

Markets

# Dynamic development

**Dynamic business performance in 2021 was broad-based with respect to end markets and regions. Persistently high demand was beneficial for those business areas that focus on the construction industry and industrial manufacturing, in particular. Business with customers in the electrical and electronics industry posted an increase in sales over the already strong prior-year period. Automotive-related areas that had benefited from pronounced catch-up effects during the first half of the year suffered increasingly from the consequences of semiconductor supply chain bottlenecks. The medical device business grew despite COVID-19-related restrictions.**

## Development by end market

In a dynamic market environment characterized by high demand, supply chain bottlenecks and the COVID-19 pandemic, SFS seized the opportunities that arose. Thanks to its ability to fill customer orders, it generated year-over-year growth in all end markets and regions.

### Strong growth achieved in the construction industry

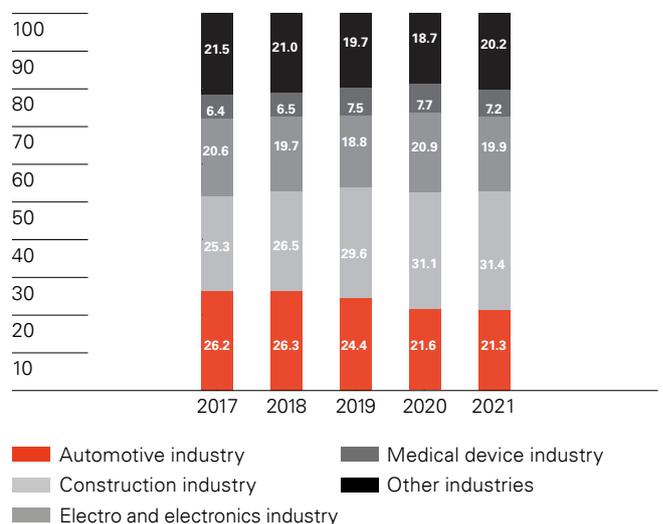
Market demand, which exceeded expectations and was occasionally very strong in the construction industry, resulted in significant, largely organic growth of 12.2% compared to the same period of the previous year. Through its acquisitions of Jevith A/S (Denmark, as of July 1, 2021) and GLR Fasteners (USA, as of August 1, 2021), SFS succeeded in making targeted expansions to its market access in Europe and the US. The two companies' good positioning in their respective local markets will continue to underpin SFS's development in the construction industry going forward.

Since builders take risks and try to minimize those risks by selecting the best and most efficient suppliers, the construction business is built on trust. That means the importance of professional consultations, reliable deliveries and impeccable quality will continue to grow. The high degree of in-house production allows us to fill customer orders with good reliability and routinely deliver high quality, which in turn enabled us to provide consistently high customer service in an extremely challenging environment, thereby helping to ensure

that high-quality construction projects are completed on schedule. Regular customer surveys and awards presented to us by our customers are testimony to our expert consulting services, quality and ability to fill customer orders.

Share of sales by end markets 2017–2021

In %



### **High demand in the automotive industry slowed down by supply chain bottlenecks**

In the 2021 financial year, business with customers from the automotive industry benefited greatly from the recovery that began in the wake of the COVID-related slump of the previous year. The recovery that had already begun in the third quarter of 2020 continued into the first half of 2021 and resulted in strong organic sales growth of 45.7% in the first half of the year compared to the same period of the previous year. Bottlenecks in the semiconductor supply chain started putting pressure on OEMs' production figures in the summer months, which then also impacted call-offs at SFS. Compared with the previous year, sales to customers in the automotive industry rose by 9.7%.

SFS's persistently strong competitive position is evidenced both in the awards it has received, such as the Global Supplier Award from Bosch, and especially through key project acquisitions and the Group's expanded customer base in the area of electric brake systems in North America and Europe. In this area of application, SFS was able to intensify cooperation with the major Tier-1 suppliers and conclude large, long-term supply contracts by the end of the financial year. One lighthouse project is a large order acquired at the Heerbrugg (Switzerland) location that covers precision components for a new generation of electric brake systems; this order will generate total sales in excess of CHF 100 million from 2024–2033. These project acquisitions lay the foundation for a continuation of SFS's growth trajectory.

### **Good development in the electrical and electronics industry**

SFS's customers in the electrical and electronics industry are located primarily in Asia. Persistently high demand in many areas of application, important product launches by key customers and its well-established ability to fill customer orders helped SFS achieve strong growth in the electrical and electronics industry in the first half of the year. Semiconductor supply shortages put a damper on results in the second half of the year. Overall, this resulted in a positive sales trend with growth at 5.6% for the period under review, which represents yet another increase over the strong growth recorded in the 2020 financial year.

### **Growth in medical devices despite application-specific restrictions**

While demand in the industry followed an upward trend, the trend varied greatly depending on the area of application. Postponements of non-essential medical procedures due to COVID-19 restrictions, especially orthopedic surgeries, curbed demand. SFS still succeeded in growing its sales in this environment and generating growth of 4.0% year over year.

The medical device industry is a fast-growing global market. The management's decision to establish a global manufacturing platform under the Tegra Medical brand in the 2020 financial year was based on strong underlying market demand in this area and customers looking for manufacturing partners with a global reach. Systematic efforts were made to expedite development of the global platform in the year under review. Good progress was made on filling an attractive project pipeline, particularly in Asia. The conclusion of the expansion project at the Hallau (Switzerland) site created the capacities needed to implement growth projects in the area of micro injection molding. The relocation of Tegra Medical's headquarters from Franklin, Massachusetts (USA), to the larger adjacent property is proceeding according to plan.

### **Significant recovery in demand in industrial niche markets**

Demand, which had begun its recovery in the second half of 2020, continued during the period under review and encompassed nearly every niche market served. Unlike in other end markets, global semiconductor supply shortages did not have a material impact on business performance, which resulted in strong sales growth of 19.6% year over year. In many areas, in fact, sales exceeded pre-pandemic levels. Extremely encouraging development was seen with respect to new project intake, which is both an expression of the Group's strong competitive position and a starting point for attractive future development prospects. Only the situation in the Aircraft business, which was hit particularly hard by the consequences of the pandemic, remains challenging. After stabilizing at a low level, demand started showing some initial positive momentum in the fourth quarter. Recovery is still likely to extend over a longer period of time and come in waves due to stockpiling.

Through the planned addition of Hoffmann, the leading systems partner for quality tools in Europe, sales with industrial manufacturing customers will make a greater contribution toward total sales going forward.

## Development by region

The regional sales distribution was shaped greatly by developments in the relevant end markets. Momentum in the automotive and construction industries caused sales to increase by 18.6% in Europe, which represented the highest year-over-year growth.

The share of sales generated in Europe will become even more important in the future due to the planned inclusion of Hoffmann, Europe's leading system partner for quality tools.

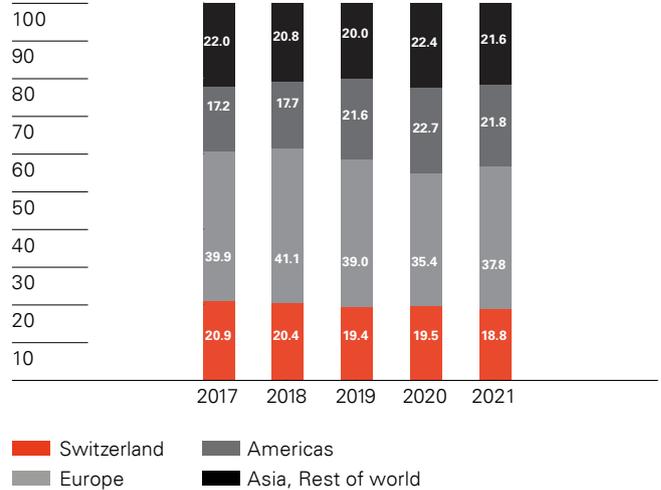
Based on the development of the electrical and electronics industry, which generates its sales almost exclusively in Asia (incl. Rest of World), sales in Asia increased by 6.7% to CHF 403.0 million. The announced expansion of the production platform in Nantong (China), which aims to enlarge the location's production space by around 70% until the end of 2023, is proceeding according to schedule and will continue to be a driving force behind the region's sales development. The additional production space will be available for use by the Electronics, Automotive, Industrial, Riveting, Medical and Distribution & Logistics divisions to implement their growth projects.

The sales trend in America benefited from growth in the end markets for the medical devices, automotive and construction. This region reported year-over-year growth of 7.0%.

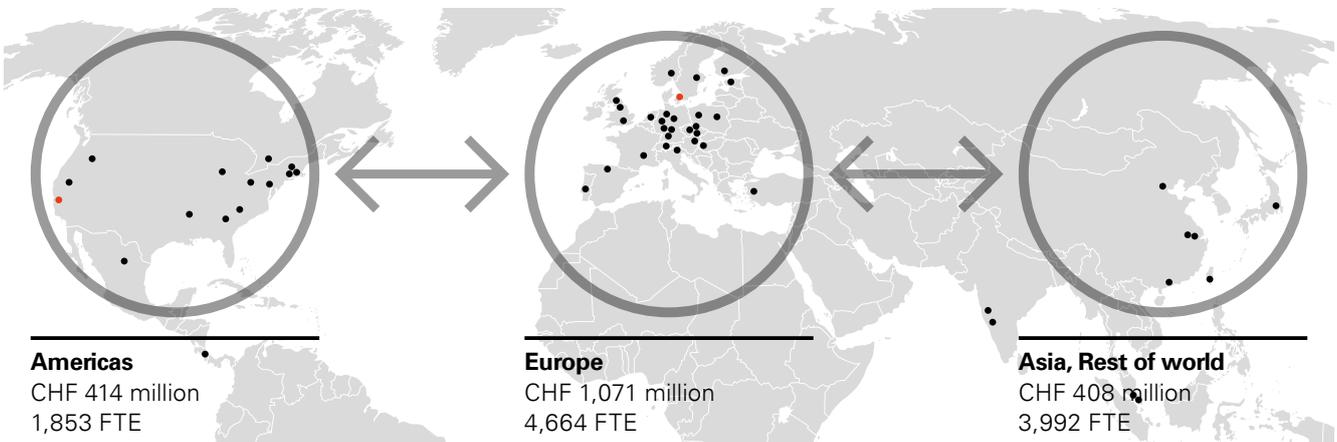
Thanks to the good business performance of the Distribution & Logistics segment, sales in Switzerland grew 7.0% over the prior-year period.

Share of sales by region 2017–2021

In %



## Worldwide production and sales locations (without Hoffmann)



With its global manufacturing platform and more than 100 locations around the world, SFS is strategically well positioned in terms of production and services capabilities. The takeover of Jevith and GLR Fasteners added two additional sites in the past year (depicted by red dots).