



SF Tooling und Top-Werk: two industrial groups that CGS molded into global market leaders.

Putting words to work

Goals and strategies are defined fast but their implementation demands determination to make sure that the words turn into action. We set our sights high, striving to bring our portfolio companies to the top of global markets using targeted Buy & Build strategies. And the results?

Two more of our groups – SF Tooling and Top-Werk – have made it up to the top worldwide. Top-Werk is also an excellent example of what makes for successful integration. And Photonics Systems Group has successfully taken an important step in its development with an add-on investment.

Entrepreneurial responsibility plays a key role in everything we do and this CGS Update also illustrates how we shoulder this responsibility.

I am pleased to provide this issue for your perusal.



Dr. Rolf Lanz,
Managing Partner

>>> RESPONSIBILITY

INVESTING RESPONSIBLY – OUR PROMISE



Thierry Biggoer,
Associate

Entrepreneurship means taking on responsibility: not just in the company's own value creation chain, but also beyond it. CGS has developed a pragmatic approach that goes much further than responsibly allocating its investors' capital and anchors this philosophy in the portfolio companies.

CGS highly values sustainable and responsible management that goes far beyond financial considerations. CGS's compass for this is the ten ESG principles of the United Nations Global Compact. ESG (Environment, Social, Governance) considerations play a key role at CGS in developing portfolio companies and assessing their risks, from due diligence to the investment phase and the exit.

Universally applicable

In 2017, CGS summarized its values and principles for business conduct throughout the entire investment process in an ESG guideline. This guideline applies to both CGS and the companies in which it invests. It covers the investment strategy and processes as well as the management of the portfolio companies, including minimum standards that all companies must define and meet. The guideline applies to everyone, from the directors and senior managers to the employees.

Focus on core risks

The main goals are ensuring harmonized assessment of the companies regarding ESG topics and creating a joint starting point from which to systematically develop

ESG performance indicators

All portfolio companies report monthly on eight performance indicators: electrical energy efficiency, staff turnover, work time lost due to accidents, and absenteeism rates as well as indicators of corruption risk, concentrations on procurement and customer sides, and innovation.

further measures. From 2019, each company is to issue monthly reports on eight ESG performance indicators. This raises risk awareness, increases transparency, and improves corporate governance in all portfolio companies.

CGS's ESG policy focuses on core risks and opportunities that arise while conducting actual business. It prioritizes issues with the greatest economic impacts, including the avoidance of expensive damages. Each company may move beyond the minimum standard and adopt further focuses.

Three pillars

The ESG policy is based on the following three pillars: an ESG risk matrix, a code of conduct, and reporting. Each portfolio company adapts the policy to its own context, determining corresponding guidelines and objectives. Here, all levels of the company must fulfill their obligations, from the board of directors and advisory board who set certain guidelines to the individual employees who sign the code of conduct. All portfolio companies have defined an ESG action plan for 2019 or are about to do so. ■

ESG Risk Matrix	Code of Conduct	Reporting
<ul style="list-style-type: none"> • Management workshop on drawing up a risk matrix • Identification of the greatest risks and opportunities • Based on this, an action plan on dealing with key risks is made 	<ul style="list-style-type: none"> • Each portfolio company draws up its own version • Code of conduct is introduced at each site • Required written confirmation from each employee 	<ul style="list-style-type: none"> • Managers charged with ESG pursue jointly defined action plan • Periodic reporting to CGS • Report on ESG activities sent to board of directors and advisory board at the end of the year

The three pillars of CGS's policy for responsible management.

>>> INTEGRATION

MORE THAN THE INDIVIDUAL PARTS



Marc Trippel,
Investment Director

Forming industrial groups is about acquiring and developing individual companies, as the term Buy & Build says. Both factors of this strategy are key, but the latter is decisive. Bringing independent companies together to form a group that is more than the sum of its parts is an art. The Top-Werk Group is a topical example.

With a turnover of EUR 230 million, the Top-Werk Group is the undisputed leader of the market for the construction of machines and systems that manufacture concrete parts. The group was created in 2013 from the companies SR Schindler and Prinzing Pfeiffer with a EUR 30 million turnover.

The acquisition of Hess completed the group's product range and allowed it to focus clearly on sales and market development, thereby also making cross-selling among the companies possible. Masa joined the group in 2014 with its product portfolio that largely covers the same areas as Hess's. It was brought into the group during a multi-year integration period with a clear two-brand strategy.

Formed into a single-source supplier

The individual companies have established excellent reputations and outstanding positions in their areas thanks to decades of technological leadership and global operations. Using a targeted Buy & Build approach, CGS brought them together to form the Top-Werk Group, a single-source supplier. The strategic goals defined in 2013 still apply today, unchanged: establishing a comprehensive industrial product portfolio for all concrete products

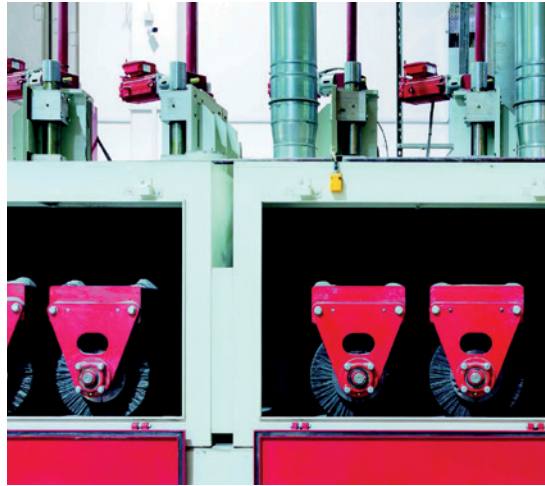
from a single source, achieving global presence with strong “Made in Germany” brands, and using synergies and economies of scale, especially in sales, development, and the centralization of support functions.

Clear goals, transparent strategy

Pursued consistently over years, clear goals and a transparent strategy are essential success factors for integrating companies. Just as important is respecting and preserving their history and identity while jointly aligning operations to market demands and customers’ needs. As the backbone of every company, the employees must be engaged and involved in this process. Time plays a major role here; planners often significantly underestimate how long a successful integration operation will take.

Steadily growing closer together

The carefully conducted integration of the Top-Werk Group’s companies has led to a very positive work climate among the employees. The cooperation among the companies is deepening steadily and also includes



The Top-Werk Group: an example of a carefully planned and successful integration.

the development of new machines. Clustering resources – especially in research and development – creates the kinds of new opportunities that are only possible in groups. ■

>>> BUY & BUILD

STRATEGIC GROWTH



Jonas Bumbacher,
Associate

Photonics Systems Group is gaining momentum. The group, whose platform company is InnoLas Solutions, has bolstered its business strategically by acquiring LS Laser Systems. This move represents a next step on the way to becoming a globally leading micro-material processing laser machine manufacturer. LS Laser Systems’s products complement the group’s technology portfolio perfectly, creating potential for growth and synergies in the electronics business and bringing the group closer to customers. The acquisition also creates an ideal succession solution for LS Laser Systems’s current owners.

LS Laser Systems has an excellent reputation worldwide as a reliable and highly productive partner for laser technology with top quality standards. The company has set new benchmarks over the past 25 years, above all in the development and production of active and passive laser trimming systems. The laser trimming process entails targeted alterations of the operating

parameters of an electronic circuit through laser cutting. It is used in electronics and particularly in automobiles for all kinds of circuits and sensors such as automatic toll systems, parking sensors, and measurements of how full tanks are.

Extended product range

This special micro-material processing technology perfectly complements Photonics Systems Group’s product portfolio. The group’s CEO Markus Nicht is convinced that this is the right move for the future: “The laser-trimming process will continue to gain importance. LS Laser Systems has an outstanding reputation in the market, making it well-positioned to benefit from this potential.”

Growth and international expansion

Acquiring LS Laser Systems allows Photonics Systems Group to create potential for growth and synergies in its electronics business. With its extended product range and strengthened global sales and service network, the group can offer its worldwide customer base a broader spectrum of solutions. CGS is seeking above-average growth in the coming years for both LS

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Photonics Systems Group is a leader in laser processing of micro-materials. The group designs and produces customized machines and processing systems for high-precision laser applications in the photovoltaic, electronics and semiconductor industry alongside precision engineering. It supplies renowned, globally active customers in the core markets Europe, the US, and Asia. The group has about 100 employees working at its group headquarters in Krailing, Germany, as well as in the US and at several sites in Asia.

Criteria for inclusion in the Global Market Leaders Index:

- Management (by owners) with at least 50% of head quarters in the DACH region
- Global market: operations on at least 3 of 6 continents with own production and/or sales companies, resp. export activities
- Annual turnover: at least EUR 50 million
- Market leader: number 1 or 2 in its global market (segment)
- At least 50% of turnover generated abroad / by exports

>>> BUY & BUILD

CGS BUILDS GLOBAL MARKET LEADERS



Timo Serke,
Analyst

CGS uses customized Buy & Build strategies to shape medium-sized industrial companies into globally leading

groups. Its success is proven by the Global Market Leader Index, which identifies leading companies in an objective and transparent selection process. The index lists three companies: SF Tooling and the Top-Werk companies Masa and Hess. Like the Maag and Schöttli groups, already sold, they have made it to the top.

The foundation of CGS's Buy & Build strategy are the numerous well-positioned SMEs with outstanding technological expertise in the DACH region. Many companies do not manage to internationalize their operations by themselves as they usually lack access to capital markets and experience in acquiring and cooperating with other companies and integrating know-how.

Our expertise, experience, and access

CGS possesses industrial experience, M&A expertise, and integration experience as well as the financial strength to help companies overcome these obstacles and to make them global market leaders in their niches.

Many of CGS's portfolio companies are included in the Global Market Leader Index that is established based on research conducted by the Henri B. Meier business school of the Executive School of Management, Technology and Law of the University of St.Gallen in cooperation with the Academy of German Global Market Leaders.

Top-Werk and SF Tooling as global market leaders

The index contains both Masa and Hess. CGS developed and internationalized these two companies, with additional acquisitions, to form the Top-Werk group, which is now the global market leader for the construction of machines and systems that manufacture concrete parts. Another group included in the index is SF Tooling, which was formed from the German company Schaufler Tooling and the American firm Fischer Tool & Die, among others. The SF Tooling Group makes molds for the die casting industry. Its tools are produced primarily for the automobile industry in Europe and the US. ■

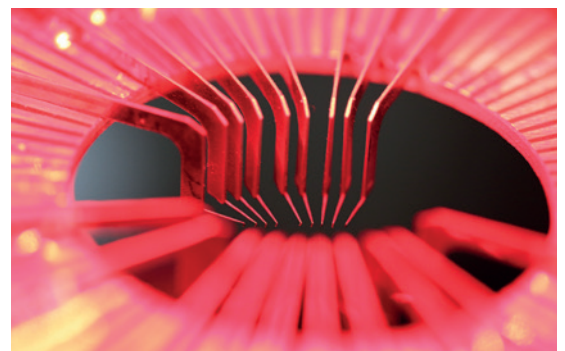
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Laser Systems and the entire group. Alongside organic growth, Photonics Systems Group is planning to gain access to new end markets through further add-on acquisitions.

Photonics Systems Group is also set to move closer together geographically. LS Laser Systems will move to a new site near the group in fall 2019, facilitating communication and coordination throughout the entire enterprise.

Ideal succession solution

The current owners want to withdraw from the company by the end of its transition. With this sale, they are securing the future of their business, including its employees and established brand. To ensure continuity, they will retain their operational roles in the company in the medium term before withdrawing on account of their age. ■



Laser trimming – promising new technology in the portfolio of Photonics Systems Group.

CGS MANAGEMENT
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