



Life Energy Motion

Press release

LEM announces results for 9 months 2019/20: performance in line with full year guidance despite challenging environment

Fribourg, Switzerland, 31 January 2020 – LEM (SIX: LEHN), a leading global company in electrical measurement for industry and automotive applications, announces 9 months results for 2019/20 (April-December) compared to 2018/19:

- Sales decreased by 3.8% to CHF 235.8 million (CHF 245.1 million); at constant exchange rates, sales decreased by 1.9%
- The global spread of sales reflects a better performance in Rest of the World:
 - China CHF 80.2m (34.0% of total)
 - Europe CHF 71.3m (30.2% of total)
 - North America CHF 27.8m (11.8% of total)
 - Rest of World CHF 56.5m (24.0% of total)
- R&D up by 7.9% to CHF 21.9 million or 9.3% of sales (CHF 20.3 million or 8.3% of sales), driving new product portfolio
- EBIT decreased by 8.6% to CHF 46.4 million (CHF 50.8 million); the EBIT margin declined to 19.7% (20.7%)
- Net profit for the period was up by 33.5% at CHF 52.0 million (CHF 39.0 million), thanks to a non-recurring positive tax impact of CHF 14.0 million

Frank Rehfeld, Chief Executive Officer, said: “Our sales in Q3 itself slightly increased compared to last year, and with these 9 months results we are on track with our full year outlook. Our recent announcement about changes to our Geneva organization, the investments in a new Geneva headquarters and a new manufacturing facility in Malaysia, demonstrate how LEM is anticipating and adapting to changes in our markets. We have the strength of a diversified global footprint and are making the organization more agile to capture growth opportunities.”

Andrea Borla, Chief Financial Officer, added: “Despite the drop in sales, our business remains strong and profitable, with improving gross margin, stable SG&A and continued growth in R&D investments. We reiterate our full year guidance for sales around CHF 310 million and underlying EBIT margin close to 20%, excluding a one-off restructuring charge for changes to our Geneva organization.”





Life Energy Motion

Industry segment: encouraging sales for renewables and traction

9 months sales in the Industry segment totaled CHF 182.1 million, down 4.1%. At constant exchange rates, sales decreased by 1.9%. The H1 decline has flattened out during Q3. However, global economic uncertainty persists with customers reluctant to invest, and this is particularly felt in our drives business. Sales increased by 1.0% in China, but decreased by 7.1% in Europe, by 9.2% in North America and by 2.9% in Rest of World.

in CHF millions	9M 2019/20	9M 2018/19	Change	Comments
Businesses				
Drives	73.6	86.4	-14.9%	<ul style="list-style-type: none"> Global reluctance to invest in production such as welding and robotics linked to auto sector China, Japan, W. Europe sluggish demand
Renewable Energy	60.7	58.2	+4.2%	<ul style="list-style-type: none"> Strongest in China, India & Japan Driven by solar
Traction	39.5	36.5	+8.3%	<ul style="list-style-type: none"> Investments helped by government policies Major deliveries in China, India & Asia
High precision	8.4	8.7	-3.5%	<ul style="list-style-type: none"> Market fundamentals remain good Adoption of new products subject to investment confidence
Total Industry	182.1	189.9	-4.1%	

Automotive segment: continued transformation to green car technology in all markets

9 months sales in the Automotive segment totaled CHF 53.6 million, a decline of 2.9%. At constant exchange rates, sales decreased by 2.0%. The H1 decline has flattened out during Q3. Sales in our green car business now accounts for 75.4% of Automotive sales, up from 68.3% a year ago. Sales in China continued to decline due to the overall economic environment and recent changes in government policies, but in the long run we remain confident about the world's largest market for green cars. In Europe the transformation to new electric or hybrid vehicles is gathering momentum. Moreover, demand from European manufacturers is driving sales of motor control and battery management in Korea and Japan. The US transition to new technology is becoming more evident. Sales dropped by 18.7% in China and by 25.2% in North America, while they performed strongly both in Europe and Rest of World, up by 32.3% and 37.5% respectively.

in CHF millions	9M 2019/20	9M 2018/19	Change	Comments
Businesses				
Green	40.5	37.7	+7.2%	<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	13.2	17.5	-24.7%	<ul style="list-style-type: none"> Continued switch to new technologies US market led by green start-ups and the major OEMs are starting to electrify SUVs and pick-ups
Total Automotive	53.6	55.2	-2.9%	





Life Energy Motion

Profitability remains steady

Gross profit for the 9 months fell by 2.5% to CHF 110.9 million, although the gross margin reached 47.0%, which is 60 basis points higher than the same period last year, thanks to various efficiency programs.

We remain vigilant with overheads, and maintained SG&A (CHF 42.7 million) at the same level as last year (CHF 42.8 million). We continue with our long-term investment in future applications and increased R&D investments by 7.9% to CHF 21.9 million (CHF 20.3 million), or 9.3% of sales (8.3%). EBIT dropped by 8.6% to CHF 46.4 million (CHF 50.8 million), due to the decline in revenues partially offset by the increase in gross margin. Our EBIT margin was down at 19.7% (20.7%).

We posted a net profit for the nine months of CHF 52.0 million, up 33.5% from CHF 39.0 million last year. This reflects a non-recurring positive tax impact of CHF 14.0 million from the sale of technical IP from LEM Intellectual Property SA based in Fribourg to LEM International SA based in Geneva and to LEM China. The net profit margin thereby increased to 22.1% compared with 15.9%. Excluding this tax impact, net profit would have slightly reduced to CHF 38.0 million, while the net profit margin would have improved to 16.1%.

Outlook unchanged

The economic environment remains challenging and will continue to impact LEM's top line sales performance for the coming months. We confirm our expectation for the second half of 2019/20 to be in line with our sales performance in the same period of last year, although there may be some impact in Q4 due to the coronavirus.

For the full financial year 2019/20, the company reiterates its guidance for sales of around CHF 310 million compared with CHF 321.6 million for last year, and for its underlying EBIT margin to remain close to 20%. This excludes a one-off charge of CHF 1.5 million for restructuring at the Geneva HQ, which was announced on 23 January 2020.

Webcast and conference call

Frank Rehfeld, CEO, and Andrea Borla, CFO, will provide a detailed presentation of the 9 months 2019/20 results today at 10:00 am CET at a media and investor community webcast and conference call.

Listen to live webcast

<https://87399.choruscall.eu/links/lem200131.html>

The 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

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://media.choruscall.ch/documents/Attended_DI_numbers.pdf





Life Energy Motion

Financial calendar

The financial year runs from 1 April to 31 March

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
29 July 2020	First quarter results 2020/21
3 November 2020	Half year results 2020/21

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

Contact: Investment community

Andrea Borla, Chief Financial 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, direct +41 22 552 46 26, mobile +41 79 678 76 26

Michael Füglistner, fuglistner@cpc-pr.com, direct +41 22 552 46 29, mobile +41 78 839 07 62



Appendix

Consolidated income statement

In CHF thousands	April to December		
	2019/20	2018/19	Change
Sales	235'789	245'094	-3.8%
Cost of goods sold	(124'902)	(131'352)	
Gross margin	110'887	113'742	-2.5%
Gross margin (in %)	47.0%	46.4%	
Sales expense	(21'693)	(22'414)	
Administration expense	(20'979)	(20'426)	
Research & development expense	(21'925)	(20'324)	
Other expense	(0)	0	
Other income	117	194	
EBIT	46'406	50'771	-8.6%
EBIT margin (in %)	19.7%	20.7%	
Financial expense	(457)	(168)	
Financial income	217	98	
Foreign exchange effect	(889)	(1'411)	
Profit before taxes	45'278	49'290	-8.1%
Income taxes	6'731	(10'319)	
Net profit of the period	52'008	38'971	+33.5%
Net profit margin (in %)	22.1%	15.9%	





Life Energy Motion

Key Figures

In CHF millions		2019/20					2018/19					Change	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q3 - Q3	9M - 9M	
Orders received													
Industry	71.3	54.8	63.8			68.0	56.6	57.5	63.6	245.7	+10.9%	+4.2%	
Automotive	17.2	17.2	17.5			17.9	23.5	15.1	18.2	74.7	+15.5%	-8.3%	
Total LEM	88.4	72.0	81.2			86.0	80.0	72.6	81.8	320.5	+11.8%	+1.2%	
Book-to-bill ratio													
Industry	1.10	0.92	1.10			0.96	0.93	0.99	1.05	0.98	+11.0%	+8.6%	
Automotive	0.95	1.00	0.94			1.04	1.16	0.85	1.13	1.05	+11.2%	-5.6%	
Total LEM	1.07	0.94	1.06			0.98	0.99	0.95	1.07	1.00	+10.9%	+5.2%	
Sales													
Industry	64.6	59.3	58.2			70.8	60.8	58.3	60.4	250.2	-0.1%	-4.1%	
Automotive	18.0	17.1	18.5			17.3	20.1	17.8	16.1	71.4	+3.8%	-2.9%	
Total LEM	82.6	76.4	76.7			88.0	80.9	76.1	76.5	321.6	+0.8%	-3.8%	
EBIT													
Industry	14.3	13.2	11.5			15.8	13.0	12.1	14.0	54.9	-4.7%	-4.5%	
Automotive	2.4	1.9	3.2			2.8	4.0	3.2	-0.0	9.9	-0.3%	-25.5%	
Total LEM	16.7	15.1	14.6			18.5	17.0	15.2	14.0	64.8	-3.8%	-8.6%	
Net profit of the period													
Total LEM	13.9	11.2	26.9			13.5	13.8	11.6	13.4	52.4	+131.2%	+33.5%	

