

# **MEDIA AND FINANCIAL ANALYST MEETING**

FRIDAY, JULY 28, 2023

This E. Schneider

Chairman of the Board of Directors

Jens Fankhänel

Chief Executive Officer

Andreas Jaeger

Chief Financial Officer

# DISCLAIMER



By attending the meeting where this presentation is made or by reading the presentation slides, you agree to be bound by the following limitations:

The information in this document has been prepared by Forbo. It does not constitute a recommendation regarding the securities of Forbo.

No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, or correctness of the information, or opinions contained herein. Neither Forbo nor any of Forbo's advisors or representatives shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. The information set out herein may be subject to updating, completion, revision, verification, and amendment, and such information may change materially.

This presentation is based on the economic, regulatory, market, and other conditions as in effect on the date hereof. It should be understood that subsequent developments may affect the information contained in this document, which neither Forbo nor its advisors are under an obligation to update, revise, or affirm.

The information communicated in this document contains certain statements that are or may be forward looking. These statements typically contain words such as "will", "expects", and "anticipates", and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Investment in Forbo will also involve certain risks. There may be additional material risks that are currently not considered to be material or of which Forbo and its advisors or representatives are unaware. Against the background of these uncertainties, readers should not rely on these forward-looking statements. Forbo assumes no responsibility to update forward-looking statements or to adapt them to future events or developments.

This document and the information contained herein does not constitute an offer or invitation to purchase any securities of Forbo. In particular, it does not constitute a prospectus in the sense of article 652a or 1156 of the Swiss Code of Obligations, respectively, nor does it constitute a listing advertisement in the sense of the Listing Rules of the SIX Swiss Exchange. The securities of Forbo have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, or delivered within the United States or to US persons absent from registration under or an applicable exemption from the registration requirements of the United States securities laws. Neither these slides nor any copy of them may be taken or transmitted into or distributed in Canada, Australia, Japan, or any other jurisdiction which prohibits the same, except in compliance with applicable securities laws. Any failure to comply with this restriction may constitute a violation of United States or other national securities laws.

**WELCOME & INTRODUCTORY REMARKS**

**THIS E. SCHNEIDER**

**FINANCIAL RESULTS FIRST HALF-YEAR 2023**

**ANDREAS JAEGER**

**ACTIVITIES & FOCUS**

**JENS FANKHÄNEL**

**STRATEGY & OUTLOOK 2023**

**THIS E. SCHNEIDER**

**QUESTIONS & ANSWERS**



# THIS E. SCHNEIDER WELCOME & INTRODUCTORY REMARKS



- Uncertain economic and geopolitical environment impacted demand
- Slightly lower net sales in local currencies in comparison to strong H1 2022
- Strong negative currency effects on net sales and EBIT
- Sales prices increased to compensate for significantly higher personnel and energy cost
- Measures to improve profitability implemented and EBIT margin increased
- Substantially enhanced cash generation due to improved sales and production planning as well as inventory management
- Strategic investment projects well on track
- Innovative and sustainable new products launched in both divisions

# ANDREAS JAEGER FINANCIAL RESULTS FIRST HALF-YEAR 2023





**Lower net sales in comparison to strong H1 2022**

Net sales decrease of 2.2% in local currencies due to restrained demand

**Strong negative currency effects**

CHF 37 million on net sales; CHF 5 million on EBIT

**EBIT margin improved**

12.2% (H1 2022: 11.8%) due to successfully implemented corrective measures, including sales price increases

# FORBO GROUP – H1 2023

## CONSOLIDATED INCOME STATEMENT



CHF MILLION	H1 2023	H1 2022	Δ
Net sales	<b>615.2</b>	<b>667.3</b>	-7.8%
Gross profit	<b>215.8</b>	<b>233.0</b>	-7.4%
<i>Gross profit margin</i>	<i>35.1%</i>	<i>34.9%</i>	
Operating expenses	<b>-140.6</b>	<b>-154.4</b>	
EBITDA	<b>102.8</b>	<b>106.3</b>	-3.3%
<i>EBITDA margin</i>	<i>16.7%</i>	<i>15.9%</i>	
Depreciation and amortization	<b>-27.6</b>	<b>-27.7</b>	
Operating profit (EBIT)	<b>75.2</b>	<b>78.6</b>	-4.3%
<i>EBIT margin</i>	<i>12.2%</i>	<i>11.8%</i>	
Financial result	<b>-1.2</b>	<b>-0.7</b>	
Group profit before taxes	<b>74.0</b>	<b>77.9</b>	-5.0%
Income taxes	<b>-16.6</b>	<b>-17.6</b>	
Group profit	<b>57.4</b>	<b>60.3</b>	-4.8%
Earnings per share undiluted in CHF	<b>40.54</b>	<b>42.60</b>	-4.8%
FTE	<b>5,357</b>	<b>5,736</b>	-6.6%

- Increased sales prices (+6%) covered for significantly higher energy and personnel cost
- Net sales decline by 2.2% in local currencies due to lower volumes (-8%)
  - Europe -2.0%
  - Americas -6.3%
  - Asia/Pacific +3.1%
- Efficiency gains improved gross profit margin despite lower volumes
- Lower operating expenses due to implemented cost saving measures
- EBIT in local currencies increased by +1.8%
- EBIT margin improved



# FORBO GROUP – H1 2023

## CONSOLIDATED BALANCE SHEET



CHF MILLION	30.6.23	31.12.22
<b>Non-current assets</b>	374.6	388.6
<b>Current assets</b>	601.2	571.6
Cash and cash equivalents	45.9	46.7
Working capital	555.3	524.9
<b>Total assets</b>	975.8	960.2
<b>Shareholders' equity</b>	545.3	550.1
Equity ratio	55.9%	57.3%
<b>Total liabilities</b>	430.5	410.1
Current liabilities	308.6	291.6
Non-current liabilities	121.9	118.5
<b>Total shareholders' equity and liabilities</b>	975.8	960.2

- Solid balance sheet with net cash of CHF –17.6 million (exclusive leasing)
- Own shares totaling CHF 106.6 million
- Seasonal build-up of working capital
- Strong equity ratio

**CONSOLIDATED CASH FLOW STATEMENT**

CHF MILLION	H1 2023	H1 2022
Cash flow from operating activities	<b>33.0</b>	<b>-10.0</b>
Cash flow from investing activities	<b>-10.1</b>	<b>-8.1</b>
Free cash flow	<b>22.9</b>	<b>-18.1</b>
Cash flow from financing activities	<b>-20.2</b>	<b>-21.1</b>

- Considerably higher cash flow from operating activities due to improved working capital management
- Cash flow from investing activities slightly increased driven by strategic investments
- Strong free cash flow

### **H1 2023 VERSUS H1 2022**

- Weaker demand in inflationary environment
- Increased sales prices
- Significantly higher personnel and energy cost
- Strong negative impact from FX
- Reliability of global supply chains improved

### **H1 2023 VERSUS H2 2022**

- Challenging market environment, but improving versus Q4 2022
- Slightly increased sales prices
- Continued high energy cost and significantly increased personnel cost
- Workforce adjusted to production output
- Sales and production planning improved; inventory levels reduced

# JENS FANKHÄNEL ACTIVITIES & FOCUS





# FORBO GROUP ACCOMPLISHED MEASURES TO IMPROVE PROFITABILITY



- Sales prices increased to absorb inflationary cost increases
- Workforce and cost adjusted to lower volumes
- Sales and production planning optimized to ensure high product availability/service levels
- Inventory management improved and operating cash flow significantly increased
- Number of projects reduced, reporting and decision-making processes simplified



# FLOORING SYSTEMS FIRST HALF-YEAR 2023 IN A NUTSHELL



- Market environment in the building industry negatively impacted by high inflation and increased interest rates
- Reduced demand resulting in negative volume development; improving trend compared to Q4 2022
- Net sales in local currencies declined by 3.4%:
  - Europe -3.4%
  - Americas -7.9%
  - Asia/Pacific +6.0%
- Significantly higher personnel and energy cost, compensated by price increases and efficiency measures
- Continued investments in operational efficiency, regional presence, and innovation



- Global introduction of renewed luxury vinyl tiles Allura collection (designs, formats, versatile installation options)
- Digital marketing campaigns with focus on sustainability and new collections
- Preparation of new Flotex and vinyl collections for introduction in H2 2023

# MOVEMENT SYSTEMS

## FIRST HALF-YEAR 2023 IN A NUTSHELL



- Market environment negatively impacted by delayed customer projects, specifically in the logistics segment, and no significant market recovery in China
- Net sales maintained in local currencies (+0.3%) due to sales price increases:
  - Europe +3.5%
  - Americas –5.0%
  - Asia/Pacific +1.3%
- Positive development in the segments food, industrial production, and raw materials
- Improved operational efficiency and price increases compensated for significantly higher personnel and energy cost
- Continued investments in capacity and innovation





# MOVEMENT SYSTEMS

## INNOVATION/MARKET ACTIVITIES



- New versatile belt types with increased content from recycled PET bottles
- Market leading conveyor belts for the food industry and the production of hygiene articles
- Increased focus on energy saving belts
- New products in the homogenous belt product line Fullsan



- Increased sales & marketing activities to support growth in a challenging market environment
- Continuous operational efficiency improvements in all areas
- Major expansion of Flotex production in the USA, extending our manufacturing footprint (Flooring Systems)
- Commissioning of second production line in China (Movement Systems)
- Project start to modernize Japanese manufacturing site (Movement Systems)
- Continued efforts with regard to sustainable solutions

# FORBO GROUP

## SUSTAINABILITY REMAINS A KEY FOCUS



Highlights from the sustainability reports of our two divisions, as published in May 2023:

- Flooring Systems has reduced the CO<sub>2</sub> emissions per square meter of floor coverings produced (scope 1 and 2) by 74% between 2004 and 2022, without offsetting
- Flooring Systems has reached new recycling milestones: 50% of our modular floor covering solutions and 30% of our sheet products contain more than 30% recycled content
- Movement Systems started to track all its relevant environment, health & safety data on a much more frequent basis (monthly) in 2022 to further accelerate its efforts
- Movement Systems is increasingly interacting with its stakeholders regarding post-industrial and post-consumer recycling opportunities for its belts



# THIS E. SCHNEIDER STRATEGY & OUTLOOK 2023





- Successful strategy will be pursued
- Strategic priorities as presented in early 2023 remain unchanged:
  - Drive profitable growth through targeted sales and marketing activities
  - Foster entrepreneurial mindset
  - Focus on strategy execution



# FORBO GROUP

## CONFIRMED FINANCIAL OUTLOOK 2023



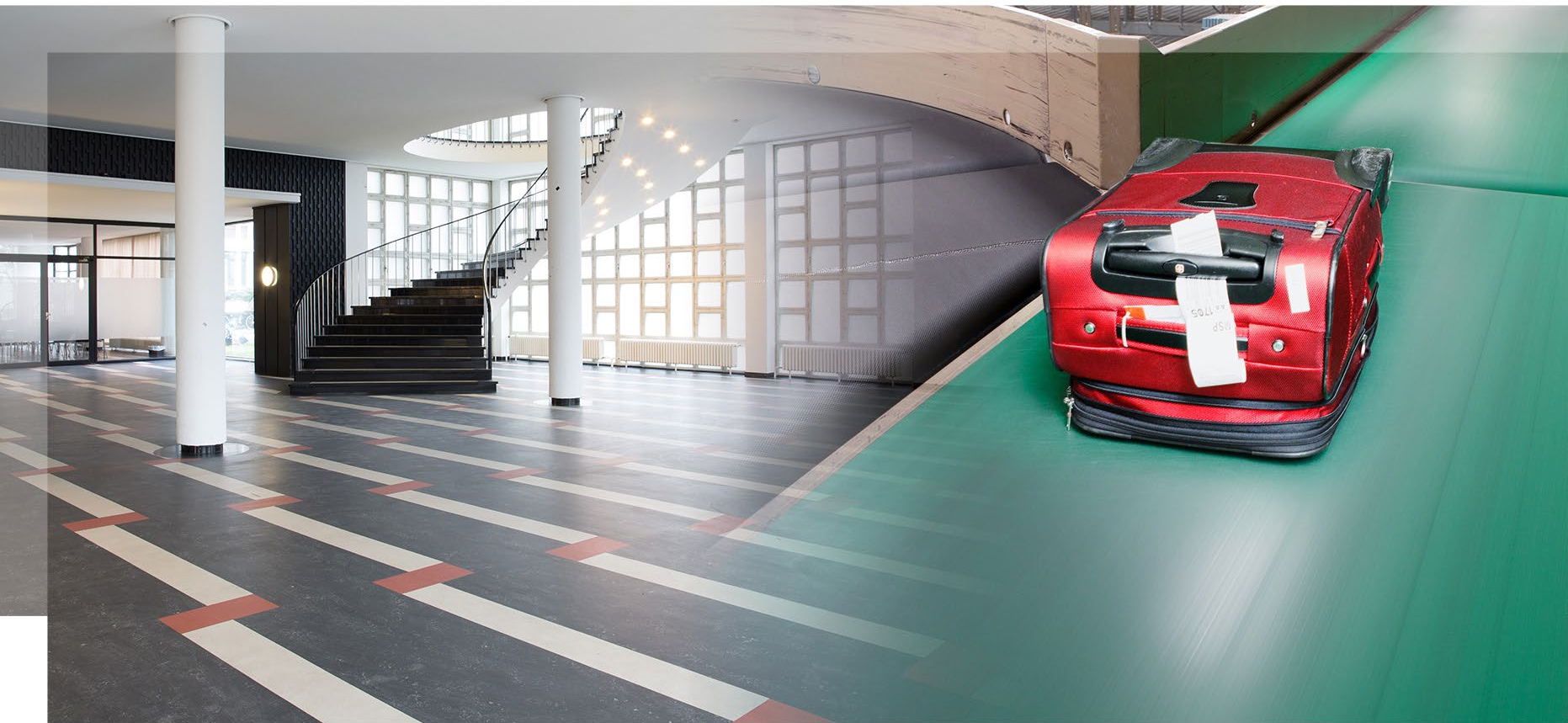
Despite a continued challenging environment, we confirm the financial outlook for FY 2023 from March 2023:

- Slightly higher net sales in local currencies compared with the previous year
- Group profit in the magnitude of CHF 130 million, if foreign exchange rates remain unchanged compared to the first half-year 2023

Assumption: no significant change to the current geopolitical and economic environment



# ADDITIONAL INFORMATION **OUR EQUITY STORY**



flooring. movement.

PROVEN  
STRATEGY  
WITH  
COMMIT-  
MENT TO  
VALUE  
CREATION



Create **global leadership positions** in clearly defined market segments based on **customer focus, high level of service, innovation, sustainability, digital transformation**, and a **strong global brand**



**Shape markets** and **drive profitable growth** through a **strong market orientation**



Build **significant positions in growth markets**



**Acquire companies for product extensions, consolidation**, and/or **increased market access**



Develop a **high-performance culture** and provide **relevant skills and competencies at all levels**



## FORBO FLOORING SYSTEMS

**PREDOMINANTLY  
DIRECT BUSINESS**

Position our offering with direct access to decision takers

**LONG-LASTING  
CUSTOMER  
RELATIONSHIPS**

Understand customers' needs; based on deep market insights and customer intimacy

**INNOVATIVE  
PRODUCT  
PORTFOLIO**

Large product portfolio and several products with unique selling propositions

**DIVERSIFIED  
CUSTOMER  
BASE**

Customers in different industries, segments, and regions

## FORBO MOVEMENT SYSTEMS

**STRONG  
APPLICATION  
KNOW-HOW**

Drive innovation based on a deep understanding of customers' needs

**DIRECT  
ACCESS TO  
OEMs AND  
END USERS**

Tailor our portfolio and drive the replacement business

**SERVING OUR  
CUSTOMERS  
GLOBALLY AND  
LOCALLY**

Global footprint with presence around the world and over 300 service points worldwide

**DIVERSIFIED  
CUSTOMER  
BASE**

Customers in different industries, segments, and regions


# RESILIENT BUSINESS MODELS

# STRONG POSITIONS AND HIGH ENTRY BARRIERS TO OUR INDUSTRIES



## STRONG MARKET POSITIONS

We are the number one choice for our customers in targeted segments; we have a large and increasing share of loyal customers with long-lasting relationships



## UNIQUE PRODUCT & APPLICATION KNOW-HOW

What we do is unique in many aspects – among others, working with natural raw materials; our customer and application know-how is second to none



## LARGE INSTALLED BASE

High share of replacement/renovation business; continuous extension of recurring business



## HIGH ASSET BASE

Our continued investments over many decades have led to a strong international footprint with a high asset base

# MASTERING THE KEY FACTORS OF SUCCESS

## FORBO FLOORING SYSTEMS

Ability to perfectly serve  
our customers' needs



In combination with  
in-depth application  
know-how;  
ability to create  
added value

Several products with  
unique selling  
propositions



Market-leading innovations  
continuously exceeding  
customers' expectations

Preferred partner, especially  
in big and complex  
commercial projects



Ability to serve our  
customers globally  
and locally

## FORBO MOVEMENT SYSTEMS

# ESG – EMBEDDED IN OUR DNA

## FULLY CO<sub>2</sub>-NEUTRAL FLOOR COVERING

Our linoleum is a fully CO<sub>2</sub>-neutral floor covering without offsetting; we are the world market leader in linoleum

## PHTHALATE- FREE VINYL FLOOR COVERINGS

We only use phthalate-free plasticizers in all our vinyl floor coverings; we are continuously looking for environmentally friendly raw materials

## USE OF RECYCLED MATERIAL

We are continuously increasing the content of recycled material in our floor coverings; the overall recycled content in our portfolio already exceeds 25%

## REDUCING OUR CO<sub>2</sub> EMMISSIONS

We have reduced the CO<sub>2</sub> emissions per m<sup>2</sup> of floor coverings produced (scope 1+2) by 74% between 2004 and 2022 without offsetting

## THE NATURAL BELT

BioBelt™ – Forbo is the 1<sup>st</sup> conveyor belt manufacturer worldwide offering a belt made from renewable materials

## THE ENERGY SAVING BELT: -50%

AmpMiser™ – Forbo is the 1<sup>st</sup> conveyor belt manufacturer world-wide offering a belt that allows energy savings in its use of up to 50%

## REDUCING OUR USE OF (FOSSIL) ENERGY

We are continuously reducing our (fossil) energy consumption – throughout our entire global value chain

## CONTINUOUS IMPROVEMENTS

Despite our strong ESG DNA, we are continuously further improving in all ESG areas



**TRACK  
RECORD  
WITH  
STRONG  
FINANCIALS**



## FORBO FLOORING SYSTEMS



### SUPPORTING DEMAND GENERATION AND PROFITABLE GROWTH



## FORBO MOVEMENT SYSTEMS

ATTRACTIVE  
MARKET  
PROSPECTS