

Datacolor fiscal 2019/20



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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.

The complete Annual Report 2019/20 is available on:

<https://ir.datacolor.com/en/financial-reports/>

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For further information

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Agenda

December 9, 2020

Annual General Meeting of Shareholders
2019/20

May 7, 2021

Publication Semi-Annual Report 2020/21

October 27, 2021

Publication Key Figures 2020/21

November 17, 2021

Publication Annual Report 2020/21

December 7, 2021

Annual General Meeting of Shareholders
2020/21

About Datacolor

Datacolor, a global leader in color management solutions, provides software, instruments and services to assure accurate color of materials, products and images. The world's leading brands, manufacturers and creative professionals have used Datacolor's innovative solutions to consistently achieve the right color for 50 years. The company provides sales, service and support in over 100 countries throughout Europe, the Americas and Asia. Industries served include textile and apparel, paint and coatings, automotive, plastics, photography and videography. For more information visit www.datacolor.com.