



March 11, 2020

Annual results 2019

AND 2020 OUTLOOK



01

2016-2019 **An excellent performance**

Luc Themelin
Chief Executive Officer

merseN

Strategic objectives achieved



Leveraging our high value-added **expertise** to develop solutions tailored to our customers' needs



Supporting growth notably in **markets that contribute to sustainable development**



Driving growth in margins via a **competitiveness** and performance program



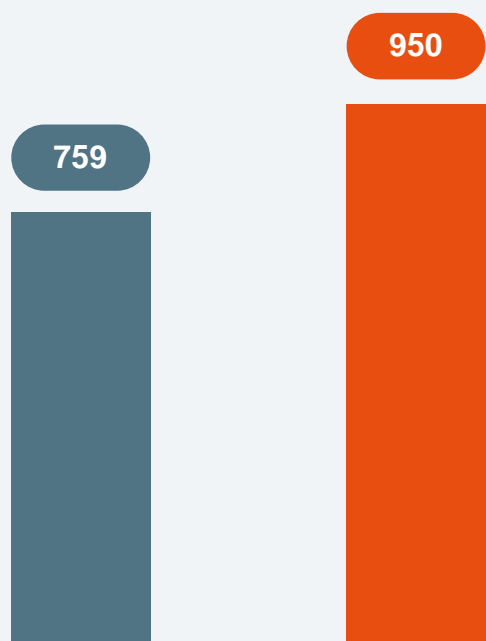
Optimizing **human capital** development thanks to a collaboration-oriented organization and a strong health and safety culture



Four years of progress and transformation

SALES (€M)

2016-2019 CAGR +8%

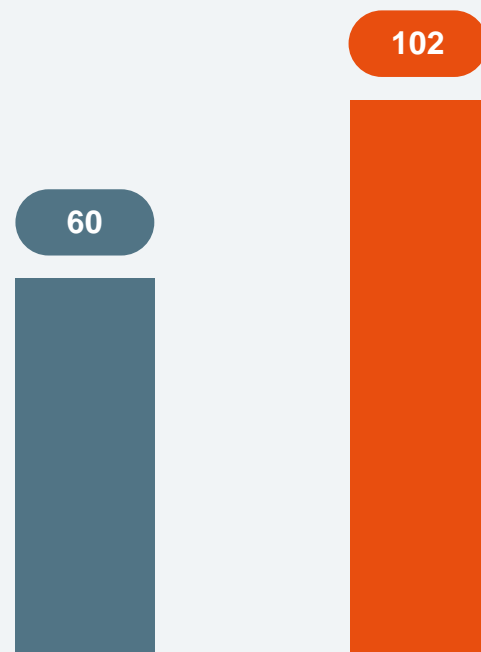


2016 restated

2019 published

OPERATING INCOME BEFORE
NON-RECURRING ITEMS (€M)

2016-2019 CAGR +19%

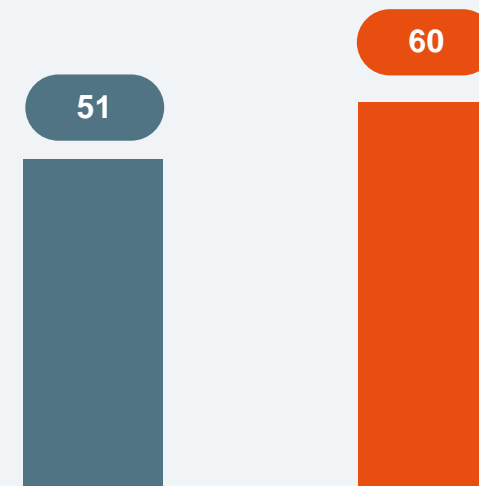


2016 restated

2019 published

FREE CASH FLOW* (€M)

2016-2019 CAGR +6%



2016 restated

2019 published

*Operating cash flow after capital expenditure

Strategic acquisitions to speed up growth



**COLUMBIA
AGM ITALY**



**MERSEN GALAXY
CIRPROTEC
MERSEN HATAN**



**FTCAP
IDEALEC
CALY TECHNOLOGIES**



**LGI
GAB NEUMANN**

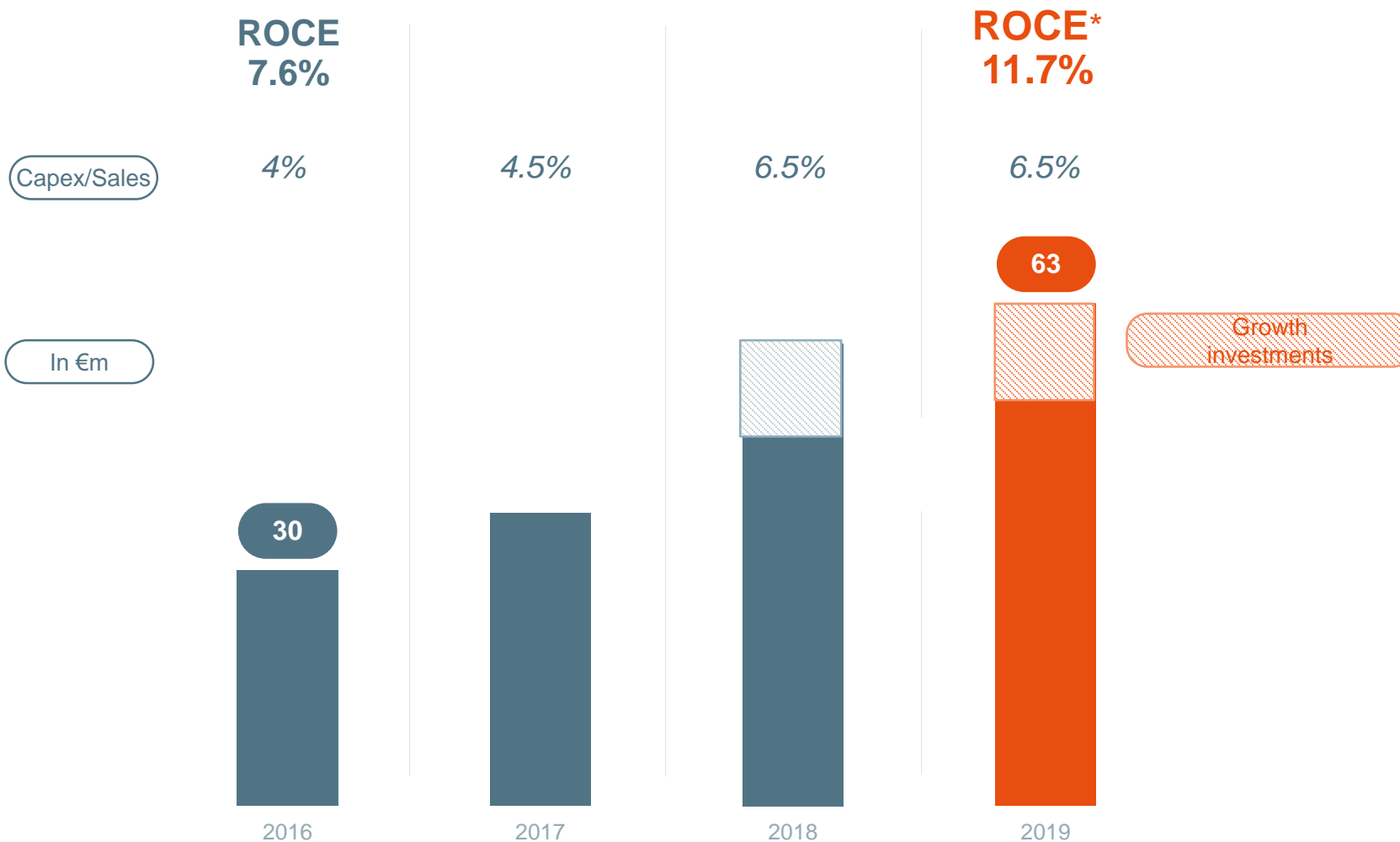
**SHAPE
THE FUTURE**
by acquiring
production capacity

ACCELERATE EXPANSION
in sustainable development
markets

**STRENGTHEN
EXPERTISE**
and accelerate innovation

**DEVELOP
A SERVICES BUSINESS**
for the chemicals industry

Profitable investments to prepare for the future



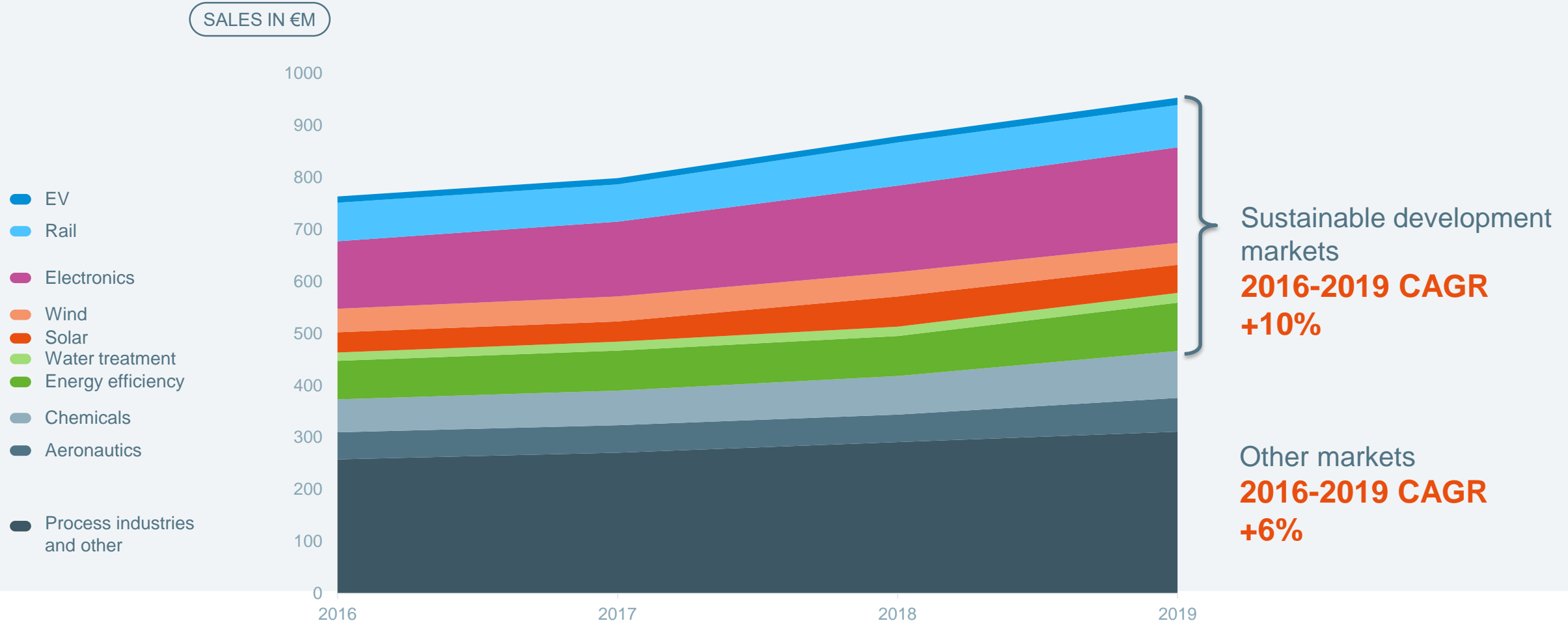
Investments aimed at sustainable development
€20m (2019)

o/w destined for the semiconductor market:
€11m

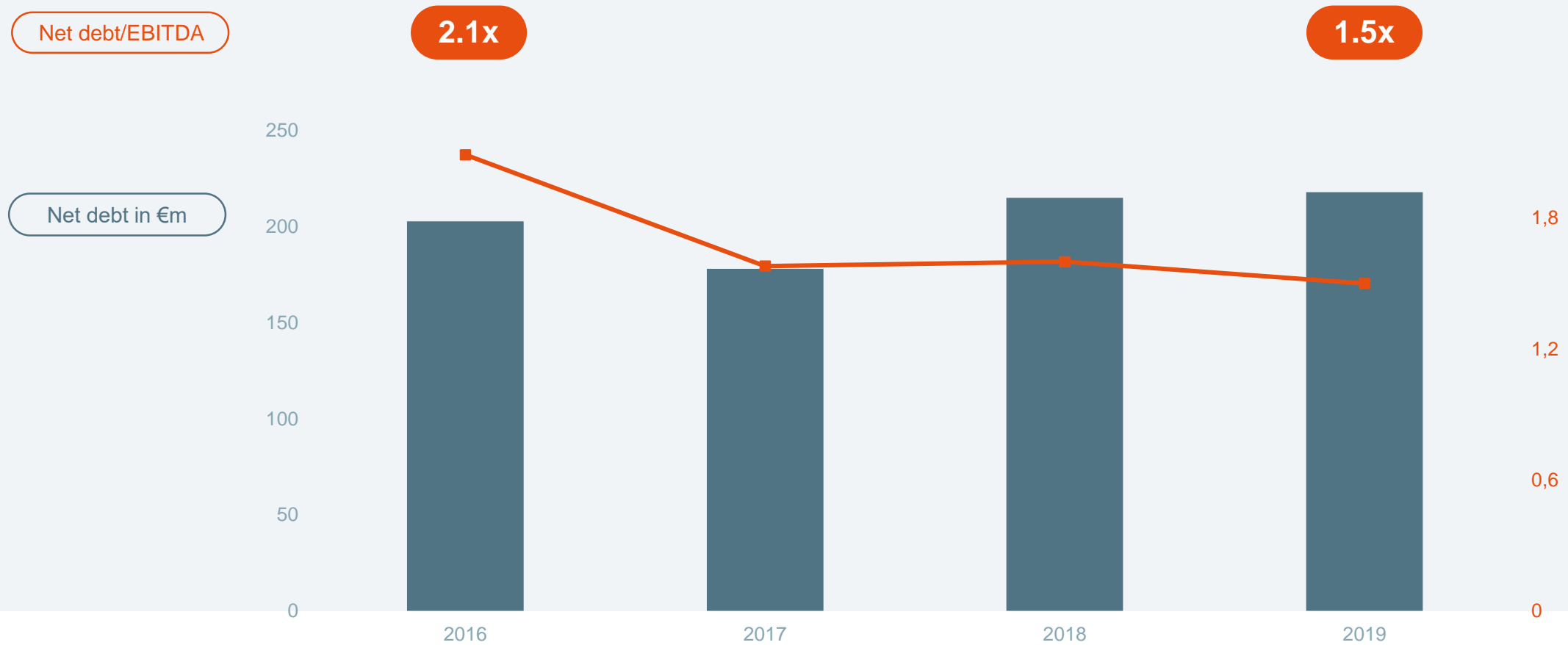


* Before IFRS 16

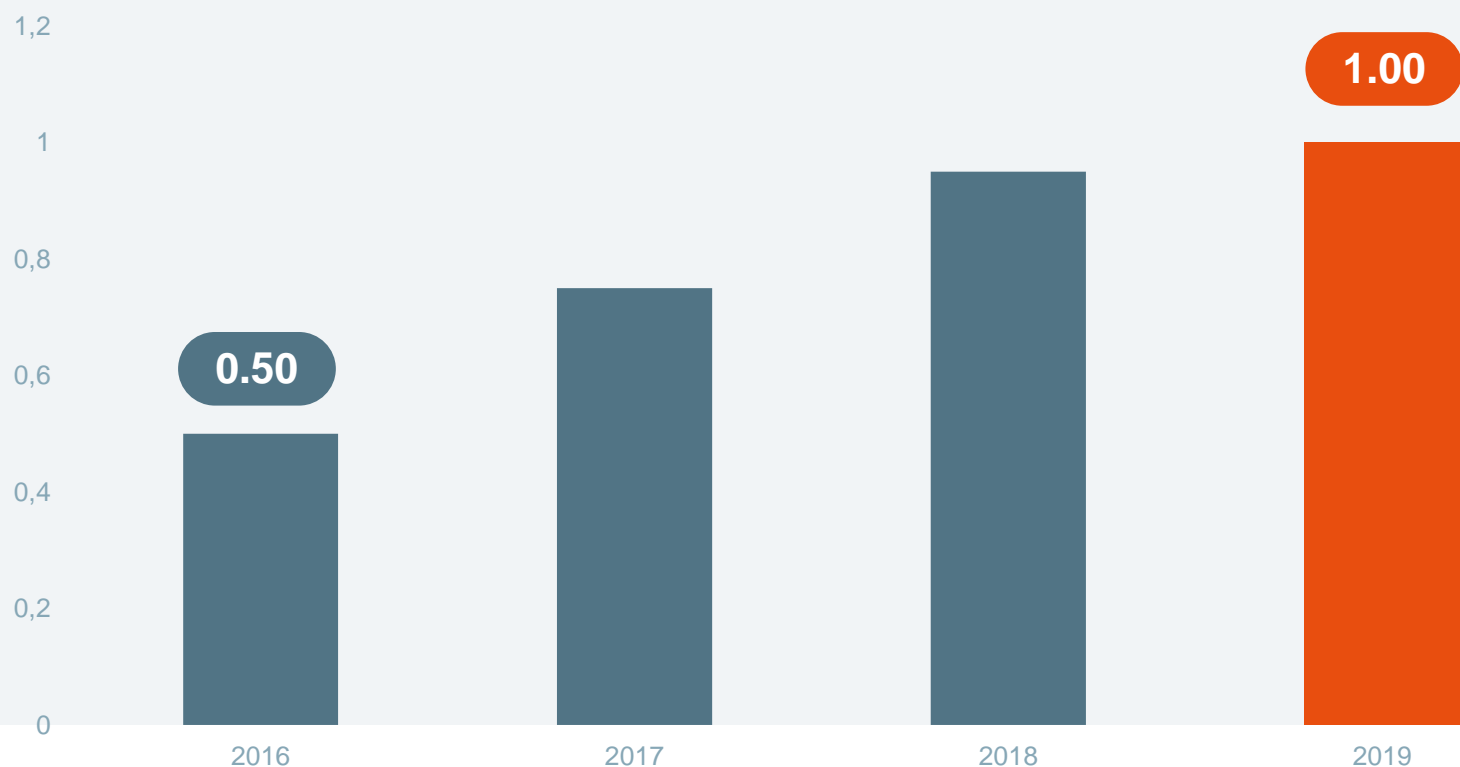
Strong growth in our sustainable development markets



A solid financial structure




A higher return for shareholders



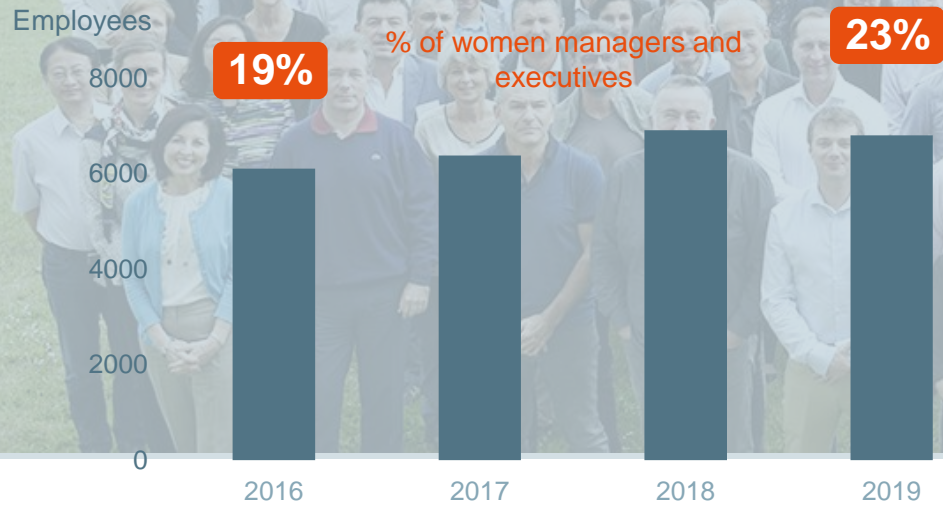
DIVIDEND POLICY

A payout of between 30% and 40% of the Group's attributable net profit (before depreciation of development costs)

 **2019 PAYOUT**
34%

Developing human capital

DEVELOPING HUMAN CAPITAL IN ALL ITS DIVERSITY



35% women

90% of site managers employed locally

A STRONG HEALTH AND SAFETY CULTURE



89% of employees stated that they were proud to be part of the Group in 2018



02

2019 Financial performance (excluding IFRS 16)

Thomas Baumgartner
Chief Financial Officer

mersen

2019: Another year of profitable growth

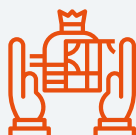


SALES

Organic growth: 4.1%

€950m

+8% vs 2018



**OPERATING INCOME
BEFORE NON-RECURRING
ITEMS***

*Operating margin before
non-recurring items:
10.6%*

€101m

+10% vs 2018



**OPERATING
CASH FLOW**

Cash conversion rate:
77%*

€110m

+18% vs 2018

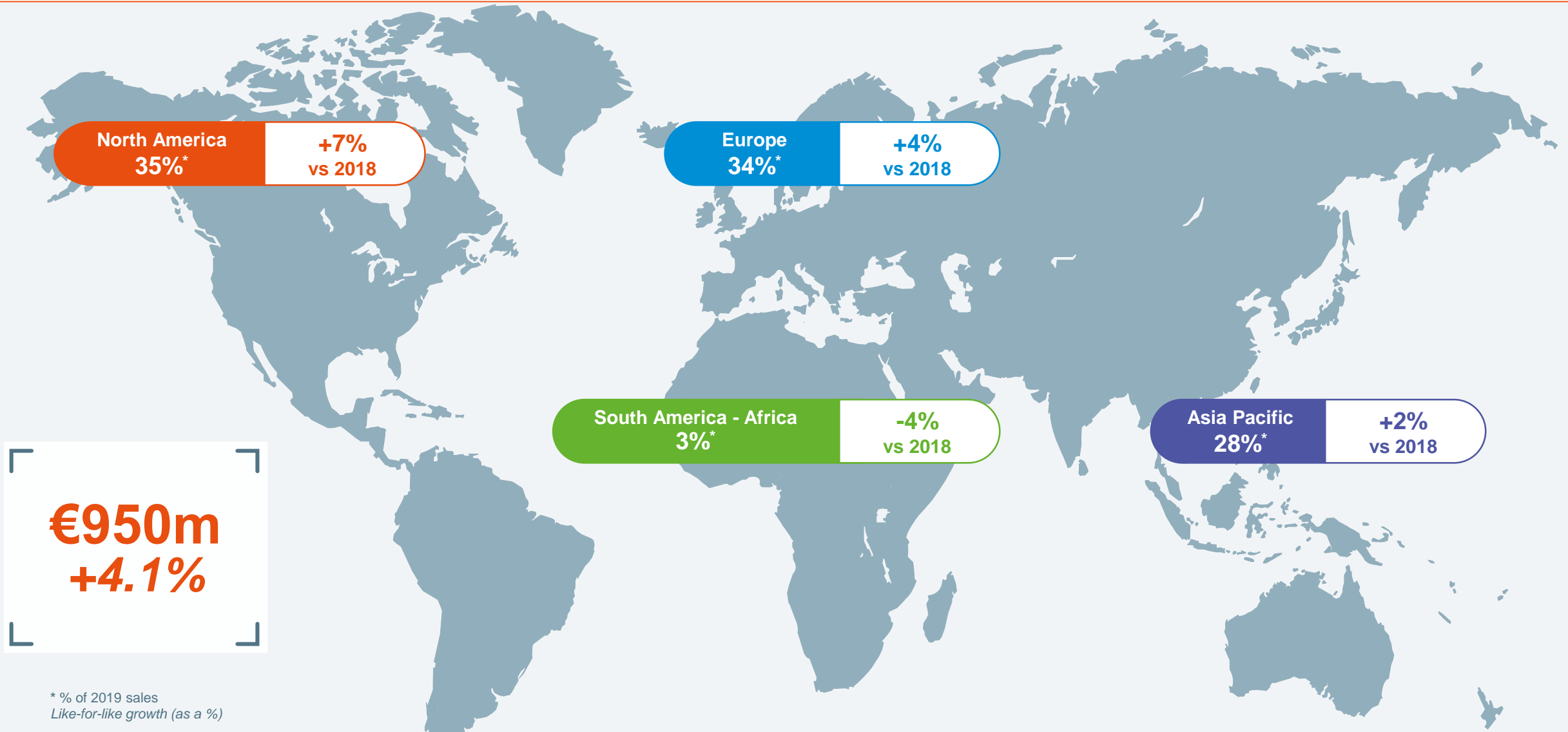


**CAPITAL
EXPENDITURE**

€63m

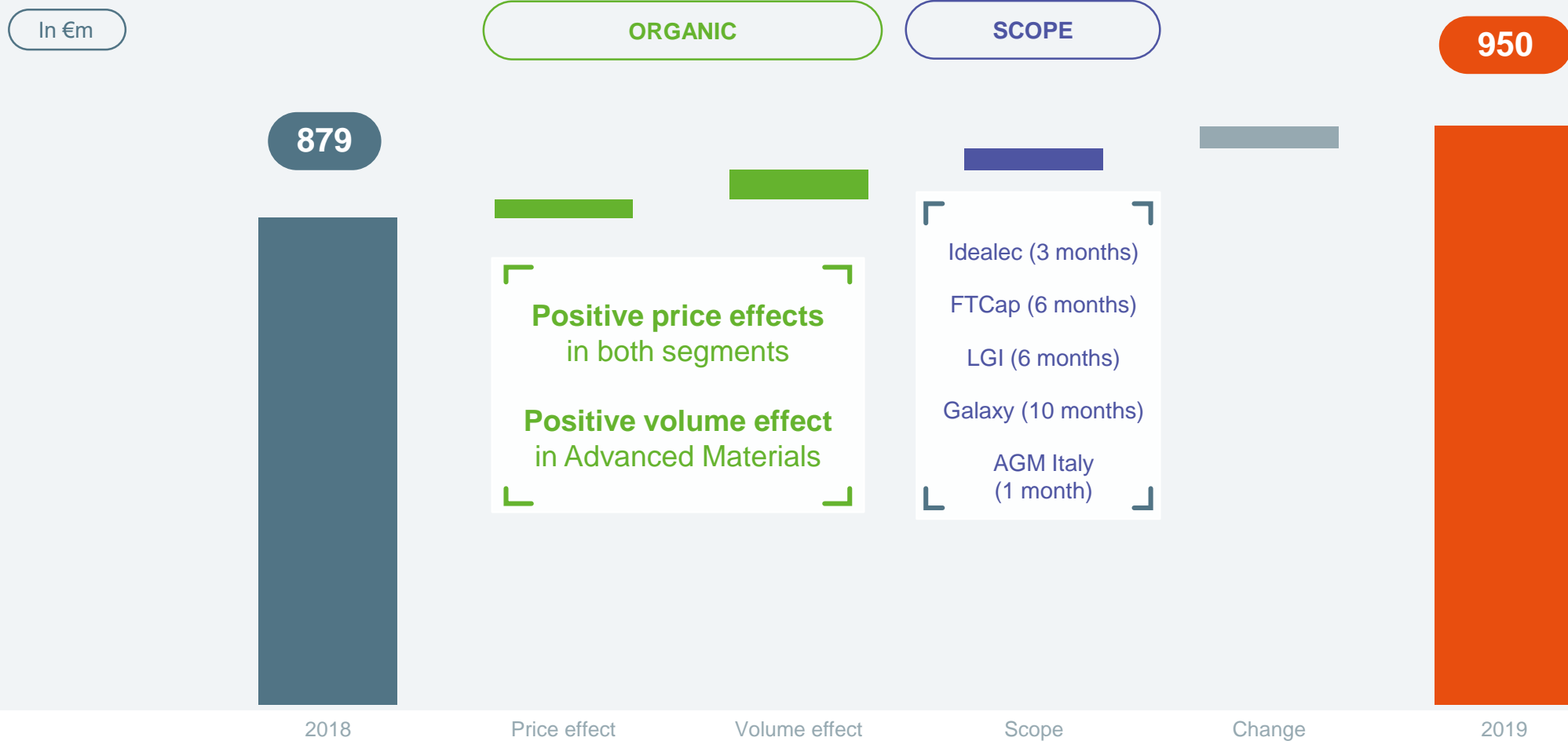
* Operating cash flow/EBITDA

2019 sales: Growth in all key regions



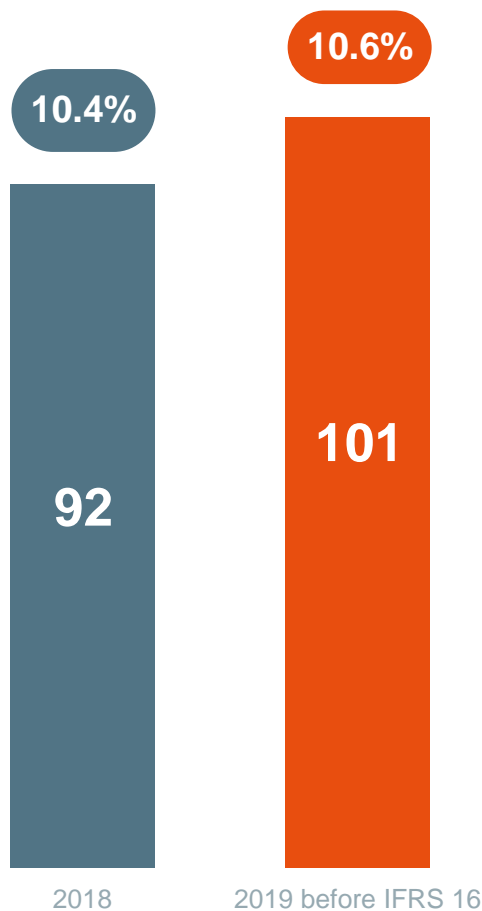
* % of 2019 sales
Like-for-like growth (as a %)

Growth in sales, with positive volume and price effects



Increase in profitability

Operating income before non-recurring items (€m)



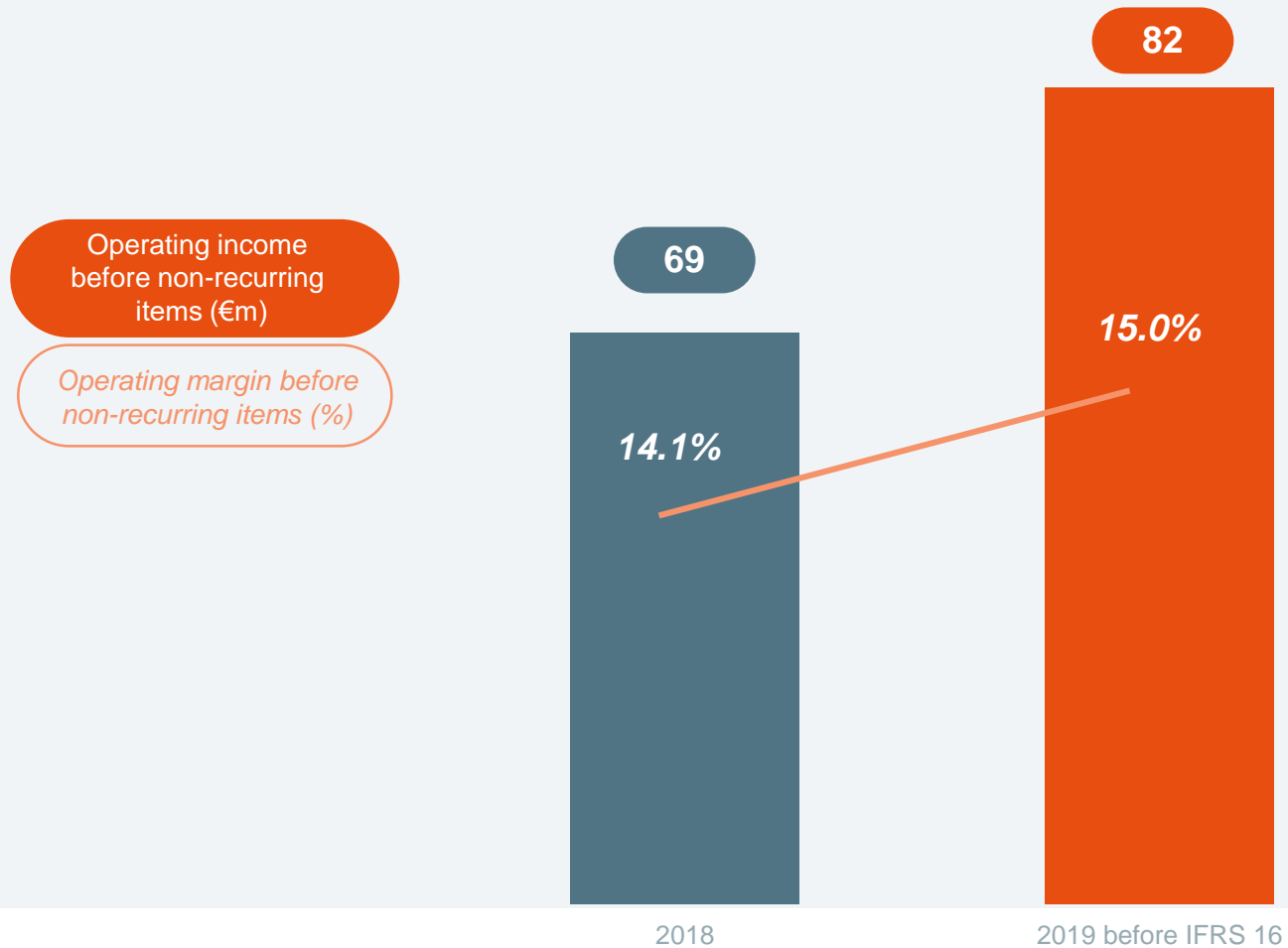
As a %

2018 operating margin before non-recurring items	10.4%
Volume/mix effects	+0.6
Price effect	+1.0
Commodity risk and customs tariffs	-0.6
Productivity gains	+1.7
Cost inflation	-1.8
Impact from exchange rates, scope and others	-0.7
2019 operating margin before non-recurring items	10.6%

Productivity gains
Purchasing and productivity workshop

Cost inflation
primarily payroll costs

Advanced Materials: Increase in profitability supported by volumes

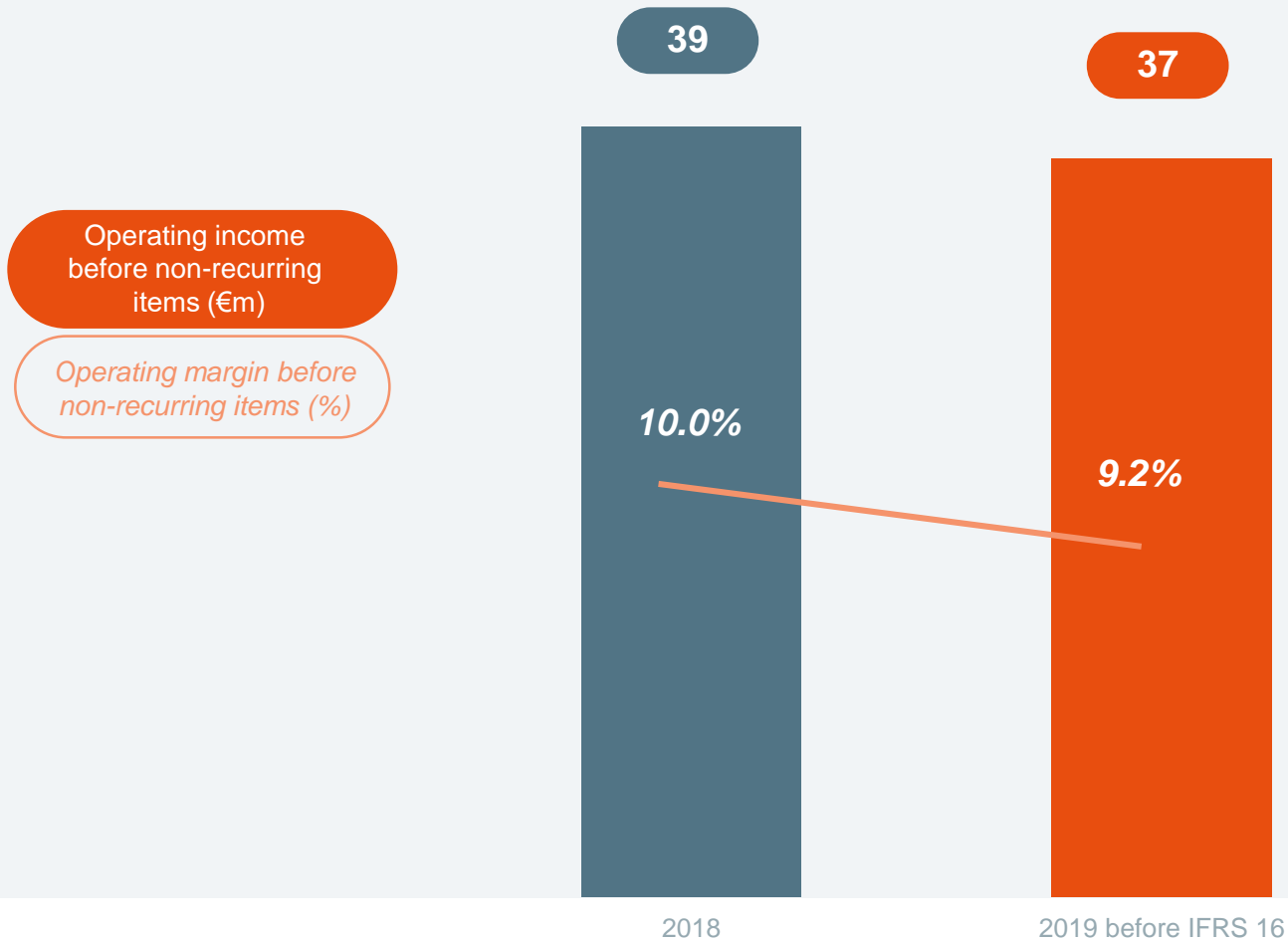


- Strong leverage from volumes
- Significant price increases
- Efficient productivity

2019 EBITDA: €112m
20.6% of sales

2019 ROCE: 13.9%

Electrical Power: Positive price effects, but a less favorable product mix



- Price increases
- Less favorable product mix
- Dilutive effect of acquisitions on margin

2019 EBITDA: €48m
11.8% of sales

2019 ROCE: 13.6%

Increase in net income

In €m	2018	2019 before IFRS 16
Operating income before non-recurring items	91.6	100.6
Non-recurring income and expenses	(3.8)	(11.2)
Net financial income/(costs)	(10.3)	(10.3)
Income tax	(18.3)	(18.2)
Net income	59.2	60.9
Net income, Group share	56.5	58.4

+3%


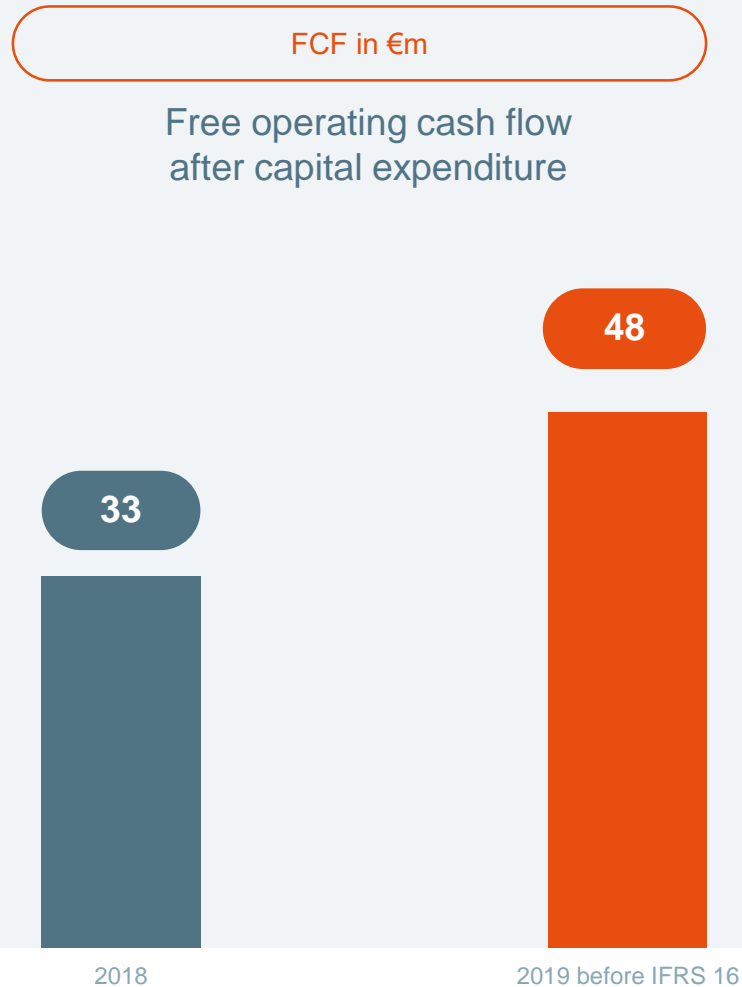
Non-recurring expenses

- Impairment of hybrid protection development costs (€5.3m)
- Acquisition costs
- Litigation and other costs

Effective tax rate


23% (32% in 2017)

Sharp rise in free cash flow



Cash-Flow conversion* :
77%

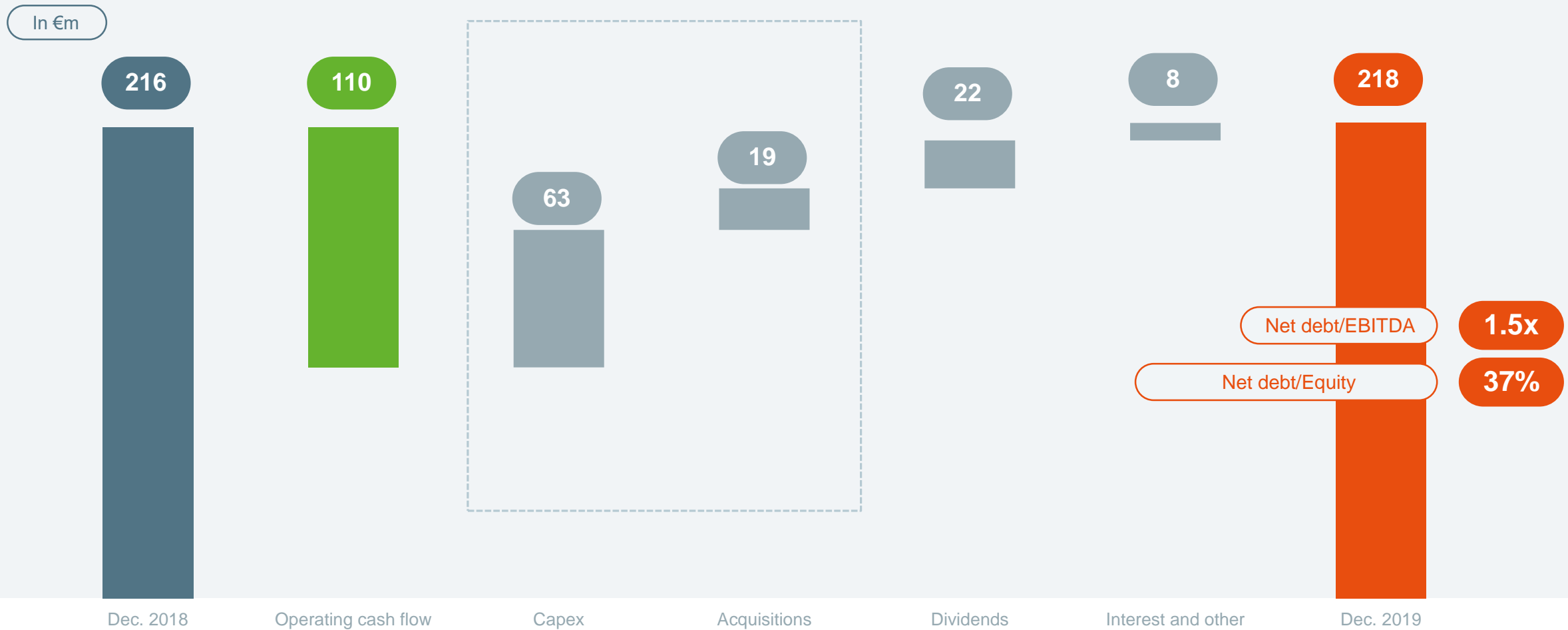
Funding for investments



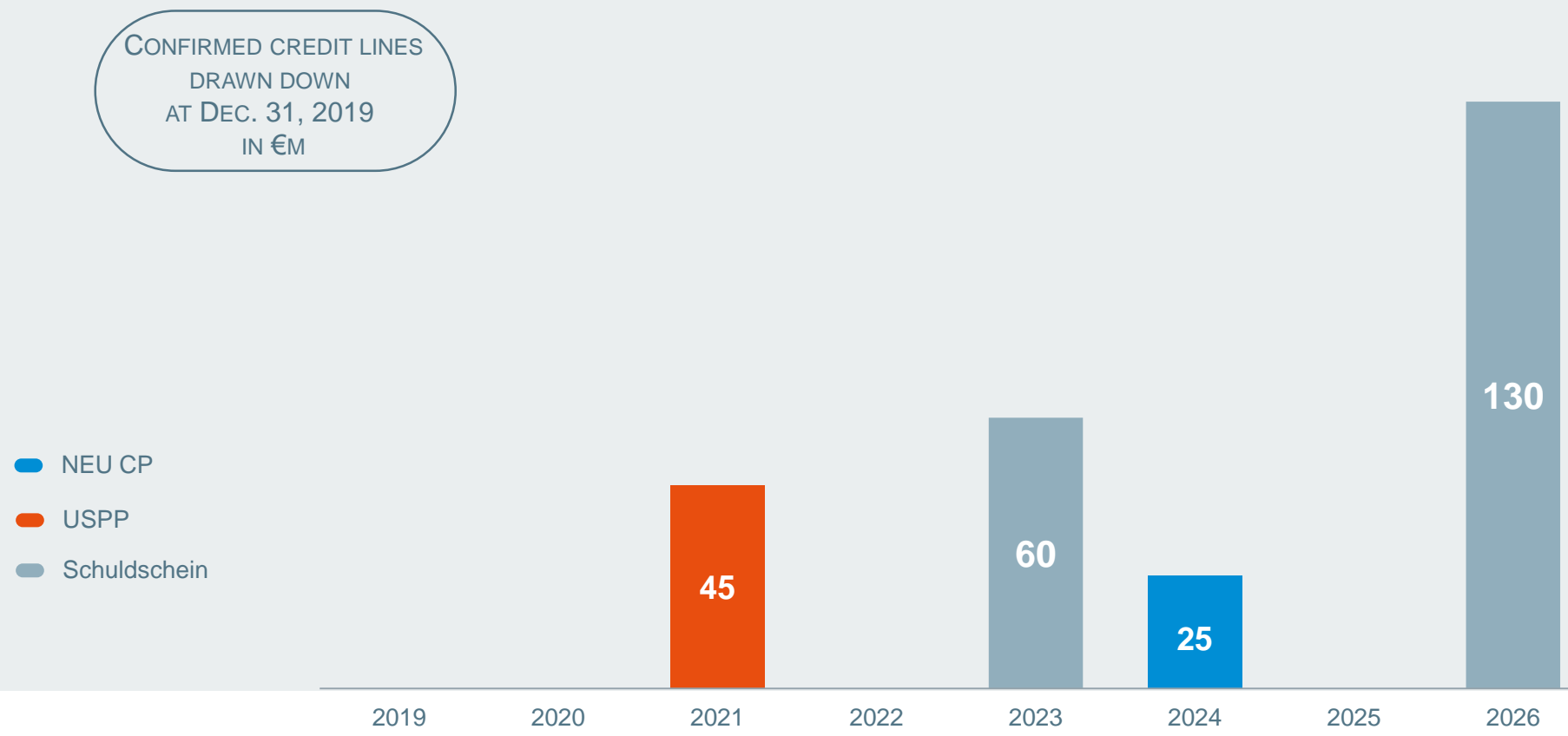
Limited rise in WCR

* Operating cash-flow/EBITDA

Stable net debt despite significant investments in 2019 (capex and acquisitions)



A solid balance sheet with maturity close to five years



UNDRAWN CONFIRMED CREDIT LINES: €197M



03

Operating priorities

Luc Themelin
Chief Executive Officer

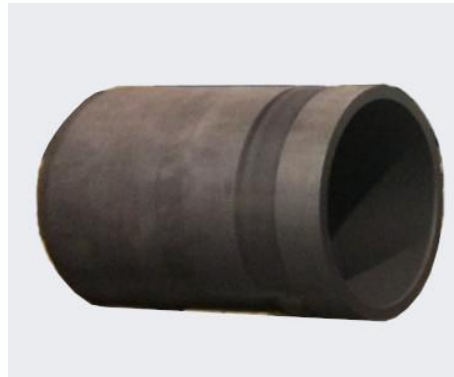
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Advanced Materials: A comprehensive offering in materials expertise

ISOSTATIC
GRAPHITE



EXTRUDED
GRAPHITE



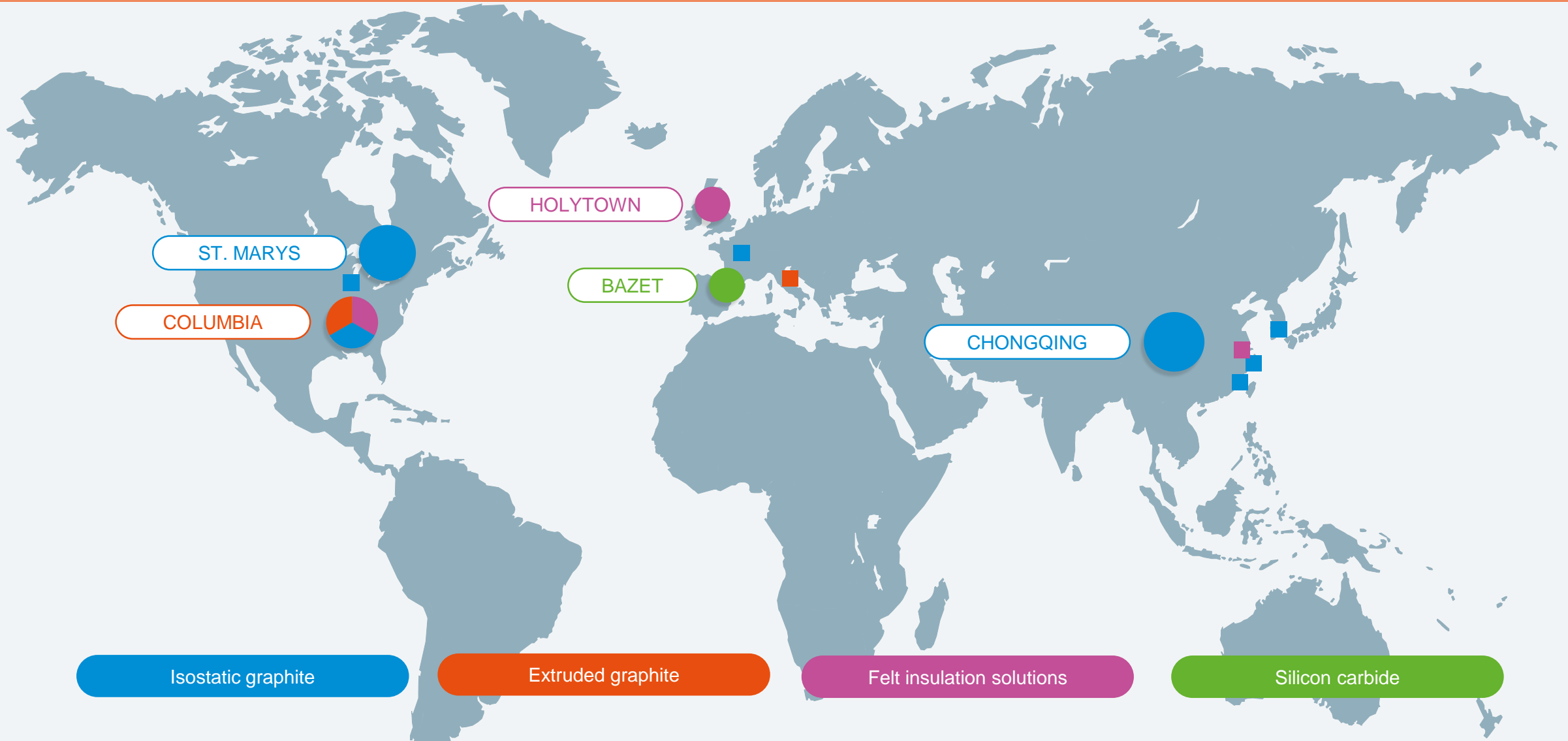
RIGID/FLEXIBLE
INSULATION



SINTERED
SILICON CARBIDE



Mersen: A key player in specialty materials worldwide



Advanced Materials: Consolidating our leadership positions



Take advantage of the Columbia site's modularity

- Start up production of **extruded graphite** in early 2021
- Use the site to produce **felt insulation solutions** to supply US semiconductor manufacturers with locally produced products (early 2021)
- Prepare for the production of **isostatic graphite** (after 2021)



Look to the future

- Continue to invest in flexible and rigid felt insulation solutions in Europe to meet demand from customers in the semiconductor market
- Drive an increase in our sales of extruded graphite in Europe thanks to AGM Italy

TARGET MARKETS

Solar

Semiconductors

Aeronautics

Heat treatment
and hot processes

**Strategic investments
in 2018-2021**

**Diversified end markets
with medium-term growth
potential**

**Leverage from volumes
that has proven to be
effective**



Electrical Power: A unique portfolio serving two key applications

ELECTRICAL PROTECTION



Fuses and fuse holders

Surge protection devices

Coverage of all standards worldwide: UL, IEC, DIN, etc.

POWER CONVERSION



Fuses for semiconductors

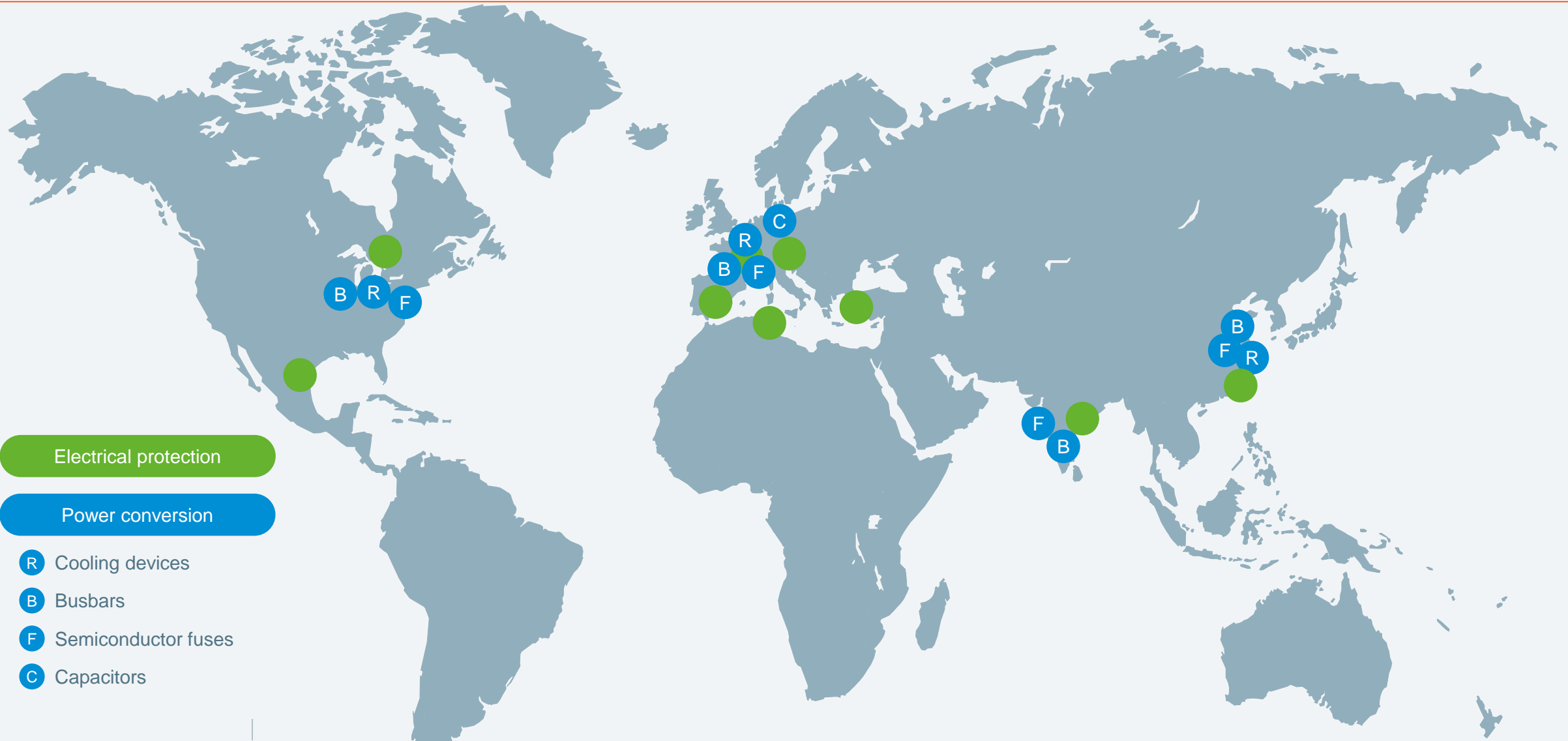
Busbars

Cooling devices

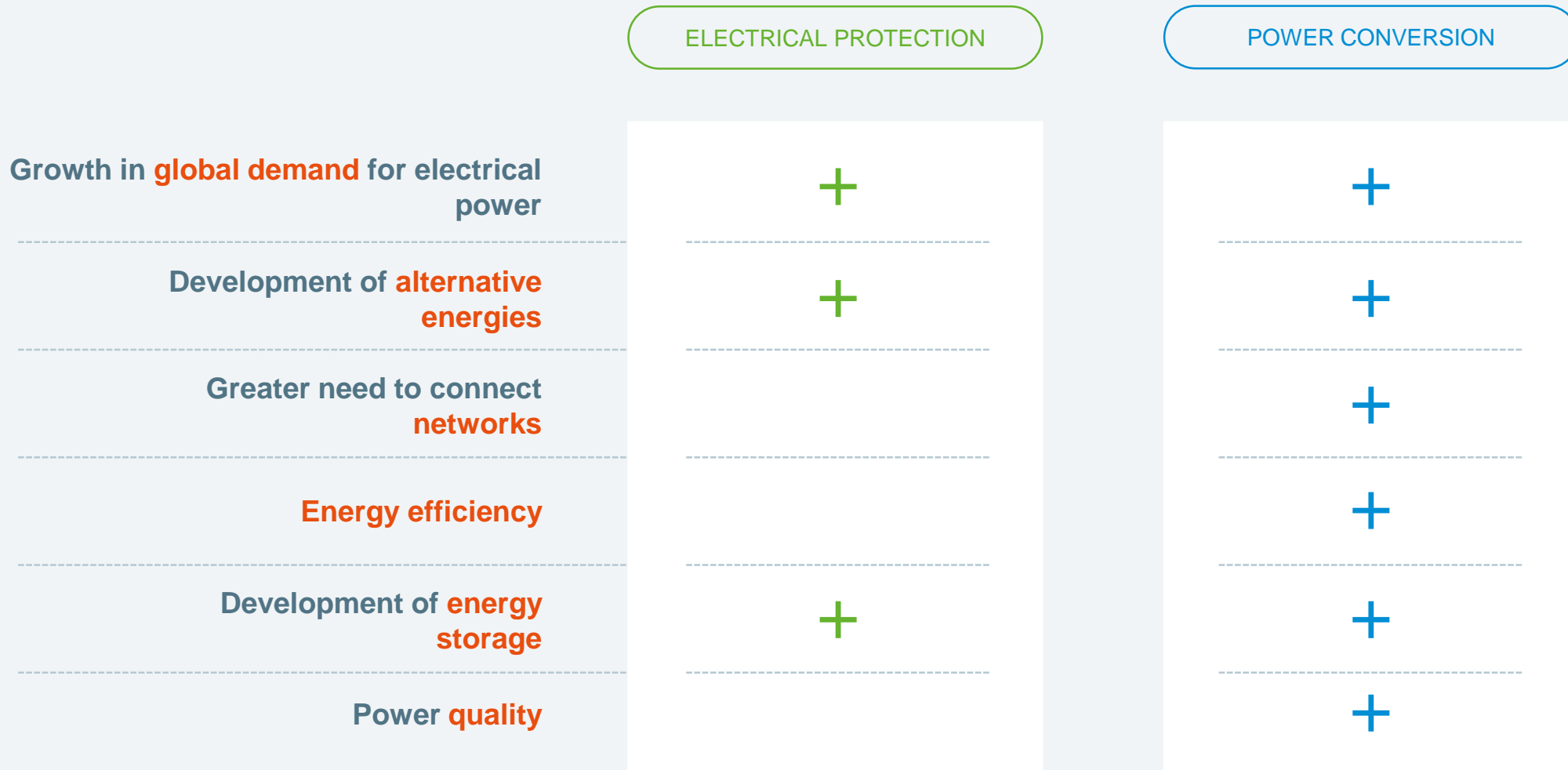
Capacitors

Only customized offering of bundled passive components on the market

Electrical Power: An efficient global industrial footprint



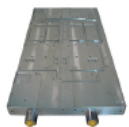
Electrical Power: Positioned in markets shaped by strong medium-term growth



EVs: A dedicated offer evolving with the market



POWER CONVERSION



Cooling devices



Busbars

BATTERY PROTECTION



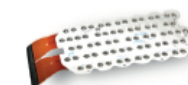
Fuses



BATTERY MANAGEMENT



Fuses



Busbars

Dedicated offer

Electrical Power: Numerous initiatives to prepare for the future



Faster integration of acquisitions

- FTCap
- Idealec



Review of our industrial efficiency under way

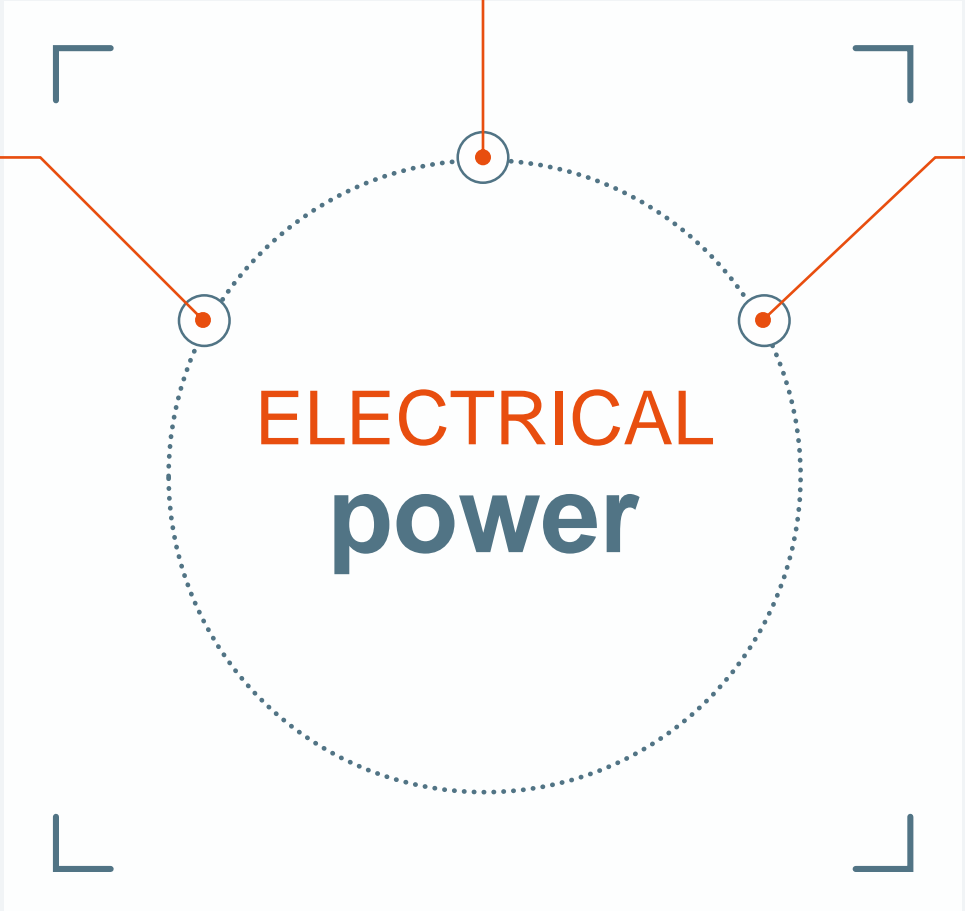
- Synergy generation in Europe and China
- Stronger production base in India



New products

- Review of R&D program for the electric vehicle market
- Market launch of new electrical protection products

Plans for improving operating efficiency



Significant medium-term growth drivers

New products to stimulate growth

An uncertain environment in 2020

AN UNCERTAIN GLOBAL ENVIRONMENT



- Uncertainty about the impact of the Coronavirus
- Customs tariffs
 - Less tension between US and China
 - Impact of Brexit (most likely limited)
 - Relations between US and Europe
- Impact of US elections
- Economic environment in Germany

MORE MIXED MARKETS THAN IN 2019



- Dynamic solar market with significant investments being made by our customers
- Storage/EVs: growth expected in 2021-2022
- Negative reference effect in semiconductors in H1
Return to growth expected in H2
- Chemicals: No growth after three dynamic years
- Process industries: Highly dependent on the economic environment

Trends in early 2020



High comparable base in H1

- Q1 2019 organic growth: +8%
- Strong invoicing in chemicals and semiconductors in 2019



China: A situation that is returning to normal

- Low level of business in January and February
- Production relaunched in Mersen's eight plants
- As of now, no logistics concerns

No measurable impact at this stage in the other regions



Q1 will be down sharply from 2019

- The Group may be able potentially to offset the lag before the end of the year
- Actions taken to limit costs