



Life Energy Motion

Press release

LEM announces robust financial results for full year 2018/19

Fribourg, Switzerland, 22 May 2019 – LEM (SIX: LEHN), a leading global company in electrical measurement for industry and automotive applications, announces full year results for 2018/19 (April-March) compared to 2017/18:

- Sales increased by 6.8% to CHF 321.6 million (CHF 301.2 million); at constant exchange rates, sales increased by 5.8%
- The global spread of sales remains steady across different regions:
 - China CHF 106.3m (33.1% of total)
 - Europe CHF 107.2m (33.3% of total)
 - North America CHF 43.2m (13.4% of total)
 - Rest of World CHF 64.8m (20.1% of total)
- R&D up by 29.7% to CHF 27.6 million (CHF 21.3 million), or 8.6% of sales, to capture new opportunities
- EBIT increased by 2.6% to CHF 64.8 million (CHF 63.1 million); the EBIT margin declined slightly to 20.1% (21.0%)
- Net profit for the period was down by 3.8% at CHF 52.4 million (CHF 54.4 million)
- Dividend to be increased from CHF 40 to CHF 42 per share

Frank Rehfeld, Chief Executive Officer, said: “We are pleased to report another year of robust results, which in the context of the global economic slow-down, was a more than satisfactory performance. 61% of our top-line growth came from Automotive customers, led by the transition to green cars. The fundamental prospects for LEM remain strong, driven by the mega trends of energy efficiency, mobility and automation. China is our largest market, and provides the biggest strategic opportunity for LEM to grow in the medium-term.

Far from being a mature market, electrical sensing products are undergoing significant mutations, driven by new applications and technologies. We continue to increase our investments in R&D, now at 8.6% of sales; this is clearly bearing fruit as we launched eight new products.

This year was one of accelerating change – both for our markets, and for the way we run LEM. We are making our organization more agile to ensure we capture and manage significant growth opportunities.”

Andrea Borla, Chief Financial Officer, remarked: “The strength of our business is demonstrated by our ability to significantly increase R&D investments by 29.7%, and still grow EBIT by 2.6% to CHF 64.8 million. Cash flow of CHF 53.5 million from operating activities remains strong, and our balance sheet is essentially debt-free. With an increased dividend of CHF 42 per share, we remain confident that LEM will deliver another solid financial performance in the coming year.”



Industry segment: steady performance as expected

Twelve months sales in the Industry segment totaled CHF 250.2 million, up 3.3%. At constant exchange rates, sales increased by 2.4%. Sales decreased by 3.6% in China, rose in Europe by 5.2% and in North America by 9.6%, and increased in Rest of World by 7.3%.

in CHF millions	2018/19	2017/18	Change	Comments
Businesses				
Drives	113.3	113.3	+0.1%	<ul style="list-style-type: none"> China & Japan sluggish demand Other markets good growth across portfolio Strong interest in new products
Renewable Energy	77.0	74.6	+3.2%	<ul style="list-style-type: none"> Gained market share in Europe and India Won designs with new products China lower due to solar policy changes
Traction	48.6	45.0	+8.0%	<ul style="list-style-type: none"> Growth in China and India Higher investments Eastern Europe & Russia
High precision	11.3	9.4	+20.2%	<ul style="list-style-type: none"> Strong demand for EV car test benches New products well received
Total Industry	250.2	242.2	+3.3%	

Automotive segment: shift to green cars accelerates

Twelve months sales in the Automotive segment totaled CHF 71.4 million, an increase of 21.0%. At constant exchange rates, sales increased by 19.6%. Sales in our green car business now accounts for 68.1% of Automotive sales. Although China remains the largest market, its economy has shown signs of slowing and the green car business is susceptible to changes in government policies. Both the US and Europe have seen announcements of factory closures, although there is increasing commitment by manufacturers to launch new electric or hybrid vehicles. Sales increased by 46.8% in China, in Europe they were up by 21.4%, while in North America they declined by 13.3%.

in CHF millions	2018/19	2017/18	Change	Comments
Businesses				
Green	48.6	33.1	+46.7%	<ul style="list-style-type: none"> All markets continue to grow China influenced by policies New motor control and charging system products developed
Conventional	22.8	25.9	-11.9%	<ul style="list-style-type: none"> US overall passenger car usage is down Old sensor technology being replaced as anticipated
Total Automotive	71.4	59.0	+21.0%	

Profitability on track

Gross profit rose by 5.5% to CHF 146.5 million and the gross margin reached 45.6%. This is 50 basis points lower than in the prior year. We continued to shift production to cost-effective locations, and executed various efficiency programs, particularly along our supply chain. These improvements were offset by a non-recurring impairment loss of CHF 2.7 million on underutilized industry machinery, plus a one-off provision of CHF 1.8 million for unused stock related to a discontinued automobile product.

We remain vigilant with overheads, and kept SG&A costs essentially flat at CHF 54.4 million (CHF 54.9 million) even while we grew revenues by 6.8%. The strength of our business is demonstrated by our ability to significantly increase R&D investments by 29.7% to CHF 27.6 million





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(CHF 21.3 million), or 8.6% of sales (7.1%), and still grow EBIT by 2.6% to CHF 64.8 million (CHF 63.1 million). Our EBIT margin was slightly down at 20.1%, compared with 21.0%, but remains robust in the long-term.

The Group tax rate for this year was 15.9% thanks to the confirmed status of our China operations as a High New Technology Enterprise.

We posted a net profit for the year of CHF 52.4 million, down 3.8% from CHF 54.4 million last year. Last year's net profit included a one-off tax related benefit of CHF 3.4 million.

Strong cash flow and balance sheet

Cash flow from operating activities was CHF 53.5 million (-1.1%) and free cash flow was CHF 38.8 million (-0.6%). This decrease is a consequence of increases in net working capital principally due to inventories.

Our balance sheet remains strong and is essentially debt-free. As at 31 March 2019, total assets increased to CHF 187.1 million. Shareholders' equity reached CHF 113.1 million, representing an equity ratio of 60.5% (60.0% as of 31 March 2018).

Restatement of accounts 2017/18

We have restated the financial statements for the year 2017/18 as a wrong conversion rate was applied for the actuarial calculation of our Swiss pension plan obligation. This rate impacts the plan's service costs and also our balance sheet. The restatement has resulted in an increase of CHF 1.4 million to EBIT (revised to CHF 63.1 million) and an increase of CHF 1.1 million to net profit (revised to CHF 54.4 million) for the year 2017/18. These income adjustments, and those to the balance sheet, are reflected in this year's published Financial Report, and explained in note 3 to the consolidated financial statements.

Increased dividend

Based on the results for 2018/19 and the solid outlook, the Board of Directors proposes an increased dividend of CHF 42 per share (CHF 40 for 2017/18), payable on 4 July 2019. 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 91.4%.

Solid outlook

The fundamental prospects for LEM remain strong, driven by the mega trends of energy efficiency, mobility and automation. Thanks to our brand heritage and market leadership, top line growth in the Industry segment will be steady, while susceptible to global economic activity. The green cars business continues to offer the most growth potential, and will replace that of conventional cars. However, government policies remain an important volatile factor, while increasing competition in green cars will bring mounting price pressure. Geopolitical tensions or increasing trade barriers may pose a downward risk to global growth and our businesses.

We plan to further increase investment in R&D, leveraging new technologies for example in electric powertrains, smarter sensors, DC metering and charging systems. We continue to improve the efficiency of production, while also empowering our global sites with full capabilities in R&D, operations, sales and quality management. This will make our organization more agile, increase speed of execution and reduce time to market. Taking all internal and external factors into account, we expect another solid financial performance for LEM in the coming year.





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Media and analyst conference and webcast

Andreas Hürlimann, Chairman of the Board of Directors, Frank Rehfeld, CEO, and Andrea Borla, CFO, will provide a detailed presentation of the financial year 2018/19 results today at 10:30 CEST at a media and investor community conference in Zurich.

Listen to the media and analyst conference via a live webcast

<https://78449.choruscall.com/dataconf/productusers/lem/mediaframe/30339/index1.html>

The link to the webcast and the presentation slides are also available in the Investor Relations section of the LEM website (www.lem.com/en/investors), where the webcast will later also be archived.

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Detailed information on the financial year 2018/19 results

The full Annual Review and Financial Report are available from today, 22 May 2019, on www.lem.com/en/investors > Financial Reports.

Financial calendar

The financial year runs from 1 April to 31 March

22 May 2019 Year-end results 2018/19

27 June 2019 Annual General Meeting of Shareholders for the financial year 2018/19

2 July 2019 Dividend ex-date

4 July 2019 Dividend payment date

30 July 2019 First quarter results 2019/20

5 November 2019 Half-year results 2019/20

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

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Appendix

Consolidated income statement

in CHF thousands	April to March		
	2018/19	2017/18 Restated	Changes
Sales	321'591	301'243	+6.8%
Cost of goods sold	(175'098)	(162'383)	
Gross margin	146'493	138'859	+5.5%
Gross margin (in %)	45.6%	46.1%	
Sales expense	(29'733)	(30'278)	
Administration expense	(24'640)	(24'609)	
Research & development expense	(27'576)	(21'255)	
Other expense	0	0	
Other income	252	412	
EBIT	64'796	63'129	+2.6%
EBIT margin (in %)	20.1%	21.0%	
Financial expense	(179)	(298)	
Financial income	155	143	
Foreign exchange effect	(2'519)	1'345	
Profit before taxes	62'252	64'320	-3.2%
Income taxes	(9'876)	(9'891)	
Net profit of the period	52'376	54'428	-3.8%
Net profit margin (in %)	16.3%	18.1%	





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Key Figures

in CHF millions		2018/19					2017/18 Restated					Changes	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q4 - Q4	FY - FY	
Orders received													
Industry	68.0	56.6	57.5	63.6	245.7	63.9	58.7	63.1	70.4	256.1	-9.7%	-4.1%	
Automotive	17.9	23.5	15.1	18.2	74.7	14.8	19.4	15.6	13.8	63.5	+32.3%	+17.6%	
Total LEM	86.0	80.0	72.6	81.8	320.5	78.8	78.0	78.7	84.2	319.7	-2.8%	+0.2%	
Book-to-bill ratio													
Industry	0.96	0.93	0.99	1.05	0.98	1.02	0.96	1.11	1.14	1.06	-7.8%	-7.1%	
Automotive	1.04	1.16	0.85	1.13	1.05	1.11	1.27	0.98	0.94	1.08	+20.0%	-2.8%	
Total LEM	0.98	0.99	0.95	1.07	1.00	1.04	1.02	1.08	1.10	1.06	-3.1%	-6.1%	
Sales													
Industry	70.8	60.8	58.3	60.4	250.2	62.6	61.1	56.9	61.6	242.2	-2.0%	+3.3%	
Automotive	17.3	20.1	17.8	16.1	71.4	13.3	15.2	15.9	14.6	59.0	+10.3%	+21.0%	
Total LEM	88.0	80.9	76.1	76.5	321.6	75.9	76.3	72.8	76.2	301.2	+0.3%	+6.8%	
EBIT													
Industry	15.8	13.0	12.1	14.0	54.9	13.6	12.9	11.6	14.2	52.4	-1.3%	+4.9%	
Automotive	2.8	4.0	3.2	-0.0	9.9	2.7	3.3	3.3	1.4	10.8	-101.2%	-8.2%	
Total LEM	18.5	17.0	15.2	14.0	64.8	16.3	16.2	14.9	15.6	63.1	-10.2%	+2.6%	
Net profit													
Total LEM	13.5	13.8	11.6	13.4	52.4	13.5	13.5	11.9	15.5	54.4	-13.7%	-3.8%	

