

RUAG Aviation

The financial year was shaped by stronger sales and supply chain challenges. Another five-year fixed price contract was agreed for the Swiss Air Force. The international components business continued to grow strongly.

Business performance

RUAG Aviation's year was shaped by a variety of market challenges. While net sales rose from CHF 469 million to CHF 515 million, external factors caused EBIT to decrease from CHF 44 million to CHF 39 million.

In the Swiss market, the division was able to replace the service-level agreements expiring at the end of 2017 with new five-year fixed contracts for the maintenance of the Swiss Air Force's aircraft fleets. These 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 various upgrade programmes for the F/A-18 (Structural Refurbishment Programs 1 and 2), the F-5 (Upper Cockpit Longeron Replacement), the Cougar transport helicopter (TH98WE), the PC-6 (NCPC-6) and the 35mm anti-aircraft guns (MFlab NUV), all of which progressed as scheduled.

Highlights included the successful first flight of the prototype for the upgraded Cougar and the commencement of work on the prototype for the F/A-18 Structural Refurbishment Programs 2, both of which took place in November. In December the division was finally able to sign the option agreement for the series conversion of the Cougar fleet, subject to credit approval by the Swiss Parliament, starting in spring 2019.

With a few exceptions, the projects with the DDPS are well under way and are coming in on time and within budget. Despite the lasting and extremely persistent slump in the new helicopter business and the associated sustained and heavy price pressure in the MRO business, the division once again chalked up some impressive successes in its

Helicopter MRO Global Business, in both the maintenance and upgrade segments. For example, it secured a two-year extension to the existing maintenance contract for the Cougar helicopters used by the Slovenian armed forces despite strong competition from Europe, and, thanks to a reputation for impeccable quality paired with short delivery times, the overhauls business for dynamic components (gears and rotor heads) for Super Puma and Cougar helicopters also put in an extremely satisfying performance.

Alongside various smaller-scale modification projects, one important success and clear proof of the division's abilities in this regard was the delivery of two brand new H125 helicopters with extensively modified cockpits to the Federal Office of Civil Aviation (FOCA) and the Swiss Transportation Safety Investigation Board (STSB). The modifications were carried out by RUAG Aviation on behalf of Airbus Helicopters.

The international components business continues to achieve double-digit growth. RUAG Australia, for example, further extended its existing five-year contract for maintenance of F/A-18 components for the Australian Air Force. As planned, in addition to the contract for the maintenance of key components for the new F-35 platform, the subsidiary was able to acquire further orders for manufacturing and assembly of components for the F-35.

The division pushed on with its MRO 4.0 project to carry out maintenance activities on a preventive and even better planned basis, and to use new and more efficient repair technologies. Due to the discounts agreed upon in the five-year fixed contract for the Swiss Air Force, the importance of this project has increased further.

The Business Aviation segment put in a disappointing performance. On the one hand, capacity utilization at the Geneva and Oberpfaffenhofen sites was insufficient due to poor market conditions in Europe, and margins were below expectations. On the other, due to quality problems with a supplier, none of the Dornier 228 aircraft could be delivered to the customer as scheduled. This weighed on RUAG Aviation's result.

Outlook

RUAG Aviation is expecting to see further growth in the international military market (Germany, Australia, United States), although the opportunities for exports out of Switzerland will remain restricted due to the political situation.

In the domestic military market, the division expects to achieve similar volumes to previous years. The focus here is on securing high availability and on reliably executing the F/A-18 upgrade and structural refurbishment and Cougar helicopter upgrade programmes.

In the civil market RUAG Aviation is anticipating growth in the relevant sub-markets, although price pressure will remain high, particularly considering the Swiss franc's exchange rate vis-a-vis the US and Australian dollars and the euro.

The division is expecting the challenging market conditions in the Business Aviation segment to remain in place in 2018. The maintenance contracts recently negotiated with the Federal Office for Defence Procurement (armasuisse) also constitute a challenge, particularly during the first few years when not all planned measures will have an impact. RUAG Aviation will need to make further efforts to achieve efficiency gains in processes and procedures, and to purposefully combine the civil and military businesses, in order to keep revenues and margins stable in 2018.

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, Lockheed Martin, British Aerospace, Honeywell, United Technology, Rheinmetall Air Defence, Elbit

Numbers and facts

Net sales:	CHF 515 million
EBITDA:	CHF 46 million
EBIT:	CHF 39 million
Employees (FTE):	2,296
Based in:	Switzerland, Germany, USA, Australia, Malaysia, Brazil