Press release

Saint-Herblain, 30 June 2020

First semester 2019-2020
Activity remains stable and EBITDA resilient, despite the impact of the health crisis

LACROIX Group (LACR - FR0000066607), an international technological equipment manufacturer, presents its results for the first half of 2019-2020 (period from 1 October 2019 to 31 March 2020). These results have undergone a limited review by the statutory auditors.

	HY1 2018-2019	**HY1 2019-2020**
Revenue	239.0	238.7
EBITDA (1) *As % of revenue*	12.1 *5.1%*	12.3 *5.2%*
Operating profit *As % of revenue*	8.1 *3.4%*	6.3 *2.6%*
Operating profit	7.3	6.2
Net financial income	(0.2)	(0.5)
Taxes and duties	(1.8)	(2.4)
Net income - group share	5.2	2.9

(1) EBITDA corresponds to recurring operating income plus depreciations on tangible and intangible fixed assets (including, where applicable, on those recognised under a business combination), and the IFRS 2 "share-based payment" (non-cash) expense

A solid growth trajectory interrupted in March

In respect of the first half-year 2019-2020 (1 October 2019 to 31 March 2020), LACROIX Group recorded turnover of €238.7 M, remaining stable compared to the same period in financial year 2018-2019. At constant scope, the business shows a downturn of 3.6%.

After an increase of 7.6% for the first quarter and a growth trajectory superior to 6% for January-February, fully in line with expectations, the health crisis has led to a significant and rapid downturn in business from March onwards.

This impact is reflected in the evolution of revenue for the second quarter, which is in decline by 7.5% in comparison to the same period 2018-2019. The Group therefore estimates business losses in relation to this exceptional crisis at about €17 m by the end of March.

Over the semester, LACROIX Electronics records turnover for €155.8 m, a drop of 4.3%. After growth at the start of the period, reflecting the resumption of activity in Poland and the return to normal operating conditions in Tunisia, the second quarter shows a drop in turnover of 12.9%, integrating total or partial site closures imposed by lockdown and lower order volumes, particularly in the avionics and automotive sectors.

For LACROIX City, activity is holding up better with half-year turnover slipping by 2.3% (-3.5% at a constant scope) to €48.9, including a second quarter in decline by 3.2%.

Finally, for LACROIX Environment, half-year turnover amounts to €33.9 m, an increase of 30.1% as a result of the integration of SAE-IT Systems purchased in February 2019. At constant scope, growth for this activity emerges at 1.6% for the entire semester.

In response to this unprecedented situation, rapid measures, as detailed in the communications of 25 March and 12 May 2020, were taken to protect staff safety and to ensure, as much as possible, continuity of business for clients. Among these measures, we recall the partial or complete closure of all the Group’s industrial sites in France and abroad, in Tunisia.

Decisions were also made in order to secure funding and limit the impact on cash flow: cost reduction efforts, partial unemployment, deferral of social security contributions and bank repayments.

All these measures were taken with a concern not to sacrifice the Group’s ability to bounce back. The R&D work plan has been upheld. And with regard to the Symbiose project for the construction of a future electronics factory in France, the timetable for opening in late 2021 remains valid.

Results automatically penalised by the sharp downturn in activity

As expected, the sharp downturn in activity has had an automatic effect on the results for the period.

EBITDA remains good at €12.3 M compared to €12.1 M in the first half-year 2018-2019, representing 5.2% of turnover, and benefiting in particular from the first application of IFRS 16 on 31/03/2020.

Recurring operating income, on the other hand, slipped to €6.3 M, against €8.1 M in the first half-year 2018-2019. This development is logically explained by an expenses structure in place to support the dynamic of growth suddenly interrupted by the impact of the crisis on all activities. As such, despite the initial effects of the measures taken in response to this exceptional context (holidays, short-time working), staff costs represent 27.2% of revenue for the half-year as opposed to 25.8% for the same period in 2018-2019. In addition to proactive organisational strengthening, the development of staff costs in the half-year also reflects the integration of SAE-IT Systems teams over six months, as opposed to two months in the first half-year 2018-2019 (€2.3 M) and the impact of the employee shareholding scheme implemented in February 2020 (€0.5 M).

In the LACROIX Electronics activity, recurring operating income comes to €1.9 M, as opposed to €4.3 M in the first half-year 2018-2019. LACROIX City recorded a negative recurring operating income of €2.4 M, against a loss of €2.0 M compared to the same period in 2018-2019. Finally, despite the exceptional context, LACROIX Environment continued its excellent performance, with recurring operating income of around €8.6 M (25% of turnover) compared to €6.7 M in the first half-year 2018-2019, an increase of 28.7%. This development benefits from the contribution of SAE-IT Systems over 6 months (as opposed to 2 months in 2019) which continues to show double-digit operating profitability.

In total, operating income comes to €6.3 M, as opposed to €8.1 M in the first half-year 2018-2019. After taking account of financial income and tax, the Group share of net income stands at €2.9 M, against €5.2 M for the first half-year 2019.

New objectives for the financial period

In response to the exceptional impact of the crisis and reduced visibility, as of March the Group had suspended its objectives for the current financial period, the final year of its 2016-2020 strategic plan.

Since the gradual reopening of all its industrial sites, the Group has observed encouraging signs of the resumption of its activities. In this way, whereas turnover slipped by more than 60% in the month of April, the decline in activity amounted to - 40% in the month of May. In view of these factors, and despite still significant uncertainties, a gradual improvement in activity during the coming months can now be envisaged. The return to a normalised situation is not however expected before the end of 2020.

Under these conditions, the Group anticipates a drop of around 10% in its revenue for the whole financial year, with a recurring operating margin of over 2%.

Renewed confidence in the future

Beyond the current financial period, LACROIX Group holds renewed confidence in its ability to quickly regain its performance trajectory.

This confidence is built upon strong fundamentals and the benefits of the far-reaching transformation initiated in recent years:

- Three activities central to the new technological needs of industry and managers of critical infrastructure in roads, energy and the environment.
- A solid and diverse client base.
- A strengthened competitive position and a significant portfolio of onboard orders, with recent acquisitions of new clients and new projects which will support future growth.
- A solid financial situation (€30 M cash at the end of March, unused medium-term credit lines of €4.5 M) enabling us to get through the crisis and to seize new acquisition opportunities in the future, something which the Group has continued to actively monitor. This situation has been further strengthened by obtaining a loan guaranteed by the state (PGE) for an amount of €18.5 M, concluded on 24 June.

Drawing on these strengths, all the teams at LACROIX Group stand ready to work on a new strategic plan.

Proposal to change the closure date to 31 December

LACROIX Group will propose, at the Extraordinary General Meeting on 28 August, a change of the closure date of its financial year, bringing it from 30 September to 31 December. If this proposal were to be approved, the current financial year would therefore have an exceptional duration of 15 months, from 1 October 2019 to 31 December 2020.

Traditionally, the Group's activity was concentrated mainly on public clients who, at the time, could have significant seasonality effects, making 31 December rather unsuitable as the annual account closure date. The portfolio has since changed greatly and an alignment of closure dates with key clients would enable a higher quality of exchanges and budgetary preparation. With regard to investors, this change would also enable a better analysis of the Group's performance compared to comparable companies, and would facilitate legibility of the timetable for communications and periodical announcements. Finally, this modification would provide the Group with an additional three-month post-COVID hold-off period in which to refine its recovery prospects and consolidate preparation of the new 2020-2025 strategic plan, which would then be presented in April 2021.

ABOUT LACROIX Group

LACROIX Group is an international technological equipment manufacturer, aiming to serve a connected and responsible world with its technical and industrial excellence. As a listed family-run SME, LACROIX Group combines the essential agility required to innovate in an ever-changing technological sector with the industrial capacity to produce robust, secure equipment and the long-term vision to invest and build for the future.

LACROIX Group designs and manufactures electronics equipment for its clients' products, particularly in the automotive, home-automation, avionics, industrial and healthcare fields. LACROIX Group 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 build 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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