

# Oerlikon Investor Presentation

May 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 our 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 in the medium term
- ROCE to target double-digit levels in the medium term



### Disciplined Capital Allocation

- CHF ~900 m 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

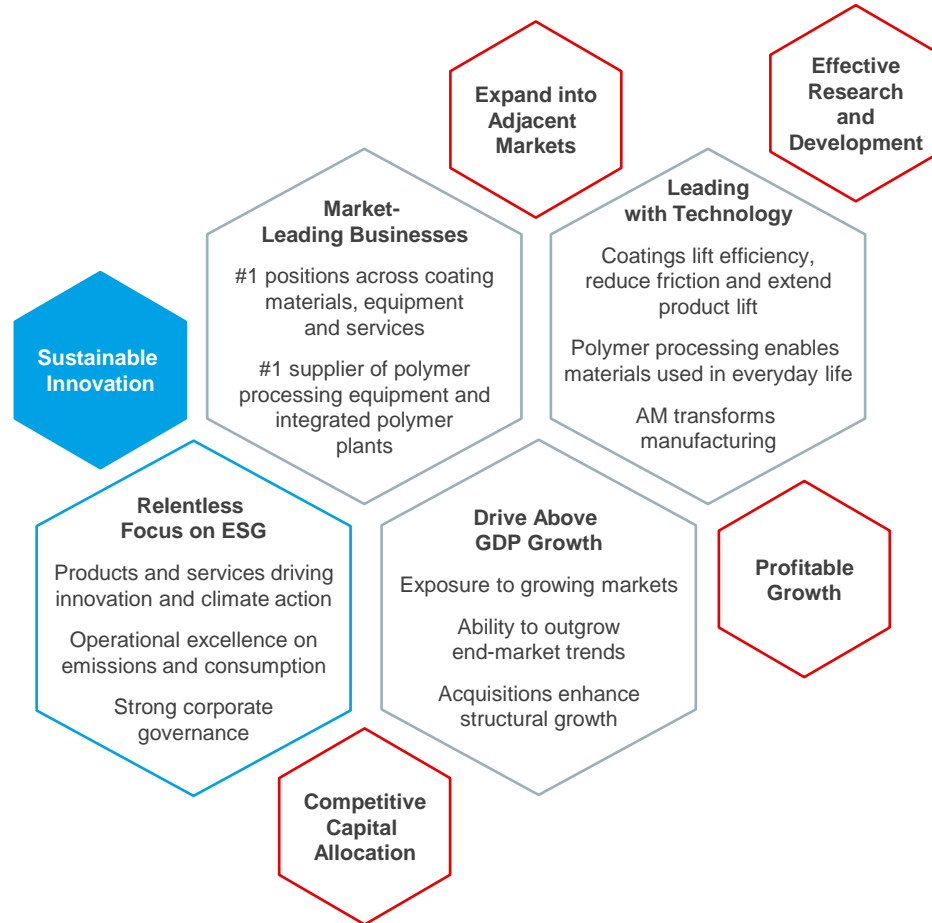


### Driving ESG and Sustainability

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

► **Strong growth driven by sustainability megatrends with value creation opportunities**

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

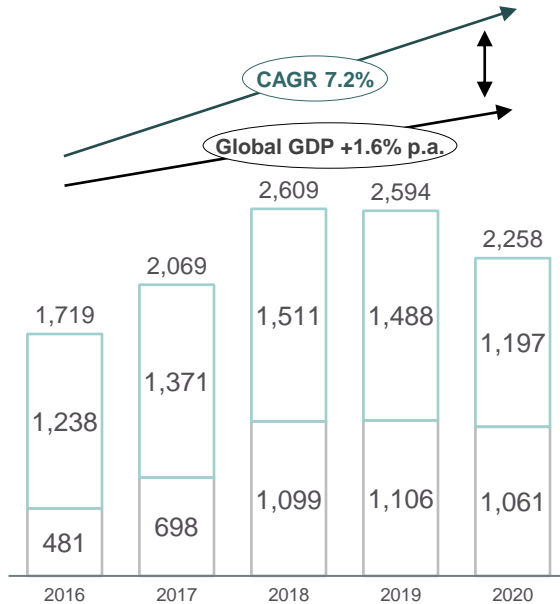


# Oerlikon is a Globally Leading Swiss Industrial Technology Company



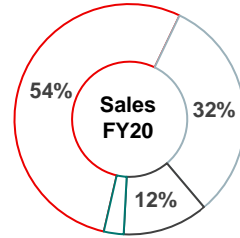
## Group Sales

- Surface Solutions
- Polymer Processing Solutions



## Sales by Region

- Asia / Pacific
- Europe
- North America



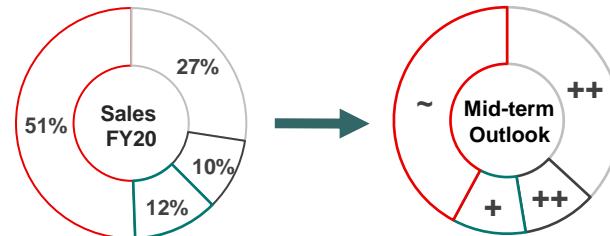
## Value Catalysts

- 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

## Oerlikon Business Model

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

Today



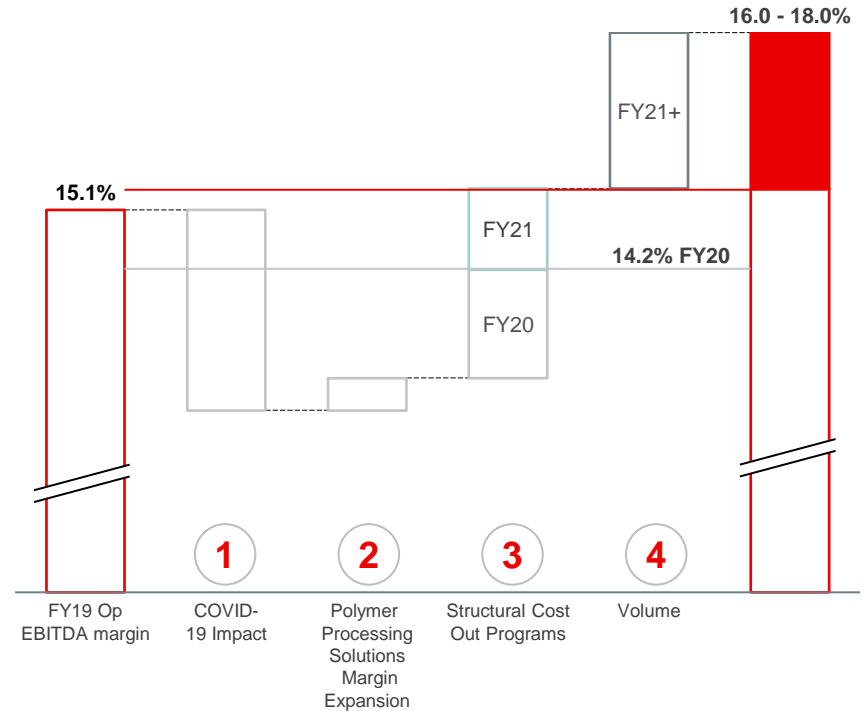
Source: Bloomberg, IMF WEO for FY20 growth  
Group growth CAGR excluding FX effects 8.3%

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

## Margin Recovery Profile

1. Surface Solutions financials impacted by COVID-19 pandemic with FY20 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 ~70 m
  - b) One-time implementation cost of CHF ~60 m booked in FY19/20
  - 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

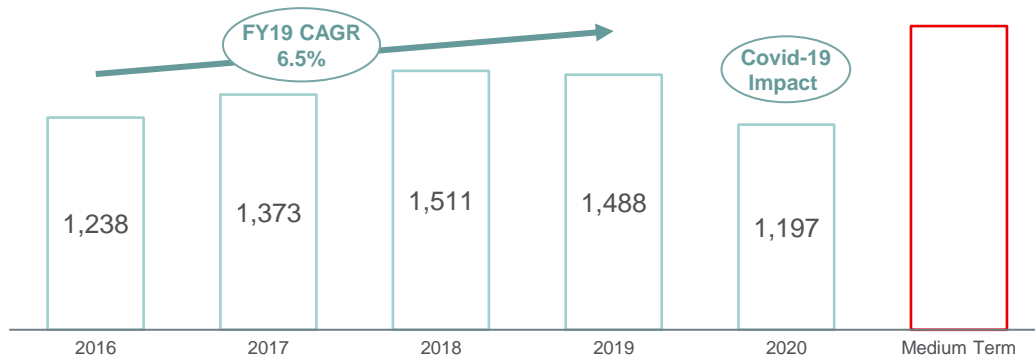
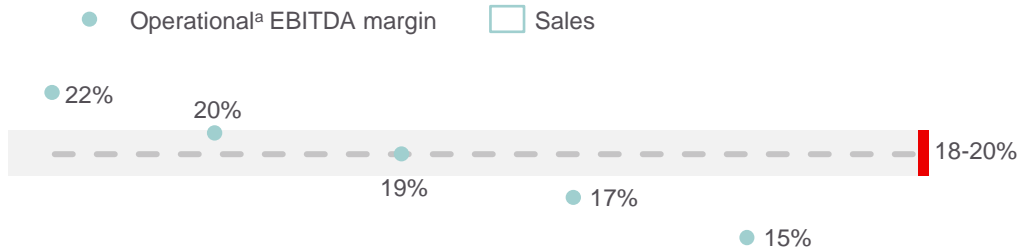
## Operational Leverage at Lower Sales



<sup>a</sup>Mid-term operational EBITDA corridor is before impact of INglass acquisition

<sup>b</sup>Operational EBITDA is defined as EBITDA, adjusted by expenses directly related to restructuring activities, effects from discontinued activities not qualifying as discontinued operations as well as impairments on associates

# Surface Solutions Delivers Profitable Structural Growth



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

## 1

### #1 in Coatings, Materials and Service

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

## 2

### Technology Leadership

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

## 3

### 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

## 4

### ESG

- Environmentally friendly technology
- Regulatory driven technology adoption

# 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

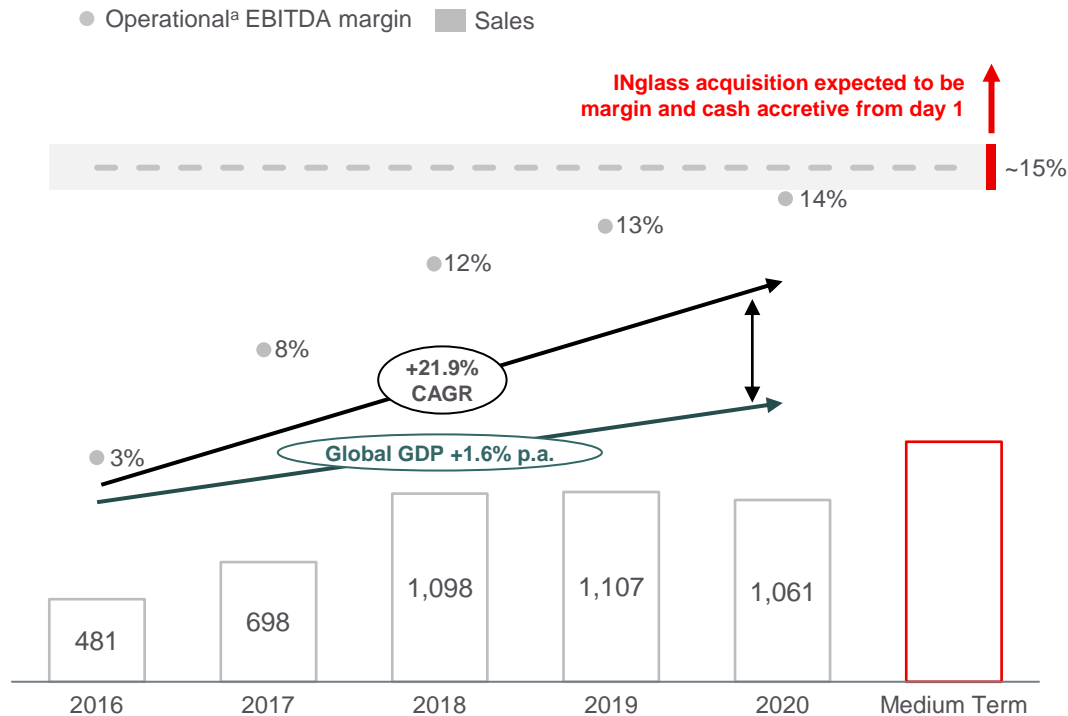
**~(3)%**

FY 16 – 19  
CAGR

**+**

Long-term Growth  
Potential

# 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

### #1 Market Position

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

## 2

### Cash Redeployment

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

## 3

### 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

## 4

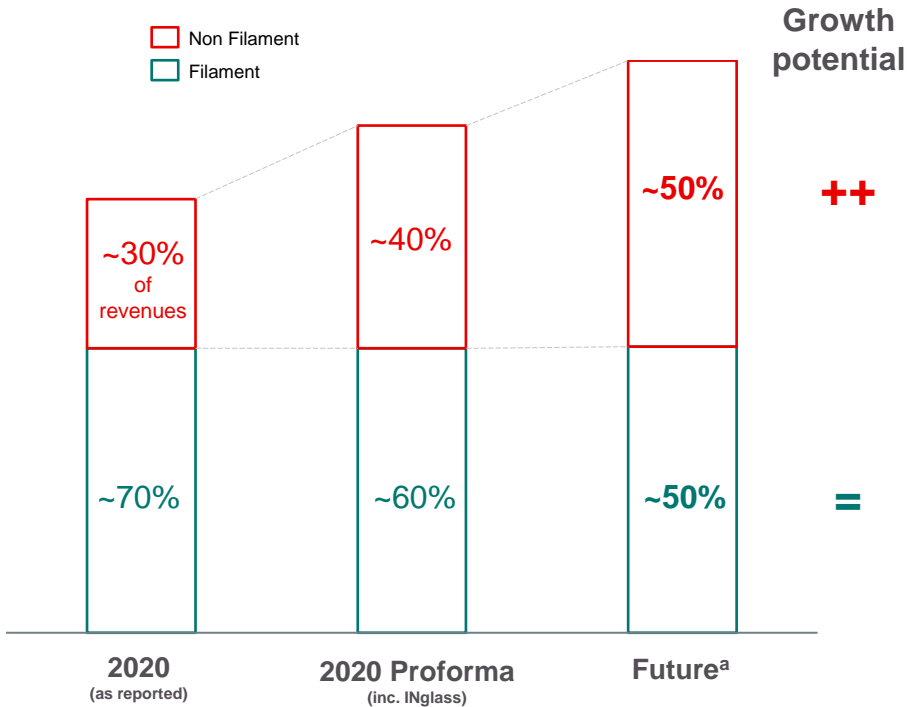
### ESG

- 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 ~0.4 billion growing at +8% p.a.<sup>b</sup>
- Other non-filament market of CHF ~1 billion growing at 3-4% p.a.<sup>b</sup>
- INglass HRS addressable market of CHF ~0.5 billion growing at +4% p.a.<sup>b</sup>
- Additional adjacent HRS market (e.g. med-tech, pharma, bottles and packaging) of CHF ~2 billion 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 ~2.0 bn based on Company estimates

# Acquisition of INglass: The Transaction

## INglass Overview

- Innovation, technology and market leader in precision polymer flow control with strong intellectual property
- Hot runner systems (HRS) are key to process and control molten polymers before being injected into molds for production of light-weight high-end components
- INglass' HRS are applied in multiple industries from automotive, consumer goods and household appliances to packaging, waste management, construction and transportation
- INglass is based in Italy with 3 global production sites and 52 additional service centres. 1'000+ employees worldwide

## Financial Parameters

- INglass 2020 revenues were approximately CHF 135 million
- Transaction to be highly cash- and margin-accretive to Oerlikon from day 1
- Highly synergistic deal driven by complementary technology & shared market access points

## Key Impacts

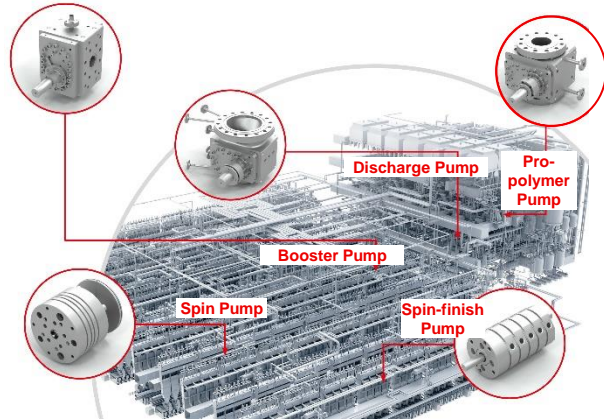
- Expands Division's strategic optionality in the polymer processing market. Significantly accelerates diversification
- INglass benefits from megatrends around future mobility, lightweight parts, functional sensors and high grade polymers
- High single-digit organic growth potential for precision flow control solutions

## Execution

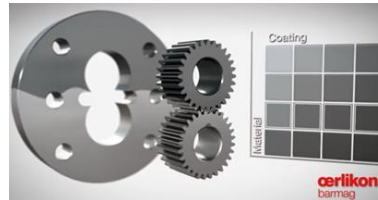
- Manmade Fibers Division renamed to Polymer Processing Solutions
- Completion subject to customary merger control clearances with anticipated completion at end of 1H21
- Management team to stay on board, incentivized by additional earn-out linked to growth potential

► **Enhances growth profile, aids diversification and creates significant value**

# The INglass Product Portfolio is a Perfect Fit with our Existing Polymer Flow Control Solutions



**2** INglass acquisition **expands product portfolio** of precision polymer flow control equipment



**Consistent product portfolio characteristics:**

- Precise thermal control
- Pressure management
- Uninterrupted flow
- Use of surface technology key to flow control performance

**3** INglass **extends addressable market** of applications into polymer-based parts with its innovative Hot Runner Systems (HRS)



- HRS in automotive growing at 4%+ p.a. driven by lightweight parts and sustainability trends
- Adjacent markets for HRS represent a further CHF 2 billion market opportunity, growing above GDP
- Division peers considered to be Hillenbrand, Barnes, Nordson and Dover Corp

**1** Oerlikon has almost 100 years of **flow control know-how** across the value chain, in particular, in gear pumps

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

**oerlikon**

## 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

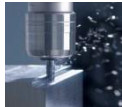
**2** Strong coverage of growing industrial markets with natural diversification

**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>**

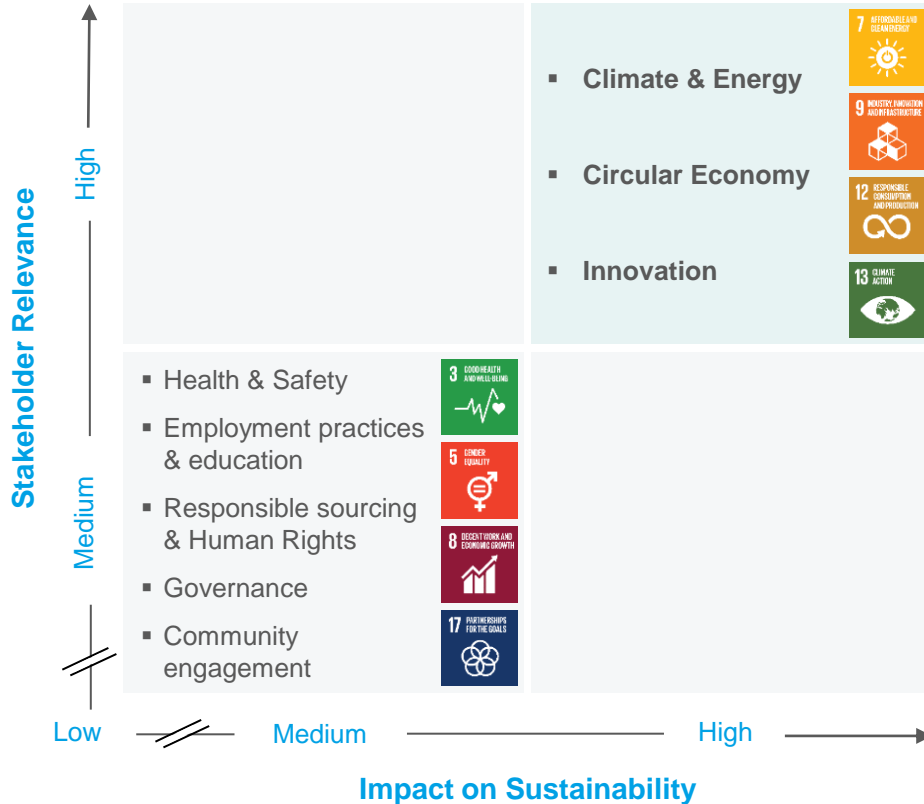
Of CO2 emission reduction per annum due to 5% efficiency gains in aero engines using Oerlikon's coatings

## 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

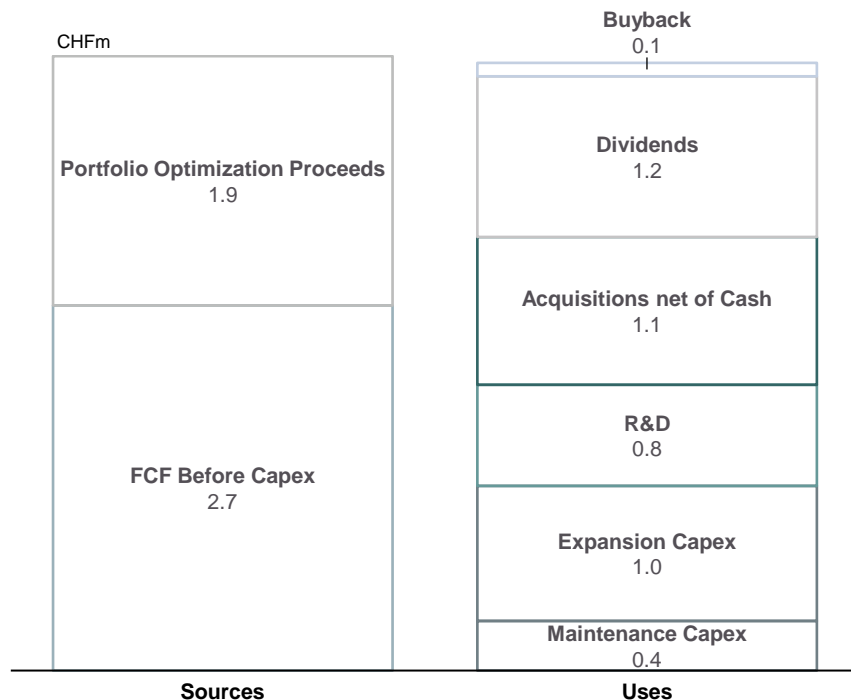


## Oerlikon Sustainability Targets By 2030

- 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 >50%

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

## Capital Allocation From FY13 – 20



<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

## 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

# 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<sup>a</sup>

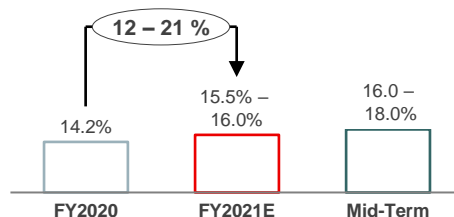
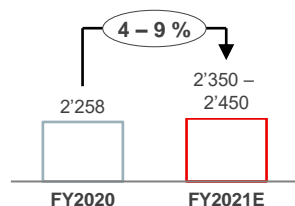
Forward-looking statements assume continued and stable global recovery from COVID-19 pandemic

## Sales

## Operational<sup>b</sup> EBITDA margin %

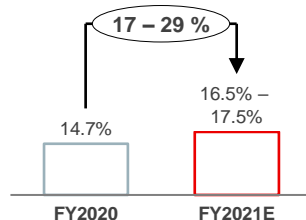
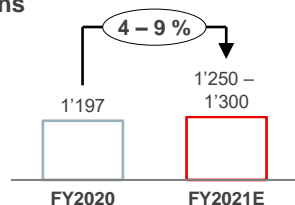
## Assumptions

### Group



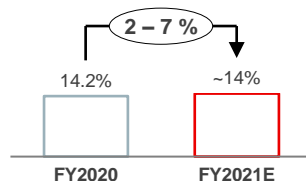
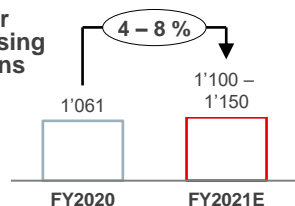
- Expecting continued improvement of COVID-19 situation & market improvements throughout 2021
- Order intake and sales expected to recover as markets improve from COVID-19 pandemic restrictions
- Op. EBITDA margin in excess of 2019 levels on lower sales
- Sustained lower CapEx of CHF ~120m into 2021

### Surface Solutions



- Order intake and sales expected to benefit from continued recovery from COVID-19 lows, longer-cycle business lines (i.e. equipment) will take longer
- Automotive, Tooling and GI recovery continues, Aerospace to remain at low levels
- Dilution of Additive Manufacturing services expected to drop to ~150 bps as a result of cost actions
- Continuing to reduce SG&A intensity

### Polymer Processing Solutions



- Order intake of CHF ~1.1 bn due to ongoing strong project pipeline in filament and nonwoven
- Sales increase on prior year as service activity recovers, continued strength in filament, nonwoven
- Expecting stable margins for 2021

# 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%<sup>a,b</sup>

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

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