

Welcome to the presentation of the FY2016 results



International development, manufacturing and distribution specialist

Focused in technology – diversified in end markets

Today's speakers



Jens Breu
Chief Executive Officer



Rolf Frei
Chief Financial Officer

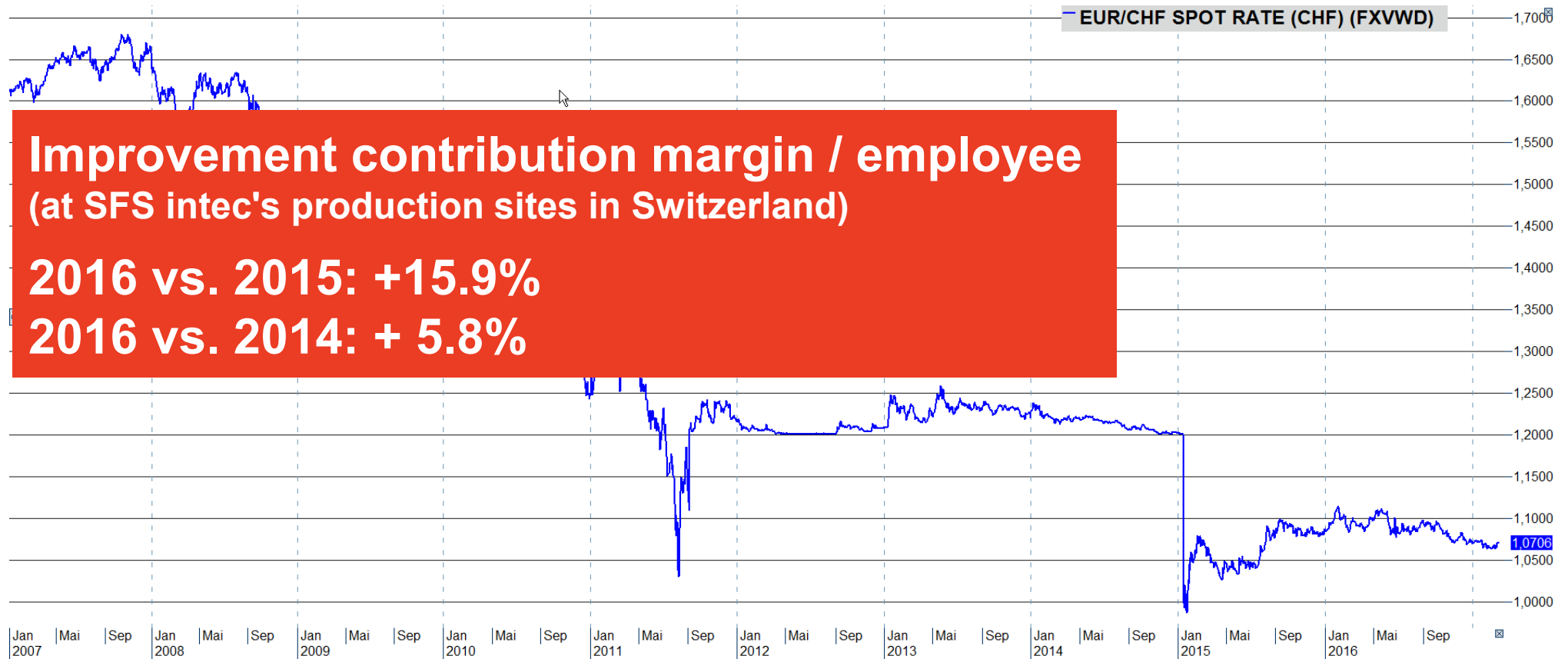
Agenda

- 1 Welcome and key takeaways Jens Breu
- 2 Development of key financials Rolf Frei
- 3 Development by segment Jens Breu
- 4 Guidance 2017 Jens Breu
- 5 Q&A Jens Breu / Rolf Frei

Key takeaways FY2016

- ➔ Solid sales growth of 5.9% in core business
 - all segments contributed to this growth
- ➔ New sales record in the 2016 financial year with consolidated sales of CHF 1,437 million, representing an increase of 4.4%
- ➔ Position in medical device market significantly strengthened by acquisitions of Stamm and Tegra Medical
- ➔ Adjusted EBITA margin amounted to 14.4% (PY: 12.5%)
 - attributed to market success of innovative products
 - realization of economies of scale
 - effectiveness of the measures taken after the substantial appreciation of the Swiss franc in January 2015

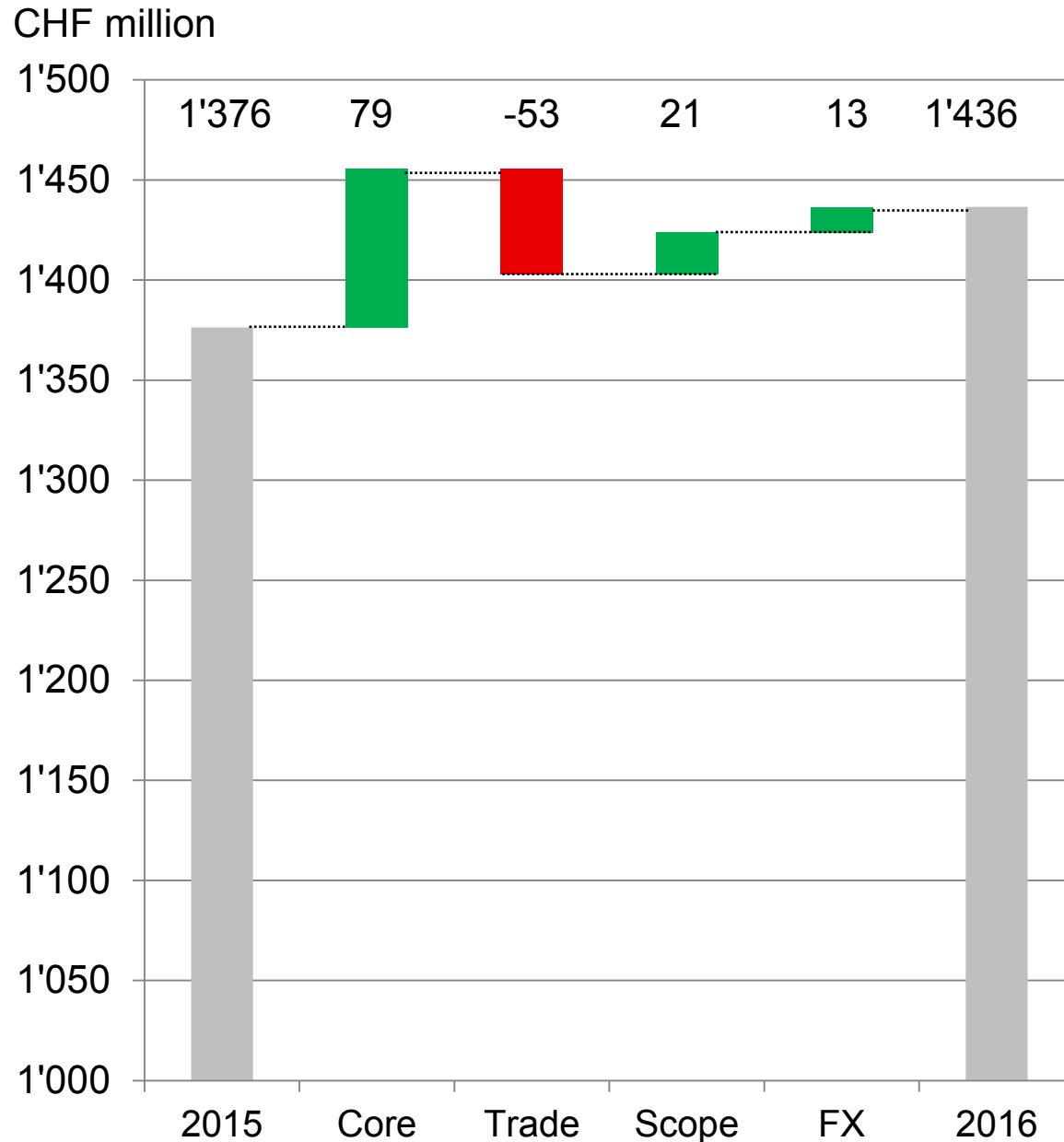
Significant improvement in productivity



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Sales bridge



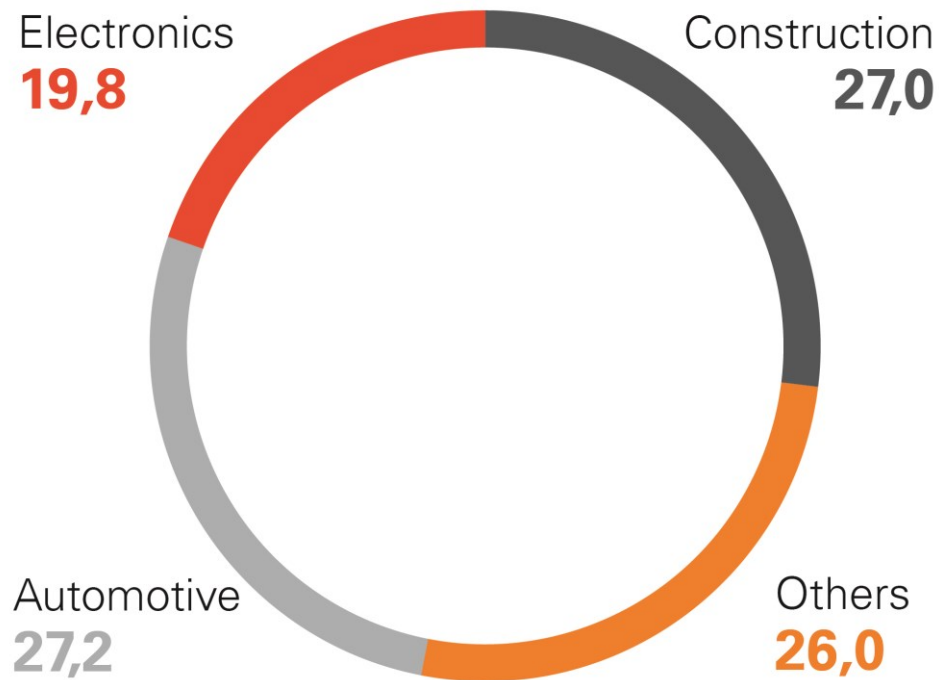
- ➔ Reported growth 4.4% yoy
 - organic +2.0% (PY 2.5%)
 - *core* +5.9% (PY 1.5%)
 - M&A +1.5% (PY 2.1%)
 - FX impact +0.9% (PY -5.1%)

- ➔ Like-for-like growth by segment
 - 0.0% in EC (PY 4.3%)
 - *8.0% in EC core* (PY 2.6%)
 - 7.5% in FS (PY 4.9%)
 - 0.9% in D&L (PY -4.0%)

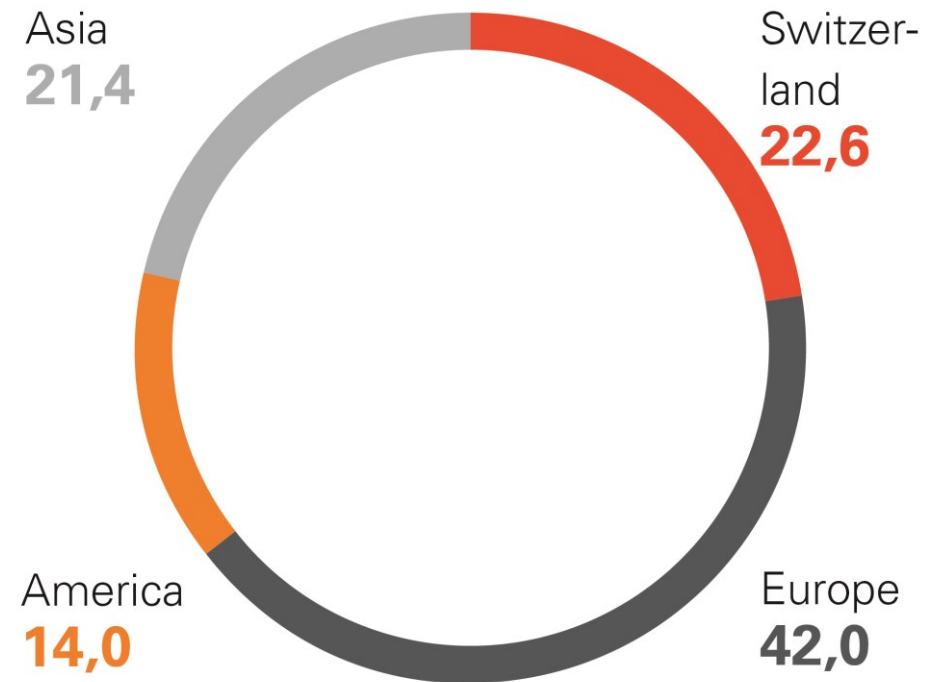
- ➔ Trade activity with ti-inserts
 - USD 21.3 (PY 76.9)
 - majority to run out in 2017

Sales breakdown

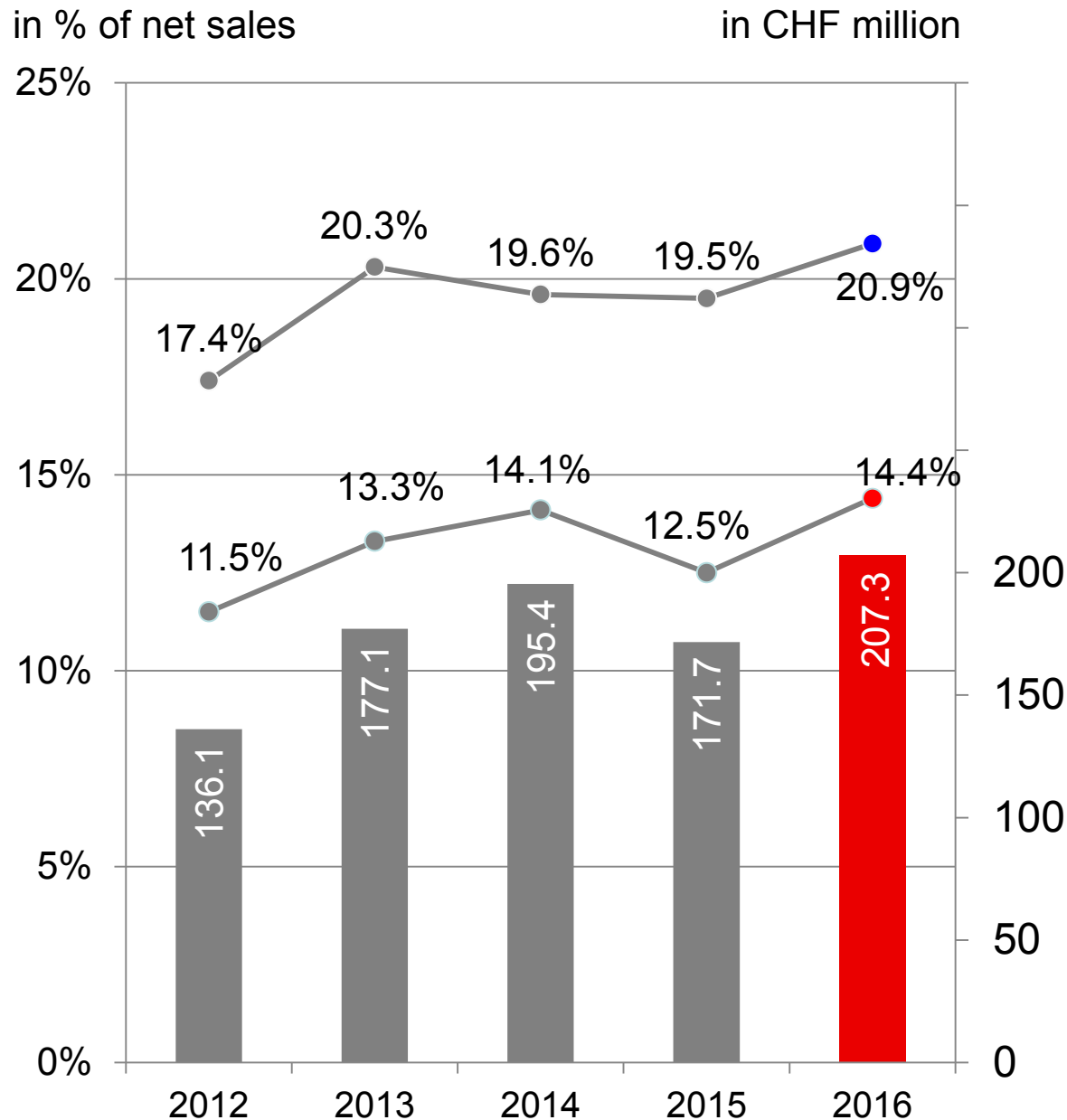
2016 by end markets [%]



2016 by regions [%]



Operating profitability

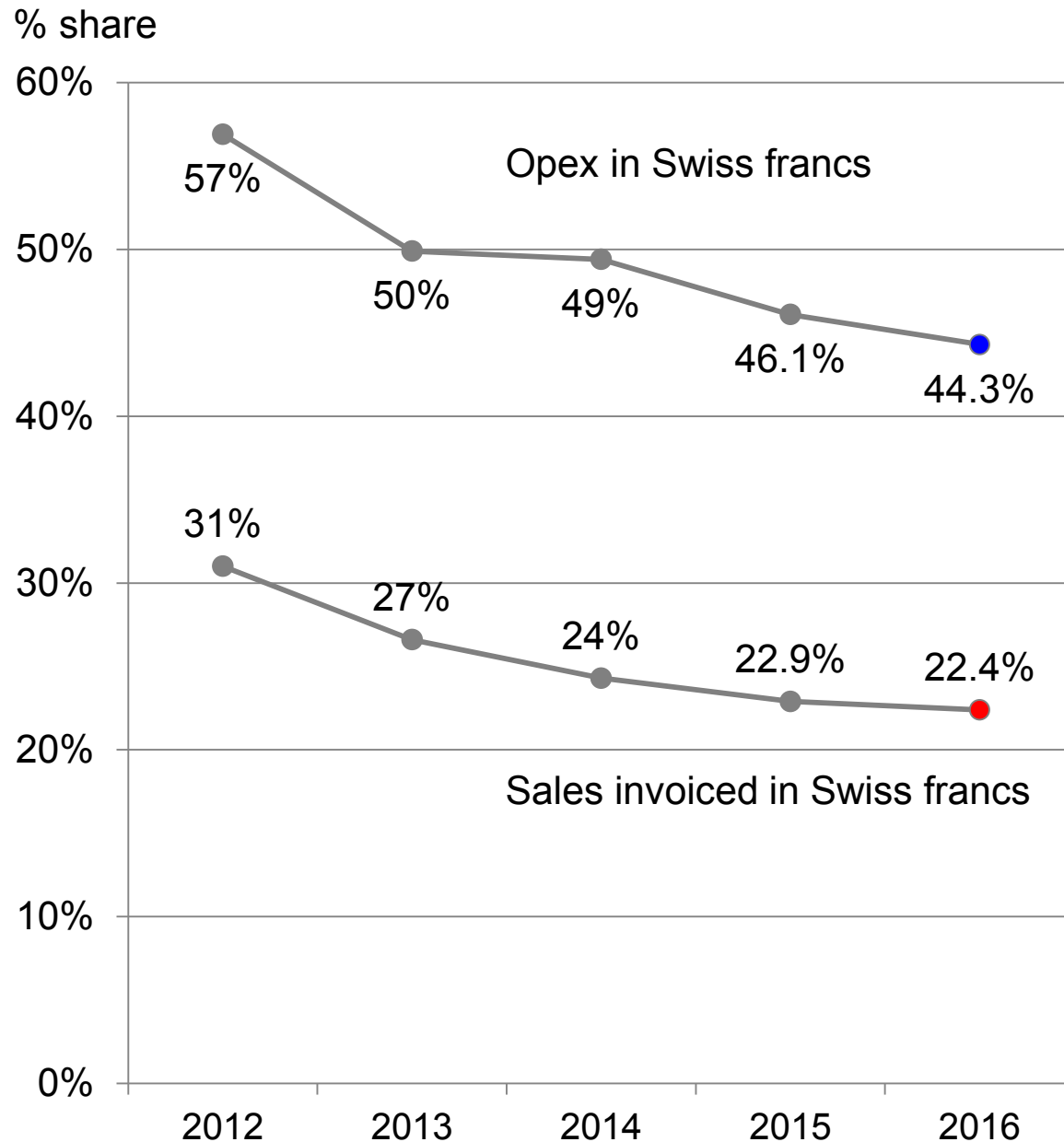


- ➔ Substantial improvement
- ➔ **EBITDA** margin reported 20.9%
 - +33.1m or 12.4% yoy
- ➔ **EBITA** margin adjusted 14.4%
 - +35.6m or 20.7% yoy
 - +29.5m organic
 - + 6.1m scope
- ➔ Success factors
 - innovative products
 - economies of scale
 - productivity gains
 - effective measures against appreciation of CHF

EBITA and EBITDA adjusted for one time effects

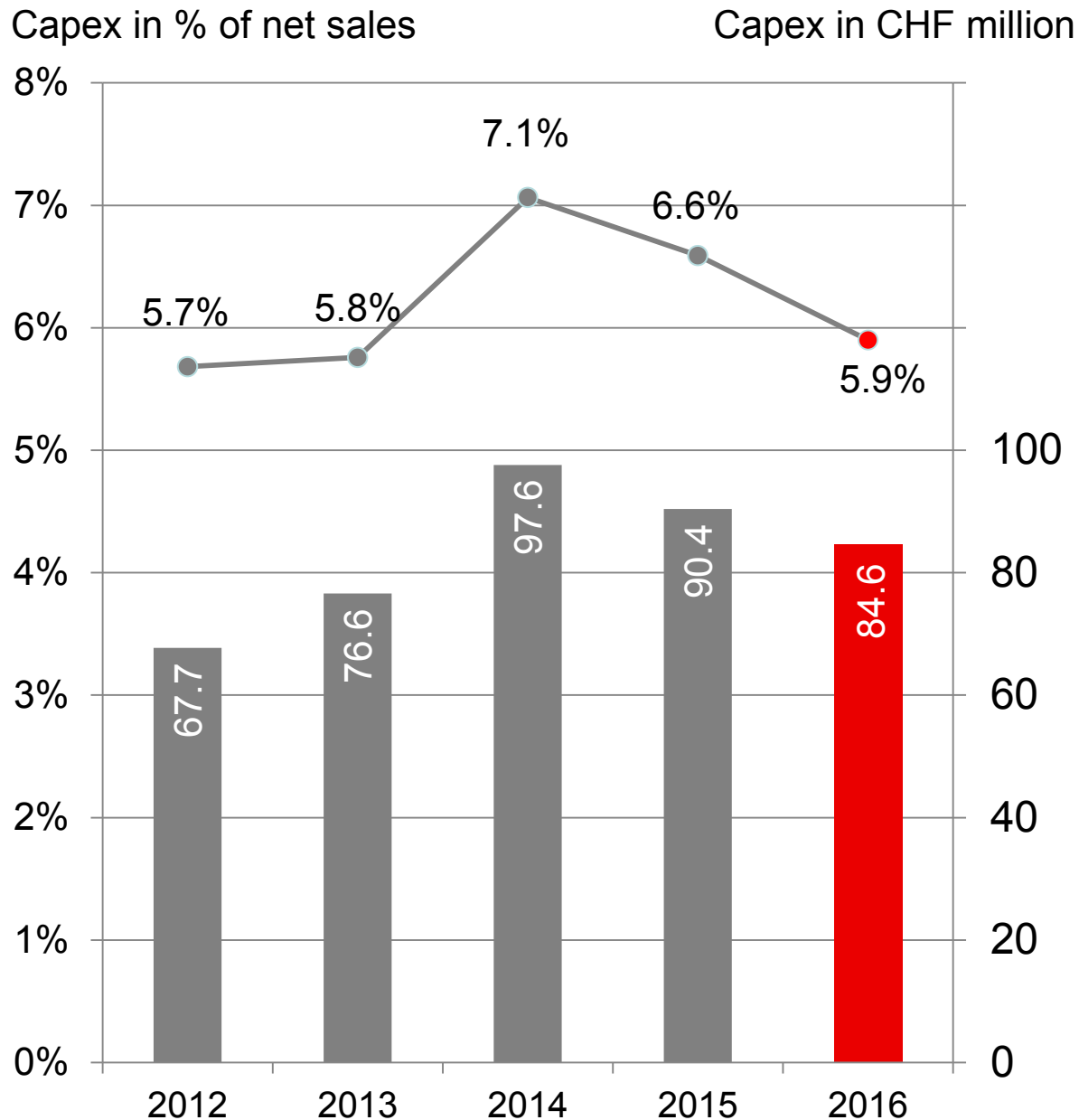
2012: CHF 4.6m, 2013: CHF 18.3m, 2015: CHF 14.9m, 2016 CHF 9.5m

Swiss franc exposure



- **Operating expenses in CHF**
 - 44.3% share
 - acquisition added 1.3%
 - like-for-like decline 310 bps
- **Drivers for decline**
 - improved productivity in CH
 - relocation to foreign sites
 - higher growth outside CH
 - international M&A
- **Sales invoiced in CHF**
 - 22.4% share
 - acquisition added 0.6%
 - like-for-like decline 110 bps

Capital expenditure



- ➔ Capex spending 5.9%
 - leveraging from Capex 2014 and 2015
 - high capacity utilization
 - slight delay in capex projects
 - 2/3 growth capex

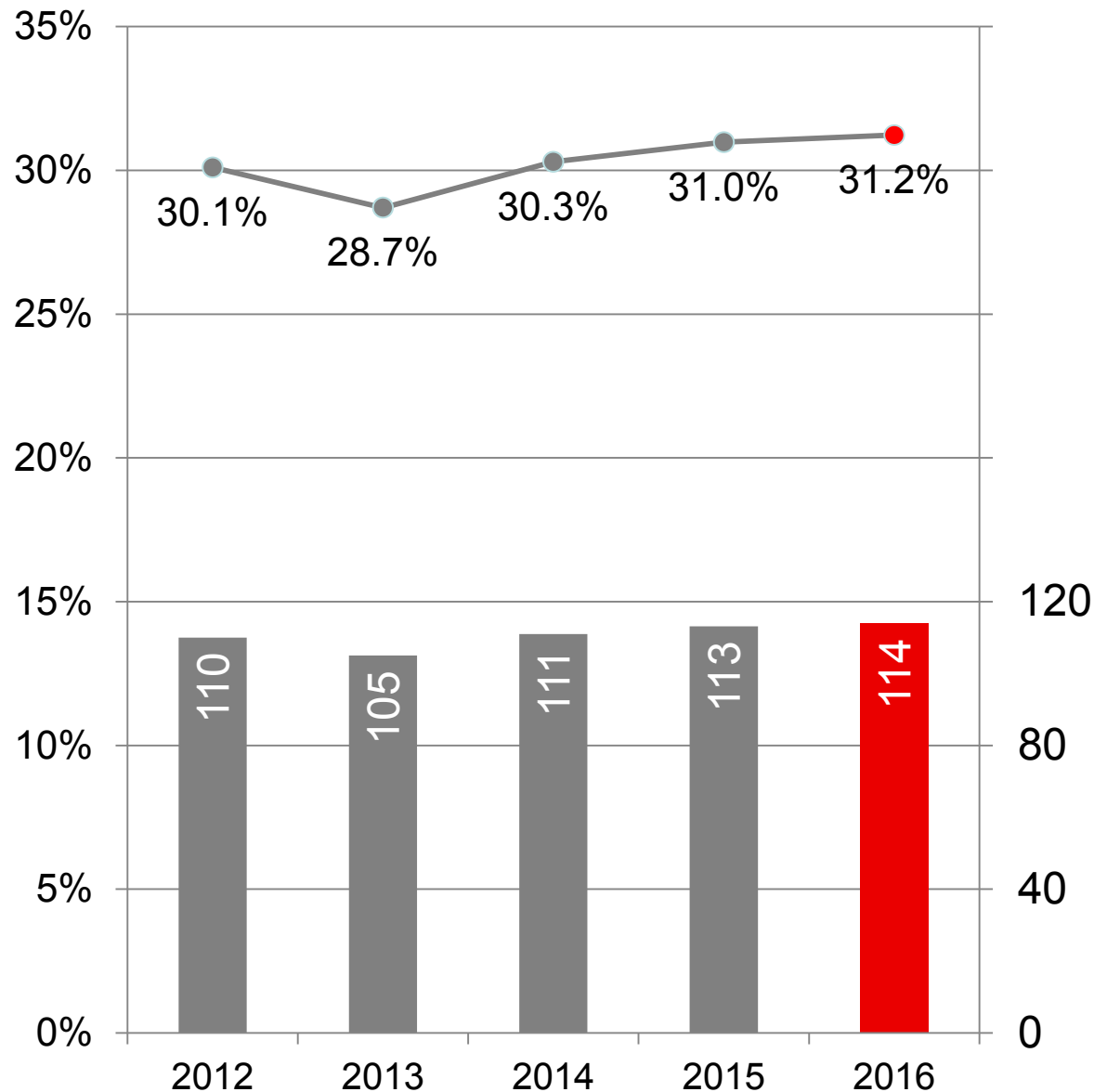
- ➔ Capex spending by region
 - 41% Switzerland
 - 32% Europe
 - 8% Americas
 - 19% Asia

- ➔ Capex by segments
 - 57% EC
 - 32% FS

Net working capital

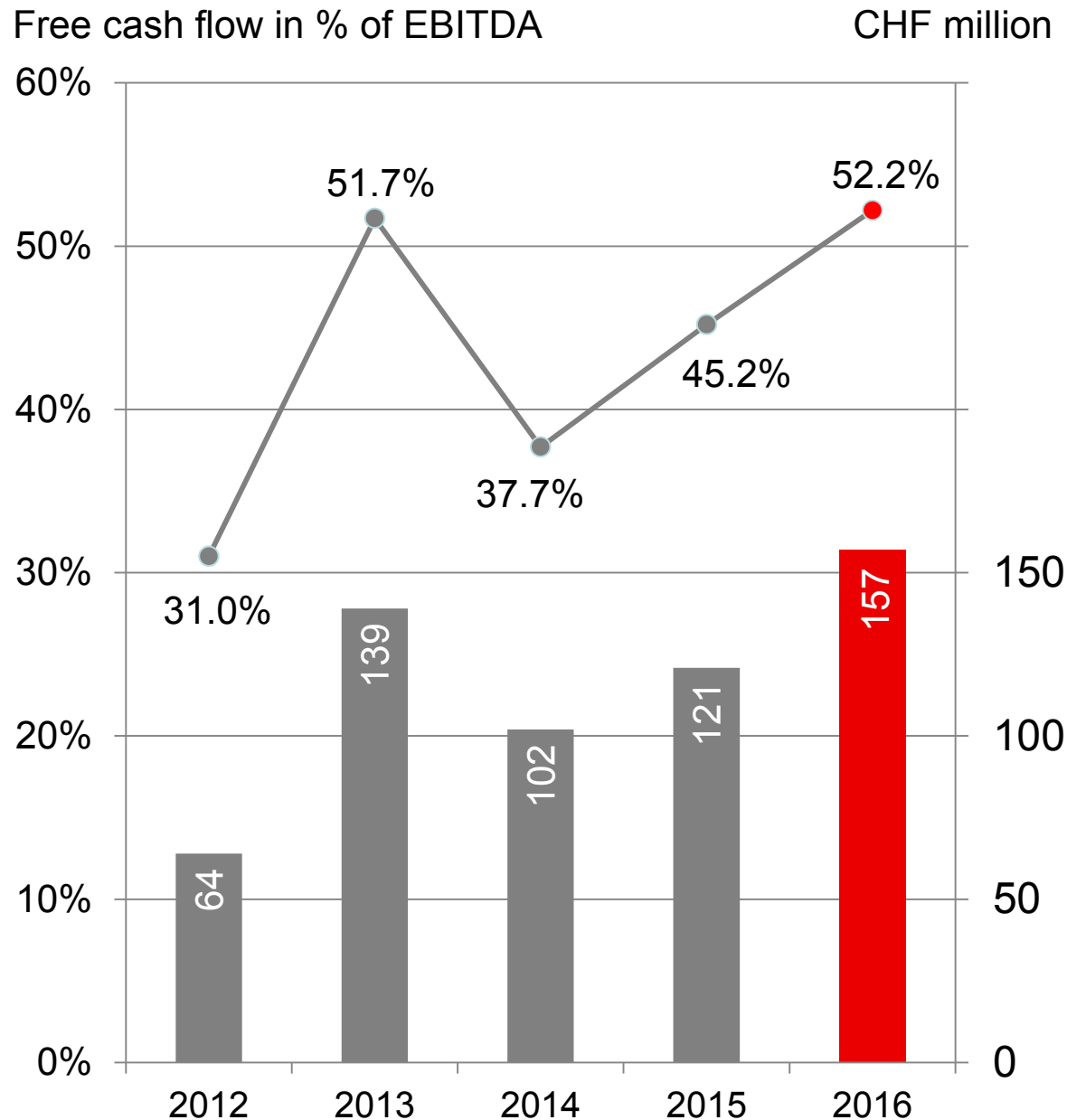
NWC in % of net sales

NWC Days outstanding



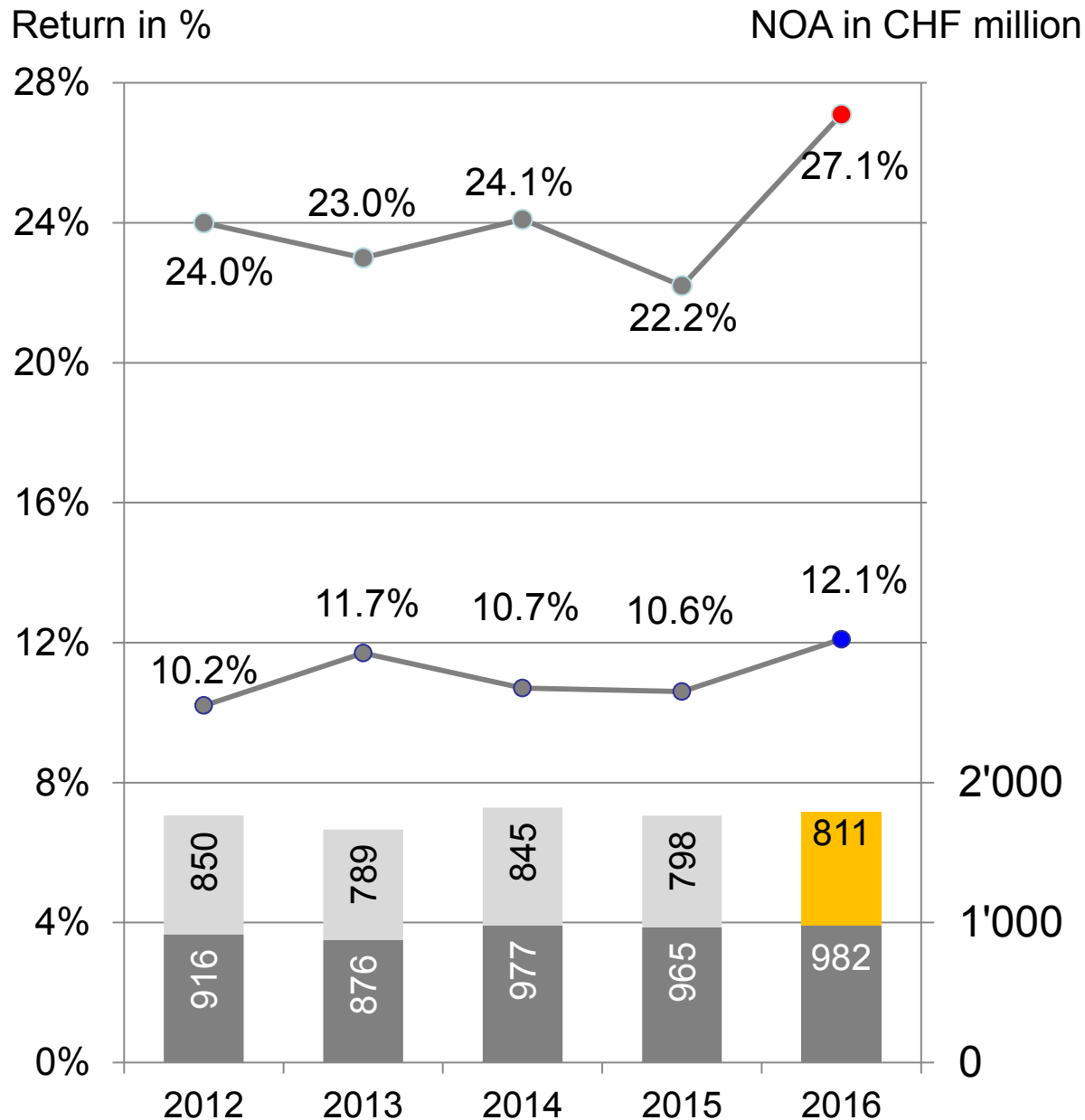
- ➔ NWC stable at 31% of net sales or at 114 days
- ➔ Ø days outstanding
 - 67 SFS Group (PY 69)
 - 80 EC (PY 82)
 - 52 FS (PY 52)
 - 47 D&L (PY 46)
- ➔ No major shifts in Ø days of inventories and payables

Free cash flow



- ➔ Strong cash production with free cash flow of CHF 157m
 - 242m cash from operations
 - - 85m capex
- ➔ Conversion rate with 52% above target range 40 – 50%
- ➔ Major cash flow items
 - 157m FCF
 - 23m proceeds disposals
 - 136m borrowings net
 - -249m acquisitions
 - - 57m pay-out shareholders

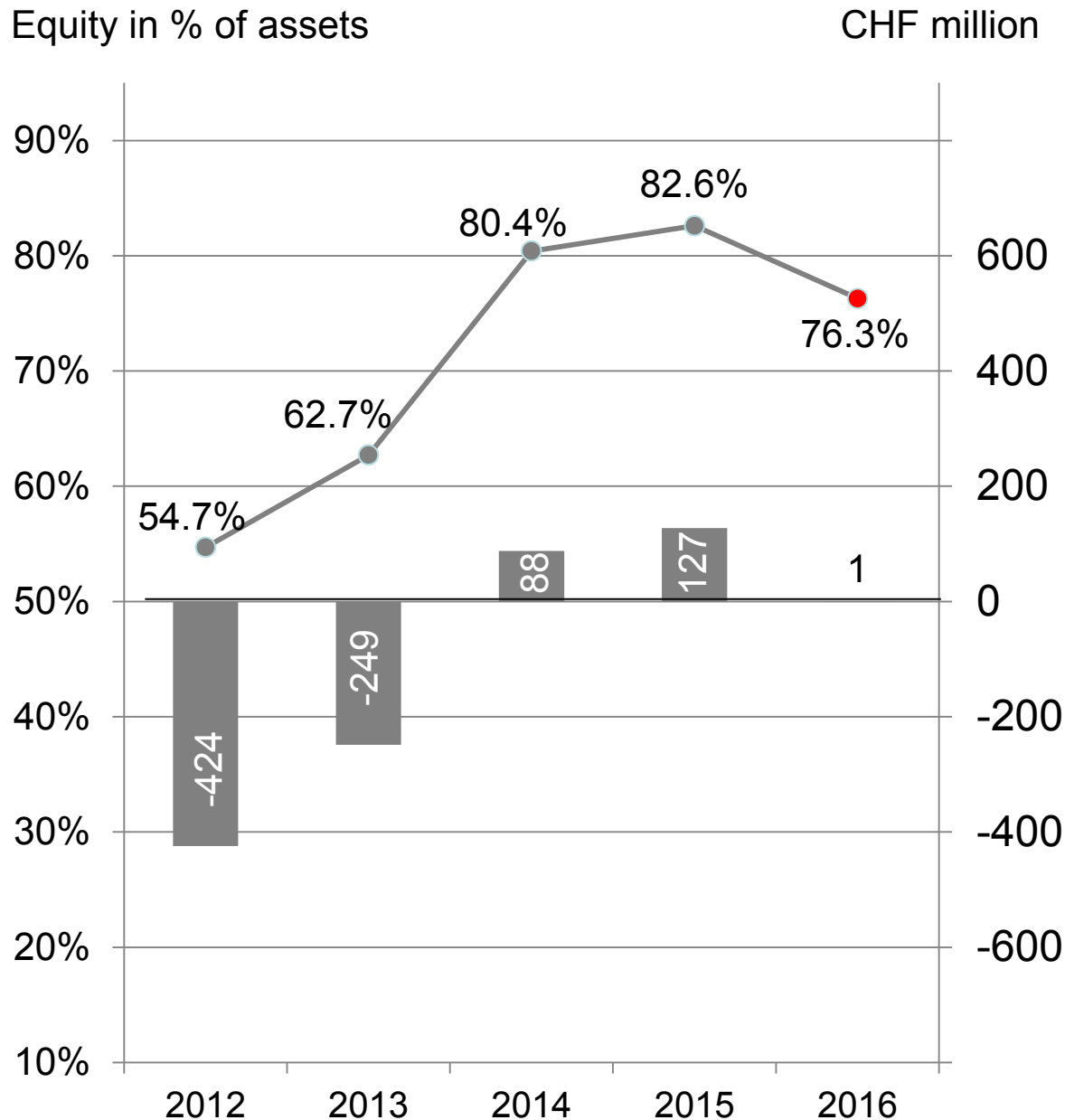
ROCE and RONO



- ➔ **Capital employed**
 - average of last 4 quarters
 - excluding intangible assets
 - EBITA measured at Ø CE
 - **ROCE 27.1%**
 - above target range of >20%

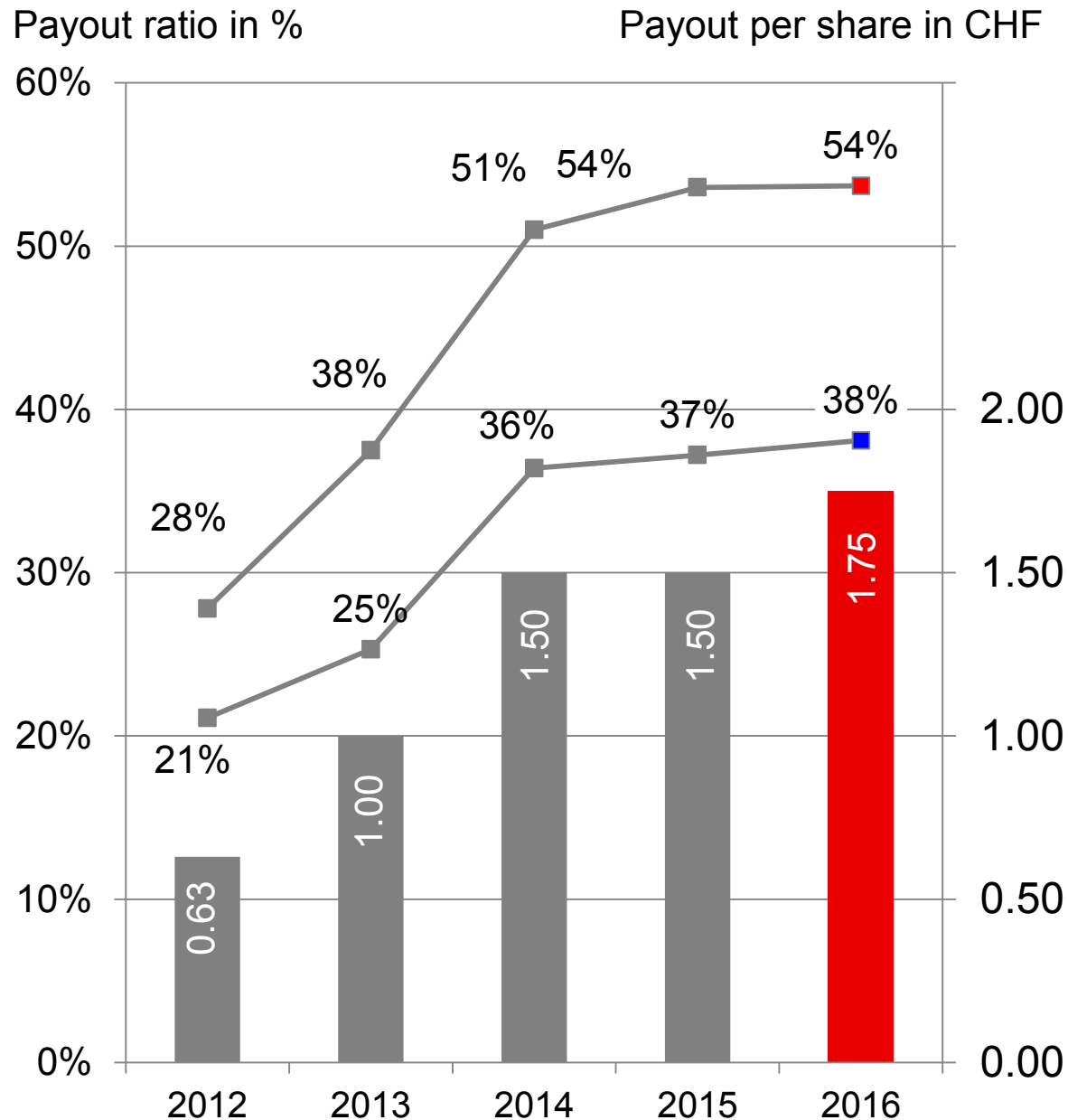
- ➔ **Net operating assets**
 - at year end CHF 1,793m
 - of which intangible assets CHF 811m*
 - EBITA measured at NOA
 - **RONOA 12.1%**
 - target range 13 – 15%

Net cash and equity ratio



- ➔ Net cash shows a black zero
 - cash at CHF 164m
 - borrowings at CHF 163m
 - slightly higher leverage
 - debt ratio 7% (PY 1%)
 - leverage ratio of up to 1.5x EBITDA
- ➔ Equity ratio remains strong with 76.3%
- ➔ Financial flexibility and opportunity for organic growth and M&A is available

Pay-out ratio



- ➔ BoD will propose a pay-out from statutory capital reserves of CHF 1.75 per share (PY 1.50)
 - increase 16.7%
 - cash out CHF 65.6m
- ➔ Dividend yield ~ 2% (at share price of CHF 90)
- ➔ Pay-out ratio stable over the past three years
 - ~54% of net income
 - ~37% of cash net income

Summary of important KPIs

CHF million		2016	%	2015	%	yoy
Sales		1,436.5		1,376.3		4.4%
EBITDA	margin	300.5	20.9%	267.4	19.5%	12.4%
EBITA adjusted	margin	207.3	14.4%	171.1	12.5%	20.7%
Net income	margin	122.2	8.5%	105.0	7.7%	16.4%
Equity	ratio	1,860.3	76.3%	1,792.6	82.6%	3.8%
Net cash		0.5		127.5		
Capex	% sales	84.6	5.9%	90.4	6.6%	-6.4%
Free cash flow	conversion rate	156.9	52.2%	120.9	45.2%	29.8%
RONOA		12.1%		10.6%		

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Headlines Engineered Components (EC)

Key figures Engineered Components

in CHF million

	2016	±	2015	2014
Third party sales	768.1	3.8%	740.1	727.2
Sales growth comparable ¹		0%		
Net sales	781.5	3.4%	756.1	743.5
EBITDA	218.9	18.1%	185.3	190.7
As a % of net sales	28.0		24.5	25.7
EBITA	165.4	23.4%	134.1	143.0
As a % of net sales	21.2		17.7	19.2
Net operating assets	1,519.2	17.8%	1,290.6	1,326.1
Investments	48.2	-31.4%	70.3	62.6
Employees (FTE)	6,217	10.3%	5,635	6,038
RONOA (%) ²	12.6		10.4	11.0
ROCE (%) ³	32.3		26.5	30.8

¹ at constant exchange rates and on the same scope of consolidation

² return (EBITA) in % of net operating assets (adjusted for Tegra Medical 2016 and Indo Schöttle 2014)

³ return (EBITA) in % of average capital employed without intangible assets

- ➔ Solid sales growth in core business of 8.0% yoy
- ➔ Automotive & Industrial divisions achieved attractive growth rates driven by scale-up of projects
- ➔ Phase-out of non-core trading activities lowered sales by CHF 53 million (-3.9%)
- ➔ Sharp increase in EBITA-margin by 350 bps yoy to 21.2%
- ➔ Position in medical device market strengthened (new Medical division)

EC: Key messages Automotive division



Project win to double volume of parking sensor housings to 50 mio pcs/y



Successful scale-up of first ball screw drive for integrated brake systems



Operations at the plant in Belgaum were substantially expanded by commissioning new machining equipment

- ➔ Sound market environment and stable drivers for innovation (e.g. autonomous driving)
- ➔ Substantial project wins in diverse application areas will fuel future organic growth
- ➔ Continued success and additional project wins in field of electronic braking systems
- ➔ Significant improvement of productivity and decisive cost down on production tooling cost
- ➔ Further strengthening of global manufacturing platform

EC: Key messages Electronics division



Successfully entered new fields of applications like smart homes or drones



Market success of innovative miniature fasteners for waterproof devices



Improved cost position on products by leveraging on cold forming technology



Improved competence in wire formed parts led to significant project wins

- ➔ Successfully implemented measures to lower negative impact on profitability (caused by decline in sales)
- ➔ Positive sales development in core business starting Q4 (yoy)
- ➔ Good progress on key projects leveraging on expertise in coldforming technology
- ➔ Gained market share in consolidating HDD market
- ➔ Fostering position as precision component specialist with distinct technical capabilities

EC: Key messages Industrial division



- Gained competence in micro injection moulding with acquisition of Stamm
- Significant growth with solutions for customers from medical device industry; successfully increased share of wallet



- Successfully managed the accelerated ramp-up of A350
- Signing of new long-term frame contract with Airbus until 2020
- New innovation office at the ZAL Tech Center in Hamburg

EC: Rationale for focus medical device market

Medical device market

Long-term attractive and growing end market driven by

- ➔ Demographic development
- ➔ Improved access to medical services
- ➔ Desire for improved quality of life

SFS success characteristics

- ➔ High-barriers to entry
- ➔ High level of technical competence required
- ➔ High quality standard as prerequisite
- ➔ Increased cost pressure

**Positioning of SFS as
engineering partner
in the attractive growth
market for medical devices
with its own Medical
division**



Headlines Fastening Systems (FS)

Key figures Fastening Systems

in CHF million

	2016	±	2015	2014
Third party sales	355.6	8.8%	326.9	336.7
Sales growth comparable ¹		7.5%		
Net sales	370.8	8.6%	341.4	353.1
EBITDA	49.3	26.7%	38.9	43.4
As a % of net sales	13.3		11.4	12.3
EBITA	33.5	44.1%	23.2	26.9
As a % of net sales	9.0		6.8	7.6
Net operating assets	309.7	7.1%	289.1	317.6
Investments	27.2	66.9%	16.3	20.8
Employees (FTE)	1,885	7.2%	1,758	1,733
RONOA (%) ²	10.8		8.0	8.5
ROCE (%) ³	16.0		11.1	12.3

¹ at constant exchange rates and on the same scope of consolidation

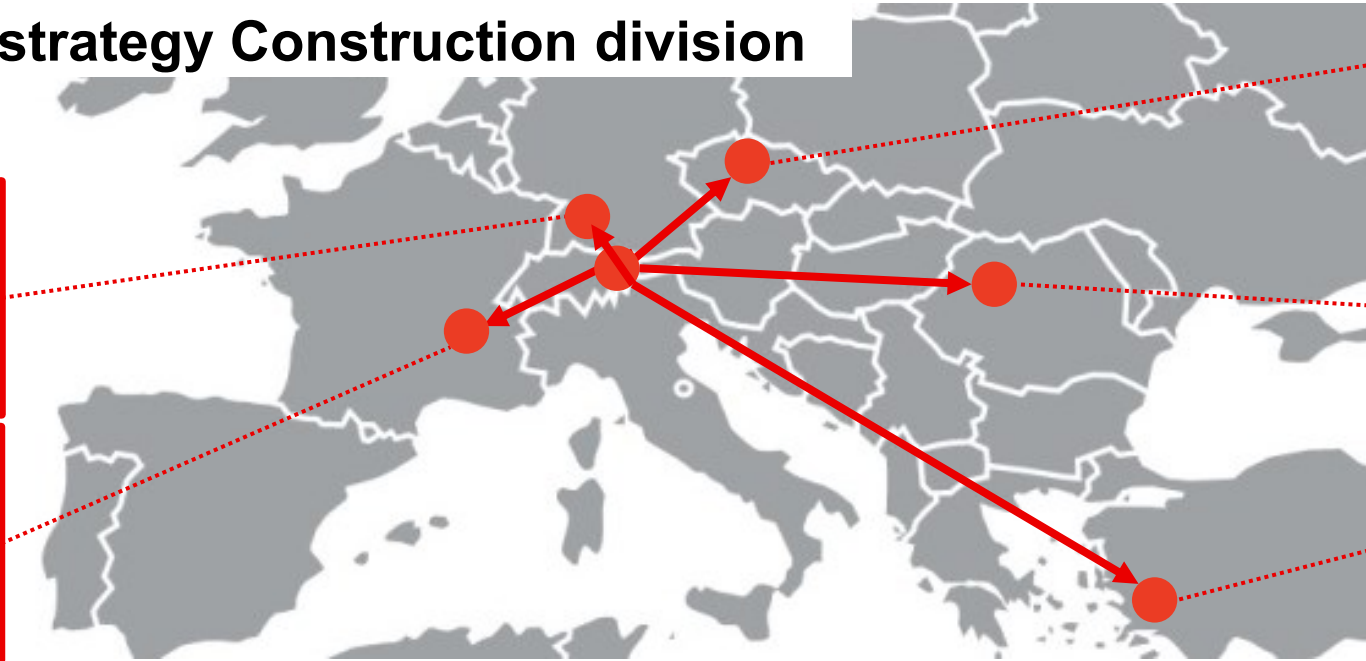
² return (EBITA) in % of net operating assets

³ return (EBITA) in % of average capital employed without intangible assets

- ➔ Solid topline growth of 8.8% yoy (comparable basis 7.5% yoy)
- ➔ Increased market share amid positive market environment
- ➔ Significantly improved profitability from 6.8% (2015) to 9.0% (2016)
 - success of innovative products
 - economies of scale
 - far-reaching projects to optimize supply chain
- ➔ Expertise in fastening solutions for facades strengthened by acquisition of Ncase

FS: Key messages Construction division

Production strategy Construction division

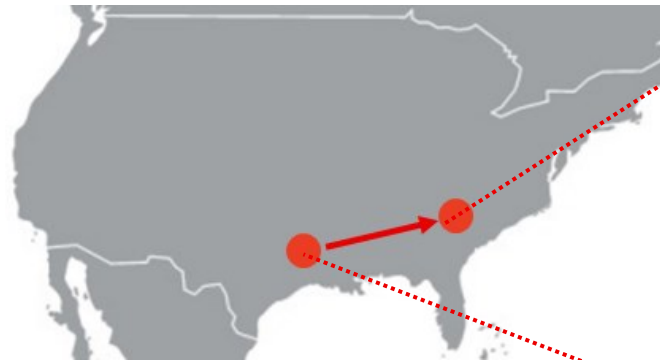


- ➔ Sharpening the production strategy results in productivity gains
- ➔ Important initiatives pay first dividends – e.g. transfer of finishing operations from Switzerland to Czech Republic
- ➔ Return to solid growth path
- ➔ Dedication and commitment of the management team to achieve substantial improvements in sales and profitability
- ➔ Comprehensive set of measures to optimize production strategy to be completed by end of 2018

FS: Key messages Riveting division



Substantial increase >30 % in threaded fasteners, blind rivet nuts and studs due to customer wins



Concentration of the North American production plants to one location in North Carolina



- ➔ Solid sales development
- ➔ Technology leadership underpinned by significantly strengthened innovation pipeline on riveting tools
- ➔ "Break through" innovation potential with new flow drilling blind rivet / nut system
- ➔ Successful SAP go live including adherence to SFS standard
- ➔ Sharpening of production profiles to further capitalize on economies of scale

Headlines Distribution & Logistics (D&L)

Key figures Distribution & Logistics

in CHF million

	2016	±	2015	2015
Third party sales	312.8	1.1%	309.3	319.1
Sales growth comparable ¹		0.9%		
Net sales	318.6	1.2%	314.8	326.0
EBITDA	33.8	27.6%	26.5	33.7
As a % of net sales	10.6		8.4	10.3
EBITA	27.1	44.4%	18.8	26.0
As a % of net sales	8.5		6.0	8.0
Net operating assets	140.3	-7.6%	151.9	146.6
Investments	3.9	143.8%	1.6	4.0
Employees (FTE)	625	-2.8%	643	626
RONOA (%) ²	19.3		12.3	17.7
ROCE (%) ³	19.0		12.5	18.8

¹ at constant exchange rates and on the same scope of consolidation

² return (EBITA) in % of net operating assets

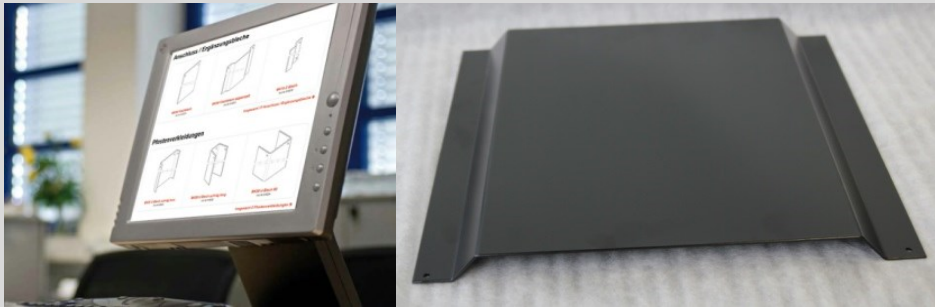
³ return (EBITA) in % of average capital employed without intangible assets

- ➔ Slight growth in continued demanding market environment
- ➔ Numerous project wins thanks to comprehensive product range and strong competence in C class logistics
- ➔ Strong profitability improvement to EBITA-margin of 8.5% (half of the improvement results from book gains on disposal of non-core properties)
- ➔ Strong pipeline of innovative digitization solutions

D&L: Key messages

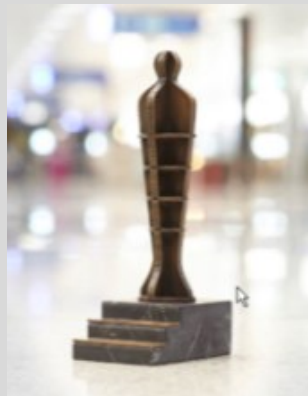
Online product configurator

- ➔ First fully electronic configurator for processed and coated metals
- ➔ Considerable market potential (CH)
- ➔ Market introduction: January 2017



Swiss Employer Award

- ➔ Received employer award with 2nd place in Switzerland



E-commerce

- ➔ Above-average growth in e-commerce
- ➔ Launch of new platform in 2017

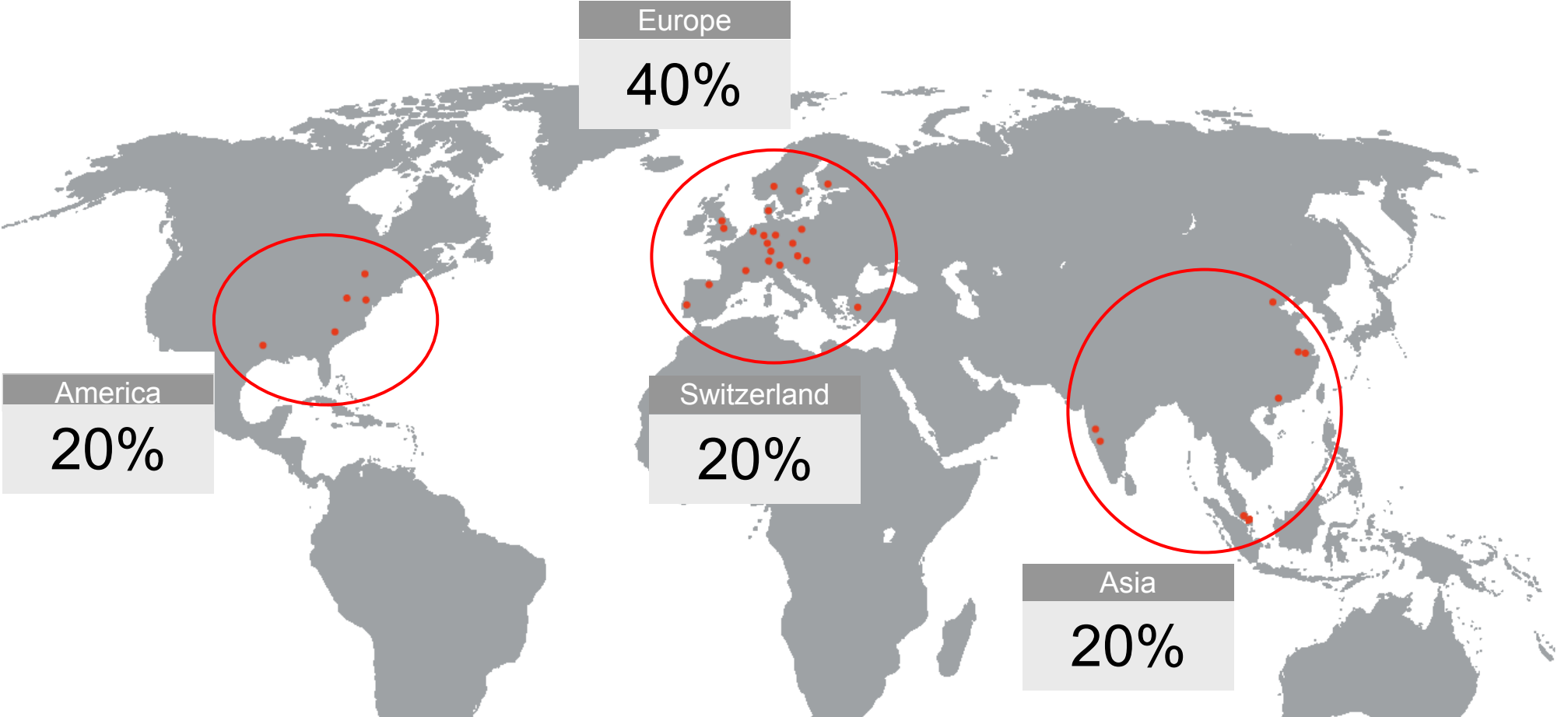


Project gains

- ➔ Implementation of 27 SBB production and maintenance sites: ~35,000 items, of which 12,000 new items for SFS
- ➔ Gain of ~25 new logistics customers with substantial growth potential



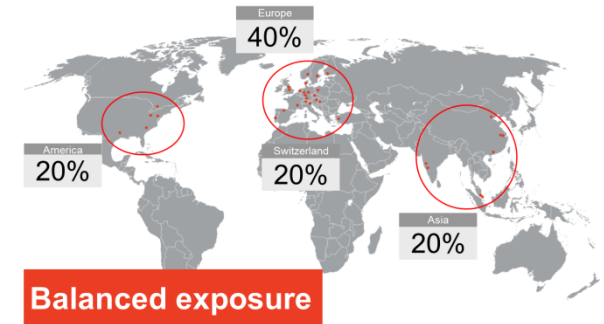
Customer proximity supported by local presence



Integration of Tegra Medical and solid growth in North America created a more balanced regional exposure and further improved customer proximity

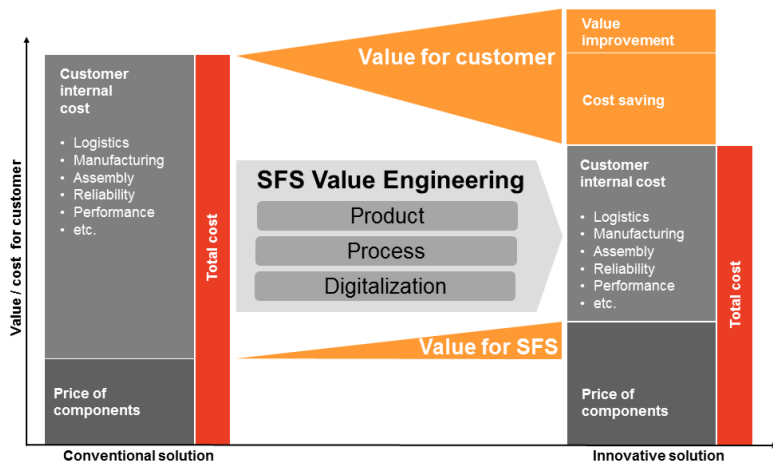
SFS Group strategy summary 2020

Customer proximity supported by local presence



Strategy

- ➔ Solid business model based on strong technology base
- ➔ Focus on mission critical components and niche markets

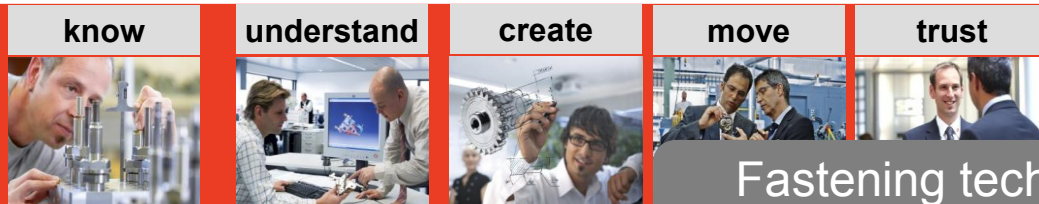


- ➔ Potential to significantly outgrow the world GDP
- ➔ Measures to lift EBITA on group level and at FS in particular

- ➔ Selective M&A opportunities
- ➔ Opportunity to increase market reach

2020

Capability



- Tooling-based manufacturing technologies
- ➔ Competitive in the world market

Fastening technology (threaded, riveting)

- ➔ Recognised innovation leader

Digitization and C class logistics

- ➔ Dedicated employees

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Guidance

Guidance	Actual FY2016	Expectations FY2017
Gross sales reported	4.4%	8 – 10%
<ul style="list-style-type: none">• Organic growth	2.0%	3 – 5%
<ul style="list-style-type: none">• Change in scope• FX impact	1.5% 0.9%	ca. 5% n/a
EBITA margin adjusted	14.4%	14.2 – 15.2%

FY = Financial Year

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Jens Breu
Chief Executive Officer



Rolf Frei
Chief Financial Officer

9'000 employees – one target



Creating value with

- In-depth technological competence
- International presence
- Application and industry expertise
- Long-term relationships

Disclaimer

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