

Second-Quarter and Half-Year 2020 Results

Cost/Cash Measures Ahead of Schedule; Manmade Fibers Segment on Track Despite Pandemic

- Manmade Fibers Segment 1H order intake of CHF 510 million; 2020 delivery schedules on track.
- Surface Solutions Segment Q2 sales -31% year-over-year; COVID-19 pandemic significantly impacted all business lines. Swift cost actions executed to offset volume impact.
- Productivity program ahead of schedule; completed in 1H >400 of targeted 800 headcount reduction; on track to realize >700 reductions by year end. Expecting annual run-rate savings of CHF ~60 million.
- Program expected to yield further margin benefits in 2H2020 and in 2021.
- Group 1H operational EBITDA margin: 10.9%; EBITDA margin: 8.9%, including CHF 21.4 million of restructuring charges.

Key figures for the Oerlikon Group as of June 30, 2020 (in CHF million)

	Q2 2020	Q2 2019	Δ	H1 2020	H1 2019	Δ
Order intake	604	672	-10.1%	1 081	1 352	-20.1%
Order backlog	647	619	4.6%	647	619	4.6%
Sales	510	700	-27.2%	1 039	1 324	-21.5%
Operational EBITDA ¹	55	123	-55.3%	114	218	-47.7%
Operational EBITDA margin ¹	10.8%	17.6%	–	10.9%	16.4%	–
Operational EBIT ¹	4	73	-94.0%	11	118	-90.5%
Operational EBIT margin ¹	0.9%	10.4%	–	1.1%	8.9%	–
Net result ²	–	–	–	-32	-99 ³	67.7%

¹ For the reconciliation of operational and unadjusted figures, please see table I and II on page 2 of this release. ² Reported annually and semi-annually only. ³ Impacted by reclassification of CHF 284 million (non-cash) cumulative translation differences and other items from other comprehensive income related to the divestment of Drives Systems Segment.

Pfäffikon, Schwyz, Switzerland – August 4, 2020 – “We accelerated our productivity programs to mitigate the impacts from the pandemic and are ahead of schedule,” said Dr. Roland Fischer, CEO Oerlikon Group. “We have significantly reduced cost and are putting in place a more flexible cost structure to strengthen our foundation.”

“Despite the pandemic, the Manmade Fibers Segment effectively navigated the challenges and saw a strong increase in orders, driven by a quick recovery in China and higher demand for nonwoven systems used to produce face masks,” added Dr. Fischer. “The Surface Solutions Segment experienced significant demand challenges due to the lockdowns. Toward the end of the quarter, we saw some encouraging signs of moderate recovery in automotive and precision components in China and Germany. The recovery of the economy and markets remains uncertain.”

“We have a strong cash position of CHF 600 million, a healthy balance sheet and expect to see improvements in margins and net liquidity in the second half of the year. We will continue implementing the structural programs to strengthen our cost and competitive market position and further invest in our sustainable innovations. We have the technology, liquidity and talents to take advantage of the upswing when markets turn around,” concluded Dr. Fischer.

Oerlikon Group Second-Quarter Review

In the second quarter of 2020, the global economy stalled with the COVID-19 pandemic outbreak. The lockdowns imposed by governments impacted the supply chain and demand across regions and industries, including the end markets of the surface solutions business, namely aviation, automotive, tooling and general industries, power generation and oil & gas.

As a result of the pandemic and adverse currency movements, Group order intake decreased year-on-year by 10.1% to CHF 604 million and Group sales decreased by 27.2% to CHF 510 million. At constant exchange rates, sales were CHF 542 million, corresponding to a decline of 22.6% year-over-year. The operational EBITDA for the second quarter, excluding the restructuring charges, was CHF 55 million, corresponding to a margin of 10.8%. EBITDA was CHF 34 million, or 6.7% of sales. Operational EBIT for Q2 2020 was CHF 4 million, or 0.9% of sales and EBIT was CHF -22 million, or -4.2% of sales.

Oerlikon Group 2020 Half-Year Overview

In the first half of 2020, the Group's order intake declined by 20.1% year-on-year to CHF 1 081 million and sales decreased by 21.5% to CHF 1 039 million. Operational EBITDA for the half-year amounted to CHF 114 million, corresponding to a margin of 10.9%. EBITDA, including CHF 21.4 million of restructuring charges, was CHF 92 million, or 8.9% of sales. Operational EBIT was CHF 11 million, or 1.1% of sales, while EBIT was CHF -16 million, or -1.5% of sales. The reconciliation of the operational and unadjusted figures can be found in the tables below.

Table I: Reconciliation of Q2 2020 and H1 2020 operational EBITDA and EBITDA¹

In CHF million	Q2 2020	Q2 2019	H1 2020	H1 2019
EBITDA	34	121	92	214
Expenses related to restructuring	21	2	21	2
Expenses related to discontinued activities	–	1	–	1
Operational EBITDA	55	123	114	218

Table II: Reconciliation of Q2 2020 and H1 2020 operational EBIT and EBIT¹

In CHF million	Q2 2020	Q2 2019	H1 2020	H1 2019
EBIT	-22	70	-16	115
Expenses related to restructuring	21	2	21	2
Expenses related to discontinued activities	–	1	–	1
Impairment charges	5	–	5	–
Operational EBIT	4	73	11	118

¹All amounts (including totals and subtotals) have been rounded according to normal commercial practice. Thus, an addition of the figures presented can result in rounding differences.

The net result for the first half of the year was CHF -32 million. In the first six months of 2020, 37.0% of total Group sales (2019: 38.3%) were from the service business.

As of June 30, 2020, Oerlikon had CHF 600 million of cash and cash equivalents available to enable the company to meet ongoing challenges and to give it the flexibility to execute on opportunities as they arise. Net liquidity on June 30, 2020 amounted to CHF -156 million. Cash flow from operating activities for the first half of 2020 was CHF -5 million, compared to CHF -11 million in 2019, due to an improvement in cash flow from changes in net current assets.

Accelerated Restructuring and Productivity Programs

The execution of the comprehensive restructuring and productivity programs was accelerated and extended to mitigate the impacts caused by the COVID-19 pandemic.

Short-term measures such as short-time work and reducing discretionary spend and capital expenditures were implemented. In the first half of 2020, operating expenses were reduced by more than CHF 90 million and capital expenditure was reduced by CHF 18 million, compared to the preceding year.

The execution of the structural and cost-out programs that were launched in 2019 was sped up. The programs include optimizing support functions and the global footprint, leveraging synergies in procurement and equipment business, rightsizing additive manufacturing and addressing market challenges. More than 400 of the targeted 800 headcount reduction had been completed by the end of June 2020, and more than 700 headcount reductions are expected to be concluded by year end, of which around 50 are based in Switzerland and Liechtenstein. The structural programs are all on track and an annual run-rate of savings of around CHF 60 million is expected to be realized.

The short-term and structural programs are expected to yield significant margin benefits in the second half of the year. These programs will further strengthen the market position of the surface solutions business, improve its resilience to manage further potential pandemic-induced impacts and to cement its role as the reliable partner of choice for customers.

Remain Committed to Mid-Term EBITDA Margin Target

The uncertainty caused by the pandemic and trade tensions are expected to continue impacting the economy, markets and their recovery. Oerlikon is continuing to execute its programs to strengthen its core and competitive position, while ensuring that the company is ready to capitalize on opportunities when markets turn around. Oerlikon remains committed to delivering on its mid-term target for the EBITDA margin of 16% to 18%.

Segment Overview

Surface Solutions Segment

Key figures for the Surface Solutions Segment as of June 30, 2020 (in CHF million)

	Q2 2020	Q2 2019	Δ	H1 2020	H1 2019	Δ
Order intake	238	374	-36.5%	571	759	-24.7%
Order backlog	161	200	-19.1%	161	200	-19.1%
Sales (to third parties)	262	379	-30.9%	587	750	-21.8%
Operational EBITDA	17	64	-73.5%	56	126	-55.3%
Operational EBITDA margin	6.5%	16.9%	-	9.5%	16.7%	-

The adverse trends in end markets caused by the COVID-19 pandemic have, as anticipated, significantly impacted orders, sales and operating profitability in the Surface Solutions Segment.

Order intake declined by more than 35% and sales by more than 30%. At constant exchange rates, sales declined by 26.7% year-over-year to CHF 278 million. A decrease in sales was noted across all end markets. The aviation industry is facing one of its most severe crises with the drastic reduction in air travel and transport. The automotive industry, which has been facing industry-specific challenges such as the electrification of cars, is expected to shrink by more than 20%. Industrial production is projected to see a steep decline following lower demand and supply chain disruptions. The power generation market saw the deferral of projects, while the oil & gas sector has been facing a historical drop in demand and exhausted storage capacities.

Operational EBITDA for the second quarter declined by 73.5% to CHF 17 million, or 6.5% of sales. Including the restructuring charges, EBITDA margin was -1.4%. EBIT for Q2 2020 was CHF -50 million (Q2 2019: CHF 21 million) and the EBIT margin was -19.1% (Q2 2019: 5.6%). Operational EBIT was CHF -24 million, or -9.3% of sales (Q2 2019: CHF 22 million; 5.7%).

Manmade Fibers Segment

Key figures for the Manmade Fibers Segment as of June 30, 2020 (in CHF million)

	Q2 2020	Q2 2019	Δ	H1 2020	H1 2019	Δ
Order intake	366	298	23.0%	510	593	-14.1%
Order backlog	486	419	15.9%	486	419	15.9%
Sales (to third parties)	248	321	-22.8%	452	574	-21.2%
Operational EBITDA	38	58	-34.9%	56	91	-38.6%
Operational EBITDA margin	15.2%	18.0%	–	12.4%	15.9%	–

The Manmade Fibers Segment delivered a resilient performance despite the pandemic, driven by the recovery of the filament equipment business in China and a diversified portfolio in products such as nonwovens, staple fibers, polycondensation and smart factory solutions.

In the second quarter, a significant increase in order intake was recorded, attributed to a quick recovery in demand in China and the rest of Asia and the increasing demand for the nonwoven meltblown systems used in face mask production. The nonwoven market is anticipated to continue developing positively, as many countries strive to become more strategically autonomous for items deemed critical. For the half-year, the manmade fibers business booked more than CHF 500 million in order intake and is on track to fulfill its delivery schedules for 2020.

Sales declined by 22.8% in the second quarter, mainly due to the extraordinarily high sales volume in the second quarter of 2019. At constant exchange rates, sales declined by 17.7% to CHF 264 million. Sales in China were stable in the second quarter year-over-year, affirming the recovery in China from the shutdowns in the first quarter. The operational EBITDA for the second quarter declined by 34.9% to CHF 38 million, primarily attributed to the reduced sales volume. EBITDA was CHF 37 million, or 15.1% of sales (Q2 2019: CHF 57 million; 17.8%). Operational EBIT was CHF 30 million, or 12.1% of sales (Q2 2019: CHF 51 million; 16.0%). EBIT was CHF 30 million, or 12.1% of sales (Q2 2019: CHF 51 million; 15.7%).

Additional information

Oerlikon will present its results in English during its conference call today beginning at 14:00 CEST. To participate, please dial the following numbers a few minutes before the start of the conference call:

Country	Local toll call numbers:
Switzerland	+41 58 310 50 00
UK	+44 207 107 06 13
USA	+1 631 570 56 13

The accompanying presentation can be viewed simultaneously by clicking [here](#).

The interim (half-year) report 2020 can be downloaded at <http://www.oerlikon.com/interimreport-2020> and the media release including a full set of tables can be found at www.oerlikon.com/pressreleases and www.oerlikon.com/ir.

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 around 11 000 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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