Annual results 2018

Solid sales growth with high profitability

Geberit AG, Rapperswil-Jona, 12 March 2019

As in previous years, the construction industry in 2018 was shaped by developments that varied by region. In the year-on-year comparison, the market environment was characterised by increased volatility and a declining growth momentum in certain markets. Solid sales growth and high profitability led to a good financial year, which further consolidated Geberit's position as the leading supplier of sanitary products in Europe. Consolidated sales in 2018 increased by 5.9% to CHF 3081 million. Total growth comprised growth in local currencies of +3.1% and a foreign currency effect of +2.8%. Operating profit (EBIT) adjusted for one-off costs related to the Sanitec acquisition and integration increased by 5.4% to CHF 744 million and the correspondingly adjusted EBIT margin came to 24.2%. Adjusted net income rose by 3.7% to CHF 626 million, with an adjusted return on sales of 20.3%. Adjusted earnings per share improved by 4.7% to CHF 17.21. A distribution of CHF 10.80 will be proposed to the General Meeting, an increase of 3.8% compared to the prior year.

Good sales development

As already announced in January 2019, sales in 2018 for the Geberit Group increased by 5,9% to CHF 3081 million. Total growth comprised growth in local currencies of 3.1% and a foreign currency effect of +2.8%.

Currency-adjusted sales in Europe rose by 2.8%. Double-digit sales growth was posted in the Far East/Pacific region (+13.9%). America (+3.5%) and Middle East/Africa (+1.4%) also recorded sales growth. Sales for the Installation and Flushing Systems product area grew 4.9%, for the Piping Systems 4.3%. The Bathroom Systems product area sales remained around the previous year's performance (+0.1%).

Profitability still at a high level

In comparison with previous years, the operating cashflow (EBITDA) was no longer impacted in 2018 by one-off costs related to the Sanitec acquisition. Adjusted figures are only shown for operating profit and net income, as well as for earnings per share. These adjusted figures are shown for the last time in the reporting year.

The operating cashflow (EBITDA) rose by 5.7% to CHF 868 million, its highest ever level in Geberit's history. As in the previous year, the EBITDA margin came to 28.2%. The increased year-on-year operating results were above all attributable to higher sales volumes, price increases, positive effects of the closure of two plants in France in the previous year as well as to continuous efficiency improvements, while higher raw material prices as well as tariff-related increases in personnel expenses had a negative impact. In terms of the operating margins, currency fluctuations only had a marginally negative impact due to the natural hedging.

The adjusted operating profit (adj. EBIT) rose by 5.4% to CHF 744 million, and the adjusted EBIT margin reached 24.2% (previous year 24.3%). Adjusted net income rose by 3.7% to CHF 626 million, which led to an adjusted return on sales of 20.3% (previous year 20.8%). The below-average growth when compared with the operating results was due to a negative development of the financial result as a consequence of negative foreign currency effects, which could only be compensated in part through a lower tax rate. The adjusted earnings per share were up by 4.7% to CHF 17.21 (previous year CHF 16.43). Free cashflow increased by 22.2% to CHF 582 million, above all due to the gratifying rise in operating cashflow.

One-off costs arising from the Sanitec acquisition/integration amounted to CHF 36 million as regards EBIT and CHF 29 million as regards net income. The non-adjusted figures were CHF 708 million for EBIT, CHF 597 million for net income, and CHF 16.40 for earnings per share.

Sound financial foundation
Once again, the strong free cashflow allowed the attractive dividend policy and the share buyback programme to be continued while also maintaining the very healthy financial foundation of the Group. Total assets fell from CHF 3743 million to CHF 3502 million. Liquid funds decreased from CHF 413 million to CHF 282 million. In addition, the Group had access to undrawn operating credit lines for the operating business of CHF 384 million. Debts were reduced to CHF 837 million (previous year CHF 895 million). Overall, this resulted in an increase in net debt of CHF 73 million to CHF 555 million at the end of 2018. The equity ratio reached a very solid 49.8% (previous year 49.1%). Based on average equity, the adjusted return on equity (ROE) was 34.5% (previous year 35.2%). The adjusted return on invested capital (ROIC) rose to 22.6% (previous year 22.4%).

Again higher distribution
The Board of Directors will propose to the ordinary General Meeting of Geberit AG on 3 April 2019 an increase in the dividend of 3.8% to CHF 10.80 in line with the increase seen in the previous year. The payout ratio of 62.7% of adjusted net income is in the upper range of the 50% to 70% corridor defined by the Board of Directors.

Outlook 2019
2019 will be challenging due to a general increase in volatility and the slowdown of construction activity in individual markets. However, the individual regions and sectors will perform differently. The assessment of construction activity in Europe remains positive as a whole. Despite healthy demand, growth potential in Germany is likely to remain limited due to capacity constraints of installers. A favourable market environment is emerging in Austria and the Benelux Countries, although with weaker growth momentum. A stagnating market environment is expected in France. The construction industry in Switzerland is set to decline slightly. In the Nordic Countries, the situation for the individual countries is expected to be mixed, with the market predicted to stagnate in the best case. The Eastern European markets are also predicted to perform differently, with a positive environment expected in Poland, for example. Italy is assessed more cautiously due to political circumstances, while a downward trend is foreseeable in the United Kingdom as a result of the uncertainty in relation to Brexit. In North America, a moderate recovery is predicted in the institutional construction industry – which is important to Geberit's business in the USA – along with a decrease in residential construction. In the Far East/Pacific region, the Chinese residential construction sector should continue to perform positively; the construction industry in Australia is expected to decline, while the situation in India is viewed positively. In the Middle East/Africa region, the outlook for the Gulf States is considered uncertain and the construction market in South Africa is stagnating. Fluctuations in the Swiss franc compared to other important currencies used by the Geberit Group will continue to affect sales and earnings. Uncertainties related to raw material markets have increased and make an outlook difficult. After a declining environment in the first quarter of 2019, raw material prices are expected to increase again in the second quarter.

The objective for the Geberit Group in 2019 is to perform strongly across the entire product range and in all markets and, as in previous years, to gain market shares. There will be concerted marketing of the new products that have been introduced in recent years. Markets in which Geberit products or technologies are still under-represented will be intensely cultivated, and the shower toilet business will be expanded further. In line with the Geberit strategy, these measures shall be accompanied by efforts to continuously optimise business processes and high margins shall be continued to be achieved in 2019. A focus will be placed on implementing the digitalisation strategy. The Board of Directors and the Group Executive Board are convinced that the company is very well equipped for the upcoming opportunities and challenges. The opportunities offered as a result of combining technical know-how in sanitary technology “behind the wall” and design expertise “in front of the wall” will continue to be firmly seized. Experienced and highly motivated employees, a number of promising products that have been launched in recent years and product ideas for the more distant future, a lean and market-oriented organisation, an established cooperation based on trust with the market partners in both commerce and trade, and the Group’s continued solid financial foundation are vital to its future success.

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About Geberit

The globally operating Geberit Group is a European leader in the field of sanitary products. Geberit operates with a strong local presence in most European countries, providing unique added value when it comes to sanitary technology and bathroom ceramics. The production network encompasses 29 production facilities, of which six are located overseas. The Group is headquartered in Rapperswil-Jona, Switzerland. With around 12,000 employees in around 50 countries, Geberit generated sales of CHF 3.1 billion in 2018. The Geberit shares are listed on the SIX Swiss Exchange and have been included in the SMI (Swiss Market Index) since 2012.

Key financial figures as of 31 December 2018

Millions of CHF	1/1 – 31/12/2018	1/1 – 31/12/2017
Sales	3081	2908
Change in %	+5.9	+3.5
Change in %, currency-adjusted/organic	+3.1	+3.5
Operating cashflow (EBITDA)	868	821 1)
Change in %	+5.7	+3.2
Margin in % of sales	28.2	28.2
Adj. operating profit (EBIT) 2)	744	706
Change in %	+5.4	+2.9
Margin in % of sales	24.2	24.3
Operating profit (EBIT)	708	622
Change in %	+13.8	-2.9
Adj. net income 2)	626	604
Change in %	+3.7	+3.5
Margin in % of sales	20.3	20.8
Net income	597	527
Change in %	+13.2	-3.8
Adj. earnings per share (CHF) 2)	17.21	16.43
Change in %	+4.7	+3.7
Earnings per share (CHF)	16.40	14.34
Change in %	+14.4	-3.6

	31/12/2018	31/12/2017
Equity	1745	1837
Equity ratio in %	49.8	49.1
Net debt	555	482
Number of employees	11,630	11,709

1) For better comparability with 2018 figures: adjusted for costs in connection with the Sanitec acquisition and integration

2) Adjusted for costs in connection with the Sanitec acquisition and integration

Please visit our website www.geberit.com as well as our online annual report on www.geberit.com/annualreport for additional information.