

## Press Release

Dornbirn, 5 March 2019

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Q1–Q3 (May 2018 to January 2019):

### **Restructuring shows effect and leads to improvement in profitability despite difficult market environment**

**Development in the first three quarters of 2018/19 (in comparison with the previous year):**

- **Difficult market environment, political uncertainty and negative currency translation effects impact revenue development: revenues of EUR 863.8 million (minus 4.9%; FX-adjusted minus 3.8%)**
- **Efficiency and saving measures lead to an improvement in adjusted Group EBIT by 16.9% to EUR 23.9 million – return on sales increases to 2.8%**
- **Negative one-off effects from restructuring measures influence earnings: net loss for the period: minus EUR 6.1 million**

**Dornbirn, Austria** – The first nine months of the 2018/19 financial year were characterised by urgently required restructuring measures to stabilise the business and improve profitability.

*“The realignment of the Zumtobel Group is progressing. We implemented a range of measures in the first three quarters to strengthen revenues and earnings. Despite an increasingly intense global competition and the related decline in earnings, we successfully improved our profitability,”* comments **Zumtobel Group CEO Alfred Felder** on the results of the first three quarters.

*“We are also pleased to report that the on-going ramp-up of the lighting and components plant in Niš, Serbia, which started production during last September, is proceeding as planned. The next step will be to transform Niš into a fully operational plant with a high degree of vertical integration in order to improve our competitive position and increase our flexibility to react to the changing demands of our core markets,”* **Alfred Felder** outlines the tasks of the coming months.

### **Difficult market environment, political uncertainty and negative foreign exchange effects lead to decline in revenues**

Group revenues totalled EUR 863.8 million in the first three quarters of 2018/19 (minus 4.9% compared with the previous year). After an adjustment for foreign exchange effects – which resulted from the increase in the euro versus the Turkish lira, Australian dollar and Swedish krona – revenues declined by 3.8%. Further reasons for the decline included the intense price competition in the lighting industry and substantially lower revenues in Great Britain (roughly minus 14%), the Zumtobel Group’s most important single market. Revenue development in Great Britain has been negatively influenced by the still uncertain outcome of the BREXIT-negotiations and the resulting decline in orders for the non-residential construction sector in that market.

### **Reduction of fixed costs supports improvement in profitability**

Group EBIT adjusted for special effects rose to EUR 23.9 million in the first three quarters of 2018/19 (Q1–Q3 2017/18: EUR 20.5 million), and the return on sales improved from 2.3% to 2.8%. The improvement in the Group’s profitability resulted, above all, from the efficiency and cost savings measures which were introduced by the Management Board. Selling and administrative costs fell by a substantial EUR 21.9 million (minus 8%) year-on-year during the reporting period.

## **Earnings negatively influenced by lower revenues and one-off costs for restructuring measures**

Net loss for the period amounted to minus EUR 6.1 million for the first three quarters of 2018/19 due to negative special effects of EUR 16.8 million (Q1–Q3 2017/18: EUR 6.5 million) from restructuring measures and the market-related decline in revenues. The restructuring costs resulted primarily from the streamlining of the management team and from the gradual shutdown of production at the components plant in Jennersdorf, Austria.

## **Restructuring course to be continued for improvement of profitability**

In spite of the savings measures implemented to date, the company has still not reached a competitive cost basis: **CEO Alfred Felder:** *“The continuous evaluation of all processes, business areas and plants is indispensable in a highly competitive global market like the lighting industry. Therefore, we will continue to focus on strengthening our competitiveness in order to generate profitable growth in the long-term.”*

The Zumtobel Group will therefore continue its restructuring course and introduce further measures in the fourth quarter of 2018/19 to improve profitability. In addition to the gradual shutdown of production at the components plant in Jennersdorf, Austria, production at the lighting plant in Guangzhou, China, will be scaled back to a minimum by the end of 2018/19 for small-lot production. Local volume production for the Asian lighting market will be handled by a partner network in the future. Further selective adjustments will also be made in the selling and administrative area to reduce the Group's cost structures, which are still high in international comparison.

## **Stabilisation of revenues – continued pursuit of strategy**

These restructuring measures are part of the urgently required steps to put the company back on track. The Zumtobel Group's realignment is not only directed to improving profitability, but also to the stabilisation of revenues and sharper positioning on the global lighting market. The strategy announced last September will be consistently pursued. In today's increasingly integrated, digital world, the company is therefore strengthening its focus on services and turnkey solutions as the drivers for further growth, on the components business as the answer to intelligent lighting products and systems and on strong core brands for a clear positioning in key markets and applications.

## **Outlook for 2018/19 and confirmation of medium-term target**

The Management Board of the Zumtobel Group sees 2018/19 as a year of transition and confirms the previously issued guidance. In view of the on-going low visibility as well as the generally intensive price competition in the lighting industry and numerous macroeconomic issues (e.g. BREXIT, trade conflicts), a statement on the development of revenues in the fourth quarter is connected with uncertainty. For the full year of 2018/19, adjusted Group EBIT is expected to improve slightly year-on-year (FY 2017/18: EUR 19.7 million). The company has set a medium-term target to generate an EBIT margin of approximately 6% by the 2020/21 financial year.

## Q3 and the first nine months at a glance

in EUR million	Q3 2018/19	Q3 2017/18	Change in %	Q1-Q3 2018/19	Q1-Q3 2017/18	Change in %
Revenues Zumtobel Group	268,7	283,7	-5,3	863,8	908,1	-4,9
Lighting Segment	199,9	214,1	-6,6	649,9	693,5	-6,3
Components Segment	83,3	84,8	-1,7	259,3	263,8	-1,7
Adjusted EBIT	-0,9	0,2	<-100	23,9	20,5	16,9
<i>as a % of revenues</i>	-0,3	0,1		2,8	2,3	
EBIT	-12,0	-2,2	<-100	7,2	13,9	-48,6
<i>in % vom Umsatz</i>	-4,5	-0,8		0,8	1,5	
Periodenergebnis	-14,8	-9,3	-59,0	-6,1	-1,7	<-100
<i>in % vom Umsatz</i>	-5,5	-3,3		-0,7	-0,2	

in EUR million	31 January 2019	30 April 2018	Change in %
Total assets	952,5	986,1	-3,4
Equity	268,8	268,3	0,2
<i>Equity ratio in %</i>	28,2	27,2	
Net debt	159,3	146,3	8,9
Headcount incl. contract worker (full-time equivalent)	5.905	6.497	-9,1

## Revenues by region

in EUR million	Q3 2018/19	Change in %	Q1-Q3 2018/19	Change in %	in % of Group
DIA/CH	83,3	-0,7	267,4	-2,6	31,0
Northern Europe	56,1	-9,0	182,8	-10,7	21,2
Benelux & Eastern Europe	38,8	-15,9	131,3	-5,5	15,2
Southern Europe	41,3	-7,3	131,9	-1,5	15,3
Asia & Pacific	30,4	4,4	92,1	-2,3	10,7
Middle East & Africa	13,1	10,7	40,5	5,1	4,7
Americas	5,8	-12,3	17,9	-23,2	2,1
<b>Total</b>	<b>268,7</b>	<b>-5,3</b>	<b>863,8</b>	<b>-4,9</b>	<b>100,0</b>

## **Information**

The Report for the 3<sup>rd</sup> Quarter can be downloaded from <https://www.zumtobelgroup.com/en/7026.htm>

This press release and the accompanying high-resolution images can be downloaded at:

[http://www.zumtobelgroup.com/en/press\\_center.htm](http://www.zumtobelgroup.com/en/press_center.htm)

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## **About the Zumtobel Group:**

The Zumtobel Group is an international lighting group and a leading supplier of innovative lighting solutions, lighting components and associated services. With its core brands, Zumtobel, Thorn and Tridonic, the Group offers its customers around the world a comprehensive portfolio of products and services. The Group's know-how about the effects of light on people, acquired over decades, forms the basis for the development of innovations and for accessing new fields of business. In the lighting business, the Group with its Thorn and Zumtobel brands, is one of the European market leaders. Through its lighting components brand, Tridonic, the Zumtobel Group plays a leading role worldwide in the manufacture of hardware and software for lighting systems (LED light sources and LED drivers, sensors and lighting management). The Zumtobel Group's service offering is one of the most comprehensive in the entire lighting industry, including consultation on smart lighting controls and emergency lighting systems, light contracting, design services and project management of turnkey lighting solutions, as well as new, data-based services focused on delivering connectivity for buildings and municipalities via the lighting infrastructure. The Group is listed on the Vienna Stock Exchange (ATX Prime) and on the balance sheet date (30 April 2018) employed a workforce of 6,224 employees. In the 2017/18 financial year, the Group posted revenues of EUR 1,196.5 million. The Zumtobel Group is based in Dornbirn in the Vorarlberg region of Austria. For further information, please visit <http://www.zumtobelgroup.com/en>