

# DATACOLOR AG

HALF-YEAR REPORT OCTOBER 1, 2019 TO MARCH 31, 2020

Dear shareholders

The economic downturn, triggered by the global spread of the pandemic, adversely impacted Datacolor AG's business performance in the first half of fiscal 2019/20. Incoming orders reduced significantly towards the end of the reporting period, and the order backlog was substantially reduced by the end of the period. Net sales declined by -11.8% (-11.3% in local currency) to USD 35.1 million (previous year: USD 39.7 million). Due to the lockdown imposed by the Chinese government for four weeks in January and February 2020 to limit the spread of the virus, deliveries of products from Datacolor's plant in Suzhou, China, were temporarily delayed. The production facility is currently fully operational and can deliver without restriction.

Despite a further increase in import tariffs on supplies from Datacolor's production facilities in China to the USA and lower sales volumes, the gross profit margin reached a high 65.9% (67.4%) in the first half of fiscal 2019/20. EBIT amounted to USD 2.8 million (USD 3.3 million). Thanks to strict cost control and reductions in variable compensation in line with the adverse business trend, the EBITDA margin of 10.5% (10.9%) and the EBIT margin of 8.0% (8.4%) were maintained almost at the prior-year's level. This despite the fact that costs associated with a necessary reduction in personnel were incurred in the reporting period and will only begin to have a cost-benefit in the second half of the fiscal year. Although the financial markets have recovered slightly in the second half of the reporting period from the turbulence caused by the pandemic, the financial result for the first half of fiscal 2019/20 was negative at USD -3.8 million (USD -1.9 million), leading to a net loss of USD -1.5 million (USD 1.1 million).

#### **Importance of the Asian region has increased**

Asia was Datacolor's largest market in the period under review, accounting for 36% of sales. Europe's sales contribution remained unchanged at 35%. The share of sales from North and South America slightly declined to 29% as delivery for two major orders in prior fiscal year came to an end.

#### **Continued focus on product development and new workflows**

In the first half of fiscal 2019/20, Datacolor invested again in the further development of its successful product range for industrial and retail customers as well as in the expansion of its product pipeline. In particular, Cloud solutions for decentralized color control and the digitization of service solutions were moved forward. Datacolor launched two new products at the beginning of the reporting period: ColorHub, a web-based software solution for color analysis and real-time online communication of color between brands and suppliers, and specific assessment services, which enable customers in the textile and apparel industry to reduce development costs and certify high color quality in the supply chain. In addition, the marketing of ColorReader products was intensified. Moreover, the number of online sales channels was significantly increased, and the range of new solutions for industry and retail customers was considerably broadened. The two new launches have attracted serious interest among customers. Datacolor expects, the two new solutions to make a significant contribution to sales as soon as the expected economic upswing emerges.

#### **Solid balance sheet**

After the distribution of the dividend of USD 2.5 million in December 2019 and the payment of the variable compensation for fiscal 2018/19, Datacolor AG's cash and cash equivalents including financial assets amounted to USD 33.3 million as of March 31, 2020 (September 30, 2019: USD 44.2 million), corresponding

to 52.0% (61.5%) of the balance sheet total of USD 64.1 million (USD 71.9 million). With equity of USD 42.9 million (USD 45.3 million) Datacolor had a sound equity ratio of 67.0% (63.1%) at the end of the period and is debt-free.

#### **Outlook**

The pandemic has created great uncertainty in global markets and the economic downturn is expected to intensify. Datacolor is therefore refraining from providing an assessment of its business performance at present. Thanks to the organizational realignment and the substantial cost-reduction measures that have been implemented, as well as its sound balance sheet, Datacolor is well prepared to effectively overcome the negative consequences of the economic downturn. In addition, further development of the successful product range and strengthening of the product pipeline will continue to be intensively moved ahead in order to be able to benefit from the expected economic upswing.

Lucerne, May 8, 2020

Datacolor AG

A handwritten signature in black ink, appearing to be 'W. Dubach', written in a cursive style.

Werner Dubach  
Chairman of the Board of Directors

## KEY FIGURES DATACOLOR

in USD million	Half-year 2019/20	Half-year 2018/19
<b>Net sales</b>	<b>35.1</b>	<b>39.7</b>
Change relative to previous period in %	-11.8%	-3.1%
<b>EBIT</b>	<b>2.8</b>	<b>3.3</b>
Change relative to previous period in %	-16.4%	6.6%
as a % of net sales	8.0%	8.4%
<b>Loss/profit for the period</b>	<b>-1.5</b>	<b>1.1</b>
Change relative to previous period in %	-238.0%	-52.9%
as a % of net sales	-4.3%	2.8%
as a % of average shareholders' equity	-3.4%	2.5%
<b>Cash flow from operating activities</b>	<b>-5.5</b>	<b>1.7</b>
Change relative to previous period in %	-425.7%	-47.4%
as a % of net sales	-15.6%	4.2%
<b>Cash flow from investing activities</b>	<b>-3.7</b>	<b>-3.2</b>
Change relative to previous period in %	14.3%	-34.7%
as a % of cash flow from operating activities	67.1%	-191.0%
<b>Free cash flow</b>	<b>-9.1</b>	<b>-1.5</b>
Change relative to previous period in %	497.9%	-11.4%
as a % of net sales	-26.0%	-3.8%
<b>Average number of employees</b>	<b>416</b>	<b>417</b>
<b>Personnel expenses</b>	<b>16.1</b>	<b>18.8</b>
	<b>31.03.2020</b>	<b>31.03.2019</b>
<b>Total assets</b>	<b>64.1</b>	<b>68.8</b>
<b>Shareholders' equity</b>	<b>42.9</b>	<b>43.7</b>
as a % of total assets	67.0%	63.5%
<b>Net liquidity including financial assets</b>	<b>33.3</b>	<b>37.7</b>
	<b>Half-year 2019/20</b>	<b>Half-year 2018/19</b>
<b>Per share data <sup>1)</sup></b>		
Average number of shares	165 028	163 636
Loss / earnings per share in USD (non-diluted)	-9.21	6.73
Free cash flow per share in USD	-55.20	-9.31
Shareholders' equity per share in USD	259.89	266.92

<sup>1)</sup> Calculation is based in the weighted average number of shares outstanding (issued shares less treasury shares).

## ADDITIONAL GEOGRAPHIC INFORMATION

in TUSD	Half-year 2019/20	in % of total	Half-year 2018/19	in % of total
<b>Net sales to third parties</b>	<b>35 061</b>	100.0%	<b>39 739</b>	100.0%
Europe	12 172	34.7%	14 111	35.5%
America	10 237	29.2%	11 807	29.7%
Asia/Pacific	12 652	36.1%	13 821	34.8%
	<b>31.03.2020</b>	in % of total	<b>31.03.2019</b>	in % of total
<b>Assets</b>	<b>64 056</b>	100.0%	<b>68 758</b>	100.0%
Europe	36 820	57.5%	39 999	58.1%
America	11 798	18.4%	15 098	22.0%
Asia/Pacific	15 438	24.1%	13 661	19.9%
	<b>Half-year 2019/20</b>	in % of total	<b>Half-year 2018/19</b>	in % of total
<b>Average number of employees</b>	<b>416</b>	100.0%	<b>417</b>	100.0%
Europe	88	21.1%	85	20.4%
America	131	31.5%	138	33.1%
Asia/Pacific	197	47.4%	194	46.5%

### Key dates

October 27, 2020  
November 15, 2020  
December 9, 2020

Key figures 2019/20  
Publication annual report 2019/20  
Annual general meeting of shareholders 2019/20