



V-ZUG Group – Half-Year Report 2022
22 July 2022

Agenda

- ① H1 2022 – Overview
- ② Markets
- ③ Products
- ④ Site Transformation
- ⑤ Financial Information H1 2022
- ⑥ Outlook
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1. V-ZUG Group – Overview

1. H1 2022 – Overview

Great market response for innovative products and business models

- **World first PowerSteam** (launched in Mai 2022) & new **CombiSteam Grand** (available in int'l markets beg of 2023) – highlights of Salone del Mobile/EuroCucina in Milano
- **CombiCookTop** – iF Design Award & Red Dot Design Award
- **V-Kitchen** – monthly active users on the rise; winning Migros as a new partner in its eco system

Sustainability

- **Sustainability Report** – greater transparency in objectives and measurable progress in implementation; started with important initiatives, e.g. key partner and driving force behind initiative “decarbonisation of industrial companies” in Zug
- **“Friendly Workspace” quality label** – for efforts in human resources management and work organization

Operations with challenges in supply chains and rising costs

- **Challenges & disruptions in purchasing material groups** – in Q2 2022, situation deteriorated significantly (COVID-19 lockdown in Shanghai area)
- **Lack of availability** – causing short-term production adjustments resulting in temporary delivery delays on vital parts of the product range
- **Significant increased procurement costs** – being passed on to customers with deliberately phased sales price adjustments

H1 2022 at a glance

Light and shadow in H1 2022: net sales almost on prior year level (high demand, production constraints); EBIT battered due to supply chain challenges & disruptions

- **Net sales:** CHF 303.0 million, CHF -9.3 million resp. -3.0% vs. H1 2021
- **EBIT:** CHF 4.3 million (1.4% of net sales), CHF -34.0 million resp. -88.9% vs. H1 2021
- **Order intake:** CHF 354.4 million, CHF +10.6 million resp. +3.1% vs. H1 2021

Lower net sales in Switzerland partly compensated by sustained sales growth in International Markets

- **General:** Q2 deliveries held back due to supply chain challenges and supplier de-commitments
- **Swiss Market:** -7.1% vs. H1 2021; with continuing high demand and full order books
- **International Markets:** +21.9% vs. H1 2021; uninterrupted growth resulting from increasing awareness and market penetration in target markets; earlier target of doubling sales between 2019-24 most likely to be achieved ahead of schedule

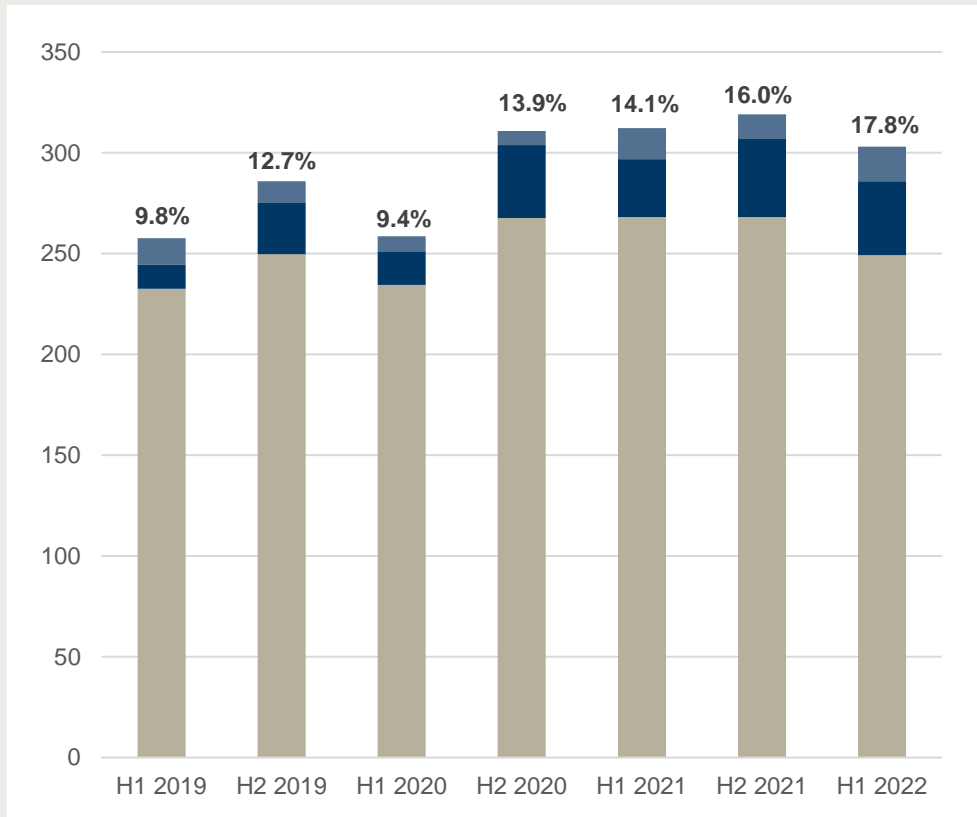
Site transformations progressing according to plan

- **Refrigerator factory (Sulgen):** Move from Arbon to Sulgen completed in March 2022
- **Zephyr Ost (Zug) – vertical factory:** Laying of foundation stone in March 2022 – construction work on plan
- **Zephyr West (Zug) – office building:** Architecture competition to be completed in autumn 2022

1. H1 2022 – Overview

Continuing high demand led to net sales almost on previous year's level despite challenges and disruptions in the supply chains

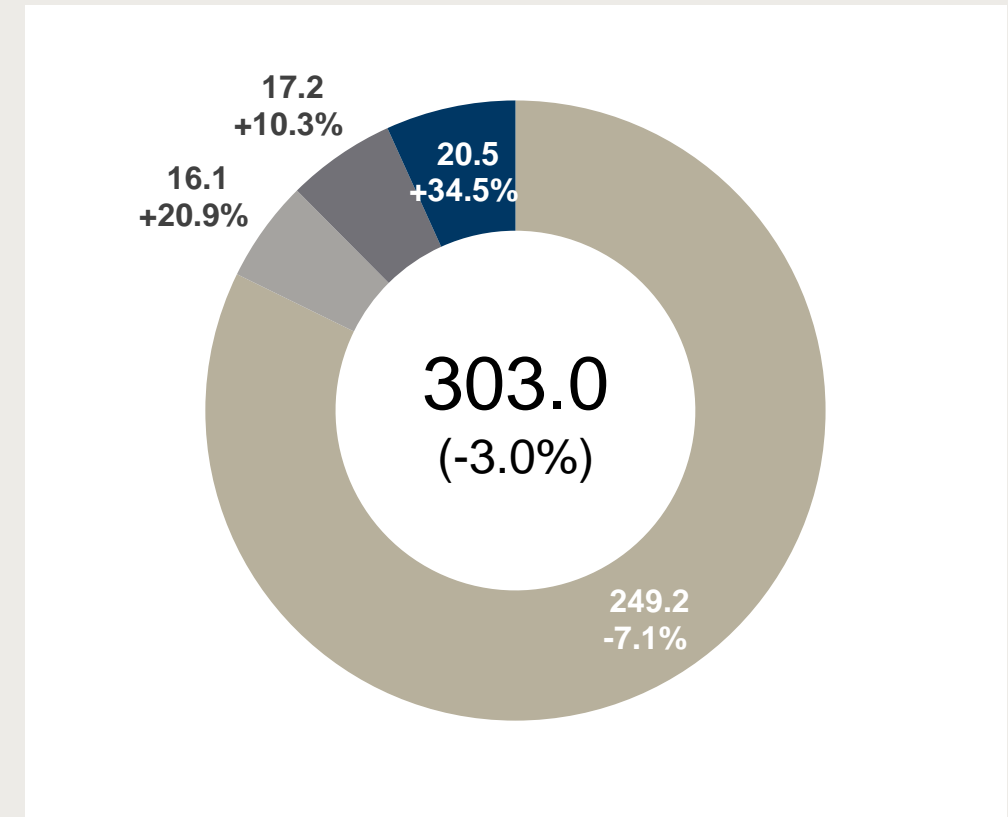
Net sales¹⁾ [in CHF million]



% International markets in % of net sales

- International OEM business
- International own brand
- Switzerland

Net sales¹⁾ by region [in CHF million]



% Deviation compared to H1 2021

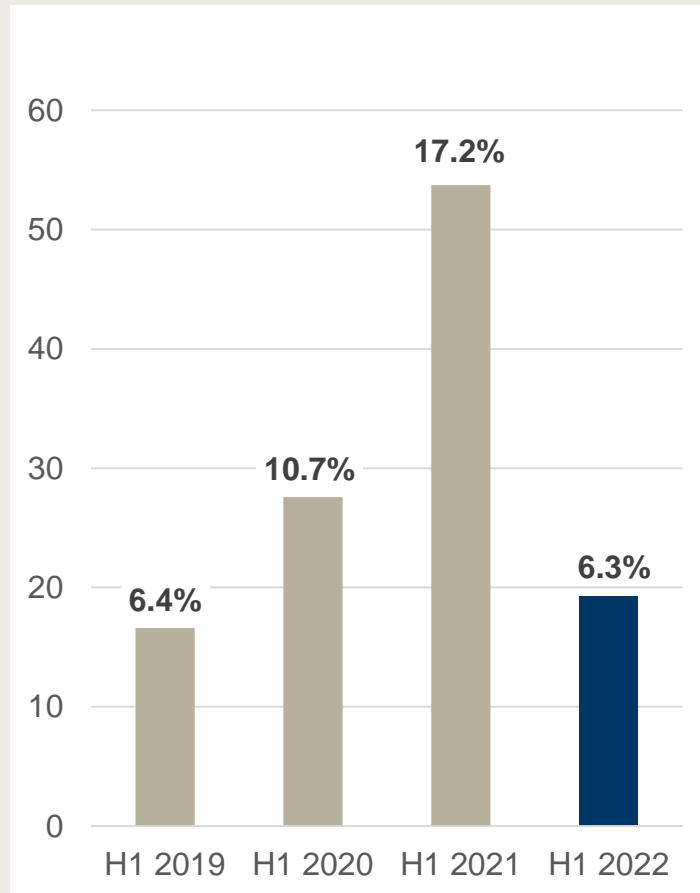
- Asia/Pacific
- Americas
- Europe w/o Switzerland
- Switzerland

¹⁾ The figures for the prior-year period have been partially adjusted in connection with changes in accounting principles, see p. 20 of the half-year report.

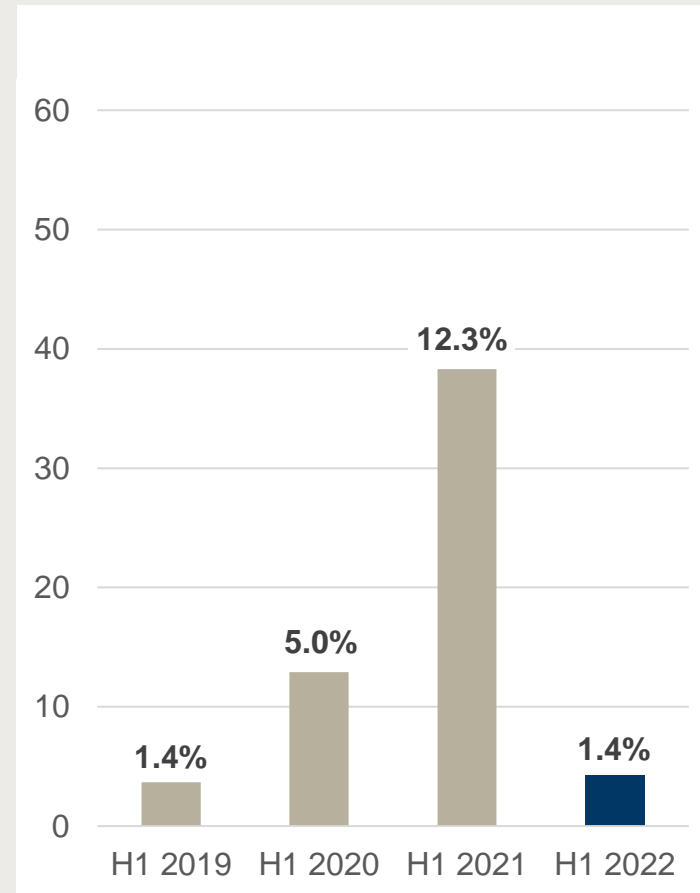
1. H1 2022 – Overview

Challenges in supply chains and cost increases in all purchasing material groups affect the operating result and free cash flow

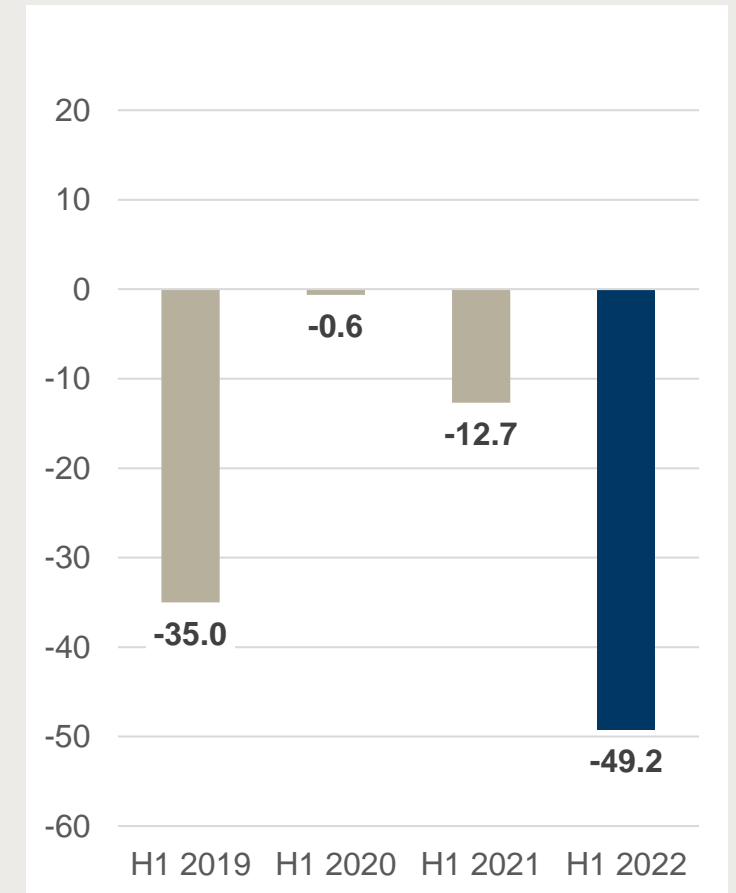
EBITDA [in CHF million]



Operating result (EBIT) [in CHF million]



Free cash flow [in CHF million]



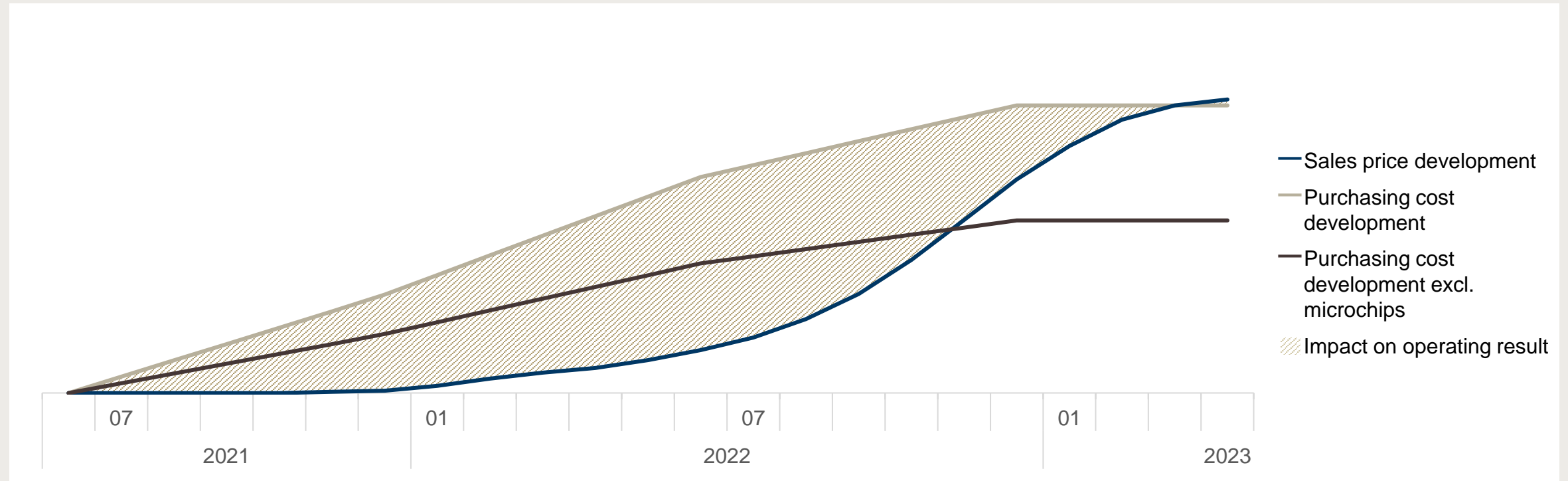
% EBITDA margin in % of net sales

% EBIT margin in % of net sales

1. H1 2022 – Overview

Purchasing costs increase faster than sales prices leading to a negative impact on the operating result

Schematic development of procurement cost and selling prices (06/2021 = reference point)



- Sales price increases introduced and communicated to the Swiss market, since the supply chain challenges started, are:
1 October 2021: +4%; 1 April 2022: +5%; 1 July 2022: +3%; 15 August 2022: +6% (only those sales price increases reflected above)
- Impacts of sales price increases in Swiss market have been delayed by around three to four months to allow business partners time to adjust their prices towards end customers. The full effect of the price increases only occurs with a time lag of 9 – 12 months
- In International Markets sales price adjustments are done based on individual market possibilities

1. H1 2022 – Overview

Since summer 2021 – Supply chain interruptions lead to unexperienced measures

Displays

Situation: critical

- IC- and Touch Controller under allocation (hard to find on the market)

Measures:

- Purchase orders placed up to 2023/24
- Ensure supplies via spot-buys

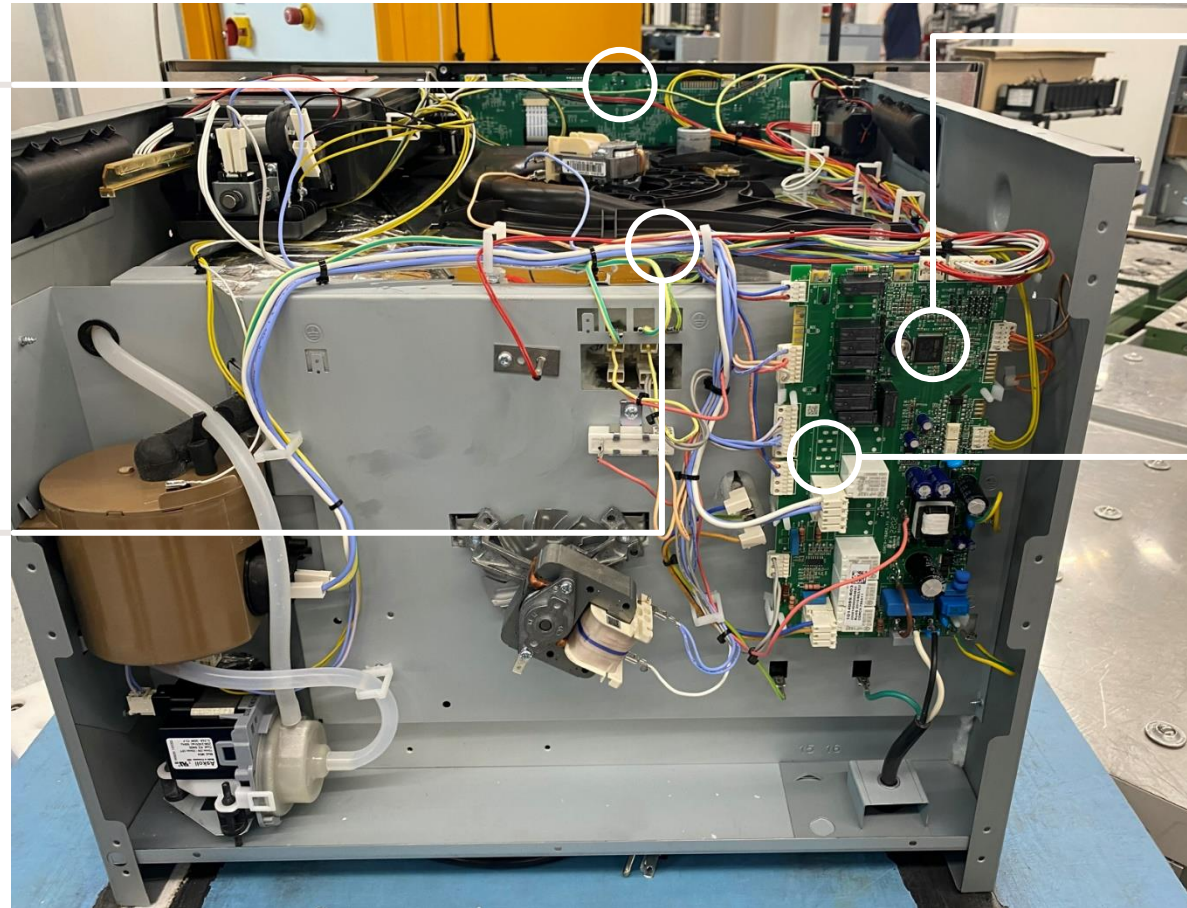
Wire harnesses

Situation: critical

- Connectors unavailable, lead times of over 70 weeks

Measures:

- Purchase orders placed up to 2023/24
- Alternative redesign in progress



Microcontrollers

Situation: critical

- World-wide shortage

Measures:

- Purchase orders placed up to 2023/24, pushing for allocations
- Escalations directly with manufacturers
- Ensure supplies via (costly) spot-buys
- Alternative redesign in progress

Printed circuit boards assembled (PCBA)

Situation: critical

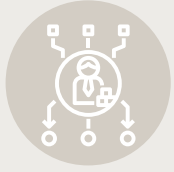
- General unavailability of electronic components, most brands are affected

Measures:

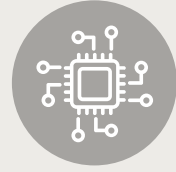
- Purchase orders placed up to 2023/24
- Redesign of alternative components under progress by our R&D
- Ensure supplies via spot-buys

1. H1 2022 – Overview

Supply chain disruption mitigation measures of V-ZUG Group



Second source suppliers for all components and raw materials in the process of being identified/qualified



Redesign of key microprocessors implemented to reduce dependence on single chip design



Securing electronic components (in particular, microprocessors) in spot markets despite massively higher costs



Build-up of inventories regarding critical materials (where possible)

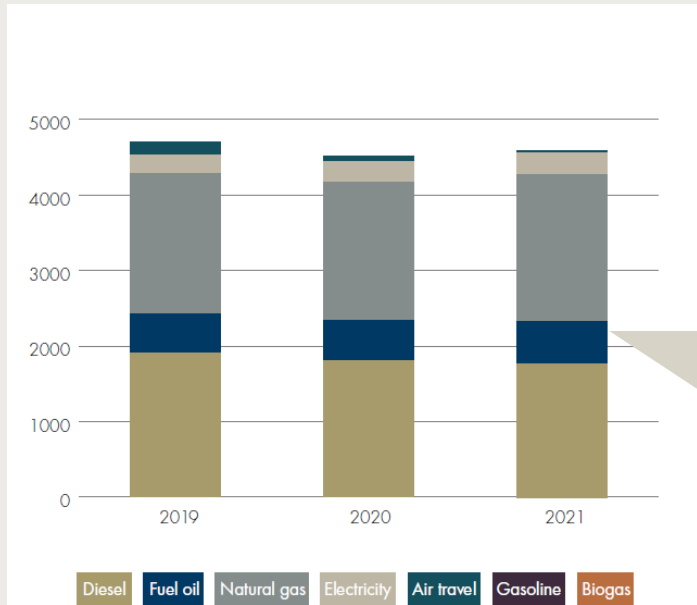


Contingency measures to maintain operations unaffected at 80% of the gas volume used for production and heating; suppliers are asked to disclose to V-ZUG their energy supply contingency plans

1. H1 2022 – Overview

Sustainability - CO₂ emissions: Quantities, measures and targets

Scope 1&2 (direct and indirect emissions),
Status 2019-2021

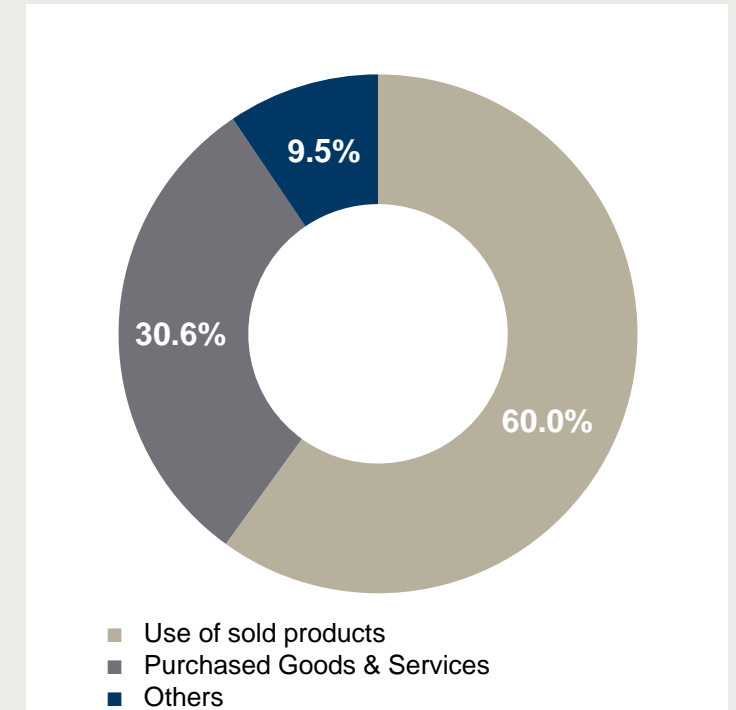


Target: Reduction by - 80% by 2030 (already CO₂-neutral production since 2020 thanks to offsetting with "V-Forest")



Reduction of natural gas and fuel oil upon commissioning of Multi Energy Hub in Zug and heat pump in Sulgen

Scope 3 (indirect emissions),
Status 2021



Target: Achieve transparency (2021), define long-term target (2022)
2021: 58% of sold appliances are in the three highest efficiency classes (A-C; reclassified), directly affecting Scope 3



2. Markets

2. Markets

Switzerland

- Renovation of ZUGORAMA Chur
- Modernisation of ZUGORAMA Zug (in late summer 2022)

International Markets

- Grand opening of V-ZUG Studio in London in March 2022 and Paris in June 2022
- V-ZUG Studio in Sydney to be opened 2023
- Contracts are close to conclusion for V-ZUG Studios in Hamburg and Vienna



2. Markets

General – Increased market communication activities

Broad-based cross-media campaign launched in Switzerland under the theme of “*Perfection you can feel*”:

- Avant-garde Swiss architect Valerio Olgiati (l) and
- French-Swiss ex-Formula 1 racing driver Romain Grosjean (r)

More prominent/perceptible presence on social networks e.g., with recent Instagram relaunch offering a completely new virtual world of experience and visual identity

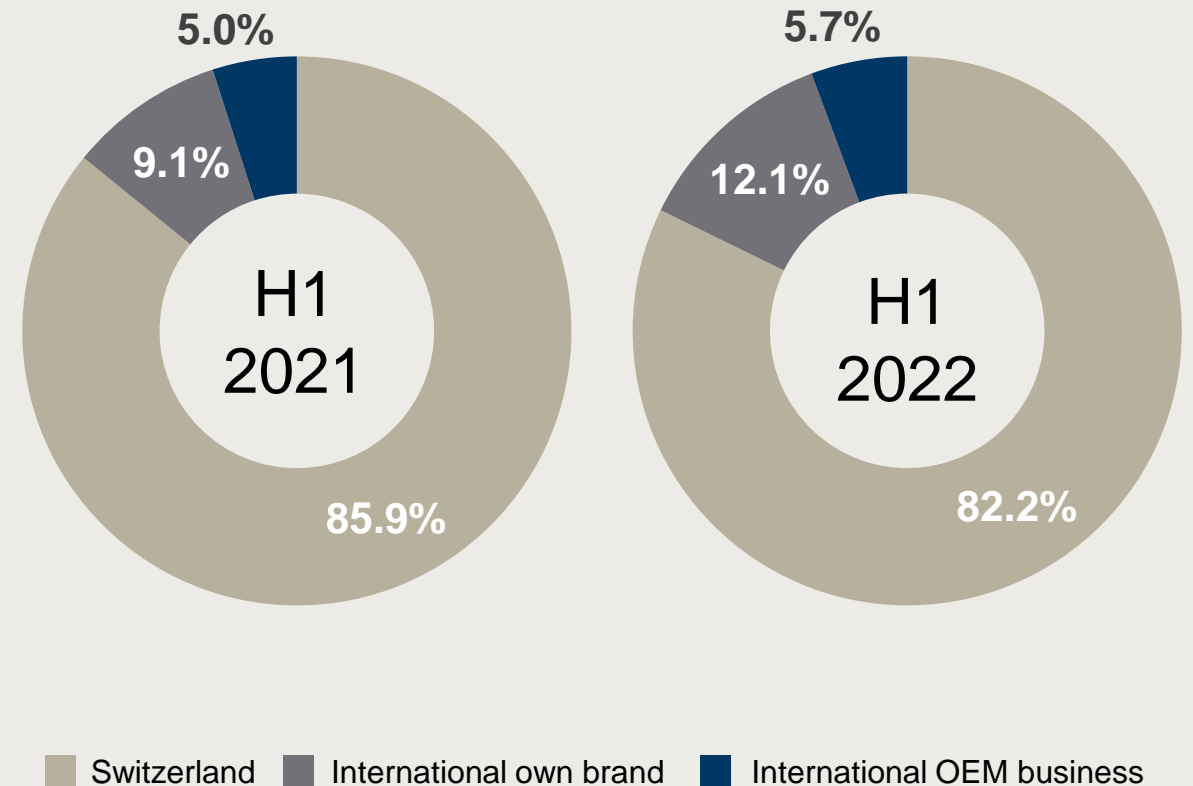


2. Markets

Market CH and International – Lower net sales but still robust demand in CH and continuing strong net sales growth in our International Markets

- Net sales in Switzerland amounted to CHF 249.2 million, lower compared to the prior-year period due to delivery delays in Q2 2022 caused by major supply chain challenges
- Full order books in Swiss market as demand is still robust but also due to delivery delays
- Share of international net sales increased from 14.1% to 17.8% (CHF 53.8 million) of total net sales
- International own brand business with net sales growth of CHF 7.9 million (+ 27.8%)

Net sales CH vs. International (H1 2022 vs H1 2021)





3. Products

3. Products

PowerSteam

- A world first and a significant testimony to V ZUG's outstanding expertise in combining a steamer and a microwave in one appliance
- The new inverter technology enables food to be prepared quickly and gently with steam and microwave modes in action at the same time

”

«The innovative PowerSteam is characterised by an efficient combination of heat, steam and microwave. It closes a gap in demand and meets the needs of our customers: with the PowerSteam, one achieves a gentle cooking result while shortening the cooking time.»

Philip Brüllhardt, Head of Sales, Zurich,
HERZOG Küchen AG



3. Products

CombiCookTop



-
- A compact hob with an integrated extractor fan, offering various configurations for more performance and flexibility
 - The new concept in grease and odor filtration ensures easy cleaning and user-friendly maintenance, thus setting new market standards
-

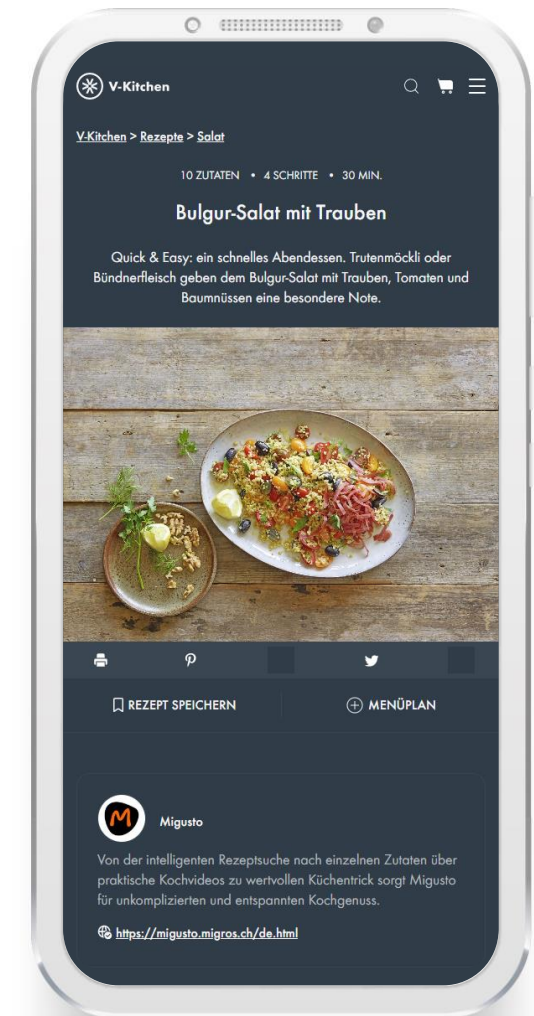
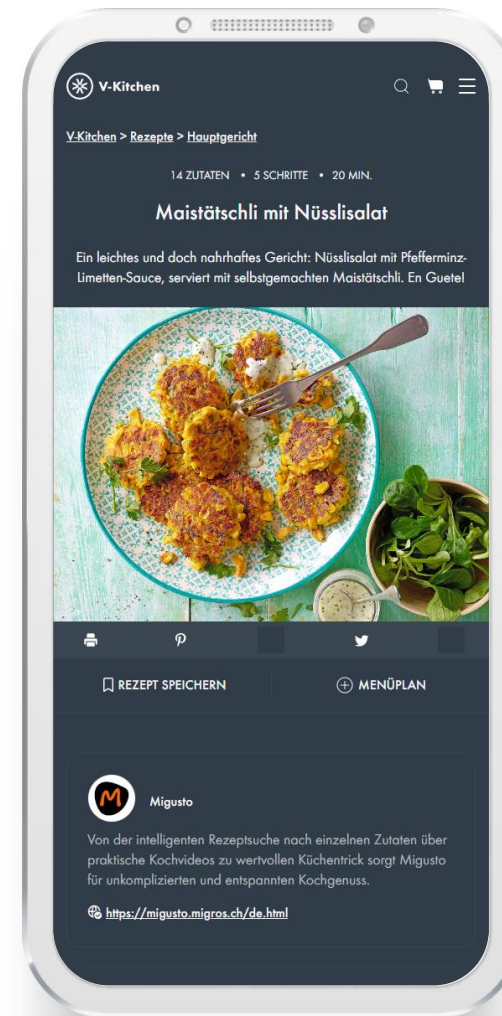


reddot winner 2022

3. Products

Progress with digital solutions and new business models

- **V-Kitchen** – extremely satisfying response to V-ZUG’s digital cooking assistant. Expectations exceeded, particularly regarding the active partner network, for which an important partner was acquired in the form of Migusto, the Migros cooking universe.
- **V-ZUG Home** – app launch in China in early 2022. All relevant V-ZUG markets are serviced with the “V-ZUG Home” app.
- **Leasing of washing machines and dryers** – the new business model as a product-as-a-service concept continues to make good progress





4. Site Transformation

4. Site Transformation

Zug – laying of foundation stone of new production building “Zephyr Ost” took place in March 2022

Presses /
Surface
Technology
“Zephyr Hangar”
(2020)

Core of the
vertical factory
“Zephyr Ost”
(2023)

R&D / Assembly
“Mistral” (2016)

Administration /
R&D
“Zephyr West”
(2026)

Logistics Centre
“ZUGgate” (2008)

Spare space
“Nord-Tor”



4. Site Transformation

Sulgen – new refrigerator factory operational since beginning of 2022; last relocation activities from the old site in Arbon to Sulgen concluded in March 2022





5. Financial Information H1 2022

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Result – V-ZUG Group

CHF million	H1 2022	Δ	H1 2021 ¹
Net sales	303.0	-3.0%	312.3
EBITDA	19.2	-64.2%	53.7
<i>EBITDA margin in %</i>	6.3	-1'090 bp	17.2
Operating income (EBIT)	4.3	-88.9%	38.3
<i>EBIT margin in %</i>	1.4	-1'090 bp	12.3
Free cash flow	-49.2	n/a	-12.7
<i>ROCE in % ²</i>	7.3	-1'370 bp	20.9

- Net sales slightly below previous year's level thanks to high demand in main markets; compromised by delivery delays due to supply chain disruptions
- EBITDA- and EBIT-margin suffering mainly due to cost increases caused by shortages on procurement markets, with purchase prices – particularly microprocessors – rising exponentially, as well as due to missing volumes owing to delivery delays
- Negative free cash flow mainly driven by low Group net result and build-up of inventories (CHF 20.8 million in H1 2022)
- ROCE development driven by significantly lower EBIT

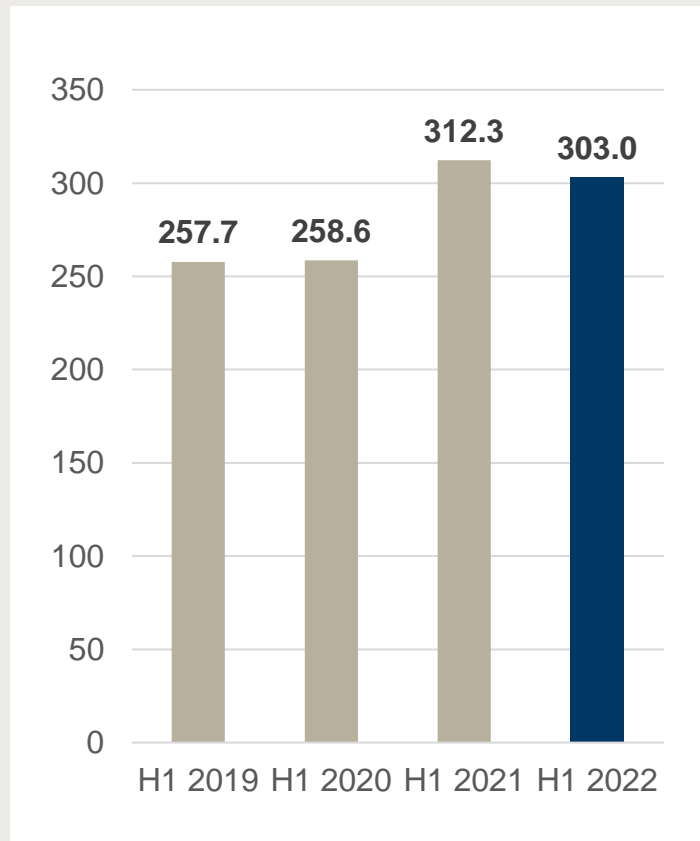
¹ The figures for the prior-year period have been partially adjusted in connection with changes in accounting principles, see p. 20 of the half-year report

² Definition: EBIT of last 12 months / weighted capital employed (extended net working capital + fixed assets + operating cash - provisions)

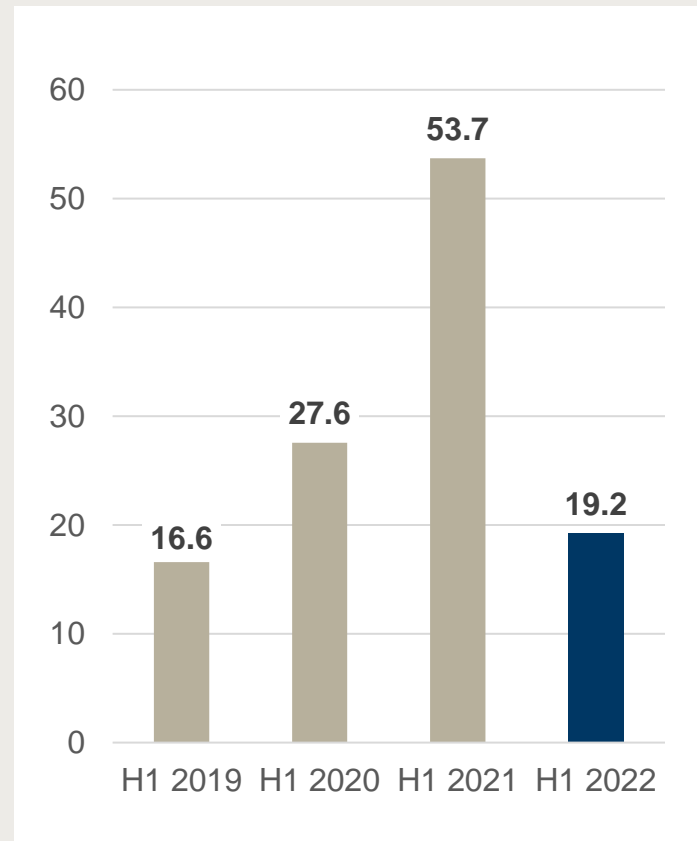
5. Financial Information H1 2022

Lower EBITDA and EBIT due to delays in delivery and cost inflation caused by shortages in supply chains

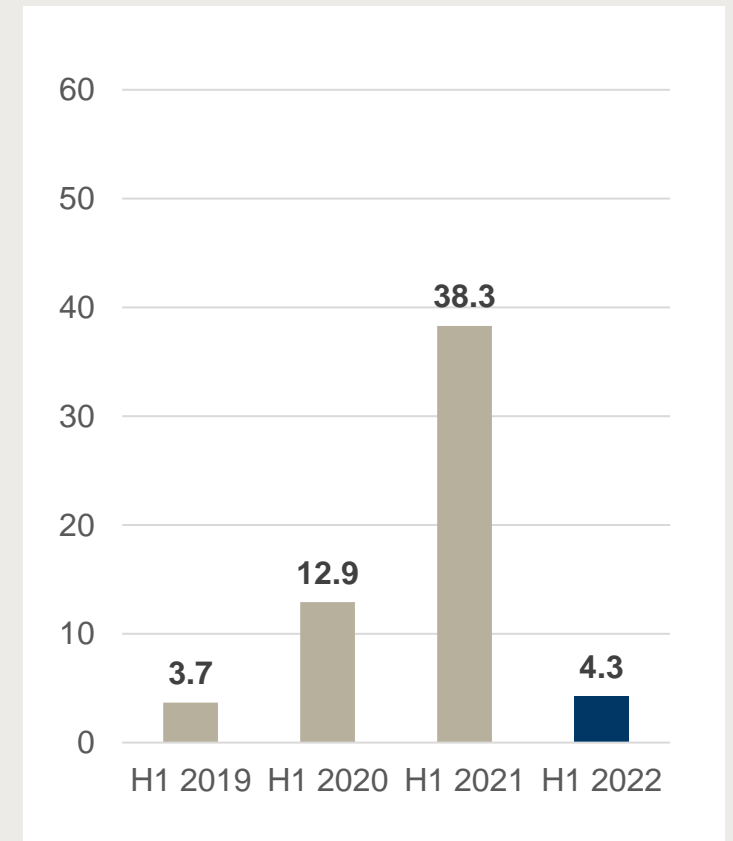
Net sales [in CHF million]



EBITDA [in CHF million]



Operating result (EBIT) [in CHF million]



5. Financial Information H1 2022

Result – Household Appliances Segment

CHF million	H1 2022	Δ	H1 2021
Net sales	303.0	-3.0%	312.3
Operating income (EBIT)	1.8	-95.1%	36.4
<i>EBIT margin in %</i>	<i>0.6</i>	<i>-1'110 bp</i>	<i>11.7</i>
<i>ROCE in %¹</i>	<i>10.3</i>	<i>-2'570 bp</i>	<i>36.0</i>

- FX neutral net sales -2.8%
- Net sales in Switzerland decreased by -7.1% due to major supply chain challenges resulting in unusual delays in deliveries of ordered appliances in the second quarter of 2022; robust demand leading to extraordinary high order books
- Net sales in international own brand business grew by 27.8% to CHF 36.6 million, international OEM business by 10.9% to CHF 17.2 million

¹ Definition: EBIT of last 12 months / weighted capital employed (extended net working capital + fixed assets + operating cash – provisions)

5. Financial Information H1 2022

Result – Real Estate Segment

CHF million	H1 2022	Δ	H1 2021
Net sales	–	–	–
Operating income (EBIT)	3.1	28.4%	2.4
<i>EBIT margin in %</i>	–	–	–
<i>ROCE in %¹</i>	3.8	100 bp	2.8

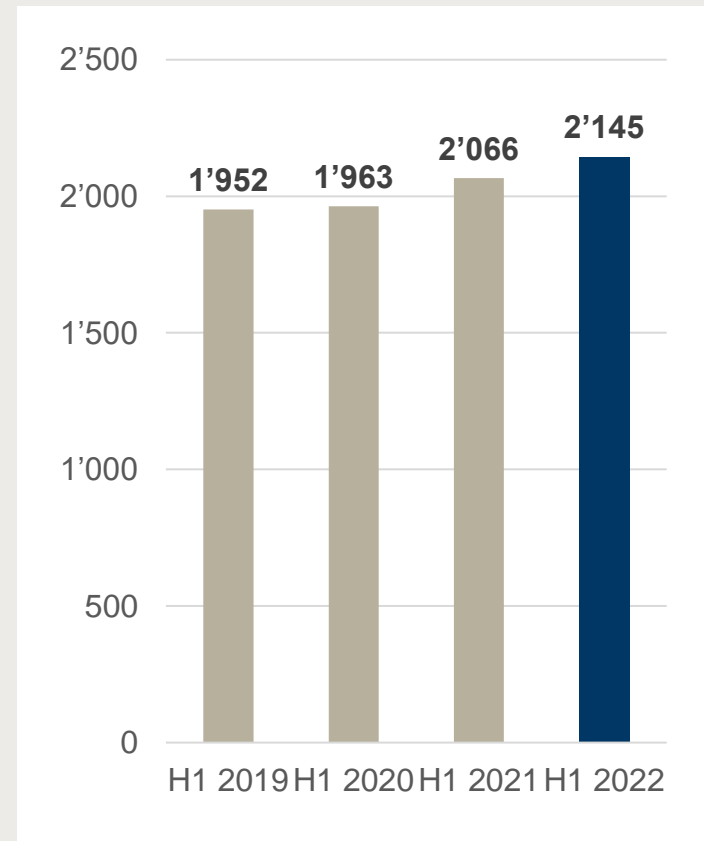
- Increase of EBIT due to higher rent income related to the refrigerator factory in Sulgen
- Major investment / CAPEX project in H1 2022 of CHF 6.3 million related to project “Zephyr Ost” in Zug
- Increased ROCE due to higher EBIT

¹ Definition: EBIT of last 12 months / weighted capital employed (extended net working capital + fixed assets + operating cash – provisions)

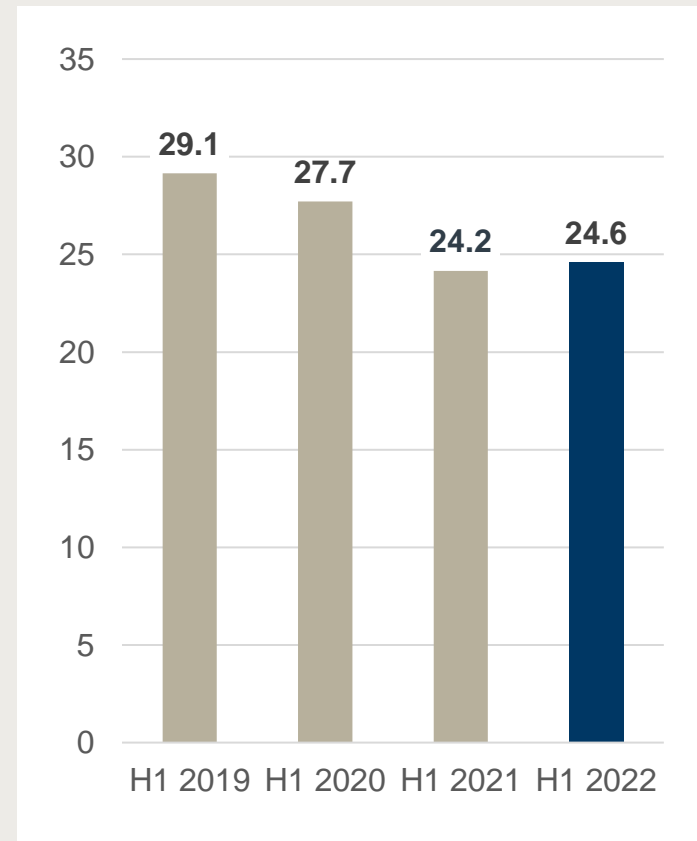
5. Financial Information H1 2022

Increase in no. of FTEs mainly in operations, international growth, strengthening digital marketing as well as sales & service organisation

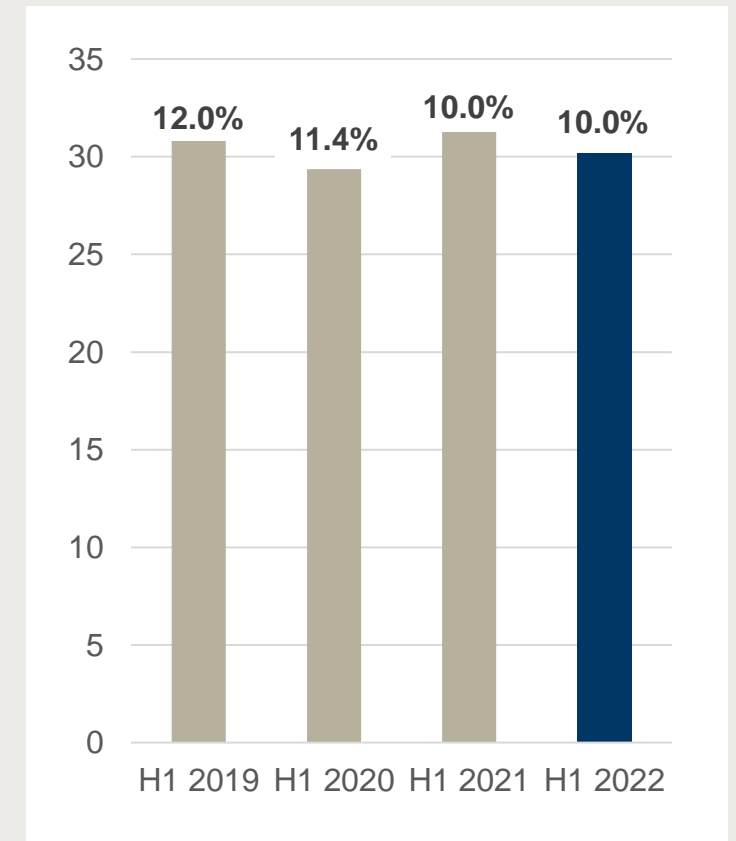
Total FTEs [as of 30 June; incl temps]



CAPEX [in CHF million]



R&D expenses [in CHF million]



% R&D expenses in % of net sales

5. Financial Information H1 2022

Cash flow statement V-ZUG Group

CHF million	H1 2022	H1 2021
Cash flow from operating activities	-25.2	13.6
▪ of which taxes paid	-6.2	-5.6
Cash flow from investing activities	-24.0	-26.3
▪ of which investments in tangible assets	-22.2	-25.8
▪ of which investments in intangible assets	-1.9	-0.4
Cash flow from financing activities	–	–
▪ of which dividend	–	–
Currency translation effects	-0.1	0.7
Change in “net cash and cash equivalents”	-49.3	-12.0
Free cash flow	-49.2	-12.7

- Negative free cash flow due to low Group net result, build-up of inventories (CHF 20.8 million, PY CHF 17.0 million)
- Continued investments in strategic, long-term initiatives

5. Financial Information H1 2022

Balance Sheet V-ZUG Group

CHF million	30.06.2022	in %	30.06.2021	in %
Cash and cash equivalents incl. securities	68.0	11.0	95.8	16.1
Other current assets	208.6	33.7	180.6	30.3
Current assets	276.7	44.6	276.4	46.3
Tangible assets	305.6	49.3	281.7	47.2
Financial & intangible assets	37.6	6.1	38.4	6.4
Fixed assets	343.2	55.4	320.1	53.7
Total assets	619.9	100.0	596.6	100.0
Financial liabilities	-	-	-	-
Other liabilities	167.1	27.0	169.1	28.3
Total liabilities	167.1	27.0	169.1	28.3
Shareholders' equity	452.8	73.0	427.5	71.7
<i>Equity ratio</i>	73.0%		71.7%	
Total liabilities and shareholders' equity	619.9	100.0	596.6	100.0

- Equity ratio with 73.0% on a high and stable level

5. Financial Information H1 2022

Dividend policy

- V-ZUG Holding AG is aiming at a dividend policy that is primarily based on the distributable profit level.
- In the medium to long term, the profit distribution ratio should be between 20% and 40% of the group's net result.
- As communicated in context of the spin-off in 2020: In the first three years after the spin-off, it can be assumed that no dividend will be paid. It is planned to use the funds primarily for investments in products, markets and the production sites in Zug and Sulgen.



6. Outlook

Full Year 2022

- Increased supply chain challenges, leading to...
 - **purchase cost increases** and **lack of availability of electronic components** (and more specifically, microchips) and
 - **production constraints and delivery delays**... are negatively affecting V-ZUG Group's net sales and operating result.
- Compared to the challenging months of April and May, the situation showed signs of improvement towards the end of the first half of 2022. Our strong emphasis on cost discipline, procurement processes and phased price adjustments in the markets will help us to counter the challenges at hand.
- We expect the macroeconomic and geopolitical situation to remain volatile throughout the rest of the year, with continued effects on our supply chains and material costs. Hence, the V-ZUG Group is not making a financial forecast for the second half of 2022 or for the 2022 financial year as a whole.



6. Outlook

Update of mid-term targets 2023 - 2026

Beyond 2022 financial year

- V-ZUG Group to continue to focus on returning to the figures stated in its medium-term objectives once the situation in procurement markets has stabilised.
- The above optimism is a result of the significant order backlog in all markets, an attractive product and service portfolio, increases in efficiency due to investments in production, sales price adjustments, and the continuing progress in market penetration in International Markets.

Mid-term expectations

	Stated mid 2020	Stated early 2022
Total net sales	2 to 3% organic growth	3% annual organic growth 2023-26
International net sales	Doubled in 5 years (2019 – 2024)	> 10% annual organic growth
EBIT margin	> 10%	10 to 13%
Dividends	20 to 40% pay-out ratio	(unchanged)





7. Investment Case

7. Why invest in V-ZUG?

1

Proven ability to generate double digit EBIT margins (again)

- On track to sustain double-digit profitability levels
- Significantly above industry average

2

Market leader in Switzerland with a unique and strong position

- Exemplary brand recognition and customer loyalty
- Countrywide strong & long-standing network with key partners
- Unbeatable service network and proximity to end-customers

3

Well established and recognised player in premium segment in selected international markets


- Increasing brand recognition based on positive perception of “Swiss Made”
- “Best in class” service as a distinction

4

Ongoing ability to lead innovations in the industry thanks to committed and enthusiastic teams working along lean and fast processes

5

Sustainability (quality, durability, timeless design, production processes, energy consumption) **as a key Unique Selling Proposition**



8. Q&A

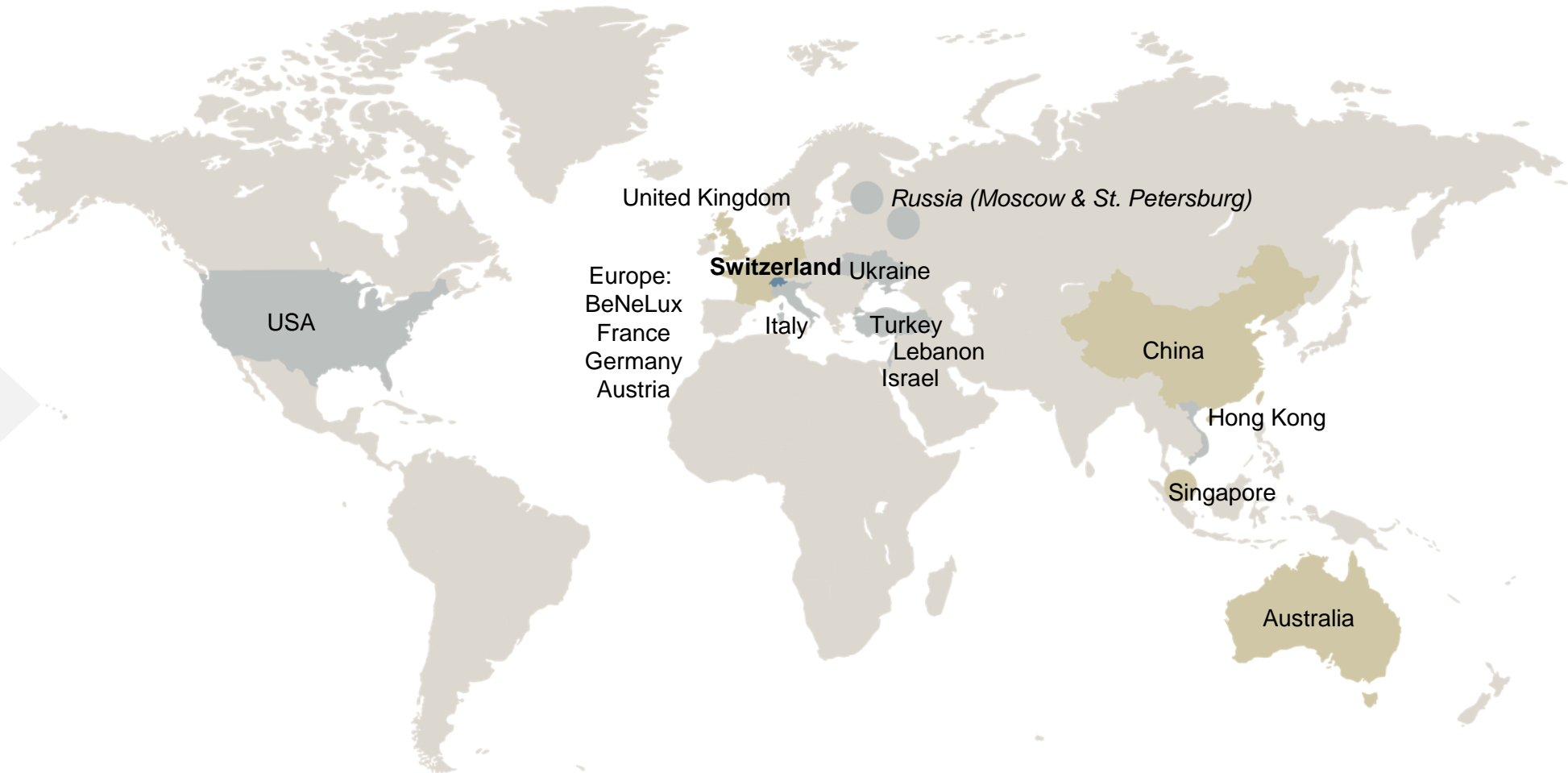
Back-up to Markets

International – strengthened global presence in metropolitan areas



Extension of international footprint

- Modernized third-party operated V-ZUG Studios in various metropolitan areas in line with new CI/CD
- Opening of our own V-ZUG Studios in London and Paris in H1, Sydney, Hamburg and Vienna in 2022/23
- Incorporation of new V-ZUG subsidiaries in TH, VN in H2 2022



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Pictures:

- **Slide 1:** Alexander James, alexjamesphotography.com
- **Slides 19:** Philippe Hubler, Hünenberg, Switzerland
- **Slide 20:** Rendering by Hosoya Schaefer Architects, Zurich, Switzerland
- **Slides 21&35:** Jonas Weibel, Zurich, Switzerland
- Other photos provided