RAIFFEISEN

Fairness Opinion

concerning the public tender offer by
TE Connectivity Ltd, Schaffhausen,
for all publicly held registered shares of

Schaffner Holding Ltd, Luterbach ("Schaffner")

7 September 2023

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CAGR	Compound annual growth rate
CAPEX	Capital expenditure
CompAc	Valuation analysis of comparable precedent M&A transactions ("comparable acquisitions")
CompCo	Valuation analysis of comparable listed companies ("comparable companies")
CRP	Country risk premium
DCF	Discounted free cash flow
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation and amortisation
EBITDAR	Earnings before interest, taxes, depreciation, amortization and rent
EQV	Equity value
EMC	Electromagnetic compatibility
EV	Enterprise value
kCHF	Thousand Swiss francs (CHF)
LTM	Last twelve months
m	Millions
OEM	Original equipment manufacturer
Raiffeisen / RCH	Raiffeisen Switzerland Cooperative, St. Gallen, Switzerland
Schaffner Group	Schaffner Holding Ltd and direct and indirect subsidiaries of Schaffner Holding Ltd
TE Connectivity	TE Connectivity Ltd, Schaffhausen
TE Connectivity Offer	the pre-announcement of a public tender offer by Tyco Electronics (Switzerland) Holding II LLC, a subsidiary of TE Connectivity, to the shareholders of the Company, published on the website of the TOB (www.takeover.ch) on 17 August 2023
the Company	Schaffner Holding Ltd
TOB	Swiss Takeover Board
VWAP	Volume-weighted average price
WACC	Weighted average cost of capital

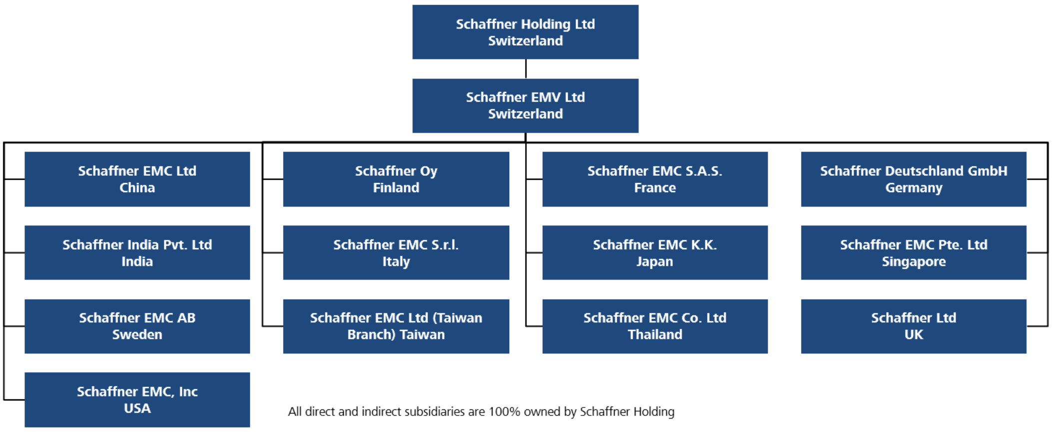
1. Introduction

1.1. Starting position

Schaffner Holding Ltd, with registered office in CH-4542 Luterbach ("Schaffner" or the "Company") is a producer of passive electronic components ensuring the electromagnetic compatibility ("EMC") of electronic systems, which has been listed in the SIX Swiss Exchange since 1998. The Company, which is a world leader in this EMC segment, is divided into two divisions, Industrial and Automotive. The Industrial Division embodies the core expertise of Schaffner in the field of EMC filters and chokes. Its customers include distributors (in particular for standard products) and original equipment manufacturers ("OEM") for customer-specific solutions. Schaffner's products are used e.g. for power supply to various electronic devices for industrial automation, the machine industry, building technology, medical technology or in energy management and data centres. OEMs in growth industries (such as e.g. fast charging stations for electric vehicles) are being strategically cultivated. The smaller Automotive Division, which currently generates around only a quarter of the revenues of the Industrial Division, offers antennae for keyless authentication systems and EMC filter solutions and magnetic components for electro-mobility.

The direct and indirect subsidiaries of Schaffner Holding (along with the parent company, the "Schaffner Group") are presented in Figure 1. The production sites of the Schaffner Group are situated in Thailand and China. Sales, service and application centres are spread out over the country companies.

Figure 1: Legal organisation of the Schaffner Group



Source: Schaffner Annual Report 2021/22, management

Schaffner's financial year ends on 30 September. The net sales of the Schaffner Group from 1 April 2022 until 31 March 2023, i.e. over the last published 12 months ("last twelve months" – "LTM") were CHF 164.0 million, and LTM EBITDA was CHF 24.7 million, corresponding to an EBITDA margin of 15.1%.

The largest shareholder of Schaffner is BURU Holding AG, based in Cham and controlled by Philipp and Elisabeth Buhofer, which holds 17.2% of the share capital. Other shareholders holding more than 5% as at 31 March 2023 include UBS Fund Management (Switzerland) AG with 9.0% and J. Safra Sarasin Investmentfonds Ltd with 8.7%.

On 16 August 2023, the market capitalisation amounted to around CHF 178 million based on the closing price for a Schaffner registered share of CHF 282. Generally speaking, the share price has performed well over the past three years. Following the outbreak of the coronavirus crisis, in March 2020 the price fell from around CHF 200 per registered share to a low of CHF 122, although rapidly climbed back to its previous level, and subsequently rose above CHF 300 in the wake of the announced sale of the Power Magnetics Division in the middle of April 2021. During the first half of 2023, the price fluctuated between CHF 258 and CHF 309. The highest price in the past 10 years of CHF 358 was reached on 1 June 2018.

On 17 August 2023, TE Connectivity Ltd, Schaffhausen ("TE Connectivity"), announced that its subsidiary Tyco Electronics (Switzerland) Holding II LLC was planning to issue a public takeover offer concerning all publicly held registered shares in Schaffner for a net offer price of CHF 505 in cash for each Schaffner share. TE Connectivity is an independent division of Tyco International Ltd, which was listed on the NYSE in 2008. Market capitalisation on 16 August 2023 totalled around CHF 36 billion. The Group offers, among other products, electronic connectors, network technology, underwater telecommunications systems and wireless systems. The customers of TE Connectivity operate in a wide variety of sectors. The largest shareholder is Capital Research & Management Company with around 11% of the share capital, followed by Vanguard Group Inc with around 9% and BlackRock Inc with around 6%.[1] According to the pre-announcement made on 17 August 2023, the offer prospectus for the public takeover offer (the "TE Connectivity Offer") to the Schaffner shareholders is due to be published on or around 28 September 2023.

According to the Schaffner press release of 17 August 2023, the Board of Directors of Schaffner had previously unanimously approved the offer made by TE Connectivity and BURU Holding AG had undertaken to tender its 17.2% shareholding into the TE Connectivity Offer.

1.2. Mandate of Raiffeisen Switzerland

Schaffner instructed Raiffeisen Switzerland Cooperative, St. Gallen ("Raiffeisen"), orally on 2 June 2023 and in writing on 18 June 2023 to provide a fairness opinion. Raiffeisen has been instructed to assess in its

[1] Source: S&P Capital IQ (11 August 2023)

opinion whether the TE Connectivity Offer or any other offers that may be received by the Board of Directors is or respectively are financially adequate.

Raiffeisen is not receiving and will not receive any compensation in relation to this mandate that is dependent upon statements relating to the valuation, the success of any current or future transactions or the amount of the purchase price. Raiffeisen confirms that it has made its judgement as an independent appraiser.

This Fairness Opinion is intended exclusively for the Board of Directors of Schaffner within the scope of the preparation of the Board of Directors Report under the terms of the Ordinance of the Takeover Board on Public Purchase Offers and does not constitute a recommendation to the shareholders of Schaffner either to accept or to refuse the takeover offer of TE Connectivity. On the other hand, in its report to shareholders, the independent committee of the Board of Directors of Schaffner will state its view concerning the takeover offer, making reference to this Fairness Opinion. The Fairness Opinion may be made publicly available within the scope of the TE Connectivity Offer. The offer prospectus of TE Connectivity may refer to this Fairness Opinion. Use for any other purposes is not permitted.

The opinion of Raiffeisen is not intended for TE Connectivity or its shareholders and is thus not intended as an assessment of the transaction from the perspective of TE Connectivity or its shareholders.

1.3. Bases for the assessment

Raiffeisen has used the following information as a basis for its valuation:

- Publicly accessible information concerning Schaffner considered to be relevant for the valuation or for assessing the adequacy of the TE Connectivity Offer. This includes in particular Schaffner's Annual Reports for 2020/21 and 2021/22 as well as the Semi-Annual Report as at 31 March 2023 (unaudited), ad hoc media releases by the Company, Company presentations and public media reports
- Reports by analysts from Helvetische Bank and Zürcher Kantonalbank on the Company
- Business model and strategy presentation of the Schaffner CEO from May 2023
- Business plan of the Schaffner management (in Excel format), last updated in April 2023 (update based on original version from the summer of 2022), with planning at the level of both divisions (key financial figure level) including a transition to a Group forecast income statement for the years 2022/23 to 2026/27, with separate comments concerning extraordinary items
- Various other detailed information concerning revenue allocation by country, the two divisions and the number of employees for each location and subsidiary
- Monthly reports by the Executive Board to the Board of Directors for the past 18 months, most recently for June 2023

- Management's updated forecast for the 2023 Group result (Group revenues, EBITDA and EBIT) from July 2023, based on prevailing exchange rates
- Certain meeting minutes of the Board of Directors
- Comprehensive draft report of the auditors to the Schaffner Board of Directors concerning the 2021/22 annual financial statements
- Tables and calculations relating to tax losses carried forward as at 30 September 2022
- Kroll Cost of Capital Navigator for the market risk premium and the country risk premium
- Capital market data as well as financial data for selected listed enterprises (peer group), mainly from S&P Capital IQ
- Multiples for comparable transactions from various sources, including Mergermarket and S&P Capital IQ
- Control premiums paid for enterprises listed in Switzerland, obtained from comparable transaction data reported on the website of the Swiss Takeover Board ("TOB")
- Current and historic financial market analyses for establishing relevant valuation parameters

On 15 June 2023 Raiffeisen held a meeting with the CEO and CFO of Schaffner in order to discuss the plausibility of the public and non-public information obtained, the financial situation and business development, the market environment and the competitive situation, the business plan as well as certain assumptions and value drivers. Raiffeisen was subsequently provided with various follow-up documents, which have already been included in the above list.

Raiffeisen did not visit any premises and/or locations of Schaffner (except the head office in Luterbach). Raiffeisen has not assessed or valued the assets and liabilities of Schaffner and has not instructed any third party to carry out any such assessment or valuation.

In preparing this Fairness Opinion, Raiffeisen has assumed that the financial information and other data provided by Schaffner were accurate and complete and has relied on said information without accepting any responsibility for the independent verification of such information. In addition, Raiffeisen has relied on assurances provided by the management of Schaffner to the effect that it is not aware of any facts or circumstances that might render the information used inaccurate, misleading or incomplete.

As discussed in greater detail at the end of Section 3.2 and in Section 3.3, the most important factors with an impact on the determination of enterprise value ("value drivers") have been examined by Raiffeisen to ascertain their plausibility and consistency.

The information and criteria set out in this document are based on the prevailing market, enterprise, financial and economic environment in mid-August 2023. Any circumstances arising at a later date may have an impact on the information used as a basis for this analysis. Raiffeisen is not under any obligation to update, audit or confirm the information contained in this document. The valuation date for the Fairness Opinion is 16 August 2023.

2. Overview of the Schaffner Group

2.1. Financial overview of the Schaffner Group

During the first half of financial year 2022/23 (ending on 31 March 2023) Schaffner achieved net sales of CHF 84.8m, which were 7.4% higher than the figure for the previous year, and even 11% higher when adjusted for negative currency effects. Negative currency effects are attributable mainly to the fall in value of the USD and the Chinese Renminbi compared to the Swiss franc. However, the previous year's very strong book-to-bill ratio (incoming orders to net sales) fell to 0.9 (previous year 1.15). Schaffner's stated medium-term goal is to achieve revenue growth of 5% p.a. EBITDA grew during the first half of 2022/23 compared to the corresponding period in the previous year by 41.9% to CHF 13.6m, corresponding to an improvement in the EBITDA margin by 3.9 percentage points to a record margin of 16.0%. Also the net profit improved significantly from the previous year's figure of CHF 5.2m to CHF 9.8m.

Figure 2: Key figures in 2020/21-2022/23 for the Schaffner Group

Figures in CHF m (rounded)	2020/21[2]	2021/22	Delta	H1 2021/22	H1 2022/23	Delta
Net sales	147.3	158.2	7.4%	78.9	84.8	7.4%
EBITDA	20.8	20.7	- 0.4%	9.6	13.6	41.9%
EBITDA margin	14.1%	13.1%	-1.0%	12.1%	16.0%	3.9%
Net profit	N/A	12.6	N/A	5.2	9.8	89.9%
Adjusted net working capital (RCH)[3]	N/A	36.2	N/A	33.0	37.4	16.9%
Capex	N/A	5.7	N/A	2.2	2.5	17.4%
Operating cash flow	N/A	-2.2	N/A	-4.4	10.7	N/A
Workforce on the balance sheet date	1'739	1'826	N/A	1'733	1'777	2.5%

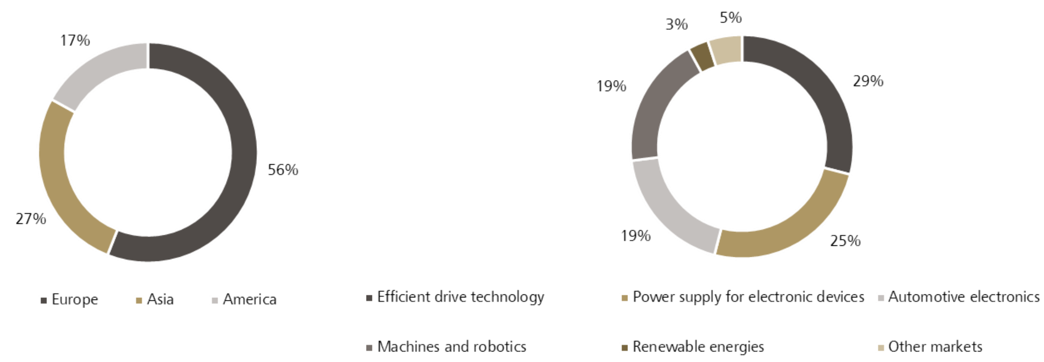
Sources: Schaffner Annual Report 2020/21, Annual Report 2021/22, Semi-Annual Report 2021/22, Semi-Annual Report 2022/23

In 2021/22, Schaffner earned 56% of its net sales in Europe, 27% in Asia and 17% in the Americas. Broken down according to application markets, 29% of net sales were earned from efficient drive technology,

2 Continuing operations as per Annual Report 2020/21
3 In addition to inventories, trade receivables and trade payables, adjusted net working capital also includes prepaid expenses and deferred income, accrued expenses, other current receivables and payables, and certain provisions

25% from power supply for electronic devices, 19% each from automotive electronics and machines and robotics, 3% from renewable energies and 5% from other markets.

Figure 3: Net sales according to regions and markets 2021/22



Source: Schaffner Annual Report 2021/22

2.2. Business model

The Schaffner Group is headquartered in Switzerland, has its production locations in Thailand and China and employed around 1,800 employees at the end of the past financial year. Customers are served through its own development, production, distribution and application centres within subsidiaries and branches in Asia, Europe and North America. Schaffner's business model is based on the company's electromagnetic expertise and develops bespoke solutions as a development partner of OEMs. Customer-specific solutions suitable for broad applications are often developed into standard product families and sold by Schaffner through the distribution partner network. Schaffner holds significant stock levels of finished products in order to ensure good availability for customers, which proved to be a competitive advantage in 2021/22 in particular, as many sectors were affected by supply chain bottlenecks.

The Industrial Division develops and produces EMC and power quality filters, offering the broadest range of filter solutions on the market with an estimated global market share of around 20%. Approximately one half of sales are achieved indirectly through distributors and the other half directly with OEMs. EMC filters and other products are manufactured in Schaffner's own production facilities in the vicinity of Chiang Mai (Thailand) and Shanghai (China). In addition, the Industrial Division has numerous distribution and application centres in order to ensure it remains close to its customers throughout the world. In 2021/22, more than 50% of sales were earned in Europe and just under one third in Asia. The remaining 17% were generated in the Americas. In 2021/22, Schaffner earned 80% of Group net sales through the Industrial Division. Sales increased across all market segments and regions in 2021/22.

The Automotive Division develops and produces antennae for keyless authentication systems and bespoke EMC filter solutions as well as magnetic components for hybrid and electric vehicles. 72% of the Automotive Division's sales were generated from the development of keyless authentication systems for vehicles, and the remaining 28% from strong growth on the e-mobility markets. The business is regulated by multi-year framework contracts, which ensure the supply of specific automobile platforms. 2021/22 was a very difficult year for the Automotive Division because of supply problems of third-party suppliers of key components (e.g. semi-conductors) triggering production bottlenecks for automobile producers. Over the first half of 2022/23, the Division recorded a noticeable recovery in net sales due to the easing of bottlenecks in the automobile supply chain. However, previous production volumes of new vehicles have still not been reached. The Automotive Division's components are manufactured at Schaffner's production facilities in Thailand. The main geographic market for the Division is Europe, where 65% of sales are generated, followed by 27% in Asia and 8% in the Americas.

Schaffner does not publish any segment profitability figures for either division. It only provides divisional sales and incoming orders. The two divisions are not comparable in terms of the level of average contribution margins or their cyclical development.

2.3. Outlook, competitive position and strategic plans

Schaffner sold the Power Magnetics Division on 30 June 2021. Since then, Schaffner has been focusing its operations on its core expertise in EMC filter solutions for promising industrial markets as well as electro-mobility. Thanks to its excellent market positioning, the price increases applied last year as well as further gains in organisational efficiency, Schaffner was able to markedly increase profitability as well as EBITDA and the EBITDA margin in the first half of 2022/23. This demonstrates that the strategic realignment on EMC filter solutions for future markets with growth potential is paying off. Alongside the high order levels inherited from the previous year, growth was also driven by the end of lockdown restrictions in China. This enabled Schaffner to reduce the capital tied up in stock levels without jeopardising reliability of supply. The availability and cost of transport capacity also returned to normal levels, whilst commodity prices stabilised at a high level.

In 2021/22 sales developed very well in particular in the Americas region as a result of good stock availability and the resulting short delivery times. During the first half of 2022/23 in particular the market for rapid charging systems for electric vehicles grew extremely strongly in both Europe and North America.

Industry studies indicate that the market for electromagnetic compatibility solutions could grow over the next few years on average with a compound annual growth rate ("CAGR") of around 6%[4]. Over the medium term, Schaffner expects to be able to grow at a CAGR significantly above 5% and its ambition is therefore to grow slightly faster than the market, thereby further expanding its market share. In order to achieve this ambitious growth target, Schaffner has devised and launched sectoral and product initiatives

[4] Cf. e.g. Markets and Markets, https://www.marketsandmarkets.com/PressReleases/electromagnetic-compatibility-filtration.asp

through which the management aims to earn additional sales over the medium term of between CHF 25m and CHF 30m each. Due to their low capital intensity, these initiatives only require minor investments in tangible fixed assets but result in growth in overhead.

The initiatives include:

- Robotics
- Charging stations for electric vehicles
- Heat pumps
- Distribution
- Global key accounts

2.4. Competitive environment and most important competitors

The market for the development and production of EMC solutions is relatively stable and is characterised by several large competitors with international operations on the one hand and various smaller competitors, which only market their products and services locally, on the other hand. According to its own assessment, Schaffner occupies a leading market position at global level. Competition is influenced by technological changes, evolving customer needs and expectations as well as the ongoing introduction of new products. The EMC business and its competitive intensity and margin levels are relatively cyclical.

The Schaffner Industrial Division's most important competitors include companies such as TDK Corporation, Delta Electronics Inc, TE Connectivity Ltd, Schurter AG and Astrodyne TDI Corporation. TDK Corporation, Sumida Corporation, Premo S.A.U. and Intica Systems SE are (among others) the most important competitors of the Automotive Division. The largest competitors worldwide, such as TDK, TE Connectivity, Astrodyne and Schurter, are more broadly diversified than Schaffner and do not focus exclusively on the EMC segment.

3. Valuation analyses

3.1. Overview (stand-alone, synergies and control premiums)

The financial forecasts used by Raiffeisen for the valuation are limited to Schaffner as a target company, i.e. financial forecasts assume an independent future business development of the Schaffner Group (so-called "stand-alone" perspective), without taking account of any potential consequences of the takeover offer announced by TE Connectivity.

An acquisition of Schaffner could potentially enable a buyer operating in a comparable sector to exploit synergy potential in various areas. As a general rule, depending on the buyer, synergies could be identified on the revenue or the cost side (e.g. in the areas of distribution, the range of products and services, market presence, engineering, know-how and production, corporate centre and procurement). Depending on the buyer, synergies might also conceivably be achieved in non-operational areas (e.g. use of tax losses carried forward, etc.). Any valuation of Schaffner based on the DCF method or any valuation with reference to similar listed companies will not take account of this synergy potential, as these synergies cannot be achieved by Schaffner under a stand-alone scenario. As will be set out below, this valuation is based primarily on the DCF method.

Conversely, the comparable precedent transactions analysis and the takeover premium analysis allow for a comparison with values that were actually paid within the scope of other (comparable) transactions. These valuations may provide information concerning the compensation paid to shareholders of the target company for future potential synergies in the specific individual case. The synergy potential contributed by the shareholders of a target company is compensated at a higher or lower level depending upon the specific circumstances of the individual case (e.g. in the event of a competition among bidders). It is no longer permitted under Swiss takeover law to pay control premiums to specific individual shareholders.

3.2. Basis for valuation and value date, representation letter

The value of a company is determined by the economic benefits that it will be able to generate in the future based on its specific success factors at the time of valuation, including its tangible assets, capacity for innovation, products, market positioning, internal organisation, workforce and management team. Under the assumption that a company's objective are ultimately purely financial in nature, the value of a company is inferred from its capacity to generate financial surpluses in future for the company's shareholders through the interaction of all the factors influencing its earnings power in future. To calculate future financial surpluses, Raiffeisen used historic developments and the management projections from 2022/23 to 2026/27.

We have enquired into the plausibility and consistency of the planning assumptions on which the forecasts are based within discussions with management; in addition, we have compared the assumptions with past and anticipated market developments, with sectoral trends and with analysts' forecasts (where available). Where considered meaningful and appropriate, Raiffeisen has further refined or adjusted the planning assumptions. For the period after the end of the planning horizon 2026/27, a normalised financial surplus has been derived for each of the years 2027/28 and 2028/29, in line with assumptions for calculating the residual value. In the Automotive Division, the business plan reflects the current project portfolio with a strong but volatile revenue growth. Since Schaffner is involved in project-related business, we have used a two-year period for normalisation. The incorporation of a transition year – 2027/28 – ensures that the year used to calculate the residual value – 2028/2029 – reflects a long-term perspective for incoming orders and margins. Within the scope of these normalisations, care has been taken to ensure that, after 2027/28, long-term growth, margins, investments and the Group's rate of tax are plausible and consistent against the backdrop of past figures as well as Schaffner's future strategy.

16 August 2023 was chosen as the valuation date. The starting point for financial forecasts was the balance sheet as of 30 September 2022, the management forecast for 2022/23 (as updated due to the increase in the value of the CHF compared to the USD during the second quarter and July 2023) as well as the Schaffner business plan up to 2026/27, which was last updated by management in April 2023. Its planning basis was adjusted to reflect the updated 2022/23 management forecast and the exchange rates prevailing in Q2 2023 and July 2023.

Raiffeisen has incorporated foreign pension liabilities into the calculation of net debt, but it has also valued those tax losses carried forward, which appear to be usable over the long term, as a separate asset. In addition, Raiffeisen has taken account of the fact that Schaffner requires a certain level of basic liquidity for its day-to-day operations.

The management of Schaffner has confirmed to Raiffeisen that no changes or developments had occurred until the valuation date that could have a significant impact on the valuation other than those considered in the business plan up to 2026/27, including its amended versions.

Raiffeisen also had the opportunity to discuss the plausibility of the major operational assumptions concerning future business development on which the valuation is based in management interviews with the CEO and the CFO.

3.3. Planning assumptions

The following table set-out the key assumptions used by Raiffeisen for the most important value drivers:

	Planning 2022/23 – 2026/27	Assump-tion 2027/28	Assump-tion post 2028
Net sales growth Compared to the expected market growth of around 6% p.a., Raiffeisen has assumed based on the business plan a slightly higher growth of 6.2% p.a. Schaffner's publicly announced growth target of at least 5% p.a. would thus be met and in fact be exceeded. The updated 2022/23 management forecast takes account of price levels and exchange rates prevailing in the summer of 2023. No explicit inflation assumptions have been modelled for subsequent years; long-term planning has been conducted in CHF, which means that any modelling of foreign inflation and exchange rates becomes redundant. Under the baseline scenario, Raiffeisen has calculated nominal growth of 1.5% for the terminal growth rate. Industrial The ambitious planning expectations for the Industrial Division are rooted in various growth initiatives, which include, e.g., new EMC products for charging stations and robots as well as heat pumps, as already mentioned. Automotive The planned sales growth for the Automotive Division, which is higher than the 6.2% CAGR for the Schaffner Group, reflects the current project planning and management goals. The Group growth rate of 3.7% during the transition year 2027/28 may appear to be disproportionate compared to the long-term normal growth basis of 1.5%. Raiffeisen has modelled a higher growth rate in the transition years to reflect the project-based business of the Automotive Division.	**Average growth: 6.2% p.a. (CAGR)**	**3.7%**	**1.5%**

	Planning 2022/23 – 2026/27	Assumption 2027/28	Assumption post 2028
EBITDA margin <u>Industrial</u> Based on the business plan, Raiffeisen has assumed that the EBITDA margin for the Industrial Division will exceed the average EBITDA margins for the Schaffner Group over the planning period. The average EBITDA margin for the Schaffner Group over the planning period 2022/23 to 2026/27 is projected to be 19.3%. It is anticipated that the Industrial Division will improve its margin overall over the planning years, first due to the currently advantageous market environment (there is only a minor decline in the gross margins, which are currently still favourable throughout the industry due to supply chain bottlenecks), and secondly – and above all – due to improved scaling of fixed costs. The margin targets are ambitious against the backdrop of past performance, although not outside a usual range for leading producers of electronic key components. We have therefore assumed a steady gross and EBITDA margin for the normalised years 2027/2028 and 2028 onwards, which over the long term implies a rather friendly cyclical environment. <u>Automotive</u> A strong improvement (or rather turnaround) in the margins of the Automotive Division is planned until 2025/26, driven first by an improved business mix (filter solutions for electric vehicles) and secondly due to the spreading of fixed costs over significantly increased volumes. For the year following the planning period, 2027/28, we have modelled a margin level that is consistent with the average level over the planning period.	**Average EBITDA margin: 19.3%**	**EBITDA margin: 21.3%**	**EBITDA margin: 21.3%**

	Planning 2022/23 – 2026/27	Assumption 2027/28	Assumption post 2028
Adjusted net working capital Following the skewed net working capital pattern in 2021/22 caused by supply chain and logistical problems, it is expected that net working capital will return to a "normal" range of between 21% and 22% of net revenues and remain at that level. Asides from inventories, trade receivables and trade payables, our modelling of the adjusted net working capital also includes prepaid expenses and deferred income, accrued expenses, other current receivables and payables as well as certain provisions. It is also assumed that the balance of all these items as of 30 June 2023 was normal overall in relation to net sales.	**Average as a proportion of sales: 21.3%**	**as a proportion of sales: 21.2%**	**as a proportion of sales: 21.2%**
Capital expenditures Management expects that a new production facility will have to be built in Eastern Europe to deal with the planned growth. This will result in increased investments as a proportion of sales of 6.1% in 2023/24 and 4.4% in 2024/25. In the longer term, capex as a proportion of sales will fall back to its historic average of 3.8%. <u>Industrial</u> Industrial is a less capital-intensive business. The planned capex specific to the division will remain at the fairly low level recorded during previous periods as a proportion of sales. <u>Automotive</u> Investments in the Automotive Division are higher than the average of 4.4% (capex as a proportion of sales) for the Schaffner Group as a whole.	**Average capex as a proportion of sales: 4.4%**	**Capex as a proportion of sales: 3.8%**	**Capex as a proportion of sales: 3.8%**
Tax rate Raiffeisen applied a group income tax rate of 16% in its modelling, which reflects the average group tax burden currently expected by management as stated in the Annual Report 2021/22 (without taking capitalized tax loss carry forwards into account, which have been valued separately).	**16%**	**16%**	**16%**

	Planning 2022/23 – 2026/27	Assumption 2027/28	Assumption post 2028
Residual value The calculation of residual value is based on the assumption of an average nominal terminal growth rate of 1.5%. This long-term nominal growth of 1.5% p.a. is well below the weighted long-term risk-free interest rate of 2.4% used in the derivation of the weighted average cost of capital ("WACC") in the next subsection.			**1.5%**

3.4. Discounted cash flow analysis ("DCF")

The DCF analysis is based on the free cash flows achievable in future before financing activities, i.e., cash flows available to both debt and equity capital providers. These cash flows have been discounted as at the valuation date using the weighted average cost of capital ("WACC") to reflect the net present value of the cash flows and the inherent business risks. The determination of the WACC is based on the capital asset pricing model (CAPM). The following parameters have been used to calculate the discount rate:

Risk-free interest rate

The calculation of the risk-free interest rate has been based on the yields of public issuers. Since Schaffner operates globally, the risk-free interest rate is based on the 15-year average returns for the respective national 10- to 30-year government bonds, weighted according to the current revenue shares of the Schaffner Group in key regions (EU/Germany, USA, China, Japan, Switzerland and the UK).

Equity risk premium

Any entrepreneurial commitment is invariably associated with risk. It is therefore not possible to forecast future financial surpluses with certainty. Market participants demand risk premiums as compensation for taking on entrepreneurial risk. Since investors take on a specific risk when investing in company, a premium over and above the risk-free interest rate is required (equity risk premium). To determine the adequate rate, the risk structure of the underlying company has to be taken into account.

The company-specific risk premium is obtained by multiplying the beta factor of the company with the market risk premium. The beta factor is a measure of the specific company's risk in relation to market risk[5]. The market risk premium is the difference in the returns on diversified equity and risk-free investments.

[5] A beta factor above one means that the value of equity capital measured in terms of the share price of the company under consideration reacted disproportionately to aggregate market fluctuations, whereas a beta factor below one means that the value has been subject to disproportionately smaller changes.

To derive the beta factor for Schaffner, the beta factors for comparable but more liquid and relatively highly capitalised companies have been used (cf. Annex 4: betas for similar listed companies). To ensure that the beta factors of comparable companies are effectively comparable, they have been adjusted by the company-specific leverage (leverage-adjusted or unlevered beta). The median of unlevered (debt-adjusted) beta factors of comparable companies is 1.13.

If this unlevered beta factor is further adjusted by the median debt gearing of the comparable companies listed in Annex 4, this results in a beta of 1.20. The beta factors of the comparable companies indicate an above-average cyclicality of the Schaffner Group.

Country risk premium

To capture the additional risk of Schaffner's investments and presence in foreign markets (e.g. political risks, legal risks, regulatory risks and tax risks) compared to purely investing in Switzerland, a country risk premium ("CRP") is added to the cost of equity. The CRP of 1.9% has been weighted according to revenue distribution and value creation of CRPs of certain key countries for Schaffner (Source: Kroll, Cost of Capital Navigator based on Erb-Harvey-Viskanta, which identify country risk premiums on the cost of equity using investor surveys).

Taking account of the CRP, the resulting cost of equity for Schaffner is 12.10%.

Raiffeisen has refrained from the additional application of a size premium. In our opinion, the application of a risk premium for the country risk at Schaffner is obvious (e.g. due to the dependence on production in Thailand) and is forward-looking based on the data collection, whereas a size premium is more difficult to explain and is based on older historical analyses.

Borrowing costs

The company-specific long-term borrowing costs (credit spread) have been established on the basis of discussions with Schaffner's Executive Board and estimated at 1.25%.

Overall capital costs

Based on the information set out above, the total capital costs (or WACC) for Schaffner are calculated as follows:

Figure 4: Weighted average cost of capital (WACC)

Calculation of weighted average cost of capital		Information	Source
Risk-free interest rate	2.37%	Global revenue-weighted risk-free interest rate based on 15-year average returns for the respective 10- to 30-year government bonds	Capital IQ
Market risk premium	6.54%	Excess returns (compared to the risk-free interest rate) that an investor can expect from an investment in a market portfolio composed of Swiss equities	Kroll
Beta (unlevered)	1.13	Median regression beta for comparable companies (five-year regression compared to the S&P 500 Index (US equities), the MSCI EAFE Index (European equities) based on monthly returns) or MSCI Emerging Markets (Asian equities))	Capital IQ
Beta (relevered)	1.20	= unlevered beta * (1+((1-tax rate) * gearing))	Modigliani & Miller
Country risk premium (CRP)	1.86%	Erb-Harvey-Viskanta country credit rating model, estimate of cost of equity for countries with a country risk rating	Kroll
Cost of equity	**12.10%**	**= risk-free interest rate + (relevered beta*market risk premium) + CRP**	
Risk-free interest rate	2.37%	Global revenue-weighted risk-free interest rate based on 15-year average returns for the respective 10- to 30-year government bonds	Capital IQ
Credit spread	1.25%	Difference between the company’s effective financing costs and the short-term risk-free interest rate	Company information
Debt costs before taxes	**3.62%**	**= risk-free interest rate + credit risk premium**	
Long-term marginal rate of tax	16.00%	Expected long-term marginal rate of tax	Company information
Debt costs after taxes	**3.04%**	**= debt costs before taxes * (1 - rate of tax)**	
Equity ratio	93.23%	Median capital structure for comparable enterprises	
Gearing ratio	6.77%	Median capital structure for comparable enterprises	Capital IQ
Weighted average cost of capital	**11.49%**		

3.5. Calculation of the resulting value

Based on the assumptions indicated, this results in an enterprise value (“EV”) of CHF 298.9m, as at the cut-off date of 16 August 2023, including the anticipated free cash flow for the entire current financial year 2022/23 (i.e. since 1 October 2022). Net financial liabilities totalling CHF 13.6m have been subtracted from the enterprise value (on a pro forma basis at the start of the current financial year as at 30.09.2022 and compounded to 16 August 2023)[6]. The pro forma net financial liabilities contain cash and cash equivalents (after deducting some cash required for operations) adjusted for the dividends already distributed for FY 2021/22 (including the distribution from the capital contribution reserves), less interest-bearing financial liabilities, foreign pension liabilities under defined benefit schemes in addition to separately valued tax loss carried forward (which according to management forecasts will be usable) and a separate minor adjustment for transactions involving treasury shares during the first half of 2022/23.

Schaffner’s share capital is comprised of 635,940 issued registered shares and was divided into 630,813 outstanding registered shares held by Schaffner shareholders as well as 5,127 treasury shares as at 31 March 2023 (and also as at 16 August 2023). The value of Schaffner calculated on the basis of the above modelling as at 16 August 2023 is CHF 452 per outstanding registered share.

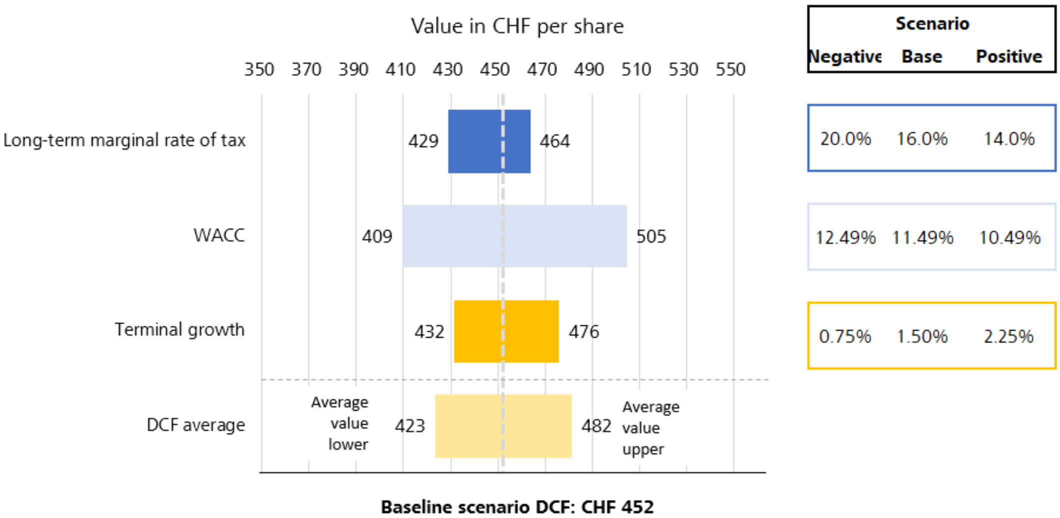
[6] Raiffeisen has received a forecast for the entire financial year 2022/2023. Therefore, the net financial liabilities at the beginning of this period as of 30.9.2022 were used as a basis and not of a date during the year. The outflow of cash during the financial year 2022/2023 until closing (so-called leakage) was taken into account (dividend/repayment of capital reserves).

Figure 5: Calculation of the value per Schaffner share

CHFm (rounded)	30.09.2022	compounding factor as at 16. August 2023	16.08.2023
Enterprise value	271.7	1.10	298.9
+Cash & cash equivalents	15.0		
-Cash required for operations (operating cash)	(12.0)		
-Distributed dividends/capital contribution reserves FY 2021/22	(5.6)		
-Long-/short-term interest bearing financial liabilities	(10.9)		
-Pension provisions	(3.5)		
+Tax loss carried foreward (according to management projections)	4.3		
-Transaction treasury shares H1 2022/23	(0.4)		
Net financial liabilities	(13.2)	1.03	(13.6)
Equity value	258.5		285.3
# outstanding shares as at 16.08.2023			630'813
Value per share DCF baseline scenario			452

Raiffeisen has calculated the value range for the value of a Schaffner share based on a sensitivity analysis, in which three significant exogenous value drivers (long-term marginal rate of tax, WACC and terminal growth rate) have been varied within a certain range. The sensitivity analysis set out in Figure 6 results in a value range of CHF 423 (lower limit) to CHF 482 (upper limit) per Schaffner registered share.

Figure 6: Sensitivity analyses



3.6. Comparable company analysis ("CompCo")

The comparable company analysis method ("CompCo") is often used by capital market participants not possessing detailed financial forecasts for the company to be valued. The CompCo method is based on the current valuation of comparable listed companies. To obtain a meaningful result, there need to be comparable listed companies, which must be selected carefully. Only companies that are comparable to a relatively high degree as regards business model and growth and profitability expectations, as well as commercial risks and opportunities, can be used for this purpose.

It is possible to calculate so-called trading multiples by dividing the adjusted enterprise value of comparable listed companies by current or anticipated financial figures (e.g. EBITDA, EBIT). A valuation result is obtained for each multiple by multiplying the mean multiple by the financial figures of the Schaffner Group.

The following two factors have a decisive influence on the valuation result:

- selection of comparable companies
- selection of financial figures for calculating multiples

The calculation of multiples is based on the most up-to-date available balance sheet item as well as the anticipated consensus forecasts for the relevant key figure for the current and following financial year (Source of consensus forecasts: S&P Capital IQ).

Selection of companies comparable with Schaffner

We have included listed companies that manufacture electronic components, have a similar distribution model to Schaffner's and supply similar industry verticals (including automotive) within an expanded selection (longlist). Due to the low number of listed direct competitors, we have not specified the manufacture of EMC components as a necessary criterion for inclusion, but have rather also allowed the manufacture of related products (e.g. connectors, shielded cables) as a criterion. We have disregarded device or system producers, even if they operate in the EMC market environment (e.g. EMC compliance testing, uninterrupted power supplies). We have also disregarded intellectual-property-intensive semi-conductor and sensor producers with an outsourced “fabless” production model and pure PCB manufacturers.

Using these criteria, Raiffeisen has selected the following companies for a peer analysis:

Figure 7: Comparable companies

Name	Currency	EV (CHF million)	Revenue growth in reporting currency			EBITDA margin		
		as at 11/08/23	2022	2023E	2024E	2022	2023E	2024E
Peer group longlist								
Eaton Corporation plc	USD	84'871	5.7%	11.5%	5.8%	20.3%	20.9%	21.2%
Amphenol Corporation	USD	50'477	16.1%	-2.5%	6.7%	24.7%	23.5%	23.9%
TE Connectivity Ltd	USD	40'238	9.1%	-1.4%	5.3%	24.2%	21.5%	22.3%
Murata Manufacturing Co., Ltd	JPY	29'616	-6.9%	-2.0%	10.1%	27.3%	27.8%	31.4%
Delta Electronics, Inc	TWD	25'779	22.2%	8.9%	13.2%	15.7%	15.4%	16.1%
TDK Corporation	JPY	13'768	14.7%	-5.5%	6.1%	16.8%	18.0%	19.6%
Littelfuse, Inc	USD	6'253	20.9%	-5.3%	5.6%	26.7%	22.7%	23.0%
Belden Inc	USD	3'993	13.3%	4.0%	4.0%	17.3%	17.6%	17.5%
Taiyo Yuden Co., Ltd	JPY	3'248	-8.6%	1.3%	10.4%	20.9%	18.8%	24.3%
Hirose Electric Co.,Ltd	JPY	3'145	11.9%	-3.2%	5.9%	35.1%	32.6%	33.1%
LEM Holding SA	CHF	2'331	8.8%	5.0%	8.1%	26.3%	25.9%	26.3%
Walsin Technology Corporation	TWD	1'584	-16.2%	n.a.	n.a.	23.2%	n.a.	n.a.
Huber+Suhner AG	CHF	1'213	10.6%	2.9%	4.0%	13.7%	13.7%	14.1%
discoverIE Group plc	GBP	917	18.4%	2.2%	3.6%	14.3%	14.6%	14.6%
XP Power Limited	GBP	783	20.8%	6.3%	3.2%	13.9%	21.0%	22.2%
AQ Group AB (publ)	SEK	690	28.9%	n.a.	n.a.	9.5%	n.a.	n.a.
Sumida Corporation	JPY	653	32.1%	n.a.	n.a.	11.7%	n.a.	n.a.
Bel Fuse Inc	USD	581	20.4%	-0.5%	-0.7%	14.3%	13.6%	n.a.
InTiCa Systems SE	EUR	57	-5.0%	1.5%	10.0%	9.1%	9.3%	9.4%
Median longlist		**3'145**	**13.3%**	**1.4%**	**5.8%**	**17.3%**	**19.8%**	**22.2%**

Source: S&P Capital IQ, calculation of EV by Raiffeisen on the basis of the last available balance sheet figures

In order to improve the resilience of the results, Raiffeisen refined the longlist into a shortlist. Companies (i) that only have low liquidity or market capitalisation or are directed at a local investor base (e.g. only Chinese-speaking investor relations), (ii) that do not have identifiable analyst coverage, or (iii) the main business operations of which are relatively distant from those of Schaffner and that only have minor overlaps with Schaffner were not included in the shortlist. As a result of this list of criteria, for example the listed Japanese company Sumida, which is a major competitor of Schaffner in the Automotive Division, was not included in the shortlist of comparable companies, as no publicly available analysts' assessments are available for Sumida. In addition, LEM Holding SA was excluded from the shortlist because, in our view, there is a relatively large difference between the products offered by LEM and the range of Schaffner. Despite its low level of capitalisation and comparatively low liquidity, we have nonetheless included InTica Systems SE in the shortlist as it has relatively large product range overlaps with Schaffner.

The enterprise value was calculated for the companies selected on the basis of their current market capitalisation as at 11 August 2023 and the last available net debt and net liquidity statements. The enterprise value thereby calculated for each comparable company was divided by the actual and anticipated figures respectively for EBITDA for the years 2022, 2023 and 2024, in order to obtain the corresponding EBITDA multiplier.

For XP Power Limited, extraordinary legal costs and provisions were adjusted both for its 2022 EBITDA as well as its current net debt. The recognition of the litigation liabilities of XP Power increases the enterprise value and hence, among other things, the EBITDA multiple of XP Power by around 7%.

Figure 8: Revenue and EBITDA multiples of comparable companies in the shortlist

Name	Registered office	EV (CHF million)	EV / revenues			EV / EBITDA		
		as at 11/08/23	2022	2023E	2024E	2022	2023E	2024E
Peer group shortlist								
Amphenol Corporation	USA	50'477	4.6x	4.7x	4.4x	18.5x	19.9x	18.4x
TE Connectivity Ltd	Switzerland	40'238	2.8x	2.9x	2.7x	11.7x	13.3x	12.2x
Murata Manufacturing Co., Ltd	Japan	29'616	2.9x	3.0x	2.7x	10.6x	10.6x	8.6x
Delta Electronics, Inc	Taiwan	25'779	2.4x	2.2x	2.0x	15.5x	14.6x	12.3x
TDK Corporation	Japan	13'768	1.0x	1.1x	1.0x	6.2x	6.1x	5.3x
Littelfuse, Inc	USA	6'253	2.8x	3.0x	2.8x	10.6x	13.2x	12.3x
Huber+Suhner AG	Switzerland	1'213	1.3x	1.2x	1.2x	9.3x	9.0x	8.4x
discoverIE Group plc	UK	917	1.8x	1.8x	1.7x	12.8x	12.3x	11.9x
XP Power Limited	Singapore	783	2.4x	2.3x	2.2x	17.4x	10.9x	9.9x
Bel Fuse Inc	USA	581	1.0x	1.0x	1.0x	7.1x	7.5x	n.a.
InTiCa Systems SE	Germany	57	0.6x	0.6x	0.6x	7.1x	6.8x	6.2x
Median shortlist		**6'253**	**2.4x**	**2.2x**	**2.0x**	**10.6x**	**10.9x**	**10.9x**

Source: S&P Capital IQ, calculation of EV by Raiffeisen on the basis of the last available financial information

Under the CompCo method, Raiffeisen uses the median EBITDA 2023E as the relevant multiplier, first because most capital market participants tend to rely more on EBITDA multiples than on revenues or EBIT multiples when valuing listed industrial firms, and secondly because consensus forecasts for the current financial year normally have a higher density and greater comparability than those for the following financial year 2024E, and past LTM EBITDA or 2022 EBITDA are often distorted by extraordinary non-recurring factors.

The 2023E median EBITDA multiple of 10.9x was multiplied by Schaffner's earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR") 2022/23 as projected in the management forecast in order to determine the enterprise value ("EV"). In Schaffner's anticipated EBITDAR for 2022/23 rental costs of CHF 1.8m are excluded since rental expenses are capitalised under most accounting standards (IFRS, US GAAP) and reported below EBITDA, in contrast to the accounting standard used by Schaffner (Swiss GAAP FER). When determining the equity value ("EQV"), Schaffner's adjusted net debt of CHF 5.8 million as at 30 June 2023 still needs to be taken into account. Adjusted net financial liabilities is obtained from Schaffner Group figures as at 30 June 2023 (a similar balance sheet date to most companies in the shortlist), after adjustments for capitalised tax losses carried forward, estimated pension liabilities and capitalised leasing or rental liabilities. The calculation of adjusted net financial liabilities is explained in Figure 9 below.

When determining the valuation range, Raiffeisen increased or respectively decreased the median EBITDA multiple by 5% for the current financial year 2023E.

Based on the 630,813 shares currently outstanding, this results in a value range of between CHF 431 and CHF 477 as at the middle of August 2023 for each Schaffner share using the CompCo method.

Figure 9: Valuation with reference to comparable listed companies

Summary of the CompCo method		
CompCo median EBITDA multiple 2023E	10.9x	
Schaffner EBITDAR 22/23E	26.8	CHFm
Enterprise value	292.1	CHFm
+Cash & cash equivalents	12.6	CHFm
-Pension liabilities	(3.5)	CHFm
-Long-/short-term interest bearing financial liabilities	(0.8)	CHFm
+Tax loss carried foreward	3.5	CHFm
-Non-capitalised lease liabilities	(17.6)	CHFm
-Minorities	–	CHFm
Net financial liabilities as at 30/06/2023	(5.8)	CHFm
Equity value ("EQV")	286.3	CHFm
Value per Schaffner registered share	454	CHF
Lower value range	**431**	CHF
Upper value range	**477**	CHF

In order for the procedure to correspond to that for listed companies, the net debt must be determined on a comparable basis. This results in differences for net financial liabilities in the following items compared to the calculation of net financial liabilities in the DCF valuation (see Figure 5):

- Cash and cash equivalents, short-term and long-term financial liabilities are based on the latest available financial figures as at 30.6.2023
- Tax loss carried forward are based on the latest published figures as at 30.09.2022
- There has been no dividends / repayments of capital reserves or change in treasury shares since 30.6.2023 and therefore no adjustment to net financial liabilities is required
- Operationally required cash and cash equivalents are not considered for the comparable listed companies and therefore in a consistent manner not considered in the calculation of net financial liabilities according to the CompCo method
- Lease liabilities (incl. long-term leases) have been accounted for as finance leases in accordance with international accounting standards

3.7. Comparable acquisitions analysis ("CompAc")

The comparable precedent acquisition analysis ("CompAc") is based on the analysis of prior acquisitions of selected target companies that are comparable to Schaffner. The purchase price paid in relation to such acquisitions depends on the specific circumstances of the individual transaction and can to some extent reflect the individual conduct of the parties involved. The availability of comparable transactions and their careful selection is decisive for obtaining a meaningful result.

When negotiating the purchase price, both the strategic buyer as well as the seller typically take account of the synergy and combined market potential of the planned transaction. Against this backdrop, in some cases the buyer is willing to share part of the synergy potential by taking it into account when determining the level of the purchase price.

If the enterprise value "paid" within the scope of a given transaction is divided by particular financial figures (e.g. EBITDA, EBIT, net profit), it is possible to calculate "paid" multiples. The average multiple is then multiplied by the respective financial figures for the target company, resulting in an implicit enterprise value.

Selection of comparable companies

Comparable transactions were selected on the basis of the following inclusion and exclusion criteria:

- target companies that produce electronic components (including connectors and special cables) and distribute these (also) through distributors and supply similar verticals to Schaffner (including automotive)
- pure equipment producers (even if these are EMC test equipment or uninterrupted power supplies) were not taken into account
- transactions older than 20 years were not taken into account
- transactions with parameters that were unreliable or not publicly available were not taken into account (e.g. the sale announced at the start of 2023 of Schaffner's competitor Schurter in Lucerne to the private equity company Capvis)
- target companies with a focus on aerospace and defence customer groups were not included (as these sectors are not actively served by Schaffner)
- target companies that primarily produce semi-conductors, do not have their own production facilities or rely mainly on their own patents were not taken into account
- target companies that primarily produce printed circuit boards were not taken into account
- target companies that are broadly diversified were not taken into account

On this basis Raiffeisen selected the following transactions:

Figure 10: Selected precedent comparable transactions

Transaction information				Multiples		
Date	Target company	Buyer	EV (in USD million)	EV/revenues	EV/EBITDA	EV/EBIT
05.01.2022	Royal Power Solutions	Eaton Corp plc	612	3.9x	13.6x	29.1x
15.04.2021	Schaffner Power Magnetics	AQ Group AB	24	1.0x	n.a.	n.m.
08.03.2021	Laird Performance Materials*	DuPont de Nemours Inc	2300	4.9x	n.a.	n.a.
22.07.2019	Souriau-Sunbank Connection Technologies**	Eaton Corp plc	920	2.6x	12.0x	n.a.
16.04.2019	Coil-Tran Corporation (Hobart Electronics)	discoverIE Group plc	15	1.2x	7.2x	7.8x
22.05.2018	Pulse Electronics Corp	Yageo Corporation	721	1.8x	n.a.	16.6x
19.01.2017	PKC Group Oyj	Samvardhana Motherson International Limited	731	0.8x	11.6x	25.9x
20.07.2016	INTERCONTEC Produkt GmbH	TE Connectivity Ltd	336	5.2x	15.3x	15.7x
31.05.2016	Polatis, Inc	HUBER+SUHNER AG	26	1.6x	n.a.	n.m.
09.11.2015	TE Connectivity Ltd (CPD business)	Littelfuse, Inc	348	1.8x	9.2x	n.a.
02.11.2015	Hutchinson Technology Incorporated	TDK Corporation	218	0.9x	14.9x	n.m.
02.03.2015	Pulse Electronics Corporation	Oaktree Capital Management LP	132	0.4x	8.8x	16.3x
05.06.2014	Noratel AS	discoverIE Group plc	123	1.0x	8.2x	10.6x
28.04.2014	Power-One Inc (Power Solutions business)	Bel Fuse Inc.	117	0.5x	n.a.	n.a.
09.09.2013	Molex LLC	Koch Industries, Inc.	6506	1.8x	11.1x	18.5x
28.03.2011	Spectrum Control Inc	API Technologies Corp	262	1.6x	9.6x	12.8x
31.07.2008	Epcos AG	TDK Corporation	2184	1.3x	10.5x	46.3x
26.09.2007	Densei-Lambda K. K	TDK Corporation	363	0.8x	7.8x	45.8x
02.02.2006	Artesyn Technologies, Inc.	Emerson Electric Co	474	1.1x	13.5x	35.9x
		Median	**348.2**	**1.3x**	**10.8x**	**17.5x**

Sources: Mergermarket, S&P Capital IQ, annual reports and press releases

*) Based on the press release of DuPont concerning the acquisition of Laird Performance, the EBITDA multiple is presumably higher than the median multiple of 10.8x, although it is not reliably quantifiable

**) EBITDA multiplier according to the press release of Eaton Corp plc

For the selected transactions, the implicit EBITDA multiple was calculated from the enterprise value determined using the published purchase price and the financial data for the target company available at the time of the transaction. After this, the median EBITDA multiple for this peer group was multiplied by Schaffner's EBITDAR 2022/23 (adjusted for leasing as under the CompAc method[7]), with the result that

[7] Raiffeisen has applied the leasing adjustments to ensure comparability with the CompCo method, although there is no reason to believe that the EBITDAs used were adjusted for leasing under older comparable transactions. However, the impact of leasing adjustments on the valuation is minimal.

Schaffner's implicit enterprise value could be determined based on the CompAc method. In order to obtain the equity value of Schaffner, net financial liabilities of CHF 5.8 million as at 30 June 2023 must be deducted here too (in an analogous manner to that described in chapter 3.6). Based on 630,813 shares currently outstanding, this results in a value per Schaffner share of CHF 450.

In order to determine the valuation range, here too the median EBITDA multiple was increased or reduced by 5%.

Figure 11: Calculation of valuation range per share (CompAc transaction multiples)

Summary of the Compac method		
CompAc median EBITDA multiple	10.8x	
Schaffner EBITDAR 22/23E	26.8	CHFm
Enterprise value	289.4	CHFm
+Cash & cash equivalents	12.6	CHFm
-Pension liabilities	(3.5)	CHFm
-Long-/short-term interest bearing financial liabilities	(0.8)	CHFm
+Tax loss carried foreward	3.5	CHFm
-Non-capitalised lease liabilities	(17.6)	CHFm
-Minorities	–	CHFm
Net financial liabilities as at 30/06/2023	(5.8)	CHFm
Equity value	283.6	CHFm
Value per Schaffner share	450	CHF
Lower value range	**427**	CHF
Upper value range	**472**	CHF

The net financial liability used for the CompAc method is identical to the net financial liability used for the CompCo method.

Raiffeisen takes the view that the CompAc method provides a less meaningful result compared to the DCF and CompCo methods, as the selection of comparable transactions with available EBITDA multiple indications is low compared to the actual total number of transactions in this sector and a sufficiently large sample size could only be achieved over an extended timeframe. The median multiple relies on the composition of the sample. Nonetheless, in our view the result supports the plausibility of the valuation range obtained according to the DCF method.

3.8. Analysis of premiums paid on the Swiss capital market (premium analysis)

In another analysis, we assessed the premium offered by TE Connectivity as a proportion of the volume weighted average price ("VWAP") of a Schaffner share over the 60 stock market trading days before the pre-announcement of the public purchase offer with reference to the premiums paid in comparable past takeover transactions on the SIX Swiss Exchange.

The specific circumstances of a public takeover offer have a significant effect on the premium. Factors such as the size of the participation in the target company that is held by the bidder at the time of the pre-announcement may be relevant. If a bidder already has a controlling stake in the target company, it is generally less willing to pay a (high) premium. In some cases, higher premiums may be paid in situations involving competing offers than for offers made without any competition. In addition, the amount of the offer price may depend upon how compensation is structured, i.e. whether the bidder has made a cash offer, a mixed offer[8] or an exchange offer[9].

Comparable offers were selected based of the following:

- transaction not before 1 January 2011
- target company listed on the SIX Swiss Exchange
- cash offer
- acquisition of a controlling stake, i.e. bidder holds less than 33.3% in the target company at the time of the (pre-) announcement
- The target company is not a pure holding company, a real estate company, a biotech company, a bank or insurer or a software company

Result of the premium analysis

Since 2011, an average premium of 35.2% over and above the 60-day VWAP value was paid within public takeovers selected according to the above criteria. The individual transactions are listed in Annex 3.

In order to determine the valuation range, the premium paid was increased or reduced by 5%. Applying this premium range to Schaffner's 60-day VWAP of CHF 289.33 as at 16 August 2023, i.e. one trading day before the pre-announcement of the offer by TE Connectivity, this resulted in a valuation range of CHF 377 to CHF 406 per Schaffner registered share.

We do not see any indications to suggest that Schaffner's 60-day VWAP before the pre-announcement of the TE Connectivity Offer was distorted by any important events or extraordinary trading activity. However, a share’s liquidity plays an important role within premium analysis, as the valuation range is calculated with reference to the VWAP (i.e. the price paid on the stock exchange). According to the TOB definition (circular no. 2), the Schaffner share qualified as being illiquid as it did not fulfil the TOB’s liquidity criterion in any of the months leading up to the pre-announcement of the offer (cf. Annex 5). For this reason, the result of the premium analysis must be relativised.

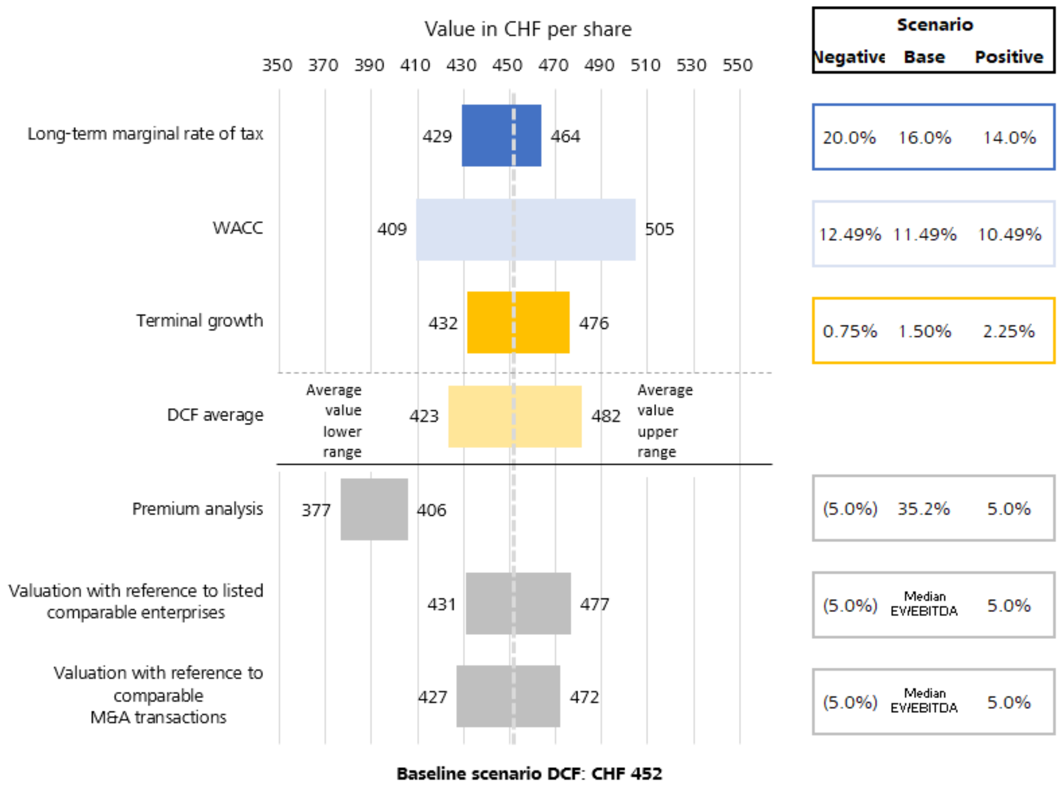
Due to the illiquidity of Schaffner shares according to TOB circular no. 2, Raiffeisen has refrained from an in-depth presentation and analysis of the share price development in this Fairness Opinion.

[8] Combination of shares and a cash payment
[9] Only shares are offered as compensation

Schaffner is only covered by a few financial analysts. Due to this low coverage, Raiffeisen has also therefore also dispensed with an assessment of financial analysts' recommendations or their target prices as well as a detailed comparison between analysts' forecasts and management planning.

4. Conclusion of the opinion

Figure 12: Summary of valuation methods



The results of the valuation methods discussed in this Fairness Opinion are summarised in Figure 12. The relevant value range for a Schaffner registered share as at the valuation date of 16 August 2023 of **CHF 423 to CHF 482** has been obtained from the DCF sensitivity analysis discussed in Section 3.5 and Figure 6. The relevant baseline scenario used for the DCF method results in a value of **CHF 452** per Schaffner registered share.

To assess the plausibility of the DCF valuation and the DCF sensitivity analyses, it makes sense to compare the valuation ranges obtained with the ranges under alternative valuation methods:

(a) The lower figure within the range for an assessment based on comparable listed companies (CompCo) is CHF 431 per share, which thus lies between the average of the lower ranges of the sensitivity analysis carried out within the DCF analysis (by increasing the long-term marginal rate of tax by 4%, increasing the WACC by 1% and lowering the terminal growth rate by 0.75%) and the DCF figure under the baseline scenario. The upper end of the range for a valuation based on comparable listed companies is CHF 477, which is close to the upper range of the DCF sensitivity analyses. The DCF method and the CompCo method thus give very comparable results overall.

(b) The valuation range for comparable acquisitions (CompAc) is between CHF 427 and CHF 472, which also coincides with the lower and upper valuation ranges of the DCF sensitivity analyses and the CompCo method.

(c) The valuation range of CHF 377 to CHF 406 obtained from the premiums paid in relation to previous takeover transactions is significantly lower than the value range for the other valuation methods used, which may reflect on the one hand a relatively high offer premium by TE Connectivity, or on the other hand a historically rather low valuation of Schaffner registered shares on the stock exchange due to their low liquidity or narrow market.

Based on the value range of CHF 423 to CHF 482 and the result of the DCF valuation of CHF 452 per Schaffner registered share, we consider the cash offer made by TE Connectivity of CHF 505 per Schaffner registered share to be **fair and adequate from a financial perspective**.

7 September 2023

Raiffeisen Switzerland Cooperative

signed: Matthias Spiess

signed: Niklaus Müller

RAIFFEISEN

Annex

Annex 1: Table of comparable companies

Name	Registered office	Accounting standard	Stock Exchange	Reporting Currency	End of financial year	EV (CHF million)	Revenue growth in reporting currency			EBITDA margin		
						as at 11/08/23	2022	2023E	2024E	2022	2023E	2024E
Comparison group longlist												
Eaton Corporation plc	Ireland	US-GAAP	NYSE	USD	31.12.2022	84'871	5.7%	11.5%	5.8%	20.3%	20.9%	21.2%
Amphenol Corporation	USA	US-GAAP	NYSE	USD	31.12.2022	50'477	16.1%	-2.5%	6.7%	24.7%	23.5%	23.9%
TE Connectivity Ltd	Switzerland	US-GAAP	NYSE	USD	30.09.2022	40'238	9.1%	-1.4%	5.3%	24.2%	21.5%	22.3%
Murata Manufacturing Co., Ltd	Japan	US-GAAP	TSE	JPY	31.03.2023	29'616	-6.9%	-2.0%	10.1%	27.3%	27.8%	31.4%
Delta Electronics, Inc.	Taiwan	Taiwan GAAP	TWSE	TWD	31.12.2022	25'779	22.2%	8.9%	13.2%	15.7%	15.4%	16.1%
TDK Corporation	Japan	IFRS	TSE	JPY	31.03.2023	13'768	14.7%	-5.5%	6.1%	16.8%	18.0%	19.6%
Littelfuse, Inc.	USA	US-GAAP	NasdaqGS	USD	31.12.2022	6'253	20.9%	-5.3%	5.6%	26.7%	22.7%	23.0%
Belden Inc.	USA	US GAAP	NYSE	USD	31.12.2022	3'993	13.3%	4.0%	4.0%	17.3%	17.6%	17.5%
Taiyo Yuden Co., Ltd	Japan	Japan GAAP	TSE	JPY	31.03.2023	3'248	-8.6%	1.3%	10.4%	20.9%	18.8%	24.3%
Hirose Electric Co.,Ltd	Japan	IFRS	TSE	JPY	31.03.2023	2'606	11.9%	-3.2%	5.9%	35.1%	32.6%	33.1%
LEM Holding SA	Switzerland	IFRS	SWX	CHF	31.03.2023	2'331	8.8%	5.0%	8.1%	26.3%	25.9%	26.3%
Walsin Technology Corporation	Taiwan	Taiwan GAAP	TWSE	TWD	31.12.2022	1'584	-16.2%	n.a.	n.a.	23.2%	n.a.	n.a.
Huber+Suhner AG	Switzerland	Swiss GAAP FER	SWX	CHF	31.12.2022	1'213	10.6%	2.9%	4.0%	13.7%	13.7%	14.1%
discoverIE Group plc	UK	UK GAAP	LSE	GBP	31.03.2023	917	18.4%	2.2%	3.6%	14.3%	14.6%	14.6%
XP Power Limited	Singapore	IFRS	LSE	GBP	31.12.2022	783	20.8%	6.3%	3.2%	13.9%	21.0%	22.2%
AQ Group AB (publ)	Sweden	IFRS	OM	SEK	31.12.2022	690	28.9%	n.a.	n.a.	9.5%	n.a.	n.a.
Sumida Corporation	Japan	IFRS	TSE	JPY	31.12.2022	653	32.1%	n.a.	n.a.	11.7%	n.a.	n.a.
Bel Fuse Inc.	USA	US GAAP	NasdaqGS	USD	31.12.2022	581	20.4%	-0.5%	-0.7%	14.3%	13.6%	n.a.
InTiCa Systems SE	Germany	IFRS	XTRA	EUR	31.12.2022	57	-5.0%	1.5%	10.0%	6.9%	9.3%	9.4%
Median longlist						**2'606**	**13.3%**	**1.4%**	**5.8%**	**17.3%**	**19.8%**	**22.2%**

Sources: Capital IQ, Raiffeisen, annual reports, calculation of EV by Raiffeisen based on the last available balance sheets

Annex 2: Table of precedent transactions (CompAc method)

Transaction information					Multiples		
Date	**Target company**	**Description of target company**	**Buyer**	**EV (in USD million)**	**EV/revenues**	**EV/EBITDA**	**EV/EBIT**
05.01.2022	Royal Power Solutions	American producer of electronic connectors for automotive and industrial applications	Eaton Corp plc	612	3.9x	13.6x	29.1x
15.04.2021	Schaffner Power Magnetics	Power Magnetics Division of Schaffner Holding Ltd	AQ Group AB	24	1.0x	n.a.	n.m.
08.03.2021	Laird Performance Materials*	Chinese producer of EMC components and other products	DuPont de Nemours Inc	2300	4.9x	n.a.	n.a.
22.07.2019	Souriau-Sunbank Connection Technologies**	French producer of connectors for industry, defence and aviation	Eaton Corp plc	920	2.6x	12.0x	n.a.
16.04.2019	Coil-Tran Corporation (Hobart Electronics)	US producer of chokes and magnetic components	discoverIE Group plc	15	1.2x	7.2x	7.8x
22.05.2018	Pulse Electronics Corp	US producer of passive filters for various sectors	Yageo Corporation	721	1.8x	n.a.	16.6x
19.01.2017	PKC Group Oyj	Finnish producer of electronic components for various sectors	Samvardhana Motherson International Limited	731	0.8x	11.6x	25.9x
20.07.2016	INTERCONTEC Produkt GmbH	German producer of connectors, cable components and electromagnetic components	TE Connectivity Ltd	336	5.2x	15.3x	15.7x
31.05.2016	Polatis, Inc.	US producer of optical network switches	HUBER+SUHNER AG	26	1.6x	n.a.	n.m.
09.11.2015	TE Connectivity Ltd (CPD business)	Sale of the circuit protection segment of TE Connectivity involving largely automotive operations	Littelfuse, Inc.	348	1.8x	9.2x	n.a.
02.11.2015	Hutchinson Technology Incorporated	US producer of precision components for electronic devices, in particular hard discs	TDK Corporation	218	0.9x	14.9x	n.m.
02.03.2015	Pulse Electronics Corporation	US producer of passive filters for various sectors	Oaktree Capital Management LP	132	0.4x	8.8x	16.3x
05.06.2014	Noratel AS	Norwegian producer of chokes and electronic components	discoverIE Group plc	123	1.0x	8.2x	10.6x
28.04.2014	Power-One Inc (Power Solutions business)	US producer of transformers and other electronic components	Bel Fuse Inc	117	0.5x	n.a.	n.a.
09.09.2013	Molex LLC	US producer of electronic and fibre-optic components, connecting components and switches	Koch Industries, Inc	6506	1.8x	11.1x	18.5x
28.03.2011	Spectrum Control Inc	US producer of EMC components and other products	API Technologies Corp	262	1.6x	9.6x	12.8x
31.07.2008	Epcos AG	German producer of passive electronic components, including among others EMC	TDK Corporation	2184	1.3x	10.5x	46.3x
26.09.2007	Densei-Lambda K. K	Japanese producer of switch mode power supplies	TDK Corporation	363	0.8x	7.8x	45.8x
02.02.2006	Artesyn Technologies, Inc	US producer of power converters for infrastructure applications	Emerson Electric Co	474	1.1x	13.5x	35.9x
			Median	**348.2**	**1.3x**	**10.8x**	**17.5x**

Sources: Mergermarket, S&P Capital IQ, annual reports and press releases

*) According to the press release of DuPont, the EBITDA multiple is probably greater than the median multiple of 10.8x, although it cannot be quantified based on the information available

**) EBITDA multiple according to the press release of Eaton Corp plc

Annex 3: Premiums in selected public takeover transactions on the SIX Swiss Exchange

since 1 January 2011 – selected transactions

Target company	Acquiring company	Date of announcement	Total transaction value (equity capital in CHF million)	Participation in target company at the time of announcement	Participation in target company achieved	Minimum acceptance level	Premium based on VWAP
Feintool International Holding AG	Artemis Beteiligungen III AG	17.01.2011	267	33%	81%	50%	**7%**
Uster Technologies AG [1)]	Toyota Industries Corporation	08.11.2011	393	29%	99%	67%	**48%**
Newave Energy Holding AG	ABB Schweiz AG	12.12.2011	169	0%	99%	67%	**36%**
Acino Holding AG	Pharma Strategy Partners GmbH	02.10.2013	398	0%	94%	67%	**53%**
Victoria Jungfrau Collection AG [2)]	Aevis Holding SA	24.10.2013	86	11%	71%	51%	**70%**
Publigroupe SA	Swisscom AG	17.04.2014	473	23%	98%	67%	**73%**
Nobel Biocare Holding AG	Danaher Corporation	15.09.2014	1’997	5%	97%	67%	**7%**
Swisslog Holding AG	KUKA Aktiengesellschaft	25.09.2014	338	0%	92%	67%	**14%**
Micronas Semiconductor Holding AG	TDK Corporation	17.12.2015	210	0%	94%	67%	**70%**
Kuoni Reisen Holding AG	Kiwi Holding AG	02.02.2016	1’360	0%	91%	67%	**34%**
Syngenta AG	China National Chemical Corporation	03.02.2016	44’807	0%	95%	67%	**31%**
gategroup Holding AG	HNA Group Co.	11.04.2016	1’384	1%	96%	67%	**37%**
Charles Vögele Holding AG	Sempione Retail AG	19.09.2016	54	18%	95%	70%	**0%**
Actelion Ltd	Janssen Holding GmbH	26.01.2017	30’064	0%	93%	67%	**46%**
Goldbach Group AG	Tamedia AG	22.12.2017	223	0%	97%	50%	**4%**
CEVA Logistics AG	CMA CGM S.A.	26.11.2018	1’656	25%	98%	-	**12%**
Sunrise Communications Group AG	Liberty Global plc	12.08.2020	4’979	0%	97%	67%	**32%**
Vifor Pharma AG	CSL Behring AG	14.12.2021	10’743	0%	94%	80%	**37%**
Valora Holding AG	Fomento Económico Mexicano, S.A.B. de C.V.	05.07.2022	1’140	0%	97%	67%	**57%**
					Average premium paid		**35%**

The premium analysis contains selected transactions (excluding real estate and financial intermediaries) involving a 100% cash payment, which also involved the acquisition of a controlling stake.

[1] Offer was increased by the bidder

[2] Competition among bidders

Sources: takeover.ch, SIX Swiss Exchange, Raiffeisen

Annex 4: Calculation of beta factor

Companies used for beta calculation

Comparable companies	Levered beta[1]	Net debt / market capitalisation	Marginal rate of tax[2]	Unlevered factor[3]	Unlevered beta[4]
Amphenol Corporation	1.25	5.4%	21.1%	0.96	1.20
TE Connectivity Ltd	1.33	9.2%	21.0%	0.93	1.24
Delta Electronics, Inc	1.05	(3.2)%	19.9%	1.03	1.07
TDK Corporation	0.96	17.5%	30.1%	0.89	0.86
Littelfuse, Inc	1.29	9.3%	17.3%	0.93	1.19
Murata Manufacturing Co	0.91	(4.8)%	24.0%	1.04	0.95
Average	1.13	5.6%	22.2%	0.96	1.09
Median	1.15	7.3%	21.1%	0.95	1.13

Companies not considered for the beta calculation

Comparable companies	Levered beta[1]	Net debt / market capitalisation	Marginal rate of tax[2]	Unlevered factor[3]	Unlevered beta[4]
Huber+Suhner AG	0.69	(8.2)%	14.8%	1.08	0.74
discoverIE Group plc	0.98	8.1%	33.2%	0.95	0.93
XP Power Limited	1.33	45.5%	21.8%	0.74	0.98
Bel Fuse Inc.	1.73	5.8%	4.8%	0.95	1.64
InTiCa Systems SE	0.90	96.7%	69.0%	0.77	0.69
Average	1.13	29.6%	28.7%	0.90	1.00
Median	0.98	8.1%	21.8%	0.95	0.93

1) Source: Capital IQ, date 11/08/2023. Beta calculation: Five-year regression compared to the S&P 500 Index (US equities), the MSCI EAFE Index (European equities) based on monthly returns) or MSCI Emerging Markets (Asian equities)

2) Three-year average for past tax expenses

3) Unlevered factor = 1/1+(1-marginal rate of tax) * (borrowed capital/market capitalisation)

4) Unlevered beta = levered adjusted beta * unlevered factor

The comparable companies Huber+ Suhner AG, discoverIE Group plc, XP Power Limited, Bel Fuse Inc. and InTiCa Systems SE have not been taken into account in the determination of the relevant beta for the calculation of the WACC due to their low capitalisation and liquidity and the resulting bias in the beta (e.g. due to higher bid-ask spreads and longer trading intervals). They are only listed here for the sake of completeness.

Annex 5: Liquidity analysis

12 months before announcement	monthly median of daily trading volumes*)	...as % of free float	Liquidity criterion of 0.04% of free float met?
Aug 22	169	0.032%	No
Sep 22	77	0.015%	No
Okt 22	66	0.013%	No
Nov 22	24	0.004%	No
Dez 22	71	0.013%	No
Jan 23	174	0.033%	No
Feb 23	72	0.014%	No
Mär 23	199	0.038%	No
Apr 23	41	0.008%	No
Mai 23	205	0.039%	No
Jun 23	82	0.015%	No
Jul 23	62	0.012%	No

*) Trading days with trading volume 0 are incorporated into the median calculation with a value of 0

Source of daily trading volumes: S&P Capital IQ (or Bloomberg)

Calculation of free float	Share quantity	%
Number of Schaffner registered shares (number issued)	635'940	100.0%
"The number of shares refers to the total shares in circulation. These make up the total share capital that has been fully subscribed to and paid up either in full or in part, as indicated in the commercial register. Capital in circulation does not include conditional or approved capital. The number of shares is used to calculate the free float market capitalisation." (Definition 3.1 of SIX according to the Rules for Equity and Real Estate Indices)		
less:		
Non-free-float Schaffner shares (> 5%), not including funds etc.		
Acquisition position of BURU Holding AG, Cham	(109'455)	-17.21%
Free float / free float factor	**526'485**	**82.79%**
Threshold value of 0.04% of the free float	211	

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