AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

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EANS-News: AT & S Austria Technologie & Systemtechnik Aktiengesellschaft / AT&S increases profitable growth in the first half-year 2018/19

No Keyword

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- Revenue at new record level of EUR 516.9 million
- EBITDA up 32.5% thanks to higher earnings from Chongqing
- Second expansion phase in Chongqing to secure technology leadership initiated
- Outlook for 2018/19: Revenue growth of 6 to 8% and EBITDA margin of 24 to 26%

In the first six months of the current financial year, AT&S recorded a very positive revenue and earnings development compared with the prior-year period, which also led to an upgrade of the outlook for the financial year 2018/19.

Revenue rose by 6.4% from EUR 485.7 million to EUR 516.9 million, thus reaching the highest level to date. This increase resulted primarily from the additional capacity at the plants in Chongqing, which were in part still in the start-up phase in the comparative period of the previous year, and generally very strong demand for IC substrates. In addition, a good development was recorded in the Medical & Healthcare sector in particular. However, supply shortages for important components are currently slowing down demand in the Automotive and Industrial sectors. Moreover, stricter emission test procedures in the wake of the diesel scandal imply a reduction in demand in the Automotive sector.

Exchange rate effects, especially due to the weaker US dollar, had a negative impact of EUR 15.3 million or 3.1% on the development of revenue. The application of the new accounting standard (IFRS 15) led to early revenue realisation of EUR 6.3 million or 1.3% due to an early recognition of revenue for some customers.

EBITDA improved by 32.5% to EUR 138.3 million (previous year: EUR 104.4 million). The increase results from significant improvements in earnings in Chongqing. Chongqing was partially still in the start-up phase in the same period of the previous year, resulting in the corresponding negative effects on earnings. The current period already reflects measures to enhance efficiency and improve productivity, which were successfully implemented in the past quarters. The negative currency effects from revenue were nearly fully offset by positive FX valuation effects in EBITDA. The EBITDA margin amounted to 26.8% in the first six months, up by 5.3 percentage points on the prior-year level of 21.5%.

"The current business development confirms the strategy of AT&S. The continuation of our growth strategy shows the successful positioning in the markets served by AT&S. We can participate in the growing demand for IC substrates, in particular in the high-end technology segment. The operating performance at the plants is also developing very well. We are thus strengthening our position as one of the global top 3 companies for high-end interconnect solutions," Andreas Gerstenmayer, CEO of AT&S, commented the development of the first half of the year.

EBIT rose by EUR 35.0 million from EUR 36.9 million to EUR 71.9 million. The EBIT margin amounted to 13.9% (previous year: 7.6%).
Finance costs - net improved to EUR -0.1 million (previous year: EUR -5.6 million), which was predominantly attributable to positive exchange rate effects and the optimisation of interest expenses. Tax expenses amounted to EUR 16.5

million in the first six months (previous year: EUR 15.9 million). Due to the significantly improved operating result and the improvement in finance costs - net, profit for the period was up by EUR 40.0 million from EUR 15.4 million to EUR 55.4 million. As a result, earnings per share rose from EUR 0.40 EUR to EUR 1.32. Interest on hybrid capital of EUR 4.2 million (previous year: EUR 0.0 million) was deducted in the calculation of earnings per share.

Statement of financial position and cash flow

Based on the increase in equity and the higher total assets resulting from the issue of the promissory note loan, the equity ratio, at 40.5%, was 6.0 percentage points lower than at 31 March 2018.

Net debt declined slightly from EUR 209.2 million to EUR 196.7 million. Cash flow from operating activities amounted to EUR 58.0 million in the first six months of 2018/19 (previous year: EUR 43.6 million). The significantly higher net CAPEX in the prior-year period was attributable to the start-up phase in Chongqing.

Acc. to IFRS; (in EUR million)	H1 2017/18 01.04.-30.09.2017	H1 2018/19 01.04.-30.09.2018	Change
Revenue	485.7	516.9	6.4%
EBITDA	104.4	138.3	32.5%
EBITDA margin (in %)	21.5	26.8	
EBIT	36.9	71.9	95.1%
EBIT margin (in %)	7.6	13.9	
Profit for the period	15.4	55.4	>100%
Cash flow from operating activities	43.6	58.0	33.0%
Net CAPEX	95.0	37.9	-60.1%
Equity ratio (in %)	46.5*	40.5**	-
Net debt	209.2*	196.7**	-6.0%
Earnings per average number of shares outstanding (in EUR)	0.40	1.32	> 100%

*) At 31.03.2018 **) At 30.09.2018

Mobile Devices & Substrates segment with clear revenue growth

In the first half-year, the segment benefited from substantially higher revenue and earnings from the plants in Chongqing. This gratifying development was supported by a higher-value product portfolio of IC substrates (for example server applications). Despite negative currency effects of roughly EUR 13 million, which are not fully reflected in the earnings number, the segment's revenue increased by 9.1% from EUR 358.9 million to EUR 391.5 million.

EBITDA improved by 38.4% from EUR 80.3 million to EUR 111.2 million. In addition to the absence of start-up costs for the Chongqing plant, the increase in earnings results from the measures to enhance efficiency and to improve productivity, which were successfully implemented in the past quarters. Overall, this resulted in an EBITDA margin of 28.4%, which significantly exceeds the prior-year level of 22.4%.

Automotive, Industrial, Medical segment slightly below previous year

The segment's revenue, at EUR 178.9 million, was slightly lower than in the previous year. Strong demand was recorded especially in the Medical & Healthcare sector in the first half of the year. The Automotive sector faced a decline in demand due to the diesel scandal and the resulting drop in sales among car manufacturers. In addition, supply shortages for important components slowed down the demand for printed circuit boards in the Automotive and Industrial sectors.

The segment's EBITDA, at EUR 24.4 million, exceeded the prior-year level of EUR 23.0 million. Earnings contribution from a better product mix and positive currency effects offset the decline in volume. As a result, the EBITDA margin rose from 12.4% to 13.6%.

Future-oriented investment in new technology development
In view of the current mega trends such as connected systems, autonomous driving or artificial intelligence with higher data rates and volumes as well as high performance density, the requirements for interconnect technology are also increasing. AT&S benefits from this development as the growing data flows of digitalisation place increasing requirements on the capability of components.

Due to the technological change, AT&S sees a good opportunity to take the next step for the technology development, and hence the second expansion phase at plant 1 in Chongqing. The plan is to gradually realise the technology implementation in the next two to three years, which may lead to an investment volume of up to EUR 160 million. With this strategically important step, AT&S is setting another milestone in the area of high-performance applications along its growth path to become one of the globally leading interconnect solution providers.

Guidance for the financial year 2018/19 upgraded
On the basis of the business development in the first half of the current year, the positive outlook for the coming months and taking into account seasonal effects in the fourth quarter of the current financial year 2018/19, management has increased its forecast for revenue and earnings. Based on stable exchange rates, the management expects revenue growth of 6 to 8% (previously up to 6%) and an EBITDA margin in the range of 24 to 26% (previously up to 23%) for the financial year 2018/19.

In the current financial year, around EUR 140 to 160 million will be invested in maintenance, technology upgrades for current business operations as well as for capacity and technology expansions, with the capacity increase of high-frequency printed circuit boards in the area of autonomous driving at the sites in Nanjangud, India and Fehring, Austria already being implemented.

Further inquiry note:
Gerda Königstorfer, Director Investor Relations & Communications
Tel: +43 3842 200-5925; Mobile: +43 676 8955 5925; g.koenigstorfer@ats.net

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issuer: AT & S Austria Technologie & Systemtechnik Aktiengesellschaft
Fabriksgasse 13
A-8700 Leoben
phone: 03842 200-0
FAX:
mail: ir@ats.net
WWW: www.ats.net
ISIN: AT0000969985
indexes: ATX GP, VÖNIX, WBI
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