LACROIX

PRESS RELEASE

28/09/2023

First-half 2023 :

Sustained revenue growth (+14.6%)

Resilient profitability in an inflationary environment: Operating income up 11.2% Strong growth in net income: +44.1%

Confirmation of annual targets despite more uncertain conditions in North America

Leadership 2025 plan remains on course

In millions euros	**H1 2023**	H1 2022	**Change**
Revenue	**387,8**	338,4	**+14,6%**
Current EBITDA	**20,7**	19,3	**+7,1%**
As % of revenue	**5,3%**	5,7%	**-38 pb**
Current operating income	**8,8**	8,3	**+6,0%**
As %of revenue	**2,3%**	2,4%	**- 18 pb**
Operating income	**8,1**	7,3	**+11,2%**
Financial results	**(3,7)**	(3,0)	
Income taxes	**0,2**	(0,7)	
Consolidated net income	**4,6**	3,5	**+29,2%**
Net income, Group share	**5,6**	3,9	**+44,1%**

Strong half-year sales growth

In the first half of 2023, LACROIX recorded a revenue of 387.8 million euros (M€), up 14.6%. This sustained increase, achieved entirely through organic growth, is the result of strong sales momentum and a normalization of supply conditions for electronic components, combined with a favorable base effect in the first quarter of 2023.

At constant exchange rates, Group sales growth came to 14.2% for the first six months of the year.

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Occasional slowdown in operating profitability linked to business mix

Over the period, LACROIX's recurring EBITDA[1] came to €20.7 million, compared with €19.3 million a year earlier, representing a recurring EBITDA margin of 5.3% (-38 basis points compared with the first half of 2022). This decline in operating profitability reflects the change in the business mix, with the Electronics division making a strong contribution to the increase in half-year sales.

Electronics Activity

At €294.9 million over the period, the Electronics division posted sustained growth of +18.8%, despite the shortfall in earnings (in the order of €4-5 million) caused by the temporary shutdown of three sites following the cyber attack in May. The Industry, Automotive and Avionics sectors benefited from buoyant customer demand and the introduction of numerous new programs.

Recurring EBITDA for the Electronics division came to €13.6 million, compared with €11.9 million a year earlier. The margin rate, at 4.6% (vs. 4.8%), was impacted by higher energy costs and wage inflation not fully passed on to customers. The latter was amplified by the impact (-1.3 M€) at LACROIX Electronics North America of the strong appreciation of the Mexican peso.

City Activity

City revenue rose by 4.3% in the first half, to €53.66 million. It is still driven by the excellent performance of the Street Lighting business unit (+28% over the half-year), which is benefiting from increased energy-saving requirements, both in France and internationally, where execution of the Belgian contract to modernize the road infrastructure in Flanders continues.

After a loss of €0.9m in the first half of 2022, the current EBITDA margin of the City business has returned to breakeven. This is the result of the action plans put in place, combined, particularly in the Road Signs segment, with the gradual application of price revision formulas for multi-year contracts in a context of more normal raw material procurement prices.

Environment Activity

With a revenue of €39.3m, the Environment activity rose by 1.2% in the first half, thanks to an acceleration in the second quarter (+5.9%) driven by all segments, including Smart Grids and Smart Water in international markets.

Recurring EBITDA came in at €7.6 million, compared with €8.2 million a year earlier, underlining the investment in people and R&D to support business growth (capital expenditure), while maintaining a consistently high margin of 19.4% for the first half of 2023.

Group share of net income up 44.1%

After taking into account the increase in depreciation and amortization, in particular the + 0.4 M€ related to the construction of the Symbiose plant, LACROIX's operating income recurring came to 8.8 M€ for the period, representing a revenue of 2.3%, i.e. an almost stable margin rate (2.4% in the first half of 2022). Operating income rose by 11.2% to €8.1 million.

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[1] [1] Current EBITDA is an alternative performance indicator, defined as current operating income plus allowances for amortizations of tangible and intangible assets and those relating to rights of use, as well as compensation expenses relating to shares (IFRS 2) and/or the achievement of post-integration objectives for newly acquired entities.

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Consolidated net income (+29.2% to €4.6 million) includes a positive tax balance (+€0.2 million) resulting from the capitalization of deferred taxes. The increase in minority interests boosted net income, Group share, to €5.6 million at the end of the first half of 2023, compared with €3.9 million a year earlier, a sharp rise of 44.1%.

A sound financial position

With the inclusion of net income for the year, shareholders' equity increased from €193.9m at the end of 2022 to €195.9m at June 30, 2023. At the same time, the Group's net debt has risen from €138.8 million to €144.8 million, making gearing virtually stable at 74% (versus 72% at end 2022). This level remains well below the 80% ceiling announced as part of Leadership 2025.

Despite the sharp rise in sales, WCR remain under control (-5.4 M€), reflecting contrasting situations: inventories are up in the City and Environment activities, in line with unfavorable seasonality, but down for the Electronics activity, after the overstocking in 2022 caused by supply tensions.

Targets confirmed despite more uncertain conditions in North America

Following a solid first half, marked by buoyant sales and resilient profitability, the second half of the year opened in an environment that was both rich in opportunities and more constrained.

LACROIX enjoys good visibility in the vast majority of its businesses, thanks to sustained demand for its solutions and equipment. Growth drivers remain clearly identified in the City and Environment businesses. The former is benefiting from very favorable trends in Street Lighting, as well as an upturn in projects in the Traffic division. The latter has a healthy order book, thanks to continued strong momentum in Smart Grids (including HVAC) and in the international water sector.

The Electronics business, meanwhile, is benefiting from the marked improvement in supply conditions since the second quarter of 2023. In EMEA, where the full impact of the cyber-attack is expected to be recouped in the second half of the year, it remains buoyed by dynamic demand from the Industry and now Avionics markets, where the recovery that began in late 2022 looks set to last. Despite an expected slowdown in H2 in the automotive and HBAS segments, the Group anticipates solid sales and operating performances for the Electronics activity in EMEA in the second half of 2023.

However, LACROIX Electronics North America (ex-Firstronic) is currently facing a combination of various factors . The business is facing rising costs, particularly wage costs, linked to the strong appreciation of the Mexican peso, and a loss of productivity, resulting from the near-saturation of production capacities. LACROIX has addressed this situation by deploying an action plan that includes the opening of a second plant in Juarez (Mexico) in the first quarter of 2024.

In addition, the current labor unrest at three major American automakers reduces visibility on the evolution of automotive demand across the Atlantic in the 2nd half of the year.

In the meantime, the Group remains confident in its ability to achieve its financial targets for 2023. Revenue is still expected to exceed €750 million on a like-for-like basis, i.e. an increase of at least 6%. In terms of profitability, the target of recurring EBITDA in excess of 50 M€ remains achievable, albeit conditional on confirmation of customer demand at LACROIX Electronics North America.

In the longer term, the Group intends to stay on track with the objectives set out in its Leadership 2025 plan. In markets driven by lasting trends (increasing electronic usage, environmental demands, relocation of production, etc.), LACROIX remains confident in its ability to pursue its strategy of increasing value by strengthening its technological leadership, strategic geographic positions and industrial efficiency.

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The Group thus confirms all the financial targets announced for 2025, in particular regarding the revenue (€800 million) and EBITDA margin (around 9%).

Upcoming events

Q3 2023 revenue: November 7, 2023 after the market closes

Find more financial information in the Investor's Zone

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

About LACROIX

Convinced that technology should contribute to simple, sustainable, and safer environments, 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, with a turnover of €708 million in 2022, LACROIX combines the essential agility required to innovate in an ever-changing 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 its customers' electronic equipment, as well as IoT (hardware, software, and cloud) and AI solutions, for the automotive, industrial, smart home and building, avionics and defense, and healthcare sectors. The Group also provides connected and secure equipment and solutions to optimize the management of critical infrastructures such as smart roads (street lighting, traffic management, V2X and traffic signs) and the remote control of water and energy infrastructures.
Drawing on its extensive experience and expertise, LACROIX 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 and solutions for a smarter world.

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