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H1 2021 results

Greg Poux-Guillaume, CEO | Jill Lee, CFO | July 22, 2021

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Note on Alternative Performance Measures (APM): all bridges from APM to reported figures can be found in the financial section of Sulzer's half-year report 2021.

Business Review

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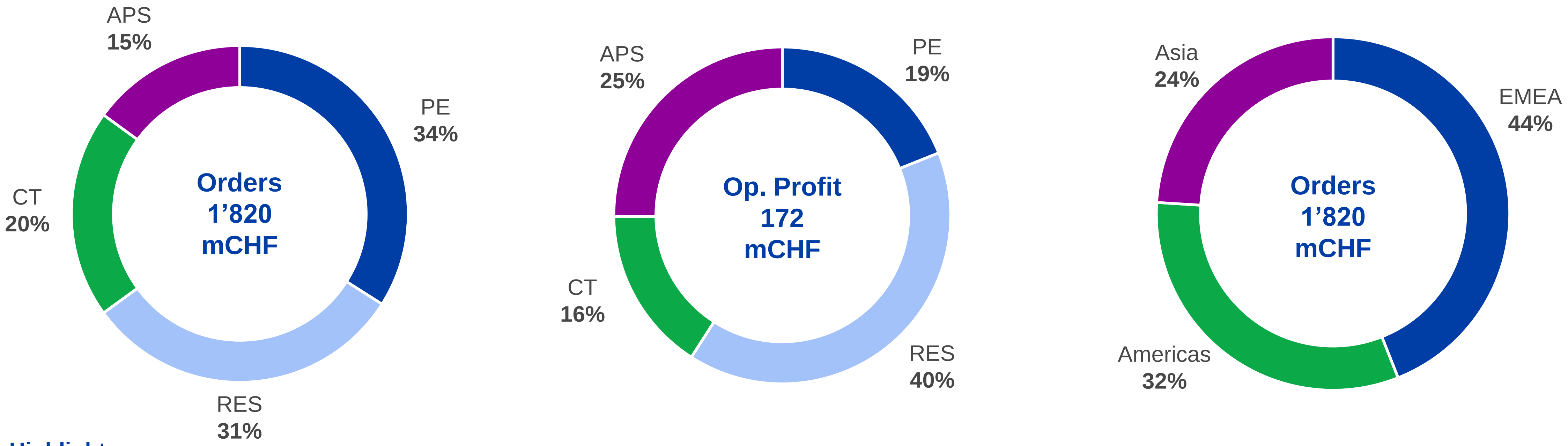
H1 2021 highlights

- Orders up 12% (+7% organic) in Q2 YOY, +8% sequentially
- Sales up 9% (6% organic) in H1 YOY
- Operational Profitability reached 10.0% in H1, up 250 bps YOY
- FCF tripled YOY to reach H1 record CHF117m
- Addition of Nordic Water gives Sulzer one of the broadest range of water pumping and treatment solutions
- Applicator Systems division spin off to shareholders announced, to be renamed medmix and listed separately on SIX
- Split will enable Sulzer and medmix to leverage the full potential of each business to maximize profitable growth

H1 2021 Orders and Profit split

Positive trends in all divisions



Highlights

- Service (RES): order continue to show positive momentum, sales and profitability above last year
- Pumps (PE): strong order growth in Water (> 40% of PE), Industry robust, Energy at trough
- Chemtech (CT): growth on all metrics. Renewables business continues to show momentum
- Applicators (APS): high performing Dental and Industry segments, first customer for new D-Flex platform in Drug Delivery

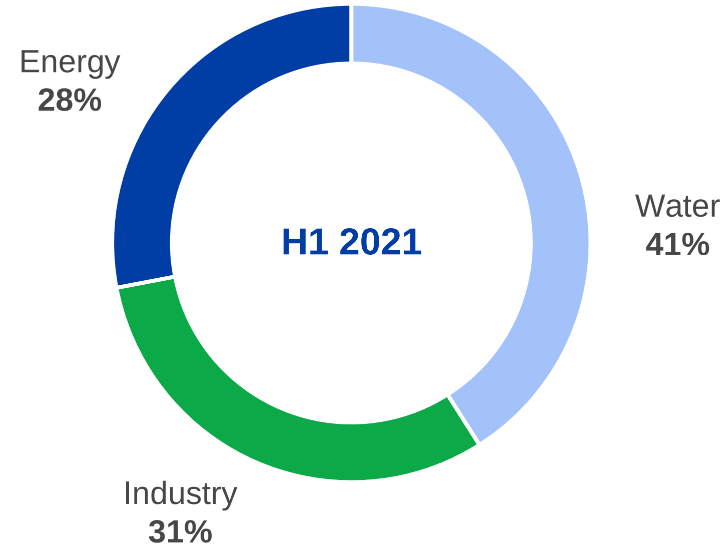
Pumps Equipment (PE)

Water and Industry dynamic, Energy at trough, sustained profitability momentum

Key figures

In CHF millions	H1 21	H1 20	YOY	adj.[1]	org.[2]
Order intake	627	744	-15.8%	-15.3%	-20.2%
Sales	664	617	7.7%	8.8%	4.4%
EBIT	15	-27			
Operational profit (opEBITA)	33	19	72.9%	70.5%	56.8%
operational profitability	*5.0%*	*3.1%*			

Order intake by segment



Highlights

- Orders:
  - Water up 25% (7% organic), now largest segment within PE
  - Industry up 6%
  - Energy down 50% as anticipated on soft markets and continued selectivity
- Sales up 9% (4.4% organic), driven by Water and Industry
- Operational profitability up to 5.0% on good execution, savings from structural cost actions and favorable mix
- Acquisition of Nordic Water

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

Pumps and mixers for new bioproduct mill in Finland

Major project win for Industry

- Frame agreement to supply more than 400 pumps and agitators for the Metsä Fibre plant in Finland, at 1.5 million tons per year the largest wood-based bioproduct mill in the northern hemisphere (under construction)
- The bioproduct mill will be a global leader in environmental, energy and material efficiency. It will operate completely without fossil fuels.
- Sulzer is a **leader in flow control solutions for wood-based bioproducts**
- We were selected because of our **extensive experience in energy efficient pumping and mixing solutions**

Rotating Equipment Services (RES)

Orders trending up, strong improvement in profitability

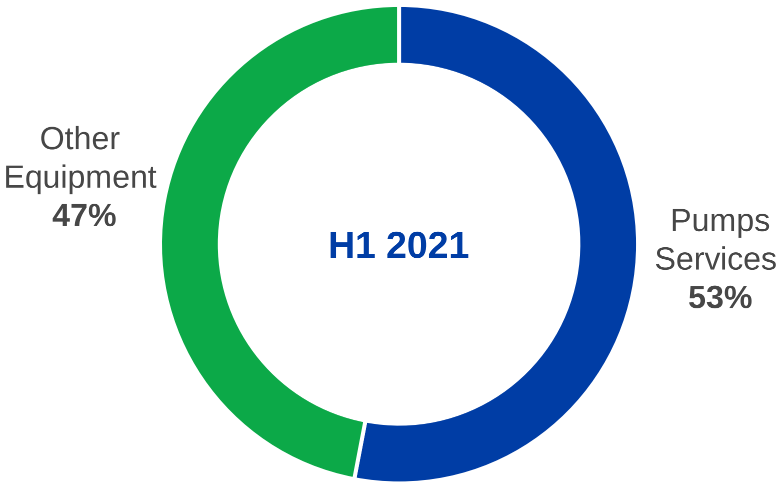
Key figures

In CHF millions	H1 21	H1 20	YOY	adj.[1]	org.[2]
Order intake	571	617	-7.5%	-5.6%	-6.0%
Sales	526	528	-0.5%	1.3%	0.9%
EBIT	66	51			
Operational profit (opEBITA)	70	64	9.8%	11.3%	10.7%
operational profitability	*13.4%*	*12.1%*			

Highlights

- Orders continued positive trend, up 7% sequentially in Q2 (after +10% in Q1), orders down 6% YOY in H1 on record high base and project postponements
- Sales increased in all regions
- Operational profitability up on strong execution and cost discipline

Order intake by segment



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

Shore-to-ship solution upgrade to lower CO2 emissions

Sulzer a leader in sustainability-driven upgrades

- RES received a CHF 6m order from a Sydney harbor owner to upgrade the rotating frequency converter from 3MVA to 5MVA
- The rotating frequency converter is part of the harbor’s shore-to-ship electricity supply system
- Shore-to-ship power supply helps reduce CO2 emissions as it powers ships with electricity from the power grid instead of from on-board diesel generators
- The upgrade is expected to save more than 5’000 tons CO2 per year.

Chemtech (CT)

Chemical market active, renewable technologies gaining traction, strong profitability

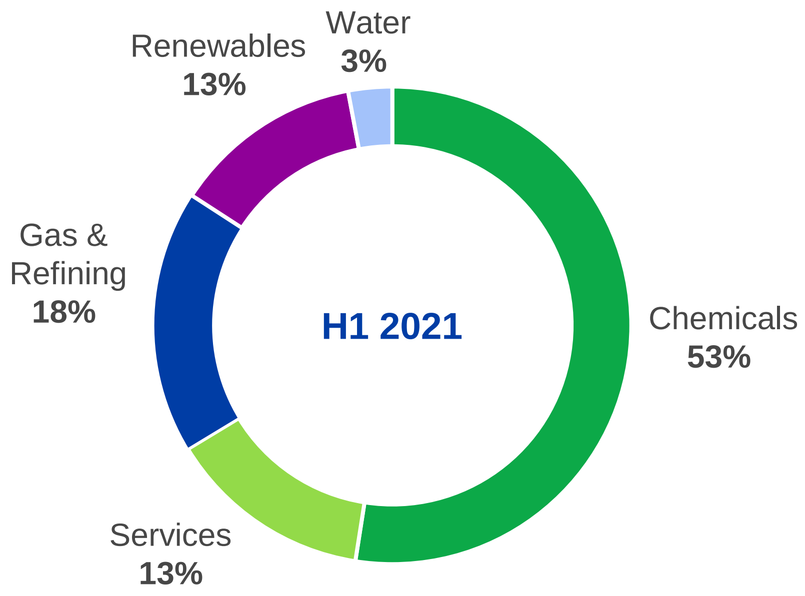
Key figures

In CHF millions	H1 21	H1 20	YOY	adj.[1]	org.[2]
Order intake	354	319	10.8%	12.8%	12.8%
Sales	306	288	6.2%	7.7%	7.7%
EBIT	21	11			
Operational profit (opEBITA)	28	23	20.3%	20.2%	20.2%
operational profitability	*9.1%*	*8.0%*			

Highlights

- Orders up 13% driven by recovery in Americas and EMEA and continued growth in Asia (on already very high base)
- Renewables in H1 21 almost at FY 20 level
- Tower Field Services rebounding as travel normalizes
- Operational profitability up on structural cost savings

Order intake by segment



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

Partnership with Blue Planet to reduce CO2 emissions

Chemtech carbon capture solution helps lower emissions from cement industry

- Sulzer is enabling the further development and optimization of Blue Planet’s innovative carbon mineralization process for carbon capture, utilization and storage (CCUS) solutions.
- Blue Planet’s technology uses CO2 as a raw material for making carbonate rocks. The carbonate rocks produced can substitute natural limestone rock mined from quarries. Limestone is the principal component of concrete.
- Chemtech‘s highly efficient and effective carbon capture unit will be a key enabler in Blue Planet’s pilot plant, which is being constructed in Pittsburg, California, USA

Applicator Systems (APS)

Strong recovery in Dental and Industry, profitability nearing pre-pandemic level

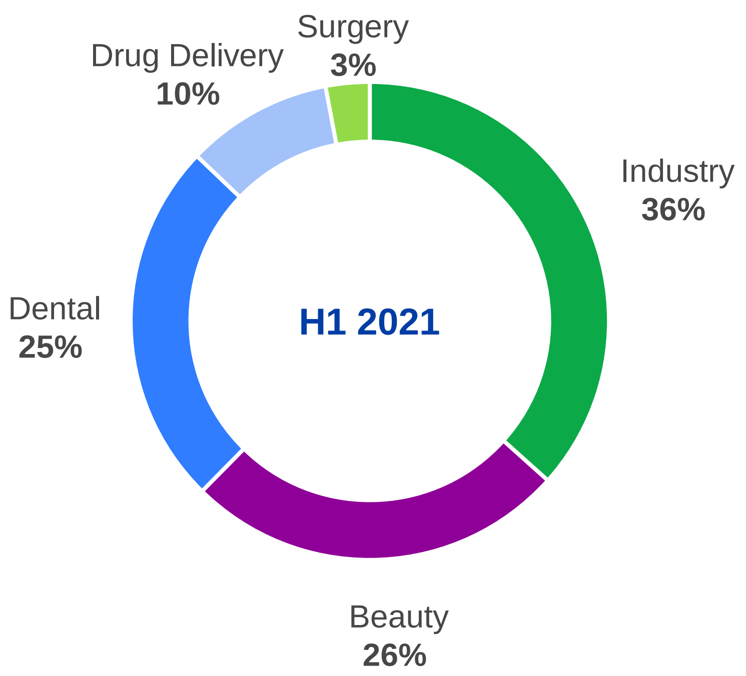
Key figures

In CHF millions	H1 21	H1 20	YOY	adj.[1]	org.[2]
Order intake	269	160	67.9%	69.4%	53.3%
Sales	228	166	37.5%	38.4%	25.8%
EBIT	31	9			
Operational profit (opEBITA)	44	20	126%	128%	109%
operational profitability	*19.3%*	*11.8%*			

Highlights

- Volumes up strongly on demand recovery, customer restocking, pent-up demand and market-share gain, particularly in Dental and Industry. Beauty recovery slower (masks, lockdowns, less travel), project pipeline strong
- Drug Delivery: first customer for our new D-Flex pen platform secured, US biotech company placed initial CHF 9m order
- Operational profitability up 750 bps on volume recovery and favorable mix effects
- APS spin-off as medmix planned for end Q3

Order intake by segment



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

Commercial win for ecopaCC™

APS sustainable solutions gaining traction

- Applicator Systems has secured two new customers in the Chinese construction market thanks to its award winning ecopaCC™ collapsible cartridge for industry
- The revolutionary design slashes costs, resources and waste, with significant savings potential across the value chain from transportation to disposal
- ecopaCC™ has won the world's most prestigious packaging innovation competition in the "Resource efficiency" category in 2019
- ecopaCC™ reduces waste by 80%

Financial Review

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Overview

Sales growth, strong execution and cost actions result in higher profit margins

Key figures

In CHF millions	H1 21	H1 20	YOY	adj.[1]	org.[2]
Order intake	**1’820**	**1’841**	**-1.1%**	**0.2%**	**-3.3%**
Order intake gross margin	*35.3%*	*33.3%*			
Order backlog *(June 30)*	1’949	1’946	0.1%	-1.5%	
Sales	**1’723**	**1’599**	**7.8%**	**9.2%**	**6.1%**
Operational profit (opEBITA)	**172**	**120**	**42.8%**	**43.5%**	**38.0%**
Operational profitability	***10.0%***	***7.5%***			
EBIT	129	36			
ROS %	*7.5%*	*2.3%*			
Core net income	119	82			
Core EPS (in CHF)	3.5	2.4			
Free cash flow	**117**	**37**	**+218%**		
FTEs *(June 30)*	15’574	15’600			

Comment

- Order intake in Q2 up 12% YOY (7% organic) and 8% sequentially on continued market rebound
- Gross margin up on favorable mix
- Sales up on strong backlog entering the year and continued market recovery
- Operational profitability up 250bps due to higher volumes, good execution and favorable mix
- EBIT in H1 20 was impacted by restructuring charge taken for Energy resizing
- Free cash flow on record high for H1

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

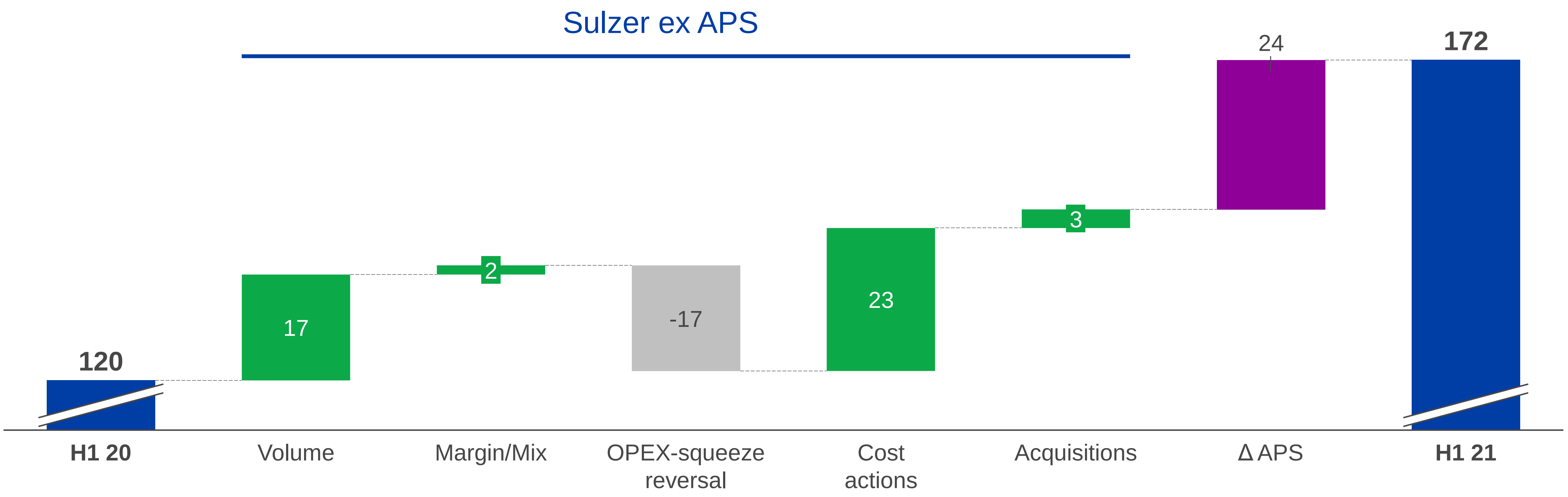
Operational Profit

Strong margin improvement

Operational profitability (opEBITA/sales)

7.5%	**10.0%**

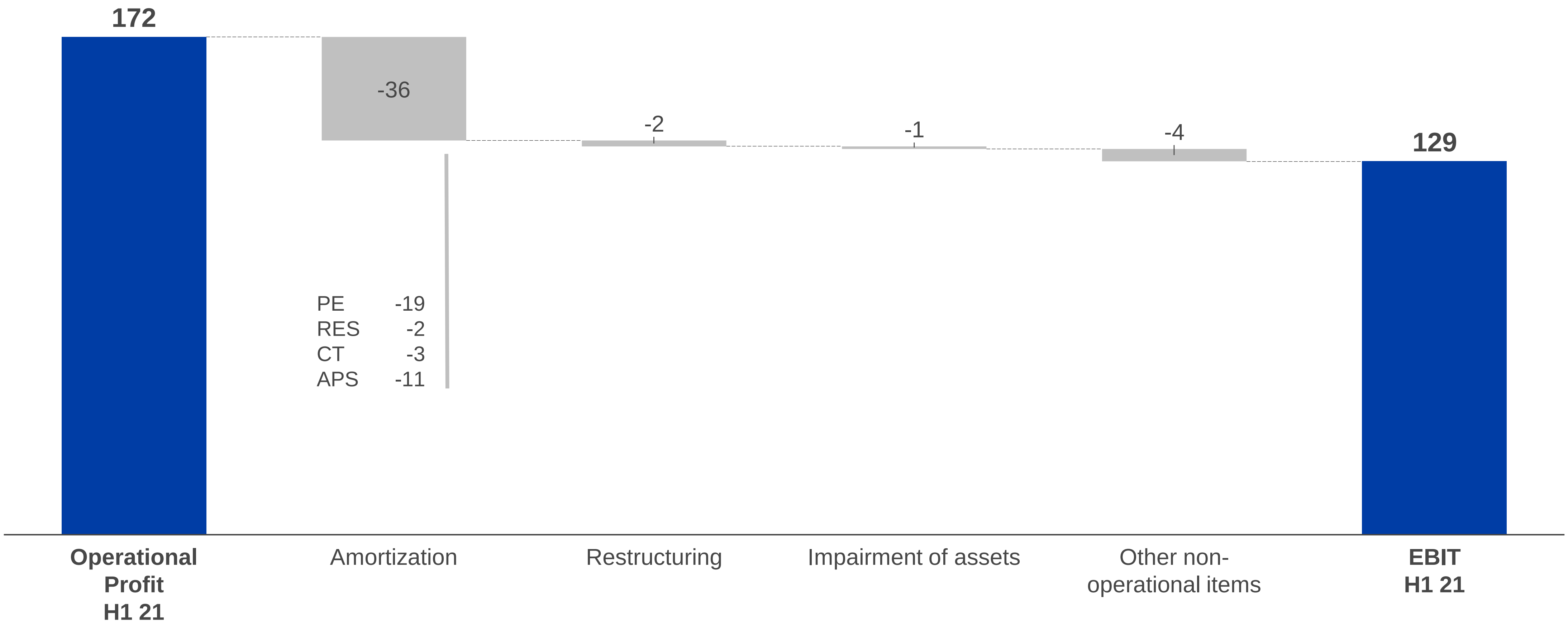
(in CHF millions)



Operational Profit to EBIT

Low impact from restructuring and other one-off items

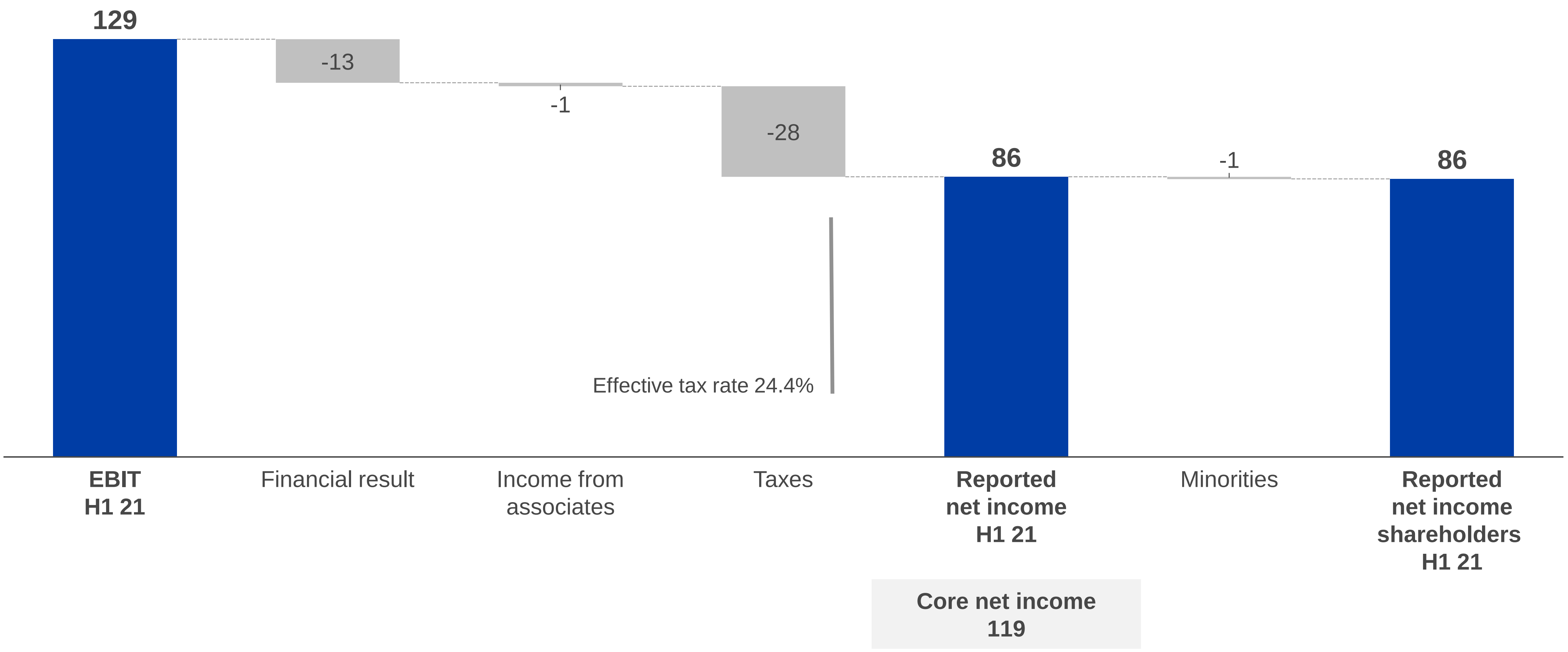
(in CHF millions)



EBIT to Net Income

Tax rate normalized with low restructuring expenses

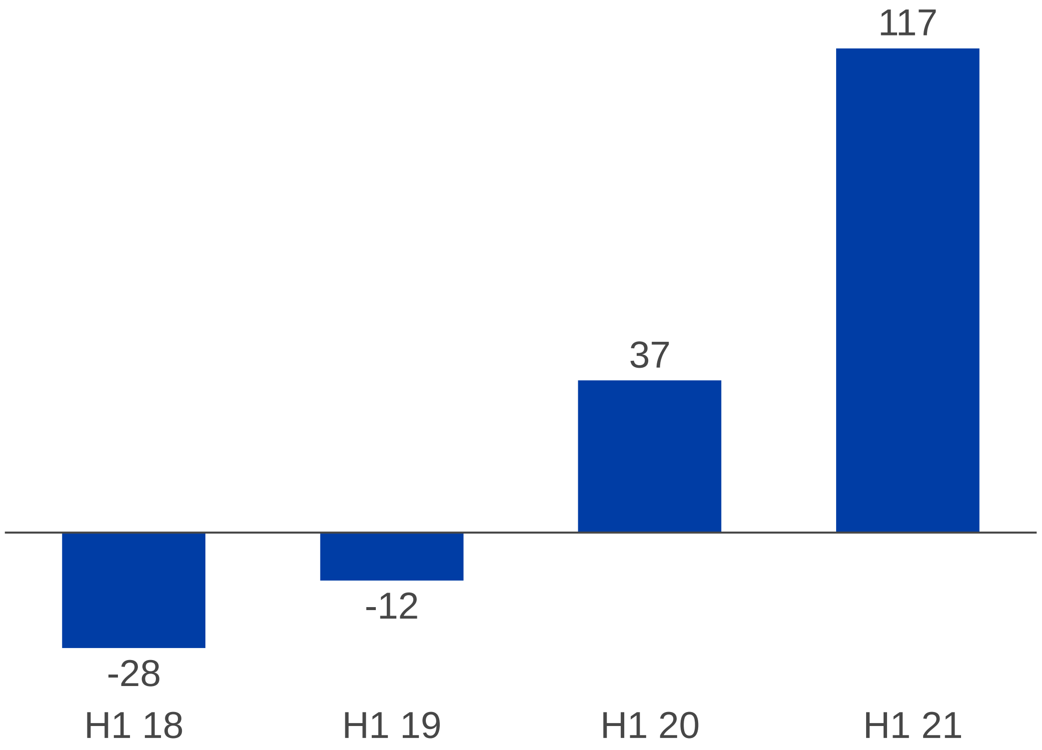
(in CHF millions)



Free Cash Flow

FCF hitting new record in half-year

(in CHF millions)



EBITDA to FCF H1 21 (in CHFm)

EBITDA	**220**
Change in Net Working Capital[1]	-18
Change in non-Net Working Capital[2]	-47
Total Cashflow from Operating Activities	**155**
PP&E Capex	-34
Purchase of Intangibles	-4
Free Cashflow	**117**

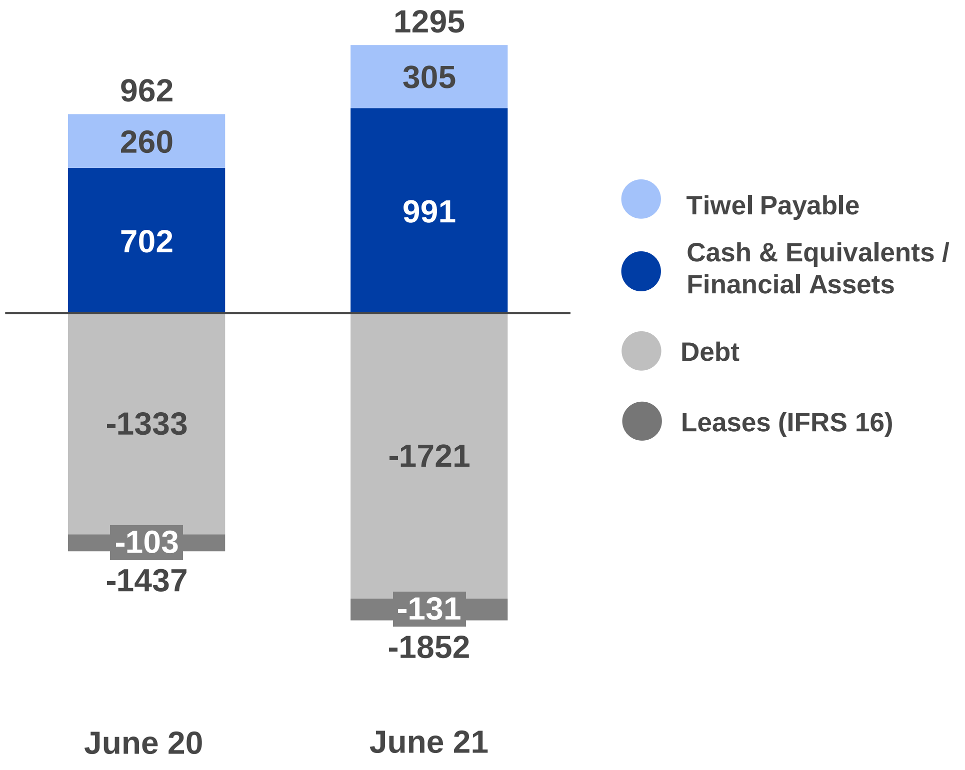
1 Trade working capital (AR, inventory, AP) up only 5m despite rising sales

2 Mainly taxes 44m

Balance sheet

Solid balance sheet continues to support selective acquisitions

(in CHF millions)



	June 20	June 21
Net debt	475	557[1]
Net debt / EBITDA	1.3x	1.3x[1]

Balance sheet June 2021:

- Total net debt CHF 557m
- FCF CHF 117m
- Acquisition related payments of 148m in H1
- Ordinary dividend payment of CHF 92m (2021 dividend to Tiwel held back, 43m)
- Tiwel payable now 305m, not interest bearing, no maturity

1. CHF 862m and 2.0x excluding 305m cash held on behalf of Tiwel

Outlook

Financial guidance 2021

As of 22/07/21, adjusted for FX, including acquisitions already closed

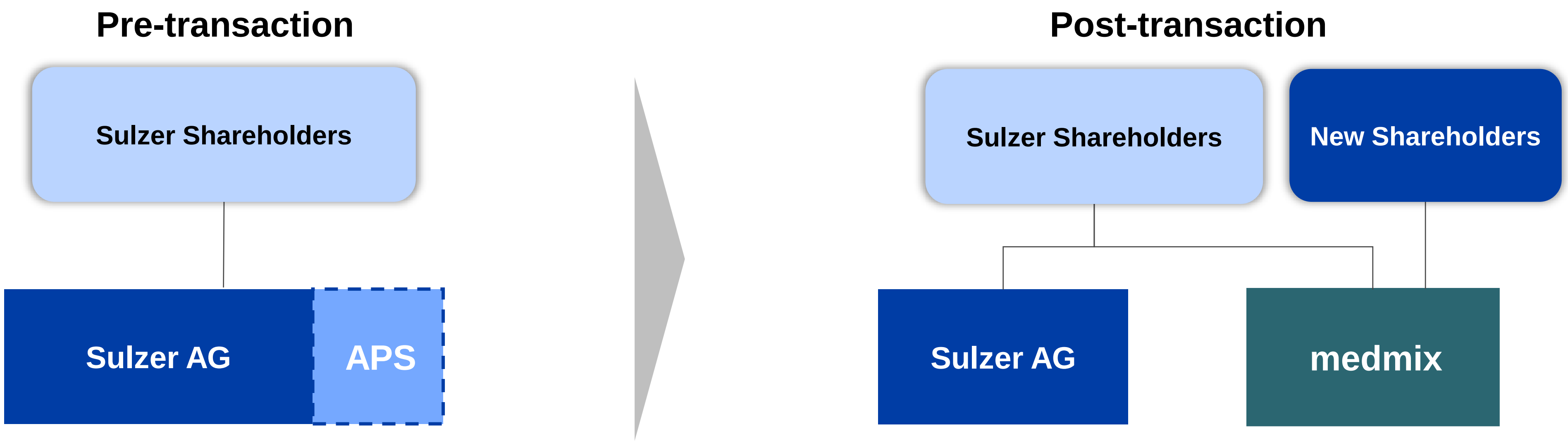
Order Intake	Sales	Operational Profitability %
up 4% – 6%	up 8% – 10%	10.0% – 10.5%

- Sulzer excluding medmix expects 2021 orders to be up 2-3%, sales up 6-8% and operational profitability to be around 9%, above pre-pandemic level
- medmix expects 2021 sales of around CHF 450m and an adjusted EBITDA margin of around 25% (corresponds to around 19% operational profitability)

Spin-off of APS as medmix

Spin-off transaction structure

Symmetrical split for high transparency and corporate governance standards



- Spin-off APS division (to be named **medmix** going forward) in the form of a symmetrical split[1] : **Sulzer shareholders get one medmix share in addition to each Sulzer share held**
- The split is **combined with a CHF200-300m capital increase in medmix** with no preferential subscription rights
- As a result of the spin off, Sulzer will retain no material ownership in medmix post transaction
- Listing of APS on Swiss Stock Exchange (SIX) and planned capital increase expected for late Q3 2021 or early Q4 2021 subject to Sulzer shareholder approval at EGM and market conditions

1. according to Art. 31 para. 2 lit. a of the Swiss Merger Act

Transaction rationale

Two focused leaders for attractive end-markets

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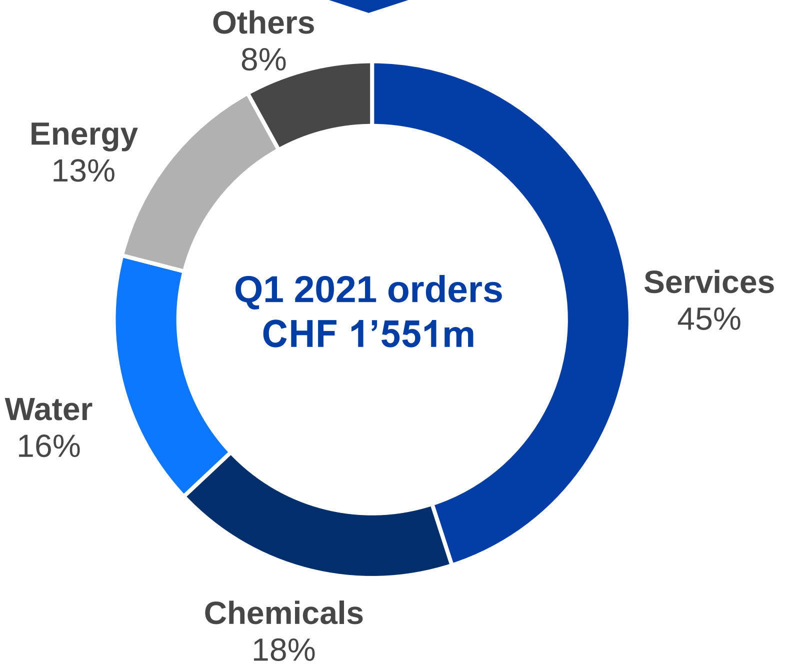
Flow control specialist for water, chemical, industry and energy

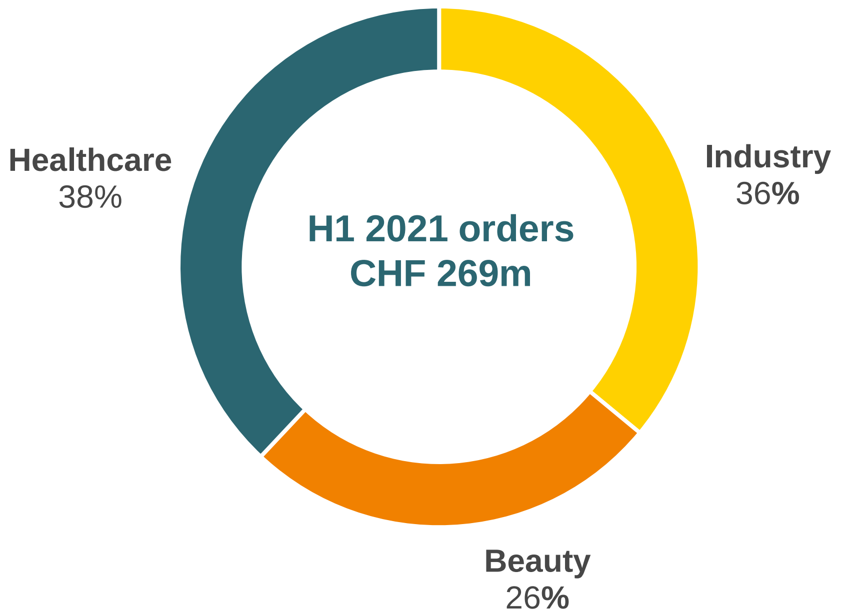
- A global leader in industrial flow control
- Continuous shift towards water and industrial applications in pumps
- Focus on growing biopolymers and recycling markets in separation
- Accelerated growth of services segment



medmix

Innovative, high-precision delivery devices

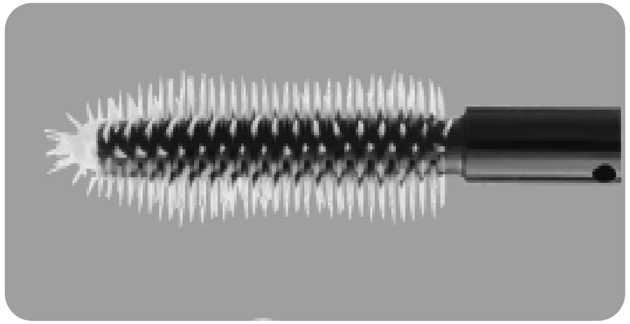
- Leading positions in dental, pharma, adhesives and beauty
- Strong own IP innovator across all segments (unlike CMO/CDMOs)
- Attractive mega trends, long-standing customer relationships and lower price sensitivity
- Increasing shift towards high growth healthcare end-markets



medmix financial highlights

Attractive financial profile with substantial revenue growth and highly resilient margins

2021E sales
CHF 450m
~25% adj. EBITDA margin



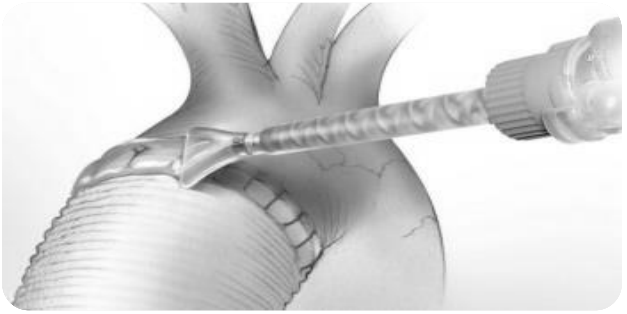
8%
sales CAGR

Healthcare share
>50%

EBITDA margin target
~30%

Mid-term targets

Expected leverage post capital increase (net debt / EBITDA)[1]
~1 – 2x



[1] Leverage range reflects a capital increase size of CHF200-300m and EBITDA targets for 2021E

Takeaways

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- Positive trend in orders continued in Q2. All divisions growing sequentially
- Q3 likely to be seasonally lower, but expected to show a strong improvement compared to Q3 20 on continued growth in all business segments (except PE Energy) and an acceleration in Service

APS spin-off as medmix

- Split into two focused companies with different end-markets via a separate stock market listing of medmix
- While medmix will focus on healthcare and further develop its industrial and consumer markets, Sulzer will become a pure play flow control expert with leading market positions and promising sustainable solutions
- Transaction to leverage the full potential of both businesses, providing an attractive value creation opportunity for Sulzer shareholders
- Capital increase of medmix of CHF 200-300m simultaneous with listing planned to reinforce capital structure, fund growth initiatives and increase free float

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