



Life Energy Motion

## Press release

# LEM announces robust financial results for full year 2020/21

**Geneva, Switzerland, 19 May 2021 – LEM (SIX: LEHN)**, a leading global company in electrical measurement for industry and automotive applications, announces full year results for 2020/21 (April-March) compared to 2019/20:

- Sales decreased by 2.3% to CHF 301.0 million (CHF 307.9 million); at constant exchange rates, sales increased by 0.4%
- The company benefits from a diverse global distribution of sales, with China further increasing its share:
  - China CHF 113.1m (37.6% of total)
  - Europe CHF 90.9m (30.2% of total)
  - North America CHF 30.4m (10.1% of total)
  - Rest of World CHF 66.5m (22.1% of total)
- R&D investments of CHF 28.2 million (CHF 28.0 million), or 9.4% of sales, underpinning the strong focus on new products, with ten successfully launched in 2020/21
- EBIT increased by 4.4% to CHF 60.9 million (CHF 58.3 million); the EBIT margin improved to 20.2% (18.9%), in line with guidance
- Net profit for the period was down by 8.4% at CHF 55.6 million (CHF 60.7 million), although last year's result included a non-recurring positive tax impact of CHF 14.0 million
- Operating cash flow was down 30.9% at CHF 50.9 million (CHF 73.6 million), mainly due to investments in NWC such as safety stock built-up in anticipation of supply chain shortages
- Proposed dividend increased to CHF 42 per share (CHF 40 for 2019/20)

**Frank Rehfeld, Chief Executive Officer**, said: “We are pleased to report robust results, with top-line revenue up 0.4% in constant currencies, and EBIT up 4.4%. At LEM we have come through the still ongoing pandemic in better shape than we could have foreseen, thanks largely to the resilience and agility of our employees, and the long-standing relationships with our customers and suppliers.

The past year has underlined some fundamental strengths of our company: the diversity of our business across sectors and regions, with balancing investment cycles and customer demand, and exposure to both mature industries and novel technologies. Indeed, we are leveraging new technologies through our strategic R&D investment rate of about 9% of sales, and for the second consecutive year we launched ten new products which are being well-received.

Looking ahead, Covid-19 will continue to impact our customers and our business and there are also headwinds caused by supply chain shortages and ongoing trade disputes. We do benefit from a diverse global footprint and our pipeline of new products, but like many businesses our progress is strongly linked to the growing markets in Asia. While much of the world's attention has rightly been focused on dealing with the pandemic, there remain the underlying challenges of climate change, and this is a key area where LEM is making its mark.”





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**Andrea Borla, Chief Financial Officer**, remarked: “Our financial results demonstrate even in these unprecedented times that LEM’s business is resilient, and we were able to quickly adjust our operations and expenditures. Thanks to continued improvements in the gross margin, and reduced SG&A costs, we achieved a highly satisfactory EBIT margin of 20.2% in line with guidance. Excluding beneficial tax impacts, the net profit of CHF 55.6 million is up from last year.

Our teams are to be congratulated on their performance this past year – working smarter, adapting to new ways of remote collaboration, and identifying new processes which will benefit us and our customers for the future.”

**Industry segment: solid performance led by China and Renewables**

Full year sales in the Industry segment totalled CHF 225.2 million, down 6.3%. At constant exchange rates, sales decreased by just 3.7%. This solid performance during the pandemic was thanks to our broad portfolio of applications and new product launches, and we continue to maintain market leadership in our business segments. Q4 sales improved both on Q3 and on Q4 last year, although Covid-19 continues to impact sales and orders with customers remaining hesitant to invest in certain areas like High Precision and Traction. Renewable Energy continues to grow due to increasing governmental policies for sustainable economies and this drove sales up by 8.5% in China, our second largest market. However, there were significant declines in Europe (-11.4%), North America (-16.4%) and Rest of World (-13.5%). Orders improved significantly in Q4 and are up 5.3% for the full year, with some encouraging signs in the Drives business.

in CHF millions	2020/21	2019/20	Change	Comments
<b>Businesses</b>				
Drives	98.0	99.5	-1.5%	<ul style="list-style-type: none"> <li>• Growth in automation and energy savings applications</li> <li>• Asia and USA recovering</li> </ul>
Renewable Energy	81.6	78.7	+3.6%	<ul style="list-style-type: none"> <li>• China solar driven by infrastructure</li> <li>• Europe boosted by DC meter</li> </ul>
Traction	38.0	51.0	-25.5%	<ul style="list-style-type: none"> <li>• Longer-term investment cycles</li> <li>• India and China rail traffic impacted by Covid-19</li> </ul>
High precision	7.7	11.1	-31.0%	<ul style="list-style-type: none"> <li>• Budgets switched to Covid needs</li> <li>• Lack of investment confidence for test benches &amp; medical equipment</li> </ul>
<b>Total Industry</b>	<b>225.2</b>	<b>240.4</b>	<b>-6.3%</b>	

**Automotive segment: impressive growth driven by EV demand**

Full year sales in the Automotive segment totalled CHF 75.7 million, an increase of 12.1%. At constant exchange rates, sales improved by 14.8%, which is significant given the shutdowns during the first phase of the Covid-19 pandemic. With the acceleration of the deployment of EV platforms by carmakers, our products have been designed in for several vehicles which entered production in 2020. The Q4 sales of CHF 22.9 million (+64.5%) are the highest quarterly sales yet achieved by the business. However, there are supply chain problems in semi-conductors which will impact sales going forward.

Our largest market China grew impressively, with 12 months sales up +32.2%, driven by consumer appetite for EVs and the launch of several new vehicles. Europe continued to accelerate (+63.5%), as manufacturers (OEMs) ramped-up their production operations in order to achieve their CO<sub>2</sub> emissions



targets. North America (-23.8%) is transitioning to green cars at a slower pace than other regions, although the US Administration's launch of a \$174bn investment into EV infrastructure should boost the market. Rest of World declined slightly by 3.7%, with strong sales in Korea offset by Japan.

in CHF millions	2020/21	2019/20	Change	Comments
<b>Businesses</b>				
Battery Management	45.7	44.9	+1.7%	<ul style="list-style-type: none"> <li>• US reduction in 12V demand</li> <li>• Increased demand for High Voltage products</li> </ul>
Motor Control	26.7	19.7	+35.0%	<ul style="list-style-type: none"> <li>• Strong demand spurred by EV cars</li> </ul>
Charging Systems	3.4	2.9	+16.1%	<ul style="list-style-type: none"> <li>• Continued momentum for battery electric and hybrid vehicles</li> </ul>
<b>Total Automotive</b>	<b>75.7</b>	<b>67.6</b>	<b>+12.1%</b>	

### Profitability resilient

Gross profit was down slightly by 1.5% at CHF 140.6 million, while the gross margin improved again to 46.7%. This is 30 basis points better than in the prior year, with increased supply chain costs offset by improved purchasing efficiencies and other improvement programs.

We remain vigilant with overheads, and managed to reduce total SG&A costs by CHF 3.9 million to CHF 52.6 million, or 17.5% of sales compared with 18.3% last year. This decrease reflects reduced marketing and travel expenses and changes in working practices.

We continued to maintain investment in research and development (R&D), up slightly at CHF 28.2 million, or 9.4% of sales, up from 9.1%. Our investment continues to bear fruit with another ten new products launched successfully this year. This long-term strategy will ensure LEM has the right new technologies and applications for customers, as their businesses are increasingly driven by renewable energy, mobility, automation and digitization.

EBIT for the year 2020/21 improved by 4.4% to CHF 60.9 million from CHF 58.3 million, mainly due to the improved gross margin and reduction in SG&A discussed above. Our reported EBIT margin was up at 20.2% compared with 18.9%, in line with guidance.

Net financial income was effectively zero, with financial expenses offset by foreign exchange gains. The Group tax expenses of CHF 5.3 million represent a tax rate of 8.7%. This outcome was mainly due to non-recurring tax benefits, which if excluded would result in an underlying rate of 17.4%.

We posted a net profit for the year of CHF 55.6 million, down from CHF 60.7 million last year. However last year's net result was largely boosted by a non-recurring positive tax impact of CHF 14.0 million from the sale of technical IP from LEM Intellectual Property SA based in Fribourg to LEM International SA based in Geneva and to LEM China. This year's net profit margin thereby decreased to 18.5% compared with 19.7%, although excluding the positive tax impacts the net profit margin last year would have been 15.2%.

### Strong balance sheet

Cash flow from operating activities was CHF 50.9 million (-30.9%) and free cash flow was CHF 37.4 million (-36.4%). This decrease is mainly due to two factors: we have higher receivables outstanding from strong Q4 sales, and we deliberately built-up inventory (safety stock) in anticipation of supply chain shortages.





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Our balance sheet remains strong with practically zero net debt. As of 31 March 2021, total assets increased to CHF 264.4 million. Shareholders' equity reached CHF 131.9 million, representing an equity ratio of 49.9% (51.0% as of 31 March 2020).

### **Improved dividend**

Based on the results for 2020/21, our performance in adapting to the Covid-19 pandemic and the long-term fundamentals for the business, the Board of Directors proposes a dividend of CHF 42 per share (CHF 40 for 2019/20), payable on 06 July 2021. The proposal follows LEM's dividend policy of distributing significantly more than 50% of its consolidated net profit to shareholders and corresponds to a payout ratio of 86.1%, up from 75.1% last year.

### **Cautiously optimistic outlook**

The dramatic impact of Covid-19 on the world economy has been well reported, although the actual outcome for the past year was better than many predicted. Beyond the general impact of the pandemic, there are two specific factors which are likely to impact LEM's business: shortages and supply chain issues for components such as semiconductors, and the ramifications of ongoing trade disputes.

LEM's business does benefit from geographic and sector diversity. Our operations in China (accounting for 38% of sales and 65% of production) were back up and running nearly at full capacity by the end of March 2020. However, a substantial portion of our China production is destined for export, and therefore is dependent on demand from other economies as they adjust to the pandemic.

Despite this challenging environment, it is important to remember the fundamental long-term prospects for LEM remain strong, driven by mega trends such as renewable energy, mobility and automation. We see this particularly in the demand for our new products in solar power, EVs and E-mobility.

We are maintaining our key projects of investing in a new production plant in Malaysia and a new global headquarters in Geneva. We continue to invest in R&D at between 8-10% of sales, ensuring we leverage new technologies. We are improving the efficiency of production, while also empowering our global sites with full capabilities in R&D, operations, sales and quality management. This is making our organization more agile, increasing our speed of execution and reducing the time to market.

We have been encouraged this year by the steady demand for our products and how the organization has responded so well to such exceptional circumstances, and we are cautiously optimistic for the future. However, we must recognize that the impacts of the pandemic will reverberate across markets and society for many months if not years, and thus our progress is not entirely in our own hands.

### **Conference call and webcast**

Due to the ongoing pandemic and social distancing requirements, LEM will not host a physical meeting as it normally does on this occasion. Rather, Andreas Hürlimann, Chairman of the Board of Directors, Frank Rehfeld, CEO, and Andrea Borla, CFO, will host a conference call and webcast for investors, analysts and media, to present the results for the financial year 2020/21 and the outlook for the financial year 2021/22 **today at 10:00 CET**, followed by a Q&A session.

Listen to the conference call and live webcast

<https://78449.choruscall.com/dataconf/productusers/lem/mediaframe/44489/index1.html>

The press release, Annual Review, Financial Report, investor presentation, and the link to the webcast will be available from today, 19 May 2021, on <http://www.lem.com/en/investors>.





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

### Annual General Meeting

Given the exceptional circumstances due to the Covid-19 pandemic, the Annual General Meeting of Shareholders on 24 June will not take place in the usual format. This means that shareholders are not permitted to attend in person, and therefore they may only exercise their voting rights by instructing the Independent Representative. The formal invitation with proposed resolutions is published today on the company's website.

### Financial calendar

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

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
28 July 2021	First-quarter results 2021/22
8 November 2021	Half-year results 2021/22
4 February 2022	Third-quarter results 2021/22
24 May 2022	Full-year results 2021/22
30 June 2022	Annual General Meeting of Shareholders for the financial year 2021/22
5 July 2022	Dividend ex-date
7 July 2022	Dividend payment date

### 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.

[www.lem.com](http://www.lem.com)

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## Appendix

### Consolidated income statement

In CHF thousands	April to March		
	2020/21	2019/20	Change
Sales	300'966	307'942	-2.3%
Cost of goods sold	(160'369)	(165'195)	
<b>Gross margin</b>	<b>140'597</b>	<b>142'747</b>	<b>-1.5%</b>
Gross margin (in %)	46.7%	46.4%	
Sales expense	(26'343)	(28'232)	
Administration expense	(26'306)	(28'270)	
Research & development expense	(28'248)	(28'038)	
Other income	1'196	120	
<b>EBIT</b>	<b>60'896</b>	<b>58'327</b>	<b>+4.4%</b>
EBIT margin (in %)	20.2%	18.9%	
Financial expense	(510)	(505)	
Financial income	148	191	
Foreign exchange effect	351	(2'379)	
<b>Profit before taxes</b>	<b>60'885</b>	<b>55'634</b>	<b>+9.4%</b>
Income taxes	(5'288)	5'059	
<b>Net profit</b>	<b>55'597</b>	<b>60'693</b>	<b>-8.4%</b>
Net profit margin (in %)	18.5%	19.7%	



## Key Figures

In CHF millions	2020/21					2019/20					Change	
<b>Orders received</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q4 - Q4</b>	<b>FY - FY</b>
Industry	47,5	55,7	63,9	100,8	267,8	71,3	54,8	63,8	64,5	254,3	+56,3%	+5,3%
Automotive	12,0	20,2	23,1	38,9	94,2	17,2	17,2	17,5	16,4	68,2	+137,7%	+38,2%
<b>Total LEM</b>	<b>59,5</b>	<b>75,9</b>	<b>87,0</b>	<b>139,7</b>	<b>362,0</b>	<b>88,4</b>	<b>72,0</b>	<b>81,2</b>	<b>80,8</b>	<b>322,4</b>	<b>+72,8%</b>	<b>+12,3%</b>
<b>Book-to-bill ratio</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q4 - Q4</b>	<b>FY - FY</b>
Industry	0,79	1,06	1,21	1,68	1,19	1,10	0,92	1,10	1,11	1,06	+52,1%	+12,4%
Automotive	0,83	1,19	1,08	1,70	1,24	0,95	1,00	0,94	1,18	1,01	+44,4%	+23,3%
<b>Total LEM</b>	<b>0,80</b>	<b>1,09</b>	<b>1,17</b>	<b>1,69</b>	<b>1,20</b>	<b>1,07</b>	<b>0,94</b>	<b>1,06</b>	<b>1,12</b>	<b>1,05</b>	<b>+50,6%</b>	<b>+14,9%</b>
<b>Sales</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q4 - Q4</b>	<b>FY - FY</b>
Industry	59,8	52,8	52,8	59,9	225,2	64,6	59,3	58,2	58,2	240,4	+2,8%	-6,3%
Automotive	14,5	17,0	21,3	22,9	75,7	18,0	17,1	18,5	13,9	67,6	+64,5%	+12,1%
<b>Total LEM</b>	<b>74,3</b>	<b>69,8</b>	<b>74,1</b>	<b>82,8</b>	<b>301,0</b>	<b>82,6</b>	<b>76,4</b>	<b>76,7</b>	<b>72,2</b>	<b>307,9</b>	<b>+14,7%</b>	<b>-2,3%</b>
<b>EBIT</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q4 - Q4</b>	<b>FY - FY</b>
Industry	12,3	12,1	11,4	13,6	49,4	14,3	13,2	11,5	11,4	50,4	+19,6%	-2,1%
Automotive	1,0	2,9	3,9	3,6	11,5	2,4	1,9	3,2	0,5	7,9	+610,1%	+45,8%
<b>Total LEM</b>	<b>13,3</b>	<b>15,0</b>	<b>15,3</b>	<b>17,3</b>	<b>60,9</b>	<b>16,7</b>	<b>15,1</b>	<b>14,6</b>	<b>11,9</b>	<b>58,3</b>	<b>+44,9%</b>	<b>+4,4%</b>
<b>Net profit</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY</b>	<b>Q4 - Q4</b>	<b>FY - FY</b>
<b>Total LEM</b>	<b>11,1</b>	<b>12,3</b>	<b>12,6</b>	<b>19,6</b>	<b>55,6</b>	<b>13,9</b>	<b>11,2</b>	<b>26,9</b>	<b>8,7</b>	<b>60,7</b>	<b>+125,2%</b>	<b>-8,4%</b>

