Half-Year Report as of 30 June 2020

Stable profitability despite crisis

Geberit AG, Rapperswil-Jona, 18 August 2020

In the first half of 2020, the business performance of the Geberit Group was impacted by the COVID-19 pandemic and negative currency developments. In the second quarter in particular, restrictions enforced due to COVID-19 resulted in a significant sales decline in the individual markets. Currency-adjusted net sales fell by 4.5% in the first six months of 2020. In Swiss francs, net sales decreased by 9.8%. Despite the decline in net sales, the operating cashflow margin increased by 70 basis points to 31.5%. Operating cashflow (EBITDA) fell by 7.8% to CHF 462 million. Net income dropped by 13.9% to CHF 315 million – with a reduction in return on net sales of 100 basis points to 21.4%. Based on the assumption that there will not be another wave of lockdowns as a result of COVID-19, Management expects currency-adjusted net sales in the second half of the year slightly below the level of the second half of 2019, and, for the full year 2020, an operating cashflow margin slightly below the previous year's level.

Consolidated sales

As previously announced on 6 July 2020, net sales at the Geberit Group decreased by 9.8% to CHF 1468 million in the first half of 2020. This includes negative currency effects totalling CHF 87 million. In local currencies, this figure fell by 4.5%. The second quarter saw a currency-adjusted decrease of 10.7%.

Net sales by market and product area

Since mid-March, the construction industry in Europe has been negatively impacted by the COVID-19 pandemic. In several countries – Italy, France, the United Kingdom and Spain – most construction sites remained closed for extended periods. Meanwhile, in the other countries, the restrictions enforced as a result of the pandemic led to a slowing of construction activities. Moreover, the majority of showrooms for sanitary products across Europe remained closed for around two months. This led to net sales developing on two different paths across the first six months of the year. The markets most seriously affected by the building site closures – the United Kingdom/Ireland (-34.1%), Italy (-25.1%), the Iberian Peninsula (-20.9%) and France (-19.2%) – recorded a significant currency-adjusted drop in net sales. Despite being also affected by restrictions enforced due to the pandemic, Germany (+2.9%), the Nordic Countries (+2.2%), Eastern Europe (+1.4%), Switzerland (+0.5%), Austria (+0.4%) and the Benelux Countries (+0.2%) saw growth in net sales. All in all, currency-adjusted net sales in Europe decreased by 3.3%. Outside Europe, construction activities were also hugely affected by the COVID-19 pandemic in some regions. As a result, there were also significant decreases in net sales in these regions: the Middle East/Africa (-25.9%), Far East/Pacific (-18.5%) and America (-5.4%).

In the product areas, net sales in local currencies decreased by 4.8% in Installation and Flushing Systems, 3.8% in Piping Systems and 4.6% in Bathroom Systems.

Despite the restrictions enforced due to COVID-19, the supply chain at Geberit remained largely intact during the first six months of the year.

Results
Results at all levels of the income statement were negatively impacted by negative currency effects and the sales decrease as a result of COVID-19. In Swiss francs, operating cashflow (EBITDA) fell by 7.8% to CHF 462 million. Despite the decline in net sales, the EBITDA margin increased from 30.8% in the first half of the previous year to 31.5%. This increase in the margin was mainly due to the fast and targeted implementation of cost containment measures as a result of the COVID-19 pandemic, the high levels of flexibility in production and logistics, lower raw material prices, natural currency hedging, and price increases. Thanks to these measures, it was also possible to compensate for the significant tariff-related increases in personnel expenses and additional investments in digitalisation initiatives. Operating profit (EBIT) fell by 10.5% to CHF 386 million. At 26.3%, the EBIT margin was slightly below the previous year (26.5%) as a result of higher depreciation due to increased investments made in previous years. Net income dropped by 13.9% to CHF 315 million, with a return on net sales of 21.4% (previous year 22.4%). The disproportionate decrease when compared with operating results is due to negative foreign currency effects in the financial result, and a higher tax rate. Earnings per share fell by 13.5% to CHF 8.77.

The reduction in free cashflow of 32.3% to CHF 174 million was due to a lower operating cashflow, the increase in net working capital and the very strong free cashflow in the previous year.

Financial situation
The Geberit Group's financial situation remains very solid. In order to additionally secure liquidity, a new CHF bond of CHF 300 million with a term of 2.5 years was taken up in the second quarter. When compared with the figures after the first six months of the previous year, net debt (debt less liquid funds) remained unchanged at CHF 773 million, while the equity ratio dropped slightly to 44.6% (previous year 46.1%).

The share buyback programme, launched on 6 June 2017, was completed in April 2020. During the programme, a total of around 1,030,000 shares, or 2.8% of the share capital currently entered in the Commercial Register, were acquired at a sum of CHF 440 million, CHF 116 million thereof in the first half of 2020.

The General Meeting of 1 April 2020 approved a dividend of CHF 11.30, a 4.6% increase over that of 2019. The payout ratio of 62.5% of net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors, thus continuing the shareholder-friendly distribution policy seen in previous years.

Number of employees
The Geberit Group employed 11,474 people worldwide at the end of June 2020 (11,619 at the end of 2019). This reduction was mainly due to the flexibility in production and logistics due to the lower demand. In contrast, there was an increase in employees in IT due to the support needed for digitalisation initiatives.

Investments in property, plant and equipment
CHF 55 million (previous year CHF 52 million) was invested in property, plant and equipment in the first six months of 2020. This equates to 3.7% of net sales (previous year 3.2%), with the bulk of this spending used for capacity expansions, for modernisations – thus laying the foundations for further improvements in production efficiency – and for new products.

R&D expenses
Research and development (R&D) expenditures amounted to CHF 38 million (previous year CHF 39 million), equalling 2.6% of net sales (previous year 2.4%).

Changes in the Board of Directors
At the General Meeting on 1 April 2020, Werner Karlen was elected as a new member of the Board of Directors at Geberit AG, replacing Thomas M. Hübner following his death in October 2019.

Outlook for the full year 2020
As a result of the ongoing uncertainties in relation to the COVID-19 pandemic, it remains very difficult to provide an outlook at present. Provided there is not another wave of lockdowns, Management expects the construction industry to continue to return to normal during the second half of the year. However, delayed or stopped projects – particularly in non-residential construction – and the temporary closure of the showrooms in the second quarter may have a negative impact on demand in the second half of 2020. Under these assumptions, Management expects currency-adjusted net sales in the second half of the year slightly below the level of the second half of 2019, and, for the full year 2020, an operating cashflow margin slightly below the previous year's level.

During the past few months, which have been strongly marked by the crisis, the resilience of the strategy and the business model, the short decision-making processes and the strong corporate culture have had a very positive effect. Thanks to its strong foundations and very solid balance sheet, Geberit will continue to pursue its strategic and operative priorities as before. There should be no compromises made when it comes to the existing strengths of the company, nor should any measures be taken that would harm its current position or future potential – such as a reduction in R&D efforts and budgets, for example. Management is convinced that the Geberit Group is well equipped and positioned to meet current and upcoming challenges in order to emerge stronger from the global economic crisis caused by the COVID-19 pandemic.

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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 30 June 2020

Millions of CHF	1/1 – 30/06/2020	1/1 – 30/06/2019
Net sales	1468	1627
Change in %	-9.8	-0.2
Change in %, currency-adjusted	-4.5	+3.1
Operating cashflow (EBITDA)	462	501
Change in %	-7.8	+3.3
Margin in % of net sales	31.5	30.8
Operating profit (EBIT)	386	431
Change in %	-10.5	+1.7
Margin in % of net sales	26.3	26.5
Net income	315	365
Change in %	-13.9	+0.9
Margin in % of net sales	21.4	22.4
Earnings per share (CHF)	8.77	10.14
Change in %	-13.5	+2.4

	30/06/2020	31/12/2019
Equity	1659	1899
Equity ratio in %	44.6	51.0
Net debt	773	409
Number of employees	11,474	11,619

Please visit our website www.geberit.com as well as our half-year report on www.geberit.com/halfyearreport for additional information.