Cavotec SA – Q418 Report

February 21, 2019

Stable order intake, but lower revenues – majority of restructuring measures finalized in Q4

OCTOBER–DECEMBER 2018

- Order intake remained stable at EUR 44.2 million (44.5)
- Order book increased 17.0% to EUR 100.1 million (85.6)
- Revenues decreased 13.8% to EUR 48.8 million (56.6)
- EBIT excluding non-recurring items amounted to EUR 0.1 million (6.9), corresponding to a margin of 0.2% (12.2%)
- Non-recurring items amounted to EUR 11.2 million, of which EUR 5.0 million is related to the restructuring programme that was announced in October 2018, and EUR 4.2 million related to the US litigation provision
- Net result for the period was EUR -13.4 million (-20.4)
- Earnings per share basic and diluted amounted to EUR -0.169 (-0.260)
- Operating cash flow amounted to EUR 1.8 million (17.9)

JANUARY–DECEMBER 2018

- Order intake increased 8.7% to EUR 211.5 million (194.6)
- Order book increased 17.0% to EUR 100.1 million (85.6)
- Revenues decreased 7.3% to EUR 197.0 million (212.4)
- EBIT excluding non-recurring items amounted to EUR 3.9 million (9.6), corresponding to a margin of 2.0% (4.5%)
- Non-recurring items amounted to EUR 17.8 million, of which EUR 11.2 million is related to the US litigation provision, and EUR 5.0 million to the restructuring programme that was announced in October 2018
- Net result for the period was EUR -18.5 million (-31.8)
- Earnings per share basic and diluted amounted to EUR -0.233 (-0.404)
- Operating cash flow amounted to EUR 1.2 million (12.9)
- Net debt increased to EUR 32.1 million (FY2017: 20.4)
- The Board of Directors' proposal to the Annual General Meeting is that no dividend is to be paid for the 2018 financial year

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

Comment from the CEO

Final phase of transformation to profitability

Cavotec's order intake increased 8.7% year-over-year and the order book at the end of 2018 stood at EUR 100.1 million. This is 17.0% higher than at the same time last year. This was achieved despite extensive transformation efforts throughout the year including a comprehensive restructuring programme during the fourth quarter.

Revenues, however, decreased 13.8% to EUR 48.8 million for the quarter and 7.3% to EUR 197.0 million for the whole year. The underlying business was in line with last year, but the lower level of large orders in both divisions during the year impacted revenue. In Airports and Industry, we have seen the postponement and cancellations of several new airport and terminal projects. In Ports and Maritime there has been a steady buildup of activity in the latter half of the year that we believe will bear fruit in terms of orders in 2019. The lower revenues are also partly explained by continuing problems with our production in Italy. The investments made in reconfiguring the facility, new management and processes are mostly done but the results of those programs will only become evident in the first half of 2019.

At the beginning of October, we announced a programme to address structural inefficiencies in the Group targeting annual savings of approximately EUR 10 million by 2021, whereof significant run-rate savings already in 2019. We closed 10 local offices in the fourth quarter as part of the programme and the headcount was down 7.7% compared to the same period previous year.

At the beginning of November, we announced a fully underwritten rights issue of SEK 204 million to strengthen our balance sheet to give us the resources we need to complete our transformation initiatives swiftly. The rights issue was successfully completed in January 2019.

Most of the 50 projects under the A New Day transformation plan designed to streamline processes and transform Cavotec into a more efficient organisation have been finalized at the end of the quarter. We furthermore strengthened the executive team with a new CFO and a new President of the Ports and Maritime Division, after the end of the period. Our efforts to bring in highly experienced managers to lead key areas at all levels means that six out of eight top executives have been added or replaced during the last 18 months.

EBIT, excluding non-recurring items, for the fourth quarter 2018 decreased to EUR 90 thousand, corresponding to a margin of 0.2%, while EBIT, excluding non-recurring items, for the 12 months period 2018 amounted to EUR 3.9 million, corresponding to a margin of 2.0%. The lower EBIT is explained by the lower revenues and higher than normal consulting, recruitment fees and travelling expenses in connection with the ongoing transformation. Non-recurring items related to the restructuring programme, amounted to EUR 5.0 million. We still expect the total cost of the programme to be in line with our previous announcement of EUR 7.0 million.

As the lawsuit in California is now reaching its conclusion both parties have filed petitions for the court to finally settle the amounts owed by each party. We have made a further provision of EUR 1.3 million in the quarter to cover most possible outcomes of that process. Throughout the case we have also made advancement payments of legal expenses for the other party of approx. EUR 5.9 million as per company statutes. As the case is now concluding we will proceed to recoup those payments. However, in the procedure for doing so both sides will have an opportunity to present their respective arguments and it is not guaranteed that we will be able to recoup the full sum. Consequently, we made a provision in the quarter of EUR 3.0 million to cover most eventualities of this process.

PLATFORM FOR FUTURE PROFITABLE GROWTH
All in all, 2018 has been a year of significant transformation for Cavotec, during which we have taken a multitude of necessary steps to create a foundation for future profitable growth. We are now substantially ready to focus on growing profitability during 2019. We continue to be well positioned in terms of fundamental market trends, specifically around safety, automation and the environment, and we have outstanding, innovative technologies suited to meet the demands of these trends.

With these strengths, along with the transformation that is taking hold across the organisation, we believe that we have a promising future ahead of us.

Lugano, February 21, 2019

Mikael Norin
Chief Executive Officer

ENDS

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This is information that Cavotec SA is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:00 CET on 21 February 2019.

Attachment

- Q418 Quarterly Report