

July 22, 2021

EARNINGS CALL Q2 2021



S Y S T E M S





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Q2 2021

Q2 2021 Highlights

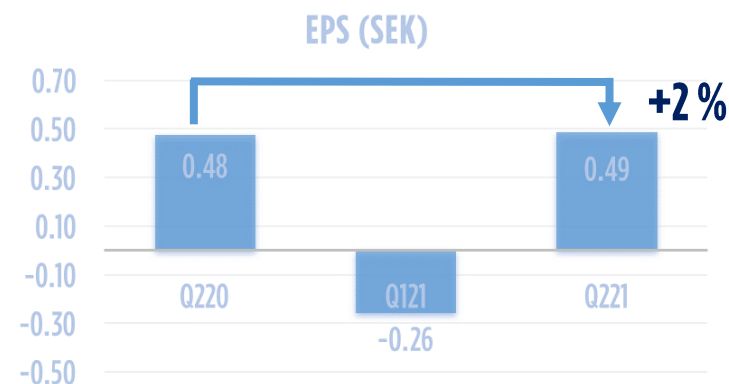
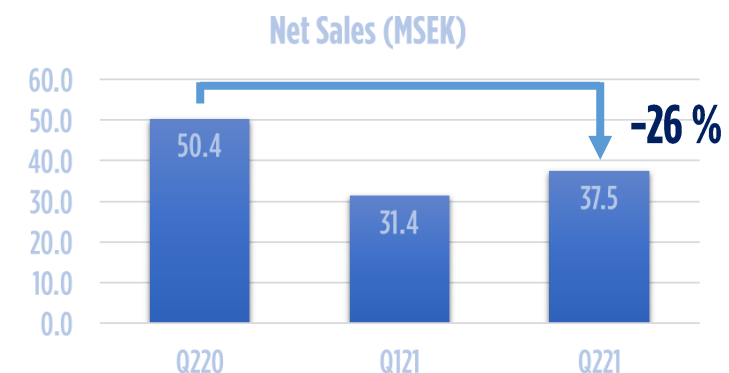
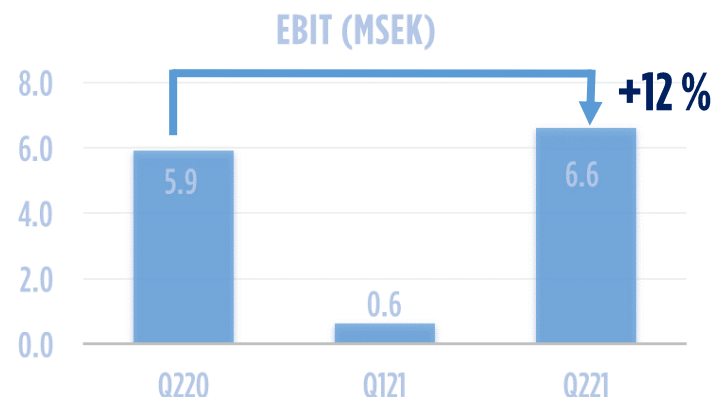
Net Sales were in line with forecast – Aftermarket growth continued

- ❑ Net Sales 37 MSEK (50) vs Forecast 35 - 40 MSEK ✓
- ❑ Aftermarket increased sales for third consecutive quarter
- ❑ Order intake increased for fourth quarter in a row - Highest order backlog since Q2 2020

Q2 2021 Financials in short

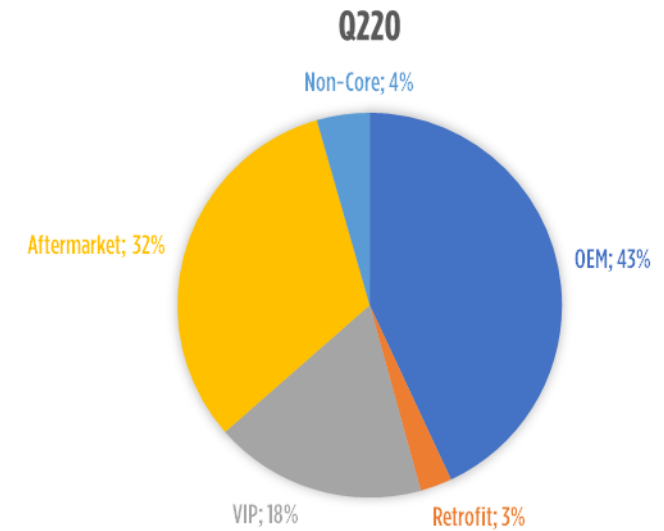
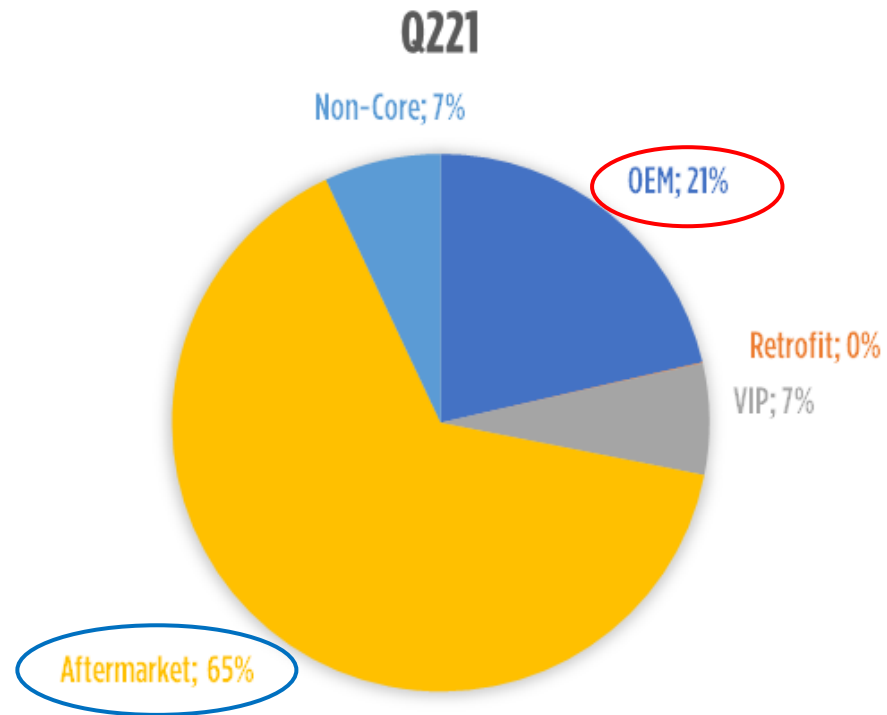
Reporting strong EBIT and operating cash flow – mainly explained by one-off items

- Net Sales of 37 MSEK (50) - 26% decrease versus previous year – currency adjusted 16% decline
- EBIT 7 MSEK (6) - EBIT Margin 18% (12)
- EBIT Margin adjusted for one-off items from OEM segment was 5%
- EPS 0.49 SEK (0.48)
- Operating cash flow of 7 MSEK (-10), -2 MSEK adjusted for one-off items from OEM segment



Q2 2021 Sales Mix

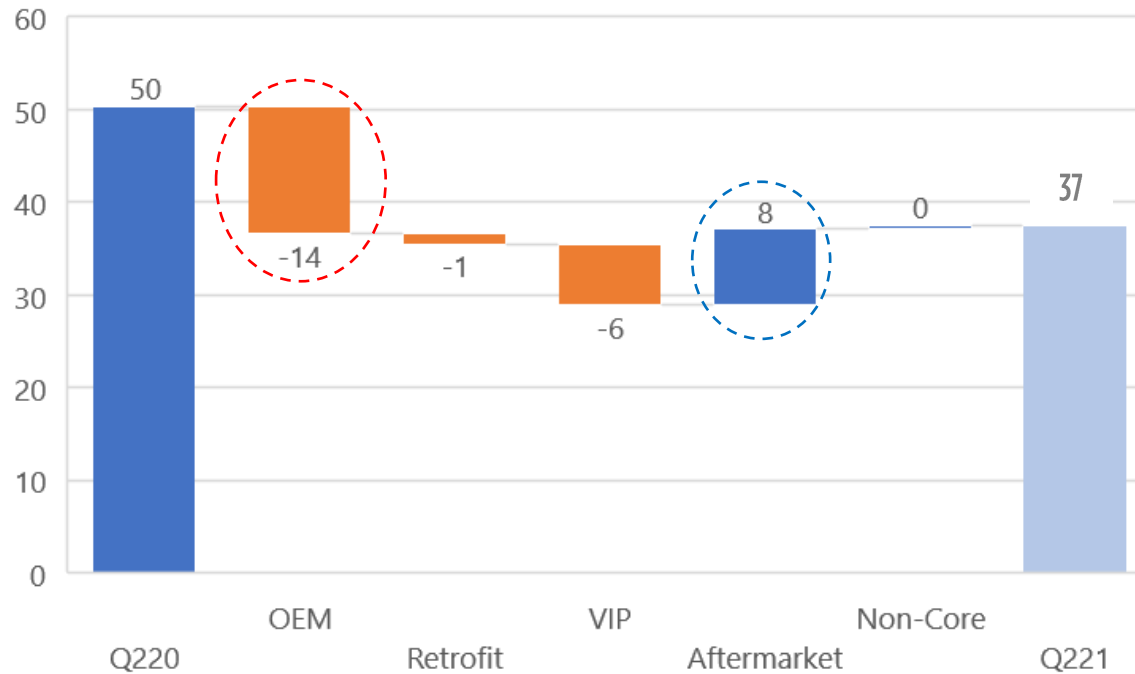
Sales still aftermarket centric as other segments remain at low level



Q2 2021 Net Sales Bridge, YoY

- Adj. Organic growth -16 %
- Adj. FX Effect -10 %

-26 % Net Sales growth (-16 % adj.)



Net sales decreased 13 MSEK (-26 %)

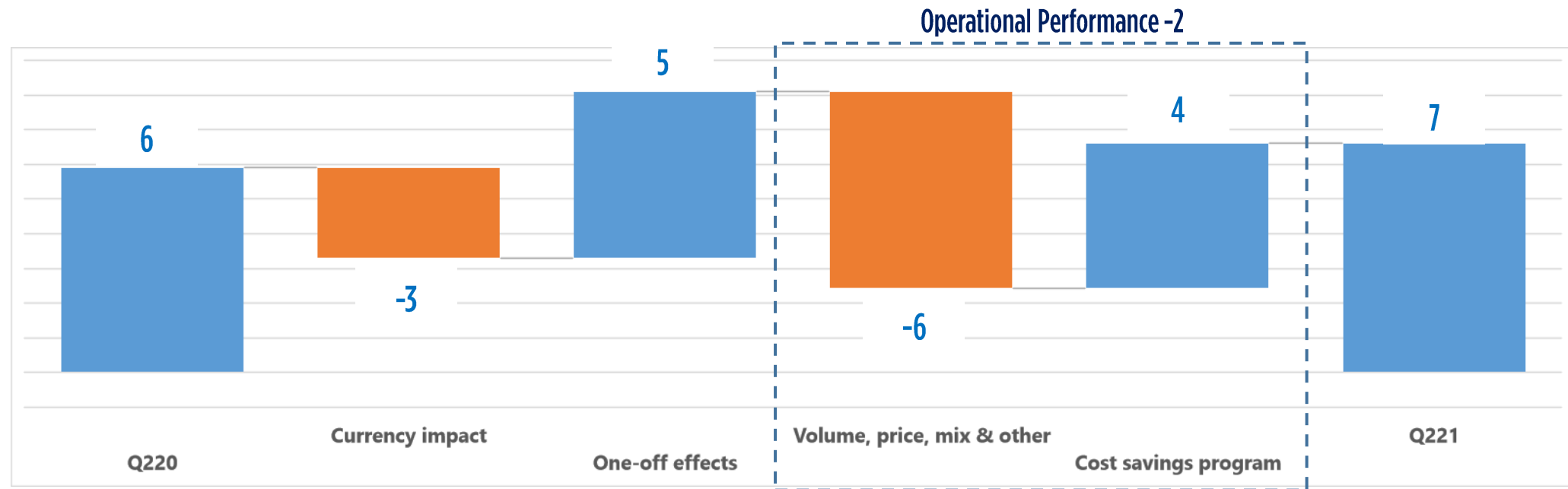
- Driven by a 63% decline in OEM deliveries (lower demand i.e. cut in a/c production) and decrease in Private jet / VIP business
- Offset partly by a 51% increase in aftermarket sales, driven by steadily increasing utilization rate of product population (increased flight hours)

Q2 2021

EBIT Profit Bridge

Profit increase explained by

- ❑ Business related decrease of totally -2 MSEK – explained mainly by lower OEM volumes
- ❑ Currency (USD/SEK) headwind lowered EBIT 3 MSEK – driven by lowered sales in SEK (i.e. GM) (-6), but partly offset by valuation of AR/AP (+3)
- ❑ Positive effect of 5 MSEK from one-off items
- ❑ Net cost savings of 4 (7 MSEK compared to 3 in Q2 2020)

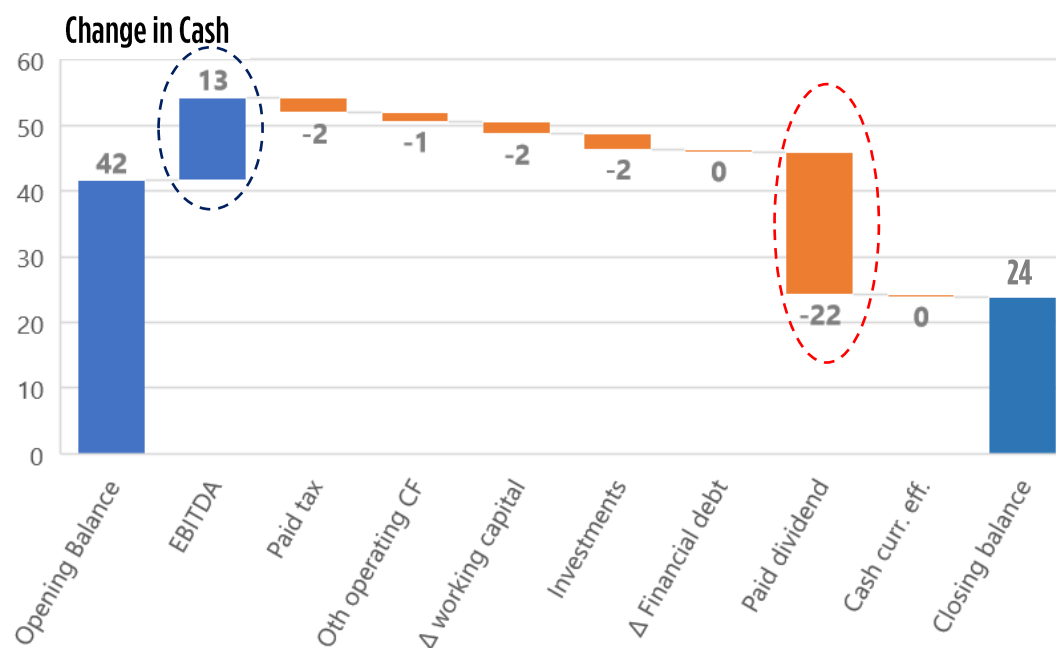


Q2 2021 Cash Flow

- Driven by improved financial performance (EBITDA)
- Offset by Paid dividend of 22 (51) and
- Working capital had a negative cash impact of 2 MSEK, including 5 MSEK paid in variable remuneration for 2020
- Some delayed payments also had negative impact on working capital

Cash Flow

	Q221	Q220
Earnings before tax reconciled to cash	11.5	7.3
Paid tax	-2.4	-5.5
Change in working capital	-1.9	-11.6
Operating Cash Flow	7.2	-9.8
Investments	-2.4	-8.3
Borrowings	-0.3	0
Paid dividend	-21.8	-50.7
Cash flow	-17.3	-68.9

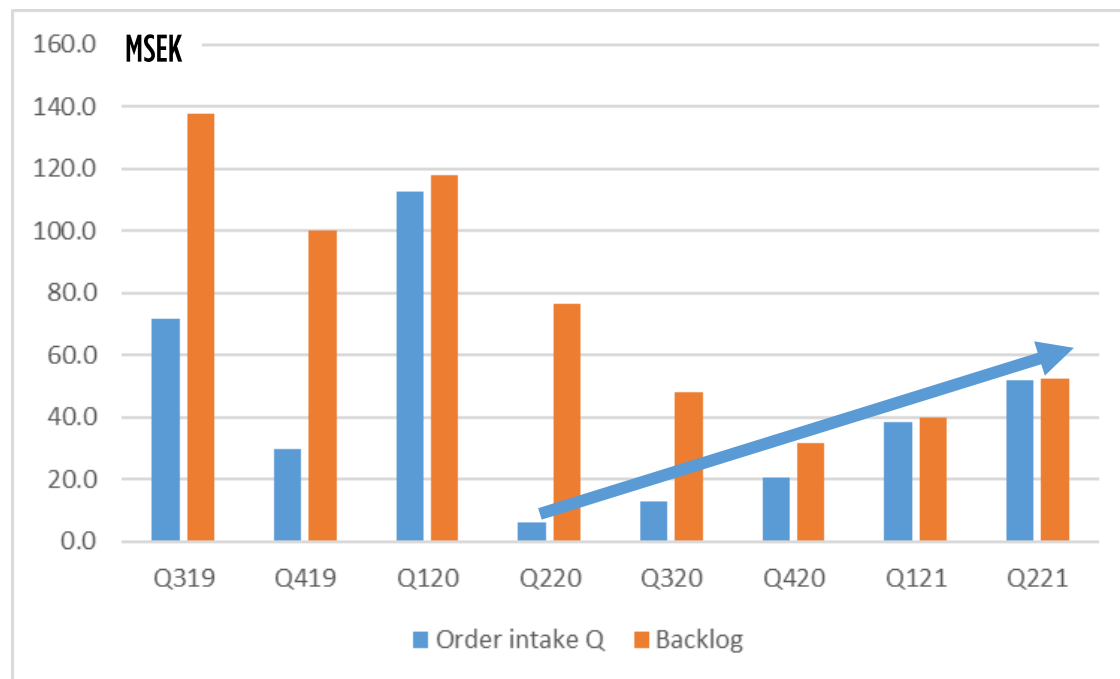


Credit facilities: Overdraft with 22 MSEK unused / available

Q2 2021

Order Intake & Backlog

- ☐ Order intake increased for fourth quarter in a row
- ☐ Highest order backlog since Q2 20



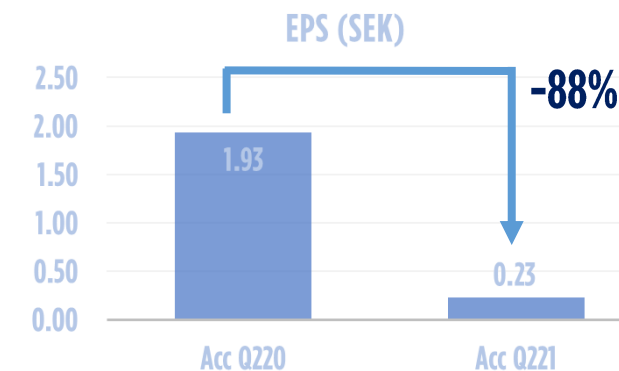
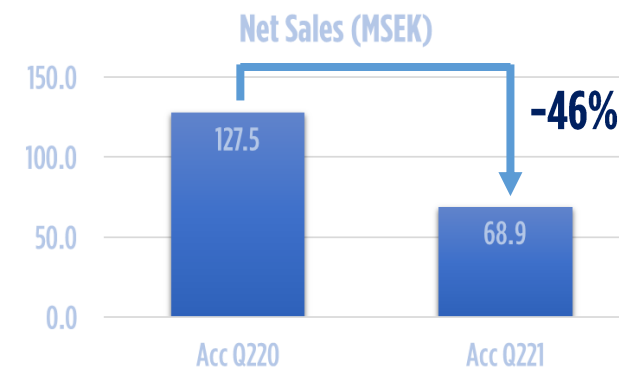
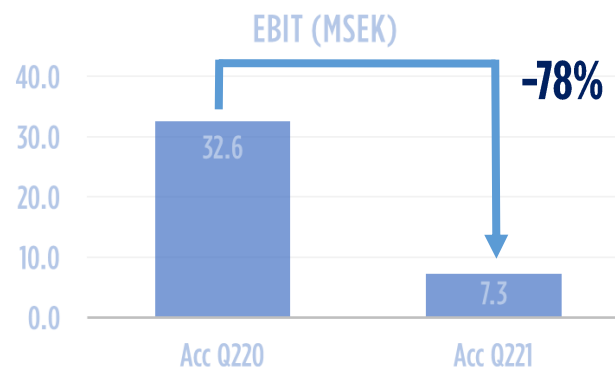
MSEK	Q220	Q221
Order intake	6	52
Backlog	77	53
USD/SEK	9.35	8.51

H1 2021

H1 2021 Financials in short

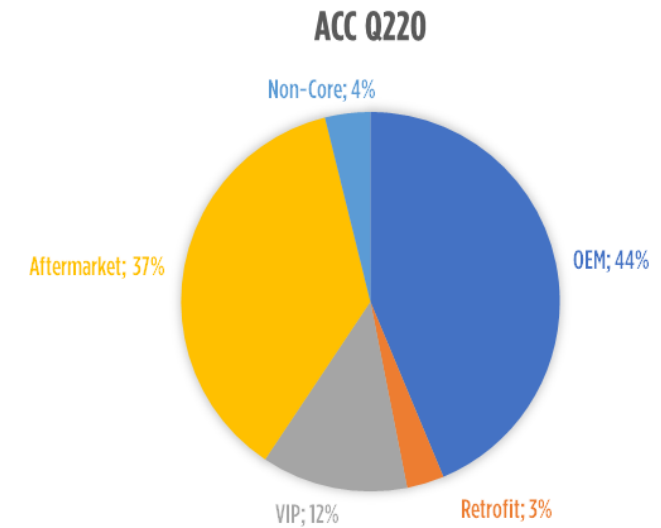
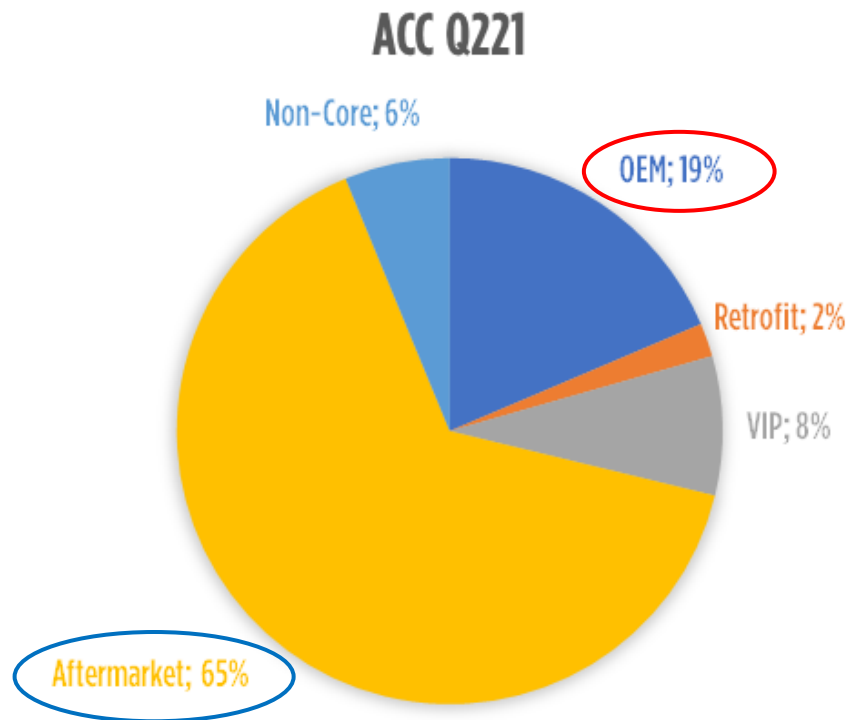
Q1 2020 on pre Covid level affects six months comparison 2021 vs 2020

- Net Sales of 69 MSEK (128), decreasing 46% versus previous year – currency adjusted a decline of 39%
- EBIT 7 MSEK (33) - EBIT Margin 11% (26)
- EBIT Margin adjusted for one-off items was 4%
- EPS 0.23 SEK (1.93)
- Operating cash flow of 0 MSEK (-5), adjusted for one-off items was -9 MSEK



H1 2021 Sales Mix

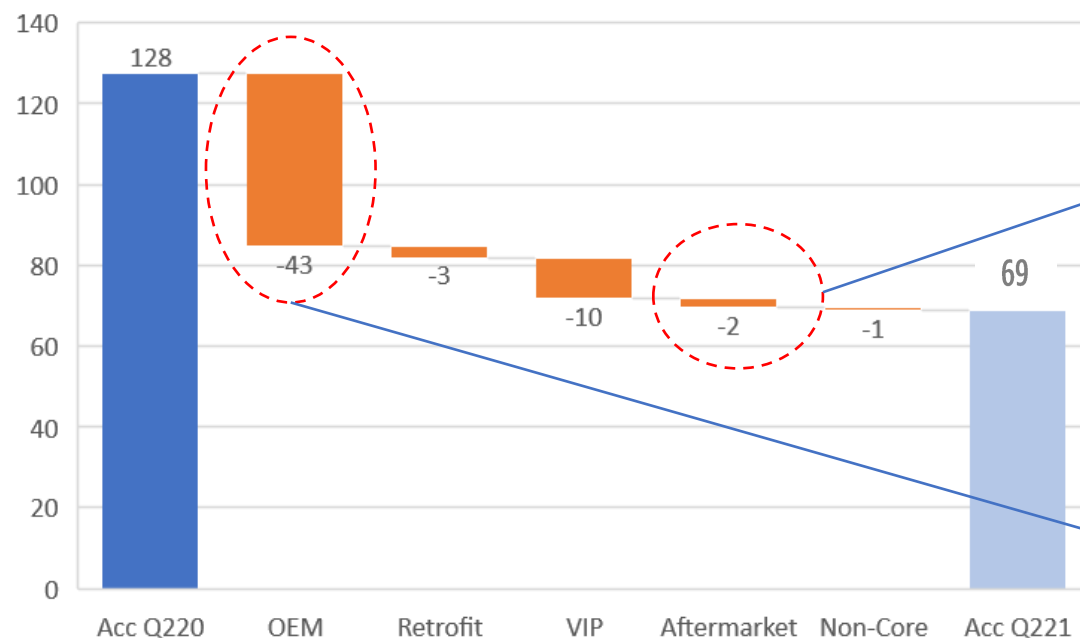
Aftermarket sales dominated H121 sales mix – OEM weak



H1 2021 Net Sales Bridge, YoY

- Adj. Organic growth -39 %
- Adj. FX Effect -7 %

-46 % Net Sales growth (-39 % adj.)



Aftermarket decreased 2 MSEK (only):

- Aftermarket in H1 2021 almost bridged flat compared with same period last year - despite strong Q120 in pre-covid environment

OEM decreased 43 MSEK or 77 %:

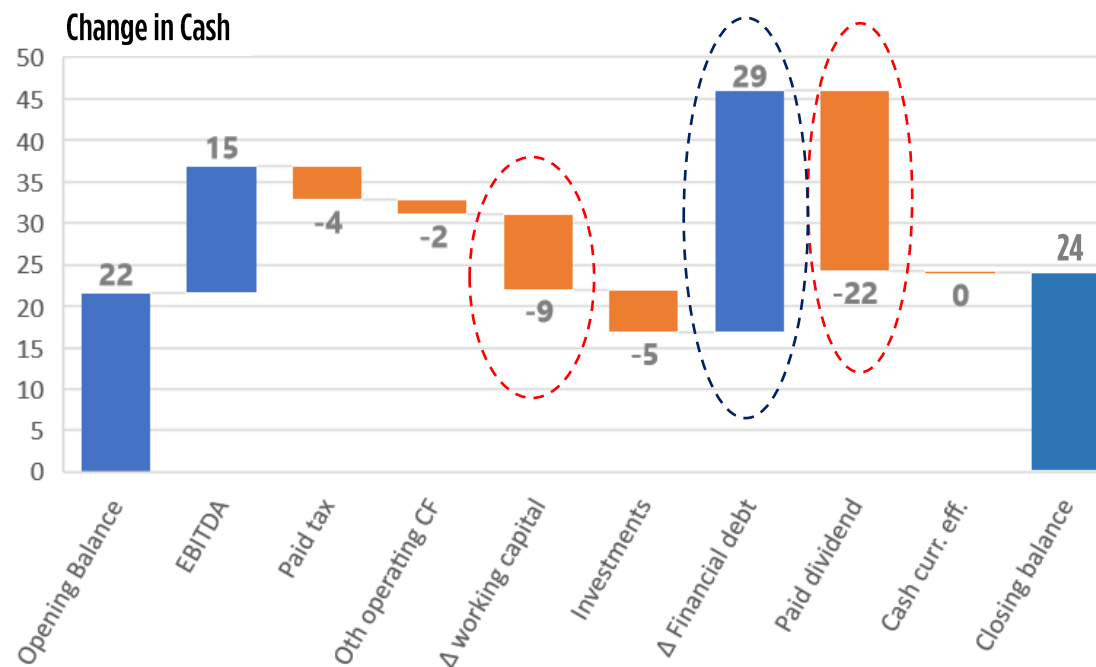
- Driven by lower production rate at Airbus & Boeing

H1 2021 Cash Flow

- ☐ New loan to strengthen liquidity with 29
- ☐ Paid dividend of 22 (51)
- ☐ Working capital had a negative cash impact of 9 MSEK, driven mainly by a liabilities decrease in AP and 5 MSEK variable remuneration payment for 2020

Cash Flow

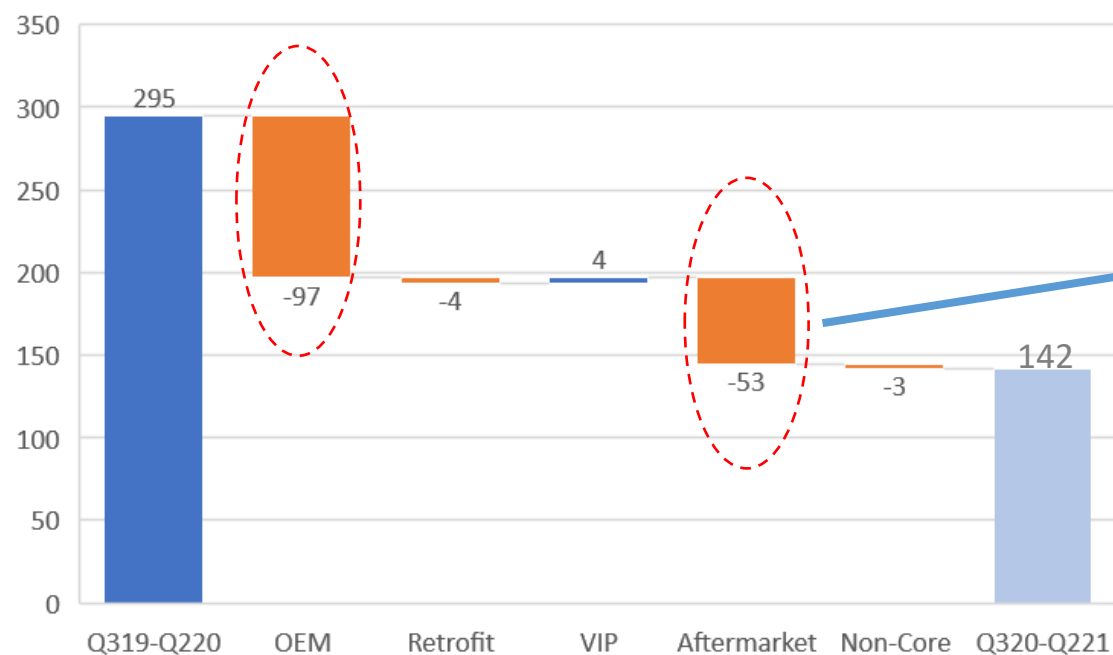
	Acc Q2 2021	Acc Q2 2020
Earnings before tax reconciled to cash	13.3	34.1
Paid tax	-4	-33.3
Change in working capital	-9	-5.7
Operating Cash Flow	0.3	-4.9
Investments	-5.1	-13.2
Borrowings	29.1	0
Paid dividend	-21.8	-50.7
Cash flow	2.5	-68.9



ROLLING 4Q

Rolling 4Q Net Sales Bridge

52 % Net Sales decrease



- Net Sales of 142 MSEK (295), decreasing 52% versus previous Rolling 4Q
- Operating Profit (EBIT) of 13 MSEK (96), declining 86%
- EBIT Margin 9% (32)
- EPS 0.78 SEK (5.79), decreasing 87%
- Operating cash flow of -5 MSEK (64)

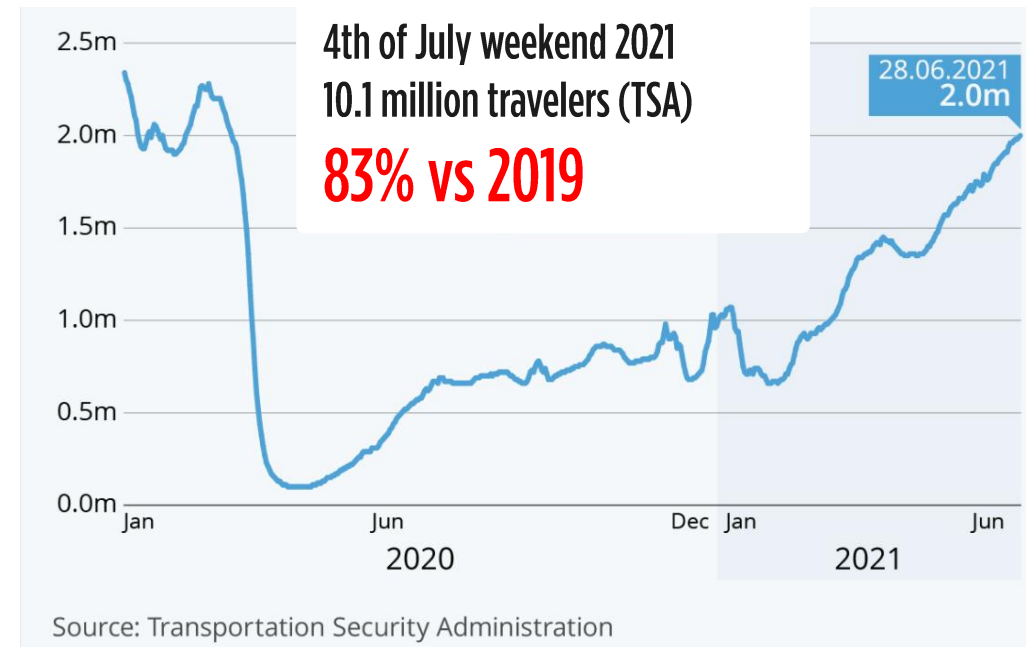
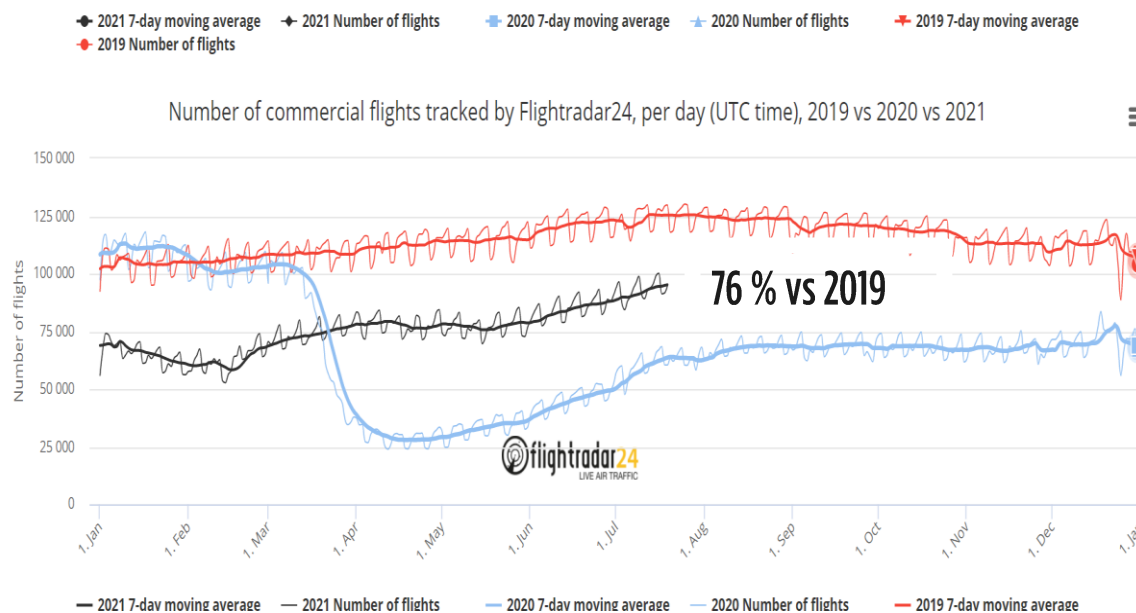
Illustrates the recovery potential
- lead by aftermarket sales

OUTLOOK

Aviation recovery continues – still local and uneven

Domestic leading rebound primarily in North America and China – Re-opening dates for intercontinental flights

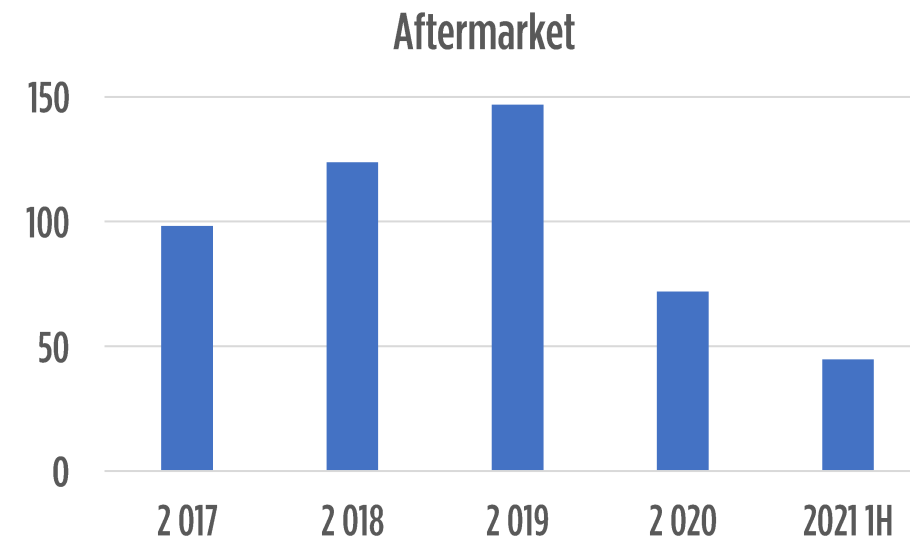
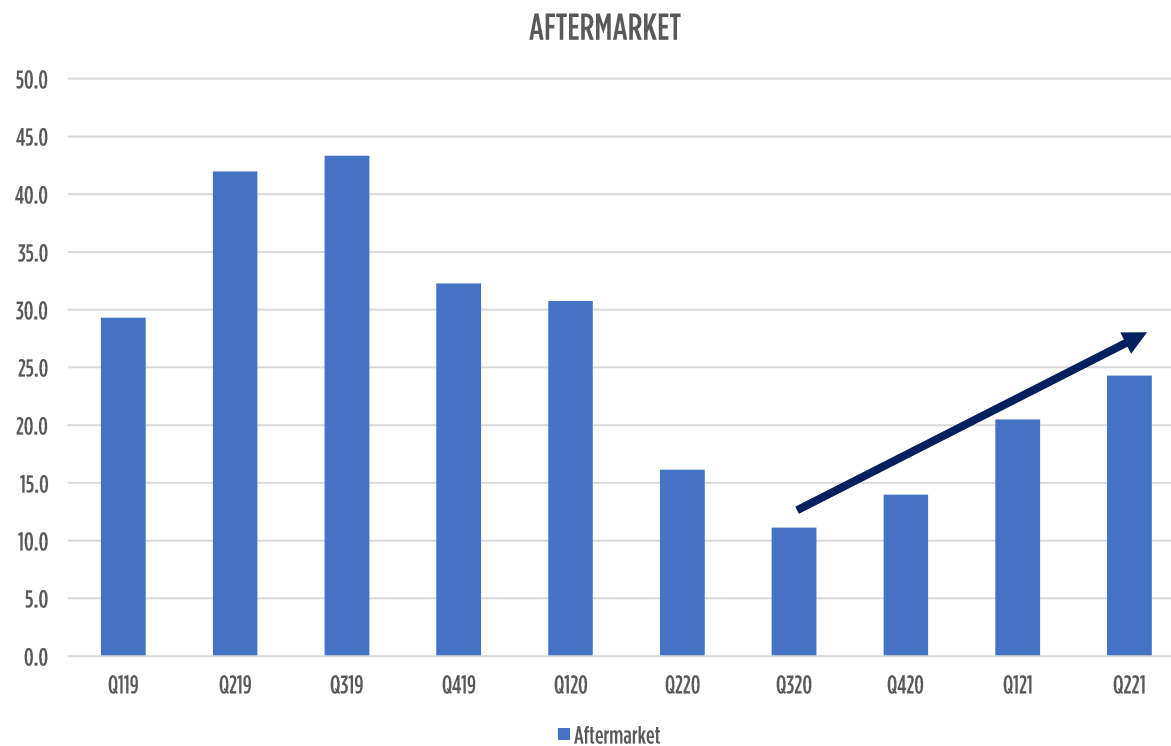
More flights in the summer – passed 100,000 per day in July for the first time since Feb 2020 – currently 76 % vs 2019



Aftermarket in recovery

CTT depending on Boeing 787 and Airbus A350

- Aftermarket sales increasing three consecutive quarters
- Aftermarket revenues in H1 2021 45 MSEK (62 % compared to full year 2020 (72 MSEK))



OEM weak in 2021 due to short-term uncertainty

- ❑ Temporary production cut below 5 per month for some weeks
- ❑ Cutting delivery target to less than half of approx. 100 undelivered planes

Boeing 787

- ❑ Production rate decreased to 5 per month (6) in Q1 2021
- ❑ Q1 deliveries deferred – normalization Q2 – Q3
- ❑ 2023: First opportunity to raise production to 6 – 7 per month – given a healthy international travel recovery starting H2 2021

- ❑ Guided higher production rate in Q3 2022, up from 5 per month to 6
- ❑ Many large customers with remaining orders
- ❑ Lumpy demand

Airbus A350

- ❑ Downsizing of inventory negative impact on CTT deliveries in H1 2021
- ❑ Gradual return to reflect production and selection rate
- ❑ Penetration key

- ❑ Certification delayed

Boeing 777X

- ❑ Entry-into-Service pushed to late 2023
- ❑ Production rate for 777/777X to remain at 2 per month

MC-21

- ❑ Upside when serial production starts
- ❑ Possible in 2021



- ❑ Penetration at max – only more content (cabin humidifier) or higher production

- ❑ Max content – Only via penetration and rate increase

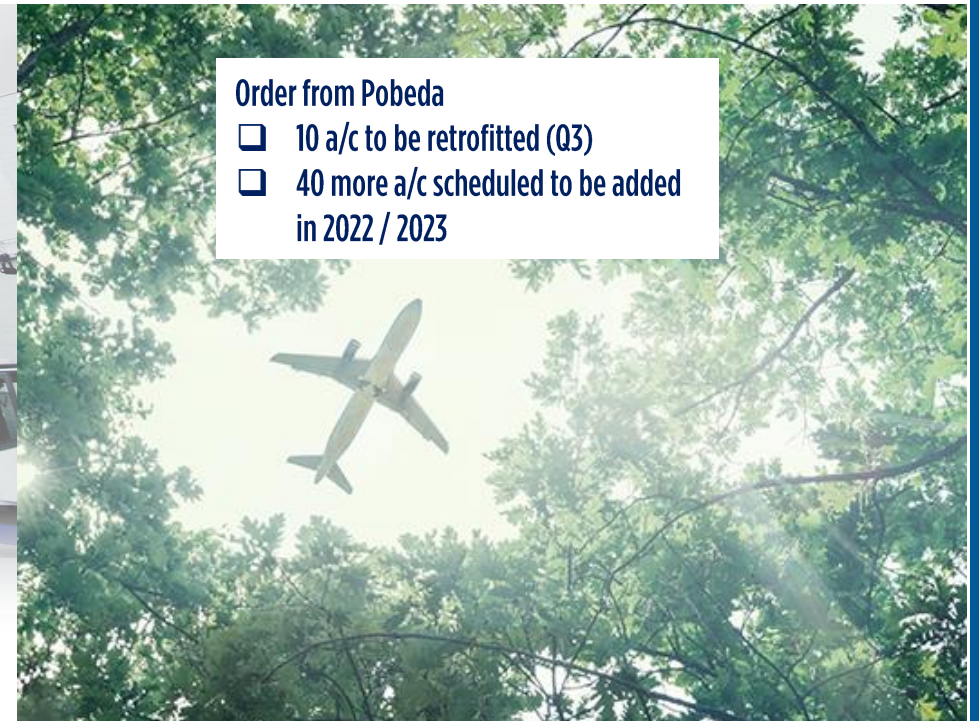
- ❑ Max content – Only via penetration and ramp-up

- ❑ Basic - Only ramp-up and more content

Retrofit business gradually improving

Airline discussions with focus on air quality and wellness as well as green tech to reduce carbon footprint drive retrofit opportunities

- ☐ Airline interest in cabin air quality / humidity / wellness
- ☐ A few quotations of Anti-Fuselage-Condensation protection - Airbus A320 and Boeing 737
- ☐ Boeing MAX – Resume STC test flights in H2 2021



Order from Pobeda

- ☐ 10 a/c to be retrofitted (Q3)
- ☐ 40 more a/c scheduled to be added in 2022 / 2023

Private jet opportunities to emerge in 2021

Airbus leads-the-way with ACJ320 and its new business jet

- ❑ VIP pipeline strong – some RFQ's
- ❑ Several projects and opportunities to emerge in 2021



- ❑ Airbus Corporate Jets (ACJ) and CTT jointly developed next generation humidification system optimized for the ACJ320 family
- ❑ ACJ marketing / promoting efforts started in Q4



- ❑ CTT develops world's first humidification system for two Bombardier Global 7500
- ❑ Entry-into-service in H2 2021



- ❑ Airbus launched its first business jet - ACJ Two Twenty
- ❑ Spec with humidification system

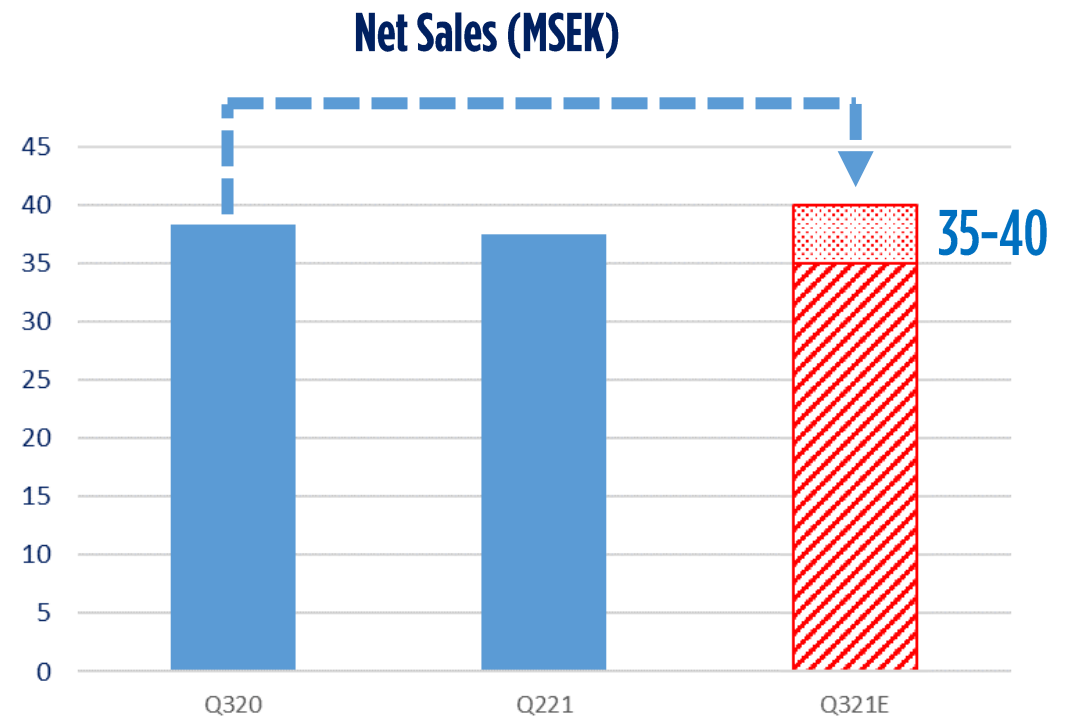
Forecast Q3 2021

Forecasting third quarter net sales to be in-line with second quarter

Net Sales forecasted to be 35 - 40 MSEK (50)

Increase driven by

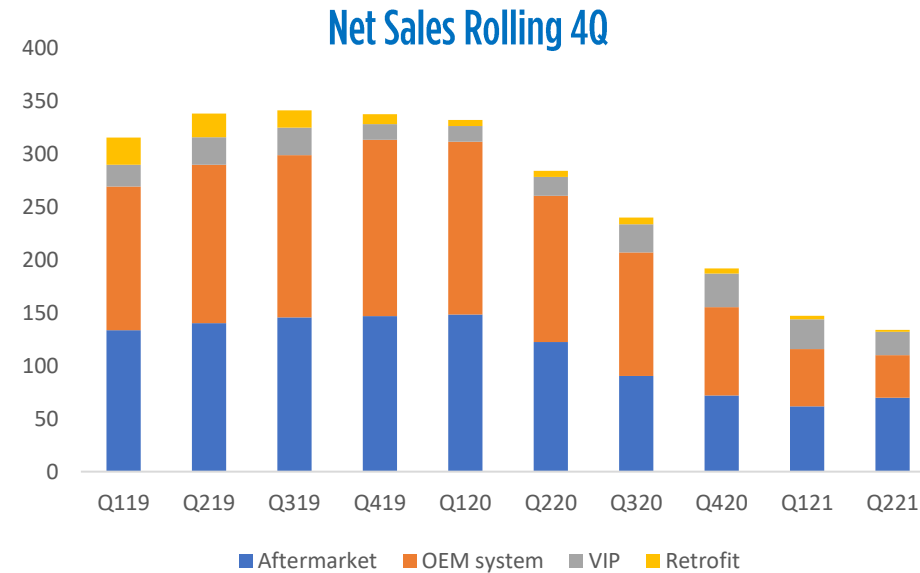
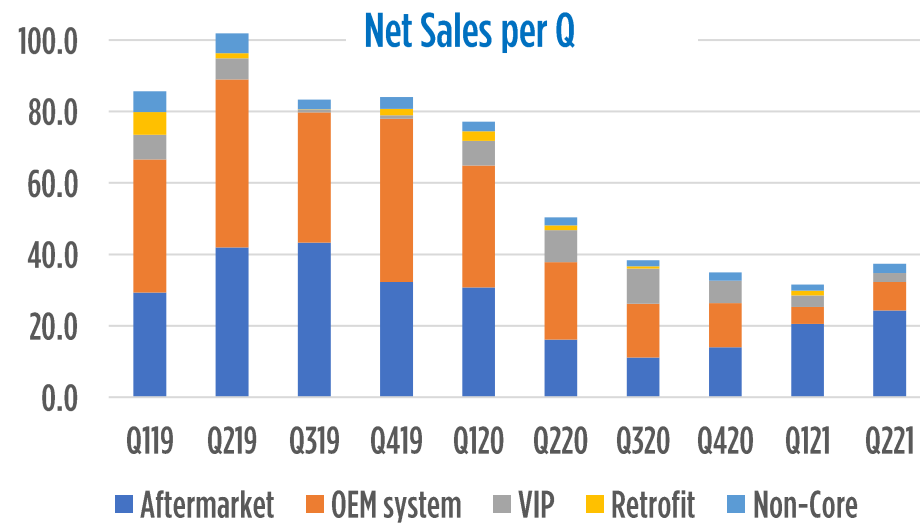
- ☐ Retrofit deliveries
- ☐ Offset by decreased revenues in Private jet projects



Forecast FY2021

Net Sales forecast for FY2021: MSEK 140 - 160 (FY 2020: 201)

- Risk on the downside: Uncertainty in OEM
- Potential on the upside: Aftermarket



Rebound to generate orders in second half 2021

Factors in favor of a continuously rebound from pandemic effects:

- ❑ Aftermarket ready to rebound swiftly to pre-pandemic level when intercontinental traffic resumes
- ❑ Breakthrough into the large business jet segment, significantly increasing our addressable market
- ❑ OEM sales currently struggle but CTT has a strong OEM position with catalogue products on competitive widebody aircraft – to replace older
- ❑ Retrofit sales and OEM-selection rate, the post-pandemic market trend is definitively in our favor.

Growing need for products that increase confidence to travel (reduce risk to contract infectious diseases) and improve environmental footprint.

Projects for future growth – Power to invest

777X



Q & A



The logo for CTT SYSTEMS. It features the letters "CTT" in a large, bold, dark blue, italicized sans-serif font. To the right of "CTT" are two solid circles, one dark blue and one red, stacked vertically. Below "CTT" and the circles, the word "SYSTEMS" is written in a smaller, dark blue, italicized sans-serif font, with wide letter spacing.