

# Secop Group Holding GmbH

FINANCIAL STATEMENT  
Q4 2020



# MANAGEMENT COMMENTARY

## The Secop Group

Secop Group is owned by ESSVP IV funds since September 2019, a leading investor in industrial market leading businesses. Since the acquisition the company re-focused the strategic plan to the core business: research, design and manufacturing of hermetic compressors and electronic controls for refrigeration solutions used in Stationary and Mobile Cooling applications.

In 2020 a transformation process reshaped the structure of the group, to relocate valuable resources and development funds to Light Commercial and Mobile Cooling developments, limiting the household segment only to niche applications where Secop's experience and technology can differentiate itself with premium solutions. Final steps of this transformation process executed in year 2020 have been the closure of the production plant in Austria, the transfer and restarting of the Kappa production line in Slovakia, and the establishment of a new R&D center near Graz in Austria.

Secop is committed to deliver advanced refrigeration compressors and controls, providing customers tailored sustainable solutions for light commercial, battery driven and special cooling applications.

Secop's Stationary Cooling business segment (AC-supply compressors for static applications) provides compressors for light commercial applications in food retail, food service, merchandisers, medical, and special applications and also for selected residential applications.

Secop's Mobile Cooling business segment (Battery-Driven DC-supply for mobile applications) is the global leader in high-performance hermetic DC compressors, for automotive, trucks, recreation vehicles, portable boxes, solar vaccine fridges, and other mobile applications.

Secop has a long track record of successful projects for energy efficient and green refrigerants adoption projects, using innovative solutions for both compressors and control electronics. Secop can count on outstanding knowhow and reliable solutions to support refrigeration applications in core refrigeration segments like medical refrigeration, solar vaccine coolers, medical mobile solutions.

## Business Highlights Q4 2020

### Q4 Sales summary by region

Sales in 2020 were much focused in SEA incl. China and Europe / SAMEO, the key markets for producers of corporate and end consumer appliances for cooling.

Net Sales by Region:	Q4 2019 (in k EUR)	Q4 2020 (in k EUR)	Deviation in %
AMERICAS	5,790	5,091	-12.1%
SEA (incl. CHINA)	21,199	29,735	40.3%
EUROPE, SAMEO	25,316	25,903	2.3%
<b>Total result:</b>	<b>52,304</b>	<b>60,730</b>	<b>16.1%</b>

Q4 2020 showed a solid business recovery compared to Q3 and showed a positive trend for most of the core markets: Food Retail, Automotive and Leisure mobility. Only the Food Service market still suffered a demand drop in Q4, a segment impacted by the effects of the COVID-19 pandemic on Ho.Re.Ca. activities worldwide.

In Q4 2020 refrigeration market recovery showed a better trend compared to the forecasted U shape recovery after the drops in Q2 and the shy recovery in Q3. The demand increased especially in the SEA region, that recovered full speed and reached a high demand level in Q4, and in the Automotive segment, where the order level overcome the forecasts for both cars and trucks applications. Overall, the company maintained or increased the market share in all segments and performed better than the average of the companies in commercial refrigeration industry, as a consequence of the equilibrated mix between stationary, mobile and multi-regional business.

Despite the pandemic effects on the supply of components no critical disruptions affected production and logistics in Q4 2020.

Major Highlights for activities in Q4 2020:

- Focus of additional resources to sustain the development of solutions for Medical applications market, especially for the vaccine storage and transportation in standard temperature and in ultra-low temperature conditions.
- The relocation of a product line to the plant in Slovakia was completed and production restarted as planned.
- The inauguration of the new R&D center in Gleisdorf – Austria.
- The launch to market a new frame breaker compressor for the food retail market, which adopts green refrigerants and low energy consumption electronic controller.

## CONSOLIDATED INCOME STATEMENT

EUR M	Note	Q4 2019 *	Q4 2020 *	FY 2020 *
<b>Net Sales</b>		<b>52.3</b>	<b>60.7</b>	<b>222.7</b>
Raw materials & consumables		-38.6	-41.4	-146.7
Labor production		-3.2	-3.3	-14.3
Sales variable costs (incl. royalty fees)		-0.8	-1.1	-3.6
All other direct costs		-0.2	0.2	-0.7
<b>Contribution margin</b>		<b>9.6</b>	<b>15.1</b>	<b>57.4</b>
As percent of Net Sales		18.3%	24.9%	25.8%
Fixed costs		-14.5	-9.9	-44.9
As percent of Net Sales		-27.7%	-16.2%	-20.1%
Currency impact	G1	-0.7	-0.9	-1.6
All extraordinary		-3.7	2.7	-15.0
Depreciation & Amortization **	G1	-2.8	-19.6	-26.8
<b>EBIT</b>		<b>-12.1</b>	<b>-12.6</b>	<b>-30.8</b>
As percent of Net Sales		-23.2%	-20.7%	-13.8%
Interest expense		-3.5	-3.5	-10.9
<b>Profit before Tax</b>		<b>-15.6</b>	<b>-16.0</b>	<b>-41.7</b>
Tax		-2.0	-5.6	-7.6
<b>Profit / loss for the period</b>		<b>-17.6</b>	<b>-21.6</b>	<b>-49.3</b>
<b>Memo:</b>				
Leases according to IFRS 16		-0.7	-0.3	-1.1
Reversal of Escrow impairment		0.0	0.0	24.1
Reversal of loss on sold assets		0.0	0.8	1.6
<b>EBITDA Reported ***</b>		<b>-10.0</b>	<b>7.6</b>	<b>20.5</b>
As percent of Net Sales		-19.1%	12.4%	9.2%
Adjustments		-0.7	-1.9	2.2
<b>EBITDA Adjusted (R&amp;D capitalized)</b>		<b>-10.6</b>	<b>5.6</b>	<b>22.7</b>
As percent of Net Sales		-20.3%	9.3%	10.2%

Note: No comparative Full Year 2019 available; 2020 not audited, preliminary results

\* Note: Secop CORE Business

\*\* Note: D&A for the complete business

\*\*\* As defined in T's & C's

## **G1 Secop restructuring efforts after acquisition**

After the transfer of ownership in Sept. 2019 Secop made a number of key changes to simplify and rationalize its operations in response to the fast-changing market and increasing consolidation and competition in the market. The newly created Secop Group had three major production plants in Austria, Slovakia and China. Most of the group functions are based in Flensburg, Germany. Since late 2020 Secop focuses on its Light Commercial and Mobile Cooling business as well as selected Household niches. We closed the Austrian production plant and shifted a production line to Slovakia. This project is largely completed as the finished goods productions restarted successfully.

These restructuring related changes in 2019/20 are our foundation for the new set up and more agile and focused Secop business going forward.

## **G2 Close of the acquisition process of Secop Group**

In this process Escrow receivables were impaired and hence associated receivables were waived.

In addition to external sale of assets, assets have been shifted from one Secop entity to another as described in G1.

This process has been concluded in 2020.

## **G3 Refinancing the business**

Outstanding Bonds on 31.12.2020 were at a value of 50.0m EUR. Bonds held by the company on 31.12.2020 have a nominal value of 8.5m EUR

## **G4 Vendor loan Nidec**

At the end of December 2020 there was a vendor loan by Nidec (former shareholder of the Secop business) in place with non-cash interest being accrued.

In 2021 Nidec has started an arbitration procedure and both contract parties have open claims to each other.

## **G5 Equity**

Including all shareholder loans of the Group to the shareholders, the equity of the group amounts to 87.1m EUR (31.12.2020).

## CONSOLIDATED BALANCE SHEET (IFRS)

EUR M	Note	Q4 2019 *	Q4 2020 *
<b>ASSETS:</b>			
Intangible assets		51.9	54.8
Tangible assets	G1	105.7	85.7
<b>Total fixed assets</b>		<b>157.7</b>	<b>140.5</b>
Deferred tax assets		3.9	3.5
<b>Total non-current financial assets</b>		<b>161.5</b>	<b>143.9</b>
Inventories	G1	44.9	33.8
Trade receivables		59.1	42.4
Current financial assets	G2	36.1	10.1
Cash and bank balance	G3	26.8	29.3
Current non-financial assets		12.1	10.8
<b>Total current assets</b>		<b>179.1</b>	<b>126.4</b>
<b>Total assets</b>		<b>340.6</b>	<b>270.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	G1, G2, G5	<b>68.9</b>	<b>26.8</b>
Non-current provisions for pensions & similar		4.4	4.6
Other provisions		2.2	1.9
<b>Non-current provisions</b>		<b>6.7</b>	<b>6.5</b>
Non-current financial liabilities	G3	4.9	46.3
Non-current payables	G5	59.2	49.4
Deferred tax liabilities		30.4	31.9
<b>Non current liabilities</b>		<b>94.5</b>	<b>127.6</b>
<b>Non-current non-financial liabilities</b>		<b>0.0</b>	<b>-</b>
Current payables from income taxes		-	0.1
Current payables from VAT		0.6	0.0
Current payables HR		6.2	5.7
All other current payables		2.9	2.6
<b>Current non-financial liabilities</b>		<b>9.7</b>	<b>8.5</b>
Current financial liabilities	G4	20.2	20.9
Short-term loan payables	G5	63.6	10.9
Chinese bank liability		-	2.2
Accounts payables		63.2	53.7
Current provisions		10.9	13.2
Other current liabilities		2.8	0.0
<b>Current liabilities</b>		<b>160.8</b>	<b>100.9</b>
<b>Total equity and liabilities</b>		<b>340.6</b>	<b>270.3</b>

\* Note: Entire Secop Group Business; 2020 not audited, preliminary results

## CONSOLIDATED CASH FLOW STATEMENT

EUR M	Note	Q4 2020 *	Full Year 2020 *
EBIT		- 12.8	- 22.9
Correction for non-cash Items		15.0	25.9
<b>Subtotal cash flow from Operations excluding WC</b>		<b>2.1</b>	<b>3.0</b>
Change in Working Capital		7.6	15.0
<b>Subtotal Cash generated from Operating activities</b>		<b>9.7</b>	<b>18.0</b>
Net cash used for investment activities		- 6.9	- 10.6
Net cash from financing activities	G3	- 12.1	0.4
Net cash from tax		- 3.3	- 5.3
<b>Net increase / decrease in Cash</b>		<b>- 12.5</b>	<b>2.5</b>

\* Note: Entire Secop Group Business; 2020 not audited, preliminary results

## GENERAL INFORMATION

Secop Group Holding, HRB 14025, District Court Flensburg, is a limited liability company registered in Germany with its registered office in Flensburg. The address of the head office is Mads-Claussen-Strasse 7, 24939 Flensburg, Germany. The operations of the Secop Group Holding GmbH (the "Parent Company") and its subsidiaries (the "Group") comprise development, manufacturing and sale of compressor products and related activities. Unless stated otherwise, all amounts are presented in millions of EUR (m EUR).

## G5: KEY RISKS AND UNCERTAINTIES

The Group's key risks and uncertainties relate to fluctuations in demand and prices of steel, copper and semiconductor products as well as other commodity material prices. For a more detailed description of key risks and uncertainties, please refer to Secop Group's latest Annual Report 2019. The impact from COVID-19 on the Group has been limited until the date of the publishing of this report. Given the uncertainty related to the spread of the virus and its associated effects, it is difficult for the Group to estimate future impact from the outbreak. Key operational risks are, for example, associated to plant, property and staff and our availability and access to raw materials and components as well as to logistics services.

## G6: DEFINITION OF KEY INDICATORS

### EBITDA Reported

EBITDA is calculated as the profit of the Group before interest, tax, depreciation and amortization for the relevant period, including IFRS 16 lease costs and after adding back any amount attributable to the amortization, depreciation, depletion or non-cash write-down of assets of members of the Group, according to T's and C's.

### EBITDA Adjusted (R&D capitalized)

EBITDA Adjusted (R&D capitalized) is calculated as the profit of the Group before interest, tax, depreciation and amortization including R&D capitalization improving the cost base for relevant items that are capitalized according to IFRS for the relevant period excluding all adjustments that are non-recurring, restructuring and / or acquisition related (enabling a like for like comparison of the real business performance excluding other items), including IFRS 16 lease costs and after adding back any amount attributable to the amortization, depreciation, depletion or non-cash write-down of assets of members of the Group.

### Pro-forma adjustments as part of reflected EBITDA Adjusted (R&D capitalized)

Pro-forma adjustments reflected are mainly the anticipated fixed costs reduction of the Austrian business restructuring. The adjustment is calculated for the relevant period on a proforma basis (as if the Group in its state of the end of the relevant period had been in existence for the full relevant period of the executed cost reductions).

## COMPANY INFORMATION

Name: Secop Group Holding GmbH

Address: Mads-Claussen-Strasse 7, 24939  
Flensburg, Germany

Registration: HRB 14025

Financial year: January 1 – December 31

Website: <https://www.secop.com>

Executive Management:

Frank Elsen

Philipp Stietencron

Auditor: Warth & Klein Grant Thornton  
(2020 currently being audited)