



Half-Year Report

**2020/21**

# Dear shareholders

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 and is set to have a positive impact on sales over the next few 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, and only in the last few months have there been any signs of recovery.

During the reporting period, the restrictions imposed due to the pandemic affected Schaffner only to a limited extent. The Group remained fully operational at all times and, bearing in mind that stricter safety measures had to be introduced for employees, the same service level was still consistently achieved. Challenges were faced in global logistics due to longer shipping times and, in some cases, significantly higher costs.

The streamlining of the Power Quality division announced in summer 2020 was successfully implemented. As expected, the focus on strategic key customers led to a slight decrease in sales but a significant improvement in profitability.

## 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, which corresponds to a book-to-bill ratio of 1.08. 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 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.

## Mixed regional development

In the first half of the 2020/21 financial year, the Schaffner Group managed to significantly grow its business in its most important market area of Europe and increase regional net sales by 16%. This strong growth was mainly due to very solid developments seen across the automotive sector. In the Asia region, which had recovered early, Schaffner managed to increase net sales during the reporting period by 4%.

In the Americas, the smallest region in terms of net sales, business was heavily affected by a reluctance to invest in the electrical infrastructure sector, which is why volumes fell by 25%.

### **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. There are several reasons for this significant improvement: increased profitability is the main factor, followed by investments returning to their normal level after extensive investments had been made in the same period the year before in order to expand production capacity for contracts that had been recently won. Thanks to the tight management of trade 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 over the reporting period 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 in Europe and Asia. In the Americas, in local currencies, volumes were maintained.

During the reporting period, the EMC division achieved net sales of 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 same period the year before to 14.6%.

### **Growth spurt in the Automotive division**

Underpinned 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 individual 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%. In Europe, the Automotive division achieved a real boost in sales, registering growth of 60%. The focus on Europe and the strong market position have thus paid off. 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. Although the pipeline of projects on offer could be expanded, orders arrived only sparsely or were postponed. An improvement was only evident towards the end of the reporting period. The decline in volumes was particularly prevalent in the USA. The Asia region managed to maintain volumes in line with the previous year.

The net sales of the Power Magnetics division fell in the first half of the 2020/2021 financial year by 21.3% to CHF 17.9 million. In local currencies, this decline is 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%.

Following a thorough review of all strategic options, the Board of Directors of the Schaffner Group has decided to sell the Power Magnetics division, following the successful turnaround, to the Swedish AQ Group. The decision was taken because Power Magnetics has almost no synergies with the Schaffner Group's core business. The AQ Group, which, among other things, manufactures electrical components and systems, can offer the Power Magnetics division and its employees better development prospects. 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 recycling<sup>1</sup> 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 industry as a whole, both customers and distributors are currently increasing stock levels in order to avoid any shortages of components. 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. Schaffner is also continuing to

work on numerous projects with automotive manufacturers and suppliers for EMC filters for future e-mobility platforms as well as for antennas for keyless authentication systems. The investment environment in the rail and electrical infrastructure sectors is also expected to improve, from which Schaffner will benefit.

Based on the positive developments in its core markets, the Schaffner Group expects net sales for the 2020/21 financial year of at least CHF 170 million. This corresponds to growth in core business of almost 15% compared to the previous year. 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.



**Urs Kaufmann**  
Chairman of the Board



**Marc Aeschlimann**  
Chief Executive Officer

<sup>1</sup> 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.

As a result of rounding, minor variances in calculated sums and percentages are possible in this annual report.

This English version of the Schaffner Group half-year report is a translation from German and is provided solely for readers' convenience. Only the German version is binding.

# Consolidated balance sheet

In CHF '000	31.3.2021	30.9.2020
Intangible assets	1,009	981
Property, plant and equipment	33,524	32,986
Other non-current financial assets	1,040	1,011
Deferred tax assets	7,431	8,465
<b>Total non-current assets</b>	<b>43,004</b>	<b>43,443</b>
Prepaid expenses and deferred income	1,928	1,036
Inventories	32,824	31,602
Other current financial assets	2,084	2,020
Other receivables	2,718	2,892
Trade receivables	33,330	32,907
Cash and cash equivalents	25,385	14,219
<b>Total current assets</b>	<b>98,269</b>	<b>84,676</b>
<b>Total assets</b>	<b>141,273</b>	<b>128,119</b>
Exchange differences	- 18,389	- 21,769
Retained earnings	31,993	28,280
Treasury shares	- 810	- 608
Share premium	29,689	30,380
Share capital	20,668	20,668
<b>Total shareholders' equity</b>	<b>63,151</b>	<b>56,951</b>
Deferred tax liabilities	300	312
Non-current provisions	4,410	4,498
Non-current borrowings	35,186	34,374
<b>Total non-current liabilities</b>	<b>39,896</b>	<b>39,184</b>
Accrued expenses	8,479	9,772
Current provisions	1,269	1,367
Other payables	3,874	4,439
Trade payables	23,860	15,772
Current borrowings	232	222
Derivatives	512	412
<b>Total current liabilities</b>	<b>38,226</b>	<b>31,984</b>
<b>Total liabilities</b>	<b>78,122</b>	<b>71,168</b>
<b>Total liabilities and shareholders' equity</b>	<b>141,273</b>	<b>128,119</b>



# Consolidated income statement

In CHF '000	H1 2020/21	H1 2019/20
<b>Net sales of goods and services</b>	<b>88,096</b>	<b>86,008</b>
Cost of sales	- 59,966	- 63,151
<b>Gross profit</b>	<b>28,130</b>	<b>22,858</b>
Marketing and selling expense	- 7,746	- 8,643
Research and development expense	- 8,225	- 8,458
General and administrative expense	- 5,142	- 5,055
<b>Operating profit (EBIT)</b>	<b>7,016</b>	<b>702</b>
Financial result	- 1,322	192
<b>Profit before tax (EBT)</b>	<b>5,694</b>	<b>894</b>
Income tax	- 1,128	- 338
<b>Net profit for the period</b>	<b>4,566</b>	<b>556</b>
<b>Earnings per share in CHF</b>		
Basic	7.21	0.88
Diluted	7.21	0.88

# Condensed consolidated cash flow statement

In CHF '000	H1 2020/21	H1 2019/20
<b>Cash flow from operating activities</b>	<b>13,926</b>	<b>313</b>
Purchase of property, plant and equipment	- 2,728	- 6,811
Purchase of intangible assets	- 198	- 207
Change in current financial assets	100	329
Other investing activities	216	180
<b>Cash flow from investing activities</b>	<b>- 2,610</b>	<b>- 6,509</b>
Repayment of excess share premium	- 1,266	- 3,173
Changes in treasury shares	- 602	340
Proceeds from borrowings	1,226	8,213
Other financing activities	- 110	- 104
<b>Cash flow from financing activities</b>	<b>- 752</b>	<b>5,276</b>
Effect of exchange rates on cash and cash equivalents	601	- 597
<b>Change in cash and cash equivalents</b>	<b>11,166</b>	<b>- 1,516</b>
Cash and cash equivalents at 1 October	14,219	18,013
Cash and cash equivalents at 31 March	25,385	16,497

## Consolidated statement of changes in equity

In CHF '000	Share capital	Share premium	Cumulative exchange differences	Retained earnings	Treasury shares	Total share-holders' equity
<b>At 1 October 2019</b>	<b>20,668</b>	<b>31,912</b>	<b>- 15,882</b>	<b>27,329</b>	<b>- 800</b>	<b>63,227</b>
Net profit for the period				556		556
Exchange differences			- 5,191			- 5,191
Treasury share transactions		- 41			489	448
Repayment of excess share premium		- 1,586		- 1,587		- 3,173
Share option plans and restricted share plans				- 356		- 356
<b>At 31 March 2020</b>	<b>20,668</b>	<b>30,285</b>	<b>- 21,073</b>	<b>25,943</b>	<b>- 311</b>	<b>55,511</b>
<b>At 1 October 2020</b>	<b>20,668</b>	<b>30,380</b>	<b>- 21,769</b>	<b>28,280</b>	<b>- 608</b>	<b>56,951</b>
Net profit for the period				4,566		4,566
Exchange differences			3,381			3,381
Treasury share transactions		- 58		- 342	- 202	- 602
Repayment of excess share premium		- 633		- 633		- 1,266
Share option plans and restricted share plans				122		122
<b>At 31 March 2021</b>	<b>20,668</b>	<b>29,689</b>	<b>- 18,389</b>	<b>31,993</b>	<b>- 810</b>	<b>63,151</b>

# Notes

## 1 Accounting policies

The unaudited consolidated financial statements of the Schaffner Group for the first half of the fiscal year were prepared in accordance with Swiss GAAP FER 31 "Additional recommendations for listed companies." As these interim financial statements represent an update of the consolidated annual financial statements for the year that ended on 30 September 2020, they should be read in conjunction with those annual financial statements.

The consolidated financial statements for the six months that ended on 31 March 2021 were approved by the Board of Directors of Schaffner Holding AG on 29 April 2021 and released for publication.

## 2 Change in accounting principles

In the year under review, the Swiss GAAP FER accounting principles have not been changed.

## 3 Operating segments

The Schaffner Group consists of three reportable segments: Electromagnetic Compatibility, Automotive and Power Magnetics. They are the organizational units for which results are reported to the Executive Committee.

### **Electromagnetic Compatibility (EMC)**

The EMC division develops and manufactures standard and custom components that protect power electronic systems from line interference (thus ensuring electromagnetic compatibility) and safeguard their reliable operation in power grids. In addition, the division's Power Quality business unit develops and manufactures active and passive filter solutions to assure the best quality of electric power. The key sales markets include energy-efficient drive systems, renewable energy, power supply systems for electronic devices, as well as machine tools and robotics.

### **Automotive (AM)**

The Automotive division develops and manufactures components for keyless authentication systems and solutions for the drive trains of hybrid and electric vehicles. Working closely with leading automobile manufacturers and automotive suppliers, Schaffner engineers leverage their specialized EMC expertise to support customers in the development of new models.

### **Power Magnetics (PM)**

The Power Magnetics division develops and manufactures components to ensure the reliable operation of power electronic systems, and builds customized high-performance transformers for demanding applications. Schaffner solutions deployed in solar inverters and converters in wind turbines safeguard high levels of energy conversion efficiency and assure optimum adaptation to electricity grids. Schaffner components are also integrated into compact, high-performance and energy-efficient locomotive drive systems, where they eliminate network interference from powerful motors.



## Corporate

The “Corporate” column comprises all costs for Group functions that cannot be allocated to a particular segment. These are primarily the expenses of Schaffner Holding AG.

No operating segments have been aggregated to form these reportable business segments. In the period under review and in prior year, segment profit or loss equaled segment operating profit or loss.

For the first six months of 2020/21 (1 October to 31 March)	EMC	AM	PM	Corporate	Group
In CHF '000					
Net sales	48,339	21,834	17,922		88,096
<b>Operating profit (EBIT)</b>	<b>7,076</b>	<b>2,164</b>	<b>354</b>	<b>–2,578</b>	<b>7,016</b>
Financial result					–1,322
<b>Profit before tax (EBT)</b>					<b>5,694</b>
Income tax					–1,128
<b>Net profit for the period</b>					<b>4,566</b>

For the first six months of 2019/20 (1 October to 31 March)	EMC	AM	PM	Corporate	Group
In CHF '000					
Net sales	46,855	16,392	22,761		86,008
<b>Operating profit (EBIT)</b>	<b>3,888</b>	<b>–941</b>	<b>33</b>	<b>–2,278</b>	<b>702</b>
Financial result					192
<b>Profit before tax (EBT)</b>					<b>894</b>
Income tax					–338
<b>Net profit for the period</b>					<b>556</b>

## 4 Seasonality

The Schaffner Group does not operate in industries with significant seasonal or cyclical variation in total sales over the fiscal year. Since major public holidays such as Chinese New Year and Christmas fall in the first half of the fiscal year, experience has shown that, factoring out economic influences, higher sales are usually generated in the second half of the year.

Income tax is recognized based on the best estimate of the weighted average annual income tax rate expected for the full fiscal year.

## 5 Commitments and contingencies

At 31 March 2021, the Group had commitments to purchase property, plant and equipment in the amount of CHF 1.1 million (30 September 2020: CHF 1.8 million). These mainly include obligations in connection with the extension of the production plant in Thailand for the divisions EMC and AM.

The contingent liabilities, described in the notes to the last consolidated financial statements, did not change significantly in the current financial year.

## 6 Foreign currencies

The following exchange rates were applied in the translation of foreign currencies:

Country or region	Currency	Balance sheet		Income statement	
		31.3.2021 In CHF	30.9.2020 In CHF	H1 2020/21 In CHF	H1 2019/20 In CHF
China	CNY 100	14.41	13.56	13.86	13.94
EU	EUR 100	110.74	108.02	108.63	107.94
Hungary	HUF 100	0.30	0.30	0.30	0.32
Thailand	THB 100	3.02	2.91	2.97	3.16
USA	USD 100	94.39	92.28	90.64	97.60

## 7 Distribution to shareholders

As decided by the Annual General Meeting of Schaffner Holding AG on 12 January 2021, a distribution of CHF 2.00 per share for fiscal year 2019/20 was made to the shareholders. The repayment of excess share premium is divided into an ordinary dividend of CHF 1.00 and a distribution of CHF 1.00 from additional paid-in capital (exempted from Swiss anticipatory tax) per share.

## 8 Events after the balance sheet date

The Board of Directors of the Schaffner Group has in recent months examined all strategic options regarding the future of the Power Magnetics Division, which is active in the development and manufacture of electrical components and transformers, following its successful turnaround.

On 14 April 2021, Group Management and the Board of Directors of the Schaffner Group decided to sell, its Power Magnetics Division to the Swedish AQ Group, a global manufacturer of components and systems for industrial applications. Power Magnetics is contained in full as per end of the first semester and shown separately in Note 3 as independent segment.

The transaction is expected to be closed towards the end of the second quarter of calendar year 2021.

# Key financials

## Consolidated income statement

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

In CHF '000

	H1 2020/21	H1 2019/20
Net sales	88,096	86,008
<b>Operating profit (EBIT)</b>	<b>7,016</b>	<b>702</b>
In % of net sales	8.0	0.8
<b>Net profit for the period</b>	<b>4,566</b>	<b>556</b>
In % of net sales	5.2	0.6

## Consolidated balance sheet

In CHF '000

	31.3.2021	30.9.2020
<b>Total assets</b>	<b>141,273</b>	<b>128,119</b>
Current assets	98,269	84,676
Non-current assets	43,004	43,443
Total liabilities	78,122	71,168
<b>Shareholders' equity</b>	<b>63,151</b>	<b>56,951</b>
In % of total assets	44.7	44.5

## Segment reporting

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

In CHF '000

	H1 2020/21	H1 2019/20
<b>EMC division</b>		
Segment sales	48,339	46,855
Segment EBIT	7,076	3,888
In % of segment sales	14.6	8.3
<b>Automotive division</b>		
Segment sales	21,834	16,392
Segment EBIT	2,164	-941
In % of segment sales	9.9	-5.7
<b>Power Magnetics division</b>		
Segment sales	17,922	22,761
Segment EBIT	354	33
In % of segment sales	2.0	0.1

## Key share figures

In CHF '000

	31.3.2021	30.9.2020
Number of shares	635,940	635,940
Net profit for the period per share in CHF	7.21	0.88
Shareholders' equity per share in CHF	99.30	89.55
Share price in CHF	238	181
Market capitalization in CHF million	151	115

## Calendar

7.12.2021	Publication of Annual Report 2020/21 (full-year results)
11.1.2022	26th Annual General Meeting

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