Overview

In the first half of financial year 2020/21, dormakaba was able to improve its performance and to outperform the second half of the previous financial year both in terms of sales development and EBITDA. The strong focus on cash as well as benefits resulting from the company's cost savings and restructuring program introduced in the previous financial year were key drivers for the company's ability to compensate for the continued negative impact of the Covid-19 pandemic on sales, to protect its EBITDA margin and to improve cash flow. As a result, the company recorded an EBITDA margin of 14.8% which was only 0.7 percentage points below the previous year despite a decline in organic growth of 6.0% due to the pandemic. In addition, cash flow from operations improved to CHF 233.6 million compared to CHF 192.1 million in the previous year.

Despite a continued negative impact due to the pandemic, markets overall saw a good sequential improvement, which nevertheless strongly correlated from country to country depending on the severity of the pandemic and related government measures and restrictions.

Already in the fourth quarter of the previous financial year 2019/20, dormakaba initiated a Group-wide cost savings and restructuring program to address the negative impact of the pandemic on business activities and to maintain operational efficiency and financial stability. Planned measures included a sizeable headcount reduction of up to 1,300 full-time equivalents, mainly in manufacturing in Asia and the Americas, to adjust capacities to the lower demand. Most of these measures were already executed by 31 December 2020, including a headcount reduction of around 1,100 full-time equivalents. The program, which was initially dilutive to EBITDA in the fourth quarter of the previous financial year, had a net positive impact on EBITDA in the period under review. Some parts of the business are recovering faster than expected in the scenario upon the restructuring and cost saving program was based; therefore, dormakaba has started to selectively build up its workforce in certain areas.

CHF 1,227.5 million

consolidated net sales

CHF 181.9 million

EBITDA

14.8%

EBITDA margin

Sales

In the first half of financial year 2020/21, dormakaba achieved consolidated net sales of CHF 1,227.5 million (previous year CHF 1,385.7 million), which represents a year-on-year decline of 11.4%. Organic sales decreased by 6.0% year-on-year, however improved 8.3 percentage points compared to the second half of the previous financial year. The overall decline in sales includes a strong negative currency translation effect of –5.5%, or CHF –76.2 million, due to the ongoing strength of the Swiss franc against major currencies. Acquisitions and divestments had a 0.1% positive effect compared to the previous year.

Profitability

In line with the development of the pandemic and its impact on volumes, profitability of dormakaba was below previous year's level which was reflected in both a slightly lower gross margin and a lower EBITDA margin. The gross margin for the reporting period was 41.7% (previous year 42.5%).

Group EBITDA amounted to CHF 181.9 million (previous year CHF 214.1 million) and the EBITDA margin stood at 14.8% (previous year 15.5%); while this represents a year-on-year decline, the figures improved significantly compared to the second half of the previous financial year (CHF 110.9 million, 9.6%). EBITDA includes a negative currency translation effect of CHF –13.2 million due to the strong Swiss franc. The relatively stable EBITDA margin despite the Covid-19-related volume decline was due to improvements in operational efficiencies, effective cost management, procurement savings, and to the reduction of personnel expenses. The latter was supported by the Group-wide cost savings and restructuring program to address the negative impact of the pandemic on business activities and to maintain operational efficiency and financial stability. In addition, exceptional one-time items in the period under review amounted to CHF 6.6 million and thus had a positive impact of 0.5 percentage points on the EBITDA margin.

EBIT decreased by CHF 33.9 million to CHF 144.2 million (previous year CHF 178.1 million), consequently the EBIT margin stood at 11.7% (previous year 12.9%).

The business performance of all segments showed sequential improvement compared to the second half of the previous financial year. However, due to the impact of the Covid-19 pandemic, organic growth was below previous year. Organic sales at Access Solutions (AS) EMEA and AS DACH was only slightly below the first half of financial year 2019/20, with third-party sales in Germany, Switzerland, Austria, the Netherlands, Norway, and Denmark even rising above previous year's level. Both AS DACH and AS EMEA increased their EBITDA margin compared to the first half of financial year 2019/20. There was still a pronounced negative Covid-19 impact on sales at AS AMER, AS APAC, and Key & Wall Solutions. The EBITDA margin of AS AMER declined as cost savings could not compensate the impact of volume contraction and increasing cost of commodities. AS APAC was able to almost keep its EBITDA margin on previous year's level despite a double-digit decline in volume. Key & Wall Solutions even improved its EBITDA margin by 0.7 percentage points despite a nearly double-digit decline in organic sales.

Financial result, profit before taxes, and income taxes
The net financial result for the reporting period improved to CHF –14.4 million compared to CHF –21.0 million in the previous year. This was due to the pandemic-related crisis management focus on "cash is king" and a lower interest environment. The "cash is king" initiative was launched in the second half of financial year 2019/20 and includes comprehensive credit and collection management as well as reduced investment spending enabling consistent deleveraging. Profit before taxes decreased to CHF 129.8 million in the period under review (previous year CHF 157.1 million). Income taxes for the reporting period amounted to CHF 29.9 million, resulting in an effective income tax rate of 23.0% compared to 24.0% in the previous year. The lower income tax expense was a result of country profit mix as well as several smaller positive one-time impacts.

Net profit
dormakaba closed the first half of financial year 2020/21 with a net profit of CHF 99.9 million (previous year CHF 119.4 million). The positive effects of a lower income tax rate and the improved financial result were able to partially offset the reduced operating performance due to the pandemic. Net profit after minority interests was at CHF 52.3 million (previous year CHF 61.3 million).

Cash flow and balance sheet
Cash flow from operations amounted to CHF 233.6 million due to improvements in working capital management (previous year CHF 192.1 million). Free cash flow of CHF 153.3 million was above previous year (CHF –52.7 million) due to the strong operating cash flow; the previous year's free cash flow included sizeable acquisitions. Cash flow from investing activities of CHF –41.0 million was driven by lower capital expenditures of CHF –30.8 million (previous year CHF –50.2 million) in property, plant, and equipment and intangible assets, which represent 2.5% of sales (previous year 3.6%). Cash flow from financing activities of CHF –214.1 million includes the dividend payments to company shareholders as well as to minority shareholders in total of CHF 83.4 million.

This continued positive cash flow development can be attributed to the early measures taken in spring 2020 to focus on a "cash is king" principle during the pandemic, resulting in a strong reduction of the company's net debt to CHF 556.3 million (previous year CHF 836.1 million). Consequently, leverage (ratio of net debt to half-year EBITDA x2) improved to 1.5x (full year ended 30 June 2020: 2.1x), despite the challenging economic environment due to the pandemic. Furthermore, in the period under review, dormakaba has secured a new five-year CHF 525 million syndicated credit facility with favorable and improved terms and conditions, which is a strong indicator of financial flexibility and stability. The loan agreement includes interest rate-relevant sustainability objectives, reinforcing our strategic goals and our commitment to fulfil important ESG criteria.

As of 31 December 2020, total assets were at CHF 1,721.1 million. Within current assets, cash and cash equivalents amounted to CHF 138.0 million; inventories stood at CHF 414.2 million (24.1% of total assets; previous year 24.8%), and trade receivables at CHF 375.2 million (21.8% of total assets; previous year 25.4%). Non-current assets consisted mainly of property, plant, and equipment worth CHF 428.8 million (25.0% of total assets; previous year 25.1%).

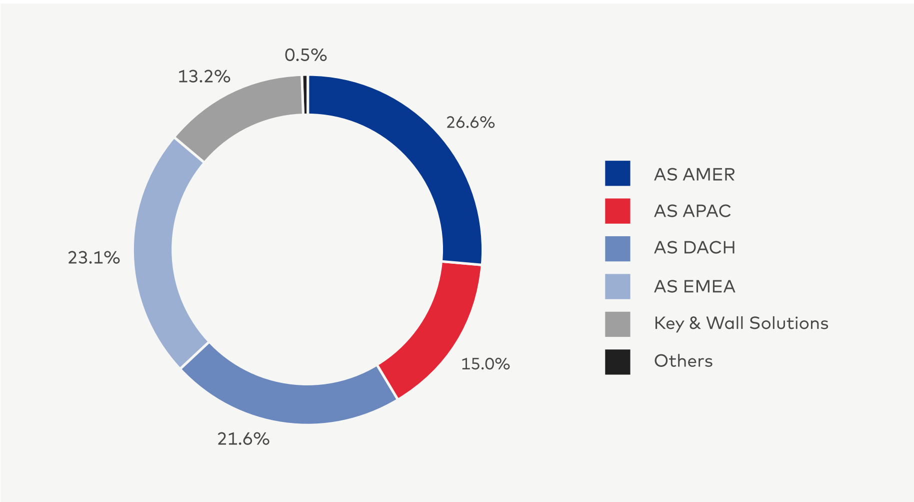
Total liabilities were at CHF 1,545.5 million (89.8% of total assets; previous year 94.1%), of which CHF 680.3 million reflects the two corporate bonds due in 2021 and 2025. Net financial debt decreased to CHF 556.3 million (30 June 2020: CHF 667.7 million, 31 December 2019: CHF 836.1 million). The decrease was related to the higher cash generated from operations, lower investment spending and to lower dividend payments for the financial year 2019/20. dormakaba's equity increased to CHF 175.6 million as of 31 December 2020, with an equity ratio of 10.2% (CHF 110.4 million or 5.9% as of 31 December 2019).

Currency effects
In the first half of financial year 2020/21 all major currencies for dormakaba depreciated against the Swiss franc compared to previous year. The average Euro exchange rate against the Swiss franc fell by 1.8% year-on-year from CHF 1.0961 to CHF 1.0765, the US dollar fell by 7.7% from CHF 0.9880 to CHF 0.9118, the Australian dollar by 2.5%, the British pound by 4.3% and the Chinese renminbi by 4.1%. Therefore, the currency translation had an overall negative impact on net sales and operational profitability.

Key figures

CHF million, except where indicated	Reporting half-year ended 31.12.2020	%	Reporting half-year ended 31.12.2019	%
Net sales	1,227.5		1,385.7	
Change in sales	–158.2	–11.4	–10.8	–0.8
Of which translation exchange difference	–76.2	–5.5	–28.4	–2.1
Of which acquisition (disposal) impact	1.0	0.1	7.1	0.5
Of which organic sales growth	**–83.0**	**–6.0**	**10.5**	**0.8**
Operating profit before depreciation and amortization (EBITDA)	**181.9**	**14.8**	**214.1**	**15.5**
Operating profit (EBIT)	**144.2**	**11.7**	**178.1**	**12.9**
Profit before taxes	129.8	10.6	157.1	11.3
Net profit	99.9	8.1	119.4	8.6
Other key figures				
Total assets	1,721.1		1,878.2	
Net debt	556.3		836.1	
Market capitalization	2,093.5		2,877.7	
Average number of full-time equivalent employees	15,006		15,746	

Third-party sales by segments



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