



Life Energy Motion

Press release - Ad hoc announcement pursuant to Art. 53 LR

LEM announces record financial results for full year 2021/22

Geneva, Switzerland, 24 May 2022 – LEM (SIX: LEHN), a leading global company in electrical measurement for industry and automotive applications, announces full year results for 2021/22 (April-March) compared to 2020/21:

- Sales increased by 24.1% to CHF 373.4 million (CHF 301.0 million); at constant exchange rates, sales increased by 22.5%
- The company benefits from a diverse global distribution of sales, led by China and Europe:
 - China CHF 141.9m (38.0% of total)
 - Europe CHF 116.2m (31.1% of total)
 - North America CHF 34.8m (9.3% of total)
 - Rest of World CHF 80.5m (21.6% of total)
- R&D investments of CHF 29.4 million (CHF 28.2 million), or 7.9% of sales, underpinning the strong focus on new products, with seven successfully launched in 2021/22
- EBIT increased by 45.1% to CHF 88.4 million (CHF 60.9 million); the EBIT margin improved to 23.7% (20.2%), above guidance
- Net profit for the period was up by 30.2% at CHF 72.4 million (CHF 55.6 million)
- Operating cash flow was stable at CHF 50.4 million (CHF 50.9 million)
- Proposed special dividend to mark 50th anniversary of CHF 50 per share (CHF 42 for 2020/21)

Frank Rehfeld, Chief Executive Officer, said: “We are delighted to report record annual results as we celebrate 50 years since LEM was founded in 1972. Both our revenues and profitability demonstrated the fundamental demand for our products and the strengths of the company operationally, despite the challenging economic environment.

LEM’s growth over the past 50 years is due in many ways to the quality of ingenuity – thinking differently, applying our leading expertise in electrical measurement and devising practical solutions in collaboration with our customers. This is exemplified by our strong investment in R&D, and the successful launch of another seven products this year.

Our talented teams of 1,500 professionals working across 16 countries are inspired by our core purpose - helping our customers and society accelerate the transition to a sustainable future. LEM’s long-term prospects are driven by the mega trends of renewable energy, mobility and automation.

Despite last year’s record performance, we remain cautious about our prospects for the first six months of 2022/23. In the short-term, we anticipate continued headwinds from supply chain constraints, while the pandemic lockdowns in China are impacting our supply chain, production and sales. The current geopolitical tensions may also undermine investment confidence in certain sectors. Therefore, we expect our sales in the first six months of 2022/23 to be lower than those we achieved in the first six months of 2021/22.”





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Andrea Borla, Chief Financial Officer, remarked: “Top-line growth of 24.1% and an EBIT margin of 23.7% are impressive, but should be seen in the context of post-Covid global economic recovery and the acceleration towards decarbonization and electrification. Operational efficiency is improving profitability, while also enabling us to execute significant R&D programs.

We congratulate our employees for this year’s record performance, and are proud to invest in their development, with new skillsets and technological expertise. As we mark our 50th anniversary, it is particularly pleasing that we have moved into our new global headquarters in Geneva – a building which reflects the sustainability principles of our businesses, and enables our teams to continue devising ingenious solutions for our customers.”

Industry segment: very strong growth despite supply chain constraints

Full year sales in the Industry segment totaled CHF 287.6 million, up 27.7%. At constant exchange rates, sales improved by 26.4%. All our businesses and regions continue to benefit from the return of investment confidence and customer demand. Our sales were held back principally by supply chain constraints. However, there is an increasing trend to “onshoring” and localization of manufacturing investment which will further support our business. Long-term demand for our products is supported by increasing decarbonization and electrification across the world. The Drives business is mainly driven by the manufacturing investment cycle and benefitted from demand for small and medium power applications, including tooling machines and HVAC (Heating, Ventilation, and Air Conditioning) as well as end-consumer products, such as heat pumps. Renewable Energy continues to grow due to government policies and commercial investment, with increasing concerns about dependency on fossil fuels. The infrastructure investment for e-mobility is driving the successful rollout of our new DC meter and we are encouraged by growing customer interest. Demand in the test and measurement sector for batteries and EVs as well as medical equipment increased sales of our High Precision sensors. Our Traction business, with its project-based long investment horizons, has returned to growth mainly in Europe and India.

Europe (+30.4%), China (+22.8%) and Rest of World (+34.6%) benefited from the demand across Drives, Renewables, and High Precision. Europe continues to be our largest market. North America (+22.1%) benefited from the demand for Drives, but less so for Renewables. Global orders increased by 56.2% for the full year, averaging around CHF 100 million per quarter, as customers continue to commit to orders over longer time horizons.

in CHF millions	2021/22	2020/21	Change	Comments
Businesses				
Drives	130.2	98.0	+32.8%	<ul style="list-style-type: none"> • Small & medium power applications • Manufacturing capacity investment in semiconductors
Renewable Energy	105.0	81.6	+28.7%	<ul style="list-style-type: none"> • China solar driven by infrastructure • Europe boosted by DC meter
Traction	42.8	38.0	+12.8%	<ul style="list-style-type: none"> • Europe and India driving demand
High precision	9.5	7.7	+24.6%	<ul style="list-style-type: none"> • Increasing demand for new product families in test and measurement
Total Industry	287.6	225.2	+27.7%	



Automotive segment: EV momentum continues to be impacted by supply chain issues

Full year sales in the Automotive segment totaled CHF 85.8 million, an increase of 13.3%. At constant exchange rates, sales improved by 10.8% compared to full year last year. Q4 performance reflects the higher baseline of last year when global production had recovered from previous shutdowns. Our output is still constrained by the continued supply chain issues for semiconductors and other components. These continue to impact the entire sector, and some manufacturers are still revising production plans downwards. Bookings in the first half were exceptionally boosted by customers committing firm orders in advance for several quarters. While second half bookings remain strong, they have now reverted to normal levels with customers ordering for delivery one quarter at a time. The strong fundamental demand for EV solutions continues, but the industry's ongoing challenges may take several more quarters to be resolved.

Our largest market China grew by 31.7%, driven by consumer appetite for EVs, the launch of several new vehicles, and the ability of new sector players to better manage supply chain challenges. The traditional OEMs are not adapting as quickly to these new challenges and this is reflected in our sales in other regions, such as Europe (+4.8%) and North America (-4.8%). Moreover, Rest of World decreased by 2.7% reflecting a higher sales base, as these markets had been less impacted by the pandemic last year.

in CHF millions	2021/22	2020/21	Change	Comments
Businesses				
Battery Management	48.7	45.7	+6.7%	<ul style="list-style-type: none"> Significant drop in US 12V demand Ongoing supply chain constraints
Motor Control	34.1	26.7	+27.7%	<ul style="list-style-type: none"> Strong demand spurred by EV cars
Charging Systems	3.0	3.4	-11.9%	<ul style="list-style-type: none"> Product allocation impacted by semiconductor shortages
Total Automotive	85.8	75.7	+13.3%	

Profitability very strong

Gross profit was up significantly by 26.1% at CHF 177.3 million (CHF 140.6 million), while the gross margin improved again to 47.5%. This is 80 basis points better than in the prior year, with increased supply chain costs offset by improved efficiencies from economies of scale.

We remain vigilant with overheads, so while SG&A costs were up by 13.4% to CHF 59.7 million (CHF 52.6 million) to support the extra market demand compared with last year, they declined to 16.0% of sales (17.5%). The absolute increase reflects our investments in talent to strengthen the organization, higher compensation rates and external consulting support for several key initiatives.

We continue with our long-term investment in future applications with R&D up in absolute terms by 4.0% to CHF 29.4 million (CHF 28.2 million), although this decreased to 7.9% of sales (9.4%). Due to a change in accounting policy, there was also a tax credit of CHF 1.2 million reflected in R&D expenses which would previously have been recorded in the income tax line of the P&L.

Our investment continues to bear fruit with another seven 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.





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EBIT for the year 2021/22 rose notably by 45.1% to CHF 88.4 million from CHF 60.9 million, mainly due to the leverage effect of the improved revenues across our established cost base. Our reported EBIT margin was up at 23.7% compared with 20.2%, above guidance.

Net financial income was CHF -3.1 million, mainly due to foreign currency losses following the Euro depreciation over the last 12 months. The Group tax expenses of CHF 12.9 million represent a tax rate of 15.1%, reflecting a favorable geographic profit mix.

We posted a record net profit for the year of CHF 72.4 million, up from CHF 55.6 million last year. This year's net profit margin thereby increased to 19.4% compared with 18.5%.

Strong cash flow and balance sheet

Cash flow from operating activities was CHF 50.4 million; excluding non-recurring tax payments related to the sale of intellectual property, it would have been CHF 77.0 million compared with CHF 50.9 million last year. Free cash flow was CHF 29.4 million (CHF 37.4 million). This decrease is mainly due to higher investments related to the new global headquarters in Geneva. Our balance sheet remains strong with limited net debt of CHF 23.5 million. As of 31 March 2022, total assets increased to CHF 301.4 million. Shareholders' equity reached CHF 161.2 million, representing an equity ratio of 53.5% (49.9% as of 31 March 2021).

Special 50th anniversary dividend

Based on the excellent results for 2021/22, the long-term fundamentals for the business and to mark the 50th anniversary of the founding of the company in 1972, the Board of Directors proposes a special dividend of CHF 50 per share (CHF 42 for 2020/21), payable on 07 July 2022. 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 78.8%, down from 86.1% last year.

Changes in financial reporting 2022/23

With effect from 01 April 2022, the company is now organized on a regional & functional matrix. This is designed to move decision making closer to the customer in different parts of the world and empower local management. Global functional teams will support regional markets across all customer applications and the entire LEM product portfolio, thereby providing synergies of expertise and development. Geographically, we will now report sales according to the following regions:

- China
- Rest of Asia (Japan, South-Korea, India, South-East Asia)
- EMEA (Europe, Middle East & Africa)
- Americas (NAFTA & Latin America)

It also means the previous two segments of Industry and Automotive are no longer applicable. Rather we will now report sales along the following five businesses:

- Automation
- Automotive
- Renewable Energy
- Track
- Energy Distribution + High Precision

The company will report a single company-wide P&L every quarter and cash flow and balance sheet twice a year. Further details of these changes in financial reporting will be presented at today's conference and webcast in Zurich.





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Prudent outlook

In its latest bi-annual World Economic Outlook in April 2022, the IMF reduced its estimates and now forecasts global growth to slow from an estimated 6.1 percent in 2021 to 3.6 percent in 2022 and 2023. War-induced commodity price increases and broadening price pressures have led to 2022 inflation projections of 5.7 percent in advanced economies and 8.7 percent in emerging market and developing economies. The IMF highlights the essential need for multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic.

Against this backdrop, it is clear that many factors impacting economic demand over the coming year remain out of LEM's control. Despite last year's record performance, we remain cautious about our prospects for the first six months of 2022/23. This is due to ongoing headwinds from supply chain constraints, particularly for semiconductors, while the pandemic lockdowns in China are impacting our supply chain, production and sales. The current geopolitical tensions may also undermine investment confidence in certain sectors. Therefore, we expect our sales in the first six months of 2022/23 to be lower than those we achieved in the first six months of 2021/22.

LEM's business does benefit from geographic and sector diversity. There is an increasing trend to "onshoring" and localization of manufacturing investment which will further support our business. Our fundamental long-term prospects 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. The strong demand for EV solutions continues, but the sector's ongoing supply chain challenges may take several more quarters to be resolved.

We are maintaining our key project of investing in a new production plant in Malaysia, and plan to start production by early 2024. We continue to invest in R&D at between 8-10% of sales, ensuring LEM has the right new technologies and applications for customers as their businesses grow.

We have been positively surprised this year by the demand for our products and are impressed by how the organization has responded so well to multiple challenges. This 50th anniversary year is providing us with a great opportunity to learn from our history, and to also move forward with renewed energy and conviction. The sectors in which we serve our customers are being transformed by decarbonization and electrification, so while certain elements remain out of our own hands, we can look forward with optimism to continued long-term growth.

Media, investor, and analyst conference and webcast

Andreas Hürlimann, Chairman of the Board of Directors, Frank Rehfeld, CEO, and Andrea Borla, CFO, will present the results for the financial year 2021/22 and the outlook for the financial year 2022/23 **today at 10:30 CET** at a conference for investors, analysts, and media at the Widder Hotel in Zurich.

Listen to the conference call and live webcast

<https://event.choruscall.com/mediaframe/webcast.html?webcastid=Vx8RnhTP>

The press release, Annual Review, Financial Report, investor presentation, and the link to the webcast will be available from today, 24 May 2022, on the Investor Relations section of the LEM website (<http://www.lem.com/en/investors>), where the webcast will later also be archived.





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Annual General Meeting

The Annual General Meeting of Shareholders on 30 June will take place physically in Geneva, allowing shareholders to attend in person. 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

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
28 July 2022	First quarter results 2022/23
8 November 2022	Half year results 2022/23 and Capital Markets Day at new HQ in Geneva
6 February 2023	9 months results 2022/23
25 May 2023	Full year results 2022/23
29 June 2023	Annual General Meeting of Shareholders for the financial year 2022/23
4 July 2023	Dividend ex-date
6 July 2023	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.

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Appendix

Consolidated income statement

In CHF thousands	April to March		
	2021/22	2020/21	Change
Sales	373'395	300'966	+24.1%
Cost of goods sold	(196'116)	(160'369)	
Gross margin	177'279	140'597	+26.1%
Gross margin (in %)	47.5%	46.7%	
Sales expense	(28'909)	(26'343)	
Administration expense	(30'778)	(26'306)	
Research & development expense	(29'392)	(28'248)	
Other income	158	1'196	
EBIT	88'358	60'896	+45.1%
EBIT margin (in %)	23.7%	20.2%	
Financial expense	(650)	(510)	
Financial income	269	148	
Foreign exchange effect	(2'700)	351	
Profit before taxes	85'277	60'885	+40.1%
Income taxes	(12'910)	(5'288)	
Net profit	72'367	55'597	+30.2%
Net profit margin (in %)	19.4%	18.5%	



Key Figures

In CHF millions

	2021/22					2020/21					Change	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q4 - Q4	FY - FY
Orders received												
Industry	110.8	101.3	102.8	103.5	418.4	47.5	55.7	63.9	100.8	267.8	+2.7%	+56.2%
Automotive	35.7	52.4	33.9	36.1	158.0	12.0	20.2	23.1	38.9	94.2	-7.3%	+67.8%
Total LEM	146.4	153.7	136.7	139.5	576.4	59.5	75.9	87.0	139.7	362.0	-0.1%	+59.2%
Book-to-bill ratio												
Industry	1.51	1.44	1.48	1.39	1.45	0.79	1.06	1.21	1.68	1.19	-17.7%	+22.3%
Automotive	1.78	2.62	1.51	1.55	1.84	0.83	1.19	1.08	1.70	1.24	-8.7%	+48.1%
Total LEM	1.57	1.70	1.49	1.42	1.54	0.80	1.09	1.17	1.69	1.20	-15.6%	+28.3%
Sales												
Industry	73.2	70.4	69.4	74.7	287.6	59.8	52.8	52.8	59.9	225.2	+24.8%	+27.7%
Automotive	20.1	20.0	22.4	23.3	85.8	14.5	17.0	21.3	22.9	75.7	+1.5%	+13.3%
Total LEM	93.3	90.4	91.8	97.9	373.4	74.3	69.8	74.1	82.8	301.0	+18.3%	+24.1%
EBIT												
Industry	19.2	18.5	17.6	18.1	73.3	12.3	12.1	11.4	13.6	49.4	+32.6%	+48.5%
Automotive	2.0	2.4	4.5	6.1	15.0	1.0	2.9	3.9	3.6	11.5	+68.3%	+30.7%
Total LEM	21.2	20.9	22.0	24.2	88.4	13.3	15.0	15.3	17.3	60.9	+40.1%	+45.1%
Net profit												
Total LEM	17.3	17.9	18.5	18.6	72.4	11.1	12.3	12.6	19.6	55.6	-4.7%	+30.2%

