

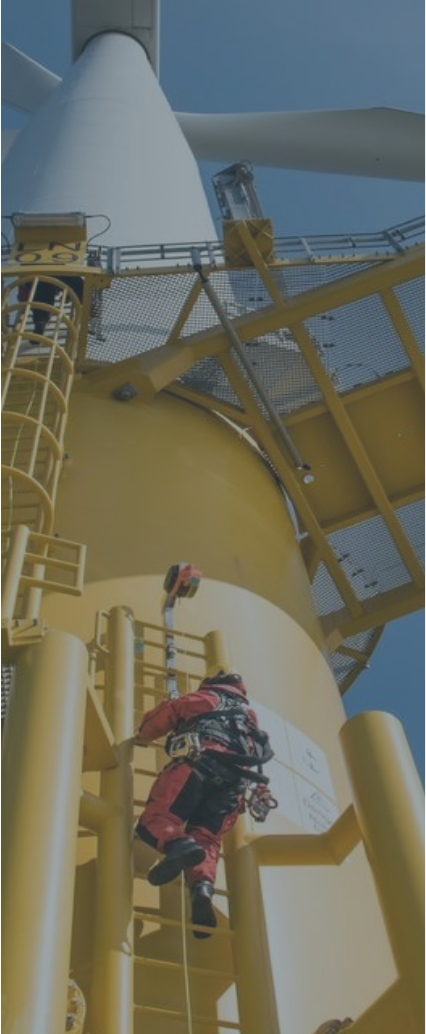
SGS
Investor Days
2022



Agility and building a platform for growth

Dominik de Daniel, CFO

Financial highlights



Active Portfolio Management



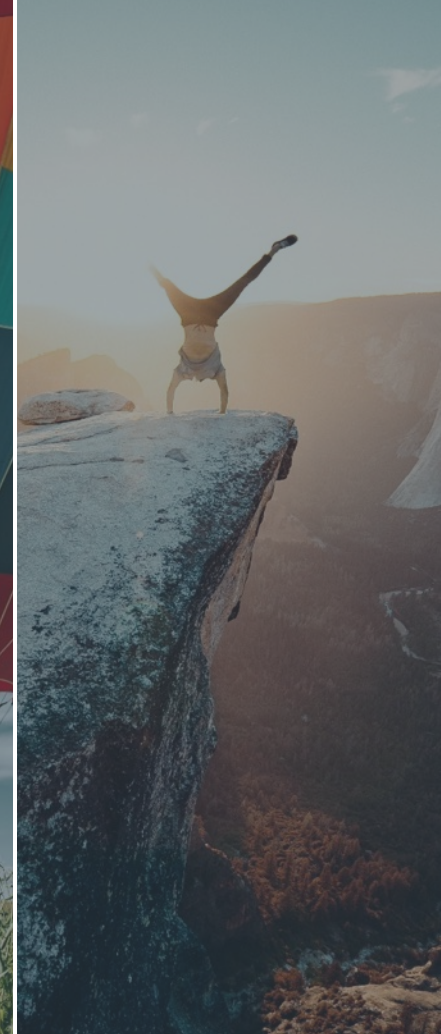
Level Up initiative



Restructuring measures



Capital allocation



Financial highlights



Active Portfolio Management



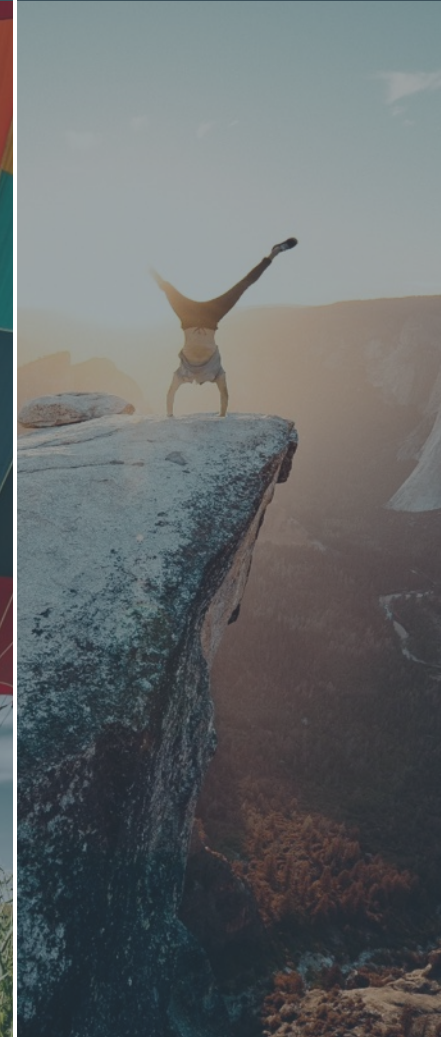
Level Up initiative



Restructuring measures

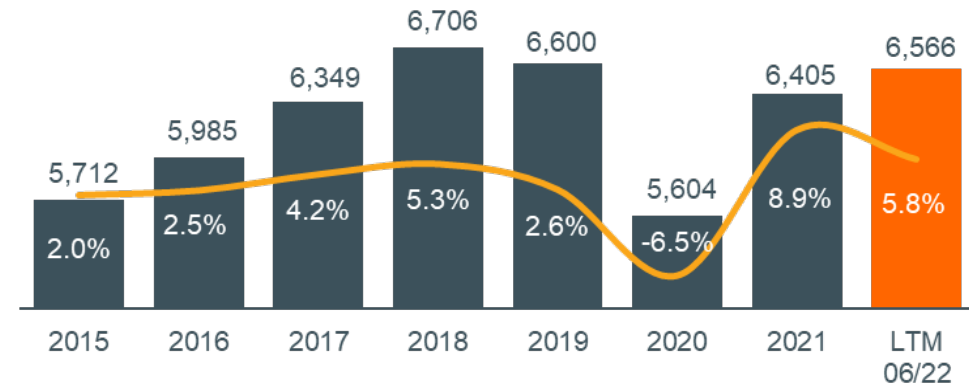


Capital allocation

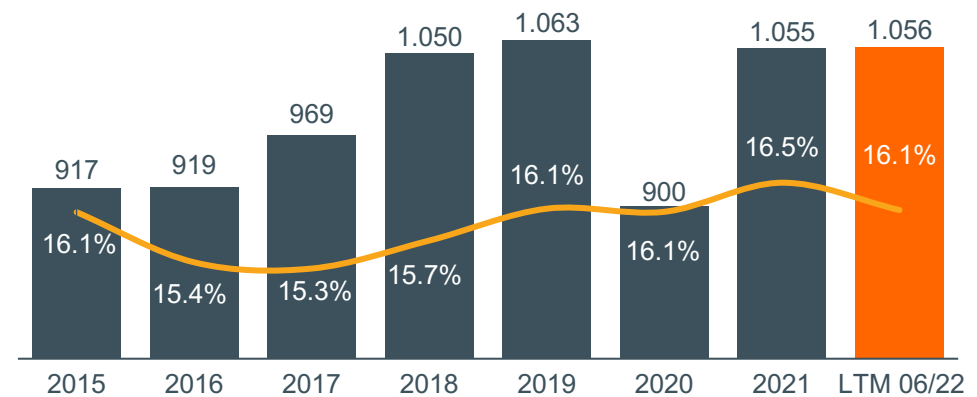


Revenue and adjusted operating income

Revenue (CHF MIO; % organic growth)

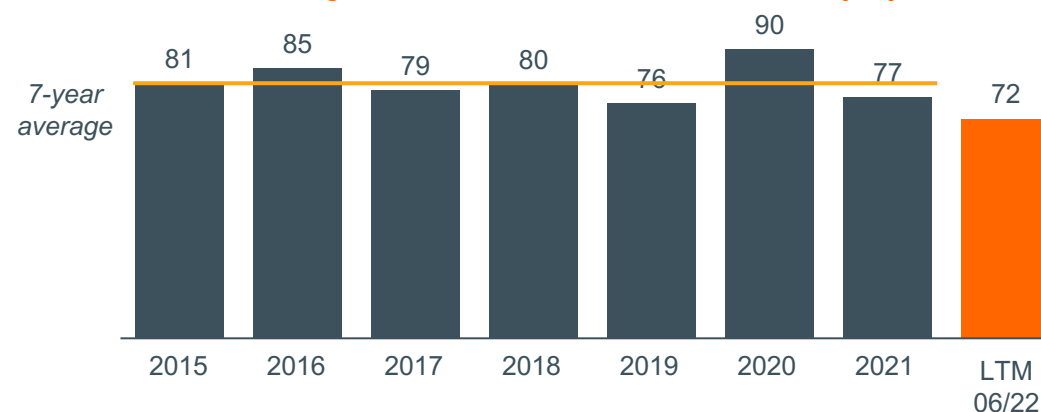


Adj. operating income (CHF MIO; % margin)

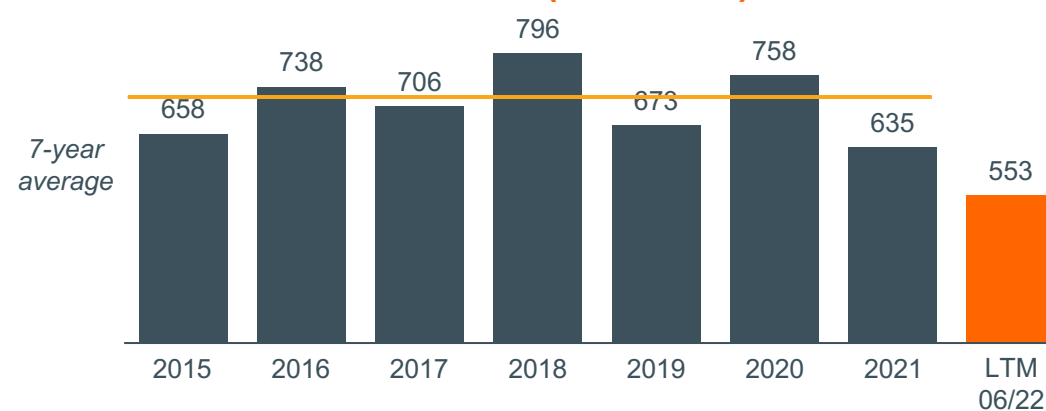


Cash conversion and Free Cash Flow (FCF)

Adj. cash conversion ratio¹ (%)



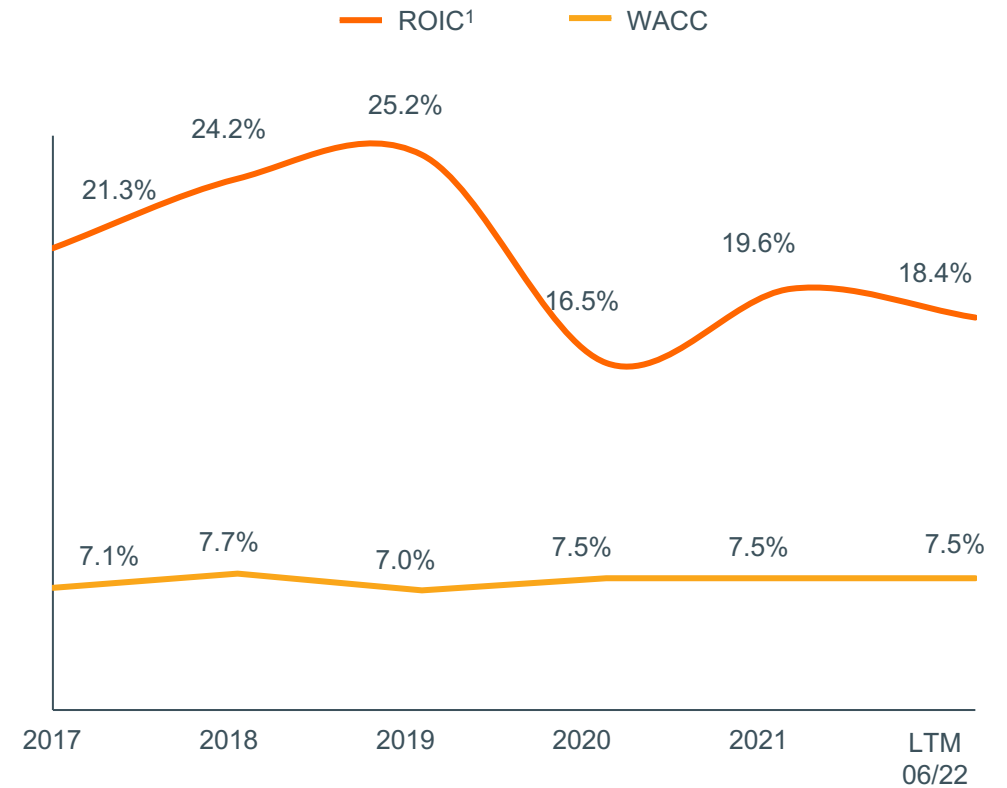
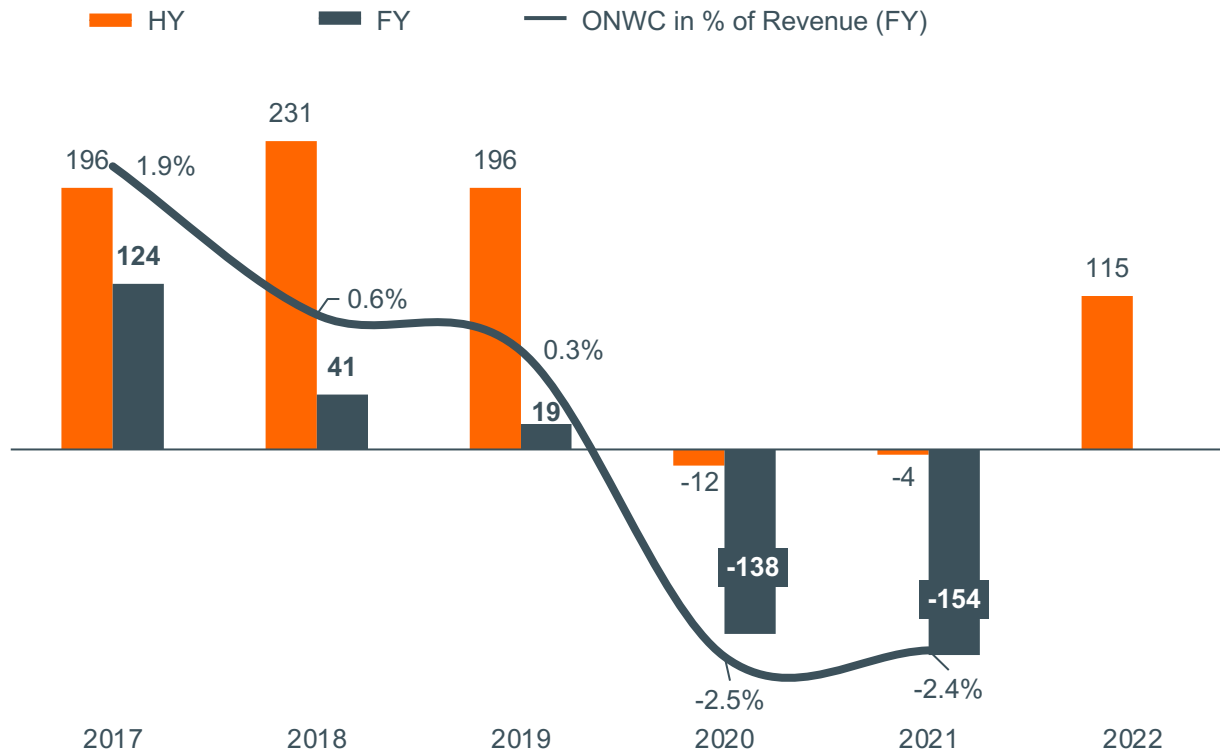
FCF² (CHF MIO)



1. Cash Flow from Operating Activities / Adjusted EBITDA (excl. IFRS 16)
 2. Cash Flow from Operating Activities net of Capital Expenditure after lease payments

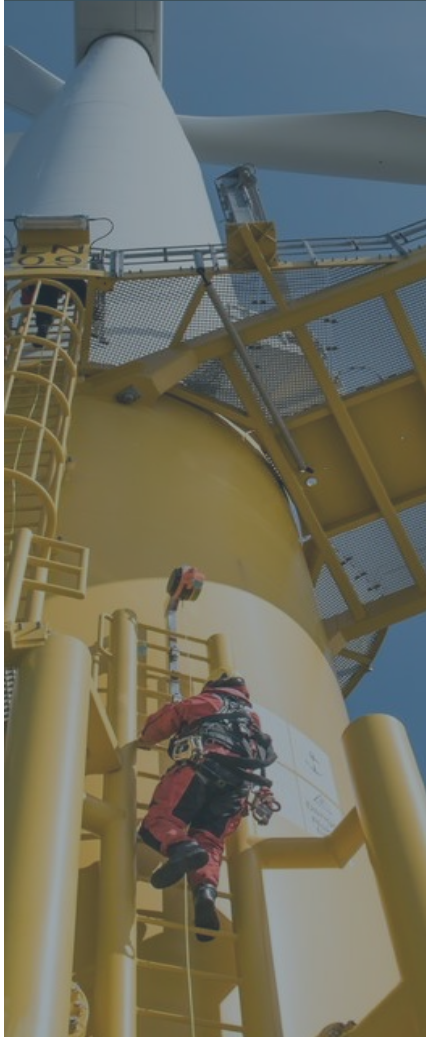
Operating net working capital and ROIC

Operating NWC



1. Return on Invested Capital = Profit for the Period / (Non-Current Assets + Net Working Capital)

Financial highlights



Active Portfolio Management



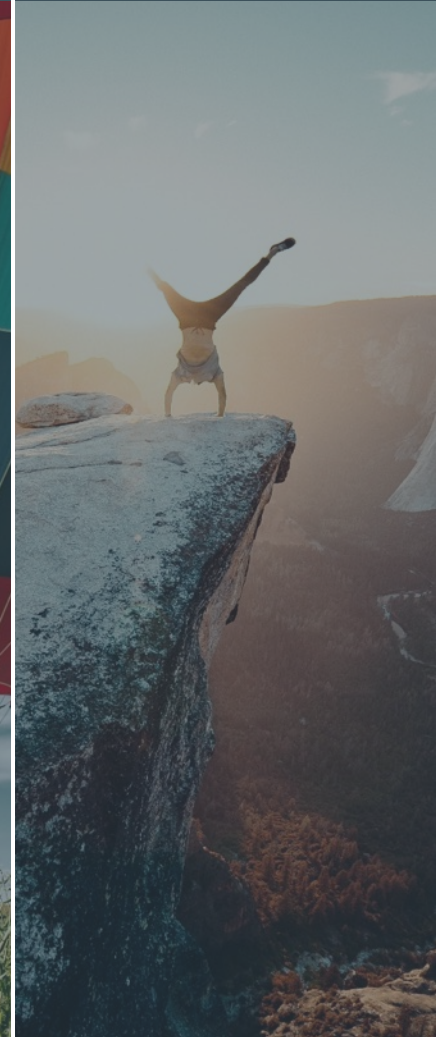
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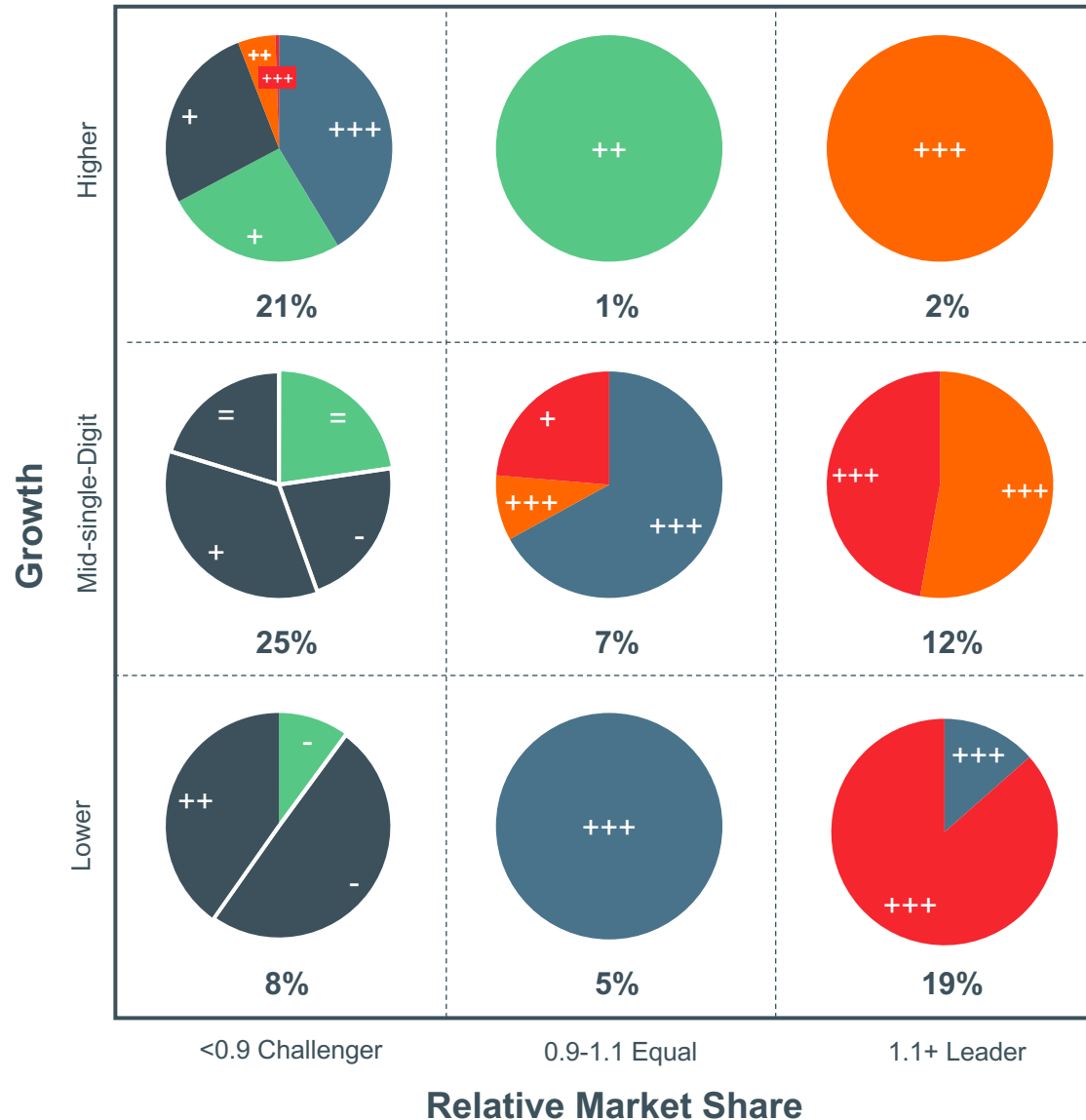
Capital allocation



Business portfolio

(Growth/rel. MS/
return-profile – LTM 6/22)

- Increased exposure to msd/higher single digit growth of 68% vs 49% (2018)
 - Increased exposure to leading market position of 46% vs 33% (2018)
- Driven by capital allocation (organic and M&A) according to our strategic priorities



Divisions:

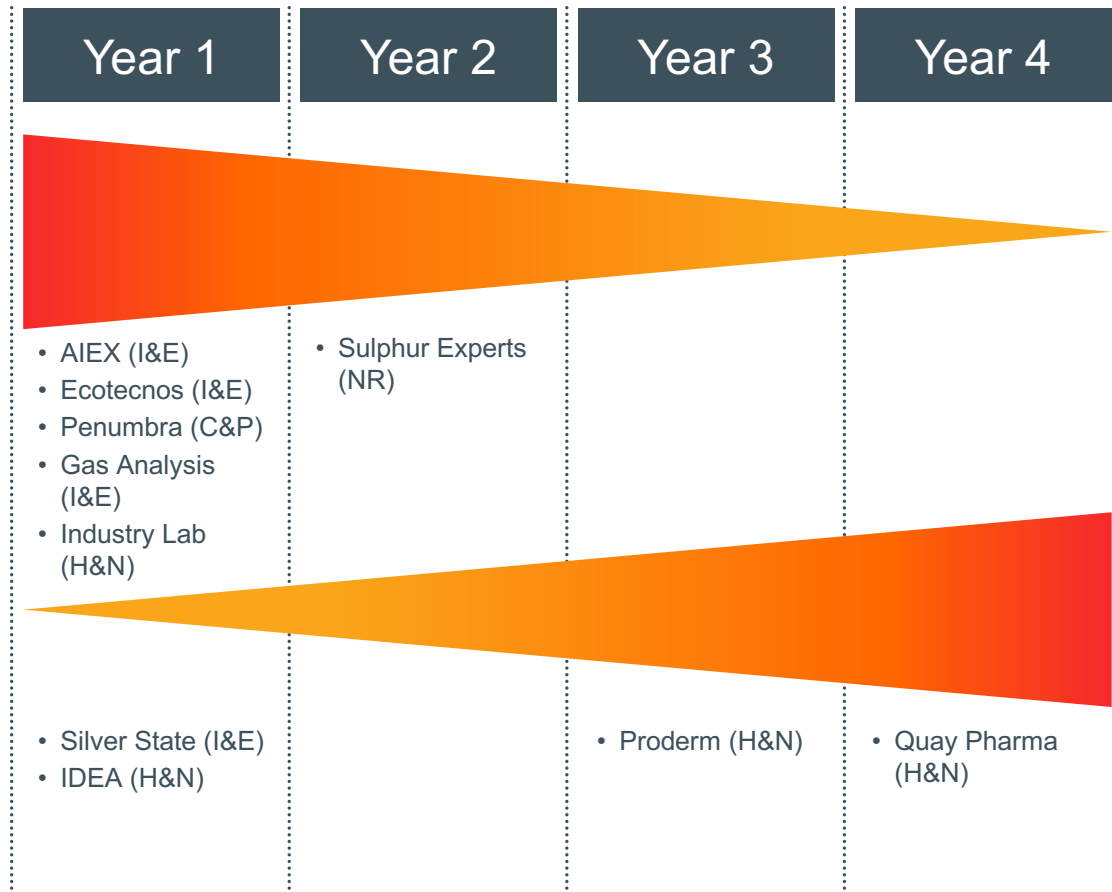
- Connectivity & Products
- Health & Nutrition
- Industries & Environment
- Natural Resources
- Knowledge

Return Profile:

- Value Destroying
- = Earning more than 1x CoC
- + Earning more than 2x CoC
- ++ Earning more than 3x CoC
- +++ Earning more than 5x CoC

EVA¹ methodology for assessing acquisitions

Expected number of years to create positive EVA:



1. Economic Value Added (EVA)

Indicators for a positive EVA in year 1

- Small bolt-on acquisition
- Negligible impact on relative market-share
- Concentrated client portfolio
- Low to mid-single digit growth
- Limited synergy potential
- Cyclicity > SGS cyclicity

Indicators for a positive EVA beyond year 1

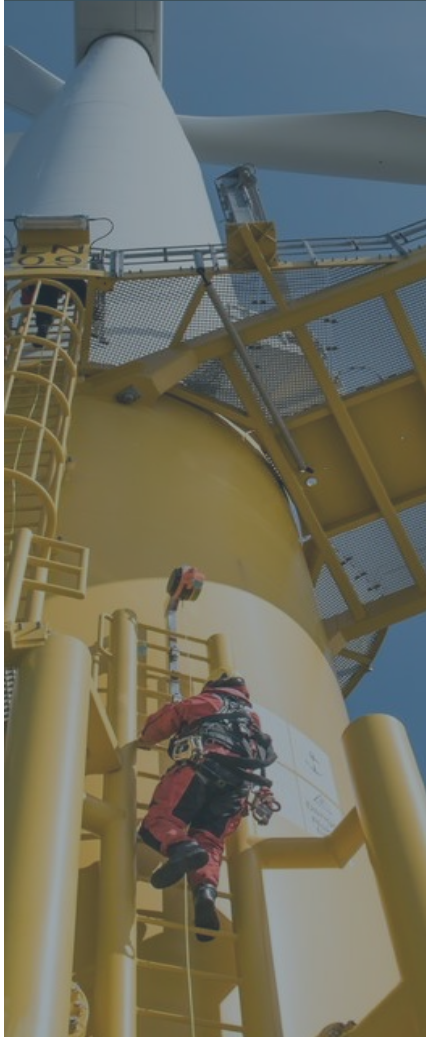
- Transformational acquisition for the BU / high strategic importance
- Relative market-share will change materially
- Broad client portfolio with high retention rate
- High single-digit to double-digit growth
- High synergy potential
- Low cyclicity

Return profile, capex intensity and M&A appetite by division

	CAPEX intensity	NWC intensity	LTM return profile	M&A appetite
Connectivity & Products	Higher	Lower	+++	High in connectivity
Health & Nutrition	Higher	Average	+	High
Industries & Environment	Average	Average	=	High in environment/ selective areas in
Natural Resources	Lower	Average	+++	Low
Knowledge	Lower	Lower	+++	In selective areas



Financial highlights



Active Portfolio Management



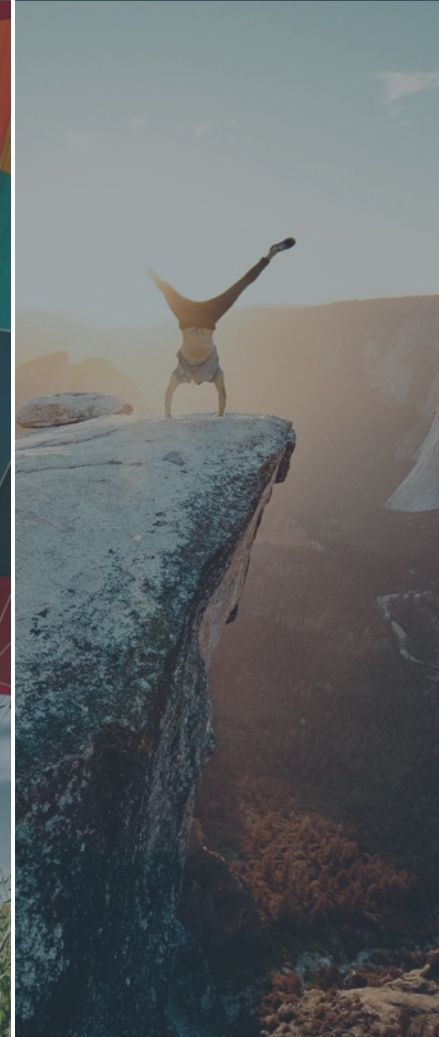
Level Up initiative



Restructuring measures



Capital allocation



Progress on Level Up initiative since launch in April '21

- Financial Shared Service Centers (FSSCs)
 - FSSCs cover almost 60% of group revenues
 - 47 countries covered (+25)
 - Fully standardized/harmonized processes for countries in scope
 - Productivity increase of 5% p.a. achieved

- Billing centralization
 - Billing centralization initiative covers 13% of group revenues (more than doubled)
 - 17 countries covered (+11)
 - Productivity target of 20% for processes in scope materially exceeded
 - DSO reduced by five days since go-live for countries in scope

Progress on Level Up initiative since launch in April '21

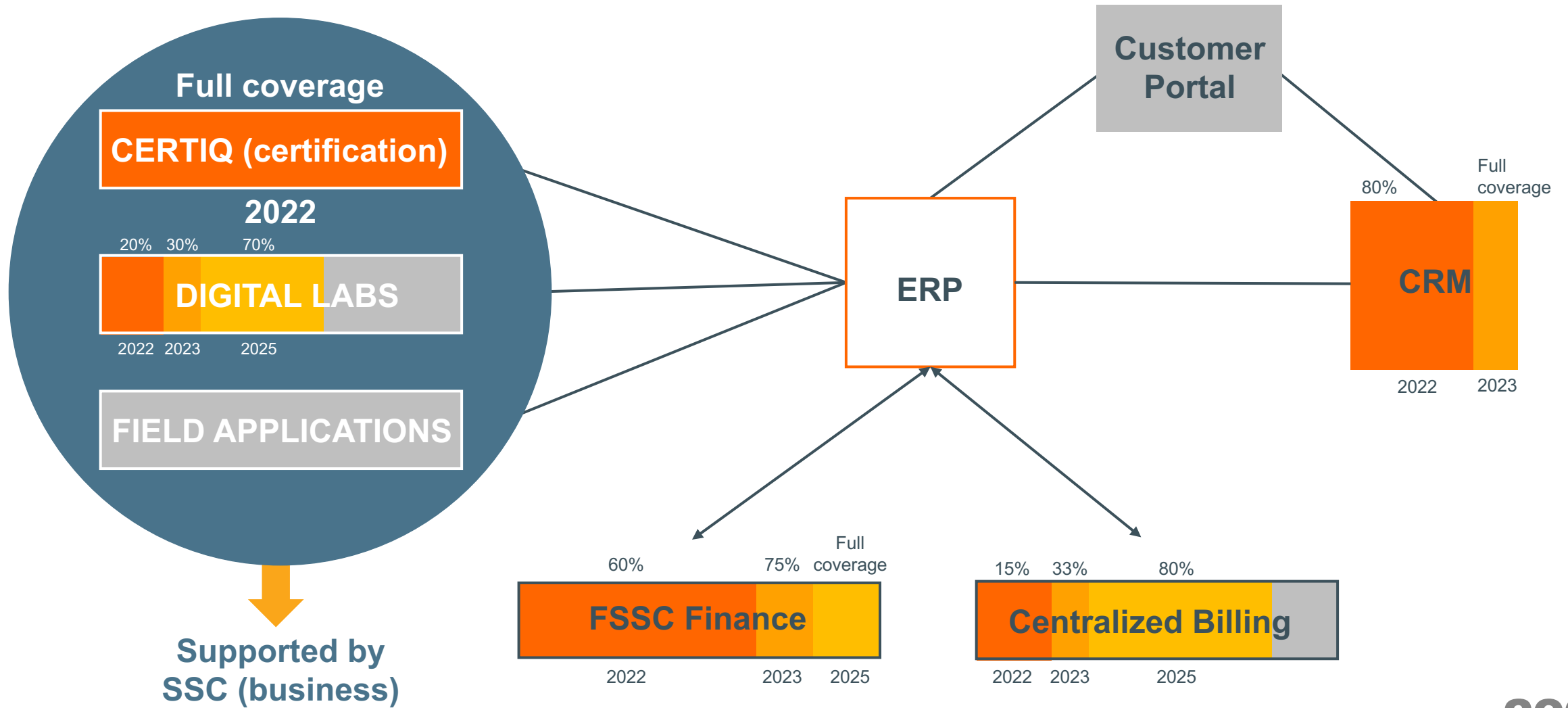
- IT transformation
 - Transition finalized for application maintenance, application development and infrastructure operations, ongoing stabilization phase. Expected increase of +15% productivity
 - New target operating model for all Global IT systems based in ITIL supported by top technologies (Service Now), embedded in all Group IT initiatives (Digital Labs, Digital Builders, Finance transformation...)
 - Internal group IT resources concentrated in two main hubs (Madrid & Manila)
- Digital Labs/global platforms
- Investments into the CORE of the seven global Digital Lab platforms
 - 130+ labs covering 20% of group lab revenues migrated to the global platform at year-end
 - Well on track to achieve productivity improvement of 10%+ per lab
 - Several Digital Labs' enhancement MVPs developed in the Builders Organization
 - Fully transitioned our certification business to our global platform CERTIQ

Progress on Level Up initiative since launch in April '21

- CRM
 - Deployment of Salesforce as the global CRM solution in 70 countries during 2022
- WCS
 - 26 labs are in scope
 - 4 potential new labs to be assessed in 2023
 - 65% of active labs have been audited, with best score of 34



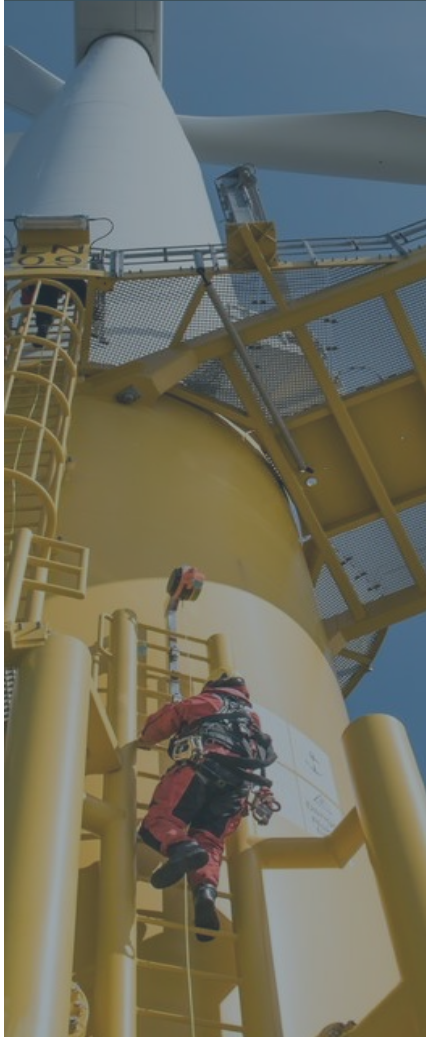
Future system and process landscape to drive efficiency



Level Up targets and benefits

	Status 2022e	Target 2023	Target 2025	Benefits
Financial Shared Service Centers (FSSCs)	60% of Group revenues are covered by FSSC's via fully standardized/harmonized processes	75% of Group revenues are covered by FSSC – one additional FSSC in Mexico	Full global coverage	Productivity increase of 5% p.a. for the scope under consideration
Billing centralization	15% of Group revenues are covered by billing centralization	Accelerated roll-out of centralized billing covering 33% of Group revenues	Centralized billing to cover 80% of Group revenues	Productivity increase of 20%+ for processes in scope/DSO reduction
IT transformation	Complete outsourcing of AM, AD and infrastructure to a 3 rd party / New TOM for Global IT systems established	15%+ productivity besides initial step-up savings	Incremental 5% productivity increase	Standardized TOM / Access to new technologies
Digital Lab concept (DLC)/ global platforms	20% of lab revenues are executed via DLC/full migration of the certification business to the global CERTIQ platform	30% of lab revenues are executed via DLC	70%+ of lab revenues are executed via DLC	Productivity increase of 10%+ per lab
CRM	Deployment of Salesforce as the global CRM solution in 70 countries during 2022	Add remaining countries and remaining businesses to the CRM platform		Increased customer intimacy / stronger sales focus
WCS	65% of active labs have been audited, with best score of 34	20% of WCS labs to reach WCM Bronze Award level	90% of WCS labs to reach awards level	Higher customer satisfaction / safer place to work with enhanced productivity

Financial highlights



Active Portfolio Management



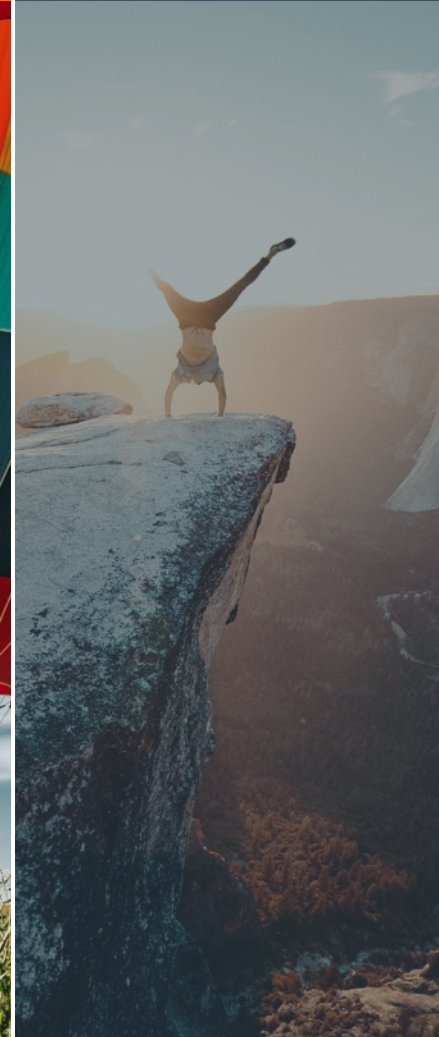
Level Up initiative



Restructuring measures



Capital allocation



Restructuring program highlights

Highlights

- Annualized recurring savings of **CHF 50 Mio+** expected
- One time cost of **CHF 35 Mio** to be incurred

Headcount reduction by area:

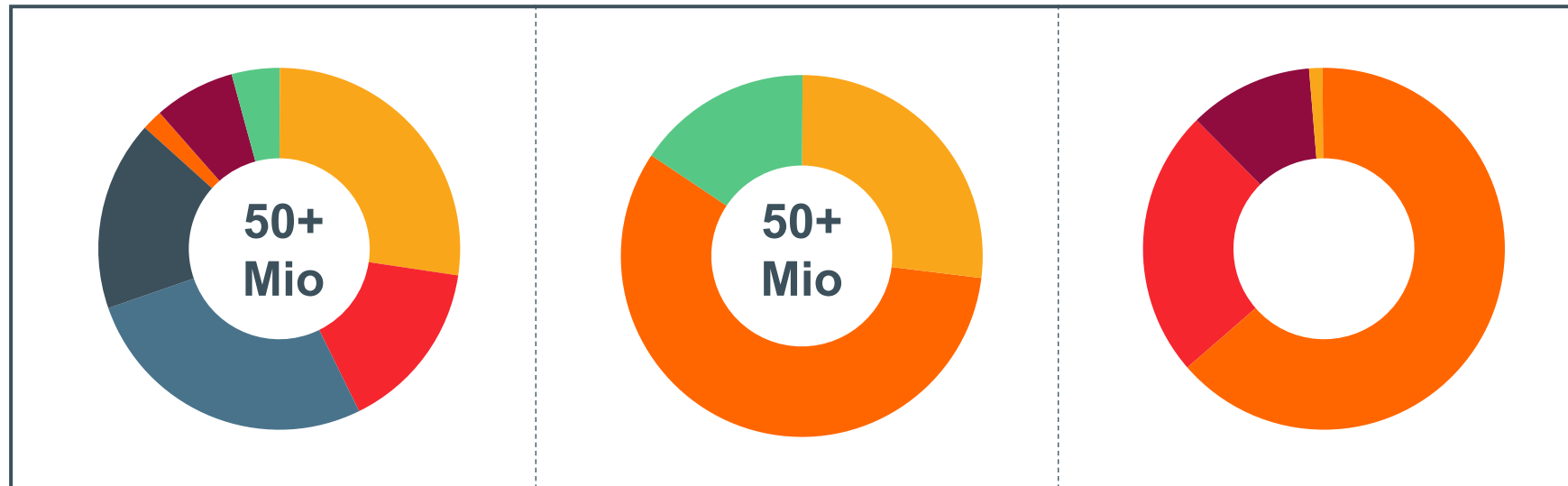
- Management
- Business Closure
- Admin & OH
- Operations

Savings by business:

- Connectivity & Products
- Health & Nutrition
- Industries & Environment
- Natural Resources
- Knowledge
- GROUP
- Multiple

Savings by region:

- Asia
- Americas
- Europe/Africa Middle East

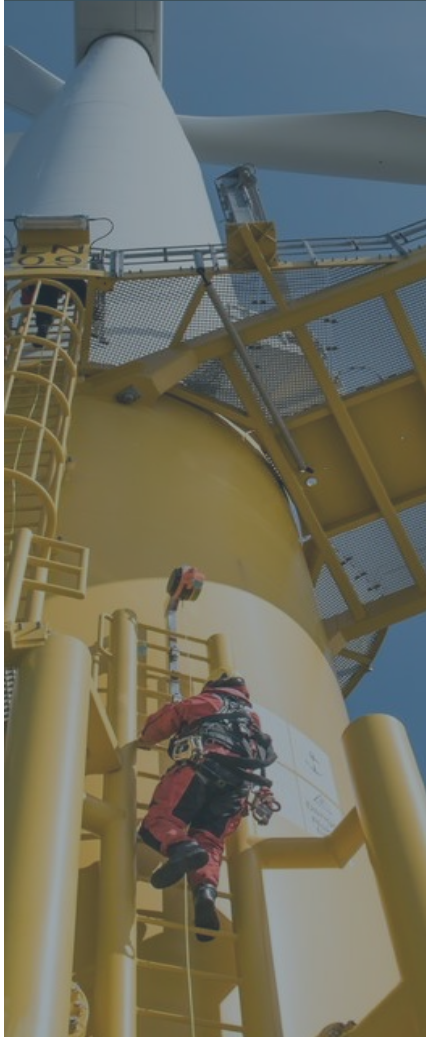


Savings by business

Savings by region

Headcount reduction by area

Financial highlights



Active Portfolio Management



Level Up initiative



Restructuring measures

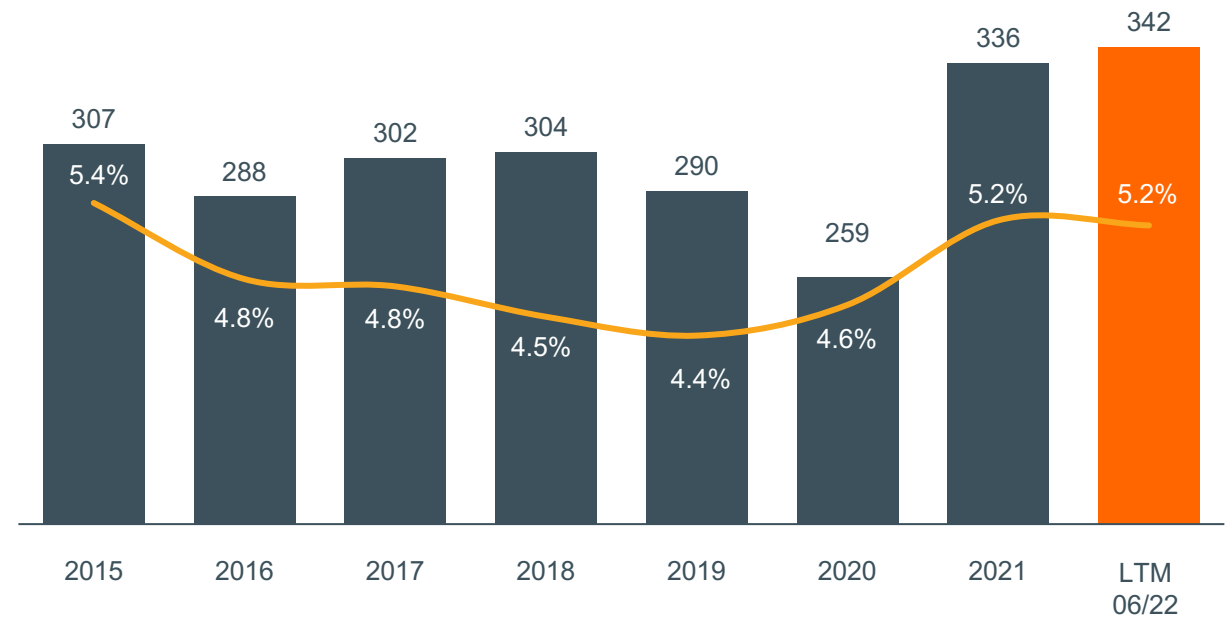


Capital allocation

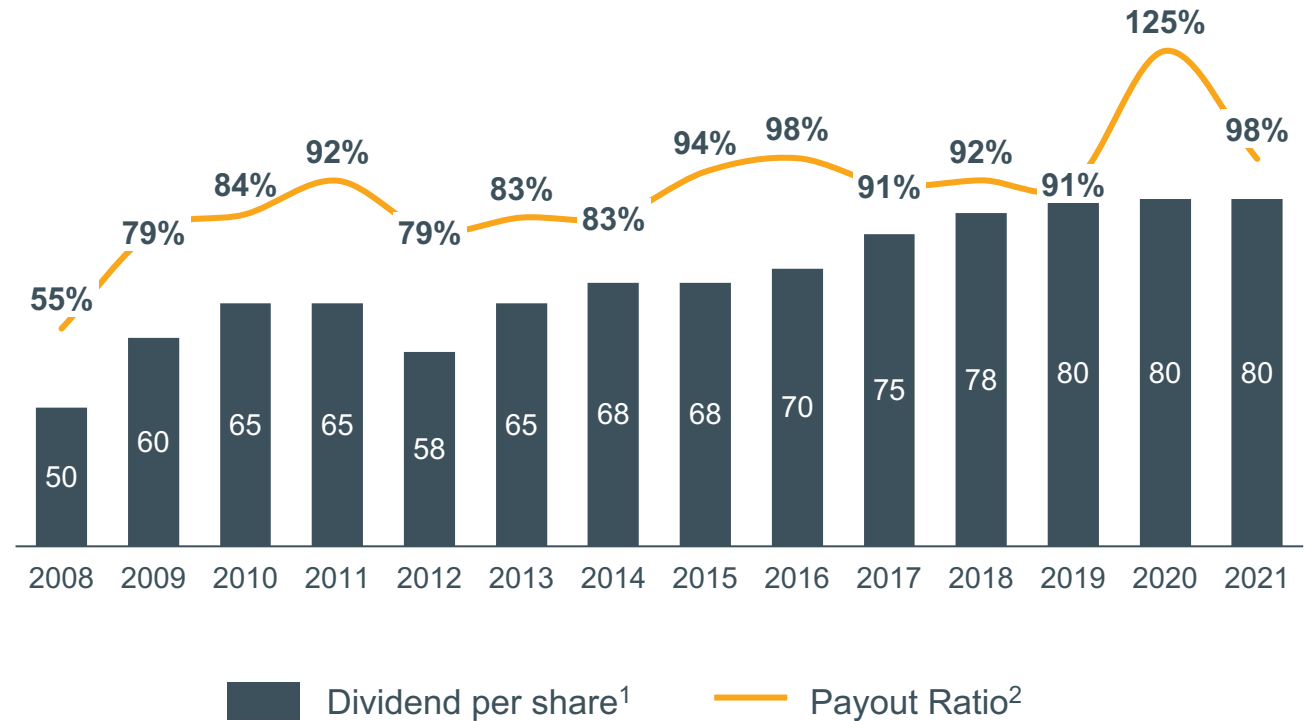


Capital allocation

CAPEX (CHF MIO IN % of revenue)



Capital allocation – attractive shareholder return



1. Dividend per share including ordinary and special dividends
 2. Payout ratio: Dividend per share / Basic earnings per share



Balance Sheet Principles

Investments into operations (CAPEX) to **sustain and enhance growth**

Merger & Acquisitions to **accelerate growth**

Stable dividend of CHF 80 until a pay-out ratio of c.75% is reached/afterwards growing

Share buyback to **return excess (if any)**

- Committed to a sound and prudent balance sheet policy with sufficient debt headroom for M&A opportunities
- Usage of cash: prioritize **investments over distribution**, however following stringent ROIC/EVA criteria and not jeopardizing dividend capacity

Questions?

