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Ad hoc announcement pursuant to Art. 53 LR

V-ZUG Group – first half-year: strong demand, net sales slightly below previous year, supply chain challenges impact operating result

Zug, 22 July 2022 – the V-ZUG Group looks back on a mixed first half-year that has been full of challenges. Continuing strong demand ensured that net sales remained slightly below the previous year's level (CHF 303.0 million; previous year's period CHF 312.3 million), but cost increases, component shortages and delivery delays all impacted the operating result (CHF 4.3 million; previous year's period CHF 38.3 million) and the EBIT margin (1.4%; previous year's period 12.3%).

Compared to the challenging months of April and May, the situation showed signs of improvement towards the end of the first half of 2022. Our strong emphasis on cost discipline, procurement processes and phased price adjustments in the markets will help us to counter the challenges at hand. We expect the geopolitical and macroeconomic situation to remain volatile throughout the rest of the year, with continued effects on our supply chains and material costs. Hence, the V-ZUG Group is not making a financial forecast for the second half of 2022 or for the 2022 financial year as a whole.

Revenue similar to previous year, operating result impacted

Net sales of the V-ZUG Group were CHF 303.0 million (previous year's period CHF 312.3 million). At CHF 4.3 million, the operating result (EBIT) was significantly lower than in the same period last year (CHF 38.3 million) and resulted in a lower EBIT margin of 1.4% (previous year's period 12.3%). Operational efficiency, measured by the EBITDA margin, was 6.3% in the first half of 2022 (previous year's period 17.2%).

In the first half of 2022, the V-ZUG Group's cash flow from operating activities amounted to CHF - 25.2 million (previous year's period CHF 13.6 million), and free cash flow (after investment activities) totalled CHF - 49.2 million (previous year's period: CHF - 12.7 million). The negative free cash flow is mainly driven by the low Group net result and the build-up of inventories (CHF 20.8 million) to mitigate supply chain disruptions. Further, investments (Capex¹) in the first half of 2022 totalled CHF 24.6 million (previous year's period CHF 24.2 million). The largest investment position is in the "Zephyr Ost" production building. The balance sheet remains strong, with an equity ratio of 73.0% (previous year's period 71.7%).

Higher costs and delivery delays due to purchase material shortages

The challenging situation in procurement markets since summer 2021 saw another unexpected deterioration at the end of March 2022, primarily due to the strict COVID-19 lockdown in the greater Shanghai area. Cost increases and disruptions are affecting virtually all purchasing material groups, but in particular electronic components and, to an even greater extent, microchips. Lack of availability repeatedly forced the V-ZUG Group to alter production planning at short notice in the first half of 2022, with the result that production was not always able to work at full capacity, leading to delivery delays for some products in the second quarter. However, this situation showed signs of improvement towards the end of the first half of the year due to the measures taken regarding procurement processes.

¹ "Capex" refers to additions to tangible and intangible assets.



Strong demand in all markets and expansion of international presence

Demand continues to be strong for V-ZUG appliances in the Swiss market, although the short-term economic boom caused by the pandemic has slightly weakened. The Excellence Line appliances launched last year were very well received by the market, with strong order levels. Strong demand coupled with unusual delivery delays of confirmed orders led to a significant increase in the order backlog.

Under difficult political circumstances, with restrictions on business activities in China, Russia and Ukraine, the V-ZUG Group increased its net sales in International Markets in the first half of 2022 to CHF 53.8 million (previous year's period CHF 44.1 million). Increased brand awareness and the launch of the Excellence Line resulted in continuing high demand internationally for the V-ZUG Group, predominantly in Europe and Australia. The newly opened V-ZUG Studios in London and Paris contributed further to our brand positioning and international growth.

The outlook for a continued strong demand in all its markets therefore remains generally optimistic. The significant increases in procurement costs will be passed on to customers in the form of gradual price increases. However, these increases will be delayed by around three to four months to allow business partners time to adjust their prices vis-à-vis end customers.

Significant market response to innovative products and business models and increased marketing communication in the first half of 2022

V-ZUG's product highlights in 2022 included the spring launch of the "PowerSteam" in the Excellence Line – a world first offering simultaneous steam and microwave functions; the "Grand" – a 90 cm-wide combination steamer available from 2023 that offers greater flexibility and convenience; and the new "CombiCookTop" that has received both an iF Design Award and a Red Dot Design Award. The new business model for renting washing machines and tumble dryers – part of a product-as-a-service concept – is well received by the market and will be marketed more broadly in the second half of 2022. Key successes in the area of digital solutions included the launch of the "V-ZUG Home" app in China and winning Migusto – the cooking platform of Migros, one of the largest grocers in Switzerland – as a major partner for the "V-Kitchen" digital cooking assistant. The success of the new appliances, business models and digital solutions reflects the strength of V-ZUG's strategy of developing innovative products and services to satisfy customers' needs and bring simplicity into their home and creativity into their kitchen.

In Switzerland, a broad cross-media campaign was launched with the slogan "*Perfection that you can feel*" with two new V-ZUG brand ambassadors: the avant-garde Swiss architect Valerio Olgiati and the French-Swiss ex-Formula 1 driver Romain Grosjean. This enabled us to position the design of the V-ZUG brand, the simple, convenient, precise use of our appliances in day-to-day life and our new products in the premium segment more strongly in the market.



Focus on sustainability – employee engagement and reducing carbon emissions

In the 2021 Sustainability Report, published at the end of April 2022 (available at www.vzug.com/ch/en/nachhaltigkeit_overview), the V-ZUG Group set out quantifiable goals in the different areas of sustainability for the first time. In the first half of 2022, the focus was on launching and implementing a number of associated initiatives. One of these is V-ZUG's involvement in the establishment of the "Association for Industry Decarbonisation" in Zug that aims to set up sustainable hydrogen production on the Tech Cluster Zug (Metall Zug Group) site. The intention is for the hydrogen to replace the natural gas used for high-temperature production processes in Zug and the diesel used in the lorry fleet, leading to a further reduction in the V-ZUG Group's carbon emissions. The V-ZUG Group also continues to focus on sustainable employee development. V-ZUG's efforts regarding corporate and employee management and work organisation were rewarded with the Swiss "Friendly Work Space" quality standard.

Relocation of the refrigerator factory complete and site transformation under way

At the beginning of the year, the new production site for cooling appliances started operating and is already demonstrating increases in efficiency compared to the old site in Arbon.

In March – as scheduled – the foundation stone ceremony for the "Zephyr Ost" production building took place in Zug, attended by representatives of local government and the SWISS-MEM industry association. The study order procedure is currently under way for the new "Zephyr West" office and development building. Two planning teams will submit their projects by autumn 2022 to a final jury comprising planning specialists and representatives from the construction industry and the city of Zug.

Outlook

Compared to the challenging months of April and May, the situation showed signs of improvement towards the end of the first half of 2022. Our strong emphasis on cost discipline, procurement processes and phased price adjustments in the markets will help us to counter the challenges at hand. We expect the macroeconomic and geopolitical situation to remain volatile throughout the rest of the year, with continued effects on our supply chains and material costs. Hence, the V-ZUG Group is not making a financial forecast for the second half of 2022 or for the 2022 financial year as a whole.

Beyond the 2022 financial year, the V-ZUG Group will be aiming for a return to the figures stated in its medium-term objectives once the situation in procurement markets has stabilised. This will be enabled by the significant order backlog in all markets, an attractive product and service portfolio, increases in efficiency due to investments in production, sales price adjustments, and the continuing progress in market penetration in International Markets.



Key figures

<i>in CHF million (excluding FTE)</i>	H1 2022	H1 2021²	Change
Group			
Net sales	303.0	312.3	- 3.0%
<i>Currency-adjusted</i>			- 2.8%
EBITDA ³	19.2	53.7	- 64.2%
in % of net sales	6.3%	17.2%	- 1,090 bp
Operating result (EBIT)	4.3	38.3	- 88.9%
in % of net sales	1.4%	12.3%	- 1,090 bp
Group net result	3.8	34.0	- 88.9%
in % of net sales	1.2%	10.9%	- 960 bp
Cash flow from operating & investing activities	- 49.2	- 12.7	- 287.6%
Cash and cash equivalents (incl. securities)	68.0	95.8	- 29.0%
Total assets	619.9	596.6	3.9%
Shareholders' equity	452.8	427.5	5.9%
in % of total assets ⁴	73.0%	71.7%	130 bp
Number of employees (FTE) as at 30.06.	2,145	2,066	3.8%
Segments			
Household Appliances			
Net sales	303.0	312.3	- 3.0%
<i>Currency-adjusted</i>			- 2.8%
Operating result (EBIT)	1.8	36.4	- 95.1%
in % of net sales	0.6%	11.7%	- 1,110 bp
Real Estate			
Operating result (EBIT)	3.1	2.4	28.4%

² The previous year's figures were amended in line with changes to accounting principles. For more details, see page 20 of the published half-year report, available at www.vzug.com/ch/en/financial-reports.

³ "EBITDA" is the operating result (EBIT) before depreciation and amortisation on tangible and intangible assets.

⁴ "Equity ratio" refers to the proportion of a company's assets financed with equity. It is defined as equity expressed as a percentage of total equity and liabilities.



About the V-ZUG Group

“Bringing simplicity into your home and creativity into your kitchen.”

V-ZUG is Switzerland’s leading brand in household appliances and also markets its products in selected premium markets overseas. V-ZUG has been developing and manufacturing kitchen and laundry appliances in Switzerland for more than 100 years and offers comprehensive service in all of its markets. The SIBIRGroup AG, which focuses on the Swiss-wide provision of all-brand servicing and the sale of household appliances, is another part of the V-ZUG Group. The V-ZUG Group currently employs around 2,200 people.

The holding company V-ZUG Holding AG is listed in the Swiss Reporting Standard of SIX Swiss Exchange in Zurich and represented in the Swiss Performance Index (SPI) (securities number 54 248 374, ISIN CH0542483745, ticker symbol VZUG).

Key dates

15 March 2023

Publication of Annual Report

25 April 2023

Annual General Meeting

Further information

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The ad hoc announcement / media release is available at www.vzug.com/ch/en/investor-relations-news and the half-year report 2022 at www.vzug.com/ch/en/financial-reports.

Legal notes

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