

## MEDIA RELEASE

Sulzer Management Ltd  
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February 24, 2021

## Sulzer successfully navigates pandemic in 2020 – back to growth in 2021

### FULL YEAR 2020 HIGHLIGHTS

- Orders –2.2% (–3.8% organic), sequentially up in Q4. APS orders +5% YoY in Q4
- Sales –4.6% (–5.6% organic) despite lockdown impact
- Operational profitability of 9.0% (–100bps). Excluding APS, which lost Q2 to the pandemic, Sulzer businesses +10bps
- Free cash flow at CHF 272m, record high
- CHF 59m OPEX squeeze fully achieved in FY 2020
- CHF 70m recurring structural savings on track, uplift mostly expected in 2021
- Unchanged dividend of CHF 4.00 per share proposed
- 2021 guidance: order growth of 3% to 6%, sales growth of 5% to 7%, operational profitability close to 10%

CEO Gregoire Poux-Guillaume stated: “In a challenging year marked by the pandemic, we demonstrated the strength of our business model and delivered on our guidance. By combining the swift implementation of proactive cost measures and targeted acquisitions in strategic growth markets, we finished 2020 stronger than before and are well positioned to grow profitably in 2021. Our confidence in Sulzer’s future is reflected in the proposed unchanged dividend of CHF 4.00 per share.”

### Key figures

millions of CHF	2020	2019	Change in +/-%	+/-% adjusted <sup>1</sup>	+/-% organic <sup>2</sup>
Order intake	<b>3'414.1</b>	3'747.2	-8.9	-2.2	-3.8
Order intake gross margin	<b>34.0%</b>	33.6%			
Order backlog as of Dec. 31	<b>1'758.9</b>	1'792.6	-1.9		
Sales	<b>3'319.0</b>	3'728.5	-11.0	-4.6	-5.6
EBIT	<b>150.6</b>	241.0	-37.5		
Operational profit	<b>297.6</b>	371.3	-19.8	-13.7	-14.4
Operational profitability	<b>9.0%</b>	10.0%			
Operational ROCEA	<b>18.7%</b>	20.1%			
Core net income	<b>200.2</b>	257.8	-22.4		
Net income attributable to shareholders of Sulzer Ltd	<b>83.6</b>	154.0	-45.7		
Basic earnings per share	<b>2.46</b>	4.52	-45.6		
Free cash flow	<b>272.1</b>	213.4	27.5		
Net debt as of Dec. 31	<b>414.5</b>	346.9	19.5		
Employees as of Dec. 31 (number of FTE)	<b>15'054</b>	16'506	-8.8		

**Abbreviations:** EBIT: Earnings before interest and taxes, FTE: Full-time equivalents

<sup>1</sup> Adjusted for currency effects.

<sup>2</sup> Adjusted for acquisition and currency effects.

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If not otherwise indicated, changes from the previous year are based on currency-adjusted figures.

**Order intake resilient**

Sulzer booked an order intake of CHF 3'414 million in 2020, limiting the pandemic-induced decrease to 2.2% (–3.8% organically). Acquisitions contributed CHF 55 million to order intake. Currency translation effects had a negative impact of CHF 249 million, as the Swiss franc appreciated against all currencies Sulzer is operating in. Order intake gross margin increased to 34.0%, slightly up from 33.6% in 2019 on the back of order selectivity and pricing discipline.

Orders in the Pumps Equipment division decreased by 4.1%. Water orders increased by 2.3%, excluding two large projects of CHF 42 million for water transport and desalination booked in 2019. Industry remained stable (–0.5%). After a strong first half-year, commercial activity in the Energy-related markets slowed in the second half as expected, leading to a year-on-year decrease of 1.9%. Order intake in Rotating Equipment Services grew by 2.5%, supported by CHF 22 million from the Alba acquisition and organic growth of 0.6%, across all product lines and regions. Restricted access to customer sites impacted order intake in the second half-year. Chemtech orders remained on the previous year's level (–1.1%), despite customers postponing projects and site access restrictions shifting outages to 2021. The GTC acquisition contributed CHF 20 million. In Applicator Systems, after a good Q1, our markets collapsed in Q2 as dentists and retailers were forced to close. Order intake rebounded strongly in the second semester, with Q4 orders up 5% organically year-on-year, mitigating the full year order drop to 11.0% (–14.2% organically). The Haselmeier acquisition contributed CHF 13 million.

As of December 31, 2020, the order backlog amounted to CHF 1'759 million (December 31, 2019: CHF 1'793 million). Negative currency translation effects totaled CHF 130 million.

**Sales down only 5%**

Sulzer recorded sales of CHF 3'319 million in 2020, moderately down 4.6% (–5.6% organically) despite site, supply chain and customer disruptions triggered by the pandemic. Acquisitions added CHF 34 million, while negative currency translation effects amounted to CHF 239 million.

Sales in Pumps Equipment declined by 5.7%. Strong sales in Water, up 3.4% organically (–0.8% currency-adjusted) and stable sales in Industry (–1.0%) did not fully offset a sales decline in Energy (–11.8%). Sales in Rotating Equipment Services remained stable, with the Alba acquisition contributing CHF 13 million. In Chemtech, sales declined by 4.8%. Strong execution in China could not offset the lockdown impacts elsewhere. The GTC acquisition contributed CHF 14 million. In Applicator Systems, sales declined by 13.4%, caused by the abrupt closure of retailers and dental clinics in Q2 2020, followed by a strong rebound later in the year. The newly acquired Haselmeier business contributed CHF 7.4 million.

Gross margin remained stable at 29.9% in 2020 (2019: 30.1%), despite a lower share of high-margin Applicator Systems business within the sales mix.

**Operational profitability of 9.0%**

Operational profit amounted to CHF 298 million compared with CHF 371 million in 2019, a decrease of 13.7%. Cost reduction measures partly mitigated the impact from lower sales, particularly in Applicator Systems with the corresponding negative mix effect given its higher profitability. A hiring pause, reduction in personnel-related costs, discretionary spend and travel contributed CHF 59 million to cost savings. Excluding Applicator Systems, Sulzer

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divisions profitability was actually up 10 basis points, demonstrating the solidity of our business model and the quality of our execution.

**Structural actions**

Sulzer launched decisive measures to mitigate the impact of market disruptions particularly on its Energy-related business activities early in 2020. One-off expenses of CHF 81 million were recorded, comprised of CHF 56 million restructuring expenses, CHF 15 million non-operational costs and CHF 10 million impairments. These mainly relate to the closure or resizing of sites in Europe and the Americas, as well as the resizing of supporting resources. Structural recurring savings of CHF 70 million will be delivered, of which CHF 12 million in 2020, an additional 40 million in 2021 and the remaining in 2022.

**Net income impacted by restructuring charges**

EBIT amounted to CHF 151 million, decreasing nominally by 37.5% compared with CHF 241 million in 2019. Return on sales was 4.5% compared with 6.5% in 2019.

In 2020, net income amounted to CHF 87 million compared with CHF 158 million in the previous year. Core net income excluding the tax-adjusted effects of non-operational items totaled CHF 200 million compared with CHF 258 million in 2019. Basic earnings per share decreased from CHF 4.52 in 2019 to CHF 2.46 in 2020.

**Record free cash flow**

Cash flow from operating activities amounted to CHF 369 million, compared with CHF 320 million in 2019. Lower net income was more than compensated by an increase of provisions (CHF 93 million), also driven by restructuring-related provisions and favorable changes in inventories (CHF 30 million) and accounts receivables (CHF 21 million). Free cash flow amounted to CHF 272 million compared with CHF 213 million in the prior year. This was driven by the higher cash flow from operating activities and lower capital expenditure.

**Growing in medical, water and sustainable solutions**

In line with our strategy to complement our portfolio with bolt-on acquisitions in fast-growing markets such as medical and water, we announced transactions of strategic importance. Haselmeier, an acquisition we announced in August and closed five weeks later, gives Sulzer access to the highly attractive drug delivery devices market. With its self-injection pens for reproductive health, diabetes or osteoporosis patients, Haselmeier is a great fit to our Applicator Systems business and leverages our precision injection-molding expertise.

With the acquisition of the Swedish company Nordic Water, announced in January and closed on February 1, 2021, Sulzer strengthened its wastewater treatment offering and gained further access to the clean water market, a fast-growing segment where Sulzer is already present.

With these transactions, we continued Sulzer's industrial repositioning towards higher growth markets. Today, we have strong positions in sustainability-driven segments such as water treatment, energy efficiency, recycling, biomaterial applications, low carbon solutions and healthcare. Just within Chemtech, sales from our renewable solutions amounted to CHF 50 million in 2020 and are expected to grow considerably in the next few years.

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**Proposals by the Board of Directors at the Annual General Meeting**

The Board of Directors will propose an unchanged ordinary dividend of CHF 4.00 per share at the Annual General Meeting on April 14, 2021. This reflects the solidity of our balance sheet and our confidence in Sulzer's future performance.

The Board of Directors will propose Peter Löscher, Matthias Bichsel, Mikhail Lifshitz, Alexey Moskov, Gerhard Roiss and Hanne Birgitte Breinbjerg Sørensen to be reelected for a one-year term of office at the Sulzer Annual General Meeting.

Furthermore, Lukas Braunschweiler and Marco Musetti have decided to retire from the Board of Directors and will not stand for re-election. The Board of Directors will propose the election of Dr. Suzanne Thoma and David Metzger to the Board. Mr. Metzger will represent Tiwel.

In addition, the Board of Directors proposes to the AGM the amendment of the Articles of Association by adding a clause on conditional share capital allowing the company to create new shares up to an amount of approx. 5% of the current share capital for the purpose of possible re-financing and financing transactions in the future (e.g. issuance of convertible bonds).

**Outlook**

For 2021, Sulzer expects a progressive return to pre-pandemic levels. The first half of the year at least will continue to be impacted by the pandemic, with regional lockdowns hampering business interactions. Our business most impacted by the lockdowns in 2020, Applicator Systems, should build on its strong H2 2020 rebound to return to pre-pandemic volumes by the middle of 2021. Progress with vaccination should bring an acceleration to all Sulzer businesses in the second half of the year.

Sulzer order intake in 2020 was only down 2% for the year, on the back of a strong first half where we were up almost 2%. Against this robust baseline, we expect orders to be up 3% to 6% in 2021 on a currency-adjusted basis. We expect sales to grow by 5% to 7% in 2021, also on a currency-adjusted basis. Operational profitability will benefit from the rebound in Applicator Systems and the uplift from our structural cost-cutting measures to return to pre-pandemic levels, close to 10%.

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## Key figures divisions

Details on the performance of the divisions can be found in the Annual Report 2020:

<https://report.sulzer.com/ar20>

millions of CHF	2020	2019	Change in +/-%	+/-% adjusted <sup>1</sup>	+/-% organic <sup>2</sup>
<b>Pumps Equipment</b>					
Order intake	<b>1'297.6</b>	1'458.9	-11.1	-4.1	-2.9
Sales	<b>1'296.3</b>	1'477.0	-12.2	-5.7	-4.5
EBIT	<b>-16.1</b>	11.9	n/a		
Operational profit	<b>55.2</b>	59.7	-7.5	-2.7	4.2
Operational profitability	<b>4.3%</b>	4.0%			
Employees (FTE) as of Dec. 31	<b>5'362</b>	5'759	-6.9		
<b>Rotating Equipment Services</b>					
Order intake	<b>1'130.8</b>	1'193.2	-5.2	2.5	0.6
Sales	<b>1'078.3</b>	1'167.0	-7.6	0.1	-1.1
EBIT	<b>126.3</b>	152.2	-17.0		
Operational profit	<b>150.3</b>	164.5	-8.6	0.6	-0.5
Operational profitability	<b>13.9%</b>	14.1%			
Employees (FTE) as of Dec. 31	<b>4'449</b>	4'900	-9.2		
<b>Chemtech</b>					
Order intake	<b>620.8</b>	670.0	-7.3	-1.1	-6.9
Sales	<b>593.1</b>	664.0	-10.7	-4.8	-9.7
EBIT	<b>35.9</b>	54.0	-33.4		
Operational profit	<b>56.9</b>	63.8	-10.8	-4.1	-12.7
Operational profitability	<b>9.6%</b>	9.6%			
Employees (FTE) as of Dec. 31	<b>3'221</b>	3'803	-15.3		
<b>Applicator Systems</b>					
Order intake	<b>364.8</b>	425.1	-14.2	-11.0	-14.2
Sales	<b>351.2</b>	420.6	-16.5	-13.4	-15.2
EBIT	<b>20.2</b>	40.2	-49.8		
Operational profit	<b>44.7</b>	88.2	-49.3	-48.6	-47.9
Operational profitability	<b>12.7%</b>	21.0%			
Employees (FTE) as of Dec. 31	<b>1'857</b>	1'821	2.0		

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### Abbreviations:

EBIT: Earnings before interest and taxes

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**Annual results online:** <https://www.sulzer.com>

**Annual report online:** <https://report.sulzer.com/ar20>

### **Annual results presentation**

*Due to the pandemic, we refrain from holding a physical meeting and will present our annual results 2020 as a webcast. Please note that the moderator can only take questions from dialed-in participants.*

*Please pre-register for the event to receive dedicated dial-in details to easily and quickly access the call:*

#### **Link:**

<https://services3.choruscall.ch/DiamondPassRegistration/register?confirmationNumber=4009729&linkSecurityString=401c80cc4>

**Webcast:** <https://www.sulzer.com/ar20-webcast>

**Dial-in:** +41 58 310 5000

*Please dial in 5 minutes before the start of the conference call.*

*The Annual Report 2020 as well as the presentation slides will be available to download from our website on the morning of the conference (from 06.00 a.m. CET) under [www.sulzer.com/en/about-us/investors/financial-reporting](http://www.sulzer.com/en/about-us/investors/financial-reporting).*

### **Playback webcast**

*The playback of the webcast will be available shortly after the event under the same link.*

### **Key dates in 2021**

April 14	Annual General Meeting 2021
April 29	Order intake Q1 2021
July 22	Midyear results 2021
October 27	Order intake nine months 2021

*Sulzer is a global leader in fluid engineering. We specialize in pumping, agitation, mixing, separation and application technologies for fluids of all types. Our customers benefit from our commitment to innovation, performance and quality and from our responsive network of 180 world-class manufacturing facilities and service centers across the globe. Sulzer has been headquartered in Winterthur, Switzerland, since 1834. In 2020, our 15'000 employees delivered revenues of CHF 3.3 billion. Our shares are traded on the SIX Swiss Exchange (SIX: SUN). [www.sulzer.com](http://www.sulzer.com)*

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