

Quarterly report as of 30 September 2018

## **Solid results with high profitability**

Geberit AG, Rapperswil-Jona, 30 October 2018

**The Geberit Group posted good results in the first nine months of 2018. Overall, sales increased by 7.7% to CHF 2,371 million. Currency-adjusted sales improved by 3.1%. Operating cashflow increased by 7.0% to CHF 699 million and adjusted net income grew by 5.9% to CHF 515 million. For the full-year 2018, Management expects to achieve a currency-adjusted sales growth of around 3% and an operating cashflow margin of around 28%.**

### **Consolidated sales**

In the first nine months of 2018, the Geberit Group's sales increased by 7.7% to CHF 2,371 million. This includes positive currency effects of CHF 101 million. The increase in local currencies was 3.1%.

Sales for the third quarter improved by 1.1% to CHF 741 million, an increase of 0.7% in currency-adjusted terms. The weaker sales growth compared with the first half of the year is attributable to lower growth momentum in the building industry in selected markets and a general increase in market volatility.

### **Sales by market and product area**

Currency-adjusted sales in Europe, the largest region, rose by 2.7% in the first nine months, with the Iberian Peninsula (+11.7%) posting double-digit growth. Central/Eastern Europe (+8.9%) and Italy (+5.3%) also made strong gains, with Germany (+3.8%), the Benelux Countries (+2.8%), Switzerland (+2.4%) and Austria (+0.8%) also recording increases. France remained at the prior year's level. However, sales were down in the United Kingdom/Ireland (-4.2%) and in the Nordic Countries (-2.9%). Double-digit sales growth was achieved in the Far East/Pacific region (+13.8%). America (+4.5%) and Middle East/Africa (+2.2%) also recorded positive sales growth.

In the product areas, sales in local currencies increased by 4.2% in Installation and Flushing Systems, 4.5% in Piping Systems and 0.7% in Bathroom Systems.

### **Results**

In comparison with previous years, the operating cashflow (EBITDA) is no longer impacted in 2018 by one-off costs related to the Sanitec acquisition. For better comparability, adjusted figures are only shown for operating profit and net income, as well as for earnings per share. EBITDA increased by 7.0% to CHF 699 million, which corresponds to an EBITDA margin of 29.5% (adjusted EBITDA margin in 2017: 29.7%). Adjusted operating profit (adj. EBIT) increased by 6.7% to CHF 607 million, which corresponds to an adjusted EBIT margin of 25.6% (previous year 25.8%). The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of the two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. In terms of the operating margins, currency fluctuations only had a marginally negative impact due to the natural hedging. Adjusted net income rose by 5.9% to CHF 515 million, with an adjusted return on sales of 21.7% (previous year 22.1%). Adjusted earnings per share grew by 6.8% to CHF 14.10 (previous year CHF 13.20). One-off costs arising from the Sanitec acquisition/integration amounted to CHF 28 million as regards EBIT and CHF 22 million as regards net income.

Despite further payments from the restructuring provisions and higher investments in property, plant and equipment, the considerably higher operating cashflow led to an increase in free cashflow of 17.3% to CHF 417 million.

### **Financial situation**

The Geberit Group's financial situation remains very solid. As a result of the dividend payment and the ongoing share buyback programme, net debt (debt less liquid funds) increased as planned from CHF 483 million as at 31 December 2017 to CHF 608 million despite the positive cashflow. The equity ratio rose from 49.1% as at the end of 2017 to 49.6%.

The share buyback programme, launched on 6 June 2017, was continued. By 30 September 2018, around 442,000 shares, or 1.2% of the share capital currently entered in the Commercial Register, had been acquired at a sum of CHF 193 million, CHF 101 million thereof in the first nine months of 2018.

### **Outlook for the full year 2018**

Compared with the situation when the half-year results were published, the forecasts for the building industry are slightly more cautious after nine months – but remain positive overall. The individual regions and sectors will perform differently. The assessment of the general market environment in Europe remains positive. Despite healthy demand, growth potential in Germany is likely to remain limited due to capacity constraints of installers. The market environment in Austria, France and the Benelux Countries is positive, although with weaker growth momentum. The construction industry in Switzerland should remain stable at a high level. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with the market predicted to stagnate overall. The Eastern European markets are also predicted to perform differently, with a positive environment expected in Poland, for example. Italy is assessed more cautiously due to political circumstances, while a downward trend is foreseeable in the United Kingdom as a result of the uncertainty in relation to Brexit. In North America, a moderate recovery is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with growth in residential construction. In the Far East/Pacific region, the Chinese residential construction sector has been performing better since the beginning of the second half of 2017; the construction industry in Australia is expected to stagnate, while the situation in India is viewed positively. In terms of the Middle East/Africa region, the outlook for the Gulf States is assessed cautiously and the construction market in South Africa is stagnating.

Fluctuations in Swiss franc compared to the other important currencies used by the Geberit Group have no significant impact on operating margins due to natural currency hedging. Uncertainties related to raw material markets have increased. Raw material prices are likely to stabilise in the fourth quarter of 2018 compared to the third quarter, but exceed their prior-year level.

The results achieved by the Geberit Group in the first nine months are reason enough to be confident about 2018 as a whole, with good results, a strong performance across the entire sanitary product business and in all markets and, as in previous years, to gain market shares. The effect of increased raw material prices and higher personnel expenses will continue to be a challenge. For the full-year 2018, Management expects to achieve a currency-adjusted sales growth of around 3% and an operating cashflow margin of around 28%.

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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 30 production facilities, of which six are located overseas. The Group is headquartered in Rapperswil-Jona, Switzerland. With around 12,000 employees in around 50 countries, Geberit generated sales of CHF 2.9 billion in 2017. 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 2018

Millions of CHF	1/1 – 30/09/2018	1/1 – 30/09/2017
Sales	2371	2202
Change in %	+7.7	+1.4
Change in %, currency-adjusted/organic	+3.1	+3.0
Operating cashflow (EBITDA)	699	653 <sup>1)</sup>
Change in %	+7.0	+0.2
Margin in % of sales	29.5	29.7
Adj. operating profit (EBIT) <sup>2)</sup>	607	569
Change in %	+6.7	-1.0
Margin in % of sales	25.6	25.8
Operating profit (EBIT)	579	494
Change in %	+17.2	-9.3
Adj. net income <sup>2)</sup>	515	486
Change in %	+5.9	-1.1
Margin in % of sales	21.7	22.1
Net income	493	417
Change in %	+18.2	-11.2
Adj. earnings per share (CHF) <sup>2)</sup>	14.10	13.20
Change in %	+6.8	-1.0
Earnings per share (CHF)	13.50	11.32
Change in %	+19.3	-11.1
	<b>30/09/2018</b>	<b>31/12/2017</b>
Equity	1790	1837
Equity ratio in %	49.6	49.1
Net debt	608	483
Number of employees	11,823	11,709

1) For better comparability with 2018 figures: adjusted for costs in connection with the Sanitec acquisition and integration

2) Adjusted for costs in connection with the Sanitec acquisition and integration

Please visit our website [www.geberit.com](http://www.geberit.com) for additional information.