

Press release

First semester results 2020

Increase in profitability despite decline in revenue

Arbon, 18. August 2020 – Compared with last year, currency-adjusted revenue declined by 1.7%, while the revenue in Swiss francs decreased by 6.3% from CHF 688.4 million to CHF 644.9 million. Due to the improved cost structure, adjusted EBITDA (without one-time effects) grew to CHF 55.5 million from CHF 52.3 million (+6.1%) compared to the same period in the previous year. EBITDA with one-time effects increased from CHF 48.3 million in the same period last year to CHF 54.4 million, which represents an increase of 12.6%. Adjusted EBIT (without one-time effects) increased by 24.8% from CHF 11.5 million to CHF 14.4 million. EBIT with one-time effects increased by 76.7% from CHF 7.5 million to CHF 13.3 million. Adjusted group result after tax without one-time effects totalled CHF 5.5 million, compared to CHF 7.0 million in the same period last year. Group result after tax with one-time effects increased by 33.3% to CHF 4.6 million (previous year CHF 3.5 million).

Net indebtedness including IFRS 16 fell by CHF 26.3 million from CHF 224.9 million to CHF 198.6 million compared with the first half-year of 2019. The slight increase compared with the end of 2019 is due to the seasonality of the underlying business.

The equity ratio was 55% on 30 June 2020.

Market environment

Although the German government had imposed a wide range of measures, such as an extensive curfew for non-essential activities, the construction industry in **Germany** remained almost unaffected. Approved construction projects that had not yet been started are likely to be postponed, especially in commercial construction, but not in residential construction. Construction activity was slowed down less by construction site closures than by high sickness rates and a lack of employees due to border closures. At the moment it looks as if the domestic economy of Germany, which is Arbonia's largest market, will be able to cope well with the pandemic. The export-dependent economy is particularly vulnerable to the global economic slowdown, but this should not have a lasting negative impact on the development of the construction industry. The latter is more affected by the conservation of financial resources and delayed construction progress due to hygiene regulations. By contrast, the continuing favourable financing environment, the scarcity of investment opportunities, the high demand for residential space in urban centres, and the subsidy programmes for energetic retrofitting of buildings are having a positive effect. Arbonia should benefit from its products for residential construction, a key area for the company. Arbonia should benefit from its products for residential construction, a key area for the company, which accounts for ~70 % of its revenue.

In its second domestic market, **Switzerland**, the COVID-19 pandemic is hitting an environment in which residential construction was already stagnant or slightly in decline due to relatively high vacancy rates. In other areas of building construction, Switzerland has benefited in recent years above all from a few major

projects that have either been completed now or whose completion is being delayed by hygiene concepts. In addition, the closure of construction sites in Ticino, as well as at selected locations in the cantons of Vaud and Geneva, combined with strict controls on hygiene regulations, led to great uncertainty in the local construction industry. Due to this uncertainty, many construction companies announced short-time working, but this was only partially implemented. The number of building applications submitted in March and April also declined only slightly. For this reason, Arbonia expects a moderate decline in building completions this year, which will also continue next year. Nevertheless, a favourable environment for the renovation of residential buildings continues to exist in Switzerland.

The important Eastern European target markets for Arbonia developed very differently in the first months of the year. In **Poland**, the construction industry is still expected to grow slightly in the current year. This is partly due to the relatively minor impact of the COVID-19 pandemic on construction activity in Poland, which was characterised by a further increase in building permits and a new record in construction volume and completions in the first quarter. However, the start of new construction projects declined in the first half-year. It is expected that the record level of new construction, together with lower productivity on construction sites, will lead to a partial shift in construction activity, which will not result in a decline until 2021. In the **Czech Republic** and **Slovakia**, by contrast, a significant decline is already expected for the current year, as these countries are heavily dependent on the automotive industry. In Slovakia – as in other countries – there is also reduced construction activity, which is characterised by delays in completions, construction starts, and building permits. Productivity in the Czech Republic is also hampered by labour shortages: It is estimated that around a quarter of all foreign construction workers have returned to their home country. However, with their relatively high national incomes, a high proportion of owner-occupied homes, and equally favourable financing opportunities, all three countries offer medium-term opportunities in new residential construction and renovation.

Developments by division

For the first half-year of 2020, the **HVAC Division** reports net revenue of CHF 246.1 million, which represents a decrease of –10.4% compared to the same reporting period of the previous year (CHF 274.6 million). Growth after adjustment for currency effects was –5.1%. EBITDA without one-time effects fell from CHF 24.6 million in the previous year to CHF 21.3 million, which was partly due to negative translation effects. EBITDA with one-time effects increased from CHF 20.2 million in the previous year to CHF 21.3 Mio. EBIT without one-time effects developed from CHF 11.0 million in the previous year to CHF 6.8 million. EBIT with one-time effects improved from CHF 6.7 million in the previous year to CHF 6.8 million.

In the first half-year of 2020, the **Sanitary Equipment Division** generated a revenue of CHF 68.5 million (–4.5% compared to the previous year with CHF 71.7 million). By contrast, growth after adjustment for currency effects was 0.1%. At CHF 6.2 million, EBITDA was below the previous year (CHF 6.5 million). EBIT fell from CHF 3.8 million in the previous year to CHF 3.2 million.

During the first half-year of 2020, revenue in the **Windows Division** was –4.3% lower compared to the same period in the previous year, at CHF 152.4 million (previous year CHF 159.3 million). Revenue growth after adjustment for currency effects was negative at –1.5%. However, EBITDA without one-time effects was increased significantly to CHF 10.2 million (previous year CHF 4.3 million). EBITDA with one-time effects increased from CHF 3.7 million to CHF 9.1 million. EBIT without one-time effects also improved significantly to CHF –0.5 million (previous year CHF –7.5 million) and with one-time effects to CHF –1.6 million (previous year CHF –8.1 million). The result reflects the division's strategy of weighting profitability higher than revenue growth.

In the first half-year of 2020, the **Doors Division**, in turn, recorded a very pleasing business trend with an increase in profitability. Revenue in Swiss francs declined slightly. It fell by –2.6% from CHF 182.8 million in the previous year to CHF 178.0 million. Nevertheless, currency-adjusted revenue grew by 2.6%. EBITDA

rose from CHF 22.4 million to CHF 23.4 million, while EBIT rose from CHF 10.4 million to CHF 11.2 million, despite the negative impact of the strong Swiss franc on the profitability of the division.

Outlook

Assuming that no further significant restrictions due to the COVID-19 pandemic in Arbonia's production and sales markets will be imposed and assuming further similar currency relations, Arbonia expects revenues for the full year 2020 to be slightly lower than in the previous year due to COVID-19, but an EBITDA margin at least at the previous year's level (previous year 9.5 %).

In the second half-year of 2020, Arbonia will continue to follow the taken strategic directions and work on further increasing the productivity of the production plants, expanding the market leadership, and increasing customer benefits with new products and services. For the full year 2020, Arbonia expects an increase in free cash flow before considering M&A transactions compared with the previous year.

The Board of Directors of Arbonia has decided not to propose a dividend distribution for the 2019 financial year and therefore not to hold an Extraordinary General Meeting in autumn 2020. The Board of Directors came to this decision, on the one hand, in view of the continuing uncertainty in the market and, on the other, because of potential attractive acquisition opportunities. In such an environment, a strong balance sheet such as that of Arbonia is a considerable competitive advantage. Moreover, the costs and expenses of the Extraordinary General Meeting are disproportionate. The Board of Directors will decide in what form and amount a combined dividend for the financial years 2019 and 2020 should be proposed to shareholders at the General Meeting in April 2021.

Arbonia will announce the guidance for the 2021 financial year and a medium-term outlook for the following years on 2 March 2021 when the results for the 2020 financial year will be published.

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This press release, the first semester financial report 2020, the key figures and further information on Arbonia can be found on the website www.arbonia.com.

Explanations, definitions and reconciliations of the alternative performance measures can be found in the first semester financial report 2020 on pages 21 to 26.

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 (CH). 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 8300 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, as well as exterior and interior doors.