



Life Energy Motion

## Press release

# LEM announces results for H1 2020/21: demonstrating resilience in face of Covid-19

**Geneva, Switzerland, 03 November 2020 – LEM (SIX: LEHN)**, a leading global company in electrical measurement for industry and automotive applications, announces first half results for 2020/21 (April-September) compared to 2019/20:

- Sales decreased by 9.4% to CHF 144.1 million (CHF 159.1 million); at constant exchange rates, sales decreased by 4.4%
- The company benefits from a diverse global distribution of sales, with China further increasing its share:
  - China CHF 54.2m (37.6% of total)
  - Europe CHF 42.7m (29.7% of total)
  - North America CHF 14.2m (9.8% of total)
  - Rest of World CHF 33.0m (22.9% of total)
- Bookings recovered during the second quarter from the significant decline during the early phase of the Covid-19 pandemic, and in the first half are down 15.6% at CHF 135.3 million (CHF 160.4 million)
- R&D investments of CHF 13.0 million (CHF 14.3 million) were maintained at 9.0% of sales
- EBIT reached CHF 28.3 million, decreasing by 10.8% (CHF 31.8 million); however, the EBIT margin was only very slightly lower at 19.7% (20.0%)
- Net profit for the period was down by 6.8% at CHF 23.4 million (CHF 25.1 million); at constant exchange rates, the net profit would have been CHF 2m higher

**Frank Rehfeld, Chief Executive Officer**, said: “We are pleased that during the second quarter our business showed again resilience and rebounded somewhat from the impacts of the first wave of the Covid-19 pandemic. Our underlying revenues were down only 4.4% in constant currencies for the first half, driven mainly by encouraging performances in China, renewable energy and the motor control business in the Automotive segment. Looking ahead, the diversity of our applications across multiple geographies and sectors continues to provide some balanced apportionment of risk. There have been some improvements in our order book, however there is little long-term visibility on how Covid-19 may develop and impact customer confidence and operations across our various B2B businesses. Therefore, our outlook for the full year is cautious.”

**Andrea Borla, Chief Financial Officer**, remarked: “We maintained our R&D investments at 9% of sales while ensuring very strict control on SG&A costs in line with the drop in sales. This resulted in a pleasing EBIT margin of 19.7%.”



### Industry segment: encouraging performance in China and Renewables despite Covid-19

H1 sales in the Industry segment totalled CHF 112.6 million, down 9.1%. At constant exchange rates, sales decreased by just 4.2%, which was pleasing given the difficult economic environment. It is worth noting the strong FX effect on reported sales from China and North America. Covid-19 continues to impact sales, orders and customer confidence, and there is little visibility on how this may play out longer-term in our B2B businesses which have different investment cycles. Sales increased by 4.6% in China, our largest market, thanks mainly to Renewable Energy, and this is particularly encouraging in such a tough competitive market. However, there were significant declines in Europe (-14.3%), North America (-20.4%) and Rest of World (-15.8%). Orders stabilised somewhat in Q2 compared with Q1, but year to date are still down by – 18.2%, with a particular lack of customer confidence in Drives and High Precision.

in CHF millions	2020/21	2019/20	Change	Comments
<b>Businesses</b>				
Drives	46.8	51.2	-8.7%	<ul style="list-style-type: none"> <li>Longer-term investment cycles</li> <li>Asia recovering, USA weak</li> </ul>
Renewable Energy	41.4	40.7	+1.7%	<ul style="list-style-type: none"> <li>Solar growth with short-term cycles</li> <li>China growth continues</li> <li>Europe flat</li> </ul>
Traction	20.8	26.5	-21.5%	<ul style="list-style-type: none"> <li>Longer-term investment cycles</li> <li>India and China lockdown impact</li> <li>Very strong traction sales last year</li> </ul>
High precision	3.7	5.6	-34.2%	<ul style="list-style-type: none"> <li>Lack of investment confidence for test benches &amp; medical equipment</li> </ul>
<b>Total Industry</b>	<b>112.6</b>	<b>123.9</b>	<b>-9.1%</b>	

### Automotive segment: China and Europe show signs of recovery after shutdowns

H1 sales in the Automotive segment totalled CHF 31.5 million, a decrease of 10.4%. At constant exchange rates, sales declined by 5.0%, which is encouraging given the dramatic shutdowns during the first phase of the Covid-19 pandemic.

China recovered well in Q2, although first half sales as a whole declined by -16.0%, partly due to consumers postponing purchases following the extension of electric vehicle subsidy programs from 2021 to 2022. Europe showed strong growth (+38.2%), as manufacturers (OEMs) ramped-up their production operations. North America (-42.4%) is impacted by reduced sales of 12V products while the transition to green cars is progressing at a slower pace than other regions. Rest of World grew by 1.1% thanks to strong sales in Korea. The order book filled up significantly during Q2 as production restarted after the first wave of shutdowns, but it is too early to see if these levels will be maintained.

in CHF millions	2020/21	2019/20	Change	Comments
<b>Businesses</b>				
Battery Management	18.9	22.7	-16.6%	<ul style="list-style-type: none"> <li>US reduction in 12V demand</li> <li>Demand for High Voltage products broadly stable</li> </ul>
Motor Control	11.3	11.3	+0.2%	<ul style="list-style-type: none"> <li>Production ramp-up in Q2 offsetting shutdown in Q1</li> </ul>
Charging Systems	1.3	1.2	+10.1%	<ul style="list-style-type: none"> <li>Continued momentum for battery electric and hybrid vehicles</li> </ul>
<b>Total Automotive</b>	<b>31.5</b>	<b>35.1</b>	<b>-10.4%</b>	





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### Profitability holds up well despite Covid-19

Gross profit for the first half fell by 11.9% to CHF 65.5 million, principally due to the impact of Covid-19 on higher air freight costs for delivering products to customers. The gross margin declined by 120 basis points to 45.5%. We continue to execute various efficiency programs.

We remain vigilant with overheads, and kept SG&A costs essentially flat at 17.6% of sales, while they declined in absolute terms by 10.6% to CHF 25.3 million (CHF 28.3 million).

We continue with our long-term investment in future applications with R&D at 9.0% of sales (9.0%), although this decreased in absolute terms by 9.5% to CHF 13.0 million (CHF 14.3 million).

EBIT dropped by 10.8% to CHF 28.3 million (CHF 31.8 million), due to the decline in revenues and gross margin. However, our EBIT margin was only very slightly down at 19.7% (20.0%).

We posted a net profit for the first half of CHF 23.4 million, down 6.8% from CHF 25.1 million last year, reflecting the decline in EBIT offset by an improved FX effect in this period. The net profit margin was slightly up at 16.2% compared with 15.8%.

Free cash flow was CHF 7.8 million (CHF 23.5 million) reflecting a deterioration in net working capital and the first cash payment of CHF 6.4 million in tax due on the transfer of IP announced last year.

### Cautious outlook

Although there has been some evidence of recovery in certain markets and businesses after the first wave of the Covid-19 pandemic, there is little visibility on how this may play out. There are many unknowns beyond LEM's control. For the full financial year 2020/21, the company remains cautious and currently expects sales to decline by around 10% in reported Swiss Francs to CHF 275 - 280 million (CHF 307.9 million for 2019/20). LEM anticipates an EBIT margin not far off 20%.

### Webcast and Financial Half Year Report

Frank Rehfeld, CEO, and Andrea Borla, CFO, will provide a detailed presentation of the half year 2020/21 results today at 10:00 CET at a media and investor community webcast.

Listen to live webcast

<https://78449.choruscall.com/dataconf/productusers/lem/mediaframe/40684/index1.html>

The Financial Half Year Report and webcast slides are available in the Investor Relations section of the LEM website ([www.lem.com/en/investors](http://www.lem.com/en/investors)), where the webcast will later also be archived.

### Dial-In Numbers

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Other countries: [https://media.choruscall.ch/documents/Attended\\_DI\\_numbers.pdf](https://media.choruscall.ch/documents/Attended_DI_numbers.pdf)

### Financial calendar

*The financial year runs from 1 April to 31 March*

4 February 2021 Third-quarter results 2020/21

19 May 2021 Year-end results 2020/21

24 June 2021 Annual General Meeting of Shareholders for the financial year 2020/21

1 July 2021 Dividend ex-date

6 July 2021 Dividend payment date





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**LEM – Life Energy Motion**

A leading company in electrical measurement, LEM engineers the best solutions for energy and mobility, ensuring that our customers' systems are optimized, reliable and safe.

Our 1,500 people in over 15 countries transform technology potential into powerful answers. We develop and recruit the best global talent, working at the forefront of mega trends such as renewable energy, mobility, automation and digitization.

With innovative electrical solutions, we are helping our customers and society accelerate the transition to a sustainable future.

Listed on the SIX Swiss Exchange since 1986, the company's ticker symbol is LEHN.

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## Appendix

### Consolidated income statement

In CHF thousands	April to September		
	2020/21	2019/20	Change
Sales	144'078	159'054	-9.4%
Cost of goods sold	(78'557)	(84'722)	
<b>Gross margin</b>	<b>65'521</b>	<b>74'333</b>	<b>-11.9%</b>
Gross margin (in %)	45.5%	46.7%	
Sales expense	(12'823)	(14'581)	
Administration expense	(12'495)	(13'747)	
Research & development expense	(12'972)	(14'334)	
Other expense	(0)	(0)	
Other income	1'113	90	
<b>EBIT</b>	<b>28'344</b>	<b>31'762</b>	<b>-10.8%</b>
EBIT margin (in %)	19.7%	20.0%	
Financial expense	(186)	(357)	
Financial income	85	108	
Foreign exchange effect	109	(1'189)	
<b>Profit before taxes</b>	<b>28'351</b>	<b>30'323</b>	<b>-6.5%</b>
Income taxes	(4'955)	(5'233)	
<b>Net profit of the period</b>	<b>23'395</b>	<b>25'089</b>	<b>-6.8%</b>
Net profit margin (in %)	16.2%	15.8%	





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### Key Figures

In CHF millions		2020/21					2019/20					Change	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q2 - Q2	6M - 6M	
<b>Orders received</b>													
Industry	47.5	55.7				71.3	54.8	63.8	64.5	254.3	+1.6%	-18.2%	
Automotive	12.0	20.2				17.2	17.2	17.5	16.4	68.2	+17.5%	-6.3%	
<b>Total LEM</b>	<b>59.5</b>	<b>75.9</b>				<b>88.4</b>	<b>72.0</b>	<b>81.2</b>	<b>80.8</b>	<b>322.4</b>	<b>+5.4%</b>	<b>-15.6%</b>	
<b>Book-to-bill ratio</b>													
Industry	0.79	1.06				1.10	0.92	1.10	1.11	1.06	+14.2%	-9.9%	
Automotive	0.83	1.19				0.95	1.00	0.94	1.18	1.01	+18.4%	+4.6%	
<b>Total LEM</b>	<b>0.80</b>	<b>1.09</b>				<b>1.07</b>	<b>0.94</b>	<b>1.06</b>	<b>1.12</b>	<b>1.05</b>	<b>+15.5%</b>	<b>-6.8%</b>	
<b>Sales</b>													
Industry	59.8	52.8				64.6	59.3	58.2	58.2	240.4	-11.0%	-9.1%	
Automotive	14.5	17.0				18.0	17.1	18.5	13.9	67.6	-0.8%	-10.4%	
<b>Total LEM</b>	<b>74.3</b>	<b>69.8</b>				<b>82.6</b>	<b>76.4</b>	<b>76.7</b>	<b>72.2</b>	<b>307.9</b>	<b>-8.7%</b>	<b>-9.4%</b>	
<b>EBIT</b>													
Industry	12.3	12.1				14.3	13.2	11.5	11.4	50.4	-8.2%	-11.4%	
Automotive	1.0	2.9				2.4	1.9	3.2	0.5	7.9	+55.3%	-6.6%	
<b>Total LEM</b>	<b>13.3</b>	<b>15.0</b>				<b>16.7</b>	<b>15.1</b>	<b>14.6</b>	<b>11.9</b>	<b>58.3</b>	<b>-0.3%</b>	<b>-10.8%</b>	
<b>Net profit of the period</b>													
<b>Total LEM</b>	<b>11.1</b>	<b>12.3</b>				<b>13.9</b>	<b>11.2</b>	<b>26.9</b>	<b>8.7</b>	<b>60.7</b>	<b>+9.3%</b>	<b>-6.8%</b>	

