European News

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Würth Group Sales up 5.2% in H1 2019

In the first six months of 2019, the Würth Group reported sales of €7.2 billion, a 5.2% increase over the same period in 2018. However, operating results declined.

In Germany Würth generated sales of €3 billion, corresponding to 3.6% year-on-year growth. Southern European companies reported the highest growth rate at 11.8%. Adolf Würth GmbH & Co KG, the parent company and the largest in the Group reported sales of €1.035 billion (+ 6.6%) and says it is firmly convinced it will surpass the €2 billion mark for the full year.

Würth's electrical wholesale unit reported the strongest growth overall, at 13.8%, partially attributable to acquisitions. Organic growth was 6.5%. In June the unit signed a contract to acquire Grupo Electro Stocks S.L.U. (GES), a leading electrical wholesaler in Spain reporting 2018 sales of €261.5 million in 2018.

At €340 million at the end of the first half of 2019, the operating result of the Würth Group is down on the previous year (2018: €400 million). "Our gross profit margin has come under pressure: We cannot fully pass rising purchasing prices on to our customers in the market," Robert Friedmann, chairman of the central managing board, explained. "In addition, our continued high investments in the expansion of our business units have an impact on the result, yet they are a means to prepare the ground for future growth. Nonetheless, we expect to close the financial year 2019 reporting an operating result comparable to last year's."

In 2018, the Würth Group's operating result amounted to €870 million.

The total number of Würth employees increased 747 from the end of 2018, to 77,827 in the first half of 2019. In Germany, the number of employees amounts to 24,044, increasing by 3.2% on the previous year. The Group currently has 33,585 sales force employees on the payroll.

Bufab Reports Positive Q2 but Cautions on Uncertain Market Climate

Bufab Group's net sales rose 11% to SEK 1.089 billion in Q2 2019. Net sale for the first half of the year were up 13% to SEK 2.18 billion. Organic sales growth for the first half 2019 was 4%.

Operating profit (EBITA) for the quarter was SEK 103 Million (2018 Q2: SEK 98 million). Operating margin was 9.5% (2018 Q2: SEK 10 million). Half year EBITA increased to SEK 222 million (2018 H1: SEK 204 million) with the operating margin at 10.2% (2018 H1: 10.6%). Order intake for the first half rose by 13% to SEK 2.164 billion, "somewhat lower than net sales".

After the end of the quarter Bufab completed the acquisition of HT BENDIX A/S, which has annual sales of around SEK 500 million. Acquisition costs of SEK 3 million were charged to Q2 2019. Bufab described the acquisition as "a strong and significant complement to our existing operations in the Nordic region".

President and CEO Jörgen Rosengren commented: "Bufab continued to perform well during the second quarter of 2019… Earnings and cash flow increased compared with the very strong second quarter in 2018. We continued to invest in our 'Leadership 2020' strategy, and in July we completed a significant acquisition."

"All of this was achieved against a background characterised by increased uncertainty in the market. The underlying demand decreased during the quarter, particularly in certain industries (such as automotive) and geographies (such as China). Despite this, Bufab posted organic growth of 3%, due to increased market shares in many markets."

Both Bufab operating segments increased their operating profit. International saw "a good but somewhat weaker growth than previously", with increased market shares and continued investment in strategic areas. In Sweden Bufab experienced weaker market conditions and negative organic growth. Despite a continued weak Swedish Krona, the gross margin strengthened significantly compared to the last two quarters, attributed to "comprehensive price increases, which, combined with effective cost control and the contribution from the acquisition of Rudhäll Industri, enabled a higher operating profit…"

Bufab continues to focus on its 'Leadership 2020' strategy and Rosengren said the Group was beginning to see results take form. Increased market shares have financed strengthening of processes and Bufab's teams in the key areas of purchasing, logistics and quality. He also pointed to closer integration with customers and suppliers using new digital tools, to streamline the entire value chain.

In conclusion Rosengren cautioned: "Recently, the market outlook has become more uncertain than before, which is reflected in Bufab's somewhat lower organic growth and order intake for the quarter. We will continue our strategic initiatives but are now entering a phase in which the focus will be mainly on generating results, for example, in the form of purchasing savings. We will also focus increasingly on internal efficiency."

Modest Growth in a Challenging Environment

SFS Group reported "modest growth in a challenging environment" during the first half of 2019. Group sales increased 1.4% to CHF 867.8 million. However, like for like sales declined -2.4% "burdened by weaker economy and trade tensions". Overall SFS expects "slightly better development" in the second half. SFS reported earnings "marked by mix effects and demand-driven fluctuations in capacity utilisation". EBIT was CHF 105.5 million for the half year, with an adjusted EBIT margin of 12.6%, down from 13.6% in the previous year. One -time effects, including relocation costs in China partially offset by Swiss real estate sales, reduced EBIT by CHF 3.7 million.

SFS strengthened its market position in the U.S. by acquisition of Triangle Fastener Corporation (TFC). It also successfully commissioned a new manufacturing platform in Nantong, China. The Fastening Systems segment reported strong sales growth of 16.6% to CHF 248.3 million driven by consolidation of HECO and TFC. Organic development was, however, negative at -1.8% with further negative impact from currency exchange effects (-2%). Segment operating profit increased 15.5% against H1 2018 to CHF 24 million with EBIT margin maintained at 9.4%.

SFS reported divergent trends among its fastening divisions, with stable demand in the construction industry. The division also benefited from close collaboration between TFC and HECO expanding the product portfolio with innovative solutions in timber construction. SFS sees trends to greater safety, energy efficiency and building automation as key areas of innovation and further growth. It expects the positive trend to continue in the second half. In contrast Riveting experienced a significant drop in demand from automotive and industrial customers, with BREXIT uncertainty also impacting business. Corresponding shifts in capacity utilisation impacted earnings, with capacity adjustment measures taken to mitigate this effect. Urs Langenauer, former head of automotive in North America at SFS, has taken over responsibility for the division. SFS expects the challenging market conditions to persist in the second half resulting in a flat business trend.

SFS Distribution & Logistics segment, operating in Switzerland, experienced slight positive organic growth (+0.3%) during the period with sales at CHF 165.3 million – attributed particularly to the tools business, e-shop and retail stores. EBIT at CHF 13.3 million reflected 7.4% growth over same period 2018, with adjusted EBIT margin increasing from 7.2% to 7.9%.

Other SFS segments in brief: Automotive division sales were -4.3% against H1 2018, but +4% against H2 2018, on continued weak demand. EBIT increased +4.9% against H2 2018. SFS reported it had acquired attractive new projects but expected business to remain flat in the second half. Trade tensions impacted the electronics marketplace with demand stabilising below previous year levels. Over the full year SFS expects some offset from new product introductions. SFS reported returned growth in the Aircraft business due to the ramp up of Airbus A350. Overall the Industrial division reported a slight negative trend and stable development expected in the second half. There were continued dynamic sales for the Medical division, with a positive H2 forecast based on a robust project pipeline.

Bulten Q2 Hit by Automotive Downturn

Bulten AB announced second quarter sales at SEK 781 million, a decrease of -3.5% on the same period in 2018. EBIT fell to SEK 21 million (2018 Q2: SEK 57 million) equating to an operating margin of 2.7% (2018 Q2: 7.1%). Adjusted for relocations costs in China, EBIT totalled SEK 27 million, equating to an adjusted operating margin of 3.4%. Earnings after tax amounted to SEK 14 million, compared with SEK 40 million for the same quarter in 2018. Order bookings totalled SEK 752 million, a decrease of -12% on same period last year. Net sales for the first six months were SEK 1.591 billion, a decrease of -4.3% against first half 2018. EBIT totalled SEK 79 million, down from SEK 124 million for first half 2018, and equating to an operating margin of 4.9%. Order bookings totalled SEK 1.485 billion, a decrease of -9.1% on the same period last year. Bulten had earlier issued a warning that earnings for the second quarter were negatively affected due to a lower production rate in order to adjust the stock level.

President and CEO, Anders Nyström, commented: "The second quarter saw a continuation of the decline on the car market, which began in the second half of 2018, and the market situation is reflected in Bulten's lower volumes. Net sales decreased by -3.5%. Earnings were affected negatively by a lower rate of production in order to balance inventory levels to demand, but also due to lower sales, primarily toward the end of the quarter. The lower production rate has brought the reduction in inventories according to plan, but also resulted in a lower utilisation of the production units' capacity and thus under-absorption of fixed costs. The ambition of adapting inventory levels was previously communicated in connection with the Q1 report. The under-absorption had a negative impact on earnings of approximately SEK 25 million during the second quarter."

"We are not satisfied with the development during the quarter, but the adjustment of production rate was necessary in the prevailing market climate. At present, demand remains lower than last year, and volumes related to new contracts have ramped up more slowly than anticipated. With this in mind, the production rate will remain lower at the start of Q3. A review of the company's costs has been initiated for adaptation to the current market situation."Bulten has contracts in place worth just over half a billion SEK a year at full production in 2021. During the first half-year it also won several smaller contracts with a total annual value of approximately SEK 20 million, in addition to those worth around SEK 130 million already announced.

Cooper & Turner Acquires Beck Industries

Andaray (Holdings) Limited and its direct and indirect subsidiaries (Cooper & Turner) has announced the acquisition of Beck Industries, a manufacturer and distributor of fully certified, high-security bolting components.

The combined company aims to be the first truly global manufacturer of safety-critical fastening applications, supporting a broader range of industries – including renewable energy, downstream oil and gas, power generation, nuclear, rail, tunnelling, construction and heavy equipment, among others.

Established in France more than 100 years ago, Beck is now a global organisation with capabilities that complement and expand those of Cooper & Turner. As one entity, the company's services span all key production processes, including hot and cold forming, heat treatment, CNC machining, thread rolling, robotics and automation. These collective capabilities and larger operational footprint enable the supply of world-class products and services from 17 strategically positioned facilities throughout Europe, North America, Asia and North Africa.

"We are excited to join the Cooper & Turner family," stated Hugues Charbonnier, former Beck president, who together with his wife Karine Charbonnier, are selling Beck. Both remain on the management team as executive vice presidents of Cooper & Turner. "Our complementary technologies, facilities, services and product portfolios will form an unequalled platform to serve local and international clients."

"Today's acquisition strengthens our position as a seamless, one-stop shop for the highest-quality, mission-critical industrial fasteners," stated Tony Brown, Group CEO and president, Cooper & Turner. "Supported by our partners at the Watermill Group, we see tremendous opportunity to accelerate innovation and growth within the global energy and infrastructure markets."

Watermill managing partner and founder, Steven E. Karol, commented: "This is an ideal time for these companies to come together. Both are thriving and well positioned in their respective markets. We are looking forward to supporting the combined management team in capitalising on the inherent opportunities."

Change in Hilti Executive Board

Marco Meyrat, a member of the executive board since 2005, will leave the board as planned at the end of the year and join the board of directors and the Martin Hilti Family Trust. He will be succeeded as of 1st January 2020 by Joaquim Sardà, currently head of the region Southern Europe.

Marco Meyrat started in 1989 as a product manager in direct fastening at the headquarters in Liechtenstein. Important positions over his thirty-year Hilti career included leading the market organisation Switzerland, as well as Germany. In 2005, he became a member of the executive board responsible for worldwide sales and marketing. Since 2017, he has been responsible for the region North America and the emerging markets. After 15 successful years on the executive board, he will become a member of the board of directors and trust as part of long-term succession planning.

Joaquim Sardà, a native Spaniard and father of three children, has been with Hilti for 15 years in different positions. He started in corporate development at the headquarters. Then he later held multiple management positions in sales in Italy and Germany. In 2012, he took over as the head of market organisation Italy. With his team, he successfully established the new region 'Southern Europe' and achieved a significant turnaround in Italy.

When choosing members of the executive board, Hilti has traditionally focused on developing internal candidates, who know the company well and have had different roles across the organisation. CEO Christoph Loos commented: "With Marco Meyrat, we are losing a 'Hilti heavyweight' in the executive board, who has significantly contributed to the development of the company over many years. At the same time, we are pleased to welcome Joaquim Sardà to the team and are certain he has the right experience and expertise to continue Marco Meyrat's successful legacy".

BOSSARD
Proven Productivity

Bossard Results Impacted by Weaker Demand, Bossard's interim report for the first half of 2019, reflects "noticeable signs of a slowdown in economic growth" in industrialised markets.

Bossard reported a 3.2% fall in sales to CHF 218.7 million (-1.6% in local currency) for its second quarter. For the first half Bossard posted a 1% increase to CHF 450.9 million (+1.9% in local currency).

Bossard says the slowing economy plus the renewed strength of the Swiss Franc are notably affecting business in Europe. European sales in the second quarter were 1.9% down on same period 2018, at CHF 125.9 million. For the first half of 2019 the European business posted 1.7% growth to CHF 264.8 million (4.2% increase in local currency).

Bossard says that, following pleasing business performance in 2017 and 2018, it is now also fighting headwinds in America in recent months. For the second quarter, net sales fell 9.9% to CHF 55.3 million (-11.2% in local currency). First half sales declined 5.1% to CHF 113.4 million (-8.3% in local currency). Bossard says one reason is that a number of customer projects from the previous year have now completed. However, it also notes that in general it faced weaker demand from major US customers.

Asian sales in the second quarter increased 3.9% to CHF 37.5 million (+7.1% in local currency). First half sales increased 9.7% to CHF 72.7 million (+12% in local currency). Bossard says the effects of the US-China trade dispute can be felt but it continued to post growth in China, India and Taiwan.

Bossard reported a net income of CHF 41.6 million for the first half 2019 (previous year CHF 49 million). Return on sales dropped to 9.2%, from 11% in same period previous year. Bossard cites waning demand, plus additional investments to expand the services portfolio in Smart Factory Logistics and Engineering. These long-term and targeted investments in expansion of services, the company said, mean high initial expenses, especially in personnel costs. It also said it was currently observing a rise in labour costs as a direct result of high employment levels in various industrialised countries.

Based on the declining trend in purchasing manager indices, Bossard expects demand is also likely be moderate in the second half of the year. Against this backdrop, it says, the EBIT margin for 2019 is expected to be at the lower end of the 10% - 13% target range.