



# Inventing **success** together

Presentation 1H 2023 results  
Heerbrugg | July 18, 2023

**23**  
1H

# Today's speakers

Welcome to the presentation on our 1H 2023 results

Jens Breu, CEO



Volker Dostmann, CFO



# Agenda

- |           |   |                             |
|-----------|---|-----------------------------|
| <b>01</b> | <b>Positioning of SFS</b>                   | Jens Breu                   |
| <b>02</b> | <b>Key takeaways</b>                        | Jens Breu                   |
| <b>03</b> | <b>Development of key financials</b>        | Volker Dostmann             |
| <b>04</b> | <b>Development by segment</b>               | Jens Breu                   |
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| <b>06</b> | <b>Q&amp;A</b>                              | Jens Breu & Volker Dostmann |

# Positioning of SFS

# Mission critical products for selected end markets

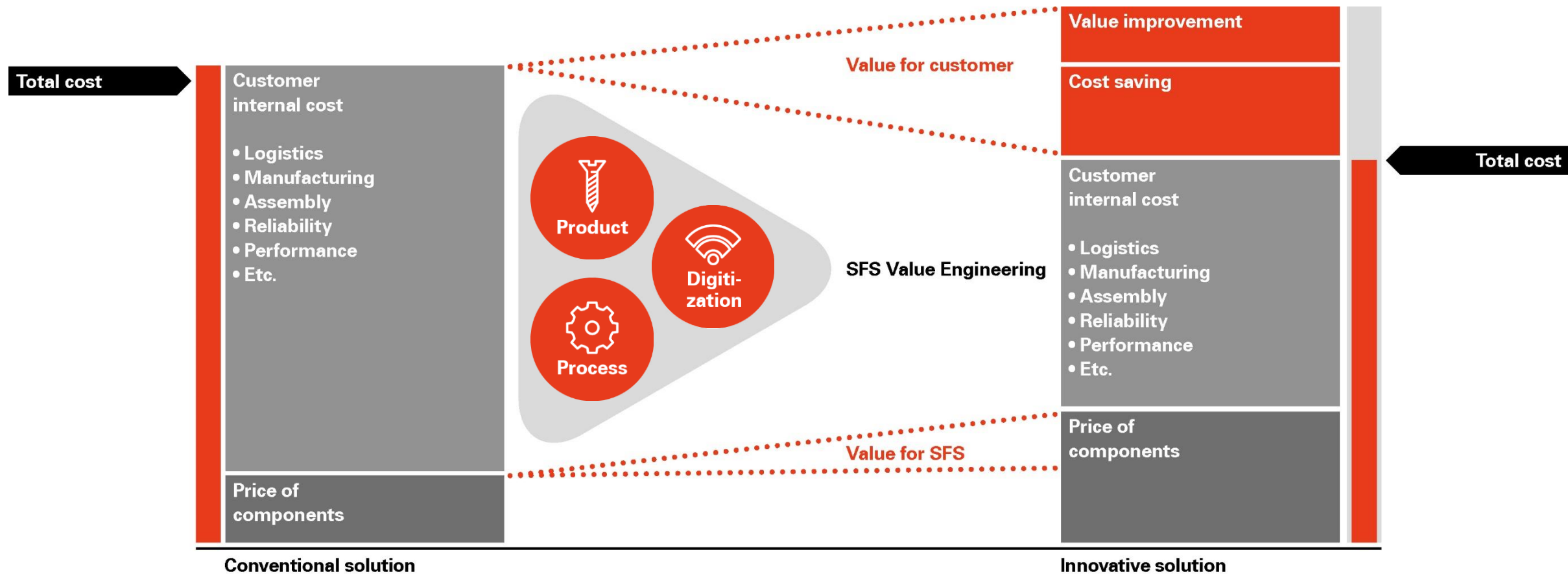
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# SFS value proposition

## Inventing success together



# SFS value engineering

## Synergies in tooling based technologies

### Engineered Components

#### Engineering Partner

Development and industrialization of tooling based, customized precision components and assemblies



### Fastening Systems

#### Solution Provider

Development and distribution of application specific tools and fasteners



### Distribution & Logistics

#### System Partner

Development and trade of tools, fasteners and work equipment



# Global sales & manufacturing platform

## Customer proximity supported by local presence

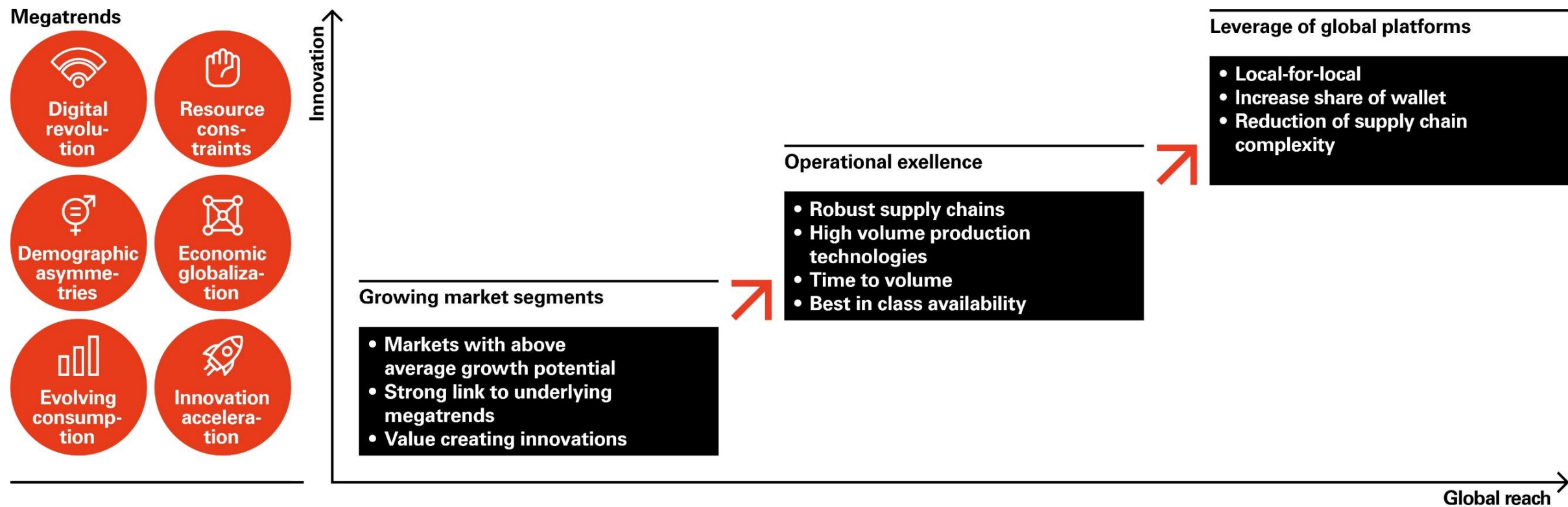
140  
locations  
in 35  
countries





# Our focused business activities

## Sustainable growth through the cycle



# Key takeaways

# Key takeaways

## Progress achieved

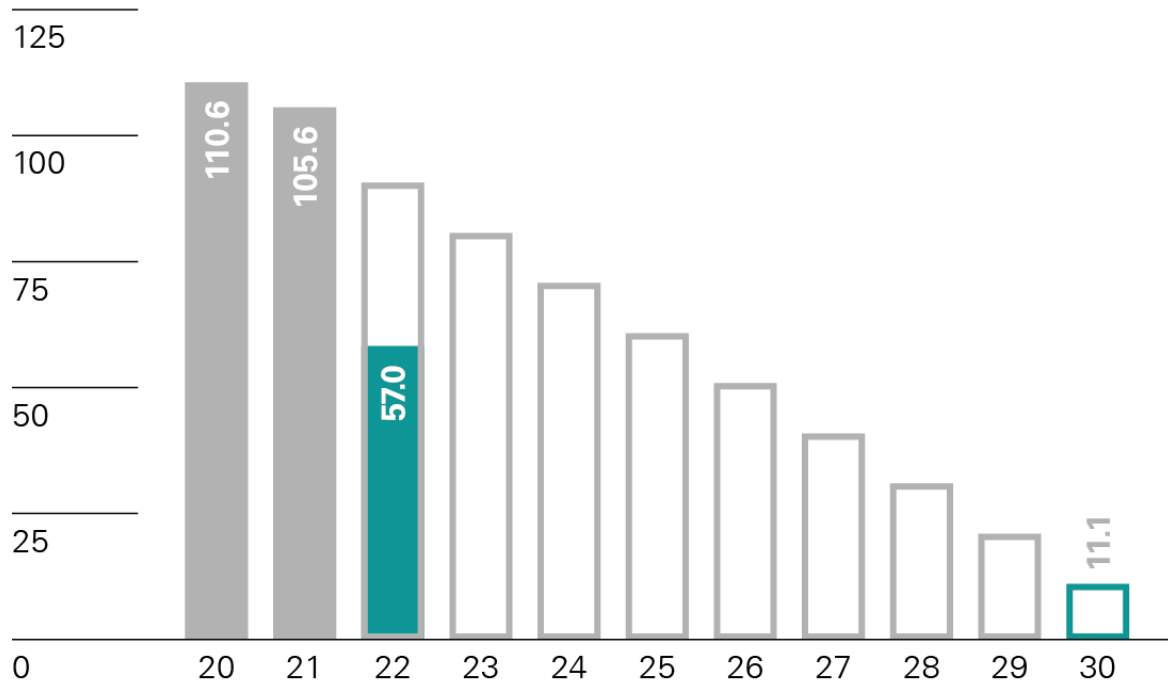
- First half of 2023 characterized by mixed business performance and destocking effects in end markets, as well as continued ramp-up of innovation programs
- Total third party sales (sales) of CHF 1,580.7 million generated, corresponding to another strong increase of 29.2% vs. 1H 2022
  - Scope effects of CHF 400.6 million (growth of 32.7%) from the first-time consolidation of Hoffmann
  - On a like-for-like basis, slight organic growth of 0.8% realized
- Operating profit (EBIT) rose by 16.6% year-over-year to CHF 189.9 million, resulting in an EBIT margin of 12.1%. Mix effects, uneven capacity utilization from new program ramp-ups and partially increased cost basis impacted profitability
- Integration of Hoffmann progressing well. Both divisions of Distribution & Logistics segment realizing initial potentials opened up by the collaboration
- Market presence of Construction division expanded into the Denver (USA) region by adding two new distribution sites
- Updated SFS Group guidance for the 2023 financial year

# Key takeaways | Environment

## Excellent progress on emissions and renewable energy

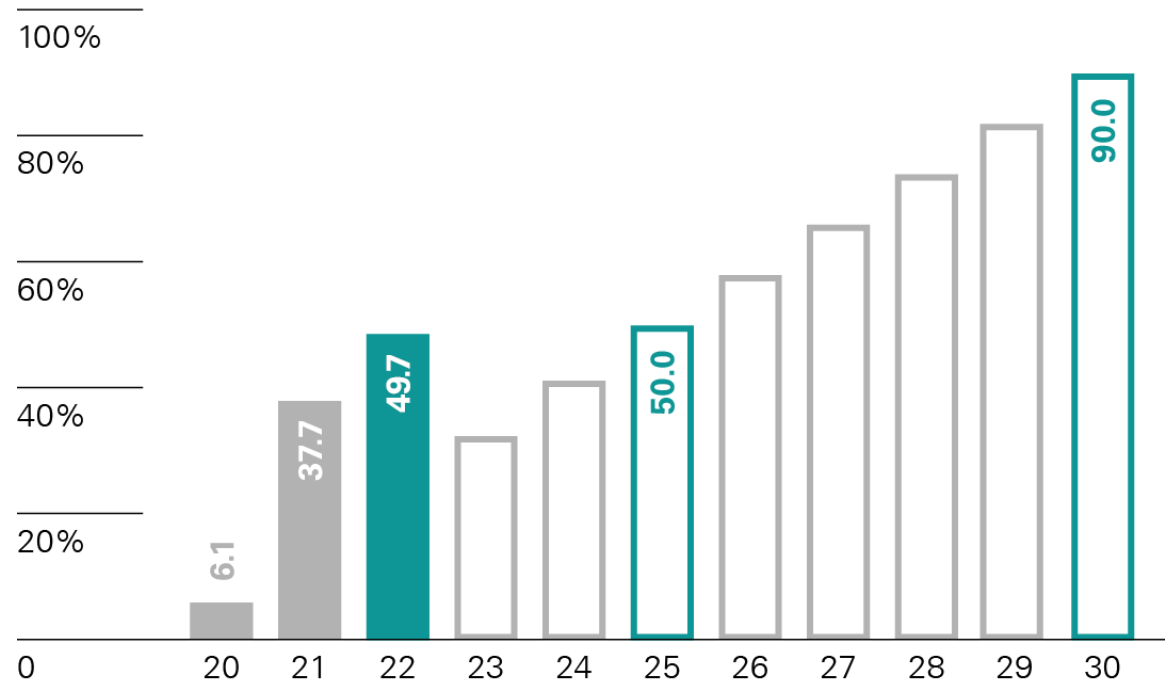
### Reduction of Scope 1 and 2 emissions by **-48.4% vs. 2020**

CO<sub>2</sub> emissions in metric tons per million value-added francs



### Share of renewable electricity is almost **50%**

Share of renewable electricity in % of total electricity demand



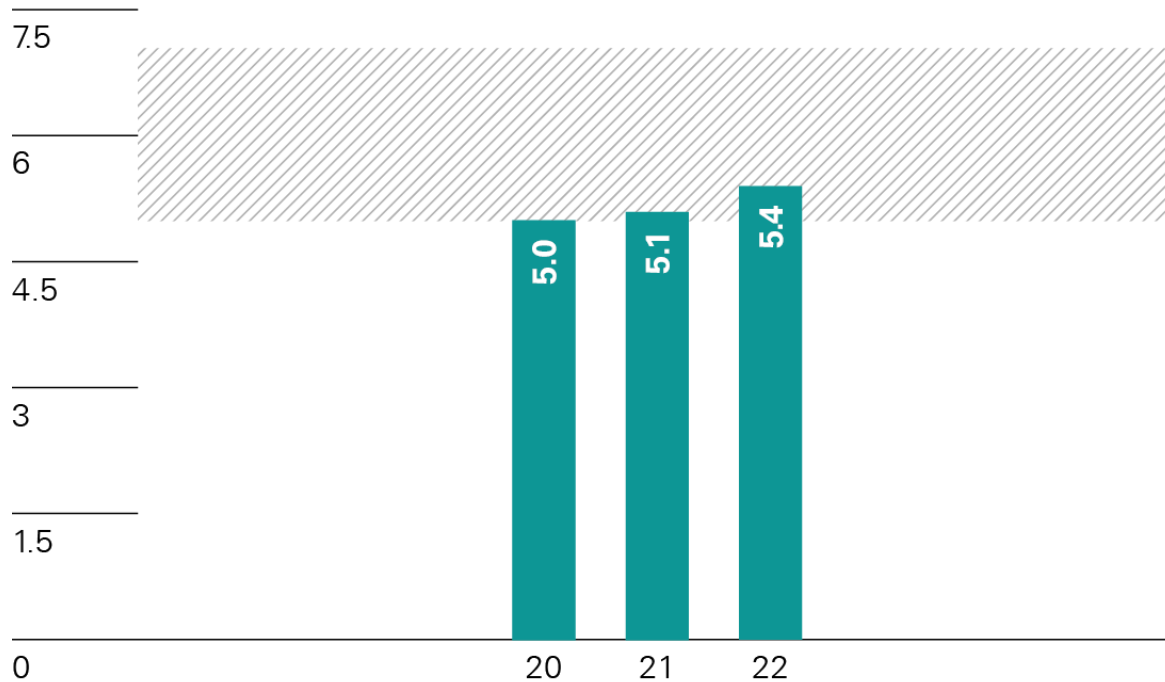


# Key takeaways | Social

## Dual training secured; accident rate too high

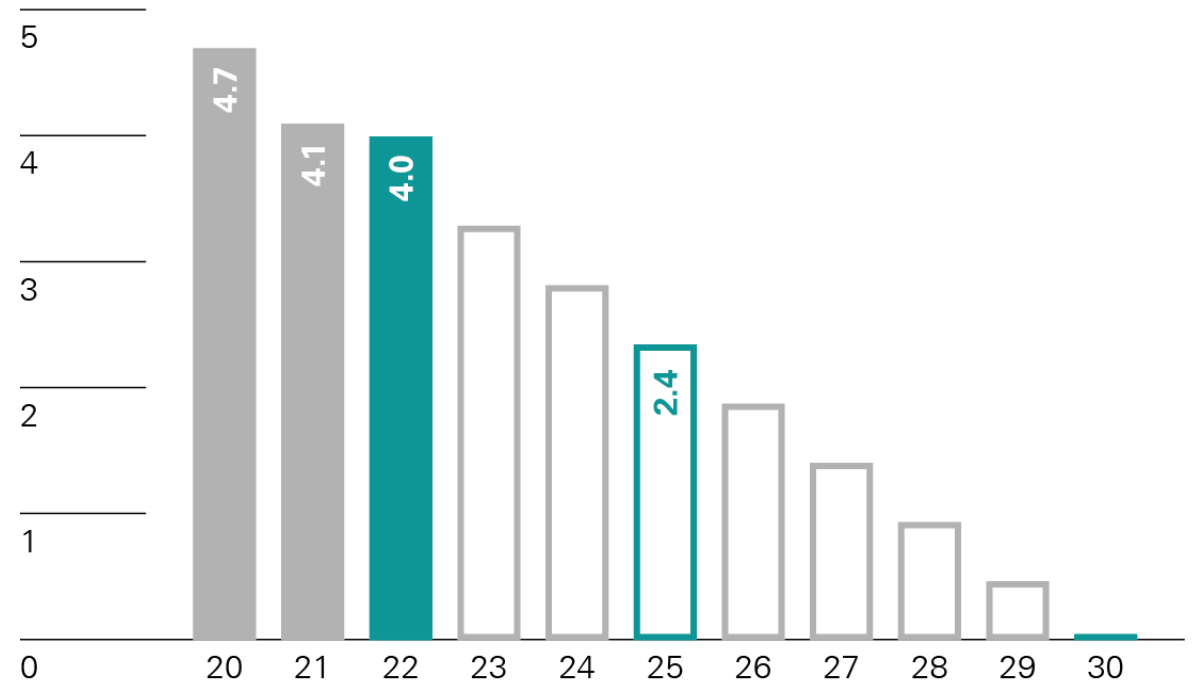
### Target range of 5–7% for dual training achieved again

Number of employees in dual training programs in %



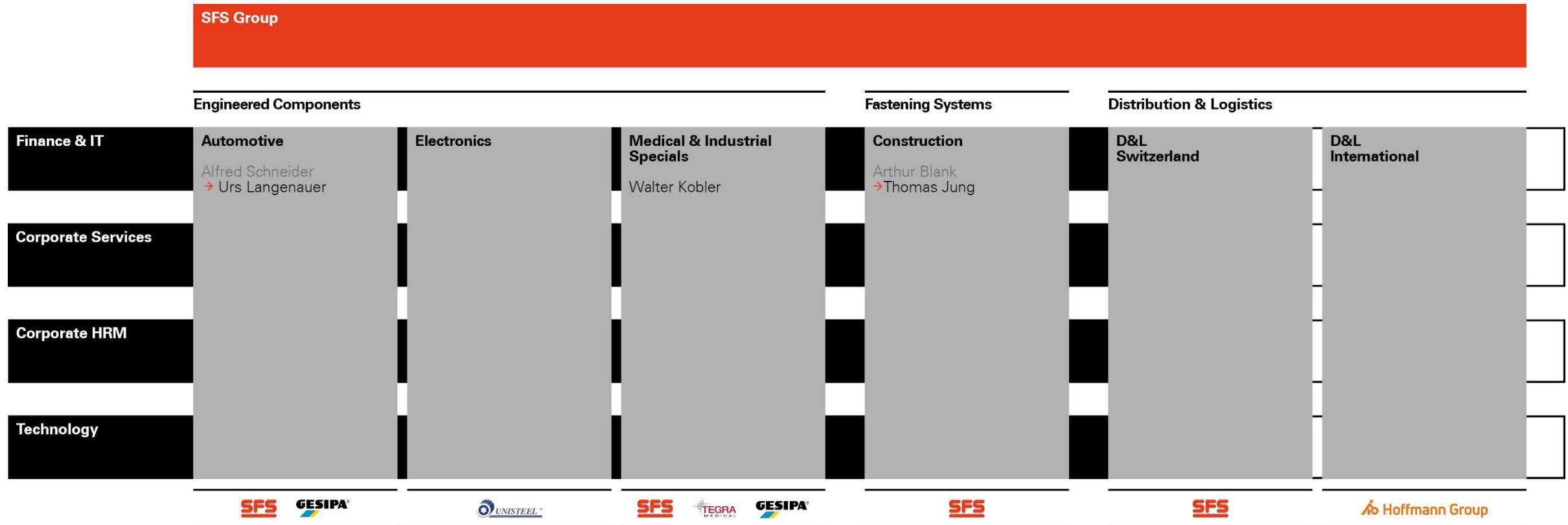
### Too little progress in reducing the accident rate

Number of accidents per million hours worked



# Organizational changes as of beginning of 2024

## Foster customer centricity of organization



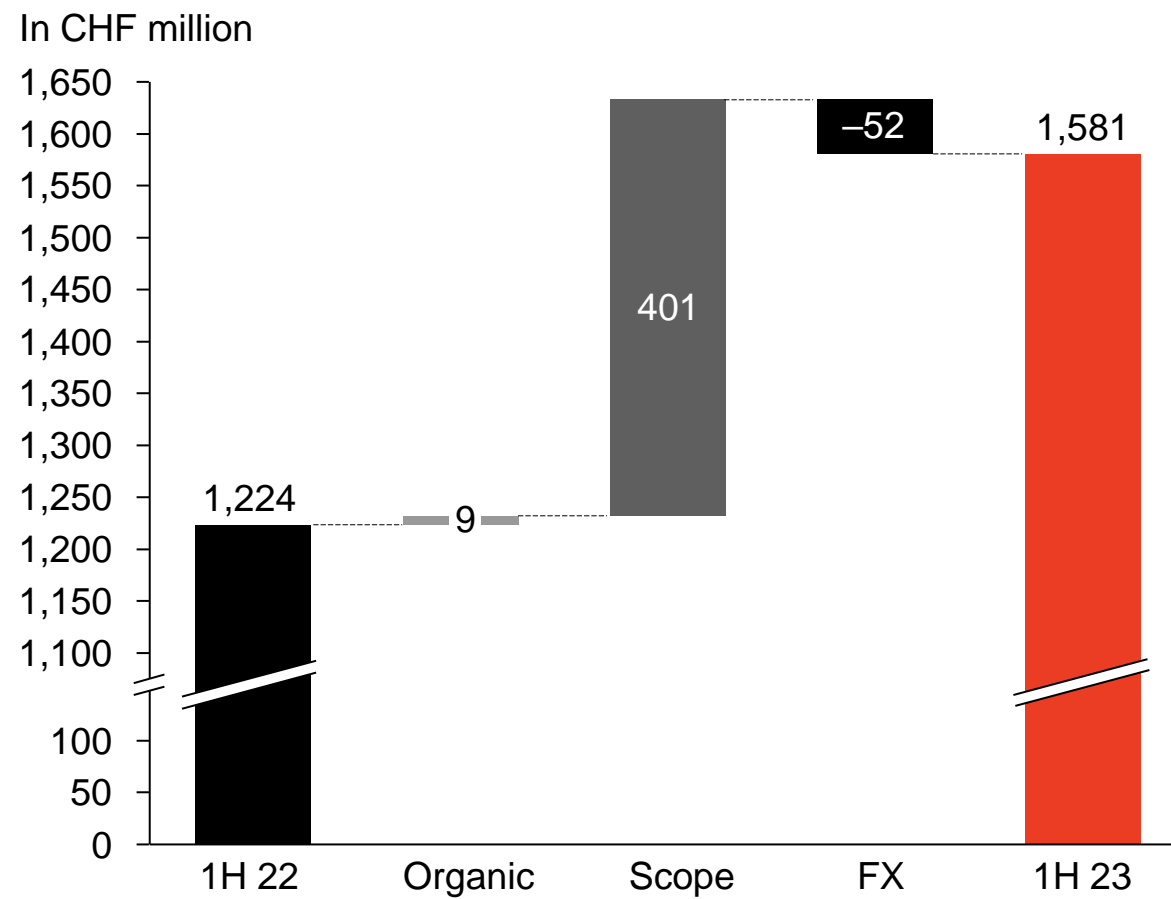
# Development of key financials

# Sales bridge

## Varying end market dynamics

Organic growth	Current year CHF million	1H 2023 %	1H 2022 %
Segment EC	-22	-4.3%	6.8%
Segment FS	14	4.2%	16.1%
Segment D&L	17	4.8%	7.2%

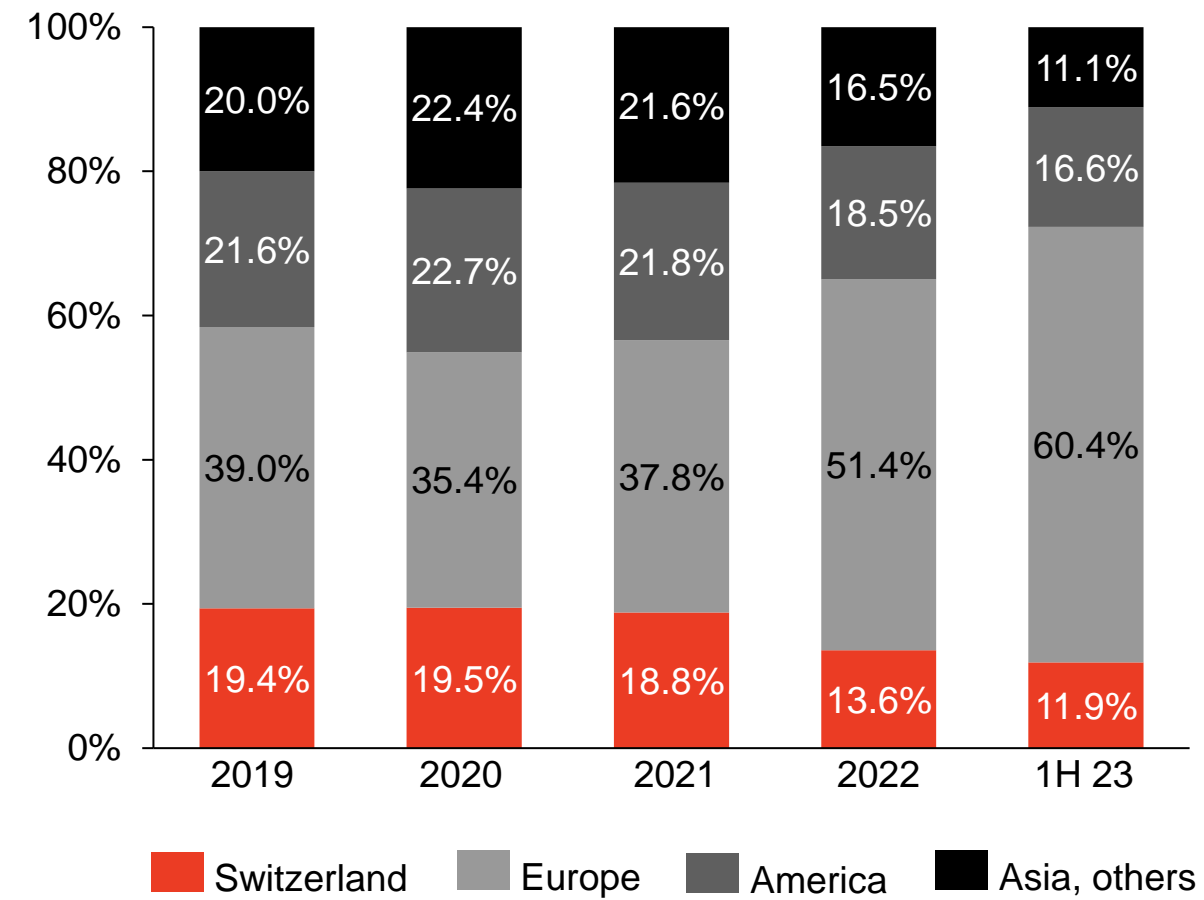
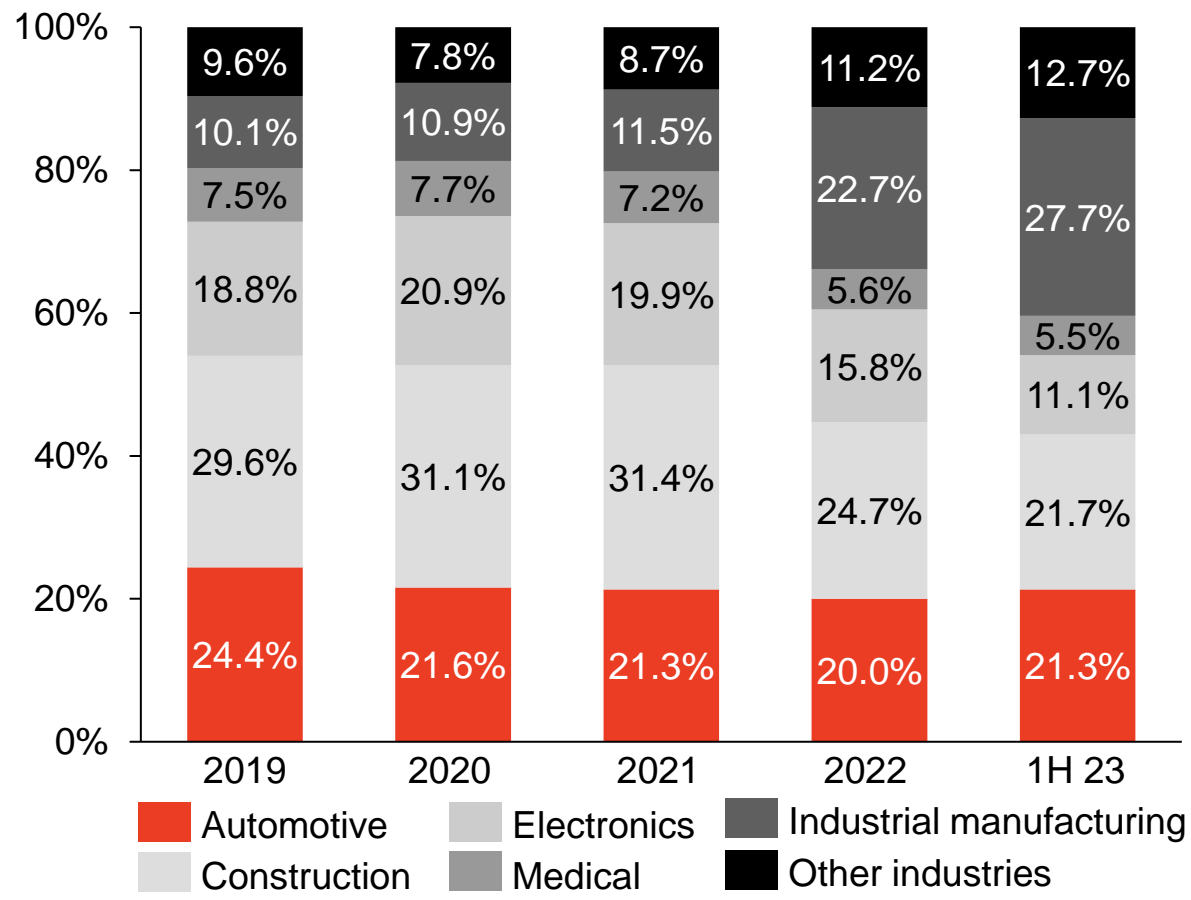
- EC segment faced headwind due to destocking effects and partially lower consumer demand
- Market demand in FS stable, competition increased mainly due to better product availability
- Continued good organic growth in D&L
- Scope effect from Hoffmann SE sales January to April 2023 cause leap in sales





# Sales breakdown

## Ongoing shift towards Industrial & Europe

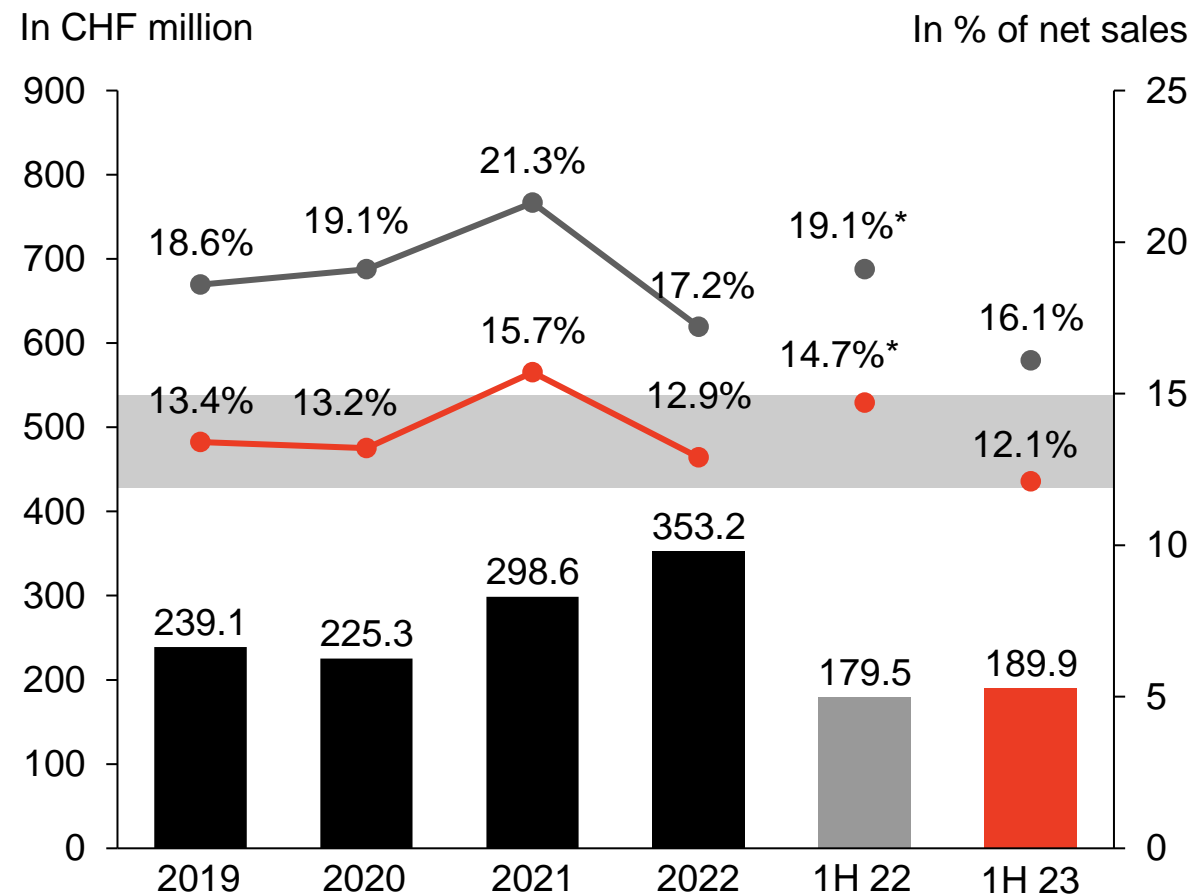


# Operating profitability

## Mix effects, partially higher cost base and lower utilization

Profitability	Reported, CHF m	Reported, %	Adjusted, CHF m	Adjusted, %
EBIT	189.9	12.1%	189.9	12.1%
EBITDA	253.1	16.1%	253.1	16.1%

- Soft capacity utilization in EC due to ramp-up of growth projects, destocking and seasonal effects
- Good profitability in a more competitive environment in FS
- D&L supporting with strong profitability
- Increased OPEX in line with above mentioned ramp-ups as well as effects from general cost inflation



# Constant development

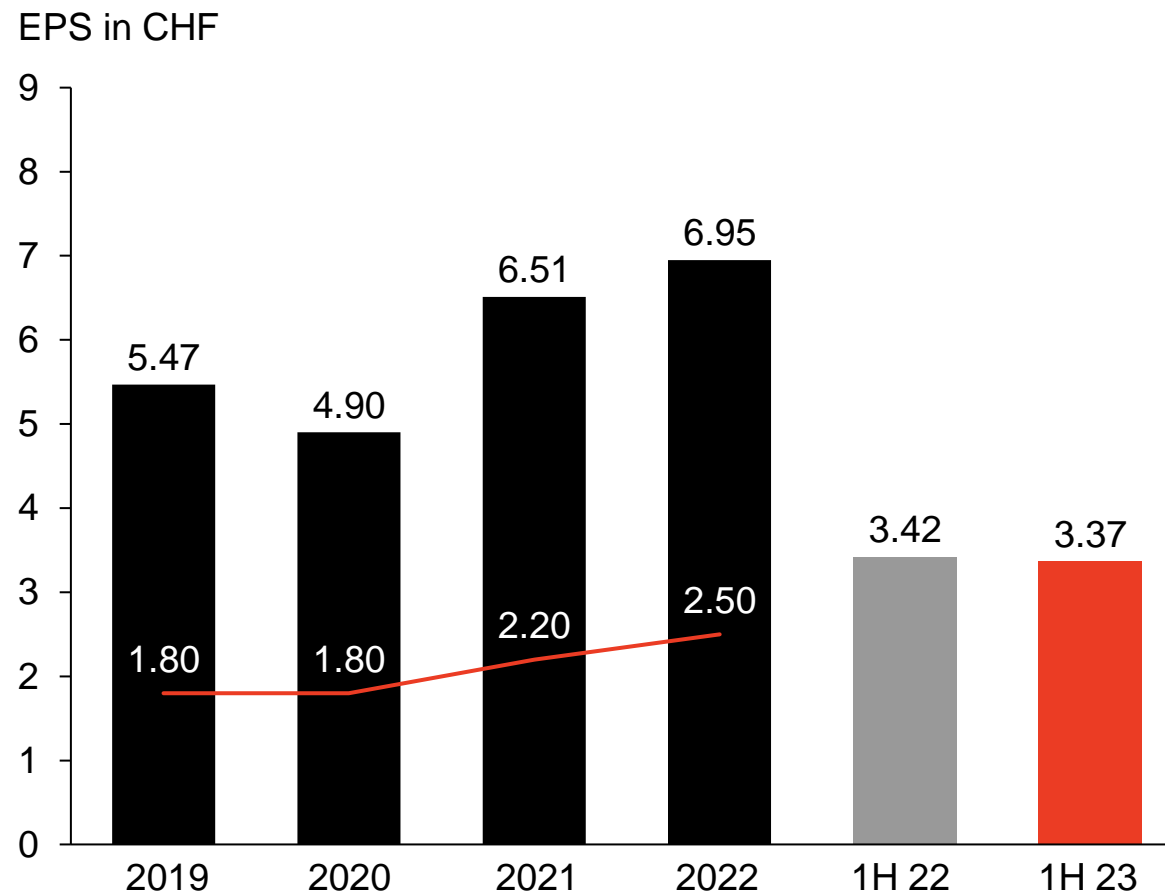
## Growth driven by acquisition of Hoffmann

In CHF million	1H 2023		1H 2022		+/- PY
<b>Net sales</b>	<b>1,573.7</b>	<b>100.0%</b>	<b>1,224.1</b>	<b>100.0%</b>	<b>28.6%</b>
<b>Contribution margin</b>	<b>909.8</b>	<b>57.8%</b>	<b>738.4</b>	<b>60.3%</b>	<b>23.2%</b>
Personnel expenses	-420.9	-26.8%	-337.3	-27.6%	
Other OPEX	-235.8	-14.9%	-184.0	-15.0%	
<b>EBITDA</b>	<b>253.1</b>	<b>16.1%</b>	<b>217.1</b>	<b>17.7%</b>	<b>16.6%</b>
Depreciation & Amortization	-63.2	-4.0%	-54.2	-4.4%	
<b>Operating profit (EBIT)</b>	<b>189.9</b>	<b>12.1%</b>	<b>162.9</b>	<b>13.3%</b>	<b>16.6%</b>
Financial result	-8.4	-0.5%	-3.8	-0.3%	
Income taxes	-47.0		-27.6		
Effective tax rate	25.9%		17.3%		
<b>Net income</b>	<b>134.5</b>	<b>8.5%</b>	<b>131.5</b>	<b>10.7%</b>	<b>2.3%</b>

# Earnings per share (EPS)

## EPS with solid development

- Net income attributable to SFS (Nominator) +1.1%
- Weighted average number of outstanding shares (Denominator) +2.8%
- Overall EPS –1.5%

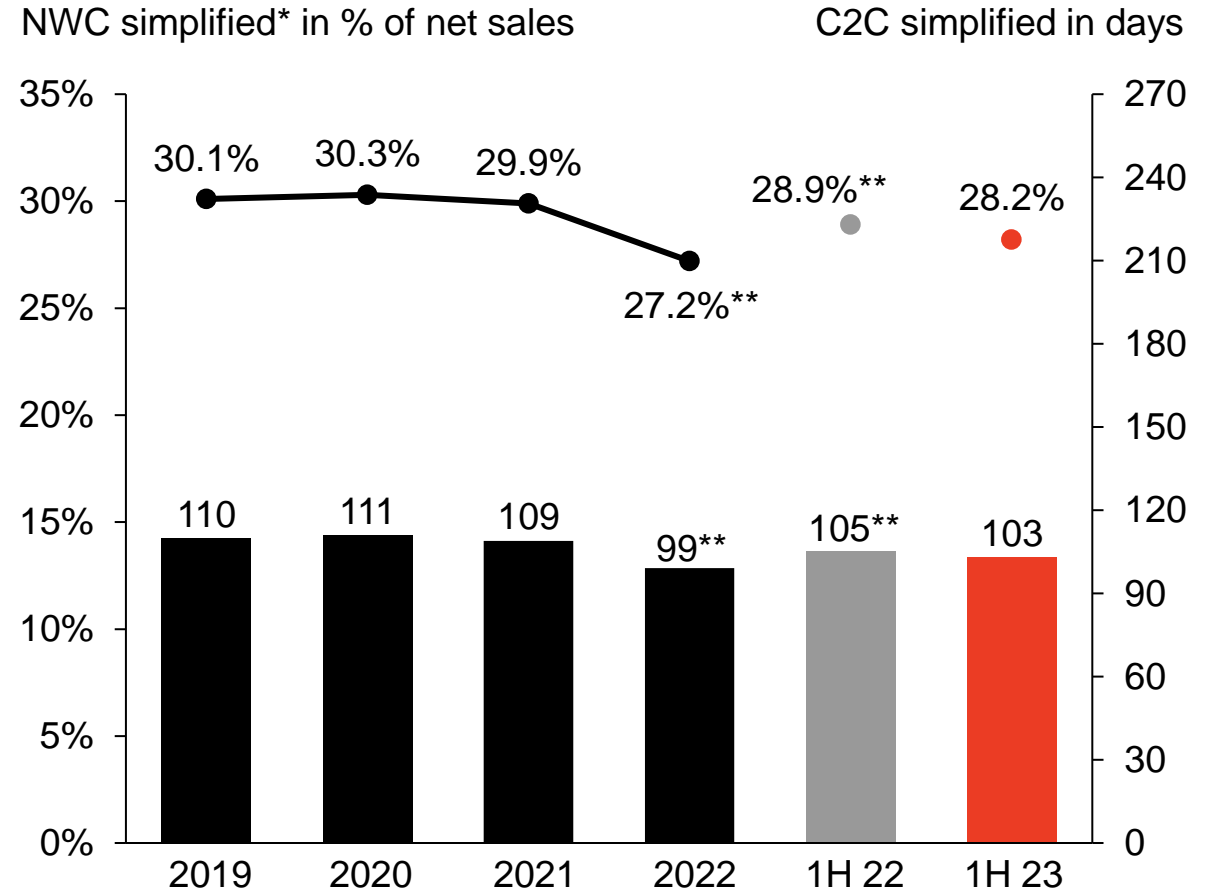




# Net working capital

## Positive development based on mix effects

- Positive trend due to inclusion of Hoffmann confirmed
- Decreasing inventory as well as accounts payable levels drove positive development

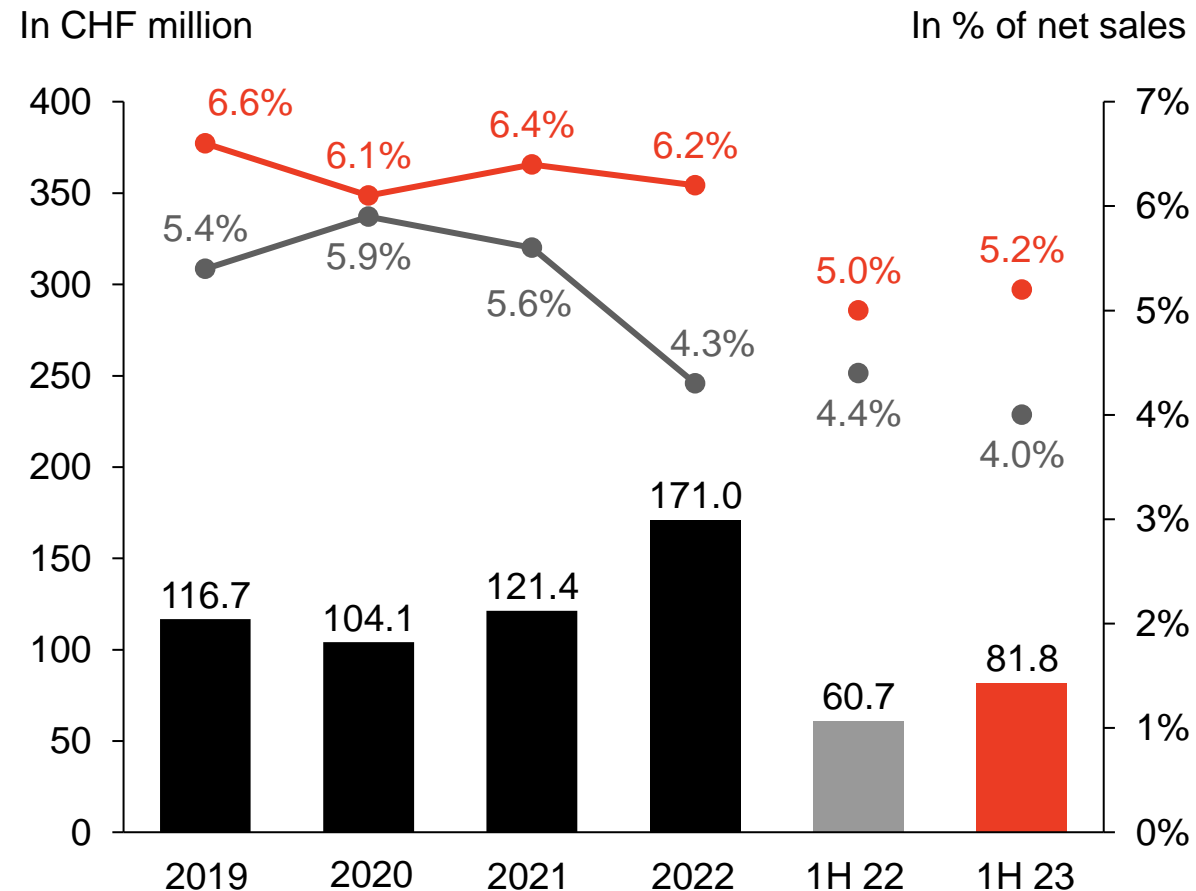


# Capital expenditure

## Investing to capture market potential

CAPEX spending by segment	1H 2023 %	1H 2022 %
EC	73%	70%
FS	12%	9%
D&L	10%	8%

- Decisive expansion to capture customer demand in EC segment:
  - Expansion in manufacturing machinery in Heerbrugg (Switzerland)
  - First phase of expansion in Nantong (China) currently being completed
- General, productivity enhancing machinery

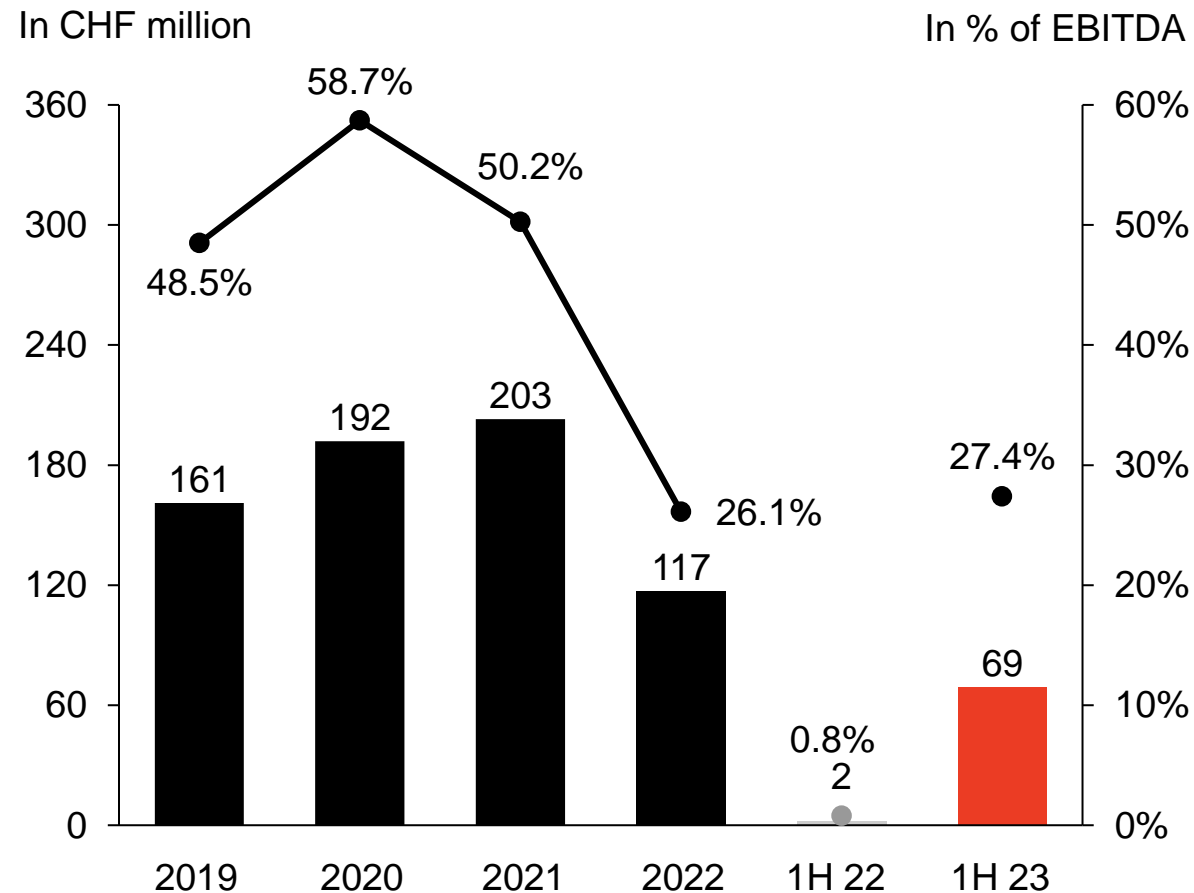


# Operating free cash flow (OFCF)

## Recovery to previous levels ongoing

In CHF million	1H 2023	1H 2022
CF before changes in NWC	202	174
Changes in NWC	-51	-111
<b>Cash flow from operations</b>	<b>151</b>	<b>63</b>
CAPEX	-82	-61
<b>Operating free cash flow</b>	<b>69</b>	<b>2</b>

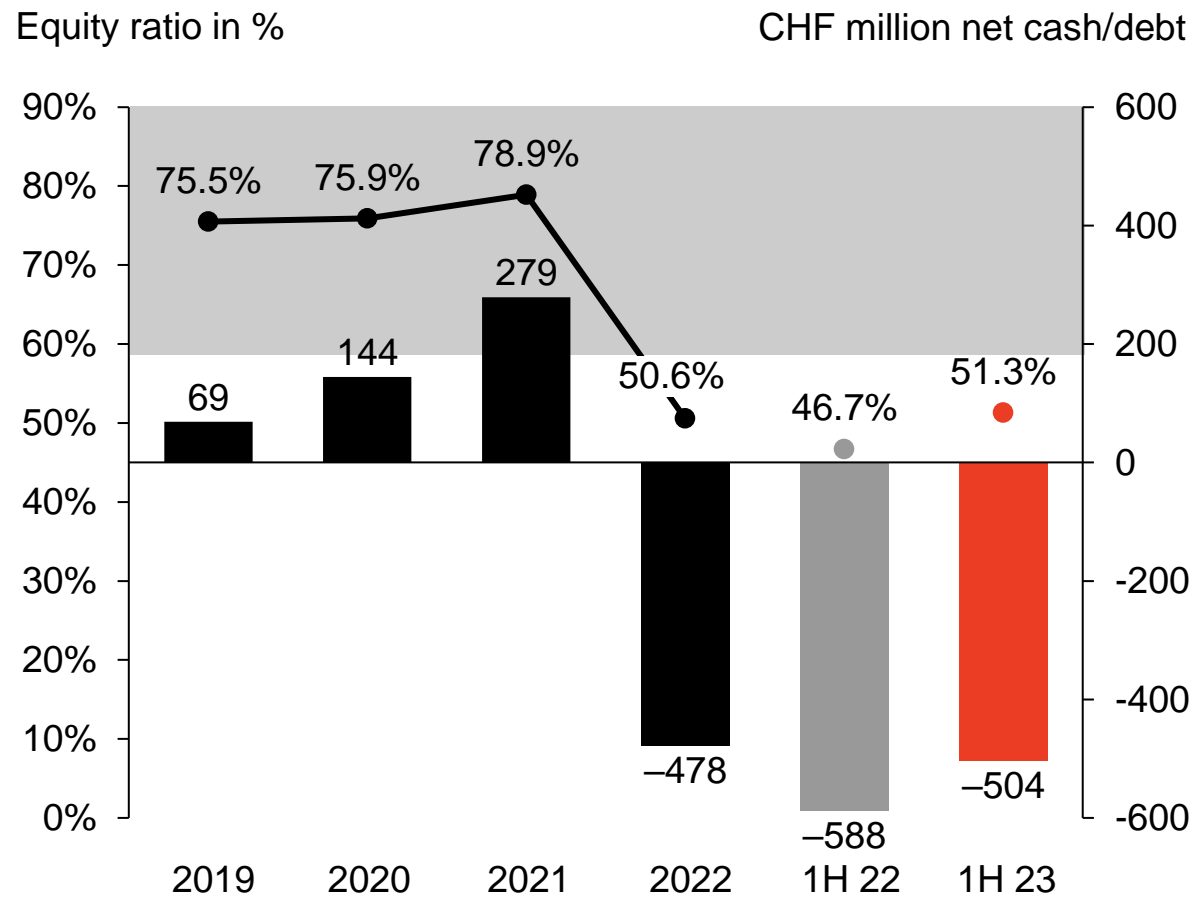
- Normalization of NWC leading to higher OFCF
- Cash conversion rate at 27.4% (OFCF/EBITDA)



# Balance sheet ratios

## Equity ratio increasing

- Important factors for net debt development:
  - Improved but soft generation of operating free cash flow
  - Dividend payment in first half year
- Expect debt level to slightly decrease until end of this year:
  - Pick-up in cash generation
  - Refinancing of ABCP
- Unused credit lines grant financial flexibility going forward





# Return on capital

## ROCE impacted by EC segment | ROIC slightly improved

- Bridge ROCE to ROIC

- Impact from goodwill and net cash: -8.5%
- Impact from tax effects: -3.8%

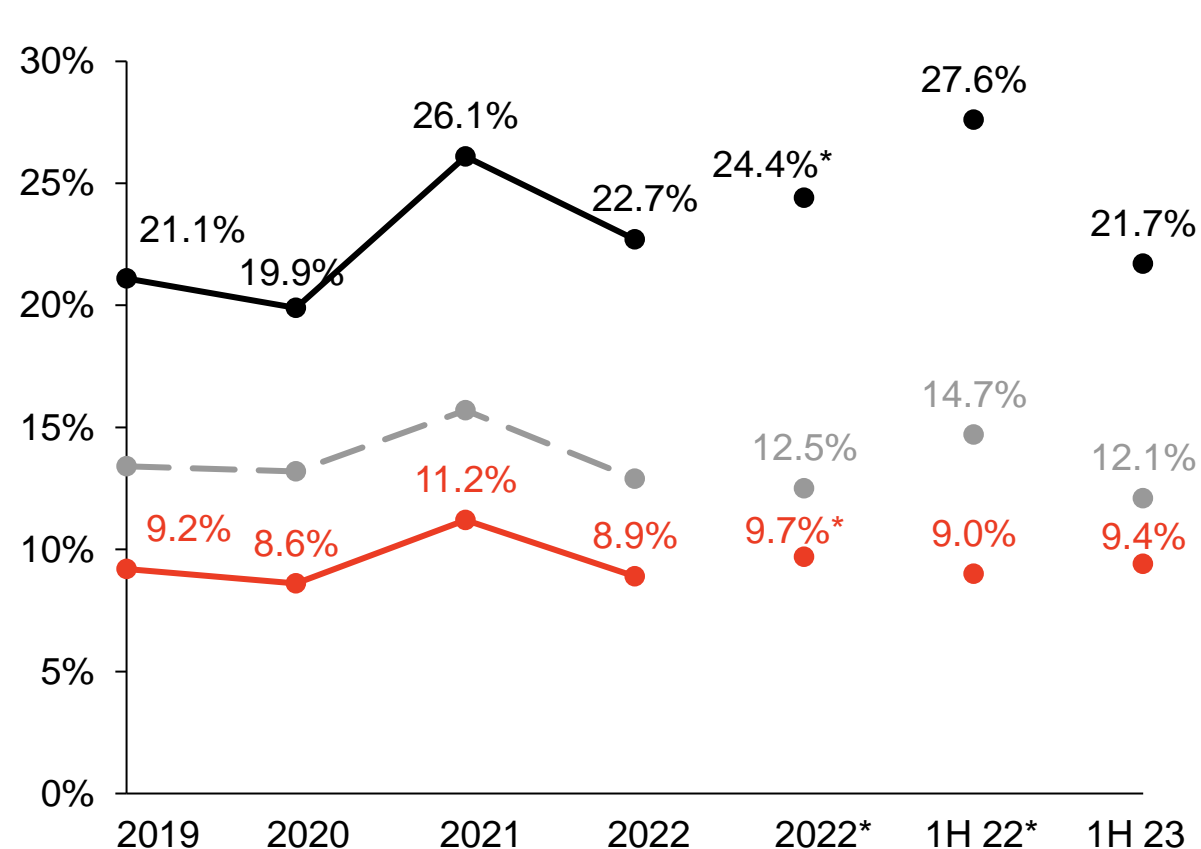
$$\text{ROCE} = \frac{\text{Adjusted EBIT}}{\text{Ø Capital Employed (CE)}}$$

$$\text{ROIC} = \frac{\text{Adjusted EBIT} - \text{Tax Rate } 17.5\%}{\text{Invested Capital (IC)}}$$

Ø CE = NWC less cash plus fixed assets less def. tax and prov.

IC = Equity before goodwill offset less net cash/plus net debt

In % of net sales



# KPI summary

## Stable development in challenging environment

In CHF million		1H 2023	%	1H 2022	%	+/- PY
Third party sales		1,580.7		1,223.6		+29.2%
Net sales		1,573.7		1,224.1		+28.6%
EBITDA	Margin	253.1	16.1%	217.7	17.7%	-160bps
EBIT	Margin	189.9	12.1%	162.9	13.3%	-120bps
EBIT adj.	Margin adj.	189.9	12.1%	179.5	14.7%	-260bps
Net income	Ratio	134.5	8.5%	131.5	10.7%	-220bps
Equity	Ratio	1,319.8	51.3%	1,188.6	46.7%	+460bps
Net cash		-504.3		-587.7		-83.4
CAPEX	% Net sales	81.8	5.2%	60.7	5.0%	+20bps
Operating FCF	Conversion rate	69.4	27.4%	1.8	0.8%	+2,660bps
ROCE		21.7%		27.6%		-590bps
EPS		3.37		3.42		-1.5%

# Development by segment

# Headlines Engineered Components segment

## Organizational course-setting

- Reported sales of CHF 479.0 million, –8.5% vs. 1H 2022
- Mixed performance of divisions. Electronics impacted by destocking effects and reduced market demand
- EBIT margin of 9.4% impacted by mix effects, uneven capacity utilization from new program ramp-ups and partially increased cost basis due to inflation
- Slight improvement of market environment in 2H vs. 1H expected. For full year 2023, flat sales development on a like-for-like basis vs. 2022 expected
- Riveting becomes part of EC as of January 1, 2024, and aligns with the Automotive and Industrial divisions. Growth and profitability targets of Engineered Components segment remain unchanged

### Key figures Engineered Components

In CHF million (unaudited)	2023 1H	+/- PY	2022 1H	2021 1H
Third party sales	479.0	–8.5%	523.4	492.1
Growth on a like-for-like basis <sup>1</sup>		–4.3%		
Net sales	469.4	–11.5%	530.3	497.8
EBITDA	81.5	–32.5%	120.8	128.9
As a % of net sales	17.4		22.8	25.9
Operating profit (EBIT)	44.2	–47.8%	84.6	93.1
As a % of net sales	9.4		15.9	18.7
Average capital employed	815.5	8.5%	751.9	733.8
Capital employed	821.6	4.9%	783.3	740.1
thereof assets	980.4	1.4%	967.1	905.2
thereof liabilities	158.8	–13.6%	183.8	165.1
Net working capital	270.9	–4.0%	282.1	257.3
Investments	59.3	40.2%	42.3	33.8
Full-time equivalents (FTE)	6,554	–8.6%	7,168	6,955
ROCE (%) <sup>2</sup>	10.8		22.5	25.4
(Return on capital employed)				

# Automotive and Industrial division

## Riveting aligns organizationally

- Continued good growth momentum in Automotive
- Capacity ramp-up of newly built facility in Heerbrugg for production of electric driving brake components and assemblies on track
- Mixed development in Industrial:
  - Aircraft with continued good growth
  - Furniture and general industrial applications impacted by weaker market demand/destocking
- Riveting division will be fully aligned and becomes part of Automotive and Industrial on January 1, 2024:
  - Strengthen customer focus and cross-selling
  - Leverage operational and application synergies
- Urs Langenauer appointed New Head of Automotive division as of January 1, 2024



Automotive riveting application



Industrial riveting application

# Electronics and Medical division

## Electronics earliest in destocking cycle

- Electronics confronted with inventory reductions by major HDD customers and reduced consumer demand in Mobile Phones and Lifestyle Electronics
- First expansion phase at the Nantong site in completion. New space mainly used for production of stamped precision components for the electronics industry
- Good growth achieved in all application areas of Medical
- The Medical and Industrial divisions will be aligned into one division called «Medical & Industrial Specials» as of January 1, 2024. Walter Kobler, who had been heading up both divisions, will take charge of the new division



Tegra Medical meniscus repair needle

# Headlines Fastening Systems segment

## Stable market demand

- Despite enduring market demand across major industries, reported sales of CHF 330.4 million down –1.2% vs. 1H 2022 due to unfavorable FX
- High inventory levels throughout the entire construction market supply chain resulting in more intense competition
- With 16.2%, EBIT margin well in the segment's target bracket of 14–17% after reaching a peak in 1H 2022
- Reduced market dynamics in 2H vs. 1H 2023 expected. On a like-for-like basis, sales growth along target bandwidth of the Group in 2023 expected
- Riveting becomes part of EC as of January 1, 2024. Growth and profitability targets of Fastening Systems segment remain unchanged

### Key figures Fastening Systems

In CHF million (unaudited)	2023 1H	+/- PY	2022 1H	2021 1H
Third party sales	330.4	-1.2%	334.5	293.1
Growth on a like-for-like basis <sup>1</sup>		4.2%		
Net sales	336.7	-1.5%	341.8	300.2
EBITDA	62.4	-15.1%	73.5	62.2
As a % of net sales	18.5		21.5	20.7
Operating profit (EBIT)	54.5	-16.4%	65.2	53.0
As a % of net sales	16.2		19.1	17.7
Average capital employed	315.0	13.2%	278.2	262.8
Capital employed	324.9	8.5%	299.5	262.8
thereof assets	407.1	3.6%	392.9	355.6
thereof liabilities	82.2	-12.0%	93.4	92.8
Net working capital	212.9	13.4%	187.8	139.1
Investments	9.7	73.2%	5.6	4.2
Full-time equivalents (FTE)	2,576	0.0%	2,575	2,522
ROCE (%) <sup>2</sup>	34.6		46.9	40.3
(Return on capital employed)				



# Construction and Riveting division

## Implement organizational changes

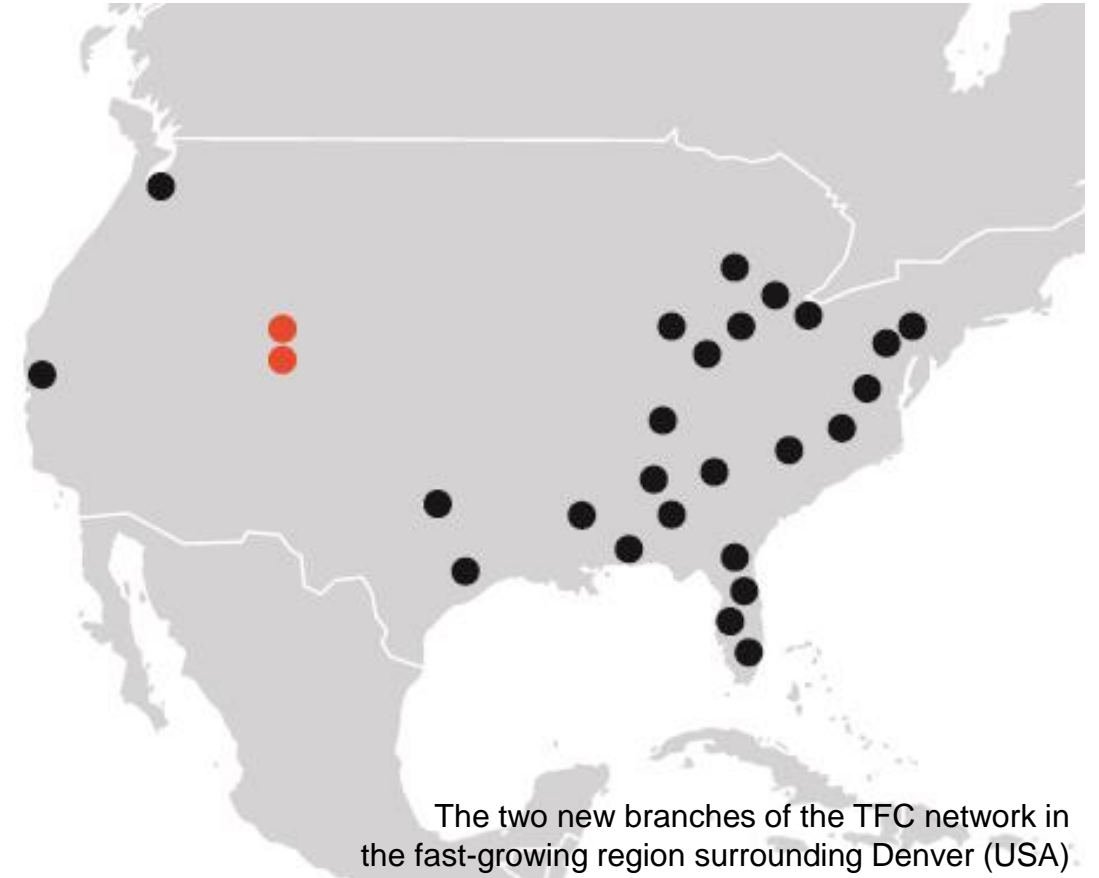
- Good results in both regions Europe and North America for Construction
- Expansion of production capacity in Exeter, Pennsylvania (USA) on track
- Application areas in the Riveting division performed positively as well
- Riveting division will be fully aligned and becomes part of Automotive and Industrial as of January 1, 2024:
  - Strengthen customer focus and cross-selling
  - Make better use of both operational and application-oriented synergies
- Thomas Jung will assume role as Head of Construction division on January 1, 2024



# Construction division – Presence in NA expanded

## Acquisition of CSS per July 1, 2023

- Business concerning fasteners and other products of Connective Systems & Supply, Inc. (CSS) acquired
- Acquisition enables SFS to strengthen its market position in the United States with two new distribution sites in the fast-growing region surrounding Denver, Colorado
- In 2022, acquired business generated sales of USD 15 million with about 20 employees
- Organizationally, business will be incorporated into Triangle Fastener Corporation (TFC)
- With over 25 distribution sites in the USA, TFC acts as supplier of fastening systems and other products for end users in the construction industry



# Headlines Distribution & Logistics segment

## Strong results

- Overall good market demand led to reported sales of CHF 771.3 million (+110.9% vs. 1H 2022), +4.8% on a like-for-like basis
- Positive trend continued. Business with customers in Switzerland slowed down
- Scope effects from the first-time consolidation of Hoffmann for the four months from January to April contributed +109.5% to total growth of segment
- Strong sales growth, prudent cost and price management and the inclusion of Hoffmann enabled an EBIT of CHF 92.8 million, plus 165.9% vs. 1H 2022
- Slightly reduced dynamics in 2H vs. strong 1H expected. On a like-for-like basis, sales growth above target bandwidth of the Group in 2023 expected

### Key figures Distribution & Logistics

In CHF million (unaudited)	2023 1H	+/- PY	2022 1H	2021 1H
Third party sales	771.3	110.9%	365.7	172.6
Growth on a like-for-like basis <sup>1</sup>		4.8%		
Net sales	766.4	109.9%	365.2	175.4
EBITDA	107.1	328.4%	25.0	18.7
As a % of net sales	14.0		6.8	10.7
Operating profit (EBIT)	92.8	407.1%	18.3	16.2
As a % of net sales	12.1		5.0	9.2
Operating profit (EBIT) adjusted <sup>2</sup>	92.8	165.9%	34.9	16.2
As a % of net sales	12.1		9.6	9.2
Average capital employed <sup>3</sup>	603.3	138.2%	253.3	126.8
Capital employed	590.7	-3.0%	608.7	131.3
thereof assets	800.9	-2.6%	821.9	166.6
thereof liabilities	210.2	-1.5%	213.2	35.2
Net working capital	278.7	-49.7%	553.8	94.9
Investments	7.8	56.0%	5.0	2.2
Full-time equivalents (FTE)	3,703	-1.6%	3,764	591
ROCE (%) <sup>4</sup>	30.8		27.6	25.6
(Return on capital employed)				



# D&L Switzerland and D&L International division

## Realizing potential

- Decisive work by cross-divisional teams continued to leverage potential business opportunities:
  - Roadmap for evaluation and implementation of shared, efficient processes and platforms for an optimized customer journey
  - Roadmap for penetrating existing key accounts and high potential customers with complementary portfolio of mechanical fastening systems and electronic procurement solutions
  - Optimize supply chain for Switzerland customers by utilizing logistics capacities of D&L International
- Decision taken to supply customers of three distribution partners directly from LogisticCity. This will lead to improvements in customer deliveries and a leap in capacity utilization



# Guidance 2023 & Group priorities

# Updated guidance 2023

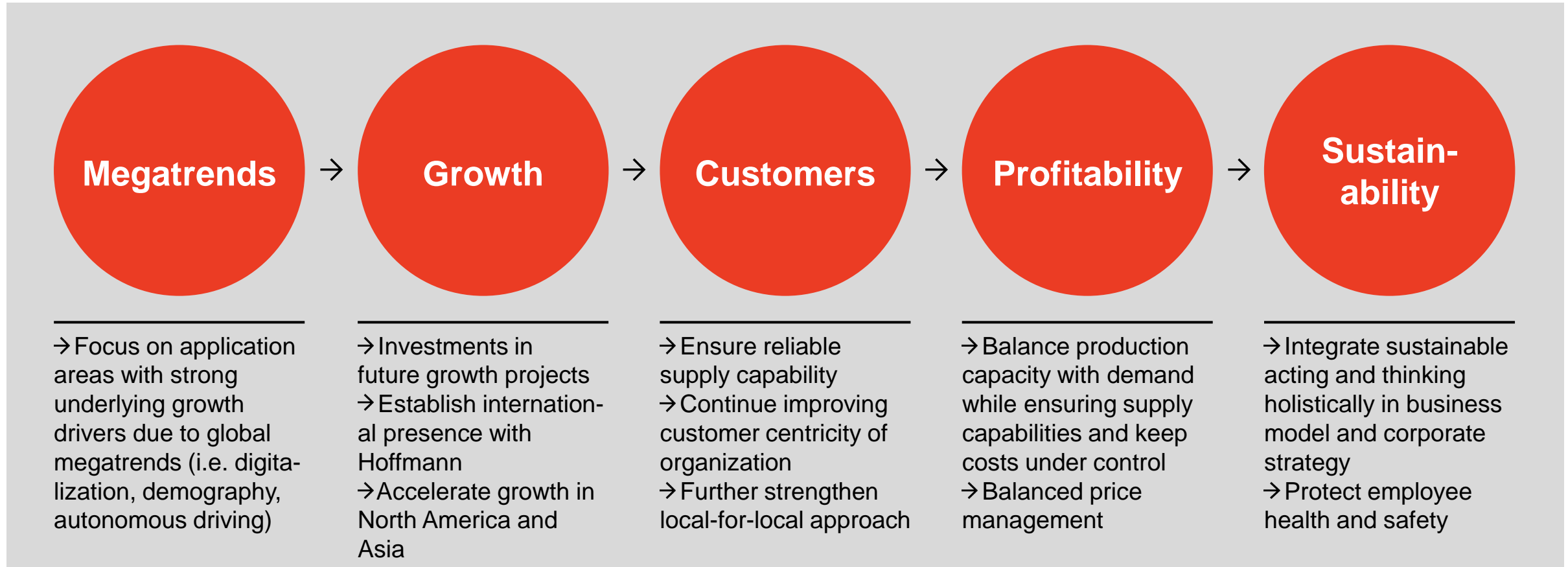
## First-time full consolidation of Hoffmann

	2022A (CHF)	2023G March 3 (CHF)	2023G Updated July 18 (CHF)
Sales (in local currencies, incl. M&A)	2,746 m	3.2–3.3 billion*	3.1–3.3 billion*
* Including first-time consolidation of Hoffmann for full year. Before consolidation effects, sales growth along mid-term guidance of 3–6%.			
EBIT margin	12.1%	12–15%	Around 12%**
** For the SFS Group as a whole, an EBIT margin of around 12% is expected, at the lower end of the mid-term guidance of 12–15%.			

This outlook is based on the assumption that there will be no significant deterioration in the underlying economic conditions or geopolitical, energy or pandemic-related restrictions.

# SFS Group priorities

## Focus on specific priorities





# Agenda

## IR events in 2024

### **Publication of first information on financial year 2023**

Friday, January 19, 2024

### **Publication of financial year results 2023**

Friday, March 1, 2024

### **31<sup>th</sup> Annual General Meeting**

Wednesday, April 24, 2024

### **IR Contact**

[investor.relations@sfs.com](mailto:investor.relations@sfs.com)

# Q&A

# Today's speakers

## Any questions?

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Jens Breu, CEO



Volker Dostmann, CFO



**Thank you  
for your attention!**

**Inventing success together**