

**Inventing**  
**success**  
**together**

**23**

# Agenda

## Presentation on FY23 results

- 01 Positioning
- 02 Key takeaways
- 03 Development of key financials
- 04 Development by segment
- 05 Outlook 2024

# Positioning

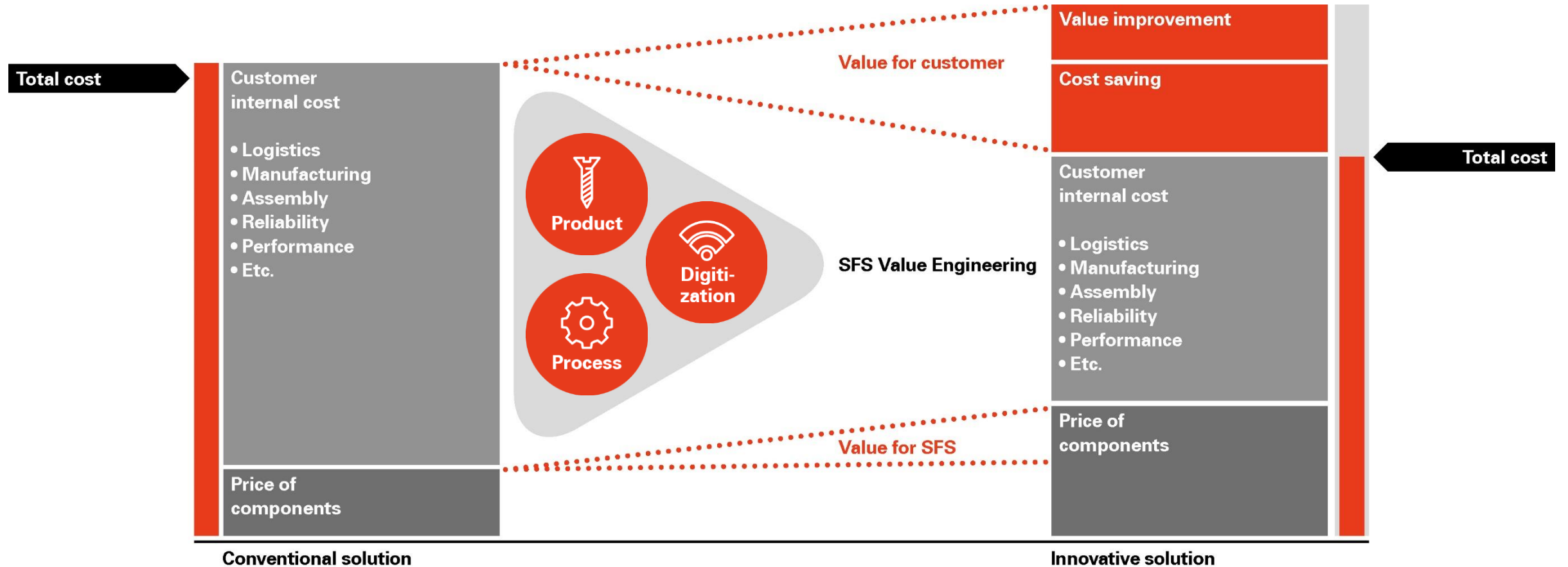
# Mission critical products for selected end markets

**We are by your side – 24/7**



# 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



SFS

GESIPA

TEGRA  
MEDICAL

UNISTEEL

### Fastening Systems

#### Solution Provider

Development and distribution of application-specific tools and fasteners



SFS

### Distribution & Logistics

#### System Partner

Development and trade of tools, fasteners and work equipment



SFS

Hoffmann Group

SFS

# Our focused business activities

## Tailored solutions for selected end markets

### Engineered Components

#### Automotive



**SFS** **GESIPA**

#### Electronics



**UNISTEEL**

#### M&I Specials



**SFS** **GESIPA** **TEGRA MEDICAL**

### Fastening Systems

#### Construction



**SFS**

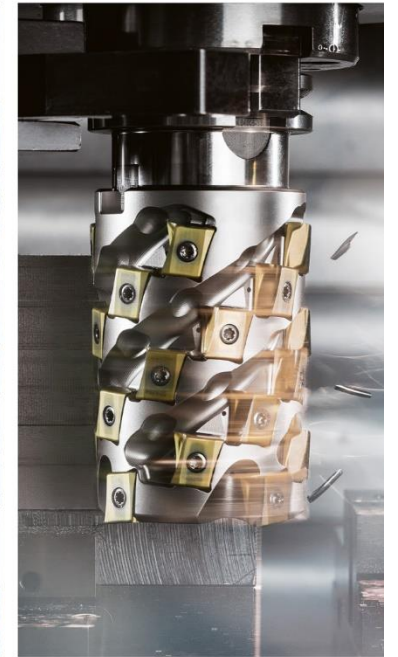
### Distribution & Logistics

#### D&L Switzerland



**SFS**

#### D&L International



**Hoffmann Group**

# Global sales & manufacturing platform

## Customer proximity supported by local presence

140  
locations  
in 35  
countries



**North America**  
40 Locations  
(7 Production sites)

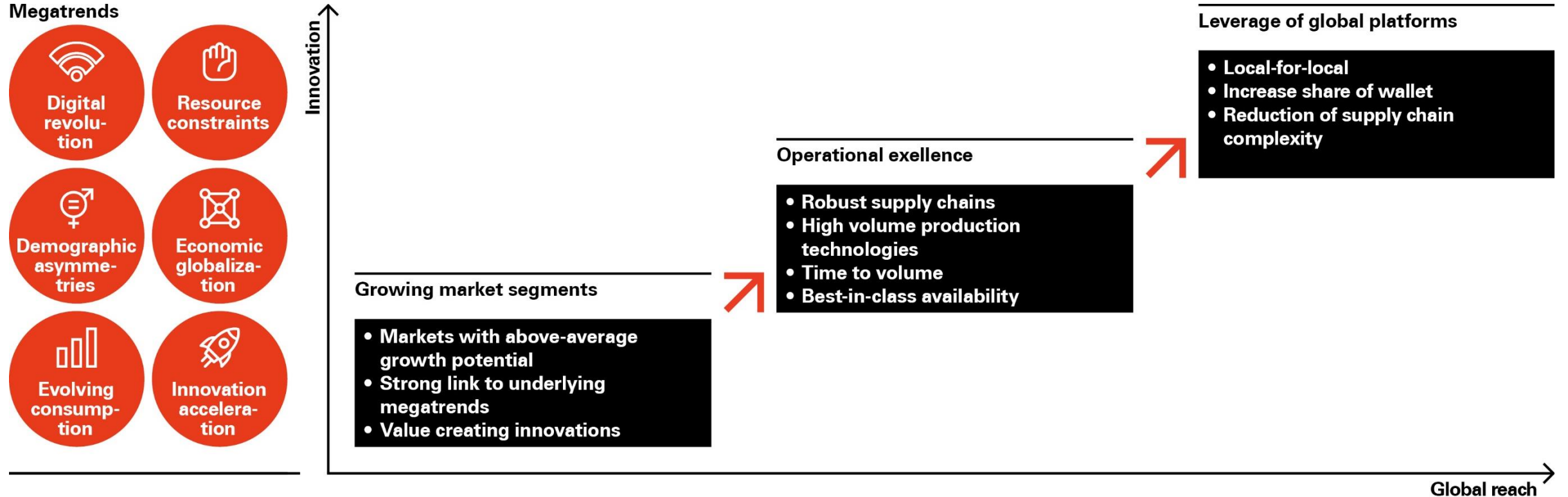
**Europe**  
85 Locations  
(20 Production sites)

**Asia, others**  
15 Locations  
(5 Production sites)



# Our focused business activities

## Sustainable growth through the cycle



# Key takeaways

# 2023 at a glance

## Well on track

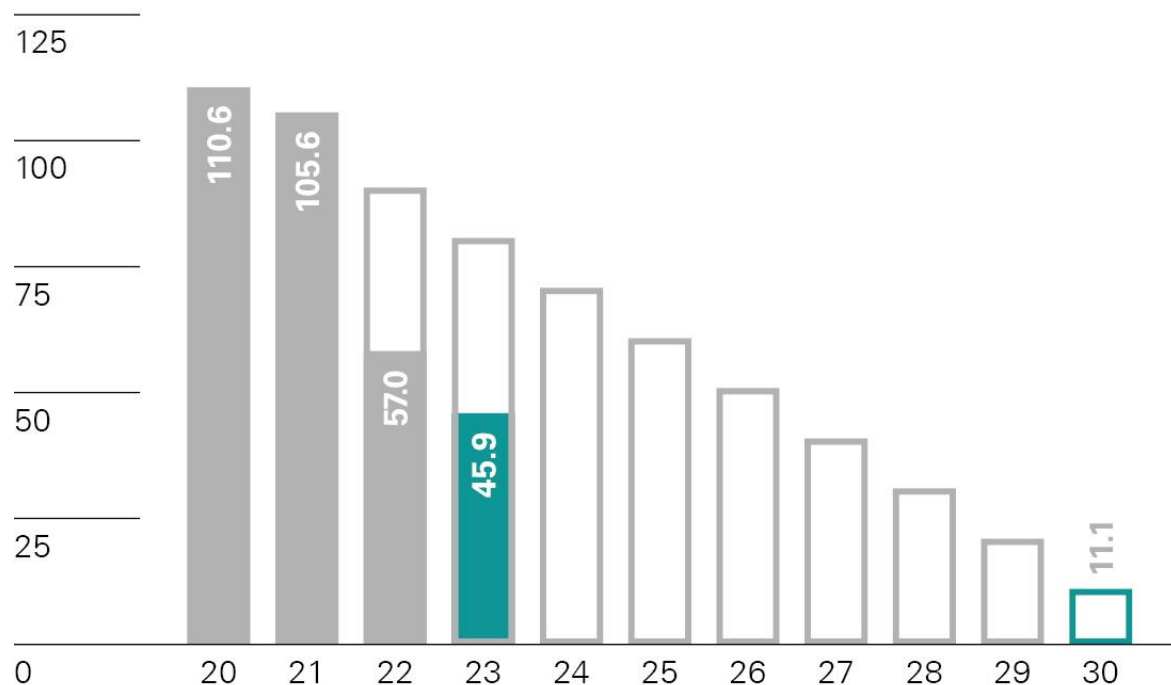
- Despite difficult economic environment, SFS achieved stable development and met targets set
- Third-party sales of CHF 3,090.8 million generated (+12.6% vs. PY). Sales development driven by robust organic growth (+2.1%) and consolidation effects from Hoffmann (+14.6%). Strong currency effects negatively impacted growth (−4.1%).
- Operating profit (EBIT) of CHF 358.6 million (PY 330.3 million) significantly impacted by consolidation and mix effects. Inconsistent capacity utilization in Engineered Components. Inflationary cost increases and ongoing appreciation of CHF. Solid EBIT margin of 11.7% (PY 12.1%) in light of economic conditions.
- EPS of CHF 6.84 (PY CHF 6.95) burdened by tax effects
- CHF 174.0 million in growth-related investments, including new production equipment in Heerbrugg (CH), expansion of production platform in Nantong (CN), ERP system upgrade and strengthening of cybersecurity
- Integration of Hoffmann progressing well, both divisions of Distribution & Logistics segment benefit from the potential opened up by the collaboration
- Organizational changes to strengthen customer focus initiated and in implementation

# Key takeaways | Environment

## Well on the way to achieving our targets

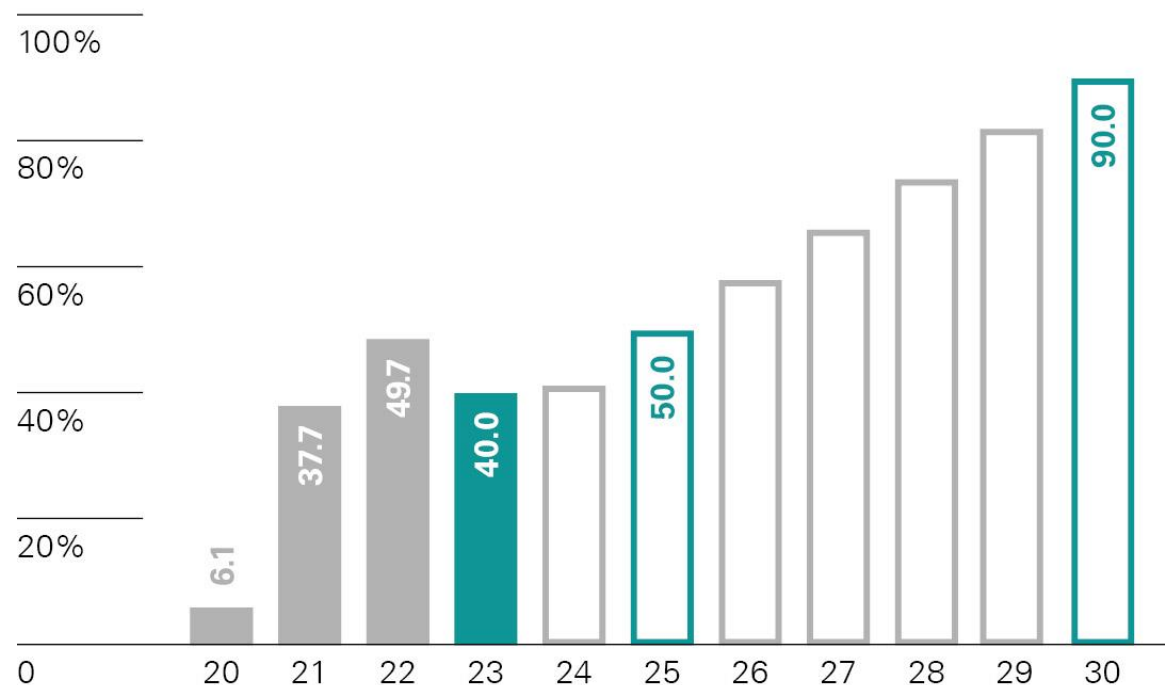
### Reduction of Scope 1 and 2 emissions by **-58.5% vs. 2020**

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



### Decline in the share of renewable electricity

Share of renewable electricity in % of total electricity demand

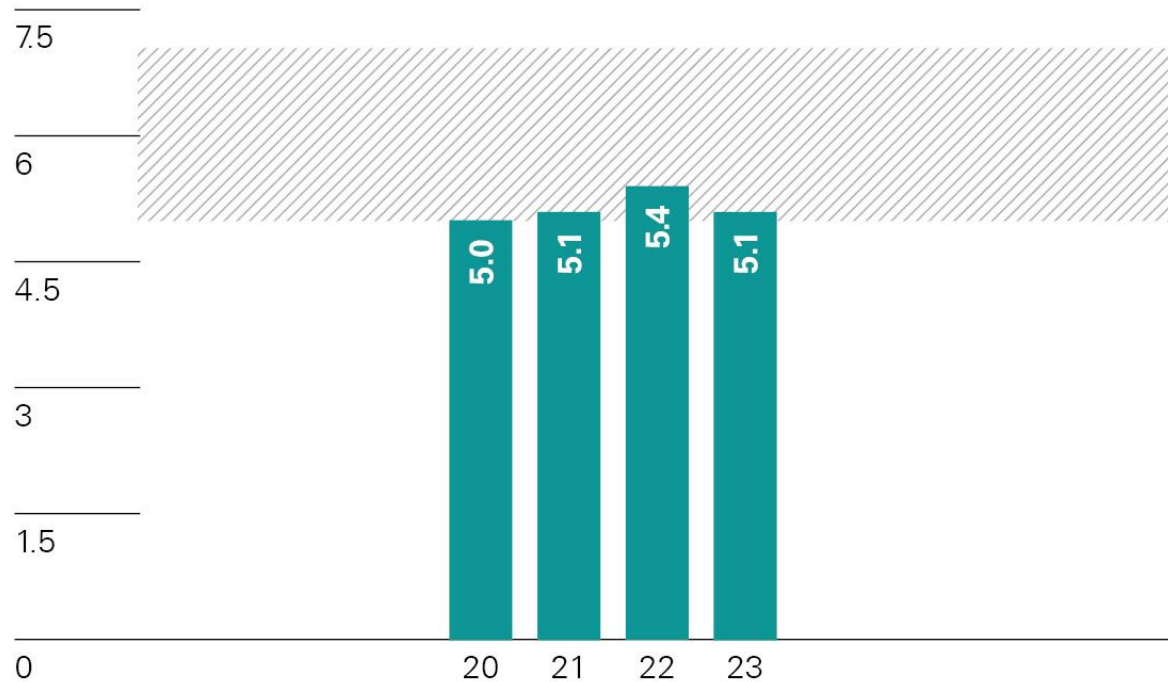


# Key takeaways | Social

## Dual education secured, accident rate too high

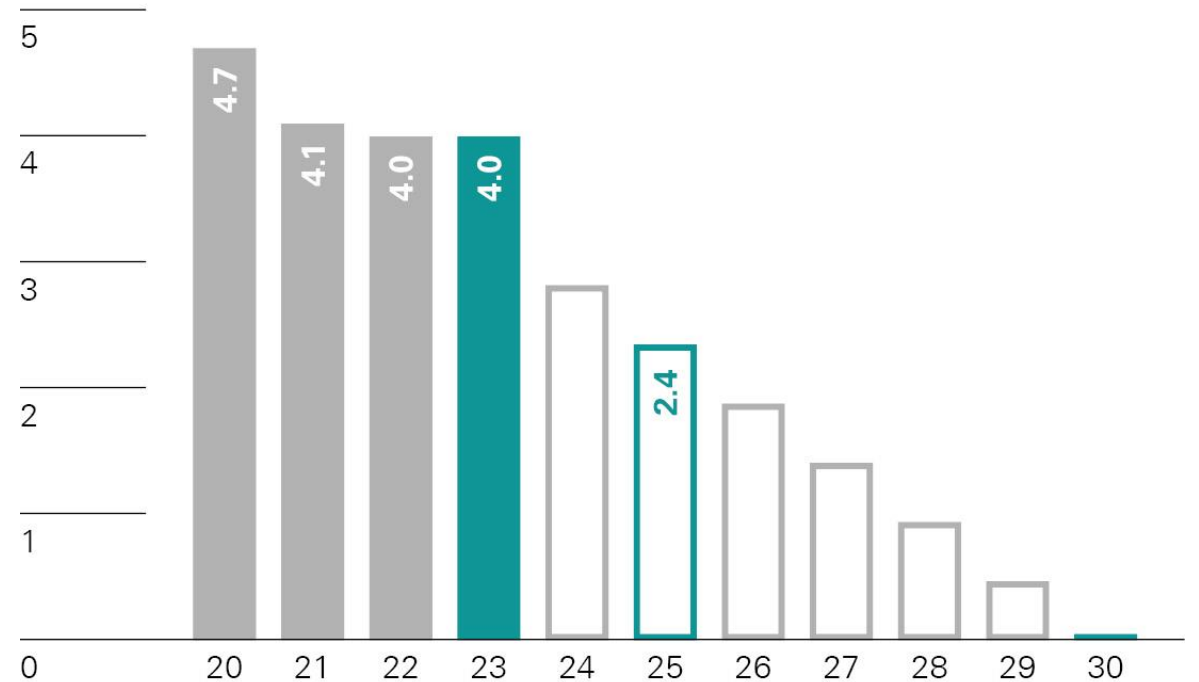
### Target range of 5–7% for dual education achieved again

Number of employees in dual education programs in %



### No progress in reducing the accident rate

Number of accidents per million hours worked



# Key takeaways | Governance

## No sanctions for compliance violations

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### Socioeconomic compliance

Number of sanctions for compliance violations

0

In the year under review, there were no compliance incidents at SFS that resulted in fines or legal proceedings.

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### Compliance reports

Number of examined compliance reports in the reporting year

19

In the year under review, the Group Compliance Officer and the local compliance officers received and examined a total of 19 reports of compliance violations.

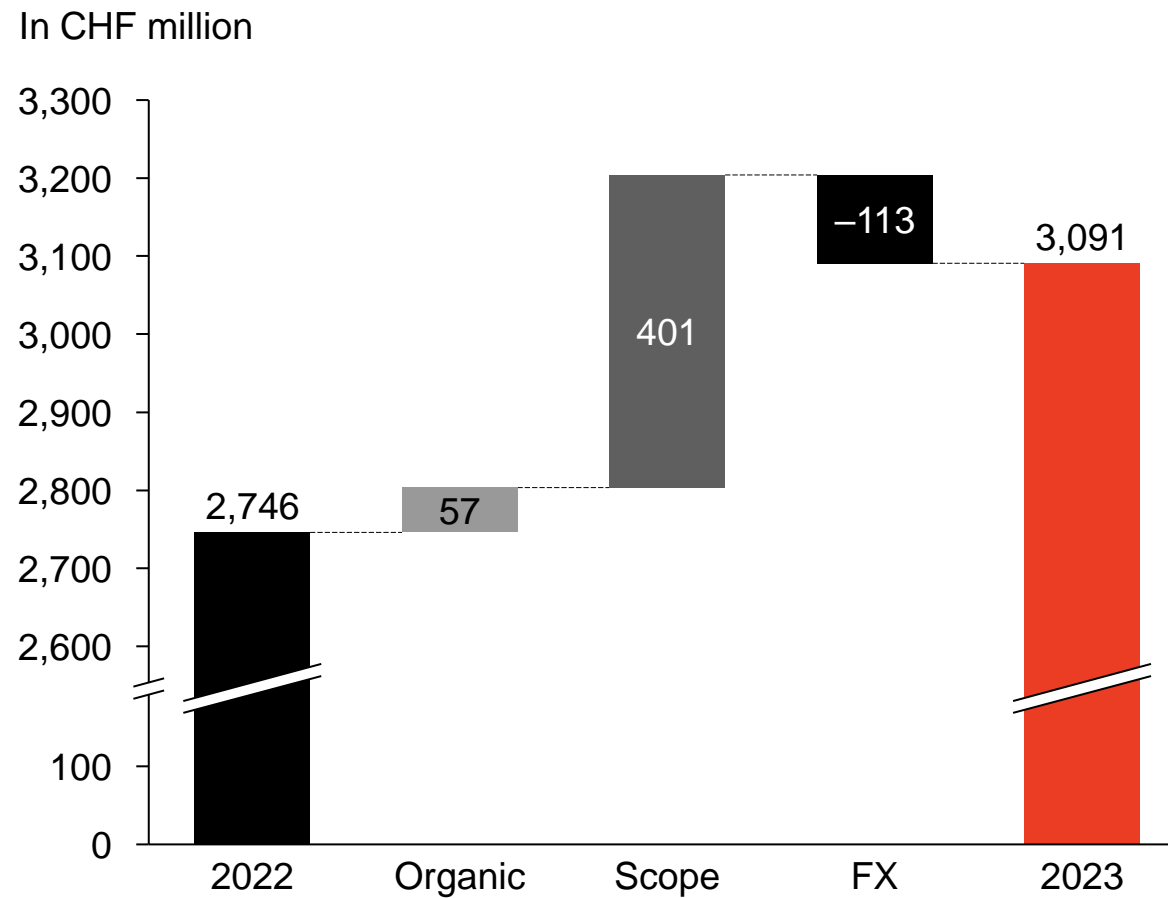
# Development of key financials

# Sales bridge

## Robust growth and step change from Hoffmann inclusion

| Organic growth | 2023<br>CHF million | 2023<br>% | 2022<br>% |
|----------------|---------------------|-----------|-----------|
| EC segment     | 14                  | 1.4       | 6.5       |
| FS segment     | 4                   | 0.7       | 15.6      |
| D&L segment    | 39                  | 3.7       | 5.3       |

- Overall organic growth 2.1%
- Strong FX effects of  $-4.1\%$   
(EC  $-5.3\%$ , FS  $-5.3\%$ , D&L  $-2.3\%$ )
- EC segment faced headwind due to destocking effects and partially lower consumer demand
- Market demand in FS reduced, competition increased mainly due to better product availability
- Strong organic growth in D&L
- Scope effect from Hoffmann sales January to April 2023 cause leap in sales

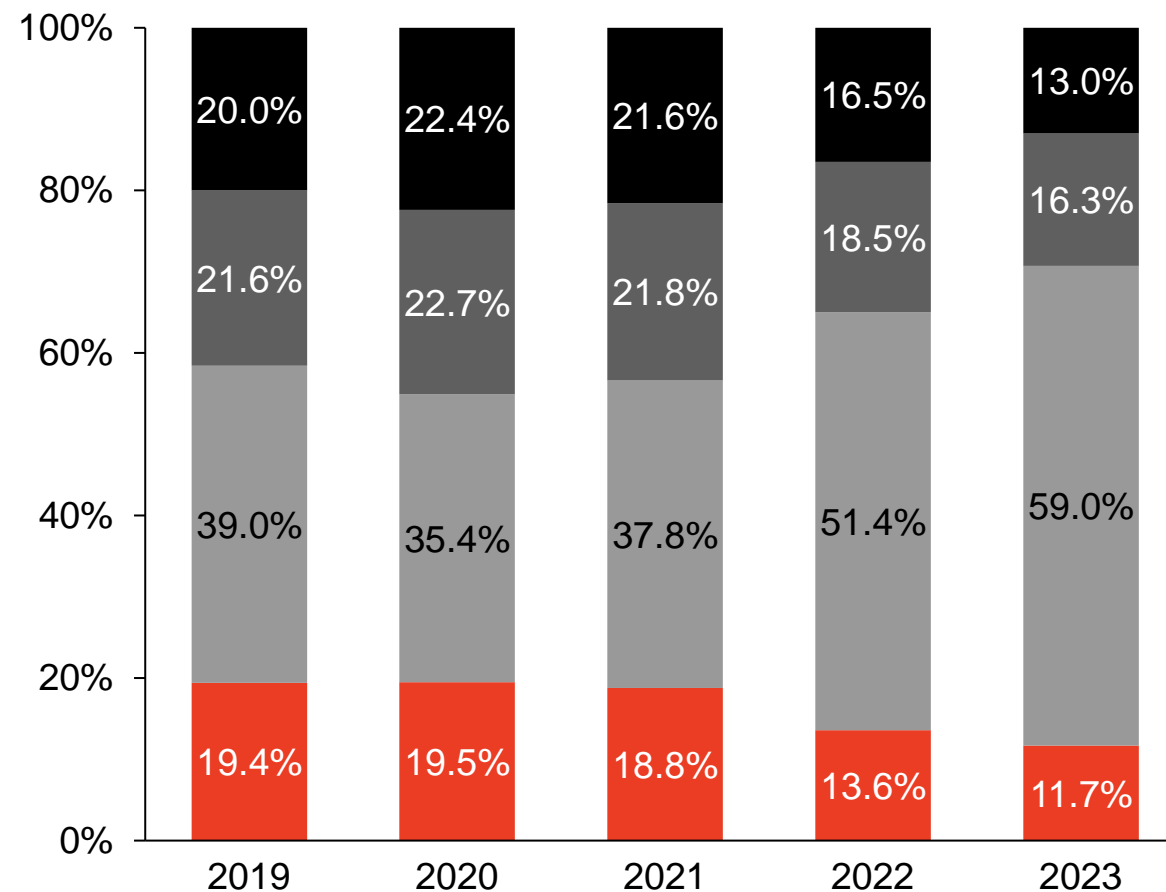




# Sales breakdown by region

## Shift toward Europe

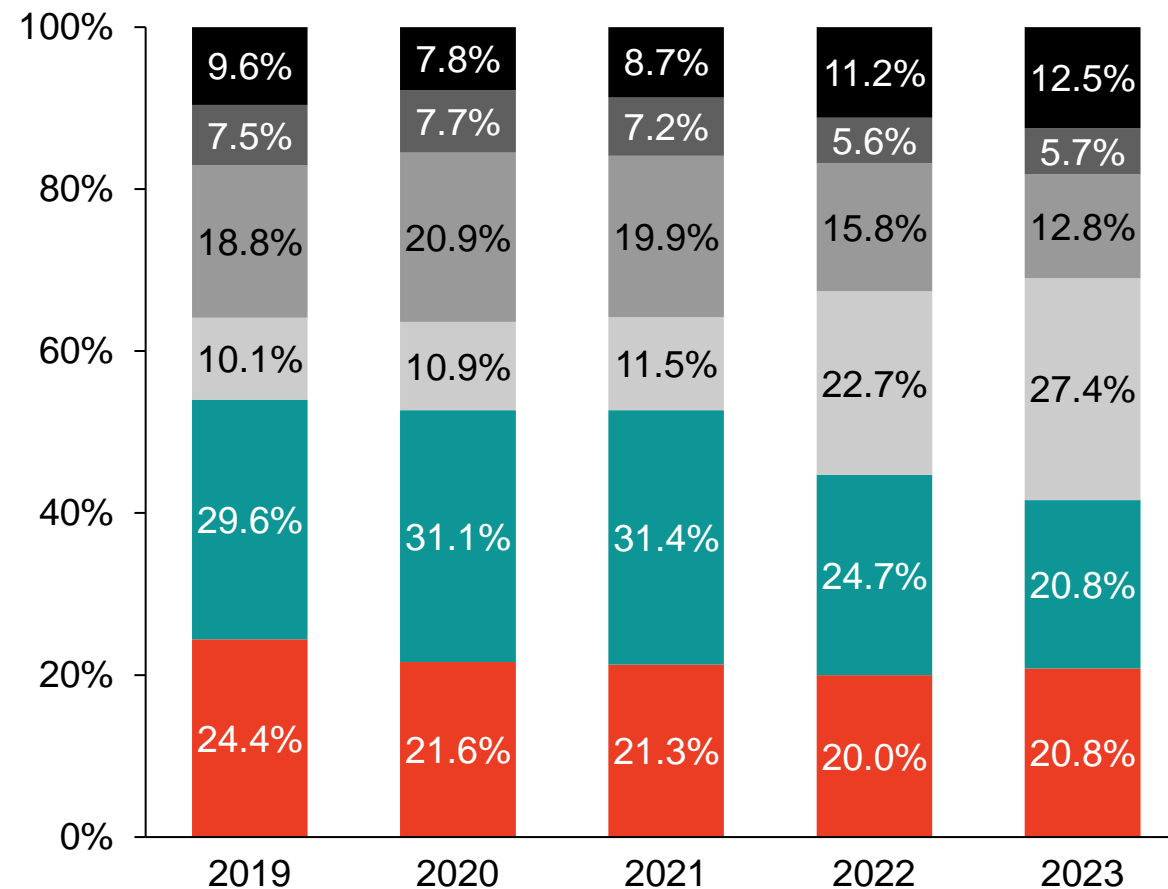
- Shift to stronger Europe based on full consolidation of D&L International (scope effect)
- Lower relative weight of other regions



# Sales breakdown by end market

## Shift toward Industrial Manufacturing

- Stronger Industrial Manufacturing end market in accordance with market proposition D&L International
- Slower Electrical and electronics end market due to destocking mainly in HDD and generally lower market demand

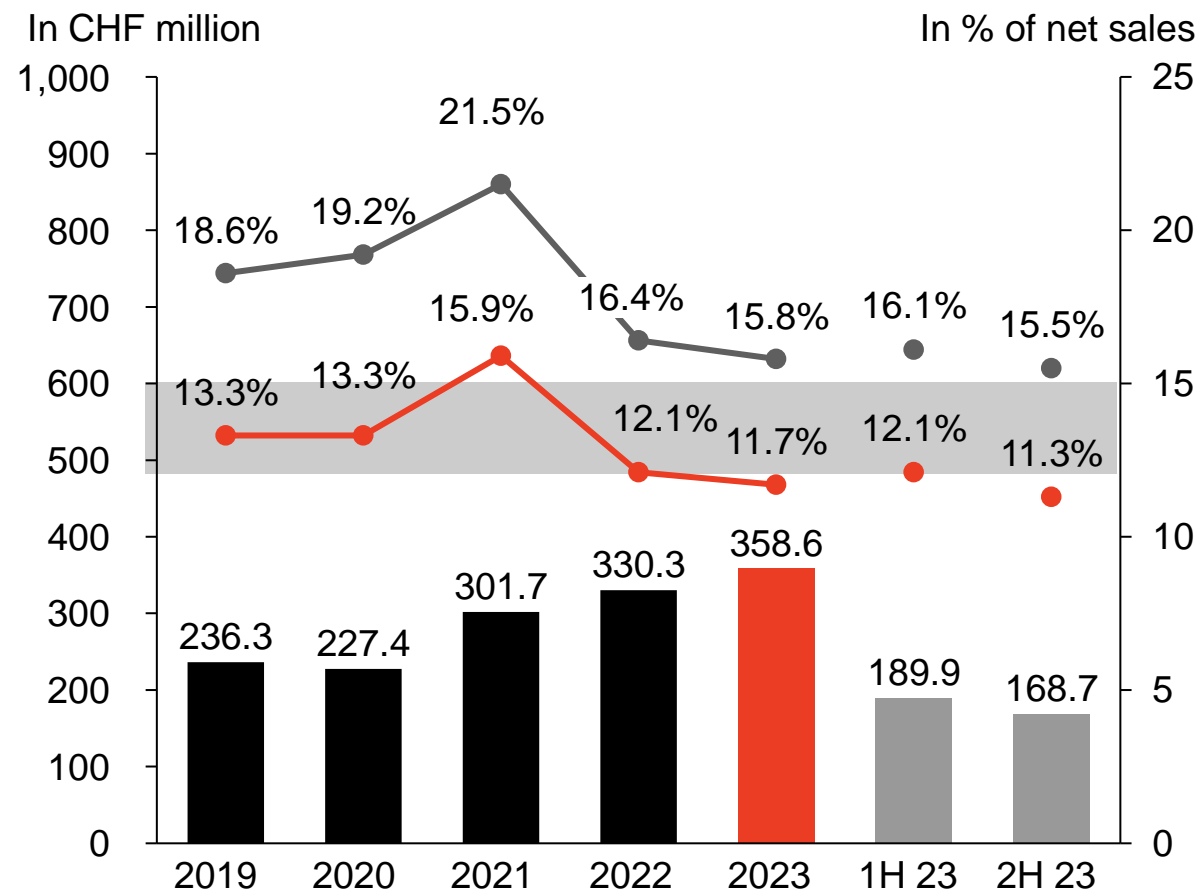


# Operating profitability

## Uneven utilization and slow demand challenging

| Profitability | Reported CHF million | Reported % | Adjusted CHF million | Adjusted % |
|---------------|----------------------|------------|----------------------|------------|
| EBIT          | 358.6                | 11.7       | 358.6                | 11.7       |
| EBITDA        | 486.0                | 15.8       | 486.0                | 15.8       |

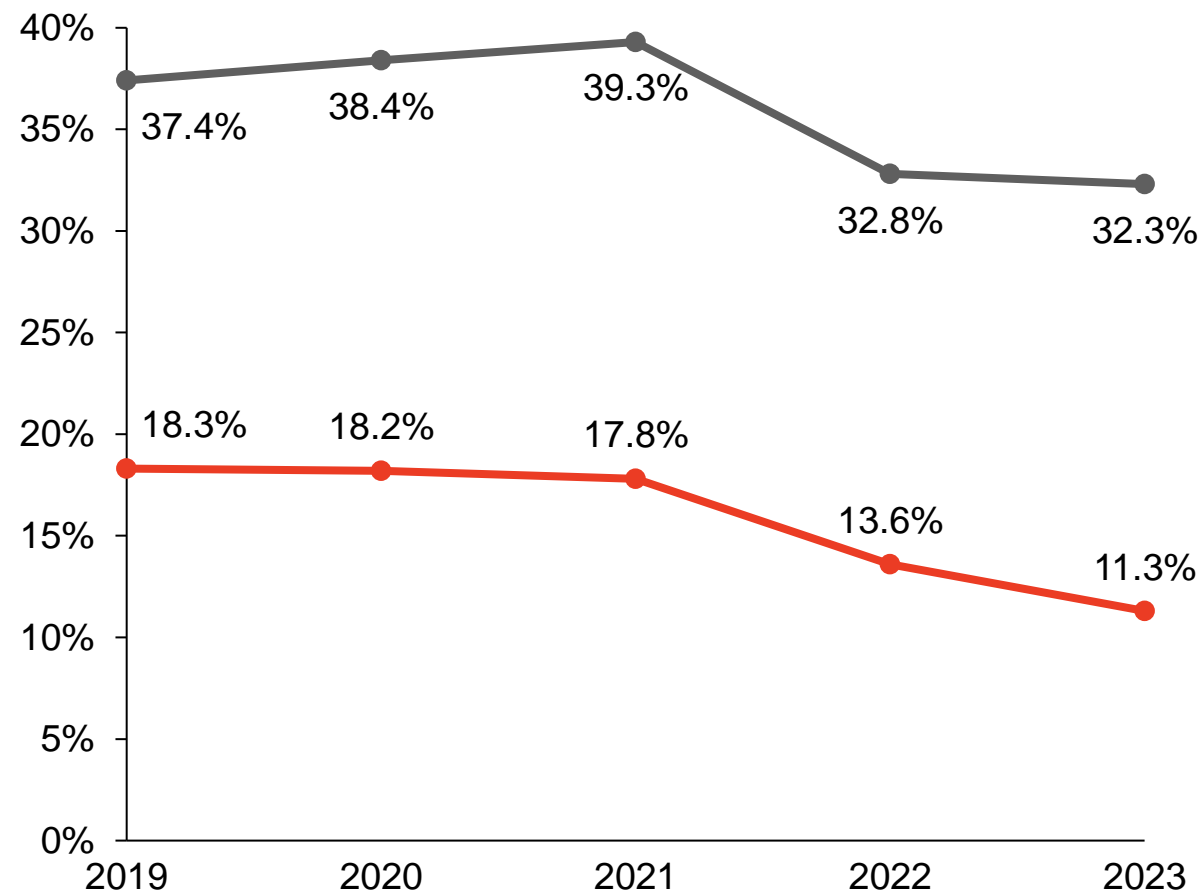
- Excess capacities at customers lead to decrease in demand
- Increased OPEX due to ramp-up phase of several projects and higher input cost



# Swiss franc exposure

## Flat development of OPEX in Swiss francs

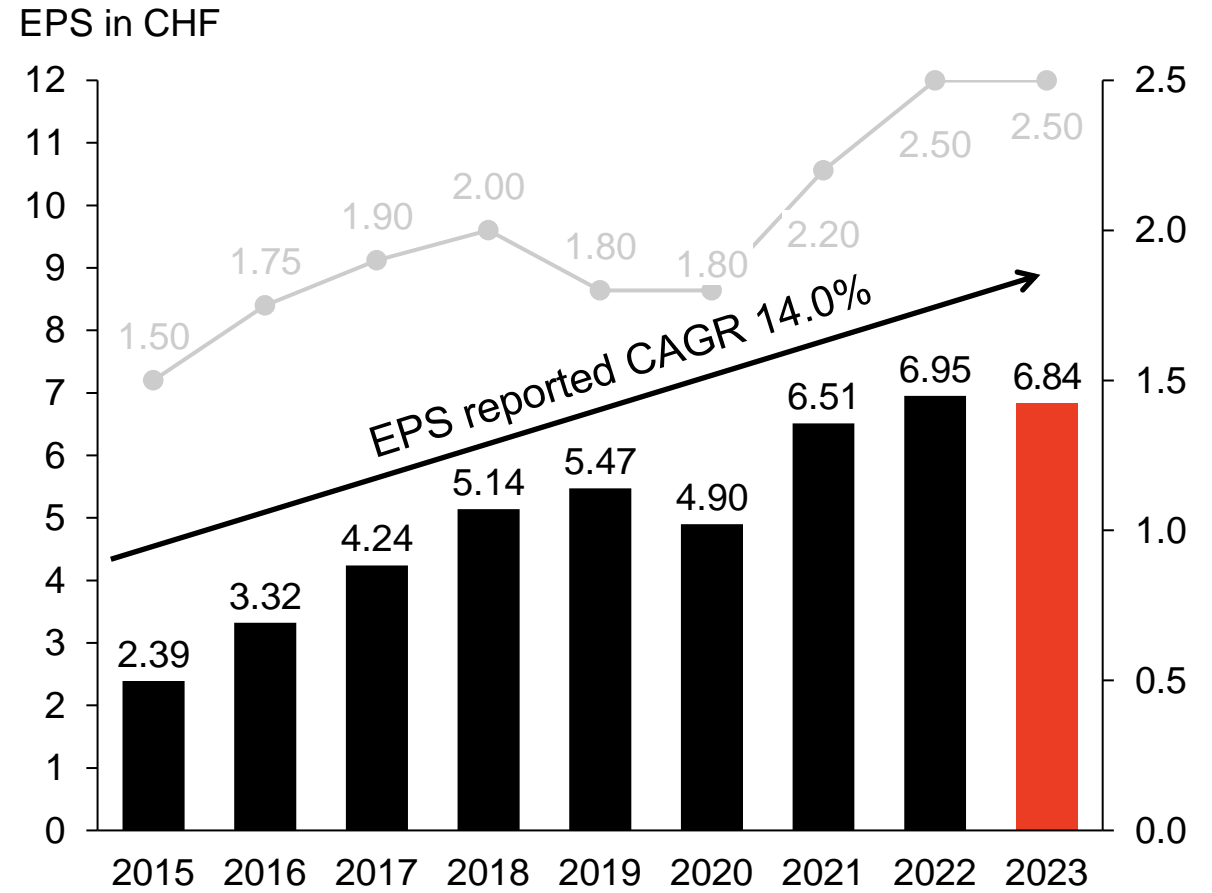
- Share of OPEX in CHF flat whilst sales invoiced in CHF further decreasing
- FX impact significant especially vs. EUR and USD
- Reduction of CHF exposure is further targeted by
  - Continued productivity improvements in CH
  - Higher growth outside CHF denomination
  - Relocation of processes outside CHF realm
  - International M&A
  - Adoption of natural hedging



# Earnings per share (EPS)

## EPS stable

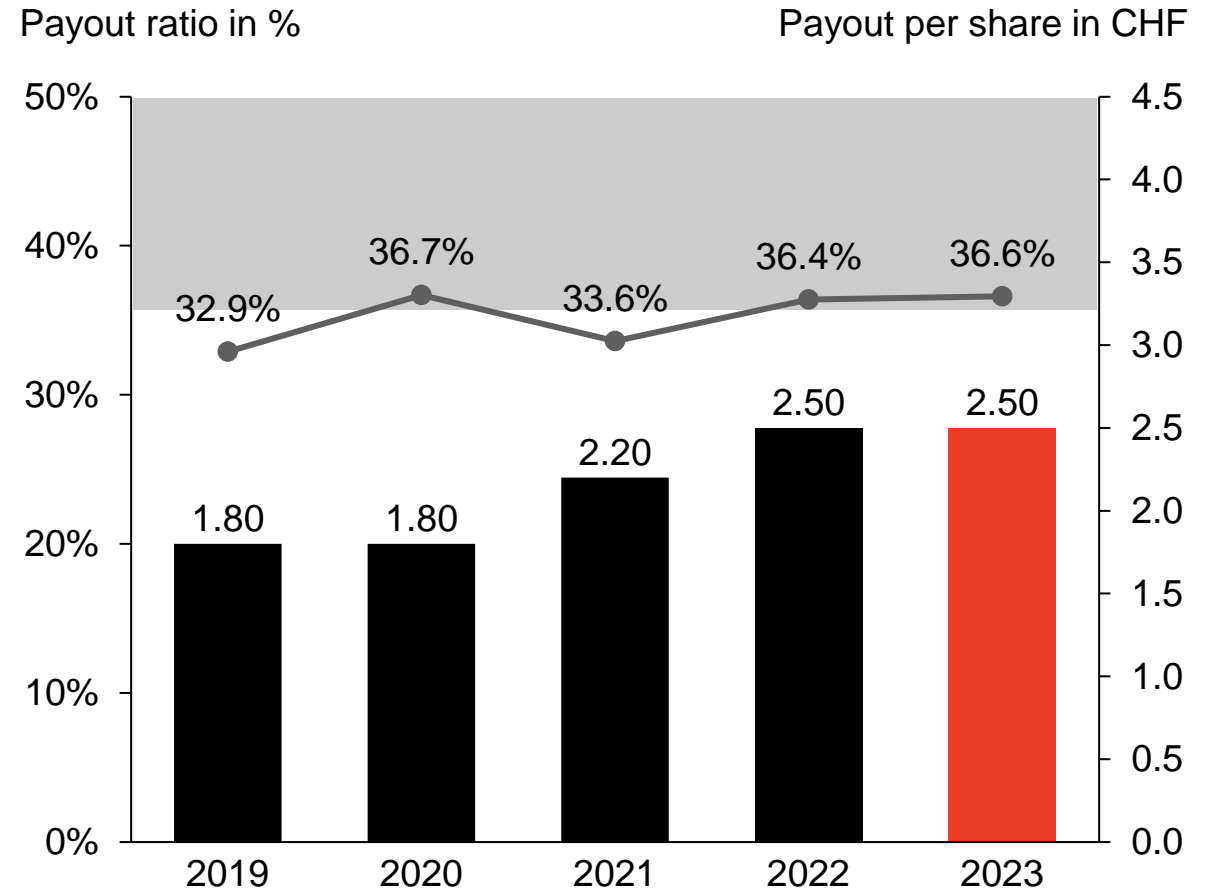
- Stable performance on EPS basis
- Burdened by tax rate development (ETR at 23.8%)



# Payout ratio

## CHF 2.50 dividend payout

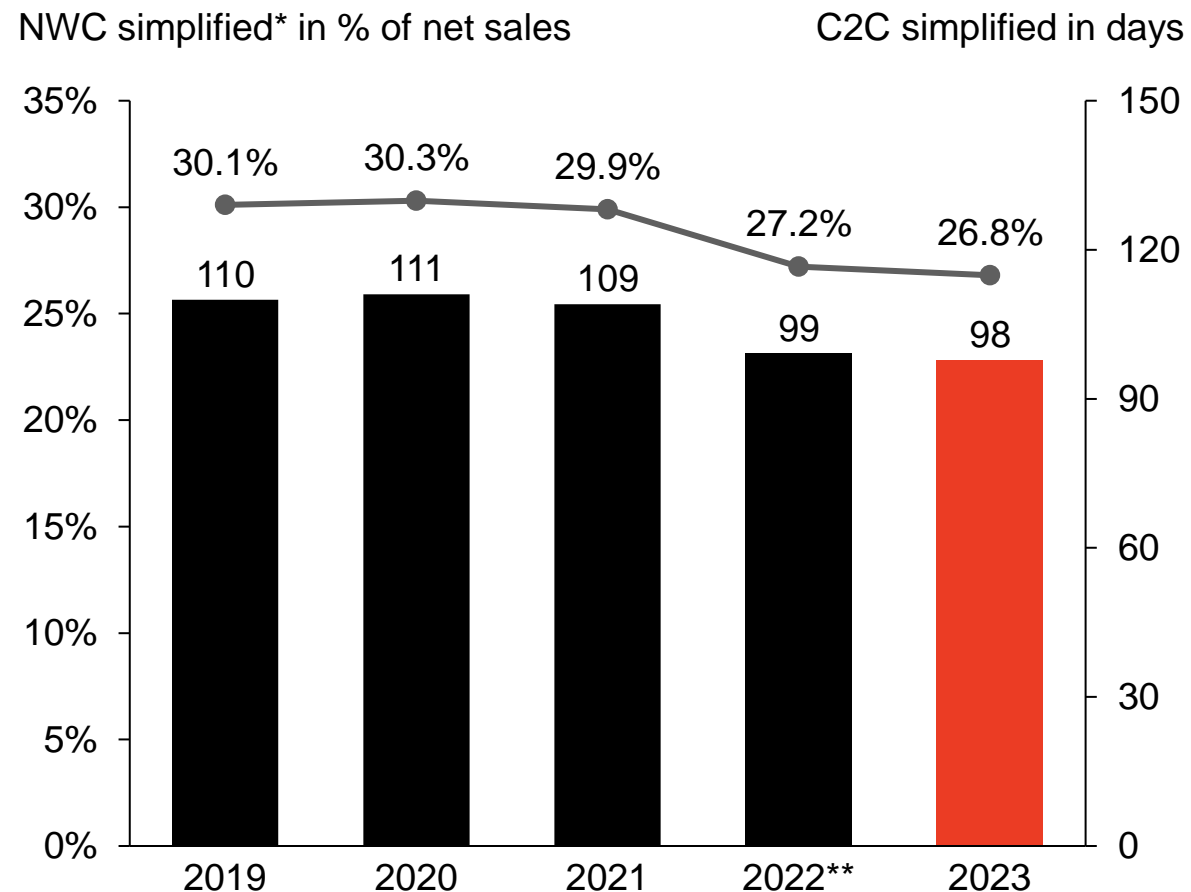
- BoD will propose a payout per share of CHF 2.50
  - Thereof CHF 1.25 from retained earnings
  - Thereof CHF 1.25 from statutory capital reserve
- Dividend yield ~2.4%  
(at year-end share price CHF 104.2)



# Net working capital

## Mix effect | Inventory decrease | Hoffmann factoring termination

- Significantly decreased inventory on group level
- Decrease despite termination of Hoffmann's factoring program in September 2023 with adverse effect

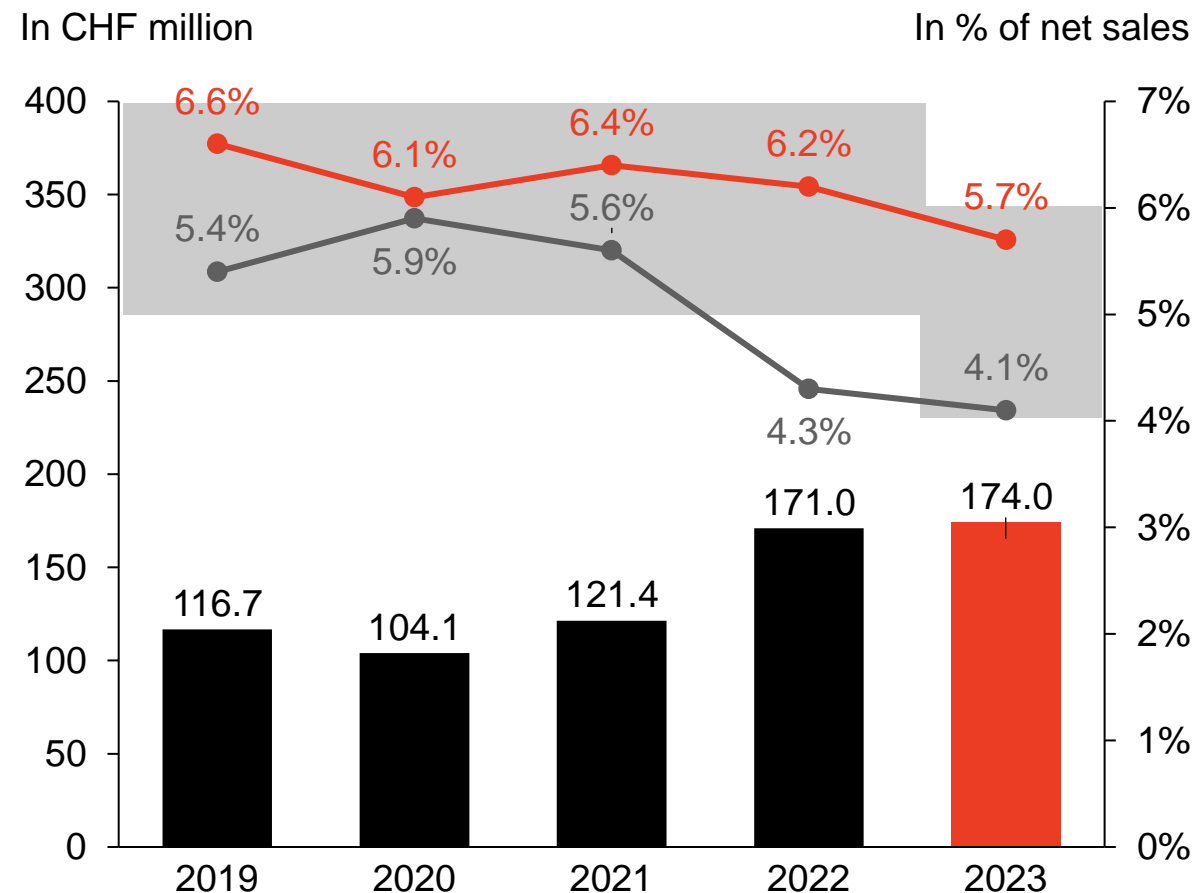


# Capital expenditure

## Investing to capture market potential

| CAPEX spending by segment | 2023 % | 2022 % |
|---------------------------|--------|--------|
| EC                        | 72     | 73     |
| FS                        | 12     | 8      |
| D&L                       | 12     | 9      |

- Decisive expansion and capturing of customer demand in EC segment calls for investments, i.e.
  - Ramp-up of brake programs Heerbrugg (Switzerland) and Medina (USA)
  - Expansion Nantong (China) and Malaysia
  - General machinery and automatization
- Continued CAPEX, within new target range



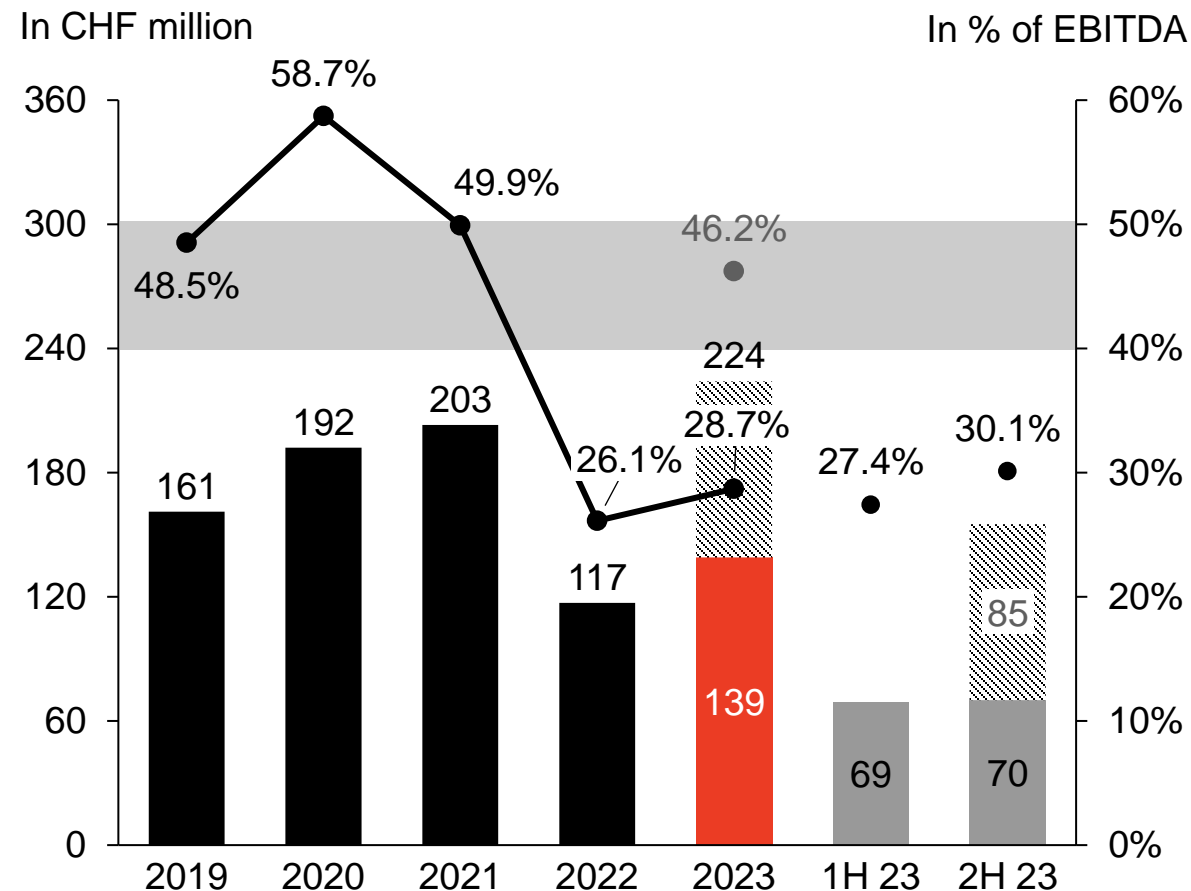


# Operating free cash flow

## Recovery to past performance

| In CHF million                   | 2023       | 2022       |
|----------------------------------|------------|------------|
| CF before changes in NWC         | 395        | 379        |
| Changes in NWC                   | -82        | -91        |
| <b>Cash flow from operations</b> | <b>313</b> | <b>288</b> |
| CAPEX                            | -174       | -171       |
| <b>Operating free cash flow</b>  | <b>139</b> | <b>117</b> |

- NWC well managed, leading to higher OFCF
- Termination of Hoffmann factoring program in Q3 with NWC impact of CHF 85m (increase of receivables)
- Cash conversion (OFCF/EBITDA) reported rate at 28.7%, excluding adverse effect of factoring at 46.2%

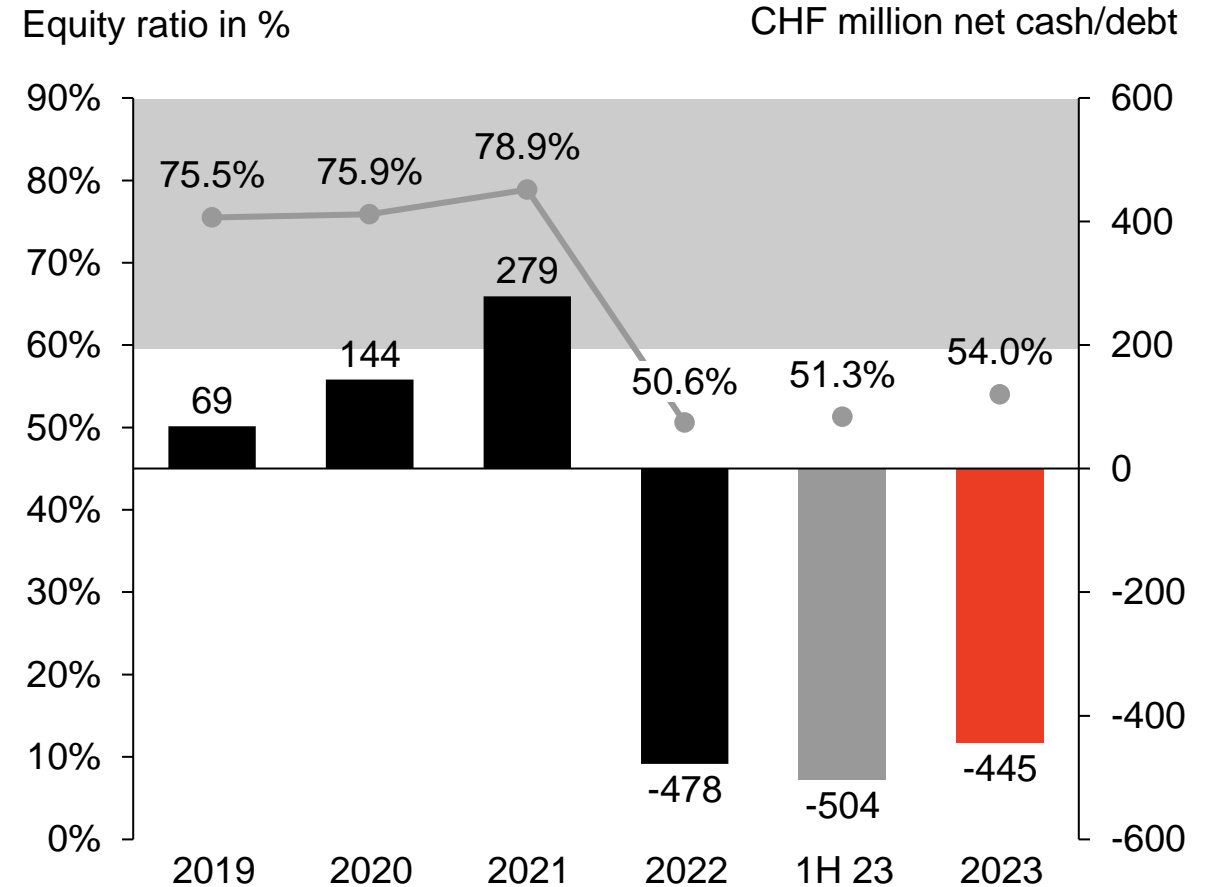


# Balance sheet ratios

## Equity ratio increasing according to plan

- Equity ratio picking up steadily
- Further decrease of debt (Revolving Credit Facility) envisaged during 2024
- Bond maturity is 2025/2027 (CHF 250m/CHF 150m)
- Unused credit lines grant financial flexibility going forward
- Cross currency swap on CHF bond to EUR with positive effect on equity:

| 2022             | 2023             | Total            |
|------------------|------------------|------------------|
| CHF 32.0 million | CHF 20.3 million | CHF 50.3 million |



# Return on capital

## ROCE remains on high level

- Bridge ROCE to ROIC
  - Impact from goodwill and net cash: -7.9%
  - Impact from tax effects: -3.6%

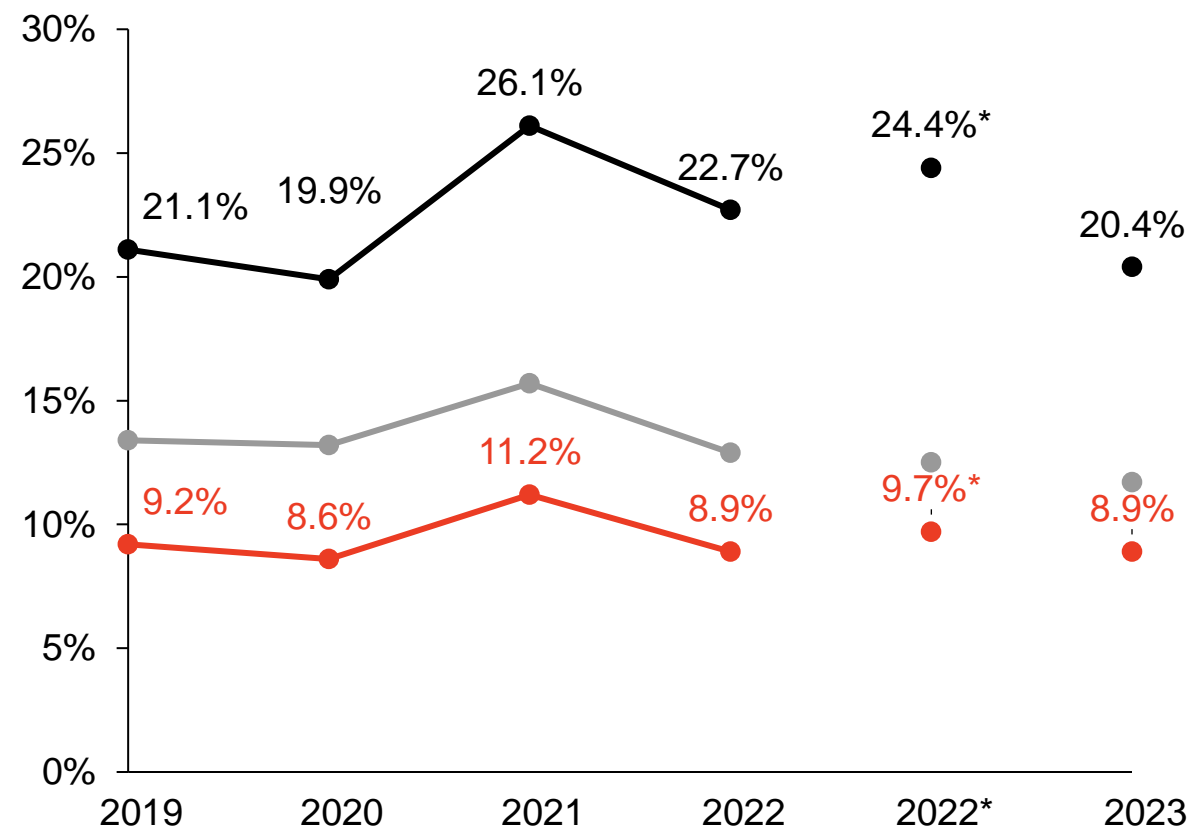
$$\text{ROCE} = \frac{\text{Adjusted EBIT}}{\text{Capital Employed (CE)}}$$

Ø CE = Working capital less cash plus tangible and intangible assets less def. tax and provisions

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

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

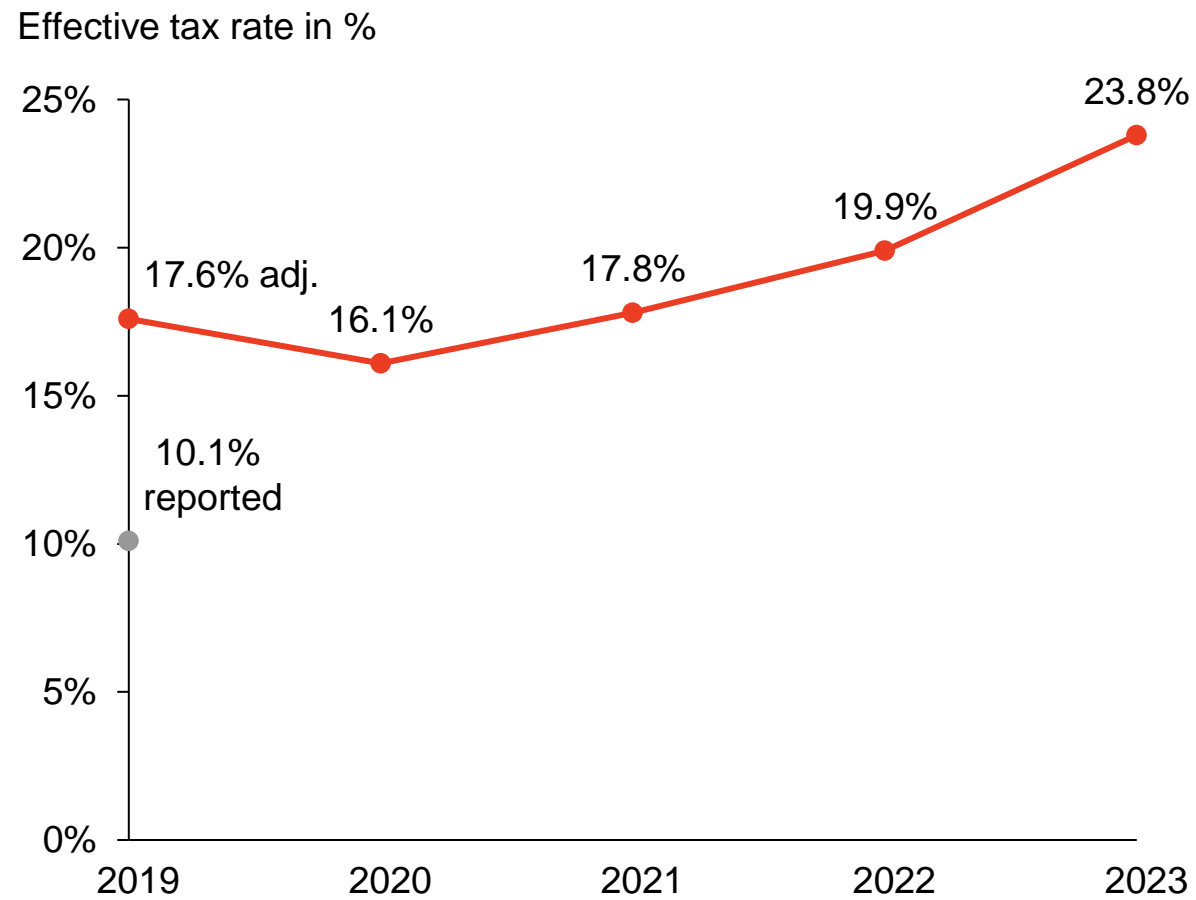
In % of net sales



# Effective tax rate

## ETR increase due to shift in taxable profits

- In 2023 shift of taxable profit towards higher-tax-rate countries
- Fewer possibilities to use tax loss carryforwards
- Tax rate 2024 expected to decrease towards prior year level



# KPI summary

## Stable development in challenging environment

| In CHF million    |                 | 1H 23   | 2023    | %    | 2022    | %    | YOY      |
|-------------------|-----------------|---------|---------|------|---------|------|----------|
| Third-party sales |                 | 1,580.7 | 3,090.8 |      | 2,746.1 |      |          |
| Net sales         |                 | 1,573.7 | 3,073.0 |      | 2,738.7 |      |          |
| EBITDA            | Margin          | 253.1   | 486.0   | 15.8 | 448.1   | 16.4 | -60 bps  |
| EBIT              | Margin          | 189.9   | 358.6   | 11.7 | 330.3   | 12.1 | -40 bps  |
| EBIT adj.         | Margin adj.     | 189.9   | 358.6   | 11.7 | 353.2   | 12.9 | -120 bps |
| Net income        | Ratio           | 134.5   | 268.5   | 8.7  | 270.6   | 9.9  | -120 bps |
| Equity            | Ratio           | 1,319.8 | 1,375.7 | 54.0 | 1,303.6 | 50.6 | 340 bps  |
| Net cash          |                 | -504.3  | -445.3  |      | -477.7  |      |          |
| CAPEX             | % net sales     | 81.8    | 174.0   | 5.7  | 171.0   | 6.2  | -50 bps  |
| Operating FCF     | Conversion rate | 69.4    | 139.4   | 28.7 | 116.9   | 26.1 | 260 bps  |
| ROCE              |                 | 21.7%   | 20.4%   |      | 22.7%   |      | -230 bps |
| EPS               |                 | -       | 6.84    |      | 6.95    |      |          |

# Development by segment

# Headlines Engineered Components segment

## Challenging environment

- Mixed development of segment's divisions; Electronics and Industrial impacted by adjustment cycle, dynamic growth in Automotive and Medical
- Reported sales of CHF 987.7 million, down –3.9% vs. PY, good growth of 6.2% in 2H vs. 1H 2023
- EBIT margin of 10.5% impacted by mix effects, inconsistent production capacity utilization, inflationary cost increases and ongoing CHF appreciation
- Riveting becomes part of EC segment as of January 1, 2024, and aligns with the Automotive and Industrial divisions. Mid-term growth and profitability targets of EC remain unchanged
- Growth projects develop on track. Innovation pipeline well filled

### Key figures Engineered Components

| In CHF million                   | 2023  | +/-%  | 2022    | 2021  |
|----------------------------------|-------|-------|---------|-------|
| Third-party sales                | 987.7 | -3.9  | 1,028.2 | 975.2 |
| Sales growth comparable          |       | 1.4   |         |       |
| Net sales                        | 989.2 | -4.7  | 1,038.5 | 985.0 |
| EBITDA                           | 179.4 | -18.6 | 220.3   | 244.1 |
| As a % of net sales              | 18.1  |       | 21.2    | 24.8  |
| Operating profit (EBIT)          | 104.2 | -28.7 | 146.2   | 168.2 |
| As a % of net sales              | 10.5  |       | 14.1    | 17.1  |
| Operating profit (EBIT) adjusted | 104.2 | -28.7 | 146.2   | 168.2 |
| As a % of net sales              | 10.5  |       | 14.1    | 17.1  |
| Average capital employed         | 824.9 | 4.2   | 792.0   | 736.5 |
| Investments                      | 124.6 | -0.7  | 125.5   | 89.1  |
| Employees (FTE)                  | 6,529 | -1.4  | 6,620   | 7,008 |
| ROCE (%) <sup>1</sup>            | 12.6  |       | 18.5    | 22.8  |

<sup>1</sup>EBIT adjusted in % of average capital employed

# Snapshot – Productivity improvements in operations

## Digital transformation in in-house production

- Roll-out of digital assistant system across major production sites
- Large volume of data calls for “Big Data and Analytics” systems
- Enhance manufacturing processes by leveraging digital tools, production and machine data
- Improve efficiency and quality of industrialization, ramp-up and production at maturity
- Boost productivity of connected equipment yearly by 2–3%
- Activities lead by internal Digital Transformation team



Furnish employees with digital assistant systems



# Headlines Fastening Systems segment

## Position defended

- Reported sales of CHF 615.3 million (–4.6% vs. PY). On comparable basis, slight growth of 0.7% achieved
- Over the course of the year, segment was negatively impacted by weakened market environment and occasionally high inventories across entire value chain
- EBIT margin of 14.9% comfortably in target range
- Riveting becomes part of EC segment as of January 1, 2024, and aligns with the Automotive and Industrial divisions. Mid-term growth and profitability targets of FS remain unchanged.
- Important new product introductions ready to be launched

### Key figures Fastening Systems

| In CHF million                   | 2023  | +/-%  | 2022  | 2021  |
|----------------------------------|-------|-------|-------|-------|
| Third-party sales                | 615.3 | –4.6  | 644.9 | 574.9 |
| Sales growth comparable          |       | 0.7   |       |       |
| Net sales                        | 626.3 | –4.9  | 658.8 | 589.6 |
| EBITDA                           | 108.7 | –18.0 | 132.5 | 120.4 |
| As a % of net sales              | 17.4  |       | 20.1  | 20.4  |
| Operating profit (EBIT)          | 93.1  | –19.9 | 116.3 | 102.3 |
| As a % of net sales              | 14.9  |       | 17.7  | 17.4  |
| Operating profit (EBIT) adjusted | 93.1  | –19.9 | 116.3 | 102.3 |
| As a % of net sales              | 14.9  |       | 17.7  | 17.4  |
| Average capital employed         | 312.8 | 5.5   | 296.4 | 263.0 |
| Investments                      | 21.5  | 56.9  | 13.7  | 9.9   |
| Employees (FTE)                  | 2,450 | –4.4  | 2,564 | 2,510 |
| ROCE (%) <sup>1</sup>            | 29.8  |       | 39.2  | 38.9  |

<sup>1</sup>EBIT adjusted in % of average capital employed

# Ongoing market introduction of product innovations

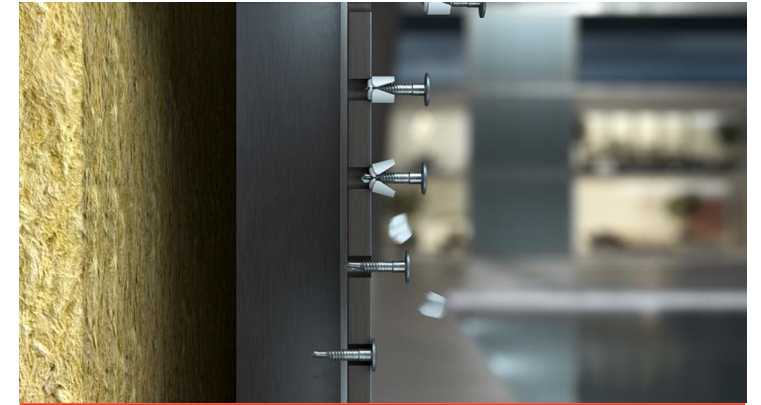
## Flexibility and footprint reduction important drivers



isoweld® field fastening solution is now available in a battery version



New full stainless self-drilling screws have a considerably lower carbon footprint than bi-metal fasteners and are easier to install



The new centering sleeve of the Center Point System is made of biodegradable plastics and further helps to fasten more secure and at lower cost

# Headlines Distribution & Logistics segment

## Potential realized

- Overall good market demand led to reported sales of CHF 1,487.8 million (+38.7% vs. PY)
- After a strong first half of the year, market demand deteriorated over the course of the year, decline in order intake partially offset by the high order backlog
- Scope effects from the first-time consolidation of Hoffmann for the four months from January to April contributed 37.3% to total growth of segment
- Strong sales growth, prudent cost and price management and the inclusion of Hoffmann enabled an EBIT of CHF 164.0 million, +60.5% vs. PY
- Ongoing drive for innovation, high focus on market introduction of digital solutions

### Key figures Distribution & Logistics

| In CHF million                                | 2023    | +/-%  | 2022    | 2021  |
|---|---------|-------|---------|-------|
| Third-party sales                             | 1,487.8 | 38.7  | 1,073.0 | 343.0 |
| Sales growth comparable                       |         | 3.7   |         |       |
| Net sales                                     | 1,477.8 | 38.4  | 1,067.4 | 347.9 |
| EBITDA  | 193.7   | 92.7  | 100.5   | 37.7  |
| As a % of net sales                           | 13.1    |       | 9.4     | 10.8  |
| Operating profit (EBIT)                       | 164.0   | 106.8 | 79.3    | 32.6  |
| As a % of net sales                           | 11.1    |       | 7.4     | 9.4   |
| Operating profit (EBIT) adjusted <sup>1</sup> | 164.0   | 60.5  | 102.2   | 32.6  |
| As a % of net sales                           | 11.1    |       | 9.6     | 9.4   |
| Average capital employed                      | 616.3   | -1.8  | 627.8   | 130.4 |
| Investments                                   | 20.4    | 27.5  | 16.0    | 4.1   |
| Employees (FTE)                               | 3,789   | 2.3   | 3,704   | 606   |
| ROCE (%) <sup>2</sup>                         | 26.6    |       | 16.3    | 25.0  |

<sup>1</sup>2022 adjusted for amortization of inventory step-up related to purchase price allocation of the Hoffmann SE acquisition elimination in inventory (Segment D&L) CHF 22.9 million.

<sup>2</sup>EBIT adjusted in % of average capital employed

# Digitalization of products and processes

## Four strategic initiatives defined

- Team of around 60 experts from sales, product management, information technology and finance
- Initiative I: Optimize, simplify and tailor-made the customer experience by enhancing all front-end channels
- Initiative II: Harmonization and digitalization of internal processes by switching to next-generation ERP system S/4HANA
- Initiative III: Leverage data and analytics capabilities to realize analysis such as product recommendations and demand forecasts
- Initiative IV: Implementation of Industry 4.0 solutions with clear focus on enabling customer solutions such as automated supply of indirect materials to the factory-floor



# Outlook 2024

# Guidance 2024

## EBIT margin around previous year level

|   | Mid-term guidance | 2023A (CHF)     |
|---|-------------------|-----------------|
| Gross sales SFS development                 | +3–6%*            | 3,090.8 million |
| *(in local currencies, incl. scope effects) |                   |                 |
| EBIT margin                                 | 12–15%            | 11.7%           |

Guidance reflects challenging geopolitical and economic environment, paired with low visibility.

# Strategic priorities

## Careful focus on our main strengths

### Diversification

- 
- Balanced focus on different regions, end markets and distribution channels

### Mega-trends

- 
- Focus on application areas with strong underlying growth drivers due to global megatrends

### “Local-for-local”

- 
- Close customer relationships are essential for successful realization of the value proposition
  - Superior supply reliability thanks to short and robust supply chains

### Focus on technology

- 
- Focus on a core set of tooling-based technologies allows leadership
  - Standardized processes, systems and equipment reduce risks and increase flexibility

### Solid financing

- 
- Good profitability and a solid balance sheet enable ongoing investments in innovations and the implementation of growth projects

# Coming up

## Our IR agenda for FY2024

### **Annual General Meeting**

Wednesday, April 24, 2024

### **Publication of Half-Year Report 2024**

Thursday, July 18, 2024

### **Investor Day**

Thursday, September 5, 2024

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



**Inventing success together**