



Life Energy Motion

Press release

LEM announces results for H1 2019/20: challenging economic environment reduces sales while profitability remains stable

Fribourg, Switzerland, 05 November 2019 – LEM (SIX: LEHN), a leading global company in electrical measurement for industry and automotive applications, announces first half results for 2019/20 (April-September) compared to 2018/19:

- Sales decreased by 5.9% to CHF 159.1 million (CHF 169.0 million); at constant exchange rates, sales decreased by 4.0%
- The global spread of sales remains steady across different regions:
 - China CHF 54.7m (34.4% of total)
 - Europe CHF 48.2m (30.3% of total)
 - North America CHF 19.4m (12.2% of total)
 - Rest of World CHF 36.7m (23.1% of total)
- R&D up by 9.7% to CHF 14.3 million or 9.0% of sales (CHF 13.1 million or 7.7% of sales), driving new product portfolio
- EBIT decreased by 10.7% to CHF 31.8 million (CHF 35.6 million); the EBIT margin declined to 20.0% (21.0%)
- Net profit for the period was down by 8.2% at CHF 25.1 million (CHF 27.3 million)
- Free cash flow up 53.2% at CHF 23.5 million (CHF 15.3 million) reflects underlying strength of business

Frank Rehfeld, Chief Executive Officer, said: “Our overall sales performance actually held up reasonably well, considering the significant deterioration in the global economy over the past few months. The industry business continues to be impacted by a lack of investment and confidence amongst customers, while the speed of transition in the automotive business to green cars is subject to changes in both government policies and the strategies of customers.

Our long-term outlook remains confident. The fundamentals for LEM remain strong, driven by the mega trends of energy efficiency, mobility and automation. Our investments in R&D are delivering a range of new products for which early customer feedback is very promising. These include DC meter for electric vehicle chargers, sensors in semi-conductor packages, Rogowski coils for smart grid, and higher current ranges in battery management and motor control.”

Andrea Borla, Chief Financial Officer, added: “We continue to improve the gross margin, up from 45.9% to 46.7%, whilst maintaining strict control over SG&A in line with the drop in sales. This allowed us to continue increasing R&D investments by 9.7% and keep the EBIT margin steady at 20.0%. Our full year guidance for sales around CHF 310 million reflects the difficult economic outlook in certain key markets.”



Industry segment: mixed performance

H1 sales in the Industry segment totalled CHF 123.9 million, down 5.8%. At constant exchange rates, sales decreased by 3.6%. H1 last year was comparatively strong but since then global economic uncertainty means that customers are reluctant to invest, and this is particularly felt in our drives business. Sales increased by 1.7% in China, but decreased by 10.5% in Europe, by 6.2% in North America and by 7.7% in Rest of World.

in CHF millions	2019/20	2018/19	Change	Comments
Businesses				
Drives	51.2	61.1	-16.1%	<ul style="list-style-type: none"> Global reluctance to invest in production such as welding and robotics China & Japan sluggish demand
Renewable Energy	40.7	39.1	+4.0%	<ul style="list-style-type: none"> Strongest in China, India & Japan Europe solid performance
Traction	26.5	25.4	+4.2%	<ul style="list-style-type: none"> Investments helped by government policies Growth in China, India & Asia
High precision	5.6	6.0	-6.5%	<ul style="list-style-type: none"> Market fundamentals remain good Adoption of new products subject to investment confidence
Total Industry	123.9	131.6	-5.8%	

Automotive segment: China slow down offset by Europe, Japan and Korea

H1 sales in the Automotive segment totalled CHF 35.1 million, a decline of 6.1%. At constant exchange rates, sales decreased by 5.2%. Sales in our green car business now accounts for 73.6% of Automotive sales, up from 66.5% a year ago, while our conventional car 12 volt battery business is declining as expected. Sales in China suffer in comparison with H1 last year due to recent changes in government policies and car launches, but in the long run we remain confident about the world's largest market for green cars. Europe is benefiting from launches for new electric or hybrid vehicles, Korea is benefiting from demand for fuel cells and Japan is growing well due to motor control applications, while the US is transitioning from old technology at a slower rate. Sales dropped by 18.9% in China and by 32.0% in North America, while they performed strongly both in Europe and Rest of World, up by 21.4% and 39.0% respectively.

in CHF millions	2019/20	2018/19	Change	Comments
Businesses				
Green	25.9	24.9	+4.0%	<ul style="list-style-type: none"> China influenced by policies, weaker economy, and insourcing by Tier 1 suppliers New motor control, battery management and charging system products developed
Conventional	9.3	12.5	-26.1%	<ul style="list-style-type: none"> US passenger car sales continue to fall Old sensor technology being replaced as anticipated
Total Automotive	35.1	37.4	-6.1%	





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Profitability remains steady

Gross profit for the half year fell by 4.2% to CHF 74.3 million, although the gross margin reached 46.7%, which is 80 basis points higher than the same period last year. We continued to shift production to cost-effective locations, and executed various efficiency programs.

We remain vigilant with overheads, and reduced SG&A costs in line with the drop in sales to CHF 28.3 million (CHF 29.1 million). We continue with our long-term investment in future applications and increased R&D investments by 9.7% to CHF 14.3 million (CHF 13.1 million), or 9.0% of sales (7.7%). EBIT dropped by 10.7% to CHF 31.8 million (CHF 35.6 million), due to the decline in revenues partially offset by the increase in gross margin. Our EBIT margin was down at 20.0% (21.0%).

We posted a net profit for the half year of CHF 25.1 million, down 8.2% from CHF 27.3 million last year, reflecting the decline in EBIT, partially offset by lower taxes from the confirmed status of our China operations as a High New Technology Enterprise. The net profit margin was down at 15.8% compared with 16.2%.

Prudent outlook

Recent global economic data for purchasing, manufacturing and trade, suggest that certain key markets are on the cusp of a recession. This environment will continue to impact LEM's top line sales performance for the coming months, although we expect the second half of 2019/20 to be in line with our sales performance in the same period of last year.

For the full financial year 2019/20, the company expects sales of around CHF 310 million compared with CHF 321.6 million for the full financial year 2018/19. LEM expects its EBIT margin to remain close to 20%.

Simplification of Swiss legal structure

In order to reduce complexity and simplify the internal processes, we plan to:

- Sell technical IP from LEM Intellectual Property SA based in Fribourg to LEM International SA based in Geneva. We expect a positive tax impact on the consolidated income statement 2019/20 of around CHF 13 million
- Merge LEM International SA and LEM Switzerland SA on 30 June 2020
- Submit a proposal to the next Annual General Meeting of Shareholders to move LEM Holding SA from Fribourg to Geneva

Webcast and Financial Half Year Report

Frank Rehfeld, CEO, and Andrea Borla, CFO, will provide a detailed presentation of the half year 2019/20 results today at 10:00 CET at a media and investor community webcast.

Listen to live webcast

<https://78449.choruscall.com/dataconf/productusers/lem/mediaframe/32760/index1.html>

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

Dial-In Numbers

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UK: +44 (0) 207 107 06 13

USA: +1 (1) 631 570 56 13

Other countries: https://media.choruscall.ch/documents/Attended_DI_numbers.pdf





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Financial calendar

The financial year runs from 1 April to 31 March

5 November 2019	Half year results 2019/20
31 January 2020	9 months results 2019/20
19 May 2020	Full year results 2019/20
9 June 2020	Annual General Meeting of Shareholders for the financial year 2019/20
16 June 2020	Dividend ex-date
18 June 2020	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

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Appendix

Consolidated income statement

In CHF thousands	April to September		Change
	2019/20	2018/19	
Sales	159'054	168'982	-5.9%
Cost of goods sold	(84'722)	(91'375)	
Gross margin	74'333	77'607	-4.2%
Gross margin (in %)	46.7%	45.9%	
Sales expense	(14'581)	(15'296)	
Administration expense	(13'747)	(13'824)	
Research & development expense	(14'334)	(13'067)	
Other expense	(0)	0	
Other income	90	133	
EBIT	31'762	35'553	-10.7%
EBIT margin (in %)	20.0%	21.0%	
Financial expense	(357)	(112)	
Financial income	108	55	
Foreign exchange effect	(1'189)	(1'047)	
Profit before taxes	30'323	34'449	-12.0%
Income taxes	(5'233)	(7'120)	
Net profit of the period	25'089	27'329	-8.2%
Net profit margin (in %)	15.8%	16.2%	





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Key Figures

in CHF millions		2019/20					2018/19					Change	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q2 - Q2	H1 - H1	
Orders received													
Industry	71.3	54.8				68.0	56.6	57.5	63.6	245.7	-3.2%	+1.1%	
Automotive	17.2	17.2				17.9	23.5	15.1	18.2	74.7	-26.7%	-17.0%	
Total LEM	88.4	72.0				86.0	80.0	72.6	81.8	320.5	-10.1%	-3.4%	
Book-to-bill ratio													
Industry	1.10	0.92				0.96	0.93	0.99	1.05	0.98	-0.8%	+7.1%	
Automotive	0.95	1.00				1.04	1.16	0.85	1.13	1.05	-13.8%	-11.2%	
Total LEM	1.07	0.94				0.98	0.99	0.95	1.07	1.00	-4.8%	+2.4%	
Sales													
Industry	64.6	59.3				70.8	60.8	58.3	60.4	250.2	-2.5%	-5.8%	
Automotive	18.0	17.1				17.3	20.1	17.8	16.1	71.4	-15.0%	-6.1%	
Total LEM	82.6	76.4				88.0	80.9	76.1	76.5	321.6	-5.6%	-5.9%	
EBIT													
Industry	14.3	13.2				15.8	13.0	12.1	14.0	54.9	+1.6%	-4.4%	
Automotive	2.4	1.9				2.8	4.0	3.2	0.0	9.9	-53.1%	-37.3%	
Total LEM	16.7	15.1				18.5	17.0	15.2	14.0	64.8	-11.2%	-10.7%	
Net profit													
Total LEM	13.9	11.2				13.5	13.8	11.6	13.4	52.4	-18.9%	-8.2%	

