



SFS

Value engineering specialist

Octavian Seminar 2021
15 Januar 2021



Agenda

1. **Positioning of SFS**
2. **Business update and development key financials**
3. **Group priorities**
4. **Division focus**
5. **IR contact and agenda**

Positioning of SFS

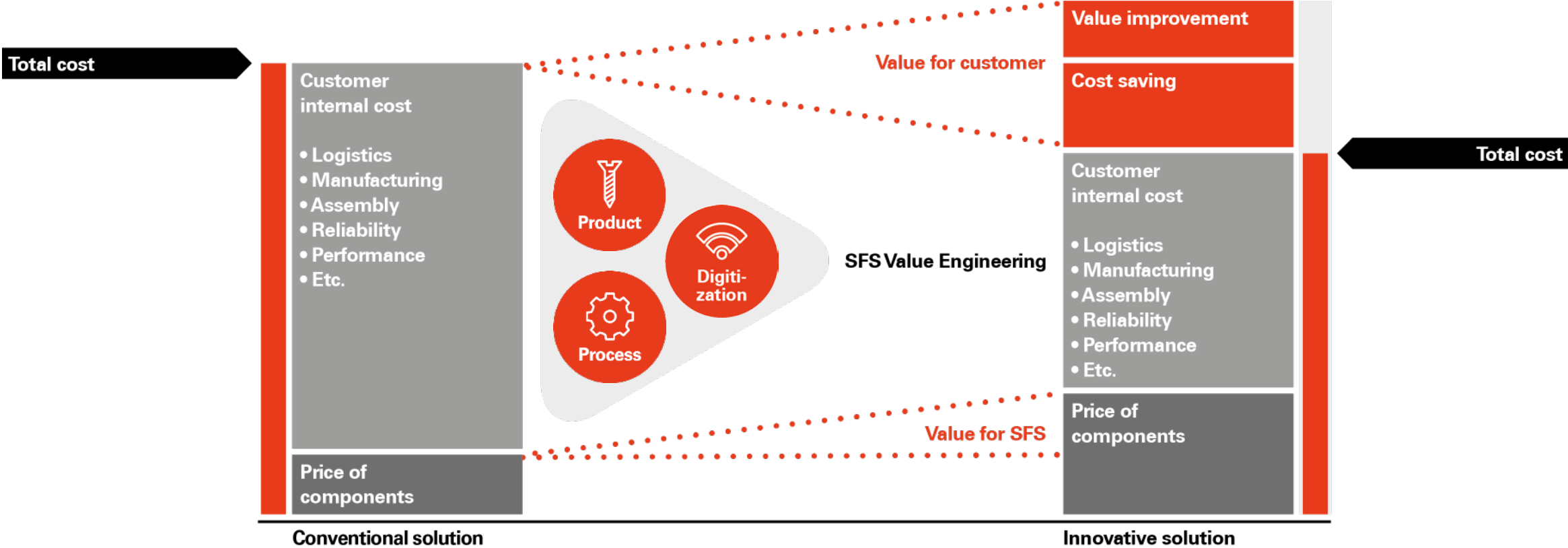
Mission critical products for selected niche applications

We are by your side – 24/7



SFS Value Proposition

Inventing success together



Our core technologies

Excellence in technology enables compelling solutions

Cold forming



Fastening technology



Riveting technology



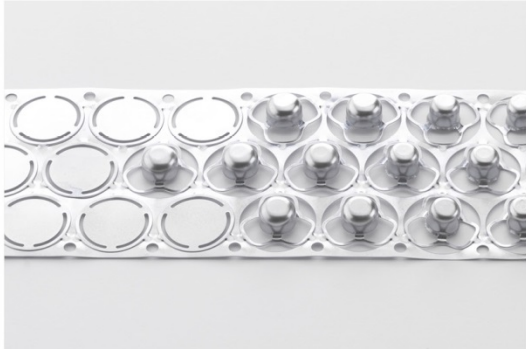
Precision machining



Secondary operations



Deep drawing technology



Injection moulding technology



Logistics solutions



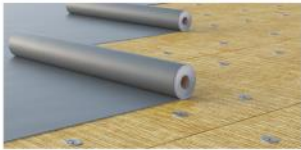









Our focused business activities

Tailored solutions for selected niche applications

Engineered Components

Automotive	Electronics	Industrial	Medical
			
			
			
			
			

Fastening Systems

Construction	Riveting
	
	
	
	
	

Distribution & Logistics

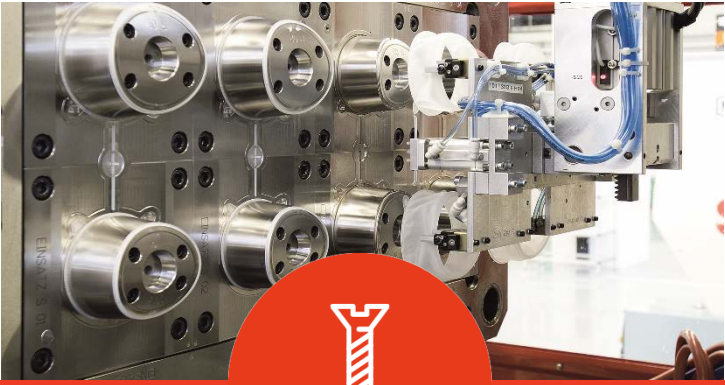




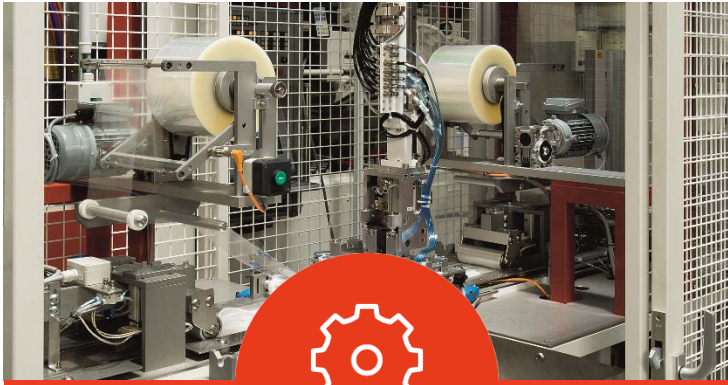


SFS Value Engineering – Reference Case Dental

Creating sustainable benefit



In depth plastics injection molding know-how allowed to fulfill customer's material requirements for the dental industry. High market acceptance resulting 110m parts in 2019



Labelling, packaging and storage directly at SFS' site and shipments to customer's distribution hub allow for significantly reduced handling



Leverage Industry 4.0 opportunities of digitization to constantly improve processes

SFS Value Engineering – Reference Case Construction

Creating sustainable benefit



Product

Innovative and patented fastener for the invisible fastening of façade panels. Compared to other solutions simpler installation and lower costs



Process

Efficient installation process with in-house developed setting tool from GESIPA

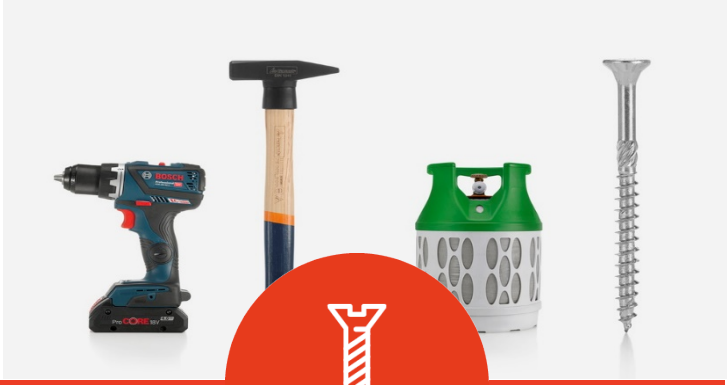


Digitization

Technical values, BIM data and sales via eShop

SFS Value Engineering – Reference Case D&L

Creating sustainable benefit



Large D&L product offering in tools and fasteners (>150,000 items) allows customer to source more than 5,000 articles from SFS, leading to reduce supplier base



Efficient supply processes and global footprint offer stable supply chain for customer's Swiss and international facilities



SFS logistic systems (eLogistics, eShop, toolLog) created for tailor made order processes, resulting in increased efficiency, reduced inventory and lower risk of shortages

Business update and development key financials

Summary press release 17 November 2020

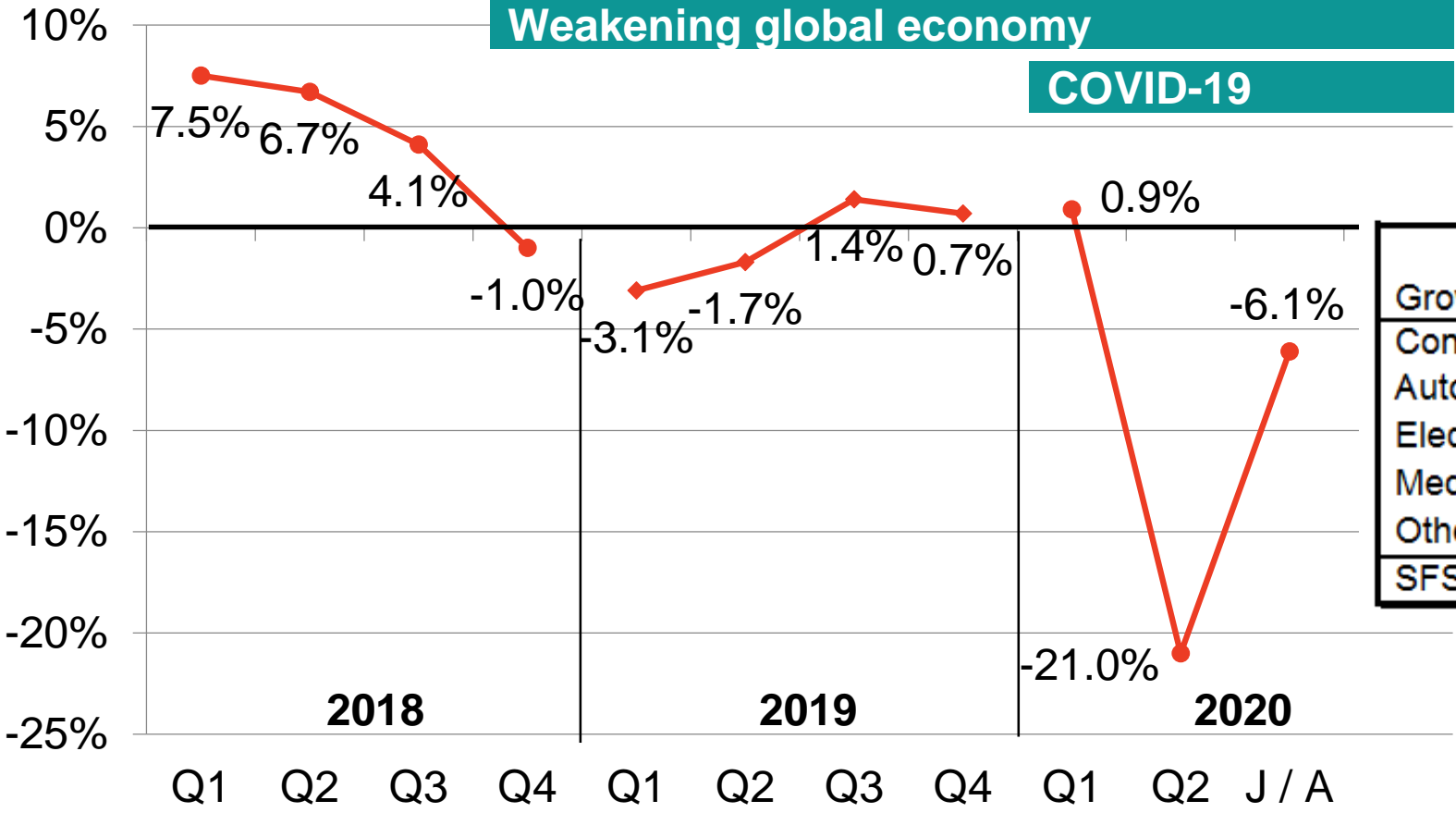
Recovery of demand & results faster than expected

- 2H 2020 results better than expected due to:
 - Faster recovery of overall demand in several end markets and regions
 - Automotive-related business areas have shown a particularly strong recovery
 - Profited from successful product ramp-ups at key customers in electronics industry
 - Thus following improved production capacity utilization
 - Continued focus on cost management and ongoing capacity adjustments
- FY 2020 operating results expected at
 - Sales of CHF 1'630 – 1'680 million (at CHF 1'655 million -7.1% vs. FY19)
 - EBIT of CHF 180 – 200 million (at CHF 190 million -20.5% vs. FY19 adjusted)
 - EBIT Margin of 10.7 – 12.3% (FY19 13.4%)
- Due to the COVID-19 pandemic, the course of business remains subject to considerable uncertainty

Organic sales development end markets

July & August better than expected

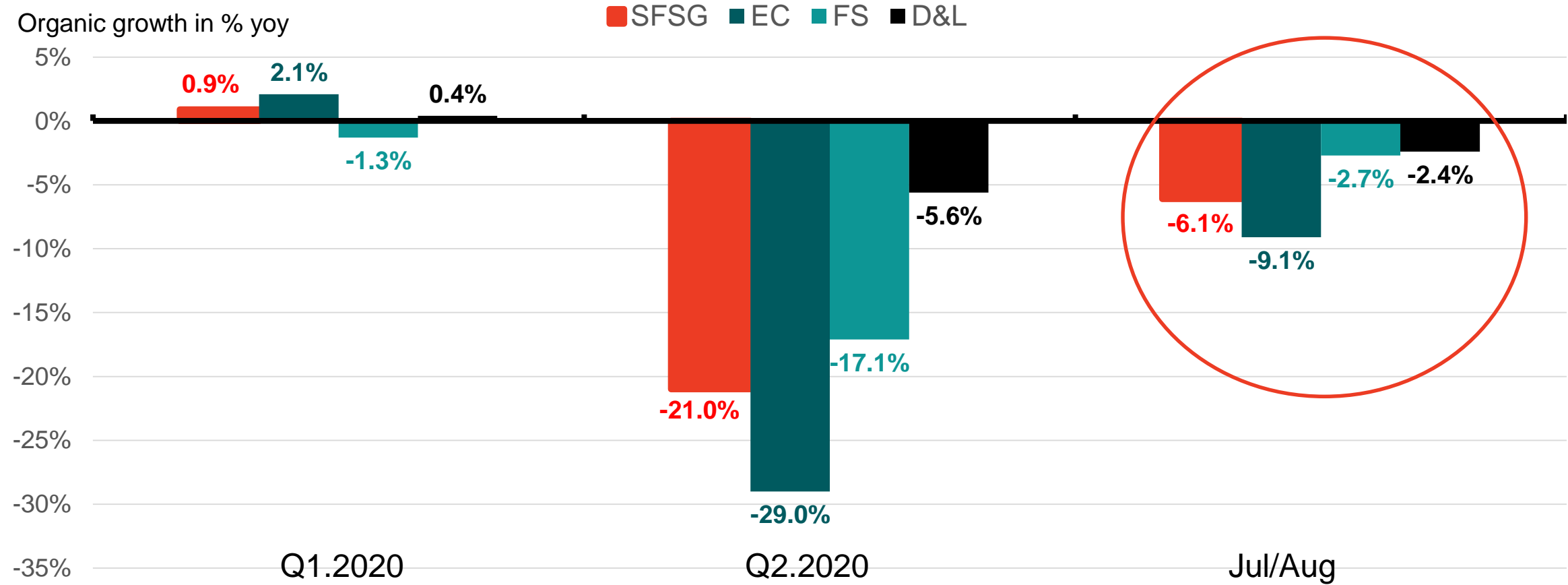
Organic growth in % yoy



Growth yoy	Q1.2020	Q2.2020	Jul/Aug
Construction	0.0%	-11.6%	-1.1%
Automotive	-4.1%	-57.6%	-9.9%
Electronics	13.8%	0.8%	-1.8%
Medical	11.8%	0.1%	-5.8%
Others	-4.6%	-15.7%	-14.9%
SFS Group	0.9%	-21.0%	-6.1%

Organic sales development segments

Strong impact in Q2 | Improvement in July & August

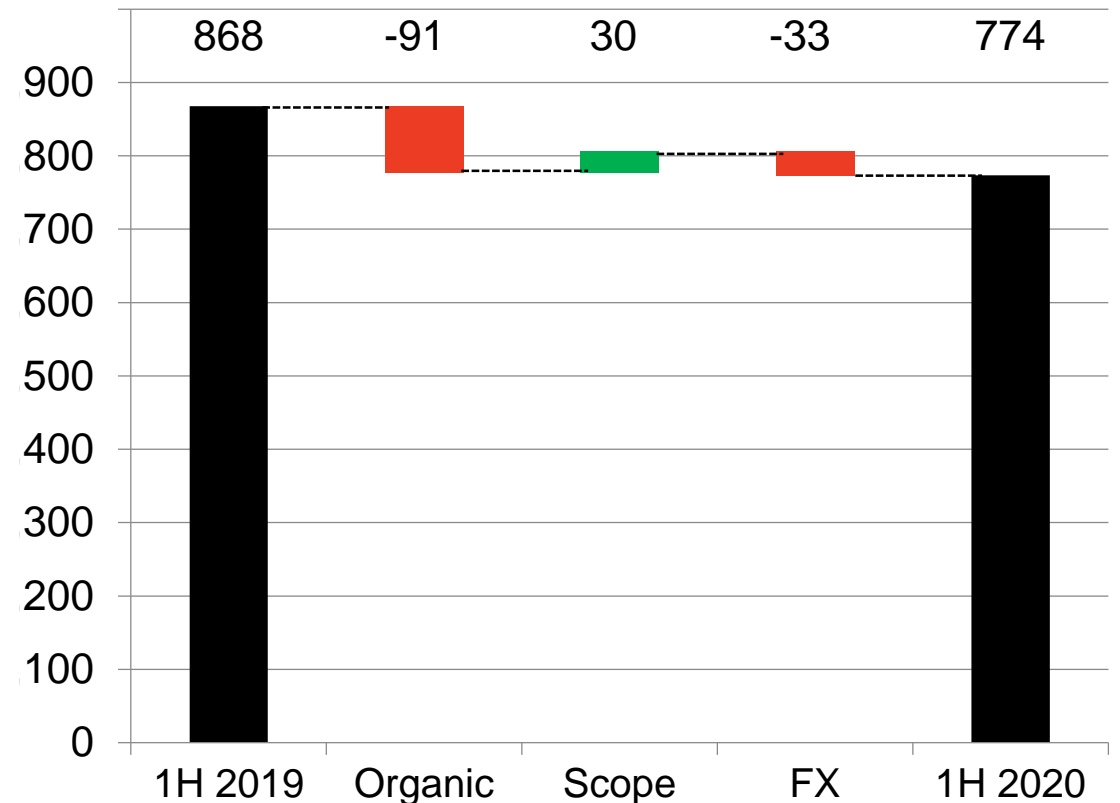


Sales bridge

COVID-19 with massive impact on Q2 topline

- Reported growth of -10.8% (PY 1.4)
 - Organic -10.4% (PY -2.4)
 - Scope 3.4% (PY 4.6)
 - FX impact - 3.8% (PY -0.8)
- Organic growth
 - Q1.2020 CHF 4m
 - Q2.2020 CHF -95m
- Like-for-like growth by segment
 - -13.5% in EC (PY -3.6%)
 - -10.0% in FS (PY -1.8%)
 - - 2.6% in D&L (PY 0.3%)

CHF million

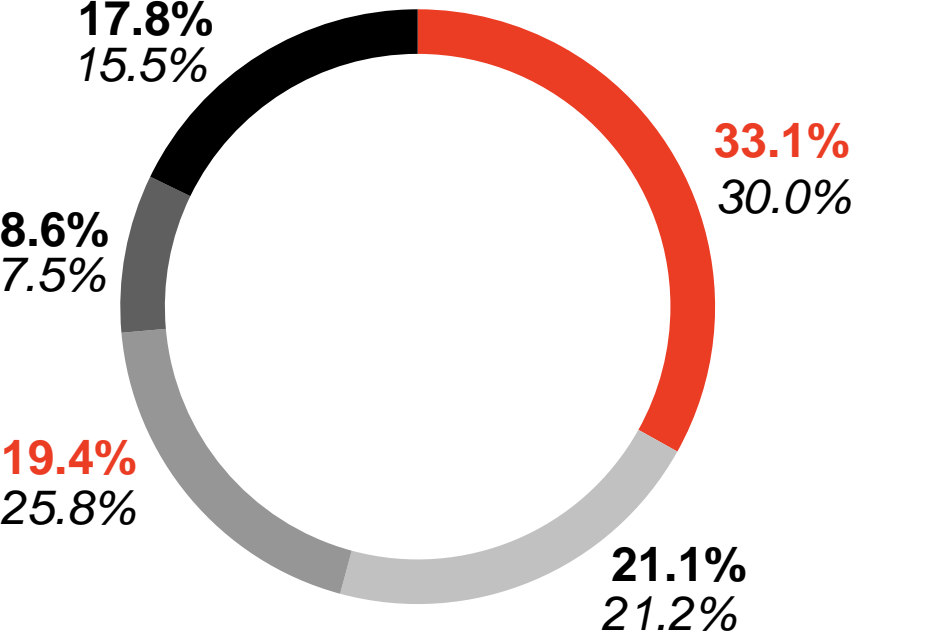


Sales by end market and regions

Automotive & Europe suffer | Construction benefits

2020 data
2019 data

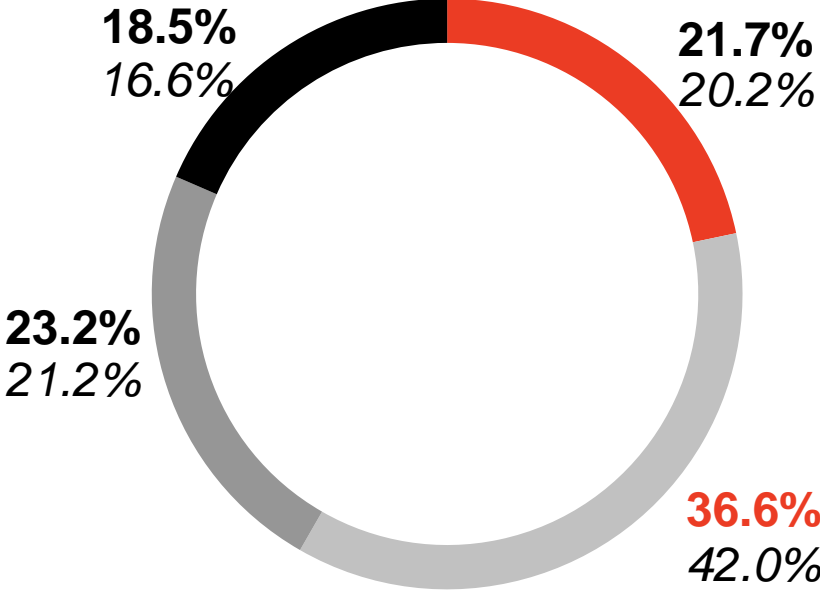
by end markets



■ Construction ■ Others ■ Automotive ■ Medical ■ Electronics

2020 data
2019 data

by regions

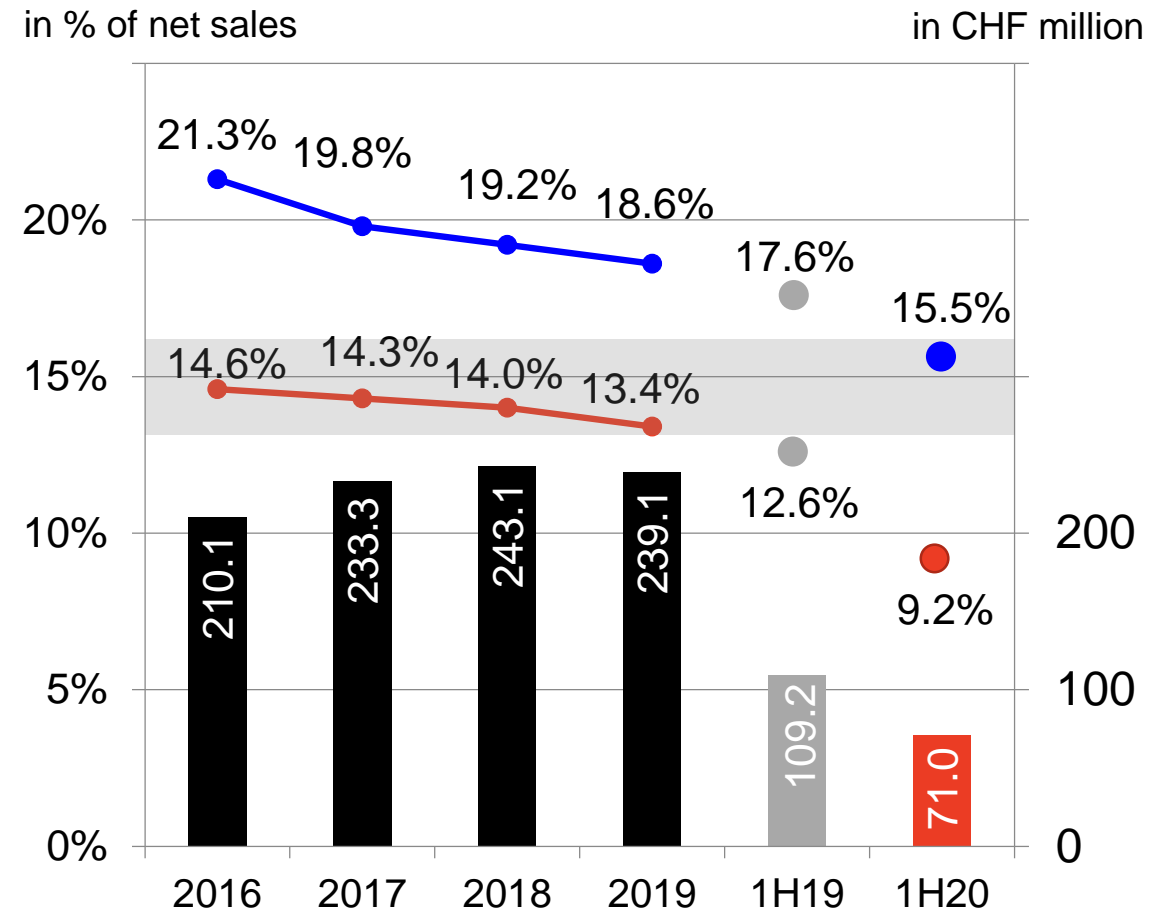


■ Switzerland ■ Europe ■ America ■ Asia

Operating profitability

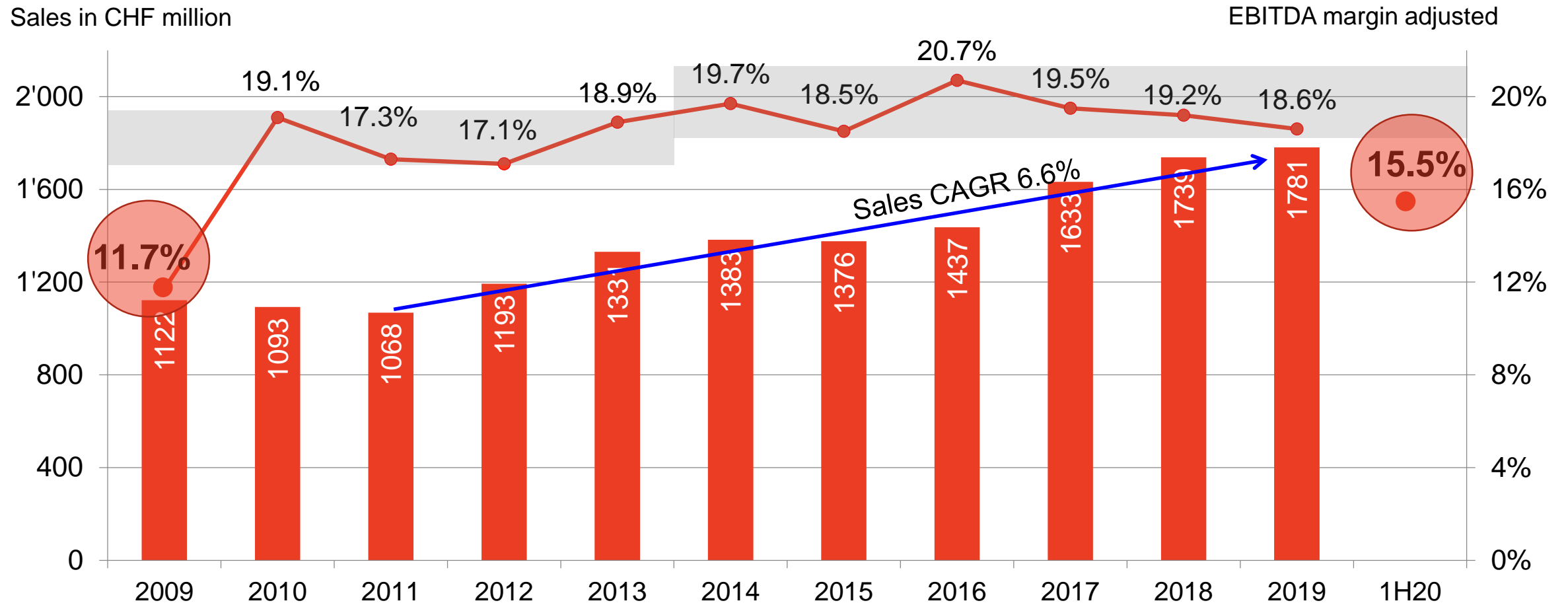
COVID-19 leaves its mark on EBIT in Q2

- **EBIT** margin adjusted 9.2% or CHF 71m
 - Q2 EBIT margin drops to around 6%
- **EBITDA** margin 15.5% or CHF 120.3m
 - Q2 EBITDA margin stays at around 13%
- Relatively flexible cost structure (in CHF)
- -35.0m Personnel expenses
 - Of which -14m short time allowance CH
 - Of which -21m other measures
 - -420 FTE w/o major restructuring and M&A
- -18.9m Other operating expenses
 - Cost savings and variable expenses



Operating profitability

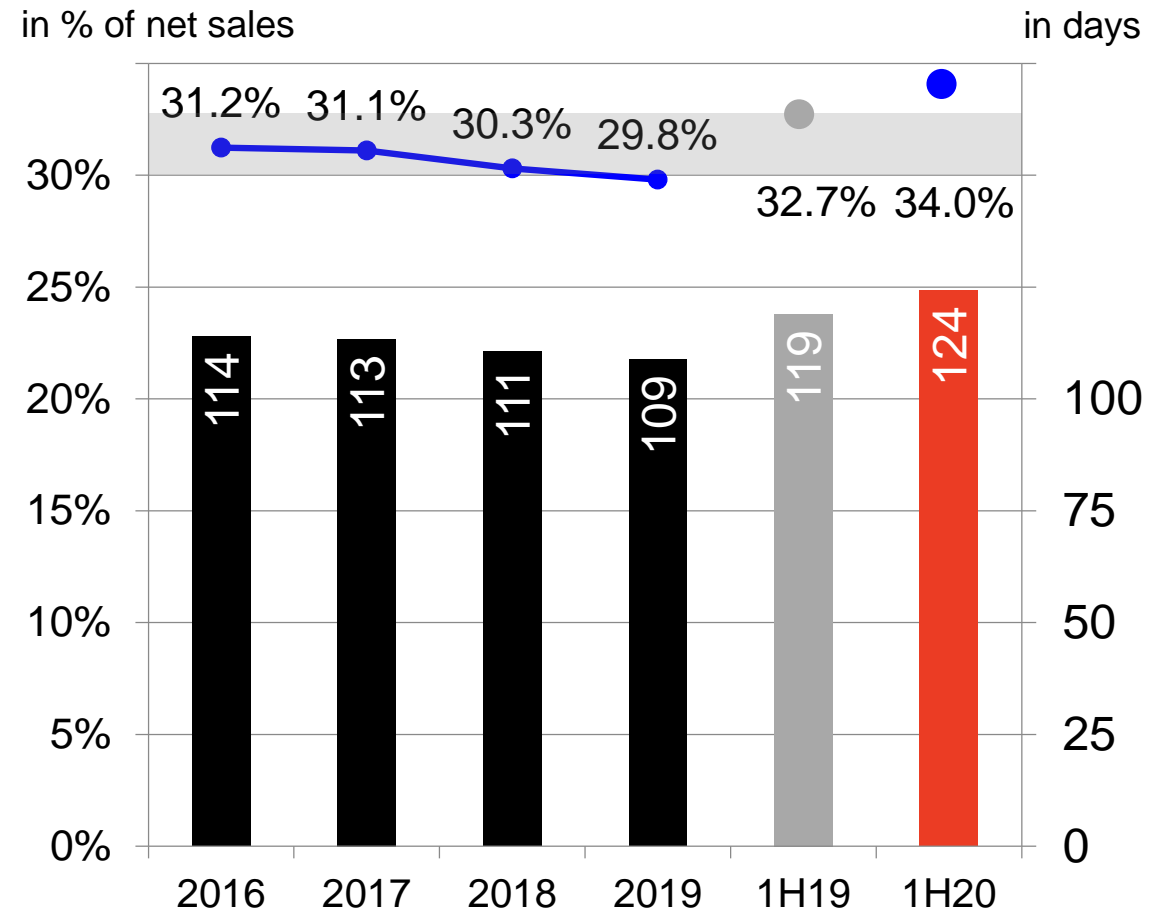
1H20 EBITDA stronger than during crisis in 2009



Net working capital

Seasonal peak | Time lag of inventory decline

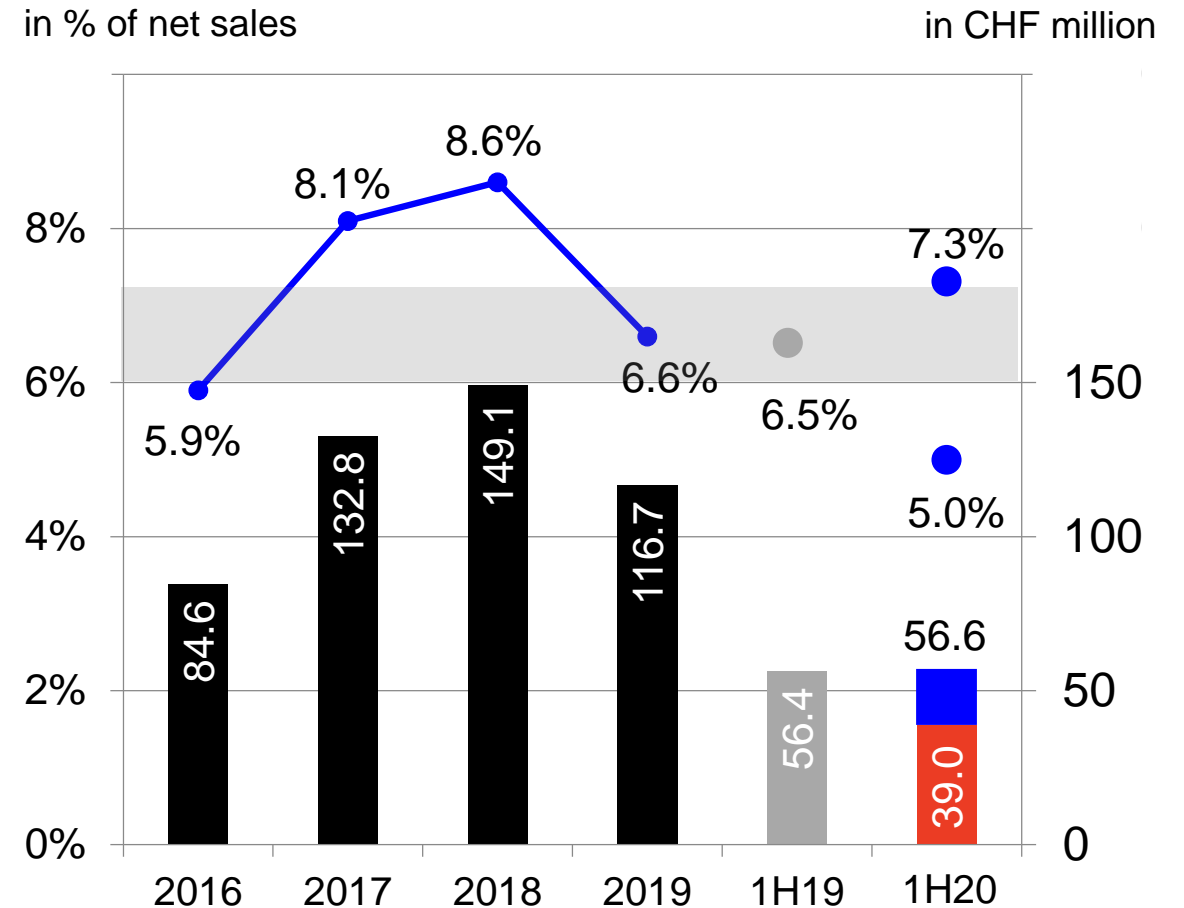
- **NWC** higher at 34% of net sales
 - Equals **124 working days**
 - Measured at balance sheet date
- Ø NWC 119.8 days outstanding (PY 117.6)
 - Average with flattening impact
 - Sales 65.3 (PY 65.0)
 - Inventory 75.2 (PY 71.9)
 - Payables -20.7 (PY -19.3)
- Expect NWC to normalize in 2H



Capital expenditure

Running Capex at 5% | Infrastructures add 230 bps

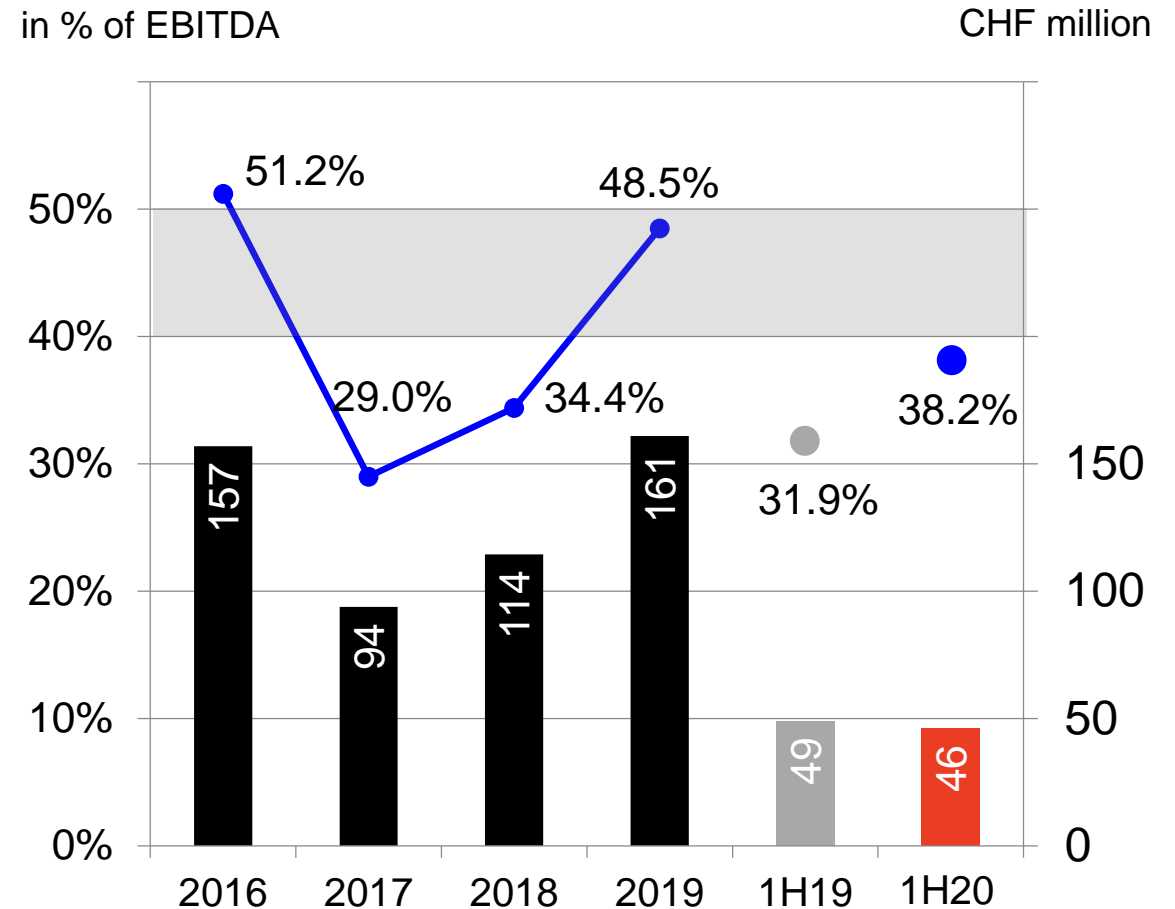
- CAPEX spending **7.3%**
 - Building projects in Switzerland and USA add 230 bps in 1H
 - To increase capacity, efficiency, productivity
 - To support future growth
- CAPEX spending by region
 - 35% Switzerland (PY 42%)
 - 9% Europe (PY 15%)
 - 36% Americas (PY 13%)
 - 20% Asia (PY 30%)
- CAPEX by segment
 - 86% EC (PY 79%)



Free cash flow

Capex and NWC increase fully financed by cash flow

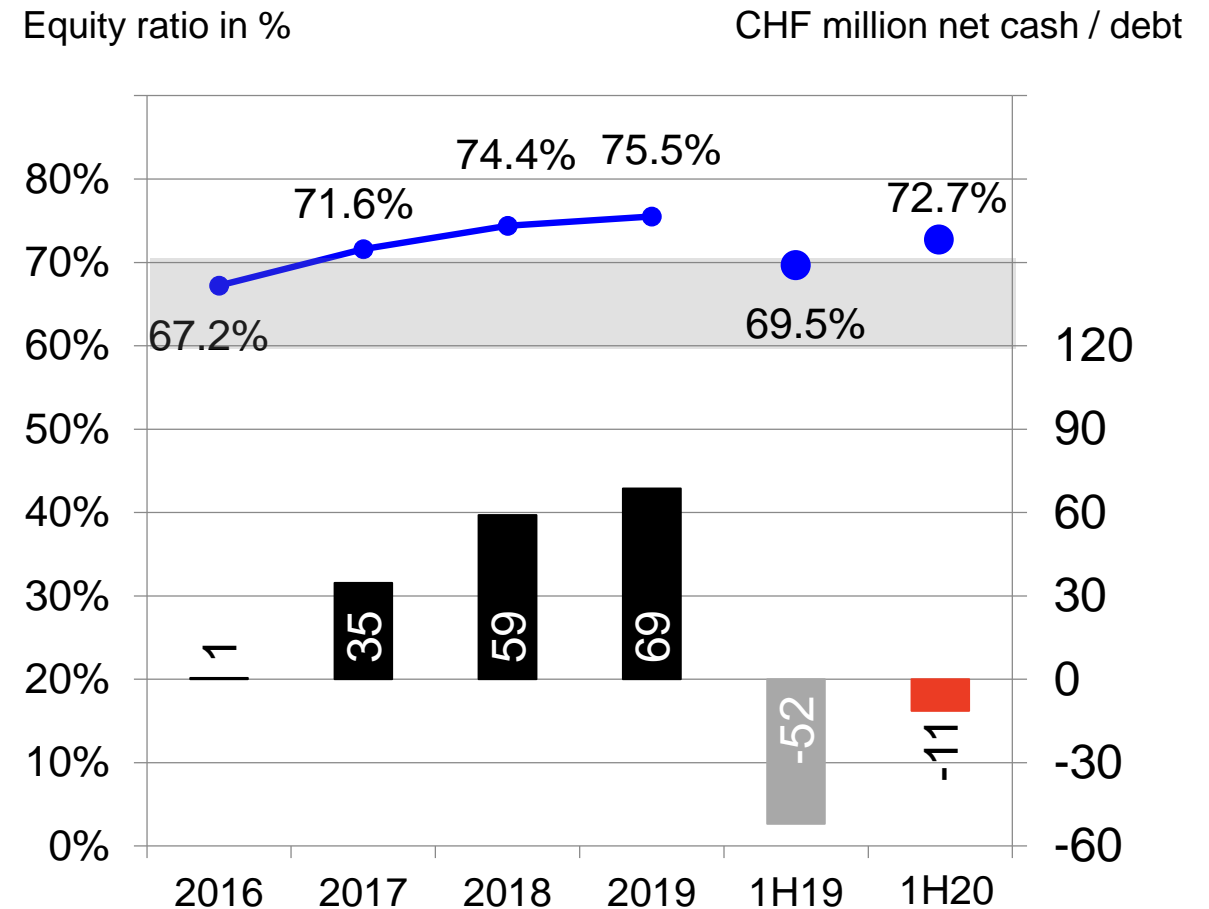
- Good cash generation (in CHF)
 - 103m cash flow from operations (PY 105m)
 - - 57m capex in PPE (PY -56m)
 - **46m** operating free cash flow (PY 49m)
- Conversion rate at 38.2%
 - Target range of 40-50%
- 2H expected to be stronger than 1H



Balance sheet ratios

Strong balance sheet and financing

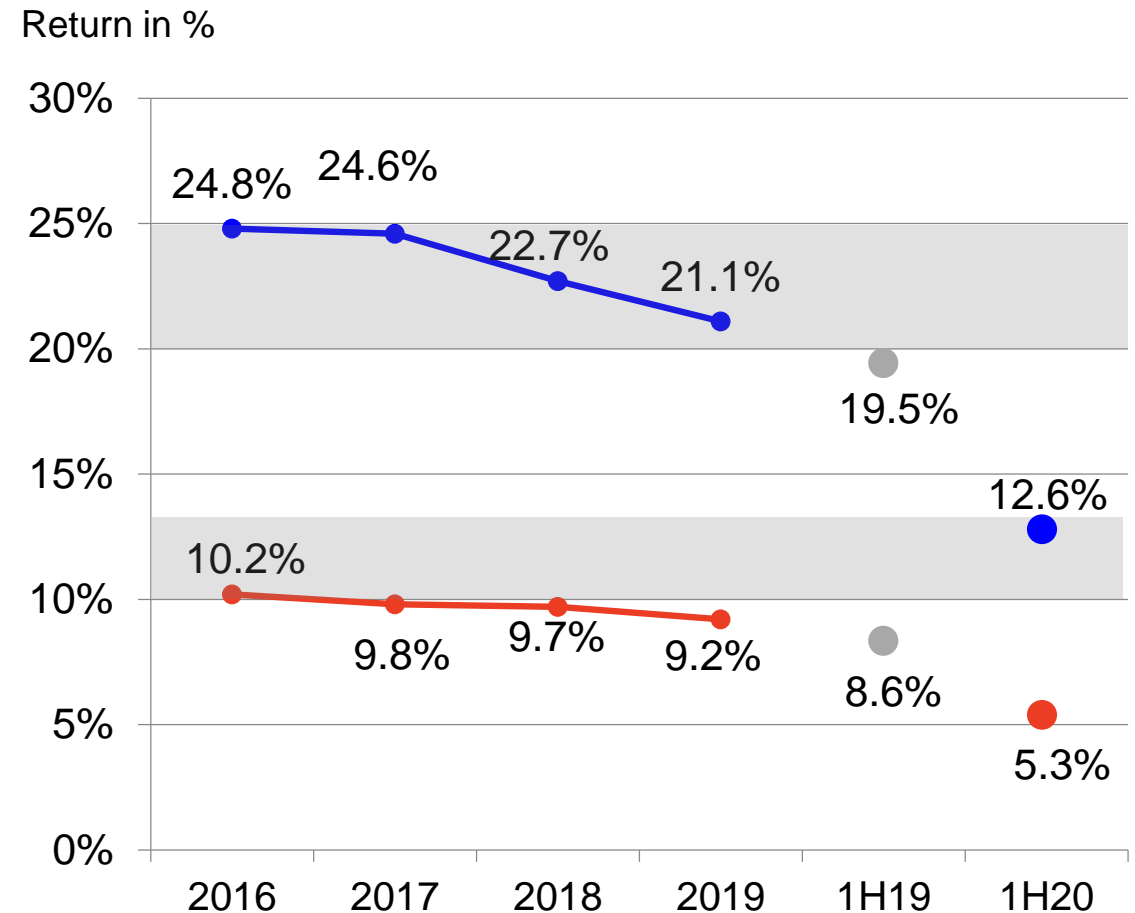
- **Equity ratio** remains strong at 72.7%
 - Target range >60%
- **Net cash** at year end CHF 69m, declined to CHF -11m as 30 June
 - 46m operating free cash flow
 - -60m M&A activities
 - -66m dividend payout
 - -80m decline vs. year end 2019
- Financial flexibility for growth secured by
 - Unused and existing credit facilities
 - Annual free cash flow



Return on capital

High capital intensity | Strong leverage from EBIT

- Return on capital employed at **12.6%**
 - EBIT adjusted in % of Ø CE CHF 1.1bn
- Return on invested capital at **5.3%**
 - EBIT after tax (flat rate of 17.5%)
 - Invested capital CHF 2.2bn including goodwill offset with CHF 1.0bn
- Bridge between ROIC and ROCE
 - 5.3% ROIC after tax**
 - +5.0%** CHF 1.1bn higher capital
 - +2.3%** tax impact on EBIT
 - 12.6% ROCE before tax**



KPI summary

Solid performance in difficult times

In CHF million		1H 2020	%	1H 2019	%	yoy
Sales		773.7		867.8		-10.8%
EBITDA	margin	120.3	15.5%	152.6	17.6%	-21.2%
EBIT adjusted	margin	71.0	9.2%	109.2	12.6%	-34.9%
Net income	margin	53.9	7.0%	88.6	10.2%	-39.1%
Equity	ratio	1,169.0	72.7%	1,139.2	75.5%	2.6%
Net cash		-11.4		-51.9		
Capex	% net sales	56.6	7.3%	56.4	6.5%	0.4%
Free cash flow	conversion rate	46.0	38.2%	48.7	31.9%	-5.5%
ROCE		12.6%		19.5%		

Group priorities

SFS Group priorities

Focus on specific priorities

	Mid-term guidance (dated 2020)
Gross sales (in local currency, incl. bolt-on M&A)	3–6%
EBIT margin adjusted	13–16%

Megatrends

→ Strengthening innovation, especially in the megatrends of digitization & autonomous driving

Growth

→ Investments in future growth projects in particular in the med-tech, automotive & electronics sectors

Employees

→ Continue with preventive measures to protect employee health and safety

Profitability

→ Balance production capacity with demand while ensuring supply capabilities & keep costs under control

Sustainability

→ Implementation of the set goals & development of roadmap to reduce carbon footprint

Division focus

Automotive

Positioning and market trends

Positioned to serve above average growing segments

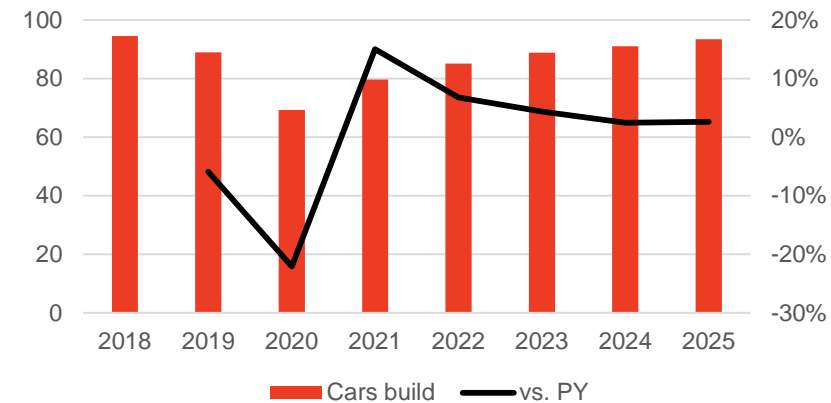
Position within automotive market

- Supplying the automotive industry and its supply chain with precision components
- Focus on areas of
 - Active and passive safety
 - Autonomous driving
 - Engine efficiency and electrification
- Activities focused on EU, NA, CN and IN
- Major key accounts served world-wide

Key trends in industry



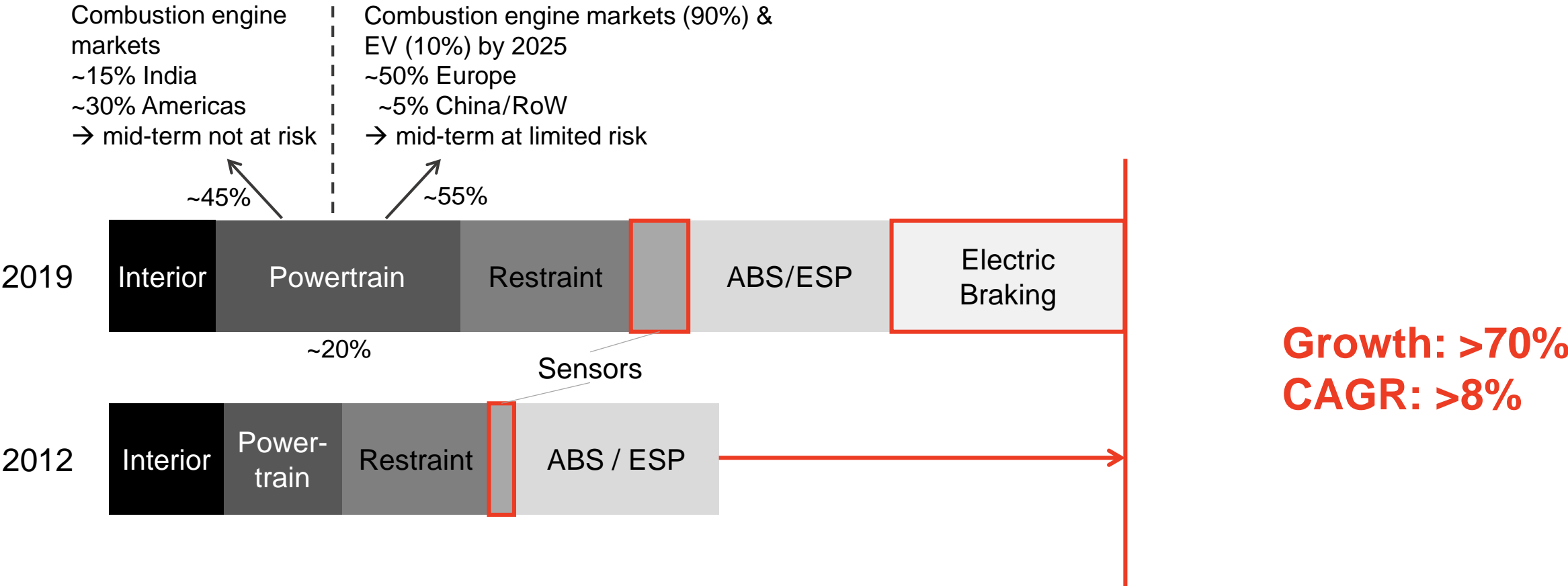
Global light vehicle production forecast (2018–'25)



Source: IHS, July 2020

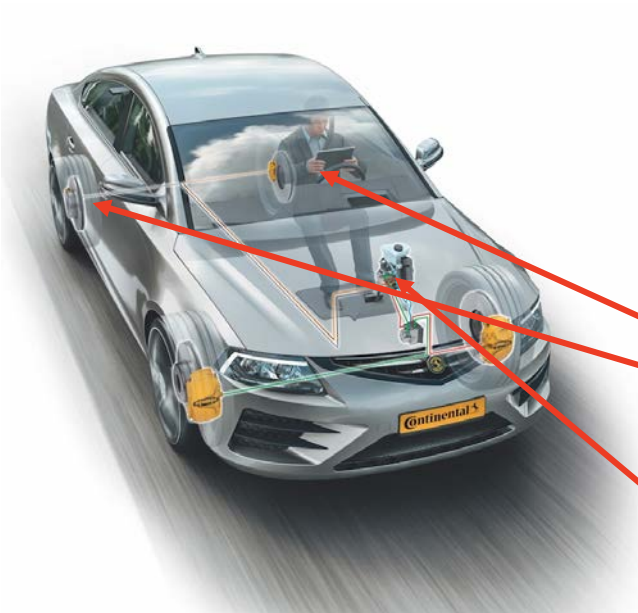
Growth drivers Automotive division

Growth largely independent from specific drive concept

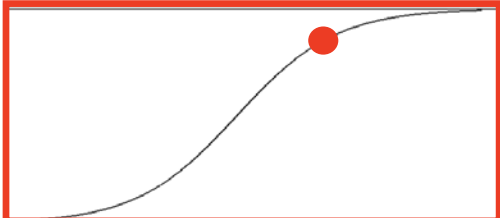
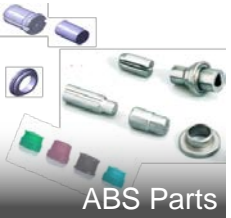


Car with modern 'brake by wire' brake system

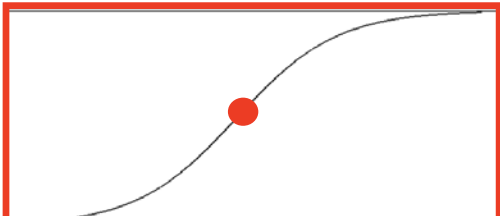
Potential SFS value content up to ~5x higher



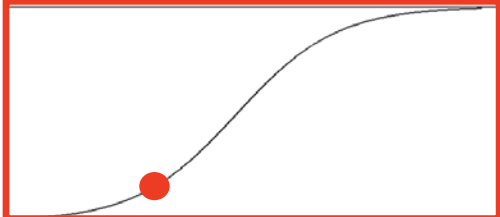
ABS/ESC



Electric Parking Brake (EPB)



Integrated Brake System



Global light vehicle production forecast

- 2020: 70m vehicles
- 2025: 95m vehicles

Source: IHS, July 2020

Cameras/sensors for autonomous driving

Significant growth potential for the years to come

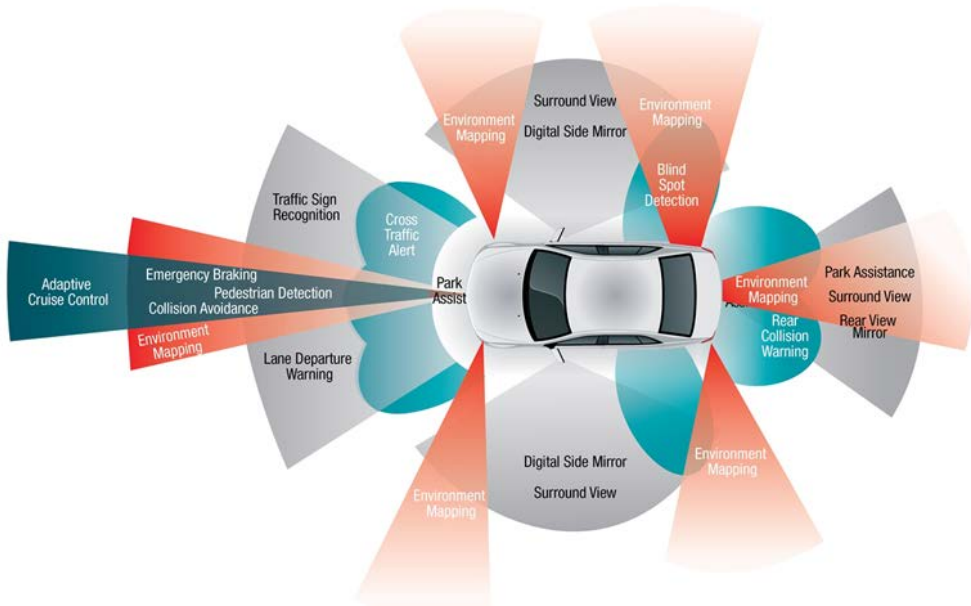
Surround view camera (4x/car)

Market penetration: <5%



Front camera (1x/car)

Market penetration: <10%



- Long-Range Radar
- LIDAR
- Camera
- Short-/Medium – Range Radar

Ultrasonic parking sensor (8–12x/car)

Market penetration: <30%



Radar (1x/car)

Market penetration: <10%



Automotive division priorities

Key initiatives to grow top and bottom line

**Capacity
management**

→ Match production capacity and demand situation

**Leverage on
innovations**

→ Maintain focus on identified innovation trends

Employees

→ Continue with preventive measures to protect employee health & safety

**Leader in BSD
technology**

→ Foster global leading market position in actuator technology

**Global
platform**

→ Leverage global platforms to deploy key products and technologies in Asia and US

Division focus

Electronics

Positioning and market trends

Positioned to serve above average growing segments

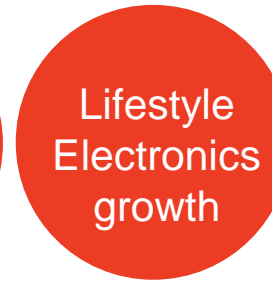
Position within electronics market

- Supplying the electronics industry based on 7 core technologies and with 8 core products
- Focus on end market segments
 - Mobile Devices
 - Lifestyle Electronics
 - Hard Disc Drive
- Manufacturing activities focused on Asia
- Global marketing including North America
- Major key accounts served world-wide

Key trends in industry



→ Growth driven by emerging markets demand, technology upgrades, customer product ecosystem growth & accessories expansion

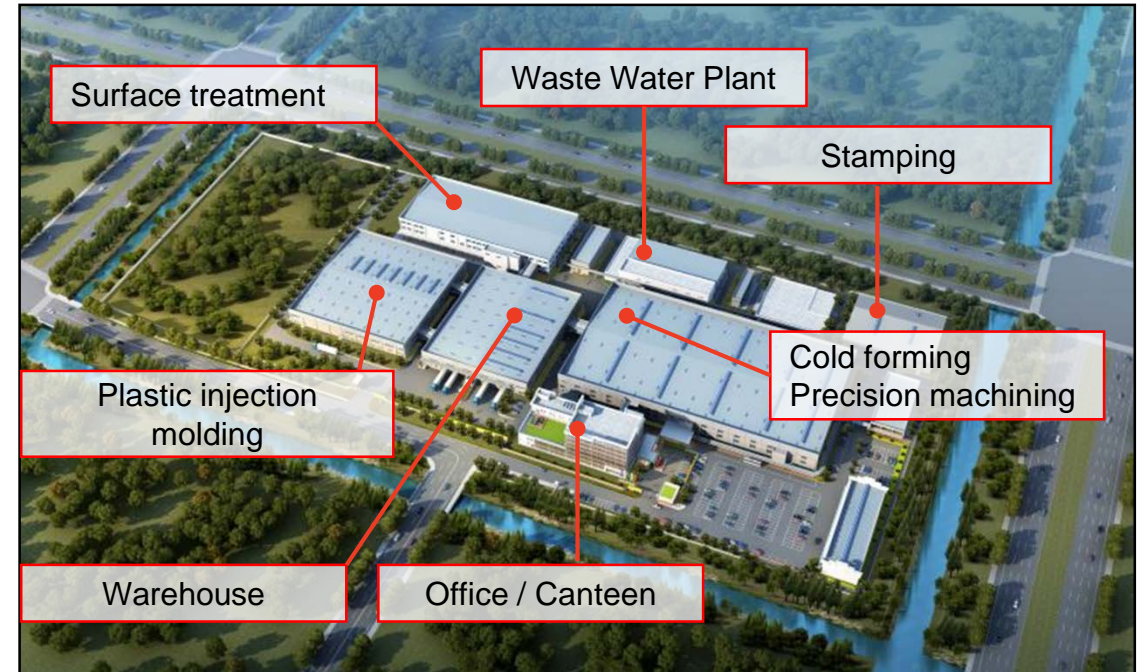


→ Cloud data storage to drive demand for Nearline HDD but SSD will replace certain HDD applications

New Nantong facility

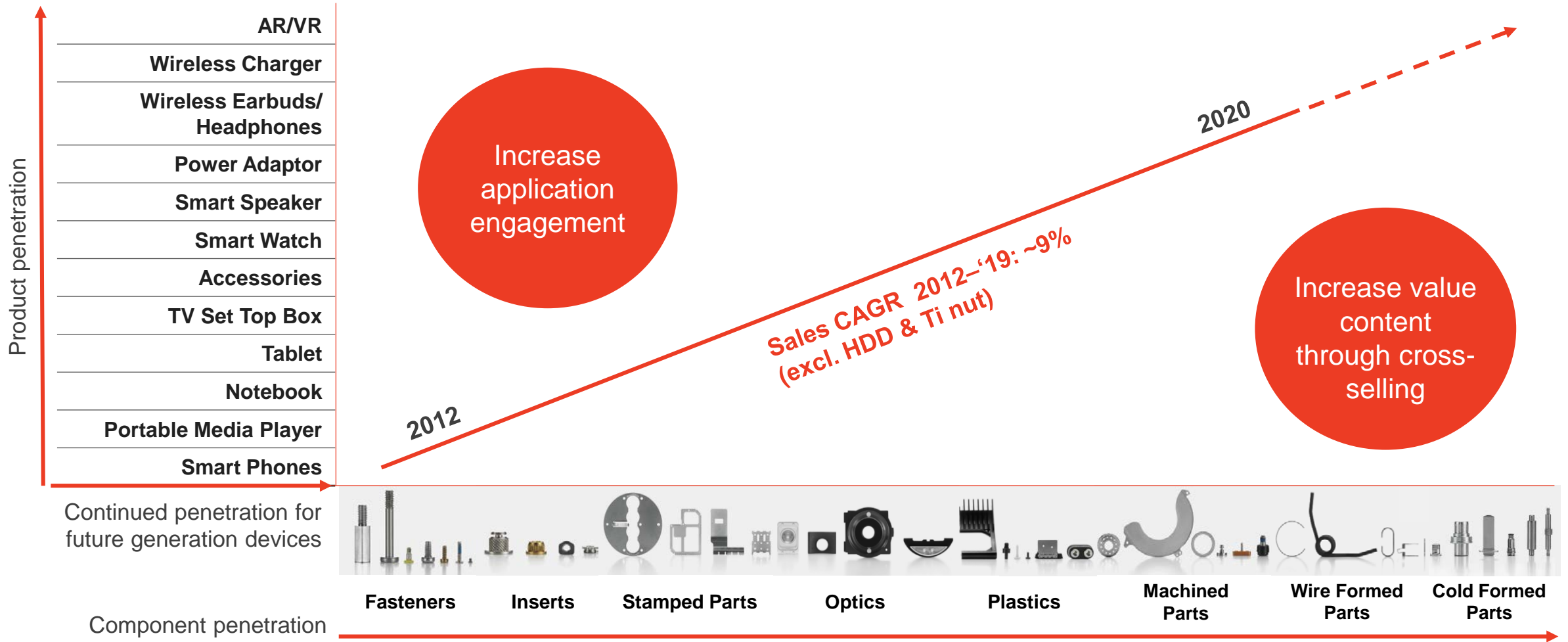
Platform to expand SFS' business in Asia

- Located one hour north of Shanghai, second largest site (77,000 m²) of SFS after Heerbrugg
- All SFS core technologies combined under one roof
- License for comprehensive in-house plating solution
- Platform for development of other SFS businesses (Automotive, Industrial, D&L) in Asia
- Home base of Electronics' mobile devices and lifestyle electronics businesses
- Abundant potential for further growth (space and utilization rate), land reserves of approx. 20,000 m²



Multilevel customer penetration

Growth across product ecosystem and technologies



Electronics division priorities

Key initiatives to grow top and bottom line

**Nantong
platform**

→ Support other SFS divisions to leverage Nantong platform and grow their Asia business

Employees

→ Human capital development at all levels and ensuring employee health & safety

**Customer
ecosystem
penetration**

→ Increase share of wallet in lifestyle electronics and mobile devices

**HDD
replacement**

→ Leverage Malaysia plant for medical business and other applications in electronics

Division focus

Construction

Construction division in a nutshell

Clear orientation in a fragmented market

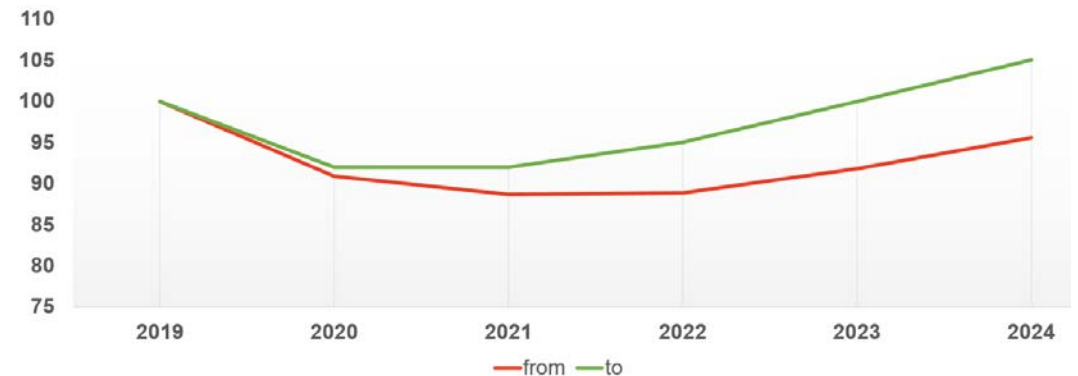
Position within construction market

- “The building envelope specialist”
- Supplying fastening technology to the building envelope, quality hinges and fall arrest systems with high customer benefit
- Activities focused on EU and NA
- Local market organizations in order to respond quickly to specific customer needs
- Major key accounts served worldwide

Peculiarities of business

- No dependence on individual large customers
- Regional rules, norms and habits
- Time-critical orders – often next day delivery

Anticipated market development (2019–'24)



Top 3 key drivers for change and innovation

More green, efficient and safe = market growth



Efficient building envelope

- Energy saving
- Sustainability
- New buildings and renovation



New methods drive efficiency

- Modular building (off-site)
- Building Information Modelling
- Robotics

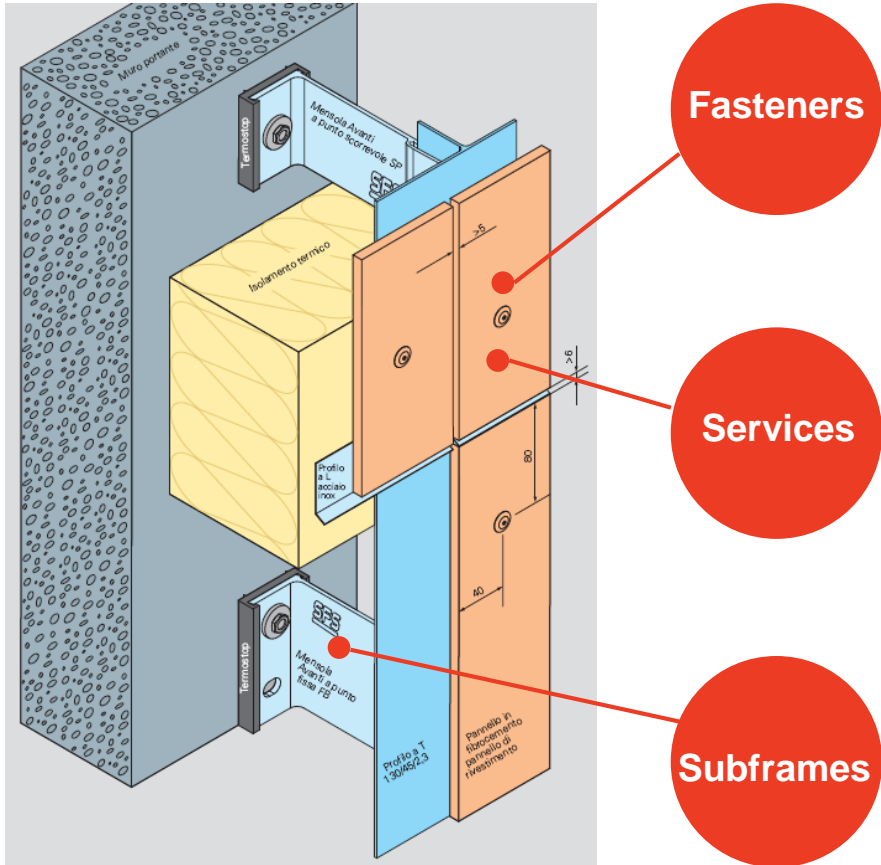


Safety at height

- Avoid falling of buildings
- Safe work conditions
- Compliance

Value generation at high quality façade

Increase value take per square meter



Example: 2,000 m² rainscreen façade

- In the past “only” fasteners
- Today painted fasteners and subframes

Construction division priorities

Key initiatives to grow top and bottom line



eCommerce

→ Further expansion of eCommerce activities with focus on e-shop



Employees

→ Human capital development and ensuring employee health & safety



Supply chain

→ Adapt supply chain to optimize product availability at the point of sales



Innovation

→ Continue to develop value adding solutions

Division focus

Medical

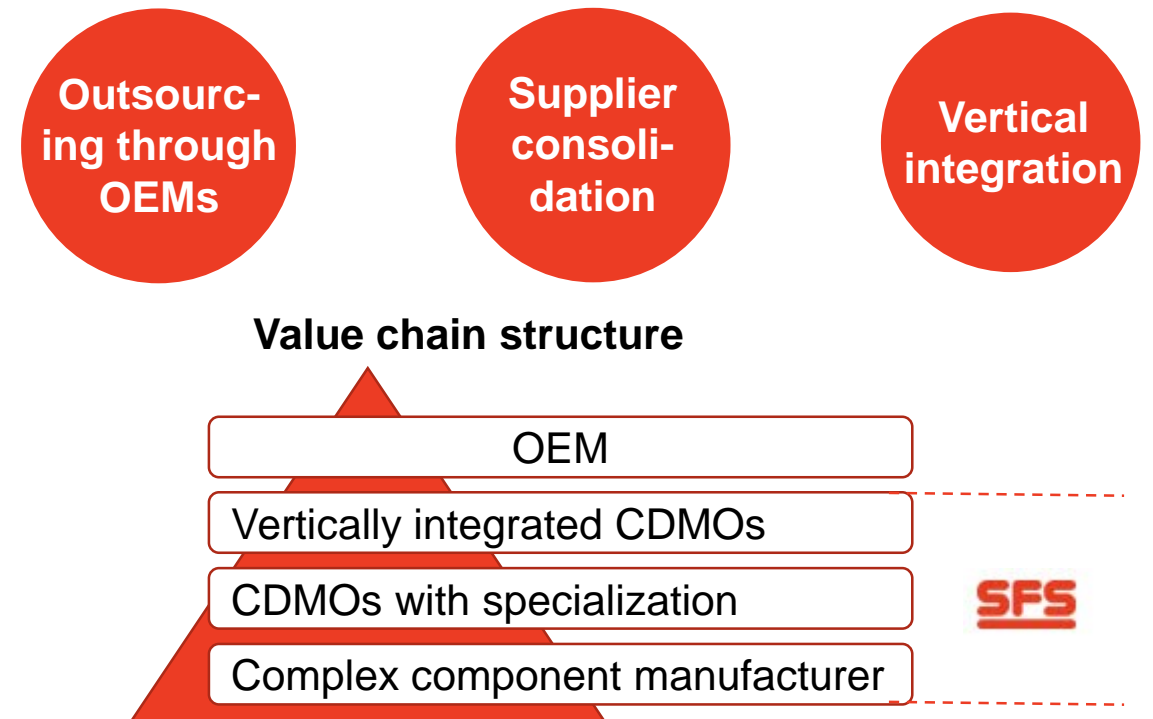
Positioning and market trends

Focus on high-growth market segments

Position within medical market

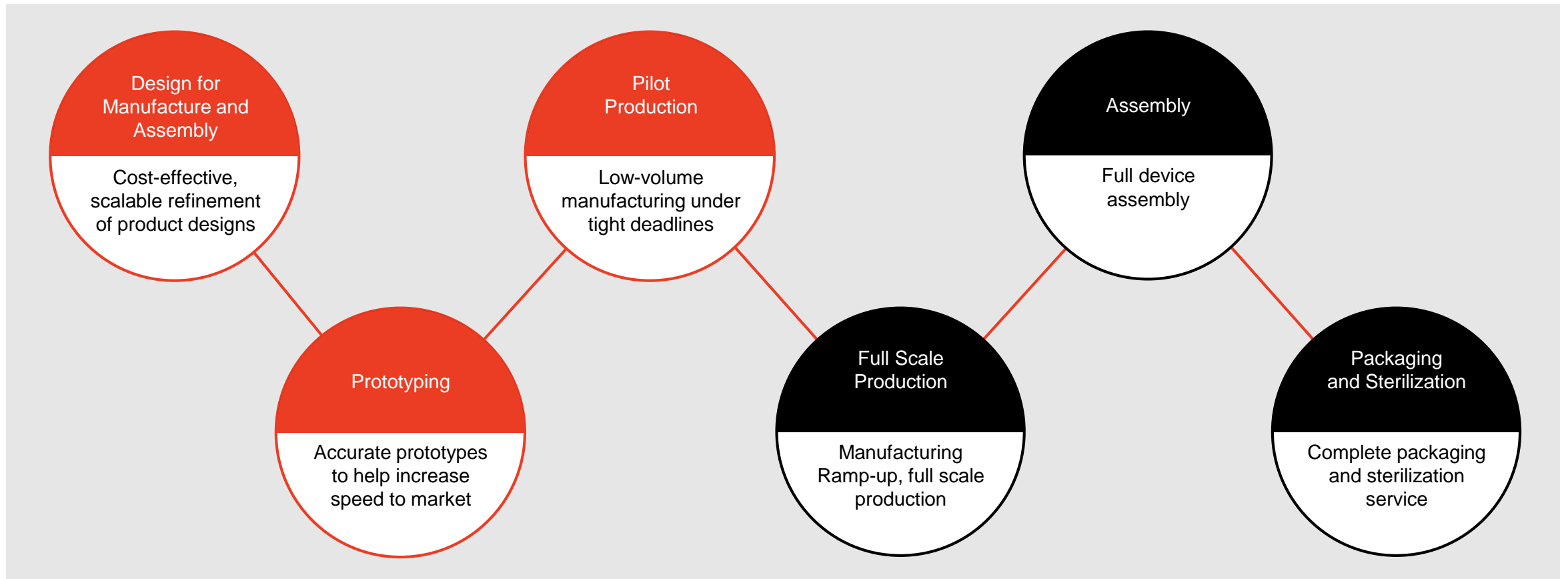
- End-to-end contract manufacturer of components and complete medical devices for OEM customers
- Focus on applications areas
 - Medical
 - Dental
 - Pharma
- Activities focused in North and Central America with expanding presences in Europe and Asia
- ISO 13485 certified at all sites, FDA compliant as required

Key trends in industry



Positioning of Tegra Medical

Vertically integrated, true end-to-end solutions provider

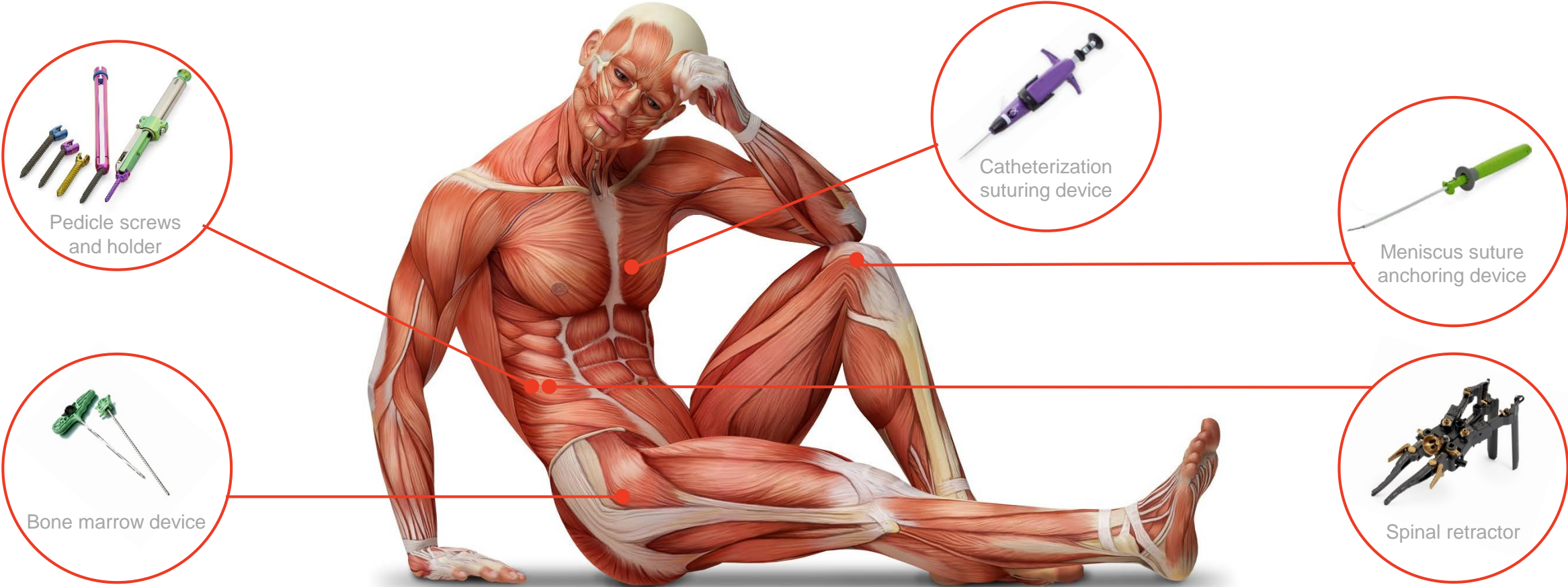


 Prototyping and Product Development (GENESIS Tech Center Services)

 Manufacturing Capabilities (at production sites)

Selected products and applications

“Where medical devices come to life.”

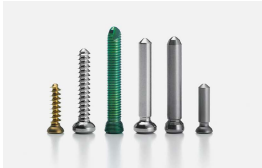


Global Medical sales & manufacturing platform

Local presences and capabilities to serve global OEMs



Cold forming



Precision Machining



Precision Laser



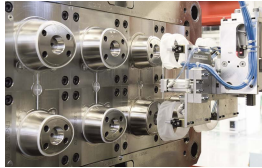
Grinding



EDM



Injection Molding



Assembly



Clean room & sterilization



Medical priorities

Key initiatives to grow top and bottom line

Globalization

→ Increase engagement and participation in European and Asian medical markets

Employees

→ Continue with preventive measures to protect employee health & safety

Organization

→ Develop global SFS medical organization to establish and leverage global platform capabilities

Branding

→ Use Tegra Medical brand for global activities

IR contact and agenda

Information on FY 2020

Further information to be released on 29 January

- Further information on FY 2020:
29 January 2021 (media release)
- Detailed information on FY 2020 and guidance 2021:
5 March 2020 (media release and likely virtual only conference at Heerbrugg)
- Annual General Meeting:
22 April 2021 (no physical presence)
- Publication Sustainability Report:
Ca. end of May
- Detailed information on 1H 2021:
20 July 2021

Contact information

We are looking forward to continuing the discussion

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Thank you for your attention

Inventing **success** together

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