



Aug 09, 2012 10:35 GMT

Cavotec 2Q12 Report and background materials

This is a summary of Cavotec's second quarter 2012 report published today. The complete second quarter 2012 report with tables is [available here](#). Investors should not rely on summaries only, but should review the complete reports with tables.

- Revenues reached a record EUR 101,282 thousands, up 21% in 1H12 (1H11: 83,775).
- Operating Result increased by 31% to EUR 8,186 thousands (1H11: 6,272).

- Operating Margin strengthened to 8.1% in 1H12 compared to 6.7% in FY11.
- Operating Cash Flow was strong at EUR 2,948 thousands (1H11: -1.063).
- Order Book ended at EUR 100,595 thousands, an increase of 5.8% compared to the end of 2011 (95,042).

A comment from the CEO

In the second quarter demand remained robust for Cavotec products and systems in all four of the Group's market units (MUs) and in the majority of regions.

Order intake was strong at EUR 104,760 thousands in the first half of the year, and revenues reached a record level of EUR 101,282 thousands, an increase of 21% compared to the first six months of 2011. Importantly, Cavotec was able to maintain the positive developments seen in 1Q12 as book-to-bill ratio remained above 1, while Order Book increased by EUR 5,553 thousands to EUR 100,595 thousands, a 5.8% increase compared to the end of 2011.

Similar to 1Q12 this second quarter also saw strong growth in day-to-day orders, without any large project orders being registered. This underlines once again the intrinsic strength of the Cavotec Group to book excellent results on purely day-to-day business.

Nonetheless, there were some particular highlights for this period, including significant orders for shore power systems for the Port of Oakland and the Port of Long Beach. Meanwhile, for the Airports Market Unit, of particular note were orders confirming the Group's growing positions in key markets such as India, China and the United States. Further details on these projects are included in the respective MU sections of this report.

Looking ahead

As highlighted in Cavotec's 1Q12 Report, one of the Group's main goals for 2012 is to strengthen its level of profitability compared to 2011. At this halfway point in the year, I am pleased to report that we are well on target to achieve this objective.

As stated previously Cavotec remains committed to increasing profitability through continued control of operating expenses and prudence when evaluating new investments.

Without doubt, the on-going global economic uncertainty remains a concern, and with potential slow-downs in some markets, Cavotec continues to be vigilant and versatile in safeguarding continued success. Over the years the Group has a proven track record of being able to weather downturns in good condition, and with Cavotec's 2Q12 results extending the positive trend established in 1Q12, I remain confident that the Group is well placed to maximise its growth potential in the months ahead.

The regions

The Americas recorded the largest revenue increase of all regions for the period, EUR 18,010 thousands up 148% compared to 1H11. Although partly influenced by the acquisition of INET, the region saw very strong organic growth at 63%. Order intake amounted to EUR 21,916 thousands in 1H12, up 103%, to which Cavotec INET US Inc. contributed EUR 1,920 thousands.

Europe & Africa had an extremely strong first half of 2012 with an increase in gross operating result of 113% compared to 1H11. Revenues amounted to EUR 79,195 thousands, compared to EUR 63,239 thousands in 1H11. Northern Europe was a main contributor to these results thanks to the booming offshore market. Order intake remained strong with a book-to-bill ratio of 1.08.

In line with expectations, and mainly due to the absence of large projects in 1H12, the Middle East & India region registered a weaker performance compared to 1H11. Thanks to on-going day-to-day business and prudent cost control, gross operating results came in at breakeven.

2Q12 revenues for Australasia amounted to EUR 5,987 thousands, an increase of 35% compared to 2Q11. Despite a slightly softer 1H12 result, the region stands to develop well in the second half as MoorMaster™ automated mooring units will start to be shipped for existing orders in Australia.

The Far East saw steady growth throughout 1H12, bolstered by increased local manufacturing capacity. 1H12 revenues amounted to EUR 12,373

thousands, compared to EUR 10,046 thousands in the same period last year. Book-to-bill ratio ended at 1.59, with Order Intake amounting to EUR 19,637 thousands.

Revenues, earnings and profitability

Quarterly results

Revenues reached EUR 54,172 thousands in 2Q12, up 19% compared to EUR 46,057 thousands in the same period last year. Operating result increased 24%, amounting to EUR 5,100 thousands (1H11: 4,126) with rigorous cost control offsetting increases in raw material and component costs.

Net profit in 2Q12 increased by 41% to EUR 3,825 thousands, compared to EUR 2,709 thousands in 2Q11. This was in part due to positive exchange rate fluctuations and the lowering of net interest expenses. The tax rate increased in 2Q12 to 31% versus 22% in 2Q11, due to lower contributions from low tax countries.

Half-year results

1H12 revenues increased by 21%, amounting to EUR 101.282 thousands compared to EUR 83,775 thousands in 1H11, of which Cavotec INET US Inc. contributed with 7.4%.

Operating margins grew substantially in 1H12 to 8.1%, compared to 7.5% 1H11 and 6.7% FY11. This growth was achieved in the face of an increase in raw material costs, and supported by significantly higher volumes and on-going monitoring of operating expenses. Operating result increased 23% to EUR 9,980 thousands (1H11: 8,107).

Net profit increased by EUR 796 thousands in 1H12 (EUR 4,897) compared to 1H11 (EUR 4,101), despite an increase in tax rate from 24% to 34%, due to lower contributions from low tax countries.

Cash flow

Operating cash flow reached EUR 2.948 thousands in 1H12 (1H11: -1,063).

2Q12 operating cash flow was negative at EUR 1,801 thousands, primarily due to inventory run up for several large projects due for completion in the second half of the year.

Net debt

The Group's net debt increased to EUR 25,333 thousands, from EUR 23,178 thousands in 1Q12 and 23,708 thousands in FY11. This increase was mainly due to working capital movements. Twelve months rolling leverage ratio (Net Debt/EBITDA) ended at 1.27 in 1H12, compared to 1.21 in 1Q12 and 1.31 in FY11. Following the capital reduction to be paid at the beginning of July, the debt/equity ratio ended at 25% (1Q12: 23% FY11: 25%).

Employees

On 30 June 2012, Cavotec employed 895 people, unchanged compared to 31 December 2011.

Cavotec is a leading global engineering group, developing innovative technologies that enable the maritime, airports, mining and tunnelling, and general industry sectors to operate productively and sustainably.

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