



# Inventing success together

Presentation 1H 2021 results  
Heerbrugg, 20 July 2021

# 21

1H

# Today's speakers

Welcome to the presentation on our 1H 2021 results



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# Key takeaways

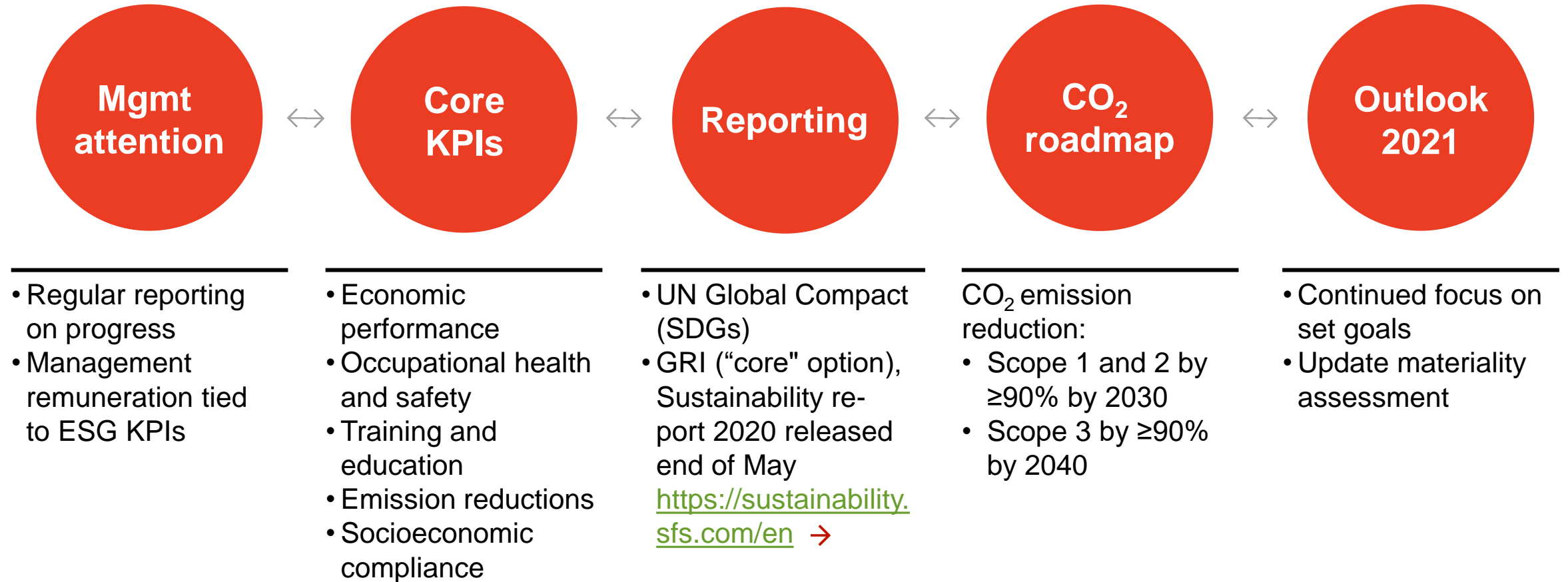
# Key takeaways

## Convincing sales and profitability improvement realised

- Strong 1H 2021 results achieved, supported by dynamic market environment, retained capacity and capability to fulfill customer requirements and continued attention to employee health
- Advantage taken of driving market demand, 1H 2021 gross sales amounted to CHF 957.8 million (+23.8% vs. PY) driven mainly by segments Engineered Components and Fastening Systems
- High capacity utilization, proactive price management and cost consciousness lead to operating profit margin peaking at 17.1%
- Progress on infrastructure projects as planned, with most recently announced expansion of production platform in Nantong (CN) planned to be commissioned in autumn 2023
- Highlights from the Sustainability Report for the period of 2020:
  - Number of work-related accidents reduced by another –13.3% (total of 85 accidents)
  - 5.0% of workforce enrolled in dual education programme
  - Implementation of CO<sub>2</sub> roadmap, containing measurable targets for reduction of CO<sub>2</sub> emissions

# Focus on sustainability

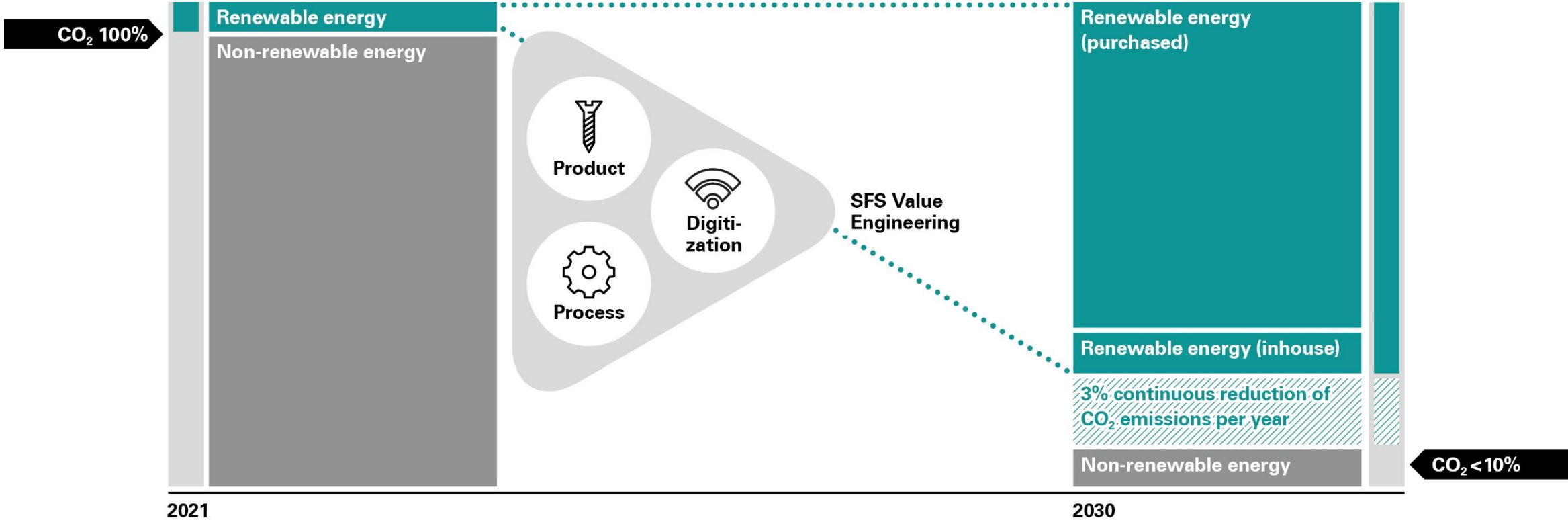
## Key elements to improve sustainable development



# GRI materiality analysis identifies priorities

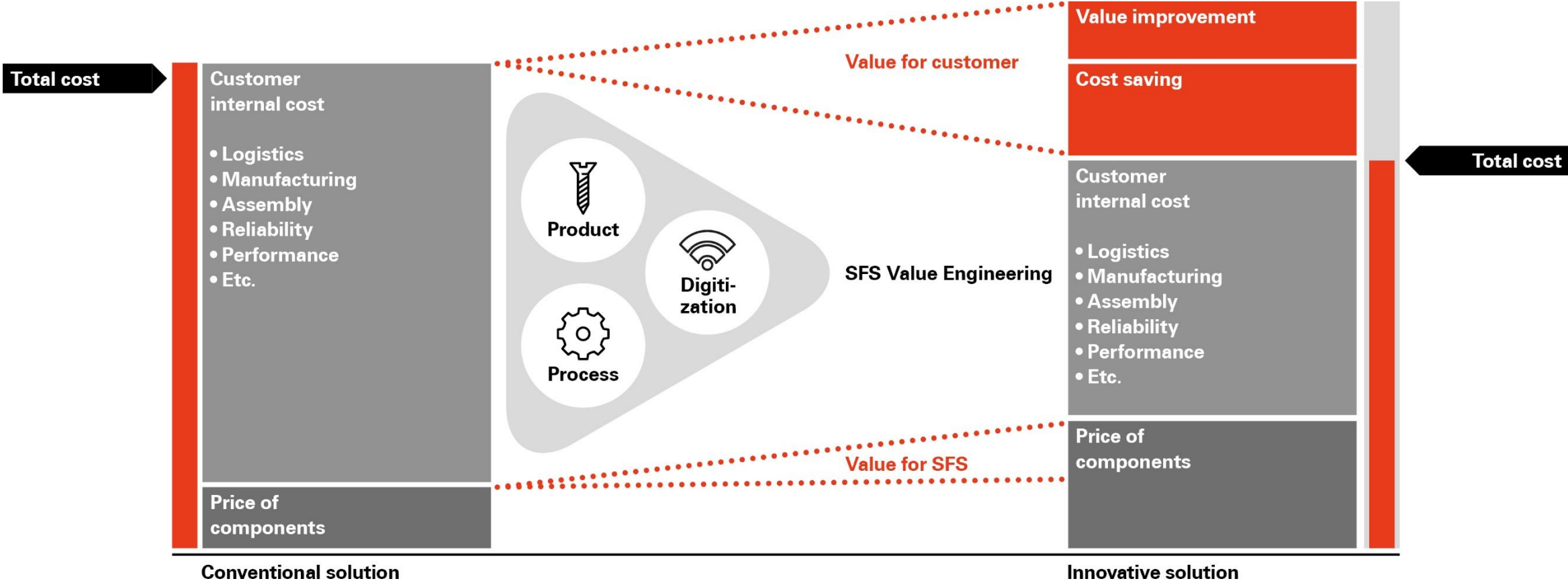
## Like the milestone to reduce our emissions by $\geq 90\%$

We aim to reduce our CO<sub>2</sub> emissions (Scopes 1 and 2) by  $\geq 90\%$  by 2030 through the optimisation of processes, products and digitalisation, with a focus on sustainable customer benefits.



# Sustainable thinking and acting is part of our DNA

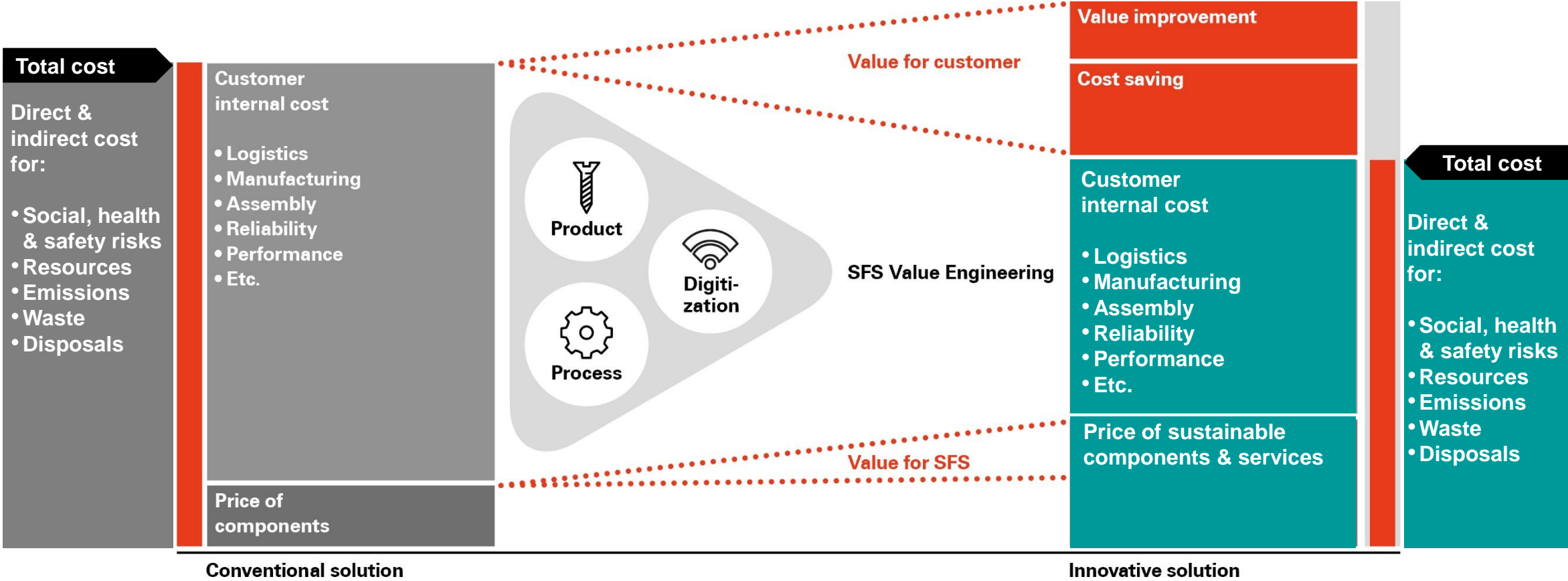
## From our value proposition of today ...





# Sustainable thinking and acting is part of our DNA

## ... to a holistic view on sustainability



# Development by segment

# Headlines Engineered Components segment

## Participated in strong market recovery

- Positive development in most end markets resulted in 1H 2021 reported sales of CHF 492.1 m (+29.5% YOY and +8.3% vs. 1H 19)
- Pronounced recovery in Automotive and most Industrial markets. Electronics with continued strong demand pattern
- Local-for-Local strategy supported largely high delivery performance and allowed selective market share gains
- Global Medical platform positively received
- High utilisation of production capacity resulting in strong EBIT margin of 18.7%

### Key figures Engineered Components

In CHF million (unaudited)	2021 1H	+/- PY	2020 1H
Third party sales	492.1	29.5%	380.1
Sales growth comparable		29.1%	
EBITDA	128.9	86.5%	69.1
As a % of net sales	25.9		17.9
Operating profit (EBIT)	93.1	165.2%	35.1
As a % of net sales	18.7		9.1
Average Capital Employed	733.8	3.3%	710.3
Investments	33.8	-30.5%	48.6
Full-time equivalents (FTE)	6,955	-0.3%	6,978
ROCE in %	25.4		9.9

# Key messages Automotive division

## Pent-up demand driving market environment

- Recovery in demand across regions and applications, but dampened by shortages in semiconductor supply
- Ongoing electrification of vehicles continue to be major engine for innovation and growth of the division, evidenced by new project wins in the area of electric brake applications
- Building expansion project for electric brake systems production in Heerbrugg (CH) developing as planned
- Market conditions expected to remain unchanged, supporting position to outgrow the market



Progress building expansion project in Heerbrugg (CH)

# Key messages Electronics division

## Stable growth across all applications

- Continued growth in the areas of mobile devices and lifestyle electronics supported by home office push
- Positive demand pattern for HDD applications, stimulated by cloud and enterprise computing
- Shortages in semiconductor supply creating some degree of volatility
- Expansion of Nantong platform planned
- Positive development expected for full FY2021 vs. previous year



# Expansion of production platform in Nantong (CN)

## Provide capacity for future growth

- Platform combines all SFS core technologies under one roof and was occupied in 2018
- Ongoing growth of mobile devices, lifestyle electronics and demand from other divisions requiring expansion
- Floor space will increase by approx. 70% to a total of 130,000 m<sup>2</sup>
- Ready for occupancy in autumn 2023
- Total investment spending budgeted at about CHF 32 million



# Key messages Industrial division

## Continued recovery in most niche markets

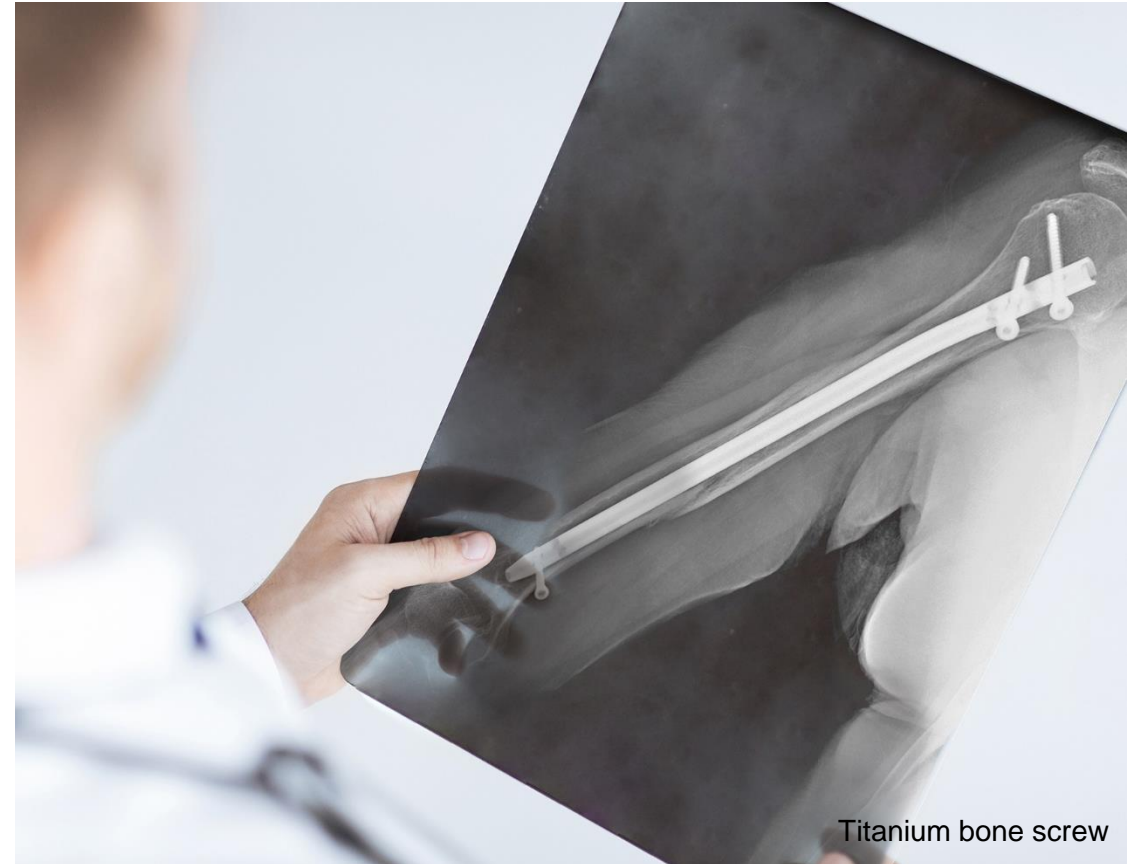
- Returned on growth track, but development of demand varies across individual business units
- Strong demand for furniture, cutting tools and general industrial applications
- Aircraft components business expected to continue to operate in stabilised, but challenging environment for the next 12–24 months
- Ongoing good demand in the second half year expected to result in organic growth in full FY2021



# Key messages Medical division

## Positive customer sentiment towards global platform

- Challenging market environment for orthopaedic products due to continued postponement of elective surgeries
- Ongoing positive development in other application areas
- Build-up of global manufacturing platform continues as planned. Positive customer feedback and good project inflow in Europe and Asia
- Slightly positive development for full FY2021 expected, hampered by orthopaedics business and phase-out of lower margin products



Titanium bone screw



# Headlines Fastening Systems segment

## Advantage taken of dynamic market environment

- Continued high demand in construction and industrial manufacturing industries and pent-up demand in automotive market resulted in 1H 2021 reported sales of CHF 293.1 m (+25.3% YOY and +18.0% vs. 1H 19)
- High market demand put supply chains and material prices under considerable strain
- Strong performance orientation allowed divisions to navigate challenging environment and benefit from market opportunities
- High capacity utilisation and thorough cost management resulted in record EBIT of 17.7%

### Key figures Fastening Systems

In CHF million (unaudited)	2021 1H	+/- PY	2020 1H
Third party sales	293.1	25.3%	234.0
Sales growth comparable		25.5%	
EBITDA	62.2	93.2%	32.2
As a % of net sales	20.7		13.5
Operating profit (EBIT)	53.0	133.5%	22.7
As a % of net sales	17.7		9.5
Average Capital Employed	262.8	-8.9%	288.5
Investments	4.2	-2.3%	4.3
Full-time equivalents (FTE)	2,522	5.7%	2,386
ROCE in %	40.3		15.7

# Key messages Construction division

## Strong demand and high capacity utilisation

- Construction market continued its positive development, driven by rebound effects and moved up orders
- Extraordinary demand in all application areas across Europe and North America resulted in historically high sales
- Increasing signs of overheating expected to result in slowdown of construction projects and potentially normalisation of demand
- Division expects a positive development for full FY2021



Extraordinary market environment across Europe and North America

# Acquisition of Jevith

## Broaden market access in Denmark

- Denmark-based provider of fastening solutions for application in high quality building envelopes
- Expansion of market access to the Danish construction industry
- High technology and application competence, including specific services
- Key figures FY2020:
  - sales of approx. EUR 5 m
  - 10 employees
- First-time consolidation as per 1 July 2021



# Key messages Riveting division

## Continued improvement of performance

- Pent-up demand in automotive market and recovery of industrial manufacturing industry drove growth across all application areas
- Some automotive customers have been negatively impacted by shortage in semiconductor supply
- Relocation of Chinese production site to Nantong (China) expected to yield further efficiency gains
- Market environment expected to remain stable, resulting in organic growth for full FY2021



# Headlines Distribution & Logistics segment

## Ongoing positive development

- Overall good market demand continued in 1H 21 and resulted in reported sales growth of 13.0 m (+8.1% YOY and +4.4% vs. 1H 19)
- Strong demand from construction customers, still challenging environment in milling and machining end markets
- High market demand put supply chains and price levels under considerable strain, expected to result increasingly in reduced availability of certain product categories
- Segment expects organic growth for full FY2021

### Key figures Distribution & Logistics

In CHF million (unaudited)	2021 1H	+/- PY	2020 1H
Third party sales	172.6	8.1%	159.6
Sales growth comparable		7.8%	
EBITDA	18.7	8.7%	17.2
As a % of net sales	10.7		10.6
Operating profit (EBIT)	16.2	11.7%	14.5
As a % of net sales	9.2		8.9
Average Capital Employed	126.8	-1.7%	129.0
Investments	2.2	15.8%	1.9
Full-time equivalents (FTE)	591	-0.7%	595
ROCE in %	25.6		22.4

# Development of key financials

# Sales bridge

## On the path of guided organic growth in 1H 2021

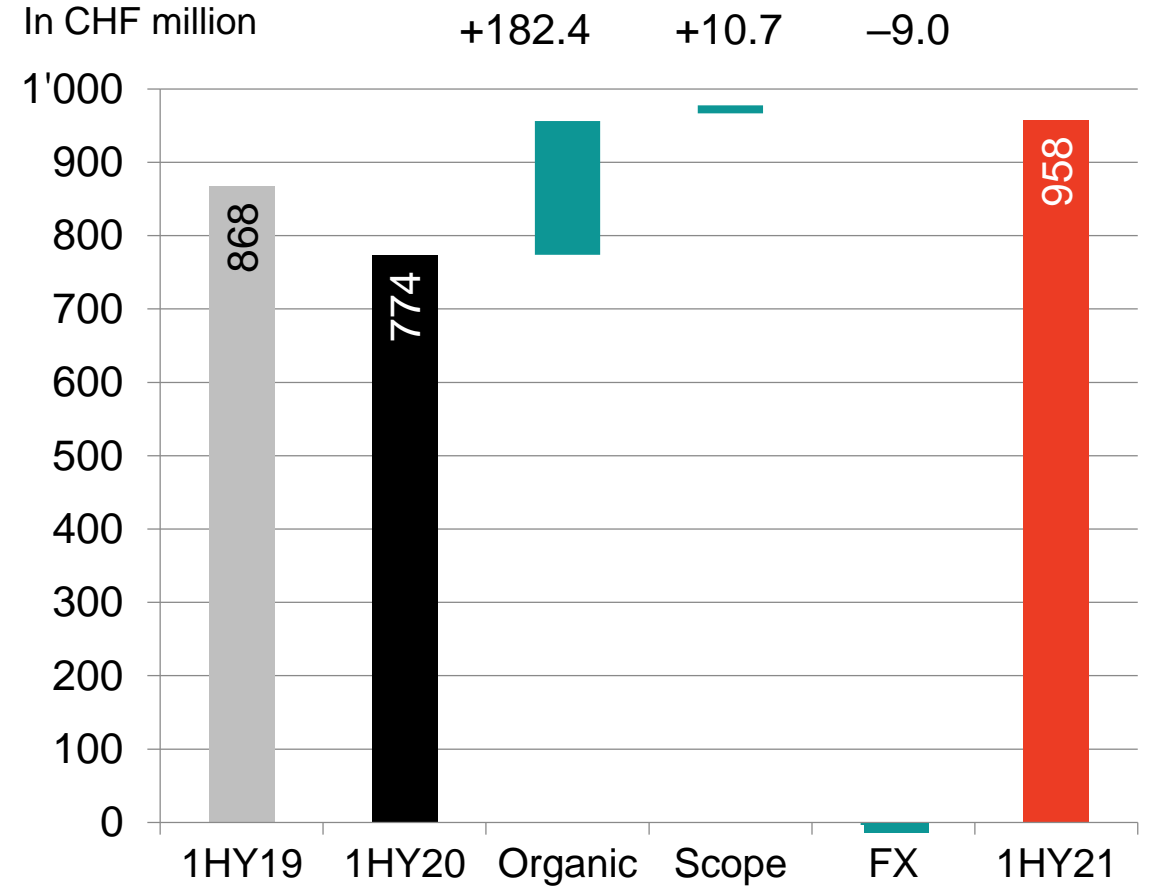
Reported growth of	<u>+23.8%</u>	(PY -10.8)
• Core business	+23.6%	(PY -10.4)
• Scope	+1.4%	(PY 3.4)
• FX impact	-1.2%	(PY -3.8)

### Organic growth SFS Group

- Q1 2021 +10.4%
- Q2 2021 +13.2%

### Like-for-like growth by segment

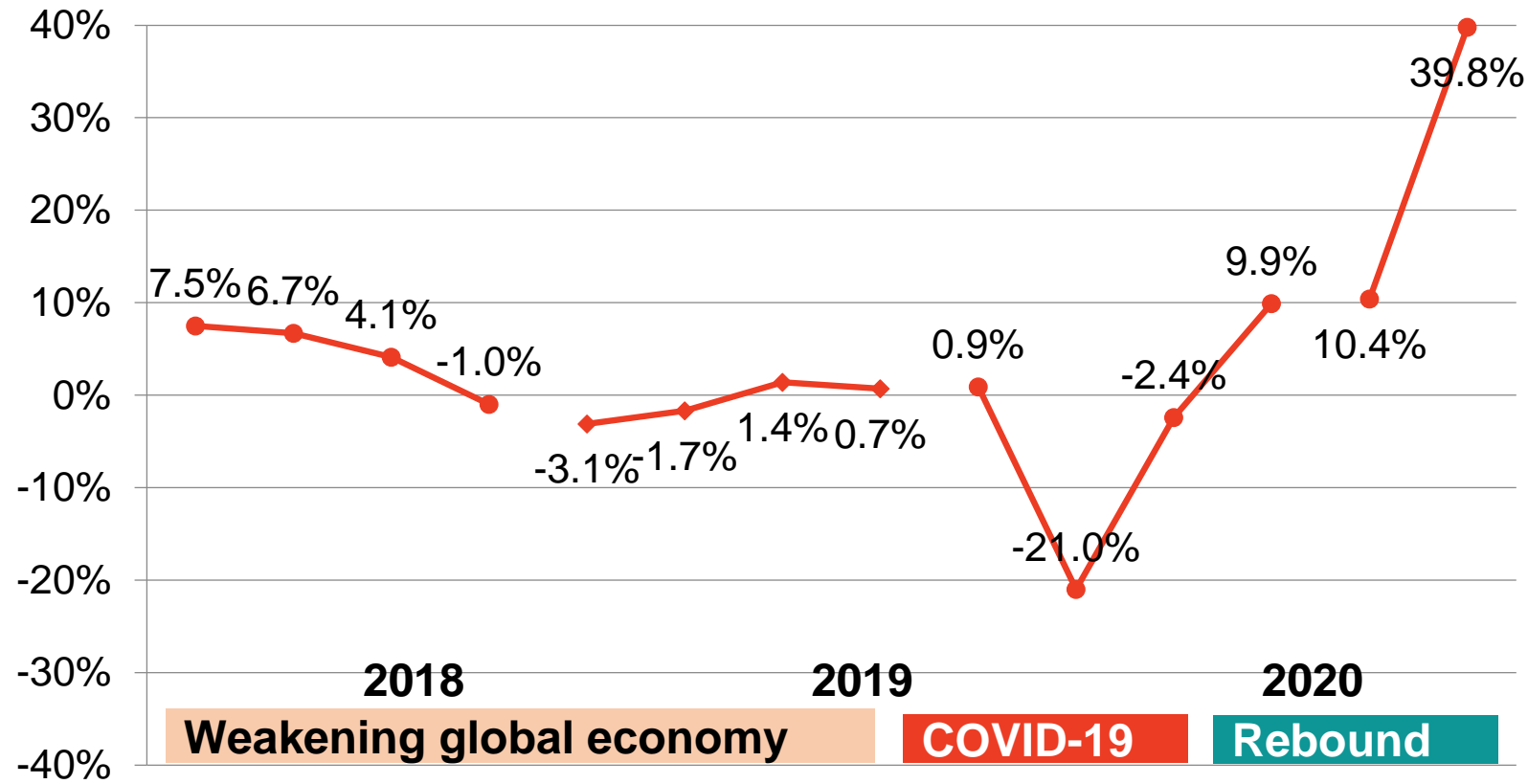
- +29.1% in EC (PY -13.5%)
- +25.5% in FS (PY -10.0%)
- +7.8% in D&L (PY -2.6%)



# Organic sales development

## COVID-19 with massive impact and stark rebound

Organic growth in % YOY



- First half year saw unprecedented increase in demand across all end markets
- Supply chains are strained and capacity utilisation high

### Organic Growth by end markets

Growth YOY	Q1 2021	Q2 2021
Construction	13.0%	34.2%
Automotive	7.8%	128.8%
Electronics	30.3%	27.1%
Medical	1.5%	13.3%
Others	-2.8%	16.4%
<b>SFS Group</b>	<b>10.4%</b>	<b>39.8%</b>

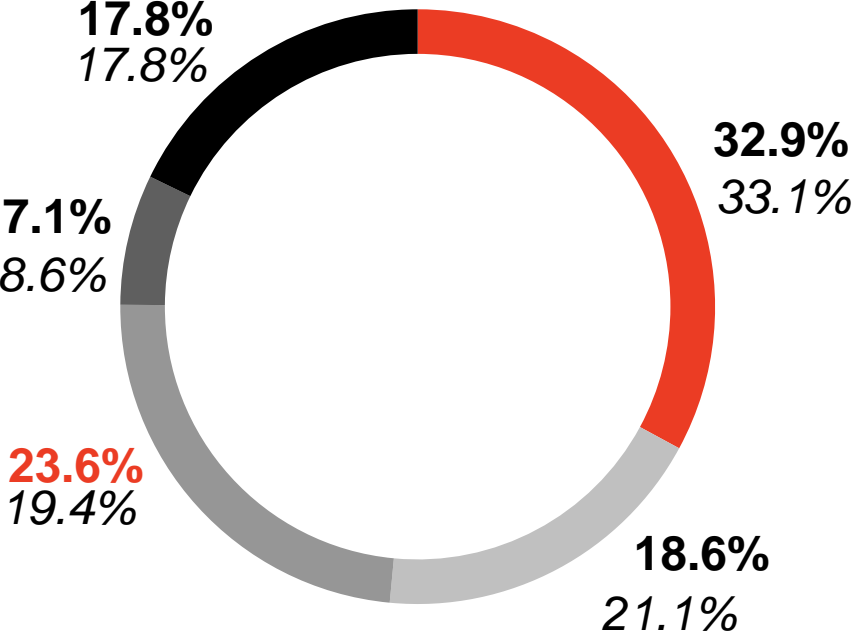


# Sales by end markets and regions

## Automotive & Europe coming back strongly

2021 data  
2020 data

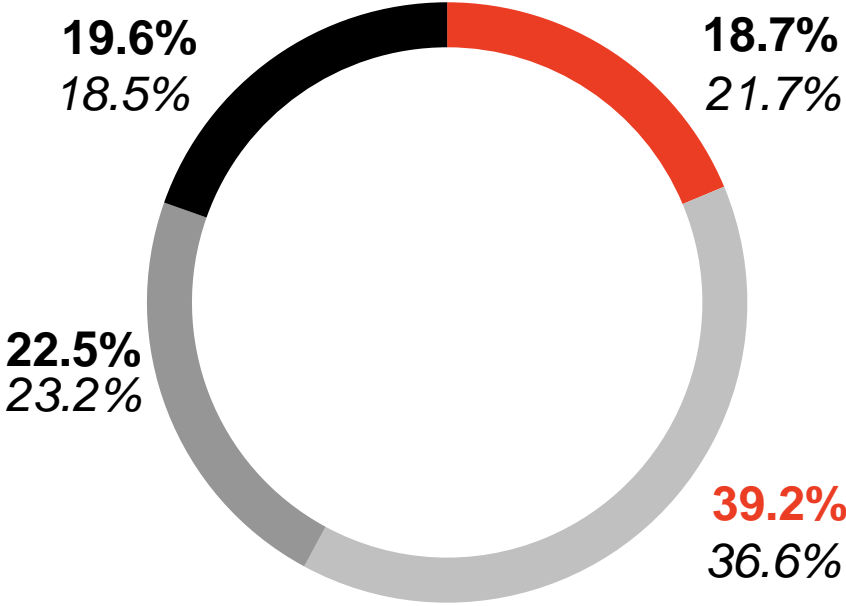
By end markets



■ Construction ■ Others ■ Automotive ■ Medical ■ Electronics

2021 data  
2020 data

By regions

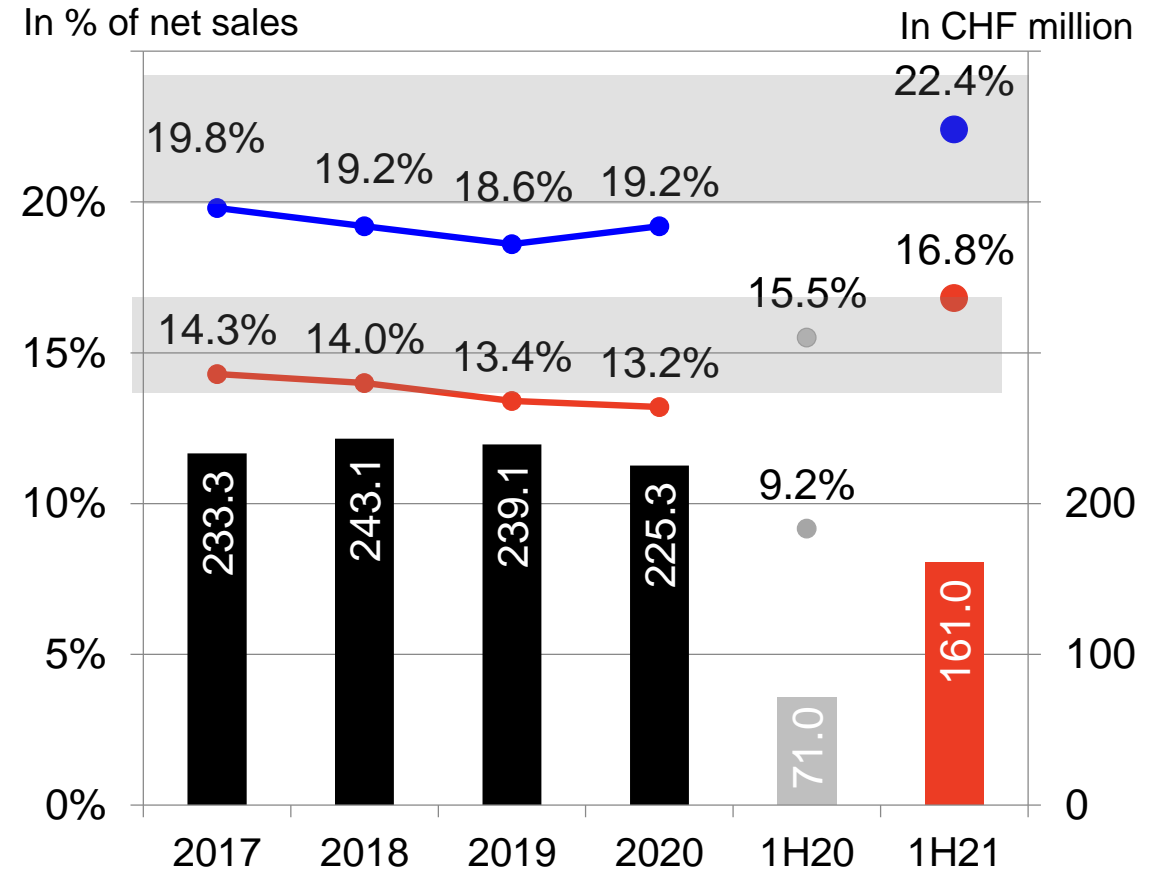


■ Switzerland ■ Europe ■ America ■ Asia

# Operating profitability

## High utilisation and cost discipline drive performance

- EBIT margin adjusted 16.8% or CHF 161.0 m; we report the 4<sup>th</sup> quarter in a row EBIT >15%
- EBITDA margin 22.4% or CHF 215.0 m
- High utilization supports overall profitability
- Supply chain and logistics cost ask for high focus and close management
- Diligent cost management remains in place for personnel and other operating expenses

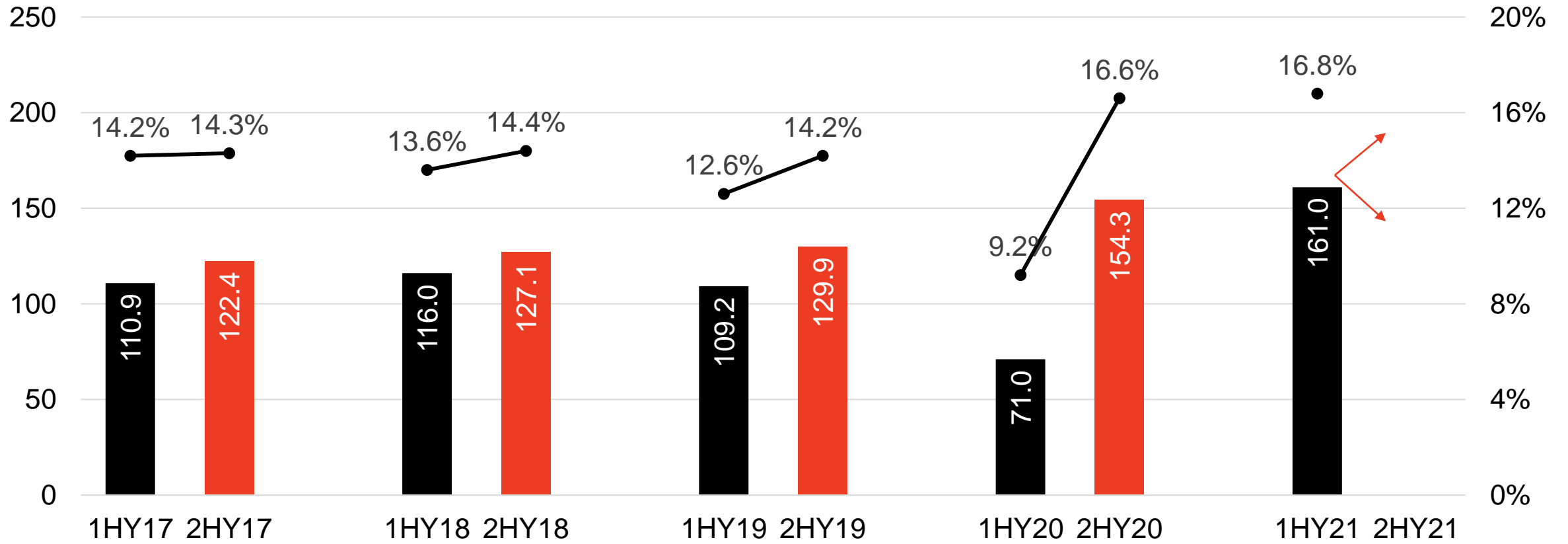


# Operating profitability

## Seasonal patterns to continue?

EBIT adjusted in CHF million

EBIT adjusted margin in %

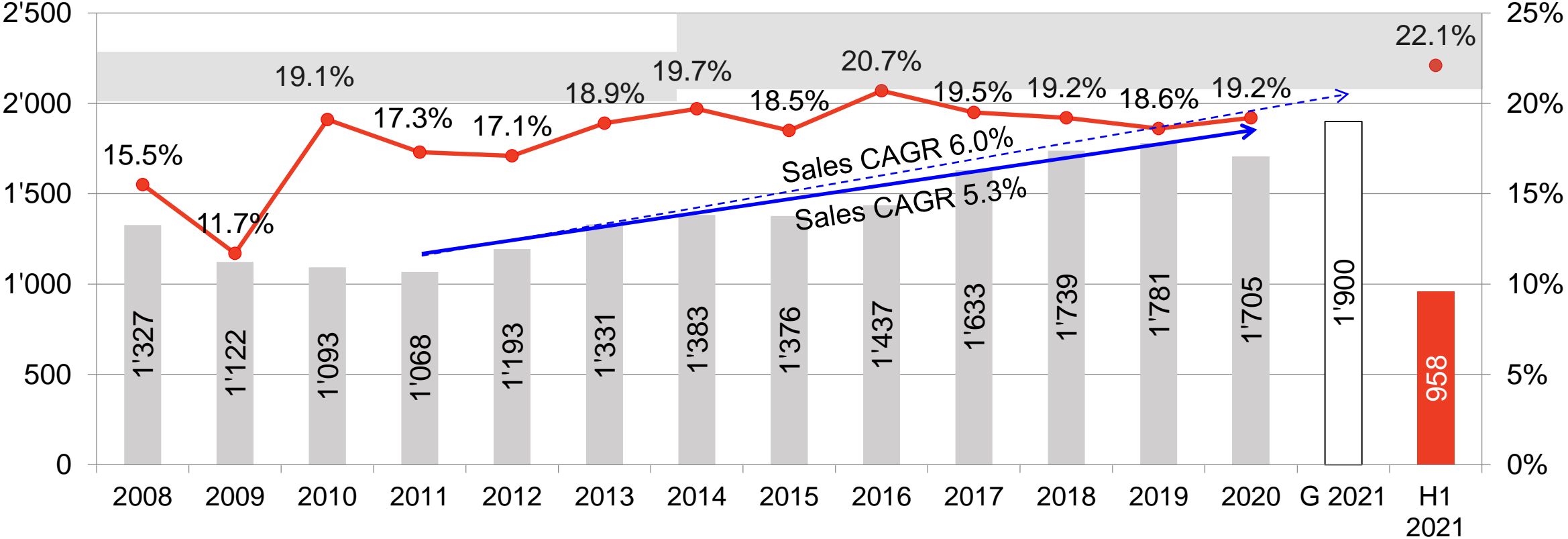


# Operating profitability

## Growth through the cycle holds firm

Sales in CHF million

EBITDA margin adjusted



# Net working capital

## Seasonal peak per HY | Normalizing in 1H 2021

NWC seasonally high, improved vs PY

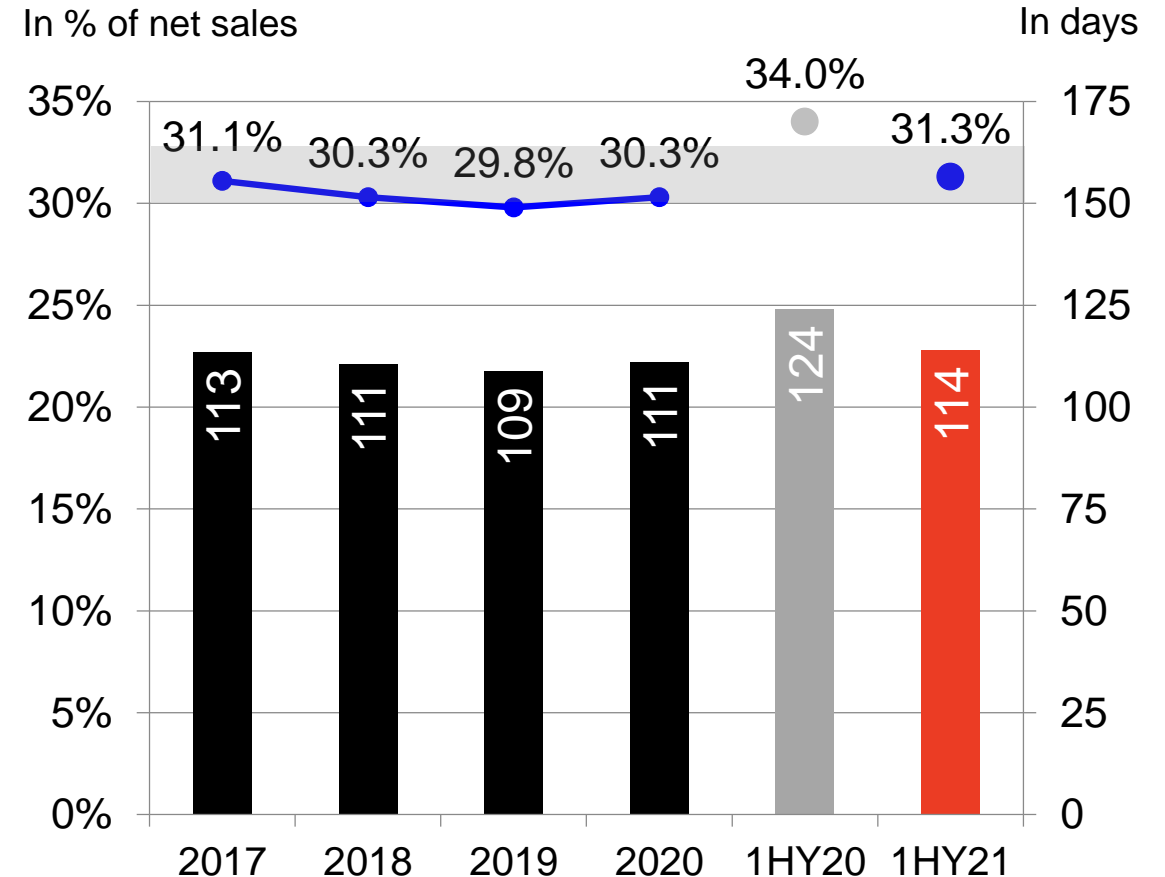
- Equals 114 working days
- Measured at balance sheet date

### Cash-to-Cash

- Acc. Receivables 66.1 (PY 65.3)
- Inventory 63.9 (PY 75.2)
- Payables -20.1 (PY -20.7)
- Total Cash-to-Cash 109.9 (PY 119.8)

- Low inventory levels as the whole supply chain is strained

- No collection risks arisen during the crisis



# Capital expenditure

## CAPEX at <5% | Expansion projects in 2H 2021

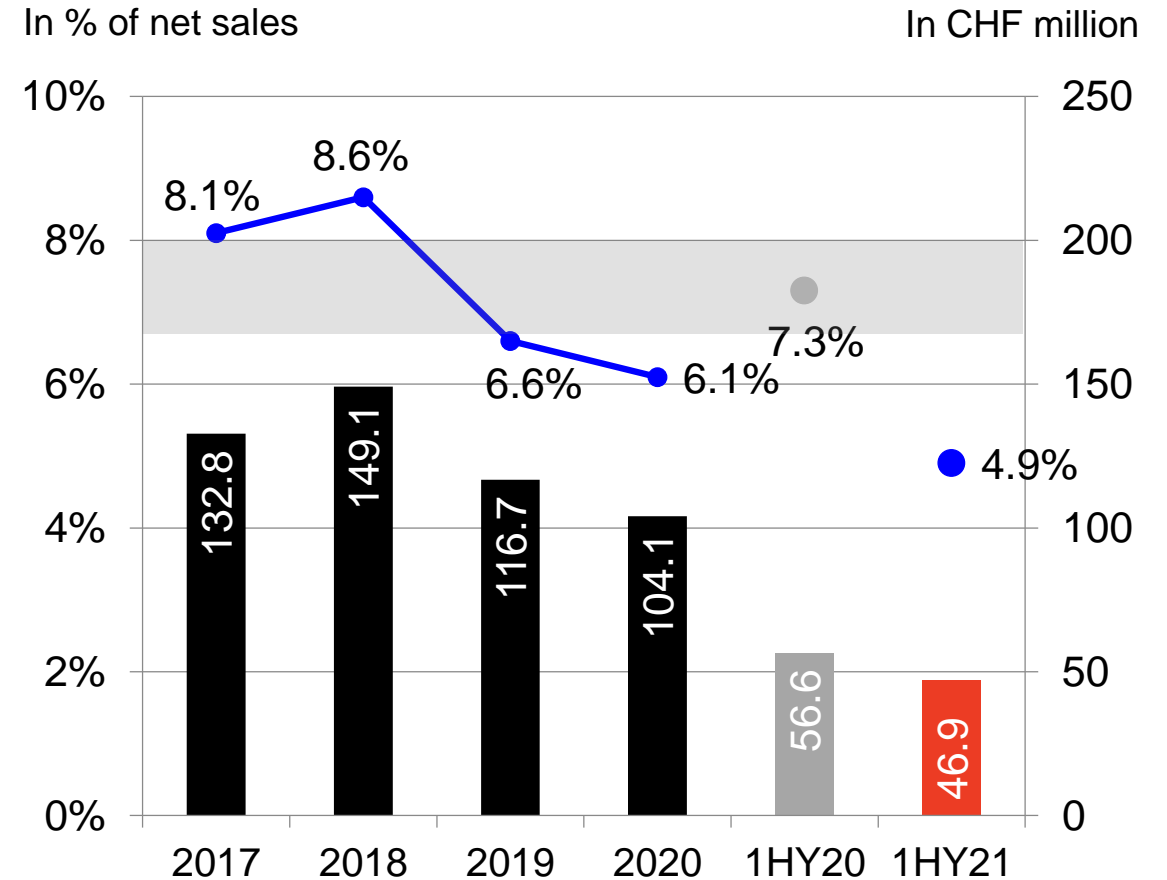
- CAPEX spending at 4.9%
- Significant projects ongoing
  - Switzerland: Hall 6 Automotive in Heerbrugg
  - Initialised capacity expansions in Asia and selected other production sites

### CAPEX spending by region

- 59% Switzerland (PY 35%)
- 12% Europe (PY 10%)
- 16% Americas (PY 36%)
- 13% Asia (PY 19%)

### CAPEX by segment

- 72% EC (PY 86%)
- 9% FS (PY 8%)
- 5% D&L (PY 3%)
- 14% Corporate (PY 3%)



# Free cash flow

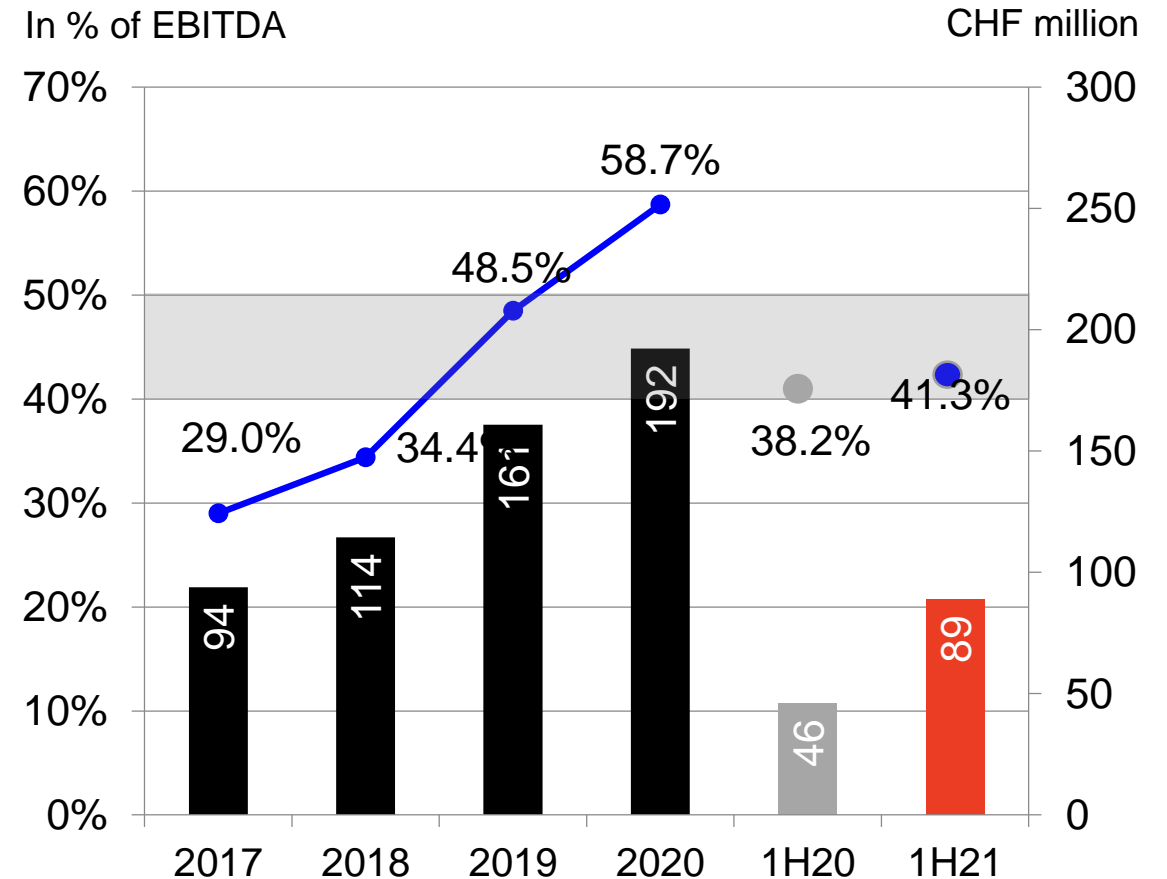
## CAPEX and NWC increase fully financed by cash flow

Good cash generation (in CHF)

- 136 m cash flow from operations (PY 103 m)
- -47 m CAPEX (PY -57 m)
- 89 m operating free cash flow (PY 46 m)

Conversion rate at 41.3%

- Target range of 40–50%



# Balance sheet ratios

## Strong balance sheet and financing

Equity ratio increased to 78.3%

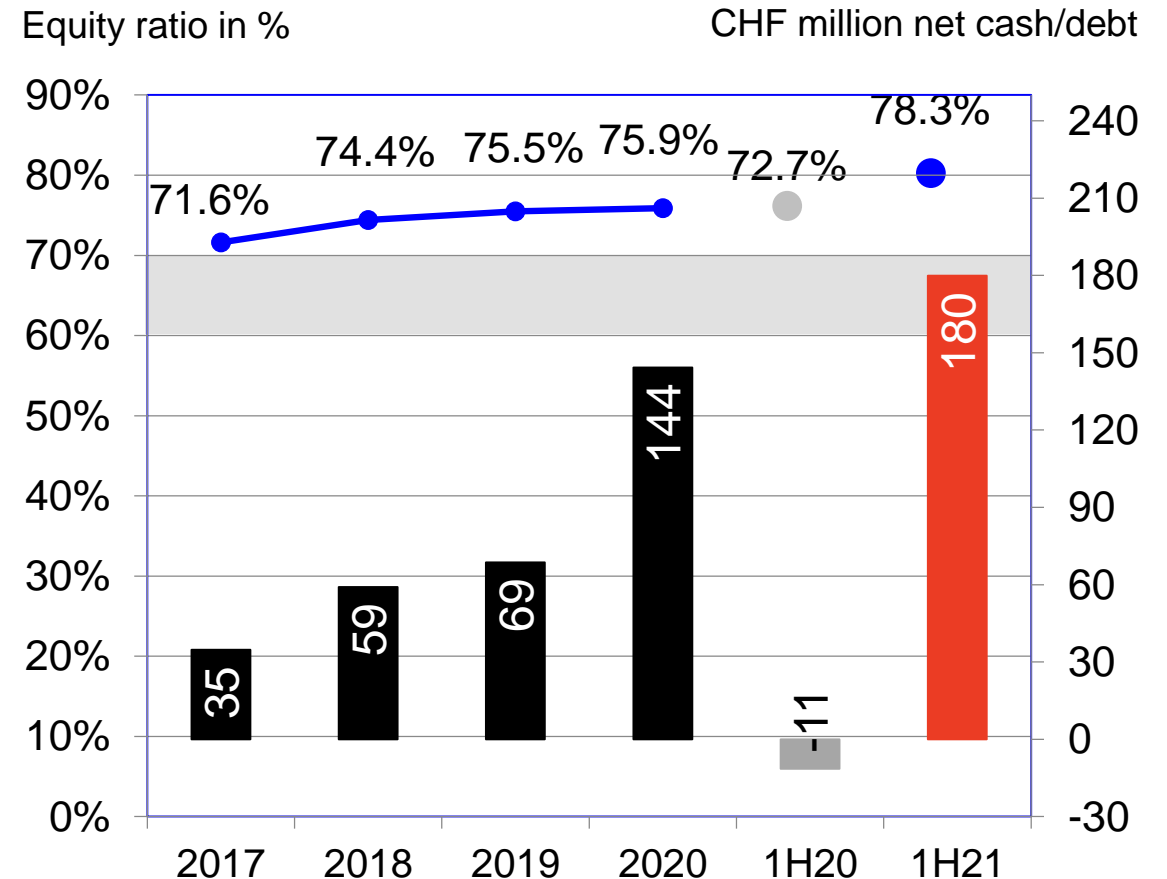
- Target range >60%

Net cash at year end CHF 144 m increased to CHF 180 m as of 30 June

- 89 m operating free cash flow
- 12 m disposal PPE
- -66 m dividend payout
- 35 m increase vs. year end 2020

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 28.3%

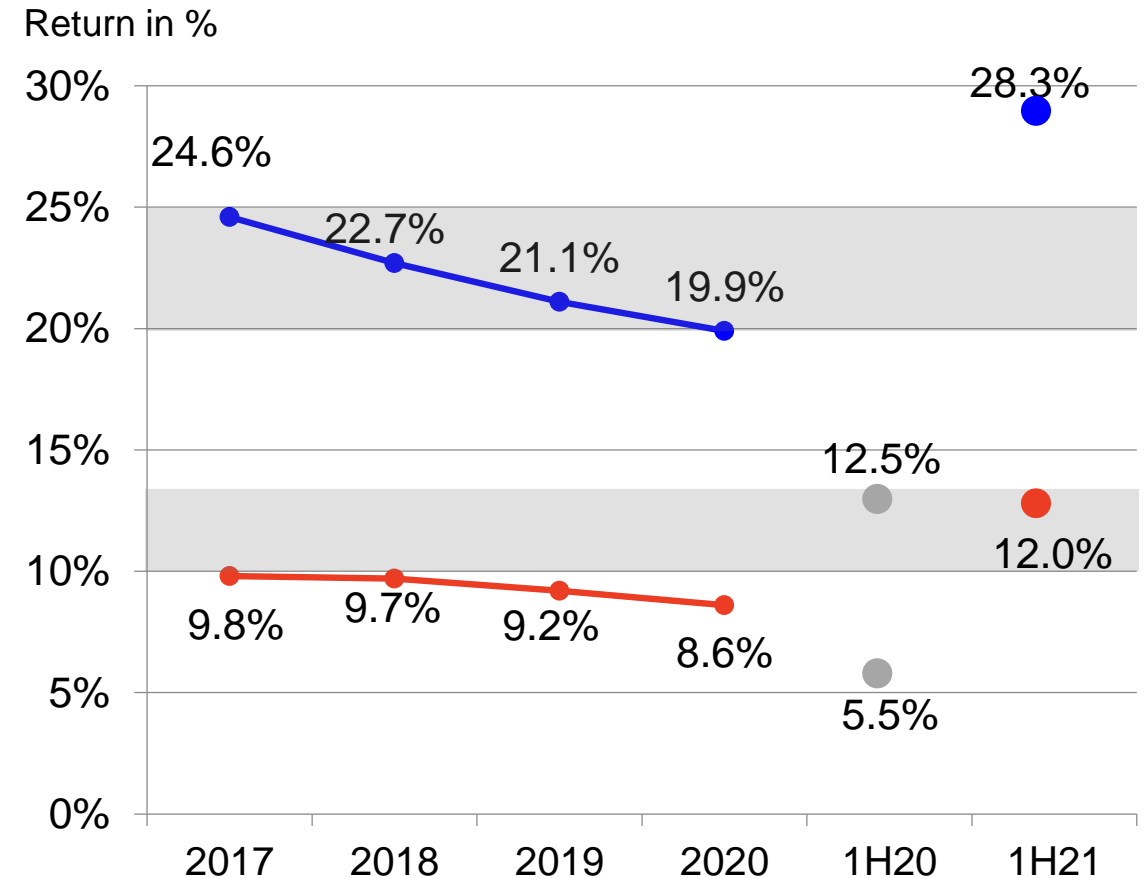
- EBIT adjusted in % of Ø CE CHF 1.1 bn

Return on invested capital at 12.0%

- EBIT after tax (flat rate of 17.5%)
- Invested capital CHF 2.2 bn including goodwill offset with CHF 1.0 bn

Bridge between ROIC and ROCE

12.0% ROIC after tax  
+11.3% CHF 1.1 bn higher capital  
+5.0% tax impact on EBIT  
28.3% ROCE before tax



# KPI summary

## Performing and participating from the rebound

In CHF million		1H 2021	%	1H 2020	%	YOY
Sales		957.8		773.7		+23.8%
EBITDA	margin	215.0	22.4%	120.3	15.5%	+690bps
EBIT adjusted	margin	161.0	16.8%	71.0	9.2%	+760bps
Net income	margin	134.1	14.0%	53.9	7.0%	+700bps
Equity	ratio	1,370.7	78.3%	1,169.0	72.7%	+560bps
Net cash		179.9		-11.4		+191.3
CAPEX	% net sales	46.9	4.9%	56.6	7.3%	-240bps
Free cash flow	conversion rate	88.9	41.3%	46.0	38.2%	+310bps
ROCE		28.3%		12.5%		

# Updated guidance 2021 & Group priorities

# Guidance FY2021

## Increased expectations thanks to organic growth

	2020A	2021G (10 June)	Mid-TermG
Gross sales development (in local currencies incl. M&A)	-0.2%	<b>ca. CHF 1.9 bn</b>	<b>3–6%</b>
EBIT margin	13.3%	<b>ca. 15%</b>	<b>13–16%</b>

A = Actual G = Guidance

### Assumptions:

- Continued dynamic development in second half year 2021
- No further global waves of COVID-19 infections leading to a deterioration of the economic conditions

# SFS Group priorities

## Continued focus on organic growth path

### Megatrends

→ Strengthening innovation, particularly in the megatrends of digitisation & 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 capability & control of control

### Sustainability

→ Continued focus on the set goals and update of materiality assessment

# Q&A

# Q&A

## Any questions?



**Jens Breu**  
Chief Executive Officer



**Volker Dostmann**  
Chief Financial Officer

**Thank you for  
your attention**



# Inventing success together

# Disclaimer

This presentation includes forward looking statements. These statements reflect the SFS Group's current assessment of market conditions and future events. The statements are therefore subject to risks, uncertainties and assumptions. Unforeseen events may lead to deviations of the actual results from the forecasts and estimates made in this presentation and in other published information. To this extent all forward looking statements in this presentation are subject to such limitations.