Dear Shareholders,

dormakaba posted overall good results for the first half of financial year 2021/22 with strong organic sales growth and slightly higher net profit; the adjusted EBITDA increased while the adjusted EBITDA margin was lower than in the comparable period of the previous year.

Riet Cadonau, Chairman

Jim-Heng Lee, CEO

Our performance benefited from good demand in most of our markets with promising order intakes and order backlogs for all segments. Growth was supported by strong business in our Asian markets and an improvement in the US commercial construction market, particularly in renovation and replacement. We also saw continued demand in Europe. While the overall market environment was positive, labor shortages and supply challenges, particularly for electronic components, continue to be areas of concern as they adversely affect the finalization of many construction projects. Thanks to a proactive pricing policy, dormakaba could largely offset raw material inflation, as well as higher costs for freight and labor. With a robust process in place, we are better able to offset these factors with additional sales price increases going forward.

dormakaba is well-positioned in an attractive industry. New trends such as the repurposing of buildings due to urbanization and in building technology, as well as towards touchless, mobile, and integrated solutions are generating many opportunities – for our customers, for end consumers and for us as an innovative global solution provider for secure, seamless, and sustainable access solutions. Our vision is to become the trusted partner worldwide for safe, secure, and sustainable places where people can move seamlessly. EntriWorX is a great example of how we are positioning ourselves: as a problem-solving partner that provides integrated offerings and ecosystems for the benefit of planners, architects, and facility managers alike.

In the period under review, we were able to win tenders for numerous prestigious projects, such as THE FACE Suites in Kuala Lumpur (Hotel & Residences), the Accenture Tower in Chicago (Offices) and the Acibadem Atasehir Hospital in Istanbul (Access Systems/ Electronic Access & Data), to name just a few. We are also advancing our business and driving market accessibility through new partnerships. These include a pilot project for new self-screening airport gates in the US (with our partners Vanderlande and Rohde & Schwarz), and a partnership with Latch, a leading US-based provider of building management solutions. By combining our cloud-based access management system resivo with the LatchOS enterprise software-as-a-service (SaaS) platform, the partnership is creating an attractive value proposition for managed residential buildings in Europe.

On 15 November 2021, dormakaba presented its new vision, strategy, and mid-term targets to the public. Our new strategy called "Shape4Growth" will accelerate profitable growth through focus: focus on the company's core businesses in commercial access solutions, focus on core markets, and focus on customer-centricity. dormakaba will achieve differentiation through digitalization and its contribution to sustainability.

Shape4Growth will be implemented under the leadership of our new CEO Jim-Heng Lee, who assumed his role on 1 January 2022, succeeding Sabrina Soussan who stepped down at the end of December 2021. Jim-Heng Lee joined dormakaba in 2014 and has been a member of the Executive Committee since that time. His former area of responsibility, the Access Solutions Asia-Pacific segment, has achieved several very remarkable results over the past almost eight years, including steady and strong profitable growth. His many years of success in the industry and his vast market and customer experience give him a great foundation to drive the execution of our new growth strategy together with his leadership team.

Business and financial performance

In the first half of financial year 2021/22, dormakaba improved its performance as measured by net sales, adjusted EBITDA, and net profit. We recorded organic sales growth of 6.6%, increased the adjusted EBITDA by 7.9% to CHF 193.5 million (previous year CHF 179.3 million) and posted a slightly higher net profit of CHF 100.6 million (previous year CHF 99.9 million). The corresponding adjusted EBITDA margin was with 14.3% below 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.

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 a recovery of the US commercial construction market. The adjusted EBITDA margin was at 16.7% (previous year 17.7%) and was impacted by higher raw material and freight costs as well as labor cost inflation.

Organic sales at AS APAC grew by 20.0% year-on-year. This increase was 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 and some low-gross-margin projects.

Organic sales at AS DACH grew by 8.6% year-on-year thanks to good growth in Germany and Austria. 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 in plant efficiencies.

Organic sales at 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 at Key & Wall Solutions grew by 2.6% year-on-year. 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, where during the same period we recorded strong order intakes.

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

Consistent implementation of Shape4Growth

Our new strategy is a growth strategy. At its core lies a clear portfolio segmentation with focus on our global core businesses of Entrance Systems, Door Closers, Access Control Solutions, and Services: while being highly resilient, these global core businesses have the highest growth and margin potential for dormakaba. We will also focus on those countries where dormakaba has established the strongest market position and where our global core businesses can expand the most.

In North America, we intend to become a strong number three through an ambitious turnaround of our US business, combined with the planned divestment of Mesker. Consequently, we initiated a structured divestment process last fall.

Our focus on operational excellence, notably in procurement, pricing, and IT, will provide a strong foundation for profitable growth. This will be further supported by effective capital deployment through improved R&D return, continued active portfolio management and targeted partnerships.

Our M&A activities of the past half-year reflect our new strategy. We aim for bolt-on acquisitions that expand our services or product offerings, while divesting non-core businesses. The acquisitions of RELBDA (Australia), Solus (India) and Fermatic Group (France), and the divestment of our interior glass business are good examples of our active approach to portfolio management.

With Shape4Growth we are also further strengthening our commitment to sustainable development along the entire value chain with an industry-leading framework that aims to reduce operational emissions by 42% in line with a 1.5° C future by 2030. In the past five years, we have built a strong foundation in line with societal expectations to become a sustainability pioneer in several areas within the access solutions industry.

As part of the implementation of Shape4Growth we changed our operating model as of 1 January 2022. Three customer-centric regions and sales organizations for Access Solutions – Americas, Asia Pacific, and Europe & Africa – will be supported by global functions to capture synergies. Global functions include for example the newly formed Marketing & Products function or Operations under the lead of our Chief Operations Officer Mathias Mörtl, who joined the company at the beginning of last December. Expected benefits of our new operating model include significant improvements in customer centricity and organizational efficiency. The Key & Wall Solutions segment remains unchanged. We will support this organizational change with additional investments in IT to close remaining gaps, reduce internal complexity, and enable growth.

With Shape4Growth, we plan 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.

Outlook: Business and financial performance on track to meet full-year guidance

The current business environment is still characterized by uncertainties and lack of visibility. This is due to the Covid-19 pandemic and macroeconomic factors, such as potentially higher interest rates and geopolitical tensions as well as to the potential impact of a further deterioration of global supply chains and higher inflation. We will continue to focus on profitable growth, targeting market share gains and accelerating order backlog conversion, as well as on sales price increases to compensate for inflationary effects and support our margin progression.

dormakaba confirms its outlook for the current financial year 2021/22 and anticipates organic sales growth between 3% to 5% as well as an adjusted EBITDA margin of slightly above 14.2%. This is based on the assumption that there is no further supply chain deterioration, especially for electronic components which would temporarily impact some high-margin businesses. Further, this also does not take into account any potential impact resulting from the currently escalating conflict between Russia and the Ukraine.

Thanks

The past half-year was demanding for our management and employees as they faced some significant transitions. We successfully focused on growing our business while at the same time defining a new strategy and initiating organizational change that will transform our company to serve our customers even better. We and our colleagues around the globe are excited about executing our new strategy to create value for all our stakeholders. We thank our customers and partners, who continue to value our products, solutions, and services in every place that matters. We thank our employees for their contribution and their commitment to transforming dormakaba into a true global leader in our industry. And we thank you, our respected and valued shareholders, for continuing to put your trust in dormakaba.

Sincerely yours,

Riet Cadonau
Chairman

Jim-Heng Lee
CEO