

2019 Full-Year Results

## Resilient 2019 results in challenging market environment; comprehensive productivity program initiated

- **Group sales:** CHF 2.6 billion, up 1.1% organically, showing the strength of Oerlikon's broad portfolio; reported sales, impacted by adverse currency movements, were down 0.6%
- **Group orders:** CHF 2.6 billion, decrease of 5.2%, due to weakness in key markets
- **Group EBITDA margin before exceptional items** was 15.1%; including exceptional expenses of CHF 25 million related to restructuring, reported EBITDA margin was 14.1%
- **Surface Solutions Segment EBITDA margin before exceptional items** was 16.6%; including restructuring expenses of CHF 13 million, reported EBITDA margin was 15.6%
- **Manmade Fibers Segment** continued strong execution; book-to-bill ratio > 1
- **Group net result:** CHF -66 million, including the reclassification of CHF -284 million related to the divestment of the Drive Systems Segment
- **Proposing a dividend payout** of CHF 1.00 per share, comprising an ordinary dividend of CHF 0.35 per share and an extraordinary dividend of CHF 0.65 per share
- **Outlook 2020:** Assuming no further deterioration in geopolitical and market conditions, Group order intake and sales are expected to be between CHF 2.5 billion and CHF 2.6 billion and Group EBITDA margin before exceptional items to be between 15.0 and 15.5%. Expecting to spend additional CHF 25 million to CHF 35 million on the second phase of the productivity program to boost profitability and improve capital efficiency across the Group over the next 18 months. 2020 Group EBITDA margin after expenses for the program to be between 14.0% and 14.5%
- **Medium term:** productivity program expected to yield significant improvements in operating profitability of the surface solutions business; Group EBITDA margin expected to improve to 16% to 18% in the medium term
- **Change of a board member** affiliated to major shareholder

Key Figures of the Oerlikon Group as of December 31, 2019 (in CHF Million)

	FY 2019	FY 2018	Δ	Q4 2019	Q4 2018	Δ
Order intake	2 590	2 731	-5.2%	612	641	-4.5%
Order backlog	583	596	-2.2%	583	596	-2.2%
Sales	2 593	2 609	-0.6%	636	653	-2.6%
EBITDA <sup>1</sup>	366	406	-9.9%	67	95	-29.5%
EBITDA margin <sup>1</sup>	14.1%	15.6%	–	10.5%	14.5%	–
EBIT <sup>1</sup>	164	243	-32.5%	14	53	-73.6%
EBIT margin <sup>1</sup>	6.3%	9.3%	–	2.2%	8.2%	–
Result from continuing operations <sup>1</sup>	110	173	-36.4%	–	–	–
Net result <sup>1,2</sup>	-66	245	-126.9%	–	–	–
ROCE (rolling 12-month)	7.0%	12.1%	–	7.0%	12.1%	–

<sup>1</sup> Includes exceptional expenses of CHF 25 million. Excluding exceptional items, the EBITDA margin was at 15.1%.

<sup>2</sup> Includes CHF 284 million (noncash) cumulative translation differences and other items from other comprehensive income from the divestment of the Drive Systems Segment.

**Pfäffikon, Schwyz, Switzerland – March 3, 2020 – “We delivered a robust performance in 2019 while facing challenging market conditions,”** said Dr. Roland Fischer, CEO Oerlikon Group. “Order intake declined as customers adopted a more cautious stance toward investment. We succeeded in sustaining sales at around the same level as in 2018, which was a record year for us. Organically, we slightly improved sales in 2019. Our performance underscores the strength of our business model and portfolio.”

**“To optimize our structure following the divestment of the drive systems business and to address market challenges, we initiated a first productivity program in 2019. While our 2019 results were resilient, the challenges across our end markets remain. Geopolitical uncertainties, trade tensions and the potential economic impact from the coronavirus are also of concern. To proactively prepare Oerlikon for the future, we are working on the second phase of the productivity program. Our goal is to expand our market reach and to improve our efficiency operationally and administratively. We expect this program to yield significant improvements to our operating profitability and returns – especially in surface solutions – in the medium term. Assuming no further deterioration in markets or highly adverse currency movements, we expect order intake and sales for 2020 to be between CHF 2.5 billion and CHF 2.6 billion and to see an improved EBITDA margin before exceptional items of 15.0% to 15.5%,” added Dr. Fischer.**

**“We are committed to providing attractive returns to shareholders and to using our cash and capital more efficiently. Thus, the Board will be proposing a dividend payout of CHF 1.00 per share, comprising an ordinary dividend of CHF 0.35 per share and an extraordinary dividend of CHF 0.65 per share,” concluded Dr. Fischer.**

## **Group Performance in Line with Market Developments**

The pace of global economic activity lessened in 2019, with momentum in manufacturing activity, in particular, slowing down substantially. Rising trade and geopolitical tensions exacerbated the uncertainty. The challenging global economic conditions were reflected in the development of Oerlikon’s key markets, and there was a noticeable decrease in demand across markets.

In this environment, full-year Group order intake decreased year-on-year by 5.2% to CHF 2 590 million, including a negative currency impact of 2.2%. Sales, also impacted by adverse currency movements, were 0.6% lower year-over-year at CHF 2 593 million. At constant exchange rates, sales were at CHF 2 650 million. Excluding impacts from acquisitions, currency movements and material surcharges, sales grew organically by 1.1% in 2019.

Following the divestment of the drive systems business, which was closed at the end of February 2019, the Group now consists of two segments. In 2019, the Surface Solutions Segment generated 57% of Group sales and 64% of Group EBITDA, while the Manmade Fibers Segment accounted for 43% of Group sales and 39% of Group EBITDA in 2019.

Oerlikon saw sales growth in China and Europe, driven by its manmade fibers business, while sales declined in the other regions. Asia-Pacific continued to account for the largest proportion of Group sales in 2019. Sales in Asia-Pacific amounted to CHF 1 203 million, or 46% of Group sales, versus CHF 1 210 million, or 46% of Group sales, in 2018. Europe was the second-largest regional contributor to Group sales in 2019, with sales totaling CHF 897 million, or 35% of sales, compared with CHF 852 million, or 33% of sales, in 2018. Group sales in North America totaled CHF 394 million, or 15% of Group sales, in 2019, versus CHF 409 million, or 16% of Group sales, in 2018. Sales in other regions slightly decreased in 2019. The Group generated 38% of its revenue from services in 2019 (2018: 38%).

## **Operating Profitability and Net Result Impacted; Strong Balance Sheet Maintained**

Group EBITDA decreased 9.9% to CHF 366 million, yielding a margin of 14.1%. This included exceptional expenses of CHF 25 million related to the restructuring program. Adjusted for these expenses, Group EBITDA totaled CHF 391 million or 15.1% of sales. In 2018, Group EBITDA was CHF 406 million, or 15.6% of sales. Group EBIT declined by 32.5% in 2019 to CHF 164 million, yielding a margin of 6.3% versus EBIT of CHF 243 million and an EBIT margin of 9.3% in 2018.

The Group's income from continuing operations was CHF 110 million, compared with CHF 173 million in 2018, a decrease of 36.4%. In line with the reported quarterly financial results and after including net result from discontinuing operations of CHF -176 million in 2019, net result totaled CHF -66 million in 2019, or earnings per share of CHF -0.21, versus CHF 245 million, or earnings per share of CHF 0.71, in 2018.

As of December 31, 2019, Oerlikon had equity (attributable to shareholders of the parent) of CHF 1 756 million, representing an equity ratio of 48% (2018: 44%). Net cash amounted to CHF 333 million at year-end 2019 (2018: CHF 398 million) and the cash flow from operating activities before changes in net current assets decreased 69.5% in 2019 to CHF 152 million, compared to CHF 498 million in 2018. The Group's return on capital employed (ROCE) was 7.0% in 2019, compared to the ROCE figure in 2018 of 12.1%.

### **Continued Strong Commitment to R&D**

In 2019, Oerlikon strengthened its innovation pipeline by filing 100 patents. The company continued to invest in innovation and channeled 4.9% (CHF 127 million) of 2019 Group sales into R&D to develop new and upgraded technologies to meet customers' needs and demands. These efforts underline Oerlikon's commitment to maintaining its technology leadership position in its end markets and advancing its strategic development.

### **Q4 2019: Markets Remained Challenging; Cost Measures Supported Margin**

The challenging market conditions persisted in Q4 2019. Order intake decreased 4.5% year-on-year to CHF 612 million (Q4 2018: CHF 641 million). Group sales were 2.6% lower at CHF 636 million (Q4 2018: CHF 653 million).

Group EBITDA decreased 29.5% to CHF 67 million, or 10.5% of sales (Q4 2018: CHF 95 million, or 14.5% of sales). Q4 2019 Group EBIT was CHF 14 million, or 2.2% of sales (Q4 2018: CHF 53 million, or 8.2% of sales). The Group EBITDA margin for Q4 2019 was impacted by investment costs, expenses for the restructuring of the surface solutions business and the project mix in the manmade fibers business.

The Surface Solutions Segment saw some stabilizing trends in Q4 2019, but lower demand was still noted across end markets. Order intake for the segment decreased by 10.3% to CHF 359 million, while sales declined 3.7% to CHF 369 million. The segment's Q4 2019 EBITDA margin was 14.5%, including exceptional expenses for restructuring. Excluding the exceptional effects, EBITDA margin was 17.9% – a notable improvement on the Q3 2019 margin (15.0%). The improvement was driven by a favorable product mix and certain impacts from the cost measures taken earlier in 2019.

The Manmade Fibers Segment recorded an increase in order intake of 4.6% to CHF 252 million, driven by the filament equipment market in China and Turkey. Sales slightly declined by 1.1% to CHF 267 million. EBITDA margin was 9.3%, after recognizing a number of projects from the prior downcycle period.

### **Sale of the Drive Systems Segment Closed**

The divestment of the Drive Systems Segment was closed on February 28, 2019, for an enterprise value of CHF 600 million. With the closing of the sale of the business, a negative impact of CHF 284 million of noncash cumulative translation differences and other comprehensive income related to the Drive Systems Segment divestment was recognized in the income statement under result from discontinuing operations.

### **Board Member Change**

Current Board member, David Metzger, who has served on the Oerlikon Board of Directors since 2016, has decided not to stand for re-election. The Board of Directors thanks him for his valuable contributions to Oerlikon. The Board is proposing Irina Matveeva as a new nominee to the Board and as a member of the Audit & Finance Committee for election at the 2020 Annual General Meeting of Shareholders (AGM) on April 7, 2020 at the KKL Lucerne, Switzerland. All other Board members will be standing for re-election at the AGM.

Irina Matveeva (1973, Russian citizen) is the Chief Financial Officer of AO ComplexProm in Moscow, Russia. Prior to that, Mrs Matveeva was General Director at LLC OLCOR M and served from 2010 to 2018 as Financial Director of the Renova Group. From 2007 to 2010, she held the position of Vice President, Economics & Finance at Comstar-UTS OJSC. Mrs Matveeva currently serves as the Chairman of the Board of Directors of PAO METCOMBANK, Moscow, Russia, and is a member of the Board of Directors at Liwet Holding AG, Zurich, Switzerland, PJSC T+ Group, Moscow, Russia, and Joint Stock Company Management Company Aeroportny Regionov, Moscow, Russia. Mrs Matveeva graduated from the Moscow Technical University of Communication and Information with a degree in Information Systems in Economics and holds an executive MBA degree from the University of Antwerp.

## Dividends

Oerlikon is committed to providing attractive returns to shareholders while maintaining financial flexibility to invest in growth. In line with this strategy, the Board will recommend issuing a dividend payout of CHF 1.00 per share, comprising an ordinary dividend of CHF 0.35 per share and an extraordinary dividend of CHF 0.65 per share at the AGM on April 7, 2020, in Lucerne.

## Outlook: Stable Performance in 2020; Initiatives Launched to Improve Mid-term Margins

The weaknesses in manufacturing and capital spending are expected to persist in 2020. The geopolitical and trade uncertainties will continue to be an ongoing concern and it is too early to assess if there are any impacts from the coronavirus outbreak on the global economy and the end markets. To prepare for the future, Oerlikon initiated a first productivity program in 2019 and is working on the second phase of the productivity program. The goals of the program are to expand market reach, improve capital, operational and administrative efficiency and boost profitability in the medium term. Assuming no further adverse market or currency developments, Oerlikon expects order intake and sales in 2020 to be between CHF 2.5 billion and CHF 2.6 billion and EBITDA margin before exceptional items to improve to 15.0% to 15.5%. Oerlikon is expecting to invest additional CHF 25 million to CHF 35 million in the productivity program over the next 18 months. The 2020 EBITDA margin including these expenses is expected to be between 14.0% and 14.5%. The program is expected to significantly improve the operating profitability of the surface solutions business and drive the Group's EBITDA margin toward 16% to 18% in the medium term.

## Segment Overview

### Surface Solutions Segment

Key Figures of the Surface Solutions Segment as of December 31, 2019 (in CHF Million)

	FY 2019	FY 2018	Δ	Q4 2019	Q4 2018	Δ
Order intake	1 468	1 574	-6.7%	359	400	-10.3%
Order backlog	181	193	-6.2%	181	193	-6.2%
Sales (to third parties)	1 488	1 511	-1.5%	369	383	-3.7%
EBITDA	234	283	-17.3%	54	65	-16.9%
EBITDA margin	15.6%	18.6%	-	14.5%	16.9%	-

The Surface Solutions Segment results were impacted by weak markets. Lower demand and sales were registered in almost all industries and regional markets. The segment's order intake decreased 6.7% in 2019 to CHF 1 468 million, while sales slightly declined by 1.5% to CHF 1 488 million. At constant exchange rates, segment sales were CHF 1 509 million – a stable year-over-year performance despite the challenging market conditions.

The 2019 EBITDA margin for the segment was 15.6%, compared to 18.6% in 2018. The lower year-over-year EBITDA margin was attributed to high operating expenses related to investments and to exceptional expenses of CHF 13 million, primarily for the restructuring program launched in 2019. Excluding the exceptional expenses, EBITDA margin was 16.6%. The restructuring program is expected to yield significant improvements to the segment's operating profitability and returns in the medium term.

The majority of the exceptional expenses were recognized in Q4 2019. Excluding the exceptional expenses, the segment's EBITDA margin in Q4 2019 was 17.9%, reflecting an almost 300 basis point improvement compared to Q3 2019. This improved margin was realized thanks to a favorable product mix and cost measures implemented in the second half of 2019. EBIT was CHF 65 million in 2019, or 4.4% of sales (2018: CHF 144 million, or 9.5% of sales).

In 2019, three acquisitions were completed to strengthen Oerlikon's surface solutions portfolio and market presence. TeroLab Surface GmbH in Germany and AMT AG in Switzerland added products and services to Oerlikon's thermal spray solutions, while D-Coat GmbH widened Oerlikon's thin-film coating portfolio, particularly for cutting tools used in the aerospace and automotive industries.

Oerlikon further strengthened its operational and production footprint in 2019 with the opening of a number of new centers and the expansion of several existing centers in China, Sweden, Germany, Italy, the US and Mexico. The Group also enlarged its product and service portfolio with innovative coatings, equipment and services. This included: BALIMED coatings for medical and surgical tools to deliver low-friction, wear resistance, anti-glare and biocompatibility; BALIQ AUROS to enable extreme wear resistance for threading tools; BALIQ CARBOS to enable parts to withstand extreme contact pressures and fast sliding velocities; and an enhanced RotaPlasma system for SUMEBore to handle large-scale serial production of cylinder bores used in auto engines.

The additive manufacturing business developed less dynamically than expected in 2019, and the underutilized capacity impacted the top line and EBITDA margin of the surface solutions business. Structural adjustments in the business were implemented to address market realities. Oerlikon remains convinced that additive manufacturing will play a key role in the next generation of industrial applications.

## Manmade Fibers Segment

Key Figures of the Manmade Fibers Segment as of December 31, 2019 (in CHF Million)

	FY 2019	FY 2018	Δ	Q4 2019	Q4 2018	Δ
Order intake	1 122	1 157	-3.0%	252	241	4.6%
Order backlog	403	403	0%	403	403	0%
Sales (to third parties)	1 106	1 098	0.7%	267	270	-1.1%
EBITDA	144	128	12.5%	25	33	-24.2%
EBITDA margin	13.0%	11.7%	–	9.3%	12.2%	–

The Manmade Fibers Segment's order intake for 2019 slightly decreased by 3.0% to CHF 1 122 million year-over-year, with the decline most notable in India and in the Americas. However, the segment has sustained a high level of order intake (> CHF 200 million) for nine consecutive quarters. Segment sales slightly increased to CHF 1 106 million in 2019, driven by business growth in Europe, China and the rest of Asia (excluding India). The growth was attributed to the filament equipment business in China, which compensated for the decline in carpet yarn and stable fibers businesses.

The EBITDA margin improved to 13.0%, despite the segment recognizing a number of projects from the prior downcycle period. EBIT was CHF 117 million in 2019 or 10.6% of sales (2018: CHF 106 million, or 9.6% of sales).

In 2019, the segment presented a number of innovations, including a new eAFK Evo texturing machine with active cooling technology and a new winder based on a 24-end winding concept for the production of fully drawn yarn in the polyamide 6 process. The year also saw the introduction of the new carpet yarn solutions – BCF S8 mono- and tricolor – with superior spinning speed that deliver 99% system efficiency and energy savings of up to 5%. Together with its joint venture partner, BBEngineering, Oerlikon Barmag presented an in-house spinning plant recycling solution, VacuFil, to enable process material waste to be reused to manufacture high quality yarns. In 2019, the segment introduced the Oerlikon Nonwoven brand and closed initial deals for nonwoven systems used to manufacture filters and wipes. Furthermore, the segment successfully installed its first smart factory solutions, including data center in a box, in the market.



### **Additional Information**

Oerlikon will present its results at a media information session today, March 3, 2020, starting at 09:30 hrs CET at Park Hyatt, Zurich, and at an investors' and analysts' conference at the same location beginning at 13:00 hrs CET. The analysts' conference will be broadcast live via webcast and can be viewed live via this [link](#) or on the Group's website ([www.oerlikon.com](http://www.oerlikon.com)).

The webcast will be available after the analysts' conference for the next 12 months. The analyst presentation can be found at [www.oerlikon.com/en/investors/reports-publications](http://www.oerlikon.com/en/investors/reports-publications).

The Annual Report 2019 can be downloaded at [www.oerlikon.com/annualreport-2019](http://www.oerlikon.com/annualreport-2019), while the media release, including a full set of tables, can be found at [www.oerlikon.com/pressreleases](http://www.oerlikon.com/pressreleases) and [www.oerlikon.com/en/investor-relations](http://www.oerlikon.com/en/investor-relations).

### **About Oerlikon**

Oerlikon (SIX: OERL) engineers materials, equipment and surfaces and provides expert services to enable customers to have high-performance products and systems with extended lifespans. Drawing on its key technological competencies and strong financial foundation, the Group is sustaining mid-term growth by addressing attractive growth markets, securing structural growth and expanding through targeted mergers and acquisitions. A leading global technology and engineering Group, Oerlikon operates its business in two Segments – Surface Solutions and Manmade Fibers – and has a global footprint of more than 11 100 employees at 182 locations in 37 countries. In 2019, Oerlikon generated CHF 2.6 billion in sales and invested more than CHF 120 million in R&D.

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