

Half-Year Report

2021 / 2022



To our shareholders



Urs Kaufmann, Chairman of the Board of Directors
Marc Aeschlimann, Chief Executive Officer

Dear shareholders

The Schaffner Group saw continued strong order intake from all industrial markets and across all regions in the first half of 2021/22. Demand was supported by the general economic recovery and the backlog of investments in the aftermath of the Covid crisis. The strong momentum in the industrial markets contrasted with continued subdued performance in the automotive industry, which continued to be held back by the semiconductor shortage and, more recently, by the impact of the Ukraine crisis.

Sales growth across all regions

Overall, the Schaffner Group achieved robust growth of 12.5% in continuing operations, i.e. excluding the Power Magnetics Division sold in the previous year, to net sales of CHF 78.9 million (H1 2020/21: CHF 70.2 million). Adjusted for currency effects, this actually represented an increase of 14.2%. The negative currency impact of -1.7% points is primarily due to the devaluation of the euro against the Swiss franc. All regions grew in sales, with Europe lagging behind Asia and America due to its relatively stronger focus on the automotive sector.

To cope with high customer demand, Schaffner substantially expanded capacity at its plants in China and Thailand. As a result, Schaffner was ready to deliver at all times during the period under review. The transfer of products that had been manufactured in Hungary until the sale of the Power Magnetics Division to the Asian production sites was successfully implemented. A few selected products will continue to be produced in Hungary for Europe within the framework of contract manufacturing.

Net sales

in CHF million
2020/21: CHF 70.2 million
(continuing operations)

78.9

EBIT

in CHF million
2020/21: CHF 6.4 million
(continuing operations)

7.1

EBIT margin

2020/21: 9.1%
(continuing operations)

9.0%

Higher operating profit despite extraordinary cost factors

Like the industry as a whole, Schaffner faced considerable challenges in logistics at the turn of 2021/2022. The shortage of transport capacity by sea and air led to massively higher logistics costs, which doubled in some cases. This represented a significant cost factor for the Schaffner Group. Further additional costs resulted from higher raw material prices as a consequence of rising demand and, from the end of February, the war in Ukraine, as well as Covid protection measures at the sites in Thailand and China.

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Despite the negative impact of these extraordinary factors, the Schaffner Group achieved an 11.3% increase in EBIT from continuing operations to CHF 7.1 million (H1 2020/21: CHF 6.4 million; continuing operations). With 9.0%, the EBIT margin remained at the level of the previous period (9.1%). Net profit for the first half of 2021/22 amounts to CHF 5.2 million.

Strong growth in the Industrial Division

The Industrial Division was able to build on its business performance in the previous six months and further accelerate its growth. Net sales increased by 31.6% to CHF 63.6 million in the first half of 2021/22 compared to the same period of the previous year (first half of 2020/21: CHF 48.3 million). All the division's main markets and regions achieved double-digit growth, with net sales in the Americas almost doubling. One of the reasons was that Schaffner was able to win several new customers in the US thanks to better product availability and shorter delivery times than its competitors. The high order intake of CHF 75.0 million, corresponding to a book-to-bill ratio of 1.18, lays the foundation for a strong second half of the year.

Schaffner continued to drive forward its strategic initiatives within the Industrial Division, winning new projects in the robotics, LED lighting, and electric vehicle charging systems markets. Business with fast-charging systems for electric vehicles was particularly excellent, mainly in Europe and the US. To offset the sharp rise in raw material prices, especially for copper, ferrite, and plastic, as well as the high logistics costs, Schaffner introduced price increases from January. The effect of this measure will have a positive impact on margins in the coming months.

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Automotive Division slowed by semiconductor shortage

The Automotive Division faced a contrasting environment in the first half of 2021/22. While demand from end customers for new vehicles remained at a high level worldwide, manufacturers were unable to produce the number of vehicles ordered due to a lack of semiconductors. Schaffner was also affected by this slowdown in the automotive sector: Compared to the very strong comparative base of the first half of 2020/21, net sales declined by 30.1% to CHF 15.3 million in the reporting period.

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Increased net working capital, solid balance sheet

The Schaffner Group reported higher net working capital of CHF 33.5 million as of March 31, 2022, compared with CHF 25.6 million at the end of September 2021. This is primarily due to higher inventories, as more goods are in transit, i.e. on the delivery route, and raw material stocks have been increased selectively to ensure availability. The increase in inventories is also the reason for the negative free cash flow of CHF –4.4 million. Despite higher sales, trade receivables remained stable thanks to further improved receivables management. The Schaffner Group remains very solidly financed. Shareholders' equity amounted to CHF 66.5 million at the end of the period, corresponding to an equity ratio of 57.3%.

New corporate design launched

As you can see from the changed appearance of the half-year report, Schaffner launched a new corporate design at the beginning of May 2022. The new visual identity underscores the Group's focus on future-oriented industrial markets and electromobility. As an expert in electromagnetic solutions, Schaffner enables customers to focus fully on their inventions. We highlight this value added for customers with the claim "MORE POWER TO YOU".

Change in the Board of Directors

Urs Kaufmann, Chairman of the Board of Directors, has decided to step down from the Board for personal reasons at the Annual General Meeting in January 2023. During his six years of service, Urs Kaufmann, together with the Board of Directors and management, has driven forward the successful turnaround of Schaffner and the strategic realignment towards future-oriented applications. We would like to take this opportunity to express our sincere thanks for his active and valuable contribution. The search for a successor will be initiated immediately.

The Schaffner Group has increased its prices again at the beginning of the second half of 2021/22, which will have a positive impact on profitability.

Outlook

Currently, the economic environment is caught between several influencing factors and is characterised by many uncertainties: Covid outbreaks in China with lockdowns of entire economic regions, the war in Ukraine, and rising inflation. Against this backdrop, it is difficult to make precise forecasts on the economic trend over the next six months.

The Schaffner Group expects the high demand from industrial markets to persist. The automotive sector, on the other hand, is likely to continue to suffer from shortages of electronic components. The logistics situation has stabilised since the beginning of the year, but remains challenging, also due to the lockdowns in China. The prices of various raw materials are likely to continue to rise or remain at a high level. Schaffner Group has increased its prices again at the beginning of the second half of 2021/22, which will have a positive impact on profitability.

If the general conditions do not deteriorate substantially, the Schaffner Group expects sales volumes in the second half of 2021/22 to be at the good level of the first half. It further expects that an EBIT margin at the lower end of the medium-term target range of 10% to 12% can still be achieved for the fiscal year.



Urs Kaufmann
Chairman of the Board
of Directors



Marc Aeschlimann
Chief Executive Officer

Consolidated balance sheet

In CHF '000	31.3.2022	30.9.2021
Intangible assets	1'136	1'363
Property, plant, and equipment	26'015	25'594
Other non-current financial assets	966	1'032
Deferred tax assets	6'182	6'467
Total non-current assets	34'299	34'456
Prepaid expenses and deferred income	1'820	1'143
Inventories	34'162	29'578
Other current financial assets	1'074	1'476
Other receivables	2'087	3'650
Derivatives	119	0
Trade receivables	26'027	25'621
Cash and cash equivalents	16'582	24'026
Total current assets	81'871	85'494
Total assets	116'170	119'950
Exchange differences	-22'155	-21'718
Retained earnings	42'410	40'159
Treasury shares	-1'062	-1'221
Share premium	26'680	29'685
Share capital	20'668	20'668
Total shareholders' equity	66'541	67'573
Deferred tax liabilities	281	251
Non-current provisions	4'368	4'157
Non-current borrowings	14'003	12'105
Total non-current liabilities	18'652	16'513
Accrued expenses	7'207	11'749
Current provisions	150	942
Other payables	2'154	2'743
Trade payables	21'240	19'936
Current borrowings	226	233
Derivatives	0	261
Total current liabilities	30'977	35'864
Total liabilities	49'629	52'377
Total liabilities and shareholders' equity	116'170	119'950

Consolidated income statement

In CHF '000	H1 2021/22	H1 2020/21
Net sales of goods and services	78'911	88'096
Cost of sales	-54'870	-59'966
Gross profit	24'041	28'130
Marketing and selling expenses	-6'810	-7'746
Research and development expenses	-5'895	-8'225
General and administrative expenses	-4'232	-5'142
Operating profit (EBIT)	7'105	7'016
Financial result	-731	-1'322
Earnings before tax (EBT)	6'374	5'694
Income tax	-1'210	-1'128
Net profit for the period	5'164	4'566
Earnings per share in CHF		
Basic	8.16	7.21
Diluted	8.16	7.21

Condensed consolidated cash flow statement

In CHF '000	H1 2021/22	H1 2020/21
Cash flow from operating activities	-2'244	13'926
Purchase of property, plant, and equipment	-2'157	-2'728
Purchase of intangible assets	-13	-198
Change in current financial assets	401	100
Other investing activities	21	216
Cash flow from investing activities	-1'748	-2'610
Repayment of excess share premium and dividend	-5'690	-1'266
Changes in treasury shares	-1	-602
Proceeds from borrowings	2'353	1'226
Other financing activities	-110	-110
Cash flow from financing activities	-3'448	-752
Effect of exchange rates on cash and cash equivalents	-5	601
Change in cash and cash equivalents	-7'444	11'166
Cash and cash equivalents at 1 October	24'026	14'219
Cash and cash equivalents at 31 March	16'582	25'385

Consolidated statement of changes in equity

In CHF '000	Share capital	Share premium	Cumulative exchange differences	Retained earnings	Treasury shares	Total shareholders' equity
At 1 October 2020	20'668	30'380	-21'769	28'280	-608	56'951
Net profit for the period				4'566		4'566
Exchange differences			3'381			3'381
Treasury share transactions		-58		-342	-202	-602
Repayment of excess share premium and dividend		-633		-633		-1'266
Share option plans				122		122
At 31 March 2021	20'668	29'689	-18'389	31'993	-810	63'151
At 1 October 2021	20'668	29'685	-21'718	40'159	-1'221	67'573
Net profit for the period				5'164		5'164
Exchange differences			-437			-437
Treasury share transactions		-160		-316	159	-317
Repayment of excess share premium and dividend		-2'845		-2'845		-5'690
Share option plans				248		248
At 31 March 2022	20'668	26'680	-22'155	42'410	-1'062	66'541

Notes

1 Accounting policies

The unaudited consolidated financial statements of the Schaffner Group for the first half of the fiscal year were prepared in accordance with Swiss GAAP FER 31 “Additional recommendations for listed companies.” As these interim financial statements represent an update of the consolidated annual financial statements for the year that ended on 30 September 2021, they should be read in conjunction with those annual financial statements.

The consolidated financial statements for the six months that ended on 31 March 2022 were approved by the Board of Directors of Schaffner Holding AG on 3 May 2022 and released for publication.

2 Change in accounting principles

In the year under review, the Swiss GAAP FER accounting principles have not been changed.

3 Operating segments

Until 30 June 2021, the Schaffner Group was organized into the three divisions: EMC, Automotive, and Power Magnetics. These were the organizational units for which results were reported to the Executive Committee. As a result of the divestiture of the Power Magnetics division, the remaining segment structure and the segment reporting content were re-evaluated. Based on the outcome of this analysis, it was decided to retain the Industrial (former EMC division) and Automotive segments as the divisional organizational structure. However, for competition reasons, Schaffner now no longer publishes segment earnings. The continued publication of full segment data would entail disadvantages for the Schaffner Group due to the resulting information asymmetry relative to its competitors and would materially affect potential orders in an environment of strong downward pressure on prices. For this reason, beginning with the 2020/21 financial statements, the only segment data reported by the Schaffner Group will be divisional sales.

Industrial (IN)

The IN division develops and manufactures standard and custom components that protect power electronic systems from line interference (thus ensuring electromagnetic compatibility) and safeguard their reliable operation in power grids. The division's Power Quality business unit also develops and manufactures active and passive filter solutions to assure the best quality of electric power. The key markets served include energy-efficient drive systems, renewable energy, power supply systems for electronic devices, machine tools, and robotics.

Notes

Automotive (AM)

The Automotive division develops and manufactures components for keyless authentication systems and filter solutions for hybrid and electric vehicles. Working closely with leading automobile manufacturers and automotive suppliers, Schaffner engineers leverage their specialized EMC expertise to support customers in the development of new models.

Power Magnetics (PM)

The Power Magnetics division (PM) was sold effective 30 June 2021. It is presented for the sake of completeness.

No operating segments have been aggregated to form these reportable business segments.

Information for each division

H1 2021/22 In CHF '000	IN	AM	PM	Group
Net sales	63'638	15'273		78'911
H1 2020/21 In CHF '000	IN	AM	PM	Group
Net sales	48'339	21'834	17'922	88'096

Notes

4 Seasonality

The Schaffner Group does not operate in industries with significant seasonal or cyclical variation in total sales over the fiscal year. Since major public holidays such as Chinese New Year and Christmas fall in the first half of the fiscal year, experience has shown that, factoring out economic influences, higher sales are usually generated in the second half of the year.

Income tax is recognized based on the best estimate of the weighted average annual income tax rate expected for the full fiscal year.

5 Commitments and contingencies

At 31 March 2022, the Group had commitments to purchase property, plant, and equipment in the amount of CHF 1.8 million (30 September 2021: CHF 1.1 million). These mainly include obligations in connection with the extension of the production plant in Thailand for the IN and AM divisions.

The contingent liabilities, described in the notes to the last consolidated financial statements, did not change significantly in the current financial year.

6 Foreign currencies

The following exchange rates were applied in the translation of foreign currencies:

Country or region	Currency	Balance sheet		Income statement	
		31.3.2022 In CHF	30.9.2021 In CHF	H1 2021/22 In CHF	H1 2020/21 In CHF
China	CNY 100	14.59	14.48	14.48	13.86
EU	EUR 100	102.70	108.29	103.96	108.63
Thailand	THB 100	2.78	2.76	2.77	2.97
USA	USD 100	92.50	93.55	92.04	90.64

Notes

7 Distribution to shareholders

As decided by the Annual General Meeting of Schaffner Holding AG on 11 January 2022, a distribution of CHF 9.00 per share for fiscal year 2020/21 was made to the shareholders. The distribution was divided into an ordinary dividend of CHF 4.50 and a distribution of CHF 4.50 from additional paid-in capital (exempted from Swiss anticipatory tax) per share.

8 Events after the balance sheet date

No events have occurred after the balance sheet date that have a material effect on the amounts in the consolidated interim financial statements.

Key financials

Group			
In CHF '000	H1 2021/22	H1 2020/21	Change
Order intake	90'949	94'978	-4.2%
Industrial division	74'984	59'631	25.7%
Automotive division	15'965	22'449	-28.9%
Power Magnetics division		12'898	n/a
Net Sales	78'911	88'096	-10.4%
Industrial division	63'638	48'339	31.6%
Automotive division	15'273	21'834	-30.1%
Power Magnetics division		17'922	n/a
Operating Profit (EBIT)	7'105	7'016	1.3%
In % of segment sales	9.0%	8.0%	
Net profit for the period	5'164	4'566	13.1%
In % of segment sales	6.5%	5.2%	
Net profit for the period per share in CHF	8.16	7.21	13.1%
Free Cashflow	-4'414	11'219	

Balance sheet	31.3.2022	30.9.2021	Change
Total assets	116'170	119'950	-3.2%
Non-current assets	34'299	34'456	-0.5%
Current assets	81'871	85'494	-4.2%
Total liabilities	49'629	52'377	-5.2%
Shareholders' equity	66'541	67'573	-1.5%
In % of total assets	57.3	56.3	
Number of employees (headcount)	1'733	1'739	-0.3%

Ongoing business	H1 2021/22	H1 2020/21	Change
Order intake	90'949	82'080	10.8%
Net sales	78'911	70'173	12.5%
Operating profit (EBIT)	7'105	6'387	11.3%
In % of segment sales in continuing operations	9.0%	9.1%	
EBITDA	9'553	8'976	6.4%
In % of segment sales in continuing operations	12.1%	12.8%	

Share-based metrics	31.3.2022	30.9.2021
Number of shares	635'940	635'940
Treasury shares	4'202	5'445
Number of shares entitled to dividends	631'738	630'495
Shareholders' equity per share in CHF	104.63	106.26
Share price in CHF	316	282
Market capitalization in CHF million	201	179

Calendar

6.12.2022	Publication of Annual Report 2021/22 (full-year results)
10.1.2023	27th Annual General Meeting

Due to rounding, minor discrepancies may arise in the calculation of totals and percentages in this Annual Report. For ease of reading, gender-neutral terms have not always been used in this report. All gender-specific statements are to be understood in the context as referring to both men and women. The Schaffner Group Half-Year Report is also available in English. The original German version is binding.

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