

CONNECTED TECHNOLOGIES FOR A SMARTER WORLD

Press Release

Saint-Herblain, 17 December 2019



Fiscal Year 2018-2019: significantly improved earnings

Current operating income: +29%

Net income: +29%

LACROIX Group (LACR - FR0000066607), an international technological equipment supplier, has released its results for fiscal year 2018-2019 (period running from 1 October 2018 to 30 September 2019).

The consolidated financial statements have been audited and the certification report will be issued once the management report has been checked for the purpose of publishing the annual financial report.

<i>In thousands of euros</i>	2019 ⁽¹⁾	2018 restated ⁽¹⁾	Change	2018 published
Revenue	481,591	468,287	+2.8%	468,287
EBITDA ⁽²⁾ <i>As a % of revenue</i>	28,873 6%	23,964 5.1%	+20.5% +0.9 pt	22,907
Current operating income (expense) <i>As a % of revenue</i>	20,759 4.3%	16,082 3.4%	+29.1% +0.9 pt	15,025
Operating income (expense)	16,345	13,085	+24.9%	12,028
Financial income (expense)	(1,039)	(960)	-8.2%	(960)
Tax	(4,175)	(3,623)	-15.2%	(2,566)
Consolidated net income (expense)	11,127	8,498	+30.9%	8,498
Group net income (expense)	10,617	8,233	+29%	8,233

(1) For fiscal year 2018-2019, Lacroix Group elected to change its accounting presentation method by reclassifying the CVAE (corporate value-added tax), which amounted to €1.1m in 2018, from operating expenses to income tax. For a better comparison, this reclassification was also carried out for the previous fiscal year ("2018 restated"). In addition to this table, all comments and data contained in this press release are also presented on a comparable basis.

(2) EBITDA = earnings before interest, tax, depreciation and amortisation of tangible and intangible assets (including, where applicable, depreciation and amortisation recognised on business combinations), and the IFRS 2 "share-based payments" expense (non-cash).

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Vincent Bedouin, Chairman and CEO of **LACROIX Group**, comments on the results: “*Our value-driven strategy paid off once again this year, not only with the confirmed acceleration of our growth drivers LACROIX City and LACROIX Environment, but also the improved operating performance of LACROIX Electronics. For 2020, as we head into the final stage of our strategic plan, we are ready for the first time in our history to top €500 million in revenue while continuing to expand our earnings, on par with our ambitions.*”

Continuously improving business in recent months

LACROIX Group generated revenue of €481.6m in fiscal year 2018-2019, representing growth of 2.8% (+0.4% on a like-for-like basis). Following on from a stable first half (+0.5%), the second half posted growth of +5.2%, underpinning solid market momentum across all business lines.

LACROIX Electronics: strong resilience in a mixed environment

LACROIX Electronics (66% of Group revenue in 2018-2019) turned in revenue of €317.7m, down 3.6% amid mixed market conditions predominantly marked by a downturn in the automotive sector. These temporarily adverse market conditions did nothing to hurt the Group’s robust outlook in the sector, however, thanks to the ongoing rise of onboard electronics in the auto industry. Backing up this confidence is an already substantial project pipeline set to drive business for months to come.

In April 2019, LACROIX Electronics was also hit with an accidental fire at its plant in Tunisia. It responded by expediently developing a business continuity plan aimed at minimising the impact of the event on affected clients. Excluding the impact of the fire, the division would have recorded a minor 1.7% revenue decline. The Tunisian plant was fully operational again as of September 2019, ready to start the new fiscal year on strong footing.

LACROIX City: business on the rise, acquisition of Smartnodes in the Smart Lighting market

LACROIX City (21.7% of Group revenue) earned revenue of €104.7m, up 6.4%. The bulk of this growth was organic, driven by traffic management and regulation equipment (+9.1%) and by restored growth in road signage sales (+7.7%). In addition, towards the end of August the Group purchased start-up Smartnodes, renowned for its innovations in Smart Lighting equipment. The company made a marginal contribution to revenue over the period, however.

LACROIX Environment: very strong organic growth, strategic acquisition in Germany

LACROIX Environment (12.3% of Group revenue) performed remarkably well in 2018-2019, boasting revenue of €59.2m, up 46.9% (o/w +17.5% organic). This robust growth can be attributed not only to the consolidation of SAE IT-Systems, acquired in February 2019 and consolidated over an 8-month period, but also to a robust increase in water network equipment sales in France (+18%) and worldwide (+15%).

Solid earnings growth and higher margins

Business expansion went hand-in-hand with a robust increase in earnings, in line with Group guidance. EBITDA ⁽²⁾ came out at €28.9m, up 20.5% year-on-year, accounting for 6% of total revenue versus 5.1% in 2017-2018.

Current operating income amounted to €20.8m (+29.1%), giving a current operating margin of 4.3% (up nearly one point).

It should be noted that the lion’s share of the contribution came in the second half, which posted current operating income of €12.7m versus €8.1m in H1. Similarly, the current operating margin rose sharply in the second half, ending up at 5.2% versus 3.3% in the first half. Setting aside the traditionally positive H2 seasonality effect, these trends reflect the successful efforts undertaken to strengthen on-site manufacturing performances.

Despite the business downturn and persistently substantial investments in the industry of the future and digitisation, current operating income held steady at €9.5m for **LACROIX Electronics**, accounting for 2.9% of revenue (stable year-on-year).

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LACROIX City gained ground on the road back to growth, posting near-breakeven current operating income of -€0.5m, versus a loss of -€0.7m in fiscal year 2017-2018. The division kept up significant investments over the period, in preparation to capture any attractive opportunities in the fast-growing smart city industry.

LACROIX Environment generated remarkable performances over the year, with current operating income up 47.1% to €13.9m, despite the persistently substantial HR investments necessary to support growth, particularly on the international market. The operating margin hit a new peak at 23.6%.

Overall, operating income totalled €16.3m, up 24.9%, including non-recurring expenses of €4.4m associated primarily with a provision for disputes of €6.5m.

Factoring in financial income and taxes, Group net income amounted to €10.6m, up 29% year-on-year.

A solid financial structure

LACROIX Group boasted a solid financial position at end-September 2019, with cash flow of €24.9m (versus €19.2m last year), shareholders' equity of €103.2m and a cash position of €13.5m.

The gearing ratio remained under control at 0.54, including €21.5m increase in leverage due in large part to funding obtained for recent acquisitions and a temporary deterioration in WCR attributable mainly to the consolidation of acquired entities and higher inventory levels (fire in Tunisia, year-end business momentum).

The Group possesses all the resources it needs to continue funding its internal development and is always on the lookout for external growth opportunities to expand its field of technological expertise and market positions.

2019-2020 outlook: €500m revenue milestone and additional gains in current operating income

With another successful year of transformation and investments behind it, LACROIX Group is now perfectly poised to complete its metamorphosis and enter the final year of its 2016-2020 strategic plan with confidence.

LACROIX Group firmly believes it is capable of achieving growth of nearly 7% in the new fiscal year, compared with 2.8% in 2018-2019, putting it on track to generate revenue of around €515m in line with the target initially set in its strategic plan.

Reaching and surpassing the historic milestone of €500m is expected to come with additional earnings growth. The Group has already set a current operating income target of more than €21m, perfectly in line with its ambitions. Achieving that goal would mean more than doubling current operating income in four years (2.5x in fact), thus completing the performance objective in which the Group is fully invested.

In an effort to lay the groundwork for its future growth and challenges, all of the teams at LACROIX Group have already set their sights on defining a new strategic plan. The roadmap for the new plan will be presented in January 2021.

Dividend: €0.90 per share

At next General Shareholders' Meeting, the Board of Directors of LACROIX Group will recommend paying out a cash dividend of €0.90 per share in respect of fiscal year 2018-2019. The dividend has risen steadily since 2016, underscoring the Board's growing confidence in the strength of the Group's financial structure and outlook. The dividend remains on par with standard ratios, with a payout rate equivalent to approximately one-third of net income given Management's determination to focus steadfastly on the company's development. If the dividend proposal is approved, the ex-date will be 14 April 2020 and the cash payment made on 16 April 2020.

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About LACROIX Group

LACROIX Group is an international technological equipment manufacturer determined to put its technical and industrial expertise to work building a connected, responsible world.

A 30% listed, 70% family-owned ISE, LACROIX Group combines the agility that is crucial for innovating in a constantly changing technological world with the capacity to industrialise robust, secure equipment and the long-term vision to invest and build the future.

LACROIX Group supplies secure, connected equipment used to manage Smart City infrastructures (public lighting, signage, traffic management, V2X) as well as water and energy infrastructures.

LACROIX Group also designs and manufactures electronics for its clients, particularly in the automotive, automation, aerospace, industry and healthcare sectors.

Drawing on its extensive experience and expertise, the Group is working with its clients and partners to forge a bridge between the world of today and the world of tomorrow. It is helping them build the industry of the future and seize the opportunities for innovation all around them, and providing them with the equipment for a smarter world.

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