Swiss Equity Conference ZKB

Company Presentation Zehnder Group

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1 November 2023

Agenda

Company profile

- A leading player for a healthy indoor climate
- Segment strategies further executed
- Progress made in sustainability

Financial review HY1 2023

- Solid sales and EBIT in a challenging environment
- Increased cash flow from operating activities
- Targeted investments to sustain growth in ventilation

Outlook

- Outlook for 2023
- Medium-term targets confirmed
- Disciplined cost management and selective structural adjustments

Company profile

- A leading player for a healthy indoor climate
- Segment strategies further executed
- Progress made in sustainability

always the best climate

Innovative strength since 1895

Innovative strength

Over a **Century**

Around **3,800** employees

Strong **family** backing

Some **20,000** customers trained in 2022

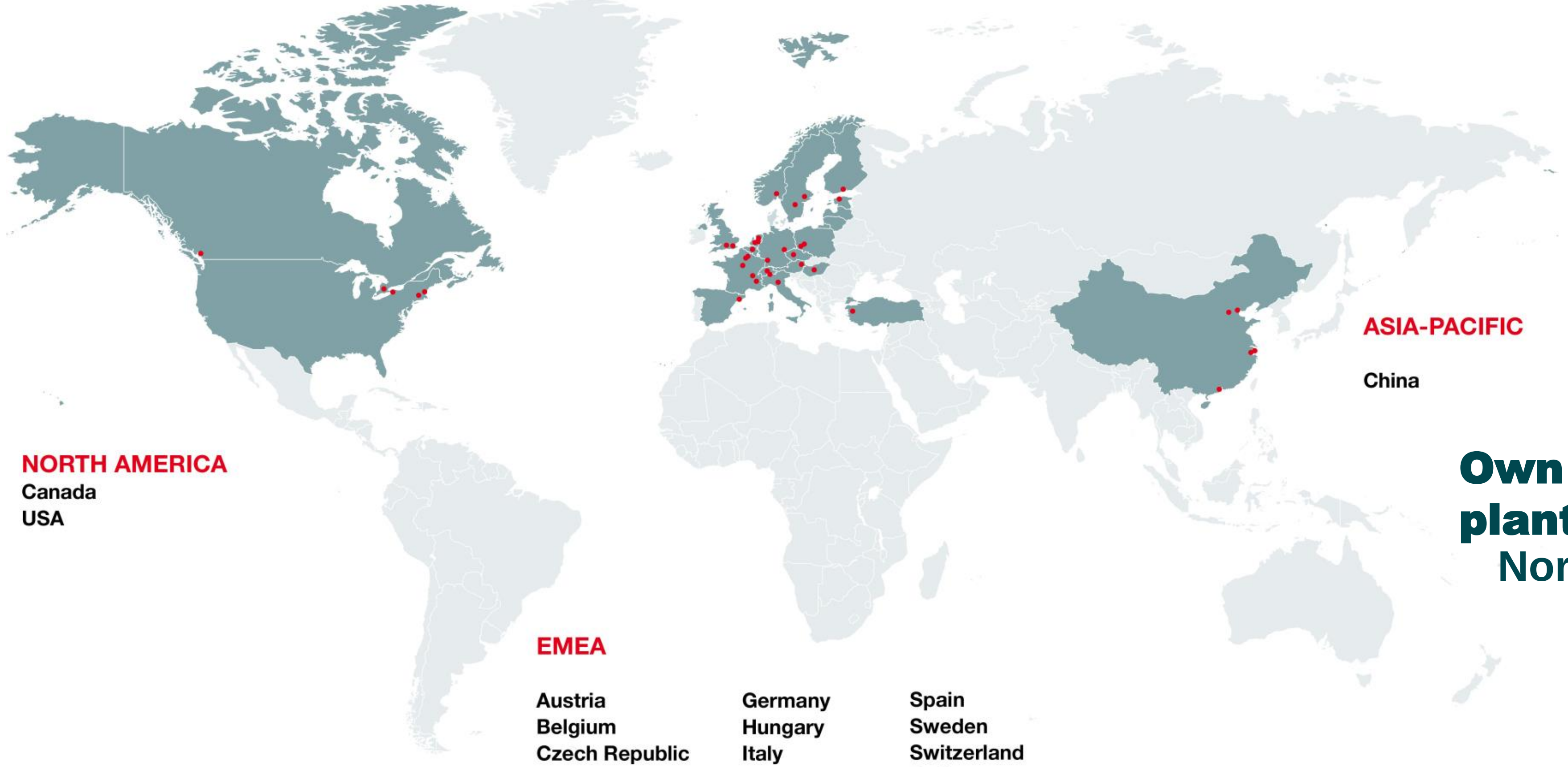
A **Market leader** for a **healthy, comfortable** and **sustainable indoor climate**

Leading positions in key markets for **ventilation, radiators** and **system offers**

always the best climate

Best climate in the world

Global presence
in over
70
countries



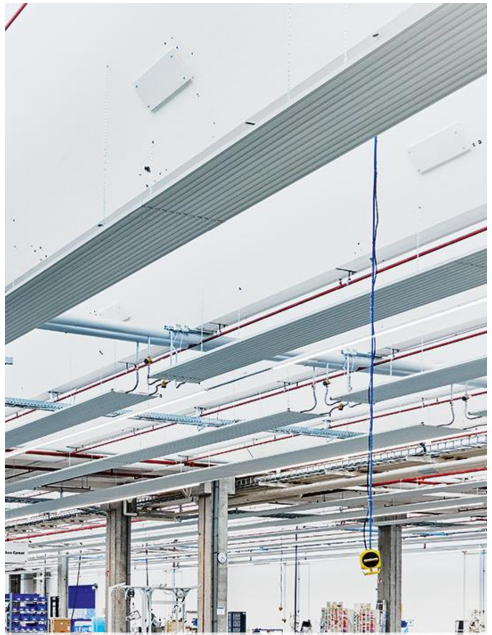
Subsidiaries in
20
countries

Own production plants in **Europe, North America & China**

Four product lines for a perfect indoor climate

Decorative radiators

Comfortable indoor ventilation



Heating and cooling ceilings

Industrial air cleaning

From innovative R&D to excellent after-sales service

Innovation

- Exploration of trends
- Products based on new materials and technologies

Production

- Own production sites throughout the world
- Numerous lean production initiatives

Distribution

- Optimisation of transport methods
- Fast delivery times

Support

- Professional customer support
- Customer-specific training sessions

Trade

- Own distributor network in core markets
- Diverse sales channels:
  - Installers
  - Wholesalers
  - DIY stores

Service

- Consultation from planning to maintenance
- Excellent customer service

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.

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.

Sustainability

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

High

3. Strengthen **system offering** by combining our heating-cooling-ventilation know-how

   → Full indoor climate solutions for residential and selected commercial niches

4. Establish **new potential “stars” clean air solutions, climate ceilings and heat exchangers (CORE)**

   → New generation of fully connected clean air solutions; turnaround for climate ceilings; extension of global leadership in plate heat exchangers

1. Invest into **ventilation business** through market and product development

   → Double-digit growth with focus on residential and light-commercial; expansion of market position through innovation and add-on acquisitions

2. Harvest **radiator business** by exploiting our strong market position

   → Focus on operational excellence and design

Market growth

Low

High

Relative market share

Our five product segments within ventilation

Air Distribution

Ancillary Products

Recurring Business

Ventilation & Climate Devices

Service & Installation

Product innovations to sustain leading position in ventilation

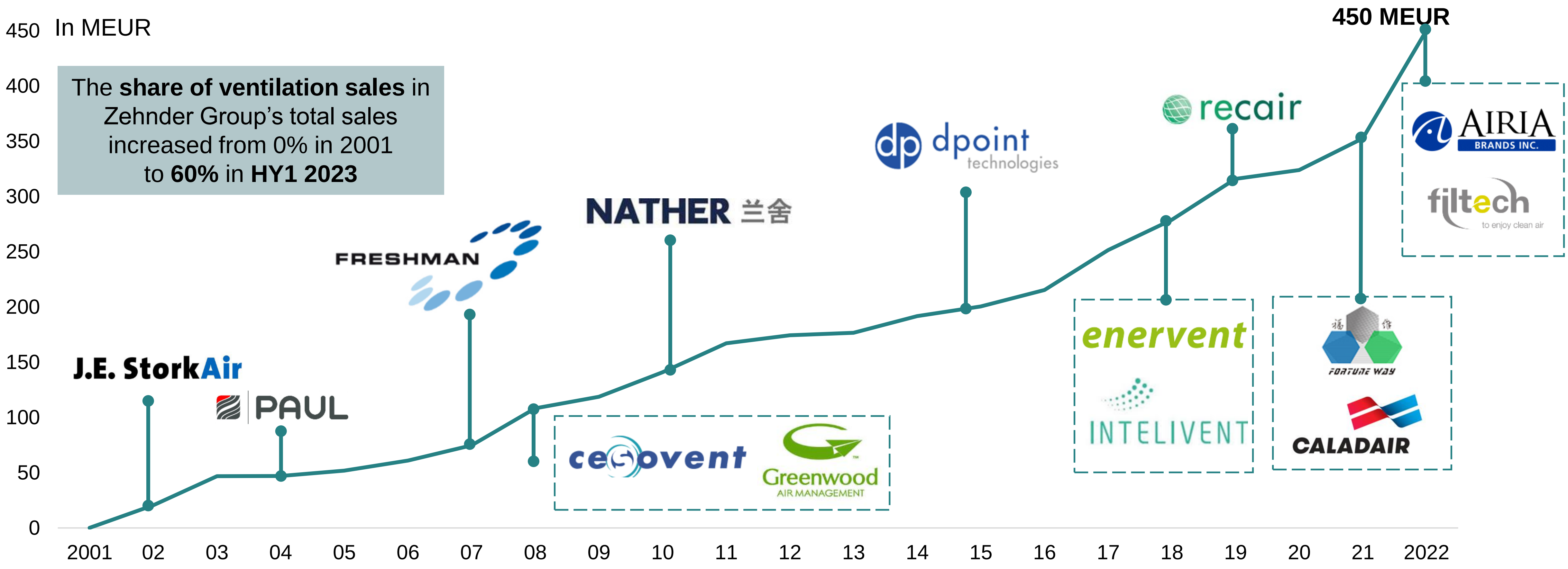
Zehnder ComfoVar Aero

- The ComfoVar Aero airflow controller is a new, innovative actuator head module
- The unique aerodynamic valve shape allows for highly precise airflow control with low noise emissions
- Compact and space-saving ventilation solution for multi-storey buildings
- First product launches in Switzerland and the Netherlands


Zehnder ComfoClime Cool

- ComfoClime Cool is Zehnder’s innovative indoor climate system solution for air temperation and ventilation to prevent overheating in homes
- ComfoClime Cool can pre-temper and dehumidify room air and be easily combined with Zehnder’s ComfoAir Q ventilation system
- As well as cooling, fresh air can be heated to a comfortable temperature in winter, providing for maximum energy efficiency and high air quality


Zehnder's path to becoming…
…a leading ventilation solutions provider



The **share of ventilation sales** in Zehnder Group's total sales increased from 0% in 2001 to **60%** in **HY1 2023**

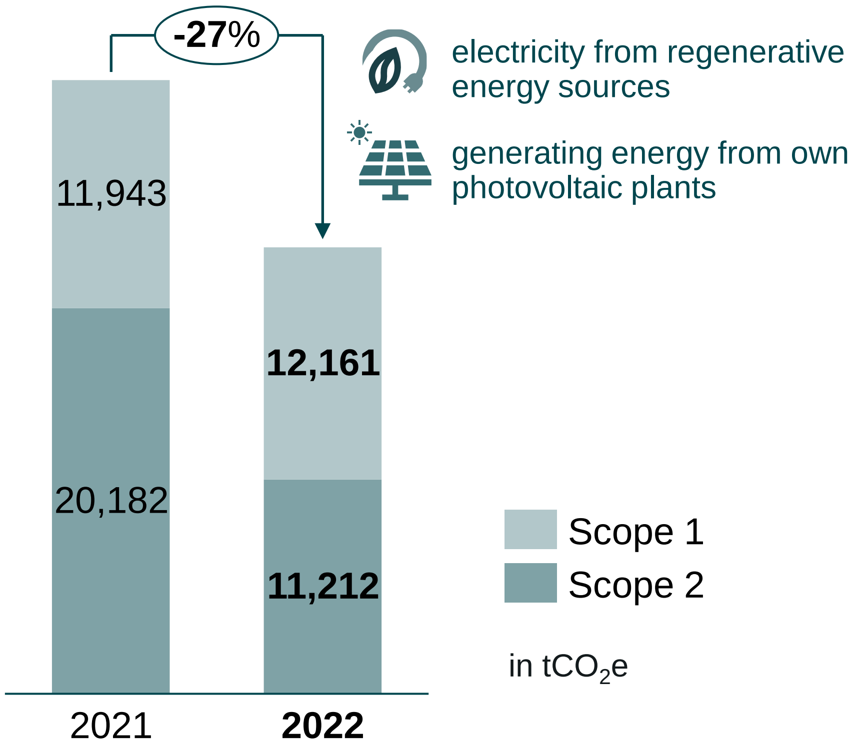
Further sustainability milestone reached at Zehnder

Greenhouse gas emissions Scope 1+2 year-on-year	Total weight of waste	Rate of internal promotions vs. external hiring on management level	Work-related injuries for all employees
-27 %	13'987 t	42 %	2.7 per 200'000 hours worked

Sustainability performance 2022: key highlights

- Sustainability Report 2022 with reference to GRI Standards published in June 2023
- CO_2e reduction of about 27% (Scope 1+2) in 2022
- Zehnder Group has committed to the Science Based Targets initiative (SBTi)
- Relaunch of Zehnder's sustainability showcasing new Group sustainability strategy and best practice examples

Progress on reduction of CO_2 emissions



Zehnder's Sustainability Strategy:
Best climate for people & environment

Liveable Environment

- Use of recyclable content
- Circular product life cycle

- CO_2 reduction in production
- Use of renewable energy

Best climate for people & environment

Attractive Employer

- Equal opportunities
- Diversity
- Lifelong learning

Responsibility for Society

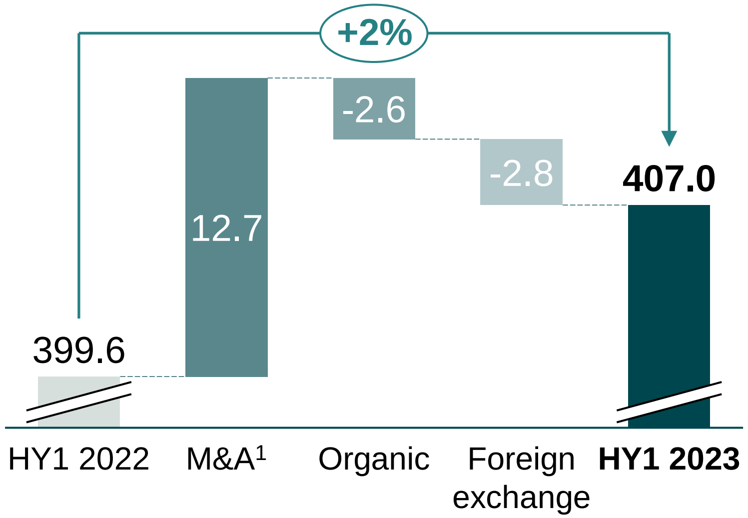
- Sustainable purchasing
- Fair business practices
- Respect for human rights

Financial review HY1 2023

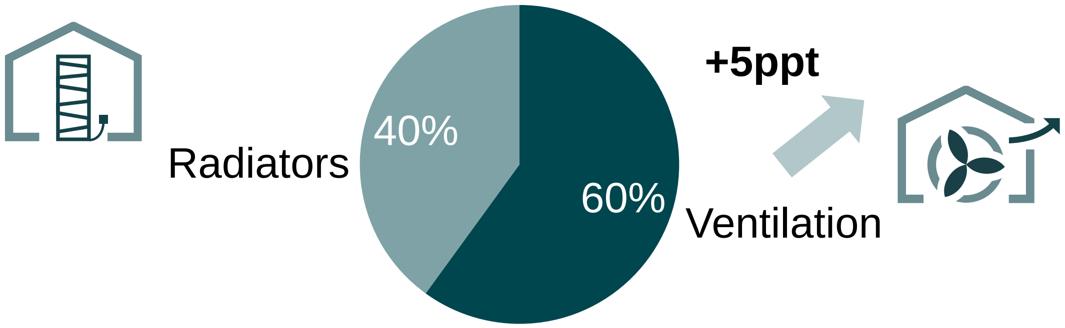
- Solid sales and EBIT in a challenging environment
- Increased cash flow from operating activities
- Targeted investments to sustain growth in ventilation

Solid sales growth in HY1 2023…
…as ventilation growth balanced out volume decline in radiators

Sales in MEUR



Share of total sales



- Improved supply situation in the ventilation segment could counterbalance the volume decline in radiators
- For the first time in its history, Zehnder Group achieved **60%** of **total sales** in the **ventilation** segment

[1] Airia and Filtech

Strongest growth in the Netherlands and Canada….
….weaker sales in UK and Germany

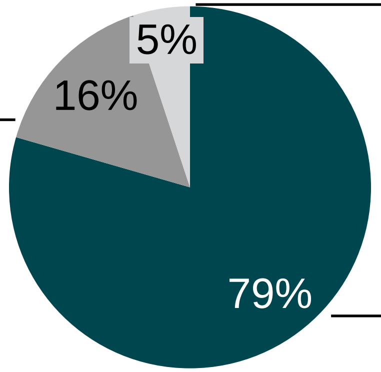
Sales development HY1 2023 per country in local currency

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

HY1 2023 sales in MEUR

Asia-Pacific
20.7 / -10%[1]

North America
62.9 / +39%[1]



EMEA
323.5 / -2%[1]

- Total Group sales of **EUR 407.0 million**
- **Top 10 markets** account for **87%** of total sales

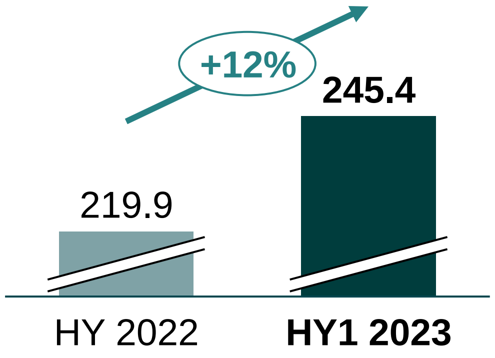
[1] year-on-year

Strong double-digit sales and EBIT growth in ventilation

Ventilation segment — 60% of total sales

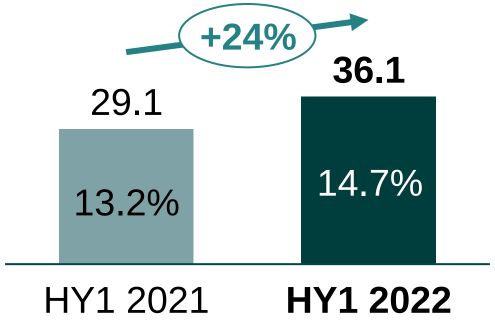
Sales: 245.4 MEUR

- Sales increase by **+12%**
  - **+7% organically**
  - **+6%** through **acquisitions**
- Improved delivery capability due to better component availability



EBIT: 36.1 MEUR

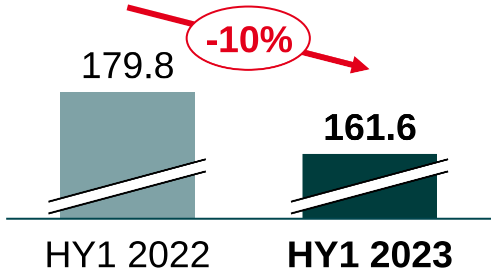
- EBIT margin improved to 14.7% (+150bps)
- Resolved supply chain issues and associated improved delivery capability



Radiator segment — 40% of total sales

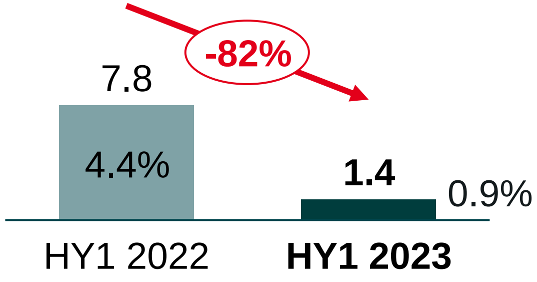
Sales: 161.6 MEUR

- Sales decline by **-10%**
  - **-10% organically**
- Sharp decline in volumes partially offset by higher prices



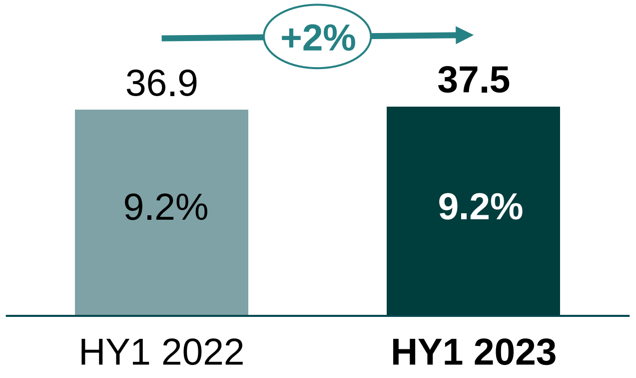
EBIT: 1.4 MEUR

- EBIT declined by **-82%**
- EBIT margin decreased to **0.9%** (-350bps) caused by lower production capacity utilisation



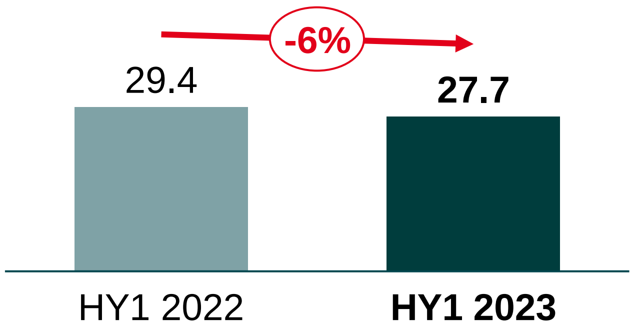
Solid EBIT growth in HY1 2023 in a challenging environment

EBIT: 37.5 MEUR



- EBIT-margin was on last year's level since cost increases could be largely passed on to customers
- Supply chain improvement in the ventilation segment together with targeted cost savings and structural adjustments could counterbalance the volume decline in radiators

Net income: 27.7 MEUR

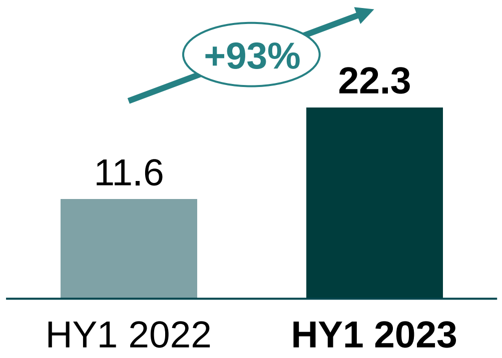


- Net income decreased by 6%
- Tax rate with 23% of EBT slightly above previous year's level

Increased cash flow from operating activities

Operating Cash Flow

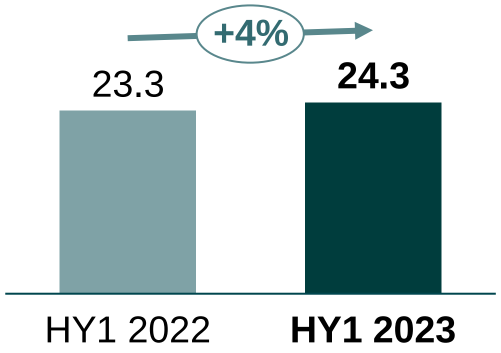
in MEUR



- Lower build-up of trade receivables compared with previous year's period

Net Liquidity

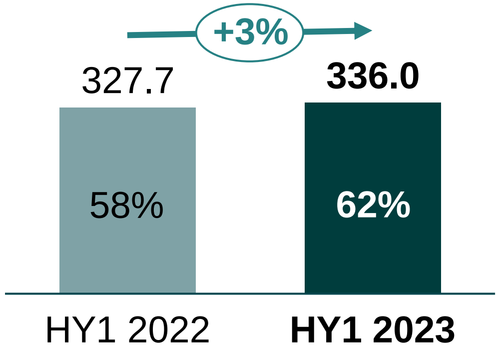
in MEUR



- Purchase of own shares for 10.6 MEUR (buyback programme & group management share plan)
- Dividends of 21.6 MEUR for 2022 financial year

Equity

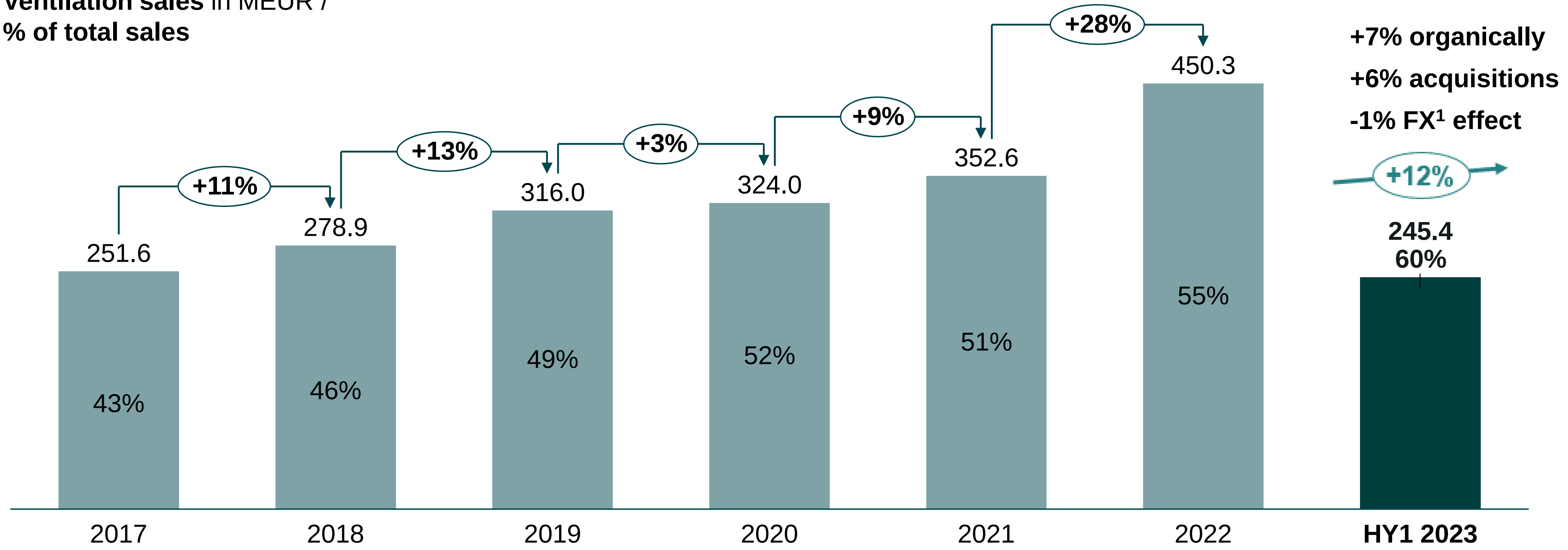
in MEUR



- Continued strong balance sheet with equity ratio of 62%

Organic & inorganic growth boosted ventilation sales in HY1 2023; share of ventilation sales increased to 60%

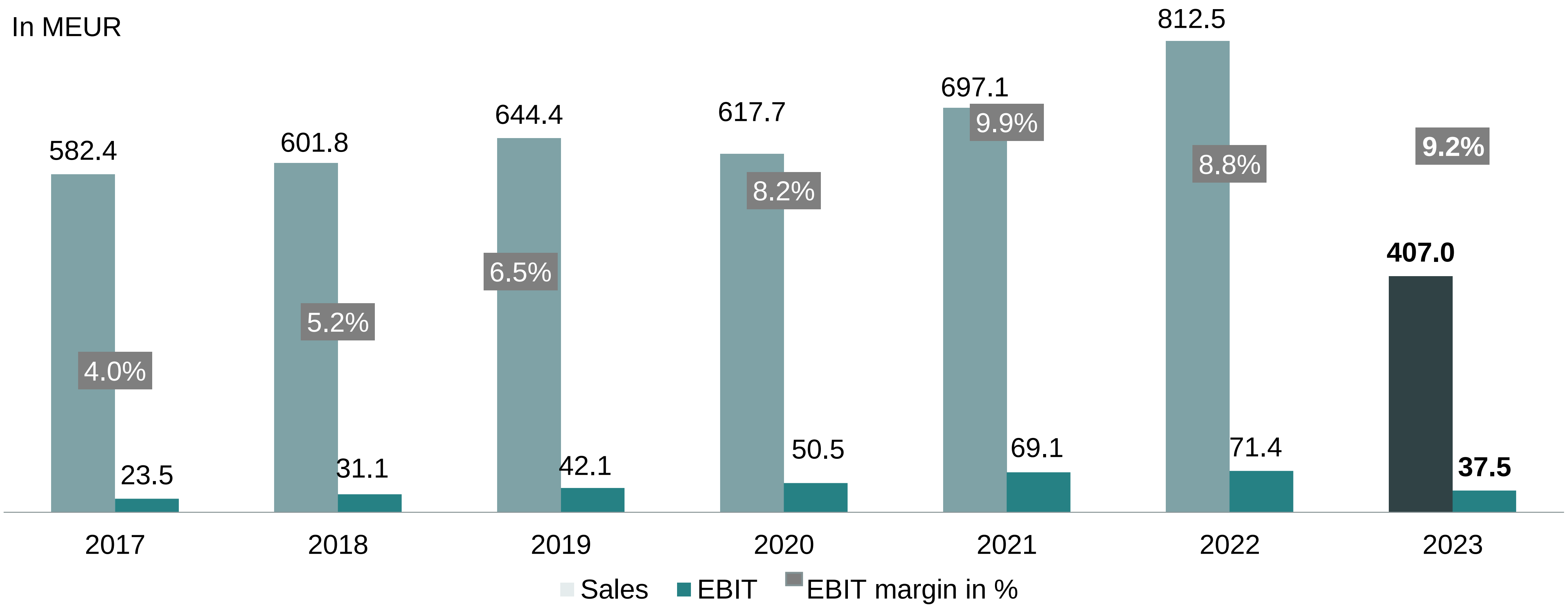
Ventilation sales in MEUR /
% of total sales



[1] Foreign exchange

In HY1 2023, lower production capacity utilisation for radiators was largely compensated by cost-measures and better ventilation margin

In MEUR



Completion of buyback programme

- On 18 September 2023, Zehnder Group has **completed** the **share buyback** programme
- Zehnder's buyback programme's[1] entailed **5%** of listed registered shares A (**487,800 shares**)
- A total value of **CHF 34,270,602** have been repurchased by Zehnder Group AG
- 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

- Outlook for 2023
- Medium-term targets confirmed
- Disciplined cost management and selective structural adjustments

Full Year 2023 Outlook:
Sales of EUR 780 - 820 million; EBIT margin of around 8%

Market evaluation

- Overall declining economic output in Europe and an uncertain global economic situation
- High inflation and rising interest rates will continue to affect the number of planning permits granted for new buildings and renovation projects in the near term
- **Positive** medium and long-term **market outlook** due to **strong underlying trends** in construction industry
- Zehnder Group's products meet growing demand for **sustainable**, **healthy**, and **comfortable buildings**

Further investments

- Market expansion and innovation in ventilation segment
- Operational optimisations in radiator segment
- Investments in digital & sustainability transformation

Outlook 2023 & Medium-term targets

- Zehnder Group expects **sales** for the full year 2023 between **EUR 780 million** and **EUR 820 million** and an **EBIT margin** of around **8%** of sales
- Disciplined **cost management** and **selective structural adjustments**
- Continuation of strategic growth investments towards **medium-term targets**:
  Sales CAGR of 5%, EBIT margin between 9-11% and a ROCE above 20%

The Zehnder Group – an attractive investment case

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 9–11%
- ROCE >20%

Thank you for your time and attention

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