



Inventing success together

18

Presentation FY2018 results
Zurich, 8 March 2019

Today's speakers

Welcome to the presentation on our FY 2018 results



Jens Breu
Chief Executive Officer



Rolf Frei
Chief Financial Officer

Table of contents

- | | |
|---|------------------------------|
| 1. Positioning of SFS | Jens Breu |
| 2. Key takeaways | Jens Breu |
| 3. Development by segment | Jens Breu |
| 4. Development of key financials | Rolf Frei |
| 5. Guidance 2019 | Jens Breu |
| 6. Q&A | Jens Breu / Rolf Frei |

Positioning of SFS

Mission critical products for selected niche applications

We are by your side – 24/7



Value proposition

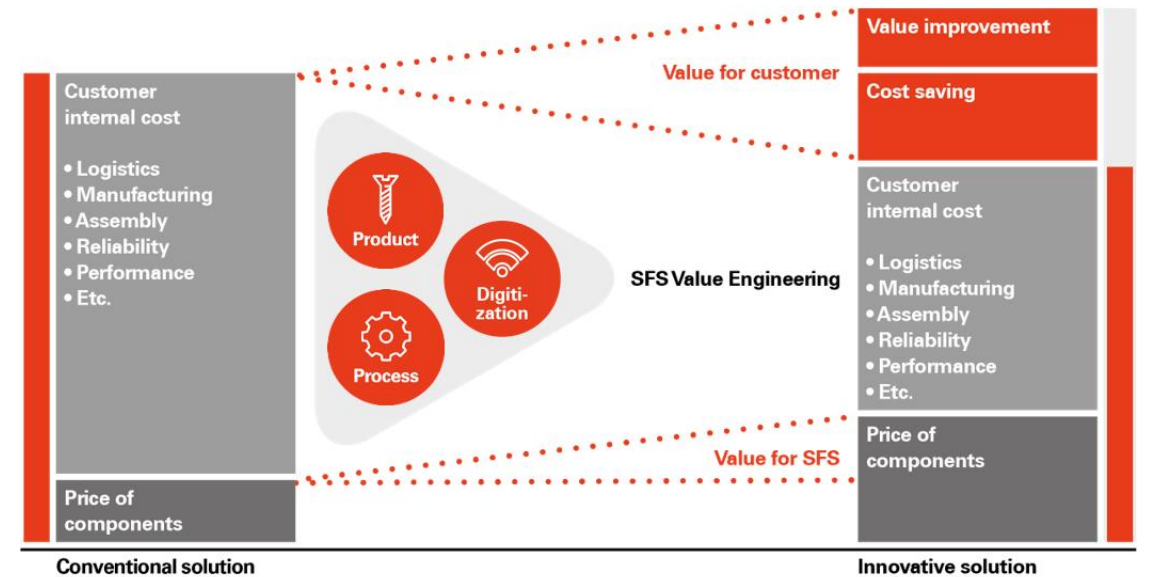
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Relevant mega trends for SFS

- Digital revolution
- Economic globalization
- Evolving consumption
- Resources constraints
- Demographic asymmetries



Value proposition of SFS



Key takeaways

Key takeaways

Solid business performance

- Sales increased in FY2018 by 6.5% to CHF 1,739m
 - fueled by broadly based organic growth of 5.0% in core business
 - Fastening Systems segment showed strongest development
 - unexpected decline in sales in Q4/2018
- Operating profit rose by 4.2% on a like-for-like basis to CHF 243 million
 - corresponds to 14.0% EBIT margin
 - profitability was burdened by mix effects and the soft Q4 sales
- CAPEX at 8.6% of net sales driven by
 - establishing of the new production platform in Nantong (China)
 - set up of production capacity for growth projects (mainly in A and E divisions)

Development by segment

Headlines Engineered Components segment

All 4 divisions contributed to growth development

- Sales increase of 4.4% to CHF 967m supported by all divisions
- Growth fuelled by ramp-up of new projects
- Attractive profitability of 18.2% EBIT margin
 - burdened in 1H 2018 by increased raw material cost and high advance outlays;
 - positive trend in H2 achieved
- Unexpected drop in demand in Q4/2018 (mainly in Automotive and Electronics)
- Continued high level of CAPEX (CHF116.3m)
 - 12% of segment sales
 - CHF 30m for production platform (China)

Key figures Engineered Components

in CHF million

	2018	+/- PY	2017	2016
Third party sales	967.0	4.4%	925.8	768.1
Sales growth comparable		3.2%		
Net sales	972.5	3.7%	938.2	781.5
EBITDA	234.8	-3.5%	243.3	218.9
As a % of net sales	24.1		25.9	28.0
Operating profit (EBIT)	176.6	21.0%	145.9	105.0
As a % of net sales	18.2		15.6	13.4
Operating profit (EBIT) adjusted ¹	176.6	-4.9%	185.7	164.8
As a % of net sales	18.2		19.8	21.1
Average Capital Employed	652.1	9.6%	595.1	569.2
Investments	116.3	44.9%	80.3	48.2
Employees (FTE)	6,977	7.5%	6,492	6,217
ROCE (%) ²	27.1		31.2	28.9

¹ Adjusted for amortization customer relationship Unisteel

² EBIT adjusted in % of average capital employed

Key messages Automotive division

Continued above-market growth

- Growth fueled by launch and ramp-up of innovative customer projects
- Trend towards autonomous driving and electrification of cars proved to be reliable innovation and growth drivers
- Unexpected drop in demand in Q4/2018
- Expecting solid growth development in FY2019 despite an expected soft start into Q1/2019
- Strong position as engineering partner results in new, significant project wins



Key messages Electronics division

Penetration of new applications

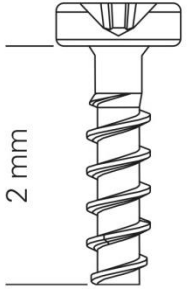
- Modest sales growth achieved
- Proved strong competitive position in mobile devices, HDD and lifestyle electronics
- Significant progress in lifestyle electronics
- Successful entry into new application area
 - based on cold forming expertise
 - offering significant growth potential
- Construction of new manufacturing platform in Nantong (China) nearing completion
 - hosting all SFS core technologies
 - serving as strategic hub also for Automotive division
- Expect positive development in FY2019



Key messages Industrial division

Stable sales trends – strong project pipeline

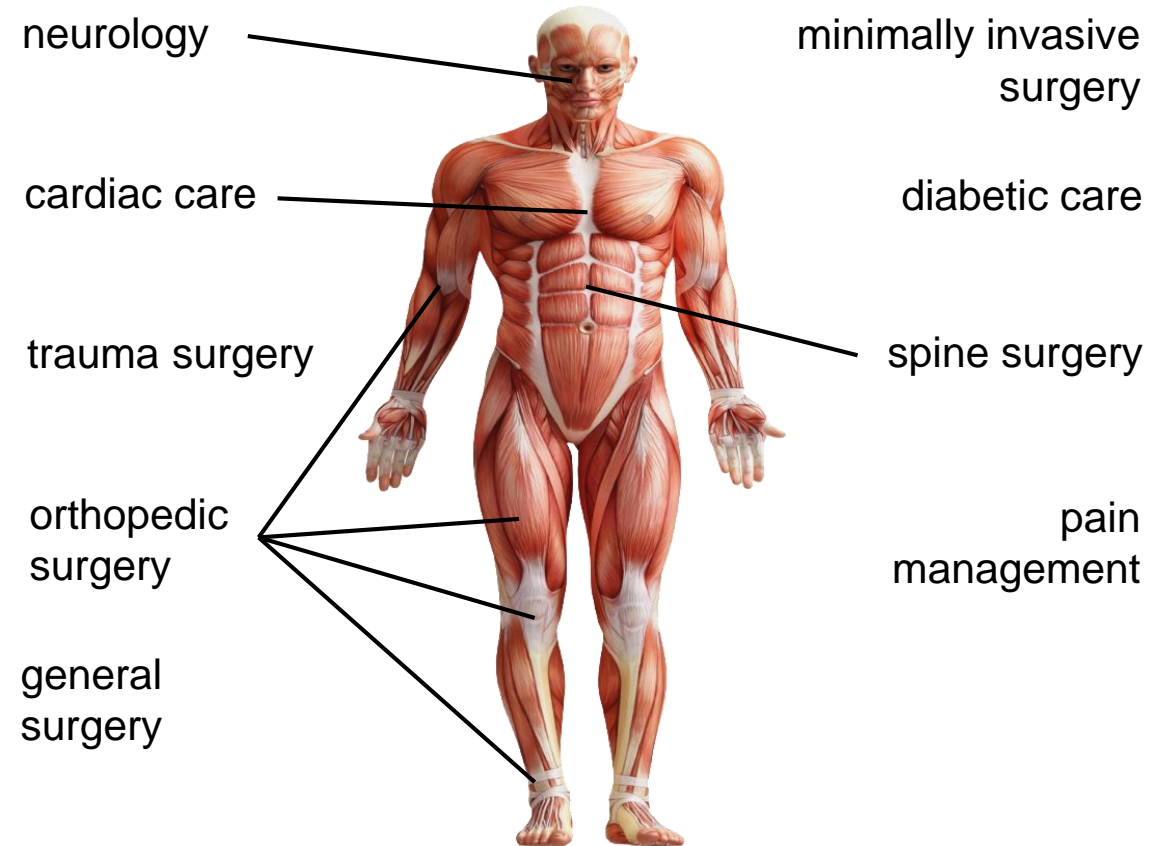
- Experienced overall stable sales; mixed development by business units
- Successful acquisition of new growth projects
- Still sluggish development in Aircraft business due to
 - lower demand for Airbus A380
 - flatter ramp-up & inventory effects for A350
- Expecting positive trend in FY2019 fuelled by ramp-up of new projects & stronger momentum in Aircraft business
- Phase out of A380 business over the next 2y



Key messages Medical division

Achieved accelerated growth dynamics

- Growth momentum continuously improved over the course of FY2018
- Development driven by launching new customer projects
- Manufacturing platforms close to the medtec clusters in the US and Costa Rica prove to be an advantage
- Expect continued positive development on the back of a solid project pipeline



Headlines Fastening Systems segment

Important progress achieved

- Continued strong momentum resulted in sales growth of 13.8% y-o-y
- Organic growth contributed 5.6%
 - driven by market success of innovative products
 - supported by good market environment
- Initial consolidation of HECO in 2nd half contributed 5.8% to sales development
- Significant progress in profitability achieved with EBIT margin at 9.8% (PY 7.6%)
- Projects to sharpen production profiles are largely completed and provide basis for future productivity gains

Key figures Fastening Systems

in CHF million

	2018	+/- Vj.	2017	2016
Third party sales	437.1	13.8%	384.0	355.6
Sales growth comparable		5.6%		
Net sales	452.4	12.8%	401.0	370.8
EBITDA	63.2	34.2%	47.1	49.5
As a % of net sales	14.0		11.7	13.3
Operating profit (EBIT)	44.2	45.1%	30.4	33.2
As a % of net sales	9.8		7.6	9.0
Average Capital Employed	273.6	18.3%	231.2	210.2
Investments	16.5	-46.1%	30.6	27.2
Employees (FTE)	2,267	13.8%	1,992	1,885
ROCE (%) ¹	16.1		13.2	15.8

¹ EBIT in % of average capital employed

Key messages Construction division

Market position strengthened

- Repeated attractive growth development; broadly based by regions and product groups
- Successfully expanded market share thanks to innovative products, systems and services
- Trends to greater safety, energy efficiency and esthetics are key triggers for innovation
- Interest in HECO increased from 30% to 51% as of July 2018
 - more effective exploitation of growth and synergy potential
 - fully consolidated since 1 July 2018
- Positive development expected for FY2019



Strategic collaboration with Triangle Fasteners

Negotiations are well advanced

- Since October 2018 SFS Group has been engaged in discussions on a strategic collaboration with Triangle Fasteners (USA)
- Negotiations are well advanced
- Expecting final results in the next few weeks

- Strategic rationale:
 - Gain direct access to a broad customer base through a well established sales network in USA
 - Realizing cross-selling potential
 - Strengthening competitive position in US construction market



Key messages Riveting division

Broad market spectrum covered

- Solid growth development driven by
 - healthy market environment
 - good results in various application areas
- Compelling competitive position to benefit from trends like electrification of assembly lines and 100% quality control
- Successful product launches (iBird, FDR) to fuel future growth
- Successful development of operations in Nansha (China); doubled production volume
- Solid business trends expected for FY2019



Headlines Distribution & Logistics segment

Accelerated growth achieved

- Attractive organic sales growth of 5.1% achieved (excluding the sale of the security systems business) – well above Swiss GDP
- Primary sales drivers were
 - new ecommerce site (www.sfs.ch)
 - tool business
 - construction related products
- Profitability significantly improved to EBIT margin of 7.6% (PY comparable 6.9%)
- Expecting positive development in FY 2019 – despite a volatile economic environment

Key figures Distribution & Logistics

in CHF million

	2018	+/- Vj.	2017	2016
Third party sales	334.5	3.6%	322.9	312.8
Sales growth comparable		5.1%		
Net sales	339.7	3.3%	328.9	318.6
EBITDA	31.7	-11.4%	35.8	33.8
As a % of net sales	9.3		10.9	10.6
Operating profit (EBIT)	25.8	-13.9%	29.9	27.0
As a % of net sales	7.6		9.1	8.5
Operating profit (EBIT) adjusted ¹	25.8	13.9%	22.6	22.8
As a % of net sales	7.6		6.9	7.2
Average Capital Employed	142.2	0.9%	140.8	142.7
Investments	6.2	-39.9%	10.4	3.9
Employees (FTE)	621	-5.2%	655	625
ROCE (%) ²	18.1		16.1	18.9

¹ Adjusted for book gains on the disposal of non-core assets and other items

² EBIT adjusted in % of average capital employed

Key messages Distribution & Logistics segment

Multi-channel activities strengthened

- Strengthened and widened online presence
 - new ecommerce web site (www.sfs.ch)
 - significant growth with existing customers
 - led to new customer wins
- Attractive network of retail pick-up points (HandwerkStadt) expanded
- Fostered attractiveness of digital logistics solutions with enhanced functionalities on mobile devices
- Strengthened logistic capabilities by expanding central warehouse in Rebstein (Switzerland)
 - total investment of CHF 11m over past three years



Development of key financials

Layout of Financial report

Streamlined to become more reader-friendly

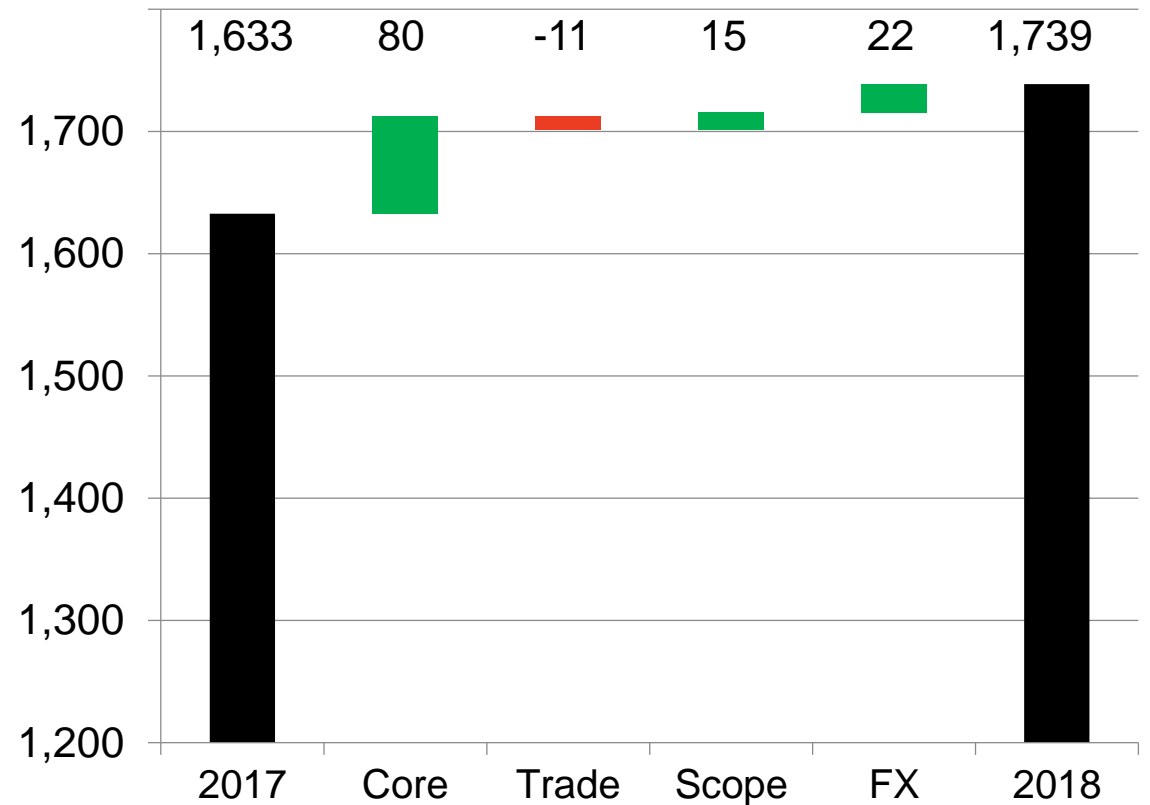
- Objectives of the streamlining
 - reduce complexity
 - increase clarity and value
 - structure notes reader-friendly
- Changed layout
 - important issues first
 - combined general notes with tables
- Focused on key information
 - supporting graphs for KPIs
 - no duplications

Sales bridge

Strong organic growth of 5.0% at core business

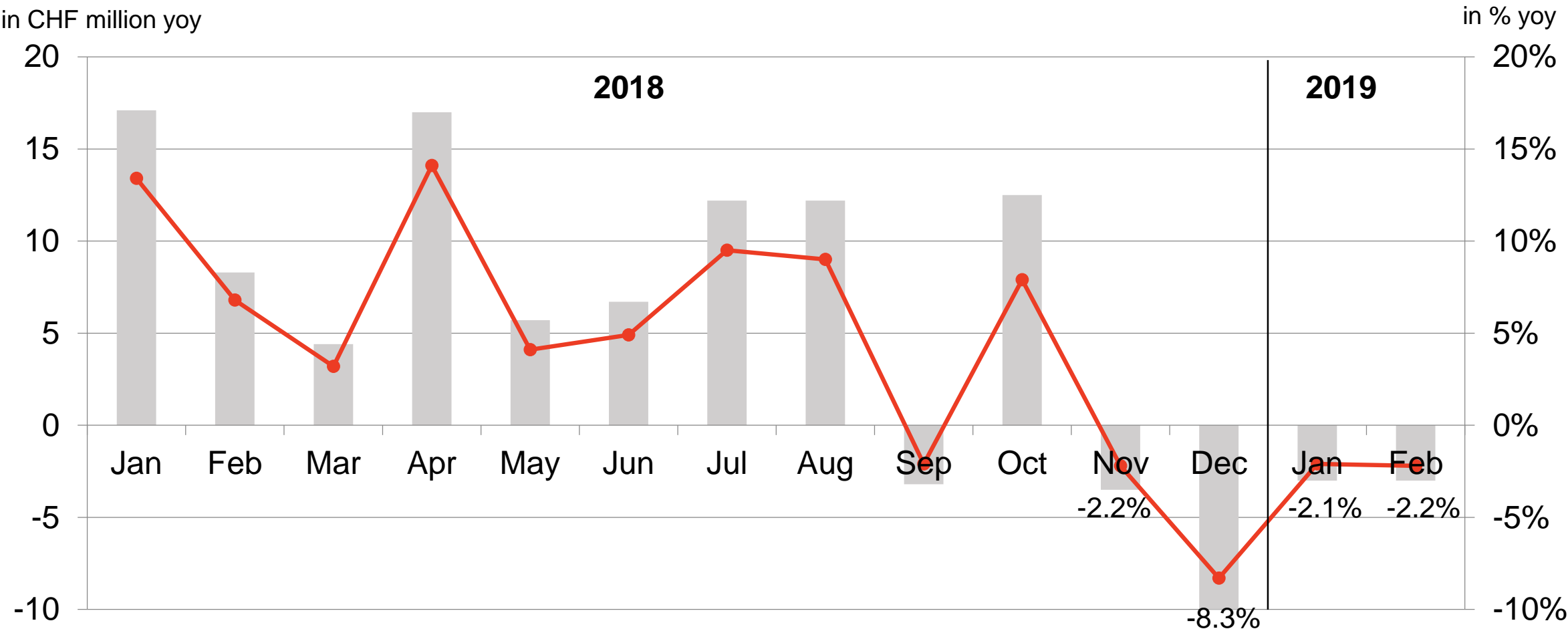
- Reported growth of 6.5% (PY 13.7)
 - Core business 5.0% (PY 7.8)
 - Trade - 0.7% (PY -0.4)
 - Scope 0.8% (PY 5.8)
 - FX impact 1.4% (PY 0.5)
- Like-for-like growth by segment
 - 3.2% in EC (core 4.4%; PY 9.6 / 10.4)
 - 5.6% in FS (PY 6.5)
 - 5.1% in D&L (PY 3.1)
- Trade activity with TI inserts USD 4.0m (PY 15.3)

CHF million



Sales growth core business

Unexpected decline Nov / Dec | stabilized Jan / Feb

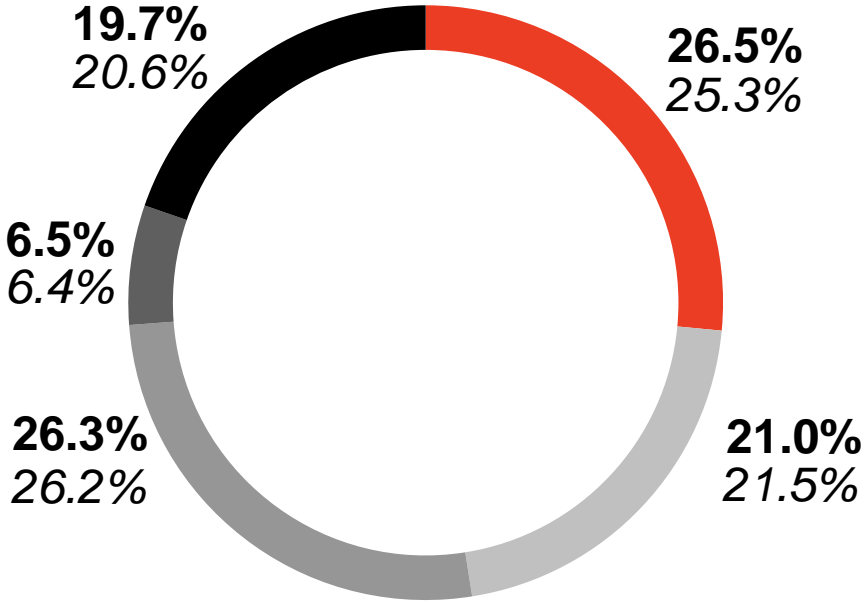


Sales breakdown

Balanced and stable sales mix

2018 data
2017 data

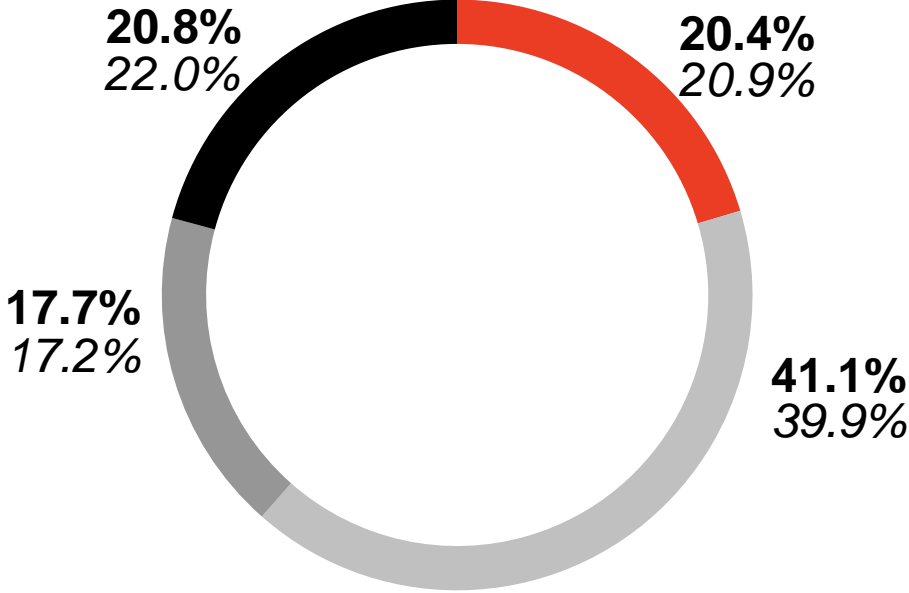
by end markets



■ Construction ■ Others ■ Automotive ■ Medical ■ Electronics

2018 data
2017 data

by regions

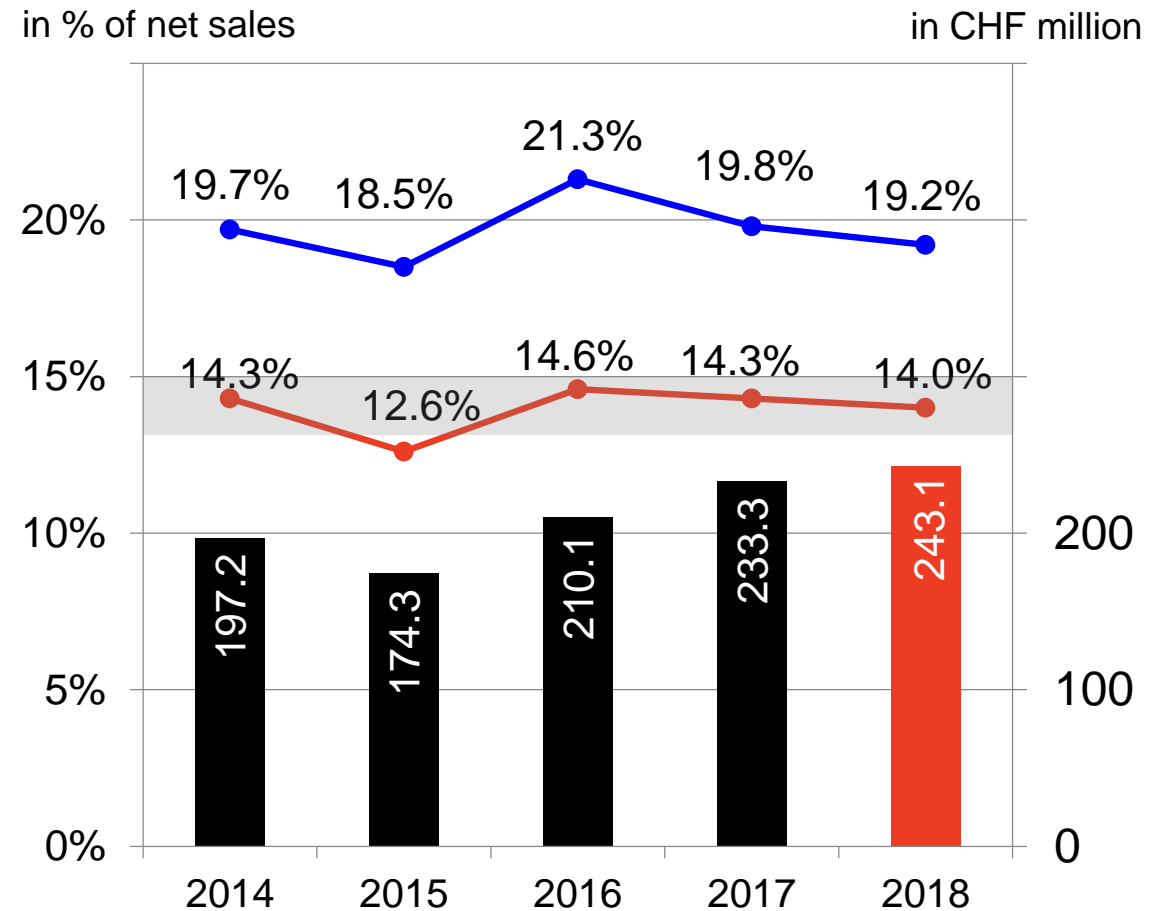


■ Switzerland ■ Europe ■ America ■ Asia

Operating profitability

EBIT burdened by mix effects and soft Q4

- Improvement in 2H with EBIT margin 14.4% vs. 1H EBIT margin 13.6%
- Strong growth in FS and D&L segments with below average EBIT margin
- Sharp and unexpected decline in sales at year end impacted EBIT development
- **EBITDA** margin reported 19.2%
 - CHF 332.8m +2.9% yoy
- **EBIT** margin adjusted 14.0%
 - CHF 243.1m +4.2% yoy

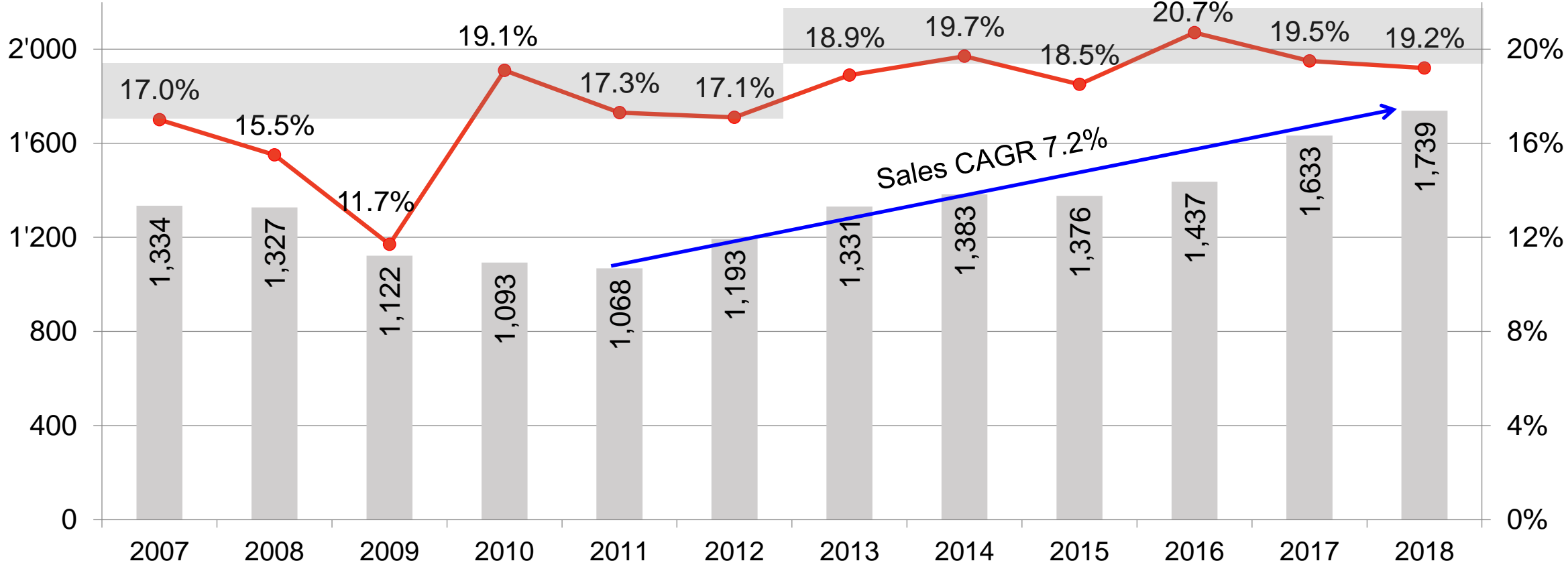


Operating profitability

Strong track record over the last 12 years

Sales in CHF million

EBITDA margin adjusted

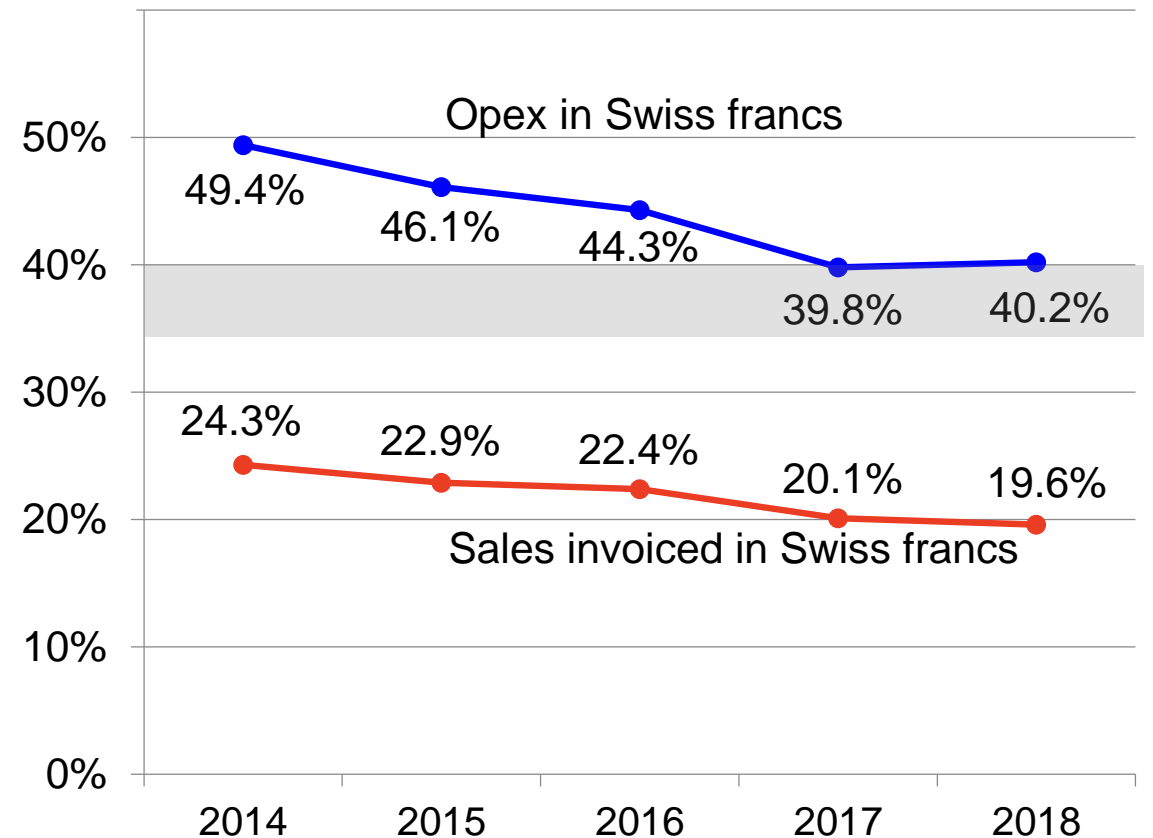


Swiss franc exposure

Opex in Swiss francs reached target range

- **Operating expenses** in Swiss francs
 - 40.2% share of group OPEX
 - at upper end of target range <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

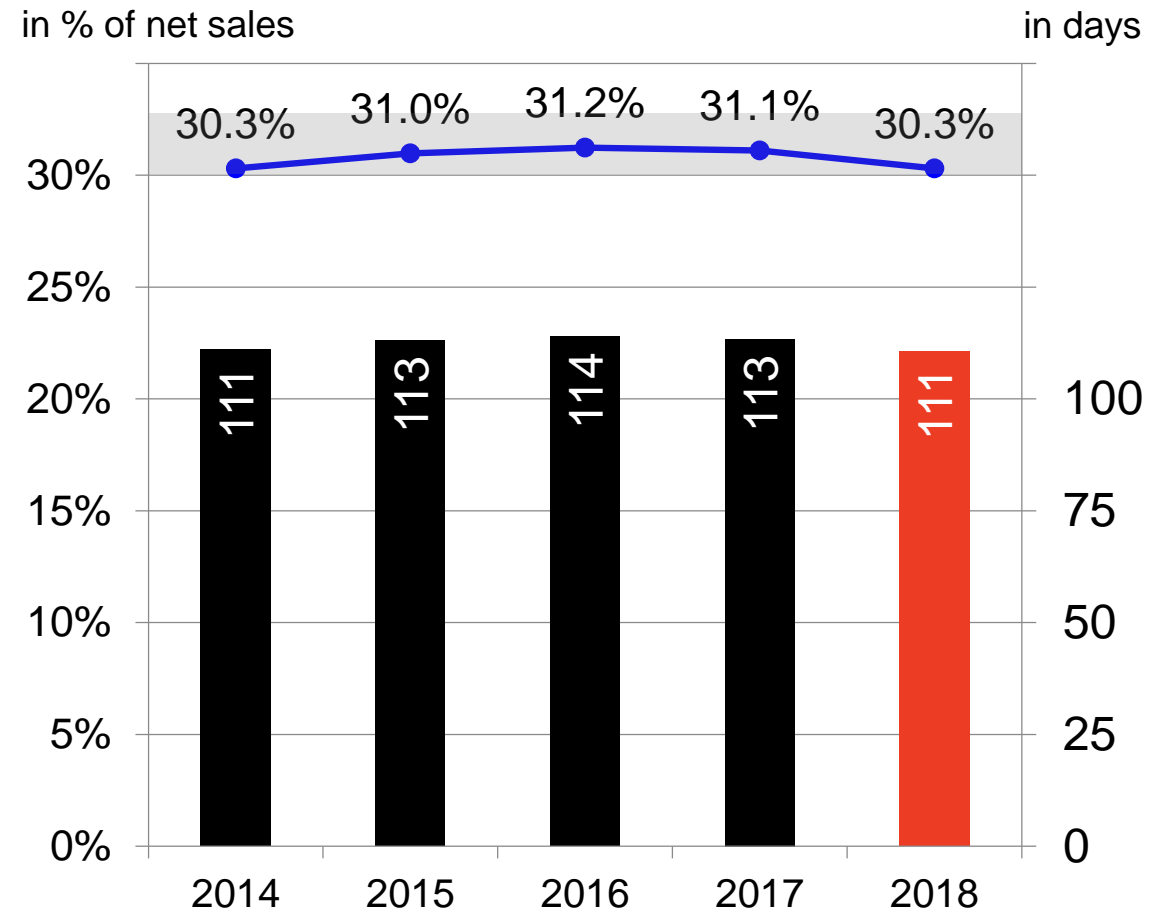
% share



Net working capital

Stable development in past five years

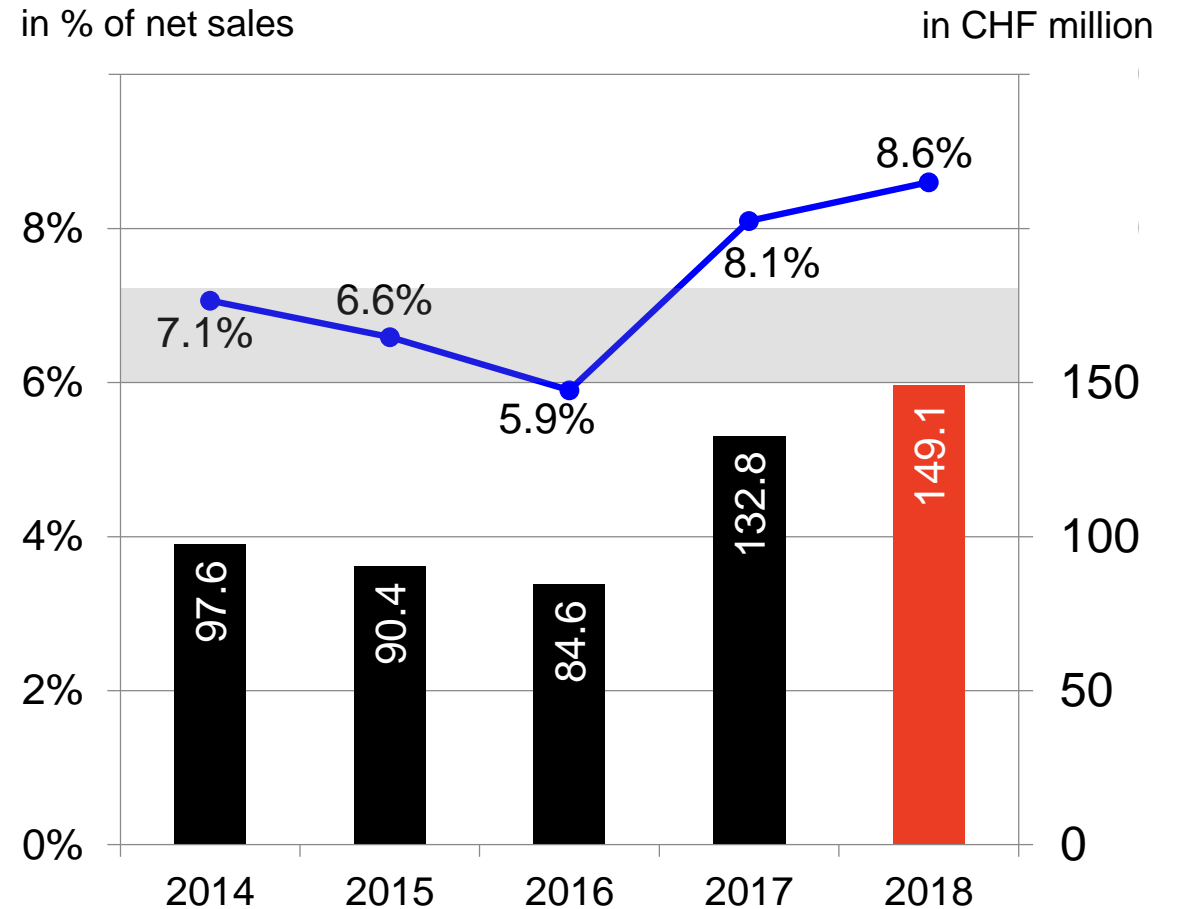
- **NWC** slightly lower at 30% of net sales
 - equals **111 working days**
 - increase of NWC CHF 25m
 - measured at year end
- Ø Days Sales Outstanding (DSO)
 - 66.8 SFS Group (PY 67.7)
 - 81.2 EC (PY 79.4)
 - 49.4 FS (PY 52.8)
 - 44.9 D&L (PY 48.7)



Capital expenditure

Record spending to secure future growth

- CAPEX spending **8.6%**
 - to increase capacity, efficiency, productivity
 - to support future growth
- CAPEX spending by region
 - 36% Switzerland (PY 43)
 - 17% Europe (PY 28)
 - 11% Americas (PY 9)
 - 36% Asia (PY 20)
- CAPEX by segment
 - 78% EC (PY 60)
 - 11% FS (PY 23)



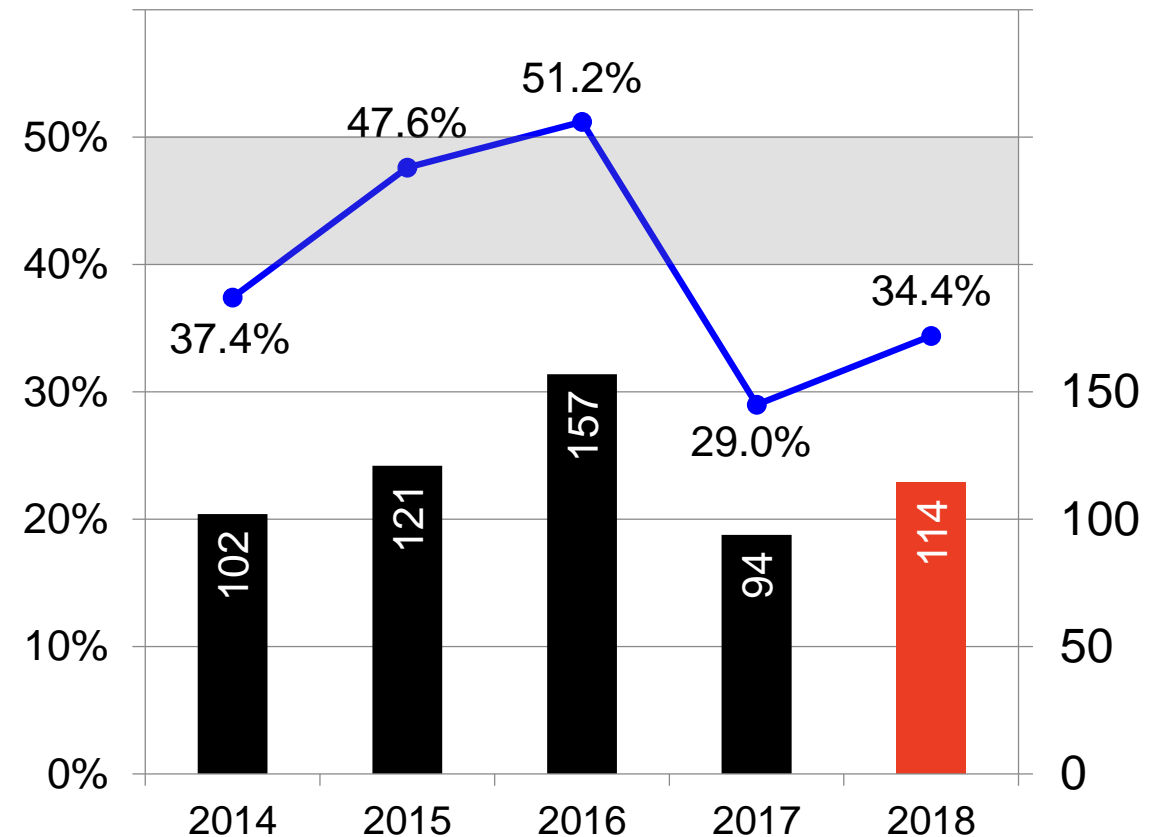
Free cash flow

CAPEX drives free cash flow & conversion rate

- Strong cash flow from operations used for CAPEX
 - 263m cash from operations
 - -149m CAPEX
 - 114m free cash flow
- Conversion rate 34.4%
 - driven by strong CAPEX
 - just short of target range 40 – 50%

in % of EBITDA

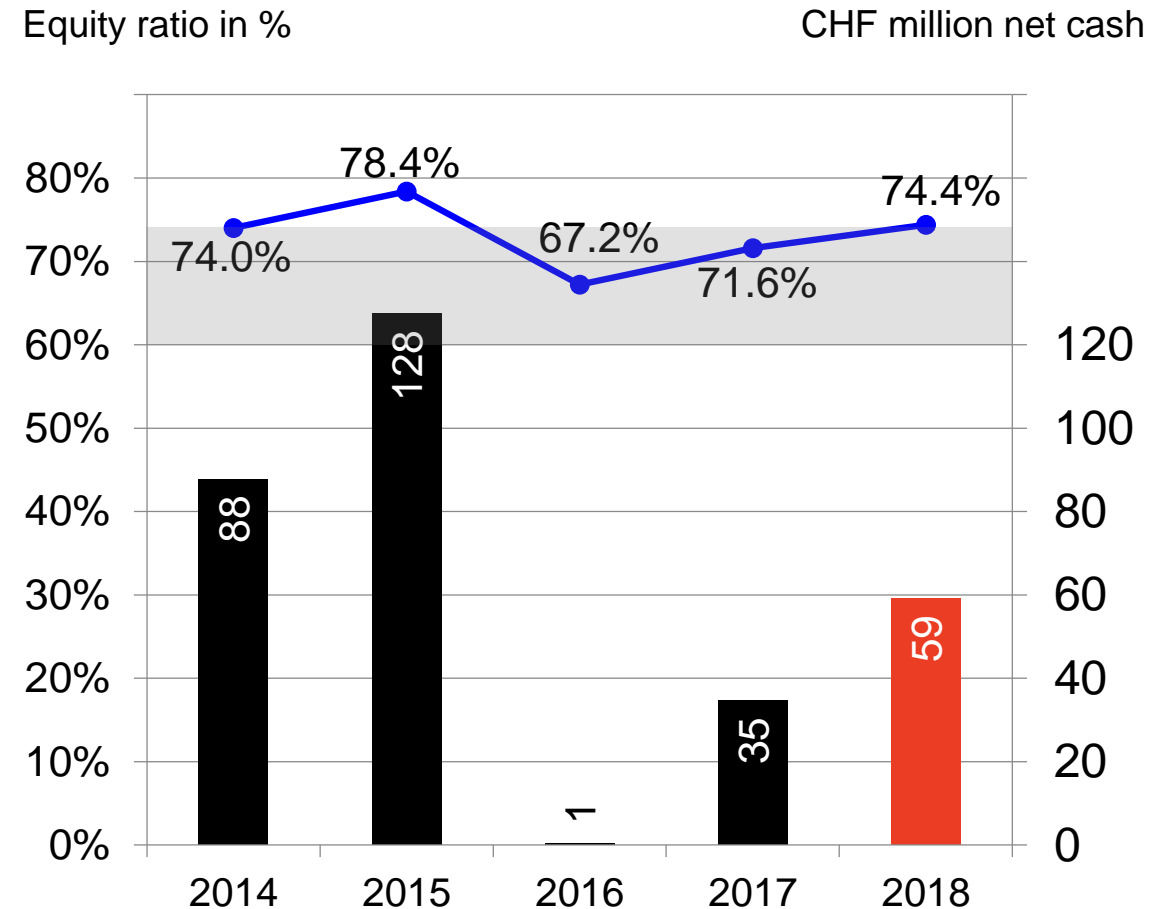
in CHF million



Balance sheet ratios

Solid equity and strong financial flexibility

- **Equity ratio** remains strong and healthy at 74.4%
 - target range >60%
- Financial flexibility for growth secured by
 - **net cash** CHF 59.1m
 - unused credit facilities
 - annual free cash flow
- Upper limit of leverage ratio at 1.5x EBITDA
 - EBITDA at CHF 332.8m
 - debt capacity CHF 500m

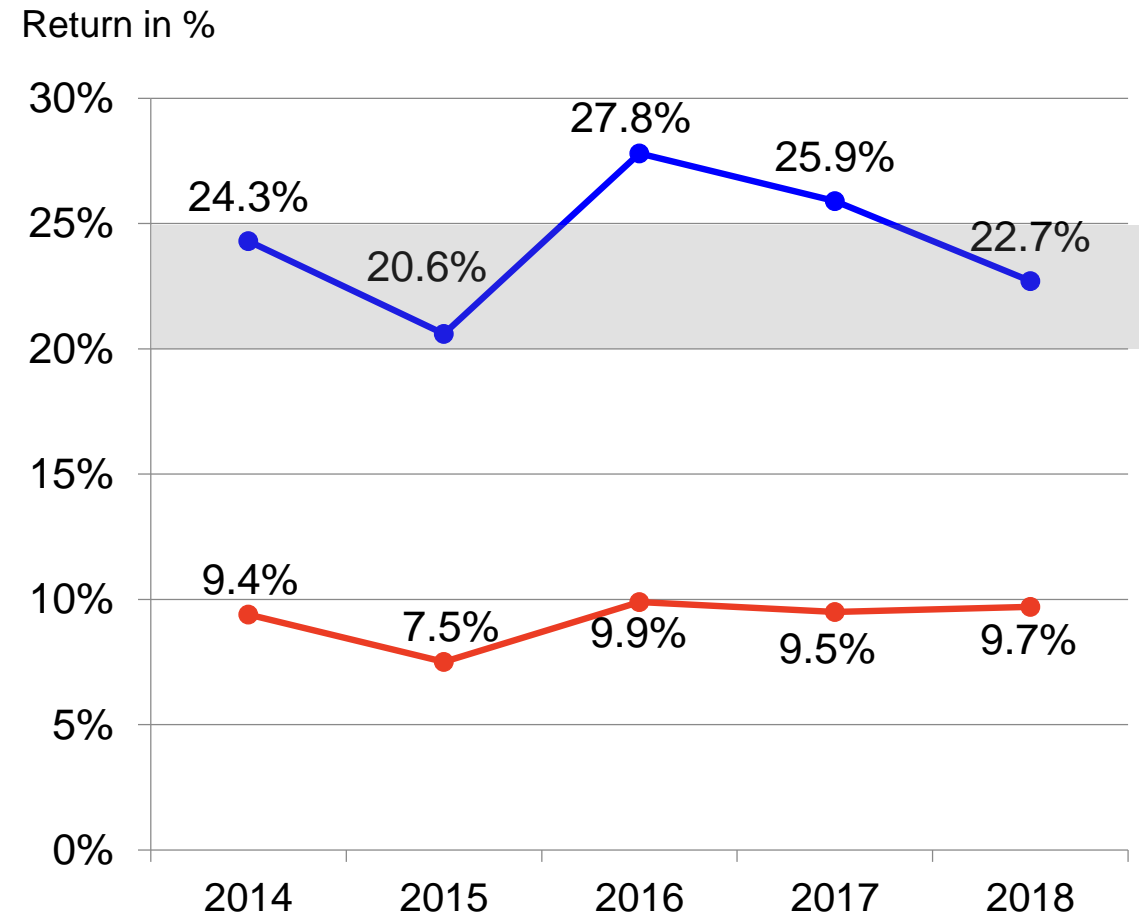


Return on capital

Attractive return on Ø capital employed

- Average capital employed (Ø CE)
 - ROCE at 22.7%
 - EBIT adjusted in % of Ø CE
 - above target range of >20%
- Return on invested capital
 - ROIC at 9.7% after tax
 - EBIT adjusted less tax in % of invested capital*
 - below target range of >12%

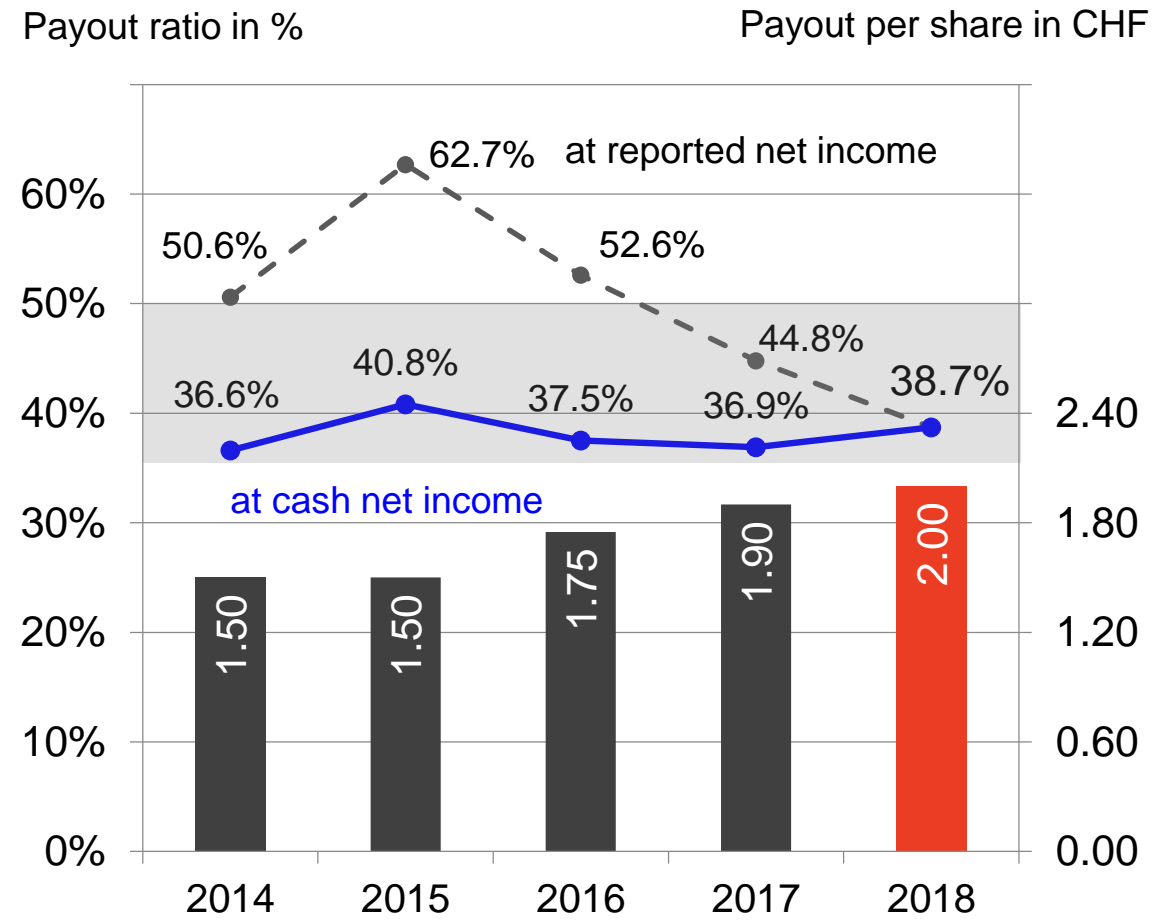
* Equity before goodwill offset less net cash



Payout ratio

Stable dividend at ~ 40% of net income

- BoD will propose a payout **per share** of CHF 2.00
 - increase by 5.3%
 - CHF 1.66 capital reserve
 - CHF 0.34 retained earnings
 - total cash out CHF 75m
- Dividend yield ~ 2.4% (at share price of CHF 85)
- Stable **payout ratio** at ~ 40%
 - measured at "cash net income"
 - target range 35 – 50%



KPI summary

Good growth, healthy profitability and funding

In CHF million		2018	%	2017	%	yoy
Sales		1,738.6		1,632.7		6.5%
EBITDA	margin	332.8	19.2%	323.5	19.8%	2.9%
EBIT adjusted	margin	243.1	14.0%	233.3	14.3%	4.2%
Net income	margin	193.9	11.2%	159.1	9.7%	21.9%
Equity	ratio	1,204.6	74.4%	1,087.0	71.6%	10.8%
Net cash		59.1		34.7		
Capex	% net sales	149.1	8.6%	132.8	8.1%	12.3%
Free cash flow	conversion rate	114.4	34.4%	93.8	29.0%	22.0%
ROCE		22.7%		25.6%		

Guidance 2019

Guidance FY2019

Continued positive development

	2018A	2019G
Gross sales reported	6.5%	3 – 5%
EBIT adjusted	14.0%	13 – 15%

A = Actual G = Guidance

For 2019, we expect extraordinary effects to burden reported EBIT by a high single-digit to a low double-digit CHFm amount due to

- commissioning of the new manufacturing platform in Nantong (negative)
- sale of properties (positive)

Q&A

Q&A

Any questions?



Jens Breu
Chief Executive Officer



Rolf Frei
Chief Financial Officer

Thank you for your attention

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Disclaimer

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