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Zumtobel Group AG: Zumtobel Group Strategy: Focus as the key to success

Return to profitability in Q1 2018/19: Efficiency and savings measures show first success

Dornbirn (pta007/04.09.2018/07:25) - The results for the first quarter of the current 2018/19 financial year show that the Zumtobel Group has taken the right strategic steps to stabilise the business and restore its radiance. The Group recorded a profit for the first time in three quarters in spite of the ongoing intensive price competition. This positive development was based, above all, on the efficiency and cost savings measures introduced by the new Management Board team, which led to a significant improvement in our cost structure.

Decline in Group revenues, promising growth in the Components Segment

Group revenues amounted to EUR 293.1 million in the first quarter (minus 7.6% or, FX-adjusted, minus 5.6% year-on-year). This decline was attributable to the challenging industry environment, intense price competition and a significant revenue decrease in Great Britain, the most important market for the Zumtobel Group (minus 22%). Business development in the Components Segment was promising: for the first time in ten quarters, revenues increased slightly by 0.6% (FX-adjusted: plus 3.2%) over the previous year in the first quarter of 2018/19. The strong demand for Tridonic's intelligent LED components more than offset the declining sales of conventional electronic ballasts.

Cost saving measures show effect: positive net profit for the period

The measures introduced by the new Management Board team in spring 2018 to stabilise the business led to a significant improvement in the cost basis for sales and administration during the first quarter of 2018/19. This cost reduction resulted, in particular, from the streamlining of the management team as well as strict cost management. Against this background, adjusted Group EBIT amounted to EUR 10.0 million (previous year: EUR 18.2 million). The cost saving measures reduced fixed costs and again led to clear positive net profit of EUR 2.8 million (previous year: EUR 9.7 million).

Zumtobel Group Strategy: Focus as the key principle for repositioning

CEO Alfred Felder on the new Zumtobel Group strategy:

"The first quarter of 2018/19 shows that we have returned to the right course. This is, however, only the start of a stable foundation for future profitable growth. We have set a goal with our new strategy to become the market leader in our target markets and application areas. In order to do this, we must increase our concentration on our core expertise. The key to our repositioning is: Focus."

The Zumtobel Group's strategy comprises five strategic elements, all of which are derived from this strategic core term:

- * Focus Markets & Applications:** We will concentrate on our target markets and on sustainable, profitable applications. The focus for the Lighting Segment is on Europe; in the Components Segment we see our growth in the global market.
- * Operational & Process Excellence:** In line with our Lean Management approach, we will continue to improve our cost basis in all areas (production, administration and sales). This will also include the increasing digitalisation of our business processes.
- * Components:** We believe in the seamless interplay of components and lighting as the driver for digitalisation. Therefore, Tridonic represents an integral part of the Zumtobel Group.
- * Unique Brands:** The Zumtobel Group has three strong core brands: Zumtobel, Thorn and Tridonic. In the Lighting Segment, we will follow a dual brand strategy (Zumtobel and Thorn) and a clearly differentiated portfolio to establish a successful market position.

*** Services & Turnkey Solutions:** Services & Solutions are an integral part of the Zumtobel Group's Lighting and Components Segments and an important driver for future growth. Innovation takes place in all our products, technologies, services and business processes.

Medium-term goal FY 2020/2021

The clear goal of the Zumtobel Group is to create sustainable added value for all stakeholders (shareholders, customers and employees) with this new strategy. The company has set a medium-term target to generate an EBIT margin of approx. 6% by the 2020/21 financial year.

Outlook FY 2018/19

The Management Board of the Zumtobel Group sees the 2018/19 financial year as a year of transition and confirms the previously issued guidance. In view of the challenging market conditions, the company expects revenue declines in the first half-year. The goal for the full 2018/19 financial year is to record a slight year-on-year improvement in adjusted Group EBIT (FY 2017/18: EUR 19.7 million).

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