Inventing success together

20

Presentation FY2020 results
Heerbrugg, 5 March 2021

Today's speakers
Welcome to the presentation on our FY 2020 results

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Chief Executive Officer

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Chief Financial Officer

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Key takeaways

Key takeaways
Well positioned in a challenging environment

- FY 2020 strongly impacted by COVID-19 pandemic, turning attention to employee safety, balance supply capacities and cost management at continued innovation activities
- Driven by distinct recovery in demand mainly in Engineered Components segment in the second half of the year, FY 2020 sales amounted to CHF 1,704.9 million (organic –3.2% vs. PY)
- Over the cycle resilient profitability; again proven by FY 2020 operating profit margin of 13.3%:
  - improved capacity utilization during second half of the year
  - committed, flexible employees supporting temporary adaptation of cost structure
  - positive mix effects driven by electronics end market
- Continued investments into growth projects particularly in Automotive, Medical and Electronics
- Publication of first stand-alone Sustainability Report in accordance with GRI, further strengthen-ing the integration of sustainable business practices into corporate strategy and business model

Strategic core pillars
Effectiveness proven during COVID-19 pandemic

"Local-for-local"	• Customer proximity essential for value proposition • Reliable delivery performance
Diversification	• End markets and regions • Sales channels
Solid financial position	• Continued investments in innovation • Realization of growth projects and opportunities
Focused technologies	• Core set of tooling based technologies and relevant secondary operations • Standardized machine park to reduce risk and maximize flexibility
Relevant megatrends	• Digital revolution, Economic globalization, Evolving consumption in “health & wellness", Resource constraints and Demographic asymmetries

Focus on sustainability
Key elements to improve sustainable development

Mgmt attention	Core KPIs	Reporting	CO_2 Roadmap	Outlook 2021
• Regular reporting on progress • Management remuneration tied to ESG KPIs	• Economic performance • Occupational health and safety • Training and education • Emission reductions • Socioeconomic compliance	• UN Global Compact (SDGs) • GRI (“core" option) https://sustainability.sfs.com/en →	• Defined CO_2 emission reduction • Increase share of renewable energy • Measureable targets and improvements	• Continued focus on set goals • Implement measures of CO_2 Roadmap • Update materiality assessment

Best practice example
SFS value engineering – sustainable benefits

Increased safety
~50% reduced Time-to-Lock

Integrated braking system
(one-box system)

Better performance
~30% weight reduction

Resource optimized
Expanded range of energy recuperation modes

Development by segment

Headlines Engineered Components segment

A challenging year

- COVID-19 with significant impact on demand, resulting in 1H 20 reported sales –16.3% yoy
- Rebound in 2H (sales +36.3% vs. 1H), driven by recovery in automotive-related areas and organic growth in Electronics and Medical
- Improved capacity utilization in 2H and cost control measures supporting profitability (EBIT 2H 20.2%)
- Established global manufacturing platform for medical devices business
- Site expansion projects at Industrial (CH) and Medical (USA) according to plan

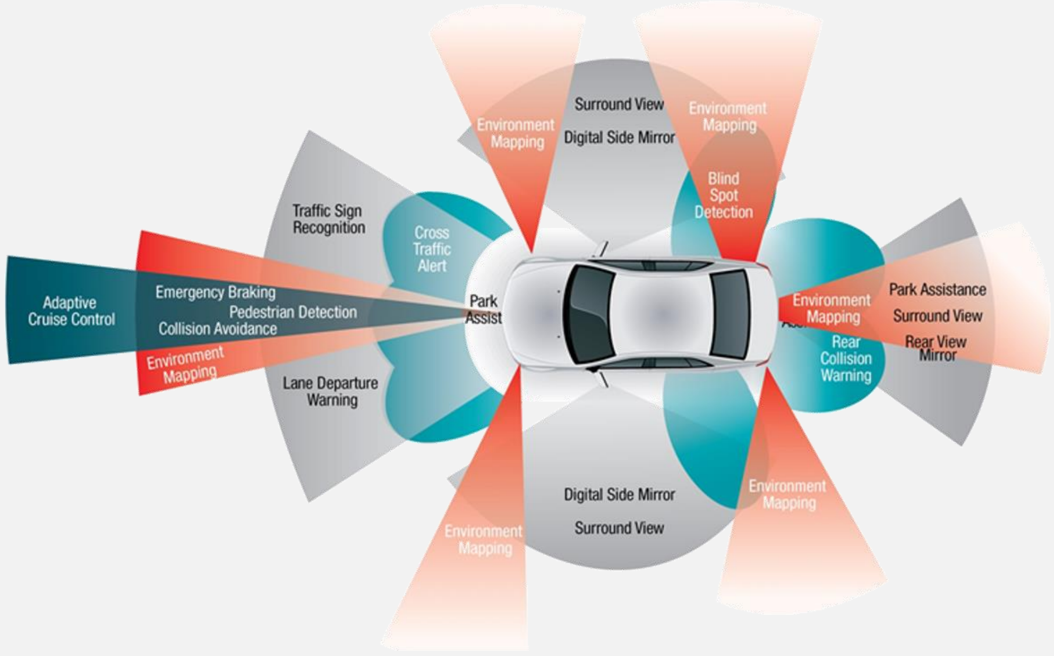
Key figures Engineered Components
in CHF million

	2020	+/– PY	2019	2018
Third party sales	898.3	–6.1%	957.1	967.0
Sales growth comparable		–4.0%		
Net sales	910.4	–5.6%	964.2	972.5
EBITDA	210.8	0.3%	210.1	234.8
As a % of net sales	23.2		21.8	24.1
Operating profit (EBIT)	141.2	–3.9%	147.0	176.6
As a % of net sales	15.5		15.2	18.2
Operating profit (EBIT) adjusted[1]	141.2	–14.0%	164.1	176.6
As a % of net sales	15.5		17.0	18.2
Average capital employed	720.5	2.9%	700.4	652.1
Investments	83.1	–11.7%	94.1	116.3
Employees (FTE)	7,293	2.0%	7,153	6,977
ROCE (%)[2]	19.6		23.4	27.1

[1] 2019 adjusted for relocation costs Nantong (China) CHF 17.1 million
[2] EBIT adjusted in % of average capital employed

Key messages Automotive division
Strong recovery in second half of year

- High volatility in demand, characterized by:
  - Q2 automotive end market sales –58% vs. PY
  - in 2H organic growth in some months vs. PY
- Established deep drawing platform in North America by acquisition of T&M
- First project ramp-ups in Nantong (CN) scheduled for 1H 2021
- Building expansion project for electric brake systems production in Heerbrugg (CH) started
- Intact innovation trends evidenced
- Expect growth in demand and division continuing to outgrow the market in FY21



Required cameras and sensors for autonomous driving

Key messages Electronics division
Nantong (CN) site fully loaded

- Results from lifestyle electronics and smartphones business in 2H 20, confirming strong capabilities in product ramp-ups
- Position in accessories strengthened
- High capacity utilization at new Nantong (CN) site achieved, infrastructure fully loaded
- Reduced demand at Malaysian site for HDD components to be compensated by demand from Electronics customers with supply chains outside China and Medical business
- Expect flat development in FY21 based on HDD business decline and strong base effect in 2H

Future growth market of VR and AR

Key messages Industrial division

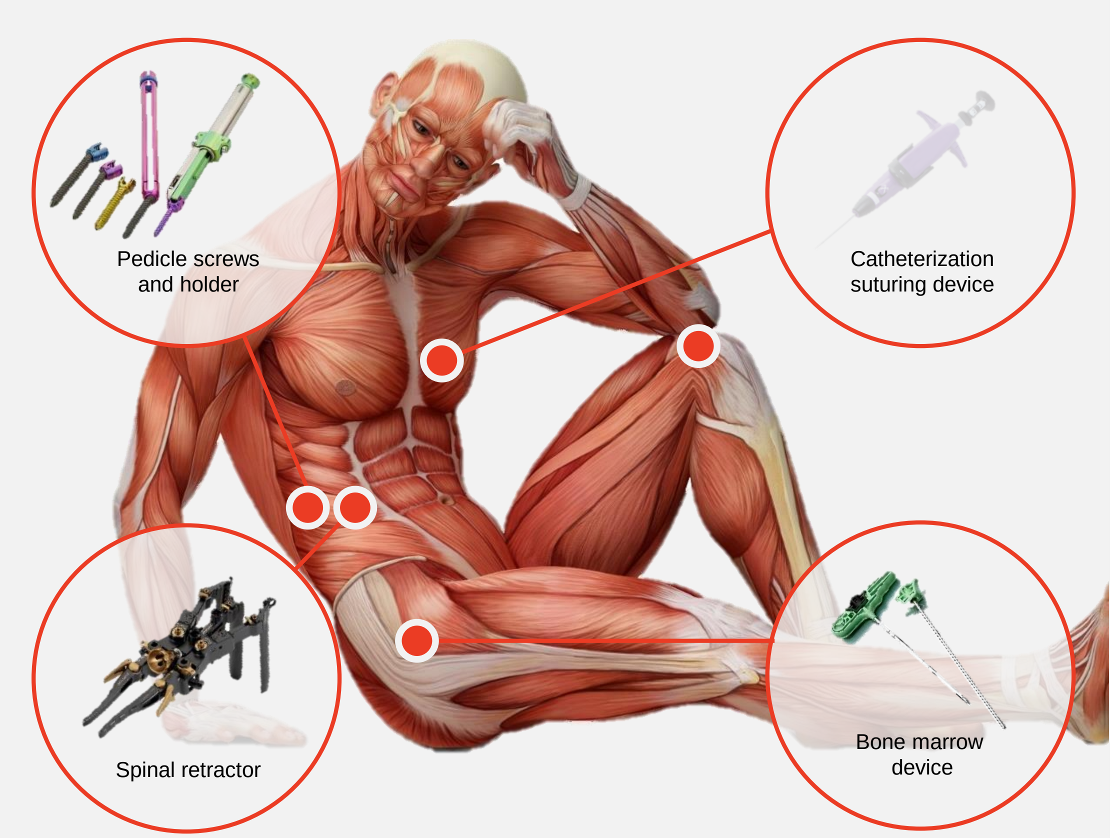
Varying recovery depending on niche market

- COVID-19 pandemic impacted individual business units to different degrees:
- Industrial Appliances above prior year, impacted by home improvement trends
- Hardware Components slightly below PY, im-pacted by construction market development
- Off-Highway driven by IN agriculture market
- Demand expected to improve during the course of FY21 after subdued start in 1H
- Aircraft likely to remain challenging due to strongly reduced demand

Applications in niche markets

Key messages Medical division
Growth track continued

- Business impact of COVID-19 pandemic overcompensated by underlying market growth and ramp-up of new projects
- Build-up of global manufacturing platform:
  - include SFS sites in Europe and Asia and implement local-for-local strategy
  - roll-out Tegra Medical brand globally
  - participate globally at MedTech demand
- First production units moved to new location in Franklin
- Positive development expected to continue in FY21



Selected products and applications

Headlines Fastening Systems segment
Improved performance in difficult environment

- Less pronounced impact of COVID-19 on construction market and scope effects limited decline of segment sales to –1.7% yoy
- Recovery at Riveting division in the fourth quarter, driven by demand from automotive customers
- Investments in expansion of market reach with acquisition of MBE
- Continued efforts into efficiency increases, improved capacity utilization in 2H and cost control measures supporting profitability (EBIT 2H 14.1%)

Key figures Fastening Systems
in CHF million

	2020	+/– PY	2019	2018
Third party sales	489.7	–1.7%	498.3	437.1
Sales growth comparable		–2.4%		
Net sales	500.7	–2.1%	511.5	452.4
EBITDA	78.6	16.4%	67.5	63.2
As a % of net sales	15.7		13.2	14.0
Operating profit (EBIT)	59.7	26.7%	47.1	44.2
As a % of net sales	11.9		9.2	9.8
Operating profit (EBIT) adjusted[1]	57.6	22.3%	47.1	44.2
As a % of net sales	11.5		9.2	9.8
Average capital employed	270.9	–8.9%	297.4	273.6
Investments	10.9	–37.4%	17.4	16.5
Employees (FTE)	2,438	0.4%	2,429	2,267
ROCE (%)[2]	21.3		15.8	16.1

[1] 2020 adjusted for book gains from the disposal of non-operating assets of CHF 2.1 million
[2] EBIT adjusted in % of average capital employed

Key messages Construction division
Benefited from stable demand

- After decline in demand in Q2, business picked up in 2H and showed usual positive seasonality
- Business with system manufacturers and distributors affected most, while demand with installers and builders increased
- Underlying innovation trends confirmed:
  - efficient installation processes
  - health and safety at work
  - energy efficient building envelopes
- Expect flat development in FY21

Fall protection system Soter

Key messages Riveting division
Improved performance

- After significant decline in demand during first half year, recovery driven by automotive related areas as of Q4
- Temporary adjustments in production capa-city, together with structural measures taken during previous year, supported profitability
- Demand for setting tools remains strong
- Continued focus on innovative solutions with clear added value like improved battery capacity or access to CAS battery platform
- Return to organic growth expected thanks to ongoing market recovery in FY21

Headlines Distribution & Logistics segment
Stable development thanks to balanced activities

- Stable development throughout the year, with limited impact of COVID-19 on sales:
  - strong demand in the areas of building materials and personal protective equipment
  - weaker demand from industrial customer base
- Multi-channel approach beneficial in pandemic
- Continued focus on development of business with internationally established D&L customers
- EBIT margin at 8.9% +100bp vs. PY, supported by cost measures
- Continued improvement of demand during course of the financial year 2021 expected

Key figures Distribution & Logistics
in CHF million

	2020	+/– PY	2019	2018
Third party sales	316.9	–2.8%	326.0	334.5
Sales growth comparable		–2.2%		
Net sales	321.6	–2.8%	330.9	339.7
EBITDA	34.1	–26.6%	46.5	31.7
As a % of net sales	10.6		14.1	9.3
Operating profit (EBIT)	28.7	–29.3%	40.5	25.8
As a % of net sales	8.9		12.3	7.6
Operating profit (EBIT) adjusted[1]	28.7	9.4%	26.2	25.8
As a % of net sales	8.9		7.9	7.6
Average capital employed	126.9	–4.4%	132.8	142.2
Investments	4.1	73.7%	2.3	6.2
Employees (FTE)	598	–3.9%	622	621
ROCE (%)[2]	22.6		19.7	18.1

[1] 2019 adjusted for book gains on the disposal of non-core assets CHF 14.3 million
[2] EBIT adjusted in % of average capital employed

Development of key financials

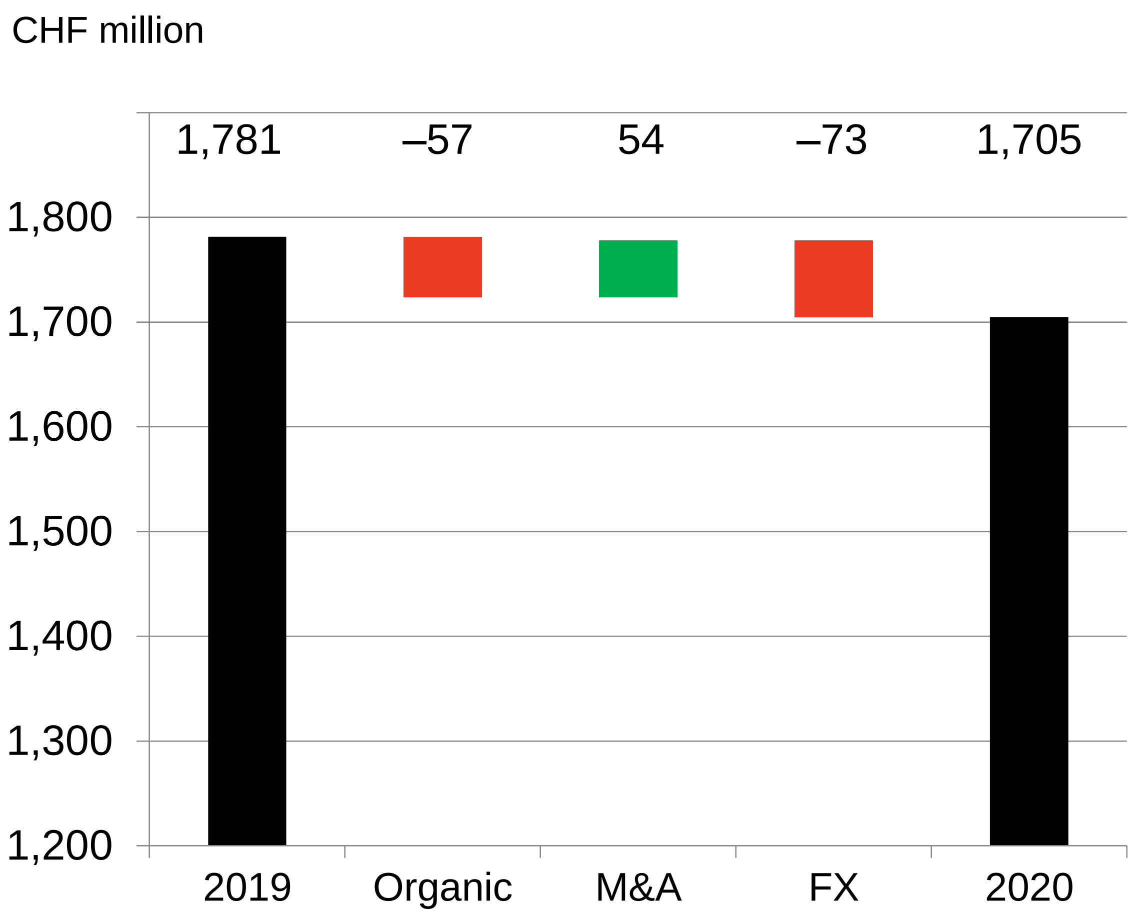
Sales bridge

Like-for-like growth including M&A –0.2%

- Reported growth of – 4.3% (PY 2.5%)
  - organic – 3.2% (PY –0.6%)
  - scope 3.0% (PY 4.4%)
  - FX impact – 4.1% (PY –1.3%)

- Sales growth to PY
  - 1H 20 organic –10.4% + M&A 3.4% → –7.0%
  - 2H 20 organic 3.7% + M&A 2.7% → 6.4%

- Like-for-like growth by segment
  - EC – 4.0% (PY 0.2%)
  - FS – 2.4% (PY –2.1%)
  - D&L – 2.2% (PY –0.8%)

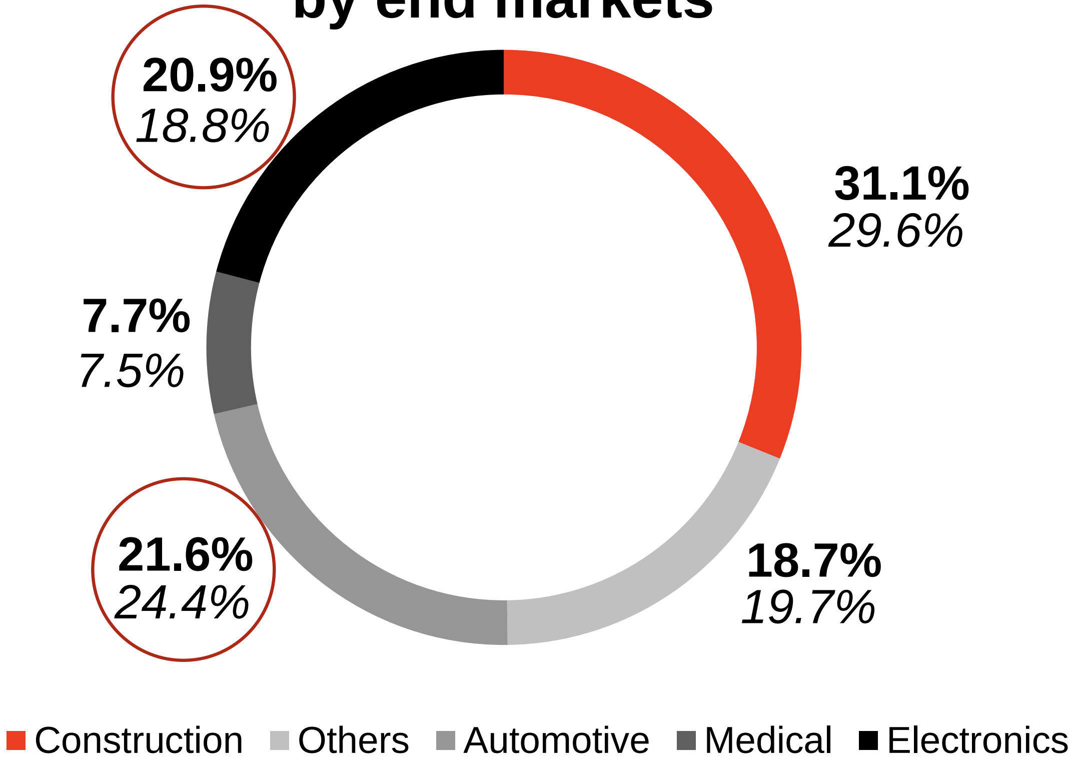


Sales breakdown

Strong Electronics / Asia | Weak Automotive / Europe

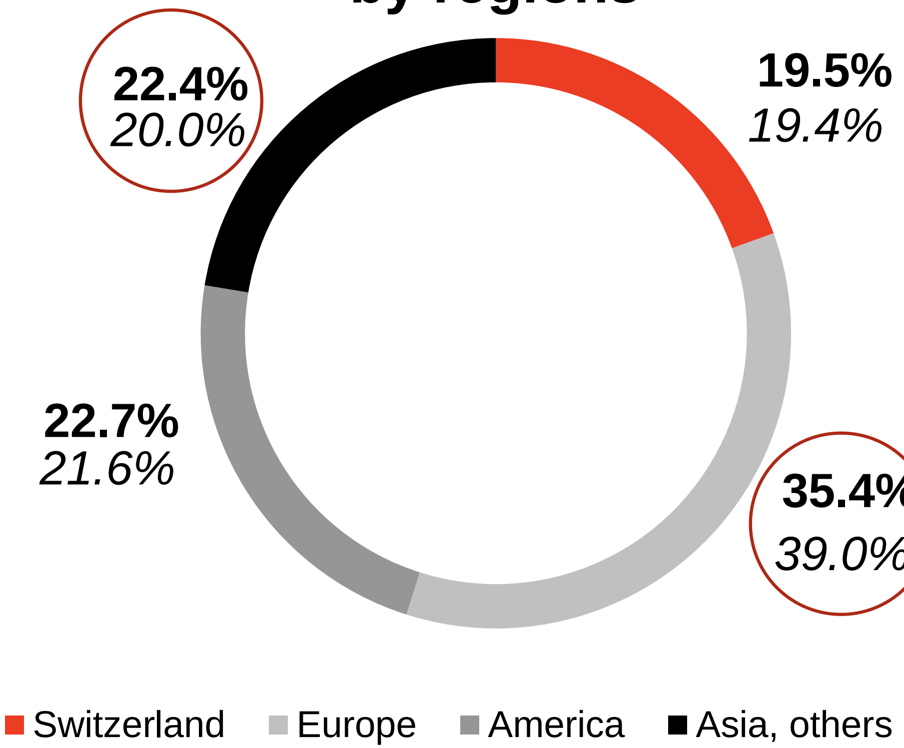
2020 data
2019 data

by end markets



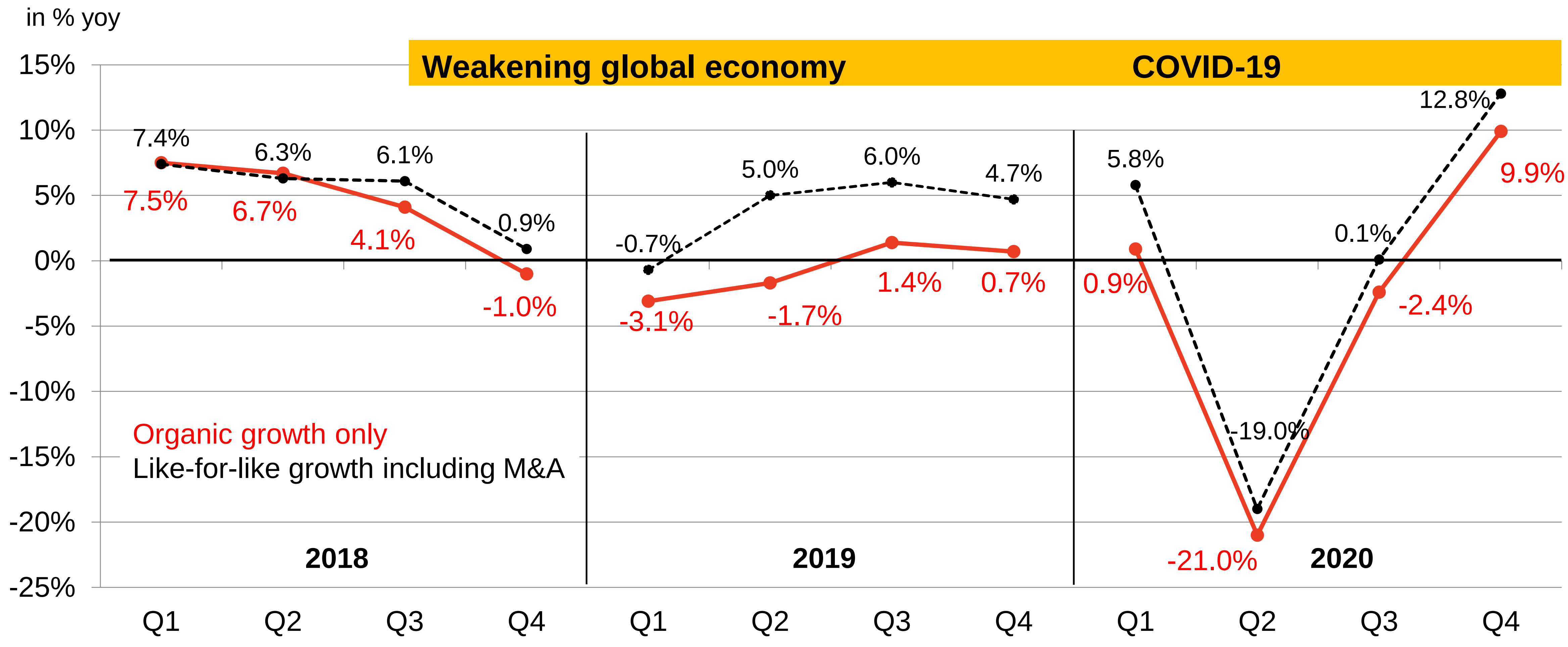
2020 data
2019 data

by regions



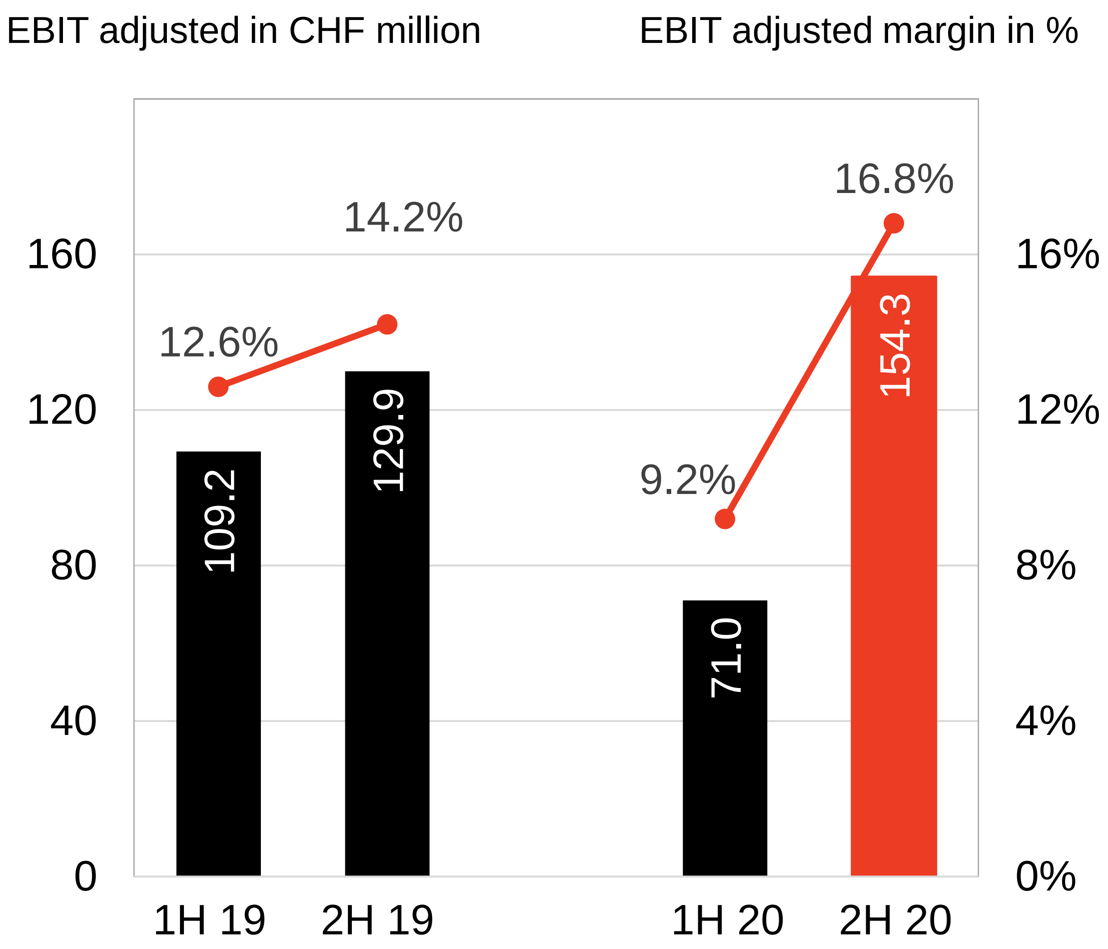
Sales growth quarter by quarter

Steep decline back in 2Q 20 | V-curve recovery 2H 20



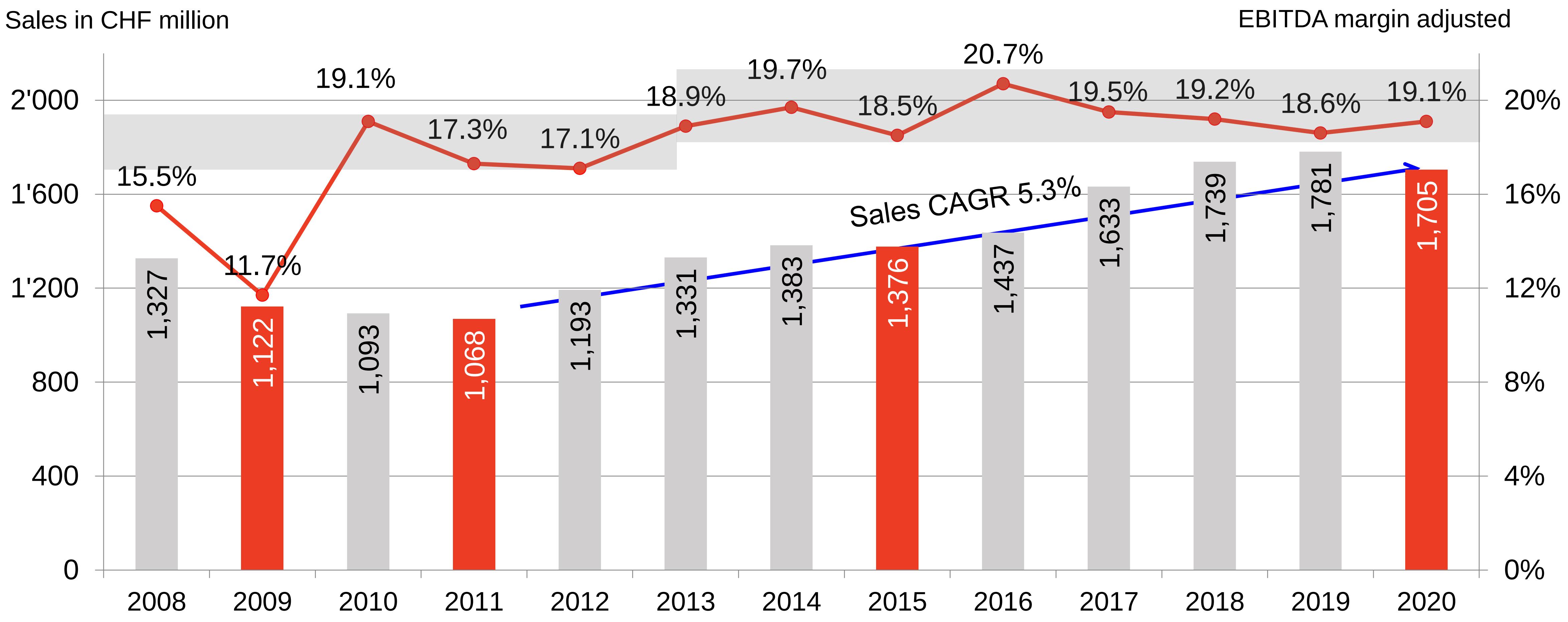
Operating profitability
EBIT in 2H 20 driven by strong sales

- EBIT exceeded expectations in 2H 20
  - record EBIT margin at 16.8%
  - w/o personnel cost measures at 14.9%
  - driven by strong growth Sept–Dec
- Worldwide govt. support and internal cost measures reduced personnel expenses
  - by CHF –23 million in 2Q 20
  - by CHF –11 million in 3Q 20
  - by CHF –5 million in 4Q 20
- Full year adjusted EBIT margin 13.2%
  - FX impact from translation of local currency EBIT into consolidation currency CHF 9m
  - w/o personnel cost measures EBIT 10.9%



Operating profitability

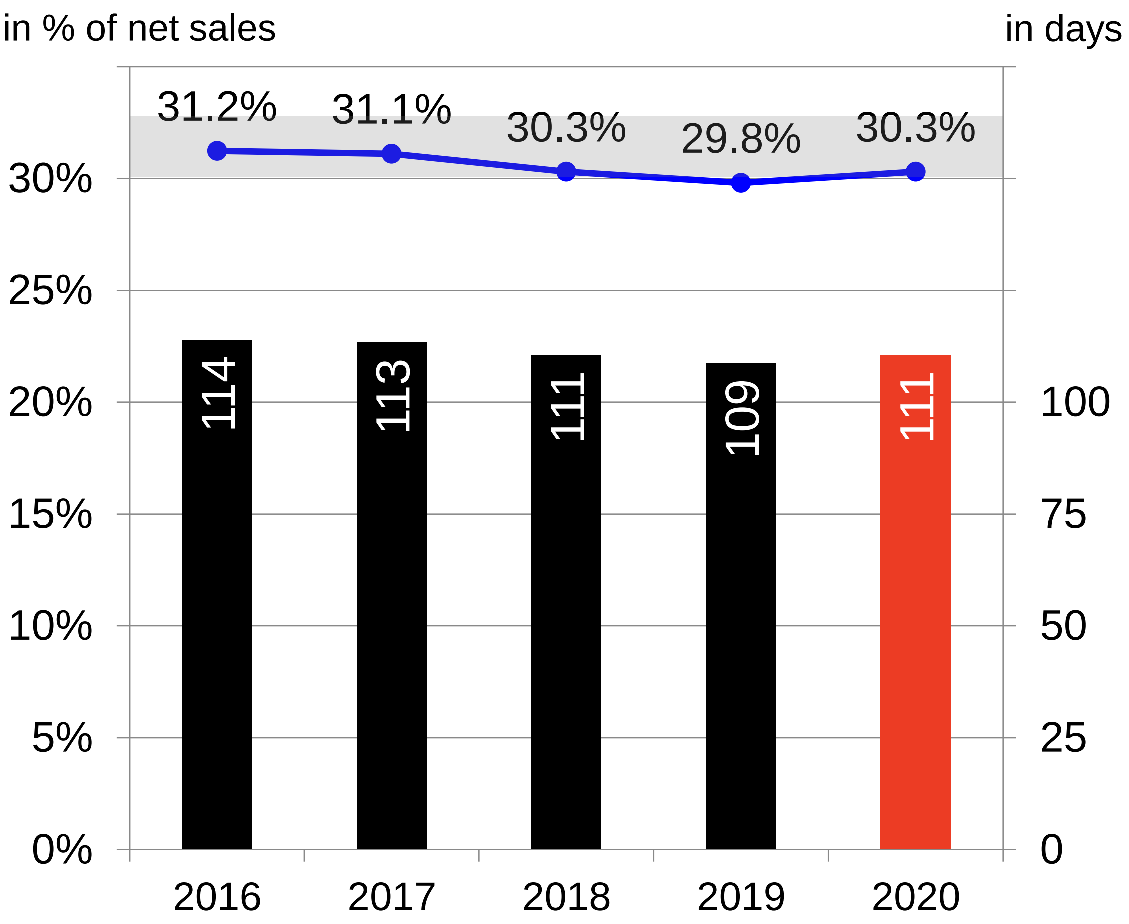
Strong and robust track record throughout the cycle



Net working capital
Stable development in past five years

- NWC stable at around 30% net sales
  - equals 111 working days
  - measured at year end

- Ø Days Sales Outstanding (DSO)
  - 65.6 SFS Group (PY 65.0)
  - 87.4 EC (PY 81.8)
  - 44.4 FS (PY 45.6)
  - 40.4 D&L (PY 43.0)

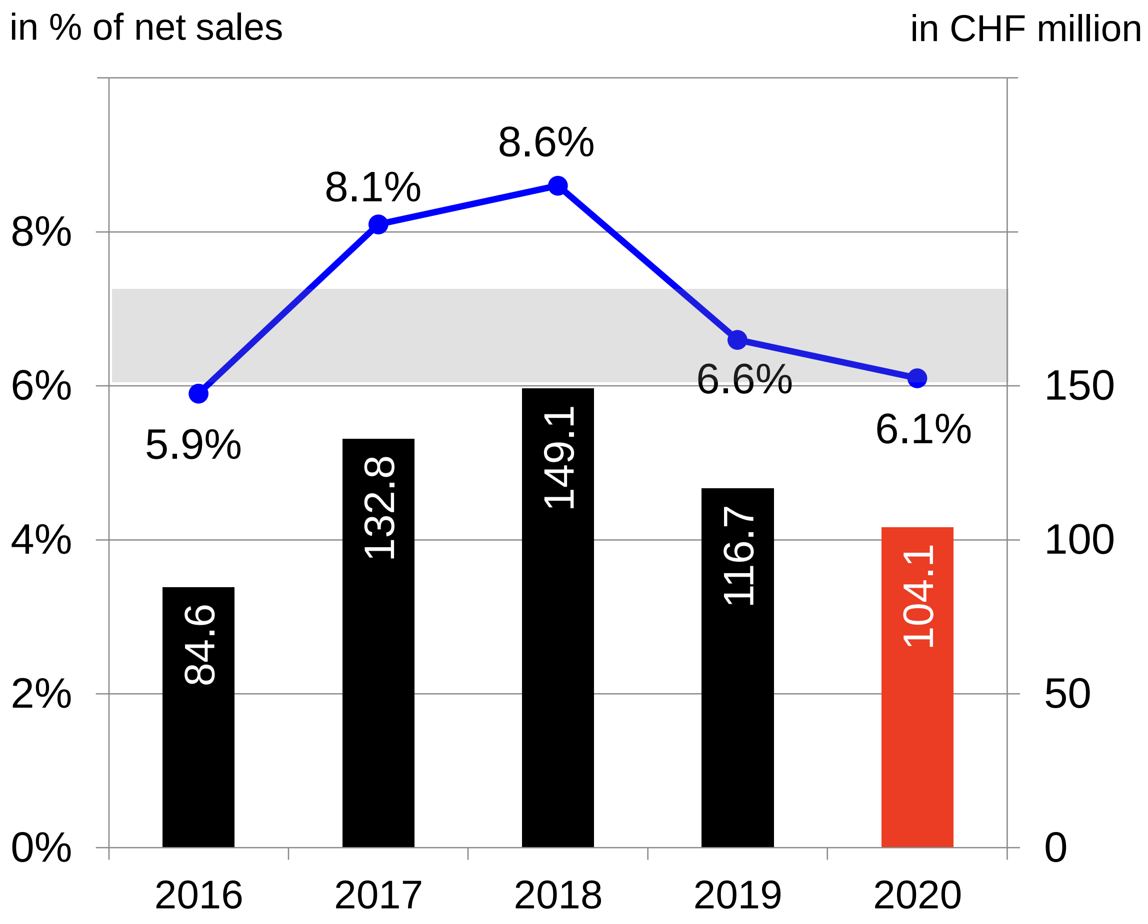


Capital expenditure
25% of CAPEX invested to expand Medical business

- CAPEX spending 6.1%
  - to increase capacity, efficiency, productivity
  - to support future growth
  - to expand Medical business in USA & CH

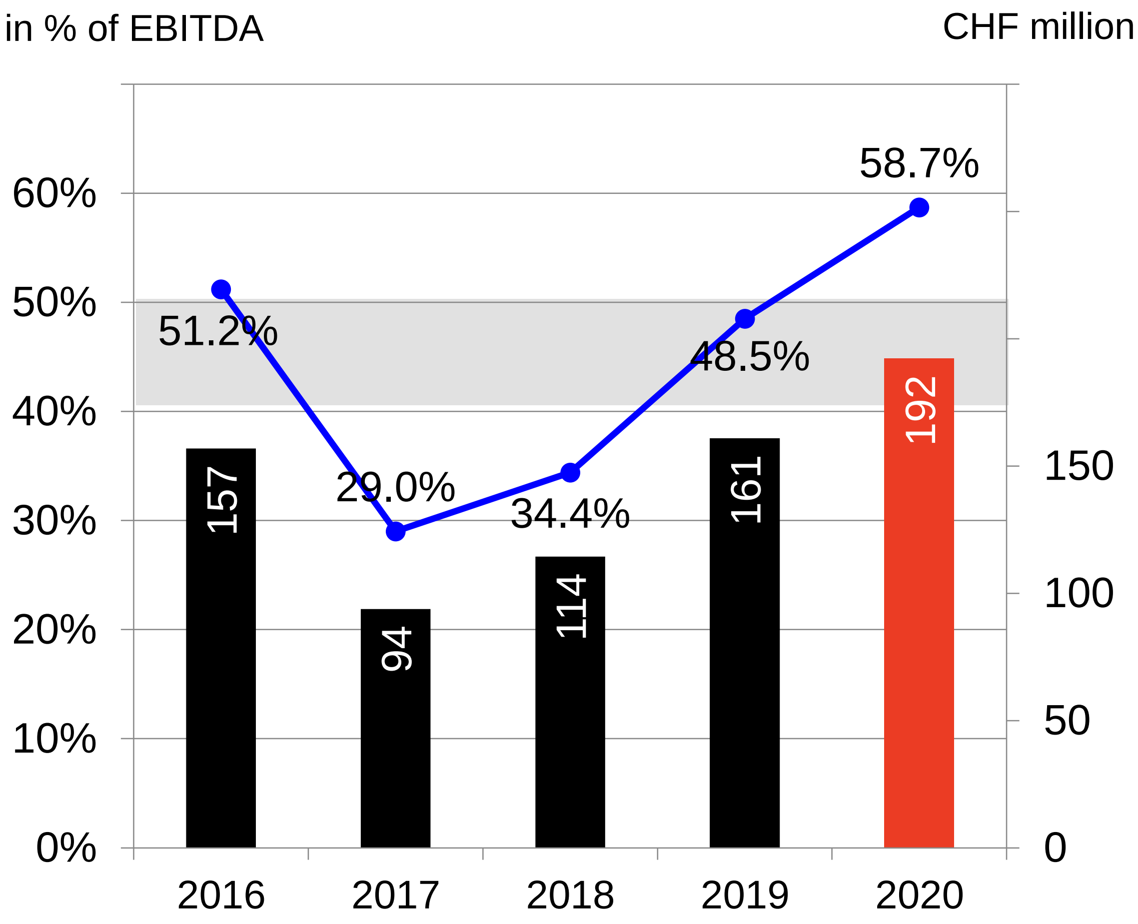
- CAPEX spending by region
  - 39% Switzerland (PY 42%)
  - 10% Europe (PY 15%)
  - 29% Americas (PY 13%)
  - 22% Asia (PY 30%)

- CAPEX by segment
  - 80% EC (PY 81%)
  - 10% FS (PY 15%)



Free cash flow
Very strong cash generation and conversion rate

- Strong cash flow from operations
  - CHF 296m (+19m to PY)
- Lower CAPEX
  - CHF 104m (–13m to PY)
- Strong operating free cash flow
  - CHF 192m (+31m to PY)
- Conversion rate at 58.7%
  - well above target range of 40 – 50%

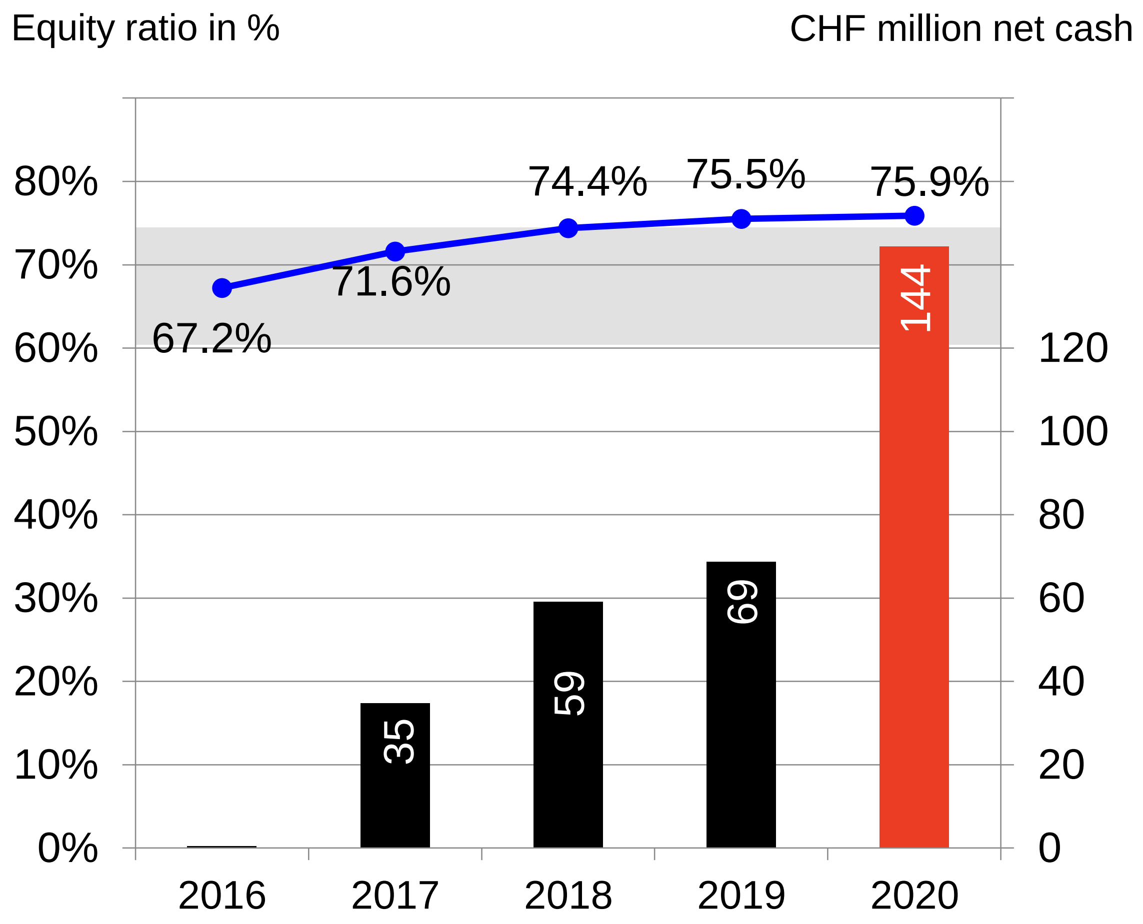


Balance sheet ratios
Solid equity and strong financial flexibility

- Equity ratio remains strong and healthy
  - ratio at 75.9%
  - target range >60%

- Net cash CHF 144m   up CHF 75m
  - higher free cash flow   CHF 31m
  - lower outflow for M&A   CHF 36m
  - lower dividend payout   CHF 8m

- Financial flexibility for growth given
  - annual free cash flow
  - unused credit facilities
  - use of leverage ratio at 1.5x EBITDA



Return on capital

EBIT is driver for improvement in return on capital

- Return on capital employed at 19.9%
  - 1H 20 EBIT 9.2% → ROCE 12.6%
  - 2H 20 EBIT 16.8% → ROCE 27.2%

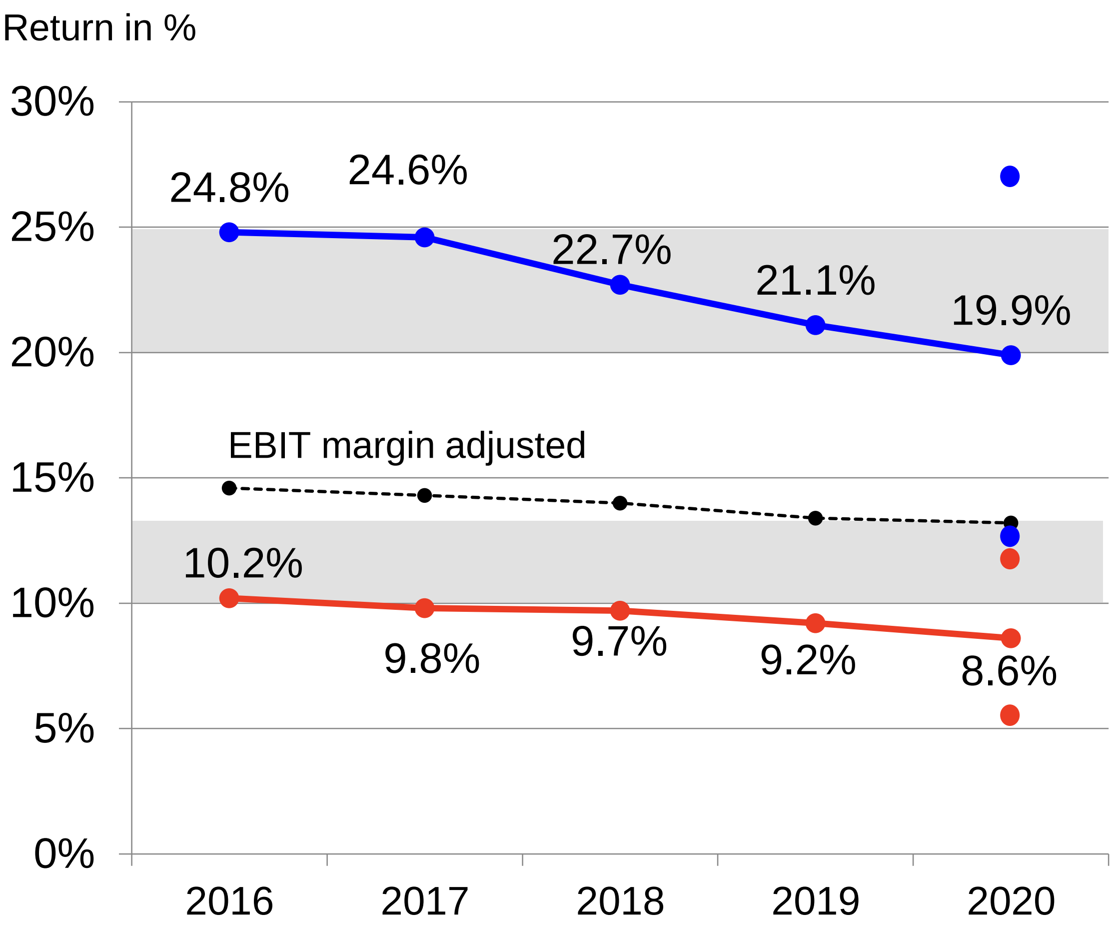
- Return on invested capital at 8.6%
  - –7.8% ROIC impact from CHF 1bn goodwill
  - –3.5% ROIC impact from taxes
  - 1H 20 EBIT 9.2% → ROIC 5.3%
  - 2H 20 EBIT 16.8% → ROIC 11.8%

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

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

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

IC = Equity before goodwill offset less net cash

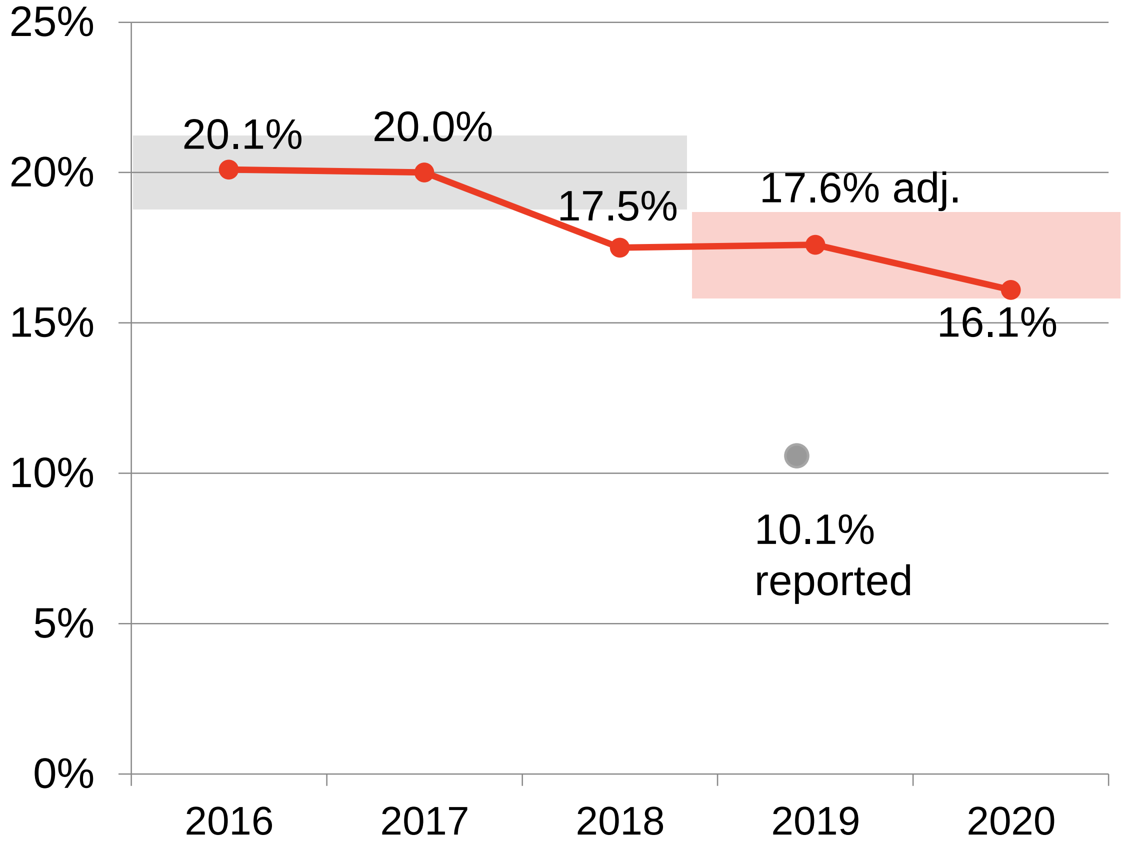


Effective tax rate
ETR expected to fluctuate around 17.5%

- ETR expected in a lower bandwidth
  - new target range since 2019 16% to 19%
  - new tax regime in Switzerland (STAF)

- adjusted ETR in 2019 was 17.6%
  - exceptional one-off lowering effects
    –2.6% lower Swiss tax rates (STAF)
    –4.9% capitalized temporary differences
    ______in amortizable US goodwill
    10.1% reported effective tax rate 2019

Effective tax rate in %

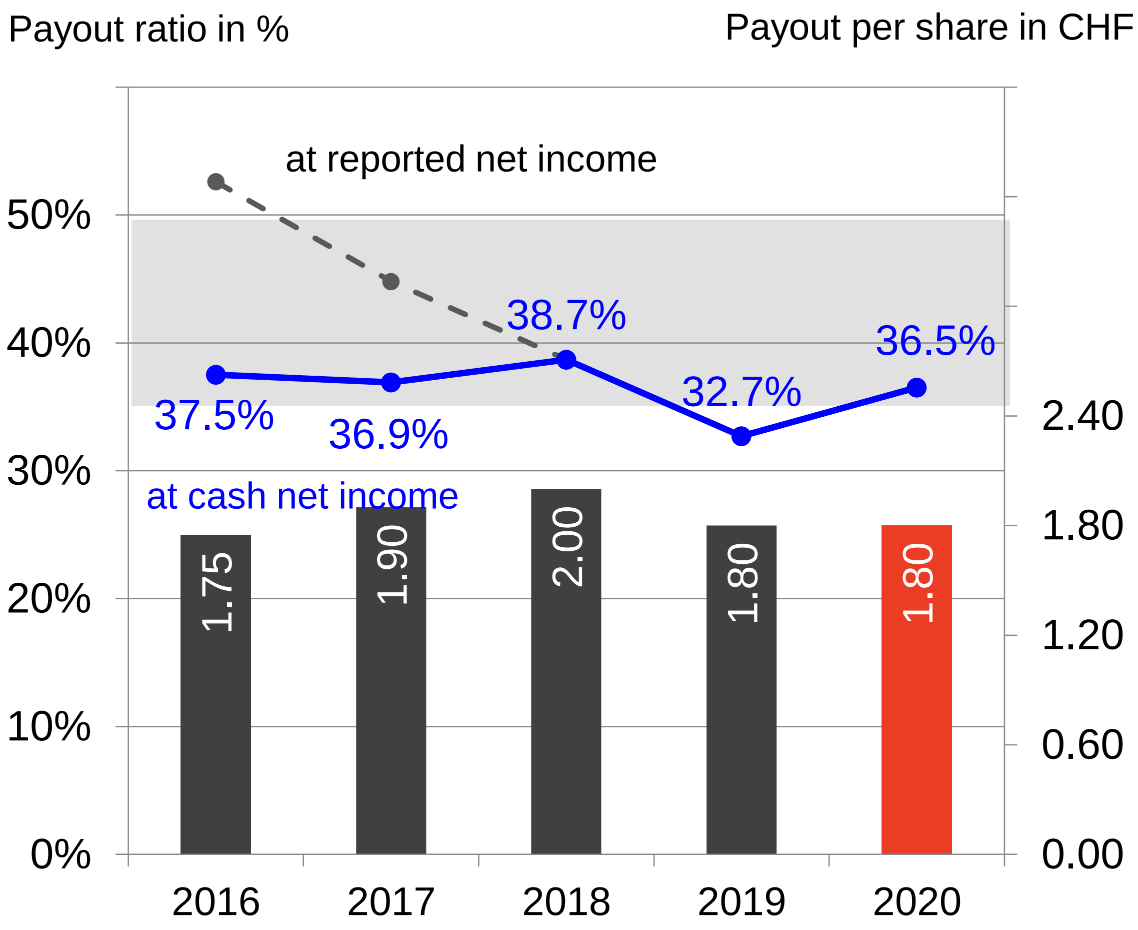


Payout ratio
Stable dividend payout at low end of target range

- BoD reduced its dividend proposal 2019 from CHF 2.10 to CHF 1.80
  - as an act of solidarity in the pandemic
  - to protect operating cash of the company
  - as a sign to employees and other stakeholders

- BoD will propose a payout per share CHF 1.80
  - out of retained earnings
  - no increase to previous year
  - total cash out CHF 67.5m

- Dividend yield ~1.6% (at share price CHF 115)



KPI summary
Robust profitability and strong funding maintained

In CHF million		2020	%	2019	%	yoy
Sales		1,704.9		1,781.4		-4.3%
EBITDA	margin	327.6	19.2%	331.7	18.6%	-1.2%
EBIT	margin	227.4	13.3%	236.3	13.3%	-3.8%
Net income	margin	184.8	10.8%	206.5	11.6%	-10.5%
Equity	ratio	1,278.2	75.9%	1,237.2	75.5%	3.3%
Net cash		144.3		68.7		110.0%
Capex	% net sales	104.1	6.1%	116.7	6.6%	-10.8%
Free cash flow	conversion rate	192.3	58.7%	160.9	48.5%	19.5%
ROCE		19.9%		21.1%		

Outlook 2021

Guidance FY2021
Organic growth and profitability on prior-year level

	2020A	2021G	Mid-TermG
Gross sales development (in local currencies incl. M&A)	–0.2%	**Positive**	**3–6%**
EBIT margin	13.3%	**PY level**	**13–16%**

A = Actual   G = Guidance

Assumption:
No further global waves of COVID-19 infections leading to a deterioration of the economic conditions

SFS Group priorities
Focus on specific priorities

Megatrends	Growth	Employees	Profitability	Sustain-ability
→ Strengthen innovation, especially in the megatrends of demography, digitization & autonomous driving	→ Investments in future growth projects in particular in Medical, Automotive & Electronics	→ Continue with preventive measures to protect employee health and safety	→ Balance production capacity with demand while ensuring supply capabilities & keep costs under control	→ Integrate sustainable acting and thinking holistically in business model and corporate strategy

Handover of CFO position

40 years of successful service and strong loyalty to SFS

Rolf Frei

Rolf Frei joined SFS in 1981, long-standing CFO and Head of Corporate Services

Volker Dostmann

20 years of experience in the industrial sector in finance and IT of international organizations

Q&A

Q&A
Any questions?

Jens Breu
Chief Executive Officer

Rolf Frei
Chief Financial Officer

Coming up
Our IR agenda for FY2021

- Annual General Meeting:
  22 April 2021 (no physical presence)

- Publication Sustainability Report 2020
  https://sustainability.sfs.biz/en
  End of May

- Detailed information on 1H 2021:
  20 July 2021

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Thank you for your attention

Inventing success together

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