

Press release

6.0 per cent increase in turnover. 9.5 per cent more employees

LAPP's growth is bucking the trend

Stuttgart, 10 March 2020

LAPP has also successfully concluded the 2018/2019 financial year. Turnover generated by the global market leader for integrated cable and connection technology solutions increased by 6.0 per cent to EUR 1.222 billion in the last financial year (1 October 2018 to 30 September 2019). The number of employees increased by 9.5 per cent to 4,650. However, earnings before taxes decreased by 17.6 per cent to EUR 48.3 million. "In view of continuing tensions in world trade and the economic slowdown, we can be very proud of what we have achieved. Above all, our strategy of driving forward the digital transformation together with our customers is beginning to bear fruit. This shows us that we can continue to grow with innovative solutions even in difficult times," said Andreas Lapp, Chairman of the Board of Lapp Holding AG. The family-run company based in Stuttgart achieved its highest growth in Europe, although also it continued to increase turnover in America and Asia. In the fourth quarter, however, the economic slowdown was also clearly felt at LAPP.

Strong increase in turnover through growth initiatives and acquisitions

The increase in turnover was influenced by three factors. The reasons:

1. Strategic sales initiatives were the driving force behind growth in the last financial year. Examples of these included the further development of project business and the increase in turnover in the industrial communication market segment.
2. Acquisition of CEAM Cavi Speciali Srl. The Italian company was fully consolidated for the first time in the 2018/2019 financial year and supported the positive trend with additional turnover of EUR 8.2 million.
3. Copper prices and exchange rates had less influence. Explanation: The actual price of a cable is always calculated daily based on the current price of copper. As the price fell by 3.8 per cent on average over the year (EUR 547/100 kg), total turnover also reduced by 1.1 per cent. Exchange rate fluctuations had a slight impact of +0.2 per cent.

"LAPP's growth has bucked the trend. If the copper price had not fallen on average over the year, we would even have been able to report operating growth of 6.9 per cent," emphasised Dr Ralf Zander, member of the board responsible for Finance and Controlling.

Successful in EMEA

Turnover growth was particularly supported by the EMEA region (Europa, Middle East and Africa), which generated 73 per cent of global turnover. Turnover here increased by almost 8 per cent to EUR 889.9 million. Turnover in Germany also grew positively at EUR 359.8 million (+3.4 per cent). The Central and North America region achieved EUR 118.9 million (+4 per cent). The APAC region (Asia Pacific including Australia and New Zealand) fell slightly short of expectations and improved its turnover to EUR 213.2 million (+1 per cent).

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Solid and robust financial position

“Despite the negative economic influences, LAPP's net assets and financial situation are extremely solid and robust,” affirmed Dr Zander. Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to EUR 78.2 million (previous year: EUR 89.6 million). Earnings before taxes (EBT) amounted to EUR 48.3 million (previous year: EUR 58.6 million). Equity capital increased by EUR 18.3 million to EUR 338.5 million. As a result, the equity ratio remains at a consistently high level of 48 per cent (previous year: 48.9 per cent).

Overview

	FY 2017/2018	FY 2018/2019	Change
Total Turnover (million Euros)	1,153	1,222	+6 %
Earnings before taxes (million Euros)	58.6	48.3	-17.6 %
Employees worldwide	4,245	4,650	+9.5 %
Equity ratio (%)	48.9	48	-0.9 %

Training drive for employees

“LAPP's success can only be continued with people at the centre,” emphasised Dr Hilmar Döring, member of the board responsible for Human Resources and Organisation Development. The number of employees worldwide rose by around 9.5 per cent to 4,650. The increase in staff in the EMEA region (+10.9 per cent) was above average.

In the last financial year, the focus was on a global training drive on the topic of industrial communication. LAPP trains all employees with customer contact in this promising subject area and also supports its customers in finding their way around the jungle of technologies and protocols. Measures such as webinars, traditional classroom-based seminars, and boot camps were set up for this purpose. LAPP developed the e-learning courses in cooperation with the Fraunhofer Institute for Cognitive Systems IKS (formerly the Fraunhofer Institute for Embedded Systems EKS). All modules are available in ten languages. The completion rate for e-learning courses is over 85 per cent. In addition, a certified global expert programme on industrial communication has been set up. LAPP developed its modules in cooperation with the Institute of Control Engineering of Machine Tools and Manufacturing Units (ISW) of the

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University of Stuttgart. The programme is aimed at LAPP employees with expert knowledge, who are now receiving intensive further training. LAPP experts from 15 countries were nominated to take part. In the future, they will help customers with tasks requiring special expertise in industrial communication.

Investment in the future

In the 2018/2019 financial year, LAPP increased its investments by a further EUR 12.9 million, bring them to EUR 43.9 million. EUR 6.8 million was invested in software and digitisation projects. The focus of investments in tangible assets was on the sales and production companies. A new logistics centre for infrastructure cables with storage space of over 90,000 square metres was opened in Poland. And production capacities were expanded in India and France.

Many success factors

The 2018/2019 financial year was characterised by topics related to the digital transformation. On the one hand, the focus was on digitisation within the company itself and on smart and innovative solutions for customers.

1. The industrial communication segment grew with Ethernet-based products. LAPP's portfolio includes complete communication solutions for the smart factory. In this respect, the range of active components was further expanded with the ETHERLINE[®] ACCESS switches. The switches are also available in combination with ports for fibre optic cables and as a Power-over-Ethernet variant. The smallest Profinet switches on the market are particular highlights. Georg Stawowy, member of the board for Innovation and Technology: "We supply the nerve tracts for the smart factory and work with our customers to develop tailor-made solutions. This is proving popular."
2. LAPP is also working intensively on the future of connection technology. The "Innovation for Future" process was set up to facilitate radical innovations within the company. "We aim to be the technology leader." This is how LAPP first presented a solution for "predictive maintenance" for data cables in its futureLab at Hannover Messe.
3. The product portfolio has been further expanded in parallel with this, with a specific focus on the steadily growing market for servo drives. The EPIC[®] Power LS 1 Twist, a quick-connect circular connector system, was one of the new additions. LAPP has also developed the ÖLFLEX[®] CLASSIC 128 H BK, which is particularly suitable where people, animals, or valuable property would be exposed to high risk as a result of fire. It is a cost-effective halogen-free control cable with improved fire characteristics. And with the patented SKINTOP[®] FLAT cable gland, LAPP has introduced the first cable gland that fixes and seals flat cables with different cable contours and thicknesses.
4. LAPP has improved process stability and productivity at all production sites. Two smart factory pilot projects, demonstrating the opportunities and requirements of the global and digital networking of production sites, were implemented in France and China. On this basis, a 'manufacturing execution system' is now being rolled out across the Group.
5. Lapp Mobility GmbH was launched last autumn. This area was previously managed by Lapp System GmbH. The reason for the spin-off was the focus on the rapidly growing business with charging solutions for e-mobility. LAPP Mobility GmbH (LMD) currently offers two cable versions for charging electric vehicles in public areas or at a

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completely normal socket. Some cable variants have a high protection class (IP67) against dirt and water penetration. These products are used especially in fleets and at public charging stations. The focus of new developments for the coming years is on providing charging solutions for the home (wall boxes). Besides car manufacturers, the wholesale trade, electricians, and private owners of electric vehicles are target customers. LAPP continues to expect above-average growth in this business segment.

Outstanding application examples

1. The CNC machines from Swedish manufacturer Modig Machine Tool are used by well-known companies in the global aviation industry to machine the wings of their aircraft. Modig purchases the required connection solutions almost exclusively from LAPP.
2. Gerstlauer Amusement Rides GmbH in Münsterhausen is one of the world's leading manufacturers of fairground rides. For its roller coasters and big wheels, Gerstlauer uses control, servo and data cables from LAPP, which also cover all international standards, withstand all weather conditions, and ensure long-term functionality. LAPP also uses a practical e-shop solution to simplify the ordering process.
3. In South Africa, a huge solar park is currently being built just under 400 kilometres west of Johannesburg. 262,000 solar modules have been assembled, which together cover an area of almost 550,000 square metres, equivalent to 135 football pitches. The plant has an output of 86 megawatts: enough to supply 15,000 households with electricity. LAPP has supplied some 2.3 million metres of particularly robust ÖLFLEX® SOLAR cables and SYLVIN® cable hoses for the project.

Outlook for the current financial year

LAPP expects business to be challenging in the 2019/2020 financial year. The major uncertainties arising from the corona crisis, the brexite and the general economic slowdown will probably lead to a reduction in revenue in 2019/20 compared with the previous year. To ensure financial freedom for future growth, LAPP is paying increased attention to cost efficiency. "It was to be expected that after six years of growth, the economic curve would point downwards again. However, I am optimistic that this will soon bottom out," commented Andreas Lapp.

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LAPP's predictive maintenance box is further developed and refined at the LAPP test centre

You can find the image in printable quality [here](#)



The roller coaster in Tatzmania zoo and animal park in Löffingen was built by Gerstlauer Amusement Rides GmbH

You can find the image in printable quality [here](#)

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Andreas Lapp, Chairman of LAPP Holding AG and member of the board responsible for Marketing and Sales

You can find the image in printable quality [here](#)



Dr Ralf Zander, member of the board responsible for Finance and Controlling

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Georg Stawowy, member of the board for Innovation and Technology
You can find the image in printable quality [here](#)



Dr Hilmar Döring, member of the board responsible for Human Resources and Organisation Development

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Fotos: LAPP

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About LAPP:

Headquartered in Stuttgart, Germany, LAPP is a leading supplier of integrated solutions and branded products in the field of cable and connection technology. The company's portfolio includes standard and highly flexible cables, industrial connectors and cable entry systems, customized system solutions, automation technology and robotics solutions for the intelligent factory of the future, as well as technical accessories. LAPP's core market is in the industrial machinery and plant engineering sector. Other key markets are in the food industry as well as the energy and the mobility sector.

LAPP has remained in continuous family ownership since it was founded in 1959. In the 2018/19 business year, it generated consolidated revenue of 1,222 million euros. LAPP currently employs approximately 4,650 people across the world, has 18 production sites and around 44 sales companies. It also works in cooperation with around 100 foreign representatives.



www.lappkabel.com

