Cavotec SA – Q218 Report

August 3, 2018

Continued strong order intake

Stable profitability despite revenue impacted by plant start up issues

April–June 2018

- Order intake increased 26.8% to EUR 62.1 million (49.0).
- Revenues decreased 8.0% to EUR 46.3 million (50.3).
- EBIT excluding non-recurring items amounted to EUR -0.7 million (-1.8), corresponding to a margin of -1.6% (-3.6%).
- Non-recurring items amounted to EUR 7.0 million, of which EUR 6.8 million is related to a US litigation provision.
- Net result for the period was EUR -7.1 million (-5.7).
- Earnings per share basic and diluted amounted to EUR -0.091 (-0.073).
- Operating cash flow amounted to EUR -9.8 million (-2.1).

January–June 2018

- Order intake increased 17.2% to EUR 130.1 million (111.0).
- Order book increased 5.3% to EUR 116.6 million (111.0).
- Revenues decreased -4.4% to EUR 99.0 million (103.5).
- EBIT excluding non-recurring items amounted to EUR 1.7 million (1.9), corresponding to a margin of 1.7% (1.8%).
- Non-recurring items amounted to EUR 7.2 million, of which EUR 6.8 million is related to a US litigation provision.
- Net result for the period was EUR -6.3 million (-3.8).
- Earnings per share basic and diluted amounted to EUR -0.080 (-0.048).
- Operating cash flow amounted to EUR -4.8 million (-2.3).
- Net debt increased to EUR 32.9 million (FY2017: 20.4).

Unless otherwise stated, figures in brackets refer to the same period in the preceding year.

Comment from the CEO

Historically high order intake

Cavotec maintains a good position in growing markets. This was manifested by a continued robust order intake in the second quarter resulting in the strongest half year order intake in Cavotec's history. In the second quarter the order intake increased 26.8% year-over-year and for the first six months 17.2%. Notable orders include new orders of MoorMaster™ for the E-ferry market in Northern Europe as well as key orders from Bahrain International Airport, Lufthansa and Orlando Airport.

In total, we have a strong position, with an order book worth EUR 116.6 million, which is 5.3% higher than the same quarter 2017 and 36.3% higher than at the end of last year.

Revenues decreased 8.0% to EUR 46.3 million in the second quarter and 4.4% to EUR 99.0 million in the first six months, compared to the same periods last year. However in local currencies the decrease was minus 3.3% for the quarter and an increase of 2.0% for the half year. The revenue development was negatively impacted by the soft order book at the end of 2017, and by start up issues in our new production facility in Italy.

The second quarter saw continued high focus on the transformation of Cavotec and a determination to push ahead with the plans for 2018 as a transformation year for the group.

We have to date completed approx. 40% of the initial transformation projects. Some key achievements in the quarter include new processes for production planning and inventory control within operations and deployment of a new CRM system within sales. The focus on efficiency improvements have resulted in a 6.4% lower headcount than at this time last year.

In May we opened Cavotec's new production facility in Milan. The facility has been plagued by start up problems impacting output but we remain convinced that the plant will ensure the Group's manufacturing and supply chain excellence in the years ahead. The facility is one of our seven Centres of Excellence worldwide and focuses primarily on the development and manufacture of shore power solutions, MoorMaster™ automated mooring as well as crane electrification solutions such as cable reels.

As separately announced to the market, Cavotec made a non-recurring provision of EUR 6.8 million in the quarter in connection with the recent development of the lawsuit with Mr. Colaco, the former owner of Inet Airport Systems. The Court of Appeal of the State of California issued a verdict upholding the original award of punitive damages to Cavotec but reversing the 2015 decisions that Mr Colaco was not entitled to an earn-out payment and to reimburse Cavotec's legal costs. Based on a preliminary assessment the Company has the intention of filing a petition with the California Supreme Court to hear the case. As the case has not been concluded it may impact future results further in a positive or negative way.

Despite the lower revenue, EBIT for the second quarter, excluding non-recurring items, improved to EUR -0.7 million corresponding to a margin of -1.6% while EBIT for the first six months remained stable at EUR 1.7 million, corresponding to a margin of 1.7%. A better product mix and lower costs in Airports & Industry had a positive impact on EBIT, while the lower revenues in Ports & Maritime combined with an unchanged cost level had a negative impact.

In the middle of a big change for the better

We are in the middle of a high pace project to transform Cavotec. A lot has already been done but much remain. We have reorganised ourselves, we have complemented our top management team with several key members and we now have a comprehensive understanding of our market. As mentioned several times; the opportunities are there, we take the right actions, but a successful transformation does not happen over night. During the second half of the year we will focus on reallocating our resources, targeting the right customer segments, appoint the right persons at the right places and increasing our internal efficiency and capabilities.

In the end, our success in transforming the high demand from our customers to profitable growth is fully in our own hands.

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About Cavotec

*Cavotec wants to contribute to a **future** world that is cleaner, safer and more efficient by providing innovative **connection** solutions for ships, aircraft and mobile equipment **today**. We connect the future. To find out more about Cavotec, visit our website at cavotec.com.*

Attachment

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