

Media Release

Successful first half of 2020/21 for Schaffner Group

Luterbach, 6 May 2021 – In the first six months of the 2020/21 financial year, the Schaffner Group was able to take advantage of the economic recovery thanks to its solid position in its core markets and its successfully implemented projects. The automotive sector in particular, but also customers in industry, provided the stimulus for growth. With new orders of CHF 95.0 million and net sales of CHF 88.1 million, Schaffner was able to increase volumes – despite the Power Quality division focusing on key customers. Profitability saw a marked increase of 7.2 percentage points, achieving an EBIT margin of 8.0% and an EBIT of CHF 7.0 million. The Power Magnetics division will be sold following the successful turnaround; the corresponding contract was signed in mid-April. The Schaffner Group will focus on its core business of EMC solutions for promising industrial markets and e-mobility.

The first half of the 2020/21 financial year was characterised by the solid recovery of business operations in the Schaffner Group's core markets. Order intake from the industrial markets experienced continuous growth, which has actually intensified in recent months. In the automotive sector, following the COVID-19-related slowdown, a swift recovery began in autumn 2020, driven in particular by e-mobility. Only the railway and energy supply sectors continued to be characterised by cautious investment behaviour. During the reporting period, the restrictions imposed due to the pandemic affected Schaffner only to a limited extent. The Group was fully operational and was able to maintain delivery readiness at all times.

Significant increase in profitability

The Schaffner Group is reporting net sales of CHF 88.1 million for the first half of the 2020/21 financial year. This equates to a growth of 2.4% compared to the first half of the 2019/20 financial year; in local currencies, this is an increase of 3.8%. New orders totalled CHF 95.0 million. With order growth of 14.0% in the EMC division and 51.2% in the Automotive division, core business has seen some extremely positive and encouraging developments.

On account of the successful expansion of the business with higher-margin products and solutions, overall higher capacity utilization at the plants and the full effects of the structural adjustments introduced in the previous year, Schaffner was able to significantly improve profitability. The focus of the Power Quality unit on strategic key customers led, as expected, to a slight decline in sales, but also contributed to the improvement in profitability. The EBIT of CHF 7.0 million corresponds to an EBIT margin of 8.0%, compared to a margin of 0.8% in the same period the year before. The Group's net profit for the first half of the 2020/21 financial year was CHF 4.6 million.

Higher free cash flow, strong balance sheet

The Schaffner Group is reporting a positive free cash flow of CHF 11.2 million for the first half of the 2020/21 financial year, following a negative free cash flow of CHF -6.5 million in the same period the year before. In addition to higher profitability, this is also due to the fact that investments were back to normal levels after extensive investments were made in the previous year's period to expand production capacities for newly won orders. Thanks to the tight management of accounts receivable and stock, net working capital was reduced by 10.3%. The Schaffner Group is in a very solid financial position. Net debt was further reduced by CHF 10.2 million. By the end of the period, shareholders' equity totalled CHF 63.2 million, which corresponds to an equity ratio of 44.7%.

EMC division sees significant margin increase

Underpinned by its leading role in the field of electromagnetic compatibility, the EMC division benefited in the first half of the 2020/21 financial year from the recovery of the industrial markets and the ramping up of projects that had been recently won and recorded strong order growth. Although a proportion of sales was lost as a result of the restructuring of Power Quality, the EMC division still managed to increase net sales to CHF 48.3 million, which corresponds to an increase of 3.2% or 4.1% in local currencies. Thanks to better capacity utilisation at the production plants and the restructuring of Power Quality, the EMC division managed to increase the segment EBIT to CHF 7.1 million. The EBIT margin was hence increased from 8.3% in the year before to 14.6%.

Growth spurt in the Automotive division

Supported by the recovery in the automotive sector, which was driven primarily by strong growth in e-mobility, the Automotive division has managed to significantly grow its business. In addition to ramping up projects that had been recently won, Schaffner was able to execute additional special projects for automotive manufacturers. The Automotive division increased net sales in the first half of the 2020/21 financial year by 33.2% to CHF 21.8 million. Successfully expanding the product portfolio with filter solutions and magnetic components meant that the proportion of products relating to e-mobility in the segment's sales was further increased to 34%. The segment EBIT reached CHF 2.2 million, which corresponds to an EBIT margin of 9.9%.

Power Magnetics division to be sold following turnaround

Over the first six months of the financial year, the Power Magnetics division continued to face COVID-19-related cautious investment behaviour in the railway and energy supply sectors. An improvement was only evident towards the end of the reporting period. Net sales of the Power Magnetics division fell in the first half of the 2020/21 financial year by 21.3% to CHF 17.9 million. In local currencies, this decline was 18.0%. Despite low volumes, the gross margin was further improved, meaning that the Power Magnetics division achieved a positive EBIT of CHF 0.4 million, which corresponds to an EBIT margin of 2.0%.

In view of low synergies with the core business, the Power Magnetics Division will be sold to the Swedish AQ Group after the successful turnaround. The divestment will be made at an enterprise

value of CHF 22.4 million and is expected to be closed towards the end of the second quarter of 2021. The transaction will result in a one-time cash-neutral goodwill recycling¹ of CHF 14.9 Mio. The Schaffner Group will focus on its core business of EMC solutions for industrial markets and for e-mobility and invest the funds resulting from the sale into the expansion of these activities.

Confident outlook

The Schaffner Group assumes that the recovery of the overall economy and the positive trend in its core markets will continue in the second half of the 2020/21 financial year. Demand for products and solutions for industrial markets is likely to remain high. In the automotive sector, Schaffner expects to see further dynamic development both in terms of existing core business and the ramping up of new projects. The investment environment in the rail and electrical infrastructure sectors is also expected to improve, from which Schaffner will benefit.

In view of this, the Schaffner Group expects to generate net sales of at least CHF 170 million in fiscal 2020/21. This corresponds to growth in core business of almost 15%. With regard to the Power Magnetics division, this forecast takes into account net sales for the first nine months as the divestment is expected to be closed towards the end of the current quarter. The volumes in the second half of the year will ensure that Schaffner can maintain profitability at a good level. A slight negative impact is likely to be felt on account of increases in prices of raw materials and logistics costs. The Schaffner Group expects to achieve a double-digit EBIT margin in the second half of the year. This will further improve the EBIT margin before goodwill recycling for the full year 2020/21 compared to the first six months.

¹ In accordance with Swiss GAAP FER 30, Schaffner has in the past offset goodwill from acquisitions against equity. The accounting rules of Swiss GAAP FER require that, in the event of a disposal of a business unit, the related goodwill is recycled through the income statement. In this context, Schaffner expects due to the sale of the Power Magnetics Division a one-time cash-neutral expense of CHF 14.9 million as goodwill recycling. The Schaffner Group's equity will not be affected by the goodwill recycling.

Key financials of the Schaffner Group

For the first six months (1 October to 31 March)

Group in CHF '000	H1 2020/21	H1 2019/20	Change
New orders	94,978	91,257	4.1%
Net sales	88,096	86,008	2.4%
Operating profit (EBIT)	7,016	702	899.6%
<i>in % of net sales</i>	<i>8.0%</i>	<i>0.8%</i>	<i>n/a</i>
Net profit for the period	4,566	556	720.6%
<i>in % of net sales</i>	<i>5.2%</i>	<i>0.6%</i>	<i>n/a</i>
Number of employees (Headcount)	2,112	2,330	-9.4%
Segment reporting in CHF '000			
EMC division			
New orders	59,631	52,330	14.0%
Segment sales	48,339	46,855	3.2%
Segment operating profit	7,076	3,888	82.0%
<i>in % of segment sales</i>	<i>14.6%</i>	<i>8.3%</i>	<i>n/a</i>
Automotive division			
New orders	22,449	14,846	51.2%
Segment sales	21,834	16,392	33.2%
Segment operating profit	2,164	-941	
<i>in % of segment sales</i>	<i>9.9%</i>	<i>-5.7%</i>	<i>n/a</i>
Power Magnetics division			
New orders	12,898	24,080	-46.4%
Segment sales	17,922	22,761	-21.3%
Segment operating profit	354	33	957.6%
<i>in % of segment sales</i>	<i>2.0%</i>	<i>0.1%</i>	<i>n/a</i>
Consolidated balance sheet in CHF '000			
	31.3.2021	30.9.2020	
Total assets	141,273	136,191	10.3%
Shareholders' equity	63,151	55,511	10.9%
<i>in % of total assets</i>	<i>44.7%</i>	<i>40.8%</i>	<i>n/a</i>
Key share figures			
	31.3.2021	30.9.2020	
Number of shares	635,940	635,940	n/a
Net profit for the period per share in CHF	7.21	0.88	722.3%
Shareholders' equity per share in CHF	99.30	87.29	10.9%

Annual report

You can access and download the half-year report 2020/21 of Schaffner Holding AG using [this link](#).

Presentation

You can access and download the presentation on the 2020/21 half-year results via [this link](#).

Analyst and media conference

Today May 6, 2021, at 10:00 a.m. (CET), Schaffner Holding AG will host a conference call and a live audio webcast for media and analysts (in German).

Conference call

To participate in the conference call, please register [here](#). You will then immediately receive an e-mail with the dial-in number. Please dial in 5 to 10 minutes before the scheduled start of the call.

As a participant in the conference call, you can follow the presentation [here](#).

Audio webcast

The presentation will be broadcast as a [live audio webcast](#). A recording will be available afterwards at the same [link](#).

Contact

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Financial calendar

7 December 2021	Publication of annual results 2020/21
11 January 2022	26 th Annual General Meeting

Schaffner – Shaping Electrical Power

The Schaffner Group is a global leader in solutions that ensure the efficient and reliable operation of power electronic systems by shaping electrical power. The Group's portfolio includes EMC filters, power magnetic components, power quality filters and the related services. For the automobile industry, Schaffner develops and manufactures components for antennas for keyless authentication systems, and filter solutions for hybrid and electric vehicles and their charging infrastructure. Schaffner components are also deployed in electronic motor controls, rail technology applications, machine tools and robots, electrical infrastructure, power supplies for electronic devices, and wind power and photovoltaic systems. Headquartered in Switzerland, Schaffner serves its customers globally through its engineering and manufacturing centers in Asia, Europe and North America.