

First half 2022 :
Solid growth in revenues : +32.8%
**Operating profitability resilient despite
a contrasted environment**
Confirmation of annual objectives
Continued execution of the LEADERSHIP 2025 strategic plan

<i>in millions of euros</i>	H1 2022	H1 2021	Change
Revenue	338.4	254.8	+32.8%
Current EBITDA	19.3	14.9	+29.7%
as % of revenue	5.7%	5.8%	-14bp
Current operating income	8.3	8.6	-3.7%
as % of revenue	2.4%	3.4%	-93bp
Operating income	7.3	8.2	-11.6%
Financial results	(3.0)	(0.1)	
Income taxes	(0.7)	(1.9)	
Consolidated net income	3.5	6.2	-43.0%
Net income, Group share	3.9	5.8	-32.2%

Buoyant half-year activity

In the first half of 2022, LACROIX recorded revenue of €338.4m, compared with €254.8m in the first half of 2021, a 32.8% growth driven by the integration of Firstronic and the passing on of additional costs linked to difficulties in the supply of electronic components. At constant scope, growth was 3.7% over the period.

Stable current EBITDA despite a contrasted environment
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Over the period, LACROIX's current EBITDA¹ was €19.3m, compared with €14.9m a year earlier, i.e. current EBITDA margin was virtually stable at 5.7% of revenue (-14 basis points compared with the margin for H1 2021).

This change in the Group's profitability reflects a contrasted situation: on the one hand, strong sales momentum, particularly in the Electronics and Environment activities, and the accretive impact of the Firstronic acquisition. On the other hand, the margin was penalized mainly by the dilutive effect of additional costs linked to components², operational inefficiencies or redesigns linked to supply difficulties, as well as the initial effects of the inflationary context of energy, transport and raw material prices, which were not fully passed on to customers. For these very same reasons, margin on current EBITDA was slightly down at 5.3% at constant scope.

Electronics activity

Benefiting from the integration of Firstronic, the Electronics activity recorded a 47.9% increase in revenue in the first six months of the year (+3.8% at constant scope) to €248.2m, compared with €167.8m in the same period of the previous year, benefiting in particular from the re-invoicing of excess supply costs.

Despite inflation and component supply pressures, current EBITDA for the Electronics activity in H1 2022 amounted to €11.9m (vs. €6.9m in H1 2021), an 71 basis point increase to 4.8% of revenue, notably due to the accretive impact of Firstronic.

City activity

Over the period, City activity's revenue amounted to €51.4m, compared with €52.6m for the comparable period, representing a very slight fall of 2.3% - the sluggish activity recorded in the Signaling and Traffic segments having been partially offset by strong performance in Public Lighting.

Profitability of the City activity deteriorated noticeably, penalized by the increase in raw material costs (particularly aluminum in the Signals Business Unit). Current EBITDA margin fell by €1.5 million over the half-year, to a loss of €0.9 million.

Environment activity

Lastly, driven by all its segments (Water, Heating Networks and Smart Grids), the Environment activity recorded half-year revenue of €38.8m, up 12.9% compared with H1 2021.

Activity's profitability fell slightly by 2.1 points to 21.1% (with current EBITDA of €8.2m in H1 2022 compared with €8.0m a year earlier), with price increases not yet covering all the additional costs. However, it remains very satisfactory, and above the 2025 objective (above 20%).

Change in operating profitability due to non-cash items

For the first half of 2022, LACROIX's current operating income is €8.3m, a limited decrease of €0.3m compared to the first half of 2021, representing 2.4% of revenue compared to 3.4% a year earlier - a change that is mainly explained by the change in current EBITDA as well as the impact of the amortization over 15 years of the intangible assets recognized at the time of the acquisition of Firstronic (\$2.9m per year).

¹ Recurring EBITDA is an alternative performance indicator. It is defined as current operating income adjusted for depreciation and amortization of property, plant and equipment, intangible assets and rights of use, and for share-based compensation expenses (IFRS 2) and/or the achievement of post-integration objectives of newly acquired entities.

² Revenue related to additional costs linked to components being passed on to customers carries zero margin, hence its dilutive impact on the Group's overall margin.

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For the first six months of the year, operating profit was down by €1.0m, mainly due to non-recurring expenses related to the move to the new Symbiose plant (€-0.7m).

Financial expenses were €3.0m, compared to €0.1m for the same period, mainly due to debts incurred for acquisitions and production investments. The comparable period also benefited from a €1.0m revaluation of non-consolidated shares.

Overall, the Group's share of net income for the first half of 2022 was €3.9m, compared with €5.8m for the first half of 2021.

A solid financial situation

As of June 30, 2022, the Group's shareholders' equity amounted to €184.6m compared to €180.4m as of December 31, 2021.

Net debt increased to €150.0m at June 30, 2022, compared to €102.9m at December 31, 2021 (i.e. a gearing of 81.3% at the end of June 2022 compared to 57.0% at the end of December 2021). This change is mainly due to the change in working capital requirements and the financing of significantly higher inventory, in connection with the component supply situation (building up of strategic reserves of components and slowing down of inventory turnover due to temporary shortages of components to complete production). During the period, the company also bought out minority interests in the Environment business in Germany.

Leadership 2025 : major advances

Within the framework of the Leadership 2025 strategic plan, focused in particular on international expansion and technological and industrial leadership, LACROIX continues to move forward, confirmed in its execution and all of its objectives with, in particular, the aim to reach, by 2025, €800m in sales with a current EBITDA margin of around 9%.

More particularly, the first half of 2022 was marked in particular by the process of integrating Firstronic in the United States, acquired at the very end of 2021, a major step in the international deployment of LACROIX. It is proceeding in line with the Group's expectations, which should result in purchasing synergies of up to \$1m as of 2022 (target of \$5m to \$7m by 2025) and commercial synergies with program gains of up to \$30m in revenue (target \$50m by 2025).

In this context and in order to consolidate and accelerate its strategic advances, LACROIX has also recently announced the reinforcement of its management line, with the appointment of a manager in charge of successfully integrating Firstronic and the deployment of all the Group's activities in North America, the appointment of a new manager in charge of continuing the execution of the strategic plan of the Electronics activity in the EMEA zone in terms of customer satisfaction and operational performance, and the arrival of a new General Manager of the LACROIX Design Center.

Finally, in direct connection with its Industry 4.0 strategic axis, LACROIX inaugurated its new Symbiose factory on 8 September. Symbiose is a true symbol of French industrial revival, and reflects the Group's determination to gain in competitiveness, and the adoption of a proactive approach to relocate and develop local know-how within the strategic national electronics sector, while keeping CSR at the heart of the project.

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Annual objectives confirmed

The second half of the year began in a more demanding environment, marked by persistent pressure on components and cost increases, which will continue to weigh on operating profitability.

Nevertheless, LACROIX is confident in its ability to deliver all of the 2022 financial objectives set in March: growth of more than 30% in revenue and at a minimum, stability of the current EBITDA margin. These objectives translate into revenue of more than €650m, to which should be added the impact of the rise in the dollar, estimated at between €10m and €15m, and a current EBITDA margin equal or greater than 6.2%.

Driven by a still strong demand for its solutions in all its activities, LACROIX should thus continue to benefit from a sustained rate of order intake. The Group will also benefit from favourable seasonality, from the continued passing on of cost increases to customers and from the ramping up of its new Symbiose electronics plant following the move.

The Group is thus reaffirming its confidence and ability to weather current economic headwinds without jeopardizing the long-term performance trajectory demonstrated in recent years.

Upcoming events

Q3 2022 revenue: November 7, 2022 after the close of trading

Tech Day: November 24, 2022

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

About LACROIX

Convinced that technology should contribute to making our living environments simpler, more sustainable and safer, LACROIX supports its customers in the construction and management of intelligent living ecosystems, thanks to connected equipment and technologies.

As a publicly-listed family-owned mid-cap, LACROIX combines the essential agility required to innovate in an everchanging technological sector with the ability to industrialize 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 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 infrastructure 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.

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