HALF-YEAR RESULTS 2017: MTU AERO ENGINES RAISES FORECAST

News / Finance, Maintenance / Trainings

MTU Aero Engines AG generated revenues of €2,548.0 million in the first six months of 2017, up 11% on the previous year (1-6/16: €2,299.2 million). The group's operating profit increased by 26% from €254.1 million to €320.8 million, resulting in an EBIT margin of 12.6% (1-6/16: 11.1%). Earnings after tax increased by 29% from €176.1 million to €227.5 million.

"The development in the first half year allows us to provide a more precise full-year guidance based on concrete targets rather than approximate ranges, and we can raise our forecast," said Reiner Winkler, CEO of MTU Aero Engines AG. MTU expects revenues to reach some €5.3 billion by the end of 2017, which is higher than the original forecast of between €5.1 and €5.2 billion. Winkler adds: "Deliveries for the Geared Turbofan™ programs are set to increase significantly in the second half of the year, with a corresponding impact on earnings." Nonetheless, MTU's operating profit could well be higher than anticipated, rising to around €560 million (adjusted EBIT in 2016: €503.0 million). This will result in a stable EBIT margin for MTU. Earnings after tax are expected to amount to approximately €390 million in 2017 (adjusted net income for 2016: €345.4 million).

In the first six months of 2017, the commercial maintenance business recorded the highest growth rate in terms of revenues, which increased by 32% to €1,181.0 million (1-6/16: €893.3 million). The main source of these revenues was the V2500 engine, which powers the Airbus A320 family. "Q2 revenues amounted to €592.6 million, making this the seventh consecutive record-breaking quarter for the commercial maintenance business," added Chief Program Officer Michael Schreyögg. "This success illustrates the strength of our market position." MTU not only has a larger engine portfolio than any other MRO service provider but also enjoys broad access to the market through its partnerships with OEMs and airlines, in addition to the customers it serves as an independent service provider. "We expect this positive trend in the commercial maintenance business to continue through to the end of the year, and that full-year revenues expressed in U.S. dollars will increase by a percentage in the mid-to-high teens," said CEO Winkler. Until now, MTU

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had reckoned with an increase in the region of 10%.

In the six months to the end of June 2017, revenues in the commercial engine business grew by 4% from €1,200.9 million to €1,242.8 million. The V2500, the GEnx for the Boeing 787 and 747-8, and the PW1100G-JM for the A320neo accounted for the greatest share of these revenues. “Spare parts sales developed particularly well,” added Winkler. “In U.S.-dollar terms, we expect this area of business to grow by a high single-digit percentage in 2017.” Until now, MTU’s outlook for spare parts sales foresaw a growth rate in the mid-single digit percentage range.

Revenues in the military engine business decreased by 28% to €172.5 million (1-6/16: €240.2 million). The EJ200 Eurofighter engine was the main source of these revenues. “In the light of delays in the EJ200 program and an outstanding after-market servicing agreement for the RB199 Tornado engine, we are expecting revenues in our military engine business to decrease by a percentage in the mid-teens range. We should be able to make up for some of the delays later this year, and then catch up fully in 2018,” said Schreyögg. At the beginning of the year, MTU had expected a decrease in military engine revenues in the high single-digit percentage range.

MTU’s order backlog stood at €12,988.9 million at the end of June 2017 (December 31, 2016: €14,172.2 million). Most of these orders relate to the V2500 and to the Geared Turbofan™ engines of the PW1000G family, foremost among them the PW1100G-JM for the A320neo. “Our priority today is to process the record volume of orders received in the past few years, without compromising on quality, while at the same time dealing with the ramp-up of the Geared Turbofan™ programs,” said Chief Operating Officer Dr. Rainer Martens.

Both of MTU’s operating segments reported improved earnings in the first six months of 2017. Adjusted EBIT in the OEM segment increased by 28% to €216.8 million (1-6/16: €169.5 million), while the EBIT margin rose by 3.5 percentage points from 11.8% to 15.3%. In the MRO segment (commercial maintenance business) earnings increased by 23% to €103.7 million (1-6/17: €84.5 million). The EBIT margin in this segment amounted to 8.8% (1-6/16: 9.5 %).

MTU spent €110.7 million on research and development in the first six months of 2017 (1-6/16: €113.6 million). These R&D activities mainly focused on the Geared Turbofan™ programs and future enhancements, the GE9X engine for the Boeing 777X long-haul airliner, various technology studies, and R&D projects relating to next-generation engine design.

MTU’s free cash flow at June 30, 2017 amounted to €83.6 million, or 20% over the comparative figure for the previous year (1-6/16: €69.8 million). “For the full year, we expect a free cash flow in the region of €120 million,” said Winkler.

MTU’s investment in property, plant and equipment totaled €54.6 million in the first six months of 2017 (1-6/16: €59.2 million). This expenditure mainly served to optimize the final assembly line for the PW1100G-JM.

MTU had 8,499 employees at June 30, 2017, compared with 8,368 at December 31, 2016.

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