Landis+Gyr Announces FY 2017 Financial Results

Zug, Switzerland. – June 5, 2018 – **Landis+Gyr (LAND.SW) today announced its results for the full fiscal year 2017 (April 1, 2017-March 31, 2018). Key highlights included:**

- **Net revenue for FY 2017 increased to USD 1,738 million, up 4.7% (2.6% in constant currencies) compared to FY 2016.**
- **FY 2017 Adjusted EBITDA was USD 212 million, flat year over year in USD terms.**
- **Reported net income was USD 46.4 million, up approximately USD 109 million compared to the prior year.**
- **Free cash flow reached USD 87.5 million for the fiscal year, up 64.7%.**
- **Americas Adjusted EBITDA ahead of IPO target with strong North America performance. EMEA and AP Adjusted EBITDA below IPO target.**
- **Execution of EMEA fixed cost saving programs on or ahead of plan.**
- **Proposed distribution of a dividend from capital reserves of CHF 2.30 per share.**
- **Election of Mary Kipp and Peter Mainz to the Board of Directors to be proposed to the Annual General Meeting. All other directors stand for re-election.**

"Landis+Gyr's business results for the fiscal year 2017 met or exceeded the key guidance parameters for the Group issued at the time of the IPO." said Richard Mora, Landis+Gyr's CEO. "They demonstrate our ability to deliver top line growth and solid cash flow. While pleased with the year over year revenue growth, our sales were impacted by industry wide supply chain constraints, which dampened second half results. Adjusted EBITDA performance for FY 2017 was driven by strong execution in the America's region, offsetting below target performance in the other regions."

"Overall, our markets continue to experience secular growth as utilities around the world deploy smart grid products, solutions and technologies. I am convinced that Landis+Gyr remains well positioned to compete and win in these markets. From continued successful deployment of our industry leading IoT network in Japan, the positive decisions of utilities such as Wisconsin Public Service and JEA in the US market in favor of Landis+Gyr's AMI technology and managed service offering, to continued roll outs in the UK, France and the Netherlands, we are seeing strong traction across the entire portfolio." Mora concluded.

FY 2017 Order Intake, Net Revenue and Order Backlog

In FY 2017, net revenue for the group reached USD 1,738 million compared to USD 1,659 million in FY 2016. This 4.7% increase (2.6% in constant currency terms) was driven by growth in AMI project sales in North America, increased sales to France, the Iberian Peninsula and the UK in EMEA and higher Hong Kong project sales in Asia Pacific. Towards the end of the fiscal year, revenue was impacted by industry wide supply chain constraints, as the company experienced shortages of certain key electronic components which particularly affected product sales in EMEA.

Net revenue per segment was as follows (in USD millions, except where indicated):

Segment	FY 2017	FY 2016	Percentage change	Percentage change in constant currencies
Americas	972.2	931.2	4.4%	4.1%
EMEA	627.2	587.8	6.7%	1.7%
Asia Pacific	138.4	140.2	(1.3%)	(3.4%)
Group	**1,737.8**	**1,659.2**	**4.7%**	**2.6%**

Order intake for FY 2017 was USD 1,574.4 million, an increase of USD 248.9 million or 18.8% (16.0% in constant currency terms) over the same period in FY 2016. Committed backlog declined by 4.1% from FY 2016 to USD 2,389.0 million.

Adjusted Gross Profit

Adjusted Gross Profit for the reporting period was USD 597.3 million, a decrease of USD 22.9 million (USD 31.6 million at constant currency) year over year from the USD 620.2 million delivered in FY 2016. In the Americas region, the decrease was primarily driven by product and customer mix. In EMEA, expected margin improvements did not materialize due to delays in the introduction of certain new lower cost product variants. In addition, EMEA revenue was negatively affected due to the industry wide shortage of certain electronic components. A reconciliation between Gross Profit and Adjusted Gross Profit can be found in the Supplemental Reconciliations and Definitions section of the Financial Report.

The Adjusted Gross Profit by segment was as follows (in USD millions, except where indicated):

Segment	FY 2017	FY 2017 Percentage	FY 2016	FY 2016 Percentage
Americas	409.2	42.1%	414.0	44.5%
EMEA	155.9	24.9%	174.0	29.6%
Asia Pacific	28.3	20.4%	31.9	22.8%
Eliminations	3.9		0.3	
Group	**597.3**	**34.4%**	**620.2**	**37.4%**

Adjusted Operating Expenses

Adjusted Operating Expenses for the reporting period were USD 385.3 million, a decrease of USD 22.8 million (USD 30.4 million at constant currency) year over year from the USD 408.1 million incurred in FY 2016. Expenses related to research and development of USD 158.0 million were essentially unchanged in USD terms and correspond to 9.1% of net revenue.

Landis+Gyr has two major cost reduction programs underway in EMEA. Project Phoenix aims at reducing the cost base by closing certain offices, unifying various back office functions and improving productivity in all functions. The target is to realize savings of approximately USD 20 million per annum from Project Phoenix, with full savings expected to be achieved by the year ending March 31, 2019. Overall, Project Phoenix delivered currency adjusted savings in FY 2017 of USD 15.8 million, ahead of the targeted amount of USD 13.0 million for FY 2017. Project Lightfoot – another strategic initiative – is aimed at bundling and in part outsourcing manufacturing activities to enhance production efficiencies, lower supply chain costs and further reduce capital intensity. When completed at the end of FY 2020 Project Lightfoot is expected to deliver savings of approximately USD 25 million per annum, an increase of USD 5 million from the previously stated target. Lightfoot is ahead of plan when compared to the targets communicated during the IPO with the subsequent identification of additional savings opportunities.

Adjusted EBITDA

Landis+Gyr's FY 2017 Adjusted EBITDA was USD 212.0 million, flat compared to USD 212.0 million in FY 2016. The Americas saw improved results while EMEA and AP posted reduced Adjusted EBITDA results compared to FY 2016.

The Adjusted EBITDA by segment was as follows (in USD millions, except where indicated):

Segment	FY 2017 Adjusted EBITDA	FY 2017 Percentage of net revenue	FY 2016 Adjusted EBITDA	FY 2016 Percentage of net revenue
Americas	199.4	20.5%	195.0	20.9%
EMEA	(8.8)	(1.4%)	1.0	0.2%
Asia Pacific	(9.6)	(6.9%)	(2.6)	(1.9%)
Corporate	31.0	N/A	18.6	N/A
Group	**212.0**	**12.2%**	**212.0**	**12.8%**

The adjustments made to bridge between the EBITDA reported in the Group's financial statements and Adjusted EBITDA are as follows (in USD millions):

	H1 FY 2017	H2 FY 2017	FY 2017	FY 2016
Adjusted EBITDA	**108.8**	**103.3**	**212.0**	**212.0**
Adjustments				
Restructuring Charges	(8.1)	(6.5)	(14.7)	(3.8)
Exceptional Warranty Expenses	(2.4)	0.1	(2.4)	(6.4)
Normalized Warranty Expenses	(30.3)	6.1	(24.2)	(25.2)
Special Items	(24.8)	(0.9)	(25.6)	(25.8)
EBITDA	**43.1**	**102.0**	**145.1**	**150.8**

Second half FY 2017 adjustments to EBITDA have been substantially reduced to a net of USD 1.3 million compared to USD 65.7 million in the first half FY 2017.

Restructuring charges mainly relate to measures taken in EMEA. Exceptional warranty expenses are in respect of the X2 capacitor warranty issue and, in keeping with the practice adopted as part of the IPO, are added back entirely. The normalized warranty expense adjustment for FY2017 represents the excess of provisions made over the average annual actual warranty utilization for the last 3 years and mainly reflects additional provisions made in the Americas' segment in connection with legacy component issues. Special Items for FY 2017 are primarily IPO related expenses of USD 24.2 million, of which USD 9.8 million was funded by the selling shareholders.

Net income and EPS

Reported net income for FY 2017 was USD 46.4 million, or USD 1.57 per share (EPS). This is an improvement of approximately USD 109 million compared to the FY 2016 net loss of 62.6 million, or a loss of USD 2.12 per share, of which USD 60 million was attributable to a non-cash impairment of goodwill in FY 2016.

Capital Expenditure

In FY 2017, capital expenditure came in at USD 38.0 million compared to USD 42.8 million in FY 2016. In FY 2018, some increase in capital expenditure is expected, particularly as the Lightfoot restructuring programs are executed, with total spending in FY 2018 at or below USD 50 million.

Cash flow and net debt

Cash flow provided by operating activities in FY2017 was USD 124.7 million, an increase of USD 29.6 million compared to FY 2016. Free cash flow, defined as cash flow provided by operating activities (including changes in net working capital) minus cash flow used in investing activities (capital expenditure on tangible and intangible assets) excluding merger and acquisition activities (M&A) reached USD 87.5 million in FY 2017, an increase of USD 34.4 million from FY 2016.

Net debt was USD 40.5 million and USD 126.8 million at March 31, 2018 and 2017, respectively, a decline of USD 86.3 million. The decline was mainly attributable to continued strong cash generation from operating activities and tight working capital management. Net debt to Adjusted EBITDA declined to 0.2x as at the end of March 2018.

Distribution to shareholders

Owing to the strong free cash flow and in line with the guidance provided at the time of the IPO, the Board of Directors proposes a distribution of CHF 2.30 per share to shareholders. Subject to AGM approval, the distribution will be paid out of capital contribution reserves and hence is exempt from Swiss federal withholding tax. The distribution (approximately USD 71 million at the exchange rate as at March 31, 2018) equals 81% of free cash flow.

Additions to the Board of Directors

The Board of Directors proposes to the Annual General Meeting (AGM) the election of Mary Kipp and Peter Mainz as new members for a one-year term of office. All other members of the Board of Directors will stand for re-election for another one-year term at the AGM on June 28, 2018. Mary Kipp serves as President and Chief Executive Officer of El Paso Electric Company. Peter Mainz was President and CEO of Sensus as well as a Board member of Itron.

“We look forward, pending shareholder approval, to having Mary Kipp and Peter Mainz join our Board of Directors. They bring a wealth of expertise in our industry and our most important market, the US. Their experience fits very well with our existing Board talents and will help us shape the future of Landis+Gyr.” said Andreas Umbach, Chairman of Landis+Gyr.

Landis+Gyr manage energy better

Outlook

Landis+Gyr expects FY 2018 sales growth of approximately 3% - 6%, an Adjusted EBITDA in the range between USD 222 million and USD 232 million and free cash flow (excluding M&A) between USD 95 million and USD 105 million.

Given some of the supply chain challenges currently being experienced by the industry and the timing of product cost reductions in EMEA, Landis+Gyr expects the first half of FY 2018 to be weaker than the second half.

Landis+Gyr confirms the dividend policy set out during the IPO of distributing to shareholders at least 75% of free cash flow (excluding M&A) each year.

Recent corporate developments

On January 4, 2018, Landis+Gyr announced that it has been selected by Wisconsin Public Service Company (WPS) to provide a multi-purpose Advanced Metering Infrastructure (AMI) network platform for advanced metering and grid modernization. The project includes deployment of Landis+Gyr's RF mesh network technology, 450,000 smart electric meters and about 326,000 two-way gas modules under a managed services agreement. Additionally, the utility will use Landis+Gyr's meter data management system (MDMS) under a SaaS (Software as a Service) agreement to integrate metering data into daily operations.

On February 21, 2018, Landis+Gyr reported continued growth with US based public power utilities during 2017 by signing 46 contracts for smart grid technology and services. The contracts represent a wide variety of market offerings, including more than 350,000 metering endpoints, along with distribution automation and load management devices, software and smart grid services.

On March 9, 2018, Landis+Gyr announced it had closed a five-year, USD 240 million credit facility agreement that replaced the company's USD 215 million bridge loan. This refinancing was over-subscribed and will help reduce the company's financial expense.

In 2018, Landis+Gyr signed new agreements with UK energy retailers for more than half a million SMETS2 meters. Landis+Gyr now has a total of over 18 million smart meters under contract in the UK, of which approximately 5 million have been deployed to date. Landis+Gyr and its UK customers also achieved a major milestone, becoming the first to deploy a second generation (SMETS2) smart meter. The UK deployment is gathering pace with Landis+Gyr meters deploying at more than 160,000 per month.

On May 16, 2018, Landis+Gyr announced that JEA, located in Florida and the eighth-largest community-owned electric utility in the United States, has signed a purchase agreement to accelerate its advanced metering deployment over the next 30 months by deploying the remaining 250,000 electric meters on its distribution system. Landis+Gyr currently manages JEA's advanced metering and network infrastructure under a long-term managed services contract. The contract scope has expanded over the years to include enhanced SaaS data services and infrastructure support.

On May 24, 2018, Landis+Gyr and Pacific Equity Partners (PEP) announced an agreement to form a joint venture for the acquisition of Acumen from Origin Energy Limited. The Acumen business includes the management and servicing contract for 170,000 meters as well as a material long term contract with Origin for the deployment of additional smart meters across Australia. Landis+Gyr will contribute the activities of its intelliHUB business to the joint venture. Landis+Gyr has entered into a contract with the joint venture under which Landis+Gyr expects to provide approximately 800,000 smart meters for deployment to multiple utilities across Australia and New Zealand over the next five years.

Annual report 2017 and invitation to AGM 2018
Landis+Gyr's Annual Report 2017, the invitation to the Annual General Meeting 2018 and the FY 2017 investor presentation were published today and can be downloaded at www.landisgyr.com/investors.

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Key dates

Annual General Meeting 2018	June 28, 2018
Ex-Dividend date	July 2, 2018
Dividend record date	July 3, 2018
Dividend payment date	July 4, 2018
Release of Half Year Results 2018	October 26, 2018
Release of Sustainability Report	October 26, 2018
Release of Results for Financial Year 2018	May 29, 2019
Annual General Meeting 2019	June 25, 2019

About Landis+Gyr
Landis+Gyr is the leading global provider of integrated energy management solutions for the utility sector. Offering one of the broadest portfolios of products and services to address complex industry challenges, the company delivers comprehensive solutions for the foundation of a smarter grid, including smart metering, distribution network sensing and automation tools, load control, analytics and energy storage. Landis+Gyr operates in over 30 countries across five continents. With sales of approximately USD 1.7 billion, the company employs c. 6,000 people with the sole mission of helping the world manage energy better. More information is available at www.landisgyr.com.

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