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May 06, 2015 11:06 GMT

Cavotec SA - 1Q15 Report

This is a summary of the 1Q15 report published today. The complete 1Q15 report and full year summary with tables is available at http://investor.cavotec.com/results.cfm. Investors should not rely on summaries only, but should review the complete reports with tables.

- Revenues increased 1.0% to EUR 41,311 thousands (1Q14: 40,899).
- Adjusted operating result (EBIT) was negative at EUR 3,387 thousands, compared to negative EUR 627 thousands in 1Q14.
- Net result was positive at EUR 1,743 thousands, compared to negative EUR 1,573 thousands in 1Q14.

- Order Intake decreased 0.4% quarter on quarter at EUR 67,306 thousands (1Q14: 67,564).
- Order Book increased 26% to EUR 126,967 thousands (FY14: 100,967).
- Book to bill ratio was 1.63x in 1Q15 compared to 1.65x in 1Q14.

A comment from our CEO

Following two exceptionally strong quarters, 1Q15 results were subdued but in line with market guidance. Revenues for the quarter amounted to EUR 41,311 thousands, a slight increase compared to 1Q14, partially due to favourable currency exchange differences.

Order intake was strong in 1Q15 with a majority of day-to-day and smaller project orders. During the quarter Cavotec also registered one large project, which was for MoorMaster™ automated mooring units for the Port of Salalah in Oman. The main factor behind the minor decrease in order intake for the period compared to 1Q14 was the exceptional MoorMaster™ order for St. Lawrence Seaway in Canada last year.

Cavotec's order book remains strong at EUR 126,967 thousands, comprising a healthy mix of both larger and smaller projects, as well as a solid foundation of day-to-day business. We see the uptick in smaller projects in our order intake as a positive development and an indicator of increased confidence across several of our major markets.

Operational highlights

Cavotec further strengthened its leading position in the Ports & Maritime segment in 1Q15 with several significant orders from major industry players. In January, the Group announced an order for eight MoorMaster™ units for installation at a container berth at the Port of Salalah. Notably, this is the fourth order for MoorMaster™ systems from the Port of Salalah, a returning customer that highlights the effectiveness of the system.

In March, Cavotec announced five orders from one of the world' s largest port equipment manufacturers, ZPMC. The most substantial of these was for cable reels that will sup ply power to 72 ZPMC Automated Stacking Cranes at the P asir Panjang Terminal at the Port of Singapore. For the same terminal, Cavotec will provide 28 spreader cable reels for ship-to-shore container cranes. Pasir Panjang is Singapore's newest and most advanced terminal, with the capacity to load and offload the world's largest container ships. The remaining orders included one for the supply of cable management systems for Electric Rubber Tyred Gantry cranes, (ERTG), and another for a number of gantry and spreader reels for ship-to-shore cranes.

Cavotec also won two separate orders from a European ship-owner : one for six Alternative Maritime Power, (AMP), reels for fixed installations, the other for AMPTainer equipment. Cavotec's innovative AMPTainer units are containerised shore power solutions that enable the connection of vessels to electrical power. AMPTainer minimises modification work required on vessels to accommodate shore power equipment, and is another Cavotec innovation that showcases our advantage in the field of shore electrification of ships.

The Group registered several orders for one of its latest innovations: Automatic Plug-in System,(APS). The system will be used at DP World's major development at the Port of Yarimca in Turkey to provide electrical power and communication connection for ERTG cranes. There was also an order for APS equipment for installation at one of the largest container terminals in Portugal.

Cavotec continued to grow in the Airports segment, with the announcement of two breakthrough orders for its Sub-Freezing DX-Boost pre-conditioned air (PCA) aircraft cooling technology. One of these projects is for the Presidential Flight Hangar at Abu Dhabi International Airport, and the other for the Oman Air Maintenance, Repair & Overhaul facility at Muscat Inter national Airport. For both these orders the Group will design, supply, install, test and commission the Sub-freezing DX-Boost PCA system, 400Hz Converters, Pop-Up Pit and Hatch Pit systems.

DX-Boost technology, or Direct Expansion Boost, cools aircraft at the gate using a liquid-chilled first stage, followed by two or three refrigerated cooling stages with the aid of a high-pressure centrifugal blower and compressors, making DX-Boost considerably more effective than conventional cooling units. Cavotec is one of the few manufacturers currently offering this type of system, and it forms a key element of the Group's comprehensive product offering for the Airports market.

Looking ahead

Growing confidence across several of our major markets, and increased automation and electrification across a wide variety of sectors, are all positive indicators for our long-term development. Our innovative products and systems are seen as key to enabling our customers to meet their productivity and efficiency targets. Furthermore, Cavotec technologies help customers meet and exceed environmental requirements and ensure the safety of their employees and others.

For the coming period, I believe that both our Ports & Maritime and Airports units will be the primary drivers of our growth. Development in our Mining & Tunnelling market unit will be slower, as this sector remains burdened by low commodity pricing and resultant CAPEX reductions. We continue to develop our innovations and I expect our General Industry market unit, and the Group as a whole, to benefit from these efforts in the near future.

I confirm previous guidance for 2015 and expect moderate growth in revenues coupled with a strengthening EBIT margin towards the second half of the year. I also reiterate our longer-term financial goals of organic growth of 10% CAGR and an EBIT margin of 12% over the coming years.

The regions

Revenues in the Americas, (AMER), amounted to EUR 10,299 thousands compared to EUR 6,206 thousands in the same period last year. Order intake decreased 73.5% to EUR 8.604 thousands in 1Q15 compared to the previous year, which was affected by the large MoorMaster™ order in Canada. Gross operating result was negative at EUR 2,103 thousands.

Europe, Middle East & Africa, (EMEA), registered a good order intake in 1Q15, amounting to EUR 57,806 thousands, further strengthened by the large order from the Port of Salalah in Oman and other significant orders in the same area. Order intake was stable compared to 1Q14, resulting in a book-to-bill ratio of 1.51. Gross operating result was positive at EUR 533 thousands.

Far East and Oceania, (APAC), recorded an excellent order intake in the first quarter , amounting to EUR 24,457 thousands and including the significant orders place d by ZPMC. Order intake increased by 92.8% compared to 1Q14, resulting in a book-to-bill ratio of 2.87. Gross operating result was positive at EUR 208 thousands.

The market units

Ports & Maritime continued to be the Group' s strongest Market Unit with EUR 18,848 thousands, representing 45.6% of the Group's 1Q15 revenues. Order intake decreased 16.3% to EUR 34,478 thousands in 1Q15, compared to EUR 41,181 thousands in 1Q14.

Airports, representing 22.7% of the Group' s 1Q15 revenues, increased 6.3% to EUR 9,388 thousands, compared to EUR 8,828 thousands in 1Q14. On the back of a number of large projects, 1Q15 order intake increased 40.9% to EUR 16,297 thousands compared to EUR 11,566 thousands in 1Q14.

Mining & Tunnelling, representing 14.6% of total 1Q15 revenues, increased 6.5% to EUR 6,047 thousands, compared to EUR 5,676 thousands in 1Q14. Order intake increased 36.3% to EUR 8,956 thousands in 1Q15, compared to EUR 6,572 thousands in 1Q14.

General Industry, representing 17% of Group 1Q15 revenues, decreased 14.7% to EUR 7,028 thousands in 1Q15, compared to EUR 8,241 thousands in 1Q14. Order Intake decreased 8.1% to EUR 7,575, compared to EUR 8,245 in 1Q14. This resulted in a book-to-bill ratio of 1.08x that was stable compared to the same period of last year at 1.00x.

Revenues, earnings and profitability

Revenues from sales of goods and services in 1Q15 amounted to EUR 41,311 thousands, compared to EUR 40,899 thousands in the same quarter last year. 1Q15 gross operating result was negatively impacted by a change in product mix. Adjusted operating result, after deducting litigation costs, amounted to a loss of EUR 3,387 thousands compared to a loss of EUR 627 thousands in 1Q14.

Financial items were higher in 1Q15 compared to 1Q14, due to favourable currency exchange differences positively impacting the net profit of EUR 1,743 thousands (negative EUR 1,573 thousands in 1Q14).

Cash flow

Operating cash flow was negative at EUR 10,616 thousands, compared to negative EUR 1,889 thousands in 1Q14. Investing activities increased to EUR 952 thousands, compared to EUR 387 thousands in 1Q14. 1Q15 financial activities amounted to EUR 3,459 thousands, an increase of EUR 3,585 thousands due to loans and borrowings, compared to negative EUR 561 thousands in 1Q14.

Net debt

Net debt increased to EUR 27,022 thousands from EUR 20,002 thou sands at the end of 2014, mainly due to an increase of working capital. As a consequence of the operating loss and increase of net debt, the leverage ratio increased to 1.4x (FY14: 0.91x). Net debt/equity ratio stands at 18.5% compared to 14.5% at the year-end.

Employees

On 31 March 2015 the Group had 1,011 full time equivalent employees, compared to 1,019 on 31 December 2014, and 1,013 on 31 March 2014.

For the full 1Q15 Report please go to: http://investor.cavotec.com/results.cfm

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For further details please contact:

Michael Scheepers

Group Director, IR & Corporate Communications

+41795024010 or michael.scheepers@cavotec.com

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