solutions with China II approval for the time being. SMT Scharf thereby recorded unexpectedly strong revenue growth in the final quarter of 2019. Consolidated revenue reached EUR 25.7 million in this period, up 8.4 % year-on-year (Q4 / 2018: EUR 23.7 million) and making a significant contribution to the clearly positive revenue growth in the full 2019 fiscal year.

In line with this, total operating revenue rose to EUR 74.8 million (2018: EUR 71.0 million). Against a backdrop of a challenging and highly competitive sector environment, SMT Scharf increased its revenues in its business with new systems. New systems' revenue share reached 52.2 %, and as in the previous year lay above the 50 percent mark (2018: 50.3 %). By contrast, the share of spare parts and service business in relation to total revenue stood at 46.6 %, down slightly on the previous year (2018: 49.7 %). In addition, the remaining revenue share is attributable to other revenues of the new Group subsidiary ser elektronik. SMT Scharf continues to generate most of its consolidated revenue in its Coal segment, where it reported revenue of EUR 60.6 million, corresponding to a revenue share of 80.4 % (2018: 78.7 % or EUR 55.7 million). By contrast, the revenue share of the Non-Coal segment decreased by

15.9 %, or by EUR 12.0 million, in both relative and absolute terms (21.0 % and EUR 14.9 million respectively in 2018).

The SMT Scharf Group continued to realise most of its revenues abroad, accounting for a 97 % share in 2019 (2018: 98 %). In this context, China underscored its continued significant role as the most important market with a revenue share of 41.5 %, or EUR 31.3 million (2018: 40.0 % or EUR 28.3 million). The local mining industry in China continues to report high demand for modern mining equipment. Demand in the Chinese market is also being driven by the acquisition of new machines, necessitated by the more stringent China III regulations. Russia (CIS) remains an important target market accounting for a 20.6 % revenue share, or EUR 15.5 million (2018: 22.0 % or EUR 15.6 million). Revenue generated in Germany grew to EUR 2.5 million or 3.3 % (2018: 2.1 % or EUR 1.5 million), reflecting the revenue contribution made by ser elektronik, a newly acquired company based in Germany.

The cost of materials ratio (in relation to total operating revenue) decreased to 52.8 % compared to the previous year (2018: 58.6 %). The personnel expense ratio (in relation to total operating revenue) amounted to 24.5 % and was up on the previous year's figure (2018: 21.4 %) due to the higher headcount in Germany. Overall, the SMT Scharf Group generated a significantly higher operating profit (EBIT) of EUR 6.8 million in the year under review (2018: EUR 5.3 million). Accordingly, the EBIT margin (in relation to total operating revenue) stood at 9.1 % (2018: 7.5 %), with the higher revenue and improved cost of materials ratio contributing significantly to this higher level. Correspondingly, earnings per share amounted to EUR 1.20 (2018: EUR 1.01).

In the year under review, the SMT Scharf Group's new order intake amounted to EUR 80.6 million (EUR 75.3 million in 2018), while the order book position stood at EUR 24.9 million as of December 31, 2019 (December 31, 2018: EUR 19.7 million).

For the 2020 fiscal year, the Managing Board of SMT Scharf AG anticipates consolidated revenue in a range between EUR 72 million and EUR 75 million, and EBIT in a range between EUR 5.5 million and EUR 6.0 million. The Managing Board made this Group forecast on the basis of the information available on the date the report was published in March 2020, at which time no specific economic impact on SMT Scharf's figures from the coronavirus pandemic could be quantified. At the same time, the Managing Board believes that increasing signs are emerging that the spread of the coronavirus could have a significantly negative impact on economic growth in SMT Scharf's target markets as a whole, and on the company's own business activities during the remainder of 2020.

"We see the ongoing coronavirus pandemic as a significant factor for the current fiscal year. We are not yet in a position to fully gauge the consequences of this factor for our company. Consequently, it cannot be ruled out that the spread of coronavirus will delay business activities in China and worldwide. With a look to the Chinese market, we expect that the ongoing approval process will place an additional burden on business there in the first half of 2020, and we do not anticipate the related positive effects on our business to emerge until the second half of 2020 at the earliest. We can then probably start to deliver newly approved China III machines," notes Theiss.

The complete 2019 Annual Report will be published during the course of today within the Investor Relations area of www.smtscharf.de.

## Company profile

The SMT Scharf Group develops, manufactures and services transportation equipment for underground mining as well as for tunnel construction. The main products include captivated railway systems that are deployed worldwide, primarily in hard coal mines, as well as in mines for gold, platinum and other metals. Such systems are required in order to transport material and personnel with payloads of up to 48 tonnes and on gradients of up to 30 degrees. In addition, SMT Scharf supplies the mining sector with chairlifts. Since 2018, SMT Scharf's diverse portfolio has also included rubber-tyred diesel and electric vehicles for mining and tunnelling, including loaders, scissor lifts and underground trucks. As part of the further diversification of the business, the product range has been successfully expanded since 2019 to include electronic components and control systems for mining and other industries. Overall, the SMT Scharf Group is active with subsidiaries in eight countries, as well as commercial agencies worldwide. SMT Scharf generates a large share of its revenue in growing foreign markets such as China, Russia, Poland and South Africa. SMT Scharf AG has been listed in the Prime Standard (Regulated Market) of the Frankfurt Stock Exchange since 2007.

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