

Media Information

Carlo Gavazzi half year results: Stable EBIT despite difficult market conditions

- **Operating revenue in local currency decreases by 3.7%, reaching CHF 69.3 million (-8.6% in Swiss Francs vs. 1st half 2019/20)**
- **5.7% sales growth in Asia-Pacific**
- **EBIT stable at CHF 5.3 million**
- **Group net income of CHF 3.1 million (previous year: CHF 3.3 million; -6.1%)**
- **Solid equity ratio of 67.7%**

Steinhausen, November 26, 2020 – During the first half of the 2020/21 financial year, the overall business performance of Carlo Gavazzi was constrained by the worldwide spread of the coronavirus pandemic (Covid-19) and its negative consequences for the global economy. Additionally, the strengthening of the Swiss Franc had an impact on revenues and net income when comparing the period of April to September 2020 to the same period in 2019. The rapid transmission of the coronavirus combined with extensive government-imposed restrictions on industrial production and global trade in goods lead to major challenges particularly in the first two months of the half-year.

The Group's operating revenue in local currency decreased by 3.7% and bookings were down by 4.2%. In Swiss Francs, operating revenue decreased by 8.6% to CHF 69.3 million (CHF 75.8 million in the first semester of the 2019/20 business year). Sales in local currency decreased by 4.0% in Europe, by 9.3% in the Americas and increased by 5.7% in Asia-Pacific. Bookings in Swiss Francs decreased by 9.2% to CHF 68.8 million (CHF 75.8 million in 2019/20), resulting in a book-to-bill ratio of just under 1.0 at September 30, 2020.

Gross profit decreased by CHF 4.1 million to CHF 36.3 million (CHF 40.4 million in 2019/20) resulting in a gross margin of 52.4 % (53.3 % in 2019/20). The difficult global situation made it necessary to take immediate action. Carlo Gavazzi reacted early and managed to reduce costs across the organization. Operating expenses decreased by CHF 4.7 million from CHF 35.1 million in the previous first half year to CHF 30.4 million with investment in the development of the new ERP system continuing.

As a result, operating profit (EBIT) was constant at CHF 5.3 million despite substantially lower revenue than in the first half of last year.

Group net income decreased by CHF 0.2 million (-6.1 %) to CHF 3.1 million (CHF 3.3 million in 2019/20).

At September 30, 2020, shareholders' equity amounted to CHF 93.8 million, giving an equity ratio of 67.7%.

Recovery in Asia-Pacific

In Europe, sales were 4.0% below the same period of last year. Sales were heavily impacted by Covid-19 in Central and Southern European countries. The decrease was partially offset by development in Nordic European countries, thanks to strong sales in energy efficiency and building automation markets.

Sales in the Americas decreased by 9.3%, mainly due to contraction in OEMs and distribution activities in the US market, also impacted by the Covid-19 pandemic and the ongoing trade dispute with China.

In Asia-Pacific, sales increased by 5.7%, mainly due to recovery in building and industrial automation markets and distribution channels in China.

The geographical share of revenue outside Europe was 34.3%, with sales in the Americas and Asia-Pacific accounting for 18.3% and 16.0%, respectively.

Challenging plastic machinery market – strong demand for energy management products

Sales in priority markets decreased 4.8% versus the same period of last year. Sales were mainly affected by conditions in the industrial automation markets, particularly in plastic machinery. The decrease was partially offset by sales in energy markets which grew by 22%. Sensors product sales were 7.2% below the same period of last year mainly due to contraction in manufacturing activity globally, heavily impacted by Covid-19 pandemic. Sales in capacitive sensors increased by 4.5% compared to the previous year, also thanks to steady growth in HVAC (heating, ventilation and air-conditioning) applications.

Controls product sales increased by 1.9% mainly due to a robust 19.7% increase in energy products, particularly driven by ongoing strong demand for energy management and energy efficiency solutions. The growth of sales in energy efficiency products cushioned a decrease of sales in fieldbuses and monitoring relays.

Sales of Switches products decreased by 6.7% compared to the previous year. Sales in solid state relays and motor controls decreased respectively by 3.8% and 0.4% mainly due to weakened conditions of OEMs in industrial automation markets, particularly in plastic machinery.

Outlook

The global economy is characterized by major uncertainties as a consequence of the Covid-19 pandemic. Possible new restrictions such as a further lockdown of factories or logistic centers would have an impact on the Group's result. Current challenging economic conditions will also affect both industrial and building automation markets, however, the effect on our business is difficult to estimate.

Nevertheless, Carlo Gavazzi Group continues to focus on strengthening its sales organization, increasing the penetration of its product portfolio, broadening market reach with new product releases also towards the internet of things, and to adapt its supply chain to maintain business continuity.

Consolidated key figures
(CHF million)

Income statement	<u>1. HY</u> <u>2020/21</u>	<u>1. HY</u> <u>2019/20</u>	%
Bookings	68.8	75.8	-9.2
Operating revenue	69.3	75.8	-8.6
EBITDA	8.3	8.5	-2.4
EBIT	5.3	5.3	-0.0
Net income	3.1	3.3	-6.1
Cash flow	6.1	6.5	-6.2
Balance sheet	<u>30.9.2020</u>	<u>31.03.2020</u>	
Shareholders' equity	93.8	90.3	+3.9
Net working capital	27.9	28.4	-1.8
Net cash position	49.7	46.0	+8.0

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.

For further information please contact:

Rolf Schläpfer

Hirzel.Neef.Schmid.Konsulenten

Phone +41 43 344 42 42

E-Mail rolf.schlaepfer@konsulenten.ch