



Life Energy Motion

Press release

LEM announces results for Q1 2020/21: sales, orders and profitability impacted by Covid-19

Geneva, Switzerland, 29 July 2020 – LEM (SIX: LEHN), a leading global company in electrical measurement for industry and automotive applications, announces first quarter results for 2020/21 (April-June) compared to 2019/20:

- Sales decreased by 10.1% to CHF 74.3 million (CHF 82.6 million); at constant exchange rates, sales decreased by 4.6%
- The company benefits from a diverse global spread of sales:
 - China CHF 27.8m (37.4% of total)
 - Europe CHF 22.4m (30.1% of total)
 - North America CHF 6.8m (9.1% of total)
 - Rest of World CHF 17.3m (23.3% of total)
- R&D down by 6.5% to CHF 6.7 million (CHF 7.1 million), but steady at 9.0% of sales, to capture new opportunities
- EBIT decreased by 20.2% to CHF 13.3 million (CHF 16.7 million); the EBIT margin declined to 17.9% (20.2%)
- Net profit for the period was down by 19.8% at CHF 11.1 million (CHF 13.9 million)

Frank Rehfeld, Chief Executive Officer, said: “Given the extra-ordinary shock to the world economy from Covid-19, it is no surprise that this year’s first quarter performance reflects its significant impact on LEM’s sales, orders and profitability. Globally revenue in constant currencies was down by 4.6% from the same quarter last year. Both North America and Europe were hardest hit in terms of absolute and relative decline in sales, with China and Rest of World showing more resilience. The diversity of our applications across multiple geographies and sectors does provide some balanced spread of risk. The Automotive segment is more immediately impacted by the lockdown, while the Industry segment has a mix of short and longer-term investment cycles.

In June the IMF downgraded its forecast for global GDP even further to –4.9% for 2020, and observed that the global sweep of this crisis hampers recovery prospects for export-dependent economies. So although some of our customers face a very tough year, others are less impacted. While certain factors remain out of our control, we continue to be vigilant in monitoring risks and ensuring LEM’s businesses are run as efficiently as possible.”

Andrea Borla, Chief Financial Officer, remarked: “Our gross margin declined to 44.5% due mainly to the extra costs of air freight for delivering products during the Covid-19 lockdown. However we ensured good control on SG&A costs and maintained our R&D investments at 9% of sales. EBIT declined by 20.2% compared to Q1 last year, reflecting the drop in revenues and gross margin.”



Industry segment: Covid-19 impacts sales, orders, and investment confidence

Q1 sales in the Industry segment totalled CHF 59.8 million, down 7.4%. At constant exchange rates, sales decreased by only 1.7%, which was pleasing given the difficult economic environment. Covid-19 is impacting our markets in two ways; short-term with physical shutdowns whereby customers cannot receive products and longer-term due to delays in investment by customers. The full impact of Covid-19 may take some time to become apparent in these B2B businesses which have different investment cycles. Sales increased by 3.2% in China, our largest market, thanks mainly to Renewable Energy, but decreased by 10.7% in Europe, by 19.5% in North America and by 13.1% in Rest of World. The significant decline in orders was due mainly to the lockdown effects in Traction and increasing caution by customers in placing long-term orders, particularly in Drives & High Precision.

in CHF millions	2020/21	2019/20	Change	Comments
Businesses				
Drives	25.4	27.0	-5.9%	<ul style="list-style-type: none"> • Longer-term investment cycles • Asia recovering, Europe weak
Renewable Energy	21.0	21.0	+0.2%	<ul style="list-style-type: none"> • Solar growth with short-term cycles • China growth continues • Europe flat, US down
Traction	11.3	14.0	-18.8%	<ul style="list-style-type: none"> • Longer-term investment cycles • India and China lockdown impact • Europe flat
High precision	2.1	2.7	-22.4%	<ul style="list-style-type: none"> • Lack investment confidence for test benches
Total Industry	59.8	64.6	-7.4%	

Automotive segment: Covid-19 dramatic impact on consumer demand and OEM operations

Q1 sales in the Automotive segment totalled CHF 14.5 million, a decrease of 19.5%. At constant exchange rates, sales declined by 15.0%. Historically LEM has reported Automotive sales split between green and conventional cars. With effect from this quarter, the company will report sales split between Battery Management, Motor Control and Charging Systems. This better reflects how our customers use our products in different applications.

Covid-19 impacted sales sequentially across the world, with China first (-32.4%), Europe next (-9.2%) and then North America (-57.6%). China is the world's largest market for green cars and will clearly grow in the long-term. Europe is transitioning with significant investments to launch new electric or hybrid-electric car platforms. Rest of World grew by 12.7% thanks to Korean and Japanese sales of Motor Control and Battery Management to meet demand from European manufacturers. Due to Covid-19, many OEMs are fighting for survival and so the significant drop in orders reflects disruption to production where LEM products are already designed-in, plus delays to new projects.



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in CHF millions	2020/21	2019/20	Change	Comments
Businesses				
Battery Management	8.8	11.2	-21.9%	<ul style="list-style-type: none"> • Covid-19 impact on green cars China and Europe • US reduction in 12v demand
Motor Control	5.1	6.1	-15.9%	<ul style="list-style-type: none"> • Production sites closed globally
Charging Systems	0.6	0.7	-12.2%	<ul style="list-style-type: none"> • Long-term potential for green cars
Total Automotive	14.5	18.0	-19.5%	

Battery Management

We provide intelligent sensing solutions adapted to all battery architectures, delivering superior accuracy that gives our customers reliable information about the state of charge and driving range

Motor Control

Our sensors equip the power modules of hybrids and e-vehicles, regulating the energy flow for the e-motor and enabling safe power usage by the driver

Charging System

This new product range offers dedicated technologies to support energy transfer from the charging station to plug-in hybrids and e-vehicles and within the different electrical components on board

Profitability impacted by Covid-19

Gross profit for the quarter fell by 14.0% to CHF 33.1 million, principally due to the impact of Covid-19 on higher air freight costs for delivering products to customers. The gross margin declined by 200 basis points to 44.5%. We continue to execute various efficiency programs.

We remain vigilant with overheads, and kept SG&A costs essentially flat at 17.8% of sales, while they declined in absolute terms by 9.9% to CHF 13.2 million (CHF 14.7 million).

We continue with our long-term investment in future applications with R&D at 9.0% of sales (8.6%), although this decreased in absolute terms by 6.5% to CHF 6.7 million (CHF 7.1 million).

EBIT dropped by 20.2% to CHF 13.3 million (CHF 16.7 million), due to the decline in revenues and gross margin. Consequently our EBIT margin was down at 17.9% (20.2%).

We posted a net profit for the quarter of CHF 11.1 million, down 19.8% from CHF 13.9 million last year, reflecting the decline in EBIT. The net profit margin was 15.0% compared with 16.8%.

Financial calendar

The financial year runs from 1 April to 31 March

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





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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 June		
	2020/21	2019/20	Change
Sales	74'316	82'635	-10.1%
Cost of goods sold	(41'248)	(44'199)	
Gross margin	33'068	38'435	-14.0%
Gross margin (in %)	44.5%	46.5%	
Sales expense	(6'659)	(7'596)	
Administration expense	(6'580)	(7'093)	
Research & development expense	(6'665)	(7'130)	
Other expense	(0)	(0)	
Other income	132	52	
EBIT	13'295	16'668	-20.2%
EBIT margin (in %)	17.9%	20.2%	
Financial expense	(86)	(182)	
Financial income	15	27	
Foreign exchange effect	258	199	
Profit before taxes	13'482	16'712	-19.3%
Income taxes	(2'355)	(2'846)	
Net profit of the period	11'126	13'866	-19.8%
Net profit margin (in %)	15.0%	16.8%	





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Key Figures

In CHF millions		2020/21					2019/20					Change	
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1 - Q1	Q1 - Q4	
Orders received													
Industry	47.5					71.3	54.8	63.8	64.5	254.3	-33.4%	-26.3%	
Automotive	12.0					17.2	17.2	17.5	16.4	68.2	-30.1%	-26.7%	
Total LEM	59.5					88.4	72.0	81.2	80.8	322.4	-32.7%	-26.4%	
Book-to-bill ratio													
Industry	0.79					1.10	0.92	1.10	1.11	1.06	-28.0%	-28.3%	
Automotive	0.83					0.95	1.00	0.94	1.18	1.01	-13.1%	-29.5%	
Total LEM	0.80					1.07	0.94	1.06	1.12	1.05	-25.2%	-28.6%	
Sales													
Industry	59.8					64.6	59.3	58.2	58.2	240.4	-7.4%	+2.8%	
Automotive	14.5					18.0	17.1	18.5	13.9	67.6	-19.5%	+4.0%	
Total LEM	74.3					82.6	76.4	76.7	72.2	307.9	-10.1%	+3.0%	
EBIT													
Industry	12.3					14.3	13.2	11.5	11.4	50.4	-14.4%	+7.4%	
Automotive	1.0					2.4	1.9	3.2	0.5	7.9	-55.7%	+104.5%	
Total LEM	13.3					16.7	15.1	14.6	11.9	58.3	-20.2%	+11.5%	
Net profit of the period													
Total LEM	11.1					13.9	11.2	26.9	8.7	60.7	-19.8%	+28.1%	

