PROFITABLE GROWTH OF MTU AERO ENGINES IN THE FIRST QUARTER OF 2019

News / Finance, Maintenance / Trainings

MTU Aero Engines reported increased revenues and earnings as well as that business prospects remain positive.

In the first quarter of 2019, MTU Aero Engines AG saw its revenues increase by 11 % from € 1,016.4 million to € 1,131.2 million. The group's operating profit grew by 7 % to € 187.6 million (1-3/2018: € 175.1 million), resulting in an adjusted EBIT margin of 16.6 % (1-3/2018: 17.2 %). Net incomes increased in line with EBIT adjusted, rising by 8 % from € 123.3 million to € 133.5 million.

"These results confirm our assumptions for our full-year business development," said Reiner Winkler, CEO of MTU Aero Engines AG. "We therefore maintain our prediction of continued profitable growth in all operating segments."

In the first quarter, MTU recorded the highest revenue growth in the commercial engine business. Revenues here increased by 21 % from € 318.7 million to € 385.6 million. The major part of revenues in this segment was attributable to the V2500 engine for the classic A320 family as well as the PW1100G-JM for the A320neo and the GEnx engine that powers the Boeing 787 and 747-8.

Revenues in the commercial maintenance business increased by 6 %, rising from € 618.2 million in the first quarter of 2018 to € 655,1 million. “Revenues were somewhat slowed by changes in the ordering and billing process for V2500 maintenance services,” commented CFO Peter Kameritsch. “But demand remained unabated, as evidenced by the organic growth in the MRO segment, which amounted to around 9 % in the first quarter. The main revenue driver in the commercial maintenance business was the V2500.

Revenues in the military engine business increased by 15 % to € 105.1 million in the first quarter (1-3/2018: € 91.3 million). The EJ200 Eurofighter engine was the main source of these revenues.

MTU’s order backlog reached its highest level ever at the end of March 2019, namely € 18.5 billion (Dec. 31, 2018: € 17.6 billion). “In arithmetical terms, this corresponds to a workload of almost four years and reflects MTU’s strong market position,” said Winkler. 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.

In the first quarter of 2019, the commercial maintenance business reported the highest percentage growth in earnings, with EBIT adjusted increasing by 10 % to € 56.8 million (1-3/2018: € 51.5 million). The EBIT margin rose from 8.3 % in the first quarter of 2018 to 8.7 % in the same period of 2019.

In the OEM segment, MTU increased its first-quarter earnings by 6 % from € 123.4 million to € 130.5 million. The EBIT margin stood at 26.6 % compared with 30.1 % at the end of March 2018. “This result particularly reflects the ramp-up of the Geared Turbofan™ programs,” said Kameritsch.

First-quarter research and development expenditure increased by 9 % to € 58.0 million (1-3/2018: € 53.1 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, technology studies relating to next-generation engine design, and the digitalization of engine manufacturing processes.

At € 141.4 million, free cash flow at the end of March 2019 was 70 % higher than one year earlier (March 31, 2018: € 83.3 million).

MTU’s capital expenditure on property, plant and equipment amounted to € 37.4 million in the first quarter of 2019 (1-3/2018: € 34.5 million).

MTU had 9,942 employees on its payroll at March 31, 2019 (December 31, 2018: 9,731 employees). New hires were taken on above all at the company’s headquarters in Munich, at MTU Aero Engines Polska and at the maintenance sites in Hannover and Ludwigsfelde.

MTU confirms its positive business prospects for 2019. Group revenues are expected to reach around € 4.7 billion (2018: € 4.6 billion), based on a low-teens organic percentage growth in the commercial series production business, a percentage increase in revenues from spare parts sales in the mid-to-high single digits, an increase in revenues of around 10 % in the military engine business, and organic growth in the commercial maintenance business of a percentage in the high single digits. The group’s full-year forecast for its adjusted EBIT margin lies at around 15.5 %

(2018: 14.7 %). Operating profit and net income adjusted are expected to increase in line with one another (EBIT adjusted 2018: € 671.4 million; net income adjusted 2018: € 479.1 million). The cash conversion rate – that is, the ratio of free cash flow to net income adjusted – is expected to lie between 55 and 65 % in 2019 (2018: 42 %). The target range issued in February specified between 50 and 60 %. “This adjustment of the cash conversion rate is solely due to the first-time application of IFRS 16 in the financial year 2019,” said Kameritsch. This new accounting standard introduces changes with regard to the presentation of operating leases, and specifically impacts MTU’s engine leasing business. On the one hand it will increase free cash flow in 2019 by around € 30 million, and at the same time reduce cash flow from financing activities.
Kameritsch added: “While this affects our cash conversion rate in quantitative terms, it does not change our forecast in qualitative terms.”

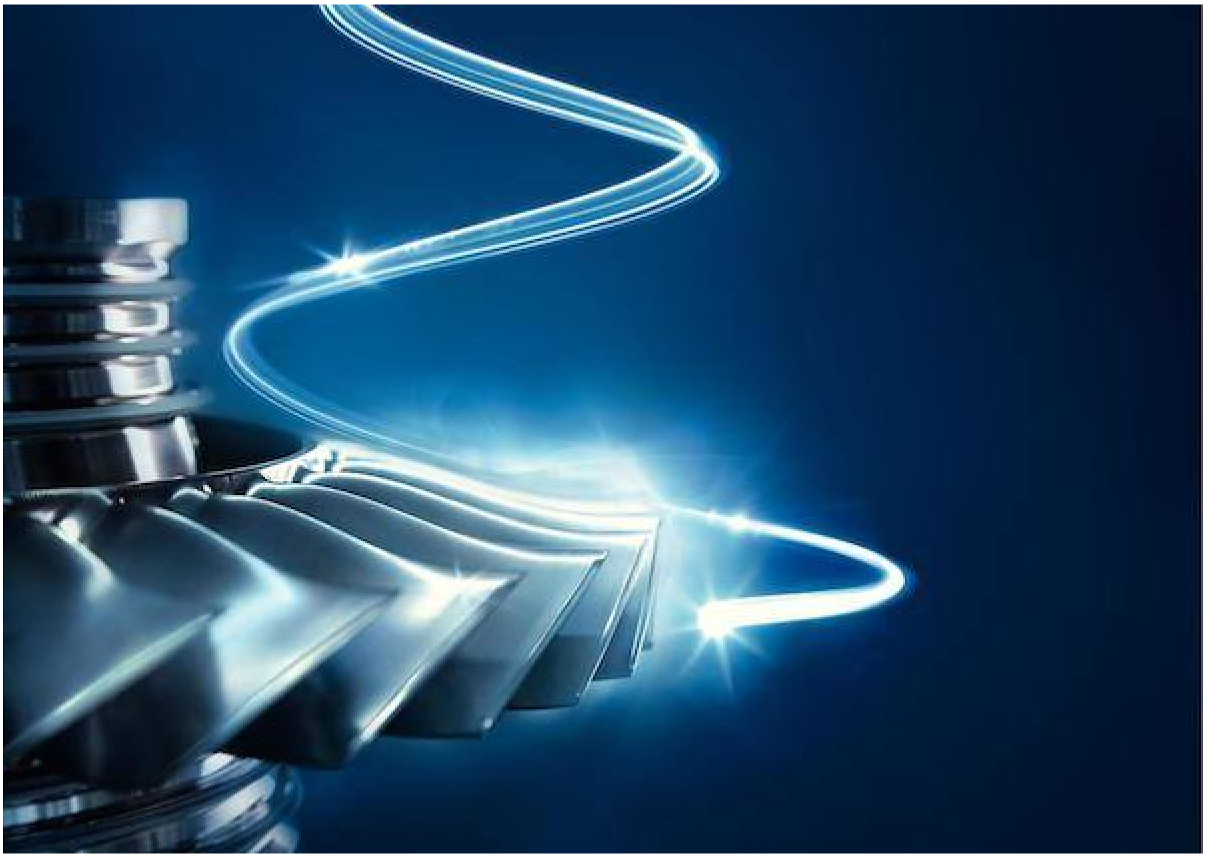
MTU Aero Engines – Key financial data for January through March 2019

(Figures stated in € million)

MTU Aero Engines	**March 31, 2018**	**March 31, 2019**	**Change**
Revenues	1,016.4	1,131.2	+ 11.3 %
of which OEM business	410.0	490.7	+ 19.7 %
of which commercial engine business	318.7	385.6	+ 21.0 %
of which military engine business	91.3	105.1	+ 15.1 %
of which commercial maintenance	618.2	655.1	+ 6.0 %
EBIT (adjusted)	175.1	187.6	+ 7.1 %
of which OEM business	123.4	130.5	+ 5.8 %
of which commercial maintenance	51.5	56.8	+ 10.3 %
EBIT margin (adjusted)	*17.2 %*	*16.6 %*	
for OEM business	*30.1 %*	*26.6 %*	
for commercial maintenance	*8.3 %*	*8.7 %*	

Net income (adjusted)	123.3	133.5	+ 8.3 %
Net income (reported)	106.2	126.5	+ 19.1 %
Earnings per share (undiluted, reported)	2.04	2.42	+ 18.6 %
Free cash flow	83.3	141.4	+ 69.7 %
Research and development expenses	53.1	58.0	+ 9.2 %
of which company-funded	47.3	52.0	+ 9.9 %
of which outside-funded	5.8	6.0	+ 3.4 %
Company-funded R&D expenditure	*13.3*	*17.1*	+ *28.6 %*
Investment in property, plant and equipment (net)	34.5	37.4	+ 8.4 %
	Dec. 31, 2018	**March 31, 2019**	**Change**
Balance sheet key figures			
Intangible assets	1,072.7	1,081.7	+ 0.8 %
Cash and cash equivalents	99.0	207.7	+ 109.8 %
Pension provisions	879.0	881.2	+ 0.3 %
Equity	2,144.2	2,261.4	+ 5.5 %
Net financial debt	854.0	875.1	+ 2.5 %

Total assets and liabilities	6,850.8	7,319.0	+ 6.8 %
Order backlog	17,572.8	18,490.5	+ 5.2 %
Employees	9,731	9,942	+ 2.2 %



30 APRIL 2019

ARTICLE LINK:
https://50skyshades.com/news/finance/profitable-growth-of-mtu-aero-engines-in-the-first-quarter-of-2019