

Press release

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Lenze improves market position in challenging environment and achieves significant revenue growth

Financial year 2018/2019

- **Another significant revenue increase of 6.3 % to EUR 787.6 million, despite deteriorating environment**
- **Highest level of investment in the company's history and focused skills expansion**
- **Earnings before interest and taxes (EBIT) negatively affected by higher material and HR costs and amount to EUR 52.4 million before one-off items**
- **FIT2020+ efficiency programme takes effect**
- **Executive Board believes Lenze is well positioned as a flexible partner for automation and digitalisation**

Lenze looks back on a dynamic and eventful financial year 2018/2019. On one hand, it was characterised by the deteriorating global economy during 2019. Raw material, production and HR costs also rose. On the other hand, Lenze achieved a number of strategic and operational milestones.

For example, Lenze managed to increase consolidated revenue by 6.3 % to a new high of EUR 787.6 million. Lenze even exceeded the expectations at the beginning of the financial year. All regions of the Lenze Group (Europe, America, Asia) contributed to its growth. Contributions from business with customers in Lenze's five focus industries – automotive, consumer goods, converting & printing, intralogistics and textiles – were, as planned, major growth drivers.

Implementation of Strategy 2020+ accompanied by investment in skills development and expansion

During the last financial year, the Lenze Group made massive financial and personnel investments in skills expansion. Net investments increased to a new high of EUR 37.5 million during the 2018/2019 financial year, exceeding the previous year's level by 72.0 % (previous year: EUR 21.8 million). In order to meet its projected growth and altered skills requirements in the age of digitalisation, a number of new staff were appointed in key areas, meaning that the headcount at the end of the financial year rose to 3,969 (previous year: 3,739).

By investing in key skills for the future, the company has further improved its starting position for successful development – and can provide its customers with an extensive, further optimised service portfolio as a flexible partner for automation and digitalisation.

During the 2018/2019 financial year, Lenze also achieved a number of strategic and operational milestones that will secure its successful future development:

- **“Lenze.Digital”**: Lenze has bundled its digitalisation expertise in its new “Lenze.Digital” business unit. This unit will support customers with successful design and development for smart factory, Industry 4.0 and the Internet of Things (IoT).
- **“Digital Engineering”**: Lenze is investing worldwide in the research & development of future topics, such as remote and predictive maintenance, big data management and analytics, as well as virtual reality and working with a digital twin.
- **“Plug & Produce”**: Lenze is using this intuitive automation approach to show its customers how production of the future may look in a smart factory with flexibly convertible, autonomous and easily extendable systems, and to demonstrate its digital engineering expertise for the future.
- **“Mechatronic Competence Campus” (MCC)**: by laying the foundations of this innovative campus, Lenze is investing in sustainable, trailblazing, “made in Germany” mechatronic production that will supply customers around the world with sophisticated mechatronic solutions and systems.

- **Expanding global production capacity:** Lenze continually invests in the expansion and modernisation of its global production locations. In Poland, for example, where extending its factory significantly increased the volume of mechanically manufactured component parts for electrical engineering.
- **“Systems 20 %+”:** in the systems business, Lenze made considerable headway in all areas – both implemented and acquired projects, sales of the new controller generation of machine controllers and solutions for digital transformation.
- **“Lean management”:** in terms of lean, smart service provision, Lenze has made its own value creation even more effective and efficient. The aim of delivering added value for customers remains the maxim for all Lenze products and services. In line with Strategy 2020+, Lenze can therefore achieve considerable efficiency and profitability gains.
- **“Together”:** the people at Lenze invested a great deal in the development of their own leadership and cooperation skills during the last financial year. Together, Lenzians have embarked upon a cultural development journey, in order to be able to arouse customers’ enthusiasm for Lenze as we move into the future in a successful, cooperative and increasingly digitalised world. This year, the company’s annual report has therefore been assigned the motto: “Together”.

Growth and skills development reflected in earnings performance

The clear growth as well as the financial and personnel development of skills are also reflected in earnings performance during the 2018/2019 financial year. Overall, this fell short of expectations. Higher material prices, lower material throughput with limited material availability, as well as additional expenses in production and logistics, had a negative impact on profitability. In addition, HR costs increased disproportionately compared to overall performance. As a result, operational earnings before interest and taxes (EBIT) and one-off items amounted to EUR 52.4 million. After profit-reducing one-off items, EBIT totalled EUR 35.5 million (previous year: EUR 65.7 million). EBIT margin before one-off items was 6.7 %. Consolidated earnings before the de-

duction of minority interests were EUR 21.0 million in the reporting year, compared to EUR 47.2 million the previous year.

As part of the FIT2020+ efficiency programme, the Executive Board has agreed a wide range of efficiency-enhancing measures, many of which have already begun. Thus, everything has been set in motion to enable Lenze to once again improve its profitability in the short to medium term.

Still great financial scope – despite the highest level of investment

The Lenze Group continues to enjoy great financial strength and stability. Net cash flow from operating activities, which is the sum of gross cash flow and change in net working capital, increased by 16.0 % to EUR 50.2 million year-on-year (previous year: EUR 43.4 million).

Investments during the 2018/2019 financial year reached a new record level. Net investments of EUR 37.5 million once again exceeded the previous year's level by 72.0 % (previous year: EUR 21.8 million).

Despite this much higher level of investment, the Lenze Group had positive free cash flow of EUR 12.7 million and liquid assets of EUR 72.7 million as of 30 April 2019 (previous year: EUR 80.7 million).

The Lenze Group balance sheet also continues to be stable. With a balance sheet total of EUR 500.8 million, equity capital amounted to EUR 316.1 million as of 30 April 2019 (previous year: EUR 321.3 million). This represents an equity ratio of 63.1 % (previous year: 66.5 %). Despite higher financial debts due to increased investment activity, the net financial assets of the Lenze Group totalled a very robust EUR 45.7 million on the reporting date (previous year: EUR 63.0 million).

Thanks to its optimised set-up, Lenze is well prepared for the future

The Executive Board believes Lenze is still well prepared for its successful medium-term development. As Chairman of the Executive Board, Christian Wendler, explains at this year's SPS trade fair in Nuremberg: "Last year, we invested heavily in developing and expanding our expertise. In 2018/2019, this led to a reduction in our positive result. At the same time, we laid important

foundations for extending our leading role in the automation sector and will reap the benefits of our optimised set-up in the future.”

With regard to short-term opportunities and risks, he adds: “Our industry will soon become extremely strained, because the opportunities arising from digital transformation are offset by significant risks from a further, global, economic slowdown, trade disputes and also financial crises.”

The industry association, VDMA, therefore remains cautious about the future of mechanical engineering. It expects production to fall by 1.6 % in 2019 and even decline by 2.0 % in 2020.

“Lenze is well prepared to maintain its position, even in choppy waters. We will also be able to further increase our market share in the systems business and in Asia. In this respect, we continue to see growth potential for Lenze,” says Christian Wendler, summarising the outlook for Lenze.

About Lenze

Lenze is a leading automation company for the machine-building industry and a specialist in Motion Centric Automation. As a systems supplier with solutions competence, Lenze works for and with its customers to create high-quality mechatronic products and packages, powerful systems consisting of hardware and software for machine automation, as well as digitalisation services in areas such as big data management, cloud or mobile solutions, and software for the Internet of Things (IoT).

Lenze employs 3,969 employees worldwide and is represented in more than 60 countries. Lenze's growth strategy will see the company continuing to invest strongly in the areas relating to Industry 4.0 in the coming years – with the aim of increasing sales revenue and profitability.

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