

Q1 2020/21

Interim Report (May - July 2020)

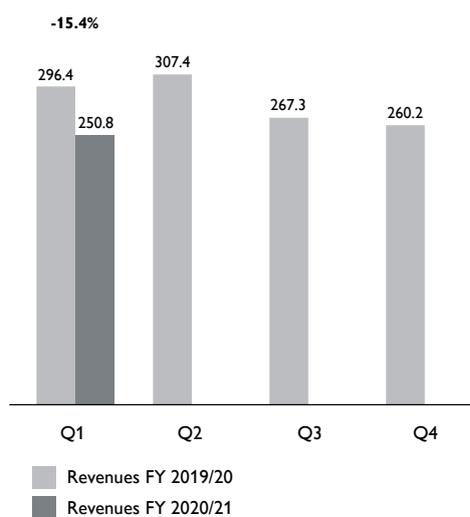


Overview of the First Quarter of 2020/21

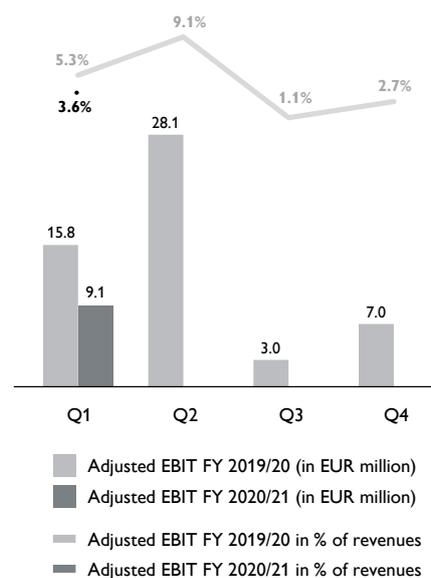
Key Data in EUR million	Q1 2020/21	Q1 2019/20	Change in %
Revenues	250.8	296.4	(15.4)
EBITDA	22.9	30.9	(25.8)
as a % of revenues	9.1	10.4	
Adjusted EBIT	9.1	15.8	(42.6)
as a % of revenues	3.6	5.3	
EBIT	7.0	15.4	(54.4)
as a % of revenues	2.8	5.2	
Net profit for the period	3.1	10.9	(71.2)
as a % of revenues	1.3	3.7	
Cash flow from operating results	23.9	30.8	(22.5)
Investments	8.0	10.4	(22.8)
	31 July 2020	30 April 2020	Change in %
Total assets	976.9	994.8	(1.8)
Equity	275.5	280.7	(1.8)
Equity ratio in %	28.2	28.2	
Net debt	179.2	165.7	8.2
Headcount incl. contract worker (full-time equivalent)	5,948	6,039	(1.5)

Development of business by quarter

Revenues (in EUR million)



Adjusted EBIT



Letter to Shareholders

Dear Shareholders,

For the Zumtobel Group, the first three months of the 2020/21 financial year were focused on the Covid-19 pandemic. We successfully adjusted our business to reflect the substantial decline in activity in our various markets and, at the same time, met the requirements set by the different governments. The noticeable easing of these many restrictions (e.g. lockdowns) has been reflected in slight signs of recovery on individual markets despite the recent increase in the number of infections. We also concentrated – in spite of Covid-19 – on our FOCUS strategy and the related medium-term measures to strengthen our competitive ability and develop new market opportunities. The Zumtobel Group is continuously working to develop innovative lighting generations that will allow us to also offer our customers attractive products in the future. Nonetheless, our strict focus on cost management will remain – especially in times like these.



Alfred Felder

The development of our business was negatively affected by the impact of the Covid-19 pandemic on the global economy. Revenues fell by over 15% in the first quarter of 2020/21 (1 May 2020 to 31 July 2020). However, the Zumtobel Group was also able to generate a profit during this quarter.

Decline in revenues due to Covid-19

Group revenues fell by 15.4% year-on-year to EUR 250.8 million in the first quarter of 2020/21 (previous year: EUR 296.4 million). After an adjustment for foreign exchange effects, the decline equalled 15.2%. The massive 37% slump during the final month of the past financial year, the low point of revenue development, was followed by slight market recovery during the first quarter. Business in the Components Segment was also negatively influenced by advance stock purchases by many customers at the beginning of the worldwide lockdown measures, which coincided with the fourth quarter of 2019/20 and also led to substantially lower order levels in the first quarter of 2020/21.

Positive development of earnings due to strict cost management

We generated positive adjusted Group EBIT of EUR 9.1 million und a return on sale of 3.6% (previous year: 5.3%) in the first quarter of 2020/21, supported by our strict cost management. Below the line, net profit equalled EUR 3.1 million. The development of earnings during this quarter shows that the Zumtobel Group has a much more robust position than before due to the measures implemented in the last two financial years. This development also underscores the success of our quickly implemented, effective crisis management in dealing with the effects of the Covid-19 pandemic.

Economic development difficult to predict

The objective for the coming quarters will be to position the Zumtobel Group for the period after Covid-19 in order to resume our sound pre-crisis development as quickly as possible. However, we are still unable to estimate the exact impact of the corona pandemic. We therefore hope you will understand that we have decided not to issue any guidance on the development of revenues and earnings for the full 2020/21 financial year at the present time.

Thank you for your confidence in these challenging times!

Alfred Felder
Chief Executive Officer (CEO)

Group Management Report

Development of revenues in the first quarter of 2020/21

- >> Group revenues decline by 15.4% (FX-adjusted minus 15.2%)
- >> Lighting Segment revenues clearly below previous year (minus 14.8%)
- >> Stronger revenue decline in Components Segment (minus 18.1%)

FX-adjusted decline of 15.2% in Group revenues

In the first three months of the 2020/21 financial year (1 May 2020 to 31 July 2020), Group revenues fell by 15.4% year-on-year to EUR 250.8 million (previous year: EUR 296.4 million). Negative currency translation effects of EUR 0.5 million resulted primarily from the devaluation of the Turkish lira, British pound and Norwegian krone against the euro, but were partly offset by the appreciation of the Swiss franc. After an adjustment for these effects, revenues declined by 15.2%.

Segment development in EUR million	Q1 2020/21	Q1 2019/20	Change in %	FX adjusted in %
Lighting Segment	189.7	222.6	(14.8)	(14.8)
Components Segment	73.1	89.3	(18.1)	(17.4)
Reconciliation	(12.0)	(15.4)	(22.1)	
Zumtobel Group	250.8	296.4	(15.4)	(15.2)

Lighting Segment revenues: FX-adjusted decline of 14.8%

Lighting Segment revenues fell by 14.8% to EUR 189.7 million as a result of the Covid-19 pandemic (previous year: EUR 222.6 million). However, a comparison of the sharp 36.9% drop during the final month of the 2019/20 financial year (April 2020) with April 2019 shows signs of moderation in the crisis-related revenue declines.

Components Segment revenues: FX-adjusted decline of 17.4%

Revenues in the Components Segment fell by 18.1% year-on-year in the first quarter of 2020/21. The beginning of the crisis in the fourth quarter of 2019/20 led to increased inventory purchases by customers in reaction to supply chains disrupted by the Covid-19 pandemic and a subsequent positive effect on segment revenues. This was followed by a negative effect on Q1 revenues for the current financial year. Revenue development was also negatively influenced by the devaluation of the Turkish lira. After an adjustment for foreign exchange factors, revenues declined by 17.4%.

Regional development

Revenues in EUR million	Q1 2020/21	Change in %	in % of Group
D/A/CH	87.2	(6.1)	34.8
Northern and Western Europe	57.7	(23.0)	23.0
Southern and Eastern Europe	64.4	(20.1)	25.7
Asia & Pacific	24.0	(20.9)	9.6
Rest of the World	17.5	(1.1)	7.0
Total	250.8	(15.4)	100.0

Satisfactory revenue development in Switzerland, Austria and MEIA

The regional development of revenues was influenced by Covid-19-related declines. Only individual core markets, above all Switzerland and Austria, avoided double-digit per cent declines. The European markets in Great Britain, France and Italy were particularly hard hit. Slight growth, despite the crisis, was recorded in the Middle East & Africa region, but was contrasted by weaker development in the Asia & Pacific region.

Development of earnings in the first quarter of 2020/21

- >> Adjusted Group EBIT positive at EUR 9.1 million despite Covid-19 crisis
- >> Earnings protected by cost savings and government measures to cushion the Covid-19 crisis
- >> SG&A expenses reduced by EUR 9.7 million versus Q1 2019/20

Group EBIT adjusted for special effects fell from EUR 15.8 million (Q1 2019/20) to EUR 9.1 million (Q1 2020/21), and the return on sales consequently declined from 5.3% to 3.6%. However, earnings were positive despite the double-digit decline in revenues due to cost savings and the utilisation of short-time work options. The reduction of fixed costs represented the largest contribution to earnings, with a year-on-year decline of EUR 9.7 million in SG&A expenses. Adjusted EBIT fell from EUR 13.5 million to EUR 8.0 million in the Lighting Segments and from EUR 6.4 million to EUR 3.8 million in the Components Segment.

Adjusted Group EBIT falls to EUR 9.1 million

The gross profit margin (after development costs) for the Zumtobel Group declined to 31.6% in the first quarter of 2020/21 (previous year: 32.3%). Development costs fell by EUR 0.8 million to EUR 14.3 million (Q1 2019/20: EUR 15.0 million).

Decline in development costs

Income statement in EUR million	Q1 2020/21	Q1 2019/20	Change in %
Revenues	250.8	296.4	(15.4)
Cost of goods sold	(171.6)	(200.8)	(14.5)
Gross profit	79.2	95.6	(17.2)
as a % of revenues	31.6	32.3	
SG&A expenses	(70.1)	(79.8)	(12.1)
Adjusted EBIT	9.1	15.8	(42.6)
as a % of revenues	3.6	5.3	
Special effects	(2.1)	(0.4)	<(100)
EBIT	7.0	15.4	(54.4)
as a % of revenues	2.8	5.2	
Financial results	(3.0)	(1.8)	(65.1)
Profit before tax	4.0	13.6	(70.4)
Income taxes	(0.9)	(2.7)	(67.3)
Net profit for the period	3.1	10.9	(71.2)
Earnings per share (in EUR)	0.07	0.25	(71.2)

Note: EBITDA (plus depreciation and amortisation) amounted to EUR 22.9 million in the first quarter of 2020/21.

Cost savings led to a reduction of EUR 10.3 million in selling and administrative expenses (incl. research) to EUR 71.1 million in the first quarter of 2020/21 (Q1 2019/20: EUR 81.5 million). The largest savings were realised in personnel costs, travel expenses, marketing and in the lower transport costs which resulted from the decline in revenues. Other operating income, excluding special effects, fell to EUR 1.0 million (Q1 2019/20: EUR 1.7 million).

Substantial reduction in selling and administrative costs

Negative special effects of EUR 2.1 million were recorded in the first quarter of 2020/21 (Q1 2019/20: minus EUR 0.4 million). They are related primarily to costs arising from the closure of the accdc plant in Barrowford, Great Britain, and the relocation of production to the plant in Spennymoor.

Negative special effects from relocation of accdc

Financial results below previous year

Financial results declined by EUR 1.2 million to minus EUR 3.0 million (Q1 2019/20: minus EUR 1.8 million). Interest expense, which is attributable primarily to the current credit agreements and finance leases, amounted to minus EUR 1.4 million (Q1 2019/20: minus EUR 1.9 million). Other financial income and expenses equalled minus EUR 1.6 million (Q1 2019/20: plus EUR 0.1 million) and include the interest expenses for pension obligations as well as the income and expenses resulting from changes in foreign exchange rates. The market valuation of exchange rate hedges for the operating business as of 31 July 2020 represented a major component of these negative results.

Profit before tax amounted to EUR 4.0 million in the first quarter of 2020/21 (Q1 2019/20: EUR 13.6 million), and income taxes equalled EUR 0.9 million (Q1 2019/20: EUR 2.7 million). Net profit for the period equalled EUR 3.1 million (Q1 2019/20: EUR 10.9 million). Earnings per share for the shareholders of Zumtobel Group AG (basic EPS based on 43.1 million shares) equalled EUR 0.07 (Q1 2019/20: EUR 0.25).

Cash flow and asset position

Cash flow from operating results fell from EUR 30.8 million in the first quarter of the previous year to EUR 23.9 million in the first quarter of 2020/21 due to the decline in profitability.

Negative development of working capital

Working capital totalled EUR 191.3 million as of 31 July 2020 and was EUR 15.5 million higher than on 31 July 2019. As a per cent of rolling 12-month revenues, working capital rose from 15.1% to 17.6% as a result of the crisis. Cash inflows from the change in other operating positions totalled EUR 7.1 million (Q1 2019/20: cash outflows of EUR 6.9 million). Consequently, cash flow from operating activities dropped from EUR 19.6 million to EUR 5.6 million in the first quarter of 2020/21.

Free cash flow at minus EUR 2.4 million

Cash flow from investing activities amounted to minus EUR 8.0 million for the reporting period (Q1 2019/20: minus EUR 9.7 million). Investments declined to EUR 8.0 million (Q1 2019/20: EUR 10.4 million) and include capitalised development costs of EUR 3.1 million (Q1 2019/20: EUR 3.9 million). Free cash flow fell to minus EUR 2.4 million (Q1 2019/20: plus EUR 9.9 million), primarily due to the reduction in cash flow from operating activities.

Balance sheet data in EUR million	31 July 2020	30 April 2020
Total assets	976.9	994.8
Net debt	179.2	165.7
Equity	275.5	280.7
Equity ratio in %	28.2	28.2
Gearing in %	65.0	59.0
Investments	8.0	57.9
Working capital	191.3	169.2
As a % of rolling 12 month revenues	17.6	15.0

Solid balance sheet structure

The balance sheet structure has remained nearly unchanged since 30 April 2020. The equity ratio equalled 28.2% as of 31 July 2020. Net debt increased by EUR 13.6 million over the level on 30 April 2020 to EUR 179.2 million, and gearing – the ratio of net debt to equity – therefore deteriorated from 59.0% to 65.0%.

Outlook

- >> 2020/21 financial year as a year of trial
- >> Economic development still difficult to predict
- >> No guidance for 2020/21 at the present time

The Management Board of the Zumtobel Group sees the 2020/21 financial year as a year of trial where the primary objective is to successfully manage the effects of the Covid-19 pandemic and limit the resulting damage to the company. Activities will concentrate on strict cost management as well as the focused and rapid continuation of the innovations currently in the pipeline in order to resume the sound operating development recorded before the pandemic as quickly as possible. However, the exact impact of the corona pandemic is still impossible to estimate. The Management Board of the Zumtobel Group has therefore decided not to issue any guidance on the development of revenues and earnings for the full 2020/21 financial year at the present time.

Dornbirn, 1 September 2020

The Management Board

Alfred Felder
Chief Executive Officer (CEO)

Thomas Tschol
Chief Financial Officer (CFO)

Bernard Motzko
Chief Operating Officer (COO)

Zumtobel Group AG has adjusted the scope of the interim reports due to the changed requirements of the “Prime Market Rules“ of the Vienna Stock Exchange for first and third quarter interim reporting. Financial information presented in the interim report for the first quarter of 2020/21 is fundamentally based on the same accounting and valuation methods underlying the consolidated financial statements of the Zumtobel Group AG for the 2019/20 financial year.

Consolidated Income Statement

in TEUR	Q1 2020/21	Q1 2019/20	Change in %
Revenues	250,800	296,391	(15.4)
Cost of goods sold	(171,586)	(200,769)	(14.5)
Gross profit	79,214	95,622	(17.2)
<i>as a % of revenues</i>	31.6	32.3	
Selling expenses	(63,125)	(73,853)	(14.5)
Administrative expenses	(8,023)	(7,613)	5.4
Other operating income	1,026	2,199	(53.4)
<i>thereof special effects</i>	0	412	(100.0)
Other operating expenses	(2,059)	(943)	<(100)
<i>thereof special effects</i>	(2,059)	(826)	<(100)
Operating profit	7,033	15,412	(54.4)
<i>as a % of revenues</i>	2.8	5.2	
Interest expense	(1,508)	(1,955)	(22.9)
Interest income	68	77	(11.7)
Other financial income and expenses	(1,569)	56	<(100)
Result from companies accounted for at-equity	0	0	
Financial results	(3,009)	(1,822)	(65.1)
<i>as a % of revenues</i>	(1.2)	(0.6)	
Profit before tax	4,024	13,590	(70.4)
Income taxes	(885)	(2,705)	(67.3)
Net profit for the period	3,139	10,885	(71.2)
<i>as a % of revenues</i>	1.3	3.7	
<i>thereof due to non-controlling interests</i>	179	(7)	>100
<i>thereof due to shareholders of the parent company</i>	2,960	10,892	(72.8)
Average number of shares outstanding – basic (in 1,000 pcs.)	43,147	43,147	
Average number of shares outstanding – diluted (in 1,000 pcs.)	43,147	43,147	
Earnings per share (in EUR)			
Earnings per share (diluted and basic)	0.07	0.25	

Consolidated Balance Sheet

in TEUR	31 July 2020	in %	30 April 2020	in %
Goodwill	189,457	19.4	191,510	19.3
Other intangible assets	45,965	4.7	46,694	4.7
Property, plant and equipment	275,537	28.2	284,561	28.6
Financial assets accounted for at equity	4,031	0.4	4,029	0.4
Financial assets	1,401	0.1	1,410	0.1
Other assets	3,914	0.4	3,915	0.4
Deferred taxes	24,272	2.5	23,461	2.4
Non-current assets	544,577	55.7	555,580	55.9
Inventories	175,161	18.0	170,931	17.1
Trade receivables	148,788	15.2	145,876	14.7
Financial assets	599	0.1	1,307	0.1
Other assets	51,129	5.2	49,258	5.0
Liquid funds	56,619	5.8	71,838	7.2
Current assets	432,296	44.3	439,210	44.1
ASSETS	976,873	100.0	994,790	100.0
Share capital	108,750	11.1	108,750	10.9
Additional paid-in capital	335,316	34.2	335,316	33.8
reserves	(174,190)	(17.8)	(179,563)	(18.1)
Net profit for the period	2,960	0.3	13,417	1.3
Capital attributed to shareholders of the parent company	272,836	27.7	277,920	27.9
Capital attributed to non-controlling interests	2,705	0.3	2,762	0.3
Equity	275,541	28.0	280,682	28.2
Provisions for pensions	76,325	7.8	78,299	7.9
Provisions for severance compensation	49,255	5.0	49,189	4.9
Provisions for other employee benefits	10,642	1.1	10,524	1.1
Other provisions	21,404	2.2	12,484	1.3
Borrowings	189,029	19.4	208,597	21.0
Other liabilities	1,742	0.2	1,447	0.1
Deferred taxes	1,765	0.2	1,766	0.2
Non-current liabilities	350,162	35.9	362,306	36.5
Provisions for taxes	22,299	2.3	22,165	2.2
Other provisions	42,633	4.4	50,765	5.1
Borrowings	46,826	4.8	28,907	2.9
Trade payables	97,215	10.0	115,612	11.6
Other liabilities	142,197	14.6	134,353	13.5
Current liabilities	351,170	36.1	351,802	35.3
EQUITY AND LIABILITIES	976,873	100.0	994,790	100.0

Consolidated Cash Flow Statement

in TEUR	Q1 2020/21	Q1 2019/20
Profit before tax	4,024	13,590
Depreciation and amortisation	15,855	15,440
Impairment of property, plant and equipment and intangible assets	0	0
Gain/loss on the disposal of property, plant and equipment and intangible assets	(2)	(25)
Other non-cash financial results	2,544	(78)
Interest income/ Interest expense	1,455	1,899
Cash flow from operating results	23,876	30,826
Inventories	(6,836)	(5,688)
Trade receivables	(5,407)	3,804
Trade payables	(16,520)	(6,832)
Prepayments received	4,250	5,075
Change in working capital	(24,513)	(3,641)
Non-current provisions	8,431	(542)
Current provisions	(7,736)	(4,887)
Other assets	(3,071)	(8,781)
Other liabilities	9,480	7,290
Change in other operating items	7,104	(6,920)
Income taxes paid	(900)	(669)
Cash flow from operating activities	5,567	19,596
Cash inflows from the disposal of property, plant and equipment and other intangible assets	5	614
Cash outflows for the purchase of property, plant and equipment and other intangible assets	(8,035)	(10,403)
Change in non-current and current financial assets	(13)	45
Interest received	70	82
Cash flow from investing activities	(7,973)	(9,662)
FREE CASH FLOW	(2,406)	9,934
Cash proceeds from non-current and current borrowings	14,860	39,680
Cash repayments of non-current and current borrowings	(15,377)	(25,000)
Dividend paid to shareholders of the parent	(4,315)	0
Interest paid	(1,352)	(1,793)
Cash flow from financing activities	(6,184)	12,887
CHANGE IN CASH AND CASH EQUIVALENTS	(8,590)	22,821
Cash and cash equivalents at the beginning of the year	59,739	19,605
Cash and cash equivalents at the end of the year	49,552	42,818
Effects of exchange rate changes on cash and cash equivalents	(1,597)	392
Change absolute	(8,590)	22,821

Service

Financial Calendar

Interim Report Q1 2020/21 (1 May 2020 - 31 July 2020)	01 September 2020
Half-Year Financial Report 2020/21 (1 May 2020 - 31 October 2020)	01 December 2020
Interim Report Q1-Q3 2020/21 (1 May 2020 - 31 January 2021)	02 March 2021

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Financial Reports

Our financial reports are available in English and German for download under: <http://www.zumtobelgroup.com>.

More Information

on Zumtobel Group AG and our brands can be found on the Internet under:

www.zumtobelgroup.com
www.zumtobel.com
www.thornlighting.com
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This quarterly financial report includes statements on future developments, which are based on information available at the present time and involve risks and uncertainties that could cause the results realised at a later date to vary from these forward-looking statements. These statements on future developments are not to be understood as guarantees. On the contrary, future developments and results are dependent on a wide range of factors and connected with various risks and incalculable events. Moreover, they are based on assumptions that may prove to be incorrect. Included here, for example, are unforeseeable changes in the political, economic and business environment, especially in the regions where the Zumtobel Group operates, as well as the competitive situation, interest rates and foreign exchange rates, technological developments and other risks and incalculable events. Other risks may arise as a result of price developments, unforeseeable events in the operating environments of acquired companies or Group companies as well as ongoing cost optimisation programmes. The Zumtobel Group does not plan to update these forward-looking statements. This interim financial report is also presented in English, but only the German text is binding.

