

# Q1 2021 Financial results

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4 May 2021

# Agenda

- 1** | Business Update
- 2** | Q1 Financials
- 3** | Q&A

**ærlikon**





## Financials

### Strong start to the year in-line with company expectation

**643m** (+35%)  
Order intake

**568m** (+7%)  
Sales

**88m** (+46%)  
Operational EBITDA

**39m** (>+100%)  
Operational EBIT



## Key messages

- Operational **EBITDA +46%** in Q1, driven by Polymer Processing Solutions sales growth and **cost control** in Surface Solutions
- Polymer Processing Solutions on-track to deliver FY guidance; **diversification** of Division towards non-filament is accelerated by INglass acquisition, enhancing the growth profile and unlocking shareholder value
- Surface Solutions sales slightly down with trend turning positive in March; **markets recovering** at varying speeds; operational EBITDA margin strongly up YoY supported by structural cost measures
- Reiterate guidance**



## Strategic priorities

**Sustainable Innovation**

**Cost Containment**

**Disciplined Capital Allocation**

**Confirm FY'21 guidance**

# End Markets with Varying Recovery Profiles

## Polymer Processing Solutions 47% of FY'20 sales

## Tooling 16%

## General Industrial 16%

## Automotive 14%

## Aviation 7%

2021 markets



**Filament stable; ex-filament growth**



**High single-digit**



**Mid - single-digit**



**High single-digit**



**Growth in H2'21**  
off low base

- Large filament producers confirm expansion plans; visibility into 2023; key players in China continue downstream vertical integration into DTY
- Robust Nonwoven market, not any longer driven just by melt blown facial masks but also by other applications like wet wipes and filters

- Shorter-cycle services recovering at varying rates across all markets and geographies
- Driven by recovery in industrial production and automotive production
- Continued trend to polymer lightweight materials produced on forming tools

- Shorter-cycle services recovering at varying rates across all markets and geographies
- Driven by recovery in industrial production

- Sustained higher level of activity into 2021 driven by automotive production
- Some short-term supply chain interruption due to semi-conductor shortages
- Full year picture moderated with overall YoY growth still expected

- COVID 19 creating perfect storm for aviation industry alongside Trent and 737 impacts
- In April IATA forecast for 2021 lowered to 43% of 2019 levels (down from 50%)
- Narrow body recovery expected before widebody

**▶ Strong market in polymers**

**▶ Surface Solutions well placed for recovery in Automotive, Tooling and General Industry; Aviation remaining on low levels**

# Continued Focus on Strategic Priorities



## Sustainable Innovation

- Drive global **technology leadership** with effective R&D
- Focus on strong quality, sustainability and economic return



## Cost Containment

- Focus on **cost containment** and reinvest into profitable growth
- Commitment to 16-18% operational EBITDA margin mid-term



## Disciplined Capital Allocation

- **Diversify** organically into adjacent markets and enhance structural growth with acquisitions
- Continue to pay a stable or progressive dividend, while maintaining a prudent financial policy and strong balance sheet



Q1 launches include innovative heat shield for **e-mobility** batteries



Achieved ~420bps operational EBITDA **margin expansion**



Diversified Polymer Processing Solutions by **acquiring INglass**

**Drive profitable growth and expand market share**

## INglass overview

- Innovation, technology and **market leader** in precision polymer flow control with strong intellectual property
- **Hot runner systems** (HRS) are key to process and control molten polymers before being injected into molds for production of light-weight high-end components
- INglass' HRS are applied in multiple industries from automotive, consumer goods and household appliances to packaging, waste management, construction and transportation
- INglass is based in Italy with 3 global production sites and 52 additional service centres; 1'000+ employees worldwide

## Financials

- INglass 2020 sales were approximately **CHF 135m**
- Transaction to be highly cash- and **margin-accretive** to Oerlikon from day 1
- Highly synergistic deal driven by complementary technology & shared market access points

## Key impacts

- Expands Division's strategic optionality in the polymer processing market; significantly accelerates **diversification**
- INglass benefits from **megatrends** around future mobility, lightweight parts, functional sensors and high-grade polymers
- High single-digit organic **growth** potential for precision flow control solutions

## Execution

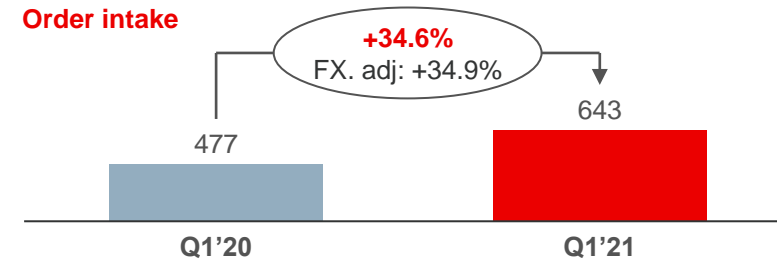
- Manmade Fibers Division **renamed** to Polymer Processing Solutions
- Completion subject to customary merger control clearances with anticipated completion at end of H1'21
- Management team to stay on board, incentivized by additional earn-out linked to growth potential

**Enhances growth profile, aids diversification and creates significant value**

## Operational EBITDA up +46% driven by both Divisions

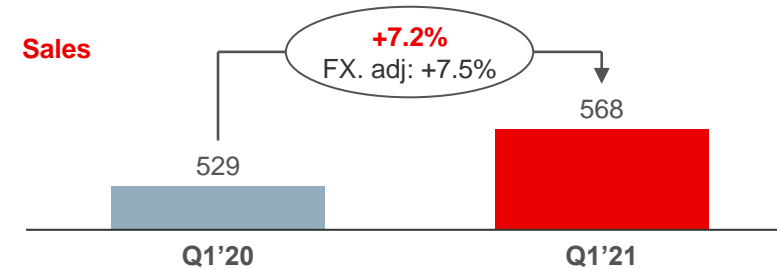
### Orders

- **Order intake up +35%** driven by Polymer Processing Solutions which showed robust performance and had low comparables YoY as China was impacted by extended lockdown last year
- Surface Solutions slightly down YoY; positive sequential momentum, >1 book-to-bill, positive trend towards Q1 end



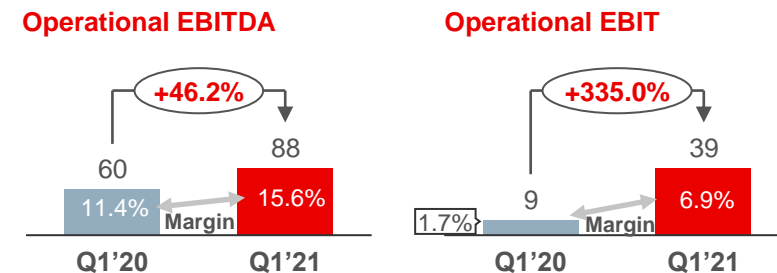
### Sales

- **Sales up 7% YoY** driven by Polymer Processing Solutions
- Surface Solutions with slightly lower sales YoY and positive trend towards end of Q1; in-line with company expectation and FY guidance



### Profit

- **Operational EBITDA up 46%** with ~420bps improvement in margin
- Driven by positive operating leverage and structural cost measures; positive business mix effect in Surface Solutions



# Surface Solutions with Recovering Markets and Cost Containment

## Market

- **Markets recovering at varying rates**
- Automotive sustains higher activity levels
- Tooling and General Industry with improving trends, particularly in coating service business
- Aviation continues to be flat on low levels

## Orders

- **Flat** order intake at constant FX; book-to-bill >1 as longer-cycle business starts to take orders; short-cycle business continues recovery
- **Positive** order trend towards end of quarter

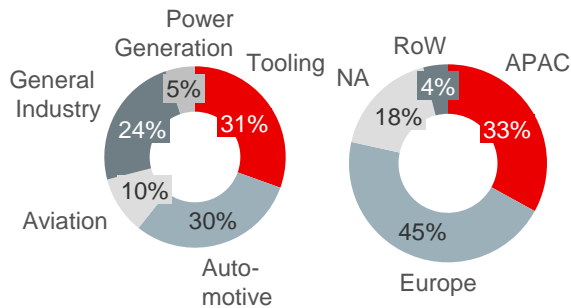
## Sales

- **Down** -5% at constant FX, driven by high comparables YoY (e.g. aviation) and longer cycle equipment business
- **Positive** trend towards Q1 end

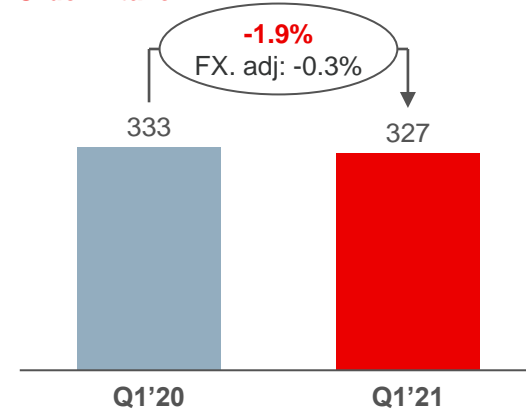
## Operational EBITDA

- **Up** +32% driven by structural cost program initiated in FY'19 and by positive business mix effect
- Q1 in-line with company expectation and FY guidance

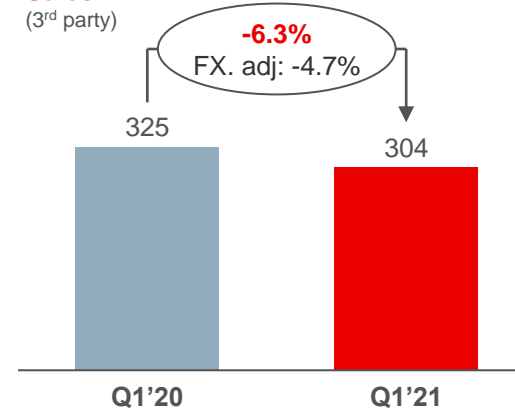
### Q1'21 Sales split by markets



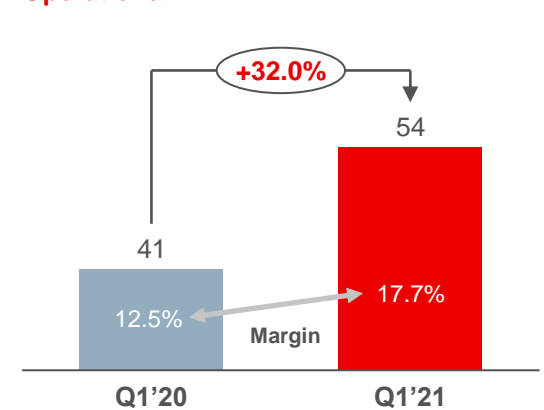
### Order intake



### Sales



### Operational EBITDA





# Polymer Processing Solutions with Strong Q1, In-line with Company Expectation

## Market

- **Favorable market conditions** in filament: full order book to 2022 and taking orders for 2023
- Market share gains in nonwoven driven by facial masks, wipes, and filtration applications

## Orders

- **Doubling** order intake, with strong bookings in nonwoven & plant engineering and industrial & interiors
- Supported by strong performance and low comparables YoY as China was impacted by extended lockdown in Q1'20

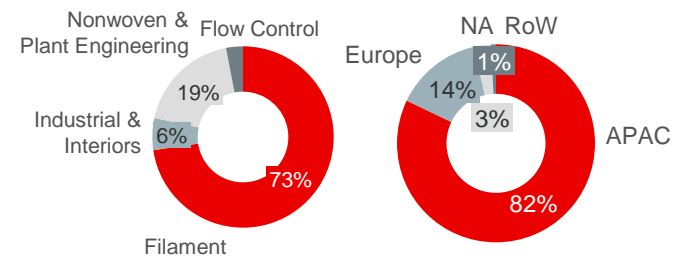
## Sales

- **Up +27%** at constant FX, supported by low comparables as China was impacted by extended lockdown in Q1'20; Q1 with usual lower seasonality
- **Organic diversification** into non-filament markets well on-track with sales up +~70% YoY driven by low comparables and growth initiatives

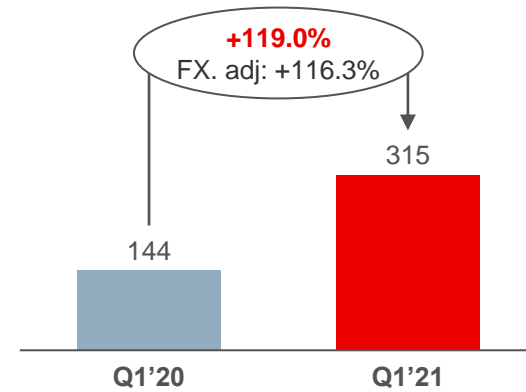
## Operational EBITDA

- **Up +77%** driven by higher sales
- Improving margin supported by positive operating leverage

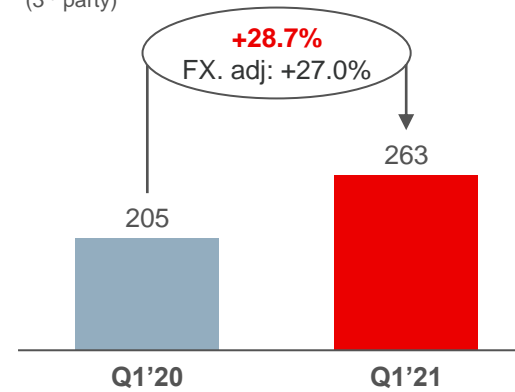
Q1'21 Sales split by markets <sup>1)</sup>



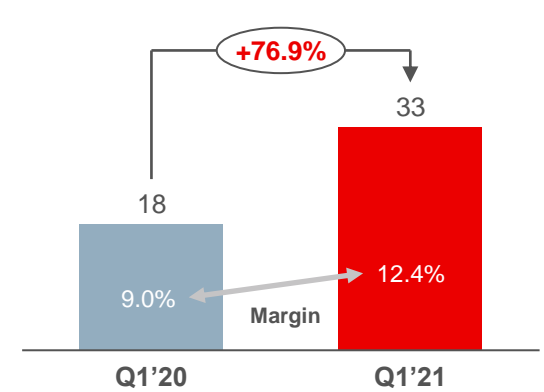
Order intake



Sales (3<sup>rd</sup> party)



Operational EBITDA



1) Adjusted subdivision definition mainly due to introduction of 'Flow Control' subdivision (currently including pumps; will include INglass acquisition at completion) which was excluded from other subdivisions; Special Filament renamed to Industrial & Interiors; Plant Engineering renamed to Nonwoven & Plant Engineering

# Conclusion: reiterate guidance after Q1



## Q1

- **Higher** orders (+35%) and sales (+7%)
- Improved operational EBITDA margin by ~420bps



## Outlook

- Polymer Processing Solutions **on-track** to deliver FY'21 sales of CHF 1 100 - 1 150m with ~14% operational EBITDA margin
- Surface Solutions market recovery on-track; reiterate CHF1 250 – 1 300m sales and 16.5 - 17.5% operational EBITDA margin



## Forward Looking Priorities

- Deliver sales growth as Surface Solutions Division end markets recover; position both Divisions for **structural growth**
- Return to operational **16-18% EBITDA** margin corridor
- Deliver **double digit ROCE**; mid-term reinvestment ratio below 1
- Focus on accretive small- to mid-sized **M&A** for both Divisions; retain capability for transformational deals
- Continue to pay a **stable** or **progressive dividend**



**2021  
guidance  
reiterated**

<b>Sales</b>	2 350 – 2 450m
<b>EBITDA margin</b>	15.5% - 16.0% <sup>1)</sup>
<b>CAPEX</b>	~120m

2021 Guidance is excluding INglass acquisition; 1) refers to operational EBITDA margin

# Q&A



# Appendix



# Reconciliation of Profitability Measures

## EBITDA to EBIT bridge

	Group		Surface Solutions		Polymer Processing Solutions	
	Q1'21	Q1'20	Q1'21	Q1'20	Q1'21	Q1'20
<b>EBITDA</b>	<b>88</b>	<b>58</b>	<b>53</b>	<b>39</b>	<b>33</b>	<b>18</b>
Depreciation	-32	-33	-26	-28	-5	-4
Impairments	-0	-1	-0	-1	0	--
<b>EBITA</b>	<b>56</b>	<b>24</b>	<b>27</b>	<b>10</b>	<b>28</b>	<b>14</b>
Amortization of Acquired Intangibles	-11	-11	-10	-10	-2	-1
Other Amortization	-7	-8	-4	-5	-2	-2
Impairments	--	--	--	--	--	--
<b>EBIT</b>	<b>38</b>	<b>6</b>	<b>14</b>	<b>-5</b>	<b>24</b>	<b>11</b>

## Operational profitability reconciliations

	Group		Surface Solutions		Polymer Processing Solutions	
	Q1'21	Q1'20	Q1'21	Q1'20	Q1'21	Q1'20
<b>Operational EBITDA</b>	<b>88</b>	<b>60</b>	<b>54</b>	<b>41</b>	<b>33</b>	<b>18</b>
Restructuring expenses	-1	-1	-1	-0	--	-0
Discontinued activities	--	-2	--	-2	--	--
<b>EBITDA</b>	<b>88</b>	<b>58</b>	<b>53</b>	<b>39</b>	<b>33</b>	<b>18</b>

	Group		Surface Solutions		Polymer Processing Solutions	
	Q1'21	Q1'20	Q1'21	Q1'20	Q1'21	Q1'20
<b>Operational EBIT</b>	<b>39</b>	<b>9</b>	<b>15</b>	<b>-2</b>	<b>24</b>	<b>11</b>
Restructuring expenses	-1	-1	-1	-0	--	-0
Impairments related to restructuring	-0	-0	-0	-0	--	--
Discontinued activities	--	-2	--	-2	--	--
<b>EBIT</b>	<b>38</b>	<b>6</b>	<b>14</b>	<b>-5</b>	<b>24</b>	<b>11</b>

# Investor Relations



**Stephan Gick**

Stephan.gick@oerlikon.com

+41 58 360 98 50



**Peter Dickson**

Peter.dickson@oerlikon.com

+41 58 360 96 39



[ir@oerlikon.com](mailto:ir@oerlikon.com)



[www.oerlikon.com/en/investors](http://www.oerlikon.com/en/investors)



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