Cavotec SA – Q219 Report

July 31, 2019

Significantly improved profits on the back of stable revenue

April–June 2019

- Order intake decreased 26.7% to EUR 45.5 million (62.1)
- Revenue increased 11% to EUR 51.4 million (46.3)
- Adjusted EBIT amounted to EUR 3.7 million (-0.7), corresponding to a margin of 7.1% (-1.6%)
- Non-recurring items amounted to EUR 1.2 million (7.0), related to restructuring costs
- Net result for the period was EUR 1.4 million (-7.1)
- Earnings per share basic and diluted amounted to EUR 0.015 (-0.091)
- Operating cash flow amounted to EUR -10.6 million (-9.8) mainly due to the US litigation payment of EUR 8.1 foreseen in the 2018 accounts thus there is no 2019 profit impact

January–June 2019

- Order intake decreased 17.6% to EUR 107.2 million (130.1)
- Order book increased 7.3% to EUR 107.4 million (FY2018: 100.1)
- Revenue increased 0.9% to EUR 99.8 million (99.0)
- Adjusted EBIT increased 285% to EUR 6.4 million (1.7), corresponding to a margin of 6.4% (1.7%)
- Non-recurring items amounted to EUR 2.5 million (7.2), related to restructuring costs
- Net result for the period was EUR 2.2 million (-6.3)
- Earnings per share basic and diluted amounted to EUR 0.023 (-0.080)
- Operating cash flow amounted to EUR -2.4 million (-4.8) mainly due to the US litigation payment of EUR 8.1 foreseen in the 2018 accounts thus there is no 2019 profit impact
- Net debt decreased to 19.3 EUR million (FY2018: 32.1)

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

Comment from the CEO

Second step of transformation on track – profitability improving

At the beginning of May we presented new financial targets for Cavotec at our Investor Information Meeting in Stockholm. We are targeting to reach an annual adjusted EBIT margin of more than 7% within two years and more than 10% within four years as well as an annual organic revenue growth of at least 5% from 2020.

To achieve those targets, we have from the beginning of the year turned our attention to the second step of the transformation of Cavotec, to locking in the improvements achieved during the previous 18 months, thereby progressing towards our profitability target. We are also laying the groundwork for the next step - profitable growth from 2020 and beyond - by focusing on commercial and operational excellence throughout the organisation.

It is, with this background, gratifying that our progress so far is tracking perfectly to this plan. Adjusted EBIT increased to EUR 3.6 million for the quarter (-0.7) and close to tripled compared to the first half of last year to EUR 6.4 million (1.7). This corresponds to a margin of 6.4% (1.7%). The fact that the profitability improved significantly for the second quarter in a row is a strong sign that our measures in the transformation are paying off.

Group revenue increased 11% in the second quarter and although this is encouraging it is partly due to timing of deliveries and we are not expecting revenue to increase during the rest of the year.

The order intake decreased versus last year as we compare to a record high order intake in the first half of last year that saw a number of large project orders in both divisions. Nevertheless, the order book actually increased by 7.3% during the first half of the year and at EUR 107 million is at a historically acceptable level. The variation in order intake due to the timing of project orders is something we are used to, although our plan is to increase the share from our day-to-day business and long-term revenue from our Services business.

To support these plans, we have developed a large range of service products, from inspections to comprehensive maintenance agreements, to answer to the needs of the different markets in which we operate. Cavotec can now offer a complete solution to cover the total life cycle of our products and systems.

The launch of a new IT service module in February allows us to manage, for the first time, the customer after-market experience in a fully integrated way, from claims management to quote to the dispatching of service technicians. We will also be able to measure the performance and the utilisation rate of our field technicians. For spare parts, we are developing repair kits per product and setting a worldwide pricing policy. All in all, we are building a Services business that provides total life cycle support for our customers and an attractive return for our shareholders.

By continuing to invest in our profitable core we will ensure that we deeply embed the competitiveness needed to support the future third step of our transformation. Our strategy for profitable growth is very clear; we will build on our solid position in terms of mega trends such as environmental concerns, electrification and automation to offer innovative products and solutions that meet our customers challenges in these areas.

I am thus very pleased that at the half year mark for 2019 we are well underway to deliver on our plan for improved profitability this year followed by a clear path to profitable growth in 2020 and beyond.

Lugano, July 31, 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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 07:00 CEST on 31 July 2019.

Attachment

- Q219 Quarterly Report