

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

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EANS-News: AT & S Austria Technologie & Systemtechnik Aktiengesellschaft / Revenue exceeds the one-billion-euro mark again; EBITDA margin at expected level

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Annual Result

Leoben -

- * Solid business development despite trade conflict China - USA, Brexit and COVID-19
- * Revenue of EUR 1,000.6 million nearly at prior-year level
- * EBITDA, at EUR 194.5 million, influenced by market developments and investments in the future
- * Earnings per share down to EUR 0.34; dividend of EUR 0.25 proposed
- * Revenue and EBITDA in the Q1 at prior-year level
- * Outlook for FY 2020/21 as soon as economic environment is better quantifiable
- * Investments in the IC substrate and module business to be consistently continued
- * AT&S considers market trends still intact and adheres to medium-term guidance

AT&S delivered solid results for the financial year 2019/20 despite a challenging operating environment (e.g. trade conflict China-USA, Brexit, global economic downturn and COVID-19). Strategically, AT&S is on a promising course. Globally the past financial year was heavily influenced by a significant slowdown of the economy and the outbreak of the COVID-19 pandemic. Although the AT&S management team was very successful at reducing the effects of the COVID-19 outbreak on the ongoing production activity to a minimum at all locations, the economic implications could not be fully avoided. On the market side, it was above all a change in product mix in the Mobile Devices segment and the declining demand in the Industrial segment that had an impact on earnings. The increase in sales volume of IC substrates and in the Medical & Healthcare segment generated a positive effect.

Earnings position

Consolidated revenue again exceeded the one-billion-euro mark, but declined slightly by 2.7% year-on-year to EUR 1,000.6 million (previous year: EUR 1,028.0 million). The catch-up effects expected for the fourth quarter failed to occur after the outbreak of the COVID-19 pandemic. EBITDA, at EUR 194.5 million, was lower than in the previous year at EUR 250.1 million. The EBITDA margin declined to 19.4% (previous year: 24.3%) and was within the target range of 18 to 20%, which had been adjusted in the third quarter. The main reasons for this include the intensive preparations for the strategic expansion of business. EBIT dropped to EUR 47.4 million (previous year: EUR 117.2 million). The EBIT margin amounted to 4.7% (previous year: 11.4%).

Finance costs - net decreased from EUR -2.0 million to EUR -6.5 million. Tax expense amounted to EUR 19.5 million (previous year: 26.2 million). Profit for the year stood at EUR 21.5 million (previous year: EUR 89.0 million), and earnings per share of EUR 0.34 (previous year: EUR 2.08) were recorded. In the calculation of earnings per share, interest on hybrid capital in the amount of EUR 8.3 million (previous year: EUR 8.3 million) was deducted from the profit for the year.

Financial and asset position

Cash flow from operating activities amounted to EUR 185.1 million in the reporting period (previous year: EUR 170.5 million). Free cash flow from operating activities, i.e. cash flow from operating activities less net outflows for property, plant and equipment and intangible assets, amounted to EUR -33.4 million (previous year: EUR 69.7 million). AT&S was therefore able to finance its high investment activity essentially out of its own resources.

The equity ratio declined by 4 percentage points year-on-year to 41.0% (previous year: 45.0%) due to currency translation differences, among other things for long-term loans to subsidiaries. Net debt rose by 64.2% to EUR 246.7 million (previous year: EUR 150.3 million), which results primarily from an increase in financial liabilities.

Net gearing increased from 18.7% to 32.5%. The theoretical repayment period (ratio net debt to EBITDA) rose from 0.6 to 1.3 years and is still clearly below the defined maximum of 3.0 years.

Dividend

Against the background of the solid business development, the Management Board and Supervisory Board will propose a dividend of EUR 0.25 per share to the Annual General Meeting for the financial year 2019/20.

Acc. to IFRS; (in EUR million)	2018/19 01.04.2018- 31.03.2019	2019/20 01.04.2019- 31.03.2020	Change
Revenue	1,028.0	1,000.6	-2.7%
EBITDA	250.1	194.5	-22.2%
EBITDA margin (in %)	24.3	19.4	
EBIT	117.2	47.4	-59.6%
EBIT margin (in %)	11.4	4.7	
Profit for the year	89.0	21.5	-75.9%
Cash flow from operating activities	170.5	185.1	8.6%
Net CAPEX	100.8	218.5	116.7%
Equity ratio (in %)	45.0*)	41.0*)	-
Net debt	150.3*)	246.7*)	64.2 %
Earnings per share (in EUR)	2.08	0.34	-83.7 %

*) as of balance sheet date 31.03.

Segments

The Mobile Devices & Substrates segment continued its positive business development; the dampening effects resulting from the change in product mix for mobile devices and temporary underutilisation related to COVID-19 were only partially offset by increased sale volumes in the area of IC substrates. Revenue increased slightly by 0.3% to EUR 778.5 million (previous year: EUR 776.0 million). EBITDA dropped by 18.1% to EUR 158.6 million (previous year: EUR 193.5 million). The EBITDA margin declined by 4.5 percentage points to 20.4% (previous year: 24.9%).

The Automotive, Industrial, Medical segment basically continued its stable development, but was unable to achieve the level of the previous year economically. The Automotive and Industrial segments were confronted with a difficult environment leading to increased price pressure in both sectors and also to lower demand in the Industrial segment. Demand in the Medical & Healthcare segment continued to be strong. Overall, revenue dropped by 4.0% to EUR 350.4 million (previous year: EUR 365.2 million). EBITDA fell by 45.1% to EUR 28.9 million.

Strategy

The digitalisation trends remain intact and are even strengthening due to the current corona crisis. As a high-end supplier, AT&S is excellently positioned in the market and intends to significantly expand its leading edge in the years to come based on massive investments (above all in the rapidly growing area of IC substrates) and technology expansion (and/or expansion of services). Based on its corporate strategy, AT&S adheres to its medium-term goals, leading to a doubling of revenue and an EBITDA margin of 25 to 30%.

As digitalisation progresses, the requirements placed upon digital infrastructure will increase massively in the coming years - both for the devices themselves (modularisation, miniaturisation) and for their environment (data storage, organisation of data processes). The new 5G mobile telecommunication standard will cause exponential growth of the data volume to be transmitted and processed, and take the requirements for decentralised computing performance to a new level. Consequently, demand for new technologies in the area of high-end printed circuit boards, IC substrates and modules will also grow.

Outlook 2020/21

Thanks to its strategic alignment, AT&S considers itself well prepared to successfully overcome the current crisis and to positively participate in the intact market trends in the medium term. Even though the company has so far not been essentially affected by disruptions in the value chain, there may be influences on customer demand in the coming months.

Due to very limited visibility, coupled with high volatility in the markets, AT&S will take measures in the coming quarters enabling it to act flexibly and rapidly to reflect the changing framework conditions. These measures include, among others, strict control of costs and expenses, tight management of the supply chain and close interaction with customers and business partners. At the same time, the company works on systematically preparing scenarios for the time after the crisis.

The expectations for the individual segments of AT&S for the current financial year are as follows: Product launches may be delayed in the Mobile Devices segment due to the low visibility. In the Automotive segment, visibility is also limited so that specific developments remain to be seen. The Industrial segment will continue to develop at a low level as in the previous year, while a stable development is expected for medical applications. The demand for IC substrates is expected to remain strong according to current forecasts.

Operationally, AT&S will concentrate on optimally utilising existing and building new capacities, especially for IC substrates in Chongqing in the current year, and above all continue to drive the expansion of its business performance. Based on current information and anticipating the usual seasonality, AT&S expects a solid performance in the first quarter, with revenue and EBITDA at the level of the previous year. The economic impact of the COVID-19 pandemic is difficult to predict and consequently leads to a significant uncertainty in forecasts. AT&S will therefore report on recent events in the markets and in the company on an ongoing basis throughout the financial year and update the outlook as soon as the economic framework conditions can be better quantified.

Investment activities in FY 2020/21

The Management Board considers the market trends to be fully intact. Therefore, AT&S will continue its investment programme for new capacities and technologies in the current financial year as previously announced. In line with spending discipline, a reduced budget of up to EUR 80 million is planned for basic investments (maintenance and technology upgrades) depending on the market development. As part of the strategic projects, the management plans investments totalling up to EUR 410 million for the financial year 2020/21 - depending on the progress of projects.

Further inquiry note:

Gerald Reischl, Director Communications & Public Relations

Tel: +43 3842 200-4252; Mobile: +43 664 8859 2452; g.reischl@ats.net

Gerda Königstorfer, Director Investor Relations

Tel: +43 3842 200-5925; Mobile: +43 676 8955 5925; g.koenigstorfer@ats.net

AT & S Austria Technologie & Systemtechnik Aktiengesellschaft

Fabriksgasse 13

8700 Leoben / Österreich

www.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

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