Cavotec SA – Q119 Report

May 3, 2019

Transformation measures reflected in higher profitability despite lower revenue – continued strong order book

January–March 2019

- Order intake decreased 9.3% to EUR 61.6 million (67.9)
- Order book increased 12.4% to EUR 113.2 million (100.8)
- Revenues decreased 8.0% to EUR 48.5 million (52.7)
- EBIT excluding non-recurring items amounted to EUR 2.7 million (2.4), corresponding to a margin of 5.6% (4.6%)
- Net result for the period was EUR 0.8 million (0.8)
- Earnings per share basic and diluted amounted to EUR 0.008 (0.011)
- Operating cash flow amounted to EUR 8.2 million (4.9)
- Net debt decreased to EUR 6.7 million (FY2018: 32.1)

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

Comment from the CEO

Higher profitability as transformation pays off

It has now been 18 months since we launched the transformation of Cavotec. A transformation built on preserving the strengths of the company - a very strong sales culture, a strong customer focus and great products that are well positioned in terms of market trends such as automation, sustainability and safety - while addressing our weaknesses, a fragmented structure with weak internal processes which caused inefficiencies and higher costs.

We are now a few months into 2019. The major steps of the transformation are now behind us. Through the massive efforts we have put into addressing our weaknesses we have created a strong and steady base to build on and now our focus is on improved profitability.

It is with that background encouraging to start to see the return of all the efforts we have made. I'm proud to conclude that all the 50 projects under the A New Day plan designed to streamline processes and transform Cavotec into a more efficient organisation were finalized at the end of the quarter. We have also reduced our headcount by 100 employees compared to a year ago, as part of our restructuring program.

These efforts had a positive impact on our profitability already in the first quarter. Adjusted EBIT increased to EUR 2.7 million, corresponding to a margin of 5.6% (4.6% for the same period last year) although revenues decreased 8.0% to EUR 48.5 million. The decrease is mainly due to lower revenues in Airports & Industry, which was not fully compensated by increasing revenues from Ports & Maritime. Airports & Industry performed well in their day-to-day business, but less big projects compared to the first quarter 2018 and several delayed larger projects resulted in lower order intake and revenues for the division compared to the same period previous year.

Operating cash flow increased 65.3% to EUR 8.2 million (4.9) as a result of continued improvement in working capital management. In addition, we completed the rights issue in January, which means that we are well positioned to complete our turnaround and be able to invest in growth initiatives. In the first quarter, the Group also adopted the new accounting treatment for Leases, IFRS 16. In summary, the EBITDA for the quarter increased approximately 25% as a consequence, while the impact on the EBIT is not material.

We also maintained a good momentum in our sales activities in the quarter, especially within Ports & Maritime. An important order in the quarter was a EUR 10.3 million agreement with a major port operator for a MoorMaster™ automated mooring system, further proof that our technology is gaining traction with ports around the world. While the order intake compared to the same quarter last year was lower, the order book at the end of the quarter stood at EUR 113.2 million, an increase of more than 12%, both compared to the end of 2018 and the first quarter last year.

The turnaround of Cavotec is by no means finalized, but we see clear signs of improvements and clearly the transformation is taking hold across the organization. For example, I'm pleased to report that we faced fewer production challenges in Italy than previous quarters thanks to all the efforts that have gone into reconfiguring the facility by the new local management. Late deliveries in Italy have decreased significantly and we expect to see a continued positive development in the second quarter of 2019.

During, 2019, our efforts across the group will be centred around two themes, Operational Excellence and Commercial Excellence while we continue to control our costs. We will focus on further improving our operational systems, growing Services as well as meeting our customers' needs better in order to sell and deliver more, as well as produce an attractive return for our shareholders.

By focusing on profitability in 2019 we will ensure that we deeply embed the competitiveness needed to support our growth journey in 2020 and beyond. The market is there, and we will be in a position to capitalize on our customer relationships and the offerings we have.

To learn more about our long-term strategy and financial goals we hope to see you at our Investor Information Meeting in Stockholm on 7 May.

Lugano, May 3, 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 CEST on 3 May 2019.

Attachment

- Q119 Quarterly Report