



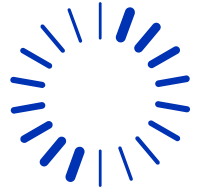
Life Energy Motion

Half Year Results 2019/20

1 April 2019 to 30 September 2019



Agenda



Opening Remarks

Frank Rehfeld

Business Performance

Frank Rehfeld

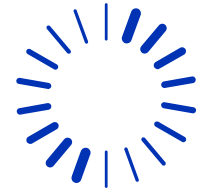
Financial Results

Andrea Borla

Outlook

Frank Rehfeld

Frank Rehfeld, CEO, Opening Remarks



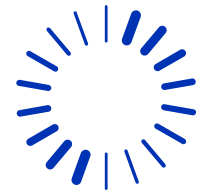
Top-line growth

- Overall sales performance held up well, considering the deterioration in the global economy over the past few months
- Industry business continues to be impacted by a lack of investment and confidence amongst customers
- The speed of transition in the automotive business to green cars is subject to changes in both government policies and the strategies of customers

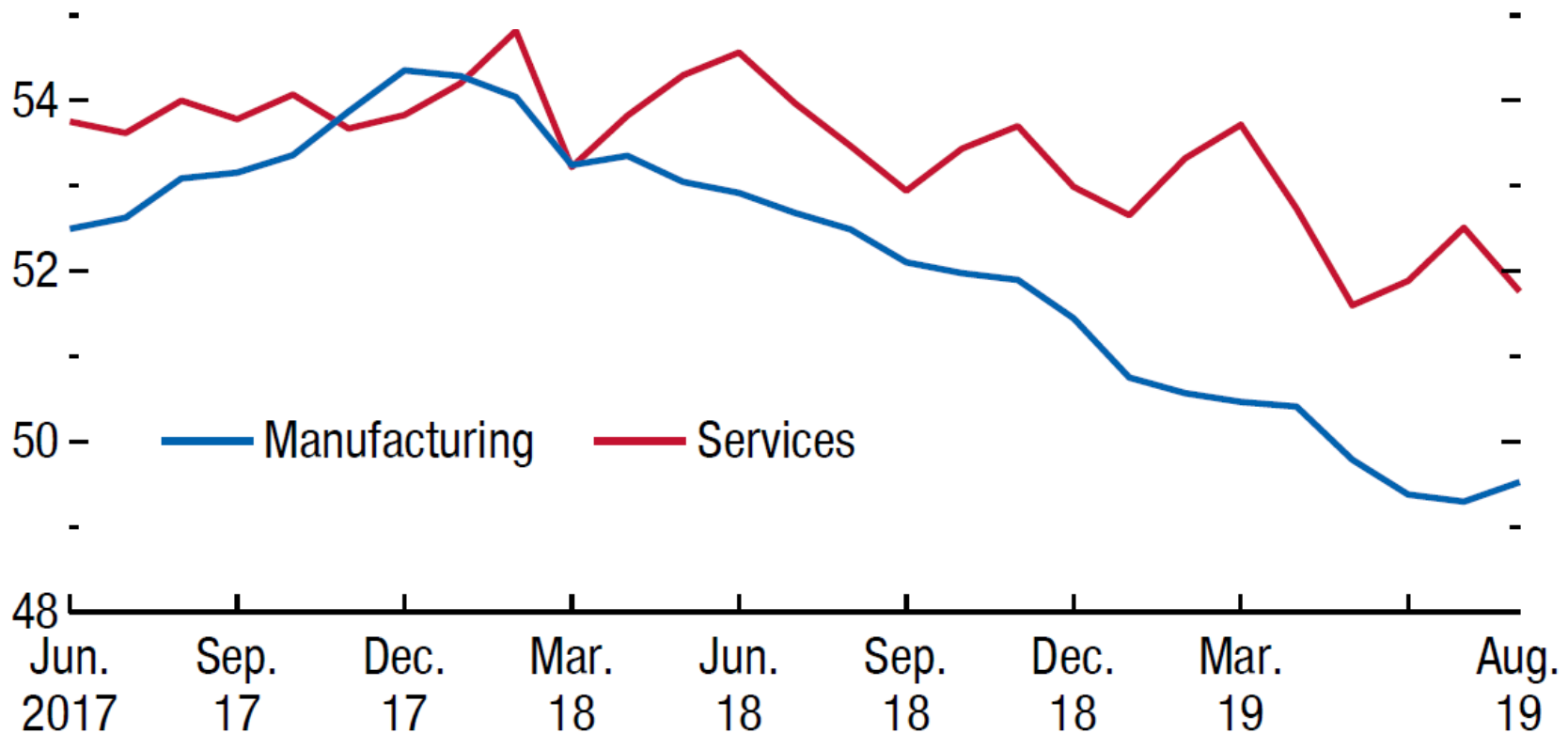
Long-term outlook remains confident

- Fundamentals remain strong, driven by the mega trends of energy efficiency, mobility and automation
- Investments in R&D are delivering new products for which customer feedback is very promising

Global Manufacturing and Services PMI

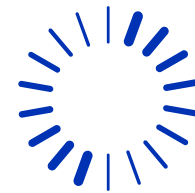


56 - (Index, greater than 50 = expansion)

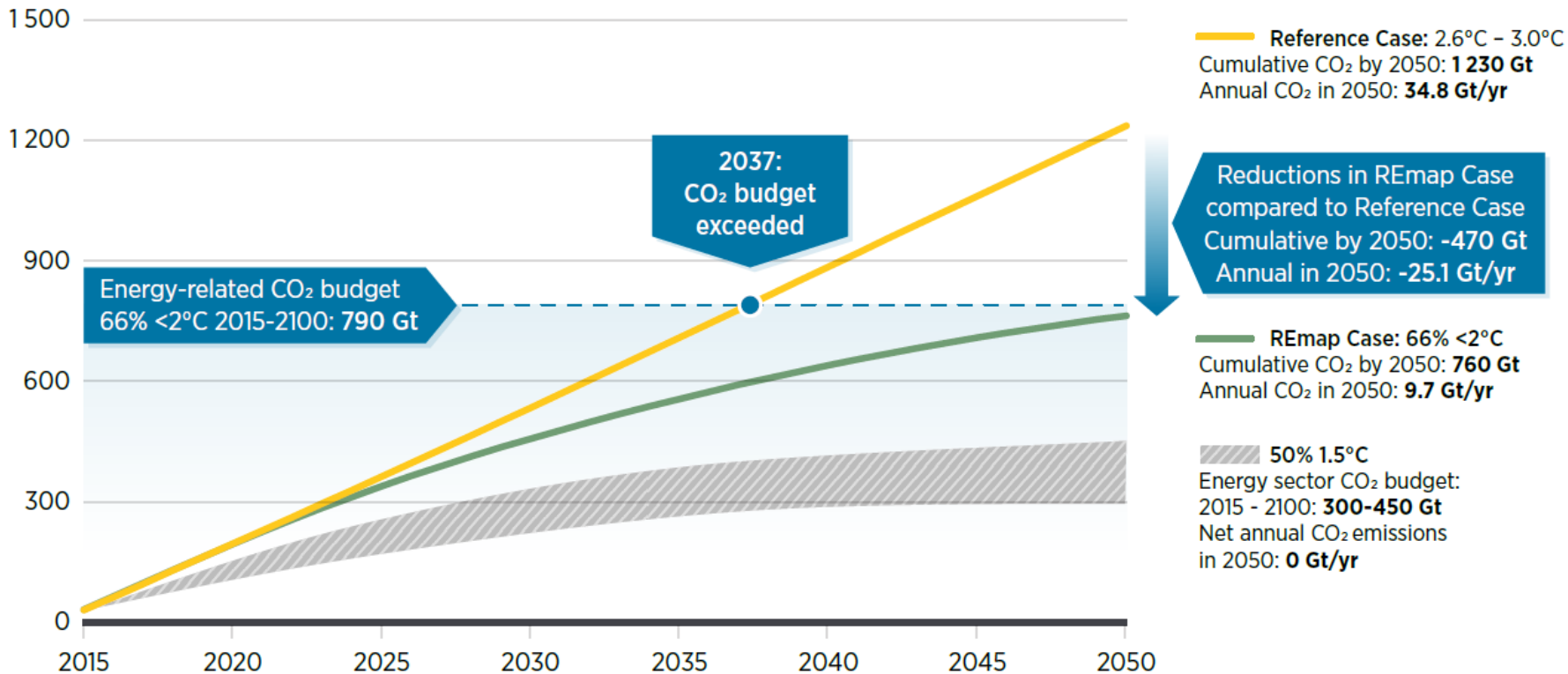


(IMF, World Economic Outlook, October 2019)

By 2037 global energy related CO₂ budget exceeded to keep warming < 2°C

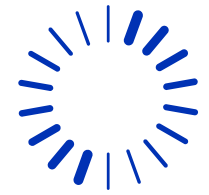


Cumulative energy-related carbon emissions (Gt CO₂)

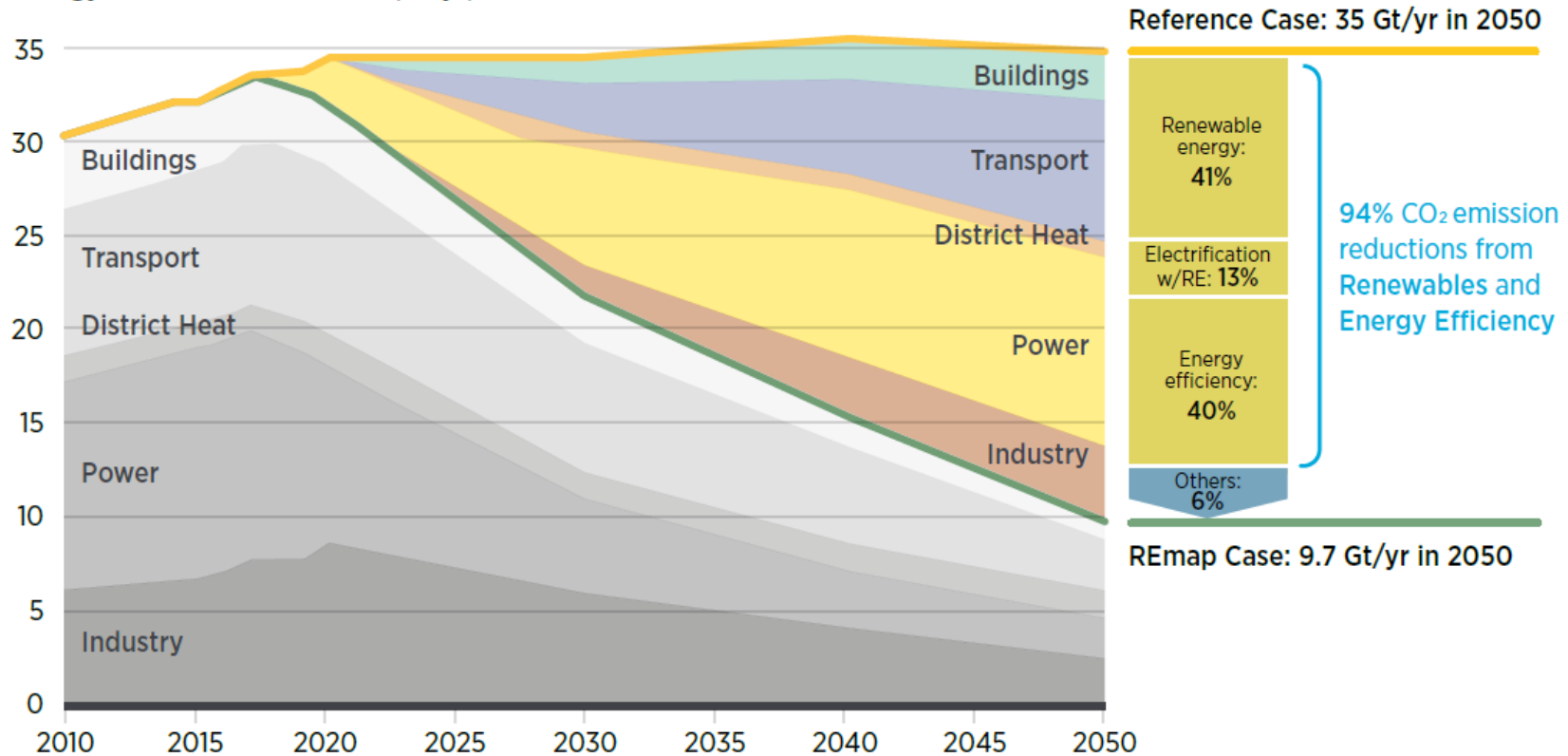


Source:  IRENA
 International Renewable Energy Agency

Renewables/electrification/energy efficiency can provide 90% of reduction in energy-related CO₂ emissions



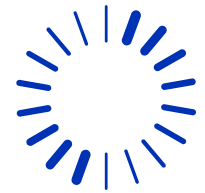
Energy-related CO₂ emissions (Gt/yr)



Source:  IRENA
International Renewable Energy Agency

Appointment of SVP Industry 01.12.19

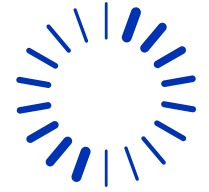
Rebecca Cullinan



- Member of the Executive Management team, reporting directly to CEO
- Resp. for product management, sales & marketing, R&D, quality and operations
- MBA University of Westminster UK, BSc in Mechanical Engineering from Jiangsu University China
- Fluent in Chinese, English and French

Year	Company/Position	Location
2018 - present	Automotive Lighting/Magnetti Marelli Managing Director, South Europe, Middle East & Africa	Italy
2002 - 2018	Valeo Managing Director, South East Asia	Thailand, France, UK
1998 - 2002	IHS Global Insight Senior Consultant	UK
1994 - 1996	Züblin Contract Manager	China
1991 - 1994	China First Tractor Group Quality Engineer, Quality Control	China

Agenda



Opening Remarks

Frank Rehfeld

Business Performance

Frank Rehfeld

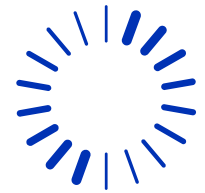
Financial Results




Andrea Borla

Outlook

Frank Rehfeld

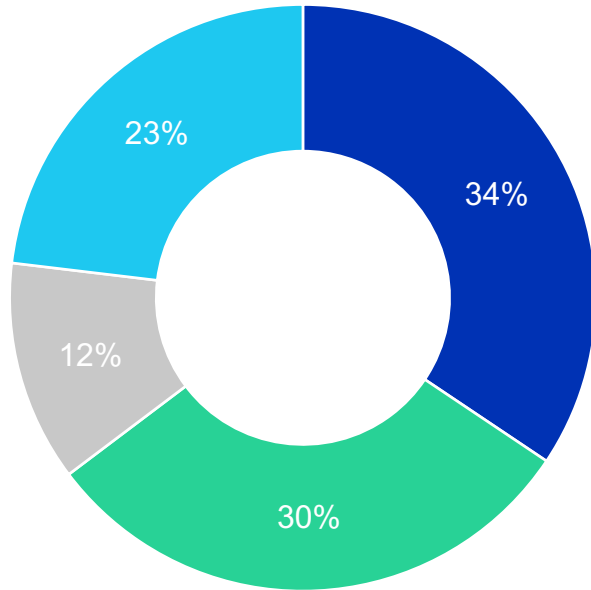
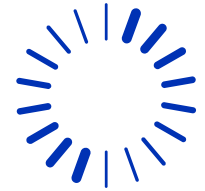
A leading company in electrical measurement



Core applications	Motor Drives	Power Storage, Generation, Conversion	Energy Measurement
			

Businesses	Automotive		Industry			
	Green cars	Conventional cars	Drives & Welding	Renewable energies	Traction	High-Precision
2019/20 Sales (CHF m)	35.1		123.9			
HY vs. HY	-6.1%		-5.8%			

Global Sales Spread Steady Across Regions



	Sales CHF m	Growth	
		HY 2019/20 vs 2018/19	Q2 2019/20 vs 2018/19
China	54.7	-4.8%	-5.1%
Europe	48.2	-9.2%	-9.6%
North America	19.4	-15.6%	-16.6%
RoW	36.7	+3.7%	+7.0%
Total	159.1	-5.9%	-5.6%

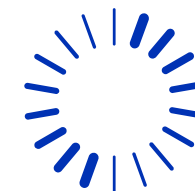
- Close to customers on the ground in all key markets
- Balanced geopolitical and economic exposure



Industry segment

Industry Segment

Sales Performance

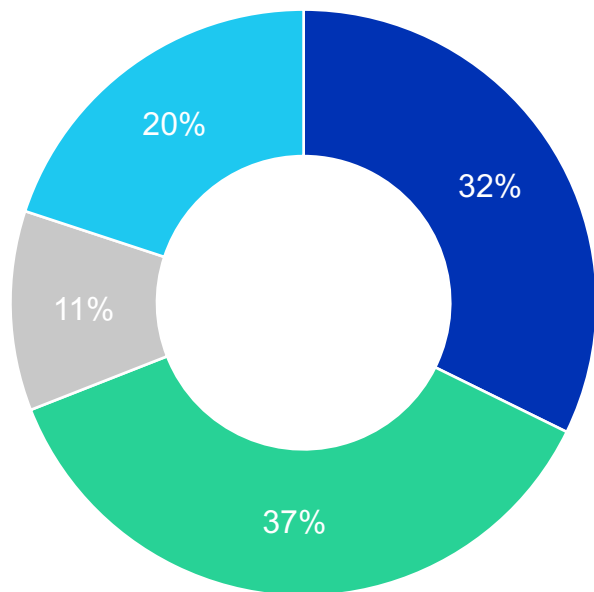
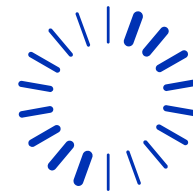


CHF m

Businesses	2019/20	2018/19	Change	Comments
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 gov. 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%	

Industry Segment

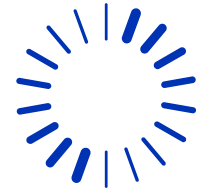
Regional Markets



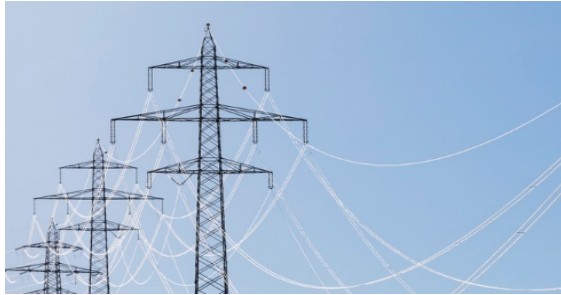
		Growth	
	Sales CHF m	HY 2019/20 vs 2018/19	Q2 2019/20 vs 2018/19
China	40.0	+1.7%	+15.0%
Europe	45.6	-10.5%	-10.4%
North America	13.6	-6.2%	-10.3%
RoW	24.7	-7.7%	-4.3%
Total	123.9	-5.8%	-2.5%

- H1 sales at CHF 123.9m, down 5.8% (at constant exchange rates, down 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

Industry next generation products



Smart Grid



AI-PMUL



ARU

Renewables

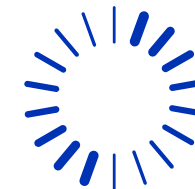


LZSR

Automotive segment

Automotive Segment

Sales Performance

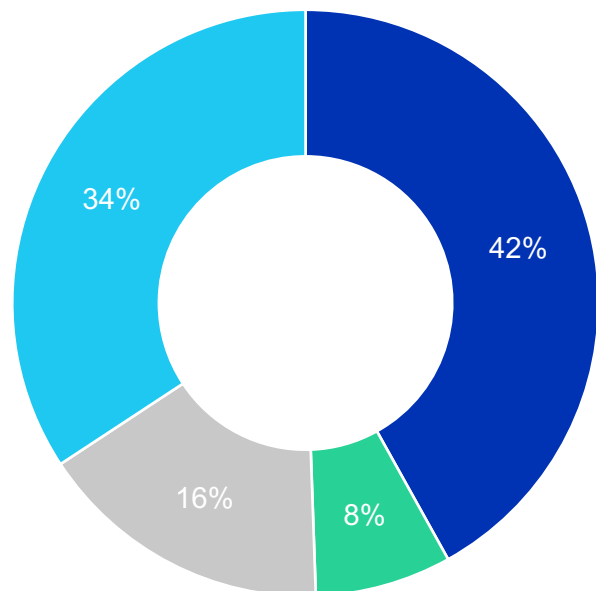
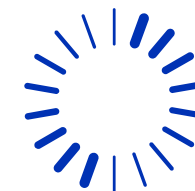


CHF m

Businesses	2019/20	2018/19	Change	Comments
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%	

Automotive Segment

Regional Markets



		Growth	
	Sales CHF m	HY 2019/20 vs 2018/19	Q2 2019/20 vs 2018/19
China	14.7	-18.9%	-35.5%
Europe	2.6	+21.4%	+10.2%
North America	5.7	-32.0%	-27.5%
RoW	12.0	+39.0%	+39.9%
Total	35.1	-6.1%	-15.0%

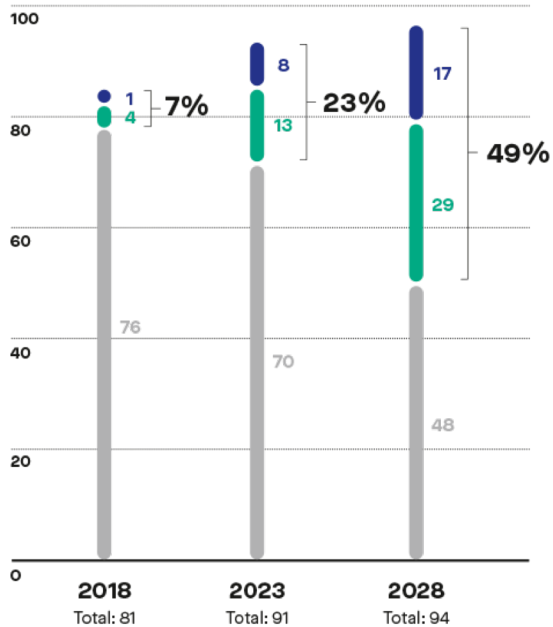
- H1 sales at CHF 35.1m, down 6.1% (at constant exchange rates, down 5.2%)
- China sales suffer due to changes in government policies and car launches, but remains world's largest market for green cars
- Europe benefits from electric/hybrid launches, RoW benefits from fuel cells and motor control applications, US transitioning from old technology at a slower rate

Automotive Segment: The Future



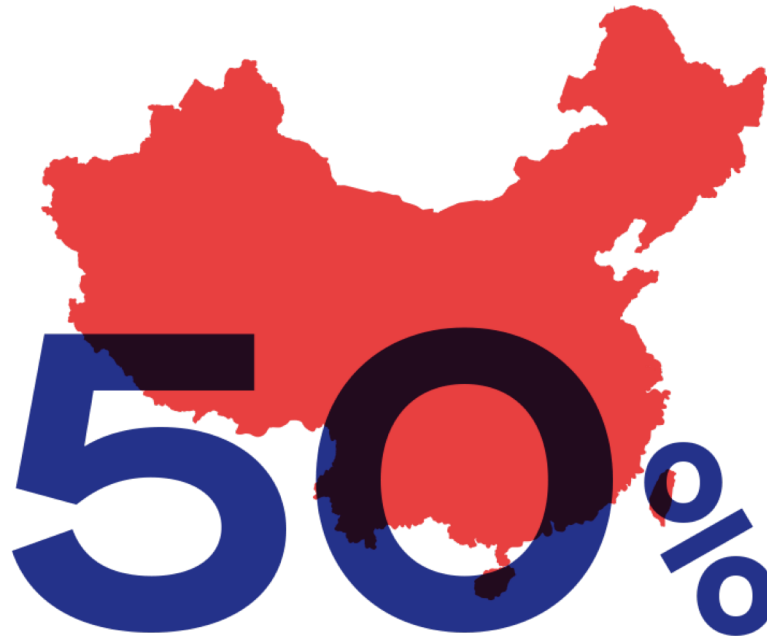
New car sales – propulsion share

units in millions



- Electric vehicles
- Hybrid vehicles
- Internal combustion engines

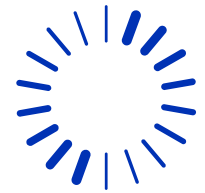
Source: IHS Markit



“China will play a major role in the electrification of the automotive market, representing 50 % of the annual EV/PHEV car production by 2028.”

Source: Bloomberg NEF

Automotive Segment: The Transition



“More fundamentally, efforts to decarbonize are set to shape the medium-term outlook. A significant ramp-up of investment in the production of electric and other alternative-fuel vehicles is expected in the medium term, particularly in Europe.

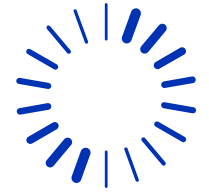
However, the supply chains for electric vehicles are several orders of magnitude shorter than those for fuel-powered vehicles.

Furthermore, entry-level prices remain higher than for fuel-powered cars, which could limit demand uptake.

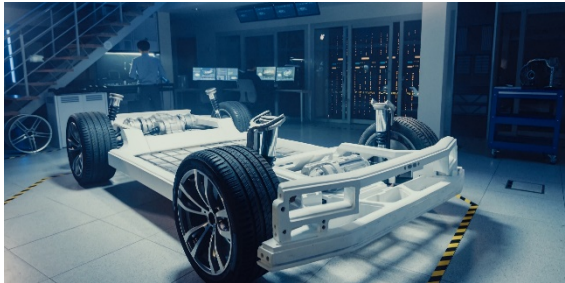
Accordingly, automakers are facing challenges that mean they will have to make changes to business models above and beyond those required by technological reconfiguration.”

(IMF, World Economic Outlook, October 2019)

Automotive next generation products



Battery management



HBCT



CAB 500 SF

Motor control

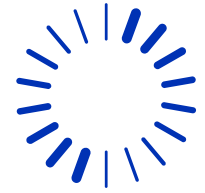


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HAH3DRS07 SP 3

Agenda



Opening Remarks

Frank Rehfeld

Business Performance

Frank Rehfeld

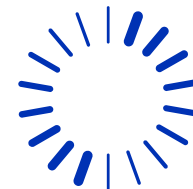
Financial Results

Andrea Borla

Outlook

Frank Rehfeld

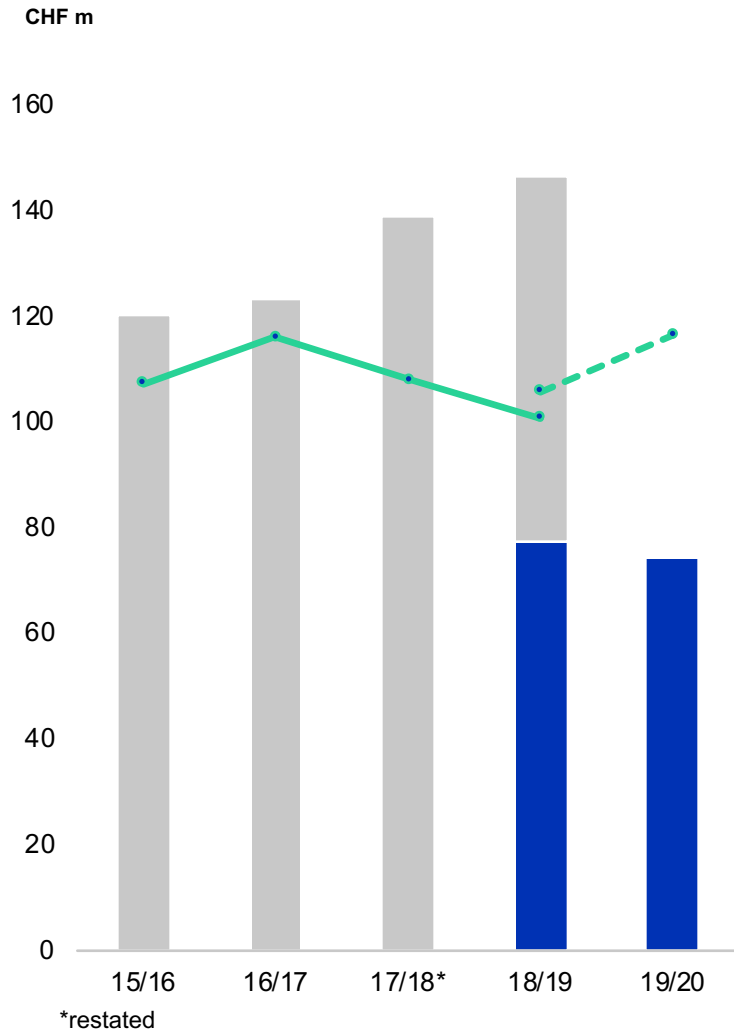
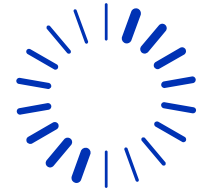
Performance at a Glance



CHF m	HY 2019/20	HY 2019/20 vs 2018/19	Q2 2019/20 vs 2018/19
Orders	160.4	-3.4%	-10.1%
Sales	159.1	-5.9%	-5.6%
EBIT	31.8	-10.7%	-11.2%
Net profit	25.1	-8.2%	-18.9%

- Sales impacted by challenging economic environment
- Profitability stable, with vigilance over SG&A costs
- EBIT margin 20.0% despite R&D increase of CHF 1.3m (9% of sales)
- Net profit decrease reflects EBIT, offset by lower China tax rate

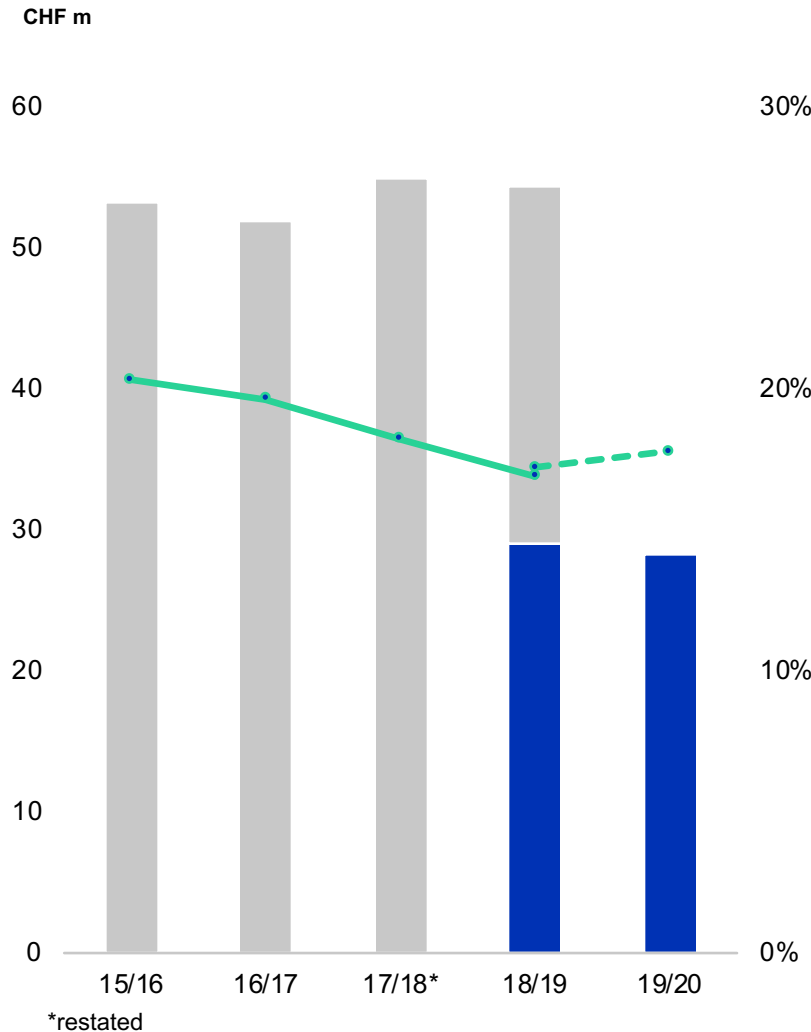
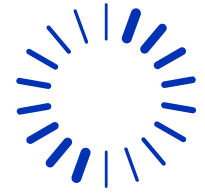
Gross Margin



	HY 2019/20	HY 2018/19	Q2 2019/20	Q2 2018/19
Gross margin CHF m	74.3	77.6	35.9	37.8
Gross margin in % of sales	46.7%	45.9%	47.0%	46.7%

Gross margin up by 80 basis pts

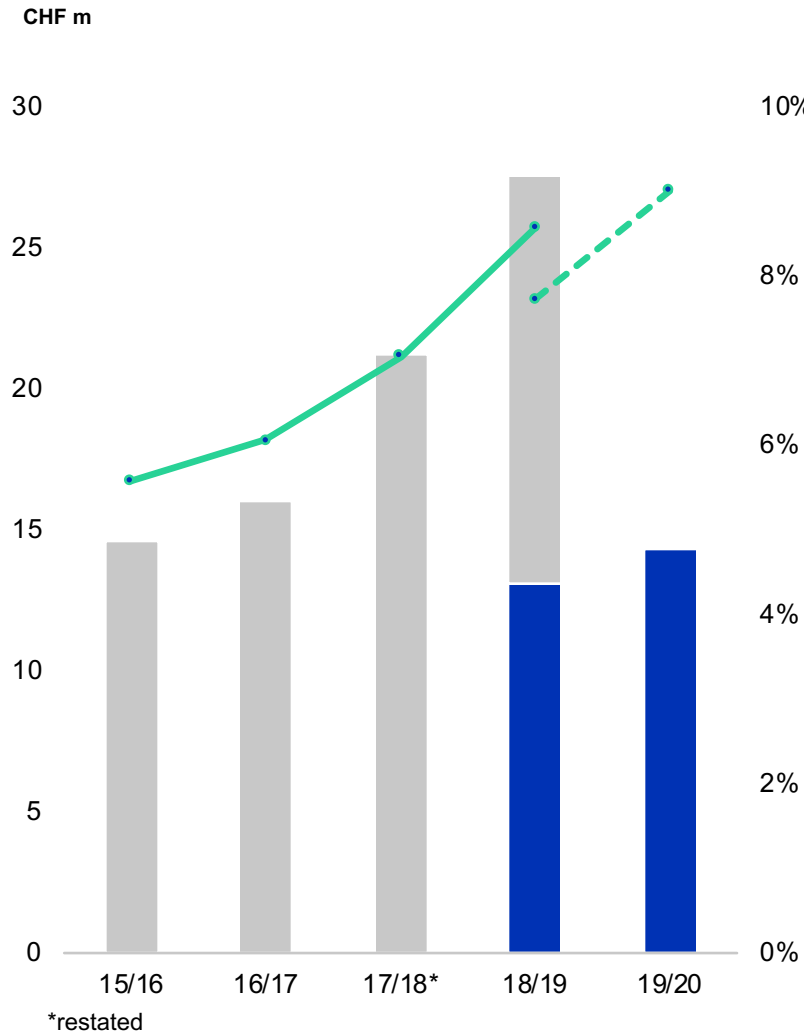
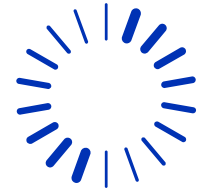
- Efficiency gains in both material and labour
- Continued to shift production to cost-effective locations



	HY 2019/20	HY 2018/19	Q2 2019/20	Q2 2018/19
SG&A CHF m	28.3	29.1	13.6	14.3
SG&A in % of sales	17.8%	17.2%	17.8%	17.6%

- Remained vigilant with overheads
- Reduced SG&A costs in line with the drop in sales to CHF 28.3m (CHF 29.1m)

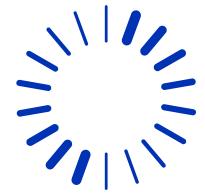
R&D



	HY 2019/20	HY 2018/19	Q2 2019/20	Q2 2018/19
R&D expense CHF m	14.3	13.1	7.2	6.6
R&D expense in % of sales	9.0%	7.7%	9.4%	8.1%

- R&D expenses increased due to higher headcounts and third party collaboration
- Products in early launch phase
- Continued long-term investment in future applications

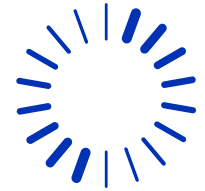
Financial Expense



CHF m	HY 2019/20	HY 2018/19	Q2 2019/20	Q2 2018/19
Exchange effect	(1.2)	(1.0)	(1.4)	0.1
Other financial expense & income	(0.2)	(0.1)	(0.1)	(0.0)
Total	(1.4)	(1.1)	(1.5)	0.1

- Negative exchange effect of CHF -1.2m mainly caused by losses on USD and EUR

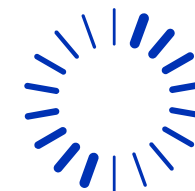
Income Taxes



%	HY 2019/20	HY 2018/19
Expected income tax rate	16.3%	19.8%
Expected withholding tax rate	0.7%	1.0%
Expected tax rate	17.0%	20.8%
Other differences	0.3%	-0.1%
Effective tax rate	17.3%	20.7%

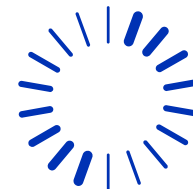
- Reduced tax rate mainly thanks to High New Technology Enterprise (HNTE) status granted in China (15% tax rate) in January 2019
- IP re-organisation expected positive tax impact of around CHF 13 million for 2019/20

Income Statement



CHF m	HY 2019/20	HY 2018/19	Change	Q2 2019/20	Q2 2018/19
Sales	159.1	169.0	-5.9%	76.4	80.9
Gross margin (in %)	46.7%	45.9%	+0.8%pt	47.0%	46.7%
Operating expense	(42.6)	(42.1)	+1.2%	(20.8)	(20.8)
EBIT	31.8	35.6	-10.7%	15.1	17.0
EBIT margin (in %)	20.0%	21.0%	-1.0%pt	19.8%	21.0%
Net financial exp.	(1.4)	(1.1)	+30.3%	(1.5)	0.1
Income tax	(5.2)	(7.1)	-26.5%	(2.4)	(3.2)
Net profit	25.1	27.3	-8.2%	11.2	13.8
Net profit margin (in %)	15.8%	16.2%	-0.4%pt	14.7%	17.1%

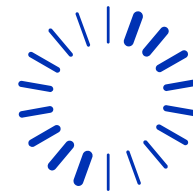
Balance Sheet



CHF m	30.9.2019	31.3.2019
Net working capital	54.1	56.2
Fixed assets	69.8	61.9
Noncurrent liabilities	(20.6)	(9.5)
Net operating assets	103.3	108.6
Net cash/(debt)	(22.9)	4.5
Equity	80.4	113.1
Equity ratio	41.9%	60.5%
Days of Sales Outstanding	74	75
Days of Inventory Outstanding	87	92
Days of Payables Outstanding	37	41

- Balance sheet remains strong
- Net working capital reduced with lower sales
- Equity ratio impacted by the dividend payment and capitalization of the leases (IFRS 16 implementation)

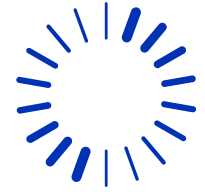
Cash Flow



CHF m	HY 2019/20	HY 2018/19
Profit before taxes	30.3	34.4
Adjustment for non-cash items and taxes paid	4.9	(1.4)
Cash flow from changes in net working capital	(5.3)	(10.6)
Cash flow from operating activities	29.9	22.4
Cash flow from investing activities	(6.5)	(7.1)
Free cash flow	23.5	15.3
Cash flow from financing activities	(18.1)	(10.9)
Change in cash and cash equivalents	5.3	4.4
Cash and cash equivalents at the end of the period	17.1	20.9

- Free cash flow up 53% at CHF 23.5m which reflects the underlying strength of the business

Agenda



Opening Remarks

Frank Rehfeld

Business Performance

Frank Rehfeld

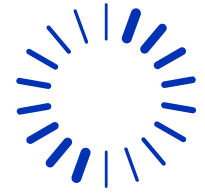
Financial Results

Andrea Borla

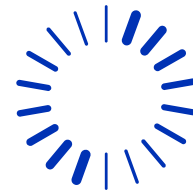
Outlook

Frank Rehfeld

Outlook

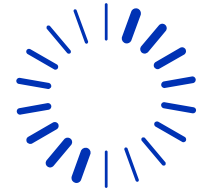


- Global economic data for purchasing, manufacturing and trade, suggest that certain key markets are on the cusp of a recession
- Economic environment to impact top line sales performance for the coming months, although we expect H2 2019/20 to be in line with our sales performance in the same period of last year
- For FY 2019/20:
 - we expect sales of around CHF 310m (CHF 321.6m FY 2018/19)
 - EBIT margin to remain close to 20%
- Fundamentals remain strong based on mega trends
- Green cars business has most growth potential
- Continued investment in R&D, leveraging new technologies in electric powertrains, smarter sensors, DC metering and charging systems
- Improve efficiency of production, empower global sites with full capabilities in R&D, operations, sales and quality management



Q&A

Financial Calendar and Contact Details

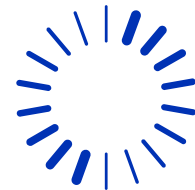


The financial year runs from 1 April to 31 March

For further information

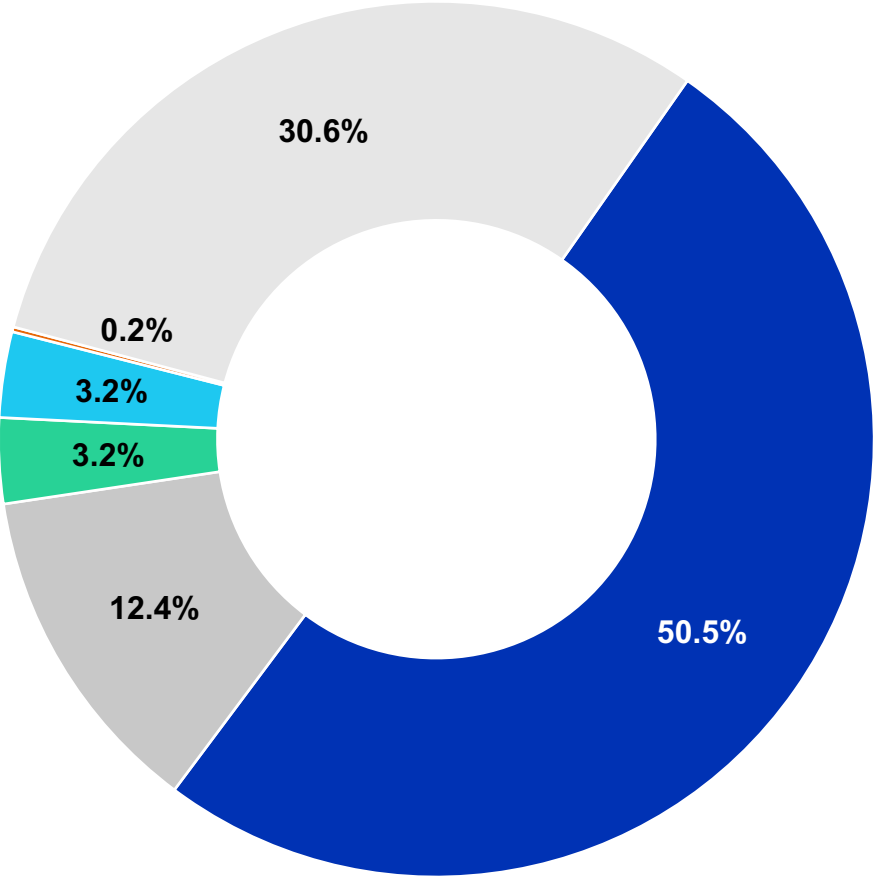
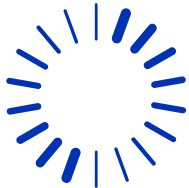
5 November 2019	Half year results 2019/20
31 January 2020	9 months results 2019/20
19 May 2020	Full year results 2019/20
9 June 2020	Annual General Meeting of Shareholders for the financial year 2019/20
16 June 2020	Dividend ex-date
18 June 2020	Dividend payment date

Andrea Borla, CFO
Phone: +41 22 706 12 50
E-mail: investor@lem.com



Appendix

Shareholder Structure per 30 September 2019



- Werner O. Weber and Ueli Wampfler
- Ruth Wertheimer / 7-Industries Holding
- Columbia Threadneedle
- J. Safra Sarasin Investmentfonds
- LEM Board and Management*
- Other

* Excludes shareholdings of Ueli Wampfler and Werner C. Weber