

## Media Information

### Carlo Gavazzi reports positive net income despite strong Swiss Franc, IT investments and Covid-19

- Operating revenue -0.5% in local currency / -4.2% in CHF respectively, reaching CHF 148.5 million (2018/19: CHF 155.0 million)
- Bookings increase 2.5%; solid book-to-bill ratio of 1.03
- Gross margin increases to 53.6% (2018/19: 53.4%; +0.2 pts)
- Operating profit (EBIT) decreases to CHF 10.8 million, (2018/19: CHF 15.2 million / -28.9%) due to strong CHF, Covid-19 and development of ERP system
- Net income of CHF 6.1 million (CHF 10.7 million in 2018/19 / -43.0%)
- Board of Directors proposes to refrain from distributing dividend

*Steinhausen, June 24, 2020* - In the 2019/20 business year, the overall business performance of Carlo Gavazzi was solid, however, the strengthening of the Swiss Franc, the ongoing investments in a new ERP system and Covid-19 had an impact on the full-year result when comparing to the same period in 2018/19.

At the end of the business year (April 1, 2019 to March 31, 2020), Carlo Gavazzi was affected by the coronavirus pandemic (Covid-19). The Group has a major presence in China and Italy, countries affected by strict quarantine regulations in the last two months of the financial year 2019/20. The factories in Kunshan (China) and Belluno (Italy), were able to maintain production for the most part. On the other hand, sales and distribution in China and to some extent in other regions were experiencing bottlenecks. Many country organizations were in short-time working mode. In addition, several of the Group's long-standing customers were affected by interrupted supply chains, resulting in delays or reduction in orders and deliveries.

The Group's operating revenue decreased by 0.5% while bookings increased by 2.5% in local currency, on the back of solid sales in key markets and ongoing launches of new products. Operating revenue in Swiss Francs decreased by 4.2% to CHF 148.5 million (CHF 155.0 million in 2018/19). Bookings decreased by 1.4% to CHF 153.0 million (CHF 155.2 million in 2018/19), resulting in a book-to-bill ratio of 1.03 at March 31, 2020.

#### **Investments in R&D, Marketing and Sales and new ERP-System**

Gross profit decreased by CHF 3.2 million to CHF 79.6 million (CHF 82.8 million in 2018/19) while the gross margin increased by 0.2 percentage points to 53.6%. Operating expenses were up by CHF 0.7 million from CHF 68.1 million in the previous year to CHF 68.8 million with continuing investments in R&D and Marketing and Sales expenditure. In addition, the Group invested CHF 1.5 million during the year in the development of a new ERP system. Operating profit (EBIT) decreased to CHF 10.8 million, compared to CHF 15.2 million in the previous year (-28.9% versus 2018/19). The EBIT margin decreased to 7.3% compared to

9.8% in the previous year. After considering financial expense of CHF 0.7 million and income taxes of CHF 4.0 million, the Group net income amounted to CHF 6.1 million (CHF 10.7 million in 2018/19), a decrease of 43.0%. At March 31, 2020, shareholders' equity stood at CHF 90.3 million (CHF 97.5 million in 2018/19), giving an equity ratio of 68.7% (2019: 71.8%) with a net cash position of CHF 46.0 million (2019: CHF 47.8 million).

Carlo Gavazzi stands by its traditional policy of distributing a great part of net income to shareholders. However, considering the fact that the Company has experienced two factory closures and short-time working almost worldwide, and in view of the anticipated volatility and challenges ahead, the Board of Directors will propose to the Annual Shareholders' Meeting to refrain from distributing a dividend this year in order to safeguard all stakeholders' interests.

### **Strong European markets**

Sales in local currency grew in Europe but decreased in the Americas and Asia-Pacific. In Europe, sales were 2.3% above the previous year due to good performance in building automation markets in the whole area, while industrial automation markets suffered from a general slowdown.

Sales in the Americas decreased by 5.3% compared to the previous year due to a contraction in the manufacturing sector also as a result of increasing trade barriers which impacted the entire value chain.

Sales in Asia-Pacific decreased by 6.7% compared to the previous year as both the industrial and building automation markets were affected by weak business conditions resulting from the US-China trade war and, towards the year-end, the Covid-19 pandemic.

Sales outside Europe represented 33.5% of total revenue, with the Americas and Asia-Pacific accounting for 20.0% and 13.5%, respectively.

### **Controls and Sensors with higher sales**

Controls performed above the previous year, with a very positive contribution coming from energy management products, which grew by 14.8%, driven by the steady demand for energy analyzers and the UWP 3.0 gateway and controller. UWP 3.0 provides users with a wide range of monitoring and automation functions to improve energy efficiency in building automation and car parking guidance systems.

Sensors performed above the previous year due to the positive contribution of capacitive sensors, which grew by 5.5%. The CA18 and CA30 series represent the ideal solution for reliable detection in harsh environments in industrial markets. When integrated into IO-Link communication, they ensure high performance and maximum flexibility in applications where sensor performance needs to be constantly and accurately monitored and logged.

Switches decreased by more than 6% compared to the previous year. The weakening conditions in global industrial markets affected overall sales in solid state relays. Sales of motor controllers increased by 1.6% mainly driven by the RSGD series and the promising development in HDMS. The RSGD series provides customers with a compact self-learning solution designed for pumps and compressors in the building automation markets. HDMS is an innovative motor starter used in HVAC devices such as heat pumps and submersible pumps. Its unique design and control algorithm make the start capacitor superfluous and reduce motor starting currents.

Sales of products in priority markets performed better than overall sales, with an increase of more than 19% in Smart Building and Energy markets and more than 8% in the HVAC market.

## Strategy

The Group growth strategy is based on developing new and enhanced products and improving market penetration and development across different geographic areas. Furthermore, the Group is focused on continuous improvement of its business model, also by embracing new technology, software and tools to become more agile and responsive in a complex market landscape.

The main initiatives concern reinforcing production and R&D activities to improve delivery and time-to-market, the deployment of dedicated business development programs outside Europe, the enhancement of manufacturing sites and the R&D team in Asia-Pacific to better fulfill local customer requirements in terms of specifications and prices.

## Outlook

The global economy continues to contract sharply due to the Covid-19 pandemic. Early in the emerging crisis, Carlo Gavazzi acted promptly to maintain its business continuity by modifying its operations and adapting its global footprint of manufacturing and warehouse facilities. Nonetheless, weak economic and market conditions are expected to persist in the short term further affecting the Group's result in the coming months.

Despite these expected challenges, Carlo Gavazzi continues to focus on strengthening its sales organizations and increasing the penetration of its product portfolio and developing a state-of-the art ERP system in order to take advantage of the opportunities which are likely to arise in various markets in the medium term.

## Consolidated key figures (CHF million)

<b>Income Statement</b>	<b><u>2019/20</u></b>	<b><u>2018/19</u></b>	<b>%</b>
Bookings	<b>153.0</b>	<b>155.2</b>	-1.4
Operating revenue	<b>148.5</b>	<b>155.0</b>	-4.2
EBITDA	<b>16.9</b>	<b>18.7</b>	-9.6
EBIT	<b>10.8</b>	<b>15.2</b>	-28.9
EBIT margin	<b>7.3%</b>	<b>9.8%</b>	
Net income	<b>6.1</b>	<b>10.7</b>	-43.0
Cash flow	<b>12.2</b>	<b>14.2</b>	-14.1
<b>Balance Sheet (as at 31 March)</b>	<b><u>2020</u></b>	<b><u>2019</u></b>	
Net working capital	<b>28.4</b>	<b>35.7</b>	-20.4
Shareholders' equity	<b>90.3</b>	<b>97.5</b>	-7.4
Total assets	<b>131.6</b>	<b>135.8</b>	-3.1
Equity ratio	<b>68.7%</b>	<b>71.8%</b>	

*For some figures Carlo Gavazzi Group uses alternative performance measures (APMs) which are not defined in accordance with International Financial Reporting Standards (IFRS). The respective definitions can be found at [Carlo Gavazzi Alternative performance measures](#).*

*The complete annual report 2019/20 can be downloaded from the website at: [Carlo Gavazzi Annual Report 2019/20](#)*

**About Carlo Gavazzi:**

*Carlo Gavazzi is a publicly listed 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](http://www.carlogavazzi.com).*

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