Overview

In the first half of financial year 2023/24 (ended at 31.12.2023) dormakaba generated organic sales growth of 3.9% and achieved a significant year-on-year improvement of its adjusted EBITDA margin of 14.6%, an increase of 160 basis points (bps). The general business environment continues to be characterized by high inflation, especially for labor and manufactured goods, but demand levels remained solid. dormakaba's commercial business, which accounts for 90% of our sales, had a good order intake and a strong order backlog.

The S4G transformation program that was announced on 3 July 2023 is progressing as planned. Operational footprint optimization initiatives combined with operational efficiency and procurement measures have already led to gross margin improvements. Shared service centers for Finance and HR functions were established in the Americas, Europe, and Asia, along with a dedicated Hub for Product Development. dormakaba also successfully implemented a new SAP-based enterprise resource planning solution in Switzerland, one of its five core markets.

As of 1 July 2023, dormakaba's Key & Wall Solutions business segment integrated the OEM (Original Equipment Manufacturer) production entities Wah Yuet and THLM. It now operates under the name Key & Wall Solutions and OEM.

The first half-year results for 2023/24 include adjustments stemming from the adoption of the Swiss GAAP FER 30 accounting standard, as did the full-year financial report for 2022/23. Goodwill was previously offset in equity at the acquisition date; it is now capitalized and amortized in the income statement. Since this is a change from dormakaba's former accounting principles, the prior period has been restated accordingly.

Sales & profitability

Organic sales increased in the first half of 2023/24 by CHF 51.9 million or 3.9%, driven both by increased sales prices (3.1%) and higher volume (0.8%). Due to a significant negative translation exchange effect of CHF 95.2 million, total net sales decreased by 3.0% to CHF 1,376.5 million (previous year: CHF 1,419.8 million). Adjusted EBITDA increased by 8.7% to CHF 200.7 million (previous year: CHF 184.6 million).

The gross margin for the reporting period was 40.7%, an increase of 130 bps compared to the previous year's level of 39.4%. Increased operational and procurement efficiencies stemming from the S4G transformation program, combined with good price realization, offset inflationary pressure on semi-finished materials and labor costs. Sales, Marketing and General Administration costs increased to CHF 385.0 million (previous year: CHF 364.0 million), due to planned costs for the ongoing transformation program.

The adjusted EBITDA margin increased by 160 bps to 14.6% (previous year: 13.0%).

Items affecting comparability on EBIT totaled CHF −77.3 million (previous year: CHF −44.6 million, restated). These were mainly related to goodwill amortization and S4G strategy implementation and included CHF 30.7 million in depreciation and amortization (previous year: 30.6 million), CHF 50.9 million in reorganization and restructuring expenses (previous year: CHF 14.0 million), and CHF −3.9 million in other exceptional items (previous year: CHF 0.0 million). Items affecting comparability included gain on divestment of businesses of CHF −0.4 million (previous year: CHF 0.0 million).

EBIT decreased by CHF 13.8 million to CHF 88.0 million (previous year: CHF 101.8 million); the EBIT margin was 6.4% (previous year: 7.1%), due to the exceptional items listed above. dormakaba closed the first half of the financial year 2023/24 with a net profit of CHF 48.5 million (previous year: CHF 54.3 million, restated).

Organic sales in the business segment **Access Solutions (AS)** increased by 4.5% in the first half of financial year 2023/24, driven by higher sales prices (3.4%) and volumes (1.1%). Total segment sales were negatively impacted by translation exchange effects of 6.8% (CHF 81.2 million). Adjusted EBITDA increased to CHF 177.1 million (previous year:

CHF 162.9 million), mainly due to increased operational and procurement efficiencies stemming from the S4G transformation program, together with good price realization. The adjusted EBITDA margin was 15.2% (previous year: 13.6%).

The business segment **Key & Wall Solutions and OEM (KWO)** saw a slight decline in organic sales of 0.6%. Strong organic growth in the Movable Walls business unit was offset by the OEM business unit and the sales performance of Key Systems in all markets, with strong competition in South America. Negative currency translation effects of 6.6% were the main reason for the reduction in total segment sales. KWO achieved a record adjusted EBITDA, thanks to further expansion of the Movable Walls business, margin improvement in the OEM business unit, and tight cost management in the Key Systems business unit. Adjusted EBITDA increased to CHF 44.1 million (previous year: CHF 41.8 million) and the adjusted EBITDA margin increased by 220 bps to 18.8% (previous year: 16.6%).

Financial result, profit before taxes, and income taxes

The net financial result for the first half of the financial year 2023/24 amounted to CHF −23.3 million (previous year: CHF −17.4 million).

Profit before taxes decreased to CHF 76.2 million (previous year: CHF 84.1 million). Income taxes for the half-year decreased to CHF 27.7 million (previous year: CHF 29.8 million).

Cash flow and balance sheet

Cash flow from operations increased to CHF 146.0 million (previous year: CHF 137.6 million), mainly resulting from tight net working capital management, with particular emphasis on enhancing the efficiency of trade receivables collection. As a result, inventories decreased by 10.3% to CHF 488.1 million (previous year: CHF 544.4 million), and accounts receivable totaled CHF 425.8 million (previous year: CHF 468.7 million).

Net cash from operating activities was CHF 89.8 million (previous year: CHF 103.9 million); the decline was due to higher income taxes and interest paid. Cash flow from investing activities of CHF −26.0 million (previous year: CHF −53.8 million) was mainly driven by proceeds from sales of property, plant, and equipment totaling CHF 8.6 million (previous year: CHF 0.8 million), along with lower investment in acquisitions of CHF −4.2 million (previous year: CHF −12.8 million). Cash flow from financing activities amounted to CHF −80.2 million (previous year: CHF −37.0 million), with the biggest component being dividends paid.

As a result, free cash flow recovered to CHF 63.8 million, above the previous year (CHF 50.1 million).

Total assets stand at CHF 1,854.4 million. Of these current assets, cash and cash equivalents amount to CHF 114.4 million, while inventories stand at CHF 488.1 million (26.3% of total assets; previous year 26.6%); trade receivables decreased to CHF 425.8 million (23.0% of total assets; previous year 23.0%). Non-current assets consist mainly of property, plant, and equipment worth CHF 380.3 million (20.5% of total assets; previous year 19.4%).

Total liabilities correspond to CHF 1,567.6 million (84.5% of total assets; previous year: 84.9%).

Net financial debt decreased by CHF 150.2 million to CHF 586.5 million (previous year: CHF 736.7 million). Financial leverage, defined as net debt relative to reported 12-month rolling adjusted EBITDA, was 1.5x (previous year: 2.0x net debt/adjusted EBITDA). The company fully complies with the syndicated credit facility covenant.

The company's equity stands at CHF 286.8 million, which represents an equity ratio of 15.5% (previous year: CHF 307.4 million or 15.1%).

Currency translation effects

During the first half of financial year 2023/24, the average euro exchange rate against the Swiss franc continued to decrease by 2.1% from 0.978 to 0.958. The average US dollar exchange rate against the Swiss franc fell from 0.965 to 0.886. Most other major currencies depreciated as well against the Swiss franc, including the Australian dollar by 10.7%, the British pound by 2.1%, and the Chinese renminbi by 10.8%. Currency translation had a negative impact of CHF 95.2 million on total net sales and a negative impact of CHF 14.3 million on adjusted EBITDA.