

Groupe **Acrotec**

ANNUAL REPORT 2022

VARDECO®

K I F
P A R E C H O C

décovi
CENTRE DE DECOLLETAGE

**GENERALE
RESSORTS**

STS
Sauley Traitement de Surface



Pp
Petitpierre

PreciPro
PRODUITS PRÉCIEUX

μ DEC

H2i

Mimotec
Micropièces pour grandes idées

Si gatec SA

**PIERHOR
— GASSER**

butech
profil

WATCHDEC SA
Microdécolletage CNC

ROCH
mécanique de précision

AFT
MICROMÉCANIQUE

tectri
Precision machining
for high-tech industries

+ DIENER
Precision Pumps

Diener AG
Precision Machining

Acrotec R&D

easyDec

MICROWELD
in LIGHT

PoliTrempe
Atelier de terminaison SA

TeamMetal

H
HORLYNE

CAPSA
Géant de la miniature

TAKUMI
Experts in Precision

AXIAL
MEDICAL
MADE FOR LIFE

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From the chairman

2022: the best year in history

In last year's report I wrote that, at the beginning of 2021, Carlyle acquired a majority stake in our group with the ambition of helping us to grow even faster. One year later I can say that this has exceeded all our expectations as our Pro Forma turnover increased from CHF 245 Mio in 2020 to CHF 472 Mio in 2022.

This represents a growth of CHF 227 Mio or almost 100%. Organic growth accounts for CHF 87 Mio with CHF 140 Mio coming from new acquisitions.

2022 organic growth has been remarkable: we significantly outperformed our ambitious budget and finished the year with an incredible 17.8% growth.

The watch business continued its exceptional recovery with a growth rate in excess of 20%, well above our expectations. We have been able to grow our business with all top 20 customers. The jewelry business is following a similar dynamic with a growth rate in excess of 30%. Overall, the watch and jewelry division remains by far our biggest division with a PRO Forma turnover of CHF 256 Mio.

The Medtech division performed well in 2022 and passed the CHF 100 Mio mark with a growth rate of 15% on PRO Forma basis. Implants & Instruments have been the major drivers behind this growth whilst the hospital equipment sector could not completely repeat the Covid years performance.

The Precision High Tech division had a great performance in 2022, reaching PRO Forma net sales of CHF 116 Mio to achieve 16% growth. This was mainly driven by the electronics industry, while the automotive industry was still impacted by the semiconductor crisis. The other sub-markets followed the favorable economic environment, in particular in the aerospace industry.

From an R&D perspective, our group continued to develop innovative solutions, fostering transversal projects and exploring new technologies, materials which will help us adapting our group to continue to deliver true value for our customers.

On the M&A front we closed four deals in 2022 and signed one more just before Christmas. The particularity of our 2022 acquisitions is that they have allowed us to make a major step in our diversification strategy. The first company to join us was Teammetal, a Singapore based Medtech and Precision High Tech business with factories in both Indonesia and China, which will help us establish Acrotec in the Asian Market. Horlyne and Capsa, two Swiss companies active in the watch business will strengthen our position thanks to their unique know-how. Takumi will give us access to the critical Irish market in both Medtech and Aerospace. Finally Axial brings us the keys of the most important Medtech market, the US.

Parallel to that we accelerated our investments in our installations and machinery in order to continue to increase the capacity and productivity of our units and serve our clients with high-quality products on a timely basis.

From an organizational point of view, the rapid development of the group has given us the opportunity to strengthen our organization with the nomination of three divisional CEO's, all coming from within the organization: Cyrille Mathieu will lead the Watch & Jewelry division, Sebastien Virtel the Medtech division and Marjolaine Cordier the Precision High Tech division and I wish them a lot of success.

Finally, I would like again to express my thanks to all people working at Acrotec Group : your commitment and motivation has allowed us to reach new limits and see beyond them with optimism for the years to come.



François Billig

Chairman Acrotec Group

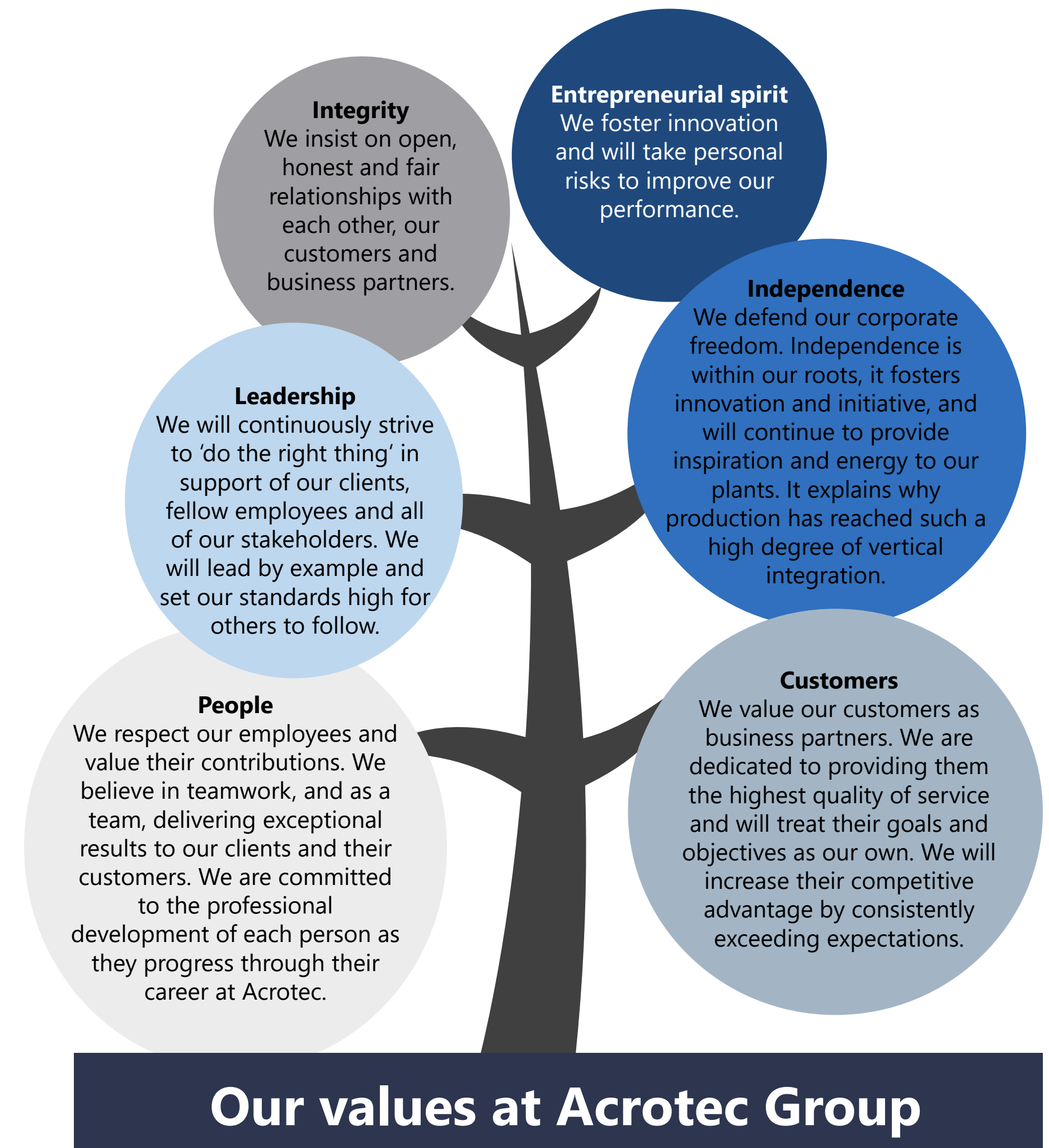


Our strategy, culture and values

“Our mission is to support our clients with best-in-class quality and increase their competitive advantage by offering state-of-the-art products and processes that improve both productivity and efficiency.”

Our purpose:

“Federating talents to better serve our customers”



2022 in numbers

Pro forma figures

Net sales
CHF 472.3m,
18% vs. 2021
EBITDA CHF 129.8m,
21% vs. 2021

Employees

> 2500 employees in
December 2022

29 locations
20 in Switzerland, 4 in France, 1 in the USA, 1 in
Ireland, 1 in China, 1 in Indonesia, 1 in Singapore



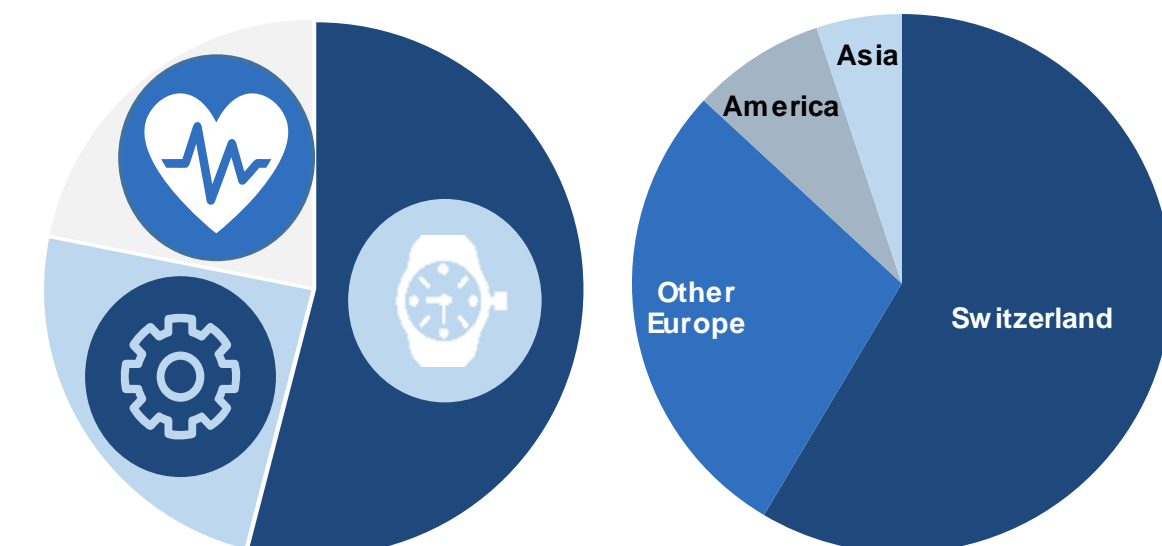
4 acquisitions in 2022



2022 EBITDA pro forma margin

27.5%

Balanced diversification *Sales breakdown*



Overview of Acrotec group

WATCHES & JEWELLERY

From the CEO

The Watch and Jewellery Division is a historical pillar of the ACROTEC group. Its footprint in both sub-sectors is recognised by all customers with whom it has developed long-standing partnerships.

The synergies offered by ACROTEC enable us to carry out projects involving several companies, which provide our customers with complete functions for assembled components.

The division's diverse and complementary expertise, coupled with our research and development, positions us as key players in future developments.

The division's development is based primarily on organic growth, but we remain open to opportunities to strengthen our position through acquisitions of additional capacity or know-how.



Performance

The Watches and Jewellery sector represented 54% of group net sales in 2022.

The sector showed strong growth in 2022, with net sales growth of c.+20% compared to 2021.

Swiss exports of watches recorded another record year in 2022 with a value record at CHF 23.7 Bio. Volumes stabilised during 2022 at 15.7 million pieces, whereas prices increased by 11.6% on average. All segments with an export price > 500 CHF are showing growth in both value and volume. Acrotec is particularly active on the higher price segments. The number 1 export market remained the United States with growth of 26% in 2022. The number 2 export market, China, decreased during 2022 under continuing COVID-19 pandemic restrictions. This situation should reverse in 2023 as the Covid restrictions are lifted.

Steadily increasing global wealth continues to be a key driver in this sector, driving the personal luxury market growth which includes premium Swiss mechanical watches as well as premium jewellery.



Overview of Acrotec group

MEDTECH

From the CEO

Acrotec Medtech is one of the few CMOs having a global footprint, following our recent development in Asia with Team-Metal, in the USA with Axial Medical and in Ireland with Takumi.

This footprint gives us the ability to think globally while acting locally, backed-up by our unique decentralized organization offering a higher focus and reactivity to our partners.

Each of our eleven companies active in the Medtech division is highly specialized, combining a wide range of know-hows and innovative production processes making us a partner of choice for the major OEMs and challengers.



Performance

The MedTech sector represented 22% of group net sales in 2022.

Overall the sector showed stability during 2022. The implants and instruments sub-sector showed very strong growth during 2022 as the recovery from the COVID-19 pandemic continued to a more normalised level of activity. The hospital equipment sub-sector was stable during 2022, given less demand for the COVID-19 related requirements for the COVID-19 diagnostic equipment using our precision pumps, as well as dialysis equipment.

We are confident that the MedTech sector continues to represent a highly attractive market, driven by demographic ageing and increased healthcare penetration.



Overview of Acrotec group

PRECISION HIGH TECH

From the CEO

The Precision High Tech Sector benefits from its strategic positioning across multiple diversified markets: e-mobility / connectors / automotive / food sector / printing / aerospace /...

Each day these markets experience technological challenges in order to adapt to global developments and we are proud to accompany our clients with these challenges!

The arrival of Takumi has enabled us to expand our offering in the currently highly dynamic aerospace sector and the integration of Team Metal has enabled us to expand our geographic presence in Asia.

Our objective remains to be an essential and dependable partner for our clients!



Performance

The Precision High Tech sector represented 24% of group net sales in 2022.

This sector also showed strong growth in 2022, with net sales growth of c.+16% compared to 2021. Key sub-sector drivers were electronics, continuing the strong trend from prior year and aerospace, with a strong recovery after the COVID-19 pandemic and subsequent lockdowns and travel restrictions.

Acrotec's product positioning in the automotive sector, in particular with turbocharger technology for CO2 emissions reduction and connectors which benefit from increasing electrification of the automotive sector, continue to serve as a counter to the downward trend in the subsector as a whole.

Acrotec continues to actively supported the PHT sector by developing new market opportunities; the addition of Takumi and Team Metal to the sector is an exciting opportunity for cross-selling in new geographies.



Financials – Profit & loss

Acrotec Group | Profit and loss statement - Reported

CHF000	FY22	FY21
Net sales	431'614	306'918
Other income	57	96
Revenues	431'672	307'014
Cost of goods sold	(134'341)	(91'506)
Gross profit	297'331	215'509
Payroll expenses	(149'882)	(113'294)
Other operating expenses	(28'931)	(21'925)
EBITDA	118'518	80'290
Depreciation of fixed assets	(25'424)	(21'322)
Amort. and impair. on intangible fixed assets	(40'237)	(21'424)
EBIT	52'857	37'543
Financial results	(34'269)	(21'633)
Non operating and exceptional items	(3'629)	(18'853)
Income tax	(15'551)	(8'555)
Minority interests	(482)	(431)
Net results	(1'074)	(11'929)

KPI (as a % of net sales)		
Net sales growth	40.6%	25.6%
Gross margin	68.9%	70.2%
EBITDA margin	27.5%	26.2%
Net margin	(0.2%)	(3.9%)

The net sales increase between 2022 and 2021 was driven by strong organic growth (+CHF 54.8 Mio) and the four acquisitions (+CHF 69.9 Mio).

Organic growth results from:

A very strong development with our PrecHighTech customers operating in the automotive and electronic markets in the first semester of 2022.

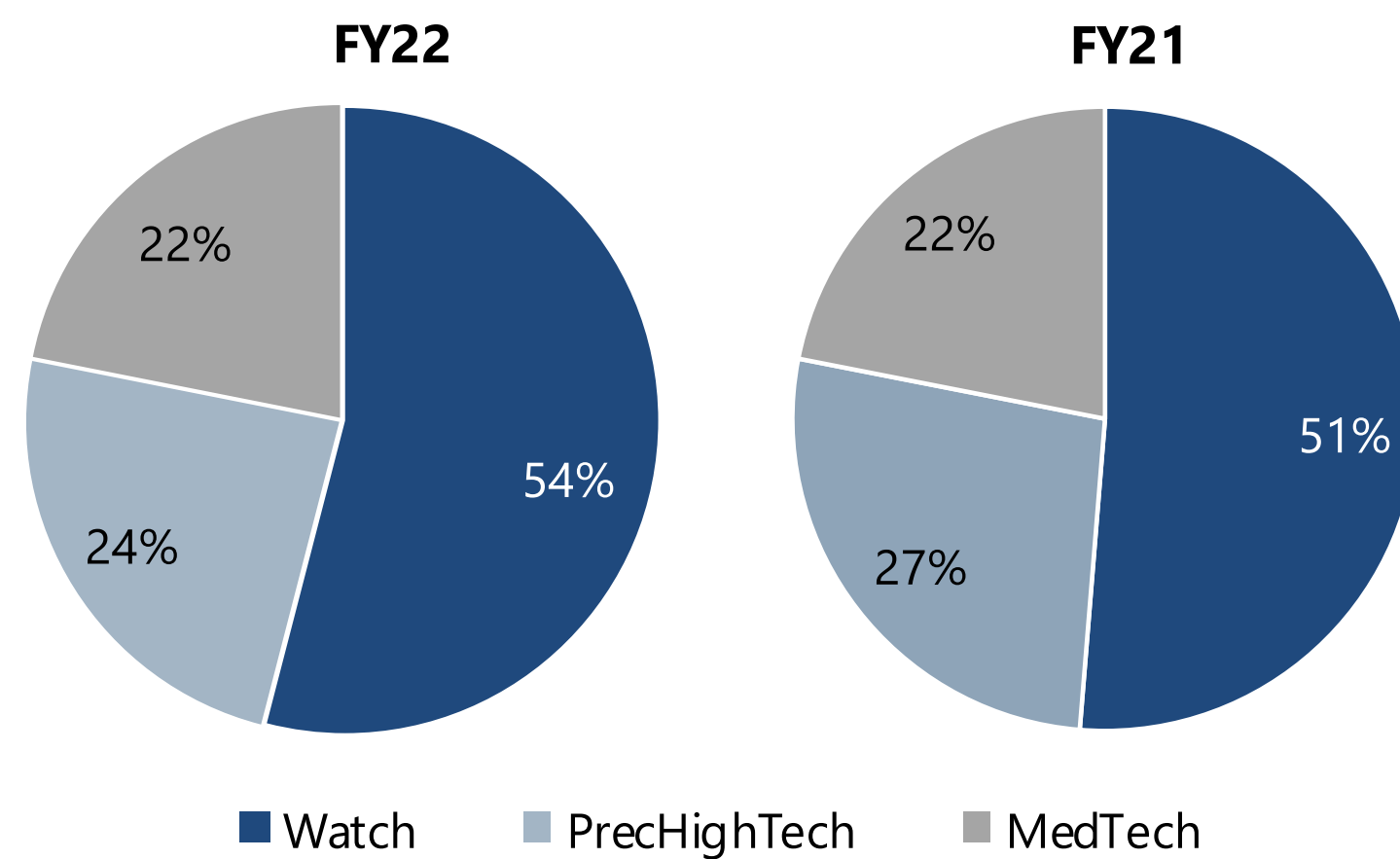
Strong growth of the Watch & Jewellery division.

EBITDA as reported increased by CHF 38.2 Mio and EBITDA margin increased by 1.3%, as resources were consumed more profitably.

The net result showed a loss in 2022 mainly explained by the amortization and impairment of intangible fixed assets.

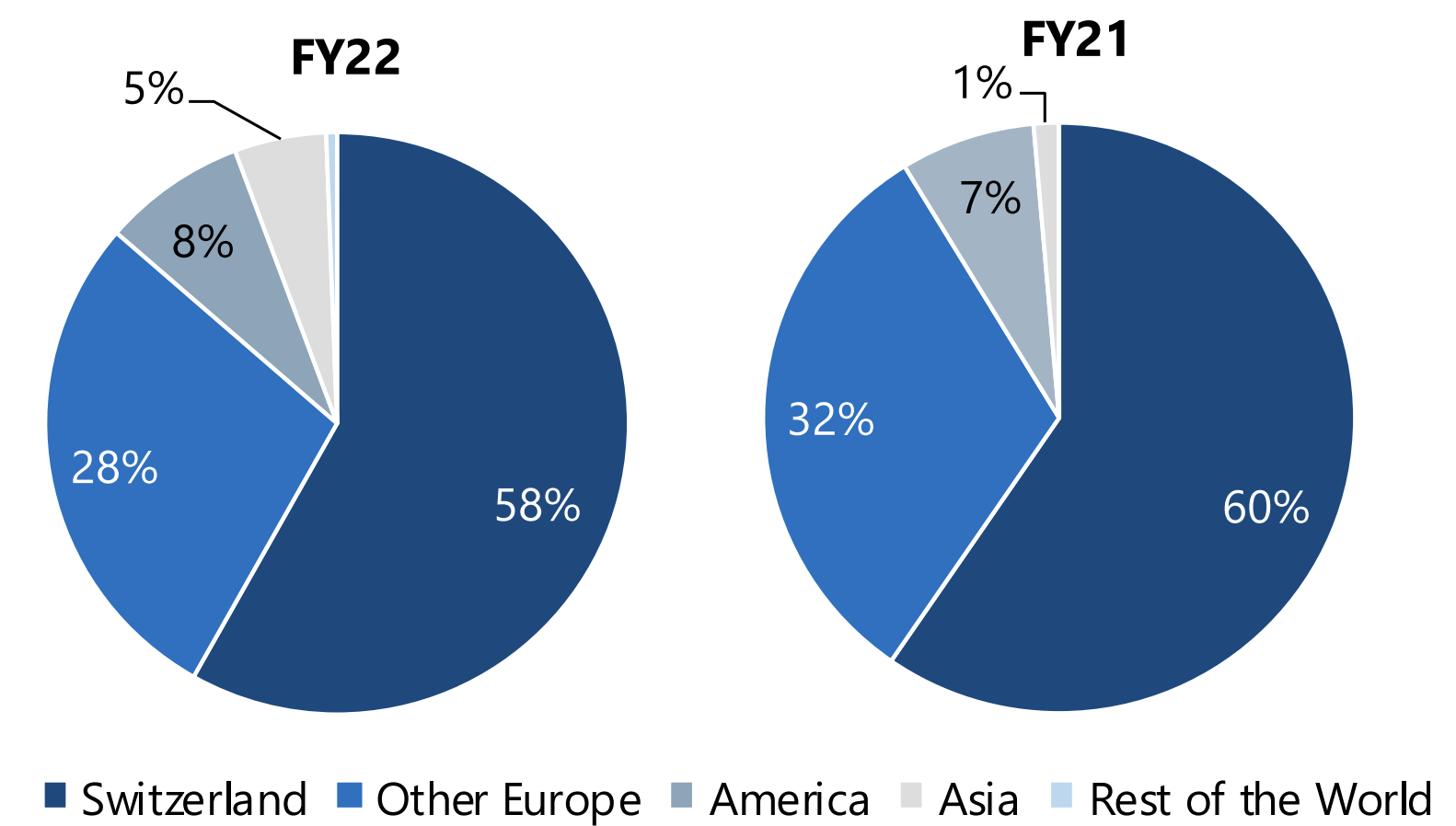
Financials – Net sales

Acrotec Group | Net sales by sector - Reported



The Watch & Jewellery division increased its proportion of net sales thanks to its strong growth and acquisitions.

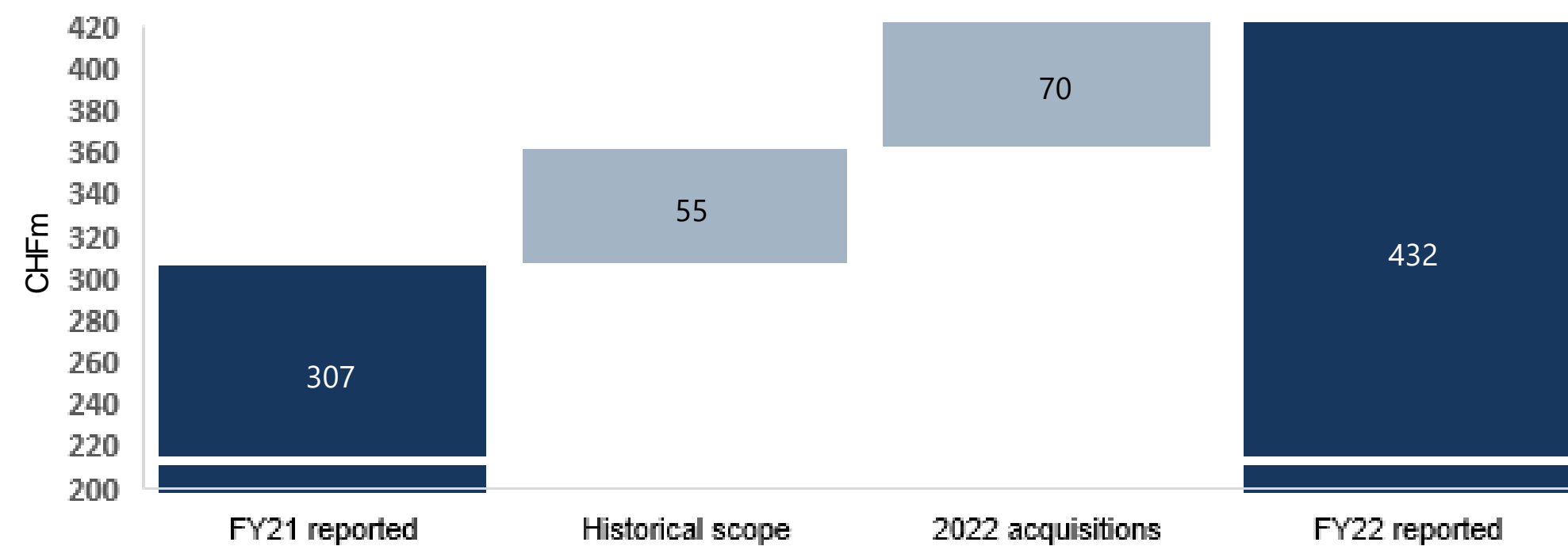
Acrotec Group | Net sales by geography - Reported



Net sales are mainly generated in Switzerland due to the predominance of the activity with the Watch & Jewellery division. The proportion of sales generated in Asia increased significantly in 2022 in relation to the acquired companies in this area.

Financials – Net sales development

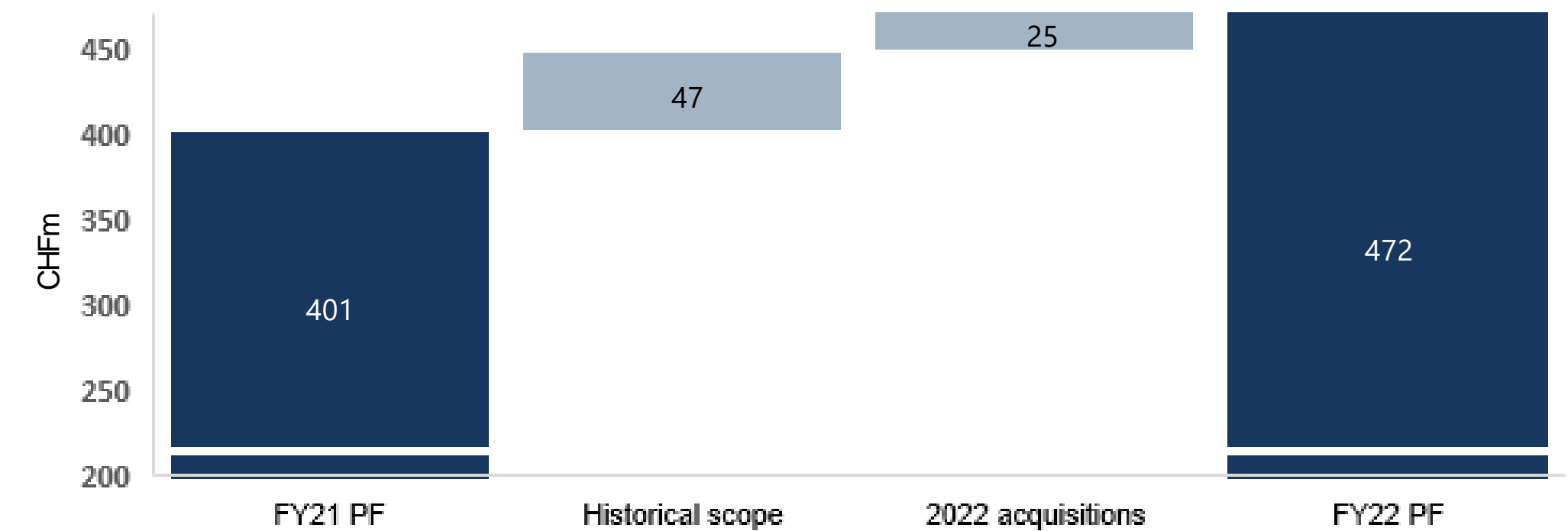
Acrotec Group | Net sales development 2021-2022 - Reported



In 2022, Acrotec Group achieved massive organic and external growth.

On a pro forma basis, the organic growth has a higher contribution to the 17.8% net sales growth due to the outstanding performance of the Watch and Jewellery division.

Acrotec Group | Net sales dev. 2021-2022 - Pro forma



Financials – EBITDA pro forma

In 2022, Acrotec Group continued its expansion with several strategic acquisitions: four acquisitions from April to July (Team Metal, Horlyne, CAPSA and Takumi).

Acrotec Group | EBITDA - Pro forma

CHF000	FY22	FY21
EBITDA as reported	118'518	80'290
Pro forma impact	11'364	27'111
EBITDA pro forma	129'882	107'401
KPI		
EBITDA as reported margin	27.5%	26.2%
EBITDA pro forma margin	27.5%	26.8%

*Pro forma impact note: 2021 shows the full EBITDA of the 2022 acquisitions and full year effect of 2021 acquisitions.
2022 shows only the EBITDA prior to the acquisitions which is not included in the reported numbers.*

Financials – Balance sheet & intangible assets

Acrotec Group | Lead balance sheet - Reported

CHF000	Dec22	Dec21
Tangible assets	236'968	175'274
Intangible assets	388'071	275'354
Financial assets	3'883	4'277
Non-current assets	628'922	454'905
Inventories	105'568	71'642
Trade receivables	57'351	31'783
Trade payables	(22'919)	(13'473)
Trade working capital	140'001	89'951
Other current assets	14'220	6'664
Other current liabilities	(37'975)	(22'374)
Non-trade working capital	(23'754)	(15'710)
Total working capital	116'246	74'241
Cash and bank balances	67'501	39'047
Borrowings	(575'410)	(338'015)
Deferred tax	(33'823)	(24'294)
Provisions	(12'212)	(11'943)
Other long-term liabilities	(1'046)	(1'036)
Net debt and similar items	(554'990)	(336'240)
Net assets	190'179	192'906
Share capital	100	100
Reserves	189'162	203'113
Profit for the year	(1'074)	(11'929)
Minority interests	1'991	1'622
Total equity	190'179	192'906

Acrotec Group | Intangible assets - Reported

CHF000	Dec22	Dec21	Var .
Capitalised development costs	7'459	7'834	(375)
Deferred tax assets	1'939	2'114	(174)
Goodwill	265'781	247'475	18'305
<i>of which related to historical scope</i>	220'821	247'475	(26'655)
<i>of which related to 2022-2021 acquisitions</i>	44'960	-	44'960
Customer relationship	108'552	14'983	93'569
Software	3'949	2'693	1'256
Other intangible assets	390	255	135
Intangible assets	388'071	275'354	112'717

Balance sheet variations are mainly driven by acquisitions and the financing of them (cf. above analysis of the variation of the intangible assets).

Financials – Net working capital & debt net

Acrotec Group | Net financial debt presentation - Reported

CHF000	Dec22	Dec21
Cash and bank balances	67'501	39'047
Third parties loans	(12'230)	(3'005)
Bank loans	(424'896)	(229'032)
Leases	(39'935)	(29'811)
Mortgages	(26'511)	(27'011)
Bonds	(23'320)	(33'300)
Shareholder loans	(48'519)	(15'856)
Borrowings	(575'410)	(338'015)
Acrotec Group net financial debt	(507'909)	(298'967)
KPI		
Net financial debt / Reported EBITDA	4.3x	3.7x
Net financial debt / PF EBITDA	3.9x	2.8x

Acrotec Group net debt has developed over 2022 in line with the four acquisitions financed through its own cash and external debt.

In 2022, the Net financial debt / PF EBITDA ratio remained below its historical target of 4x.

Acrotec Group - Net working capital - Reported

CHF000	Dec22	Dec21	Var. 22-21
Inventories	105'568	71'642	33'927
Trade receivables	57'351	31'783	25'569
Trade payables	(22'919)	(13'473)	(9'447)
Trade working capital	140'001	89'951	50'049
Other current assets	14'220	6'664	7'557
Other current liabilities	(37'975)	(22'374)	(15'601)
Non-trade working capital	(23'754)	(15'710)	(8'044)
Acrotec Group - Net working capital	116'246	74'241	42'005

Net working capital increased mainly due to the 2022 acquisitions and the growing activity in 2022.

Financials – CAPEX

Acrotec Group maintained a level of capex in line with its strategy and growth projections.

Considering the pro forma EBITDA, the pro forma change in net working capital and the pro forma maintenance and growth capex, Acrotec Group's pro forma free cash flow is CHF 43.7 Mio for 2022, compared to CHF 47.2 Mio for 2021. Please refer to the EBITDA pro forma table and comments for the definition of the pro forma figures.

Acrotec Group | CAPEX - Reported

CHF000	FY22			FY21			FY22
	Total	o/w acquisition of subsidiaries	o/w maint. and growth capex	Total	o/w acquisition of subsidiaries	o/w maint. and growth capex	PF
Undeveloped Land	1'914	1'552	-	362	100	-	
Land, buildings and properties	79'402	23'917	1'897	55'929	7'699	2'937	
Technical equipment & machinery	138'325	19'600	34'397	104'041	8'579	20'548	
Other equipment & fixtures	11'866	331	3'464	11'629	2'988	2'373	
In progress	5'462	1'737	2'840	3'313	-	2'827	
Total	236'968	47'136	42'598	175'274	19'366	28'685	44'169
Net sales			431'614			306'918	
Capex/net sales			9.9%			9.3%	
Depreciation charges of fixed assets			(25'424)			(21'322)	
Capex/Dep. charges			168%			135%	

Conclusion & Outlook

2022 has been our best year so far, and 2023 has started on the same trend. Nevertheless, we should not neglect the current risks that are looming on the horizon : High inflation, raw materials availability and price volatility, economic instability...in this context we are working harder to better serve our customers.

Our new divisional CEO's will structure their divisions and interact with our affiliates in the respect of Acrotec's culture and values. This should allow us to find even more synergies within and between the sectors and definitely constitute a big push for the group's development.

Thanks to our longstanding relationships with our customers and suppliers, we have taken measures for 2023, helping us to overcome the economic changes in the best manner, while continuing to deliver value through high quality products to our customers.

Our M&A strategy has proven to be successful in 2022, and should continue at a high pace in 2023, Our M&A pipeline is filled with nice opportunities "checking all boxes" to join the Acrotec Group. There is no doubt other opportunities will appear as we go through 2023.

We will also continue investing into our production capacities in order to maintain our high organic growth rate.

We maintain our efforts on our ESG program, under the group umbrella, some of our affiliates are progressing quickly and already obtaining certifications in this field, the ultimate goal for our group remains to continue playing our role as a responsible economic actor.

Groupe Acrotec

Disclaimer

Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Groupe **Acrotec**

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