Quarterly report as of 30 September 2020

Very good third quarter

Geberit AG, Rapperswil-Jona, 29 October 2020

In the first three quarters 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, although this was partially offset in the third quarter as a result of catch-up effects. Net sales in the first nine months fell by 5.0% in total to CHF 2262 million. After currency adjustments, this corresponds to a slight decrease of 0.4%. Results were declining due to negative currency effects. Operating cashflow (EBITDA) fell by 0.9% to CHF 726 million. Despite the decline in net sales, the operating cashflow margin increased by 130 basis points to 32.1%. Net income dropped by 6.0% to CHF 504 million – with a reduction in return on net sales of 20 basis points to 22.3%. For the full year 2020, Management expects currency-adjusted net sales slightly below previous year’s level and an EBITDA margin above previous year’s level.

Consolidated net sales

In the first nine months of 2020, net sales of the Geberit Group decreased by 5.0% to CHF 2262 million. This includes negative currency effects totalling CHF 110 million. In local currencies, the figure fell slightly by 0.4%.

Net sales in the third quarter reached CHF 794 million, which is equivalent to an increase of 5.3% in Swiss francs and a currency-adjusted increase of 8.5%.

Net sales by market and product area

In the first half of the year, the construction industry in Europe was negatively impacted by the effects of the COVID-19 pandemic from mid-March to May. In the third quarter, catch-up effects led to strong sales growth in virtually all European markets – including in the countries where the construction sites remained closed for extended periods. However, the visible development on two different paths caused by the different impacts seen in individual countries in the first six months of the year was still apparent after the third quarter. Germany (+5.8%), Austria (+4.8%), Eastern Europe (+3.7%), the Nordic Countries (+3.3%) and Switzerland (+2.7%) all saw pleasing growth in currency-adjusted net sales, although the Benelux Countries (-0.9%) saw a slight decline due to the strong results in the previous year. In contrast, the markets most seriously affected by the building site closures – the United Kingdom/Ireland (-22.1%), the Iberian Peninsula (-12.9%), Italy (-11.0%) and France (-10.4%) – still saw a continued, significant drop in currency-adjusted net sales after nine months. The negative impacts of the COVID-19 pandemic continued to be felt in regions outside Europe – in the Middle East/Africa (-18.8%), Far East/Pacific (-14.5%) and America (-1.5%).

In the product areas, net sales in local currencies decreased by 0.1% in Installation and Flushing Systems and 1.6% in Piping Systems, with a slight increase of 0.6% in Bathroom Systems.

Results
The first nine months of 2020 saw a decline in results due to negative currency effects. Results in local currencies remained stable or even increased at all levels of the income statement, despite the sales decrease as a result of COVID-19. In Swiss francs, operating cashflow (EBITDA) fell by 0.9% to CHF 726 million. The EBITDA margin increased to 32.1% (previous year 30.8%). This increase in the margin was mainly due the COVID-19 related cost savings, the high levels of flexibility in production and logistics, lower raw material prices, the 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 2.1% to CHF 613 million. At 27.1%, the EBIT margin was above the previous year (26.3%) despite higher depreciation due to increased investments made in previous years. Net income dropped by 6.0% to CHF 504 million, with a return on net sales of 22.3% (previous year 22.5%). The disproportionate decrease when compared with operating results is due to the higher tax rate. Earnings per share fell by 5.5% to CHF 14.06.

The reduction in free cashflow of 9.0% to CHF 454 million was due to a lower operating cashflow 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 nine months of the previous year, net debt (debt less liquid funds) decreased by CHF 42 million to CHF 511 million, while the equity ratio dropped slightly to 46.0% (previous year 49.1%).

The share buyback programme announced on 10 March 2020 was launched on 17 September 2020. Over a maximum period of two years, registered shares amounting to a maximum purchase value of CHF 500 million will be repurchased. Based on the closing price of Geberit registered shares on 15 September 2020, this corresponds to around 950,000 registered shares or 2.6% of the share capital currently entered in the Commercial Register. The registered shares are repurchased via a separate trading line on the SIX Swiss Exchange for the purpose of a capital reduction. The total amount repurchased since the start of the programme is not material.

Outlook for the full year 2020
As a result of the ongoing uncertainties in relation to the COVID-19 pandemic and the lack of visibility, it remains very difficult to provide an outlook. Following the catch-up effects seen in the third quarter, Management expects a weaker fourth quarter and thus, for the full year 2020, currency-adjusted net sales slightly below previous year and an operating cashflow margin above previous year.

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. Despite the significant uncertainties, 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 net 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 September 2020

Millions of CHF	1/1 – 30/09/2020	1/1 – 30/09/2019
Net sales	2262	2381
Change in %	-5.0	+0.4
Change in %, currency-adjusted	-0.4	+3.9
Operating cashflow (EBITDA)	726	732
Change in %	-0.9	+4.8
Margin in % of net sales	32.1	30.8
Operating profit (EBIT)	613	626
Change in %	-2.1	+3.2
Margin in % of net sales	27.1	26.3
Net income	504	536
Change in %	-6.0	+4.1
Margin in % of net sales	22.3	22.5
Earnings per share (CHF)	14.06	14.88
Change in %	-5.5	+5.5

	30/09/2020	31/12/2019
Equity	1837	1899
Equity ratio in %	46.0	51.0
Net debt	511	409
Number of employees	11,513	11,619

Please visit our website www.geberit.com for additional information.