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Geberit AG

SWX : GEBN.SW

LAST PRICE	MARKET CAP	INDUSTRY
CHF 547.8	CHF 17.35b	Building products

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Geberit, with over a century of expertise in the building products industry, has earned customer recognition and built a strong brand, positioning itself as a pioneer in advanced sanitary technologies.

INVESTMENT SUMMARY

We issue a "**BUY**" recommendation for Geberit AG with a target price of CHF 655 presenting an 19.5% upside potential on the closing price of CHF 547.8 on December 15th, 2023. The target price was derived based on Discount Cash Flow method (DCF), supported by Relative Valuation. Three primary drivers guide our recommendation: (1) seizing opportunities in renovation market, (2) cutting-edge solutions and (3) strategic cost management.

Seizing Opportunities in Renovation Market

Our comprehensive research indicates that investors overlook the potential of the market in which Geberit operates. Positioned within renovation market, as a component of total construction market, the company stands to benefit from its less cyclical and consistently expanding nature.

In the most advanced nations of Europe, 85% of the buildings were constructed before 2001. Around 35 million of buildings are aimed to be renovated by 2030, as these aging buildings are inefficient in terms of energy and water consumption (A Renovation Wave for Europe, 2020). As a response to these problems, EU policymakers are establishing stronger regulations aimed at transitioning to more sustainable buildings. Given the positive historical records, we believe that Geberit's commitment to developing products in line with the mentioned market trends will enable the company to outperform the construction market growth (CAGR 3,5 %) by 90 basis points.

Cutting-edge Solutions to meet Changing Customer Demands

Superior R&D performance suggests that Geberit is continuously innovating (387 granted patents). The efficient allocation of R&D budget, resulting in cutting-edge products, offers Geberit the possibility to stay ahead of the competition in both sanitaryware and piping segment and win costumers loyalty (**Fig. 10**). Geberit's business model implies identifying existing challenges on the market and offering innovative solutions that make a great contribution to resolving problems associated with water scarcity, shortage of skilled workers, home heat loss, limited living space, etc.

Over time, Geberit's focus on product improvement has facilitated the expansion of its market share to 1,55% (**Fig. 12**). So, we anticipate the company to continue this trajectory in the future and gain an additional 30 basis points in the projected sales growth rate.

Strategic Cost Management: A Roadmap to Success

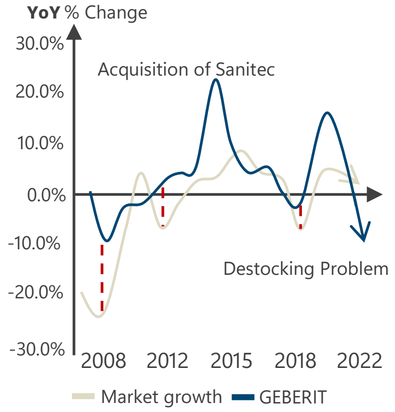
Over the years, Geberit has demonstrated an ability to generate the highest profitability among competitors (27% EBITDA margin vs. ~ 15% for competitors in 2022), driven by the focus on strategic cost management. At the forefront of Geberit's strategy is modernization and rationalization of existing capacities. Historically allocating 46% of CAPEX to these activities, the amount is projected to increase to 113 million in 5 years (**Fig. 29**). The main projects developed under these initiatives focus on automatization of product lines and process improvement, which are expected to decrease operational costs and other expenses. Besides that, the company's model allows Geberit to flexibly adapt production workforce during volume fluctuations, which demonstrates the high variable part in personnel costs (**Fig. 27**). Geberit also has been increasing the renewable energy use in the production process, which allows the company to exploit the decreasing trend of the prices. We expect that share of renewable energy to reach 38% by 2028 from 16% in 2022 (**Fig. 28**), which will be translated into reduction of other operating expenses. The focus of Geberit on strategic cost management has been leading to value creation over the years and we believe this effect will be persistent in the future allowing the company to maintain the EBITDA margin within the range of 29 - 31% while outperforming competitors (**Exhibit 1**, **Fig. 25**).

Recommendation: BUY

GEBN.SW Overview	
Target Price	CHF 655
Last Close	CHF 548.7
Upside	19.5%
Market Cap	CHF 17.35b
Shares Outstanding	33,402 mln
Free Float	33,37 mln
52-Week Hight	CHF 552
52-Week Low	CHF 409
EV/EBITDA	18.1x

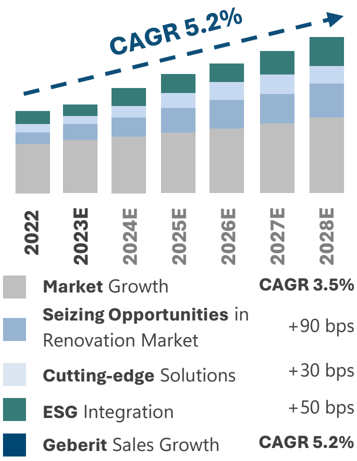
Source: Refinitiv, Team Assessment

Fig.1: Geberit vs Market growth

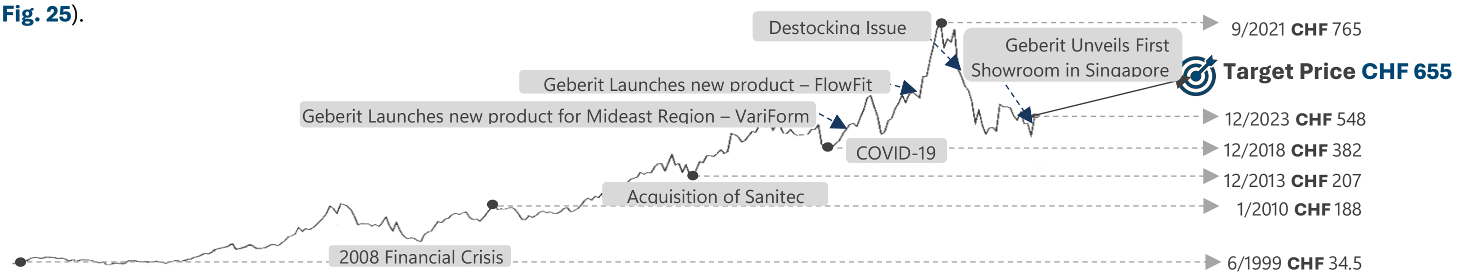


Source: Euroconstruct, Geberit Report

Fig. 2: Core Sales Growth Projection



Source: Team Assessment



BUSINESS DESCRIPTION

Geberit is a leading company in the sanitary sector with its headquarters in Rapperswil-Jona, Switzerland, and around 12,000 employees in approximately 50 countries. The company's success has been driven by a focus strategy, commitment to innovation, selective expansion through strategic acquisitions and a continuous optimization of business processes.

Historical background

Since its foundation in 1874, Geberit has steadily grown and consolidated its position in the sanitary sector. Geberit has always managed to contribute with significant revolutionary products. Starting with Phoenix in 1905, a first made of lead-coated wood and with lead fitting, or FlowFit, a new piping system for drinking water and heating applications in 2021. Through their subsidiaries, Geberit managed to consolidate its expansion ensuring operational efficiency across all the regions. The first international subsidiary was established in Germany in 1955 which rapidly became the most growing market leading to the first company's acquisition of a German installation-elements company called Sanbloc in 1980. Finally, another proof of Geberit's expansion is the 26 plants that are located worldwide. The company's shares were publicly listed on the SIX Swiss Exchange in 1999 and have been included in the SMI (Swiss Market Index) since 2012.

Geographic perspective

Although Geberit is a global player with presence in Europe, North America, Far East-Pacific and Middle East-Africa, Europe is the core region with 90% of the net sales where Germany represents the highest proportion with 30% of the net sales (**Fig. 3**). Two-thirds of the company's revenue are exposed to the Repair, Maintenance, and Improvement (RMI) sector.

Segments and products

The company operates in the building's product industry and although the company's product range was primarily focused on piping solutions, the company has diversified its product offerings across three primary divisions. First is the Installation & Flushing Systems (37%), focusing on sanitary installation technology and a wide range of flushing solutions for toilets. This division is further divided into two product lines: Installation Systems and Cisterns & Mechanisms. The second division is Piping Systems (32%), encompassing all piping technology in buildings for drinking water, heating, and gas. It is categorized into two product lines: Building Drainage Systems and Supply Systems. The third division is Bathroom Systems (31%), covering essential sanitary equipment in bathrooms. This division includes five product lines: Bathroom Ceramics & Furniture, Showers & Bathtubs, Taps & Controls, Waste Fittings & Traps, and Shower Toilets (**Fig. 4**).

Market strategy

Since the strategic acquisition of Sanitec in 2015, the group managed to create modern designs that are in line with the Bathroom Ceramics market trends. Geberit continuously innovates its product lines, extending its range to meet the developing market needs. A key to group's success is its esteemed brand reputation, known for reliability and high quality, underpinning the company's pricing power which is a critical factor in maintaining a competitive edge. In response to significant inflation of raw materials during the last years, Geberit has implemented several strategic price increases which allowed to maintain its leading margins. Between 2016 and 2021, on average, Geberit managed to achieve a favorable price-to-cost spread of 1% annually. The company assigns a strong focus on persistent capital investment, particularly in the efficiency of its production facilities and in ongoing product innovation.

Customer base

Geberit has close relationships with plumbers (installers) and wholesalers. Geberit's pricing strength is bolstered through its push-pull sales approach, effectively creating enduring brand loyalty by educating and transforming wholesalers and installers into valued business partners. In behind-the-wall sanitary products, the installers usually play a key role because they typically make the decisions on behalf of the end user. The main reason is that these often lack meaningful expertise in these matters so they must place complete reliance on the specialized installers. In 2022, Geberit offered face-to-face training to approximately 48,000 professionals on products, tools, and installation skills at its 30 Information Centers across Europe and other regions. Additionally, Geberit organized local and digital events in various markets, engaging around 75,000 customers to provide training to craftsmen on new products, often in collaboration with wholesalers. Plumbers, obligated to offer warranties for their work, are inclined to endorse and install Geberit products due to the substantial training they receive. This diminishes the chances of unprofitable site visits during the warranty period, safeguarding the installer's reputation and enabling Geberit to maintain a positive standing in the market. In short, end consumers are prepared to pay higher prices for perceived quality, aiming to minimize the risk of unexpected issues and expensive or inconvenient repairs related to plumbing failures.

2023 **TEAM ARETE** ISSUE BUY RECOMMENDATION ON GEBERIT AG

2015 **ACQUISITION** OF SANITEC

1999 **GOING PUBLIC** AT SWISS STOCK EXCHANGE

1962 **EXPANTION** IN JONA

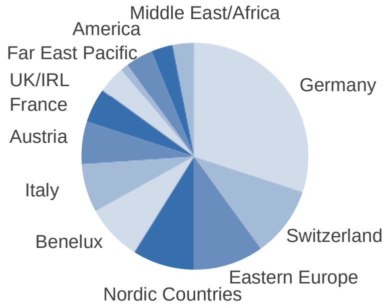
1953 **GEBERIT** IS BEING REGISTERED

1912 **FIRST PATENT** FOR "PHÖNIX"

1905 **FIRST LEAD-LINED** WOODEN CISTERN

1874 **CASPAR GEBERT** OPENS TINSMITH BUSINESS

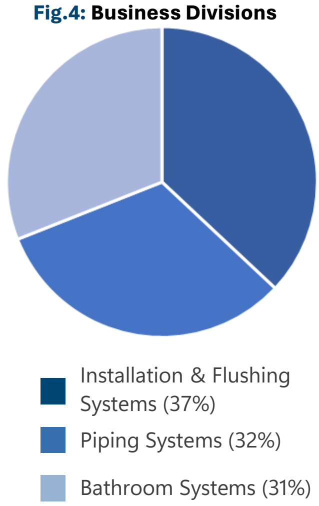
Fig.3: Net sales by markets/regions



Source: Geberit Annual Report 2022

GEBERIT provides **BETTER** Water-Efficient **"RITUAL"** products

Fig.4: Business Divisions



Source: Geberit Annual Report 2022

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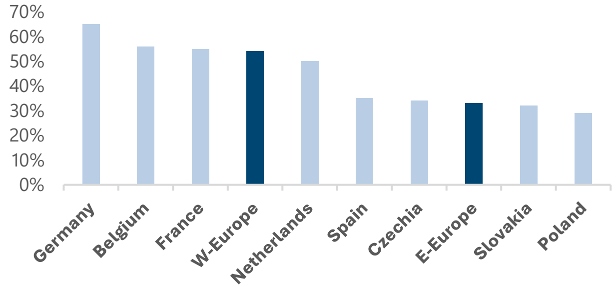
INDUSTRY OVERVIEW

Geberit operates in the Building Products industry (according to GICS classification) which satisfies the needs of the construction market comprised of renovation and construction of new buildings segments. As reported by World Business Council for Sustainable Development (WBCSD), the construction market represents 11-13% of global GDP and employs 7% of the global workforce. In 2023, the European construction market reached a value of approximately USD 2752.75 billion, and according to market analysts it is anticipated to experience a CAGR from 3.5 to 5.8 % during the period 2024-2028.

Geberit is seizing opportunities in the renovation market

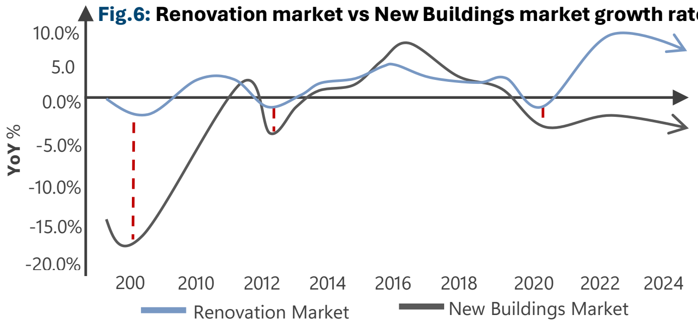
The renovation market plays a significant role for Western European countries, representing more than 50% of the total construction market (**Fig. 5**). Renovation market is less volatile than the construction of new buildings market, which is extremely sensitive to economic fluctuations (**Fig. 6**). For instance, in the financial crisis of 2008, the construction of new buildings market suffered a staggering decline of more than 20%, while renovation projects only experienced a much smaller decrease of less than 5%.
Since 2008 the renovation share in total construction market has increased from 48.4% to 54.3% in 2022 (Maurice van Sante, 2023), making it the main driver of the construction market growth. The trends that propel renovation market development are the challenge of aging buildings and changing climate conditions followed by new regulations which accelerate the pace of change.

Fig.5: Renovation market share of Total Construction market, 2022



Source : Euroconstruct, ING Research

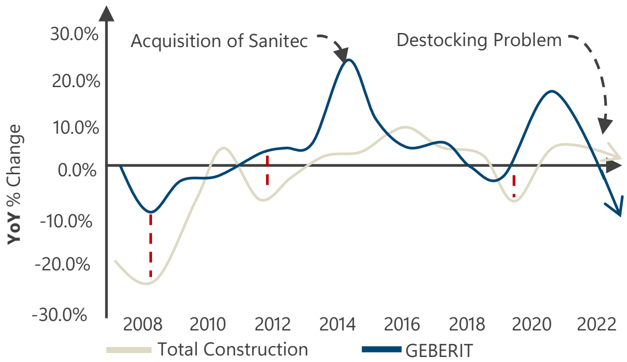
Fig.6: Renovation market vs New Buildings market growth rate



Source: Euroconstruct, ING Research

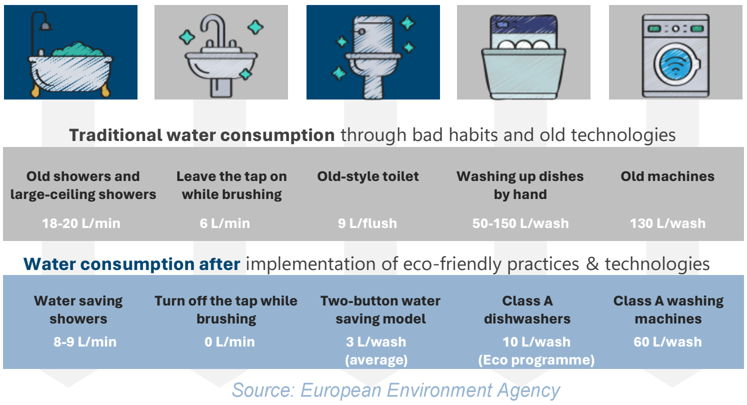
Geberit historically managed to outperform the construction market by 1.53% (**Fig. 7**). This can be explained by the company's position on renovation market, which accounts for 65%. Thanks to this strategical position, this allows the company to benefit from a less cyclical and steadily growing market. In conclusion, we believe that the development of products in line with the market trends will allow to keep outperforming the construction market growth in the coming years by 90 bps.

Fig.7: Geberit vs Total Construction market growth rate



Source: Euroconstruct, Geberit Annual Report

Fig.8: Water consumption per activity in European households (average)



Source: European Environment Agency

Challenge of aging buildings

In the most advanced nations of Europe, 85% of the buildings were constructed before 2001. Around 35 million of buildings are aimed to be renovated by 2030, and further 220 million of buildings by 2050 (The Efficiency League, 2022). These aging buildings are mostly heated by fossil fuels and are responsible for 40% of total energy consumption and 36% of carbon dioxide emissions (European Commission), consequently, 75% of buildings were recognized as energy inefficient. Moreover, buildings account for a substantial portion of global water consumption, reaching up to 40% (Medium, March 2023). Repairs and enhancements are necessary to meet contemporary standards and to ensure these buildings remain functional, energy and water-efficient in today's evolving landscape.

Focus on water consumption

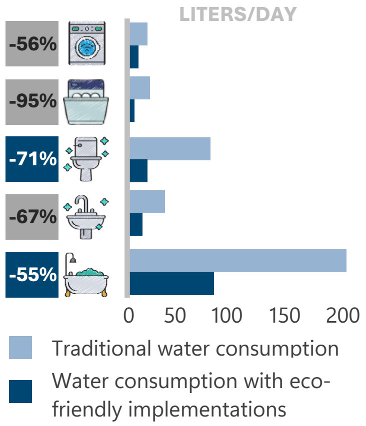
European freshwater resources are under threat, with 29% of the EU territory currently facing water scarcity. Innovative strategies are essential to reduce the water impact of buildings. Water-neutral structures and water-saving products are crucial for lowering water consumption, addressing health risks, and cutting energy use for water heating. The average daily household water supply in Europe is 144 liters per person, nearly three times the basic human requirement. Significant water savings can be achieved through simple daily practices (**Fig. 8**) and (**Fig. 9**). Environmental awareness is growing among consumers, with 4/5 expressing a willingness to buy eco-friendly products certified by independent organizations (The EU Ecolabel). Geberit, with its eco-design strategy and adherence to standards like BREEAM and LEED, contributes to water conservation. High-efficiency plumbing fixtures in buildings can lead to a substantial 30% reduction in indoor water consumption (ENERGY STAR). Water consumption for toilet flushing has significantly been reduced since 1952, witnessing an 80% decline (MarketLine, August 2023). This remarkable achievement is attributed to innovations like

Geberit dual-flush and flush-stop cisterns. Therefore, Geberit's innovative sanitary products play a crucial role in systematically optimizing water consumption in buildings.

Regulations accelerate the pace of change

As a response to the environmental problems aforementioned, EU policymakers are establishing stronger regulations that are leading to an increase in demand for energy-efficient and water-saving products. Key examples are the European Green Deal, bolstered by the Renovation Wave Strategy, which comprises a set of policy measures steering the EU toward a green transition and climate neutrality by 2050; and the REPowerEU initiative, which underscores goals of energy conservation, clean energy production, and diversification of energy sources. Challenges posed by aging buildings, water scarcity, and strict regulations shape the trajectory of the renovation market in alignment with global sustainability objectives.

Fig.9: Amount of water that could be potentially saved



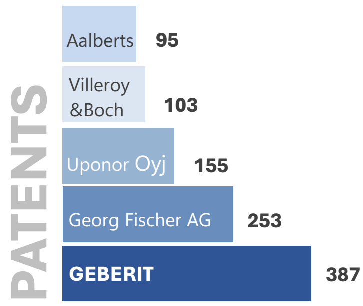
Source: European Environment Agency

COMPETITIVE POSITIONING

Geberit is primed to deliver innovative solutions

Geberit's dedication to innovation is a key strength which allows the company to easily adjust to the changing market trends (**Appendix 2**). The effectiveness of the Geberit's R&D policy is demonstrated by the accumulation of new patents. Over the last 5 years, the company has generated, on average 387 patents, twice as many as its competitors (**Fig.10**), proving that Geberit's continues to develop cutting-edge solutions that stand out in the market (**Appendix 3**). For instance, 7 out of 10 mounting elements purchased in Germany are of Geberit's brand and more than 50% of world's built-in cisterns are produced by Geberit.

Fig.10: 5-Years Granted Patents



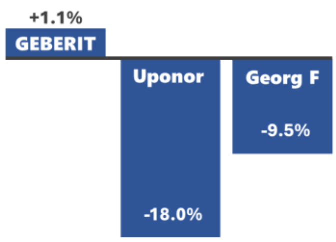
Source: Global Data

Company's products outperform competitors in addressing water conservation issue. In 2022, company's water-saving products managed to preserve 2.5 billion cubic meters of water more than its largest competitor LIXIL, despite differences in size.

LIFETIME WARRANTY
for ceramic products
VS
17 YEARS
competitor's average

Moreover, Geberit's superior warranty conditions (Lifetime warranty for ceramic products vs 17 years competitor's average) together with premium quality contribute to winning and keeping customer loyalty in the market. Geberit positions itself as an initiative-taking industry player that successfully identifies existing challenges and offers tailored solutions (**Appendix 4**). An example of company's recent innovations gaining popularity is FlowFit system, that stands out for its easy-to-install nature, which enables a 50% reduction in installation time compared to conventional fitting systems. The success of the product was reflected in sales increase of the piping segment during the third quarter this year, while competitors experienced a decline in the same period (**Fig.11**).

Fig.11: Q3 2023 growth vs Q3 2022



FlowFit's Success: Geberit's Q3 Piping Segment Sales Outperform Competitors

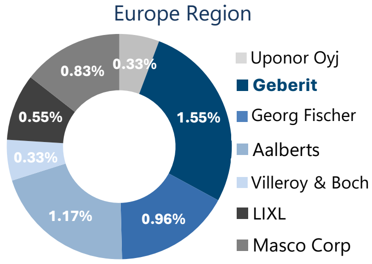
Source: Companies Q3 2023 Report

We believe that Geberit's steadfast dedication to innovation and continuous improvement will continue to be a driving force behind its market expansion and will allow to gain additional 30 basis points in the projected sales growth rate.

Geberit stays ahead of competition

Given Geberit's involvement in both Sanitaryware and Piping segments, competitors were categorized into 2 distinct groups based on companies' industry public trading status and the volume of sales in European region. In Sanitaryware segment the main competitors are Masco Corp., LIXIL Corp., Villeroy & Boch AG, while in Piping segment there are Uponor Oyj, Georg Fisher LTD. and Aalberts NV (**Appendix 5**). Geberit operates in a competitive market (**Appendix 1**) as the company together with its closest competitors account for just 5.72% of the total market share. Nevertheless, at the end of 2022 Geberit managed to reach the biggest market share of 1,55% in the European Building Products Industry followed by Aalberts NV with 1,17% (**Fig.12**). With its effective market positioning, we believe that Geberit will continue to increase market share in the future while maintaining its lead over competitors.

Fig. 12: Market Share Structure
Europe Region



Source: Team Assessment, Refinitiv

Geberit's strong supply chain and customer relations

Facing the recent supply chain disruptions caused by global macroeconomic events, Geberit, relative to other industry participants, adeptly mitigated the impact through its efficient supply chain management strategy. Geberit's production involves a substantial degree of in-house manufacturing. A prudent procurement strategy, with a strong focus on regional, local aspects and emphasis on collaborative ties with suppliers, ensures a reduction in climate change related risks and the availability of raw materials which mainly come from Western European suppliers (82.6%), resulting in a low overall supply chain risk.

Geberit employs a three-stage distribution channel, primarily relying on wholesale trade for product distribution. Dealerships sell to plumbers products that ultimately reach the end customers. Besides, 85% of company's efforts are directed to provide support to installers and sanitary engineers, who are shaping the demand and compel wholesalers to include Geberit's products in their portfolio.

Fig.13: Porter's five forces

Source: Team Assessment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

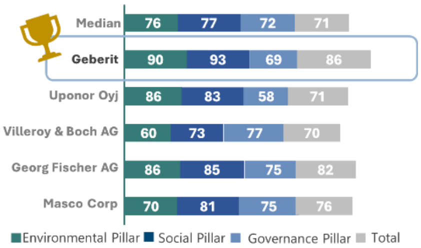
Geberit has a strong ESG spectrum that allows for synergies as: sales growth through market share gain, customer loyalty that drives demand for its sustainable and durable products. Its strong commitment to sustainability surpasses industry peers (**Fig. 14**). The company aims to increase shareholder value through enhanced product quality and driven demand for leading innovations. It scored 92.86 (**A+**) for low-risk (**Appendix 21**) and earns high ESG ratings (MSCI - **AA**, Reuters Eikon - **A**, 3-y EcoVadis Platinum Medal). Since 1990, it has been actively implementing a comprehensive sustainability strategy aligned with Sustainable Development Goals (SDGs) and plans to focus on 12 sustainability modules from 2023-2025, targeting social responsibility, employee attraction, and environmental efficiency (**Appendix 22**). These strategies will further boost sales and valuation by +50bps yearly (**Fig. 2**), simultaneously mitigating risks, cutting costs, and building a reputable brand.

PLATINUM Top 1% 2023 ecovadis Sustainability Rating

Environment

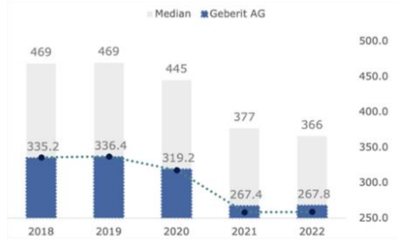
Geberit's improved environmental initiatives have been a cornerstone of its operations. The company's dedication to reducing its relative ecological footprint since 2015, evident through efficient resource management, with a high recyclability rate of 84% (**Appendix 29**), high renewable energy adoption, and adjusted emission controls, has positioned it as an industry leader in environmental sustainability (**Appendix 19**). Company has higher-than-peers direct carbon emissions (**Appendix 30**) due to the ceramic production of previously acquisitioned Sanitec, and company is putting efforts in reducing those by new CO_2 strategy from 2022 that includes carbon pricing system - for better control, resulting in a relative-to-net-sales reduction of 21.9% in FY2022. Management and employees were introduced to 20% bonus incentives for personal contribution to achieving company's CO_2 strategical goals and welcome sustainable and innovative ideas. Company will further address the indirect emissions from 7 % suppliers (**Appendix 22**). Water scarcity and increased regulations in EU highlights company's water efficiency and positive impact on end-customer's consumption and cost saving. Innovations, that make Geberit the leader on market, help the company conserve water by 5% yearly. From Sanitec acquisition in 2015, water preservation (**Fig. 15**) was increased at 22.4%, reducing costs by 10% since then. The eco-sanitary products transmit efficiency to customers, by systematically increasing water saving in buildings. To assure its market share, company is actively adding improvements to their products by working with several associations for further sustainability integration in them and new product launches. Geberit constantly makes replacements of machine fleet and efficient improvements to contribute to energy efficiency and reduction of scrap/materials to decrease further costs. It aligns with EU REPower initiative and increased significantly green electricity to 71.3% (**Fig. 16**, **Appendix 31**), this further eliminating any operation disruptions due to energy crisis or risks of volatile energy prices. Resource efficiency is a priority to sustain the circular economy model in production, to drive future organic growth, and Geberit's leadership in recycling a significant part of residual high-quality materials into future production cycles - enhances additional cost saving. Above mentioned factors scored 96/100 (**Appendix 21**), as they will allow Geberit to mitigate any climate, regulatory risks and at the same time provide more innovative products that will attract higher demand and customer fidelity.

Fig.14: ESG score among competitors



Source: Refinitiv

Fig.15: Water Consumption Efficiency (cm3) per million of Net Sales (CHF)



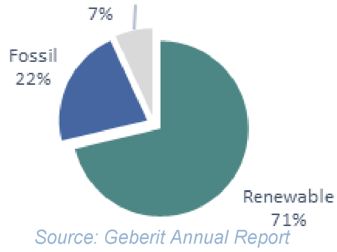
Source: Team Assessment, Reuters

Social

Geberit's commitment to social responsibility extends beyond operational excellence as it has prioritized social aspects by fostering a culture of diversity (**Fig. 17**, **18**) and inclusion of people with disabilities (3.5%), ensuring flexible and safe working conditions, and engaging with local communities, illustrating a dedication to societal well-being. Geberit's efforts are being rewarded by motivated and continuously trained employees. Factors were converted into increased productivity (+2.1%) and high-quality made products that can be easily installed. Doing so, Geberit mitigates the risk of plumber's shortage in the market by creating its circle of professionals, outperforming the competitors in innovative strength and easy management of premium products, for which the group extended selectively the warranty up to 50 years. Diversity of women in business operations (**Appendix 27**) is below the Swiss median of 5% due to specifics of industry and is yet to be improved. Geberit maintains a staff mixture of different ages to assure good operations and knowledge transfer. External auditor PwC confirmed an equal pay basis between males and females through their analysis. Any employee misconduct or violation is reported through existing whistle-blower hotline "Integrity Line," anonymously. Previously, three insignificant employee incidents were detected and remediated without any impact on business.

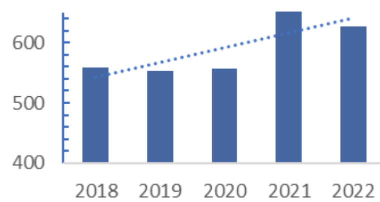
Our team assessed low risk profile in supply chain due to varied procurement volume: Western Europe – 82.6%, Asia - 9.2%, Eastern Europe- 7%, America – 0.9%, Africa – 0.3%. Geberit targets responsible supply chain and targets new 'green' suppliers for procurement to reduce any potential costs with existing decarbonization regulations. Code of Conduct for Suppliers was signed with the majority of 90% of suppliers (3'296) and group plans to have, in short-term, full signatory of the implemented policies. It conserves the right to terminate any contracts if there are any uncompliant suppliers (**Appendix 22**). All the practices scored 93/100 in the pillar (**Appendix 21**).

Fig.16: Transition to more renewable electricity use



Source: Geberit Annual Report

Fig.17: Part-time employees number



Source: Geberit Annual Report

Governance

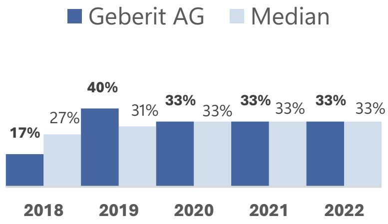
Board of Directors (BoD) was comprised in FY2022 of 6 non-executive (**Appendix 24**) and independent members *(Swiss Code of Best Practice)*, from which, 33.33% of them were females (**Fig. 18**). Average board tenure is 6 years (**Fig. 19**). Actual chairman of the board is Albert M. Baehny, who has extensive experience and joined in 2011. Last members that joined the board are: Werner Karlen - in 2020 and Thomas Werner Bachmann - in 2021. None of the members reveal actual relationships with Geberit Group. Overall, most members possess essential skills, but some lack expertise (**Fig. 20**), potentially affecting management quality in maintaining the strategy of the company linked to targeting geographical expansion. Proposed changes in the age limit (75 years) for BoD members and limited cultural diversity of Swiss members' dominance, raise concerns about future diversification, considering company goals to expand selectively in regions as: China, Southeast Asia, Australia, the Gulf Region, South Africa, and India. Members of board hold up to 5 mandates in listed companies, which is in line with *Art. of Incorporation* and *Swiss Corporate Law*. At the ordinary General Meeting (GM) for previous year, Eunice Zehnder-Lai, was appointed as Vice Chair by panel's members. BoD Meetings were held regularly with high attendance (98%) and a focus on economic, environmental, and social issues. Furthermore, the members of committees are elected yearly on an individual basis for a period of 1 year (**Appendix 23**). Financial audit is assured by statutory auditor - PricewaterhouseCoopers and Greenhouse Gas emissions, by Intep-Integrale Planung. The ownership structures are depicted in Fig. 21 (as of 30.11.2023) and Fig. 22. Company has no recorded controversies.

Group Executive Management (GEM) was comprised of 7 members, lacking female representation due to industry specifics, for which, the company set aspiring goals to attract more women. Executives bring diverse expertise and tenure (**Appendix 25**), ensuring smooth operations. The recent appointment of Tobias Knechtle as CFO, since January 2022, was a result of Roland Iff's retirement.

Remuneration system is transparent and is in line with amounts adopted at AGM and the average pay of industry benchmark by the latest analysis performed in 2021. In FY2022, the NCC tweaked variable compensation plans due to economic challenges. Committee toughened the Long-Term Incentive plan, requiring outstanding performance for full benefits, and increased matching share options for fairness, aligning with business goals and shareholder interests. BoD pay structure consists of fixed remuneration (70%) and shares with blocking period of 4 years (30%). Annual fees allocated to each member is presented in **Appendix 26** and was in the limit of CHF 2'350'000. GEM pay is formed from fixed and variable parts. In the fixed remuneration, Geberit offers base salary and social benefits. In the variable remuneration are included: Short-Term Incentives (STI) for 1-y performance (in Sales, EBITDA margin, EPS, ROIC, CO_2 emission or individual objectives), 3-y or 10-y Long-term Incentives (LTI) and 3-y Share Participation Programme (MSPP) (by ROIC), which aligns the interest of shareholders. In the FY 2022, Geberit allotted a remuneration of CHF 9'436'328 to executives, less than in 2021 by 12%, which is in the line with approved amount of CHF 11'500'000. Variable remuneration was approximately 88.3% from fixed remuneration. Overall, the Group implements attractive rewards, with regards to annual financial performance, ESG achieved goals and individual objectives. Company reveals the variable target pay for CEO and GEM members that will further encourage growth for delivering above-average performance, as 43% of annual base salary, without exceeding the base salary threshold of 100%. As for an updated benchmark analysis from 2021, BoD voted upon a share-based pay increase for CEO at a fair value of options (**Fig. 23**). All maters considered, team provided a score of 87/100 to governance pillar(**Appendix 21**).

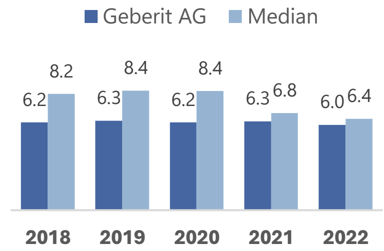
As Geberit continues to excel in ESG performance, particularly in E and S pillars, these aspects are anticipated to remain pivotal drivers for sustained value creation. The company's unwavering dedication and continuous improvement initiatives further bolster the confidence in its future market share gain and leader positioning of Geberit among competitors.

Fig.18: Women diversity on Board



Source: Team Assessment, Reuters

Fig.19: Average Board tenure

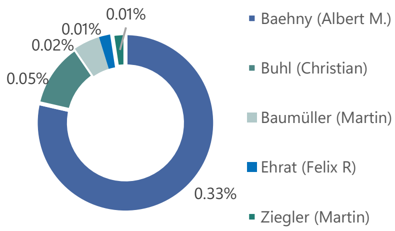


Source: Team Assessment, Reuters

Fig.20: Board Members' expertise

Source: Geberit Annual Report

Fig.21: Shareholdings of BoD members



Source: Team Assessment, Reuters

Fig.22: Top Institutional ownership

5.31%	BlackRock Institutional Trust Company
3.10%	UBS Asset Management
2.86%	Vanguard Group, Inc.
2.40%	Norges Bank Investment Management
1.86%	Pictet Asset Management

Source: Team Assessment, Reuters

Fig.23: Additional Share-based compensation for GEM

Share-based compensation as % of Annual Base Salary	2022	2021
CEO	107% *	86%
GEM	71%	71%

* Increase in total compensation of the CEO, due to benchmark analysis in 2021

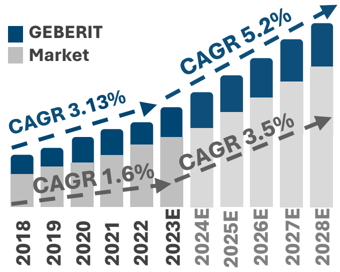
Source: Geberit Annual Report

FINANCIAL ANALYSIS

Given Geberit's business model, we conducted division-specific sales forecasts. During Q3 2023, the Piping System division experienced a modest Y-o-Y growth of 1.1%. By contrast, significant sales decline was observed in both: Installation & Flushing System and Bathroom System divisions. The Piping System's growth is largely credited to the success of its "FlowFit" product line. Looking ahead, we project that the Piping System division will surpass other divisions in terms of growth for FY-24. Historically, the Bathroom System division has underperformed compared to the Installation & Flushing System and Piping System divisions. Despite innovative products like the concealed flushing cistern and wall-hung ceramic, this trend is expected to persist.

At the group level, a 7.56% decrease in Net Sales is expected for FY-2023, primarily driven by a downturn in European building construction activities and destocking challenges. Nonetheless, we project a recovery and growth of 3.45% in sales next year, aiming for a 7.18% growth rate by 2028, translating to a 5.2% CAGR. This projected growth is in line with management expectations (CAGR 4-6%) and exceeds the anticipated growth rate of the Construction Market (**Fig. 24**) due to two factors: the urgent need for the repair, maintenance and improvement (RMI) segment to expand significantly to meet 2050 climate neutrality targets, and Geberit's leadership in sustainable and durable products, should bolster market share gains.

Fig.24: Sales Growth Projections

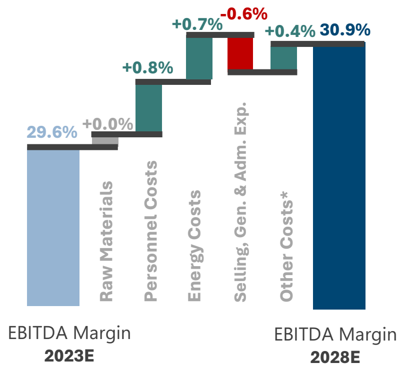


Source: Team Assessment

Strategic cost management

Over time, Geberit has consistently demonstrated an ability to generate superior profitability among competitors. In 2022, the company's EBITDA margin of 27% was nearly double the industry average in both the sanitaryware and piping segments. We are confident that the focus on strategic cost management will enable the company to reach EBITDA margin of 30.9% in 2028.

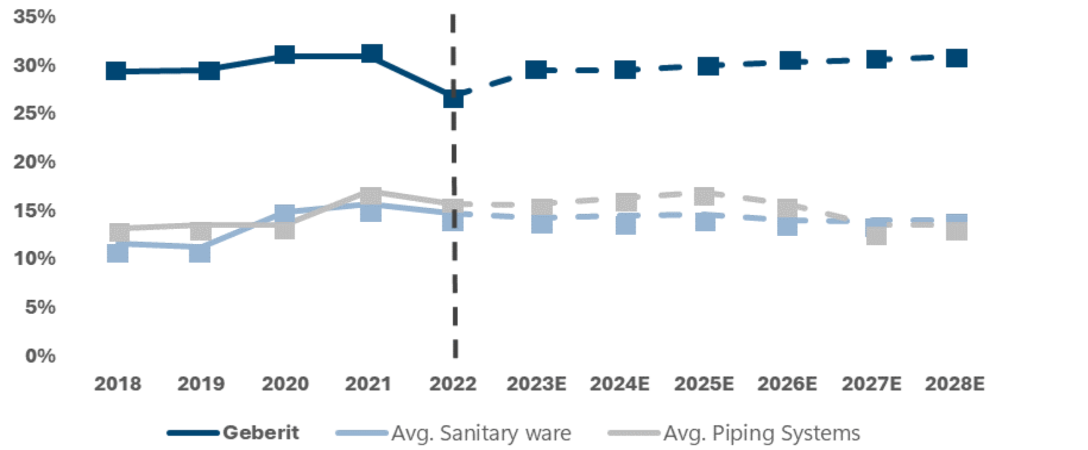
Fig.25: EBITDA Bridge 2023E vs. 2028E



**Excluding energy, selling, general & administrative expenses*

Source: Team Assessment

Exhibit 1: EBITDA Margin versus market's average



Source: Team Assessment, Refinitiv

Automation and process improvement

Continuous automatization of capacities and production process improvement implemented in accordance with modernization& rationalization program results in decrease of operating and other costs via less employees involved in the production (+0.8% EBITDA margin), increase in productivity and reduced energy consumption. For instance, New tunnel kiln in Portugal replaces three old kilns and saves CHF 1.7 million of energy costs per year, while due to the glazing automation project Geberit achieves annual savings of CHF 1.3 million in personnel costs (**Fig. 26**). **Appendix 6** gives more details about other modernization projects.

Fig.26: Investments in automatization

Automation of glazing, Carregado(PT)

3 automated, robotized glazing lines improving productivity and quality

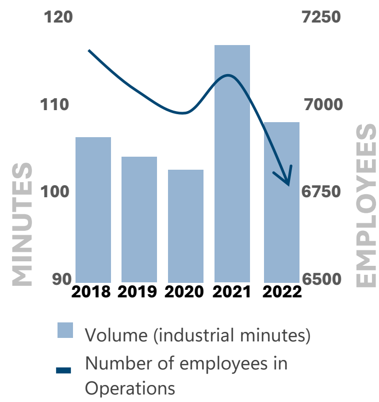
Personnel costs -1.3 Mio CHF/year

Source: Company data

Flexible personnel costs

During the years of fluctuating volume, Geberit can easily adjust the number of employees involved in production. The ability to manage personnel costs in a flexible way demonstrates the high proportion of variable costs (**Fig. 27**), making a significant contribution to the maintenance of the EBITDA margin within the specified target range.

Fig.27: Employees adjustment



Source: Team Assessment, Company data

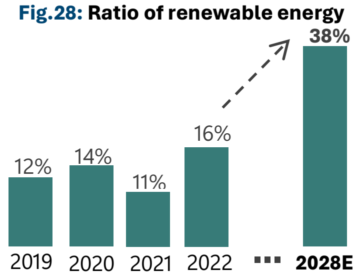
Transition to renewable energy

Increasing the renewable use in the production process Geberit exploits the current market conditions. This strategic move is prompted by the anticipation that the long-term prices of solar and wind energy will be around 50% lower than those of coal and fossil gas (Rocky Mountain Institute) (**Appendix 32**). We expect the use of renewable energy to reach 38% by 2028 (**Fig. 28**), helping Geberit achieve its 45% target by 2030 as per the REPowerEU regulation. This transition is expected to translate into a reduction in other operating expenses, contributing to a 0.7% increase in EBITDA margin (**Fig. 25**).

Pricing Power

The expected stability of the cost of materials as a proportion of sales in the forecasted period (29%) is attributed to Geberit's pricing power, enabling them to raise product prices more than the increase in raw material prices. Consequently, there is no effect from raw materials prices on EBITDA margin (**Fig. 25**).

Fig.28: Ratio of renewable energy

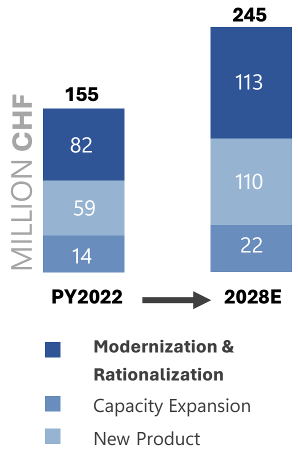


Source: Team Assessment

Capital investment

Managerial decisions regarding the allocation of operating cash flow primarily turn around capital expenditure and shareholder distributions. Over the period from 2018 to 2022, Geberit consistently allocated, on average, 6% of its Net Sales towards investments in property, plant and equipment. In PY-2022 such investments amounted to CHF 155 million. Within its business strategy, a modest 9% of this amount was used to acquire tools and equipment for new product developments. A greater emphasis is placed on enhancing its existing infrastructure. Historically, Geberit allocated 46% of CAPEX towards the rationalization and modernization of property, plant and equipment. We anticipate this trend will persist, projecting that by 2028E these expenditures to increase to 113 million (**Fig. 29**).

Fig.29: **CAPEX Priorities**

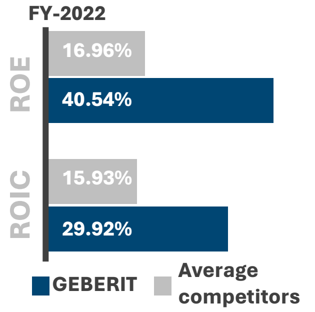


Source: Geberit Annual Report, Team Assessment

Advancing profitability : today and tomorrow

Historically, Geberit has consistently achieved higher profitability than its competitors, highlighting its effective investment allocation, strategic cost management and innovation in products. Even in its financially weakest period, the group notably surpassed its competitors' performance. For instance, in the PY-2022 Geberit achieved a ROIC of 29.92% compared to 15.93% (competitors' average), and a ROE of 40.54% against 16.96% (**Fig. 30**). The company's return from investments is over 4.8 times higher than the required rate by the bond and stockholders (6.19%). We are confident that Geberit is able to create value and is generating sufficient returns to cover its financing costs. We expect that both ROIC and ROE will increase to 39% and 68% by 2028E, respectively (**Appendix 10**). This improvement is expected to result from increase of the profit margin, from 20.8% in PY-2022 to 22.3% by the end FY-2028E. Additionally, an increase in leverage is forecasted, moving from 2.1x to 2.9x in terms of Average Total Assets to Average Total Equity ratio (**Appendix 11**). Geberit's EPS are projected to grow by 6.2% annually compounded from 2022 to 2028E (**Appendix 10**), reaching CHF 29.7 at the end FY-2028E. Consequently, we expect the total amount distributed to shareholders to represent 90% of Net Sales. This distribution is split between dividends (63%) and share repurchase program (27%).

Fig.30: **Geberit vs Average Competitors**



Source: Refinitiv, Team Assessment

Sustaining operational efficiency and a streamlined cash cycle

In PY2022, Geberit's net trade working capital was slightly above its competitors average (**Fig. 31**). The company's Days Sales Outstanding (DSO) stand at 17.4 days, which is almost three times lower than competitors.' This reflects Geberit's effective collection discipline towards its customers. Regarding Days Payables Outstanding (DPO), Geberit also records a shorter period, of 37 days compared to 70.9. However, the Payables to Receivables ratio indicates that Geberit gets 2.1 times more days to pay its suppliers compared to the industry average of 1.1 times. We assess that Geberit does not need to delay the payables to finance its operations. Furthermore, we believe that prompt payment practices help Geberit maintain strong supplier relationships and possibly profiting of discounts. The company's inventory days significantly surpass the competitors' average, standing at 128.4 days compared to 93.7 days. This results in a cash conversion cycle of 108.8 days, which is 10 days longer than its competitors average.

Fig.31: **Cash Conversion Cycle (days)**

2022	DIO	DSO	DPO	P./R. ratio	CCC
Villeroy & Boch	137.2	45.1	58.3	1.3	124.0
LIXIL Group	81.1	72.2	122.7	1.7	30.5
Geberit	**128.4**	**17.4**	**37.0**	**2.1**	**108.8**
Uponor Oyj	81.6	66.9	43.7	0.7	104.8
Masco Corp	75.0	48.8	58.8	1.2	65.0
Average	93.7	58.2	70.9	1.1	97.9

Source: Refinitiv, Team Assessment

Inventory turnover insights: a deeper look!

Our examination of Geberit's inventory composition shows a massive portion consists of raw materials and work-in-progress items, with finished goods accounting for only 36.7% (**Fig. 32**). In contrast, an analysis of competitors indicates that, on average, 62.5% of their inventory is comprised of finished goods. We argue that Geberit's longer cash conversion cycle should not be viewed negatively for two main reasons: firstly, Geberit's high-quality products require a more extended production period. Secondly, the company strategically maintains a larger stock of raw materials to mitigate potential supply chain disruptions. Furthermore, we found that raw materials carry a lower operational risk compared to finished goods. A case in point is one of Geberit's major competitors, LIXIL Group, which had to write down its inventory by Yen 3,599 million and Yen 1,080 million in FY-2023 and FY-2022, respectively. This impairment counts for over USD 35 million for the period. Consequently, we recalculated the Cash Conversion Cycle, this time incorporating Days "Finished Goods" Outstanding (DFGO) alongside the previously mentioned DSO and DPO. This recalibration reveals that Geberit's cash conversion period is twice as efficient as the competitors' average, 27.1 days compared to 50.3 days (without LIXIL Group) (**Fig. 33**).

Fig.32: **Ratios of Finished Goods**

	2022	2021
Geberit	**36.7%**	**32.2%**
Villeroy & Boch	73.7%	72.9%
LIXIL Group	54.0%	55.8%
Uponor Oyj	64.3%	63.2%
Masco Corp	57.9%	57.7%
Average	**62.5%**	**62.4%**

Source: Companies Annual Reports, Team Assessment

Robust financial health: liquidity and solvency analysis

In PY2022, Geberit's long-term debt was CHF 860 million. In March 2023, the company issued corporate bonds twice, totaling CHF 450 million. This funding was allocated for two purposes: to repay the principal of previously issued debt amounting to CHF 150 million, and to accelerate the share buyback program, with CHF 184 million utilized by Q3. As a result, the Debt-to-Equity ratio rose from 68.8% at the end of 2022 to 101.9% by Q3 2023. Nonetheless, Geberit has maintained its A+ credit rating from S&P since 2015. Additionally, Geberit's interest coverage ratio stands at 34.85x, which is 2.4 times higher the competitor average of 14.62x. However, the group's quick ratio is slightly below its competitors, at 66.2% compared to 95.3%. We forecast an increase in this ratio, expecting it to reach 79.2% by 2028E (**Appendix 10**). Overall, we have no concerns regarding the company's capability to fulfill its short and long-term obligations and maintain its low-risk profile.

Fig.33: **Reformulated CCC (days)**

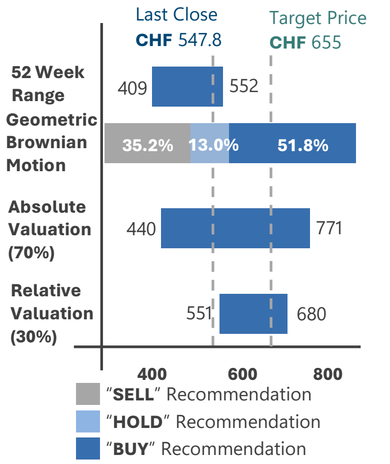
2022	DFGO	DSO	DPO	CCC
Villeroy & Boch	106.4	45.1	58.3	93.2
LIXIL Group	50.1	72.2	122.7	-0.4
Geberit	**46.7**	**17.4**	**37.0**	**27.1**
Uponor Oyj	52.1	66.9	43.7	75.2
Masco Corp	43.3	48.8	58.8	33.3
Average	**63.0**	**58.2**	**70.9**	**50.3**

Source: Team Assessment

VALUATION

We issue a **BUY** recommendation on Geberit AG, setting a target price at CHF 655. This reflects a 19.5% potential increase from the closing price of CHF 547.8 per share of December 15th, 2023. Our valuation for this target price is derived from a combination of methodologies (**Fig. 34**): 70% weight is given to the Discounted Cash Flow (DCF) to Firm model, with a target price of CHF 673 (**Appendix 15**), and 30% weight to the EV/EBITDA multiple, adjusted for operating margin, indicating a target price of CHF 612 (**Appendix 16**). The decision to allocate a lower weight to the multiples methodology is informed by the scarcity of companies comparable to Geberit in the market.

Fig. 34: Football field price projection



Source: Team Assessment

Cost of equity

Our calculated Weighted Average Cost of Capital (WACC) stands at 6.19% **(Fig. 35)**. To determine the cost of equity, we utilized the Capital Asset Pricing Model. Our risk-free rate benchmark is the yield on 10-year Switzerland Government bond, which is 1.15%. The market risk premium was computed using the average market premium of Geberit's main investors. This combination yields a MRP of 5.0%.

To determine Geberit's beta, we performed an OLS regression, analyzing Geberit's two year weekly stock returns in relation to the MSCI Europe Index (108 observations). When we applied this same method to Geberit's industry peers, our findings indicated that Geberit possesses the lowest historical beta (1.09) among them (**Appendix 16**). The estimated cost of equity stands at 6.60%.

Fig. 35: WACC inputs

INPUT	RATE	SOURCE
Risk free rate	1.15 %	YTM 10-Y CHF bonds
Beta	1.09	OLS regression and re-levered
Market Risk Premium	5.00%	Weighted average investors' MRP
Cost of equity	6.60%	CAPM
Cost of debt	2.38%	Risk free rate + firm bond spread
Tax rate	16%	Group tax rate
D/E ratio	9.8%	Target level
WACC	**6.19%**	

Source: Team Assessment, Damodaran, OECD

Cost of debt

The cost of debt was calculated by adding the spread of 1.23% (reflecting Geberit's bond spread above Swiss government bond) to the risk free rate, resulting in a cost of debt of 2.38%. The company aims for a target leverage ratio of 1.5x Net Debt/EBITDA, resulting in a target debt-to-equity ratio of 9.8%.

Perpetual growth rate

To compute the terminal growth rate, we employed a weighted average of long-term real GDP forecasts, aligned with Geberit's primary markets (OECD data). We then incorporated the average long-term inflation expectations for Switzerland. This methodology led us to establish a positive terminal growth rate of 2.96%. The terminal value counts for 80% of company's present value. We believe that this rate fairly reflects both: impact of ESG investments and expenditure on modernization and rationalization of existing PP&E.

Sensitivity analysis

Our two-stage DCF valuation determine a per-share value of CHF 673 for the company. It is noteworthy that the terminal value accounts for over four-fifths of the total firm value in this analysis. This high proportion implies that even minor variations in key inputs could significantly affect our valuation results. Consequently, we carefully examined the resilience of our DCF model, particularly focusing on how changes in the WACC and terminal growth rate might impact our valuation findings (**Fig. 36**). Our sensitivity analysis highlights the robustness of our valuation model against the major risks. We also analyzed the impact of variations in the EBIT margin and revenue growth for the forecasted period; however, the results show lower changes.

Fig. 36: Sensitivity Analysis

GROWTH \ WACC	5.90%	6.00%	6.10%	6.19%	6.30%	6.40%	6.50%
2.50%	656	636	617	601	583	567	551
2.75%	701	678	656	638	617	599	582
2.96%	744	718	694	**673**	650	630	611
3.25%	814	783	754	730	702	679	657
3.50%	889	852	817	789	756	729	703

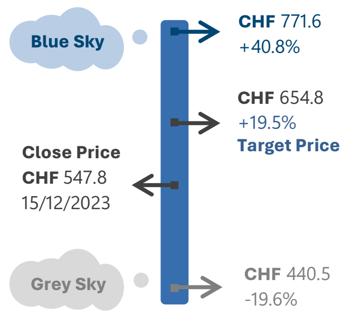
Source: Team Assessment

Scenario analysis

All valuation models inherently bear the risk that they might not accurately predict the actual target share price. Therefore, alongside our primary scenario, we have factored in both optimistic and pessimistic alternatives (**Fig. 37**). In the pessimistic 'grey sky' scenario, we project possible synergies arising from the acquisition of Ideal by Villeroy & Boch, and Uponor Oyj by Georg Fischer. This scenario could lead to a decline in Geberit's net sales, with an anticipated five-year CAGR of -0.6%. Additionally, this chain of events might result in new destocking issues for Geberit and rising operating costs, potentially reducing the EBITDA margin to 26%.

Conversely, in the optimistic 'blue sky' scenario, we predict a potential share value of CHF 771.6 for Geberit. This outcome would stem from successful market penetration in the Far East Pacific and Middle/East Africa, potentially achieving a five-year period CAGR of 7.4%. Additionally, a shift to 100% renewable energy could lead to a reduction in operating costs for Geberit, thereby increasing the EBITDA margin to 33%.

Fig. 37: Scenario Analysis

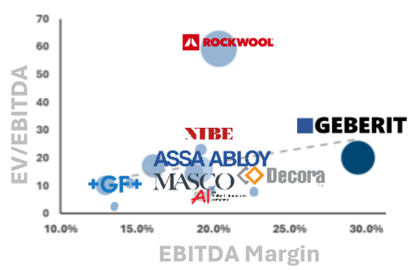


Source: Team Assessment

Relative Valuation

We conducted multiples valuation, comparing Geberit with construction supplier firms from Switzerland, Europe, and globally (**Appendix 16**). Our selection criteria for industry peers focused on firms similar to Geberit in terms of growth rate, ROIC and business & financial risk. The metrics we used, including EV/EBITDA, P/E and EV/Earnings revealed that Geberit is trading at premium. We believe that its premium price is well justified. Its financial strength is evident, illustrated by a profit margin that is 2x as high as the average of the industry counterparts (**Fig. 38**). Alongside a higher ROIC, second only to

Fig. 38: EV/EBITDA to EBITDA Margin



Source: Team Assessment, Refinitiv

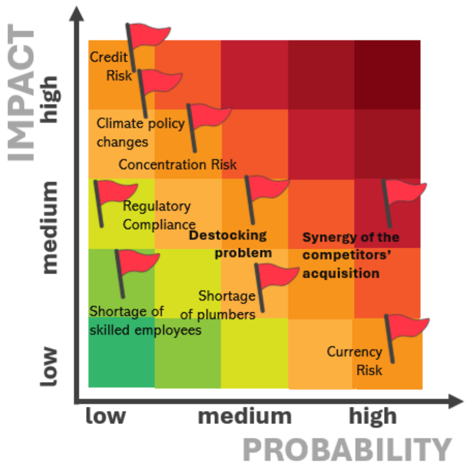
Masco Co, and lowest risk profile, position Geberit as being the best in class among its peers.

Considering Geberit's leading profit margins, we believe that the company should be traded at a higher multiple. Given the capital-intensive nature of the industry, we selected the widely recognized EV/EBITDA ratio as our input-multiple. By comparing the EV/EBITDA ratios of Geberit's peers with their EBITDA margins, we determined that the median trades at a multiple of 0.78 for each percentage point. When this is applied to Geberit's EBITDA margin of 29.6%, it yields an EV/EBITDA ratio of 23.09, leading to a derived target share price of CHF 614 (**Appendix 16**).

We also calculated EV/Earnings using Damodaran's formula (Value Brand Name, 1998). This valuation indicates that Geberit should trade at an EV/Earnings multiple of 6.86, leading to a target share price of CHF 616.4 (**Appendix 17**). Nevertheless, we consider the EV/EBITDA ratio to offer a more comprehensive perspective of the company's financial health.

Based on historical data (daily returns since 2013), we employed a Wiener Process to simulate one hundred thousand price evolution over 252-trading days (**Appendix 18**). The resultant distribution of the 12-month target price (**Appendix 18**) indicates a 52% probability of BUY recommendation.

Fig.39: Risk Matrix



Source: Team Assessment

INVESTMENT RISKS

Geberit is susceptible to diverse types of risks, encompassing market, operational, regulatory/legal, and financial risks. To evaluate these risks, we developed a risk matrix (**Fig. 39**) illustrating both the probability of occurrence and the magnitude of their impact on the company.

Market Risks

Competition (Probability Low, Impact Medium)
The ongoing acquisitions by Villeroy & Boch of Ideal Standard and Georg Fischer of Uponor present a possible threat, as potential synergies could impact Geberit's market share and profitability. The probability of risk realization is assessed to be low as historically most mergers (70%) failed to achieve estimated revenue synergies. (Scott A. Christofferson, Robert S. McNish, and Diane L. Sias, 2004). Geberit's dedication to crafting innovative products, strengthening client relationships, and optimizing distribution channels positions the company to effectively address this risk.

Shortcut of plumbers (Probability High, Impact Medium)
Over recent years, a consistent decline in experienced plumbers has occurred due to the aging workforce leaving the profession. The insufficient number of younger plumbers fails to meet the increasing demand. In 2021, the plumbing occupation was identified as having the most significant shortage in 19 European countries (European Labor Authority, 2021). This problem can affect the company's sales, as most of the plumbers in Europe are engaged in the installation of heating systems and may not be involved in the installation of sanitary systems. To mitigate this risk, Geberit takes two measures: (1) offers easily installable sanitary products, and (2) develops training programs for plumbers.

Destocking problem (Probability Medium, Impact Medium)
The risk of destocking creates potential challenges for Geberit, with possible effects including reduced revenues, underutilization of production facilities, disruptions in the supply chain, and potential financial consequences. To address this risk, the company establishes collaborative relationships with distributors and retailers to align inventory levels with market needs and maintains flexibility in production to adapt to changing demand.

Regulatory and Legal Risks

Unfavorable climate policy changes (Probability Low, Impact Hight)
One of Geberit's key sales driver is its alignment with climate policies favoring energy and water-efficient construction. A potential shift towards less favorable climate policies could have adverse effects on Geberit's business. To address this issue, the company continues to stay vigilant in adapting to regulatory changes and actively supports positive climate policies.

Regulatory Compliance (Probability Low, Impact Medium)
The organization is impacted by governmental regulations in various jurisdictions, suggesting a need to navigate and comply with diverse regulatory requirements. Noncompliance may lead to costs affecting business operations. To mitigate the impact of this risk, Geberit enhances the compliance management system, including monitoring changes and seeking legal counsel to minimize the risk of fines or penalties.

Operational Risks

Shortage of skilled employees (Probability Low, Impact Low)
The potential challenge for Geberit in recruiting highly skilled professionals may impact operational efficiency, project timelines, and innovation. To mitigate the shortage of skilled employees, Geberit focuses on initiative-taking talent management, including effective recruitment, continuous employee training (more than 600 apprentices in Switzerland since 1963), and fostering a positive workplace culture. As well, company's collaborations with educational institutions enable access to a pool of skilled talent.

Concentration risk (Probability Medium, Impact High)
Geberit faces a concentration risk due to its significant dependence on one customer, representing more than 10% of net sales, and Germany accounting for over 30% of the total net sales. To mitigate this risk, the company diversifies its customer base by identifying expansion potential and penetrating new markets. For instance, Geberit's penetration in concealed cisterns is below 30% in France, the UK, and Nordic countries, and below 40% in Eastern Europe. Therefore, the company is implementing initiatives to broaden its presence in these regions.

Financial Risks

Currency risk (Probability High, Impact Low)
Despite the efficient "natural hedging," the translation risk arising from the conversion of profits earned abroad can affect Geberit's consolidated financial results. Geberit does not use any currency hedging strategies explaining that costs of hedging exceed the losses from currency translation. Considering that historical currency translation has only resulted in a 0.1% decrease in EBITDA margin, we regard this risk as negligible.

Credit Risk (Probability Low, Impact High)
Geberit's increase in debt carries a potential risk of credit rating deterioration. However, the current rise is a strategic move towards an optimal capital structure of 1.5x Net Debt/EBITDA. Moreover, the company has robust financial performance with interest coverage ratio 2.4 times higher than competitor average (**Appendix 10**). Therefore, the company has enough financial capacity to manage increasing credit risks.

Appendix 1: Porter's Five Forces

COMPETITIVE RIVALRY – HIGH INTENSITY (4)

-Many companies are operating in the same sector as Geberit (126 public companies with activities in Europe).
-Market is already well-established and consolidated which means that it is difficult to gain market share with respect to competitors.
-In spite of how difficult it is to differentiate from competitors, companies try to offer distinguished products through innovation, modern designs, new systems, quality materials, etc.
-Most of the companies sell the products offline, meaning that their clients are mainly distributors and companies (B2B).

POWER OF SUPPLIERS – LOW INTENSITY (2)

-Sanitaryware/Piping systems are manufactured with materials such as ceramics, plastics, metals, glass, or acrylic materials. Geberit emphasizes its best efforts into using best-quality raw materials to sustain their circular economy model. Geberit's large presence in many countries, along with its reputation for quality assurance, made it extremely competitive and raised suppliers' interest in conducting business with them.
-Geberit has approximately 3,296 suppliers, for this reason, the company has a high power to drive down material costs and gain many other advantages in comparison with other rival competitors in the industry. As a result, Geberit can enhance profitability by reducing the costs as the suppliers are replaceable and has at its disposal green supplier solutions which create a positive environmental impact.

POWER OF CUSTOMERS – MEDIUM INTENSITY (3)

-There exist broad range of possibilities when it comes to buying sanitaryware products, as there are a lot of companies operating in this sector. Although there can be slight differences between the products offered by companies, at the end customers have access to a variety of options which give them power in the decision-making process. However, if customers prefer premium and high-quality products, they will find the same kind of prices, irrespective of the amount of companies offering these products. This is basically because the premium companies can ask for higher prices and their demand will not be affected. Moreover, Geberit offers very innovative products like in the piping systems division, which are very demanded by customers, which gives power to the company. In short, if we only look at the amount of companies that operate in this sector, one could think that this force is of high intensity, but the truth is that in the premium niche, customers do not have such a huge power and they will have to pay the 'premium' price if they want premium products.

THREAT OF SUBSTITUTE PRODUCTS – LOW INTENSITY (2)

-Although always is possible to innovate and enhance the common existing products offered in this industry, it is on the other hand very difficult to disrupt by creating new substitute products. If one analyses this industry, it will soon figure out how simple, stable, and foreseeable this industry has been during the last century. Despite the past innovations and enhancements that have been developed, it is hard to believe that the way toilets are used nowadays will change soon.

THREATS OF NEW ENTRANTS INTO THE INDUSTRY– LOW INTENSITY (2)

-A significant amount of investment in infrastructure, expertise, marketing activities, etc. would be needed in order to penetrate this market.
-In the competitive Sanitaryware and Piping segments, innovations play a key role in shaping the dynamics and the structure of the industry. Competitors are challenged to develop innovative products that will meet the consumer's shifting demand for environmentally safer products and sustainable sanitaryware. Moreover, in order to defferentiate from other market players, sanitary products providers have to deliver goods that are made meeting high standards and quality, for which long-lasting R&D expenses are required.

Appendix 2: SWOT Analysis

S

-Comprehensive know-how and expertise.
-Continuous supply of high-quality products with attractive design.
-Leadership in innovation offering integrated and water-saving sanitary technology.
-Strategic "Push-Pull" business model.
-Cost-effective distributions. They outsource the storage costs and logistics to distributors leading to optimization and efficiency, and as a consequence to the reduction of supply chain rupture risk.
-Not much affected by the cyclicality of construction market due to its high presence in the renovation market.
-Compared to its competitors, Geberit has a competitive advantage by creating innovative patented products, such as the piping systems' innovations distinguished by specific sizes and ease of installation.
-Production automatization with Geberit's own machines.
-Pricing power advantage driven by innovation, historical reputation and excellence.
-High sustainability by offering a broad range of diversified sustainable innovations.
-Almost perfect natural currency hedge.
-Increasing dividend growth over the years.
-High operational flexibility and cost management discipline (prices, efficient cost materials, shift management, etc).
-There are no controversies with respect to the ESG score.

O

-The Environmental pillar could be improved after a process of CO2 emissions and Energy consumption optimization.
-The Social pillar can be highly improved throughout the implementation of new social programs, or specific measures to increase diversification with women employees.
-The Governance pillar can be subject to improvements.
-Respect to the competitors, the decreasing number of installer professionals in Germany can be an opportunity, as the products are easily installed.
-Expected high demand in the European market for premium range of sanitaryware and increasing renovation and building activities aided by a strong emphasis on water conservation.
-Coinciding with Geberit's expansion plans, Asia-Pacific (India, South Korea, Singapore, and other countries) is expected to lead the growth with increasing assistance by the regional governments to promote the sanitaryware regional industry, and high domestic demand due to the rise in population along with a steady increase in disposable income.
-Internet and Social media access led to an increase in customer's knowledge of different choices, availability of products, and suppliers. This can be seen as an opportunity because Geberit's products can be reached in an easier way by potential clients.
-Customer's product awareness can give rise to a higher demand for aesthetically pleasing, which could be an advantage for Geberit.
-Ongoing large-scale campaigns worldwide such as the WASH campaign to raise people's consciousness about the need of sanitation and hygiene.

W

-Short-term aftereffects of pull-forward from the COVID-19-induced home improvement trend of the recent years (excess inventories at wholesalers' warehouses).
-Geberit's profit can be subject to currency effects.
-Geberit's performance is exposed to changes in raw material prices.
-Incomplete BoD expertise, and weak cultural diversity.
-A higher CO2 footprint compared to its peers.

T

-Established competitive landscape in the market where Geberit aims to expand may pose challenges during market penetration.
-High volume fluctuations and bottlenecks in the procurement of raw materials and semi-finished goods.
-Current uncertain situation in Ukraine respect to the war (High degree of uncertainty regarding local Geberit's operations, also accounting for external risks such as electricity rupture).
-Internet and Social media access led to an increase in customer's knowledge of different choices, availability of products, and suppliers. In the same way, this can also be seen as a threat because there might be local people who only knew about Geberit's products, but now the span of competitors' products can be much higher.

Appendix 3: Geberit products vs competitors

GEBERIT

Characteristics

TurboFlush Acanto

More expensive
Quite flushing
Rimless, easier to clean due to the design
Inside of the bowl is wider, not that steep walls
Toilet seat opening has a higher length
Lifetime Warranty
25 year spare parts guarantee
Suitable for installation with flush valves

Icon & Tellkamp Premium 1000

Smaller (better solution for small bathrooms) (width:35.5 cm; height:33 cm; length:53 cm)

Less heavy (weight:24.4 kg)

Geberit SW10312-8

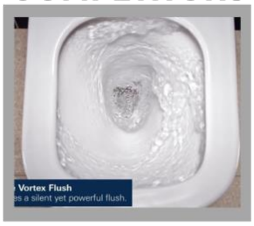
L x W x H (50 x 36 x 33 cm)
Height adjustable : Yes
Rimless : Yes
Adjustable flush volume: 3-7,5L
Flush button: Included

Geberit 458103001 Duofix

Flush button options: For 1-volume, 2-volume or rinse-stop rinse
Flush volume: variable
Special feature: 1.12 m height with cistern UP100
Price: from 127 euros

COMPETITORS

Characteristics



Grohe Triple Vortex flushing technology

Less expensive
Not that quite
Not that easy to clean even if it is rimless
Inside of the bowl is very small, very steep walls
Toilet seat opening is a little shorter
5-year guarantee
Not suitable for installation with flush valves

Villeroy & Boch Subway 2.0 ViFresh

Bigger (width:37.5 cm; height:35,5 cm; length:56 cm)

Heavier (weight: 28.8kg)

Grohe 38526000

L x W x H (15 x 50 x 82 cm)
Height adjustable : No
Rimless: No
Adjustable flush volume: No
Flush button: Not Included

Grohe Rapid SL 38528001

Flush button options: 2 quantities (GROHE EcoJoy) or start & stop
Flush volume: 6-9 liters
Special feature: 1.13 m height
Price: from 124.95 euros

Source: Companies data

Appendix 4: Geberit's solution for any type of problem

Problem	Product	Solution
Shortage of plumbers	**FlowFit fitting system**	**Easy handling - > Faster Installation (by 40%)** • 2 vs 8 pressing jaws • Flexible positioning of the pressing jaw • Lightweight pressing jaws • Color marking
Limited living space	**SuperTube**	**Simple planning - > More residential and floor space** • Smaller pipe diameter (d110 mm instead of d160 mm) • One pipe instead of two
High Water consumption	**Dual-flush product line**	**Less water consumed (reduced water consumption by approximately 56%)** • 5-level flush volumes to control the over splashing • Adjustable flush velocity • 14,6 L per flush (71,2 L per day) reduced to 6 L per flush (30 L per day)
Home heat loss	**Energy Retaining Valve (ERV)**	**Heat and energy preservation - > Electricity saving up to 500 kWh** • Maintenance-free and anti-insects protection, frost resistance • UV-resistant, heat retention, odor elimination • Heating oil preservation by 50 L

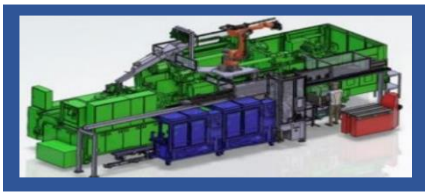
Source: Company data

Appendix 5: Geberit's main competitors

Company Name	Country of Origin	Business Segments	Total Sales (2022, Millions CHF)	% of Net Sales in Europe	Market share
Geberit AG	Switzerland	Installation and Flushing Systems; Piping Systems ;Bathroom Systems	3.391,90	90%	1,55%
Sanitaryware Segment					
Masco Corp	USA	Plumbing Products; Decorative Architectural Products	8.285,54	19,61%	0,83%
Villeroy & Boch AG	Germany	Bathroom & Wellness; Dining and Lifestyle	999,01	65,85%	0,33%
LIXIL Corp	Japan	Water Technology; Housing Technology	10.566,88	10,19%	0,55%
Piping Segment					
Uponor Oyj	Finland	Building solutions; Infrastructure and technology segment; Innovation segment	1.392,49	46,47%	0,33%
Georg Fischer AG	Switzerland	Piping systems; Casting Solutions; Machining Solutions	3.998,00	46,97%	0,96%
Aalberts NV	Netherlands	Building Technology; Industrial Technology	3.244,65	71,11%	1,17%

Source: Team Assessment, Reuters

Appendix 6: PPE Investments in 2023



Capacity expansion FlowFit, Jona (CH)
Additional injection molding machines and assembly lines
Increase of capacity for FlowFit by 80%

Operating and Other Expenses
-2 Mio CHF/year

Plant and capacity expansion, Pfullendorf (DE)
Building expansion to further increase efficiencies for Filling valve type 383, Alpha 120

Operating and Other Expenses
-16.4 Mio CHF/year

Plant and capacity expansion, Lichtenstein
Expansion of plant for installation frames and fully automated production line

Personnel and Other Expenses
-17 Mio CHF/year

Modernization Mapress production, Langendelf (DE)
New machinery and equipment for stainless steel fitting production
Increase of efficiency, flexibility, quality and shorter lead times

Operating and Other Expenses
-1.03 Mio CHF/year

New tunnel kiln, Carregado (PT)
Energy efficient tunnel kiln replacing 3 old kilns
Improved Energy consumption, saving ~3'500 tonnes CO_2 per year

Energy Costs
-1.7 Mio CHF/year

Source: Company data

Appendix 7: Income Statement Assumptions

Line Item	Assumption
Net Sales	After the 2nd quarter, the company reported CHF 1,661.8 million in net sales. Based on a 7-year average rate, the company registers 53% of its annual sales in the first half. Therefore, for FY-23E, we expect net sales to be CHF 3,135.5 million, representing a decrease of 7.56% compared to the previous year (PY). For the forecasted period, net sales represent the sum of the forecasted income from each separate division. See Appendix 12 for more details.
Cost of Raw Materials	The line item was computed using the 7-year historical average rate of 29.1%, which aligns with the Q3 marginal rate of 29.02%.
Personnel Expenses	The personnel salary directly related to the production process is expected to deviate from its historical rate due to the process of automatization and flexible personnel adjustments. For FY-23E, this line item will represent 22.8% of net sales, decreasing to 22.0% by FY-28E.
Over Operating Expenses	For FY-23E, this line item was computed using its historical average rate of 18.6%. For the forecasted period, we expect the rate of other operating expenses to net sales to slightly decrease due to consistent investments in property, plant, and equipment (PP&E) and transition to more cheaper sources of energy.
Depreciation and Amortisation	No particular change is expected for this line; it is projected to remain at its historical 7-year average rates of 3.89% and 0.8%, respectively.
Financial Expenses	This item is primarily computed from the interest on issued bonds. Necessary adjustments were made for the years when some bonds will mature, and for the new bonds that the company will issue to maintain its target capital structure. The coupon rate is expected to remain at the same level of 2.3%.
Income Tax Expenses	The payable tax rate is expected to increase from its 7-year historical rate of 12.1% to 13%.

Appendix 8: Balance Sheet Assumptions

Line Item	Assumption
Cash & Cash Equiv.	To keep company's financial flexibility, we expect amount of cash & cash equivalent to be slightly above the company's short term obligations.
Acc. Receivables	This item was computed based on the 7-Y average rate of around 4.8% of Net Sales.
Inventories	Destocking problem disappear after 2nd quarter of FY-23, moreover the stock of its distributers fell under its normal level, consequently for the FY-23 we expect the inventory will be at the same as in 2021 of 11.6% of Net Sales, and from the FY-24 it will decrease to its normal level of 10.15%.
PP&E	Geberit invest in average 5.4% of Net Sales in tangible assets. PP&E are expected to grow at the amount that remain after the deduction of depreciations.
ST Debt	This item represents mainly the reimbursement of bonds and short-term lease liabilities. We expect short-term lease liabilities to remain at the same level of CHF17,5 Mio. Since the Bonds were issued at low coupon rate, we did not expect that the company would call it before the maturity date.
Acc. Payables	Company consistently was improved its Payables Turnover, thus for the reported period we expect it to remain at the same payables-to-sales rate as in FY-22A.
Tax Liabilities	For FY-23 the tax liabilities was computed using Group tax rate of 16%, for the next periods it is expected to increase to 18% due to regulatory changes.
LT Debt	The amount of LT Debt was computed based on the information of outstanding bonds. Necessary adjustments was made for the bonds that will mature during the forecasted period. Also in order to maintain its target capital structure, we expect company to issue additional CHF 200 Mio in 2024E, CHF 125 Mio in 2025E, CHF 250 Mio in 2026E, CHF 150 Mio in 2027E & 2028E with a coupon rate of 2,3%.)
Reserves	This item line was computed using PY Reserves + Net Income - Dividends – Share Buyback.
Cumulative translation adjustments	This element of BS represents the cumulative loss on currency adjustments is expected to keep the same trend and to decrease at the 5-Y historical amount of CHF 64,24 Mio.

**For other items that was not mentioned above, it was computed using the 7-Y average ratio to Net Sales.*

Source: Team Assessment

Appendix 9: DuPon Analysis

	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Net Income/Sales	21.0%	21.5%	21.8%	20.8%	21.0%	21.1%	21.4%	21.8%	22.1%	22.3%
Sales/Avg. Total Assets	0.85	0.80	0.92	0.94	0.90	0.90	0.92	0.96	1.00	1.04
Avg.Total Assets/Avg.Total Equity	2.0	2.0	1.9	2.1	2.5	2.8	2.8	2.8	2.9	2.9
ROE	**35.5%**	**33.6%**	**38.7%**	**40.5%**	**47.1%**	**52.9%**	**56.0%**	**59.5%**	**63.7%**	**67.9%**

Source: Team Assessment

Appendix 10: Key Financial Ratios

	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E
Quick Ratio	88.8%	134.2%	85.7%	66.2%	95.4%	88.0%	70.8%	74.4%	70.0%	61.8%
Debt to Equity	44.1%	40.5%	39.4%	68.8%	101.5%	108.5%	100.1%	102.9%	101.4%	101.2%
ROE	35.5%	33.6%	38.7%	40.5%	47.1%	52.9%	56.0%	59.5%	63.7%	67.9%
Working Capital	191.4%	187.8%	125.6%	119.7%	148.6%	128.2%	112.6%	119.2%	116.8%	105.3%
Profit Margin	21.0%	21.5%	21.8%	20.8%	21.0%	21.1%	21.4%	21.8%	22.1%	22.3%
Interest Coverage Ratio	60.53x	61.72x	92.95x	62.40x	34.06x	35.28x	38.08x	51.59x	50.89x	65.58x
EPS	17.97	17.95	21.34	20.48	19.99	21.02	22.42	24.26	26.56	29.09

ALTMAN Z-SCORE: 11.68

Source: Team Assessment, Company data

Appendix 11: Key Financial Metrics

in CHF mln	Historical Revenue					Forecasted Revenue						Transition Period		
	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Total Net Sales	3081	3083	2986	3461	3392	3136	3244	3375	3550	3805	4078	4328	4551	4736
% revenue growth	*5.9%*	*0.1%*	*-3.1%*	*15.9%*	*-2.0%*	*-7.56%*	*3.45%*	*4.06%*	*5.18%*	*7.18%*	*7.18%*	*6.14%*	*5.14%*	*4.07%*
EBITDA	868	904	925	1069	909	928	967	1 016	1 079	1 168	1 260	1 337	1 406	1 463
% of net sales	*28.2%*	*29.3%*	*31.0%*	*30.9%*	*26.8%*	*29.6%*	*29.8%*	*30.1%*	*30.4%*	*30.7%*	*30.9%*	*30.9%*	*30.9%*	*30.9%*
EBIT	744	757	772	902	756	784	815	858	913	990	1069	1135	1193	1242
% of net sales	*24.2%*	*24.6%*	*25.9%*	*26.1%*	*22.3%*	*25.0%*	*25.1%*	*25.4%*	*25.7%*	*26.0%*	*26.2%*	*26.2%*	*26.2%*	*26.2%*
Net Income	626	647	642	756	706	660	686	724	775	840	911	968	1018	1060
% of net sales	*20.3%*	*21.0%*	*21.5%*	*21.8%*	*20.8%*	*21.0%*	*21.1%*	*21.4%*	*21.8%*	*22.1%*	*22.3%*	*22.4%*	*22.4%*	*22.4%*

Source: Team Assessment

Appendix 12: Revenue by segment

in CHF mln	Historical Revenue					Forecasted Revenue						Transition Period		
	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Installation and Flushing Systems														
Total Revenue	1 132.50	1 144.60	1 115.40	1 324.40	1 258.10	1 119.6	1 153.2	1 205.2	1 271.4	1 362.4	1 461.0	1 551.6	1 632.5	1 699.2
% revenue growth	*8.03%*	*1.07%*	*-2.55%*	*18.74%*	*-5.00%*	*-11.01%*	*3.00%*	*4.50%*	*5.50%*	*7.2%*	*7.2%*	*6.20%*	*5.20%*	*4.10%*
Piping Systems														
Total Revenue	928.30	949.10	903.40	1 054.70	1 095.00	1 083.3	1 129.9	1 180.8	1 245.7	1 335.4	1 431.6	1 520.3	1 599.4	1 665.0
% revenue growth	*7.26%*	*2.24%*	*-4.82%*	*16.75%*	*3.80%*	*-1.06%*	*4.30%*	*4.50%*	*5.50%*	*7.2%*	*7.2%*	*6.20%*	*5.20%*	*4.10%*
Bathroom Systems														
Total Revenue	1 019.70	989.20	967.30	1 081.40	1 038.80	932.5	960.5	989.3	1 032.9	1 106.4	1 185.2	1 256.3	1 319.1	1 371.9
% revenue growth	*2.53%*	*-2.99%*	*-2.21%*	*11.80%*	*-3.90%*	*-10.23%*	*3.00%*	*3.00%*	*4.40%*	*7.12%*	*7.12%*	*6.00%*	*5.00%*	*4.00%*
Total Net Sales	3080.5	3082.9	2986.1	3460.5	3391.9	3135.5	3243.6	3375.2	3549.9	3804.7	4077.8	4328.2	4550.8	4736.0

Source: Team Assessment

Appendix 13: Forecasted Income Statement

in CHF mln	Historical Revenue					Forecasted Revenue						Transition Period		
	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Total Net Sales	3 081	3 083	2 986	3 461	3 392	3 135	3 244	3 375	3 550	3 805	4 078	4 328	4 551	4 4736
(COGS)	(1 637)	(1 612)	(1 539)	(1 809)	(1 851)	(1 624)	(1 677)	(1 738)	(1 821)	(1 944)	(2 080)	(2 207)	(2 321)	(2 415)
Gross Profit	1 443	1 471	1 447	1 652	1 541	1 511	1 567	1 637	1 729	1 860	1 998	2 121	2 230	2 321
(OPEX)	(576)	(567)	(522)	(582)	(633)	(583)	(600)	(621)	(650)	(692)	(738)	(783)	(824)	(857)
EBITDA	868	904	925	1 069	909	928	967	1 016	1 079	1 168	1 260	1 337	1 406	1463
(Depreciation & Amortization)	(160)	(147)	(154)	(168)	(154)	(144)	(152)	(158)	(166)	(178)	(191)	(203)	(213)	(222)
EBIT	708	757	772	902	755	784	815	858	913	990	1 069	1 135	1 193	1 242
Financial Income (Expenses)	(20)	(14)	(17)	(13)	(14)	(26)	(26)	(26)	(22)	(24)	(21)	(22)	(22)	(23)
EBT	687	743	754	888	741	758	788	832	891	966	1 047	1 113	1 171	1 219
Tax Income (Expenses)	(90)	(96)	(112)	(133)	(35)	(99)	(102)	(108)	(116)	(126)	(136)	(145)	(152)	(158)
Net Income	597	647	642	756	706	660	686	724	775	840	911	968	1018	1 060

Source : Team Assessment

Appendix 14: Forecasted Balance Sheet

in CHF mln	2022	2023E	2024E	2025E	2026E	2027E	2028E
Forecasted Assets							
Cash and cash equivalents	206	395	455	303	304	263	251
Marketable securities and short-term investment	0	0	0	0	0	0	0
Trade accounts receivable	160	148	153	160	170	183	196
Other current assets and current financial assets	122	109	113	117	123	132	141
Inventories	394	364	329	343	360	386	414
Current assets	**882**	**1 016**	**1050**	**923**	**958**	**965**	**1 003**
Property, plant and equipment	948	1015	1 083	1 155	1 230	1 310	1 369
Deferred tax assets	150	119	123	128	135	145	155
Other non-current assets and non-current financial assets	40	39	40	42	44	47	50
Goodwill and intangible assets	1 410	1 379	1 379	1 379	1 379	1 379	1 379
Non-current assets	**2 547**	**2 551**	**2 625**	**2 703**	**2 787**	**2 880**	**2 980**
Total assets	**3 429**	**3 567**	**3 675**	**3 625**	**3 745**	**3 845**	**3 983**

in CHF mln	2022	2023E	2024E	2025E	2026E	2027E	2028E
Forecasted Liabilities							
Short-term debt	169	143	243	218	168	143	218
Trade accounts payable	98	100	103	108	113	121	130
Tax liabilities	129	121	142	150	160	174	189
Other current liabilities	334	312	322	335	353	378	405
Current provisions	7	8	9	9	10	10	11
Current liabilities	**737**	**684**	**819**	**820**	**804**	**826**	**952**
Long-term debt	860	1 181	1 156	1 081	1 181	1 206	1 156
Accrued pension obligations	226	273	282	294	309	331	355
Deferred tax liabilities	42	65	67	70	73	78	84
Other non-current liabilities	22	15	15	16	17	18	20
Non-current provisions	44	46	47	49	52	56	60
Non-current liabilities	**1 195**	**1 579**	**1 568**	**1 509**	**1 632**	**1 689**	**1 674**
Total liabilities	**1 932**	**2 263**	**2 387**	**2 329**	**2 435**	**2 515**	**2 626**
Forecasted Equity							
Share capital	4	4	4	4	4	4	4
Reserves	2 176	2 051	2 096	2 168	2 245	2 329	2 421
Cumulative translation adjustments	(682)	(747)	(811)	(875)	(939)	(1 004)	(1 068)
Equity	**1 497**	**1 304**	**1 288**	**1 296**	**1 310**	**1 330**	**1 356**

Source: Team Assessment

Appendix 15: Discounted Cash Flow (DCF) Model

in million	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
EBIT*(1-tax)	643.3	658.4	668.0	703.4	748.5	811.6	876.5	930.4	978.2	1018.0
+Depreciation	128.2	121.8	126.0	131.2	137.9	147.8	158.5	168.2	176.8	184.0
+Amortization	25.4	22.4	25.9	27.0	28.4	30.4	32.6	34.6	36.4	37.9
Net Working Capital	237.0	200.7	160.6	167.1	178.2	191.0	204.7	217.3	228.4	237.7
-Changes in NWC	80.0	(36.3)	(40.1)	6.5	11.1	12.8	13.7	12.6	11.2	9.3
-CAPEX	155.0	188.1	194.6	202.5	213.0	228.3	244.7	259.7	273.0	284.2
Free Cash Flow	**562**	**651**	**665**	**653**	**691**	**749**	**809**	**861**	**907**	**946**
Discount factor			0.942	0.887	0.835	0.786	0.741	0.697	0.657	0.618
PV of FCF		4752								
PV of Terminal Value		18660								30171
Equity Value		**22484**								
Shares available to market		33.4								
Price		**673**								

Source: Team Assessment

Appendix 16: Relative Valuation EV-per-one percent EBITDA Margin

Company Name	Market Cap (Bn USD)	Beta	EBITDA Margin	5Y Revenue Growth	ROIC	Forward EV/EBITDA	ESG Grade	EV/EBITDA to EBITDA Margin	EV/EBITDA Adjusted to Geberit' margin	Comparability
Geberit AG	**21.09**	**1.09**	**29.6%**	**3.4%**	**29.9%**	**20.08**	**A**	**0.68**	**23.09**	
Georg Fischer AG	5.83	1.44	13.0%	2.8%	19.4%	10.11	A-	0.78	23.09	
Villeroy & Boch AG	0.24	1.21	13.5%	2.3%	19.4%	2.31	B	0.17	5.06	
Uponor Oyj	2.24	1.22	16.1%	2.9%	19.0%	17.25	A-	1.07	31.73	
Aalberts NV	4.37	1.68	19.8%	3.2%	9.3%	7.93	B-	0.40	11.85	
Assa Abloy AB	29.69	1.12	19.1%	9.7%	12.3%	15.43	B+	0.81	23.92	
Munters Group AB	27.56	1.29	16.2%	6.4%	8.3%	15.86	B	0.98	28.91	
Rockwool A/S	6.19	1.15	20.4%	9.1%	12.3%	59.15	B	2.89	85.37	
Lindab International AB	1.55	1.63	14.5%	5.3%	12.6%	10.83	B	0.74	22.05	
Decora SA	0.15	1.22	22.7%	4.0%	15.0%	7.63	B-	0.34	9.95	
Nibe Industrier AB	12.96	1.41	19.2%	13.8%	12.9%	22.96	B+	1.20	35.38	
Masco Corp	15.29	1.29	18.8%	2.8%	37.0%	14.37	B+	0.77	22.66	
Average		**1.33**	**17.6%**			**16.71**		**0.92**	**27.27**	
Median		**1.29**	**18.8%**			**14.37**		**0.78**	**23.09**	

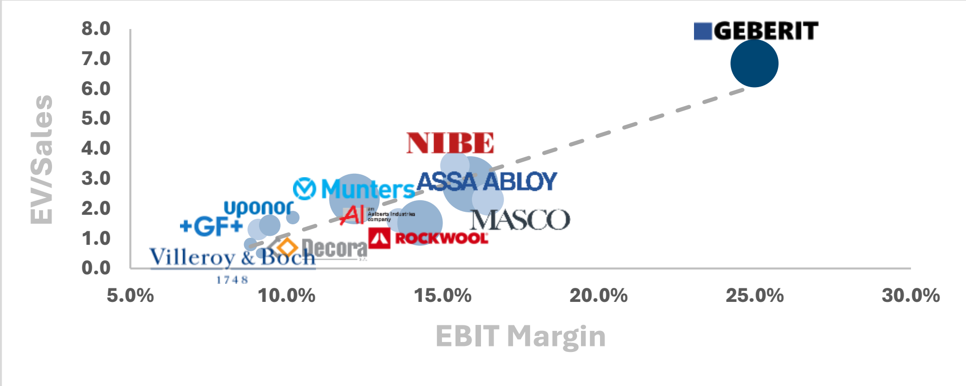
Enterprise Value	21428
Net Debt	928
Equity Value	**20500**
Shares available to market (Mln)	33.4
Price per share	**614**

Source: Team Assessment, Refinitiv

Appendix 17: Relative Valuation - EV/Sales (Damodaran, 1998)

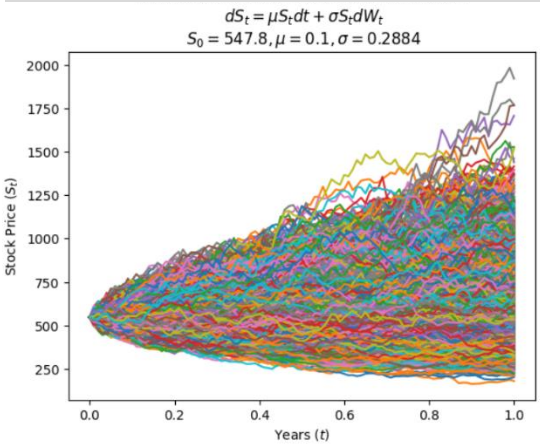
$$\frac{\text{Value}}{\text{Sales}_0} = \text{After-tax Oper. Margin} * \left[\frac{(1-\text{RIR}_{\text{growth}})(1+g)*\left(1-\frac{(1+g)^n}{(1+\text{WACC})^n}\right)}{\text{WACC}-g} + \frac{(1-\text{RIR}_{\text{stable}})(1+g)^n*(1+g_n)}{(\text{WACC}-g_n)(1+\text{WACC})^n}\right]$$

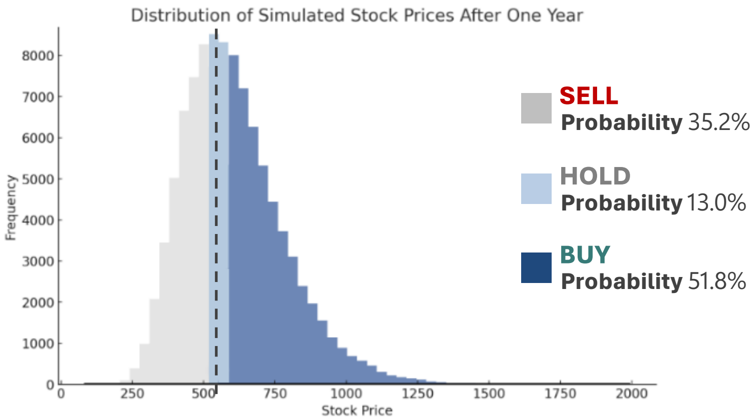
After-tax EBIT	21.00%
Expected Oper. Margin Growth (g)	5.01%
Stable Oper. Margin Growth (gn)	2.96%
WACC	6.19%
Reinvestment Rate (RIRg)	16.43%
Stable Reinvestment Rate (RIRs)	9.69%
Firm Value/Sales	**6.86**
Sales (FY-23E)	3135
Firm Value	21498
Net Debt	928
Equity Value	**20570**
Nb. of Shares	33.4
Price/Share	**616.4**



Source: Team Assessment, Damodaran

Appendix 18: Geometric Brownian Motion





Source: Team Assessment

Appendix 19: ESG Peer Analysis - Environmental

Company	Refinitiv Score	Environmental Pillar Rank	Total Renewable Energy Use (GJ) / Net Sales	Total Energy Use in (GJ) / Net Sales	GHD Emissions Intensity (Scope 1&2) / Net Sales	Water Consumption (cm3) / Net Sales	Waste Recycled Total (tonnes)/ Net Sales	Total Waste Intensity / Net sales
Geberit AG	**86.0**	**90.0**	**112.6**	**756.3**	**44.4**	**267.8**	**16.7**	**24.8**
Uponor Oyj	77.0	86.0	437.1	704.0	6.2	106.5	9.0	10.9
Villeroy & Boch AG	70.0	60.0	112.6	1943.8	116.1	1132.4	42.3	41.3
Georg Fischer AG	82.0	86.0	112.6	1156.4	88.5	563.8	16.0	20.3
Masco Corp	67.0	72.0	112.6	154.5	10.1	135.5	5.1	4.6
Aalberts NV	65.0	68.0	203.7	1251.9	78.3	463.8	13.0	16.1
Lindab International AB	64.0	58.0	25.4	225.7	13.8	1027.8	8.9	18.2
Assa Abloy AB	71.0	82.0	42.0	203.9	20.5	118.1	5.9	7.3
Median	**70.5**	**77.0**	**70.5**	**730.1**	**32.5**	**365.8**	**11.0**	**17.1**
Geberit vs Median	Highly above median	Highly above median	Highly above median	Above median	Above median	Highly above median	Highly above median	Above median
	ESG Leader	**Leader**	**One of the Leaders in Renewable Energy Use**	**Slight Laggard in Total Energy Saving**	**Laggard in Carbon footprint reduction**	**One of the Leaders in water-saving**	**One of the Leaders in material recyclability**	**Slight Laggard in total waste reduction**

Source: Team Assessment

Appendix 20: ESG Peer Analysis - Social & Governance

Company	Social Pillar	Number of Women Employees	Number of Women Managers	Governance Pillar	Board Gender Diversity, %	Average Board Tenure, yrs	Number of Employees
Geberit AG	**93**	**24%**	**11%**	**69**	**33%**	**6.0**	**11 514**
Uponor Oyj	83	29%	18%	58	50%	5.0	4 214
Villeroy & Boch AG	73	36%	31%	77	31%	6.1	6 759
Georg Fischer AG	85	20%	17%	75	38%	6.7	15 207
Masco Corp	81	36%	22%	75	22%	14.5	18 000
Aalberts NV	73	24%	21%	51	25%	5.6	15 711
Lindab International AB	59	22%	26%	79	33%	7.5	4 853
Assa Abloy AB	63	30%	29%	68	36%	8.5	49 428
Median	**77**	**26%**	**22%**	**72**	**33%**	**6.4**	**13 361**
Geberit AG vs Median	Above median	Below median	Below median	Below median	As median	Below median	Below median
	Leader in Social Pillar	**Slightly Laggard in operational diversity**	**Laggard in management diversity**	**Slightly Laggard in Governance Pillar**	**One of the Leaders in BoD Diversity**	**Average in BoD tenure**	**Leader in efficiency**

Source: Team Assessment, Reuters

Appendix 21: Team's scorecard

Environmental Pillar		A +	Social Pillar		A +	Governance Pillar		A -
Criteria:	Weight:	Attributed score:	Criteria:	Weight:	Attributed score:	Criteria:	Weight:	Attributed score:
Water usage		100	Occupational Health & Safety		90	Board management		65
Energy efficiency		95	Workforce		100	Shareholder rights		87
Carbon and Toxic emmisions		85	Inclusivity, diveristy, inclusion		90	Transparency and Disclosure		80
Waste and Resource management		100	Impact on community		95	Executive Compensation		93
Product Innovation		100	Product quality		100	Independence		100
			Supply chain management		85	CSR strategy		98
Total average score		**96.00**	**Total average score**		**93.33**	**Total average score**		**87.17**
Environmental Weight	40%		Social Weight	35%		Governance Weight	25%	
Team's Weighted Score		92.86	A+	Leader	Low risk			
Refinitiv - Eikon Combined Score		86	A	Leader				

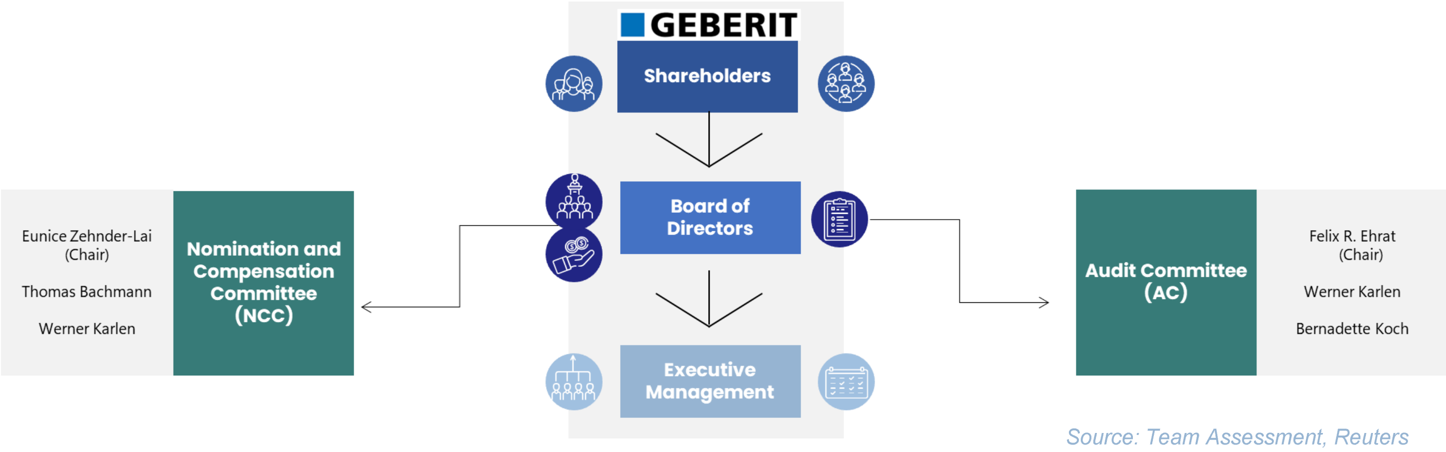
Source: Team Assessment, Reuters

Appendix 22: Geberit – ESG achievements and targets

E	S	G
Achievements	**Achievements**	**Achievements**
Green production	Flexibile working shifts	Diversified board (33.33% women)
Adaptive circular economy model	Inclusive working environment, 3.5% positions for disabled	No controversies recorded
Continous sustainable innovations	Educational value added & Societal impact	In-place internal regulations & policies
High renewable energy use	Green Logistics	Comprehensive CSR Sustainability Reporting
Decreased CO2 emissions (1&2) by 21.9%	Increased accident rate by 3.8%	Equal shareholders rights policies
Deteorating Scope 3 CO2 emissions for 7% suppliers	Weakly diversified (3% women)	Questionable old age of majority BoD
Slow decarbonisation initiative	Signed Code of Conduct by 90% of suppliers	Incomplete expertise of some BoD members
No biodiversity initiatives		
Target	**Target**	**Target**
-70% CO2 emissions by 2030	5% women in operations	30% women on board
-80% by 2035	100% Code of Conducts for Suppliers Signatory	Mitigation of existing climate & regulations risks
-5% YoY	5% positions for disabled	
Improving renewable energy and material efficiency	5.5 injury rate	
More innovations for future growth	Get into top 5% inclusive workspace companies	
	Further educational creation for staff to increase efficiency	

Source: Team Assessment, Company data

Appendix 23: Geberit’ Governance structure



Source: Team Assessment, Reuters

Appendix 24: Geberit’ Bord of Directors structure

MEMBERS OF THE BOD	POSITION	MEMBER SINCE	NATIONALITY	EDUCATION	PROFESSIONAL EXPERIENCE
 ALBERT M. BAEHNY	Non-executive, Chairman	2011	Swiss	▪ UNIFR (CH), Biology	▪ Senior Vice President, Wacker Specialties ▪ Head Group Executive Area Marketing and Sales Europe, Geberit ▪ CEO: Geberit Group, Lonza
 EUNICE ZEHNDER-LAI	Independent Non-executive, Vice Chair	2017	Swiss / Chinese	▪ MBA at HBS (US) ▪ BA at Harvard University (US)	▪ CEO, PM Institut für Persönlichkeitsorientiertes Management ▪ Positions: LGT Capital Partners, Goldman Sachs and Merrill Lynch ▪ Procter & Gamble
 THOMAS WERNER BACHMANN	Independent Non-executive Director	2021	Swiss	▪ Mechanical Engineering (BFH) (CH) ▪ MBA at the IMD Business School (CH)	▪ Positions: Rieter ▪ CEO: AFG Arbonia Forster, Tecan Group, Eppendorf Group ▪ Executive President: Bruker BioSpin Group ▪ Member: Supervisory Board, Eppendorf Group
 FELIX R. EHRAT	Independent Non-executive Director	2013	Swiss	▪ LLD, ETH (CH) ▪ LL.M., McGeorge School of Law in Sacramento (US) ▪ Harvard University(US)	▪ Executive Positions: Globalance Bank, Idorsia, Swiss Fintech, Hyos Invest Holding, Advisory Committee RepRisk and Accenture. ▪ Management positions: Novartis Group, Bär & Karrer ▪ Positions in organisations: Economiesuisse, SwissHoldings, Avenir Suisse, Law and Economics F. St. Gallen and UZH F.
 WERNER KARLEN	Independent Non-executive Director	2020	Swiss	▪ Industrial Management and Manufacturing, ETH (CH) ▪ Dr. oec. HSG, University of St. Gallen (CH)	▪ Member of BoD: Frutiger Unternehmungen ▪ CEO: Fr. Sauter, Schulthess Group ▪ COO: Biella-Neher ▪ Positions: ABB Kraftwerke, McKinsey & Company, Phoenix Mecano
 BERNADETTE KOCH	Independent Non-executive Director	2019	Swiss	▪ CPA ▪ MAS, University of Lucerne (CH).	▪ Member roles: Mobimo Holding, Swiss Post, PostFinance, Energie Oberkirch ▪ Auditing and Financial Reporting at EY

Source: Team Assessment, Company data

Appendix 25: Group Executive Management (GEM) Structure

EXECUTIVE BOARD MEMBERS	BIRTH YEAR	POSITION	POSITION TENURE, YEARS	COMPANY TENURE, YEARS
 CHRISTIAN BUHL	1973	Chairman of the Group Executive Board (CEO)	8	14
 TOBIAS KNECHTLE	1972	Head of Group Executive Area Finance (CFO)	1.8	2
 MARTIN BAUMÜLLER	1977	Head of Group Executive Area Marketing & Brands	7	12
 ANDREAS LANGE	1975	Head of Group Executive Area Products	1.1	11
 CLEMENS RAPP	1981	Head of Group Executive Area Sales Europe	3	14
 RONALD VAN TRIEST	1969	Head of Group Executive Area Sales International	8	8
 MARTIN ZIEGLER	1969	Head of Group Executive Area Operations	5	28

Source: Company data

Appendix 26: Governance

Fig.40: Operational Group Structure

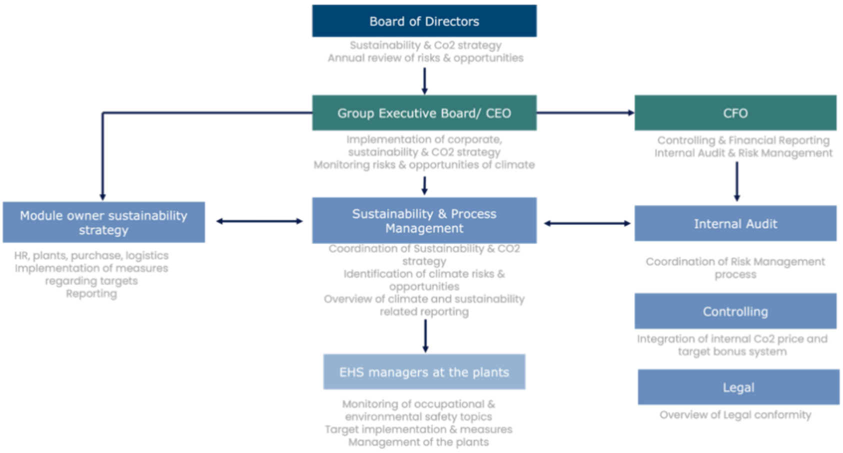


Fig.41: Highest paid – CEO, for FY2022 compared to Total Compensation

	CEO - C. Buhl	CEO, % from total	Total
Fixed remuneration	CHF 1'022'801	31%	CHF 3'330'871
Variable remuneration	CHF 707'440	32%	CHF 2'231'550
Options-based	CHF 1'200'429	41%	CHF 2'909'887
Share-based	CHF 7'932	19%	CHF 42'195
Pension benefits	CHF 209'203	23%	CHF 921'825

Fig.42: Remuneration of Board of Directors for FY2022, CHF

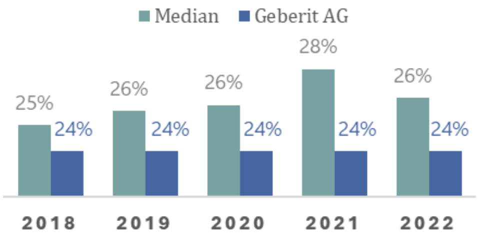
	A. Baehny (Chair)	E. Zehnder - Lai (Vice Chair)	F. Ehrat	B. Koch	W. Karlen	T. Bachmann	Total
Accrued remuneration	270'000	269'584	235'000	220'000	241'250	155'833	1'391'667
Cash remuneration	615'000						615'000
Expenses	15'000	15'000	15'000	15'000	15'000	10'625	85'625
Contributions to social insurance	43'024	13'303	11'533	11'011	11'954	8'162	98'987
Total	**943'024**	**297'887**	**261'533**	**246'011**	**268'204**	**174'620**	**2'191'279**

Fig.43: Total Compensation of Group Executive Board and the Board of Directors in FY2021-2022

	FY2022 MCHF	FY2021 MCHF
Remuneration and fixed salary	5.5	5.6
Remuneration and variable salary	2.2	3.3
Options	2.9	2.6
Expenditures on pensions	1.0	1.4
Other	0.1	0.1
Total	**11.7**	**13.0**

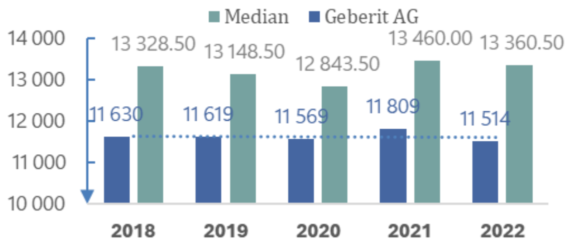
Source: Company data

Appendix 27: Number of Women employees at Geberit AG



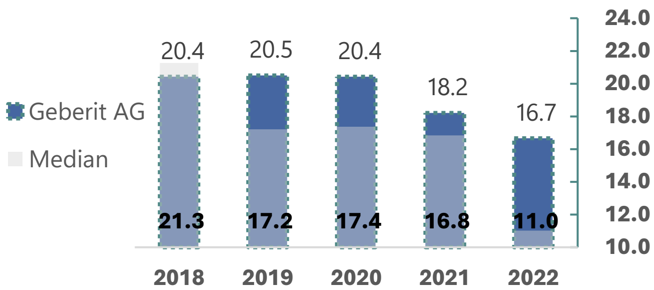
Source: Team Assessment, Reuters

Appendix 28: Number of Employees relative to peers



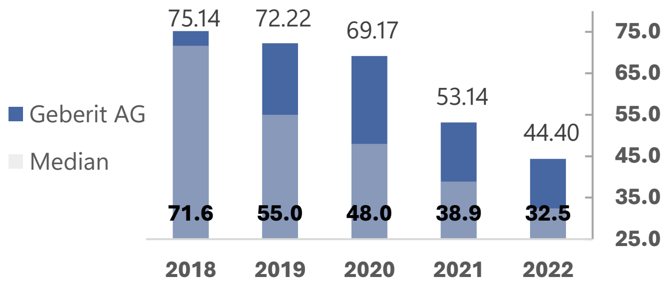
Source: Team Assessment, Reuters

Appendix 29: Waste Recyclability (tonnes) per million of Net Sales (CHF)



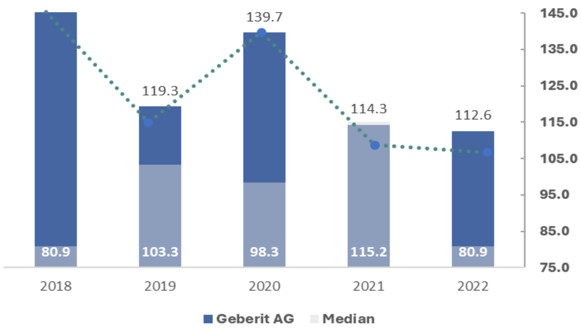
Source: Team Assessment, Reuters

Appendix 30: Scope 1&2 CO2 Emissions (tonnes) per million of Net Sales (CHF)



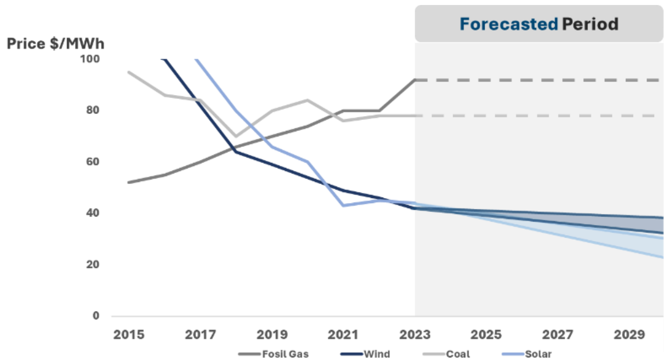
Source: Team Assessment, Reuters

Appendix 31: Renewable Energy Use (GJ) per million of Net Sales (CHF)



Source: Team Assessment, Reuters

Appendix 32: Forecasted energy prices



Source: Rocky Mountain Institute

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