



Always the best climate for a

Warm welcome

23 February 2022

Media and Financial Analyst Conference 2022

Zehnder Group Review 2021 and Outlook

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23 February 2022



Structure

Business Review 2021

- Strong radiator business, catching up on pandemic-related backlog
- Slowdown in ventilation growth due to decline in availability of electronic components
- Strategy – growth for ventilation, harvest for radiators – further executed

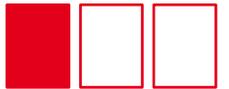
Financial Review 2021

- Solid increase in sales and profitability
- High operating cash flow and strong balance sheet
- Further investments in infrastructure

Outlook

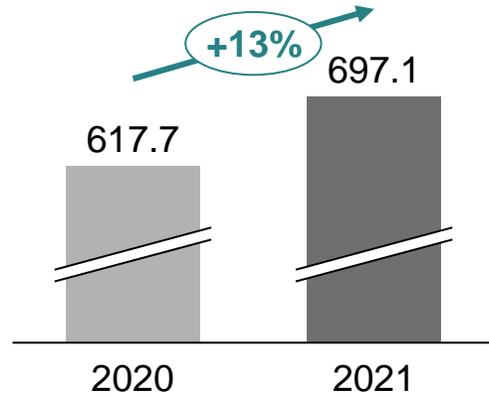
- Strategy to be continued and further executed
- Further investments in market and product development, production capacities, digitalisation and sustainability
- Medium-term target EBIT margin range increased

A successful financial year for Zehnder Group

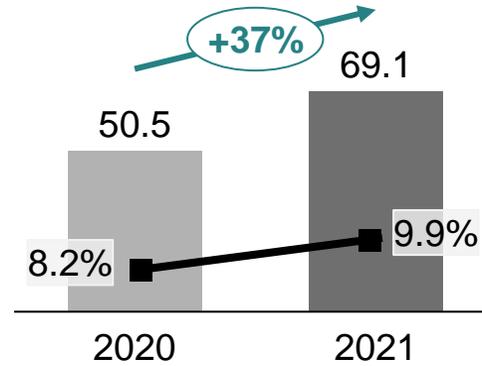


Business 2021

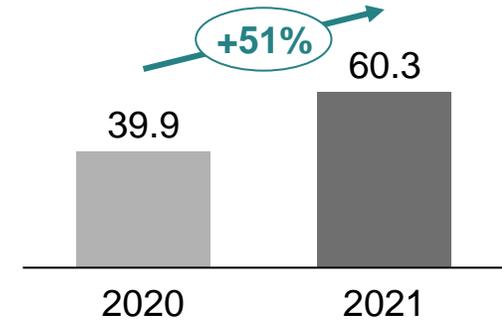
Sales: 697.1 MEUR



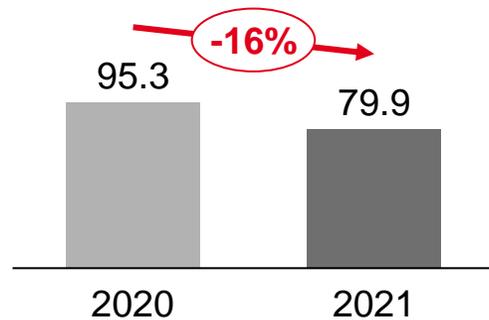
EBIT: 69.1 MEUR



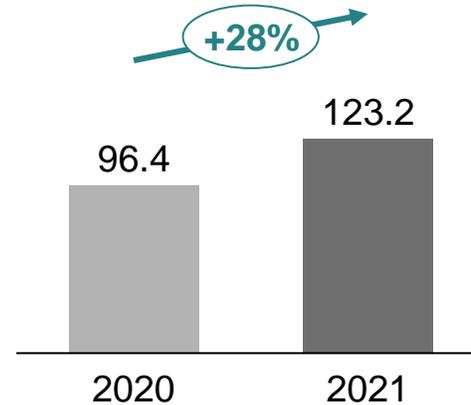
Net income: 60.3 MEUR



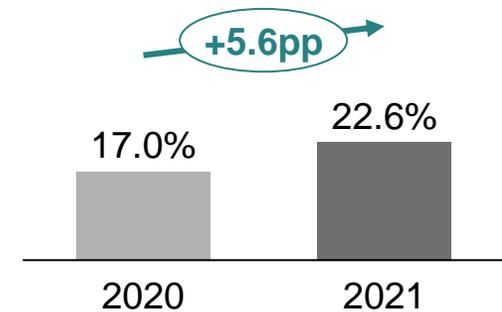
Operating cash flow: 79.9 MEUR



Net liquidity: 123.2 MEUR

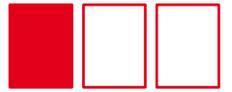


ROCE: 22.6%

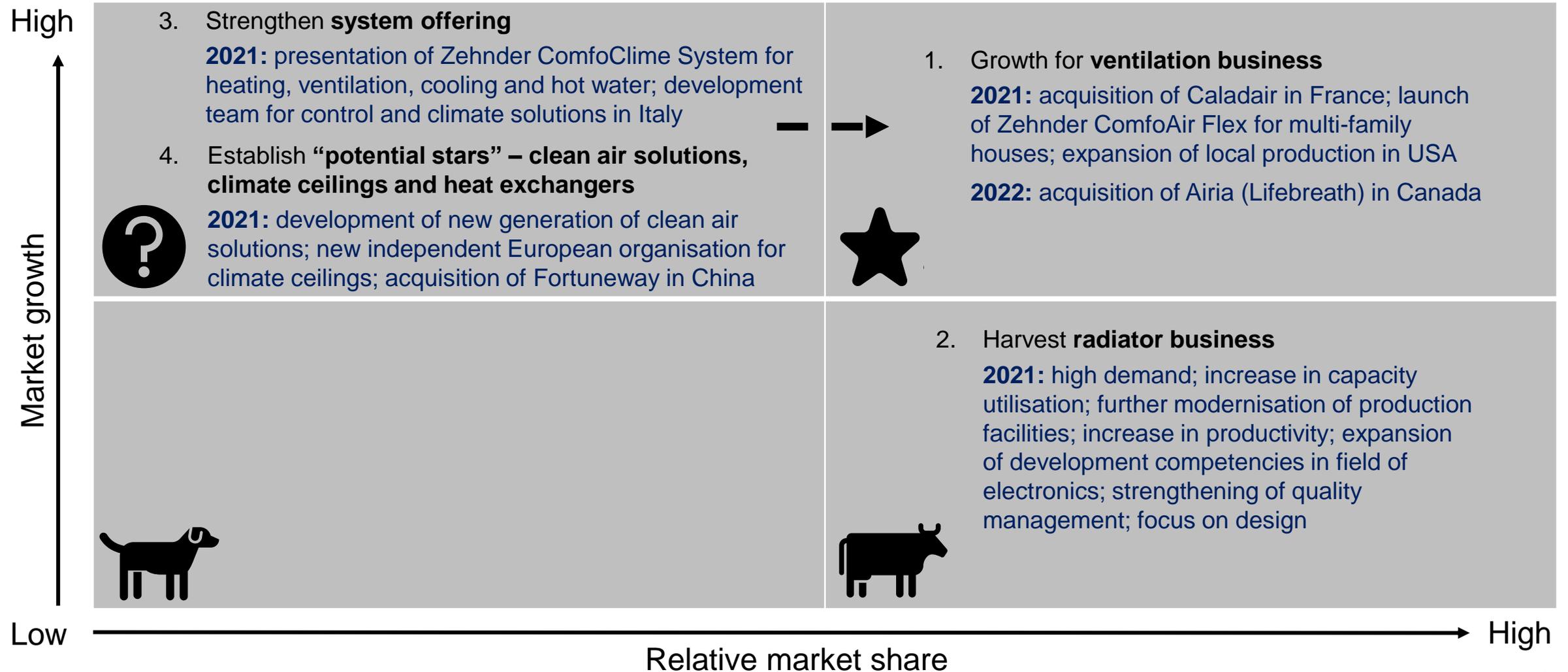


- 
- Protect employees' health
 - Continue to execute strategy
 - Manage supply chain
 - Drive digital transformation forward
 - Strengthen focus on sustainability

Strategy – growth for ventilation, harvest for radiators – further executed



Business 2021





The new compact **Zehnder ComfoAir Flex** ventilation unit is particularly suitable for multi-family houses where the available space is limited.



Ventilation Europe: complementation of technology and product portfolio – slowdown in growth due to availability of components



Business 2021

- Ventilation growth slowed down by gradual decline in availability of electronic components
- Significant delivery difficulties in Netherlands and Belgium
- Increased spending on research and development of innovative products
- Establishment of a development team for controls and climate solutions in Italy
- New Zehnder ComfoClime indoor climate system solution for prefabricated and low-energy houses and Zehnder ComfoAir Q600 ST enthalpy ventilation unit for optimising classroom ventilation presented at digital ISH¹⁾
- Launch of compact Zehnder ComfoAir Flex ventilation unit for MFH²⁾
- Acquisition of Caladair in France in October 2021
- Good growth for clean air solutions and heat exchangers

¹⁾ ISH: international trade fair for sanitation and heating

²⁾ MFH: multi-family houses

Ventilation sales
MEUR



Acquisition of Caladair in France

- Acquisition of 75% of shares
- Development, manufacturing and sale of energy-efficient ventilation and thermodynamic systems
- Extension of product portfolio to include compact air handling units for MFH¹⁾ and commercial buildings



New Zehnder ComfoClima System

- Presented at digital ISH in March
- Innovative room climate solution for heating, ventilation, cooling and hot water production
- Specially tailored for use in buildings with lowest energy standard and modern prefabricated houses



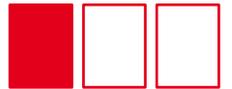
Contribution to 3D-printed home

- Contribution to first European 3D-printed home in Eindhoven (NL)
- Fulfilment of strict building regulations, high energy-efficiency
- Ventilation system based on Zehnder ComfoAir Q for a healthy and pleasant indoor climate



1) MFH = multi-family houses

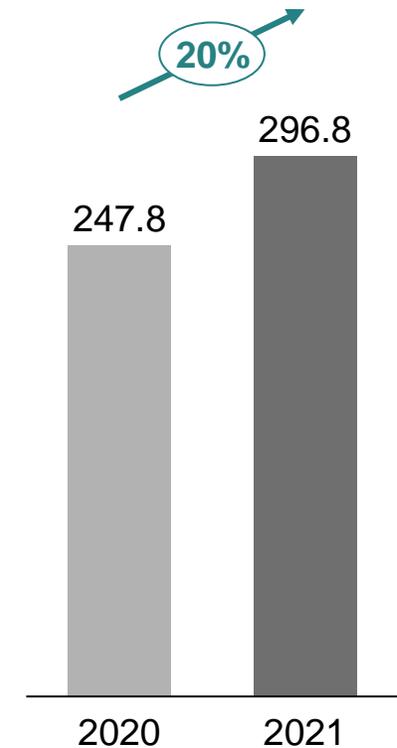
Radiators Europe: strong demand for our high-quality, energy-efficient radiator systems



Business 2021

- Highest growth rates in France, UK and Italy due to considerable recovery from pandemic-related drop in sales; but also increase compared to 2019
- Government incentives promote installation of high-quality, energy-efficient radiator systems
- Good DIY business thanks to much demand for renovations
- Trophée du Négoce in Design category for Artémia radiator launched in 2021
- Focus on design and Zehnder brand with launch of Zehnder Studio Collection premium design line
- Further investments in efficiency and sustainability of radiator production and innovation projects
- Robust supply chain withstanding market volatility
- New independent European organisation for climate ceilings

Radiator sales
MEUR



1)

Increased profitability

- High demand leads to increased capacity utilisation and profitability
- Further investments in sustainable production facilities and productivity increase
- Strengthened quality management
- Resource-saving manufacturing



Trophée du Négoce for Artémia

- Design prize for Artémia radiator, sold under French Acova brand
- Easy installation by one single professional thanks to innovative wall bracket with hinge
- Launched in 2021

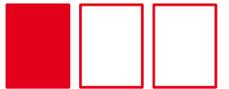


Strengthening of Zehnder brand

- Zehnder Studio Collection premium design line launched in Italy and Poland, other markets from January 2022
- Products previously marketed under premium brand Runtal to be integrated



Segment China & North America

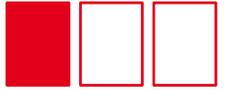


Business 2021

The first tower of the **Burquitlam Park Tower** project located in Coquitlam BC (CA) uses 308 Zehnder ComfoAir 160 ventilation units.



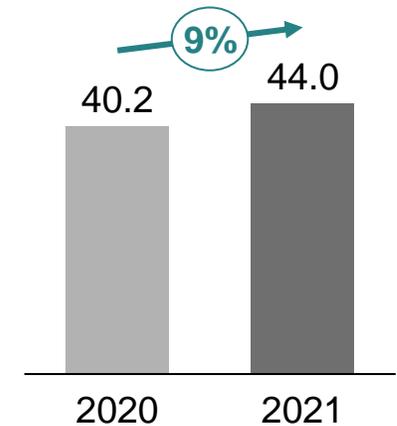
China: real estate crisis with emerging payment difficulties experienced by various construction groups



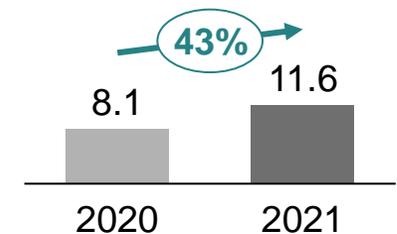
Business 2021

- Further expansion in Passive House business
- Positive contribution from fast-growing heat exchanger company Fortuneway, acquired in April 2021
- Sales increase in radiator business thanks to various projects carried out
- Collapse of project orders over course of second half of 2021, in ventilation business in particular, due to emerging payment difficulties experienced by various construction groups
- Value adjustments on receivables due to reduced credit rating of various construction groups impact profitability

Ventilation sales
MEUR

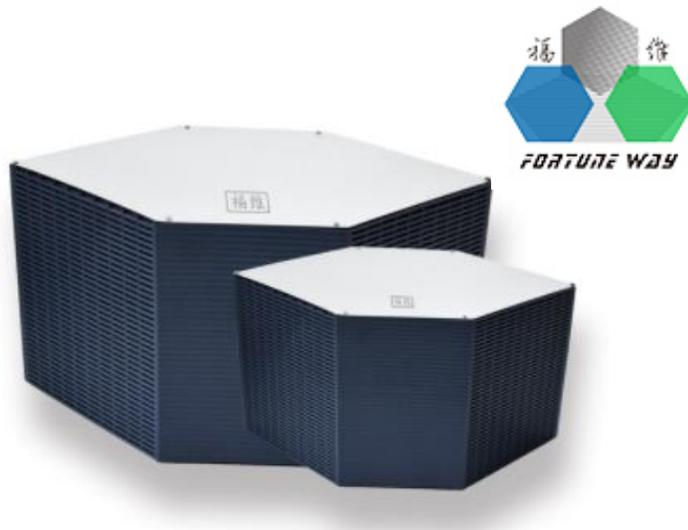


Radiator sales
MEUR



Acquisition of 51% in Fortuneway

- Acquisition of 51% in Fortuneway completed in April 2021
- Specialised in development, production and sale of enthalpy exchangers
- Fast-growing company



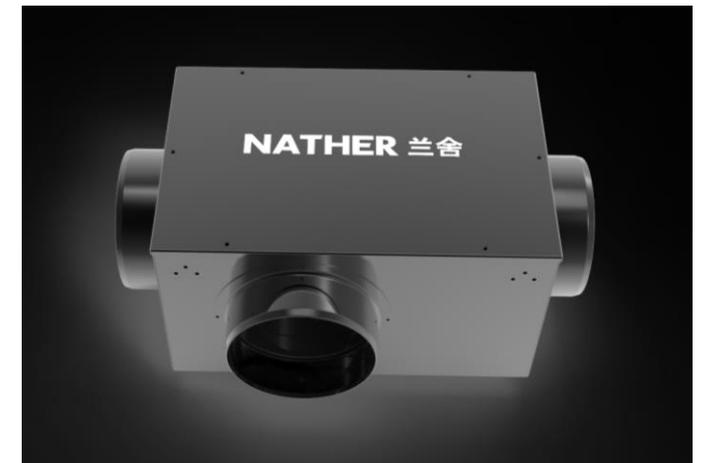
Important Passive House projects

- Delivery of Zehnder Comfohome CHM120/200/300 ventilation units for an 820 apartment project in Hohhot, capital of Inner Mongolia
- Units especially suitable for low temperatures, which can reach $-30\text{ }^{\circ}\text{C}$ in this region

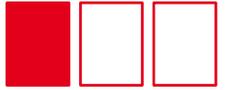


Further development of NATHER 兰舍

- Launch of new products, e.g. ventilation unit with sterilisation function to prevent viruses, bacteria, formaldehyde and ozone
- Start of Passive House business (products sold under NATHER 兰舍 brand)



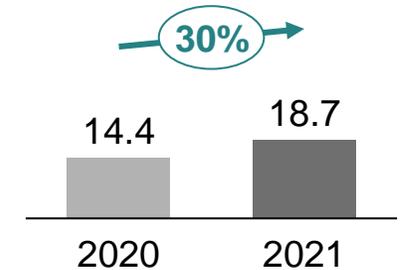
North America: ventilation sales increased by 30%



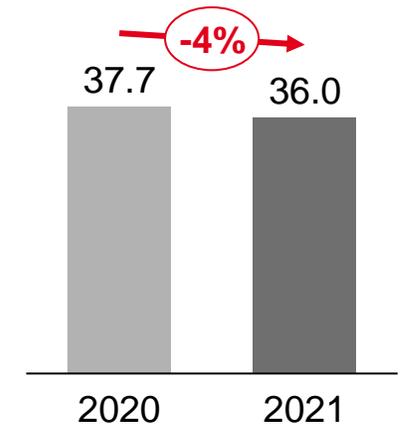
Business 2021

- Shortages with regard to materials and personnel had a negative impact on radiator sales
- Further adaption of product range to local needs and expansion of assembly in Buffalo NY (USA)
- Thanks to trend towards energy-efficient construction, ventilation sales increased by 30% and now account for 34% of sales in North America
- Acquisition of Airia Brands Inc. in February 2022

**Ventilation sales
MEUR**



**Radiator sales
MEUR**



Various prestigious projects

- Numerous significant projects completed
- Zehnder Group supplied Arizona State University in Tempe, AZ (USA) with over 3,000 Alumline RHC¹⁾ panels



¹⁾ RHC = radiant heating and cooling

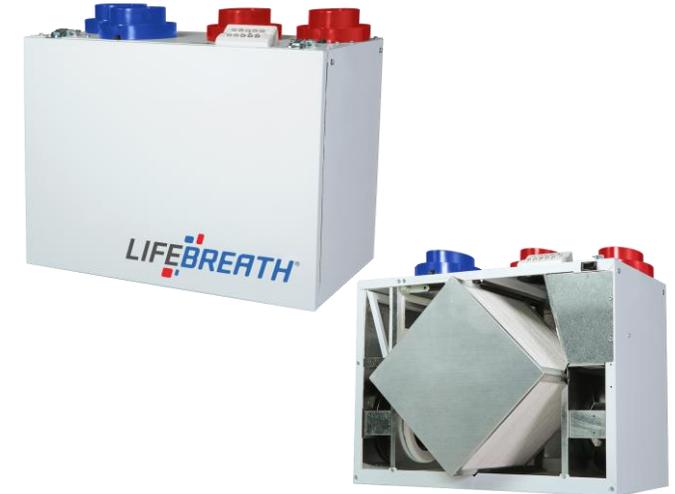
Strong designer brand Runtal

- Strong demand for electric baseboard and wall panel radiators
- Advertising in areas implementing green initiatives favouring electric over natural gas/oil

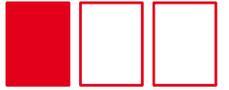


Acquisition of Airia in Feb. 2022

- Based in London, Canada (province of Ontario)
- Established Lifebreath brand
- Approximately 150 employees
- Revenue of around 55 MCAD (38 MEUR) in 2021



Our aim: becoming #1 for a healthy indoor climate!

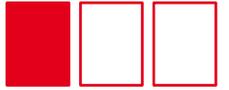


Business 2021

- Increased consumer awareness for healthy indoor air
- Zehnder Group striving to capture need of end-users on suitable portal
- Partnership with “Sentinel Haus Institut”, leading institute relating to healthy working and living spaces
- Aim of partnership: conduct research, develop health concepts in living spaces, provide digital solutions for residents and professionals and generate qualified leads
- Strong presence of Zehnder Group on Sentinel Haus Institut’s digital platform for healthy living
- Independent health certifications for Zehnder products



Increased focus and dedication on sustainability



Business 2021

- Ongoing sustainability project to firm up ambitions, objectives and measures, collect data and prepare non-financial reporting
- Involvement in various initiatives to promote zero-carbon buildings (e.g. COP26 House in UK, partner of Circular Week in Poland)
- New solar plant in Zwolle (NL) commissioned
- Conversion of vehicle fleet to electric or hybrid vehicles in England and Italy
- Implementation of projects at various sites to reduce plastic packaging for product shipments
- ISO 45001 certifications in UK, Poland and Switzerland; all radiator plants in Europe to be certified by end of 2023





Better mood.

Structure

Business Review 2021

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Financial Review 2021

- Solid increase in sales and profitability
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Outlook

- Strategy to be continued and further executed
- Further investments in market and product development, production capacities, digitalisation and sustainability
- Medium-term target EBIT margin range increased

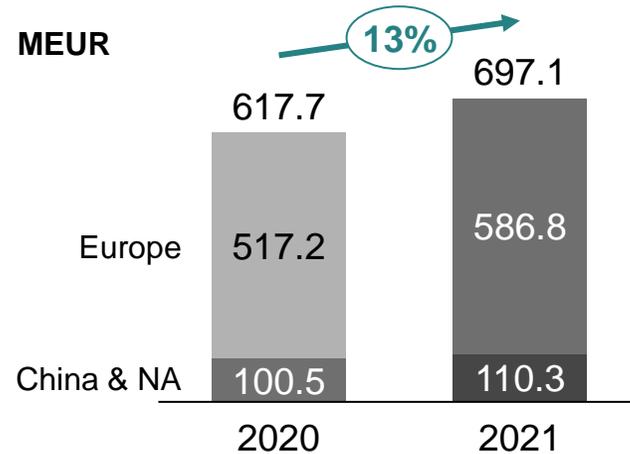
Solid increase in sales and profitability



Financials 2021

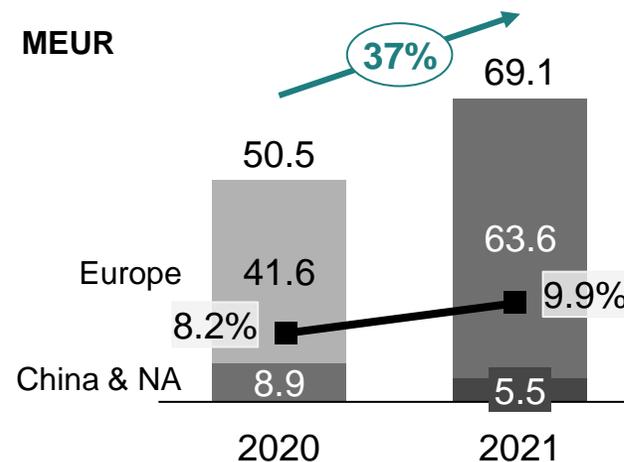
Sales growth of 13%

- Increase of 13% in Europe, 5% in North America and 15% in China
- Growth of 9% for ventilation and 17% for radiators
- In 2021 acquired companies Fortuneway and Caladair contribute 1% to total sales
- Organic increase of 12%



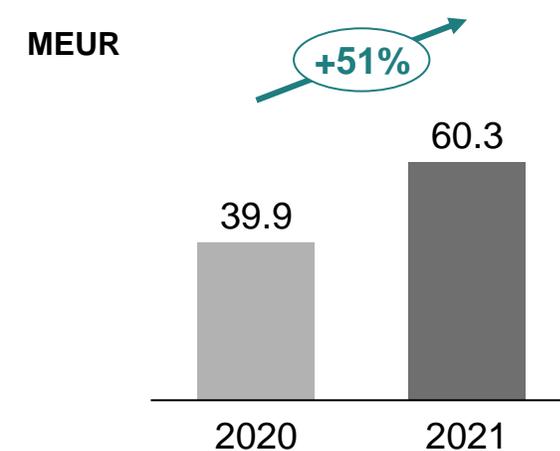
Increase in EBIT margin by 1.7 pp

- Higher capacity utilisation, especially for radiators
- Constant focus on costs
- Negative impact from rising purchase prices and supply bottlenecks
- Increase in expenditure on R&D
- Valuation adjustments on accounts receivable in China



Rise in net income by 51%

- Increase in earnings before taxes of 45%
- Low tax rate of 12% due to use of loss carryforwards and positive effects from Swiss tax reform



NA: North America

Sales and profitability in second half of 2021 affected by supply bottlenecks and valuation adjustments on accounts receivable in China



Financials 2021

MEUR	2020 H1	2020 H2	2020	2021 H1	2021 H2	2021	Δ H1	Δ H2	Δ FY
Radiators	125.0	168.6	293.6	166.3	178.1	344.5	33%	6%	17%
Ventilation	158.9	165.1	324.0	182.5	170.2	352.6	15%	3%	9%
Sales	283.9	333.8	617.7	348.8	348.3	697.1	23%	4%	13%
EBIT	17.5	33.0	50.5	37.7	31.4	69.1	116%	-5%	37%
EBIT margin	6.2%	9.9%	8.2%	10.8%	9.0%	9.9%			

- Strong first half of 2021 with a growth in sales of 23%; radiator business in particular benefitted from backlog of pandemic-related demand
- Increasingly reduced availability of electronic components in second half of 2021 leading to significant slowdown in growth, especially in ventilation business
- EBIT margin of 9.9% for 2021

Strongest growth rates in France, UK and Italy – Sales in Netherlands hit hard by lack of electronic components

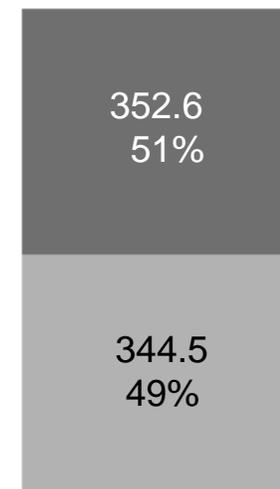


Financials 2021

Country ranking and sales development 2021
Local currency

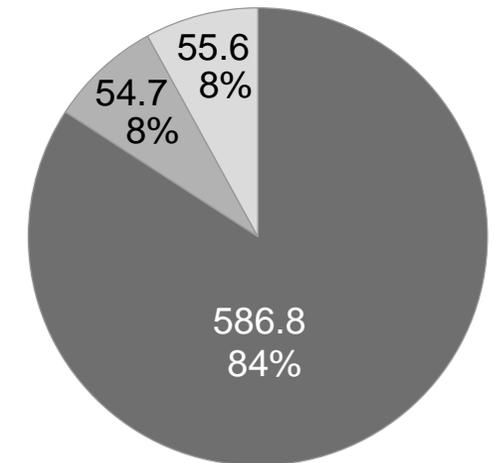
	Ventilation	Radiators	Total
1. Germany	↑	↑	↑
2. France	↑	↑	↑
3. United Kingdom ▲+2	↑	↑	↑
4. Switzerland ▲+1	↑	↑	↑
5. China ▲+1	→	↑	↑
6. Netherlands ▼-3	↓	↑	↓
7. United States	↑	→	↑
8. Italy	↑	↑	↑
9. Belgium	↓	↑	↓
10. Poland	↑	↑	↑

Sales by area
MEUR



■ Ventilation
■ Radiators

Sales by region
MEUR



■ Europe
■ North America
■ China

Info: Top 10 markets account for 86% of total turnover.

High cash flow from operating activities and solid balance sheet

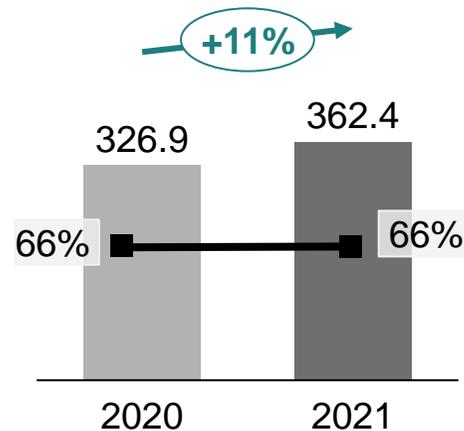


Financials 2021

High equity ratio of 66%

- Increase of 35.5 MEUR to 362.4 MEUR
- Current share buyback programme for the purpose of capital reduction to be continued; registered shares A bought back at total price of 5.6 MEUR in 2021

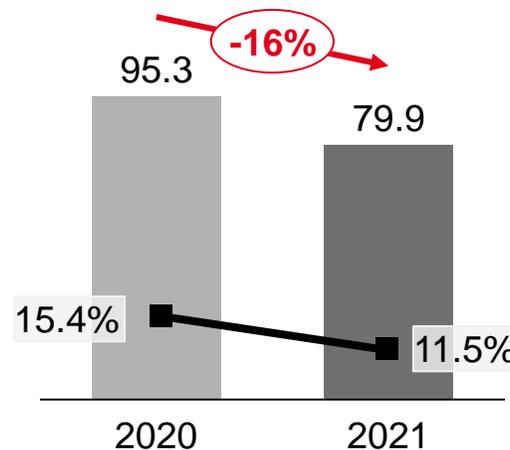
MEUR



Operating cash flow of 79.9 MEUR

- Cash flow from operating activities remains strong, accounting 11.5% of sales

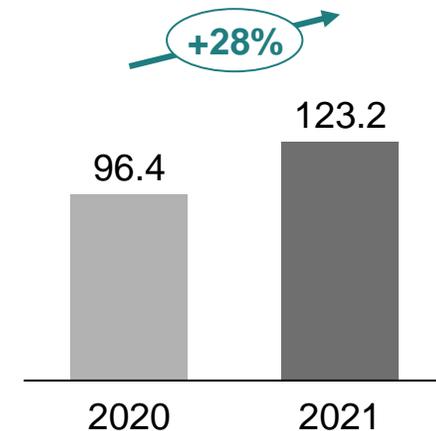
MEUR



High net liquidity of 123.2 MEUR

- Increase of 26.8 MEUR to 123.2 MEUR thanks to strong operating cash flow
- Investments in subsidiaries of 15.6 MEUR and CAPEX of 21.9 MEUR
- Dividends of 13.3 MEUR paid out

MEUR



Investments of 21.9 MEUR in infrastructure (previous year: 16.7 MEUR)



Financials 2021

Project	Drivers	Investments in 2021	
Center of Climate in Lahr (DE)	<ul style="list-style-type: none"> ▪ Strengthening customer relations ▪ Appealing work spaces for employees 	<ul style="list-style-type: none"> ▪ 4.4 MEUR ▪ Training and office facilities 	
Heat exchanger production capacities in Waalwijk (NL) and Reinsdorf (DE)	<ul style="list-style-type: none"> ▪ Extension of capacities ▪ Increase in productivity 	<ul style="list-style-type: none"> ▪ 2.1 MEUR ▪ Machinery 	
Solar plant in Zwolle (NL)	<ul style="list-style-type: none"> ▪ Investment in renewable energy and thus in sustainability ▪ Generation of around 1,400 kWp¹⁾ annually 	<ul style="list-style-type: none"> ▪ 0.8 MEUR ▪ Solar cells ▪ Put into operation in spring 	

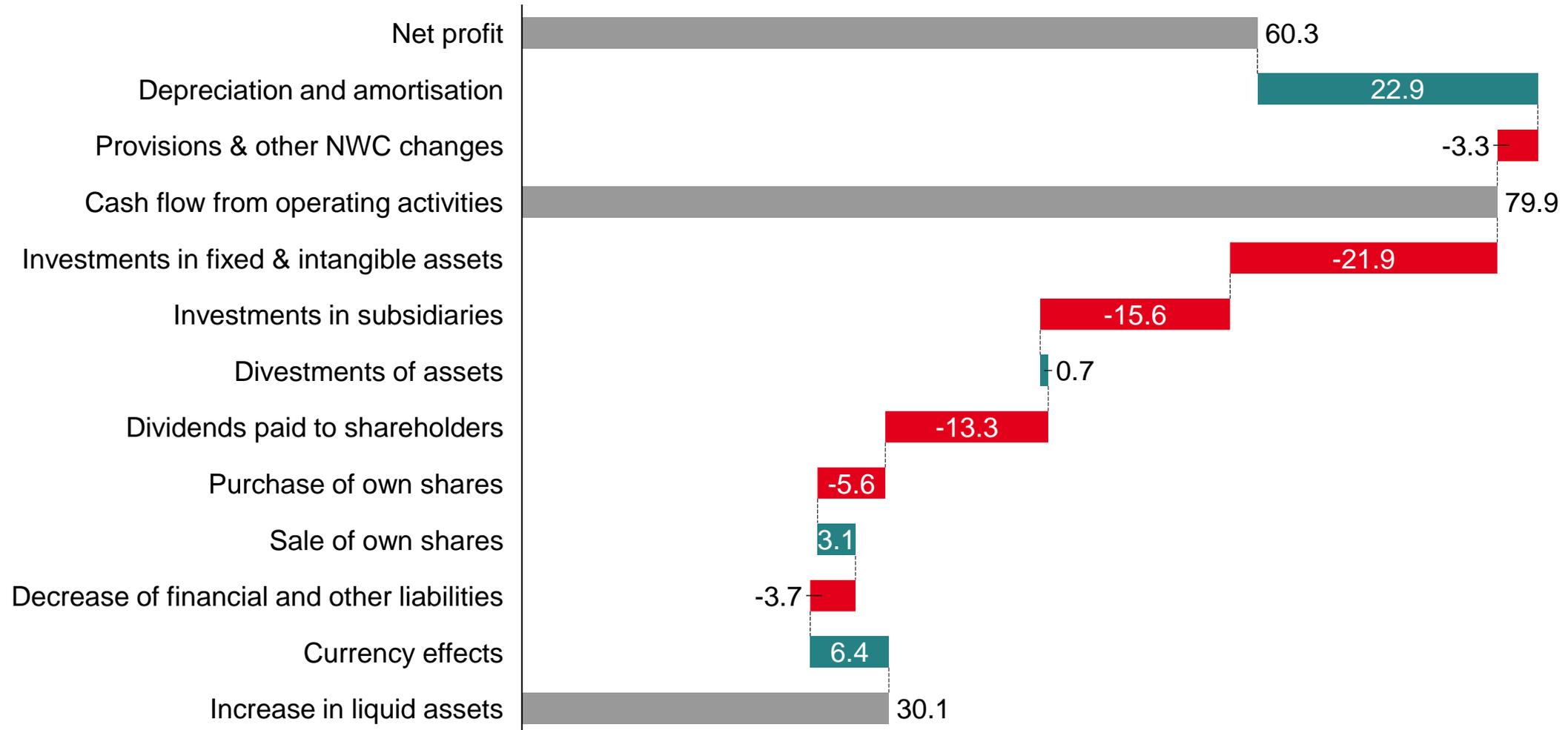
1) kWp: kilowatt peak; 1400 kWp equivalent to consumption of 400 households

Strong cash flow from operating activities



Financials 2021

MEUR



Acquisition-related increase in personnel



Financials 2021

Ø full-time equivalents	2020	2021	Variance
Europe	2,607	2,693	86
China	450	560	110
North America	284	302	18
China & North America	733	861	128
Total	3,340	3,554	214

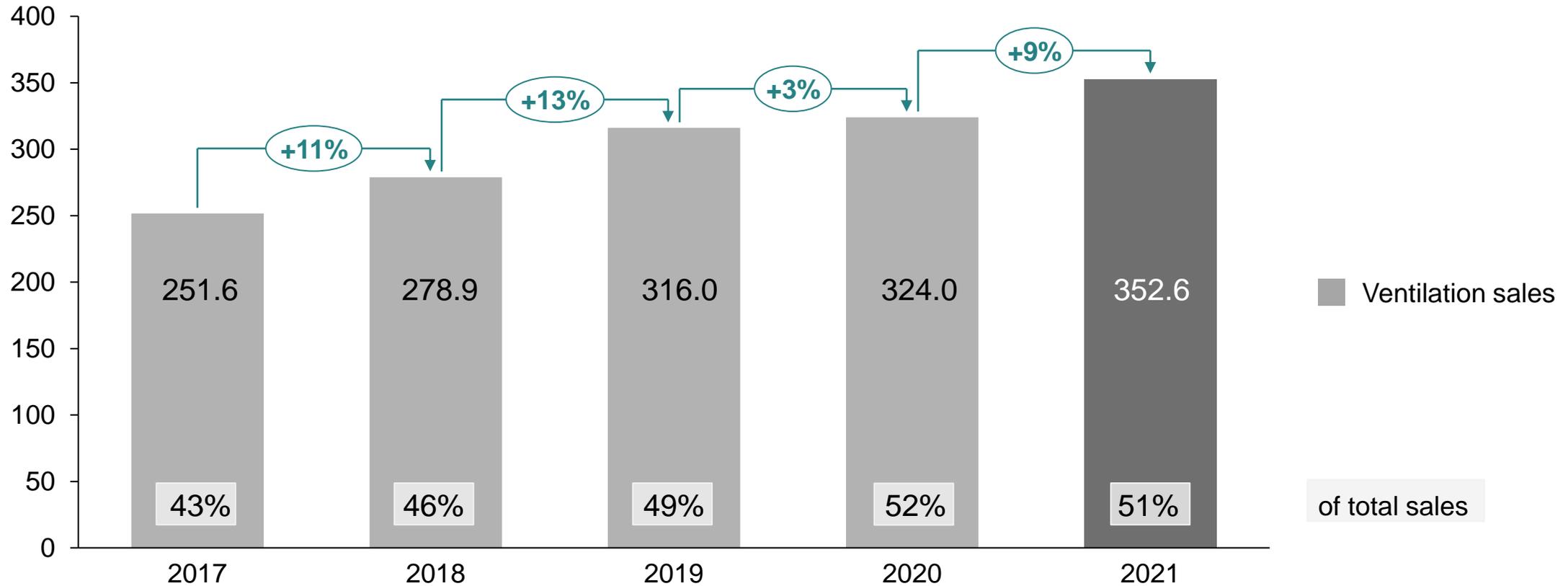
- Totally around 200 new employees from Fortuneway in China and Caladair in France
- 3,085 permanent employees, 411 temporary employees and 58 apprentices

Supply problems slowed down ventilation growth in 2021, especially in second half of the year



Financials 2021

MEUR

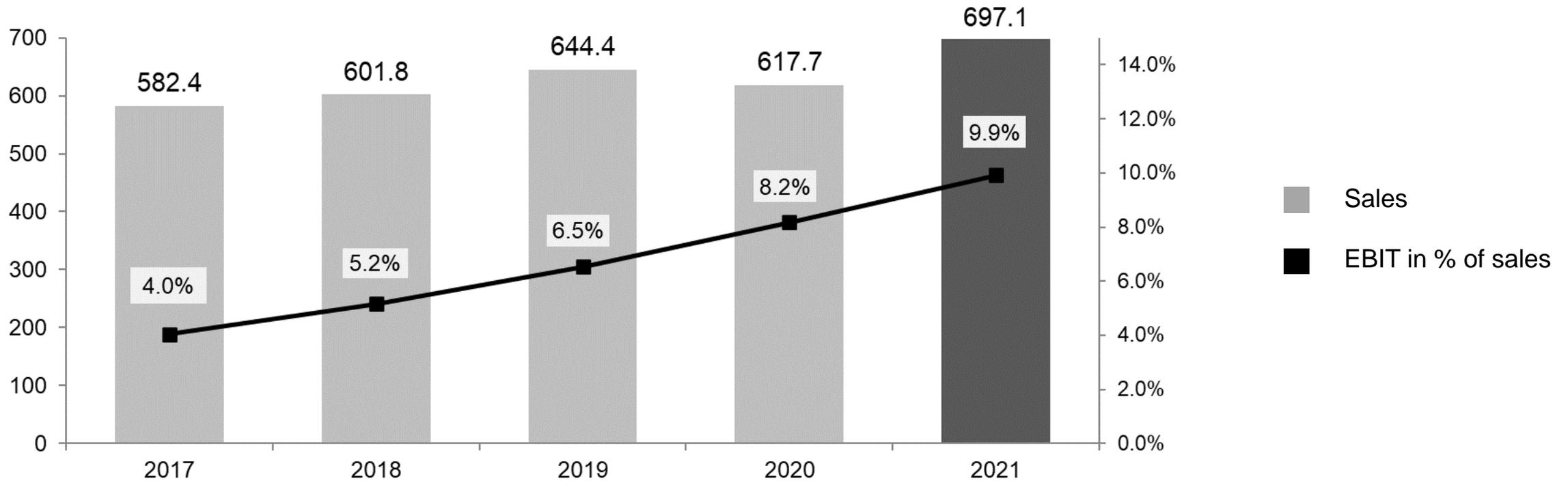


Rising demand and continued focus on costs lead to consistent margin increase



Financials 2021

MEUR

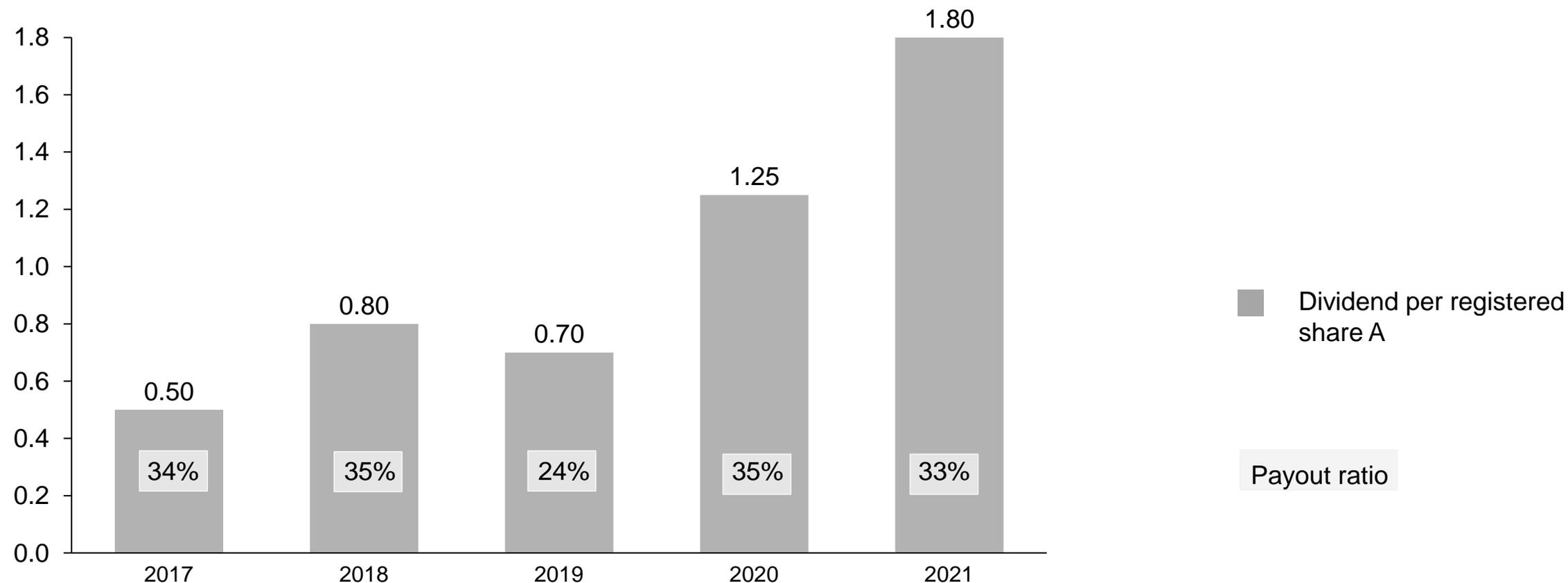


Proposed dividend of CHF 1.80 per registered share A in line with continuous dividend policy of paying out 30–50% of net profit



Financials 2021

CHF





Better creativity.

Structure

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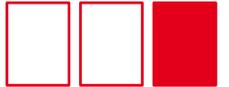
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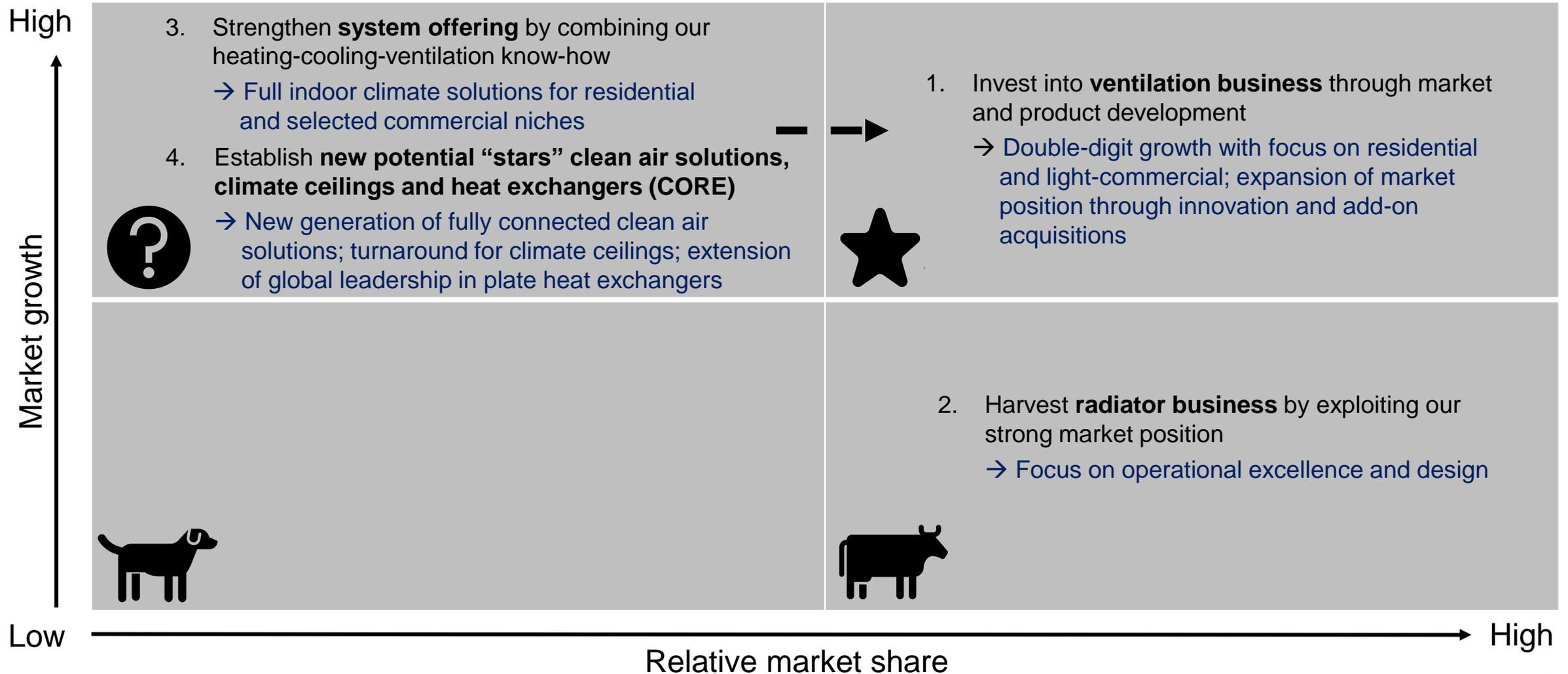
Outlook

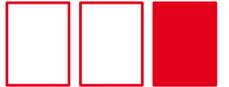
- Strategy to be continued and further executed
- Further investments in market and product development, production capacities, digitalisation and sustainability
- Medium-term target EBIT margin range increased

Zehnder Group strategy to be continued and further executed



Outlook





Market evaluation

- Increasing demand for system solutions for energy-efficient, healthy, comfortable and sustainable buildings
- Continued uncertainties due to ongoing pandemic and global political tensions
- Situation in the manufacturing and transport chain expected to increasingly normalise in course of 2022
- Visibility and ability to plan still limited at present

Further investments

- Market and product development
- Production capacities
- Digitalisation
- Sustainability

Guidance 2022 and mid-term

- 2022: sales growth above the 5% average annual target incl. Airia and EBIT margin of 8–10%
- Normalised tax rate from 2022 due to discontinuation of use of loss carryforwards and of positive effects of Swiss tax reform
- Mid-term: average annual sales growth of 5% and increased EBIT margin range of 9–11%



Five reasons to invest

- Strong position in key markets
- Growth for residential ventilation
- Harvest leading position in radiators
- New potential “stars”
- Solid financial foundations

Mid-term targets

- Sales CAGR of 5%
- EBIT margin of 9–11%
- ROCE >20%

Thank you for your time and attention

Better environment.

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