



# Q3 2021 Financial results

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3 November 2021

# Agenda

- 1 | Business Update
- 2 | Q3 Financials
- 3 | Q&A

**ærlikon**





## Financials

### Record Q3 orders and continued margin expansion – global supply chains remain constrained

**835m** (+61%)  
Order intake

**695m** (+17%)  
Sales

**117m** (+26%)  
Operational EBITDA

**61m** (+43%)  
Operational EBIT



## Key messages

- **Strong operational execution** with robust financial growth in Q3, driven by continued momentum in both Divisions and benefits from the cost-out program
- Achieved **record order intake** and sales in Polymer Processing Solutions driven by strong demand; executed on continued **market recovery** in Surface Solutions; partly impacted by **supply chain shortages** as expected, with Oerlikon mitigating impacts; integration of INglass and Coeurdor well on track
- Reiterate FY'21 Group guidance of CHF ~2.65bn sales and ~16.5% operational EBITDA margin, following strong Q3 results and based on current visibility



## Strategic priorities

**Sustainable  
Innovation**

**Cost  
Containment**

**Disciplined  
Capital Allocation**

**Confirming FY'21 Group guidance**



# End Markets: Supply Chain Bottlenecks Hampering Speed of Recovery

## Filament

31% of 2020 Group sales

## Non-Filament

16%

## General Industrial & Tooling

31%

## Automotive

14%

## Aviation

7%

Market environment



**Growth**



**Growth**



**Growth**



**Shortages - return to growth thereafter**



**Slightly up from low levels**

- Strong demand with visibility into 2023
- Driven mainly by continued downstream vertical integration of large Chinese filament producers and manmade fibers outgrowing natural fibers
- Oerlikon well positioned with broad integrated offering and leading technology

- Strong demand for plant engineering solutions in China e.g. staple fiber and continuous polycondensation plants
- Revitalization of interiors (BCF) in US; intact demand for INglass products driven by model launches
- Oerlikon with continued execution on Non-Filament growth initiatives

- Tooling and general industry continues recovery YoY, though supply chain bottlenecks hampering the speed of recovery
- Oil & Gas and Industrial Gas turbines gaining momentum YoY, with further improvements in materials business expected

- Supply chain interruption due to semi-conductor and other supply chain shortages in Q3
- Shortages expected to extend into H1'22, with automotive activity to recover beyond

- Aviation expected to slightly recover off low base
- Narrow-body recovery expected before widebody

► **Polymer Processing Solutions with strong demand and record orders; diversification into Non-Filament on track**

► **Surface Solutions well positioned for recovery in Tooling, General Industry and Automotive beyond transitory supply chain interruptions; Aviation slightly improving from low levels**

# Continued Focus on Strategic Priorities



## Sustainable Innovation

- Drive global **technology leadership** with effective R&D
- Focus on strong quality, sustainability and economic return



**Q3 launches** include thin film coatings for machining of high-performance ceramics, an innovative nozzle for injection molding of small parts (INglass), and a new coating powder for fuel cell applications



## Cost Containment

- Focus on **cost containment** and reinvest into profitable growth
- Commitment to 16-18% operational EBITDA margin



Achieved ~110bps operational EBITDA **margin expansion** driven by Surface Solutions, reaching target corridor



## Disciplined Capital Allocation

- **Diversify** organically into adjacent markets and enhance structural growth with acquisitions
- Continue to pay a stable or progressive dividend, while maintaining a prudent financial policy and strong balance sheet



+16% growth in non-filament YTD; INglass and Coeurdor **integration on track**; stable ordinary dividend and solid balance sheet

**Drive profitable growth and expand market share**

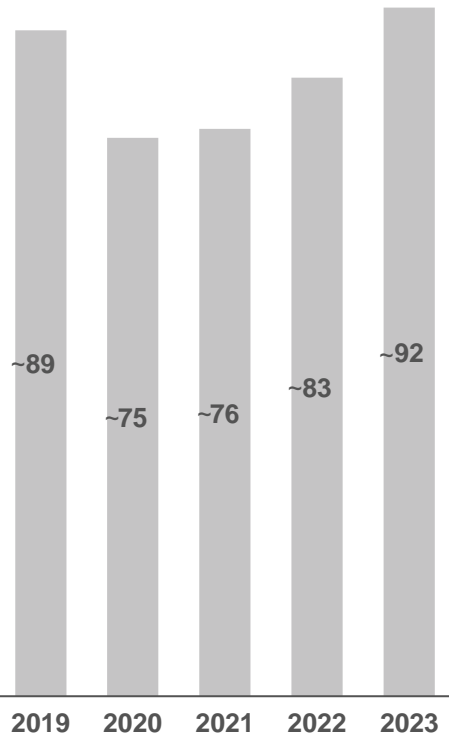
# Automotive Impacted by Supply Chain Challenges in Near-term... Mid-term Outlook Intact

## Outlook near-term



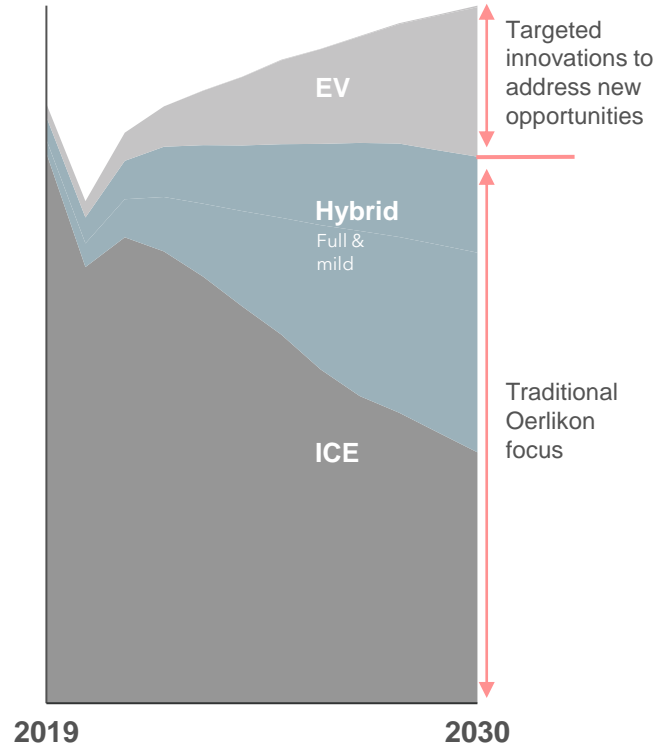
## Oerlikon focusing investments into transition to future mobility

Light vehicle production  
# cars in m<sup>1)</sup>



- Vehicle production volume impacted by supply chain situation; Oerlikon closely monitoring situation with focus on costs
- Expect supply chain **shortages to extend into H1'22**
- Oerlikon well positioned to benefit from **recovery** in automotive activity beyond shortages

Light vehicle production per power train alternative  
# cars in m<sup>2)</sup>



### New EV opportunities

- Surface solutions for forming tools to produce light-weight parts
- Hot runners (INglass) for high quality light-weight parts
- Coatings for highly loaded components

### Continued R&D in battery and fuel cell applications

- Heat shield for batteries
- Coatings for battery housing, sensors and e-motor components

### Stable perspective for traditional Oerlikon focus

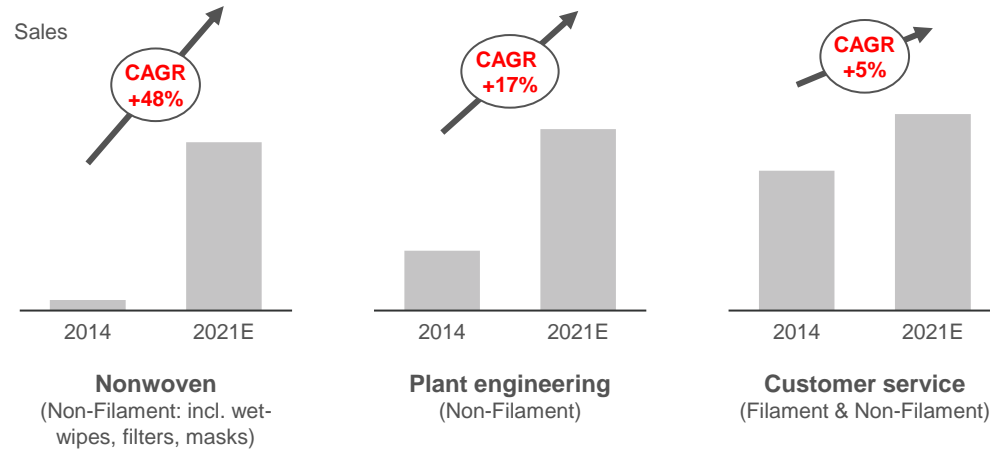
- Traditional Oerlikon applications in ICE & Hybrid engines support OEM's with fuel-efficient solutions to meet increasing emission regulations; downsizing and higher pressures / temperatures are drivers for an increased use of coatings
- A substantial share of Oerlikon's automotive portfolio is outside of the power train: e.g. solutions for suspensions, hydraulics, chassis, interiors

1) Source IHS as per beginning of October 2021; 2) source IHS data, Mck, company estimates

# Transforming Polymer Processing Solutions Into a Growth Platform

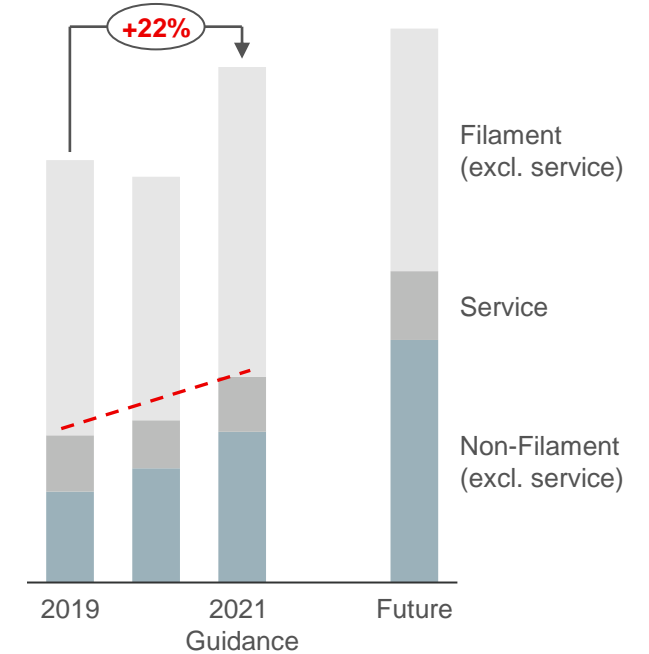
## 1 Organic growth initiatives in adjacent markets

- Drive market share gain through innovation, high quality, new product development and improved customer access in Non-Filament
- Market growth in Non-Filament: Nonwoven +8% p.a.; other Non-Filament: +2-3%;
- LT potential from biopolymers / recycling



## 3 Driving structural growth

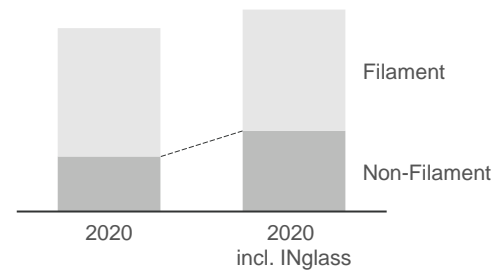
Division sales



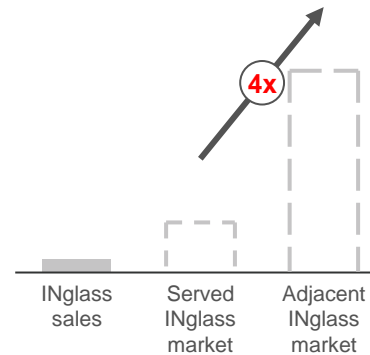
## 2 Accretive bolt-on M&A in Non-Filament

Attractive adjacent INglass markets:

- Incl. med tech, pharma, bottles and packaging
- CHF 2bn value
- Highly fragmented
- Growing at +5% p.a.



INglass accelerates diversification to Non-Filament sales

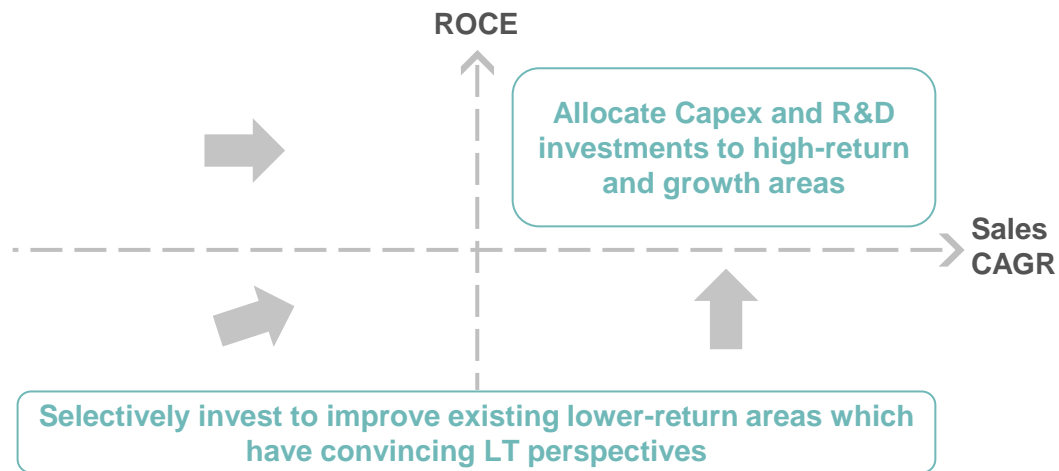


Attractive fragmented INglass markets

# Clear Focus to Sustainably Improve ROCE

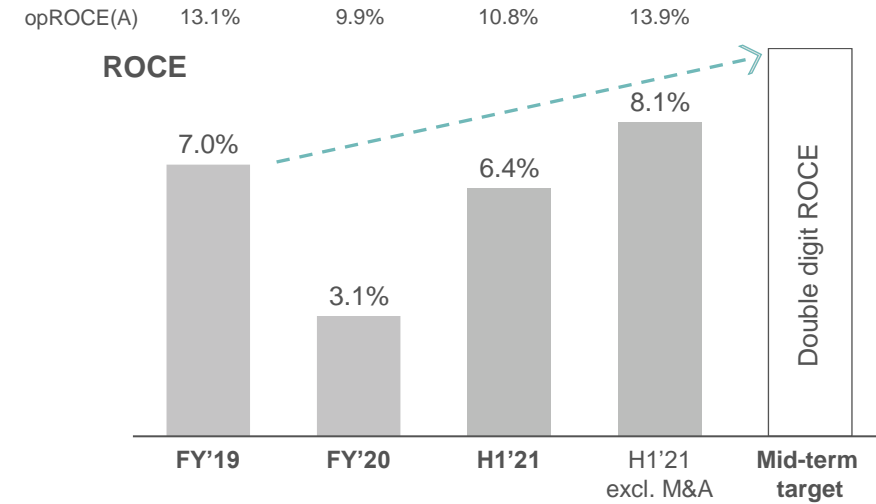
## Internal focus on ROCE further strengthened

### Capital allocation framework



- **Strengthened capital allocation** framework with capital return and growth perspectives as key investment criteria
- Intensified the internal competition for capital (zero-based budgeting)
- Introduced standardized review process
- Introduction of ROCE as key metric in long-term **management incentivization** program

## Achieve double-digit ROCE



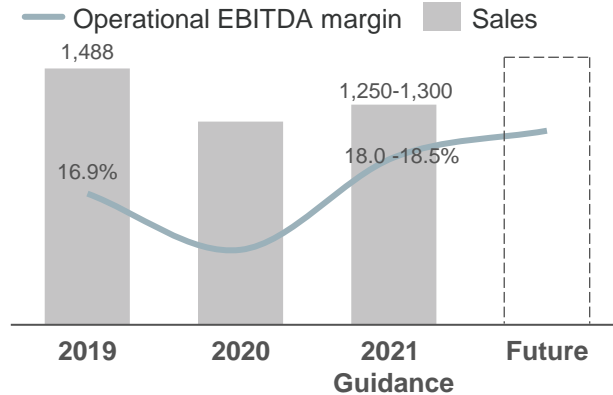
- Focused capital allocation and monitoring along defined growth strategy
- Recovering end-markets
- Continued cost containment

Return on Capital Employed (ROCE) is defined as NOPAT (Net-Operating Profit After Tax) over the Capital Employed; Capital Employed is composed of third party net operating assets, current income tax receivables and current income taxes payable and deferred tax assets and liabilities; on business line level RONA used as proxy for ROCE due to tax accounting; opROCE(A) is defined as Operational EBIT plus amortization from acquired intangibles divided by Capital Employed



## Surface Solutions

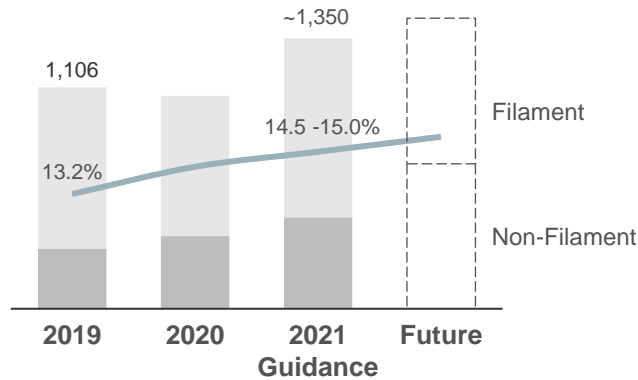
### Recovering sales on reduced cost base



- **Shorter-cycle business** driving 2021 sales recovery, with upside from longer-cycle business beyond transitory impacts from supply chain shortages
- Outgrow markets driven by sustainability megatrends, R&D, cross selling, new applications, industries and geographies
- **Cost-out program** executed during crisis benefiting margins

## Polymer Processing Solutions

### Growth supported by diversification into non-filament



- **Strong filament** demand with full order books until 2022; 2023 books on track to be filled
- **Non-Filament growth** expected driven by organic growth initiatives, mid-single digit market growth, R&D initiatives, premium quality and bolt-on M&A

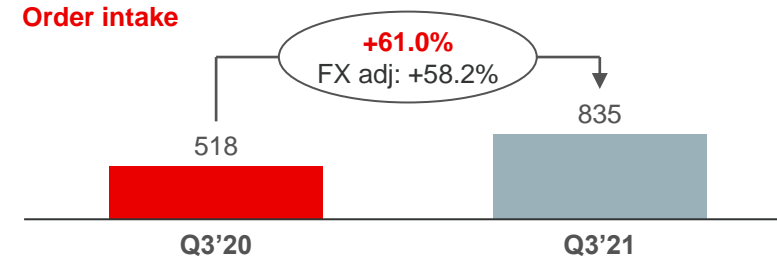
Leading technology & market share, diversified end markets, solid balance sheet



## Robust growth driven by both Divisions

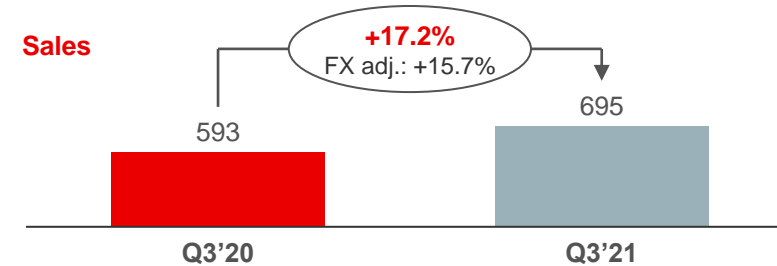
### Orders

- **Order intake +61%** including +9% from M&A <sup>1)</sup>
- Driven by record order intake in Polymer Processing Solutions and market recovery in Surface Solutions



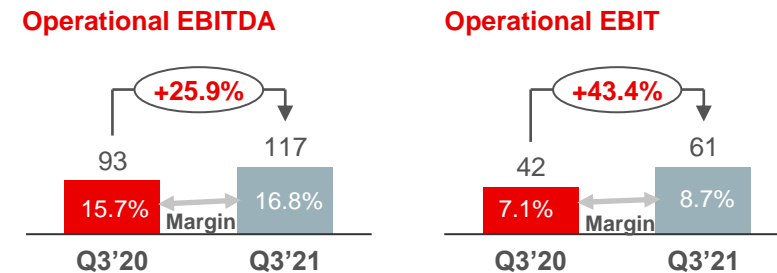
### Sales

- **Sales +17%** YoY including +8% from M&A <sup>1)</sup>
- Organic growth driven by YoY recovery in Surface Solutions and solid execution in Polymer Processing Solutions



### Profit

- **Operational EBITDA +26%**
- Improving margin driven by increasing profitability in Surface Solutions



<sup>1)</sup> INglass and Coeurdor consolidated as of June 1, 2021; \* Numbers in financial charts of this presentation are in CHF except when stated otherwise

# Surface Solutions With Improving Top and Bottom Line

## Market

- **Markets recovering at differing rates**
- Automotive Q3 impacted by chip shortage and supply chain tightness, after strong H1 recovery
- Tooling and general industry with continued strength YoY, though supply chain bottlenecks also with impacts in Q3

## Orders

- **Higher** order intake YoY; sequentially slightly down due to market shortages
- Book-to-bill >1 as longer-cycle businesses recover

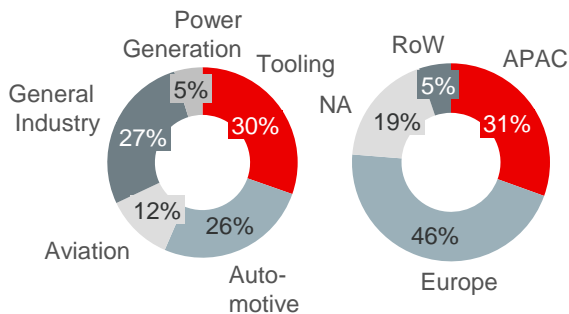
## Sales

- **Increased** +15% at constant FX, driven by YoY growth across end markets; incl. +3.6% from Coeurdor <sup>2)</sup>
- Q3 sales impacted by shortages in automotive industry, which are expected to extend into H1'22
- Q3 aviation sales slightly improved on low levels

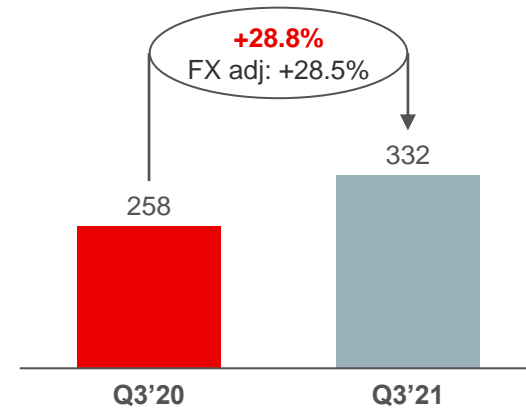
## Operational EBITDA

- **Increased** +41% YoY
- Solid margin expansion driven by operating leverage on higher sales and lower costs
- Q3 with less tailwind from business mix effect compared to Q2, as guided

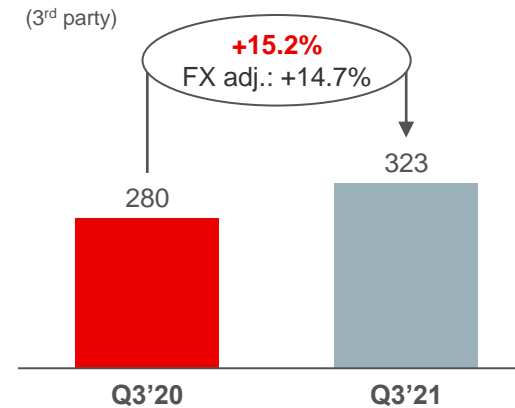
### Q3'21 Sales split by markets



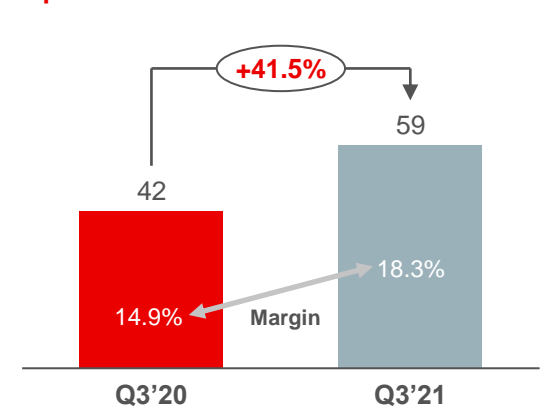
### Order intake



### Sales



### Operational EBITDA <sup>1)</sup>



1) Margin based on sales to third parties, 2) Coeurdor consolidated as of June 1, 2021

# Polymer Processing Solutions With Record Order Intake and Sales

## Market

- **Favorable market conditions** in Filament: further increased order books for 2022 and 2023; large Filament customers keep on expanding in the value chain
- Non-Filament with strong demand for plant engineering solutions in China and revitalization of BCF in US

## Orders

- **Record** order intake in last eight years, driven mainly by Filament; strong order intake to support 2022 sales
- Currently no major impacts of supply chain bottlenecks, logistics and power shortages expected in Q4, though remaining difficult to predict

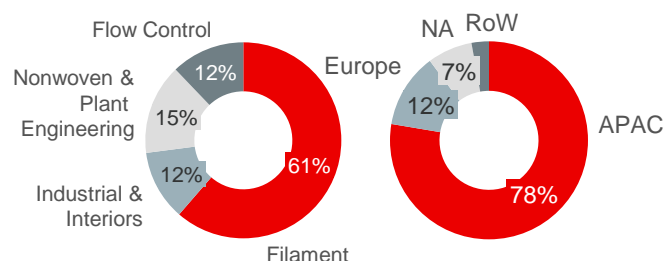
## Sales

- **Increased** +17% at constant FX supported by strong demand; INglass contributed CHF +37m or +11.7% YoY
- Non-Filament sales slightly higher driven by INglass; excl. INglass slightly lower YoY due to base effect (face masks) and different timing of larger orders than last year; expect return to growth in Q4

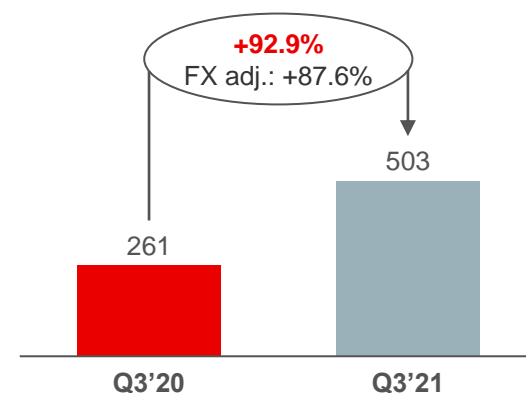
## Operational EBITDA

- **Increased** +15% driven by higher sales
- Q3 margin temporarily impacted by higher freight and material costs as well as costs related to a project delay, as indicated at Q2 results publication

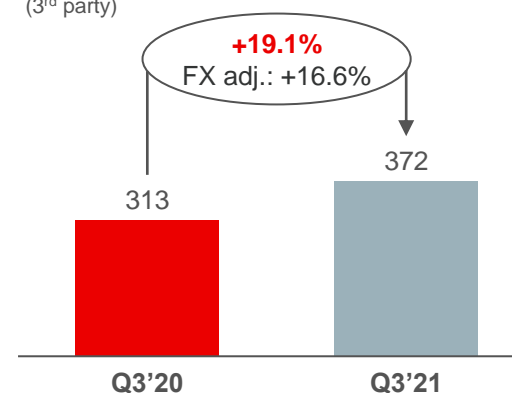
### Q3'21 Sales split by markets <sup>1)</sup>



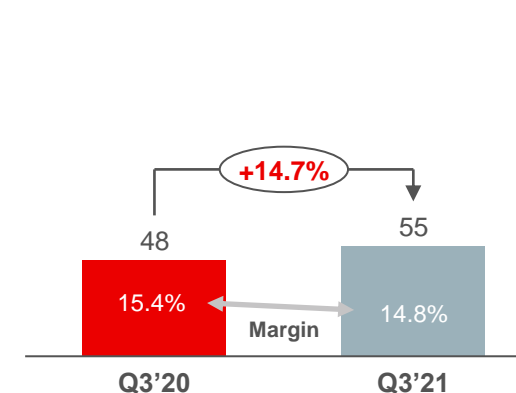
### Order intake



### Sales (3<sup>rd</sup> party)



### Operational EBITDA <sup>2)</sup>



<sup>1)</sup> Adjusted subdivision definition as per Q1'21, mainly due to introduction of 'Flow Control' subdivision (including mainly pumps and INglass acquisition); Special Filament renamed to Industrial & Interiors; Plant Engineering renamed to Nonwoven & Plant Engineering; <sup>2)</sup> margin based on sales to third parties

# Conclusion: Confirming FY'21 Group Guidance Following Strong Q3 and Based on Current Visibility



## Forward Looking Priorities

### Drive profitable growth

- **Enhance growth** with expansion into adjacent areas (e.g. Non-Filament) and investments into future mobility
- **Strong cost focus** enabling return to operational 16-18% EBITDA margin corridor (YTD 16.9%)
- **Strengthened capital allocation framework** and intensified internal competition for capital to drive ROCE to double-digit target
- **Accretive M&A** executed in both Divisions; solid balance sheet with low leverage ratio
- **Stable dividend** paid in H1



**Sales** ~2.65 bn

**EBITDA margin** ~16.5%<sup>1)</sup>

**CAPEX** ~120m

1) refers to operational EBITDA margin



# Q&A



# Appendix



# ESG Rating Improvements Following 1<sup>st</sup> Sustainability Report

## Our ESG commitment to 2030

### Environmental



- Implement energy management systems at 100% of sites
- Increasing share of energy from renewable sources to 100%
- Increasing share of operations that are climate neutral to 100%
- Reducing share of disposed waste by 50%
- 100% of R&D investment in new products must cover ESG criteria

### Social

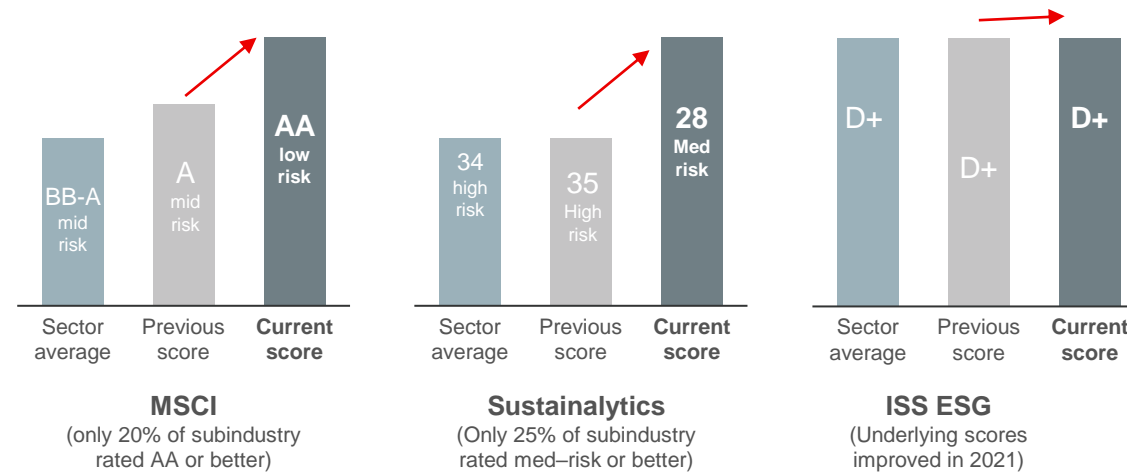


- Increasing the percentage of women in management and leadership roles to 20%
- Increasing the percentage of women in high potential talent programs to 30%
- Ensuring Zero Harm to People

### Governance

- Increasing the percentage of employees who have completed the compliance and code of conduct training to >95%

## Ratings improvements 2021



### Further ratings updates in progress

- Annual update schedules means some ratings are still to be updated
- CDP Climate 2021 filing made in July 2021
- S&P CSA 2021 update scheduled Q4'21

## Key ESG milestones 2021

### Environmental

- 9 of the 23 Oerlikon sites with the highest energy consumption have implemented an energy management system, 10 more will follow until year end
- 3 of these sites are using renewable energy only by 2022

### Social

- Oerlikon will host first internal diversity conference in Q4'21
- Oerlikon organized global HSE day in Sep 2021 with focus on "Pro Active Safety"
- Oerlikon supporting several social projects at schools and colleges in India

### Governance

- Oerlikon published renewed code of conduct (CoC) in May 2021; all staff to be trained on CoC
- CoC includes 8 compliance policies including human rights and whistleblowing; additional 3 compliance directives
- Chief Sustainability Officer appointed Jan 2021

# Q3 Reconciliation of Profitability Measures

## EBITDA to EBIT bridge

	Group		Surface Solutions		Polymer Processing Solutions	
	Q3'21	Q3'20	Q3'21	Q3'20	Q3'21	Q3'20
<b>EBITDA</b>	<b>115</b>	<b>88</b>	<b>58</b>	<b>37</b>	<b>52</b>	<b>48</b>
Depreciation	-34	-33	-26	-28	-7	-5
Impairments	-0	-1	-0	-1	--	--
<b>EBITA</b>	<b>81</b>	<b>54</b>	<b>32</b>	<b>8</b>	<b>45</b>	<b>44</b>
Amortization of Acquired Intangibles	-14	-11	-9	-9	-5	-1
Other Amortization	-8	-7	-4	-4	-3	-2
Impairments	-1	-0	-1	-0	--	--
<b>EBIT</b>	<b>58</b>	<b>36</b>	<b>18</b>	<b>-6</b>	<b>37</b>	<b>41</b>

## Operational profitability reconciliations

	Group		Surface Solutions		Polymer Processing Solutions	
	Q3'21	Q3'20	Q3'21	Q3'20	Q3'21	Q3'20
<b>Operational EBITDA</b>	<b>117</b>	<b>93</b>	<b>59</b>	<b>42</b>	<b>55</b>	<b>48</b>
Restructuring expenses	0	-3	0	-3	--	0
Discontinued activities	--	-2	--	-2	--	--
Acquisition and Integration costs	-2	-0	-1	-0	-4	--
<b>EBITDA</b>	<b>115</b>	<b>88</b>	<b>58</b>	<b>37</b>	<b>52</b>	<b>48</b>

	Group		Surface Solutions		Polymer Processing Solutions	
	Q3'21	Q3'20	Q3'21	Q3'20	Q3'21	Q3'20
<b>Operational EBIT</b>	<b>61</b>	<b>42</b>	<b>19</b>	<b>0</b>	<b>40</b>	<b>41</b>
Restructuring expenses	0	-3	0	-3	--	0
Impairments related to restructuring	-1	-1	-1	-1	--	--
Discontinued activities	--	-2	--	-2	--	--
Acquisition and Integration costs	-2	-0	-1	-0	-4	--
<b>EBIT</b>	<b>58</b>	<b>36</b>	<b>18</b>	<b>-6</b>	<b>37</b>	<b>41</b>

# YTD Reconciliation of Profitability Measures



## EBITDA to EBIT bridge

	Group		Surface Solutions		Polymer Processing Solutions	
	9M'21	9M'20	9M'21	9M'20	9M'21	9M'20
<b>EBITDA</b>	<b>315</b>	<b>180</b>	<b>174</b>	<b>72</b>	<b>133</b>	<b>104</b>
Depreciation	-99	-100	-80	-84	-17	-14
Impairments	-1	-2	-1	-2	--	--
<b>EBITA</b>	<b>214</b>	<b>78</b>	<b>93</b>	<b>-14</b>	<b>116</b>	<b>90</b>
Amortization of Acquired Intangibles	-38	-32	-28	-28	-9	-4
Other Amortization	-23	-21	-11	-14	-8	-5
Impairments	-2	-5	-2	-5	--	--
<b>EBIT</b>	<b>152</b>	<b>20</b>	<b>52</b>	<b>-61</b>	<b>99</b>	<b>82</b>

## Operational profitability reconciliations

	Group		Surface Solutions		Polymer Processing Solutions	
	9M'21	9M'20	9M'21	9M'20	9M'21	9M'20
<b>Operational EBITDA</b>	<b>319</b>	<b>210</b>	<b>174</b>	<b>101</b>	<b>137</b>	<b>104</b>
Restructuring expenses	1	-25	1	-24	-0	-0
Discontinued activities	--	-5	--	-5	--	--
Acquisition and Integration costs	-5	-1	-1	-0	-4	--
<b>EBITDA</b>	<b>315</b>	<b>180</b>	<b>174</b>	<b>72</b>	<b>133</b>	<b>104</b>

	Group		Surface Solutions		Polymer Processing Solutions	
	9M'21	9M'20	9M'21	9M'20	9M'21	9M'20
<b>Operational EBIT</b>	<b>159</b>	<b>57</b>	<b>54</b>	<b>-24</b>	<b>102</b>	<b>82</b>
Restructuring expenses	1	-25	1	-24	-0	-0
Impairments related to restructuring	-3	-6	-3	-6	--	--
Discontinued activities	--	-6	--	-6	--	--
Acquisition and Integration costs	-5	-1	-1	-0	-4	--
<b>EBIT</b>	<b>152</b>	<b>20</b>	<b>52</b>	<b>-61</b>	<b>99</b>	<b>82</b>



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