

Schaffner Group
Half-Year Report
2019/20

Schaffner remains in the profit zone despite significant drop in sales

The global corona pandemic is also affecting the Schaffner Group's business. The noticeable decline in demand has significantly slowed down sales and new orders. Thanks to immediately initiated cost-cutting measures, the Schaffner Group remained in the profit zone in the first half of fiscal 2019/20. Supply capability was ensured at all times, taking into account strict safety measures for employees. The strategic projects are being continued consistently.

Adversely affected by a slowdown in major end markets in the first quarter and the negative impact of the virus pandemic from the second quarter, the Schaffner Group's net sales decreased by 15.2 % year-on-year to CHF 86.0 million in the first half of fiscal 2019/20 (previous year/PY: CHF 101.4 million). In local currencies, the decline compared with the prior year was 11.9 %. New orders were down by 14.8 % year-on-year to CHF 91.3 million (PY: CHF 107.1 million). The book-to-bill ratio for the reporting period was 1.06, as in the previous year.

The Schaffner Group immediately initiated a program of measures to limit the negative effects of the corona crisis while maintaining its supply capability. The program includes short-time work, structural and capacity adjustments at the plants and in overheads, the postponement of renewal investments, and stringent cost management. In addition, the Board of Directors and the Executive Committee will waive a part of their fixed compensation in fiscal 2019/20 as an expression of solidarity. The continuation of the operation is subject to full compliance with the hygiene and distance rules, other governmental directives, and the Group's own safety precautions. The protection of employees' health is a top priority for the Schaffner Group.

Operating profit (EBIT) for the period under review amounted to CHF 0.7 million (PY: CHF 5.3 million) and net profit to CHF 0.6 million (PY: CHF 3.5 million). The gross margin was 26.6 % (PY: 28.3 %) and the EBIT margin was 0.8 % (PY: 5.2 %). As a result of the adjustments to capacity, the number of employees (persons) decreased worldwide by 211 to 2,330.

Business remains broad-based

The Schaffner Group is an established partner to customers in system-critical industries such as energy, medical technology, and transportation. Its business remains broad-based. In the period under review, 24 % (PY: 23 %) of sales were generated in the end market for efficient drive systems. As in the previous year, the automotive electronics end market accounted for 19 % of sales, power supplies in electronic devices for 14 %, and machine tools and robotics for 13 %. Rail technology accounted for 11 % (PY: 14 %), while 11 % (PY: 9 %) also came from the end market for electrical infrastructure.

As a consequence of the plant closures in the second quarter imposed by the Chinese government due to the corona pandemic, the share of Group sales attributable to the market region Asia decreased to 27 % (PY: 33 %). Europe remained the largest market region for Schaffner with 48 % (PY: 46 %) of sales. The Americas contributed 25 % (PY: 21 %) of sales.

EMC division

The EMC division, the world's leading manufacturer of EMC filters, was confronted in the first quarter of fiscal 2019/20 with a weaker dynamic in the industrial sector and further destocking by its distribution partners. A recovery in demand at the beginning of the second quarter was interrupted by the outbreak of the corona pandemic. These factors led to a 6.3 % year-on-year decline in new orders in the first half of fiscal 2019/20 to CHF 52.3 million (PY: CHF 55.9 million). Net sales decreased by 13.7 % year-on-year to CHF 46.9 million (PY: CHF 54.3 million). The book-to-bill ratio for the reporting period was a positive 1.11 (PY: 1.03). The EMC division achieved a segment operating profit (EBIT) of CHF 3.9 million (PY: CHF 7.6 million) and an EBIT margin of 8.3 % (PY: 14.0 %). In order to be well prepared for the expected recovery of the markets, the division has intensified the development effort for strategic initiatives.

Power Magnetics division

Although the Power Magnetics division's business in the first half of fiscal 2019/20 was affected by numerous project postponements in the rail technology sector in China and Europe, the division achieved its targeted turnaround with a break-even result, a segment operating profit (EBIT) of CHF 0.03 million compared to CHF -2.0 million in the previous year. At CHF 24.1 million (PY: CHF 31.6 million), new orders declined by 23.8 % compared to the previous year. Net sales decreased by 17.9 % year-on-year to CHF 22.8 million (PY: CHF 27.7 million). The book-to-bill ratio for the reporting period was a positive 1.06 (PY: 1.14). Since the second quarter, the Power Magnetics division has seen an increase in orders from the end markets of rail technology and wind energy in China and is well utilized at the adjusted level.

Automotive division

The downturn in the global automotive industry intensified in the period under review. In addition, a strike at General Motors in the USA in the first quarter of fiscal 2019/20 adversely affected the Automotive division's business. Following the outbreak of the corona pandemic, demand almost came to a standstill in the second quarter. Net sales decreased by 15.8 % year-on-year to CHF 16.4 million (PY: CHF 19.5 million). In the first half of fiscal 2019/20, the Automotive division achieved a segment operating profit (EBIT) of CHF -0.9 million (PY: CHF 2.3 million). The EBIT margin was -5.7 % (PY: 12.0 %). Despite the major challenges, the Automotive division was capable of supplying at all times during the period under review. Within the Automotive division, particular attention is being paid to building up the project pipeline with antennas for keyless authentication systems and filter solutions for electromobility. In the first six months of fiscal 2019/20, the division won significantly more new projects with a total delivery volume of around CHF 80 million over the lifetime of the projects. These successes illustrate the medium-term potential of the Automotive division.

Cash flow and balance sheet

In the first half of fiscal 2019/20, the Schaffner Group generated a free cash flow of CHF -6.5 million (PY: CHF -1.1 million). It continues to have a solid balance sheet. At the end of the period, total assets amounted to CHF 136.2 million (30 September 2019: CHF 141.9 million) and the Schaffner Group's equity ratio was 40.8 % (30 September 2019: 44.6 %).

Outlook

The corona pandemic will continue to have a negative impact on global supply chains and the demand in the coming months. The overall impact on the sales and results of the Schaffner Group cannot be assessed accurately at this time. For this reason, the Schaffner Group is refraining from issuing guidance for fiscal 2019/20. Schaffner continues to consistently execute the program of measures and can thereby build on a solid balance sheet. In addition, the systematic further development of strategic projects, particularly in the fields of smart grids, lighting, and electromobility, will form the basis for the Group to be well prepared for the expected upswing.

Luterbach, 7 May 2020



Urs Kaufmann
Chairman of the Board



Marc Aeschlimann
Chief Executive Officer

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

In the interest of readability, this report may sometimes use language that is not gender neutral. Any gender-specific references should be understood to include masculine, feminine, and neuter as the context permits.

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	31.3.2020	30.9.2019
Intangible assets	853	807
Property, plant and equipment	33,880	34,605
Other non-current financial assets	940	977
Deferred tax assets	8,885	8,632
Total non-current assets	44,558	45,021
Prepaid expenses and deferred income	2,898	912
Inventories	35,796	37,459
Other current financial assets	1,124	1,469
Other receivables	2,511	2,266
Trade receivables	32,807	36,739
Cash and cash equivalents	16,497	18,013
Total current assets	91,633	96,858
Total assets	136,191	141,879
Exchange differences	-21,073	-15,882
Retained earnings	25,943	27,329
Treasury shares	-311	-800
Share premium	30,285	31,912
Share capital	20,668	20,668
Total shareholders' equity	55,511	63,227
Deferred tax liabilities	653	510
Non-current provisions	4,045	4,214
Non-current borrowings	40,145	33,542
Total non-current liabilities	44,843	38,266
Accrued expenses	8,078	8,712
Current provisions	932	1,138
Other payables	4,793	5,727
Trade payables	21,196	24,612
Current borrowings	838	197
Total current liabilities	35,837	40,386
Total liabilities	80,680	78,652
Total liabilities and shareholders' equity	136,191	141,879

Consolidated income statement

In CHF '000	H1 2019/20	H1 2018/19
Net sales of goods and services	86,008	101,439
Cost of sales	-63,151	-72,716
Gross profit	22,858	28,723
Marketing and selling expense	-8,643	-9,698
Research and development expense	-8,458	-7,901
General and administrative expense	-5,055	-5,868
Operating profit (EBIT)	702	5,256
Financial result	192	-904
Profit before tax (EBT)	894	4,352
Income tax	-338	-848
Net profit for the period	556	3,504
Earnings per share in CHF		
Basic	0.88	5.52
Diluted	0.88	5.52

Condensed consolidated cash flow statement

In CHF '000	H1 2019/20	H1 2018/19
Cash flow from operating activities	313	3,317
Purchase of property, plant and equipment	-6,811	-4,335
Purchase of intangible assets	-207	-189
Change in current financial assets	329	1,928
Other investing activities	180	102
Cash flow from investing activities	-6,509	-2,494
Repayment of excess share premium	-3,173	-4,129
Changes in treasury shares	340	-213
Proceeds from borrowings	8,213	1,495
Other financing activities	-104	-105
Cash flow from financing activities	5,276	-2,952
Effect of exchange rates on cash and cash equivalents	-597	327
Change in cash and cash equivalents	-1,516	-1,802
Cash and cash equivalents at 1 October	18,013	19,096
Cash and cash equivalents at 31 March	16,497	17,294

Consolidated statement of changes in equity

In CHF '000	Share capital	Share premium	Cumulative exchange differences	Retained earnings	Treasury shares	Total shareholders' equity
At 1 October 2018	20,668	36,265	-16,886	19,608	-637	59,018
Net profit for the period				3,504		3,504
Exchange differences			2,003			2,003
Treasury share transactions		-224		-442	449	-217
Repayment of excess share premium		-4,129				-4,129
Share option plans and restricted share plans				691		691
At 31 March 2019	20,668	31,912	-14,883	23,361	-188	60,870
At 1 October 2019	20,668	31,912	-15,882	27,329	-800	63,227
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
At 31 March 2020	20,668	30,285	-21,073	25,943	-311	55,511

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 2020 were approved by the Board of Directors of Schaffner Holding AG on 5 May 2020 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, Power Magnetics and Automotive. 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.

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.

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.

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. Segment profit or loss corresponds to the operating profit or loss of a segment.

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

For the first six months of 2018/19 (1 October to 31 March) In CHF '000	EMC	PM	AM	Corporate	Group
Net sales	54,264	27,714	19,461		101,439
Segment profit/(loss) / operating profit (EBIT)	7,573	-1,981	2,334	-2,670	5,256
Financial result					-904
Profit before tax (EBT)					4,352
Income tax					-848
Net profit for the period					3,504

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 2020, the Group had commitments to purchase property, plant and equipment in the amount of CHF 3.0 million (30 September 2019: CHF 4.3 million). These mainly include obligations in connection with the extension of our production plant in Thailand.

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	
		31.3.2020 In CHF	30.9.2019 In CHF	H1 2019/20 In CHF	H1 2018/19 In CHF
China	CNY 100	13.61	13.93	13.94	14.60
EU	EUR 100	105.84	108.57	107.94	113.23
Hungary	HUF 100	0.29	0.32	0.32	0.35
Thailand	THB 100	2.95	3.25	3.16	3.10
USA	USD 100	96.64	99.52	97.60	99.51

7 Distribution to shareholders

As decided by the Annual General Meeting of Schaffner Holding AG on 14 January 2020, a distribution of CHF 5.00 per share for fiscal year 2018/19 was made to the shareholders. The repayment of excess share premium is divided into an ordinary dividend of CHF 2.50 and a distribution of CHF 2.50 from additional paid-in capital (exempted from Swiss anticipatory tax) per share.

8 Events after the balance sheet date

On 31 January 2020, the World Health Organisation (WHO) identified the spread of COVID-19 (the so-called "coronavirus") as an international public health emergency. Subsequently, on 11 March 2020, the coronavirus was declared a pandemic due to its rapid spread. The affected countries defined various measures to reduce the spread of the virus.

In order to limit the negative effects of the corona pandemic while maintaining its supply capability, the Schaffner Group immediately initiated a program of measures. These include short-time work, structural and capacity adjustments at plants and overheads, the postponement of renewal investments, and strict cost management.

The continuation of operations is carried out in strict compliance with hygiene and clearance rules, other official directives, and the Group's own precautionary measures. Protecting the health of employees is a top priority for the Schaffner Group.

The measures to combat the corona pandemic in the individual countries and the measures defined internally by the Schaffner Group that were introduced after 31 March 2020 are classified as "non-adjusting" events and did not require any adjustment in the half-year financial statements.

Given the current uncertainty regarding the duration and extent of the corona pandemic, the Schaffner Group cannot predict how its current or any future measures will effectively influence the impact of the corona pandemic on its operations.

Key financials

Consolidated income statement

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

In CHF '000	H1 2019/20	H1 2018/19
Net sales	86,008	101,439
Operating profit (EBIT)	702	5,256
In % of net sales	0.8	5.2
Net profit for the period	556	3,504
In % of net sales	0.6	3.5
Net profit for the period per share in CHF	0.88	5.52

Consolidated balance sheet

In CHF '000

	31.3.2020	30.9.2019
Total assets	136,191	141,879
Current assets	91,633	96,858
Non-current assets	44,558	45,021
Total liabilities	80,680	78,652
Shareholders' equity	55,511	63,227
In % of total assets	40.8	44.6

Segment reporting

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

In CHF '000	H1 2019/20	H1 2018/19
Electromagnetic Compatibility (EMC)		
Segment sales	46,855	54,264
Segment operating profit	3,888	7,573
In % of segment sales	8.3	14.0
Power Magnetics (PM)		
Segment sales	22,761	27,714
Segment operating (-loss)	33	-1,981
In % of segment sales	0.1	(7.1)
Automotive (AM)		
Segment sales	16,392	19,461
Segment operating profit	-941	2,334
In % of segment sales	(5.7)	12.0

Key share figures

In CHF '000	31.3.2020	30.9.2019
Number of shares	635,940	635,940
Shareholders' equity per share in CHF	87.29	99.42
Share price in CHF	132	203
Market capitalization in CHF million	84	129

Calendar

8.12.2020	Publication of Annual Report 2019/20 (full-year results)
12.1.2021	25th Annual General Meeting

Schaffner Holding AG
 CH-4542 Luterbach, Switzerland
www.schaffner-ir.com