

# Achieved sales growth in both segments in a challenging market environment

Dr. Roland Fischer, CEO

Jürg Fedier, CFO

Q1 2019 Business Update

May 7, 2019



**1** Q1 2019 Business Update

2 Q1 2019 Financial Review

3 Outlook

4 Appendix

# Achieving sales growth in both segments – outlook confirmed

## 1 Maintaining strong top line

- Group sales up 3.3 % despite challenging market environment
- Group order intake marks second highest level in four years – decline of 10.2 % y-o-y, mainly due to exceptionally high level of order intake from Manmade Fibers in Q1 2018

## 2 Delivering 15.0 % EBITDA margin

- Group's EBITDA margin at 15.0 %, after full absorption of costs related to the AM business and other growth initiatives
- Surface Solutions impacted by investments for future growth, as projected, and product mix; Manmade Fibers improved margin to 13.2 %

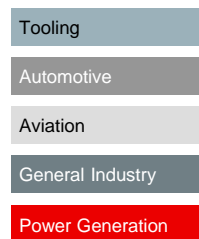
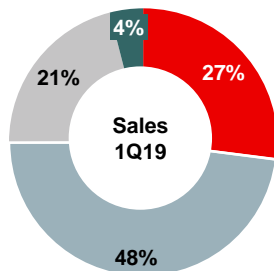
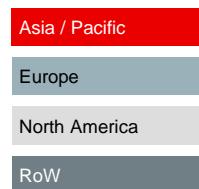
## 3 Continuing execution on strategy

- Successful execution of string-of-pearls acquisition to strengthen Surface Solutions' position in thermal spray services
- Broadening of technology portfolio with launch of BALIMED coating for medical applications

## 4 Confirming growth and profitability guidance for 2019

- Group order intake and sales expected to each exceed CHF 2.7 billion
- Group EBITDA margin to exceed 16 % after sizeable investments and capital expenditure for future profitable growth

# Surface Solutions Segment – Delivering good top-line growth despite challenging market environment



## OPERATIONAL PERFORMANCE

- Good growth in orders and sales mainly driven by Aviation and also Tooling
- Acquisitions and material surcharges deducted ~CHF 0.6 m from top line compared to 1Q18 → 3.2 % organic sales growth
- Strong increase in materials business; SUMEBore expansion continues
- Automotive: significant decrease in production volumes, structural growth element with some mitigating effect
- 1Q19 EBITDA profitability impacted by product mix and operating expenses related to the previously announced investments into AM, ePD<sup>1</sup> competence center and new centers for forming tools

## MARKET DEVELOPMENT

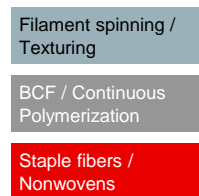
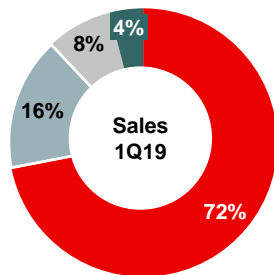
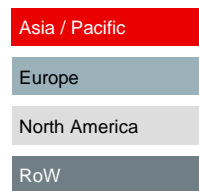
- Tooling industry shows strong activity in challenging end markets
- Automotive market driven by substantially decreasing production volume, particularly in China and the rest of Asia
- Softer demand in General Industry globally (IP<sup>2</sup>)
- Aerospace market with continued growth
- Power Generation with ongoing challenging market environment
- North America with strong growth, good development in Europe; Asia at low levels

| in CHF million                  | 1Q19  | 1Q18  | y-o-y  | y-o-y ex FX |
|---------------------------------|-------|-------|--------|-------------|
| Order intake                    | 385   | 384   | 0.3%   | 0.4%        |
| Sales (3 <sup>rd</sup> parties) | 371   | 361   | 2.8%   | 2.9%        |
| EBITDA                          | 61    | 69    | -11.6% | –           |
| In % of sales                   | 16.3% | 19.1% | –      | –           |
| EBIT                            | 19    | 36    | -47.2% | –           |
| In % of sales                   | 5.2%  | 10.0% | –      | –           |

<sup>1</sup> ePD = embedded PVD (Physical Vapor Deposition) for design parts

<sup>2</sup> IP = Industrial Production

# Manmade Fibers Segment – Strong order intake and sales level at improved profitability



<sup>1</sup> Bulk continuous filament (carpet yarn); <sup>2</sup> Continuous Polymerization

## OPERATIONAL PERFORMANCE

- Strong order intake sustained across all product lines, especially for DTY machines; y-o-y order intake was lower due to the exceptionally high levels in 1Q18
- 1Q19 order intake second highest since 4Q11
- Sales growth in filament equipment and polymerization business and substantial sales for nonwoven systems
- Sales growth was mainly led by business wins in China and the rest of Asia
- Improved EBITDA margin due to increased level of sales and disciplined cost management
- Oerlikon Nonwovens brand launched to strengthen market position

## MARKET DEVELOPMENT

- Maintaining healthy demand in filament equipment market in China – automation and digitalization concepts with accelerated interest from Tier 1
- Texturing equipment with stable orders on high levels, in particular in China
- Expected calm down of BCF<sup>1</sup> in the US and Turkey
- Project opportunities in staple fibers and nonwovens in Europe and Asia
- Promising project pipeline for CP<sup>2</sup> solutions
- Strong project pipeline resulting in continued high level of order intake with delivery lead times reaching into 2021; opportunities for deliveries into 2022

| in CHF million                  | 1Q19  | 1Q18  | y-o-y  | y-o-y ex FX |
|---------------------------------|-------|-------|--------|-------------|
| Order intake                    | 296   | 373   | -20.6% | -19.0%      |
| Sales (3 <sup>rd</sup> parties) | 254   | 243   | 4.5%   | 6.5%        |
| EBITDA                          | 34    | 27    | 25.9%  | –           |
| In % of sales                   | 13.2% | 11.1% | –      | –           |
| EBIT                            | 27    | 22    | 22.7%  | –           |
| In % of sales                   | 10.7% | 8.9%  | –      | –           |

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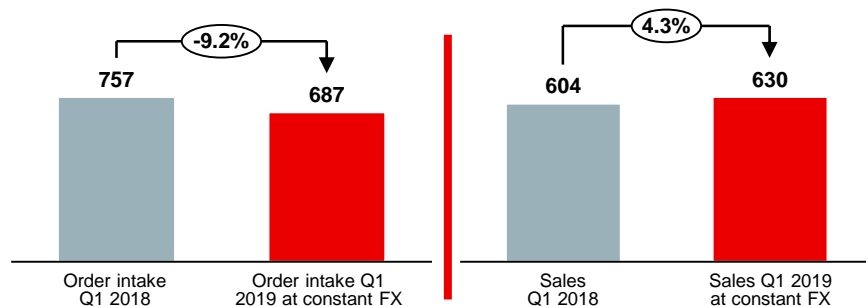
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# Group performance builds on strong top-line growth in both Segments and investments in the future<sup>1</sup>

| in CHF million                  | 1Q19  | 1Q18  | y-o-y  |
|---------------------------------|-------|-------|--------|
| Order intake                    | 680   | 757   | -10.2% |
| Sales (3 <sup>rd</sup> parties) | 624   | 604   | 3.3%   |
| EBITDA                          | 93    | 95    | -2.1%  |
| In % of sales                   | 15.0% | 15.7% | -      |
| EBIT                            | 44    | 56    | -21.4% |
| In % of sales                   | 7.1%  | 9.2%  | -      |

- Surface Solutions Segment with steady increase in order intake and sales; operating profitability lower as a result of product mix and anticipated operating expenses from investments
- Maintained a high level of orders, sales and improved operating profitability in Manmade Fibers Segment
- Group with book-to-bill >1
- Currencies provided minor headwinds on orders and sales year-on-year

## Top-line development at constant FX (y-o-y)



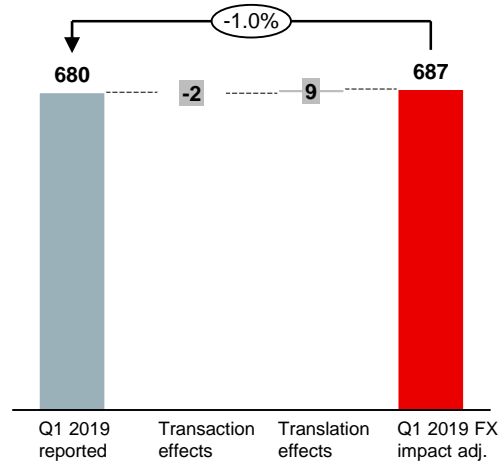
<sup>1</sup> 2018 restated for divestment of Drive Systems

| Sales growth   | 1Q19 vs. 1Q18 (y-o-y) | 1Q19 vs. 4Q18 (q-o-q) |
|----------------|-----------------------|-----------------------|
| Reported       | 3.3%                  | -4.4%                 |
| Performance    | 4.6%                  | -3.6%                 |
| FX translation | -1.3%                 | -0.8%                 |

# FX impact on Orders, Sales and EBITDA in Q1 2019<sup>1</sup>

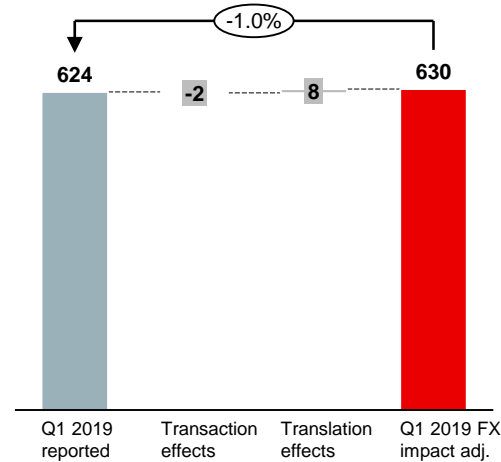
## Order intake Q1 2019

In CHF million



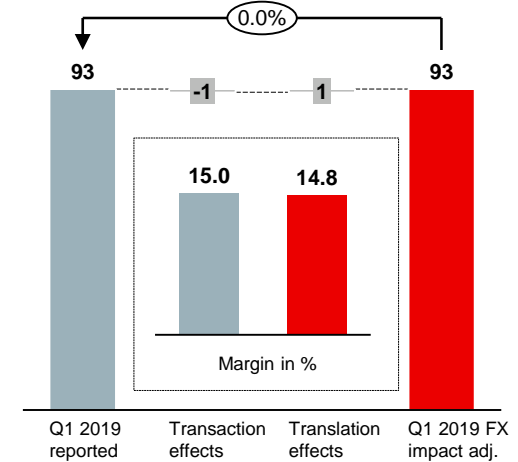
## Sales Q1 2019

In CHF million



## EBITDA Q1 2019

In CHF million



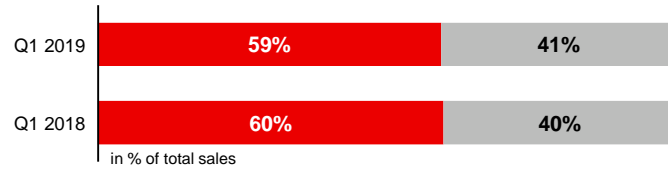
<sup>1</sup> 2018 restated for divestment of Drive Systems

- Top-line impact mainly related to currency translation as a result of reporting currency CHF
- Dominating drivers were depreciation of EUR against CHF, partially compensated by a stronger USD against CHF
- Impact on EBITDA margin only minor



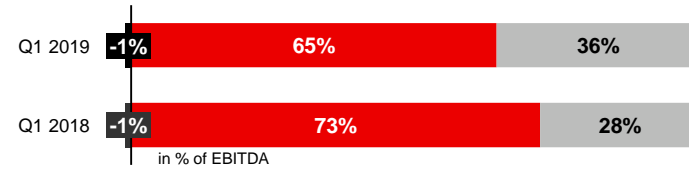
# Business split<sup>1</sup> – Segments splits are stabilizing

## Segment sales split



■ Surface Solutions    ■ Manmade Fibers

## Segment EBITDA split



■ Surface Solutions    ■ Manmade Fibers  
■ Other

## Regional sales split



■ APAC    ■ North America  
■ Europe    ■ RoW

## Service business

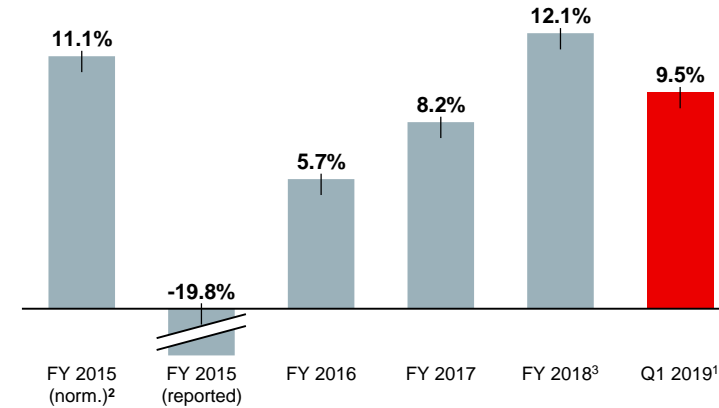


■ Service & Spare Parts  
■ Goods, Equipment & Components

<sup>1</sup> 2018 restated for divestment of Drive Systems

# Return On Capital Employed (ROCE)

|                                  | Q1 2019 <sup>1</sup> | FY 2018 <sup>3</sup> |
|----------------------------------|----------------------|----------------------|
| EBIT                             | 232                  | 243                  |
| - Total current income tax       | -63                  | -63                  |
| - Total deferred tax income      | -                    | -4                   |
| <b>NOPAT</b>                     | <b>169</b>           | <b>176</b>           |
| Net Operating Assets             | 1'832                | 1'526                |
| + Current income tax receivables | 19                   | 17                   |
| + Deferred tax assets            | 113                  | 110                  |
| - Current income tax payables    | -66                  | -65                  |
| - Deferred Tax liabilities       | -127                 | -132                 |
| <b>Capital Employed</b>          | <b>1'771</b>         | <b>1'456</b>         |



<sup>1</sup> 12-months rolling, continuing operations

<sup>2</sup> Normalized EBIT excl. one-time restructuring cost of CHF 112 million and impairments of CHF 476 million; Current income taxes adjusted accordingly

<sup>3</sup> Continuing operations

- Lower ROCE as a result of slightly lower NOPAT over an increased asset base
- Asset base increase due to addition of M&A assets and the first time recognition of the right-of-use assets under IFRS16 (leasing)

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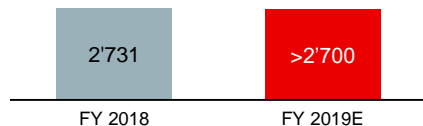
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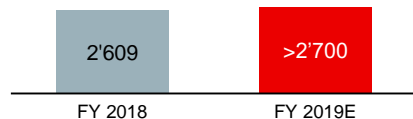
4 Appendix

# 2019 Group outlook confirmed – Strong top-line growth and defending an attractive profitability level

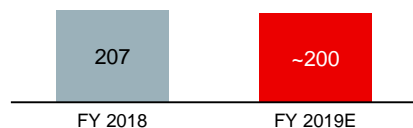
Order intake



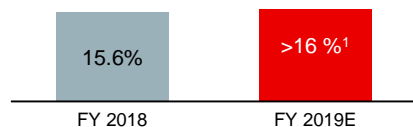
Sales



CapEX



EBITDA margin



## Underlying Group / Segment assumptions

### Oerlikon Group

- Order Intake and Sales expected to exceed CHF 2.7 bn
- Sizeable CapEx for further growth
- EBITDA margin to exceed 16 %<sup>1</sup> with full absorption of Additive Manufacturing and business investments as well as IFRS 16
- Smaller acquisitions included in guidance

### Manmade Fibers Segment

- Order intake up to CHF 1.1 bn due to ongoing strong project pipeline
- Sales expected around prior year's level due to cap of capacity
- EBITDA margin to improve by around 100 bps

### Surface Solutions Segment

- Order intake expected to grow around 4 %
- Sales growth maintained at around 4 – 6 % despite challenging market environment
- Dilution of Additive Manufacturing by some 200 bps
- Shifting EBITDA margin corridor to 21 – 23 % excluding AM investments (reported 19 – 21 % corridor) due to changes under IFRS 16
- Guiding for lower end of corridor due to investments in new technologies and applications

<sup>1</sup> Including full absorption of all related investment expenses in Additive Manufacturing and business growth initiatives as well as around 1% due to the changes under IFRS 16

**1**

Maintaining strong top line and organic growth in the first quarter 2019

**2**

Continued investments in future growth

**3**

Confirming guidance for 2019

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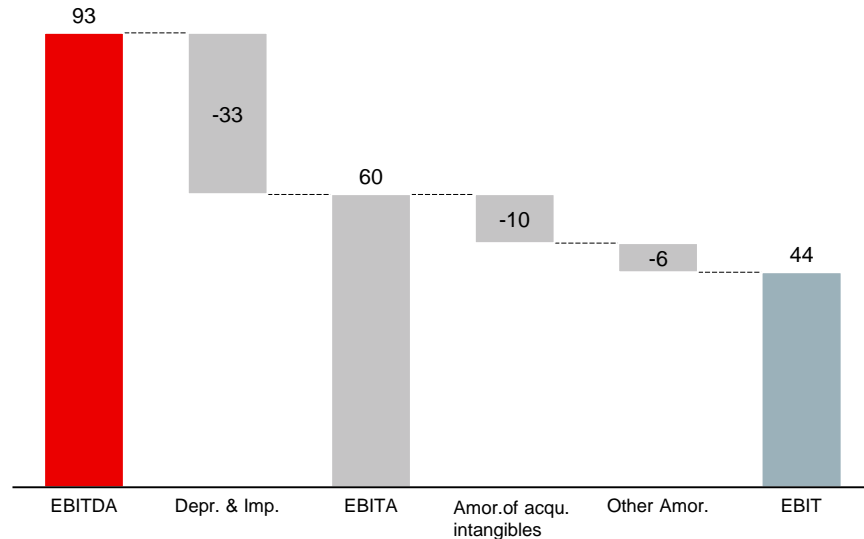
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# EBITDA to EBIT bridge for Oerlikon Group

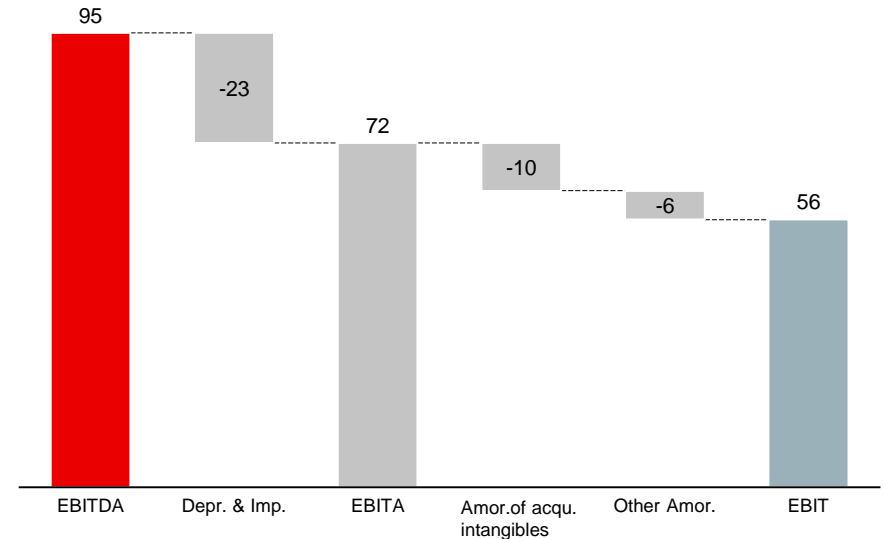
## EBITDA to EBIT bridge – Q1 2019

In CHF million



## EBITDA to EBIT bridge – Q1 2018<sup>1</sup>

In CHF million



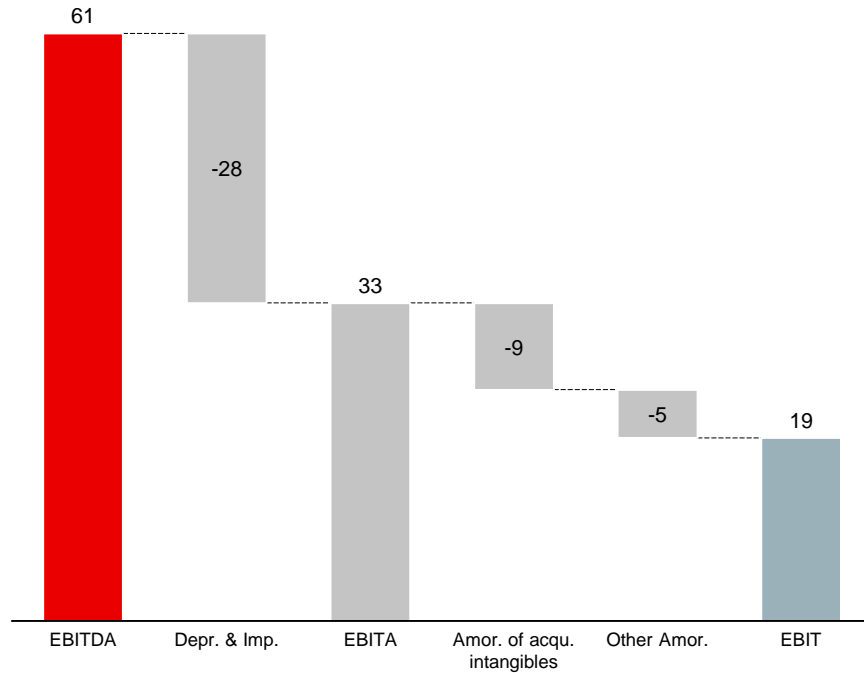
- Amortization of identified acquired intangible assets mainly attributable to Metco transaction

<sup>1</sup> Restated for divestment of Drive Systems

# EBITDA to EBIT bridge per Segment – Q1 2019

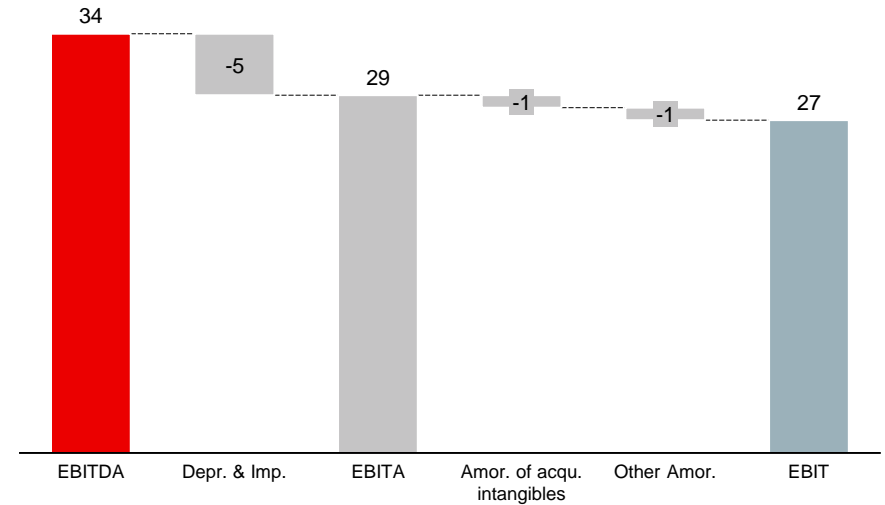
## Surface Solutions Segment

In CHF million



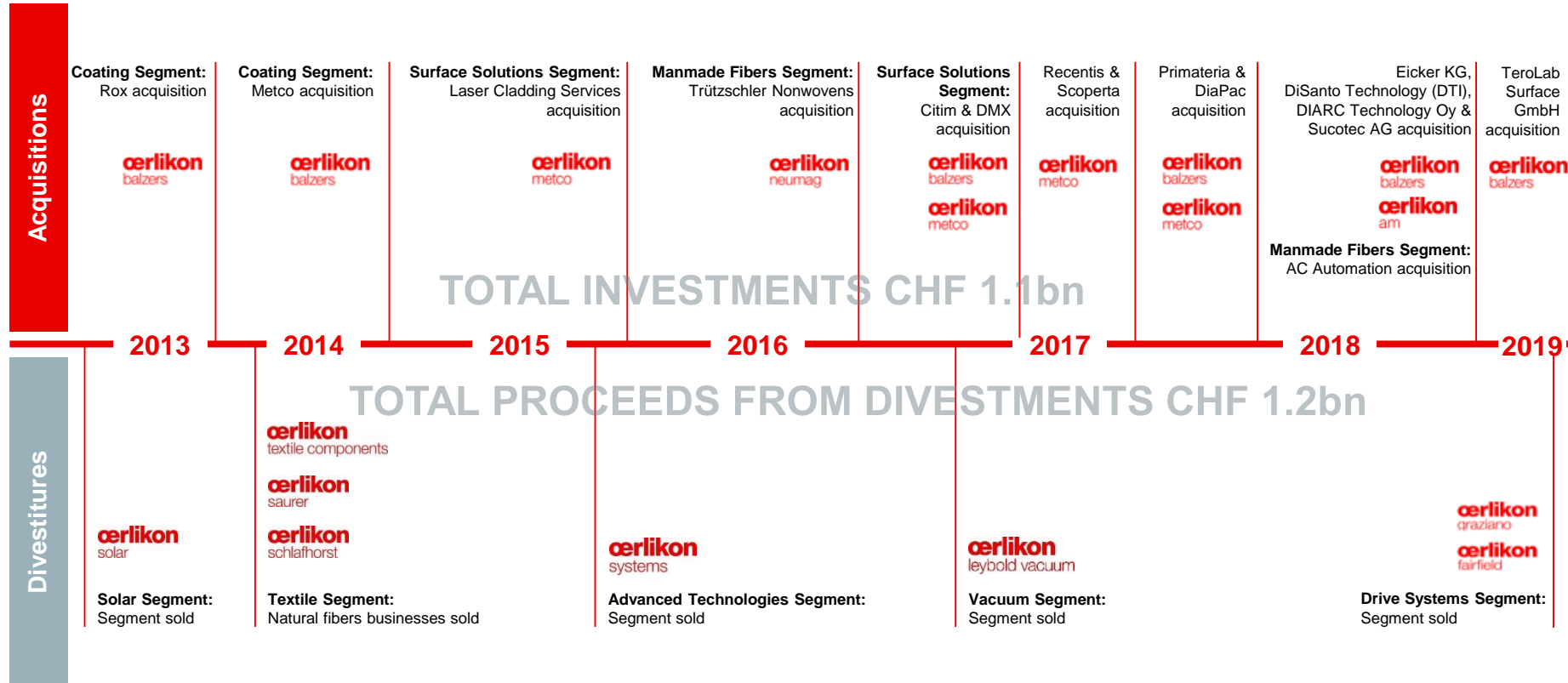
## Manmade Fibers Segment

In CHF million





# Oerlikon Transformation – Streamlining the portfolio and focus on Surface Solutions

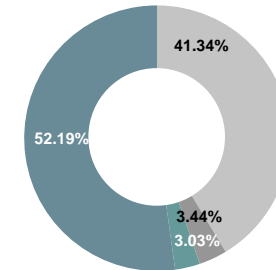
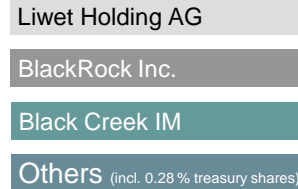


## Oerlikon shares

- Listed on Swiss Exchange (SIX) since 1973
- Securities symbol: OERL
- Securities number 81 682
- ISIN: CH0000816824
- Number of shares outstanding: 339 758 576 shares
- Re-entry to Swiss SMIM (April 17, 2012)
- Addition to STOXX Europe 600 (June 18, 2012)
- Re-entry to SPI Select Dividend 20 Index (March 18, 2019)

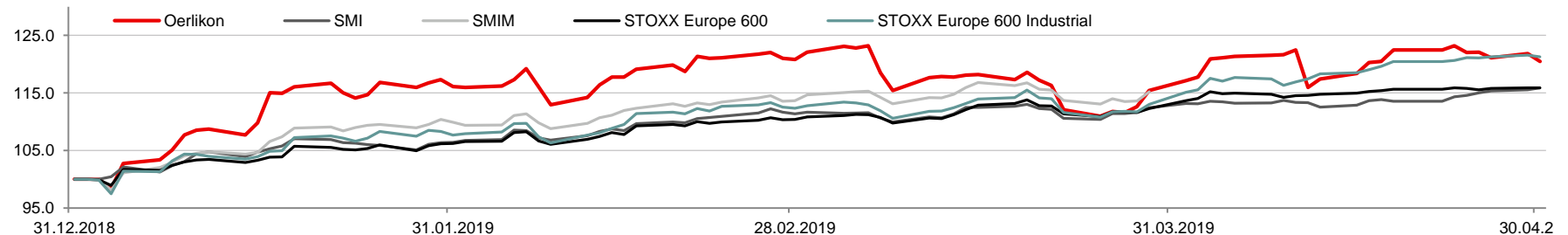
## Oerlikon shareholder structure<sup>1</sup>

as of April 30, 2019



## Oerlikon share price development

as of April 30, 2019, indexed; 100 percent = closing price per December 31, 2018



<sup>1</sup> Based on latest notifications by Liwet (as of May 25, 2018 of 140 484 860 shares), Black Creek (as of January 20, 2018 of 9 966 654 voting rights) and BlackRock (as of October 23, 2018 of 11 691 117 voting rights)

# Coverage – 8 Buy / Add – 6 Hold / Neutral – 0 Sell / Underperform

| Broker              | Analyst            | Recommendation | Date of last update | Target price |
|---------------------|--------------------|----------------|---------------------|--------------|
| AlphaValue          | Luis Pereira       | Buy            | 30.10.2018          | 17.50        |
| Baader Helvea       | Reto Amstalden     | Buy            | 18.03.2019          | 17.00        |
| Berenberg Bank      | Marta Bruska       | Hold           | 05.03.2019          | 16.00        |
| Credit Suisse       | Patrick Laager     | Neutral        | 15.04.2019          | 14.00        |
| Deutsche Bank       | Alexander Thiel    | Buy            | 05.03.2019          | 15.00        |
| Jefferies           | Graham Phillips    | Hold           | 05.03.2019          | 14.00        |
| Kepler Cheuvreux    | Torsten Sauter     | Hold           | 30.04.2019          | 15.00        |
| MainFirst           | Christian Arnold   | Neutral        | 07.03.2019          | 14.00        |
| Octavian            | Alessandro Foletti | Buy            | 07.03.2019          | 16.00        |
| RBC Capital Markets | Wasi Rizvi         | Outperform     | 03.05.2019          | 14.00        |
| Societe Generale    | Sebastian Ubert    | Buy            | 05.03.2019          | 15.50        |
| UBS                 | Fabian Haecki      | Buy            | 04.04.2019          | 14.80        |
| Vontobel            | Michael Foeth      | Buy            | 05.03.2019          | 16.60        |
| ZKB                 | Armin Rechberger   | Marketweight   | 05.03.2019          | -            |
| <b>Consensus</b>    |                    |                |                     | <b>15.34</b> |

# Financial Calendar 2019



**May 7, 2019**

Q1 2019 results  
- Media & Analyst Conference Call

**August 6, 2019**

Q2 / HY 2019 results  
- Media & Analyst Conference Call

**November 5, 2019**

Q3 / 9M 2019 results  
- Media & Analyst Conference Call



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