Inventing success together

Presentation 1H 2020 results
Heerbrugg, 21 July 2020

1H 20

Table of contents

Key takeaways

Key takeaways
Defended profitability despite difficult Q2

- Priorities of 1H 2020 driven by COVID-19 pandemic, turning attention to employee safety, bal-ancing manufacturing capacity and cost management while maintaining innovation activities
- After a solid first quarter 2020, development was significantly impacted by the pandemic in Q2
  - Decline in gross sales –10.8% vs. 1H 2019 (organic –10.4%), mitigated by balanced exposure to different regions and end markets
  - First time consolidation of TFC, MBE and T&M resulting in sales contribution of +3.4%
  - Despite decline in revenue healthy EBIT margin of 9.2% and EBITDA margin of 15.5%
- Strong equity ratio of 72.7% and robust earnings secure liquidity and entrepreneurial freedom to pursue investments into innovations and realization of growth projects
- Expect slight recovery in sales at similar profitability in 2H vs. 1H, under the assumption of no massive second global wave of the COVID-19 pandemic

Development by segment

Headlines Engineered Components segment
Different end market developments

- COVID-19 with significant impact on demand:
  - 1H 2020 reported sales –16.3% y-o-y
  - Electronics and Medical with organic growth
- Acquisition of T&M adds deep drawing to the North American manufacturing capabilities
- Temporary measures taken to offset impact on profitability from decline in end market sales, resulting in EBIT of CHF 35.1m (9.1%)
- In order to realize the acquired growth projects at Industrial and Medical divisions, significant investments in site expansions are made in Switzerland and the USA

Key figures Engineered Components

in CHF million (unaudited)	**2020 1H**	+/– PY	2019 1H
Third party sales	380.1	–16.3%	454.2
Sales growth comparable		–13.5%	
EBITDA	69.1	–28.3%	96.4
As a % of net sales	17.9		21.0
Operating profit (EBIT) adjusted	35.1	–52.5%	73.9
As a % of net sales	9.1		16.1
Average Capital Employed	710.3	4.4%	680.6
Investments	48.6	9.6%	44.3
Full-time equivalents (FTE)	6,978	–4.5%	7,310
ROCE in %	9.9		21.7

Key messages Automotive division
Challenging markets accentuated by COVID-19

- Market environment driven by reduced car sales, customer's temporary factory shut-downs and supply chain adjustments
- Manufacturing capacity temporarily reduced to match levels of order intake
- Established deep drawing platform in North America by acquisition of T&M
- Continued investment into growth projects in the areas of electric brake systems and camera/sensor housings
- Based on project pipeline, maintained position to outgrow the market

Ongoing innovation in electrification and autonomous driving

Acquisition of Truelove & Maclean ("T&M")
Deep drawing platform in North America

- Connecticut based supplier of deep drawn components mainly to automotive industry
- Complement North American manufacturing technology footprint to supply customer base with deep drawn components
- Core applications including components for restraint systems, fuel injection and sensor housings
- Key figures FY2019:
  - sales of approx. USD 36m
  - ~110 employees
- First time consolidation as per 1 April 2020

T&M automotive parts

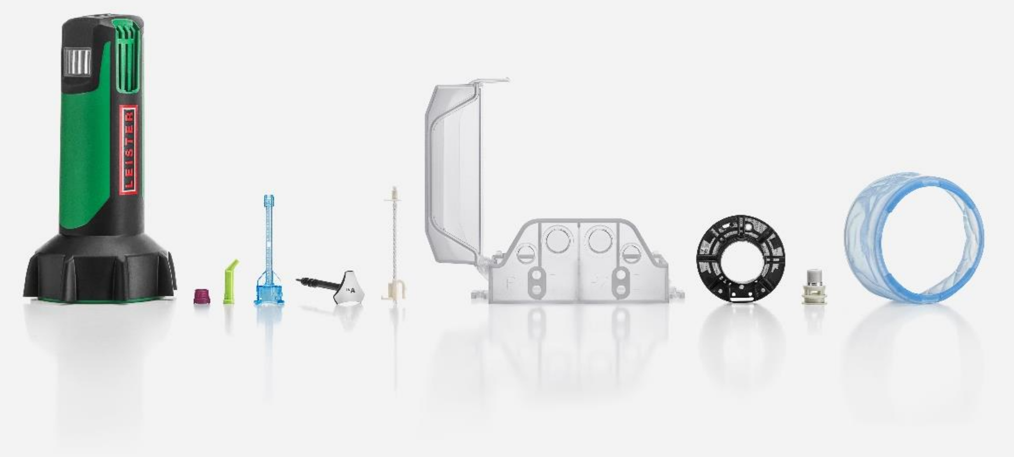
Key messages Electronics division
Stable demand situation

- Intact demand for smartphones and lifestyle electronics and below expectation decline of HDD components leading to organic growth
- Freed-up capacity from HDD business re-duction will be used for manufacturing of medical device components und to serve customers with supply chains outside China
- Transfer to Nantong completed, previously leased properties returned to lessors
- Sales in 2H expected to be higher than in 1H fueled by expected seasonal product launches

Precision components for lifestyle electronics applications

Key messages Industrial division
Demand from industrial customers sharply lower

- Individual business units impacted differently by COVID-19 pandemic
  - Relatively stable demand for plastic injection molded parts & components
  - Aerospace and other industrial end markets with significantly reduced order intake
- Manufacturing capacity temporarily reduced to match levels of order intake
- Site expansion project at Stamm (CH, micro injection molding) proceeding as scheduled
- General demand expected to remain sub-dued in 2H



Extensive expertise in plastic injection molding

Key messages Medical division
Sustained growth across applications

- Solid demand and ongoing ramp-up of new projects resulting in high single digit growth
- Growth broadly based across product port-folio and production sites
- New property acquired in proximity to current Tegra Medical Headquarters in Franklin (MA), to accommodate acquired growth projects
- COVID-19 pandemic resulting in capacity bottlenecks and higher production cost
- Second half year growth expected to be similar to 1H

Suturing device for operations

Headlines Fastening Systems segment
Continued investments in expanding market reach

- Less pronounced impact of COVID-19 on construction market and scope effects limiting decline of segment sales to –5.8% y-o-y
- Investments into expansion of market reach with acquisition of MBE
- Development at Riveting division significantly impacted by low demand from automotive and industrial customers
- Impact of weaker demand on operating results offset by temporary capacity reductions and tight cost management
  - 1H EBIT margin at 9.5% (CHF 22.7m)
  - + 10bp vs. 1H 2019

Key figures Fastening Systems

in CHF million (unaudited)	**2020 1H**	+/– PY	2019 1H
Third party sales Sales growth comparable	234.0	–5.8% –10.0%	248.3
EBITDA As a % of net sales	32.2 13.5	–5.6%	34.1 13.4
Operating profit (EBIT) As a % of net sales	22.7 9.5	–5.4%	24.0 9.4
Average Capital Employed	288.5	–2.1%	294.8
Investments	4.3	–52.6%	9.1
Full-time equivalents (FTE)	2,386	–3.0%	2,459
ROCE in %	15.7		16.3

Key messages Construction division
Solid results despite difficult environment

- After good Q1 with moderate organic growth, Q2 confronted with declining demand
- Business with system manufacturers and distributors affected most, while demand with specialty retailers and installers increased
- Market access for façade fastening systems in Central Europe expanded with acquisition of MBE as per 1 January 2020
- Investments into continued expansion of e-commerce activities ongoing
- Supported by seasonality effects, demand expected to be slightly higher in 2H

MBE facility located at Menden (Germany)

Key messages Riveting division
Recovery slowed by the COVID-19 pandemic

- Difficult market environment in key end markets further accentuated by COVID-19 pandemic, strongly impacting business
- Structural measures taken during previous year, together with temporary measures, helping to adjust manufacturing capacity to order intake and to defend profitability
- Continued focus on development and launch of innovative products to complement port-folio and to improve market penetration
- General demand expected to remain sub-dued in 2H

GESIPA® blind riveting machine for use in industrial production

Headlines Distribution & Logistics segment
Positive results despite difficult environment

- Reported sales of CHF 159.6m representing a decline of –3.4% y-o-y
- Multi-channel approach particularly beneficial during COVID-19 induced lockdown with e-commerce site being an effective alternative
- EBIT margin at 8.9% (1H 2019 adjusted 7.9%) supported by cost measures
- Iso Raunjak who joined SFS in 1992 appointed new head of the segment, taking over from Josef Zünd who retired
- General demand expected to remain subdued in 2H

Key figures Distribution & Logistics

in CHF million (unaudited)	**2020 1H**	+/– PY	2019 1H
Third party sales	159.6	–3.4%	165.3
Sales growth comparable		–2.6%	
EBITDA	17.2	–19.0%	21.2
As a % of net sales	10.6		12.6
Operating profit (EBIT) adjusted	14.5	8.8%	13.3
As a % of net sales	8.9		7.9
Average Capital Employed	129.0	–6.9%	138.5
Investments	1.9	16.6%	1.6
Full-time equivalents (FTE)	595.0	–3.7%	618.0
ROCE in %	22.4		19.2

Development of key financials

Sales bridge

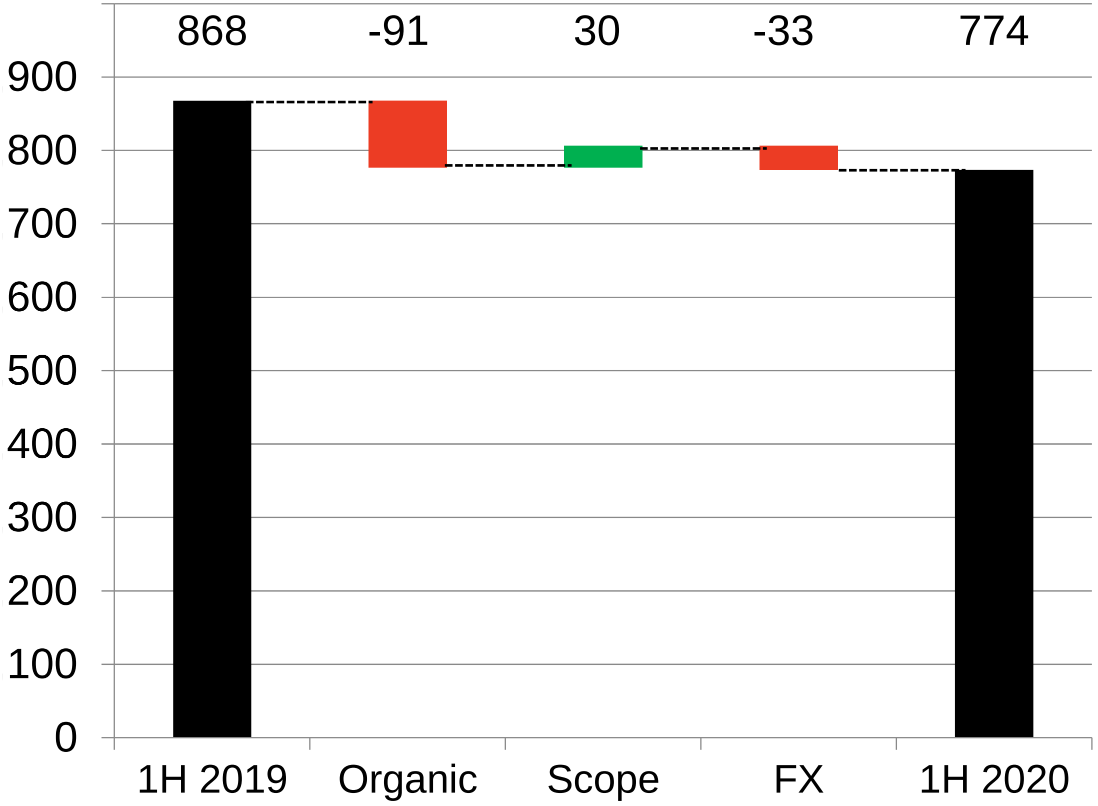
COVID-19 with massive impact on Q2 topline

- Reported growth of -10.8% (PY 1.4)
  - Organic -10.4% (PY -2.4)
  - Scope 3.4% (PY 4.6)
  - FX impact - 3.8% (PY -0.8)

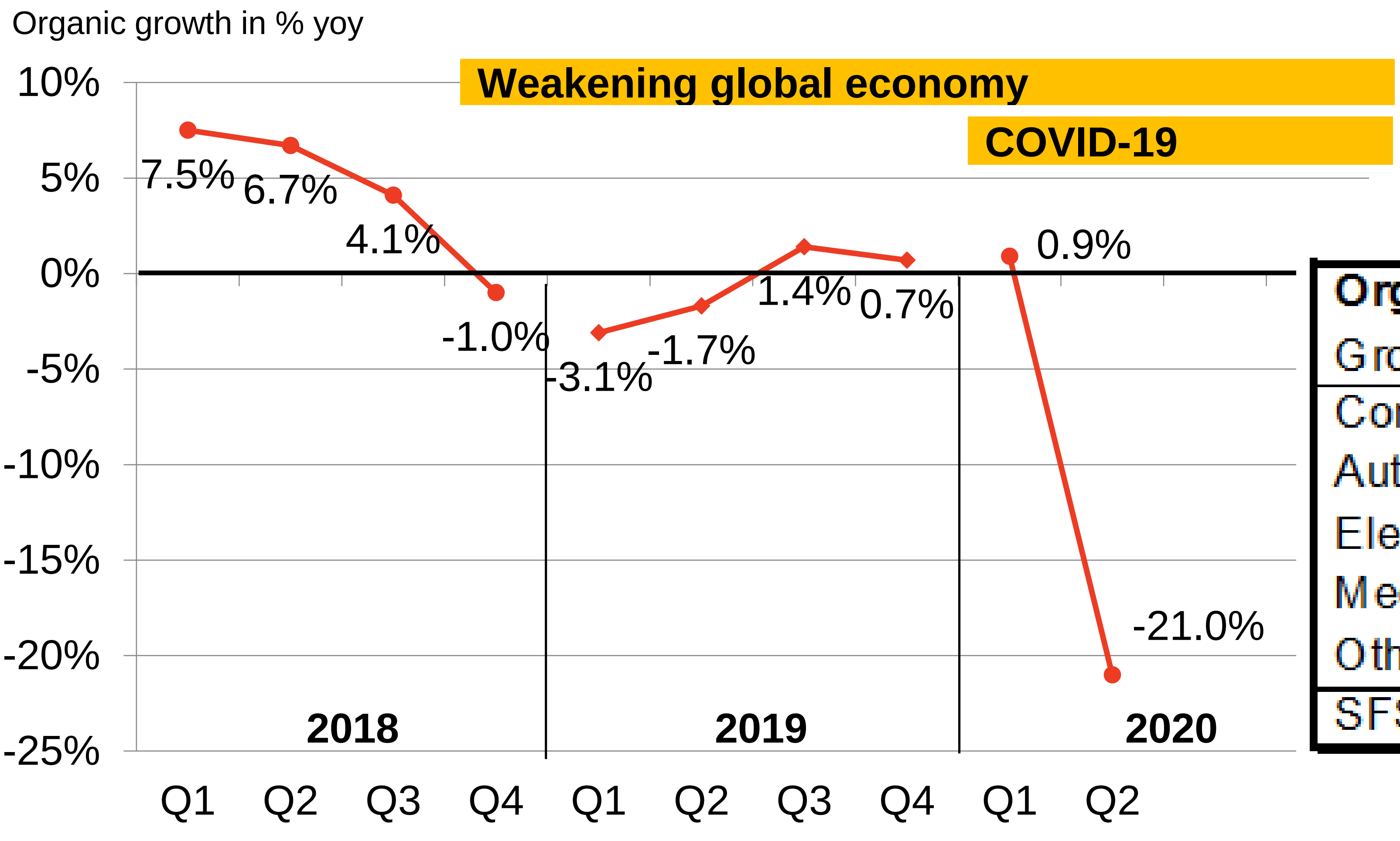
- Organic growth
  - Q1.2020 CHF 4m
  - Q2.2020 CHF -95m

- Like-for-like growth by segment
  - -13.5% in EC (PY -3.6%)
  - -10.0% in FS (PY -1.8%)
  - - 2.6% in D&L (PY 0.3%)

CHF million



Organic sales development
COVID-19 with massive impact on Q2 topline

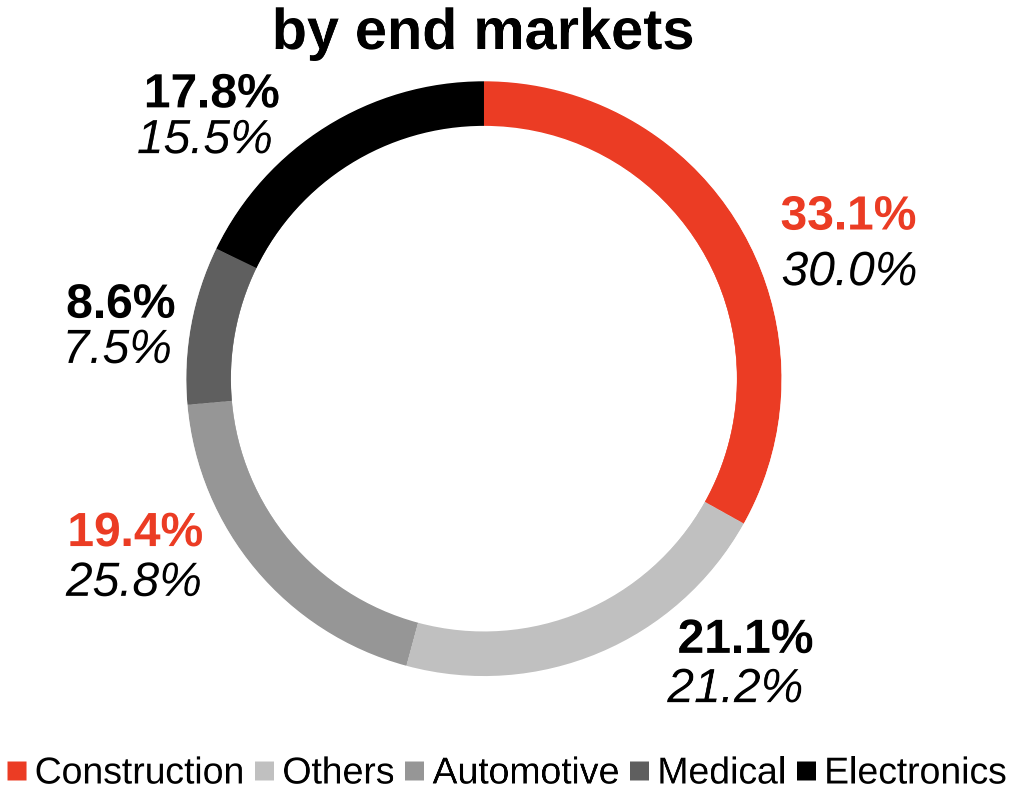


Organic growth by end markets		
Growth yoy	Q1.2020	Q2.2020
Construction	0.0%	-11.6%
Automotive	-4.1%	-57.6%
Electronics	13.8%	0.8%
Medical	11.8%	0.1%
Others	-4.6%	-15.7%
SFS Group	0.9%	-21.0%

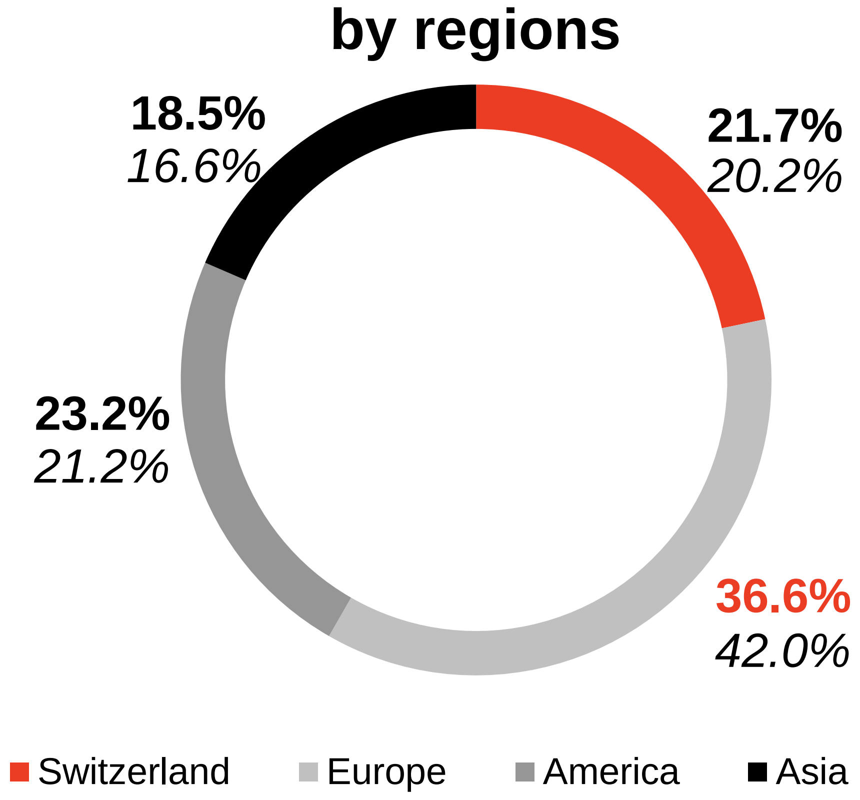
Sales by end market and regions

Automotive & Europe suffer | Construction benefits

2020 data
2019 data



2020 data
2019 data



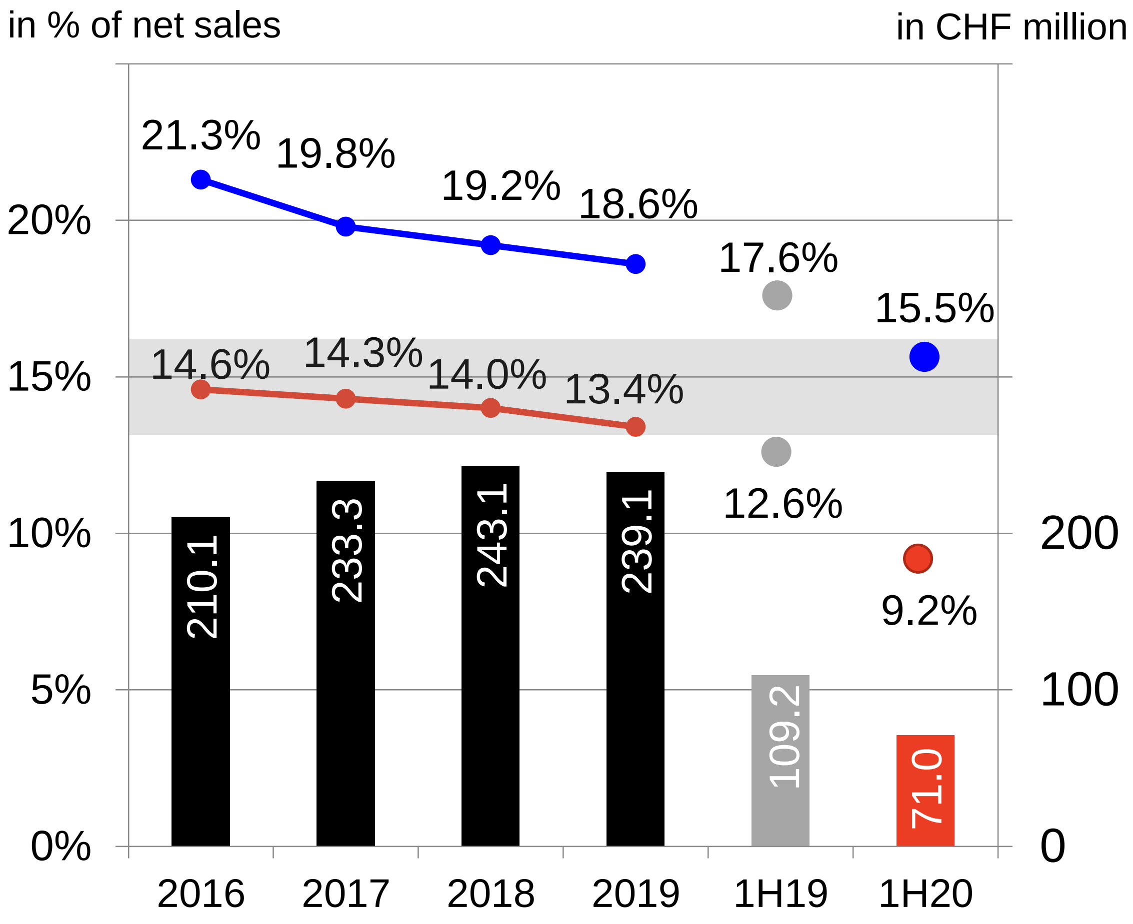
Operating profitability
COVID-19 leaves its mark on EBIT in Q2

- EBIT margin adjusted 9.2% or CHF 71m
  - Q2 EBIT margin drops to around 6%

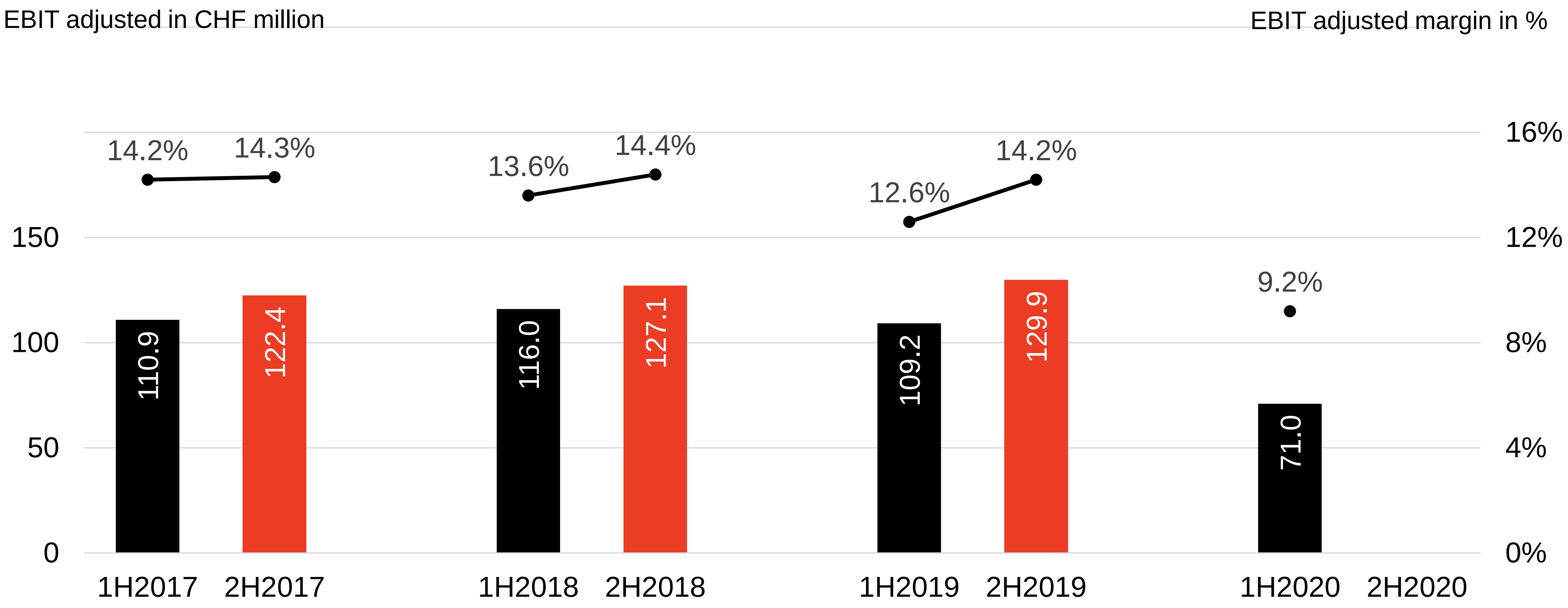
- EBITDA margin 15.5% or CHF 120.3m
  - Q2 EBITDA margin stays at around 13%

- Relatively flexible cost structure (in CHF)
- -35.0m Personnel expenses
  - Of which -14m short time allowance CH
  - Of which -21m other measures
  - -420 FTE w/o major restructuring and M&A

- -18.9m Other operating expenses
  - Cost savings and variable expenses

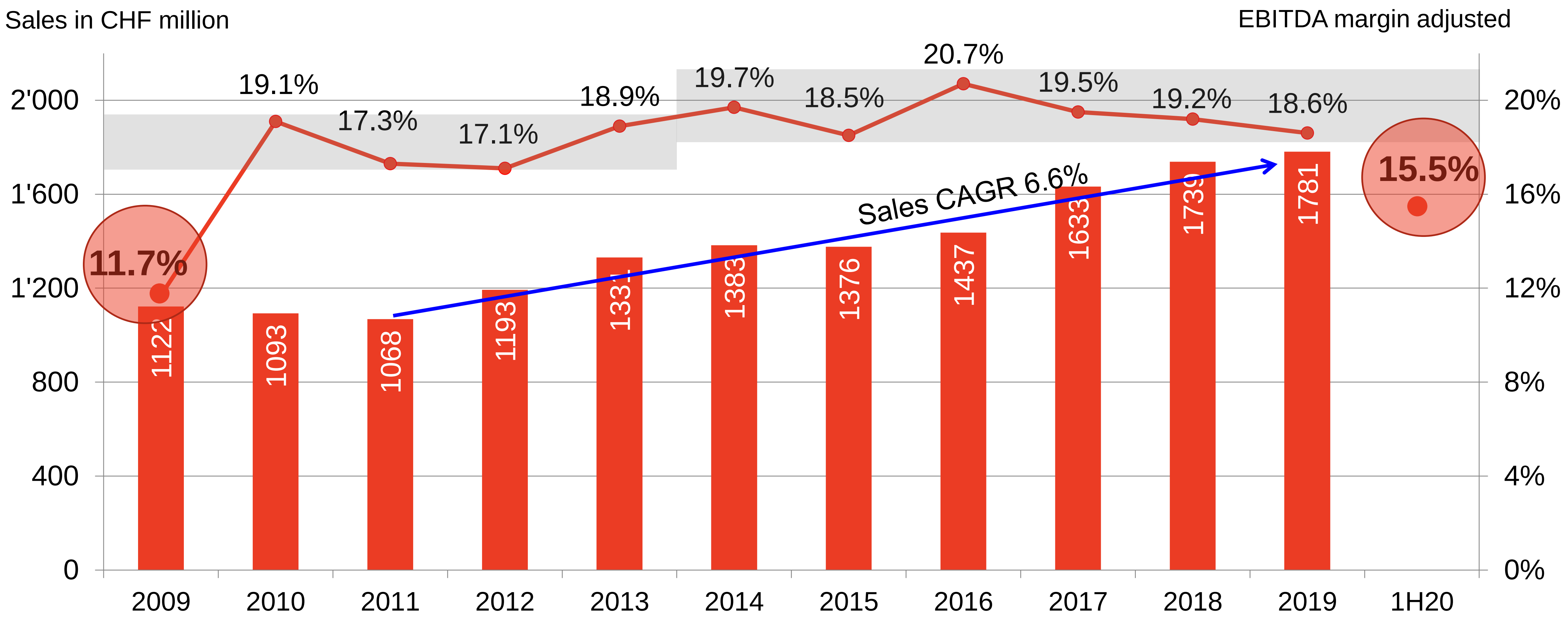


Operating profitability
EBIT in 2H normally better than in 1H



Operating profitability

1H20 EBITDA stronger than during crisis in 2009



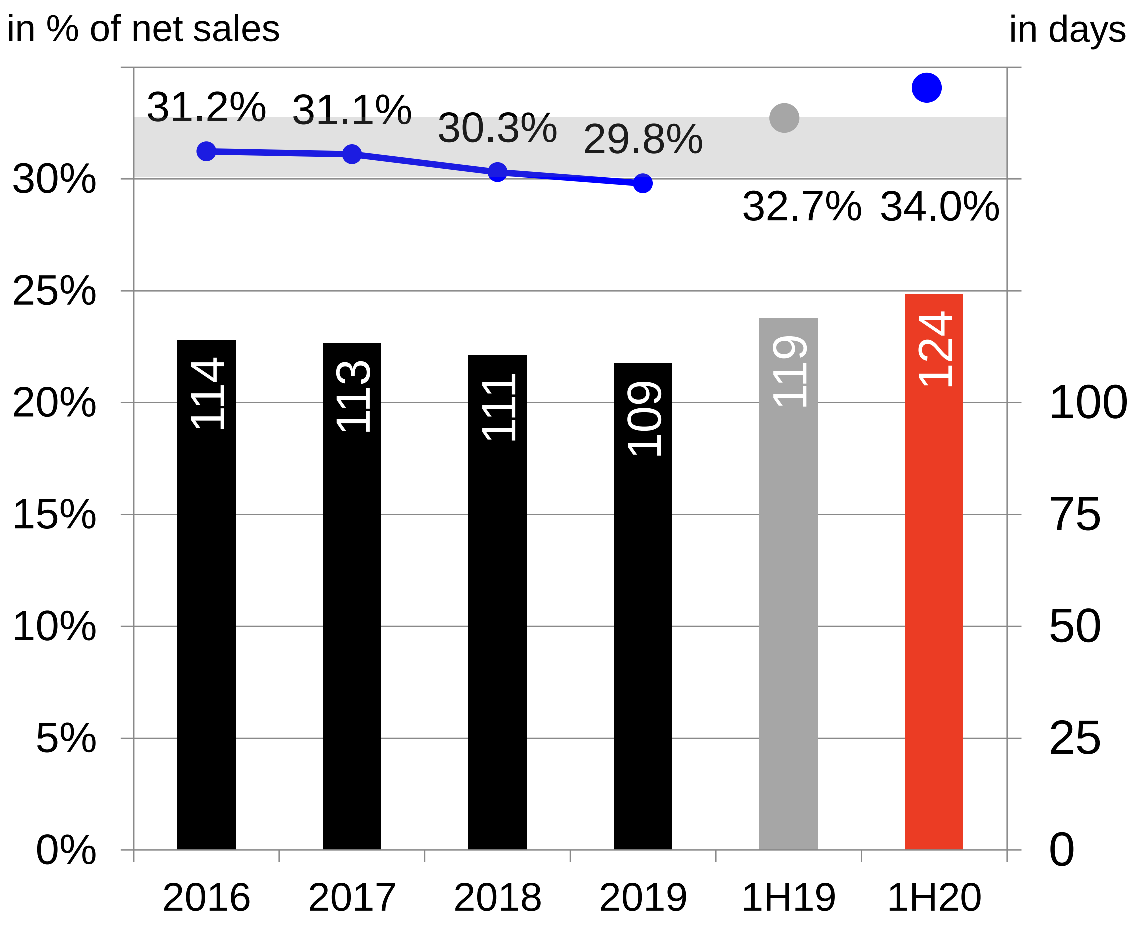
Net working capital

Seasonal peak | Time lag of inventory decline

- NWC higher at 34% of net sales
  - Equals 124 working days
  - Measured at balance sheet date

- Ø NWC 119.8 days outstanding (PY 117.6)
  - Average with flattening impact
  - Sales 65.3 (PY 65.0)
  - Inventory 75.2 (PY 71.9)
  - Payables -20.7 (PY -19.3)

- Expect NWC to normalize in 2H

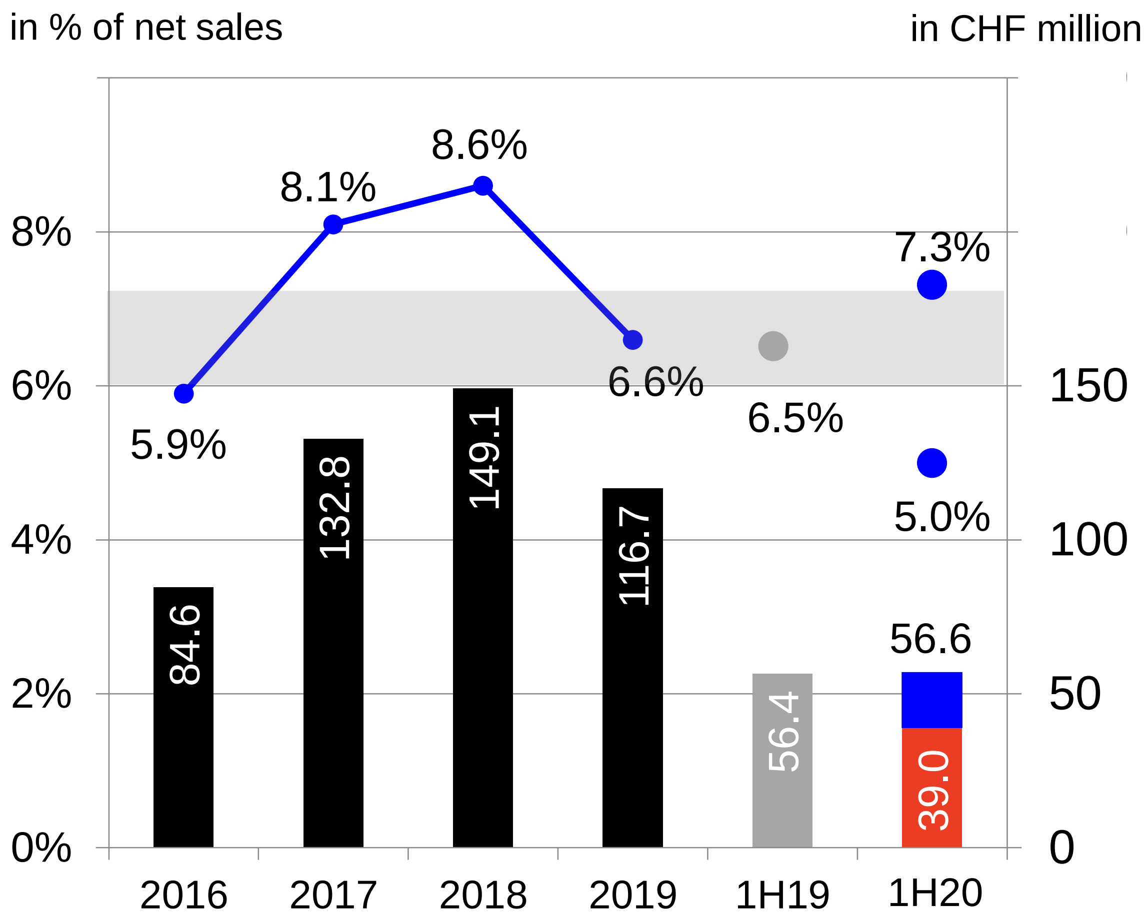


Capital expenditure
Running Capex at 5% | Infrastructures add 230 bps

- CAPEX spending 7.3%
  - Building projects in Switzerland and USA add 230 bps in 1H
  - To increase capacity, efficiency, productivity
  - To support future growth

- CAPEX spending by region
  - 35% Switzerland (PY 42%)
  - 9% Europe (PY 15%)
  - 36% Americas (PY 13%)
  - 20% Asia (PY 30%)

- CAPEX by segment
  - 86% EC (PY 79%)

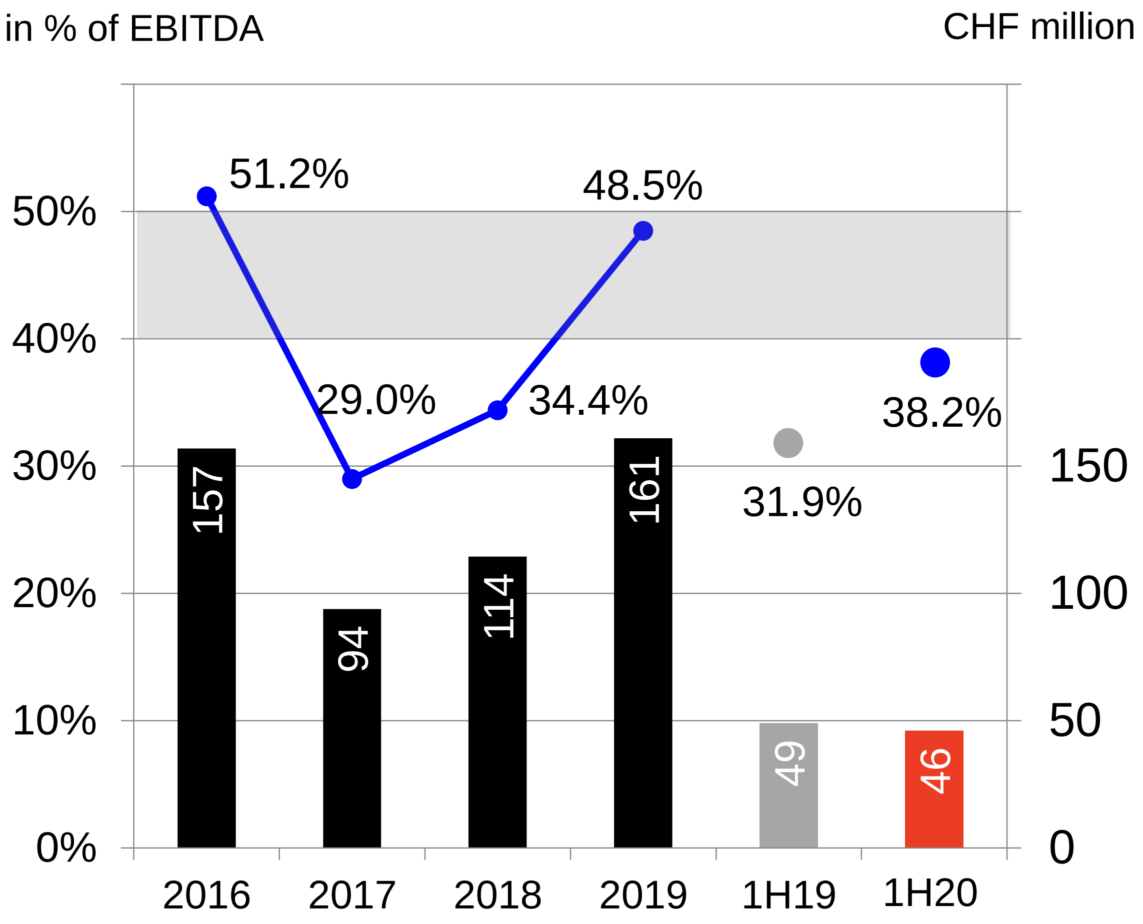


Free cash flow
Capex and NWC increase fully financed by cash flow

- Good cash generation (in CHF)
  - 103m cash flow from operations (PY 105m)
  - - 57m capex in PPE (PY -56m)
  - 46m operating free cash flow (PY 49m)

- Conversion rate at 38.2%
  - Target range of 40-50%

- 2H expected to be stronger than 1H

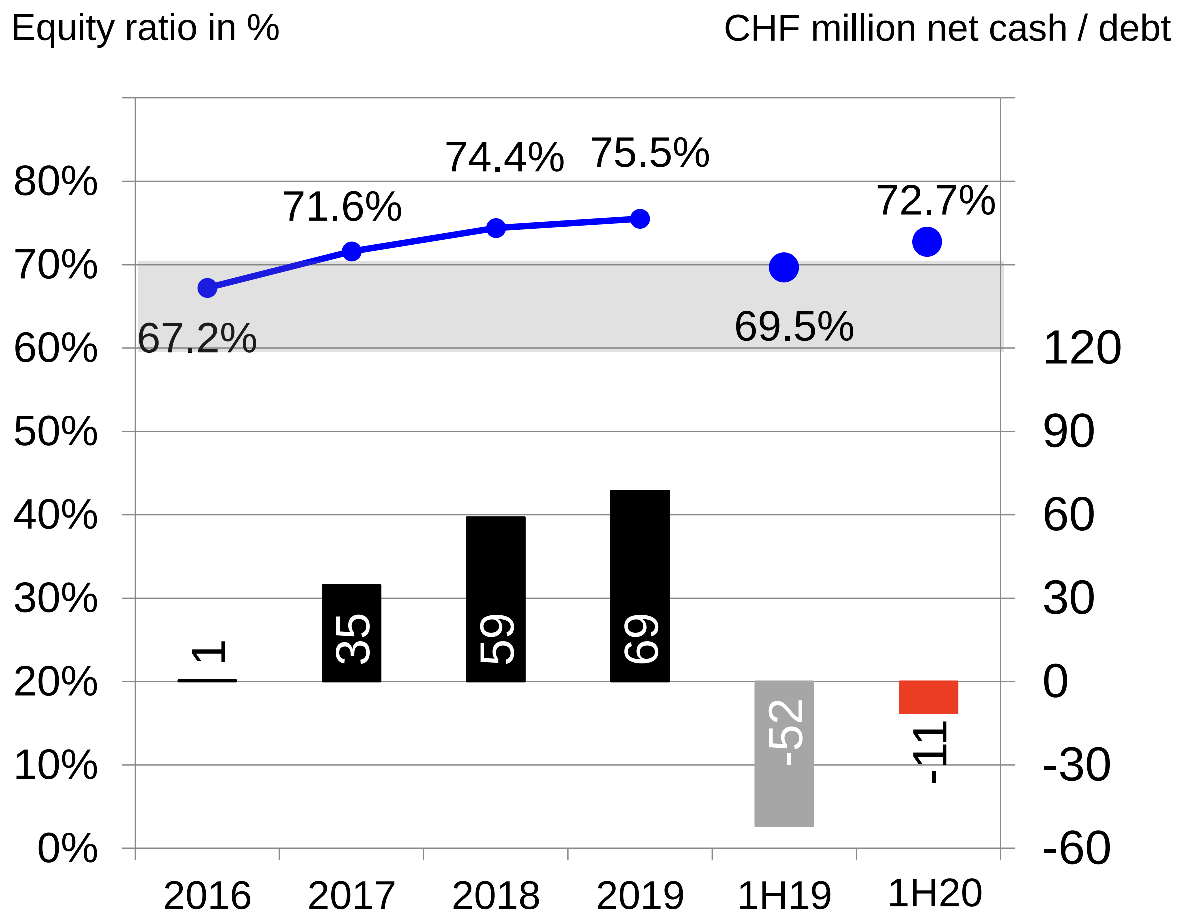


Balance sheet ratios
Strong balance sheet and financing

- Equity ratio remains strong at 72.7%
  - Target range >60%

- Net cash at year end CHF 69m, declined to CHF -11m as 30 June
  - 46m operating free cash flow
  - -60m M&A activities
  - -66m dividend payout
  - -80m decline vs. year end 2019

- Financial flexibility for growth secured by
  - Unused and existing credit facilities
  - Annual free cash flow



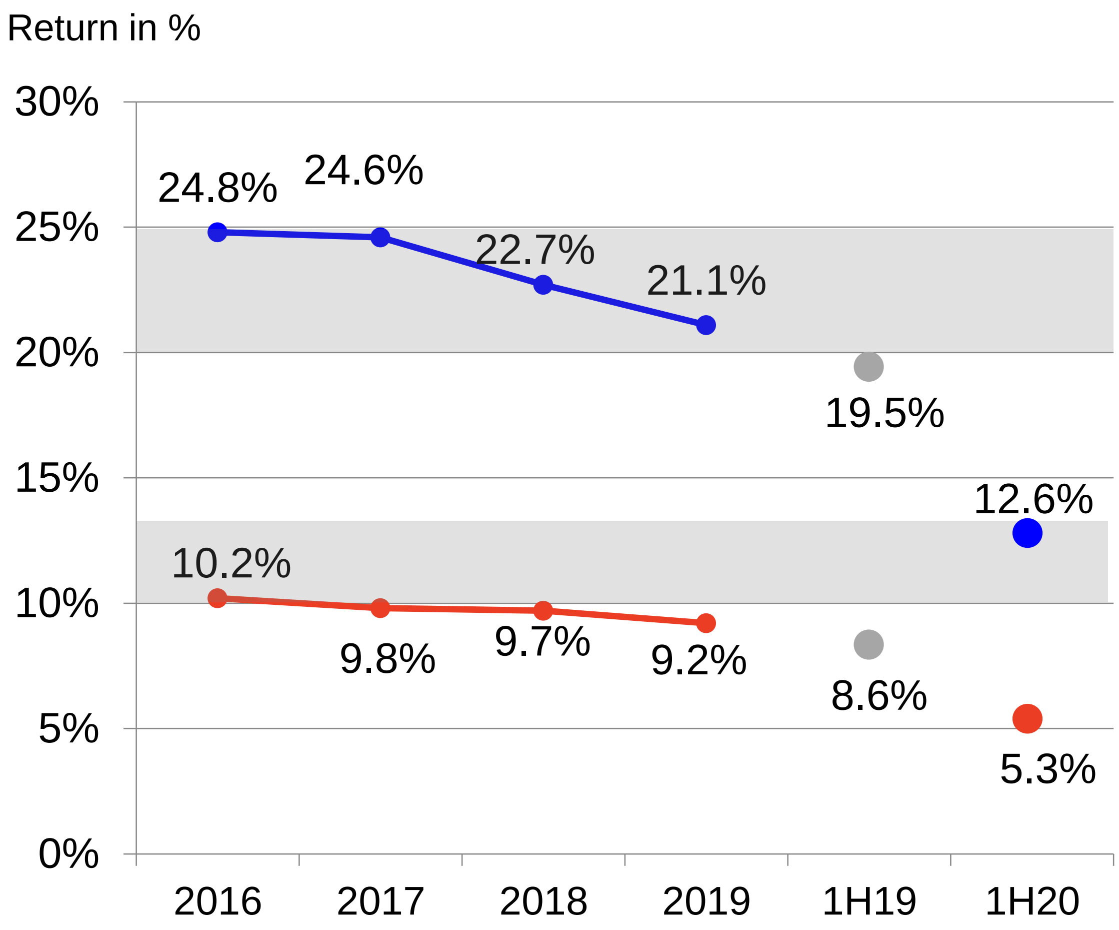
Return on capital
High capital intensity | Strong leverage from EBIT

- Return on capital employed at 12.6%
  - EBIT adjusted in % of Ø CE CHF 1.1bn

- Return on invested capital at 5.3%
  - EBIT after tax (flat rate of 17.5%)
  - Invested capital CHF 2.2bn including goodwill offset with CHF 1.0bn

- Bridge between ROIC and ROCE

  5.3% ROIC after tax
  +5.0% CHF 1.1bn higher capital
  +2.3% tax impact on EBIT
  12.6% ROCE before tax



KPI summary
Solid performance in difficult times

In CHF million		1H 2020	%	1H 2019	%	yoy
Sales		773.7		867.8		**-10.8%**
EBITDA	margin	120.3	15.5%	152.6	17.6%	-21.2%
EBIT adjusted	margin	71.0	**9.2%**	109.2	**12.6%**	-34.9%
Net income	margin	53.9	7.0%	88.6	10.2%	**-39.1%**
Equity	ratio	1,169.0	**72.7%**	1,139.2	**75.5%**	2.6%
Net cash		**-11.4**		**-51.9**		
Capex	% net sales	56.6	**7.3%**	56.4	**6.5%**	0.4%
Free cash flow	conversion rate	46.0	38.2%	48.7	31.9%	**-5.5%**
ROCE		12.6%		19.5%		

Guidance 2020 & Group priorities

Guidance 2H2020
Cautious development expected

	2020 G (March*)	**1H2020 A**	**2H2020 G (July**)**
Gross sales CHF Mio.		**773.7**	**> 773.7**
Gross sales Growth	**0–2%**	**-10.8%**	
Organic	-1.5%–0.5%	-10.4%	
Scope	1.5%	3.4%	
FX	n/a	-3.8%	
EBIT adjusted	12–14%	**9.2%**	**~ 9.2%**

* In March we were not in a position to assess the impact of COVID-19
** SFS assumes no second wave of COVID-19 in 2H2020

A = Actual G = Guidance

SFS Group priorities
Focus on specific priorities

Megatrends	Growth	Employees	Profitability	Sustain-ability
→ Strengthening innovation, especially in the megatrends of digitization & autonomous driving	→ Investments in future growth pro-jects in particular in the med-tech, automotive & electronics sectors	→ Continue with preventive meas-ures to protect employee health and safety	→ Balance produc-tion capacity with demand while ensuring supply capabilities & keep costs under control	→ Implementation of the set goals & development of roadmap to reduce 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

Investor Day:	9 September 2020 Heerbrugg (CH)

IR Contact:
investor.relations@sfs.biz

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.