

Letter to Shareholders



APG|SGA at a glance

154,615

analog & digital advertising spaces

27,941

campaigns carried out

7,373

contracts & partnerships

531

employees

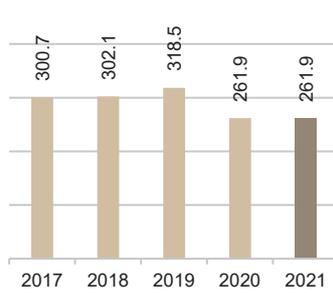
B

CDP score for climate change

-4%

reduction of greenhouse gas emissions
in comparison with 2020

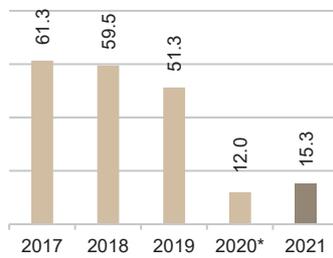
Advertising revenue
(CHF m)



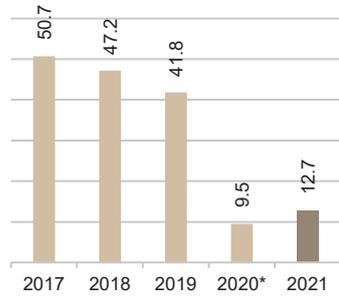
EBITDA
(CHF m)



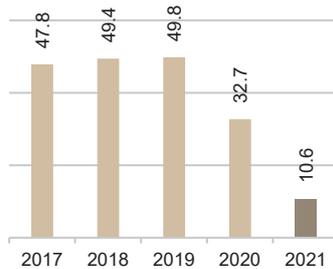
EBIT
(CHF m)



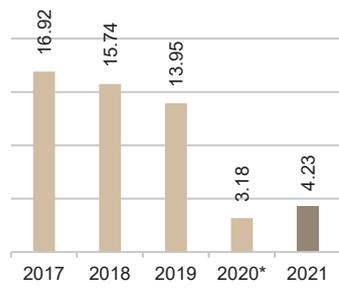
Consolidated net income
(CHF m)



Cash flow from operating activities
(CHF m)



Earnings per share
(CHF)



*adjusted for one-time effects

Significant influence of the pandemic on financial year 2021.

Improved margins through cost-reduction program.

Financial situation very sound.

Dividend of CHF 11 per share.

In brief (adjusted for one-time effects)

- Advertising revenues in Switzerland increase by 0.3% to CHF 251.6 million
- Increase in advertising revenues in Serbia of 32.7% to CHF 14.6 million
- EBITDA margin: 9.6% (prior-year period: 8.5%)
- EBIT margin: 5.7% (prior-year period: 4.5%)
- Consolidated net income of CHF 12.7 million (prior-year period: CHF 9.5 million)
- Free cash flow of CHF 5.5 million (prior-year period: CHF 19.8 million)

Financial highlights

in CHF 1 000	2021	2020	2020 adjusted for one- time effects ¹	Change	Change adjusted for one-time effects
Advertising revenue	266 145	261 904	261 904	1.6%	1.6%
– Switzerland	251 551	250 903	250 903	0.3%	0.3%
– International	14 594	11 001	11 001	32.7%	32.7%
Operating income	269 485	269 528	265 158	0.0%	1.6%
EBITDA	25 828	26 876	22 506	-3.9%	14.8%
– in % of operating income	9.6%	10.0%	8.5%		
EBIT	15 344	16 323	11 953	-6.0%	28.4%
– in % of operating income	5.7%	6.1%	4.5%		
Consolidated net income	12 663	13 243	9 521	-4.4%	33.0%
– in % of operating income	4.7%	4.9%	3.6%		
Cash flow from operating activities	10 589	32 674	32 674	-67.6%	-67.6%
Free cash flow²	5 480	25 799	19 762	-78.8%	-72.3%
Investments in property, plant, and equipment	6 610	8 868	8 868	-25.5%	-25.5%
– advertising panel	4 422	7 821	7 821	-43.5%	-43.5%
– other investments	2 188	1 047	1 047	109.0%	109.0%
Earnings per share, in CHF	4.23	4.42	3.18	-4.3%	33.0%

EBITDA: Earnings before interest, taxes, depreciation of property, plant, and equipment, and amortization of intangible assets

EBIT: Earnings before interest and taxes

¹ Adjusted for effect of property sale

² Cash flow from operating activities (operating cash flow) CHFt 10 589 (previous year: CHFt 32 674) less cash flow from investing activities CHFt 5 109 (previous year: CHFt 6 875), (see page 10 Consolidated statement of cash flows)

Dear Shareholder

General business development

The restrictions imposed by the authorities to stem the COVID-19 pandemic once again had a significant impact on the sales and earnings development of APG|SGA in the financial year 2021.

The obligation to work at home imposed by Swiss authorities led to a huge reduction in mobility in the first half of the year and again toward the end of the year – particularly in public transport. But the business model of an Out of Home advertising company is based on as many contacts as possible reached by its advertising panels. For APG|SGA, this means analog and digital advertising spaces in public spaces, particularly railway stations, airports and other public transport, all of which were significantly affected by the decline in frequency. In addition, extensive restrictions on certain economic sectors meant that they in turn reduced their advertising investments considerably. Minimum guarantees and higher concession fees also had an impact on the result.

Faced with these extremely difficult framework conditions, APG|SGA implemented various measures to reduce costs and secure liquidity. The company experienced solidarity from shareholders, employees and contract partners, who all offered support through this ongoing crisis. It also consistently developed digital growth projects and expanded the service portfolio to make it fit for the future. APG|SGA also concluded or extended a number of marketing contracts in the last year. Despite the persistence of poor general conditions and limited visibility, from our perspective the fundamental factors for both Out of Home Media and APG|SGA remain positive. This was evident in the second quarter and the beginning of the fourth quarter, when the relaxation of individual restrictions was followed immediately by signs of recovery.

APG|SGA Group

Group-wide sales revenues increased by 1.6% to CHF 266.1 million during the financial year 2021. Real estate revenue rose by 6.4% to CHF 1.8 million. Other operating income represented the sale of obsolete tangible assets, which amounted to CHF 1.5 million in the reporting period. This resulted in operating income for the financial year 2021 of CHF 269.5 million, which, adjusted for one-time effects in the previous year, represented an increase of 1.6%.

Fees and commissions grew by 3.1% in the financial year 2021. This disproportionate increase in comparison to sales revenue is due to non-sales-volume-related fees and tougher competitive conditions in the procurement market.

In the financial year 2021, APG|SGA managed to further reduce expenses for personnel, operations and administration. Despite further expenditure in growth projects such as the expansion of the digital service portfolio and digital automated booking and processing platforms, operating and administrative costs were reduced by 3.9% through a mix of temporary and long-term cost-saving measures. Personnel expenses fell by 5.9% in the reporting period. Along with process optimization, compensation for short-time work contributed to this reduction.

Despite a diverse range of measures, the pandemic had a significant influence on the operational result in the reporting period. For the financial year 2021, this resulted in an EBITDA of CHF 25.8 million (previous year, adjusted for one-time effects: CHF 22.5 million), an EBIT of CHF 15.3 million (previous year, adjusted for one-time effects: CHF 12.0 million) and a consolidated net income of CHF 12.7 million (previous year, adjusted for one-time effects: CHF 9.5 million). Margins were improved by further cost reductions.

Cash flow

Operating cash flow for the financial year 2021 amounted to CHF 10.6 million (previous year: CHF 32.7 million). The significant decline of 67.6% was primarily driven by a massive rise in receivables from customers due to the revenue growth in the end of the year. After deduction of net cash used in investing activities of CHF 5.1 million, this resulted in a free cash flow of CHF 5.5 million.

Balance sheet

The balance sheet total increased by CHF 10.3 million in the financial year 2021 to CHF 215.5 million. Capitalization of the goodwill from the takeover of WWP AG led to an increase in non-current assets. Intangible assets amounted to CHF 25 million, representing 11.6% of total assets.

Current assets increased by CHF 7.4 million. Trade accounts receivable increased by CHF 7.4 million, while short-term financial investments (fixed-term deposits) fell by CHF 6.0 million. As at December 31, 2021, cash equivalents amounted to CHF 72.4 million. Equity totaled CHF 101.7 million, representing an equity ratio of 47.2%.

Swiss market

Advertising revenues for 2021 came in at CHF 251.6 million, slightly higher (0.3%) than the previous year, once again reflecting the considerable negative effect of the pandemic. Reduced passenger frequency again had an impact on advertising, with communication spaces such as railway stations, public transport and airports as well as the promotional space business particularly affected by reduced mobility. Revenues in the sectors of travel & tourism and events & culture were particularly impacted, and so too – following disruption to supply chains – was the automotive sector. There was markedly high volatility in the monthly revenue results throughout the coronavirus waves and the corresponding official measures.

Despite all of this, 2021 saw further consistent expansion in the portfolio of products and services. There was substantial development of the digital range in various communication spaces, for instance. This included the addition of 88 large-format “ePanels” and 120 “TrafficMediaScreens” throughout Switzerland. In total there are now over 1,000 large-format “ePanels” and “eBoards” on offer. Under our comprehensive digital strategy, APG|SGA launched an entirely new e-commerce platform. This includes a new website, a comprehensive product finder with 160,000 advertising spaces, and APG|SGA easy, a web store that sets new standards in the planning and booking of analog and digital Out of Home Media.

APG|SGA's 100% takeover of WWP Plakatwerbung AG, which has over 650 poster sites, came into effect on September 30, 2021. APG|SGA also further optimized its portfolio, creating sound conditions for further growth through various tender processes and contract renewals (Schaffhausen, Sierre, Geneva-Meyrin, tl Lausanne and others).

Serbian market

In the financial year 2021, our subsidiary Alma Quattro d.o.o. contributed 5.5% to group revenues. A particularly early start to vaccinations in Serbia, coupled with extensive easing of measures in public life, resulted in rapid recovery in the economy in the reporting period. Advertising revenues increased by 32.7% in the financial year 2021 and are now at pre-pandemic levels.

Organization

At the APG|SGA AG General Meeting on April 28, 2021, all members standing for reelection were confirmed for a further year. Thus, the Board of Directors continues to comprise Dr. Daniel Hofer (Chairman), Xavier Le Clef (Vice-Chairman), Dr. Maya Bundt, Jolanda Grob, Stéphane Prigent and Markus Scheidegger. Jolanda Grob (Chair) and Markus Scheidegger were elected to the Board of Directors' Remuneration Committee.

All members of the Board of Directors will stand for re-election at the next General Meeting. Invoking the federal government's COVID-19 Ordinance 3, in January 2022 the Board of Directors decided that the Annual General Meeting on April 28, 2022 would go ahead without the physical presence of shareholders and proxies, to protect both them and employees. APG|SGA shareholders will be able to exercise their rights by postal or electronic channels through the independent proxy.

Dividend

As expected, the financial year 2021 was once again very much characterized by the pandemic. Despite the highly difficult general conditions, the company was able to ensure a very solid financial situation with numerous, consistent measures in the area of cost management and securing liquidity. With these conditions in mind, and in view of the positive prospects that will hopefully soon come to bear once restrictions are lifted, the Board of Directors considers a dividend payment appropriate. The shareholder-friendly dividend policy announced last year is set to be implemented for the financial year 2021 as planned. This includes plans to propose paying out 100% of the group profit, in any case at least CHF 11 per share, as dividend payments for the financial years 2021, 2022 and 2023. The Board of Directors will therefore propose to the General Meeting that a dividend of CHF 11 per share be paid for the financial year 2021.

Outlook

The omicron variant and its very high infection rates shaped general conditions at the beginning of 2022. This resulted in a noticeable restraint in campaigns for the first quarter of 2022 on the advertiser side during this period. The ongoing development of the revenue situation will now largely depend on how quickly mobility in public spaces and public transport, in particular, returns to normal following the removal of most restrictions in Switzerland as of February 17, 2022. Fortunately, over the last two years we have repeatedly noticed that positive sales dynamics quickly set in as soon as restrictions are loosened. However, in these times of reduced visibility, advertising behavior remains correspondingly short term. A reliable forecast of business development is thus not feasible.

Generally speaking, we believe the prospects for Out of Home media and APG|SGA are very good once the pandemic is under control, because this is when it will be of decisive import for companies in every sector to present their brands, products and services in public spaces with a wide reach and among all sectors of the population. Out of Home advertising should have a particularly strong position in the communication mix due to its unique strengths.

Both analog and digital products and services of APG|SGA, the leading Out of Home media company in Switzerland, represent a compelling starting point for future development.

The Board of Directors and the Management Board remain certain that APG|SGA is very solidly positioned and that its proven business model will see it emerging from this crisis in a solid position, and that the mid- and long-term revenue prospects in the operating business remain positive for APG|SGA.

We would like to take this opportunity to thank all our employees, who have achieved extraordinary things under difficult conditions and who have impressed us with their high level of expertise.

On behalf of the Board of Directors and the Executive Board, we would also like to extend our warm thanks to our shareholders, licensees, advertising customers and other market partners, who have exhibited solidarity with APG|SGA in these challenging and uncertain times, supported us and in so doing expressed their trust in the company.



Dr. Daniel Hofer
Chairman of the Board



Markus Ehrle
Chief Executive Officer

Consolidated balance sheet

Assets

in CHF 1 000	31.12.2021	31.12.2020
Buildings and land	27 412	29 065
Advertising panel	22 353	23 459
Other property, plant, and equipment	3 870	3 495
Property, plant, and equipment	53 635	56 019
Deferred tax assets	1 708	1 515
Other financial investments	6 622	6 653
Financial investments	8 330	8 168
Goodwill	11 024	5 298
Contractual advertising rights	13 956	14 546
Intangible fixed assets	24 980	19 844
Non-current assets	86 945	84 031
Inventories	4 478	4 885
Trade accounts receivable	37 712	30 353
Other accounts receivable	9 166	8 359
Deferred expenses and accrued income	4 870	5 040
Short-term financial investments		6 000
Cash and cash equivalents	72 362	66 587
Current assets	128 588	121 224
Total	215 533	205 255

Shareholders' equity and liabilities

in CHF 1 000	31.12.2021	31.12.2020
Share capital	7 800	7 800
Capital reserves, premiums	13 060	12 938
Treasury shares	-918	-1 491
Translation differences	-3 169	-2 128
Retained earnings	84 954	72 291
Shareholders' equity	101 727	89 410
Other non-current financial liabilities	370	
Provisions	6 070	7 299
Deferred tax liabilities	2 733	2 651
Non-current liabilities	9 173	9 950
Financial liabilities		298
Trade accounts payable	4 532	7 785
Taxes payable	3 202	4 879
Other accounts payable	30 483	27 059
Accrued liabilities and deferred income	65 909	64 967
Provisions	507	907
Current liabilities	104 633	105 895
Liabilities	113 806	115 845
Total	215 533	205 255

Consolidated income statement

in CHF 1 000	2021	2020	Change
Advertising revenue	266 145	261 904	1.6%
Real estate revenue	1 799	1 690	6.4%
Other operating income	1 541	5 934	-74.0%
Operating income	269 485	269 528	0.0%
Fees and commissions	-169 720	-164 630	3.1%
Personnel expenses	-48 400	-51 443	-5.9%
Operating and administrative costs	-25 537	-26 579	-3.9%
Operating result before depreciation and amortization (EBITDA)	25 828	26 876	-3.9%
Depreciation of tangible assets	-9 001	-9 267	-2.9%
Amortization of intangible assets	-1 057	-937	12.8%
Amortization of goodwill	-426	-349	22.0%
Operating result (EBIT)	15 344	16 323	-6.0%
Financial result	-155	23	
Ordinary result before income tax	15 189	16 346	-7.1%
Income tax	-2 526	-3 103	-18.6%
Consolidated net income	12 663	13 243	-4.4%
Basic and diluted earnings per share, in CHF	4.23	4.42	-4.3%

Consolidated statement of changes in equity

in CHF 1 000	Share Capital	Capital reserves, premiums	Treasury shares	Translation differences	Retained earnings	Shareholders' equity
as at January 1, 2020	7 800	13 246	-853	-2 098	59 048	77 143
Consolidated net income					13 243	13 243
Translation differences				-30		-30
Purchase of treasury shares			-1 637			-1 637
Sale of treasury shares		-294	999			705
Equity transaction costs		-14				-14
as at December 31, 2020	7 800	12 938	-1 491	-2 128	72 291	89 410
Consolidated net income					12 663	12 663
Translation differences				-1 041		-1 041
Purchase of treasury shares			-2			-2
Sale of treasury shares		123	575			698
Equity transaction costs		-1				-1
as at December 31, 2021	7 800	13 060	-918	-3 169	84 954	101 727

Consolidated statement of cash flows

in CHF 1 000	2021	2020
Consolidated net income	12 663	13 243
Depreciation and amortization	10 484	10 553
Changes in provisions	-1 558	-757
Changes in deferred taxes	-139	-816
Financial result with no cash impact	-53	-40
Gain from sale of non-current assets	-1 541	-5 925
Change in inventories	384	-1 021
Change in accounts receivable	-8 369	12 999
Change in deferred expenses and accrued income	287	1 442
Change in accounts payable and taxes payable	-2 074	-5 517
Change in accrued liabilities and deferred income	505	8 513
Cash flow from operating activities	10 589	32 674
Capital expenditures in property, plant, and equipment	-6 610	-8 868
Capital expenditures in intangible assets	-671	-1 345
Capital expenditures in short-term financial investments		-6 000
Purchase of subsidiaries	-5 490	
Sale of property, plant, and equipment	1 662	8 525
Sale of other financial investments		813
Sale of short-term financial investments	6 000	
Net cash used in investing activities	-5 109	-6 875
Purchase of treasury shares	-2	-1 637
Sale of treasury shares	697	691
Repayment of financial liabilities	-298	-51
Net cash used in financing activities	397	-997
Currency translation effect on cash and cash equivalents	-102	23
Change in cash and cash equivalents	5 775	24 825
Cash and cash equivalents as at January 1	66 587	41 762
Cash and cash equivalents as at December 31	72 362	66 587

Explanation of financial terms

EBIT

Earnings before interest and taxes

EBITDA

Earnings before interest, taxes, depreciation of property, plant and equipment, and amortization of intangible assets

Equity ratio

Shareholders' equity in % of balance sheet total

Free cash flow

Cash flow from operations minus cash flow from investments

Agenda and publications

Announcement of annual results 2021 and publication of the annual report

Wednesday, March 16, 2022

General Meeting

Thursday, April 28, 2022

(Based on the federal government's COVID-19 Ordinance 3 for the protection of shareholders and employees, the ordinary General Meeting will take place without the physical presence of shareholders or their proxies. APG|SGA shareholders will be able to exercise their rights by postal or electronic channels through the independent proxy.)

Announcement of semi-annual results 2022

Friday, July 29, 2022

Publications: Annual Report and Financial Report

The Annual Report and the Financial Report are available online at www.apgsga.ch/report. To order the print publications, please complete the form at www.apgsga.ch/order-reporting.

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APG|SGA AG is Switzerland's leading Out of Home media company. Listed on the SIX Swiss Exchange, APG|SGA covers all aspects of outdoor advertising: on streets and squares, in railway stations, at airports, in shopping centers, in the mountains as well as in and on means of transport – from poster campaigns with the widest coverage and large formats to state-of-the-art digital advertising spaces, special advertising formats, promotions and mobile advertising. When communicating with customers, the authorities and the advertising industry, APG|SGA represents sustainability and innovation, aiming to inspire people with the very best communication solutions in public spaces.