



# MTU AERO ENGINES AG PRESENTS ITS NINE-MONTH FIGURES AND A MORE PRECISE FORECAST

News / Finance, Manufacturer



In the first nine months 2020, MTU Aero Engines AG generated revenue of €2,956.6 million (1-9/2019 €3,403.7 million). The operating profit was €310.8 million, compared with €557.7 million in the prior-year period. The EBIT margin was 10.5% (1-9/2019: 16.4%). In line with adjusted EBIT, adjusted net income dropped from €391.7 million to €219.2 million.

“Based on these results, we can now provide a more precise guidance for the full year,” said Reiner Winkler, CEO of MTU Aero Engines. “We now assume that revenue for the year will be between €4 and €4.2 billion. Our adjusted EBIT margin is likely to be around 10%, which is at the upper end of the range forecast to date.” At the end of July, MTU forecast a broader revenue range of €4 to €4.4 billion and assumed an adjusted EBIT margin of between 9% and 10%. The company expects adjusted net income to develop in line with adjusted EBIT.

MTU registered a substantial drop in revenue in the first nine months of 2020 especially in the commercial engine business, where revenue fell from €1,137.8 million to €850.2 million. “As expected, the downturn in the first nine months was highest in the spare parts business and in commercial series production. This is reflected in our revenue figures,” reported Winkler. In the commercial engine business, the highest revenue generators were the PW1100G-JM for the A320neo and the V2500 for the classic A320 aircraft family. Over the year as a whole, the organic decline in revenue is likely to be in the mid-to-high twenties in the commercial series production business and the high twenties in the spare parts business.

In the military engine business, revenue declined from €323.6 million to €296.3 million. The principal source of revenue was the EJ200 Eurofighter engine. Winkler: “In the military engine business, we started to see some catch-up effects in the third quarter. Traditionally, revenue is highest in the fourth quarter. We anticipate high volumes in the fourth quarter, especially in the EJ200 and RB199 aftermarkets, so we expect a slight increase in revenue in the military engine business over the year as a whole.”

Revenue from the commercial maintenance business was €1,866.3 million in the first nine months of 2020, compared with €1,995.9 million in the same period the previous year. “Here, the drop in revenue in the core business was partly offset by the Geared Turbofan™ retrofit program,” explained Winkler. The GTF retrofit program comprises warranty work for the PW1100G-JM. Winkler: “For the full year, we assume an organic revenue reduction in the commercial maintenance business in the mid-single-digit percentage range.” To date MTU had forecast that the decline would be in the low-to-mid single-

digit percentage range. The principal revenue drivers in the commercial maintenance business were the V2500 and the PW1100G-JM.

The order backlog at the end of the quarter was €18.8 billion (December 31, 2019: €19.8 billion). “This still represents a high level and arithmetically secures our capacity utilization for more than four years,” added CFO Peter Kameritsch. The majority of these orders are for the V2500 and the Geared Turbofan™ engines of the PW1000G family, especially the PW1100G-JM.

In the first nine months, MTU registered a drop in earnings in both the OEM business and commercial maintenance. The operating profit in the OEM business dropped 47.5% to €194.3 million (1-9/2019: €369.9 million). The adjusted EBIT margin was 16.9%, compared with 25.3% in the prior-year period. In the commercial maintenance business, MTU posted an operating profit of €116.1 million (1-9/2019: €187.4 million) and an EBIT margin of 6.2% (1-9/2019: 9.4%). “While earnings in the OEM business were reduced by the revenue mix, the principal negative impact on earnings in the commercial maintenance business came from the high proportion of work on the Geared Turbofan™,” said Winkler.

In the first nine months of 2020, €139.4 million was spent on research and development, compared with €166.7 million in the same period of 2019. “Research and development are key elements in securing our future,” stressed Winkler. “We are paying special attention to emission-free aviation, especially hydrogen and flying fuel cells.” Alongside this R&D work and technology studies for future engine generations, MTU is focusing on the ongoing development of the GTF programs and on the GE9X for the Boeing 777X long-haul aircraft. “We are delighted that the GE9X obtained FAA approval at the end of September,” said Winkler.

MTU’s free cash flow was €145.3 million at the end of September (1-9/2019: €302.5 million). “Although the situation remains challenging, we aim to end the year with a clearly positive free cash flow,” said Kameritsch.

In the first nine months, net capital expenditure on property, plant and equipment dropped from €166.0 million to €93.1 million.

MTU had 10,438 employees at the end of the third quarter (December 31, 2019: 10,660 employees). “This decline reflects the first capacity adjustments, which we have unfortunately been forced to make as a result of the present business situation,” reported Winkler. “We are doing this as moderately as possible so that we can count on as many of our highly qualified staff as possible when the crisis is over.” MTU plans to reduce personnel capacity by 10-15 percent by the end of 2021.

### MTU Aero Engines – Key data for the third quarter of 2020

(Amounts in € million unless stated otherwise)

MTU Aero Engines	Q3 2019	Q3 2020	as of Sept. 2019	as of Sept. 2020	Change
Revenue	1,160.7	907.8	3,403.7	2,956.6	- 13.1%
thereof OEM business	472.4	332.6	1,461.4	1,146.4	- 21.6%
thereof commercial engine business	364.8	219.5	1,137.8	850.2	- 25.3%
thereof military engine business	107.6	113.1	323.6	296.3	- 8.4%
thereof commercial maintenance	708.6	594.0	1,995.9	1,866.3	- 6.5%
Adjusted EBIT	192.5	86.6	557.7	310.8	- 44.3%
thereof OEM business	127.4	66.2	369.9	194.3	- 47.5%
thereof commercial maintenance	65.1	19.8	187.4	116.1	- 38.0%
<i>Adjusted EBIT margin</i>	16.6%	9.5%	16.4%	10.5%	
<i>in the OEM business</i>	27.0%	19.9%	25.3%	16.9%	
<i>in commercial maintenance</i>	9.2%	3.3%	9.4%	6.2%	

Adjusted net income	130.7	57.9	391.7	219.2	- 44.0%
Net income (reported)	125.5	16.0	354.8	141.0	- 60.3%
Earnings per share (basic, reported)	2.41	0.28	6.76	2.58	- 61.8%
Free cash flow	67.1	20.1	302.5	145.3	- 52.0%
Research and development expenses	54.7	41.3	166.7	139.4	- 16.4%
thereof company-funded	48.4	34.8	144.2	118.5	- 17.8%
thereof customer-funded	6.4	6.5	22.5	20.9	- 7.1%
<i>Company-funded R&amp;D expenses as stated in the income statement</i>	<i>17.0</i>	<i>16.4</i>	<i>45.4</i>	<i>40.6</i>	<i>- 10.6%</i>
Net capital expenditure on property, plant and equipment	67.0	30.1	166.0	93.1	- 43.9%
			<b>Dec. 31, 2019</b>	<b>Sept. 30, 2020</b>	<b>Change</b>
<b>Key balance sheet data</b>					
Intangible assets			1,162.5	1,134.0	- 2.5%
Cash and cash equivalents			139.5	838.8	+ 501.3%
Pension provisions			976.2	998.1	+ 2.2%
Equity			2,421.2	2,585.0	+ 6.8%
Net financial debt			960.7	763.4	- 20.5%

<b>Total assets</b>			7,765.3	8,037.7	+ 3.5%
<b>Order backlog</b>			19,820.5	18,800.7	- 5.1%
<b>Employees</b>			10,660	10,438	- 2.1%

29 OCTOBER 2020

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