

The Sulzer logo is displayed in a bold, blue, sans-serif font. It is positioned in the upper right quadrant of a white rectangular area that serves as a background for the text. The background of the entire slide features a complex, abstract pattern of overlapping, semi-transparent blue and white geometric shapes, including squares and curved lines, creating a sense of depth and movement.

# Midyear Results 2019

Greg Poux-Guillaume, CEO | Jill Lee, CFO | July 24, 2019

---

## **THE SAFE HARBOR STATEMENT UNDER THE US PRIVATE SECURITIES LITIGATION REFORM ACT 1995**

**This presentation may contain forward-looking statements, including but not limited to, projections of financial developments, market activities or future performance of products and solutions, containing risks and uncertainties. These forward-looking statements are subject to change based on known or unknown risks and various other factors, which could cause the actual results or performance to differ materially from the statements made herein.**

### **IFRS 16**

Sulzer has adapted its reporting to reflect the new IFRS 16 standard. For comparability, the figures in this presentation are reported *without* consideration of IFRS 16, i.e. applying the same accounting policies as in the prior year. For a full discussion of the differences please refer to note 13 of the Midyear Report 2019.



**Business Review**

**Financial Review**

**Outlook**

# Highlights H1 19

---

- **Order intake** up 8.7% (+7.5% organically) on active Water (PE) and Chemical (CT) markets
- **Sales** up 13.1% (+12.1% organically) on trading of higher backlog and healthy markets
- **OpEBITA** up 15.4% FX adjusted
- **Profitability** (opROSA) at 9.0%, up 20 bps YoY
- **FY guidance increased** for Orders and Sales  
Orders “up 6% to 9%” (previously +2-5%)  
Sales “up 7% to 9%” (previously +3-5%)
- **Acquisition** of GTC (CT) and Alba (RES) extending our reach to promising segments
- **Cash flow** generation in line with last year, solid balance sheet



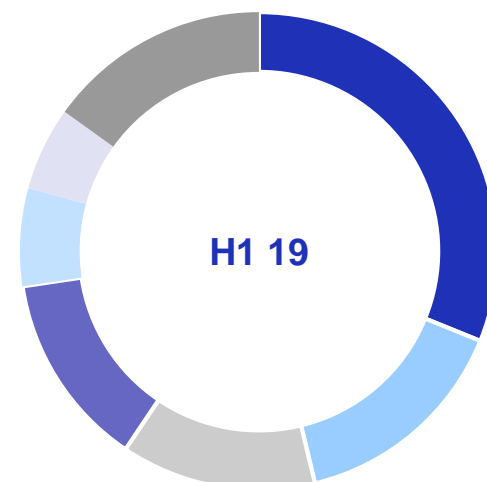
# Pumps Equipment

## Strong order intake in Water, continued improvement in profitability

### Key figures

In CHF millions	H1 19	H1 18	YOY	adj. <sup>1</sup>	org. <sup>2</sup>
Order intake	753	720	4.5%	5.9%	5.5%
Sales	690	595	16.0%	17.8%	17.3%
opEBITA	19	7.7	>100%	>100%	>100%
opROSA	2.7%	1.3%			

### Order intake by market



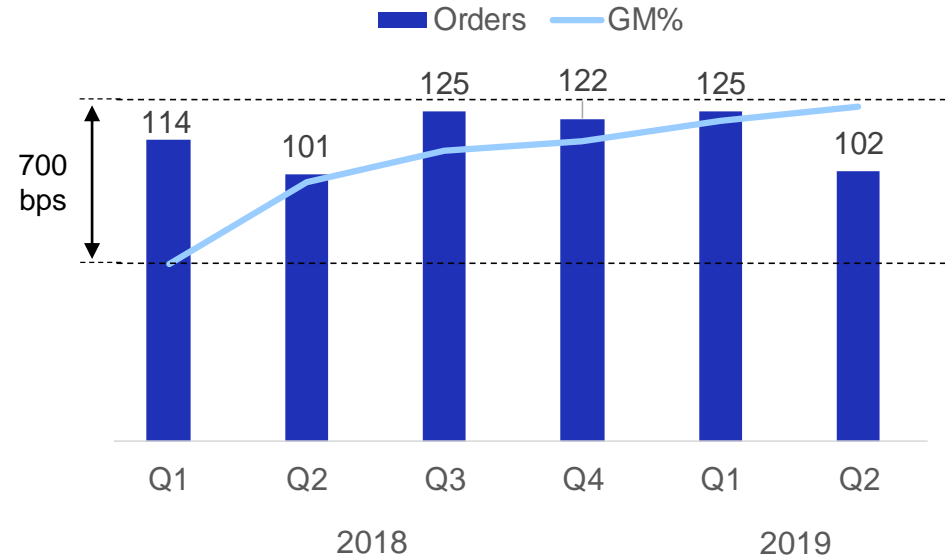
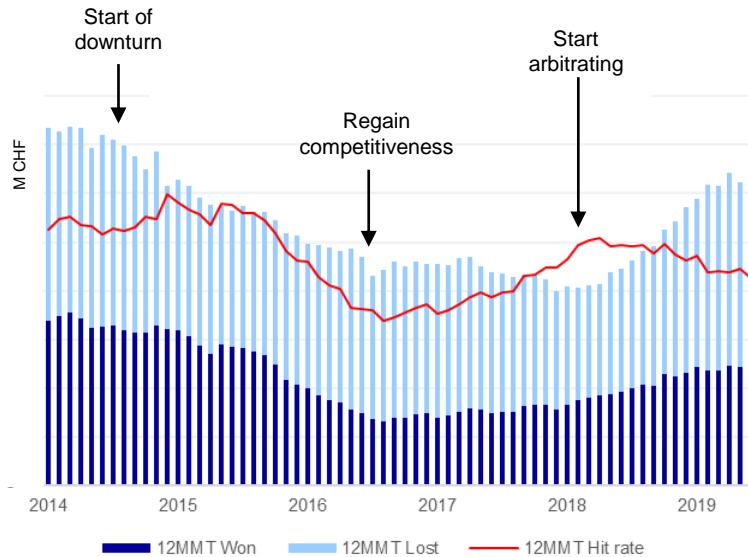
### Highlights

- **Orders:**
  - **Water** up 21% organically on two large projects for water transport and desalination
  - **O&G** up 7% on continued market momentum
  - **Power** down 25% on higher selectivity given lower margins
- **Sales** continued to ramp up on higher order backlog
- **opROSA** benefiting from higher volume and savings offsetting mix effect

1. Adjusted for currency effects  
 2. Organic: adjusted for currency and acquisition effects

# Pumps Equipment – O&G Pumps

## Arbitrating the margin up in a rebounding market



- Market volume recovery well underway
- Hit rate recovery in late 2016 based on cost actions
- Margin trough in Q1 2018
- Start sacrificing hit rate (i.e. volume) for margin in early 2018
- Early signs of price uplift, mostly in the US, mid 2018
- 700 bps of margin on orders recovered, still ca. 500 bps off pre-downturn levels

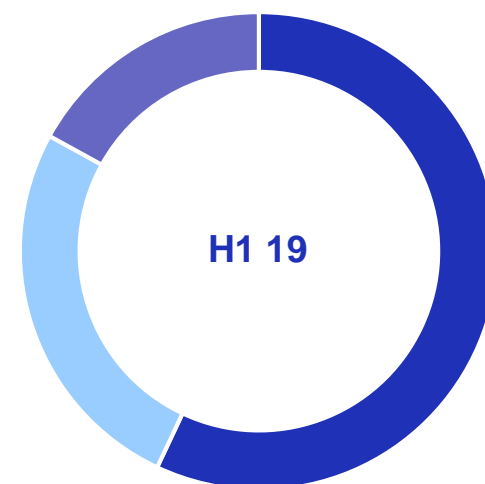
# Rotating Equipment Services

Growing in all product lines, margins holding up

## Key figures

In CHF millions	H1 19	H1 18	YOY	adj. <sup>1</sup>	org. <sup>2</sup>
Order intake	602	572	5.3%	7.3%	6.2%
Sales	561	500	12.3%	14.9%	13.7%
opEBITA	67	61	9.5%	12.6%	12.3%
opROSA	12.0%	12.3%			

## Order intake by product line



- 57% Pumps Services & Spares
- 26% Turbo Services
- 17% Electromechanical Services

## Highlights

- **Pumps Services and Spares** orders up 8% on lag of new equipment rebound
- **Turbo Services** orders up 8% on improved power market activity
- **Electromechanical Services** orders up 4%
- **OpEBITA** increased with higher sales
- **OpROSA** slightly lower on timing impact from lower-margin contracts (IFRS point-in-time revenue recognition)
- **Acquisition of Alba Power** enlarges Sulzer's portfolio with aero-derivative gas turbines for distributed power

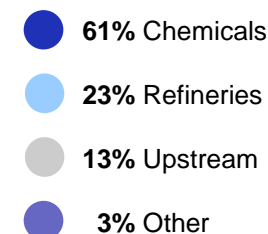
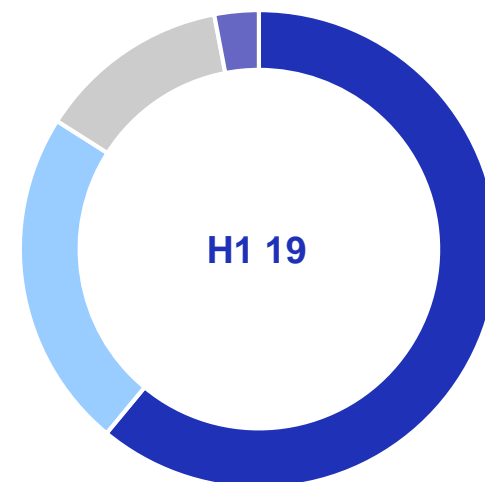
1. Adjusted for currency effects  
 2. Organic: adjusted for currency and acquisition effects

## Exceptional growth driving improvement in profitability

### Key figures

In CHF millions	H1 19	H1 18	YOY	adj. <sup>1</sup>	org. <sup>2</sup>
Order intake	350	280	25.1%	25.9%	23.3%
Sales	304	268	13.5%	14.4%	13.0%
opEBITA	27	22	21.2%	24.1%	24.1%
opROSA	8.9%	8.3%			

### Order intake by market



### Highlights

- **Separation Technology** orders and sales up double digit on petrochemical market
- **Tower Field Services** orders rebounding as activity refocus is completed
- **Profitability rebound continuing** to 8.9% opROSA on higher volumes and business mix (TFS 20% of CT on sales vs. 30% previously)
- **Acquisitions of GTC** expands Chemtech's portfolio with proprietary process and systems for the production of aromatics and other petrochemicals. GTC generates annual revenues of around USD 50m and a high single-digit EBITA margin.

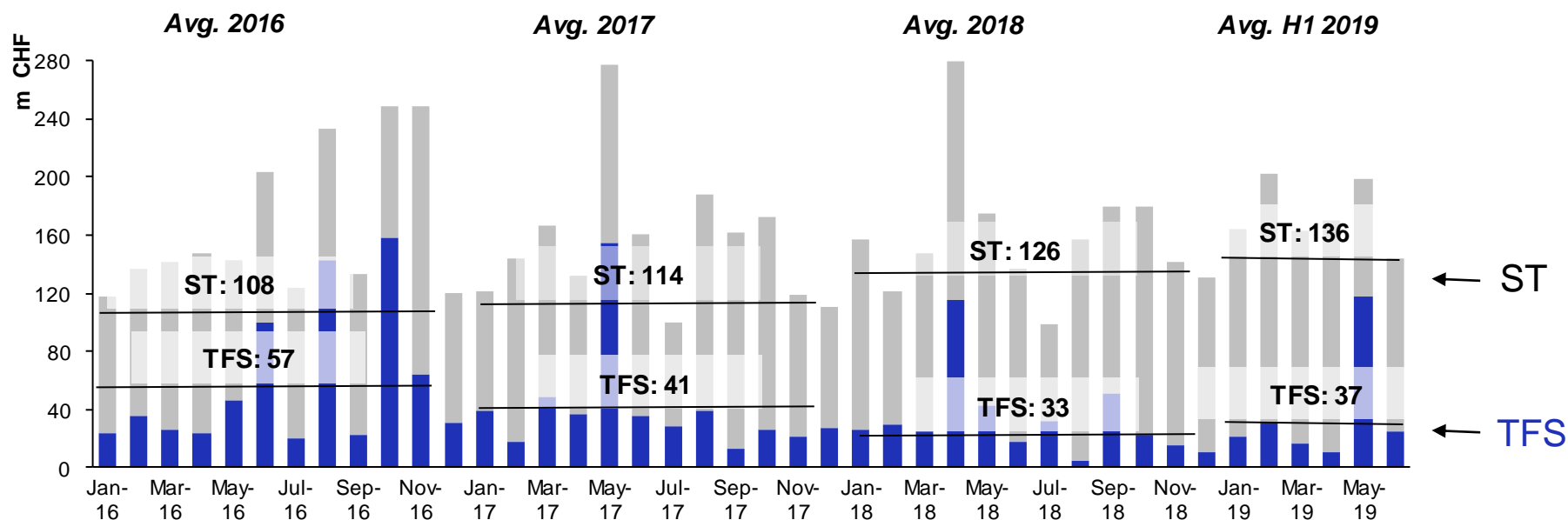
1. Adjusted for currency effects

2. Organic: adjusted for currency and acquisition effects



# Chemtech leading indicators

## Example: value of tenders prepared



- Separation Technology “ST” (products), a good proxy for the chemical and, to a lesser extent, refinery market, continues to see **increasing tendering activity**
- Tower Field Services “TFS” (field service) tendering activity reflects our 2017 decision to refocus the business

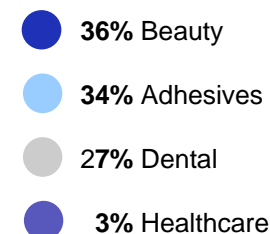
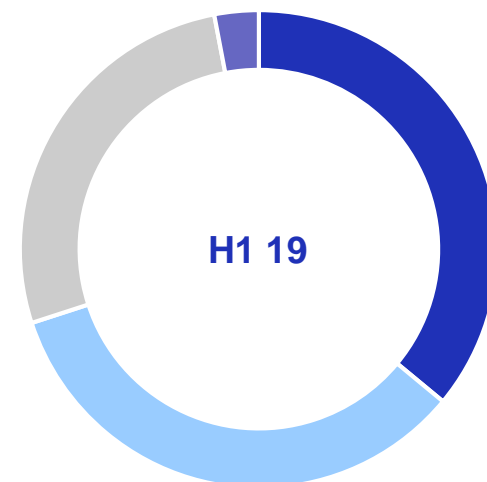
# Applicator Systems

## Stable order intake and higher profitability

### Key figures

In CHF millions	H1 19	H1 18	YOY	adj. <sup>1</sup>	org. <sup>2</sup>
Order intake	228	230	-0.5%	0.1%	-2.1%
Sales	218	229	-4.7%	-4.3%	-5.9%
opEBITA	47	49	-3.1%	-3.2%	-5.3%
opROSA	21.5%	21.2%			

### Order intake by market



### Highlights

- **Dental, Adhesives and Healthcare** up 6.1% (+2.5% organically)
- **Promising start for Medmix**, our 2018 acquisition in healthcare
- **Beauty** volume (-9.0%) and profitability impacted by baseline effect of 2018 customer product stop and ongoing shift of market towards “independents”
- **Profitability increased** on favorable mix given less Beauty
- Adapting Beauty’s industrial assets to needs of new market participants (“independents”): expand and retool Bechhofen, close Bamberg

1. Adjusted for currency effects  
 2. Organic: adjusted for currency and acquisition effects



**Business Review**

**Financial Review**

**Outlook**

## Growing volumes and profitability

### Key figures

In CHF millions	H1 19	H1 18	YOY	adj. <sup>1</sup>	org. <sup>2</sup>
Order intake	1'933	1'801	7.3%	8.7%	7.5%
Order intake gross margin	33.8%	33.8%			
Order backlog (June 30 / Dec 31)	1'935	1'787	8.3%		
Sales	1'774	1'591	11.5%	13.1%	12.1%
opEBITA	159	140	13.6%	15.4%	14.4%
opROSA %	9.0%	8.8%			
EBIT	96	82	17.3%		
ROS %	5.4%	5.2%			
Core net income	114	104	8.8%		
Core EPS (in CHF)	3.3	3.3 <sup>3</sup>			
Free cash flow	-28	-30			
FTEs (June 30 / Dec 31)	16'289	15'572	4.6%		

### Comment

- **Order intake gross margins** stabilized despite negative mix effect
- **Sales** increased on higher opening backlog and favorable markets
- **opROSA** increased due to higher volumes, SFP savings and acquisitions, more than offsetting continued negative mix effects
- **FCF** on last year's level despite volume-driven inventory buildup

1. Adjusted for currency effects

2. Organic: adjusted for currency and acquisition effects

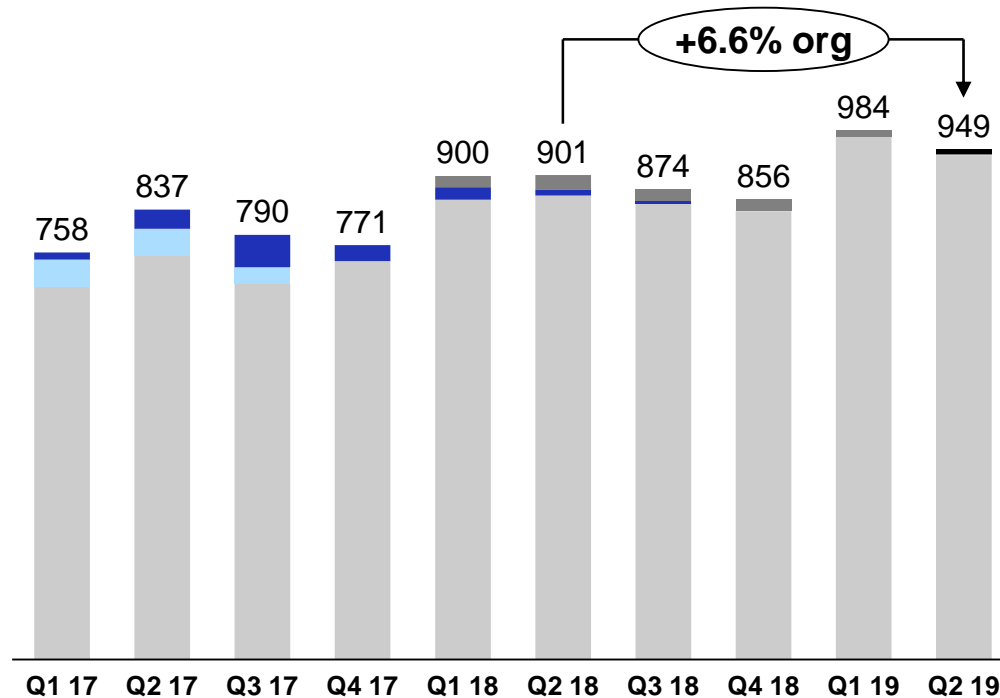
3. Core EPS positively impacted by CHF 0.2 due to the purchase of own shares on April 12, 2018

# Quarterly order development

Q2 2019 orders up 7.8%<sup>1</sup> YOY and 6.6% organically<sup>2</sup>

(in CHF millions)

## Quarterly order intake



## Comment

- Q2 organic order intake driven by Chemtech (+32%) and RES (+6%); PE was flat (+1%) and APS was slightly negative (-2%)
- Growth driven by O&G (+17%), Power (+7%) and Water (+6%)
- FX impacted negatively (CHF -23m), acquisitions contributed CHF 11m

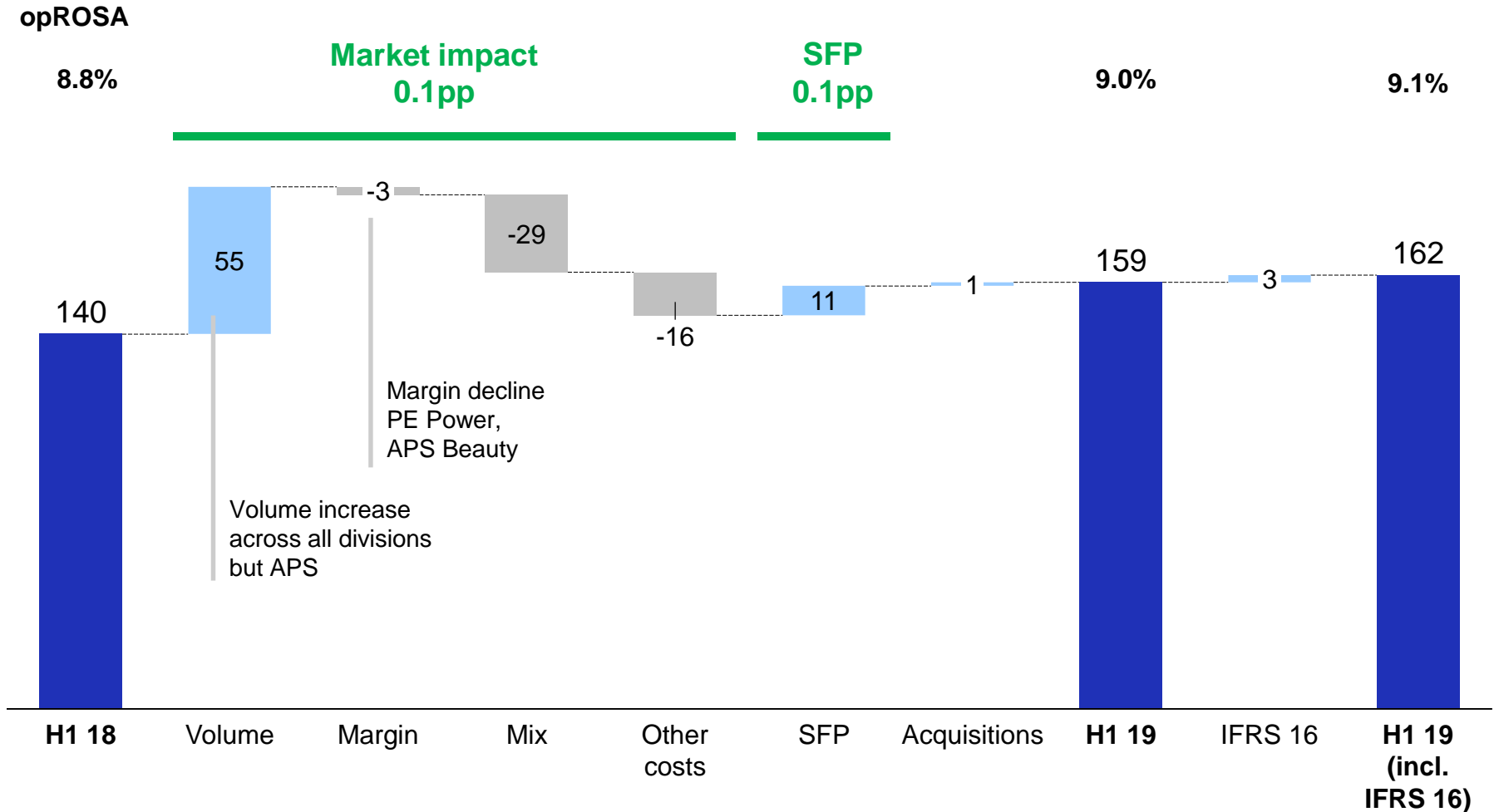


1. Adjusted for currency effects  
 2. Organic: adjusted for currency and acquisition effects

# OpEBITA / opROSA

## Strong volume and mix effects

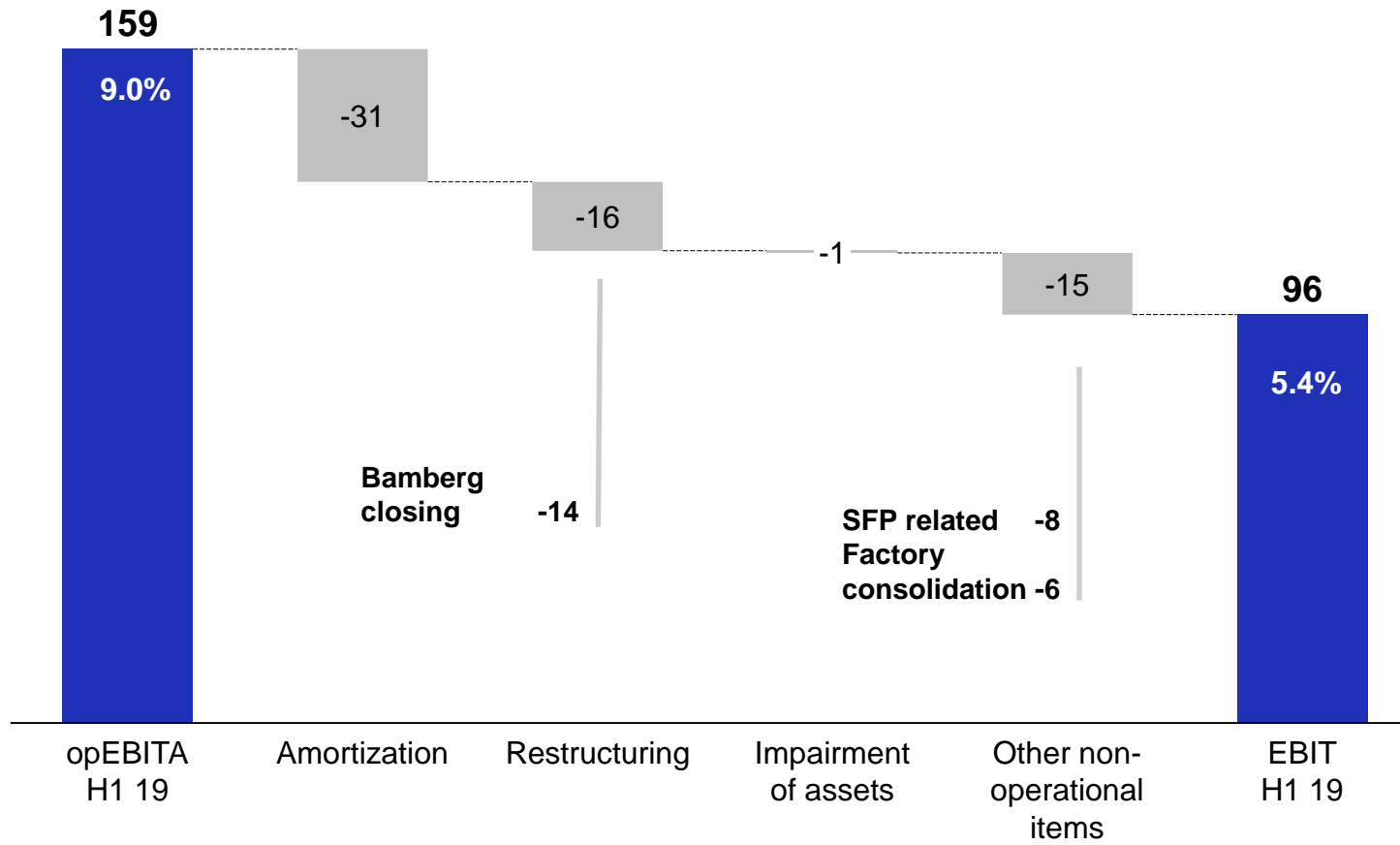
(in CHF millions )



# opEBITA to EBIT

## EBIT impacted mainly by APS related one-off costs

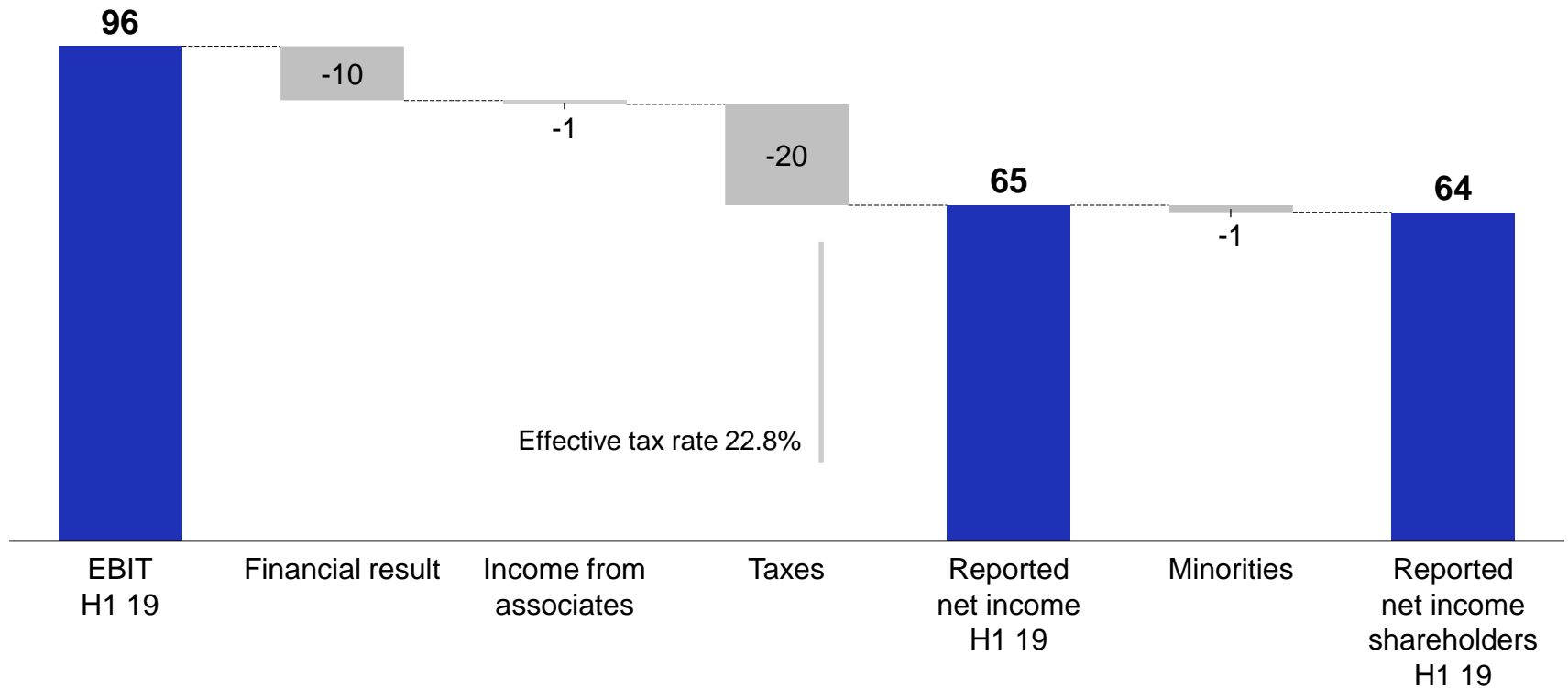
(in CHF millions )



# EBIT to net income

## Effective tax rate 22.8% in H1 19 versus 22.9% in H1 2018

(in CHF millions)

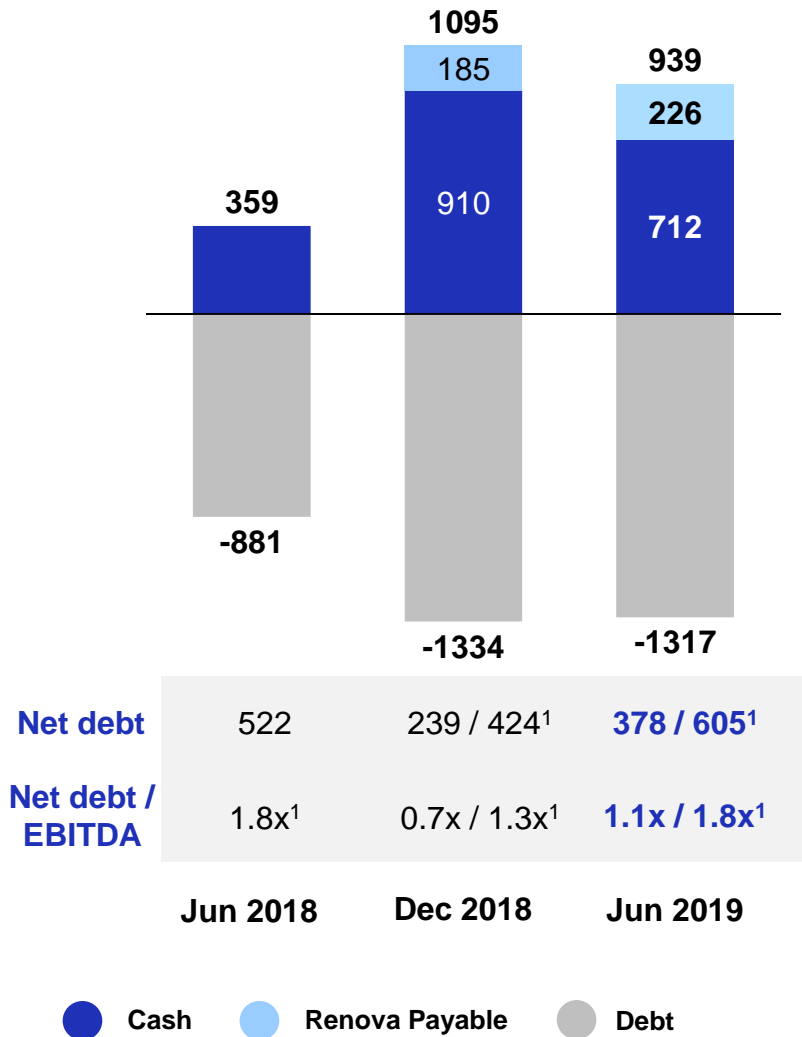




# Balance Sheet

## Solid balance sheet continues to support bolt-on acquisitions

(in CHF millions)



### Balance sheet June 2019:

- Total net debt of: CHF 378m
- FCF of CHF –28m
- Ordinary dividend payment of CHF 78m (dividend to Renova held back, CHF 42m Payable)
- Acquisition payments of CHF 34m
- Non-interest bearing CHF 226m Payable in favor of Renova linked to share repurchase and outstanding dividends

1. Excluding cash owed to Renova

**Business Review**

**Financial Review**

**Outlook**

# Updated financial guidance 2019 as of July 24

---

**Order Intake<sup>1</sup>**

**up 6% – 9%**  
of which 2% from acquisitions  
(previously: up 2% – 5% mostly organic)

**Sales<sup>1</sup>**

**up 7% – 9%**  
of which 2% from acquisitions  
(previously: up 3% – 5% mostly organic)

**Operational ROSA<sup>2</sup> %**

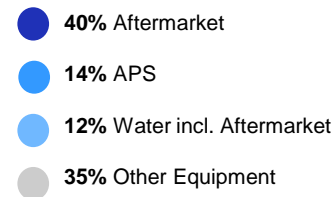
**around 10%**  
(unchanged)

1. Adjusted for currency effects, but including acquisitions  
2. Operational EBITA divided by sales

# Summary

## ■ Sulzer markets remain healthy

- Power and Beauty in transition
- Industry shows signs of softening growth
- Oil & Gas rebound continuing, some pricing uplift
- Water, Aftermarket activities and Dental robust



■ Sales volumes improving, lagging order intake by 9 to 12 months

■ **opEBITA margin up 20bp** on higher volumes and SFP savings

■ **Guidance increased** for order intake and sales, confirmed for opROSA