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Continued profitable growth

Note: Unless otherwise indicated, changes from the previous year are based on organic figures (adjusted for currency effects and acquisitions, divestitures/deconsolidations).

Sulzer's continued growth momentum reflects the strength of its portfolio, its focus on value creation and its ability to meet the increasing demand of its structurally growing markets. In the first half of the year, order intake growth was 8.9%, after an order intake growth of 24.1% in H1 2023. Sales continued to rise in all divisions, recording double-digit growth of 10.5% on a year-on-year basis. Sulzer achieved operational profitability of 11.4%, up 130 basis points compared with H1 2023. Free cash flow amounted to CHF 55.4 million, down CHF 51.1 million from CHF 106.6 million reported at the end of June 2023.

Strong growth momentum in all three divisions

Compared with the first half of 2023, order intake grew by 8.9% and reached CHF 2'078.8 million. Excluding currency conversion impacts, order intake would be CHF 2'167.9 million. Order intake gross profit margin improved by 120 basis points to 34.2%.

Order intake in Flow increased by 6.3%, after a growth of 25.1% in H1 2023. The Water and Industrial business recorded solid growth of 10.7%, whereas Energy and Infrastructure orders increased by 1.3%. In the Services division, orders continued to benefit from market trends in energy efficiency and carbon neutrality, leading to double-digit growth of 12.6% on a year-on-year basis. The increase was particularly supported by a rise of 21.2% in the Asia-Pacific region and 15.9% in the Americas; Europe, the Middle East and Africa (EMEA) region registered 6.0% year-on-year growth. Chemtech's order intake growth remained robust at 8.3% on a year-on-year basis, after an order intake growth of 25.3% in H1 2023 and reflecting the strong momentum in biopolymers and carbon capture markets.

Sulzer enters the second half of 2024 with an order backlog of CHF 2'404.3 million (December 31, 2023: CHF 1'946.8 million). Excluding currency conversion impacts, order backlog would be CHF 2'313.5 million.

"Sulzer's integrated solutions create significant value in the markets we serve. Exceeding last year's strong performance, sales and profits rose as a result of better margins and sound execution on operational excellence. We expect this growth momentum to continue in the second half of 2024 and have therefore increased our full-year guidance."

Thomas Zickler
Chief Financial Officer

Orders

millions of CHF	2024	2023
Order intake	2’078.8	1’992.4
Order intake gross margin	34.2%	33.0%
Order backlog as of June 30 / December 31	2’404.3	1’946.8

Sales reached CHF 1’699.3 million in the first half of 2024, an increase of 10.5% compared with the same period last year. The increase was mainly a result of a strong focus on delivery of large orders and disciplined backlog execution. Excluding currency conversion impacts, sales would be CHF 1’767.3 million.

The Flow division was the largest contributor to sales growth in absolute value, with a sharp increase of 11.2% compared with the same period in 2023. This was mainly driven by 32.3% growth in the Energy and Infrastructure business, whereas the Water and Industrial business remained constant. Sales in the Services division grew by 12.0%, driven by growth of 16.9% in the Americas and 8.8% in the EMEA region. Positive developments in spares and repairs as well as retrofits significantly contributed to the performance of Services. In Chemtech, sales were up by 7.2%, primarily as a result of solid execution on large orders in the first half of 2024 and continued momentum in the Americas and Asia-Pacific regions.

Higher gross profit margin

The gross profit margin increased to 33.7%, up by 140 basis points from the 32.3% reported in June 2023. Continued operational excellence contributed to the gross profit margin progression. Coupled with increased sales volume, gross profit reached CHF 573.1 million, up by 15.0% compared with the first half of 2023. Excluding currency conversion impacts, the gross profit would be CHF 593.8 million.

Operational profitability up 130 basis points to 11.4%

Operational profit increased by 25.9% on a year-on-year basis, reaching CHF 193.5 million compared with CHF 162.4 million reported in the first half of 2023. Higher sales volumes, better margins as well as sound execution on operational excellence were the main contributors to operational profitability of 11.4%, up by 130 basis points compared with the same period in 2023 (10.1%).

Operational profitability in the Flow division increased to 9.5% compared with 7.0% in the first half of 2023. Chemtech achieved solid operational profitability of 13.2%, up by 150 basis points from 11.7% reported in the first half of the previous year. In the Services division, operational profitability remained stable at 14.2% in a year-on-year comparison as a result of ongoing investment in its geographic reach and technical capabilities to meet growing demand.

Bridge from operational profit to EBIT (January 1 – June 30)

millions of CHF	2024	2023
Operational profit	**193.5**	**162.4**
Amortization	–18.8	–18.5
Impairments on tangible and intangible assets	–4.6	–0.0
Restructuring expenses	–1.5	–0.4
Non-operational items [1]	1.5	8.1
EBIT	**170.1**	**151.5**

1) Non-operational items include significant acquisition related expenses, gains and losses from the sale of businesses or real estate and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

Return on sales of 10.0%

As of June 30, 2024, EBIT increased 18.7% to CHF 170.1 million from CHF 151.5 million in the same period in the previous year. Excluding currency conversion impacts, EBIT would be CHF 180.4 million. Return on sales (ROS) recorded a solid 10.0%, 50 basis points above the 9.5% reported in the first half of 2023.

ROS and operational profitability (January 1 – June 30)

millions of CHF	2024	2023
EBIT	170.1	151.5
Sales	1’699.3	1’601.6
Return on sales (ROS)	**10.0%**	**9.5%**
Operational profit	193.5	162.4
Sales	1’699.3	1’601.6
Operational profitability	**11.4%**	**10.1%**

Financial result

In the first half of 2024, total net financial expenses amounted to CHF 11.8 million, compared with CHF 12.8 million in the same period in 2023. Net interest expenses improved to CHF 4.4 million from CHF 5.6 million reported in the first half of 2023. Fair value changes primarily from hedging instruments for foreign exchange risk had a negative impact of CHF 11.4 million (CHF 9.1 million as of June 30, 2023). Other currency exchange gains amounted to CHF 3.7 million compared with a gain of CHF 2.7 million in the first half of 2023.

Effective tax rate at 24.9%

The estimated average annual tax rate for 2024 is projected to be 24.9%, compared with 24.2% for the six months ending June 30, 2023. Income tax expenses amounted to CHF 38.9 million the first half of 2024, compared with CHF 33.3 million for the six months ending June 30, 2023, due to higher taxable income.

Higher net income and core net income

Net income increased to CHF 117.4 million in H1 2024 compared with CHF 104.3 million in H1 2023. Core net income, which excludes restructuring expenses, amortization, impairments, non-operational items and the tax-adjusted effects of non-operational items, totaled CHF 135.2 million in the first half of 2024 compared with CHF 114.4 million in the first half of 2023. Basic earnings per share increased from CHF 3.07 for the period to June 30, 2023, to CHF 3.44 for the same period in 2024, primarily due to higher profits.

Bridge from net income to core net income

millions of CHF	2024	2023
Net income	**117.4**	**104.3**
Amortization	18.8	18.5
Impairments on tangible and intangible assets	4.6	0.0
Restructuring expenses	1.5	0.4
Non-operational items [1)]	–1.5	–8.1
Tax impact on above items	–5.5	–0.8
Core net income	**135.2**	**114.4**

1) Non-operational items include significant acquisition related expenses, gains and losses from the sale of businesses or real estate and certain non-operational items that are non-recurring or do not regularly occur in similar magnitude.

Key balance sheet positions

Unless otherwise indicated, balance sheet movements from the previous year are based on nominal figures.

Total assets as of June 30, 2024, amounted to CHF 4’575.4 million, up by CHF 205.9 million from December 31, 2023. Non-current assets increased by CHF 78.9 million to CHF 1’764.8 million, mainly resulting from a CHF 33.4 million increase in goodwill (of which CHF 22.5 million related to currency translation impacts and CHF 10.8 million came from acquisitions), together with an increase in property, plant and equipment of CHF 30.2 million and defined benefits assets of CHF 20.4 million. Current assets increased by CHF 127.0 million to CHF 2’810.5 million, mainly driven by an increase of CHF 145.1 million relating to inventories, trade receivables and advanced payments to suppliers. In addition, total cash and cash equivalents decreased to CHF 931.4 million (CHF 974.7 million in December 2023), mainly as a result of dividend payments.

Total liabilities increased by CHF 156.3 million to CHF 3’427.1 million as of June 30, 2024. The main reason was an increase of CHF 119.1 million in other current and accrued liabilities. Current income tax liabilities decreased by CHF 18.1 million.

Equity increased by CHF 49.6 million to CHF 1'148.2 million. This was mainly driven by dividend distributions of CHF 127.3 million, partly offset by positive currency translation effects of CHF 61.5 million and by net income of CHF 117.4 million.

Free cash flow

Free cash flow decreased to CHF 55.4 million in the first half of 2024, compared with CHF 106.6 million reported on June 30, 2023. This was mainly driven by increased networking capital levels compared to December 31, 2023, further capital expenditures and higher income tax payments.

Bridge from cash flow from operating activities to free cash flow

millions of CHF	2024	2023
Cash flow from operating activities	**97.9**	**133.3**
Purchase of intangible assets	–4.7	–3.5
Proceeds from the sale of intangible assets	–	0.0
Purchase of property, plant and equipment	–39.0	–25.7
Proceeds from the sale of property, plant and equipment	1.2	2.5
Free cash flow (FCF)	**55.4**	**106.6**

Cash outflow from financing activities totaled CHF 113.6 million, compared with CHF 124.3 million in the first half of 2023. Dividend payments amounted to CHF 86.5 million, compared with CHF 80.9 million in 2023.

The net change in cash and cash equivalents since January 1, 2024, amounted to CHF –43.3 million, including exchange gains on cash and cash equivalents of CHF 23.3 million.

Outlook for 2024

Sulzer is active in structurally growing markets that are expected to continue growing in 2024. Based on this positive development, Sulzer increases its 2024 guidance for order intake to +9 to 12% (up from +2 to 5%) and for sales to +9 to 11% (up from +6 to 9%). The updated guidance reflects our confidence in Sulzer's ability to capitalize on our strengths in highly demanding, critical customer applications and on the quality of our business portfolio.

Abbreviations

EBIT: Earnings before interest and taxes
ROS: Return on sales
EBITDA: Earnings before interest, taxes, depreciation and amortization
FCF: Free cash flow
For the definition of the alternative performance measures, please refer to "Supplementary information" in the Annual Report 2023.

Flow: Strong operational profitability

Note: Unless otherwise indicated, changes from the previous year are based on organic figures (adjusted for currency effects and acquisitions, divestitures/deconsolidations).

Following a high baseline in the first half of 2023 (2023: 25.1%), order intake for the Flow division increased by 6.3% in the first half of 2024. This was mainly supported by solid growth in Water and Industrial of 10.7%, with Energy and Infrastructure recording an increase of 1.3% after receiving several larger orders in 2023. Sales for the Flow division in H1 2024 increased by 11.2% to CHF 712.1 million, supported by Energy and Infrastructure. Operational profitability rose by 250 basis points year-on-year, reflecting ongoing improved operational excellence through a rigorous focus on all value streams as well as strict cost discipline. The division continues to focus on operational efficiency and green transitioning to ensure future energy and water security.

Strong momentum in growing markets

The Flow division continues to capture growth opportunities in the energy, water and industrial segments, where it is supporting sustainable economic growth by driving efficiencies and circularity.

After years of testing and development, Flow is demonstrating its profound know-how and industry leadership through its collaboration with TechnipFMC in developing new subsea CO2 pump solutions for new technologies. Petrobras' HISEP® technology, a revolutionary high-pressure separation technology, enables the separation of CO2-rich natural gas from oil at the seabed. This remarkable new technology offers significant energy efficiencies, while driving cleaner energy and profitable growth.

Similarly, the division's expertise is making a big impact in the water segment, where its energy-efficient flow technologies are supporting the world's largest water treatment facility in Egypt. Boasting a daily capacity of 7.5 million cubic meters, the New Delta Treatment Plant relies on Sulzer's integrated solutions and expertise to treat agricultural drainage water and wastewater that will be re-used to cultivate arable land and promote food security.

Key figures Flow (January 1 – June 30)

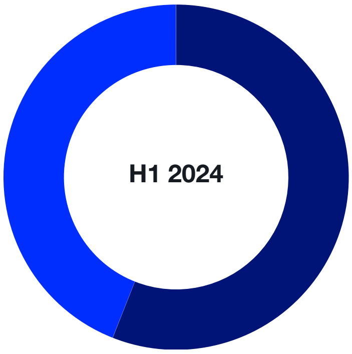
millions of CHF	2024	2023	Change in +/–%	+/–% adjusted [1]	+/–% organic [2]
Order intake	848.0	824.8	2.8	6.3	6.3
Order intake gross margin	30.1%	28.7%			
Order backlog as of June 30 / December 31	1'052.0	878.3	19.8		
Sales	712.1	662.5	7.5	11.3	11.2
EBIT	56.4	28.4	98.3		
Operational profit	67.8	46.4	46.1	53.0	53.1
Operational profitability	9.5%	7.0%			
Employees (number of full-time equivalents) as of June 30 / December 31	5'454	5'465	–0.2		

1) Adjusted for currency effects.
2) Adjusted for acquisition, divestiture/deconsolidation and currency effects.

Order intake

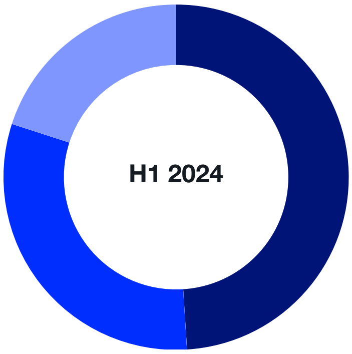
Order intake for the Flow division increased by 6.3% in the first half of 2024, following a high comparable baseline in the first half of 2023 (2023: 25.1%). This was mainly supported by solid growth in Water and Industrial of 10.7%, with Energy and Infrastructure recording an increase of 1.3% after receiving several larger orders in 2023.

Order intake by segment



- 56% Water & Industrial
- 44% Energy & Infrastructure

Order intake by region



- 49% Europe, the Middle East and Africa
- 31% Americas
- 20% Asia-Pacific

Sales and profitability

Sales increased by 11.2% across all business units, supported by Energy and Infrastructure. Operational profitability increased by 250 basis points year-on-year to 9.5%, mainly driven by an increased focus on pricing and cost management.

Services: Sales growth continues

Note: Unless otherwise indicated, changes from the previous year are based on organic figures (adjusted for currency effects and acquisitions, divestitures/ deconsolidations).

In the first half of 2024, the Services division continued its growth momentum from 2023, seeing double-digit growth in both order intake and sales. Order intake increased by 12.6% (H1 2023: 22.1%) and sales by 12.0% (H1 2023: 11.3%) compared with the same period in the previous year, with all regions and product lines contributing to the growth. Operational profitability remained constant at 14.2%. This is a result of the division’s ongoing investment in its geographic reach and technical capabilities to meet growing demand.

Building resilience with lifecycle solutions

Increased global focus on efficiency and decarbonization, coupled with an aging installed base, has spurred demand for everything from spares and repairs to upgrades and retrofits. With a growing network of over 100 service centers worldwide, the Services division is relying on its profound technical expertise across industries and locations to deliver full aftermarket, energy-efficient solutions – quickly.

In Asia, Services recently performed an extensive rotor and generator repair overhaul at a 1’200 MW thermal power plant following an unexpected technical failure. The team delivered a full repair to “as-new” specifications, securing energy for approximately one million homes per month. Moreover, the solution provided an estimated 20-year lifetime extension, with efficiency savings of 45%. The division is also currently expanding its footprint in the region, opening a new service center in Thailand to ensure local availability of specialized maintenance support for rotating equipment.

With over 5'000 retrofits completed worldwide to date, the Services division is also delivering significant performance benefits and energy-efficiency improvements through its deep understanding of its customers’ infrastructure. For a pipeline in North America, the division has upgraded the pumps with new fluid dynamics, parts and materials to reduce not only the customer’s energy consumption and costs but also its emissions.

In another example, following a devastating earthquake and other severe weather events in southeast Turkey, Services drew on its global network to assess the damage and rapidly source the necessary parts for extensive repairs to boiler feed pumps at a power plant. While ensuring that the 1’300 MW power station was quickly restored to the country’s national grid, the division also worked with the site’s management team to develop an optimal strategy to help minimize downtime in the event of similar unexpected incidents.

Key figures Services (January 1 – June 30)

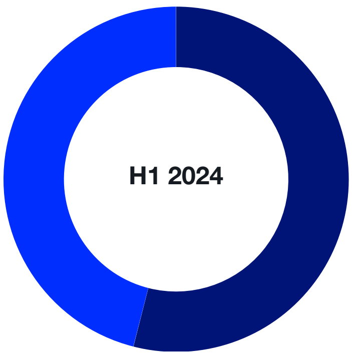
millions of CHF	2024	2023	Change in +/–%	+/–% adjusted [1]	+/–% organic [2]
Order intake	701.4	662.7	5.8	12.6	12.6
Order intake gross margin	38.6%	38.4%			
Order backlog as of June 30 / December 31	677.5	547.3	23.8		
Sales	592.6	558.1	6.2	11.6	12.0
EBIT	76.7	91.7	–16.4		
Operational profit	83.9	79.4	5.6	11.9	12.0
Operational profitability	14.2%	14.2%			
Employees (number of full-time equivalents) as of June 30 / December 31	4’797	4’630	3.6		

1) Adjusted for currency effects.
2) Adjusted for acquisition, divestiture/deconsolidation and currency effects.

Continued strong growth

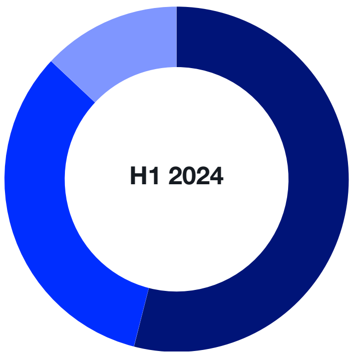
Continuing its growth trajectory, the Services division increased order intake by 12.6% year-on-year. Both the Americas and Asia-Pacific saw double-digit growth in H1 2024, driven by increasing energy demand and new net-zero emission targets for customers. Retrofits for legacy equipment continue to drive demand, with the division leveraging its broad technical expertise across industries and locations.

Order intake by market segment



- 54% Pumps Services
- 46% Other Equipment

Order intake by region



- 54% Americas
- 33% Europe, the Middle East and Africa
- 13% Asia-Pacific

Strong sales performance

All regions contributed to significant sales growth of 12.0%. Operational profitability remained stable at 14.2%. This is a result of the division’s ongoing investment in its geographic reach and technical capabilities to meet growing demand.

Chemtech: Robust profitable growth

Note: Unless otherwise indicated, changes from the previous year are based on organic figures (adjusted for currency effects and acquisitions, divestitures/deconsolidations).

The Chemtech division saw robust order growth of 8.3% in the first half of 2024 compared with very strong growth in the same period in 2023 (25.3%). This was mainly driven by order activity in biopolymers and carbon capture, supported by large orders in EMEA and Asia-Pacific. Based on a strong backlog at the start of the year, sales for the Chemtech division increased by 7.2% year-on-year in H1 2024 (H1 2023: 24.3%). Chemtech continues its journey of profitable growth, demonstrated by an increase of 150 basis points to 13.2% (H1 2023:11.7%). The division continues to leverage its leading separation technologies, with a focus on performance improvements and emission reductions for its customers.

Optimizing performance and circularity

With its market-leading technologies, the Chemtech division is uniquely positioned to unlock efficiencies, develop new opportunities and drive commercial growth. The division recently launched its new MellapakEvo structured packing product at ACHEMA 2024 to significantly boost the efficiency of distillation columns used in the entire range of process industries. Designed to minimize energy consumption while offering up to 40% greater efficiency or 20% higher capacity, MellapakEVO enables both cost savings and environmental benefits for unparalleled performance in mass transfer technology.

In support of a carbon-neutral future, the Chemtech division recently helped a customer in the Middle East capture and sequester over 1.5 million tons of CO2, the equivalent of taking 300’000 gas-powered cars off the road. More recently, it supplied all the column internals and packing for the entire commercial-scale carbon capture process at a large-scale carbon capture project in Japan. Similarly, the division continues to support customized solutions in chemical separation processes for circular operations such as polymer recycling and bio-based fuel production through its new research center in Singapore.

As the industry leader in polylactic acid (PLA) production technology, a biopolymer made with renewable feedstocks, Chemtech is enabling the world's first fully integrated sugarcane-to-PLA plant for a client in India. The new state-of-the-art bioplastics plant will produce 75’000 tons of compostable, wholly recyclable bioplastic per year using sugarcane, a biobased and biodegradable feedstock, with a savings of 70% compared with commercial plastics.

Key figures Chemtech (January 1 – June 30)

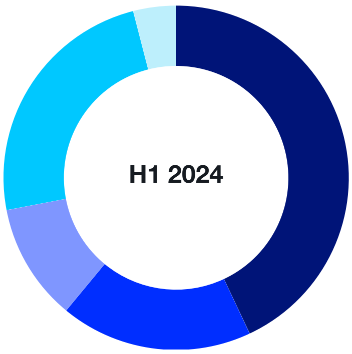
millions of CHF	2024	2023	Change in +/–%	+/–% adjusted [1]	+/–% organic [2]
Order intake	529.4	504.9	4.8	7.9	8.3
Order intake gross margin	34.9%	33.1%			
Order backlog as of June 30 / December 31	674.8	521.2	29.5		
Sales	394.5	380.9	3.6	6.9	7.2
EBIT	47.8	38.1	25.4		
Operational profit	52.1	44.7	16.5	22.4	22.7
Operational profitability	13.2%	11.7%			
Employees (number of full-time equivalents) as of June 30 / December 31	2’975	2’849	4.4		

1) Adjusted for currency effects.
2) Adjusted for acquisition, divestiture/deconsolidation and currency effects.

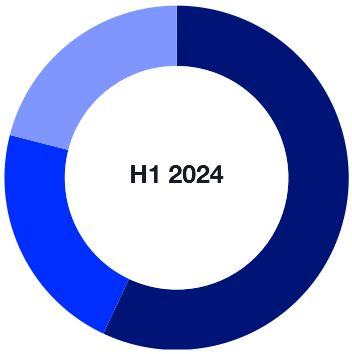
Solid order intake

Orders increased by 8.3% in the first half of 2024 (H1 2023: 25.3%), with double-digit growth in EMEA and Asia-Pacific driven by large orders in biopolymers and carbon capture. Orders in the Americas were lower due to the high comparable baseline in H1 2023. Asia-Pacific continues to invest in sustainable solutions and in the Americas, a strong drive towards clean fuels and clean energy has created a good pipeline of future projects.

Order intake by market segment



Order intake by region



Increased sales and profitability

Sales in the first half of the year grew by 7.2%, with particularly strong growth in Americas and Asia-Pacific. Operational profitability increased by 150 basis points, supported by continued sales growth and healthy margins.