

Ad hoc announcement pursuant to Art. 53 LR

Press release

Arbonia First semester results 2023

EBITDA margin at previous year's level despite difficult environment

- Revenue decline of 9.6% (organic 8.1%) to CHF 570.4 million from CHF 630.9 million in the previous year
- EBITDA: CHF 44.9 million from CHF 52.4 million in the previous year
- EBITDA margin: 7.9% (previous year: 8.3%)
- EBIT: CHF 6.2 million from CHF 17.8 million in the previous year
- Group result after taxes: CHF –2.0 million from CHF 11.7 million in the previous year
- Significant positive free cash flow expected for 2023
- Confirmation of mid-term targets for 2026 due to great demand for housing as well as energy upgrading of existing housing to reduce required CO₂ emissions

Arbon, 22 August 2023 – Arbonia's core markets, especially Germany, Benelux, and Eastern Europe, suffered a considerable slump in building permits due to the high construction costs and interest rate hikes. At Arbonia Group, this decrease in construction activity led to sharply lower volumes for the products steel panel radiators, standard doors and shower enclosures. This is against the backdrop of a historically high demand for housing and the necessary energetic conversion of existing building stock to achieve the required reduction in CO₂ emissions.

The first half of 2023 was characterised by great challenges, which not only affected the general economy but the building sector in particular and thus Arbonia. The first half of 2023, for example, was impacted by a pronounced reluctance in the ordering behaviour of wholesalers and the specialist retailers, who continued to reduce inventories or did not fill them up again with large orders but placed smaller shorter-term orders instead. New construction was burdened by the reluctance of builders, who started fewer construction projects or postponed them due to an uncertain regulatory environment and significantly increasing construction and financing costs at the same time. In renovation, increasing rents due to increasing interest rates and higher ancillary rental costs (energy) had a noticeable negative impact. This caused people to remain in their current homes for fear of further increasing rental costs and due to the low number of vacant flats, which led to fewer renovations being done. In addition, housing companies delayed planned renovations. On the other hand, the demand for affordable housing as well as the necessity of upgrading the energy efficiency of existing building stock remains high. This had a positive effect on Arbonia's growth products but could not fully compensate for the negative volume effects from the general reluctance in the construction sector.

Arbonia's revenue decreased by 9.6% in the first half of 2023 compared to the same period in the previous year, from CHF 630.9 million to CHF 570.4 million. Adjusted for currency and acquisition effects (organic), revenue decreased by 8.1%. EBITDA came to CHF 44.9 million (previous year: CHF 52.4 million), which means a reduction of 14.4%. The EBITDA margin decreased from 8.3% to 7.9%. Without one-time effects, EBITDA decreased by 13.6%, from CHF 52.4 million to

CHF 45.3 million, which corresponds to a decrease in the EBITDA margin from 8.3% to 7.9%. EBIT came to CHF 6.2 million (previous year: CHF 17.8 million), which corresponds to a decline of 65.2%. Without one-time effects, a decrease of 63.0% resulted, from CHF 17.8 million in the previous year to CHF 6.6 million. The group result amounted to CHF –2.0 million compared to CHF 11.7 million in the previous year or without one-time effects to CHF –1.7 million (previous year: CHF 11.7 million). The negative net profit at the half year is the result of the lower operating profit, higher depreciation and amortisation as well as the higher financial result due to higher interest expenses and foreign exchange losses.

Cash flow from operating activities amounted to CHF 12.0 million in the reporting period (CHF –68.6 million in the previous year). This resulted in a free cash flow of CHF –27.8 million (CHF –142.9 million in the previous year). As of 30 June 2023, net debt amounted to CHF 241.4 million.

Shareholders' equity decreased to CHF 967.9 million (previous year CHF 1016.1 million). Consequently, the equity ratio also decreased from 66.1% in the previous year to a still solid 61.6%.

Development in the divisions in the first half-year of 2023

The **HVAC Division** achieved a revenue of CHF 303.3 million in the first half of 2023, which corresponds to a decrease of 12.1% compared to the previous year (CHF 344.9 million). Organic growth (adjusted for currency and acquisitions effects) amounted to –10.8%. EBITDA without one-time effects increased by 3.9%, from CHF 27.6 million in the previous year to CHF 28.6 million (CHF 28.4 million with one-time effects). This corresponds to an increase in the EBITDA margin from 8.0% to 9.4%. EBIT without one-time effects came to CHF 10.3 million (CHF 10.1 million with one-time effects), which corresponds to a reduction of 6.4% compared to the same period in the previous year (CHF 11.0 million). The EBIT margin increased slightly from 3.2% in the same period of the previous year to 3.4%.

While radiator volumes significantly decreased in the first half of 2023 compared to the strong first half of 2022 with an over 30% decrease in volumes and despite negative currency effects, the HVAC Division was able to increase profitability compared to the same period in the previous year in absolute as well as relative numbers. Volumes for traditional products were strongly impacted by further inventory reduction at wholesalers and the slump in new construction and renovation activity. Due to increasing energy and personnel costs, the division was also forced to implement price increases last year, which led to further volume decreases in especially price-sensitive markets such as Eastern Europe.

As a cost-saving measure, the division has announced that it will transfer the production capacities of design radiators at the Vasco production site in Dilsen (BE) to the highly automated plant in Stříbro (CZ) by the end of the second quarter of 2024 at the latest. This concentration of competencies and volumes will further increase its competitiveness in the long term. Starting in the third quarter of 2024, this measure is expected to result in savings of approx. CHF 4 million annually. The volume decreases for radiators were compensated by the continued high demand for energy-efficient growth products such as heat pumps in particular, and the sales of commercial ventilation equipment such as fan coils and air handling units were also encouraging. For example, Arbonia was able to significantly increase revenue with energy-efficient ventilation products and almost doubled the sales of heat pumps compared with the previous year.

As an expression of its strategy, Arbonia has decided to rename the HVAC Division the “**Climate Division**”. The new division name emphasizes its international orientation and focus on cutting-edge products and energy-efficient systems. The portfolio of the division ranges from sustainable heat/cold generation, the storage of heat and energy, to heat/cold distribution, as well as ventilation and air filtration. The Climate Division supports the future-proof supply of energy and heat to all kinds of buildings and is thus ideally equipped for the energy revolution in the building sector.

The **Doors Division** achieved a revenue of CHF 265.6 million in the first half of 2023, which corresponds to a decrease of 6.5% compared to the previous year (CHF 284.2 million). Organic growth (adjusted for

currency and acquisitions effects) amounted to –4.7%. EBITDA without one-time effects decreased by 29.9%, from CHF 30.3 million in the previous year to CHF 21.2 million (CHF 21.1 million with one-time effects). This corresponds to a decrease in the EBITDA margin from 10.7% in the previous year to 8.0%. EBIT without one-time effects came to CHF 2.0 million (CHF 1.9 million with one-time effects), which corresponds to a change of –85.0% compared to the same period in the previous year (CHF 13.2 million). The EBIT margin consequently decreased from 4.6% to 0.7%.

The Doors Division had to deal with various difficulties in the first half of 2023. It also suffered from a decrease in volumes for the standard products interior doors and shower enclosures due to further inventory reduction and negative currency effects. In addition to the lower volumes, the reduced demand from wholesalers also led to a fragmentation of orders, which had a negative impact on production efficiency. In addition, there was a one-time additional burden in the high single-digit million range for the entire 2023 financial year in the form of high energy costs, which were already reflected pro rata in the result of the first half of the year. In contrast to other material groups, the raw material prices for wood also only fell negligibly compared to the previous year. In addition, the general investment reluctance and the limited number of tradespeople meant that hardly any bathrooms were installed, which had a negative impact on the Glass Solutions Business Unit.

Outlook

The full year 2023 will remain challenging for the construction and construction supplies industry due to massive political, economic and other upheavals. Against this background, Arbonia can no longer give a reliable forecast for the second half of 2023 due to the unpredictable volume developments in both divisions and is therefore suspending guidance for the 2023 financial year.

Arbonia hopes that the new German Building Energy Act (GEG) will be passed in the second half of 2023, which will bring clarity to the future energy requirements in the German market for existing and new homes. In addition, the considerable interest rate increase seems to have reached its peak in the second half of the year. Both effects should lead to a higher planning security for builders again. Arbonia continues to consider its prospects to be very positive for the medium term; on the one hand, the demand for energy-efficient solutions in both residential and commercial construction remains very high. On the other hand, building permits exceeded completions by around 60'000 homes in Germany in the past calendar year, and the existing construction backlog has therefore continued to grow. In addition, further investment incentives such as new funding programmes, subsidies and reduced interest rates could stimulate building construction, even if the processes involved in applying for funds and the time it takes to implement them would probably only make these positive leverage effects visible from 2025 onwards.

Despite the challenging economic situation, Arbonia will have a clearly positive free cash flow for 2023, as communicated in the context of the medium-term targets, which means that net debt will be significantly reduced compared to the first half of the year (CHF 241 million) and the leverage ratio will be below 2x. The long-term intact and high demand for housing, especially the need for social housing, the backlog of ordinary new construction activity and renovation of existing buildings, as well as the energy upgrading of housing for CO₂ savings, makes Arbonia continue to be confident about the future.

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This press release, the key figures for the 2023 first half-year, the First Semester Report 2023 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 2023 on pages 19 – 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, Italy and Belgium. A total of around 6300 employees work for the Arbonia Group.