



Life Energy Motion

Press release

LEM announces steady financial results for full year 2019/20

Fribourg, Switzerland, 19 May 2020 – LEM (SIX: LEHN), a leading global company in electrical measurement for industry and automotive applications, announces full year results for 2019/20 (April-March) compared to 2018/19:

- Sales decreased by 4.2% to CHF 307.9 million (CHF 321.6 million); at constant exchange rates, sales declined by only 1.9%
- The company benefits from a diverse global spread of sales:
 - China CHF 98.7m (32.0% of total)
 - Europe CHF 97.9m (31.8% of total)
 - North America CHF 37.4m (12.1% of total)
 - Rest of World CHF 74.0m (24.0% of total)
- R&D up by 1.7% to CHF 28.0 million (CHF 27.6 million), or 9.1% of sales, underpinning launch of ten products
- EBIT decreased by 10.0% to CHF 58.3 million (CHF 64.8 million); the EBIT margin declined slightly to 18.9% (20.1%), impacted by lower sales and one-off reorganization charges
- Record net profit for the period up by 15.9% at CHF 60.7 million (CHF 52.4 million), helped by a non-recurring positive tax impact of CHF 14.0 million
- Free cash flow up 51.8% at CHF 58.9 million (CHF 38.8 million)
- Dividend reduced to CHF 40 per share (CHF 42 for 2018/19)

Frank Rehfeld, Chief Executive Officer, said: “We are pleased to report another year of steady results which are encouraging given the tough environment we have faced. Both our top-line revenue, down only 1.9% in constant currencies, and our underlying EBIT margin of 19.6% (excluding one-off effects), were in line with guidance. LEM’s diversity of applications across multiple sectors of the global economy provides a steady flow of orders and a prudent spread of risk. We also benefit from a good geographic spread of business.

Mega trends drive demand for electric sensors, give multiple opportunities to leverage LEM expertise and ensure a sustainable long-term business for all our stakeholders. We are focused on strengthening our technology leadership, improving our quality systems and operational excellence, developing our talent capabilities and making the organization more agile.

Looking ahead, Covid-19 will undoubtedly impact our customers and our business in the coming year. Some factors remain out of our control, but the diversity of our global footprint should provide a solid base for our performance.”

Andrea Borla, Chief Financial Officer, remarked: “Our record net profit of CHF 60.7 million was boosted by a one-off tax gain. LEM benefits from robust margins and a strong balance sheet, while the significant free cash flow of CHF 58.9 million was driven by good operational management. We continue to invest substantially in R&D, now at 9.1% of sales, leveraging new technologies in electric





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powertrains, smarter sensors, DC metering and charging systems. These investments are producing results with the launch of ten new products this year.”

Industry segment: steady performance in difficult economic environment

Twelve months sales in the Industry segment totalled CHF 240.4 million, down 3.9%. At constant exchange rates, sales decreased by only 1.3%, which was pleasing given the difficult economic environment. Our drives business was impacted particularly by delays in customer investment. Sales increased by 0.1% in China, our largest market, but decreased by 5.6% in Europe, by 8.9% in North America and by 3.8% in Rest of World. Global orders improved by 3.5% to CHF 254.3 million.

in CHF millions	2019/20	2018/19	Change	Comments
Businesses				
Drives	99.5	113.3	-12.2%	<ul style="list-style-type: none"> • China delay of investments • Japan & Germany weak machine tools • Interest in new products
Renewable Energy	78.7	77.0	+2.2%	<ul style="list-style-type: none"> • Strong growth in China • Stable Europe & US • Driven by solar and new products
Traction	51.0	48.6	+5.1%	<ul style="list-style-type: none"> • Growth in India • Higher investments Eastern Europe & Russia
High precision	11.1	11.3	-2.2%	<ul style="list-style-type: none"> • Demand for EV car test benches Japan & Western Europe • New IN product family well received
Total Industry	240.4	250.2	-3.9%	

Automotive segment: continued transformation to green cars

Twelve months sales in the Automotive segment totalled CHF 67.6 million, a decrease of 5.3%. At constant exchange rates, sales declined by 3.9%. Our green car business now accounts for 74.3% of the Automotive segment, up from 68.1% a year ago. China sales dropped by 23.4% due to changes in government policies and the first impact of Covid-19, but the world’s largest market for green cars will clearly grow in the long-term. Europe was up 29.6% supported by significant investments to launch new electric or hybrid-electric car platforms. Demand from European manufacturers is driving sales of motor control and battery management in Korea and Japan, with Rest of World up 31.1%. North America fell 22.6% owing to lower volumes in the traditional market, as the transition to new technologies becomes more evident.

in CHF millions	2019/20	2018/19	Change	Comments
Businesses				
Green	50.2	48.6	+3.4%	<ul style="list-style-type: none"> • China influenced by policies and Covid-19 • Momentum in Europe, Korea, Japan • New motor control, battery management and charging system products developed
Conventional	17.4	22.8	-23.8%	<ul style="list-style-type: none"> • Continued switch to new technologies • US major OEMs are starting to electrify SUVs and pick-ups
Total Automotive	67.6	71.4	-5.3%	





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Profitability on track

Gross profit was down by 2.6% at CHF 142.7 million, while the gross margin improved again to 46.4%. This is 80 basis points better than in the prior year, thanks to various efficiency programs.

We remain vigilant with overheads, although on a reported basis total SG&A costs have risen by 3.9% to CHF 56.5 million, or 18.3% of sales compared with 16.9% last year. This increase reflects positive non-recurring items in 2018/19 (e.g. pension adjustments) and negative non-recurring items this year (e.g. restructuring in Geneva announced in January 2020). Without these items, SG&A costs would have been slightly lower.

We continued to increase investment in research and development (R&D), up by 1.7% to CHF 28.0 million, or 9.1% of sales, up from 8.6%. Our investment continues to bear fruit with another ten products launched this year.

EBIT for the year 2019/20 decreased to CHF 58.3 million from CHF 64.8 million, mirroring the decline in revenues and increased costs discussed above. Our reported EBIT margin was down at 18.9%, compared with 20.1%. On an underlying basis, excluding the one-off reorganization costs in Geneva, the EBIT margin was 19.6% in line with our guidance.

The Group tax expenses was a positive CHF 5.1 million, mainly due to 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.

We posted a record net profit for the year of CHF 60.7 million, up from CHF 52.4 million last year. The net profit margin thereby increased to 19.7% compared with 16.3%. Excluding the positive tax impact, net profit would have decreased to CHF 46.7 million, while the net profit margin would have declined to 15.2%.

Improved cash flow and strong balance sheet

Cash flow from operating activities was CHF 73.6 million (+37.5%) and free cash flow was CHF 58.9 million (+51.8%). This increase is a consequence of better net working capital management and lower taxes paid.

Our balance sheet remains strong and essentially debt-free. As of 31 March 2020, total assets increased to CHF 230.3 million. Shareholders' equity reached CHF 117.4 million, representing an equity ratio of 51.0% (60.5% as of 31 March 2019).

Adjusted dividend

Based on the results for 2019/20 and the uncertain outlook, the Board of Directors proposes a slightly reduced dividend of CHF 40 per share (CHF 42 for 2018/19), payable on 18 June 2020. 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 75.1%, down from 91.4% last year.

Uncertain outlook

The dramatic impact of Covid-19 on the world economy has been well reported. The IMF published its bi-annual World Economic Outlook in April 2020; this forecast a baseline decline of -3% for global GDP in 2020, with only China and India showing any positive growth, and the aftershocks to be felt even into 2022. This baseline is predicated on most major economies moving out of lockdown by the end of Q2 2020, so actual GDP could be even worse if the Covid-19 pandemic persists.





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LEM's business does benefit from geographic and sector diversity. Our operations in China (accounting for 32% of sales and 60% of production) were back up and running nearly at full capacity by the end of March 2020. However, a substantial portion of our China production is destined for export, and therefore is dependent on how quickly demand picks up from other economies which have been hit badly by the virus.

Given the inter-connectedness of customer demand and supply chains, and where LEM sits in this complex global web, we will not have any real visibility on the impact to our business until the second quarter of our financial year 2020/21.

Despite this difficult environment, it is important to remember the fundamental long-term prospects for LEM remain strong, driven by mega trends such as renewable energy, mobility and automation. LEM benefits from the underlying reliability of our business across a global footprint, with recognized heritage and market leadership, a steady flow of orders, robust margins, a strong balance sheet and healthy cash flow.

We are maintaining our key projects of investing in a new plant in Malaysia to diversify the production footprint, and in a new global headquarters in Geneva. We continue to invest in R&D at between 8-10% of sales, 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 our speed of execution and reduce the time to market.

In summary, we will focus on those matters under our own control, ensuring the business is run as efficiently as possible. While confident in LEM's core qualities of engineering expertise and reliability, with a proven track record of nearly 50 years, we recognize the Covid-19 impact on the global economy and societies will leave certain drivers for our short-term prospects out of our hands.

Conference call and webcast

Due to the ongoing pandemic and social distancing requirements, LEM will not host a physical meeting as it normally does on this occasion. Rather, Andreas Hürlimann, Chairman of the Board of Directors, Frank Rehfeld, CEO, and Andrea Borla, CFO, will host a conference call and webcast for investors, analysts and media, to present the results for the financial year 2019/20 and the outlook for the financial year 2020/21 **today at 10:00 CEST**, followed by a Q&A session.

Listen to the conference call and live webcast

<https://87399.choruscall.eu/links/lem200519.html>

The press release, Annual Review, Financial Report, investor presentation, and the link to the webcast will be available from today, 19 May 2020, on <http://www.lem.com/en/investors>.

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





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Annual General Meeting

Given the exceptional circumstances due to the Covid-19 pandemic, the Annual General Meeting of Shareholders on 09 June cannot take place in the usual format. This means that shareholders are not permitted to attend in person, and therefore they may only exercise their voting rights by instructing the Independent Representative. The formal invitation with proposed resolutions is published today on the company's website.

Financial calendar

The financial year runs from 1 April to 31 March

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
4 February 2021	Third-quarter results 2020/21
19 May 2021	Year-end results 2020/21
24 June 2021	Annual General Meeting of Shareholders for the financial year 2020/21
1 July 2021	Dividend ex-date
6 July 2021	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.

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Appendix

Consolidated income statement

In CHF thousands	April to March		
	2019/20	2018/19	Change
Sales	307'942	321'591	-4.2%
Cost of goods sold	(165'195)	(175'098)	
Gross margin	142'747	146'493	-2.6%
Gross margin (in %)	46.4%	45.6%	
Sales expense	(28'232)	(29'733)	
Administration expense	(28'270)	(24'640)	
Research & development expense	(28'038)	(27'576)	
Other expense	(0)	0	
Other income	120	252	
EBIT	58'327	64'796	-10.0%
EBIT margin (in %)	18.9%	20.1%	
Financial expense	(505)	(179)	
Financial income	191	155	
Foreign exchange effect	(2'379)	(2'519)	
Profit before taxes	55'634	62'252	-10.6%
Income taxes	5'059	(9'876)	
Net profit for the year	60'693	52'376	+15.9%
Net profit margin (in %)	19.7%	16.3%	





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Key Figures

In CHF millions	2019/20					2018/19					Change	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q4 - Q4	FY - FY
Orders received												
Industry	71.3	54.8	63.8	64.5	254.3	68.0	56.6	57.5	63.6	245.7	+1.4%	+3.5%
Automotive	17.2	17.2	17.5	16.4	68.2	17.9	23.5	15.1	18.2	74.7	-10.3%	-8.8%
Total LEM	88.4	72.0	81.2	80.8	322.4	86.0	80.0	72.6	81.8	320.5	-1.2%	+0.6%
Book-to-bill ratio												
Industry	1.10	0.92	1.10	1.11	1.06	0.96	0.93	0.99	1.05	0.98	+5.1%	+7.7%
Automotive	0.95	1.00	0.94	1.18	1.01	1.04	1.16	0.85	1.13	1.05	+3.9%	-3.7%
Total LEM	1.07	0.94	1.06	1.12	1.05	0.98	0.99	0.95	1.07	1.00	+4.7%	+5.1%
Sales												
Industry	64.6	59.3	58.2	58.2	240.4	70.8	60.8	58.3	60.4	250.2	-3.6%	-3.9%
Automotive	18.0	17.1	18.5	13.9	67.6	17.3	20.1	17.8	16.1	71.4	-13.6%	-5.3%
Total LEM	82.6	76.4	76.7	72.2	307.9	88.0	80.9	76.1	76.5	321.6	-5.7%	-4.2%
EBIT												
Industry	14.3	13.2	11.5	11.4	50.4	15.8	13.0	12.1	14.0	54.9	-18.7%	-8.1%
Automotive	2.4	1.9	3.2	0.5	7.9	2.8	4.0	3.2	-0.0	9.9	N/A	-20.2%
Total LEM	16.7	15.1	14.6	11.9	58.3	18.5	17.0	15.2	14.0	64.8	-15.0%	-10.0%
Net profit of the year												
Total LEM	13.9	11.2	26.9	8.7	60.7	13.5	13.8	11.6	13.4	52.4	-35.2%	+15.9%

