



Inventing success together

SFS Investor Day
Heerbrugg, 23. August 2018

Agenda

Part I: Warm-up and Update Divisions Electronics / Automotive

13:15h – 14:30h

- | | | |
|---|---|------------------|
| 1 | SFS DNA | Jens Breu |
| 2 | Megatrends | Jens Breu |
| 3 | Update Division Electronics (incl. Q&A) | George Poh |
| 4 | Update Division Automotive (incl. Q&A) | Alfred Schneider |

Part II: Plant Tour

14:30h – 15:30h

Part III: 1H 2018 Results

15:45h – 17:00h

- | | | |
|---|-------------------------------|-----------------------|
| 1 | Introduction & Key takeaways | Jens Breu |
| 2 | Development by segment | Jens Breu |
| 3 | Development of key financials | Rolf Frei |
| 4 | Guidance 2018 | Rolf Frei |
| 5 | Q&A | Jens Breu / Rolf Frei |

Part I: SFS DNA

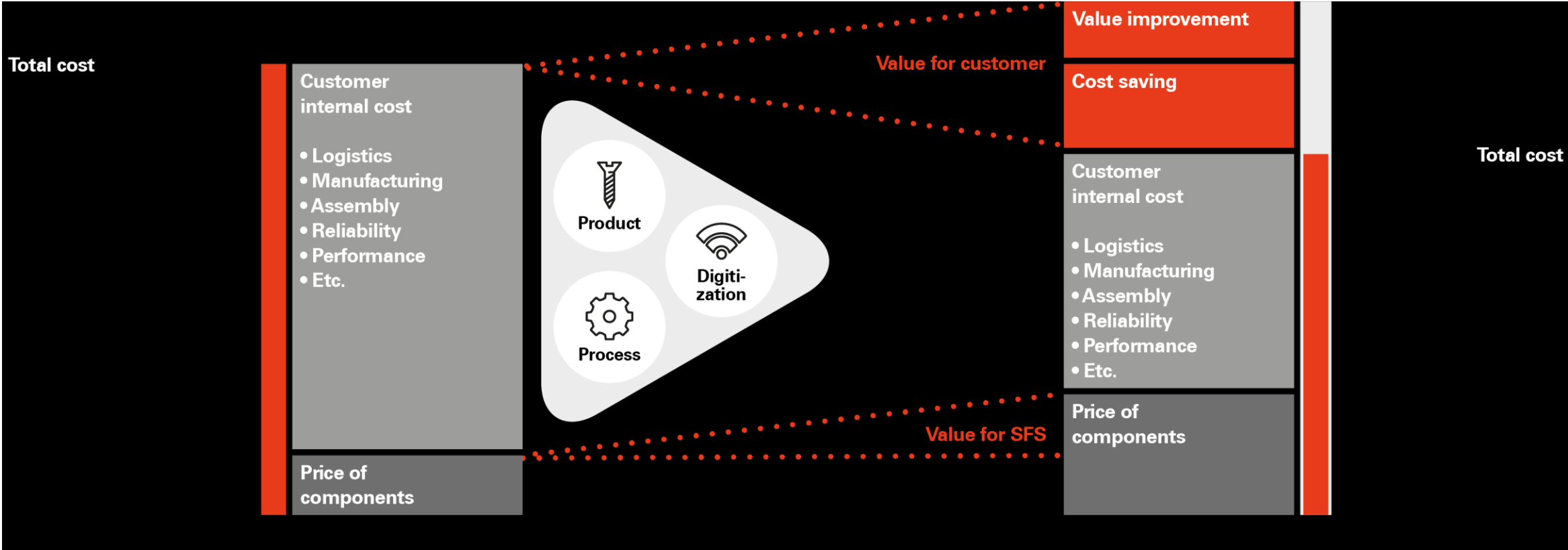
Mission critical products for selected niche applications

We are by your side – 24/7



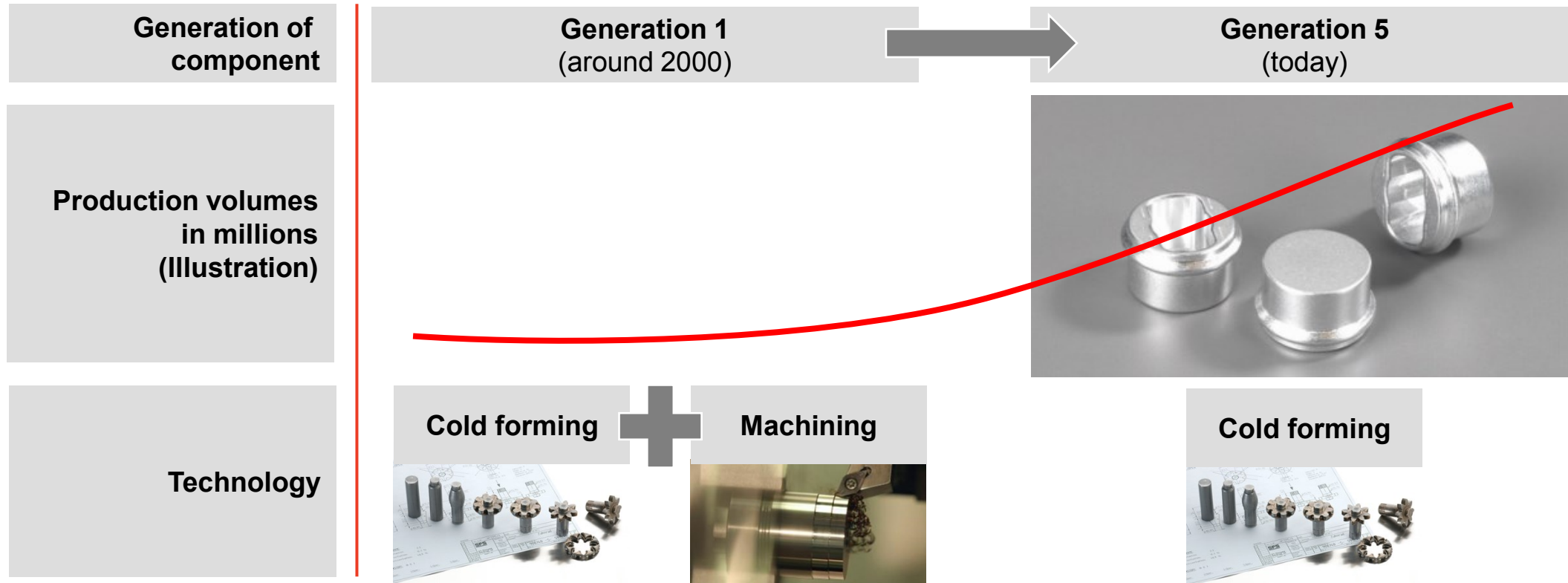
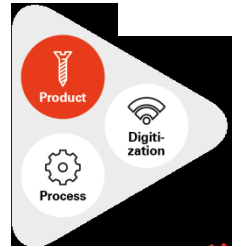
SFS value proposition

Inventing success together



SFS Value Engineering – Best practices

Housings used for autonomous driving



SFS Value Engineering – Best practices

Smart tools in riveting technology



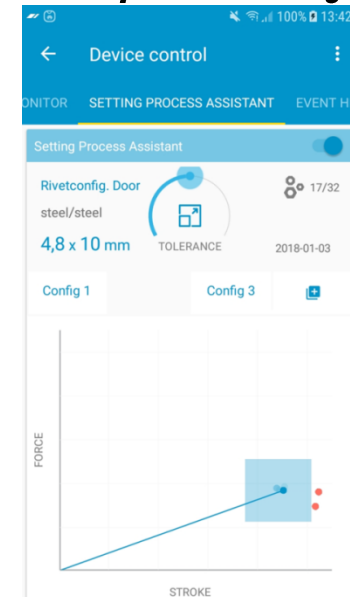
Tool



App / Software

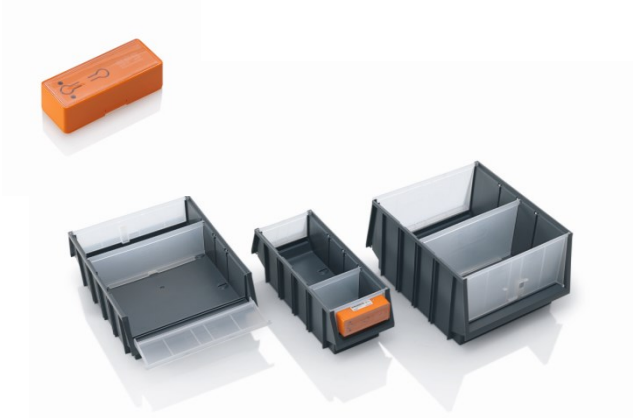
GESIPA®

The experts in riveting technologies



SFS Value Engineering – Best practices

M2M by SFS



turnLOG



App / Software












eLogistics

Part I: Megatrends

Megatrends – Overview

Underlying growth drivers

Megatrend	EC	FS	D&L	Strategy
 <p data-bbox="484 514 891 642">Digital revolution</p>				<ul data-bbox="1503 514 2407 771" style="list-style-type: none"> • Own digital solution (eShop, M2M, smart tools) • Part of customer solution (autonomous driving, smart homes) • Digitization to improve supply chain (M2M, industry 4.0, plant profiles)
 <p data-bbox="484 792 891 921">Economic globalization</p>				<ul data-bbox="1503 799 2407 978" style="list-style-type: none"> • Globalization of services / manufacturing (global key account management) • Near / right shoring (global SFS footprint)
 <p data-bbox="484 1028 891 1156">Evolving consumption</p>				<ul data-bbox="1503 1035 2407 1163" style="list-style-type: none"> • Health and wellness (focus on medical devices, dental applications and solutions for drug delivery)

Megatrends – Overview

Underlying growth drivers

Megatrend

EC

FS

D&L

Strategy



Resources
constraints



- **Energy constraint**
(efficient and sustainable manufacturing, products to improve thermal performance in construction)
- **Electrification of drive systems**
(close monitoring of design activities, capturing of value added when volumes start to grow)



Demographic
assymetries



- **Rise of Asian middle class**
(SFS platform development in India and China)
- **Aging societies**
(focus on medical devices, dental applications and solutions for drug delivery)

Part I: Update Electronics

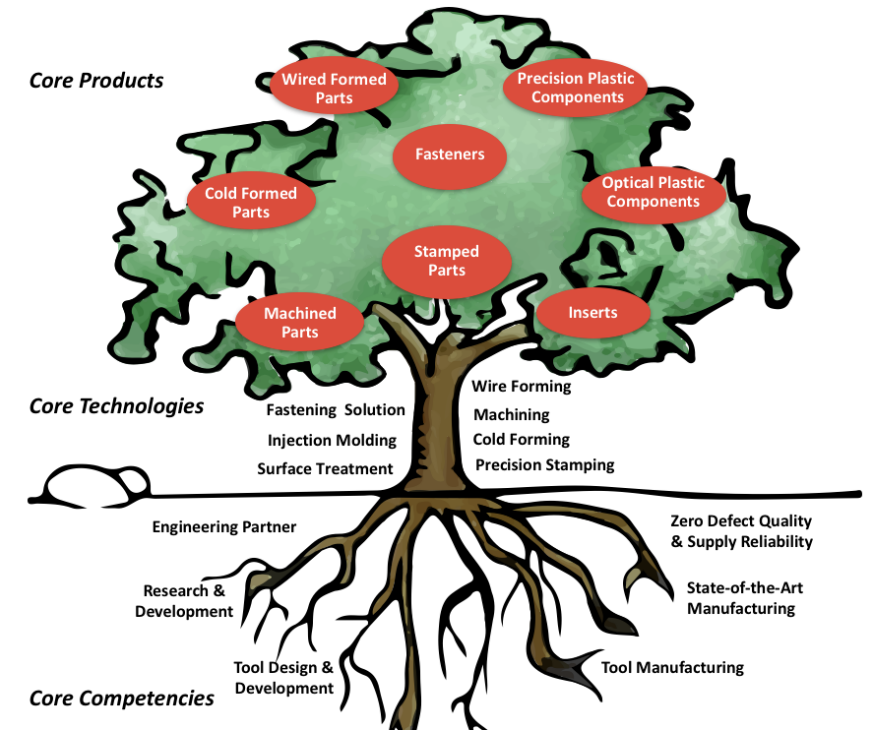
Electronics – Differentiation factors

Vertically integrated technology platform in Asia

Key differentiation factors




- **Time to market:** Strong product development capabilities and quick turnaround times
- **Time to volume:** Ability to scale up to large volume quantity without compromising on quality
- **Technology and competency:** Vertically integrated, Asian manufacturing footprint (incl. proprietary technology / offering)
- **Can do spirit:** If you face a challenge, ask Unisteel
- **Successful transformation:** From miniature fasteners for HDD applications to precision engineered components for electronic applications

Unisteel's 6-7-8 tree






Electronics – Cold forming as new key offering

First large scale technology transfer into Asia

Characteristics	Machining ¹	Cold forming	Customer benefits
Production volumes	low	high	Savings on 
Complexity of parts	low – medium	medium	
Setup time	short	long	
Production time	long (minute)	short (second)	Improvement of 
Machine cost (Capex)	low – medium	medium – high	Simplification of 

- Raw material
- Production time
- Quality control
- Process capability
- Surface finish
- Component strength
- Logistics
- Automation
- Assembly

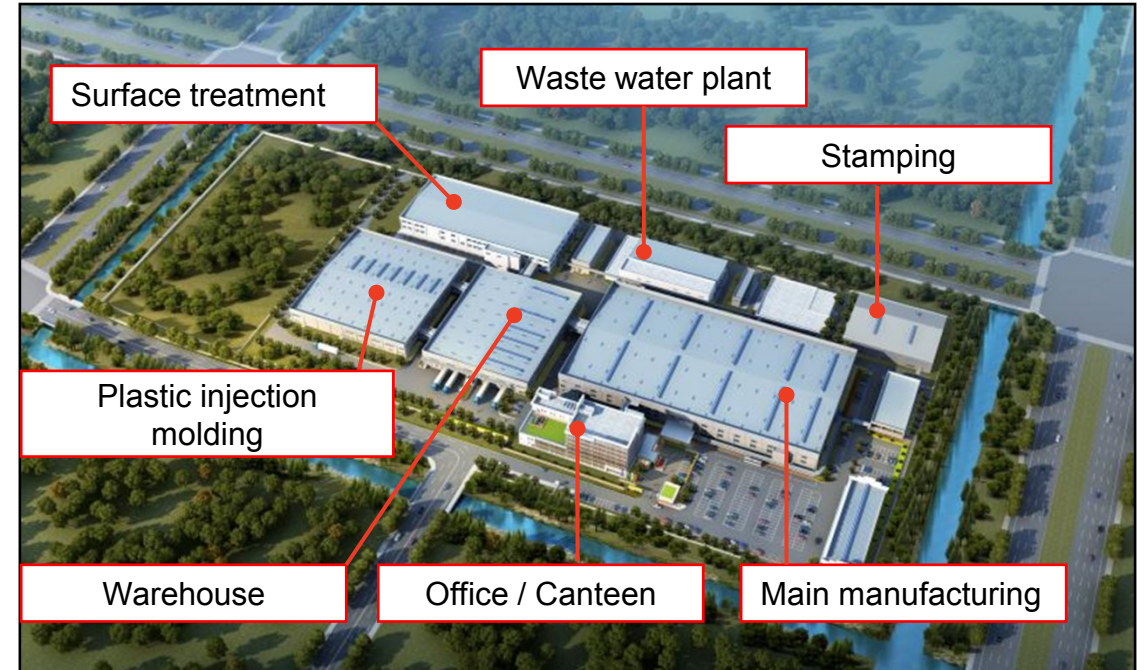
Significant savings and lasting competitive advantage, based on SFS experience²

Lock spindle for 100'000 pieces	> 1'800 hours	< 50 hours			
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Electronics – New Nantong facility

State-of-the art manufacturing on one site

- Size of 77'000m² – 1 hour north of Shanghai
 - 2nd largest site after Heerbrugg (148'000m²)
 - consolidation of existing factories
 - growth capacity of approx. 30% to 35%
 - fully owned by SFS (previous rental)
- Resolve long-term plating issues in Shanghai
- Building construction completed by end of 2018
- Equipment installation / move in until 2020
- Total cost building of >\$40m, including a new stamping block added
- New plant also serves as China platform for other SFS Divisions



Expansion supported by development of Unisteel from a manufacturer of miniature screws to an engineering partner of precision components

Electronics – Our Priorities

- Increase penetration of cold forming technology with new customers and programs
- Finalize build-up of new site in Nantong and enable a smooth transition of existing operations
- Closely monitor relevant markets like mobile devices, lifestyle electronics and hard disk drives and identify cross-selling opportunities for Unisteel



Electronics – Q&A



Jens Breu
Chief Executive Officer



George Poh
Head of Division Electronics

Part I: Update Automotive

Automotive – Strategy

Leading position in selected applications

Growing markets

SFS focuses on niche markets with above-average growth potential

Innovation trends

SFS' value proposition works best in areas where innovation happens

Market leaders

SFS focuses on companies with a strong competitive position in growing applications

Share of wallet

SFS aims to become partner of choice of its key customers and strives to maximise share of wallet

Safety	
Efficiency	
Autonomous driving	





















2015 / 2016 / 2017
Global Supplier Award



2017
Key Supplier Award
brose

Automotive – Market approach

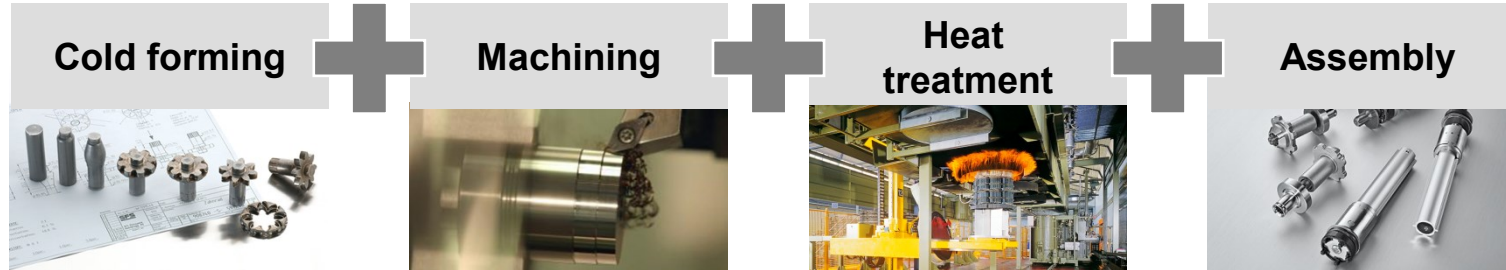
Focus on attractive niche applications in the market

Market approach		Engine / powertrain	Brake systems	Airbag / seat belt	Sensor / electronics	Relevance
Drivers						
Safety						4
Efficiency						3
Autonomous driving						4

Automotive – Differentiation factors

Global platform of full technology offering

Full technology span



Global footprint

- Manufacturing
- Key account teams
- Engineering / application specialists



KAIZEN

 **KAIZEN / LEAN as part of SFS DNA**



Leadership in technologies

Automotive – Trends and opportunities

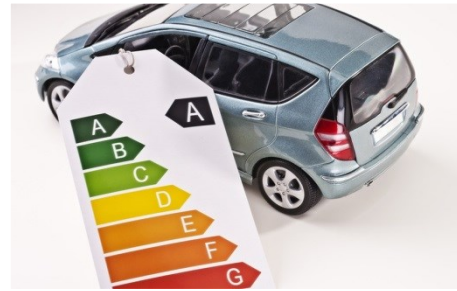
Attractive opportunities for SFS

Drivers

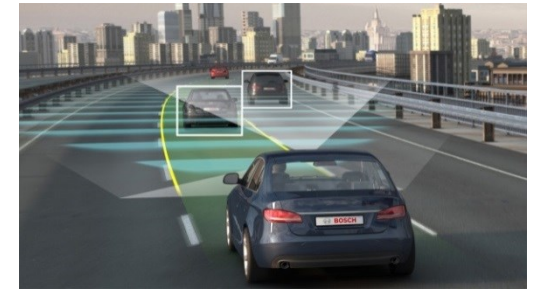
Safety



Efficiency



Autonomous driving



Chances for SFS

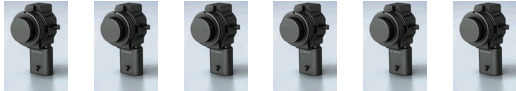





- Seatbelt/Airbag
- ABS/ESC
- Integrated Brake System
- Electric Parking Brake

- Variable valve actuation
- Fuel injection
- Clutch/gear
- E-Drive
- E-power supply and distribution

- Camera
- Radar/Lidar
- Ultrasonic sensor
- Electromechanical actuators

Automotive – Autonomous driving

Increasing demand for sensors

Level of automation	Degree of automation	Timing	Steering / acceleration	Monitoring environment	Number of sensors (Illustration)
Level 5	Full automation	> 2025	System	System	
Level 4	High automation	2025	System	System	
Level 3	Conditional automation	2020	System	System	
Level 2	Partial automation	2015	System	Human	
Level 1	Assisted driving	2010	Human + System	Human	
	Driver only	< 2010	Human	Human	

Automotive – Summary

Well positioned to benefit from trends



Market trends

- Safety
- Efficiency
- Autonomous driving

Customer needs

- Best quality
- Global reach
- Innovative technology
- Lowest cost

SFS' position

- Dedicated key account teams and application specialists
- Innovation activities fully aligned with market trends
- Proven position as trusted development partner for most of the leading tier 1 companies
- Established global manufacturing platform
- Kaizen / LEAN as integral part of SFS DNA
- Track record as reliable, long-term source for high-quality precision components

Automotive – Our Priorities

- Complete ramp up of existing significant customer projects in the pipeline
- Gain additional substantial projects in relevant applications
- Define new layout of Heerbrugg plant after relocation of Construction division is finalized
- Closely monitor developments in electric drive systems and identify opportunities for SFS



Automotive – Q&A



Jens Breu
Chief Executive Officer



Alfred Schneider
Head of Division Automotive

Part II: SFS Plant Tour

Part III: 1H 2018 Results

Key takeaways

1H 2018

Key takeaways

Continued dynamic growth

- Continued dynamic growth momentum
 - gross sales reached CHF 855.9m, 9.9% higher than 1H 2017
 - maintained good organic growth pace (7.1%)
 - growth driven by all segments and regions
- Attractive earnings generation temporarily burdened by special operational effects
 - EBIT reached CHF 116.0m
 - corresponds to EBIT margin of 13.6% (PY 10.4%, adjusted 14.2%)
- High investments in growth projects and the production platform in China on track
- Lift sales guidance for FY 2018 to 7 – 9% growth and confirm EBIT margin target of >14.3%

Development by segment

Headlines Engineered Components segment

Growth maintained

- Growth continued; sales reached CHF 473m, an increase of 10.5%, whereof organic 7.6%
- Automotive and Electronics confirm their role as growth drivers
- Medical pleasingly returned back to growth
- Attractive earnings power still burdened
 - high advance outlays in future growth
 - time-consuming pass-through of higher raw material prices
 - EBIT of 17.6% (PY adjusted 19.6%)
- 75.9% of total CAPEX allocated to EC

Key figures Engineered Components

in CHF million (unaudited)	2018 1H	+/- PY	2017 1H	2016 1H
Third party sales	473.2	10.5%	428.2	355.6
Sales growth comparable*		7.6%		
Net sales	476.1	9.5%	434.7	363.0
EBITDA	112.5	-1.3%	114.0	98.6
As a % of net sales	23.6		26.2	27.1
EBITA	84.2	-1.5%	85.5	72.2
As a % of net sales	17.7		19.7	19.9
EBIT	83.9	51.9%	55.2	34.4
As a % of net sales	17.6		12.7	9.5
Investments	52.8	98.5%	26.6	17.2
Assets	781.5	10.9%	704.9	673.2
Liabilities	136.0	5.7%	128.7	109.2
Net operating assets	645.5	12.0%	576.2	564.0
Of which NWC	245.9	10.2%	223.2	183.9
Employees (FTE)	6,600	3.0%	6,409	5,320

* at constant exchange rates and on the same scope of consolidation

Key messages Automotive division

Driven by stable innovation trends

- Continued to significantly outgrow the industry by ramping up new projects
- Stable trends, e.g. electrification of cars, create innovation and growth opportunities
- Time-consuming pass-through of increased raw materials cost despite intensive efforts
- Impact of US import tariffs will be passed along the supply chain without delay
- Projects to expand global manufacturing footprint are nearing completion and will sharpen the competitive edge



Key messages Electronics division

On the growth track

- Continued strong sales growth in mobile devices and HDD applications
- Weaker USD, higher raw material prices and substantial advance outlays for new projects weighed on divisional profitability
- These new projects mainly deploying cold forming technology allow us to access new applications and will produce initial sales in 2H 2018 on low level
- Construction of new manufacturing platform is proceeding as scheduled



Key messages Industrial division

Mixed performance by application area

- Some areas like industrial applications showed strong to very strong growth rates, while the aircraft business experienced a slowdown
- Reason for this is on the one hand the lower production rates of the A380 and on the other hand high inventory levels across the supply chain of the A350
- New projects acquired in dental technology and plastic injection molding areas demonstrate SFS's competitiveness in its targeted niche applications and are expected to provide a steady stream of future growth



Implants for dental applications:

Abutments (German: "Stützpfiler / Anker") for dental applications. Temporary implant used for the fastening of tooth replacement until the final dental implant / crone can be fixed

Key messages Medical division

Back on the growth path

- Medical division returned to growth track as expected thanks to its strong pipeline of innovative customer projects
- Achieved sales records at three out of the four manufacturing locations within the first six months of 2018
- For 2H 2018 the order book for new and existing products is expected to further firm up and provide the basis for accelerated growth



Implants for spine surgery applications:

Damaged discs (German: "Bandscheiben") in the spine are replaced by such **cervical spine fusion cage** to separate the vertebrae (german "Halswirbel") and align the spine properly while the **spinal fusion devices** are used to join two or more vertebrae

Headlines Fastening Systems segment

Growth driven by innovation

- Strong sales growth momentum maintained with +12.0%, whereof organic growth of 6.9%
- Expanded market position thanks to its offering of compelling products and services
- Increased profitability to EBIT margin of 9.4%
- Experienced temporary profitability headwinds due to materials and project costs
- Projects to sharpen production profiles will be completed by end of 2018
- Competitive position strengthened with the majority interest in HECO

Key figures Fastening Systems

in CHF million (unaudited)	2018 1H	+/- PY	2017 1H	2016 1H
Third party sales	213.0	12.0%	190.2	176.7
Sales growth comparable*		6.9%		
Net sales	221.1	11.2%	198.9	184.7
EBITDA	29.5	12.3%	26.3	23.9
As a % of net sales	13.3		13.2	12.9
EBITA	21.0	12.1%	18.8	15.9
As a % of net sales	9.5		9.4	8.6
EBIT	20.7	12.2%	18.5	15.7
As a % of net sales	9.4		9.3	8.5
Investments	8.2	-36.9%	13.0	9.4
Assets	331.1	11.7%	296.5	282.4
Liabilities	71.9	12.0%	64.2	65.5
Net operating assets	259.2	11.6%	232.3	216.9
Of which NWC	129.1	19.8%	107.8	103.4
Employees (FTE)	2,012	3.0%	1,954	1,826

* at constant exchange rates and on the same scope of consolidation

Key messages Construction division

Market position strengthened

- Successfully expanded its position in an ongoing favorable market environment thanks to its innovative products
- Significant progress in areas of flat roof, hinge technology and cladding systems
- Substantial progress with various projects to sharpen production profiles. These will be completed by the end of 2018, as scheduled
- Increased stake in HECO to 51%
 - more effective exploitation of growth and synergy potential
 - fully consolidated since 1 July 2018



Key messages Riveting division

Broadly based sales growth achieved

- Solid sales growth was broadly based
- Solutions for the automotive industry again showed the fastest growth
- With the iBird Pro, GESIPA presented a new generation of battery-powered rivet setting tools offering extensive IoT functionality
- Considerable progress in efforts to sharpen the production profiles achieved
- Costs related to these projects and increase in materials costs are likewise temporary challenges for profitability



Headlines Distribution & Logistics segment

Accelerated sales growth achieved

- Achieved accelerated sales growth of 5.9% significantly above Swiss GDP
- Growth was broadly based across the various product categories
- EBIT margin reached 7.2% (PY 7.0%)
- Considerable increase in procurement costs continued to weigh on profits in 2018
- Increased costs were passed through to customers with some delay and proved to be a more challenging undertaking than initially expected

Key figures Distribution & Logistics

in CHF million (unaudited)	2018 1H	+/- PY	2017 1H	2016 1H
Third party sales	169.7	5.9%	160.2	156.5
Sales growth comparable*		5.8%		
Net sales	172.7	5.8%	163.2	159.5
EBITDA	15.4	8.1%	14.2	16.2
As a % of net sales	8.9		8.7	10.2
EBITA	12.5	9.2%	11.4	12.7
As a % of net sales	7.2		7.0	8.0
EBIT	12.4	9.2%	11.4	12.7
As a % of net sales	7.2		7.0	8.0
Investments	3.2	18.5%	2.7	0.9
Assets	181.4	1.5%	178.7	182.1
Liabilities	36.1	3.1%	35.0	33.4
Net operating assets	145.3	1.1%	143.7	148.7
Of which NWC	101.6	1.9%	99.7	96.4
Employees (FTE)	618	-2.7%	635	612

* at constant exchange rates and on the same scope of consolidation

Key messages Distribution & Logistics segment

Market profile sharpened

- New online store (www.sfs.ch), launched in February, received positive customer feedback and generated attractive growth
- Positioned Allchemet as single partner offering the full product range of SFS for customers in commercial trade
- Architectural hardware business unit shaped its activities and discontinued the security systems business
- Enhanced logistics solutions for c-class parts by introducing an app to grant easy access to product and order information

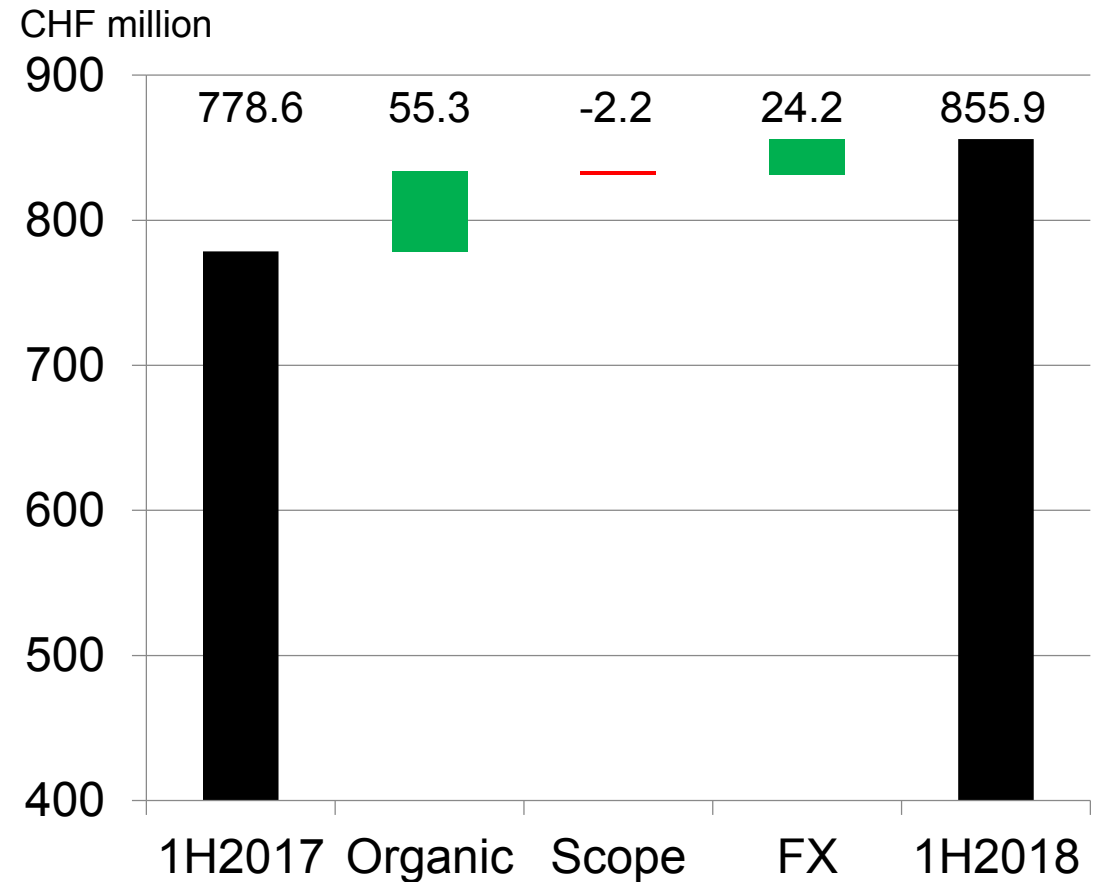


Development of key financials

Sales bridge

Dynamic organic growth of 7.1%

- Reported growth of 9.9% yoy (PY 13.0%)
 - 7.1% organic growth (PY 7.4%)
 - -0.3% change in scope (PY 6.9%)
 - 3.1% FX impact (PY -1.3%)
- Organic growth by segment
 - 7.6% Engineered Components (PY 9.3%)
 - 6.9% Fastening Systems (PY 7.8%)
 - 5.8% Distribution&Logistics (PY 2.5%)
- Change in scope with following disposals
 - -0.1% two small entities in 2017
 - -0.2% BU Security Equipment in May 2018



Sales breakdown

Automotive and Europe with slightly higher share

by end market



by region



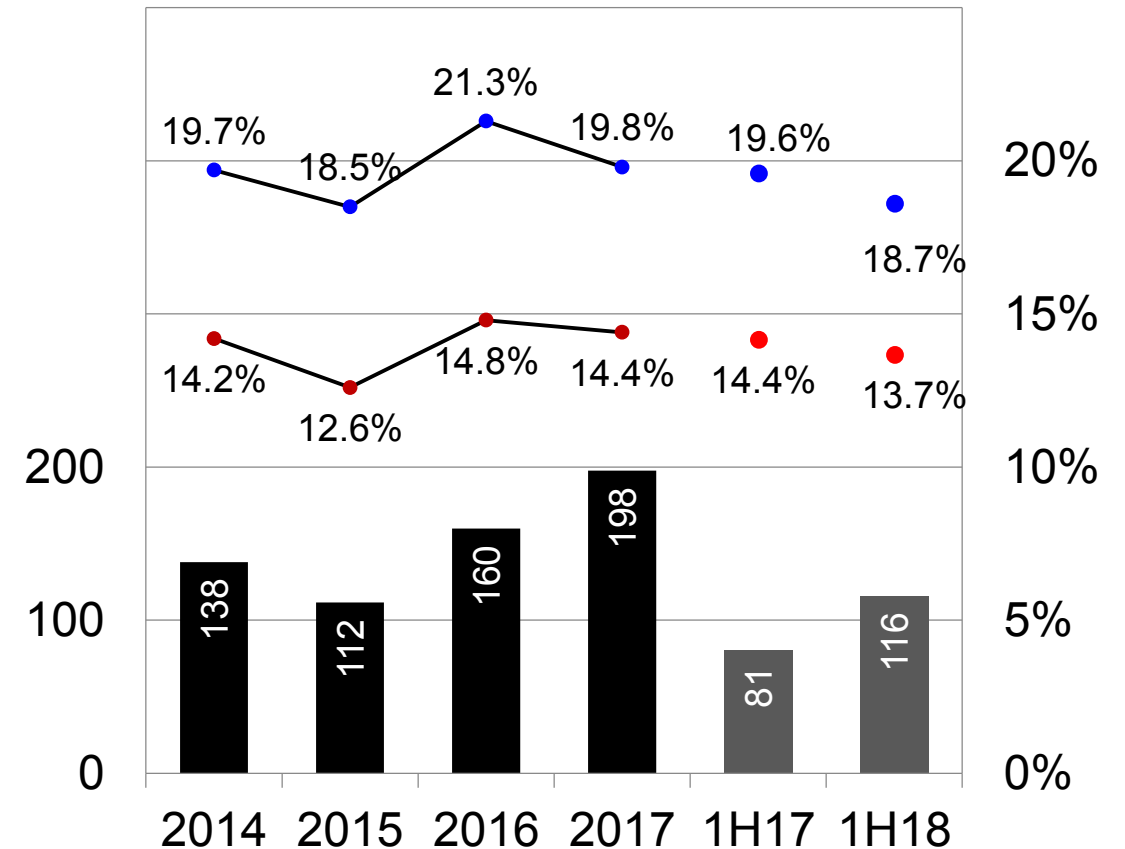
Operating profitability

Temporary effects burden results by ~1%

- EBIT 1H18
 - CHF 116m or 13.6% of net sales (PYCHF 111m or 14.2% adjusted of net sales)
 - first time with zero amortization of intangible assets (PY CHF 30.1m)
- Temporary operational effects CHF 8m
 - higher advance outlays in EC
 - higher transition cost in FS
 - time lag passing on higher material cost
- **EBITA** margin 13.7% (PY 14.4%)
- **EBITDA** margin 18.7% (PY 19.6%)

Reported EBIT CHF million

Adjusted **EBITA** / **EBITDA** %



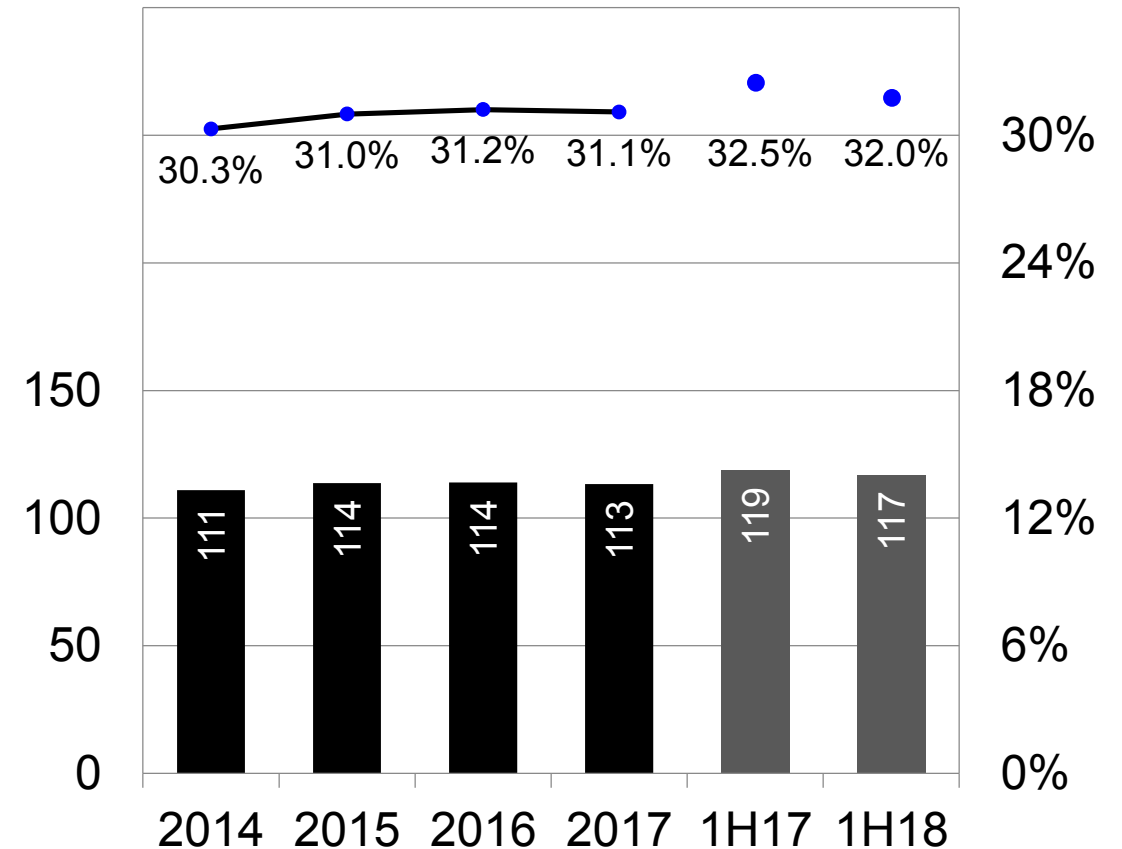
Net working capital

Stable development at seasonally high point

- **NWC** at end of June
 - seasonally higher than at year end
 - at 32% of net sales under control
 - cash-2-cash cycle stable at 117 days
- Increase of NWC by CHF 38.7m
 - driven by lower accounts payable
 - receivables and inventory balance out

NWC Days outstanding

NWC in % of net sales



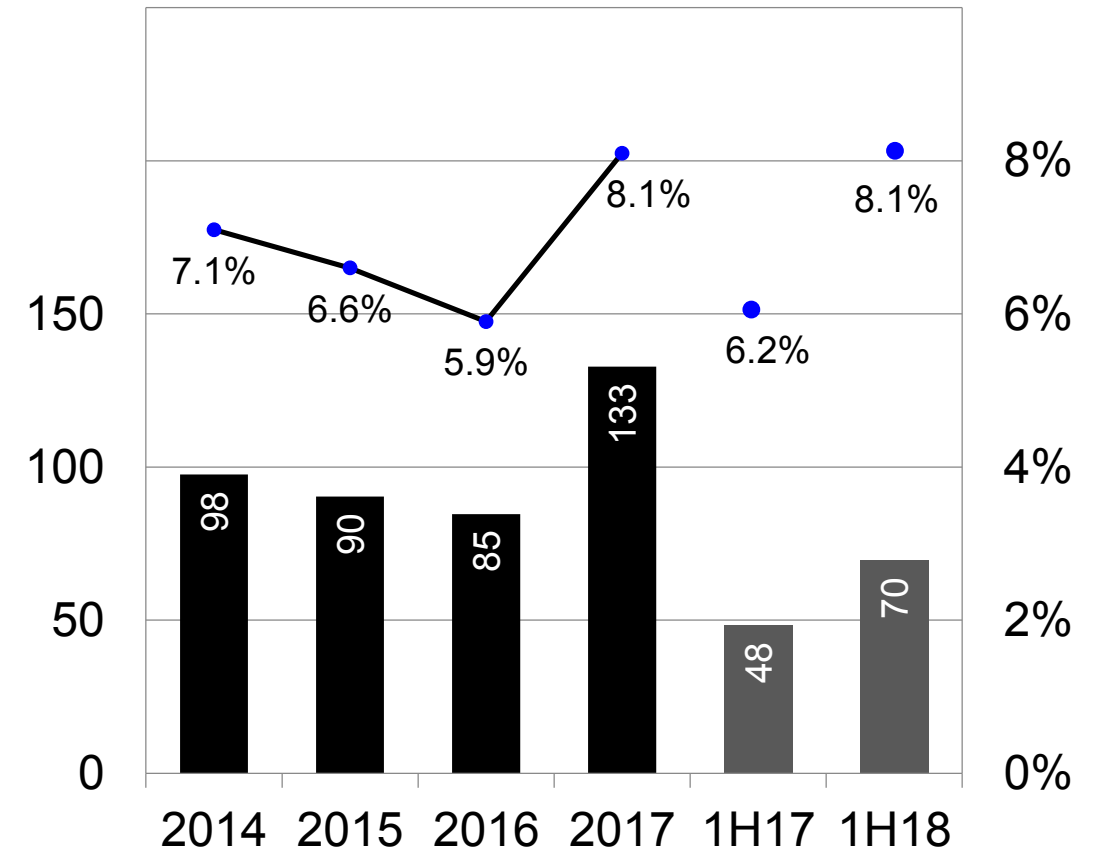
CAPEX

Growth projects and Nantong factory well under way

- **CAPEX** spending
 - at 8.1% of net sales or CHF 70m
 - pace since year end kept
 - increase capacity, efficiency and productivity
 - support future growth projects
 - expect >8.5% of net sales at year end
- Breakdown by segment
 - 76% in Engineered Components (PY 55%)
 - 12% in Fastening Systems (PY 27%)
 - 5% in Distribution & Logistics (PY 6%)
 - 7% in Corporate (PY 12%)
- Swiss CAPEX share at 40% (PY 44%)

CAPEX CHF million

CAPEX in % of net sales



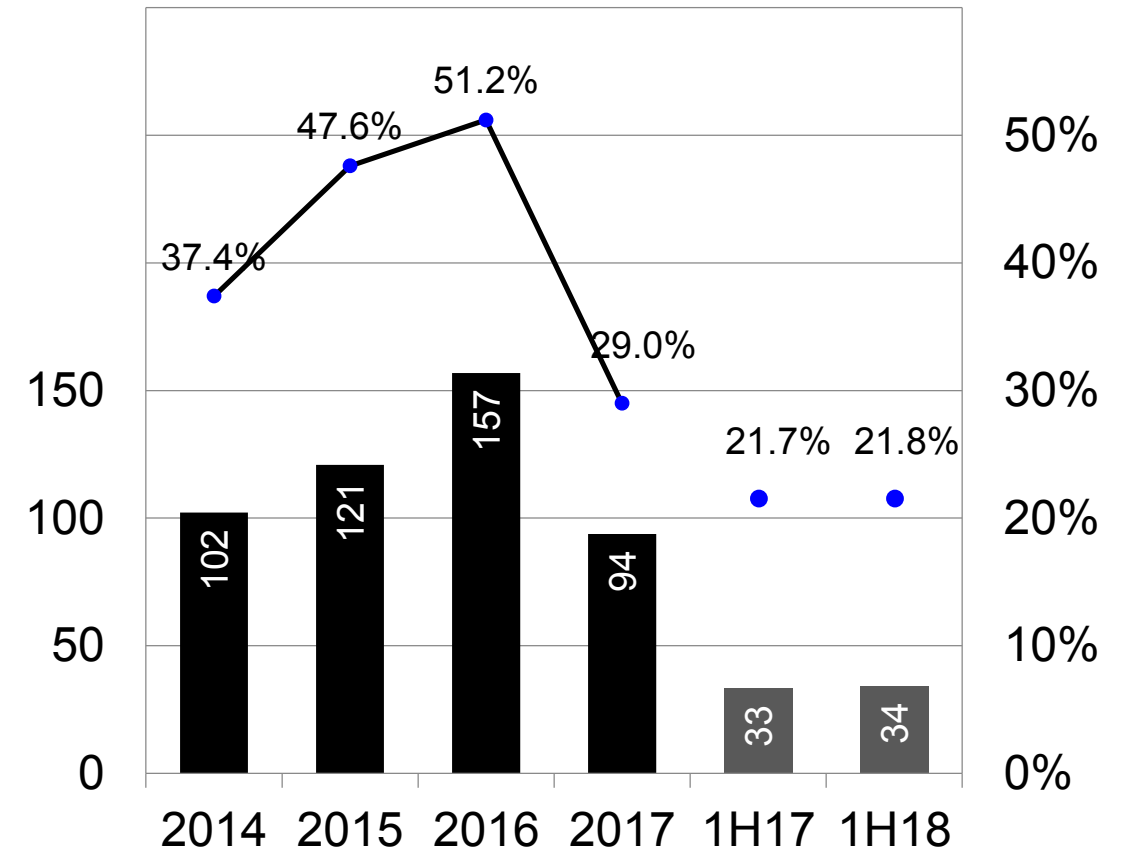
Free cash flow

Strong cash flow fully finances NWC and CAPEX

- Cash flow remains strong and covers the cash out for increase in NWC and CAPEX
 - CHF 143m cash flow before NWC (PY 125)
 - CHF -39m increase NWC (PY -44)
 - CHF -70m CAPEX (PY -48)
 - CHF 34m free cash flow (PY 33)
- **Conversion rate** at seasonally low level of 21.8% (PY 21.7%)
 - expect strong cash flow in 2H
 - NWC has reached seasonal peak
 - expect strong CAPEX in 2H
 - expect substantial increase of FCF at year end

FCF in CHF million

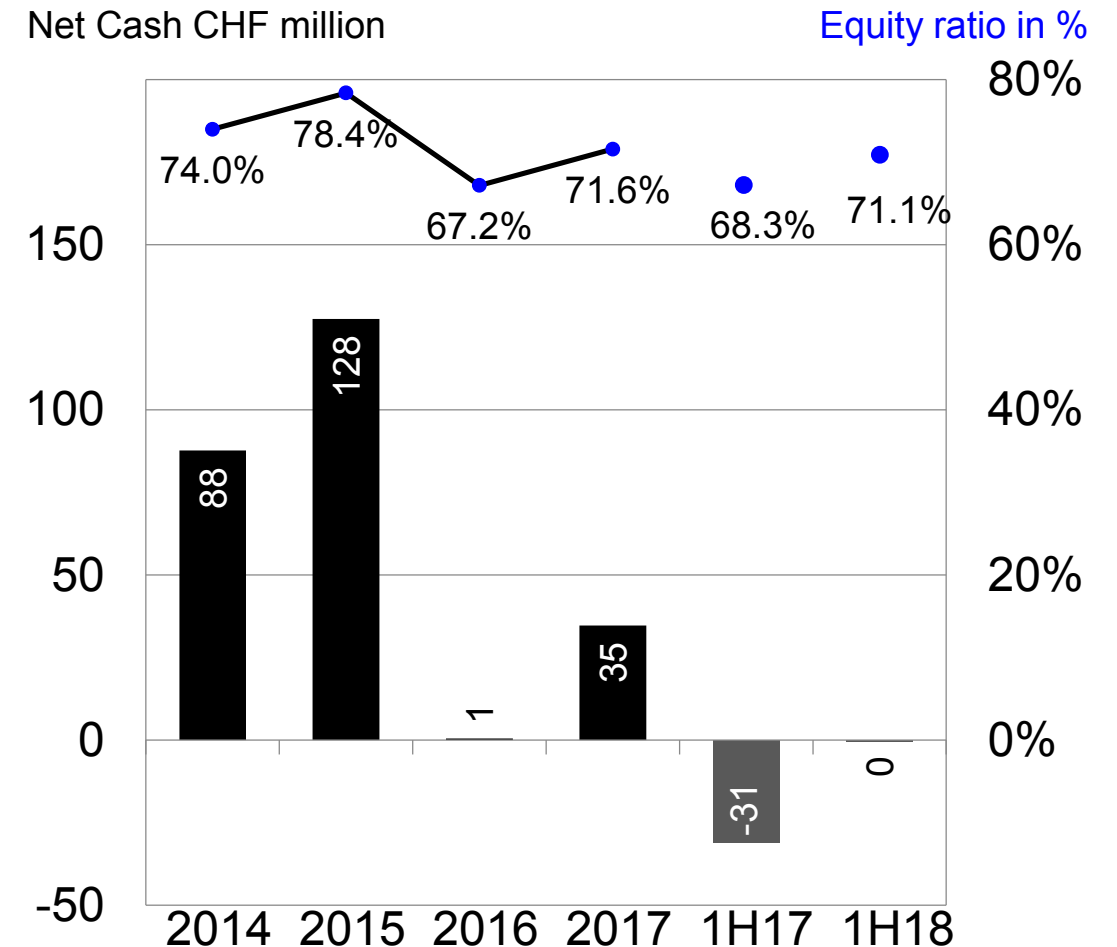
FCF in % of EBITDA



Balance sheet

Solid equity and strong financial flexibility

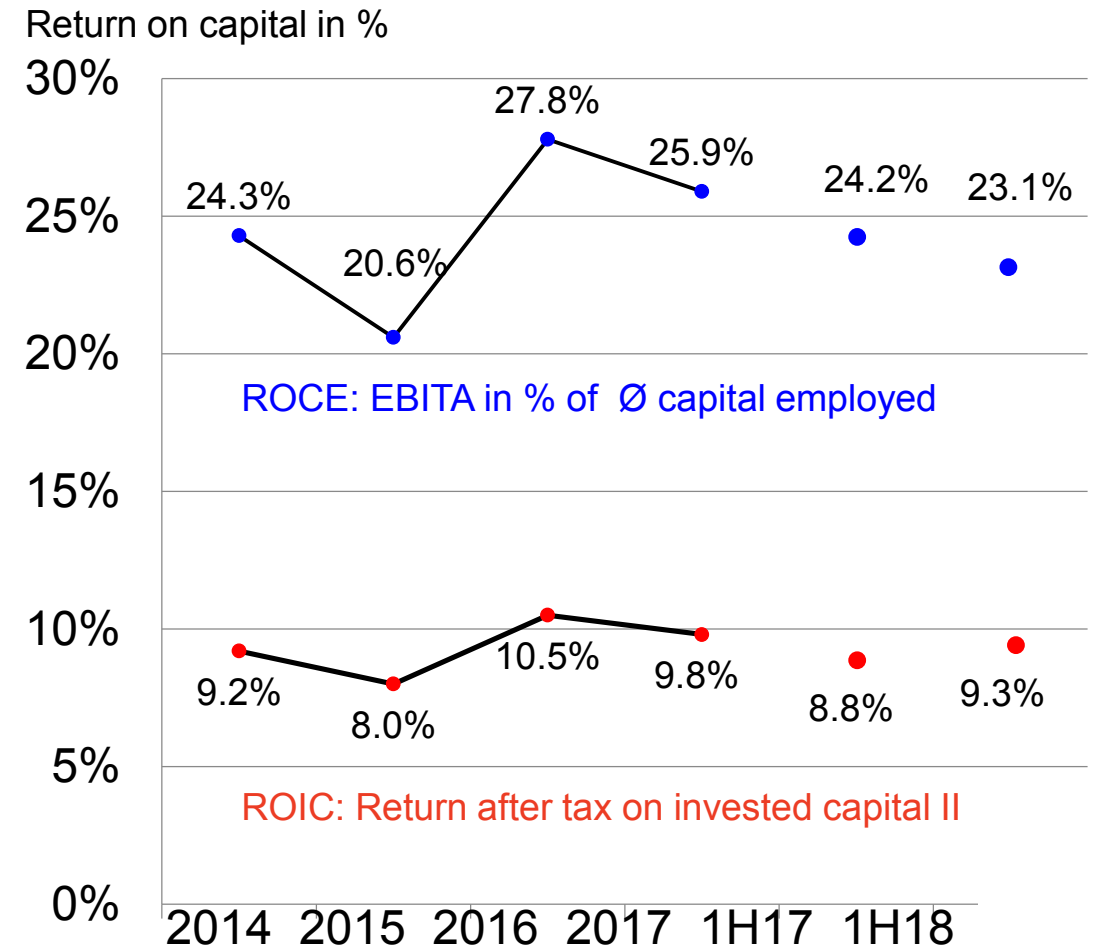
- **Equity** remains strong and healthy
 - stable and solid above 70%
 - value at CHF 1.1bn
- Net cash production influenced by
 - CHF 104m cash flow from operations
 - CHF - 70m cash flow from investments
 - CHF - 71m cash flow for dividends
- Financial flexibility given
 - cash in hand
 - unused credit limits
 - available debt capacity



Return on capital

Stable development with potential for improvement

- **ROCE** stable development above 20%
 - EBITA measured at Ø CE
 - target range >20%
- **ROIC** remains flat just below 10%
 - EBITA less tax as % of invested capital including goodwill offset
 - target range >10%
- Expect improvement by year end
 - stronger EBIT in 2H18
 - fade out of operational temporary effects



SFS Group key message

Dynamic growth, good profitability and solid financing

- Financial development on track
 - Sales growth 9.9% yoy, organic 7.1%
 - EBIT margin of 13.6% burdened by temporary operational effects of ~1%
- Net income +45.6%; no longer affected by amortization on intangibles
- High pace in CAPEX, up +44% yoy
- Solid equity ratio of 71.1%

in CHF million			
	1H 2018	1H 2017	yoy
Sales	855.9	778.6	9.9%
Net sales	854.6	779.5	9.6%
EBITDA	159.5	153.0	4.2%
EBIT reported	116.0	80.7	43.7%
EBIT adjusted	116.0	110.8	4.6%
EBIT margin	13.6%	14.2%	
Net income	88.9	61.0	45.6%
CAPEX	69.5	48.3	44.0%
Free cash flow	34.8	33.2	4.8%
Equity ratio	71.1%	68.3%	

Guidance 2018

SFS Group Guidance

Historically 2H sales and EBIT margin stronger than 1H

- Net Sales
 - is historically stronger than 1H
 - seasonality in construction industry
 - important product launches by electronic customers in 2H
 - continuing ramp up of serial production
- EBIT margin normalized
 - 2H16A "strong"
 - 1H17A "as expected"
 - 2H17A "affected by temporary effects"
 - 1H18A "affected by temporary effects"
 - 2H18G "expect >15%"

Sales and EBIT
in CHF million

	1H16A	2H16A	1H17A	2H17A	1H18A
Net sales	688.2	748.5	779.5	855.3	854.6
EBIT* margin	88.9 12.9%	121.2 16.2%	110.8 14.2%	122.5 14.3%	116.0 13.6%

* EBIT 2016 and 2017 adjusted and comparable to 2018
A = Actual

SFS Group Guidance

Growth expectation raised and EBIT margin confirmed

- Raising growth expectation to 7 - 9%
 - 7 - 8% growth expected in 2H; of which
 - 4 - 5 % organic growth; slightly lower due to base effect yoy
 - 2% growth from change in scope; first-time consolidation Heco; disposal of security business of D&L
 - 1% growth from FX effect; expect fade out as Euro was already stronger in 2H17
- Confirm EBIT guidance of >14.3%
 - seasonally stronger sales
 - full impact of passing on prices increases
 - decreasing temporary special effects

Sales growth and EBIT margin

	2017A	2018G	1H18A	2H18G	2018G
Sales	13.7%	5 - 7%	9.9%	7 - 8%	7 - 9%
Organic	7.4%		7.1%	4 - 5%	4 - 6%
Scope	5.8%		-0.3%	~2%	~1%
FX	0.5%		3.1%	~1%	~2%
EBIT*	14.3%	>14.3%	13.6%	>15%	>14.3%

* EBIT 2017A comparable to 2018G
A = Actual G = Guidance

SFS Group Priorities

- Stay firm with supply chain partners on forwarding cost due to raw material price increases, tariffs or foreign exchange fluctuations
- Closely monitor development of SFS subsidiary in Turkey
- Seamless transition into new Nantong facility, while considering platform also for other divisions
- Leverage and realize benefits of relocation projects in Fastening Systems
- Increase offering with digitization solutions, along grow revenues as percentage of sales
- Identification of next-generation application with above-average growth potential based on underlying megatrends
- Identify suitable M&A add-ons with focus on aerospace and medical

Q&A

Q&A



Jens Breu
Chief Executive Officer



Rolf Frei
Chief Financial Officer

Thank you for your attention

success

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.