

Letter to shareholders



Marco Gadola, Chairman, and Stefan P. Butz, CEO

Dear shareholders,

DKSH continued its track record of growth and margin expansion alongside strong cash generation in 2023. The appreciation of the Swiss franc, the normalization of the global specialty chemicals market following two years of remarkably high demand, and a subdued consumer sentiment all represented notable challenges. At the same time, tourism in Asia picked up and supply chain volatility and inflationary trends eased.

We are therefore pleased to report that our Core EBIT once again exceeds last year's level. Our Core EBIT growth of 12.6% (at CER, constant exchange rates) to CHF 329.9 million shows the resilience and scalability of our business model. The compelling Free cash flow of CHF 282.3 million, an increase of 34.7% from CHF 209.5 million in 2022, allows us to pursue our M&A strategy and to propose a higher ordinary dividend.

The improvements we have implemented in recent years have directly contributed to our financial track record. Since

2019, our Core EBIT increased by 10.1% per year (at 2019 exchange rates), while our Core EBIT margin expanded by 60 basis points. Over the last five years, we generated more than CHF 1.1 billion in Free cash flow, returned approximately CHF 640 million in dividends to our shareholders, and made 25 acquisitions.

Throughout 2023, we have consistently advanced and developed our business. We entered new strategic partnerships with clients in different markets and acquired three companies, thereby extending our presence across regions, broadening our supplier as well as customer base, and enhancing our value-added services.

We grew our digital business and won in several categories at the Asia eCommerce Awards. This is a confirmation of DKSH's consistent commitment to its digital strategy and the development of its performance marketing as well as eCommerce capabilities according to clients' needs.

To further develop our operational excellence, we have upgraded different facilities such as demonstration and calibration laboratories in Business Unit Technology, as well as several of our distribution centers.

Our efforts to evolve our corporate culture have also proven successful. We have been awarded with the Great Place to Work certification in nine markets and received a higher employee engagement score.

During 2023, we closed two sustainability-linked credit facilities and have been recognized for our sustainability achievements by EcoVadis receiving the Gold Rating for the second year in a row. With our improved score, DKSH now ranks among the top 4% of all companies rated by EcoVadis.

Finally, we celebrated 100 years of market presence in Malaysia and Hong Kong. Going forward, we will continue to demonstrate our unwavering dedication to our business in these markets.

All Business Units Improved Performance

These achievements are reflected by the fact that all four Business Units increased their Core EBIT (at CER) compared to 2022.

Business Unit Healthcare accelerated Net sales growth (6.5% at CER) in 2023 and further increased Core EBIT margin from 2.6% to 2.8%. A key driver for these excellent results was business development with existing and new clients in Thailand, Malaysia, and Vietnam as well as the strong underlying market. The continued focus on value-added segments and services, such as the Own Brands and Medical Device businesses, as well as Full Agency services, also contributed to the Business Unit's strong year. With the two acquisitions of Partizan in Australia as well as Medipharm in Brunei (early 2024), Business Unit Healthcare further strengthened its market presence and is well positioned for future profitable growth.

The focus of Business Unit Consumer Goods on its core activities resulted in Net sales growth (2.2% at CER) to CHF 3.5 billion. Core EBIT grew (at CER) and the Core EBIT margin was 2.3%. Following a detailed analysis of the portfolio, the strategic direction has evolved to an even stronger focus on the FMCG (Fast Moving Consumer Goods) business. Subsequently, DKSH decided to discontinue the non-profitable and non-core fashion retail business, which is already fully reflected in the 2023 results. With these steps, the Unit will continue capitalizing on its position in Asia Pacific and driving growth and profitability in its core business under the leadership of the new Business Unit Head.

Business Unit Performance Materials delivered Net sales growth of 6.1% (at CER) in a very challenging market environment. Driven by gross margin expansion and strong cost control, Core EBIT in 2023 was CHF 116.0 million and grew double-digit at CER with a strong Core EBIT margin increase of 40 basis points to 8.1%. To provide additional disclosure and enhance industry comparability: DKSH increased Core EBITA from CHF 115.7 million to CHF 125.6 million (+17.4% at CER) and expanded the Core EBITA margin from 7.9% to 8.7% (+80 basis points), with positive contributions by all regions. At the same time, the Unit successfully reduced inventory levels and improved working capital days. In Asia Pacific and Europe, the Unit benefited from robust demand across the life science sector (food and beverages, pharma, personal care). A scalable and global business model, its business development pipeline, and further industry consolidation potential provide future growth opportunities.

Business Unit Technology again achieved remarkably strong results in 2023. Both Net sales and Core EBIT increased double-digit (at CER), resulting in a higher Core EBIT margin of 6.8%. Business Unit Technology continued to grow key areas

such as scientific instrumentation, precision machinery, and equipment for the semiconductor industry. The consumables and service segments continued to be important growth drivers. With the acquisition of Bio-Strategy in Australia and New Zealand, Business Unit Technology strengthened its leading position in the scientific instrumentation space in Asia Pacific. With further market consolidation potential ahead, the Business Unit will keep fostering its position in key industries and higher margin segments and services.

Capitalizing on our Proven Business Model

Based on an encouraging financial performance, the Board of Directors proposes an ordinary dividend of CHF 2.25 per share to the next Ordinary General Meeting. The proposed dividend represents a CHF 0.10 increase versus last year, or a growth of 4.7%. Pending approval by the next Ordinary General Meeting, the payment date for the dividend is set to start on April 3, 2024 (record date: April 2, 2024; ex-dividend date: March 28, 2024). At the same time, we will continue pursuing our M&A strategy.

DKSH is committed to deliver GDP¹ sales growth (at CER) and expects Core EBIT (at CER) in 2024 to be higher than in 2023 based on its resilient business model, successful strategy execution, and strong balance sheet. This outlook assumes economic growth in Asia Pacific, exchange rates to remain at current levels, and excludes unforeseen events.

Our robust business model, large share of daily consumption items, and strong balance sheet provide resilience and offer growth opportunities at the same time. We will continue developing our business through diligent strategy implementation, digitalization, cultural transformation, sustainability, and M&As, while focusing on operational excellence.

We would like to thank our employees for their great work and commitment as well as all our stakeholders for their continuous trust. We look forward to continuing our cooperation in 2024.

Sincerely yours,



Marco Gadola
Chairman



Stefan P. Butz
CEO

¹ Weighted GDP calculation based on DKSH 2023 Net sales market split.

Key figures

Consolidated Income Statement				At CER¹
in CHF millions	2023	2022	Change in %	Change in %
Net sales	11,066.0	11,320.2	(2.2)	5.3
Core operating profit (EBIT)	329.9	319.2	3.4	12.6
Operating profit (EBIT)	305.9	319.2	(4.2)	5.1
Core profit after tax	206.0	208.4	(1.2)	5.8
Profit after tax	189.9	207.6	(8.5)	(1.5)
Free cash flow	282.3	209.5	34.7	n/a

Consolidated Statement of Financial Position			
in CHF millions		December 31, 2023	December 31, 2022
Total assets		5,471.2	5,878.7
Equity attributable to the shareholders of DKSH Holding Ltd.		1,686.9	1,758.5
Net operating capital (NOC)		1,692.4	1,837.2
Net cash/(debt)		6.5	(42.3)
Core return on net operating capital (RONOC) (in %)		18.7	19.2
Core return on equity (ROE) (in %)		11.7	11.5

Earnings per Share			
in CHF		2023	2022
Basic earnings per share		2.80	3.09
Diluted earnings per share		2.80	3.09

Other			
		December 31, 2023	December 31, 2022
Headcount		29,040	32,601
Full-time equivalents		27,062	31,077

¹ Constant exchange rates (CER): 2023 figures converted at 2022 exchange rates.

Publisher

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