

Letter to Shareholders

Strong organic growth driven by price and continued sequential improvements

Dear Shareholders,

I am pleased to address you for the first time as Chairman of the Board of dormakaba and report to you, together with our CEO, on the progress and results of our company for the financial year 2022/23.

This year was marked by some important milestones. First and foremost, we achieved our short-term goals, improving sequentially over the course of the past two half-years. Second, we have made some significant moves to ensure the successful implementation of our Shape4Growth (S4G) strategy to attain our mid-term strategic and financial targets. Streamlining our organizational setup, we are sharpening our focus on key markets and core businesses and further simplifying our processes to improve operational efficiency. Furthermore, we have announced a transformation program designed to make the company more agile, customer-focused, and profitable to make sure that we are able to compete for top positions and deliver strong, reliable financial performance going forward.

dormakaba achieved strong organic sales growth of 8.4%, with an 3.4% absolute rise in adjusted EBITDA and a stable adjusted EBITDA margin of 13.5% in the financial year 2022/23. This result was in line with our guidance and was supported by a stronger and robust second half-year performance and improvement in all sales regions.

Price realization, strict cost management, procurement optimization, and stable volume growth, particularly in the US commercial market, all contributed to the positive development. External headwinds – including cost inflation in Europe, high attrition in the US, and de-stocking along the construction industry supply chain – affected profitability and inhibited even higher organic growth. The company's cash flow position improved significantly, thanks to effective reduction of working capital in both receivables management and in manufacturing inventories.

Adjusted EBITDA rose to CHF 384.8 million (previous year: CHF 372.3 million) and the adjusted EBITDA margin was 13.5% (previous year: 13.5%). These figures reflect the year's strong price realizations and improvements in operational efficiency, partially offset by a negative product mix and increased functional costs, mainly relating to strategic investments in growth and profitability initiatives. Stronger performance in the second half of the financial year helped to overcome these headwinds.

Continued investment in digitalization and related product innovation has positioned dormakaba well to provide its customers with effective solutions to their fast-evolving needs for safe, secure, and sustainable buildings. The financial year 2022/23 saw a wide array of new product launches around the globe, many of which were showcased and awarded at the two leading Trade Fairs in our industry, ICS West 2023 in Las Vegas, and Bau 2023 in Munich.

Throughout the financial year 2022/23, dormakaba continued the execution of its S4G strategy. The new operating model implemented during the previous financial year was further refined in March 2023 by the announcement of a streamlined organizational setup, reducing the number of the Executive Committee members from nine to six to simplify and improve the speed of processes and thus, further benefit customer-centricity. The company introduced two new roles to strengthen its commercial and innovation capabilities: a Chief Commercial Officer (CCO) and a Chief Innovation Officer (CIO). Under the lead of the new CCO, dormakaba will intensify its emphasis on core markets where it holds strong competitive positions and optimize its go-to-market approach. The introduction of a CIO role allows dormakaba to focus all global engineering capabilities and R&D efforts under one lead, working with one global strategy and roadmap to serve customers with an improved time-to-market. The leadership team was further strengthened by welcoming Christina Johansson as new Chief Financial Officer (CFO).

With this focused and leaner set-up, we are confident that the S4G transformation program communicated in early July 2023 will succeed. The program represents an important step to achieve better profitability and sustainable volume growth. Among other goals it aims to further consolidate the global production footprint, to reduce the supplier base and to improve sourcing capabilities, as well as to optimize the setup of general administration functions such as Finance and Human Resources by leveraging shared service centers. The program is projected to deliver combined cost savings of a yearly run-rate improvement of up to CHF 170 million by the end of 2025/26, enabling us to free up capacity for further investments in growth and innovation. At the same time, the program comes with an estimated net reduction of

approximately 800 full-time equivalent positions worldwide. All the organizational changes will come into effect step-by-step starting in 2023/24 once negotiations with the respective workers' representatives have been completed in a socially responsible manner.

Financial performance

dormakaba's net sales rose by 3.3% to CHF 2,848.8 million in the financial year 2022/23 (previous year: CHF 2,756.9 million). Organic sales growth contributed 8.4% (of which 6.9% relates to pricing) to the overall increase. The impact on sales growth from acquisitions and divestments was -0.5%, and currency translation effects were -4.0%.

Adjusted EBITDA increased by 3.4% to CHF 384.8 million (previous year: CHF 372.3 million). The adjusted EBITDA margin was 13.5% (previous year: 13.5%). Positive contributions to margins from strong price realizations and increased operational efficiency were partly offset by a negative product mix, higher functional costs from strategic investments in growth and profitability, customer inventory destocking, the residual impact of inflation on freight, labor, and energy costs, and adverse currency exchange effects.

Items affecting comparability totaled CHF -59.0 million at the EBITDA level (previous year: CHF -30.3 million). These costs principally relate to the organizational transformation program (CHF 42.4 million) and IT optimization (CHF 14.1 million).

Performance of Regions (Access Solutions) and Key & Wall Solutions

dormakaba saw solid demand in most of its markets during the financial year 2022/23, with satisfactory order intakes and backlogs. All business segments made positive contributions to organic growth.

Organic sales in Region Americas rose by 10.5% to CHF 781.8 million, driven by higher sales prices, steady US commercial construction activity, and robust growth in multi-housing. Adjusted EBITDA increased to CHF 145.7 million (previous year: CHF 130.2 million), while the adjusted EBITDA margin improved to 18.6% (previous year: 17.5%). Price realization compensated for inflationary pressures; dormakaba also realized efficiencies in the sales process, reaping benefits from an internal reorganization executed earlier in the financial year.

Organic sales in Region Asia Pacific rose by 2.2% and stood at CHF 572.2 million year-on-year, mainly influenced by the lack of recovery in the Chinese market and a decrease of orders in the OEM business in H2. Adjusted EBITDA declined to CHF 92.6

million (previous year: CHF 101.2 million), with an adjusted EBITDA margin of 16.2% (previous year: 17.6%) mainly driven by lower plant outputs.

Organic sales for Region Europe & Africa grew by 8.0% to CHF 1,166.5 million year-on-year, driven by strong price increases and volume growth. Adjusted EBITDA decreased to CHF 219.8 million (previous year: CHF 232.6 million), which represents an adjusted EBITDA margin of 18.8% (previous year: 20.3%). The reduced margin resulted from a lower global demand for door hardware that led to a decrease in plant outputs.

Organic sales in Key & Wall Solutions grew by 12.1% to CHF 395.0 million year-on-year. Adjusted EBITDA margin substantially improved and concluded at 18.0% (previous year: 13.8%). This increase was mainly driven by a strong growth of profitable sales in the US market where Business Unit Movable Walls was able to leverage the situation of a changed competitive landscape. Simultaneously, Business Unit Key Systems was able to increase adjusted EBITDA margin by offsetting inflationary pressure with strong price realization.

Cash flow and net profit

Cash flow from operations increased to CHF 363.4 million (previous year: CHF 188.4 million). The operating cash flow margin (net cash flow from operating activities as a percentage of sales) increased to 10.1% (previous year: 4.6%) mainly due to tightly managed – and therefore decreasing net working capital. Free cash flow recovered from CHF –31.6 million to CHF 176.6 million.

dormakaba closed the financial year 2022/23 with a net profit of CHF 88.5 million (previous year: CHF 38.8 million). The net profit figure for the current year reflects a negative impact of CHF 59.5 million from goodwill amortization. dormakaba decided to fully apply the revised Swiss GAAP FER standard (FER30) starting in financial year 2022/23. This led to a change in regarding the standard's accounting policy choice for goodwill accounting to increase transparency and improved comparability regarding acquired businesses. Goodwill is now being capitalized and amortized in the income statement.

The Board will propose to the 2023 Annual General Meeting (AGM) that a dividend of CHF 9.50 per share be paid out for the financial year 2022/23 (previous year: CHF 11.50). This corresponds to a payout ratio of 51.9%, taking into account the costs related to organizational transformation but excluding the effects of the revised goodwill accounting described above.

Sustainability progress

dormakaba is committed to an industry-leading sustainability framework as part of its S4G strategy, with over 30 ambitious ESG targets. The financial year 2022/23 saw positive performance in several key indicators.

dormakaba's sustainability innovations included a sensor-controlled automatic door system that significantly improves a building's energy balance, reduces costs, and ensures greater user safety. A new Door Efficiency Calculator lets customers include sustainability factors when choosing suitable automatic doors for their buildings. These innovations received a highly positive reception at the BAU 2023 trade fair. Integrating a comprehensive list of sustainability criteria in their design phase met dormakaba's 2023 target for all new product development and optimization to comply with its circularity policy.

dormakaba achieved its annual target to reduce its Scope 1+2 carbon emissions by 4,004 tCO₂ in line with the IPCC's global <1.5°C pathway. Since January 2023, the company's Chennai (India) manufacturing facility has operated 440 solar panels with a capacity of 240 kilowatts peak (kWp), providing enough on-site solar energy to cover 100% of its electricity needs – just a part of dormakaba's 50% overall increase in on-site solar energy generation.

dormakaba is well-positioned to respond to the new requirements of rapidly evolving global sustainability regulations. The EU Corporate Sustainability Reporting Directive, the German Supply Chain Due Diligence Act, and mandatory requirements to apply recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) in various jurisdictions are just some of the factors changing the way companies do business. As a first step in alignment with the TCFD, dormakaba has made public its climate transition plan in the Sustainability Report 2022/23.

Changes in the Board of Directors (BoD)

As of 1 May 2023, Svein Richard Brandtzæg took over as Chairman from Riet Cadonau, who left the Board at end of April. At the same time Thomas Aebischer assumed the role of Vice-Chair. Board member Daniel Daeniker will step down as of the AGM on 5 October 2023. All other members will stand for re-election for another one-year term of office, ending at the next AGM. The BoD and the Executive Committee (EC) are highly appreciative of the very valuable contributions Daniel Daeniker has made to the development of dormakaba during his tenure. We wish him all the best for his future endeavors.

The Board of Directors intends to propose Ines Pöschel (55) and Till Reuter (55) for election as new members at the upcoming AGM. Further information on the proposed new Board members can be found at [dk.world/news](https://www.dk.world/news). Through the changes that have taken place since the last AGM in 2022, the position of the Chair as well as the positions of all committee Chairs are assigned to independent and non-executive Board members.

Further, the company proposes to increase the quota of women at the BoD by an additional 10% with these nominations. Based on a long-term proactive succession planning process with sustainable renewal of experienced Board members, dormakaba intends to further increase this quota in the future.

Business outlook

The current business environment remains strongly characterized by uncertainties and a lack of visibility. Geopolitical risks continued to be on a high level, particularly in Asia and Europe (especially from the war in Ukraine). Further increasing interest rates in the fight on inflation might continue to slow down general economic growth including new construction activities.

Based on a healthy order intake and orderbook at the end of 2022/23, dormakaba however expects to continually improve sales on year-on-year basis. For 2023/24, the company expects organic growth to be in line with its 3–5% mid-term guidance and profitability with a sequential improvement above 2022/23 performance.

We remain focused on the rigorous execution of the Shape4Growth transformation which includes both growth and cost management measures such as pricing, expense management through footprint optimization and organizational efficiency.

Thanks

We and the other members of the Board of Directors and the Executive Committee want to take this opportunity to express our appreciation for the commitment and dedication of our employees to the call to transform our company. We are aware that these are challenging times for a significant number of our employees and are all the more appreciative of their continued high level of engagement and contributions. A warm-hearted "thank you" to all colleagues for your resilience and time invested to make our joint vision a reality. We are deeply grateful to our customers, whose needs are at the center of all that we do and whose loyalty is key to our success. And we renew our warmest thanks to our shareholders for their continued trust in the potential of our company to accelerate sustainable and profitable growth.

Yours sincerely,



Svein Richard Brandtzæg
Chairman



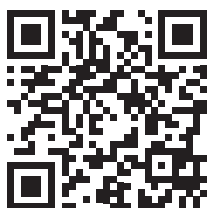
Jim-Heng Lee
CEO

Key figures financial year 2022/23 of the dormakaba Group

CHF million, except where indicated	Financial year ended		Financial year ended	
	30.06.2023	%	30.06.2022 (restated) ²	%
Net sales	2,848.8		2,756.9	
Change in sales	91.9	3.3	257.2	10.3
Of which translation exchange difference	-109.2	-4.0	-3.0	-0.1
Of which acquisition impact	33.9	1.3	90.4	3.7
Of which divestment impact	-50.2	-1.8	-20.9	-0.8
Of which organic sales growth	217.4	8.4	190.7	7.7
Adjusted EBITDA (Operating profit before depreciation and amortization)	384.8	13.5	372.3	13.5
Adjusted EBIT (Operating profit)	307.5	10.8	293.4	10.6
Profit before taxes	142.2	5.0	74.9	2.7
Net profit	88.5	3.1	38.8	1.4
Dividend per share (in CHF) ¹	9.5		11.5	
Other key figures				
Total assets	1,946.5		2,071.9	
Net debt	596.9		708.1	
Market capitalization	1,683.0		1,740.3	
Average number of full-time equivalent employees	15,519		15,495	

¹ Financial year ended 30.06.2023: proposal to the Annual General Meeting; distribution of an equal share from the reserves from capital contributions and from statutory retained earnings.

² dormakaba changed the choice of accounting policies for goodwill accounting. To enable a fair comparison with the current year, the prior-year disclosures have been restated. Please refer to the chapter 5.1 of the notes to the consolidated financial statements of the Annual Report 2022/23 of dormakaba.



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