

## Press release

### Arbonia continues to grow

- Net revenue of CHF 1416.0 million (+3.1% compared to previous year)
- 2.0% growth<sup>1</sup> when adjusted for currency and acquisition effects
- Despite lower revenue in the Windows Division, the quality of earnings was better than predicted
- Arbonia confirms EBITDA guidance

**Arbon, 21 January 2020** – Arbonia achieved a net revenue of CHF 1416.0 million in 2019, which is an increase of 3.1% compared with the previous year (CHF 1374.0 million). When adjusted for currency and acquisition effects, revenue for the full year 2019 grew by 2.0% (1.4% organic growth in H1 2019, 2.5% organic growth in H2 2019).

The Windows Division is responsible for the lower than predicted organic growth of the entire Arbonia Group, experiencing reduced revenue compared with the previous year due to changes in the product mix. However, this has resulted in improved profitability. The revenue development in the other three divisions was as expected.

The prevalent lack of skilled workers is continuing to have a negative impact on all divisions and regions in both the installation trade and the production sectors. As a consequence, certain orders have not been completed or have been postponed until the following year.

#### General market environment of Arbonia

In **Germany**, Arbonia's most important market, residential construction improved by 3.5% compared to the previous year, even though the environment continues to be hampered by the lack of skilled workers and by the fact that the great demand for residential construction (new construction and renovation) is still not being met. This positive trend in the residential construction sector continues to prevail in an increasingly gloomy and uncertain economic climate, which is being caused by the German automotive and mechanical engineering sector. The renovation market is stagnating in this environment.

The package of climate protection legislation initiated by the German government at the end of the year should have a positive influence on Arbonia, because it is expected to have a considerable impact on new construction and renovation in Germany. It can therefore be assumed that the trend for enhanced insulation and thermal insulation, residential ventilation and efficient heating systems will grow, even in the renovations sector.

In the company's domestic construction market, **Switzerland**, the uncertain economic situation has also already resulted in a slowdown in construction activity, though this development is distinctly regional. In towns, flats are still in high demand, while the rest of building construction continues to grow due to a few large-scale projects (such as "The Circle"). In terms of Switzerland as a whole, the revenue growth in

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<sup>1</sup> Explanations of the Alternative Performance Measures can be found in the appendix to this press release.

the residential construction sector is declining (–2.5%) due to the relatively high vacancy rates in peripheral locations; however, it remains an attractive sector due to low interest rates. The vacancy rate is also restricting the renovation market for flats and this market is also declining (–0.9%).

In Eastern Europe, the markets developed in different ways: **Poland** is still the country with the highest expected economic growth in Europe and it also has a booming construction industry in line with this. However, even this growth is easing off now due to a lack of skilled workers, rising personnel costs and real estate prices. In contrast, the influence of the automotive sector can be felt in **Slovakia**. This has already led to changes in production volumes, short-time working and dismissals in the automotive sector and at their suppliers. This has led to private construction projects being stopped completely or postponed. Despite all this, the residential construction sector still enjoyed significant growth in 2019. With the weakening of exports in **the Czech Republic**, particularly in the key automotive sector, the pressure has eased off in the labour market. This in turn has improved the capacity bottleneck in the construction industry. As a result, there continues to be no capacity for renovations, but the residential construction sector was able to gain a lot more ground.

### Revenue development in the divisions

The **HVAC Division** achieved a total revenue of CHF 554.7 million in the reporting year, which represents an increase of 9.7% compared to the previous year (CHF 505.5 million). After adjustment for currency and acquisition effects, the division's revenue increased by 2.5%, despite the economy developing differently in different regions. In Europe, the division enjoyed an organic growth of over 3%, with the growth products underfloor heating, heat pumps and domestic ventilation making a particularly strong contribution. The scarcity of skilled trade workers limited the possibility for stronger growth in the new construction sector and particularly in the renovation sector. Furthermore, economic uncertainty due to international trade disputes and country-specific political factors led to noticeable restraint when it came to commercial and industrial investment. This is exemplified by the German legislative package for climate protection, which was announced in 2019 but has not yet been approved by the government. The fact that detailed regulation for it was unavailable meant that investment in new heat generators and heat exchangers was muted in the fourth quarter of 2019. Given these circumstances, it is even more pleasing that the division was still able to grow and increase its market shares due to its increased competitiveness in its markets from investments. The division is in a position to seize the opportunities it is offered in the future due to its product portfolio, its increased market presence on the Iberian Peninsula and especially its new production plant in Russia.

The **Sanitary Equipment Division** achieved a total revenue of CHF 143.8 million in the reporting year, which represents a decline in revenue of 0.7% compared to the previous year (CHF 144.8 million). However, when adjusted for currency effects, this resulted in revenue growth of 2.2%. This result was primarily sustained by successful business in Switzerland and a slight positive development in Germany, which was based on stable construction activity and steady high demand for custom shower solutions. However, the continuing insufficient capacities of skilled installers limited potential revenue for the division. High price pressure and the buyer power of wholesalers in the sanitary product and heating sectors have still made the general conditions challenging. The division was able to achieve growth in export markets due to new product placements and additive marketing initiatives.

The **Windows Division** achieved a total revenue of CHF 358.2 million in the reporting year (previous year: CHF 366.3 million), which represents a decline in revenue of 2.2%. When adjusted for currency effects, this resulted in a decrease of 0.5%. The extremely high demand for wood/aluminium windows in Switzerland meant that production was already working at full capacity before the start of "high season", which led to an increase in delivery times. Conversely, the demand for vinyl windows in Switzerland fell more than expected. Although revenue decreased as a result, the division is expecting increased earnings due to the better quality of earnings in the Swiss market, the steadily improving income situation in the expanding Polish market and the increase in the output capacity and productivity in the wood/aluminium

production competence centre in Langenwetzendorf (D). In light of the constant high demand for wood/aluminium windows, capacity is to be increased significantly again in the coming year as well.

During the reporting year, the **Doors Division** achieved a total revenue of CHF 359.4 million (previous year: CHF 357.5 million), which represents growth of 0.5%. When adjusted for currency effects, the division increased its revenue by 3.7%. In 2019, the division was able to record strong growth in Germany and expand its market share in terms of quantity to over 20%. This was driven by the housing shortage in large German cities and the fact that interest rates remain attractive. The division is also working in the hotel market in addition to the residential construction sector. This new target segment enabled the division to continue to expand its market share, which is still small in this segment at the moment. Towards the end of the year, a lack of resources in the construction industry in Switzerland led to many large-scale projects that were already under construction being delayed and postponed until 2020. This has limited further revenue growth. The generally positive environment in Poland and the Czech Republic enabled a significant increase in revenue compared with the previous year.

Arbonia continues to see EBITDA for the year 2019 within the range of CHF 128 million to CHF 136 million, thus confirming the guidance published in February 2019. On Thursday, 25 February 2020, Arbonia will be publishing its annual report for 2019, the contents of which will be the subject of a financial media and analyst conference to be held in Zurich.

## Contact

Fabienne Zürcher  
Head of Corporate Communications & Investor Relations  
T +41 71 447 45 54  
fabienne.zuercher@arbonia.com

This announcement, an overview of key revenue figures, as well as further information on Arbonia, can be found on our website [www.arbonia.com](http://www.arbonia.com).

**Arbonia** is a focused building components supplier that is listed on the SIX Swiss Exchange and has its headquarters in Arbon, in the canton of Thurgau, Switzerland. The group is active worldwide with its own distribution companies, as well as offices and partners in more than 70 countries. Its main production sites are located in Switzerland, Germany, the Czech Republic, Poland, Slovakia, Russia, Italy, Belgium and the Netherlands. A total of around 8'300 employees work for the Arbonia Group.

The divisions that make up Arbonia are active in the following sectors: heating technology, air-conditioning and ventilation technology, sanitary equipment, windows, and exterior and interior doors.