



Schaffner Group

Half-year 2019/20 result presentation

7 May 2020 | © Schaffner Group

SCHAFFNER
shaping electrical power

Caution regarding forward-looking statements

This communication contains statements that constitute “forward-looking statements”, including, but not limited to, statements relating to the implementation of strategic initiatives, and other statements relating to our future business development and economic performance.

While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, (1) general market, macro-economic, governmental and regulatory trends, (2) movements in currency exchange rates and interest rates, (3) competitive pressures, (4) technological developments, (5) changes in the financial position or credit worthiness of our customers, and counterparties and developments in the markets in which they operate, (6) legislative developments, (7) management changes and changes to our Business structure and (8) other key factors that we have indicated could adversely affect our business and financial performance which are contained in other parts of this document and in our past and future filings and reports, including those filed with the SIX Swiss Exchange.

More detailed information about those factors is set forth elsewhere in this document and in documents furnished by Schaffner Group, including Schaffner Holding's Annual Report for the year ended 30 September 2019 and the Interim Report for the period ended 31 March 2020. Schaffner Group is not under any obligation to (and expressly disclaims any such obligations to) update or alter its forward-looking statements whether as a result of new information, future events, or otherwise.

Agenda

Business Review

Marc Aeschlimann, CEO

Financials H1 2019/20

Christian Herren, CFO

Strategy / Outlook

Marc Aeschlimann, CEO

Q&A

Schaffner remains profitable despite significant lower sales

Key events and impacts in H1 2019/20

- Weaker economy and global spread of COVID-19 substantially impacted business
- Implemented cost measures kept Schaffner within profitability
- EMC division showed a positive book-to-bill rate of 1.11
- Power Magnetics division achieved break-even segment result after successful restructuring
- Automotive division won further substantial new orders for antennas and filter solutions
- Strategic projects in all divisions were continued consistently

Net sales
in CHF million

86.0

EBIT margin

0.8%

Net result
in CHF million

0.6

Schaffner Group: Weakening momentum in several industries

in CHF m	H1 2019/20	H1 2018/19	Δ in %
Order intake	91.3	107.1	-14.8%
Net sales	86.0	101.4	-15.2%
EBIT	0.7	5.3	-86.6%
EBIT margin	0.8%	5.2%	—

- Net sales CHF 86 million (-11.9% currency adj.)
- Declining demand in major markets (machine tools and robotics, rail technology, automotive electronics)
- Demand in Europe and Asia affected by weaker economy, from the 2nd quarter onwards, COVID-19
- Capacity and cost structures significantly reduced to adapt to lower volumes
- EBIT weakened mainly due to decline in volumes and partial overcapacities in the plants

EMC division: Leading market position kept in demanding environment

in CHF m	H1 2019/20	H1 2018/19	Δ in %
Order intake	52.3	55.9	-6.3%
Net sales	46.9	54.3	-13.7%
EBIT	3.9	7.6	-48.7%
EBIT margin	8.3%	14.0%	—

- Weakening economy and destocking at distributors impacted top line
- Net sales CHF 46.9 million (-10.1% currency adj.)
- Gross margin maintained at high level
- EBIT mainly affected by decline in volumes
- Development of strategic initiatives continuing (smart grid, lighting)

Power Magnetics division: Break-even achieved

in CHF m	H1 2019/20	H1 2018/19	Δ in %
Order intake	24.1	31.6	-23.8%
Net sales	22.8	27.7	-17.9%
EBIT	0.0	-2.0	n.m.
EBIT margin	0.1%	-7.1%	–

- Division achieved break-even after successful restructuring – despite lower sales
- Postponed projects in Europe and Asia negatively impacted top line
- Gross margin further improved
- New projects with attractive gross margins won in all regions

Automotive division: Industry in a perfect storm

in CHF m	H1 2019/20	H1 2018/19	Δ in %
Order intake	14.8	19.6	-24.3%
Net sales	16.4	19.5	-15.8%
EBIT	-0.9	2.3	n.m.
EBIT margin	-5.7%	12.0%	—

- Substantial decline in sales due to the challenging situation in the automotive industry
- Several automobile plants had to be temporarily closed due to COVID-19
- Successfully acquired new projects totaling around CHF 80 million over the project term
- Substantial investments in the project pipeline with antennas for keyless authentication systems and filter solutions for e-mobility

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Financials H1 2019/20

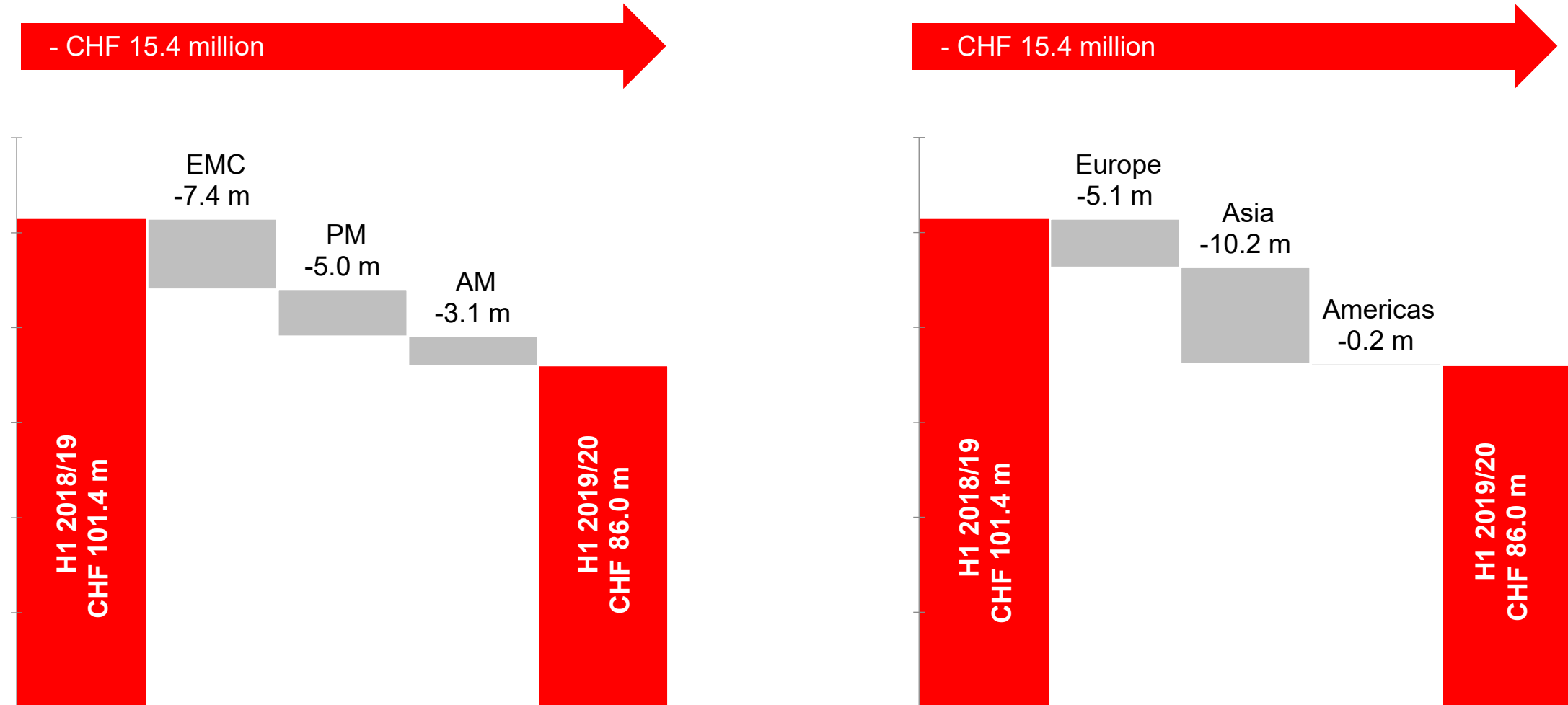
Christian Herren, CFO

Strategy / Outlook

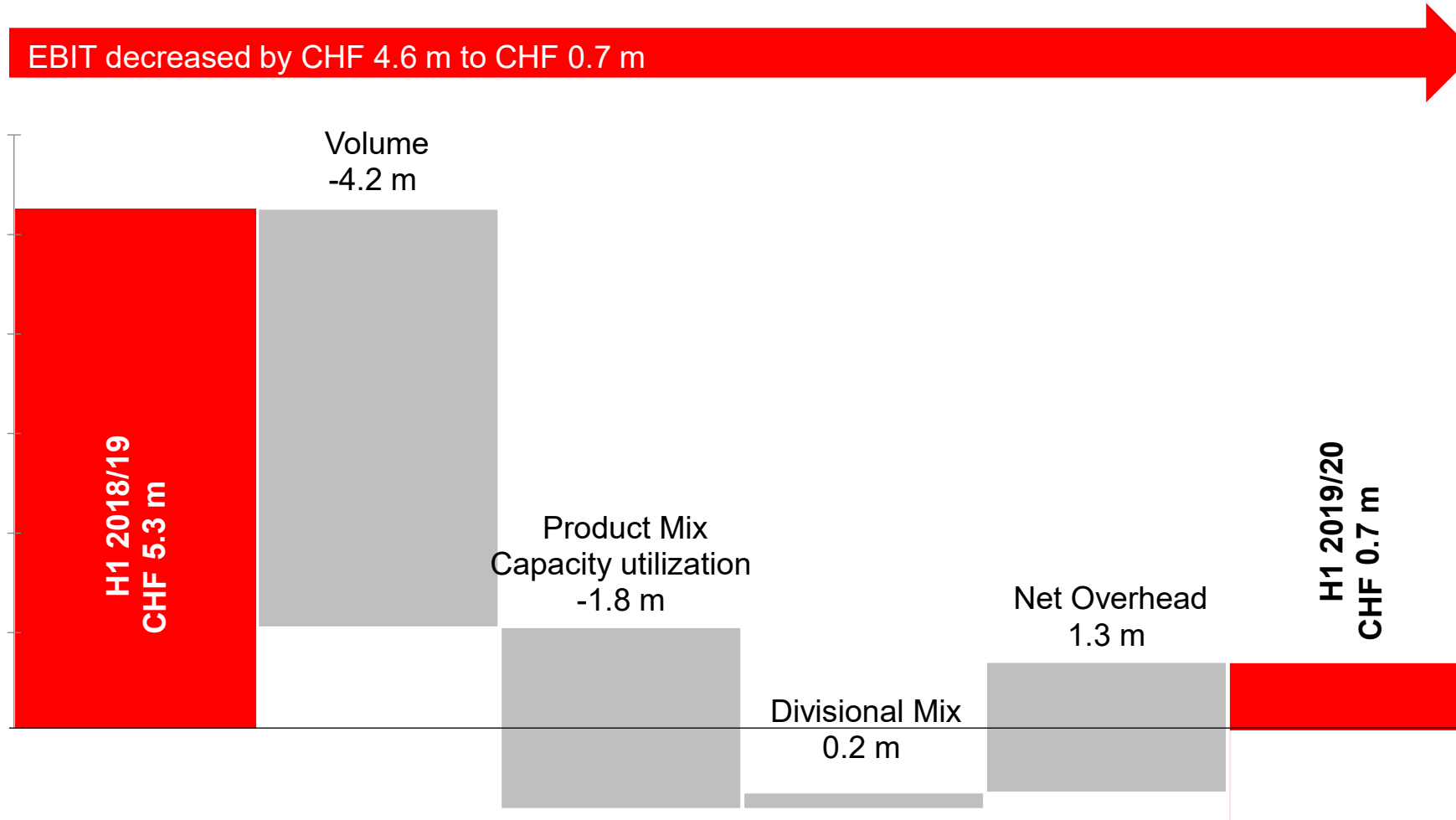
Marc Aeschlimann, CEO

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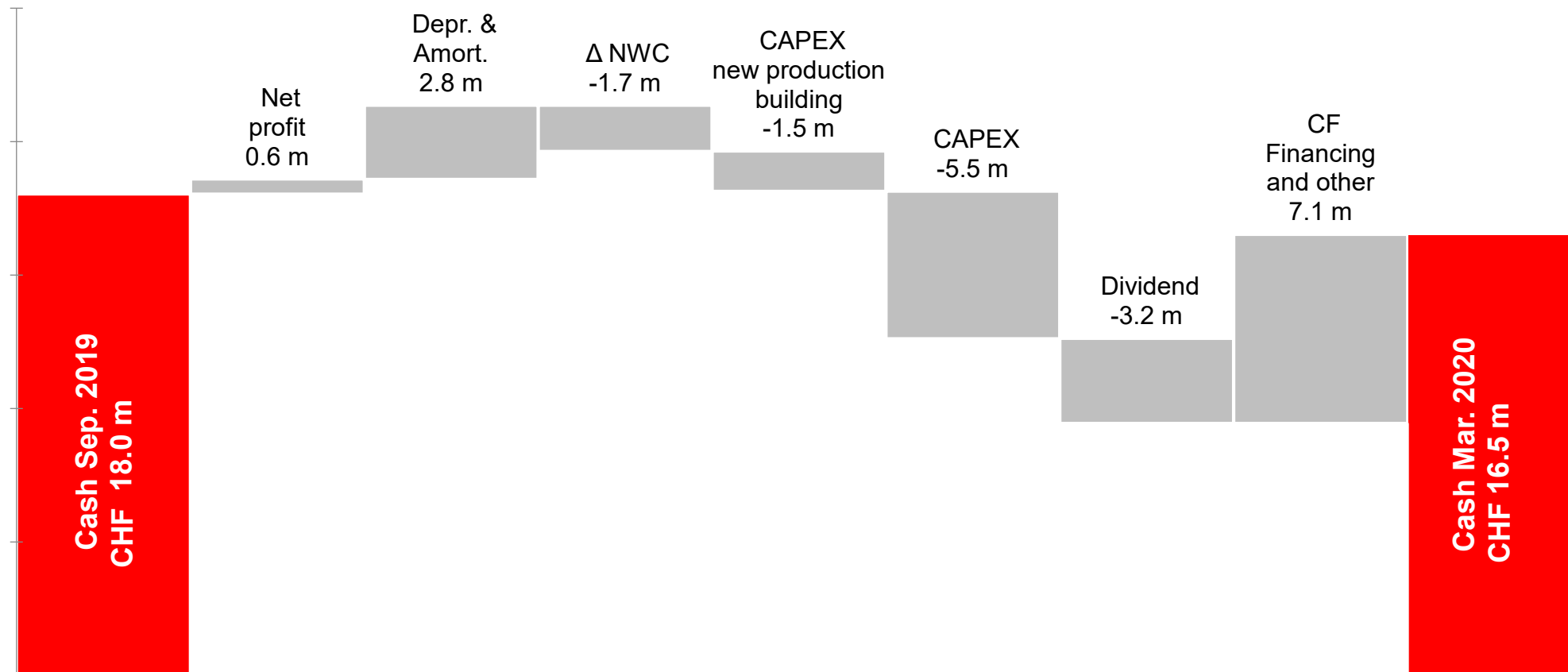
Net sales impacted by weak global economy and COVID-19



EBIT remained positive due to decisive cost reduction measures



Cash flow reflects high investments in Automotive division



Solid balance sheet

- Equity ratio 40.8% (30.9.2019: 44.6%)
- Net debt CHF 24.5 m (31.3.2019: 22.3 m)
- Committed credit lines CHF 60.0 m - not fully used
- Days sales outstanding (DSO): 69 days (30.9.2019: 70 days)

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Dedicated strategy to accelerate profitable growth

EMC:

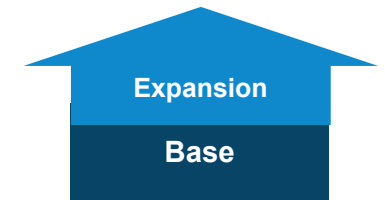
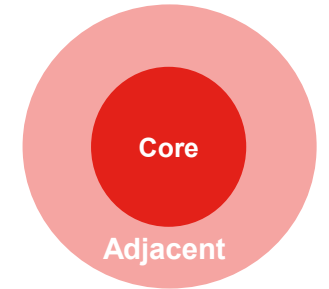
- Further strengthening of strategic markets through market penetration and expansion of product portfolio
- Expanding into growth markets with new technologies around core business

Power Magnetics:

- Building a profitable foundation in existing end markets
- Expansion of business into new selected, higher margin markets

Automotive:

- Further strengthening of antenna business through new designs
- Building a strong second pillar in e-mobility with EMC filter products



Innovation for smart grids

- Smart meters will be installed in most European households in the coming years
- Correct communication is not guaranteed in all configurations per se
- Schaffner has developed a new technology that ensures correct communication between the smart meter and the data center
- First installations planned for 2020



Filter electronic



Sensor/Actuator

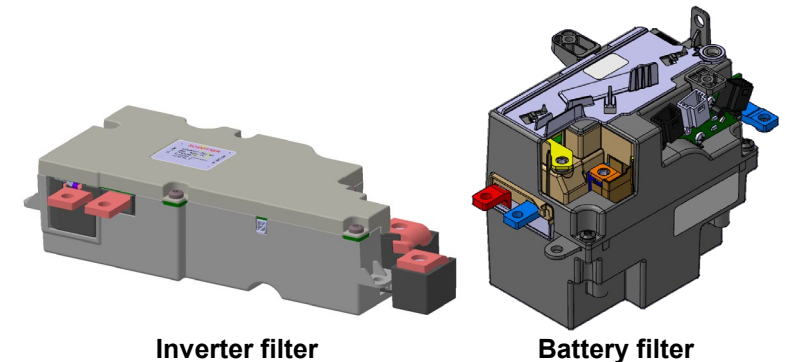
Innovation for lighting industry

- Installations of LED lighting for different applications is constantly increasing
- Control units for LED lighting interfere with electrical networks
- Schaffner developed tailor-made filter solutions for industrial LED lighting
- First product family was launched in FY 2019/20



Innovation for e-mobility

- E-mobility will be growing substantially in the coming years
- Electrical cars (fully electric, hybrid) need different filter solutions
- Schaffner as market leader for EMC filters is well positioned to play an important role in this market
- Several future e-car platforms are currently in development phase



Outlook

■ Markets

- China on the way to recover, but Europe and America still in the middle of the COVID-19 crisis
- Visibility remains low and short-term trends are difficult to predict

■ Supply Chain

- Schaffner is close to customers and suppliers, all factories are fully operational

■ Priorities

- Adapting the organization to current market realities and volatile demand
- Continue measures implemented to ensure operational resilience
- Further investments in new projects and technologies

■ Outlook

- No serious guidance for fiscal 2019/20 possible due to the unpredictable impact of COVID-19 crisis
- Medium-term goals remain unchanged:
 - Organic net sales growth of >5% per year (multi-year average basis)
 - Medium-term target range for EBIT margin at 8%-10%