Report to shareholders

Dear Shareholders,

Although 2020 was a difficult year, nevertheless our business developed overall robustly. Demand declined notably in the first half of 2020 as a consequence of the spread of COVID-19. A recovery set in at mid-year and gained momentum towards the end of the reporting period, but order intake and sales were nevertheless lower overall. The operating profit margin was 7.4%, profit for the year CHF 152 million and earnings per share CHF 14.71.

Robust profitability in a difficult year

The reporting period got off to a good start with solid demand, but the spread of COVID-19 led to major disruptions. Difficult months followed with reduced customer activity, delays and interruptions in the supply chain and temporary site closures. At the middle of the year, the situation began normalising and all sites were operational again. Certain restrictions, especially concerning international travel, remained in place. This hampered business, in particular sales and service of equipment for the beverage industry. Thanks to a strong recovery in the agricultural machinery market, order intake for the Group declined by only 6%, and adjusted for currency effects it even matched that of the previous year. Sales were down by 12% on the record highs set in 2019, despite the stabilisation that occurred from mid-2020 onwards; adjusted for currency effects the decrease was 7%. Operating profit amounted to CHF 204 million and the operating profit margin was down year on year at 7.4%, although it improved slightly in the second half of the year. Profit for the year declined to CHF 152 million. Earnings per share were CHF 14.71.

Successful cash management in the crisis

Bucher Industries implemented various measures to safeguard liquidity. The Group increased its focus on the management of working capital, postponed investments and increased committed credit facilities by CHF 140 million to CHF 300 million. The reduction of inventories of finished goods and lower receivables had a positive effect on the free cash flow and thus on net cash, which rose by CHF 189 million over the previous year to a pleasing CHF 404 million. The Group has a long-term perspective and with its solid financial basis, it remained committed to important strategic investments. The main focus has been on the construction projects of Kuhn Group in France and Russia, and of Bucher Municipal in the UK. In addition, investments were once again made in external growth. The return on net operating assets (RONOA) was 13.5%, significantly below the long-term target of 20%, but still above the cost of capital of 8%. The lower return is attributable to the significant decrease in the operating profit. The equity ratio was 57%. This solid financial position continues to secure the flexibility of Bucher Industries and to lay the foundations for further growth.

Philip Mosimann, Chairman of the Board of Directors, and Jacques Sanche, Chief Executive Officer

Strengthening the divisions

Various smaller acquisitions were made over the past twelve months. In autumn 2020, Bucher Municipal acquired Spoutvac, the leading Australian manufacturer of sewer cleaning equipment and vehicles, and the operational business of Richards Coach Works, an established service provider for refuse collection vehicles in Australia. In early 2021, Kuhn Group acquired Khor Industrial, a manufacturer of grain carts and tillage equipment in Brazil. Also in early 2021, Bucher Unipektin's acquisition of Merk Process in Germany further expanded its leading market position in the niche area of vacuum belt drying technology for the food industry.

Kuhn Group

2020 was a very turbulent year for the division. Following a good start, the market environment deteriorated rapidly from March 2020 with the spread of COVID-19. The pandemic had a considerable impact on demand in the restaurant and food sector and disrupted production and supply chains. However, the agricultural machinery market proved robust in general, with a strong recovery setting in at mid-year. Kuhn Group's order intake increased by 13%. The production sites in France were temporarily shut down in the spring, but the division was producing again at above-average capacity from mid-May. The decline in sales was gradually reduced to 7%. The operating profit margin was a pleasing 8.3%, on par with the prior-year level. In addition to various short-term cost savings, the division benefited in particular from lower material prices.

Bucher Municipal

The demand for municipal vehicles decreased significantly during the reporting period compared with the strong prior year, but overall remained at a decent level. Order intake at Bucher Municipal was down 12% on the good prior year. The division was badly hampered by the temporary closures of production sites and problems in the supply chain. As of mid-year, all production sites were operational again, although still subject to restrictions and the resulting inefficiencies. In this difficult environment, the division's sales were down 15% on the very high prior-year figure. Positive contributions came from smaller acquisitions in China, France and Australia. The operating profit margin decreased to 6.0%, due to lower sales and production inefficiencies.

Bucher Hydraulics

Demand for the division’s components and solutions was stable at the beginning of the reporting period, but suffered a strong decline in the second quarter. A recovery set in at mid-year and gained momentum towards the end of the reporting period, driven by the important agricultural machinery and materials handling segments. Order intake ended up on a par with the previous year. Sales were down substantially, however, especially in the first half of the year, owing to the lower demand and production site closures caused by the pandemic. The downturn in sales gradually eased, but a decrease of 17% nonetheless resulted for the year overall. The division consistently adjusted its capacities to utilisation and initiated optimisation measures during the reporting period. Thanks to these measures, the division’s operating profit margin was a pleasing 11.0%, despite the significantly lower sales.

Bucher Emhart Glass

After an exceptionally strong 2019, demand for the division’s equipment plummeted in the first half of 2020. The massive curtailment of public life in many countries led to significantly lower demand for glass containers. Manufacturers postponed project negotiations and suspended investment programmes. From mid-year onwards, a slow recovery at a low level was observable. Overall, order intake at Bucher Emhart Glass posted a 40% decline. Sales were down 14% against the very good previous year but recovered somewhat in the second half of the year. The division implemented various measures to reduce costs, and in China it continued adjusting capacities. The operating profit margin could be sustained at a good 10.5%, supported by a high proportion of spare parts.

Bucher Specials

Bucher Vaslin and Bucher Unipektin customers postponed new and replacement investments and instead focused on maintaining or upgrading existing equipment. In addition, travel restrictions hampered the sale, installation and commissioning of equipment. Bucher Landtechnik reported very pleasing business performance in the robust Swiss agricultural machinery market. Jetter was impacted by the decreasing demand at Bucher Emhart Glass and other customers. Against this difficult background, Bucher Specials’ order intake was down by 19% and sales decreased by 14%. The operating profit margin came under additional pressure from restructuring measures in France. Thanks to a variety of cost-savings initiatives, it remained in positive territory at 2.5%.

Consistent dividend policy

The board of directors proposes a dividend of CHF 6.50 per share to the annual general meeting on 15 April 2021. The dividend paid in the previous year was CHF 8.00 per share. This proposal is in keeping with a consistent dividend policy and takes account of the profit for the year 2020, the solid financial position and the outlook for the current year.

Board of directors

Claude Cornaz (60), who has served since 2002 as a member of the board of directors and the compensation committee, will not stand for re-election at the 2021 annual general meeting. We would like to take this opportunity to thank him for his many years of dedicated service and the entrepreneurial thinking he brought to the strategic positioning of the Group and the divisions. His in-depth industry know-how in the field of glass container manufacturing was extremely valuable.

Thanks to our employees

As the COVID-19 crisis impacted 2020, the safety and health our employees were given the highest priority. Thanks to their untiring commitment, great flexibility on all sides and organisational talent, we were able to maintain production throughout or resume after temporary closures. We never lost sight of the goal, which is to ensure that our customers get what they expect from us, namely high-quality machinery, parts and systems and our support in using these products. The qualities that distinguish our services and how we manage to always be there for our customers, even during a pandemic, are exemplified in five stories that we share with you in this annual report. We would like to thank our employees for the outstanding dedication they have shown, even under some very challenging conditions. We are convinced that our combined strengths will enable us to successfully overcome this crisis and come out of it even stronger.

Outlook for 2021

The Group expects the economic recovery to slowly continue. Uncertainties are likely to persist, however, especially in the first half of the year. The outlook assumes that all production sites remain operational. Kuhn Group anticipates a positive development in its most important markets, in particular in the arable sector, owing to high crop prices. The dairy and livestock industry may be increasingly impacted negatively by rising feed costs. Overall, the division expects a moderate rise in sales for 2021. The operating profit margin is likely to be slightly higher, despite rising costs for materials. Bucher Municipal anticipates decent demand. The ongoing pandemic and Brexit as well as potential savings measures to combat the high national debt levels could have a dampening effect. In this environment, Bucher Municipal expects a moderate rise in sales facilitated by the full-year consolidation of the sewer cleaning vehicles manufacturer acquired in Australia and the newly launched electrified sweepers and winter maintenance equipment. With improved production efficiency, the operating profit margin should increase. Bucher Hydraulics is likely to benefit from a further recovery of hydraulics markets. The division will continue to systematically pursue the optimisation measures it has launched and will invest further in innovation. Consequently, the division expects sales to pick up slightly and the operating profit margin to remain on a par with the good level achieved in 2020. Bucher Emhart Glass is facing continuing challenges in the current year. Capacity utilisation is likely to be low in the first half of 2021, due to project postponements. The division therefore expects to see a decline in sales and the operating profit margin for the year as a whole. Bucher Specials anticipates that uncertainties will persist owing to the pandemic, causing reluctance in the cyclical project business. The division expects slightly higher sales and an operating profit margin in the mid-single-digit range thanks to the cost-saving measures put in place. Overall, the Group expects to see a slight increase in sales and in the operating profit margin as well as an improved profit for the year.

Niederweningen, 3 March 2021

Philip Mosimann
Chairman of the Board of Directors

Jacques Sanche
Chief Executive Officer