



SGS INVESTOR DAYS 2019

NORTH EAST ASIA (NEA) & CHINA

Steven Du
Managing Director,
China

Helmut Chik
COO,
North East Asia

7-9 November 2019

WHEN YOU NEED TO BE SURE

SGS



NEA established in 2017: China, Taiwan, HK, Korea, Japan, Vietnam, Mongolia



Market leadership position at an aggregate level



Present in all Group LOB: CRS, IND, AFL, CBE, OGC



Staff increase from 21,300 to 22,600 (2019)

Revenue CAGR of 6% and a stable margin, growth continues in 2019. China, SGS's largest affiliate, has a double-digit CAGR

International trade vs domestic businesses ratio at 40:60. Growth momentum is stronger in the domestic business



A focus on increasing the portfolio balance across affiliates, LOB, international / domestic mix



Increasing pressure and uncertainties due to US / China disputes. Primarily impacting CRS, IND, Min, OGC and CBE

Accelerated migration of the low-end industries

Rapid growth in some non-China emerging markets like Vietnam but facing capacity and talent constraints. SGS Vietnam has grown at a rate of 20%+

Skill levels, infrastructure and the complexity of supply chains still make China indispensable for production

‘China Plus’ becomes the most popular sourcing strategy

Chinese companies now focusing more on domestic and emerging markets which exposes new opportunities to TIC sector

The continued de-regulation of the Chinese TIC market becomes the catalyst

Strong communication and information technology trends including 5G, IoT, AI, Autonomous Driving

SGS is expanding testing and Auto EMC and Reliability capacity to meet rapid demand



First mover advantage with partial 5G upgrade



We expect increasing partnering opportunities with different parties like government agencies



Some examples of SGS partnerships:

- Partnering with major 5G equipment provider to validate their protocol
- JV with Allion to provide full scope Auto V2X services
- Government funded 5G Lab in Xian
- Investment in chipset-related services



Strong growth in the Chinese domestic market driven by de-regulation, the rise of middle class, internal demand and the Belt & Road Initiative

More space being opened following administrative reforms like the abolition of *AQSIQ



Being the biggest TIC service provider to eCom portals



Calibration lab network with 10 labs and full O2O solution to serve various industrial and manufacturing sectors



Provides market surveillance, testing and auditing services to government agencies like SAMR, EPB on food safety, environmental concerns



Growing GB standard testing in Softlines, Hardlines & EE



Supports China SOEs in more than 15 countries for the outbound investment projects





Exited unprofitable
and low margin
activities

550 staff released
before the year end

Accelerating new
and current
automation and
digitalization
including:
robotization, RPA,
Knowledge Base,
LIMS, SGS ePortal

Continuous process
optimization: Lean,
WCS initiatives

Continuous R&D –
developing new
testing methods for
new regulations and
improving testing
equipment utilization

Shadow operation
center and Back
Office like
Changzhou model

Located between
NANJING
(capital city Jiangsu)
& **SHANGHAI**

TIER 2 CITY

with a relatively low cost of living, sufficient supply of housing, 4.7 million by population and very commercially supportive governmental administration

Industrially focused:
electronic components,
auto and rolling stock
parts. GDP at
US\$100 BILLION

Strong supply of skilled labor:
The Science and Education
Park composed by 1 graduate
school and 5 vocational
institutes with more than
100,000 STUDENTS

Provides a shadow
**OPERATION
CENTER FOR
SHANGHAI**

**BACK OFFICE
CENTER**
for SGS China, Taiwan and HK:
Currently covers Finance,
CRS, CBE, OGC and is
expanding

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

SGS