

Zehnder Group achieves sales of EUR 762.1 million with an EBIT margin of 7.9%

Zehnder Group sales in the 2023 fiscal year fell by 6% to EUR 762.1 million. The operating result (EBIT) decreased by 16% to EUR 60.2 million, with an EBIT margin of 7.9% (previous year: 8.8%). Net profit amounted to EUR 44.6 million (previous year: EUR 56.7 million).



Dear shareholders,

In addition to a weakening construction industry, the first half of 2023 at Zehnder Group was largely characterised by a normalisation in the supply chains and an improvement in delivery capacities. As a result, we were largely able to reduce the order backlog for ventilation products. In the second half of the year, economic uncertainty, higher interest rates, and increased construction costs led to a further slowdown in construction activity. Consequently, there was a significant decline in new construction activity in key European markets. Overall, both the ventilation and radiator segments were impacted by lower demand. We continued to expand the differentiated cost management introduced in the radiator segment in 2022 and extended it to the ventilation segment. At the same time, we continued to make targeted strategic investments in the areas of innovation, digitisation, market development, and sustainability. The repeated record sales in North America of around EUR 115 million, significantly supported by the acquisition of Airia in Canada, is most pleasing.

Looking ahead, Zehnder Group is well prepared for various economic scenarios. We do not expect the markets to recover in the short term. Thanks to our strong market position, our excellent customer loyalty, and our high level of innovation, we are in a solid position to emerge stronger from the current drop in

the construction industry. Our proven long-term strategy and our flexibility support us in this endeavour.

Lower sales due to a gloomy market environment

Zehnder Group sales in the 2023 fiscal year fell by 6% (organically -7%¹) to EUR 762.1 million (previous year: EUR 812.5 million). Acquisitions from the previous year made a positive contribution of 2% to sales, while currency effects negatively impacted sales by 1%. The situation in the supply chains improved in the first half of 2023. As a result, the reduction in the order backlog in the ventilation segment offset the decline in radiator volumes. However, the ventilation segment also recorded a decline in sales in the second half of the year.

Sales in the ventilation segment totalled EUR 441.1 million in 2023 as a whole, corresponding to a decline in sales of 2% (organically -3%). The acquisitions of Airia in Canada and Filtech in the Netherlands made a positive contribution of 3% to sales, while currency effects had a negative impact of 2%. The residential ventilation business segment remained at the previous year's level thanks to the order backlog from the previous year and the acquisitions. At the same time, sales of air cleaning solutions increased significantly once again due to a substantial increase in demand. By contrast, sales in the heat exchanger business fell below the previous year's level due to weaker demand from OEMs (original equipment manufacturers) and other customers. During the reporting year, the ventilation segment accounted for approximately 58% of the Group's total sales, an increase of 3 percentage points compared to the previous year.

A total of EUR 336.2 million (EUR 349.4 million in the previous year) of sales in the ventilation segment was achieved in the EMEA region (Europe, Middle East and Africa). Sales started to decrease in the second half of the year due to weakening demand. Still, positive growth rates were recorded for the full-year in the Netherlands, the UK, France, and Switzerland. Thanks to a good penetration rate and a high market share, the Netherlands achieved the highest country sales in the ventilation segment in absolute terms in the reporting year. In Switzerland, the service business was expanded with maintenance contracts and ventilation system cleaning. In the UK, continued strong ventilation sales in new buildings and renovations in social housing supported sales.

The North America region accounted for EUR 69.1 million (previous year: EUR 59.4 million) of ventilation sales. Thanks to the first-time consolidation of the full-year sales of the Canadian company Airia, the ventilation share of sales in North America rose from 57% to 60%, once again contributing to the further expansion of this business in Canada and the USA. The Asia-Pacific region generated lower sales of EUR 35.8 million (EUR 41.6 million in the previous year). The Chinese market was affected by a further decline in demand due to lower construction activity within the country.

The radiator segment generated sales of EUR 321.0 million in the 2023 fiscal year, down by 11% (organically -11%) on the previous year's sales of EUR 362.1 million. Price increases had only a slightly positive impact on segment sales. Due to a combination of increased construction prices, an uncertain legislative environment, and a difficult economic situation, the radiator segment also recorded a decline in sales in the second half of the year. The decline in sales was exacerbated by customers reducing their inventories. The uncertainty surrounding the design of state incentive systems for the replacement of fossil fuels in heating systems in Germany led to a noticeable reluctance to buy radiators until the introduction of the Renewable Energies Heat Act. In contrast, sales in the heating and cooling ceilings product line once again grew in the 2023 fiscal year. The switch from fossil fuels to renewable energies is resulting

in an increased use of heat pumps, leading to the reduction in flow temperature. This trend proved to be a key growth driver for heating and cooling ceilings during the last fiscal year. Overall, radiator sales accounted for 42% of Zehnder Group's total sales during the reporting year, corresponding to a decrease of 3 percentage points compared to the previous year.

A total of EUR 268.2 million (previous year: EUR 310.1 million) of sales in the radiator segment came from the EMEA region. Key markets such as France, the UK, Germany, and Italy recorded significant declines in sales. The discontinuation of sales in Russia as a result of the termination of business activities there in 2022 also contributed to lower segment sales. Contrary to the general trend, Switzerland recorded a growth in sales thanks to our strong market position. The North American region generated slightly higher sales of EUR 45.5 million (previous year: EUR 44.3 million). The continued robust demand for radiators and stable online sales supported sales there. The Asia-Pacific region contributed EUR 7.2 million (previous year: EUR 7.8 million) to total sales in the radiator segment. The repeated sales decline followed the weak development of the construction sector in China.

¹ See [Alternative performance measures](#) in the consolidated financial statements in the Financial Report.

Lower operating result in a challenging environment

Zehnder Group's operating result (EBIT) fell by 16% to EUR 60.2 million in the 2023 fiscal year. This corresponds to an EBIT margin of 7.9% (previous year: 8.8%). Significantly lower volumes and rising personnel costs led to a decline in EBIT. Zehnder Group systematically counteracted the decline in demand with increased cost-reduction measures. This in turn resulted in restructuring costs totalling EUR 2.8 million. At the same time, investments continued to be made in strategically important areas such as innovation, digitisation, market development, and sustainability.

At 9.2%, the EBIT margin in the first half of the year was on a par with the previous year. In the second half of 2023, both the radiator and ventilation segments were affected by declining volumes due to deteriorating market conditions. This led to lower utilisation of production capacity in the radiator business and thus to proportionately higher fixed costs. As an assembly business, the ventilation segment typically generates lower fixed costs.

EBIT in the ventilation segment fell by 3% to EUR 53.0 million in 2023 compared to the previous year. The EBIT margin slightly decreased to 12.0% (previous year: 12.2%). In the first half of 2023, the resolution of global delivery difficulties led to a noticeable improvement in delivery capacities. This had a positive effect on profitability. As a result, EBIT rose by 24% in the first half of the year to EUR 36.1 million. A significant decline in demand was recorded in the second half of 2023, with EBIT falling by 34% to EUR 16.9 million. This trend gained additional momentum due to increased destocking on the customer side. Investments in new products and digitisation continued unabated.

During the 2023 fiscal year, EBIT in the radiator segment fell by 57% to EUR 7.2 million. The EBIT margin declined accordingly to 2.2% (4.6% in the previous year). The trend of declining order volumes in the face of a more difficult economic environment was also clearly evident in the second half of the year. The weaker demand in Europe and China in particular led to lower production capacity utilisation. In Switzerland and France, selective short-time working was already introduced in the radiator production in the first half of the year. Production in China was partially outsourced. In addition, the headcount

was reduced at our German, Turkish, and Polish operations. This resulted in additional costs of EUR 2.2 million for 2023.

The tax rate during the 2023 reporting period was 22% (previous year: 20%). Net profit totalled EUR 44.6 million (EUR 56.7 million in the previous year).

Air cleaning solutions - clean air as a service

In the Clean Air Solutions business unit, Zehnder Group designs, installs, leases, and maintains air cleaning solutions for end customers. In this service business, industrial customers purchase service packages for clean indoor air. The devices used for this purpose are equipped with cleaning filters that guarantee good air quality and filter out fine dust and other impurities. Zehnder Group covers all services, from installation and commissioning to maintenance, including regular filter replacement, via a subscription model. During the 2023 fiscal year, sales from air cleaning increased again.

“Clean Air Solutions is a business unit with constant growth rates.”

Industrial air cleaning offers customers immediate benefits in terms of reducing operating costs and compliance with employee protection regulations. It reduces the costs of labour-intensive, professional cleaning and the downtime of machinery.

Creating added value for the customer through innovation

Expenditures on research and development totalled EUR 25.5 million in the 2023 reporting year (previous year: EUR 24.7 million). Around 70% of this was attributable to the ventilation segment. Various new products and innovations from the ventilation segment were successfully rolled out during the fiscal year, such as the new Zehnder ComfoAir Fit 100 comfort ventilation unit. This compact and versatile appliance is particularly suitable for apartment blocks and flats. The installation saves space and is wall-integrated into the external façade or the insulation, surface-mounted or on the ceiling.

“Around 70% of research and development expenditure in 2023 was channelled into the ventilation segment.”

Furthermore, the French Zehnder company Caladair has been offering an innovative and compact ventilation unit for rooms with high occupancy rates since 2023 with the launch of Zehnder Eversky. Zehnder Eversky is installed as a single room unit on the ceiling and does not require any complex air distribution installation. Larger rooms in particular, such as meeting and event rooms as well as classrooms and offices, can enjoy optimum ventilation with this flat compact unit.

Zehnder also expanded its range of decorative towel radiators with the latest iconic design: Zehnder Tetris. Designed by the renowned design studio King & Miranda, Zehnder Tetris continues the successful history of timeless radiator design.

For the fourth time in a row, Zehnder Group Schweiz AG received the prestigious “Architects Darling” Golden Award in the building services and HVAC (heating, ventilation and air conditioning) category. In the UK, the ComfoAir Q600 was named “Domestic Ventilation Product of the Year” at the highly

regarded H&V News Awards 2023. Zehnder ComfoAir Q600 is a centralised, compact and energy-efficient ventilation unit with heat recovery, which is ideal for both new buildings and renovations. The two awards reflect the effort and passion that goes into everything from the design and development of the products, through manufacturing and delivery, to service and support.

Since the move to the new “Centre of Climate” premises in Lahr (DE) in spring 2023, numerous events have been held on site with sales employees and customers. The new, spacious brand experience room at the “Centre of Climate” has since been used regularly as a communication centre and starting point for visitor programmes.

Expansion of the proven Zehnder Academy training programme

Zehnder's successful Zehnder Academy training programme, which takes place both online and offline, was further extended during the reporting year. In the national companies in Spain and the Czech Republic, the existing academies were upgraded to the latest technical standards and expanded. The on-site facilities offer further training opportunities for our partners such as architects, energy consultants, planners, plumbers, and caretakers. From planning to regular maintenance, different professional groups can be trained on specific ventilation topics as required. The training courses take place in specially constructed living situations and learning islands equipped with innovative building technology and ventilation systems.

Solid net liquidity despite share buyback

During the 2023 fiscal year, cash flow from operating activities increased by 48% from EUR 59.3 million to EUR 87.8 million. Trade receivables fell due to the reduction in sales. Inventories also decreased as a result of lower purchase prices. Investment activities in fixed and intangible assets declined from EUR 27.1 million to EUR 23.1 million while investment activities in acquisitions declined from EUR 63.9 million to EUR 0.1 million. In addition, share buybacks totalling EUR 17.1 million were carried out. Net liquidity¹ increased to EUR 70.8 million at the end of 2023 (previous year: EUR 45.4 million). Equity totalled EUR 347.3 million (previous year: EUR 340.8 million), corresponding to a high equity ratio of 67% (previous year: 64%).

“Despite the share buyback programme, Zehnder Group has solid net liquidity and the equity ratio remains high.”

As part of the completed share buyback programme, Zehnder Group acquired 487,800 listed registered shares A for a total value of EUR 33.8 million (of which EUR 10.5 million in 2023). In addition, 101,500 listed registered shares A were bought back in 2023 for employee participation programmes for a total of EUR 6.6 million.

¹ See **Alternative performance measures** in the consolidated financial statements in the Financial Report.

Increasing employee satisfaction and successful launch of the “Employee Branding” campaign

In 2023, another global employee engagement survey was conducted with the participation of around 3,000 Zehnder employees, corresponding to a response rate of 83%. All values improved and were above the industry average.

With the launch of the internal and external “Employee Branding” campaign, Zehnder Group has taken an important step towards retaining and promoting first-class employees. The expansion of Zehnder's attractive and inspiring employer brand is intended to help strengthen the company's competitive advantage in attracting talent. In this context, the campaign entitled “All about climate. All about you.” was introduced, embodying Zehnder's company culture and promise to its employees and potential applicants. Internal Zehnder ambassadors, who tell their personal stories, form the authentic centrepiece of the new career and employer website. The campaign was very well received, both internally and externally. According to the latest employee engagement survey, we were able to increase our recommendation rate as an employer from 82% to 84%.

At the end of 2023, the number of employees, measured in full-time equivalents, was 3,544 (3,863 in the previous year), which corresponds to a decrease of 8%. The reduction in personnel is primarily due to the structural adjustment measures. The average number of employees fell to 3,772 (3,827 in the previous year). Of these, 321 (401 in the previous year) were temporary staff and 62 (64 in the previous year) were trainees. A total of 1,930 employees (1,816 in the previous year) were employed in the ventilation segment and 1,843 (2,011 in the previous year) in the radiator segment.

Clear pursuit of goals for growth in the ventilation sector

The acquisition of Airia in Canada in 2022 successfully paved the way for the expansion of the ventilation business in the promising North American market. In addition, the acquisition of the French company Caladair in 2021 enabled us to expand our light commercial solutions to other countries. In future, the opportunities arising from renovations and existing customers are to be utilised even better in the ventilation segment. New solutions for renovations and services such as maintenance and repair as well as a growing appliance replacement business are playing an increasingly important role.

“In future, the opportunities arising from renovations and extended services are to be utilised even better in the ventilation segment.”

Overall, investments were made in further projects during the 2023 fiscal year to foster future growth. As one of the world's leading technology companies for high-quality enthalpy and heat exchangers, Zehnder Group has launched a resource-saving heat exchanger solution with the innovative CORE “Blue Dot” C-HRV 366-LL heat exchanger. The innovative channel geometry used here significantly reduces the amount of material used while maintaining the same high output, thus protecting the environment.

In the field of digitisation, the range of new digital products and services was systematically expanded. For example, Zehnder Group introduced the Zehnder Cloud in Germany and Switzerland, a digital control solution for smart monitoring of indoor climate quality. With the help of the Zehnder Cloud Dashboard, users can monitor and optimise their air conditioning systems in real time. This innovative offering is to be introduced in other markets and will allow Zehnder to offer even more customised solutions in the future.

In the radiator segment, Zehnder Group enjoys strong positions in key markets, particularly for bathroom and multi-column radiators. Optimisation of production processes, quality improvements, and productivity increases continue to contribute to efficiency gains. Product innovations in low-temperature radiators, the expansion of electronics, and automatic controls support the further development of Zehnder Group's radiator business.

Best climate for people and the environment

Zehnder Group has outlined its long-term sustainability strategy with the publication of the Sustainability Report 2022 and the launch of a new sustainability website in summer 2023. This focuses on the key topics of environment, employees, and society. To ensure a sustainable environment, Zehnder aims, for example, for the use of recyclable materials, circular value creation in the production of ventilation systems, and the use of renewable energies and energy-efficient production processes in the radiator segment. As an attractive employer, Zehnder Group promotes a positive working environment, equal opportunities, fairness, and diversity. Our investments in personal and professional development and in a culture of continuous learning are designed to ensure the satisfaction of our employees. For Zehnder, social responsibility also means sustainable procurement and compliance with fair business practices, taking particular account of respect for human rights. We also rely on modern and ethical corporate governance to protect shareholder and stakeholder interests and ensure responsible, transparent company management.

More details concerning the latest developments regarding sustainability at Zehnder Group can be found in the 2023 Sustainability Report: www.zehndergroup.com/en/sustainability-zehnder.

Completion of the share buyback programme

At the Annual General Meeting on 11 April 2024, the Board of Directors will propose the distribution of a dividend, based on the result for the 2023 reporting year, of CHF 1.30 (previous year: CHF 1.80) per registered share A. The payout ratio of 35% is in line with Zehnder Group's previous dividend policy, which stipulates a pay-out of 30-50% of the consolidated net income.

The share buyback programme launched in March 2021 was successfully completed in September 2023. Since the start of its buyback programme, Zehnder Group AG had successively repurchased a total of 487,800 registered shares A, corresponding to 5% of all registered shares A. The total value of the completed share buyback is CHF 34,270,603 and the average purchase price per registered share A amounts to CHF 70.26. At the upcoming Annual General Meeting on 11 April 2024, the Board of Directors intends to propose the cancellation of the registered shares A of Zehnder Group AG that were acquired under the buyback programme by means of a capital reduction.

Outlook for the 2024 financial year

In the current environment, Zehnder Group expects the market situation to remain challenging. The 2024 fiscal year will be difficult due to the ongoing downturn in the construction industry. Zehnder Group assumes that high interest rates and increased construction costs will continue to lead to a decline in new construction activities and a challenging environment for renovation activities. Both the radiator and ventilation segments will be affected by this development.

Zehnder Group is continuously strengthening the cost reductions it introduced in 2022 in the form of targeted structural measures and adapting them to the current market environment. The measures introduced are aimed at further improving operational efficiency and increasing resilience. Looking ahead, Zehnder Group is well prepared for various economic scenarios. Owing to its strong market positioning, outstanding customer loyalty, and high level of innovation, Zehnder Group is in a solid position to emerge stronger from the current drop in the construction industry.

Due to the current market uncertainties and the associated limited visibility, the 2024 financial year cannot be reliably forecasted at present. Zehnder Group plans to communicate its outlook for the full year at the latest when it publishes its half-year figures.

In the long term, Zehnder Group continues to assess growth prospects as positive, particularly in the ventilation segment. The backlog in new construction and renovation activities, new building regulations for better insulated buildings, the increasing demand for energy-saving and efficient climate solutions, and the desire for healthy indoor air quality, together with increasing penetration rates in various countries, will favour growth, particularly in the ventilation sector. The medium-term targets of an average annual sales growth of 5% and an EBIT margin of 9–11% thus remain in place.

“We confirm our medium-term targets: an average annual sales growth of 5% and an EBIT margin of 9–11%.”

Thanks and acknowledgements

The Board of Directors and Group Executive Committee would like to express their sincere gratitude and appreciation to our employees for their outstanding performance and continued commitment to Zehnder Group.

We would also like to warmly thank our customers, suppliers, and partners for their loyalty to our products and services and for the successful cooperation.

Finally, we would like to thank you, our valued shareholders, for your continued loyalty to Zehnder Group and your confidence in our successful future.

With kind regards,



Dr Hans-Peter Zehnder
Chairman of the Board of Directors



Matthias Huenerwadel
Chairman of the Group Executive
Committee, CEO

The expectations presented in the management report are based on assumptions. If these prove to be incorrect, the associated results will also change.