European News

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SFS Projects 3% - 5% Growth Despite Market Volatility

SFS Group expects the 2019 market to be volatile given trade tensions between the US and China and the recent slowdown in global economic activity. A healthy project pipeline means it still expects top-line growth of 3-5% in 2019. Taking into consideration the uncertain economic situation, SFS expects the adjusted EBIT margin for financial 2019 to be in a range from 13% - 15%. The Group will incur one-off costs for the commissioning of a new manufacturing platform in Nantong, China, but also expects accounting gains on the disposal of real estate.

slower than in the first half, partially due to a strong comparison base and partially due to an unexpected decline in demand during the fourth quarter, especially from customers in the automotive and electronics industries.

Group operating profit increased by 4.2% to CHF 243.1 million. Profitability improved considerably during the second half (EBIT margin of 14.4%) compared to the first half (EBIT margin of 13.6%). The EBIT margin for the year stood at 14%, slightly below the comparable year-ago margin of 14.3%. This contraction is primarily attributed to sales mix effects arising, for example, from the stronger growth rates of the Fastening Systems and Distribution & Logistics segments and the strong decline in demand during the final quarter of the year. Net profit for the year rose by 21.9% to CHF 193.9 million, which corresponds to 11.2% of net sales.

SFS Buys U.S. Construction Fastener Distributor

SFS Group has recently acquired Triangle Fastener Corporation (TFC), a leading provider of fasteners and other products for the US commercial construction industry, headquartered in Pittsburgh. TFC produced sales of more than US$70 million (€62.5 million) in 2018 and has approximately 200 employees. The acquisition means SFS will be able to expand access to the market and its customers in the American building sector.

TFC was founded in 1977 and supplies end-users in the commercial construction industry with a comprehensive assortment of customer-specific fasteners, as well as other application solutions. TFC sells its products to roughly 6,000 active customers through 23 separate branch locations in 15 states and is one of the leading suppliers in the eastern United States. TFC will operate as a part of the Construction division within the SFS Fastening Systems segment. The company will be led by the existing management, ensuring continuity.

Solid Finish to Trifast Year

In a trading statement ahead of its provisional results, Trifast plc reports a solid finish to its year ending 31st March 2019, with revenue growth across all regions, and Group underlying profit ahead of management expectations. Trifast says Europe was a key driver for organic growth, with double-digit revenue increases across five of seven entities including Holland, Hungary and Germany.

In Asia, year-on-year growth was solid across the region with strong domestic appliance sector increases in Singapore offset by a demand fall in China. The latter was due to a local factory closure of a multinational OEM customers, as well as the effect of US tariffs for some multinational customers. Trifast sees the Asia region as a continued strong growth opportunity, which it will supplement by additional investments in its Taiwanese manufacturing operation.

Trifast's smallest region, the USA, continued to perform very strongly with year-on-year growth rates of over 30% - largely driven by market share gains at existing multinational tier 1 and OEM customers in automotive and electronics sectors. Overall strong growth in the UK reflected the successful acquisition of Precision Technology Supplies, which achieved double-digit growth in its first full year with Trifast. Organic growth, however, saw a slight reduction, due to the downturn in UK automotive manufacturing volumes. Globally, the automotive sector continues to present Trifast with significant opportunities for organic growth through a mix of cross-selling new technologies on the back of the evolution to electric vehicles.

Trifast ended the financial year with Group underlying profit before tax (AER and CER) slightly ahead of management expectations. Excluding Europe, where investment levels were highest, all regions delivered profit growth.

Bufab Reports 15% Growth in Q1 2019

Bufab Group started off 2019 with a strong first quarter result for the overall Group, reporting continued healthy growth and increased profit. The International segment delivered but Sweden turned in a poorer performance. Net Group sales increased 15% to SEK 1.091 billion (€88.96 million), driven by acquisitions, increased market share and stable demand. Organic growth was 6%. Operating profit (EBITA) rose to SEK 119 million (2018 Q1: SEK 106 million) and the operating margin was 10.9 percent (2018 Q1: 11.2%).

Bufab's largest operating segment, International, enjoyed a particularly strong performance. It continued to take market share, capturing new contracts with many customers. Segment organic was 8%. Growth was particularly strong in central Europe, the UK, northern Europe and southern Europe, but somewhat weaker in eastern Europe. President and CEO Jorgen Rosengren noted: "Price increases secured a stable gross margin. Through an effective cost control and increased efficiency, it was possible to translate this into an operating margin that was the segment's best ever. Accordingly, operating profit rose by a full 20%."

The quarterly result from Sweden, in contrast, was "poorer than last year", attributed to a significant weakening of gross margin. Price increases implemented in 2018 and early 2019 were insufficient in light of the continued weakening of the Swedish krona. For the second consecutive quarter, organic growth was "limited". Despite effective cost control, operating profit and operating margin were therefore considerably lower than in 2018. Rosengren emphasised: "This development is entirely unsatisfactory" and committed to further price increases for end customers, combined with purchasing savings, aimed at restoring gross margin during the year.

Despite the Swedish result, Rosengren expressed satisfaction with the Group's earnings for the quarter. "Our newly acquired companies are contributing to increased sales and profits, while also significantly strengthening our customer offering. It is part of our strategy to make additional value-adding acquisitions also in the future." The CEO concluded: "We are satisfied with the start to the year. The macroeconomic uncertainty has not diminished, but we are optimistic about the remainder of 2019."

Bulten Sales Set Back by Automotive Headwinds

Bulten Group reported first quarter 2019 net sales at SEK 810 million, down 5.1% on a strong first quarter in 2018. Adjusted operating earnings (EBIT) fell to SEK 59 million (2018 Q1: SEK 67 million). Adjusted operating margin was 7.3%, down from 7.8% of the same quarter in 2018. Earnings after tax stood at SEK 44 million (2018 Q1: SEK 48 million). Bulten also reported a 5.9% decrease in its order book value to SEK 733 million (€59.77 million).

New President and CEO Anders Nyström noted that lower global sales of new cars in the second half 2018 had continued into 2019, with the most marked slowdown in China. He attributed the slowdown in Europe's car industry to "consumer concerns about the effects of a possible hard BREXIT, as well as new environmental regulations, rather than a general economic downturn. The fact that the market for economically sensitive heavy vehicles remained strong substantiates this view."

Nyström emphasised that investments being made to increase capacity and productivity would increase longer term earning potential. The new heat treatment line in Hallstahammar went into production at the end of March, promising efficiency enhancements during the second quarter. He noted that increased capital had been tied for six months due to the relocation of operations in China, which was proceeding as planned; preparedness for BREXIT; the ramping up of new projects and a slowdown in demand. "Activities are ongoing to normalise and improve control at inventory levels" he said.

Referring to operating earnings Nyström explained that raw material costs that had increased dramatically in 2018 had now stabilised, although at a high level. Bulten has signed a Full Service Provider contract for delivery of fasteners to a new vehicle program, worth approximately €13 million a year at full production in 2021, starting in late 2019.

NORMA Group Increases Sales €1.1 Billion

NORMA Group has increased its group sales by 6.6% compared to the previous year to €1.08 billion in fiscal year 2018 (2017: €1.01 billion). Organic sales growth was strong at 7.7 percent. This growth was mainly driven by the strong recovery of the US commercial vehicles and agricultural machinery markets, a resurgent US water business and high demand for quality joining solutions in China in the first half of 2018.

The acquisitions of Fengfan, Kimplas and Statek contributed an additional €16.5 million to its sales growth in 2018. Negative currency effects reduced growth by 2.8% on the other hand. At €124.4 million, net operating cash flow, including the effects of the acquisitions of Statek and Kimplas, and increased capital expenditure from operating activities, was €8.5 million lower in fiscal year 2018 than the year before (2017: €132.9 million). Due to the volatile environment on the raw materials markets, inventories of finished goods and work in progress which were built up.

"We grew strongly in organic terms in fiscal year 2018," said Bernd Kleinhens, CEO of NORMA Group. "In 2019, we will continue to focus our business model on the future markets of electromobility and water management. In addition, our rightsizing program will enable us to further harmonise our organisation and processes worldwide so we can continue our profitable growth."

BOSSARD
Proven Productivity

Bossard Reports Growth Despite More Challenging Conditions

Bossard Group reports that 2019 first quarter sales grew 5.4% to CHF 232.2 million (€203.4 million), despite "markedly more challenging business conditions" and a comparatively high baseline. The Group says its first quarter's overall solid performance was all the more remarkable because it was achieved in a weakening economic environment as well as the comparative baseline from the previous year being very high.

Activities in Europe and Asia contributed substantially to the Group's positive sales development, while business in America stagnated. European sales increased 5.1% to CHF 138.9 million (+7.3% in local currency), boosting market share in spite of lack-lustre economic conditions. After enjoying dynamic business development in America 2017 and 2018, Bossard says it was unable to realise further sales growth at the start of 2019. American sales were CHF 58.1 million, down 4.9% in local currency. Bossard identifies two reasons for the decline. For the beginning of this year Bossard experienced subdued sales development with several major customers, which could not be compensated by "encouraging growth in new business".

In Asia, Bossard benefited from preliminary work and capacity expansion in previous years, with first quarter 2019 sales growth of 16.6% to CHF 35.2 million (+17.7% in local currency). The main contributing regions were China and India.

Bossard is targeting full year sales of CHF 900 to CHF 920 million, with first quarter sales on track. However, the Group says the weakening economic momentum, evident from falling Purchasing Managers' Indices published recently, makes achieving the goal more challenging.

Bossard Further Expands into 3D Printing

The Bossard Group has taken a 30% share in Ecoparts AG in Hinwil, Switzerland, continuing expansion of its expertise in additive manufacturing. Ecoparts has many years of experience in 3D printing services for the metal segment of this innovative technology and is the leading Swiss company in this sector. Bossard's stake in the company is of strategic importance, intended to secure a leading position in the future market of additive manufacturing. The investment broadens the Group's expertise and enables it to help customers in the early planning phase of new projects.

Ecoparts is a pioneer in additive manufacturing. Since 2006, the company has offered services in the generative design of metal components, as well as custom and series parts, such as prototypes, toolmaking, lightweight components, hybrid construction and additive manufacturing engineering. As the largest and leading additive manufacturing service provider in Switzerland the company has a wealth of experience in this future market, including in the technologies and materials used.

Bossard has acquired a 30% stake from the two founders, who until now jointly controlled a 50% share of the capital. As a development partner and contract manufacturer, Bossard gains even greater expertise in additive manufacturing through its investment in Ecoparts. In 2018, Bossard acquired 49% of 3d-prototyp GmbH, an expert in the additive manufacturing of complex plastic parts and models. Bossard also announced partnerships with three renowned manufacturers of 3D printers after having handled representation and sales of their products for the Swiss market.

This bolsters Bossard's proven expertise in supporting customers from the design phase all the way to the production of complex metal and plastic parts. In addition, Bossard is an innovative partner when it comes to selecting the most suitable 3D printers and associated manufacturing technologies. Bossard believes 3D printing will shape the future of a number of manufacturing areas, such as the production of prototypes, complex tools, and lightweight industrial components – all products that do not lend themselves to mass production. New materials are increasingly being used in additive manufacturing.

Würth Builds Innovation Centre

Adolf Würth GmbH & Co KG, parent company of the globally operating Würth Group, is building a research and development centre in Künzelsau, Germany – with the groundbreaking ceremony celebrated at the end of March 2019. The investment volume amounts to the tune of €70 million and will include the state-of-the-art laboratories and workshops which will be built on an area of around 15,000m^2. A climate chamber, the latest 3D printers and seismic test rigs for anchor technology will also offer a wide range of options to strengthen and advance internal research in the long run.

Approximately 250 people will be working in the innovation centre. This will include employees from the research and development department of Adolf Würth GmbH & Co KG, from the Group companies active in the manufacturing sector, as well as external researchers.

The cooperation with Karlsruhe Institute of Technology KIT and the universities of Innsbruck and Stuttgart will create a cluster of knowledge and know-how. "These university cooperations allow us to take a scientific approach, thus opening up entirely new opportunities.

WÜRTH

We want to develop even more from a trading company to a manufacturer," says Thomas Klenk, managing director for product, purchasing and export at Adolf Würth GmbH & Co KG. "We aim to significantly shorten our innovation cycles in order to bring our new and further developments to the market even faster and to be able to offer our customers solutions with genuine added value."

The innovation centre helps Würth to be more attractive as an employer and counteract the shortage of skilled workers. "A challenge that we also face here in rural areas," says Norbert Heckmann, chairman of the management of Adolf Würth GmbH & Co KG. "The innovation centre significantly increases the appeal of Würth as an innovative and outward-looking company for technicians and engineers." ■