Landis+Gyr

Landis+Gyr Announces First Half FY 2023 Financial Results

Cham, Switzerland – October 25, 2023 – Landis+Gyr Group AG (SIX: LAND), a leading global provider of integrated energy management solutions, today announced unaudited financial results for the first half of financial year 2023 (April 1 – September 30, 2023).

- **Sustained strong order intake of USD 958.1 million, up 22.5% year-over-year (YoY) in constant currency, corresponding to a book-to-bill ratio of 1.0**
- **Committed backlog increased 7.2% YoY to USD 3,730.5 million**
- **Net revenues in H1 FY 2023 rose strongly by 32.1% YoY in constant currency to USD 970.5 million, driven by backlog execution and improved component availability**
- **Adjusted EBITDA* more than doubled to USD 108.1 million (up 122.0% YoY), equivalent to a margin of 11.1%, driven by operating leverage and slow recovery of supply chain cost**
- **Net income of USD 41.2 million or USD 1.43 per share (diluted) – a 41.6% like-for-like increase versus previous year's period (excl. Intellihub divestment gain)**
- **Free Cash Flow (excl. M&A) of USD 5.1 million (up USD 44.0 million YoY), restrained by higher strategic inventory investments to convert backlog**
- **Guidance for FY 2023 confirmed, assuming broadly unchanged global economic conditions, with Adjusted EBITDA margin expected around the upper end of the 9% to 11% range**
- **Near- and long-term targets to significantly reduce emissions approved by Science Based Targets initiative (SBTi)**

"In the first half of financial year 2023, we were able to demonstrate our ability to deliver continued strong growth and margin expansion. The steadily improving component availability and a strong focus on backlog execution drove growth and supported our ability to serve customer demand even better in the first half of the year. Continued strong order intake shows the trust our customers have in our solutions and underlines the recession-resilient nature of our Company. As a result, we expect to deliver around the upper end of our margin guidance for the full year, assuming broadly unchanged global economic conditions," said Werner Lieberherr, Chief Executive Officer of Landis+Gyr.

"Additionally, energy efficiency and grid resiliency are on top of mind as we are heading into winter. These factors, paired with our strategic transformation, provide a solid foundation for sustained profitable growth. The increased need for intelligence at the grid edge positions us in the sweet spot of the energy transition as we offer end-to-end solutions to our customer to manage energy better and drive the decarbonization of the grid," Lieberherr concluded.

Order Intake and Committed Backlog

Group order intake for the first half of FY 2023 was USD 958.1 million, an increase of 22.5% in constant currency when compared to the same period in FY 2022 and corresponding to a book-to-bill ratio of 1.0. The sustained strong order intake was driven by major contract wins in the Americas and EMEA regions. Committed backlog was up by 7.2% YoY, reaching a high level of USD 3,730.5 million.

* For a reconciliation of non-GAAP measures, see chapter "Supplemental Reconciliations and Definitions (unaudited)" in this ad hoc announcement.

The Americas region recorded an order intake of USD 608.1 million (book-to-bill of 1.1) driven by wins in North America, and the committed backlog rose by 11.9% to USD 2,914.8 million. In the EMEA region, orders of USD 290.3 million (book-to-bill of 0.9) were booked, resulting in a 3.6% higher committed backlog of USD 727.1 million. In Asia Pacific, order intake amounted to USD 59.6 million (book-to-bill of 0.7), leading to a 48.9% lower committed backlog of USD 88.6 million, driven by the discontinuation of manufacturing activities in India and the extraordinarily strong previous year period.

Net Revenue
In the first half of FY 2023, net revenue rose by 32.1% in constant currency to USD 970.5 million from USD 728.7 million in the same period in FY 2022. The strong net revenue growth was driven by backlog execution and improved component availability.

Landis+Gyr shipped 10 million devices in the first six months of FY 2023, an increase of 38% year-over-year, also strengthening the installed base for future software revenues.

Net revenue per segment was as follows (in USD million, except where indicated):

Segment	H1 FY 2023 Net revenue	H1 FY 2022 Net revenue	Percentage change	Percentage change in constant currencies
Americas	564.8	391.7	44.2%	44.3%
EMEA	321.6	248.0	29.7%	24.9%
Asia Pacific	84.1	89.0	(5.5%)	(1.7%)
Group	**970.5**	**728.7**	**33.2%**	**32.1%**

The Americas region delivered exceptionally strong net revenue growth of 44.3% YoY in constant currency to USD 564.8 million. Growth was led by the conversion of the strong backlog in North America.

The business in the EMEA region also grew significantly compared to the prior year period with net revenue up 24.9% in constant currency to USD 321.6 million. Growth was driven by Switzerland, France, and the Luna business in Turkey, offsetting the softening in the United Kingdom.

Net revenue in the Asia Pacific region declined by 1.7% in constant currency to USD 84.1 million, driven by the discontinuation of manufacturing activities in India and was partially offset by strong performance in Hong Kong.

Adjusted Gross Profit, Adjusted and Reported EBITDA*
Adjusted gross profit increased by 34.3% to USD 304.9 million with the corresponding margin slightly improving to 31.4%. Main drivers for the increase were the significantly stronger revenue level and a slow recovery of elevated supply chain costs of approximately USD 9 million in H1 FY2023.

Adjusted operating expenses in H1 FY 2023 increased by USD 18.6 million or 10.4% year-over-year to USD 196.8 million. Due to investments in the strategic initiatives smart ultrasonic gas and water as well as EV charging, adjusted R&D expenses came in at USD 89.5 million (up 8.0%) and correspond to 9.2% of net revenue in the first six months of 2023. Adjusted Sales, General and Administrative (SG&A) expenses rose 12.6% to USD 107.3 million, driven primarily by ramp-up investments to support growth and were equivalent to 11.1% of net revenue.

The Adjusted EBITDA by segment was as follows (in USD million, except where indicated):

Segment	H1 FY 2023 Adjusted EBITDA	H1 FY 2023 Percentage of net revenue	H1 FY 2022 Adjusted EBITDA	H1 FY 2022 Percentage of net revenue
Americas	89.9	15.9%	47.7	12.2%
EMEA	6.7	2.1%	(9.4)	(3.8%)
Asia Pacific	8.6	10.3%	6.8	7.6%
Corporate unallocated	2.9	N/A	3.6	N/A
Group	**108.1**	**11.1%**	**48.7**	**6.7%**

Overall, the Adjusted EBITDA in H1 FY 2023 was USD 108.1 million, an increase of USD 59.4 million or 122.0% when compared to the same period in FY 2022. The Adjusted EBITDA margin increased by 440 basis points from 6.7% in H1 FY 2022 to 11.1% in H1 FY 2023. The strong increase in Adjusted EBITDA was mainly attributable to significantly higher volume resulting in operating leverage combined with slightly lower supply chain costs and partially offset by higher adjusted operating expenses.

In H1 FY 2023, operating income increased sixfold from USD 10.5 million in H1 FY 2022 to USD 64.2 million. Reported EBITDA in the period under review was USD 99.8 million versus USD 51.0 million in the same period in FY 2022, an increase of 95.7%.

The adjustments to bridge between reported EBITDA in the Group's financial statements and Adjusted EBITDA were as follows (in USD million):

	H1 FY 2023	H1 FY 2022
Reported EBITDA	**99.8**	**51.0**
Adjustments		
Restructuring charges	15.1	6.5
Warranty normalization adjustments	(4.8)	(2.5)
Timing difference on FX derivatives	(1.9)	(6.3)
Adjusted EBITDA	**108.1**	**48.7**

In H1 FY 2023, adjustments were again made in three categories. Firstly, with respect to restructuring charges, the USD 15.1 million related predominantly to a global restructuring initiative (known as Project Horizon), which was launched in August 2023. Horizon aims at streamlining the organization and optimizing the indirect labor cost structure with a targeted workforce reduction of approximately 200 positions. Secondly, the warranty normalization adjustments of USD (4.8) million represent the amount of warranty provisions made relative to the average actual warranty utilization for the last three years. This means warranty provisions in H1 FY 2023 were again below historical levels. Thirdly, the timing difference on FX derivatives adjustment was USD (1.9) million in H1 FY 2023, which relates to mark to market differences on hedges.

Net Income and Earnings per Share (EPS)

Net income attributable to Landis+Gyr Group shareholders for H1 FY 2023 was USD 41.2 million or USD 1.43 per share (diluted EPS). In the prior year period, net income of USD 186.5 million included a substantial gain from the divestment of the minority stake in Intellihub of USD 160.6 million. Like-for-like EPS excluding the one-off gain in H1 FY 2022 was USD 1.01 and the corresponding EPS increase in H1 FY 2023 was 41.6%.

Cash Flow and Net Debt
Free Cash Flow (excl. M&A) was USD 5.1 million, an increase of USD 44.0 million, when compared to USD (38.9) million in H1 FY 2022. The Free Cash Flow was negatively impacted by higher operating working capital, driven by continued strategic inventory investments. Cash provided by operating activities was USD 24.0 million in H1 FY 2023 compared to USD (82.9) million in the previous year period. In the period under review, capital expenditure (PP&E) was USD 18.7 million, an increase of 110.1% versus H1 FY 2022, which was mainly driven by new product introduction and upgrading manufacturing facilities.

As of September 30, 2023, the ratio of net debt to trailing twelve months Adjusted EBITDA was 0.67 times, with net debt of USD 134.2 million after the dividend payment in June 2023.

Outlook for FY 2023
Landis+Gyr reconfirms its outlook for FY 2023, provided at the Capital Markets Day in January 2023 and confirmed in May 2023, assuming broadly unchanged global economic conditions. As already communicated, Landis+Gyr expects a continuation of the strong net revenue trend in FY 2023, resulting in a low double-digit growth compared to FY 2022. With an anticipated further improvement of the supply chain cost situation, Landis+Gyr now expects the Adjusted EBITDA margin to come in around the upper end of the initially guided range of between 9% and 11% of net revenue. Free Cash Flow (excl. M&A) is confirmed to be between USD 60 million to USD 90 million as the elevated inventory situation is expected to partially normalize in H2 but will remain above historical averages to fulfill customer orders of large contracts won.

Update on Sustainability Efforts
The Science Based Targets initiative (SBTi) has assessed Landis+Gyr's near- and long-term emission reduction targets against their rigorous criteria and has recently approved them. As a Company committed to decarbonizing the grid, Landis+Gyr's targets are in line with the most ambitious pathway (1.5°C), as defined by the Paris Climate Accord. Landis+Gyr has committed to reach net-zero greenhouse gas emissions across the value chain by 2050. Furthermore, the Company has committed to reduce scope 1 and 2 greenhouse gas (GHG) emissions by 42% until 2030 (versus 2021 base year) and to reduce scope 3 emissions also by 42% until 2030.

Landis+Gyr is now part of a group of over 3,000 leading companies with approved targets, who are taking action to combat climate change and move towards a greener, more sustainable future. As a leader in the decarbonization efforts, Landis+Gyr is part of the first group of companies to receive approval for net-zero targets.

In 2022, Landis+Gyr was able to help avoid more than 9.5 million tons of CO_2 through its large installed smart metering base and strives to further increase its positive impact on the environment through consistently high investments in innovative technologies and solutions.

Documents
The H1 FY 2023 earnings presentation, which forms part of this ad hoc announcement, as well as the Half Year Report 2023 are available on the Company's website at www.landisgyr.com/investors/results-center/.

Landis+Gyr

Investor Webcast and Telephone Conference
The management of Landis+Gyr will host an investor/analyst call and webcast to discuss the Company's results.

Date and time:	October 25, 2022 at 14:00 am CET
Speakers:	Werner Lieberherr (Chief Executive Officer) Elodie Carr-Cingari (Chief Financial Officer)
Audio webcast:	www.landisgyr.com/investors/results-center/
Telephone:	Europe: +41 (0)58 310 5000 UK: +44 (0)207 107 0613 US: +1 (1)631 570 5613

Please dial in 10 minutes before the start of the presentation and ask for "Landis+Gyr's first half year results 2023".

Media Contact
Eva Borowski
SVP Investor Relations & Corporate Communications
Phone +41 76 803 4573
Eva.Borowski@landisgyr.com

Investor Contact
Christian Waelti
Head of Investor Relations
Phone +41 41 935 6331
Christian.Waelti@landisgyr.com

Key Dates

Release of Results for Financial Year 2023	May 8, 2024
Publication of Annual Report 2023 and Invitation to AGM 2024	May 30, 2024
Annual General Meeting 2024	June 25, 2024
Release of Half Year Results 2024	October 30, 2024

About Landis+Gyr
Landis+Gyr is a leading global provider of integrated energy management solutions. We measure and analyze energy utilization to generate empowering analytics for smart grid and infrastructure management, enabling utilities and consumers to reduce energy consumption. Our innovative and proven portfolio of software, services and intelligent sensor technology is a key driver to decarbonize the grid. Having avoided more than 9.5 million tons of CO_2 in FY 2022, Landis+Gyr manages energy better – since 1896. With sales of USD 1.7 billion in FY 2022, Landis+Gyr employs around 7,300 talented people across five continents. For more information, please visit our website www.landisgyr.com.

Disclaimer
This ad hoc announcement and information referred to herein contains (a) preliminary, unaudited numbers that may be subject to change and (b) information regarding alternative performance measures or non USGAAP measures, such as "Reported EBITDA", "Adjusted EBITDA", "Adjusted Gross Profit", "Adjusted Research and Development", "Adjusted Sales, General and Administrative", and "Adjusted Operating Expenses". Definitions of these measures and reconciliations between such measures and their USGAAP counterparts if not defined in this announcement may be found on pages 28 to 30 *of the Landis+Gyr Half Year Financial Report Fiscal Year 2023 on our website at www.landisgyr.com/investors.*

Landis+Gyr

Forward-looking Information

This ad hoc announcement includes forward-looking information and statements, including statements concerning the outlook for Landis+Gyr Group AG's businesses. These statements are based on current expectations, estimates and projections about the factors that may affect the Company's future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for Landis+Gyr. These expectations, estimates and projections are generally identifiable by statements containing words such as "expects", "believes", "estimates", "targets", "plans", "outlook", "guidance" or similar expressions. There are numerous risks, uncertainties and other factors, many of which are beyond Landis+Gyr's control, that could cause the Company's actual results to differ materially from the forward-looking information and statements made in this announcement and which could affect the Company's ability to achieve its stated targets. The important factors that could cause such differences include, among others: continued or future effects of the COVID-19 pandemic, global shortage of energy or supplied components as well as increased freight rates, business risks associated with the volatile global economic environment and political conditions, including wars or military actions; market acceptance of new products and services; changes in governmental regulations and currency exchange rates; estimates of future warranty claims and expenses and sufficiency of accruals; and other such factors as may be discussed from time to time in Landis+Gyr Group AG filings with the SIX Swiss Exchange. Although Landis+Gyr Group AG believes that its expectations reflected in any such forward-looking statement are based upon reasonable assumptions, it can give no assurance that those expectations will be achieved.

Extracts from the Half Year Report 2023

Interim Consolidated Statements of Operations (unaudited)

USD in thousands, except per share data	SIX MONTHS ENDED SEPTEMBER 30, 2023	2022
Net revenue	**970,466**	**728,711**
Cost of revenue	676,617	510,851
Gross profit	**293,849**	**217,860**
Operating expenses		
Research and development	94,758	84,409
Sales and marketing	38,985	35,963
General and administrative	78,062	67,099
Amortization of intangible assets	17,866	19,848
Operating income	**64,178**	**10,541**
Other income (expense), net	(12,487)	18,348
Income before income tax expense	**51,691**	**28,889**
Income tax expense	(11,171)	(72,375)
Net income (loss) before noncontrolling interests and equity method investments	**40,520**	**(43,486)**
Net income from equity investments	–	229,717
Net income before noncontrolling interests	**40,520**	**186,231**
Net loss attributable to noncontrolling interests	(718)	(248)
Net income attributable to Landis+Gyr Group AG Shareholders	**41,238**	**186,479**
Earnings per share:		
Basic	1.43	6.58
Diluted	1.43	6.57
Weighted average number of shares used in computing earnings per share:		
Basic	28,868,796	28,837,007
Diluted	28,936,263	28,846,280

Interim Consolidated Balance Sheets (unaudited)

USD in thousands, except share data	September 30, 2023	March 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	106,227	117,370
Accounts receivable, net of allowance for doubtful accounts of USD 4.0 million and USD 7.4 million	313,106	351,379
Inventories, net	284,848	242,340
Prepaid expenses and other current assets	122,490	109,018
Total current assets	**826,671**	**820,107**
Property, plant and equipment, net	122,126	117,215
Intangible assets, net	195,967	216,312
Goodwill	1,047,501	1,048,508
Deferred tax assets	45,139	43,789
Other long-term assets	160,026	178,291
TOTAL ASSETS	**2,397,430**	**2,424,222**
LIABILITIES AND EQUITY		
Current liabilities		
Trade accounts payable	204,255	214,822
Accrued liabilities	60,159	47,638
Warranty provision – current	28,219	30,862
Payroll and benefits payable	50,034	66,076
Loans payable	235,493	180,661
Operating lease liabilities – current	14,518	13,504
Other current liabilities	84,145	102,037
Total current liabilities	**676,823**	**655,600**
Warranty provision – noncurrent	14,038	15,404
Pension and other employee liabilities	22,894	24,729
Deferred tax liabilities	36,348	37,465
Tax provision	25,306	23,747
Operating lease liabilities – noncurrent	77,146	82,088
Other long-term liabilities	56,783	55,995
Total liabilities	**909,338**	**895,028**
Redeemable noncontrolling interests	**5,092**	**6,358**
Shareholders' equity		
Landis+Gyr Group AG shareholders' equity Registered ordinary shares (28,908,944 and 28,908,944 issued shares at September 30, 2023, and March 31, 2023, respectively)	302,756	302,756
Additional paid-in capital	1,028,979	1,100,179
Retained earnings	217,119	176,105
Accumulated other comprehensive loss	(65,312)	(52,418)
Treasury shares, at cost (25,496 and 54,764 shares at September 30, 2023, and March 31, 2023, respectively)	(2,151)	(5,069)
Total Landis+Gyr Group AG shareholders' equity	**1,481,391**	**1,521,553**
Noncontrolling interests	1,609	1,283
Total shareholders' equity	**1,483,000**	**1,522,836**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,397,430**	**2,424,222**

Interim Consolidated Statements of Cash Flows (unaudited)

USD in thousands	SIX MONTHS ENDED SEPTEMBER 30, 2023	2022
Cash flow from operating activities		
Net income before noncontrolling interests	40,520	186,231
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	35,580	40,503
Net income from equity investments	–	(229,717)
Share-based compensation	2,498	1,856
Loss (gain) on disposal of property, plant and equipment	(63)	90
Loss (income) on foreign exchange, net	5,917	(24,426)
Change in allowance for doubtful accounts	(3,463)	(881)
Deferred income tax	(2,297)	10,686
Change in operating assets and liabilities, net of effect of businesses acquired and effect of changes in exchange rates:		
Accounts receivable	37,043	5,998
Inventories, including advance payments	(63,291)	(76,315)
Trade accounts payable	(5,825)	25,794
Other assets and liabilities	(22,613)	(22,699)
Net cash provided by (used in) operating activities	**24,006**	**(82,880)**
Cash flow from investing activities		
Payments for property, plant and equipment	(18,696)	(8,921)
Payments for intangible assets	(829)	(17)
Proceeds from the sale of property, plant and equipment	659	72
Proceeds from the sale of investments	–	237,842
Net cash from settlement of foreign currency derivatives to hedge investing activities	–	(3,005)
Net cash provided by (used in) investing activities	**(18,866)**	**225,971**
Cash flow from financing activities		
Proceeds from third party facility	165,218	173,755
Repayment of borrowings to third party facility	(109,105)	(243,469)
Dividends paid	(70,780)	(64,700)
Net cash from settlement of foreign currency derivatives to hedge financing activities	–	1,289
Net cash used in financing activities	**(14,667)**	**(133,125)**
Net increase (decrease) in cash and cash equivalents	**(9,527)**	**9,966**
Cash and cash equivalents at beginning of period, including restricted cash	117,986	85,539
Effects of foreign exchange rate changes on cash and cash equivalents	(1,623)	(12,650)
Cash and cash equivalents at end of period, including restricted cash	**106,836**	**82,855**

Supplemental Reconciliations and Definitions (unaudited)

Adjusted EBITDA

The reconciliation of Operating income to Adjusted EBITDA is as follows for the six months period ended September 30, 2023 and 2022:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
USD in millions, unless otherwise indicated	**H1 23**	H1 22	**H1 23**	H1 22	**H1 23**	H1 22	**H1 23**	H1 22	**H1 23**	H1 22
Operating income (loss)	**64.2**	**10.5**	**68.7**	**32.2**	**(7.3)**	**(20.9)**	**6.5**	**(0.4)**	**(3.7)**	**(0.4)**
Amortization of intangible assets	20.8	28.4	12.9	15.1	4.5	9.2	–	0.7	3.4	3.4
Depreciation	14.7	12.1	8.0	5.4	5.1	4.9	1.0	1.2	0.6	0.6
EBITDA	**99.8**	**51.0**	**89.6**	**52.7**	**2.2**	**(6.8)**	**7.6**	**1.5**	**0.3**	**3.6**
Restructuring charges	15.1	6.5	4.7	0.2	7.1	0.4	0.7	5.9	2.6	–
Warranty normalization adjustments	(4.8)	(2.5)	(4.4)	(5.2)	(1.0)	2.6	0.6	0.1	–	–
Timing difference on FX derivatives	(1.9)	(6.3)	–	–	(1.7)	(5.6)	(0.2)	(0.7)	–	–
Adjusted EBITDA	**108.1**	**48.7**	**89.9**	**47.7**	**6.7**	**(9.4)**	**8.6**	**6.8**	**2.9**	**3.6**
Adjusted EBITDA margin (%)	11.1%	6.7%	15.9%	12.2%	2.1%	(3.8%)	10.3%	7.6%		

Due to rounding, numbers presented may not add to the totals provided.

Adjusted Gross Profit

The reconciliation of Gross Profit to Adjusted Gross Profit is as follows for the six months period ended September 30, 2023 and 2022:

	L+G GROUP AG		AMERICAS		EMEA		ASIA PACIFIC		CORPORATE AND ELIMINATIONS	
USD in millions, unless otherwise indicated	**H1 23**	H1 22	**H1 23**	H1 22	**H1 23**	H1 22	**H1 23**	H1 22	**H1 23**	H1 22
Gross Profit	**293.8**	**217.9**	**191.4**	**137.9**	**85.7**	**59.1**	**21.7**	**22.6**	**(5.0)**	**(1.8)**
Amortization of intangible assets	3.0	8.5	0.6	2.6	2.4	5.2	–	0.7	–	–
Depreciation	11.6	9.1	7.2	4.6	4.0	3.9	0.4	0.6	–	–
Restructuring charges	3.2	0.3	2.3	–	0.8	0.2	0.1	0.1	–	–
Warranty normalization adjustments	(4.8)	(2.5)	(4.4)	(5.2)	(1.0)	2.6	0.6	0.1	–	–
Timing difference on FX derivatives	(1.9)	(6.3)	–	–	(1.7)	(5.6)	(0.2)	(0.7)	–	–
Adjusted Gross Profit	**304.9**	**226.9**	**197.1**	**139.9**	**90.2**	**65.4**	**22.6**	**23.3**	**(5.0)**	**(1.8)**
Adjusted Gross Profit margin (%)	31.4%	31.1%	34.9%	35.7%	28.1%	26.4%	26.9%	26.2%		

Due to rounding, numbers presented may not add to the totals provided.

Adjusted Operating Expenses

The reconciliation of Operating Expenses to Adjusted Operating Expenses is as follows for the six months period ended September 30, 2023 and 2022:

USD in millions, unless otherwise indicated	H1 2023	H1 2022
Research and development	**94.8**	**84.4**
Depreciation	(1.3)	(1.4)
Restructuring charges	(4.0)	(0.1)
Adjusted Research and Development	**89.5**	**82.9**
Sales and marketing	39.0	36.0
General and administrative	78.1	67.1
Depreciation	(2.0)	(1.6)
Restructuring charges	(7.8)	(6.2)
Adjusted Sales, General and Administrative	**107.3**	**95.3**
Adjusted Operating Expenses	**196.8**	**178.2**

Due to rounding, numbers presented may not add to the totals provided.