Inventing success together

1H 18

Presentation 1H 2018 results
Heerbrugg, 20 July 2018

Today’s speakers

Welcome to the presentation on our 1H 2018 results

Jens Breu
Chief Executive Officer

Rolf Frei
Chief Financial Officer

Table of contents

1. Introduction & key takeaways 1H 2018	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

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

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

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

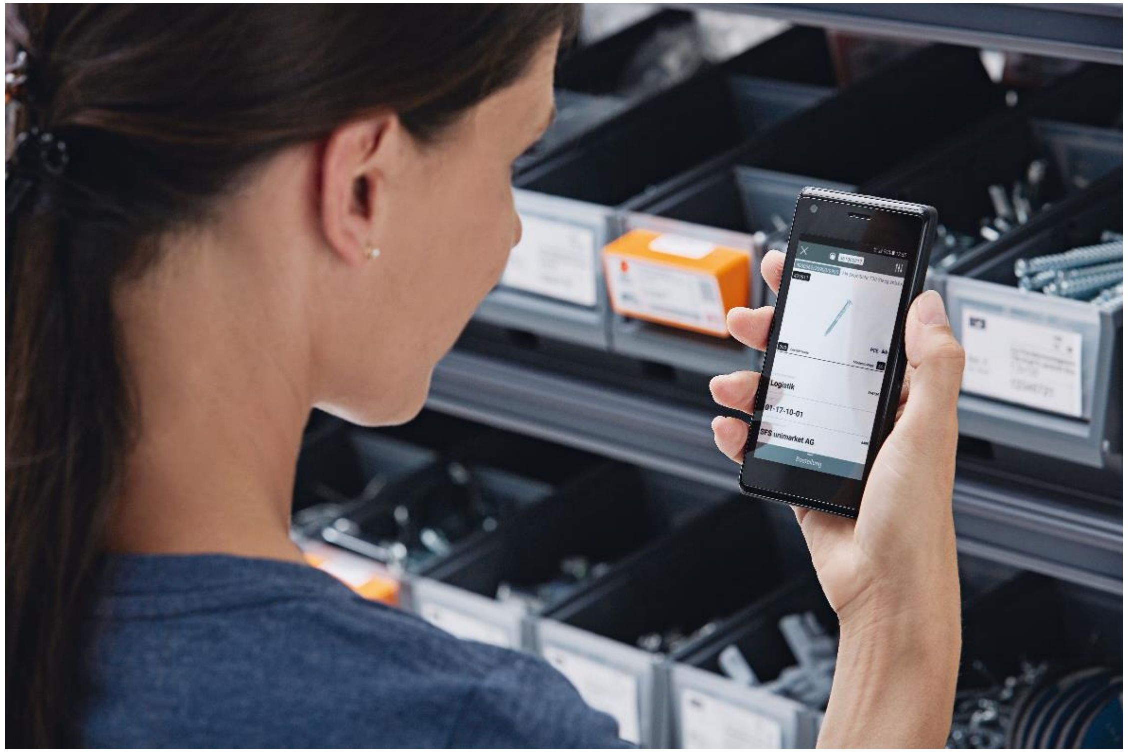
Key figures Distribution & Logistics

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



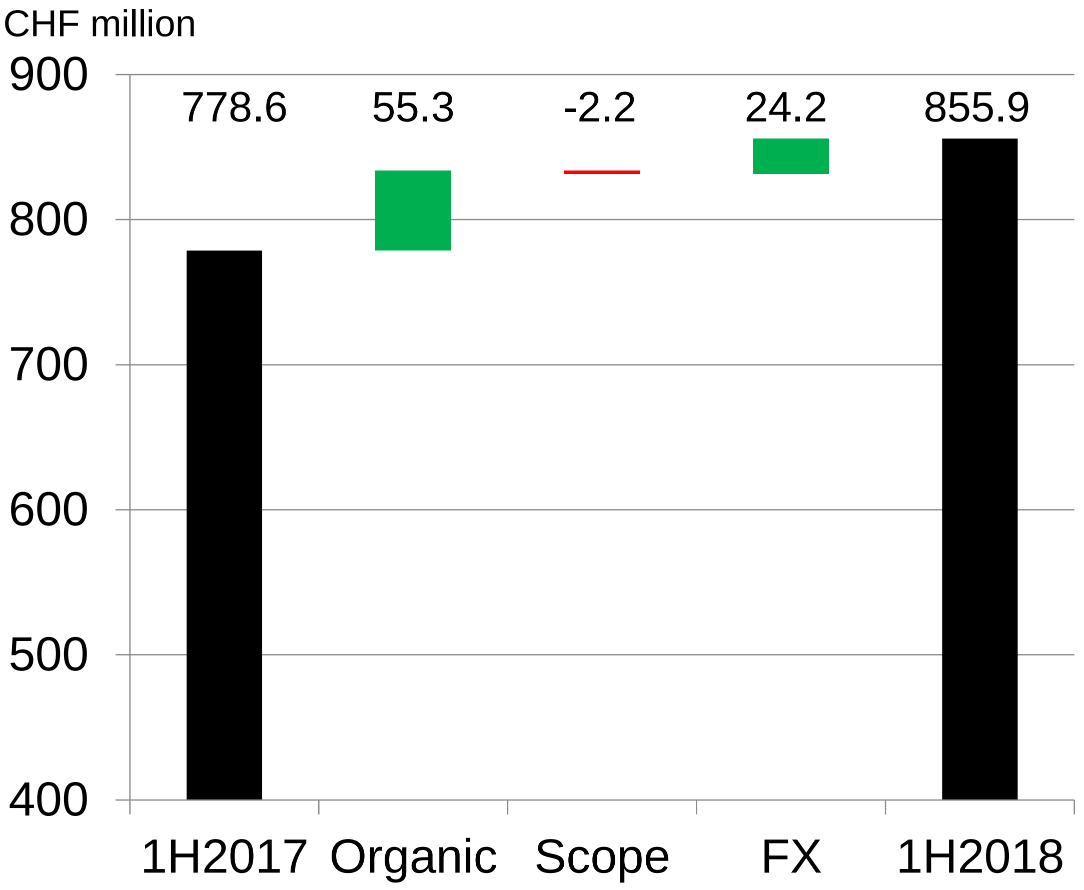
Development of key financials

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%)

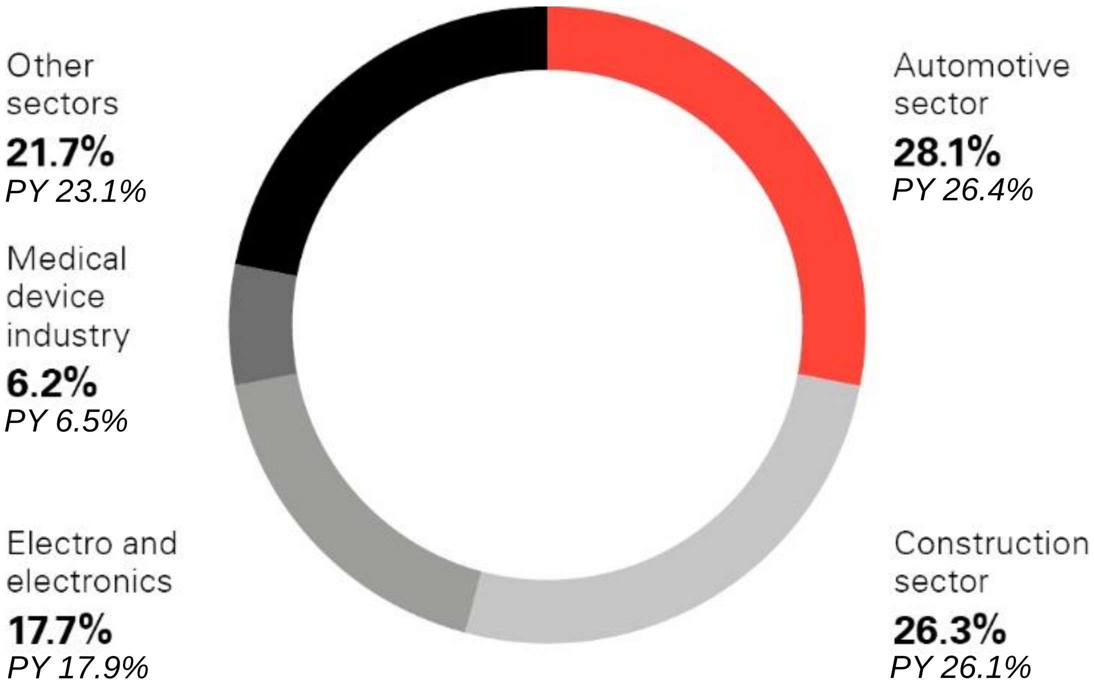
- Organic growth by segment
  - 7.6% Engineered Components (PY 9.3%)
  - 6.9% Fastening Systems (PY 7.8%)
  - 5.8% Distribution&Logistics (PY 2.5%)

- 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

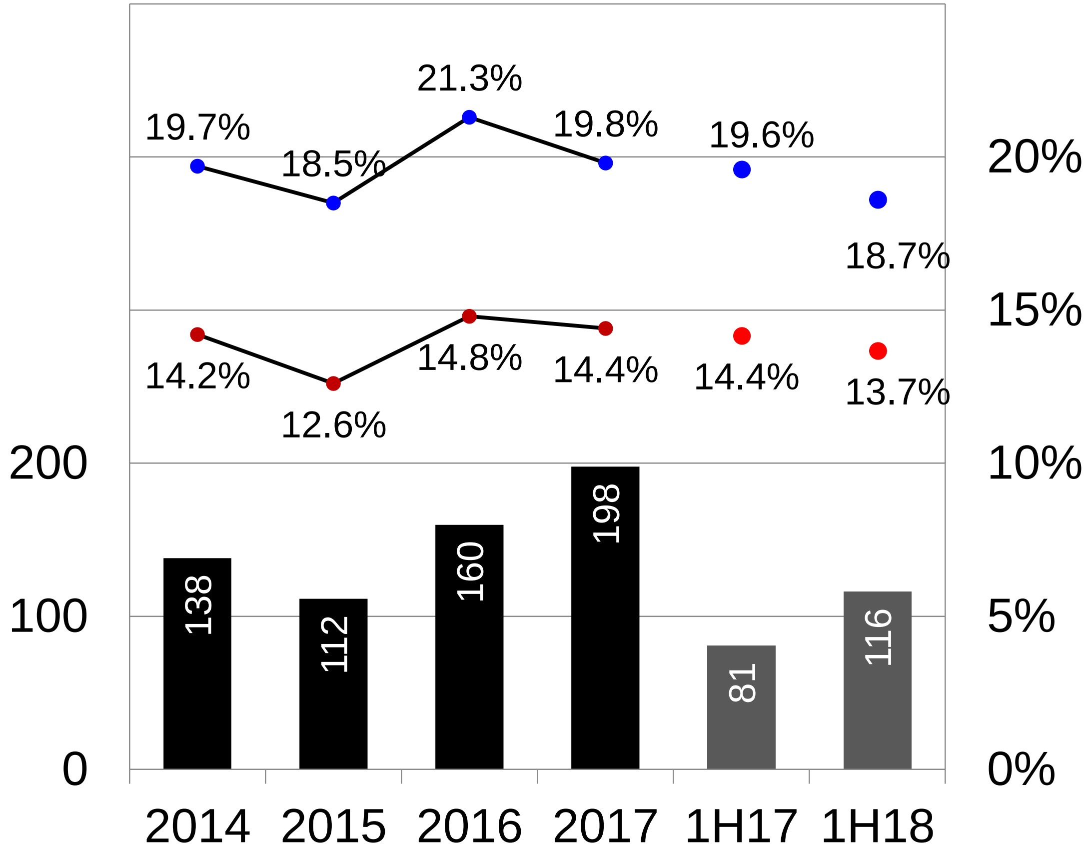
Operating profitability
Temporary effects burden results by ~1%

- 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%)

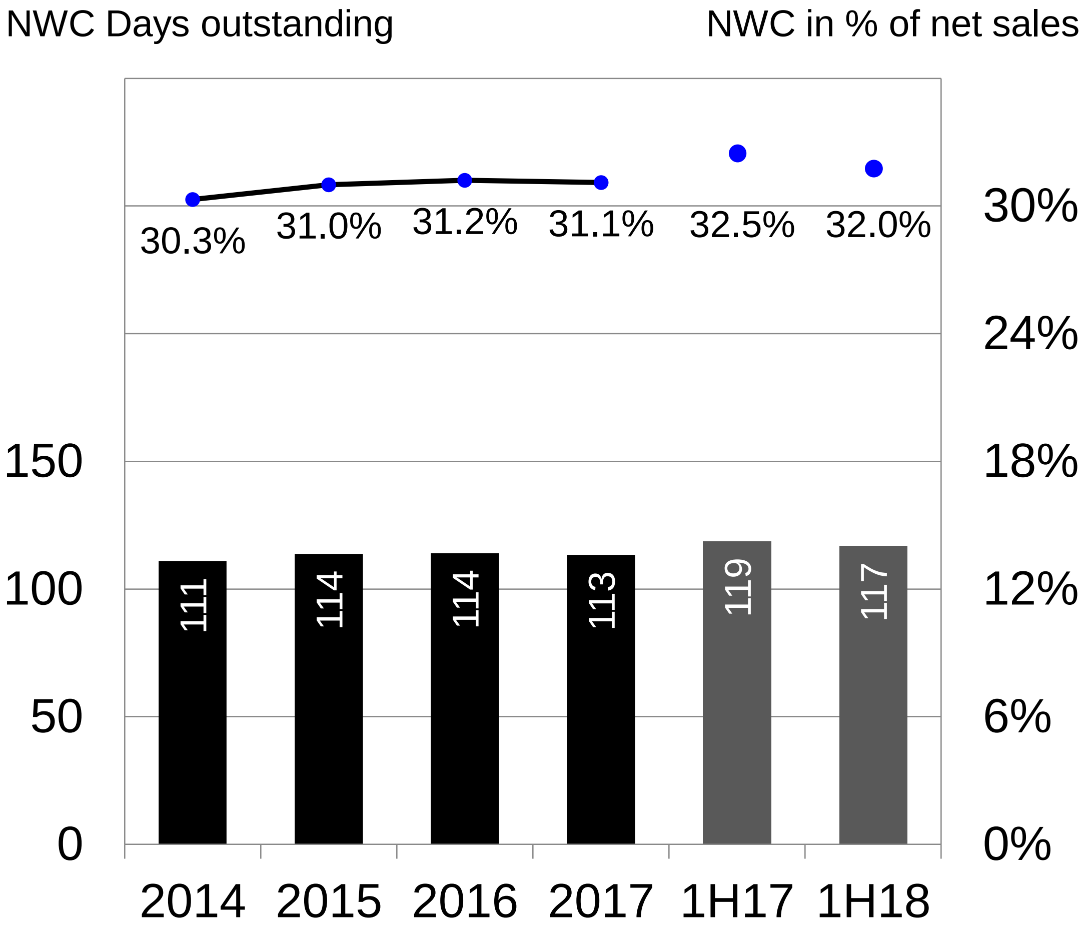
Reported EBIT CHF million Adjusted EBITA / EBITDA %



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

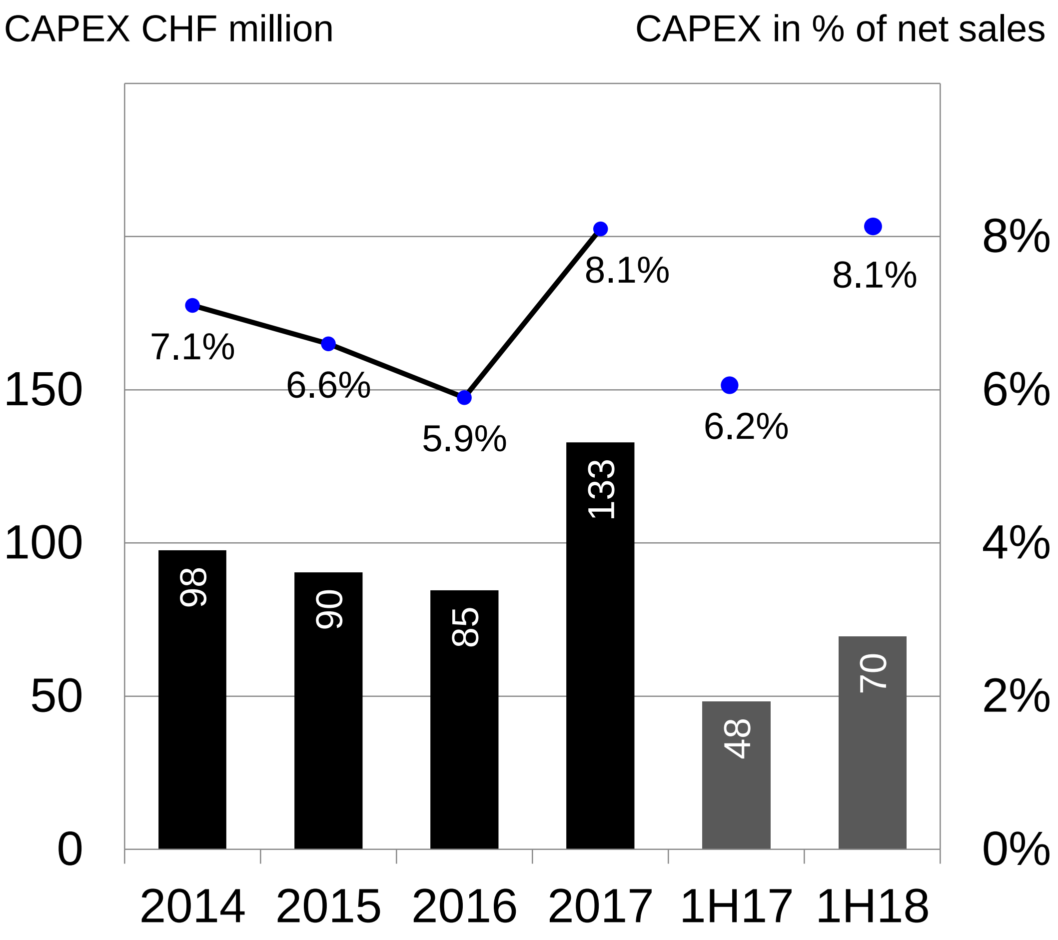


CAPEX
Growth projects and Nantong factory well under way

- 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%)

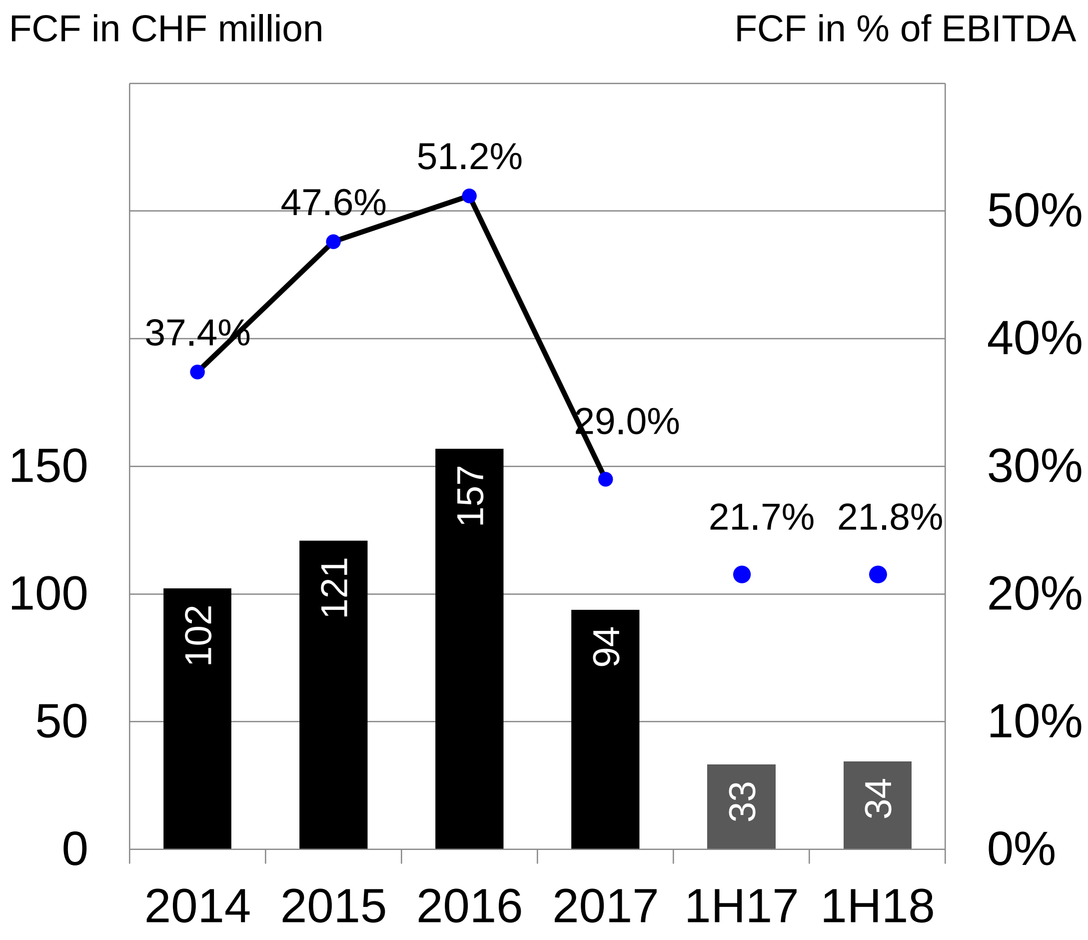


Free cash flow

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

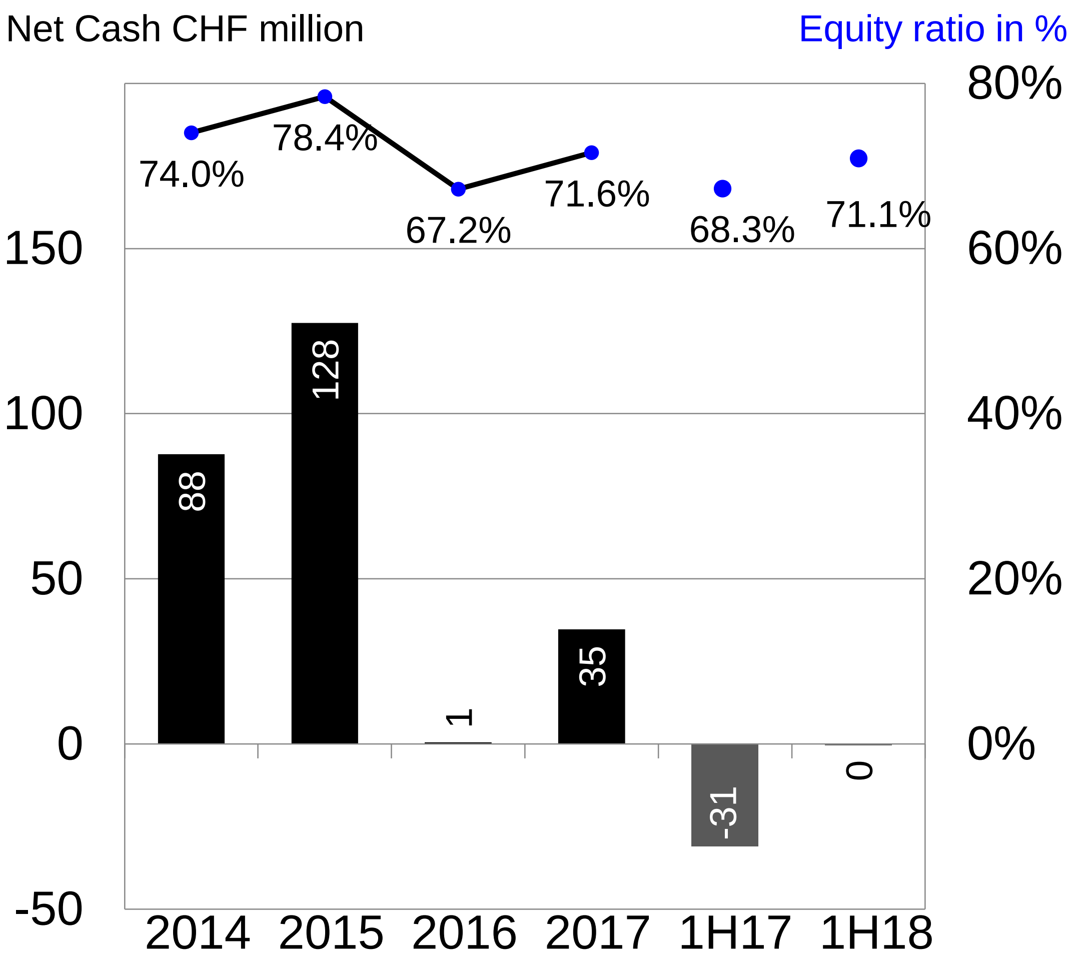


Balance sheet
Solid equity and strong financial flexibility

- 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



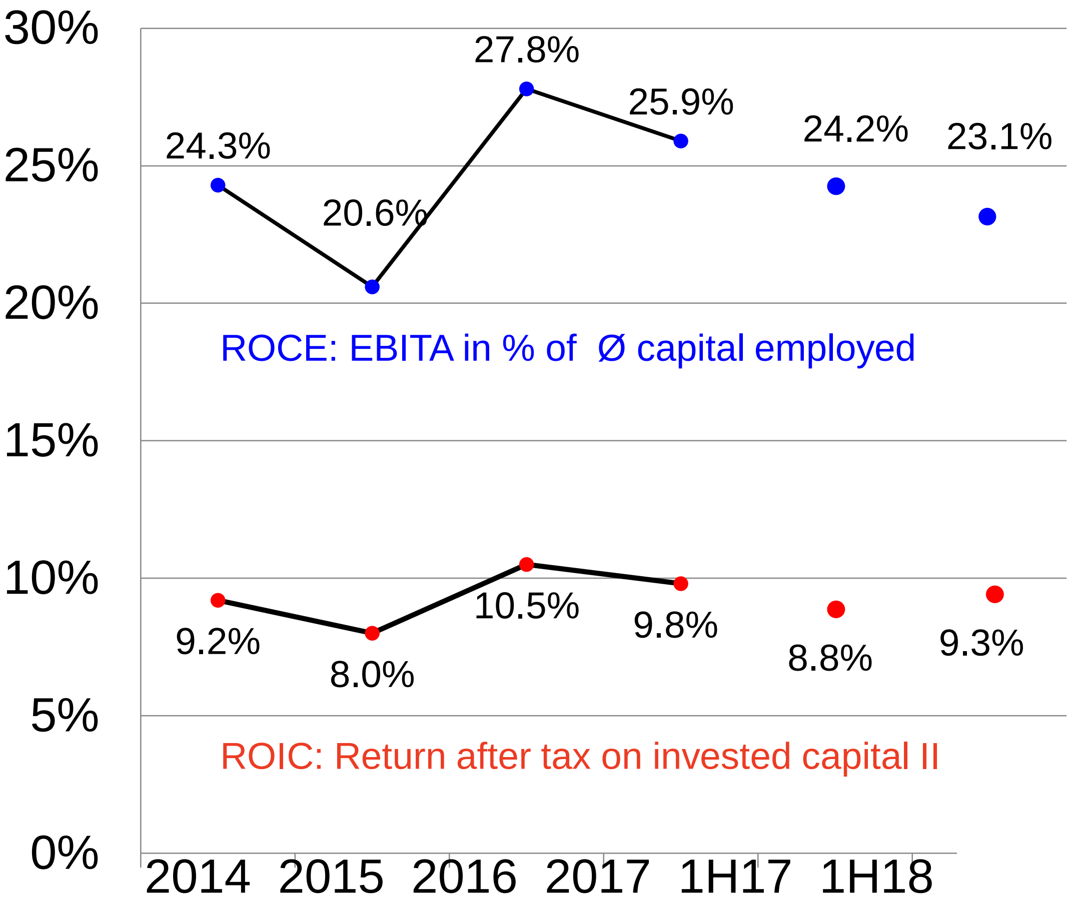
Return on capital
Stable development with potential for improvement

- 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

Return on capital in %



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 EBIT margin	116.0 13.6%	110.8 14.2%	4.6%
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*	**88.9**	**121.2**	**110.8**	**122.5**	**116.0**
margin	**12.9%**	**16.2%**	**14.2%**	**14.3%**	**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

Q&A

Q&A

Jens Breu
Chief Executive Officer

Rolf Frei
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.