



# Inventing success together

Presentation 1H 2022 results  
Heerbrugg, August 26, 2022

22  
1H

# Today's speakers

Welcome to the presentation on our 1H 2022 results



**Jens Breu**  
Chief Executive Officer



**Volker Dostmann**  
Chief Financial Officer

# Agenda

- 1. Positioning of SFS**
- 2. Key takeaways**
- 3. Development by segment**
- 4. Development of key financials**
- 5. Guidance 2022 & Group priorities**
- 6. Q&A**

# Positioning of SFS

# Mission critical products for selected niche applications

We are by your side – 24/7



# Our focused business activities

## Tailored solutions for selected niche applications

### Engineered Components

#### Automotive



#### Electronics



#### Industrial



#### Medical



**SFS**

**UNISTEEL**

**TEGRA  
MEDICAL**

### Fastening Systems

#### Construction



**SFS**

#### Riveting



**GESIPA**

### Distribution & Logistics

#### D&L Switzerland



**SFS**

#### D&L International



**Hoffmann Group**

# Our focused business activities

## Synergies in tooling based technologies

### Engineered Components

#### Engineering Partner

Development and industrialization of tooling based, customized precision components and assemblies



### Fastening Systems

#### Solution Provider

Development and distribution of application specific tools and fasteners



### Distribution & Logistics

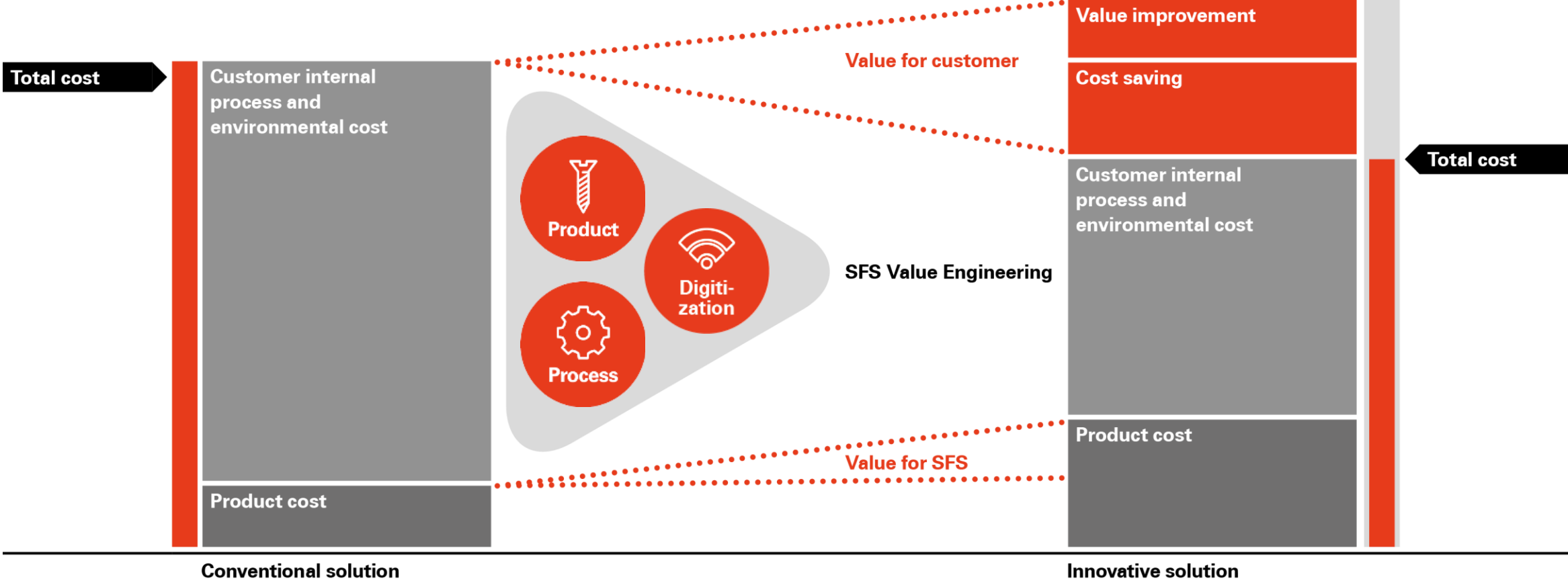
#### System Partner

Development and trade of tools, fasteners and work equipment



# SFS value proposition over all segments

## Inventing success together





# Our focused business activities

## Sustainable growth through the cycle

**Megatrends**

 Digital revolution

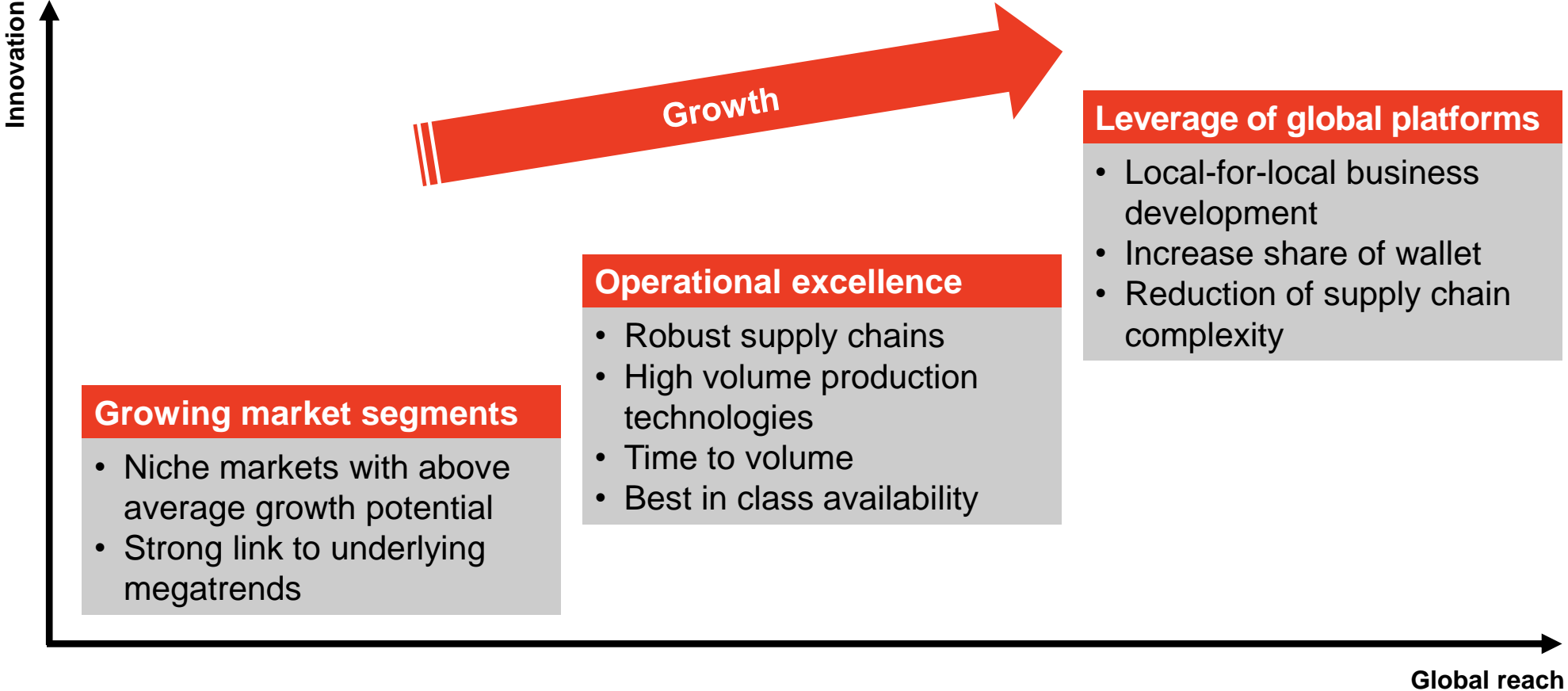
 Resources constraints

 Economic globalization

 Demographic asymmetries

 Evolving consumption

 Innovation acceleration



# Key takeaways

# Key takeaways

## Growth exceeds expectations

- Good growth, exceeding expectations in all regions and end markets except for automotive
- Transaction with Hoffmann closed on May 11
- 1H 2022 gross sales climbed to CHF 1,223.6 million (+27.8% vs. PY), consisting of organic growth (9.8%) and the first-time consolidation of Hoffmann (19.3%)
- Normalized EBIT rose by 11.5% to CHF 179.5 million, resulting in an EBIT margin of 14.7%
  - CHF 16.6 million of expenses normalized in connection with first-time consolidation of Hoffmann
  - Profitability affected by uneven capacity utilization and inflationary pressure on costs
- Highlights from the sustainability report for 2021:
  - Number of work-related accidents reduced by another –12.8%
  - CO<sub>2</sub> emissions reduced by –11.9% (like-to-like)
- Thomas Oetterli appointed new Chairman of the Board, succeeding Heinrich Spoerry

# Development by segment

# Headlines Engineered Components segment

## Varying conditions in end markets

- Good sales growth overall lead to 1H 2022 reported sales of CHF 523.4 m (+6.4% YOY)
- Industrial, Electronics and Medical took advantage of the market conditions and realized good growth
- Automotive development slightly below previous year, affected by shortages in customer supply chain
- Project-specific capacity expansions in Automotive, Electronics and Medical on track
- EBIT margin of 15.9% affected by uneven utilization of production capacity and increasing costs overall

### Key figures Engineered Components

In CHF million (unaudited)	2022 1H	+/- PY	2021 1H
Third party sales	523.4	6.4%	492.1
Sales growth comparable		6.8%	
EBITDA	120.8	-6.3%	128.9
As a % of net sales	22.8		25.9
Operating profit (EBIT)	84.6	-9.1%	93.1
As a % of net sales	15.9		18.7
Average Capital Employed	751.9	2.5%	733.8
Investments	42.3	25.1%	33.8
Full-time equivalents (FTE)	7,168	3.1%	6,955
ROCE (%) <sup>1</sup>	22.5		25.4

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

# Key messages Automotive division

## Shortages in supply chain hamper development

- Reduced demand due to shortages in customer supply chain (i.e. semiconductor, cable harnesses)
- Division's own raw material availability not affected
- Investments in project-specific production capacity expansion in Heerbrugg (CH) on track, ramp-up of production started
- Continued localization of ABS components production in Nantong (CN) to ensure optimal supply of locally present customers
- Market demand expected to gradually recover in 2H compared to 1H. Target to outgrow the market remains unchanged



Company event held in the newly finished Hall 6 in Heerbrugg (CH)

# Key messages Electronics division

## Continued high demand

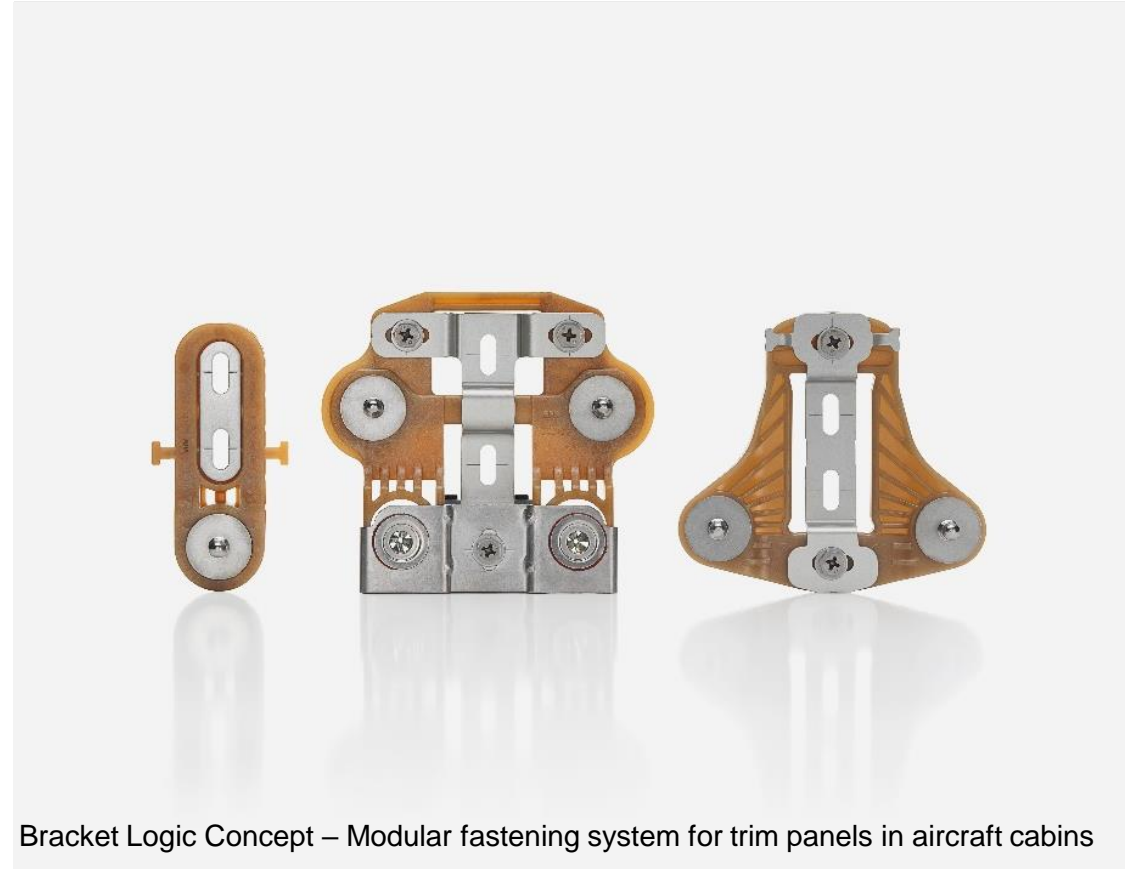
- Growth driven by strong demand, mainly in Lifestyle Electronics
- Mobile Devices with slightly positive development, while demand for HDD applications was subdued
- Consistently good product availability and efficient supply chains allowed for market share gains and supported growth too
- COVID-19 lockdown of totally 10 days in Nantong (CN) with limited business impact
- Expansion of Nantong platform progressing
- Moderate development at a high level expected for FY2022



# Key messages Industrial division

## Growth trend maintained in most niche markets

- Division remained on growth track in nearly all niche markets
- Particularly strong order intake in the first quarter, partially driven by inventory restocking effects on customer side
- Demand for aircraft components picked up and showed significant growth. Market conditions remain uncertain due to implications from COVID-19 pandemic
- Growth expected to level off in 2H compared to 1H, but still resulting in overall organic growth FY2022



Bracket Logic Concept – Modular fastening system for trim panels in aircraft cabins



# Key messages Medical division

## Record high order intake in first half-year

- Positive sales development in all application areas. Demand for instruments and implants for orthopedic surgeries recovered, as backlog of postponed elective surgeries cleared
- Shortages in availability of skilled labor and temporarily raw materials hindered stronger development
- Ongoing operational excellence efforts allow efficiency gains and improve competitiveness
- Building up the global manufacturing platform remains a key priority
- Unchanged market conditions in 2H compared to 1H expected, leading to positive development in FY2022



Orthopedics application for bone fixation

# Headlines Fastening Systems segment

## Market dynamics unchanged

- Strong demand in construction industry supported both divisions and resulted in 1H 2022 sales of CHF 334.5 m (+14.1% YOY)
- Other markets served by Riveting also developed well, with the exception of the automotive market which was affected by shortages in the customer supply chains
- Continued high attention on management of supply chains allowed to maintain good delivery performance and enabled both divisions to win new customers
- High capacity utilisation and thorough cost and price management resulted in record EBIT margin of 19.1%

### Key figures Fastening Systems

In CHF million (unaudited)	2022 1H	+/- PY	2021 1H
Third party sales	334.5	14.1%	293.1
Sales growth comparable		16.1%	
EBITDA	73.5	18.2%	62.2
As a % of net sales	21.5		20.7
Operating profit (EBIT)	65.2	23.0%	53.0
As a % of net sales	19.1		17.7
Average Capital Employed	278.2	5.9%	262.8
Investments	5.6	33.3%	4.2
Full-time equivalents (FTE)	2,575	2.1%	2,522
ROCE (%) <sup>1</sup>	46.9		40.3

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

# Key messages Construction division

## Continued strong demand above expectations

- Division continued its growth trajectory and exceeded expectations
- All application areas in both Europe and North America contributed to development
- Only limited effects from interest rate hikes and rising inflation, but high uncertainty remains concerning future demand
- Capacity expansions in North America initiated to support customer demand and further localize production
- Division expects good organic growth for FY2022. Main risks to future demand are rising interest rates and input prices



# Key messages Riveting division

## Development varied by area of application

- Overall flattish development with stable growth in industrial manufacturing and construction-related applications
- Demand from automotive market remained subdued owing to shortages in customer supply chains (i.e. semiconductors, cable harnesses)
- Relocation of production site from Nansha to Nantong (China) yielded initial efficiency improvements
- Demand from automotive customers expected to recover gradually in 2H compared to 1H. Overall, the division expects a rather flat development for FY2022



Riveting pick and place robot

# Headlines Distribution & Logistics segment

## Transaction with Hoffmann closed on May 11

- Overall good market demand lead to reported sales of CHF 365.7 m (+111.9% YOY), of which organic +7.2% YOY
- Hoffmann contributing to the segment as new division D&L International since May 1, 2022
- Strong demand from industrial manufacturing customers. Business with customers from the construction industry now accounts for less than 10% of the segment's sales
- Good material availability throughout the half-year supported both divisions' growth
- Strong normalized EBIT growth of +115.4% to CHF 34.9 m. Normalized EBIT margin 9.6%

### Key figures Distribution & Logistics

In CHF million (unaudited)	2022 1H	+/- PY	2021 1H
Third party sales	365.7	111.9%	172.6
Sales growth comparable		7.2%	
EBITDA	25.0	33.7%	18.7
As a % of net sales	6.8		10.7
Operating profit (EBIT)	18.3	13.0%	16.2
As a % of net sales	5.0		9.2
Operating profit (EBIT) adjusted <sup>1</sup>	34.9	115.4%	16.2
As a % of net sales	9.6		9.2
Average Capital Employed <sup>2</sup>	253.3	99.8%	126.8
Investments	5.0	127.3%	2.2
Full-time equivalents (FTE)	3,764	536.8%	591
ROCE (%) <sup>3</sup>	27.6		25.6

# Key messages D&L Switzerland division

## Growth trajectory maintained

- The division recorded solid organic growth at a comparable rate to the prior-year period
- Growth was mainly supported by industrial manufacturing customers across the major product groups tools and fastening systems
- Market demand from construction industry was positive at a high level
- Sales generated from direct channels like sales representatives and eShop developed well
- Division expects a stable development in 2H compared to 1H, resulting in organic growth for FY2022



At the LogiMAT fair, SFS introduced the all-in-one platform “Logtopus” for intelligent automation of material sourcing processes

# Key messages D&L International division

## Participated at good market momentum

- D&L International participated at positive environment in industrial manufacturing industry and achieved good growth, mainly in Europe and North America
- Physical product shows were held for the first time since the outbreak of the COVID-19 pandemic
- Ramp-up of LogisticCity remains key priority and is planned to be finished by end of 2022
- Martin Reichenecker, Head of the Division, joined the Group Executive Board in May
- Stable development expected in 2H compared to 1H, leading to organic growth for FY2022



Personal protective equipment includes a wide range of workwear, gloves, safety glasses and other articles

# Development of key financials

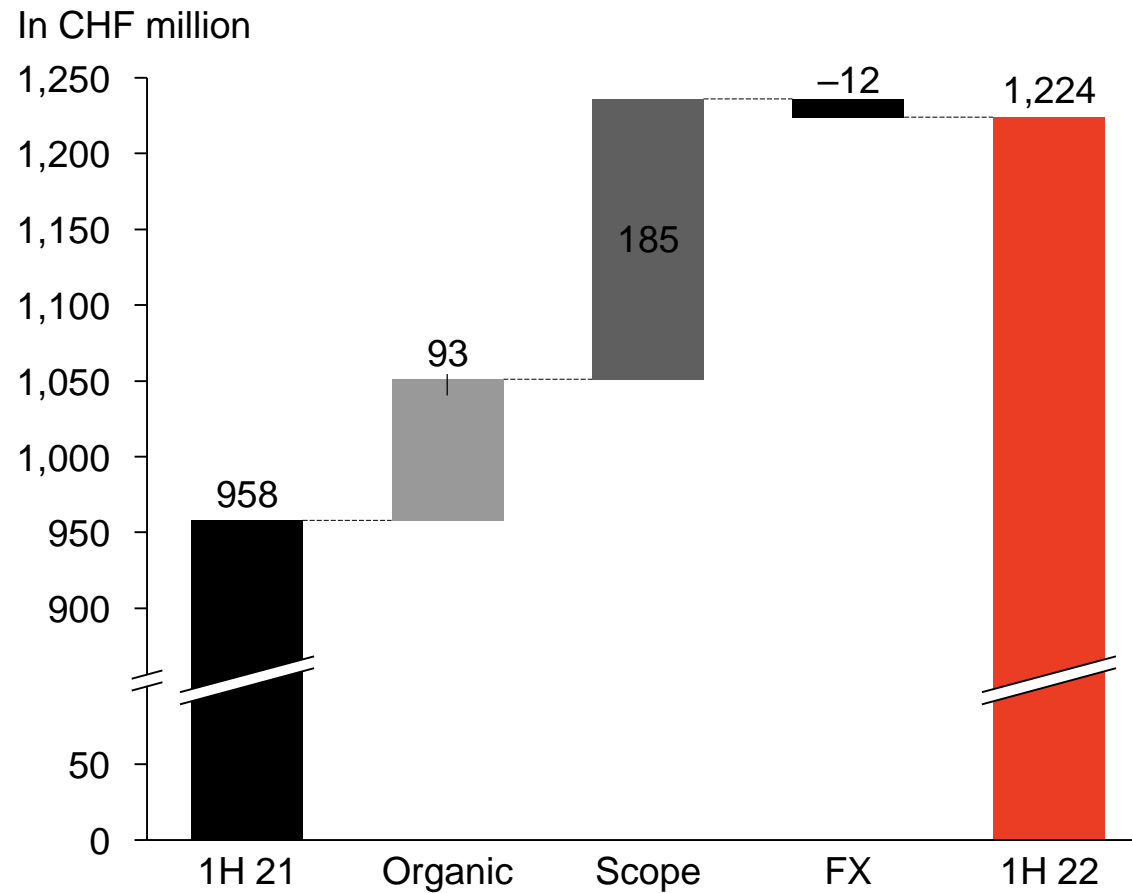


# Sales bridge

## Solid growth and step-change from Hoffmann inclusion

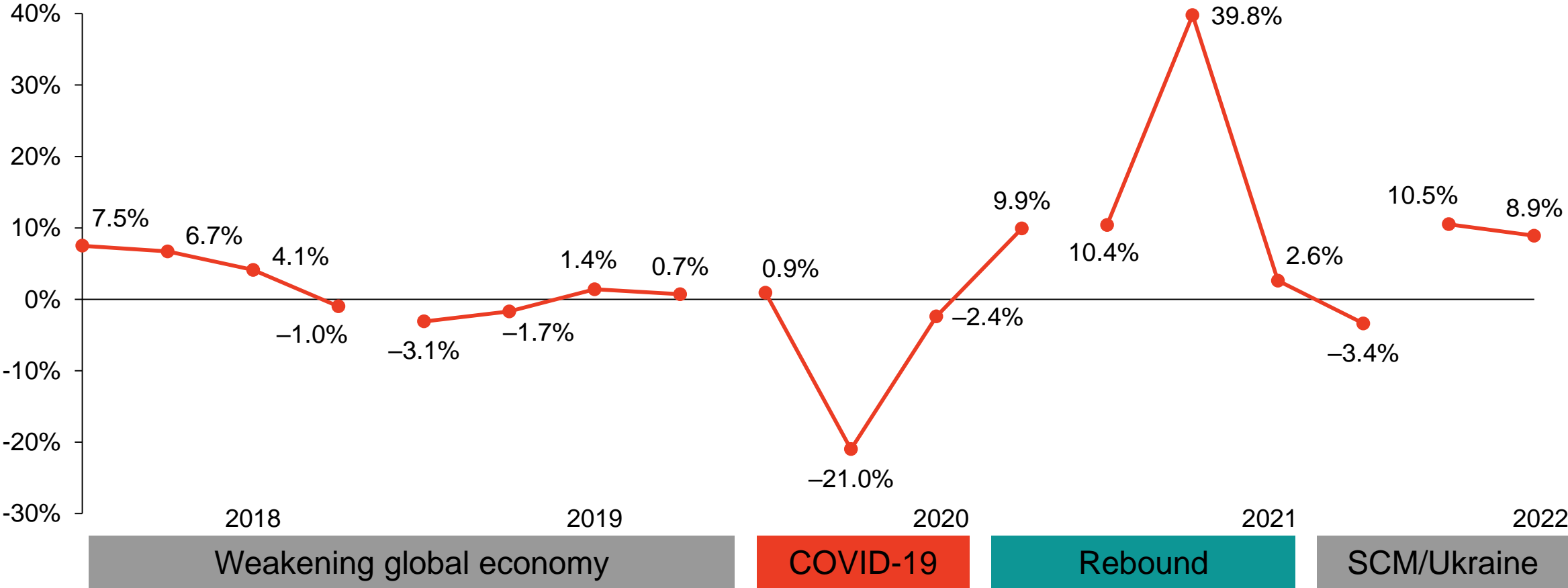
Sales Growth	Current Year CHF million	Current Year %	Prior Year %
Total	266	27.8%	23.8%
Organic	93	9.8%	23.6%
Scope	185	19.3%	1.4%
FX impact	-12	-1.3%	-1.2%

Organic Growth	Current Year CHF million	Current Year %	Prior Year %
Segment EC	33	6.8%	29.1%
Segment FS	47	16.1%	25.5%
Segment D&L	13	7.2%	7.8%



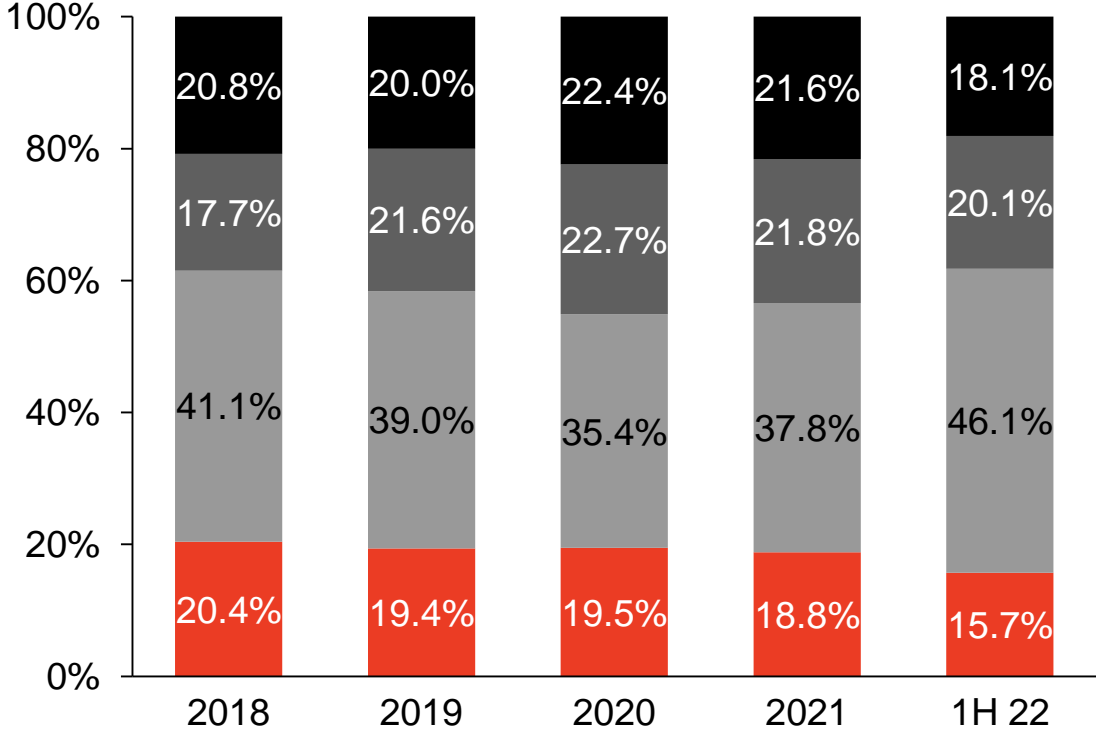
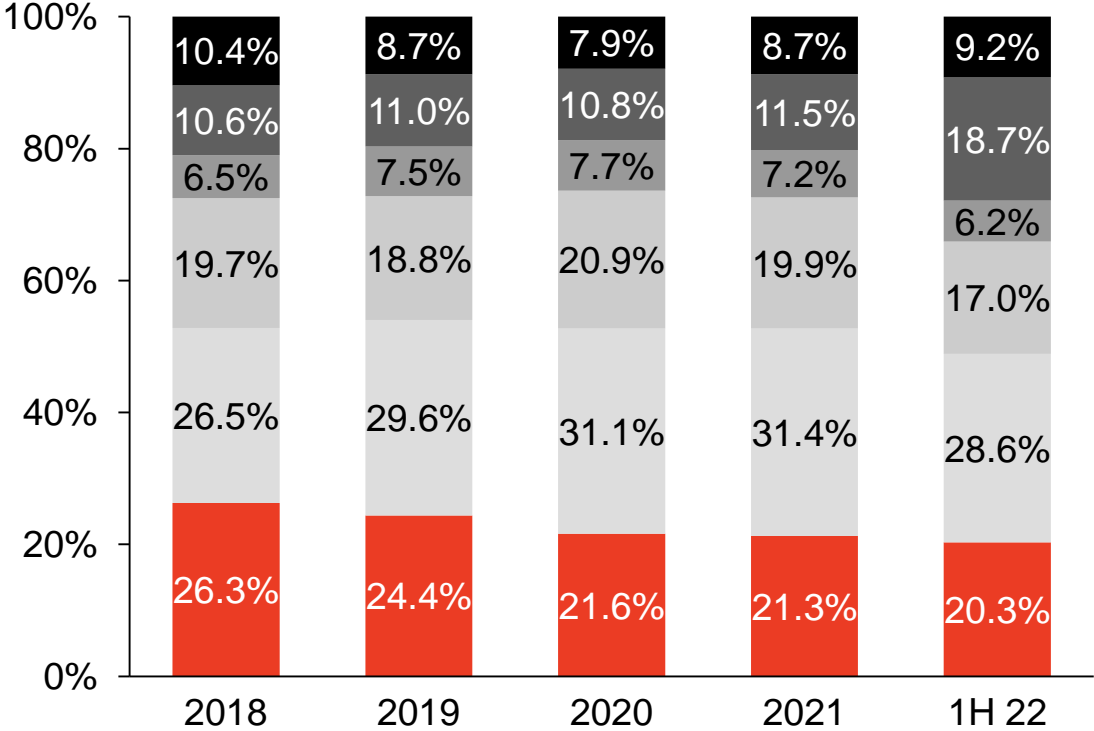
# Organic sales development per quarter

## Volatility remains high



# Sales breakdown

## Shifts towards industrial manufacturing & Europe



■ Automotive     ■ Construction     ■ Industrial Manufacturing  
■ Electronics     ■ Other industries

■ Switzerland     ■ Europe     ■ America     ■ Asia, others

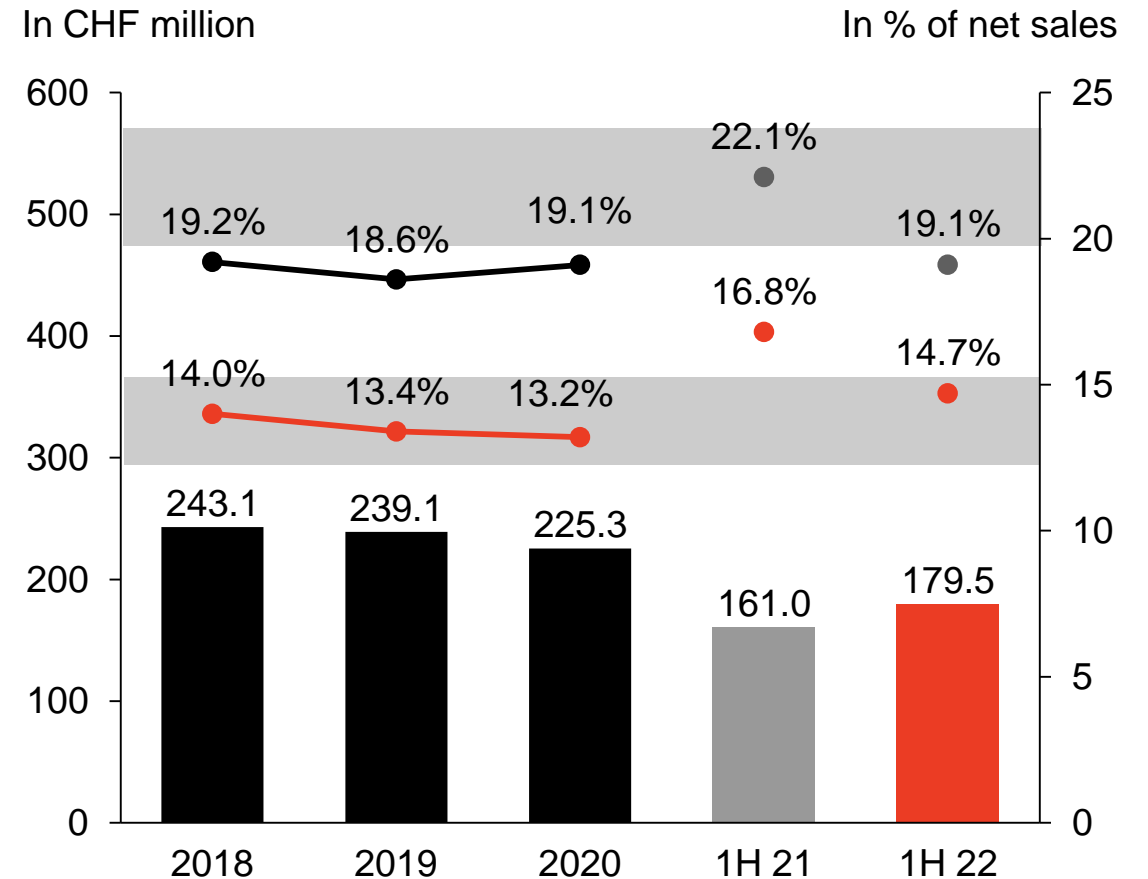
# Operating profitability

## Solid demand, uneven utilization | Swings challenging

Profitability	Reported, CHF m	Reported, %	Adjusted, CHF m	Adjusted, %
EBIT	162.9	13.3%	179.5	14.7%
EBITDA	217.1	17.7%	233.7	19.1%

- Supply chain on customer side challenging
- Utilization of production capacities therefore uneven
- Energy cost significantly up (~20%)
- Normalized for inventory step-up of Hoffmann acquisition

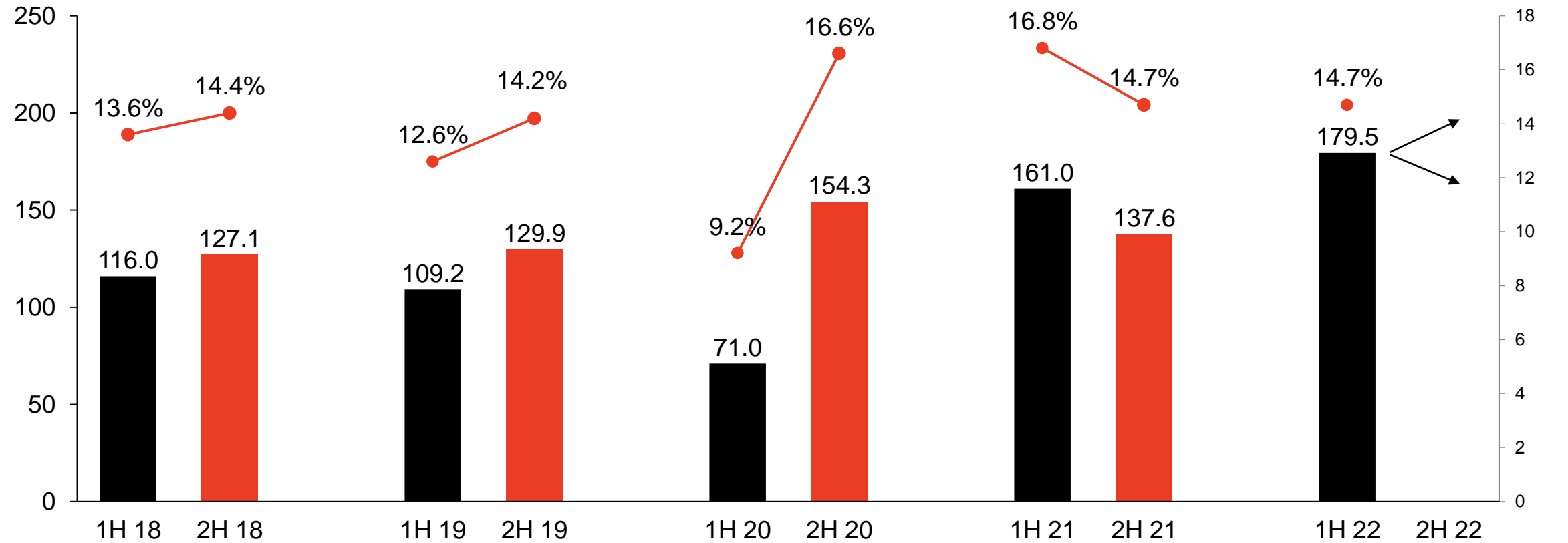
—●— EBIT margin adjusted —●— EBITDA margin adjusted



# Operating profitability and seasonal patterns

## 2022 as of May incl. Hoffmann | 2H unclear

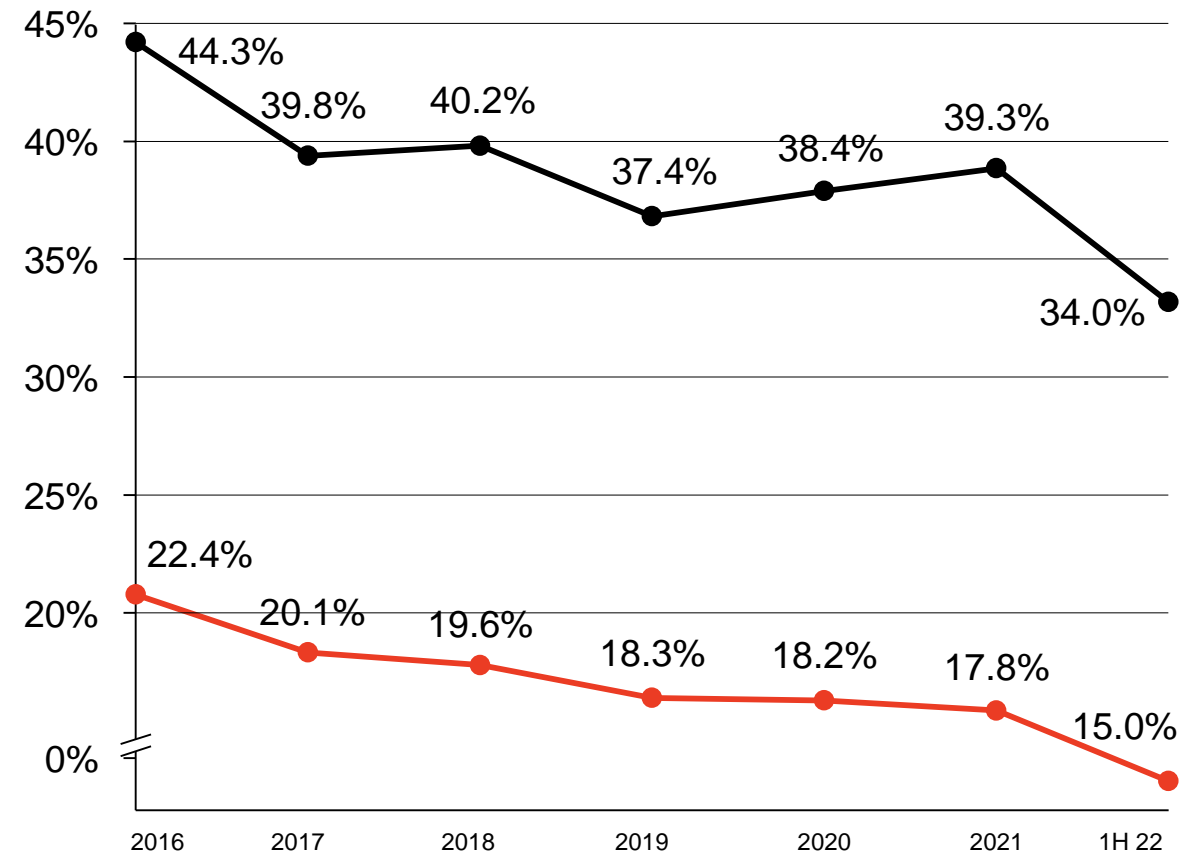
EBIT adjusted in CHF million



# Swiss franc exposure

## Share of OPEX in Swiss francs further reduced

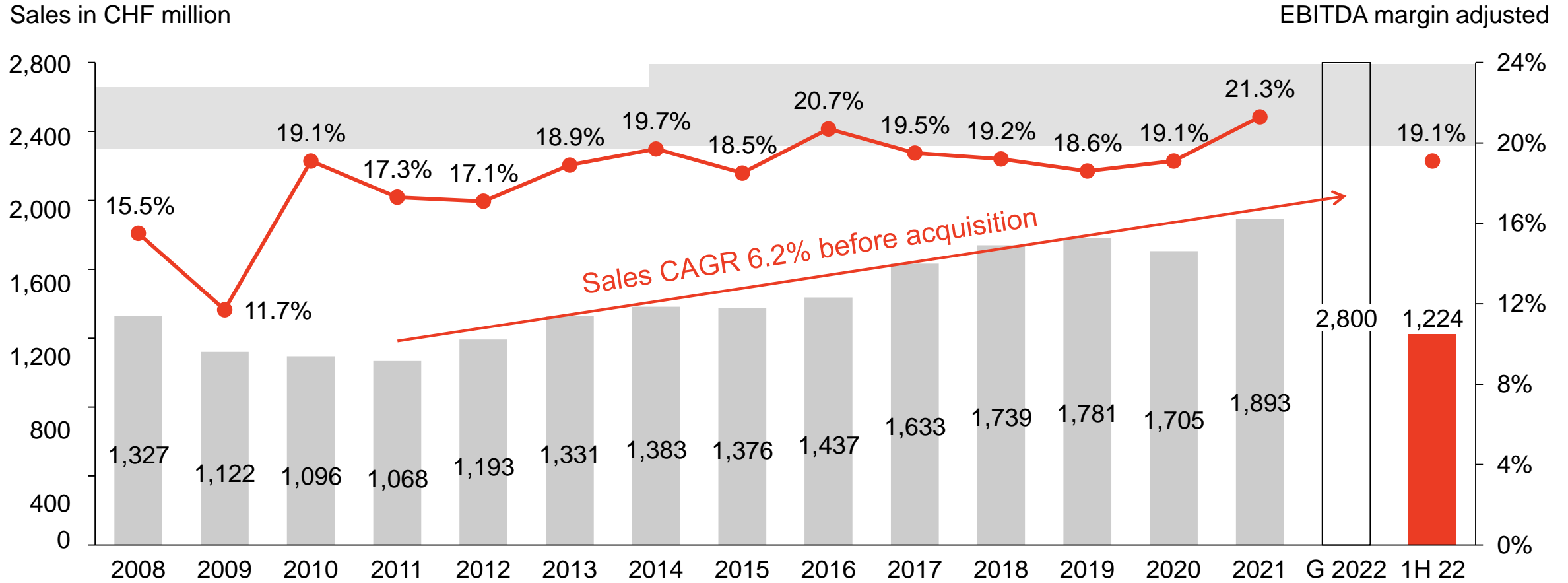
- Denomination of OPEX in Swiss francs at 34%
- Drivers for strategically targeted reduction
  - M&A outside CHF denomination
  - Improved productivity in CH
  - Relocate processes outside CHF
  - Adopt natural hedging
- Net cash FX exposure (as per end of 1H 22)
  - Estimated <100 m/year in Switzerland
  - Fully hedged in 2022 at CHF 1.076/€
  - >40% hedged for 2023 at CHF 1.025/€



—●— Sales invoiced in CHF    —●— OPEX in CHF

# Long-term sales and EBITDA development

## Growth ability confirmed



# Net working capital

## Significant increase in inventory levels

NWC measured at half-year

Ø Days Sales Outstanding (DSO)	Current Year	Prior Year
Total SFS Group	62.0	66.1
Segment EC	82.3	85.5
Segment FS	44.1	43.9
Segment D&L	41.5	39.3

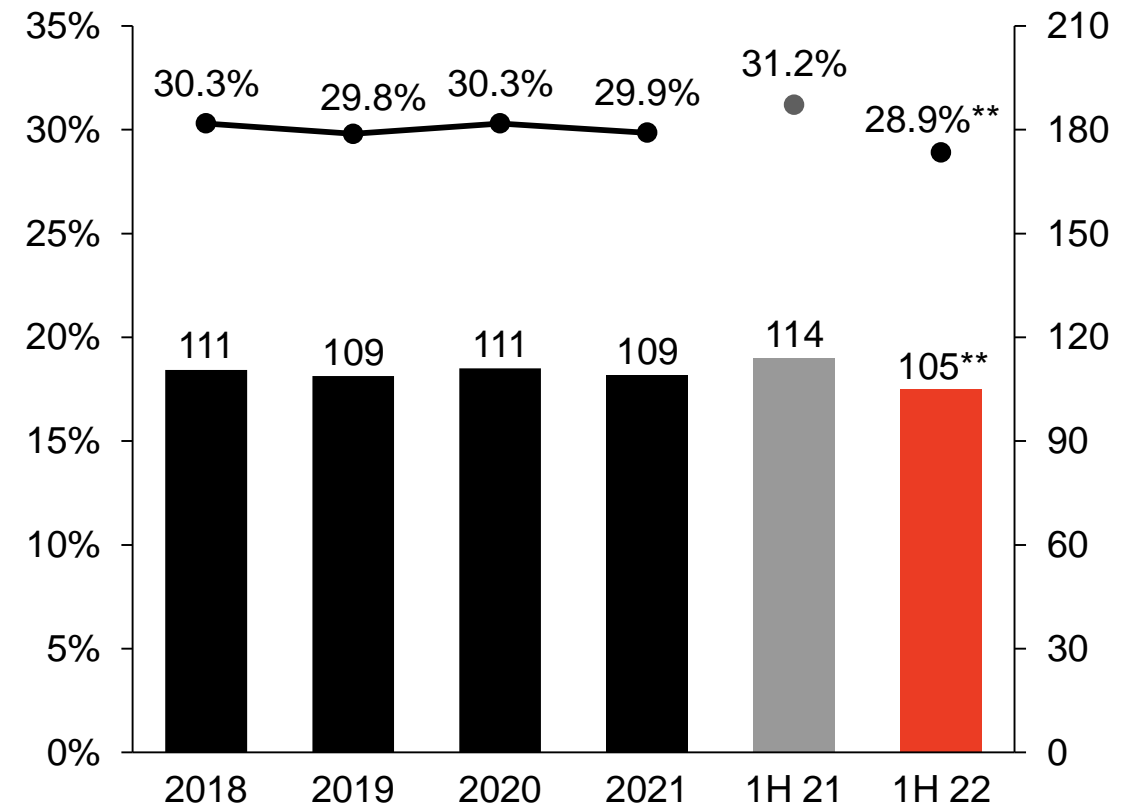
Ø Days Inventory Outstanding (DIO)	Current Year	Prior Year
Total SFS Group	74.4	63.9
Segment EC	58.6	48.9
Segment FS	88.4	80.1
Segment D&L	84.2	77.2

\* NWC simplified = AR + Inventory – AP

\*\* Impact of Division D&L International annualized

Reported KPI's are: NWC in % of Sales 40.8%, Reported C2C 149 days

NWC simplified\* in % of net sales





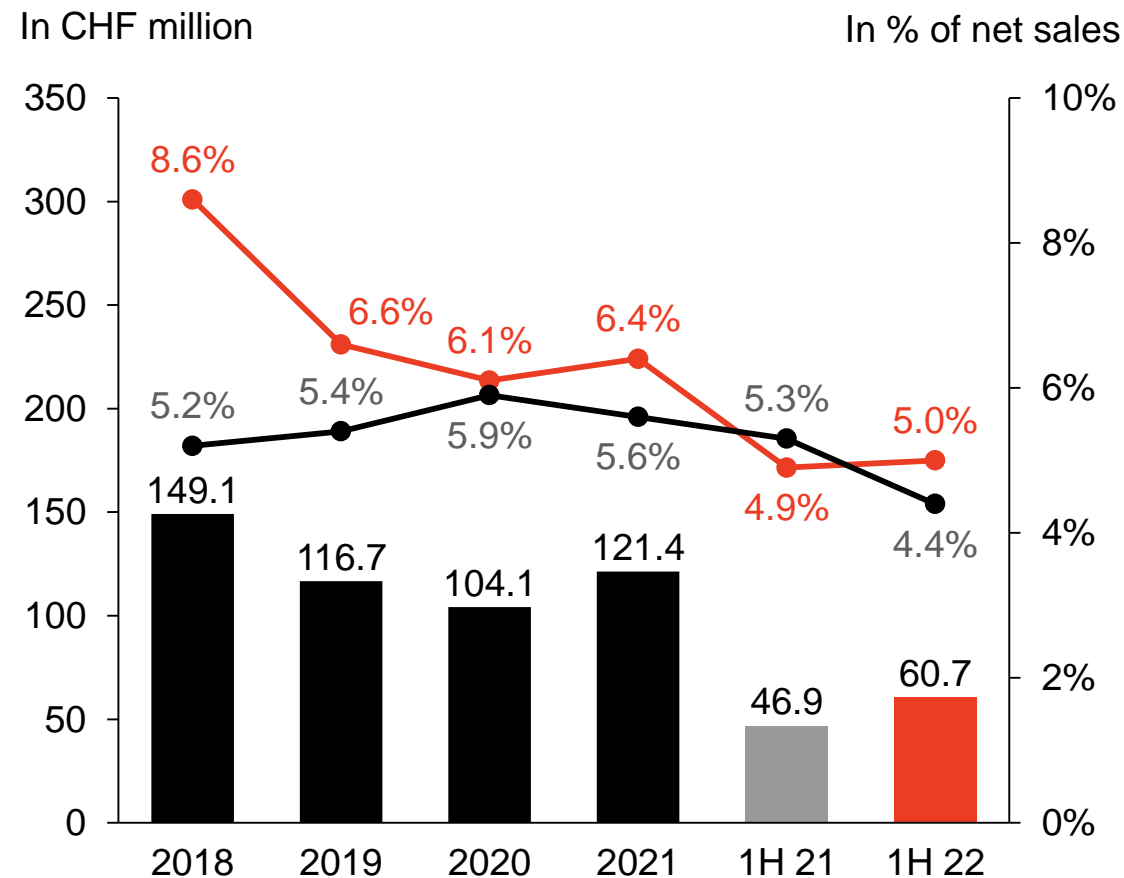
# Capital expenditure

## Investments into strategic projects continue

CAPEX spending by region	1H 22 %	1H 21 %
Switzerland	50%	59%
Europe	15%	12%
America	13%	16%
Asia	22%	13%

CAPEX spending by segment	1H 22 %	1H 21 %
Segment EC	70%	72%
Segment FS	9%	9%
Segment D&L	8%	5%
Corporate	13%	14%

—●— CAPEX —●— Depreciation & Amortization



# Operating free cash flow

## NWC increase and CAPEX burdening Operating FCF

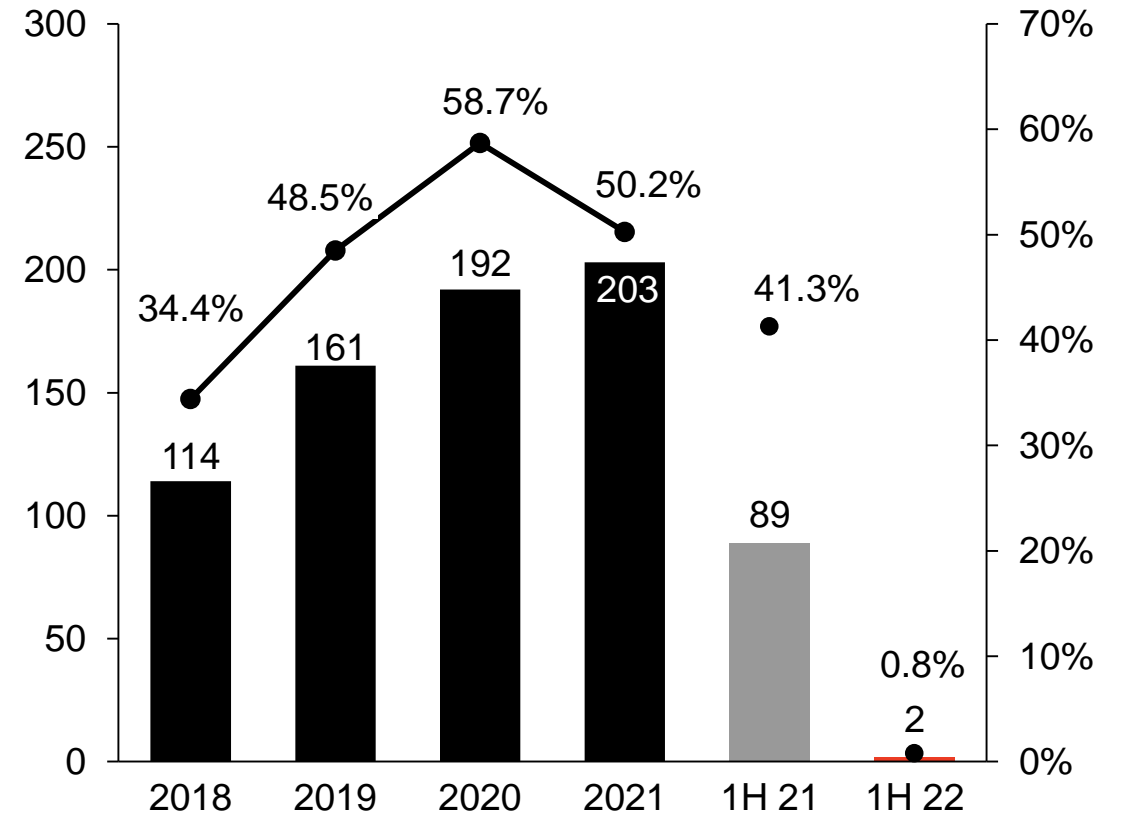
- Good cash generation (in CHF million):

	Current Year	Prior Year
CF before changes in NWC	174	186
Changes in NWC	-111	-50
<b>Cash flow from operations</b>	<b>63</b>	<b>136</b>
CAPEX	-61	-47
<b>Operating free cash flow</b>	<b>2</b>	<b>89</b>

- Replenishment of depleted inventories
- Increase in receivables along growth
- Cash conversion rate at 0.8% (OFCF/EBITDA)

Operating FCF in CHF million

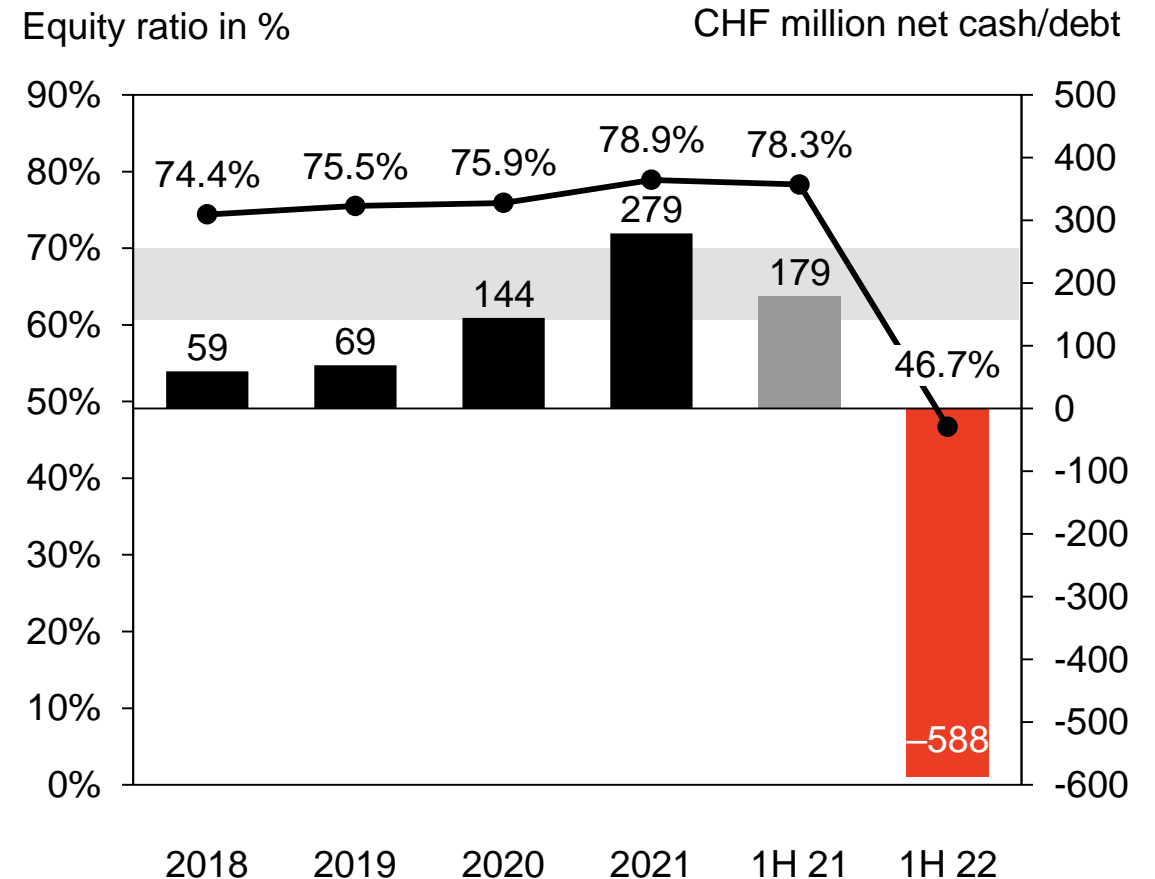
In % of EBITDA



# Balance sheet ratios

## Successful refinancing of Hoffmann transaction

- Leveraging Balance Sheet deployment
  - Net cash position
  - Renegotiation of RCF (CHF 600 m)
  - Launching primeur dual tranch bond (250 m, 3 years /150 m, 5 years)
- Unused credit lines grant financial flexibility going forward
- Expected impact from Hoffmann transaction as per year end
  - Equity Ratio >50%
  - Net Debt/EBITDA <1.5x (full year basis)



# Return on capital

## ROCE remains on high level

- Return on Capital Employed slightly below 1H 21 due to:
  - Lower and uneven utilization
  - High NWC mainly replenishment of inventory
- Bridge ROCE to ROIC
  - Impact of goodwill and net cash:  $-13.8\%$
  - Impact of tax effects:  $-4.8\%$

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

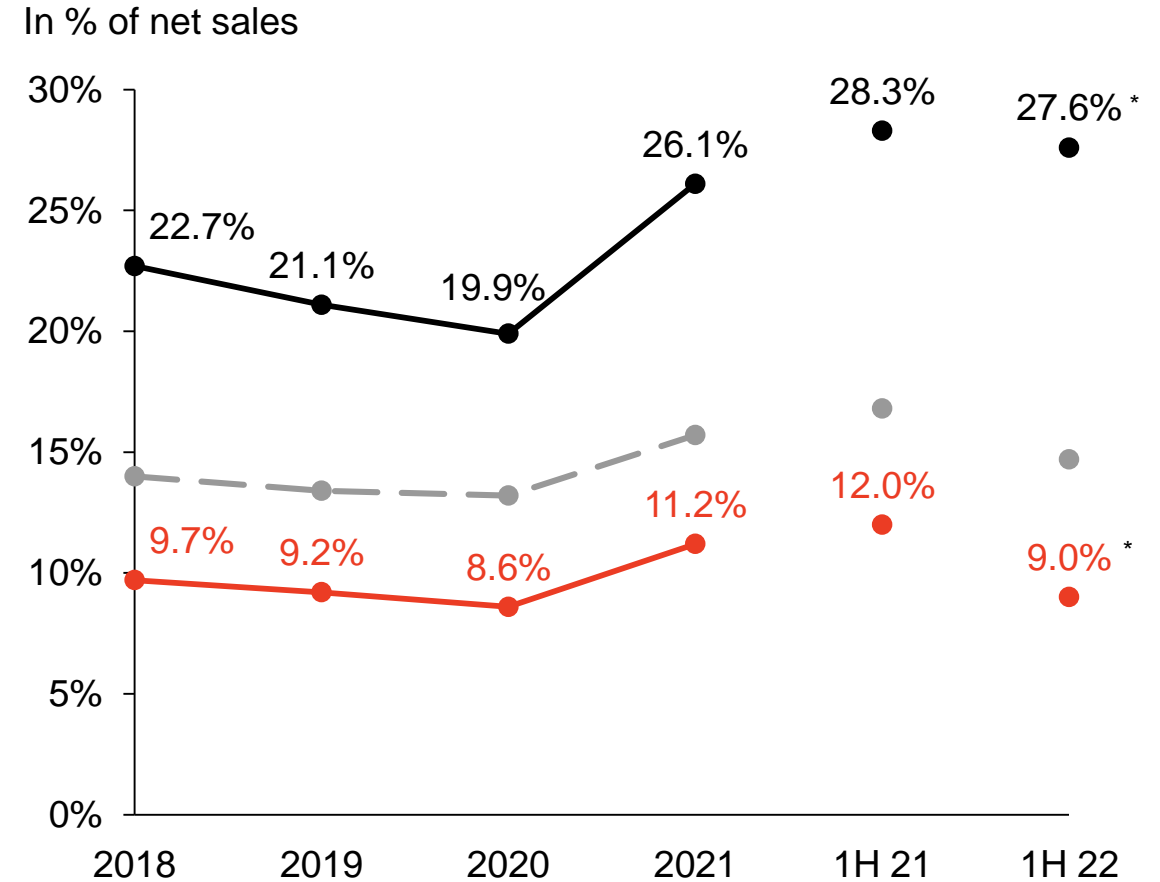
$$\text{ROIC} = \frac{\text{Adjusted EBIT} - \text{Tax Rate } 17.5\%}{\text{Invested Capital (IC)}}$$

Ø CE = NWC less Cash plus fixed Assets less def. Tax and prov.

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

—●— ROCE    —●— ROIC    —●— EBIT margin adjusted

\* Impact of Division D&L International annualized



# KPI summary

## Market position expanded

In CHF million		1H 2022	%	1H 2021	%	YOY
Sales		1,223.6		957.8		+27.8%
EBITDA	margin adj.	233.7	19.1%	211.9	22.1%	-300bps
EBIT adjusted	margin adj.	179.5	14.7%	161.0	16.8%	-210bps
Net income	margin	131.5	10.7%	134.1	14.0%	- 330bps
Equity	ratio	1,188.6	46.7%	1,370.7	78.3%	-3160bps
Net cash		-587.7		179.9		-767.6
CAPEX	% net sales	60.7	5.0%	46.9	4.9%	+10bps
Operating FCF	conversion rate	1.8	0.7%	88.9	41.3%	-4060bps
ROCE		27.6%		28.3%		-70bps

# Guidance 2022 & Group priorities

# Adjust Guidance FY2022 to mid-term guidance SFS and Hoffmann (8 months of consolidation)

	2021A (CHF)	2022G: W/o Hoffmann	2022G: Updated May 12	2022G: Updated Aug 26
Gross sales SFS stand-alone (in local currencies)	1,893 m	Growth 3–6%	Growth 3–6%	<b>Growth 3–6%</b>
Sales impact 8 months consolidation Hoffmann			+ ca. CHF 720–770 m	<b>+ CHF 720–770 m</b>
EBIT margin SFS	15.9%	13–16%	stand-alone 13–16%	<b>12–15%</b>

A = Actual G = Guidance

- Reported EPS as per HY is at CHF 3.42 per share. This includes one time P&L impacts from the Hoffmann transaction of CHF 0.36 per share. Total year impact estimated at CHF 0.43 per share
- This outlook is based on the assumption that there will be no significant worsening in the underlying economic conditions or pandemic-related restrictions

# SFS Group priorities

## Focus on specific priorities

### Megatrends

→ Strengthen innovation, especially in the megatrends of demography, digitalization and autonomous driving

### Growth

→ Investments in future growth projects namely in Engineered Components  
→ Establish international presence with Hoffmann

### Customers

→ Ensure reliable supply capability  
→ Continue improving customer centricity of organization

### Profitability

→ Balance production capacity with demand  
→ Ensure supply capabilities  
→ Keep costs under control, forward increases in supply chain

### Sustainability

→ Integrate sustainable acting and thinking holistically in business model and corporate strategy  
→ Protect employee health and safety



# Coming up

## Our IR agenda for remainder of FY2022

Investor Day II in Heerbrugg (CH) on September 15

IR Contact:

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

# Q&A

# Q&A

## Any questions?



**Jens Breu**  
Chief Executive Officer



**Volker Dostmann**  
Chief Financial Officer

**Thank you for  
your attention**

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