

2023 Full-Year Results

Resilient Operational Results in Highly Demanding Environment; Taking Final Step to Become a Pure-Play Surface Solutions Leader Over Next 12-36 Months

- 2023 Group orders, sales and EBITDA impacted by Polymer Processing Solutions downturn. Strong performance in Surface Solutions with 7% organic sales growth at constant FX and sequentially improved profitability throughout 2023.
- Oerlikon took substantial actions in Q4 to secure future growth and improved profitability; one-off charges, primarily non-cash, included in Q4 results.
- Taking final strategic step to become a pure-play global market leader in surface solutions within next 12-36 months. Executive Chair Model to discontinue upon completion of this step.
- Board to propose an ordinary dividend of CHF 0.20 per share in line with dividend policy.
- 2024 outlook: Expecting high single-digit percentage decrease in FX-adjusted organic sales and operational EBITDA margin of 15.0-15.5%. Anticipate growth in Surface Solutions to be offset by Polymer Processing Solutions.

Key Figures of the Oerlikon Group as of December 31, 2023 (in CHF Million)

	FY 2023	FY 2022	Δ	Q4 2023	Q4 2022	Δ
Order intake	2 457	2 990	-17.8%	552	663	-16.7%
Sales	2 693	2 909	-7.4%	633	736	-14.0%
Operational EBITDA ¹	444	513 ²	-13.4%	100	127 ²	-21.0%
Operational EBITDA margin ¹	16.5%	17.6% ²	-110 bps	15.8%	17.2 ²	-140 bps
Operational EBIT ¹	235	301 ²	-21.9%	47	72 ²	-34.0%
Operational EBIT margin ¹	8.7%	10.4% ²	-170 bps	7.5%	9.7% ²	-220 bps
Net result	23	93	-74.9%	–	–	–
ROCE	2.7% ³	5.3%	–	–	–	–

¹ For the reconciliation of operational and unadjusted figures, please see tables I and II on page 3 of this news release. ² Operational EBITDA and operational EBIT were restated for effects from discontinued activities. ³ Operational ROCE, excl. M&A, is 7.7% in 2023 (2022: 10.8%).

Pfäffikon, Schwyz, Switzerland – February 20, 2024 – “In 2023, we managed short-term market headwinds and adverse currency effects (CHF -174 million on 2023 sales) and executed on our strategy,” said Michael Suess, Executive Chairman, Oerlikon. “Our swift and decisive strategic actions, particularly in Q4, streamlined our existing business and strengthened our foundation for growth and profitability.”

“Today, we announce our final strategic step to become a pure-play leader in the broad surface solutions markets with attractive organic and inorganic growth opportunities. We will further leverage our technology leadership to drive growth and profitability by expanding regionally and into new applications and end markets,” added Suess. “The board and management will evaluate options for the separation of Polymer Processing Solutions with the aim of optimizing value for all stakeholders.”

Taking the Final Step to Become a Pure-Play Surface Solutions Leader

Oerlikon began executing its strategy in 2014 to become a pure-play Surface Solutions leader. From five divisions, the Group has streamlined to its current two divisions. Both divisions occupy “sweet spots” in their respective markets, delivering leading technologies that act as high barriers to entry. The synergies between the divisions though are limited.

Oerlikon announces today its intent to take the final step in becoming a pure-play Surface Solutions leader. Oerlikon will implement this step over the next 12-36 months as Polymer Processing Solutions’ filament cycle recovers. The Group will look for the best value creative option for Polymer Processing Solutions, where it can better leverage its distinct brands and leading technologies in its end markets, which are driven by long-term growth trends, such as population expansion and increasing demand for clothing and housing.

With the final step, Oerlikon will become a pure-play leader in the Surface Solutions’ attractive end markets. The division serves a broad base of customers in diverse industries – from automotive, aerospace and energy to luxury, medical and semiconductors. Oerlikon will drive profitable growth by delivering innovative technologies that help customers achieve greater efficiency and productivity, while using less energy and producing less waste and fewer emissions. Oerlikon will continue to leverage its core competencies to grow and expand into Surface Solutions’ broad end markets. This includes exploiting new applications, markets and geographies.

Oerlikon confirms its mid-term target of 4-6% organic sales growth (at constant FX) for Surface Solutions. Disciplined cost management and the application of the strengthened capital allocation framework will support the division to achieve its mid-term operational EBITDA margin target of 20%+.

The Executive Chair Model is required to smoothly execute this final step in going pure play. With the completion of this step, the Model will be discontinued.

2023 Results Impacted by Challenging Environment in Polymer Processing Solutions

Group order intake decreased by 17.8% to CHF 2 457 million. Adjusted for FX and the Riri acquisition, orders decreased by 16.8%. Group sales decreased by 7.4% to CHF 2 693 million, including an FX headwind of -6.0% and an impact of +4.5% from the Riri acquisition. The FX-adjusted organic decline of 5.9% was driven by the filament downturn in Polymer Processing Solutions, while Surface Solutions saw an FX-adjusted organic sales growth of +7.0%.

EBITDA and EBIT

Group operational EBITDA decreased by 13.4% to CHF 444 million, versus CHF 513 million in 2022. The operational EBITDA margin was at 16.5% versus 17.6% in 2022, due to lower sales, higher input costs, adverse currency impact and unfavorable mix effects. The operational EBIT margin was 8.7% (CHF 235 million) compared with 10.4% (CHF 301 million) in the previous year.

Group unadjusted EBITDA decreased by 8.2% year-over-year to CHF 384 million, or 14.2% of sales (2022: CHF 418 million, or 14.4% of sales). Group unadjusted EBIT was CHF 105 million, or 3.9% of sales (2022: CHF 176 million, or 6.0% of sales).

Oerlikon has strategically realigned its additive manufacturing (AM) business, consolidating production and focusing the business in the U.S. to take advantage of the U.S. as the largest growth market for AM.

To strengthen the division’s resilience, Surface Solutions is optimizing its coating centers footprint in Germany and discontinuing its U.S. thermal spray coating services. In Polymer Processing Solutions, the Teknoweb business was discontinued, and its intralogistics offering was divested. These actions led to one-off charges, largely non-cash, which were included in the Q4 results. Operational EBIT and EBITDA for 2023 and 2022 were adjusted to exclude these activities.

The reconciliation of the operational and unadjusted figures can be seen in the tables below.

Table I: Reconciliation of Q4 2023 and FY 2023 Operational EBITDA and EBITDA¹

In CHF million	Q4 2023	Q4 2022	FY 2023	FY 2022
Operational EBITDA	100	127	444	513
Expenses/income from restructuring ²	1	-53	1	-54
Expenses related to discontinued activities ³	-36	-15	-58	-32
Expenses related to acquisition and integration costs	-1	-3	-3	-9
EBITDA	64	55	384	418

Table II: Reconciliation of Q4 2023 and FY 2023 Operational EBIT and EBIT¹

In CHF million	Q4 2023	Q4 2022	FY 2023	FY 2022
Operational EBIT	47	72	235	301
Expenses/income from restructuring ²	1	-53	1	-54
Impairment charges	-14	0	-14	0
Expenses related to discontinued activities ³	-83	-37	-114	-63
Expenses related to acquisition and integration costs	-1	-3	-3	-9
EBIT	-49	-22	105	176

¹ All 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. ² Includes provisions for personnel expenses, primarily aimed at reducing costs in the divisions. ³ Includes costs from discontinued businesses, thus 2023 and 2022 numbers have been restated accordingly.

The Group's net result was impacted by the downturn in Polymer Processing Solutions and the previously mentioned cost actions. It amounted to CHF 23 million in 2023, compared with CHF 93 million in 2022. Earnings per share in 2023 stood at CHF 0.10 (CHF 0.27 in 2022).

As of December 31, 2023, Oerlikon had net debt of CHF 1 151 million, corresponding to a net debt/operational EBITDA ratio of 2.6. This represents an increase compared to the ratio of 0.9 as of year-end of 2022 and was mainly driven by the acquisition of Riri and the downturn in Polymer Processing Solutions impacting EBITDA and net working capital. Oerlikon's total equity ratio was 25% as at the end of 2023.

Continued Commitment to Sustainable R&D

In 2023, Oerlikon filed 78 patents and continued to invest in innovation, spending 3.8% (CHF 103 million) of 2023 Group sales on R&D to develop new, improved and sustainable technologies designed to meet customer needs and demands.

Q4 2023 Performance

Order intake for the fourth quarter decreased by 16.7%, including an FX impact of -5.5% and a positive impact from the Riri acquisition of 5.0%. Group sales decreased by 14.0% to CHF 633 million. This includes an FX headwind of 5.5% and a positive effect from the Riri acquisition of 4.2%. The organic FX-adjusted sales decline of 12.7% was driven by the filament downturn in Polymer Processing Solutions, while Surface Solutions posted a solid FX-adjusted organic sales growth of 7.6%.

Group operational EBITDA decreased by 21.0% in Q4 2023 to CHF 100 million, or 15.8% of sales (Q4 2022: CHF 127 million, or 17.2% of sales). The operational EBITDA margin was impacted by the strong decline in sales in Polymer Processing Solutions, while Surface Solutions achieved a slight margin improvement. Group operational EBIT for Q4 2023 was CHF 47 million, or 7.5% of sales (Q4 2022: CHF 72 million, or 9.7% of sales).

Group Q4 2023 unadjusted EBITDA amounted to CHF 64 million, or 10.2% of sales (2022: CHF 55 million, or 7.5% of sales), and unadjusted EBIT was CHF -49 million, or -7.8% of sales (2022: CHF -22 million, or -3.0% of sales). The decrease was mainly attributable to the one-off costs and impairments booked in the fourth quarter.

Dividend of CHF 0.20 per Share In-Line with Policy

As per past years, Oerlikon's dividend payout is in line with its dividend policy and can be based on up to 50% of the Group's underlying net result and beyond, after considering the Group's financial position and affordability from the balance sheet. Thus, the Board will recommend to shareholders an ordinary dividend payout of CHF 0.20 per share at the AGM on March 21, 2024, taking place at ENTRA, Rapperswil-Jona, Switzerland. Oerlikon's dividend policy will be reevaluated upon completion of pure-play execution.

2024 Outlook

For 2024, Oerlikon expects a high single-digit percentage decrease in FX-adjusted organic sales, and an operational EBITDA margin of 15.0-15.5%. Oerlikon anticipates growth in Surface Solutions to be offset by the downturn in Polymer Processing Solutions.

Division Overview

Surface Solutions Division

Key Figures of the Surface Solutions Division as of December 31, 2023 (in CHF Million)

	FY 2023	FY 2022	Δ	Q4 2023	Q4 2022	Δ
Order intake	1 514	1 418	6.8%	370	348	6.4%
Sales (to third parties)	1 521	1 384	9.9%	391	358	9.3%
Operational EBITDA ¹	262	251	4.2%	72	65	10.7%
Operational EBITDA margin ¹	17.1%	18.0%	-90 bps	18.2%	18.0%	20 bps

¹ Operational EBITDA and operational EBIT were restated for effects from newly discontinued activities.

Surface Solutions improved orders and sales, despite facing contracting manufacturing PMIs. The division's 2023 order intake increased by 6.8% to CHF 1 514 million (including an FX effect of -6.4%, an impact from the Riri acquisition of +8.9% and organic growth of 4.3%). In Q4 2023, order intake increased by 6.4% year-over-year (incl. an FX effect of -6.8%, an impact from the Riri acquisition of +9.5% and organic growth of 3.7%). Division sales of CHF 1 521 million in 2023 were 9.9% higher than in the previous year and includes an FX effect of -6.5%, an impact from the Riri acquisition of +9.4% and organic growth of 7.0%. In Q4 2023, sales increased 9.3% (including an FX effect of -6.9%, impact of +8.6% from the Riri acquisition and organic growth of 7.6%), supported by equipment sales and higher demand in the energy and automotive sectors.

To take advantage of the U.S. as the largest growth market for additive manufacturing (AM), the division is strategically realigning its business for this new technology. It is focusing its AM production in Huntersville, North Carolina, bringing the business closer to the U.S. growth sectors, such as semiconductor, and also enabling the business to benefit from the more conducive U.S. framework conditions and higher market acceptance for disruptive technologies.

To strengthen its resilience, operational actions were taken in 2023. The division is optimizing its footprint in Germany for surface coatings and discontinuing its U.S. thermal spray coating services. Operational EBITDA for 2023 improved by 4.2% to CHF 262 million, or 17.1% of sales. The margin was impacted by higher input costs, the strengthening Swiss franc and an unfavorable mix. Operational EBITDA for Q4 2023 increased by 10.7% year-over-year, and the margin improved by 20 basis points to 18.2%. The margin improvement was supported by pricing measures and positive operating leverage, counteracting the higher input costs, an unfavorable mix and the strong Swiss franc. Operational EBIT for 2023 amounted to CHF 117 million, or 7.7% of sales in 2023 (2022: CHF 104 million, or 7.5% of sales).

Unadjusted EBITDA was CHF 230 million, or 15.1% of sales, compared with CHF 226 million, or 16.2% of sales in 2022. Unadjusted EBIT was CHF 51 million, or 3.3% of sales (2022: CHF 54 million, or 3.9% of sales), attributable to one-off costs and impairments related to the operational actions.

Polymer Processing Solutions Division

Key Figures of the Polymer Processing Solutions Division as of December 31, 2023 (in CHF Million)

	FY 2023	FY 2022	Δ	Q4 2023	Q4 2022	Δ
Order intake	943	1 572	-40.1%	182	315	-42.2%
Sales (to third parties)	1 172	1 525	-23.1%	241	378	-36.1%
Operational EBITDA ¹	170	254	-33.2%	27	59	-53.8%
Operational EBITDA margin ¹	14.5%	16.6%	-210 bps	11.2%	15.6%	-440 bps

¹ Operational EBITDA and operational EBIT were restated for effects from newly discontinued activities.

The division faced highly challenging filament and non-filament markets in 2023. Order intake decreased by 40.1% (35.9% FX-adjusted) to CHF 943 million year-over-year, including -42.2% (-38.2% FX adjusted) in Q4 2023. Sales declined by 23.1% (17.7% FX-adjusted) to CHF 1 172 million, including -36.1% (-31.9% FX-adjusted) in Q4 2023. The division's results were driven by the cyclical downturn in filament, as a result of the slowdown in consumption, production and investment in China. Furthermore, the division was impacted by weakness in the global nonwoven market and in the Oerlikon HRSflow market, the latter due to transitorily decline in car launches.

Toward the end of 2023, the division noted an initial return in demand for carpet yarn (BCF) plants from the automotive and nylon industries and first signs of recovery for Oerlikon HRSflow solutions.

In Q4 2023, the division discontinued its Teknoweb business and divested its intralogistics offering for large spinning mills (Oerlikon Barmag Automation) to Irico Gualchierani Handling S.r.l. This will structurally strengthen the division's profitability in line with Oerlikon's capital allocation framework.

Operational EBITDA for 2023 amounted to CHF 170 million, or 14.5% of sales, attributable to the decrease in sales. Operational EBITDA margin for Q4 2023 decreased from 15.6% to 11.2% year-over-year, due to lower sales and limited pass-through of higher input costs to maintain volume. Operational EBIT for 2023 was CHF 122 million, or 10.4% of sales (2022: CHF 203 million, or 13.3% of sales).

Since the end of 2022, the division has been taking measures to mitigate impacts from the cyclical downturn. The division has started to see initial positive effects from these measures in the final quarter of 2023 and is expecting that these measures will further support the margin in 2024.

Unadjusted EBITDA amounted to CHF 143 million, or 12.2% of sales (2022: CHF 193 million, or 12.6% of sales). Unadjusted EBIT was CHF 61 million, or 5.2% of sales (2022: CHF 135 million, or 8.9% of sales). Both were impacted by the decline in sales and non-recurring expenses in conjunction with the discontinuation/divestment of Teknoweb and the intralogistics business.

Additional Information

FY2023 Results Conferences

Oerlikon will present its results today, February 20, 2024, as follows:

09:30 CET	In-person Media Information Session	Zunfthaus zur Saffran
13:30 CET	Hybrid Analysts and Investors Conference	Zunfthaus zur Saffran and live webcast

Live Webcast for Analysts and Investors

The analysts and investors conference will also be broadcast live via webcast and can be viewed via this [link](http://www.oerlikon.com) on the Group's website (www.oerlikon.com).

To ask questions, please dial in using one of these numbers:

Switzerland/Europe	+41 58 310 50 00
United Kingdom	+44 207 107 06 13
United States	+1 631 570 56 13
Other international numbers	Please click here

FY2023 Documents can be downloaded from Oerlikon's website:

Annual Report 2023 (in English)	www.oerlikon.com/annualreport-2023
Sustainability Report 2023 (in English)	oerlikon.com/sustainabilityreport-2023
2023 FY Results News Release	www.oerlikon.com/pressreleases
2023 Results Presentation	www.oerlikon.com/en/investors/reports-publications

The recording of the analyst and investor conference will be available from February 21, 2024, onward at www.oerlikon.com/en/investors/reports-publications.

About Oerlikon

Oerlikon (SIX: OERL) is a global innovation powerhouse for surface engineering, polymer processing and additive manufacturing. The Group's solutions and comprehensive services, together with its advanced materials, empower customers by improving and maximizing the performance, function, design and sustainability of customers' products and manufacturing processes in key industries. Pioneering technology for decades, everything Oerlikon invents and does is guided by its passion to support customers' goals and foster a sustainable world. Headquartered in Pfäffikon, Switzerland, the Group operates its business in two Divisions – Surface Solutions and Polymer Processing Solutions. It has a global footprint of more than 12 600 employees at 207 locations in 38 countries and generated sales of CHF 2.7 billion in 2023.

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