

MERSEN: EXCELLENT PERFORMANCE IN FIRST-HALF 2022

- RECORD HALF-YEAR SALES OF €524 MILLION, UP 11.1% ON AN ORGANIC BASIS VS. H1 2021
- SIGNIFICANT VOLUME GROWTH AND STRONG PRICING POWER
- OPERATING MARGIN BEFORE NON-RECURRING ITEMS UP 90 BASIS POINTS TO 10.5% OF SALES
- NET INCOME UP 41% VS. H1 2021
- NET DEBT/EBITDA RATIO MAINTAINED AT A SOLID 1.53
- CONFIRMATION OF RAISED GUIDANCE FOR FULL-YEAR 2022:
 - ORGANIC GROWTH OF BETWEEN 8% AND 10%
 - OPERATING MARGIN BEFORE NON-RECURRING ITEMS OF AROUND 10.5% OF SALES
 - EBITDA MARGIN GROWTH OF AROUND 50 BASIS POINTS
 - CAPITAL EXPENDITURE OF BETWEEN €85 MILLION AND €90 MILLION

PARIS, JULY 28, 2022 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, today released its sales figures for the second quarter of 2022 and interim results for the period ended June 30, 2022.

Luc Themelin, Mersen’s Chief Executive Officer, said: *“Mersen delivered an excellent performance in the first half of the year, achieving record sales in particular. This is a success for all of our employees. The Group benefited from its positioning in renewable energy markets and the dynamic process industries in North America and Europe, which largely drove up volumes. Combined with our pricing power in an inflationary context, this momentum fueled a sharp increase in operating margin before non-recurring items. Despite the complex and uncertain environment, demand is still high and we are continuing to show agility in leveraging our unique positions to best serve our customers. This enabled us to raise our targets for full-year 2022 sales and operating margin before non-recurring items on July 20, and we are confirming that guidance today.”*

KEY FIRST-HALF FIGURES

In millions of euros	H1 2022	H1 2021
Sales	524	451
Operating income before non-recurring items	55.0	43.3
Operating margin before non-recurring items	10.5%	9.6%
EBITDA	86.9	71.0
Net income	38.2	27.1
Net debt/EBITDA ratio	1.5	1.4

BUSINESS REVIEW

SECOND-QUARTER 2022 SALES

Mersen reported consolidated sales of €269 million for the second quarter of 2022, up by a sharp 10% at constant scope and exchange rates compared with the same period in 2021. Taking into account the favorable currency effect, sales grew by more than 16%.

In millions of euros	Q2 2022	Q2 2021	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	151.2	126.0	13.6%		5.7%	20.0%
Electrical Power	117.7	105.1	5.8%		5.8%	12.0%
Europe	90.0	83.4	8.9%		-1.0%	7.8%
Asia-Pacific	75.3	66.4	6.1%		6.8%	13.4%
North America	94.3	72.4	16.4%		11.9%	30.2%
Rest of the World	9.4	8.9	-4.2%		10.1%	5.5%
Group	268.9	231.1	10.0%		5.7%	16.3%

Europe recorded sales growth of almost 9% in the second quarter, driven by strong momentum in the renewable energy market and process industries.

Sales in **Asia** grew by over 6% despite the negative impact of the partial lockdown in China during the period. Growth was particularly robust in Japan and South Korea, thanks to process industries and energy storage.

In **North America**, strong growth was fueled by the buoyant electrical distribution and electronics markets. The rail and aeronautics markets also posted growth.

Lastly, the contraction in sales in the **Rest of the World** was mainly due to a base effect, as the Group benefited from important deliveries of heat exchangers for the chemicals industry in South America in June 2021.

FIRST-HALF 2022 SALES

Mersen's consolidated sales amounted to €524 million for the first six months of 2022 – the highest level ever achieved in the period. They were up 11.1% on an organic basis compared with first-half 2021. Taking into account the favorable currency effect, sales grew by 16.3%.

In millions of euros	H1 2022	H1 2021	Organic growth	Scope effect	Currency effect	Reported growth
Advanced Materials	292.3	248.4	12.5%		4.6%	17.7%
Electrical Power	232.0	202.5	9.3%		4.8%	14.5%
Europe	178.4	162.7	10.7%		-0.9%	9.7%
Asia-Pacific	149.3	131.5	7.0%		6.1%	13.5%
North America	178.5	140.6	15.8%		9.6%	26.9%
Rest of the World	18.1	16.1	4.0%		7.9%	12.1%
Group	524.2	450.9	11.1%		4.7%	16.3%

PERFORMANCE BY SEGMENT

Advanced Materials sales totaled €292 million in the first half of 2022, representing organic growth of 12.5%. Growth was particularly robust in the renewable energy markets – in particular solar energy - and in process industries. The semiconductor market posted more moderate growth due to an especially high comparable base, but a healthy order backlog confirms the sector’s good outlook. The rail and aeronautics markets continued their recovery. The chemicals market was flat overall year on year but enjoyed an uptick in order intake toward the end of the period.

In the **Electrical Power** segment, first-half sales totaled €232 million, up by more than 9% year on year on an organic basis. Like Advanced Materials, the Electrical Power segment benefited from a highly dynamic renewable energy market. The process industries market also delivered solid growth, propelled by electrical distribution in the United States. The transportation market, meanwhile, benefited from a recovery in aeronautics.

PERFORMANCE BY REGION

In **Europe**, growth was robust in both segments in the process industry and electronics markets, with Spain, Italy and Germany performing the most strongly.

Momentum was brisk all across **Asia**, with the exception of China due to the partial lockdown in the second quarter. Excluding China, the region grew by double digits thanks to the renewable energy and semiconductors markets.

Lastly, growth in **North America** continued to be strong, with particularly good performances in process industries and renewable energies.

EBITDA AND OPERATING INCOME BEFORE NON-RECURRING ITEMS

Group operating income before non-recurring items came to €55.0 million in first-half 2022, resulting in an operating margin before non-recurring items of 10.5% of sales, up 90 basis points on first-half 2021.

The year-on-year increase was to a large extent due to the effect of higher volumes. The Group's pricing power in the period also enabled it to offset the higher cost of raw materials and energy, while productivity gains partly offset wage inflation.

EBITDA amounted to €86.9 million, representing 16.6% of sales versus 15.7% in first-half 2021.

Advanced Materials segment

Operating income before non-recurring items for the Advanced Materials segment was €44.1 million, resulting in an operating margin before non-recurring items of 15.1% of sales compared with 13.6% for the same period in 2021. The year-on-year increase was mainly attributable to a favorable volume effect, higher selling prices that offset the rising cost of raw materials, energy and wages. In addition, the segment's earnings include the production start-up costs at the Columbia site (United States), as well as R&D costs linked to the project with Soitec (SiC semiconductors).

EBITDA for the segment was €66.1 million and represented 22.6% of sales versus 21.1% in the first six months of 2021.

Electrical Power segment

In the Electrical Power segment, operating income before non-recurring items came to €21.2 million, compared with €18.9 million for the first half of 2021. This represents an operating margin before non-recurring items of 9.1% of sales. The segment benefited from a favorable volume effect in the period. Rising raw material costs and wages were partly offset by higher selling prices. The segment also continued to build up its dedicated team for the electric vehicle market over the period.

EBITDA for the segment was €30.4 million, representing 13.1% of sales versus 13.4% in the prior-year period.

NET INCOME

Net income rose by 41% year on year to €38.2 million in the first half of 2022, from €27.1 million in first-half 2021.

Net financial expense came to €5.3 million for the period, down slightly from the prior year thanks primarily to the competitive financial conditions of the most recent US private placement (USPP).

Income tax expense amounted to €10.8 million for the period, representing an effective tax rate of 22%.

CASH FLOW

Working capital requirement increased sharply in the first half of the year, due to the unfavorable seasonal effect in the period, the payment of large bonuses for 2021, and the strong growth in sales. The significant rise in inventories was also linked to ongoing industrial projects, in particular the production start-up at the Columbia site (United States), as well as efforts to secure raw material supplies against a backdrop of greater supply chain pressure for certain product lines. The WCR ratio stood at 25% of sales, up significantly from the particularly low level recorded at June 30, 2021. As a result, cash flow from operating activities came to €5.3 million for the period, versus €46.2 million in first-half 2021.

Capital expenditure amounted to €33.5 million. Over 75% of this total related to the Advanced Materials segment, notably specific expansion projects launched by the Group, such as the increase in isostatic graphite production capacity at the Columbia site (United States) and capacity for the semiconductor market in all geographies.

DEBT AND FINANCIAL STRUCTURE

At June 30, 2022, the Group's net debt stood at €241 million, significantly higher than at end-December 2021. On the other hand, net pension obligations, at €35 million, were down by a sharp €14 million due to higher long-term interest rates. Lease liabilities amounted to €54 million.

The Group has a solid financial structure, with €165 million in undrawn credit facilities (including NEU CP hedging) and €60 million in available cash at end-June 2022. The average maturity of the Group's financing is 5.5 years.

OUTLOOK

As announced in the press release dated July 20, 2022, the Group has revised its full-year 2022 guidance upwards and now expects:

- organic growth of between 8% and 10% (versus 3% and 6% previously);
- operating margin before non-recurring items of around 10.5% of sales (versus around 10% previously);
- EBITDA margin growth of around 50 basis points (versus +20-30 basis points previously);
- capital expenditure of between €85 million and €90 million (versus €80 million and €85 million previously), to take account of the impact of exchange rates and inflation.

In the second half of the year, the Group will continue its policy of raising prices to cover the higher cost of energy and certain raw materials, in particular in the Advanced Materials segment.

CONDENSED CONSOLIDATED INCOME STATEMENT

<i>In millions of euros</i>	H1 2022	H1 2021
Consolidated sales	524.2	450.9
Gross income	163.7	140.4
Selling, marketing and other expenses	(40.5)	(38.7)
Administrative and research expenses	(67.4)	(57.7)
Amortization of revalued intangible assets	(0.7)	(0.7)
Operating income before non-recurring items	55.0	43.3
<i>As a % of sales</i>	10.5%	9.6%
Non-recurring expense	(0.7)	(1.6)
Operating income	54.2	41.7
Net financial expense	(5.3)	(5.6)
Current and deferred taxes	(10.8)	(9.0)
Net income for the period	38.2	27.1
- Net income, Group share	35.1	25.5

SEGMENT ANALYSIS

<i>In millions of euros</i>	Advanced Materials		Electrical Power		Group	
	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Sales	292.3	248.4	232.0	202.5	524.2	450.9
EBITDA	66.1	52.3	30.4	27.1	86.9	70.9
<i>As a % of sales</i>	22.6%	21.1%	13.1%	13.4%	16.6%	15.7%
Operating income before non-recurring items	44.1	33.7	21.2	18.9	55.0	43.3
<i>As a % of sales</i>	15.1%	13.6%	9.1%	9.3%	10.5%	9.6%

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In millions of euros</i>	June 30, 2022	Dec. 31, 2021
Non-current assets	790.2	756.1
Right-of-use assets	52.2	51.6
Inventories	282.7	218.2
Trade and other receivables	216.1	177.3
Other assets	2.3	3.8
TOTAL	1,343.5	1,206.9
Equity	684.8	631.3
Provisions	21.2	23.0
Employee benefit obligations	34.9	49.1
Trade and other payables	232.4	208.4
Other liabilities	75.4	49.3
Lease liabilities	53.9	52.6
Net debt	240.9	193.2
TOTAL	1,343.5	1,206.9

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

<i>In millions of euros</i>	H1 2022	H1 2021
Cash generated by operating activities before change in working capital requirement	82.0	64.0
Change in working capital requirement	(70.6)	(7.3)
Income tax paid	(6.1)	(10.5)
Cash generated by operating activities	5.3	46.2
Capital expenditure	(33.5)	(28.2)
Cash generated by operating activities after capital expenditure	(28.2)	18.0
Changes in scope of consolidation and acquisitions	(1.1)	(7.4)
Lease payments	(7.3)	(6.7)
Interest payments	(3.3)	(4.4)
Other cash flows (incl. share repurchase)	(4.5)	(1.2)
Net cash flow before financing operations	(44.5)	(1.7)

These interim consolidated financial statements were approved for issue by the Board of Directors on July 28, 2022.

The Group's results for first-half 2022 will be presented on July 29, 2022 at 10:00 a.m. CET in a webcast with a conference call ([link here](#)). The half-year report and results presentation will be then available from the corporate website at <https://www.mersen.com>.

FINANCIAL CALENDAR

Third-quarter 2022 sales: October 26, 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 16 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

Capital expenditure: property, plant and equipment and fixed asset suppliers.

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

NEU CP : Negotiable European Commercial Paper.

Operating income before non-recurring items: as defined in Recommendation 2009.R.03 of the French national accounting board (CNC).

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/disposals.

Scope effect: contribution from companies acquired in the year in relation to sales for the year.

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

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

APPENDIX

1 – Working capital ratio

In millions of euros	H1 2022	2021	H1 2021
Inventories	283	218	197
Trade receivables	176	144	149
Other receivables	31	27	26
Contract assets	9	6	7
Trade payables	-84	-67	-70
Other payables	-118	-113	-101
Contract liabilities	-30	-29	-23
Working capital requirement	267	187	185
Consolidated sales (last quarter x 4)	1 076	957	924
WCR as a % of sales	24,8%	19,4%	20%