

ECA Group: improved profitability in the first half of 2018

ECA Group (Euronext Paris: ECASA) published its 2018 first half year results today.

<i>(in € millions)¹</i>	H1 2018	H1 2017 Restated IFRS 15 ²	Change	H1 2017 reported
Revenue	50.4	55.2	-8.6%	54.4
EBITDA	5.3	4.9	+9.7%	3.6
% revenue	10.6%	8.8%	177bps	6.6%
Adjusted EBITDA ³	5.5	5.5	-1.5%	4.3
% adjusted revenue	10.9%	10.3%	53bps	8.1%
Operating income	0.9	0.8	+5.3%	0.7
Adjusted operating income ³	1.7	2.1	-18.3%	2.0
Financial income and expense	0.7	(0.4)	+302.3%	(0.4)
Tax	(0.6)	(0.1)	nm	0.0
Net income	1.0	0.4	+138.5%	0.3

¹ Limited review procedures were performed by the Statutory Auditors, and the audit report is currently being issued.

² As from January 1, 2018, the Group applies IFRS 15 – Revenue from Contracts with Customers. All changes and comments indicated in this press release are in comparison with the 2017 figures restated for the implementation of this standard. Detailed reconciliations can be found in the H1 2018 financial report.

³ In order to assess the performance of ongoing activities, the Group presents and comments on the adjusted results, in addition to the reported figures. The adjustments concern in particular the contribution of ECA Sindel and SSL. The figures in this press release are not expressed as adjusted figures, unless otherwise specified.

Double-digit EBITDA margin and strong improvement in cash flow generated by the business

In the first half of 2018, ECA Group **revenue** was €50.4 million, down 8.6% compared with the first half of 2017. This decline reflects the low volume of orders observed before the end of 2017. The strong performance of Simulation since the beginning of the year, and that of the Aerospace division in the second quarter, partially offset the decline in the Robotics division. Excluding the contribution of activities discontinued in 2018, Group adjusted revenue was €50.1 million, down 6.3% compared with the first half of 2017.

Despite the drop in revenue, the Group's EBITDA margin improved to 10.6%, versus 8.8% in the first half of 2017 (10.9% and 10.3% in adjusted figures), reflecting the impact of measures aimed at improving operating efficiency, implemented since the end of 2017. The **EBITDA** was €5.3 million in the first half of 2018, versus €4.9 million in 2017, an increase of 9.7%.

Profit from continuing operations amounted to €1.6 million, versus €1.2 million in the first half of 2017. Operating income was affected notably by restructuring costs for €0.7 million.

Financial income and expense made a positive contribution to income (+€0.7 million versus -€0.4 million in 2017), due in particular to the receipt of €0.6 million in late payment interest as part of the research tax credit refund.

Group **net income** amounted to €1.0 million in the first half of 2018, versus €0.4 million in the prior-year period.

Cash flow generated by the activity increased sharply in the first six months of the year to €4.2 million, versus -€5.0 million in 2017. It benefited from an improvement in **working capital requirements**, which decreased significantly by €2.2 million at June 30, 2018, versus an increase of €7.9 million at June 30, 2017.

At June 30, 2018, **net debt** stood at €10.9 million, including treasury shares of €1.3 million, compared with €13.0 million at December 31, 2017.

The reduction in net debt is due in particular to lower **investments** at €3.0 million in the first half of 2018, versus €4.0 million in the first half of 2017. Investments were especially high for several years.

Performance by division

(in € millions)	Revenue			EBITDA		
	H1 2018	H1 2017 Restated IFRS 15	Change	H1 2018	H1 2017 Restated IFRS 15	Change
Robotics	27.7	33.7	-18.0%	4.0	3.9	+4.4%
Aerospace	16.8	17.7	-4.7%	0.3	0.7	-53.9%
Simulation	5.9	3.8	+54.3%	0.9	0.4	+104.1%
Structure & disposals	0.0	(0.0)	ns	0.0	(0.1)	ns
Consolidated	50.4	55.2	-8.6%	5.3	4.9	+9.7%
<i>adjusted</i>	<i>50.1</i>	<i>53.5</i>	<i>-6.3%</i>	<i>5.5</i>	<i>5.5</i>	<i>+1.5%</i>

In the first half, revenue from the **Robotics** division was €27.7 million, down 18.0% compared with the first half of 2017, and down 14.3% on a comparable basis (deconsolidation of ECA Sindel at January 1, 2018). This performance is due to delays in orders observed until the end of 2017, which adversely affected the first months of 2018.



The division's EBITDA was up 4.4% to €4.0 million in the first half of 2018, i.e. an EBITDA margin of 14.6%, versus 11.5% in the first half of 2017, reflecting the deconsolidation of ECA Sindel and the initial effects of the measures implemented to strengthen operating efficiency.

Revenue from the **Aerospace** division stood at €16.8 million, down 4.7% compared with the first half of 2017. However, revenue was up 3.1% in the second quarter, bolstered by the strong performance of the embedded equipment business.

This drop in revenue was reflected in a decline in the division's EBITDA, down 53.9% to €0.3 million in the first half of 2018.

Lastly, **Simulation** recorded growth of 54.3% compared with the first half of 2017 at €5.9 million, driven by the fulfillment of the second order for military vehicle driving simulators, which will continue in the second half. The division's non-strategic activity was discontinued in the third quarter of 2018. Adjusted for the contribution of this subsidiary, the division's revenue was €5.6 million in the first half of 2018, versus €3.6 million for the same period last year.

The Simulation division's EBITDA was €0.9 million in the first half of 2018, versus €0.4 million in 2017, i.e. up significantly by 104.1% (1.0 million and 0.7 million, i.e. +34.2%, in adjusted data).

Outlook

At June 30, 2018, ECA Group's **backlog** was €99 million, versus €97 million at December 31, 2017, i.e. an increase of 2.2%. The Group recorded several commercial successes in Robotics over the first six months of the year, following a year affected by order postponements in 2017. The Group is expected to record major new orders before the end of the year.

In Simulation and Aerospace, the Group is positioned to bid for several major calls for tender representing more than €5 million. In the Robotics division, the teams are working on a particularly important call for tender.

In this context, ECA Group confirms its target of a slight increase in 2018 revenue compared with 2017, and of improved profitability, with a focus on better operating efficiency and cost reduction.

A commented presentation of ECA Group's annual results is available on our [Youtube channel](#)

Next release: Publication of third-quarter 2018 revenue on October 26, 2018, before market opening.



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Some of these risk factors are set forth and detailed in our Document de Référence (Registration Document including the annual financial report filed with the French Autorité des Marchés Financiers). This list of risks, uncertainties and other factors is not limitative. Other non-anticipated, unknown or unforeseeable factors could also have material adverse effect on our targets. The Group expressly disclaims any obligation or undertaking to update or revise any forward-looking statements or targets potentially contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based.

The ECA Group

Recognized for its expertise in robotics, automation systems, simulation and industrial processes, the ECA Group has been developing complete, innovative technological solutions for complex missions in hostile and confined environments since 1936. Its product offering is designed for an international client base that is demanding, both in terms of safety and effectiveness. The Group's main markets are in the defense, maritime, aeronautics, simulation, industrial and energy sectors.

In 2017, the Group reported revenue of €112.0 million across its three divisions: Robotics & Integrated Systems, Aeronautics and Simulation.

The ECA Group is a Groupe Gorgé company.

The ECA Group is listed on Euronext Paris Compartment C.

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