

DATACOLOR AG

FISCAL 2019/20

Dear Shareholders

Challenging economic climate impacts fiscal year – organization streamlined – dividend of CHF 7 per share proposed

Datacolor reached its 50th year of operation in fiscal 2019/20, a remarkable anniversary. However, Datacolor has postponed most of the activities related to the celebration of this milestone until next year due to the pandemic. After a good start to fiscal 2019/20, Datacolor's production and sales in Suzhou were severely affected by China's decision to close down the economy completely for four weeks in January and February 2020 in connection with the pandemic. The global economic downswing, caused by further lockdowns in other markets, also had a strong impact on Datacolor's sales and earnings in fiscal 2019/20. Incoming orders already flattened off towards the end of the first semester and remained at a low level during the second half-year. At USD 61.0 million (fiscal 2018/19: USD 78.8 million), net sales were down -22.5% on the previous year and -21.3% in local currency. Nevertheless, strict cost management allowed for an appealing gross profit margin of 61.8% (65.7%). Thanks to the program to increase efficiency already initiated at the end of 2019 and lower compensation, Datacolor posted a positive operating result despite one-off costs of USD 1.7 million in connection with the reorganization. EBITDA was USD 1.8 million (USD 7.5 million), the EBITDA margin was 3.0% (9.6%), EBIT USD 0.3 million (USD 5.6 million) and the EBIT margin was 0.4% (7.1%). Unfavorable exchange rates led to a negative financial result of USD -0.9 million (USD -1.2 million) despite a positive development of the investment portfolio. This resulted in a net loss of USD -0.6 million (USD 3.6 million), or USD -3.88 (USD 21.84) per share. Due to the necessary reduction in personnel, the average number of employees decreased to 401 in the year under review.

Executive Committee downsized and rejuvenated

As part of the efficiency improvement program and the streamlining of the organization, human resources and marketing functions now report directly to the Chief Executive Officer. In this regard, Datacolor has reduced the Executive Committee to five members and rejuvenated it with the arrival of Kevin Quinn on October 1, 2020. He took over the Sales and Marketing Consumer Solutions division from Brian Levey, who will retire early 2021.

Fast recovery in China

With China recovering faster than other markets from the economic impact of the pandemic, Datacolor's sales in this market almost reached their previous level by the end of the year under review. The positive trend in China is reflected in the geographical sales breakdown. The Asia-Pacific region's share increased to 38.3% (36.2%). Datacolor generated 34.7% (34.3%) of sales in Europe, while the contribution from North and South America fell to 27.0% (29.5%).

New products introduced for efficient workflows at customers

The significant cost savings do not affect the strategic investments in the long-term development of innovative color management technology and the expansion of the comprehensive Datacolor product range. In the year under review, Datacolor considerably broadened the number of online distribution channels and extended its range of products. Furthermore, the Company launched several high-precision color measurement products for customers in the textile and clothing, paint, coatings and plastics industries and for the consumer market. In its anniversary year, Datacolor also launched a new Spyder product bundle and introduced extensions to SpectraVision and the chip-based ColorReader product family. The new SpectraVision V is a refinement of the successful Datacolor spectrophotometer. It enables objective measurement on multicolor, structured, small-format and irregularly shaped materials such as plastic granules and digital communication of the measured color. With ColorReader EZ, Datacolor has introduced the third member of the successful, compact ColorReader product family, which already includes ColorReader and ColorReader Pro for professional users. This very small measuring instrument combines Datacolor's advanced color measurement technology in an exceptionally attractively priced and easy-to-use product for the consumer market. It is compatible with smartphones via Bluetooth with the ColorReader app. In addition, the ColorReader technology has been integrated into the workflows of several customers, including a leading North American manufacturer of premium coatings. The new products have met with strong demand and Datacolor expects them to make a significant contribution to sales in the medium term.

Strong balance sheet

As at September 30, 2020, Datacolor had a sound balance sheet with a substantial net cash (including financial assets) of USD 41.6 million (September 30, 2019: USD 44.2 million). Datacolor remains debt-free. Shareholders' equity was unchanged year-on-year at USD 45.3 million. The equity ratio increased sharply to 68.7% (September 30, 2019: 63.1%).

Datacolor AG

The holding company Datacolor AG posted a profit of CHF 1.1 million (2018/219: CHF 2.6 million) for fiscal 2019/20. Following the distribution of a dividend of CHF 2.5 million to shareholders in December 2019, Datacolor AG had shareholders' equity of CHF 17.5 million as at September 30, 2020 (September 30, 2019: CHF 18.2 million). The Board of Directors therefore proposes to the general assembly meeting that despite the unsatisfactory annual result a dividend of CHF 7 per share be distributed, also in regard to the company's 50th anniversary.

Outlook

The Management is confident that Datacolor, with its lean and efficient organization, its strong cash position and sound equity base plus its successful product portfolio, is well equipped to return to the growth path and achieve its ambitious profit targets. Datacolor has the financial power and the people to continuously expand its leading global position with its high-precision hardware and software products for measuring and communicating color tailored to customer needs, and its efficient and customer-focused sales, service and support organization.

Lucerne, November 2020

Datacolor AG



Werner Dubach
Chairman of the Board of Directors

The complete Annual Report 2019/20 is available on <https://ir.datacolor.com/en/financial-reports/>
The Shareholders may request a printed copy of the Annual Report by Investor Relations.

DATACOLOR SHARE INFORMATION

Stock exchange information

Expected dividend ex date (subject to approval by AGM)	December 11, 2020
Listing	SIX Swiss Exchange (Zurich)
Security ID	853 104
ISIN	CH0008531045
Reuters	DCN.S
Bloomberg	DCN
Investdata	DCN

Capital structure	30.09.2020	30.09.2019
Share capital in CHF	168 044	168 044
Conditional share capital in CHF	16 804	16 804
Number of registered shares	168 044	168 044
Nominal value per share in CHF	1	1
Registration restrictions	none	none
Voting restrictions	none	none
Opting out / opting up	none	none

Significant shareholders (in %)	30.09.2020	30.09.2019
Werner Dubach*	64.04%	63.50%
Anne Keller Dubach*	19.70%	19.55%

* Shareholder Werner Dubach and Anne Keller Dubach form a group of shareholders.

Shareholders by category (in %)	30.09.2020	30.09.2019
Significant shareholders	83.74%	83.05%
Private investors	95.13%	95.15%
Corporate investors	4.87%	4.85%
Non-registered shareholders	1.48%	1.66%

Share distribution	30.09.2020	30.09.2019
Number of registered shares	Number of shareholders	Number of shareholders
1 – 100	482	483
101 – 1 000	23	24
1 001 – 10 000	6*	6*
>10 000	2	2
Total	513	515

*including treasury shares of Datacolor AG

Share price data in CHF	2019/20	2018/19
First trading day	665.00 (02.10.2019)	815.00 (10.10.2018)
Low	510.00 (08.09.2020)	630.00 (18.04.2019)
High	740.00 (13.01.2020)	820.00 (different dates)
Last trading day	520.00 (29.09.2020)	655.00 (30.09.2019)
Average share price	590.72	706.47
Market capitalization in CHF million as of September 30	85.90	107.50

KEY FIGURES GROUP

in USD million

	2019/20	2018/19
Net sales	61.0	78.8
Change relative to previous year in %	-22.5%	-2.9%
EBITDA	1.8	7.5
Change relative to previous year in %	-75.5%	-9.7%
as a % of net sales	3.0%	9.6%
EBIT	0.3	5.6
Change relative to previous year in %	-95.5%	-9.5%
as a % of net sales	0.4%	7.1%
Loss/profit for the year	-0.6	3.6
Change relative to previous year in %	-118.0%	-12.6%
as a % of net sales	-1.1%	4.5%
as a % of average shareholders' equity	-1.4%	8.0%
Cash flow from operating activities	-1.3	8.4
Change relative to previous year in %	-115.6%	34.8%
as a % of net sales	-2.1%	10.7%
Cash flow from investing activities	-5.0	-2.6
Change relative to previous year in %	92.7%	-52.5%
as a % of cash flow from operating activities	380.5%	-30.7%
Free Cash Flow	-6.3	5.8
Change relative to previous year in %	-207.9%	627.3%
as a % of net sales	-10.3%	7.4%
Average number of employees	401	426
Personnel expenses	30.2	36.4
Total assets	65.9	71.9
Shareholders' equity	45.3	45.3
as a % of assets	68.7%	63.1%
Net liquidity (including current financial assets)	41.6	44.2
Per share data ¹⁾		
Average number of shares	165 589	163 861
Loss/earnings per share in USD (non-diluted)	-3.88	21.84
Free Cash Flow per share in USD	-37.98	35.56
Shareholders' equity per share in USD	273.38	276.73
Dividend per share in CHF ²⁾	7.00	15.00
Share price data as of 30.09. in CHF	520.00	655.00
Yield in % ³⁾	1.0%	2.3%

¹⁾ Calculation is based on the weighted average number of shares outstanding (issued shares less treasury shares).

²⁾ According to the proposal of the Board of Directors on November 3, 2020.

³⁾ Distribution in percentage of the share price as of September 30, 2020.