

Media and Financial Analysts Conference

Financial Results 2021 of
Belimo Holding AG



Zurich, March 7, 2022

BELIMO[®]

Agenda



- 1 Welcoming Remarks and Introduction**
Lars van der Haegen, CEO

- 2 Financial Results 2021**
Dr. Markus Schürch, CFO

- 3 Activities of the Board of Directors**
Patrick Burkhalter, Chairman of the Board of Directors

- 4 Growth Strategy Review and Priorities**
Lars van der Haegen, CEO

- 5 Deep Dive: Solution Leadership in R&D**
Dr. Elena Cortona, CTO

- 6 Outlook 2022 and Q & A**
Dr. Markus Schürch, CFO / All

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Welcoming Remarks and Introduction

Record Financials as a Result of Long-Term Growth Strategy

Record Financial Result in 2021

- › **Record year with CHF 765 million of net sales** and 16.6% sales growth in local currencies.
- › **Logging 19.0% EBIT margin** – validating the business model in a challenging environment.
- › **Cash flow** from operating activities of **CHF 153 million**.

Successful Growth Strategy Execution

- › **Increased sales CAGR*** from 5.7% (2011-2016) to 8.8% (2016-2021).
- › **Successfully entered sensors market.**
- › Established concept of **Performance Devices.**
- › Achieving close to **CHF 100 million of sales in Asia Pacific.**
- › Strengthened **ESG profile.**

Priorities for 2022+ and Outlook

- › Heightened **energy efficiency and CO₂ requirements for buildings** calling for a step change in the renovation rate.
- › To harvest this opportunity, Belimo addresses industry bottlenecks with **dedicated initiatives.**
- › **2022 Outlook:** net sales growth in line with strategy among increased geopolitical risks.

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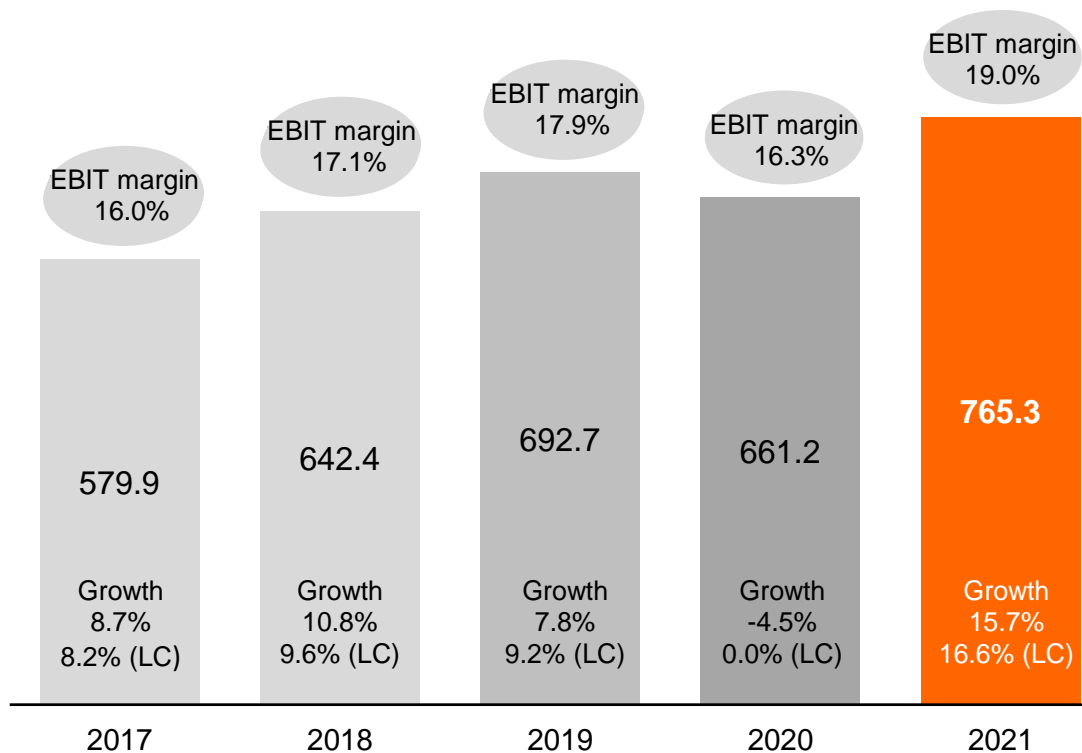
Financial Results 2021

Belimo Thrives in a Strong Market



Net Sales

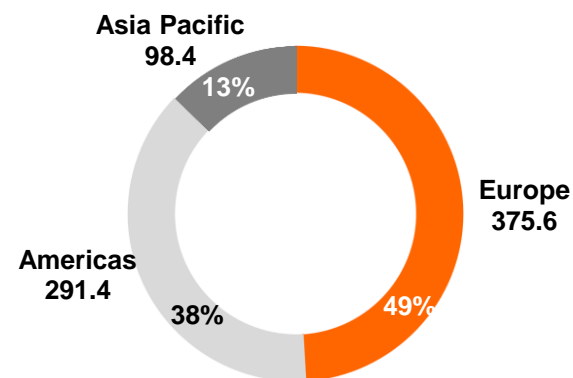
in CHF million



- Excellent sales performance CHF 765.3 million (+16.6% in LC / +15.7% in CHF).
- Successful growth strategy implementation and operational excellence.

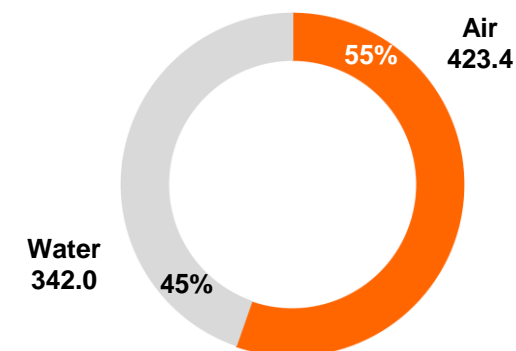
Net Sales by Market Region

in CHF million



Net Sales by Application

in CHF million

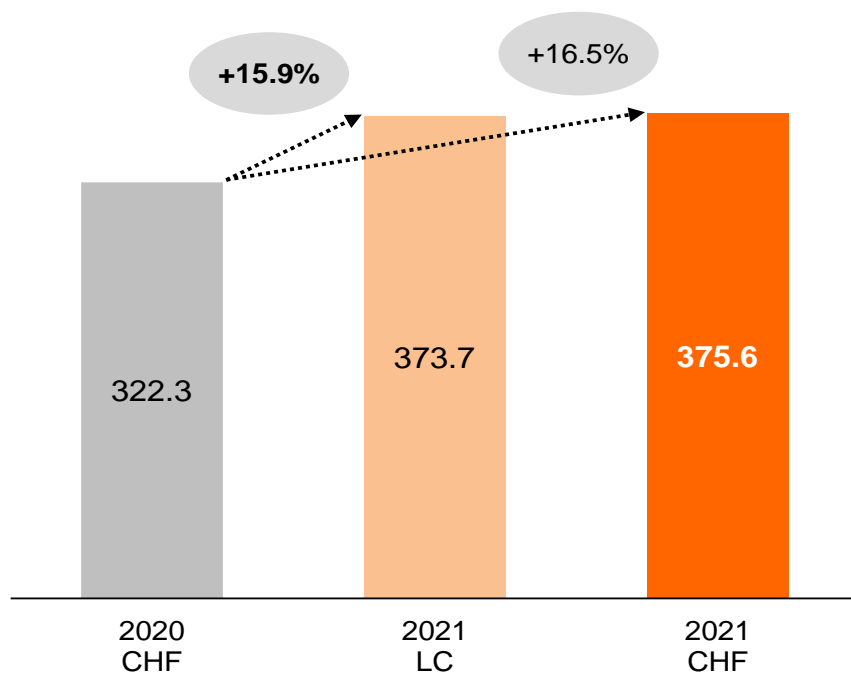


Financial Results 2021

Europe: Labor Shortage Impact

Europe

in CHF million, LC adjusted at previous year rates



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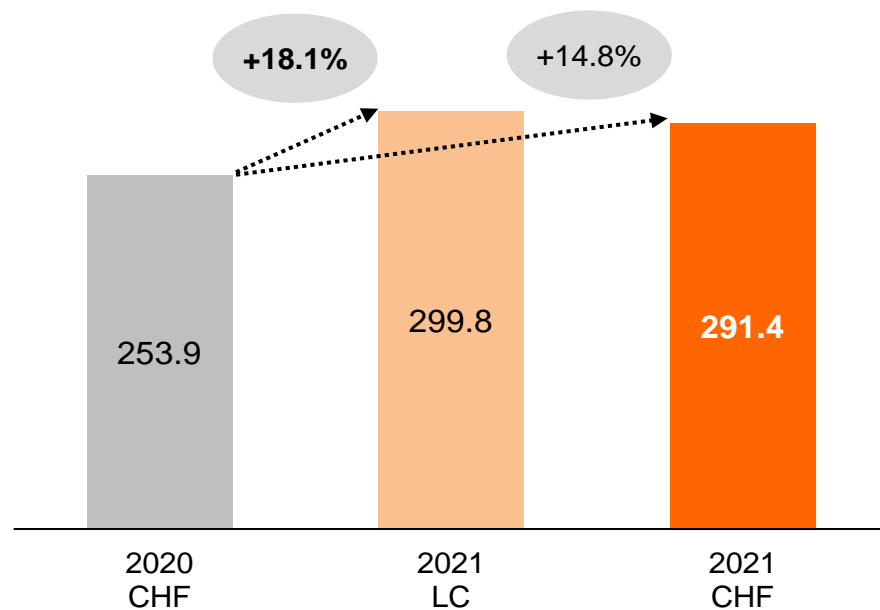
- **Europe:** Strong performance with +15.9% in LC capturing market opportunity with high product availability.
- Fast recovery in countries severely affected by COVID-19-measures in 2020.
- Labor shortages mostly pronounced in Germany. Contractors reporting difficulties to take on new projects.

Financial Results 2021

Americas: Unleashed Pent-up Demand

Americas

in CHF million, LC adjusted at previous year rates



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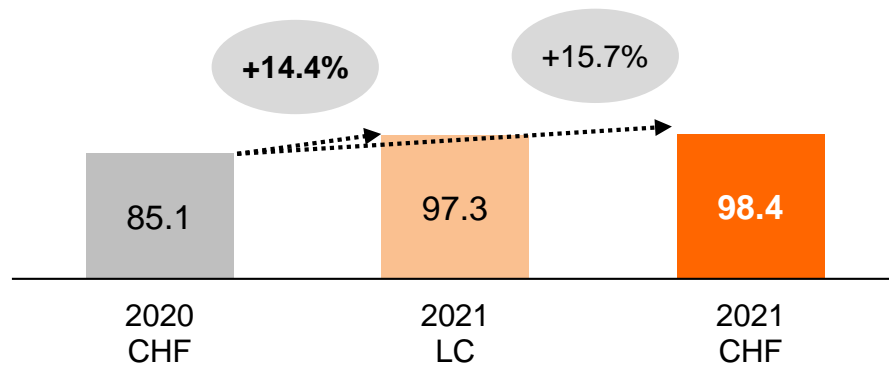
- **Americas:** Net sales +18.1% in LC thanks to unleashed pent-up demand and superior lead times.
- Strong OEM segment.
- Strong growth in data centers, education, and healthcare.

Financial Results 2021

Asia Pacific: Strong Key Markets

Asia Pacific

in CHF million, LC adjusted at previous year rates



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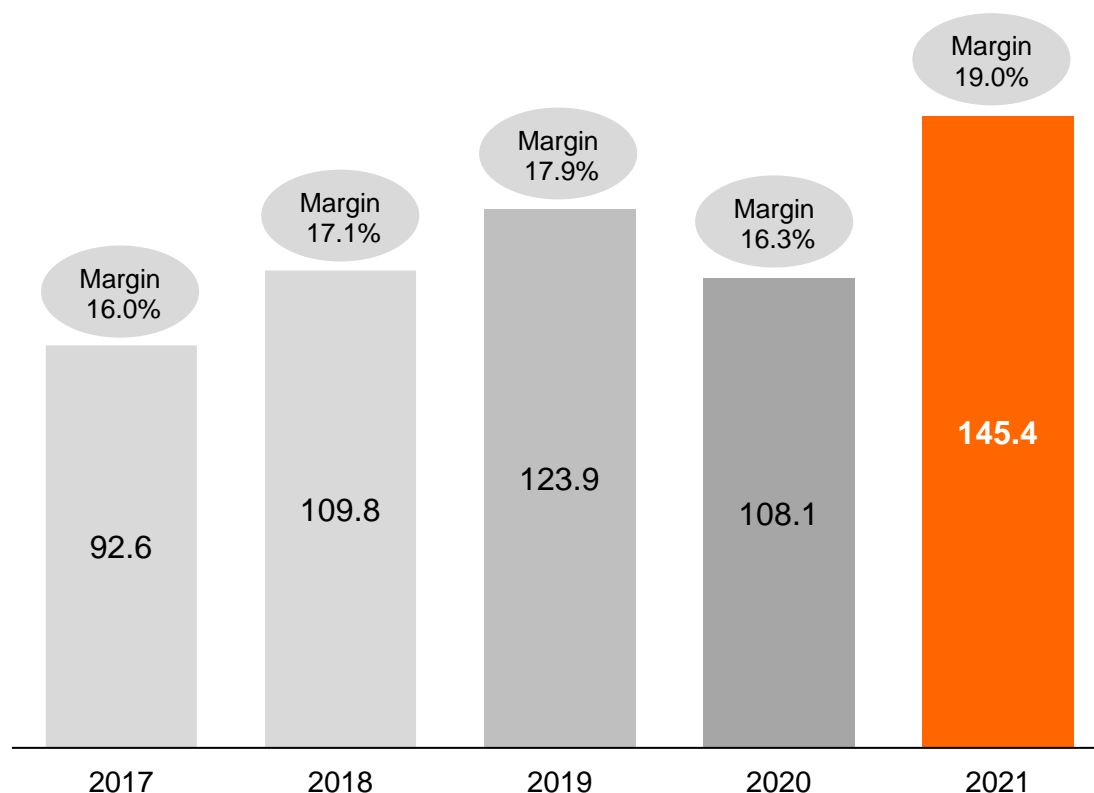
- **Asia Pacific:** Strong in focus countries China / India and segments infrastructure, healthcare, and data centers.
- Lockdowns in Southeast Asia and Australia moderated the market region's overall growth to +14.4% in LC.

Financial Results 2021

Record Operating Results

EBIT

in CHF million



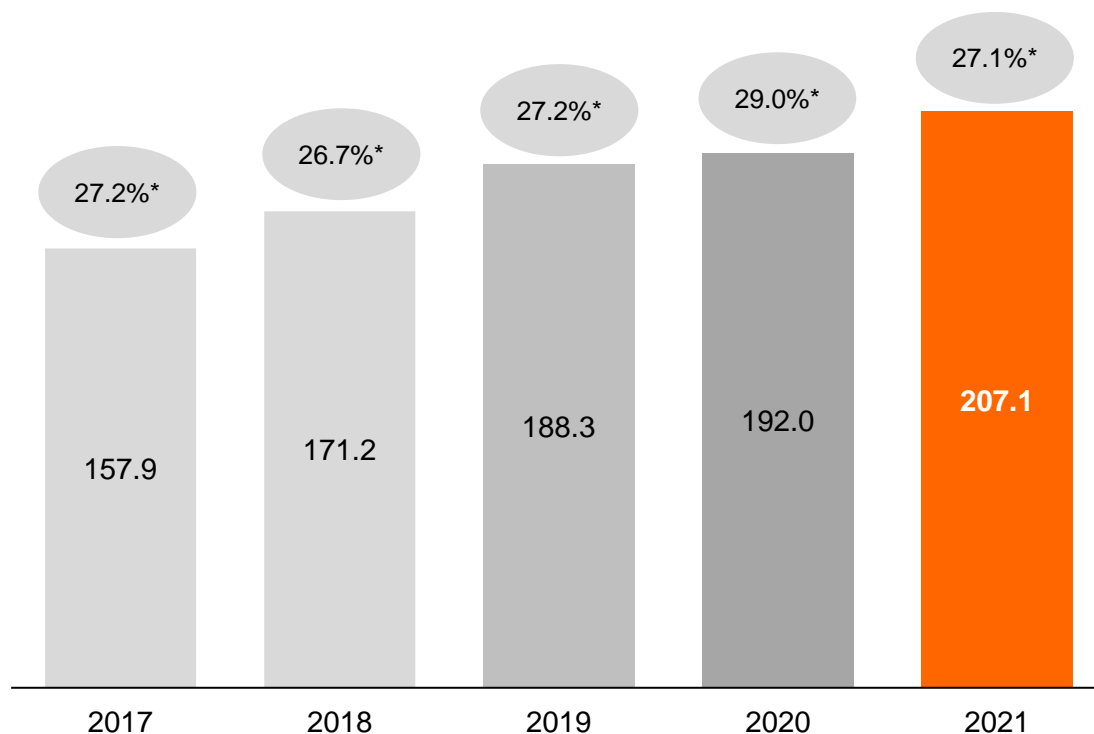
- Strong top line growth combined with operational excellence resulted in a **record EBIT of CHF 145.4 million** (+34.5% vs. PY), 19.0% of sales.
- Supply chain excellence enables high product availability and limits impact on material cost.
- Reduced operational expense in percent of net sales.

Financial Results 2021

Growth Absorption and Long-Term Growth

Personnel Expenses

in CHF million
* in % of net sales



- **Increased personnel expenses** by 7.8% to CHF 207.1 million (PY CHF 192.0 million).
- Hiring of additional 95 FTEs in line with implementation of long-term growth strategy.
- **Sales per employee** reaching a record kCHF 412 million (PY kCHF 363 million).

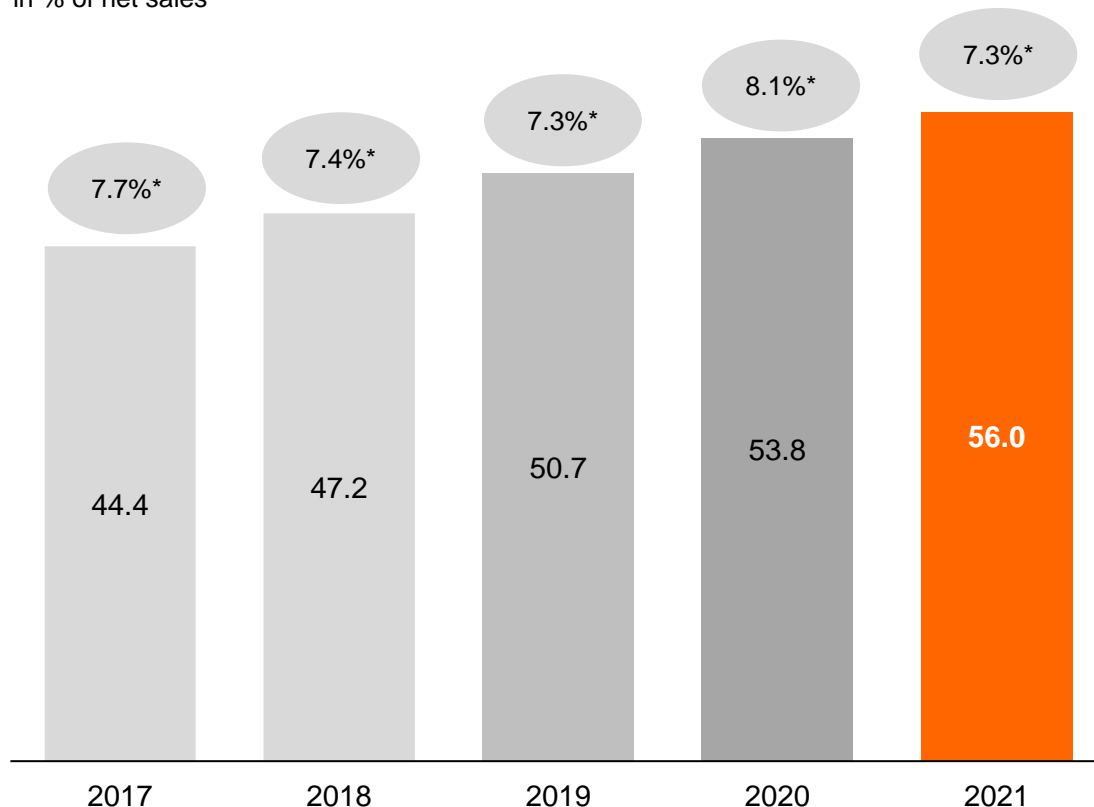
Financial Results 2021

Expanding Technological Leadership



R&D Costs

in CHF million
* in % of net sales



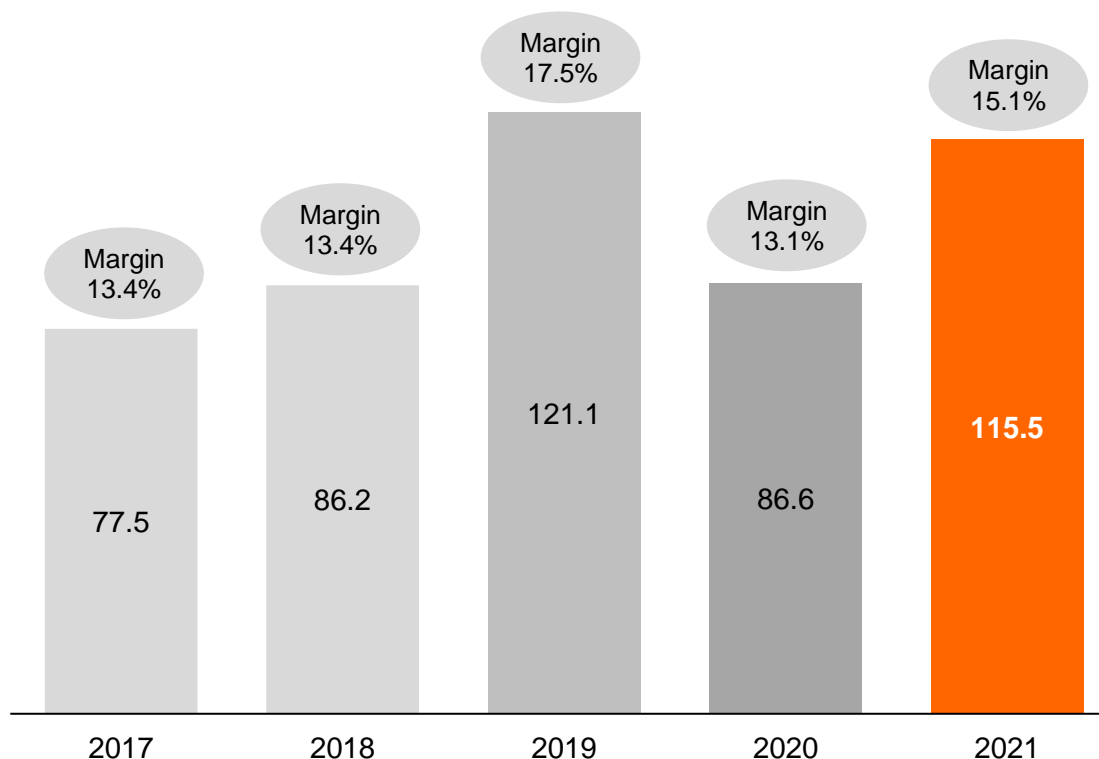
- Continuous increase of **investments in research and development** to expand technological leadership and ensure long-term success.
- Investment of CHF 56.0 million +4.1% compared to PY (53.8 million).
- **Relative to net sales**, investment in research and development **decreased to 7.3%** (PY 8.1%) due to strong sales growth.

Financial Results 2021

Expanded Net Income

Net Income

in CHF million



- **Net income of CHF 115.5 million, 33.3% above PY (CHF 86.6 million); 15.1% of net sales.**
- **Income taxes:** international tax law developments impacting expected tax rate one-off by +2 pp, total tax expense of CHF 27.9 million (PY CHF 14.1 million).
- More favorable Fx development **reduced Fx losses** to CHF -0.8 million in 2021 (PY CHF -5.6 million).
- **Increased Earnings per share (EPS)¹⁾ of CHF 9.41 (PY CHF 7.05).**

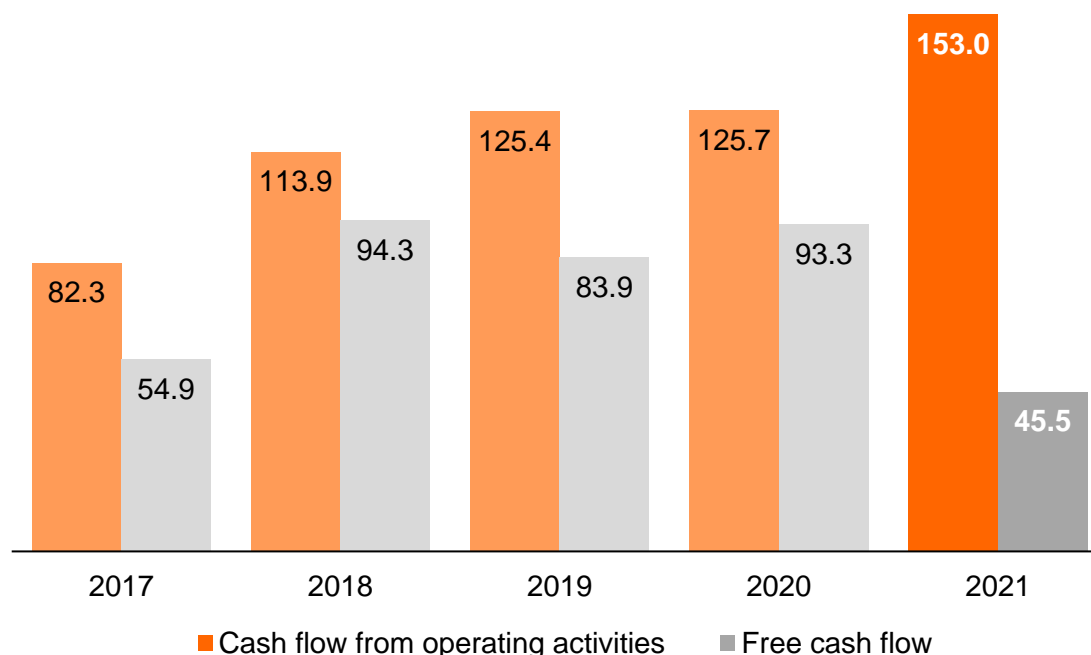
1) A twenty-for-one share split was conducted in April 2021. The EPS-value for prior periods has been adjusted in the interests of comparability.

Financial Results 2021

Excellent Cash Flow from Operating Activities

Cash Flow

in CHF million



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- **Operating cash flow of CHF 153.0 million** (PY 125.7 million). Growth and increase of strategic safety stocks to safeguard product availability resulting in higher Net Working Capital.
- **Cash flow used in investing activities of CHF 107.5 million** (PY CHF 32.4 million), includes tactical term deposits of CHF 60.0 million to limit negative interest rate impact.
- Capacity expansion leading to **increased investment activity** in PPE of CHF 38.9 million (PY CHF 22.8 million).

Financial Results 2021

Very Strong Second Half-Year

in CHF million	1. half-year	2. half-year proforma*	Total
Net sales	384.7	380.6	765.3
Material expenses incl. changes in inventories <i>in % of net sales</i>	-152.5 -39.6%	-154.3 -40.5%	-306.8 -40.1%
Operating income (EBITDA) <i>in % of net sales</i>	91.8 23.9%	86.6 22.7%	178.4 23.3%
Operating income (EBIT) <i>in % of net sales</i>	75.6 19.7%	69.8 18.3%	145.4 19.0%
Financial result <i>in % of net sales</i>	1.4 0.4%	-3.4 -0.9%	-2.0 -0.3%
Net income <i>in % of net sales</i>	63.7 16.6%	51.8 13.6%	115.5 15.1%

*2. half-year proforma = YTD December 2021 - YTD June 2021.

- **Strong 2nd HY in Americas** leading to evenly distributed net sales across quarters/semesters.
- **Material cost increases** reducing EBIT in 2nd HY.
- **Adverse Fx environment** in 2nd HY impacting financial results and net income.

Financial Results 2021

Retaining a Strong Balance Sheet

in CHF million	12.31.2021	12.31.2020
Cash and cash equivalents	109.4	164.9
Other current assets	298.9	196.4
Non-current assets	234.4	222.1
Assets	642.7	583.5
Current liabilities	114.5	78.4
Non-current liabilities	16.9	15.8
Total equity	511.3	489.3
Liabilities and equity	642.7	583.5

- The Group successfully maintained a **very strong balance sheet** in 2021.
- **Total equity** amounting to **CHF 511.3 million; equity ratio** at 79.6% (PY 83.9 %).
- Investment of cash in term deposits of CHF 60.0 million now reported as other current assets.

Financial Results 2021

Adding a New Set of Strong Key Figures



	2017	2018	2019	2020	2021
Net sales growth in local currencies	8.2%	9.6%	9.2%	0.0%	16.6%
EBIT margin	16.0%	17.1%	17.9%	16.3%	19.0%
Free cash flow in % of net sales	9.5%	14.7%	12.1%	14.1%	6.0% ¹⁾
Return on invested capital (ROIC)	23.4%	27.8%	27.8%	24.7%	26.0%
Return on equity (ROE)	19.8%	20.3%	25.6% ²⁾	17.4%	23.1%
Net working capital in % of net sales	27.9%	25.9%	25.5%	25.4%	26.0%

¹⁾ FCF 2021 includes a term deposits investment of CHF 60.0 million.

²⁾ ROE 2019 impacted by a one-time tax effect.

The definitions of all non-GAAP measures can be found on our website at:

www.belimo.com/financial-summary

Decreased free cash flow of CHF 45.5 million (-51.2% vs. PY) due to higher investments in PPE and tactical investment in term deposits of CHF 60.0 million.

Financial Results 2021

Proposing an Increased Dividend

- The Board of Directors proposes a **dividend of CHF 8.50** per share at the Annual General Meeting on March 28, 2022 (PY CHF 7.50, adjusted for the share split).
- Based on the closing price of CHF 580.00 on December 30, 2021, this results in a **return of 1.5% per share** for shareholders.
- **Payout ratio of 90.4%** (PY 106.4%), increasing proposed dividend payment to CHF 104.6 million (PY CHF 92.2 million) in absolute terms.



Financial Results 2021

Delivering Strong Results to the Stock Market



	2017	2018	2019	2020	2021
Earnings per share, in CHF ¹⁾	6.30	7.01	9.85	7.05	9.41
Stock market price as at December 31, in CHF ¹⁾	213	197	365	384	580
Dividend, in CHF ¹⁾	4.25	5.00	7.50	7.50	8.50 ²⁾
Payout ratio	67.5%	71.3%	76.1%	106.4%	90.4%
Return on dividend as at December 31	2.0%	2.5%	2.1%	2.0%	1.5%
Price-earnings ratio as at December 31	33.9	28.1	37.0	54.5	61.6
Total shareholder return as at December 31	41.0%	-5.6%	87.6%	7.4%	53.0%
Total shareholder return, 5 years					295.1%

¹⁾ In April 2021, a twenty-for-one share split has been conducted. Previous year figures have been adjusted for reasons of comparability.

²⁾ Proposal by the Board of Directors to the Annual General Meeting 2022.

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Activities of the Board of Directors

Regular Strategy Reviews to Create a Sustainable Set-Up



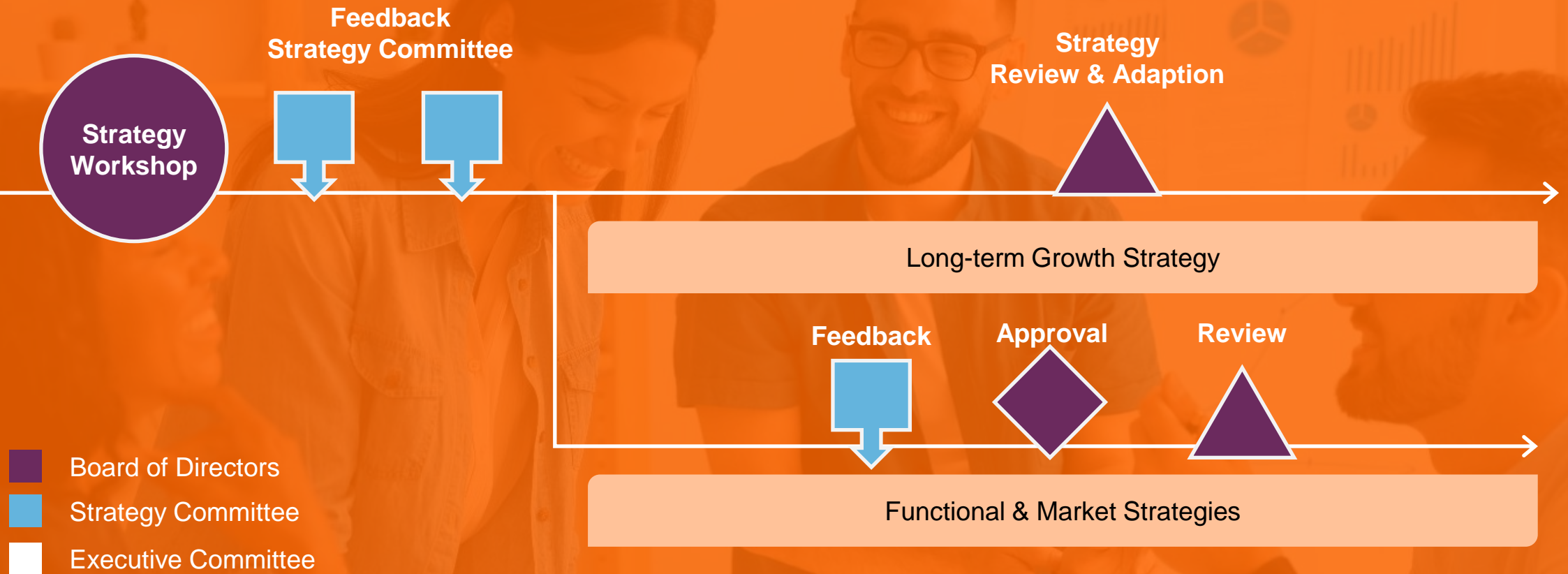
Conscious and repeated dialog between the Board of Directors and the Executive Board creates the conditions for a successful long-term strategy.

Each strategy is **reviewed** regularly and **adapted** to the changed environment.

The strategy development process itself becomes an **important learning processes** in the Company.

Activities of the Board of Directors

Regular Strategy Reviews to Create a Sustainable Set-Up





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Growth Strategy Review and Priorities

Review of the Successful First Phase of Our Growth Strategy



The implementation of a dedicated Growth Strategy led to an additional **+3.1pp top line growth CAGR*** between 2016 to 2021 through market share gains:

- › new products
- › new segments
- › new markets

2011-2016

*CAGR 5.7%**

2016-2021

1st Phase of
Growth Strategy

*CAGR 8.8%**

Key Initiatives



Actuators and Valves

Sensor Business

Performance Devices

Grow Asia Pacific

Strengthened ESG Profile

Growth Strategy Review and Priorities

Review of Growth Strategy: Leadership in Actuators and Valves



Air Business: six actuator lines introduced and solidified market leadership. **CAGR* 2016-2021 8.1%**.



Water Business: five valve lines introduced and driving high growth rates. **CAGR* 2016-2021 9.7%**.

Growth Strategy Review and Priorities

Review of Growth Strategy: Enter Sensor Business



Introduced full sensors portfolio since initial offering in 2017, including pipe and duct sensors, room sensors, and room operating units.



Bolt-on-acquisition of **Montreal-based Opera Electronics Inc.**, an air quality / gas sensors specialist. Recently **obtained UL 2075 approval** for US market.

Growth Strategy Review and Priorities

Review of Growth Strategy: Offer Selected Performance Devices



Established concept of Performance Devices with the flagship product **Energy Valve™**. Registering already **10% of net sales** with smart flow control devices.



Introduction of the **VRU Universal VAV controller** for variable air volume control (VAV) for applications in sensitive areas such as laboratories or hospitals.

Growth Strategy Review and Priorities

Review of Growth Strategy: Grow Asia Pacific



Asia Pacific contributing ~CHF 100 million of net sales (CAGR* 2016-2021 10.4%); more than half from China thanks to **extensive sales network** with eleven hubs.



Opening of **India HQ in Mumbai** in spring with customization, sales, experience center to be prepared for the future growth potential of the Indian market.

Growth Strategy Review and Priorities

Review of Growth Strategy: Strengthened ESG Profile

Rating Agencies



Broker Ratings



STIFEL

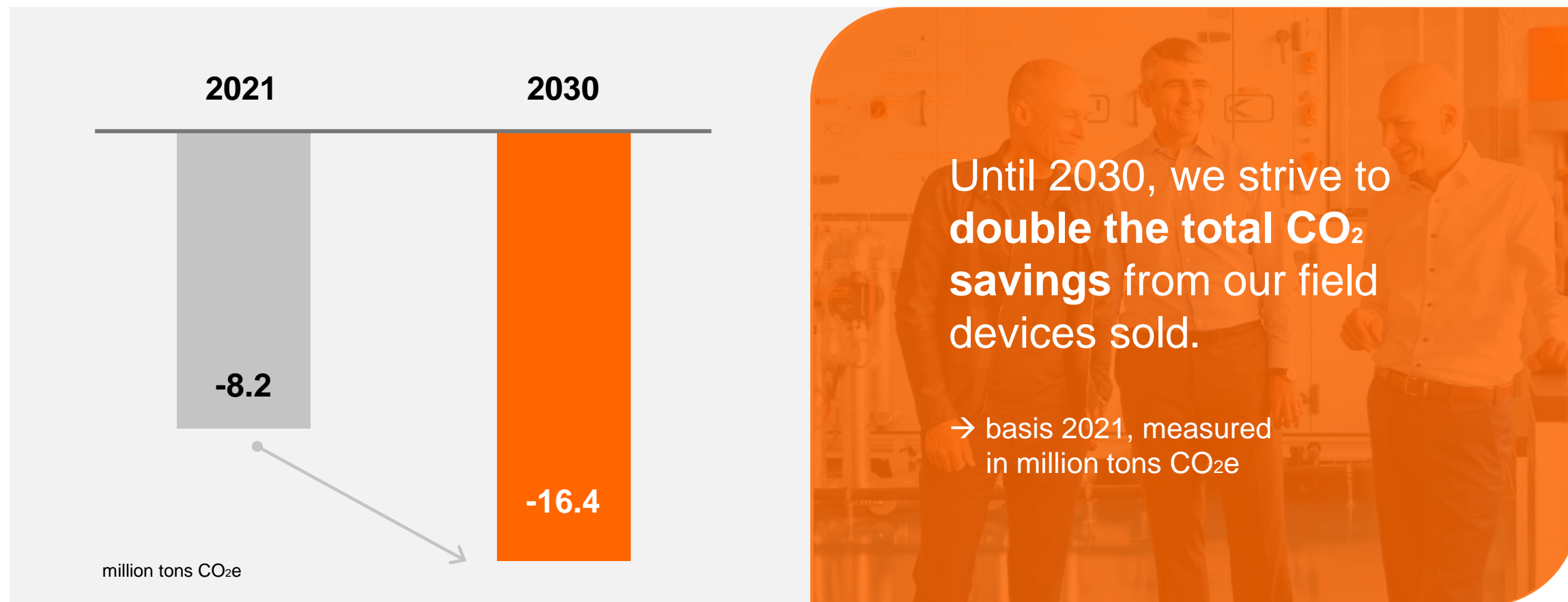
Ranked No 7 in Switzerland

Vontobel

Ranked No 5 in Switzerland

Growth Strategy Review and Priorities

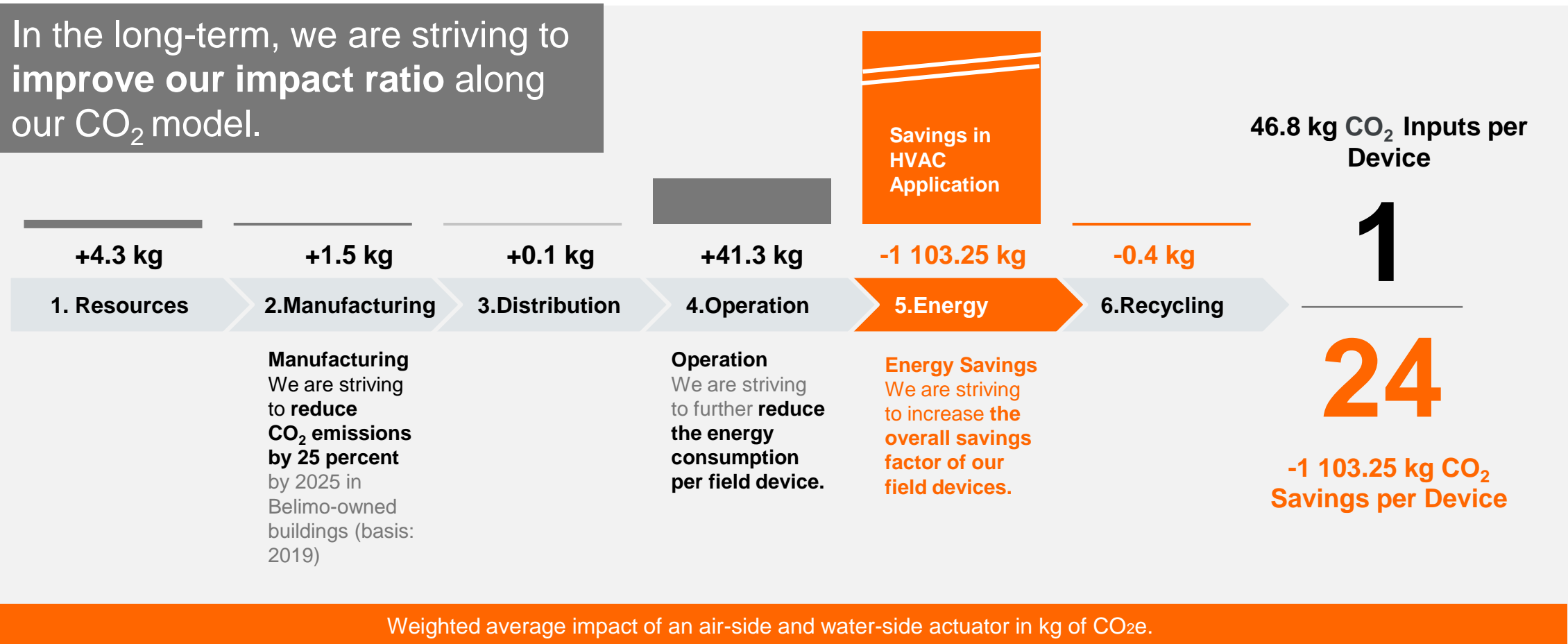
Review of Growth Strategy: Strengthened ESG Profile



Growth Strategy Review and Priorities

Review of Growth Strategy: Strengthened ESG Profile

In the long-term, we are striving to improve our impact ratio along our CO₂ model.



Growth Strategy Review and Priorities

Now Entering 2nd Phase of Growth Strategy

- › Heightened energy efficiency requirements offer additional growth potential, but also new challenges in terms of **bottlenecks such as labor shortages**, which we address through a set of dedicated initiatives.

2011-2016

*CAGR 5.7%**

2016-2021

1st Phase of
Growth Strategy

*CAGR 8.8%**

2021-2030

2nd Phase of
Growth Strategy

Customer Value Initiatives



RENEWAL

Grow Asia Pacific

Digital Customer
Experience

Growth Strategy Review and Priorities



Customer Value: Addressing Resources Bottlenecks to Capture Potential

Customer Value

Solution Leadership



RENEWAL

Accelerate the renewal of the installed base (retrofit).



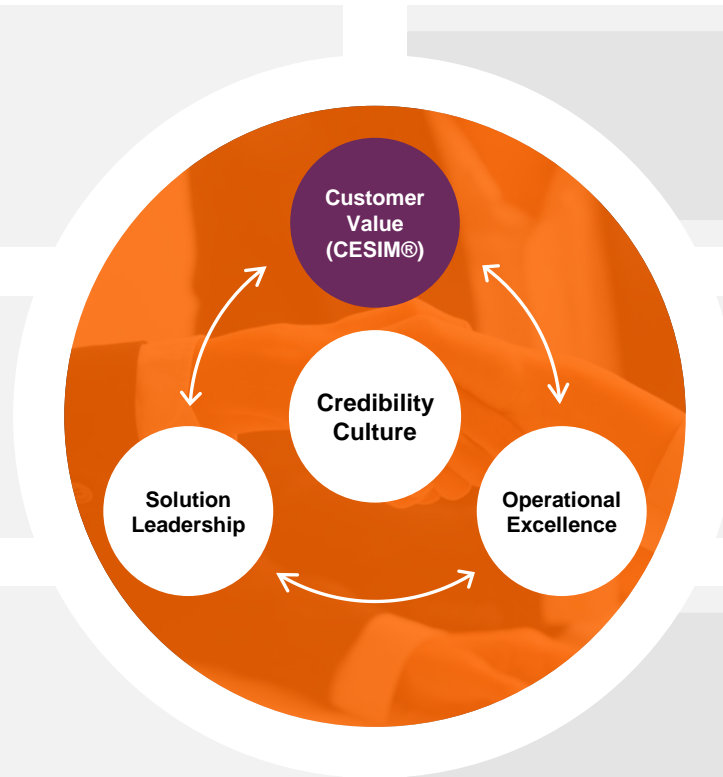
Grow Asia Pacific

Ensure market leadership in the fastest growing market



Digital Customer Experience

Innovate our customers' experience.



Actuators and Valves

Grow business and expand market leadership.



Sensors and Meters

Expand range of comfort, energy, safety sensors, and increase market share.



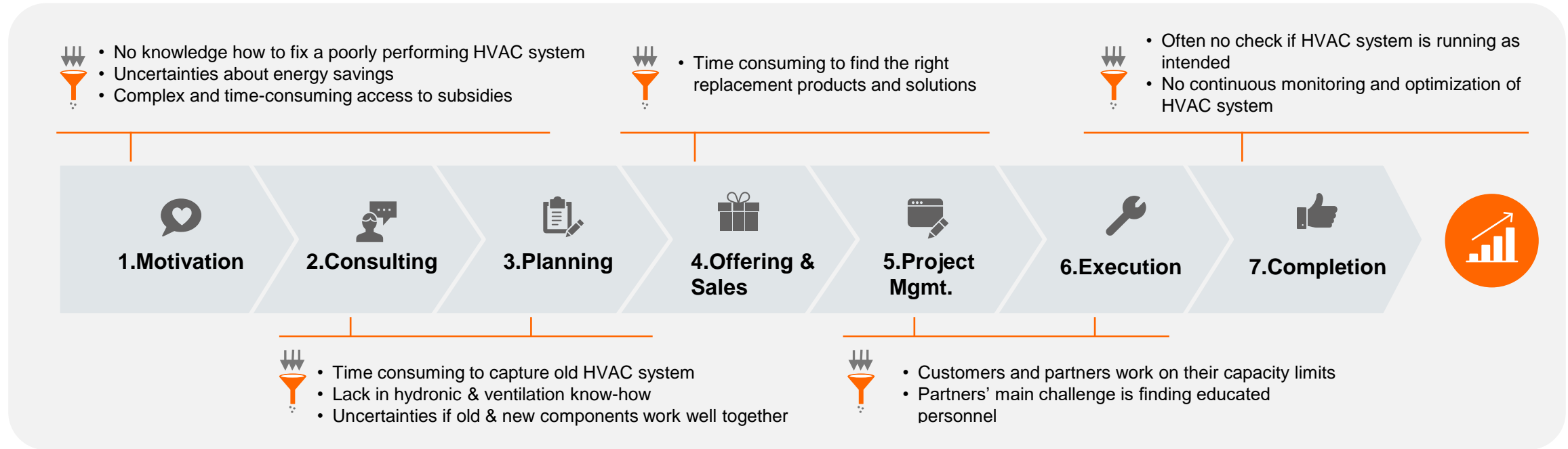
Digital Ecosystem

Leverage platform capabilities. Edge logic and allow seamless access to device data.



Growth Strategy Review and Priorities – Customer Value

RENEWAL: Accelerate the Renewal of the Installed Base



Solutions 1

Dedicated application kits and solutions focusing on upgrades and renovations of outdated systems.

Tools 2

User-friendly, innovative digital tools making the daily life of our customers easier.

Services 3

New field sales / support functions assisting our customers to plan, execute and close renovation projects most effectively.

Growth Strategy Review and Priorities – Customer Value

Asia Pacific: Ensure Leadership in the Fastest Growing Market



 **Grow Asia Pacific sales above market growth and faster than Belimo average**

China

- ✓ City-cluster presence
- ✓ Brand building
- ✓ Strengthen Training

India

- ✓ City-cluster presence
- ✓ Strengthen business support

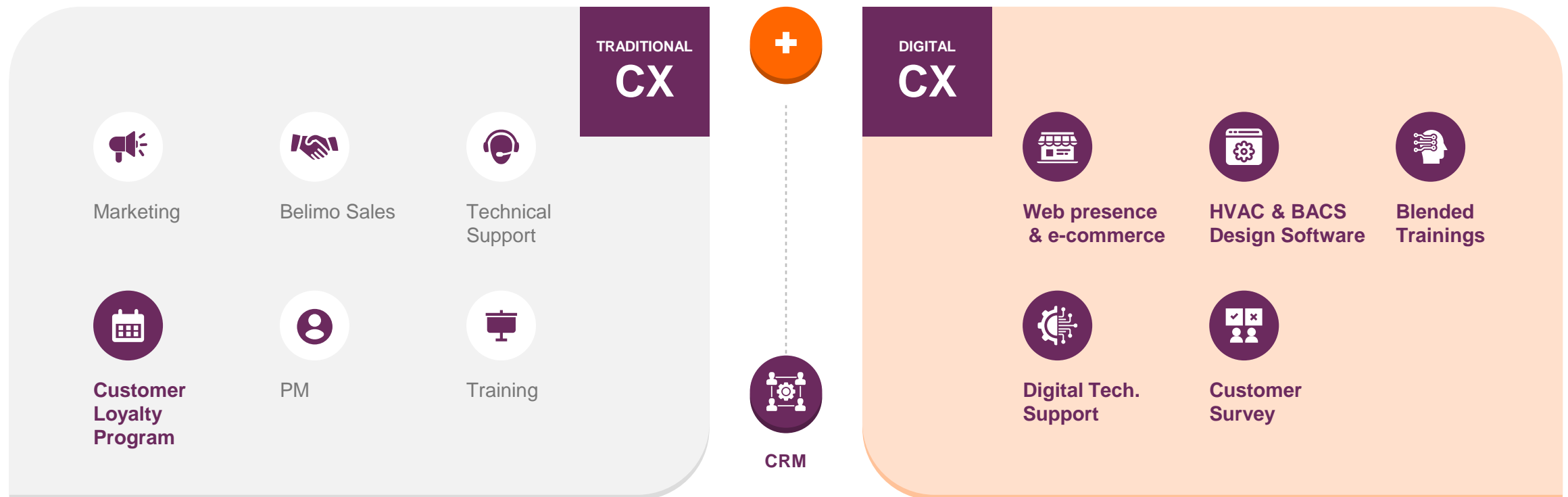
Rest of Asia Pacific

- ✓ Further increase market share in the region

Growth Strategy Review and Priorities – Customer Value

Digital Customer Experience: Innovate Our Customers' Experience

Innovative Customer Experience



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Deep Dive: Solution Leadership in R&D

Solution Leadership: Addressing Bottlenecks to Capture Potential



Deep Dive: Solution Leadership in R&D

Solution Leadership: Addressing Bottlenecks to Capture Potential

Customer Value

Solution Leadership



RENEWAL

Accelerate the renewal of the installed base (retrofit).



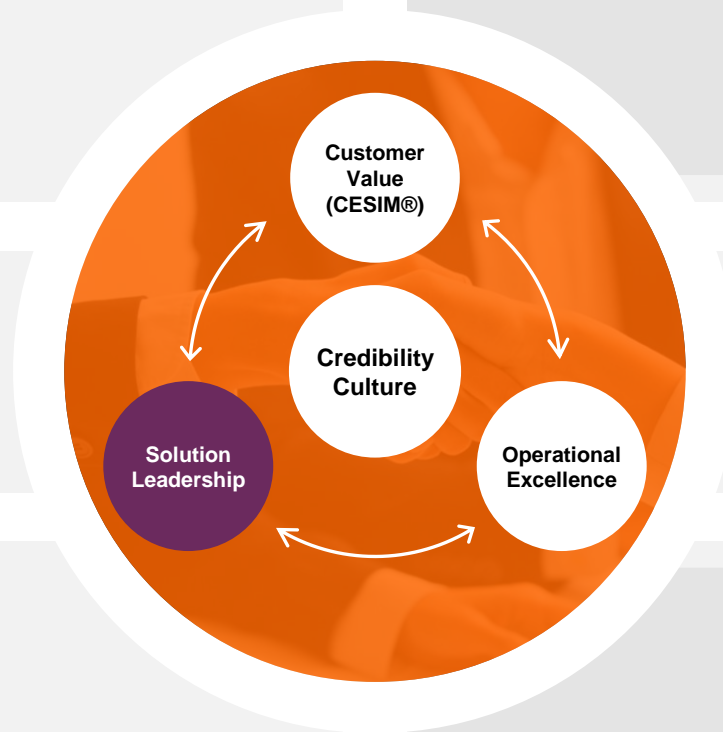
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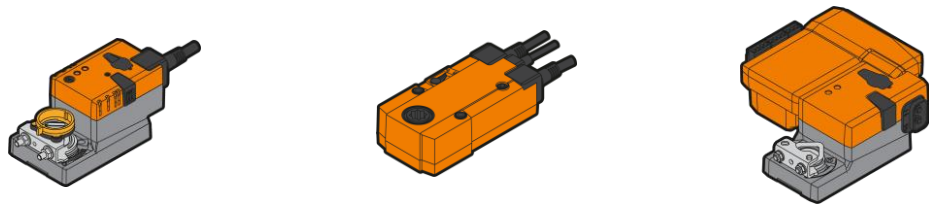


Deep Dive: Solution Leadership in R&D

Actuators & Valves: Grow Business and Expand Market Leadership

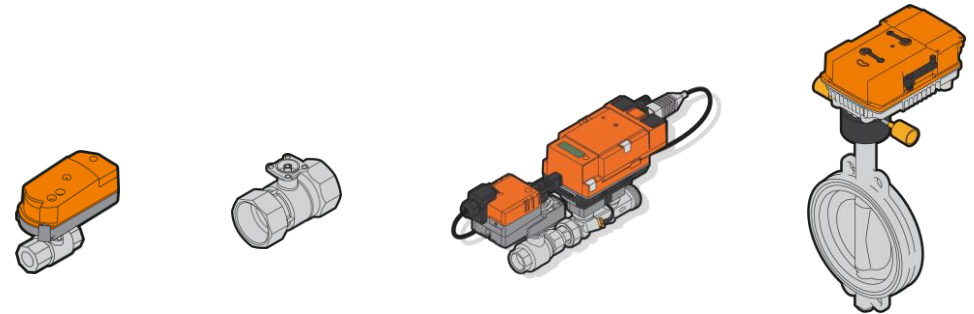
Actuators: Maintain and Expand No 1 Position

Range Enhancements



Valves: Become the Market Leader

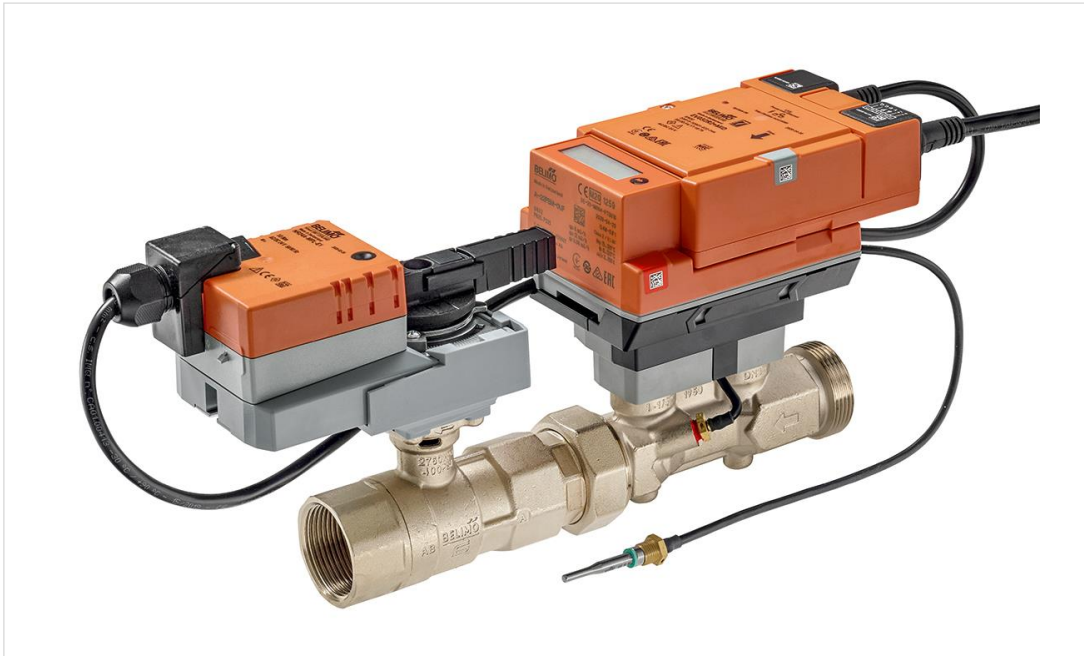
Range Enhancements



Next Generation Actuators and Valves

Deep Dive: Solution Leadership in R&D

Actuators & Valves: New Product Launches



Launch of the fourth generation of the **Belimo Energy Valve™**, uniting temperature control, certified energy measurement, and billing in one intelligent field device.



Launch of the **smallest damper actuator, the UM/UH**, for increased indoor air quality requirements in zone applications in schools, hotels, residential buildings.

Deep Dive: Solution Leadership in R&D

Sensors & Meters: Expand Range and Increase Market Share



Leading Sensors & Meters Company

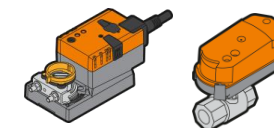
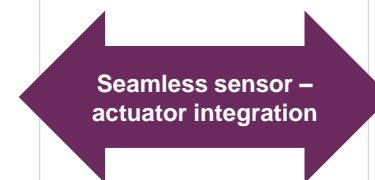
High Customer Acceptance



of Belimo Sensors & Meters

RENEWAL: IAQ / Energy - Monitoring

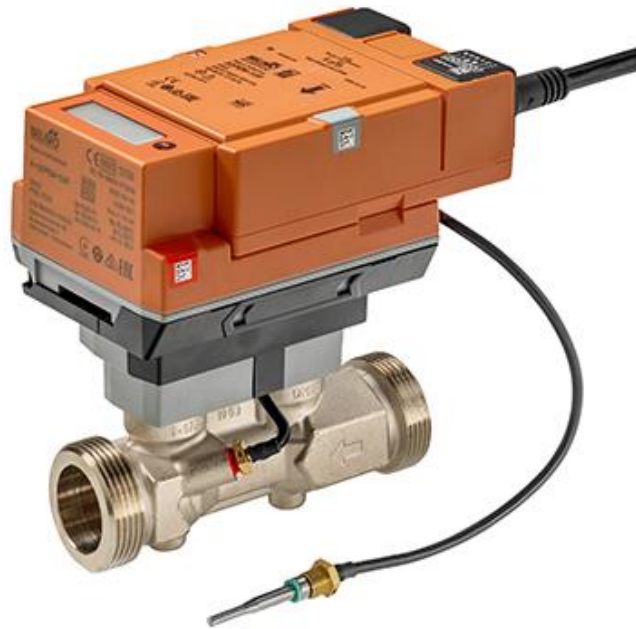
Unique, competitive modular 3-level sensor range



Next Generation Sensors/Meters, Actuators and Valves

Deep Dive: Solution Leadership in R&D

Sensors & Meters: New Product Launches



Launch of the **Thermal Energy Meter** (MID approved). Available standalone or in combination with the Energy Valve™, offering features such as glycol measurement.



Upcoming launch of touch **Room Operating Units** for visible areas of the room; featuring ePaper display and traffic light function with LED to make air quality visible.

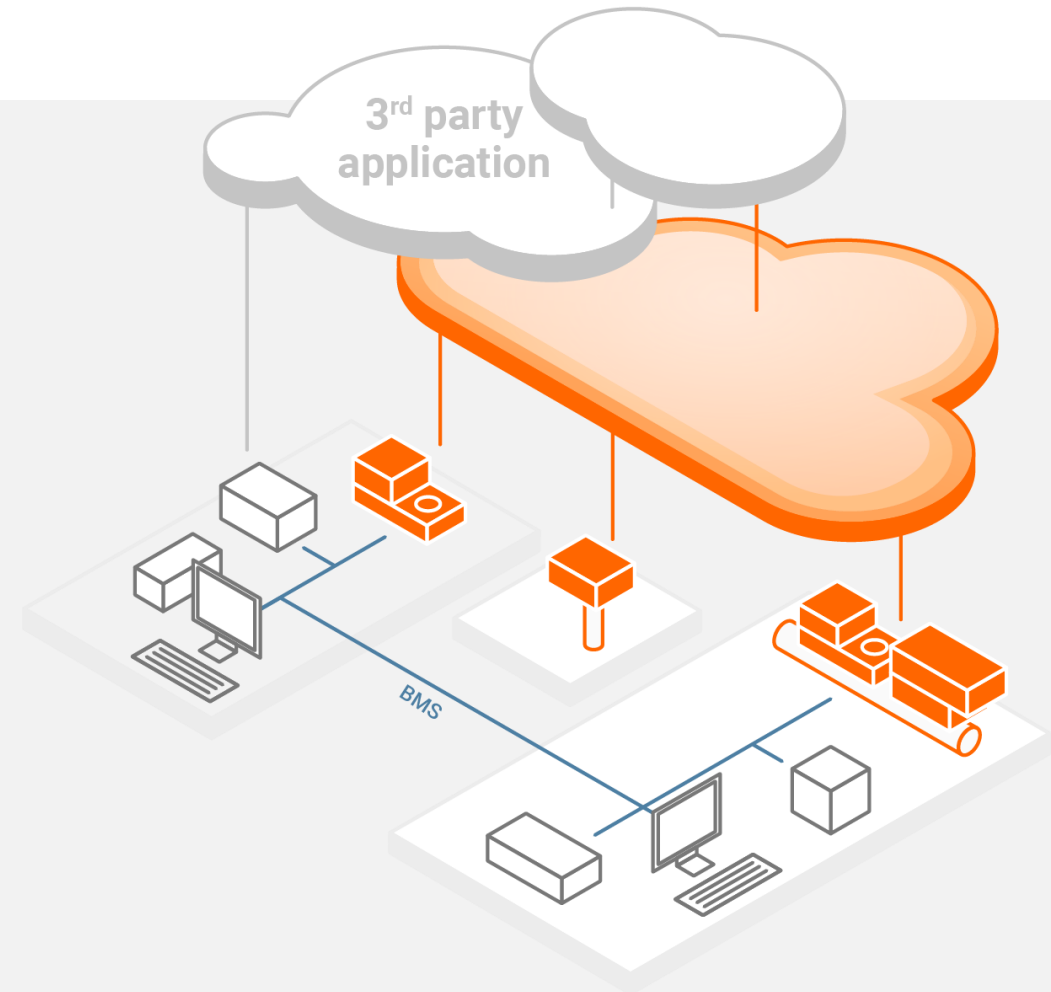
Deep Dive: Solution Leadership in R&D

Digital Ecosystem: Connectivity, Edge Logic, and Access to Data



Belimo Digital Ecosystem

- Connectivity for easy configuration and operation
- Seamless integration into Building Automation Control (BACS)
- Seamless Building IoT integration



Deep Dive: Solution Leadership in R&D

Strengthen and Internationalize R&D in Line With Growth Strategy



Consolidate our technical leadership

R&D I-Hubs

- ✓ Build up I-Hubs in China, Germany and USA.
- ✓ Core competencies for the I-Hubs defined.
- ✓ Same organizational blueprint implemented for Headquarters and I-Hubs.

IP Protection

- ✓ Number of patents filed doubled towards previous years.
- ✓ Diversification of patents for both basis technologies and applications.
- ✓ Litigation cases actively managed.

Org & Process

- ✓ New organizational model implemented in global R&D.
- ✓ Rework of our internal development processes to fit the growing team size.
- ✓ Reinforce our project management skills for time to market and efficiency.



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Outlook 2022

Sales Growth in Line with Strategy

Sales Growth

- For 2022, sales growth in line with strategy expected; sales revenue growth rate in LC **around five-year average**.
- Extraordinary **inflationary growth component** due to input cost increases which will be recovered by price adjustments.

Risks

- Recent **geopolitical developments**, delivery disruptions, skilled labor shortages, and pandemic-inflicted setbacks.

Financials

- Normalization of spending and investments in initiatives will increase **operational expenditures** and impact EBIT margin.
- **Investments** in production, logistics, and customization **capacities** impacting cash flow in subsequent years.





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