



Inventing success together

Presentation FY2021 results
Heerbrugg, March 4, 2022

21

Today's speakers

Welcome to the presentation of our FY 2021 results



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Chief Executive Officer



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Positioning of SFS

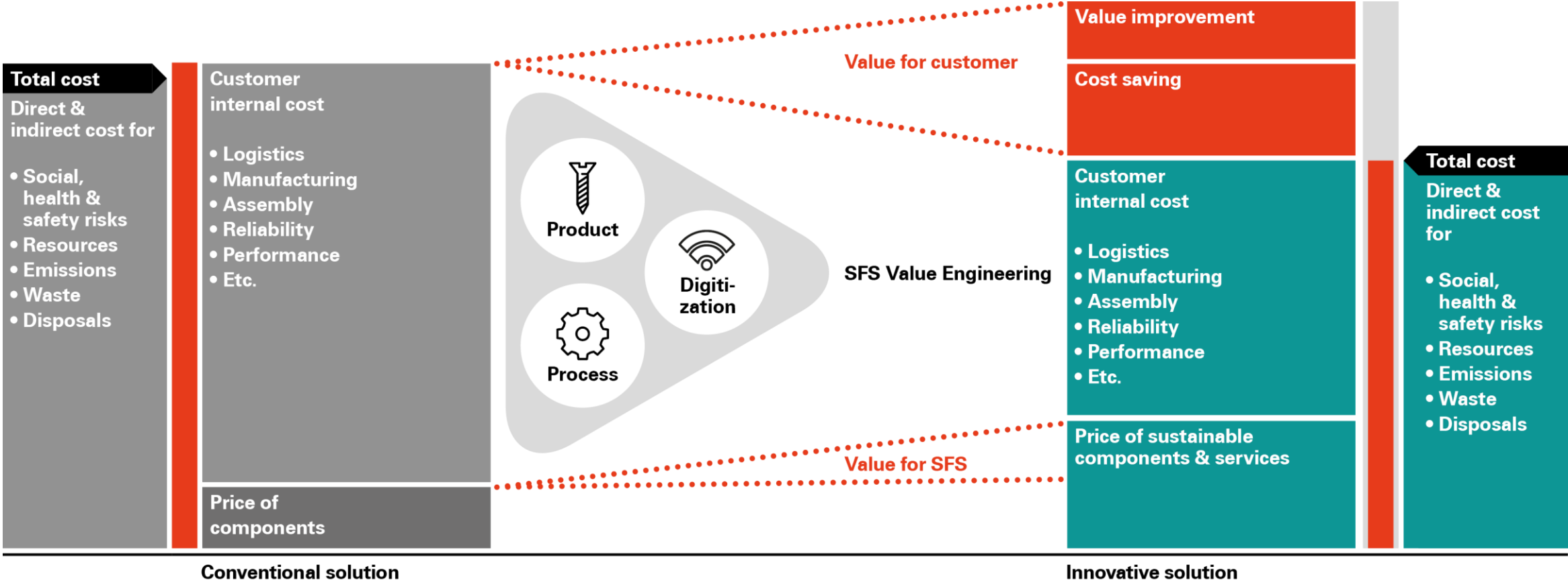
Mission-critical products for selected niche applications

We are by your side – 24/7



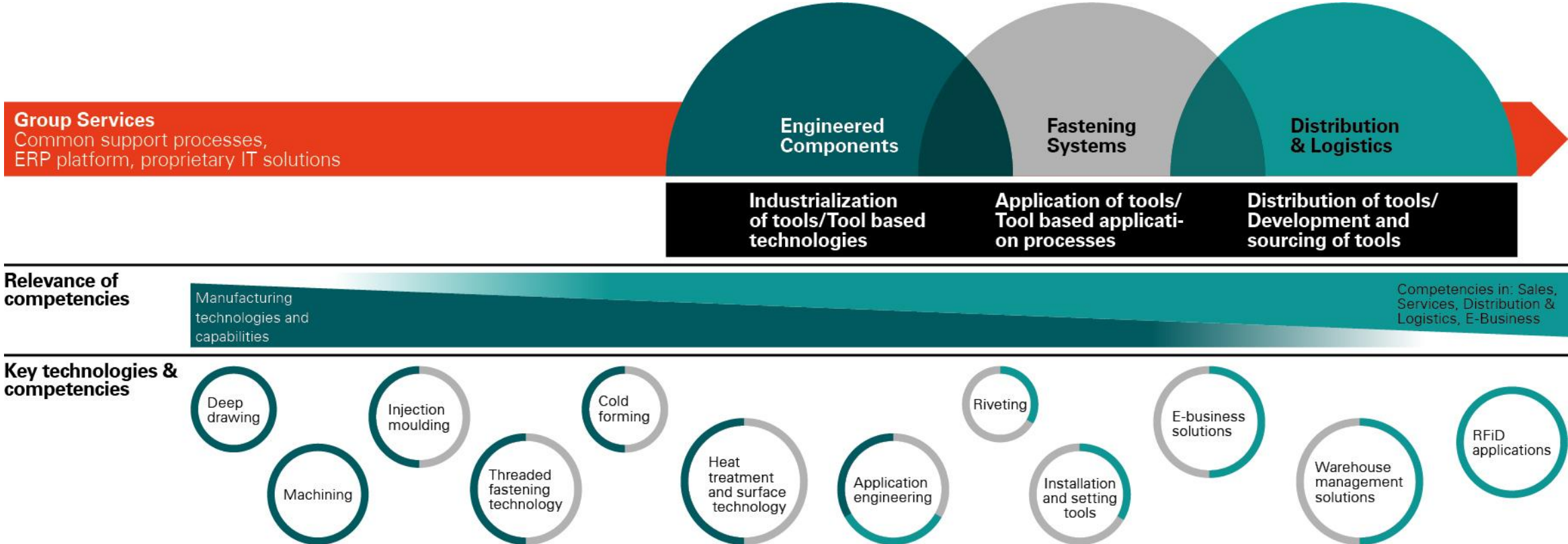
Sustainable thinking and acting is part of our DNA

... for a holistic view on sustainability



Segments and Competences

Focus on technology and knowledge sharing



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

Key takeaways

2021 at a glance

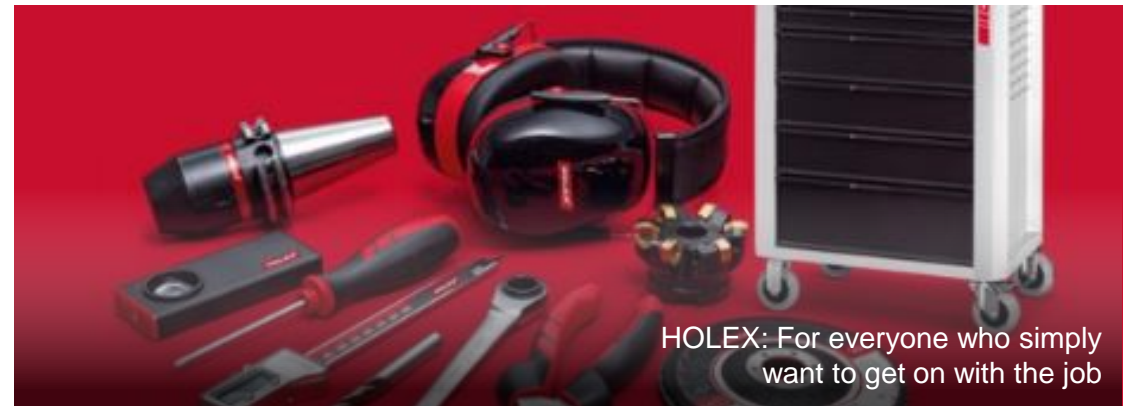
Record results and inclusion of Hoffmann

- In a dynamic market environment characterized by high demand, supply chain bottlenecks and the COVID-19 pandemic, SFS boosted its sales by 11.0% to a record of CHF 1,893.1 million
- All segments and regions contributed to the growth, enabled by robust supply chains and the ability to continuously fulfill customer orders
- High capacity utilization drove profitability and resulted in EBIT margin of 15.9%:
 - Focusing on primarily temporary adjustment of production capacity during COVID-19 pandemic allowed to benefit from high demand situation
 - Prudent cost and price management further supported profitability
- Investments in projects including production capacity expansions, new generation ERP system and cyber security continued and amounted to CHF 121.4 million
- Ongoing focus to achieve the set goals and targets in Sustainability. Release of a CO₂ roadmap containing measurable targets for reduction of CO₂ emissions

Addition of Hoffmann (1/2)

Internationalization of the D&L segment

- SFS establishes international presence in quality tools with Hoffmann
- Both companies positioned as leading providers in their industries, share similar value proposition and value systems and look back on longstanding and successful partnership
- Inclusion at the Shareholder, Board of Directors and Executive Management levels at SFS establishes continuity and the basis for successful future development
- Transaction will have a positive impact on earnings per share from the first year on



Addition of Hoffmann (2/2)

Internationalization of the D&L segment

- In 2021 Hoffmann generated around EUR 1,000 million in sales with a workforce of approx. 3,000
- Joining forces will mark a milestone and result in attractive growth opportunities:
 - Cross-selling of mechanical fastening systems and electronic procurement solutions
 - Leverage benefits in digitalization, logistics, software and purchasing
 - Access to Europe's largest tool logistics center
- Transaction closing expected in 1H 2022



Development by segment

Headlines Engineered Components segment

Greater profitability through higher capacity utilization

- Substantial recovery driven by pent-up demand in automotive-related areas and industrial sectors, negatively impacted by supply chain bottlenecks in the second half of the year
- FY21 reported sales of CHF 975.2 m, up 8.6% vs. FY20
- Electronics profited from positive market demand. Slightly positive development in Medical
- Good progress made in development of global Medical production platform
- Good demand situation led to high capacity utilization, resulting in EBIT margin of 17.1%

Key figures Engineered Components

In CHF million

	2021	+/- PY	2020	2019
Third party sales	975.2	8.6%	898.3	957.1
Sales growth comparable		7.9%		
Net sales	985.0	8.2%	910.4	964.2
EBITDA	244.1	15.8%	210.8	210.1
As a % of net sales	24.8		23.2	21.8
Operating profit (EBIT)	168.2	19.1%	141.2	147.0
As a % of net sales	17.1		15.5	15.2
Operating profit (EBIT) adjusted ¹	168.2	19.1%	141.2	164.1
As a % of net sales	17.1		15.5	17.0
Average capital employed	736.5	2.2%	720.5	700.4
Investments	89.1	7.2%	83.1	94.1
Employees (FTE)	7,008	-3.9%	7,293	7,153
ROCE (%) ²	22.8		19.6	23.4

¹ 2019 adjusted for relocation costs Nantong (China) CHF 17.1 million

² EBIT adjusted in % of average capital employed

Key messages Automotive division

Market recovery lost momentum in second half of year

- After good recovery in 1H driven by strong catch-up effects, 2H increasingly impacted by shortages in semiconductor supply chain
- Large project wins in electric brake systems testimony to strong competitive position
- Growth prospects require investments into manufacturing capacity (Heerbrugg, Nantong)
- Stable market conditions and step-wise recovery of semiconductor supply expected over the course of the year 2022
- The division is well positioned to continue to significantly outpace market growth in FY22



Key messages Electronics division

Good development, with record results in first half-year

- Record-high results in first half-year – second half-year troubled by supply chain bottlenecks
- Good development in Lifestyle Electronics and Accessories, stable demand in Smartphones
- Unexpectedly strong demand for high-capacity hard disk drives further supports business activities in Malaysia
- High capacity utilization at Nantong (CN) platform requires expansion to cope with increasing demand also from other divisions
- Division expects for FY22 a moderate development on a high level



Business areas Mobile Devices, Lifestyle Electronics and Hard Disk Drives

Key messages Industrial division

Significant recovery in demand throughout the year

- Recovery that began in the second half of 2020 encompassed nearly every niche market served by the division
- Not materially impacted by product shortages, many business areas achieved revenues above pre-pandemic levels
- Stabilization at low level in Aircraft, situation remains challenging with initial signs of recovery
- Overall market demand expected to remain good in FY22. Realized new projects will further underpin positive development



Cutting tool fastener

Key messages Medical division

Slightly positive development

- Overall slightly positive organic sales trend, however, varying across product categories
- Demand for instruments/implants for orthopedic surgeries still impacted by COVID-19 pandemic. Applications for sports medicine showed good growth
- Progress made on filling attractive project pipeline, particularly also in Asia
- High attention to efficiency gains and operational excellence yielding initial results
- The division expects an overall positive development in FY22



Headlines Fastening Systems segment

Record results achieved

- In dynamic market environment, good market positioning and robust supply chains led to record sales of CHF 574.9 m (+17.4% YOY)
- High market demand put supply chains and material prices under considerable strain
- Ongoing efforts to expand Construction's market access with acquisitions of Jevith (Denmark) and GLR Fasteners (US)
- Successful relocation of Riveting's CN production site to Nantong
- High capacity utilization and efficiency resulting in record EBIT margin of 17.4%

Key figures Fastening Systems

In CHF million

	2021	+/- PY	2020	2019
Third party sales	574.9	17.4%	489.7	498.3
Sales growth comparable		16.6%		
Net sales	589.6	17.8%	500.7	511.5
EBITDA	120.4	53.2%	78.6	67.5
As a % of net sales	20.4		15.7	13.2
Operating profit (EBIT)	102.3	71.4%	59.7	47.1
As a % of net sales	17.4		11.9	9.2
Operating profit (EBIT) adjusted ¹	102.3	77.6%	57.6	47.1
As a % of net sales	17.4		11.5	9.2
Average capital employed	263.0	-2.9%	270.9	297.4
Investments	9.9	-9.2%	10.9	17.4
Employees (FTE)	2,510	3.0%	2,438	2,429
ROCE (%) ²	38.9		21.3	15.8

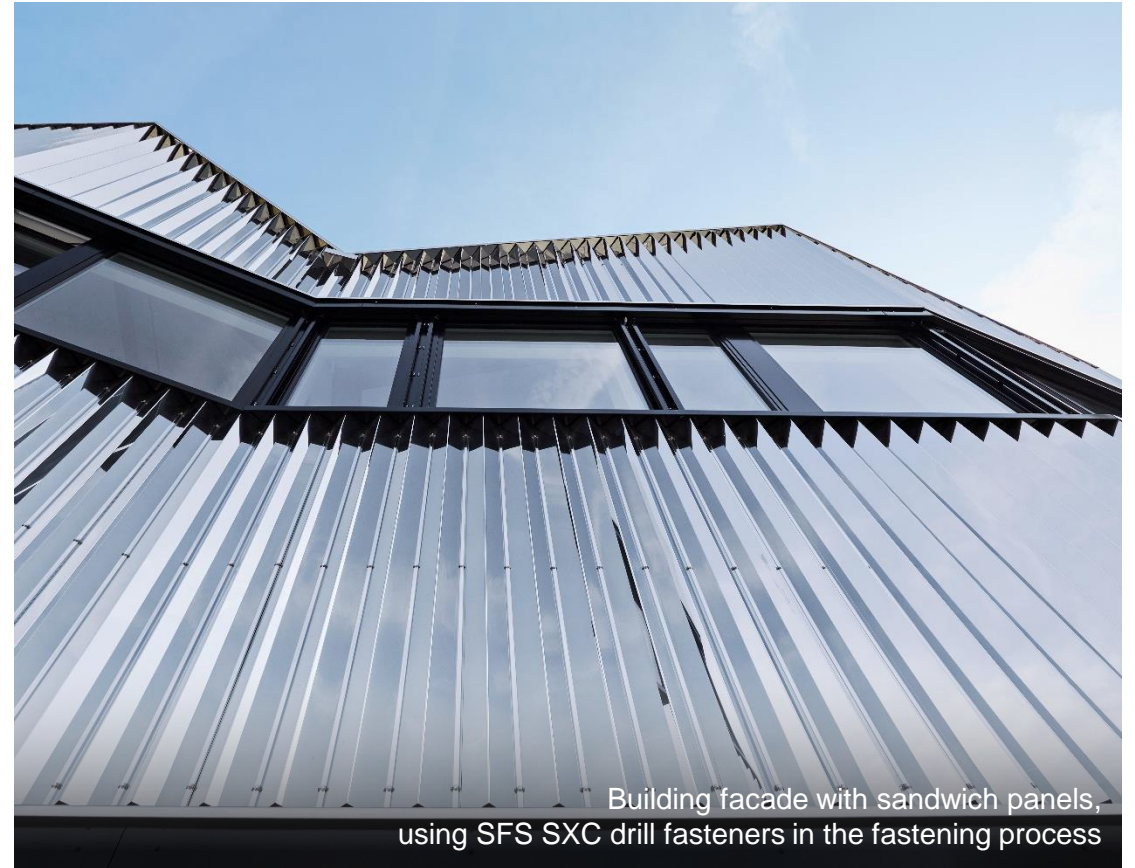
¹ 2020 adjusted for book gains from the disposal of non-operating assets of CHF 2.1 million

² EBIT adjusted in % of average capital employed

Key messages Construction division

Consistently high market demand

- Strong demand led to exceptionally good growth in all application areas in Europe and North America
- Market share gains achieved thanks to robust supply chains, good material availability and high degree of in-house value-add
- Global trends towards energy-efficient building envelopes, streamlined fastening processes and accident prevention intact
- Market access expanded with two add-ons
- Division expects in FY22 market conditions to remain positive and growth in organic terms



Key messages Riveting division

Dynamic demand, 2H dampened by semicon shortage

- Stable growth achieved, driven by industrial- and construction-related areas
- Reduced demand from automotive customers in the course of the year
- Innovative product solutions such as connected tools and sustainability-related applications offer substantial growth potential
- Successful relocation from Nansha (China) to Nantong platform will further benefit the division's development in Asia
- Division expects continued market recovery and overall growth in organic terms in FY22



Fastening solutions for solar panels (rivets and setting tools) provide potential for further growth

Headlines Distribution & Logistics segment

Establishing an international presence in quality tools

- Stable growth throughout the year resulting in reported sales of CHF 343.0 m (+8.2% YOY)
- Maintained broad focus on customer needs with continued offering of innovative solutions and organizational alignments
- Strong, occasionally volatile demand led to good capacity utilization and EBIT margin of 9.4%
- Addition of Hoffmann will lend the D&L segment an internationally strong position in the attractive area of quality tools
- CH market conditions FY22 expected to remain stable, leading to overall positive development

Key figures Distribution & Logistics

In CHF million

	2021	+/- PY	2020	2019
Third party sales	343.0	8.2%	316.9	326.0
Sales growth comparable		8.0%		
Net sales	347.9	8.2%	321.6	330.9
EBITDA	37.7	10.6%	34.1	46.5
As a % of net sales	10.8		10.6	14.1
Operating profit (EBIT)	32.6	13.6%	28.7	40.5
As a % of net sales	9.4		8.9	12.3
Operating profit (EBIT) adjusted ¹	32.6	13.6%	28.7	26.2
As a % of net sales	9.4		8.9	7.9
Average capital employed	130.4	2.8%	126.9	132.8
Investments	4.1	0.0%	4.1	2.3
Employees (FTE)	606	1.3%	598	622
ROCE (%) ²	25.0		22.6	19.7

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

Key messages Distribution & Logistics segment

Leverage combined SFS - Hoffmann growth potential

Use platforms

- Further penetration of key accounts (“share of wallet”)
- Targeted acquisition of customers with high potential
- Development of regional growth strategies based on local expertise
→ Deliberate implementation of “local for local” strategy

Innovation in products and product lines

- Continuous market launch of new products and innovative supply chain solutions
- Joint development together with our customers and thus deeper integration thanks to improved products and services

Regional expansion

- Targeted expansion in the growth markets of USA and China
- Targeted regional growth initiatives to broaden market coverage in Europe, North America and Asia based on existing structures

Digitalization

- Expansion of multifaceted eCommerce solutions
- Further development of digital service products for networked production

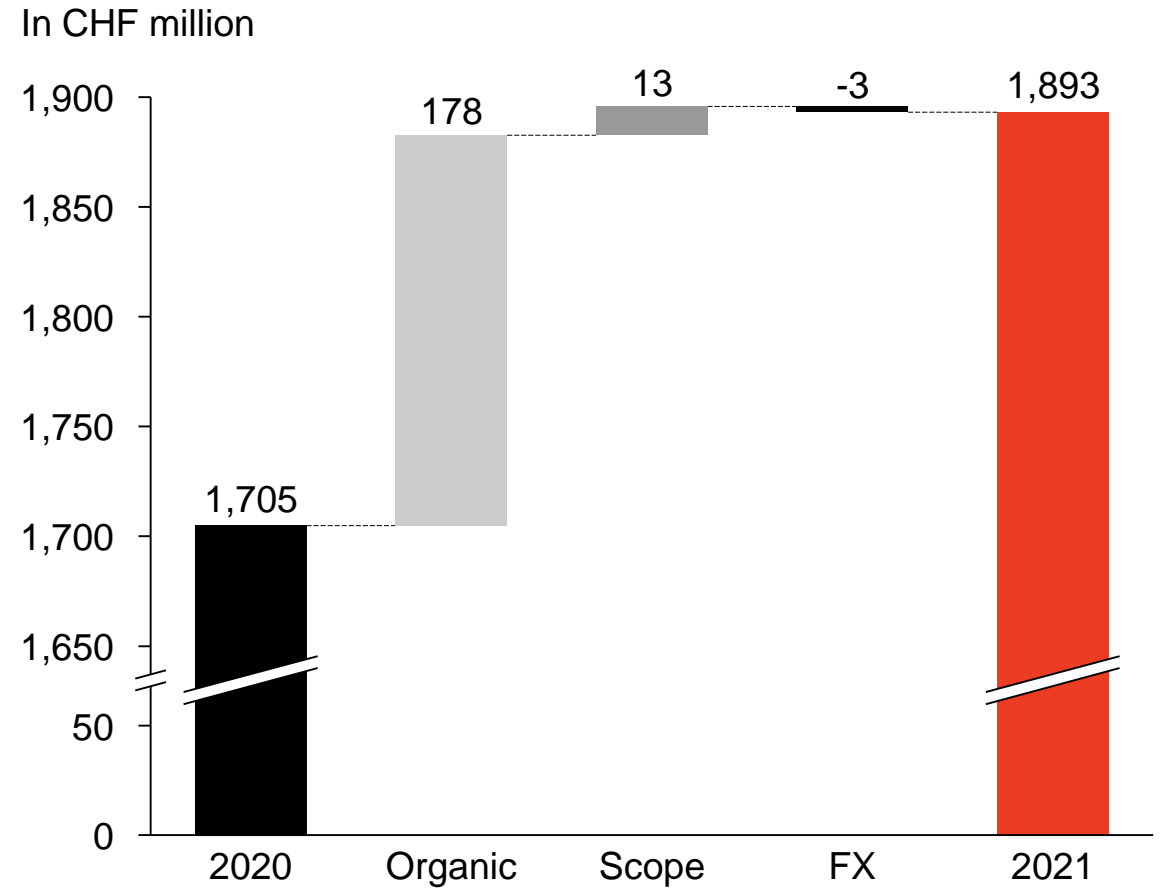
Development of key financials

Sales bridge

Sales growth fueled by strong organic development

Sales Growth	Current Year CHF million	Current Year %	Prior Year %
Total	188	11.0%	-4.3%
Organic	178	10.3%	-3.2%
Scope	13	0.8%	3.0%
FX impact	-3	-0.1%	-4.1%

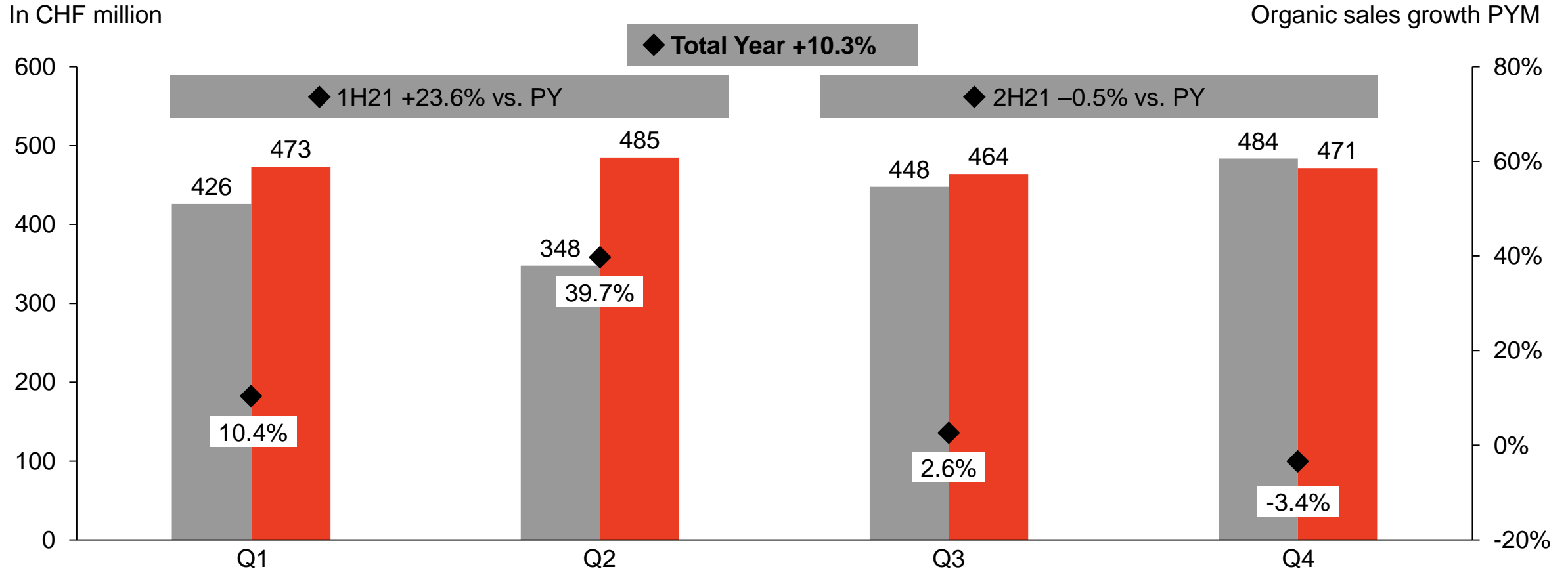
Organic Growth	Current Year CHF million	Current Year %	Prior Year %
Segment EC	71	7.9%	-4.0%
Segment FS	81	16.6%	-2.4%
Segment D&L	26	8.0%	-2.2%



Development of organic sales

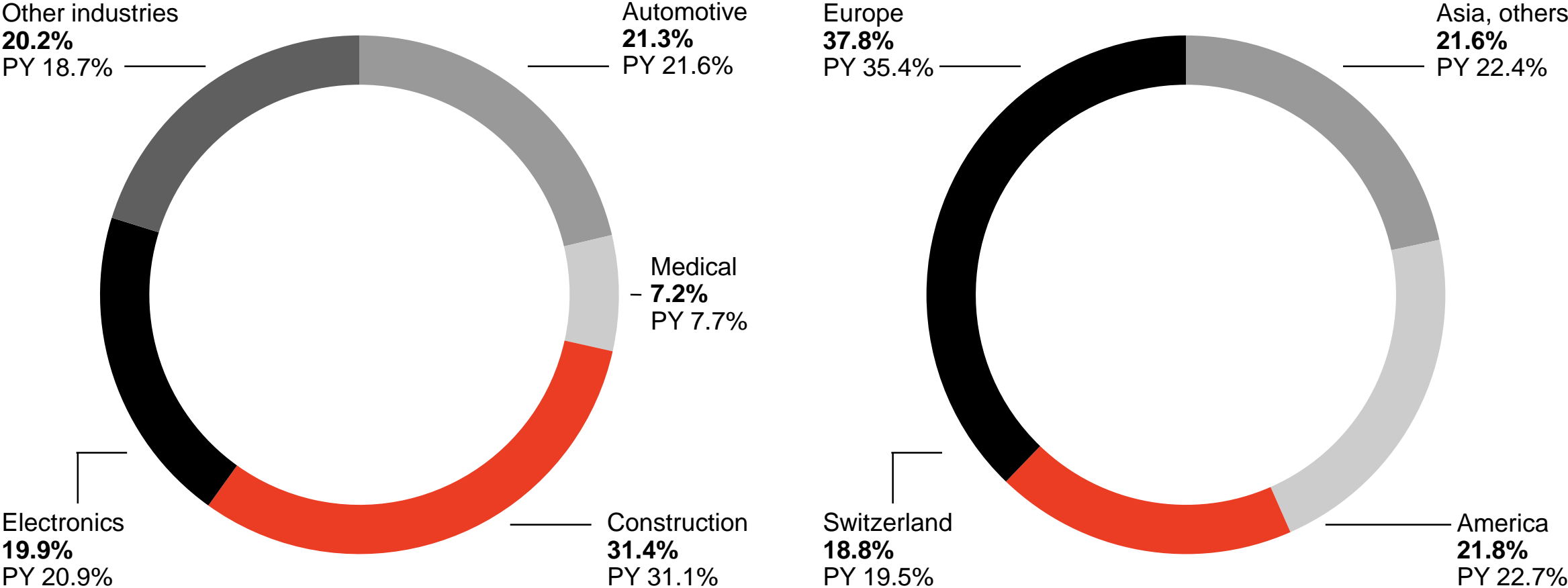
Rebound in first semester | increasingly challenging 2H

In CHF million



Sales breakdown

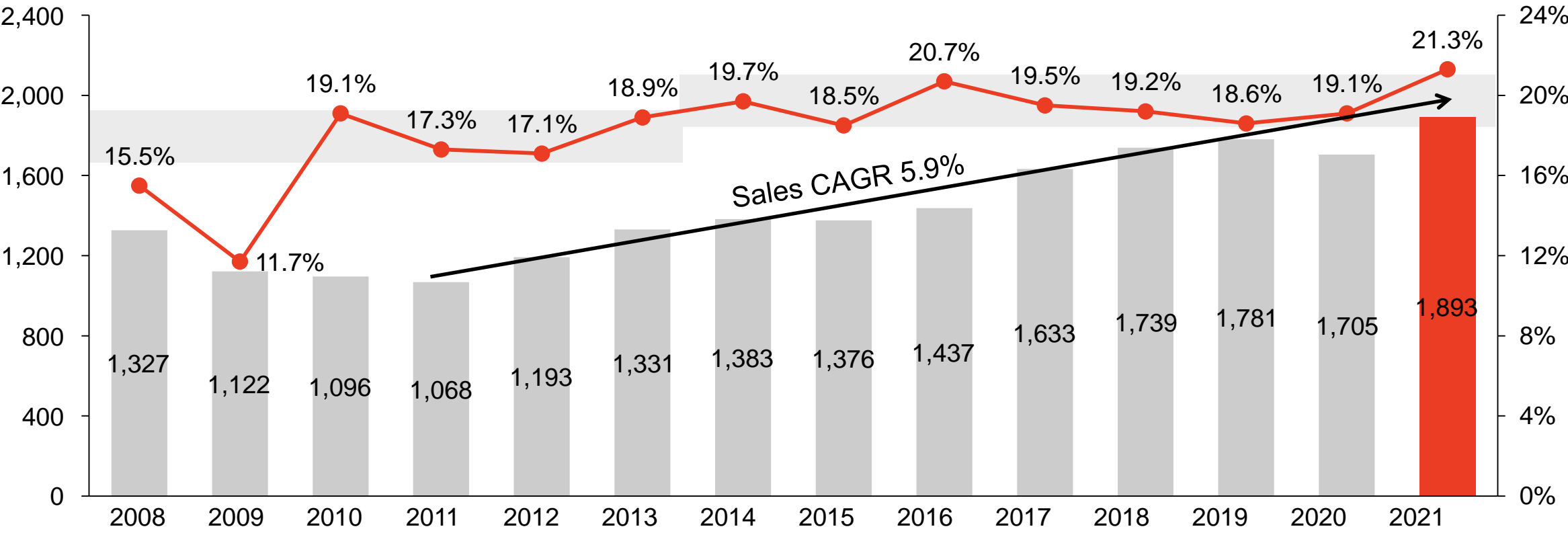
Pent-up demand in Automotive and Industrial in Europe



Sales development

Growth ability over the cycle confirmed

In CHF million



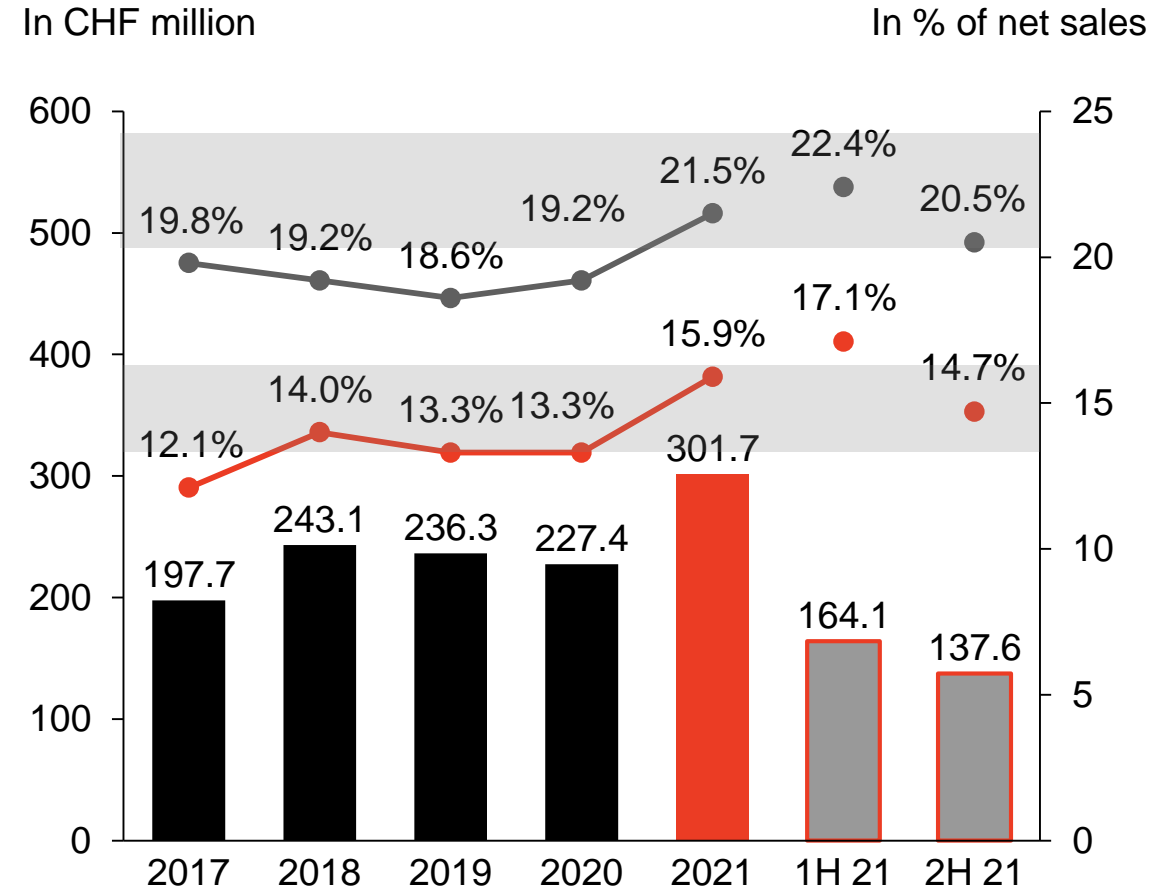
—●— EBITDA margin adj.

Operating profitability

Driven by capacity utilization and cost discipline

Profitability	Reported, CHF m	Reported, %	Adjusted, CHF m	Adjusted, %
EBIT	301.7	15.9%	298.6	15.7%
EBITDA	407.1	21.5%	404.0	21.3%

- Sale of Nansha factory resulting in book gain of CHF 3.1 m
- Tense supply chain and increasing logistic costs required high focus
- Diligent cost management in place for personnel and other operating expenses



Net working capital

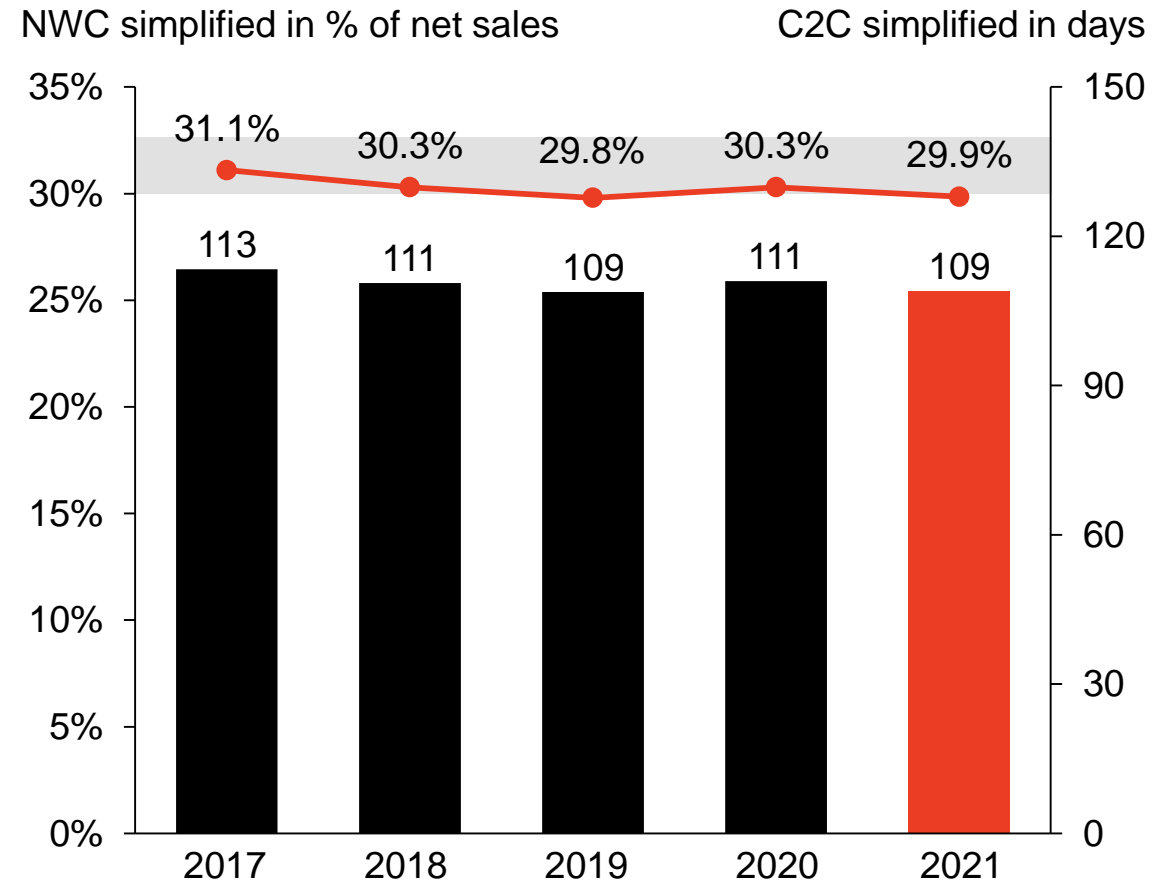
Significant increase in Inventory levels

- NWC measured at year end

Ø Days Sales Outstanding (DSO)	Current Year	Prior Year
Total SFS Group	64.8	65.6
Segment EC	84.4	87.4
Segment FS	44.0	44.4
Segment D&L	39.9	40.4

Ø Days Inventory Outstanding (DIO)	Current Year	Prior Year
Total SFS Group	68.3	72.0

*NWC simplified = AR + Inventory – AP



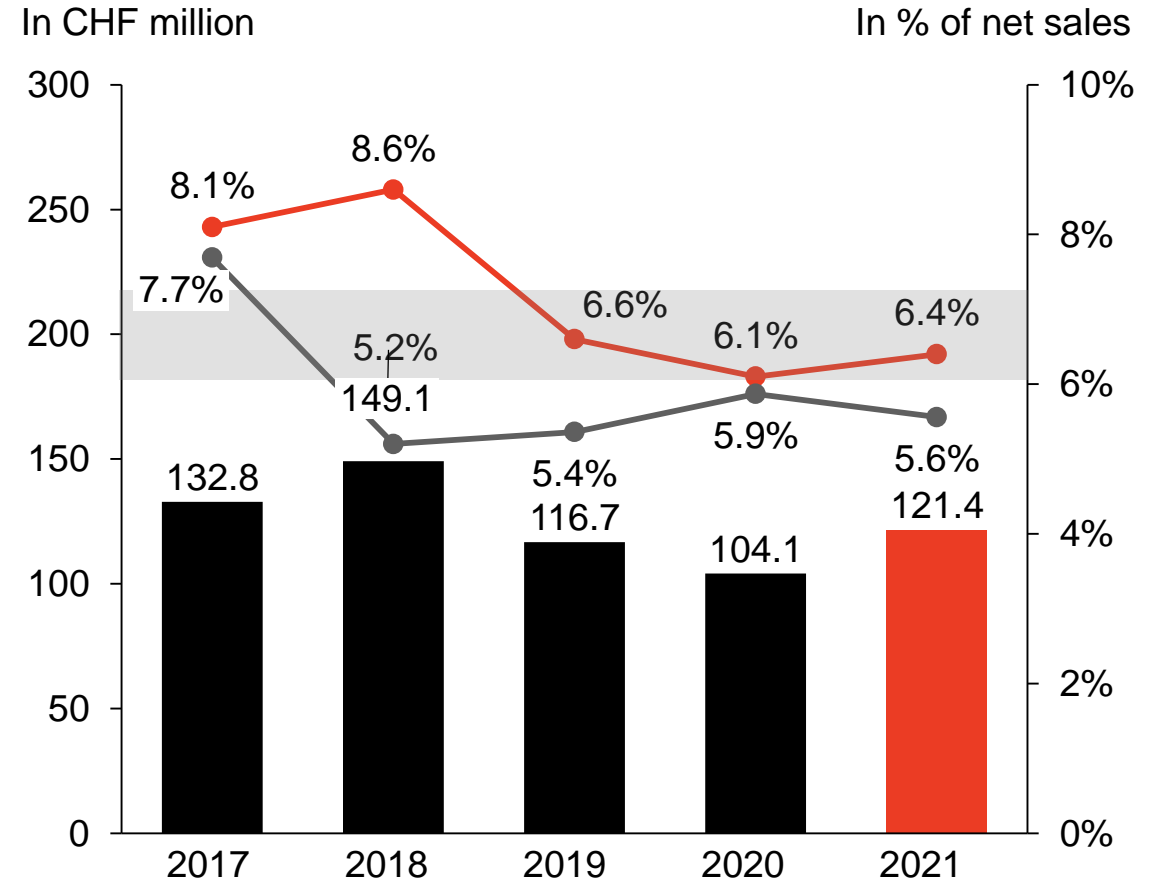
Capital expenditure

At beginning of investment cycle

- CAPEX spending
 - to increase capacity, efficiency, productivity
 - to support future growth

CAPEX spending by region	Current Year %	Prior Year %
Switzerland	59%	39%
Europe	9%	10%
America	13%	29%
Asia	19%	22%

CAPEX spending by segment	Current Year %	Prior Year %
Segment EC	73%	80%
Segment FS	8%	10%



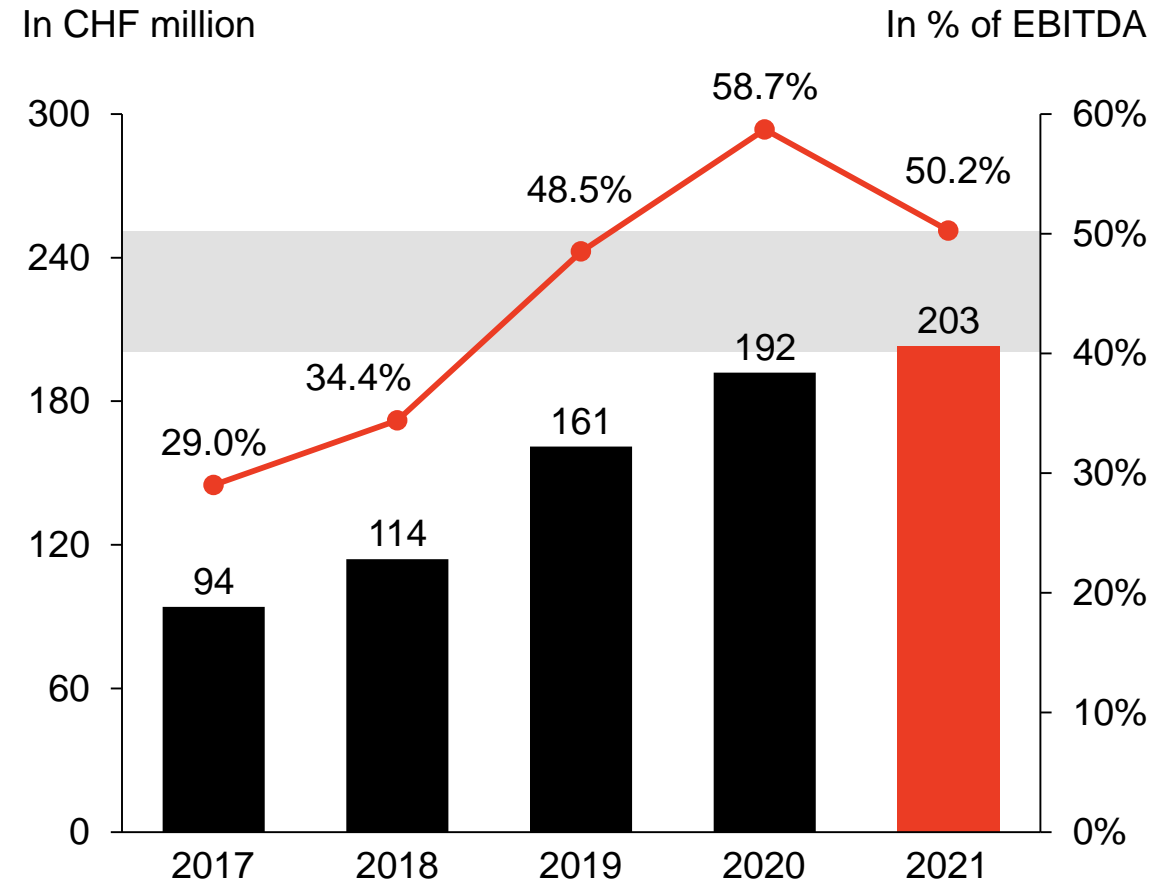
Free cash flow

CAPEX increase fully financed by cash flow

- Good cash generation (in CHF):

	Current Year	Prior Year
Cash flow from operations	324 m	296 m
CAPEX	-121 m	104 m
Operating free cash flow	203 m	192 m

- Conversion rate at 50% (OFCF/EBITDA adj.)



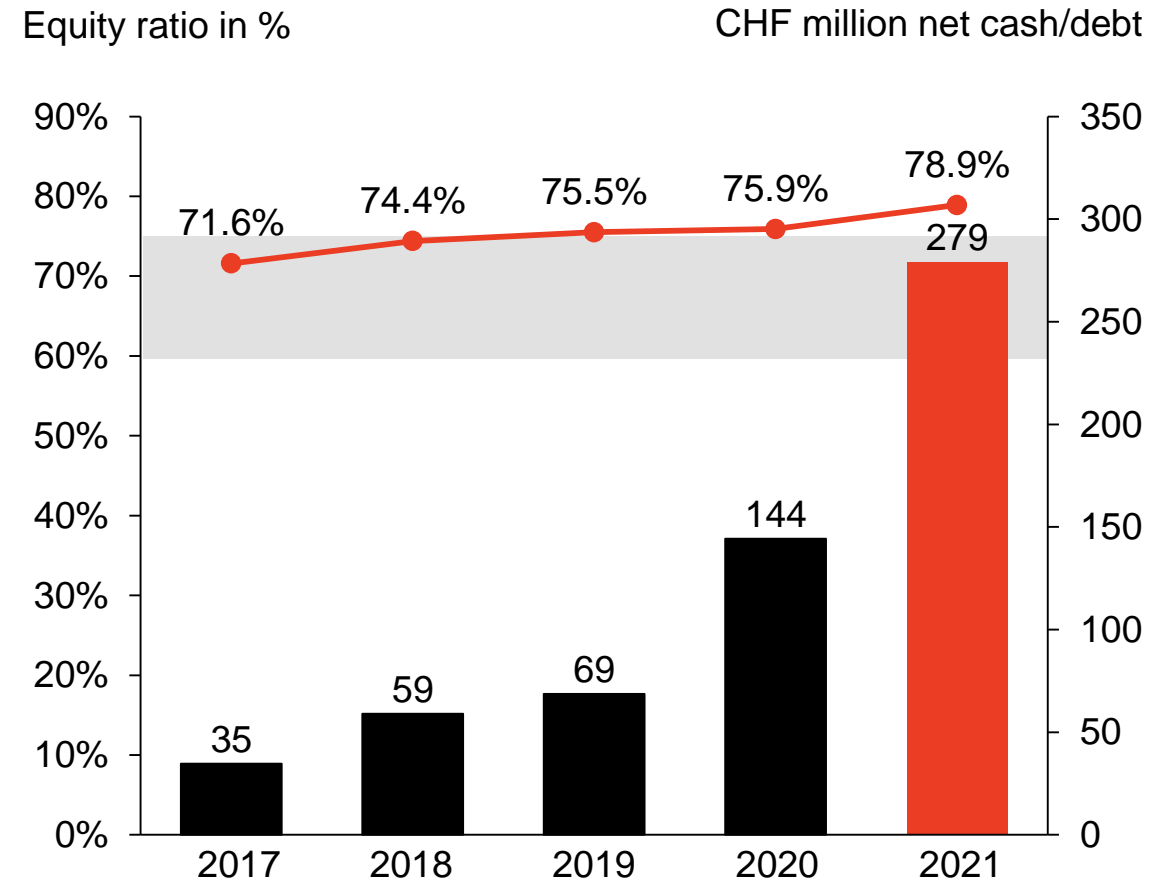
Balance sheet ratios

Strong balance sheet and very high liquidity

- Financial flexibility stems from
 - Net cash position
 - Unused and existing credit facilities
 - Strong cash flows
 - Diligent balance sheet management

Note:

- Expected impact from Hoffmann transaction:
 - Equity Ratio >50%
 - Net Debt / EBITDA <1.5x (full year basis)



Return on capital

Capacity utilization boosts returns

- Development of Return on Capital Employed mainly driven by strong operating profitability
- Bridge to Return on Invested Capital
 - Impact from CHF 1,000 m goodwill: -10.3%
 - Impact from taxes: -4.6%

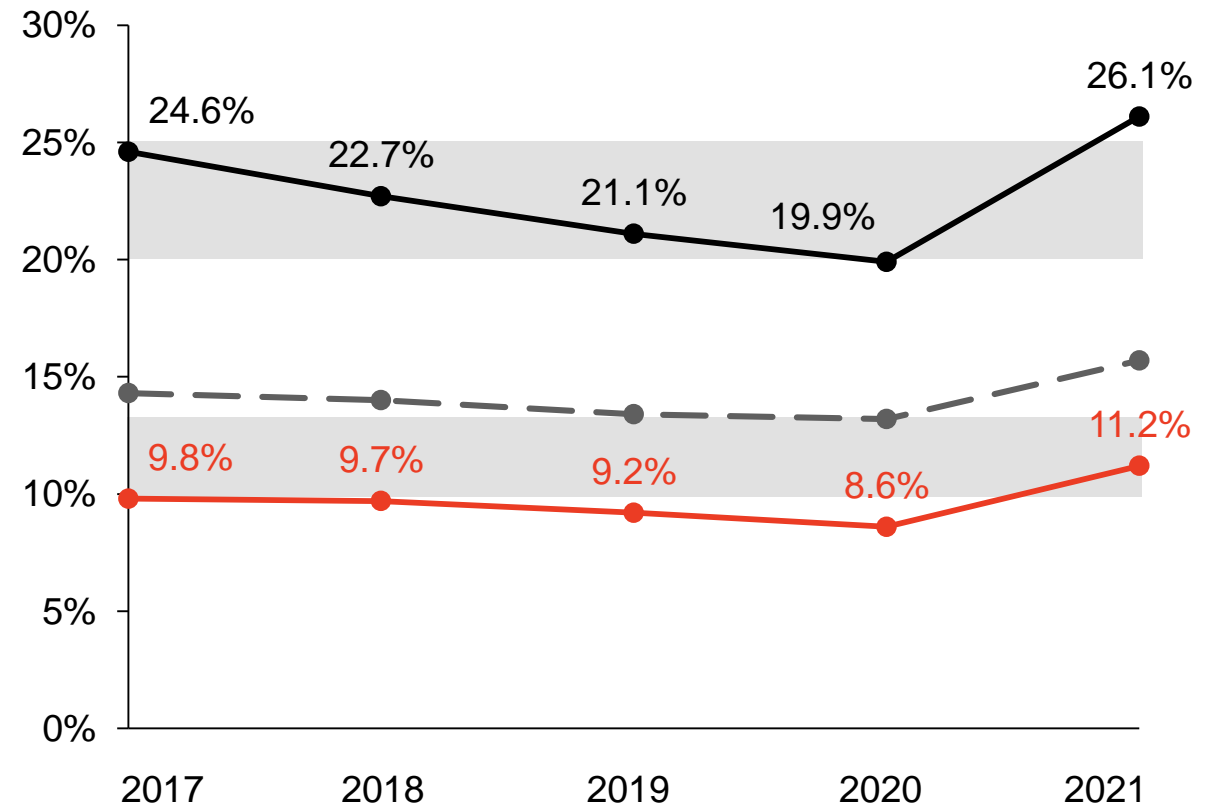
$$\text{ROCE} = \frac{\text{Adjusted EBIT}}{\text{Ø Capital Employed (CE)}}$$

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

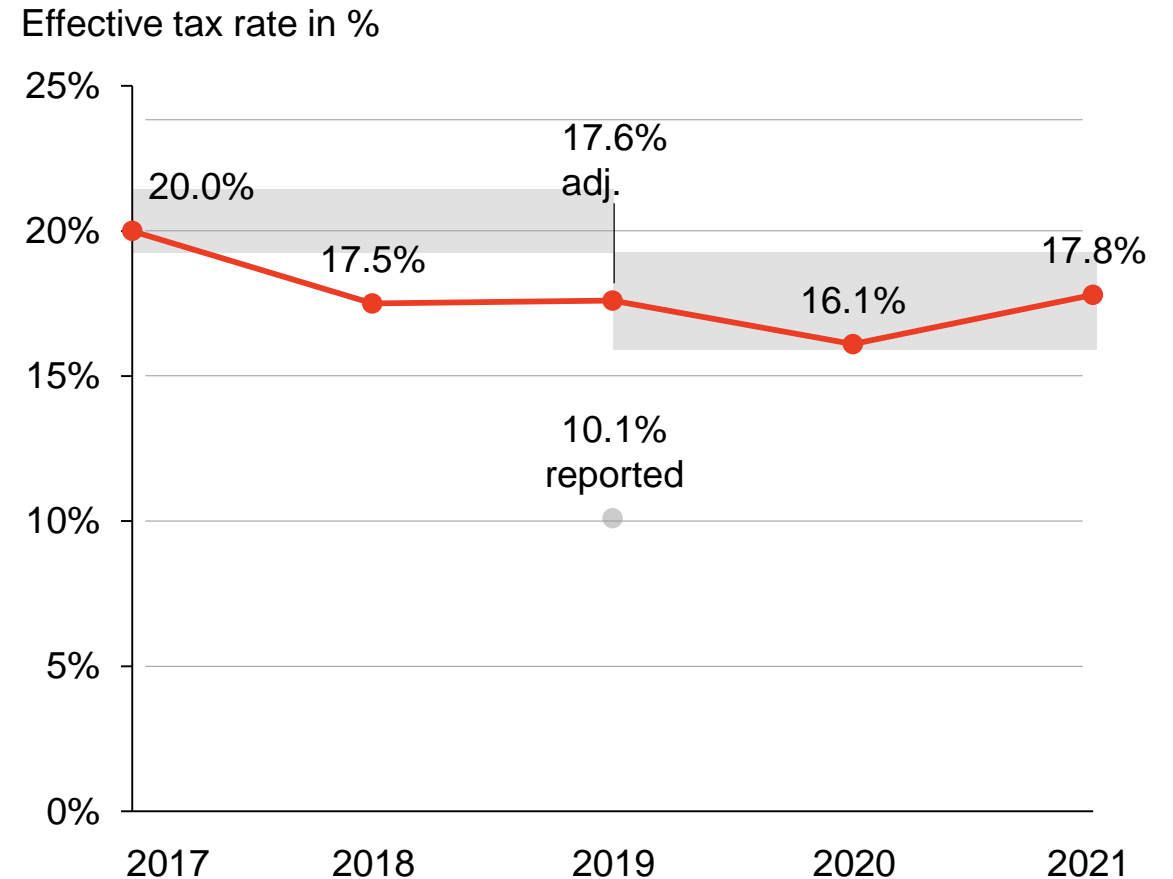
Return on capital



Effective tax rate

ETR expected to fluctuate around 17.5%

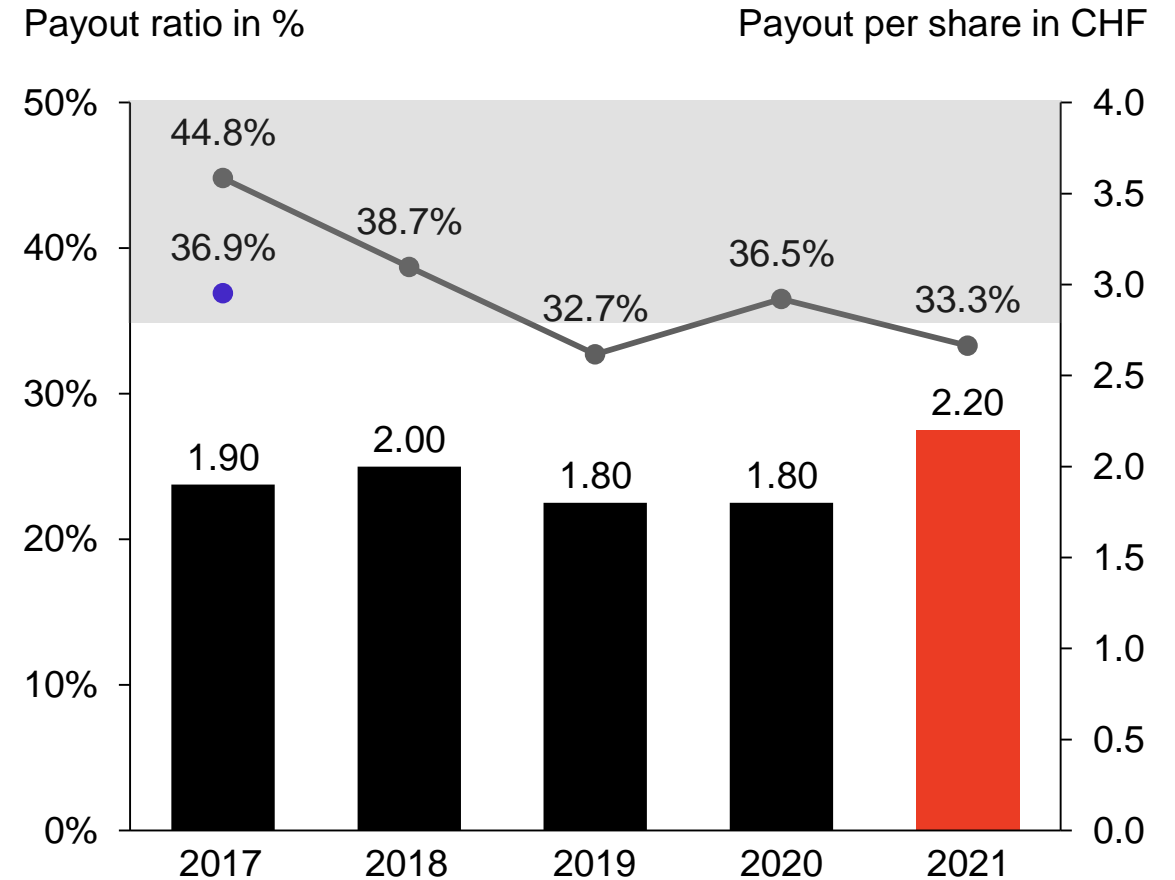
- ETR target range since 2019: 16–19%
- In 2021 shift of taxable profit towards higher tax rate countries, partially counterbalanced with usage of tax loss carryforwards
- 2019 reported ETR at 10.1%, driven by exceptional one-off lowering effects:
 - lower Swiss tax rates (STAF): –2.6%
 - capitalized temporary differences in amortizable US goodwill: –4.9%



Payout ratio

Increased dividend payout

- BoD to propose a payout per share of CHF 2.20
 - out of retained earnings
 - total cash out CHF 82.5 m
 - payout ratio 33.3%
- Total cash out will be max. CHF 86.0 m, if the share capital is increased by the authorized capital to a maximum amount of 1,600,000 shares before the date of the Annual General Meeting (new payout ratio 34.7%)
- Dividend yield ~1.7% (at share price CHF 126.2)



KPI summary

Good growth, healthy profitability and funding

In CHF million		2021	%	2020	%	YOY
Sales	–	1,893.1	–	1,704.9	–	+11.0%
EBITDA	margin	407.1	21.5%	327.6	19.2%	+230 bps
EBIT	margin	301.7	15.9%	227.4	13.3%	+260 bps
Net income	margin	248.0	13.1%	184.8	10.8%	+230 bps
Equity	ratio	1,450.4	78.9%	1,278.2	75.9%	+300 bps
Net cash	–	279.1	–	144.3	–	–
Capex	% net sales	121.4	6.4%	104.1	6.1%	+30 bps
Free cash flow	conversion rate	203.1	50.2%	192.3	58.8%	–860 bps
ROCE	–	26.1%	–	19.9%	–	+620 bps

Outlook 2022

Guidance 2022

SFS stand-alone, w/o Hoffmann

	2021A	2022G: mid-term guidance
Gross sales (in local currencies, incl. M&A but w/o Hoffmann)	CHF 1'893 m	Growth 3–6%
EBIT margin	15.9%	13–16%

A = Actual G = Guidance

- Guidance will be updated after closing of the Hoffmann transaction

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 while ensuring supply capabilities and keep costs under control

Sustainability

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

Q&A

Q&A

Any questions?



Jens Breu
Chief Executive Officer



Volker Dostmann
Chief Financial Officer

Coming up

Our IR agenda for FY2022

- Annual General Meeting:
27 April 2022 (without physical presence)
- Publication of Sustainability Report 2021
<https://sustainability.sfs.com/en>
End of May
- Investor Day, Nuremberg (DE)
After closing of Hoffmann transaction
- Detailed information on 1H 2022:
26 August 2022
- Investor Day II, Heerbrugg (CH)
Q3/Q4 2022

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Thank you for your attention

Inventing success together

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