MEDIA RELEASE

Ad hoc announcement pursuant to Art. 53 LR

Annual results 2023

Convincing results in a strongly declining market environment

Geberit AG, Rapperswil-Jona, 13 March 2024

An extremely difficult year is behind the Geberit Group. Volumes were significantly lower due to the declining building construction industry in Europe and the high volume level in the prior year. Furthermore, the sanitary industry in some countries was negatively impacted by the shift in demand from sanitary to heating solutions. However, the global and regional supply chains eased somewhat in the reporting year. There was good availability of raw materials and components, and the delivery times were much shorter than in the previous year. Despite the very difficult market environment, operating margins were significantly higher compared to the previous year. This was primarily due to the high level of operational flexibility, especially in the plants and logistics, the significant fall in energy prices, and consistent price management. As a result, it was also possible to absorb most of the impacts of the Swiss franc, which was significantly stronger compared to most currencies. All in all, this is reference to the structural and financial strength as well as the resilience of the business model. This enabled the company to further consolidate its position as leading supplier of sanitary products and gain market shares. In 2023, net sales decreased by 9.1% to CHF 3,084 million. In local currencies, this resulted in a decline of 4.8%. Operating cashflow (EBITDA) increased by 1.4% to CHF 921 million, corresponding to an EBITDA margin of 29.9%. Net income decreased by 12.6% to CHF 617 million. This corresponds to a return on net sales of 20.0%. The decline was mainly due to a positive one-off tax effect in the previous year. Earnings per share fell by 10.2% to CHF 18.39.

Currency-adjusted sales growth
As already announced on 17 January 2024, currency-adjusted net sales in 2023 fell by 4.8%. Net sales in Swiss francs decreased by 9.1% to CHF 3,084 million.

In 2023, the European markets suffered the most from the extraordinarily difficult underlying conditions for the building construction industry. Currency-adjusted net sales in Europe decreased by 6.0% overall. Also in decline was the Far East/Pacific region (-3.8%). In contrast, growth was achieved in the regions Middle East/Africa (+17.1%) and America (+1.5%). In the product areas, currency-adjusted net sales decreased by 2.2% in Piping Systems, by 5.7% in Bathroom Systems and by 6.2% in Installation and Flushing Systems.

Operational flexibility and cost discipline lead to significant increases in operating margins

Despite the very difficult market environment with significantly lower volumes and considerable wage inflation, profitability could be increased. Operating margins rose significantly, while operating profit and operating cashflow increased slightly. This strong performance was made possible primarily by the high level of operational flexibility, especially in the plants and logistics, the fall in raw material and energy prices, and consistent price management.

In Swiss francs, all results were heavily impacted by the negative currency development. In total, operating cashflow (EBITDA) increased by 1.4% to CHF 921 million. After currency adjustments, this corresponded to an increase of 7.8%. The EBITDA margin increased significantly by 310 basis points to 29.9% compared to the same period in the previous year. Operating profit (EBIT) increased by 1.8% to CHF 769 million (currency-adjusted +8.8%), corresponding to an EBIT margin of 24.9% (previous year 22.3%). Mainly due to a positive one-off tax effect in the previous year and a more negative financial result compared with the previous year, net income declined by 12.6% to CHF 617 million (currency-adjusted -6.3%), corresponding to a return on net sales of 20.0% (previous year 20.8%). Earnings per share fell by 10.2% to CHF 18.39 (previous year CHF 20.48). However, due to the positive effects of the share buyback programme, the decrease was less than proportional compared to the development of net income. Currency-adjusted, this resulted in a decrease of 3.7%.

Increase in free cashflow

Despite the difficult market environment, free cashflow increased by 11.3% to CHF 625 million. This was due to higher operating cashflow and a positive year-on-year development in net working capital. In contrast, the significantly higher investment volume had a negative impact. The free cashflow margin reached 20.3% (previous year 16.6%). CHF 662 million, or 106% of the free cashflow, was distributed to shareholders during the reporting year as part of the dividend payment and the share buyback programme.

Continued strong financial foundation

The positive developments in free cashflow and the continuing healthy levels of debt allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the strong financial foundation of the Group.

Total assets increased from CHF 3,429 million to CHF 3,556 million. Liquid funds increased from CHF 206 million to CHF 357 million. In addition, the Group had access to an undrawn, firmly committed operating credit line for the operating business of CHF 500 million. Debt increased from CHF 1,030 million in the previous year to CHF 1,321 million. Overall, this resulted in an increase in net debt of CHF 141 million to CHF 965 million at the end of 2023. Net working capital decreased by CHF 41 million year-on-year to CHF 196 million. Property, plant and equipment increased from CHF 948 million to CHF 976 million, while goodwill and intangible assets fell from CHF 1,410 million to CHF 1,340 million. The ratio of net debt to equity (gearing) increased from 55.0% in the previous year to 73.1%. The equity ratio decreased to 37.1% (previous year 43.7%). The ratio of net debt to EBITDA increased slightly to 1.0x (previous year 0.9x). Based on average equity, the return on equity (ROE) came to 44.6% (previous year 42.7%). Average invested operating capital, comprising net working capital, property, plant and equipment, goodwill and intangible assets, amounted to CHF 2,724 million at the end of 2023 (previous year CHF 2,715 million). The return on invested capital (ROIC) decreased to 23.6% (previous year 26.5%), mainly due to the positive one-off tax effect in the previous year.

Environmental performance significantly improved again – substantial reduction in CO_2 emissions
The absolute environmental impact of the Geberit Group decreased again in 2023 by 17.6%. Currency-adjusted net sales fell by 4.8% in the same period. As a result, the environmental impact in relation to currency-adjusted net sales (eco-efficiency) decreased by 13.4%. Since the integration of the energy-intensive ceramics production in 2015, eco-efficiency has improved by 62.6%. As regards the long-term target, which is based on an average improvement of 5% per year, Geberit therefore remains very well on course.

Geberit also significantly exceeded its medium-term goal of reducing relative CO_2 emissions by 5% per year in the reporting year. In relation to currency-adjusted net sales, CO_2 emissions decreased by 15.6%. Compared to the previous year, absolute CO_2 emissions fell by 19.6% to 121,014 tonnes (2022: 150,591 tonnes) and have therefore been reduced significantly more than volumes. This reduction is due to targeted operating measures and the continuous increase in the share of electricity from renewable energy sources, plus a decline in production volumes. Since 2015, CO_2 emissions in relation to currency-adjusted net sales (CO_2 intensity) have been reduced by 63.2%.

Significantly higher investments
In 2023, investments in property, plant and equipment and intangible assets amounted to CHF 197 million – CHF 42 million or 27.1% more than in the previous year. As a percentage of net sales, the investment ratio was 6.4% (previous year 4.6%). The significantly higher investments compared to the previous year were attributable to strategic plant expansions in Pfullendorf (DE) and Lichtenstein (DE) as well as the construction of a new customer centre in Germany. As part of the strategic stability, all important, larger investment projects were carried out as planned.

Number of employees decreased
At the end of 2023, the Geberit Group employed 10,947 staff (FTEs) worldwide, equivalent to a decrease of 567 employees or 4.9% compared to the previous year. The decrease was primarily due to capacity adjustments of temporary and fixed-term employees in the areas of production and logistics in connection with the significant volume decline and natural fluctuation. In contrast, additional employees were required in several markets outside Europe due to focused sales initiatives.

Innovation as the foundation for future growth
Geberit's innovative strength, which is above average for the sector, is founded on its own, wide-ranging research and development activities. In the reporting year, a total of CHF 70 million (previous year CHF 72 million) – or 2.3% of net sales – was invested in the development and improvement of products, processes and technologies. Additionally, as part of the investments in property, plant and equipment and intangible assets, considerable sums were invested in tools and equipment for the production of newly developed products. In the reporting year, 25 patents were applied for, in the last five years a total of 159 patents.

Continued attractive distribution policy
As in previous years, the attractive distribution policy will be maintained. A dividend increase of 0.8% to CHF 12.70 will therefore be proposed to the General Meeting. The payout ratio of 70.1% of net income is just above the 50% to 70% corridor defined by the Board of Directors.

In 2023, CHF 662 million, or 106% of the free cashflow, was distributed to shareholders as part of the dividend payment and the share buyback programme, which equates to 3.5% of Geberit's market capitalisation as of 31 December 2023. Over the last five years, around CHF 3.2 billion has been paid back to shareholders in the form of distributions or share buybacks, which corresponds to 96.6% of the free cashflow in this period.

Outlook 2024
Due to the challenging macroeconomic conditions and the ongoing geopolitical risks, the building construction industry is expected to decline overall in the current year.

In the past two years, increased construction costs and interest rates have significantly dampened demand in the European building construction industry – especially in the new building sector. Driven by the weak development in residential construction, the number of building permits in Europe decreased by around 20% in the first nine months of 2023, leading to a corresponding decline in new building activities in 2024. The most pronounced decline is expected in Northern Europe and Germany. Conversely, new building activities in Switzerland are expected to develop more positively due to the lower inflation and lower interest rates. In contrast, a more robust development is expected in the global renovations business, which accounts for around 60% of Geberit sales. This is primarily due to the following reasons:

- a fundamental need for renovations in several European countries, and
- no additional pressure caused by the shift in demand from sanitary to heating solutions, as seen in the previous year.

Despite the negative overall forecasts for the European building construction industry in 2024, the expected reduction in interest rates during the course of the year and the structural trend towards higher sanitary standards should positively stimulate demand. In the markets outside Europe in which Geberit is active, a mixed picture is expected for this year, with strong demand in India, the Gulf Region and Egypt, for example, and with a decline in China and Australia.

Regardless of the challenging market environment, the objective for 2024 remains to gain further market shares. This should be achieved by the two guiding principles of 1) strategic stability and 2) operational flexibility. The objective is to overcome the challenges caused by the uncertain volume development without harming the medium-term potential. As part of strategic stability and despite the declining market environment, various strategic growth initiatives and investment projects – for example, in selected growth markets outside Europe – will be continued or newly launched as planned in 2024. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes in order to be able to achieve continued high margins and a strong free cashflow also in 2024. Based on the strong foundation already built up over the past decades, the sustainability performance should continue to improve.

Both the Board of Directors and the Group Executive Board are convinced that the Geberit Group is very well equipped and positioned to meet current and upcoming opportunities and challenges.

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About Geberit

The globally operating Geberit Group is a European leader in the field of sanitary products and is celebrating its 150th anniversary in 2024. 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 11,000 employees in approximately 50 countries, Geberit generated net sales of CHF 3.1 billion in 2023. 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 31 December 2023

Millions of CHF	**1.1. – 31.12.2023**	**1.1. – 31.12.2022**
Net sales	3,084	3,392
Change in %	-9.1	-2.0
Change in %, currency-adjusted	-4.8	+4.8
Operating cashflow (EBITDA)	921	909
Change in %	+1.4	-15.0
Margin in % of net sales	29.9	26.8
Operating profit (EBIT)	769	755
Change in %	+1.8	-16.3
Margin in % of net sales	24.9	22.3
Net income	617	706
Change in %	-12.6	-6.5
Margin in % of net sales	20.0	20.8
Earnings per share (CHF)	18.39	20.48
Change in %	-10.2	-4.0
	31.12.2023	**31.12.2022**
Equity	1,320	1,497
Equity ratio in %	37.1	43.7
Net debt	965	824
Number of employees (FTE)	10,947	11,514

Please visit our website www.geberit.com as well as our online Annual Report on www.geberit.com/annualreport for additional information.