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Cavotec 4Q13 report and full year 2013 summary

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- Order Intake increased 5.8% quarter on quarter at EUR 64,645 thousands (4Q12: 61,113)
- Revenues amounted to EUR 55,220 thousands in 4Q13 a decrease of 17.4% (4Q12: 66,884)
- Book to bill ratio was 1.17x in the quarter
- Order Book reached a new record high at EUR 115,713 thousands (FY12: 99,145)

- Operating Result (EBIT) decreased to EUR 212 thousands in the quarter compared to EUR 7,220 thousands in 4Q12
- The Board of Directors proposes a dividend of CHF 0.05 per share (unchanged)

A comment from our CEO

Cavotec's 4Q13 operating result was influenced by a drop in overall volume, compared to the same period last year, and higher operating costs. These costs were linked to the increase in resources needed to meet delivery times for the large order book, and to the previously communicated on-going process of strengthening the Cavotec INET organisation. These costs include legal fees and the effects from historical unfavourable contracts signed by the pre-Cavotec ownership.

Management is confident that with this strong new structure and the majority of these issues now largely resolved, 2014 will see a return to stable operations with sustained growth driven by our full system offering now available from the Airports Market Unit (MU). The recent orders to supply our equipment to the prestigious new Dubai Airport Concourse 4 project and the LAN-Chile maintenance facilities illustrate the strength of this global offering and underline the synergies resulting from the integration.

During 4Q13, we continued to develop our business across our most important MUs and registered some important achievements during the quarter. Quarter order intake grew with an increasing number of larger projects, while day-to-day activity continued to soften.

Our core innovative technologies, MoorMaster™ and AMP, continued to gain market share versus traditional systems, establishing themselves as true industry standards and underlining customers' recognition of them a decade after the introduction of these ground-breaking innovations. The recent MoorMaster™ orders for a total of more than EUR 40 million from Australia, Canada, Denmark, Norway and South Africa combined with the AMP orders from the Far East, Europe and the US, were all achieved despite a turbulent global market environment, underlining the Group's intrinsic strength and potential for growth.

A crucial element to our success within this process is the local Cavotec sales and engineering presence around the world, which we continue to strengthen, enabling us to remain close to our growing number of customers and to increase our ability to handle the growth of large projects.

Looking ahead

Order intake over the last two quarters of 2013 has been weighted towards larger projects with longer delivery times, opposed to day-to-day business with short delivery times, providing management with improved visibility. This trend has continued into 2014 with the order book in January increasing to a record level of EUR 121 million. This development, combined with recent market activity and enhanced performance of our Cavotec INET operations, indicates a return to our historic growth rate with double-digit increase in the rate of growth towards 2H14.

We foresee quite a slow start with lower revenues in 1Q14, while revenues are expected to grow rapidly in the following quarters. For the full year, our target is EUR 250 million in revenues and an EBIT margin of 8%.

Management expects the Americas, currently our second largest market, to reach double-digit rate of growth in 2014, with both North America and Brazil playing a key role in this development. China, and the Far East in general, continues to show good growth prospects, closely followed by the Middle East and India.

While the Ports & Maritime industry is expected to maintain a lower overall growth rate, investments in new technologies will continue to increase strongly, reflecting the on-going demand for higher levels of efficiency and automation within the sector. Our core innovations MoorMaster™ and AMP place Cavotec in a unique position to capitalise on this growing demand in 2014.

For the Airports MU, our ability to supply customers with a comprehensive airport system offering will play a key role in securing new projects across geographical regions such as the Middle East, Far East, India, Russia and USA.

The General Industry MU is expected to remain stable with good growth opportunities coming from our product offering in the defence and electrical vehicle sub-markets.

In line with global trends, management expects the Mining & Tunnelling MU to continue with a weak demand for mining equipment for the hard rock mining sector. This softening trend could possibly be partially offset by an increased investment cycle for specialised opencast mines.

The regions

Activity was subdued in Europe & Africa, with order intake declining to EUR 35,240 thousands compared to EUR 41,666 thousands in 4Q12 and revenues reaching EUR 41,758 thousands (4Q12: 45,499). Consequently, operating result decreased to EUR 2,844 thousands compared to EUR 4,661 thousands in the same quarter of 2012.

In the Middle East & India region, revenues increased 43.1% to EUR 7,309 thousands compared to the previous year and order intake reached EUR 12,734 thousands with the increase mainly related to the award of several large projects in the Airport MU. The order book decreased to EUR 21,072 thousands and operating result remained in line with the previous year.

The Americas continued to be impacted by the on-going restructuring at Cavotec INET with operating result showing a loss of EUR 4,468 thousands (4Q12: profit 252) with revenues declining by 10.3% quarter on quarter and order intake unchanged.

The Far East continued to show good progress with revenues increasing 20.5% and order intake by 42.2% compared to the previous year resulting in a significant increase of the order book at EUR 36,932 thousands (FY12: 31,560).

Activity remained at a low level in the Australasia region in terms of revenues and order intake. However, operating result increased significantly to EUR 1,221 thousands driven by the growing contribution of the engineering operations.

Revenues, earnings and profitability

Quarterly results

Revenues declined by 17.4% compared to 4Q12 to EUR 55,220 thousands, mainly as the result of a reduction in the day-to-day business and unfavourable movements in exchange rates. As a result, operating result in the quarter was EUR 212 thousands compared to EUR 7,220 thousands in same quarter of 2012.

Higher interest expenses and negative exchange movements contributed to a loss before tax of EUR 436 thousands (4Q12: profit 7,205).

After the recognition of deferred tax assets mainly on operating losses in US, net profit for the quarter was EUR 2,497 thousands compared to a profit of EUR 5,958 thousands in 4Q12.

Full year results

2013 revenues reached EUR 227,704 thousands, a 3.5% increase compared to 2012. Organic growth was 6.5%, while the exchange rate fluctuation detracted 3.3%. Operating result amounted to EUR 10,506 thousands compared to EUR 17,978 thousands in 2012. Excluding the EUR 2,003 thousands cost related to the on-going litigation, adjusted operating result reached EUR 12,510 thousands compared to EUR 21,494 thousands in the previous year.

Financial items were unchanged while the recognition of deferred tax assets contributed to a net profit of EUR 10,453 thousands, a decline of 14.3% compared to 2012.

Cash flow

Operating cash flow was positive in the quarter at EUR 3,543 thousands compared to positive EUR 2,085 thousands in 4Q12 mainly as a reversal of working capital movements. For the full year, operating cash-flow was negative at EUR 713 thousands (FY12: positive 11,900) while investing activities subtracted EUR 5,103 thousands a significant reduction compared to previous year EUR 12,183 thousands.

Net debt

Net debt increased from EUR 35,467 thousands in 9M13 to EUR 36,070 thousands at the end of the year, mainly as the result of the investments in the new production facility in North America. Net debt/equity ratio ended at 33.2% (FY12: 22.9%). Last twelve months leverage ratio (Net debt/EBITDA) increasing subsequently to 2.40x compared to 1.65x in 9M13.

Employees

On 31 December 2013, Cavotec employed 1,001 full time equivalent people, an increase of 111 compared to 31 December 2012.

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.

Contacts

Memed Üzel
Press Contact
Chief Commercial Officer
memed.uzel@cavotec.com
+41 91 911 4010