Svein Richard Brandtzæg (Chairman) and Till Reuter (CEO)

# Dear Shareholders,

**Our new CEO, Till Reuter, and I are pleased to give you an overview of our business performance for the first half of the financial year 2023/24. During this reporting period, we were able to take further steps towards organic growth and profitability. dormakaba has achieved organic sales growth in line with our guidance, primarily due to price initiatives. In addition, we achieved a significant year-on-year improvement in our gross and adjusted EBITDA margins; both benefited from sequential improvements driven by the S4G transformation program announced in early July 2023.**

# Business and financial performance

Our customers and dormakaba operate in a macroeconomic environment with limited forward visibility: among other variables, inflation continues to be a live issue, but demand remains solid, and our commercial business reports a good intake of orders.

Early in the reporting period we announced our S4G transformation program. It is geared towards a sequential improvement of our own performance, combining organizational efficiency and cost management measures to support further innovation and a sustained path to profitable growth. We are pleased to report that the program implementation is on track and delivering its first positive impacts. Operational footprint optimization initiatives are proceeding according to plan, and operational efficiency and procurement measures have already led to gross margin improvements. Furthermore, dormakaba has started to build up shared service centers in America, Europe, and Asia for the Finance and HR Functions, as well as a dedicated Hub for Product Development in Europe.

Group organic sales for the half-year grew by 3.9%, (CHF 51.9 million), principally driven by pricing initiatives. Total sales growth was negatively impacted by a considerable currency translation effect stemming from the strong Swiss franc. Gross margin rose by 130 basis points over the previous year to 40.7%, benefiting from increased operational and procurement efficiencies generated through our S4G transformation program, as well as normalizing supply chains and a favorable product mix.

Adjusted EBITDA (which excludes items affecting comparability) rose by 8.7% over the previous year to CHF 200.7 million. The significant 160 basis-point rise in adjusted EBITDA margin to 14.6% reflects contributions from both the Access Solutions, and Key & Wall Solutions and OEM business segments. We remain strongly committed to improving gross margin and profitability, and it is gratifying to see that initiatives across the Group are delivering as planned. Furthermore, our efforts to strengthen our cash flow from operations have borne fruit: we achieved continuous improvement in our net working capital through an enhanced focus on trade receivables collection.

## Performance by business segments

**Access Solutions** had total net sales of CHF 1,167.1 million (previous year: CHF 1,198.5 million) impacted by a negative currency translation effect of CHF 81.2 million due to the very strong Swiss franc. Organic sales growth was CHF 49.8 million (4.5%), driven primarily by good price realization (3.4%). Adjusted EBITDA increased to CHF 177.1 million (previous year: CHF 162.9 million), while the adjusted EBITDA margin increased to 15.2% (previous year: 13.6%); this significant margin improvement was largely due to the positive measures noted above for the Group.

**Key & Wall Solutions and OEM** had total net sales of CHF 234.1 million (previous year: CHF 252.1 million) impacted by a negative currency translation effect of CHF 16.6 million. Organic sales declined by CHF 1.4 million (0.6%) (previous year: +9.0%). Adjusted EBITDA increased to CHF 44.1 million (previous year: CHF 41.8 million) and the adjusted EBITDA margin was 18.8% (previous year: 16.6%). This significant increase was driven by expanding margins in the Movable Walls business unit, with margins protected in Key Systems and OEM.

## Sustainability

We believe that sustainability is a key driver in differentiating us in the market while providing a firm foundation for future growth. We are ensuring dormakaba's alignment with the European Union's forthcoming Corporate Social Responsibility Directive as of the next financial year. In September 2024 we are also issuing our first annual sustainability report in compliance with the standards of the Task Force on Climate-Related Financial Disclosures. We have recently installed 21,000 solar panels on three of our production facilities, saving 7,000 tons of $CO_2$ equivalent ($CO_2e$) per year. Renewable energy projects such as these will help us to achieve our goal of a 42% reduction in operational $CO_2$ emissions from 2019 to 2030. We have maintained our Prime Status in the ESG ratings of Institutional Shareholder Services, making us eligible as a responsible investment for their over 3,000 clients. Further, we are classified as being in the low-risk group and a top performer in the Building Product industry by the Sustainalytics rating agency.

## Outlook

In our continuingly challenging macroeconomic environment, we focus on ensuring that we continue to innovate, sustain close customer relations, and continuously improve our operational delivery. Projections for the construction business vary widely between markets, but the general industry trends favor the intelligent, networked, and increasingly cloud-based technologies that are dormakaba's strength. Our order books are at satisfactory levels with a good order pipeline. We therefore confirm our guidance for the financial year 2023/24: we continue to expect organic growth to be in line with our 3–5% mid-term guidance, and expect profitability to show sequential improvement above 2022/23 performance (13.5%).

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# New CEO

As of 1 January 2024, Till Reuter is dormakaba's new CEO, succeeding Jim-Heng Lee, who is returning to Asia after two years at the helm and ten years althogether of successful service with dormakaba. The Board of Directors sincerely thanks Jim-Heng Lee for his many contributions to the Group's transformation and wishes him all the best for the future.

Separately, dormakaba announced that Chief Operations Officer Alex Housten will leave the company by the end of March 2024 latest to take a leadership position at a US-based company. The Board thanks him for his great commitment and achievements at dormakaba. The search for a successor has begun and will continue under the leadership of the new CEO.

# Board of Directors

In order to take up his role as CEO, Till Reuter resigned his position as member of the Board of Directors as of 1 January 2024. The Board of Directors intends to propose a successor at the upcoming Annual General Meeting.

# Our thanks

At the 2023 ICONIC AWARDS: Innovative Architecture, our EntriWorX EcoSystem door system and the Argus V60 sensor interlock were both winners in the "Building Technologies" category. It was a reminder that our employees, as well as delivering the transformation that enables dormakaba's future profitable growth, are continuing to transform our industry through their customer-centric innovation. We are grateful every day that we can count on the global teams and every single person to help make our vision a reality.

We also highly appreciate the continued confidence of you, our shareholders, in our ability to deliver on our transformation targets to create long-term value. Your commitment is the foundation for our future success.

With our best regards and wishes.

**Svein Richard Brandtzæg**
Chairman

**Till Reuter**
CEO