

April 29, 2022

EARNINGS CALL Q1 2022



S Y S T E M S





HENRIK HÖJER
CEO



MARKUS BERG
CFO

Q1 2022

Highlights

- ❑ Net Sales 49 MSEK (31) beat forecasted range 42 – 47 MSEK ✓
- ❑ Order backlog at highest level since Q2 2020 (76 MSEK)
- ❑ CTT has indefinitely stopped all activities and paused shipments to Russia
 - If not sales would have been 6 % higher in Q1 - Percentage of CTT's total net sales 2021: ~4% - Aftermarket sales <1MSEK

Milestone: 1st large-cabin business jet development agreement



BREAKING AWARD

CTT signs ACJ development contract for the TwoTwenty aircraft

RECENT NEWS

CTT
SYSTEMS

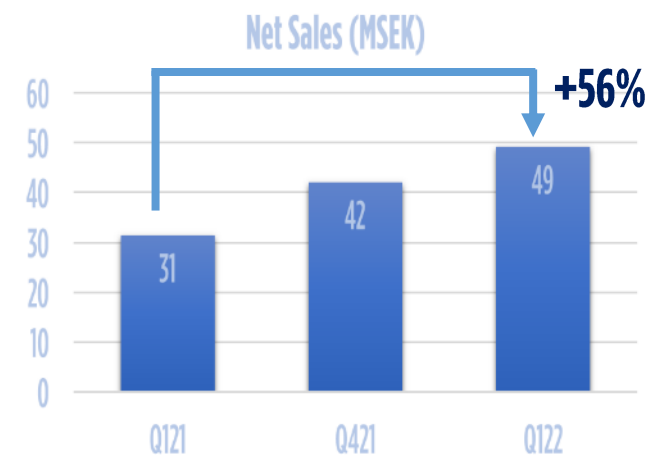
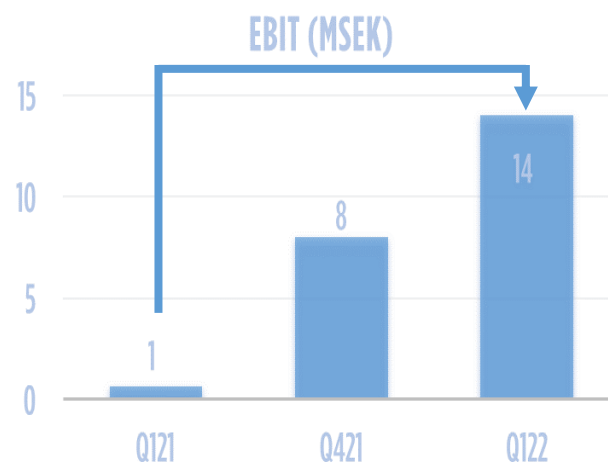
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Airbus Corporate Jets selects CTT to develop Inflight Humidification system with anti-condensation protection for the ACJ TwoTwenty aircraft

Q1 2022 Financials in short

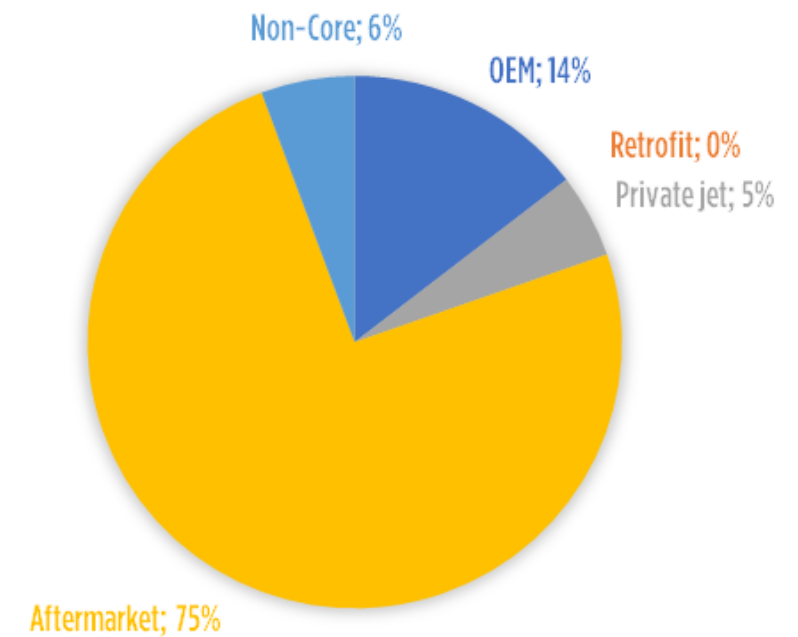
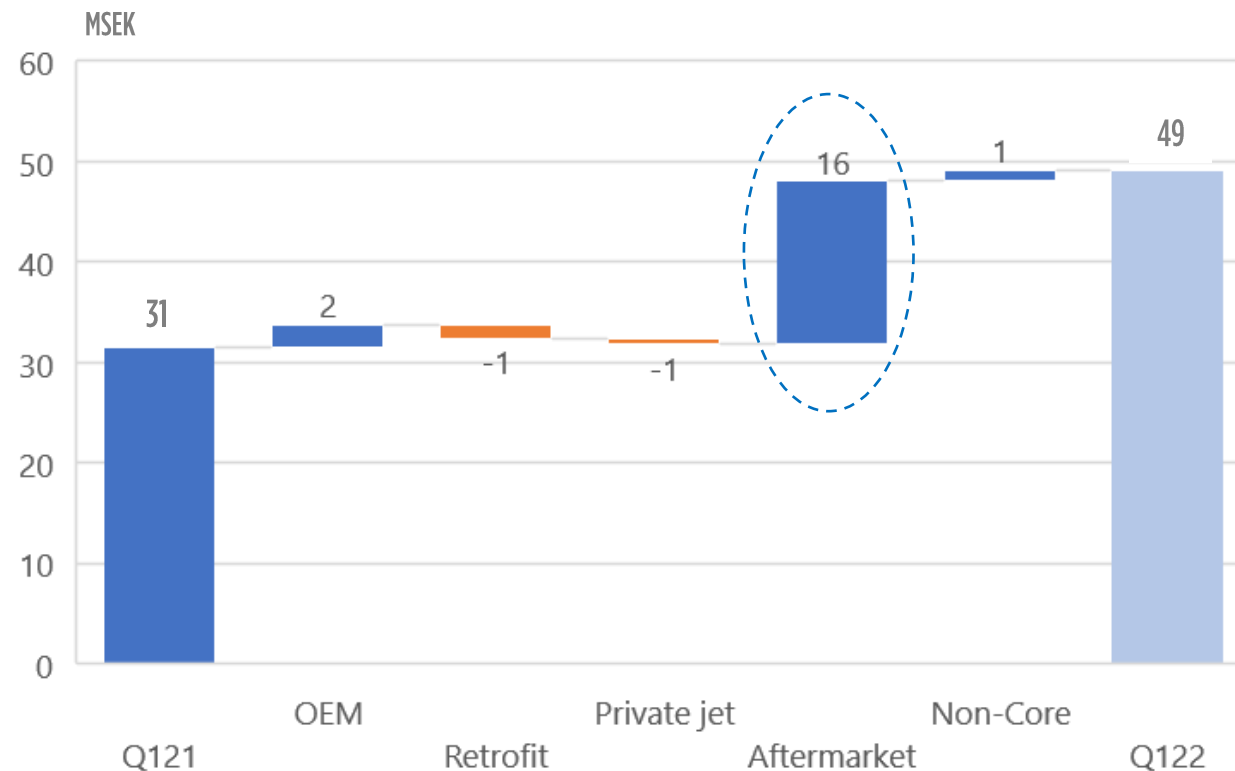
Better EBIT - Improved operating cash flow

- Net Sales of 49 MSEK (31) – increased 56% - currency adjusted 42%
- EBIT 14 MSEK (1) - EBIT Margin 29% (2)
- EPS 0.76 SEK (-0.26)
- Operating cash flow of 9 MSEK (-7)



Q1 2022 Net Sales Mix and Bridge

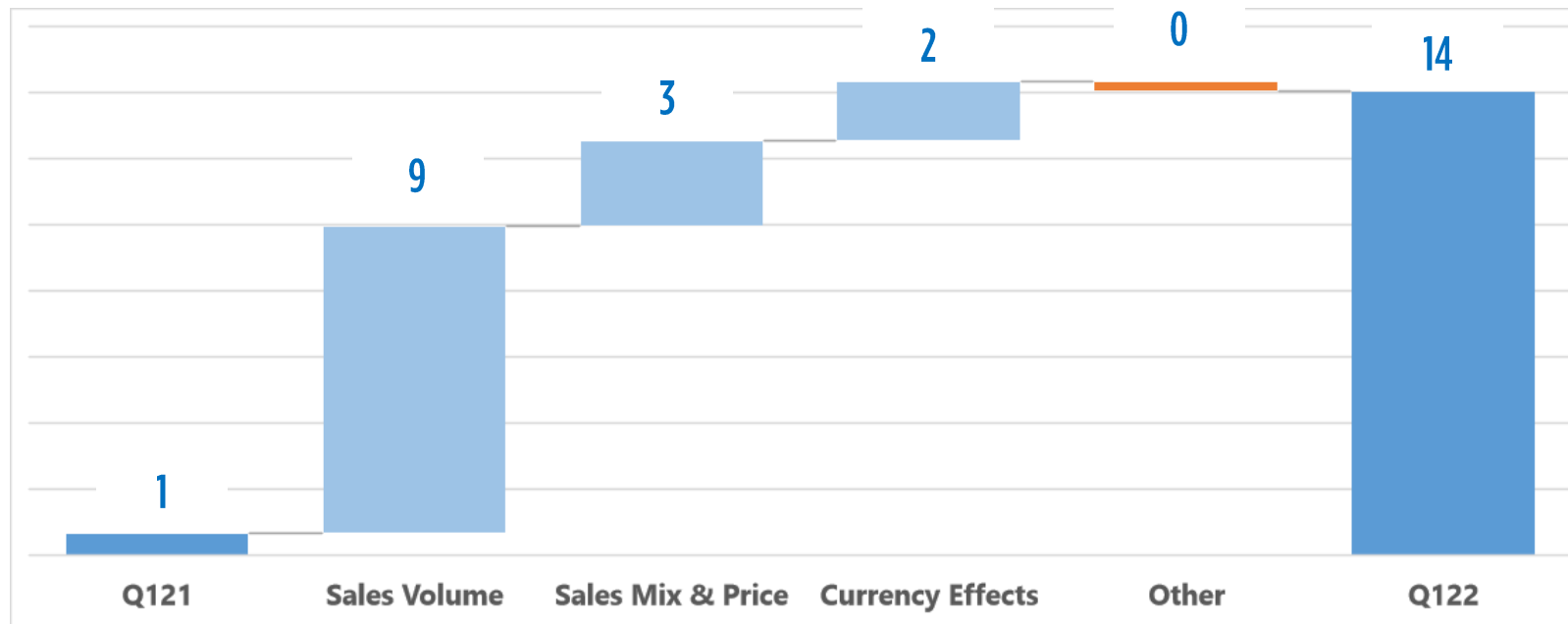
The 18 MSEK Net Sales increase was driven by aftermarket sales recovery that increased 16 MSEK (growing 79%)



Q1 2022

EBIT Profit Bridge

- Business related performance improvements - driven by sales volume and mix (higher aftermarket sales)
- Stronger USD/SEK

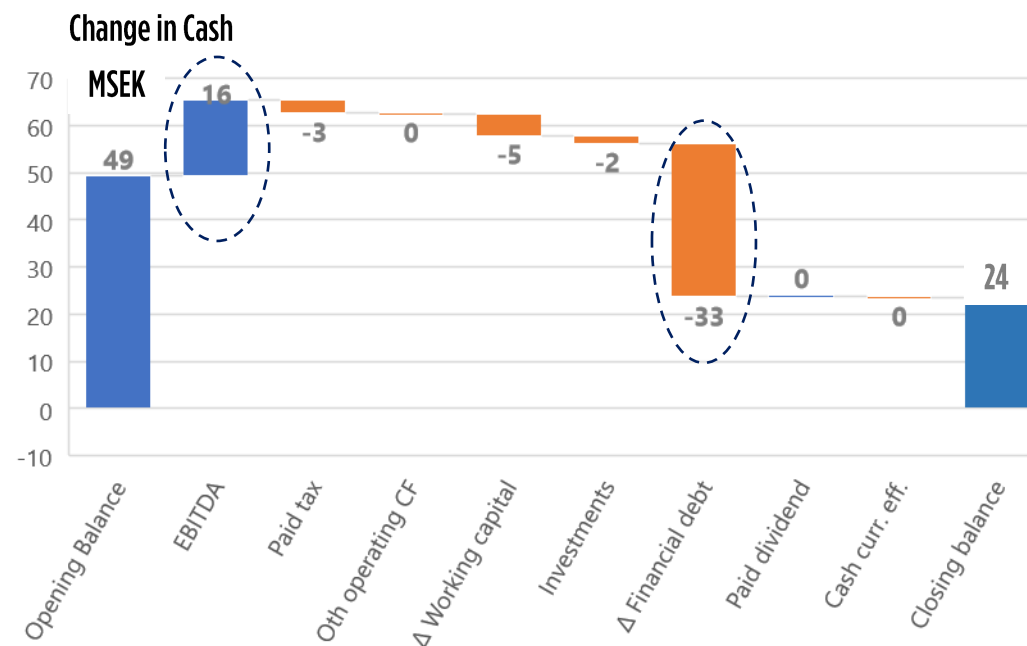


Q1 2022 Cash Flow

- ❑ Better operating cash flow +9 MSEK (-7), mainly driven by improved financial performance (EBITDA)
- ❑ Amortization of loan -32.5 MSEK (in USD)
- ❑ Net debt amounting to 17 MSEK compared 29 MSEK Q1 last year

Cash Flow

	Q122	Q121
Earnings before tax reconciled to cash	16,0	1,8
Paid tax	-2,8	-1,6
Change in working capital	-4,7	-7,1
Operating Cash Flow	8,6	-6,9
Investments	-1,6	-2,7
Borrowings	-32,5	29,4
Paid dividend	0,0	0,0
Cash flow	-25,5	19,9



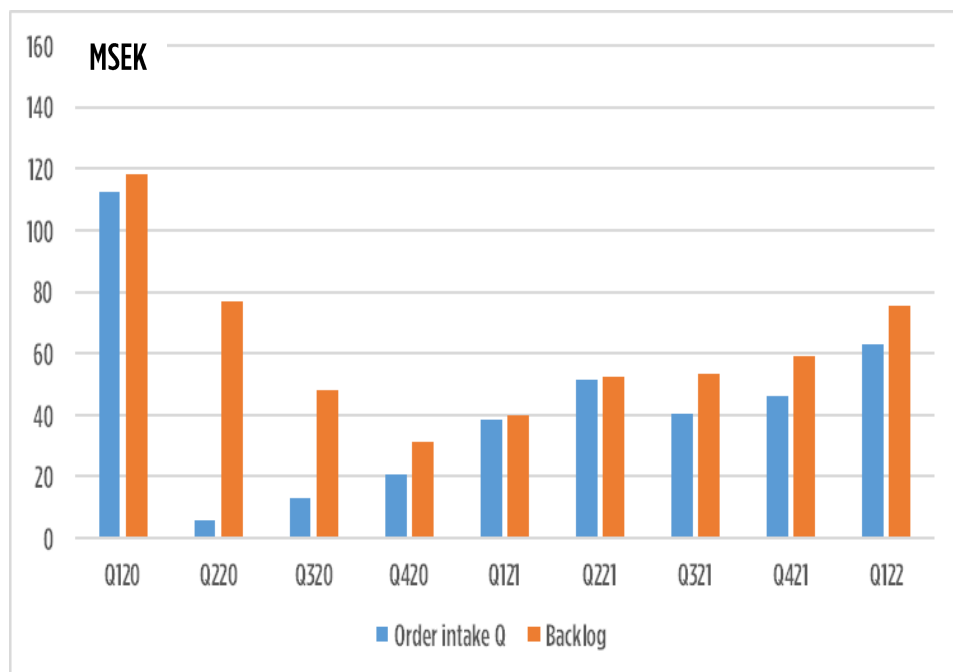
Credit facilities: 52 MSEK unused / available

Q1 2022

Order Intake & Backlog

- ❑ Order intake 63 MSEK vs 38 MSEK same period last year
- ❑ Order backlog increased 89 % compared with Q121 to 76 MSEK - highest since Q2 2020
- ❑ At risk 13 MSEK from Russian customers or 17 % of order backlog

MSEK	Q121	Q122
Order intake	38	63
Backlog	40	76
USD/SEK	8,72	9,38

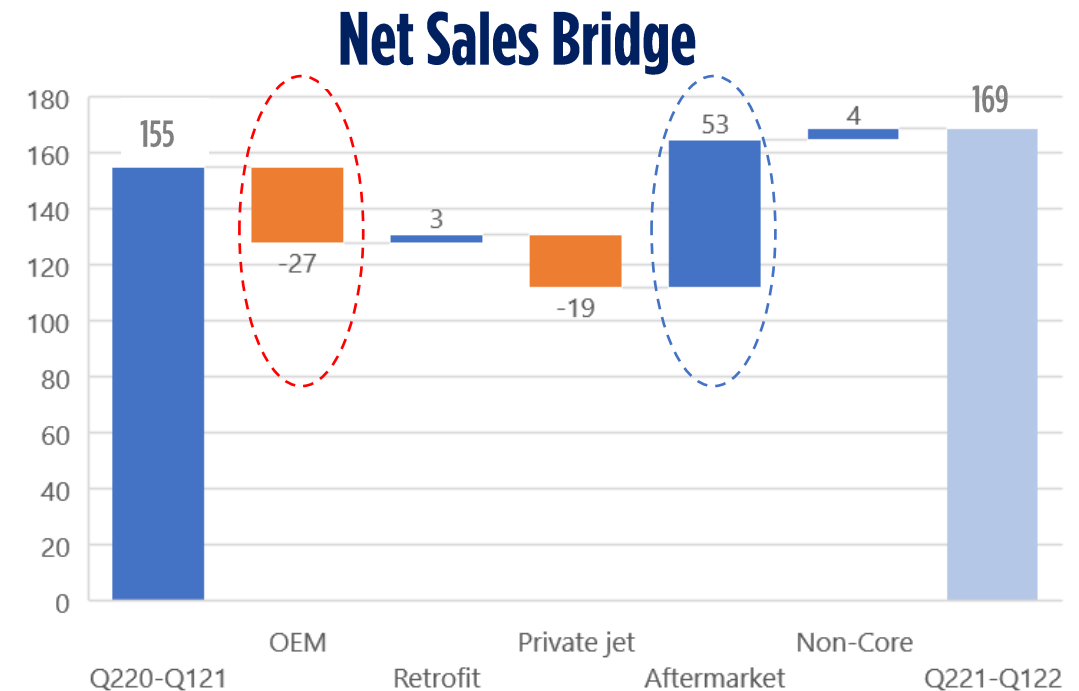


ROLLING 4Q

Rolling 4Q Financials in short

OEM sales late in recovery but also hit by Boeing production issues on 787s – Aftermarket early in the recovery

- Net Sales of 169 MSEK (155), up 9% versus comparable Rolling 4Q (Q220 – Q121)
- Operating Profit (EBIT) increase 226% to 40 MSEK (12)
- EBIT Margin 24% (8)
- EPS 2.15 SEK (0.77), an increase of 180%
- Operating cash flow of 46 MSEK (-22)



OUTLOOK

CTT has **paused all activities and shipments to Russia**

Facts - CTT in Russia:

- ☐ Percentage of CTT's total sales 2021: Approximately 4%
- ☐ Aftermarket sales <1MSEK
- ☐ No employees in Russia / Ukraine
- ☐ No suppliers in Russia / Ukraine

- ☐ All-fleet customer: 44 a/c fitted (10 in 2021)
- ☐ 20 a/c order in Q4 2021 scheduled for deliveries in 2022
- ☐ (Opportunity: 20 more a/c scheduled to be added to Pobeda fleet in 2022 / 2023)

- ☐ OEM via Airbus A350
- ☐ 9 A350s delivered in total
- ☐ Equipped with 2 humidifiers per aircraft

- ☐ Certified in Russia (Dec. 2021)
- ☐ Targeted EIS prior to war: H2 2022
- ☐ Flight deck humidifier basic equipment



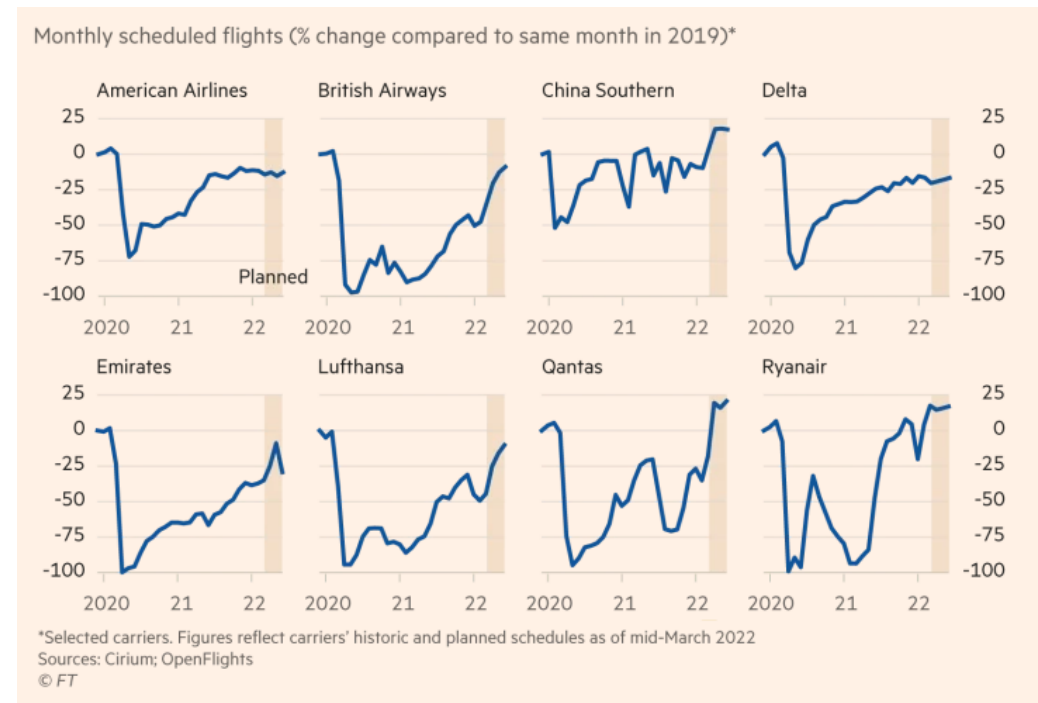
Travel demand booming – driven by US and EMEA

Strong international bookings – primarily for transatlantic traffic – business travel demand growing stronger in the US

- ❑ Domestic travel on large markets such as US and China
- ❑ North America, Europe and Middle-East leading intercontinental recovery – transatlantic bookings booming – Asia / China lagging
- ❑ Airlines shifting focus to medium-term and long-term widebody fleet planning – driven by US Airlines and airlines in Middle-East

Indirect effects can lower travel demand

- ❑ Fuel is 25 % - 40 % of OPEX for airlines
- ❑ Spending power: Higher inflation / interest rates = less disposable income
- ❑ Supply challenges for aircraft manufacturing such as for titanium

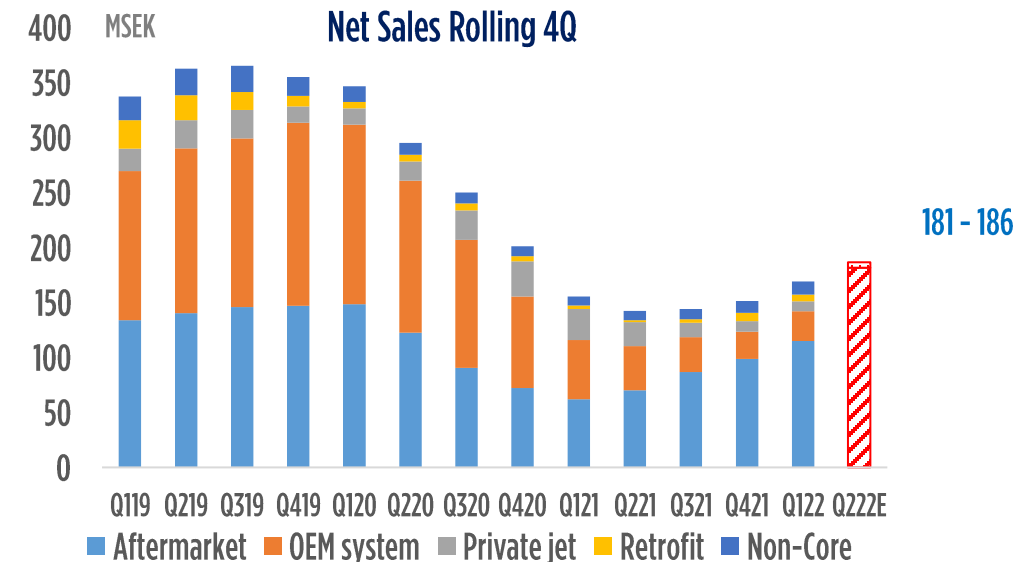
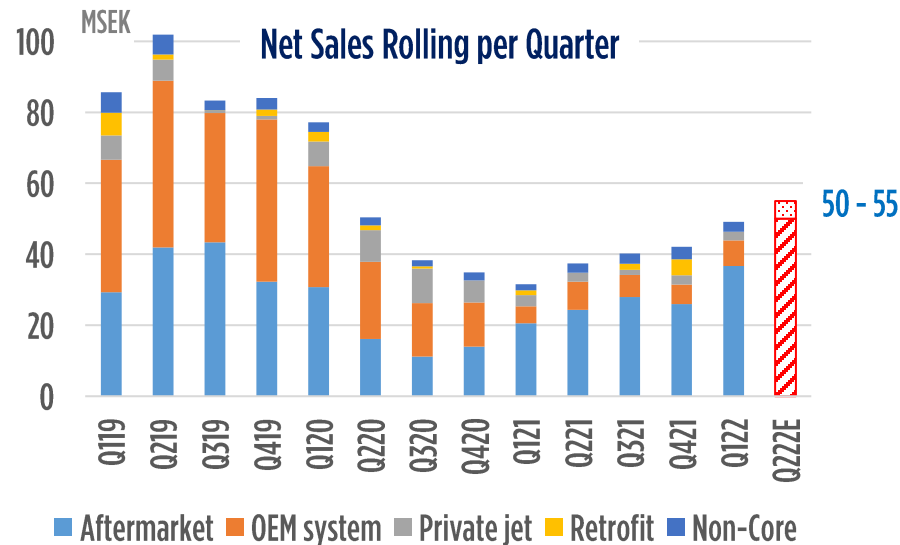
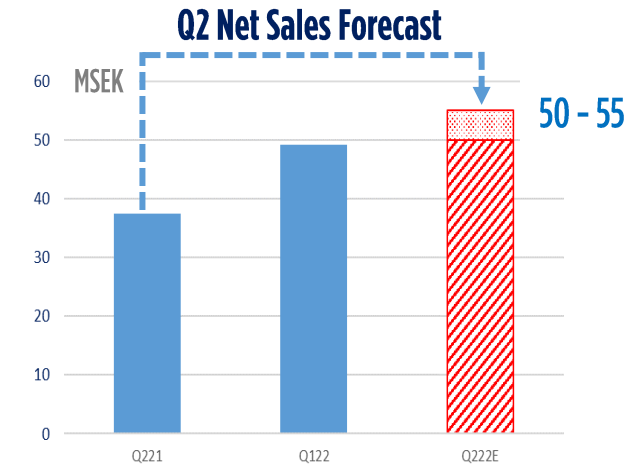


Forecast Q2 2022

Net Sales Forecast Q2 2022: 50 - 55 MSEK (37) (Y-o-Y-increase of 33 % - 47 %)

Q2 2022 versus Q1 2022:

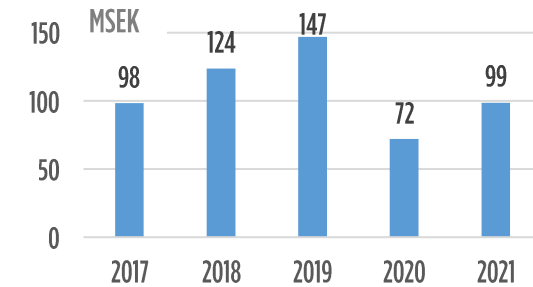
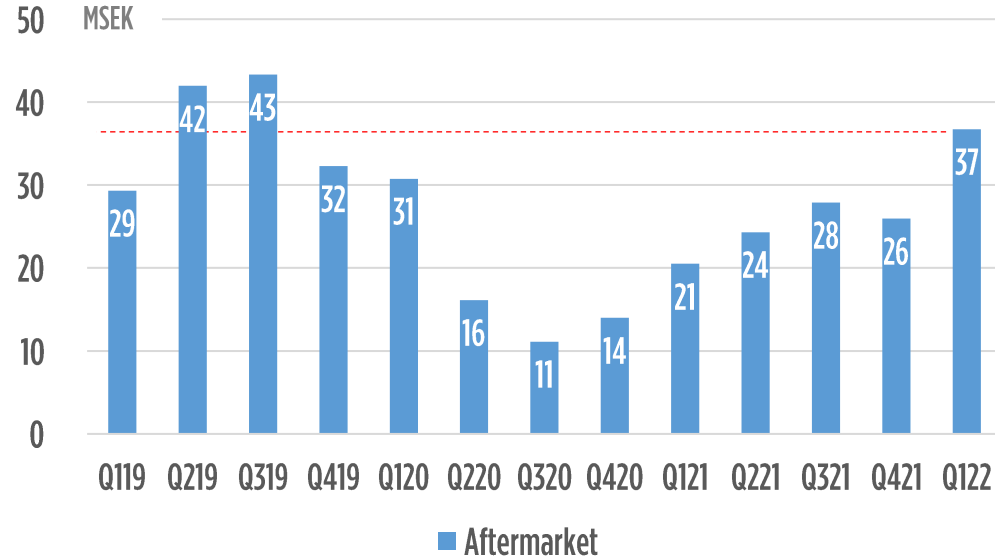
- Private Jet significant increase
- Aftermarket flat or slightly lower in light of exceptionally strong Q1 2022
- OEM sales will remain at depressed level due to low 787 production rate (1 - 2 per month)



Aftermarket sales expected to increase in 2022

Q2 - Pause in upward trend in light of exceptionally strong Q1 2022

- More products flying totally on A350 and Boeing 787 vs pre-pandemic
- Boeing 787 fleet restored to 99 % - high population growth rate when 787 deliveries of resume - 100+ ready-built in inventory as of end-2021
- A350 aftermarket higher in 2021 vs 2019 – continuous growth in 2022



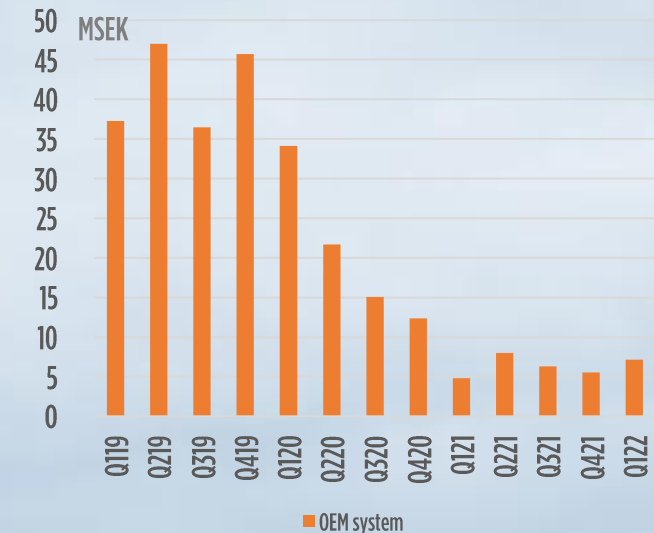
Growth drivers going forward:

- More flight hours: Intercontinental flights - Longer flights - Higher utilization per aircraft
- Population growth:
 - 110 Boeing 787 in inventory + build-rate 1-2 to 5
 - A350 fleet increasing - build-rate of 5 per month

OEM lagging but strong position when recovery starts

OEM will not contribute to growth in 2022

- ☐ Boeing 787 at low build-rate (1 – 2 per month) – gradual increase to 5 when deliveries are resumed
- ☐ Airbus currently targeting A350 build-rate to increase to 6 in 2023
- ☐ Boeing revised first delivery of 777X to 2025
- ☐ MC-21 type certificate in Dec 2021 – targeting entry-into-service in Q3 2022



Boeing 787

- ☐ Awaiting regulatory approval for pre-delivery inspections on reworked aircraft in inventory
- ☐ Meanwhile producing the 787 at a very low rate
- ☐ Expected gradual return to five airplanes per month over time

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

Airbus A350

- ☐ Guided higher production rate in 2023, up from 5 per month to 6
- ☐ Many large CTT customers with remaining humidifier orders

- ☐ Max content – Only via penetration and rate increase

Boeing 777X

- ☐ Certification delayed
- ☐ Boeing revised EIS to 2025

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

MC-21 – Paused

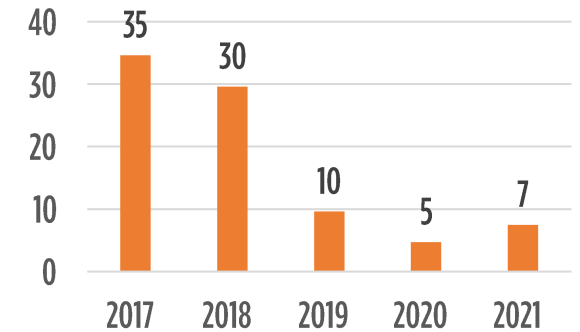
- ☐ Type certificate Russia in December 2021
- ☐ Targeted EIS in Q3 2022

- ☐ Basic – Only ramp-up and more content

The anti-condensation retrofit opportunity

Anti-condensation protection market driven by sustainability and oil at 13 year high

- ❑ Anti-Fuselage-Condensation (A320 / Boeing 737)
- ❑ Boeing MAX – Efforts to obtain STC for Boeing 737 MAX



Apr 25, 2022



Focus on European airlines
- Sustainability – Strong prospect list

Jet2.com

- ❑ Ordered 57 A321 aircraft scheduled to be delivered 2023-

The cabin humidification opportunity

Air quality and health in focus - Benefit versus cost compelling – Driven by wellbeing and wellness

- ❑ Growing airline interest in cabin air quality / humidity / wellness
- ❑ Short-term limited number of refurbishment programs
- ❑ Projects conditional on re-start of intercontinental travel

- ❑ Retrofit opportunity: 1,000 Boeing 787 aircraft
- ❑ Humidification system for the business class at a cost <50% of the cost to retrofit 1 new business class suite

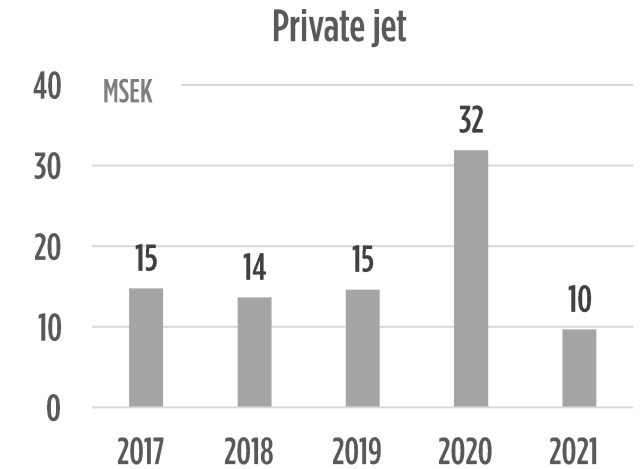


The private jet opportunity

Dominating the widebody VIP segment – Poised to grow into large cabin bizjet segment

CTT is the dominating humidification supplier for VIP aircraft:

- Widebody VIP: Humidification is a de-facto standard
- Narrowbody VIP: Humidification has lower penetration / selection rate – Possibility to gain market share



#1 Opportunity: Narrowbody VIP penetration

Higher selection rate on Airbus ACJ320 – ACJ sells it as bolt-on-kit with STC together with green ACJ320 aircraft

- ❑ Cooperation with Airbus ACJ to offer optimized humidification for the ACJ320 VIP Family
- ❑ Promoted by Airbus – First orders in Q4 2021
- ❑ Bolt-on-kit delivery – More scalable vs VIP projects together with completion centers

	Completion projects	OEM project	Kit + STC	Addressable Market (per year)	Entry-into-Service
ACJ320	✓	✓	✓	\$1.5M	In-service



#2 Opportunity: Large-cabin bizjet market

OEMs are key – Strong references in VIP to successfully migrate in large cabin bizjets

- ❑ Large-cabin, long-range business jets - 50 – 100 a/c per year
- ❑ Long-range (10+ hours) – Equipped for best comfort – Humidification system required for matching climate



CTT selected for the humidification system ✓



❑ Addressed Market potential: \$13M per year

	Completion projects	OEM project	Kit + STC	Addressable Market (per year)	Entry-into-Service
Bombardier Global 7500	✓			\$10M	In-service
ACJ TwoTwenty		✓	✓	\$3M	2023



❑ Unaddressed market: \$15M per year

Market drivers stronger in the wake of the pandemic

Focus on air quality and wellness – Demand for green tech to reduce carbon footprint



Leading position and projects for growth – Power to invest



Q & A



