Landis+Gyr
manage energy better

# Half-year H1 FY2018 earnings presentation

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# Important notices

This presentation includes forward-looking information and statements including statements concerning the outlook for our businesses. These statements are based on current expectations, estimates and projections about the factors that may affect our future performance, including global economic conditions, and the economic conditions of the regions and industries that are major markets for Landis+Gyr Group AG. These expectations, estimates and projections are generally identifiable by statements containing words such as “expects,” “believes,” “estimates,” “targets,” “plans,” “outlook” or similar expressions.

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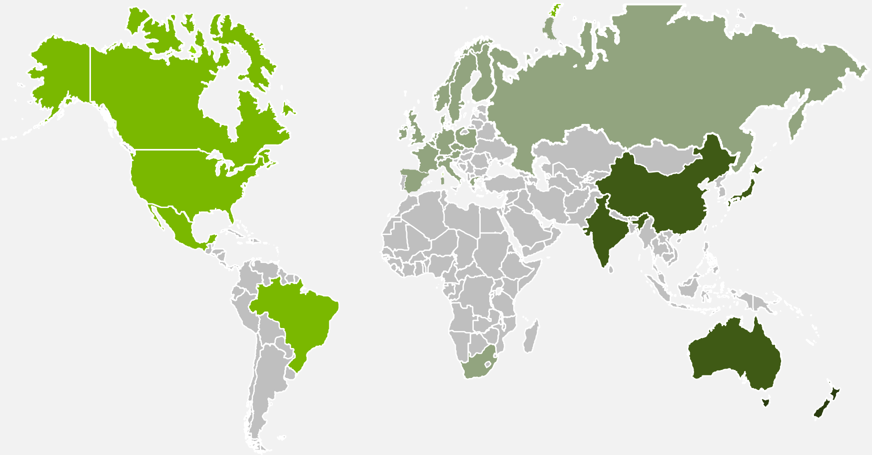
- business risks associated with the volatile global economic environment, supply chain and political conditions
- costs associated with compliance activities
- market acceptance of new products and services
- changes in governmental regulations and currency exchange rates,
- estimates of future warranty claims and expenses and sufficiency of accruals and
- such other 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.

This presentation contains non-GAAP measures of performance. Definitions of these measures and reconciliations between these measures and their US GAAP counterparts can be found in the ‘Supplemental reconciliations and definitions’ section in our Half Year Report 2018 on our website at www.landisgyr.com/investors.

# Business performance – H1 September 2018

## Group:



Overall Group performance for H1 September 2018:

- Order intake increased 10.3% (in constant currency) year over year, reaching USD 910.0 million predominantly driven by EMEA
- As industry wide supply chain constraints continued, net revenue development year over year was -1.9% (in constant currency)
- Adjusted EBITDA was USD 106.8 million compared to USD 106.5* million in H1 FY2017
- EMEA Adjusted EBITDA was effectively break-even; Adjusted Gross Profit margins improved 290 bps as the benefit of new product introductions started to show
- Net income improved from USD 5.1 million to USD 59.2 million (including non-cash gain from sale of intelliHUB of USD 15.5 million); Basic EPS of USD 2.01
- Free Cash Flow (excluding M&A) was USD 14.1 million, USD 6.5 million lower than in prior year period due to legacy warranty cash outs

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, H1 FY2017 EBITDA has been revised down by USD 2.3 million as all pension income and expenses other than service costs are now reported under “Other income (expense)”; net income is unchanged.

# Recent corporate developments

In North America, Public Power customers across the US signed new Landis+Gyr technology solution agreements totaling over 270,000 additional AMI endpoints planned for deployment along with a refresh of software and technology.

In the UK, the transition to the next generation smart meters (SMETS2) is now confirmed by government for December 2018. As the UK market leader, Landis+Gyr added orders to committed backlog of GBP 161 million with 18 million meters now deployed or under contract.

In France, Enedis awarded Landis+Gyr a contract to supply approx. 20% of their future volumes (with potential for further expansion) in the planned rollout of the next thirteen million Linky meters by 2023; in line with the previous tenders and contracts to supply Linky meters and data concentrators.

Landis+Gyr launched a comprehensive managed services solution to operate all of Caruna Oy's 660,000 smart metering points in Finland with more than 17 million validated metering values provided to Caruna and its customers every day. The service includes full smart metering operations responsibility for a duration of six years and an optional extension for an additional three years.

Landis+Gyr and Pacific Equity Partners (PEP) established a joint venture which acquired Acumen from Origin Energy Limited, Australia’s largest energy retailer. The Acumen business includes the existing management of an already deployed 170,000 smart meters and a material long-term contract with Origin for the deployment and management of additional smart meters across Australia.

# Americas segment – Key developments in H1 FY 2018

## North America

- Strong performance with robust market activity for AMI solutions continuing in the IOU and Public Power markets
- Main drivers being new smart grid technologies, evolving customer needs, increased focus on grid resiliency and flexibility, and the proliferation of distributed energy resources.
- New opportunities to create an electricity system that meets the changing expectations of consumers and society for the coming decades.

## Japan/Tepco

- Most ambitious utility IoT project in the world
- Project with over 19 million meters installed in the field and deployments running at 500 thousand per month
- When fully deployed, technology will handle 1.3 billion packets of data every day from the 30 million meters deployed
- Continue to help TEPCO to identify new applications to leverage their Landis+Gyr network
- Regulatory replacement cycle of 10 years for meters

**Continued strong performance of IOU and Public Power in North America**

# EMEA segment – Key developments in H1 FY 2018

## Key market developments

**UK**:

- In total over 18 million smart meters under contract, of which approximately 6 million have been deployed
- Orders booked into committed backlog of GBP 161 million
- Transition to second generation meters (SMETS2) now set for December 2018

**France**:

- 2.1 million Linky meters' tender awarded, minimum EUR 87 million revenue, to be supplied from 2019 onwards

## Key operational achievements

**Cost reduction:**

- Phased introduction of product cost downs on track in FY 2018
- 4 out of 6 already into market; remaining product families in H2 FY 2018

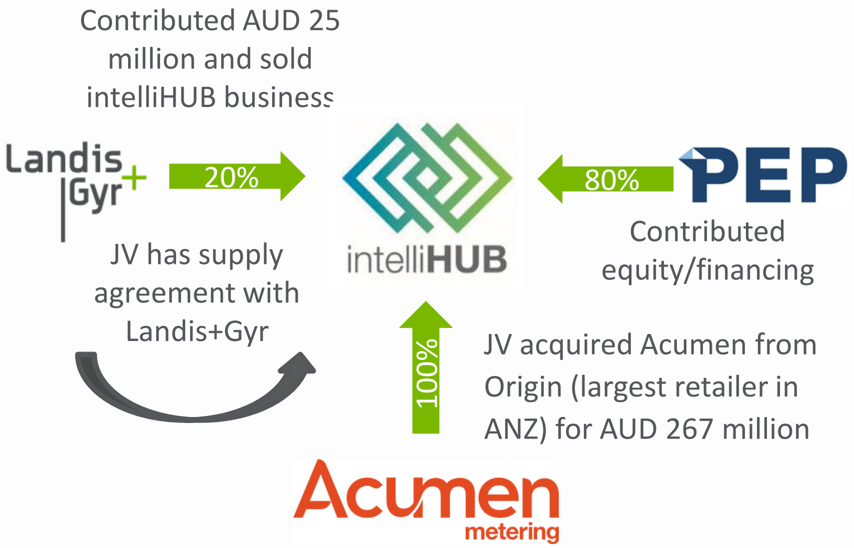
**Restructuring programs**:

- Project Phoenix is delivering USD 20 million of annualized savings on a constant currency basis. Program is now complete.
- Project Lightfoot is on track and by FY 2020 we will achieve USD 25 million of annualized savings relative to the cost base at the time of the IPO

**Backlog up meaningfully; cost reduction and restructuring programs drive margin expansion**

# Asia Pacific segment – Acumen / intelliHUB transaction

- "Power of Choice" requires not only a data and field servicing capability, but also asset financing
- Joint Venture formed together with Pacific Equity Partners to offer combined capabilities in Australia / New Zealand
- Landis+Gyr sold intelliHUB to the JV and contributed AUD 25 million for a 20% stake (USD 18.9 million)
- JV acquired Acumen, the market leading metering services business, from Origin; positions JV at the forefront of the Australian / New Zealand market.
- Origin has awarded Acumen a material long term contract for the installation & servicing of meters
- Disposal of intelliHUB to JV led to non-cash gain of USD 15.5 million and will result in lower operating expenses going forward (transfer of 16 employees)




**Addresses strategic needs as Australian market evolves in post Power of Choice world**

# Update on supply chain situation

## Supply chain at Landis+Gyr

- Landis+Gyr uses about 15’000 different components
- Approx. 100 passive components (mainly capacitors, resistors and inductors) impacted due to rising demand in other industry sectors
- Lead time reached 40 weeks for some components
- Previously safety stocks in place for key components only, but not for standard, passive products
- Intensive work with vendors continues in order to mitigate increased lead times
- Requires expediting sub-assemblies, assemblies and complete devices in order to meet customer commitments
- Temporary in nature but still a challenge for H2 FY 2018

**Supply chain position – while temporary – expected to remain challenging**

# Consolidated results – H1 September 2018

| USD in millions (except per share amounts) | H1 FY2018 | H1 FY2017 | Change |
|---|---|---|---|
| Order Intake | 910.0 | 821.4 | 10.8% |
| Change in constant currency | | | 10.3% |
| Committed Backlog | 2’347.9 | 2’478.8 | (5.3%) |
| Net revenue | 852.9 | 865.6 | (1.5%) |
| Change in constant currency | | | (1.9%) |
| Adjusted Gross Profit | 291.9 | 304.4 | (4.1%) |
| Reported EBITDA | 114.9 | 40.8* | 181.4% |
| Adjusted EBITDA | 106.8 | 106.5* | 0.3% |
| Net income | 59.2 | 5.1 | 1’060.8% |
| Earnings per share - basic (in USD) | 2.01 | 0.17 | 1’082.4% |
| Cash provided by (used in) operating activities | 30.9 | 39.1 | (21.0%) |
| Free cash flow (excluding M&A) | 14.1 | 20.6 | (31.6%) |
| Net debt | 110.4 | 107.3 | 2.9% |

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, H1 FY2017 EBITDA has been revised down by USD 2.3 million as all pension income and expenses other than service costs are now reported under “Other income (expense)”; net income is unchanged.

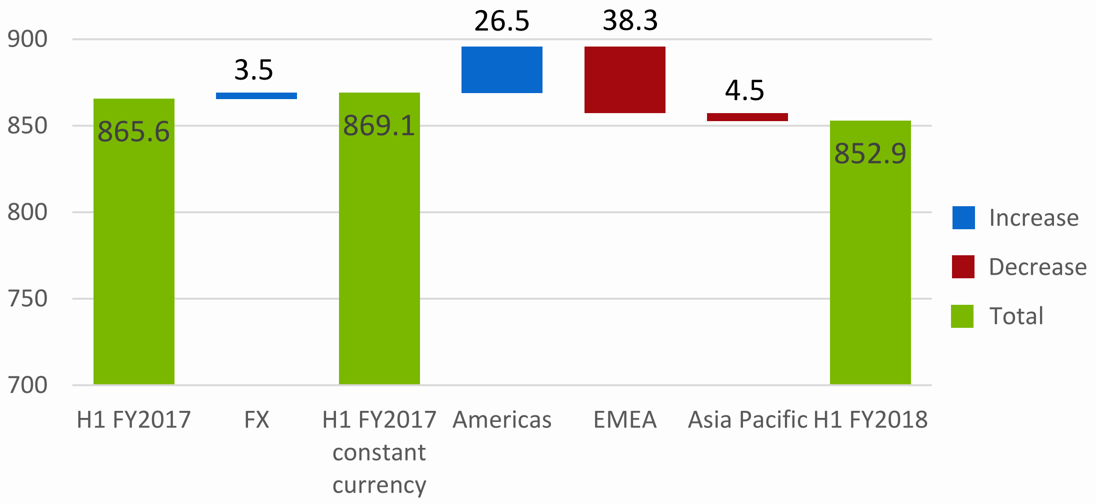
- Order intake up by 10.3%
- Revenue down by 1.9%
- Reported EBITDA increased from USD 40.8 million to USD 114.9 million
- Adjusted EBITDA of USD 106.8 million in line with H1 FY 2017
- Net income increased from USD 5.1 million to USD 59.2 million translating into basic EPS of USD 2.01
- Free cashflow (excluding M&A) was USD 14.1 million

**Significant increase in Order Intake**

# Net revenue year-over-year bridge – H1 September 2018

## Net revenue year-over-year bridge:

USD in millions




### Americas

US AMI sales offsetting expected decline in Japan revenues (USD -33 million)

### EMEA

Supply chain constraints, a temporary delay in the UK market and a project roll off in Spain lead to lower revenues

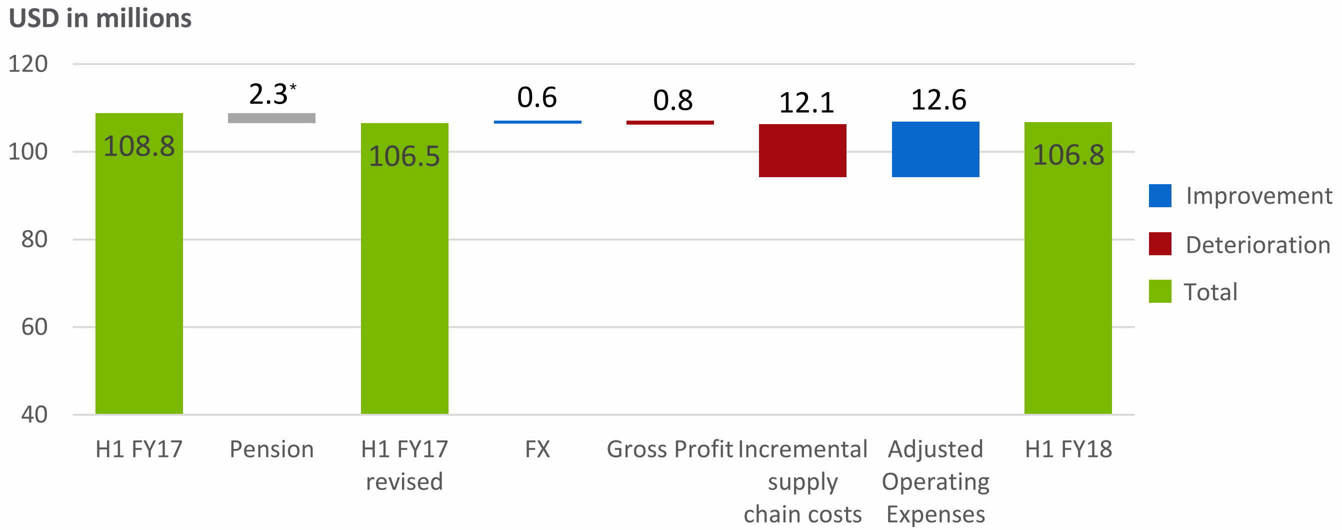
### Asia Pacific

Major markets remain stable, revenue decline caused by lower project sales in Southeast Asia

**Strong US results partially offsets decline in Japan and EMEA**

# Adjusted EBITDA year-over-year bridge – H1 September 2018

## Adjusted EBITDA y-o-y bridge:




**Adjusted Gross Profit**
impacted by incremental costs associated with supply chain constraints

**Adjusted Operating Expenses**
decreased due to tight cost controls in all regions and Project Phoenix completion

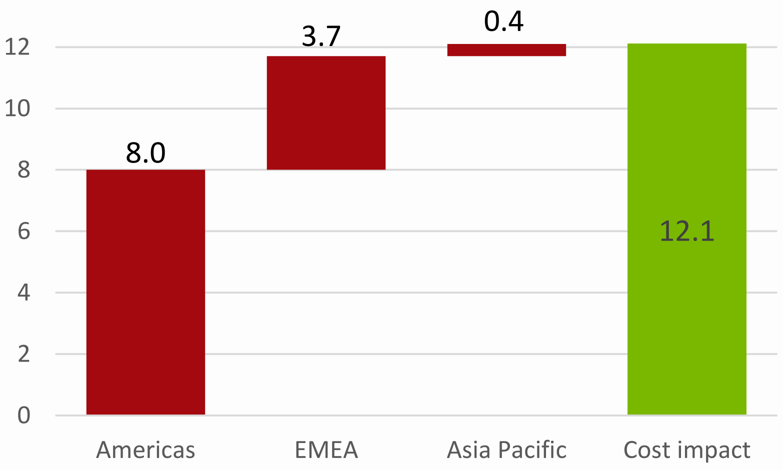
* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, H1 FY2017 EBITDA has been revised down by USD 2.3 million as all pension income and expenses other than service costs are now reported under "Other income (expense)"; net income is unchanged.

**Impact of incremental supply chain costs mitigated at Adjusted EBITDA level**

# Financial impact from supply chain issue – H1 September 2018

## Incremental costs from supply chain issue

USD in millions




| USD in millions | Americas | EMEA | APAC | Group |
|---|---|---|---|---|
| *Incremental costs incurred* | 8.0 | 3.7 | 0.4 | 12.1 |
| *Impact on Adjusted EBITDA margin (bps)* | 160 | 130 | 60 | 140 |

- Pushed out approx. USD 20 million of revenues from H1 FY2018
- Incremental costs include additional freight and premium prices paid for components

**Incremental costs associated with supply chain constraints reduce Adjusted EBITDA by 10.2%**

# Adjustments to EBITDA – H1 September 2018

| USD in millions | H1 FY2018 | H2 FY2017* | H1 FY2017* | Change |
|---|---|---|---|---|
| **Reported EBITDA** | **114.9** | **100.6** | **40.8** | **181.4%** |
| *Adjustments* | (8.1) | 1.3 | 65.7 | |
| Restructuring Charges | 2.6 | 6.5 | 8.1 | (68.2%) |
| Exceptional Warranty Expenses | 0.6 | (0.1) | 2.4 | (73.5%) |
| Normalized Warranty Expenses | (11.3) | (6.1) | 30.3 | n/a |
| Special Items | - | 0.9 | 24.8 | n/a |
| **Adjusted EBITDA** | **106.8** | **101.9** | **106.5** | **0.3%** |

* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, EBITDA has been revised down by USD 2.3 million in H1 FY2017 and by USD 1.5 million in H2 FY2017 as all pension income and expenses other than service costs are now reported under “Other income (expense)”.

## Adjustments H1 September 2018

- Adjustments in H1 FY2018 are negative at USD 8.1 million driven by normalized warranty expenses.
- Restructuring – Costs mainly associated with the implementation of restructuring programs in Brazil.
- Exceptional Warranty Expenses – All attributed to the X2 capacitor legacy warranty case.
- Normalized Warranty Expenses – in H1 FY 2018, the adjustment became negative as the warranty expense in the P+L was below the average utilization by USD 11.3 million
- In H1 FY2017 Special Items are primarily IPO related expenses of USD 24.2 million.

**Adjusted EBITDA lower than Reported EBITDA by USD 8 million**

# Cash flow – H1 September 2018

| USD in millions | H1 FY2018 | H1 FY2017 | Change |
|---|---|---|---|
| Net income (loss) | 59.2 | 5.1 | 1’067.4% |
| Depreciation and amortization | 47.3 | 48.6 | (2.8%) |
| Non-cash gain on disposal of intelliHUB | (15.5) | - | - |
| Change in OWC, net | 2.3 | 9.6 | (76.5%) |
| Other | (62.4) | (24.2) | (157.9%) |
| Net cash provided by operating activities | 30.9 | 39.1 | (21.0%) |
| *(incl. Tax payment of)* | *(17.0)* | *(22.3)* | *23.7%* |
| Net cash used in investing activities | (35.7) | (18.5) | (92.4%) |
| *(incl. Capex of)* | *(16.9)* | *(19.1)* | *11.8%* |
| *(incl. equity contribution to JV with PEP of)* | *(18.9)* | - | - |
| **Free Cash Flow** | **(4.8)** | **20.6** | **n/a** |
| **Free Cash Flow (excluding M&A)** | **14.1** | **20.6** | **(31.6%)** |

## Operating Working Capital

Lower cash generation from change in OWC, net

## Other

Change to prior period mainly due to:
- Warranty provisions lower by USD 40 million
- Legacy warranty issue cash outs higher by USD 17 million

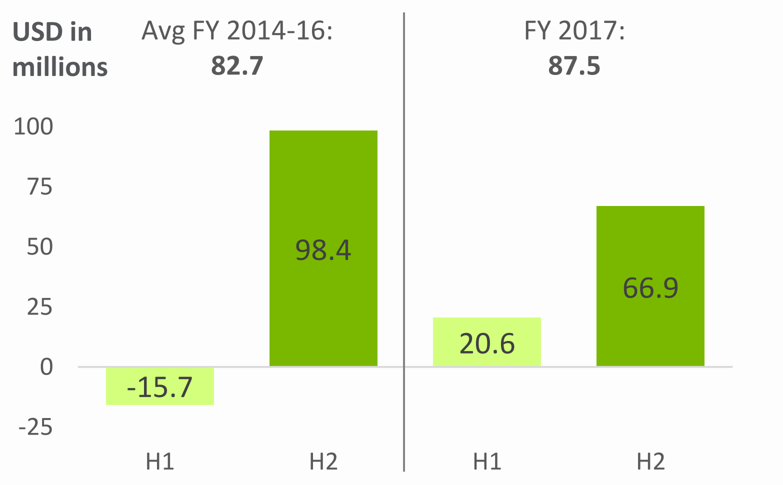
## Cash used in investing activities

Includes investment in JV in Australia
Capex lower by USD 2 million

**FCF (excluding M&A) impacted by higher legacy warranty cash-outs**

# Cash flow seasonality

## Historical Free Cash Flow (excl. M&A)



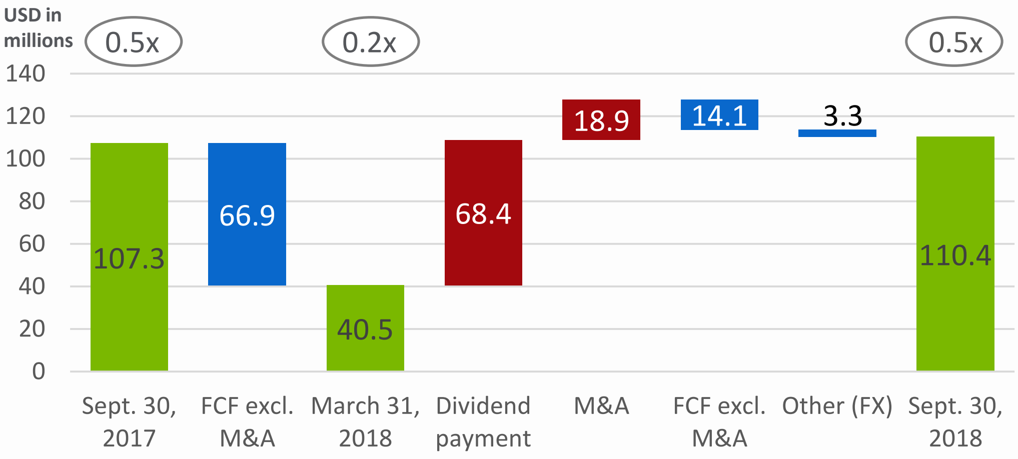

## Comments

- Over the period FY 2014 – FY 2017, average Free Cash Flow generation excluding M&A has been approximately USD 84 million p.a.
- H2 has historically been much stronger in terms of FCF generation (excl. M&A)
- Legacy warranty cash outs and other flows tend to be skewed to H1

**Historical generation of Free Cash Flow (excluding M&A) stronger in H2**

# Net debt

## Net debt bridge




- Dividend payment of USD 68.4 million made in July 2018
- Equity contribution of USD 18.9 million made to JV in Australia to acquire Acumen
- Net debt increased to USD 110.4 million in H1 FY 2018
- Net debt / trailing twelve month Adjusted EBITDA of 0.5x

Net debt / trailing twelve month Adjusted EBITDA

**Dividend payment and M&A led to increased net debt compared to March 31, 2018**

# Americas segment – H1 September 2018

| USD in millions | H1 FY2018 | H1 FY2017 | Change |
|---|---|---|---|
| Net revenue to external customers | 497.5 | 475.2 | 4.7% |
| Change in constant currency | | | 5.6% |
| Adjusted Gross Profit | 198.0 | 208.5 | (5.0%) |
| *Adjusted Gross Profit %* | *39.8%* | *43.9%* | |
| Adjusted Operating Expenses | (80.0) | (88.0) | 9.1% |
| **Adjusted EBITDA before Group Charges** | **118.1** | **120.5** | **(2.0%)** |
| Group Charges | (15.9) | (14.5) | (9.0%) |
| **Adjusted EBITDA** | **102.2** | **105.9** | **(3.5%)** |
| *Adjusted EBITDA %* | *20.5%* | *22.3%* | |

- Excluding Japan, revenue grew by 14.0% in constant currency compared to H1 FY2017, driven by the US AMI market
- In Japan, revenue fell by USD 33.5 million to USD 14.3 million compared to H1 FY 2017
- Adjusted Gross Profit lower than H1 FY 2017 primarily due to incremental supply chain costs of USD 8.0 million and change in business mix
- Adjusted EBITDA of USD 102.2 million

**Americas performance driven by US AMI market**

# EMEA segment – H1 September 2018

| USD in millions | H1 FY2018 | H1 FY2017 | Change |
|---|---|---|---|
| Net revenue to external customers | 291.6 | 320.7 | (9.1%) |
| Change in constant currency | | | (11.6%) |
| Adjusted Gross Profit | 81.0 | 79.8 | 1.5% |
| *Adjusted Gross Profit %* | *27.8%* | *24.9%* | |
| Adjusted Operating Expenses | (70.0) | (73.0)* | 4.2% |
| **Adjusted EBITDA before Group Charges** | **11.0** | **6.8*** | **62.4%** |
| Group Charges | (11.4) | (10.6) | (7.6%) |
| **Adjusted EBITDA** | **(0.4)** | **(3.9)*** | **89.7%** |
| *Adjusted EBITDA %* | *(0.1%)* | *(1.2%)* | |

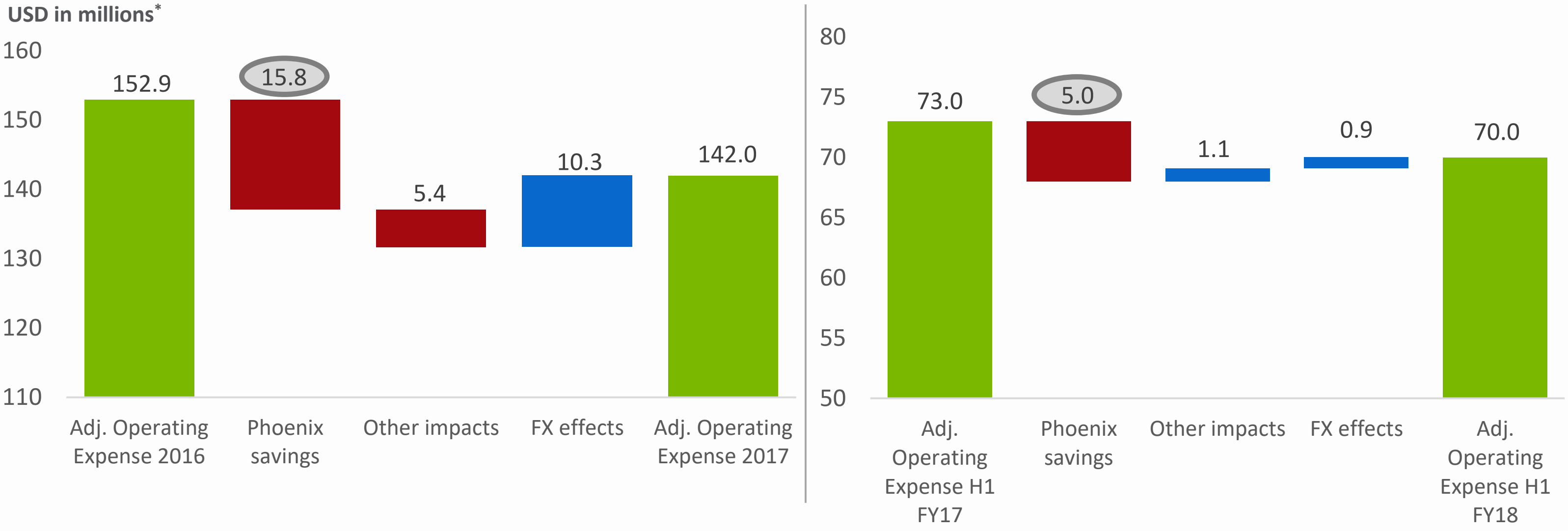
* Following the adoption by the Company of ASU 2017-07 relating to defined benefit pension scheme costs, H1 FY2017 EBITDA for EMEA has been revised down by USD 2.3 million as all pension income and expenses other than service costs are now reported under "Other income (expense)".

- Major reasons for revenues decline:
  - Supply chain constraints
  - Temporary delays in the UK as market prepares for transition to the next generation of smart meters (SMETS 2)
  - Contract completion (Spain)
- Adjusted Gross Profit margin increased by 290 bps
  - Incremental costs associated with supply chain constraints reduced margin by c. USD 3.7 million or 130 bps.
  - Underlying GP margin improvement of 420 bps mainly driven by introduction of cost reduced products
- Adjusted Operating Expenses declined mostly due to the effects of Project Phoenix (partly offset by FX translation impacts)
- Adjusted EBITDA improved by USD 3.5 million

**EMEA Adjusted EBITDA essentially break-even**

# EMEA segment restructuring – update on Project Phoenix

## Adjusted operating expense bridges:




* All numbers revised for the adoption of ASU 2017-07 relating to defined benefit pension scheme costs and excluding intercompany fees.

**Phoenix program delivered further USD 5.0 million of overhead cost savings in H1 FY 2018**

# Asia Pacific segment – H1 September 2018

| USD in millions | H1 FY2018 | H1 FY2017 | Change |
|---|---|---|---|
| Net revenue to external customers | 63.8 | 69.7 | (8.5%) |
| Change in constant currency | | | (6.6%) |
| Adjusted Gross Profit | 12.8 | 15.0 | (14.7%) |
| *Adjusted Gross Profit %* | *19.9%* | *21.3%* | |
| Adjusted Operating Expenses | (14.4) | (17.8) | 19.1% |
| **Adjusted EBITDA before Group Charges** | **(1.6)** | **(2.9)** | **43.2%** |
| Group Charges | (2.0) | (2.6) | 24.9% |
| **Adjusted EBITDA** | **(3.6)** | **(5.5)** | **34.5%** |
| *Adjusted EBITDA %* | *(5.6%)* | *(7.9%)* | |

- Major markets including Australia remain subdued. Revenue decline caused by lower project sales in Southeast Asia.
- Adjusted Gross Profit impacted by incremental supply chain costs of USD 0.4 million
- Lower Adjusted Operating Expenses due to cost reduction measures and intelliHUB business divestiture
- Adjusted EBITDA improved by USD 1.9 million

**Lower Operating Expenses more than offset Gross Profit decline**

# FY 2018 Outlook

## FY 2018 Outlook:

- Landis+Gyr expects the second half of FY 2018 to be stronger than the first half of FY 2018.
- Supply chain situation expected to remain challenging.
- Landis+Gyr expects FY 2018 sales growth of approximately 1 - 3%.
- Group Adjusted EBITDA expected to be between USD 217 million and USD 237 million.
- Free Cash Flow[1] expected to be between USD 90 million and USD 110 million.
- Dividend of at least 75% of Free Cash Flow[1] for FY 2018 but not less than the FY 2017 dividend of CHF 2.30 per share.

[1] Free Cash Flow excludes M&A

# Key take-aways from H1 FY 2018

- Order intake up 10.3% with strong contribution from EMEA
- Americas resilient performance with sales growth over 5% and Adjusted EBITDA margin of 20.5% despite headwinds
- EMEA essentially break-even as margin expansion materializes driven by operational improvements
- Supply chain remains challenging

# Dates and contacts

## Important Dates

**Capital Markets Day:**
January 29, 2019 - Zurich

**Release of FY2018 Results:**
May 29, 2019

**Annual General Assembly:**
June 25, 2019 - Zug

**Release of H1 FY2019 Results:**
October 25, 2019

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