

Markets

Market position maintained

Thanks to its broad positioning across different end markets and regions, SFS was able to successfully navigate the business challenges posed by the COVID-19 pandemic. After the sharp drop in demand in the second quarter 2020, activity picked up significantly during the second half of the year, particularly in the automotive-related areas. In the electronics industry, SFS profited from successful product ramp-ups by key customers.

Development by end market

The COVID-19 pandemic had significantly different effects on the various end markets addressed by SFS. In a year characterized by extreme turbulence, SFS clearly profited from its balanced focus on different end markets and regions.

Solid results achieved in the construction sector

The construction industry, the largest end market for SFS Group in terms of sales, was less affected by the restrictions imposed to contain the COVID-19 pandemic than other industries. This was leading to a better course of business compared to the development in other end markets. SFS' acquisition of Triangle Fastener Corporation, Inc (TFC) in 2019 and MBE Moderne Befestigungselemente GmbH beginning 2020 further strengthened its position in the construction sector, resulting in higher sales overall and slightly increasing the construction market's share of total Group sales to 31.1% (previous year: 29.6%).

Benefited from strong demand in the electrical and electronics industry

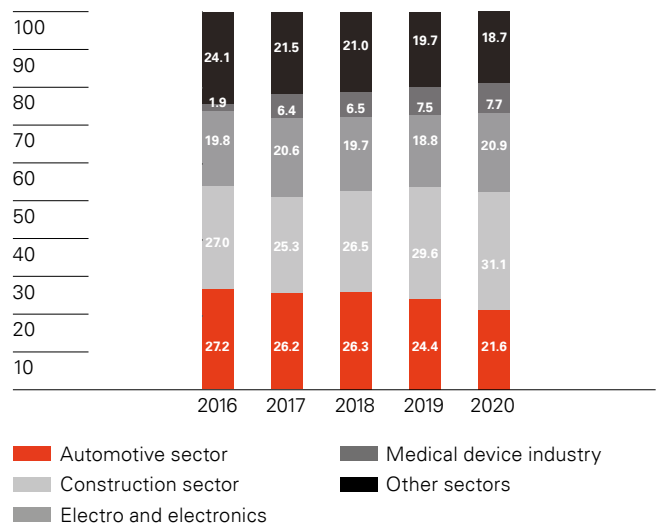
SFS' customers in the electrical and electronics industry are located primarily in Asia. Business activity in this area was the first to be affected by the COVID-19 pandemic due to the decision by Chinese officials to keep factories closed after the Chinese New Year celebrations. Continued strong demand for electronic products allowed for quick recovery of lost production. In the second half of the year, SFS profited from successful launches of customer products in the areas of lifestyle electronics and smartphones, and from the ability to ramp up production quickly and efficiently. Sales in local currencies showed significant growth of 6.7% and the share of total Group sales rose to 20.9% (previous year: 18.8%).

Growth in medical device business continued

Throughout the year, SFS' medical device business supported the overall sales development of the SFS Group. Restrictions related to COVID-19 such as the postponement of elective surgical interventions, were offset by general market growth and the launch of new products. Sales in the medical device market rose to 7.7% (previous year: 7.5%) of Group sales.

Share of sales by end markets 2016–2020

in %



The medical device industry is a fast-growing global market. Continued strong market demand and customers looking for manufacturing partners with a global reach formed the basis for management’s decision to establish a global manufacturing platform under the Tegra Medical brand. Investment in the expansion of the production site in Hallau (Switzerland) and the purchase of a real property in Franklin (US) – a strategically important location due to its proximity to the local medical device hub – strengthen SFS’s position in the medical device industry and create more capacity for future growth projects (further information in segment report Engineered Components, p. 19).

Automotive business characterized by major shifts

The weak demand from the automotive industry witnessed in the previous year continued into the reporting year 2020, and the first global wave of the COVID-19 pandemic depressed demand even further. Production plant closures at key customers during the lockdown led to a massive decline in demand across the supply chain during the months of April and May. The collapse in the end market led to a 58% decline in second-quarter sales compared with the previous year period. Demand improved in the summer and business gained further momentum during the course of the second half of the year. However, the recovery in the second half of the year did not compensate for the steep drop in sales during the first six months. Compared with the previous year,

sales to customers in the automotive industry fell by CHF 66.6 million or –15.3%, resulting in 21.6% of total Group sales (previous year: 24.4%)

With the acquisition of Truelove & Maclean (T&M) in the first quarter of 2020, SFS complemented its existing development and production platform in North America to include deep-drawing technology, enhancing its local-for-local strategy and further strengthening its robust supply chains.

Slow recovery in niche markets in second half of year

The various niche markets were affected to differing degrees by the weak demand caused by COVID-19. After the sharp decline in demand in some areas during the second quarter, the situation in several markets stabilised from the middle of the year. Nevertheless, sales and operating results at the end of the year were only slightly better compared with the first half.

In Aircraft, sales were sharply lower compared with the previous year. The future business development is likely to remain challenging as projected demand for passenger air transportation has been revised sharply downwards and capacity has been reduced across the entire supply chain.

Worldwide production and sales locations



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 T&M and MBE added two additional sites in the past year (depicted by red dots).

Development by region

The regional sales mix was significantly influenced by developments in the end markets. Driven by strong demand in the electrical and electronics industry, which is conducted almost exclusively in Asia, the Asian (incl. Rest of world) share of total Group sales increased by 240 basis points to 22.4% for the year under review (previous year: 20.0%).

Sales in the Americas benefited from growth in the medical device business and the solid development of the construction industry. Acquisitions in the Automotive and Construction divisions contributed 10.0% to the positive development. The Americas share of total Group sales in 2020 was 22.7% (previous year: 21.6%).

Thanks to the – in view of the pandemic – stable business at D&L, the share of sales generated in Switzerland increased slightly to 19.5% compared to the previous year’s figure of 19.4%.

Sales in Europe, by far the largest market for SFS, showed a sharp decline. While the construction sector developed robustly in 2020, the pandemic had a very negative impact on customers in the automotive, aircraft and industrial areas, but SFS was nevertheless able to defend its market position in these industries. Sales in Europe declined by CHF 91.1 million in 2020 compared to the previous year and the region’s share of total Group sales contracted to 35.4% (previous year: 39.0%).

Share of sales by region 2016–2020

in %

