

# Oerlikon Investor Presentation

August 2021



# Oerlikon is a Market Leading Industrial Technology Group Delivering Sustainable Innovation for Key Industries

**oerlikon**

## #1

in High Potential  
Markets

- Surface Solutions offers value added services with high barriers to entry
- Polymer Processing Solutions is #1 supplier to several attractive niche markets
- Leading Swiss and German technology in DNA

## ~55%<sup>a</sup>

Sales in Surface  
Solutions

- Technology and market leader
- High structural growth opportunities
- Operational improvement programs to boost profitability & capital efficiency

## ~45%<sup>a</sup>

Sales in Polymer  
Processing  
Solutions

- Technology and market leader
- Polymer processing know-how provides structural growth and diversifies the Division
- Highly profitable and cash generative



**Strong  
Financial Base**

- Low net-debt position and cash generative
- Target to deliver 16 – 18% operational EBITDA
- ROCE to target double-digit levels in the medium term



**Disciplined  
Capital Allocation**

- CHF ~900m returned to shareholders since 2016
- Delivering value enhancing M&A with 18 acquisitions made since 2016
- Focus on accretive small- to mid-sized M&A with retained capability for transformational deals

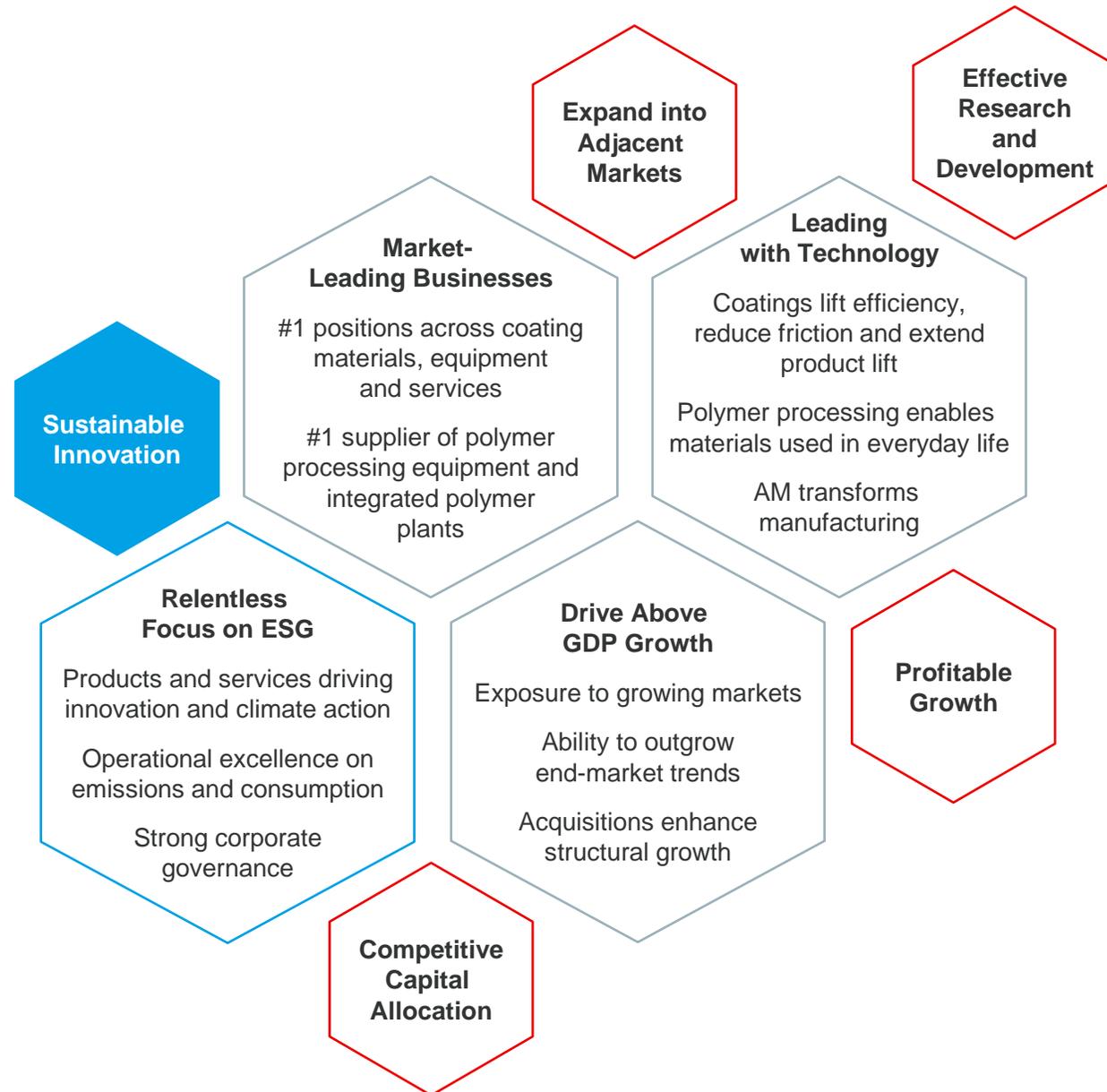


**Driving ESG and  
Sustainability**

- Reducing environmental impact is at the heart of the technology portfolio
- Committed to ESG and the UN sustainable development goals
- Ambitious 2030 performance targets

► **Growth driven by sustainability megatrends with value creation opportunities**

**Sustainably  
outgrowing  
markets,  
generating  
above peer  
group returns**

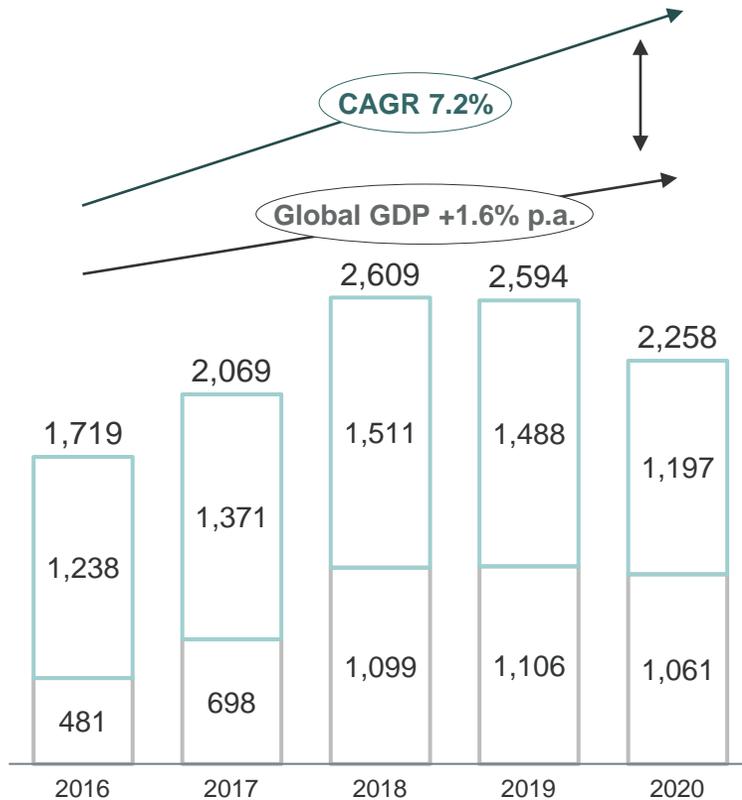


# Oerlikon is a Globally Leading Swiss Industrial Technology Company



## Group Sales

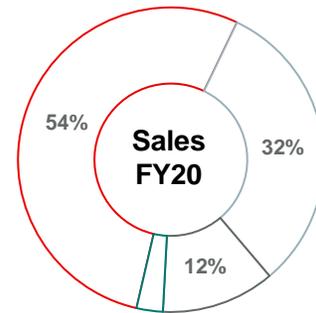
- Surface Solutions
- Polymer Processing Solutions



Source: Bloomberg, IMF WEO for FY20 growth  
Group growth CAGR excluding FX effects 8.3%

## Sales by Region

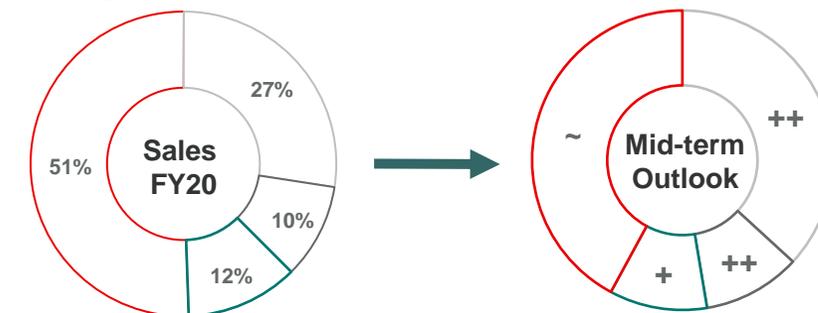
- Asia / Pacific
- Europe
- North America



## Oerlikon Business Model

- Equipment
- Coating & AM Service
- Components / Other Service
- Materials

Today



## Value Catalysts

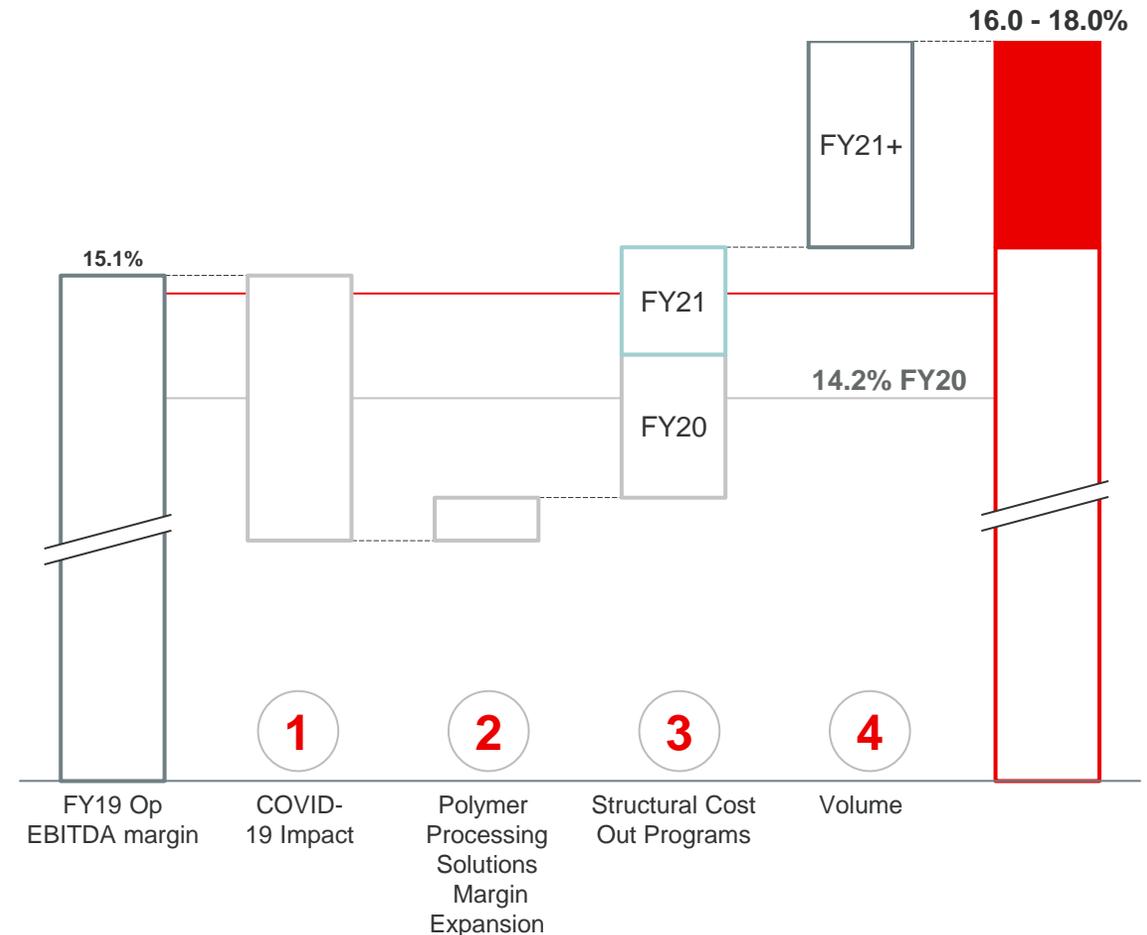
- Structural growth driven by leading technologies and attractive key markets
- Productivity programs drive structural profitability enhancement and higher cash generation potential
- Highly profitable and cash generative assets
- Disciplined capital allocation through M&A and shareholder returns

# Priority: Return Group Op. EBITDA Margin to 16 – 18%<sup>a</sup>

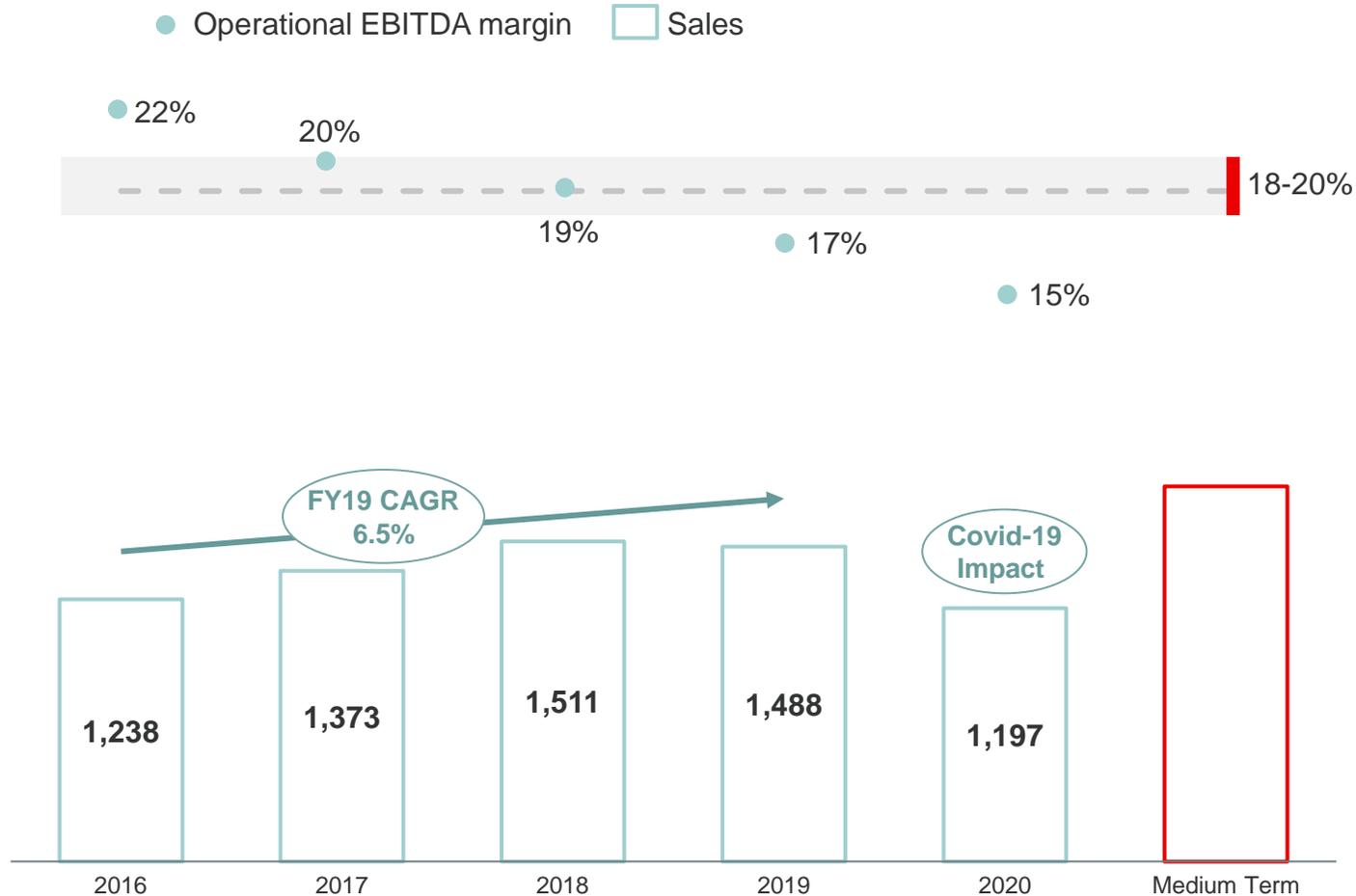
## Margin Recovery Profile

1. Surface Solutions financials impacted by COVID-19 pandemic with FY'20 sales down ~20% (~15% with constant FX)
2. Polymer Processing Solutions benefits from higher utilization and better mix
3. Restructuring program deepened and accelerated in 2020:
  - a) Permanent run-rate EBITDA savings CHF ~70m
  - b) One-time implementation cost of CHF ~60m booked in FY'19/20
  - c) Headcount reduction target of >800 HCs
  - d) Program addresses fixed fulfilment costs and SG&A
4. Cost focus will reduce SG&A intensity as Surface Solutions markets recover

## Operational Leverage at Lower Sales



# Surface Solutions Delivers Profitable Structural Growth



## #1 in Coatings, Materials and Service

- Technical advantage with pricing power
- Solution provider with high value add
- Largest global service network

## Technology Leadership

- Coatings: thin-film and thermal spray
- Surface treatments: i.e. nitriding
- Additive manufacturing

## Structural Growth Above GDP

- Track record of substantial structural growth
- 16% CAGR from 2009, 6% since Metco
- Driven by end-market growth and innovation
- Enhanced by M&A
- Target medium-term double-digit RONA

## ESG

- Environmentally friendly technology
- Regulatory driven technology adoption

Source: Bloomberg, IMF WEO for 1.6% global growth to FY20  
 Surface Solutions FY20 growth CAGR excluding FX effects 0.6%

# Sustainable Innovation Driving Growth Across Complete Surface Technologies Portfolio

## Cross pollination of business models and unique technology portfolio

### Service



- Largest service center network globally with local focus
- Broadest product and service offering across surface technologies and additive manufacturing
- Increased efficiency with scaled-up sites
- Strong application engineering competences

~6%

FY 16 – 19  
CAGR

++

Long-term Growth  
Potential

### Equipment



- Next generation coating platforms developed
- Significant installed base of coating machines with strong spares and service offering
- Supporting next generation advanced manufacturing
- Digital transformation

~12%

FY 16 – 19  
CAGR

+

Long-term Growth  
Potential

### Materials



- Broad portfolio of materials from thermal spray to additive manufacturing
- Investment in next generation atomizers
- Software-driven development of new materials
- Materials optimized with experience in service and equipment

~11%

FY 16 – 19  
CAGR

+

Long-term Growth  
Potential

### Components & Other



- Coated components extend the addressable market
- One-stop-shop for system integrators
- Well placed for outsourcing trends from customers

~(3)%

FY 16 – 19  
CAGR

+

Long-term Growth  
Potential

# Acquiring Coeurdor to Expand in Growing High-End Deco

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## 1 Coeurdor – leading supplier to luxury fashion industry



- Coeurdor is a **manufacturer of metalware** with a focus on surface treatment and product design / engineering
- Customers include leading luxury brands producing leather goods, such as leather bags and belts, as well as pens, jewelry and watches
- Applying galvanization and PVD coating technology; strong focus on speed and customer design
- Headquartered in France, Coeurdor has **>220 employees**

## 2 Oerlikon to expand in high-end deco



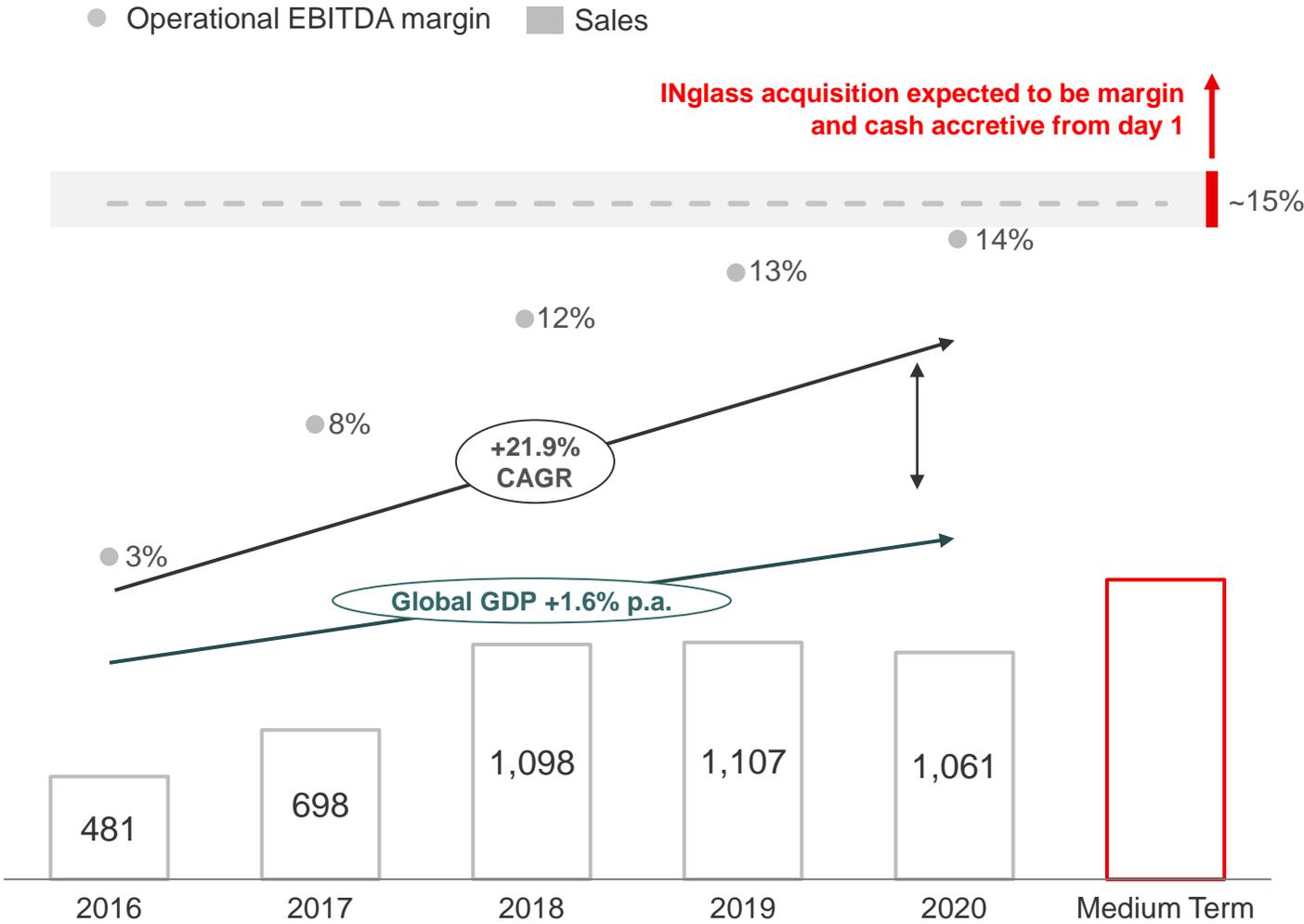
- To date, Oerlikon is primarily present in high-end deco applications such as pens, watches and consumer electronics
- Organic expansion beyond pens and watches based on leading innovation
- Trusted **long-term customer relations** and **design expertise** are key in high-end deco industry

## 3 Leveraging Coeurdor brand and Oerlikon technology

- Acquisition provides access to annual **mid to high-single digit % market growth** of luxury leather goods; no financials of acquisition disclosed; consolidation as of June 1
- **Acquisition expands offering** and **foothold** of Surface Solutions Division in the luxury goods industry
- Maintain Coeurdor brand and **expand through Coeurdor** in high-end-deco industry with leading Oerlikon technology
- Coeurdor benefiting from Surface Solutions' technology leadership and global footprint
- Combination of Oerlikon and Coeurdor to accelerate luxury goods industry shift to PVD as a **greener technology**



# Polymer Processing Solutions Will Continue to Deliver High Returns Combined with Growth



Source: Bloomberg, IMF WEO  
 Polymer Processing FY20 growth CAGR excluding FX effects 22.9%

## #1 Market Position

- Polymer processing technology leadership
- Trusted long-term supplier
- Diversified polymer processing applications

## Cash Redeployment

- Highly cash generative with over CHF 1.5bn Op FCF over past 10 years
- Ability to redeploy capital to enhance M&A growth in Precision Polymer Solutions

## Transformed Business

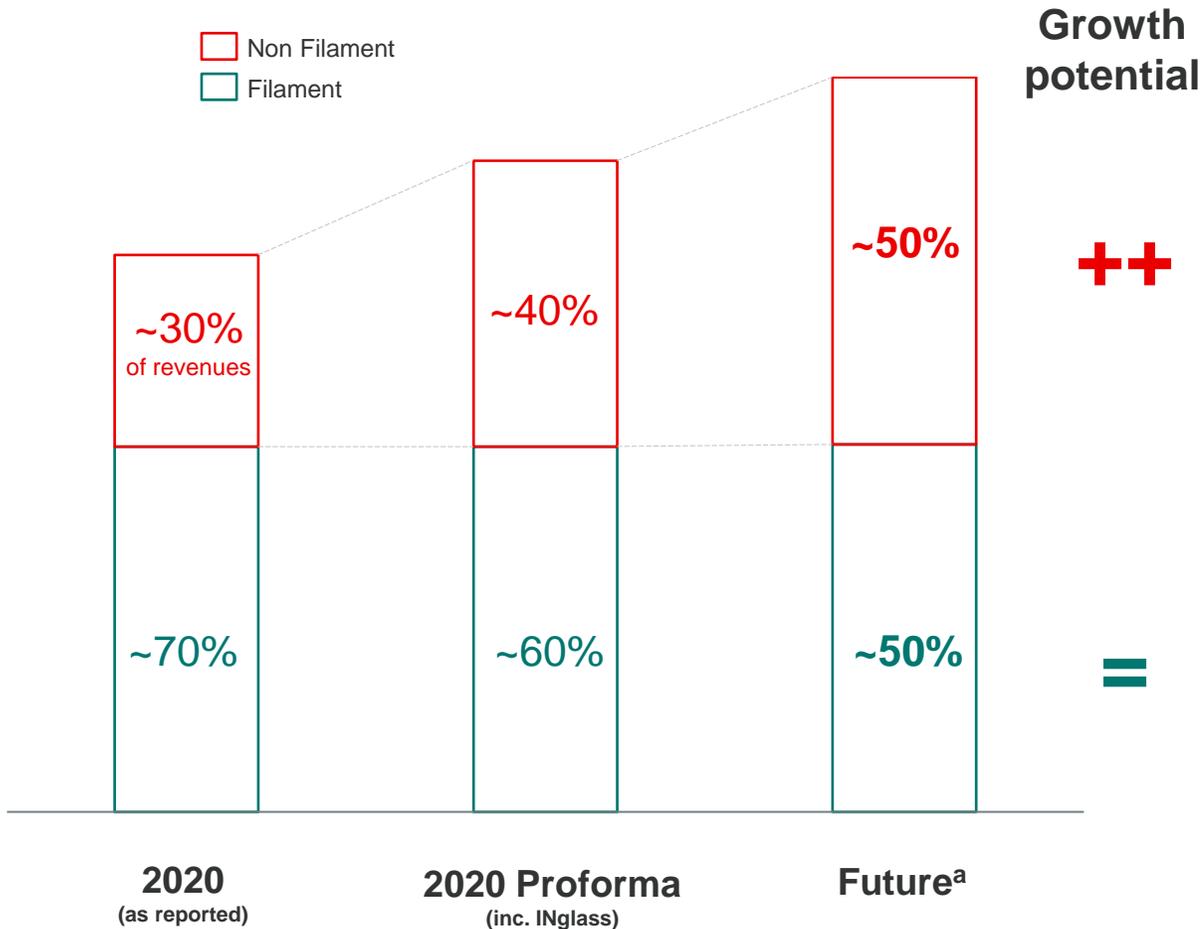
- Successful business with stable and profitable base in filament market
- Ongoing diversification and growth in nonwoven, automation and aftermarket
- Polymer flow control (inc. INglass) offers growth, diversification and higher profitability

## ESG

- Positioned to drive climate & energy and water savings through efficiency gains
- Biopolymers will drive the circular economy

# Transforming Manmade Fibers into a Market-Leading Polymer Processing Business

## Transformation into Polymer Processing Solutions



## Transformation Catalysts

### Transforming Manmade Fibers into Polymer Processing Solutions

- Lower reliance on filament market where growth is slower
- Closer alignment to wider polymer market growing at 1.5x Global GDP across different market sectors

### Acquisition of INglass is a key strategic milestone

- Accelerates development of Flow Control business
- Substantially extends Flow Control IP and product portfolio

### Polymer Process Solutions division has significant growth potential outside Filament<sup>c</sup> market

- Nonwoven market of CHF ~0.4bn growing at +8% p.a.<sup>b</sup>
- Other non-filament market of CHF ~1bn growing at 3-4% p.a.<sup>b</sup>
- INglass HRS addressable market of CHF ~0.5bn growing at +4% p.a.<sup>b</sup>
- Additional adjacent HRS market (e.g. med-tech, pharma, bottles and packaging) of CHF ~2bn growing at +5% p.a.<sup>b</sup>

### Continued alignment with sustainability megatrends... including weight reduction, recycling and water preservation

<sup>a</sup>See cautionary note on forward-looking statements on the slide "Disclaimer"

<sup>b</sup>Market size and growth estimates based on Company estimates

<sup>c</sup>Filament market of CHF ~2.0bn based on Company estimates

## 1 INglass - leader in hot-runner systems



- INglass is an innovation and market leader in the supply of hot-runner systems, used for injection molding to produce light-weight high-end components
- A hot-runner system distributes polymers in the injection process, by providing superior temperature and **flow control** vs. alternative solutions
- Applied in multiple industries from automotive and consumer goods to household appliances and packaging
- INglass had **CHF ~135m sales** in 2020 with >1 000 employees; HQ in Italy

## 2 Flow control a critical technological part at Oerlikon

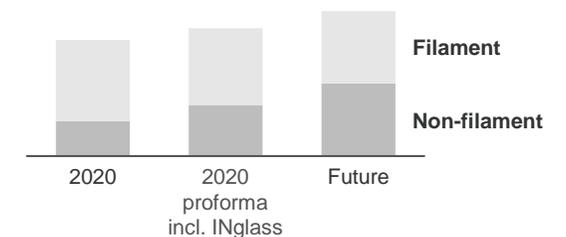


- Oerlikon has extensive flow control know-how across the value chain, mainly in **gear pumps**: focus on precise thermal control, pressure management, continuous flow, use of surface technology key to flow control performance
- Flow control accounted for a **single digit percentage** of Polymer Processing Solutions Division's sales in 2020; ambition to increase going forward
- ~70% of the Polymer Processing Solutions Division's sales in 2020 were generated with filament; ambition to diversify going forward

## 3 Enhancing growth, diversification and value

- **Diversifying** into non-filament; transforming Manmade Fibers Division into Polymer Processing Solutions Division
- Accessing **high single-digit percentage organic growth** potential
- Transaction to be **highly cash and margin accretive** to Oerlikon from day 1; consolidation as of June 1, 2021
- Highly synergistic deal driven by complementary technology in Polymer Processing Solutions Division and shared market access points in Surface Solutions Division
- Continued alignment with sustainability megatrends around weight reduction

Sales mix Polymer Processing Solutions



# Leading Industrial Technology Group with Ability to Deliver Sustainable Structural Growth Enhanced by Megatrends **erlikon**

## Sustainability and growth megatrends served

### Climate Change Energy Transition



Help customers meet their **greenhouse gas and energy reduction** objectives

### Circular Economy Sustainability



Enable **efficiency, life-time extension and potential to recycle**

### Water Preservation



Sustainable products that **consume less water**

### Digitalization



**More sensors, data & interfaces** require functional products

### E-mobility & Lightweight Parts



**Decrease carbon footprint** via lower weight, lighter materials

**1** Leading technology driven by significant investment in sustainable innovation

**2** Strong coverage of growing industrial markets with natural diversification

**3** Well placed to accelerate global sustainability and the transition to a green economy at a customer level

# Our Positive Sustainability Impact Exponentially Exceeds the Cost of our Footprint

In aerospace alone our products reduce CO2 emissions >160x our Group operational total

## CUSTOMER VALUE PROPOSITION



**180x**  
Tool Lifetime Extension



**2-4%**  
Reduced Fuel consumption



**50%**  
Energy Savings in Polymers



**5%**  
Efficiency Increase

## WE HELP OUR CUSTOMERS TO REACH THEIR GOALS



More circular with less waste & less energy use



Use less energy and enable future mobility



Use less energy and waste less materials



Use less fuel and emit lower emissions

## QUANTIFIED CO2 EMISSION REDUCTION

**25'600<sup>1</sup>  
kts CO<sub>2</sub>**

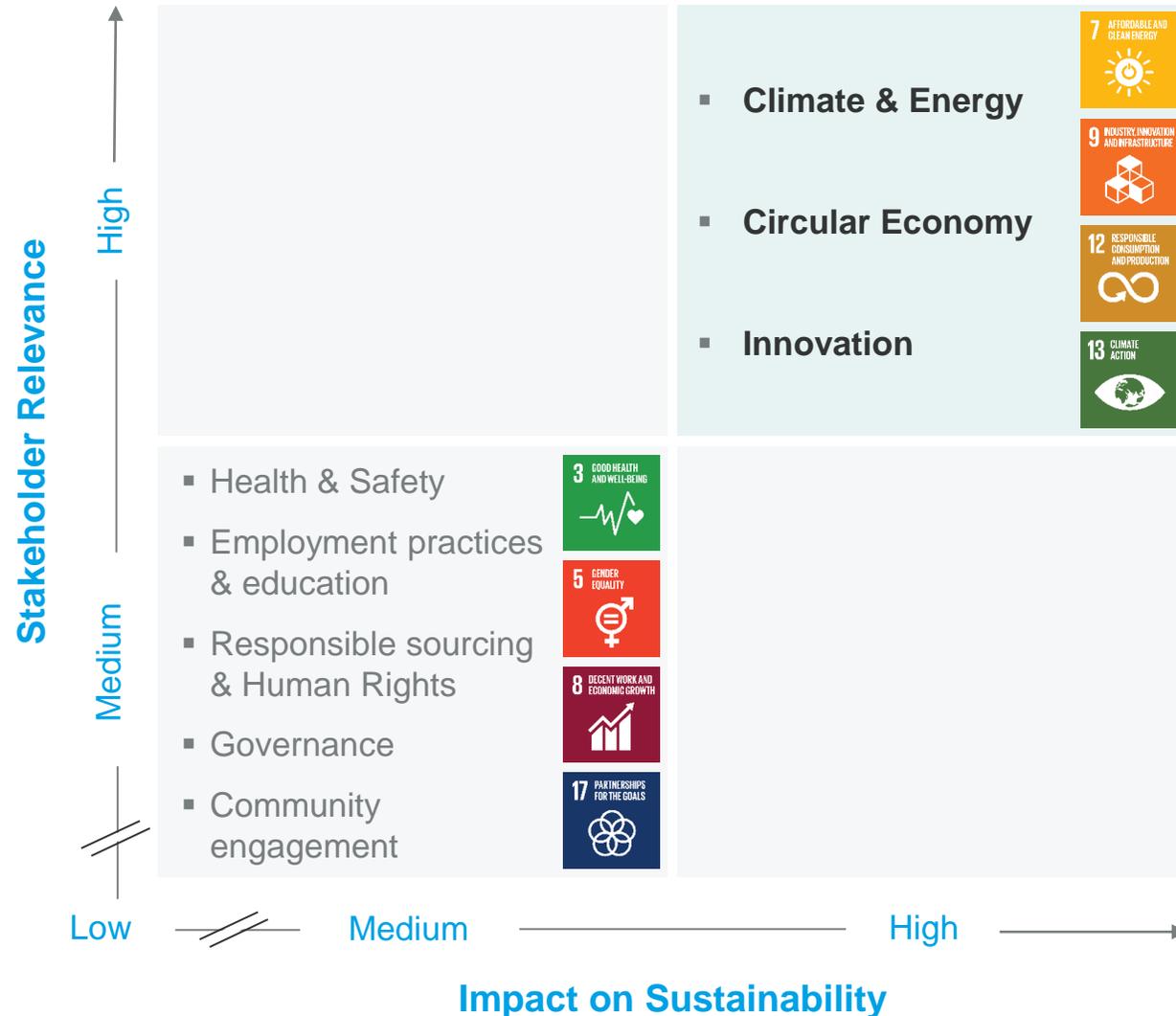
Of CO2 emission reduction per annum due to 5% efficiency gains in aero engines using Oerlikon's coatings

## GROUP CO2 EMISSIONS

**158<sup>2</sup> kts  
of CO<sub>2</sub>**  
emitted by Oerlikon

**160x**  
Group CO2 emissions to quantified reduction ratio

# Oerlikon Publishes First Sustainability Report Compliant with GRI Core Standards

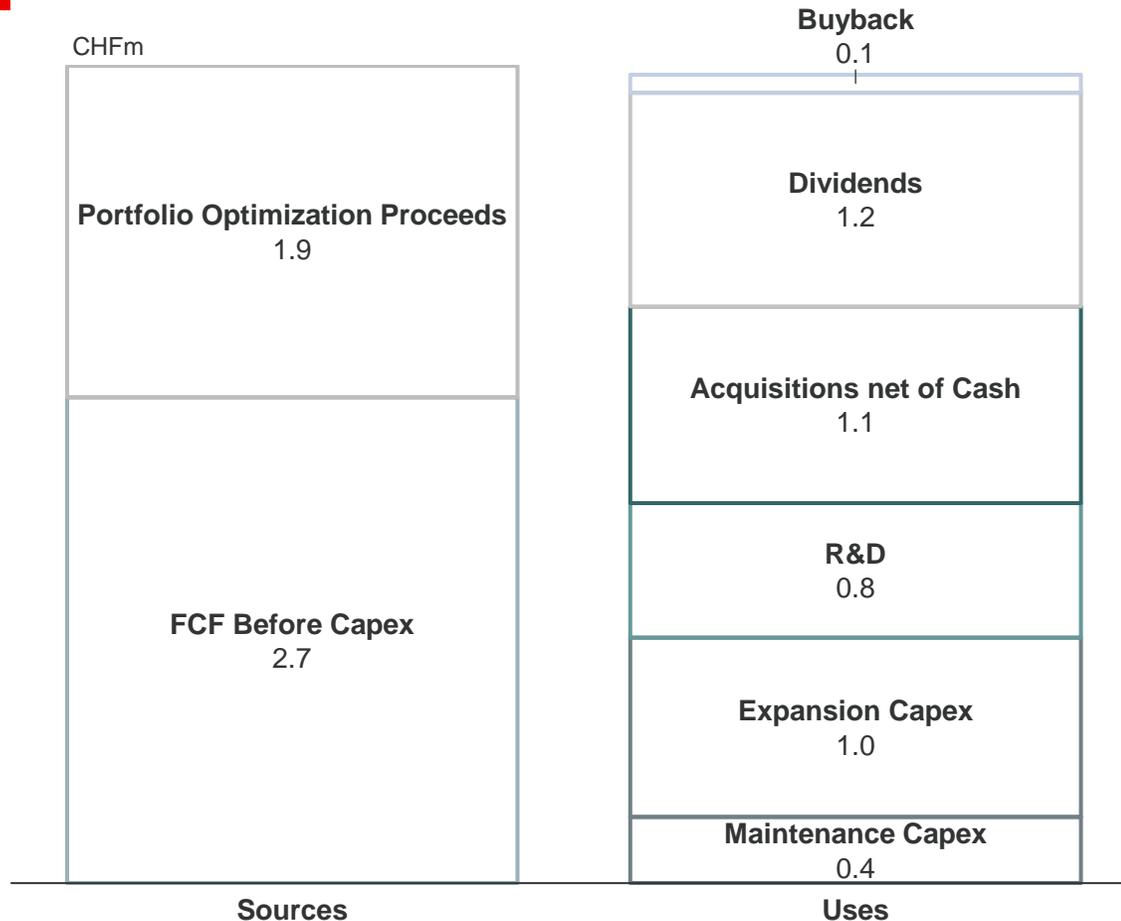


## Oerlikon Sustainability Targets By 2030

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

# Disciplined Capital Allocation is a Critical Success Factor for Oerlikon ... Organic and Inorganic

## Capital Allocation From FY'13 – 20



## Future Capital Allocation Priorities

- 1 Continue to pay stable or progressive ordinary dividend
- 2 Opportunistically buyback shares
- 3 Disciplined organic investment
  - Re-investment ratio below 1 until 2025
  - Focused R&D to drive sustainable structural growth
- 4 Expand via M&A
  - Value accretive sweet spot in small and medium acquisitions
  - Retain financial capability for larger transformational deals

<sup>1</sup> Dividends paid from 2014-2020 relating to previous year.  
<sup>2</sup> Dividends include those funded by acquisitions including Vacuum  
<sup>3</sup> Acquisitions net of cash acquired, also includes divestment at end 2012

# Oerlikon's Executive Incentive Compensation is Aligned to Shareholder Returns



## Short-Term Incentives



Revenue Growth



EBIT



Operating Free Cash Flow



RONA

## Long-Term Incentives



**ROCE** target above cost of capital and above historical peer returns as main performance measure

# 2021 Business Outlook

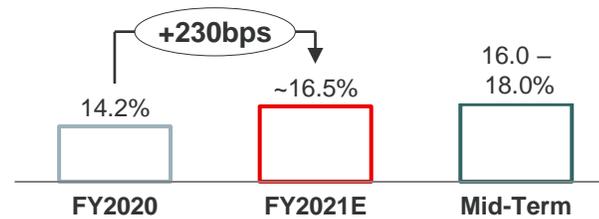
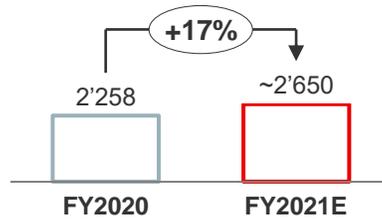
Forward-looking statements assume continued and stable global recovery from COVID-19 pandemic



## Sales

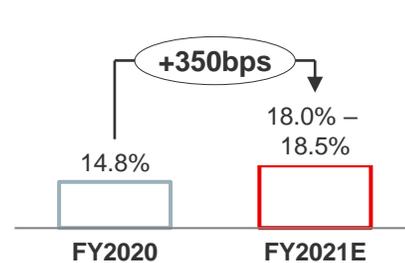
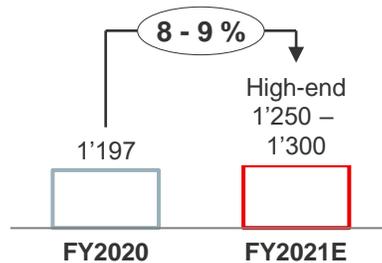
## Operational EBITDA margin

### Group



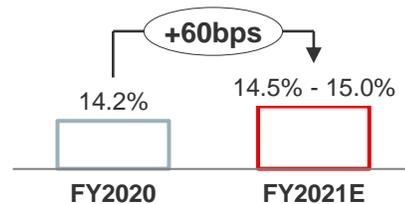
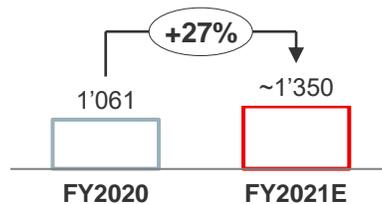
- Order in-take expected at CHF ~2.75bn
- **Sales increase** driven by positive momentum in both Divisions
- **Margin returning** to target corridor, supported by strong execution in both Divisions
- Capex of CHF ~120m

### Surface Solutions



- Order intake of CHF ~1.3bn expected
- **Sales increase** mainly driven by market recovery and solid execution; Coeurdor acquisition with positive impact
- Tooling and GI recovery expected to continue in H2; aviation expected stable on low levels in H2; automotive to be impacted by supply chain shortages in H2
- **Margin strongly improving** supported by cost-out measures and operational leverage

### Polymer Processing Solutions



- Order intake of CHF ~1.45bn expected
- **Sales increase** driven by strong end markets, solid execution and acquisition of INglass
- **Higher margin** driven by INglass

# Oerlikon's Forward Looking Priorities



1

Deliver sales growth as Surface Solutions Division end-markets recover; position both Divisions for structural growth

2

Return the Group to the operational EBITDA corridor of 16 – 18%

3

Deliver double-digit ROCE...  
medium-term re-investment ratio below 1

4

Focus on accretive small- to mid-sized M&A for both Divisions...  
retain capability for transformational deals

5

Continue to pay a stable or progressive dividend

# Appendix



# Oerlikon Group Overview



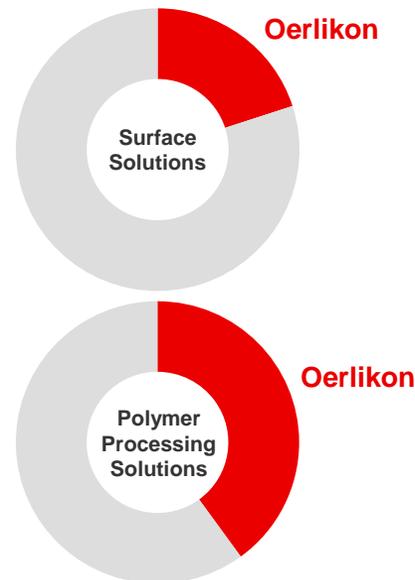
## Market coverage

- Swiss industrial **technology leader** delivering **sustainable innovation** for key industries
- Surface Solutions (53% of sales)** offers coating materials, equipment and services to enhance surfaces of industrial products; complemented by additive manufacturing solutions
- Polymer Processing Solutions (47% of sales)** engineers systems/components used for polymer processing, such as manmade fiber production plants and flow control equipment
- Diversified** in terms of geographies, industries, customers (>30k OEM and tier 1) and GDP sensitivity of end markets
- Listed on SIX with around CHF **3.5bn market cap**<sup>1)</sup> (~55% free float) and >11k employees

**Diversified Swiss industrial technology leader**



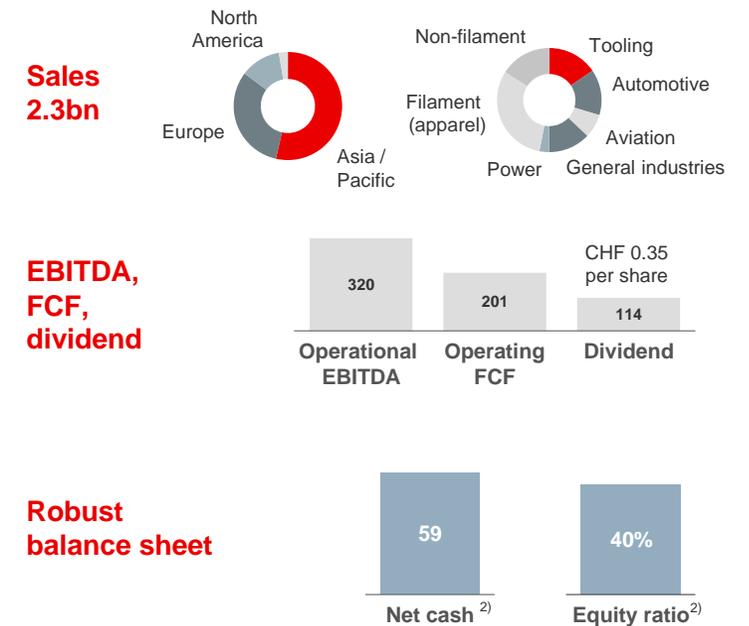
## Market share



**Leading market share**



## Financials 2020



**Solid financials**

1) As of 2 August 2021; 2) Values as of YE'20; net debt/EBITDA of 1.2x as per H1'21 driven by acquisitions of INglass and Coeurdor  
Unless otherwise stated all figures in CHF m; Polymer Processing Solutions market share refers to Filament; Surface Solutions market share based on addressable markets

# Surface Solutions Division Overview

53% of group sales



## Materials



## Equipment



## Services

(coating / treatment / printing for customers)



## Components & others

### Enhancing metal, plastic and other surfaces

- **Broad and innovative offering** with surface solutions enabling >20 surface properties; components and coating materials, equipment and services based on extensive material and process competences; supported by strong brands
- **Based on leading technologies** including thin film (PVD, PACVD, CVD), thermal spray, nitriding and laser cladding; >1k engineers and >5k patents <sup>1)</sup>
- **For a wide range of applications:** Cutting tools, pumps, engines, consumer goods, medical devices, semiconductors, etc.
- **Ecological & economical benefits** for customers: Coatings extend product life, lift efficiency, control friction/corrosion/wear, and improve production reliability and product safety; Oerlikon assists customers with regulatory driven technology adoption (CO2 & energy reduction)
- **Global network** of >150 coating centers: Proximity to customers and response time is key; pick-up and return within 1-2 days
- **Market leader** with ~20% average market share in addressable markets; competitors in addressable markets include Praxair Surface Technologies (Linde), Ionbond (IHI), Eifeler (Voestalpine), Tocalo, and H.C. Starck (Höganäs)

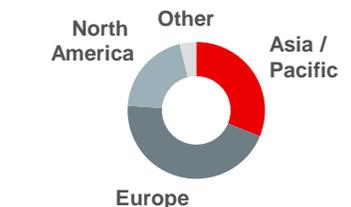
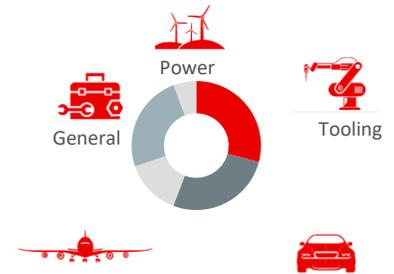
### Pioneering additive manufacturing

- **Broad offering** for additive manufacturing
- Materials for 3D printing, engineering services, and printing of parts

### Diversified end markets

>30k customers

- OEM and tier 1: BMW, GE, Alstom, Siemens, BOSCH, SKF, ...
- Top 10: ~17% of sales



Geographic and end-market sales split based on FY'20, not including Coeurdor proforma; 1) on Oerlikon Group level

# Polymer Processing Solutions Division Overview

47% of group sales

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## Systems & plants



## Components



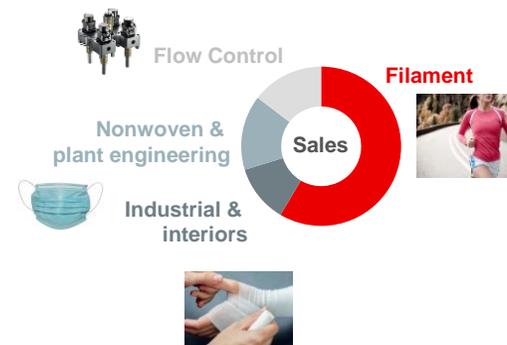
## Engineering services

### Leading supplier of systems and components used in polymer processing

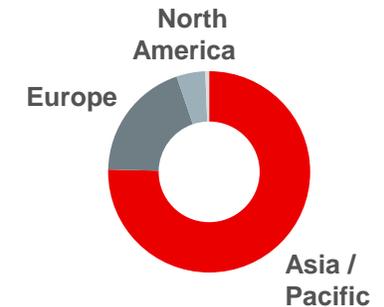
- **Broad integrated offering:** Spinning systems, texturing machines, nonwoven plants, digital factory solutions, process automation, gear-metering pumps, hot-runner systems
- **Leading technology** with 8 production sites in Asia, 6 in Europe and 2 in the Americas
- **Ecological and economical benefits** for customers: efficiency gains leading to energy and water savings; leading quality consistence; downtime minimization; space-saving machine design; catering weight reduction trend in flow control
- Manmade fibers outgrow natural fibers: consumer friendly functions (e.g. stretch, waterproof), better availability, lower resource intensity
- Competitors include TMT Machinery (filament), China Hi-Tech Group (filament, staple fiber, nonwoven), Reifenhäuser (nonwoven), Dover, Nordson, Hillenbrand, Yudo, Husky, Pomtava (all flow control)

### Ongoing sales diversification into non-filament

- **Filament:** Machines to produce manmade fibers used in apparel; ~40% market share
- **Industrial & interiors:** Machines to produce manmade fibers used in carpets (BCF), safety belts, bandage, geotextiles, sails
- **Nonwoven & plant engineering:** Machines for nonwoven (face masks, wipes), polymerization plants and systems to produce staple fibers
- **Flow control** solutions i.e. hot-runner systems and high precision gear pumps used in polymer processing for a wide range of industries



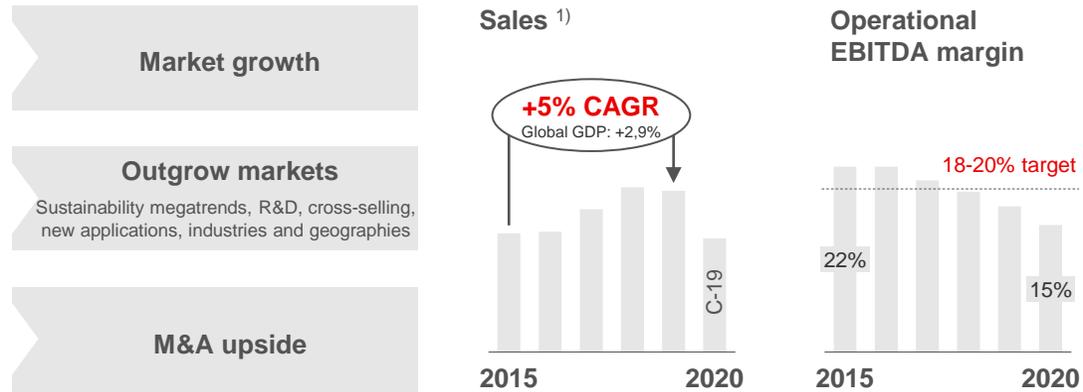
### Clients mainly present in Asia



- Oerlikon supplies 22 of the top 25 manmade fiber manufacturers in filament
- Filament customers include Hengyi, Xinfengming, Tongkun and Shenghong
- Diversified customer base in non-filament

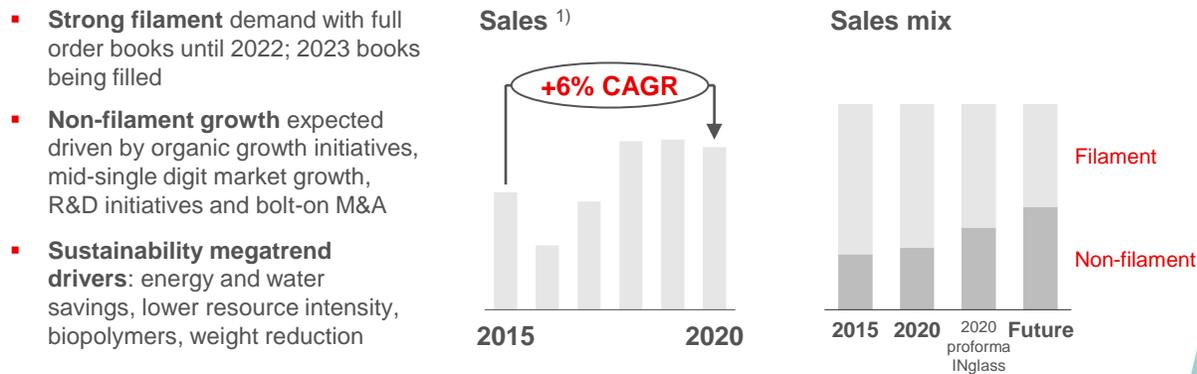
## Surface Solutions (53%)

### Sustainable sales growth and margin upside



## Polymer Processing Solutions (47%)

### Growth supported by diversification into non-filament



- **Sales CAGR15-19: +6% <sup>1)</sup>**
- **EBITDA margin target of 16-18% vs. 14% in 2020**
- **Double digit ROCE target vs. ø 9.5% reached in 18/19**

Cost containment & capital efficiency focus

<sup>1)</sup> CAGR is FX adj. and total excludes the Drive Systems Segment which was divested in 2019; operational EBITDA margin and ROCE targets are mid-term

# Investor Relations



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