Press release

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Growth story of technotrans intact despite temporary weakness

Revenue grows by 17.6 percent to € 77.8 million after nine months / EBIT only € 3.0 million / growth strategy to be pursued further / customer projects in new markets are largely running according to schedule

Sassenberg, November 5, 2013

Revenue for the technotrans Group in the first nine months of 2013 climbed 17.6 percent to € 77.8 million (previous year € 66.1 million). This growth was driven first and foremost by the acquisition of KLH Kältetechnik GmbH and its Asian sister companies at the start of 2013. The third quarter of 2013 brought in revenue of € 25.3 million, up 4.7 percent on the prior-year quarter (€ 24.2 million). After the nine months of the 2013 financial year, EBIT amounted to € 3.0 million, or 12.0 percent less than at the same point of the previous year (€ 3.4 million). The EBIT margin at the reporting date fell to just 3.9 percent (previous year 5.2 percent). EBIT for the third quarter reached € 0.8 million (previous year € 1.7 million), which corresponds to an EBIT margin of 3.0 percent. This decrease was primarily due to the unexpectedly weak business performance. Net income for the nine-month period came to € 1.7 million (previous year € 2.1 million). Earnings per share, for shares outstanding, are therefore € 0.25 after nine months (previous year € 0.33).

“The unsatisfactory revenue performance in the Technology segment compared with the original target stemmed mainly from the renewed, unexpectedly sharp downturn in business with customers from the printing industry,” says Henry Brickenkamp, CEO of technotrans AG. “The activities in other sales markets are making headway, but are not yet in a position to compensate for this volume in the short term.”

The number of employees in the group rose from 662 at the end of 2012 to 787 on September 30, 2013. There were 624 (504) employees in Germany and 163 (149) internationally. The increase in the current financial year is attributable to the acquisitions and the above-average number of new apprentices.

The segments

The first nine months of the financial year saw the **Technology segment** generate revenue of € 48.2 million (previous year € 39.0 million). The increase is largely attributable to business expansion following the takeover of KLH. On the other hand print business again declined (especially compared to the drupa year 2012), at a rate which could not be counterbalanced by sales in other areas. This became particularly apparent in the third quarter, when revenue for the segment reached just € 14.8 million and was therefore merely on a par with the previous year despite growth in the new markets (previous year € 14.7 million; after adjustment for the “drupa effect” the prior-year quarter would have brought in approximately € 13.4 million). The revenue shortfall compared with the original plans for 2013 now amounts to around € 7 million; this has prompted the Board of Management to reduce the target for the full year.

From the unexpectedly low revenue total, the Technology segment again brought in a slightly higher loss, which amounted to nearly € -0.9 million in the third quarter of 2013 (previous year € +0.1 million). This brought the aggregate loss for the first nine months of 2013 to € -1.8 million (€ -1.0 million). Over and above the effects of the revenue shortfall, the total reflects investment in accessing new sales markets and, to a lesser extent, one-off measures e.g. for the adjustment of international structures.

Revenue for the **Services segment** at the nine-month mark reached € 29.6 million (€ 27.1 million). The 9.1 percent year-on-year growth is driven in part by the acquisition of KLH. Thus, the rise of 11.1 percent in the third quarter to € 10.5 million (€ 9.5 million) is partly attributable to the implementation of corresponding segment reporting at the new subsidiary since mid-way through the year.

The Services segment again made a stable contribution towards earnings in the third quarter. At just over € 1.6 million for the quarter, the margin reached 15.5 percent (previous year just under € 1.6 million, margin 16.6 percent). One-off expenses such as the closing-down of the subsidiary in Sweden filtered into this item. The nine-month result for the segment is € 4.8 million (previous year € 4.4 million), representing growth of 7.8 percent. The EBIT margin at the reporting date remains virtually unchanged at 16.2 percent.

Financial position

The equity ratio at September 30, 2013 was once again 56.3 percent. The group’s net liquidity, in other words interest-bearing liabilities less cash and cash equivalents, was € 1.5 million; gearing (the ratio of net debt to equity) is consequently negative at -3.6 percent.

Based on net income of € 1.7 million (previous year € 2.1 million) for the nine-month period, the cash flow from operating activities before changes in working capital totalled € 5.6 million (previous year € 6.5 million). Within working capital, there was a year-on-year change in liabilities due to reporting-date factors, mainly from the scaling-back of liabilities by KLH during the first nine months. Over the same period of the previous year, cash of € 0.4 million was released through changes in working capital.
After deduction of interest and income tax payments, the net cash from operating activities for the period under review was again comfortably positive at € 2.2 million (previous year € 6.1 million).

The cash sum of € 5.6 million used for investing activities comprises the customary maintenance investments as well as the cash outflow for the acquisition of the interest in KLH Kältetechnik GmbH and its Asian sister companies (€ 3.3 million net), plus a conditional purchase price component for the acquisition of Termotek AG (€ 0.8 million).
At the nine-month mark the free cash flow therefore remained negative at € -3.4 million (previous year € 5.0 million).
Credit facilities agreed at the start of the financial year were used for example to finance the acquisition of the interest, while scheduled repayments amounting to € 3.5 million were made in the course of the first half. A payment of € 0.8 million was made to the shareholders by way of a dividend for the 2012 financial year. The net cash employed for financing activities therefore came to € 2.7 million (previous year € -3.6 million) after nine months. Since the balance sheet date of December 31, 2012 cash and cash equivalents have fallen by 4.0 percent to € 18.0 million. In conjunction with available credit facilities approved and promised, the current financial position continues to offer ample leeway for financing current business and also for potential acquisitions.

Outlook

The delay in the recovery coming has been compounded by the unexpectedly sharp downturn in business with customers from the printing industry, resulting in the unsatisfactory business performance in the third quarter of 2013. The revenue shortfall compared with the original plans is in the order that the company is not yet in a position to recoup through its activities in new markets in the short term. The Board of Management has consequently resolved to adjust the targets for the year as a whole. The current position indicates that revenue for the 2013 financial year will reach a total of around € 102 million (most recent forecast € 105 million). This assumption is based on the expectation that the business performance in the fourth quarter will change only minimally from that of the third quarter. The final total for the year will moreover depend on whether various customer projects can be completed in December as planned, or whether projects will be delayed until the next financial year.

Management is rather more optimistic about developments in the next financial year. Initially it is assumed that revenue growth will reach six percent, on the one hand thanks to the more benign investment climate that the economic forecasts currently anticipate and on the other hand because projects beyond the printing industry will bring in an increasing share of revenue. “However, based on recent experience we consider it advisable to anticipate that either of these effects could take rather longer to materialise, because in this respect too we are normally dependent on the progress of development work at our customers”, says Brickenkamp. “Opportunities arising from growth in our market shares in the printing industry, from trends in the e-mobility sector or from the laser industry are only built into this estimate to the extent that their impact is already foreseeable today.”

In order to accelerate growth further, technotrans is stepping up the sales activities in the new markets. “In an effort to see that the additional customer projects are completed successfully, we continue to invest considerable amounts in resources. The resulting revenue will then bring the cost ratios back down to normal levels”, says Dirk Engel, CFO of technotrans AG. The revenue growth and the ongoing optimisation processes should therefore help improve the EBIT margin to 6 to 7 percent next year. “The technotrans growth story thus remains fully intact and, as matters stand,” says Brickenkamp. “The attainment of our medium and long-term goals is merely being postponed by a year.” The company will publish firm guidance for the 2014 financial year at the usual time in March.

Note: Statements made in this report relating to future developments are based on our cautious estimate of future events. The actual performance of the company may differ substantially from that planned, as it depends on a large number of market-related and economic factors, some of which are beyond the company’s control.

Download: The full Interim Report can be downloaded from the internet on **www.technotrans.com**, under Investor Relations - Reports.

Dates: **Eigenkapitalforum November 11. – 12., 2014**
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technotrans Group
Key figures acc. to IFRS

		Change	**1.1.- 30.9.13**	**1.1.- 30.9.12**	**FY 2012**	**FY 2011**
Earnings						
Revenue	€ '000	17.6%	77,769	66,126	90,662	97,265
Technology	€ '000	23.5%	48,189	39,018	53,733	61,673
Services	€ '000	9.1%	29,580	27,108	36,929	35,592
Gross profit	€ '000	6.1%	24,335	22,941	31,652	30,779
EBITDA [1]	€ '000	-3.4%	5,465	5,657	8,319	7,980
Earnings before interest and taxes (EBIT)	€ '000	-12.0%	3,026	3,439	5,357	4,787
Net profit for the period	€ '000	-17.1%	1,736	2,095	3,094	3,019
as % of revenue	%		2.2%	3.2%	3.4%	3.1%
Net result per share (IFRS)	€	-22.9%	0.25	0.33	0.48	0.47
Balance sheet						
Issued capital	€ '000	0.0%	6,908	6,908	6,908	6,908
Equity	€ '000	8.4%	43,098	39,768	40,865	37,291
Equity ratio	%		56.3%	57.9%	63.2%	55.5%
Return on equity	%		4.0%	5.4%	7.9%	8.5%
Balance sheet total	€ '000	11.5%	76,520	68,640	64,705	67,215
Net debt [2]	€ '000		-1,545	-430	-8,462	4,890
Working capital [3]	€ '000	19.5%	27,400	22,933	27,087	18,527
ROCE [4]	%		5.3%	6.3	10.1%	8.9%
Employees						
Employees (average)		21.3%	768	633	646	659
Personnel expenses	€ '000	16.3%	27,883	23,966	32,651	33,224
as % of revenue	%		35.9%	36.2%	36.0%	34.2%
Revenue per employee	€ '000	-3.1%	101	105	140	148
Cash flow						
Cash flow [5]	€ '000		2,220	6,075	10,979	5,868
Free Cash flow [6]	€ '000		-3,409	5,021	13,172	3,606
Shares						
Number of shares at end of period		0.5%	6,466,510	6,432,775	6,455,404	6,432,775
Share price (max)	€	65.1%	10.35	6.27	7.20	7.51
Share price (min)	€	68.3%	6.90	4.10	4.10	4.01

1 EBITDA = EBIT + amortisation of goodwill + depreciation of property, plant and equipment and intangible assets
2 Net debt = interest-bearing liabilities – cash and cash equivalents
3 Working capital = current assets – current liabilities
4 ROCE = EBIT / Capital employed
5 Cash flow = Net cash from operating activities acc. to Cash flow Statement
6 Free Cash flow = Net cash from operating activities + net cash used for investments acc. to Cash flow Statement