



Always the best climate for a

Warm welcome

Zurich, 26 February 2020

Media- & Financial Analyst-Conference 2020

Zehnder Group Review 2019

Matthias Huenerwadel, CEO

René Grieder, CFO

Zurich, 26 February 2020



Structure

Business Review 2019

- Strategic plans on course: Growth for ventilation, harvesting for radiators
- Investments in innovation, digital transformation and market organisation expansion
- Strengthening of core management team

Financial Review 2019

- Increase in sales of 7% to 644 MEUR
- EBIT increased by 35% to 42.1 MEUR and margin by 130 bps to 6.5%
- Return on capital employed raised to 11.4%

Outlook

- Strive for sales growth in a stable economic environment
- Further improvement of operating result
- Focus on innovation, digital transformation and market organisation expansion

Zehnder Group increases sales and profitability



Business 2019

Increase in sales

- Sales of 644.4 MEUR (2018: 601.8 MEUR)
- Increase of 7% (+4% organically)
- Primary growth driver: Successful expansion of ventilation business

Improvement in the operating result

- EBIT of 42.1 MEUR (2018: 31.1 MEUR)
- Increase of 35%
- Significant improvements at plant in Buffalo, NY (USA)
- EBIT margin of 6.5% (2018: 5.2%)

Rise in net income

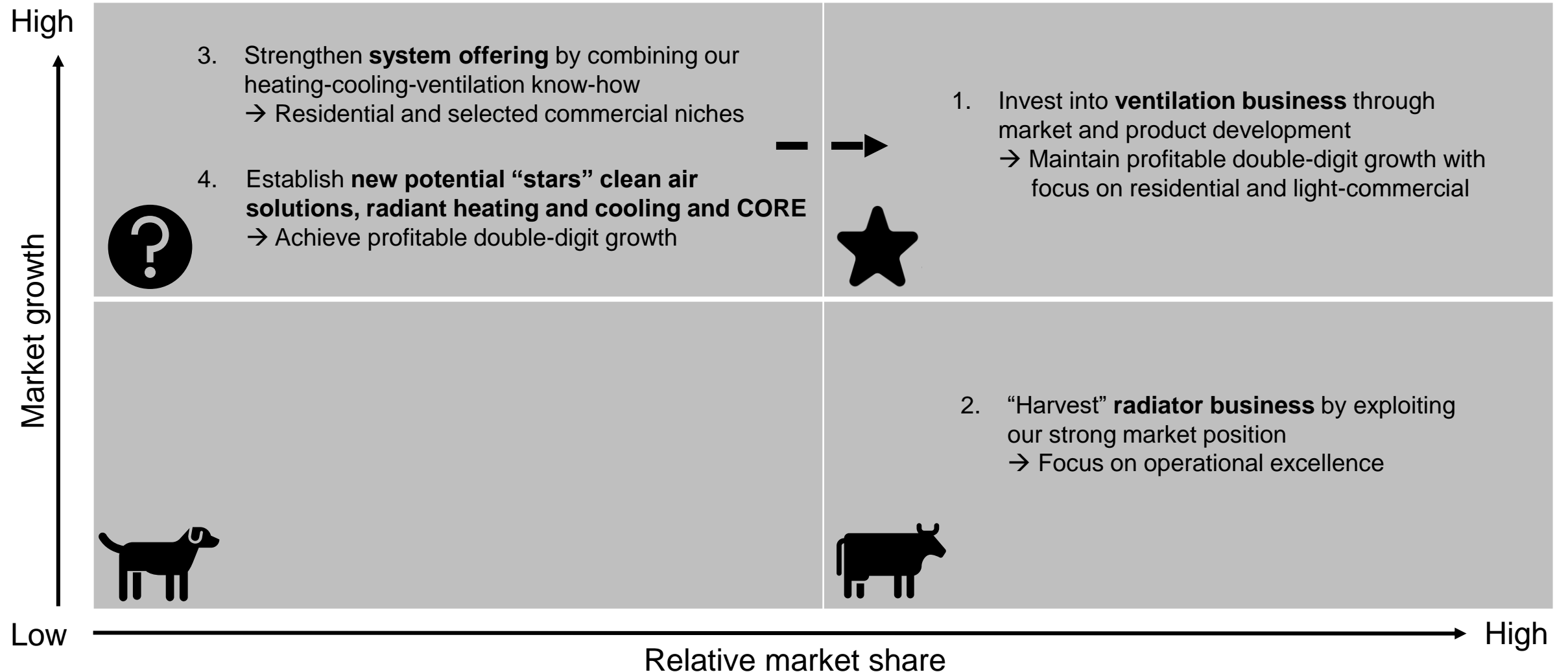
- Rise in net income due to increase in sales, operating leverage and efficiency measures
- Net income up 31% to 31.9 MEUR (2018: 24.5 MEUR)
- Operating cash flow yield up to 6.7% (2018: 5.1%)
- Higher return on capital employed (ROCE) of 11.4% (2018: 9.1%)

Group strategy:

Grow the ventilation business, “harvest” leading position in radiators



Business 2019

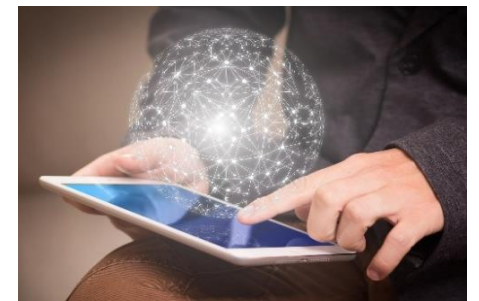


Focus topics 2019



Business 2019

- 1) Complete and fully align core management team and establish agile organisational set-up
- 2) Secure profitable growth for ventilation
- 3) Sustainable harvesting of radiator activity
- 4) Ensure operational excellence
- 5) Confirm strategic turnaround and expansion of oversea activities
- 6) Validate new potential stars
- 7) Establish digital transformation as a growth driver



Group Executive Committee completed



Business 2019



Matthias Huenerwadel
Chairman of the GEC,
CEO



René Grieder
CFO



Johannes Bollmann
Competence Center
Comfosystems



Jörg Metzger
Competence Center
Radiators

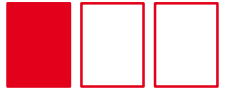


Cyril Peysson
Sales Europe/Middle
East/Africa (EMEA)

Since April 2019

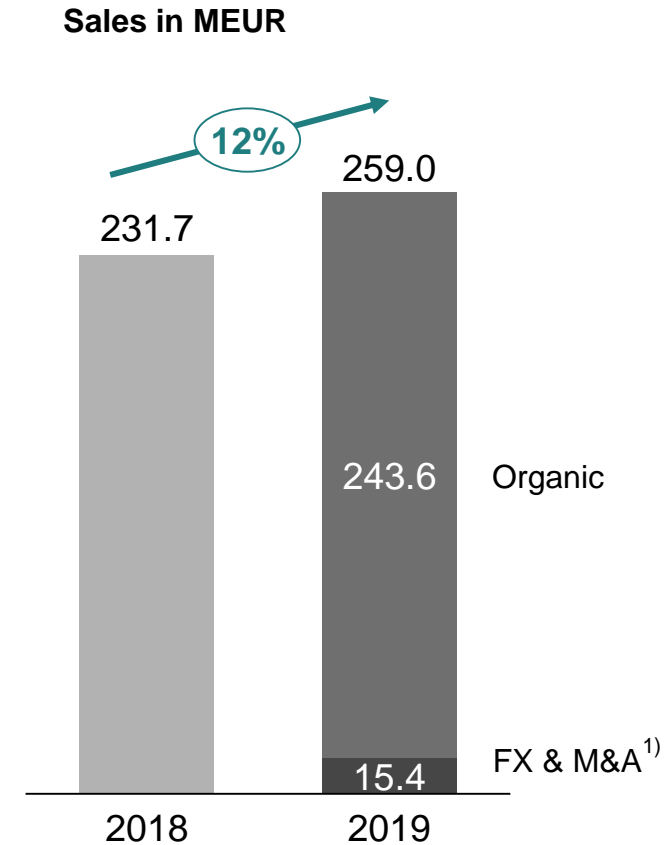
As of May 2020

Europe – Ventilation: Strong growth in key markets



Business 2019

- Sales growth for all major markets except Switzerland
- Reorganisation and strengthening of Competence Center Comfosystems; focus on redesigning product range in the first stage
- Successful integration of InteliVENT (EE) and Enervent (FI) acquired in 2018; positive contribution to sales growth, but initial integration cost impacted profitability
- Acquisition of Recair (NL) and thus increase in market share in heat exchangers for residential buildings
- Solid growth for clean air solutions business



1) Effects from changes in foreign exchange rates and acquisitions

Passive house certification I

- ComfoAir Q350 ventilation unit awarded new passive house certification in the category “very hot climate”
- Outstanding heat and humidity recovery in winter and excellent level of cooling recovery in summer

Passive house certification II

- First passive house certification received in China for ventilation unit CHM 200 equipped with a heat pump
- Combined unit for heating, cooling, fresh air and air purification

Valve family extension

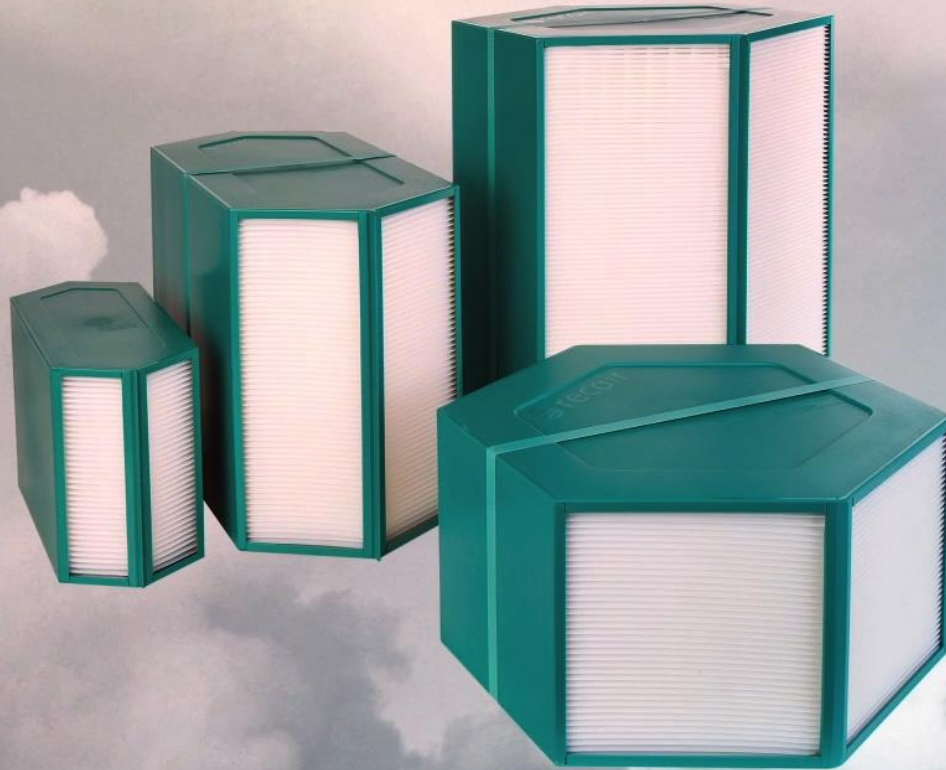
- Integration of extract air valve ComfoValve Luna E follows in the footsteps of the supply air valve
- Latest inclusion into our successful valve series has already earned the prestigious 2020 iF Design Award



External growth – Ventilation: Acquisition of Recair strengthens heat exchanger business (CORE)



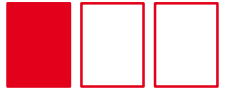
Business 2019



- Founded in 2000
- Based in Waalwijk (NL)
- Development, production and sale of energy-efficient heat exchangers for use in residential ventilation units
- Highly efficient production methods, product expertise and strength in innovation
- Around 30 employees

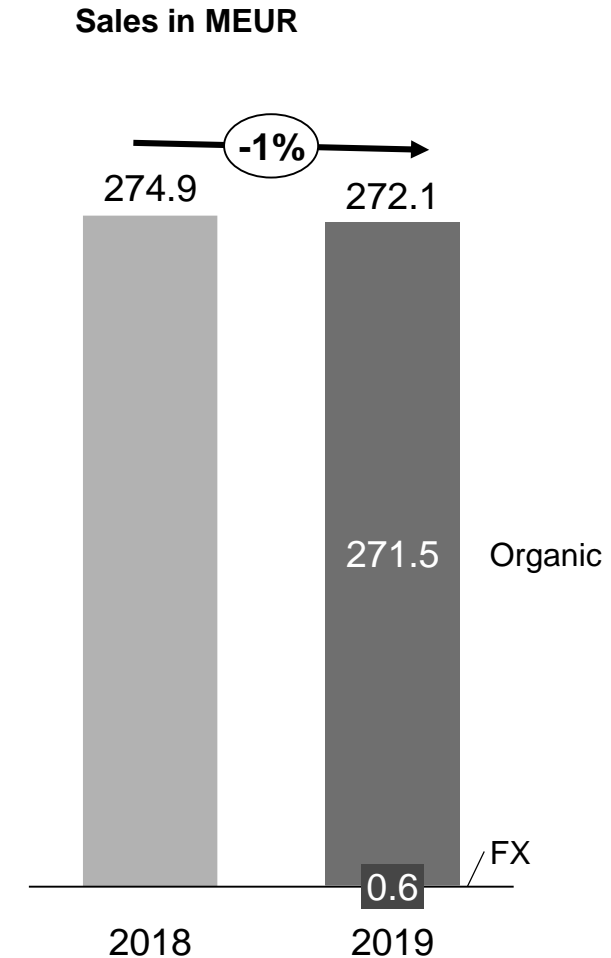
Recair introduces tomorrow's
heat exchangers today

Europe – Radiators: Sustainable harvesting of radiator activity



Business 2019

- Key management positions (re-)staffed
- Successful relocation of radiator production for the British market from Switzerland to France
- Investments in production efficiency
- 1st phase of streamlining of production range
- Slight sales growth or sideward trend for all key markets except for France
- Challenging year for Zehnder Group in France with loss of market shares for electric radiators
- Classic Zehnder Charleston radiator:
A success story for 90 years now



Productivity and efficiency gains – Radiators: Plant utilisation and automation efforts



Business 2019

New plant in Manisa (TR)

- Completion of full manufacturing capabilities incl. painting line
- Substantial increase of capacity utilisation



ZFP ceiling panel line in Lahr (DE)

- New production line to enable launch of ZFP ceiling panel product family to substitute aging product line



Automated radiator welding in Lahr

- Increased efficiency in centralised multicolumn radiator production plant



Portfolio maintenance – Radiators: Focus on design and enhancement



Business 2019

ISH 2019 award	New Zehnder ZFP	Zehnder Charleston 90 th birthday
<ul style="list-style-type: none">▪ Electrical glass radiator Zehnder Deseo Verso presented at ISH in Frankfurt (DE) and awarded «Design Plus powered by ISH 2019»	<ul style="list-style-type: none">▪ Development of Zehnder ZFP flexible radiant ceiling panel completed in the second half of the year and product launched	<ul style="list-style-type: none">▪ Within 90 years, Zehnder Group produced and sold more than 15,000,000 multicolumn radiators
		

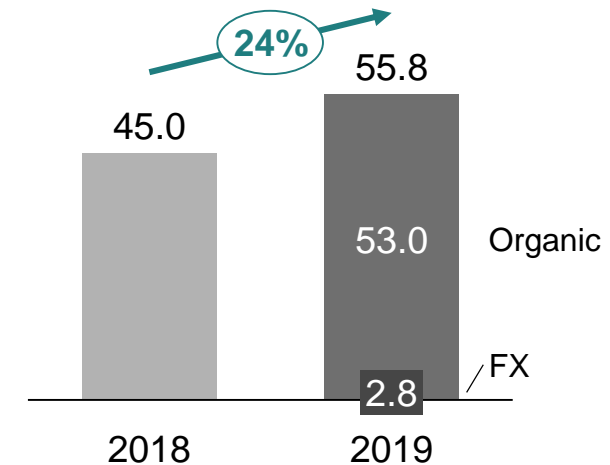
North America: Strong growth, considerable improvement in EBIT



Business 2019

- Cooling solutions business acquired from NuClimate in 2018 contributes to strong sales growth
- Positive sales performance for residential ventilation
- Start of local production/assembly for ventilation
- Considerable expansion of clean air solutions activities
- Clear progress for CORE
- Increase in sales for radiant heating and cooling
- Withdrawal from unprofitable fan coil business
- Considerable improvement in EBIT

Sales in MEUR



North America: Reference projects support growth



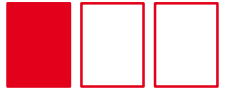
Business 2019

American Geophysical Union in Washington, DC

Equipped with a Zehnder radiant cooling and heating ceiling system to provide lower operating costs and increased occupant comfort



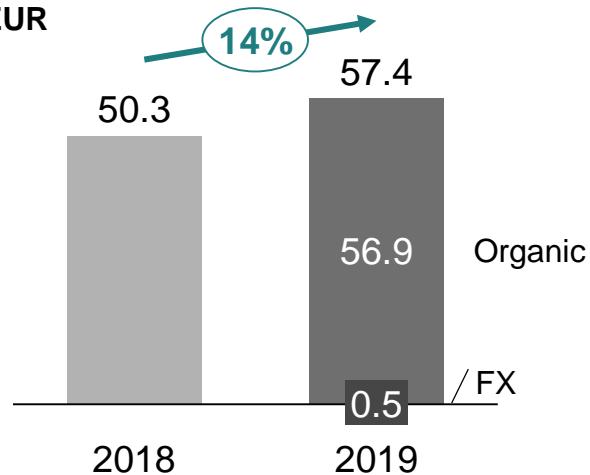
China: Rise to Zehnder Group's fourth-largest market



Business 2019

- Significant increase in ventilation sales as a result of contracts with large developers
- Growth for radiators thanks to major project in first semester
- New factory for ventilation units in Pinghu (100 km south-west of Shanghai) under construction, start of operation planned in 2020

Sales in MEUR

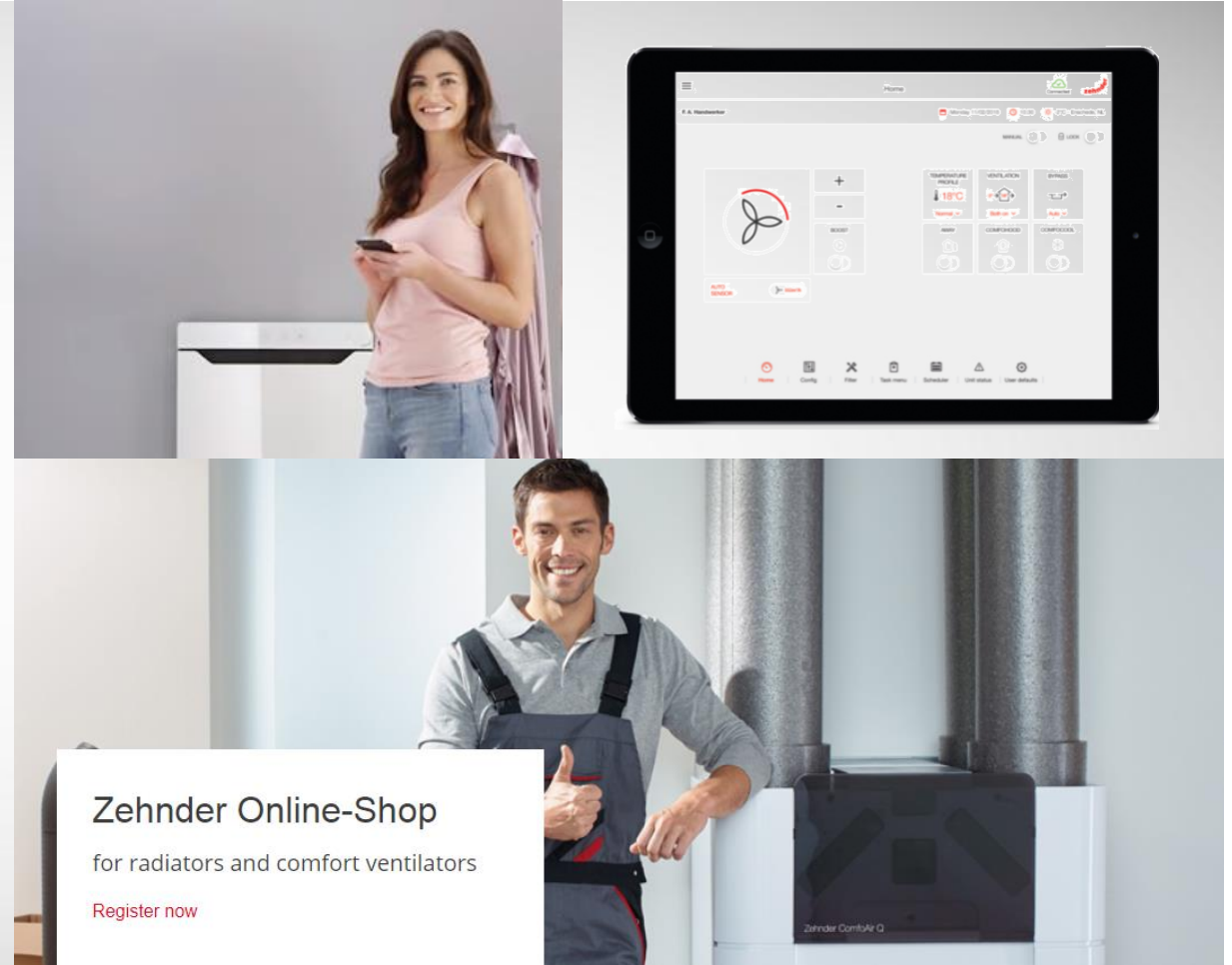


Focus on digital transformation sharpened in 2019



Business 2019

- **Anchor digitalisation on Group level (top-down)**
 - Central coordination by core team to drive digital transformation
- **Enhance operational backbone**
 - Continuous upgrade of SAP
 - New CRM¹⁾ introduced in four countries
 - Kick-off for harmonised PIM¹⁾ project
 - BIM¹⁾ models created
- **Generate digital customer engagement**
 - B2B web shop for CH and UK introduced
- **Digitised solutions / smart home**
 - Connected products on cloud-based IoT platform
 - Connectivity of Zehnder units with 3rd party Smart Home systems
 - Smart control of electronic radiators
 - Value proposition through connected services

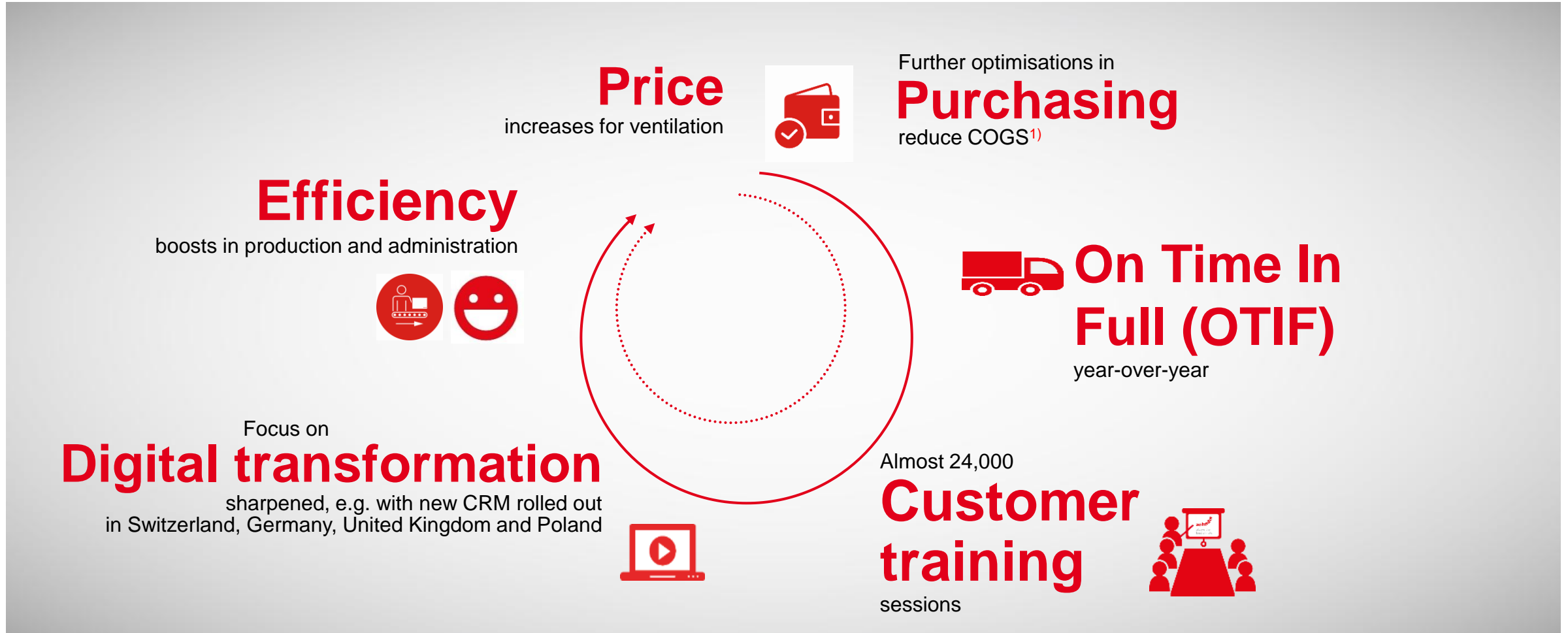


1) CRM: Customer Relationship Management; PIM: Product Information Management; BIM: Building Information Modelling

Improvements in operational excellence and customer focus



Business 2019

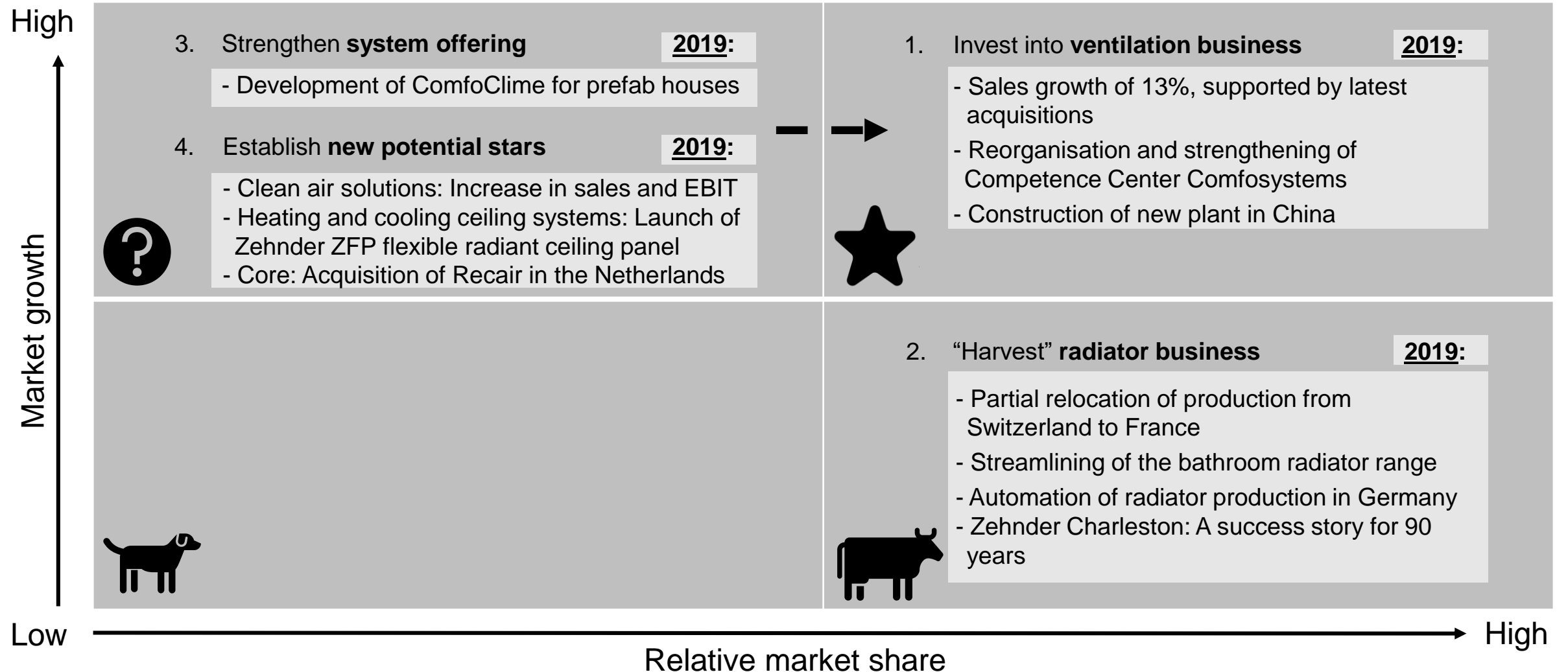


1) COGS = Costs Of Goods Sold

Strategic plans on course



Business 2019



Structure

Business Review 2019

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Outlook

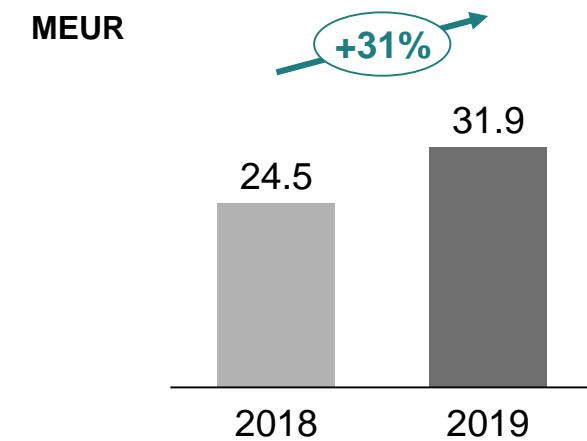
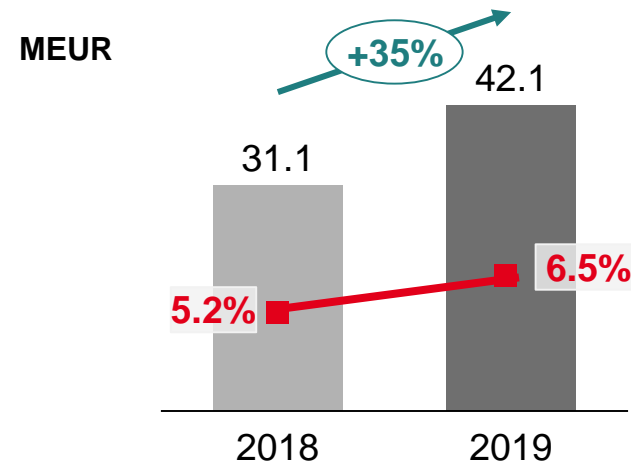
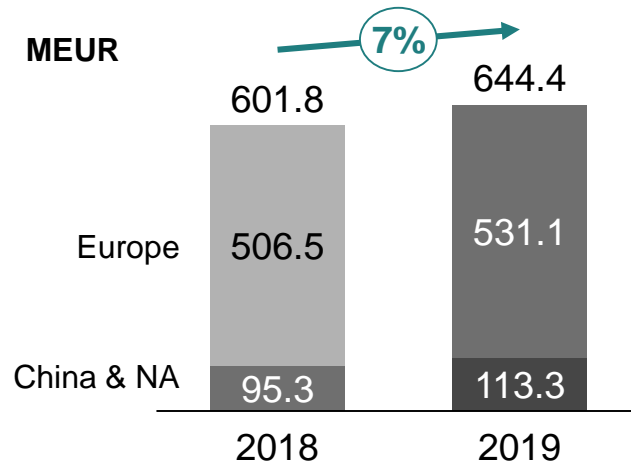
- Strive for sales growth in a stable economic environment
- Further improvement of operating result
- Focus on innovation, digital transformation and market organisation expansion

Further increase in sales and profitability



Financials 2019

Sales increase of +7%	EBIT margin rises to 6.5%	Rise in net income by +31%
<ul style="list-style-type: none"> +4% organically Ventilation sales up 13% Radiator sales increase of 2% thanks to China & North America segment 	<ul style="list-style-type: none"> Strong increase in North America Procurement savings and efficiency increase Higher R&D and IT costs in Europe to promote future growth 	<ul style="list-style-type: none"> Rise in net income as a result of increase in sales and profitability



Strong balance sheet with increased equity and cash positions

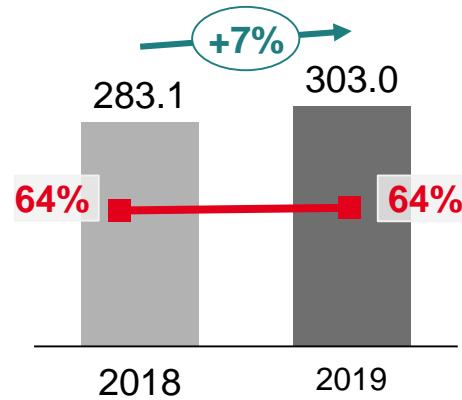
Further increase in operating cash flow



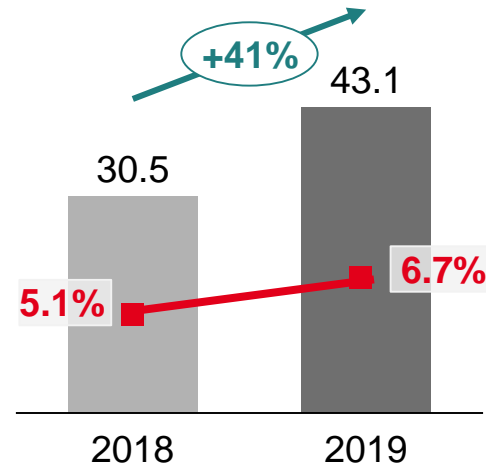
Financials 2019

High equity ratio of 64%	Increase in operating cash flow	Higher net liquidity
<ul style="list-style-type: none"> ▪ Increase in equity of 20 MEUR ▪ Unchanged high equity ratio compared with 2018 	<ul style="list-style-type: none"> ▪ Positive development despite increase in accounts receivable of 20 MEUR, of which 15 MEUR due to extended payment terms for major customers in China 	<ul style="list-style-type: none"> ▪ Increase of 4.2 MEUR to 25.5 MEUR end of 2019

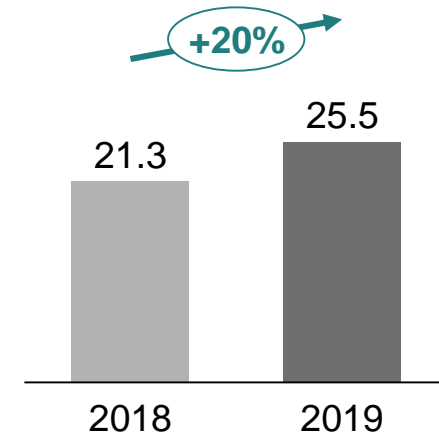
MEUR



MEUR



MEUR



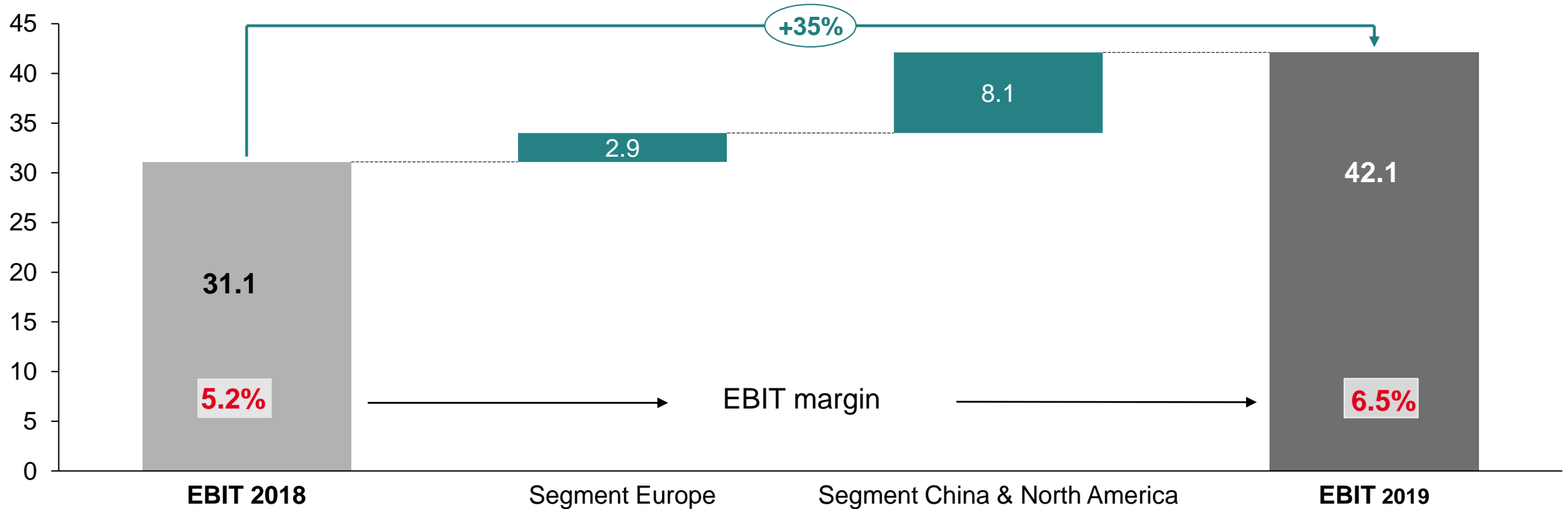
Increase in EBIT margin from 5.2% to 6.5%

Main increase from segment China & North America



Financials 2019

MEUR



Strong EBIT improvement in the second semester



Financials 2019

MEUR	2018 H1	2018 H2	2019 H1	2019 H2	Δ in % H1	Δ in % H2
Radiators	151.5	171.4	155.5	172.9	+3	+1
Ventilation	139.1	139.8	158.2	157.8	+14	+13
Sales	290.6	311.2	313.6	330.7	+8	+6
EBIT	14.1	17.0	17.1	24.9	+21	+47
EBIT margin (in %)	4.9	5.5	5.5	7.5		

- Ventilation with strong sales growth in both semesters, supported by latest acquisitions
- EBIT margin level increased from 5.5% in the first six months to 7.5% in the second semester, resulting in an EBIT margin of 6.5% for the full year (2018: 5.2%).

Ventilation business accounts for almost 50% of total sales



Financials 2019

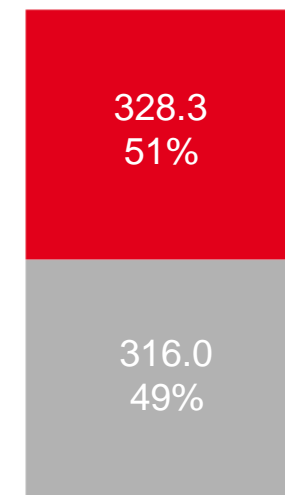
Country ranking and sales development 2019¹⁾

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

¹⁾ Sales development in local currency

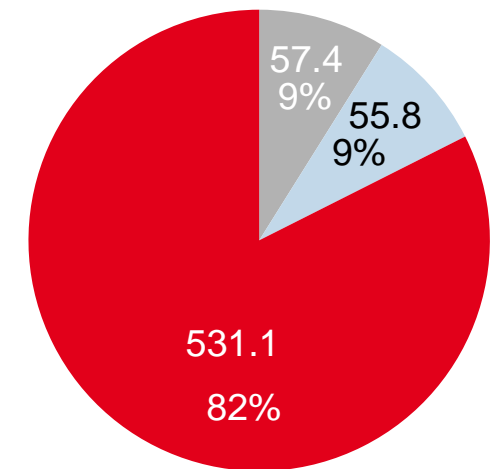
The top 10 markets account for 87% of the total turnover.

Sales by area in MEUR



■ Radiators
■ Ventilation

Sales by region in MEUR






■ China
■ North America
■ Europe

Investments in production efficiency and growth of ventilation



Financials 2019

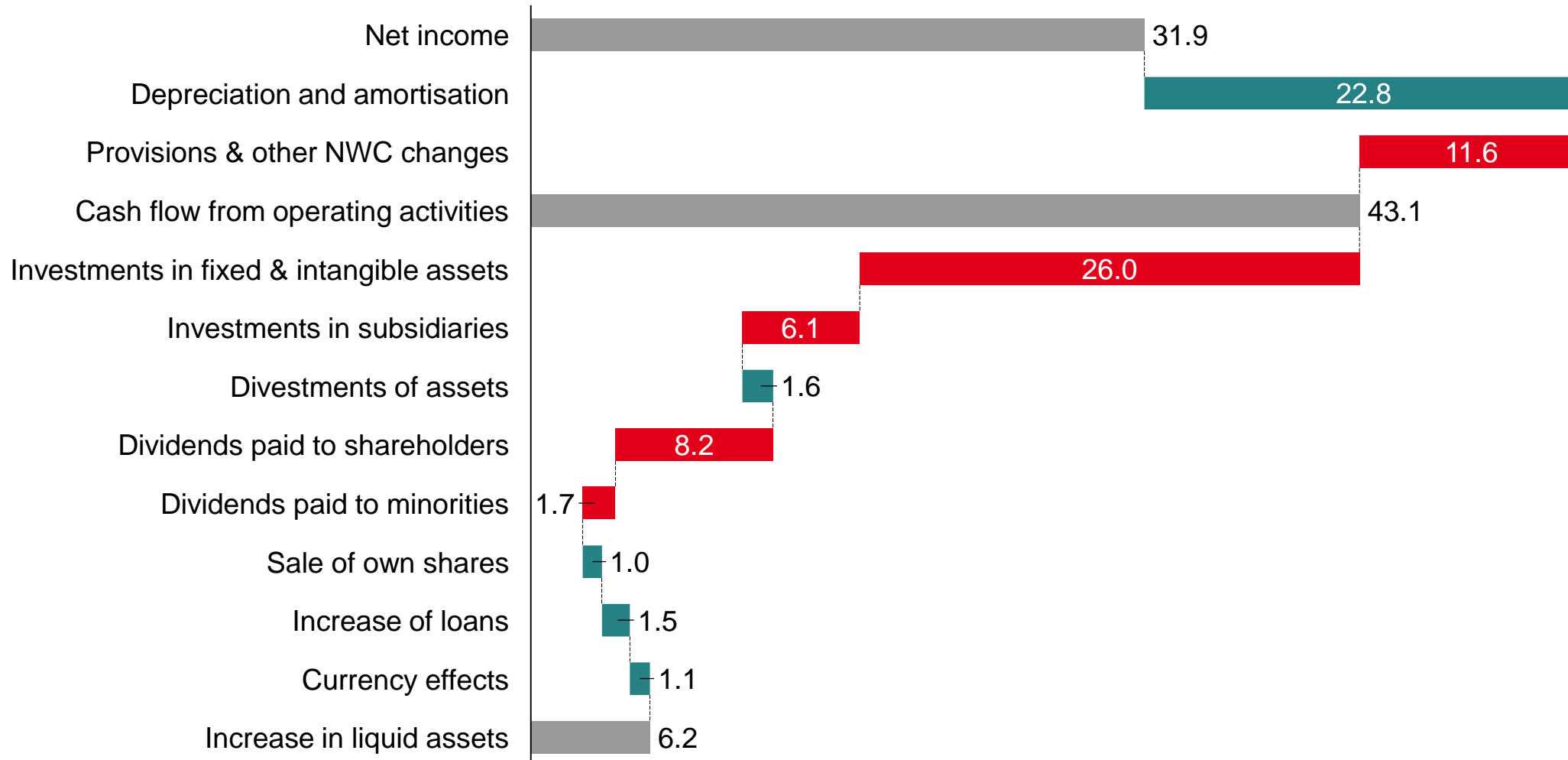
Project	Drivers	Investments in 2019	
New factory for ventilation units in Pinghu (CN)	<ul style="list-style-type: none"> ▪ Growth in the ventilation business ▪ Current production in a rented building 	<ul style="list-style-type: none"> ▪ 6.0 MEUR ▪ Building and machinery 	
Automation of radiators and heating and cooling ceiling systems production in Lahr (DE)	<ul style="list-style-type: none"> ▪ Increased efficiency ▪ Resource-saving manufacturing process 	<ul style="list-style-type: none"> ▪ 2.4 MEUR ▪ Machinery 	
New painting line in Vaux-Andigny (FR)	<ul style="list-style-type: none"> ▪ Higher productivity ▪ Resource-saving manufacturing process ▪ Improvements in safety and quality 	<ul style="list-style-type: none"> ▪ 1.6 MEUR ▪ Painting line 	

Cash flow from operating activities increased to 43.1 MEUR (2018: 30.5 MEUR) or 6.7% of sales



Financials 2019

MEUR



Reduction in full-time positions due to restructurings and efficiency increases



Financials 2019

FTE closing	2018	2019	Variance
Europe	2,642	2,621	-21
China	467	459	-8
North America	303	283	-21
China & North America	770	742	-29
Total FTE	3,412	3,362	-50

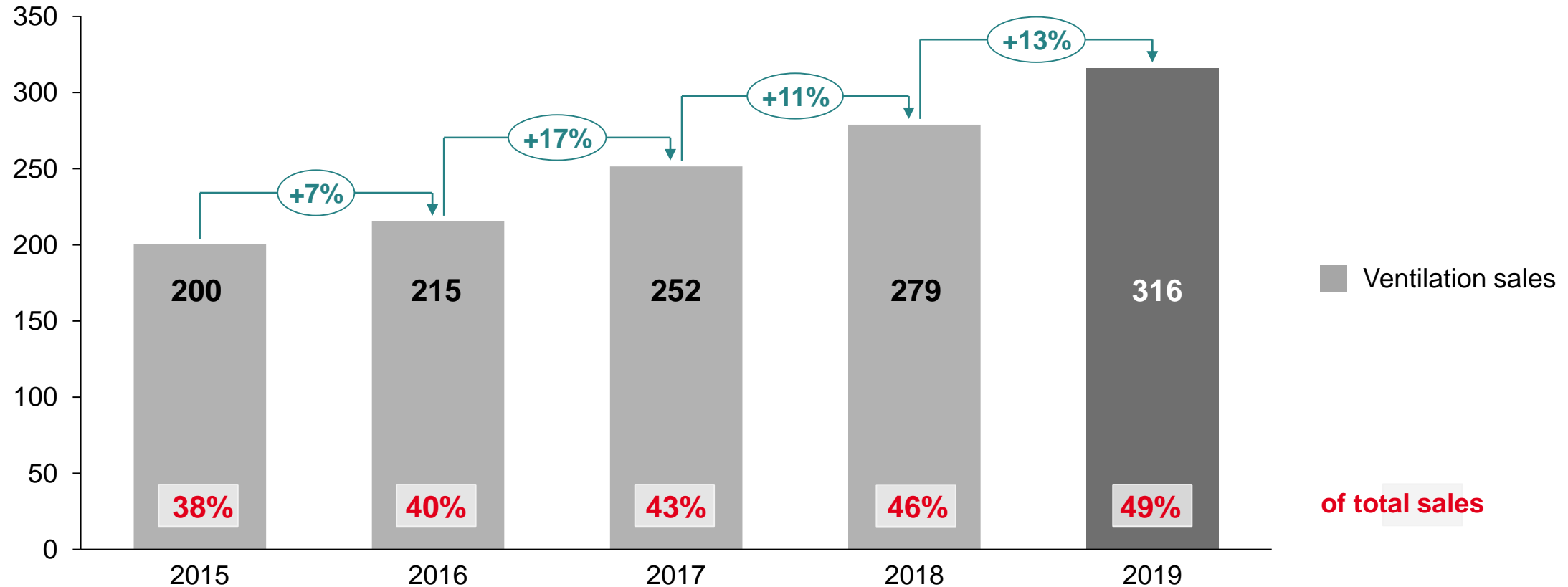
- Workforce reduction in Gränichen (CH) as a result of production being partially relocated to Vaux-Andigny (FR)
- Restructuring measures at Buffalo, NY (USA) plant
- Reductions driven by efficiency increases
- Workforce increase in ventilation business and in markets with high growth rates

Double-digit sales growth for ventilation business in the past three years (CAGR 2015-2019 of 12%)



Financials 2019

MEUR



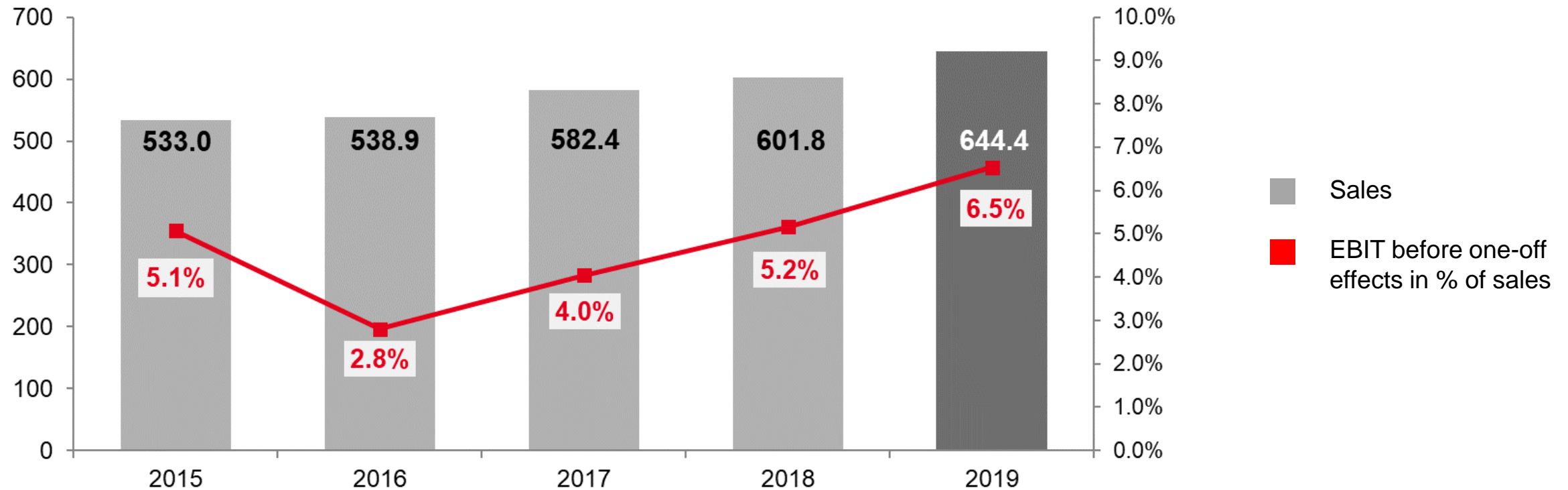
Consistent annual margin increase since 2016

One step closer towards our medium-term goal of an 8% EBIT margin



Financials 2019

MEUR

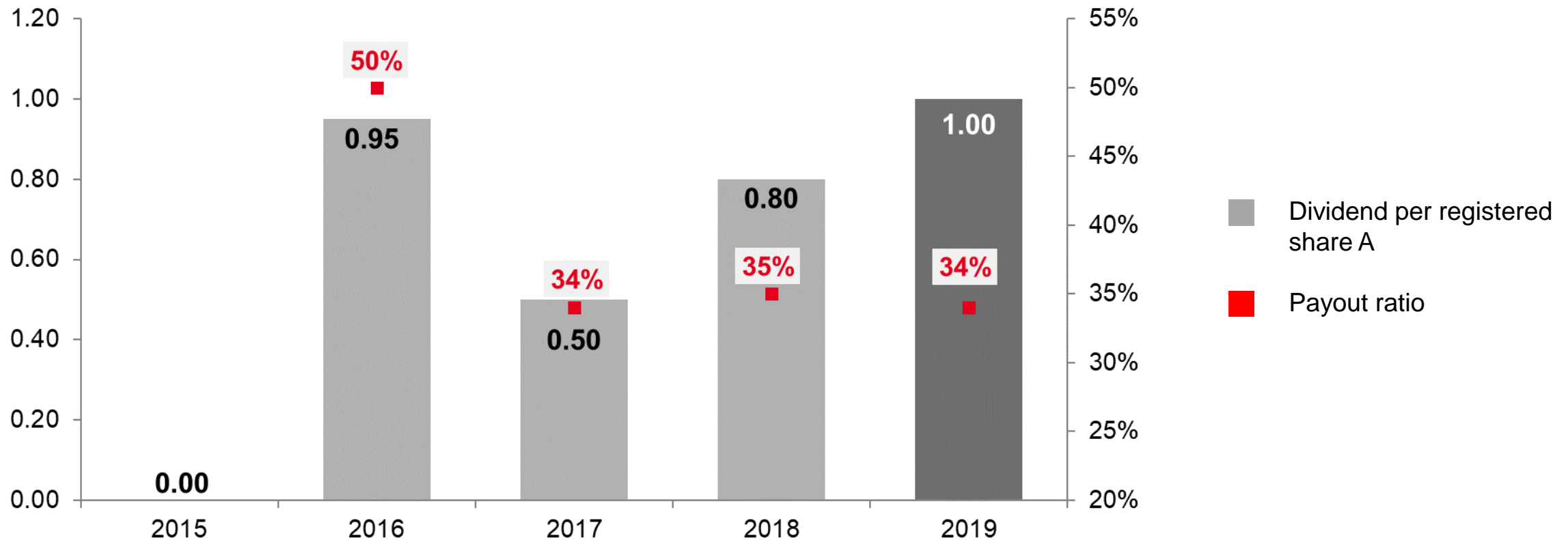


Proposed 25% dividend increase to CHF 1.00 per share (SIX: ZEHN) Payout ratio of 34%



Financials 2019

CHF



Structure

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Outlook

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- Further improvement of operating result
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Market evaluation

- Megatrends of health, climate change, sustainability, digitisation and urbanisation and new building regulations support sales of ventilation units in various countries
- Geopolitical tensions and shortage of specialists in key markets remain
- Impact of corona virus on business uncertain at present time

Further investments

- Innovation (focus on ventilation)
- Digital transformation (focus on operational backbone and digital customer engagement)
- Expansion of market organisation (focus on organic growth, but continuous monitoring of potential acquisition opportunities)

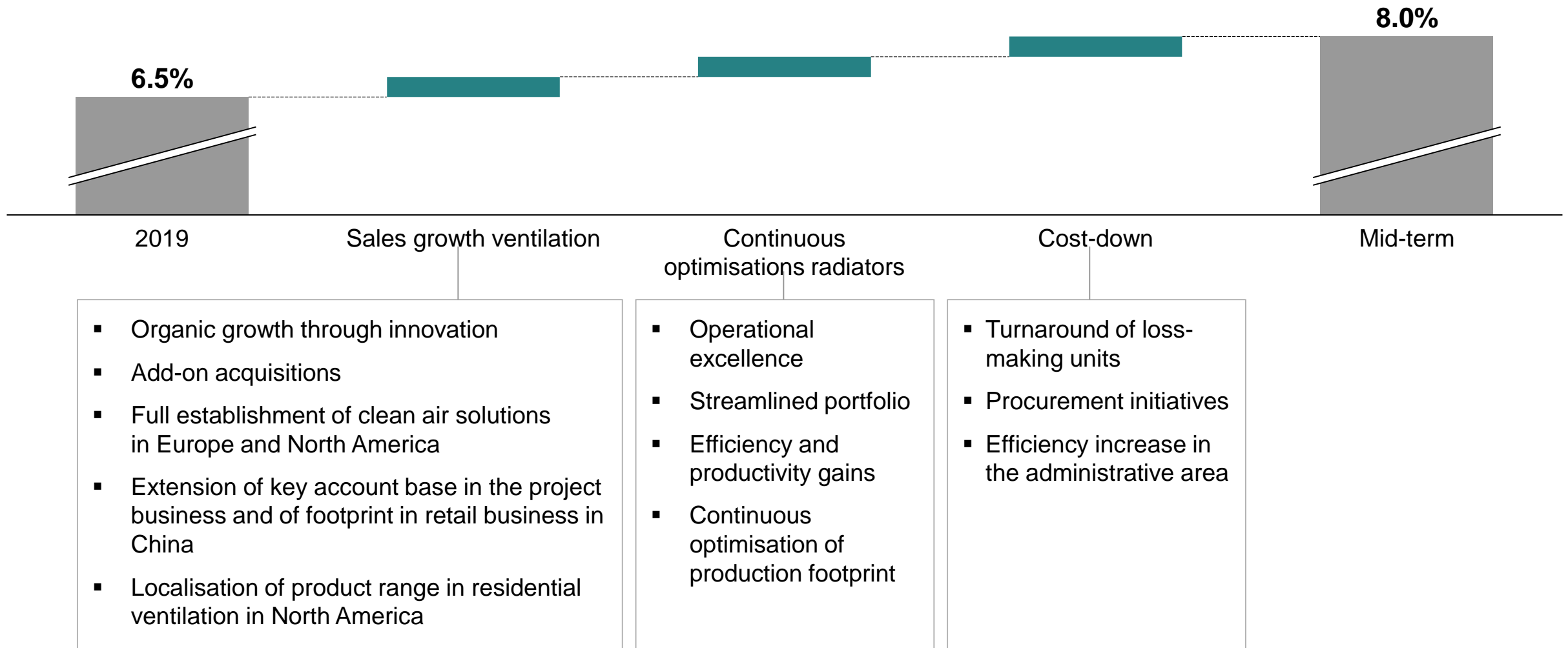
Guidance 2020

- Strive for sales growth in a stable economic environment
- Further improvement of operating result

The biggest levers to reach our targeted 8% EBIT margin: Growth – Continuous optimisations – Cost-down

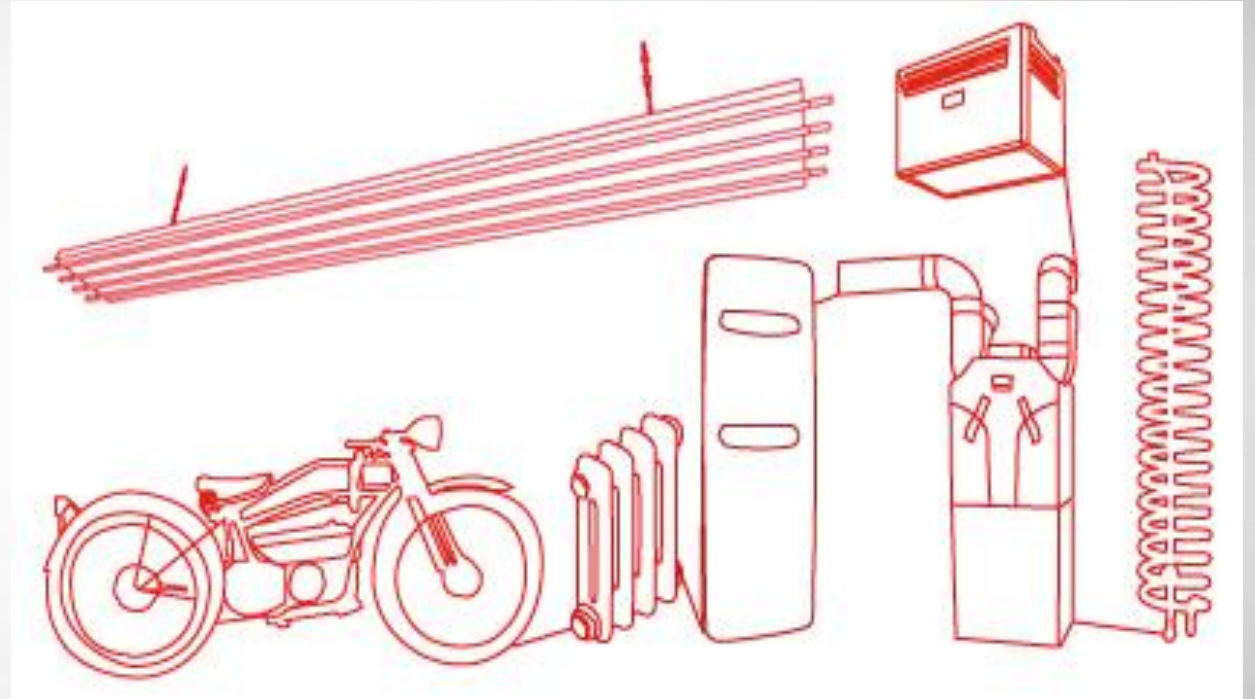


Outlook



125 years in business – Looking back on an exceptional history:

- **1895:** Opening of a mechanical workshop in Gränichen
- **1923:** Launch of a light motorcycle for the Swiss market
- **1930:** Production of Europe's first steel radiators
- **2001:** Move into the ventilation business
- **Today:** International provider of comprehensive solutions for a healthy indoor climate with 3500 employees worldwide



The Zehnder Group – an attractive investment case



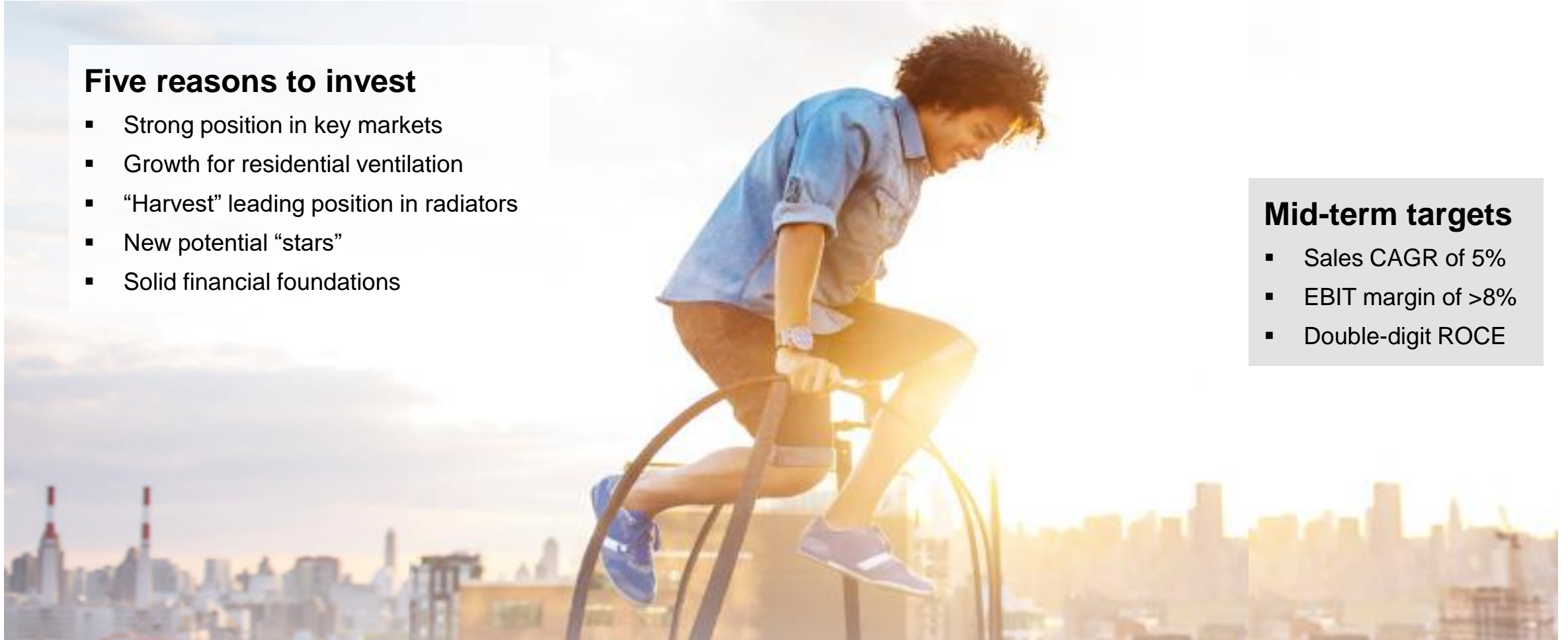
Outlook

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 >8%
- Double-digit ROCE



Questions & answers



Thank you for your time and attention



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