Inventing success together

19

Presentation FY2019 results
Zurich, 6 March 2020

Today's speakers

Welcome to the presentation on our FY 2019 results

Jens Breu
Chief Executive Officer

Rolf Frei
Chief Financial Officer

Agenda

1. Key takeaways	Jens Breu
2. Development by segment	Jens Breu
3. Development of key financials	Rolf Frei
4. Guidance	Rolf Frei
5. Group priorities	Jens Breu
6. Q&A	Jens Breu / Rolf Frei

Key takeaways

Key takeaways
Important progress achieved

- **Robust innovation trends** & our **strong operational capabilities** continue to be the source of SFS' **progress** – in particular evident in 2H with **solid top & bottom line improvements**
  - overall **sales growth** of **2.5%** vs FY2018
  - weakened demand in key markets mitigated by **new project ramp-ups** across divisions, resulting in **organic sales growth** of **1.1%** in 2H compared to –2.4% in 1H
  - **reported sales growth driven** by integration of HECO and TFC **(scope +4.4%)**
  - **strong position** with customers confirmed by **record inflow** of new programs placed with SFS
- Priorities and challenges **successfully mastered,** e.g. commissioning of site in Nantong
- Earnings above expectations:
  - FY2019 **adjusted EBIT** margin of **13.4%**
  - **2H adjusted EBIT margin 14.2%** (plus 160 bps vs. 1H) driven by growth in Engineered Components, measures taken to strengthen profitability and business seasonality
  - **net profit increased by 6.5%** to CHF 206.5m (driven by one-time effects and lower tax rates)

Development by segment

Headlines Engineered Components

Solid performance in the face of challenging markets

- **Weakened demand** in important markets burdened results
- **Position defended** or selectively strengthened
- Slight **organic growth** in sales to CHF 957.1m
- EBIT margin adj. at 17.0% (PY 18.2%) due to lower **capacity utilization** and **mix effects**
- Significant **improvement in 2H** thanks to project ramp-ups and stabilized markets
  - sales: +10.7% 2H vs. 1H
  - EBIT adj.: +170bp 2H vs. 1H
- CAPEX: –19.1% due to **completion of Nantong**
- Firm **project pipeline** to fuel future growth

Key figures Engineered Components
in CHF million

	2019	+/– PY	2018	2017
Third party sales	957.1	–1.0%	967.0	925.8
Sales growth comparable		0.2%		
Net sales	964.2	–0.9%	972.5	938.2
EBITDA	210.1	–10.5%	234.8	243.3
As a % of net sales	21.8		24.1	25.9
Operating profit (EBIT)	147.0	–16.8%	176.6	145.9
As a % of net sales	15.2		18.2	15.6
Operating profit (EBIT) adjusted[1]	164.1	–7.1%	176.6	185.7
As a % of net sales	17.0		18.2	19.8
Average capital employed	700.4	7.4%	652.1	595.1
Investments	94.1	–19.1%	116.3	80.3
Employees (FTE)	7,153	2.5%	6,977	6,492
ROCE (%)[2]	23.4		27.1	31.2

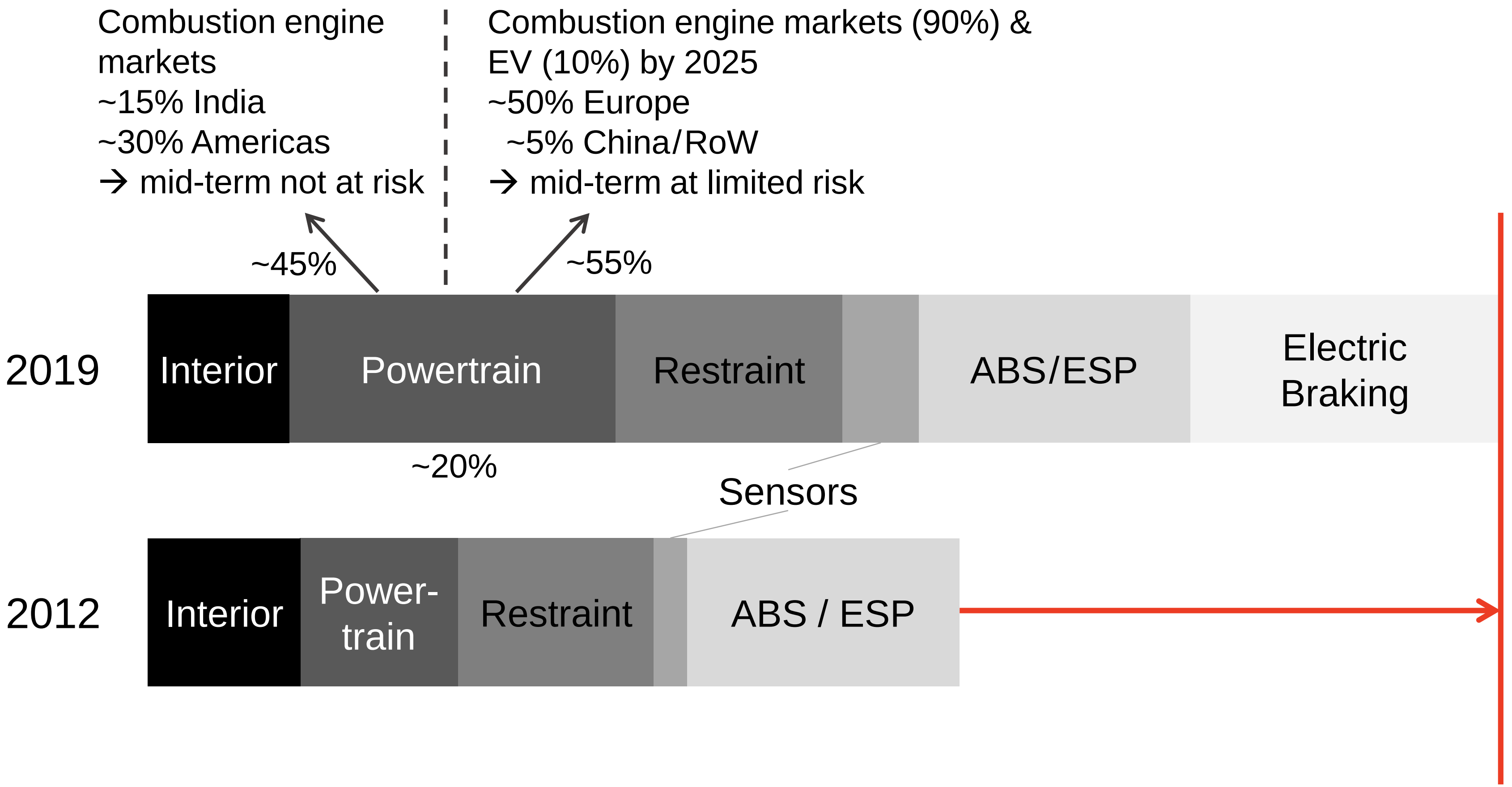
[1] Adjusted for relocation cost Nantong (CN) CHF 17.1 million (2017: CHF 39.8 million amortization customer relationship Unisteel)
[2] EBIT adjusted in % of average capital employed

Key messages Automotive division
Continued outperformance of the market

- Weakened regional demand resulting in **global car sales down by –5% to –6%** in relevant market segments
- Ongoing ramp-up of customer projects **limited sales decline vs. 2018 to –1.1%** like-for-like (2H + 2.4% vs. 2H 2018)
- Continued **project wins (+49% above prior year)** and customer awards demonstrating strong competitive position
- **Significant progress** on gains in strategic application field of **EPB** and **Power Brake**
- Expecting **flat development** in FY2020


Actuators for electric parking brakes

Growth drivers Automotive division
Growth largely independent from specific drive concept



Growth: >70%
CAGR: >8%

Key messages Electronics division
Transfer to new Nantong site completed

- **Growth** in Consumer/Lifestyle Electronics largely **offsets decline** in HDD
- **Project pipeline** well filled with relevant opportunities for key customer groups
- New **Nantong site fully operational** 4 months ahead of time and at 30% lower relocation costs, **combining all core technologies** under one roof
- **Successful project ramp-ups** underline position as **best in class partner** for key OEM’s
- Moderately **positive development** forecast


Inside the new manufacturing platform in Nantong

Key messages Industrial division
Varying development of individual business units

- Overall **slightly negative sales development**
- Maintained **sound** level of **profitability**
- Business driven by
  - aircraft showing **continued growth** backed by ramp up of **Airbus A350**
  - strong growth with **plastic** injection molded parts & components **for medical projects**
- **Record-high volume of new projects** acquired, supported by all business units
- **Site expansion** at Stamm (CH, micro injection molding), with completion in 2021
- **Flat development expected** in FY2020

Attractive project wins with hybrid parts (cold formed core, molded coating)

Key messages Medical division
Continued positive development

- Conversion of **solid project pipeline** into sales continued in 2H, resulting in **double-digit organic sales growth**
- Strong project pipeline **driven by top ten customers** to reach well into 2020
- Top-line gains and productivity improvements resulting in **EBIT growth**
- Standardized production machine park and **customer proximity** as foundation for project wins
- Ongoing **positive development** in FY2020 expected

Implants manufactured according to customers' designs

Headlines Fastening Systems
Market position strengthened

- Strong **sales growth** of 14.0% to CHF 498.3m **driven by consolidation** of HECO & TFC
- **Expanded market position** with acquisition of TFC and mbe
- **Divergent trends** among the divisions
  - Construction: **Stable demand, organic growth** and positive consolidation effects
  - Riveting: **Significant drop in demand** from automotive & industrial customers
- EBIT margin at 9.2% (PY 9.8%)
  - Construction: Further **progress achieved**
  - Riveting: Burdened by **lower capacity utilization** and restructuring efforts

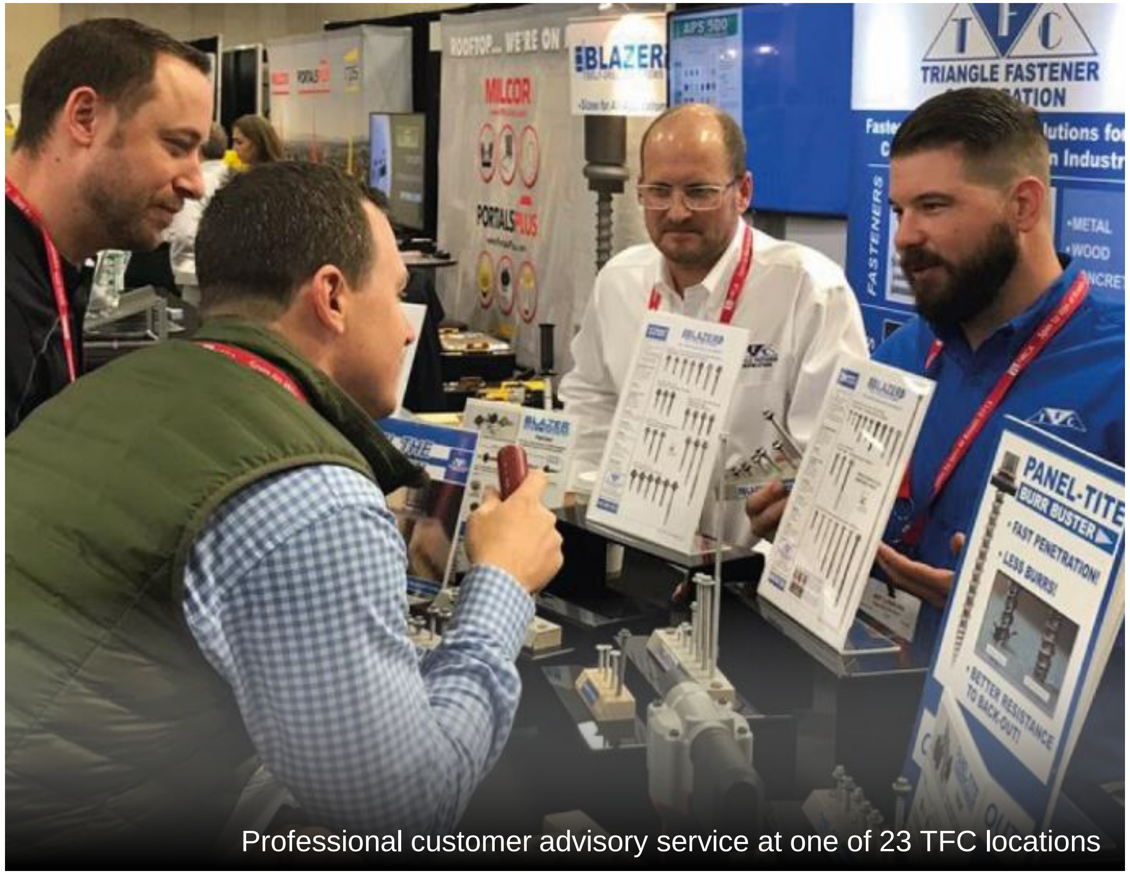
Key figures Fastening Systems
in CHF million

	2019	+/– PY	2018	2017
Third party sales	498.3	14.0%	437.1	384.0
Sales growth comparable		–2.1%		
Net sales	511.4	13.0%	452.4	401.0
EBITDA	67.5	6.8%	63.2	47.1
As a % of net sales	13.2		14.0	11.7
Operating profit (EBIT)	47.1	6.7%	44.2	30.4
As a % of net sales	9.2		9.8	7.6
Average capital employed	297.4	8.7%	273.6	231.2
Investments	17.4	5.2%	16.5	30.6
Employees (FTE)	2,429	7.1%	2,267	1,992
ROCE (%)[1]	15.8		16.1	13.2

[1] EBIT in % of average capital employed

Key messages Construction division
Growth story continued

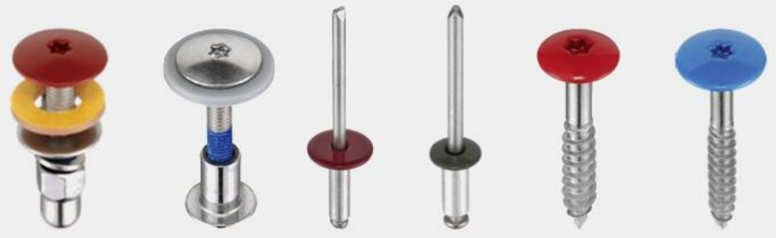
- **Positive customer sentiment** resulting in stable market development
- **Organic growth** and significant **consolidation effects** drove sales
- Integration of **TFC running smoothly** and yielding expected results
- Acquisition of mbe, further **strengthening market access** in Central Europe
- Further **improvement in profitability** achieved
- **Positive development** in stable market environment expected to continue in FY2020



Professional customer advisory service at one of 23 TFC locations

Moderne Befestigungselemente GmbH (“mbe”)
Strengthening façades business in Germany

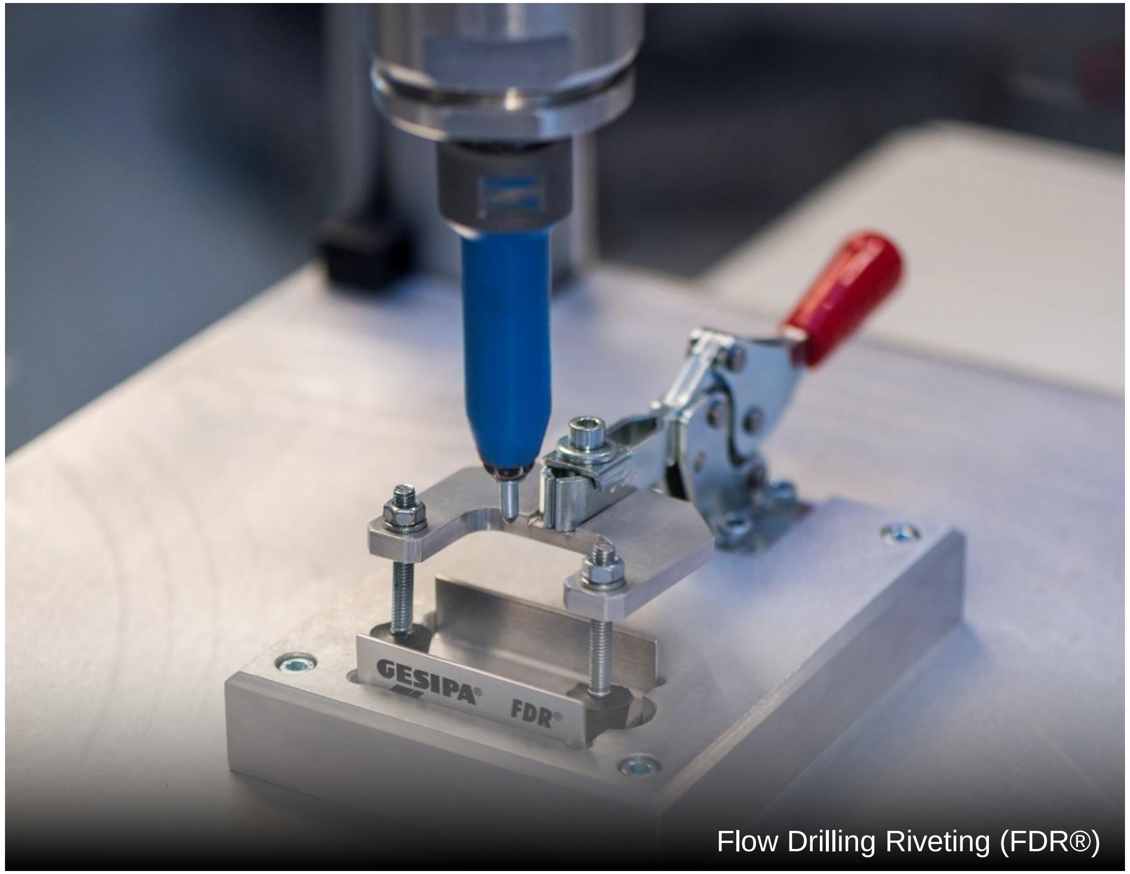
- Part of SFS since 01.01.2020
- Strategic rationale of acquisition:
  - **strong, long-standing relationships** with specialty retailers for premium façade solutions
  - vast expertise in painting technology, **differentiates** itself **through quick response** and delivery times
  - customers of mbe will **benefit from** the **broad product range** of SFS
- Key figures:
  - sales of approx. EUR 10m
  - ~70 employees



Painted façade fasteners from newly acquired mbe

Key messages Riveting division
Development burdened by weak demand

- **Significant exposure** to automotive and industrial markets and **uncertainty due to Brexit** strongly impacted business
- **Continued product innovations** expected to positively impact future results
- Shifts in capacity utilization addressed with **comprehensive measures** to mitigate impact on earnings
- Urs Langenauer, former Head of Automotive in North America, took over in July 2019
- **Slightly negative development** expected in FY2020 due to challenging markets



Flow Drilling Riveting (FDR®)

Headlines Distribution & Logistics
Profitability improved

- Sales of CHF 326.0m representing a **slight decline** of **–2.5%** y-o-y due to **weaker demand**
- Customer wins prove **strong competitive position** and comprehensive offering
- Positive contribution from **tools business** and intensified multi-channel activities
- **Expanded** HandwerkStadt network to 29 sites
- Profitability **further strengthened** with adj. EBIT margin of 7.9% (PY 7.6%)
- Reported EBIT at CHF 40.5m due to **book gains** on disposal of non-core assets
- **Solid development** in FY2020 expected

Key figures Distribution & Logistics
in CHF million

	2019	+/– Vj.	2018	2017
Third party sales	326.0	–2.5%	334.5	322.9
Sales growth comparable		–0.8%		
Net sales	330.9	–2.6%	339.7	328.9
EBITDA	46.5	46.5%	31.7	35.8
As a % of net sales	14.1		9.3	10.9
Operating profit (EBIT)	40.5	57.4%	25.8	29.9
As a % of net sales	12.3		7.6	9.1
Operating profit (EBIT) adjusted[1]	26.2	1.7%	25.8	22.6
As a % of net sales	7.9		7.6	6.9
Average capital employed	132.8	–6.6%	142.2	140.8
Investments	2.3	–62.5%	6.2	10.4
Employees (FTE)	622	0.2%	621	655
ROCE (%)[2]	19.7		18.1	16.1

[1] Adjusted for book gains on the disposal of non-core assets CHF 14.3 million (2017: CHF 7.3 million)
[2] EBIT adjusted in % of average capital employed

Development of key financials

Sales bridge

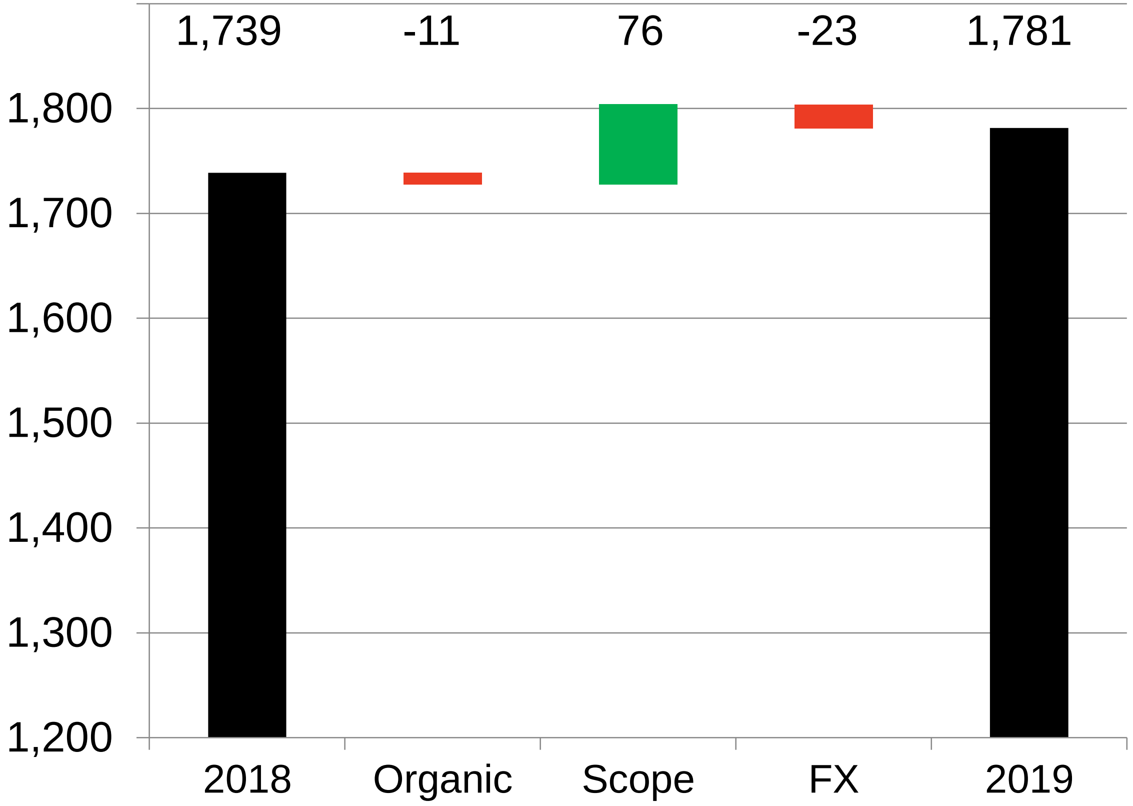
Back to organic growth in 2H2019 with 1.1%

- Reported growth of 2.5% (PY 6.5)
  - organic -0.6% (PY 4.3)
  - scope 4.4% (PY 0.8)
  - FX impact -1.3% (PY 1.4)

- Organic growth SFS Group
  - 1H2019 -2.4%
  - 2H2019 1.1%

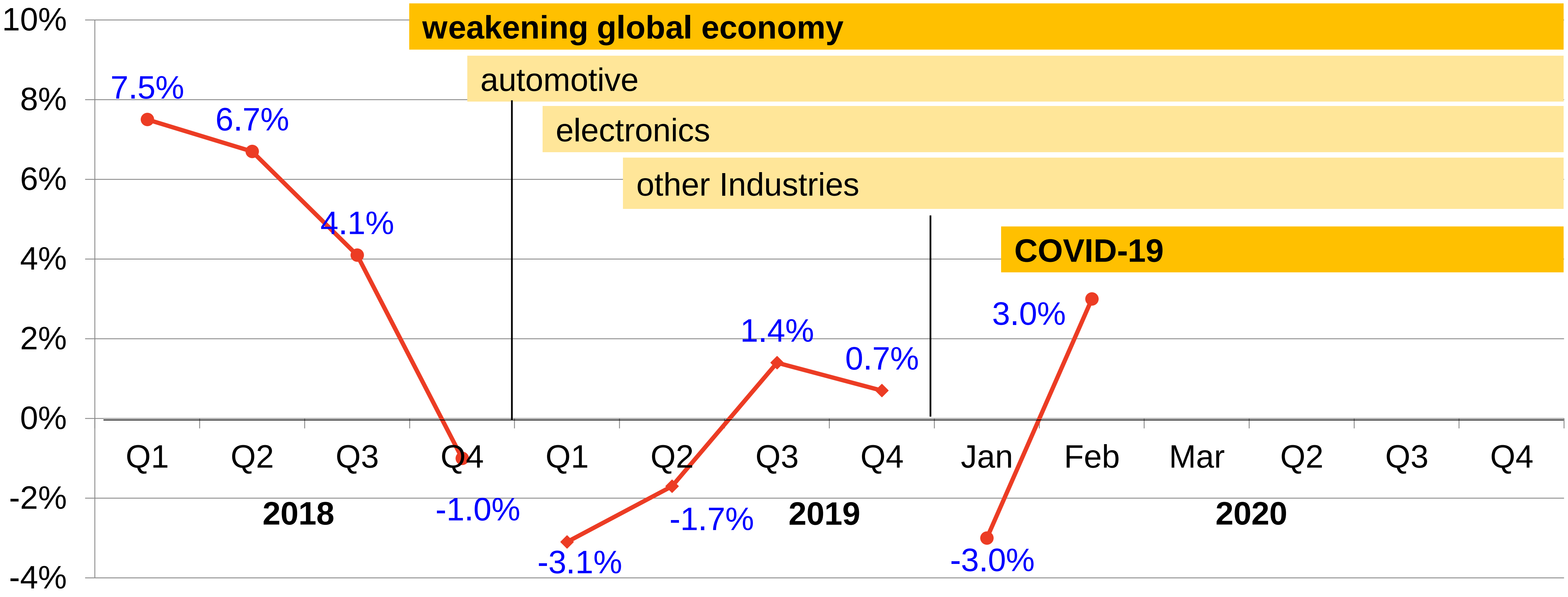
- Like-for-like growth by segment
  - 0.2% in EC (PY 3.2%)
  - -2.1% in FS (PY 5.6%)
  - -0.8% in D&L (PY 5.1%)

CHF million



Sales growth organic
Growth impacted by global issues

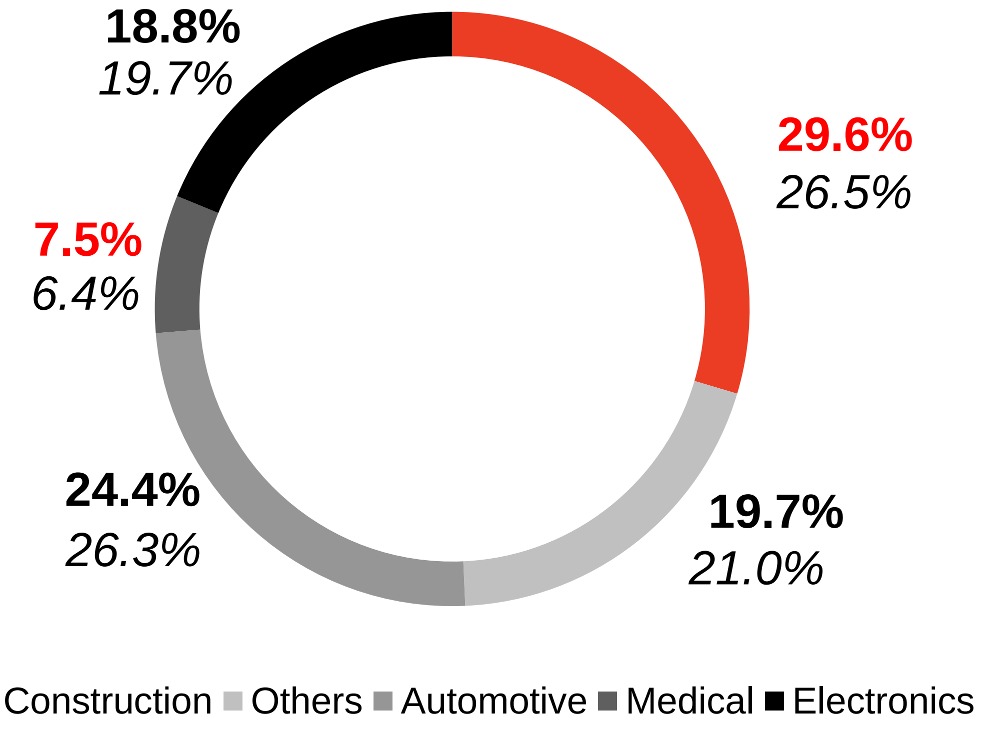
in % yoy



Sales breakdown
Strong growth in construction, medical and America

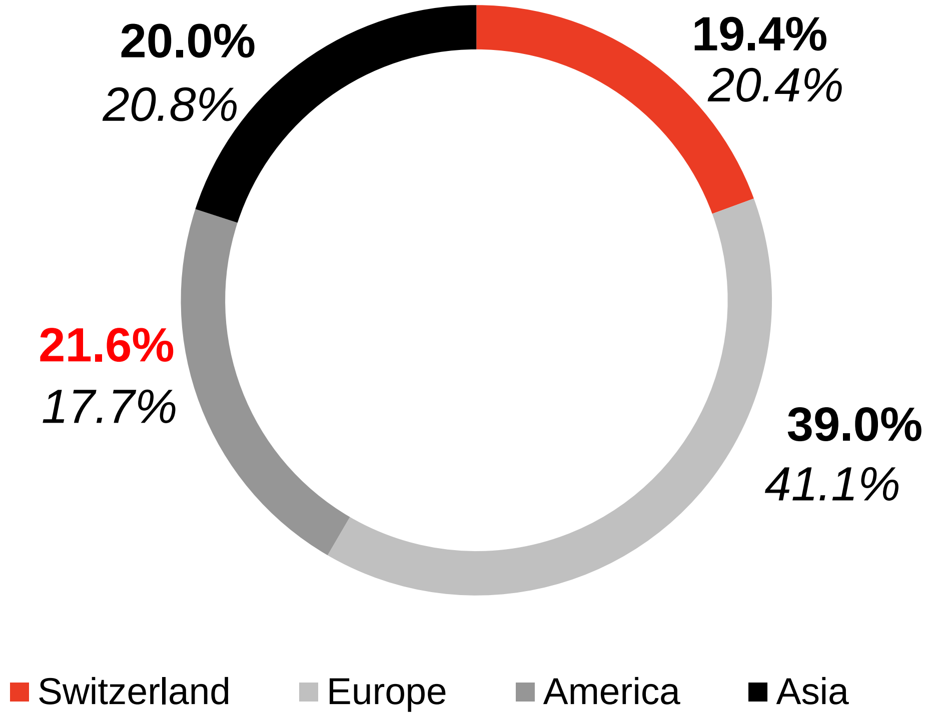
2019 data
2018 data

by end markets



2019 data
2018 data

by regions

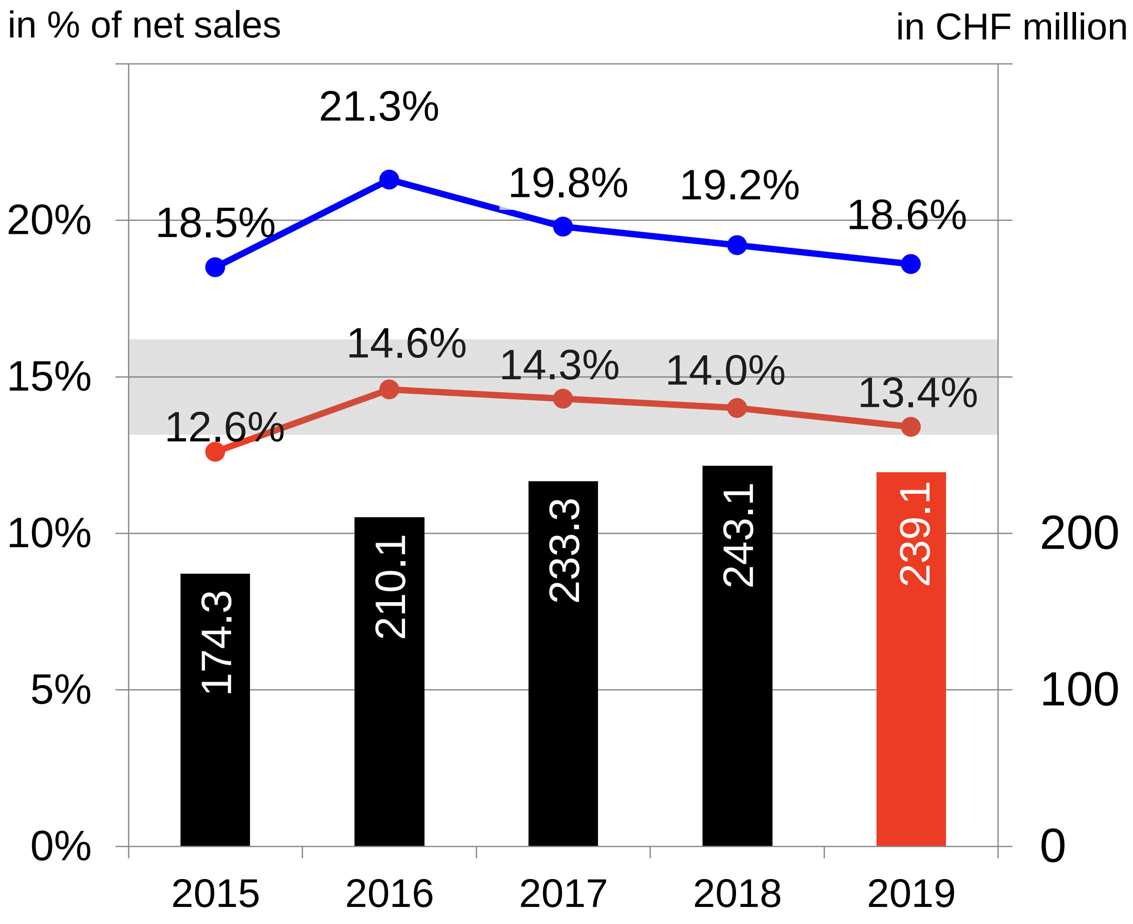


Operating profitability
Profitability burdened by soft economy and mix effects

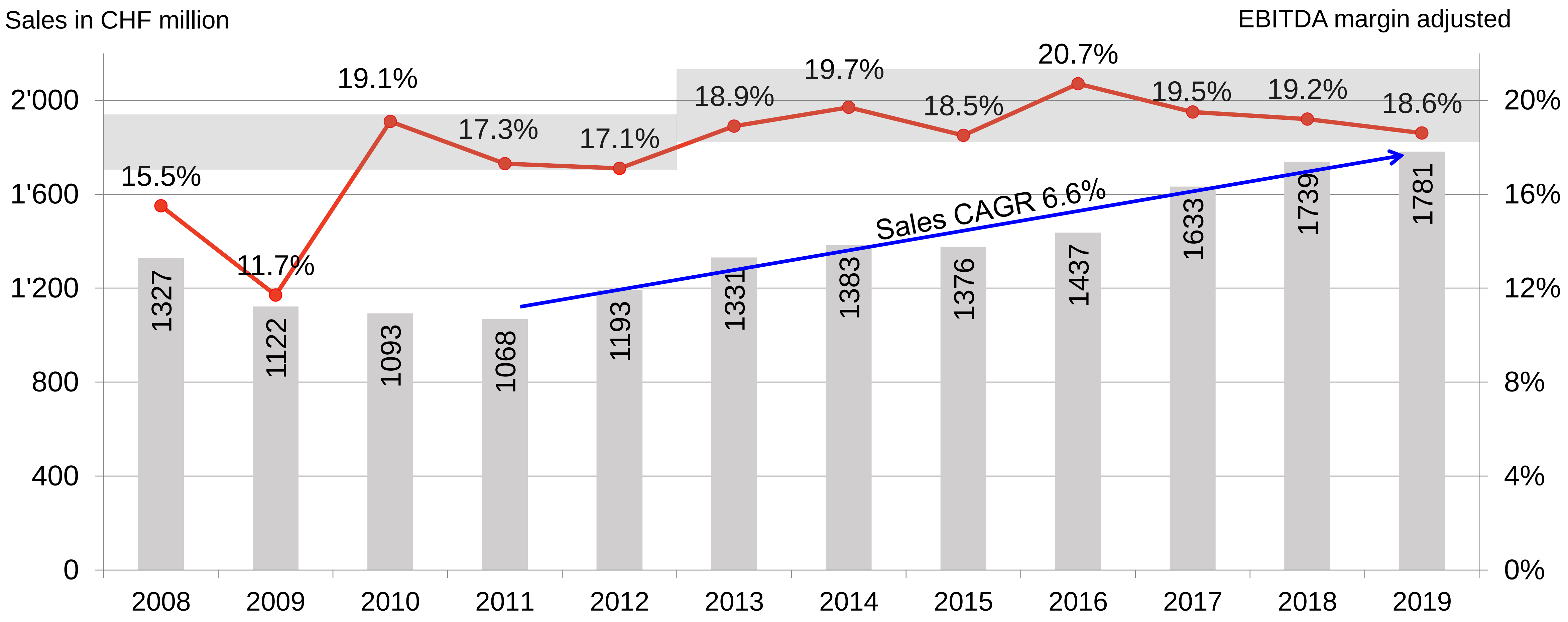
- EBIT margin adjusted 13.4%
  - CHF 239.1m -1.7% yoy
  - 2H margin 14.2% vs. 12.6% in 1H

- EBITDA margin adjusted 18.6%
  - CHF 331.7m -0.3% yoy

- EC: low capacity utilization in Automotive and mix effects
- FS: good progress in Construction but challenges in Riveting
- D&L: strengthened profitability in spite of lower demand



Operating profitability
Strong track record throughout all crises

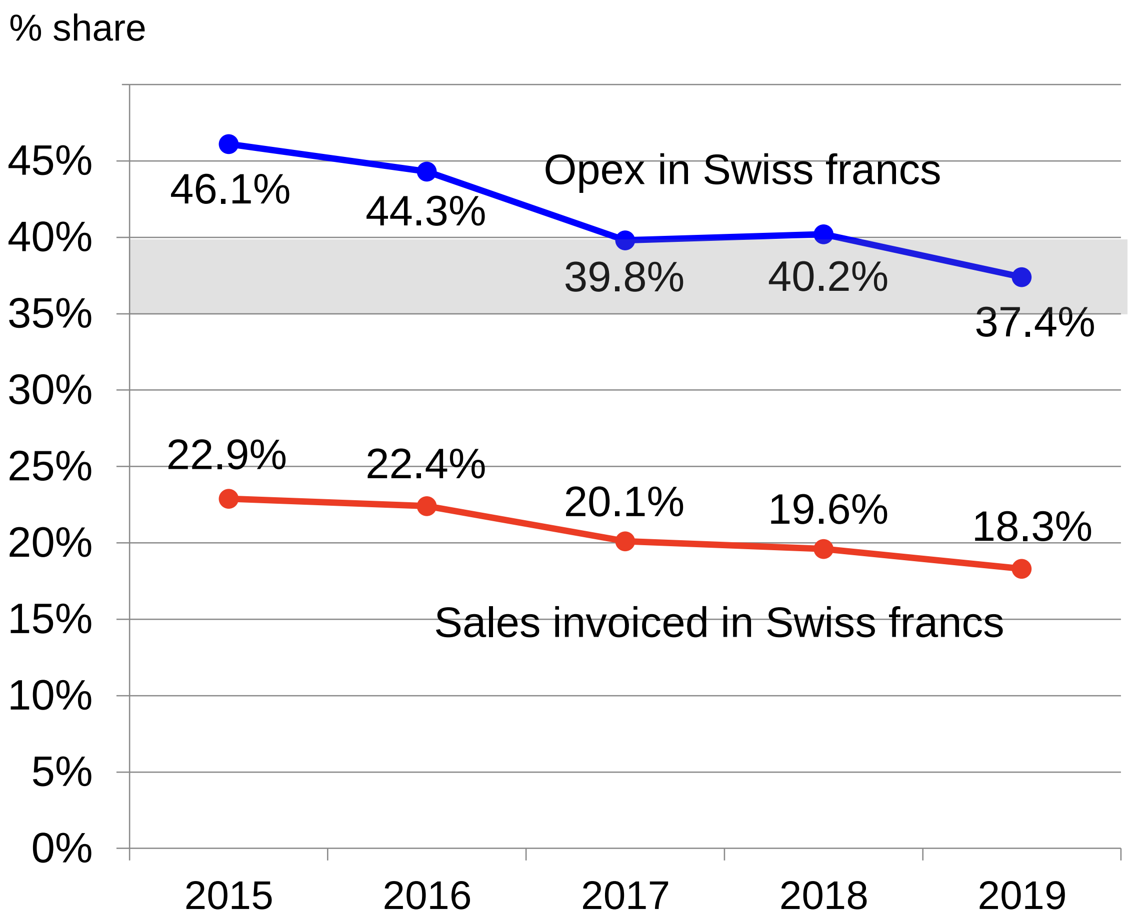


Swiss franc exposure
Opex reached mid-point of target range

- Operating expenses in Swiss francs
  - 37.4% share of group OPEX
  - within target range of 35 - 40%

- Drivers for strategically targeted reduction
  - international M&A
  - improved productivity in CH
  - relocations to sites outside CH
  - higher growth outside CH
  - natural hedging

- Net cash FX exposure
  - € 100m in Switzerland
  - 60% hedged in 2020 at CHF 1.095 / €

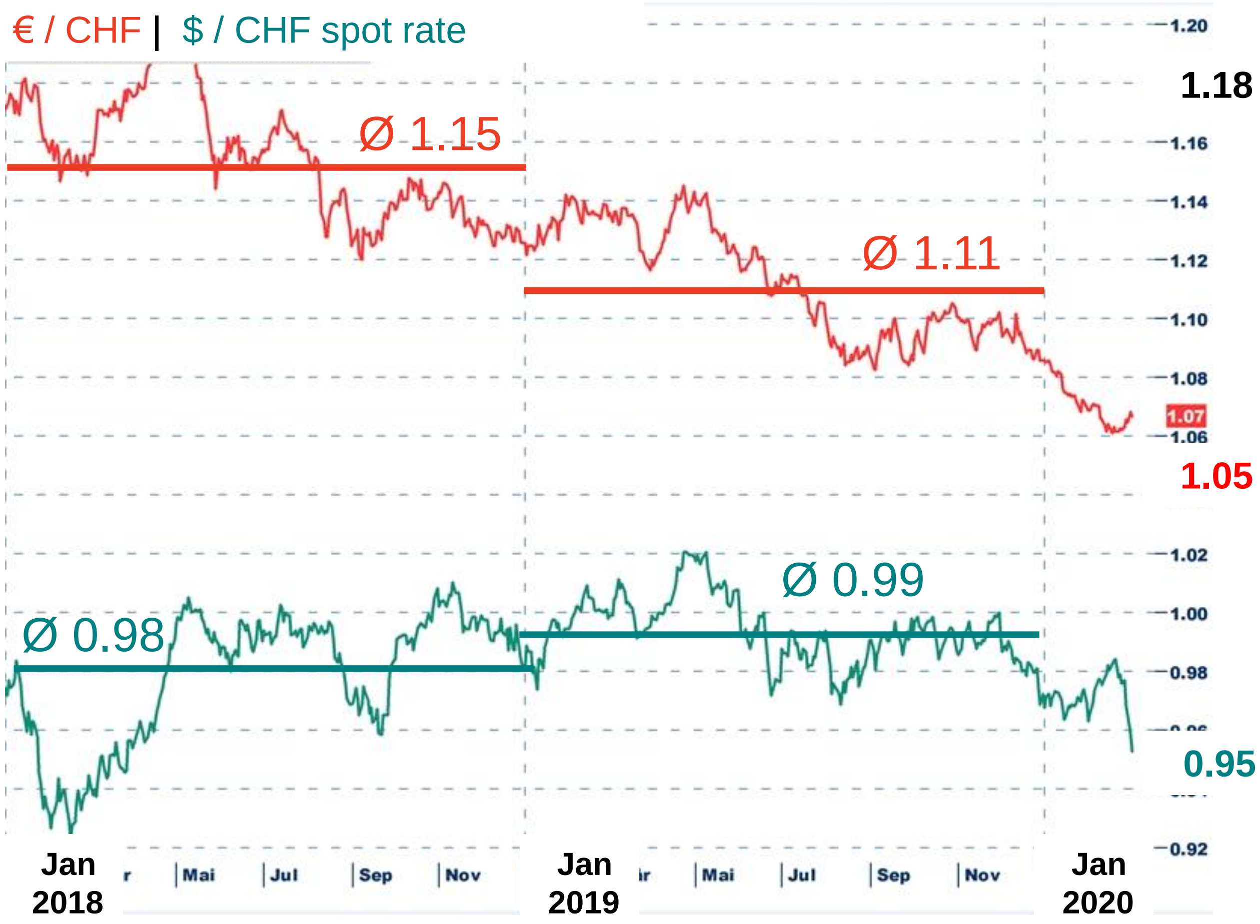


Swiss franc exposure
Appreciation of CHF with limited impact on EBIT

- P&L translation in foreign currency
  - conversion into CHF expected to have low impact on Group EBIT

- Swiss transaction exposure
  - export activities suffer from appreciation
  - offset partly with natural hedge
  - offset partly with cash flow hedges

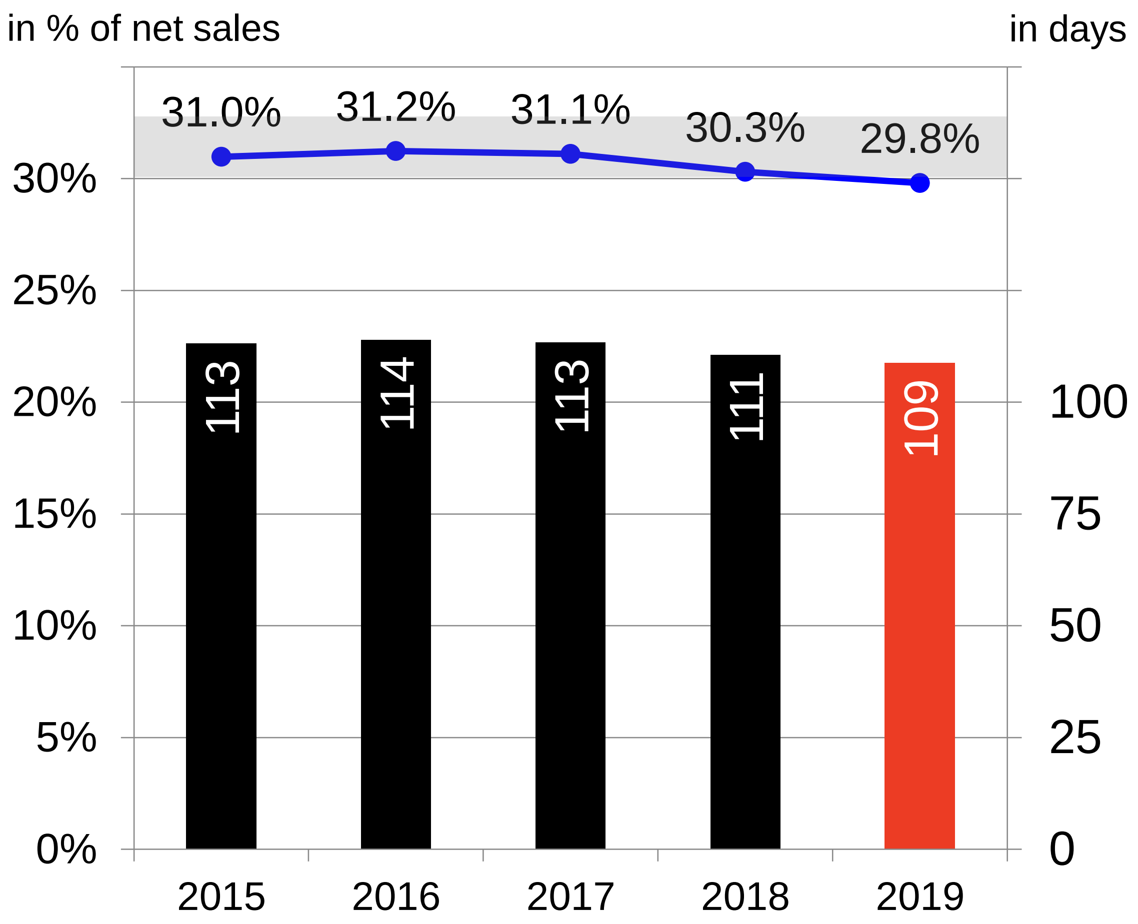
- Overall limited impact on EBIT
  - simulation with a € at 1.05 and $ at 0.95
  - combined impact on Group EBIT margin expected to be around -50 to -90 bps



Net working capital
Stable development in past five years

- NWC slightly lower at 29.8% of net sales
  - equals 109 working days
  - supported by low FX rates at year end 2019
  - like for like on same level as in 2018

- Ø Days Sales Outstanding (DSO)
  - 65.0 SFS Group (PY 66.8)
  - 81.8 EC (PY 81.2)
  - 45.6 FS (PY 49.4)
  - 43.0 D&L (PY 44.9)

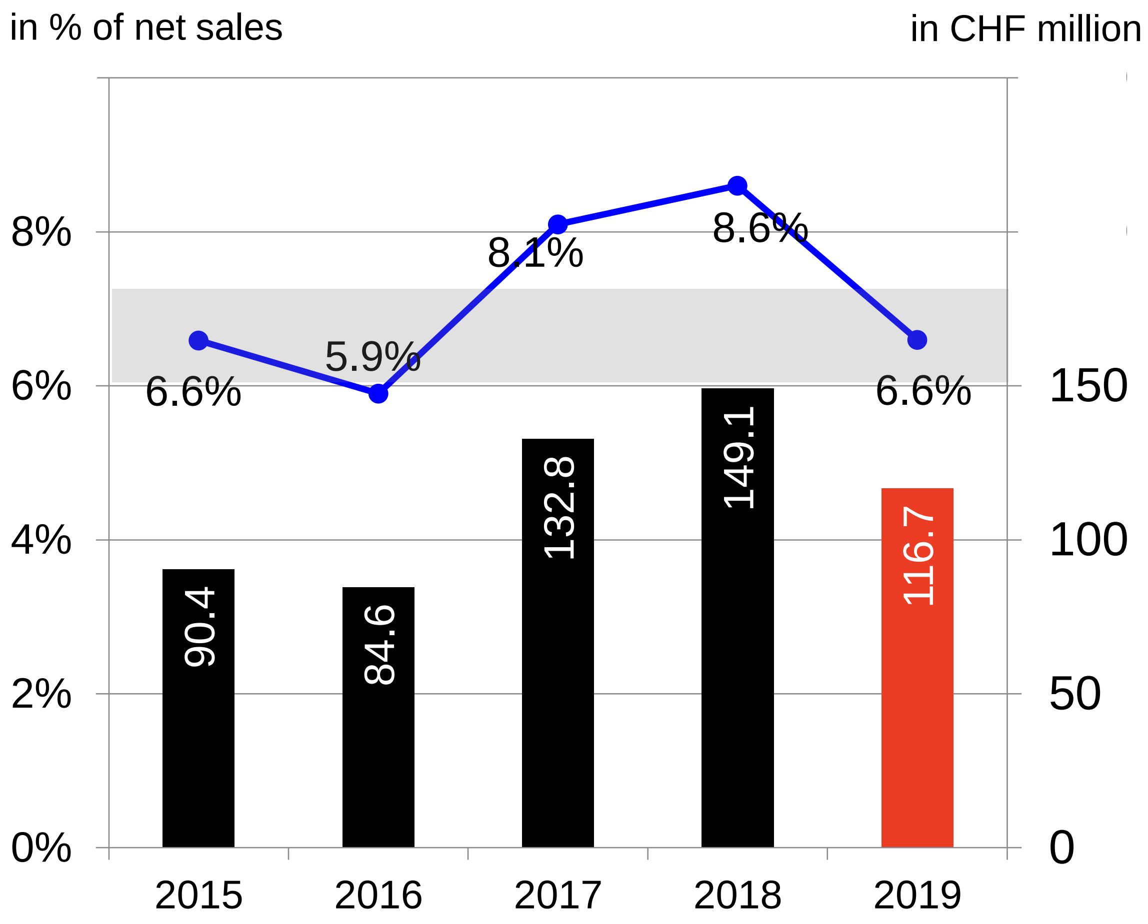


Capital expenditure
Capex back in target range of 6 – 7%

- CAPEX spending 6.6%
  - to increase capacity, efficiency, productivity
  - to support future growth
  - in 2018 CN-Nantong completed

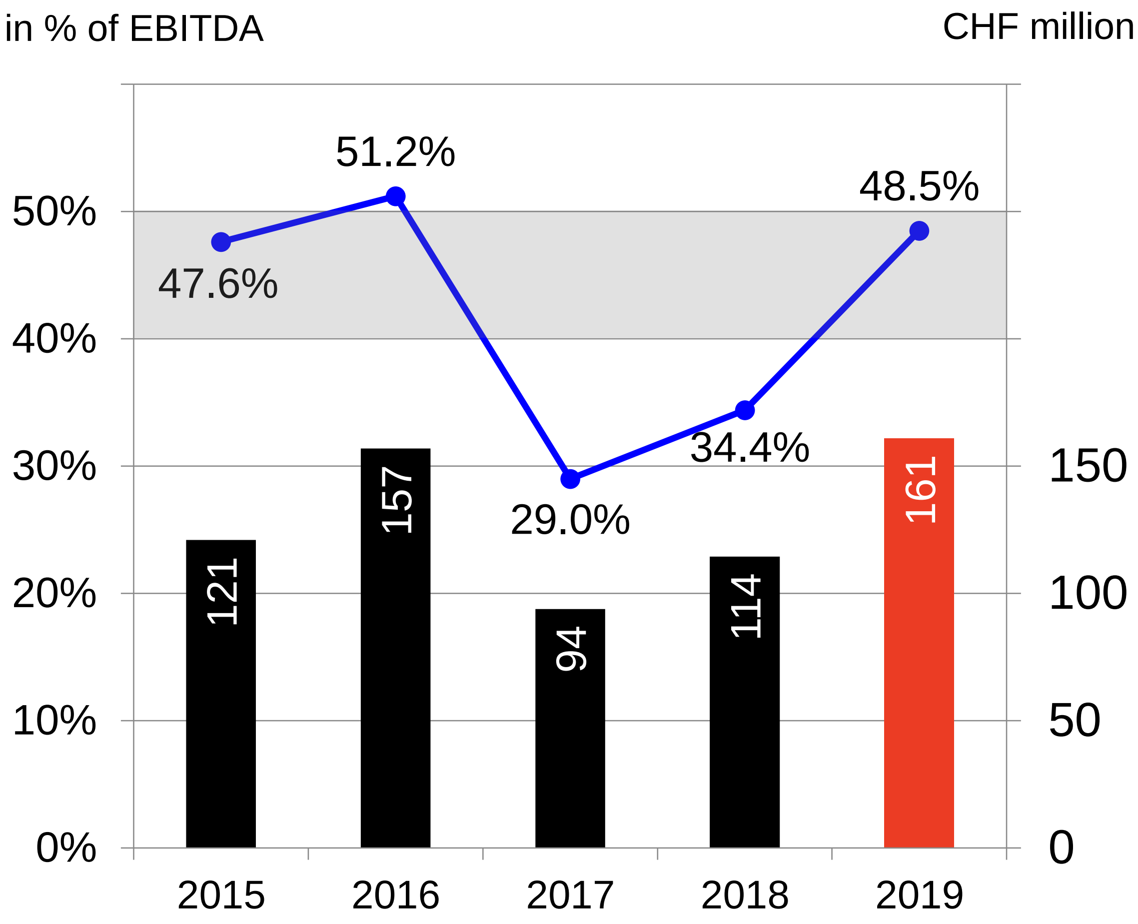
- CAPEX spending by region
  - 42% Switzerland (PY 36%)
  - 15% Europe (PY 17%)
  - 13% Americas (PY 11%)
  - 30% Asia (PY 36%)

- CAPEX by segment
  - 81% EC (PY 78%)
  - 15% FS (PY 11%)



Free cash flow
Strong cash generation and conversion rate

- Strong cash flow from operations
  - CHF 278m +14m
- Lower CAPEX
  - CHF 117m - 33m
- Strong operating free cash flow
  - CHF 161m +47m
- Conversion rate at 48.5%
  - upper end of target range of 40 – 50%

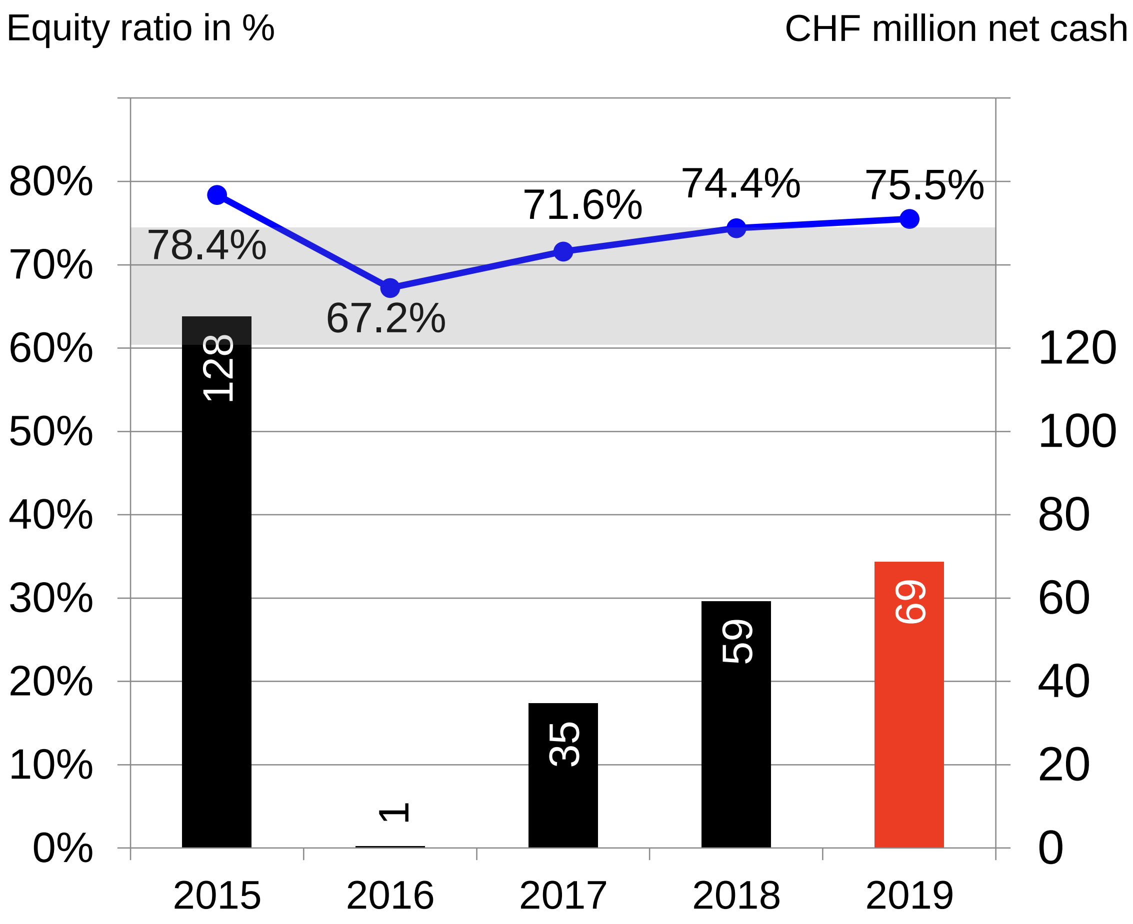


Balance sheet ratios
Solid equity and strong financial flexibility

- Equity ratio remains strong and healthy at 75.5%
  - target range >60%

- Financial flexibility for growth secured by
  - net cash CHF 68.7m
  - unused credit facilities
  - annual free cash flow

- Upper limit of leverage ratio at 1.5x EBITDA
  - EBITDA at CHF 331.7m
  - debt capacity CHF 500m



Return on capital

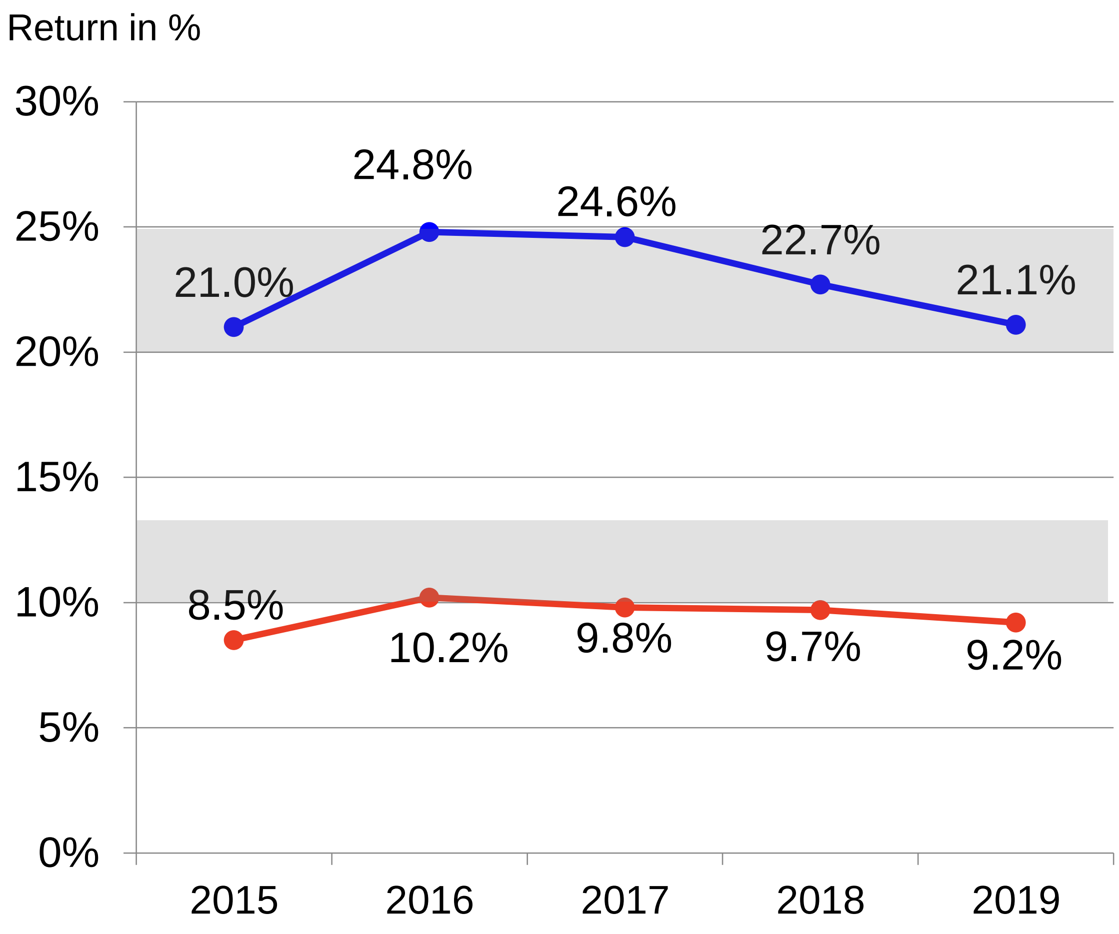
Attractive return on Ø capital employed

- Return on capital employed at 21.1%
  - EBIT adjusted in % of Ø CE CHF 1.1bn
  - slightly lower yoy but within target range

- Return on invested capital at 9.2%
  - EBIT after tax (flat rate of 17.5%)
  - invested capital CHF 2.1bn including goodwill offset

- Bridge between ROIC and ROCE

9.2%	ROIC
+8.2%	CHF 1bn higher capital
+3.7%	tax impact on EBIT
21.1%	ROCE



Effective tax rate (ETR)
ETR expected to fluctuate around 17.5%

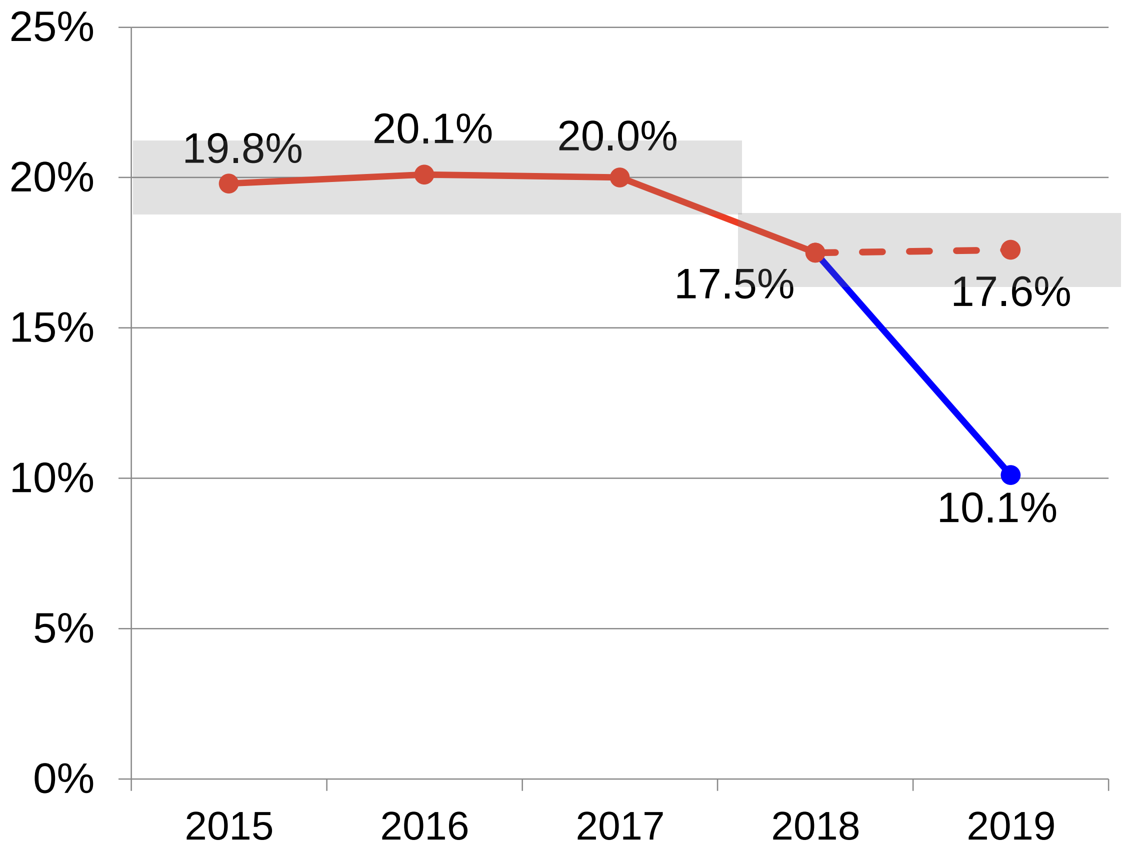
- Adjusted ETR in 2019 17.6%
  - exceptional one-off lowering effects
    - 2.6% lower Swiss tax rates (STAF)
    - 4.9% capitalized temporary differences in amortizable goodwill

    10.1% reported ETR 2019

- Operational improvement in USA expected
  - organic growth, especially in Medical
  - profitable M&A's

- Capitalized deferred tax assets
  - tax loss carry forwards & temporary differences
  - realizable within the next five years

Effective tax rate in %

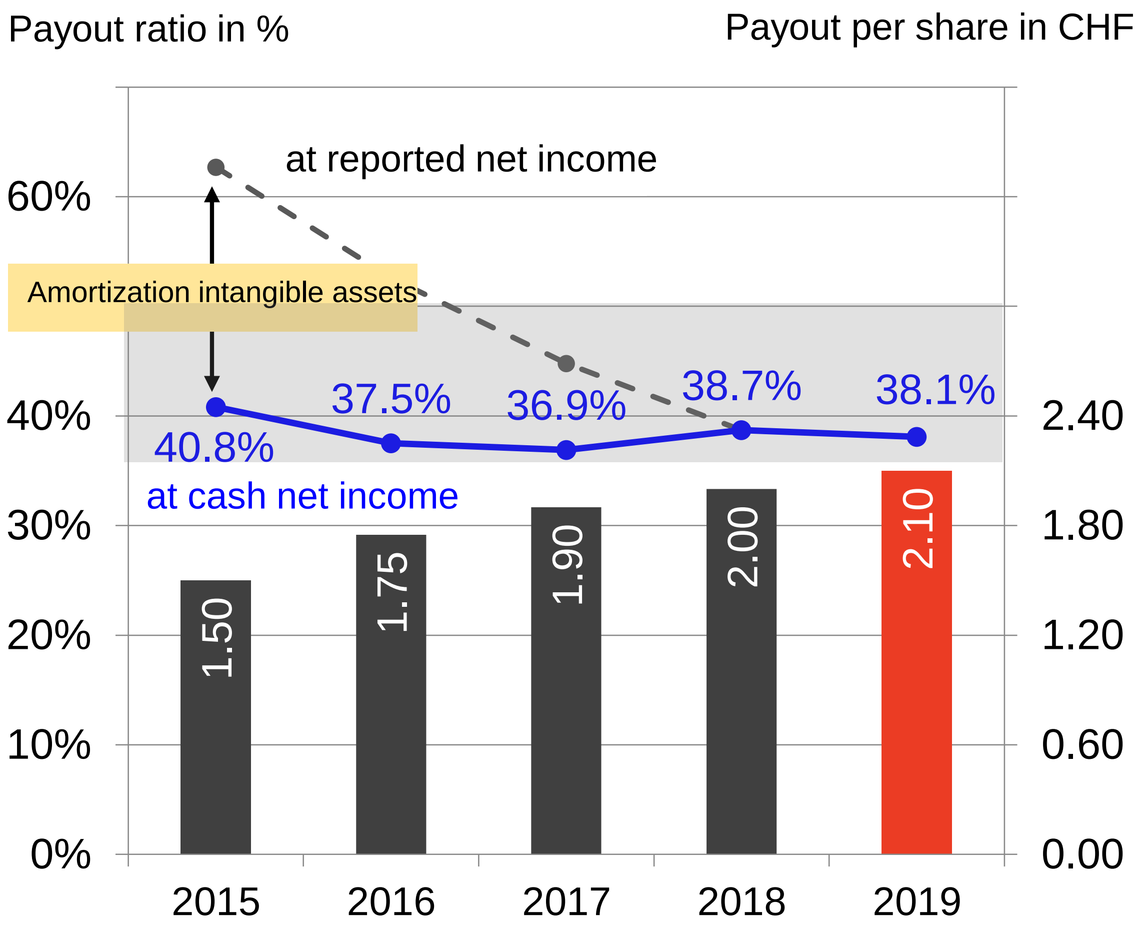


Payout ratio
Stable dividend at ~38% of net income

- BoD will propose a payout per share of CHF 2.10 out of retained earnings
  - increase by 5.0%
  - total cash out CHF 78.8m

- Dividend yield ~ 2.6% (at share price CHF 80)

- Stable payout ratio at ~38%
  - at cash net income (before amortization of intangible assets)



KPI summary

Good growth, healthy profitability and funding

In CHF million		2019	%	2018	%	yoy
Sales		1,781.4		1,738.6		2.5%
EBITDA	margin	331.7	18.6%	332.8	19.2%	-0.3%
EBIT adjusted	margin	239.0	13.4%	243.1	14.0%	-1.7%
Net income	margin	206.5	11.6%	193.9	11.2%	6.5%
Equity	ratio	1,237.2	75.5%	1,204.6	74.4%	2.7%
Net cash		68.7		59.1		
Capex	% net sales	116.7	6.6%	149.1	8.6%	-21.7%
Free cash flow	conversion rate	160.9	48.5%	114.4	34.4%	40.7%
ROCE		21.1%		22.7%		

Guidance 2020

Guidance FY2020 & Mid-Term
Subdued demand in FY2020 expected

	2019A	**2020G**	**Mid-Term G**
Gross sales (in local currencies, incl. M&A)	3.8%	**0 – 2%**	**3 – 6%**
EBIT margin adjusted	13.4%	**12 – 14%**	**13 – 16%**

A = Actual   G = Guidance

Assumptions:
- No significant deterioration in the economic conditions
- Outbreak of COVID-19:
  We are not yet in a position to assess the full impact

Growth factors on top line
Historical growth 2015 – 2019 at CAGR 5.7%

Growth in % yoy	2015A	2016A	2017A	2018A	2019A	**2020G**	**Mid-T G**
Gross sales	**4.6%**	**3.5%**	**13.2%**	**5.1%**	**3.8%**	**0% – 2%**	**3% – 6%**
organic growth	2.5%	2.0%	7.4%	4.3%	-0.6%	-1.5% – 0.5%	
change in scope	2.1%	1.5%	5.8%	0.8%	4.4%	1.5%	
Currency impact	*-5.1%*	*0.9%*	*0.5%*	*1.4%*	*-1.3%*	*-3.5%*	
Total	-0.5%	4.4%	13.7%	6.5%	2.5%	-3% – -1%	

A = Actual G = Guidance

Group priorities

SFS Group priorities
Focus on specific priorities

Megatrends	Growth	Profitability	Acquisitions	Sustain-ability
→ Strengthen innovation in particular in the megatrends digitization & autonomous driving	→ Investments in future growth projects in particular in the med-tech, automotive & electronics sectors	→ Constant evaluation of the economic environment & proactive cost management	→ Create and use synergies from the takeovers of TFC and mbe & evaluate other relevant targets	→ Implementation of the set goals & review of the carbon footprint

Q&A

Q&A
Any questions?

Jens Breu
Chief Executive Officer

Rolf Frei
Chief Financial Officer

Coming up
Our IR agenda for FY2020

1H 2020 results:	21 July 2020 web conference
Investor Day:	3 September 2020 Heerbrugg (CH)

IR Contact:
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Thank you for your attention

Inventing success together