Life Energy Motion

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

LEM announces results for H1 2022/23: record sales and EBIT

Geneva, Switzerland, 8 November 2022 – LEM (SIX: LEHN), a leading global company in electrical measurement for renewable energy, automation, power network and e-mobility applications, announces half year results for 2022/23 (April-September) compared to 2021/22:

- Bookings decreased by 10.0% to CHF 270.1 million (CHF 300.2 million)
- Sales increased by 7.8% to CHF 198.1 million (CHF 183.7 million); at constant exchange rates, sales increased by 9.5%
- The company benefits from a diverse global distribution of sales, led by China and EMEA:
  - China CHF 82.1 m (41.4% of total)
  - Rest-of-Asia CHF 34.0 m (17.1% of total)
  - EMEA CHF 58.4 m (29.5% of total)
  - Americas CHF 23.6 m (11.9% of total)
- R&D investments of CHF 16.7 million (CHF 15.2 million), or 8.4% of sales
- EBIT increased by 8.6% to CHF 45.8 million (CHF 42.1 million); the EBIT margin increased to 23.1% (22.9%)
- Net profit for the period was flat at CHF 35.2 million (CHF 35.2 million)
- Operating cash flow increased to CHF 36.8 million (CHF 11.9 million)

Frank Rehfeld, Chief Executive Officer, said: “We are delighted to report our best ever quarter, with Q2 sales of CHF 107.3 million, breaking the CHF 100 million level for the first time. This result was driven mainly by our Automotive and Energy Distribution businesses. China recovered well from the lockdown effects in Q1, but we still face major challenges in fulfilling orders for customers. The Americas’ strong performance was led by the accelerating adoption of electric vehicles, charging infrastructure, and renewable energy.”

Andrea Borla, Chief Financial Officer, remarked: “Top-line growth and an improved gross margin led to a record EBIT result for the half year. Our order book has dropped to more normal levels after the extreme disruptions of the past two years. However, we still face significant supply chain challenges and therefore expect full year sales between CHF 390 – 400 million.”

Performance by businesses

in CHF millions		2022/23 H1	2021/22 H1	Change
Businesses	**Scope**			
Automation	drives, robots, tooling machines, elevators, HVAC	67.4	65.4	+3.1%
Automotive	battery (EV & CE), motor control, onboard charging	50.1	40.0	+25.2%
Renewable Energy	solar, wind	33.4	33.7	-0.9%
Energy Distribution & High Precision	charging stations, smart grid, energy storage, high precision	27.9	23.1	+20.7%
Track	trains, metro, trackside	19.2	21.4	-10.2%
Total		**198.1**	**183.7**	**+7.8%**

Automation

Despite continued component shortages, sales grew slightly. This business is mainly driven by the manufacturing investment cycle and the strong demand for small and medium power applications, including tooling machines, and HVAC (Heating, Ventilation, and Air Conditioning). We continue to receive very positive feedback about our new product family of ICSs for small drives and robotics.

Automotive

With the end of lockdown in Shanghai, Q2 stands out with record sales. Bookings decreased in absolute terms, but the book-to-bill ratio is still above 1.0, as the fundamental demand for EVs remains. New sector players in China continue to outperform the more established OEMs.

Renewable Energy

Sales decreased slightly, as the business was over proportionally impacted by supply chain shortages. The future prospects for Renewable Energy remain strong, as global concerns about dependency on fossil fuels continue to accelerate favorable government policies and commercial investment.

Energy Distribution & High Precision

The infrastructure investment for e-mobility is driving customer interest in our DC Meter products, which was the main reason for the strong increase in sales. Our most recent product line, the IN family, which offers high precision solutions for test benches in the EV market, continues to be well received.

Track

Our Traction business, with its project-based long investment horizons, has also been impacted by the cessation of our operations in Russia. However, the order book remains strong.

Performance by regions

in CHF millions		2022/23 H1	2021/22 H1	Change
Regions	**Scope**			
China		82.1	70.7	+16.0%
Rest-of-Asia	Japan, South-Korea, India, South-East Asia	34.0	33.2	+2.2%
EMEA	Europe, Middle East & Africa	58.4	61.5	-5.0%
Americas	NAFTA & Latin America	23.6	18.2	+30.0%
Total		**198.1**	**183.7**	**+7.8%**

China
The overall sales performance was better than expected due to a quick recovery from the lockdown effects in Q1. The EV market both domestically and for export developed very well. Our Renewable Energy business saw an increasing demand for sensors for solar and electric storage devices that LEM was not able to fully satisfy. The Automation business remained stable, serving mostly local demand. Our traditional Track business remains at a low level with reduced domestic travelling. The order book is still at very high levels and allocating delivered products across different customers remains a big challenge. The risk of further wide-ranging lockdowns remains.

Rest-of-Asia
Sales increased slightly and demand remains very strong across the region. Japan performed well in both the Automotive and Automation businesses, although reported sales were impacted by the weak Yen. South Korea recovered and was up in all five businesses, while India was down due to long lead times in the Traction business.

EMEA
Sales were adversely impacted by foreign exchange rates and our decision to cease all operations in Russia. The first half year showed solid bookings and the DC Meter product continues to be successfully rolled out from Germany across Western Europe. The transfer of production of our metering applications to our new headquarters in Geneva has been completed successfully. With Europe's demand for energy security, the fundamental megatrends driving our businesses are gaining even more momentum.

Americas
The strong sales performance was mainly driven by demand for our e-mobility products for DC metering, battery, and motor control. Demand for 12V battery products is clearly bottoming out and may come to an end in the next two years, while the roll out of our DC Meter 400 and 600 is picking up at a high speed. The US government's commitment to sustainable energies is visibly impacting the general buying behavior and ultimately our order books, including smart grid and Renewable Energy applications. Still, we could have sold more, and remain hampered by the global shortage in semiconductors.

Profitability remains robust
Gross profit was up by 9.6% at CHF 93.8 million (CHF 85.6 million), while the gross margin improved again to 47.4%. This is 80 basis points better than in the prior year, due mainly to sales price increases and the benefits from economies of scale.

SG&A costs were up by 10.7% to CHF 31.4 million (CHF 28.4 million) and accounted for 15.8% of sales (15.4%). This increase reflects external consulting support for several key initiatives, investments in technology infrastructure and recruitment of additional talent. We continue with our long-term investment in future applications, with R&D up in absolute terms by 9.8% to CHF 16.7 million (CHF 15.2 million), or 8.4% of sales (8.3%).

EBIT for this first half year increased by 8.6% to CHF 45.8 million from CHF 42.1 million, mainly due to improved sales and better gross margin. Our reported EBIT margin was up at 23.1% compared with 22.9%.

The negative impact of foreign exchange translations on the first half year was CHF 2.5 million, up from CHF 0.3 million last year, mainly due to the EUR depreciation. The Group tax expenses of CHF 7.5 million represent a tax rate of 17.6%.

Net profit for the first half year remained flat at CHF 35.2 million, mainly due to the higher foreign exchange impact. This half year's net profit margin thereby decreased to 17.8% compared with 19.2%.

Outlook
Our businesses have shown to be successful as they continue to benefit from the fundamental drivers of electrification, renewable energy and mobility. However, our growth is restrained by shortages, mostly for electronic components. We are also aware of the risk of upcoming recessions in key markets. For the full financial year 2022/23, the company currently expects sales in the range of CHF 390 – 400 million (CHF 373.4 million for 2021/22), with an EBIT margin above 20%. However, this excludes the potential impact of significant lockdowns in China.

Conference call and webcast
Frank Rehfeld, CEO, and Andrea Borla, CFO, will provide a presentation of the half year 2022/23 results today at 10:45 CET at a media and investor community audio webcast and conference call.

Listen to live audio webcast
https://event.choruscall.com/mediaframe/webcast.html?webcastid=PDbX4yw1

The press release, Financial Half Year Report, webcast slides, and the link to the audio webcast are available in the Investor Relations section of the LEM website (www.lem.com/en/investors), where the recorded webcast will later also be archived.

Dial-In Numbers

Switzerland & Europe:	+41 (0)58 310 50 00
UK:	+44 (0) 207 107 06 13
USA:	+1 (1) 631 570 56 13
Other countries:	https://services3.choruscall.ch/NUMBERS/Attended_Dial_In_Numbers.pdf

Financial calendar
The financial year runs from 1 April to 31 March

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 1,600 people in over 15 countries transform technology potential into powerful answers. We develop and recruit the best global talent, working at the forefront of megatrends 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

Contact: Investment community
Andrea Borla, Chief Finance Officer
Phone: +41 22 706 1250
Email: investor@lem.com

Contact: Media
Cabinet Privé de Conseils s.a. (CPC)
Nick Miles: miles@cpc-pr.com, mobile: +41 79 678 76 26
Michael Füglister: fuglister@cpc-pr.com, mobile: +41 78 839 07 62

Appendix

Consolidated income statement

In CHF thousands	April to September 2022/23	2021/22	Change
Sales	198'066	183'665	+7.8%
Cost of goods sold	(104'240)	(98'066)	
Gross margin	**93'826**	**85'600**	**+9.6%**
Gross margin (in %)	47.4%	46.6%	
Sales expense	(13'675)	(14'109)	
Administration expense	(17'709)	(14'251)	
Research & development expense	(16'711)	(15'216)	
Other income	22	90	
EBIT	**45'752**	**42'114**	**+8.6%**
EBIT margin (in %)	23.1%	22.9%	
Financial expense	(717)	(226)	
Financial income	165	177	
Foreign exchange effect	(2'464)	(329)	
Profit before taxes	**42'736**	**41'736**	**+2.4%**
Income taxes	(7'526)	(6'551)	
Net profit of the period	**35'210**	**35'185**	**+0.1%**
Net profit margin (in %)	17.8%	19.2%	

Key Figures

LEM Group	2022/23					2021/22					Change	
Orders received	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q2 - Q2	6M - 6M
Total LEM	158.1	112.0				146.4	153.7	136.7	139.5	576.4	-27.2%	-10.0%
Book-to-bill ratio	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q2 - Q2	6M - 6M
Total LEM	1.74	1.04				1.57	1.70	1.49	1.42	1.54	-38.7%	-16.6%
Sales	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q2 - Q2	6M - 6M
Automation	30.5	36.9				33.3	32.1	31.2	33.7	130.3	+15.0%	+3.1%
Automotive	21.8	28.4				20.1	20.0	22.5	23.3	85.8	+42.1%	+25.2%
Renewable Energy	15.4	18.0				17.0	16.7	15.7	16.5	66.0	+7.6%	-0.9%
Energy Distribution & High Precision	13.8	14.1				12.4	10.7	12.2	13.2	48.6	+31.8%	+20.7%
Track	9.3	10.0				10.5	10.9	10.2	11.3	42.8	-8.7%	-10.2%
Total LEM	90.7	107.3				93.3	90.4	91.8	97.9	373.4	+18.8%	+7.8%
EBIT	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q2 - Q2	6M - 6M
Total LEM	19.5	26.3				21.2	20.9	22.0	24.2	88.4	+25.7%	+8.6%
Net profit of the period	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q2 - Q2	6M - 6M
Total LEM	14.7	20.5				17.3	17.9	18.5	18.6	72.4	+14.7%	+0.1%