# MERSEN: IMPROVEMENT IN SALES IN THE THIRD QUARTER OF 2020

## COMPARED TO THE SECOND QUARTER OF 2020

### TARGETED ADAPTATION PLANS LAUNCHED

- Sales of €208 million in the third quarter of 2020, up 4% on the previous quarter thanks to a good performance in Asia and North America
- Decrease of 12% in organic sales for the first nine months of the year vs 2019 (-9.8% in the third quarter)
- Robust performance in sustainable development markets (renewable energies, electronics, green transportation)
- Strong drop in the aeronautics and chemicals markets and poor visibility regarding the process industries market, requiring targeted adaptation plans
- Full-year 2020 guidance, based on the current health situation:
  - Organic sales evolution of between -12% and -14%
  - Operating margin before non-recurring items of between 7% and 8%
  - Recognition of around €55 million in non-recurring expenses net of tax savings, including €30 million with no impact on cash flow

**PARIS, OCTOBER 28, 2020** – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has reported consolidated sales of €638 million for the first nine months of 2020.

Luc Themelin, Chief Executive Officer, commented: *“Mersen continues to navigate the current and unprecedented economic environment with agility and resilience. We have succeeded in containing the impact of the economic crisis since the beginning of the year thanks to the good performance of our markets in Asia. Moreover, the resilience shown by the sustainable development markets we have developed, and which now represent over half of our sales, is clear proof of the validity of our strategic choices. The third quarter of 2020 still bears the scars of the global economic crisis brought about by the health measures introduced in countries around the world. We have implemented government part-time working schemes to secure jobs at the peak of the crisis since April and will continue to do so for as long as it is necessary. For certain markets, however, like aeronautics and chemicals, the sharp slowdown in activity shows no sign of abating and there is no prospect of a return to normal in the coming years. This means that we need to adapt to maintain our competitiveness and prepare as best we can for 2021 despite very limited visibility. To ensure this, adaptation plans will be implemented in certain sites in full consultation with the teams in place and in line with our values as a Group. I would like to take this opportunity to thank all Mersen employees for their hard work and commitment during this difficult period and reiterate my confidence in our company’s prospects.”*

### THIRD-QUARTER 2020 SALES

Mersen reported consolidated sales of €208 million for the third quarter of 2020, down 9.8% at constant scope and exchange rates. Including the positive scope effect linked to the integration of AGM Italy and GAB Neumann and the negative currency effect primarily linked to the depreciation of the US dollar, sales decreased by 11.2% over the period.

This performance is an improvement of around 4% on the second quarter, when organic sales dropped 18%, mostly due to the Electrical Power segment.

| In millions of euros | Q3 2020 | Q3 2019 | Like-for-like growth | Scope effect | Currency effect | Reported growth |
|---|---|---|---|---|---|---|
| *Advanced Materials* | 112.1 | 134.0 | -16.3% | 3.3% | -3.9% | -16.4% |
| *Electrical Power* | 96.0 | 100.4 | -1.2% | | -3.1% | -4.3% |
| Europe | 66.1 | 77.6 | -19.6% | 5.3% | -0.6% | -14.8% |
| Asia-Pacific | 62.5 | 65.1 | -0.6% | 0.5% | -3.8% | -4.0% |
| North America | 72.2 | 83.0 | -8.4% | | -5.1% | -13.0% |
| Rest of the World | 7.3 | 8.6 | -1.2% | | -14.5% | -15.6% |
| **Group** | **208.1** | **234.3** | **-9.8%** | **1.9%** | **-3.6%** | **-11.2%** |

### PERFORMANCE BY SEGMENT

**Advanced Materials** sales totaled €112 million, down by more than 16% on an organic basis over the period. The renewable energies and electronics markets remained well oriented, while the process industries, aeronautics and chemicals markets contracted sharply.

**Electrical Power** sales came in at €96 million for the quarter, with an organic decrease limited to 1.2% on the same period in 2019. Electrical distribution in the United States showed a clear improvement, while the number of power electronics projects decreased.

### PERFORMANCE BY REGION

Activity in **Europe** suffered a marked decline, much in line with the second quarter. Business for the Electrical Power segment picked up slightly, while the aeronautics and process industries markets were more impacted.

In **Asia**, Group sales were in line with last year's levels. China enjoyed double-digit growth and India also enjoyed strong growth, powered by the chemicals market, after a very weak second quarter hampered by the pandemic.

Lastly, in **North America**, the situation improved after a downturn in the second quarter, thanks notably to the Electrical Power segment and electrical distribution market. The chemicals market continued its sharp slowdown.

## NINE-MONTH 2020 SALES

Mersen's consolidated sales for the first nine months of 2020 totaled €638 million, down 12.2% on an organic basis on 2019. Excluding the negative impact of exchange rates for more than €8 million, on the one hand, and the first-time consolidation of AGM Italy and GAB Neumann, on the other hand, sales fell by 11.1%.

| In millions of euros | 9m 2020 | 9m 2019 | Like-for-like growth | Scope effect | Currency effect | Reported growth |
|---|---|---|---|---|---|---|
| *Advanced Materials* | 360.3 | 412.1 | -14.9% | 3.7% | -1.6% | -12.6% |
| *Electrical Power* | 277.9 | 305.9 | -8.6% | | -0.6% | -9.2% |
| Europe | 215.1 | 244.5 | -17.3% | 5.6% | -0.4% | -12.0% |
| Asia-Pacific | 188.5 | 195.4 | -2.6% | 0.6% | -1.6% | -3.6% |
| North America | 214.4 | 249.8 | -13.8% | 0.1% | -0.4% | -14.2% |
| Rest of the World | 20.2 | 28.3 | -20.5% | 0.6% | -10.8% | -28.4% |
| **Group** | **638.2** | **718.0** | **-12.2%** | **2.1%** | **-1.2%** | **-11.1%** |

Overall, the main sustainable development markets (renewable energies, electronics and green transportation) were more resilient, with the decrease limited to 2% over the first nine months of the year, compared with a 19% drop for the other markets.

## WORKFORCE ADAPTATION IN LIGHT OF THE CURRENT CONTEXT AND A REVIEW OF STRATEGY

Government part-time working schemes have enabled Mersen to maintain jobs despite the slump in activity linked to the pandemic and will continue to be deployed in countries as and when the economic situation dictates.

The Group nonetheless expects to see a sharp downturn in activity in the aeronautics and chemicals markets in full-year 2020, with no prospect of any tangible improvement before several years. This situation will require an adaptation in the workforce, primarily at two Group sites in France (Gennevilliers and Pagny-sur-Moselle) in order to maintain their competitiveness. To adapt to the structural changes in these markets, the Group expects to cut 25 jobs at each of these sites, with priority given to voluntary departures, mobility programs to assist staff looking to relocate or change careers and retirements. Part-time working arrangements will also remain in place at both sites in order to tackle the conjunctural consequences of the health crisis.

Furthermore, as announced during the presentation of Mersen's results for 2019, the Group has also launched a review of the operational efficiency of its Electrical Power segment. This notably includes the relocation of a unit that manufactures fuses in China to a more modern plant, and the regrouping of the design and manufacturing activities for capacitors at the Husum plant in Germany.

In total, the adaptation plans could lead to a reduction of around 300 jobs across a large number of Group sites around the world.

In accordance with the procedures required for informing and consulting their employee representative bodies, the entities concerned expect to implement their adaptation plans between now and the end of the year and to complete them during the first half of 2021. Employee support programs will be offered and discussed as part of the procedures to be deployed in each entity concerned by the plan, in compliance with legal requirements and local practices. The Group is also committed to pursuing meaningful social dialogue, in keeping with its standard practices and traditions.

Mersen is expected to recognize around €55 million in non-recurring expenses, principally in 2020, including the €5 million in expenses booked in the first half of the year. This amount will include around €30 million for the impairment of equipment and of intangible assets, mainly as a result of a morose chemicals market and the fact that certain production equipment is not being used to full capacity in markets that are structurally weak. Cash costs are expected to come in at around €20 million, the majority of which will be restructuring costs. These expenses will not result in any tax savings at the Group level.

The plans should result in an improvement in operating income before non-recurring items of around €16 million over a full year (2022).

## SOLID FINANCIAL STRUCTURE

At the end of September 2020, Mersen's net financial debt came to €218 million, stable vs the end of December 2019 and down €10 million vs the end of June 2020.

Mersen has a solid financial structure, with €140 million in undrawn credit lines and more than €90 million in cash at the end of September 2020. It has no major debt maturities to be met before November 2021.

The Group has not yet noted any drift in payment terms.

## OUTLOOK

In light of the current economic situation and the measures announced, Mersen expects to see a decline in organic sales of between 12% and 14% in 2020, and an operating margin before non-recurring items of between 7% and 8%. Non-recurring expenses are expected to stand at around €55 million without any tax savings at the Group level, €30 million of which will have no impact on cash flow.

The Group's positioning on sustainable development markets strengthens its medium-term outlook. It is already involved, alongside several customers, in major development projects for the silicon carbide (SiC) power semiconductor market and has completed a number of key stages in the qualification of its products for the next generation of high-power electric vehicles.

## GLOSSARY

Organic growth: determined by comparing sales for the year with sales for the previous year, restated at the current year's exchange rate, excluding acquisitions and/or disposals.

Scope effect: contribution from companies acquired in the year in relation to sales for the year.

- Advanced Graphite Materials Italy, a benchmark European player in finishing for customized extruded graphite parts, has been consolidated since December 1, 2019.
- In February 2020, the Group finalized the acquisition of GAB Neumann, a specialist in the design, manufacture and sale of graphite and silicon carbide (SiC) heat exchangers for the chemicals market. It has been consolidated since March 1, 2020.

Currency effect: calculated by comparing sales for the previous year at the exchange rate of the previous year with sales for the previous year at the exchange rate of the current year.

### *FINANCIAL CALENDAR*

*2020 sales: January 28, 2021, after close of trading.*

------

## ABOUT MERSEN

A global expert in electrical power and advanced materials, Mersen designs innovative solutions to address its clients' specific needs to enable them to optimize their manufacturing performance in sectors such as energy, electronics, transportation, chemicals & pharmaceuticals and process industries.

## MERSEN IS LISTED ON EURONEXT PARIS – COMPARTMENT B

INVESTOR AND ANALYST CONTACT
Véronique Boca
Mersen
Tel.: +33 (0)1 46 91 54 40
Email: dri@mersen.com

MEDIA CONTACT
Guillaume Maujean/Xavier Mas
Brunswick
Tel. +33 (0)1 85 65 83 83
Email: mersen@brunswickgroup.com