

RUAG Aviation

External factors led to a decline in sales in 2016, but EBIT ended higher. The trend in the international components business was very positive. Programmes for the Swiss Air Force proceeded as planned.

Business performance

Various market challenges shaped RUAG Aviation's business year. As a result of currency translation effects, lower volumes in business jet aircraft and the winding-down of major projects, net sales declined from CHF 479 million to CHF 469 million. Nevertheless, EBIT grew slightly from CHF 42 million to CHF 44 million.

In the military aviation segment, activities in the year under review at the Swiss sites developed in line with expectations. The five-year service-level agreements concluded with the Swiss Air Force in 2013 provide scope for forward-looking planning as a basis for improved resource allocation along with substantial productivity gains in life cycle support.

In addition to life cycle support, the military business in the domestic market focused on the upgrade programmes for the F/A-18 (Upgrade 25 and Structural Refurbishment Programme 1), transport helicopters (TH98 WE and the aeroradiometry and FLIR3 integration programmes) and the PC-6 (NCPC-6).

The Upgrade 25 programme was completed to the customer's satisfaction at the beginning of the year. The first Structural Refurbishment Program (SRP1) is also proceeding according to plan despite challenges due to the age of the F/A-18 fleet. The TH98 WE development programme to produce a prototype for upgrading the Cougar helicopter is making progress despite the complexity of the programme, and the series conversion of the PC-6 fleet is also advancing in a stable fashion following the successful delivery of the series production units.

In the air defence systems segment, the suspension of the BODLUV MR (ground-based mid-range air defence) procurement programme was a setback. However, capacity utilization has been stabilized by securing subcontracted work to extend the service life of the 35 mm anti-aircraft gun systems.

Steady growth continues in the civil helicopter business despite the strong Swiss franc and a noticeable sharpening of international competition. New service centre agreements for the Agusta-Westland AW139 and Bell 429 helicopter types were concluded during the year under review, promising a further impetus for growth.

The trend in the international components business has also been very positive. RUAG Australia, for example, signed a five-year contract for maintenance of F/A-18 components for the Australian Air Force. The subsidiary also won a tender competition for maintenance of key components for the new fighter aircraft platform. Since the competition was organized by the F-35 Joint Program Office in the United States, RUAG Australia is now the service centre for all F-35s in the Asia-Pacific region.

From 2018 on, the ADS15 unmanned aerial vehicle will be the Swiss Armed Forces' most important aerial reconnaissance tool. Its integration into the airspace also used by aeroplanes, helicopters and other flying objects, not all of which can be identified electronically, will be essential to its planned deployment. RUAG Aviation, together with the manufacturer of the UAV system currently in the procurement process, is developing a "detect and avoid" system for the Federal Office for Defence Procurement armasuisse. This system will include optical detection of flying objects, data fusion for modelling air traffic and algorithms for automatic avoidance manoeuvres.

Ongoing efforts to improve MRO processes are focused on upgrading two aircraft types used by the Swiss Air Force, the F/A-18 and F-5. To ensure structural integrity, critical zones have been identified, inspection and monitoring processes established and preventive repair solutions developed in collaboration with armasuisse.

The MRO 4.0 project involves analysing future opportunities for preventive maintenance work to be undertaken based on data gathered during operations, and for basing the engineering work that arises during the product's service life entirely on a digital product management system.

An interactive electronic documentation package is being compiled for the Dornier 228. From 2017 on, this will allow RUAG Aviation as manufacturer and holder of the type certificate to offer a modern customer portal giving operators rapid, low-cost access to technical descriptions and notices required under the certificate.

Outlook

In the military market, the political situation suggests that opportunities to export products from Switzerland will remain limited. Domestically, the challenges are to be found in the F/A-18 upgrade and structural refurbishment, Cougar helicopter upgrade and the new UAV system programmes.

In the civil market RUAG Aviation expects growth in the relevant sub-markets, although price pressure will remain very high, particularly considering the euro–Swiss franc exchange rate.

Through enhanced efforts to achieve efficiency gains in processes and procedures, and by purposefully combining the civil and military businesses, RUAG Aviation expects to keep revenues and margins stable in 2017.

Brief profile

RUAG Aviation is a leading supplier, support provider and integrator of systems and components for civil and military aviation. Servicing aircraft and helicopters throughout their entire life cycle, the company's core competencies include maintenance, repair and overhaul services, upgrades, and the development, manufacturing and integration of subsystems. RUAG Aviation is also manufacturer (OEM) of the Dornier 228, a versatile aircraft for special missions as well as passenger and cargo operations.

Customers/partners

Swiss Air Force, German Bundeswehr, Royal Australian Air Force, Bombardier, Dassault, Embraer, Airbus, Pilatus Aircraft, Boeing, General Electric, Northrop Grumman, Saab

Numbers and facts

Net sales:	CHF 469 million
EBITDA:	CHF 52 million
EBIT:	CHF 44 million
Employees:	2,211
Based in:	Switzerland, Germany, USA, Australia, Malaysia, Brazil