Overview

In the first half of financial year 2021/22, dormakaba improved its performance as measured by net sales, adjusted EBITDA and net profit. The company recorded organic sales growth of 6.6%, an adjusted EBITDA of CHF 193.5 million (previous year CHF 179.3 million), and net profit of CHF 100.6 million (previous year CHF 99.9 million). The corresponding adjusted EBITDA margin was 14.3% (previous year 14.6%).

6.6%
organic sales growth

CHF 193.5 million
adjusted EBITDA

14.3%
adjusted EBITDA margin

dormakaba experienced good demand in most of its markets with promising order intakes and order backlogs across all segments. Growth was supported by continued strong recovery in the Asian business and an improvement in the US commercial construction market, particularly in renovation and replacement. There was continued demand in Europe.

Adverse effects related to the global Covid-19 pandemic continued to impact the business environment. These included labor shortages and a scarcity of electronic components, which adversely affected the finalization of construction projects. dormakaba will continue to focus in particular on sales price increases to compensate for higher raw material, freight and labor costs.

On 15 November 2021, dormakaba announced its new strategy "Shape4Growth", as well as new mid-term targets. Shape4Growth will enable dormakaba to accelerate profitable growth by focusing on the company's core businesses in commercial access solutions, as well as on core markets and customer-centricity. With the implementation of Shape4Growth, the company expects to achieve annual organic sales growth of 3% to 5% from financial year 2021/22 onwards, as well as an adjusted EBITDA margin of 16% to 18% and a ROCE (Return on Capital Employed) above 30%, both from financial year 2023/24 onwards.

As the second half of financial year 2021/22 gets underway, dormakaba has started to implement Shape4Growth and to transition into the new operating model, which will change the organizational setup as well as financial reporting going forward. On 1 January 2022, dormakaba shifted its operating model to three customer-centric regions and sales organizations for Access Solutions – Americas, Asia Pacific, and Europe & Africa. The previous segments AS DACH and AS EMEA are being merged accordingly, and the Middle East region will be consolidated into Asia Pacific as of 1 January 2022.

Sales
In the first half of financial year 2021/22, dormakaba achieved net sales of CHF 1,349.6 million (previous year CHF 1,227.5 million), which represents a year-on-year increase of 10.0%. Organic sales increased by 6.6% year-on-year and contributed most to sales growth. In addition, positive currency translation effects of 0.9%, or CHF 11.1 million, as well as acquisition and divestment effects of 2.5%, or CHF 30.4 million, contributed to higher net sales.

Profitability
The recovery in organic growth and associated higher volumes were also reflected in a higher adjusted EBITDA, which excludes items affecting comparability. Adjusted EBITDA increased by 7.9% and amounted to CHF 193.5 million (previous year CHF 179.3 million). It includes a positive currency translation effect of CHF 3.1 million, as well as a positive effect from acquisitions and divestments of CHF 5.5 million.

The gross margin and adjusted EBITDA margin were below the previous year. The gross margin for the reporting period was at 40.8% (previous year 41.7%). The adjusted EBITDA margin was 14.3% (previous year 14.6%) due to the impact of higher raw material and freight costs, as well as product mix effects, which more than offset the positive effects from higher volume, sales price increases, and cost management initiatives. dormakaba already increased sales prices by around 2% in the first half of financial year 2021/22 and is on schedule to increase them further in the second half-year to compensate for increased raw material, freight, and labor costs.

Items affecting comparability of CHF 12.4 million (previous year CHF –2.6 million) were mainly related to the preparation and implementation of the new Shape4Growth strategy. These included CHF 14.0 million in reorganization and restructuring expenses (previous year CHF 4.1 million), a CHF 1.7 million gain on divestment of businesses (previous year CHF 0.0 million), and CHF 0.1 million in other exceptional items (previous year CHF –6.7 million).

EBIT decreased by CHF 1.8 million to CHF 142.4 million (previous year CHF 144.2 million), and the EBIT margin was at 10.6% compared to 11.7% in the previous year.

While the development of the adjusted EBITDA margin varied, there was organic sales growth across all segments.
Organic sales in AS AMER (North and South America) increased by 5.7% in the first half of financial year 2021/22 compared to the previous year. Growth was driven by the recovery of the US commercial construction market. The adjusted EBITDA margin of 16.7% (previous year 17.7%) was impacted by higher raw material and freight costs as well as labor cost inflation. Mesker, the hollow metal door business, continues to dilute the segment's adjusted EBITDA margin by 230 basis points (previous year 140 basis points).

Organic sales in AS APAC grew by 20.0% year-on-year, driven by some catch-up demand compared to the previous year, when the industry was faced with even more Covid-19-related project delays. The adjusted EBITDA margin was 13.4% (previous year 14.7%). The lower margin was caused by a negative product mix resulting from strong sales in the lower margin OEM business (Wah Yuet) and by some low-gross-margin projects in India and Southeast Asia.

Organic sales for AS DACH grew by 8.6% year-on-year thanks to good growth in Germany and Austria. Strong double-digit growth was realized by the Services and Entrance Systems Product Clusters. The adjusted EBITDA margin improved to 18.2% from the previous year's 17.1%. This positive development was driven by higher sales volumes, increased sales prices and further progress on plant efficiencies.

Organic sales in AS EMEA grew by 6.7% compared to the previous year. All regions showed good organic sales growth. The adjusted EBITDA margin declined slightly, by 0.4 percentage points to 9.1%, as volume growth and sales price increases could not entirely offset raw material and freight cost inflation.

Organic sales in Key & Wall Solutions grew by 2.6% year-on-year. There was good organic growth for Business Unit Key Systems (9.9%). Due to continued delays in the release of orders and project delays resulting from the limited availability of workers across the construction market, organic sales for Business Unit Movable Walls were lower than in the previous year (–6.7%). The adjusted EBITDA margin for the segment was 12.8% (previous year 15.7%) as Business Unit Key Systems was not able to fully offset the margin decline at Business Unit Movable Walls.

Financial result, profit before taxes, and income taxes
The net financial result for the reporting period improved by 18.1% to CHF –11.8 million (previous year CHF –14.4 million) due to a more favorable interest rate environment.

Profit before taxes increased to CHF 130.6 million (previous year CHF 129.8 million). Income taxes for the reporting period amounted to CHF 30.0 million (previous year CHF 29.9 million). The effective income tax rate came to 23.0% and was in line with the previous year (23.0%).

Net profit
dormakaba closed the first half of financial year 2021/22 with a net profit of CHF 100.6 million (previous year CHF 99.9 million), an increase of 0.7% despite the costs for the preparation and implementation of the new Shape4Growth strategy and other items affecting comparability. These costs were more than offset by the recovery in the operating performance and a better net financial result. Net profit after minority interests increased to CHF 52.4 million (previous year CHF 52.3 million).

Cash flow and balance sheet
Cash flow from operations decreased to CHF 87.7 million (previous year CHF 233.6 million). The reduction on the previous year is due to an increase in net working capital, particularly a rise in inventories due to higher volumes, safety stock for electronic components and certain other raw materials, higher goods in transit due to freight issues, and higher raw material prices.

Net cash from operating activities stood at CHF 49.3 million (previous year CHF 194.3 million), representing a low operating cash flow margin of 3.7% (previous year 15.8%).

Cash flow from investing activities of CHF –103.2 million (previous year CHF –41.0 million) was driven by acquisitions totaling CHF 80.7 million (previous year CHF 5.7 million).

Cash flow from financing activities amounted to CHF 0.5 million (previous year CHF –214.1 million). This includes dividend payments to company shareholders of CHF 52.2 million as well as to minority shareholders of CHF 44.8 million (in total CHF 97.0 million, previous year CHF 83.4 million).

As a result, the free cash flow figure of CHF –53.9 million was below the previous year's (CHF 153.3 million).

As of 31 December 2021, total assets stand at CHF 1,831.0 million. Within current assets, cash and cash equivalents amount to CHF 98.2 million, while inventories stand at CHF 507.7 million (27.6% of total assets; previous year 24.1%); trade receivables increased to CHF 429.7 million (23.5% of total assets; previous year 21.8%). Non-current assets consist mainly of property, plant, and equipment worth CHF 417.1 million (22.8% of total assets; previous year 25.0%).

Total liabilities come to CHF 1,691.2 million (92.4% of total assets; previous year 89.8%), of which CHF 320.2 million is accounted for by the corporate bond due in October 2025. The bond maturing in October 2021 was fully refinanced by the syndicated credit facility. The financial debt profile will be reviewed for diversification potential in the near future both in terms of maturities and instruments. Net financial debt increased by CHF 152.0 million to CHF 708.3 million as of 31 December 2021 (previous year CHF 556.3 million). Financial leverage, defined as net debt relative to adjusted EBITDA, is 1.9x and has remained constant (31 December 2020: 1.9x net debt/adjusted EBITDA).

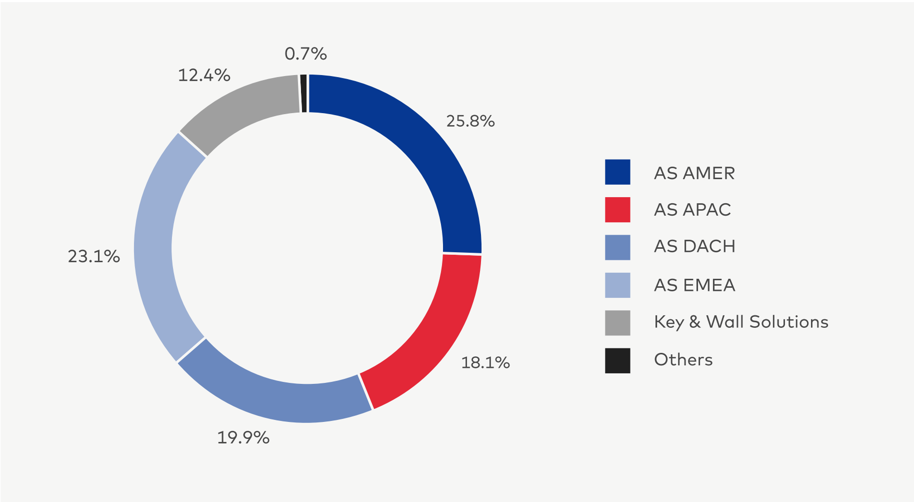
The company's equity stands at CHF 139.8 million as of 31 December 2021, which represents an equity ratio of 7.6% (previous year CHF 175.6 million or 10.2%). The change in equity is mainly due to acquisition-related goodwill, which has been entirely offset against equity.

Currency effects
In the first half of financial year 2021/22 the average euro exchange rate against the Swiss franc decreased by 0.8% year-on-year from 1.0765 to 1.0683. The average Swiss franc exchange against the US dollar rose by 0.9% from 0.9118 to 0.9200. Compared to previous years, most other major currencies appreciated against the Swiss franc, including the Canadian dollar by 5.5%, the British pound by 5.3%, and the Chinese renminbi by 6.2%. Currency translation had an overall positive impact of CHF 11.1 million on net sales and of CHF 3.1 million on adjusted EBITDA.

Key figures

CHF million, except where indicated	Reporting half-year ended 31.12.2021	%	Reporting half-year ended 31.12.2020	%
Net sales	1,349.6		1,227.5	
Change in sales	122.1	10.0	–158.2	–11.4
Of which translation exchange difference	11.1	0.9	–76.2	–5.5
Of which acquisition (disposal) impact	30.4	2.5	1.0	0.1
Of which organic sales growth	**80.6**	**6.6**	**–83.0**	**–6.0**
Adjusted EBITDA (Operating profit before depreciation and amortization)	**193.5**	**14.3**	**179.3**	**14.6**
Adjusted EBIT (Operating profit)	**154.8**	**11.5**	**141.6**	**11.5**
Profit before taxes	130.6	9.7	129.8	10.6
Net profit	100.6	7.5	99.9	8.1
Other key figures				
Total assets	1,831.0		1,721.1	
Net debt	708.3		556.3	
Market capitalization	2,520.8		2,093.5	
Average number of full-time equivalent employees	15,304		15,006	

Third-party sales by segments



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