MERSEN: ANOTHER YEAR OF PROFITABLE GROWTH IN 2019

- STRONG SALES GROWTH IN SALES FOR THE THIRD SUCCESSIVE YEAR: +8% IN 2019
- OPERATING MARGIN BEFORE NON-RECURRING ITEMS OF 10.6% (PRE-IFRS 16), IN LINE WITH GUIDANCE
- VERY HIGH OPERATING CASH FLOW: €110M (PRE-IFRS16), UP 20% VS. 2018
- SOLID FINANCIAL STRUCTURE MAINTAINED: GEARING 37%, LEVERAGE 1.5X
- PROPOSED DIVIDEND OF €1 PER SHARE FOR 2019 (VS. €0.95 FOR 2018)

PARIS, MARCH 11, 2020 – Mersen (Euronext FR0000039620 – MRN), a global expert in electrical power and advanced materials, has released its consolidated results for the year ended December 31, 2019. The Board of Directors met on March 10, 2020 and approved the audited 2019 financial statements.

Chief Executive Officer Luc Themelin said: *"Mersen recorded its third consecutive year of profitable growth in 2019, thanks to the transformation initiatives implemented with the support of all our teams. We carried out several strategic acquisitions during the year and launched new capital expenditure programs to prepare for the Group's future growth. These positive results enable us to offer our shareholders a higher dividend than for 2018 of €1 per share, which reflects both the Group's solid dynamics and the mixed economic environment. In a climate marked by new uncertainty linked to public health concerns, Mersen will focus on consolidating its positions and strengthening its efforts to enhance competitiveness in 2020."*

Key 2019 figures	2019	2019 pre-IFRS 16	2018
Sales (€m)	**950.2**	**950.2**	**878.5**
Operating margin before non-recurring items	10.8%	10.6%	10.4%
Net income (€m)	**59.8**	**60.9**	**59.2**
Operating income before non-recurring items	11.3%	11.7%	11.8%
Net debt (€m)	**218**	**218**	**215**
Net debt/EBITDA ratio	1.5	1.5	1.6
Dividend per share (€)	**1.00**		**0.95**

Mersen Group adopted IFRS 16 "Leases" as from January 1, 2019, using the modified retrospective approach. In order to permit meaningful year-on-year comparisons, the comments below refer to the figures pre-application of IFRS 16.

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 generated consolidated sales of €950.2 million in 2019, up 4.1% on an organic basis, in line with our upgraded targets. Companies acquired or formed in 2018, primarily Mersen Galaxy and FTCap, contributed for €17 million. Taking into account a favorable currency effect of €18 million, sales grew by 8.2% in total.

EBITDA came in at €142.0 million, up more than 9% on the prior year and representing 15% of sales.

Operating income before non-recurring items amounted to €100.6 million in 2019, resulting in an operating margin before non-recurring items of 10.6%. This represents an increase of 20 basis points over 2018, driven by strong activity. Cost inflation (wages and raw materials) and a negative product mix were offset by positive price impacts and a productivity drive.

Advanced Materials segment

Sales for the Advanced Materials segment totaled €545.4 million, up 12% over the period as reported or 9.4% on an organic basis. This growth was driven by the positive momentum in electronics, in particular in silicon carbide (SiC) semiconductors, chemicals, aeronautics and process industries markets. Solar business clearly accelerated in the second half of 2019 to almost match 2018 levels.

The Advanced Materials segment's operating margin before non-recurring items grew again, up 90 basis points on 2018 (15% vs. 14.1%). This improvement results from very favorable volume and price effects, which more than offset a negative client mix and the increase in raw material prices and certain costs linked to new trade barriers.

Electrical Power segment

In the Electrical Power segment, sales came to €404.8 million, up 3.4% for the year, thanks to the contribution of FTCap, which was acquired in 2018. Like-for-like growth was a negative 2.4% in this segment due to the slowdown in the electrical distribution market in the United States and the decrease in the number of power electronics projects, particularly in Europe.

The Electrical Power segment's operating margin before non-recurring items amounted to 9.2% of sales, versus 10% in 2018. The acquisitions made in 2018 (FTCap, Idealac) had a dilutive impact on operating margin. Moreover, the positive price effects did not fully offset the impact of lower sales on certain highly profitable product lines.

NET INCOME

Group net income amounted to €58.4 million in 2019, versus €56.5 million in 2018.

Non-recurring income and expense represented a net expense of €11.2 million, of which €5.3 million related to an impairment recorded on the costs relating to the development of hybrid protection for the electric vehicle market. The impairment was recorded after the recent end to negotiations with a major car manufacturer.

Mersen's net financial expense amounted to €10.3 million in 2019, unchanged on the figure for 2018. The impact of the €17 million increase in the Group's average debt was offset by gains from earn-out payments relating to prior acquisitions.

Income tax expense totaled €18.2 million for the period, representing an effective tax rate of 23%, which is in line with 2018 but represents a substantial decrease on 2017 (32%), with the Group benefiting from US tax reform since 2018.

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

CASH AND FINANCIAL DEBT

Operating activities generated more than €110 million in net cash flow in 2019, versus €91 million in 2018, an increase of more than 20%. This figure includes €5 million in restructuring outlays linked to the competitiveness plan, litigation and acquisition costs, and a working capital requirement of close to €10 million linked to higher activity. WCR represented 22% of sales (21% at the end of 2018). The increase in taxes paid reflects both an increase in earnings and non-recurring positive impacts in the United States.

Mersen's capital expenditure amounted to €62.7 million, 73% of which was linked to investments outside France. It covers the replacement and modernization of industrial equipment as well as investment in new capacity, notably to serve the SiC semiconductor market.

The Group therefore generated €48 million in free cash flow before financial interests and acquisitions, an increase of more than 45% on the €33 million reported in 2018.

Acquisition-related investments came to €19.4 million and covered the acquisition of AGM Italy, the acquisition of the assets of the Columbia site in the United States and earn-out payments on acquisitions made in 2018 (FT Cap, LGI and the minority shareholders of Spanish company Cirprotec).

Return on capital employed (ROCE) came to 11.7% versus 11.8% in 2018.

Net financial debt at year-end 2019 stood at €218.2 million, close to the prior-year figure, illustrating Mersen's ability to self-finance an important acquisitions and investment program thanks to strong operating cash flow.

FINANCIAL STRUCTURE

The Group maintains a solid financial base with key ratios close to last year: leverage (net financial debt/EBITDA) was 1.5x and gearing (net financial debt/equity) amounted to 37%.

DIVIDEND

The Board of Directors will propose a dividend of €1 per share at the General Meeting of Shareholders to be held on May 14, 2020, an increase of 5% on last year. This would result in a total distribution of around €21 million, corresponding to 34% of net income attributable to shareholders (restated for the impairment of costs linked to the development of hybrid protection), in line with Group policy.

OUTLOOK FOR 2020

The Group expects more mixed trends than in previous years in its main markets:

- The renewable energies market should remain dynamic in the medium term. Growth is expected to be solid in the solar market in 2020, after a stable year in 2019.
- The future growth of the electronics market is linked to digitization for silicon semiconductors and the pace of take-up of electric vehicles for SiC semiconductors. The silicon semiconductor market is expected to remain weak in the first half of 2020, and then is likely to recover in the second half. Mersen is expecting a less buoyant market for SiC semiconductors in 2020 compared to 2019.
- In the energy storage market, and in particular the electric vehicle market, Mersen remains well positioned in the premium segment, while adjusting its development on hybrid products. Growth is still expected after 2021-2022, linked to the implementation of new regulatory measures against air pollution.
- After three years of strong growth, the chemicals market is expected to be stable at best in 2020 and the process industries will likely mirror the trend in the world's largest economies and fare less well than in 2019.

Given the current global health crisis and a high comparable base, especially in chemicals and semiconductors, the Group anticipates a first-quarter performance that is significantly down on the first three months of 2019. Provided the situation does not persist, it may however potentially be able to offset the lag seen during the first quarter by the end of the year.

In China, which accounts for 12% of consolidated sales, the Group's eight plants resumed operations in late February, with production conditions nearly back to normal in Advanced Materials and slower than usual in Electrical Power. As in other countries where the Group operates, the situation in China may change, particularly with regard to customers, suppliers and supply chains.

In this context, the Group has put in place measures to minimize all employee travel. It has also decided to limit expenditure and new hires until visibility improves. Depending on how the situation develops, the Group may adapt its capital expenditure program, initially set at between €60 million and €65 million (including approximately €10 million deriving from the 2019 investment program, part of which has been deferred) plus the specific additional investments of between €20 million and €25 million for the commissioning of the Columbia site (United States).

SIMPLIFIED CONSOLIDATED STATEMENT OF INCOME

In millions of euros	2019	2019 pre IFRS 16	2018
Consolidated sales	950.2	950.2	878.5
Gross income	300.2	300.2	285.1
Selling, marketing and other expenses	(82.0)	(82.0)	(82.1)
Administrative and research expenses	(114.8)	(116.3)	(110.2)
Goodwill amortization	(1.3)	(1.3)	(1.2)
Operating income before non-recurring items	**102.1**	**100.6**	**91.6**
As a % of sales	*10.8%*	*10.6%*	*10.4%*
Non-recurring income and expense	(11.2)	(11.2)	(3.8)
Operating income	90.9	89.4	87.8
Net financial income/(expense)	(13.2)	(10.3)	(10.3)
Current and deferred income tax	(17.9)	(18.2)	(18.3)
Net income for the period	**59.8**	**60.9**	**59.2**
- Net income attributable to owners of the parent	57.3	58.4	56.5

SEGMENT ANALYSIS

In millions of euros	Advanced Materials (AM)		Electrical Power (EP)		*Group*	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Consolidated sales	545.4	487.1	404.8	391.4	950.2	878.5
EBITDA*	118.9	97.7	52.6	48.7	154.6	130.3
As a % of sales	*21.8%*	*20.1%*	*13.0%*	*12.5%*	*16.3%*	*14.8%*
Operating income before non-recurring items	82.4	69.4	38.0	39.0	102.1	91.6
As a % of sales	*15.1%*	*14.2%*	*9.4%*	*10.0%*	*10.8%*	*10.4%*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In millions of euros	**2019**	**2018**
Non-current assets	698.2	652.3
Right-of-use assets	50.2	
Inventories	207.0	198.6
Trade and other receivables	178.8	177.2
Other assets	4.7	6.5
TOTAL	**1,138.9**	**1,034.6**
Equity	570.6	528.1
Provisions	12.3	9.3
Employee benefits	75.0	64.6
Trade and operating payables	178.3	184.2
Other liabilities	36.4	32.9
Lease liabilities	48.1	
Net financial debt	218.2	215.5
TOTAL	**1,138.9**	**1,034.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	**2019**	**2019** pre IFRS 16	**2018**
Cash generated by operating activities before change in working capital requirement	149.1	136.5	123.2
Change in working capital requirement	(9.8)	(9.9)	(21.5)
Income tax paid	(16.0)	(16.0)	(10.0)
Cash generated by continuing operating activities	123.3	110.6	91.7
Cash used in discontinued operating activities	(0.2)	(0.2)	(0.4)
Net cash generated by operating activities	123.1	110.4	91.3
Capital expenditure	(62.7)	(62.7)	(58.0)
Cash generated by operating activities after capital expenditure	**60.4**	**47.7**	**33.3**
Change in scope (acquisitions)	(19.4)	(19.4)	(30.8)
Disposals of fixed assets and other	(4.8)	(4.8)	(1.8)
Net cash flow before financing operations	**36.2**	**23.5**	**0.7**

The 2019 Universal Registration Document can be downloaded from the Mersen website (www.mersen.com) and has been filed with the French Financial Markets Authority (Autorité des Marchés Financiers, AMF).
The results will be presented in a webcast on the Group's website.

FINANCIAL CALENDAR

First quarter 2020 sales: April 29, 2020 after the markets close.

NEW

Download the Mersen app specially designed for investors and activate notifications to make sure you don't miss any of our investor relations news.

Available for both iOS and Android devices, the "Mersen IR" app can be downloaded from Apple's App Store or from Google Play on your smartphone or tablet.

You can also scan the QR code below:

ABOUT MERSEN

A global expert in electrical power and advanced materials, Mersen designs innovative solutions to address its clients' specific needs to enable them to optimize their manufacturing performance in sectors such as energy, electronics, transportation, chemicals & pharmaceuticals and process industries.

MERSEN IS LISTED ON EURONEXT PARIS – COMPARTMENT B

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GLOSSARY

Like-for-like 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.

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

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

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

Operating cash flow: cash generated by operating activities.

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

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

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

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

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

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.

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

Average capital employed: weighted average capital employed for the last five quarters (in order to limit the effects of foreign exchange changes at end of period versus average).

ROCE (Return On Capital Employed): ratio of recurring operating income to average weighted capital employed.

APPENDIX

1 - Working capital to sales ratio

In millions of euros	2019	2018
Inventories	207	199
Trade receivables	147	146
Other operating receivables	22	20
Contract assets	10	11
Trade payables	(61)	(72)
Other operating payables	(89)	(84)
Contract liabilities	(29)	(28)
Change in working capital requirement	**208**	**192**
Sales (4 x fourth quarter)	929	901
WCR as a % of sales	**22%**	**21%**

2 - ROCE

In millions of euros	2019	2019 pre-IFRS 16	2018
Operating income before non-recurring items	102.1	100.6	91.6
Average capital employed	903	862	775
Operating income before non-recurring items	**11.3%**	11.7%	11.8%