

Ad hoc announcement pursuant to Art. 53 LR

Press release

Arbonia with a challenging first half-year of 2022

Half-year results 2022 (reported)

- Revenue growth of 7.2% (organic 9.8%) to CHF 630.9 million
- Strong increase in materials ratio from 45.0% to 51.4%
- EBITDA: CHF 52.4 million after CHF 67.6 million in the previous year
- EBIT: CHF 17.8 million after CHF 34.9 million in the previous year
- Group result after tax: CHF 11.7 million after CHF 23.6 million in the previous year
- Increase in net working capital (NWC) of around CHF 118 million (previous year CHF 33 million)
- Arbonia expects a significantly stronger second half-year of 2022 compared to the first half-year of 2022 and also the second half-year of 2021.

Arbon, 23 August 2022 – Arbonia looks back at a challenging first half-year of 2022. The COVID-19 pandemic and the Russian invasion of Ukraine led to considerable increases in raw material prices, sharply rising energy prices, as well as problems with supply chains, which all affected Arbonia as well. In the face of this political crisis and the associated change in thinking, Arbonia's strategy with modern products (heat pump, ventilation, underfloor heating, battery storage, etc.) for energy-efficient and self-sufficient buildings has proven to be all the more correct. In addition to their well-known economic advantages, these products accelerate the transition to buildings that are independent of fossil energy sources and electricity prices. The investments decided on and implemented in the past are also paying off by countering wage inflation and increased material prices with increases in productivity.

In the first half-year of 2022, Arbonia was able to increase its net revenue in Swiss francs by 7.2% compared to the same period in the previous year, from CHF 588.6 million to CHF 630.9 million. Growth when adjusted for currency and acquisition effects was 9.8%. During the same period, EBITDA decreased from CHF 67.6 million to CHF 52.4 million due to the massive increase in the materials ratio from 45.0% to 51.4% (material price increases of around CHF 68 million). Consequently, the EBITDA margin also decreased from 11.5% in the previous year to 8.3%. A negative effect on the absolute EBITDA resulted from the strength of the Swiss franc, among other factors, which appreciated by a high single-digit percentage against almost all currencies relevant to Arbonia, causing results achieved in foreign countries to be lower than budgeted when converted into Swiss francs. EBIT reached CHF 17.8 million (CHF 34.9 million in the previous year). The group result (after taxes) amounted to CHF 11.7 million and is below the previous year's value of CHF 23.6 million.

In the reporting period, the cash flow from operating activities amounted to CHF –68.6 million (CHF 51.6 million in the previous year). In addition to the low EBITDA contribution, this was above all due to the sharp rise in the NWC, which increased by around CHF 118 million in the first half-year. After the deduction of investments (capex) and including the premature buyback of the Corporate Center, a free cash flow of CHF –142.9 million resulted. As of 30 June 2022, net debt amounted to CHF 68.4 million. No one-time effects occurred in the first half-year of 2022.

The shareholders' equity increased to CHF 1016.1 million (previous year CHF 927.6 million). Consequently, the equity ratio also increased from 55.8% in the previous year to a very solid 66.1%.

Development of the divisions in the first half-year of 2022

The **HVAC Division** was able to increase revenue in the first half-year by 13.1%, from CHF 304.9 million in the same period last year to CHF 344.9 million. After adjustment for currency and acquisition effects, growth was 15.7%. EBITDA fell by 17.9% from CHF 33.6 million in the previous year to CHF 27.6 million. This corresponds to a decrease in the EBITDA margin from 11.0% to 8.0%. EBIT fell from CHF 18.3 million in the previous year to CHF 11.0 million.

The first half-year of 2022 of the HVAC Division was impacted by several challenges. On the one hand, the material and energy prices, which continued to increase strongly, impaired the business. Due to a clever pricing strategy, however, the division was able to prevent a situation in which wholesalers and specialist dealers would overstock. Therefore, unlike in the previous year, it was possible to build up the inventories for the important second half-year, which caused the working capital to increase. In combination with price increases as well as due to the high automation of production plants achieved in past years, the division was even able to gain market shares in a market with a declining volume.

The demand for the growth products for heat/cold generation, energy storage, heat/cold distribution, as well as ventilation and air filtration (indoor air quality) for residential construction as well as commercial construction remains high, so that some of these products are sold out until the end of the year. The decision to expand the capacity for manufacturing heat pumps at the new location in the Czech Republic as a first step to over 10 000 heat pumps per year is thereby reaffirmed and accelerated again. Production started at the new production plant in July 2022. Beside the capacities as a limiting factor, it is necessary to overcome issues in the procurement of electrical components for the growth products. The division has achieved this for the most part without having to interrupt production.

Considerable progress has also been achieved with the growth product battery storage system: The development of the first storage size was successfully completed in the first half of 2022, as were the extensive field tests with pre-series models. After a successful premiere at "The Smarter E Europe" trade fair in Munich, Germany in May 2022, the first series models were launched in the focus market of Germany in July 2022. Starting next year, the full series production will start at the existing production plant in Stříbro (CZ). In contrast to the traditional radiator products, the growth products were driven not only by price increases but also by high volume effects.

The **Doors Division** generated a net revenue of CHF 284.2 million in the first half-year of 2022 and is thus 0.9% above the figure for the previous year of CHF 281.6 million. After adjustment for currency and acquisition effects, growth was 3.7%, with Wood Solutions achieving organic growth of 5.5% and Glass Solutions of -1.1%. EBITDA declined from CHF 40.3 million to CHF 30.3 million. The EBITDA margin thus fell from 14.3% to 10.7%. EBIT declined from CHF 23.9 million in the previous year to CHF 13.2 million in the first half-year of 2022.

The Doors Division was confronted with several difficult issues in the first half-year of 2022. At the beginning of the year, production limitations occurred due to a large number of quarantine-related absences, and in connection with this, the high order volume at old prices could not be reduced as expected in the first half of 2022. With the investments in increased capacities, productivity and automation, however, the division had already laid the foundation for profitable growth in the past years and was thus able to prevent significant negative impacts. The division also had to deal with price increases for raw materials to a significant extent. To counteract these, further price increases were announced to customers in the first half-year of 2022 and will go into effect in the second half-year of 2022.

At the Weinsheim (D) site, the construction of the new frame plant at Prüm continued as planned and the location was equipped with first new machines. With the ramping up of production, the total capacity of the division will rise continuously from 2.6 million to 3.4 million doors and frames per year in 2024. The

additional capacity is to lower the high order volume so that orders can also be accepted at short notice and new customers can be acquired. At the same time, expensive extra shifts on the weekends can also be dispensed and delivery reliability increased. Furthermore, the construction of the logistics centre in Roggwil (CH) will shorten the delivery time for customers in Switzerland, in order to be able to increasingly offer residential doors from the Prüm door plant. Some of the division-wide capacity expansion is also to go to attractive neighbouring markets such as Austria, Belgium, the Czech Republic, Slovakia, Hungary, or Romania, which will strengthen the supply. A final, important aspect is the roughly 30-year super-cycle in the German door market, in which over 12 million doors were sold per year in the early 1990's for the last time. The capacity expansion is therefore coming at just the right time, since the doors installed in Germany after the reunification need to be replaced soon.

In July 2022, Arbonia acquired a 100% share in the German company Joro Türen GmbH, a producer of special doors for the project business in the area of fire, smoke, sound and burglary protection. Joro's strength lies especially in meeting individual customer requirements, which was previously not possible with the industrial setup of Arbonia door plants. With the acquisition of Joro, the division will continue to consistently expand its project business. In addition, it gains access to extensive approvals and certificates for oversized doors. In the financial year 2021, Joro achieved a high single-digit EUR million turnover with an EBITDA margin above that of the Doors Division.

Outlook

Because Arbonia has once again been able to build up a sufficient inventory of finished products for the second half-year of 2022 in the first half-year of 2022, unlike in the previous year, and specialist dealers have largely depleted their stocks, a considerably better demand is expected in the second half-year of 2022. At the same time, the price increases already announced and implemented to compensate for the material price increases incurred in the first half-year of 2022 will fully come into effect in the second half-year, while the high prices in the raw material markets seem to be stabilising. Meanwhile, the trend towards sustainable solutions for buildings has grown even more in the past months, not least to compensate for the sharply increased energy prices. This is further accelerated by the subsidy programmes of European governments; for example, the plans of the German government provide for the installation of around 500 000 heat pumps per year (for comparison: this was around 154 000 heat pumps in 2021). Despite all adversities, the drivers of migration (also due to the war in Ukraine), urbanisation, and the increasing number of single-person households ensure continuously increasing building applications and a high demand for living space, especially in large metropolitan areas. In addition, the past has shown that in times of rising inflation, renovation activity increases and only new construction is negatively affected, so that the great renovation backlog in Europe can be reduced. Assuming this development, the dynamic of the past year with a very strong first half-year and an untypical, roughly equal second half-year should reverse again.

Arbonia continues to expect an organic growth of > 5% for the financial year 2022. This is based on the assumption that the second half-year of 2022 will be considerably stronger than the first half-year of 2022 and the second half-year of 2021, despite negative exchange rate effects and sharply increased material, energy, and logistics costs as well as a demanding economic environment. At the same time, an EBITDA margin in the range of 10 – 11% is expected – this in comparison to 10.8 – 11.2% implied EBITDA margin based on the EBITDA range of CHF 145 – 150 million communicated in March 2022.

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This press release, the key figures for the 2022 first half-year, the first semester report 2022 and other information about Arbonia can be found on the website www.arbonia.com.

Explanations, definitions, and reconciliations for the Alternative Performance Measures are found in the first semester report 2022 on pages 20 – 22.

Arbonia is a focused building components supplier with two divisions that are active in the areas of indoor climate (heating, ventilation, and air-conditioning) and interior doors made of wood and glass. The company, which is listed on the SIX Swiss Exchange, is active worldwide with its own distribution companies as well as with representatives and partners in more than 70 countries. Its main production sites are located in Switzerland, Germany, the Czech Republic, Poland, Serbia, Russia, Italy, Belgium, and the Netherlands. A total of around 6 500 employees work for the Arbonia Group.