

Mr. Vojtech Chamek: In hard time maintaining the dividend policy is a matter of principle, a matter of great honor

Mr. Chamek, one, if not difficult, then certainly unpredictable year has passed. KORADO Bulgaria managed to control the decline in sales in the second half of 2020 and to end the financial year with 8% profit growth. How did you manage not to get burned by the "fire" called Covid-19?

Do not take me wrong, it was not easy at all. There were many at that time considering lockdowns, closing factories, shops, you name it, quaranteens, social distancing, etc. a good thing. Especially when heavily supported by official view and publicity, media and administration. We resisted the pressure, external and internal, did not close for a minute, yet we of course observed the laws and re-arranged our clockrooms, canteen, buffet, way of occupation of our offices, workshops, etc. We have installed already in February thermocameras, we have installed all kind of measures and hygiene protection, simply not to give a single reason for the authorities to close us down. I am 100% sure there is now not a single employee that would not see the result positively. We are full of life, operating, having income and to some extent some social life as we see each other. Yet, out of 720 Group employees in four plants in four different locations and two countries, we had only about 8 so called infected with coronavirus, none of them in our Bulgarian plant. In short, we took the situation into account, but we went further. We optimized our costs to the maximum and looked for favorable prices for the raw materials for our production.

How is the company's investment program going and was it changed by the pandemic?

The rule of thumb is 80% of people needs 12 x monthly income, not 11, not 10 but 12. And it does not matter whether they live in Africa, Europe or any other continent. As far as companies are concerned the ratio is even higher, 85% of companies needs 12 x monthly income, not 11 or even less. To put you in perspective, one month closure of our Group would represent up to Eur 5million net loss, in a single month. But we are happy to make a net profit of Eur 2million for 12 months. And we are quite successful group with close to zero debt and well tuned cost management. In such a horrible time when anybody is panicking, locking down or consider future measures, preservation of cash is the key to survival when the really bad times comes. Therefore, we invested only in those projects that immediately saved costs, improved productivity, improved our employees life or to prevent technological failure. All other investment were put on hold as there was even bigger priority – dividends for our investors.

Many companies have frozen or suspended dividends due to the Covid-19 crisis. What would you tell investors about KBG dividend policy?

In hard time a good manager knows the uninterrupted stream of income to those who put money in our Group is simple a matter of principle, a matter of great honor. Those companies that selfishly cut dividends to their owners and investors who entrusted them with their hard made money is out of my personal understanding, it is betrayal of principles. Such companies and their managers have obviously messed up their priorities as I am sure they did not cut off their salaries first but if at all a little but as the last resort. Yet they denied the income to those who own the companies. I do not share such behaviour. Our investors can be sure till we stand and perform we will always bear in mind their trust when they put money in, and we will honour our obligation. It would be very convenient to blame the pandemic and to preserve even more cash to ourselves and strip our investors from their rightful income. But that would not be us, that's why we wouldn't do it.

KORADO Bulgaria offers its customers a wide range of products. Would you share which of the products has significant growth in Bulgaria?

I believe in the current pandemic „awareness“ our heat exchangers, our ventilation units, as well as convectors will be used even more as they are considered to keep the place safer and healthier. But our main product lines steel panel and bathroom radiators are the core – people are lockdown, can not socialize, stay at home – but they wish to be in a comfortable and warm place. Those already thinking about upgrade or replacement of heating units are already accelerating their ideas and others see there is a potential for improvement of their homes where they now spent most of its time.

How do you assess the situation in your industry in Europe and in the world? What are the biggest difficulties manufacturing companies are facing today?

When the global production engine (China, Japan and South Korea) stopped last Feb-April, it was very clear the balance is seriously distorted. It took less than 9 months to show us what is coming. First car industry and other industries in Europe shut down in last spring, increasing already the sources of distortion. Then the steel industry collapsed as there were no clients left and redundant steel was on the market. Steel prices crashed and several steel mills were severely wounded. Then autumn seen some pick up in production of car industry as well as others. However, the steel mills were not capable to react at such a short notice, some even did not start the production, some did not restart full operation. As a result substantial part of steel was and is not yet available creating massive shortage by sudden pick up in the car industry. Logically, prices of steel shoot up and are within weeks double of autumn prices and counting. Beginning of the year we saw expected increase of pandemic hysteria most countries repeating their mistakes and shutting down whatever they could. This resulted in recent re-shutdown of car industry. All in all that will again result in overheating of steel mills and the steel prices will crash again.

I am afraid that this might go on and on and spreading into all industries and areas of our life, impacting everyone and everything. The most delicate and most complicated Swiss Watch – global economy – was seriously damaged.

Could you make a forecast for 2021. What are the main challenges that the world must overcome in the coming months?

Yes, I can. But nothing positive, one has to be very realistic. Dreams will not help so does lamenting how it was, optimism that is not supported by the reality can be even dangerous. Reality check and preparedness for much worse is the only survival tool.