



This E. Schneider
Executive Chairman

Stephan Bauer
CEO

'The increasingly challenging economic environment coupled with operational challenges took their toll in several areas in the year under review and put a damper on our sales growth. The measures initiated so far have not yet shown the expected results.

Despite the negative currency effects and moderate sales, we managed to increase earnings slightly.

The situation will remain demanding. With our attractive product portfolio, our know-how, and our global market presence, we have what it takes to be successful in fast-changing markets.'

TO OUR SHAREHOLDERS

Dear Madam, dear Sir,

Forbo posted slightly lower sales, adjusted for currency effects, amid a more challenging global economic environment. Nevertheless, it lifted earnings slightly, despite the negative currency effects, owing to the investments made in recent years to improve efficiency and thanks to lower purchase prices for raw materials.

Generally speaking, we felt a greater reluctance to invest in the reporting year. Substantial projects were either postponed indefinitely or reduced in scale. On the whole, both divisions faced very mixed conditions in their different markets and customer segments. We expanded our product portfolios with a large number of new products and invested in projects to drive growth at both Flooring Systems and Movement Systems. We succeeded in slightly increasing Group profit through ongoing investments in new technologies and measures to enhance efficiency, through improved purchasing terms, as well as by acting with foresight in line with business performance.

The impact of the stronger Swiss franc versus the previous year led to a decrease of CHF 34 million in sales and of CHF 6 million in operating profit (EBIT) when local results were converted into the corporate currency. This was due mainly to the weaker euro. The currency effect had more of an impact on Flooring Systems than on Movement Systems owing to the geographic distribution of their businesses.

Sales growth curbed

Sales impacted by growing reluctance to invest

In the year under review, Forbo generated net sales of CHF 1,282.2 million (previous year: CHF 1,327.0 million), a slight decrease of 0.8% in local currencies; this equated to a decline in sales of 3.4% in the corporate currency owing to negative currency effects.

The sales of Flooring Systems declined by 1.5% in local currency terms to CHF 870.5 million (previous year: CHF 913.2 million). In the corporate currency, this corresponded to a decrease of 4.7%. Increasingly challenging markets put a damper on demand in a highly competitive market environment. The measures taken so far in organization and in the areas of production, logistics, and distribution have not yet produced the expected results.

Movement Systems generated net sales of CHF 411.7 million (previous year: CHF 413.8 million), this represents a marginal gain of 0.6% in local currencies, but a slight decrease of 0.5% in the corporate currency. The impact of the strained economic climate was also felt in this division; nevertheless, the Americas and the Asia/Pacific regions posted a good sales plus, primarily as a result of projects with specialized products in the food and industrial production segments.

Margins increased again

Slight improvement in profit and margins

Forbo slightly increased operating profit owing to better purchasing terms and other measures to improve efficiency despite sales that were marginally lower on the whole. Margins improved once again on the back of our high-quality and innovative products with their unique selling propositions.

The application of the new IFRS 16 accounting standard in 2019 had a positive impact of about CHF 17 million on operating profit before depreciation and amortization (EBITDA). The effect on operating profit (EBIT), however, was marginally positive.

Operating profit before depreciation and amortization (EBITDA) was up by CHF 16.9 million, or 7.8%, to CHF 233.7 million (previous year: CHF 216.8 million). Group operating profit (EBIT) rose by CHF 1.0 million, or 0.6%, to CHF 176.3 million (previous year: CHF 175.3 million).

The EBITDA margin improved from 16.3% to 18.2% and the EBIT margin from 13.2% to 13.7%.

Group profit slightly higher year-on-year

Net earnings stable

The higher operating profit (EBIT) and a slightly lower tax rate of 21.1% (previous year: 21.7%) resulted, despite lower financial earnings mainly owing to IFRS 16, in a Group profit of CHF 138.3 million (previous year: CHF 137.6 million), representing an increase of 0.5% or CHF 0.7 million.

Balance sheet remains robust

Strong equity ratio as well as high net cash

Net cash at year-end 2019 came to CHF 217.5 million (previous year: CHF 127.4 million); this was due to another strong operating cash flow result on a par with the previous year. In addition, as at December 31, 2019, Forbo held 48,685 of its own shares valued at CHF 80.2 million at year-end share price. Another share buyback program for 2019 – 2022 was approved by the Ordinary General Meeting in April 2019 but has not yet been launched.

The equity ratio increased to 61.7% (previous year: 60.4%).

Undiluted earnings per share rose by 4.8% to CHF 86.33 (previous year: CHF 82.38), since fewer shares were in circulation in the year under review owing to the share buyback program the previous year.

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.

Increase in the dividend

In view of the solid cash flow, the strong equity ratio, and the increase in earnings per share, the Board of Directors will propose to the Ordinary General Meeting that the dividend for the 2019 business year should be increased by about 10 percent versus the previous year to CHF 23 per share (previous year: CHF 21 per share).

Outlook for 2020

Strategy confirmed in challenging times

Our global presence, leading market positions, a broad, innovative and sustainable product portfolio plus our healthy financial situation will enable us to continue implementing our strategy. We will focus on development in growth markets, targeted strengthening of our 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, we will still make acquisitions only if we can thereby create added value for our shareholders.

Market environment remains demanding and tasks even more challenging

It is very difficult at present to make a forecast for global economic trends in 2020. The political and economic conditions can, as we know, change very rapidly. Currencies and trends on the raw material markets are also very volatile.

We anticipate a difficult economic situation for the year and forecast a slight decrease in sales in local currencies and a somewhat higher one in Group profit versus the previous year.

Thank you

Thanks to employees, business partners, and shareholders

To successfully meet the various challenges facing Forbo in the current market situation, the commitment of our people has to be even more intensive, even more flexible and even more professional. We extend our heartfelt thanks to them for their dedication and their identification with Forbo.

We also wish to thank our customers, business partners, and suppliers for their close cooperation and the confidence they have placed in our company.

On behalf of the Board of Directors and the Executive Board, we thank you too, our shareholders, for your ongoing loyalty and the trust you place in Forbo.

Baar, March 2020



This E. Schneider
Executive Chairman



Stephan Bauer
CEO

Financial calendar

Ordinary General Meeting

Friday, April 3, 2020

Publication of 2020 Half-Year Report

Tuesday, July 28, 2020

Publication of 2020 Annual Report

Thursday, March 4, 2021