CARLO GAVAZZI

Media Information

Carlo Gavazzi half year results affected by exceptional effects

- **Operating revenue in local currency increases by 3.0%, reaching CHF 75.8 million (-0.3% in Swiss Francs vs. 1st half 2018/19)**
- **5.6% sales growth in Europe**
- **EBIT decreases to CHF 5.3 million due to exceptional effects (previous year: CHF 6.5 million; -18.5%)**
- **Group net income of CHF 3.3 million (previous year: CHF 4.6 million; -28.3%)**
- **Cash flow remains stable at CHF 6.5 million**

Steinhausen, November 21, 2019 – During the first half of the 2019/20 financial year, the overall business performance of Carlo Gavazzi was solid. However, as announced on October 29, exceptional effects such as the new IFRS 16 rules, investments in IT systems and the strengthening of the Swiss Franc had an impact on revenues and net income when comparing the period of April to September 2019 to the same period in 2018. Cash flow remained at the same level as last year.

The Group's operating revenue in local currency grew by 3.0% and bookings were at par with sales. In Swiss Francs, operating revenue decreased slightly by 0.3% to CHF 75.8 million (CHF 76.0 million in the first semester of the 2018/19 business year). Sales grew by 5.6% in Europe, decreased by 1.8% in the Americas and by 2.5% in Asia-Pacific.

Bookings in local currency were stable and in Swiss Francs decreased by 3.7% to CHF 75.8 million (CHF 78.7 million in 2018/19), resulting in a book-to-bill ratio of 1.0 at September 30, 2019.

Gross profit decreased by CHF 0.4 million to CHF 40.4 million (CHF 40.8 million in 2018/19) resulting in a gross margin of 53.3% (53.7% in 2018/19).

Operating expenses went up by CHF 0.9 million from CHF 34.2 million in the previous first half year to CHF 35.1 million owing to continuing increased investments in Marketing and Sales and in IT systems. Nonetheless, EBITDA was stable at CHF 8.5 million due to the first-time adoption of the new IFRS 16 Standard which resulted in a replacement of rental expense with depreciation and interest expense.

Operating profit (EBIT) decreased by CHF 1.2 million to CHF 5.3 million, compared to CHF 6.5 million (-18.5%) in the first half of last year.

Group net income decreased by CHF 1.3 million (-28.3%) to CHF 3.3 million (CHF 4.6 million in 2018/19).

At September 30, 2019, shareholders' equity amounted to CHF 90.2 million, giving an equity ratio of 68.6%.

Solid growth in Europe, Americas and Asia-Pacific slightly lower

In Europe, sales were 5.6% above the same period of last year. Business development was successful across Nordic, Central and Southern European countries, thanks to several activities and initiatives within building automation markets.
Sales in the Americas decreased by 1.8% mainly due to manufacturing contraction in the US market, which was impacted also by the general situation of increasing trade barriers.
In Asia-Pacific, sales decreased by 2.5%, due to slowdown in industrial automation and postponement of project-based business in building automation.
The geographical share of revenue outside Europe was 34.5%, with sales in the Americas and Asia-Pacific accounting for 19.8% and 14.7%, respectively.

Priority markets above average
Sales in priority markets increased 9.0% versus the same period of last year. Among the selected priority markets, Energy, Heating, ventilation and air conditioning (HVAC) and Smart building grew by 29.8%, 10.4% and 27.5%, respectively.
Sensors sales were 2.4% above the same period of last year mainly due to solid growth in capacitive and level sensor sales, also thanks to new products used in harsh environments and solid growth in HVAC applications.
Controls product sales were up 14.5% mainly due to a robust 20.7% increase in energy products, particularly driven by increased demand for energy management and energy efficiency solutions. Sales of Fieldbuses increased by 16.8% versus the same period of last year thanks to business development in both the Smart building market and the Distributors channel.
Sales of Switches products decreased by 6.7% compared to the previous year. Solid state relays sales decreased by 13.2% due to slow-down in industrial automation markets affected by weakening manufacturing activities globally. Motor controls sales were 10.2% above the previous year also due to further business development in the HVAC applications for OEMs.

Outlook
The current economic environment is characterized by weakened manufacturing activity and generally increasing trade barriers. In addition, geopolitical tensions are adding to the growing economic uncertainty. Nevertheless, Carlo Gavazzi Group continues to see growth opportunities in key countries and priority markets, and will continue to invest in IT systems, R&D and Marketing and Sales.

Consolidated key figures
(CHF million)

Income statement	**1. HY 2019/20**	**1. HY 2018/19**	%
Bookings	**75.8**	**78.7**	-3.7
Operating revenue	**75.8**	**76.0**	-0.3
EBITDA	**8.5**	**8.4**	+1.2
EBIT	**5.3**	**6.5**	-18.5
Net income	**3.3**	**4.6**	-28.3
Cash flow	**6.5**	**6.5**	-
Balance sheet	**30.9.2019**	**31.3.2019**	
Net working capital	**35.8**	**35.7**	0.3
Net cash position	**37.9**	**47.8**	-20.7

Interim Report
The complete interim report can be downloaded from
http://www.carlogavazzi.com/en/investors/interim-report.html.

About Carlo Gavazzi:
Carlo Gavazzi is a publicly quoted international electronics group (SIX: GAV) with activities in the design and marketing of electronic control components for factory and building automation.
Please visit our website: www.carlogavazzi.com

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