

conzzeta



Capital markets day on Bystronic strategy 2025

Niederönz, November 10, 2020



Welcome

Ernst Bärtschi

Chairman Conzzeta BoD

Michael Willome

Conzzeta Group CEO

Alex Waser

CEO Bystronic

Member of Conzzeta

Executive Committee

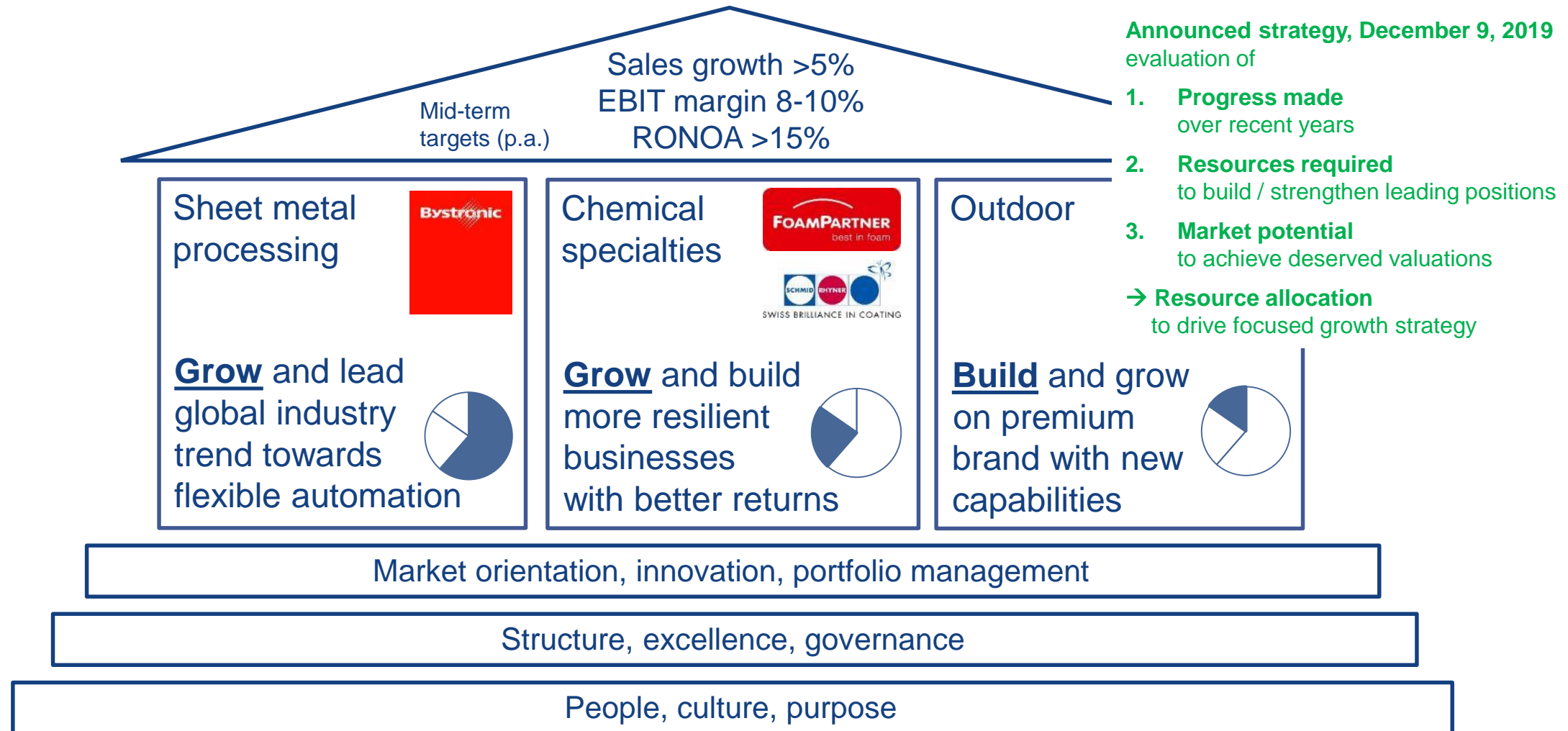


The information in this presentation about the business performance of the Conzzeta Group is of a summary nature only. The information in the Annual Report and half-year report of Conzzeta AG and on the website www.conzzeta.com prevails.

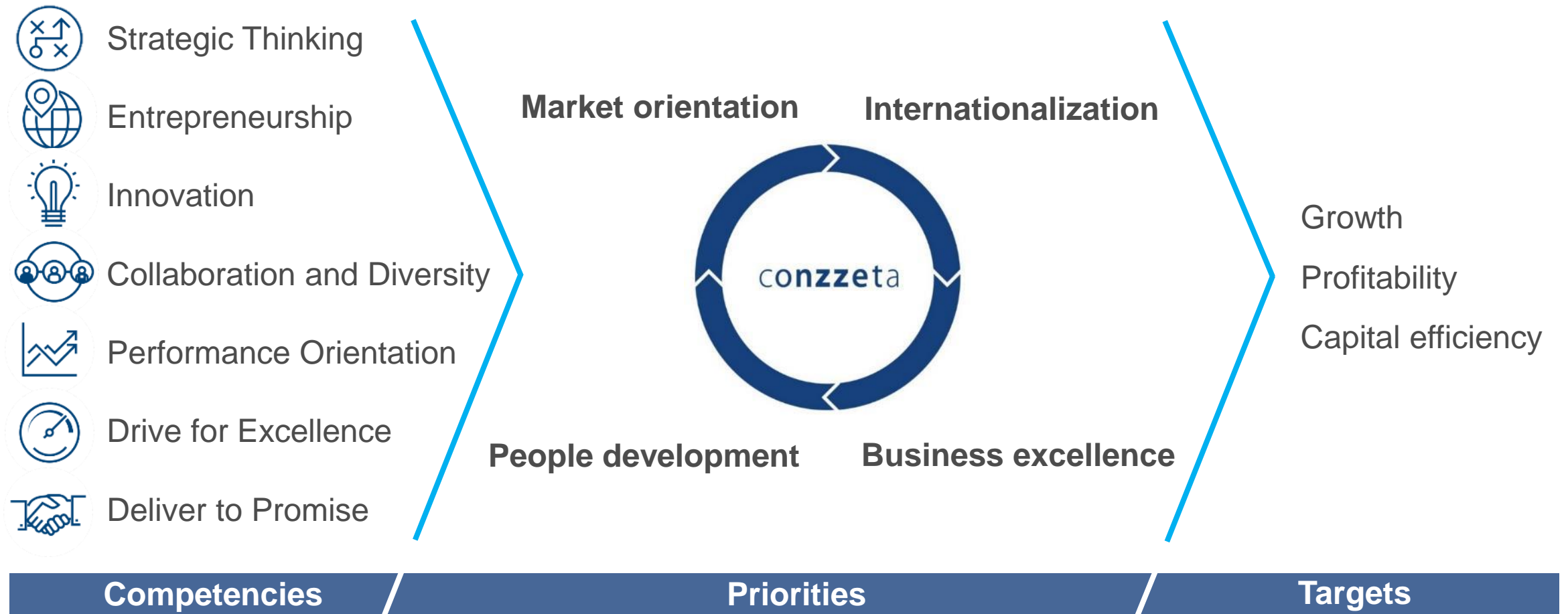
Although the greatest possible care was taken with the preparation of the presentation, Conzzeta takes no responsibility for its completeness or correctness. Unless otherwise specified, the figures are based on the annual results for 2019 and half-year results for 2020.

The presentation also contains statements about expected future financial and operational developments which are based on subjective assessments. Any liability for loss or damage arising directly or indirectly from the information in this presentation is expressly excluded.

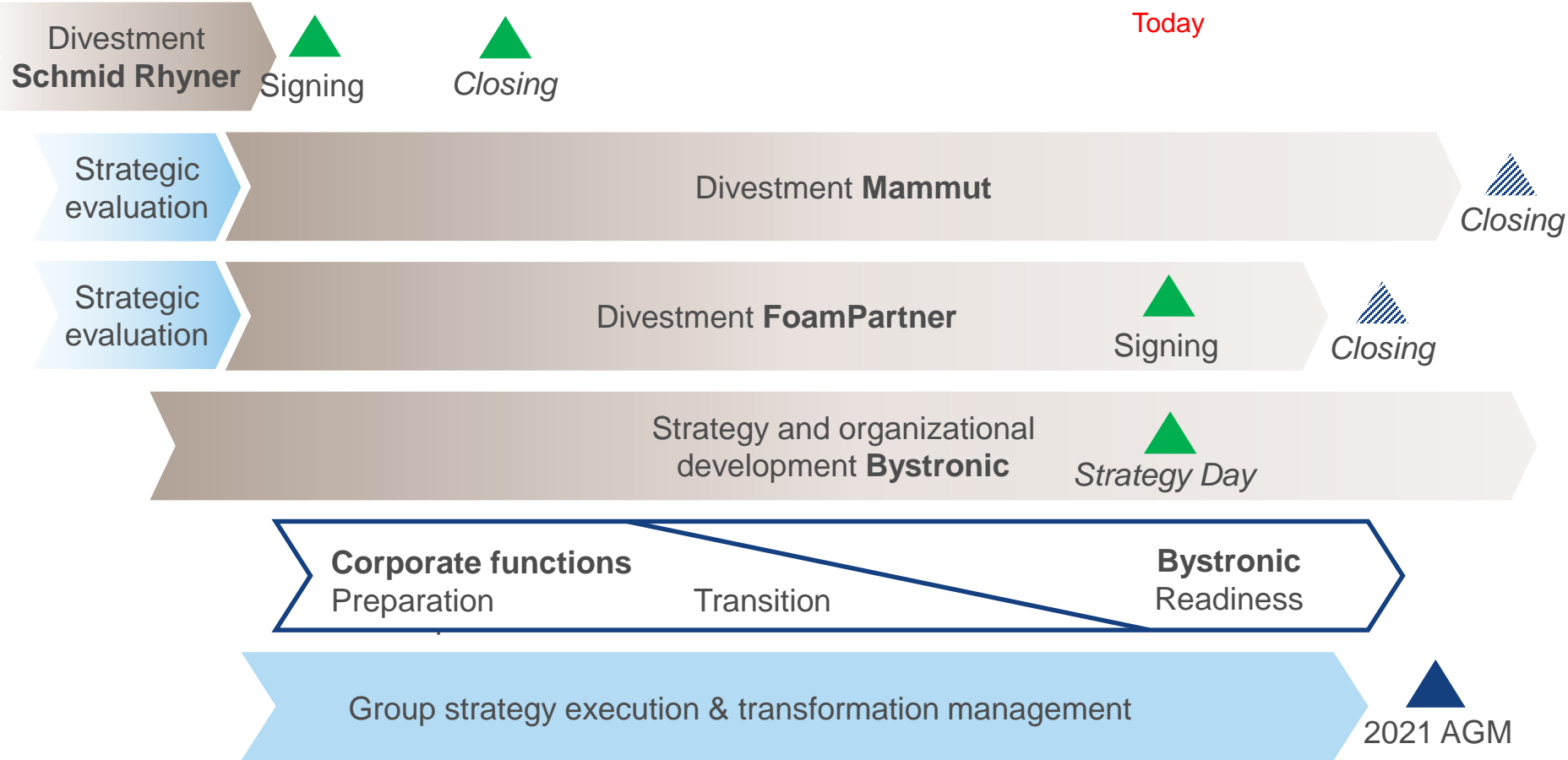
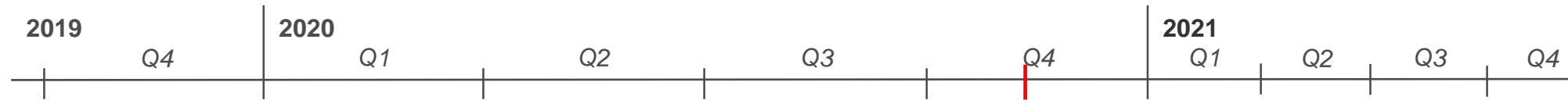
Over the past 5 years we delivered on our financial aspiration while sharpening our focus for leading market positions



Our framework implemented in 2016 serves us well through the change process



We consistently transform towards Bystronic and expect completion in 2021



Create and / or select best suitable platforms for all Business Units to foster leading positions globally, built on innovative value potentials

Step-by-step transformation of corporate center

9M 2020 trading update (released October 16)

Expected acceleration in customer activity in Q3

CHF m	9M 2020	9M 2019	Change in %	
			reported	organic ¹⁾
Group net revenue	905.4	1,136.5	-20.3%	-11.8%
Sheet Metal Processing				
Order intake	535.8	693.5	-22.7%	-18.2%
Net revenue	566.8	662.3	-14.4%	-9.5%
Net revenue of discontinued operations				
Chemical Specialties	189.4 ²⁾	265.4 ²⁾	-28.6%	-14.8%
Outdoor	149.4	186.7	-20.0%	-17.5%
Glass Processing	-	22.4	-	-

¹⁾ At constant exchange rates and adjusted for changes in the scope of consolidation.

²⁾ Incl. Schmid Rhyner (CHF 6.9 million 2020 and CHF 38.1 million 2019).

- Q3 with notable stabilization vs pandemic-hit H1
- Q3 organic Group revenue -2.7%, with Mammut posting slight growth
- Acceleration of business activity evident across regions, pronounced in China, where Q3 order intake Bystronic and revenue FoamPartner exceed PY levels
- We confirm outlook for 2020, communicated on June 9, 2020, with positive mid-double-digit million CHF EBIT (incl. divestment gain) and substantially lower net sales compared to previous year

Introduction

Alex Waser

CEO Bystronic

Member of Conzzeta

Executive Committee





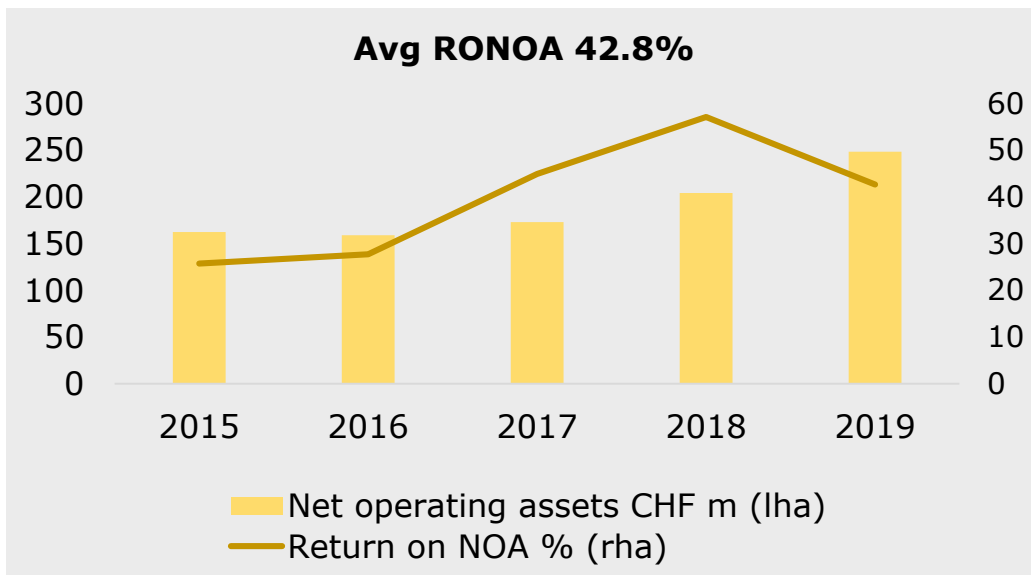
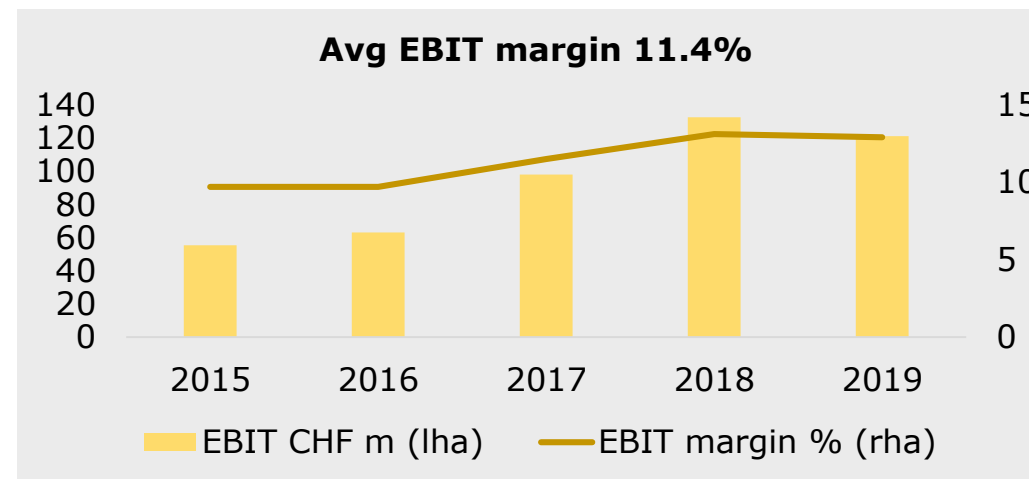
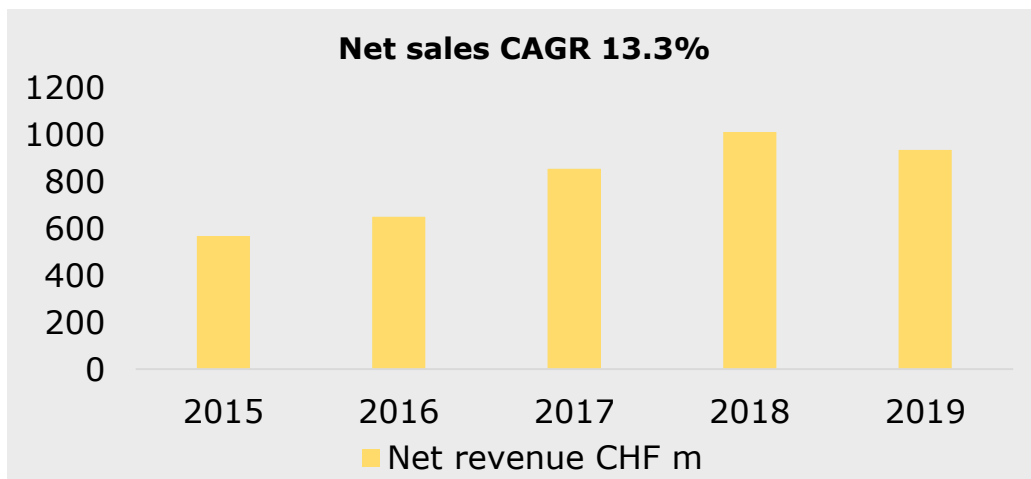
Bystronic

Best choice.

**We are a pioneer in Sheet Metal Processing,
striving for world class manufacturing & service
and ready for the next development phase**

**With our products, solutions and
services we enable our customers to
lead their markets by optimizing
their E2E value chain**

We outperformed the market over the last business cycle

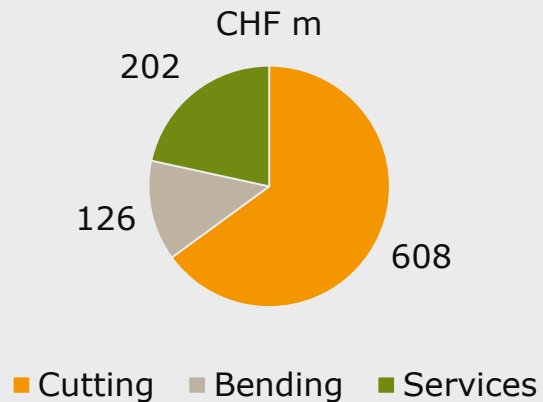


- ### Key achievements 2015 / 2019
- Narrowed gap vs top two competitors in served market with profitable growth
 - Outperformance driven by product innovation, market development and business excellence ... and not least by an experienced team
 - Complementary M&A to broaden product & solutions offering to enter new applications and market segments

As per Conzzeta reporting.

Bystronic business profile in market context – share of ~12% in served machine market

Sales by product 2019



Established and new competition

- Competitive landscape dynamic and increasingly fragmented, particularly from new players in fiber laser entry level segment

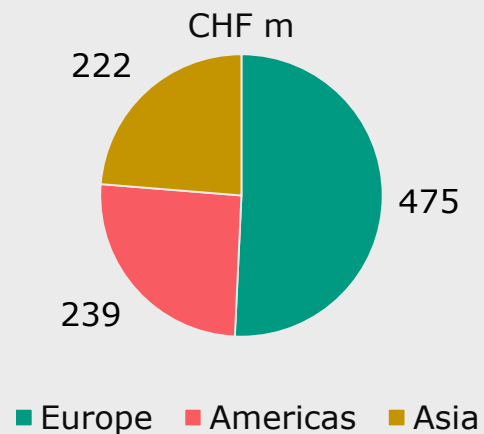
Opportunities in innovative hardware

- Line extensions in cutting & bending; high-performance cutting with more high-tech integration & customization features

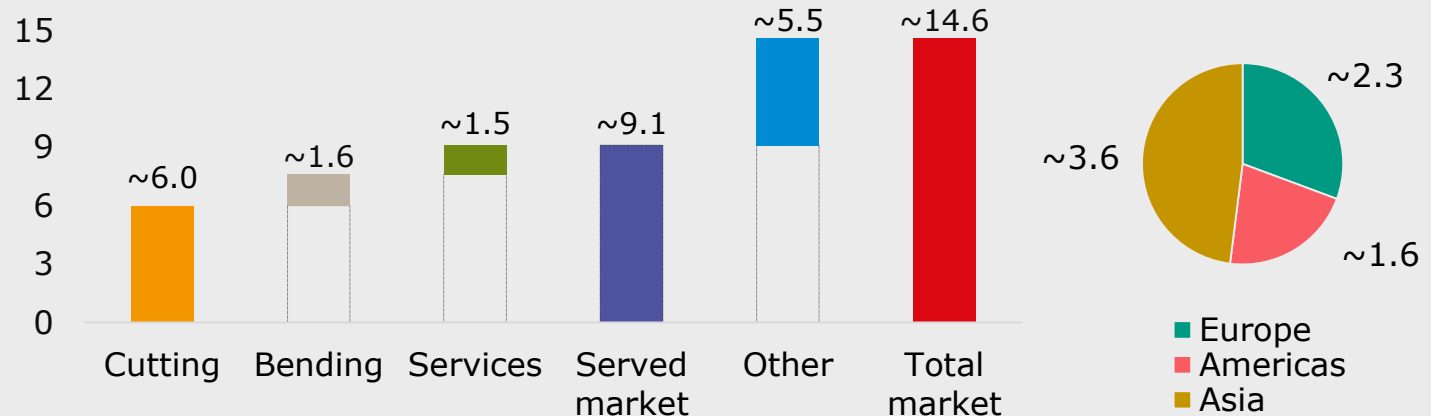
Secular trend towards smart factory solutions & services

- Growing focus on systems for enhanced client productivity through E2E automation and solutions that yield more stable revenue streams

Sales by region 2019



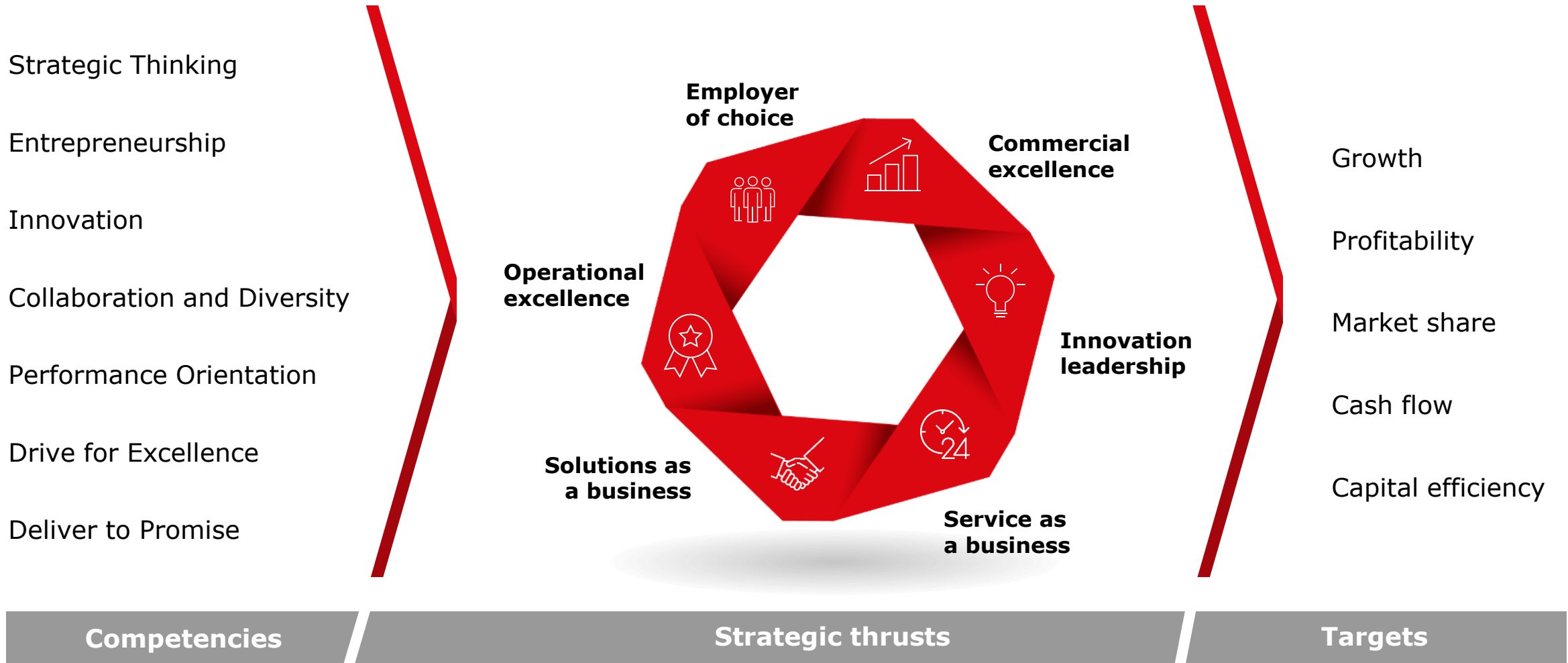
Estimated market size (2019; CHF bn)

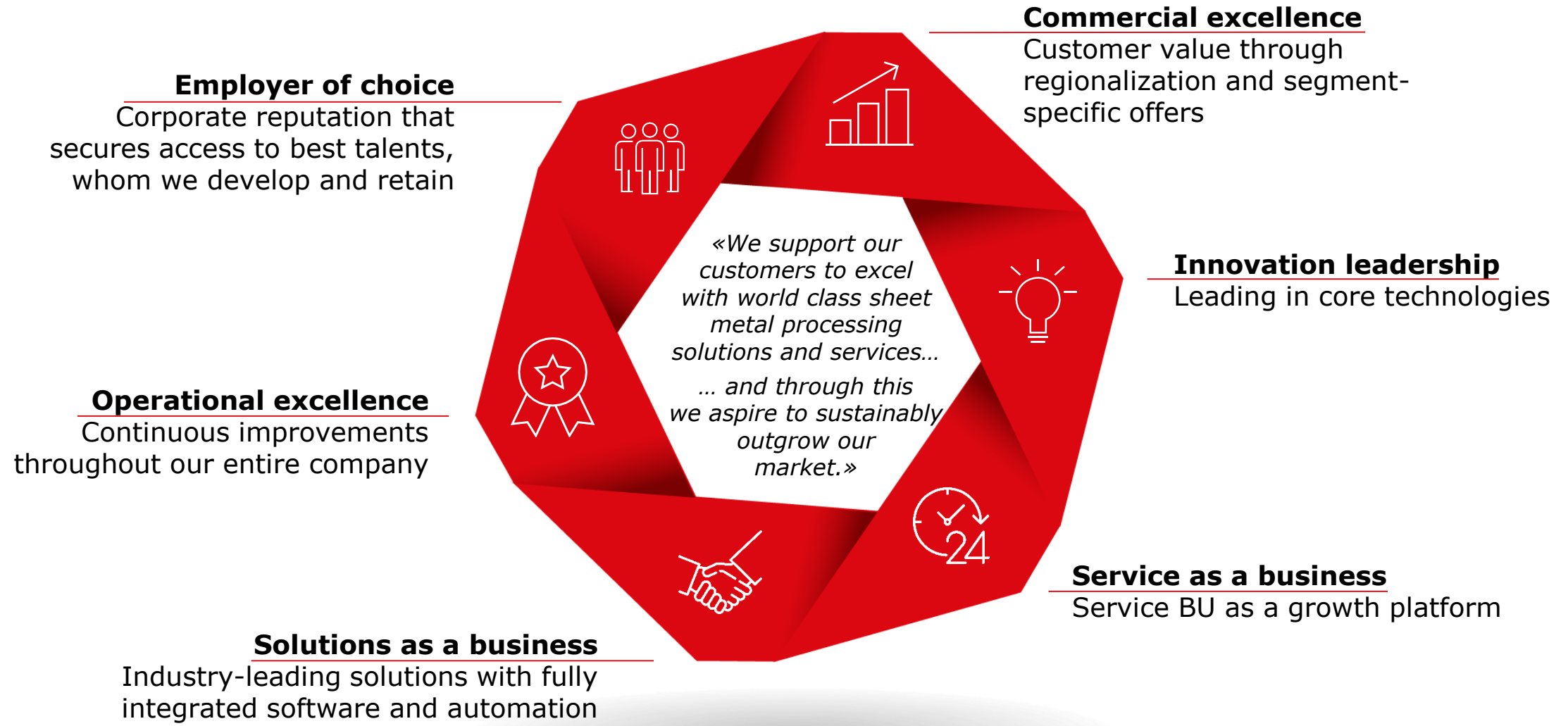


As per Conzzeta revenue reporting.

As per Bystronic market assessment; regional split machines only.

We build on a proven framework ...





... adopting an holistic, integrated management approach

Materiality assessment during 2020

Identification and prioritization of material sustainability topics with aspiration levels for Bystronic in consideration of emerging ESG standards

Carbon footprint assessment for Niederönz lead site (scope 1, 2, 3) ongoing

Development of integrated reporting concept for 2021

Economic topics

Economic performance

Good practice

Innovation & business model viability

Leadership

Data management

Good practice

Environmental topics

Energy & climate change

Good practice

Resource efficiency

Leadership

Longevity & cyclability

Good practice

Social topics

Product safety

Good practice

Engagement & wellbeing

Good practice

Diversity & inclusion

Good practice

	Products & solutions <ul style="list-style-type: none">• Green technologies• Software & solutions	<ul style="list-style-type: none">• Christoph Rüttimann, CTO• Alberto Martinez, CDO
	Market prioritization	Johan Elster, Head of Market Region EMEA
	Q&A	
Start 11.30 am CET	Market coverage China	Song You, Head of Market Region China
	Global services	Eamon Doherty, Global Head of Services
	Employer of choice	Nicole Progin, Chief HR Officer
	Conclusions	Alex Waser, CEO Bystronic
	Q&A	
	Closing comments	Alex Waser, Ernst Bärtschi

Products & Solutions

Christoph Rüttimann
CTO

Green technologies

Alberto Martinez
CDO

Software & solutions



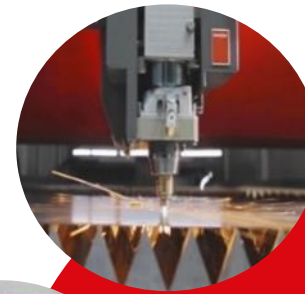
Our combined offering of

- state of the art equipment,
- leading-edge solutions and
- comprehensive services

enable our clients to become

- more efficient and
- more productive ...
- ...while reducing their environmental footprint

Advanced laser technologies



Future technologies

Efficient bending and robotics



World-class manufacturing

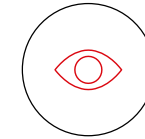
Easy-to-use software



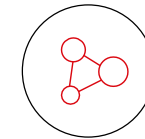
Worldwide serviceability

Bystronic provides **standardized production cells** and **cloud software solutions** ...

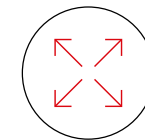
...which can be **customized** to meet specific customer needs for **improved end-to-end productivity** in sheet metal processing operations.



Open:
Open ecosystem that enables easy integration of 3rd-party products



Integrated:
Connecting machines and processes to create and offer complete ecosystems



Modular & Scalable:
Single interface and single data structure to focus on during analyses

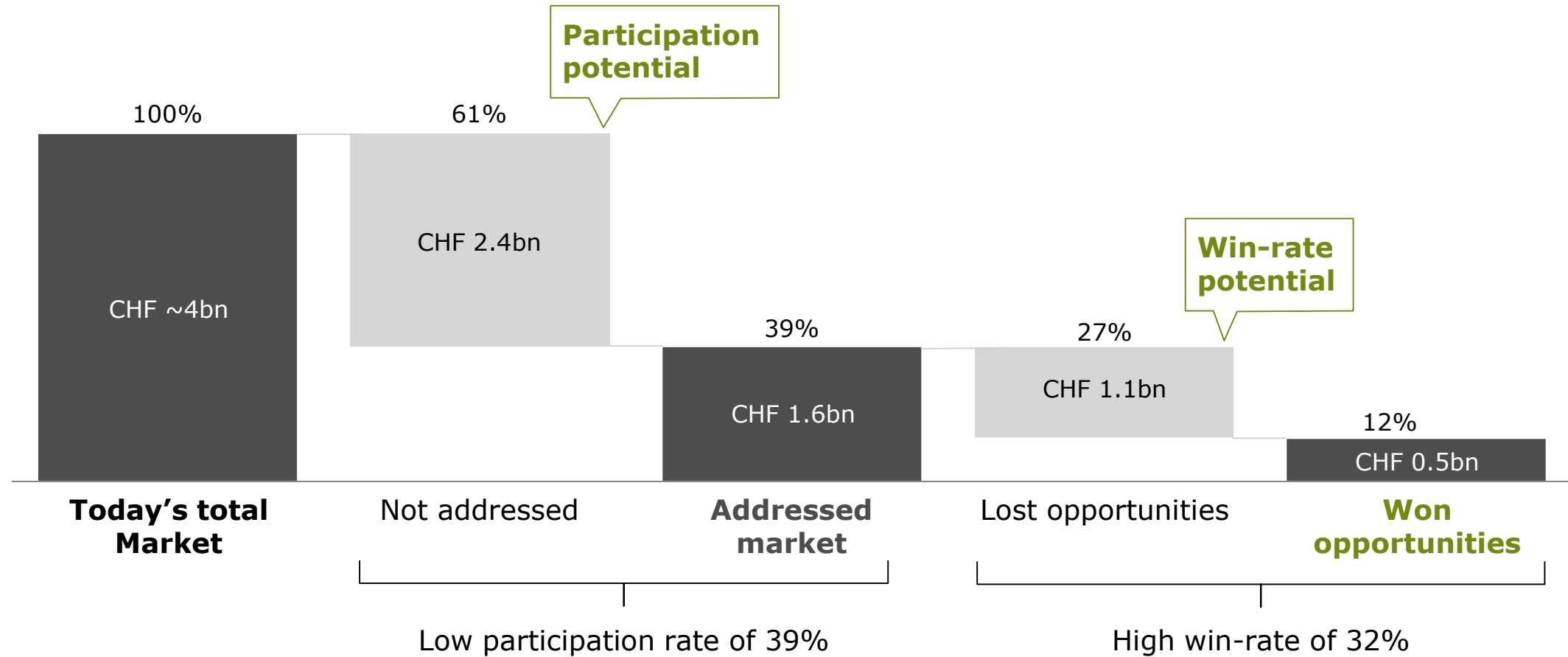
Market prioritization

Johan Elster
Head of Market Region EMEA



Growth potential in the 2D laser cutting market

2D cutting market segment >1kW laser power



Region- and market-specific growth initiatives

Win rate potential

- Strengthen key account management
- Offer attractive financing options
- Customer / segment specific offering

Sales optimization

Participation potential

- Improve sales force coverage
- Sales channel partnering
- Internal best practice sharing
- Leverage / optimize sales teams
- Vertically targeted digital marketing
- CRM integration between marketing and sales

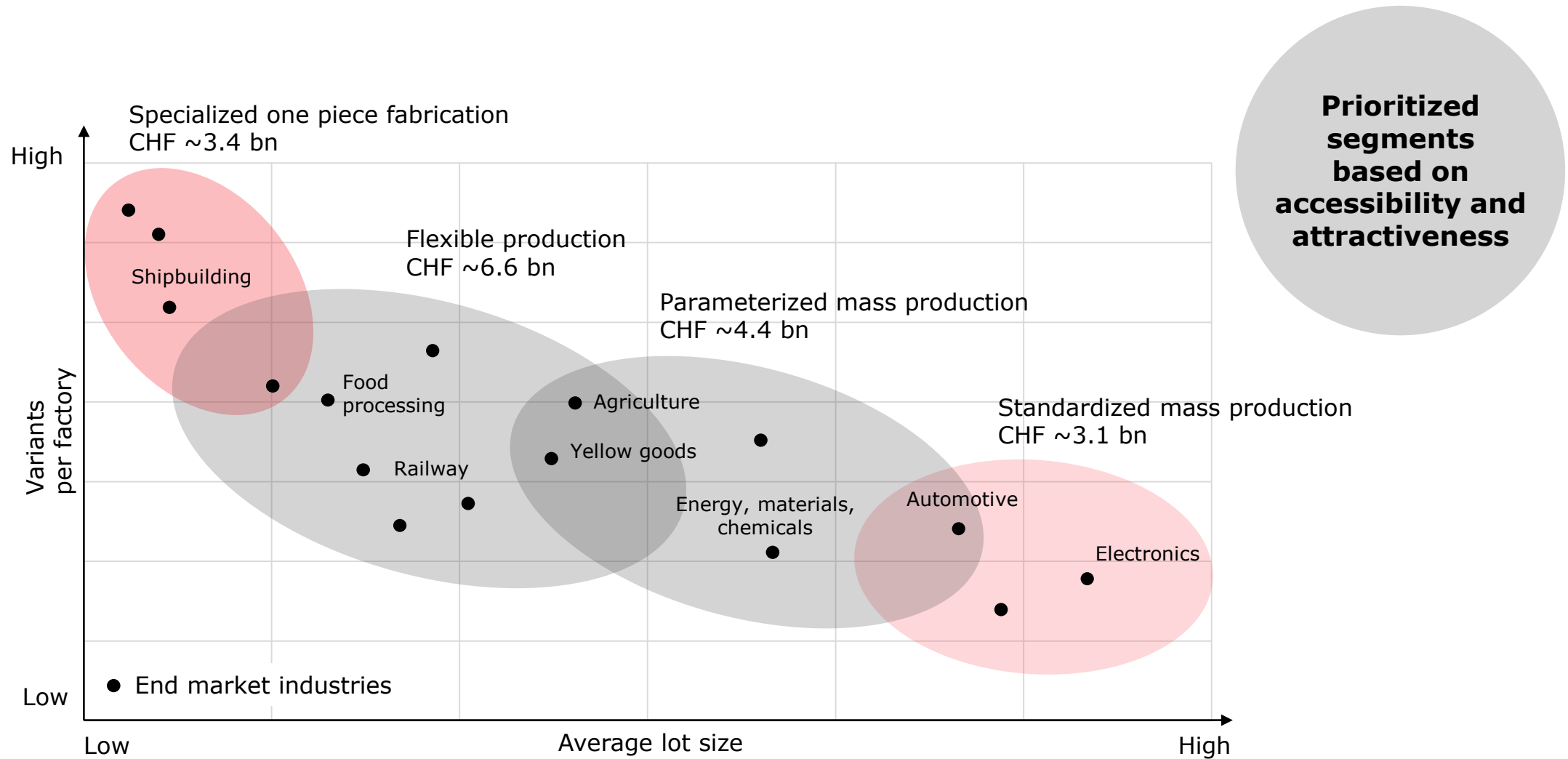
Offering optimization

- Close gaps in portfolio and add product lines
- Expand second hand business

Awareness potential

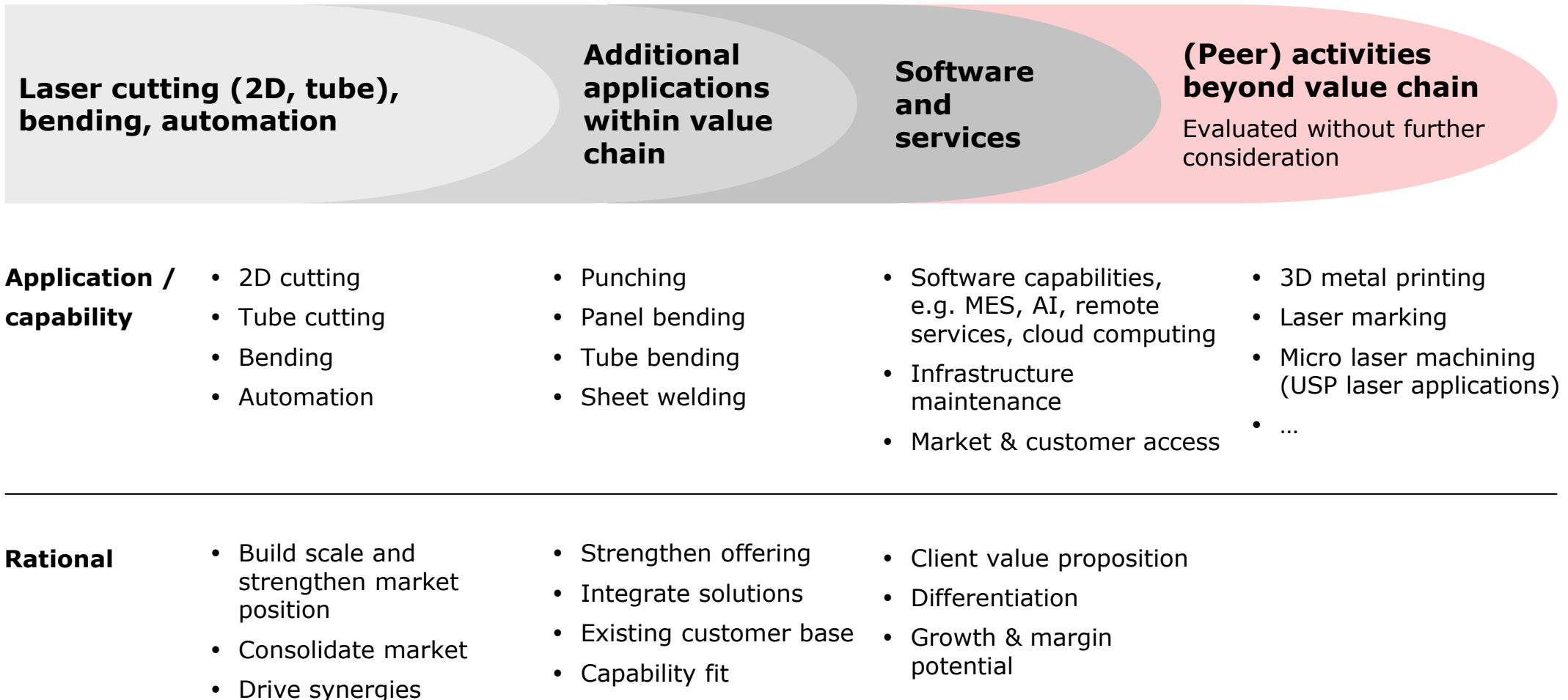
Market education over time also through cost effective digital marketing

Focus on attractive market segments with an improved understanding of end markets



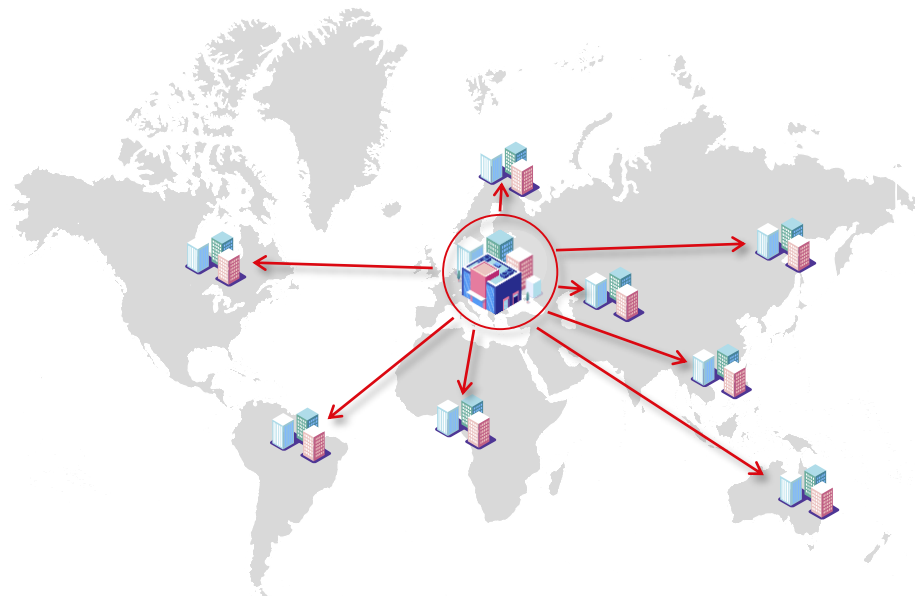
Own analysis and estimates; note: numbers do not add up to 100% due to overlapping categories

Our portfolio & collaboration strategy remains focused on sheet metal processing



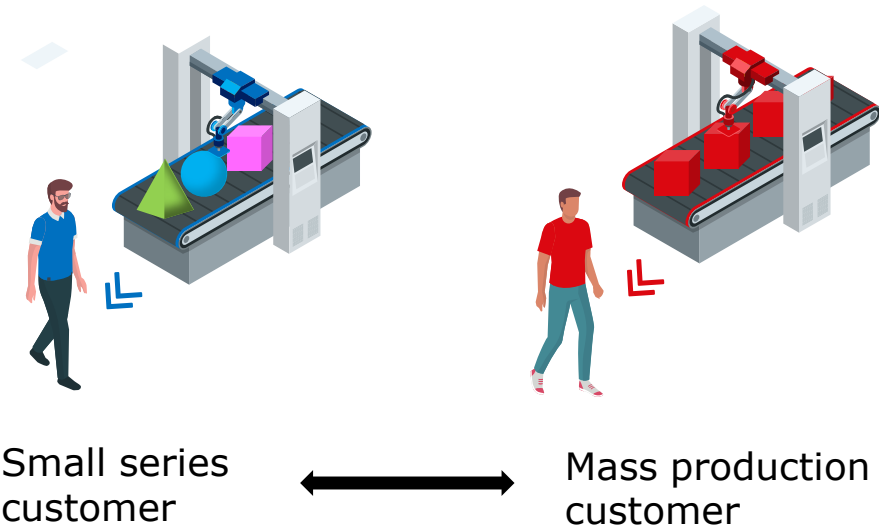
Focus on organic development, with complementary M&A, partnerships & corporate venturing

Implement regional management structure and strengthen local coverage



- Be close to market and clients for speed, flexibility and resilience
- Improve local market knowledge to target specific segments and industries
- Facilitate internal practice sharing and roll out initiatives globally / regionally / locally

Implement learnings from in-depth analysis of client segment needs



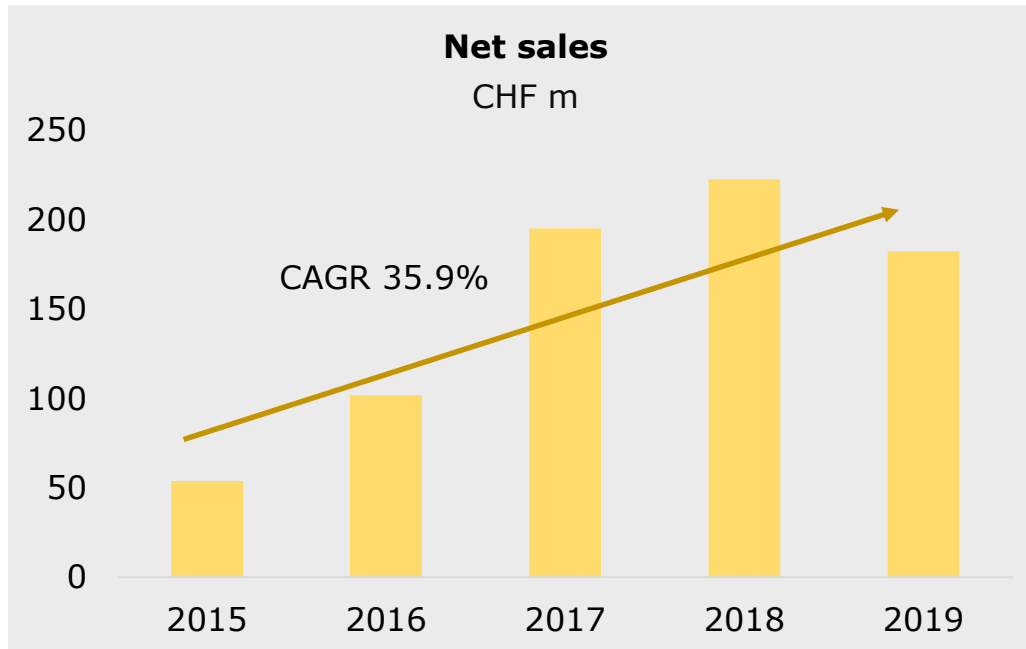
- Segmentation and client profiling based on improved knowledge of value drivers
- Modularization of product / solution offering, also with industry specific messaging
- Tailored E2E and productivity driven client value proposition

Market Coverage China

Song You
Head of Market
Region China



We notably strengthened our business in China ... with significant potential ahead



As per Conzzeta revenue reporting, "ship from".

- Above-average growth organically and through margin accretive M&A (DNE)
- China as strategic growth market with significant growth potential
- Maintained capabilities through softer market cycle to be ready for upswing



- Manufacturing for domestic and export markets in Tianjin and Shenzhen (DNE); sales & service in Shanghai
- ~30% of Bystronic employees located in China, including sales, operations and R&D
- China developed technologies for the world – notable cross-fertilization from DNE acquisition

Market

- Served machinery market size of CHF ~2.6 bn with overall growth of ~10% p.a.
- The only large sheet metal processing market with growth in 2020 – “own” market cycle, diversifying Bystronic’s geographic risk profile
- Sizable customer segments – across industries and from entry level to high end, with quickly evolving demand for automation

Competition

- Fragmented, dynamic competitive landscape with established and large number of new players
- Fierce competition particularly at entry level, which accounts for >60% of served market
- Bystronic with market share of ~7%; only larger player with offering for entry-level equipment as well as automation

Macro environment

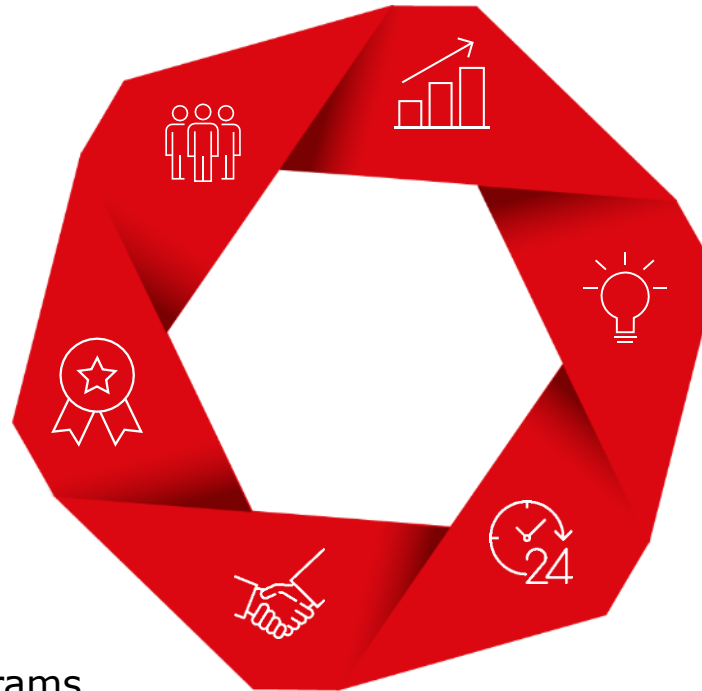
- Ongoing recovery from virus slump with economic growth of 4.9% in Q3, with low rate of new COVID-19 infections
- 2020 IMF forecast of 1.9% GDP growth (Euro area -8.3%)
- Until 2025, IMF projection of 5.5% annual GDP growth (Euro area 1.4%)
- Significant fiscal stimulus package to support COVID-19 recovery; China seen as having more room for manoeuvre than other big economies
- Manufacturing sector, including sheet metal processing, to benefit from strategic plan “Made in China 2025”
- Continuous notable progress in technical capabilities by domestic suppliers / customers

Value Creating Growth

Deliver continued above-average organic growth and actively exploit opportunities for collaboration and acquisitions

Best People

Strengthen proposition for hiring and retention; develop a “Co-Create” mindset and evolve organization with leadership programs



Capabilities

Strengthen market coverage, also with software and solution centers; develop DNE as international hub for cost-effective solutions

Business Excellence

Walk the talk on world-class manufacturing for own operations; better integrate DNE, also for business origination

China has largely recovered from the pandemic



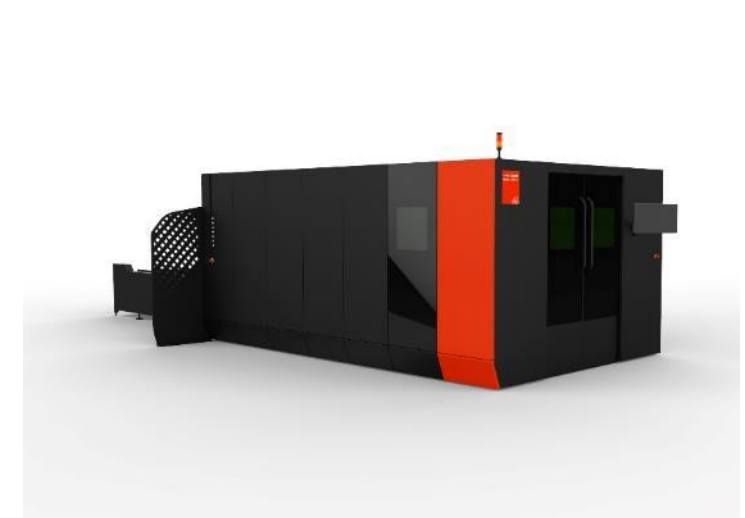
Tianjin Plant



Competency days, July 2020



New Bystronic DNE building



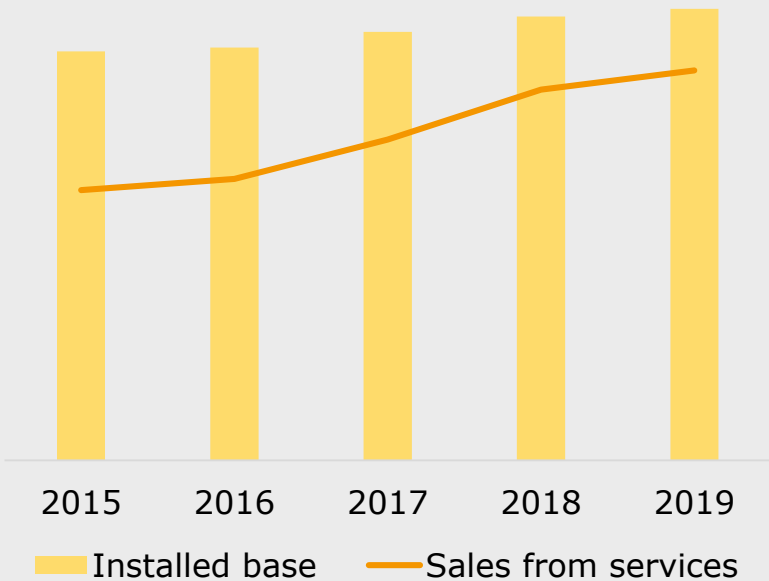
The 7th Generation new DNE product

Global services

Eamon Doherty
Global Head of Services



Installed base (2D cutting) and services

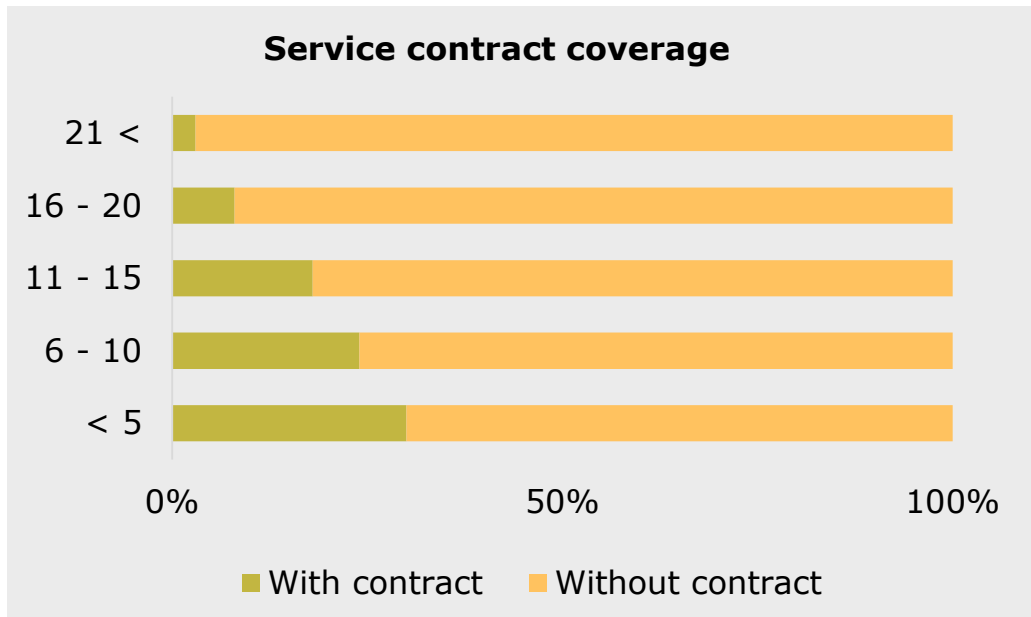


Installed base excl. DNE Laser, as per Conzzeta revenue reporting.

- Sales share from services currently ~20% with CAGR of 9.6% from 2015 to 2019
- Deep dive analysis identified 55 independent levers with significant sales opportunities going forward
- Transition from a reactive to proactive service business
- Leveraging a blended aftersales model of hunters, farmers & sales back office
- Centrally supported, local execution

Significant opportunity to almost double sales from services by 2025

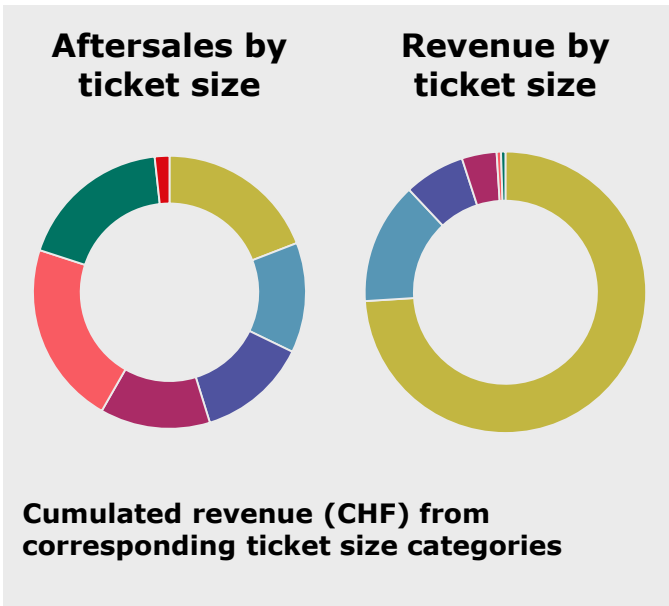
Opportunity example I: Enhance service contract penetration



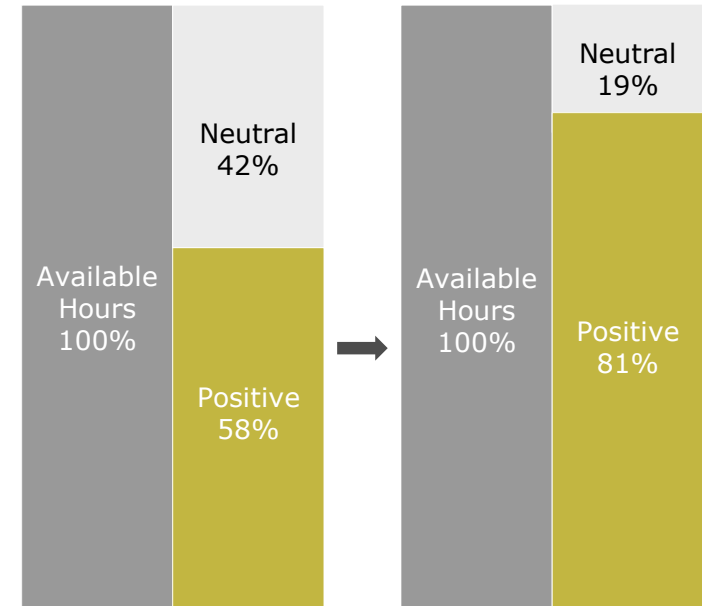
- <20% of the Bystronic installed base for cutting is currently covered by maintenance contracts
- We plan to substantially increase this by 2025 by launching the **Bystronic Care Program**



Opportunity examples II & III: Better support existing customers and increase of invoiceable hours








Customer development – our current aftersales activity is focused on ~20% of our customer base; ~80% of our tickets generate ~25% of aftersales with a ticket size of <20'000 CHF



Invoiceable hours – through the global network of service technicians we plan to convert more available hours to revenue with a notable incremental sales & margin contribution

We started to hire ~100 additional service technicians

 Customer satisfaction	Always putting the customer at the center
 Aligned organization	Focus, consistency, alignment, standardization, execution
 Business model	From transactional sales to value generating relationships
 Talent management	Talent pipeline, succession planning, & upgrading
 Blended after sales	Easy to do business with – hunters, farmers, back office

A new dedicated service organization will promote and support our effort



- Deep-dive analyses with benchmarking
- Improved CRM & client analytics capabilities
- Structurally enhanced customer focus

Employer of choice

Nicole Progin
Chief HR Officer

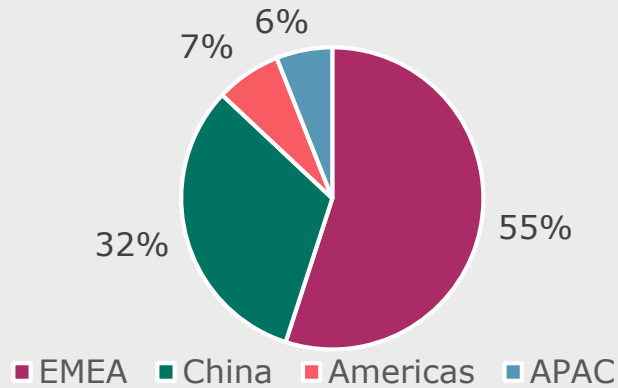


As at 30.10.2020,
Bystronic has

3'029 employees

Which includes permanent &
temporary staff employees

HC regional distribution



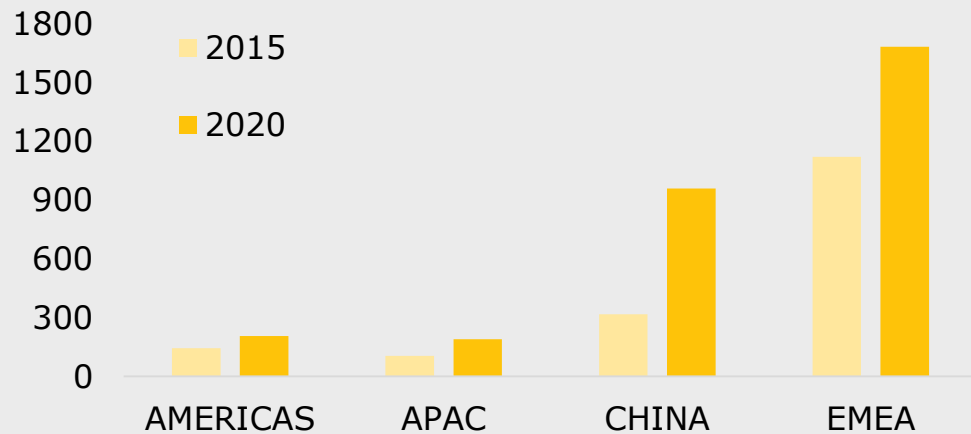
30
Languages
spoken

6
Nationalities in
management

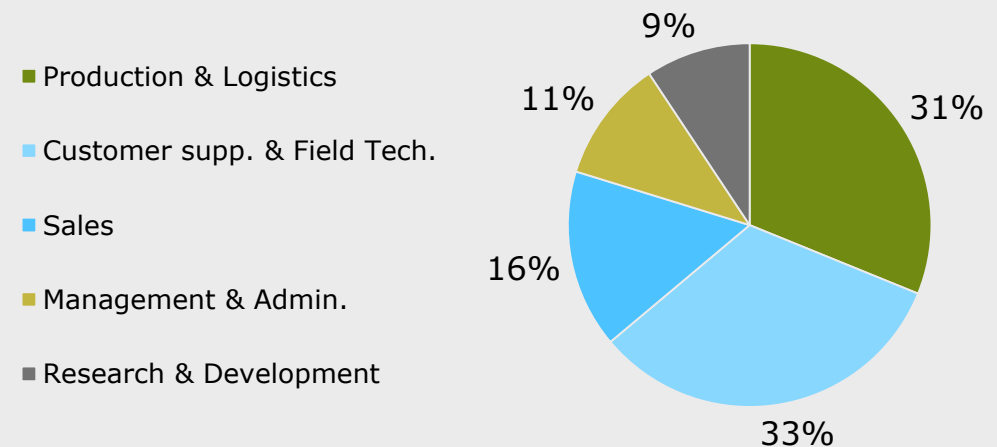
16%
of staff
is female

25%
of management
is female

HC trend by region











HC by function



We promote a learning culture to support the development of our competencies...

- Talent acquisition
- Performance management
- Development
- Doing the business the right way

- 
-  Strategic Thinking
 -  Entrepreneurship
 -  Innovation
 -  Collaboration and Diversity
 -  Performance Orientation
 -  Drive for Excellence
 -  Deliver to Promise

Help people succeed in current roles and provide platform for meaningful, long-term careers with Bystronic

Competencies

... and to foster a collaborative and inclusive work environment

Openness



Commitment



Engagement

91% Response rate **80%** Engagement rate



Innovation

Engaging environment

Learning & development

Growth opportunities

Processes & tools



*Feel Heard,
Valued,
Appreciated*



**Employee
Experience**

Conclusions

Alex Waser

CEO Bystronic

Member of Conzzeta

Executive Committee



Strategic Priorities 2025

Commercial excellence

Customer value through regionalization and segment-specific offers

Innovation leadership

Leading in core technologies

Services as a business

Separate business unit as a platform for growth

Solutions as a business

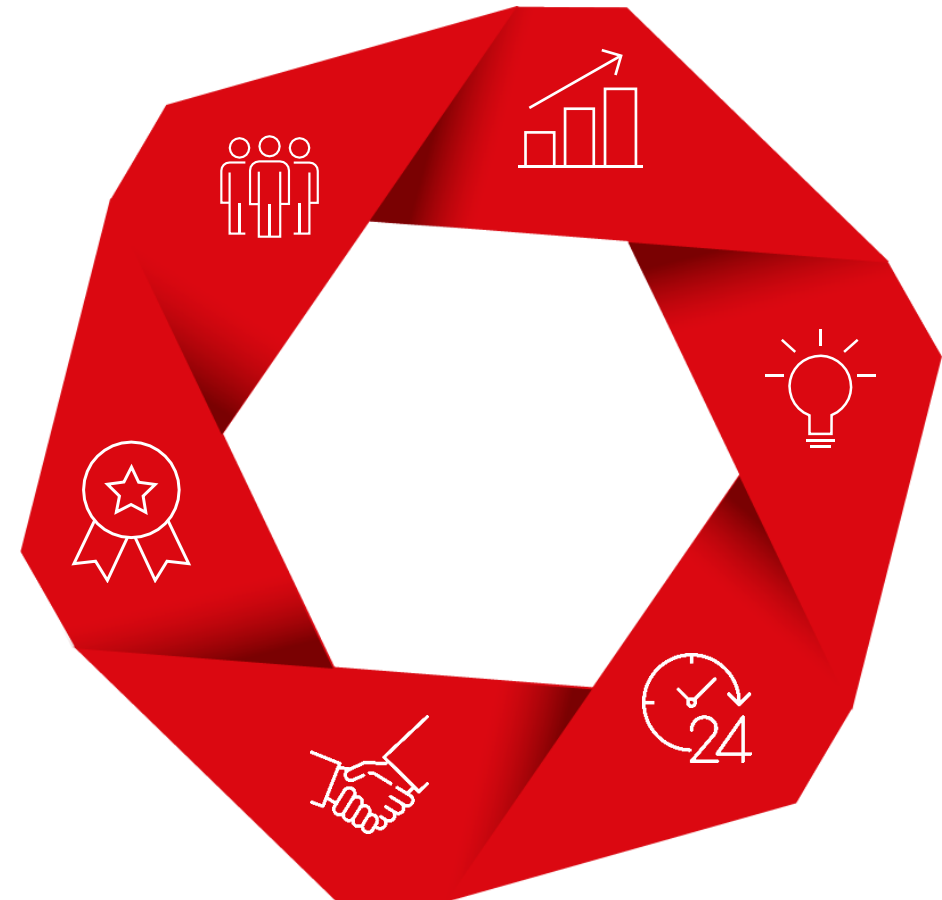
Industry-leading solutions with fully integrated software and automation

Operational excellence

Continuous improvements throughout the entire company

Employer of choice

Corporate reputation with access to best talents, whom we develop and retain



Inclusive strategy development

We deliberately took some time

- with internal & external deep dives
- with involvement of our teams
- with continued product innovation

Mobilization started

We communicate actively

- client engagement @ Competence Days
- internal trust, change & alignment
- Enable stakeholders to be successful

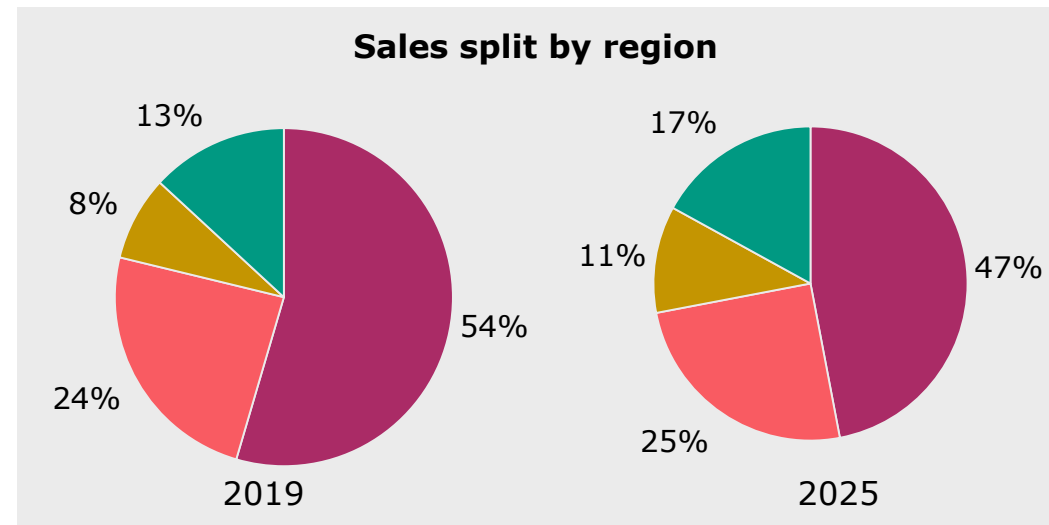
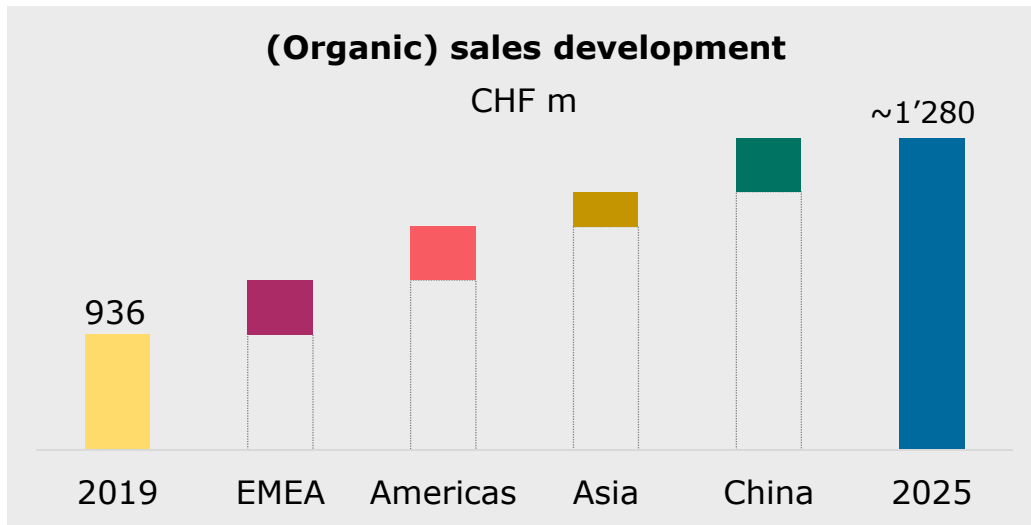
Maintain open mindset

We remain entrepreneurial

- innovate & shape industry evolution
- plan, measure & report on key initiatives
- develop & strengthen organization

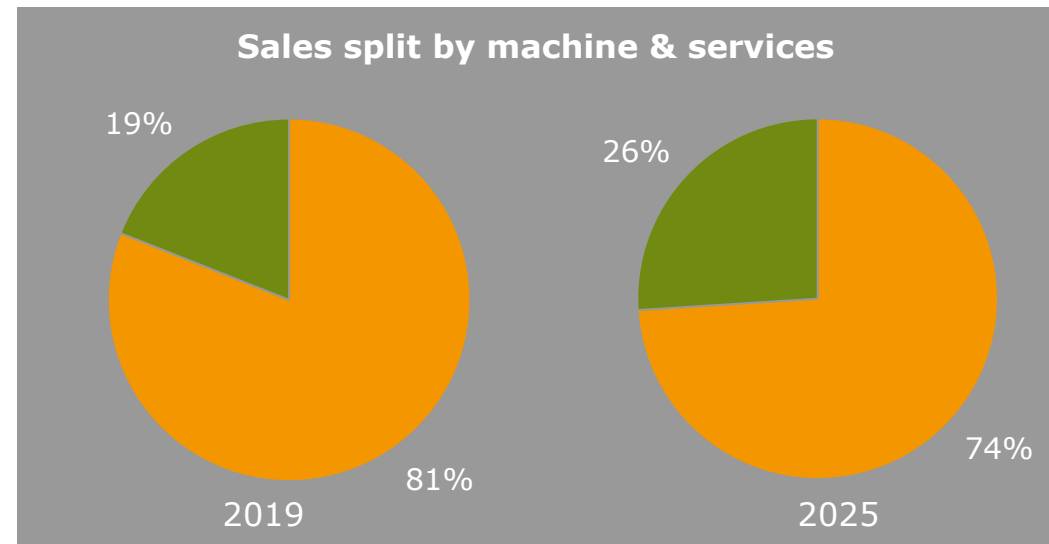


We aim to grow across regions, strengthening recurring revenue from services



With "new" Bystronic, we seek growth across all regions, with separate p&l responsibilities for China and services, ...

... resulting in a broader business diversification with a disproportionately higher sales share from Asia and China as well as from services



Current operating environment and strategy implementation with impact on expected financial performance in initial phase

- Improved order entry over last three months, but coronavirus pandemic with continued adverse impact on investment sentiment of customers
- Full recovery will take time with regional differentiation and continued macroeconomic uncertainty
- Disciplined cost management and initiatives to optimize organization ongoing

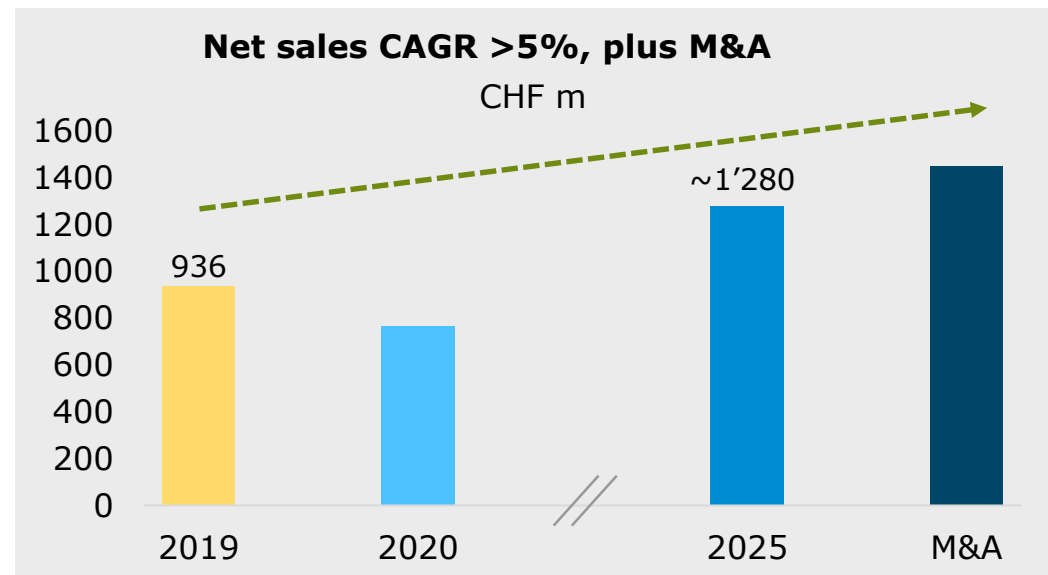
- More details on OPEX and CAPEX investments as well as on dividend strategy to be released in context of Conzzeta's strategic transformation, likely in 2021
- Expect "new" Bystronic to be well capitalized to pursue operational & strategic initiatives consistently

In an initial phase, we expect

- An average EBIT margin of 8% to 10% and
- A RONOA of 15% to 20%

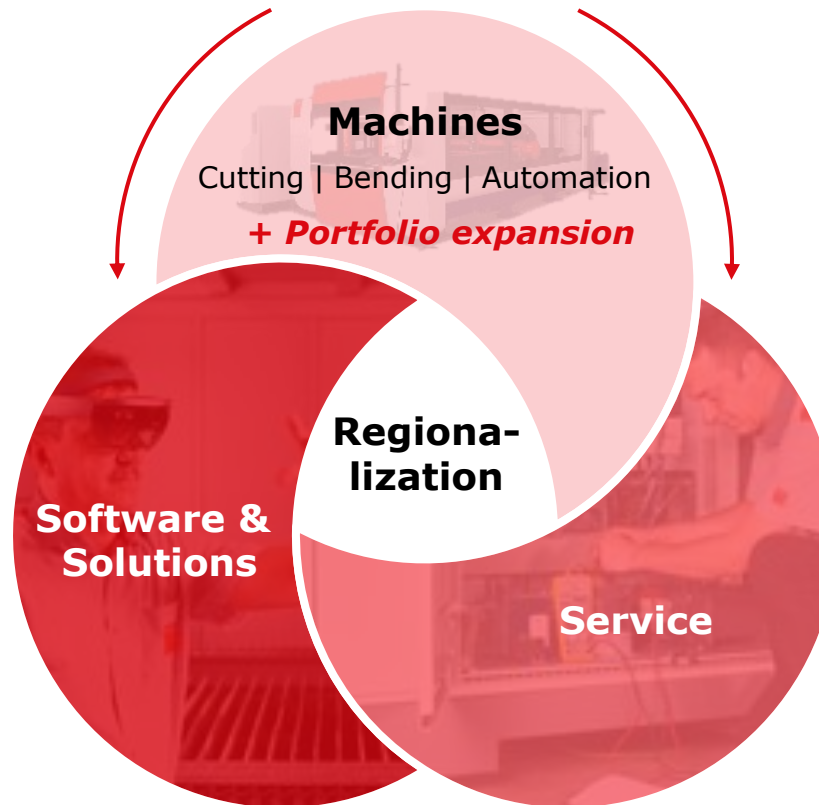
Financial aspiration by 2025

- **Organic net sales CAGR of >5%**, with further upside from M&A; implied market share growth from ~12% to ~17%
- **EBIT margin >12%**
- **RONOA of >25%**
- Operating free cash flow target in evaluation



Heritage

- Hardware focus
- Single machine focus
- Incomplete software offerings
- Service as an add on
- Service as “fire fighting”
- Single customer projects
- Limited modularity
- Limited regionalization
- “One size fits all” approach



Opportunities

- Hardware & software focused
- Software based Solutions
- Service as a business
- Recurring revenues
- One stop shop
- Global standardization
- Configurable modules
- Regionalization
- Segment focus

New Competences – New Skills – New Solutions

Bystronic Best choice.

Cutting | Bending | Automation
bystronic.com

Team members presenting today



Ernst Bärtschi
Chairman
Conzzeta BoD



Christoph Rüttimann
CTO



Song You
Head of Market
Region China



Michael Willome
Conzzeta
Group CEO



Alberto Martinez
CDO



Eamon Doherty
Global Head of Services



Alex Waser
CEO Bystronic
Member of
Conzzeta
Executive
Committee



Johan Elster
Head of Market
Region EMEA



Nicole Progin
Chief HR Officer