

Media release

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Orell Füssli 2017: Further growth at Security Printing, declining earnings at Atlantic Zeiser

Security Printing posts a new record in net revenue – Atlantic Zeiser reports a sharp decline in earnings – Orell Füssli Thalia holds its own in a difficult market environment

Zurich, March 20, 2018 – For Orell Füssli, business in 2017 was dominated by sideways drift. At Security Printing both output and productivity increased, resulting in further growth in net revenue and operating earnings compared to the previous year. Atlantic Zeiser fell far short of its target for the year due to a subdued market environment and the weak outcome in its packaging business segment. Impairments also had to be recognised at Atlantic Zeiser. Book Retailing continued to focus on implementing its transformation programme and was thus able to counteract the difficult conditions prevailing on the market.

The Board of Directors will propose to the Annual General Meeting to be held on May 8, 2018, that a dividend of CH 4.00 per share be paid (CHF 4.00 in 2016).

Orell Füssli reported net revenue of CHF 288.5 million in 2017, equivalent to a decline of 4% compared to the previous year (CHF 298.9 million). Operating earnings (EBIT) were 32% lower at CHF 12.6 million (CHF 18.5 million in 2016). This figure included special items amounting to CHF –5.3 million (CHF –1.8 million in 2016). Shareholders' equity including minority interests decreased from CHF 160.4 million to CHF 156.2 million. The equity ratio was 68.1% (68.0% in 2016).

Atlantic Zeiser Division

Atlantic Zeiser reported net revenue on a pro rata consolidated basis of EUR 50.2 million in 2017, significantly lower than the previous year's figure (EUR 66.2 million). Sales revenues declined in all business segments. Operating earnings (EBIT) amounted to EUR –6.0 million (EUR 1.8 million in 2016). This figure includes special items amounting to EUR –4.2 million arising from impairments to net assets.

In the banknote serialisation segment it was unable to sustain the level of net revenue following an exceptionally successful year in 2016. The decline in this business segment reflects the general market trend. Net revenue in the card personalisation systems business segment also declined. Due to the small order backlog at the beginning of 2017 net revenue in the first six months was low, but in the second half of the year the previous year's level was exceeded. Orders in hand at the end of 2017 were slightly higher than a year earlier. Net revenue in the packaging business segment fell sharply in 2017. Due to the low order backlog at the beginning of the year, net revenue was already at a very low level in the first half of 2017. In cooperative ventures with manufacturers of integrated packaging lines there were delays in qualification processes and consequently also in machine sales. The segment of track & trace solutions for serialising pharmaceutical products also failed to fulfil expectations in 2017. Due to the persistently unsatisfactory business trend, especially in the packaging business segment, a start has been made on drawing up a concept for the future focus of the Atlantic Zeiser Division. The decision on implementing the relevant steps will be taken in the first half of 2018.

Security Printing Division

The Security Printing Division posted net revenue of CHF 129.8 million in 2017, an increase of 7% compared to the previous year (CHF 121.2 million). Operating earnings (EBIT) increased by 16% to CHF 20.1 million compared to CHF 17.4 million in 2016. As in the previous year, operating earnings were unaffected by special items. The increased volume achieved while at the same time improving productivity more than compensated for higher personnel expenses due to expansion of the sales organisation and increased costs incurred to improve machine availability. In the year under review the Security Printing Division was again able to produce on schedule with high capacity utilisation and higher output than in 2016. The launch of the new 20-Swiss franc note in spring and the 10-Swiss franc note in autumn represented further milestones for Orell Füssli. All denominations of the Swiss National Bank's new series of banknotes issued to date have fulfilled the customer's high qualitative standards. Two new denominations were also produced for another key customer and successfully brought into circulation in 2017 to conclude the relevant new issue. The development of an international sales organisation has continued, thus further enhancing the company's market presence. As a result, initial orders from new customers were acquired in 2017 and the customer portfolio was expanded after years of focusing exclusively on two anchor customers. Work on the optimisation of process technologies continued successfully. A further process was raised to the latest state of the technological art with the investment in a new system for packaging and quality control of finished banknotes.

Book Retailing Division

The Book Retailing Division posted net revenue of CHF 91.7 million in 2017, 3% lower than the previous year's figure (CHF 94.8 million). Operating earnings (EBIT) amounted to CHF 1.6 million (CHF 2.0 million in 2016). This figure includes a special item of CHF –0.2 million (CHF 0.5 million in 2016), which arose mainly from expenses in the context of the transformation programme. In 2017 the Swiss book trade again suffered a decline in sales of some 3% on a comparable basis. The Book Retailing Division took numerous steps to counteract this general trend in 2017 and expanded its market share slightly. The digital and online sales business again achieved slight growth in 2017. In response to the persistently difficult market conditions the transformation programme launched in 2015 was also pursued resolutely in the year under review. Activities continue to centre on steps to stabilise sales and reinforce the company's market position. The branches in Visp and at Zurich's main and Stadelhofen railway stations have been completely renovated, and the branch in Frauenfeld was also relocated. Contracts for new selling spaces enabling a significant reduction in operating costs in equally attractive locations were concluded for 2018 in the inner cities of Basle and St. Gall. Brand migration in the online sales business was successfully completed in the second half of 2017.

Publishing

Net revenue at Orell Füssli Publishing in 2017 was 3% higher than the previous year's figure. The segments of children's books, legal media and educational media were at the previous year's level overall. There was considerable growth in the non-fiction segment, driven primarily by various special productions for the Swiss market. Export sales were stable, and the recent strengthening of the euro exchange rate reduced the currency-related margin risk.

Outlook

For the 2018 financial year Orell Füssli foresees a downturn in the earnings situation. The steps taken in connection with the reorientation at Atlantic Zeiser are likely to depress earnings in the shape of special charges. At Security Printing Orell Füssli expects earnings to decline due to the change in the product mix towards lower-margin orders alongside further improvements in productivity. At Book Retailing work will focus on the ongoing implementation of the transformation programme.

Key figures for Orell Füssli in CHF millions

	2017	2016
Net revenue	288.5	298.9
EBITDA	28.5	33.1
EBIT before special items	17.9	20.3
Special items	-5.3	-1.8
EBIT	12.6	18.5
Net income for the period	6.4	12.3
Total equity	156.2	160.4
Net income for the period after minority interests	4.8	10.8
Equity before minority interests	145.4	146.5
Dividend (in CHF per share) ¹⁾	4.00 ¹	4.00
Full-time equivalents (FTE)	867	881

¹⁾ Proposed by the Board of Directors to the Annual General Meeting held on May 8, 2018.

Calendar

Annual General Meeting of Orell Füssli Holding Ltd
Media release: 2018 half-year report

May 8, 2018
August 9, 2018

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Orell Füssli is a diversified industrial and trading group engaged in the core businesses of banknote and security printing, industrial systems used in the individualization of security documents and branded products, and book retailing. Orell Füssli generates sales of some CHF 300 million with about 900 employees at locations in eight countries and is listed on the Swiss stock exchange.