



MTU AERO ENGINES SLIGHTLY RAISES EARNINGS FORECAST FOLLOWING NINE-MONTH RESULTS

News / Finance, Maintenance / Trainings



In the first nine months of 2016, MTU Aero Engines AG saw its revenues increase by 4% to €3,401.3 million (1-9/2015: €3,257.0 million). The group's operating profit increased by 18% to €393.8 million (1-9/2015: €333.1 million), improving the EBIT margin from 10.2% to 11.6%. Earnings after tax increased by 18% to €273.4 million (1-9/2015: €231.4 million).

"Our earnings in the first nine months of 2016 have progressed better than we expected," said Reiner Winkler, CEO of MTU Aero Engines AG. "Based on these results and on our expectations for the fourth quarter, we raise our earnings forecast for the second time this year." By year-end, MTU now expects adjusted EBIT to grow to around €500 million. The original forecast was of around €480 million (adjusted EBIT 2015: €440.3 million). The group's net income is expected to increase in line with adjusted EBIT, to reach around €340 million at year end. The previous forecast for net income was €330 million (2015: €306.9 million). MTU has not changed its revenue forecast, which remains at €4.7 billion (2015: €4.4 billion).

The increase in MTU's revenues is primarily due to strong growth in the commercial maintenance business, where revenues grew by 19% to €1,368.3 million (1-9/2015: €1,148.4 million). The main source of these revenues was the V2500 engine for the A320. "MTU Maintenance keeps striding from one best performance to the next," said Chief Program Officer Michael Schreyögg. "With third-quarter revenues of €475.0 million, the business unit has beaten previous quarterly records four times in a row. This string of successes is likely to be reflected in the year-end results." For 2016, MTU expects its commercial maintenance revenues, in U.S. dollar terms, to increase by a percentage in the mid-to-high teens. Until now, a growth rate of 10% had been forecast.

Revenues in the commercial engine business have decreased slightly, by 3%, to €1,738.3 million (1-9/2015: €1,792.8 million). "Growth has been held back by the postponement of the PW1100G-JM engine for the A320neo," Schreyögg explained. "The effect on the full-year is such that we now expect new engine sales, in U.S. dollar terms, to equal the previous year's level, instead of

increasing by a percentage in the mid-single-digit range.” The engine programs V2500, GP7000 for the A380 and GENx for the Boeing 787 and 747-8 generated the greatest share of revenues in the commercial engine business. MTU expects deliveries of the PW1100G-JM for the A320neo to rise steeply in the fourth quarter, pushing revenues up accordingly.

Revenues in the military engine business increased slightly by 3% to €356.8 million (1-9/2015: €345.9 million). The EJ200 Eurofighter engine was the main source of these revenues. In its full-year forecast, too, MTU expects military engine revenues to increase slightly. Until now, revenues were expected on the same level as 2015.

At September 30, 2016, MTU had an order backlog of €11,153.0 million (Dec 31, 2015: €12,493.7 million). The majority of these orders relate to the V2500 and the geared turbofan engines of the PW1000G family, in particular the PW1100G-JM for the A320neo.

Both of MTU's operating segments reported higher earnings in the first nine months of 2016. In the OEM segment, adjusted EBIT climbed 20% to €264.5 million (1-9/2015: €220.4 million), while the EBITmargin gained 2.3 percentage points to reach 12.6 percent. In the commercial maintenance segment, adjusted EBIT improved by 14.8% from €112.4 million to €129.0 million, resulting in an EBIT margin of 9.4%, compared with 9.8% for the same period in 2015.

Research and development expenses, at €157.9 million, were on the same level as in the comparable period of 2015 (1-9/2015: €155.8 million). In addition to existing and future geared-turbofan programs, the focal areas of MTU's R&D activities were 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 the end of September 2016 amounted to €75.0 million (1-9/2015: €119.4 million). “We expect to see a similar volume at the end of the year and have maintained our forecast of around €70 million,” said Winkler.

MTU has boosted its capital expenditure on property, plant and equipment by 40% to €91.5 million (1-9/2015: €65.2 million). “One of the more important purposes of this capital expenditure was the completion of our final assembly line for the PW1100G-JM,” added Chief Operating Officer Dr. Rainer Martens. “The new assembly line was inaugurated last week and we have already delivered the first MTU-assembled engine to Airbus.”

MTU had 8,380 employees on its payroll at September 30, 2016, or roughly the same number as at the end of 2015 (December 31, 2015: 8,334 employees).

See original image

Image not found or type unknown

25 OCTOBER 2016

ARTICLE LINK:

<https://50skyshades.com/index.php/news/finance/mtu-aero-engines-slightly-raises-earnings-forecast-following-nine-month-results>