



Inventing success together

Presentation FY2022 results
Uzwil, March 3, 2023

22

Today's speakers

Welcome to the presentation on our FY 2022 results



Jens Breu
Chief Executive Officer



Volker Dostmann
Chief Financial Officer

Agenda

Presentation on FY22 results		10.30 am-12.00 pm
1. Positioning of SFS	Jens Breu	
2. Key takeaways	Jens Breu	
3. Development by segment	Jens Breu	
4. Development of key financials	Volker Dostmann	
5. Outlook 2023	Jens Breu	
6. Q&A	All	
Lunch	All	12.00–12.45 pm
Value add by D&L business: Reference case Bühler, Uzwil (CH)	Separate agenda	12.45–2.00 pm

Positioning of SFS

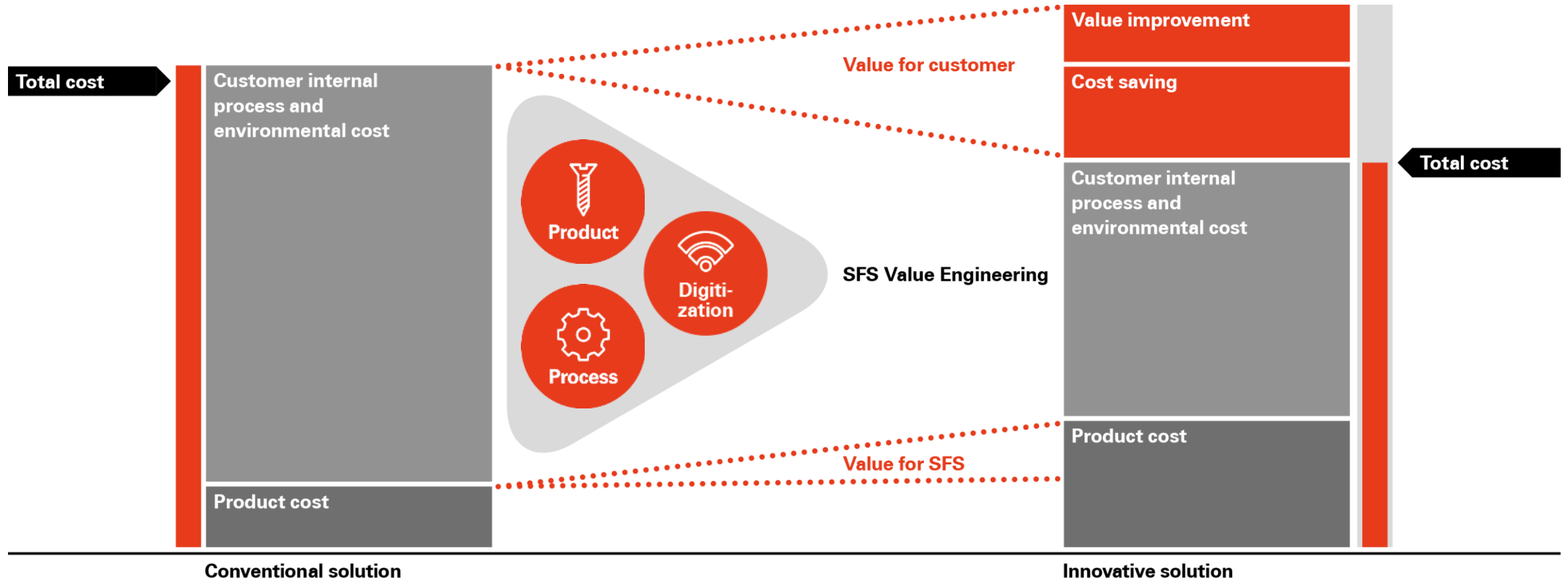
Mission-critical products for selected niche applications

We are by your side – 24/7



SFS value proposition

Inventing success together



Our focused business activities

Tailored solutions for selected niche applications

Engineered Components

Automotive



Electronics



Industrial



Medical



Fastening Systems

Construction



Riveting



Distribution & Logistics

D&L Switzerland



D&L International



SFS value engineering

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

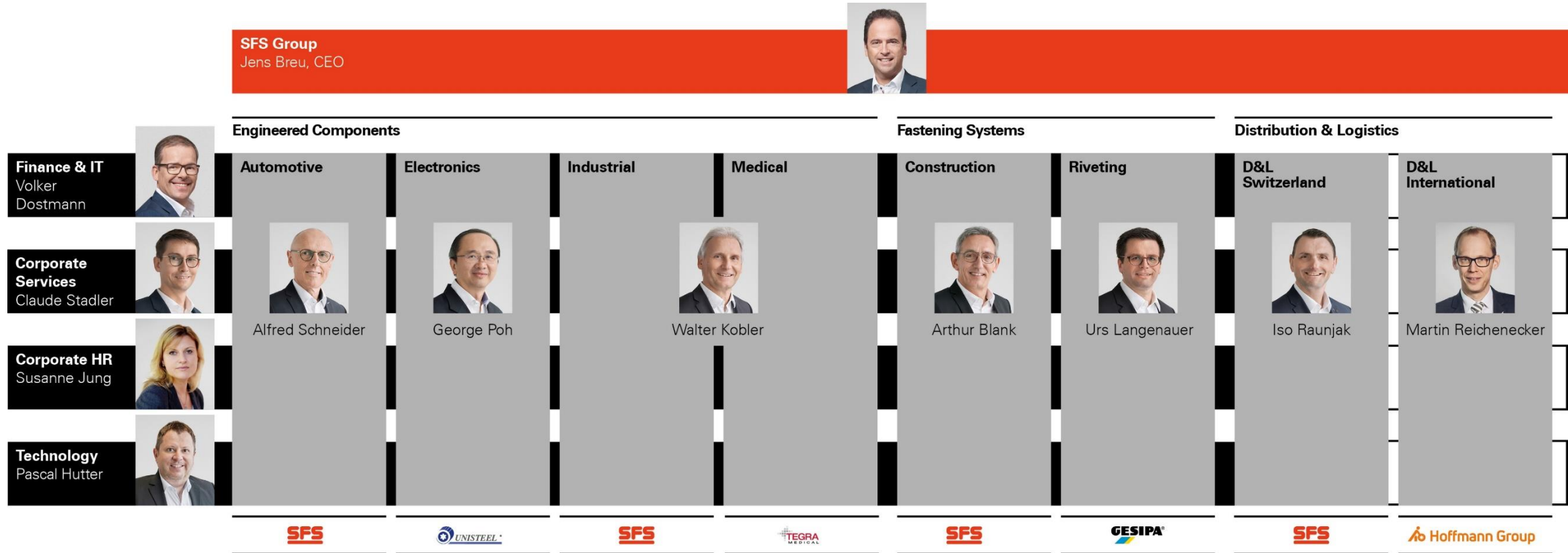
System Partner

Development and trade of tools, fasteners and work equipment



Organizational structure

Clear focus on end markets, high level of autonomy



Key takeaways

2022 at a glance

SFS realizes leap in growth

- In a year characterized by geopolitical and macroeconomic challenges, SFS realized a strong growth of 45.1% and generated gross sales of CHF 2,746.1 million
- Sales development driven by the consolidation of Hoffmann (eight months) and good organic growth in most end markets and regions
- Operating profit (EBIT) boosted by 9.5% to CHF 330.3 million. Corresponding EBIT margin of 12.1% impacted by:
 - Mix effects from consolidation of Hoffmann
 - Volatile and occasionally lower utilization of production capacities in Engineered Components
 - One-time acquisition effects of CHF 22.9 million due to first-time consolidation of Hoffmann, resulting in an adjusted EBIT margin of 12.9% reflecting the underlying operational performance
- EPS increased to CHF 6.95 (PY CHF 6.51), confirming attractiveness of Hoffmann transaction
- CHF 171.0 million in growth-related investments, including new production facilities in Heerbrugg (CH) and Nantong (CN), ERP system upgrade and strengthening of cyber security

2022 ESG highlights

Continued progress achieved

- Progress in renewable energy generation and energy independence:
 - Large-scale addition of photovoltaic modules at sites in Malaysia and Nantong
 - Plan to build own wind turbine on production site in Heerbrugg further advanced with construction of a wind measuring mast
- Improved transparency in the value chain: ESG risks and opportunities will be managed through comprehensive supplier assessment. Successive supplier onboarding in 2023
- Results of updated materiality analysis and stakeholder dialog determine future focus topics:
 - Energy & emissions
 - Sustainable solutions
 - Employee promotion & engagement
 - Procurement
 - Occupational health & safety
- Positive integration of Hoffmann: First non-financial KPIs in Sustainability Report 2022, published end of May 2023

Development by segment

Headlines Engineered Components segment

Positioning strengthened

- Reported sales of CHF 1,028.2 million, up 5.4% vs. FY21
- Growth supported by good development of Electronics division in 1H and Automotive division in 2H. Industrial stayed strong throughout the year, but slightly weaker in 2H
- Temporary underutilization of production capacities leading to EBIT margin of 14.1%
- For FY23, SFS expects solid organic sales growth along target bandwidth of the Group:
 - All divisions with organic growth
 - Automotive division with market outperformance of 3–5%

Key figures Engineered Components

In CHF million

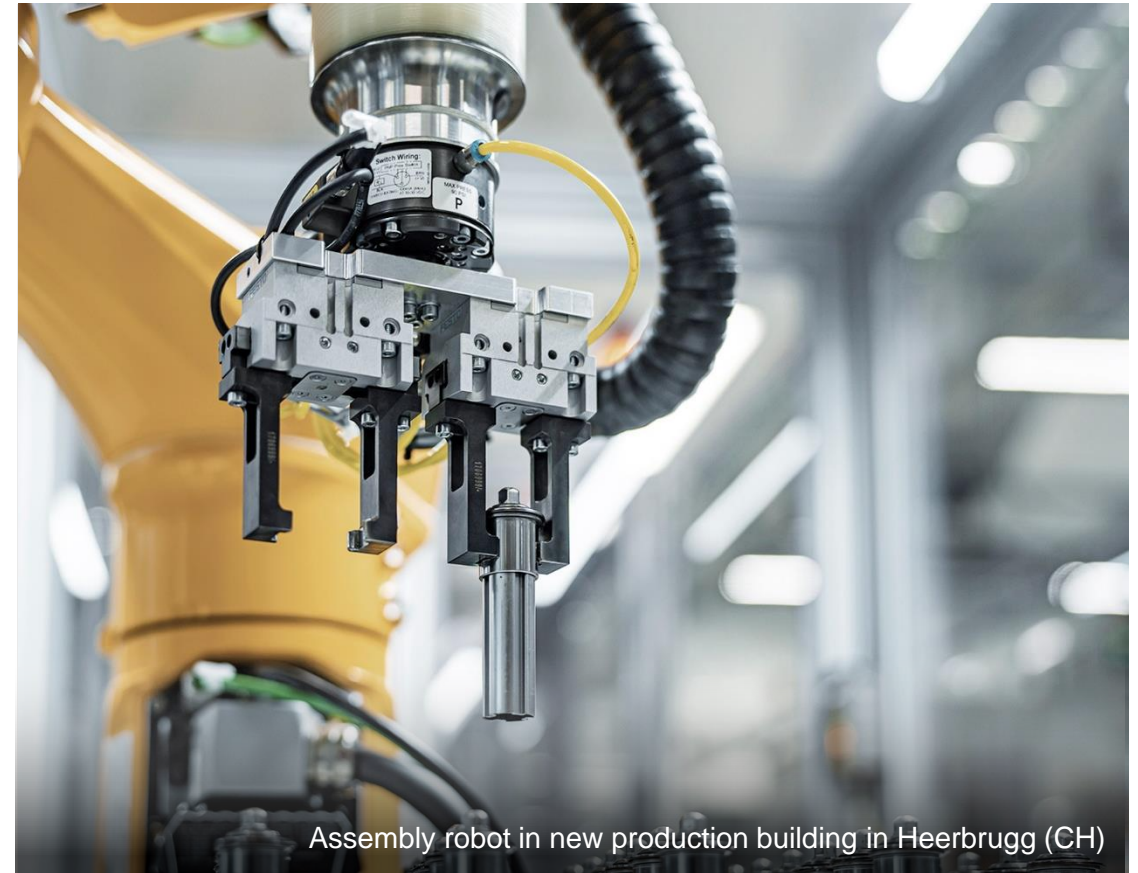
	2022	+/- PY	2021	2020
Third party sales	1,028.2	5.4	975.2	898.3
Sales growth comparable		6.5		
Net sales	1,038.5	5.4	985.0	910.4
EBITDA	220.3	-9.8	244.1	210.8
As a % of net sales	21.2		24.8	23.2
Operating profit (EBIT)	146.2	-13.1	168.2	141.2
As a % of net sales	14.1		17.1	15.5
Operating profit (EBIT) adjusted	146.2	-13.1	168.2	141.2
As a % of net sales	14.1		17.1	15.5
Average capital employed	792.0	7.5	736.5	720.5
Investments	125.5	40.9	89.1	83.1
Employees (FTE)	6,620	-5.5	7,008	7,293
ROCE (%) ¹	18.5		22.8	19.6

¹ EBIT adjusted in % of average capital employed

Automotive and Industrial division

Good growth achieved

- Automotive growth target of significant market outperformance achieved again
- Capacities of newly built production facility in Heerbrugg (CH) for production of automotive electric driving brakes already fully reserved
- Successful launch of ABS parts production in Nantong (CN) marks further step towards local manufacturing of electric driving brakes
- Industrial leveraged overall good customer demand in all application areas
- Demand for Aircraft components bounced back and showed strong growth throughout the year



Electronics and Medical division

Major capacity expansion projects on track

- Good growth momentum in Electronics in 1H, increasingly slowed down in 2H
- Introduction of stamping technology allows to grow share of wallet with key customers
- Medical with positive development over the course of the year, although uneven in the different application areas
- Capacity expansion projects in Nantong (CN, Electronics division) and Franklin (US)/La Heredia (CR, both Medical division) progressed as planned
- Work to build up and leverage the global Medical manufacturing platform continued



Headlines Fastening Systems segment

Strong performance

- Continued dynamic market environment in construction industry and strong market positioning led to reported sales of CHF 644.9 million in FY22 (+12.2% vs. PY)
- High material availability and robust supply chains remained competitive advantage in the construction industry
- EBIT margin of 17.7% driven by high capacity utilization and good cost/price management
- For FY23, SFS expects solid organic sales growth along target bandwidth of the Group. Both divisions well positioned to capitalize on arising opportunities in all end markets

Key figures Fastening Systems

In CHF million

	2022	+/- PY	2021	2020
Third party sales	644.9	12.2	574.9	489.7
Sales growth comparable		15.6		
Net sales	658.8	11.7	589.6	500.7
EBITDA	132.5	10.0	120.4	78.6
As a % of net sales	20.1		20.4	15.7
Operating profit (EBIT)	116.3	13.7	102.3	59.7
As a % of net sales	17.7		17.4	11.9
Operating profit (EBIT) adjusted ¹	116.3	13.7	102.3	57.6
As a % of net sales	17.7		17.4	11.5
Average capital employed	296.4	12.7	263.0	270.9
Investments	13.7	38.4	9.9	10.9
Employees (FTE)	2,564	2.2	2,510	2,438
ROCE (%) ²	39.2		38.9	21.3

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

Construction and Riveting division

Capacity expansion project in North America on track

- Good momentum in North America and Europe in construction-related applications require additional production capacities. Expansion project in Exeter, PA (USA) on track
- Sustainability-related fastening applications such as for façade renovations, solar panels and heat pumps provide room for growth
- Consistent demand from industrial customers for riveting solutions throughout the year. Automotive-related applications with solid development driven by 2H
- New Head of Construction division appointed, who will take over as of January 1, 2024



The Birdie®, the smallest and lightest battery-operated riveting tool of its class

Headlines Distribution & Logistics segment

Leading in Europe

- Leap in growth of 212.8%, mainly driven by consolidation of Hoffmann for 8 months, resulting in reported sales of CHF 1,073.0 million
- Both divisions generated attractive organic sales growth based on attractive market positioning and good material availability
- Adjusted EBIT of CHF 102.2 million up 213.5% vs. PY. Corresponding adjusted EBIT margin at 9.6%
- For FY23, SFS expects solid organic sales growth along target bandwidth of the Group on a like-for-like basis

Key figures Distribution & Logistics

In CHF million

	2022	+/- PY	2021	2020
Third party sales	1,073.0	212.8	343.0	316.9
Sales growth comparable		5.3		
Net sales	1,067.4	206.8	347.9	321.6
EBITDA	100.5	166.6	37.7	34.1
As a % of net sales	9.4		10.8	10.6
Operating profit (EBIT)	79.3	143.3	32.6	28.7
As a % of net sales	7.4		9.4	8.9
Operating profit (EBIT) adjusted ¹	102.2	213.5	32.6	28.7
As a % of net sales	9.6		9.4	8.9
Average capital employed	627.8	381.4	130.4	126.9
Investments	16.0	290.2	4.1	4.1
Employees (FTE)	3,704	511.2	606	598
ROCE (%) ²	16.3		25.0	22.6

¹ 2022 adjusted for amortization of inventory step-up related to purchase price allocation of the Hoffmann SE acquisition and first-time intra-segment profit elimination in inventory (Segment D&L) CHF 22.9 million.

² EBIT adjusted in % of average capital employed

D&L International and D&L Switzerland division

Exploiting the potential for collaboration

- Ramp-up of LogisticCity in Nuremberg (DE) successfully completed. Legacy logistics infrastructure handed back to landlords
- Consolidation of logistics activities in central Switzerland allowed expansion of warehouse capacity and increased operations efficiency
- Decisive work by cross-divisional teams to start leverage of highest potential business opportunities:
 - Cross selling of C-parts portfolio
 - Serve international D&L CH customers with full portfolio
 - Optimize supply chain for CH customers by utilizing logistics of D&L International



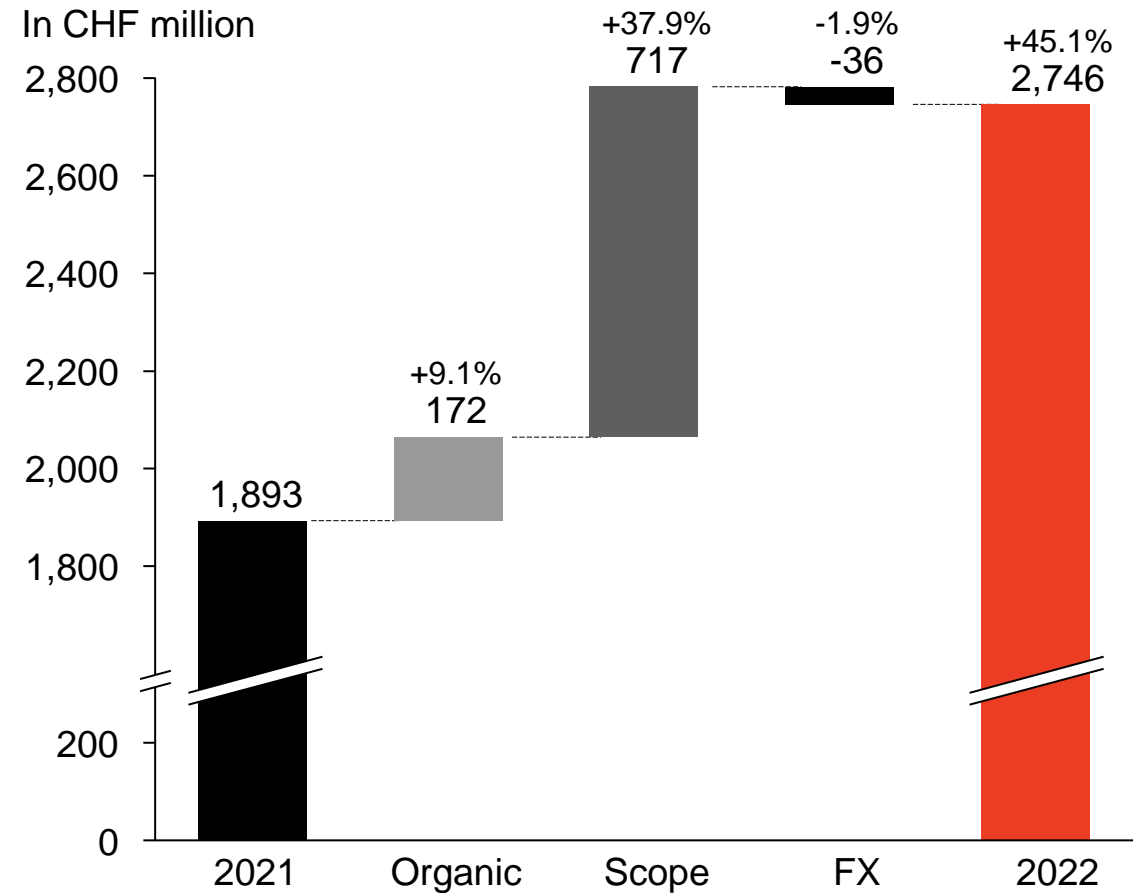
Development of key financials

Sales bridge

Solid growth and step-change from Hoffmann inclusion

Organic Growth	Current Year CHF million	Current Year %	Prior Year %
Segment EC	64	6.5%	7.9%
Segment FS	90	15.6%	16.6%
Segment D&L	18	5.3%	8.0%

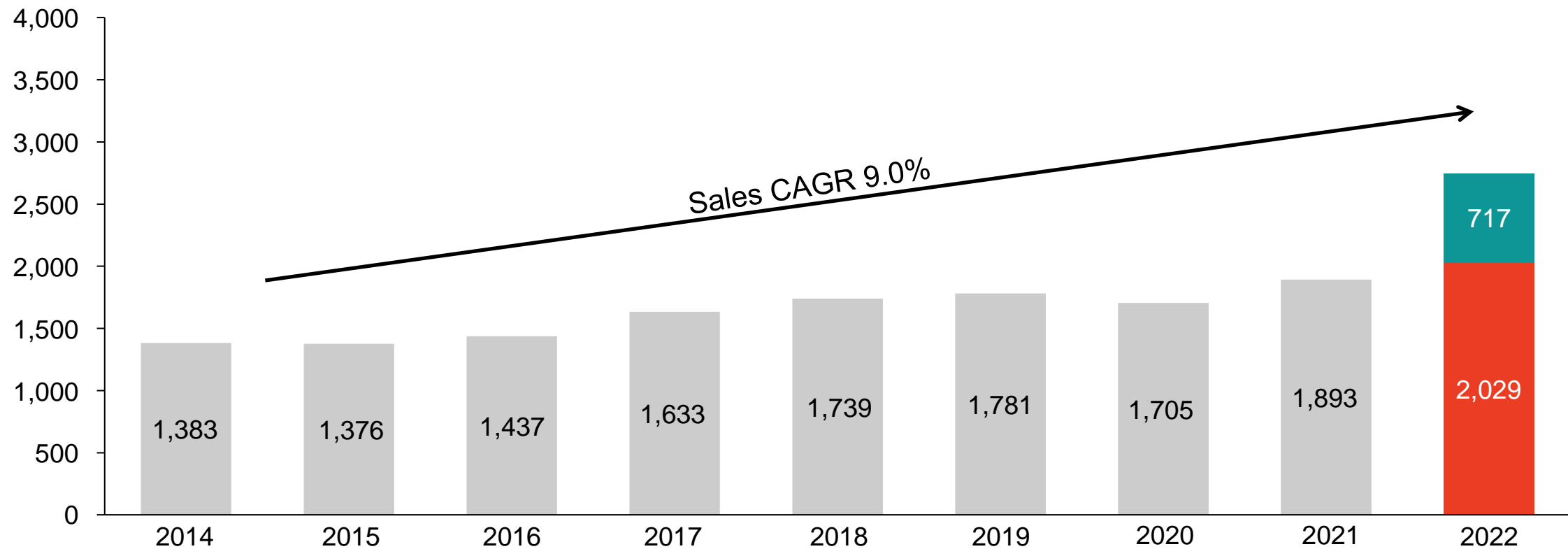
- Organic growth solid for all segments
- Step-change from Hoffmann with +CHF 717 m (+735 m at stable FX) reflects 8 months of sales (May–December 2022)
- D&L segment in its new form grew organically on a 12-month LFL basis ~10%



Sales development

Growth ability confirmed

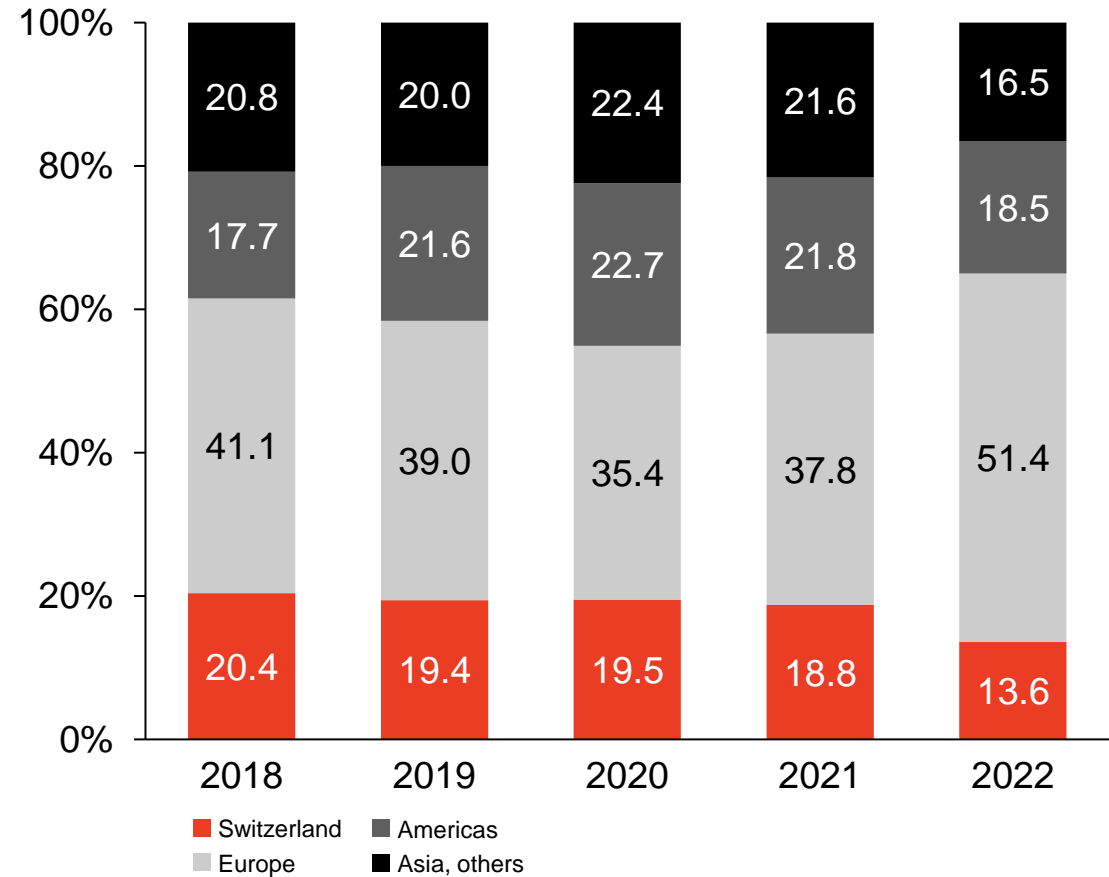
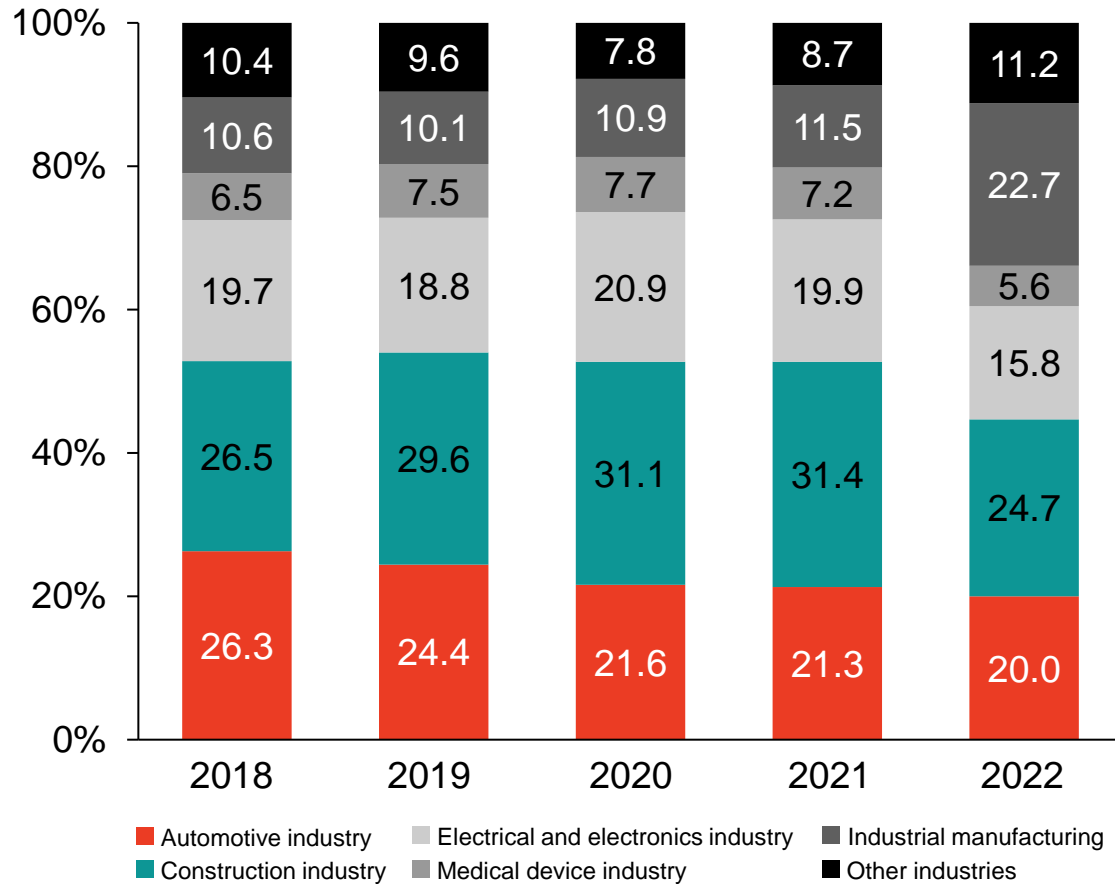
In CHF million



■ Sales SFS old ■ Sales Scope Effect

Sales breakdown

Shifts towards Industrial & Europe due to Hoffmann



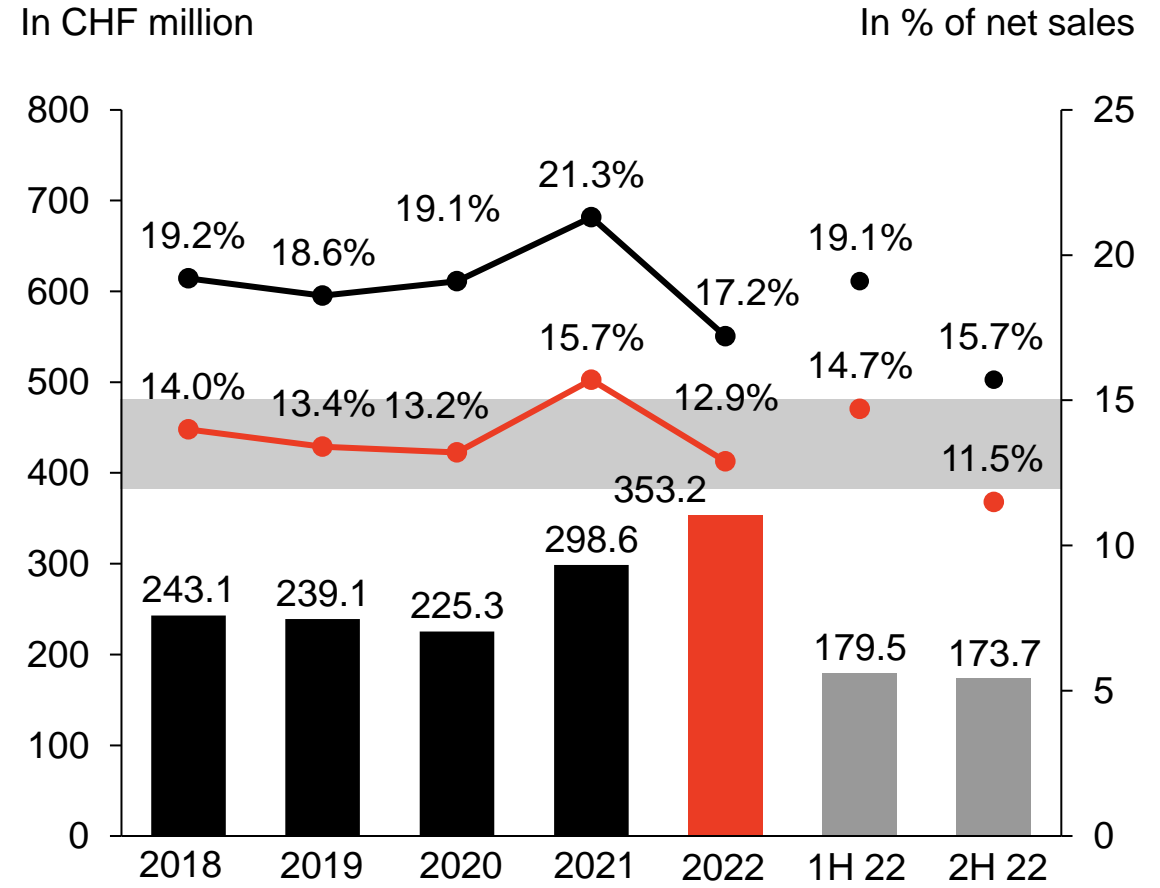
Operating profitability

Solid demand | Swings challenging

Profitability	Reported, CHF m	Reported, %	Adjusted, CHF m	Adjusted, %
EBIT*	330.3	12.1%	353.2	12.9%
EBITDA*	448.1	16.4%	471.0	17.2%

- Supply chain on customer side remains challenging
- Energy cost significantly up (+23%)
- Adjusted for inventory step-up of Hoffmann acquisition

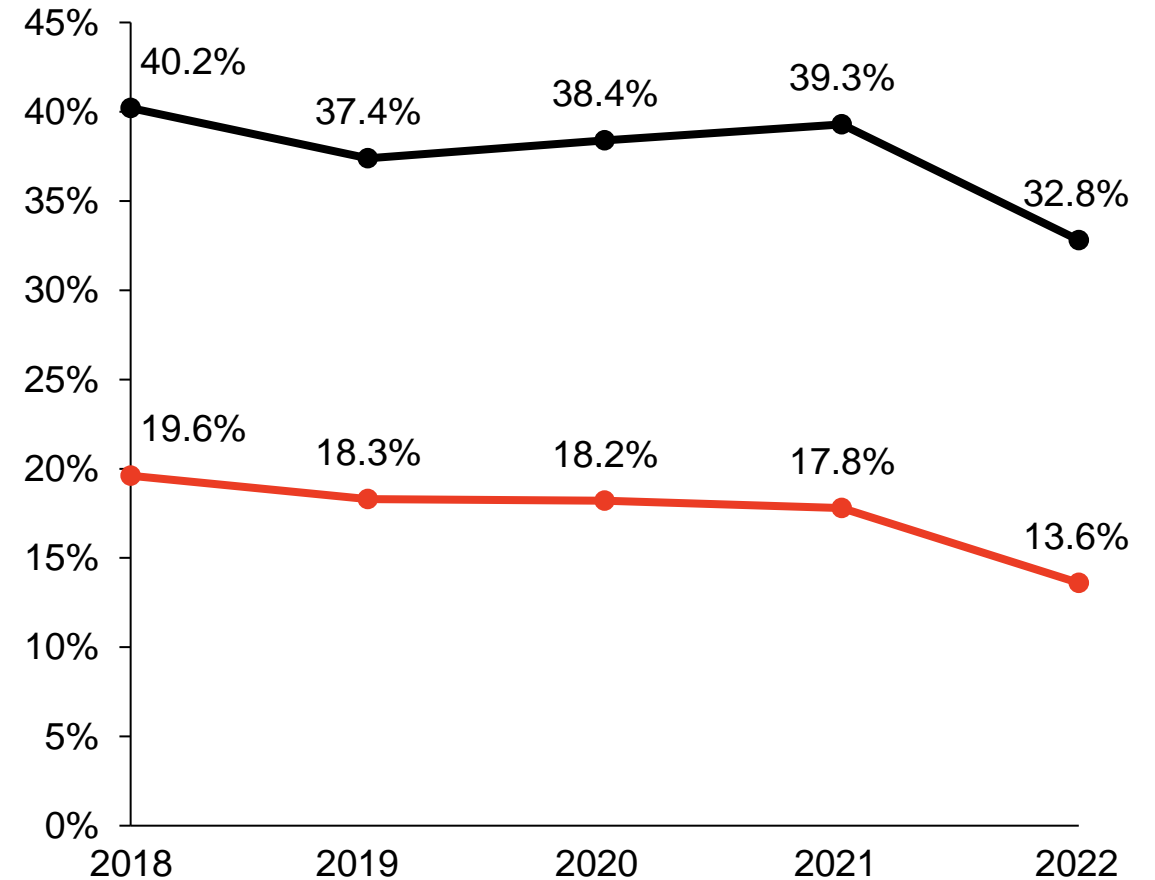
* Including 8 months of Hoffmann. EBIT adjustments are explained in the information for shareholders section in the annual report.



Swiss franc exposure

OPEX in Swiss francs further reduced

- Share of OPEX and sales invoiced in CHF decreasing as expected due to Hoffmann acquisition with high exposure in EUR
- Reduction of CHF exposure is further targeted by
 - International M&A
 - Continued productivity improvements in CH
 - Relocation of processes outside of CHF sphere
 - Higher growth outside CHF denomination
 - Adoption of natural hedging



Leap in growth

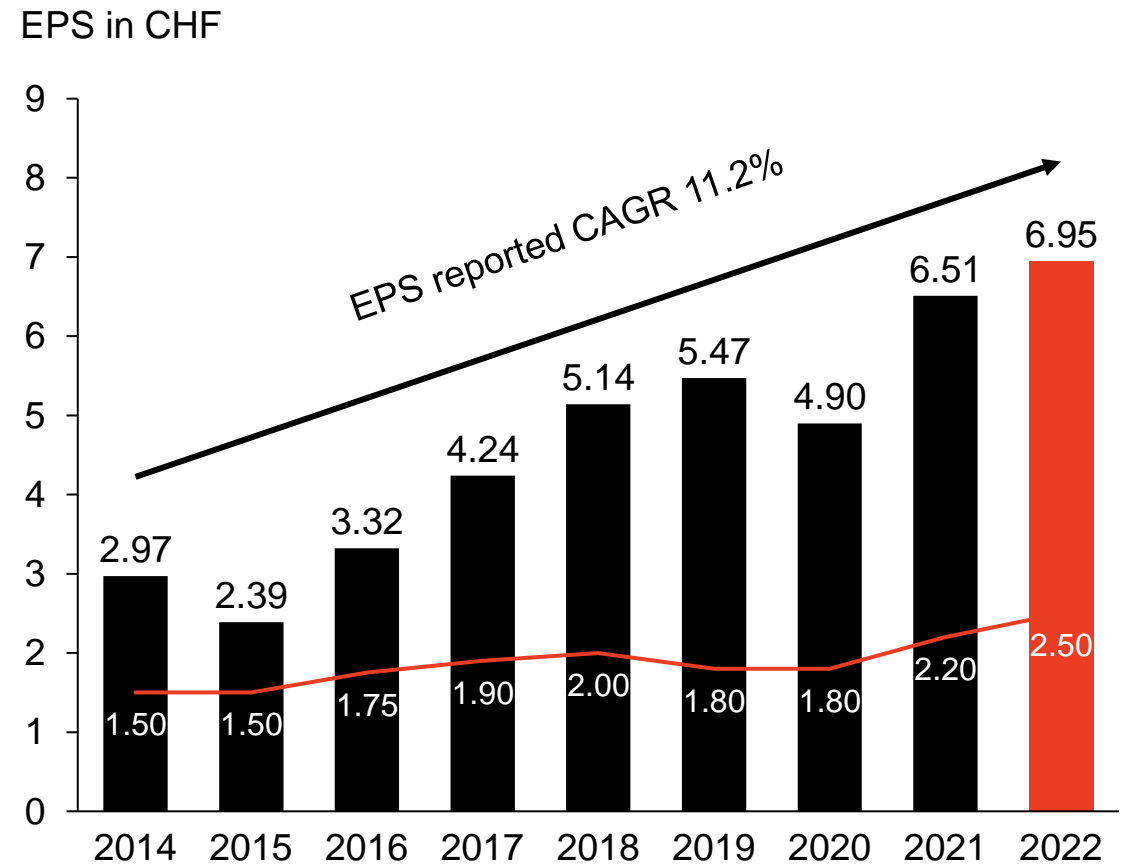
Accelerated by acquisition of Hoffmann

In CHF million	2022	%	2021	%	Y-O-Y
Net Sales	2,738.7	100.0%	1,897.3	100.0%	44.3%
Contribution Margin	1,610.2	58.8%	1,258.0	66.3%	28.0%
Personnel expenses	-737.2	-26.9%	-555.3	-29.3%	
Other OPEX	-424.9	-15.5%	-295.6	-15.6%	
EBITDA	448.1	16.4%	407.1	21.5%	10.1%
Depreciation & Amortization	-117.8	-4.3%	-105.4	-5.6%	
Operating profit (EBIT)	330.3	12.1%	301.7	15.9%	9.5%
Financial result	7.5	0.3%	0.0	0.0%	
Income taxes	-67.2		-53.7		
Effective tax rate	19.9%		17.8%		
Net income	270.6	9.9%	248.0	13.1%	9.1%

Earnings per share (EPS)

EPS increase based on effects

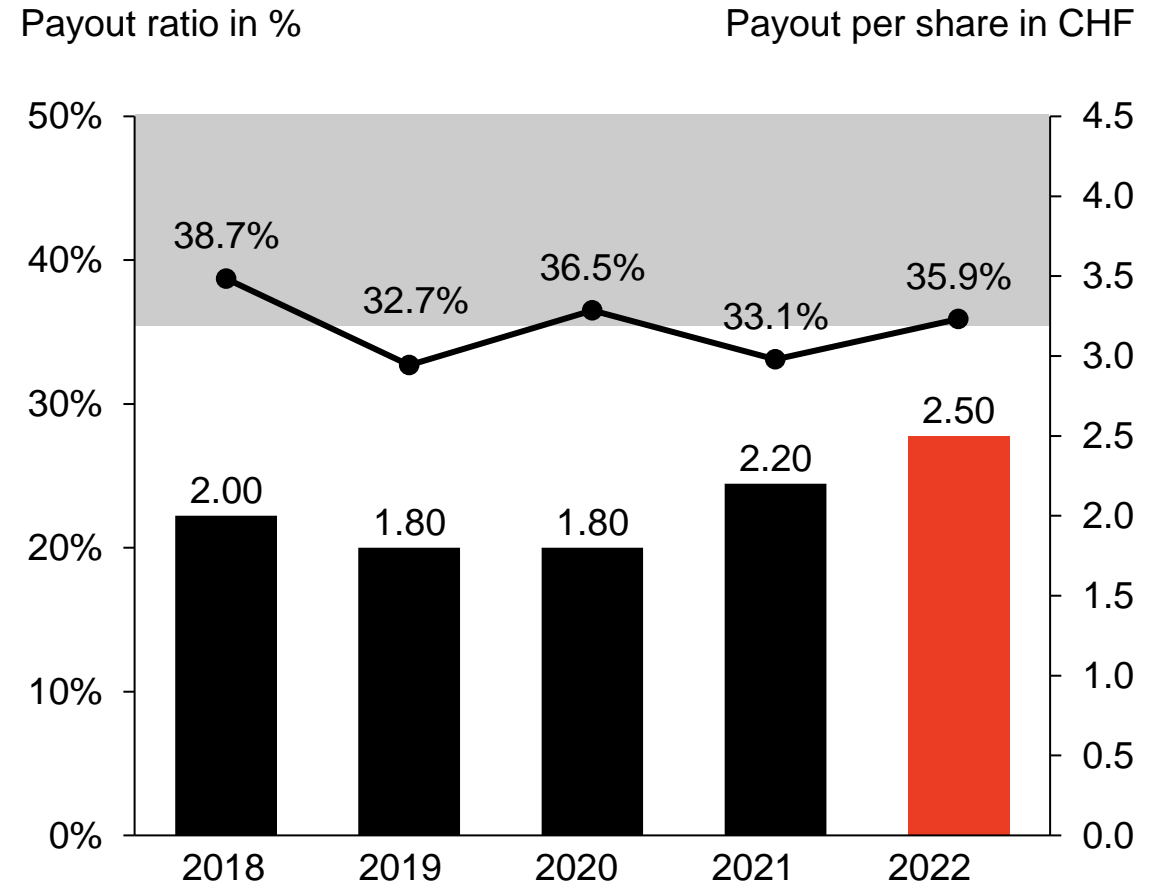
- Attractive performance on EPS basis
- Net income increase of 9.4% compared to previous year



Payout ratio

Increased dividend payout

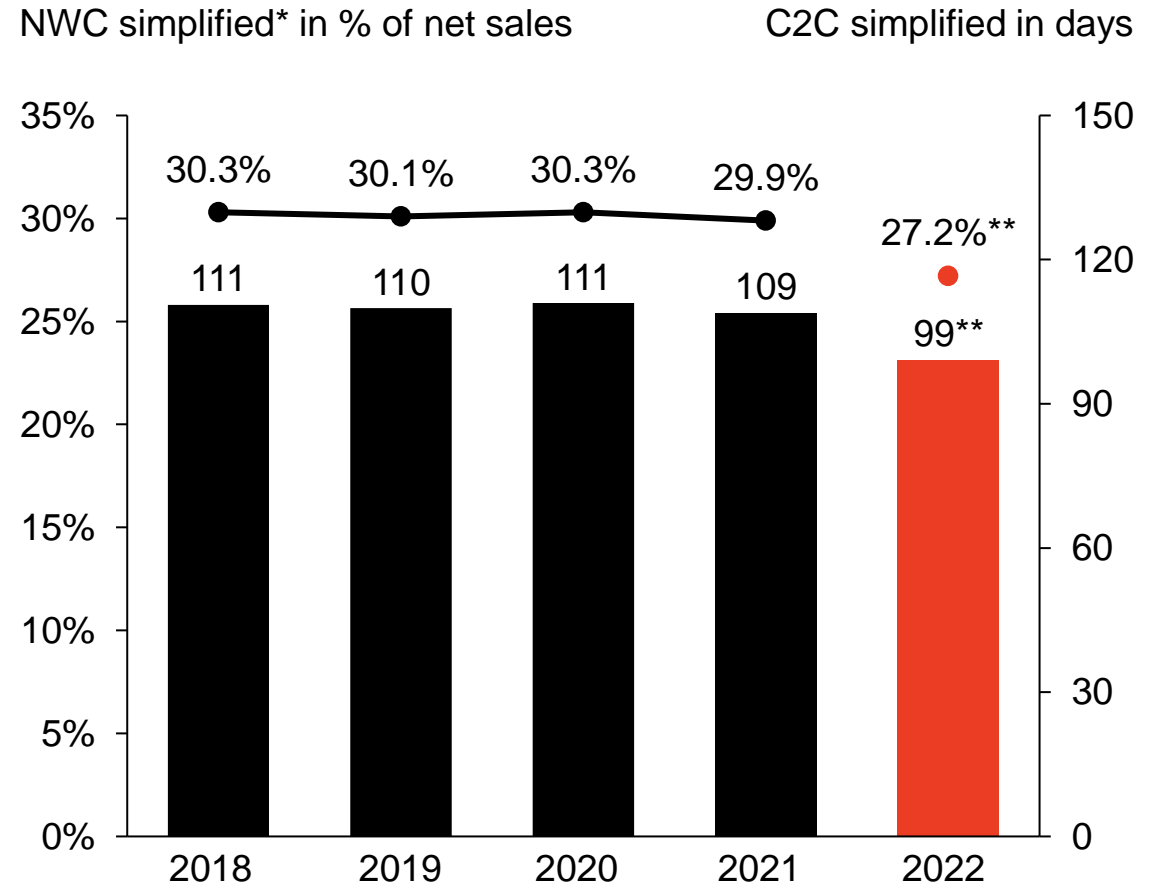
- BoD will propose a payout per share CHF 2.50
 - Thereof CHF 1.25 out of retained earnings
 - Thereof CHF 1.25 out of capital reserves
- Dividend yield ~2.3%
(at share price CHF 110.80 / March 1, 23)



Net working capital

Positive development based on mix effects

- Net working capital impacted by holding high delivery reliability to our customers, which is key to our market proposition
- We faced increasing inventory levels namely in FS segment
- Overall NWC in % of sales could be lowered and cash-to-cash cycle accelerated based on the inclusion of Hoffmann

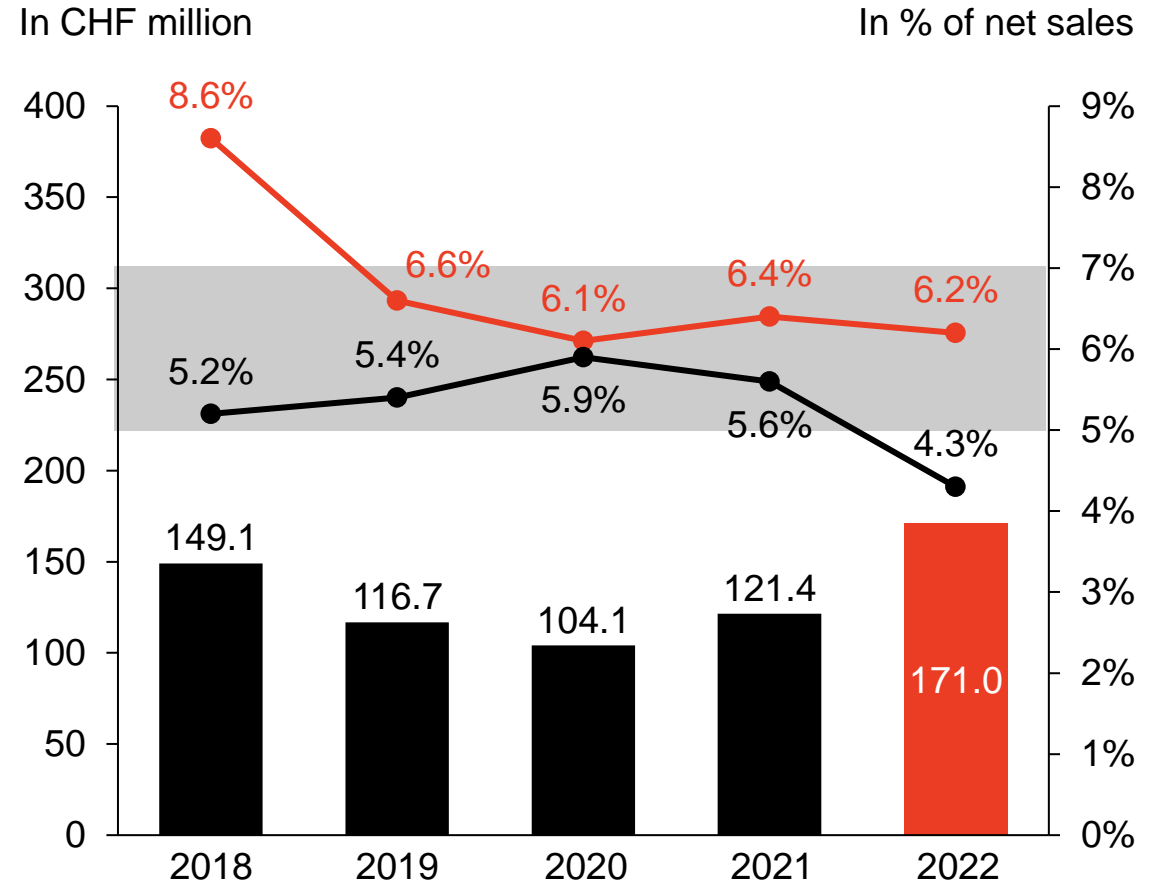


Capital expenditure

Investing to capture market potential

CAPEX spending by region	2022 %	2021 %
Switzerland	45%	59%
Europe	15%	9%
America	16%	13%
Asia	24%	19%

- The decisive expansion and capturing of customer demand in Segment EC calls for investments, i.e.
 - Expansion Heerbrugg
 - Expansion Nantong
 - General machinery



Operating free cash flow

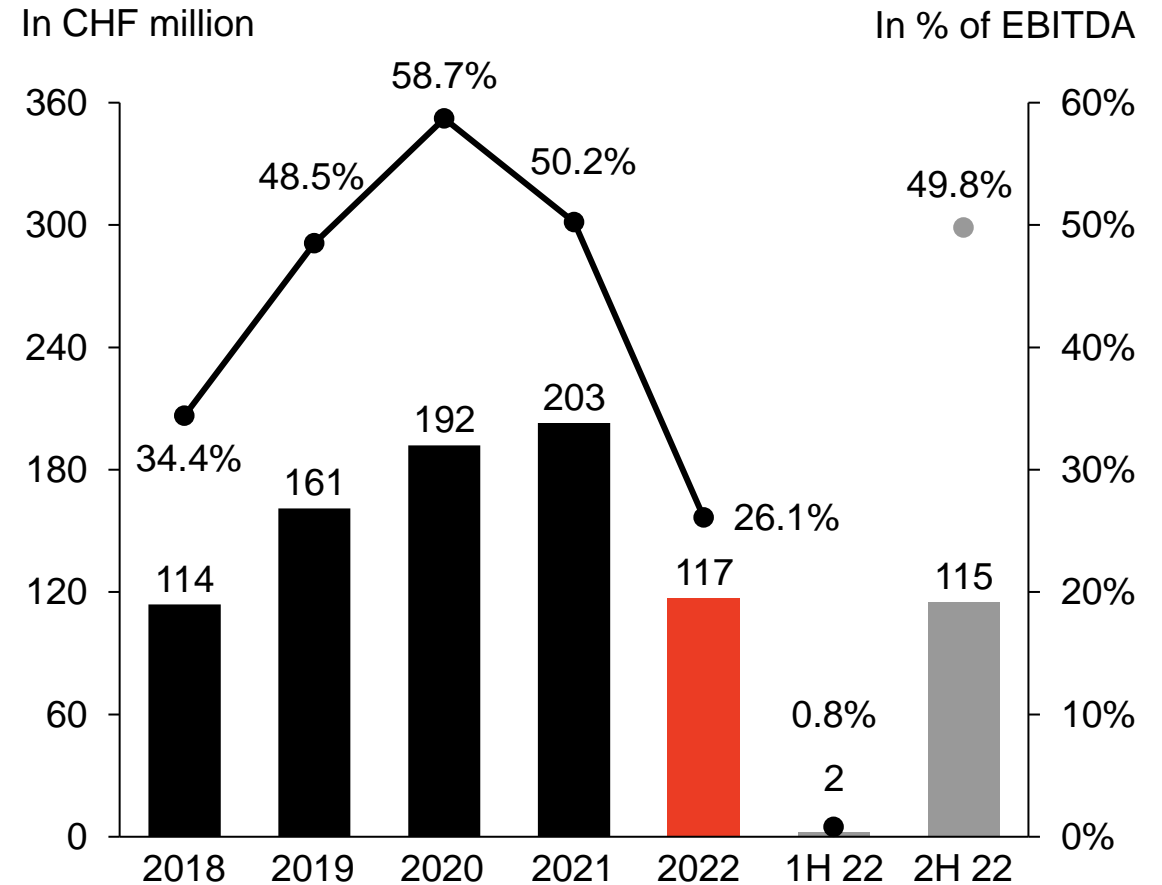
Back at normal levels in second half-year

- Cash generation back on track:

In CHF million	Current Year	Prior Year
CF before changes in NWC	379	352
Changes in NWC	-91	-28
Cash flow from operations	288	324
CAPEX	-171	-121
Operating free cash flow	117	203

- Build up of inventory as well as the intense investments drive down cash flow
- Cash conversion rate for FY22 at 24.8% (OFCF/EBITDA adj.*)

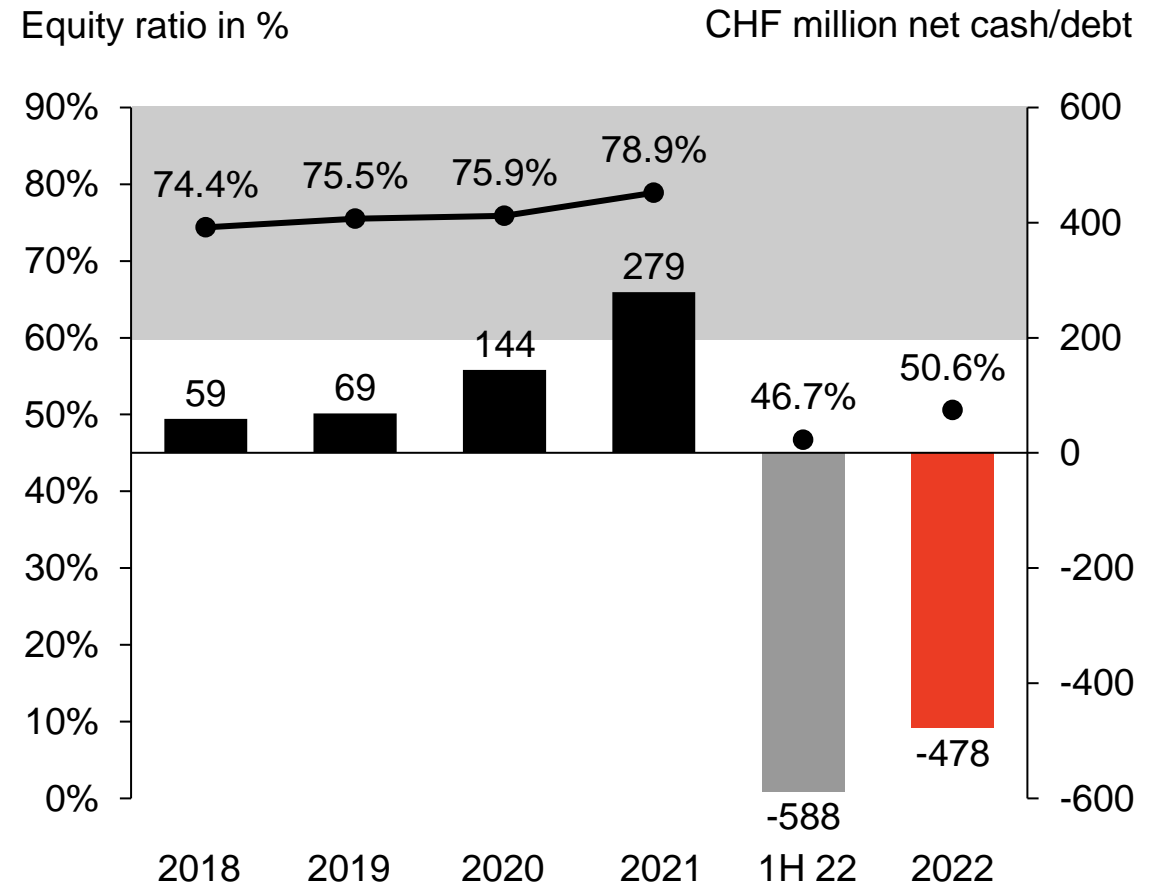
* Including 8 months of Hoffmann. Adjustments are explained in the information for shareholders section in the annual report.



Balance sheet ratios

Successful refinancing of Hoffmann transaction

- Equity ratio is back at >50%
- Leveraging balance sheet achieved by deploying
 - Net cash position
 - Renegotiation of RCF (CHF 600 m)
 - Launching primeur dual-tranche bond (250 million 3 yrs/150 million 5 yrs)
- Unused credit lines grant financial flexibility going forward



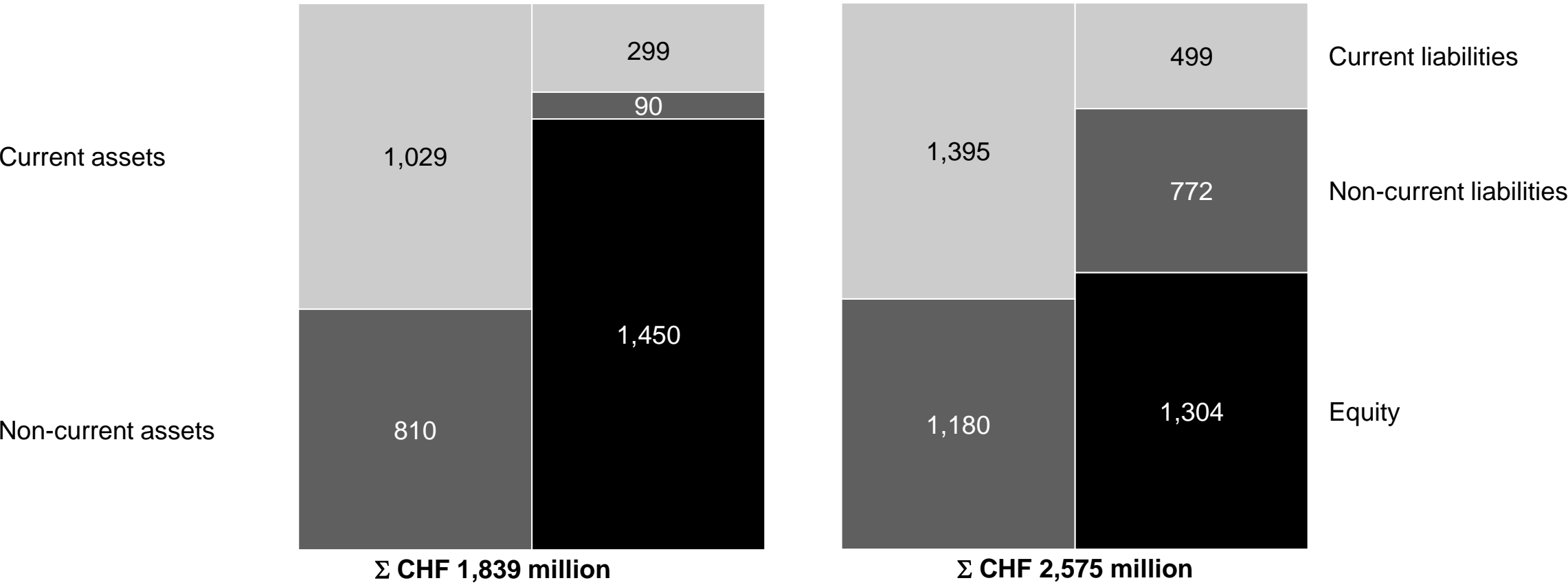
Substantial changes in balance sheet composition

Leveraging the balance sheet | Equity Ratio >50%

In CHF million

2021

2022



Return on capital

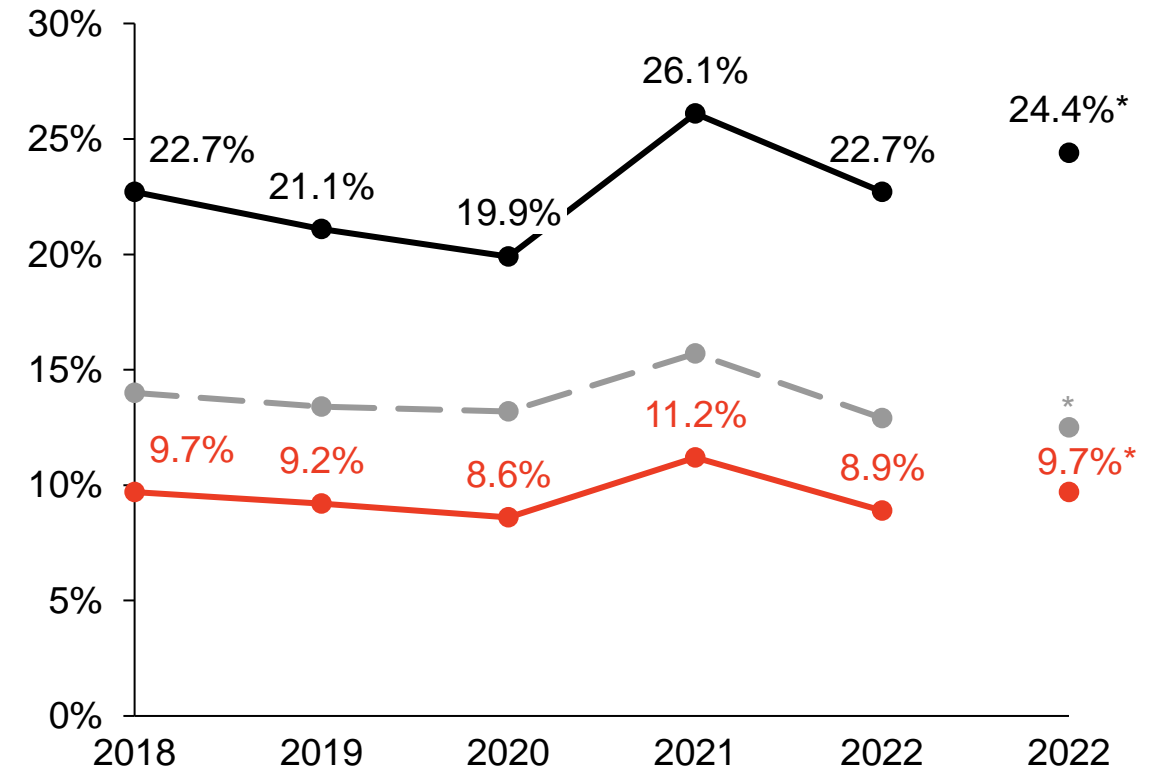
ROCE remains on high level

Bridge ROCE to ROIC

- Impact from goodwill and net cash: -9.8%p
- Impact from tax effects: -4.0%p

$ROCE = \frac{\text{Adjusted EBIT}}{\text{Ø Capital Employed (CE)}}$ <p>Ø CE = NWC less Cash plus fixed Assets less def. Tax and prov.</p>	$ROIC = \frac{\text{Adjusted EBIT} - \text{Tax Rate 17.5\%}}{\text{Invested Capital (IC)}}$ <p>IC = Equity before goodwill offset less net cash/plus net debt</p>
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In % of net sales

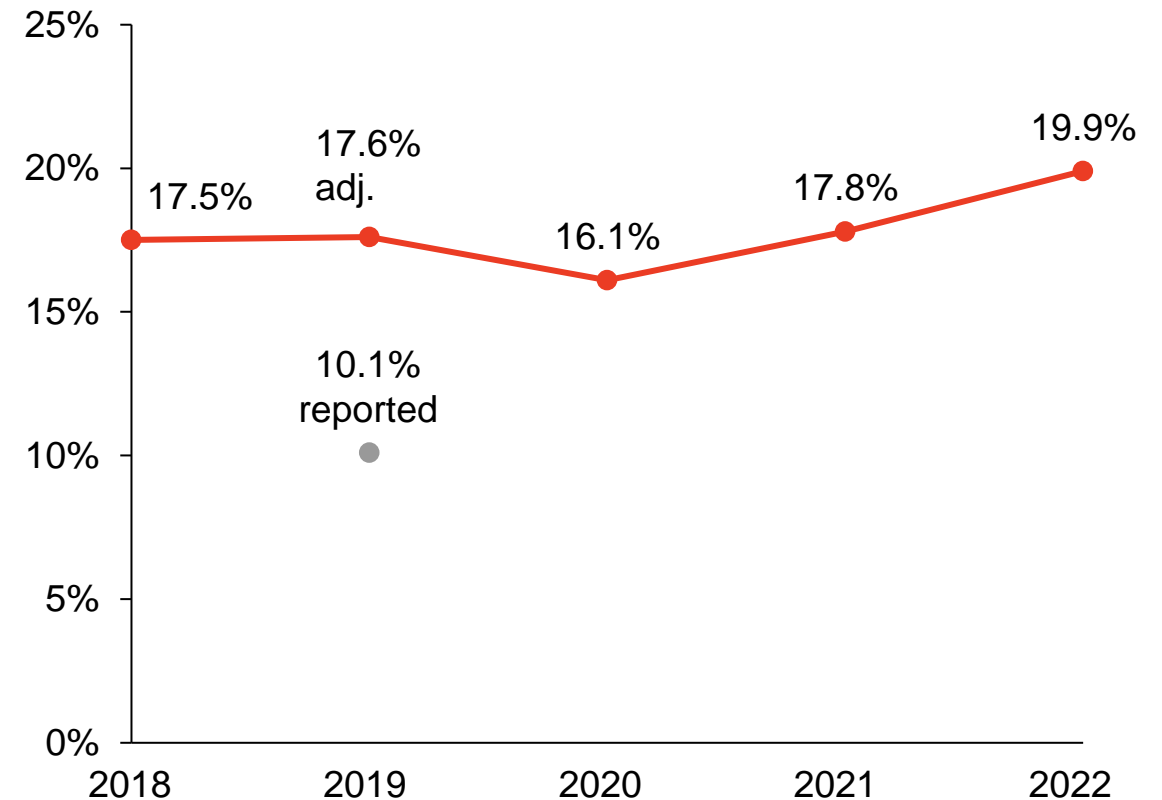


Effective tax rate

ETR increase partially due to Hoffmann acquisition

- In 2021/2022 shift of taxable profit towards higher-tax rate countries
- Prior years profited from usage of tax loss carry-forwards
- 2019 reported ETR at 10.1% driven by exceptional one-off lowering effects:
 - Lower Swiss tax rates (STAF): $-2.6\%p$
 - Capitalized temporary differences in amortizable US goodwill: $-4.9\%p$

Effective tax rate in %



KPI summary

First acquisition dilution effects visible

In CHF million		1H 22	2022	%	2021	%	Y-O-Y
Third party sales		1,223.6	2,746.1		1,893.1		
Net sales		1,224.1	2,738.7		1,897.3		
EBITDA	Margin	217.7	448.1	16.4%	407.1	21.5%	-510 bps
EBIT	Margin	162.9	330.3	12.1%	301.7	15.9%	-384 bps
EBIT adj.	Margin adj.	179.5	353.2	12.9%	298.6	15.7%	-284 bps
Net income	Ratio	131.5	270.6	9.9%	248.0	13.1%	-319 bps
Equity	Ratio	1,188.6	1,303.6	50.6%	1,450.4	78.9%	-2,826 bps
Net cash		-587.7	-477.7		279.1		
CAPEX	% Net sales	60.7	171.0	6.2%	121.4	6.4%	-15 bps
Operating FCF	Conversion rate	1.8	116.9	4.3%	203.1	10.7%	-644 bps
ROCE		27.6%	22.7%		26.1%		-340 bps
EPS		-	6.95		6.51		

Outlook 2023

Guidance 2023

First-time full consolidation of Hoffmann

	2022A (CHF)	2023G (CHF)
Gross sales SFS (in local currencies, incl. M&A)	2,746 m	3.2–3.3 billion*
<p>* Including first time consolidation of Hoffmann for full year. Before consolidation effects, sales growth along mid-term guidance of 3–6%.</p>		
EBIT margin SFS	12.1%	12–15%

This outlook is based on the assumption that there will be no significant deterioration in the underlying economic conditions or geopolitical, energy or pandemic-related restrictions.

SFS Group priorities

Focus on specific priorities

Megatrends

→ Focus on application areas with strong underlying growth drivers due to global megatrends (i.e. digitalization, demography, autonomous driving)

Growth

→ Investments in future growth projects
 → Establish international presence with Hoffmann
 → Accelerate growth in North America and Asia

Customers

→ Ensure reliable supply capability
 → Continue improving customer centricity of organization
 → Further strengthen local-for-local approach

Profitability

→ Balance production capacity with demand while ensuring supply capabilities and keep costs under control
 → Balanced price management

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 FY2023

- Annual General Meeting:
Wednesday, April 26, 2023
- Publication of Sustainability Report 2022:
End of May, 2023
- Publication of Half-Year Report 2023:
Tuesday, July 18, 2023

IR Contact:

investor.relations@sfs.com

Thank you for your attention

Disclaimer

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