

RUAG Aerostructures

All three sites of RUAG Aerostructures have been affected by the global crisis in the aviation industry. Measures have been taken at all sites to adapt activities to the changing situation. The approval of Eger as an independent manufacturing plant increases the flexibility of the entire company.

Business performance

The COVID-19 pandemic has triggered the biggest crisis in modern aviation history. As a supplier to aircraft manufacturers, RUAG Aerostructures was severely affected. Sales fell by around 32% in 2020 to CHF 204 million (CHF 300 million). EBIT fell to CHF –118 million (CHF –22 million). All three sites of RUAG Aerostructures were affected by the decline. Measures were taken to stabilise the business and to adapt to the fundamentally changed situation in the longer term. Due to the completely changed market situation and because it must be assumed that it will take years for air traffic to return to pre-pandemic levels, RUAG Aerostructures had to make extraordinary value adjustments and provisions amounting to CHF 84 million.

After many years of growth, 2020 marked a turning point for RUAG Aerostructures, as it did for the entire aviation industry. Demand for new aircraft plummeted massively in all areas of civil aviation within a very short period of time. Deliveries of the A320 family from the main customer Airbus fell by more than 30%. Engine manufacturer GE Aviation also did not take any transmission housing from RUAG Aerostructures between May and July. As an immediate response, the company introduced short-time working hours at all sites. Capacities were then gradually reduced to meet the new demand by cutting back on temporary and contract workers and adjusting the working hours of permanent employees.

The business model of the Aerostructures business segment relies on the different capabilities of the three sites in Emmen (CH), Oberpfaffenhofen (DE) and Eger (HU). At the Emmen site, the focus is on the profitable business areas of military assembly and complex technologies. The realignment at the Emmen site will result in the expected reduction of up to 90 jobs by 2021. Irrespective of the COVID-19 crisis, the transition project decided on in Emmen was actively implemented. In 2020, logistics was outsourced,

among other things, and the processing of small parts will also be handled by subcontractors in the future. One exemplary project at the Emmen site is an order from Boeing to develop a new aileron for the Swiss Air Force's F/A-18. The order also has potential for follow-up business with the F/A-18 fleets of other air forces. The project to develop and industrialise pylons for the Swedish Gripen jet was successfully continued in 2020. Following completion of flightworthiness testing, series production of 500 parts overall was launched.

The turnaround project at Oberpfaffenhofen, aimed at achieving a sustained increase in productivity and profitability, entered its final phase in the reporting year. However, the successful completion of the programme is overshadowed by the uncertainty of further sales trends given the COVID-19 situation. The business segment achieved encouraging milestones in February with the delivery of the 10,000th 18/19 (rear fuselage section) aircraft section for the Airbus A320.

The transfer of work packages from the German site in Oberpfaffenhofen to Eger in Hungary was successfully completed in April of the reporting year. In addition, at the end of the year Eger obtained EASA Part 21G (European Union Aviation Safety Agency) certification from the Hungarian aviation authority as an independent manufacturing plant. RUAG Aerostructures in Hungary is only the second facility in the entire country to receive this certification. This will enable RUAG Aerostructures to exploit the synergies of its three sites even more flexibly.

Outlook

RUAG Aerostructures does not expect the markets to recover quickly. It is likely to take until 2025 for volumes to return to pre-pandemic levels. In 2021, a further decline is to be expected because, unlike 2020, the first quarter will also be affected by the crisis.

By assuming design and engineering responsibility for the assemblies produced, the business segment intends to evolve step by step from being a predominantly "build-to-print" supplier to "design&build".

For the Emmen site, RUAG Aerostructures expects additional growth impetus from the offset business for the Swiss Air Force's new fighter aircraft.



“The EASA approval in Eger enables us to make even better use of the synergies of the three sites.”

Dirk Prehn
EVP RUAG Aerostructures

In the first half of 2021, various strategic options will be reviewed in order to overcome the current market challenges and position for future growth. The company also plans to make the necessary strategic adjustments in close coordination with its main customer Airbus.

Brief profile

RUAG Aerostructures is a global first-tier supplier of aerostructures for civil and military customers. Key activities include the development, production and final assembly of complete fuselage sections, wing and control surface components as well as sophisticated component assemblies and parts for civil and military aircraft. One of the business segments' strengths is the management of complex supply chain networks. Among other things, it is responsible for the complete global fuselage section supply chains for Airbus.

Based in

Switzerland, Germany, Hungary



Facts and figures

CHF 204 million

Net sales

CHF (74) million

EBITDA

CHF (118) million

EBIT

1,231

Employees (FTE)

Customers and partners

Airbus, Boeing, GE Aviation, Pilatus Aircraft, Saab