

# Welcome to the presentation of the FY2015 results



## International development, manufacturing and distribution specialist

Focused in technology – diversified in end markets

# Today's speakers



**Heinrich Spoerry**  
Chairman of the Board of Directors



**Jens Breu**  
Chief Executive Officer



**Rolf Frei**  
Chief Financial Officer

# Agenda

- 1 Introduction and overview Heinrich Spoerry
- 2 Comments on development of key financials Rolf Frei
- 3 Development by segment Jens Breu
- 4 Review 2015 / guidance 2016 Jens Breu
- 5 Q&A

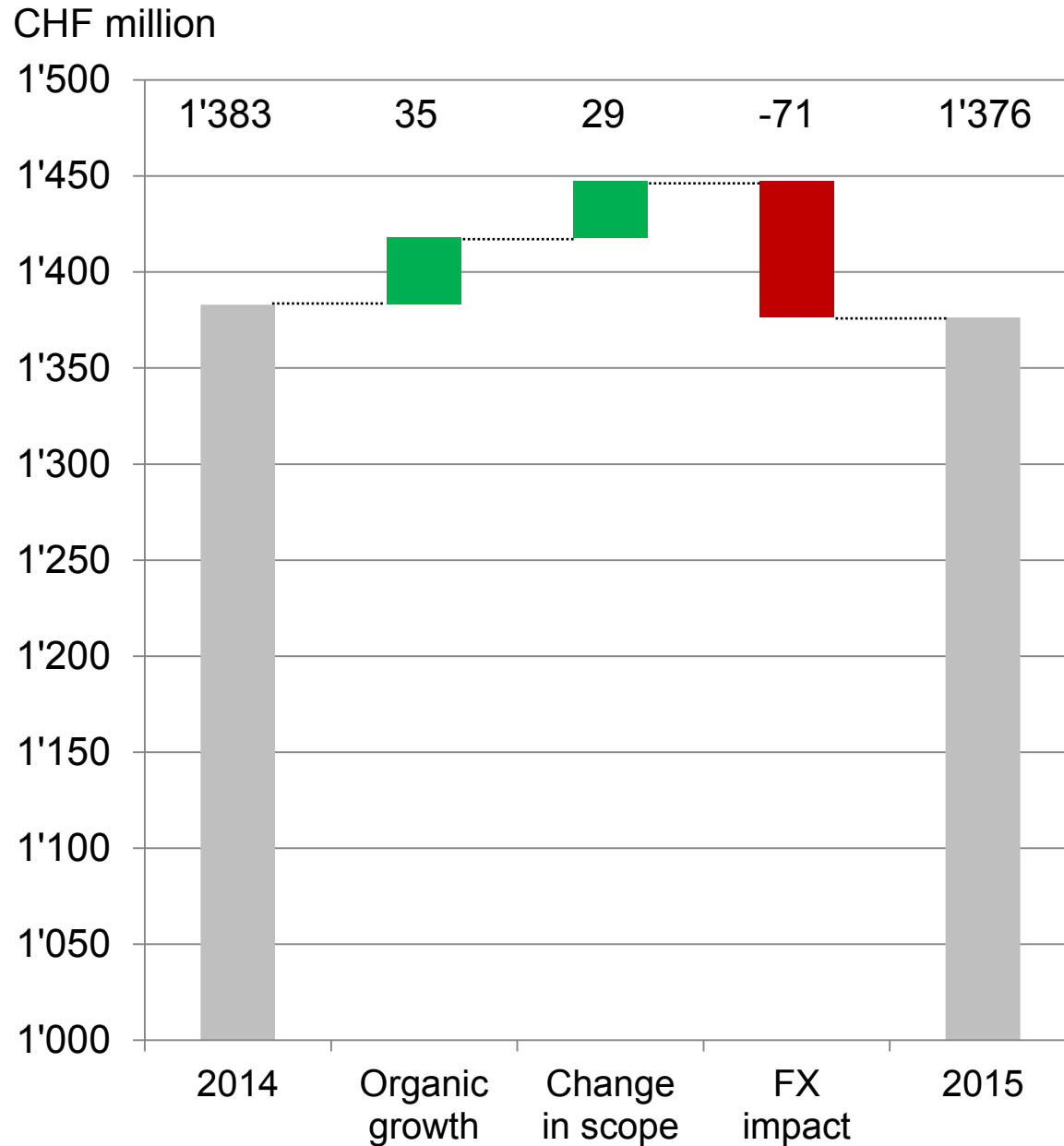
# Key takeaways FY2015

- ➔ Solid sales growth in local currency of 4.6%; reported sales in line with the prior year at CHF 1,376m
- ➔ Growth fueled by projects in relation with autonomous driving and progress in fastening systems
- ➔ Unfavorable currency effects diminished profitability by CHF 47,5m
- ➔ Significant recovery of profitability in 2<sup>nd</sup> semester lifted the adjusted EBITA margin to 12.5% (2014: 14.1%)
- ➔ Investments in growth projects remained at high level to create solid platform for realization of innovation projects

# Since 2007 the € lost 35% of its value to the CHF



# Sales bridge

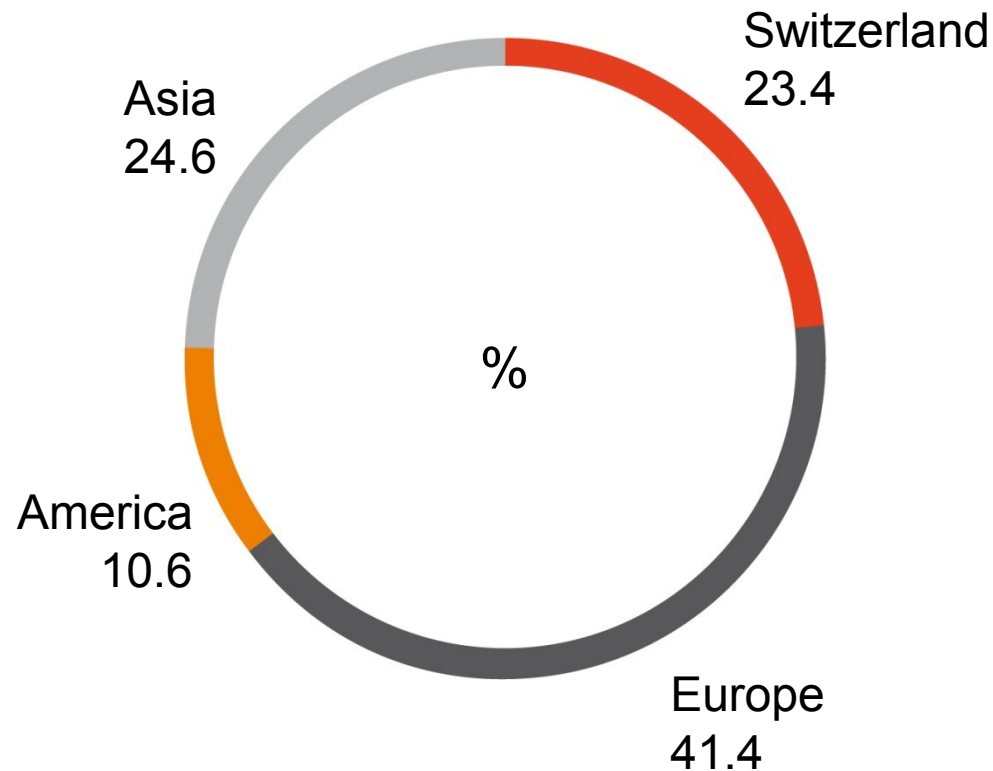


- ➔ Reported growth -0.5% yoy
  - Organic +2.5% (PY 4.8%)
  - M&A +2.1% (PY 0.0%)
  - FX impact -5.1% (PY -0.9%)
  
- ➔ Like-for-like growth by segment
  - 4.3% in EC (1HY 13.9% / PY 7.1%)
  - 4.9% in FS (1HY 2.5% / PY 3.4%)
  - -4.0% in D&L (1HY -5.5% / PY 1.6%)
  
- ➔ Ramp-up of recent project wins on track

# Sales breakdown by regions

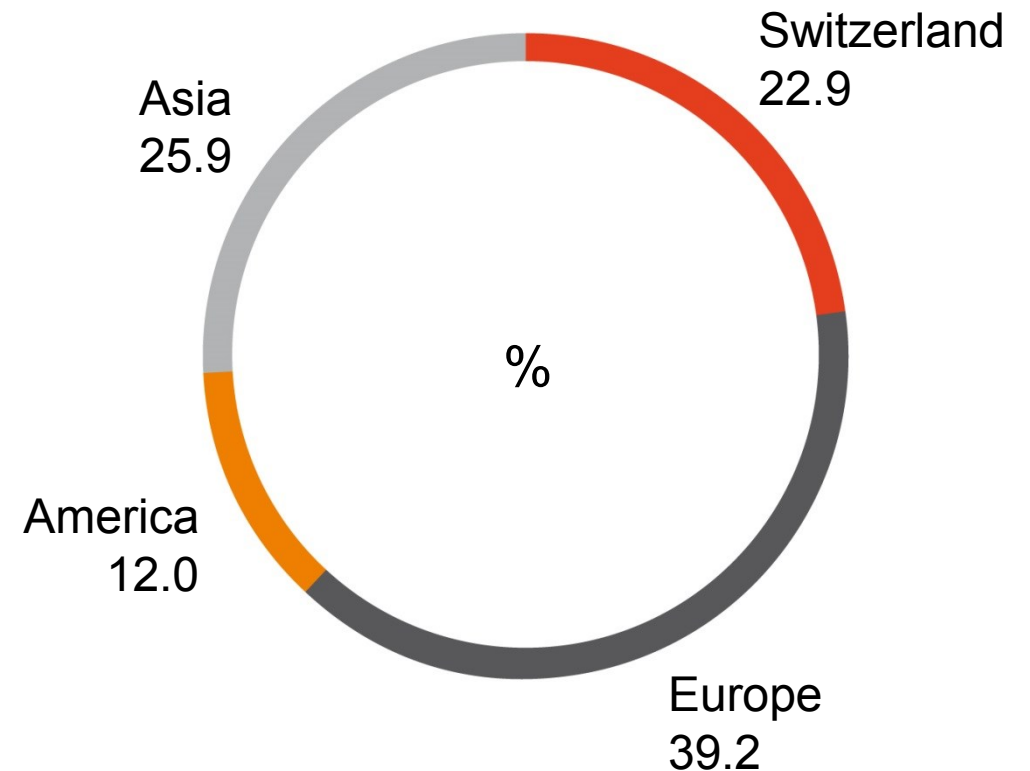
2014

Total sales: CHF 1,383m



2015

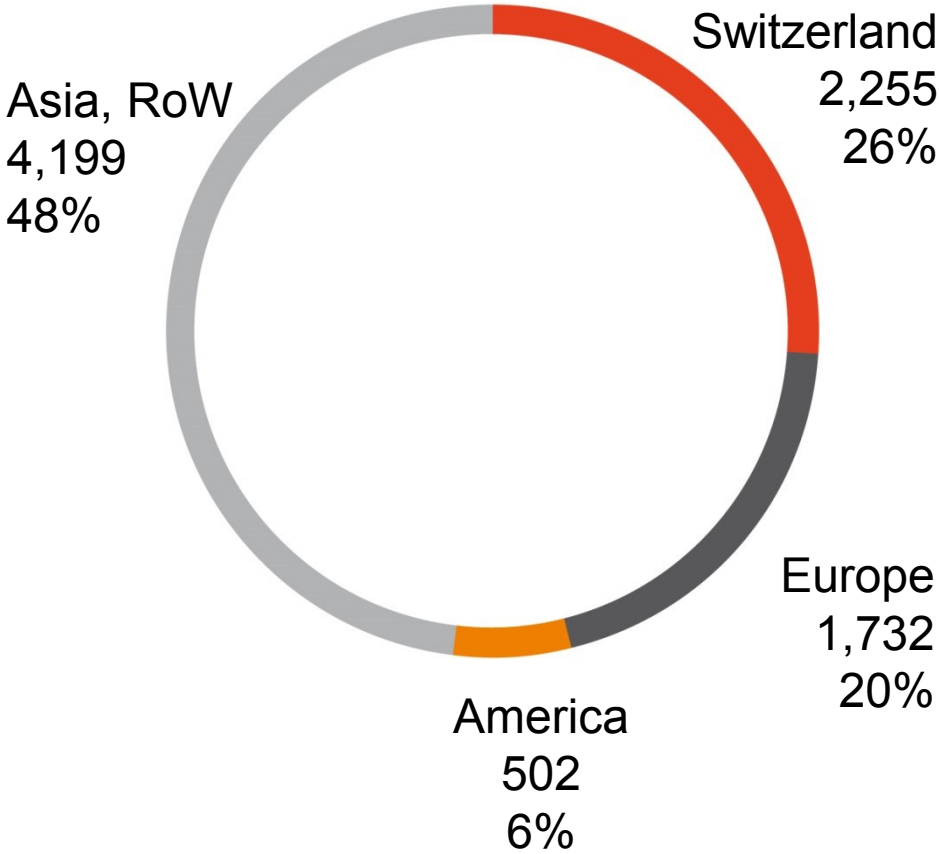
Total sales: CHF 1,376m



# Employee breakdown by regions (FTE)

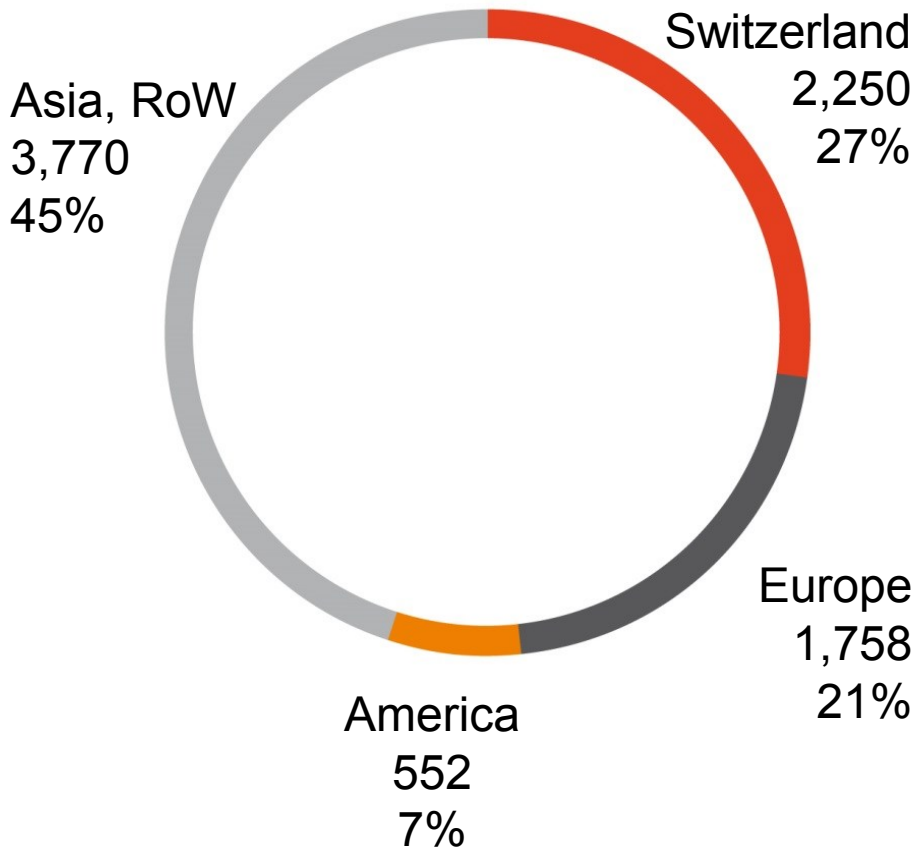
2014

Total FTE: 8,688



2015

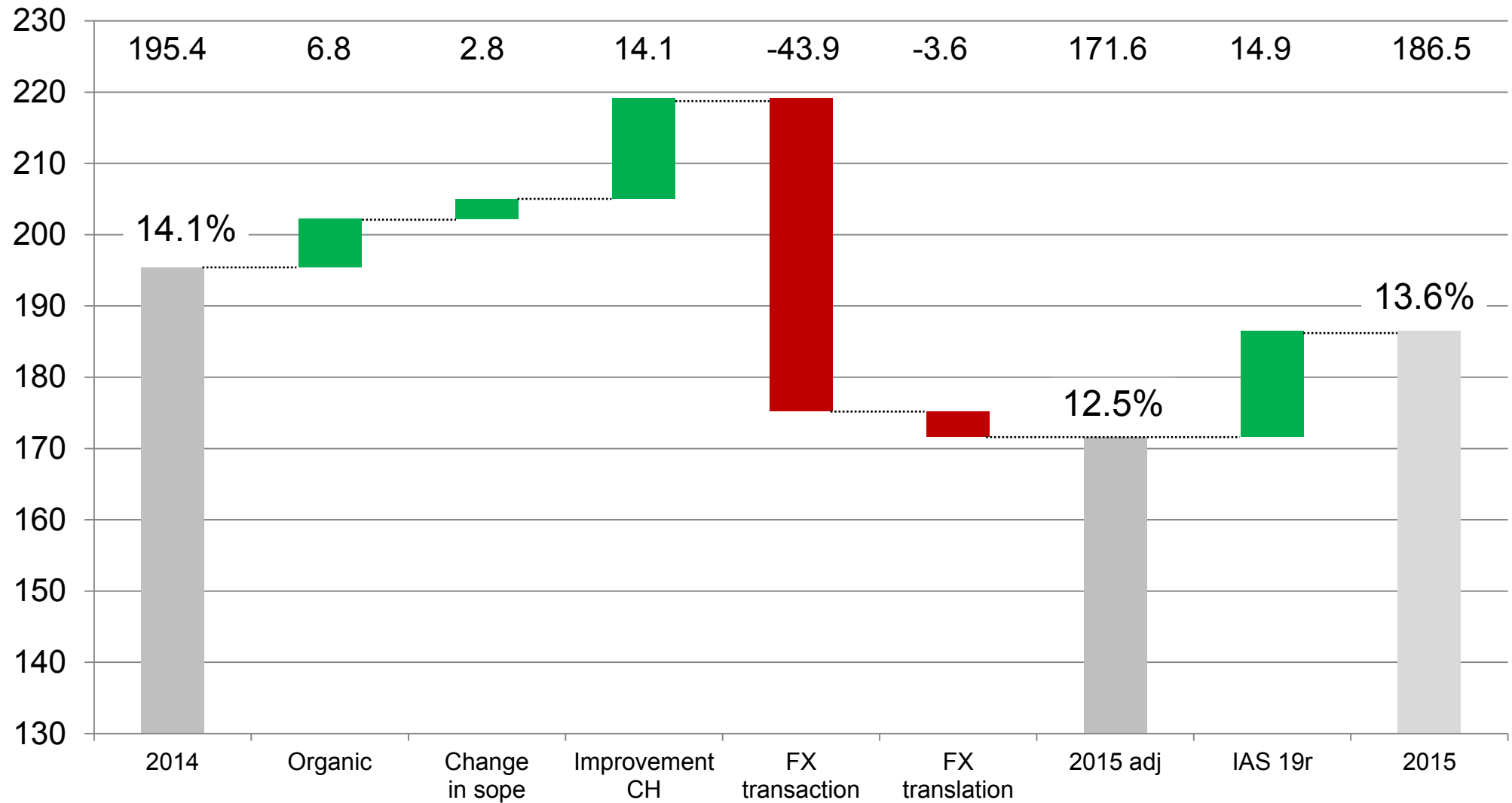
Total FTE: 8,330





# EBITA bridge

CHF million



# Agenda

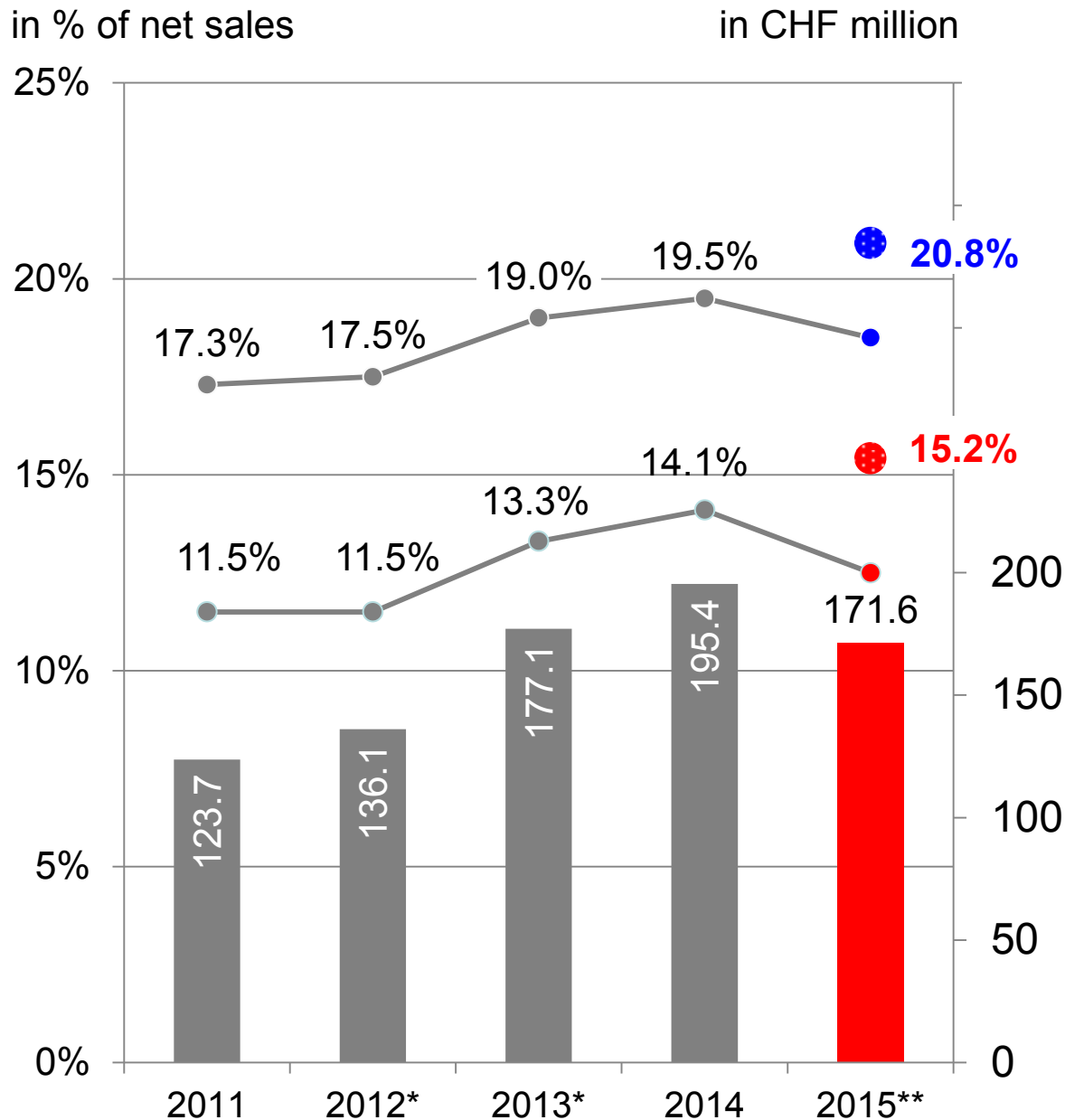
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# Financial overview

CHF million	2015	2014	yoy
Gross sales	1,376.3	1,383.0	-6.7
<b>FX impact on profitability</b>			<b>-47.5</b>
EBITDA	267.3	271.4	-4.1
as a % of net sales	19.5	19.6	
EBITA	186.5	195.4	-8.9
as a % of net sales	13.6	14.1	
EBITA adjusted	171.6	195.4	-23.8
as a % of net sales	12.5	14.1	
Net income	105.0	110.2	-5.2
as a % of net sales	7.7	8.0	
Cash net income <sup>1)</sup>	151.1	154.6	-3.5
as a % of net sales	11.0	11.2	

1) net income before amortization on intangible assets net of deferred taxes

# Operating profitability

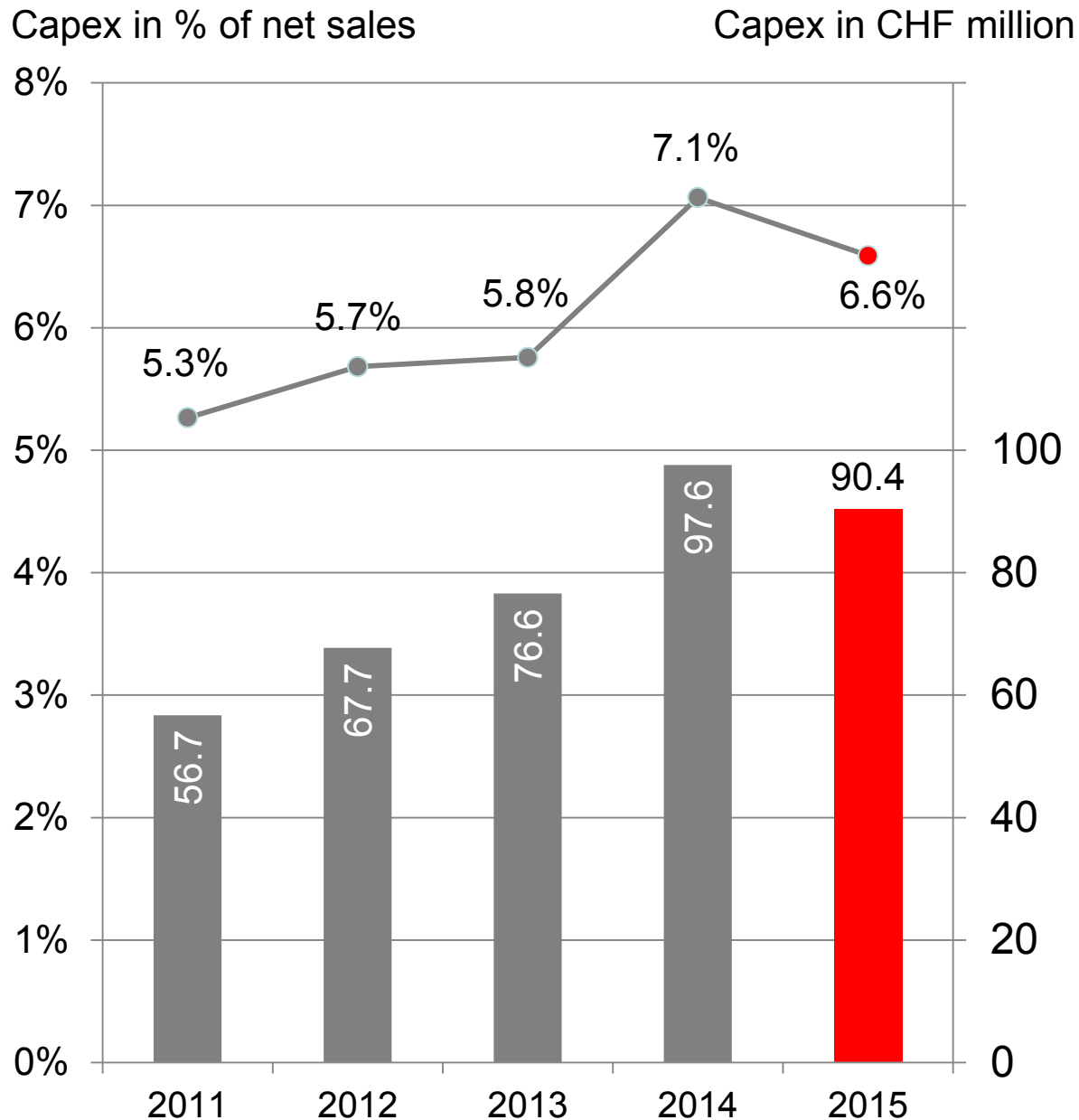


- ➔ Profitability adjusted for one time book gains
- ➔ EBITDA and EBITA suffer from unfavorable FX impact with CHF 47.5m
- ➔ Operating cash flow down from 19.5% to 18.5%. Before unfavorable FX impact **EBITDA** margin at **20.8%**
- ➔ Adjusted operating profit (**EBITA**) down to 12.5%
  - 2<sup>nd</sup> HY with strong margin of 14.3% (1<sup>st</sup> HY 10.8%)
  - before unfavorable FX impact fully year at **15.2%**

\* EBITDA/EBITA adjusted for one time book gains (2012: CHF 4.6m, 2013: CHF 18.3m)

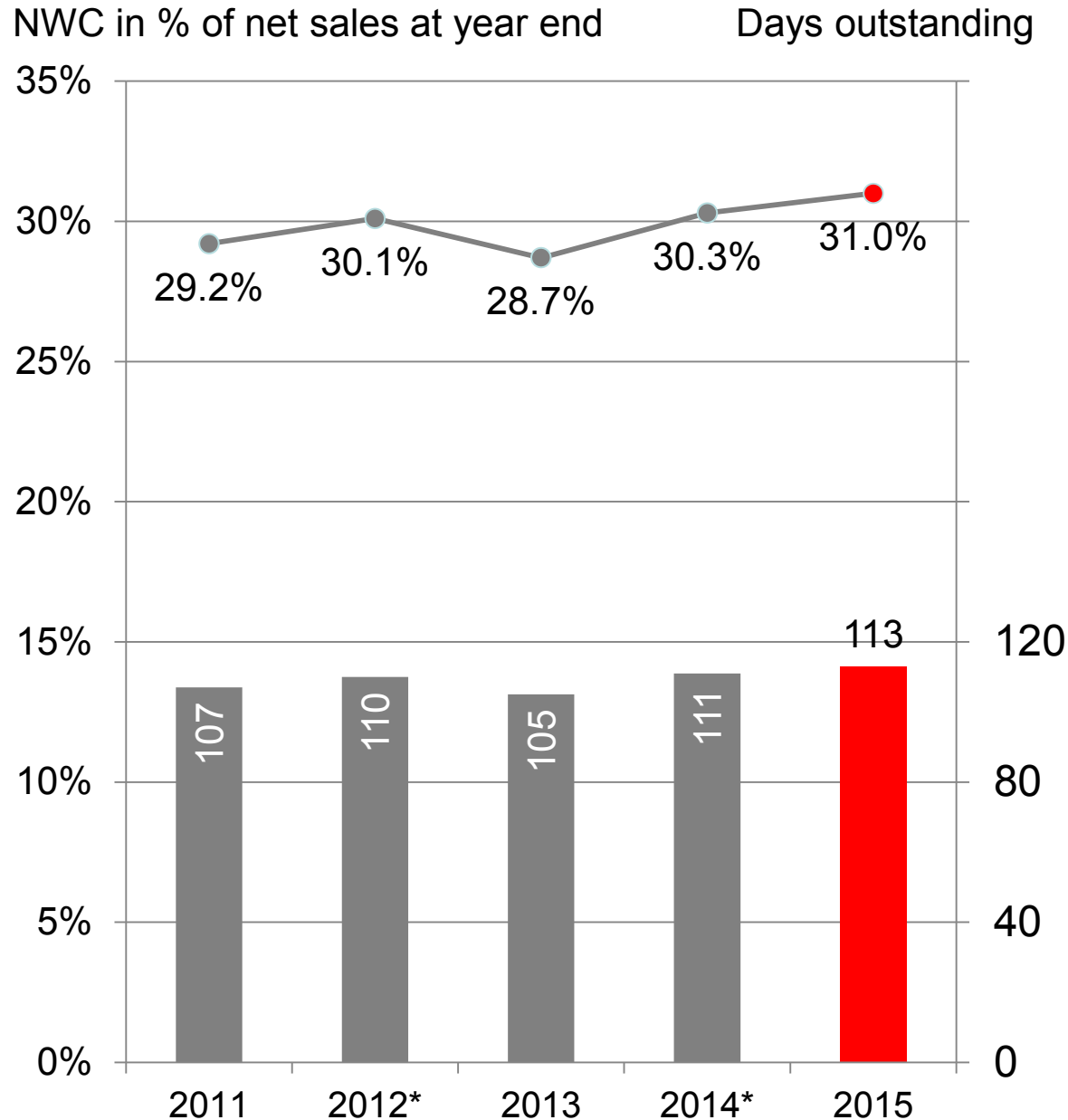
\*\* EBITDA/EBITA adjusted for one time book gain on IAS19r employee benefits CHF 14.9m

# Capital expenditure



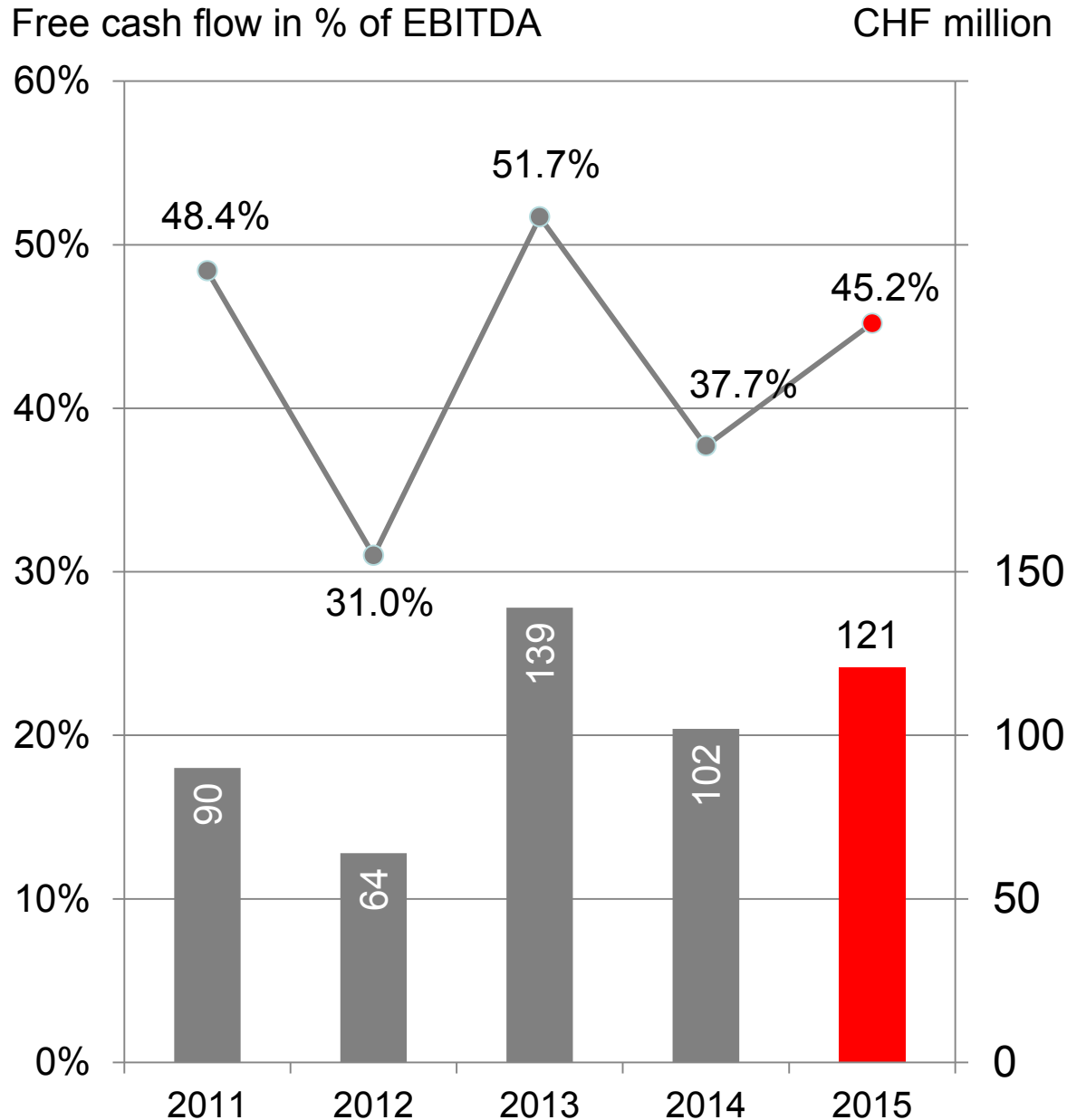
- ➔ Capex spending with 6.6%
  - Share of growth capex 70%
  - Advanced demand for localization
  - Triggered by projects wins from this and prior year
  - Enabling future growth
  
- ➔ Sales growth in Engineered Components drives capex
  - 9.3% capex on net sales for EC

# Net working capital



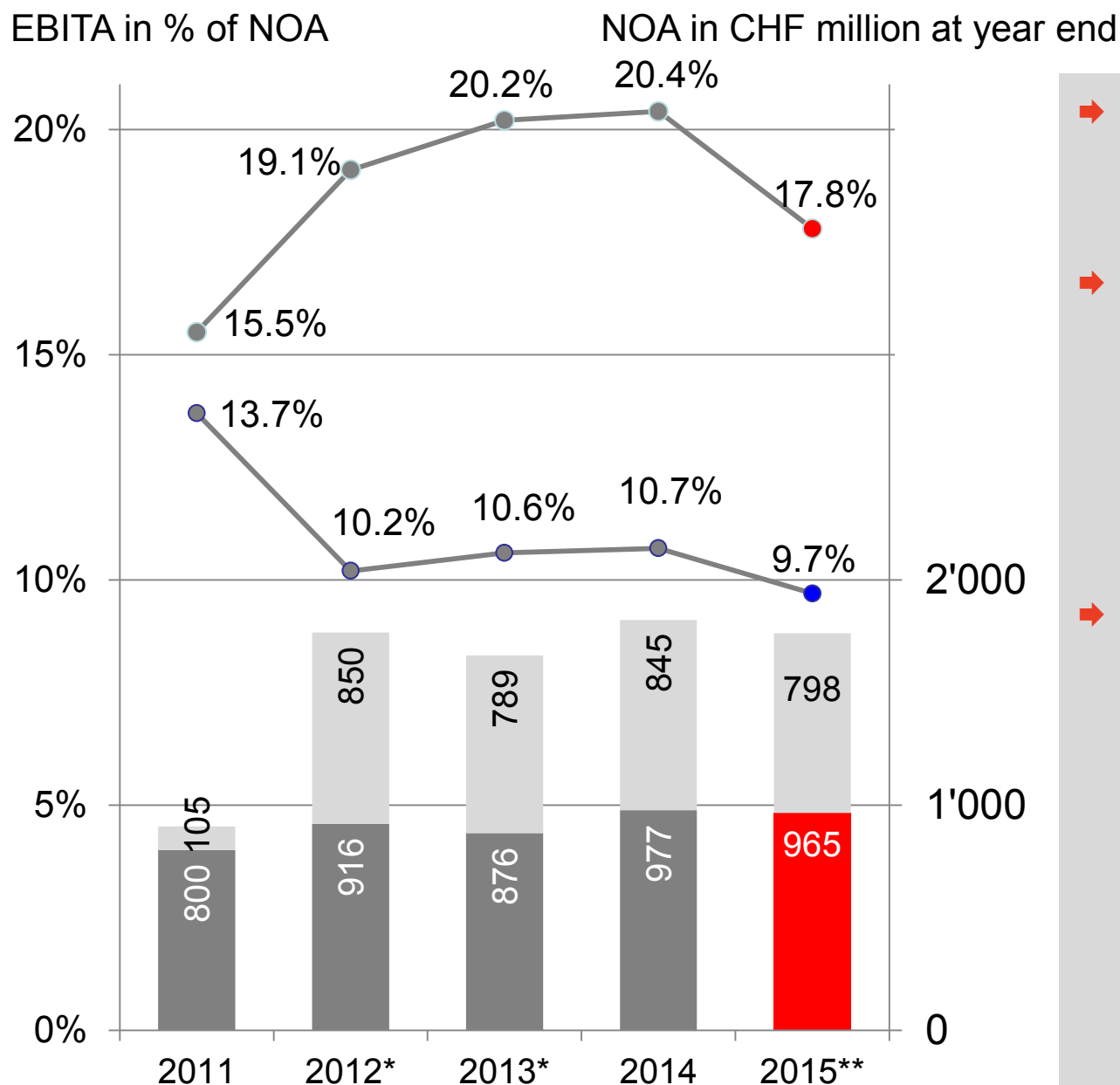
- ➔ Increase in NWC due to growing key customers with long payment terms
  - Ø DSO 69 (PY Ø 65)
  
- ➔ Average DSO
  - EC 82 days (PY 75)
  - FS 52 days (PY 51)
  - D&L 46 days (PY 46)
  
- ➔ No major shifts in average inventories (DIO) and trade payables (DPO)

# Free cash flow



- ➔ Strong free cash flow. Funds of CHF 121m after cash out for
  - Interest and taxes
  - Increase in NWC
  - Capex
  
- ➔ Free cash flow used to
  - Acquire 100% Allchemet
  - Invest 30% in HECO Group
  - Repay borrowings
  - Distribute a dividend
  - Increase cash
  
- ➔ Free cash flow conversion rate with 45.2% at midpoint of targeted range (40 to 50%)

# Return on net operating assets

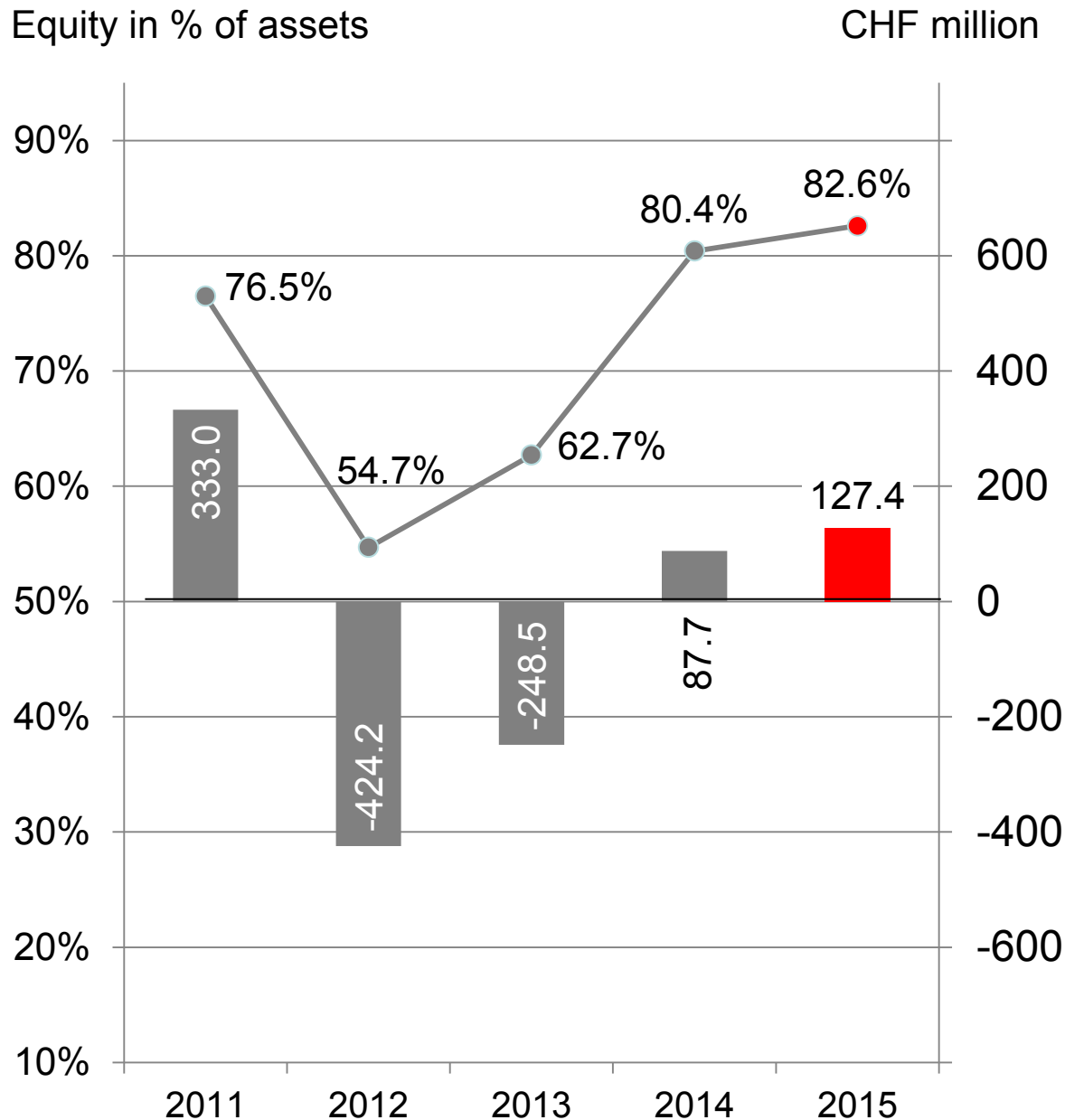


- ➔ Unfavorable FX development also impacts return on NOA
- ➔ Operational NOA stable at CHF 965m in spite of growth and high level capex
  - Adjusted EBITA yield at 17.8% (RONOA I)
- ➔ RONOA II includes intangible assets
  - Intangible assets down from 845 to CHF 798m
  - Continuous amortization with more than CHF 55m p.a.
  - Return lower at 9.7%

\* EBITA adjusted for one time effects (2012: CHF 4.6m, 2013: CHF 18.3m)  
 \* EBITA annualized for Unisteel (2012) and Indo Schöttle (2014)  
 \*\* EBITA adjusted for one time book gain on IAS19r employee benefits CHF 14.9m

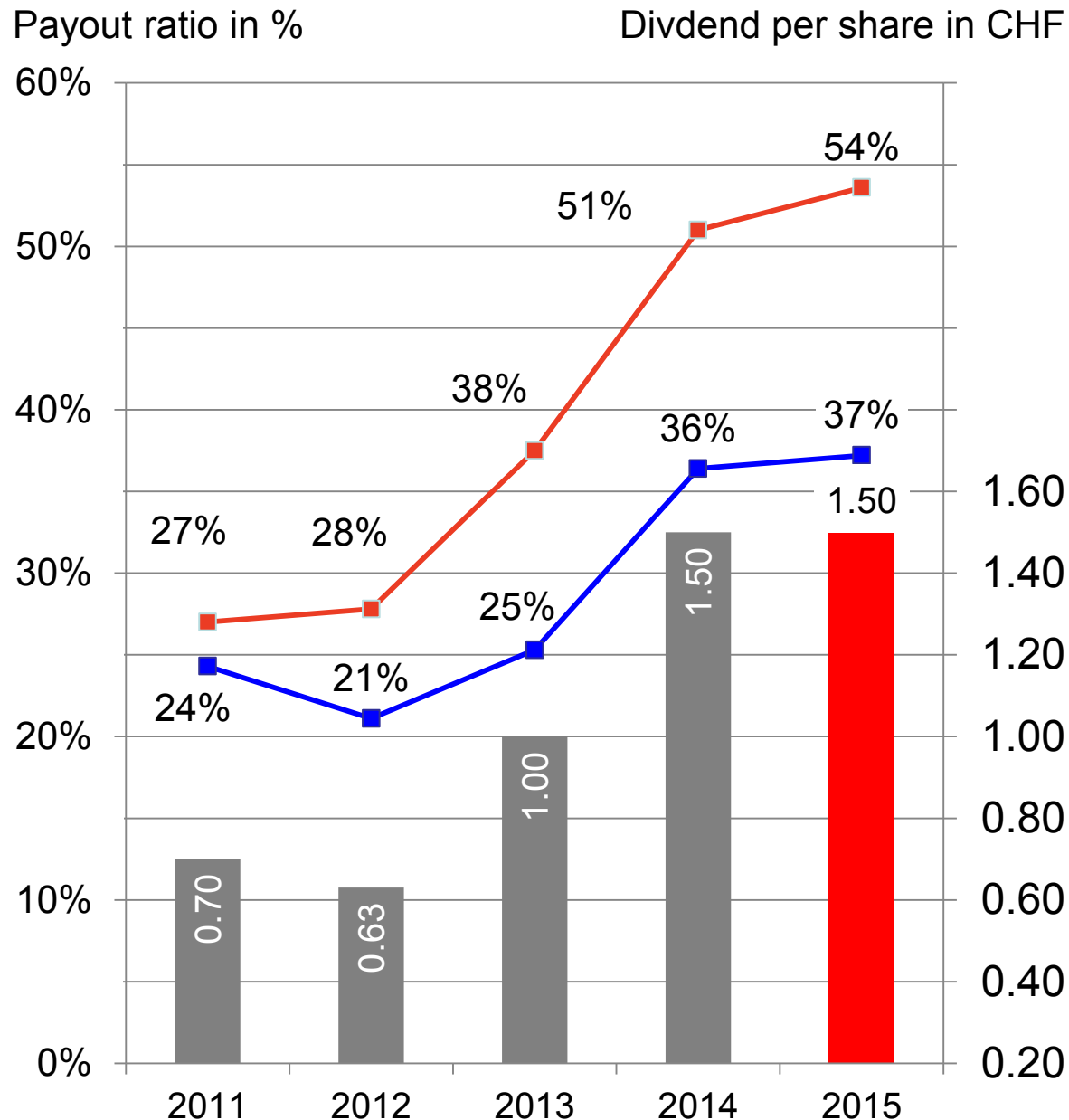


# Net cash and equity ratio



- ➔ Equity ratio remains strong at above 80%
- ➔ Net cash at CHF 127m
- ➔ In addition financial policy would allow further borrowings
  - Leverage ratio of up to 1.5 times EBITDA accepted
- ➔ Flexibility and opportunity for organic growth and M&A is available

# Payout ratio



- ➔ BoD will propose a dividend of CHF 1.50 per share (PY 1.50)
  - Same as previous year and no increase
  - To show solidarity with Swiss employees, who beared part of the burden with longer working hours and less vacation
- ➔ Dividend yield around 2.2% (at share price of CHF 68)
- ➔ Payout ratio on
  - Net income 54%
  - Cash net income 37%

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# Headlines Engineered Components (EC)

## Key figures Engineered Components

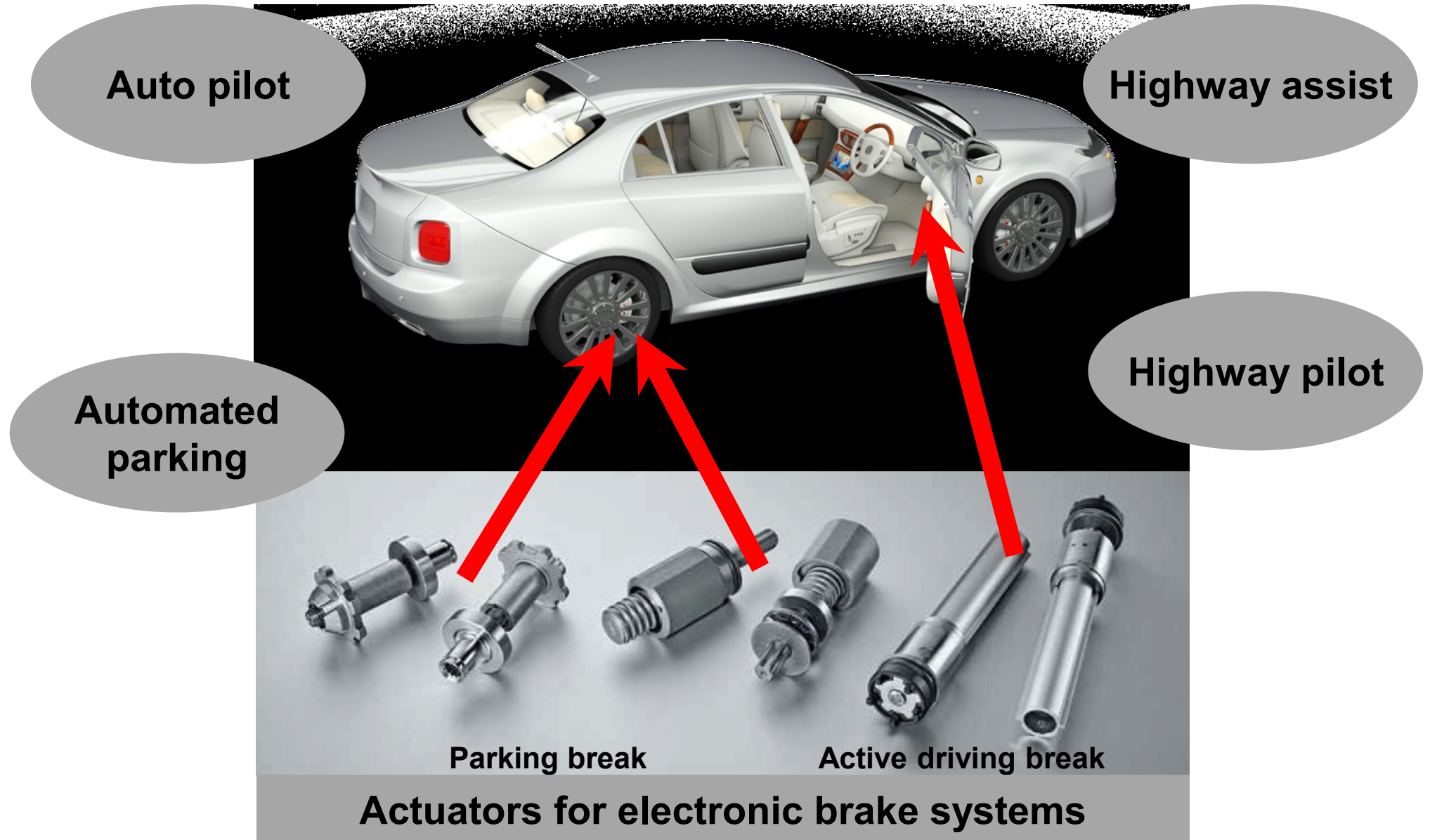
in CHF million

	2015	±	2014	2013
Third party sales	740.1	1.8%	727.2	672.9
Sales growth comparable*		4.3%		
Net sales	756.1	1.7%	743.5	686.8
EBITDA	185.3	-2.8%	190.7	175.0
As a % of net sales	24.5		25.7	25.5
EBITA	134.1	-6.2%	143.0	129.9
As a % of net sales	17.7		19.2	18.9
Net operating assets	1,290.6	-2.7%	1,326.1	1,182.0
Investments	70.3	12.3%	62.6	45.8
Employees (FTE)	5,635	-6.7%	6,038	4,488

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

- ➔ Solid organic sales growth of 4.3% yoy (comparable basis; including M&A and constant FX +6.1%)
- ➔ Driven by strong demand from automotive and aircraft
- ➔ Execution of new projects on track and contributing to the fast top line growth
- ➔ Attractive profitability achieved, but significantly lower due to appreciation of CHF
- ➔ Excluding strong currency effects, EBITA profitability higher compared to the prior year

# EC: Applications to facilitate autonomous driving



# EC: Additional project wins support growth

Project	Country	Sales at Peak	2014	2015	2016	2017	2018
P1	CH	CHF 5m		P			
P2	CN	CHF 5m	PPAP SOP		P		
P3	CH	CHF 12m	SOP		P		
P4	US	CHF 11m	PPAP SOP		P		
P5	CN	CHF 5m			PPAP SOP	P	
P6	CH	CHF 6m		PPAP SOP	P		
P7	CH	CHF 5m			PPAP SOP	P	
P8	US	CHF 15m	PPAP	SOP			P
P9	EU	CHF 23m	SOP				P
P10 (new)	US	CHF 6m			PPAP SOP	P	
P11 (new)	CH	CHF 12m			PPAP SOP	P	

## Explanations

- Project list initially presented as part of 1HY 2015 results
- PPAP: production part approval process
- SOP: start of production
- P: peak volume achieved

- ➔ CAGR 2011 – 2015 in Automotive sales of 8.6%
- ➔ Trend towards autonomous driving remains basis for innovation and growth
- ➔ New project wins create substantial additional sales of approx. CHF 18m and underpin the strong competitive position
- ➔ Growth ambition supported by healthy project pipeline

# EC: Opportunities as supplier to medical sector



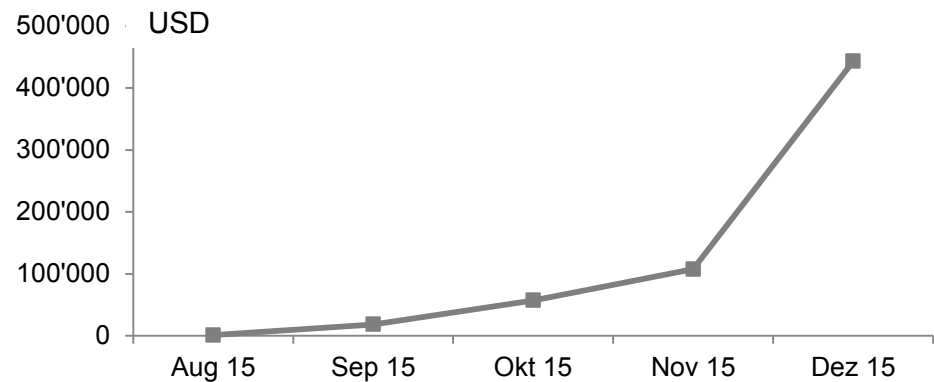
- ➔ Still small but attractive business segment in terms of growth and profitability
- ➔ Attractive partner to the growing medical components industry
  - Technological expertise
  - Know how in industrialising products and processes
- ➔ Success stories in plastic injection moulding and cold forming of various materials (e.g. titanium)
- ➔ Rational for acquisition of STAMM AG
  - Strengthening competence in micro injection moulding
  - Broadening customer base
  - Fostering position to medical components industry

# EC: Successfully broadened customer base

## Successfully delivered on first projects with leading Chinese smartphone OEMs

- ➔ Proof of SFS's competitive position in the industry
- ➔ Focus on extending scope of supply and increasing share of wallet
- ➔ Reinforced positioning as cold forming specialist and substituting machined solutions

Sales development with a leading Chinese smartphone OEM



## Leading Chinese smartphone OEMs recognize our competence





## Growth opportunities in consumer electronics



- Attractive project pipeline in the field of consumer electronics demonstrates SFS's strong competitive position
  - Augmented reality glasses
  - Adventure cameras
  - Gaming consoles
  - Smartwatches



# Headlines Fastening Systems (FS)

## Key figures Fastening Systems

in CHF million

	2015	±	2014	2013
Third party sales	326.9	-2.9%	336.7	330.0
Sales growth comparable*		4.9%		
Net sales	341.4	-3.3%	353.1	344.7
EBITDA	38.9	-10.4%	43.4	42.1
As a % of net sales	11.4		12.3	
EBITA	23.2	-13.6%	26.9	25.7
As a % of net sales	6.8		7.6	7.5
Net operating assets	289.1	-9.0%	317.6	311.0
Investments	16.3	-21.6%	20.8	23.6
Employees (FTE)	1,758	1.4%	1,733	1,608

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

- ➔ Mixed markets; solid demand in North America, Central and Northern Europe, no material recovery in Southern Europe
- ➔ Excluding currency effects, sales rose by 4.9% compared to PY
- ➔ Recently introduced product innovations were major contributor
- ➔ Strong CHF had material impact on the profitability; excluding the currency effects the EBITA margin would have been higher compared to prior year

# FS: Strengthening the competitive position



## Entered strategic partnership with HECO

- ➔ Acquired 30% stake through capital increase
- ➔ Combined product ranges and sales channels strengthen market position
- ➔ Realizing operational synergies through consolidation of product manufacturing



## Operational performance continuously improved

- ➔ Material efficiency gains realized
- ➔ First steps to new production strategy implemented



## Production site in Turkey expanded

- ➔ Significant increase of capacity and range of production capabilities
- ➔ Setting the stage for productivity gains

# FS: Creating value through product innovations



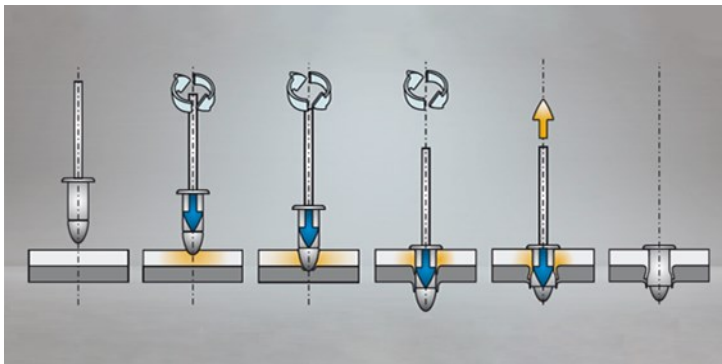
## Creating value by optimising entire fastening process

- ➔ Solutions to improve efficiency, reliability and ergonomics
- ➔ Requires perfect interplay between fasteners, installation tools, workplace and process control



## Productivity increased by a pioneering spirit

- ➔ Leader in battery-powered blind riveting tools >20y
- ➔ New AccuBird® Pro well received in the market
- ➔ 4x faster than competition, light weight, short charging time, perfect illumination, very long maintenance cycles



## Flow Drilling Riveting® - major process innovation

- ➔ GESIPA®'s leading position in technology underpinned by recent patent application
- ➔ significant increase of setting speed in automated industrial applications (no pre-drilling required)

# Headlines Distribution & Logistics (D&L)

## Key figures Distribution & Logistics

in CHF million

	2015	±	2014	2013
Third party sales	309.3	-3.1%	319.1	327.7
Sales growth comparable*		-4.0%		
Net sales	314.8	-3.4%	326.0	333.6
EBITDA	26.5	-21.4%	33.7	37.6
As a % of net sales	8.4		10.3	11.3
EBITA	18.8	-27.7%	26.0	29.2
As a % of net sales	6.0		8.0	8.8
Net operating assets	151.9	3.6%	146.6	145.7
Investments	1.6	-60.0%	4.0	2.7
Employees (FTE)	643	2.7%	626	608

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

- ➔ Strong price pressure following the SNB decision of 15 January
- ➔ Immediate price concessions resulted in one-time margin contraction
- ➔ Significant drop in demand, particularly from industrial customers (destocking effect), sales down 4.0% comparable yoy
- ➔ Market position strengthened by acquisition of Allchemet AG, new customer wins and launch of M2M
- ➔ Material FX impact on EBITA; EBITA before FX higher than prior year

# D&L: Strengthened market position



## Customer wins 2015



## Project pipeline 2016

Project 1: 1.2 Mio. CHF

Project 2: 1.0 Mio. CHF

Project 3: 1.0 Mio. CHF

## Important contracts gained thanks to M2M

- ➔ New automated inventory management systems 'M2M' presented in spring 2015
- ➔ Result of several years of R&D efforts and exemplary for Industry 4.0 applications
- ➔ Underscored technology leadership
- ➔ Value for customer by reduced process/warehousing cost and improved availability
- ➔ Important project wins with well-known Swiss industrial companies in 2015 with annual sales volume of approx. CHF 6m
- ➔ Chosen by Swiss Federal Railway (SBB) as partner for operating equipment (fasteners and tools); contract period of 10 years and total order value of CHF 4m p.a.

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# Review 2015

Review 2015	1HY15 A	2HY15E	A	FY2015E	A
<b>Gross sales reported</b>	<b>3.9%</b>	-3.4%	<b>-4.3%</b>	+/- 0%	<b>-0.5%</b>
• Organic growth	6.1%	0.0%	-0.6%	3.0%	2.5%
• Change in scope	3.3%	1.2%	1.0%	2.2%	2.1%
• Negative FX impact	-5.5%	-4.6%	-4.7%	-5.2%	-5.1%
<b>EBITA margin adjusted</b>	<b>10.6%</b>	13.6%	<b>14.3%</b>	12.1%	<b>12.5%</b>
		to 15.4%		to 13.1%	

FY = Financial Year    HY = Half Year    A = Actual    E = Estimated (Guidance 24 July 2015)



# Guidance 2016 and midterm outlook

Guidance	Actual FY2015	Expectations	
		FY 2016	Midterm
<b>Gross sales reported</b>	-0.5%	2% – 4%	5% – 7%
<ul style="list-style-type: none"> <li>• Organic growth</li> <li>• Change in scope</li> <li>• FX impact</li> </ul>	2.5% 2.1% -5.1%	1% – 3% 1% – 1% n/a	4% – 5% 1% – 2% n/a
<b>EBITA margin adjusted</b>	12.5%	13% – 14%	>15%

FY = Financial Year

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Chairman of the Board



**Jens Breu**  
Chief Executive Officer



**Rolf Frei**  
Chief Financial Officer

# More than 8'000 employees – one target



## Creating value with

- In Depth technological competence
- International presence
- Application and industry expertise
- Long-term relationships

# Disclaimer

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