Due to disappointing earnings performance in the fourth quarter 2018, Leoni will intensify measures to stabilise its business and proposes to suspend the dividend

* Company incurred an EBIT loss of EUR 19 million in fourth quarter
* In 2018 Leoni generated sales of EUR 5.1 billion, EBIT of EUR 144 million and negative free cash flow of EUR 147 million
* For 2019 the company expects sales of about EUR 5.2 billion, before Value21 adjustments, an EBIT between EUR 100 million and EUR 130 million, and free cash flow at the previous year's level
* Further measures to stabilise and optimize the business initiated
* Board of Directors and Supervisory Board plan suspension of dividend for 2018

Nuremberg, 7 February 2019 – In the fourth quarter of financial year 2018 Leoni incurred preliminary sales of EUR 1.2 billion and preliminary earnings before interest and tax (EBIT) of EUR -19 million. In the 2018 financial year, the Company generated preliminary sales of EUR 5.1 billion (2017: EUR 4.9 billion), preliminary EBIT of EUR 144 million (2017: EUR 227 million incl. an exception benefit of approximately EUR 30 million) and preliminary free cash flow of EUR -147 million (2017: positive EUR 11 million). The capital expenditure ratio (excluding investment in the Factory of the Future) stood at 6 percent (2017: 5 percent). “Our 2018 result is very disappointing and unacceptable. The issues are significantly more serious than previously evident and the surprisingly negative development in the fourth quarter, particularly in our Wiring Systems division, highlights the necessity for a comprehensive performance program,” said Aldo Kamper, President and CEO of Leoni AG.

For the financial year 2018, the Company had most recently estimated sales of about EUR 5.0 billion, EBIT of approximately EUR 196 million and a negative free cash flow of up to EUR 150 million as well as a capex ratio (excluding investment in the Factory of the Future) of 5 percent. Leoni maintained a stable equity ratio of 31 percent (2017: 33 percent) at the end of financial 2018. The debt ratio (net debt to EBITDA) stands at 2.0 (2017: 1.1).

Divisional Performance

Based on preliminary calculations, the Wiring Systems Division (WSD) generated sales of EUR 772 million in the fourth quarter of 2018 (Q4/2017: EUR 806 million) and incurred an EBIT of EUR -26 million (Q4/2017: profit of EUR 27 million). In total for the financial year 2018, the division generated sales of EUR 3.2 billion (2017: EUR 3.1 billion) and an EBIT of EUR 80 million (2017: EUR 118 million). These results were unexpectedly affected, particularly in the fourth quarter, by higher-than-planned ramp-up costs, particularly at Leoni’s new plant in Mexico, decline in individual plant performance and under delivery on cost savings targets.

The Wire & Cable Solutions (WCS) Division generated sales of EUR 470 million in the fourth quarter (Q4/2017: EUR 469 million) and an EBIT of EUR 9 million (Q4/2017: EUR 14 million). For the financial year 2018, the division recorded sales of EUR 1.9 billion (2017: EUR 1.9 billion) and EBIT of EUR 66 million (2017: EUR 105 million including a non-recurring adjustment of EUR 24 million). This deterioration of earnings was based, among other factors, on an unfavourable product mix and write-downs related to copper inventories due to price declines.

Outlook

Based on the preliminary results for the financial year 2018 and the current market environment, the Board of Directors projects sales of about EUR 5.2 billion for 2019. Due to a higher burden, primarily from project ramp-up costs in Mexico, before adjustments from the performance and strategy program Value21, Leoni forecasts an EBIT between EUR 100 million and EUR 130 million and free cash flow (incl. IFRS 16-related adjustments) at the level of 2018. Based on these expectations for 2019, the Company will not meet its previous medium-term targets for 2020.

“Leoni has enormous potential, but we must act now to secure our future,” Kamper said. “In the months ahead, we will be concentrating on stabilising the Company with a particular focus on Mexico. As a first measure we have set up a dedicated team of experts on site. As a further consequence, Karl Gadesmann and I together will actively engage in the operations of WSD. In addition, we are immediately implementing a stricter cost discipline at the Company. We will define and implement further measures in the coming weeks and will provide more details on these on 19 March,” Kamper added.

Suspension of dividend to be proposed

Taking into account the cash flow situation and the debt ratio, the Board of Directors and the Supervisory Board intend to diverge from their existing dividend policy. It is planned to propose to shareholders at the 2019 Annual General Meeting to suspend the dividend for the financial year 2018.

*(4,843 characters with spaces)*

*The company will host an investor and analyst conference call on 8 February 2019 at 10.00am CET.*

*Note: The 2017 financials include IFRS 15 adjustments.*

About the Leoni Group

Leoni is a global provider of products, solutions and services for energy and data management in the automotive sector and other industries. The value chain encompasses wires, optical fibers, standardised cables, special cables and assembled systems as well as intelligent products and smart services. As an innovation partner and solutions provider, Leoni supports its customers with pronounced development and systems expertise. The market-listed group of companies employs more than 90,000 people in 31 countries and generated consolidated sales of EUR 4.9 billion in 2017.

  

Contact for journalists Contact for analysts and investors

Sven Schmidt Frank Steinhart / Jens von Seckendorff

Corporate Public & Media Relations Corporate Investor Relations

Phone +49 (0)911-2023-467 Phone +49 (0)911-2023-203 / -134

Fax +49 (0)911-2023-231 Fax +49 (0)911-2023-10203 / -10134

E-mail presse@leoni.com E-mail invest@leoni.com