

MERSEN: REMARKABLE PERFORMANCE IN 2021

AMBITIOUS MEDIUM-TERM PLAN UNVEILED

- NET INCOME UP SHARPLY TO €58 MILLION
- STRONG OPERATING CASH FLOW: €117 MILLION
- SOLID FINANCIAL STRUCTURE: LEVERAGE RATIO OF 1.42
- CASH DIVIDEND OF €1.00 PER SHARE PROPOSED FOR 2021
- ORGANIC SALES GROWTH OF BETWEEN 3% AND 6% EXPECTED FOR 2022
- AMBITIOUS 2025 PLAN TO REACH SALES OF €1.2 BILLION

PARIS, MARCH 16, 2022 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its consolidated results for the year ended December 31, 2021. The Board of Directors met on March 15, 2022 and approved the audited 2021 financial statements for publication.

Chief Executive Officer Luc Themelin said: *“Mersen’s 2021 results are very satisfactory in every way. We recorded major successes during the year and continued to invest in the Group’s medium-term growth, while also delivering on our CSR commitments, which will be further developed in our new roadmap. This wouldn’t have been possible without the unwavering commitment of our teams worldwide, and I’d like to take this opportunity to personally thank everyone for their hard work. We will propose to shareholders at the Annual General Meeting to approve a dividend of €1.0 per share, reflecting our good full-year performance and our strong balance sheet.*

The current environment is dominated by the conflict in Ukraine. We are keeping a close eye on the humanitarian situation with great attention and concern for the people involved. The impact on 2022 is difficult to measure at this stage, even though the Group has no direct exposure to the region.

However, we remain confident in our future prospects, allowing us to unveil our medium-term ambition today. By 2025, we aim to harness buoyant sustainable development markets like renewable energies, electronics and green transportation, and Mersen’s key role in these segments, to generate sales of around €1.2 billion.”

<i>Key figures</i>	2021	2020	Change
Sales (€m)	923	847	+8.9%
Operating margin before non-recurring items	10.0%	8.1%	+190 pts
EBITDA margin	16.1%	14.5%	+160 pts
Net income/(loss) attributable to owners of the parent (€m)	54.4	(12.0)	+€66m
ROCE	10.8%	7.8%	+300 pts
Net debt/EBITDA ratio	1.42	1.65	-23 pts
Dividend per share (€)	1.00	0.65	+53.8%

For the definitions, please refer to the glossary at the end of this press release.

ACTIVITY, EBITDA AND OPERATING INCOME BEFORE NON-RECURRING ITEMS

Mersen reported consolidated sales of €923 million in 2021, up 8.6% on an organic basis compared with 2020. Sales grew by 8.9% taking into account, on the one hand, the negative currency effect of around €7 million and, on the other hand, the consolidation of GAB Neumann, Americarb and Fusetech of around €10 million.

Overall, sustainable development markets (including renewable energies, electronics and green transportation) grew by nearly 10% year on year to 56% of total sales, compared with 51% of total sales in 2019¹.

Operating income before non-recurring items came to €92.6 million, resulting in an operating margin before non-recurring items of 10%, an increase of 190 basis points. This improvement is largely driven by positive volume and mix effects. Productivity gains and the positive effects of the restructuring plan offset the rise in labor costs and the negative impacts of the Covid crisis. Furthermore, price increases helped to partially offset the rise in raw material and energy costs.

Group EBITDA came to €148.8 million, representing a margin of 16.1%, up 160 basis points on 2020.

Advanced Materials segment

Advanced Materials sales totaled €507 million, up 6.7% on an organic basis compared with 2020. The semiconductor and solar markets reported vigorous growth. The chemicals market remained stable year on year thanks to a higher level of invoicing at the end of 2021. Conversely, the aeronautics market declined over the year as expected, but benefited from more favorable trends in the second half.

¹ This definition does not replace those used in the EU Taxonomy Regulation and Delegated Acts.

The operating margin before non-recurring items for the Advanced Materials segment was 14.4%, a sharp improvement on 2020 (12.1%), thanks mainly to a positive volume effect. Price increases were limited in 2021. However, the positive effects of the productivity and restructuring plans helped to offset inflation and increased depreciation.

Segment EBITDA came to €110.9 million, accounting for 21.9% of sales versus 19.8% in 2020 and 21.8% in 2019.

Electrical Power segment

Electrical Power sales came in at €415 million for the year, up by more than 11% compared with 2020 at constant scope and exchange rates. Growth was particularly strong in power electronics, while sales to the US electrical distribution market were also very robust. And it was a busy year for the electric vehicle market, in terms of prototyping and qualification testing, with sales totaling €16 million in 2021.

The operating margin before non-recurring items for the Electrical Power segment was 9.1%, up sharply on 2020 (7.5%). Volume and mix effects contributed significantly to this increase. Price increases and the positive effects of the restructuring plan partially offset higher raw material prices and wage inflation.

Segment EBITDA came to €54.5 million, accounting for 13.1% of sales versus 11.9% in 2020 and 13.0% in 2019.

NET INCOME

Net income attributable to owners of the Group amounted to €54.4 million in 2021, versus a net loss of €12 million in 2020.

Non-recurring expenses were limited, at €4.9 million, and corresponded mainly to the recommissioning of the Columbia site (United States) and the end of the adaptation plans announced in 2020.

Mersen's net financial expense came to €10.7 million in 2021, representing a decrease compared with 2020 stemming from the reduction in the average debt figure over the year (€186 million compared with €215 million in 2020).

Income tax expense totaled €18.6 million for 2021. The effective tax rate was 24%, on a par with 2019 (23%) and 2018 (24%).

Income from non-controlling interests essentially included Mersen Yantai and Mersen Galaxy (China), in which Mersen holds a 60% stake.

CASH AND NET DEBT

The Group generated strong operating cash flow (before capex) in the year, taking into account a negative change in working capital requirement (WCR) from the sharp upturn in business (the opposite of the situation in 2020). This very good performance enabled Mersen to finance the significant investment program planned for 2021.

Cash generated by operating activities before change in working capital requirement and restructuring surpassed €146 million, versus €119 million in 2020, representing an increase of nearly 23%.

Cash flow linked to restructuring (€8 million) corresponded to payments related to the adaptation plan launched by the Group at the end of 2020 to address the global economic environment and the pronounced slowdown in sales in the chemicals and aeronautics markets. The remaining payments will be made in 2022.

The change in working capital requirement is negative by approximately €6 million in a context of strong activity (increase in inventories and trade receivables), partially offset by a positive change in bonus and incentive payments (low payment in 2021 for 2020 and high provision in 2021 due to good 2021 results). Working capital requirement represented 19.4% of sales, down from the 2020 level (20.5%). This rate improved due to changes in payments and provisions relating to bonus and incentive amounts, a decrease in customer late payments and an increase in customer advances, particularly in the chemicals market.

The Group reported a significant level of industrial capital expenditure in 2021 at nearly €79 million, in line with the amount anticipated at the start of the year. In addition to maintenance expenditure, outlays primarily related to the installation of insulation production lines and the start-up of the extruded graphite production line at the Columbia site in the United States, as well as the increase in production capacity to serve the SiC semiconductor market. Investments in intangible assets related to the plan to digitize and modernize information systems and represented €5 million.

Investments in acquisitions (€9 million) mainly concerned the purchase from Hager of the remaining share capital of Fusetech (Hungary) and in-kind contributions of equipment for Mersen Galaxy (joint venture in China).

Consequently, net debt at end-2021 was €193 million, versus €180 million at end-2020.

Return on capital employed (ROCE) was up sharply at 10.8%, from 7.8% in 2020.

FINANCIAL STRUCTURE

Mersen maintained a solid financial structure in 2021, with a leverage ratio (net debt/EBITDA) of 1.42 and a 30% gearing ratio (net debt/equity). The Group carried out a private placement in 2021 for a combined amount of USD 60 million and €30 million, which enabled it to extend the maturity of its debt drawn down to six years.

DIVIDEND

At the Annual General Meeting to be held on May 19, 2022, the Board of Directors will ask shareholders to approve the payment of a €1.00 per share cash dividend. This would result in a total payout of around €21 million, corresponding to 38% of net income, Group share, in line with Mersen's dividend policy (i.e., a payout of between 30% and 40% of attributable net income). The dividend payment date will be July 7, 2022.

CURRENT ENVIRONMENT: LIMITED EXPOSURE TO UKRAINE AND RUSSIA

The beginning of 2022 was marked by the conflict between Russia and Ukraine. The Group laments this situation and would like to underline that its economic and balance sheet exposure to these two countries is not material (0.3% of sales, no direct suppliers, no plants).

OUTLOOK FOR 2022

The forecasts below do not take into account any potential indirect impacts – which are still difficult to measure – resulting from the current situation.

In 2022, Mersen expects inflation (wages, raw materials, energy) to have a larger impact than in 2021. The Group should be able to partially offset this inflation through price increases and the continued deployment of its operational excellence plans.

Given its substantial backlog at the end of 2021 and the good momentum on its markets, the Group expects:

- Continued strong demand in the solar and semiconductor markets;
- Growth in the electric vehicle market, which should accelerate from 2023 onward;
- Growth in the rail market, after a two-year downturn due to equipment under-utilization;
- A rebound in aeronautical activity, without reaching 2019 levels;
- A stable chemicals market in 2022, as in 2021;
- Process industry trends mirroring those for the world's major economies.

For 2022, the Group is thus targeting organic growth of between 3% and 6%. Operating margin before non-recurring items is expected to be around 10% of sales, taking into account the impact of higher depreciation and amortization expense, the ramp-up of production at the Columbia site and an expansion of electric vehicle teams.

The Group will continue its industrial investment program to meet demand and prepare for the future, with capital expenditure expected to represent around €80 million in 2022.

MEDIUM-TERM AMBITIOUS PLAN

Mersen's vision is to play a role in improving the way we live and in protecting the environment and its resources. The Group's products and solutions, custom-built for demanding customers, are essential to progress and technological innovation. Mersen's ambition for 2025 reflects this vision.

Mersen is positioned in markets buoyed by strong long-term growth trends, namely renewable energies, green transportation and electronics. Specifically:

- The Group is a major supplier across the entire **solar photovoltaics** value chain. Thanks in particular to its unique footprint in China, where 90% of its solar cells are manufactured, Mersen is targeting sales of €100 million by 2025;
- The Group has developed expertise in advanced materials that are essential to the manufacturing process of both silicon and silicon carbide **semiconductors**. Mersen has also formed a strategic partnership with Soitec to develop a new range of substrates for the electric vehicle market. Overall, these segments could represent €170 million in sales by 2025;
- The Group is investing in the **electric vehicle** market. For several years, Mersen's growth strategy has involved reinforcing its teams, qualifying its sites to automotive standards and entering into partnerships with automotive stakeholders. Thanks to its efforts, sales could be between €40 million and €70 million by 2025.

Annual growth in these markets is expected to average around 18%.

All other markets are expected to grow by an average of 4% per year. The Group is expecting the aeronautics and rail markets to return to 2019 levels. Process industries and the chemicals market should follow global industry trends.

The Group's performance over the period will benefit from the expected volume effect. In addition, Mersen's positioning as a provider of customized high-tech solutions gives it pricing power. The impacts of the operational excellence plans deployed throughout the organization should enable it to offset possible inflationary effects.

Buoyed by this growth model and by sustainable market trends, Mersen's ambition for 2025 – barring a major economic slowdown and at current exchange rates – are:

- Sales of around €1.2 billion;
- Operating margin before non-recurring items of at least 11%;
- EBITDA margin representing at least 17.5% of sales;
- ROCE of at least 12%.

These goals are accompanied by a new CSR roadmap for 2022-2025, following the successful completion of the previous roadmap. The Group is pursuing its commitments in terms of:

- A sustainable supply chain;
- Limiting environmental impact through commitments to reduce GHG emission intensity and water consumption and to increase waste recycling;
- Promoting equal opportunity, diversity, a social responsibility policy for all and health and safety at work;
- An exemplary ethics and compliance culture.

The performance indicators associated with these goals will be unveiled at a later date.

CONDENSED CONSOLIDATED STATEMENT OF INCOME

<i>(In millions of euros)</i>	2021	2020
Consolidated sales	922.8	847.2
Gross income	289.8	251.6
Selling, marketing and other expenses	(77.2)	(73.7)
Administrative and research expenses	(118.6)	(107.9)
Goodwill amortization	(1.4)	(1.3)
Operating income before non-recurring items	9,263	68.6
<i>As a % of sales</i>	<i>10.0%</i>	<i>8.1%</i>
Non-recurring income and expenses	(4.9)	(51.4)
Operating income	87.7	17.2
Net financial expense	(10.7)	(12.0)
Current and deferred income tax	(18.6)	(14.0)
Net income/(loss) for the period	58.4	(8.8)
- Attributable to owners of the parent	54.4	(12.0)

SEGMENT ANALYSIS*(In millions of euros)*

	Advanced Materials (AM)		Electrical Power (EP)		Group	
	2021	2020	2021	2020	2021	2020
Sales	507.4	476.4	415.4	370.8	922.8	847.2
EBITDA*	110.9	94.5	54.5	44.0	148.8	122.9
As a % of sales	21.9%	19.8%	13.1%	11.9%	16.1%	14.5%
Operating income before non-recurring items	73.1	57.7	37.7	27.9	92.6	68.6
As a % of sales	14.4%	12.1%	9.1%	7.5%	10.0%	8.1%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Dec. 31, 2021	Dec. 31, 2020
Non-current assets	756.1	670.1
Right-of-use assets	51.6	46.2
Inventories	218.2	181.1
Trade and other receivables	177.3	155.7
Other assets	3.8	5.0
TOTAL	1,206.9	1,058.1
Equity	631.3	533.7
Provisions	23.0	26.8
Employee benefit obligations	49.1	71.7
Trade and operating payables	208.4	167.2
Other liabilities	49.3	31.9
Lease liabilities	52.6	46.6
Net debt	193.2	180.2
TOTAL	1,206.9	1,058.1

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(In millions of euros)</i>	2021	2020
Cash generated by/(used in) operating activities before change in WCR	146.3	119.3
Cash flow linked to restructurings	(7.8)	(6.6)
Change in working capital requirement	(5.9)	31.4
Income tax paid	(15.7)	(11.4)
Net cash generated by/(used in) operating activities	116.8	132.7
Capital expenditure	(78.6)	(56.7)
Net cash generated by/(used in) operating activities after capital expenditure	38.2	76.0
Acquisition-related investments	(9.4)	(13.6)
Investments in intangible assets and other investment flows	(5.9)	(4.1)
Net cash flow before financing activities	22.9	58.3

The Group's results for 2021 will be presented on March 16, 2022 at 10:00 a.m. CET in a webcast streamed on Mersen's website.

FINANCIAL CALENDAR

First-quarter 2022 sales: April 27, 2022 after the markets close

ABOUT MERSEN

Mersen is a **global expert in electrical specialties and advanced materials** for high-tech industries. With more than 50 industrial sites and 18 R&D centers in 35 countries around the world, Mersen develops **custom-built solutions** and delivers key products for clients in order to meet the new technological challenges shaping tomorrow's world. **For over 130 years, Mersen has focused tirelessly on innovation** to accompany its clients and meet their needs. Be it in wind power, solar power, electronics, electric vehicles, aeronautics, space or countless other sectors, wherever technology is progressing, you will always find a bit of Mersen.

The "Mersen IR" app, which is specially designed for investors, is available for both iOS and Android devices and can be downloaded from Apple's App Store or Google Play on your smartphone or tablet.

You can also scan the QR code below:



MERSEN IS LISTED ON EURONEXT PARIS – COMPARTMENT B

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GLOSSARY

Average capital employed: weighted average capital employed for the past five quarters (in order to limit the effects of exchange rate fluctuations at end-of-period versus average).

Capital employed: sum of property, plant and equipment and intangible assets, working capital requirement and receivables net of current tax and net derivatives, excluding right-of-use assets.

Cash flow conversion rate: operating cash flow as a percentage of EBITDA.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization.

Free cash flow: net cash generated by operating activities after capital expenditure.

Gearing/net debt-to-equity ratio: calculated using the method required by the covenants contained in Mersen's confirmed loans.

Leverage/net debt-to-EBITDA ratio: calculated using the method required by the covenants contained in Mersen's confirmed loans.

Net debt: gross debt net of cash and cash equivalents and current financial assets.

Operating cash flow: cash generated by operating activities.

Operating income before non-recurring items: as defined in Recommendation 2020-01 of the French national accounting board (ANC).

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.

Payout ratio: ratio of the total amount of dividends paid out to shareholders relative to the net income of the company.

Restated payout: ratio of dividend per share proposed for the year to Group net income per share for the year, restated for non-recurring items, calculated based on the number of ordinary shares excluding treasury shares at December 31 of the current year.

ROCE (Return On Capital Employed): ratio of operating income before non-recurring items to average weighted capital employed, excluding right-of-use assets.

WCR ratio: ratio of working capital requirement to sales for the most recent quarter, multiplied by four.

Working capital requirement (WCR): sum of trade receivables and related accounts, inventories and other current receivables less trade payables and related accounts.

APPENDICES

1 – Working capital to sales ratio

(In millions of euros)	2021	2020
Inventories	218	181
Trade receivables	144	128
Other operating receivables	27	21
Contract assets	6	7
Trade payables	(67)	(56)
Other operating payables	(113)	(88)
Contract liabilities	(29)	(24)
Working capital requirement	187	170
Sales (4 x fourth quarter)	957	836
WCR as a % of sales	19.4%	20.5%

2 - ROCE

(In millions of euros)	2021	2020
Operating income before non-recurring items	92.6	68.6
Average capital employed	856	879
ROCE	10.8%	7.8%