

Annual results 2019-2020

Proven resilience in the face of the crisis

On course to making the most of recovery

LACROIX (LACR - FR0000066607), an international technological equipment manufacturer, presents its results for the financial year 2019/2020.

As a reminder, following the change in the closure date, the financial year ran for an exceptional period of 15 months, from 1 October 2019 to 31 December 2020. As a result, it is not directly comparable to the previous 12-month financial year ended 30 September 2019. For the purpose of better comparability and for information, this press release therefore presents certain financial aggregates on a 12-month pro forma basis (from 1st January to 31 December 2020).

<i>in millions of euros</i>	2019-2020 15 months	2018/2019 12 months	<i>Variation</i>	2019/2020 12 months pro forma	<i>Change</i>
	01/10/19 - 31/12/20	01/10/18 - 30/09/19		01/01/20 - 31/12/20	
Revenue	566.3	481.6	+17.6%	441.0	-8.4%
EBITDA	34.6	28.9	19.7%	26.1	-9.6%
as a % of revenue	6.1%	6.0%	+10bp	5.9%	-10bp
Current operating profit	20.1	20.8	-3.0%	14.4	-30.6%
as a % of revenue	3.6%	4.3%	-70bp	3.3%	-100bp
Operating profit	19.1	16.3	+16.8%		
Financial income	(1.7)	(1.0)	-62.2%		
Income taxes	(5.7)	(4.2)	-35.9%		
Consolidated net income	11.7	11.1	+5.4%		
Net income - Group share	11.0	10.6	+3.7%		

A turnaround in activity from the fourth quarter

After a start to the financial year driven by still robust activity with a first quarter up 7.6%, the growth momentum was logically stopped by the first national lockdown, impacting the end of the second quarter (-7.5% over the period from January to March) and especially the third quarter (-36.1% for the period from April to June).

With the gradual lifting of restrictive health measures, business has steadily recovered, demonstrating the resilience of the Group, which has made a rapid return to growth with increases of 1.8% and 2.2% respectively in the fourth and fifth quarters (compared to the previous year).

For the full 2019-2020 financial year (15 months, from 1 October 2019 to 31 December 2020), LACROIX recorded revenue of €566.3 million, up 17.6% on a reported basis. On a pro forma basis (12 months, from 1 January to 31 December 2020), the latter came to €441.0 million, down 8.4%, entirely in line with the target announced in spring 2020 (an expected fall of around 10%).

The upturn underway is all the more encouraging as it is driven by all the Group's activities:

- The Electronics Activity posted revenues of €355.2 million over 15 months, up 11.8% on a reported basis. On a 12-month pro forma basis, it fell by 13.3%, compared with a fall of 17.0% at the end of June 2020 (of which 43% in the third quarter alone), partially offset by a return to balance in the fourth and fifth quarters. The rebound was driven in particular by the automotive sector, while demand from the aeronautics sector, whose contribution to the division's activity did not exceed 8% before the crisis, remains strongly contracted for the time being.
- Boosted by new uses, the City Activity held up well with revenues on a 12-month pro forma basis down by a limited 6.2% and a return to growth from the fourth quarter (+0.4%), confirmed in the fifth quarter (+7.3%). Over 15 months, revenue for the activity was €125.3 million, up 19.8% on a reported basis.
- The Environment Activity also held up remarkably well with growth of 14.1% on a 12-month pro forma basis, driven by maintained sales momentum and the sound contribution of SAE IT Systems in the field of the Smart Grid (acquisition carried out in February 2019). On a reported basis, the 15-month revenues were up 44.9% to €85.8 million.

Vincent Bedouin, Chairman and CEO of LACROIX, *"While the health crisis has logically penalised us, forcing us to postpone achieving the objectives of our Ambition 2020 strategic plan, we are nonetheless very satisfied with the resilience demonstrated by all our activities, which have made a rapid turnaround. Our ability to ensure business continuity with our customers and the successful integration of our latest acquisitions have enabled us to cope with this unprecedented context. While the current situation still calls for caution, we are now ready to prepare for tomorrow's growth and set new ambitions."*

Strong resistance of results

EBITDA came to €34.6 million, up 19.7% on a reported basis, representing 6.1% of overall activity for the period.

On a reported basis, current operating profit came to €20.1 million, down by only 3.0% compared with 2018/2019. The current operating margin held up well with a limited drop of 70 basis points to 3.6%.

On a 12-month pro forma basis, current operating profit came to €14.4 million, down 1 point to 3.3% compared with 2018/2019. The measures immediately taken in the spring to protect the Group's financial fundamentals, as well as the marked recovery of all activities from the fourth quarter, made it possible to limit the impact of the crisis on operational profitability.

This resistance is especially noticeable in LACROIX's Environment Activity. The sharp rebound in activity recorded in the second half of the financial year, the tight control of the cost structure and the positive contribution of SAE IT Systems enabled the activity to maintain a high current operating margin.

Performance was more mixed for the Group's other two activities. The Electronics Activity showed a €6.9 million drop in current operating profit compared with 2019, which nevertheless remains positive at €2.5 million. The City Activity, for its part, showed a current operating loss of €1.8 million, entirely attributable to the effects of the health crisis.

Operating profit amounted to €19.1 million and included exceptional expenses that were significantly lower than those recorded for the 2018/2019 financial year (€1.0 million versus €4.4 million).

After taking into account financial income and tax expenses, the net income (Group share) remains positive at €11.0 million.

Strong Free Cash Flow generation of €30.8 million driven by the improvement in WCR

LACROIX posted a significant increase in its net cash flow from operations to €48.0 million compared to €6.3 million in 2018/2019. Beyond the extended duration of the financial year to 15 months, this strong performance comes from the improvement in WCR observed over the entire period, up by €21.7 million and which partly benefited from a recovery in fundamentals (deterioration of €15.7 million in the previous financial year) and an improvement in customer receipts at the end of the calendar year.

The Group also continued its investment programme in order to prepare for future growth and take full advantage of the upturn. As such, investments excluding financial investments and changes in scope, amounted to €17.2 million over the period, compared with €11.7 million in the previous year. €2.2 million are related to the 4.0 Symbiose factory project, the timetable for which is still on schedule despite the context. As a reminder, this new site, which receives financial support from BPI, is intended to achieve €100 million in turnover by 2027. Delivery is scheduled for the end of the year.

In total over the period, LACROIX generated €30.8 million in Free Cash Flow (excluding financial investments and excluding the impact of changes in scope).

Lastly, a State-guaranteed loan was obtained in June for €18.5 million. Over the period, debt improved significantly with a gearing ratio of 0.29 at 31 December 2020 compared to 0.54 at 30 September 2019.

With €54.4 million in cash at 31 December, the Group has a healthy financial position, ensuring it has solid means to finance its growth ambitions, whether organic or through acquisitions.

Dividend

A dividend of €0.68 per share will be proposed at the next General Meeting of Shareholders. This proposal includes a 20% reduction in the usual distribution rate to take into account the specific context of 2020.

Presentation of the new strategic plan on 7 April

While the signs of economic turnaround have been confirmed over recent months, LACROIX is fully operational and ready to return to a positive trajectory both in terms of growth and progression in its profitability.

The Group is also expected to continue to benefit from the significant contributions of its latest acquisitions, whether in industrial IoT and artificial intelligence with eSoftThings (acquisition carried out in July 2020) or in the buoyant Smart Grid market with SAE IT Systems (acquisition carried out in February 2019).

Given these encouraging prospects, new ambitions will be unveiled when the new strategic plan is presented on 7 April 2021. This plan will be an opportunity to share the strategic objectives and priorities that will drive the Group's development for the next five years.

Upcoming dates

Presentation of strategic plan: 7 April 2021 before market open

Revenue for the 1st quarter of 2021: 10 May 2021 after market close

See our financial information in our investor section

<https://www.lacroix-group.com/investors/>

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ABOUT LACROIX

Convinced that technology should contribute to simple, sustainable and safer environments, LACROIX enable its customers to build and manage smarter life ecosystems, thanks to useful equipment and technologies.

As a publicly-listed family-owned SME, LACROIX combines the essential agility required to innovate in an ever-changing technological sector with the ability to industrialise robust and secure equipment, cutting-edge know-how in industrial IoT solutions and electronic equipment for critical applications and the long-term vision to invest and build for the future.

LACROIX designs and manufactures its customers' electronic equipment, in particular in the automotive, home automation, aeronautical, industrial and health sectors. LACROIX also provides safe, connected equipment for the management of critical infrastructures such as smart roads (street lighting, traffic signs, traffic management, V2X) and the management and operation of water and energy systems.

Drawing on its extensive experience and expertise, the Group works with its customers and partners to build the connection between the world of today and the world of tomorrow. It helps them to create the industry of the future and to make the most of the opportunities for innovation that surround them, supplying them with the equipment for a smarter world.