

DATACOLOR AG

FISCAL 2020/21

Dear Shareholders

Strong recovery of business as the economy bounces back from the pandemic - dividend of CHF 35 per share proposed

Datacolor experienced a faster than anticipated bounce back from the economic impact triggered by the pandemic in fiscal 2020/21. Once the availability of vaccines by late 2020 was announced, companies restarted their projects and investment activities. In the year under review, this was reflected in a significant increase in orders from the textile and apparel, paint, dye and plastics industries as well as from the consumer market. Datacolor's high-precision color management solutions support digital and remote workflows and thus meet customers' demanding digitization needs. Datacolor's consumer solutions for designers and photographers saw a solid resurgence in demand as people assured their digital workflows were enhanced by using Datacolor's color management solutions. The company's service business, which had remained stable during the pandemic, continued to be resilient despite the contact restrictions that made it difficult to perform on-site visits to maintain instruments.

The pandemic continued to be the source of several challenges. Due to recurring waves of infection, travel and contact restrictions were again imposed in various countries, some of which will have an impact into the next fiscal year. Additionally, many supply chains, especially for electrical components, were hit with component and material shortages, leading increased lead times and cost increases for some of Datacolor's products. Despite these challenges Datacolor was able to assure supply of all its products and provide all services either on-site or through remote interaction with customers.

The strong rebound in sales combined with a downsized company structure and the good financial result led to a record profit. Sales increased to USD 73.6 million (fiscal 2019/20: USD 61.0 million), up 20.6% to previous year and 19% in local currency. Gross profit margins returned to pre-pandemic levels at 65.2% (61.8%). EBITDA was USD 8.1 million (USD 1.8 million), the EBITDA margin was 11.0% (3.0%), EBIT USD 6.4 million (USD 0.3 million) and the EBIT margin was a high 8.7% (0.4%). A very positive development of the investment portfolio and favorable exchange rates led to an above-average financial result of USD 4.5 million (USD -0.9 million). This resulted in an outstanding net result of USD 9.3 million (USD -0.6 million), or USD 56.07 (USD -3.88) per share. The average number of employees was 371 (401) in the year under review.

New organizational setup of Executive Committee fully implemented

As part of the streamlining of the organization in the last fiscal year, Human Resources and Marketing were placed under the responsibility of the Chief Executive Officer and the Executive Committee was reduced from seven members in 2020 to five in 2021. Furthermore, the Executive Committee was rejuvenated with the entry of Kevin Quinn at the beginning of the year under review. He took over Sales and Marketing Consumer Solutions from Brian Levey, who retired at the beginning of 2021.

Strong sales recovery in all regions

All regions were able to benefit significantly from the revitalization of sales as customers restarted many investment programs in fiscal 2020/21. This led to double digit growth in all regions, with Asia Pacific and the Americas leading the strong recovery. This positive trend is reflected in the geographical sales breakdown. The Asia-Pacific region's share of sales rose to 39.3% (38.3%) in the year under review. The Americas increased their share to 27.9% (27.0%), and Europe contributed 32.8% (34.7%) to Datacolor's net sales.

Expanding product range and collaborations

Despite all the challenges the Company faced because of the pandemic, Datacolor was successful in launching several new products in the year under review. In January Datacolor announced the launch of the Datacolor Spectro 1000/700 series, a family of close-tolerance benchtop spectrophotometers designed for high efficiency and confidence in digital color formulation and quality control, featuring internet connectivity for upcoming remote services and the ability to capture the temperature of samples measured. This is an essential new quality control feature for those who work with materials that need to be within certain temperature ranges to assure accurate color measurement. In June the Company introduced several new accessories to its Spyder product line, offering an even easier and faster calibration of monitors. In July several new product bundles for the Consumer market were introduced and Datacolor announced the collaboration with RAL gGmbH, an established German based color standard company, resulting in the integration of the Datacolor ColorReader products with the RAL color standards.

Strong Financials

The combination of the bounce back in sales and the increased efficiency allowed for a substantial increase in gross profit amounting to USD 48.0 million (USD 37.7 million). In addition, overhead costs were lower in the year under review, as were sales and marketing expenses due to the pandemic-related reduction in trade show and travel costs. Datacolor's gross profit margin in fiscal 2020/21 was back at the pre-pandemic level of 65.2% (61.8%), despite significantly higher freight costs, especially in Asia, as well as higher material costs, especially for electronic components. The above factors also resulted in significant increase of net cash including financial assets with USD 10.3 million to USD 51.9 million (September 30, 2020: USD 41.6 million). Higher sales also lead to an increase in accounts receivable to USD 8.8 million (USD 5.8 million). Due to the supply chain shortages the inventory levels were deliberately increased to USD 10.7 million (September 30, 2020: USD 6.7 million). Thanks to the strong company performance there is a higher payout of performance related compensation, increasing accrued liabilities to USD 19.0 million (USD 12.0 million). At the end of the reporting period, the total assets amounted to USD 83.7 million (September 30, 2020: USD 65.9 million). Datacolor remains debt free. Shareholders' equity increased to USD 52.5 million (September 30, 2020: USD 45.3 million). The equity ratio was 62.7% (September 30, 2020: 68.7%).

Datacolor AG

The holding company Datacolor AG posted a profit of CHF 0.5 million (fiscal 2019/2020: CHF 1.1 million) for fiscal 2020/21. Following the distribution of a dividend of CHF 1.2 million to shareholders in December 2020 Datacolor AG had shareholders' equity of CHF 16.6 million as at September 30, 2021 (September 30, 2020: CHF 17.5 million). Based on the strong fiscal year 2020/21 and the remaining solid equity base, the Board of Directors proposes to the Annual General Meeting on December 7, 2021, the distribution of a dividend of CHF 35 per share.

Outlook

The Board of Directors and the Executive Committee of Datacolor again expect strong sales and earnings momentum in the new fiscal, provided that the economic recovery continues and the situation in the supplier sector, especially the availability of microchips, stabilizes. With its lean, rejuvenated organization, high cash position and strong shareholders' equity base, Datacolor is well prepared to dynamically expand its market position, primarily through organic growth and, if possible, also through targeted acquisitions.

Rotkreuz, November 2021

Datacolor AG



Werner Dubach
Chairman of the Board of Directors

The complete Annual Report 2020/21 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 9, 2021
Listing	SIX Swiss Exchange (Zurich)
Security ID	853 104
ISIN	CH0008531045
Reuters	DCN.S
Bloomberg	DCN
Investdata	DCN

Capital structure	30.09.2021	30.09.2020
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 %)	30.09.2021	30.09.2020
Werner Dubach*	64.04%	64.04%
Community of heirs - Anne Keller Dubach*	19.70%	19.70%

* The shareholders Werner Dubach and Anne Keller Dubach formed a shareholder group in the previous year.
Due to the passing of Anne Keller Dubach, the shareholder group was dissolved at the end of the reporting year.

Significant shareholders (in %)	30.09.2021	30.09.2020
Significant shareholders	83.74%	83.74%
Private investors	94.82%	95.13%
Corporate investors	5.18%	4.87%
Non-registered shareholders	1.59%	1.48%

Share distribution	30.09.2021	30.09.2020
Number of registered shares	Number of shareholders	Number of shareholders
1 – 100	452	482
101 – 1 000	24	23
1 001 – 10 000	5*	6*
>10 000	2	2
Gesamt	483	513

*including treasury shares of Datacolor AG

Share price data in CHF	2020/21	2019/20
First trading day	515.00 (01.10.2020)	665.00 (02.10.2019)
Low	505.00 (29.10.2020)	510.00 (08.09.2020)
High	670.00 (16.08.2021)	740.00 (13.01.2020)
Last trading day	635.00 (30.09.2021)	520.00 (29.09.2020)
Average share price	585.17	590.72
Market capitalization in CHF million as of September 30	104.50	85.90

KEY FIGURES GROUP

in USD million

	2020/21	2019/20
Net sales	73.6	61.0
Change relative to previous year in %	20.6%	-22.5%
EBITDA	8.1	1.8
Change relative to previous year in %	338.7%	-75.5%
as a % of net sales	11.0%	3.0%
EBIT	6.4	0.3
Change relative to previous year in %	2457.8%	-95.5%
as a % of net sales	8.7%	0.4%
Net result	9.3	-0.6
Change relative to previous year in %	1539.7%	-118.0%
as a % of net sales	12.6%	-1.1%
as a % of average shareholders' equity	18.9%	-1.4%
Cash flow from operating activities	8.9	-1.3
Change relative to previous year in %	783.4%	-115.6%
as a % of net sales	12.2%	-2.1%
Cash flow from investing activities	-1.1	-5.0
Change relative to previous year in %	-77.3%	92.7%
as a % of cash flow from operating activities	-12.6%	380.5%
Free Cash Flow	7.8	-6.3
Change relative to previous year in %	224.3%	-207.9%
as a % of net sales	10.6%	-10.3%
Average number of employees	371	401
Personnel expenses	34.5	30.2
Total assets	83.7	65.9
Shareholders' equity	52.5	45.3
as a % of assets	62.7%	68.7%
Net liquidity (including current financial assets)	51.9	41.6
Per share data ¹⁾		
Average number of shares	165 019	165 589
Earnings per share in USD (non-diluted)	56.07	-3.88
Free Cash Flow per share in USD	47.37	-37.98
Shareholders' equity per share in USD	317.87	273.38
Dividend per share in CHF ²⁾	35.00	7.00
Share price data as of 30.09. in CHF	635.00	520.00
Yield in % ³⁾	5.5%	1.0%

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 2, 2021.

³⁾ Distribution in percentage of the share price as of September 30, 2021.