Financial Overview

The annual report 2022/23 incorporates two changes in accounting principles, leading to a restatement of the previous period in comparison to last year's report:

- The revised Swiss GAAP FER "Consolidated Financial Statements" (FER 30) has already been adopted as of financial year 2022/23. The reassessment of accounting policies under the new standard resulted in a change in the accounting policy for goodwill. In order to increase transparency and comparability of acquired companies, goodwill is now capitalized and amortized in the income statement.
- From July 2022, dormakaba simplified its internal IT cost allocation principles in alignment with the Shape4Growth (S4G) corporate strategy. IT costs are now allocated to regions and functions by number of users, as a share of the total costs, increasing transparency in segment performance and the functional cost. In the past, charges to regions and functions were based on consumed services within a catalogue.

For more information, please refer to the "Consolidated Financial Statements Chapter 5.1 Change in accounting principles and restatement of previous period" section of this report.

The financial year 2022/23 was characterized by strong organic growth which was most pronounced in the Regions Americas, and Europe & Africa, and the Key & Wall Solutions segment. Asia Pacific continued to experience the effects of a slower development in China, where Covid-related lockdowns until January 2023 and cash constraints affected the construction industry. While supply chains recovered, inflationary pressure remained high in Europe and the US. Despite these headwinds, dormakaba was able to show a sequential improvement in profitability over the year, especially from the first to the second half of the financial year.

dormakaba increased absolute net sales by 3.3% to CHF 2,848.8 million in 2022/23 (previous year: CHF 2,756.9 million); organic sales increased by CHF 217.4 million, or 8.4% (impact from acquisitions & divestments: -0.5%, translation exchange effects: -4.0%). Absolute adjusted EBITDA increased by 3.4% to CHF 384.8 million (previous year: CHF 372.3 million); adjusted EBITDA margin remained at the level of the previous year at 13.5%. Net profit of CHF 88.5 million (previous year: CHF 38.8 million (restated)) was impacted by the change in goodwill accounting mentioned above, as well as by expenses linked to strategy implementation, including the conception of the S4G transformation program announced on 3 July 2023.

The transformation program represents an important step towards achieving better profitability and sustainable volume growth. It is designed to ensure that the company's mid-term financial targets are attained: annual organic sales growth of 3-5% for each future financial year, a 16% to 18% adjusted EBITDA margin achieved in 2025/26 financial year, and a ROCE of above 30% starting from the 2025/26 financial year. This program is projected to deliver estimated combined cost savings with a yearly run-rate basis of approximately CHF 170 million per year by the end of 2025/26. One-off costs of approximately CHF 225 million and a one-time additional CAPEX investment of around CHF 100 million in IT and operations will be incurred starting in 2023/24. The main impact on Items Affecting Comparability (IAC) will materialize in the same year. For 2022/23, there was an impact on items affecting comparability of CHF 59.0 million.

Sales

dormakaba increased absolute net sales by 3.3% to CHF 2,848.8 million in 2022/23 (previous year: CHF 2,756.9 million). Organic sales growth made the largest contribution (8.4%) to the overall sales increase, of which 6.9% represents pricing. In addition, portfolio adjustments (inorganic growth) added -0.5% to higher net sales, while currency translation effects had a negative impact of 4.0% on the top line.

Profitability

Absolute adjusted EBITDA increased by 3.4% and amounted to CHF 384.8 million (previous year: CHF 372.3 million). This includes a negative currency translation effect of CHF 14.6 million as well as a positive effect from acquisitions and divestments of CHF 9.4 million.

The gross margin for the reporting period was 39.9%, an increase on the previous year's level of 39.2% (restated). Strong realization of price increases offset inflationary pressure on raw materials and labor costs.

Continuing investment in strategy implementation, initial investment for the new transformation program, and increased sales and marketing activities impacted sales, marketing, and general administration costs. At CHF 767.3 million, these were above the previous year's level of CHF 715.3 million and represented 27.0% of sales.

The adjusted EBITDA margin for financial year 2022/23 was 13.5% (previous year: 13.5%). Profitability improved sequentially during the financial year (second half-year 2022/23: 14.0%, first half-year 2022/23: 13.0%). Due to higher sales volumes, tight cost management, and increased sales prices, which more than offset inflationary pressures including higher raw material, labor, and energy costs.

Total items affecting comparability amounted to CHF –118.5 million on EBIT (previous year: CHF –190.4 million, restated). These were mainly related to goodwill amortization and the implementation of the Shape4Growth strategy and included CHF 59.5 million depreciation and amortization (previous year: CHF 160.1 million), CHF 56.5 million in reorganization and restructuring expenses (previous year: CHF 32.1 million), and CHF 2.5 million in other exceptional items (previous year: CHF 0.3 million). Items affecting comparability did not include any gain or loss on divestment of businesses (previous year: CHF -2.1 million).

EBIT increased by CHF 86.0 million to CHF 189.0 million (previous year: CHF 103.0 million), and the EBIT margin was at 6.6% compared to 3.7% in the previous year.

Performance of Regions and Key & Wall Solutions

In financial year 2022/23, dormakaba continued to experience good demand in most markets, with price increase realization driving strong organic growth. Even better growth was impeded by labor shortages in key markets, especially in the service and installation business affecting the finalization of construction projects, and destocking activities in the door hardware business (door closers) which impacted sales in Europe in the first half of the financial year and in North America in the second half.

Organic sales growth in the **Region Americas** (North and South America) increased by 220 basis points to 10.5% in the financial year 2022/23. Growth was driven by continued recovery in the US commercial construction market (particularly in renovation and replacement), by good growth in hospitality and multi-housing, and by market share gains. The adjusted EBITDA margin of 18.6% (previous year: 17.5%) stemmed from better price realization and organizational efficiency gains from Shape4Growth initiatives. Margins were further supported by a favorable product mix.

Organic sales in **Region Asia Pacific** grew by 2.2% year-on-year, secured by good growth in the Pacific Area (including growth in the RELBDA business), as well as airport projects in China and India supporting overall sales. The project business in India showed strong sales in the first half of the financial year which more than compensated for weaker growth in China where the economy still suffered under restricted investment and cautious consumer expenditure stemming from Covid-19. The adjusted EBITDA margin was 16.2% (previous year: 17.6%). The region showed good price realization but volumes stagnated and plant outputs in Asia Pacific decreased, resulting in a negative impact on EBITDA.

Organic sales for **Region Europe & Africa** grew by 8.0% year-on-year. All markets except France and Sub-Sahara experienced strong growth and good price realization despite continuing project delays due to external construction site activity being low. The adjusted EBITDA was 18.8% (previous year: 20.3%). Higher sales volumes and price increases could not fully offset the negative impact of lower plant utilization in door hardware due to destocking activities.

Organic sales in **Key & Wall Solutions** experienced double-digit growth of 12.1% year-on-year. Organic sales of 24.0% for Business Unit Movable Walls resulted mainly from exceptional performance in the US supported by market share gains due to changes in the local competitive landscape. Business Unit Key Systems experienced organic sales growth of 3.9% year-on-year. The adjusted EBITDA margin for the segment was 18.0% (previous year: 13.8%). Both Business Units contributed to the increase in EBITDA margin with most of the growth stemming from Movable Walls.

Financial result, profit before taxes, and income taxes

The net financial result for the financial year 2022/23 amounted to CHF −47.4 million (previous year: CHF −28.4 million) due to higher interest rates in 2022/23.

Profit before taxes increased to CHF 142.2 million (previous year: CHF 74.9 million). Income taxes for the financial year increased to CHF 53.7 million (previous year: CHF 36.1 million). The effective income tax rate of 37.8%, (previous year: 48.5%) is significantly impacted by the amortization of goodwill.

Net profit

dormakaba closed the financial year 2022/23 with a net profit of CHF 88.5 million (previous year: CHF 38.8 million). Based on an unchanged dividend policy that aims to maintain a minimum payout ratio of 50% of consolidated net profit after minority interests, the Board of Directors proposes that CHF 9.50 per share be paid out for financial year 2022/23 (previous year: CHF 11.50), corresponding to a payout ratio of 51.9%.

Cash flow and balance sheet

Cash flow from operations increased to CHF 363.4 million (previous year: CHF 188.4 million) mainly resulting from tight net working capital management, focusing on inventories and trade receivables. As a result, inventories decreased by 9.2% to CHF 487.7 million (previous year: CHF 537.0 million), and accounts receivables totaled to CHF 461.2 million (previous year: CHF 482.8 million).

Net cash from operating activities of CHF 288.4 million (previous year: CHF 127.3 million) represented a good operating cash flow margin of 10.1% (previous year: 4.6%). Cash flow from investing activities of CHF −111.8 million (previous year: CHF −158.9 million) was mainly driven by investments in property, plant, and equipment totaling CHF 61.5 million (previous year: CHF 52.7 million). Cash flow from financing activities amounted to CHF −177.8 million (previous year: CHF −0.4 million) resulting from repayments of current borrowings.

As a result, free cash flow recovered to CHF 176.6 million, significantly above the previous year (CHF −31.6 million).

As of 30 June 2023, total assets stand at CHF 1,946.5 million. Of these current assets, cash and cash equivalents amount to CHF 122.1 million, while inventories stand at CHF 487.7 million (25.1% of total assets; previous year: 25.9%); trade receivables decreased to CHF 461.2 million (23.7% of total assets; previous year: 23.3%). Non-current assets consist mainly of property, plant, and equipment worth CHF 398.1 million (20.5% of total assets; previous year: 19.8%).

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Five-year performance overview

Total liabilities at financial year-end totaled CHF 1,611.9 million (82.8% of total assets; previous year: 82.6%), of which CHF 320.1 million is accounted for by the corporate bond due in October 2025. A CHF 275.0 million Swiss domestic bond was issued in October 2022. With the collected funds and own cash on hand, the CHF 300 million “bridge to bond” credit facility with a major Swiss bank that was secured in June 2022 was fully repaid.

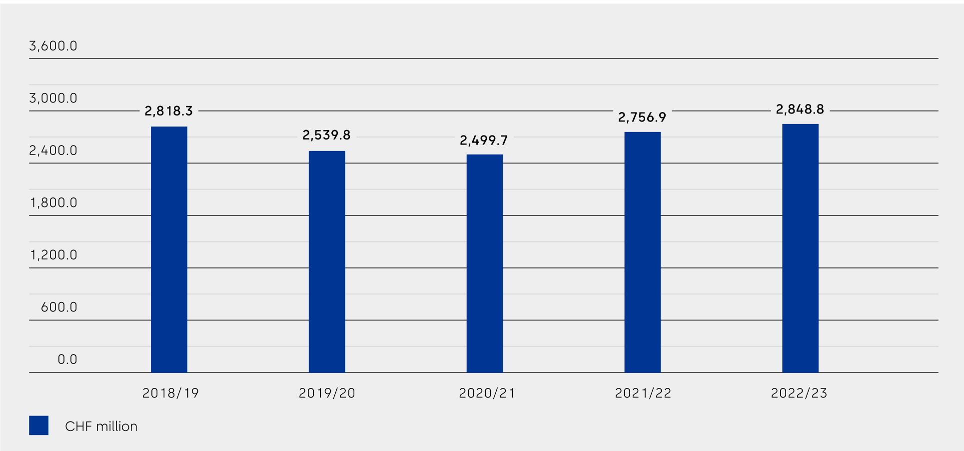
Net financial debt decreased by CHF 111.2 million to CHF 596.9 million as of 30 June 2023 (previous year: CHF 708.1 million). Financial leverage, defined as net debt relative to adjusted EBITDA, was 1.6x (30 June 2022: 1.9x net debt/adjusted EBITDA). The company fully complies with the syndicated credit facility covenant.

As of 30 June 2023, the company’s equity stands at CHF 334.6 million, which represents an equity ratio of 17.2% (previous year: CHF 360.6 million or 17.4%).

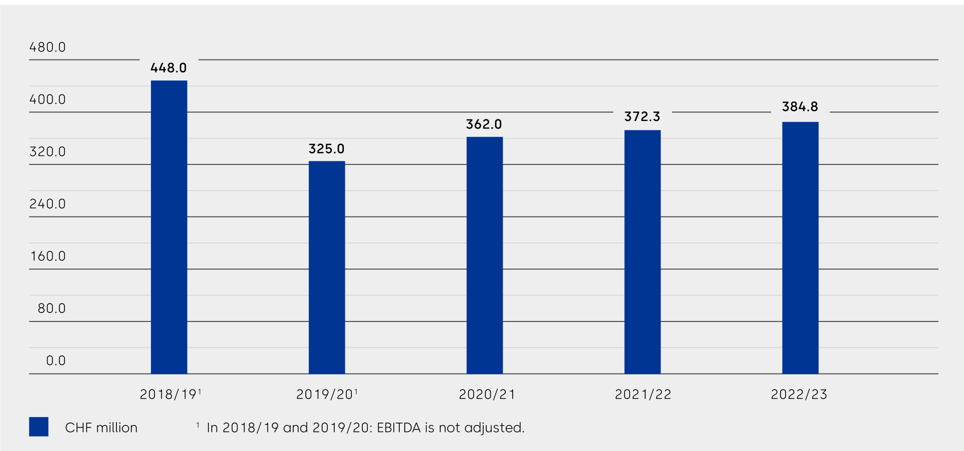
Currency effects

During the financial year 2022/23, the average euro exchange rate against the Swiss franc decreased by 6.5% from 1.050 to 0.982. The average Swiss franc exchange against the US dollar rose slightly from 0.932 to 0.939. Most other major currencies appreciated against the Swiss franc, including the Canadian dollar by 4.8%, the British pound by 9.0%, and the Chinese renminbi by 6.2%. Currency translation had a negative impact of CHF 109.2 million on net sales and a negative impact of CHF 14.6 million on adjusted EBITDA.

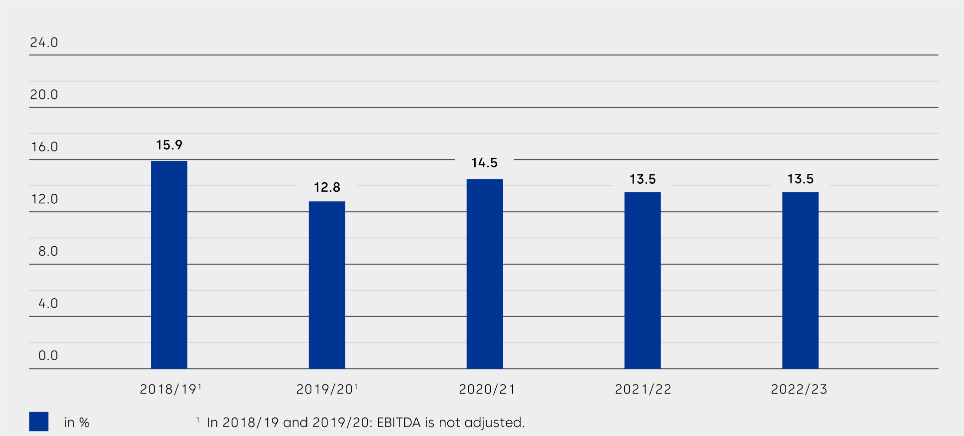
Sales



Adjusted EBITDA

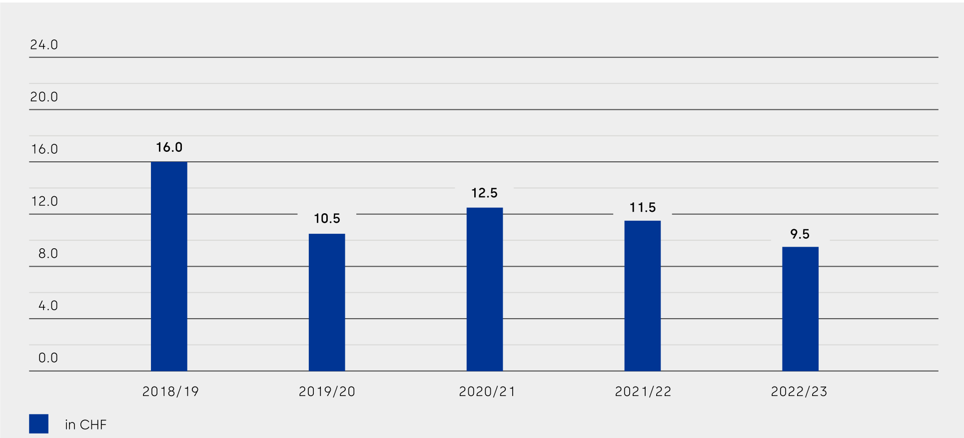


Adjusted EBITDA margin



[1] In 2018/19 and 2019/20: EBITDA is not adjusted.

Dividend per share

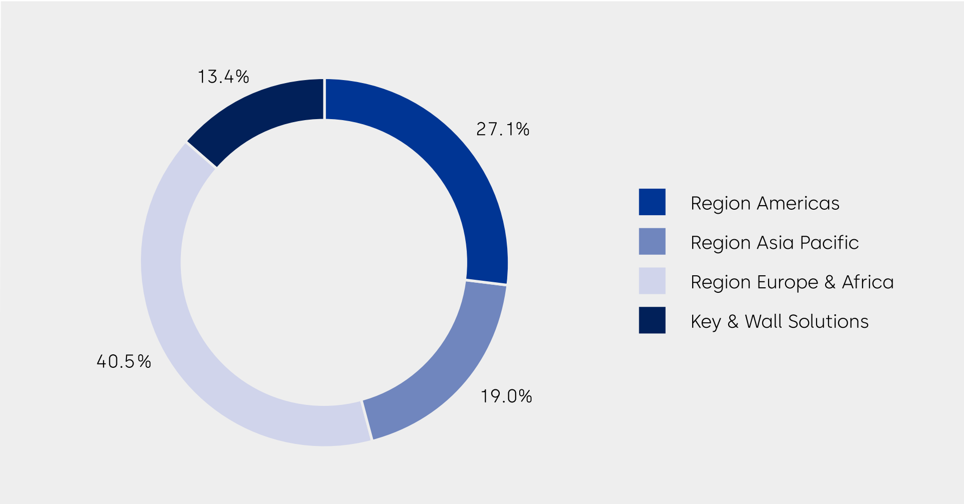


Key figures

CHF million, except where indicated	Financial year ended 30.06.2023	%	Financial year ended 30.06.2022 (restated)[2]	%
Net sales	**2,848.8**		**2,756.9**	
Change in sales	91.9	3.3	257.2	10.3
Of which translation exchange difference	–109.2	–4.0	–3.0	–0.1
Of which acquisition impact	33.9	1.3	90.4	3.7
Of which divestment impact	–50.2	–1.8	–20.9	–0.8
Of which organic sales growth	**217.4**	**8.4**	**190.7**	**7.7**
Adjusted EBITDA (Operating profit before depreciation and amortization)	**384.8**	**13.5**	**372.3**	**13.5**
Adjusted EBIT (Operating profit)	**307.5**	**10.8**	**293.4**	**10.6**
Profit before taxes	142.2	5.0	74.9	2.7
Net profit	88.5	3.1	38.8	1.4
Dividend per share (in CHF)[1]	9.5		11.5	
Other key figures				
Total assets	1,946.5		2,071.9	
Net debt	596.9		708.1	
Market capitalization	1,683.0		1,740.3	
Average number of full-time equivalent employees	15,519		15,495	

1 Financial year ended 30.06.2023: proposal to the Annual General Meeting; distribution of an equal share from the reserves from capital contributions and from statutory retained earnings.
2 dormakaba changed the choice of accounting policies for goodwill accounting. To enable a fair comparison with the current year, the prior-year disclosures have been restated. Please refer to the chapter 5.1 of the notes to the consolidated financial statements of the Annual Report 2022/23 of dormakaba.

Third-party sales by segments



Adjusted EBITDA contribution by segments (in % of total main segment adjusted EBITDA)