RUAG MRO International

In 2019, RUAG MRO International focused on maintaining continuity, stability and improvement in its international activities intended for divestment. Market positioning was optimised in all business units and sales figures performed as expected, with just a few downturns. Extensive value allowances and impairments had to be recorded in EBIT.

Business performance

For the newly formed RUAG MRO International division, the 2019 financial year went according to plan with only a few exceptions. Compared to the previous year, sales experienced a decline to CHF 243 million (from CHF 272 million). This was primarily attributable to the sale of the civil Business Aviation activities within Switzerland. It was also necessary to accept significant reductions in the area of EBIT, which fell by CHF 39 million to CHF –63 million. This was almost exclusively due to valuation allowances and impairments, which had to be implemented within the Dornier 228 manufacturing programme due to quality issues identified with a supplier.

In 2019, the focus of operations was on preparing the individual activities as thoroughly as possible for sale or joint venture partnership status. Primarily, this period of transformation meant ensuring that continuity, stability and improvement would be maintained. Successful results were achieved in the process, thanks in no small part to transparent communication with customers, partners and employees alike.

Simulation & Training put in a solid performance in 2019: this business unit is the largest within MRO International and is currently looking for a joint venture partner. Due to customer-related delays, volumes were slightly down in the Swiss business activities involved in maintaining and operating the Swiss Armed Forces’ combat training centres. Capacity utilisation remains at a healthy level, however, due to the customer being extremely satisfied with the performance so far and the upcoming facility upgrade work. A slight decline was also seen in business involving the German Bundeswehr and the French Army, where efficiency adjustments had to be made in order to create a more secure situation for future activities.

The Oberpfaffenhofen site recorded a range of different results: while MRO services for military helicopters, business jets and the Dornier 228 achieved a stable volume and put in a successful performance overall, it was also necessary to accept some losses relating to Dornier 228 manufacturing activities, due primarily to quality issues identified with a supplier. By contrast, the Business Aviation unit performed well. It was able to boost its level of capacity utilisation and a buyer for its Geneva and Lugano sites in Switzerland was found during the reporting year, in the shape of the French company Dassault Aviation. The Military Services unit, which chiefly provides maintenance services for German Bundeswehr helicopters, achieved a steady level of capacity utilisation and gained new business. Customer support and MRO (Maintenance, Repair and Overhaul) activities for the Dornier 228 also recorded a satisfactory performance, achieving results such as the maintenance contract with the Italian Army being renewed.

The Aviation International business unit, which provides MRO services for military aircraft at its sites in Australia and Malaysia, performed better than expected during the reporting year, with Australia in particular seeing an increase in both volumes and margins. The site is also set to maintain a healthy position in the future thanks to its extensive involvement in the US-led Joint Strike Fighter (F-35) programme in the Pacific region.

Outlook

In 2020, RUAG MRO International will be focusing its efforts heavily on searching for partnership opportunities. The plan is to complete the entire divestment process by the end of 2021.

There are different outlooks ahead for business prospects in 2020 and beyond. Simulation & Training has several long-term projects in the pipeline, with an extensive upgrade of combat training centres planned in Switzerland and large-scale tender processes coming up in both Germany and France. New markets are also opening up in Asia and the USA, where the division won its first contract during the reporting year.

At the Oberpfaffenhofen site, the Military Aviation unit is expected to achieve healthy levels of capacity utilisation due to new orders for NH90 helicopters. Extensive tendering processes are due to begin in this area, too. The aim for Business Aviation will be to ensure continued improvement, something that should be helped along by employees in Business Aviation and Military Services being mutually qualified to work in both units. This flexible deployment of staff will make it possible to manage fluctuations in Business Aviation volumes more efficiently. MRO services for the Dornier 228 are set to remain at a steady level over the long term, due to the 150 aircraft in operation across the globe.

The future of international activities looks positive, particularly in Australia. In addition to the F-35 programme, which is set to grow in the coming years, Super Hornet (F/A-18 E/F) aircraft will also ensure an increase in sales in the future.

Brief profile

RUAG MRO International is an independent supplier, support provider and integrator of systems and components for civil and military aviation across the globe. As the manufacturer (OEM) of the Dornier 228, a versatile aircraft designed for special missions as well as passenger and cargo transport, RUAG's focus is on providing customer and OEM support in this particular area. RUAG MRO International also develops simulation and training facilities for live, virtual and constructive training (LVC training) delivered to international security and armed forces.

Customers and partners
Boeing, Bombardier, Embraer, Honeywell, Lockheed Martin, Ravenswood Solutions, Rockwell Collins, Pilatus, United Technologies, selected security and armed forces, plus authorities and civil security organisations worldwide

Facts and figures

Net sales:	CHF 243 million
EBITDA:	CHF (44) million
EBIT:	CHF (63) million
Employees (FTE):	1,152
Based in:	Switzerland, Germany, France, Malaysia, Australia, United Arab Emirates