



Half-year 2015/16 – Corporate presentation

## **The Schaffner Group**

# **Stepping up cost-reduction program in a difficult market environment**

### **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 2015 as well as the Interim Report for the period ended 31 March 2016. 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.

Half-year 2015/16 – Corporate presentation

# The Schaffner Group

## Stepping up cost-reduction program in a difficult market environment

### H1 2015/16: Key facts



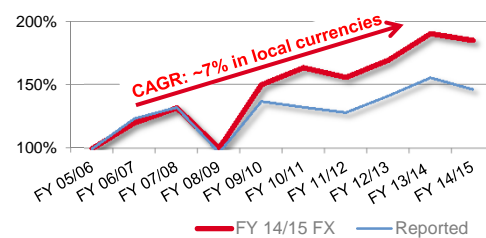
#### Key figures

- | Net sales: CHF 92.6 million (-9.7%; LC: -9.2%)
- | Operational EBITA margin: 2.3% (PY: 4.7%)
- | Net profit: CHF -0.3 million (PY: 1.9 million)

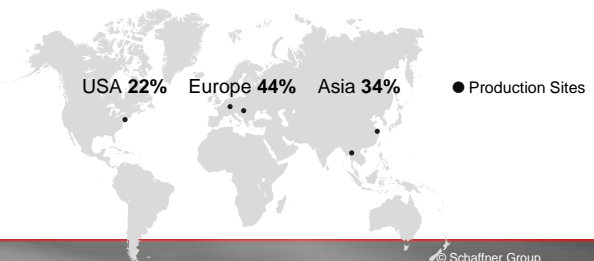
#### Key events

- | Slump in Power Magnetics leads to Group sales and profit drop
- | Automotive delivers strong operating margin
- | EMC was mostly stable; Power Quality delivers strong sales growth and requires high R&D efforts
- | Stepping up the cost-reduction program

#### Long term net sales growth above GDP

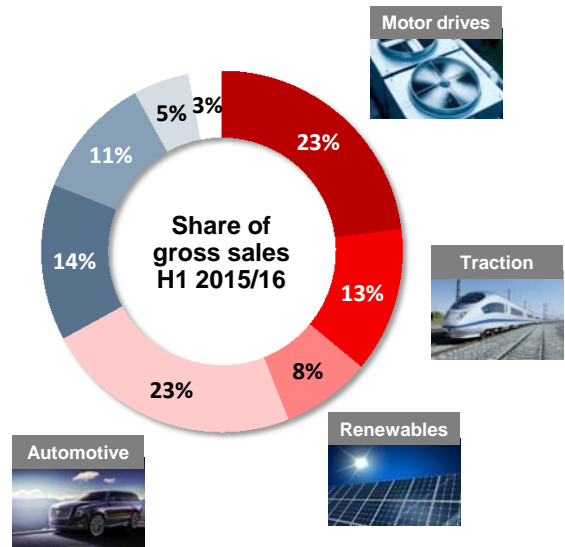
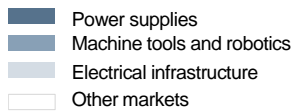


#### Balanced sales and global footprint



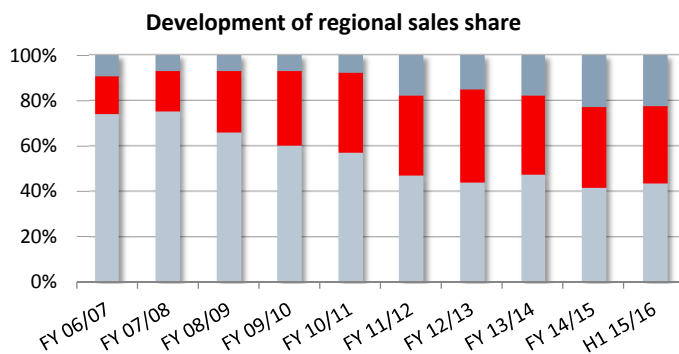
## Very difficult condition of core markets

- PM and EMC core markets:** Strong cyclical headwinds from lower activity in oil, gas, mining and construction
- EMC traditional markets:** Tentative recovery in power supplies and machine tools & robotics
- Automotive:** Continued growth of keyless entry business

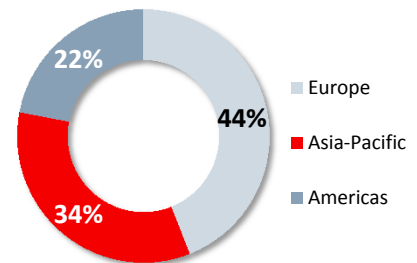


## Mostly stable regional distribution of sales

- China has become largest national market for Schaffner with a sales share of 25%



H1 2015/16 net sales by region





## Increasing Automotive margins, sharp decline of Power Magnetics division

### EMC division



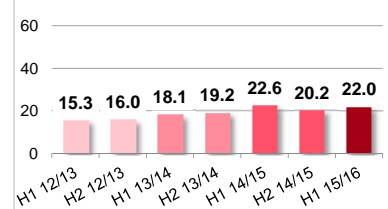
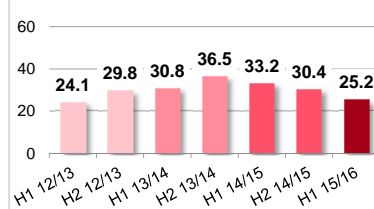
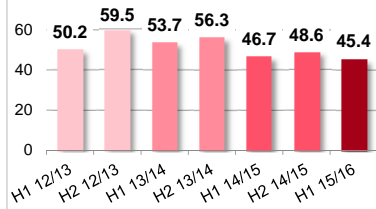
### Power Magnetics division



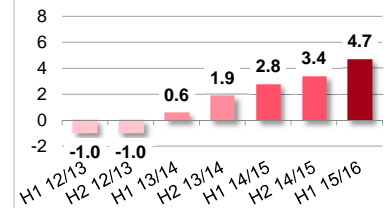
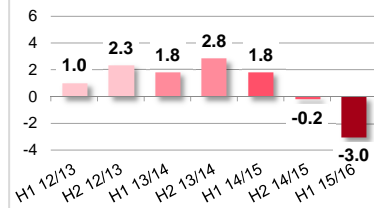
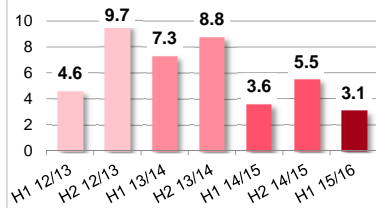
### Automotive division



Net sales



Operating profit <sup>1)</sup>



All numbers in CHF million

<sup>1)</sup> Operating EBITA

## Implementation of measures to achieve profitability and growth targets

### Structural cost savings

- Consolidate US factories to Wytheville VA
- Additional production transfers
- Next generation harmonic filters
- 5% net reduction of fixed cost positions

Operational EBITA improvement of CHF 6 million annually (majority to be realized in FY 2016/17)

### Revenue growth

- Regional initiatives in USA, India, Taiwan
- Major project wins in Automotive
- Next generation harmonic filters

Return to target organic growth rates

**>8% EBITA margin within 24 months, return to growth**



**Kurt Ledermann | Chief Financial Officer**

## **Financials**

### Financial highlights H1 2015/16

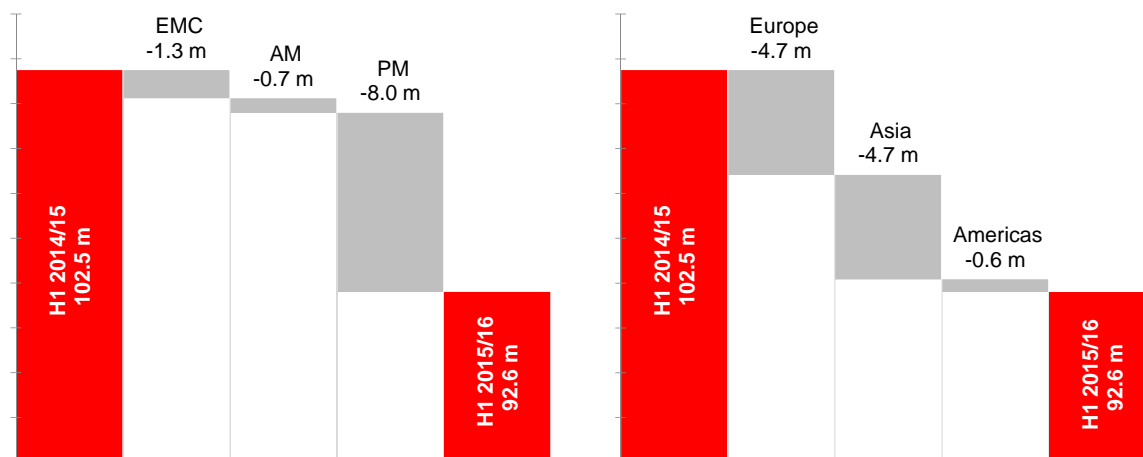
**SCHAFFNER**  
shaping electrical power

- | Net sales CHF 92.6 million (CHF 102.5 million)
- | Decline -9.7%, in local currencies -9.2%
- | Book-to-bill ratio 1.02 (0.99)
- | EBITA margin 2.3% (4.7%)
- | Net profit CHF -0.3 million (CHF 1.9 million)
- | ROCE 1.5% (11.4%)
- | EPS CHF -0.53 (CHF 3.02)
- | Free cash flow CHF -4.7 million (CHF -2.8 million)
- | Equity ratio 41% (30.09.15: 40%)

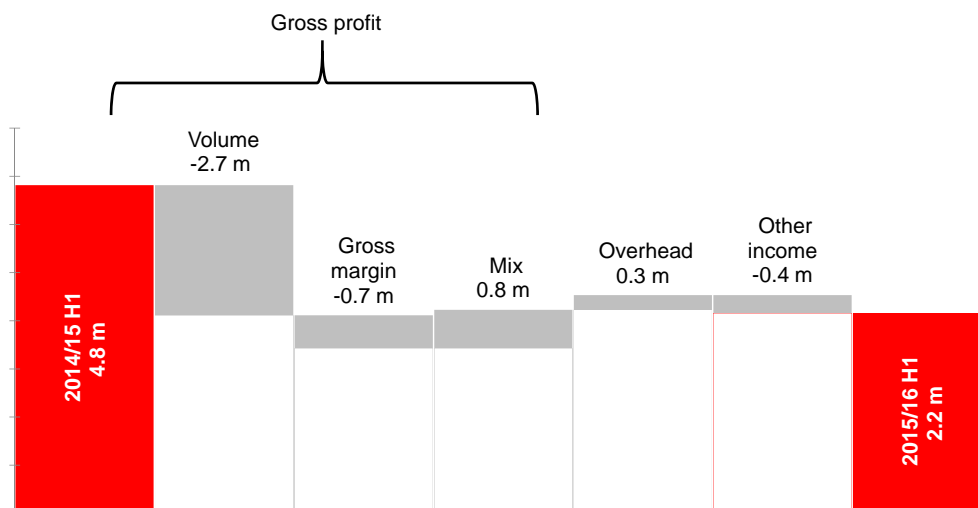
## Profit & loss statement

	H1 2013/14		H1 2014/15		H1 2015/16	
Net sales		102.6		102.5		92.6
– Cost of sales		-73.4		-74.3		-67.5
Gross profit	28.5%	29.2	27.5%	28.2	27.0%	25.0
– R&D	7.3%	-7.5	7.7%	-7.9	8.9%	-8.3
– Others		-16.2		-15.5		-14.5
EBITA	5.4%	5.5	4.7%	4.8	2.3%	2.2
– Amortization and restructuring		-0.6		-1.1		-1.7
EBIT	4.8%	4.9	3.6%	3.7	0.6%	0.5
– Financial result		-0.7		-1.4		-1.3
– Tax		-1.0		-0.4		+0.2
Net profit		3.2		1.9		-0.3

## Sales by divisions and regions



## Operational EBITA bridge H1 2014/15 to H1 2015/16



SLIDE 13

© Schaffner Group

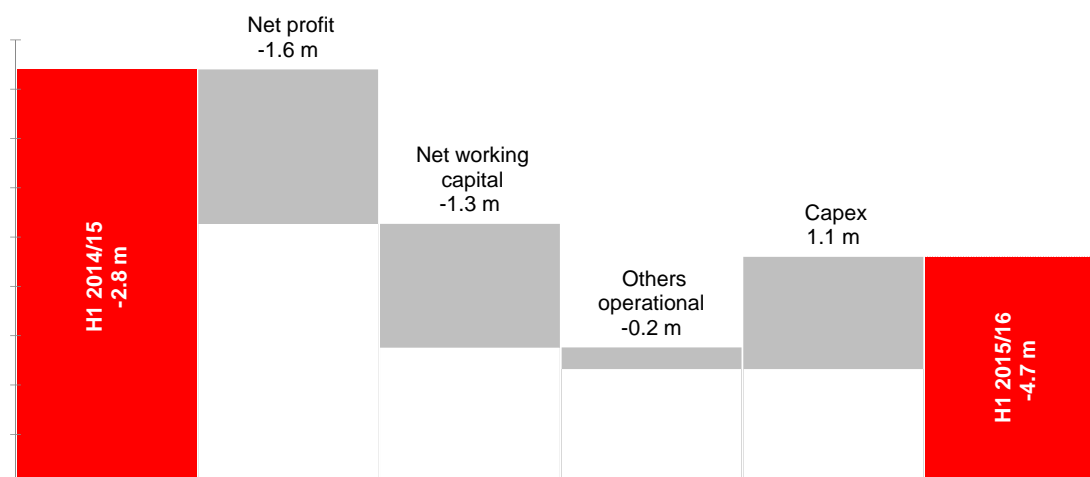
## Cash flow statement

	H1 2013/14	H1 2014/15	H1 2015/16
Net profit	3.2	1.9	-0.3
Depreciation and amortization	3.4	3.9	3.7
Change in net working capital	-6.4	-5.4	-6.6
Change in provision	-1.0	-1.4	0.7
Others	1.0	1.2	-0.2
Cash flow from operating activities	0.2	0.2	-2.7
Cash flow from investing activities	-11.4	-1.6	1.8
Cash flow from financing activities	14.7	2.9	-6.0
CAPEX	-2.5	-3.1	-2.0
Free cash flow	-2.2	-2.8	-4.7

SLIDE 14

© Schaffner Group

## Free cash flow



SLIDE 15

© Schaffner Group

## Balance sheet

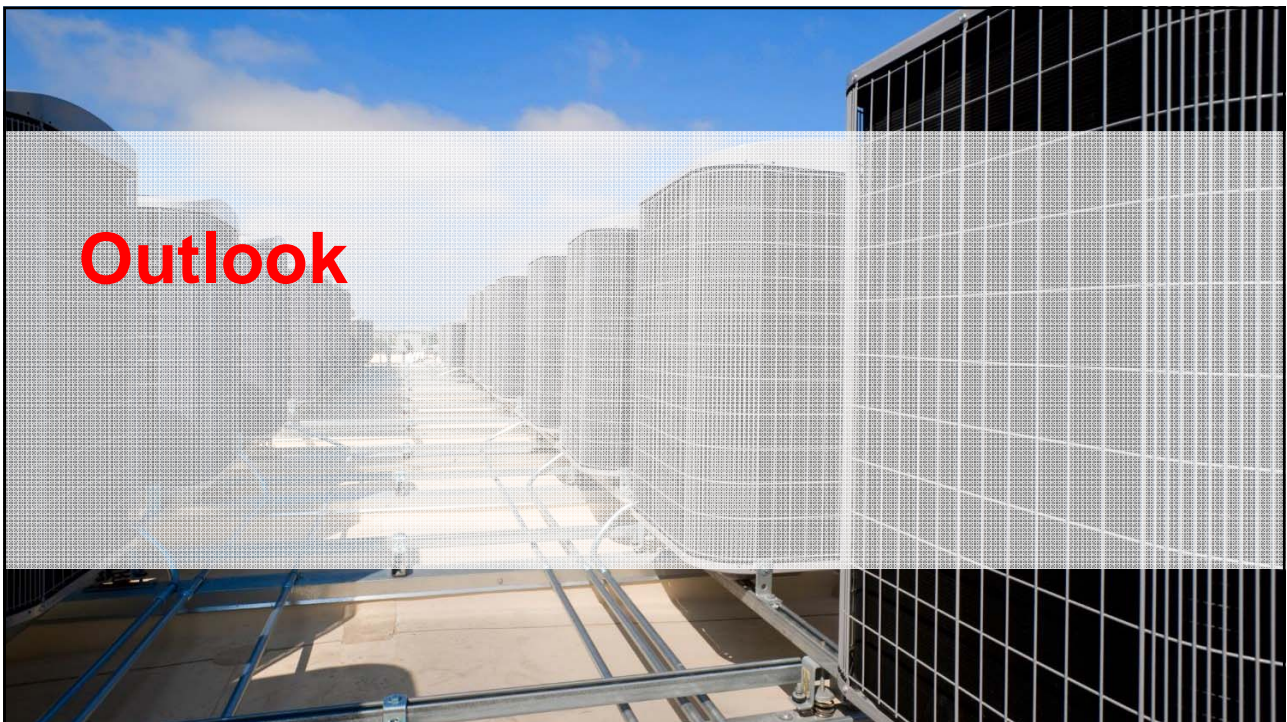
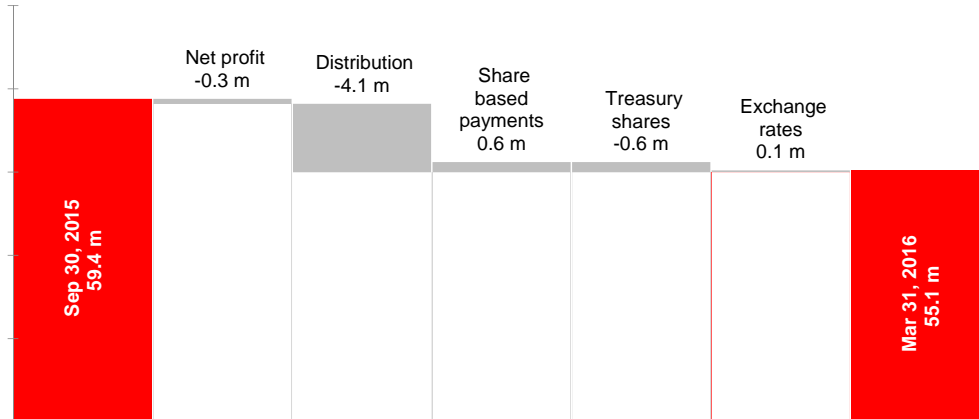
	2013/14 H1		2014/15 H1		2015/16 H1	
Intangible assets and goodwill		24.2		23.2		20.7
Property, plant and equipment		22.1		24.4		22.0
Others		10.3		6.9		7.8
Total non-current assets	37%	56.6	37%	54.5	38%	50.5
Inventories		29.3		29.2		30.2
Trade receivables		37.4		36.9		34.3
Cash & equivalents		20.4		20.1		12.6
Others		8.5		7.9		6.5
Total current assets	63%	95.6	63%	94.1	62%	83.6
Equity	38%	57.1	40%	59.2	41%	55.1
Non-current liabilities	36%	55.5	34%	51.0	36%	47.7
Current liabilities	26%	39.5	26%	38.3	23%	31.4

SLIDE 16

© Schaffner Group



## Shareholders' equity



- | Unchanged difficult market environment worldwide, uncertainty remains
- | Improved book-to-bill ratio indicates sequential growth in H2
- | Operating EBITA should show improvement on H1 due to sequential sales growth and first results from cost-reduction program
- | Focus remains on execution of structural operational EBITA improvement plans, which will require significant restructuring efforts and cost in H2
- | FY 2015/16 net sales and EBITA expected considerably below previous year results

- | Goal to achieve the target operational EBITA margin >8% within 24 months
- | Initiatives for organic growth
- | Greater emphasis on external growth from FY 2016/17 onwards



**Leader in technological and application know-how**

**Most complete solution portfolio**

**Most global amongst all competitors**



Growth opportunities in expanding markets

Committed to attractive returns to shareholders

