

2019/20 financial results: Sales and profit impacted by Covid-19 pandemic, stronger operating cash flow

- Consolidated net sales of CHF 2,539.8 million (previous year CHF 2,818.3 million)
- Organic sales decrease of 6.9%
- EBITDA reaches CHF 325.0 million (previous year CHF 448.0 million), with an EBITDA margin of 12.8% (previous year 15.9%)
- Net profit of CHF 164.1 million (previous year CHF 252.5 million)
- Operating cash flow margin up to 12.9% (previous year 10.0%)
- Solid balance sheet and sufficient unused committed credit lines available
- Dividend proposal of CHF 10.50 per share in accordance with dividend policy
- Cost savings and restructuring program initiated in April 2020, including headcount reduction mainly in production to adjust for lower demand
- Consistent strategy implementation with substantial investments in innovation and digital transformation as well as focus on sustainability
- Outlook: outperformance of financial results expected of the first quarter and first half of financial year 2020/21 against fourth quarter and second half of 2019/20 respectively

Rümlang, 3 September 2020 – The financial year 2019/20 was made up of two very different halves. The first half year was largely in line with expectations, with organic sales growth of 0.8% and an EBITDA margin of 15.5%, but the impact of the Covid-19 pandemic caused a slump in business activity from February 2020 to the end of the financial year. As a consequence, dormakaba recorded a decline in organic sales of 14.3% and an EBITDA margin of 9.6% in the second half of the financial year. Overall, organic sales decreased by 6.9% in the full financial year 2019/20, while the EBITDA margin reached 12.8%.

All segments were affected by the decline in business activity, though the scale of the pandemic's impact varied by country and region. Asia was the first to be hit by the pandemic, and certain regions there suffered heavy declines in sales due to lockdowns: in India for example, sales were up to 90% lower between April and June 2020 compared with the same period of the previous financial year. At the same time, some other countries were much less affected. Switzerland as well as Germany, for example, reported organic sales growth for financial year 2019/20.

dormakaba achieved consolidated net sales of CHF 2,539.8 million in the financial year 2019/20, which represents a year-on-year decline of 9.9%. This decline includes a strong negative currency translation effect of 3.7%, or CHF 104.3 million, for the year due to the strength of the Swiss franc. Portfolio adjustments had a positive effect of 0.7% (CHF 19.0 million).

dormakaba was early to implement a comprehensive crisis management to handle the pandemic. The company adapted its financial management in order to maintain entrepreneurial flexibility and financial stability at all times. This included the introduction of measures to improve cash flow. The reduction of outstanding trade receivables by CHF 111.4 million was a particularly successful move helping the company reduce its net debt by CHF 168.4 million since 31 December 2019 to CHF 667.7 million as of 30 June 2020. Consequently, leverage (ratio of net debt to EBITDA) remained solid at 2.1x despite the strain caused by the crisis. Furthermore, dormakaba has sufficient committed credit lines available with an unused amount of more than CHF 500 million as at the end of financial year 2019/20.

Riet Cadonau, Chairman of the Board of Directors and CEO of dormakaba: “Our results have to be seen in the light of the extraordinary and unprecedented circumstances that we and everyone else have had to cope with in the second half of our financial year. Our priorities remain the health and safety of all employees and efforts to minimize the effects on our customers. At the same time, our sound business and financial profile has enabled us to consistently execute initiatives to achieve our key strategic objectives even during the current crisis, with continued investment activity in innovation, digital transformation and sustainability.”

Profitability and net profit

EBITDA in the financial year 2019/20 amounted to CHF 325.0 million (previous year CHF 448.0 million); this includes a positive effect of CHF 9.3 million from portfolio adjustments (previous year CHF -1.9 million) and a negative currency translation effect of CHF 16.0 million (previous year CHF -2.3 million). As well as the lower sales volumes caused by the Covid-19 pandemic, exceptional one-off costs – including for restructuring – and other factors had a negative impact of 70 bps on the EBITDA margin in the reporting period. These effects overcompensated improvements in operational efficiency, final merger-related cost synergies and lower raw material costs.

Profit before taxes for the financial year 2019/20 was at CHF 211.2 million (previous year CHF 332.7 million). Income taxes came to CHF 47.1 million giving an income tax rate of 22.3% (previous year 24.1%). dormakaba closed the financial year 2019/20 with a consolidated net profit of CHF 164.1 million, compared to CHF 252.5 million in the previous year.

Cash flow and balance sheet

Operating cash flow rose to CHF 407.9 million (previous year CHF 372.8 million). This positive development can be attributed to the early measures taken to focus on a “Cash is King” principle during Covid-19. The cash flow from investment activities of CHF -232.4 million (previous year CHF -67.8 million) mainly includes capital expenditure relating to the acquisition of Alvarado Manufacturing Co. Inc., which was completed on 31 July 2019. As a result, free cash flow fell to CHF 95.7 million (previous year CHF 212.9 million).

At the close of the financial year 2019/20, dormakaba reported total assets of CHF 1,808.6 million and net debt of CHF 667.7 million (31 December 2019: CHF 836.1 million; 30 June 2019: CHF 651.4 million). At balance sheet date 30 June 2020, equity came to CHF 141.3 million (30 June 2019: CHF 258.5 million).

Segment performances*Access Solutions AMER (North and South America)*

AS AMER reported a decline in organic sales of 8.1% to CHF 755.3 million overall. This gives an EBITDA margin of 17.0% (previous year 20.6%).

Access Solutions APAC (Asia Pacific)

AS APAC achieved sales of CHF 402.4 million, representing a decline in organic sales of 8.5%. Its EBITDA margin was at 13.6% (previous year 14.9%).

Access Solutions DACH (Germany, Austria and Switzerland)

AS DACH recorded a decline in organic sales of 3.5% to CHF 791.9 million. The EBITDA margin was at 16.3% (previous year 17.8%).

Access Solutions EMEA (Europe, Middle East and Africa)

At AS EMEA, organic sales declined by 5.7% to CHF 696.1 million. The EBITDA margin was at 6.5% (previous year 7.3%).

Key & Wall Solutions

Key & Wall Solutions reported sales of CHF 351.4 million, and a decline in organic sales of 8.9%, though the Movable Walls business unit managed to generate organic sales growth and to exceed its previous-year profitability. The EBITDA margin was at 14.4% (previous year 15.7%).

Cost savings and restructuring program initiated

In order to cope with the ongoing negative impact of the Covid-19 pandemic on business activities, and to maintain the operational and financial efficiency, dormakaba initiated a Group-wide cost savings and restructuring program in the fourth quarter of 2019/20. Measures include a sizeable headcount reduction, mainly in manufacturing in Asia and the Americas, to adjust capacities due to lower demand. Overall, up to 1,300 full-time equivalents are affected, of which around 900 were already reduced by the end of June 2020. It is expected that this package of measures will involve costs of around CHF 26 million, of which CHF 12 million have already been expensed in the financial year 2019/20.

Continuation of strategy and investment in innovation

dormakaba continued to follow its strategy in the financial year 2019/20, again investing substantially in innovation and digital transformation. A total of around CHF 112.1 million, or 4.4% of net sales, was invested in relevant projects and activities. The aim is to continue strengthening dormakaba's competitive position in the years to come in an increasingly digitalized environment and to foster profitable growth by innovative new products and solutions.

Sustainability

In the period under review, dormakaba again made good progress towards achieving its sustainability goals while continuing to expand its sustainability activities. For example, dormakaba was one of more than 150 global companies to sign an UN-supported declaration of intent that the post-Covid-19 economic recovery would be used to move closer to climate goals. Further, a sustainability charter was developed and brought into force in the financial year 2019/20 to strengthen governance with regard to sustainability within dormakaba. It clarifies the responsibilities and contributions expected from all levels of the company, with accountabilities now also attributed on Board of Directors' level. Detailed information about the sustainability strategy and management at dormakaba can be found in the Sustainability Report 2019/20, which is being published today along with the company's Annual Report.

Outlook

Financial performance in the months of June and July 2020 indicate an improvement of the economic environment for dormakaba's businesses compared with the very weak months of April and May 2020. While some important countries for dormakaba continue to suffer from negative Covid-19 impacts, other important countries show resilience and an improved business performance.

However, due to the ongoing Covid-19 pandemic, global business visibility is still very limited. Geopolitical risks like the ongoing trade conflicts create additional uncertainty.

Under the assumption that Covid-19 or geopolitical tensions will not create additional significant deterioration of the business environment, dormakaba expects for the first quarter of financial year 2020/21 to outperform financial results of the fourth quarter of 2019/20, both in terms of organic growth and EBITDA margin. Based upon the same framework, expectation for the first half of financial year 2020/21 is to outperform second half of financial year 2019/20.

Due to the lack of visibility to the further course of business dormakaba does not provide any additional financial and business guidance for the financial year 2020/21 and beyond.

Changes in the Executive Committee and CEO succession

There were several changes in the Executive Committee in the period under review. As of 1 January 2020, Steve Bewick took over as Chief Operating Officer (COO) of the AS EMEA segment. After a short onboarding period, Alex Housten took over as COO of AS AMER on 1 July 2020. With Jörg Lichtenberg, Chief Manufacturing Officer (CMO), deciding to leave dormakaba as of 30 June 2020, the company elected to discontinue the role of CMO.

On 9 July 2020, after the end of the year under review, dormakaba announced that Sabrina Soussan would be succeeding Riet Cadonau as CEO; as planned, he will in future concentrate on his role as Chairman of the Board of Directors. Sabrina Soussan will start at dormakaba at the beginning of 2021 and following an onboarding period will take over responsibility as the company's new CEO on 1 April 2021.

Proposals to the Annual General Meeting of 20 October 2020*Dividend proposal*

The Board of Directors proposes to the Annual General Meeting a dividend of CHF 10.50 per share for financial year 2019/20 (previous year CHF 16.00), to be paid of an equal share from the reserves from capital contributions and statutory retained earnings. This proposed pay-out ratio of 52.1% is in line with the Board of Directors' dividend policy, which is to distribute at least 50% of net profit after minority interests.

Elections to the Board of Directors

As announced in September 2019, Rolf Dörig is not standing for re-election to the Board of Directors. All other serving members of the Board of Directors are standing for re-election for a further one-year term of office, including Riet Cadonau, Chairman of the Board of Directors, and Hans Hess, Vice-Chairman and Lead Independent Director. The Board is proposing that John Liu be elected as a new member. A citizen of Singapore, he is a respected expert in digital technology and has an extensive knowledge of Asian markets.

Key figures of the dormakaba Group

CHF million, except where indicated	Financial year ended 30.06.2020	in %	Financial year ended 30.06.2019	in %
Net sales	2,539.8	100.0	2,818.3	100.0
Organic sales growth in %	-6.9		1.3	
Acquisition (disposal) impact in %	0.7		-1.0	
Translation exchange difference in %	-3.7		-1.1	
Operating profit before depreciation and amortization (EBITDA)	325.0	12.8	448.0	15.9
Operating profit (EBIT)	253.2	10.0	375.0	13.3
Profit before taxes	211.2	8.4	332.7	11.8
Net profit	164.1	6.5	252.5	9.0
– Net profit attributable to minority interests	79.5		120.7	
– Net profit attributable to the owners of the parent	84.6		131.8	
Dividend per share (in CHF) ¹⁾	10.5		16.0	
Other key figures				
Total assets	1,808.6		1,909.0	
Net debt	667.7		651.4	
Market capitalization	2,147.2		2,932.8	

1) Financial year ended 30.06.2020: proposal to the Annual General Meeting; distribution of an equal share from the reserves from capital contributions and from statutory retained earnings.

The full Annual Report including consolidated financial statements as well as financial statements and the Sustainability Report for financial year 2019/20 of dormakaba Holding AG are available online at report.dormakaba.com. The analysts' presentation is available at dk.world/publications.

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 2.5 billion with more than 15,000 employees in financial year 2019/20.

SIX Swiss Exchange: DOKA

Further information at www.dormakaba.com

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- general economic conditions,
- impacts of the Covid-19 pandemic,
- competition from other companies,
- the effects and risks of new technologies,
- the company’s continuing capital requirements,
- financing costs,
- delays in the integration of the mergers or acquisitions,
- changes in the operating expenses,
- currency and raw material price fluctuations,
- the company’s ability to recruit and retain qualified employees,
- political risks in countries where the company operates,
- changes in applicable law,
- realization of synergies,
- and other factors identified in this communication

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For definition of alternative performance measures, please refer to the chapter 5.1 of the notes to the consolidated financial statements of the Annual Report 2019/20 of dormakaba.

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