



Value Engineering Specialist



Investor Day 2022
Heerbrugg | Switzerland, September 15, 2022

Today's speakers

Welcome to the presentation and video webcast



Jens Breu
Chief Executive
Officer



**Volker
Dostmann**
Chief Financial
Officer



George Poh
Member of the
Group Executive
Board – Division
Electronics



**Alfred
Schneider**
Member of the
Group Executive
Board – Division
Automotive



Arthur Blank
Member of the
Group Executive
Board – Division
Construction

Agenda Investor Day II, 2022

- | | |
|-------------------------|----------------|
| 1. Optional plant tour | 08.00–08.45 am |
| 2. Presentation and Q&A | 09.00–11.15 am |
| 3. Optional plant tour | 11.15–12.00 am |
| 4. Lunch | 11.15–01.00 pm |

Presentation

- | | |
|---------------------------------|------------------|
| 1. Positioning of SFS | Jens Breu |
| 2. Highlights ESG | Jens Breu |
| 3. Key financial messages 1H 22 | Volker Dostmann |
| 4. Electronics division | George Poh |
| 5. Construction division | Arthur Blank |
| 6. Medical division | Jens Breu |
| 7. Automotive division | Alfred Schneider |
| 8. D&L International update | Jens Breu |
| 9. Q&A | All |

Positioning of SFS

Mission critical products for selected niche applications

We are by your side – 24/7



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

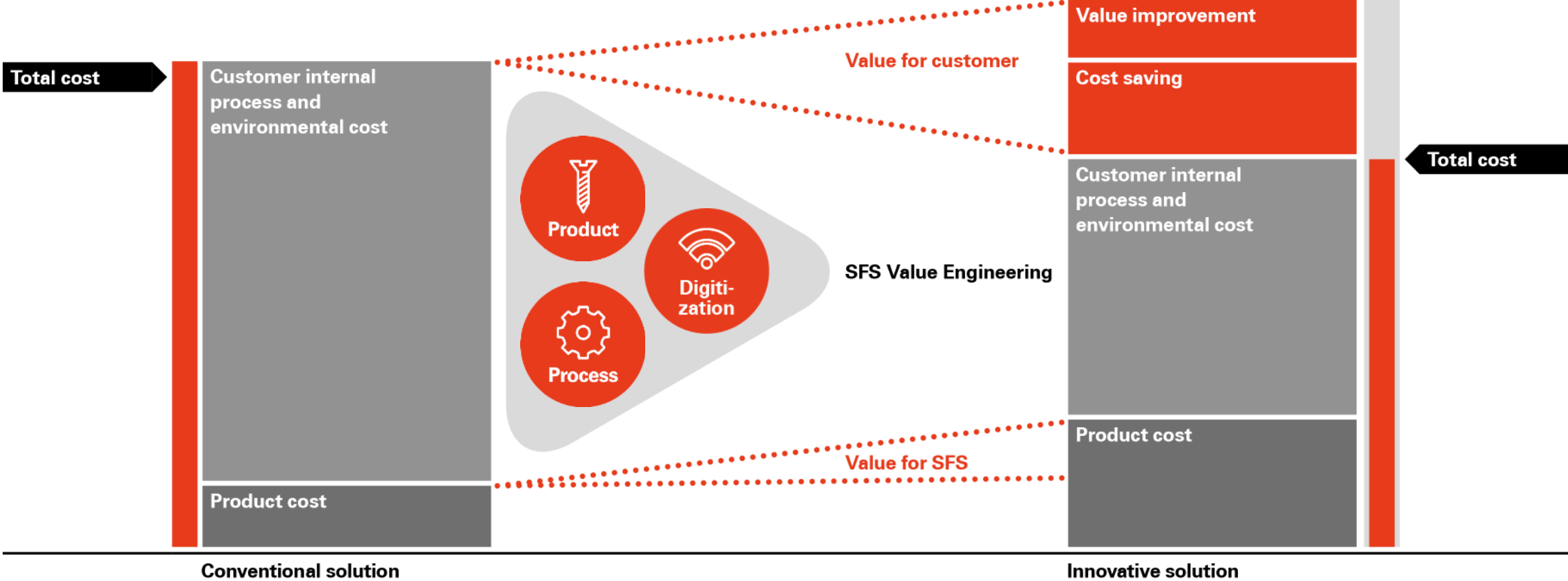
System Partner

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

Innovation



Growing market segments

- Niche markets with above average growth potential
- Strong link to underlying megatrends

Operational excellence

- Robust supply chains
- High volume production technologies
- Time to volume
- Best in class availability

Leverage of global platforms

- Local-for-local business development
- Increase share of wallet
- Reduction of supply chain complexity

Global reach

Global sales & manufacturing platform

Customer proximity supported by local presence

140
locations
in 35
countries



North America
40 Locations
(7 Production operations)

Europe
85 Locations
(20 Production operations)

Asia, others
15 Locations
(5 Production operations)

Highlights ESG

Our key ESG initiatives

Creating value for all our stakeholders

Environmental



Renewable Energy
Purchase and own production



Lean & Green Program
Efficient production, waste reduction



Mobility and Transport
Sales, logistics, employees



Sustainable Value Chain
Supplier assessments

Reduce CO₂ emissions by 90% until 2030

Social



Training and Education
Vocational training, lifelong learning



Occupational Health and Safety
Minimize work-related accidents



Social Engagement
Hoffmann Group Foundation



Promotion of Dual Education
Hans Huber Foundation

Create value for employees and society

Governance



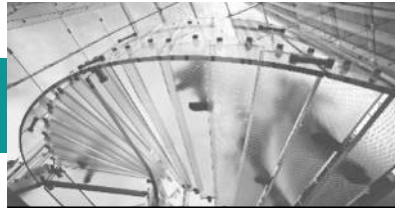
Compliance
Fair competition, anti-corruption



Ethics
Human Rights and Corporate Values



Transparency
Transparent and accurate reporting



Diversity
Promoting the value of diversity

Act responsibly and with integrity

Energy crisis & CO₂ emission reduction

Solutions for both issues go hand-in-hand



Continued efforts to reduce consumption and save energy

- Reduce dependency
- CO₂ reduction
- Efficiency increases



Build-up of own energy production

- Reduce dependency
- Decrease energy costs
- CO₂ reduction



Local for local approach allows for regional diversification of supply chains and operations

- Reduce dependency
- Less transportation
- CO₂ reduction
- Security of supply

Wind energy – the future of energy in winter

A lighthouse project as supplement to photovoltaics

- As electricity shortage is emerging in the winter half-year, SFS strives to use available wind energy for a sustainable energy supply
- To this end, SFS provides industrial land to realize the first wind energy plant in the canton of St. Gallen
- With the planned plant size of 4–5 MW, another 10% of Switzerland's consumption can be produced sustainably
- The renewable energy will be fed directly into the own energy supply



Hoffmann Group Foundation

“Tools create value”

- Social commitment as part of Hoffmann’s corporate culture
- Projects that support the development of disadvantaged and traumatized children and young people
 - Orange Houses: therapy and creative centers
 - Orange Projects: creative and therapy workshops
 - Regional Projects
- More than 10 institutions in Germany



Governance – Sustainability reporting structure

Start with CDP for reporting year 2022

- Reporting period 2022
 - GRI Report (Standard 2021, “in accordance with”)
 - CDP
 - EcoVadis
 - UN Global Compact
- Reporting period 2023
 - German Supply Chain Act
 - TCFD
 - Combined release of annual report and sustainability report (and required approvals by AGM)

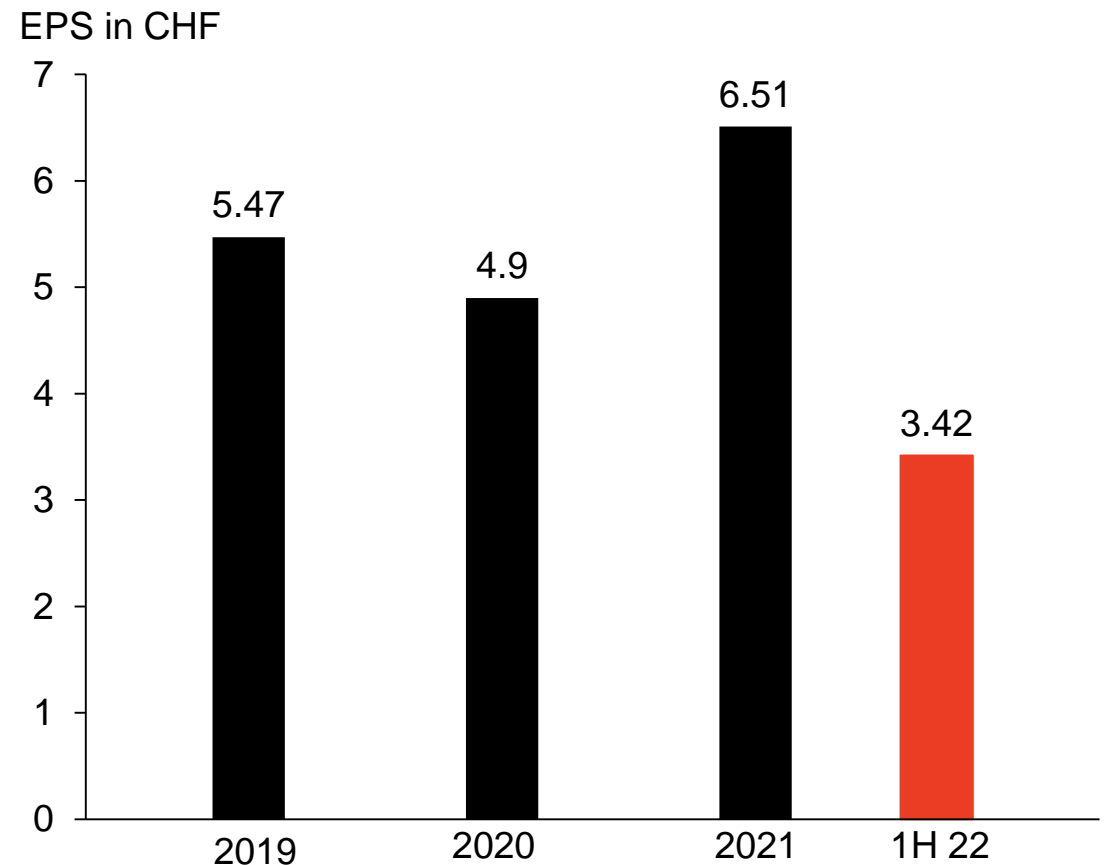


Key financial messages 1H 22

Development EPS 2019 – 1H 22

Hoffmann accretive to EPS as of 2022

- CAGR EPS 2019–2021 of 9.1%
- 1H 22 EPS reported CHF 3.42 per share
- 1H 22 EPS considered to be very strong:
 - Total shares increased by 1.4 million
 - 1H 22 EBIT 13.3%, yoy –380bp
 - Hoffmann contribution to earnings for 2 months only
 - 1H 22 effects from accounting of Hoffmann acquisition at CHF 0.36 per share
 - Total year effect from acquisition estimated at CHF 0.43 per share



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%	Growth 3–6%
Sales impact 8 months consolidation Hoffmann			+ ca. CHF 720–770 m	+ CHF 720–770 m
EBIT margin SFS	15.9%	13–16%	stand-alone 13–16%	12–15%

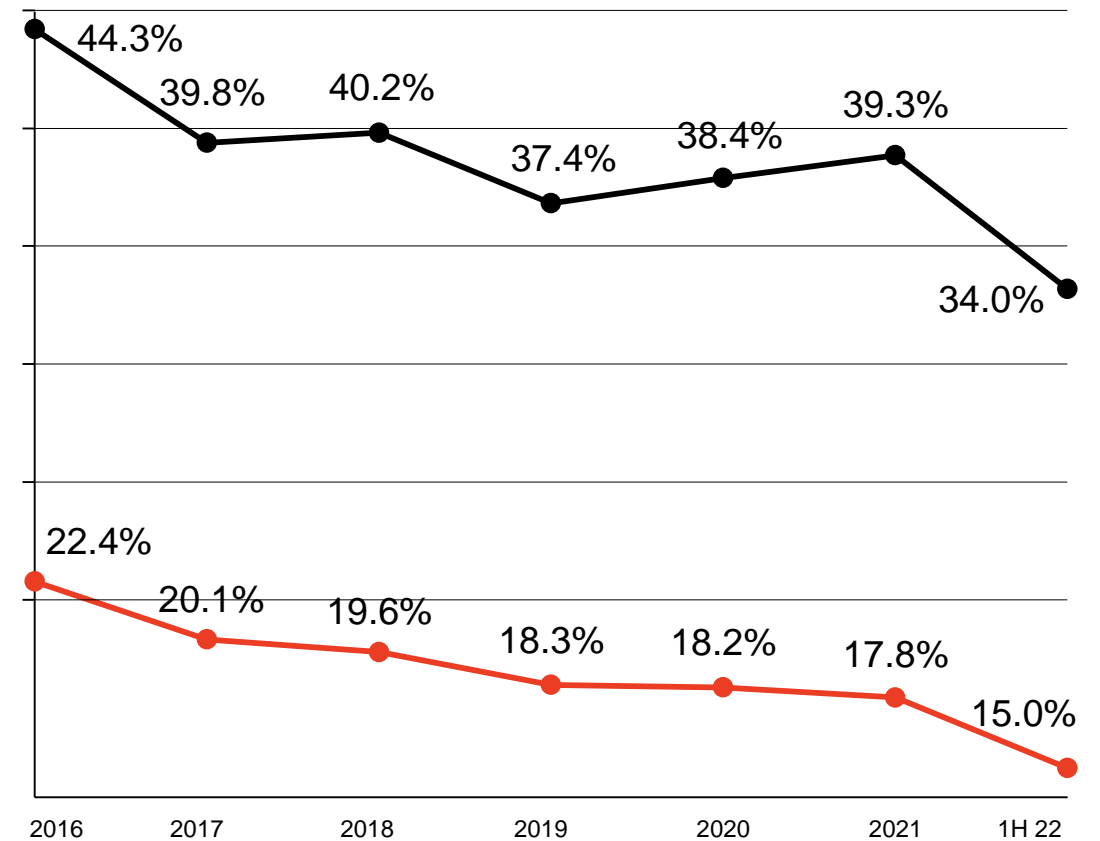
A = Actual G = Guidance

- This outlook is based on the assumption that there will be no significant worsening in the underlying economic conditions or pandemic-related restrictions

Swiss franc exposure

Share of OPEX in Swiss francs further reduced to 34%

- Export activities suffer from appreciation
- Drivers for strategically targeted reduction
 - M&A outside CHF denomination
 - Improved productivity in Switzerland
 - Relocate processes outside CHF
 - Adopting 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/EUR
 - >40% hedged for 2023 at CHF 1.025/EUR

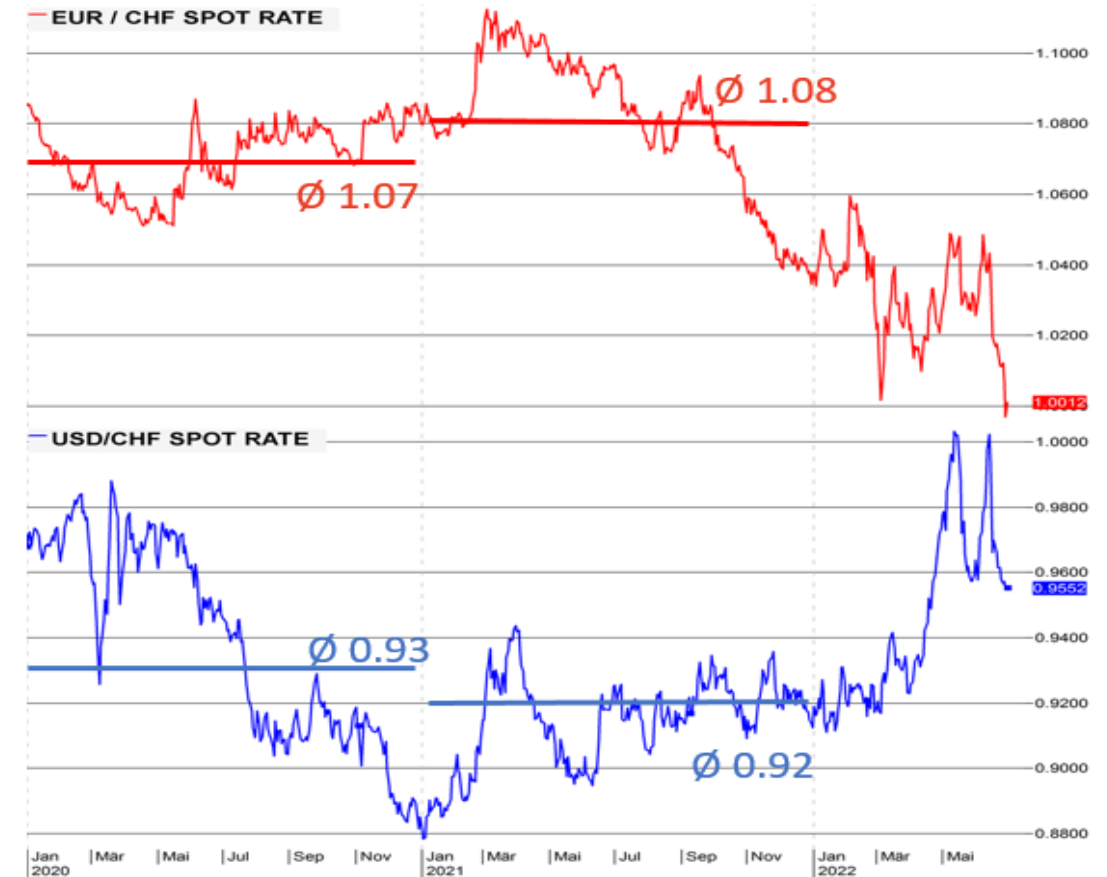


—●— Sales invoiced in CHF —●— OPEX in CHF

Swiss franc exposure

Appreciation of CHF with limited translation impact

- P&L translation in foreign currency
 - Simulation with an EUR at 0.975 or USD at 0.900
 - Combined impact on Group EBIT margin expected to be around –10 to +10 bps compared to average 1H 22
 - Hence, FX translation effect has limited impact on Group EBIT



Electronics division

George Poh, Head of Electronics division

Positioning and market trends

Positioned to serve above average growing segments

Position within electronics market

- Supplying the electronics industry based on 7 core technologies and with 8 core products
- Focus on end market segments
 - Mobile devices
 - Lifestyle electronics
 - Hard Disc Drive
- Manufacturing activities focused on Asia
- Global marketing including North America
- Major key accounts served world-wide

Key trends in industry



→ Growth driven by emerging markets demand, technology upgrades, customer product ecosystem growth & accessories expansion



→ Cloud data storage to drive demand for HDD but SSD will replace certain HDD applications



Project Starlight 2 – Unisteel Nantong phase 2 expansion

Completion in June 2023



- Phase 1 space fully utilized earlier than expected (occupation in 2019)
- Growth of Electronics products with higher space utilization footprint
- Platform for other divisions in China:
 - Relocation Riveting from Nansha
 - Localization ABS, camera housings, BSD of Automotive
 - Support growth of Industrial, Medical, D&L

	Land area	Built-up area
Phase 1	90,000 m ²	77,000 m ²
Phase 2	22,000 m ²	34,440 m ²

Project Starlight 2 – Unisteel Nantong phase 3 expansion

Completion by end 2023

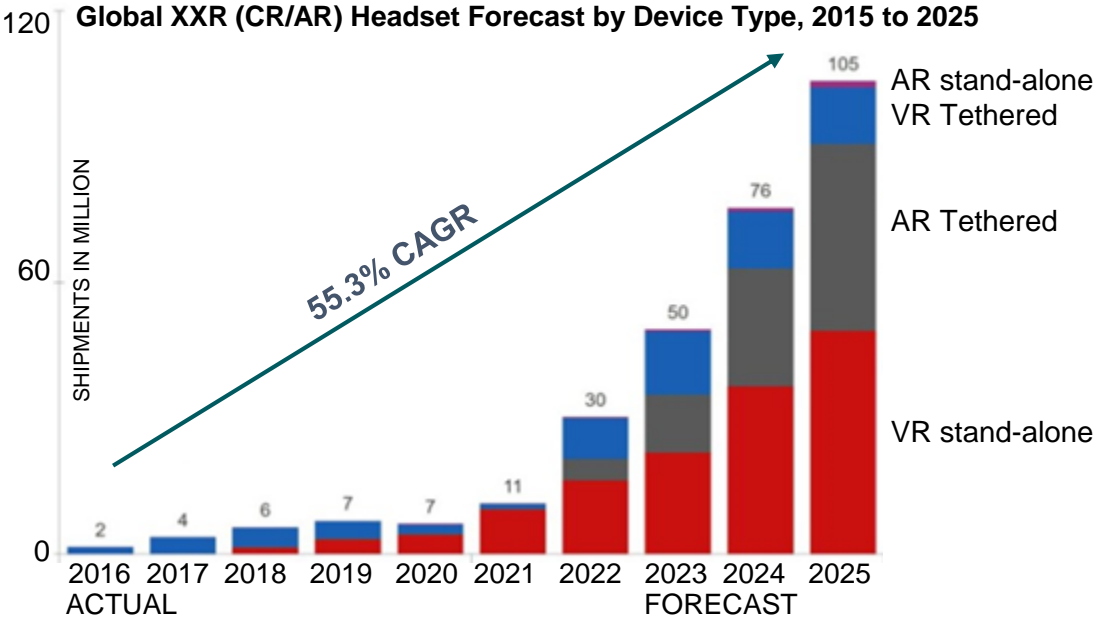


- Phase 3/4 located 1 km away from main site
- Limited land nearby existing site
- Phase 3 – mainly warehouse plus production
- Phase 4 – land reserved for future expansion

	Land area	Built-up area
Phase 3	57,470 m ²	28,233 m ²
Phase 4		Land reserve

AR/VR: Market trend and applications

Attractive opportunities for Unisteel



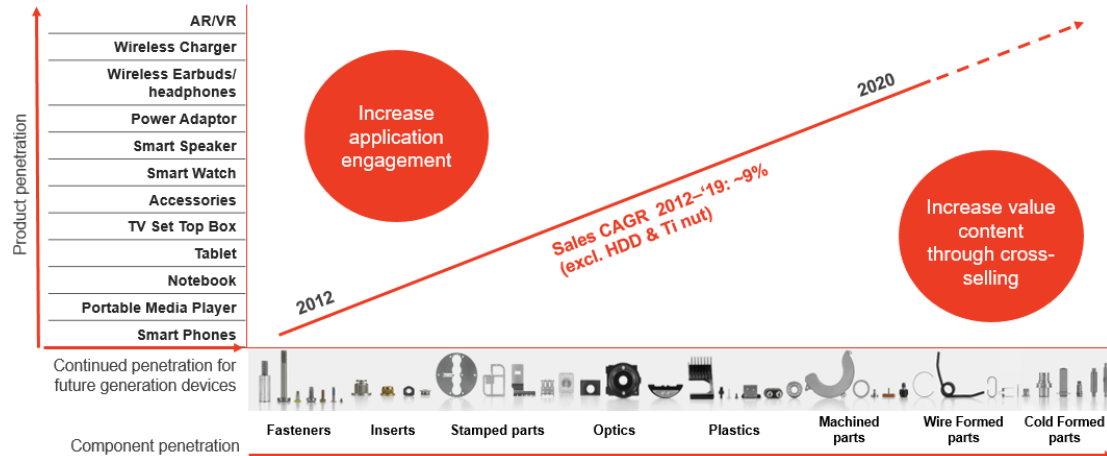
- Analysts forecast exponential growth, expected to reach >100 m units by 2025
- High Unisteel value content per device
- Opportunities for accessories beside main device
- Currently supporting market leader in this area of application, further existing customers are also working on the application

Applications	Games	Medical
	Military	Video
	Livestream	Logistics
	Education	Retail



Multilevel customer penetration

Growth across product ecosystems and technologies

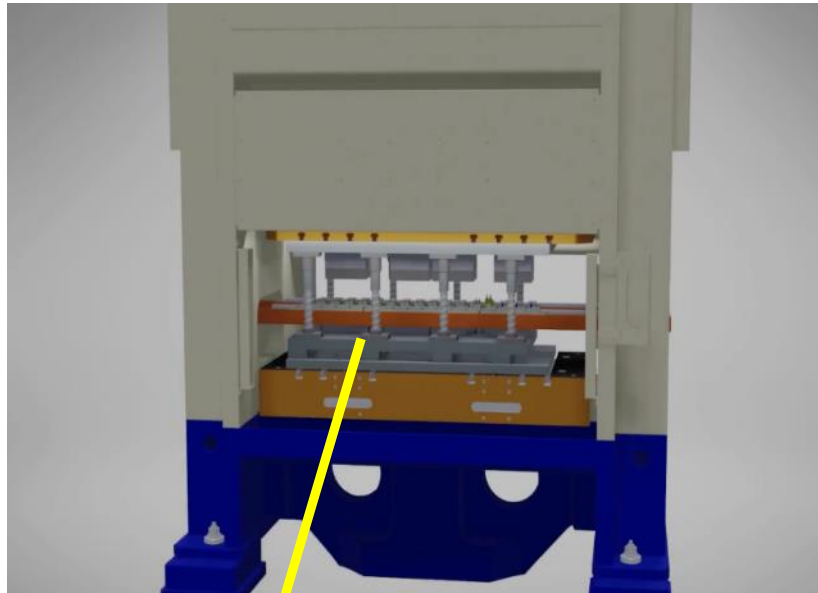


- Increase value content of supplies for end customer products
- Value engineering with special coating on existing screws to improve performance
- Changing material from carbon steel to stainless steel
- Cross-selling of core products (e.g. stamping parts) to existing customers

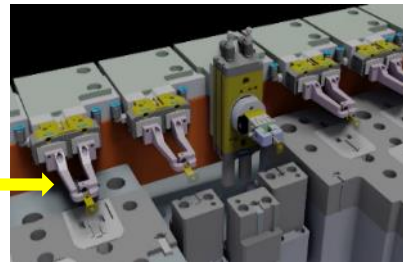
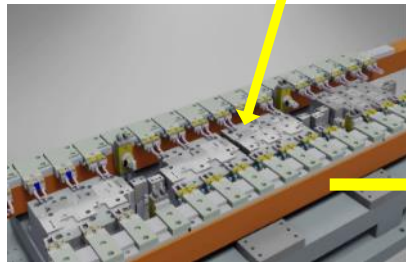


Technology innovation – 3D transfer stamping

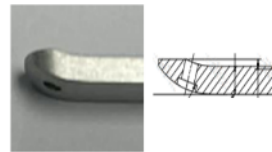
Complex vertical cold forming



One step forming
(1 clover+2 post)



In-die counter boring with tilted angle



- Value engineering to customers
- Transform from conventional full CNC machining to 3D transfer stamping/cold forming
- Advantages:
 - Reduced material wastage, lower cost and positive impact on sustainability
 - Higher output and significant productivity improvement
 - Ideal for high volume/long product life products

Electronics priorities

Key initiatives to grow top and bottom line

Nantong platform

→ Support other SFS divisions to leverage Nantong platform and grow their Asia business

Employees

→ Human capital development
→ Increase of automation and productivity
→ Ensure employee health & safety

Customer ecosystem penetration

→ Increase share of wallet in lifestyle electronics and mobile devices
→ Focus on attractive niches

HDD replacement

→ Leverage Malaysia plant for medical business and other applications in electronics

Construction division

Arthur Blank, Head of Construction division

Construction division in a nutshell

Clear orientation in a fragmented market

Position within construction market

- “The building envelope specialist”
- Fastening technology in the building envelope, timber fasteners and quality hinges with high customer benefit. The offering is supported by eCommerce and online services
- Activities focused on EU and NA
- Local market organizations in order to respond quickly to specific customer needs
- Major key accounts served worldwide

Peculiarities of business

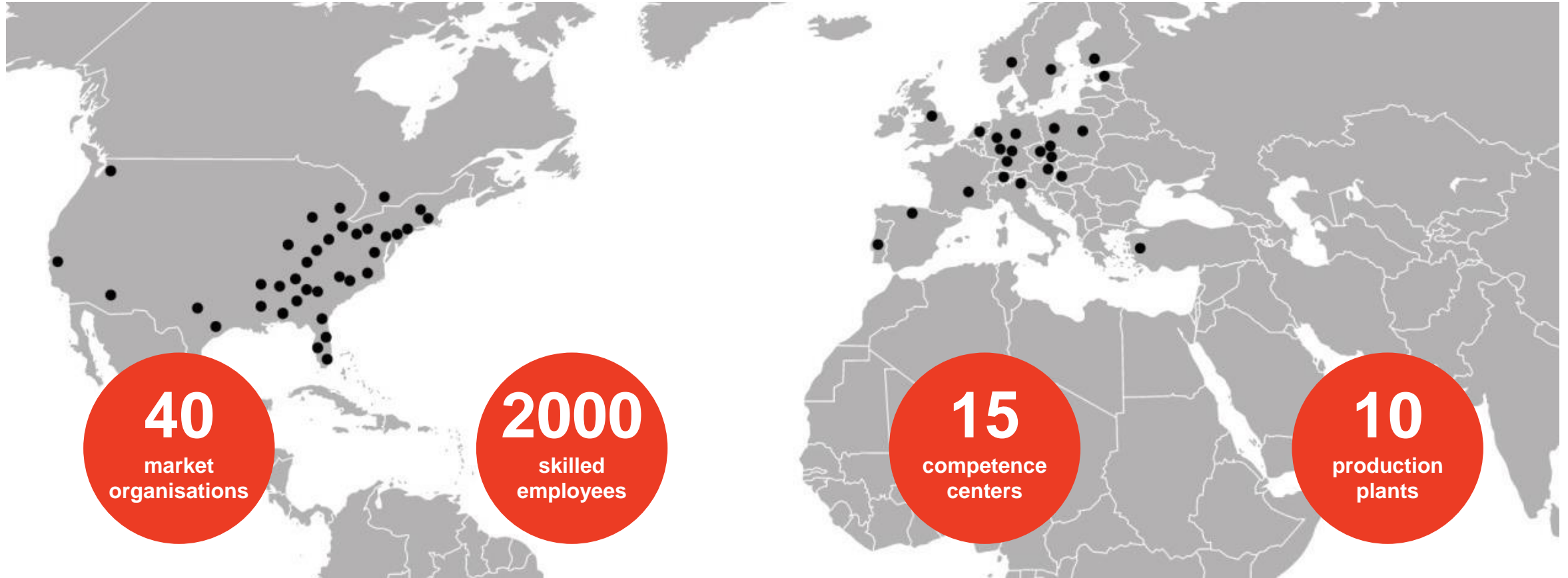
- No dependence on individual large customers
- Regional or national rules, norms and habits
- Time-critical orders – often next day delivery

Key drivers for change and innovation



Key figures Construction division

Close to the market for best understanding

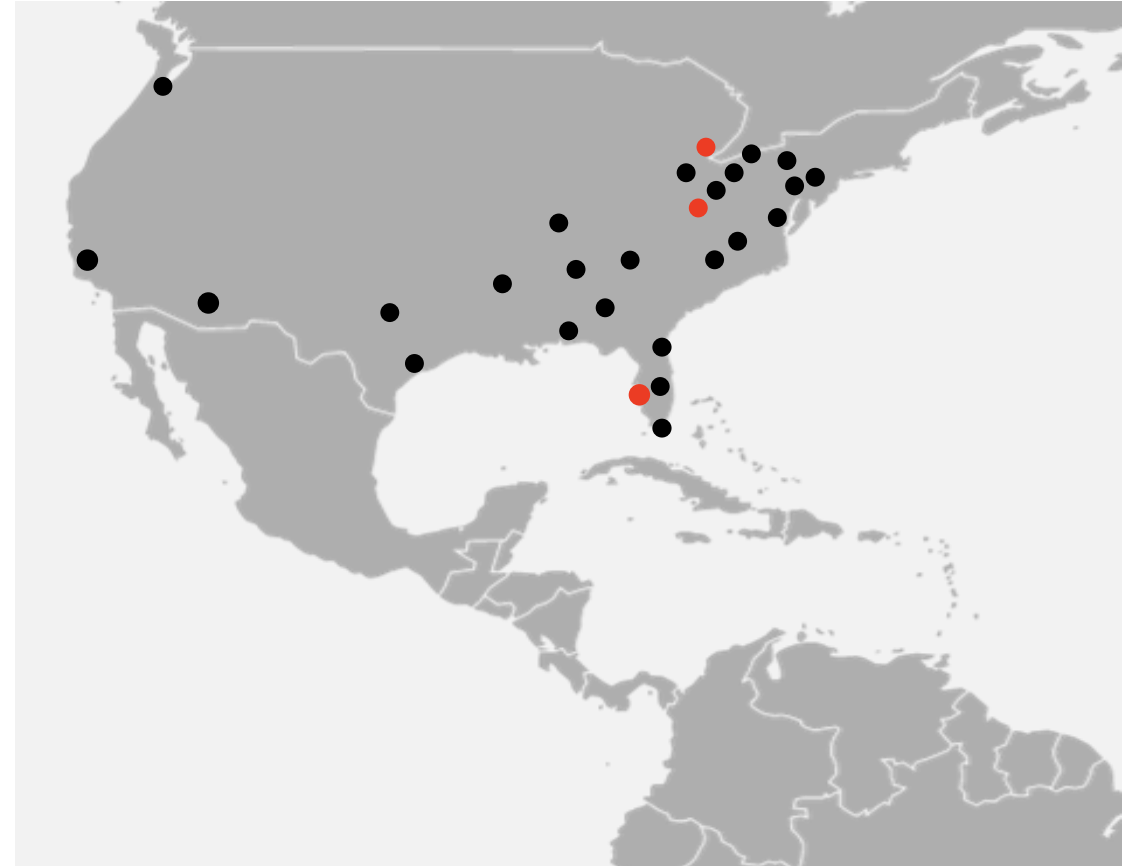


Sustainable growth in North America

Expansion of TFC branch network

- Acquisition of Triangle Fastener Corporation (TFC) in 2019 allowed to add direct access to local installers and contractors (about 6,000 active end customers)
- TFC with network of 25 sales branches, mainly along the US East Coast
- Significant growth opportunities by expansion of branch network

● Sales location ● Distribution Centre



Value generation with superior technologies

Increase value with systems approach

- Car factory Magna in Hungary
- Fastening of single-ply membrane and the insulation boards on the 32,000 m² flat roof with more than 100,000 isoweld® stress plates and several thousand fully-metallic fixing points
- Additional products sold in the same project
 - 70,000 SL2 self-drilling fasteners in building envelope
 - 21,000 self-tapping screw anchors to mount steel structure to concrete
- Total order value EUR 60,000



Value generation with high competence and service

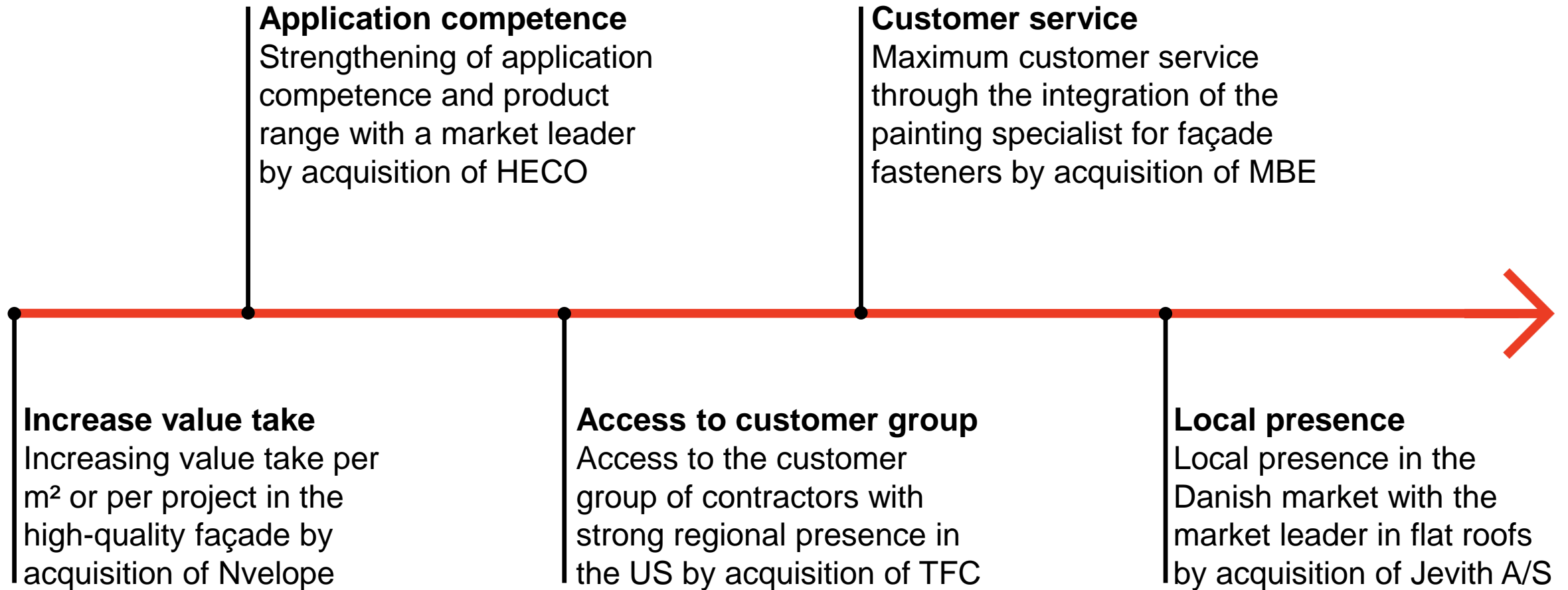
Increase value take per project

- Museum of Modern Art in Orange County CA
- Nvelope as a substructure for the curved rain screen façade
- SFS USA did the consulting, cut-to-length of the profiles and just-in-time delivery to the construction site
- Order value USD 900,000



Targeted growth initiatives

Applications, customer groups or regions



Construction division priorities

Key initiatives to grow top and bottom line

Clear focus

→ Clear positioning as “Building Envelope Specialist” is a competitive advantage

Employees

→ Decentralized organization with entrepreneurial employees is the ideal framework for growth

Supply chain

→ Supply chain with focus on high product availability and minimal environmental impact
→ Forward of cost increases within supply chain

Innovation

→ Innovations of products, systems, services, software, approvals and business models

Medical division

Jens Breu, CEO SFS Group

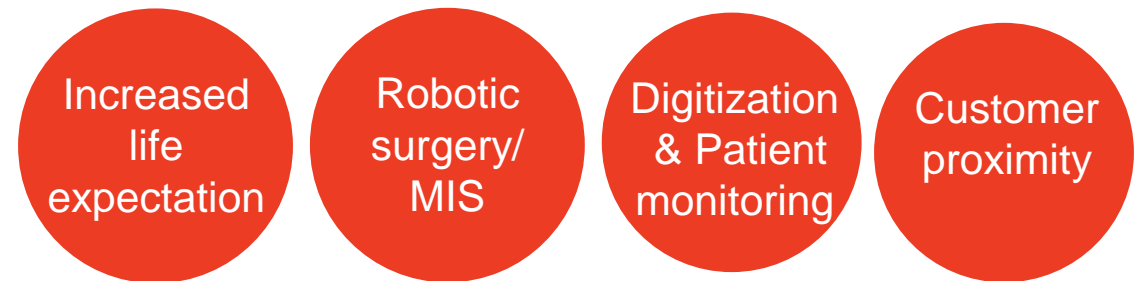
Positioning and market trends

Focus on high-growth market segments

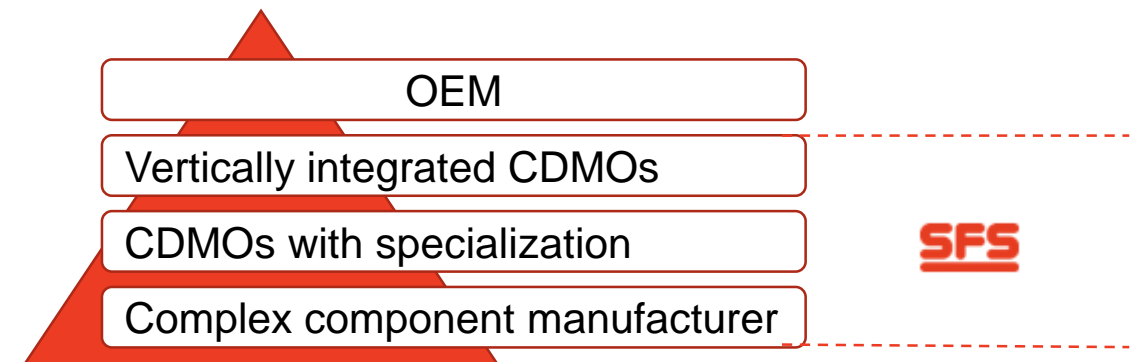
Position within medical market

- End-to-end contract manufacturer of components and complete medical devices for OEM customers
- Target end markets
 - Orthopedic
 - Sports Medicine
 - Interventional Therapies
 - Endoscopy
 - Oncology
- Activities focused in North and Central America, Europe and Asia
- ISO 13485-certified at all sites, FDA compliant as required

Key market trends



Value chain structure



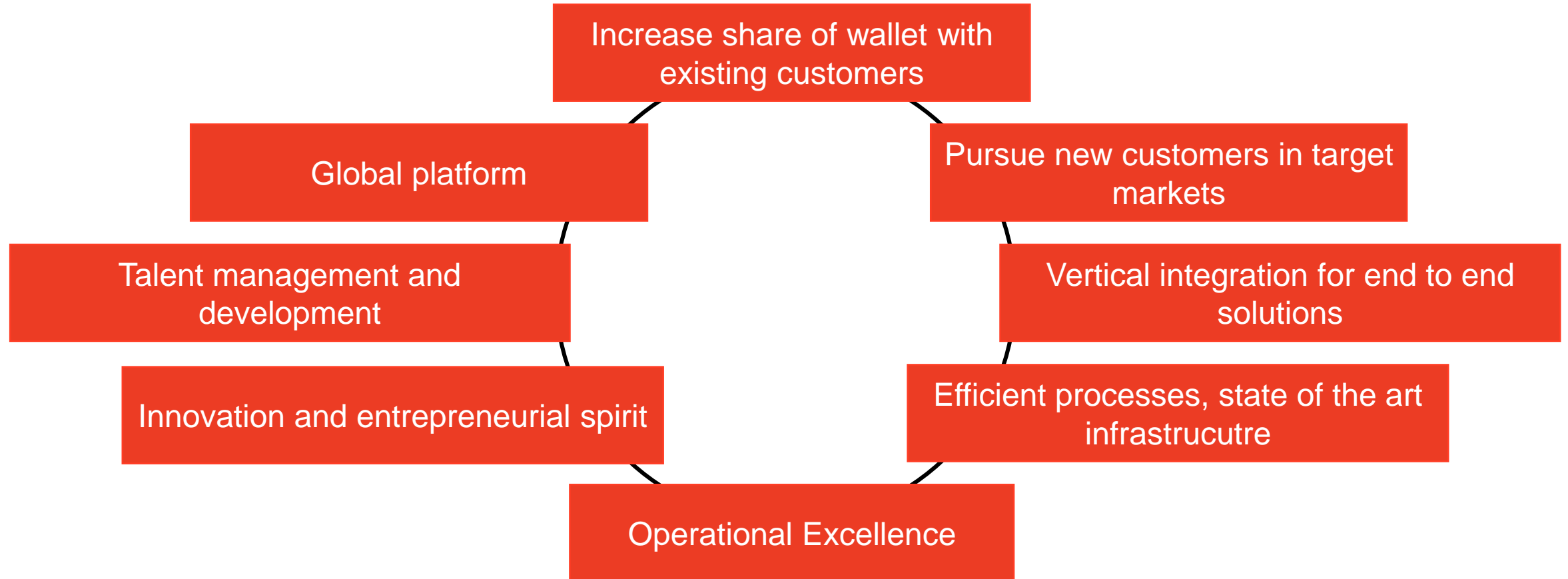
Target end markets and applications

Ca. 85% of sales in target end markets

End Market	1 Orthopedic	2 Interventional Therapy	3 Sports Medicine	4 Endoscopy	5 Oncology
Applications	<ul style="list-style-type: none"> Spine implants Spine instruments Trauma Bone screws Large Joint recon Biologics Robotics 	<ul style="list-style-type: none"> Cardiology Neurology (including Neuro-stimulation) Gynecology Urology 	<ul style="list-style-type: none"> Tom meniscus repair Extremities Rotator cuff repair Soft tissue repair Suturing devices Soft tissue anchors 	<ul style="list-style-type: none"> Single use scopes Endoscopic suturing tools Endoscopic biopsy devices Robotic surgery 	<ul style="list-style-type: none"> Breast biopsy needles Ultrasonic biopsy needles Cryogenic and RF energy therapies Electroporation
	 <p>Pedical screws</p>	 <p>Cardiology catheter</p>	 <p>Meniscal repair</p>	 <p>Endoscopic ultrasound needle</p>	 <p>Breast biopsy</p>

Positioning for profitable growth

Strategic initiatives



Global sales & manufacturing platform in development

Local presences and capabilities to serve global OEMs



Cold forming



Precision Machining



Precision Laser



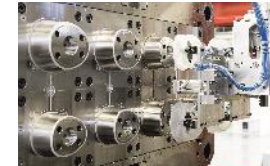
Grinding



EDM



Injection Molding



Assembly



Clean room & sterilization



Medical

Key initiatives to grow top and bottom line

Globalization

- Increase engagement and participation in European and Asian medical markets
- Use best cost location

Employees

- Continue with preventive measures to protect employee health & safety
- Increase productivity

Organization

- Develop global SFS medical organization to establish and leverage global platform capabilities

Branding

- Use Tegra Medical brand for global activities

Automotive division

Alfred Schneider, Head of Automotive division

Positioning and market trends

Positioned to serve above average growing segments

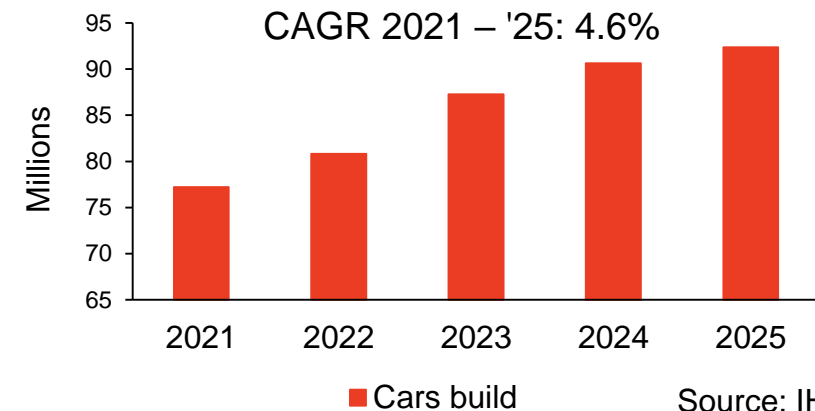
Position within automotive market

- Supplying the automotive industry and its supply chain with precision components
- Focus on areas of
 - Active and passive safety
 - Autonomous driving
 - Engine efficiency and electrification
- Activities focused on EU, NA, CN and IN
- Major key accounts served world-wide

Key trends in industry



Global light vehicle production forecast (2021–'25)



Source: IHS, July 2022

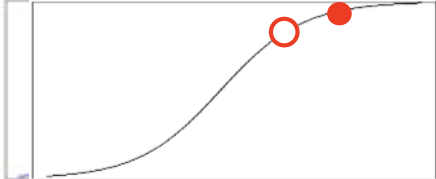
Participation in the braking circuit

Fleet penetration continuing

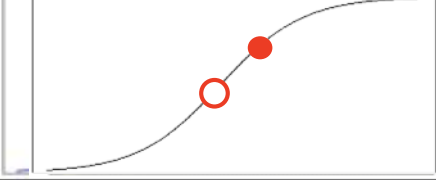


Market penetration 2020 and '22

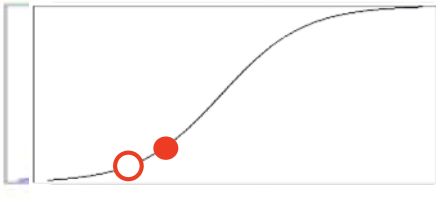
ABS/
ESC



Electric
Parking
Brake (EPB)



Integrated
Brake
System



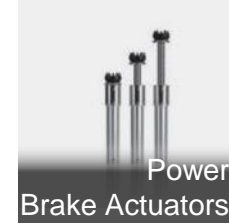
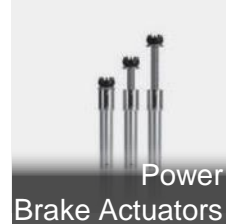
Penetrating the braking circuit

Build up local supply chains and operations over 20yrs

North
America

Europe

Asia



Finished new Hall 6 in Heerbrugg – high dynamic

80% of space will be occupied within the next 3 years



- Building finished on time and within budget
- First machines and equipment installed
- Focus on new generation BSD programs
- Recently awarded programs from all major Tier 1s will occupy 80% of the space within the next three years
- Continued ramp-up of new programs in coming years

Camera/sensor housings for autonomous driving

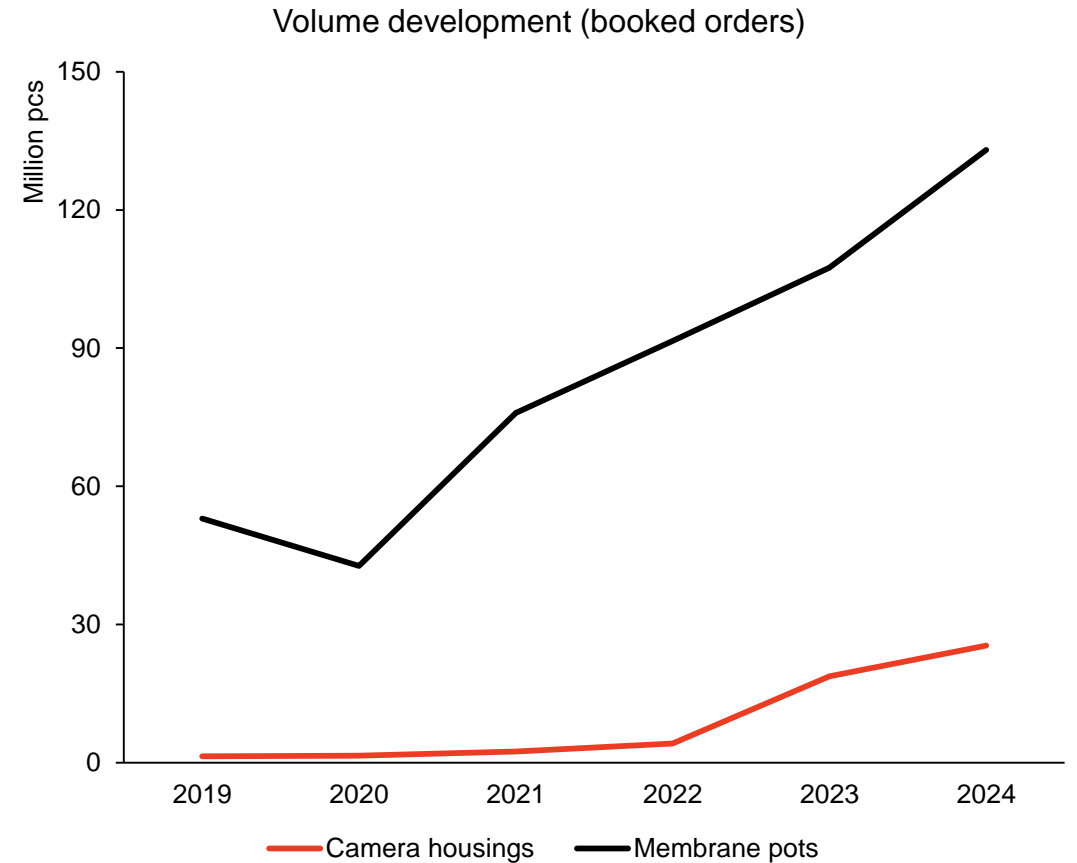
Dynamic growth



- CAGR 2019–2024: 20%
- Localization: Flawil (CH)



- CAGR 2019–2024: 78%
- Localization: Flawil (CH), Nantong (CN)



Automotive division priorities

Key initiatives to grow top and bottom line

Capacity management

- Match production capacity and demand situation
- Maintain strong grip on profitability

Leverage on innovations

- Maintain focus on identified innovation trends
- Adjust market pricing as inflation continues

Employees

- Continue with preventive measures to protect employee health & safety

Leader in BSD technology

- Foster global leading market position in actuator technology

Global platform

- Leverage global platforms to deploy key products and technologies in Asia and US

D&L International update

Jens Breu, CEO SFS Group

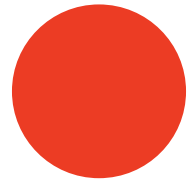
Increase share of wallet through product line additions

Industrial ecosystem 20m around the workcenter



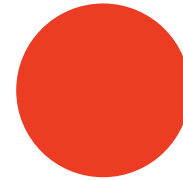
Key needs of customers in line with SFS core strengths

Providing the basis for cross-selling initiatives



Application and industry expertise

Personal contact and qualified advice on products and process are decisive



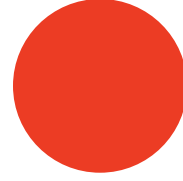
Security of supply

100% reliability required in terms of completeness and accuracy delivery which is ideally fulfilled over night



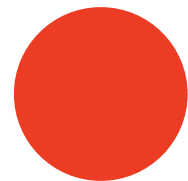
Value Engineering

Best price-performance ratio on the long run – lowest net price is in most cases not in the focus



Quality and reliability

Highest precision, durability and performance of products supplied by a reputable and trusted partner



In-depth technological competence

Specialized and broad product portfolio with easy access to relevant information

Q&A

Thank you for your attention

Safety rules for plant tour



**Fotografieren
verboten**
Photography
prohibited



**Gefahrenstellen
beachten**
Mind the danger
areas



**Keine Teile und
Anlagen berühren**
Don't touch any
components or
equipment



**Im Ereignisfall zu
den Sammelplätzen**
In the event of an incident,
meet at the assembly
point



**Im Notfall:
Ruhe bewahren. Erste Hilfe leisten. 144 alarmieren.**
In an emergency: keep calm. Give first aid. Call 144.

Inventing success together

Disclaimer

This presentation includes forward looking statements. These statements reflect the SFS Group's current assessment of market conditions and future events. The statements are therefore subject to risks, uncertainties and assumptions. Unforeseen events may lead to deviations of the actual results from the forecasts and estimates made in this presentation and in other published information. To this extent all forward looking statements in this presentation are subject to such limitations.