

# Third quarter performance reflecting challenging market developments

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Q3 / 9M 2019 Business Update

November 5, 2019



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2 Q3 2019 Financial Review

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# Third quarter performance reflecting challenging market developments

## 1 Lower top-line

- Group Q3 order intake -4.3 % vs. the prior year, mainly due to challenging market environment, particularly in Surface Solutions equipment
- Group sales -7.9 % y-o-y, Surface Solutions delivering flat organic sales

## 2 Group EBITDA margin of 13.3 %

- Surface Solutions EBITDA margin of 15.0 % due to mix effects, continued investments in future growth and Additive Manufacturing
- Manmade Fibers margin of 10.7 % impacted by realization of lower-margin projects from the last downcycle, double-digit EBITDA margin

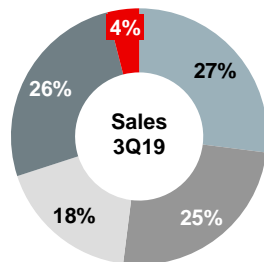
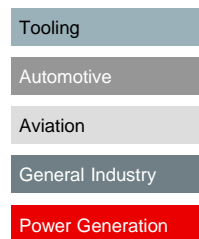
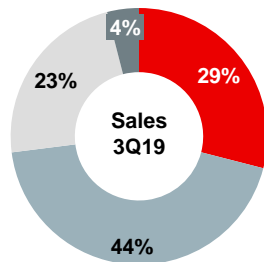
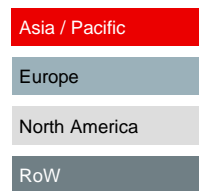
## 3 Initiation of Share Buyback Program

- Purchase of up to CHF 350m value of shares to increase capital efficiency
- Intention to utilize the repurchased securities primarily to fund potential inorganic growth opportunities

## 4 Full year guidance 2019 unchanged

- Supported by healthy order and project pipeline, Group full year targets remain unchanged at around the same level as for full year 2018
- FY 2019 guidance: Group order intake CHF up to 2.7 bn, sales exceeding CHF 2.6 bn, EBITDA margin around 15.5 %

# Surface Solutions Segment – Flat organic sales development in adverse markets



## OPERATIONAL PERFORMANCE

- Decline in orders and sales across all markets, driven by slowdown in Automotive, Tooling and Power Generation
- Flat organic sales growth compared to 3Q18, after deducting effects from currency movements and CHF ~10 m from acquisitions and material surcharges
- Strong increase in thermal spray business (services and equipment); SUME bore expansion continues
- Automotive: significant decrease in production volumes, cost actions to mitigate
- 3Q19 EBITDA profitability negatively impacted by product and regional mix, inventory revaluation in materials and operating expenses related to the investments and dilution from AM of ~300 bps

## MARKET DEVELOPMENT

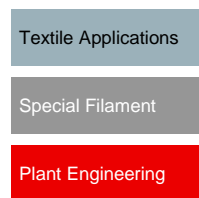
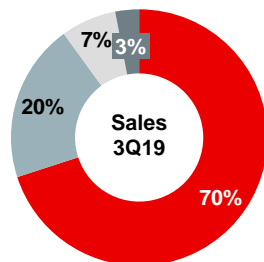
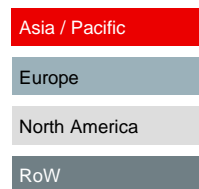
- Tooling industry shows reduced activity in difficult end markets
- Automotive market stabilizing on substantially reduced production volumes, acceptance for ePD<sup>1</sup> technology accelerating, large investment decisions held back
- Stabilizing demand in General Industry (IP<sup>2</sup>) on low levels
- Aerospace market with continued growth, despite industry challenges
- Ongoing challenges in Power Generation
- Good business environment in North America, flattening activities in Europe and slow down in Asia, mainly China

in CHF million	3Q19	3Q18	y-o-y	y-o-y ex FX	9M19	9M18	y-o-y	y-o-y ex FX
Order intake	350	395	-11.4%	-9.8%	1'109	1'174	-5.5%	-4.3%
Sales (3 <sup>rd</sup> parties)	369	373	-1.1%	0.6%	1'119	1'128	-0.8%	0.5%
EBITDA	55	69	-20.3%	–	180	218	-17.4%	–
In % of sales	15.0%	18.3%	–	–	16.0%	19.2%	–	–
EBIT	15	34	-55.9%	–	56	116	-51.7%	–
In % of sales	4.1%	9.2%	–	–	5.0%	10.2%	–	–

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

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

# Manmade Fibers Segment – Sustained high top-line levels – profitability in line with expectations



<sup>1</sup> Bulked Continuous Filament (Carpet Yarn)

<sup>2</sup> Continuous Polycondensation

## OPERATIONAL PERFORMANCE

- Strong order intake sustained in Textile Applications, especially in filament equipment in China
- Sales remain at high levels, reported Q3 decline against historically high sales in 3Q18
- Sales growth in Textile Applications, mainly filament equipment; decline in sales in Special Filament (hesitant investment decisions in BCF<sup>1</sup> markets Turkey and US) and Plant Engineering (especially staple fibers)
- Sustained double-digit EBITDA margin despite expected impact from booking of lower-margin projects from the last downcycle

## MARKET DEVELOPMENT

- Continued strong project pipeline in Textile Applications; customers take position in tightening market conditions to secure leadership in filament equipment in China
- Low demand levels in Special Filament, mainly in BCF<sup>1</sup> in Turkey and US; growing interest in recycling solutions
- Project opportunities in Plant Engineering with high interest and new project opportunities in nonwoven portfolio and positioning for CP<sup>2</sup> solutions; challenging market conditions for staple fibers
- Strong project pipeline for Textile Applications resulting in continued high level of order intake with delivery reaching into 2021 / 2022

in CHF million	3Q19	3Q18	y-o-y	y-o-y ex FX	9M19	9M18	y-o-y	y-o-y ex FX
Order intake	276	260	6.2%	10.5%	870	916	-5.0%	-1.9%
Sales (3 <sup>rd</sup> parties)	265	314	-15.6%	-12.3%	839	828	1.3%	4.7%
EBITDA	28	36	-22.2%	–	119	95	25.3%	–
In % of sales	10.7%	11.5%	–	–	14.2%	11.5%	–	–
EBIT	22	30	-26.7%	–	100	77	29.9%	–
In % of sales	8.4%	9.5%	–	–	11.9%	9.3%	–	–

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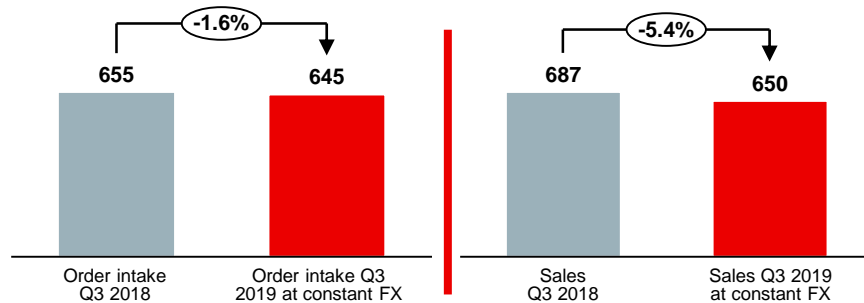
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# Group performance impacted by challenging market environment

in CHF million	3Q19	3Q18	y-o-y	9M19	9M18	y-o-y
Order intake	627	655	-4.3%	1'979	2'090	-5.3%
Sales (3 <sup>rd</sup> parties)	633	687	-7.9%	1'958	1'956	0.1%
EBITDA	84	103	-18.4%	299	311	-3.9%
In % of sales	13.3%	15.0%	-	15.3%	15.9%	-
EBIT	36	62	-41.9%	151	190	-20.5%
In % of sales	5.7%	9.0%	-	7.7%	9.7%	-

- Surface Solutions Segment sustained a good sales level in 3Q19, reporting a 1.1 % decline in sales while organic sales were flat year-over-year
- Sales in the Manmade Fibers Segment were 16 % lower due to historically high sales comparable in 3Q18
- Group with book-to-bill >1 for 9M19 and <1 for 3Q19
- Currencies provided headwinds on orders and sales year-on-year

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

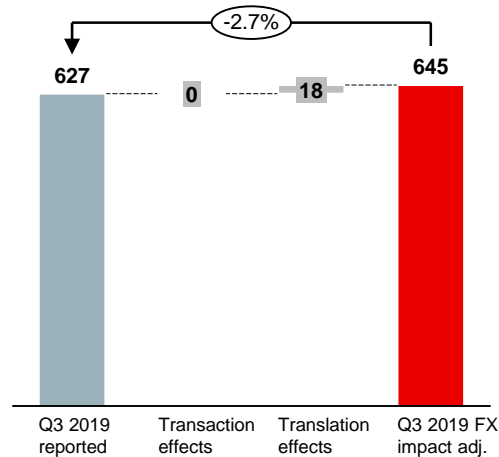


Sales growth	3Q19 vs. 3Q18 (y-o-y)	3Q19 vs. 2Q19 (q-o-q)
Reported	-7.9%	-9.6%
Performance	-5.4%	-6.9%
FX translation	-2.5%	-2.7%

# FX impact on Orders, Sales and EBITDA in Q3 2019

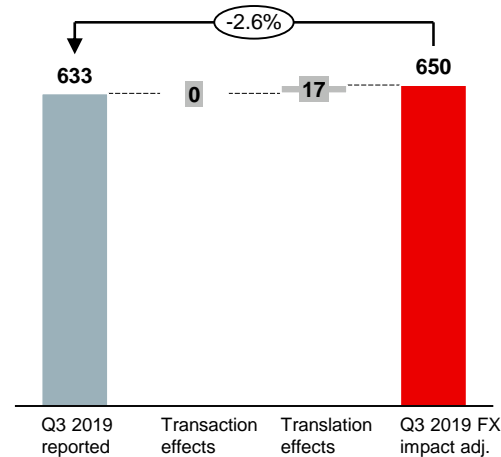
## Order intake Q3 2019

In CHF million



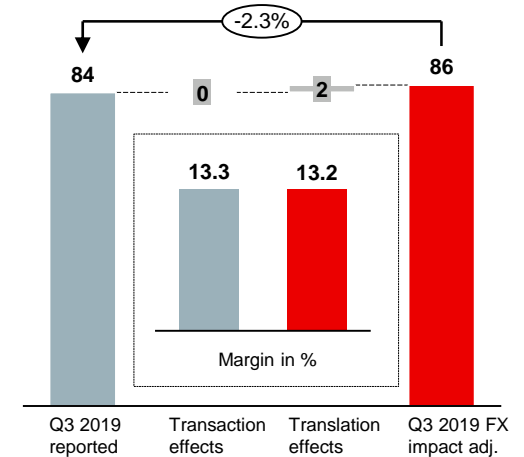
## Sales Q3 2019

In CHF million



## EBITDA Q3 2019

In CHF million

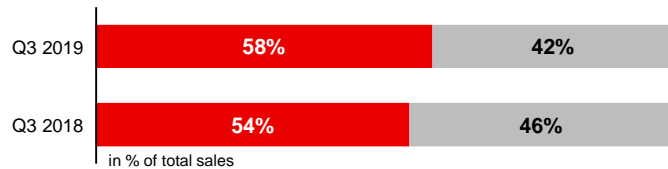


- Top-line impact mainly related to currency translation as a result of reporting currency CHF
- Dominating drivers were depreciation of EUR and CNY against CHF, partially compensated by a stronger USD against CHF
- Impact on EBITDA margin only minor



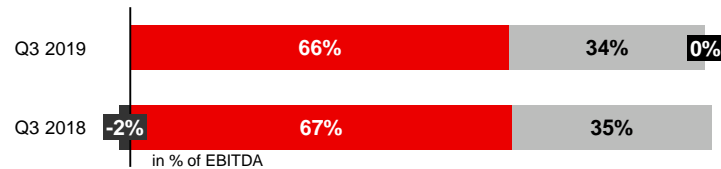
# Business split – Segment splits in line with business performance

## Segment sales split



■ Surface Solutions    ■ Manmade Fibers

## Segment EBITDA split



■ Surface Solutions    ■ Manmade Fibers    ■ Other

## Regional sales split



■ APAC    ■ Europe    ■ North America    ■ RoW

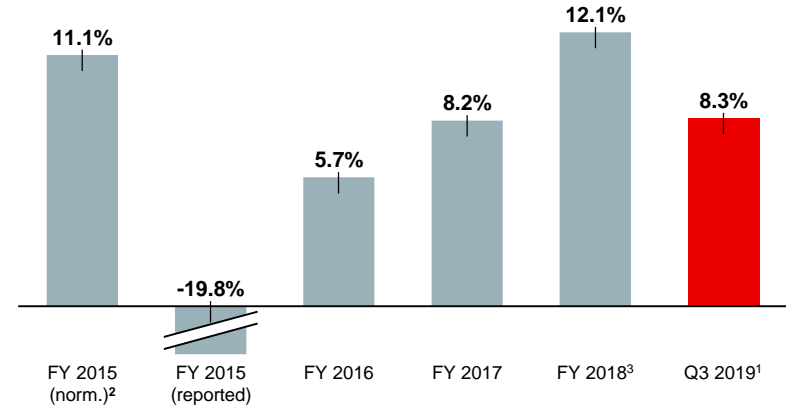
## Service business



■ Service & Spare Parts    ■ Goods, Equipment & Components

# Return On Capital Employed (ROCE)

	Q3 2019 <sup>1</sup>	FY 2018 <sup>3</sup>
EBIT	204	243
- Total current income tax	-57	-63
- Total deferred tax income	4	-4
<b>NOPAT</b>	<b>151</b>	<b>176</b>
Net Operating Assets	1'870	1'526
+ Current income tax receivables	17	17
+ Deferred tax assets	129	110
- Current income tax payables	-67	-65
- Deferred Tax liabilities	-130	-132
<b>Capital Employed</b>	<b>1'819</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 lower NOPAT over an increased asset base
- Asset base increase due to recognition of the right-of-use assets under IFRS16 (leasing)

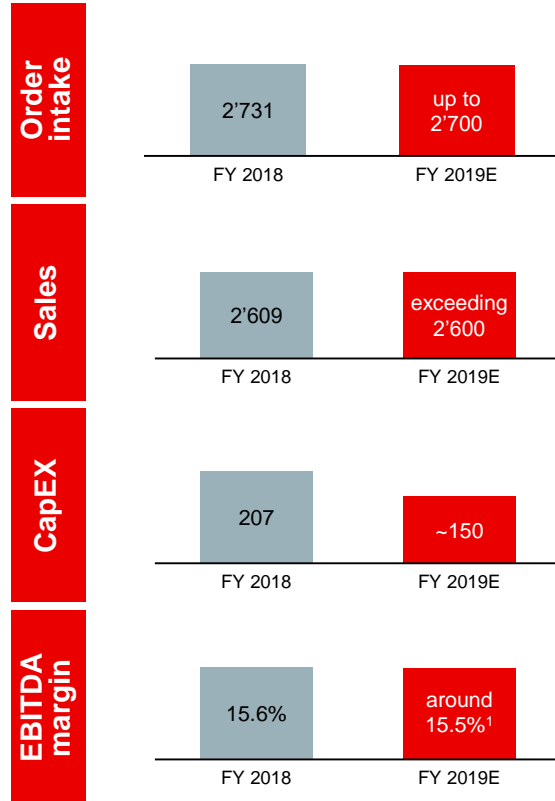
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## Underlying Group / Segment assumptions

### Oerlikon Group

- Order Intake and sales expected to deliver around the same level of performance as for the full year 2018
- CapEx of around CHF 150 m reflecting current market conditions while remaining committed to investments for future growth
- EBITDA margin around prior year's level with full absorption of Additive Manufacturing and business investments
- Smaller acquisitions included in guidance
- Assumptions for improved Q4:
  - strong project and application backlog
  - new nominations as supplier
  - supply chain issues in materials solved
  - benefits from cost saving initiatives

### Surface Solutions Segment

- Order intake and sales expected to be maintained at around 2018 levels despite challenging market environment
- EBITDA margin corridor of 21 – 23 % excluding AM investments remains the mid-term target
- Dilution of Additive Manufacturing by around 300 bps → reported corridor 18 – 20 %
- Guiding for EBITDA margin of 17 – 18 % for FY 2019 due to weak market environment, investment in AM and in new technologies and applications for future growth

### 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

<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

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Initiation of Share Buyback Program

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Full year guidance 2019 unchanged

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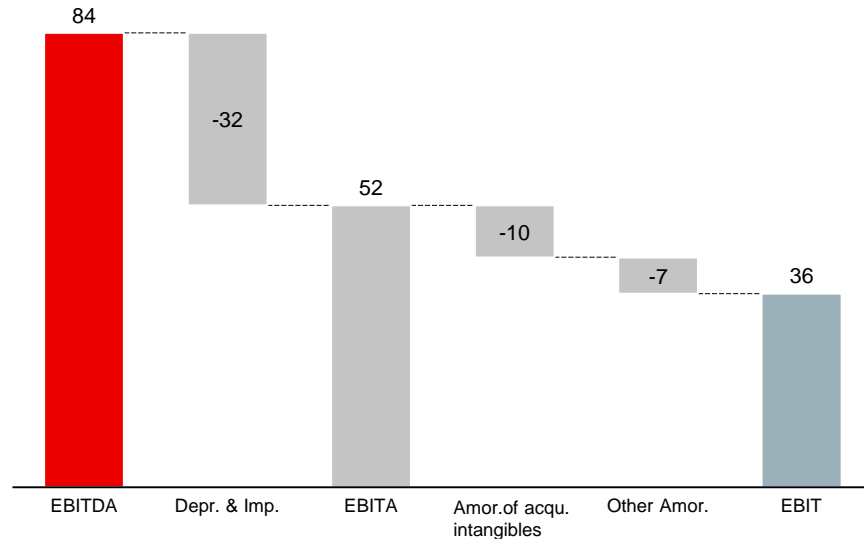
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# EBITDA to EBIT bridge for Oerlikon Group

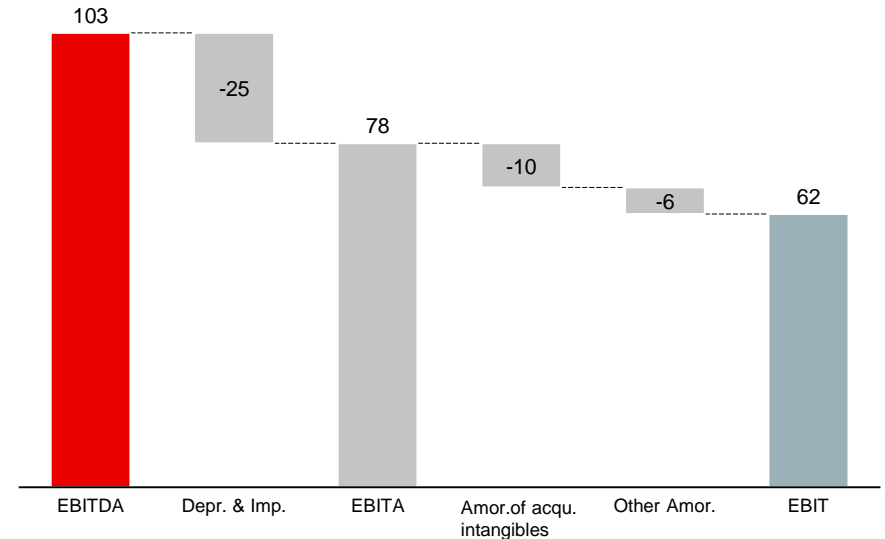
## EBITDA to EBIT bridge – Q3 2019

In CHF million



## EBITDA to EBIT bridge – Q3 2018

In CHF million

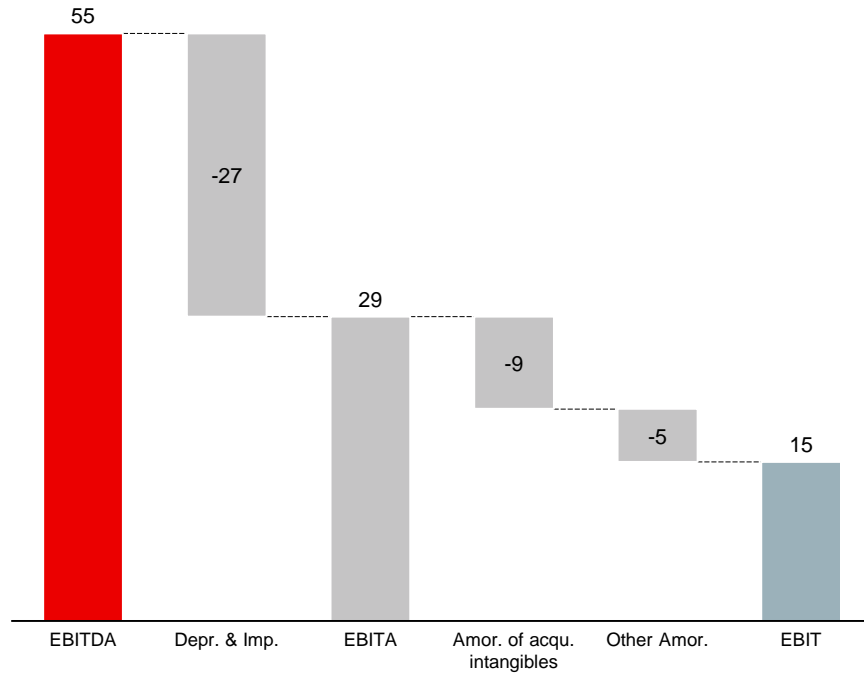


- Amortization of identified acquired intangible assets mainly attributable to Metco transaction

# EBITDA to EBIT bridge per Segment – Q3 2019

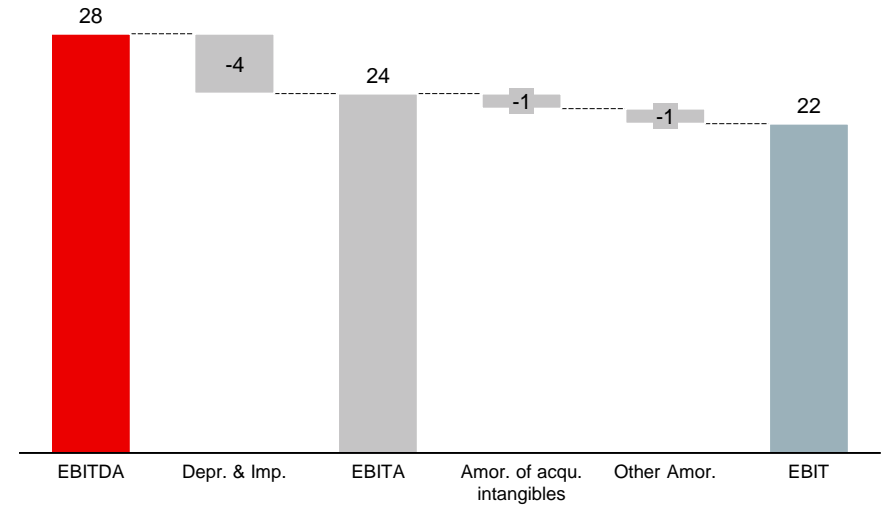
## Surface Solutions Segment

In CHF million



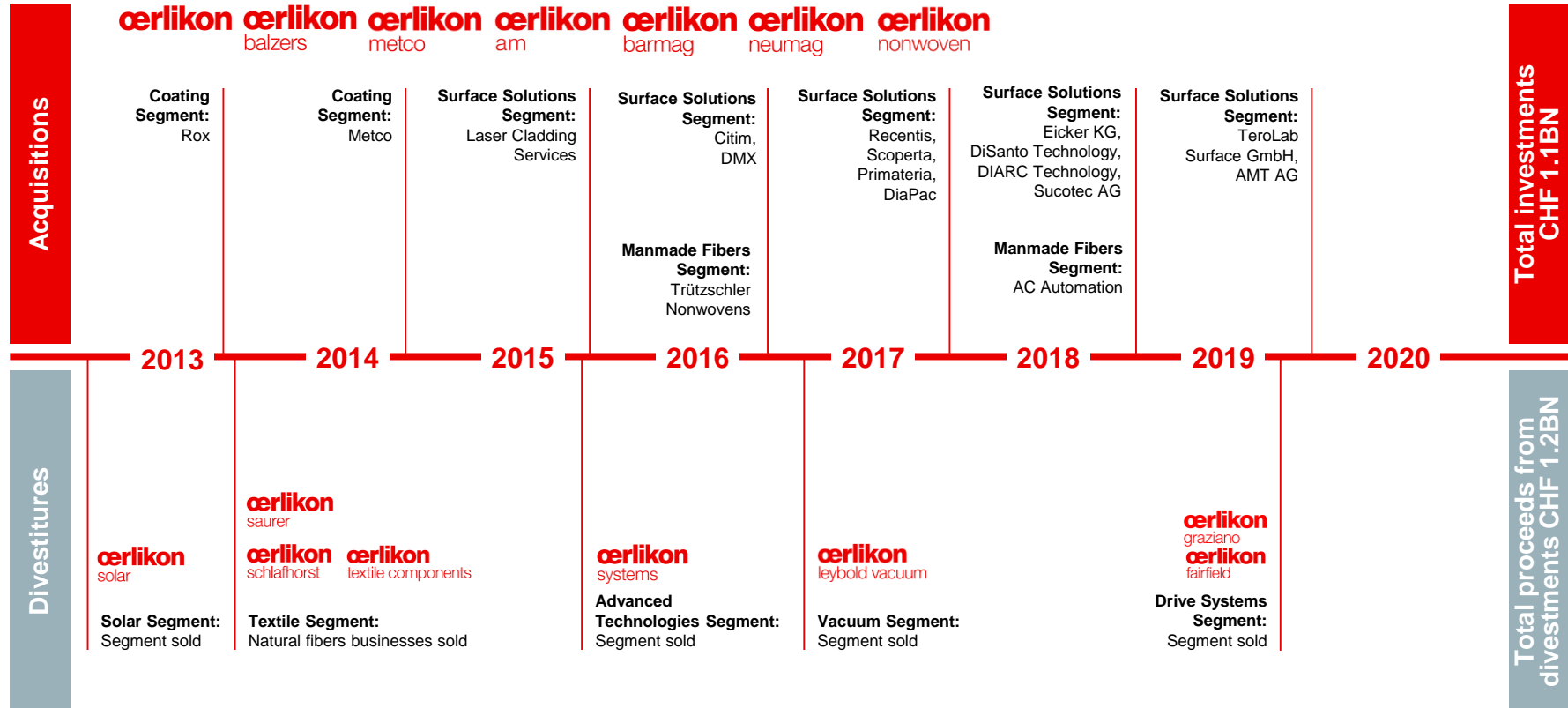
## Manmade Fibers Segment

In CHF million





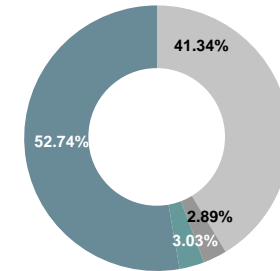
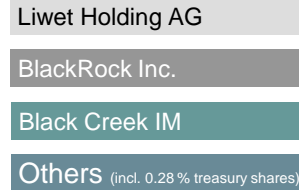
# Oerlikon Transformation – Streamlining the portfolio and focus on Surface Solutions



## 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)

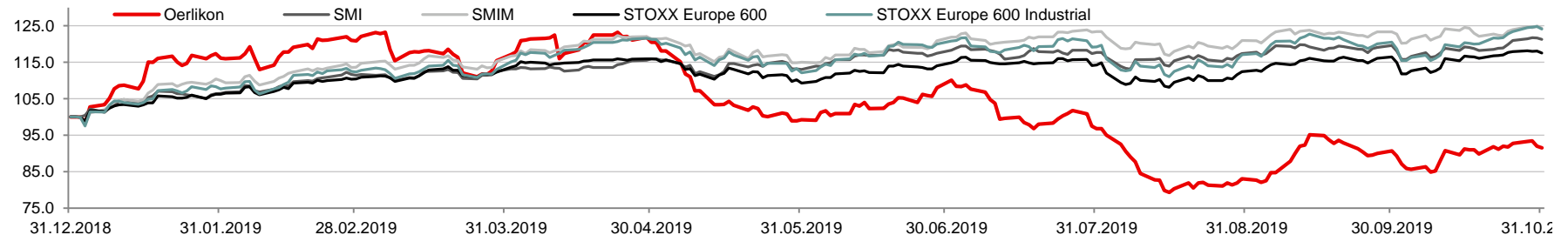
## Oerlikon shareholder structure<sup>1</sup>



as of October 31, 2019

## Oerlikon share price development

as of October 31, 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 August 14, 2019 of 9 826 322 voting rights)

# Coverage – 6 Buy / Add – 7 Hold / Neutral – 0 Sell / Underperform

Broker	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Luis Pereira	Buy	13.08.2019	12.00
Baader Helvea	Christian Obst	Hold	31.10.2019	12.50
Berenberg Bank	Marta Bruska	Hold	05.03.2019	n/a
Credit Suisse	Patrick Laager	Neutral	30.10.2019	10.50
Deutsche Bank	Uwe Schupp	Buy	07.08.2019	13.00
Kepler Cheuvreux	Torsten Sauter	Hold	29.10.2019	11.00
MainFirst	Christian Arnold	Neutral	07.08.2019	12.20
Octavian	Alessandro Foletti	Buy	06.08.2019	12.50
RBC Capital Markets	Wasi Rizvi	Sectorperform	09.08.2019	11.50
Societe Generale	Sebastian Ubert	Buy	08.08.2019	13.00
UBS	Fabian Haecki	Buy	28.10.2019	12.50
Vontobel	Michael Foeth	Buy	06.09.2019	14.10
ZKB	Armin Rechberger	Marketweight	29.10.2019	n/a
<b>Consensus</b>				<b>12.25</b>

<b>November 5, 2019</b>	Q3 / 9M 2019 results - Media & Analyst Conference Call
<b>March 3, 2020</b>	Q4 / FY 2019 results - Media & Analyst Conference in Zurich
<b>April 7, 2020</b>	Annual General Meeting of Shareholders - KKL Lucerne
<b>May 5, 2020</b>	Q1 2020 results - Media & Analyst Conference Call
<b>August 4, 2020</b>	Q2 / HY 2020 results - Media & Analyst Conference Call
<b>November 3, 2020</b>	Q3 / 9M 2020 results - Media & Analyst Conference Call



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