



Life Energy Motion

Press release

LEM announces results for Q1 2019/20: robust profitability maintained despite decline in sales

Fribourg, Switzerland, 30 July 2019 – LEM (SIX: LEHN), a leading global company in electrical measurement for industry and automotive applications, announces first quarter results for 2019/20 (April-June) compared to 2018/19:

- Sales decreased by 6.1% to CHF 82.6 million (CHF 88.0 million); at constant exchange rates, sales decreased by 3.6%
- The global spread of sales remains steady across different regions:
 - China CHF 29.7m (35.9% of total)
 - Europe CHF 25.1m (30.3% of total)
 - North America CHF 9.7m (11.7% of total)
 - Rest of World CHF 18.2m (22.0% of total)
- R&D up by 9.5% to CHF 7.1 million (CHF 6.5 million), or 8.6% of sales, to capture new opportunities
- EBIT decreased by 10.1% to CHF 16.7 million (CHF 18.5 million); the EBIT margin declined slightly to 20.2% (21.1%)
- Net profit for the period was up by 2.8% at CHF 13.9 million (CHF 13.5 million)

Frank Rehfeld, Chief Executive Officer, said: “This year’s first quarter sales suffer in comparison with last year, which was exceptionally strong. It is important to recall that since then there has been an economic slow-down in our key markets and an increasing hesitancy by customers to invest, due in part to escalating trade disputes. China is our largest market, and our business there is impacted by changes both in the economic environment and in government policies.

We remain encouraged by the fundamentals driving our business such as renewable energy and the continued transition to green cars across all parts of the world. Globally, electrical sensing products are undergoing significant transformation, driven by new applications and technologies. In the short-term, however, we anticipate that global economic uncertainties will continue to have a dampening effect on our overall top line growth for this financial year.”

Andrea Borla, Chief Financial Officer, remarked: “We continue to improve the gross margin, up from 45.2% to 46.5%, thanks to various efficiency improvements. Our EBIT margin at 20.2% remains robust, even as we increased R&D investments by 9.5%, and our net profit margin rose from 15.3% to 16.8%.”





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Industry segment: mixed performance

Q1 sales in the Industry segment totalled CHF 64.6 million, down 8.7%. At constant exchange rates, sales decreased by 6.0%. Q1 last year was exceptionally strong but since then global economic uncertainty means that customers are hesitating to invest across many sectors. Sales decreased by 7.4% in China, by 10.6% in Europe, by 2.0% in North America and by 10.8% in Rest of World.

in CHF millions	2019/20	2018/19	Change	Comments
Businesses				
Drives	27.0	32.1	-15.9%	<ul style="list-style-type: none"> China & Japan sluggish demand US manufacturing sector demand solid
Renewable Energy	21.0	22.1	-5.2%	<ul style="list-style-type: none"> Fundamentals are good Strongest in China & India
Traction	14.0	13.8	+1.4%	<ul style="list-style-type: none"> Investments helped by government policies Growth in China and India
High precision	2.7	2.8	-2.8%	<ul style="list-style-type: none"> Strong demand for EV car test benches New products well received
Total Industry	64.6	70.8	-8.7%	

Automotive segment: shift to green cars continues

Q1 sales in the Automotive segment totalled CHF 18.0 million, an increase of 4.2%. At constant exchange rates, sales increased by 6.1%. Sales in our green car business now accounts for 73.5% of Automotive sales, up from 63.2% a year ago. Although China remains the largest market, its economy has shown signs of slowing and the green car business has been impacted by reduced consumer confidence and by changes in government policies implemented this quarter. Europe is clearly seeing the ramp-up of launches for new electric or hybrid vehicles, as is Korea and Japan, while the US is still transitioning from old technology. Sales increased by 3.6% in China, in Europe they were up by 30.4% and rose by 38.2% in Rest of World, while in North America they declined by 36.6%.

in CHF millions	2019/20	2018/19	Change	Comments
Businesses				
Green	13.2	10.9	+21.3%	<ul style="list-style-type: none"> All markets continue to grow China influenced by policies New motor control and charging system products developed
Conventional	4.8	6.4	-25.0%	<ul style="list-style-type: none"> US passenger car sales continue to fall Old sensor technology being replaced as anticipated
Total Automotive	18.0	17.3	+4.2%	

Profitability remains robust

Gross profit for the quarter fell by 3.5% to CHF 38.4 million, although the gross margin reached 46.5%, which is 130 basis points higher than in Q1 last year. We continued to shift production to cost-effective locations, and executed various efficiency programs, particularly along our supply chain.

We remain vigilant with overheads, and kept SG&A costs essentially flat at CHF 14.7 million (CHF 14.9 million). We continue with our long-term investment in future applications and increased R&D investments by 9.5% to CHF 7.1 million (CHF 6.5 million), or 8.6% of sales (7.4%). EBIT dropped





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by 10.1% to CHF 16.7 million (CHF 18.5 million), due to the decline in revenues partially offset by the increase in gross margin. Our EBIT margin was slightly down at 20.2% (21.1%), and remains robust in the long-term.

We posted a net profit for the quarter of CHF 13.9 million, up 2.8% from CHF 13.5 million last year, thanks to lower taxes from the confirmed status of our China operations as a High New Technology Enterprise, as well as positive foreign exchange effects. The net profit margin was up at 16.8% compared with 15.3%.

Financial calendar

The financial year runs from 1 April to 31 March

30 July 2019	First quarter results 2019/20
5 November 2019	Half-year results 2019/20
31 January 2020	9 months results 2019/20
19 May 2020	Full-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.

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Appendix

Consolidated income statement

	April to June		
in CHF thousands	2019/20	2018/19	Change
Sales	82'635	88'049	-6.1%
Cost of goods sold	(44'199)	(48'235)	
Gross margin	38'435	39'814	-3.5%
Gross margin (in %)	46.5%	45.2%	
Sales expense	(7'596)	(7'735)	
Administration expense	(7'093)	(7'119)	
Research & development expense	(7'130)	(6'509)	
Other expense	(0)	0	
Other income	52	97	
EBIT	16'668	18'548	-10.1%
EBIT margin (in %)	20.2%	21.1%	
Financial expense	(182)	(45)	
Financial income	27	28	
Foreign exchange effect	199	(1'150)	
Profit before taxes	16'712	17'381	-3.8%
Income taxes	(2'846)	(3'894)	
Net profit of the period	13'866	13'487	+2.8%
Net profit margin (in %)	16.8%	15.3%	





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Key Figures

in CHF millions		2019/20					2018/19					Change	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1 - Q1	Q1 - Q4	
Orders received													
Industry	71.3					68.0	56.6	57.5	63.6	245.7	+4.7%	+12.1%	
Automotive	17.2					17.9	23.5	15.1	18.2	74.7	-4.3%	-6.0%	
Total LEM	88.4					86.0	80.0	72.6	81.8	320.5	+2.9%	+8.0%	
Book-to-bill ratio													
Industry	1.10					0.96	0.93	0.99	1.05	0.98	+14.7%	+4.7%	
Automotive	0.95					1.04	1.16	0.85	1.13	1.05	-8.1%	-15.7%	
Total LEM	1.07					0.98	0.99	0.95	1.07	1.00	+9.6%	0.0%	
Sales													
Industry	64.6					70.8	60.8	58.3	60.4	250.2	-8.7%	+7.1%	
Automotive	18.0					17.3	20.1	17.8	16.1	71.4	+4.2%	+11.6%	
Total LEM	82.6					88.0	80.9	76.1	76.5	321.6	-6.1%	+8.0%	
EBIT													
Industry	14.3					15.8	13.0	12.1	14.0	54.9	-9.4%	+1.9%	
Automotive	2.4					2.8	4.0	3.2	0.0	9.9	-14.5%	n.a.	
Total LEM	16.7					18.5	17.0	15.2	14.0	64.8	-10.1%	+18.8%	
Net profit													
Total LEM	13.9					13.5	13.8	11.6	13.4	52.4	+2.8%	+3.4%	

