

Oerlikon continued to deliver good profitability in a challenging market

Dr. Brice Koch, CEO

Jürg Fedier, CFO

Q3 / 9M 2015 Business Update

October 27, 2015



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2 Q3 2015 Financial Review

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Oerlikon – Summary Q3 2015

Operational performance

- Ongoing and accelerated adverse global developments in some key markets as well as negative currency effects result in a top-line below previous year's level
- Competitive advantage of Best-in-Class businesses result in outperformance in demanding market environment
- Service business increased to 33 % of Group sales
- Good profitability maintained with EBITDA margin of 16.3 %, due to continuous cost variabilization and discipline as well as operational excellence initiatives
- Intensified structural measures to further lower break-even points

Guidance

- 2015 top-line growth targets aligned to new market realities while profitability target confirmed
- Investor Day scheduled for November 30, 2015



Surface Solutions Segment – Strong profitability despite lower top-line



Key figures

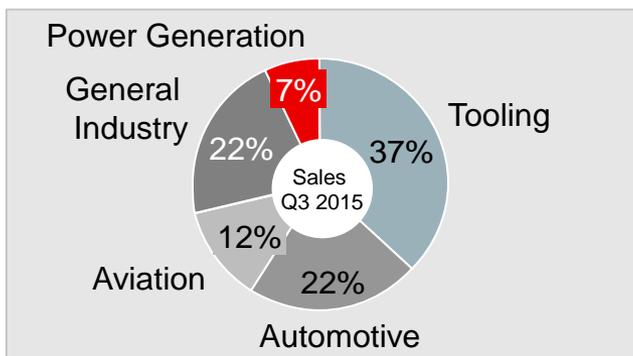
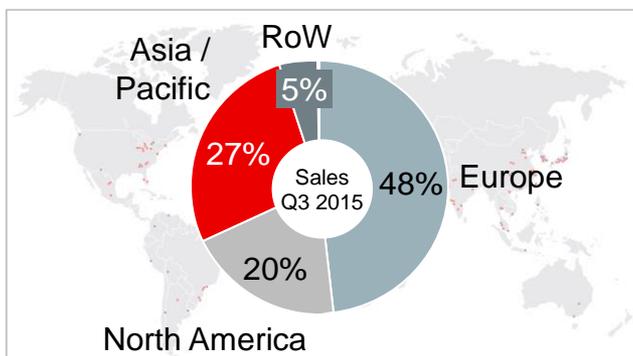
in CHF million	Q3 2015	Q3 2014	Δ
Order intake	299	317	-5.7 %
Sales (to 3 rd parties)	296	312	-5.1 %
EBITDA	63	46	+37.0 %
EBITDA margin ¹	21.3 %	14.6 %	+6.7 pp
EBIT	38	18	>100 %
EBIT margin ¹	12.8 %	5.7 %	+7.1 pp

Market development

- Europe shows positive development, weakening in Asia; US behind expectation
- MRO market flat; Automotive growth slowed down, in particular China/Europe
- Oil & Gas industry down (no prediction for recovery short term)
- Power Generation strong

Operational performance

- Strong profitability achieved → early cost saving measures
- Integration well on track → further moving toward normal operations
- Continuous deployment of new products, competence and applications

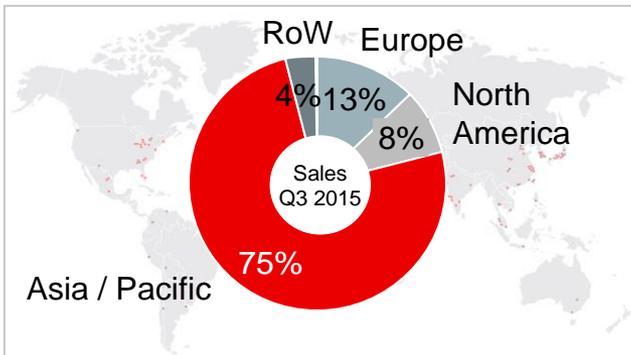


¹ as % of sales

Manmade Fibers Segment – Performance reflecting the uncertainty in China

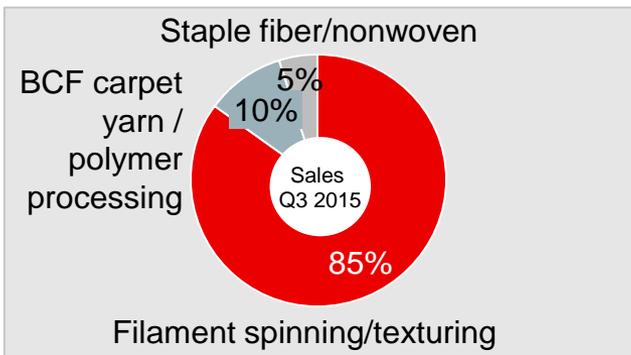


Key figures	in CHF million	Q3 2015	Q3 2014	Δ
	Order intake		181	221
Sales (to 3 rd parties)		181	246	-26.4 %
EBITDA		30	52	-42.3 %
EBITDA margin ¹		16.3 %	21.3 %	-5.0 pp
EBIT		25	48	-47.9 %
EBIT margin ¹		13.9 %	19.3 %	-5.4 pp



Market development

- Economic, financial and regulatory uncertainties in China leading to projects delay
- Projects in India slowly materializing
- BCF market stagnating at low level



Operational performance

- Order intake and sales suffered from project postponements and delays in China
- Service business exceeding 11 % of sales
- Profitability sequentially maintained
 - Despite unfavorable product-mix
 - Due to initial contingency measures to compensate for the lack in volume

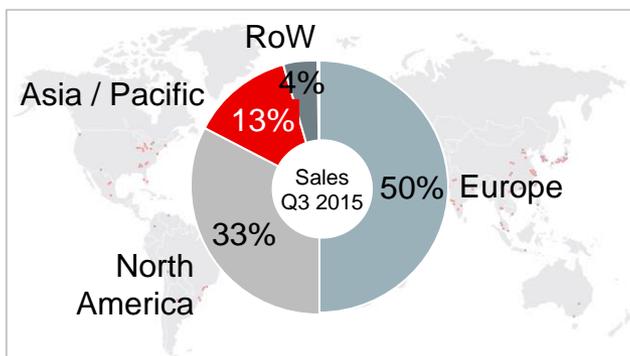
¹ as % of sales

Drive Systems Segment – Significant headwinds in key end markets



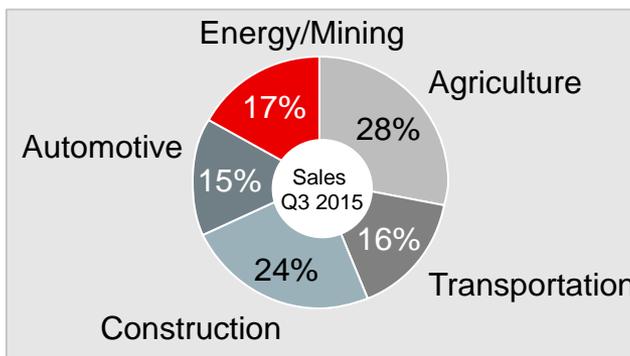
Key figures

in CHF million	Q3 2015	Q3 2014	Δ
Order intake	129	190	-32.1 %
Sales (to 3 rd parties)	157	194	-19.1 %
EBITDA	16	20	-20.0 %
EBITDA margin ¹	10.1 %	10.3 %	-0.2 pp
EBIT	6	10	-40.0 %
EBIT margin ¹	4.0 %	5.1 %	-1.1 pp



Market development

- Increased activity in E-vehicle applications
- Oil & Gas ongoing low demand
- Agriculture and mining markets remain in trough with limited near-term potential
- Slowing growth in construction and transportation



Operational performance

- Ongoing actions in cost-saving measures resulted in stable profitability level
- Sales and orders impacted by tough market conditions
- Accelerate significantly operational and cost-saving measures

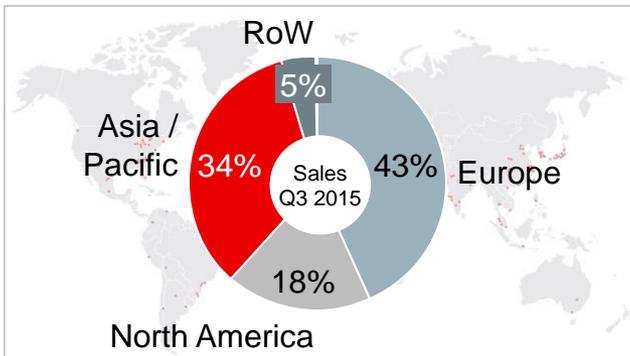
¹ as % of sales

Vacuum Segment – Growth in established markets overshadowed by China



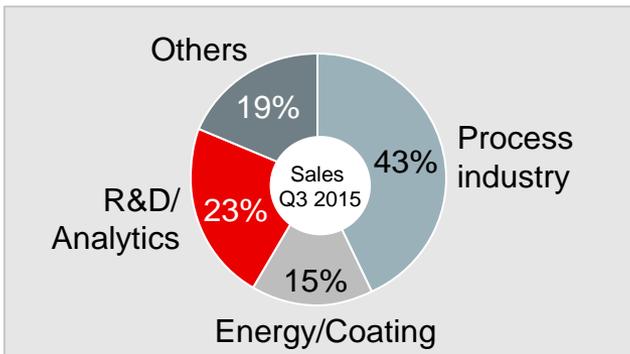
Key figures

in CHF million	Q3 2015	Q3 2014	Δ
Order intake	82	97	-15.5 %
Sales (to 3 rd parties)	88	99	-11.1 %
EBITDA	6	11	-45.5 %
EBITDA margin ¹	7.3 %	11.2 %	-3.9 pp
EBIT	3	8	-62.5 %
EBIT margin ¹	3.5 %	7.6 %	-4.1 pp



Market development

- Positive business in R&D/Analytics
- Process industry and Energy/Coating impacted by slowing of global economy
- Eurozone and US with reduced dynamics while Asia and China in particular are in a market downturn



Operational performance

- Underperforming China/Asia impacting top-line realization
- Successful E-Shop roll out in more than 12 countries
- Launch of Remote Monitoring Service
- Profitability lower due to lack of volume, product mix and investments

¹ as % of sales

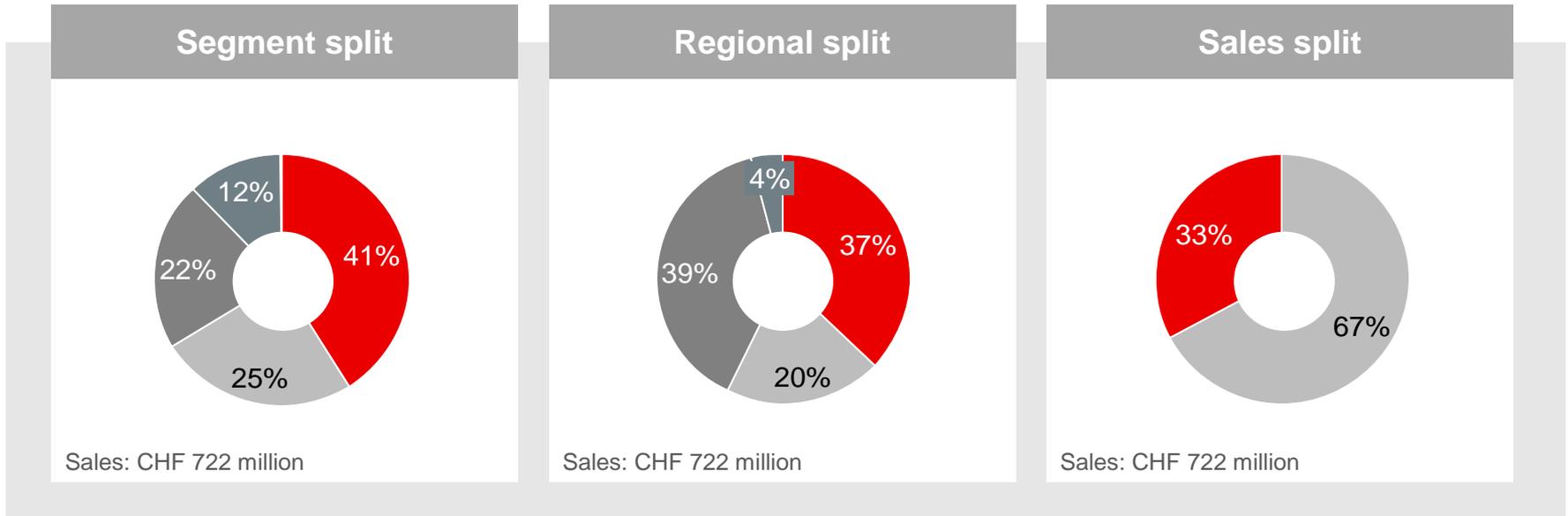
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Sales split Q3 2015 – A balanced portfolio with high share of service business

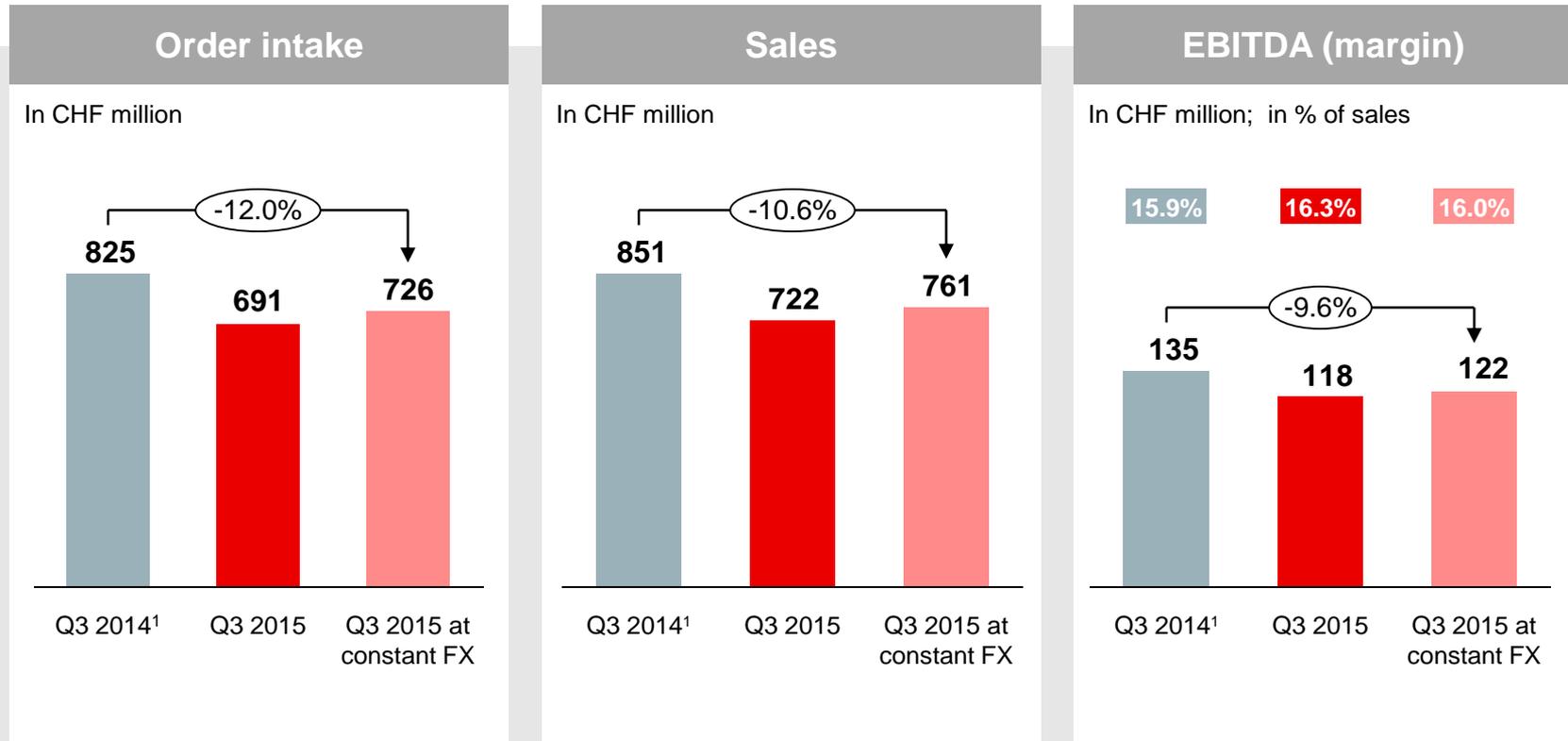


- Surface Solutions
- Manmade Fibers
- Drive Systems
- Vacuum

- Asia / Pacific
- North America
- Europe
- Rest of World

- Goods, Equipment & Components
- Service & Spare Parts

Accelerated market weaknesses and unfavorable FX impacted top-line

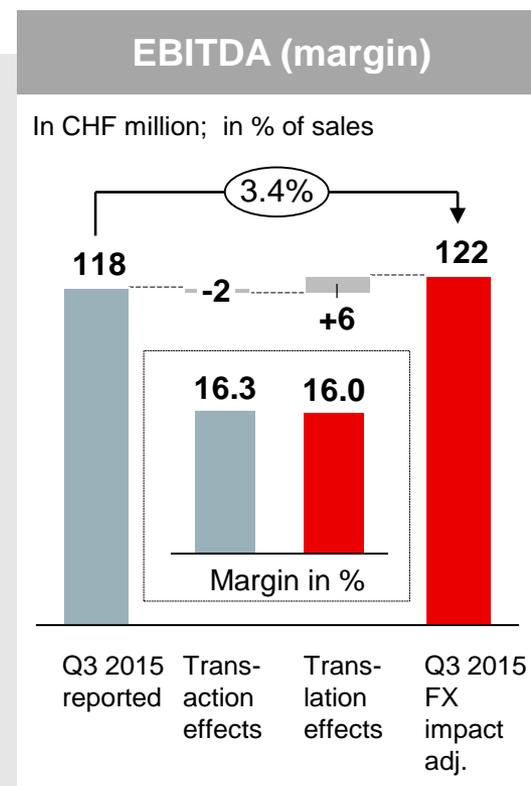
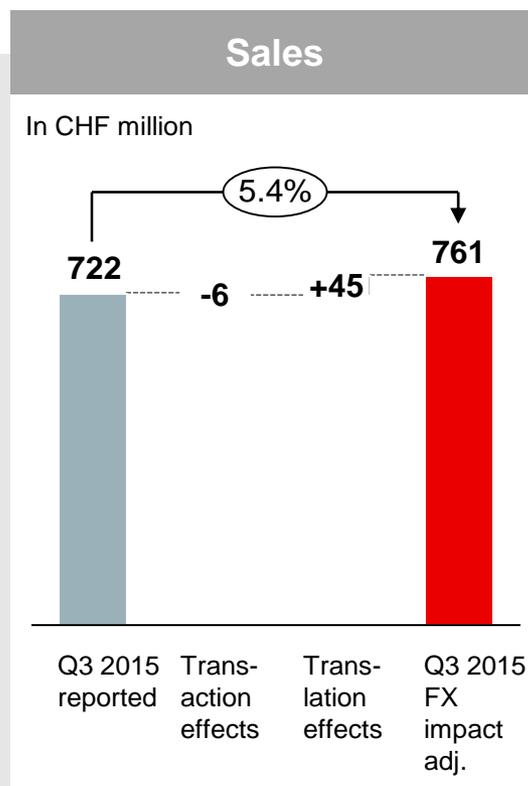
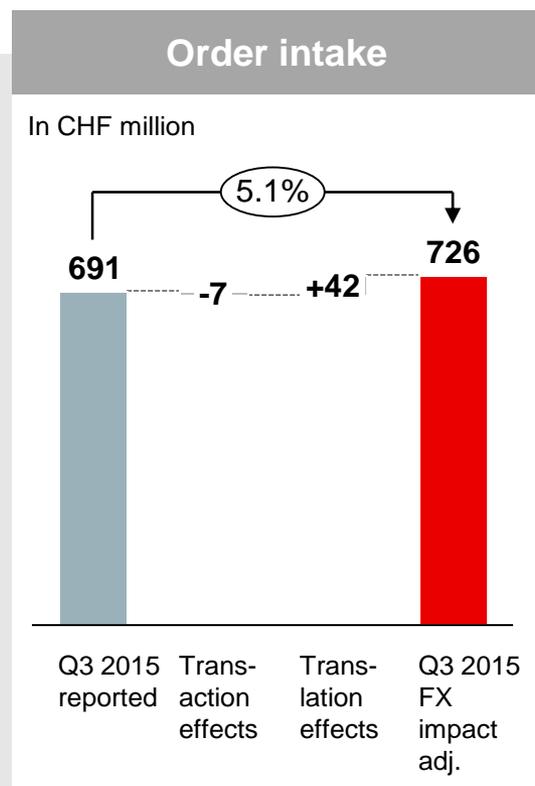


- Adverse global developments in key end markets and regions as well as negative currency effects
- Currency development impacts Group top-line in the amount of ~ minus 5 %
- Q3 impact on profitability from Metco transaction: CHF 2.2m integration cost & CHF 7.4m amortization

¹ Q3 2014 restated for the divestment of the Advanced Technologies Segment

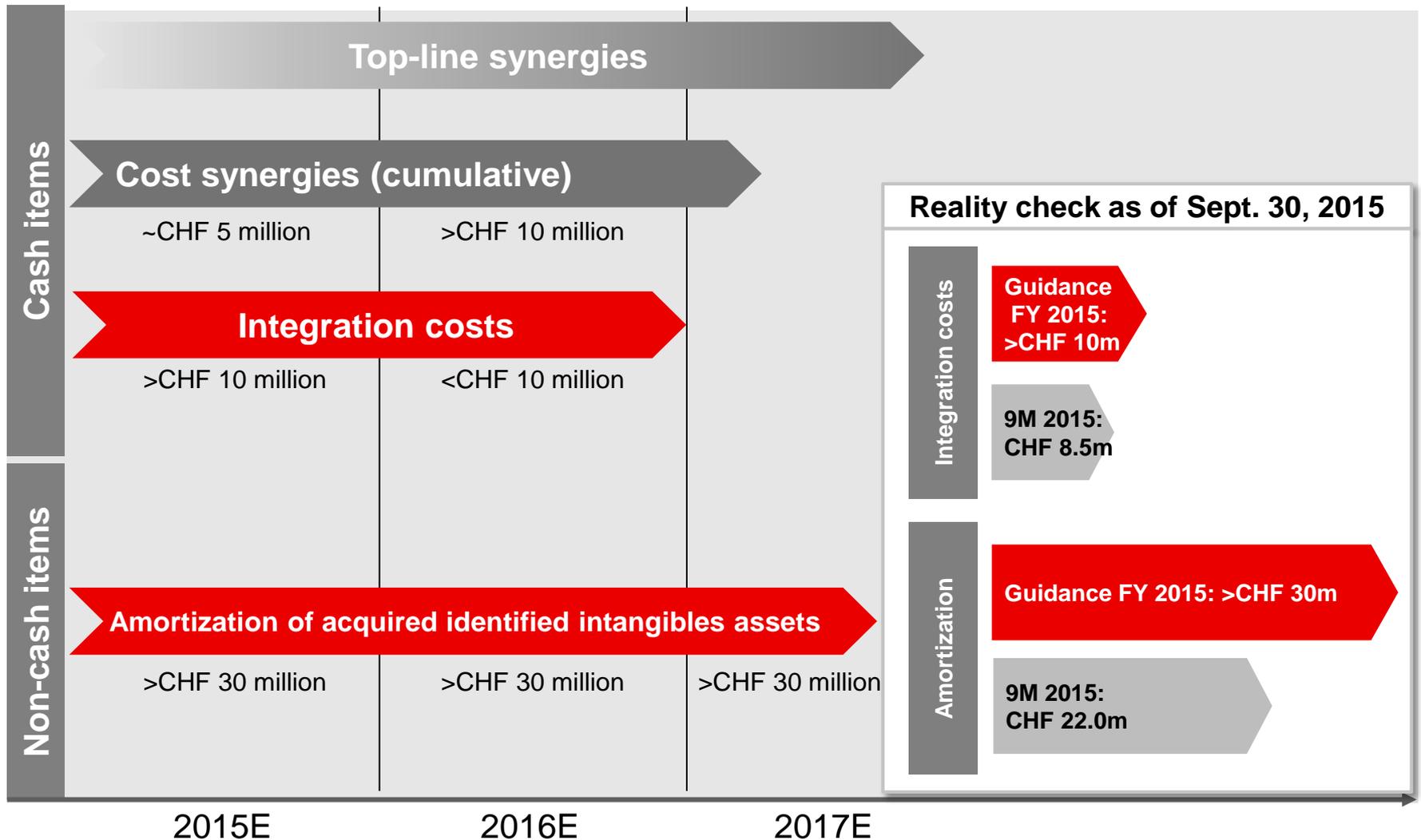
FX impact on Orders, Sales and EBITDA

Q3 2015



- Impact mainly related to translation as a result of reporting currency CHF
- Appreciation of currencies (INR, USD, CNY) against CHF – EUR with devaluation against CHF
- Limited impact on EBITDA margin
- Impact on Segments varies in line with their global (currency) positioning

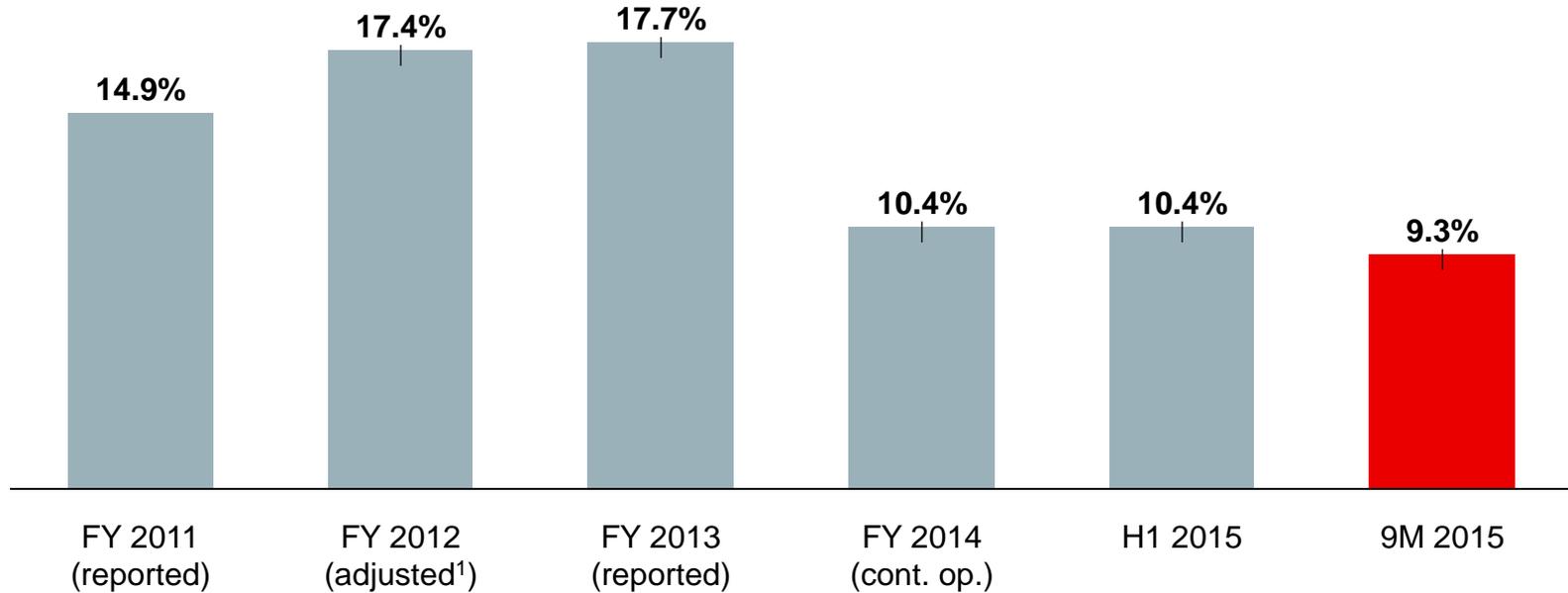
Financial impact of Metco transaction – Reality check confirms initial assumptions



Return On Capital Employed (ROCE) confirms value creation of Oerlikon Group

Development of ROCE

In %



- ROCE impacted by lower 12 months rolling (absolute) EBIT– while margin was maintained
- No material change in asset base

¹ EBIT excl. one-time effect of sale of Arbon property of CHF 39 million

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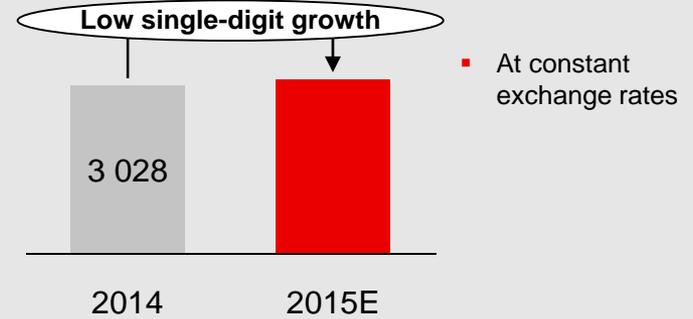
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2015 top-line targets aligned to new market realities while profitability target confirmed



Order intake

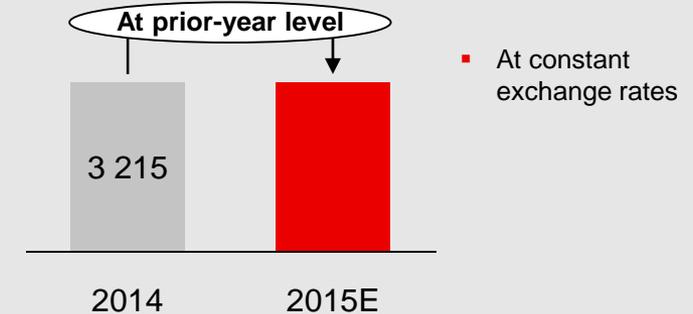


2015 Group Guidance

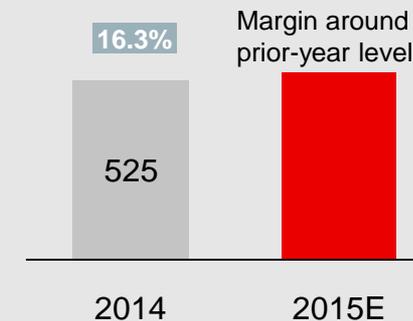
Oerlikon expects, compared to 2014 reported figures (continuing operations) and based on constant exchange rates:

- Order intake to grow by low single-digit
- Sales to be at prior-year level
- EBITDA¹ margin to be at prior-year level
- Based on January exchange rates, a translation effect of 11-12 % is estimated

Sales



EBITDA



¹ Including full absorption of all related one-time integration and accounting effects from Metco transaction

Good profitability despite lower top-line

Performance

- Accelerated market weaknesses
- Good profitability maintained – 15th consecutive quarter with an EBITDA margin above 15 %
- Surface Solutions Segment with solid business and high profitability
- Group wide intensified activities to further secure operating profitability

Outlook

- 2015 margin target confirmed despite lower top-line assessment
- Leadership position in Best-in-Class businesses and underlying market growth offer good mid-term perspective for profitable growth, despite short-term headwinds



Organization

Date & time:

November 30, 2015, 02.00 p.m. CET

Venue:

Convention Point
SIX Swiss Exchange
Selnaustrasse 30
8001 Zürich, Switzerland

Language:

The Investor Day will be held in English

Webcast:

In case you are unable to participate, a live webcast will be available on our website

Registration

Please register on our website:

www.oerlikon.com/en/investorday2015

Group - | Region - | Language: English - | Search

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Investor Day 2015

Oerlikon will be hosting an Investor Day on November 30, 2015 at 14:00hrs CET, at the:

Convention Point
SIX Swiss Exchange
Selnaustrasse 30
8001 Zurich
Switzerland

* Firstname

* Lastname

* e-mail

* Company

Journalist
 Analyst
 Investor / credit institute

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Did you know?
Vacuum Segment
The exploration of the boundaries of our knowledge depends on vacuum technology in the search for the existence of subatomic particles.
[read more](#)

Thank you.



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2014 key figures Oerlikon Group



in CHF million	2014	2013	Δ
Order intake ¹	3 028	2 779	+9.0 %
Order backlog ¹	715	800	-10.6 %
Sales ¹	3 215	2 770	+16.1 %
EBITDA ¹ % of sales	525 16.3 %	483 17.4 %	+8.7 %
EBIT ¹ % of sales	360 11.2 %	359 13.0 %	+0.3 %
Result from continuing operations % of sales	247 7.7 %	253 9.1 %	-2.4 %
Net income	202	201	+0.5 %
EPS (in CHF)	0.59	0.60	-1.7 %
Cash flow from operating activities ²	427	435	-1.8 %
Net operating assets ¹ (incl. goodwill and brands)	2 685	1 487	+80.6 %

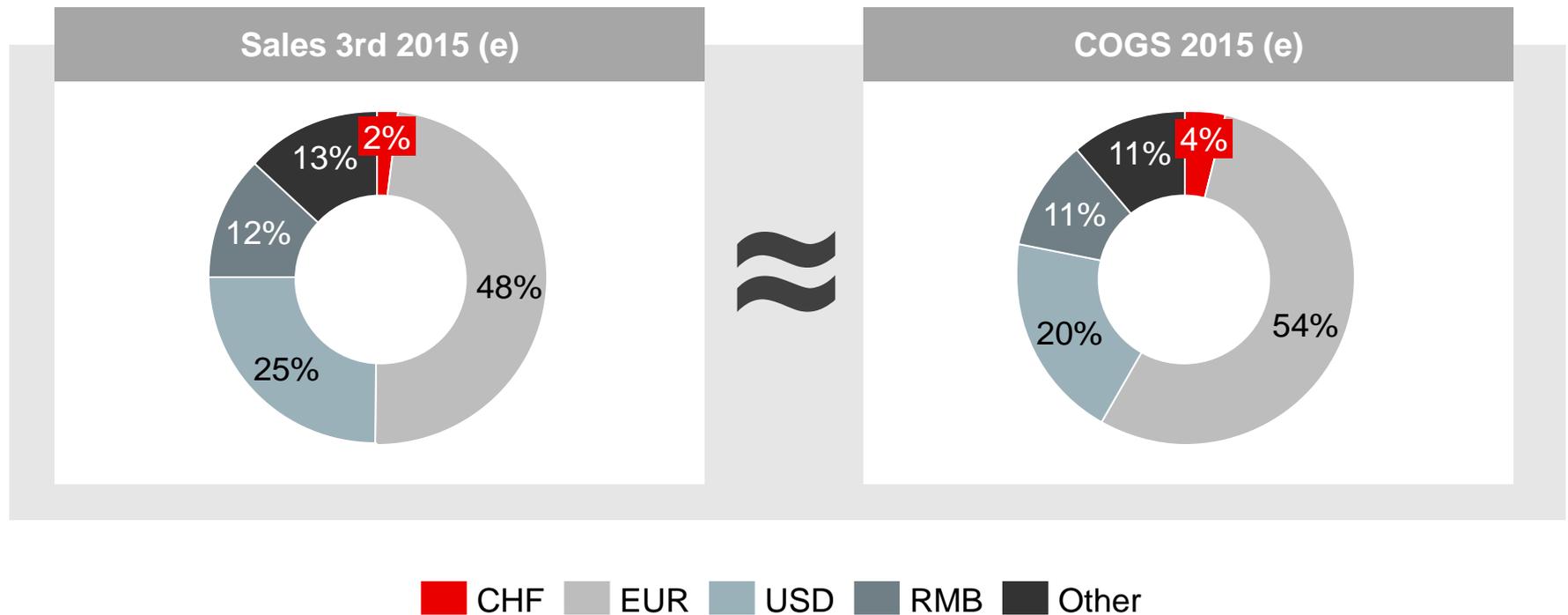
¹ FY 2013 restated, FY 2014 continuing operations (incl. goodwill and brands), ² before changes in net current assets

2014 key figures by Segment

in CHF million	Surface Solutions	Manmade Fibers	Drive Systems	Vacuum
Order intake Δ to 2013	965 +89.2 %	901 -16.0 %	781 -1.4 %	381 -5.7 %
Order backlog Δ to 2013	79 n/a	365 -32.5 %	199 +10.6 %	72 -8.9 %
Sales (to 3 rd parties) Δ to 2013	973 +90.8 %	1 073 -5.0 %	779 +6.1 %	390 -1.5 %
EBITDA Δ to 2013	183 +22.8 %	217 +4.8 %	82 +22.4 %	41 -24.1 %
EBITDA margin ¹ Δ to 2013	18.8 % -10.4 pp	20.3 % +1.9 pp	10.5 % +1.4 pp	10.3 % -3.2 pp
EBIT Δ to 2013	98 -6.7 %	197 +4.8 %	41 +57.7 %	27 -34.1 %
EBIT margin ¹ Δ to 2013	10.0 % -10.5 pp	18.4 % +1.8 pp	5.3 % +1.8 pp	6.8 % -3.5 pp
Net Operating assets Δ to 2013	1 421 >100 %	128 >100 %	945 +2.2 %	199 +2.0 %
No. of employees Δ to 2013	6 063 +85.0 %	2 552 +2.9 %	5 194 +0.7 %	1 617 +6.9 %

¹ as % of sales

Balanced FX profile across the Group – Limited Swiss franc exposure

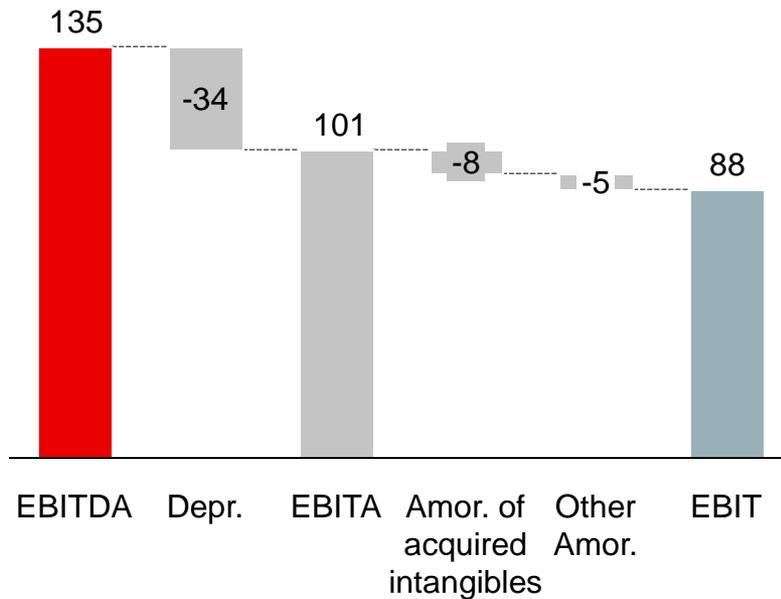


- No major currency mismatch – natural hedge in place
- Limited transaction risk
- Translation effects from reporting currency CHF

EBITDA to EBIT bridge reflects Metco effects on profitability and D&A

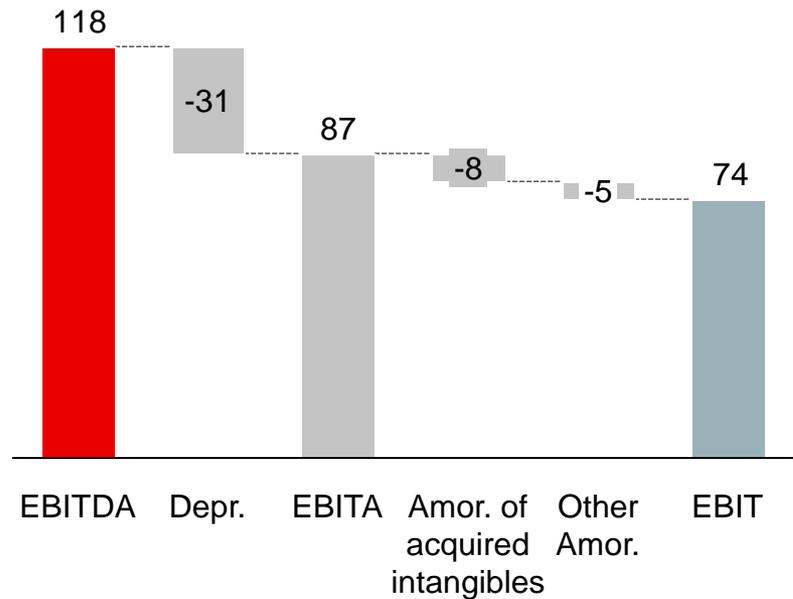
EBITDA to EBIT bridge – Q3 2014¹

In CHF million



EBITDA to EBIT bridge – Q3 2015

In CHF million



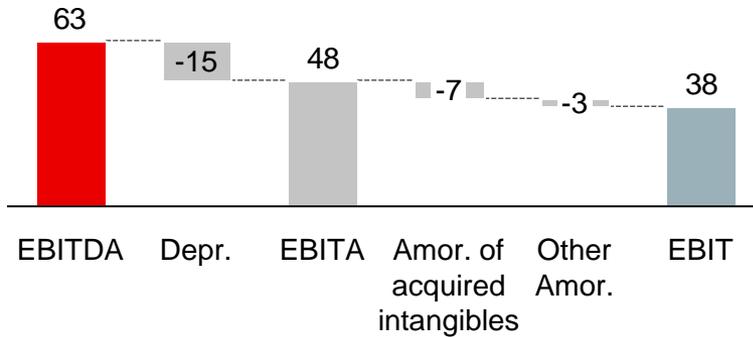
- Increase in depreciation and amortization of identified acquired intangible assets mainly attributable to Metco transaction

¹ Q3 2014 restated for the divestment of the Advanced Technologies Segment

EBITDA to EBIT bridge per Segment

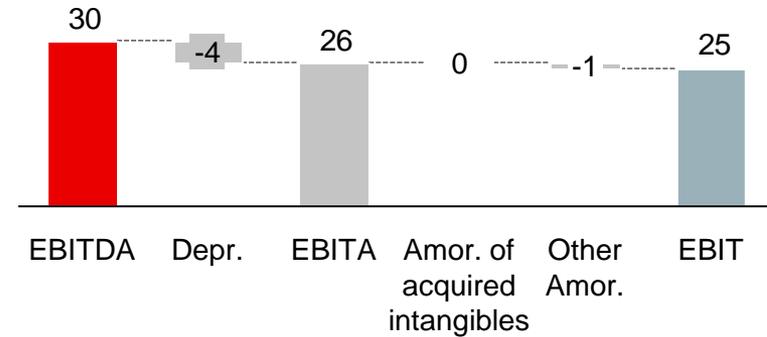
Surface Solutions Segment – Q3 2015

In CHF million



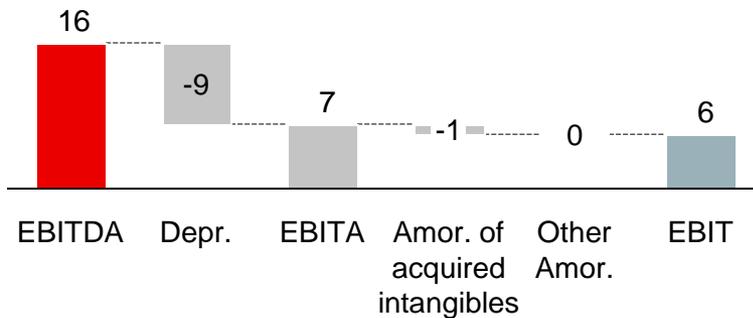
Manmade Fibers Segment – Q3 2015

In CHF million



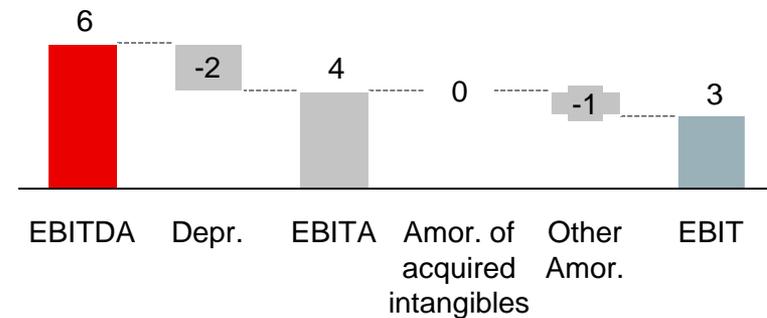
Drive Systems Segment – Q3 2015

In CHF million



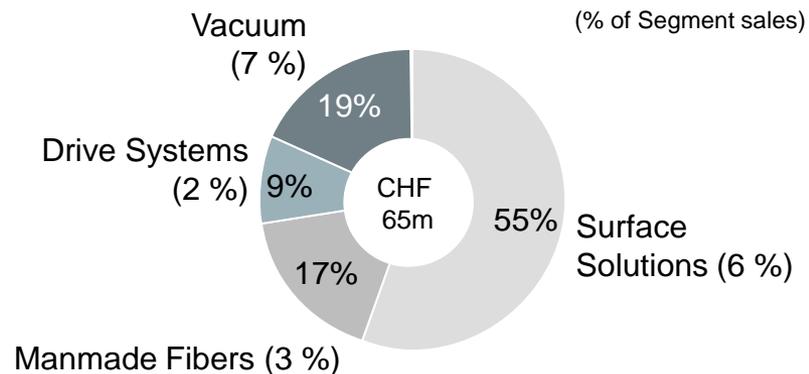
Vacuum Segment – Q3 2015

In CHF million

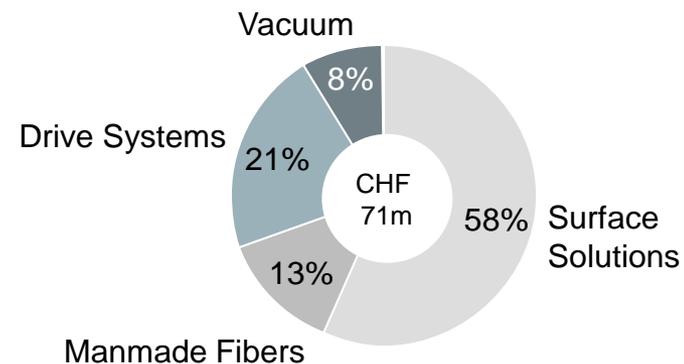


R&D and CapEx on Segment level¹

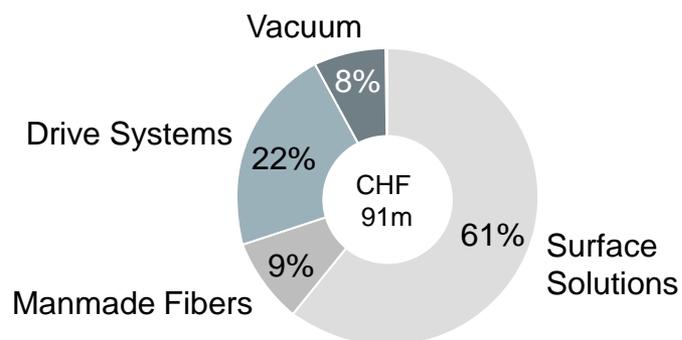
R&D expenses H1 2015



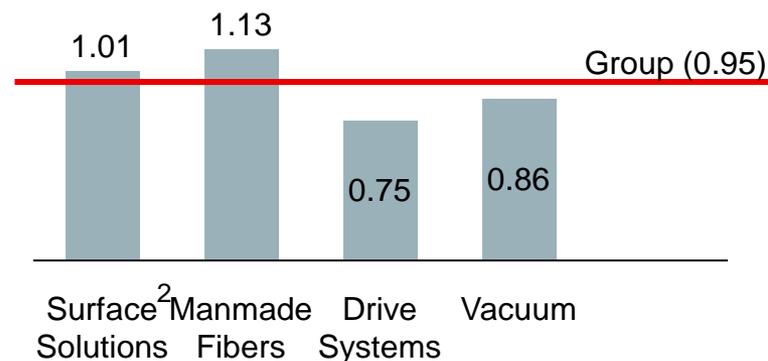
CapEx H1 2015



Depreciation & Amortization H1 2015



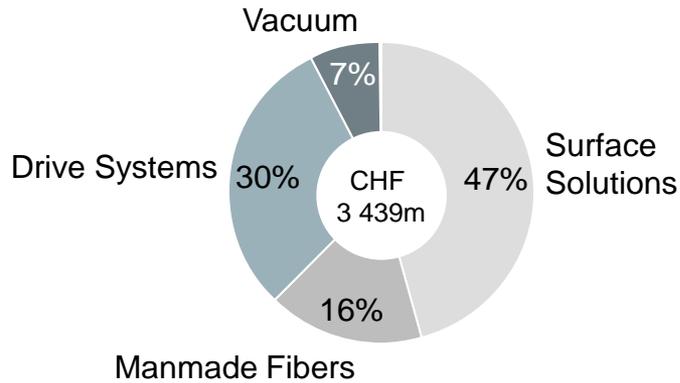
CapEx / Depr. & Amort. H1 2015



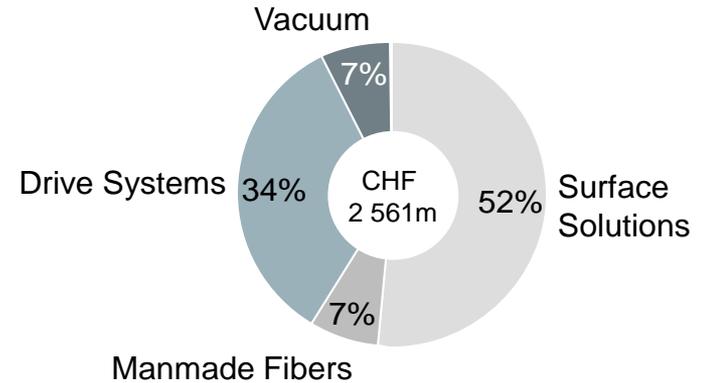
¹ H1 2015 continuing operations; ² Amortization adjusted for amortization of acquired intangible (CHF 14.6 million)

Asset allocation and employees on Segment level

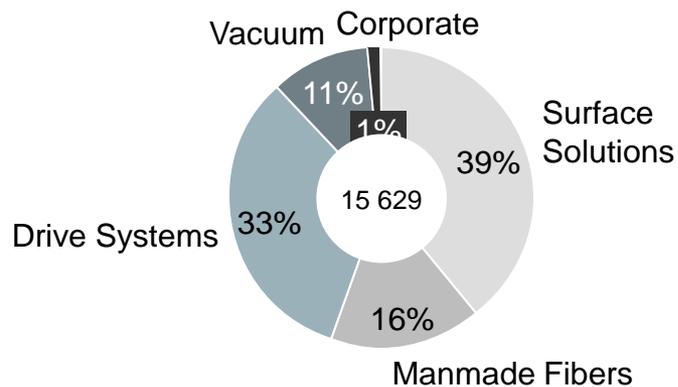
Operating assets H1 2015



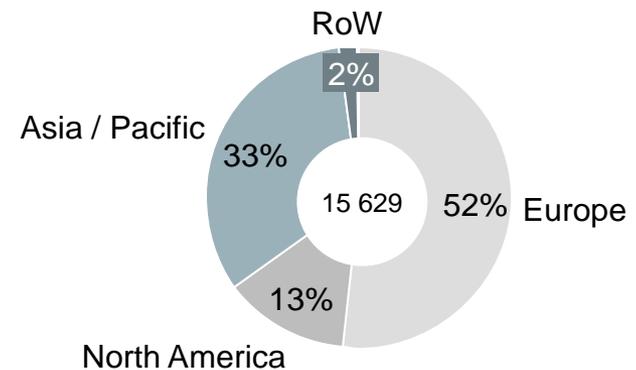
Net operating Assets H1 2015



Employees (FTE) by Segment H1 2015



Employees (FTE) by Region H1 2015

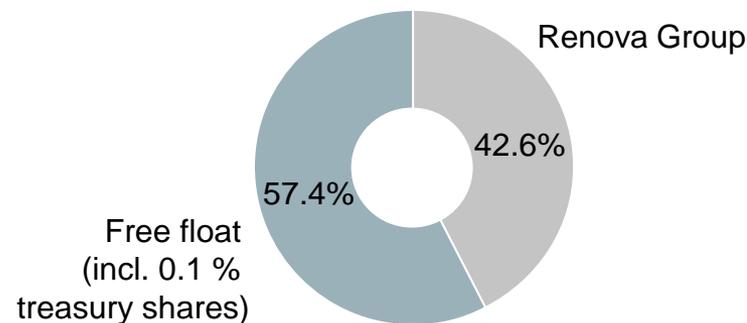


Oerlikon shares

- Listed on Swiss Exchange (SIX) since 1973
- Securities symbol: OERL
- Securities number 81 682
- ISIN: CH0000816824
- No. of shares outstanding: 339 758 576 shares (as of Sept. 30, 2015)
- Re-entry to Swiss SMIM on April 17, 2012
- Addition to STOXX Europe 600 as of June 18, 2012

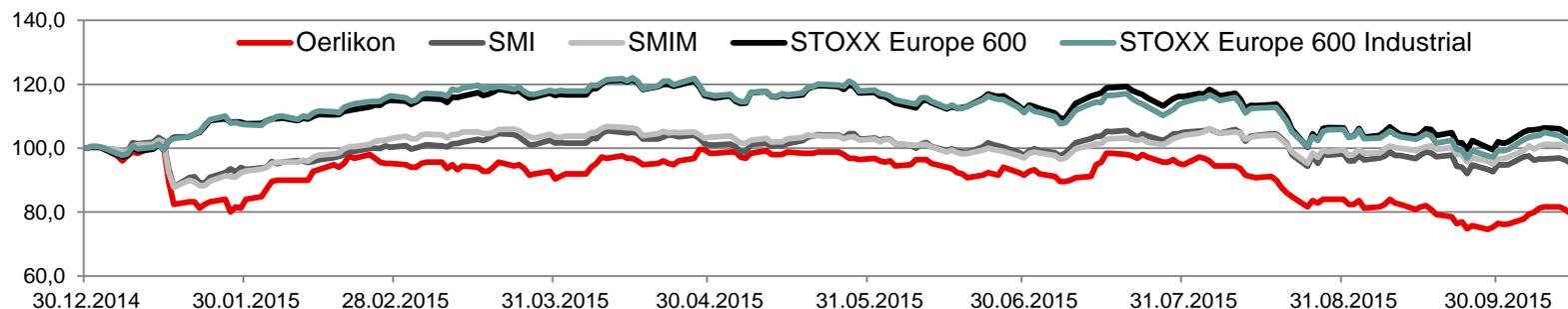
Oerlikon shareholder structure¹

as of Sept. 30, 2015



Oerlikon share price development

as of October 16, 2015, indexed; 100 percent = closing price per December 30, 2014



¹ Based on 339 758 576 shares outstanding and latest notification by Renova (as of January 6, 2015 of 144 764 860 shares)

Coverage – 9 Buy/Accumulate & 3 Hold/Neutral

Broker	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Pierre-Yves Gauthier	Buy	08.10.2015	13.30
Baader Helvea	Reto Amstalden	Buy	29.09.2015	14.60
Bank am Bellevue	Alessandro Foletti	Hold	07.08.2015	11.50
Berenberg Bank	Sebastian Künne	-	Suspended	-
Credit Suisse	Patrick Laager	Outperform	19.10.2015	12.00
Jefferies	Peter Reilly	Buy	07.08.2015	14.00
Kepler Cheuvreux	Hans-Joachim Heimbürger	Buy	26.08.2015	14.00
MAINFIRST	Michael Inauen	Outperform	22.10.2015	12.50
Mirabaud Securities LLP	Thomas Baumann	Buy	04.08.2015	13.75
RBC Capital Markets	Wasi Rizvi	Outperform	21.10.2015	11.50
Société Générale	Christophe Quarante	Hold	21.10.2015	13.00
UBS	André Rudolf von Rohr	Buy	22.10.2015	12.50
Vontobel	Michael Foeth	Buy	22.10.2015	13.40
Zürcher Kantonalbank	Armin Rechberger	Marketweight	22.10.2015	-
Consensus		9 positive 3 neutral		12.75

Oerlikon Customer Base (Selection)

- Preferred technology supplier to technology leaders in their respective industries
- Global customer base and world-leading brand names
- Strong long-term customer relationships



November 30, 2015	Investor Day 2015 - Zurich
March 01, 2016	Q4 / FY 2015 results and publication of Annual Report 2015 - Annual Press Conference
April 5, 2016	Annual General Meeting of Shareholders - KKL Lucerne
May 10, 2016	Q1 2016 Results - Media & Analyst Conference Call
August 2, 2016	Q2 / HY 2016 results and publication of Interim Report 2016 - Media & Analyst Conference Call
November 02, 2016	Q3 / 9M 2016 results - Media & Analyst Conference Call

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