

# 2017 Results Presentation



Zurich, March 20, 2018

## Disclaimer

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](http://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 2017 and 2016.

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.

# Agenda

- |   |                                   |
|---|-----------------------------------|
| ▪ <b>Group result &amp; business update</b> | Michael Willome<br>Group CEO      |
| ▪ <b>Financial results</b>                  | Kaspar W. Kelterborn<br>Group CFO |
| ▪ <b>Priorities &amp; outlook</b>           | Michael Willome<br>Group CEO      |
| ▪ <b>Q&amp;A</b>                            |                                   |
| ▪ <b>Buffet lunch</b>                       |                                   |

# Conzzeta 2017 results summary

## Strong 2<sup>nd</sup> half-year

Net revenue<sup>1)</sup> CHF 859.3 m, +25.0% vs 2<sup>nd</sup> half 2016, driven by investment goods and Mammut

## Full-year results with strong sales growth and enhanced profitability

Net revenue<sup>1)</sup> CHF 1'482.8 m, +22.5%

- Comparable<sup>2)</sup> growth +14.3%

Operating result (EBIT) CHF 123.2 m; +46.0%, incl. gain of CHF 8.8 m from divestment

- EBIT margin 8.2%; adjusted for one-off gain: 7.6%

Group result CHF 97.4 m, +52.4%

- Group result margin 6.5%; adjusted for one-off gain: 5.9%

Operating free cash flow CHF 65.4 m, -14.0%

- Higher business volume and higher operating investments (reinvestment rate 1.3)

Higher order entry and increased client activity

- Investment goods +25.0%<sup>2)</sup>

Dividend proposal to the 2018 AGM: CHF 16.00 (A share), +45.5%

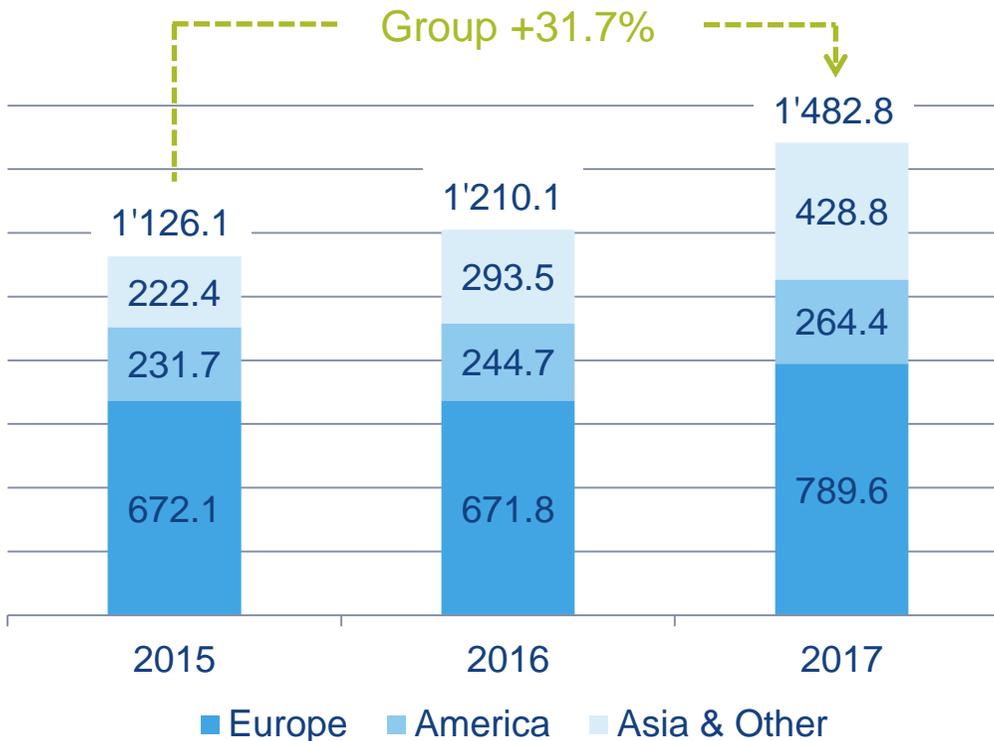
<sup>1)</sup> As of 2017, Other operating income is disclosed separately and is no longer part of Total / Net revenue; the previous period has been restated.

<sup>2)</sup> Comparable, i.e. at stable foreign exchange rates and considering change in scope.

# Continuously driving internationalization & market orientation; Net revenue in Asia +95.5% vs YE 2015

## Conzzeta

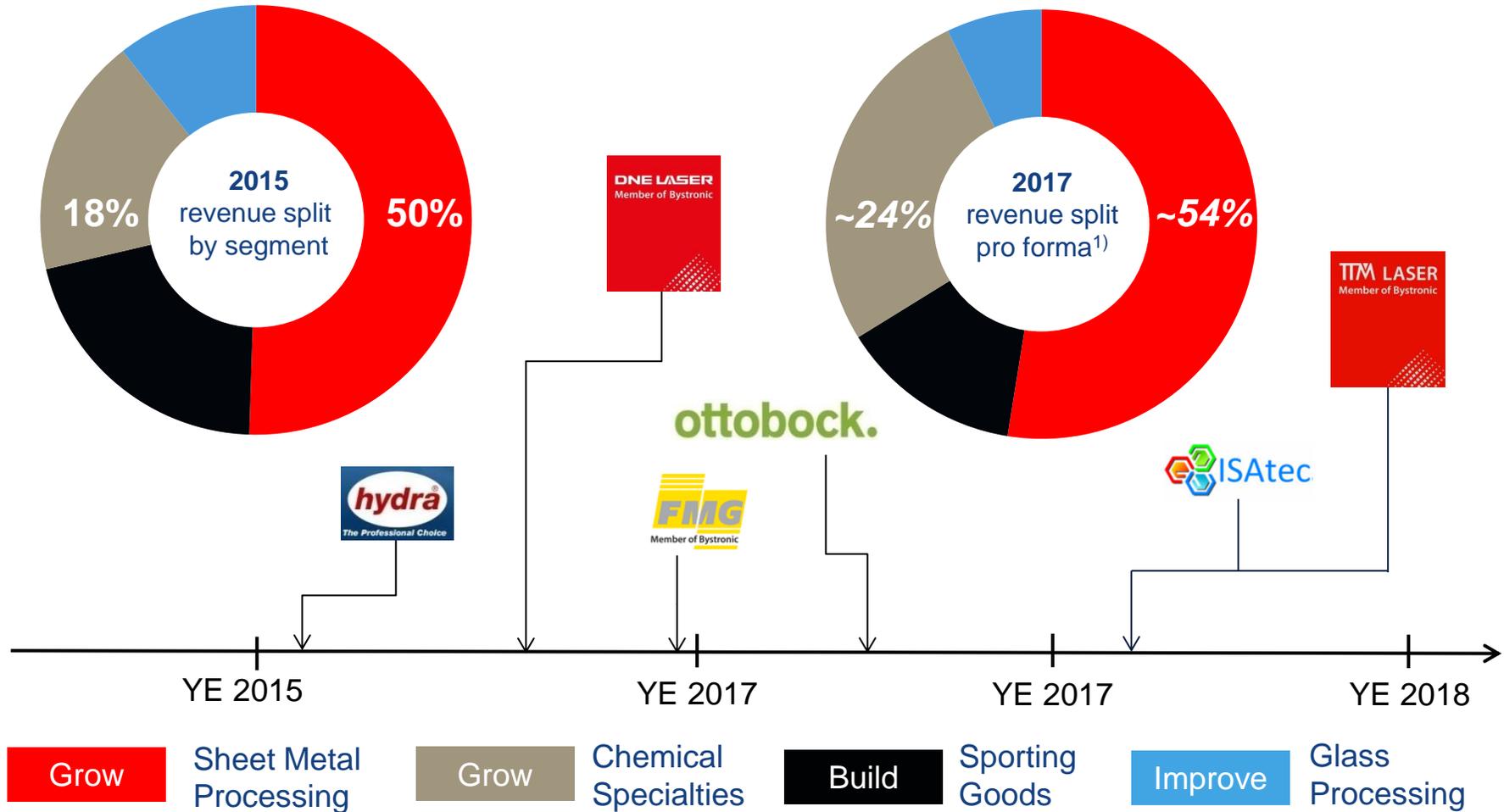
Net revenue by region in CHF m



### 2017 growth rates in %

	Reported	Comparable
Group	22.5	14.3
Asia	44.1	23.7
Americas	8.0	5.1
Europe	17.5	12.3

# Consistent strategy execution with enhanced revenue contribution from defined growth segments



<sup>1)</sup> Pro forma, i.e. Conzzeta 2017 Net revenue incl. OB 4M17 revenue annualized.

## Sheet Metal Processing with very strong momentum

CHF m	2017	2016	Δ
Net revenue	856.1	650.9	+31.5%
Operating result (EBIT)	98.0	63.0	+55.5%
EBIT margin	11.2%	9.7%	+150 bps
Net operating assets	173.0	159.0	+8.8%



ByStar Fiber with ByTrans Cross, BySort and ByTower

### Operational performance

- Comparable net revenue +23.7% with double-digit growth across all regions
- Continuously high level of innovation
- Strong demand for newly introduced products, including high performance cutting systems, mobile bending equipment, automation & software solutions (e.g. Bystronic MES)
- Continued investments in building global footprint, market development and productivity

High level of order entry maintained with high order backlog for 1HY2018

# Sheet Metal Processing with significant CAPEX program for 2018 / 2019

## Building a resilient global footprint

OPEX and CAPEX investments to capture growth opportunities globally, to reduce dependency from regional cycles and to mitigate continued competitive price pressure



2018 / 2019 new experience & assembly center in the US

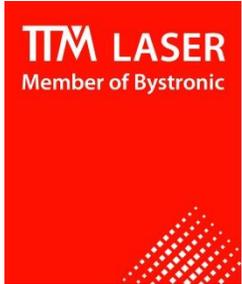


New sales / service organizations, in 2017 mainly in APAC region

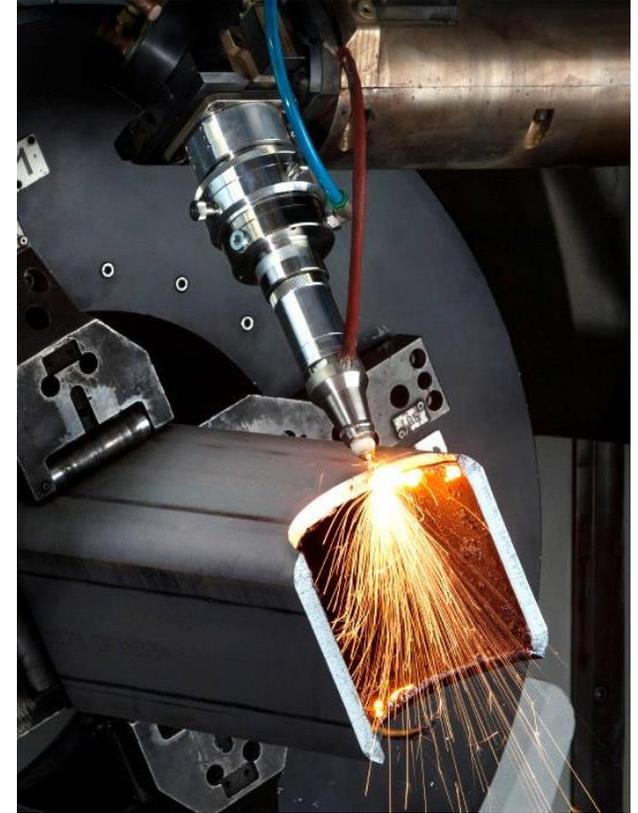
2018 / 2019 Niederönz (CH): Modernization of production site



# Sheet Metal Processing – complementing product offering with acquisition of TTM Laser S.p.A., as announced today



- Bolt-on acquisition; closing within next weeks
- Specialist for cutting tubes and profiles
- In operation since 2001
- 40 employees with EUR ~14 m sales in 2017



Deepening Bystronic's solution offering in core application "Laser cutting", now giving clients access to leading 2D and 3D tube and profile laser cutting

## Sporting Goods with notably better 2HY EBIT performance

CHF m	2017	2016	Δ
Net revenue	228.6	232.9	-1.9%
Operating result (EBIT)	0.1	1.2	-91.7%
EBIT margin	0.1%	0.5%	-40 bps
Net operating assets	116.5	108.1	+7.8%



### Operational performance

- Net revenue including reduction of CHF 9.5 m low-margin sales to support premium position
- Notably better 2HY EBIT performance of CHF 10.0 m vs. CHF 5.8 m in 2HY 2016
- 2HY with increased contribution margin from improved wholesale quality and enhanced retail capabilities
- Annual cost base up by CHF ~12 m with >30 additional FTE's to build capabilities in international markets, digitalization, retail and design in context of 5 year strategy program

Efforts to build “sell out”-mentality with progress in regard to channel mix

# Strategy program overview – build retail capabilities & wholesale excellence as response to competitive pressure and change in client behavior

## Multichannel Management & Digitalization

- I
  - Deepening relationships with selected wholesale partners
  - Strengthening and enhancing direct to consumer business
  - Holistic consumer data management

## Consumer Centricity – Product & Brand

- II
  - Innovative products and designs in preparation
  - Reducing collections to increase style efficiency
  - Enhancing margin contribution and eliminating liquidations sales

## Internationalization

- III
  - Set-up of Asia hub in Hong-Kong
  - Enhancing reach through 3<sup>rd</sup> party online market places
  - Optimizing sales efficiency in DACH region



Consistent, steady progress with implementation; 2017 as year of transition; enhanced revenue and result contribution expected for 2018, but still below aspiration level

# Sporting Goods – update on milestone achievements

## Overall on track to deliver on 5 year strategy program

- Continued cooperative efforts to enhance wholesale floor space productivity
- Initial benefits from strengthened retail capabilities
  - Enhanced e-commerce business from virtually zero to CHF 14.8 m
  - New “Pop-Up” and “Shop in Shop” formats and continued step by step improvement of store portfolio; now 86 locations
- Enhanced style efficiency from ~20% elimination of styles with modular concept around new apparel core collection
- Launches of next generations of the „Eiger Extreme“ flagship collection and of the avalanche beacon „Barryvox”
- Awarded\* product innovations 2018: Nordwand HS Flex (Jacket Men); Wall Rider MIPS (Climbing Helmet); Spindrifft 14 (Backpack) and Barryvox S (Avalanche Safety Device)



Nordwand HS Flex Jacket

\* ISPO Munich.

## Chemical Specialties with lower operating result masked by one-off gain

CHF m	2017	2016	Δ
Net revenue	279.2	219.7	+27.1%
Operating result (EBIT)	24.8	23.1	+7.4%
EBIT margin	8.8%	10.5%	-170 bps
Net operating assets	186.9	112.7	+65.8%



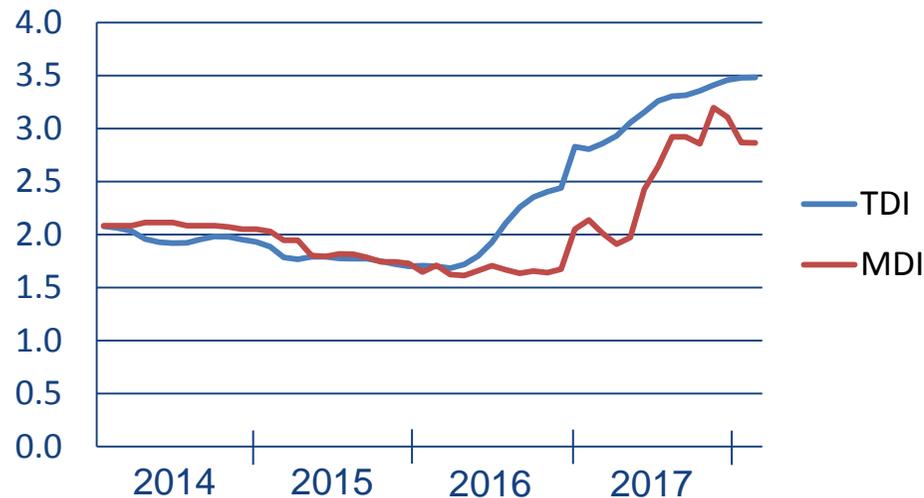
### Operational performance

- Comparable net revenue +4.9%, Otto Bock Kunststoff consolidated as of September 1, 2017
- EBIT margin excluding CHF 8.8 m one-off divestment gain of 5.7%
- Margin pressure particularly within foaming businesses, driven by increased raw material costs (net CHF ~7 m), integration costs (CHF ~2 m) and higher operational costs; no direct financial impact from BASF incident

Priorities 2018 for new FoamPartner management: Pricing, OB / FP integration and regional strategies

# Chemical Specialties – deep dive on FoamPartner raw material situation

Market prices TDI / MDI - (Eur / Kg)<sup>1)</sup>



- High raw material prices persisted throughout 2017, expected easing in 2HY did not materialize
- Pricing measures launched in 2017 not sufficient; mitigation of cost increase <50%
- Further measures initiated, also at Otto Bock Kunststoff
- Expect raw material costs to remain at elevated level for the time being, requiring excellence in pricing and tight cost control

FP<sup>2)</sup> weighted RM price index +22% in 2017, incl. TDI, MDI, Esther and Ether Polyols

<sup>1)</sup> Source: ICIS/Tecnon.

<sup>2)</sup> FP stand alone, i.e. without Otto Bock Kunststoff.

## Glass Processing with accelerated momentum in 2 HY

CHF m	2017	2016	Δ
Net revenue	119.3	106.9	+11.6%
Operating result (EBIT)	6.3	1.0	+530%
EBIT margin	5.4%	0.9%	+450 bps
Net operating assets	23.1	19.3	+19.7%



B'CHAMP

### Operational performance

- Accelerated momentum in 2HY17 in regard to net revenue and order entry
- EBIT favorably impacted by reduced cost base in German manufacturing site
- Measures to further optimize global processes and to enhance efficiency ongoing, first progress to strengthen sales and operations in China
- New product features to process automotive thin glass, broadening areas of application

Good progress and continued efforts towards the Group's financial aspiration

# Agenda

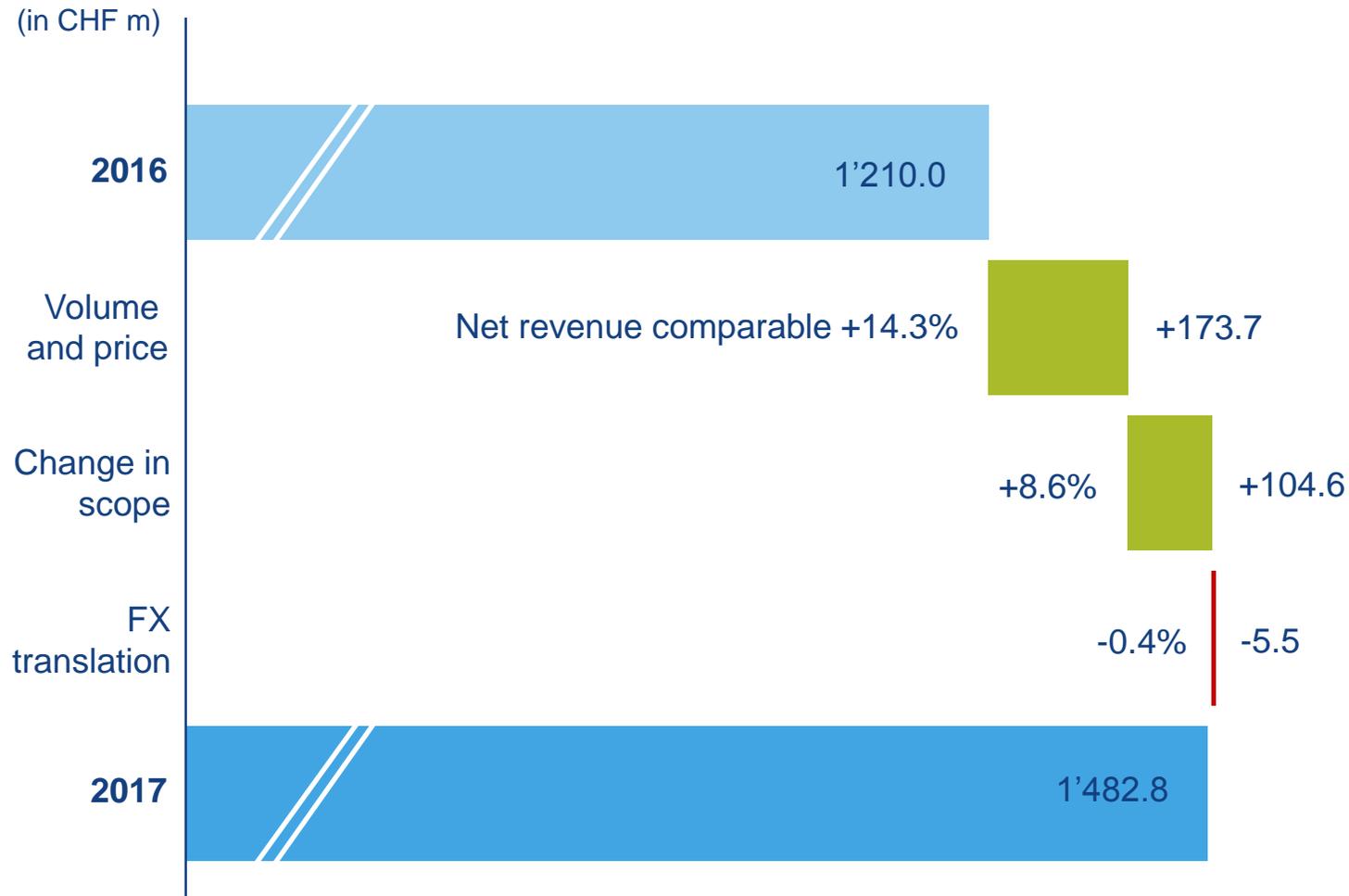
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- **Group result & business update** Michael Willome  
Group CEO
  - **Financial results** Kaspar W. Kelterborn  
Group CFO
  - **Priorities & outlook** Michael Willome  
Group CEO
- 
- **Q&A**
- 
- **Buffet lunch**
-

## Consolidated income statement

(in CHF m)	2017		2016		Δ %
<b>Net revenue<sup>1)</sup></b>	<b>1'482.8</b>		<b>1'210.0</b>		<b>+22.5</b>
Δ Inventory and own work capitalized	18.1		0.8		
<b>Total revenue<sup>1)</sup></b>	<b>1'500.9</b>	<b>100%</b>	<b>1'210.8</b>	<b>100%</b>	<b>+24.0</b>
Other operating income	18.2		4.3		
Cost of materials	-740.8		-574.2		
Personnel expenses	-339.5		-304.1		
Other operating expenses	-286.5		-221.7		
Depreciation	-29.1		-30.7		
<b>Operating result (EBIT)</b>	<b>123.2</b>	<b>8.2%</b>	<b>84.4</b>	<b>7.0%</b>	<b>+46.0</b>
Financial result	2.0		0.4		
Taxes	-27.9		-21.0		
<b>Group result</b>	<b>97.4</b>	<b>6.5%</b>	<b>63.9</b>	<b>5.3%</b>	<b>+52.4</b>

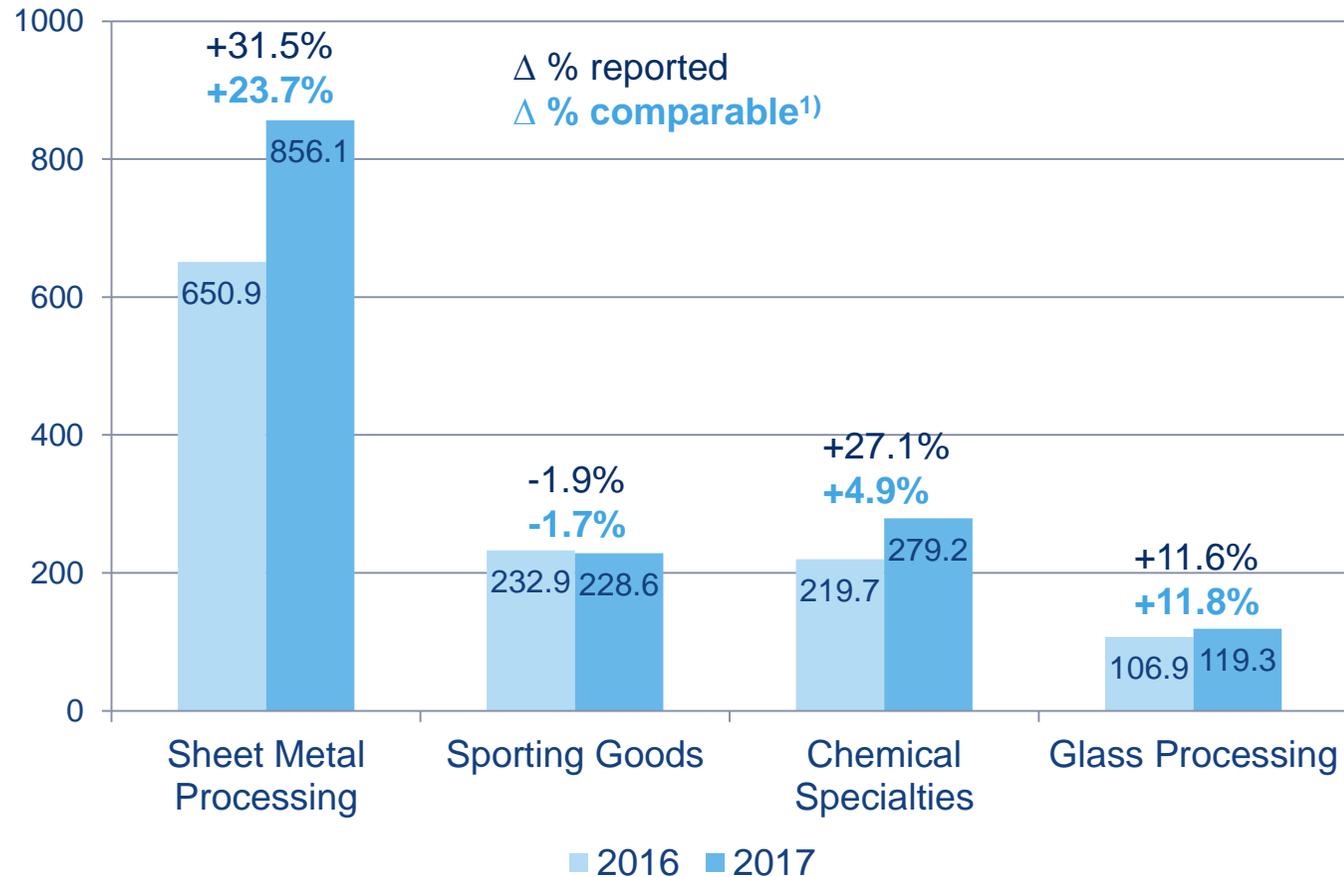
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# Net revenue driven by organic growth as well as M&A within growth segments



Change in Scope: DNE Laser and FMG within Sheet Metal Processing; Otto Bock Kunststoff and sale of US joint venture within Chemical Specialties.

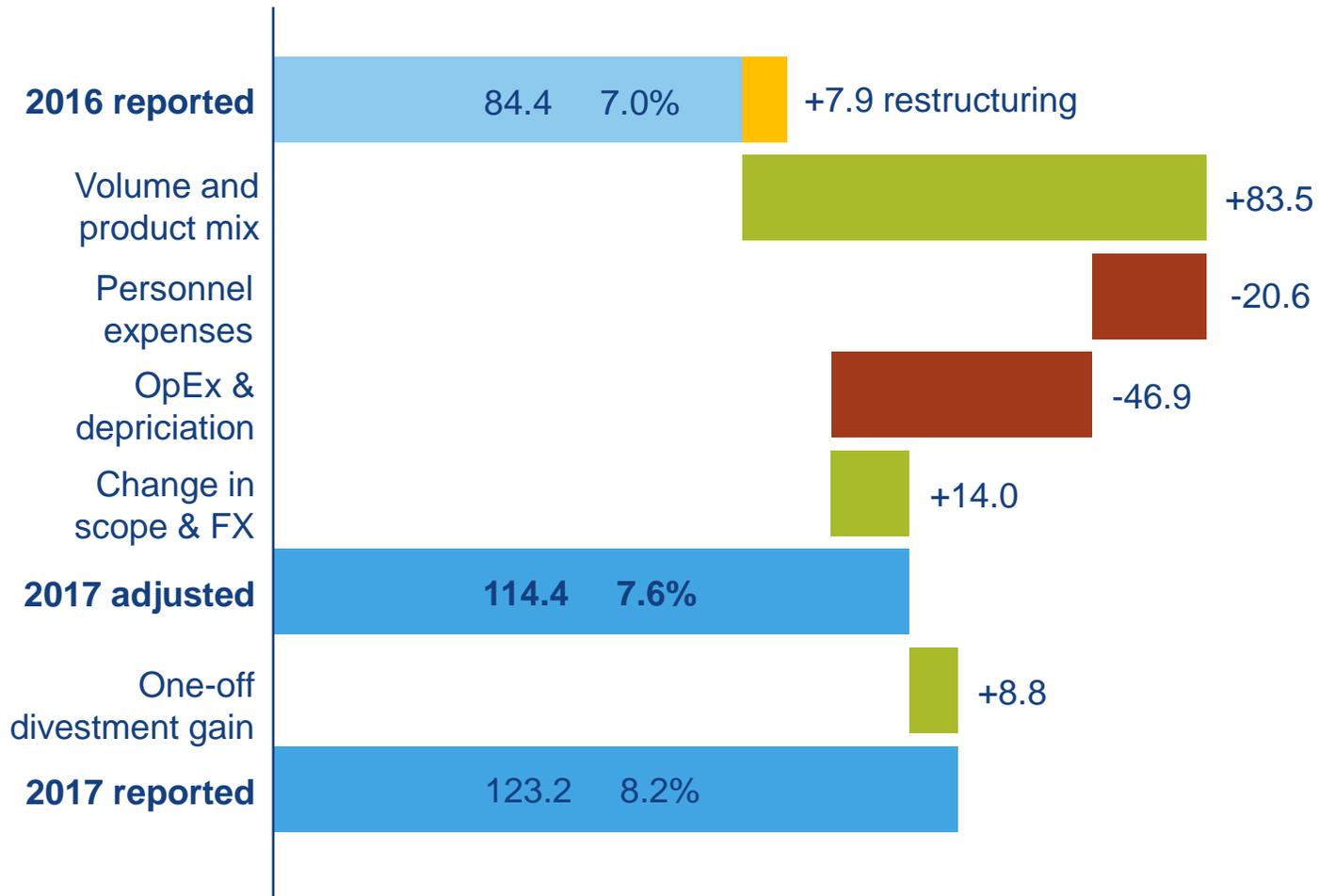
# Net revenue by reporting segment – Investment goods with double-digit comparable growth



<sup>1)</sup> At stable foreign exchange rates and considering change in scope.

# Adj. EBIT-margin at 7.6%, driven by profitable growth and strategic initiatives

(in CHF m)



## Group result

(in CHF m)	2017		2016	
<b>Operating result (EBIT)</b>	<b>123.2</b>	<b>8.2%</b>	<b>84.4</b>	<b>7.0%</b>
Financial result <sup>1)</sup>	2.1		0.5	
Taxes	-27.9		-21.0	
<b>Group result</b>	<b>97.4</b>	<b>6.5%</b>	<b>63.9</b>	<b>5.3%</b>
Attributable to Conzzeta shareholders	83.7		60.2	
Attributable to minority interests	13.7		3.7	
<b>Earnings per registered share A</b>	<b>40.47</b>		<b>29.10</b>	

- Financial income of CHF 6.6 m (PY 4.1 m), offset by expenses of CHF 4.6 m (3.7 m)
- 2017 effective tax rate of 22.3%, after 24.8% in PY, driven by shift in regional result contribution
- Minority interests significantly higher, driven by strong business performance and benefitting from tax incentive regulations in 2HY17

<sup>1)</sup> Incl. result from unconsolidated investments.

## Strong 2 HY 2017, driven by both machinery businesses and Sporting Goods

(in CHF m)	1HY 2015 <sup>1)</sup>	2HY 2015 <sup>1)</sup>	2015 <sup>1)</sup>	1HY 2016	2HY 2016	2016	1HY 2017	2HY 2017	2017
Net revenue	531.0	595.1	1'126.1	522.7	687.4	1'210.0	623.5	859.3	1'482.8
Total revenue	541.0	582.8	1'123.8	543.0	667.8	1'210.8	658.6	842.3	1'500.9
Operating result (EBIT)	31.6	44.3	75.9	26.2	58.2	84.4	38.3	84.9	123.2
in % of total revenue	5.8%	7.6%	6.8%	4.8%	8.7%	7.0%	5.8%	10.1%	8.2%

- 2<sup>nd</sup> half typically stronger than 1<sup>st</sup> half of the year
- Strong 2HY17 EBIT, driven by Sheet Metal Processing, Glass Processing and Sporting Goods, partly offset by Chemical Specialties
- 2HY 2017 vs 2HY 2016
 

<ul style="list-style-type: none"> <li>Net revenue</li> <li>▪ Reported +25.0%</li> <li>▪ Comparable +16.8%</li> </ul>	<ul style="list-style-type: none"> <li>Operating result</li> <li>▪ Reported +45.9%</li> <li>▪ Comparable +24.7%</li> </ul>
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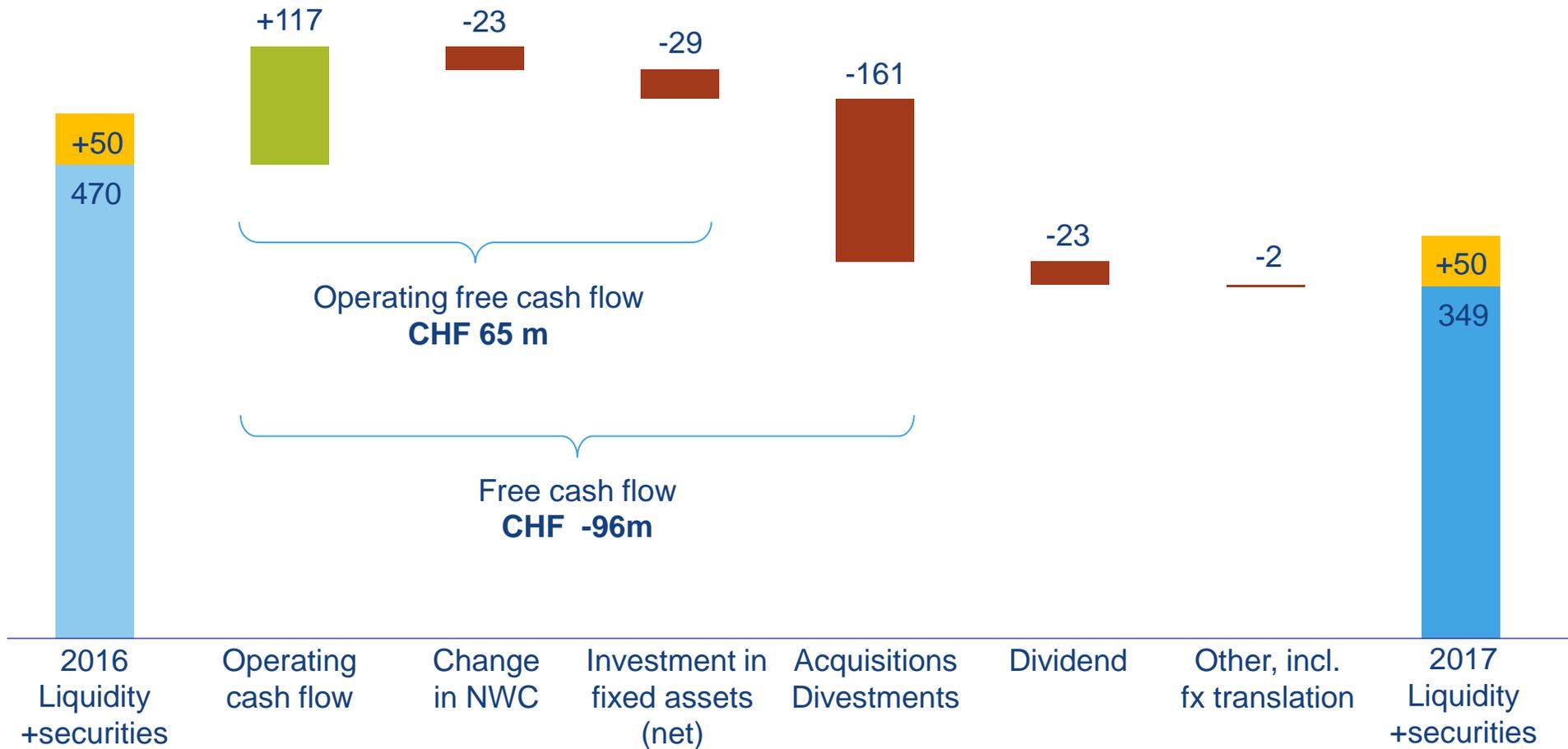
<sup>1)</sup> Excluding Real Estate segment, spun off in 2015.

## Cash flow statement

	2017	2016	Δ abs.
<b>Cash flow from operating activities before change in net working capital</b>	<b>116.6</b>	<b>88.0</b>	<b>+28.6</b>
Change in net working capital	-22.5	8.0	-30.5
<b>Cash flow from operating activities</b>	<b>94.1</b>	<b>96.0</b>	<b>-1.9</b>
Net investments in property, plant and equipment and intangible assets	-35.8	-22.9	-12.9
Net investments in financial assets without securities	7.1	2.9	+4.2
<b>Operating free cash flow</b>	<b>65.4</b>	<b>76.0</b>	<b>-10.6</b>
Change in securities	-	80.0	-80.0
Change in operating activities	-161.4	-63.1	-98.3
<b>Free cash flow</b>	<b>-96.0</b>	<b>92.9</b>	<b>-188.9</b>

# Operating free cash flow driven by volume growth and increased Capex

(in CHF m)

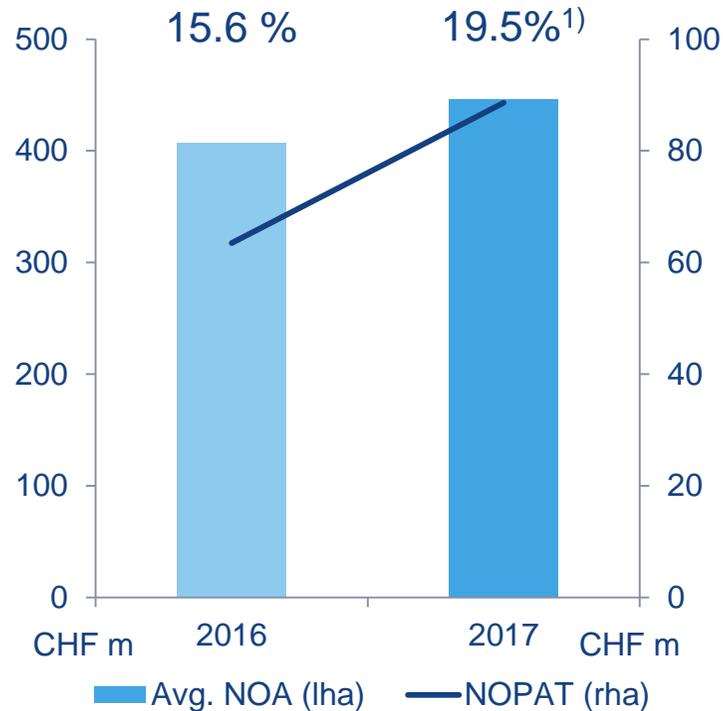


## Balance sheet

(in CHF m)	2017	2016
Cash, cash equivalents and securities	399.1	519.8
Receivables	295.0	211.3
Prepaid expenses and accrued income	9.4	6.6
Inventories	290.1	239.5
Property, plant and equipment	243.4	199.4
Financial assets	70.9	70.4
Intangible assets	15.4	8.4
Short-term liabilities	366.7	269.3
Long-term liabilities	53.7	44.6
Shareholders' equity	902.9	941.5
Total assets	1'323.3	1'255.4
Equity ratio	68.2%	75.0%

# RONOA<sup>1)</sup> reflecting overall further improved capital efficiency

## Return on net operating assets (RONOA<sup>2)</sup>)



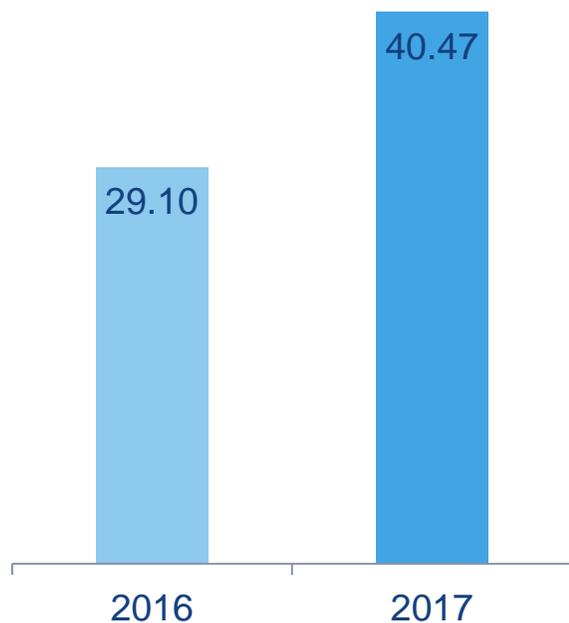
- Avg. NOA of CHF 446.2 m, or 29.7% of Total revenue (PY 33.6%) , reflecting M&A and improved operating efficiency
- Net working capital of CHF 271.8 m, or 18.1% of Total revenue (PY 17.9%)
- Capital expenditures (CAPEX) of CHF 37.3 m, up CHF 12.6 m vs PY

<sup>1)</sup> Adjusted, i.e. excluding one-off gain from sale US-Joint venture; RONOA without adjustment 21.5%.

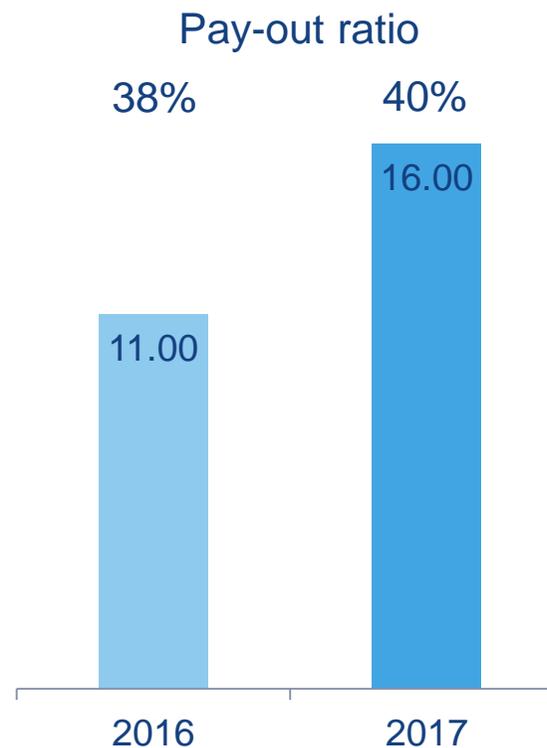
<sup>2)</sup> Definition: Operating profit after tax (NOPAT) in % of average Net operating assets (NOA); NOA excl. Cash, cash equivalents and securities.

## Dividend proposal consistent with policy

Earnings per share A<sup>1)</sup> (CHF)



Dividend 2016 and Dividend proposal 2017 (CHF)



<sup>1)</sup> Average # shares 2016: 1'826'212; 2017:1'824'159.

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Group CEO

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Group CFO

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  - **Priorities & outlook** Michael Willome  
Group CEO

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  - **Q&A**

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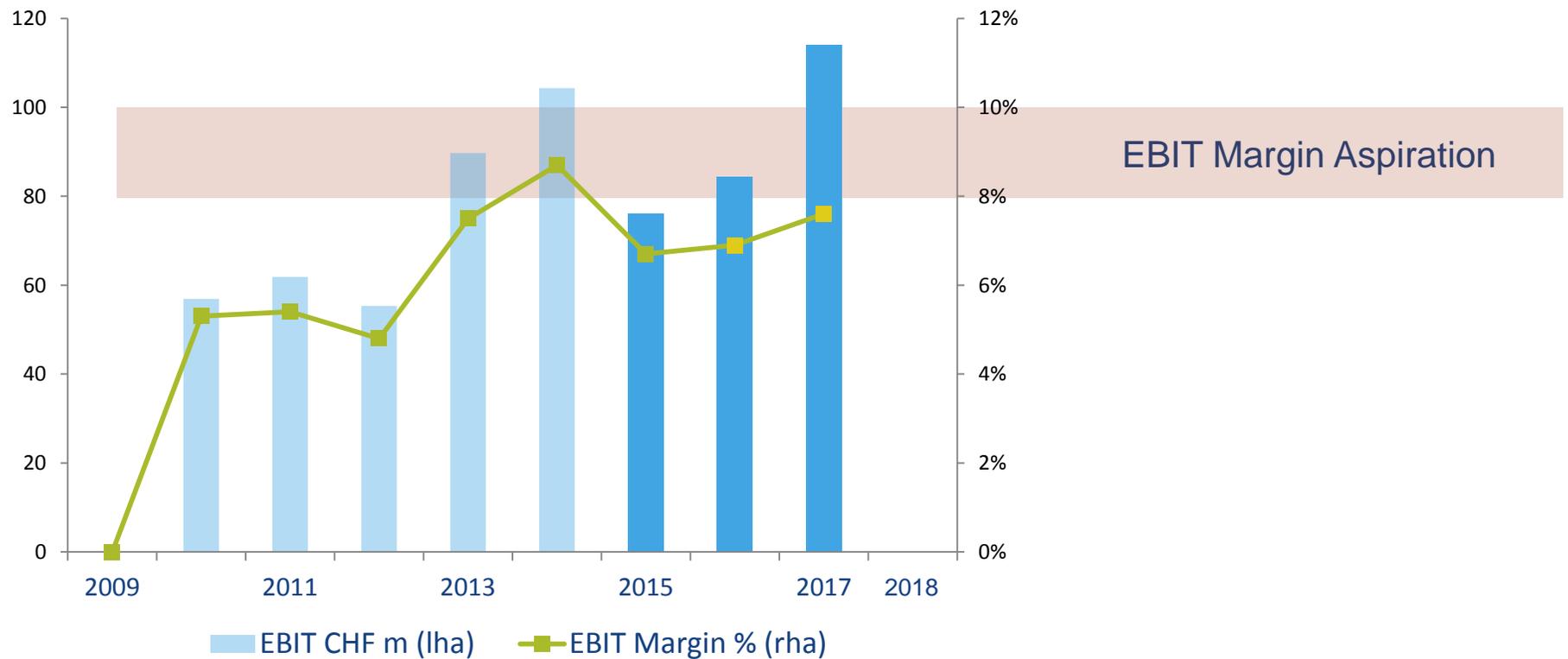
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# Outlook 2018: Moving towards EBIT margin aspiration

## Conzzeta EBIT\* performance history

In 2017, growth and RONOA reasonably within range of aspiration – enhanced focus on EBIT margin



\* 2015 continued businesses; 2017 excl. CHF 8.8m one-off gain.

# We aim for leading market positions

1. Regional growth strategies
  - In Asia and North America we can make the difference
2. Client segmentation
  - Gold / Silver / Bronze – new opportunities to be captured
3. Innovation & digitalization
  - Across all dimensions – products, services, processes
4. Portfolio management
  - M&A is part of our strategy, but only based on a position of strength
5. People excellence
  - We continue to invest into the best teams possible

## Conzzeta priorities & outlook for 2018

- Conzzeta with innovative product portfolio & financial strength
- Consistent strategy execution
- CEO agenda remains unchanged
  1. Market orientation
  2. Operational excellence
  3. People development
  4. Internationalization
- Differentiated steering – Business Units still on different performance levels
- Continuously managing towards the Group's financial aspiration
- We currently see a constructive operating environment with robust client activity and a higher order backlog

Within current environment, we expect high single-digit growth for 2018 and higher profitability at EBIT level with an enhanced EBIT margin

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