

S1 2025 Earnings Call

Company Participants

- Eva Borowski, Senior Vice President of Investor Relations & Corporate Communications
- Werner Lieberherr, Chief Executive Officer

Other Participants

- Akash Gupta, J.P. Morgan Chase & Co.
- Jeffrey Osborne, TD Cowen
- Michael Roost, Baader Helvea
- Patrick Rafaisz, UBS
- Urs Emminger, Research Partners

Presentation

Operator

Ladies and gentlemen, welcome to the Analyst and Investor Half Year 2024 Conference Call and Live Webcast.

I would like to remind you that all participants will be listen-only mode and the conference is being recorded. The presentation will be followed by a Q&A session. (Operator Instructions).

At this time, it's my pleasure to hand over to Eva Borowski, Senior Vice President, IR & Corporate Communications. Please go ahead.

Eva Borowski {BIO 21946106 <GO>}

Thank you, Sascha, and good afternoon, good morning, everyone.

As you know, earlier today, Landis+Gyr issued its results for half release in the accompanying presentation for the first half of financial year 2024. You can find these documents on our website.

Before we get started, we want to emphasize that some of the information discussed today contains forward-looking statements, and we want to explicitly emphasize that there are numerous risks, uncertainties, and other factors, many of which are beyond Landis+Gyr's control that could cause Landis+Gyr's actual actions or performance to differ materially from the forward-looking information and statements made in this conference call or in this presentation.

Consequently, Landis+Gyr can give no assurance that those expectations will be achieved. For more information, please see Page 2 of the presentation and our press release issued today. This conference call will follow the presentation, so we suggest that you have it on your screen or otherwise available to follow along with our remarks during the first part of this call. Afterwards, you will have the opportunity to ask questions, and Sascha will provide further instructions as we start the Q&A.

With that short introduction, I'd like to turn over the call to our Chief Executive Officer, Werner Lieberherr.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Thank you, Eva. Good afternoon, good morning, everyone, and welcome to our half year '24 results.

I'm here with Theresa Andorfer, our Head of Group, FP&A, and Eva Borowski, our Senior Vice President, Investor Relations & Corporate Communications, and we are very pleased you all have been able to join us today.

Elodie Carr, Group CFO since November 20, is unavailable today and will embark on new endeavors upon the expiration of her contract. A search process for her successor as Group CFO has been initiated on behalf of all of us at Landis+Gyr. I would like to thank Elodie for her valuable contributions and wish her all the best for the future.

Assuming you have seen our second announcement this morning, we are excited to announce the decision to pursue a strategic review of the group to drive sustainable shareholder value creation. The review includes the following elements.

First, creating value by focusing increasingly on our highly attractive Americas business, which is most aligned with our strategy of providing integrated edge-to-enterprise energy management solutions. Second, launching a strategic review for the best value creation from our EMEA business to position the region for long-term success. Third, evaluating the merits of a potential listing in the U.S. over the medium-term to create value for our customers, employees, and Landis+Gyr shareholders.

With that said, let's review the first half of financial year '24 before we come back to strategic update prior to the Q&A.

We are pleased to announce a solid order intake driven by the Americas, resulting in a book-to-bill of 0.9 and a continued high backlog of almost \$3.7 billion. Net revenue was stable on the back of an extraordinarily high FY '23 base, and we expect a back-end loaded year picking up in H2. Adjusted EBITDA margin came in at 11.7%, driven by the Americas and APAC. Free cash flow minus \$13.5 million was driven by elevated inventory levels to support backlog conversion, and we expect a normalization for the full year.

A personal highlight is our steadily increasing software revenues, which now make up 24% of total revenues, demonstrating the value of our strategic transformation investments. The rise in software and services is driven by the rapid push for electrification and the resulting increased demand for energy efficiency and grid resiliency solutions.

These factors, paired with our strategic transformation, provide a solid foundation for sustained profitable growth and further expansion of our software and services offering and recurring revenue generation. In addition, the increased need for intelligent at the grid edge positions are in the sweet spot of the energy transition as we continue to expand our edge-to-enterprise solutions to enable our customers to manage energy better and drive the decarbonization of the grid.

Let's turn to Slide 4 and have a look at the developments in each region. I'll start with the Americas, successfully led by Sean. Our continued strong Americas performance was fueled by market-leading innovation and our customer success-driven teams. We are very pleased to report on the growing adoption of Revelo with long-term partners Unitil and Portland General Electric to name just two examples. In addition, we continue to drive growth in software and services, including the successful migration of over 30 customers to our modernized cloud-based Emerge head-end system next to a growing services penetration.

Proud to be a leading innovator for edge-to-enterprise solutions, we continue to expand our cloud-based analytic platform, which provides actionable insights to drive efficiencies as well as cost and carbon emission savings. In addition, we are excited to share that we all have joined

forces with OATI to deliver an integrated edge-to-enterprise DR management solution to help utilities leverage demand side assets and grid operations to enhance grid resiliency and capture decarbonization goals. With our leading innovative solutions, we are excited to play a vital role in future-proving critical infrastructure in the Americas for continued profitable growth.

Let's move on to slide 5 and take a closer look at EMEA. This morning, we announced that Bodo Zeug, who has led the EMEA region since September 21, has decided to continue his professional path outside of Landis+Gyr. We thank Bodo for his valuable contributions and wish him every success for the future. Effective immediately, I'm very pleased to announce the appointment of Rob Evans as our new head of EMEA. Rob has successfully shaped the company in various leadership roles. His leadership and experience position him well to play an integral part in the announced strategic review for the best value creation from our EMEA business.

Turning to the region's performance, we have seen a steady performance in smart metering across EMEA with strong sales in Switzerland, Germany, and the U.K., and new opportunities developing in Denmark, Spain, and Poland for H2. We also have seen a strong performance in our industrial, commercial, and grid business with wins across the entire region, and we're able to demonstrate strong growth in heat and water solutions, reinforcing our diversified portfolio.

In smart infrastructure, we continue to build momentum in the European e-mobility sector with strategic partnerships and key contracts across diverse markets, setting the stage for future deliveries across EMEA. While EMEA continues to recover from supply chain headwinds, we remain focused on driving innovation, positioning EMEA well to capture profitable growth in the coming years.

Now, let's take a look at Asia-Pacific on Slide 6 led by Dave. Dave, who took over the leadership role in APAC in April, and his team continue to expand into Southeast Asia, and we are excited about the APAC region going forward. In smart metering, we continue to expand our partnerships with China Light and Power, and Hong Kong Electric.

In grid edge intelligence, we are progressing to grow our software and services offerings in Australia and India, especially with Intellihub and also with Esyasoft, a joint venture for which Landis+Gyr provides software solutions for the Indian market after seizing manufacturing activities in the country last year.

In smart infrastructure, we continue to expand our EV solutions footprint and have steadily grown our water meter deployments. Overall, we see a continued positive trajectory that allows us to drive future success in APAC.

Now, let's turn to Slide 7 and take a closer look at our consolidated results. We see a continued solid backlog primarily supported by order intake in the Americas. Revenue decline was driven by project timing in EMEA, as we expect a back-end loaded financial year. Adjusted EBITDA expansion in Americas and APAC was supported by operational inefficiencies, the continued recovery of supply chain costs and gains from a real estate transaction in India, and partially offset by lower operating leverage in EMEA.

And now, Theresa will give you a more detailed review of the financials. Afterwards, I will come back to our guidance before we open up the call for questions. Theresa, please.

{C: Theresa Andorfer: Head of Group FP&A: Landis+Gyr Group AG:} Thank you, Werner. Good morning and good afternoon, everyone.

I would now like to walk you through the financials for the first half of 2024, ending September 30. Order intake was at \$812 million, resulting in a book-to-bill ratio of 0.9 for the company. Landis+Gyr recorded a solid backlog of \$3.7 billion, down 2.3% year-over-year. This decline was mainly driven by EMEA, where timing of large tenders and softening in key markets affected orders. However, the Americas partially offset this with an increase in backlog of 1.8%.

Let's now turn to net revenue. The net revenue result for the first half was \$925.6 million, a decrease of 4.3% in constant currency year-over-year. Overall, the decline in revenue was mainly driven by EMEA, while the Americas' revenue performance continues to be strong, enabled by focused backlog execution. The decline in revenue in EMEA is driven by timing of large project rollouts, market softness in the U.K. and Turkey, as well as demand for EV solutions.

APAC experienced a slight decline in revenue, predominantly driven by project timing. Despite the decrease in revenue, Landis+Gyr achieved an overall EBITDA margin expansion in the first half of 2024. Let's have a look at the details on the next page. Adjusted EBITDA for the first half of 2024 was \$108.2 million, translating into an adjusted EBITDA margin of 11.7%, an expansion of 60 basis points versus the same period in the prior year.

Gross margin was impacted negatively by a shortfall of revenue and unfavorable product mix in the EMEA. This was more than offset by two factors. First, improved operational performance, a steady recovery in supply chain cost, and a gain from a real estate transaction in India. Second, the decrease in adjusted operating expenses of \$6.4 million year-over-year, benefiting from last year's OpEx restructuring initiative and a disciplined approach to spending. We continue our commitment to innovation and investments in strategic areas throughout the year.

Turning to the next page, we will discuss the bridge from reported to adjusted EBITDA in more detail. The bridge between reported and adjusted EBITDA contains three items.

First, restructuring. In the first half of 2024, restructuring charges are mainly related to the completion of a global initiative launched in FY '23.

Second, warranty normalization adjustment. This adjusts the warranty provision amounts made in the financial year relative to a three-year average of actual warranty costs incurred. The downward trend from prior years continues due to lower warranty cases in recent periods.

Finally, timing differences on effects derivatives. Our FX exposure is in the U.K. and Australia, where we contract revenues in GBP and AUD respectively and occur supply chain costs largely in other currencies. The adjustments exclude unrealized gains of \$0.4 million related to mark-to-market differences on certain FX hedges.

Now let's turn to the cash flow performance. In the first half of 2024, our free cash flow, excluding M&A, was at negative \$13.5 million. Cash flow from operations was unfavorably impacted by the change in working capital due to increased accounts receivable and unbilled receivable balances, both driven by collection timing.

Capital mix managers decreased to \$11.7 million as prior year initiatives focused on new product introduction and automation upgrades in manufacturing facilities have been completed. Other assets and liabilities was driven by timing in deferred revenues offset by lower incentive for growth. Lastly, the net interest payments increase is driven by the higher debt utilization to fund networking capital requirements.

Moving on to net debt. As of September 30, 2024, the net debt position was at \$226.3 million. Net debt was impacted by the following items. The dividend payment of \$72.5 million made in

July 2024. Free cash flow was at negative \$13.5 million. And finally, FX and other impacts were negative \$9 million. Those were related to the acquisition of the remaining 25% equity interest in Etrell, as well as the purchase of treasury shares. Overall, we continue to maintain a solid balance sheet with the net debt to EBITDA ratio of 1.01. This provides a solid foundation for future growth opportunities.

With that, let's move on to the regional performance, starting with the Americas. In the Americas, order intake was at \$565 million, resulting in a book-to-bill ratio of over 1. Revenue performance remained strong at \$558.7 million, a decrease of 0.2% in constant currency, maintaining revenue levels in line with prior year. Adjusted EBITDA margin increased by 130 basis points to 17.2%. The expansion was primarily driven by operational cost out and continued recovery of supply chain costs, partially offset by further ramp-up investments to support backlog execution and investments in strategic emissions.

Moving on to EMEA. In the EMEA region, we recorded a book-to-bill ratio of 0.6. Order intake was impacted by timing of large tenders in the U.K., Poland, and UAE. Revenue decreased by \$11.4 million in constant currency to \$286.1 million, mainly due to unfavorable timing of large projects and softening in the U.K., Turkey, and the EV market. Adjusted EBITDA decreased to negative \$5.6 million, resulting in a margin of negative 1.9%. The decrease was driven by low operational leverage and product mix. Continued investments in EV, anti-ultrasonic water leakage technology, were more than offset by OpEx restructuring benefits.

Moving on to the APAC region. The APAC region recorded a book-to-bill ratio of 0.9, supported by wins in Hong Kong and Esyasoft, a JV established in India. APAC revenue decreased by 4.1% in constant currency to \$80.7 million, driven by project timing in Australia and Southeast Asia. Adjusted EBITDA margin expanded to 25.2% due to gains from the disposition of real estate in India and favorable mix in Hong Kong and ANZ.

With this, I will now hand it over to Werner for the guidance.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Thank you, Theresa. Very well done.

Turning to Slide 17, let's talk about our reconfirmed guidance for FY '24. Following an extraordinary year of growth, we expect low-single-digit revenues growth for FY '24 compared to FY '23, but we continue to focus on expanding our profitability. As a result, for FY '24, we expect an adjusted EBITDA margin between 11% and 13% of net revenue. In addition, we will continue to drive our strategic transformation forward by managing our costs diligently. On Slide 18, you can see our guidance for FY '25, which is hereby also reconfirmed.

Let's move to Slide 19 and talk about this morning's announcement. We are sharpening our strategic focus to drive value creation for you as our shareholders, our customers, and also our employees by making sure that we position each part of the business for the greatest possible success. The review consists of three parts, as you can see above.

First, we are focusing on the Americas business, which offers the greatest opportunity with higher-value software and services solutions as part of our differentiated edge-to-enterprise offering. In addition, already today, the Americas is our largest and most profitable segment and offers the highest return on capital.

Second, we are launching a strategic review for the best value creation from our EMEA segment to position the region for future success, building on our leading position and successful optimization initiatives we have implemented over the last few years. And third, we are evaluating

the merits of a potential U.S. listing, gaining access to a larger pool of capital, and facilitating ease of comparison with key peers.

On Slide 20, we will take a more detailed look at the Americas region as it stands today. In the Americas region, and in the U.S. in particular, we are leading with integrated edge-to-enterprise solutions and are proud of the record backlog, which will continue to allow us to drive profitable growth going forward. Our technology leadership and the increased levels of recurring software and services revenues, paired with the high-quality of the Americas backlog, position the region well to benefit from future market developments and capture wins by serving today's and tomorrow's needs of our critical infrastructure customers.

Already today, we are generating 60% of group revenues and over 80% of adjusted EBITDA in the Americas region and are poised to continue to win in the market with strong customer relationships and a laser focus on technology leadership.

Now let's turn to EMEA on Page 21. Operating in a different market environment, our EMEA region has demonstrated a great amount of resilience and worked hard at driving efficiencies while strengthening our technology leadership position in the region. We have made significant progress in further optimizing our EMEA operations and are well positioned in all key markets of the region. We see a clear path to uplift profitability by driving supply chain improvements, operating leverage, enhanced efficiencies, manufacturing optimization, and cost-saving initiatives.

That said, in order to fully capitalize on EMEA's unique market dynamics, we believe that the region requires a different long-term strategic focus than our operations in the Americas. As such, the Board of Management has determined that now is the right time to explore value-maximizing strategies for the best value creation from our EMEA region. We will provide updates on the process and developments as they become available.

And now, we would like to open the call for questions.

Questions And Answers

Operator

(Question And Answer)

We will now begin the question-and-answer session. (Operator Instructions). The first question is from Michael Roost with Baader Helvea. Please go ahead.

Q - Michael Roost {BIO 15302791 <GO>}

Hi. Good afternoon, everybody. How are you?

A - Werner Lieberherr {BIO 15072455 <GO>}

Hi, Michael. Very good. Thank you.

Q - Michael Roost {BIO 15302791 <GO>}

Excellent. Thank you. So I've got two questions, if possible. The first one is regarding the strategic review. Now, obviously, I don't expect you to tell me exactly what the timeline is, but just to give a bit of an idea in terms of your priorities over the next period of time, i.e., are we talking about

that we would expect a little bit more information maybe at the CMD at the beginning of next year, or how would you expect that to sort of start to flow through in terms of information?

The second question from my side is on North America in terms of order intake. I was actually surprised that it was not more negative than what it was at minus 6%. Is that -- did that also include a little bit of weakness due to the U.S., the upcoming U.S., elections, i.e., that you would expect things to improve in the second half a little bit? Thank you.

A - Werner Lieberherr {[BIO 15072455 <GO>](#)}

Yes. Very good. Thank you, Michael. First one, yes, the strategic reviews, as you can imagine, all that takes time. When we think about EMEA, obviously where we said we look on one hand, we look at optimizing the current segment, meaning, for example, taking out low-margin projects or maybe closing a low-margin business, or a second option is maybe sell part of EMEA. Third option, sell fully EMEA. We engaged an investment bank. We are looking into this in detail. But frankly speaking, that's a process of 12 to 18 months, just that we speak about the magnitude.

When we think about, for example, a potential U.S. listing, also that first of all, the board would need to come to the conclusion that we want to do it, and if we were to make the decision that we would do it, then this is not something which comes tomorrow. So we're really talking here about, I would say, '26 at the earliest, just that we put some timeline into these things. These are considerations which need to be done very, very carefully, so that all takes time. And we definitely see a CMD coming up in '25, where we want to give more feedback.

Then, the second question was, Michael, in terms of --

Q - Michael Roost {[BIO 15302791 <GO>](#)}

U.S. order intake, yes.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} U.S. order intake, yes. So that's really a little bit of timing at the moment. On a half-year basis, we see sometimes, for example, we have a large project which hopefully we can capture in H2. So that's really just the timing as this comes available. I would say, generally speaking, the market environment is extremely positive, remains very positive. There are large grid fundings available, which actually for the utilities are there to grab. We are working with utility, actually, on these use cases. So it's a very conducive environment.

I also believe the decision which we will hear next Tuesday, whether it will be Harris or Trump, will make little to no impact, actually, to the current environment, because we need to keep in mind, these decisions are actually made on state level, and maybe if I can just remind everybody, I mean, National Grid, which was a huge order for us, a \$300 million order, then followed by two other orders from National Grid totaling \$800 million, but National Grid New York was made in October 2020, and that was really when, actually, COVID was at the highest point in time with 400,000 new cases a day, high unemployment rate, but the regulator of New York said, hey, we need this technology. So that's how we see a little bit this whole environment, Michael.

Okay. So then you would expect the second half to maybe be a little bit more of an improvement half of a half. Is that about right?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes, I think we can say that, yes.

Okay. Thank you.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Very good. Thank you very much.

Operator

Our next question is from Jeff Osborne with TD Cowen. Please go ahead.

Q - Jeffrey Osborne {BIO 15017297 <GO>}

Yes. Good morning. Good afternoon for you. Just a couple of questions on my side, Werner.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Good morning, yes.

Yes. On the -- you just mentioned the environment in the U.S. I'm just curious with the Department of Energy releasing the grid, the GRIP Funding recently, is that something that any of your customers have won and you would expect as they go to the state commissioners to seek approval that that would benefit you in the second half?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} I would say, Jeff, maybe second half or not. I mean, there's always a little bit of timing involved, but generally speaking, Jeff, I mean, the whole GRIP Funding, and you know that I sit on the Grid Infrastructure Advisory Council for that. It's extremely positive, you know what I mean? And so is it second half? Some of it maybe goes out a little bit further, but just very positive, yes.

Great to hear. And then I think you mentioned, if I heard you right, 24% of revenue was software and services. Could you just -- I haven't heard you mention that percentage in the past. Can you just give us a percent of perspective on what that was maybe a year ago or how the backlog complexion is as it relates to sort of the tech portion of the business?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Jeff, I wanted to surprise you a little bit today. No, it is a high number. And look, in about maybe a year ago, it was around 20%, I think, when we talked last time. And it does fluctuate a little bit. I also want to be clear about that, Jeff. But you remember when you and I talked, our view is clear that my view is, I mean, we want to move the whole company from a 20% plus in the direction of 30%. And I think we should be able to achieve that.

Perfect. And then just what level of comfort do you have that some of the softness in Europe, this is my last question. I think you said the U.K., Turkey and some of the EV markets. Do you anticipate any of those three to resume growth in the coming months and quarters?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. I mean, when we look into the EMEA business, then it's -- really it's a timing issue, which I think is very, very important to see. We actually I would say we should be around in H2. We should be around \$90 million higher than in H1. And when I look at the opportunities which we are having, I think they will come in. We are talking here about from a book-to-bill from an 0.6, I think we should be able to move up the needle to around 0.85, 0.9, in that neighborhood. But I feel confident that we actually should be able to achieve that. And with that then, of course, Jeff, also the margin is coming along.

Great to hear. That's all I have. Thank you.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Thank you very much, Jeff. Thank you.

Operator

The next question is from Patrick Rafaisz with UBS. Please go ahead.

Q - Patrick Rafaisz {BIO 15418613 <GO>}

Great. Thanks. And hi, everybody.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Hi, Patrick.

Hi. Can I follow-up on this last point about EMEA, book-to-bill 0.8 to 0.9, was that in reference to H2 or for the full year, which would mean about one for H2?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} That would be full year then. So we see a little bit in EMEA, I think to get to 1%, I see this to less -- sorry, to one and one, I see to less degree for the full year, but I'm talking 0.85 to 0.9 for the full year for EMEA.

And would that be -- the sequential improvement you're anticipating for the second half, also in EMEA, I assume, would that be enough to bring EBITDA back into positive territory?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes, definitely. I mean, look, when we look at EMEA, I think it's a little bit at this point in time, maybe I would call it undervalued. So when I think about this minus 1.9%, at the moment, the consensus which is out there is about 4.6\$. I think we will achieve that. What I think is important is when I think about EMEA, as I told you before, about \$90 million, and \$90 million that will give us a volume effect of around an EBITDA level of around \$35 million, then we have some mixed improvement of around \$9 million, we see supply chain around \$10 million and then plus minus.

So the clear objective is that in H2, considerably better in the direction of around 9%, 10%, which will give us then around the 5% -- 4.5%, 5% margin for the year -- EBITDA margin for the year.

Okay. So a clear improvement, okay. Understood.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes, definitely.

Excellent. And then on the strategic review, maybe one or two questions. The first would be on EMEA, and you mentioned a bit the various options here, streamlining the offering, divesting parts or all of EMEA. What's sort of the plan A and which one of these will be plans B and C on the priority list?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Look, I mean, at the moment, we drive this pretty much in parallel. We don't have a view because what I think is important, we now need to do a proper analysis. I mean, one definitely thing we could do is instead of having a \$660 million EMEA revenue, maybe it's a \$400 million, but it's much more profitable. I think that's a very doable solution. And then also a second option is to offload, to sell some of the low-margin business, definitely also a very doable option, or the third one is then sell the whole segment.

I mean, I had -- during the course of my five years at Landis+Gyr, I had every so often, I had interested parties, but Patrick, you know as well as I do at the end of the day, it's not only interest, it's also do we match price? You know what I mean? And these are all open questions. The process just started, I think, with investment bank and us, and we are now carefully looking into it and keep you abreast as we go. But at the end of the day, it's best value creation. I think that's very important. And we also need to be clear that this is not coming from today or tomorrow. If we were to do a sale like that, we are talking probably 12 to 18 months realistically.

Yes. Okay. And then my last question would be on the refocusing on Americas. And in particular, what would that mean for your smaller businesses like the EV charging business, gas metering, water metering, right? If you refocus on Americas, does that maybe put into question these businesses as well as a part of the portfolio or is that a different discussion?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} I think at the moment, as I said, it's a very good question, Patrick, at the beginning of the review, but we need to keep in mind, when I think about the U.S., water is an extremely important element in the U.S. So gas is a very interesting, important business. So I think that's very, very important. And then obviously also software, as you could see, also, Patrick, 55% of backlog becomes more and more dominant. So in summary, we actually look at these pieces holistically, what makes the most sense and what not, and then we will inform you accordingly.

Okay. Thanks for this.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Thank you very much, Patrick. Very good. Thank you.

Operator

The next question is from Akash Gupta with J.P. Morgan. Please go ahead.

Q - Akash Gupta {BIO 6508493 <GO>}

Yes. Hi. Good afternoon and thanks for your time. I have a couple of follow-ups.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Hi, Akash.

Hi. I have a couple of follow-ups as well. The first one is on a potential U.S. listing. Can you tell us where are you in the process of evaluating a potential listing in the U.S.? I mean, is this process of evaluation starting just today or have you done any work in the background before today's announcement? And let's say once you come out that, okay, you are going to do a listing in the U.S., how long will it take to delist from Switzerland and list back in the U.S., just from the timing standpoint? I know you were saying it's more 2026, if you decide to go ahead. But just for technicality, like let's say if you come out announcement on a day, then how long will it take to do the whole listing process?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. So look, where do we stand in the U.S. listing? Pretty much at the very beginning. Obviously, we had a first look. That's why we want to communicate it to you, meaning we engaged with the consultants. But then to do the whole analysis, that's a bigger thing. How we do it, in which form, would it be for a private issuer, would it be domestic? All these type of questions, and that takes time. And so we want to do this review very carefully. And that's why I want to be clear, this is a process which is 2026 or beyond, to be very clear.

And secondly, then also, if it would come to that, then in terms of ADRs and all that which follows, and then this process, which is definitely it's a long, drawn-out process. But I think it can be very interesting, depending on the outcome. But it needs to be done very carefully. We don't want to forget all our existing shareholders. I think that's super, super critical that we are not doing something which, first of all, in a rush, or also something which would be detrimental to our existing shareholders. So we take great care also of that, right?

Akash, you had a second question, I think, which one was that?

No, I mean, second was more on the timing. Like, let's say, once you decide to go ahead, how long will it take to do it?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. But as I said, these things, you have only one chance to make a good first impression, and we need to keep that in mind.

And my next one is on your full year guidance. So you still guide net revenue growth of low-single-digit for the full year. For the first half, we had minus 4.6%. Again, I mean, you don't report quarterly numbers. So it's difficult to call it from outside. But maybe can you say, like, this growth that you are targeting in second half, which is more than mid-single-digit, or maybe slightly more than mid-single-digit, is it more back-end-loaded, like in Q4 of your fiscal year, like January to March 2025, or is it more, like, evenly balanced between Q3 and Q4, so to speak?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. So when we talk about -- maybe first, Akash, the guidance itself, we say low-single-digit, and we really mean low-single-digit, to be clear. Just when I look where we are now, I think that's very important. The whole business this year, it's back-end loaded. So that means really, we see mainly now Q3, Q4, these revenues happen. And I think a substantial piece is obviously also that we see actually EMEA increased revenues, in particular this \$90 million I spoke before. I think that's a very instrumental piece, actually, to get to the low-single-digit. But I feel that we can do it. When it comes, Akash, to the EBITDA guidance, there I think a good assumption probably in the middle of between what we have out there in terms of range.

Thank you. And my final one is on U.S. business. So, again, I mean, we have elections next week and people are a bit concerned about how Republican versus Democrat presidency might look like. Again, on the topic of tariff, let's say if we have Republican sweep and we get tariffs, can you tell us how did it impact last time around and, let's say, what sort of impact would you expect if there is, let's say, 10% or 20% additional tariff on imports in the U.S.?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. So when we look, actually, let's say from Obama to Trump and then from Trump to Biden and now either to Harris or to Trump again, it's interesting that, thankfully, it was very, very unexciting. We pretty much didn't see much and the way this whole thing goes is this large legislation which has been spoken. I mean, the GRIP Fundings, there are billions, as you well know, Akash, and not much affected at all. And we actually don't expect pretty much anything also from next Tuesday, one way or the other, which I think is very positive because we need to keep in mind, in the U.S., there is such a demand for energy between now and 2050. I mean, it needs to double, so to speak, the production.

And so all that, and the data centers alone, 9%, 10%, so there's such a draw of energy that this thing needs to proceed. There's not enough capacity built or, as we sometimes are saying, the utilities are too late to actually build their way out of the problem. That means that we actually are the right partner. We are in the sweet spot with our solutions that we actually can make the energy grids more intelligent. And that's, I think, for us, it's very, very good.

There could be one thing which we need to watch a little bit from my perspective, Akash, if Trump would say maybe I put some tariffs on Mexico. He was thinking about that during his last legislation, as you maybe remember, then obviously we will need to think about that, and that would mean that we actually would move we already in Reynosa, that's our manufacturing plant in Mexico, for the Americas. We would actually move that over the border, then we already

started with automation. So I'm not saying it's perfect for us, it creates some additional cost, but it could be managed.

And maybe a follow-up, you have not seen any hesitation among customers to place orders before election results, given no matter who will be the next President, these investments would be essential and required, or have you seen any hesitancy among customers to place orders before elections?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} No, not at all. I mean, also, when you look now at this H1, I mean, America has the book-to-bill of 1.01, so -- and we expect that actually to continue. So we feel actually very good, Americas is going strong and with the \$3 billion backlog, and I think that will continue like that.

Thank you.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. Thank you very much. Akash, thank you.

Operator

(Operator Instructions). The next question is from Urs Emminger with Research Partners. Please go ahead.

Q - Urs Emminger {BIO 19785652 <GO>}

Good afternoon, Werner.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Hello, Urs.

Hello. I have two little additional questions. The first one, you just mentioned ADRs in the U.S., that points towards a dual listing, if any, and not a single listing in the U.S., would that assumption be correct, if you do something? And the second one, last year, I seem to remember that Turkey was very profitable and today you mentioned softening in Turkey. Is it still profitable or is that also under pressure?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. Thank you, Urs. The first ADRs, sorry, if I was not clear enough, the ADRs, that's really, that would be a transition period in terms from actually if we ever were to go from Switzerland to the U.S. in terms of a listing, that would be a temporary period, maybe for nine months or something like that. But as I said, no decision made. The same also goes in terms of listing. We just need to keep in mind the dual listing, it limits liquidity. So we just have to keep that in mind. But as I said, at this point in time, we are in analysis and no decisions being made.

Turkey, yes. Turkey, they was a question from your side, yes. In Turkey -- can you, sorry, Urs, again, the question was?

Last year, you mentioned that Turkey was very profitable and today you said it's -- you mentioned Turkey as softening, so is it still profitable, yes or no?

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. But on a lower level. And what we see, Urs, is Turkey, we do see some local, but also Chinese competition. I think we have the right team in place, but it definitely is a different market dynamic than it was a year ago. But for us, it's not only about the Turkey business itself, it's also leveraging Turkey as a low-cost

platform for EMEA, which I think it's very important, Urs, which is also critical in terms of the further margin progression for EMEA.

Okay. Thank you.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Thank you very much, Urs. Thank you.

Operator

Ladies and gentlemen, that was the last question.

{C: Werner Lieberherr: Chief Executive Officer: Landis+Gyr Group AG:} Yes. Very good, Sascha, thank you. Then from my side, I just want to say first of all thank you for your questions. And as always, we are here, pretty much all of you on the call here talk to us on a regular basis, in one-on-one meetings or also in a Teams meeting, please keep doing that, we are very happy to speak to you, we are very interested in your feedback.

Now, in closing the call, in a moment, before that, I would like to leave you with this slide as a reminder of the key takeaways of today's call. First, we reconfirm our financial guidance for FY '24-'25, I think that's important underscoring our confidence which we have in the company's strategic direction. Secondly, with a strong focus on the Americas, very good, the margins significantly exceed the group by which we are well positioned to capture further growth, I think that's also very critical to mention.

And then, as I said, in line with our commitment to future capital allocation and value creation in the Americas, we are evaluating the merits of a potential listing, which just started, as I mentioned before, and that would also obviously provide us with access to a larger pool of capital, enhance comparison with key sector peers and present a compelling value proposition over the mid-term, but as I said, we look into that.

And then we also have initiated a strategic review for the best value creation from our EMEA business, aiming to position the region for long-term success and strengthen your own financial KPIs, and as I mentioned before, really three pieces, one is smaller EMEA, more profitable, the other one is selling part of it, and the third one is sell the segment.

And with that, thank you for joining us. Stay safe and healthy. And I look forward to meeting all of you soon virtually, in-person. Thanks a lot and have a very good day. Thank you.

Ladies and gentlemen, the conference is now over. Thank you for your participation. You may now disconnect your lines. Goodbye.

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