MEDIA RELEASE

GEBERIT

Ad hoc announcement pursuant to Art. 53 LR

Quarterly report as of 30 September 2023

Strong earnings growth in the third quarter

Geberit AG, Rapperswil-Jona, 2 November 2023

The Geberit Group achieved convincing results in the first three quarters of 2023 in an extraordinarily difficult environment with a declining building construction industry in Europe. This was made possible above all thanks to high operational flexibility, lower energy prices and consistent price management. Although volumes declined significantly from the record levels of the previous year and net sales were also impacted by strongly negative currency effects, profitability increased and earnings per share grew in local currencies. Net sales fell by 12.3% to CHF 2,390 million, or 7.9% in currency-adjusted terms. Operating cashflow (EBITDA) reached CHF 749 million, which corresponds to an increase in the EBITDA margin of 320 basis points to 31.3%. Earnings per share fell by 1.7% to CHF 15.35, while in local currencies the increase was 5.2%. For 2023 as a whole, Management expects a mid-single-digit decline in net sales in local currencies and an EBITDA margin of 29 to 30%.

Consolidated net sales

In the first nine months of 2023, net sales for the Geberit Group decreased by 12.3% to CHF 2,390 million. This decline was strongly influenced by negative currency effects of CHF 119 million due to the strengthening of the Swiss franc against most other currencies. In local currencies, this resulted in a decline of 7.9%. Price increases of around 10% had a positive impact on the development. Volumes were significantly lower due to the record-high prior-year period and the declining building construction industry in Europe. In addition, the sanitary industry in some countries was negatively impacted by the shift in demand from sanitary solutions to heating solutions.

Net sales in the third quarter reached CHF 728 million, which is equivalent to a decline of 7.9% compared to the same quarter in the previous year. Currency-adjusted, this resulted in a decrease of 4.8% driven by the ongoing decline in volume and a positive price effect of around 6%.

Net sales by market and product area

The European markets continued to suffer the most from the extraordinarily difficult underlying conditions for the building construction industry. Currency-adjusted net sales in Europe decreased by 9.2% overall after nine months. Italy and Western Europe (United Kingdom/Ireland, France, Iberian Peninsula) were slightly down on the previous year with -1.1% and -1.4%, respectively. In contrast, Benelux (-3.8%), Switzerland (-5.8%) and Northern Europe (-7.5%) sustained more pronounced declines. Double-digit decreases were recorded in Austria (-12.5%), Germany (-13.4%) and Eastern Europe (-18.0%). Net sales declined further in the Far East/Pacific region (-4.7%) and in America (-1.3%), whereas the Middle East/Africa region posted growth (+11.5%).

In the product areas, currency-adjusted net sales decreased by 5.4% in Piping Systems, by 7.9% in Bathroom Systems and by 10.1% in Installation and Flushing Systems.

Results

Despite the very difficult market environment with significantly lower volumes and considerable wage inflation, profitability could be increased. Operating margins rose significantly and operating cashflow and earnings per share grew in local currencies. This strong performance was made possible primarily by the high level of operational flexibility, especially in the plants and logistics, the significant fall in energy prices and consistent price management. Raw material prices were on average only slightly below the high level of the previous year in the first nine months and therefore had no material impact on profitability.

In Swiss francs, all results were heavily impacted by the negative currency performance. In total, operating cashflow (EBITDA) fell by 2.4% to CHF 749 million. However, after currency adjustments this corresponded to an increase of 4.0%. The EBITDA margin increased by 320 basis points to 31.3% compared to the same period in the previous year. Operating profit (EBIT) declined by 2.9% to CHF 634 million (currency-adjusted +3.9%), corresponding to an EBIT margin of 26.5% (previous year 24.0%). Impacted by a more negative financial result compared with the previous year, net income declined by 4.6% to CHF 516 million (currency-adjusted +2.1%), corresponding to a return on net sales of 21.6% (previous year 19.9%). The positive effects of the share buyback programme led to a less than proportional decrease in earnings per share of 1.7% to CHF 15.35 (previous year CHF 15.62). Adjusted for currency effects, however, this corresponded to an increase of 5.2%. Despite the very difficult market environment and significantly higher investments, free cashflow increased by 2.3% to CHF 421 million, supported by a positive year-on-year development in net working capital.

Despite the continuing decline in volume, earnings figures increased significantly in the third quarter. All earnings figures grew double-digit growth in local currencies; earnings per share increased by 13.8% in local currencies in the third quarter.

Financial situation

The Geberit Group's financial situation remains very solid. The share buyback programme accelerated in the second half of 2022 led to an increase in net debt (debt less liquid funds). Compared to the figure after the first nine months of the previous year, net debt increased by CHF 281 million to CHF 1,112 million. The equity ratio decreased accordingly slightly to 37.6% (previous year 39.0%).

The share buyback programme started in June 2022 was continued. By 30 September 2023, 1,007,000 shares had been repurchased as part of the programme at a sum of CHF 471 million. In the first nine months of 2023, 379,000 shares were acquired at a sum of CHF 184 million.

With the dividend distribution in spring of this year and the share buyback programme, CHF 608 million was distributed to shareholders up to the end of the third quarter in 2023.

Outlook for the full year 2023

In addition to the still difficult underlying conditions for the building construction industry, geopolitical risks have increased significantly since the publication of the half-year results. Inflation and higher interest rates are leading to a decline in demand in both new construction and renovation business, with residential construction in Europe being particularly affected. There are also specific challenges for the sanitary industry:

- pull-forward effects from the COVID-19-induced home improvement trend of recent years, and
- the shift from sanitary to heating solutions – primarily heat pumps – in some European countries.

Positive factors for the sanitary industry result from:

- the fundamental demand for renovations and new buildings in residential construction in various European markets,
- the structural trend towards higher sanitary standards, and
- the positive market environment in several countries outside Europe, such as India or the Gulf Region.

In light of the very difficult market environment, Management has defined two guiding principles for 2023: 1) strategic stability and 2) operational flexibility. The objective here is to overcome the challenges related to volume decline without affecting medium-term potential.

For 2023 as a whole, Management expects a mid-single-digit decline in net sales in local currencies and an EBITDA margin of 29 to 30%. The EBITDA margin in the second half of the year is always lower than in the first half due to seasonal factors.

Management is convinced that Geberit will emerge stronger from this challenging and declining market environment and gain further market shares. This assessment is based on the stable and long-term strategy, the proven business model with strong customer relationships and the industry-leading financial stability.

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About Geberit

The globally operating Geberit Group is a European leader in the field of sanitary products. Geberit operates with a strong local presence in most European countries, providing unique added value when it comes to sanitary technology and bathroom ceramics. The production network encompasses 26 production facilities, of which 4 are located overseas. The Group is headquartered in Rapperswil-Jona, Switzerland. With around 12,000 employees in approximately 50 countries, Geberit generated net sales of CHF 3.4 billion in 2022. The Geberit shares are listed on the SIX Swiss Exchange and have been included in the SMI (Swiss Market Index) since 2012.

Key financial figures as of 30 September 2023

Millions of CHF	1/1 – 30/09/2023	1/1 – 30/09/2022
Net sales	2,390	2,725
Change in %	-12.3	+1.4
Change in %, currency-adjusted	-7.9	+8.2
Operating cashflow (EBITDA)	749	767
Change in %	-2,4	-14.2
Margin in % of net sales	31.3	28.1
Operating profit (EBIT)	634	653
Change in %	-2.9	-16.0
Margin in % of net sales	26.5	24.0
Net income	516	541
Change in %	-4.6	-17.1
Margin in % of net sales	21.6	19.9
Earnings per share (CHF)	15.35	15.62
Change in %	-1.7	-15.2
	30/09/2023	**30/09/2022**
Equity	1,298	1,412
Equity ratio in %	37.6	39.0
Net debt	1,112	831
	30/09/2023	**31/12/2022**
Number of employees (FTE)	11,041	11,514

Please visit our website www.geberit.com for additional information.