

Media and Analyst Conference 2024

Full Year Results 2023

CEO Matthias Huenerwadel and CFO René Grieder
28 February 2024



always the best climate

Agenda

Business Review 2023

- Resilient performance in demanding market
- Segment strategies further executed
- Introduction of product innovations

Financial Review 2023

- Volume decline weighed on margins
- Effective counter-measures implemented
- Increased operating cash flow

Outlook

- Challenging market environment
- Continuous consequent optimization
- “Growth for ventilation, harvest for radiators” strategy to be further executed

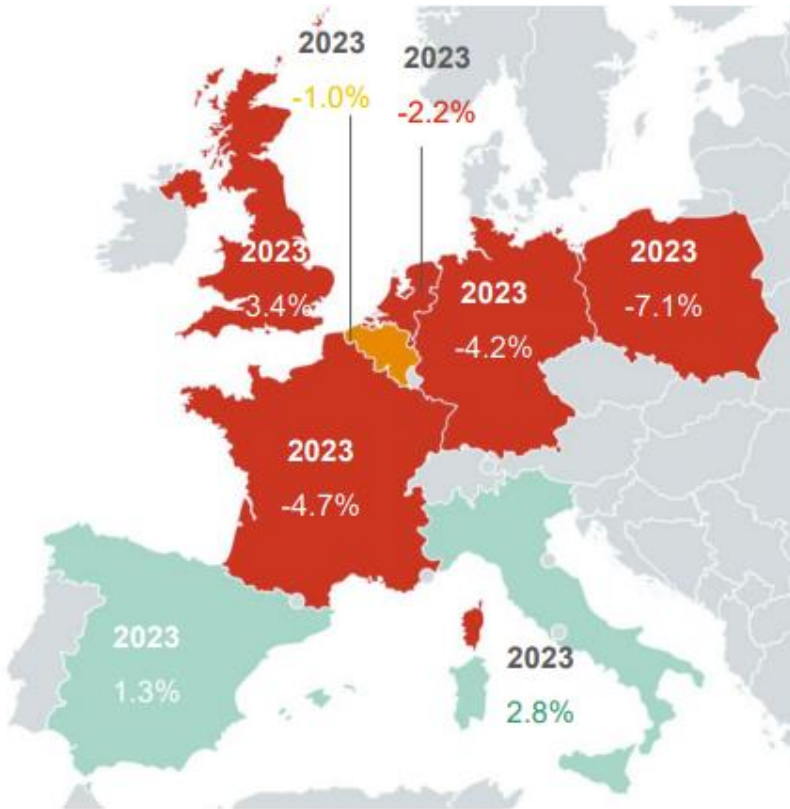
Business Review 2023

- Resilient performance in demanding market
- Segment strategies further executed
- Introduction of product innovations



In 2023, European construction markets declined... ...due to elevated construction costs

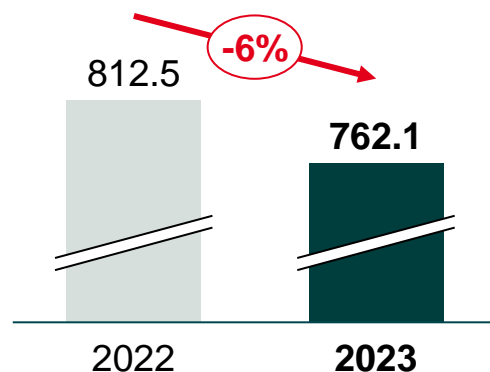
Overview 2023 European Construction Industry



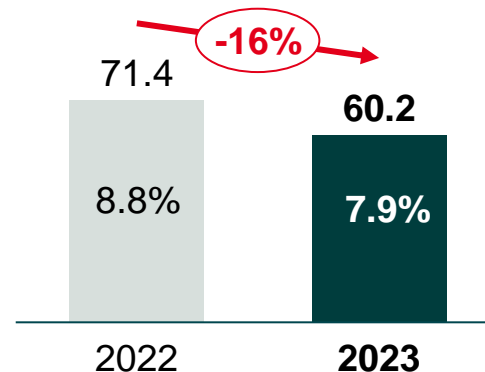
- In 2023, the total construction market in most European countries slowed down
- New building markets declined considerably compared to renovation markets due to elevated construction costs
- New residential markets were affected most (GER -9.3%, FR -12.3%, PL -8.9%)

Lower sales and operating result in 2023 due to a challenging market environment but strong operating cash flow

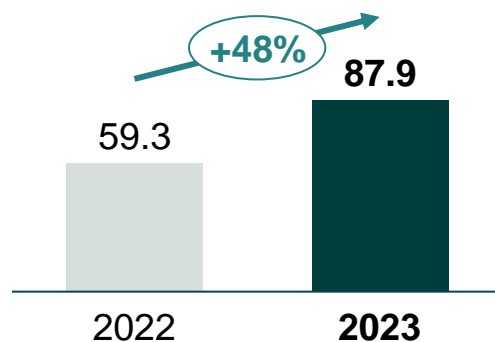
Sales



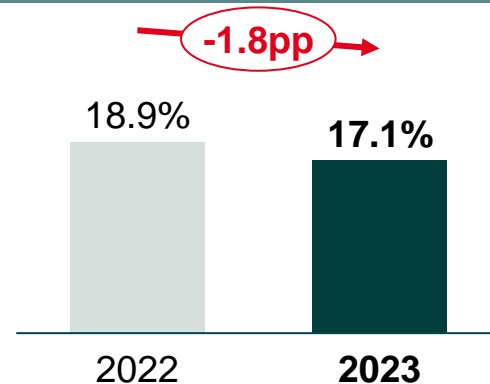
EBIT



Operating Cash Flow



ROCE



in MEUR

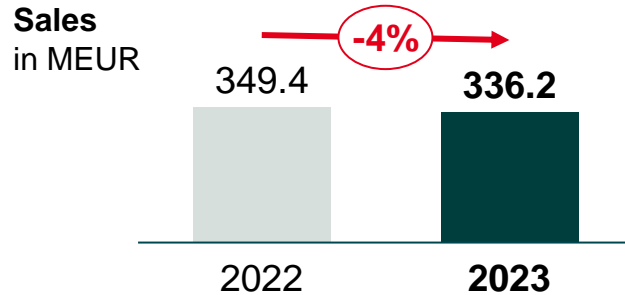
Key topics in 2023

- Normalizing of supply chain situation...
- ...followed by a drop in demand amid a challenging environment
- Implementing of selective structural adjustments
- Investing in product innovations
- Driving digital transformation
- Developing of sustainability measures
- Continuing to execute strategy

Ventilation segment sales with modest sales decrease in Europe... ...and significant sales growth in North America

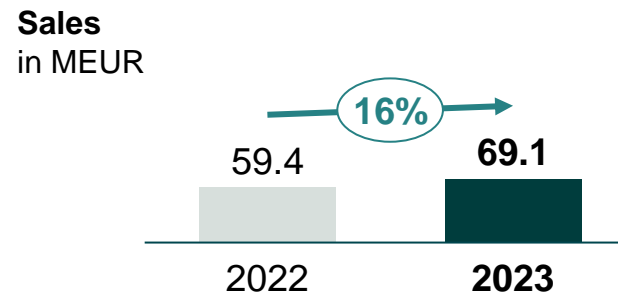
zehnder

EMEA¹



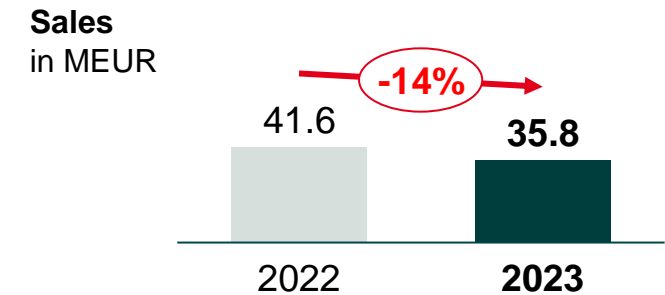
- Positive contribution (1%) from the acquisition of Filtech²
- In HY1, available components backed positive sales development
- In HY2, sales decreased due to weaker demand

North America



- Record sales supported by first-time consolidation (+7%) of full-year sales of Airia³
- Ventilation sales amount to 60% of sales in North America (2022: 57%)
- In HY2 sales started to decline due to weaker demand in the construction industry

Asia-Pacific



- Decline of ventilation sales in China because of real estate crisis
- Heat exchanger business (Fortuneway) was weaker

¹ Europe, Middle East and Africa; ² Filtech (Netherlands) acquired in April 2022; ³ Airia (Canada) acquired in February 2022

Ventilation segment highlights in 2023

Resource-Saving Heat Exchanger

- New Blue Dot Heat Exchanger¹ with resource-saving production
- Significant material savings (lower weight)
- Enables lower pressure loss with consistently high performance



Decentralized Ventilation Solution

- Zehnder Eversky is a decentralized, high-efficiency ventilation for room-by-room solutions
- Extra-flat, plug-and-play unit for quick and easy installation
- Volume flows varying from 150 m³/h to 1,100 m³/h
- Thermal efficiency above 90% (EN308)



Digital Monitoring Solution

- Zehnder's Digital Monitoring Solution² is an intelligent monitoring and control solution for indoor climate quality
- Real-time monitoring, controlling, and optimizing of climate systems
- Works via app and voice control



¹ C-HRV 366-LL heat exchanger, the "Blue Dot"; ² Launch in Germany and Switzerland

Apartment renovation project in Tilburg (NL)

- Use of ComfoVar Aero and ComfoAir for a renovation project of >20 apartments in Tilburg (NL)
- Specific customer conditions of a noisy environment and insufficient installation space in apartments
- Comparable renovation project planned for beginning of 2024 (approx. 130 apartments)

Comfortable indoor climate - Amsterdam's iconic Q Residences

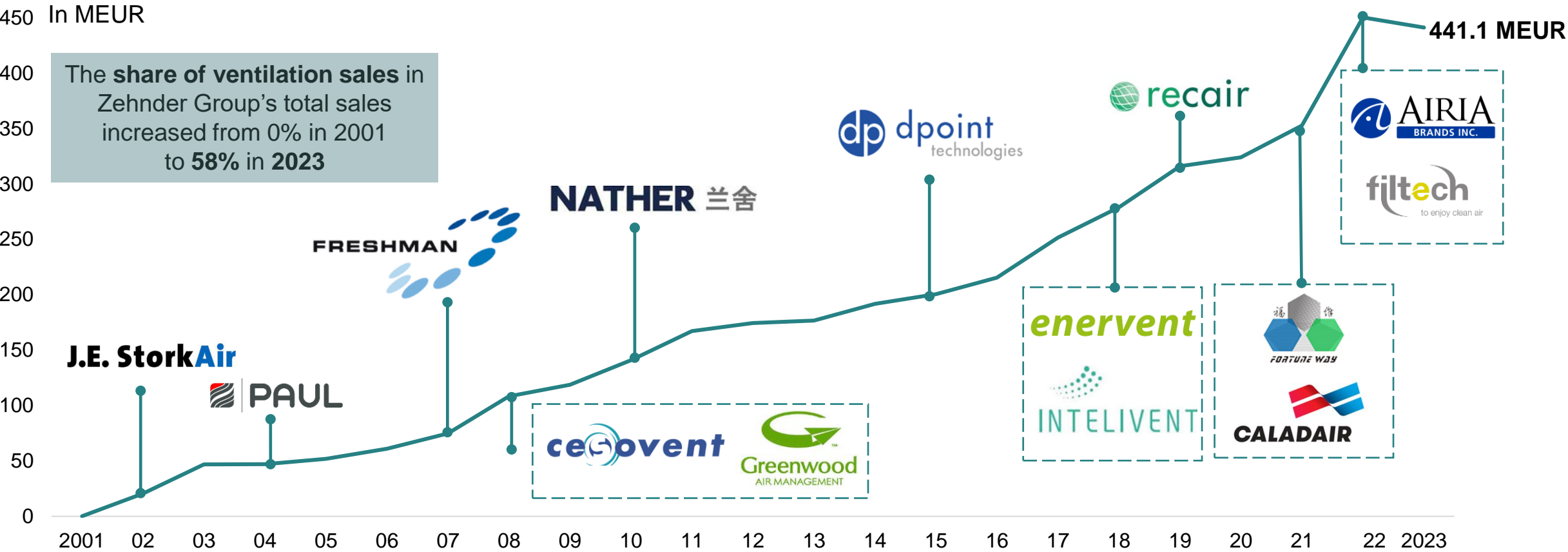
QUBE

QUARTZ

- All 248 luxury apartments within Q Residences are ventilated with a Zehnder ComfoAir Q unit
- Zehnder's ComfoAir Q has a high finishing level, is particularly quiet and energy efficient
- It perfectly matches the high requirements set by the clients

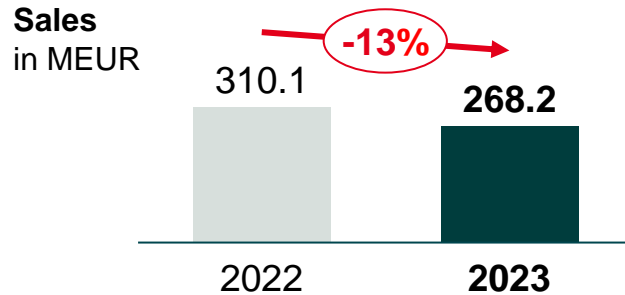


For the first time, ventilation sales reached... ...a share of 58% of total Group sales



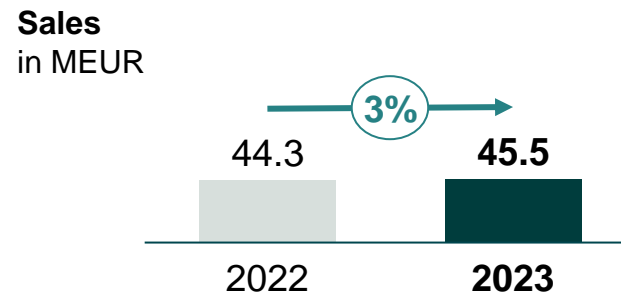
Radiator segment with material sales decline due to significant sales drop in major European countries

EMEA



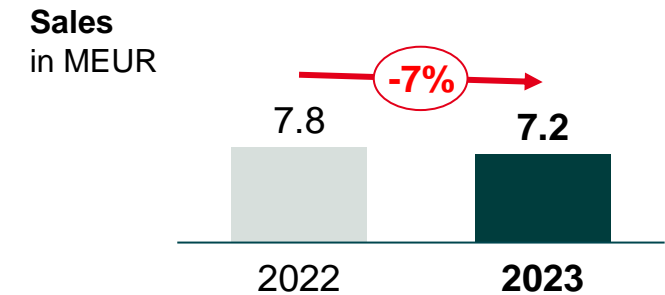
- France, UK, Germany and Italy recorded significantly lower radiator sales
- Switzerland recorded sales growth due to its strong market position
- Discontinuation of business activities in Russia in 2022 had negative sales impact

North America



- Robust and stable demand for radiators in the US market
- Positive trend in online sales for electric radiators

Asia-Pacific



- Lower radiator sales due to weak construction industry in China

Radiator segment highlights in 2023

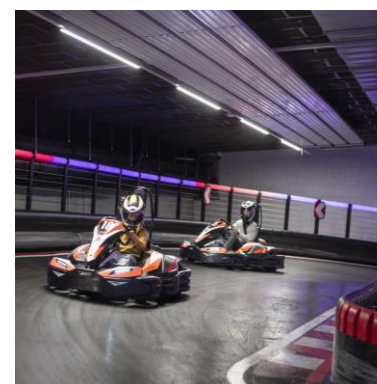
New Design Radiator Zehnder Tetris

- Zehnder expanded its range of decorative towel radiators with Zehnder Tetris
- Designed by the renowned design studio King & Miranda
- Zehnder Tetris continues the success story of timeless radiator design



Cooling & heating ceiling panels

- Zehnder's sound-absorbing radiant ceiling panels of the latest generation help cool or heat quietly and energy-efficiently
- Examples are the Centre for Innovation and Digitalisation in Deisswil (Bern) and the electric kart track in Schöffland (Aargau)



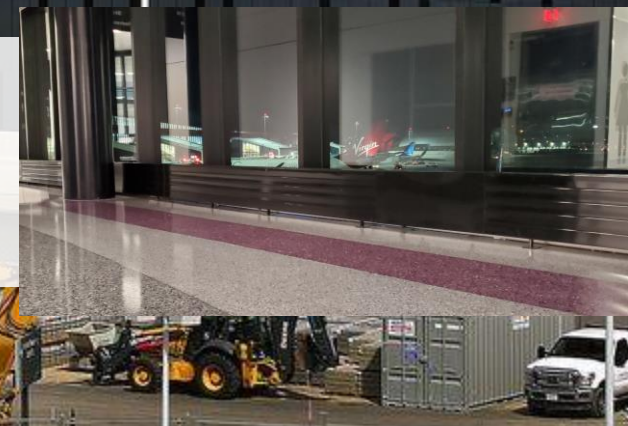
Architects Darling Award

- Zehnder Group Schweiz AG received the Golden Award from "Architects Darling"
- Award-winning in the category building services and HVAC for the fourth time in a row



Boston's Logan International Airport

- Modern and sustainable Logan Airport in Boston (MA) USA with a newly-expanded Terminal E
- Zehnder delivered more than 200 high-efficiency hydronic Runtal radiators
- Custom mounting for seamless integration with unique building design



On track to further improve Zehnder's carbon footprint¹

Greenhouse
gas emissions
Scope 1
in 2023

9,290

tCO₂e²

-8%

Greenhouse
gas emissions
Scope 2
in 2023

8,290

tCO₂e²

-17%

Greenhouse
gas emissions
Scope 3
in 2023

2,723,347

tCO₂e²

Avoided emissions over
the next 15 years from heat
recovery ventilation units
sold in 2023

1,921,578

tCO₂e²

- In 2023, Zehnder Group further improved the quality of its carbon footprint calculation for Scope 1, 2 & 3
- Zehnder Group's **climate targets**³ for submission to SBTi⁴:
 - **55% reduction** in Scope 1 & 2 emissions by 2033
 - **33% reduction** in Scope 3 emissions by 2033
- Measures to reach targets include energy reduction, focusing on improving energy mix and efficiency (i.e. improved lighting and cooling/heating systems, and transition to chemical paint removal as an alternative to thermal processes)

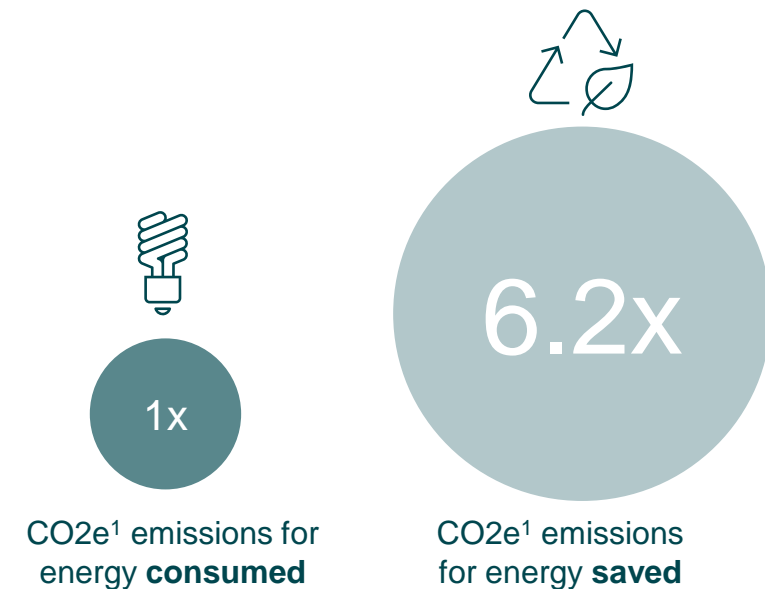
¹ In adherence with the GHG Protocol, it is the aim to have the reporting year 2023 as our base year for our science-based targets. This prompted a few methodological changes, leading to a restatement of the 2022 figures for improved comparability with 2023. For further details please refer to Zehnder Sustainability Report 2023; ² tonnes of CO₂ equivalents; ³ compared to the 2023 baseline; ⁴ climate targets yet to be approved by the Science Based Targets initiative (SBTi)

Zehnder's heat-recovery ventilation systems...

...save approx. 6 times more emissions than they cause

- Zehnder's heat-recovery ventilation systems use highly-efficient temperature exchange:
 - keeping more heat inside (or outside),
 - cutting heating/cooling costs,
 - reducing indoor air pollution
- Zehnder's heat-recovery systems sold in 2023 will save customers approx. 8.9 times more energy than they use during their lifetimes compared to traditional ventilation
- Heat-recovery ventilation emits much less CO₂e¹ than traditional ventilation, with an avoided emissions ratio of **1 to 6.2** for energy consumed versus energy saved²

Avoided emissions ratio³



¹ CO₂ equivalent; ² for further information please refer to Zehnder Sustainability Report 2023; ³ Emissions and energy consumption are calculated for the full product use phase, and do not include emissions at other phases such as production, transport or disposal. Grid emissions are split by country and are calculated at 2021 levels for the full product lifetime (source: Department for Environment, Food and Rural Affairs (DEFRA)). Lost heat is replaced by heating systems, split between heat pumps (Energy Efficiency Ratio (EER) = 3 as a conservative choice for renewables) and natural gas heaters (85% conversion efficiency). Natural gas heaters were selected as the conservative choice for fossil-based heating. The ratio of natural gas heaters to heat pumps is country-dependent and is generated using values provided by the Institute of Building Technologies and Energy at Lucerne School of Engineering and Architecture (HSLU), Switzerland, based on current national ratios of fossil-to-fossil-free heating methods.

Strengthening of Executive Committee... ...to best address market needs



Matthias Huenerwadel
Chairman of the Group
Executive Committee,
Chief Executive Officer (CEO)



René Grieder
Chief Financial Officer (CFO)



- new -

Dorien Terpstra
Chief Commercial Officer
(CCO) EMEA



Johannes Bollmann
Chief Operating Officer
(COO) Ventilation EMEA



Jörg Metzger
Chief Operating Officer
(COO) Radiators EMEA

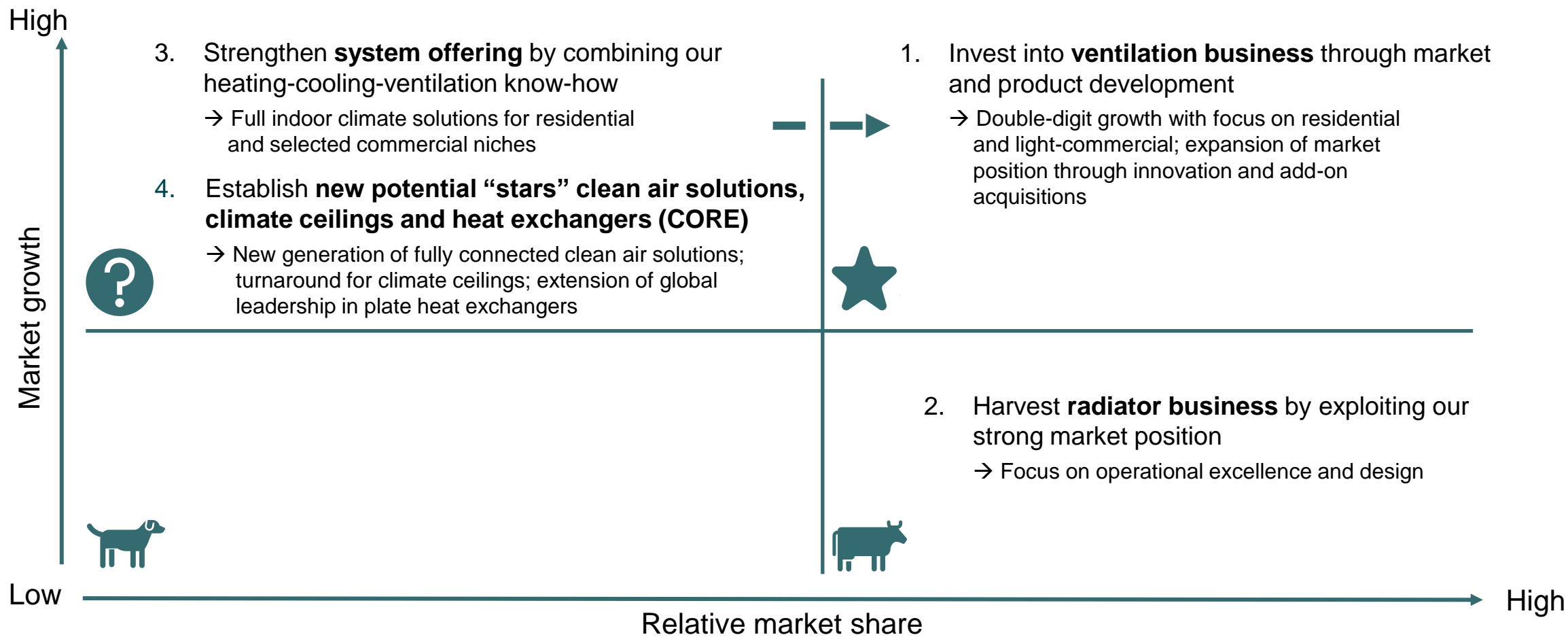


- additional -

- to be appointed -
President North America

- Dorien Terpstra, appointed new Chief Commercial Officer EMEA, joined the Group Executive Committee on 1 January 2024
- Additional member for Group Executive Committee planned to strengthen North America business
- Zehnder's new Executive Committee to best reflect strategic goals and address market needs

Continuation of “Growth for Ventilation, Harvest for Radiators” strategy



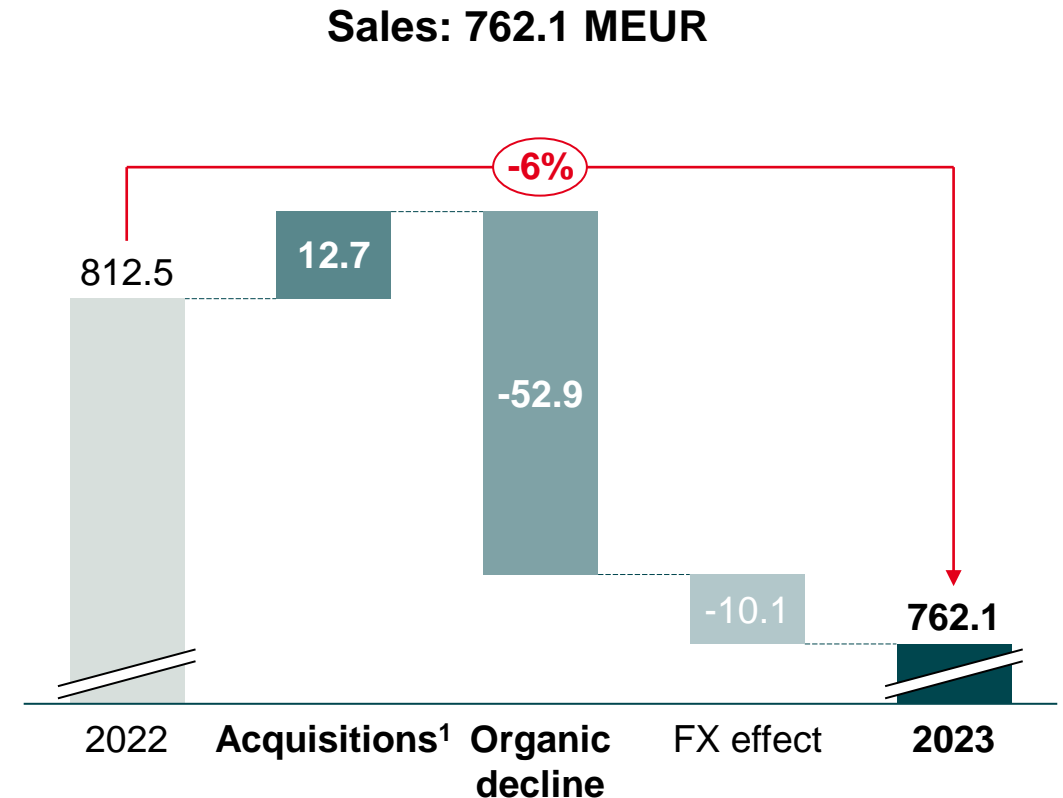
Financial Review 2023

- Volume decline weighed on margins
- Effective counter-measures implemented
- Increased operating cash flow



2023 Group sales down -6% due to lower volumes in the radiator segment and in the ventilation segment in HY2 2023

- **Group sales** driven by
 - **+2%** due to acquisitions¹
 - **-7%** organic decline
 - **-1%** negative FX effect
- Reduction in order backlog in the ventilation segment compensated for the decline in radiator volumes in HY1 2023
- In HY2 2023, both the radiator and ventilation segment reported a decreasing sales with a double-digit volume drop



¹ Airia and Filtech

Strongest total growth rates in Canada, the Netherlands and in Switzerland 2023; UK, Italy and China clearly decreasing

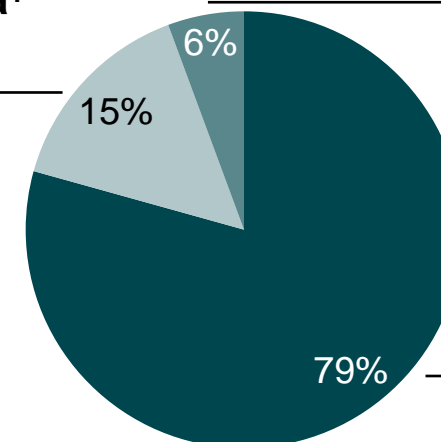
Sales development 2023 per country; local currency

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

¹ Sales in MEUR, in total 762.1 MEUR in 2023

North America¹
114.6 / +11%

Asia-Pacific¹
43.0 / -13%

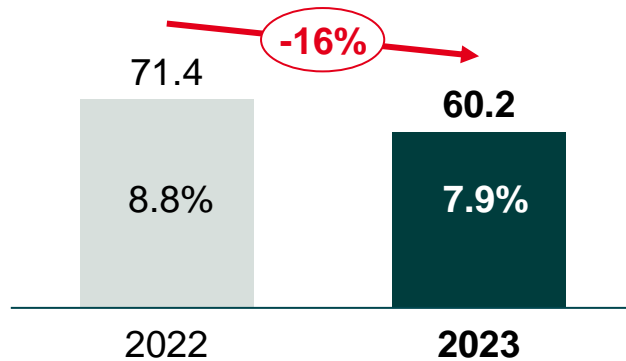


EMEA¹
604.5 / -8%

Top 10 markets account for **87%** of total sales

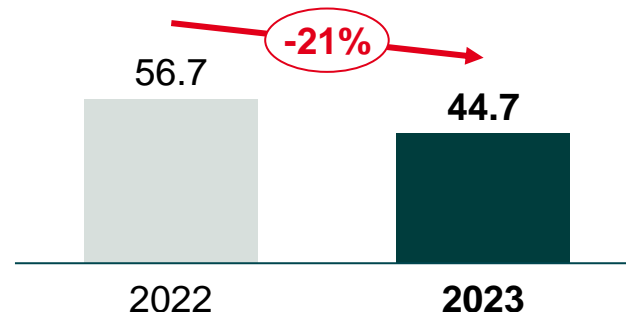
Group EBIT declined by -16% in 2023 due to lower volumes, lower production capacities, and higher salaries

EBIT: 60.2 MEUR



- EBIT-margin decreased by **90 basis points**, due to:
 - lower volumes
 - lower production capacity utilization rate
 - salary increases
- Extension of existing efficiency measures and continued financial discipline
- Increase of expenditure for research and development

Net income: 44.7 MEUR



- Net income decreased by 21%, due to lower EBIT and foreign exchange losses

In 2023, cost-saving measures were extended to... ... effectively counter current downturn in the building market



- Reduction of 319 FTE to 3,593 at the end of 2023
- Differentiated, selective cost-saving measures were put in place (approx. 400 individual measures) leading to restructuring costs of EUR 2.8 million in 2023:
 - in China local radiator production was partially outsourced
 - headcount reduction in radiator production sites in Germany, Turkey, and Poland
 - in Switzerland and France short-time work was selectively introduced in radiator production
 - very selective recruitment and reduced travel activities
- We continued to invest in strategic projects in the areas of innovation, market development, and digitalisation
- We continue to work with different scenarios to adapt to the market situation

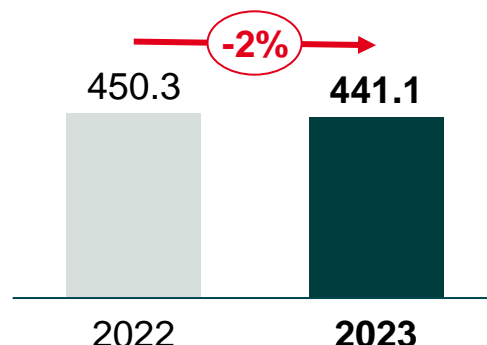
Ventilation segment with slight sales and margin decline

Ventilation segment

58% of total sales

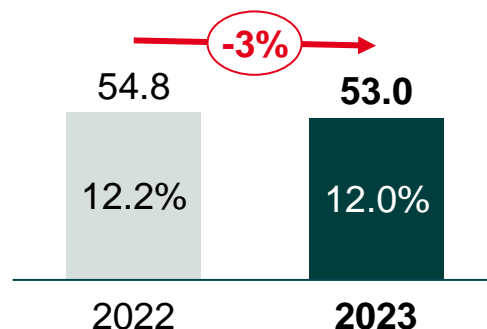
Sales: 441.1 MEUR

- Slight sales decrease of **-2%**
 - **+3%** through **acquisitions**
 - **-3% organically**
- In HY1, strong sales in ventilation due to order backlog. Decreasing sales in HY2 due to lower demand



EBIT: 53.0 MEUR

- EBIT margin slightly decreased to **12.0%** (-20bps)
- In total, reduction of order backlog in HY1 could compensate for significant demand drop in HY2

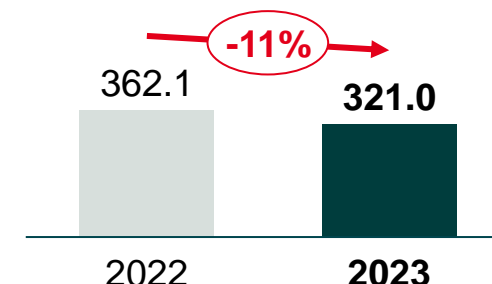


Radiator segment

42% of total sales

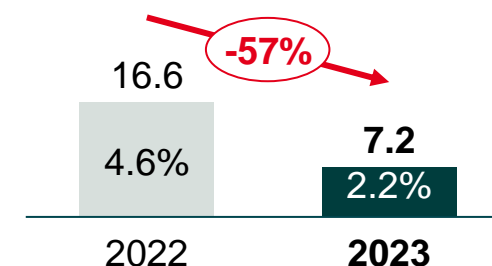
Sales: 321.0 MEUR

- Lower sales of **-11%**
 - **-11% organically**
- Volumes declined because of increased building costs, an uncertain legislative environment and a difficult economic situation



EBIT: 7.2 MEUR

- EBIT declined by **-57%**
- EBIT margin decreased to **2.2%** (-240bps) caused by lower production capacity utilization



The depleted order backlog together with lower demand... ...led to a decline in ventilation sales in HY2 2023

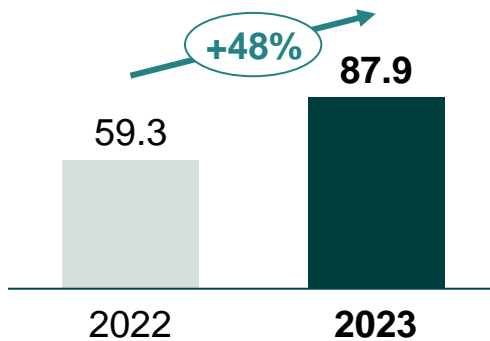
MEUR	HY1 2022	HY2 2022	2022	HY1 2023	HY2 2023	2023	Δ HY1	Δ HY2	Δ FY
Sales ventilation	219.9	230.5	450.3	245.4	195.7	441.1	12%	-15%	-2%
Sales radiators	179.8	182.4	362.1	161.6	159.4	321.0	-10%	-13%	-11%
Sales total	399.6	412.9	812.5	407.0	355.1	762.1	2%	-14%	-6%
EBIT total	36.9	34.4	71.4	37.5	22.7	60.2	2%	-34%	-16%
EBIT margin	9.2%	8.3%	8.8%	9.2%	6.4%	7.9%			

- In HY1 2023, ventilation sales grew by 12% mainly on the back of order backlogs. In HY2 2023, ventilation sales started to decline due to a lower demand.
- Following a decline in volumes in HY1 2023, the negative demand trend continued in the radiator segment in HY2 2023, (absence of usual seasonality) due to a challenging business environment.
- Total EBIT-margin decreased from 8.8% in 2022 to 7.9% in 2023, mainly due to lower volumes.

Higher cash flow due to lower trade receivables... ...and increased net liquidity despite share buybacks

Operating Cash Flow

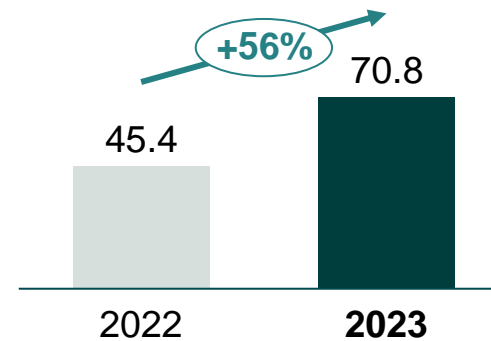
in MEUR



- Decrease in trade receivables due to lower sales
- Lower inventory due to lower demand and active working capital management

Net Liquidity

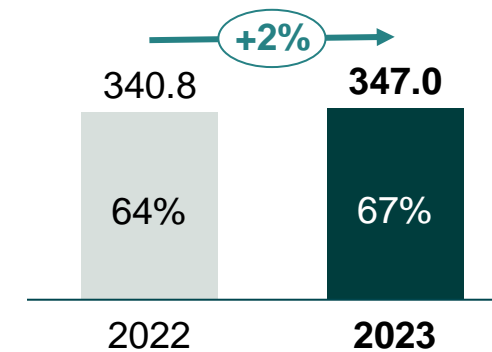
in MEUR



- Lower investments in property, plant and equipment and no acquisitions compared to previous year
- Purchase of own shares for 17.3 MEUR (buyback programme & group management share plan)
- Dividends of 24.1 MEUR

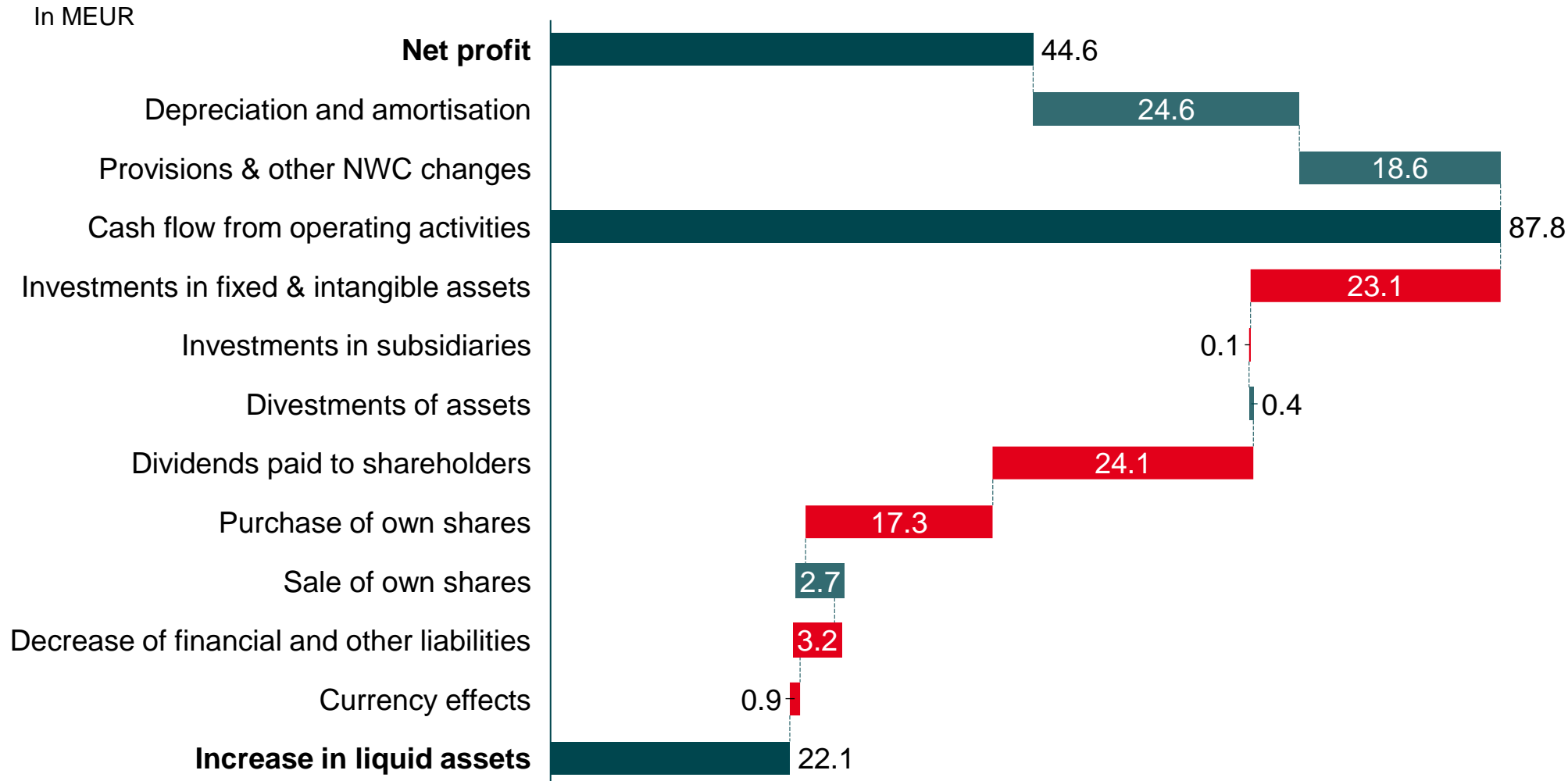
Equity

in MEUR



- Ongoing strong balance sheet with equity ratio of 67%

Strong increase in operating cash flow led to liquidity hike in 2023, despite investments in assets, dividend payments and the conclusion of the share buyback programme



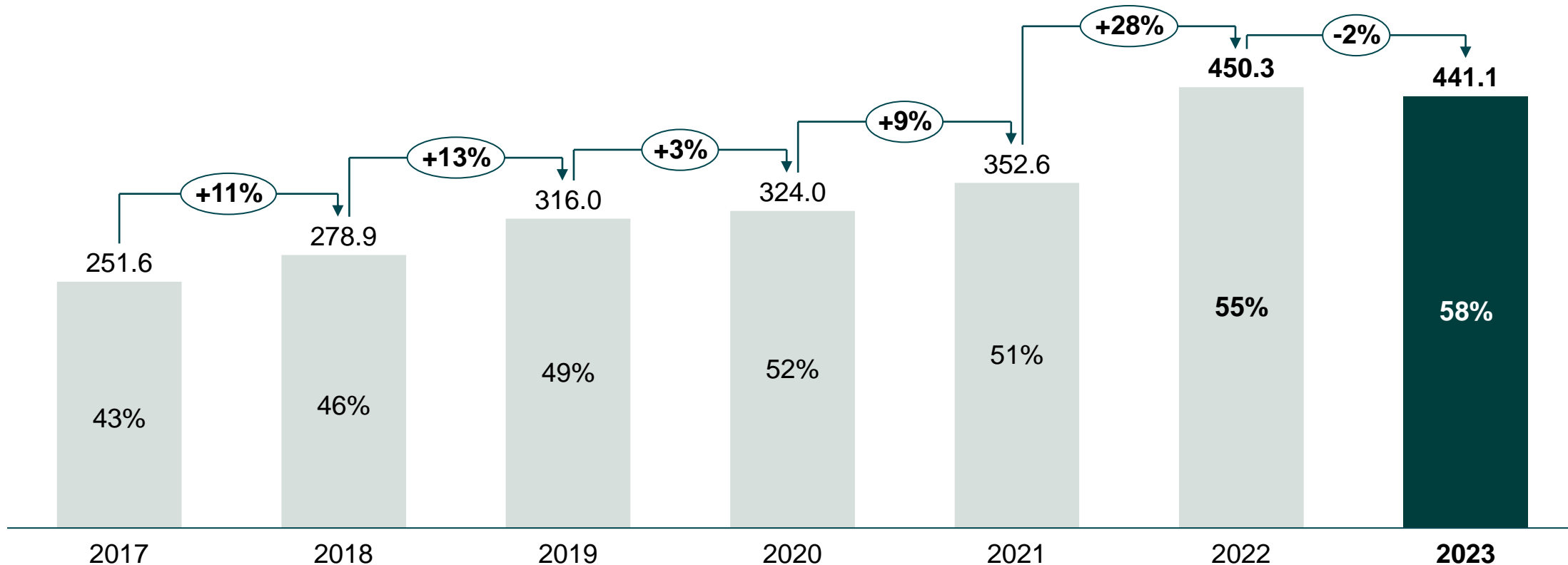
Share of ventilation sales increased to 58%... ...despite slightly lower sales



zehnder

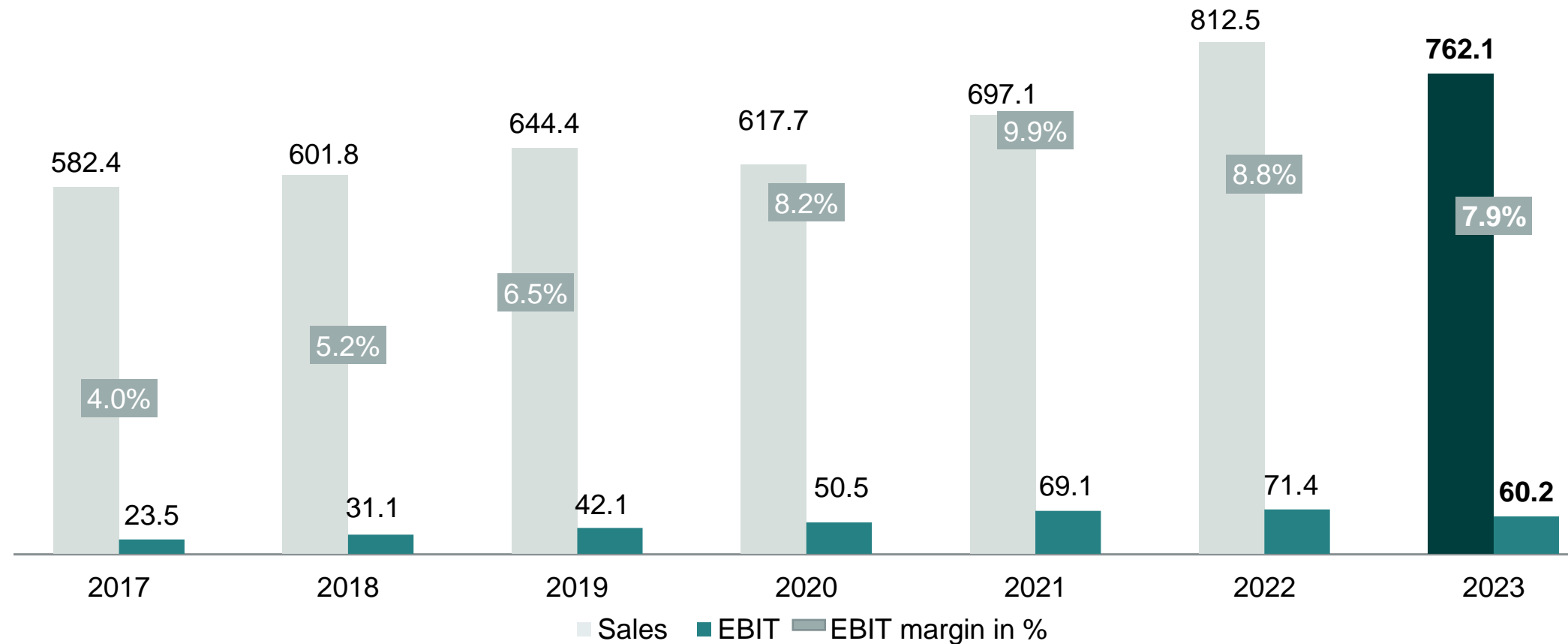
Ventilation sales in MEUR /
% of total sales

+3% acquisitions
-3% organically



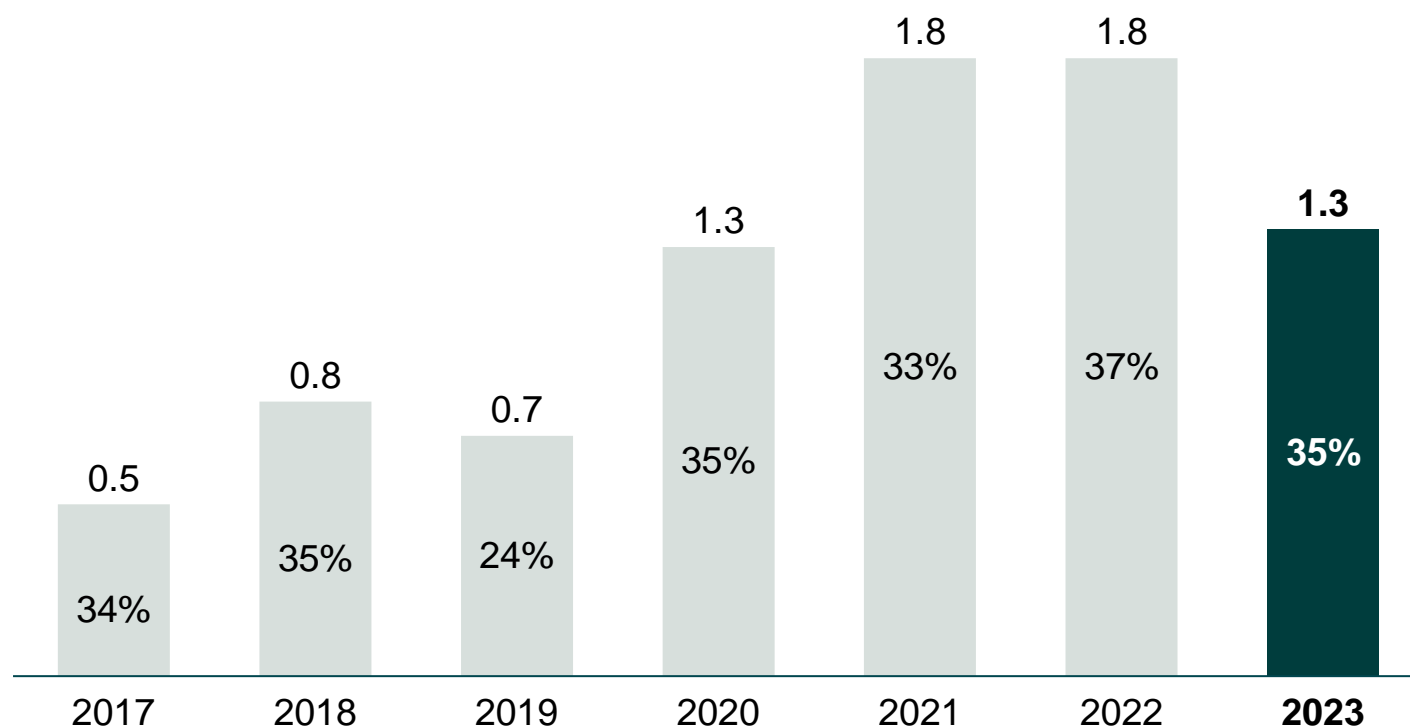
Decrease in demand led to a lower profitability margin in 2023; overall positive trend over the last years

In MEUR



Dividend pay-out ratio in line with previous years

In CHF



- Proposed dividend of **CHF 1.30** per registered share A
- The **pay-out ratio** of **35%** is in line with our dividend policy, which envisages a pay-out ratio of **30–50% of consolidated net profits**

Completion of buyback programme in 2023

- On 18 September 2023, Zehnder Group has **completed** the **share buyback** programme
- Zehnder's buyback programme's¹ entailed **5%** of listed registered shares A (**487,800 shares**)
- A total value of **EUR 33.8 million** (thereof EUR 10.5 million in 2023) have been repurchased by Zehnder Group AG over the course of the programme
- Cancellation of the repurchased registered shares A will be proposed by the Board of Directors at the upcoming Annual General Meeting on 11 April 2024
- Zehnder Group continues to maintain a strong balance sheet with a high equity ratio and net liquidity

¹ Announced by Zehnder Group on 24 February 2021 commenced on 24 March 2021. For more information please visit: <https://www.zehndergroup.com/en/investor-relations/shares>

Outlook

- Challenging market environment
- Continuous consequent optimization
- “Growth for ventilation, harvest for radiators” strategy to be further executed



Further drop in residential new buildings in Europe in 2024

Residential new build

Total housing completions		2021	2022	2023	2024	2025	2026
Country	share	2021	2022	2023	2024	2025	2026
		vs 2020	vs 2021	vs 2022	vs 2023	vs 2024	vs 2025
France	26%	15%	-3%	1%	-14%	-10%	0%
Germany	18%	-4%	1%	-9%	-17%	-13%	-10%
Poland	16%	6%	2%	-3%	-20%	10%	5%
United Kingdom	12%	20%	3%	-16%	2%	5%	5%
Italy	7%	7%	9%	5%	-1%	-4%	-5%
Switzerland	3%	-8%	-5%	-3%	1%	1%	2%
Spain	6%	6%	-2%	1%	6%	5%	0%
Netherlands	5%	2%	4%	1%	-4%	-1%	1%
Belgium	4%	-1%	4%	-9%	-8%	-1%	0%
Austria	4%	1%	-3%	-10%	-12%	-6%	0%
Total	100%	6%	1%	-4%	-10%	-3%	0%

- In 2024, further declines in new buildings in top 3 largest European markets expected
- 2024 projected to mark bottom in European residential new buildings
- Attractive structural growth drivers for indoor climate intact
- Favourable interest rate outlook will be supportive

Health and sustainability drive our ambitions

- Air pollution, allergies and the fact that we spend 90% of our lives in enclosed rooms make a healthy indoor climate essential.
- Our products are based on the preservation and improvement of good health.
- Buildings are responsible for ~40% of global energy consumption and ~36% of greenhouse gas emissions.
- Our products help to reduce energy consumption while maintaining high levels of comfort.



Full Year 2024:

Continued challenging business environment expected

Market evaluation

- Continued challenging business environment expected due to persisting downturn in construction industry
- Volatile supply chain from geopolitical risks (i.e.: Suez Canal situation)
- **Positive** medium and long-term **market outlook** due to **strong underlying trends** in construction industry
- Zehnder Group's products meet growing demand for **healthy, sustainable, and comfortable buildings**

Developments & further investments

- Market development and product innovation (ventilation segment)
- Stringent optimization and agile adjustment to market environment and cost-saving measures
- New Executive Committee member to drive North America business development

Outlook 2024 & Medium-term targets

- Forecast 2024 not reliable at present due to market uncertainties and limited visibility
- Planned communication of full year outlook latest with half-year figures 2024
- Diligent execution of strategic growth investments towards **mid-term targets**:
 - Sales CAGR of 5%
 - EBIT margin between 9-11% and a ROCE above 20%

Zehnder Group – an attractive investment case

Why invest in Zehnder?

- Strong market positions in key markets with continuous product innovations
- Clear growth strategy in ventilation business
- Proven M&A execution and growth
- Strengthening position in the promising North American market
- Solid financial foundation

Medium-term targets

- Sales CAGR of 5%
- EBIT margin between 9-11%
- ROCE above 20%



A modern interior space with a white tufted chair, a Buddha statue, and a staircase. The chair is on the left, the Buddha statue is in the center, and the staircase is on the right. The background is a light-colored wall with a staircase. The floor is made of large, light-colored tiles.



Thank you for your time and attention

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Questions and Answers

For questions, please:

- Raise your hand 
- Wait for the presenter to ask you to speak
- Unmute yourself (for participants online)
- Say your name and ask your question(s)
- Mute yourself after all questions have been answered (for participants online)
- Lower your hand 

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