

DGAP-News: Osram sharpens focus on digital future

Released : 06 Nov 2018

DGAP-News: OSRAM Licht AG / Key word(s): Annual Results/Strategic Company Decision
Osram sharpens focus on digital future

06.11.2018 / 18:24

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- Comparable revenue increased almost 2% to EUR4.1 billion in fiscal year 2018
- Operating profit reached EUR605 million; operating margin of around 15 percent
- Osram initiates further share buyback up to EUR400 million
- Proposal of a stable dividend of EUR1.11 per share for fiscal year 2018
- Osram Group focuses portfolio on digitalization and future growth markets

"Despite considerable macroeconomic challenges, a difficult market environment in the automotive sector and project postponements by some customers, we were able to slightly increase revenue in fiscal 2018 by just under two percent achieving a decent margin. As a financially solid technology leader, we are on the right track," said Olaf Berlien, CEO of OSRAM Licht AG. "We continue to sharpen our profile and focus more strongly on high-growth markets within newly tailored business segments."

Despite economic challenges and a difficult market environment, Osram held its ground in fiscal 2018 and increased its revenue slightly on a comparable basis. In the future, the Group intends to focus even more strongly in the area of photonics and optical technologies beyond lighting. On a comparable basis, i.e. adjusted for portfolio and currency effects, revenue rose by just under two percent to more than EUR4.1 billion. The adjusted operating margin reached 14.7 percent. EBITDA before special items was impacted by the economic slowdown, especially in the automotive industry, and amounted to EUR605 million. Earnings after taxes totaled EUR142 million. To ensure continuity for shareholders, the Managing Board proposes a constant dividend of EUR1.11 per share for the past fiscal year. In addition, the company is planning another share buyback of up to EUR400 million.

Going forward, Osram will increase its emphasis on digitalization and future markets. As a result, the Managing Board realigned its business unit structure to reflect this strategy to center around optical semiconductors, automotive technologies and digital applications. This will allow Osram to move closer to its markets and better balance its portfolio.

Focus on digitalization and future markets

With the recent acquisitions of [Vixar](#), the VCSEL specialist for optical identification technology, and [Fluence Bioengineering](#), one of the world's leading suppliers of smart horticultural lighting, the Group continues to focus on future markets with high-growth potential.

Effective as of FY2018/19, the Managing Board implemented the following revised business structure:

- Automotive (AM): As a market leader we equip the automotive industry with innovative LED, laser and traditional technologies both for new cars, as well as the aftermarket. Our subsidiary, Advanced Smart Lighting (Osram Continental GmbH), produces custom-made lighting systems and aligns its offering within digitalization. In the past fiscal year, pro forma sales in this segment amounted to EUR1.9 billion.
- Digital (DI): A strong established customer base provides excellent access for the future development of the business with intelligent digital lighting management systems, as well as cloud and IoT solutions. In addition, the businesses included will address growing future markets, including smart farming. In the past fiscal year, the segment's pro forma revenue was EUR917 million. Meanwhile, the sale of the luminaires business (Siteco) and negotiations for the sale of the U.S. service business (Sylvania Lighting Solutions) are progressing.
- Opto Semiconductors (OS): This segment remains Osram's technological backbone. With a strong research and development ratio, OS has been the technology leader in optical semiconductors for years. Its technologies are the foundation for the AM and DI portfolio. In the past fiscal year, the segment's revenue amounted to EUR1.7 billion.

Outlook for fiscal year 2019

Osram will increase its focus on digitalization and future markets in fiscal 2019. However, due to several uncertainties (particularly in the automotive market) such as existing and imminent trade barriers, visibility will remain limited for the foreseeable future. The company is likely to see a stronger performance the second half of the fiscal year. For the year as a whole, management expects comparable revenue development to be flat or to grow moderately (0 to 3 percent). The EBITDA margin adjusted for special items should be between 12 and 14 percent. Positive free cash flow in the mid-double digit million euro range is also expected. This forecast is based on the previous organizational setup of the past

fiscal year with its three reporting segments. In addition, this does not include any portfolio effects like the planned divestment of the luminaires business or the US service business (Sylvania Lighting Solutions) and without any effects from the new organizational setup discussed above.

On Wednesday, November 7, 2018, Osram will hold its annual press conference for journalists featuring the Managing Board of OSRAM Licht AG, starting at 8.30 a.m. CET. The conference will be broadcast online at <http://services.choruscall.eu/links/osram181107.html> (German only). A recording will be made available there afterwards.

Beginning at 3 pm CET on November 7, 2018, you can attend the analysts' conference with the Managing Board at <https://78449.choruscall.com/dataconf/productusers/osramir/mediaframe/26409/indexr.html>.

The relating documentation are linked here: <https://www.osram-group.com/en/investors/publications/2018>

The Annual Report of OSRAM Licht AG will be published on the Investor Relations website at www.osram-group.de/de-DE/investors/publications/2018 on December 5.

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Selected key figures for the OSRAM Light Group (continuing operations) in the fourth quarter.

	Q4	Q4	change
	2018	2017	nominal
Revenue	1,060	1,029	3%
EBITDA	72	118	(39%)
...margin	6.8	11.4	(460bps)
Adjusted EBITDA ¹	147	160	(8%)
...margin	13.9	15.5	(160bps)
Profit after tax	(5)	40	n.a.
Free Cash Flow	40	(28)	(244%)
'000 Employees	27.4	26.4	5%

(Provisional, unaudited figures. Items stated in EUR million, margin in %, employees as at September 30. Negative values in brackets.)

(¹Adjustment for special items (S.I.) includes e.g. transformation costs, substantial legal and regulatory matters, and costs related to mergers and acquisitions activities.

Segments Q4

	Q4	Q4	change
	2018	2017	nominal
Opto Semiconductors			
...Revenue	446	429	4%
...EBITDA	109	121	(10%)
...adjusted EBITDA	110	121	(9%)
Specialty Lighting			
...Revenue	561	551	2%
...EBITDA	27	65	(58%)
...adjusted EBITDA	60	71	(15%)
Lighting Solutions & Systems			
...Revenue	261	242	8%
...EBITDA	(35)	(37)	5%
...adjusted EBITDA	(8)	(7)	(14%)

(Provisional, unaudited figures. Items stated in EUR million, margin in %, employees as at September 30. Negative values in brackets.)

Selected key figures for the OSRAM Light Group (continuing operations) in FY 2018

FY	FY	change
2018	2017	nominal

Revenue	4,115	4,128	(0%)
EBITDA	477	621	(23%)
...Margin	11.6	15.1	(350bps)
adjusted EBITDA	605	695	(13%)
...Margin	14.7	16.8	(210bps)
Profit after tax	142	275	(48%)
Free Cash Flow	(183)	99	n.a.
'000 Employees	27.4	26.4	4%

(Provisional, unaudited figures. Items stated in EUR million, margin in %, employees as at September 30. Negative values in brackets.)

Segments FY 2018

	FY		FY change
	2018	2017 nominal	
Opto Semiconductors			
Revenue	1,725	1,685	(2%)
...EBITDA	417	473	(12%)
...adjusted EBITDA	418	473	(12%)
Specialty Lighting			
Revenue	2,224	2,312	(4%)
...EBITDA	239	371	(36%)
...adjusted EBITDA	290	339	(14%)
Lighting Solutions & Systems			
Revenue	973	989	(2%)
...EBITDA	(81)	(72)	(13%)
...adjusted EBITDA	(33)	(21)	(57%)

(Provisional, unaudited figures. Items stated in EUR million, margin in %, employees as at September 30. Negative values in brackets.)

ABOUT OSRAM

OSRAM, based in Munich, is a leading global high-tech company with a history dating back more than 110 years. Primarily focused on semiconductor-based technologies, our products are used in highly diverse applications ranging from virtual reality to autonomous driving and from smartphones to networked, intelligent lighting solutions in buildings and cities. OSRAM utilizes the infinite possibilities of light to improve the quality of life for individuals and communities. OSRAM's innovations will enable people all over the world not only to see better, but also to communicate, travel, work, and live better. As of the end of fiscal year 2018 (September 30), OSRAM had approximately 27,400 employees worldwide. It generated revenue of more than EUR4.1 billion in fiscal year 2018. The company is listed on the stock exchanges in Frankfurt and Munich (ISIN: DE000LED4000; WKN: LED400; trading symbol: OSR). Additional information can be found at www.osram.com.

Disclaimer

This document contains forward-looking statements and information, i.e. statements about events that lie in the future rather than the past. These forward-looking statements can be identified by words such as 'expect', 'want', 'anticipate', 'intend', 'plan', 'believe', 'seek', 'estimate', 'will', and 'predict'. Such statements are based on current expectations and certain assumptions made by OSRAM's management, so they are subject to various risks and uncertainties. A wide range of factors, many of which are beyond OSRAM's control, have an influence on the business activities, success, business strategy, and results of OSRAM. These factors may cause the actual results, success, and performance of OSRAM to differ significantly from those expressly or implicitly communicated in the forward-looking statements or from those that are expected on the basis of past trends. In particular, these factors include, but are not limited to, the circumstances described in the report on risks and opportunities contained in the annual report of the OSRAM Licht Group. If one or more of these risks or uncertainties materializes, or should the underlying assumptions prove incorrect, the actual results, performance, and success of OSRAM may differ significantly from those described in forward-looking statements as being expected, anticipated, intended, planned, believed, sought, estimated, or projected. OSRAM assumes no obligation, nor does it intend, to update these forward-looking statements above and beyond the legal requirements or to adjust them in light of unexpected developments. Due to rounding, numbers presented in this and other reports may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures to which they relate.

06.11.2018 Dissemination of a Corporate News, transmitted by DGAP - a service of EQS Group AG.

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Language: English

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