

# Zehnder Group Capital Market Day 2019

Matthias Huenerwadel, CEO and Chairman of the Group Executive Committee

René Grieder, CFO and Member of the Group Executive Committee

Johannes Bollmann, Head Competence Center Comfosystems and Member of the Group Executive Committee

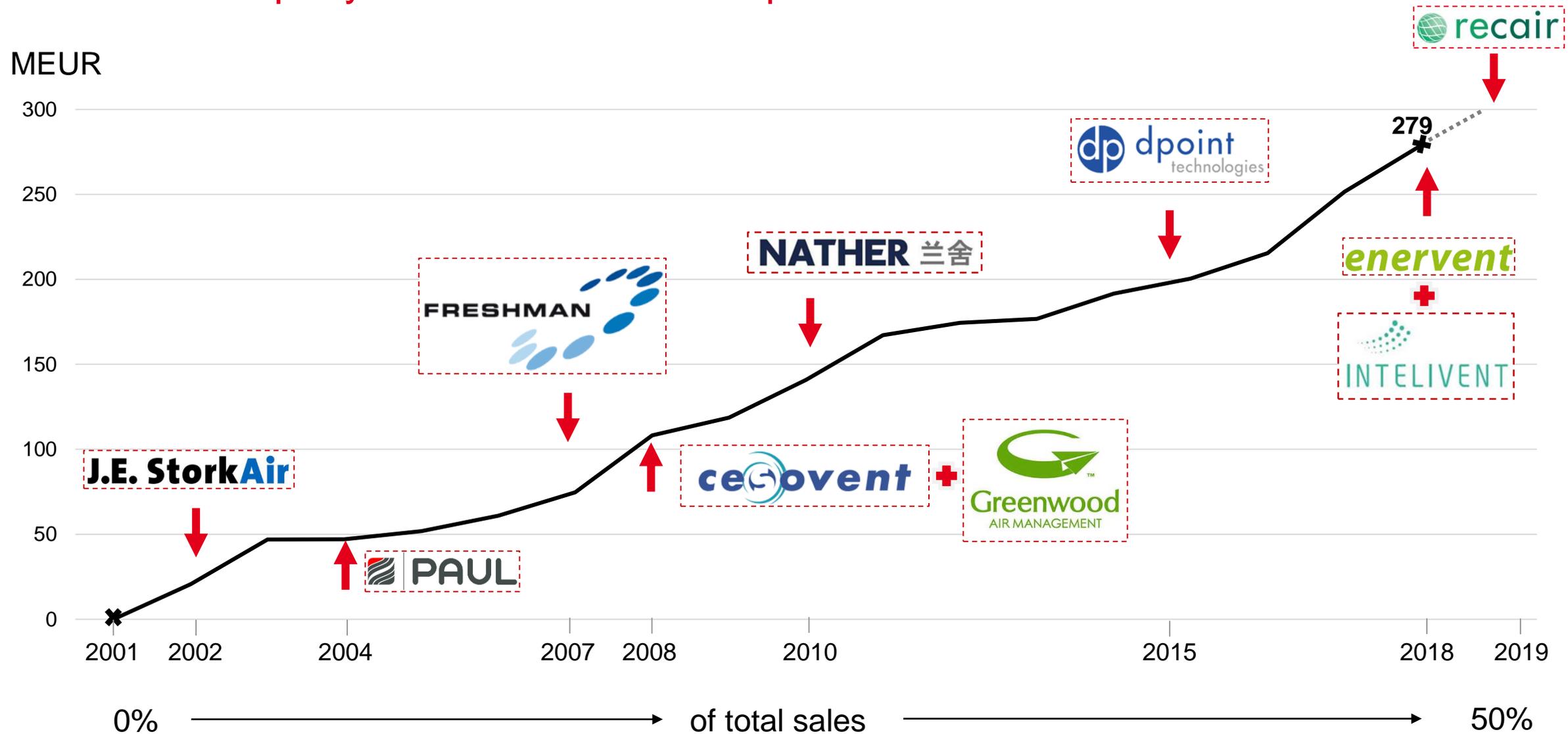


Always the best climate for a

# Warm welcome

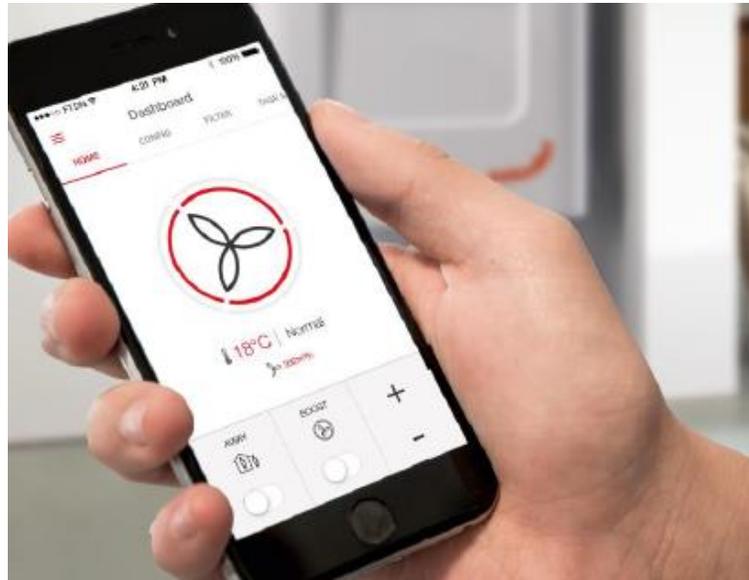
Zwolle, 4 September 2019

Zehnder Group's foundation for the ventilation business started in the Netherlands, where the company J.E. StorkAir was acquired in 2002



# Part 1

## Presentation of Zehnder Group's site in Zwolle and activities of Competence Center Comfosystems; Dutch ventilation market



# Zehnder Group's site in Zwolle



by Nynke Floor

Head Shared Service Center  
Zwolle

# History of Zehnder Group Netherlands in Zwolle (1/2)

The beginning of Jakob Zehnder's first mechanical workshop for bicycles and all kinds of repairs in Gränichen



1895

J.E. StorkAir moves from Den Haag to Zwolle



1967

1937



**N. V. WALDORP-RADIO**  
WALDORPSTRAAT 268 - DEN HAAG - TELEFOON 112289

*De Waldorp Siroomblyventilator*

- Grote Capaciteit
- Hoog Rendement
- Hoog Statische druk
- Zeer eenvoudige en doelmatige constructie

Deze ventilator met zijn speciale 4-bladige vleugel kenmerkt zich vóór alles door een HOOG RENDEMENT, HOGE STATISCHE DRUK en door zijn GROTE CAPACITEIT met betrekking tot de vleugel-diameter, welke eigenschappen noodzakelijk te denken aan de bij uitstek gunstige NORM en het PROEFIEL DER VLEUGELS. De uiterst eenvoudige en solide constructie van de inbouwring, uit één stuk gegoten met de concentrische binnenring, welke de motor draagt, versmoelt de inpassing van een zeer kleine speling tussen ring en vleugel, met als gevolg een minimum terugloop. Ook deze factor komt aan het

**VENTILATOREN**

The beginning of J.E. StorkAir; Jurriaan Engelbert Stork started with ring fans in Den Haag

2002



Acquisition of J.E. StorkAir by the Zehnder Group

# History of Zehnder Group Netherlands in Zwolle (2/2)



Brand Zehnder-  
J.E. StorkAir is  
turned into  
**Zehnder**

2015



The Dutch market  
is the Zehnder  
Group's third  
biggest ventilation  
market, after  
Germany and  
China

2018

2012

Start with **double  
branding**

**zehnder**  
**J.E. StorkAir**

2016

Ideal installation –  
The new  
generation of  
ventilation units  
**Zehnder  
ComfoAir Q**



# Zwolle – Zehnder Group's main location for Comfosystems in Europe

## Site Zwolle (NL)



## Key facts

- Approximately 200 employees
- Local sales and marketing organisation for the Netherlands
- Production site for:
  - Central heat recovery units
  - Mechanical extract ventilation
- Lean manufacturing based on:
  - Kaizen philosophy – lean methodology
  - Continuous improvement (Zmile)
- Group product management and development for central heat recovery units based on:
  - Agile philosophy
  - Scrum methodology
- State-of-the-art laboratory for sound, air flow and CE<sup>1)</sup> measurements
- Shared Service Center (e.g. finance, HR and IT)

1) A certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area

# Activities of Competence Center Comfosystems



by Johannes Bollmann

Head Competence Center Comfosystems  
and Member of the Group Executive  
Committee

# Competence Center Comfosystems

## Why ventilation?



### Industry, social and environmental drivers

- Stricter building regulations lead to more airtight designs which compromise indoor air quality
- Climate change leads to more extreme temperatures
- Rising energy costs
- Air pollution is the “new tobacco”
- Indoor generation

A photograph of a dense pine forest. The sun is shining brightly through the trees, creating a lens flare effect in the upper center. The ground is covered in green grass and dappled with sunlight and shadows from the trees. The text "Why resigning on your personal feel-good climate?" is overlaid in red on a semi-transparent white rectangular background in the center of the image.

Why resigning on your  
personal feel-good  
climate?

# Competence Center Comfosystems - The backbone of the ventilation business in Europe

Product management (PM), product development (R&D) and production at six different locations in Europe



- ① Zwolle (NL): PM, R&D, production
- ② Lahr (DE): R&D
- ③ Reinsdorf (DE): R&D, production
- ④ Campogalliano (IT): PM, R&D
- ⑤ Porvoo (FI): PM, R&D, production
- ⑥ Lenham (UK): PM, R&D, production

# Investments in innovation reinforce and expand our market position

## Some success stories

### Zehnder ComfoAir Q product range

#### More comfort, less cost

**20%**

less power consumption\*

**90%**

less noise\*

**33%**

less time required during commissioning

**38%**

lower heating costs\*



### Easy installation, time, space and money savings for overall customer satisfaction



**50%**

less installation time required



**10%**

Less space required and less planning effort



**Award-winning designs with strong focus on user benefits**



\* compared to conventional ventilation units

# Zehnder's ventilation portfolio in Europe

## Today's system solutions and services to provide finest indoor climate



**Heat recovery ventilation units**  
ComfoAir



**Air distribution**  
ComfoFresh



**Tempering, dehumidification and energy recovery**  
ComfoFond, ComfoCool, enthalpy exchanger



**Decentralised ventilation**  
ComfoSpot 50 & ComfoAir 70



**Smart control**  
Zehnder control options



**Commercial units**  
ComfoAir XL



**Mechanical extract systems**  
MX & ComfoFan S



**Sales support**  
Customer service, planning support and offering services



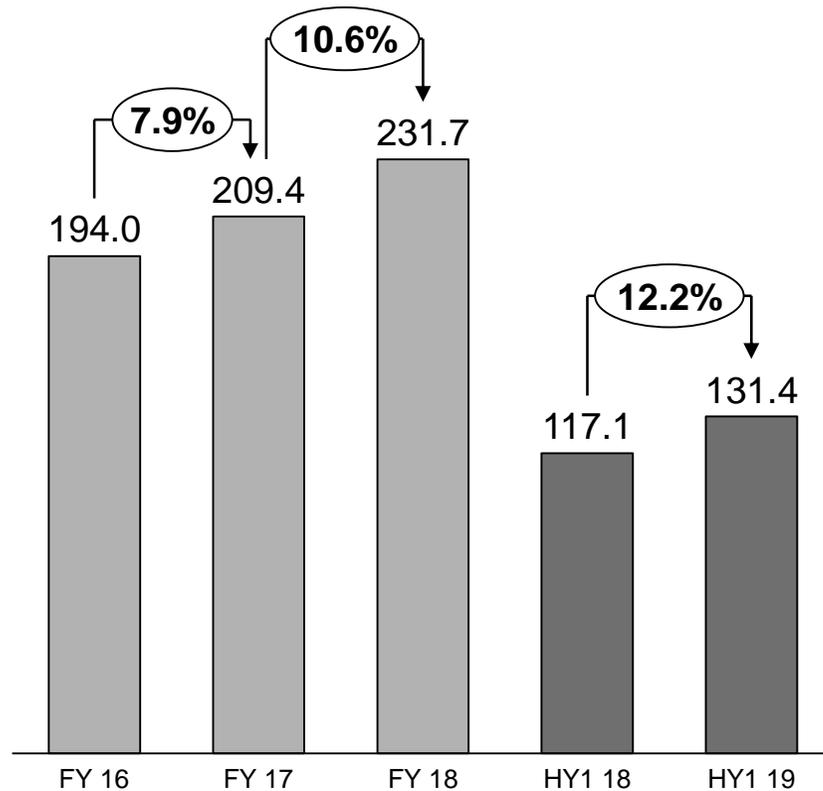
**Training**  
Zehnder Academies and trucks for on-site trainings



**Online services**  
Online planning tool and filter shop

# Sales performance Comfosystems Europe: Accelerated growth driven by market growth, market share gains and add-on acquisitions

## Ventilation<sup>1)</sup> sales in Europe in MEUR



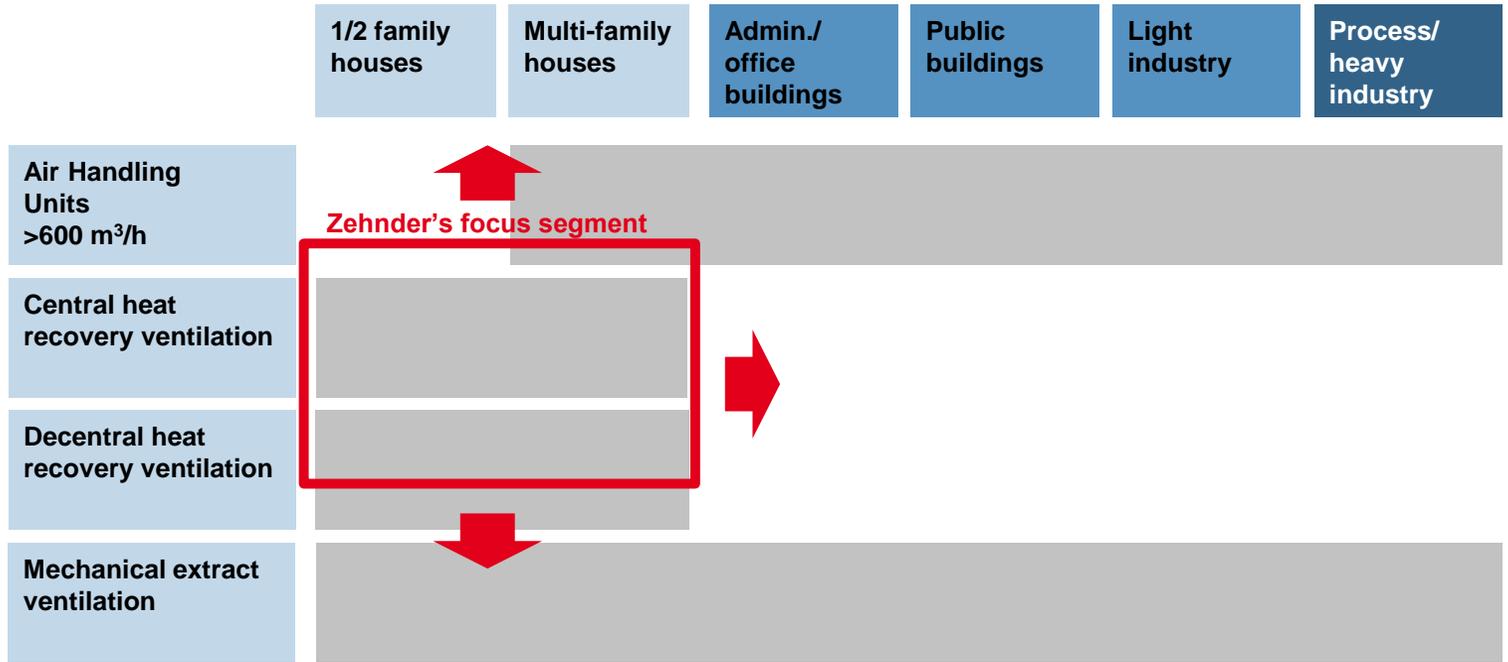
1) Including clean air solutions product line

## Growth drivers

- Overall positive market development in most countries except Switzerland
- Increased awareness of the importance of a healthy indoor air quality
- Best-in-class products such as ComfoAir Q help to gain market share
- Add-on acquisitions such as Enervent (FI), Recair (NL) and IntelliVENT (EE) help to strengthen product portfolio and open sales channels to new markets

# Market segmentation for ventilation: The Zehnder Group is focusing on residential heat recovery ventilation

## Market segmentation for ventilation and Zehnder's focus segment



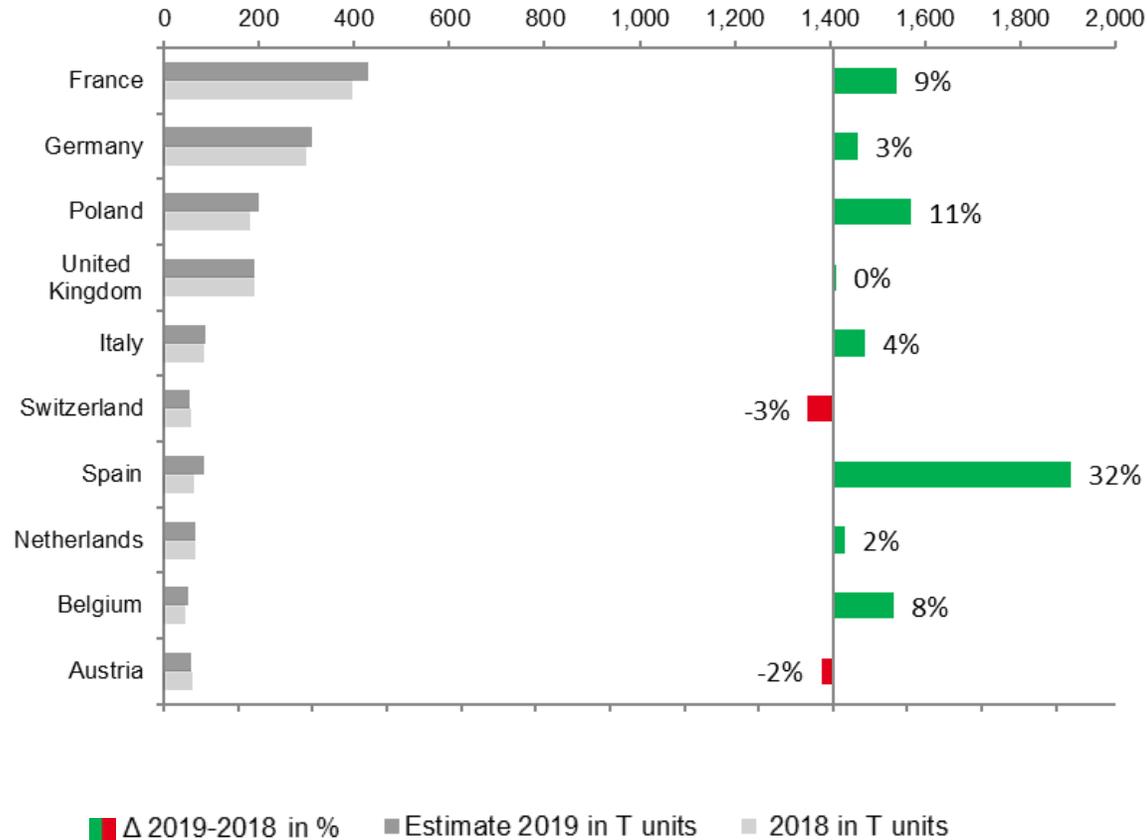
## Comments

Within the segment of multi-family houses, there are several sub-segments with different characteristics (rental, owned, holiday, social etc.) to be targeted individually

 Opportunities to extend product portfolio and competences to cover other market segments

# Positive outlook for residential construction in Zehnder Group's key markets

## Residential new build



## Zehnder Group's top 10 ventilation markets in Europe



Source: EUROCONSTRUCT, June 2019; BRG Consult, May 2019

# Strong value proposition for heat recovery ventilation

## Health



Low CO<sub>2</sub> concentration (<800ppm) and no pollen are a prerequisite for a healthy indoor climate

## Comfort



Continuous supply of fresh air at a comfortable temperature without noise nor draft is a prerequisite for a comfortable indoor climate

## Building fabric protection



A building with an airtight building envelope without ventilation is not functioning – mould is attacking the building fabric

# Zehnder value proposition:

The base for growth and how we differentiate ourselves from the competitors

## Strong sales and support



Operational sales team in key markets consisting of direct and indirect sales supported by a technically competent service team

## Application specialist



Internal application teams with strong application and system configuration competencies and customer trainings in own academies

## Reliable supply performance



Reliable and on-time deliveries with short lead time at superior quality

## Innovative product range



Best-in-class heat recovery units and air distribution complying with certifications based on latest industry standards, e.g. PHI<sup>1)</sup>

1) Passive House Institute

# Four fundamental key trends which guide our ambitions



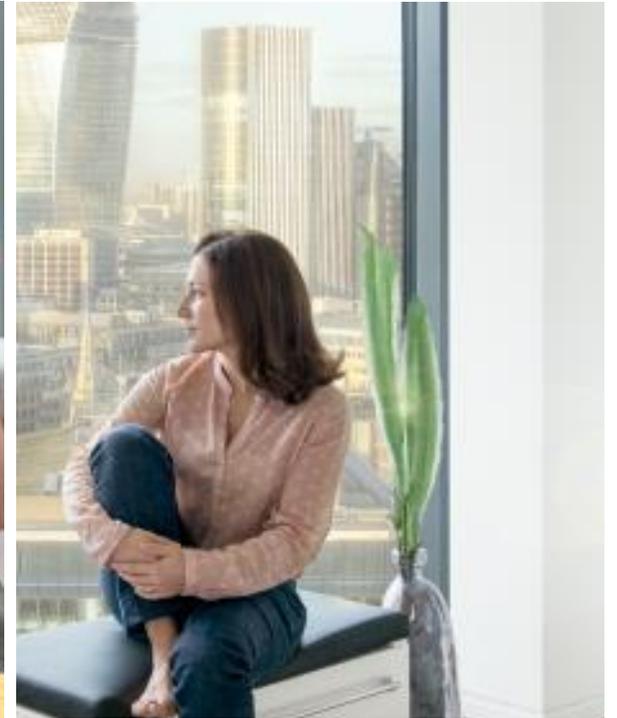
**Health**



**Climate change**

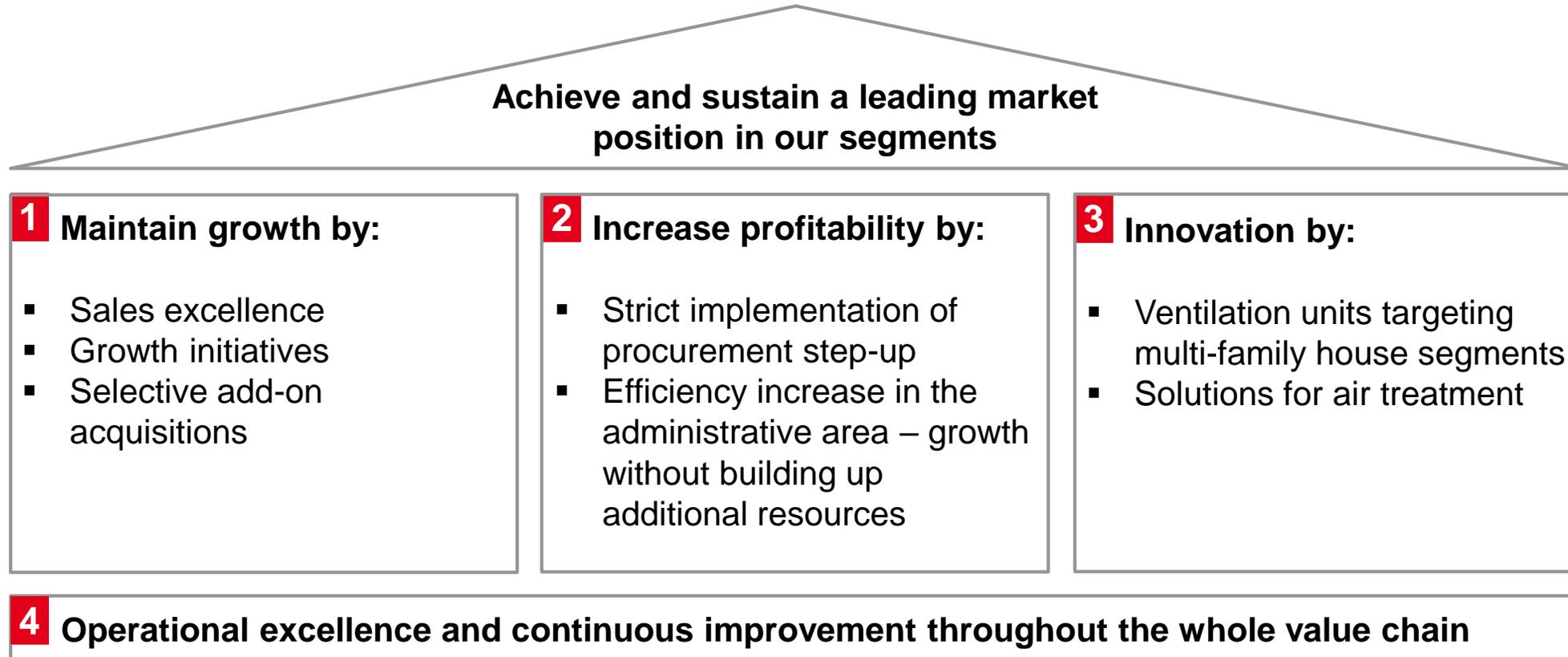


**Digitalisation**



**Urbanisation**

# Short-term priorities for Comfosystems Europe: Deliver growth, increase profitability and deliver innovations



**Our mission: We strive to improve the quality of life by providing finest indoor climate solutions.**



# Dutch ventilation market



by Erik van Heuveln

Head Zehnder Group Netherlands  
and Belgium (Market Business Unit)

# Sales organisation Zehnder Group Netherlands at a glance

Around  
**50 employees**

of which ~ 15 internal sales  
~ 20 external sales

**Market leader** in heat recovery ventilation

Partner in many  
**cooperations**

**Strong  
market  
position**

**>1,000**

customers trained in 2018

**Multi-channel approach**

**55%**  
of sales made with  
**multi-family houses**

Considerable  
**sales growth**  
in the last three years

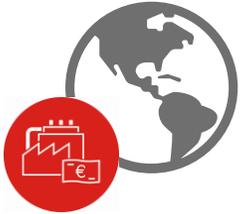
**Main business Comfosystems,**  
but also sales of radiators  
and clean air solutions

**Main competitors:**

- Brink/Centrotec
- Itho Daalderop
- Duco

**23%**  
of sales generated in the  
**renovation sector**

# Economic situation: Dutch building industry



GDP

**+1.8%**

Quarterly GDP annual growth  
Q2 2019: 179,490 M\$



Average house price

**+4.3%**

June 2019: € 302,000  
June 2018: € 289,000



Unemployment rate

**-0.5%**

June 2019: 3.4%  
June 2018: 3.9%



Sold new build houses

**-4.2%**

HY1 2019 vs. HY1 2018  
2019: 33,500 units (forecast)  
2018: 36,500 units



Consumer spending

**+2.4%**

June 2019 vs. June 2018



Consumer confidence

**-23**

June 2019: 0  
June 2018: 23

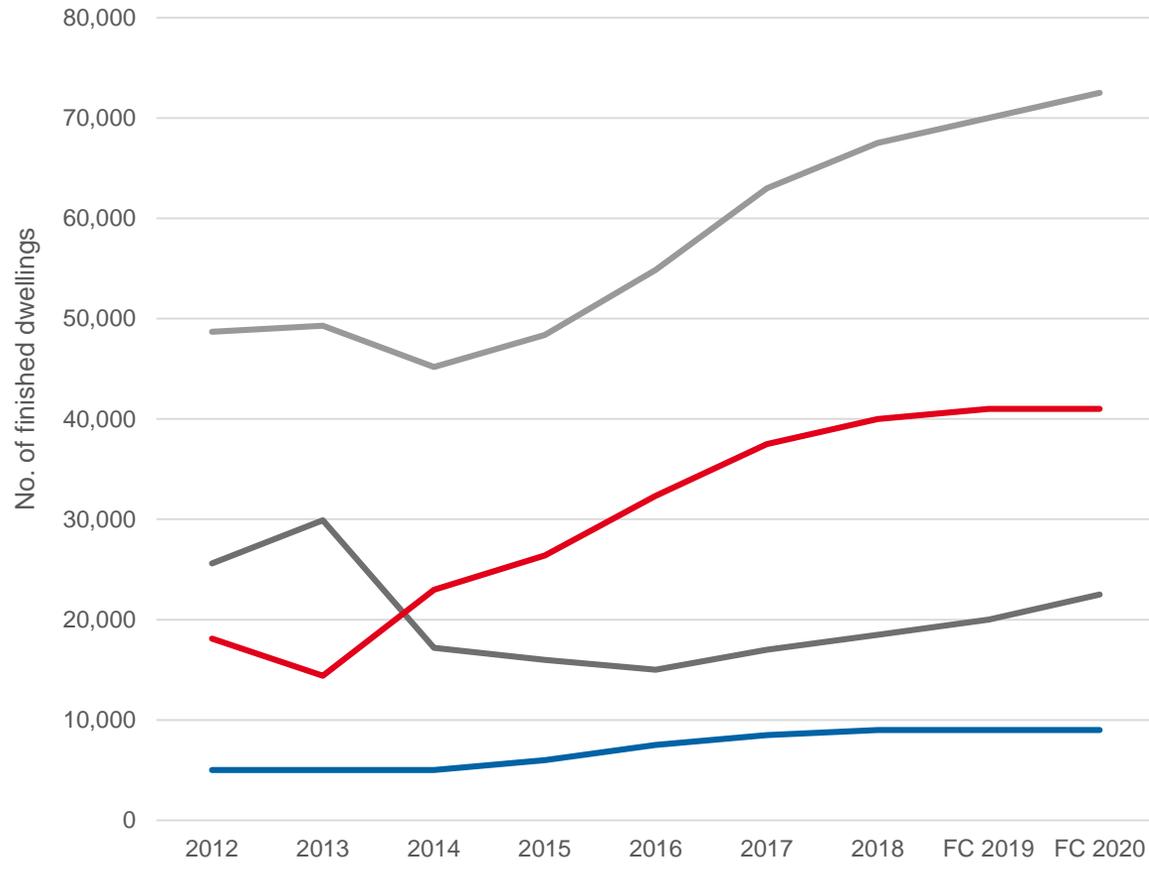


Granted building permits

**-1.2%**

2019: 66,649 units (forecast)  
2018: 67,458 units

# Finished residential dwellings per segment



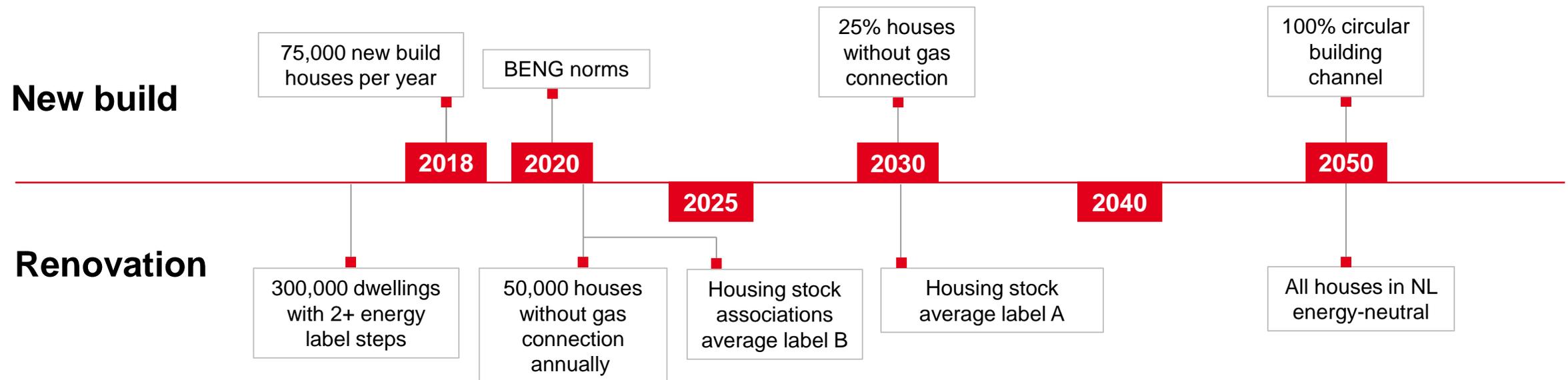
- Market strongly regulated by government:
  - Privately built premises limited at 9,000 annually
  - Less subvention for housing associations, what stimulates the market for project developers
- Majority of the houses are commercially built:
  - Strong focus on legislation and costs
  - Less focus on indoor air quality

— Total  
— Housing associations  
— Project builders  
— Privately build

Source: CBS/BAG/BouwKennis, March 2019; FC = forecast

# Governmental ambitions regarding residential building market

- Until 2035: Annual demand new build dwellings 75,000 units
- 2019: Building capacity 68,000 units due to shortage of labour market and building material
- New building legislations in favour of (heat recovery) ventilation
- High potential for renovation market due to increasing demand for energy-efficient houses





**zehnder**

always the  
best climate

# Pontsteiger Amsterdam

318 apartments equipped with  
an optimal indoor climate

**Scope** New build; high-end

**Products** Heat recovery  
ventilation with Zehnder  
ComfoAir Q

**Results** Future-proof technical solutions that  
work together seamlessly

“A perfect  
collaboration leads to  
a perfect result.”





**zehnder**

always the  
best climate

# Estel Residence Nijmegen

62 luxury apartments, a central lounge,  
indoor swimming pool and fitness area

**Scope** Renovation; office  
and residential

**Products** Heat recovery  
ventilation with Zehnder ComfoAir Q,  
CO<sub>2</sub> sensors and ComfoFresh ducting

**Results** The realisation of luxury apartments with  
high demands on comfort, indoor  
climate and noise level

“We only wanted the  
best products, of course  
we chose Zehnder.”



# Key take aways - Zehnder Comfosystems as an attractive growth activity



Sustainable market growth driven by structural requirements for energy-efficient indoor climate solutions and evolving building standards



Strong market position in central Europe for residential heat recovery ventilation in single family homes and digitalisation offering additional opportunities



Long-standing market relationships with customers, suppliers and key decision makers



Technology leading product programme ranging from 50 m<sup>3</sup>/h to 600 m<sup>3</sup>/h fully compliant with regulatory energy efficiency requirements



Solid growth strategy focused on market penetration, growth from new coherent products and systems as well as further product development



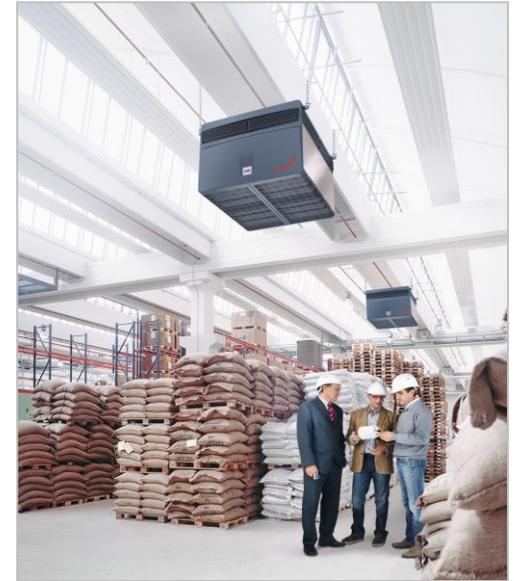
Well invested and efficient production set-up on original products



Large installed base with huge service potential (replacement, maintenance, filters etc.)

## Part 2

# Presentation of Zehnder Group's HY1 2019 results and business update



# HY1 2019 results



by René Grieder

CFO and Member of the Group  
Executive Committee

# Further increase in sales and profitability in HY1 2019

## Sales increase of 8%

- Increase of 8%; organic +4%
- Ventilation business increases sales by 14% and reaches 50% of total sales for the first time
- Sales increase of 3% for radiator business thanks to China & North America segment

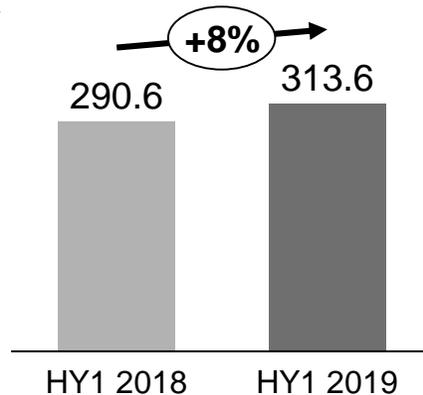
## EBIT margin rises to 5.5%

- EBIT increase of 21%
- Step-up programme makes progress – particularly in North America
- But higher spending on R&D and IT in Europe to push organic sales growth
- EBIT margin rises to 5.5%

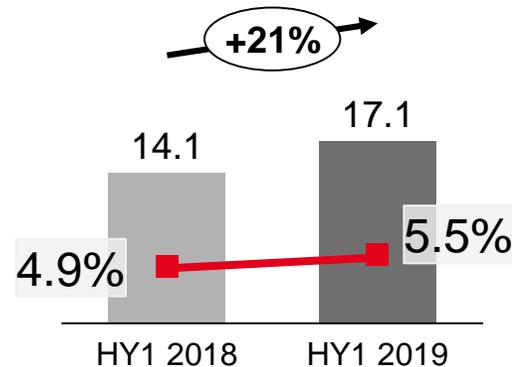
## Rise in net income by 25%

- Rise in net income due to increase in sales and EBIT

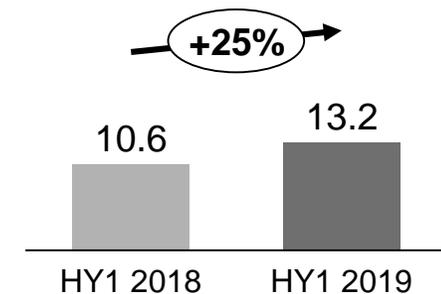
MEUR



MEUR



MEUR



# Cash flow and balance sheet impacted by acquisitions, investments and increase in net working capital

## Positive operating cash flow

- Seasonal increase of inventory and accounts receivable of which around 10 MEUR in China due to longer payment terms for project business

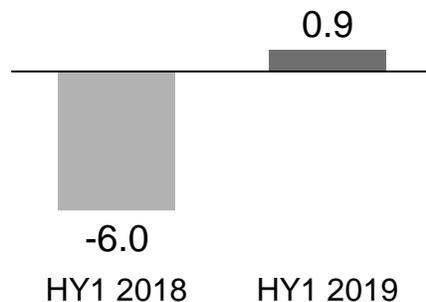
## Net debt on June 2018 level

- Generally higher cash drain in the first semester due to seasonality (e.g. dividend payments) and thus net debt vs. net liquidity per year end (December 2018: 21.3 MEUR)

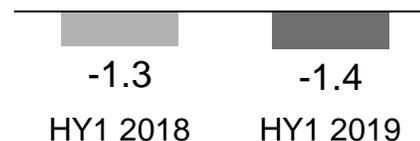
## Further investments of 16 MEUR

- Investments in fixed and intangible assets of 10 MEUR vs. 17 MEUR in HY1 2018
- Recair acquisition in HY1 2019

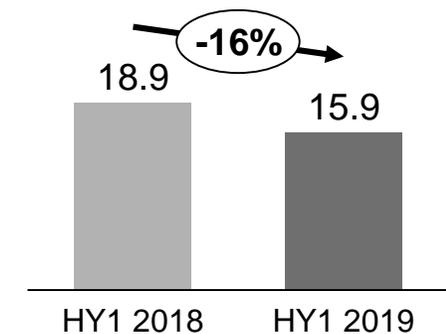
MEUR



MEUR



MEUR



# Ventilation business accounts for 50% of total sales for the first time

## Country ranking HY1 2019

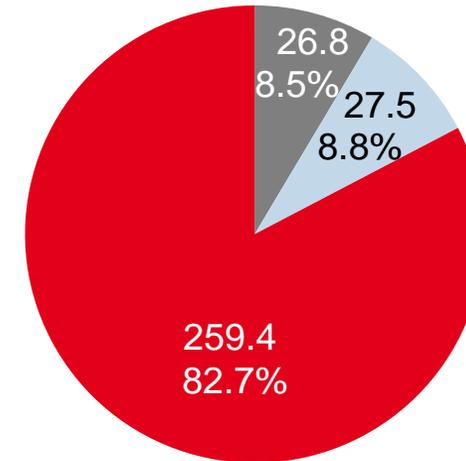
1.	Germany	
2.	France	
3.	United Kingdom	
4.	Switzerland	
5.	China	
6.	United States	▲ +1
7.	Netherlands	▼ -1
8.	Italy	
9.	Belgium	
10.	Poland	

## Sales by area in MEUR



- Ventilation
- Radiators

## Sales by region in MEUR



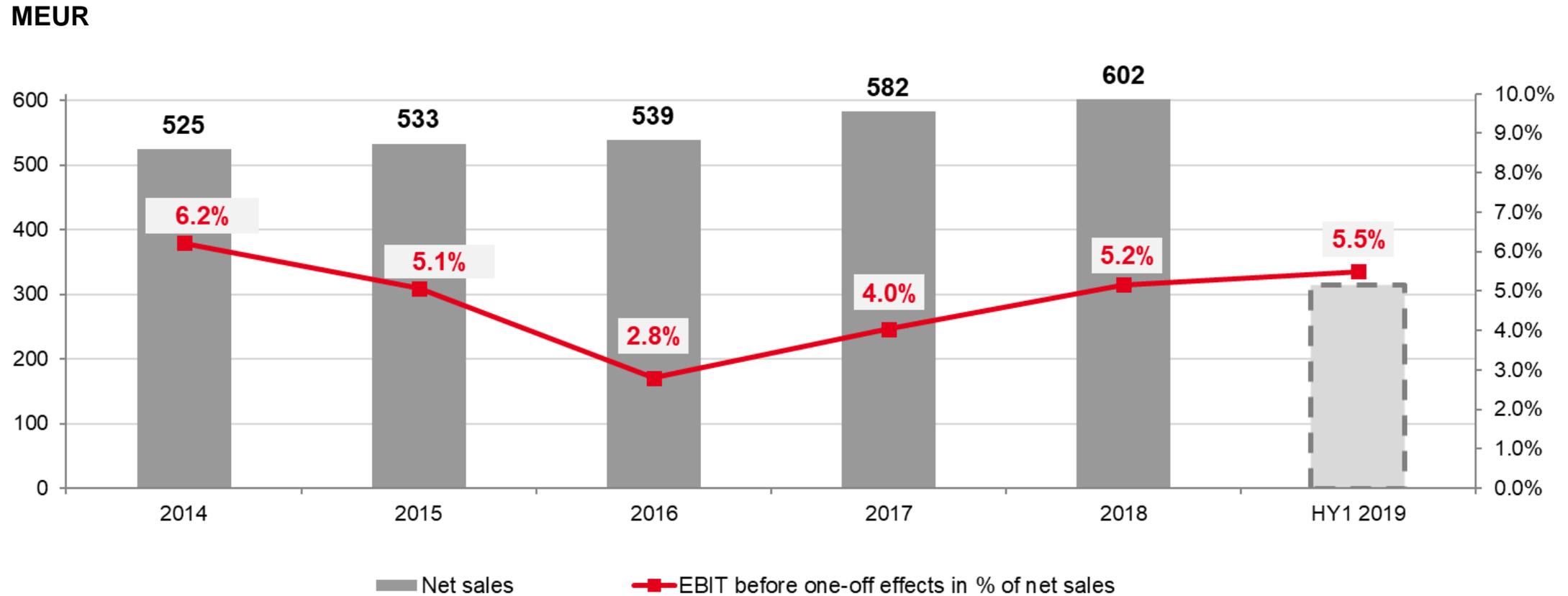
- China
- North America
- Europe

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

## Sales growth primarily attributable to Comfosystems

Sales development in HY1 2019 in local currency	Ventilation	Radiators	Total
Germany	↑	↑	↑
France	↑	↓	↓
United Kingdom	↑	↓	→
Switzerland	↓	↑	↓
China	↑	↑	↑
United States	↑	↑	↑
Netherlands	↑	↓	↑
Italy	↑	→	↑
Belgium	↑	→	↑
Poland	↑	↓	↑

# EBIT margin improved further in the first six months of 2019



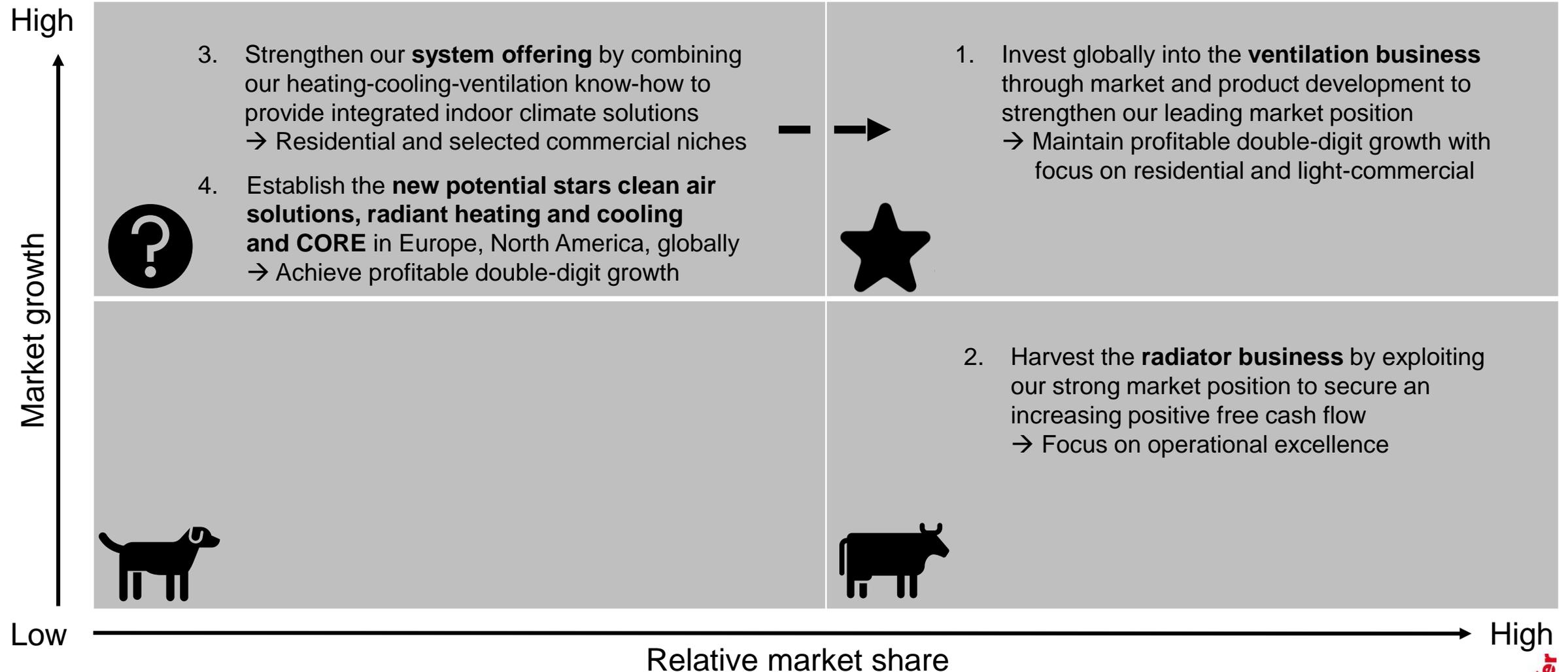
# Business update



by Matthias Huenerwadel

CEO and Chairman of the Group Executive  
Committee

# Strategic direction remains unchanged



# Roadmap 2018-2020



## Step-up: Highlights in HY1 2019

- Considerable improvement in the EBIT for North America:
  - Sales increase in radiators
  - Positive contribution from cooling solutions business acquired from NuClimate
  - Profitability improvement measures
  - Clear progress for CORE
- Set-up of a central procurement organisation
- Price increases for ventilation
- Increase in reliability of supply
- Measures to increase efficiency in the administrative area

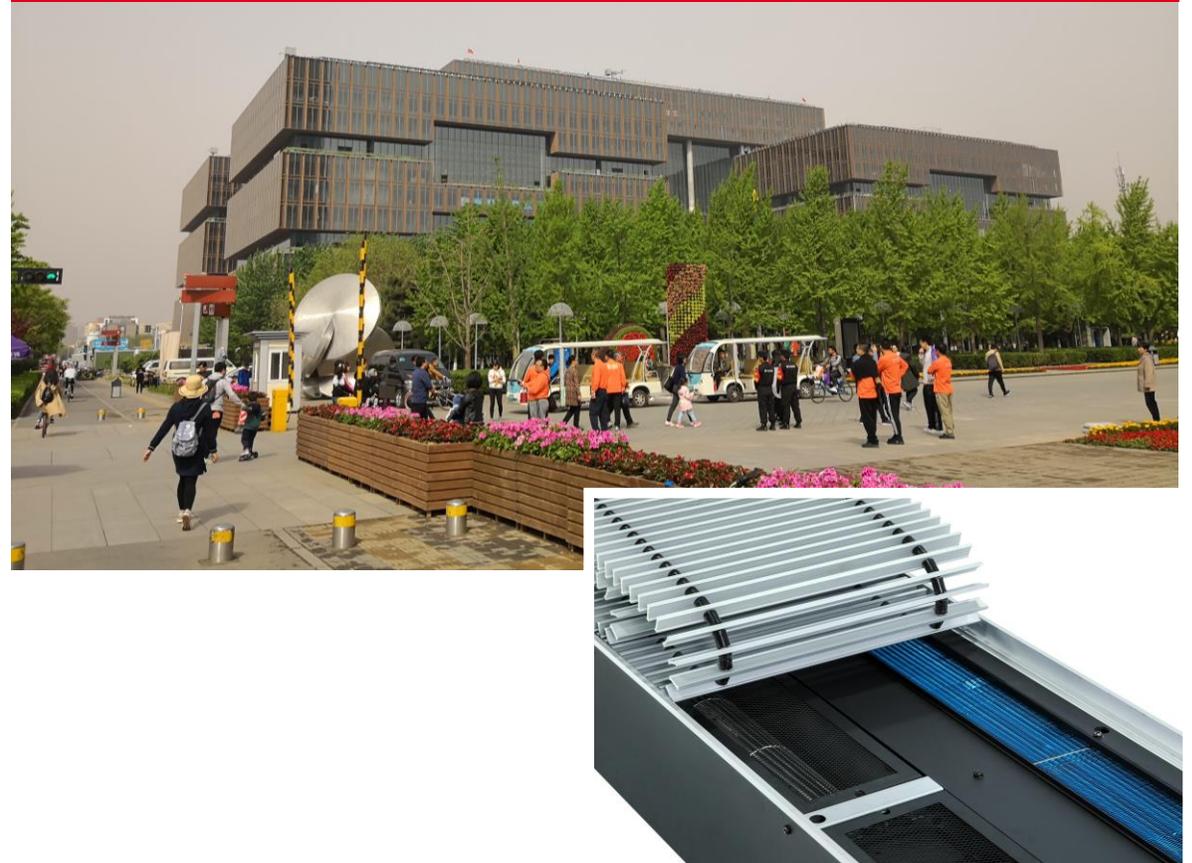
Chilled beams for the Greenfield Community College in Massachusetts (US)



# Accelerate growth: Highlights in HY1 2019

- Substantial ventilation sales growth in the Netherlands, Italy, Belgium, Poland, USA and China
- Successful integration of InteliVENT and Enervent acquired in 2018
- Acquisition of Dutch ventilation company Recair in March 2019
- Positive development of heat exchange activity (CORE)
- Solid growth for clean air solutions business
- Roll-out of new customer relationship management solution in Switzerland, Germany, the UK and Poland
- B2B webshop about to be launched
- Construction start of new ventilation factory in China

Floor convectors for Asia Infrastructure Investment Bank's new headquarters in Beijing (CN)



## Simplify & fix foundations: Highlights in HY1 2019

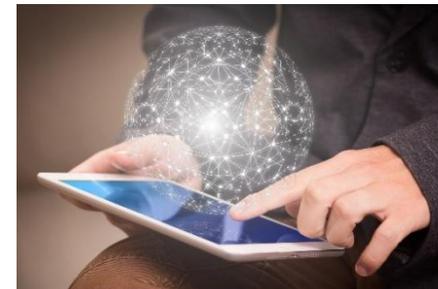
- Successful relocation of radiator production for the British market from Switzerland to France
- Investments in increase of production efficiency (e.g. third welding machine for heat exchanger production and automation of radiator and radiant ceiling panel production in Germany, new painting line for radiators in France)
- 1<sup>st</sup> phase streamlining of production range for radiators accomplished
- Key management positions re-staffed and/or established

Third welding machine for heat exchanger production in Reinsdorf (DE)



# Focus topics

- 1) Fully align core management team and dynamise organisational set-up
- 2) Secure profitable/sustainable growth for ventilation
- 3) Instill operational excellence for radiators
- 4) Confirm strategic turnaround for North America
- 5) Validate new potential stars
- 6) Establish digital transformation as a growth driver



# Outlook 2019

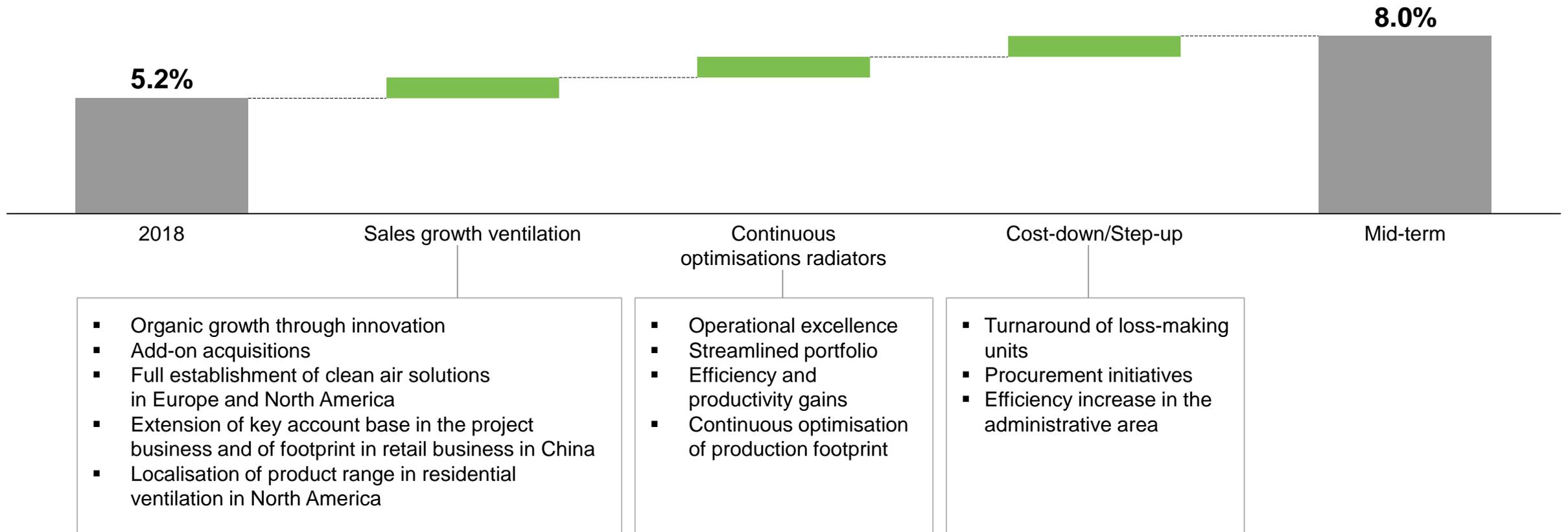
## Market evaluation

- Positive outlook for Germany, the Netherlands, Belgium and Poland
- Demanding key markets
  - UK: Brexit
  - France: Decline in radiator business
  - China: Trade disputes
  - Switzerland: High proportion of empty property
  - Globally: Slowdown in economic growth

## Outlook 2019

- Further sales increase and improvement of operating result compared with 2018

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



# The Zehnder Group – an attractive investment case

## Five reasons to invest

- **Strong position in key markets** and good brand reputation for ventilation and radiators
- Continuous investments in market and product development and the megatrends health, climate change, digitalisation and urbanisation support the **growth strategy for ventilation**
- Continuous optimisation of operating procedures and gain of market share (e.g. in the towel radiator and multi-column area) are focus of the **harvest strategy for radiators**
- **New potential stars** such as heating and cooling ceiling systems, clean air solutions and CORE
- Strong and committed anchor shareholder, **solid financial foundations** and history of reliable dividends

## Mid-term targets

- Sales CAGR of 5%
- EBIT margin of >8%
- Double-digit ROCE



Thank you for your time and attention

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