

## MEDIA RELEASE 2020 BUSINESS YEAR

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### **Strategy confirmed despite challenging circumstances – COVID-19 and negative currency effects reduce sales and earnings – Investments nevertheless increased – Dividend of CHF 20 per share – Succession planning in Forbo's senior management**

The Forbo Group – a leading manufacturer of floor coverings, building and construction adhesives as well as power transmission and conveyor belt solutions – posted net sales of CHF 1,117.7 million (previous year: CHF 1,282.2 million) in 2020, a year strongly impacted by COVID-19. In local currencies this equates to a decrease in sales of 8.1%, due to negative currency effects representing a decline of 12.8% in the corporate currency. Group operating profit (EBIT) was 22.3% lower, decreasing to CHF 137.0 million (previous year: CHF 176.3 million). Group profit declined by 23.2% to CHF 106.2 million (previous year: CHF 138.3 million). CEO Stephan Bauer will hand over to Michael Schumacher, who will succeed him in September 2021.

Baar, March 4, 2021

**The year under review at Forbo was dominated by the economic effects of the COVID-19 pandemic and by negative currency effects; both factors led to a decrease in sales and earnings.**

The first signs and negative effects were seen by Forbo in its Asian markets as early as the extended Chinese New Year holiday. COVID-19 then spread successively to Europe and shortly thereafter to the Americas region, adversely affecting Forbo's business activity primarily in the second and third quarters. Some markets showed clear signs of recovery toward the end of the year.

A large number of Forbo's production sites and assembly centers worldwide had to be closed for periods of time mainly in the first half of the year in order to comply with government regulations or to protect its employees. Many markets saw building sites shut down at short notice, while construction projects in the commercial sector were either postponed indefinitely or were canceled altogether owing to the exceptional situation. Numerous projects and investments of Movement Systems customers such as the expansion of airport facilities or renewals of industrial manufacturing sites were deferred. Customers and business partners were temporarily unreachable owing to local lockdown measures, especially in Europe and the USA. Forbo centrally coordinated far-reaching measures to protect its employees by providing hygiene and protection concepts and adjusting work processes whilst at the same time doing everything possible to maintain business continuity.

Safeguarding its delivery capability was a particular challenge since Forbo faced major restrictions and exceptionally difficult conditions also for global supply chains.

In order to cushion the negative impact of the current business climate, since springtime Forbo reduced third-party costs, adjusted operational structures, and cut back new hires to an absolute minimum. At the same time, various measures were implemented to increase efficiency and reduce costs, and these had a significantly positive effect on earnings, especially in the second half of the year. Forbo's solid financial structure has enabled the company to pursue all the strategic plans necessary to safeguard its market position for the future too, even in this difficult year. Important operational and strategic projects, such as targeted investments in growth markets, product launches, and innovative product developments for the future as well as digitization were implemented on the same or an even larger scale. On balance, Forbo increased investments versus the previous year.

Owing to the stronger Swiss franc, the translation of local results into the corporate currency resulted in a negative currency effect compared with the previous year. The effect came to about CHF 61 million in sales and CHF 8 million in operating profit. Many of Forbo's main currencies were affected, in particular the US dollar, but also the euro, the British pound, the Chinese renminbi, and the Japanese yen were impacted notably.

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#### **Global slump in demand toward the end of the first quarter 2020**

In the year under review, Forbo generated net sales of CHF 1,117.7 million (previous year: CHF 1,282.2 million), representing a decrease of 8.1% in local currencies; owing to negative currency effects, this equated to a decline in sales of 12.8% in the corporate currency. However, starting in the fourth quarter some markets and customer segments embarked on an increasingly recognizable recovery. Overall, the Americas region was hardest hit (nearly a double-digit percentage decline), the impact in Europe and Asia/Pacific was slightly less.

#### **Measures taken in springtime in combination with higher capacity utilization lifted earnings above average in the second half of the year**

Both the decrease in sales and the strong Swiss franc impacted profitability negatively during the year on balance. However, profitability in the second half far outpaced earnings in the first six months owing to the extensive measures undertaken in springtime to optimize operating and cost structures plus the steps that were implemented to increase efficiency.

Positive operational leverage effects were felt from the higher capacity utilization of production plants and the improved productivity resulting from scaled-back and optimized operating structures. Further impetus was added by the downtrend in raw material prices, which however rose sharply again toward the end of 2020. On balance, lower raw material prices in the first half for manufactured products plus price increases realized in the second half generated higher margins in the second six-month period. Not least of all, active management contributed to reducing doubtful receivables and to negotiation of legal cases, which were solved in Forbo's favor.

Operating profit before depreciation and amortization (EBITDA) declined by CHF 41.7 million, or 17.8%, to CHF 192.0 million (previous year: CHF 233.7 million). Group operating profit (EBIT) decreased by CHF 39.3 million, or 22.3%, to CHF 137.0 million (previous year: CHF 176.3 million). Although operating profit margins in both divisions improved significantly in the second half compared with the first, for the full year under review the EBITDA margin came to 17.2% (previous year: 18.2%) and the EBIT margin to 12.3% (previous year: 13.7%).

#### **Group profit lower than previous year**

Group profit decreased by 23.2%, or CHF 32.1 million, to CHF 106.2 million (previous year: CHF 138.3 million) owing to the decline in operating profit (EBIT) and a slightly higher tax rate of 22.0% (previous year: 21.1%).

#### **Performance of the divisions**

The **Forbo Flooring Systems** division generated net sales of CHF 757.0 million in the 2020 business year (previous year: CHF 870.5 million), which reflects a decrease of 8.4% in local currencies (-13.0% in the corporate currency). The division's share of Group sales was 67.7%. Seen over the whole year, COVID-19-related building freezes and postponements of major projects along with the slump in demand that they caused affected the country organizations to varying degrees. At times, Flooring Systems suffered strong drops in demand in its core markets France, the United Kingdom, and the USA, as well as in Italy and Spain. On balance, all three regions reported a reduction in sales, the Americas being the most affected. Europe and Asia/Pacific decreased by about the same amount but less significantly.

Operating profit (EBIT) declined by CHF 19.1% to CHF 109.9 million (previous year: CHF 135.8 million), mainly because of the decrease in sales, reduced capacity utilization of production plants, decreased production efficiency, and negative currency effects. The EBIT margin reduced by 1.1 percentage points to 14.5% (previous year: 15.6%).

The **Forbo Movement Systems** division generated net sales of CHF 360.7 million in the year under review (previous year: CHF 411.7 million), which reflects a year-on-year decrease of 7.4% in local currencies (-12.4% in the corporate currency). The division's share of Group sales was 32.3%. All markets with a few exceptions reported a decline in sales, but to varying extents. China, an important core market for Movement Systems, was very hard hit in the first quarter but recovered in the course of the year. Other key markets such as the USA, Japan, Italy, Spain, the United Kingdom, and France reported percentage declines that were higher than average for the division. All three regions reported a decrease in sales to varying degrees, the most strongly affected being the Americas, Europe somewhat less so, and Asia/Pacific least of all.

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Operating profit (EBIT) reduced by CHF 27.9% to CHF 35.9 million (previous year: CHF 49.8 million), as a result of the decline in sales, negative currency effects, and the high proportion of fixed costs. Movement Systems optimized shift work and operating structures in production and assembly in line with the reduced capacity utilization and instituted prudent cost management; together, these measures made themselves felt mainly in the second half. The EBIT margin declined by 2.1 percentage points in the reporting year to 10.0% (previous year: 12.1%).

### **High liquidity and robust equity base**

Net cash at year-end 2020 came to CHF 255.9 million (previous year: CHF 217.5 million); this was due to a slight increase in investments against a backdrop of a strong operating cash flow given the current circumstances. In addition, as at December 31, 2020, Forbo held 70,765 of its own shares valued at CHF 107.4 million at year end.

The equity ratio remains solid and stands at 61.5% (previous year: 61.7%).

The undiluted earnings per share reflect the lower earnings and have accordingly reduced by 22.9% to CHF 66.60 (previous year: CHF 86.33).

### **Strategy confirmed even in challenging times**

Forbo has a solid capital structure, good liquidity, a robust cash flow, and has no debt. Its global presence and strong market positions, plus its broad, innovative and sustainable product portfolio, will enable the company to continue implementing its strategy. Forbo will focus on development in growth markets, targeted strengthening of its distribution organizations, selective capacity expansion in product lines with better-than-average growth, promoting of innovations coupled with digitization advances, and capitalizing on external growth opportunities. However, as in the past, Forbo will make acquisitions only if it can thereby create added value for its shareholders.

### **Proposals to the Ordinary General Meeting**

#### ***Re-elections to the Board of Directors***

All the current members of the Board of Directors will stand for re-election for a further one-year term of office.

### ***Dividend adjusted to the decline in earnings***

In view of the negative impact of COVID-19 on business activities, the Group's solid cash flow, and its high equity ratio, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2020 business year be reduced by about 13 percent versus the previous year to CHF 20 per share (previous year: CHF 23 per share).

### **Succession planning in Forbo's senior management**

After 8 years as CEO of the Forbo Group, Stephan Bauer will leave the company at the age of 60 by latest end of September 2021 in order to take up non-executive tasks.

The Board of Directors thanks Stephan Bauer for his invaluable contribution over many years during which he helped shape the development and strategy of the Forbo Group and wishes him all the best for this new period in his life.

The Board of Directors of Forbo Holding Ltd has appointed Michael Schumacher as CEO and Chairman of the Executive Board. He will take up his position in September 2021.

Michael Schumacher, a Swiss citizen, is 51 years of age and has many years of international experience in industrial companies in the building industry. Most recently, he worked for 10 years at Saint-Gobain, where he was first CEO of Sanitas Troesch and then CEO of Building Distribution Germany; he is currently CEO of the newly created unit Saint-Gobain Switzerland. He had previously worked for 6 years at Geberit as Head of Group Marketing and was active in China with responsibility for Asia/Pacific. After completing his degree in materials engineering at the ETH in Zurich, he worked for McKinsey for 10 years and took his MBA at INSEAD.

The Board of Directors wishes him much success in his new task.

### **Outlook for 2021**

Owing to the constantly changing market conditions dictated by the COVID-19 pandemic, it is difficult to make a forecast for 2021. A great deal of uncertainty will be with us in the new year too.

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Assuming that overall conditions do not deteriorate, Forbo expects an increase in net sales in local currencies and a somewhat higher Group profit for the full year 2021.

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You can find further information in the 2020 Annual Report published this morning on the Internet:  
[www.forbo.com](http://www.forbo.com) – Investors

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Forbo is a leading producer of floor coverings, building and construction adhesives, as well as power transmission and conveyor belt solutions. The company employs about 5,300 people and has an international network of 25 sites with production and distribution, 6 assembly centers, and 49 sales organizations in a total of 39 countries around the world. Forbo is headquartered in Baar in the canton of Zug, Switzerland.

Forbo Holding Ltd is listed on SIX Swiss Exchange (security number 354151, ISIN CH0003541510, Bloomberg FORN SW, Reuters FORN.S).

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## Financial overview of the Forbo Group

|   | 2020<br>CHF m  | 2019<br>CHF m  | Corporate<br>currency | Change<br>Local<br>currencies |
|---|----------------|----------------|-----------------------|-------------------------------|
| <b>Net sales</b>  | <b>1,117.7</b> | <b>1,282.2</b> | <b>-12.8%</b>         | <b>-8.1%</b>                  |
| Flooring Systems  | 757.0          | 870.5          | -13.0%                | -8.4%                         |
| Movement Systems  | 360.7          | 411.7          | -12.4%                | -7.4%                         |
| <b>Operating profit before depreciation<br/>and amortization (EBITDA)</b> | <b>192.0</b>   | <b>233.7</b>   | <b>-17.8%</b>         |                               |
| <b>EBITDA margin</b>  | <b>17.2%</b>   | <b>18.2%</b>   |                       |                               |
| <b>Operating profit (EBIT)</b>  | <b>137.0</b>   | <b>176.3</b>   | <b>-22.3%</b>         |                               |
| <b>EBIT margin</b>  | <b>12.3%</b>   | <b>13.7%</b>   |                       |                               |
| <b>Group profit</b>   | <b>106.2</b>   | <b>138.3</b>   | <b>-23.2%</b>         |                               |

|                                       | 2020<br>CHF  | 2019<br>CHF  |               |
|---------------------------------------|--------------|--------------|---------------|
| <b>Earnings per share (undiluted)</b> | <b>66.60</b> | <b>86.33</b> | <b>-22.9%</b> |
| <b>Equity ratio</b>                   | <b>61.5%</b> | <b>61.7%</b> |               |