

# Oerlikon implements comprehensive actions to navigate current COVID-19 pandemic

Dr. Roland Fischer, CEO

Philipp Müller, CFO

1Q 2020 Results

Pfäffikon, May 5, 2020



**1** Oerlikon's response to COVID-19 pandemic impacts

2 1Q Business Review 2020

3 Appendix

# Aggressive action plan to drive structural improvements during COVID-19 pandemic... Emerge as stronger company

## 1 Protect Oerlikon Employees

- Following strict health authority and government guidance
- ~2'600 employees working from home
- Ensuring safe working environment at company locations
- Two facial masks for every employee

## 2 Preserve Strong Liquidity

- Over CHF 1 bn of cash available at 31 March
- Net cash of CHF 219 m at 31 March
- Reducing 2020 capex and discretionary spend by CHF 100 m year-on-year
- Maintaining flexibility to redeploy balance sheet

## 3 Ensure Business Continuity

- Oerlikon products and solutions assessed as “critical” and “system relevant” in a number of countries
- Allows Oerlikon to maintain some level of activity to serve our customers despite government regulations
- Implementing short-time work and furlough where applicable

## 4 Emerge Stronger

- Accelerating Productivity Program and implementing additional Cost-out initiatives
- Reducing headcount in Surface Solutions by ~10%
- Executing new Manmade Fibers opportunities
- Confirming mid-term Group EBITDA margin goal of 16 – 18%

**Taking required actions for colleagues, customers and suppliers to emerge as an even stronger company**

# Expected near-term impacts of COVID-19 pandemic on Oerlikon's served markets

Filament and Nonwoven	Tooling	General Industrial & Other	Automotive	Aviation
<ul style="list-style-type: none"> <li>Large filament producers confirm expansion plans</li> <li>BCF at low point of cycle</li> <li>Nonwoven market is expanding due to need for face masks from meltblown lines</li> </ul>	<ul style="list-style-type: none"> <li>Sharp deterioration in industrial production expected following the steep decline in GDP forecasts and supply chain disruptions</li> <li>Industrial production substantially reduced globally</li> </ul>	<ul style="list-style-type: none"> <li>Sharp deterioration in industrial production expected following the steep decline in GDP forecasts and supply chain disruptions</li> <li>During the lockdowns, industrial activity is expected to be down by ~70%</li> </ul>	<ul style="list-style-type: none"> <li>Global production volumes expected to fall YoY ~18%</li> <li>At March ~75% of Auto Production capacity closed in North America and Europe</li> <li>Structural change towards electric / hybrid vehicles</li> </ul>	<ul style="list-style-type: none"> <li>2020 wide body deliveries expected to drop by ~40%</li> <li>75% of global commercial aircraft grounded – resulting in reduced MRO activity</li> <li>IATA forecasts ~48% decline of passenger traffic in 2020</li> </ul>
43 % Group Sales FY19	17% Group Sales FY19	17% Group Sales FY19	14% Group Sales FY19	9% Group Sales FY19
Continued long-term strategic customer developments. Long-term project horizon means limited COVID-19 impact	Assumes Q2 low point and gradual recovery Chinese tooling market showed recovery in March and April	Assumes Q2 low point and gradual recovery in line with Industrial Production with localized trends	Assumes Q2 low point and gradual recovery based on OEM indications to ramp-up production	Assumes Q2 low point and prolonged structural issues extending the recovery
<b>Stable</b>	<b>V-shaped recovery</b>	<b>V-shaped recovery</b>	<b>V / U-shaped recovery</b>	<b>L-shaped prolonged recovery</b>

**Surface Solutions well positioned for market rebound in Automotive, Tooling, Aerospace and General Industry – Manmade Fibers remains stable**

# Group Positioning post current global pandemic

**1**

World-class Surface Solutions technology leader that will emerge from the crisis more profitable and with higher returns

**2**

Broader and stronger Manmade Fibers Segment that continues to deliver above average returns

**3**

Strong balance sheet positions Group well for the future

# Agenda

1 Oerlikon's response to COVID-19 pandemic impacts

**2 1Q Business Review 2020**

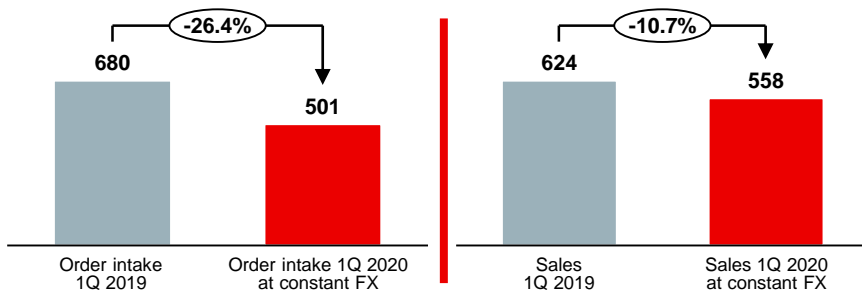
3 Appendix

# Group impacted by COVID-19 pandemic – comprehensive actions initiated

in CHF million	1Q20	1Q19	y-o-y
Order intake	477	680	-29.9%
Sales (3 <sup>rd</sup> parties)	529	624	-15.2%
EBITDA	58	93	-37.6%
In % of sales	11.0%	15.0%	–
EBIT	6	44	-86.4%
In % of sales	1.1%	7.1%	–

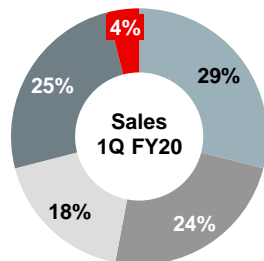
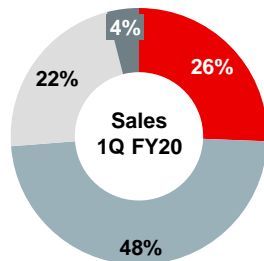
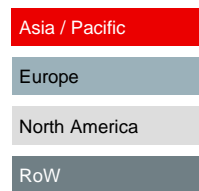
- Group Sales are down 15% YoY for the first quarter reflecting COVID-19 challenges, FX and market headwinds
- Group Orders contracted resulting from the seasonal nature of 1Q and headwinds from COVID-19
- Manmade Fibers COVID-19 impact was due to delays in some sales and orders and presented temporary operational / supply chain challenges. Operations fully resumed by end of 1Q
- COVID-19 pandemic impacted Asian markets in 1Q and by end of March impacted Europe / America in Surface Solutions
- Currencies provided headwinds on orders (CHF 24 m) and sales (CHF 29 m)

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



Sales growth	1Q20 vs. 11Q9 (y-o-y)	1Q20 vs. 41Q9 (q-o-q)
Reported	-15.2%	-16.8%
Performance	-10.6%	-13.4%
FX translation	-4.6%	-3.5%

# Surface Solutions Segment – performance impacted by slowdown in all end markets, cost actions initiated



<sup>1</sup>IP = Industrial Production

## OPERATIONAL PERFORMANCE

- Decline in orders and sales across the key end-markets Automotive, Tooling and General Industry; Aerospace was flat YoY
- During 1Q the service center network in China was substantially impacted by the lock-down. Heading into Q2 all Chinese sites are operational and ramping up
- Global service network impacted by governmental restrictions (e.g. Italy, Spain and India) and customer production (e.g. Automotive and Aerospace OEMs)
- Profitability contraction due to lower production volumes and mix factors across both geographies and industries
- Significant action taken to protect liquidity and reduce the cost base in light of current challenges

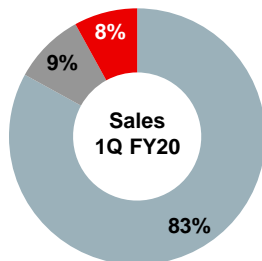
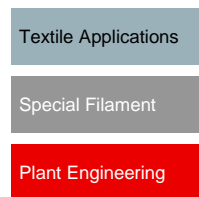
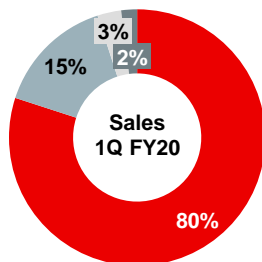
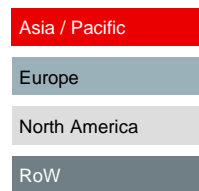
## MARKET DEVELOPMENT

- As anticipated all end-markets experienced a slow start to the year, driven by economic headwinds in Automotive, Aerospace, Tooling and Power Generation
- COVID-19 pandemic impacted Asian markets in 1Q and by end of March impacted Europe / America
- Automotive market suffered substantially reduced production volumes globally
- General Industry (IP<sup>1</sup>) impacted by market conditions in Europe and Asia while strong in the US
- Aerospace market started to slow down but still yielded annual growth
- Tooling market saw sustained weakness, with Asia particularly soft
- Ongoing structural and market challenges in Power Gen.

in CHF million	1 Q20	1 Q19	y-o-y	y-o-y ex FX
Order intake	333	385	-13.5%	-9.2%
Sales (3 <sup>rd</sup> parties)	325	371	-12.4%	-8.0%
EBITDA	39	61	-36.1%	–
In % of sales	12.0%	16.3%	–	–
EBIT	-5	19	-126.3%	–
In % of sales	-1.4%	5.2%	–	–



# Manmade Fibers Segment – 1Q impacted by COVID-19 pandemic, full-year on-track



## OPERATIONAL PERFORMANCE

- Experienced significant short-term delay in order intake driven by administrative challenges in China – on-track for first-half and full-year
- CHF 600 m of contract awards, with deliveries out to 2023, awarded during 1Q – order intake to be booked in 2021/22
- Sales during 1Q are typically seasonally lower and COVID-19 challenges in China delayed sales and resulted in a fall of 19% YoY. These sales are delayed and not lost due to the project nature of the business
- No interruption expected to European supply chain. In China operational activity has fully resumed
- EBITDA margin contraction due to lower levels of sales and lower cost absorption in the quarter

## MARKET DEVELOPMENT

- Textile Applications (Filament/Texturing) with continued strong market conditions due to connected investments in infrastructure and a robust project pipeline
- Strong project pipeline for Textile Applications resulting in lead times reaching into 2023 and beyond
- Project opportunities in Plant Engineering and challenging market conditions for staple fibers. Significant enquiries from Nonwovens resulting from the demand for Meltblown lines due to COVID-19 pandemic
- Special Filament, mainly in BCF<sup>1</sup> in Turkey and US at expected low levels; growing interest in recycling. COVID-19 is impacting timing of Special Filament projects

in CHF million	1 Q20	1 Q19	y-o-y	y-o-y ex FX
Order intake	144	296	-51.4%	-49.0%
Sales (3 <sup>rd</sup> parties)	205	254	-19.3%	-14.4%
EBITDA	18	34	-47.1%	–
In % of sales	8.9%	13.2%	–	–
EBIT	11	27	-59.3%	–
In % of sales	5.5%	10.7%	–	–

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

<sup>2</sup> Continuous Polycondensation

**1** Multifaceted impact of COVID-19 on 1Q – Group guidance for 2020 withdrawn

**2** Actions taken to protect our teams and ensure business continuity. New business opportunities in Manmade Fibers

**3** Group liquidity and balance sheet remain strong

**4** Taking decisive actions to adjust Surface Solutions cost base...  
...emerge as stronger company from crisis

**5** Remain committed to mid-term 16-18% Group EBITDA margin target and through-the-cycle structural growth of 4-6%

# Agenda

1 Oerlikon's response to COVID-19 pandemic impacts

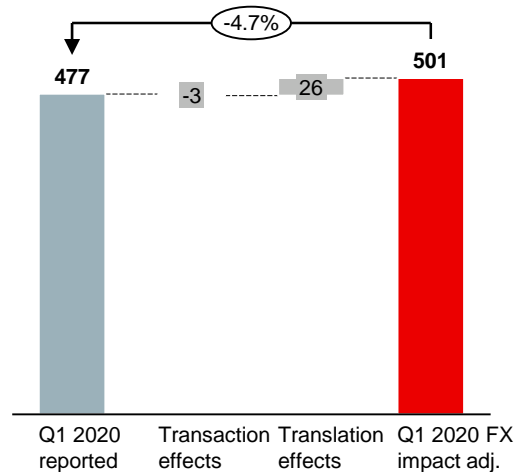
2 1Q Business Review 2020

**3 Appendix**

# FX impact on Orders, Sales and EBITDA in 1Q 2020

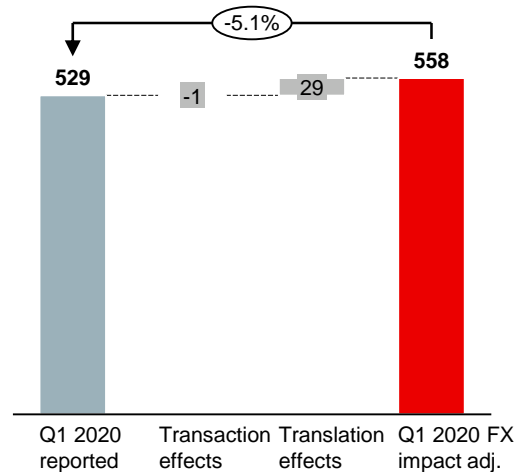
## Order intake 1Q 2020

In CHF million



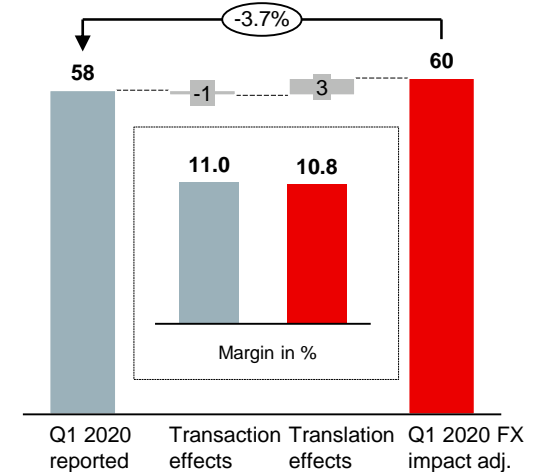
## Sales 1Q 2020

In CHF million



## EBITDA 1Q 2020

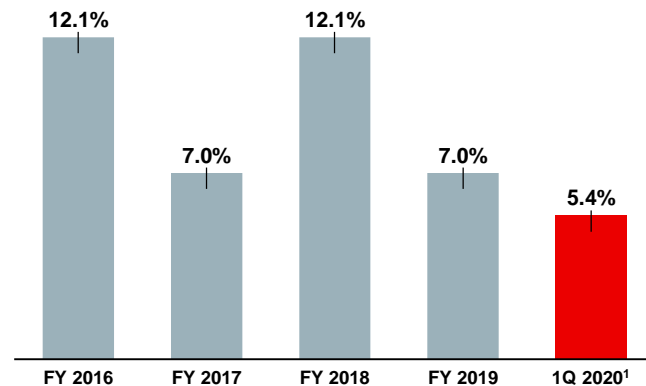
In CHF million



- Top-line impact mainly related to currency translation into reporting currency CHF
- Main drivers were depreciation of EUR and CNY against CHF, partially compensated by a stronger USD against main currencies

# Return On Capital Employed (ROCE)

	1Q 2020 <sup>1</sup>	FY 2019
EBIT	126	164
- Total current income tax	-50	-65
- Total deferred tax income	21	26
<b>NOPAT</b>	<b>97</b>	<b>125</b>
Net Operating Assets	1'826	1'826
+ Current income tax receivables	17	15
+ Deferred tax assets	136	141
- Current income tax payables	-48	-66
- Deferred Tax liabilities	-121	-128
<b>Capital Employed</b>	<b>1'811</b>	<b>1'788</b>

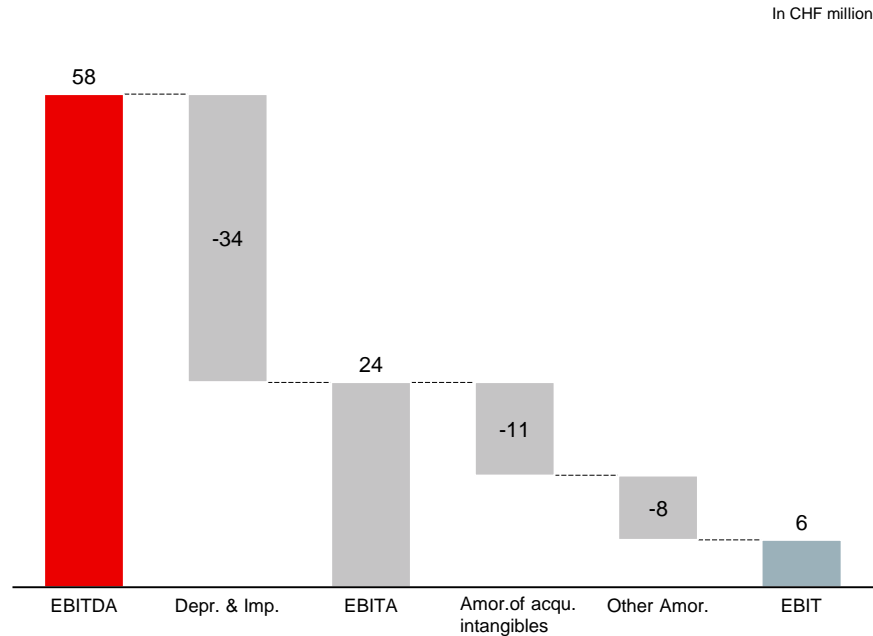


<sup>1</sup> 12-months rolling, continuing operations

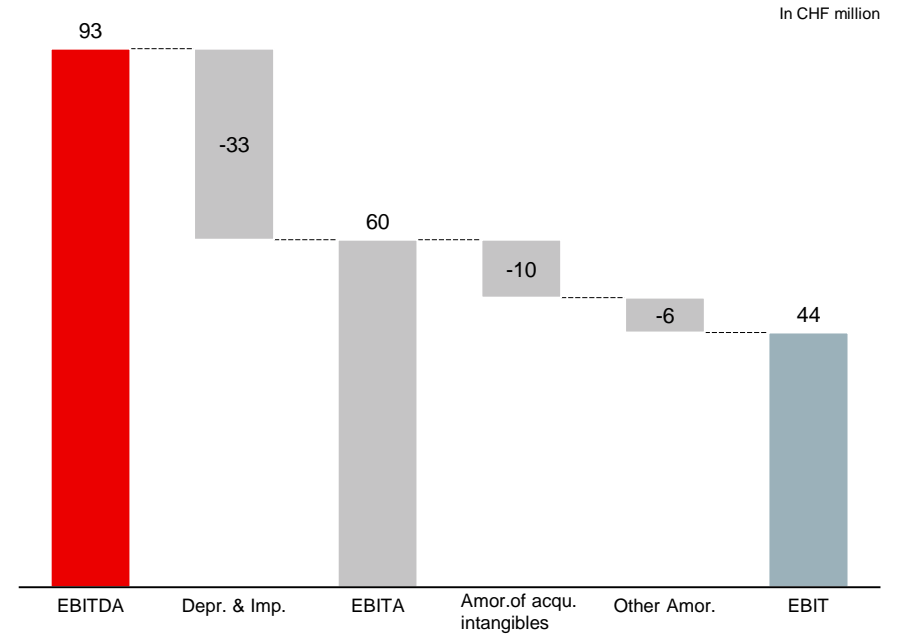
- Lower ROCE as a result of lower NOPAT over a stable asset base

# EBITDA to EBIT bridge for Oerlikon Group

## EBITDA to EBIT bridge – 1Q 2020



## EBITDA to EBIT bridge – 1Q 2019

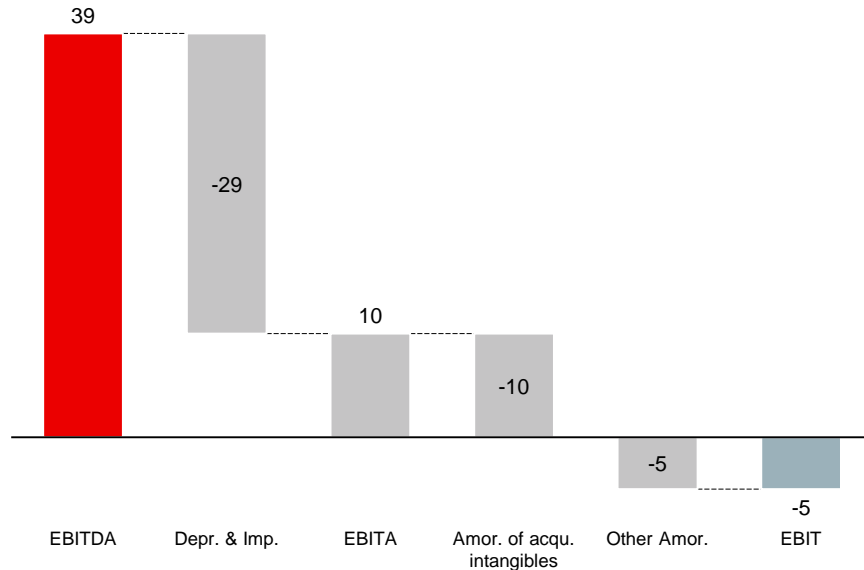


- Amortization of identified acquired intangible assets of Surface Solutions segment mainly attributable to Metco transaction

# EBITDA to EBIT bridge per Segment – 1Q 2020

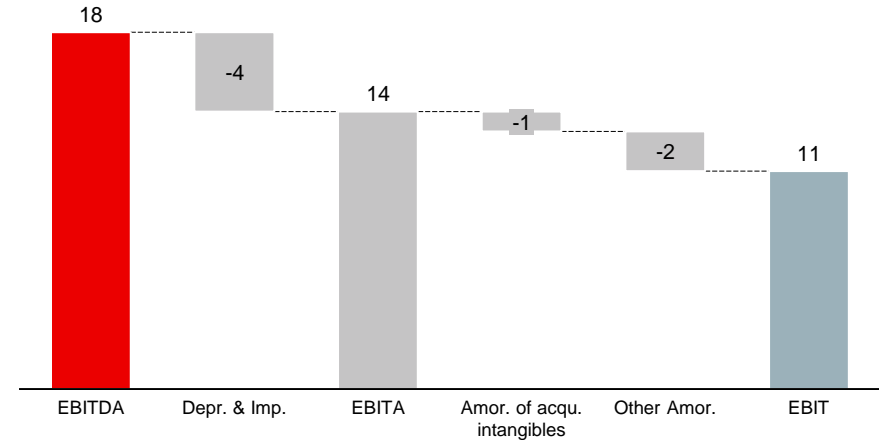
## Surface Solutions Segment

In CHF million



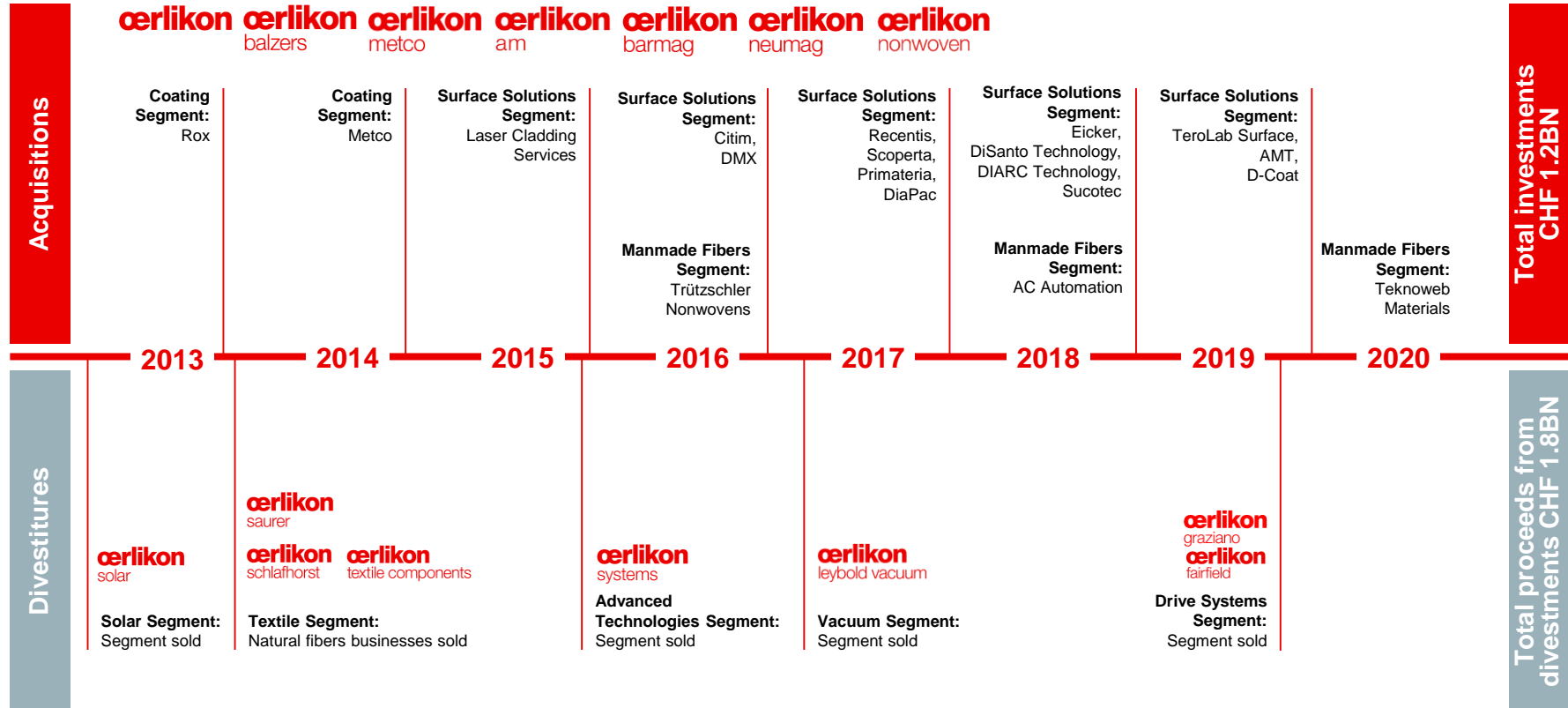
## Manmade Fibers Segment

In CHF million



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

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



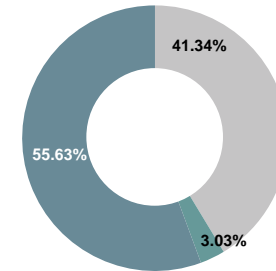
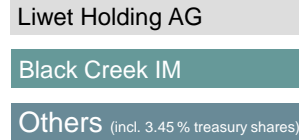


## Oerlikon shares

- 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)

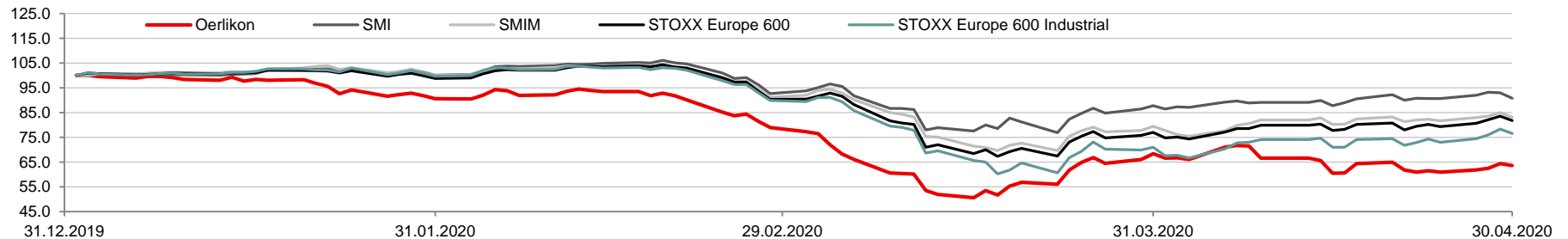
## Oerlikon shareholder structure<sup>1</sup>

as of March 31, 2020



## Oerlikon share price development

as of April 30, 2020, indexed; 100 percent = closing price per December 31, 2019



<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 – 7 Buy / Add – 5 Hold / Neutral – 1 Reduce / Sell

Broker	Analyst	Recommendation	Date of last update	Target price
AlphaValue	Luis Pereira	Add	30/04/2020	8.25
Baader Helvea	Christian Obst	Reduce	28/04/2020	7.00
Berenberg Bank	Marta Bruska	Hold	05/03/2019	n/a
Credit Suisse	Patrick Laager	Neutral	15/04/2020	8.60
Deutsche Bank	Uwe Schupp	Buy	20/02/2020	12.00
Kepler Cheuvreux	Torsten Sauter	Hold	23/04/2020	8.00
MainFirst	Christian Arnold	Hold	08/04/2020	7.60
Octavian	Alessandro Foletti	Buy	07/04/2020	9.80
RBC Capital Markets	Wasi Rizvi	Outperform	19/03/2020	8.60
Societe Generale	Sebastian Ubert	Buy	01/04/2020	10.00
UBS	Fabian Haecki	Buy	28/04/2020	10.20
Vontobel	Michael Foeth	Buy	23/03/2020	8.50
ZKB	Armin Rechberger	Marketweight	28/04/2020	n/a
<b>Consensus</b>				<b>8.96</b>

# Financial Calendar 2020



**May 5, 2020**

1Q 2020 results  
- Media & Analyst Conference Call

**August 4, 2020**

Q2 / HY 2020 results  
- Media & Analyst Conference Call

**November 3, 2020**

Q3 / 9M 2020 results  
- Media & Analyst Conference Call



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