

Letter to shareholders



Stefan P. Butz, CEO, and Marco Gadola, Chairman, DKSH Group

Dear shareholders,

2020 was one of the most remarkable years in recent history. Pandemic-related restrictions, lockdowns and travel bans resulted in a GDP contraction. Our highest priority during this time was to ensure the safety and well-being of our employees and stakeholders.

Due to a disciplined team effort, we reliably supplied products and played a critical role in responding to the pandemic. Based on our resilient business model, we navigated these unexpected challenges and strengthened our leading position in Asia Pacific by strategically expanding our relationships with clients and customers across all four Business Units.

Despite these challenges, we report solid 2020 results. Net sales, EBIT and profit after tax at constant exchange rates broadly matched last year's levels. In addition, we strongly increased our Free Cash Flow by 34.1% to CHF 210.2 million. Therefore, we continue to pursue our progressive dividend policy by proposing a higher dividend of CHF 1.95 per share (+2.6%).

Our solid 2020 results reflect our consistent strategy implementation across all Business Units.

While the pandemic-related restrictions led to softer demand from hospitals and lower medical tourism, Business Unit Healthcare proved resilient. At constant exchange rates, EBIT remained at last year's level due to a higher share of commercial outsourcing partnerships and stringent cost management.

In Business Unit Consumer Goods, the transformation of the Fast Moving Consumer Goods business, initiated at the end of 2018, progressed well and resulted in strong EBIT growth. In the Luxury and Lifestyle business, net sales and EBIT declined by a substantial double-digit percentage due to lockdowns including shop closures and a lack of tourism. The watch brand Maurice Lacroix, however, gained market share and reported a small profit for the second year in a row.

Business Unit Performance Materials delivered another year of net sales and EBIT growth. In line with our strategy to expand as a leading specialty chemicals and ingredients distributor, especially in Asia Pacific, DKSH successfully integrated Axieo in Australia and New Zealand.

Business Unit Technology experienced substantial drops in demand as many customers temporarily shut down production facilities and put investments on hold. Consequently, net sales and EBIT declined. The Business Unit realized cost savings of a high single-digit million amount and drove forward its strategic initiatives to increase resilience and deliver growth to exceed pre-COVID levels.

On Group level, DKSH continued its focus on key strategic topics in 2020. We leveraged our digital capabilities across all Business Units and increased our eCommerce sales double-digit to more than CHF 200 million, thereby exceeding our targets.

While organic growth remains our highest priority, our acquisition strategy delivered additional shareholder value. We successfully integrated two transactions in 2020. Our robust balance sheet continues to provide room for more acquisitions in the future.

Last year, we also launched our new DKSH Identity, reflecting our strategy for growth as well as our purpose to enrich people's lives. As a company, we provide access to high quality products, services and insights to people in Asia and beyond, creating sustainable value for our partners.

Sustainability is an essential component of our new Identity and over the past year, we have continuously strengthened our focus in this area. For the first time, we commit to targets in alignment with the United Nations Sustainable Development Goals. These include becoming climate neutral by 2030, expanding training opportunities for employees, promoting health and safety and increasing energy efficiency by 2025.

We will strive to continue our progressive dividend policy. Taking into consideration our solid financial results as well as investment opportunities, the Board of Directors proposes an ordinary dividend of CHF 1.95 per share to the next Ordinary General Meeting. The dividend would thereby be CHF 0.05 or 2.6% higher than last year. The payment date for the dividend, if approved by the AGM, is set to start on March 24, 2021 (record date: March 23, 2021; ex-dividend date: March 22, 2021).

While visibility on the evolution of the pandemic remains limited, DKSH is optimistic that 2021 will bring a return to some form of normality and an improved economic outlook. A robust business model, large share of daily consumption items and strong balance sheet provide resilience and offer growth opportunities. DKSH is convinced that we will emerge stronger from last year's challenges. The Group will continue developing its business through diligent strategy implementation, digitization, sustainability initiatives and M&As, while focusing on operational excellence and cost discipline.

For 2021, DKSH expects an EBIT above last year assuming an easing of the impact of COVID-19, such as rebounding tourism and stable currencies. DKSH will strive to continue its progressive dividend policy and to drive market consolidation via M&As. Beyond short-term uncertainties, DKSH remains confident about Asia's long-term potential and is well positioned to benefit from favorable market, industry and consolidation trends.

In line with our promise of "Delivering growth – in Asia and beyond", we look forward to continue cooperating with our partners, employees and you – our shareholders – in 2021. We thank you for your continued commitment and trust over the past year.

Sincerely yours,



Marco Gadola
Chairman



Stefan P. Butz
CEO

Key figures

Consolidated income statement

				At CER ¹
in CHF millions	2020	2019	Change in %	Change in %
Net sales	10,742.2	11,579.2	(7.2)	(2.1)
Operating profit (EBIT)	257.5	265.4	(3.0)	2.4
Profit after tax	164.8	176.1	(6.4)	(1.8)

Consolidated statement of financial position

in CHF millions	December 31, 2020	December 31, 2019
Total assets	5,118.0	5,353.0
Equity attributable to the shareholders of the Group	1,738.4	1,774.3
Net operating capital (NOC)	1,388.9	1,459.5
Net cash	342.2	312.9
Return on net operating capital (RONOC) (in %)	18.1	19.7
Return on equity (ROE) (in %)	9.0	9.7

Earnings per share

in CHF	2020	2019
Basic earnings per share	2.42	2.65
Diluted earnings per share	2.41	2.65

Other

	December 31, 2020	December 31, 2019
Specialists	32,447	33,353

¹ Constant exchange rates (CER): 2020 figures converted at 2019 exchange rates.

Publisher

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