

starrag

Engineering precisely what you value

Half year presentation

Rorschacherberg, 24 July 2019

Solutions for
Aerospace
Energy
Transportation
Industrial



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Agenda

■ **Market and business review**

■ **Financial review**

■ **Outlook**

Agenda

▀ **Market and business review**

▀ Financial review

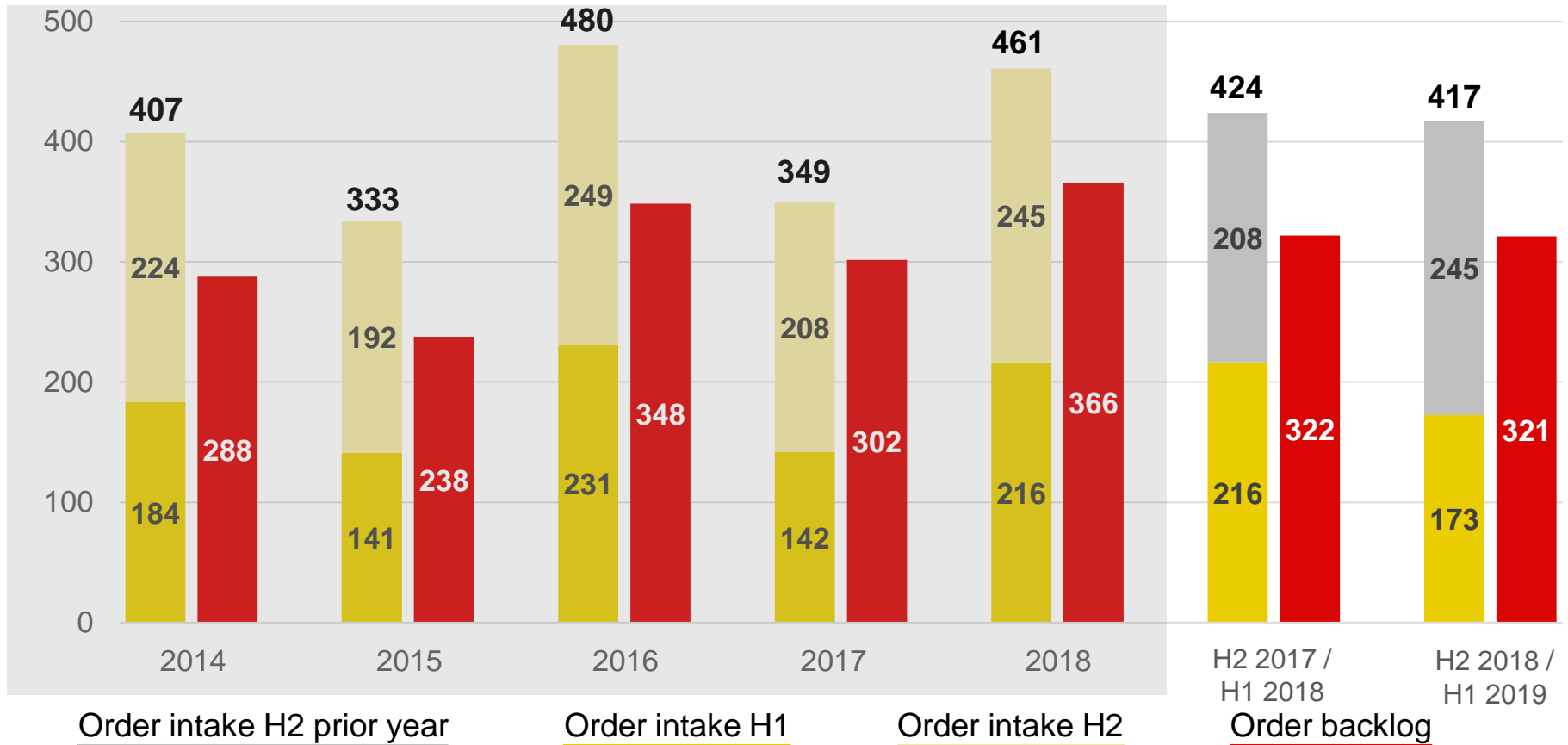
▀ Outlook

Increased sales - Lower order intake – Order backlog for over one year – Improved operating margin – Net income affected by restructuring costs

- Sales up 12% to CHF 214 million
- Order intake of CHF 173 million, down 0.7% year-on-year, down -21% compared to prior-year period
- Order backlog of CHF 321 million secures basic capacity utilization for over one year
- Operating margin before restructuring costs of 4.1%, prior-year period 3.5%
- Net income CHF 3.4 million, down 21%
- “Programme 2021” for a sustained increase in profitability

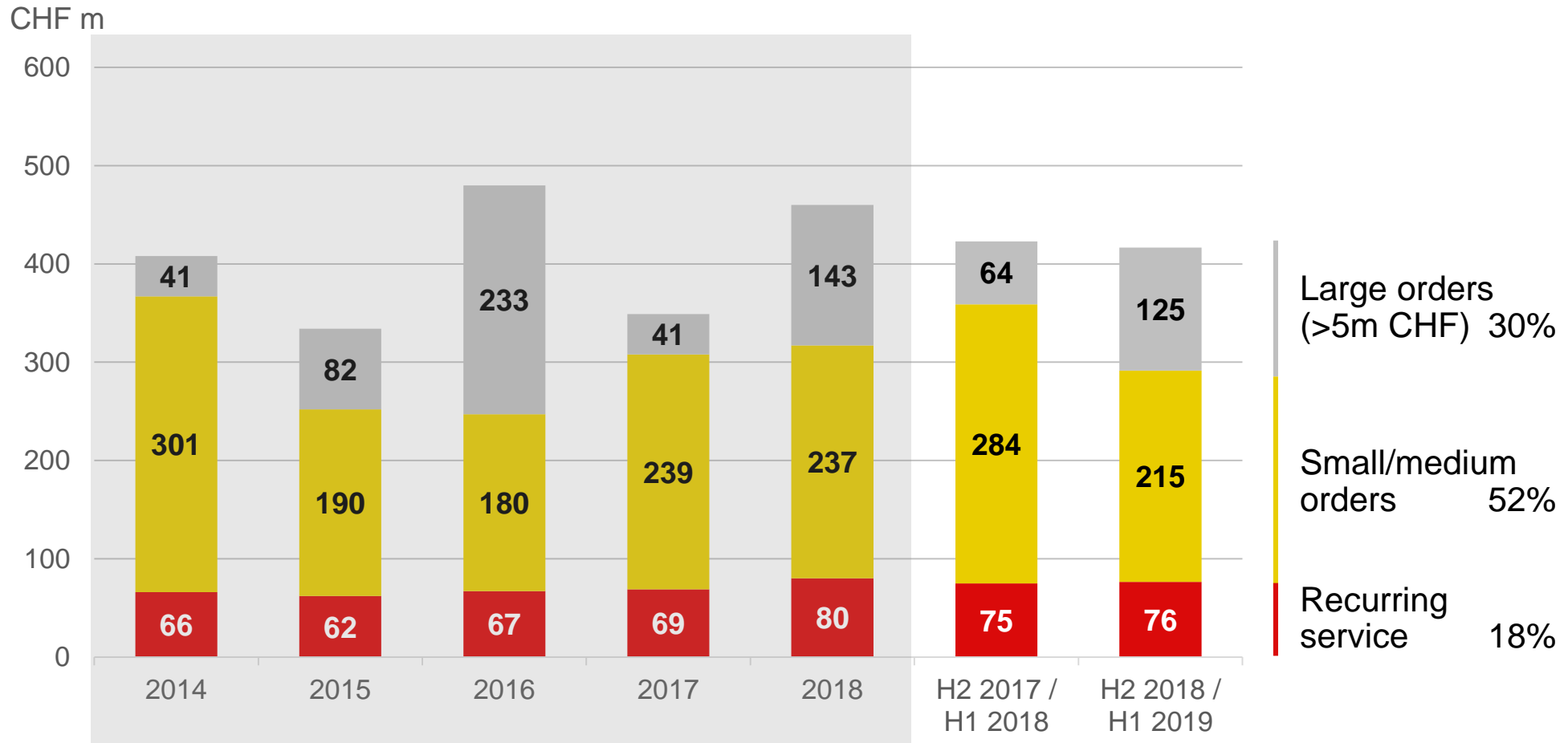
Order intake last 12 months stable – Ongoing solid order backlog

CHF m



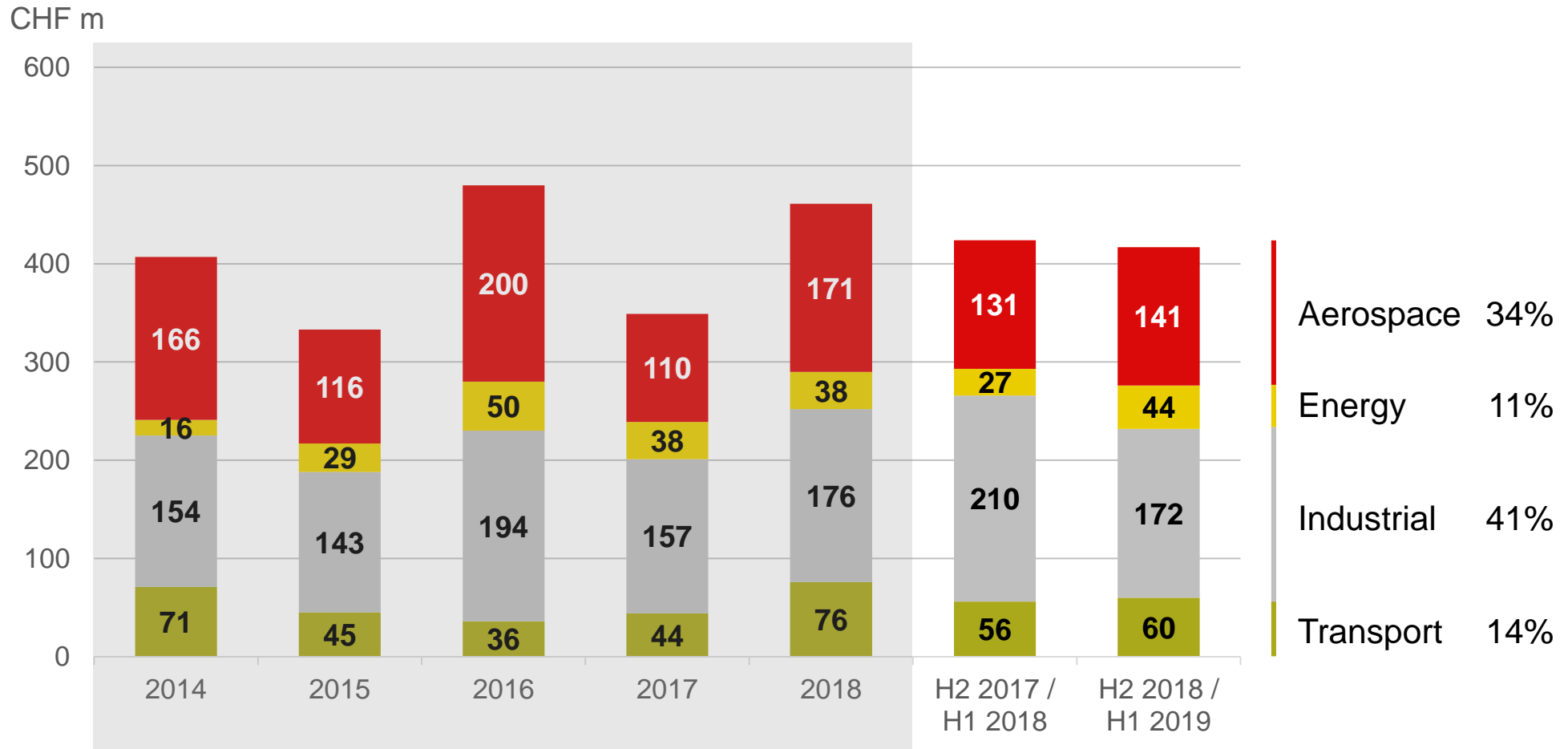
- Order intake last twelve months 419m CHF, fx adjusted -0.7%
- Order intake H1 2019 173m CHF, down 20%
- Order backlog 321m CHF, unchanged to mid 2018, down 12% compared with record high 2018

Order intake breakdown: Overall unchanged, different mix



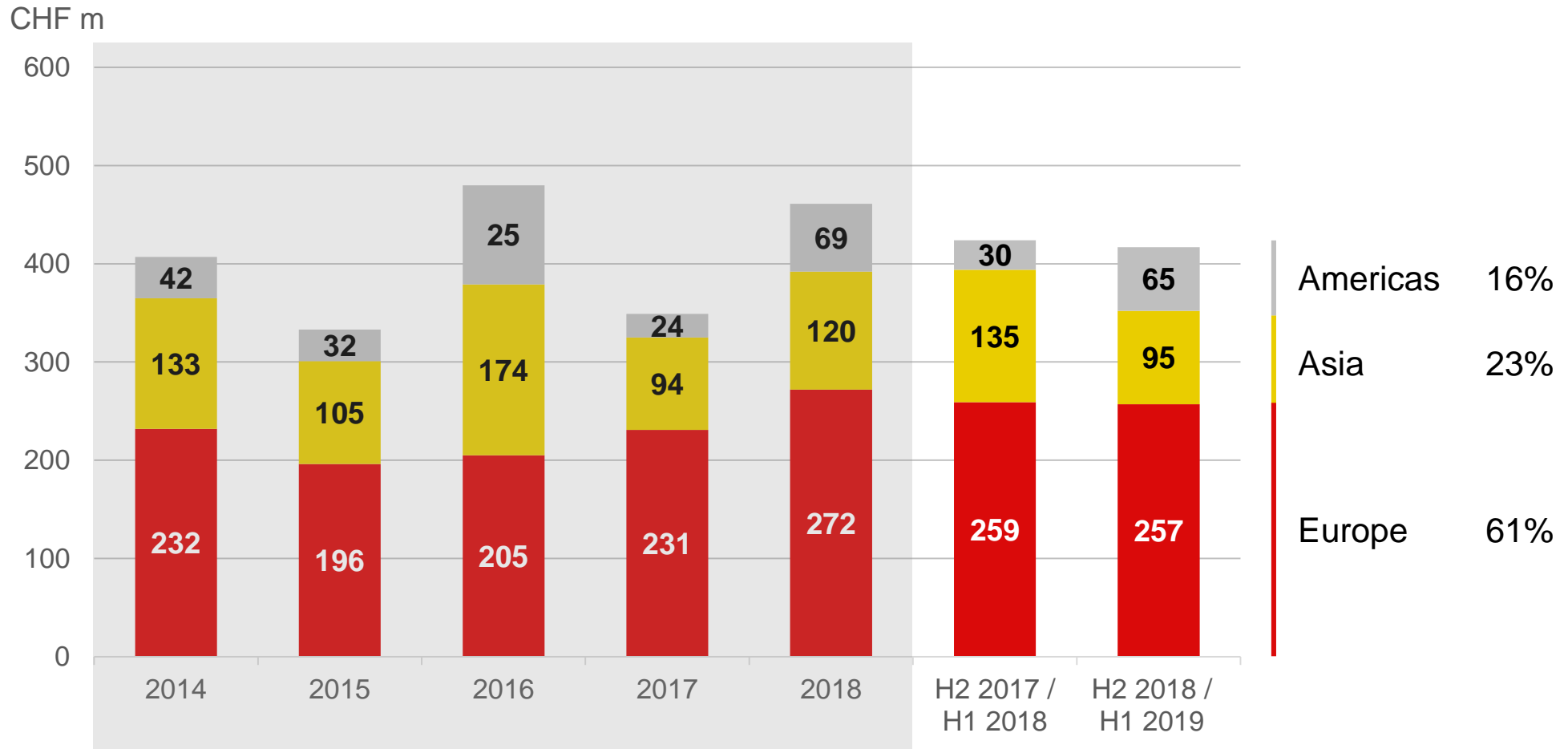
- Ongoing increase of service share, high share of large orders in H2 2018
- Large orders difficult to predict; average 2014-2018: 77m CHF (without extraord. 2016)

Order intake by industry



■ Aerospace and Transportation up, Industrial down, Energy up on low level

Order intake by region



- Americas up, Europe almost kept, Asia down

“Programme 2021” to sustainably increase profitability

- Sharpened focus on targeted markets
- Group-level management of sales force
- Transition to product-oriented Business Units with a clear application focus
- Integrated Group Operations unit for supply chain management, manufacturing and sub-assemblies
- Reduction of about 150 jobs in Mönchengladbach
- Annual cost savings of CHF 8 to 10 million as from fiscal 2021
- New Group management structure since 1 July 2019

Starrag rounds off its blisk machining line with the Starrag NB 151

Manufacturing blisk rotors in a single clamping operation

- ✓ Designed for blisk machining
 - ▣ Small footprint
 - ▣ Increased productivity
- ✓ Deviation of existing product

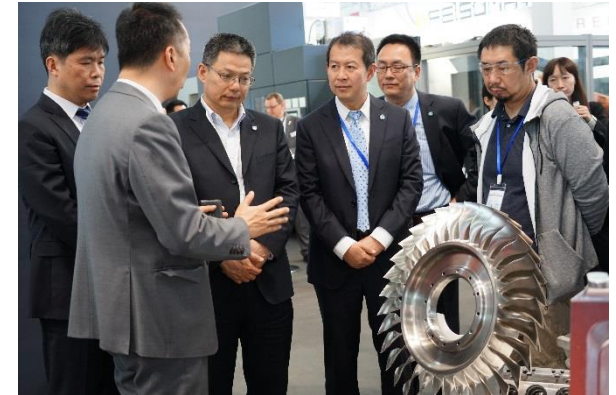


- ✓ Market introduction in H1 2019
- ✓ Excellent customer feedbacks

Leading application competence attracts substantial client attention

Major customer events in H1 2019: Triggering multiple first contacts up to closed orders

- April: CIMT China International Machine Tool Show Beijing/CN
- June: Turbine Technology Days in Rorschacherberg/CH



Agenda

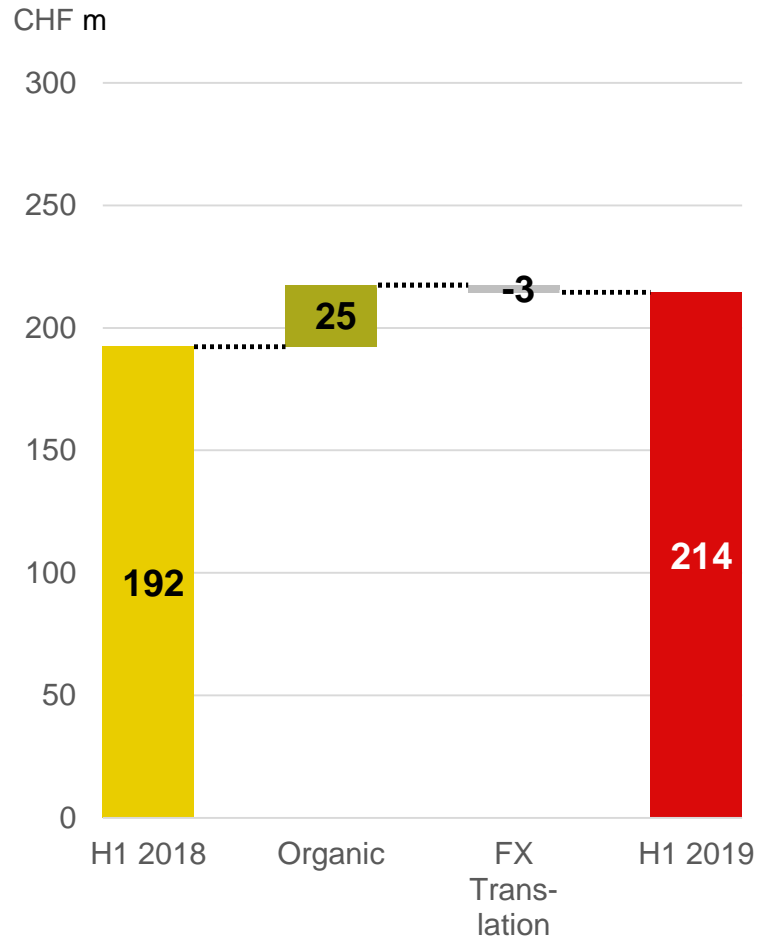
■ Market and business review

■ **Financial review**

■ Outlook

Encouraging increase in sales revenue

Sales revenue +11.5%, fx adjusted +13.1%



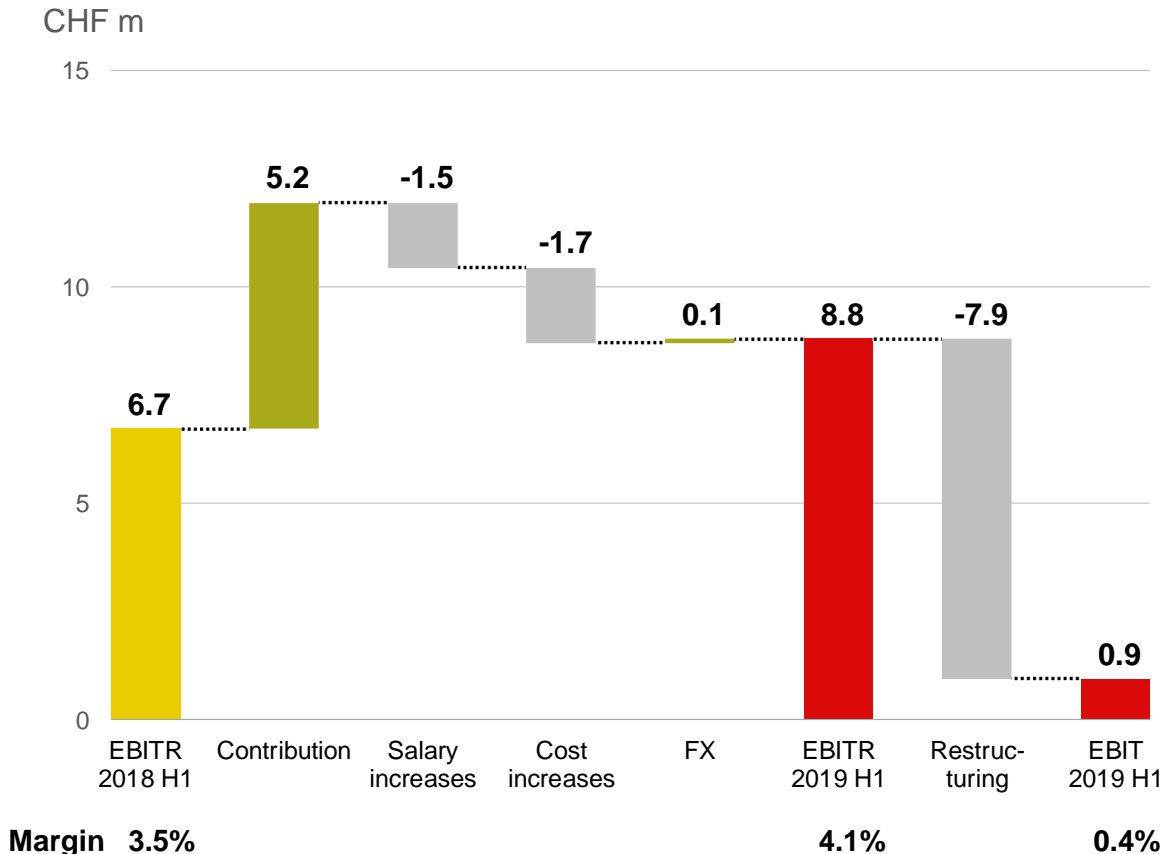
Organic increase thanks to

- High 2018 order intake
- Implemented optimization of project management, after delays in order processing in the prior year period

FX translation impact

- Weaker EUR/CHF translation rate (H1 2019: 1.1414 vs 1.1828 in H1 2018)

EBITR increased to 4.1% - Restructuring charges of 7.9m CHF



Contribution

- Higher sales revenue thanks to high 2018 order intake and implemented actions in project management

Salary increases

- Higher unit labor costs in Germany, mainly driven by collective labor agreements

Cost increases

- Higher personnel cost due to higher workload / sales revenue

Restructuring charges

- Programme «Starrag 2021» with reduction of 150 jobs in Mönchengladbach, implementation on track

Note: EBITR = EBIT before restructuring charges.

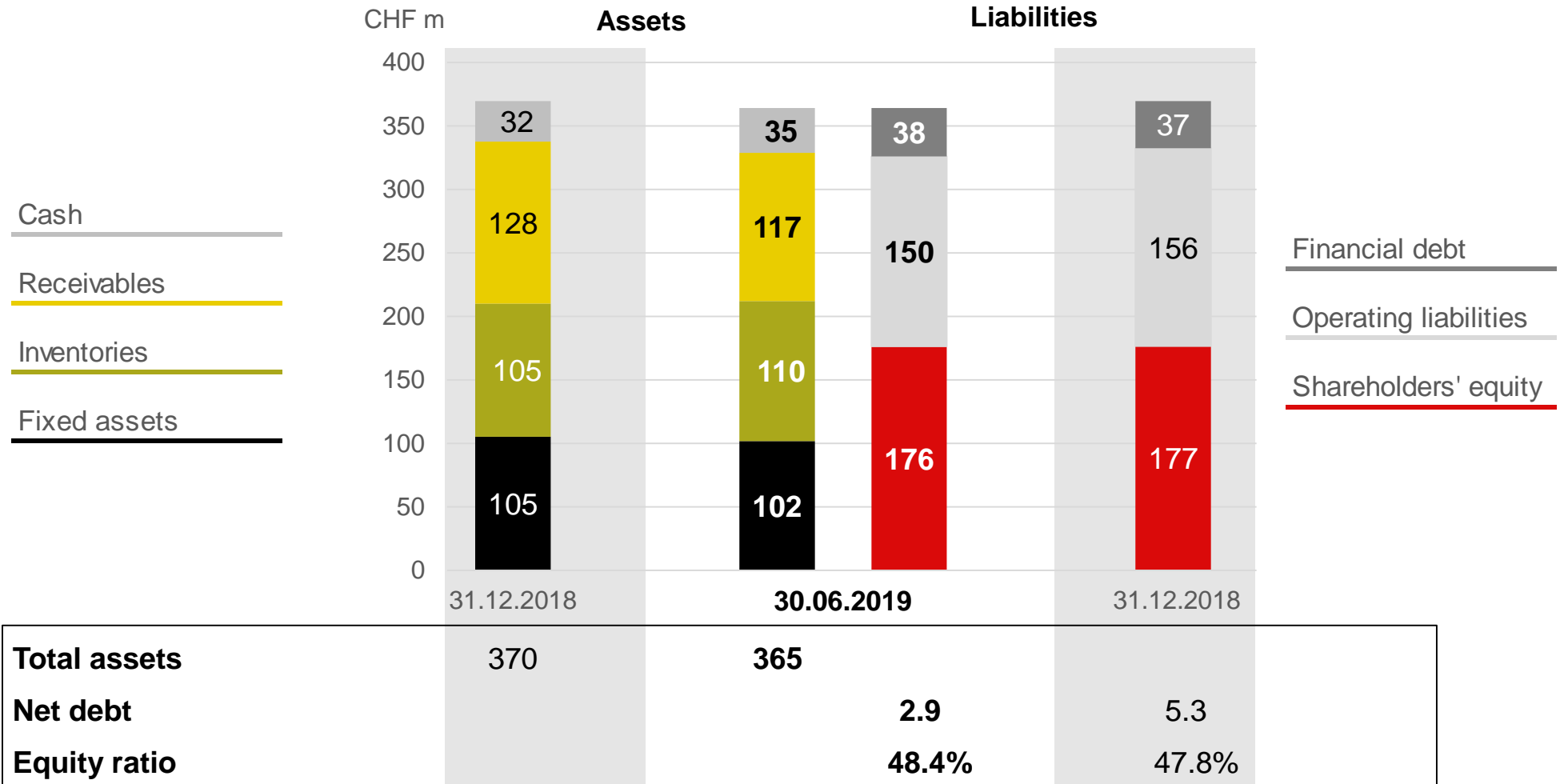
Net income lower mainly due to lower EBIT

Decrease in Net income caused by lower operating result and other reasons

CHF m	H1 2019	H1 2018	Change
Operating result EBIT	0.9	6.6	-85.7%
Interest expenses, net	-0.2	-0.5	
FX result, net	-0.0	-0.3	
Other financial result	-0.4	-0.5	
<i>Total Financial result, net</i>	<i>-0.6</i>	<i>-1.3</i>	
Income before taxes	0.4	5.3	-93.2%
Income tax expenses	3.1	-1.0	
Net income	3.4	4.3	-20.8%
Income tax rate (implied)	na.	19.4%	
Earnings per share in CHF	1.01	1.28	-21.0%

- Lower interest expenses and improved FX result lead to improvement in financial result by 0.6m CHF
- Swiss corporate tax reforms lead to positive one-time effect in income tax expenses of 2.3m CHF caused by reduction of deferred income tax provision

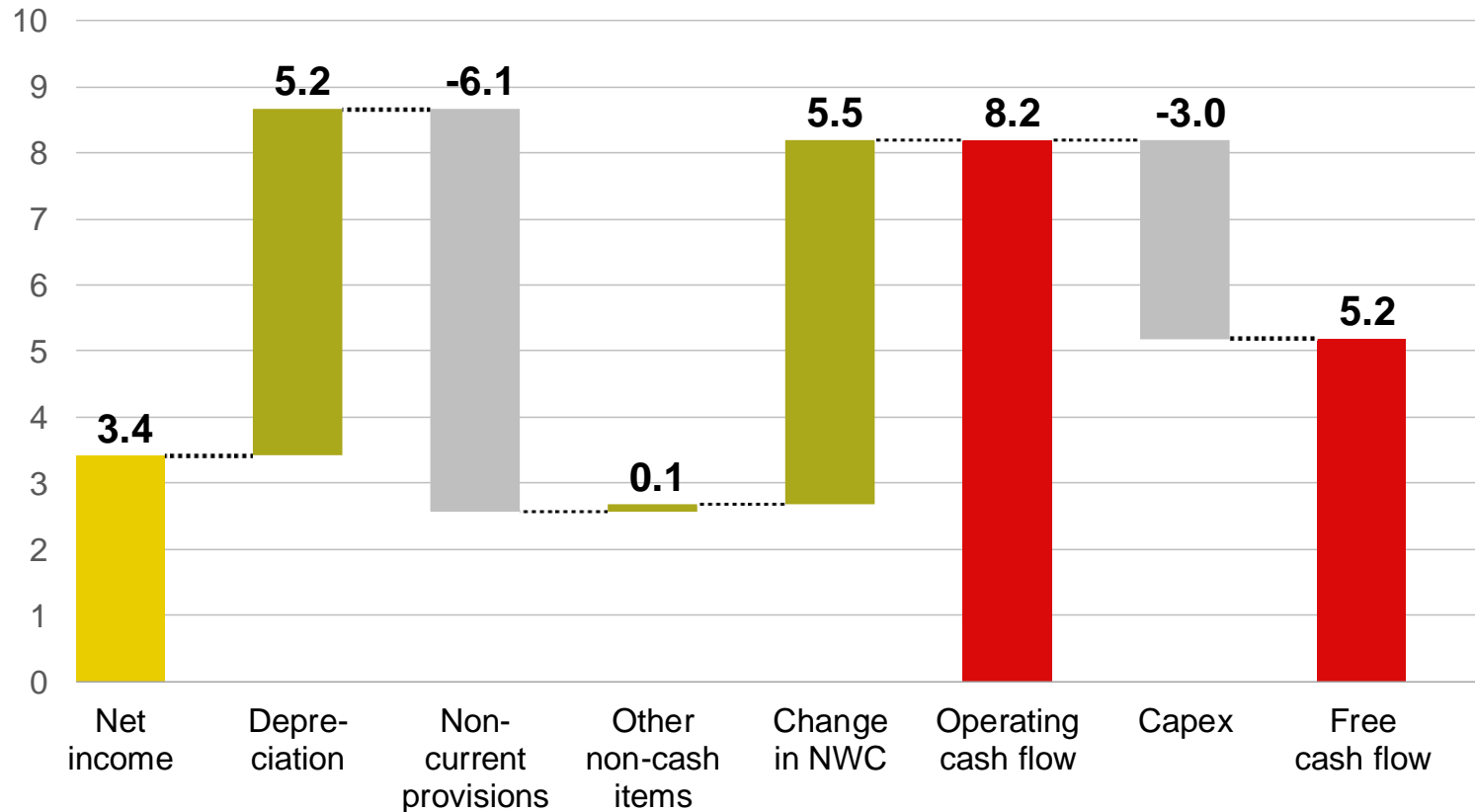
Balance sheet: Equity and equity ratio continuously strong



- Decrease in receivables thanks to high customer payments
- Higher inventories due to upfront work for expected customer orders

Free cash flow clearly improved

CHF m



H1 2018:	4.3	5.5	0.4	0.1	-8.6	1.7	-3.8	-2.1
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▪ **Reduction in NWC thanks to high customer payments**

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■ Financial review

■ Outlook

Focus of strategic actions reinforced

Innovation

- Leading application competence
- Starrag Integrated Production System (Industry 4.0)
- Next generation of machine tools (H series)
- Dedicated automation concepts

Geographical footprint

- USA
- China
- Dealer network in key markets

Operational excellence (Programme „Starrag 2021“)

- Simplifying go to market
- Sales effectiveness
- Customer service readiness
- Project management
- People development

Generally weakening markets – Starrag target markets with heterogeneous trends – higher volatility

Global economic or political developments are impacting customer decisions

■ Aerospace

- Positive outlook based on ongoing high demand for airplanes
- Timing of decisions continues to vary driven by individual customer-specific reasons

■ Energy

- Expected to remain on low level in near future
- Investments depending on oil price development

■ Transportation

- Ongoing investments in construction, agriculture and truck markets
- On-road slow

■ Industrial

- Luxury goods somewhat weaker
- Other industry segments volatile

Financial outlook

	2018	H1 2018	H1 2019	Guidance 2019 (in local currencies)
Order intake	461	216	173	2019 << 2018
Sales revenue	389	192	214	2019 > 2018
EBIT margin	3.4%	3.4%	0.5%	2019 << 2018

- **Positive development of sales revenue**
- **Increased personnel, material and restructuring costs in connection with “Starrag 2021”**

Corporate calendar and Contact details

- 24.01.2020 Preliminary information on FY 2019
- 06.03.2020 Presentation of FY 2019 annual report and results to analysts/media in Zurich
- 25.04.2020 Annual General Meeting in Rorschach
- 23.07.2020 Half-year report 2020

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Engineering precisely what you value

**We are pleased to answer your questions.
Thank you.**

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