Annual results 2019

Very good business year 2019

Geberit AG, Rapperswil-Jona, 10 March 2020

Geberit looks back on a very good financial year despite a generally weaker market environment compared to the previous year. Thanks to convincing currency-adjusted net sales growth and further improved, high profitability, the company succeeded in further consolidating the position as leading supplier of sanitary products in Europe and strengthening it outside Europe. Consolidated net sales in 2019 increased by 0.1% to CHF 3083 million. This total growth comprised growth in local currencies of +3.4% and a negative foreign currency effect of -3.3%. Operating profit (EBIT) rose by 1.7% to CHF 757 million, and the EBIT margin reached 24.5% (previous year 24.2%). Net income rose by 3.3% to CHF 647 million (previous year CHF 626 million), which led to a return on net sales of 21.0% (previous year 20.3%). Earnings per share were up by 4.4% to CHF 17.97 (previous year CHF 17.21). Free cashflow increased by 10.7% to CHF 644 million despite negative currency effects. A distribution of CHF 11.30 will be proposed to the General Meeting, an increase of 4.6% compared to the prior year.

Convincing currency-adjusted net sales growth

As already announced in January 2020, net sales in 2019 for the Geberit Group increased by 0.1% to CHF 3083 million. Total growth comprised growth in local currencies of 3.4% and a foreign currency effect of -3.3%.

Currency-adjusted net sales in Europe, the largest region, rose by 3.4%. Outside Europe, the highest net sales growth was recorded in the Far East/Pacific region (+9.0%), whereas the Middle East/Africa region expanded slightly (+1.3%) and America was only slightly higher than in the previous year (+0.5%). In the product areas, net sales for Installation and Flushing Systems climbed by +4.5%. At +5.8%, Piping Systems showed the greatest growth. Net sales for the Bathroom Systems product area were unchanged over the previous year (+-0.0%).

High profitability further improved

The results in 2019 were no longer impacted by one-off costs related to the Sanitec acquisition, which is why adjusted figures will no longer be shown as of the reporting year. The following result comparisons relate to adjusted prior year figures.

The operating cashflow (EBITDA) rose by 4.2% to CHF 904 million, its highest ever level in Geberit’s history despite the negative currency effects. The EBITDA margin grew from 28.2% in the previous year to 29.3%. The increase in the EBITDA margin compared with the previous year was above all attributable to lower raw material prices, higher net sales volumes, an improved product mix and price increases as well as to enhancements in efficiency and high cost discipline. In addition, a change to the IFRS accounting standard had a positive impact on the EBITDA development. Strong tariff-related increases in personnel expenses and one-off costs in connection with brand harmonisation had a negative effect. As a result of the strategy of striving for natural currency hedging, the currency development did not have any negative impact on the operating margin.

Operating profit (EBIT) rose by 1.7% to CHF 757 million, and the EBIT margin reached 24.5% (previous year 24.2%). Net income rose by 3.3% to CHF 647 million (previous year CHF 626 million), which led to a return on net sales of 21.0% (previous year 20.3%). The slightly disproportionate growth when compared with operating profit was due to an improvement in the financial result and a slightly lower tax rate. Earnings per share were up by 4.4% to CHF 17.97 (previous year CHF 17.21). Free cashflow increased by 10.7% to CHF 644 million despite negative currency effects. The free cashflow margin reached 20.9% (previous year 18.9%).

Sound financial foundation

The further increase in 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 3502 million to CHF 3725 million. Liquid funds (including marketable securities and other short-term investments) grew from CHF 282 million to CHF 428 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 591 million. At CHF 837 million, debt remained at the previous year's level. Overall, this resulted in a decline in net debt of CHF 146 million to CHF 409 million at the end of 2019. The equity ratio reached a very solid 51.0% (previous year 49.8%). The ratio of net debt to EBITDA dropped slightly to 0.5x (previous year 0.6x). Based on average equity, the return on equity (ROE) came to 35.8% (previous year 34.5%). The return on invested capital (ROIC) rose to 23.1% (previous year 22.6%).

Given the sound financial foundation, the Board of Directors has decided to initiate a new share buyback programme of up to CHF 500 million with a maximum duration of two years. The programme is expected to start in the second or the third quarter of 2020.

Again higher distribution

The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 1 April 2020 an increase in the dividend of 4.6% to CHF 11.30 which is slightly above the increase in the previous year. The payout ratio of 63.4% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

Outlook 2020

Geopolitical risks have increased substantially, leading to more instability and volatility in the global economy. Despite this, the forecasts for 2020 for the construction industry have not changed fundamentally compared to the previous year. Although difficult to assess, the Corona virus might impact the global economy on the demand and the supply side. A market outlook – in particular for markets like China or Italy – is therefore very difficult. The following outlook is based on the assumption that the Corona virus will not have a longer lasting negative impact on the construction industry. Considering this, the global construction industry is supposed to remain largely stable, however, the individual countries will perform differently. In Europe, a continued positive – but inconsistent – market environment is expected on the whole. Growth in certain markets is expected to slow down, mainly as a result of the number of building permits in residential construction, which has fallen for the first time since 2013. Despite healthy demand, growth potential in Germany will remain limited due to capacity constraints of installers. In the Nordic Countries, the situation for the individual countries looks mixed, with at best a stagnating market environment overall. In Switzerland, a slight decline in the market is expected as a result of a weaker performance in residential construction. While the market environment in Austria is expected to remain positive, the construction industry in Italy and France is likely to stagnate. The Eastern European markets are predicted to perform differently, with a positive environment in Poland, stagnation in Russia and challenging conditions in Turkey. In the United Kingdom, the construction market is likely to stabilise following the downturns experienced in the past two years. In the Benelux Countries, solid growth is expected in Belgium, with a flat market trend forecast in the Netherlands due to stricter environmental regulations. In North America, a slight downturn is predicted in the institutional construction industry – which is important to Geberit's business in the US. In the Middle East/Africa region, the market environment in the Gulf region will be defined by the ongoing political instability and liquidity problems, which makes a prediction extremely difficult. For South Africa, forecasts are cautious as a result of the uncertain economic development. In the Far East/Pacific region, continued moderate growth is expected in the Chinese residential construction sector. Whilst growth expectations in building construction in India are limited by the lack of liquidity, a continued decline in the construction industry is likely in Australia. Increasing geopolitical risks and ongoing trade disputes mean that it remains very difficult to provide an outlook on the development of the raw material markets. As things currently stand, lower raw material prices are expected for the first quarter of 2020 compared to the fourth quarter of 2019.

The objective is to perform strongly in all markets and, as in previous years, to gain further market shares. To this end, a particular focus is to be placed on new products that have been introduced in recent years, on markets in which Geberit products or technologies are still under-represented, as well as on the further expansion of the shower toilet business making all together an important contribution to this. 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 2020. 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 possibilities offered as a result of combining technical know-how in sanitary technology "behind the wall" and design expertise "in front of the wall" will continue to be firmly seized. Focal points in 2020 will be the implementation of the digitalisation strategy and the continued brand harmonisation.

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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 29 production facilities, of which 6 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 3.1 billion in 2019. 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 2019

Millions of CHF	1/1 – 31/12/2019	1/1 – 31/12/2018
Net sales	3083	3081
Change in %	+0.1	+5.9
Change in %, currency-adjusted	+3.4	+3.1
Operating cashflow (EBITDA)	904	868
Change in %	+4.2	+5.7
Margin in % of net sales	29.3	28.2
Operating profit (EBIT)	757	744 1)
Change in %	+1.7	+5.4
Margin in % of net sales	24.5	24.2
Net income	647	626 1)
Change in %	+3.3	+3.7
Margin in % of net sales	21.0	20.3
Earnings per share (CHF)	17.97	17.21 1)
Change in %	+4.4	+4.7

	31/12/2019	31/12/2018
Equity	1899	1745
Equity ratio in %	51.0	49.8
Net debt	409	555
Number of employees	11,619	11,630

1) For better comparability with 2019 figures: adjusted for costs in connection with the Sanitec acquisition and integration

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