

Endress+Hauser holds its own in a difficult environment

Sales stagnate at 2.1 billion euros, but Group achieves solid earnings

Compared to the industry, the Endress+Hauser Group performed well in 2016. While sales grew based on local currencies, the Group experienced a slight decline when consolidated in euros. The earnings situation is solid and the workforce increased slightly from the prior year. The Swiss specialist for measurement and automation engineering continues to invest heavily in its future.

Net sales fell in 2016 by 0.2 percent to 2.139 billion euros. "Currencies created a headwind for us last year," said CEO Matthias Altendorf at the company's annual media conference in Basel, Switzerland. Foreign exchange rate effects drove down sales by 50 million euros. "Based on local currencies, we grew sales by 2.1 percent." When calculated in Swiss francs, the holding company's actual reporting currency, revenues increased by 2.2 percent.

Endress+Hauser clearly lagged behind its own expectations. Matthias Altendorf nevertheless emphasized: "When compared to overall industry growth, however, we held our own." Most companies in process automation felt the impact of slower global economic development and fundamental structural changes in the worldwide economy. Private consumption drove business growth in many regions. "Despite a healthy economy, companies were cautious about investing in industrial goods in 2016," said the CEO.

Two-thirds of the sales centers show solid growth

While Endress+Hauser performed well in Europe, sales in the Americas declined. In Asia-Pacific, business stagnated, but Africa and the Middle East experienced solid growth. Non-cyclical sectors such as food & beverage, life science and water & wastewater performed well, in addition to the power & energy industry outside Germany. Business declined in cyclical industries such as oil & gas, chemical, primaries & metals.

"Two-thirds of our sales centers showed solid growth," explained Matthias Altendorf. Sales in individual regions, including large markets, fell, however. Dependence on the oil & gas industry negatively impacted growth in the US. In Germany, Endress+Hauser felt the effects of weak exports and internal restructuring. Additionally, the company purposely avoided business outside the strategic focus. China was able to offset declines in large-scale projects through an increase in smaller orders.

Solid profitability despite sinking margins

Changes in markets and business caused greater price pressures and shrinking margins. Furthermore, extraordinary effects and one-time write-offs negatively impacted operating profit (EBIT) with a 14.2 percent decrease to 215.5 million euros. Despite higher costs related to foreign currency hedging, profit before taxes (EBT) declined less by 7.2 percent to 217.3 million euros. A somewhat more favorable tax rate reduced net income by only 6.8 percent to 153.5 million euros.

Return on sales fell by 0.7 points to 10.2 percent. “We failed to meet our expectations here, but for the industry it still represents a good result,” emphasized Chief Financial Officer Dr Luc Schultheiss during the presentation of the 2016 financial results. Productivity – defined as net value added relative to personnel expenditures – declined from 1.30 to 1.26. With this result the company also failed to reach its strategic objective, but is according to the CFO still operating “at a solid level”.

The equity ratio fell slightly by 0.8 points to 72.2 percent due to unfavorable interest rate and currency effects. Endress+Hauser nevertheless continues to enjoy a solid financial footing. The company has cash and cash equivalents of 454.4 million euros in contrast to bank loans of only 7.4 million euros. “This ensures that we are not reliant on outside sources of funding,” said Luc Schultheiss.

Large investments, slight workforce increase

Endress+Hauser invested 148.8 million euros in new buildings, plant and machinery last year. Expansion of the center of competence for flow measurement engineering in Reinach, Switzerland, was completed, which was at 49.5 million Swiss francs the largest project. Over the next few years, the level and pressure measurement technology production center in Maulburg, Germany, will be gradually expanded at a cost of 40.5 million euros.

“We continue to invest in people,” said Matthias Altendorf. Employment at the family-owned company remained stable. All apprentices were offered positions. Endress+Hauser had a workforce of 13,003 at the end of 2016, an increase of 51 over the previous year. The actual increase was higher due to the divestiture of the Analytik Jena optics business, which resulted in the loss of more than 100 positions. The subsidiary is now focusing on analytical instruments and bioanalytical systems.

Endress+Hauser bundles its IIoT activities

“Our analytics strategy has been validated by the market,” said Matthias Altendorf. Demand for advanced analyzers increased significantly and the field of liquid analysis experienced strong growth. “This correlates with the needs of our customers who want the capability to measure product quality online in the process.”

The acquisition of German SensAction AG in early 2017 also ties in with Strategy 2020+ which was rolled out last year. The company, headquartered in Coburg, manufactures innovative systems for measuring concentrations in liquids. Endress+Hauser is tackling the challenges of digitalization by bundling a number of activities. A new subsidiary in Freiburg in Breisgau, Germany, is working exclusively on products, solutions and services related to the Industrial Internet of Things (IIoT).

The significance of digitalization can also be seen in the growing number of patent registrations. There were 273 first filings in 2016. The intellectual property rights portfolio thus boasts more than 7,000 active patents. R&D spending rose to 7.8 percent of sales. Endress+Hauser introduced 64 new products to the market. “We are investing in innovation for our customers,” underlined the CEO.

New year off to a good start

Endress+Hauser is targeting a single-digit increase in net sales for the current year. The company also wants to improve profitability. 161 million euros have been set aside for new buildings, plant and machinery and the company intends on creating up to 150 new jobs globally. “We are currently ahead of plan related to incoming orders,” said Matthias Altendorf. Despite growing political uncertainties around the world, the CEO is confident the Group can achieve sustainable growth again in 2017.

The Endress+Hauser Group

Endress+Hauser is a global leader in measurement instrumentation, services and solutions for industrial process engineering. The Group employs 13,000 personnel across the globe, generating net sales of more than 2.1 billion euros in 2016.

Structure

With dedicated sales centers and a strong network of partners, Endress+Hauser guarantees competent worldwide support. Our production centers in 12 countries meet customers' needs and requirements quickly and effectively. The Group is managed and coordinated by a holding company in Reinach, Switzerland. As a successful family-owned business, Endress+Hauser is set for continued independence and self-reliance.

Products

Endress+Hauser provides sensors, instruments, systems and services for level, flow, pressure and temperature measurement as well as analytics and data acquisition. The company supports customers with automation engineering, logistics and IT services and solutions. Our products set standards in quality and technology.

Industries

We work closely with the chemical, petrochemical, food & beverage, oil & gas, water & wastewater, power & energy, life science, primaries & metal, renewable energies, pulp & paper and shipbuilding industries. Endress+Hauser supports its customers in optimizing their processes in terms of reliability, safety, economic efficiency and environmental impact.

History

Founded in 1953 by Georg H Endress and Ludwig Hauser, Endress+Hauser has been solely owned by the Endress family since 1975. The Group has developed from a specialist in level measurement to a provider of complete solutions for industrial measuring technology and automation, with constant expansion into new territories and markets.

For further information, please visit www.endress.com/media-center or www.endress.com

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