

RUAG Ammotec

The division achieved a significant increase in both sales and the operating result (EBIT). Despite export restrictions, therefore, it accomplished a clear strengthening of its international market position. Once again the main driver was the hunting and sporting business.

Business performance

In 2016 RUAG Ammotec expanded net sales by 13 %, from CHF 340 million to CHF 385 million. The EBIT growth rate was slightly higher at 19 %, from CHF 26 million to CHF 31 million. There were no significant one-time effects in the period.

The renewed substantial strengthening of the division's international market position is particularly remarkable as RUAG Ammotec, the European market leader in small-calibre ammunition, pyrotechnic elements and components, once again felt the impact of export restrictions. The civilian hunting and sport segment was the main positive trend driver once again.

In the armed forces and law enforcement sector, where RUAG Ammotec supplies precision standard and special ammunition across the entire small-calibre spectrum, domestic markets were further solidified. Germany saw performance well above the previous year's figures. In Switzerland business held steady at the prior-year level despite intensifying competition. The major DDPS contract for GP11 rounds, which will significantly increase base capacity utilization in the armed forces and law enforcement segment, was especially gratifying. Due to export policy restrictions, the export segment contracted as expected. The negative volume effects were largely offset by improved productivity, however.

Market share in the hunting & sport segment, where RUAG Ammotec is represented with a broad range of top brands such as RWS, norma, Rottweil and GECO, grew significantly in key markets. In particular, handguns, handgun ammunition and the new lead-free RWS, norma and GECO hunting cartridges accounted for rapid growth. Overall, sales increased in 90 % of RUAG Ammotec's relevant markets. Those markets served by the division's own wholesale structures saw especially strong growth. Performance was particularly positive in Germany, where growth was well above expectations. Gains were recorded in both new products in the retail goods assortment and in innovative ammunition products, more than offsetting the negative consequences of the ongoing sanctions against Russia.

The components business, where RUAG Ammotec is the leader in heavy-metal-free ignition technologies, held steady during the year under review. In the industrial segment, including actuator cartridges for the construction industry and special applications for automotive safety systems, the division has successfully established a stable base. Actuator cartridge output saw further expansion and a growth-oriented long-term agreement was concluded with Hilti, the main customer. Business with other ammunition producers, for which RUAG Ammotec supplies components such as cups, jackets and percussion caps, was stable.

Overall, the share of civil market segments in total sales saw a further increase. The hunting & sport and industrial applications segments now make up 65 % of total sales, with armed forces and law enforcement accounting for 35 %.

Outlook

In recent years RUAG Ammotec has pursued a strategy of internationalization, winning new customers and countries with a reinforced organization. In the coming years, however, a growing number of countries are likely to be subject to export restrictions. Particularly in the armed forces and law enforcement segment, this can have negative consequences if demand simultaneously contracts in the domestic markets. In addition to a primary focus on developing the home markets, these circumstances require a renewed concentration on NATO countries and their partners.

For the hunting & sport segment, RUAG Ammotec anticipates further growth, although the US business may become more difficult in light of the change of administration. For this reason the division is systematically pursuing further expansion in neighbouring market segments. This expansion is expected to contribute positively to EBIT as early as 2017. Concurrently to these efforts, the division's value generation basis is being strengthened by further developing wholesale operations.

The successful online presence will also see further development to achieve still more closeness to customers. Specialist retail operations, the backbone of the hunting and sport business, will benefit from flanking online measures. With these initiatives RUAG Ammotec hopes to further expand its already high market share in Europe even as conditions grow more difficult due to environmental standards and restrictions in logistics for weapons and ammunition.

For the industrial business, the division expects a positive impetus from stronger management. The quality of the components, valued worldwide, should help in building additional strategic partnerships.

New processes and technologies will secure RUAG Ammotec's ability to face the future. The requisite investments will be generated from cash flow. One focus in 2017 will be on innovation in line with the idea of weapon, ammunition and optics as a single system.

Brief profile

RUAG Ammotec, with its Hunting & Sport and Armed Forces & Law Enforcement business units, is the European market leader in small-calibre ammunition, pyrotechnic elements and components. Its precision ammunition for special forces is in high demand worldwide. The division is also the leader in heavy-metal-free primer technologies as used in actuator cartridges in the construction industry and automotive safety system applications. The product range also includes large-calibre training systems, hand grenades and environmentally safe disposal of pyrotechnic products.

Customers/partners

Swiss Armed Forces, German Bundeswehr and other foreign armed forces, law enforcement organizations, hunters and sporting marksmen, industrial partners

Numbers and facts

Net sales:	CHF 385 million
EBITDA:	CHF 46 million
EBIT:	CHF 31 million
Employees:	2,218
Based in:	Switzerland, Germany, Sweden, Hungary, USA, Austria, UK, France, Belgium, Brazil, Italy