

Business update on the situation around the Covid-19 pandemic

- Net sales and profitability in third quarter of 2019/20 declining due to crisis, free cash flow significantly higher than in previous year
- Solid balance sheet and comprehensive financing facilities
- Comprehensive crisis management implemented; focus on health and safety of employees, on maintaining supply chains and focus on cash
- Consistent continuation of strategy with well-chosen investments despite Covid-19 crisis
- Low visibility on the further course of business

Rümlang, 08 May 2020 – The impacts of the Covid-19 pandemic unfavorably affected sales development of dormakaba in the third quarter of 2019/20 (January – March 2020). Organic sales declined at Group level around 3% compared with the same quarter of the previous year, mainly because of weak business in China in February and March 2020.

The EBITDA margin in the third quarter of 2019/20 was around 150 basis points lower than the year-back figure, though swift and strict cost control supported profitability despite lower volume. dormakaba generated free cash flow of around CHF 80 million during the period under review, up from around CHF 40 million compared with the same quarter of the previous year.

Comprehensive crisis management

dormakaba was early to implement a comprehensive crisis management strategy. The aim is to ensure the health and safety of all employees and at the same time to minimize the impact on business operations and supply chains, and thus on customers. In parallel with this, dormakaba has adjusted its financial management in order to retain its entrepreneurial flexibility at all times even during the Covid-19 crisis. dormakaba has a solid balance sheet as well as large undrawn committed credit lines from international banks. This includes a syndicated loan facility of CHF 500 million with options to increase the amount and extend the expiry date.

Also, previously approved investments and projects have been reassessed and adjusted. Further measures include reduction in overtime and vacation days, a significant reduction in temporary workers, a far-reaching hiring freeze and the gradual introduction of short-time work in selected countries.

In order to send out a signal of solidarity with all employees during this crisis, the Board of Directors, Executive Committee and Senior Management of dormakaba have agreed to take a voluntary and temporary 10% cut in their monthly base salary.

“I am very impressed with the way our employees continue to keep our business going despite all the current restrictions. I am very grateful,” says Riet Cadonau, Chairman and CEO of dormakaba. And he continues: “Our culture, our operating model and our financial stability provide a solid basis for coping with the current Covid-19 crisis. Owing to the significant impacts, however, we expect to have to initiate further cost-saving measures to navigate our company safely through this extraordinary time.”

Consistent implementation of the strategy

Since the merger to form dormakaba in September 2015, the company’s risk profile has improved significantly; dormakaba has gained scale, while remaining financially flexible and noticeably diversifying its product portfolio and local presence. This enables the company to continue to execute its strategy consistently even during the current crisis and thus creating a solid basis for its competitiveness and sustainable profitable growth in the post-crisis period. This includes consistently continuing to invest in innovation and digital transformation and after the crisis also in the ongoing consolidation of the industry, which is likely to accelerate.

Outlook

At the moment, the future development of the economy and the impact of the Covid-19 pandemic on our business cannot be predicted. While the situation in China has stabilized and both production and local demand have already returned to a satisfactory level there, we have seen increasing unfavorable effects in North and South America and in parts of Asia and Europe since the second half of March. In countries that are important for our business, the lockdown and associated restrictions have led to the temporary closure of production sites and have prompted customers to delay and postpone projects.

Owing to uncertainties about the severity and length of the Covid-19 pandemic and the resulting lower visibility about the future course of business, dormakaba is withdrawing its previous guidance and will not be making any more financial forecasts for the current 2019/20 financial year. The next announcement about the company’s business performance is scheduled for the publication of the full-year results for 2019/20.

Depending on how the Covid-19 crisis plays out, cost structures may need to be further adapted to the new market situation in all segments. Plans are being prepared accordingly and the decision whether or not to implement them will largely depend on how business develops in the weeks to come. These measures may involve one-off and extraordinary restructuring costs.

Further information for:

Investors and analysts

Siegfried Schwirzer
Head of IR
T: +41 44 818 90 28
siegfried.schwirzer@dormakaba.com

Media

Martin Bahnmüller
Group Press Officer
T: +41 44 818 92 00
martin.bahnmueller@dormakaba.com

dormakaba Group

dormakaba makes access in life smart and secure. As one of the top three companies in the industry, dormakaba is the trusted partner for products, solutions and services for access to buildings and rooms from a single source. With strong brands such as Dorma, Kaba and Best in its portfolio, the company and its numerous cooperation partners are represented in over 130 countries worldwide.

dormakaba is listed at the SIX Swiss exchange, is headquartered in Rümlang (Zurich/Switzerland) and generated a turnover of over CHF 2.8 billion with around 16,000 employees in financial year 2018/19.

SIX Swiss Exchange: DOKA

Further information at www.dormakaba.com

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For definition of alternative performance measures, please refer to the half-year report 2019/20 of dormakaba. “Free cash flow” consists of cash flow from operating activities together with cash flow from investing activities. It is defined as:

+/- Net cash from operating activities

+/- Net cash used in investing activities

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