GEBERIT

Annual results 2015

Good results in a challenging environment

Geberit AG, Rapperswil-Jona, 15 March 2016

The challenging environment in the construction industry, the integration of the acquired Sanitec business and the strong Swiss franc shaped the Geberit Group's results in the 2015 financial year. Despite this, starting from a very high level, Geberit managed to achieve a good overall result and further consolidated our position as the leading supplier of sanitary products in Europe. Net sales increased by 24.2% in 2015, to CHF 2,593.7 million. Operating profit (EBIT) adjusted for special effects in connection with the Sanitec acquisition increased by 2.4% to CHF 590.9 million and the correspondingly adjusted EBIT margin came to 22.8%. Adjusted net income fell by 1.1% to CHF 493.1 million, with an adjusted return on sales of 19.0%. Adjusted earnings per share declined by 0.4% to CHF 13.23. Free cashflow rose by 5.1% to CHF 484.0 million. A distribution of CHF 8.40 will be proposed to the ordinary General Meeting, an increase of 1.2% compared to the prior year.

Solid sales growth

As already announced in January 2016, cumulative net sales[1)] in 2015 increased by 24.2% to CHF 2,593.7 million. Total growth comprised organic[2)] growth in local currencies of +2.7%, a foreign currency effect of -9.6% and an increase of +31.1% due to the Sanitec acquisition.

The biggest region, Europe, grew in organic terms and in local currencies by 2.5% overall. All European countries/regions posted positive growth – with the exception of Switzerland. Outside Europe, the Middle East/Africa region grew by 16.2% and America by 7.1%. The Far East/Pacific region experienced a decline of 4.1% due to the very weak market environment in China.

Net sales for the Sanitary Systems product area amounted to CHF 1,145.9 million, corresponding to currency-adjusted growth of 4.2%. Net sales for the Piping Systems product area were CHF 798.8 million. The currency-adjusted increase was 0.7%, meaning growth was below that of Sanitary Systems – as was the case in the previous year. The product lines Bathroom Ceramics and Ceramics Complementary Products, which were consolidated for the first time in February 2015, accounted for 18.4% and 6.6% of Group net sales respectively in the 11 months since the Sanitec business was integrated.

Profitability remains impressive

In the 2015 financial year, the results of the Geberit Group were influenced by various special effects in connection with the Sanitec acquisition. For better comparability, adjusted[3)] figures are shown and commented on.

[1)] Switch to net sales as the relevant sales figure with respect to the 2015 financial year
[2)] Organic: adjusted for the additional sales from the Sanitec acquisition
[3)] Adjusted: adjusted for costs in connection with the Sanitec acquisition (transaction, integration, and one-off financing costs as well as the amortization of intangible assets and one-off costs resulting from the inventory revaluation)

Operating margins were positively influenced by beneficial volume and product mix effects, as well as lower raw material prices. The 10% currency rebate in the Swiss market, negative currency effects, higher personnel and pension costs as well as the generally lower margins of the Sanitec business had a negative effect. The adjusted operating cashflow (adj. EBITDA) rose by 5.5% to CHF 693.5 million, its highest ever level in Geberit's history. The adjusted EBITDA margin came to 26.7% compared with 31.5% in the previous year, due mainly to the aforementioned dilution of margins as a result of the integration of the Sanitec business. The negative influence of currency developments explains why the previous year's operating results were not significantly bettered despite the Sanitec integration. Adjusted EBITDA was negatively impacted by the currency trend by CHF 69 million or 10.4%; the corresponding effect on the adjusted EBITDA margin was -0.4 percentage points. The adjusted operating profit (adj. EBIT) rose by 2.4% to CHF 590.9 million, and the adjusted EBIT margin reached 22.8% (previous year 27.6%). Adjusted net income fell by 1.1% to CHF 493.1 million, which led to an adjusted return on sales of 19.0% (previous year 23.9%). The adjusted earnings per share came to CHF 13.23 (previous year CHF 13.28). The fall of 0.4%, which is disproportionately small compared with adjusted net income, was due to the lower average shareholding as a consequence of the ongoing share buyback programme.

The negative special effects arising from the Sanitec acquisition amounted to CHF 62 million as regards EBITDA, CHF 93 million as regards EBIT and CHF 71 million as regards net income. The reported values amounted to CHF 631.7 million for the EBITDA (EBITDA margin 24.4%), CHF 498.3 million for the EBIT (EBIT margin 19.2%), CHF 422.4 million for net income (return on sales 16.3%) and CHF 11.33 for earnings per share.

Strong financial foundation
Once again, even after the acquisition of Sanitec, the substantial contribution from free cashflow allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group. Total assets increased from CHF 2,431.5 million to CHF 3,553.8 million. This development was heavily influenced by the integration of Sanitec and the strong Swiss franc. Liquid funds and marketable securities decreased from CHF 749.7 million to CHF 459.6 million. Debts increased substantially to CHF 1,139.2 million (previous year CHF 10.5 million). This resulted in net debt of CHF 679.6 million at the end of 2015, compared with net cash of CHF 739.2 million at the end of the previous year. The equity ratio reached a solid 41.7% (previous year 70.6%). Based on average equity, the adjusted return on equity (ROE) was 32.2%. The adjusted return on invested capital (ROIC) was 20.1%.

Slightly higher distribution
Despite the slightly lower earnings, the Board of Directors intends to once again let the shareholders participate in the essentially solid development of the business and will maintain the attractive distribution policy of previous years. Therefore, a dividend of CHF 8.40 will be proposed at the ordinary General Meeting, which is slightly higher (+1.2%) than in the prior year. The payout ratio of 63.3% of adjusted net income is thus in the upper range of the 50 to 70% corridor defined by the Board of Directors.

Status Sanitec integration
The integration activities, which began in the second quarter of 2015, went according to plan. By the end of 2015, the main organisational work was completed. In particular, the aim of operating as a single company in sales activities on all markets by 1 January 2016 was achieved. The focus in 2016 will be on further harmonising processes and realising initial synergies.

Outlook 2016

The situation in the construction industry will remain challenging. The individual regions/markets and construction sectors are developing very differently. In Europe, there are signs that the construction industry could stabilise. For markets such as Germany, the United Kingdom, the Netherlands and Poland, a positive market environment is expected. No growth is forecasted for the Swiss and Austrian construction industry. In the Italian and French markets, which have been in crisis in recent years, a few indicators point towards a stabilisation. In North America, moderate growth is predicted in the public sector construction industry, which is important to Geberit's business in the USA, along with a continued recovery in residential construction. The Far East/Pacific region will be shaped by a further weakening in China in the residential construction segment. In the Middle East/Africa region, the outlook in South Africa remains positive, whereas in the Gulf States a slowing of activities is expected in the construction industry, due to the low oil price. Fluctuations in the Swiss franc will continue to affect sales and earnings. In the first half of 2016, the level of raw material prices is likely to be slightly below the prior year period – driven mainly by lower prices of industrial metals and special plastics. It is unwise at present to give any more detailed forecasts, given the uncertain environment.

The Geberit Group's 2016 financial year is expected to be further impacted by the integration of Sanitec's activities. Just as important shall be the focus on Geberit's daily business, which is expected to be a challenging undertaking once again owing to the situation in the European construction markets. The objective shall be to provide convincing services in all markets with the new joint sales team and, as in previous years, gain market shares. The main focus shall fall on the concerted marketing of the new products introduced in recent years, the more intense penetration of markets in which Geberit products or technologies are still under-represented and on the very promising shower toilet business. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes. The Board of Directors and the Group Executive Board are convinced that the company is very well equipped for the upcoming opportunities and challenges. The opportunities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will be firmly seized. Experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organisation, an established cooperation based on trust with our market partners in both commerce and trade, and the Group's continued solid financial foundation following the acquisition of Sanitec are vital to our future success.

Key financial figures as of 31 December 2015

Millions of CHF	**1/1 – 31/12/2015**	**1/1 – 31/12/2014**
Net sales	2593.7	2089.1
Change in %	+24.2	+4.5
Change in %, currency-adjusted/organic	+2.7	+5.9
Adj. operating cashflow (EBITDA)	693.5	657.1
Change in %	+5.5	+10.8
Margin in % of net sales	26.7	31.5
Operating cashflow (EBITDA)	631.7	657.1
Change in %	-3.9	+10.8
Adj. operating profit (EBIT)	590.9	576.9
Change in %	+2.4	+13.0
Margin in % of net sales	22.8	27.6
Operating profit (EBIT)	498.3	576.9
Change in %	-13.6	+13.0
Adj. net income	493.1	498.6
Change in %	-1.1	+14.4
Margin in % of net sales	19.0	23.9
Net income	422.4	498.6
Change in %	-15.3	+14.4
Adj. earnings per share (CHF)	13.23	13.28
Change in %	-0.4	+14.6
Earnings per share (CHF)	11.33	13.28
Change in %	-14.7	+14.6
	31/12/2015	**31/12/2014**
Equity	1482.2	1717.1
Equity ratio in %	41.7	70.6
Net debt	679.6	-739.2
Adj. return on invested capital (ROIC) in %	20.1	35.5
Number of employees	12,126	6,247

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