



Always the best climate for a

Warm welcome

Gränichen, 24 February 2021

Media and Financial Analyst Conference 2021

Zehnder Group Review 2020

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Gränichen, 24 February 2021

zehnder
always the
best climate

Structure

Business Review 2020

- Employees protected, supply chain intact and financial damage limited
- Key trends of health, digitalisation and sustainability support our business
- Medium-term goal of an EBIT margin of 8% achieved in 2020

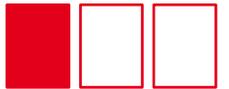
Financial Review 2020

- Sales decrease of -4% to 618 MEUR
- EBIT increase by 20% to 50.5 MEUR and margin by 1.7 pp to 8.2%
- Raise in return on capital employed (ROCE) to 17.0%

Outlook

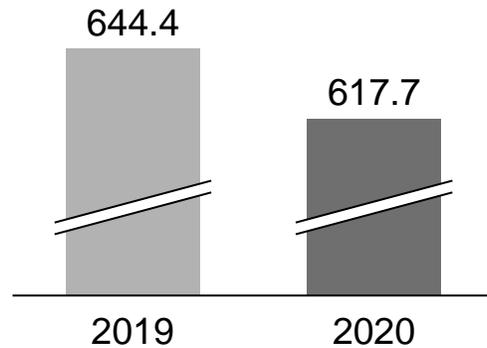
- Proven strategy to be continued and further executed
- Further investments in market development, innovation and digital transformation
- New mid-term targets: average annual sales growth of 5% and EBIT margin of 8-10%

Zehnder Group achieves medium-term goal of an EBIT margin of 8%

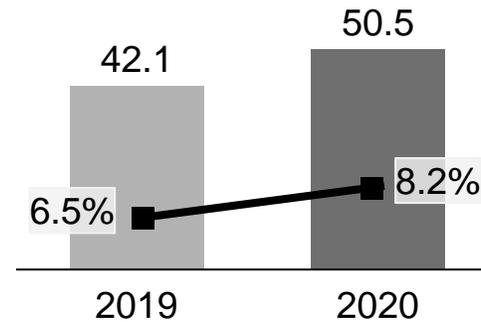


Business 2020

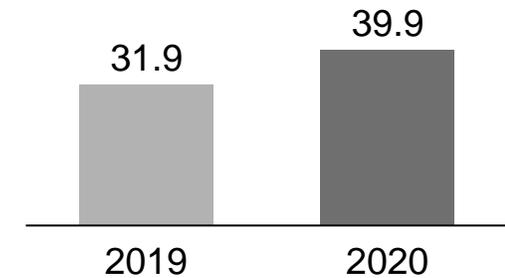
Sales -4% below previous year



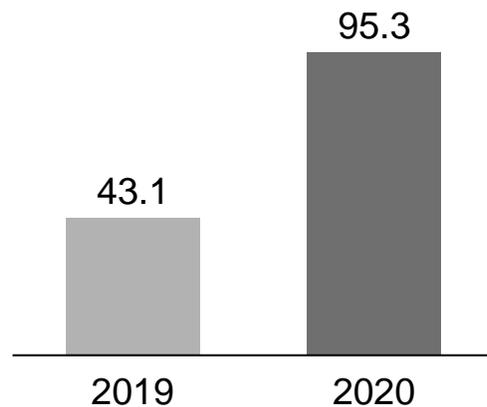
EBIT increase of 20%; 8.2% of sales



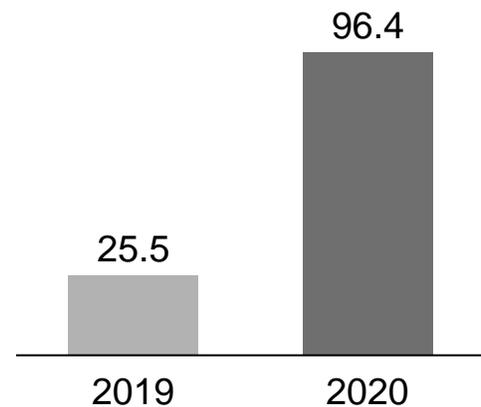
Rise in net income by +25%



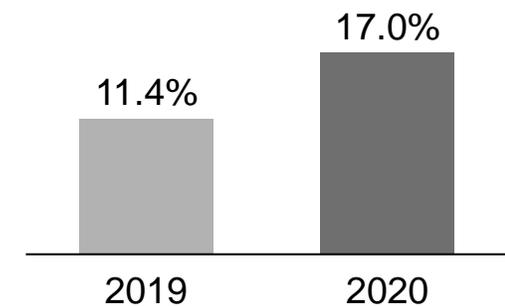
Operating cash flow of 95.3 MEUR



Net liquidity of 96.4 MEUR

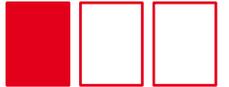


ROCE of 17%



- 
- Master coronavirus crisis successfully
 - Stay on strategic course
 - Drive digitalisation forward
 - Strengthen focus on sustainability

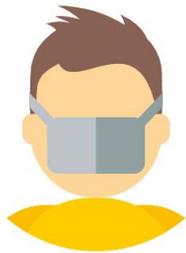
Zehnder Group managed to negotiate coronavirus crisis successfully



Business 2020

1st priority: employees

- Protected health of employees and their families
- Coordinated pandemic teams at every site
- Installed protective measures



2nd priority: customers

- Continued to serve our customers
- Set-up new digital methods and tools for customers
- Introduced online customer trainings

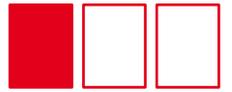


3rd priority: profitability and cash

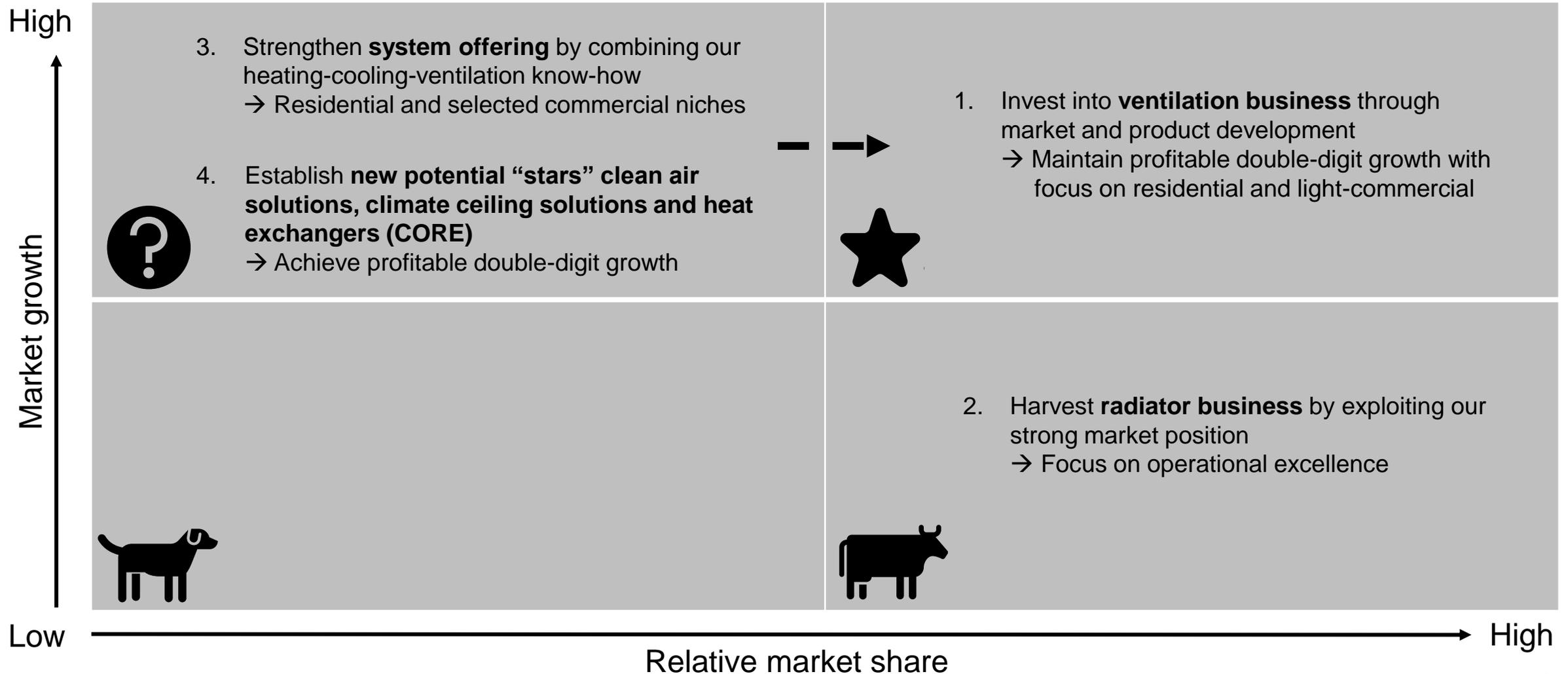
- Immediate countermeasures to secure liquidity & profitability
- Exploited market opportunities in second half of 2020
- Continued strategically important projects



Zehnder Group strategy proves effective in exceptional circumstances: Growth for ventilation, harvest for radiators



Business 2020

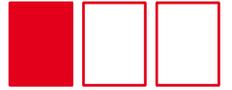


Segment Europe

20 Zehnder
Charleston radiators
were installed in this
newly renovated
farmhouse in
Sempach
(Switzerland).



Ventilation Europe: Positioning of Zehnder Group as specialist for a healthy indoor climate strengthened



Business 2020

- Positive sales performance in general and particularly in BeNeLux
- Significant improvement in profitability
- Several new product launches in 2020 and 2021
- Substantial investments in heat exchanger production
- Expansion of clean air solutions activities in Eastern Europe
- Increased awareness for clean and healthy indoor air by COVID-19 pandemic
- Partnership between Zehnder Clean Air Solutions and Global Action Plan¹⁾ for tackling air pollution in manufacturing industry workplaces
- LüKK²⁾ Trust Award in Germany and Architect's Darling Gold Award in Switzerland

Ventilation sales
in MEUR



1) Global Action Plan: a non-governmental organisation that specialises in sustainable behaviour change

2) LüKK: Lüftung-Klima-Kältebranche = ventilation, air conditioning and refrigeration industry

“Fresh air. Fresh mind.” campaign¹⁾

- Benefits of a perfect indoor climate: “more energy, better concentration and a great mood”
- Zehnder room ventilation systems designed to create perfect indoor climate



Zehnder ComfoSchool²⁾

- Permanent fresh air
- Reduced risk of infection
- Controlled low CO₂ concentration
- Classes are not disturbed by constant window ventilation



> 100,000 ComfoAir Q units sold³⁾

- High standard of energy efficiency
- Low energy consumption
- New quality label Climate Switch®

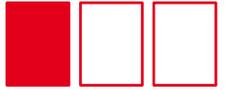


1) For more info, visit: <https://freshmind.zehnder-indoorclimatesolutions.com>.

2) For more info, visit www.zehnder-systems.ch/de/schule-lueftung (in German only).

3) Since product launch mid-2016

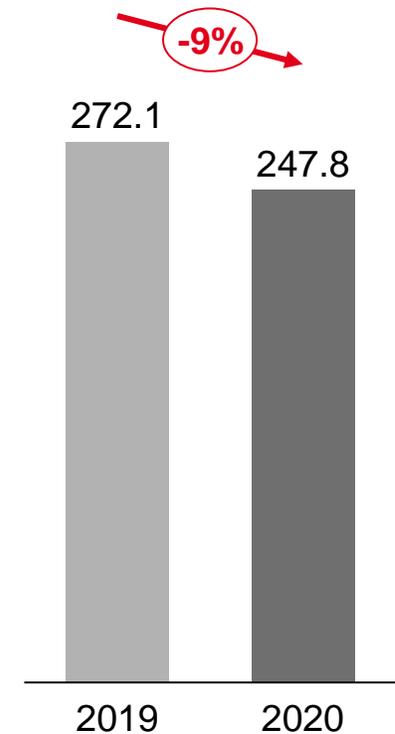
Radiators Europe: Further improvement in operational excellence and profitability



Business 2020

- Sales decline for both radiator product line and heating and cooling ceiling system product line
- France, UK and Italy worst affected by COVID-19 pandemic
- Selective staffing measures in areas hardest hit by pandemic
- Significant improvement in profitability due to operational excellence, procurement savings and portfolio simplification
- Product development pipeline with new designs and comfort control solutions
- Further investments to increase efficiency in production and reducing environmental footprint

Radiator sales in MEUR



1)

100 years Vaux-Andigny (FR) plant

- Key site for radiator production in key market
- Continuous investments in modernisations and automation
- New painting line in operation since November 2020



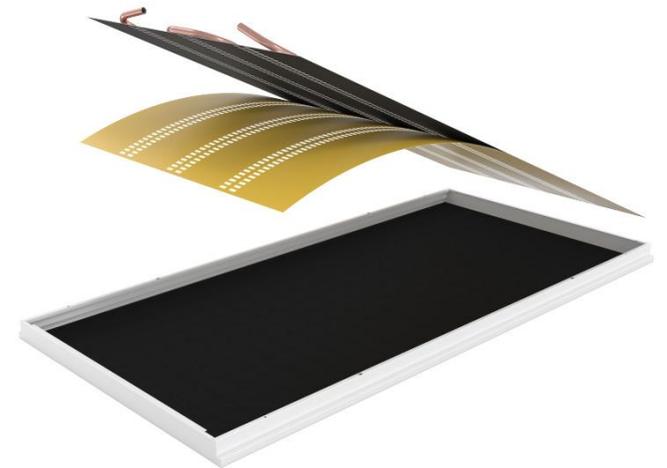
Smart home electric radiators

- Exclusive introduction of electric radiator range for French DIY¹⁾ key account
- On demand control from home or remotely, using a smart home box and app



Zehnder Fleximo

- Activation modules transform any conventional metal ceiling into a high-quality heating/cooling ceiling
- Complementation of existing range of pre-activated ceilings and cassettes



1) DIY = do-it-yourself

Segment China & North America

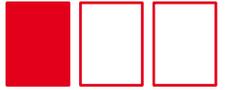


Shanxian
Jiahecheng, a local
high-class residential
area in Heze
(Shandong province,
China) – equipped
with 8000 NATHER
兰舍 ERV¹⁾ units.

1) ERV: Energy Recovery Ventilation



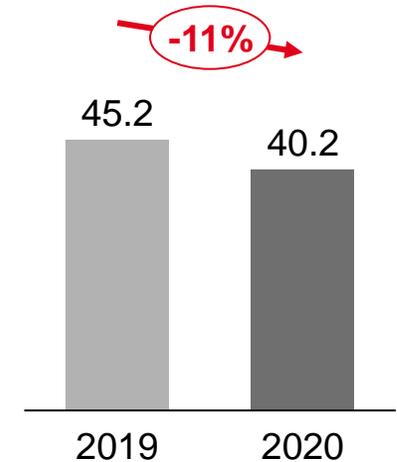
China: Leader in residential VMC¹⁾ and passive house business



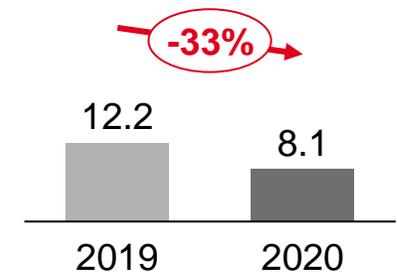
Business 2020

- Weak performance in Q1 2020 due to strict lockdown measures
- Project business started to grow again from Q2, retail business remained weak
- NATHER 兰舍 brand (Shanghai/Pinghu companies) voted No. 1 in residential VMC¹⁾ in China for third consecutive time
- Zehnder brand (Beijing/Dachang companies) as leader in passive house business in China – becoming increasingly important
- New business with water purification products under the NATHER 兰舍 brand
- Impact of decline in sales largely offset by cost savings
- Impairment on assets for radiator production due to continuous decrease of radiator sales

Ventilation sales in MEUR



Radiator sales



1) VMC: Ventilation Mechanical Control

Opening of new plant in Pinghu

- New factory integrating R&D, production, sales and service
- Cutting-edge technology in ventilation and air purification
- Important base for further growth in China



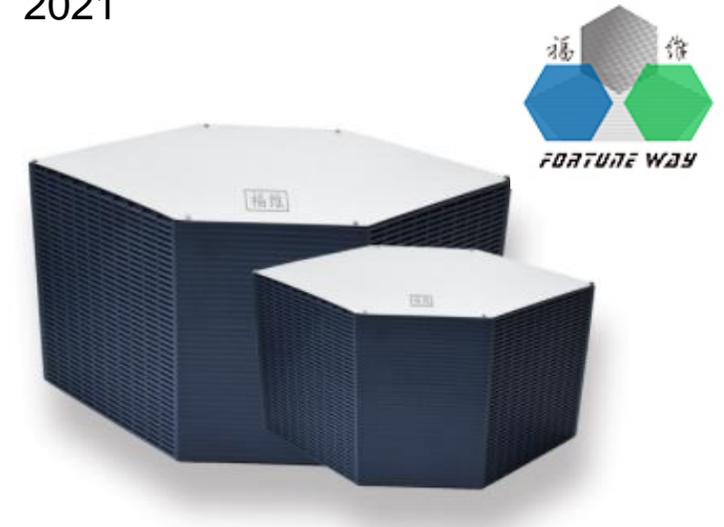
NATHER 兰舍 ERVD Intelligence

- New ventilation unit series in China
- Efficient heat recovery, energy saving and air purification, quiet operation
- Intelligent control via NATHER APP

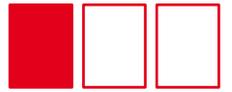


Acquisition of 51% in Fortuneway

- Acquisition of majority stake (51%) in Zhongshan Fortuneway
- Specialised in development, production and sale of enthalpy exchangers
- To be completed in first half of 2021

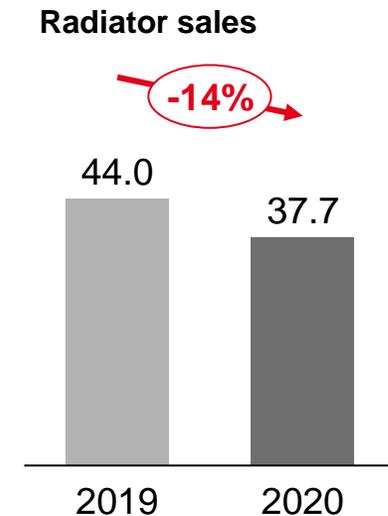
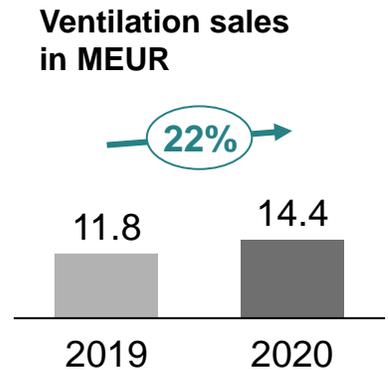


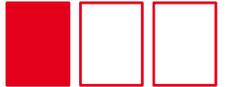
North America: Positive sales development for ventilation and significant improvements in profitability at Buffalo, NY (USA) plant



Business 2020

- Radiator plant in Ward Hill, MA (USA) forced to close for 5 weeks with strong negative impact on sales
- Withdrawal from unprofitable fan coil business
- Significant increase in ventilation sales
- Move of final assembly stage of selected ventilation products from Europe to Buffalo, NY (USA)
- Clear progress in profitability at Buffalo plant despite being forced to operate at lower efficiencies
- Positive development of heat exchangers, clean air solutions and heating and cooling ceiling systems





Various prestigious projects

- Numerous significant projects completed or in preparation
- Example: “1400 Alberni” in Vancouver, tallest Passive House development in the world, equipped with Zehnder ventilation units¹⁾



Runtal, a designer's dream

- Runtal brand is synonymous with high quality, unique design, and comfortable heating performance
- Comfort, style, versatility, durability and energy efficiency are all engineered into every radiator



No. 1 choice for HEX²⁾ for schools

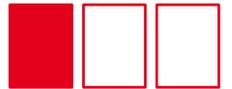
- We are the first choice for heat exchangers for schools
- Low maintenance and high hygiene make us the leader in the education sector



1) Year of construction: 2022

2) HEX: Heat exchangers

Digital transformation to drive sustainable new business opportunities for and with our customers



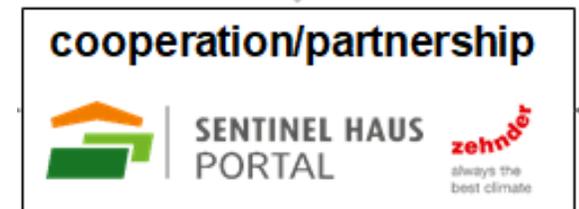
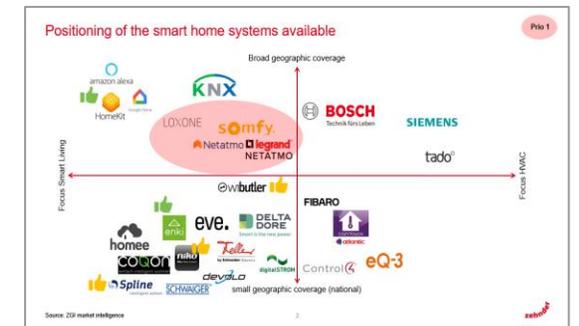
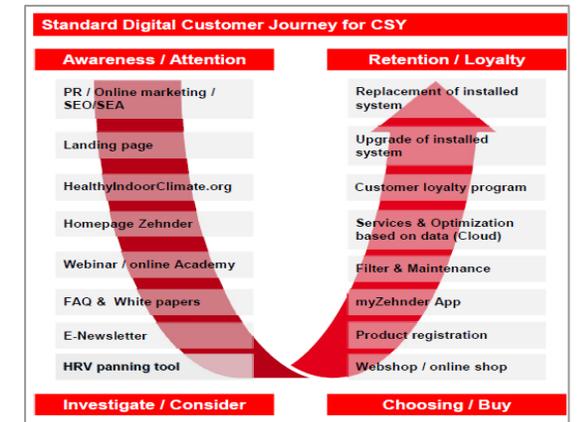
Business 2020

- Bundle all key initiatives in four workstreams
 - 1) Digital customer journey – Drive value add in customer interaction processes
 - 2) Internal and external connectivity – Set connectivity standards for our products and provide interfaces with relevant smart home partners
 - 3) Indoor air quality platform – Establish digital platform for end users and position Zehnder as the premium indoor air quality provider
 - 4) Operational backbone and IoT¹⁾ platform – Secure and continuously improve digital infrastructure and efficiency gains in all relevant business processes

- Responsibility and accountability with business to warrant alignment of digital transformation with business strategies, generate strong buy-in of line organisations and increase execution dynamic

- Set up of Digitalisation Board at Group level, monitoring progress and guide/align between the workstreams on regular basis

1) IoT: Internet of Things



Increased focus and dedication on sustainability



Business 2020

- Structured approach to:
 - Define material topics with highest potential
 - Set objectives linked to UN-Targets
 - Set up governance system
 - Monitor target performance and adapt related initiatives in line with strategic ambition
- Achievements 2020
 - New sustainability-linked credit facility
 - New resource-saving painting line in France
 - New solar plants in the USA and Netherlands
 - Number of customers trained almost doubled to 40,000 – most of which online
 - Number of apprentices increased by 4 to 63
 - Collaboration with “Sentinel Haus Institut” in Germany

Direct contribution to the following SDGs¹⁾



1) SDG: Sustainable Development Goals of the United Nations



Better mood.

Structure

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Outlook

- Proven strategy to be continued and further executed
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- New mid-term targets: average annual sales growth of 5% and EBIT margin of 8-10%

Growth in ventilation business in Europe and North America, clear profitability increase



Financials 2020

Sales -4% below previous year

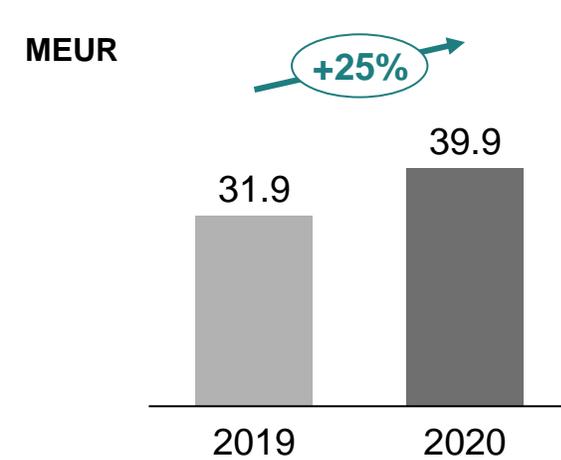
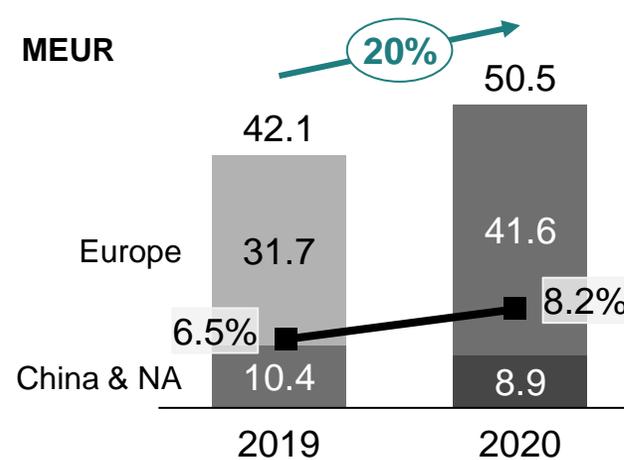
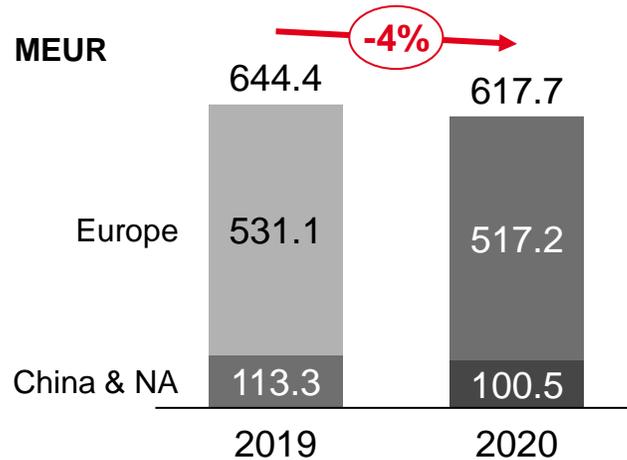
- Organic decline of -4%
- All markets affected by COVID-19
- Europe decrease of -3%, North America -7%, China -16%
- Ventilation growth of 3%, radiators decrease of -11%

EBIT margin increased by +1.7 pp

- Consistently pursued programme to increase profitability with progress in purchasing and efficiency
- Successful measures to minimise the negative effect of COVID-19
- EBIT decrease in China due to lower sales

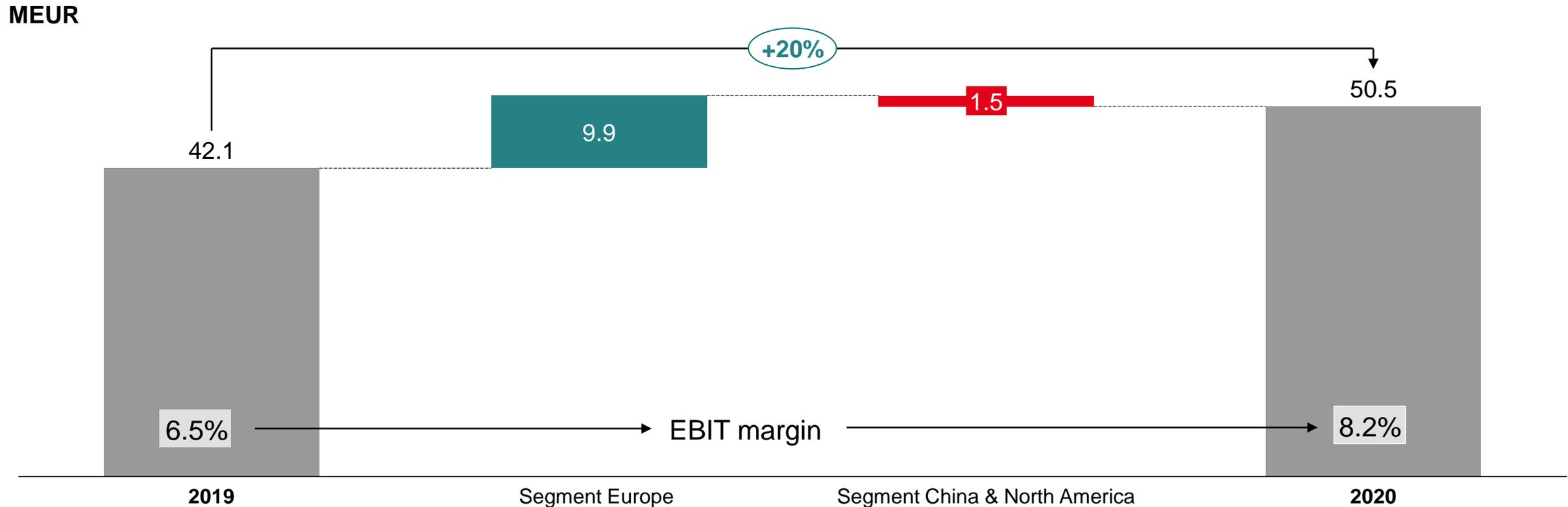
Rise in net income by +25%

- Rise in net income as a result of increase in sales and profitability



NA: North America

Improvement in EBIT margin due to consistently pursued programme to increase profitability and successful COVID-19 measures. Further increase in profitability in North America, but decrease in China.



Improvement in EBIT in both first and second half of 2020



Financials 2020

MEUR	2019 H1	2019 H2	2019	2020 H1	2020 H2	2020	Δ H1	Δ H2	Δ FY
Radiators	155.5	172.9	328.3	125.0	168.6	293.6	-20%	-2%	-11%
Ventilation	158.2	157.8	316.0	158.9	165.1	324.0	0%	5%	3%
Sales	313.6	330.7	644.4	283.9	333.8	617.7	-9%	1%	-4%
EBIT	17.1	24.9	42.1	17.5	33.0	50.5	2%	32%	20%
EBIT margin	5.5%	7.5%	6.5%	6.2%	9.9%	8.2%			

- In the first half of 2020 -9% decline in sales in due to COVID-19; stable demand in key markets in the second half of 2020 and no further significant interruptions in manufacturing chain
- Increase in ventilation revenues of +3% until end of 2020; good months of September to November for radiators, but still -11% for the year as a whole
- EBIT margin level increased from 6.2% in the first six months to 9.9% in the second half of the year, resulting in an EBIT margin of 8.2% for the year as a whole (2019: 6.5%).

COVID-19 redefined our country ranking – Netherlands now in 3rd place

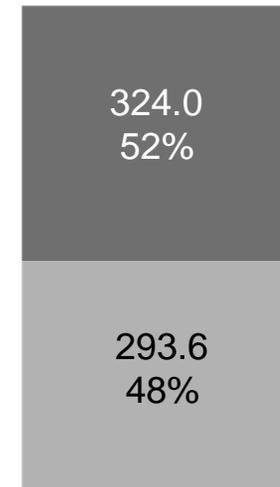


Financials 2020

Country ranking and sales development 2020

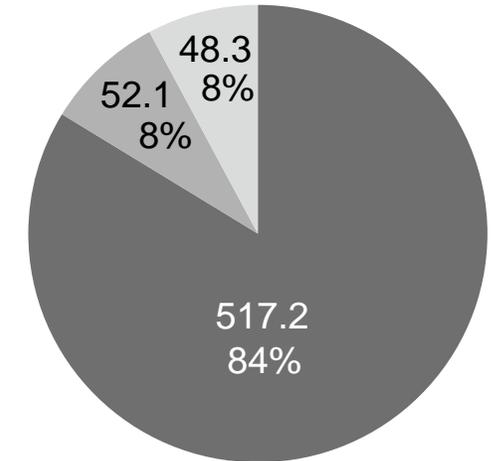
	Ventilation	Radiators	Total
1. Germany	→	→	→
2. France	↑	↓	↓
3. Netherlands ▲+4	↑	↓	↑
4. Switzerland ▲+1	→	↓	→
5. United Kingdom ▼-2	↓	↓	↓
6. China ▼-2	↓	↓	↓
7. United States ▼-1	↑	↓	↓
8. Italy	↓	↓	↓
9. Belgium	↑	↓	↑
10. Poland	↑	↓	↑

Sales by area in MEUR



- Ventilation
- Radiators

Sales by region in MEUR



- Europe
- North America
- China

Info: Top 10 markets account for 87% of total turnover.

High operating cash flow – Solid balance sheet

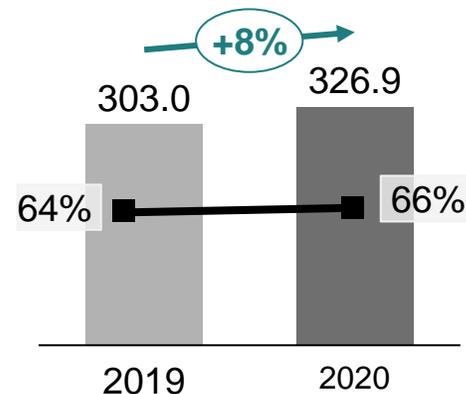


Financials 2020

High equity ratio of 66%

- Increase in equity of 23.9 MEUR to 326.9 MEUR
- Increase in equity ratio of 1.2 pp

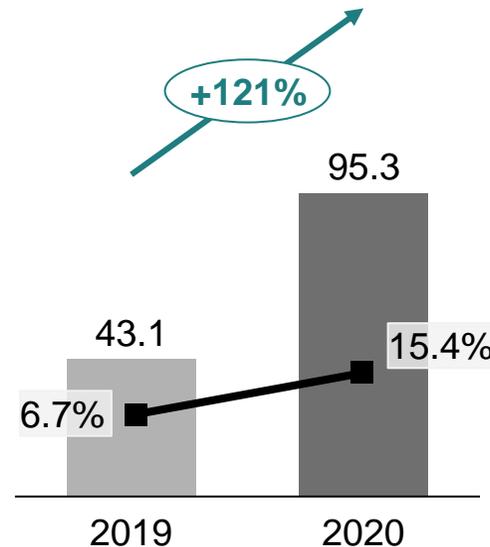
MEUR



Operating cash flow of 95.3 MEUR

- High operating cash flow
- Reduction of trade accounts receivable of 11 MEUR in China due to payments from major customers and lower sales volume

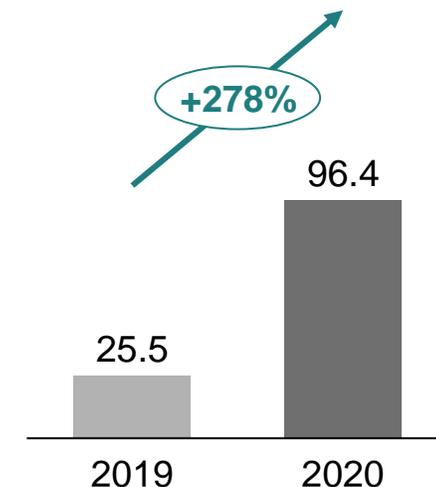
MEUR



Higher liquidity of 96.4 MEUR

- Increase from 25.5 MEUR to 96.4 MEUR
- In addition, new syndicated credit facility for 100 MEUR with a term of 3 years (with option to extend and increase by 50 MEUR for larger acquisitions)

MEUR



Capital expenditure of 16.7 MEUR – Investments with focus on growth for ventilation and efficiency increase for radiators

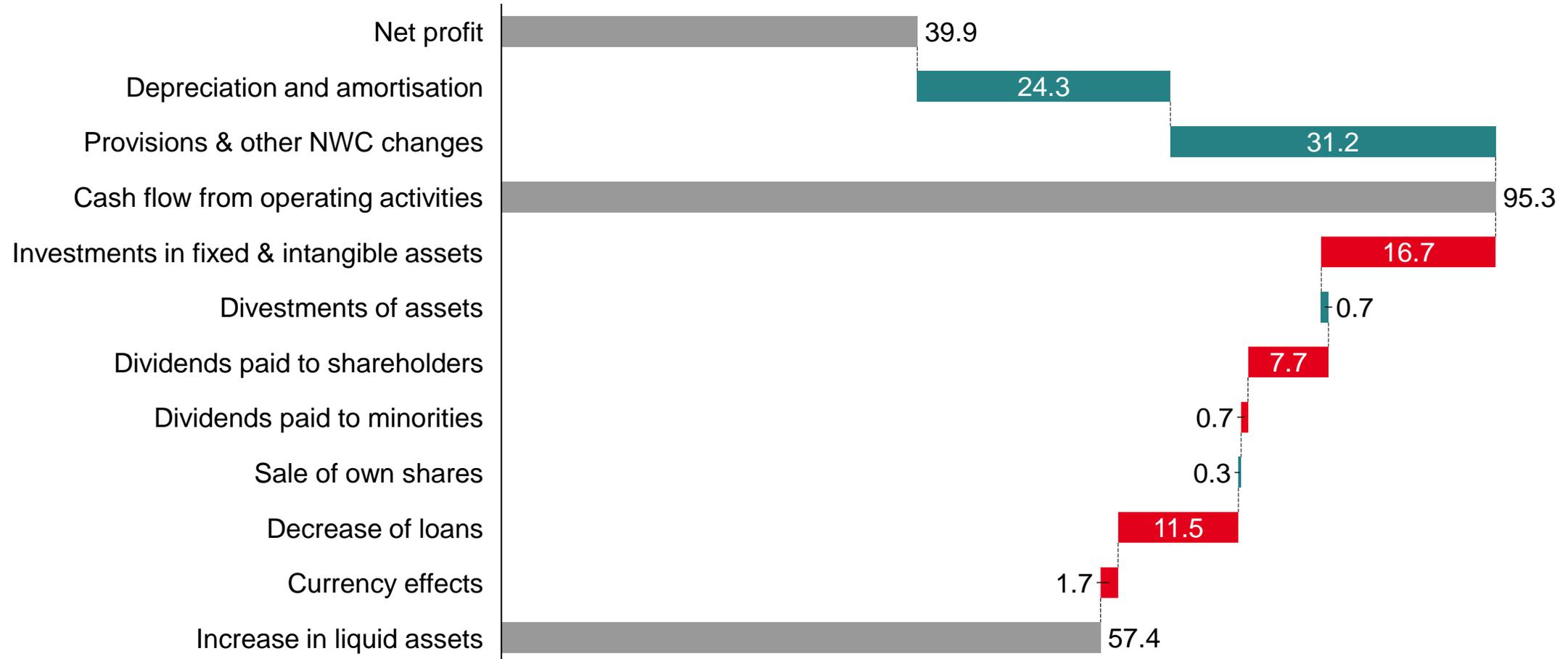


Financials 2020

Project	Drivers	Investments in 2020	
New factory for ventilation units in Pinghu (CN)	<ul style="list-style-type: none"> ▪ Growth in ventilation business ▪ Previous production in a rented building 	<ul style="list-style-type: none"> ▪ 1.8 MEUR ▪ Building and machinery ▪ Commissioning in June 	
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"> ▪ 1.2 MEUR ▪ Painting line ▪ Commissioning in November 	
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"> ▪ 1.1 MEUR ▪ Training and office facilities 	

High cash flow from operating activities of 95.3 MEUR or 15.4% of sales (2019: 43.1 MEUR or 6.7%)

MEUR



Lower headcount due to reduction of temporary employees



Financials 2020

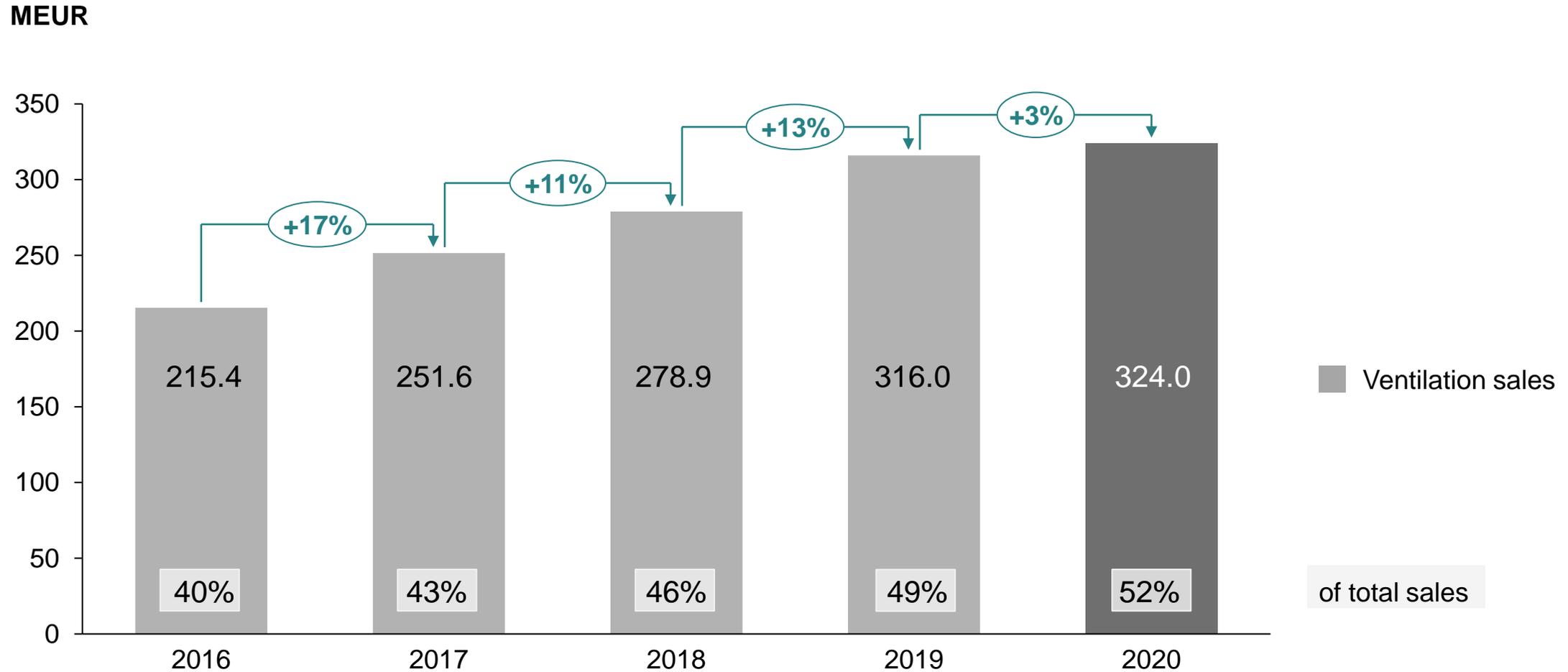
Ø full-time equivalents	2019	2020	Variance
Europe	2,650	2,607	-44
China	472	450	-23
North America	291	284	-7
China & North America	763	733	-30
Total	3,413	3,340	-73

- As a countermeasure to COVID-19, temporary employees were decreased by 46 FTE to 287 FTE (mainly in the production and logistics area).
- Targeted staffing measures in the areas hardest hit by the pandemic
- Staff increase in the ventilation business in the areas of sales, marketing and R&D
- Full-time equivalents per 31 December 2020 of 3361

COVID-19 halts trend of double-digit sales growth in ventilation business (CAGR 2016-2020 of 10.7%)



Financials 2020

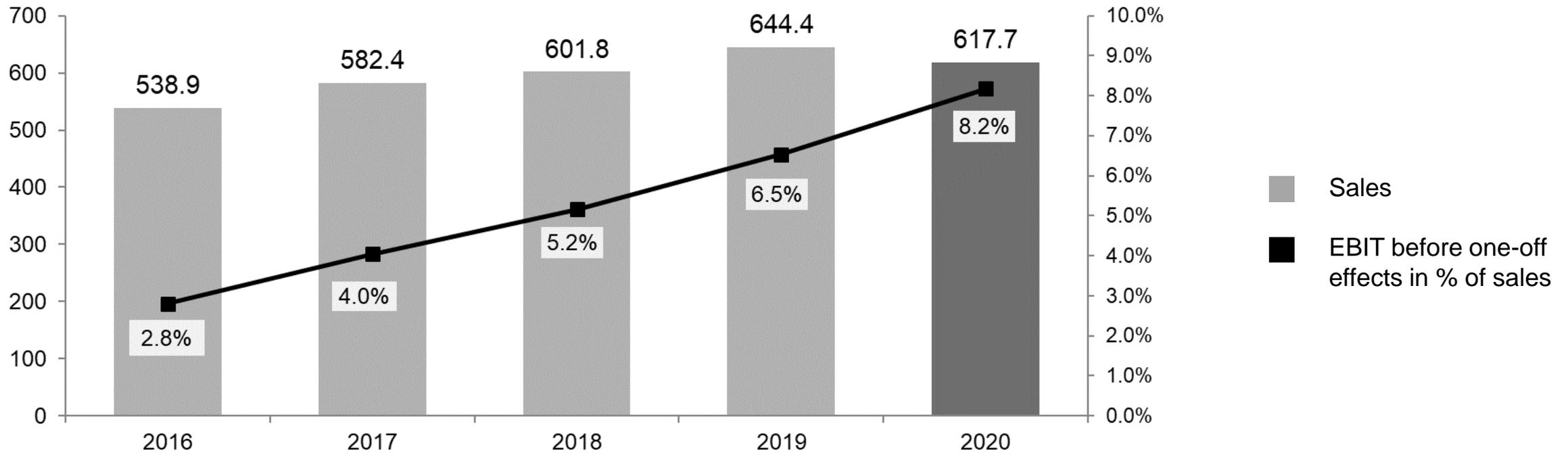


Consistent annual margin increase since 2016 – Medium-term goal of an 8% EBIT margin¹⁾ achieved in 2020



Financials 2020

MEUR



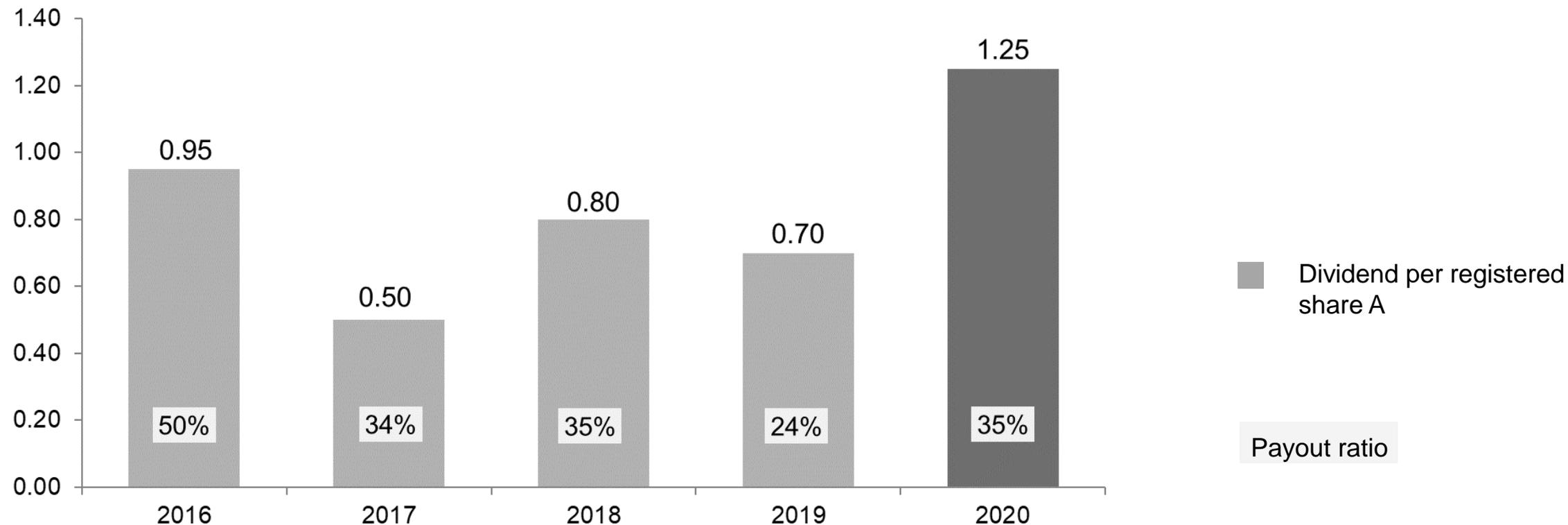
1) Set in 2018

Proposed dividend of CHF 1.25 per registered share A within framework of long-term dividend policy of distributing 30-50% of net income



Financials 2020

CHF



Public share buyback programme for up to 5% of listed registered shares A



Financials 2020

Reasons:

- Strong balance sheet with high equity ratio and net liquidity
- Current low/negative interest rate environment
- Sufficient funds for investments in the future

Goals:

- Sustainable compression of earnings per share
- Capital reduction

Quantity:

- Up to 5% of listed registered shares A, i.e. 487,000 registered shares A

Timing:

- Launch in coming weeks
- Buyback over a maximum period of 3 years
- Proposal of cancellation of up to 487,000 registered shares A at future Annual General Meetings
- Suspension of share buyback programme in case of an attractive major acquisition possible



Better creativity.

Structure

Business Review 2020

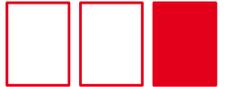
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Market evaluation

- Increasing demand for a clean, healthy and comfortable indoor climate and sustainable products and systems
- Various product launches in ventilation business area in 2021
- Further course of coronavirus pandemic and impact on business uncertain
- Sharply increasing raw material prices and possible interruptions of supply chain
- Ongoing global political tensions

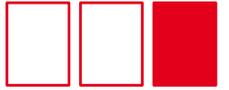
Further investments

- Market development
- Innovation
- Digital customer engagement

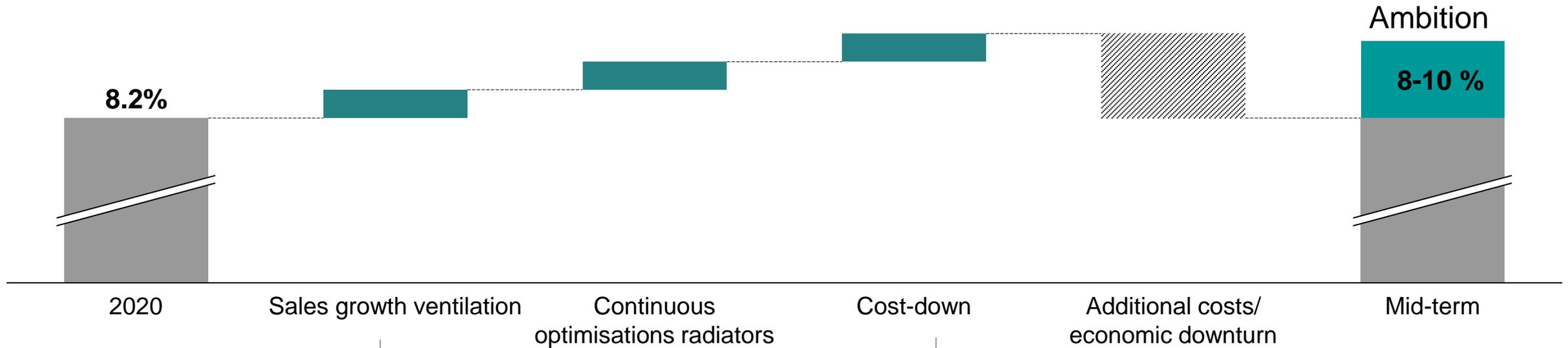
Guidance 2021 and mid-term

- Return to growth course targeted
- Unchanged focus on cost optimisations and efficiency improvements
- Further improvement in profitability expected for 2021
- Average annual sales growth of 5% and EBIT margin of 8-10% targeted for the mid-term

The biggest levers to reach a sustainable EBIT margin of 8-10%: growth – continuous optimisations – cost-down



Outlook



- Organic growth through innovation and add-on acquisitions
- Further establishment of clean air solutions in Europe and North America
- Extension of key account base in project business and of footprint in retail business in China
- Localisation of product range in residential ventilation in North America

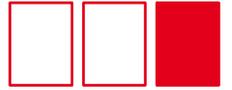
- Operational excellence
- Streamlined portfolio
- Efficiency and productivity gains
- Continuous optimisation of production footprint

- Procurement initiatives
- Efficiency increase in administrative area
- Turnaround of climate ceiling solution business

- Higher raw material prices
- Lockdowns or/and downturns in certain markets
- Investments in accelerated market developments or/and innovation projects

125 years of Zehnder – and always looking to the future

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 8-10%
- Double-digit ROCE

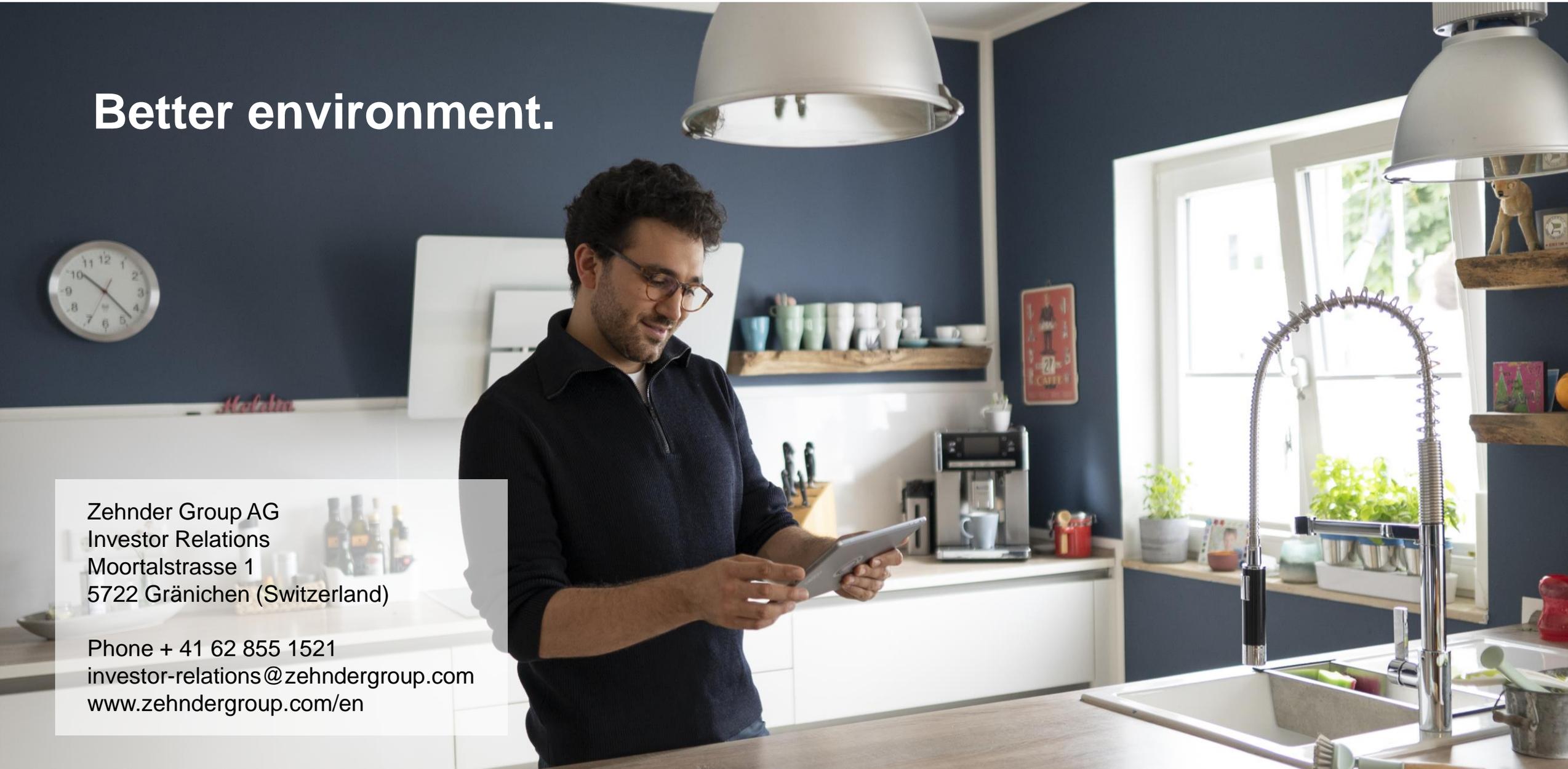
Info: For our anniversary book “Air, space and time – 125 years of Zehnder history”, visit: www.zehndergroup.com/en/company/history-2020.

Thank you for your time and attention

Better environment.

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