

Commitment and flexibility

A year marked by the COVID-19 pandemic and the measures taken to contain the outbreak, 2020 posed major challenges to the SFS Group. The tremendous commitment and flexibility of our employees helped us to overcome these challenges. After a steep decline in demand in the first half of the year, a significant recovery took place in several end markets and regions from the summer months. Full year sales amounted to CHF 1,704.9 million, a slight decline of –4.3% from the previous year. SFS achieved an EBIT margin of 13.3%, unchanged from the prior-year level.



Heinrich Spoerry

Dear shareholders

The COVID-19 pandemic posed considerable challenges to the SFS Group and its employees. In contrast to previous economic crises, the focus in the past financial year additionally was on protecting the health of employees and their environment. The Group had to cope with extreme fluctuations in demand and reduce its cost base, but also maintain flexibility and supply capability. This demand-side volatility is evident in a comparison of results for the first and second half of 2020: in the second half, consolidated sales rose by 20.4% compared with the first half of the year. This development was supported by our well-balanced market and regional presence, the diversified sales channels and our clear focus on customer needs and innovation trends. SFS successfully defended its competitive position and remains well positioned amid the pandemic.



Jens Breu

Despite an organic decline of –10.4% in sales in the first half of the year compared with the same period of the previous year, SFS was able to narrow the year-on-year decline in organic sales for 2020 as a whole to –3.2%. Consolidation effects contributed 3.0% to full-year sales, while currency translation effects had a negative effect of –4.1%. Gross sales for the financial year 2020 amounted to CHF 1,704.9 million.

Employees first and foremost

In this extraordinary year, SFS was able to rely on the solidarity and flexibility of its employees. They contributed to and supported the rigorous measures taken by management at an early stage of the outbreak to ensure healthy workplaces, maintain the company's ability to fill customer orders and mitigate the financial impact of lower capacity utilization:

- Preventive measures such as adjusted behavioral and hygiene measures and workplace management changes to minimizing physical contacts (e.g. working from home, shift changes without physical presence)
- Strict cost management and temporary capacity adjustments, such as drawdown of overtime hours and unused holiday leave, short-time work or alternative country-specific instruments, solidarity contributions from employees and voluntary salary cuts by senior management

Last but not least, the shareholders and the Board of Directors contributed to efforts to mitigate the effects of the COVID-19 pandemic through a reduced dividend and a voluntary cut in the compensation paid to the directors.

Significantly higher profitability in the second half of the year

Thanks to the sustained recovery in demand and positive seasonal effects in the second half of the year, production capacity utilization improved significantly. Higher capacity utilization, strict cost management and positive mix effects lifted the operating profit margin for the second half of the year to 16.8% of net sales. November and December were particularly strong months. Full-year operating profit (EBIT) amounted to CHF 227.4 million, which corresponds to an unchanged EBIT margin of 13.3% compared with the previous year.



To implement the acquired projects in the Automotive division, SFS is investing in an additional production hall in Heerbrugg (Switzerland).

Strategy tested by COVID-19 pandemic

The COVID-19 pandemic put the effectiveness of our business strategy to the test. The strategic alignment has proven to be robust and correct:

- For SFS, close customer relationships are essential for the successful realization of its value proposition. In keeping with our 'local for local' strategy, we are steadily building up our global development and production platform. SFS and its customers benefit from superior supply reliability thanks to short and robust supply chains.
- Thanks to its balanced focus on different end markets, regions and sales channels, SFS successfully cushioned the consequences of the decline in demand.
- With its increased focus on the medical device industry – a market that is growing worldwide – SFS is attractively positioned for the future.
- Thanks to its good profitability and solid balance sheet, the company has the means and the ability to pursue its long-term strategy and to make the associated investments even in such a crisis.

Based on these findings, SFS is encouraged to pursue the path it has chosen consistently.

Investments in future growth continued

At the beginning of the year, MBE Moderne Befestigungselemente GmbH (MBE), a leading supplier of painted fasteners for high-performance façade systems, was acquired. With this acquisition, SFS is expanding its market reach and customer base in its fastening system business for façades in Europe.

In the spring, SFS pressed ahead with its "local-for-local" strategy by acquiring Truelove & Maclean (T&M), which added the manufacturing process of deep-drawing to its existing development and production platform in North America. T&M, located in Watertown, Connecticut, is a leading supplier of deep-drawn components, primarily for customers in the automotive industry.

To implement growth projects in the Medical division, the sites in Hallau (Switzerland) and Franklin (US) began to expand their infrastructure. In order to create the necessary capacity to realize projects in the area of electric brake systems, the decision was taken to build an additional production hall at the site in Heerbrugg (Switzerland).

The new site in Nantong (China) has proved its worth for the Electronics division and the anticipated efficiency gains have been realized. Increasingly the Automotive division and the Distribution & Logistics segment benefit from the available local resources and processes for services to local customers.

Expenditure on property, plant, equipment, hardware and software for the period amounted to CHF 104.1 million (previous year: CHF 116.7 million), which corresponds to 6.1% of net sales.

SFS Group's mission is to create value for its customers by providing them with innovative products and solutions. To accomplish this goal, it invests considerable resources in the ongoing development of its core technologies, the development of new products and systems, and continuous process improvements, with the clear objective of reducing total costs for our customers. Often we are able to achieve – in close collaboration with customers – efficiency gains in their value chain and 'invent' mutual success – true to our value proposition of "Inventing success together".

Expenditure on research and development amounted to CHF 44.5 million (previous year: CHF 44.4 million) and was charged in full to the income statement for the period.

Engineered Components (EC)

A challenging year

Business at the EC segment was clearly impacted by the COVID-19 pandemic. After a solid start in the first quarter, demand fell sharply in the second quarter due to plant closures at key customers and other restrictions in several business areas. A recovery began in July and gained momentum during the second half of the year, particularly in automotive-related areas. This development also benefited from the very successful product launches by important customers in the electronics industry and the organic growth of the Medical division.

Segment sales increased sharply by 36.3% in the second half of the year compared with the first half of the year. Full-year sales amounted to CHF 898.3 million, which corresponds to a decline of –6.1% compared with the previous year. Negative currency effects of –4.7% were partially offset by positive consolidation effects of 2.6%.

The sharp decline in demand during the second quarter and resulting lower capacity utilisation had a significant impact on profitability. The negative consequences were mitigated by the early measures taken to temporarily reduce capacity and strictly manage costs. Nevertheless, operating profit for the first half of the year was down by half compared with the same period in the previous year. The EBIT margin dropped to 9.1%. Due to the subsequent steady improvement in capacity utilization, the operating profit margin increased to 20.2% in the second half of the year. This resulted in an EBIT margin of 15.5% for the year as a whole (previous year: 17.0%, adjusted).

Fastening Systems (FS)

Performance improved

The Construction division, which focuses on the construction industry, was subject to less severe pandemic-related restrictions reflected in the limited reduction in demand. Adjusted for currency translation effects and acquisitions, the division held its sales at the prior-year level.

The Riveting division, due to its focus on applications in the industrial and automotive sectors, was clearly more affected by the COVID-19 pandemic. Demand was sharply lower during the first half of the year. The division recorded a strong sales recovery in the fourth quarter.

Sales in the FS segment for the period under review amounted to CHF 489.7 million, corresponding to a decline of –1.7% compared with 2019. Positive consolidation effects arising from the acquisition of Triangle Fasteners Corporation Inc. (TFC) in the spring of 2019 and MBE at the start of 2020 contributed 6.0% to reported sales. Negative currency effects reduced sales by –5.3%.

On the earnings side, temporary capacity reduction and strict cost management compensated for the impact of weaker demand on operating results in the first half of the year. During the second half of the year, the segment benefited from continued strict cost management, improved capacity utilization and the considerable efforts made in previous years to improve efficiency. Thanks to this positive momentum and the newly acquired companies, an adjusted EBIT margin of 11.5% (previous year: 9.2%) was achieved for the full year 2020. Both divisions have contributed to this remarkable performance in a challenging economic environment.

Distribution & Logistics (D&L)

Stable development

The D&L segment does business primarily with customers in the construction and industrial manufacturing sectors in Switzerland. D&L's well-balanced sales channel mix and product portfolio helped to limit the negative impact of the pandemic on its business operations. Strong demand, particularly in the areas of building materials and personal protective equipment, compensated for the weaker business trends with some industrial manufacturing customers. The segment's multi-channel sales approach has become an important strategic cornerstone. The relevance of broad market coverage through sales channel diversification was clearly confirmed during the year under review. The segment generated sales of CHF 316.9 million for the full year, representing a decline of –2.8% compared with the prior year. Currency translation had a negative effect of –0.6%.

Overall stable demand, swift action taken to temporarily adjust capacity, the good results from the e-shop and strict cost management had a positive impact on profitability. EBIT for the year under review showed an increase of 9.4% to CHF 28.7 million compared to the previous year period.

Slightly larger number of employees

SFS Group employed 10,692 employees (full-time equivalents) at the end of 2020 (previous year: 10,571). The year-on-year increase is attributed to the acquisitions of MBE and T&M. On a comparable basis, a slight decline of -0.5% in the number of employees was reported.

Sustainability is a strategic priority

Sustainability is an important driver of our value engineering activities and hence, the products and solutions we create for our customers. SFS published its first stand-alone Sustainability Report in 2020 (sustainability.sfs.com/en →). Reporting on sustainability reflects SFS's long-term goal of holistic integration of sustainable business practices into its corporate strategy and business model. As a signatory of the UN Global Compact, SFS is committed to the Sustainable Development Goals (SDG) and currently prioritizing four goals: SDG 4 Quality education, SDG 8 Decent work and economic growth, SDG 12 Responsible consumption and production and SDG 13 Climate action. SFS reports annually on the goals, measures and progress with respect to the individual topics within the framework of the "Communication on Progress" report (UN Global Compact) and the GRI Report ("core" option). SFS will publish its next Sustainability Report at the end of May 2021.

Potential risks evaluated

The Group Executive Board and the Board of Directors regularly assess the main business risks to which SFS Group is exposed. A comprehensive risk assessment is conducted at least once a year. In this assessment, the relevant risks are systematically classified according to the likelihood of occurrence and the severity of the potential consequences. Potential risks and actions to contain these risks were examined once again during the year under review. The focus was on data breaches and business interruptions due to cyber attacks, investment-related risks associated with major projects, delayed order fulfilment due to the pandemic, risks associated with acquired companies, warranty risks arising from product recalls, company exposure to the global economic environment, compliance and currency-related risks.

Changes in the Group Executive Board

On 1 January 2020, Iso Raunjak assumed responsibility for the D&L segment from Josef Zünd, who retired in March 2020 after a successful 49-year career at SFS.

After J. Mark King stepped down as Head of the Medical division on 1 August and retired, Jens Breu, CEO of SFS Group, led the Medical division on an ad interim basis. As part of the decision to create a global production platform to better serve customers in the medical device industry, Walter Kobler, Head of the Industrial division and long-standing member of the Group Executive Board of SFS Group, additionally assumed management responsibility for the Medical division effective 1 January 2021.

In the interests of early and diligent planning, the Board of Directors of the SFS Group appointed Volker Dostmann at the end of April 2020 to succeed Rolf Frei as CFO. Volker Dostmann joined the Group Executive Board on 1 November 2020 and will assume the function of CFO at the Annual General Meeting on 22 April 2021.

Rolf Frei – 40 years of commitment to SFS

Rolf Frei joined the company in 1981 and was later appointed CFO and Head of Services, during which time he strongly contributed to the development of the SFS Group. After the handover of the CFO function, Rolf Frei will continue to serve the company in selected strategic projects until his retirement in 2023.

The Board of Directors and Group Executive Board thank Rolf Frei for his many years of successful service and his steadfast loyalty to the company. Over the years, he has played an important role in the successful development of SFS Group through his vast expertise, his tireless efforts, his consistent focus on customer needs and his personal touch.

Proposal to elect Manuela Suter to the Board of Directors

At the Annual General Meeting 2021, the Board of Directors of SFS Group will propose the election of Manuela Suter, currently CFO of Bucher Industries and a member of its Executive Board, for election to the Board of Directors. With her many years of experience in multi-divisional, international and listed industrial companies, the Board of Directors is confident she will be a valuable addition to the Board.

Payout to shareholders

In view of the robust earnings, the very solid balance sheet and the cautiously optimistic outlook for future business activity, the Board of Directors will propose an unchanged dividend of CHF 1.80 per share to the Annual General Meeting. Last year's dividend was reduced by 10% compared with the payout in 2019, as a sign of solidarity with the company and its employees during the first wave of the COVID-19 pandemic.

28th Annual General Meeting on 22 April 2021

In accordance with Art. 27 of the Swiss Federal Council's Ordinance 3 on measures to combat the coronavirus (COVID-19 Ordinance 3), SFS Group's Annual General Meeting of 22 April 2021 will be held without the physical presence of shareholders, as was the case in the previous year. This will apply even if the current ban on such events is no longer in place at the scheduled time of the Annual General Meeting, as provided for under Art. 6 of the COVID-19 Ordinance. Shareholders may exercise their voting rights by issuing a power of attorney to the independent proxy in writing or electronically.

The Annual General Meeting will be held at the headquarters of SFS Group AG in Heerbrugg (Switzerland) in the presence of the independent proxy and the Company's external auditor. Further information will follow with the invitation.

Outlook for the financial year 2021

In the current financial year, our attention will remain focused on protecting the health of our employees and managing the effects of the COVID-19 pandemic on the course of business. Investments in the selective expansion of our production capacity and thus the implementation of growth projects will continue. In February 2021, for example, construction began on an additional production hall at the Heerbrugg site (Switzerland) to realize growth projects in the Automotive division. Another strategic priority is the expansion of our global production platform for medical device applications.

For the financial year 2021 SFS expects to return to organic growth and achieve an EBIT margin in the range of the previous year. This outlook is based on the assumption of an ongoing recovery of the global economy and no further global waves of COVID-19 infections, leading to a deterioration of the economic conditions.

Thank you


A big thank-you goes to all employees of SFS Group for their tremendous commitment and flexibility in meeting the challenges that the COVID-19 pandemic has posed and making our good results possible.

We thank our customers and business partners for their trust and partnership, and for their commitment to the development of sustainable and value-added solutions together with SFS during such a difficult year.

We also thank our loyal shareholders for their trust and solidarity over the past year. They give SFS Group stability and thus contribute to its sustainable development.



Heinrich Spoerry
Chairman of the
Board of Directors



Jens Breu
CEO