Overview

The first half of the financial year 2022/23 was characterized by strong organic growth supported by strong price measures. Growth was most pronounced in the Key & Wall Solutions (KWS) segment and Region Americas but Regions Asia Pacific and Europe & Africa also contributed with good organic growth. The general business environment was characterized by high inflation rates driven by increasing energy prices and labor cost inflation. Underlying demand in most Regions was resilient. Most Regions and KWS experienced a solid order backlog and good order intake. However, volume growth was impacted by the easing of supply chain constraints, which resulted in inventory destocking by customers and distributors, and weaker demand particularly for Access Hardware Solutions and door closers. This negatively impacted production site capacity in the major Asian plant and thus, margins were reduced.

dormakaba increased net sales by 5.2% to CHF 1,419.8 million in the first half of 2022/23 (previous year: CHF 1,349.6 million); organic sales increased by 8.0%. Adjusted EBITDA decreased by 4.6% to CHF 184.6 million (previous year: CHF 193.5 million), with the adjusted EBITDA margin at 13.0% (previous year: 14.3%). Net profit decreased to CHF 84.9 million (previous year: CHF 100.6 million).

Since 1 January 2022, dormakaba has been implementing its Shape4Growth strategy (S4G), which was announced on 15 November 2021. It will enable dormakaba to accelerate profitable growth by focusing on the company's core businesses in commercial access solutions, as well as on its core markets with a clear focus on customer-centricity. The implementation of S4G includes the transition to a new operating model, which has changed the organizational setup as well as financial reporting going forward. 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 were merged accordingly, and the Market Middle East was consolidated into Asia Pacific. In addition, three global functions, Marketing & Products, Operations and Product Development, were introduced to accelerate the deployment of products and solutions across all Regions. Key & Wall Solutions remains unchanged as a self-contained global business segment. A detailed description of the new structure can be found in the Notes to the consolidated financial statements for the first half of the financial year 2022/23.

8.0%

organic sales growth

CHF 184.6 million

adjusted EBITDA

13.0%

adjusted EBITDA margin

Sales

dormakaba increased net sales by 5.2% to CHF 1,419.8 million in the first half of 2022/23 (previous year: CHF 1,349.6 million). Organic sales growth contributed to the overall sales increase most with 8.0% (6.5% thereof pricing). In addition, portfolio adjustments (inorganic growth) added 0.1% to higher net sales, and currency translation effects were negative with a contribution of –2.5%.

Profitability

Adjusted EBITDA decreased by 4.6% and amounted to CHF 184.6 million (previous year: CHF 193.5 million), including a negative currency translation effect of CHF 4.6 million.

The gross margin for the reporting period was at 39.4% and thus below the previous year's level of 40.0%. This resulted from inflationary pressure on materials and engineered components, and increased labour costs. Furthermore the destocking of inventory along the whole supply chain resulted in lower sales and product volume at our access door hardware manufacturing sites and some inventory impairment.

Sales, marketing and general administration costs stood at CHF 364 million, slightly increased due to investments in the new strategy as well as additional investments in sales and marketing (previous year: CHF 347.1 million). This represents a slight decrease as a percentage of sales at 25.6% (previous year: 25.7%).

The adjusted EBITDA margin was 13.0% (previous year: 14.3%). There was a positive margin contribution due to higher sales volumes, increased sales prices, and improvements in operational efficiency. However, these effects were more than offset by a negative product mix effect (lower Safe Locks sales) and higher functional costs mainly due to S4G investments in growth initiatives such as FTE build-up in specification. Additional factors were inventory revaluation and a lower margin contribution from production plants due to missing volume for access door hardware. Door closers were particularly affected as customers destocked inventories due to the easing of supply chain constraints. The latter impacted margin especially in the Region Europe & Africa.

The EBITDA margin was impacted by an increase of 40 basis points in investments in Research & Development, amounting to 4.7% compared to the previous year's 4.3%.

Items affecting comparability were at CHF 14.0 million at EBITDA level (previous year: CHF 9.2 million). These included CHF 14.0 million in reorganization and restructuring expenses and CHF 6.6 million thereof for ERP harmonization and IT Infrastructure optimization.

EBIT decreased by CHF 10.0 million to CHF 132.4 million (previous year: CHF 142.4 million), and the EBIT margin was at 9.3% compared to 10.6% in the previous year.

Performance of Regions and Key & Wall Solutions
dormakaba experienced strong organic growth supported by strong price realization in most of its markets, with good order intakes and order backlogs. Despite strong organic growth there were still adverse effects that prevented even better growth, like the impact of the Covid-19 pandemic particularly in China, as well as customers destocking inventories which impacted volume growth for door hardware products, particularly door closers.

Organic sales in **Region Americas** (North and South America) increased by 8.2% in the first half-year of 2022/23 compared to the previous year, driven by higher sales prices, US commercial construction activity, multifamily housing demand, and growth in Latin America. The adjusted EBITDA margin was 17.6% (previous year: 18.3%). This reduction was mainly due to an unfavorable product mix, along with higher raw materials and freight costs that have not yet been fully compensated by price increases. Inflation persists, and costs remain elevated; the Region will therefore continue price realization measures to counteract the unfavorable impact on margins.

Organic sales in **Region Asia Pacific** grew by 5.1% year-on-year driven by both higher sales prices and volume gains in both sales and services compared to a base of previous year in which major countries were still impacted by Covid-19 restrictions. The adjusted EBITDA margin was 16.1% (previous year: 14.5%); This increase was due to price developments, cost management and efficiency improvements. These largely offset negative product mix effects in some markets and the impact of higher raw materials, freight and labor costs.

Organic sales for **Region Europe & Africa** grew by 7.1% year-on-year mainly thanks to price increases to fight inflationary pressure. The adjusted EBITDA margin was 18.8% (previous year: 22.1%). This reduction was mainly due to lower sales for access door hardware products, particularly door closers, which led to a lower contribution from the manufacturing sites. This effect was partly compensated by volume sales growth, successful price increases, favorable mix impacts, and cost efficiencies – despite inflation impacts and continued investment in specification.

Organic sales in **Key & Wall Solutions** grew by 14.3% year-on-year. Both the Key Systems and Movable Walls business units recorded strong organic growth (6.8% and 25.3% respectively). The adjusted EBITDA margin for Key & Wall Solutions was 17.4% in the first half of 2022/23 compared to 12.7% in the same period of the previous year. This increase was largely driven by improved profitability in the Movable Walls business unit, where higher sales prices and volumes more than compensated for cost inflationary impacts.

Financial result, profit before taxes, and income taxes

The net financial result for the first half of the financial year 2022/23 amounted to CHF –17.4 million (previous year: CHF –12.0 million). This is due to higher net debt from net working capital, dividend payout and slightly higher interest rates. The profit before taxes decreased to CHF 114.7 million (previous year: CHF 130.6 million). Income taxes for the period under review went down to CHF 29.8 million (previous year: CHF 30.0 million). The effective income tax rate increased from 23.0% to 26.0% due to one-time benefits last year.

Net profit

dormakaba achieved a net profit of CHF 84.9 million in the first half-year 2022/23. This was below the previous year's figure of CHF 100.6 million due to a lower EBITDA contribution and higher financial expenses.

Cash flow and balance sheet

Cash flow from operations increased to CHF 137.6 million (previous year: CHF 87.7 million) which was due to a sequential improvement in Net Working Capital.

Net cash from operating activities stood at CHF 103.9 million (previous year: CHF 49.3 million), representing an improved operating cash flow margin of 7.3% (previous year: 3.7%) as inflationary pressure was partially offset by a stock reduction program resulting in an inventory build-up of CHF 28.4 million compared to CHF 71.7 million in the previous year. Despite organic sales growth of 8.0% trade receivables only increased by CHF 2.7 million.

Cash flow from investing activities of CHF –53.8 million (previous year: CHF –103.2 million) was driven by acquisitions totaling CHF 12.8 million (previous year: CHF 80.7 million).

Cash flow from financing activities amounted to CHF –37.0 million (previous year: CHF 0.5 million). This includes dividend payments to company shareholders of CHF 48.1 million as well as to minority shareholders of CHF 43.1 million (in total CHF 91.2 million, previous year: CHF 97.0 million).

As a result, the free cash flow figure of CHF 50.1 million was above the previous year's (CHF –53.9 million).

As of 31 December 2022, total liabilities come to CHF 1,732.9 million (91.0% of total assets; previous year: 92.4%), of which CHF 320.2 million is accounted for by the corporate bond due in October 2025. In October 2022 a new CHF 275 milllion 3.75% corporate bond due 2027 was secured at the Swiss Debt Capital Market to refinance the CHF 300 million "bridge to bond" credit facility with a major Swiss bank.

The financial debt profile shows a balance short- and mid-term maturity profile again. Net financial debt increased by CHF 28.4 million to CHF 736.7 million as of 31 December 2022 (previous year: CHF 708.3 million). Financial leverage, defined as net debt relative to reported 12-month rolling EBITDA, was 2.3x (31 December 2021 1.8x net debt/reported EBITDA). The company fully complies with the covenant of the syndicated credit facility.

As of 31 December 2022, the company's equity stands at CHF 170.4 million, which represents an equity ratio of 9.0% (previous year: CHF 139.8 million or 7.6%).

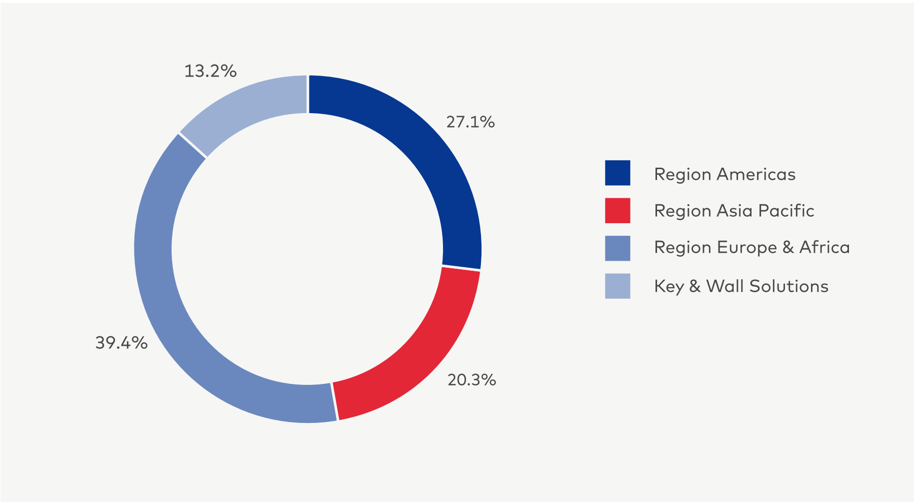
Currency effects

In the first half of financial year 2022/23, the average euro exchange rate against the Swiss franc decreased by 8.4% year-on-year from 1.068 to 0.978. The average Swiss franc exchange against the US dollar rose by 4.9% from 0.920 to 0.965. Compared to previous years, most other major currencies depreciated against the Swiss franc, including the Canadian dollar by 0.7%, the British pound by 9.6% and the Australian dollar by 3.9%. Currency translation had a negative impact of CHF 33.9 million on net sales and a negative impact of CHF 4.6 million on adjusted EBITDA.

Key figures

CHF million, except where indicated	Reporting half-year ended 31.12.2022	%	Reporting half-year ended 31.12.2021	%
Net sales	**1,419.8**		**1,349.6**	
Change in sales	70.2	5.2	122.1	10.0
Of which translation exchange difference	–33.9	–2.5	11.1	0.9
Of which acquisition impact	29.1	2.2	35.7	2.9
Of which divestment impact	–27.6	–2.1	–5.3	–0.4
Of which organic sales growth	**102.6**	**8.0**	**80.6**	**6.5**
Adjusted EBITDA (Operating profit before depreciation and amortization)	**184.6**	**13.0**	**193.5**	**14.3**
Adjusted EBIT (Operating profit)	**146.4**	**10.3**	**154.8**	**11.5**
Profit before taxes	114.7	8.1	130.6	9.7
Net profit	84.9	6.0	100.6	7.5
Other key figures				
Total assets	1,903.3		1,831.0	
Net debt	736.7		708.3	
Market capitalization	1,417.5		2,520.8	
Average number of full-time equivalent employees	15,585		15,304	

Third-party sales by segments



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