



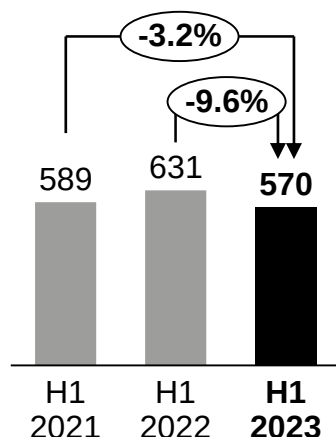
ZKB Swiss Equity Conference 2023

Alexander von Witzleben, Executive Chairman
Daniel Wüest, Group CFO

Overview HY 2023

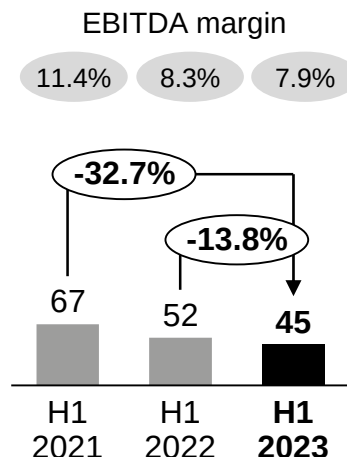
Key metrics (CHF M)

Net revenues



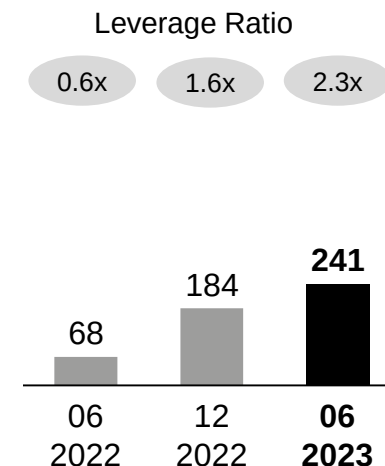
Net revenues in CHF down by 9.6% due to double-digit decline in volume in certain products (radiators, interior doors and shower enclosures) and negative FX effects – FX and acquisition adjusted down 8.1%.

EBITDA¹



Despite substantial decline in sales EBITDA margin only 0.4% points lower due to good product mix – excluding one-off higher energy costs with Doors and negative FX effects EBITDA flat compared to previous year.

Net debt/cash

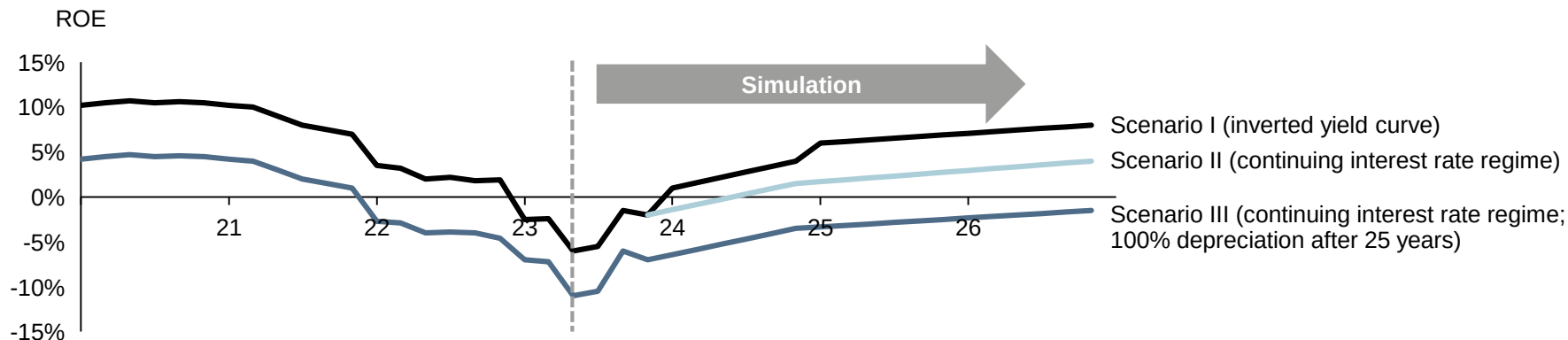


Increase of net debt mainly due to seasonally lower operational CF and dividend payment – measures defined and put in place to achieve leverage well below 2x by end of year.

Topline and EBITDA negatively affected by double digit volume decline in certain product categories and FX

¹ without one-time effects

At current building and financing costs rents have to climb to EUR 22 per m² to make investments in real estate financially attractive again in Germany



1. Uncertainty because of the new household heating law (GEG) should end, which is driving an irrational demand for oil and gas fired systems, while prices for non-energy efficient houses are steadily declining
2. (Planned) GEG is providing generous subsidies of up to 70% for replacement of oil- and gas-fired systems with new energy-efficient heating system
3. Slowly declining material and energy costs are steadily improving the profitability of new construction projects
4. End of interest hikes by National banks foreseeable
5. With a decline in inflation and building costs, households will resume moving, opening up (empty) flats for renovation

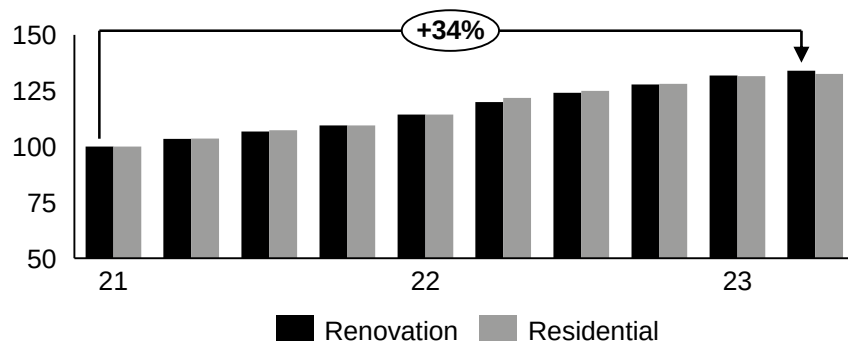
With the given decrease in energy and material costs, stable interest rates and annual rent increases, new construction and paused renovations will resume to cover the large, pent-up demand¹

source: Swissforecast GmbH (07/2023) | 1 modell assumes a growth of rents of 3% annually

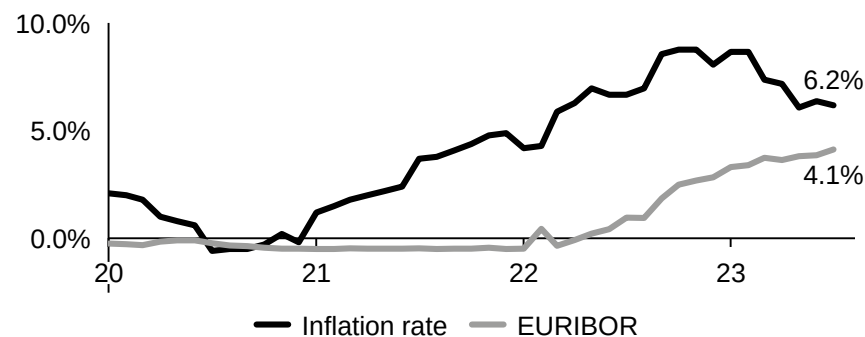
Overall slow-down in (German) construction industry due to

- high level of and slowly decreasing material prices have lead to **high construction costs**, while rents remained moderate
- high inflation and rising interest rates making **returns on new real estate investments unattractive**
- economic uncertainty and lack of alternative flats leading to fewer households moving and thus **fewer empty flats ready to be renovated**

Quarterly price index for construction (Jan. 2021 = 100)



Inflation rate and 12-month EURIBOR



Impact on Arbonia

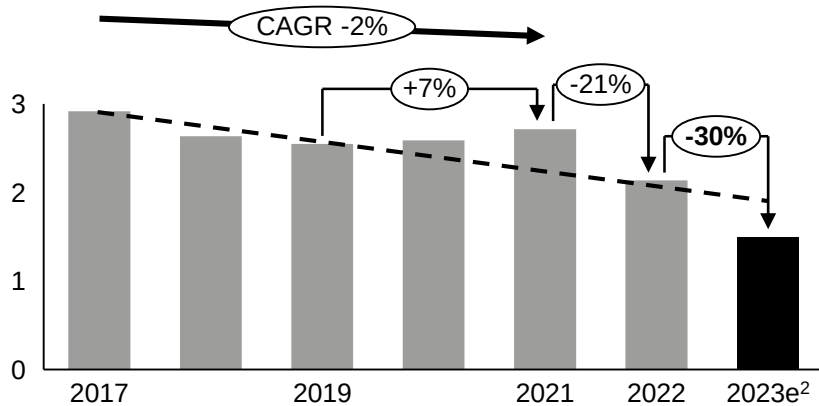
- 1** Destocking at wholesalers has impacted H1, but has ended (for standard doors, steel panel radiators and shower enclosures), due to economic uncertainty **wholesalers have moved to smaller stocks and short-term orders**
- 2** **Energy cost** (mainly in the Doors Division) impacting profitability
- 3** **Adjustment of production footprint** for design radiators and **focus on cash flow**
 - **Very high demand for modern, energy-efficient products**, leading to **double-digit volume growth**
 - **Demand for oil- and gas-fired heating systems surged in H1**, due to regulatory uncertainty (German household heating law), impacting all other heating installations

source: Destatis, European Money Markets Institute (EMMI)

1 Destocking and volume developments

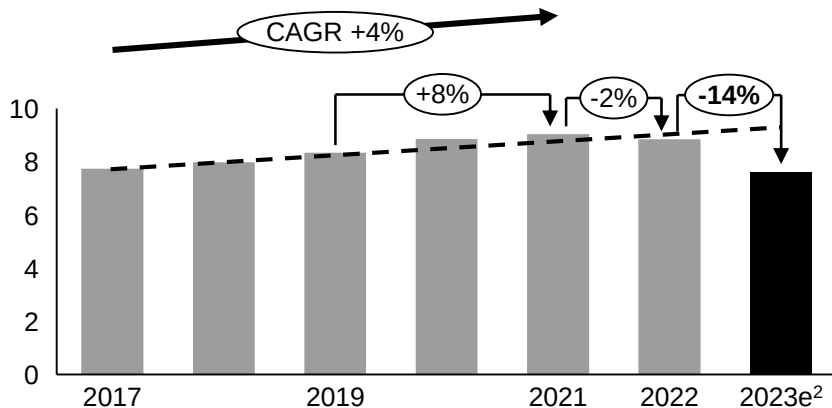
Steel panel radiators and interior doors

German SPR¹ market (in M units)



- **Overstocking in the German market during 2021**, with ~20% higher volumes in some months vs. 2020, annualised ~5% higher volumes
- The number of completed flats decreased by ~4% in 2021 vs. 2020 → **excess inventory >10% of volumes**
- Volumes collapsed in H2 2022, with annualised ~20% decrease due to excess inventories, high costs and slow demand; **volumes in H1 2023 (YTD) ~30% lower than previous year**

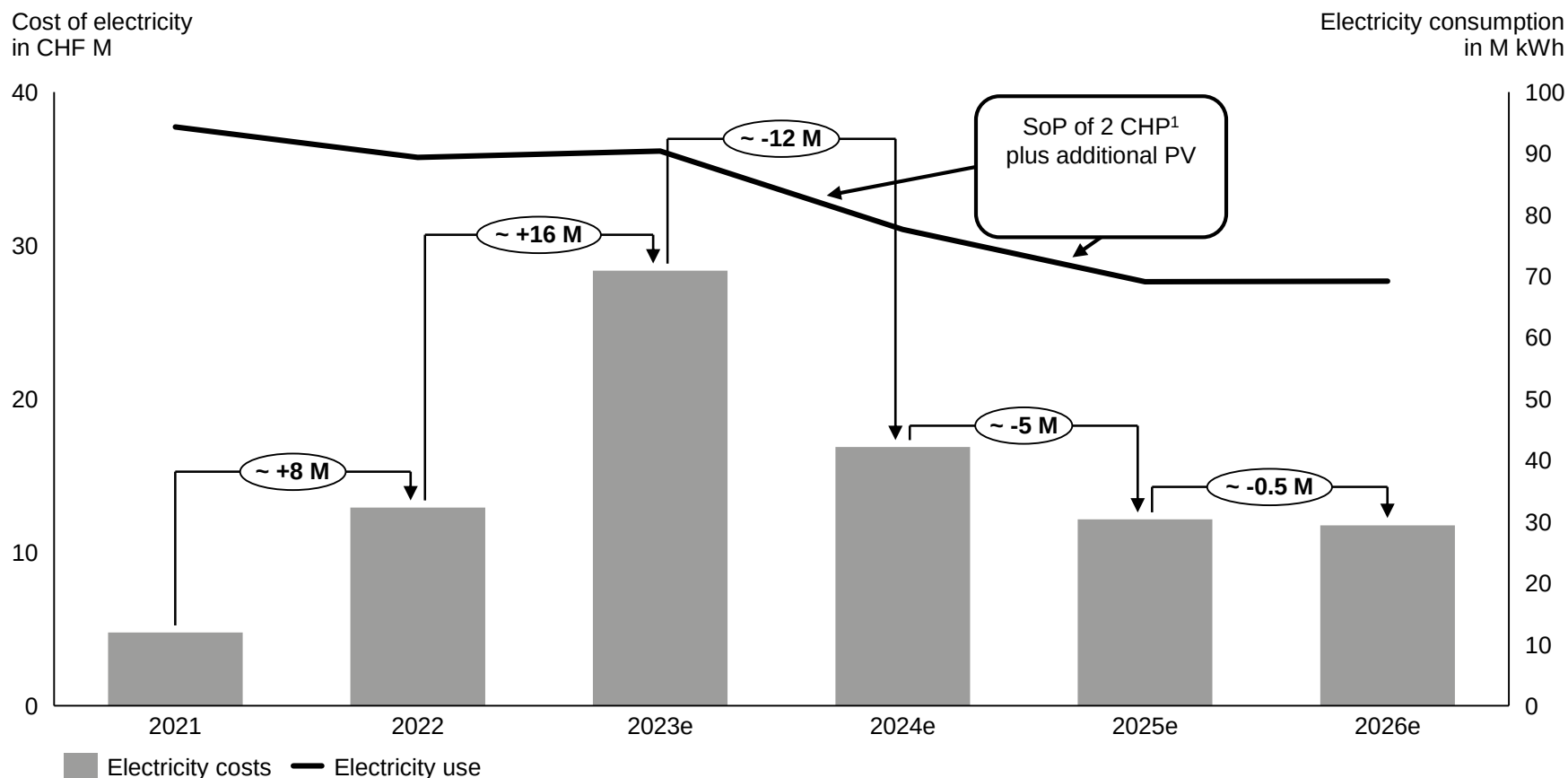
German interior doors market (in M units)



- **In previous years, a healthy order backlog** provided insights into future performance
- Both lead time and size of orders have decreased significantly, making **production more fragmented and leading to efficiency losses**
- The resulting **decreased order backlog** makes both production planning and **forecasting difficult**
- Interior door market expected to decline, with **disproportionate decrease of residential doors** (~ ¾ of the market)

source: BDH – Bundesverband der deutschen Heizungsindustrie (07/23), Arbonia AG, B+L Marktdaten | 1 SPR: steel panel radiator | 2 estimates based on H1 2023

2 Development of electricity consumption and cost



Substantial reduction through structured sourcing and own production²

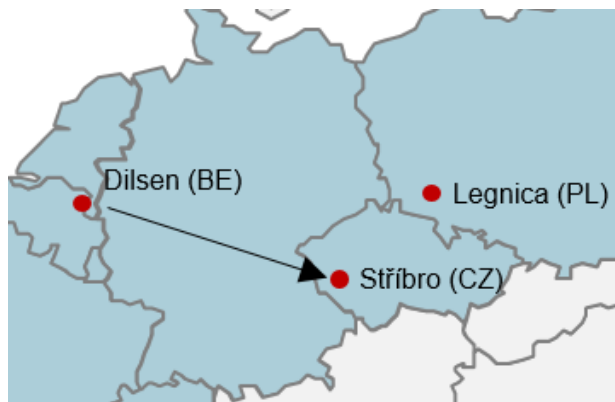
¹ Combined Heat & Power plants: producing electricity and heating energy in a combined, highly-efficient process

² based on future prices and electricity costs (before taxes and other charges)

3 Accelerated cost reduction – focus on cash flow

Relocation of design radiator production and other measures

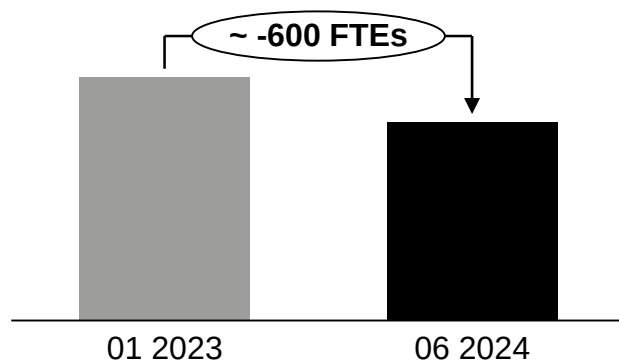
Concentration design radiator production



Closure of design radiator production in Dilsen (BE)

- To **improve utilisation and productivity**, the production and painting of design radiators will be moved to Stříbro (CZ) until end of Q2 2024.
- **R&D centre and production of underfloor heating and ventilation systems will remain in Dilsen**, as is the logistical hub for Benelux.
- Restructuring costs of CHF ~10 M will impact H2 2023, with **annual net-savings of CHF ~4 M as of H2 2024**.

Total personnel reduction (in FTEs)



Additional headcount adjustments (Climate and Doors Divisions)

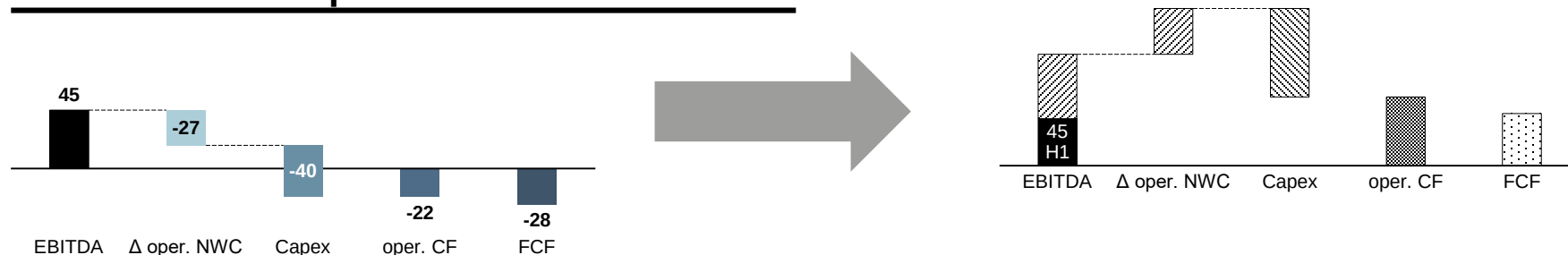
- To **counter missing volumes additional headcount measures are being implemented**, on top of reducing shifts and temporary workers.
- These measures (incl. relocation Dilsen) will lead to a **reduction of up to 600 FTEs and one-off costs of up to CHF 15 M (in 2023)**, resulting in **annual net-savings of CHF 10 – 12 M**.

**With centralised, highly-efficient production sites
Arbonia is able to quickly adjust production.**

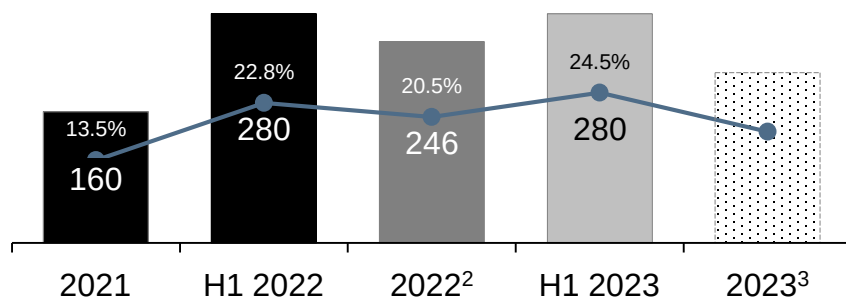
Focus on cash flow

Operational performance and reduction of net working capital will lead to substantial positive cash flows

Cash flow development H1 → FY 2023



Operational NWC development



- Operational profit and reduction of NWC in H2 2023 will lead to substantial operational and free cash flow in FY 2023
- Capex level slightly higher in H2 2023 than in H1 2023 but substantially below previous years in absolute and relative terms
- NWC ratio to decline to c. 18% by year end; however further reduction foreseen in the future

operating NWC = Accounts receivable + accounts receivable project business + inventories + contract assets – accounts payable – advance payments by customers – contract liabilities project business

1 continuing Operations 2021

2 without Cirelius

3 based on FC June

1. Divisions in H1 2023 and outlook

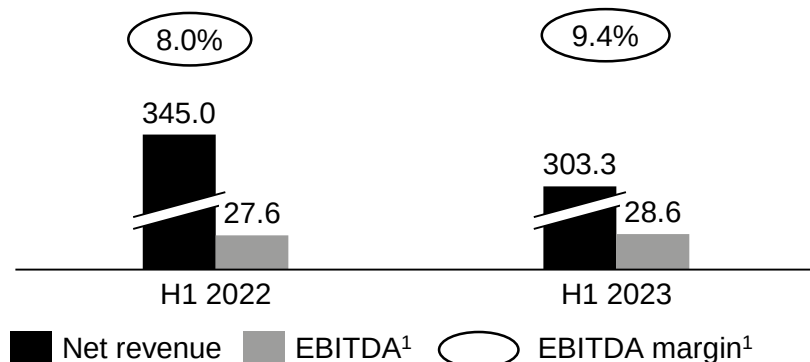
2. Construction environment

Questions

Divisions in H1 2023 and outlook

Climate Division (former HVAC)

Overview in M CHF



- Declining demand for radiators and underfloor heating due to the sharp decline in the construction industry
- High demand for heat pumps in H1 2023
- Pleasing growth in commercial ventilation sector (fan coils & air handling units)
- Lower sales overcompensated by strict cost savings and process optimization leading to a higher EBITDA margin
- Division focuses on energy efficient indoor climate solutions, continuously reducing energy consumption and CO₂ emissions
- Second step of heat pump factory expansion underway, land plot for third step is already bought

¹ EBITDA and EBITDA margin without one-time effects

Expansion of heat pump factory in CZ



Start of construction
H1 2023

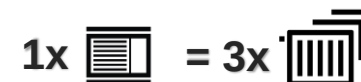
Start of production
H1 2024

The heat pump radiator for renovation



Perfect combination of steel panel radiator & heat pump

Additional market of SPR caused by installation of heat pumps



x-flair technology or larger heat surface

Outlook

Market

- Temporary slowdown in new residential construction as well as in renovation due to high inflation and rising interest rates
- Stable development in commercial construction

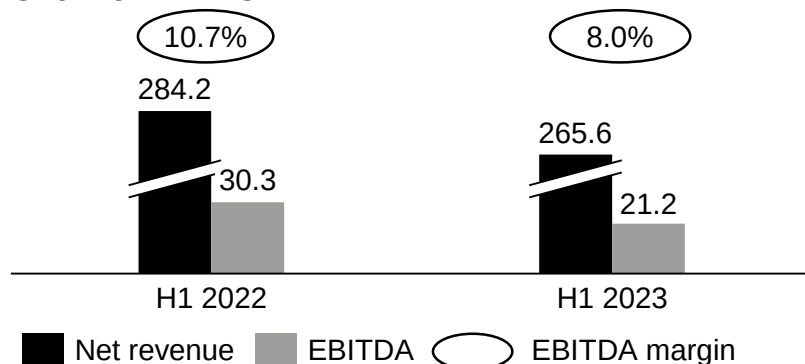
Climate Division H2 outlook

- Challenging H2 2023 for all products but very promising mid-term outlook

Divisions in H1 2023 and outlook

Doors Division

Overview in M CHF



- High level of automation allowed swift reduction of shifts, working hours and staff
- Adjusted for FX and one-time additional energy costs would have led to a double-digit EBITDA margin
- Sharp decline in the construction of new single and two-family homes impacts dealer business for doors and shower enclosures

Wood Solutions Business Unit

- Project business slightly increased against previous year
- Shift towards orders with smaller number of doors burdens internal processes and production

Glass Solution Business Unit

- Swiss market less impacted by economic turmoil and installer shortage

¹ in term terms of revenue per FTE | ² Combined Heat & Power plant | ³ DENA-Gebäudereport 2022

Completed and upcoming projects



- Logistics hub in Roggwil offering best in class delivery times in the Swiss market
- Investment cycle for Prüm and Garant will be largely completed this year. The investments increase blue collar productivity¹ by approx. 25% from 2020 to 2023e
- Start of production of CHP² at Prüm and start of construction at Garant. These will supply 100% of the heat needed and 45 – 55% of the electricity

Outlook

- Underlying demand for new residential buildings in Germany still high due to lack of free flats, backlog of building permits and net immigration
- Roughly 85% of German residential buildings are single and two-family homes with an increasing need of renovation³

1. Divisions in H1 2023 and outlook

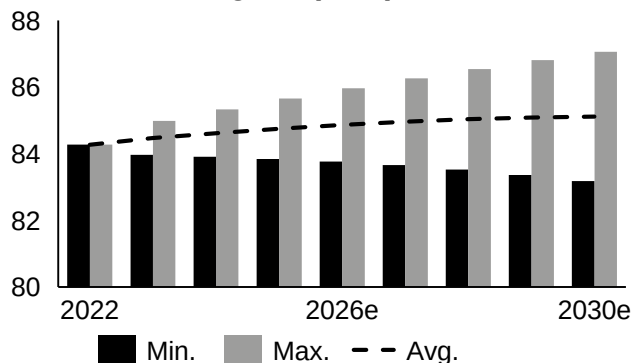
2. Construction environment

Questions

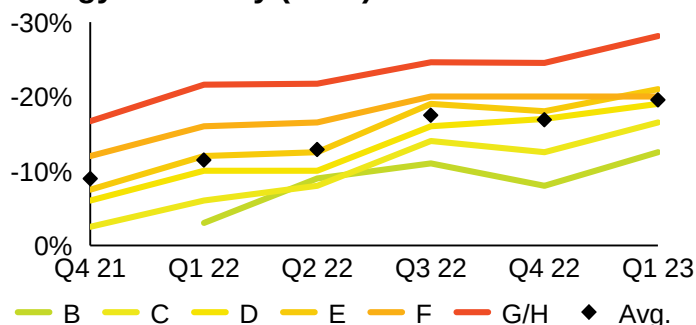
Demand for new flats steadily increasing

Developments in the German housing market¹

Population forecast before migration of Ukrainian refugees (in M)²



Discount for MFH in comparison to high energy efficiency (A/A+)⁴



Baseline

- Completions of new flats reached just 295k units in 2022, compared to a demand of ~400k annually
- The **backlog of building permits for flats has reached >700k** at the end of 2022
- The number of **single-households has increased by ~240'000** since 2016 with the average living space per person increasing too²

Additional pressure

- Ongoing high demand for energy-saving renovation and energy-efficiency in new construction to reduce costs and to increase autonomy
- German government calls for installation of 500k heat pumps annually
- **Influx of >1 M refugees (incl. from Ukraine) in 2022**, with experience showing a stay of 5 – 6 years before moving back and ~30% remaining
- Even without Ukrainian refugees the **population is expected to grow by ~330k per year and reach ~85 M by 2030**
- High energy prices and inflation lead to the number of people threatened by poverty (~13 M) to not decrease, whereas the number of flats in social housing has almost halved since 2007

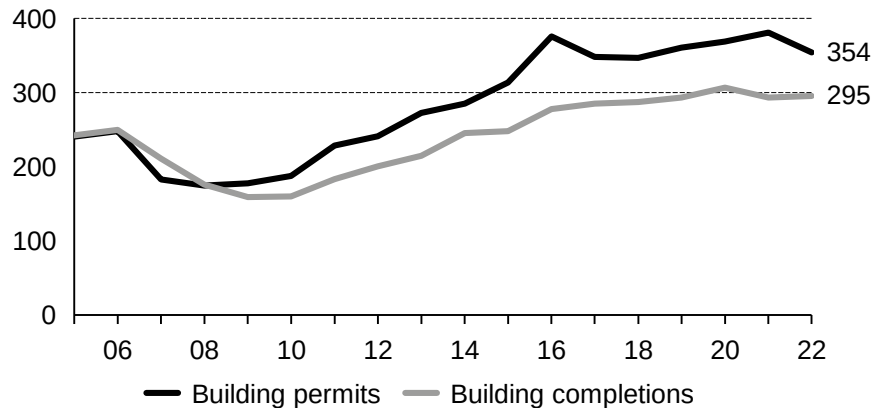
The deficit of flats needed to house the current population is estimated to have reached 700'000 at the end of 2022

1 source: Verbändebündnis "Soziales Wohnen": Wohnen in der Krise 01.2023 & Destatis | 2 source: Destatis: Bevölkerungsvorausberechnung 2022 (taking birth rates, life expectancy and migration into account) | 3 source: Destatis: Mikrozensus 2022 | 4 source: JLL Germany (06.2023)

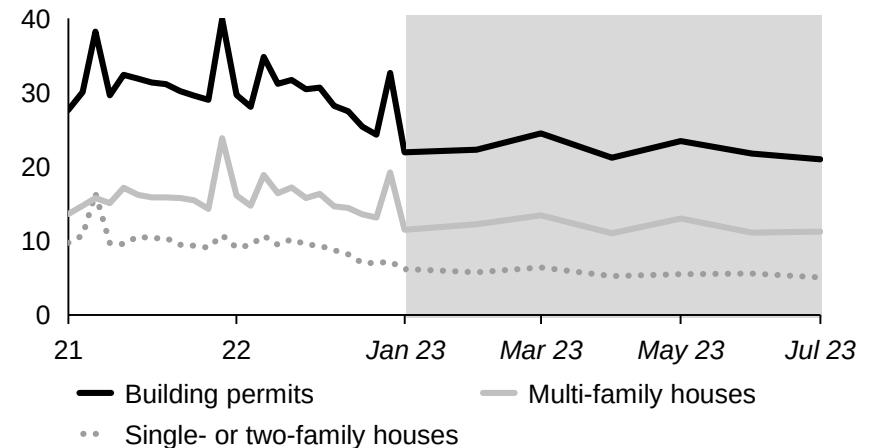
German housing construction

Permits and completion of flats

Permits and completions per year¹
(in thousands)



Permits per month¹
(in thousands)



- From the low-point of ~160k completion of flats in 2009, construction output has risen to its peak of >300k flats in 2020, **never meeting the demand of 300 – 400k flats per year** (government target to meet demand)
- Permits have outpaced completions since 2009, with the **backlog of permits reaching more than 700k by the end of 2022** and with the **share of completed multi-family houses growing from 25% to 51% since 2005**
- The **demand for low-rent flats remains high**, also due to migration, whereas rents due to ancillary expenses have significantly increased in urban centres and the number of flats in social housing has halved since 2007

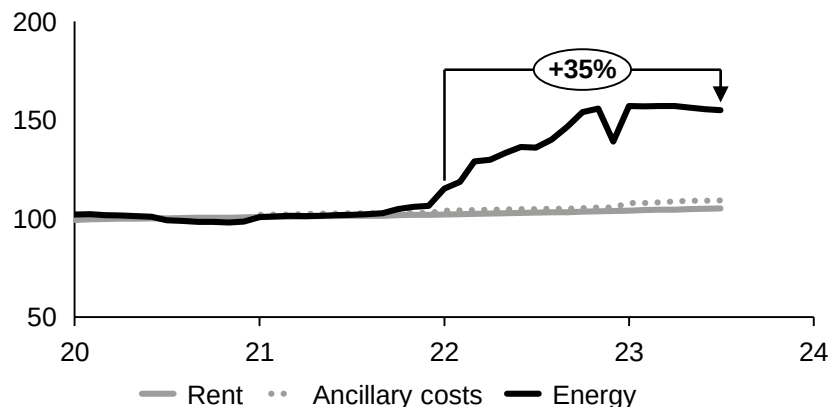
source: Destatis (08/2023)

¹ incl. permits in renovation subject to authorisation; permits in renovation are not divided into building types

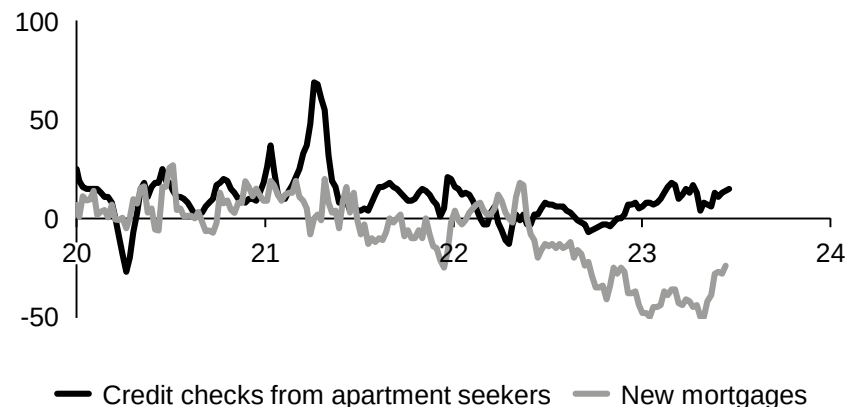
German housing market

High demand for housing and energy savings

Components of rental costs (indexed)¹



Credit checks vs. new mortgages²
(in percent)



- High deposit rates and the uncertainty in the economy are making the **financing of single-family houses more challenging, whereas demand for housing in general remains high**
- As a result single-family houses are currently not being built, people are not moving and the **high leverage of big real estate companies leading to a decrease in the construction and renovation of multi-family houses**
- Uncertainty towards the new German household heating law (GEG) has also impacted energy efficient renovation, with **households buying new oil- and gas-fired heating systems before they are banned** (planned as of 2024)
- With the bottleneck of skilled craftsmen, the capacity has been taken away from steel panel radiator and partially even from heat pumps

The large backlog in renovation and new construction continues to grow due to structural effects

source: Destatis, SCHUFA Holding (06/2023)

1 Consumer Price Index for rent (without heating), utility costs and household energy | 2 weekly change of credit checks from apartment seekers and new mortgages



Thank you
