RUAG Aerostructures

RUAG Aerostructures had a mixed year in 2018. It succeeded in raising the rate of production in its Airbus single-aisle programme. But at the same time it sustained productivity shortfalls which ultimately led to a significant loss. Extensive measures were introduced to boost productivity and profitability for the long term.

Business performance

For RUAG Aerostructures, the 2018 financial year was defined by the increase in the production rate in the Airbus single-aisle programme. On the one hand, it meant that the division was able to increase its sales by 5 % to CHF 268 million (CHF 256 million). On the other, measures to ramp up the single-aisle production rate impacted heavily on the operating result. EBIT fell from CHF 8 million in the previous year to –CHF 14 million. This was mainly due to delays in the transfer of work packages to the Eger site in Hungary and to low productivity at the Oberpfaffenhofen site. The transfer of work was completed successfully, the teething problems rectified and the production rate capacity of the Eger site demonstrated. In order to secure the division's profitability in the long term, extensive restructuring measures have been initiated at all sites. The programme will be continued in 2019.

At the German site of Oberpfaffenhofen, and now also at Eger in Hungary, RUAG Aerostructures is not only manufacturing fuselage sections for the Airbus single-aisle programme, but is also responsible for the entire supply chain for the 1,000-plus parts required. In view of the lasting global market success of the A320 family, in 2018 Airbus decided to increase the production rate once again, from around 50 to over 60 aircraft per month. This task, challenging in and of itself, was made even more difficult for RUAG Aerostructures due to the simultaneous process of transferring assembly activities to the new best-cost country site in Eger. As a result, the timetable for the transfer proved too ambitious. Thus qualified specialists at the Oberpfaffenhofen site remained tied to the activities designated for transfer, and additional personnel needed to be hired and trained. The additional recruitment of new employees required at the Eger site, however, proved extremely challenging. The available personnel in this market, characterised by skill shortages, first needed to be trained and only gradually attained the level of productivity of experienced specialists.

As an internal supplier, the Emmen site benefited from the production rate increase for the Airbus A320 family in 2018. However, this was not enough to offset the decline resulting from the reduction in production rates for the Airbus A380 widebody aircraft. RUAG Aerostructures manufactures a range of components for the Airbus family in Emmen.

In February, the Emmen site successfully started production in the new surface treatment facility with a job for external customer Pilatus. With this facility, metal components of up to 7 metres in length can be galvanised, painted and checked for cracks. In addition to internal jobs, the facility will also, and primarily, act as a service provider for external orders in future. The first contracts were acquired at the end of 2018.

The Emmen site also pressed ahead successfully with the contract for the pylons for the Swedish Gripen E/F fighter aircraft, completing the prototype production in 2018. Series production will be starting in 2019. Another pleasing acquisition in structures for military customers was chalked up with Boeing Defense. The existing contract for the production trailing-edge flaps for the F/A-18 fighter aircraft was extended until 2021.

Ongoing efforts to boost productivity and profitability across the whole division were significantly intensified in the year under review. Among other things, a comprehensive turnaround programme was launched here. In parallel to the harmonisation of the division's three existing enterprise resource planning systems to a standardised SAP S/4HANA base, this will also involve optimising and streamlining its business processes.

Outlook

The market environment is looking very positive for RUAG Aerostructures for the foreseeable future. Worldwide passenger numbers continue to increase strongly and the Airbus single-aisle programme is benefiting more than most from this. In this dynamic setting, the division's commercial success will depend to a great extent on how well it can optimise the interactions between the three sites of Oberpfaffenhofen, Emmen and Eger and effectively integrate the international supply chains.

The priority in 2019 will be to return to profitability and to stabilise it for the long term. The Oberpfaffenhofen and Eger sites are being prepared for an anticipated further increase in the Airbus single-aisle production rate. At the Emmen site a restructuring process is getting under way. Activities will focus on core products and technologies with the aim of achieving increases in volume, notably at the surface treatment facility.

The company expects to see significant positive effects in future from the turnaround programme launched in 2018. Its full impact will be felt from 2021 with the new, harmonised ERP system. This will form the basis for further efficiency and productivity gains and thus play a pivotal role in further strengthening the global competitiveness of RUAG Aerostructures.

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 division's strengths lies in managing complex supply chain networks. Among other things, it is responsible for the complete global fuselage section supply chains for Airbus and Bombardier.

Customers/partners
Airbus, Boeing, Bombardier, GE Aviation, Pilatus Aircraft, Saab

Numbers and facts

Net sales:	CHF 268 million
EBITDA:	CHF –8 million
EBIT:	CHF –14 million
Employees (FTE):	1,355
Based in:	Switzerland, Germany, Hungary