

July 22, 2022

# EARNINGS CALL Q2 2022



S Y S T E M S





**HENRIK HÖJER**  
CEO



**MARKUS BERG**  
CFO

**Q2 2022**

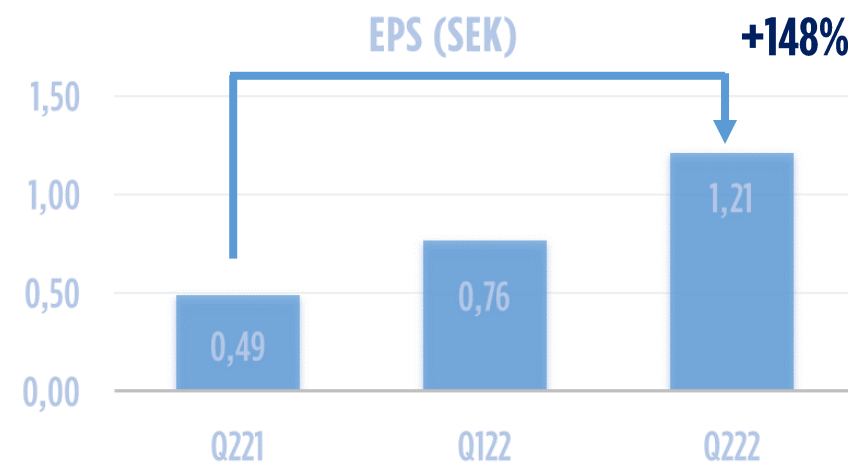
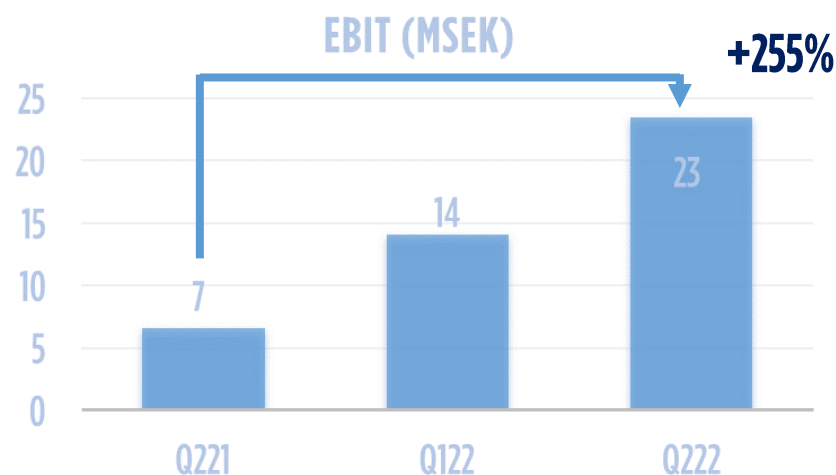
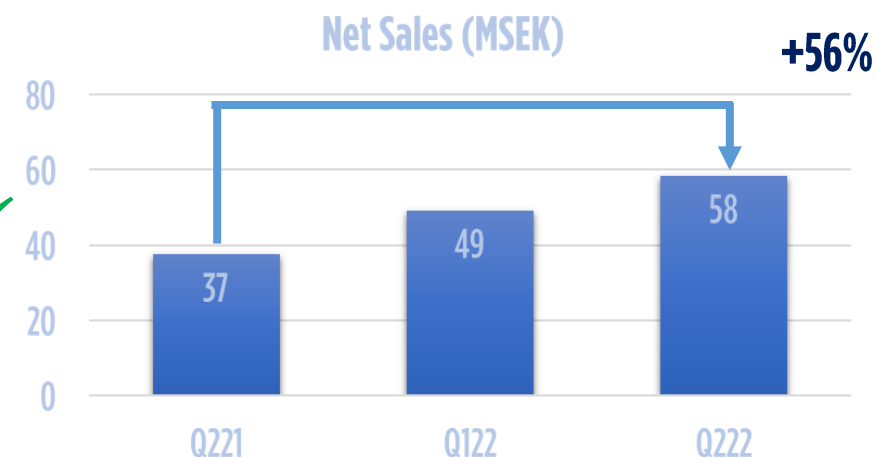
# Q2 2022 Business highlights

- ❑ Aftermarket demand stronger than anticipated - restored to 2019-level
- ❑ ACJ and CTT sign business agreement for optional inflight humidification for the TwoTwenty business jet – launched at EBACE
- ❑ Business environment improved - Aircraft Interior Show in Hamburg (first time in 3 years)

# Q2 2022 Financials in short

Strong growth of sales and profit - EBIT-margin highest since Q3 2019

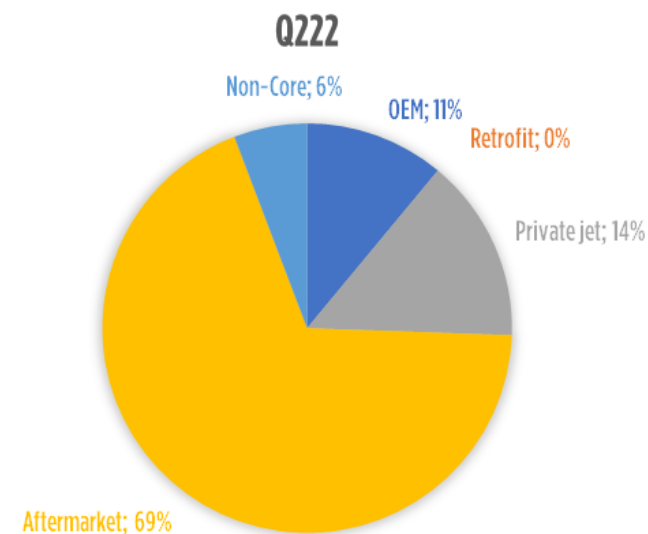
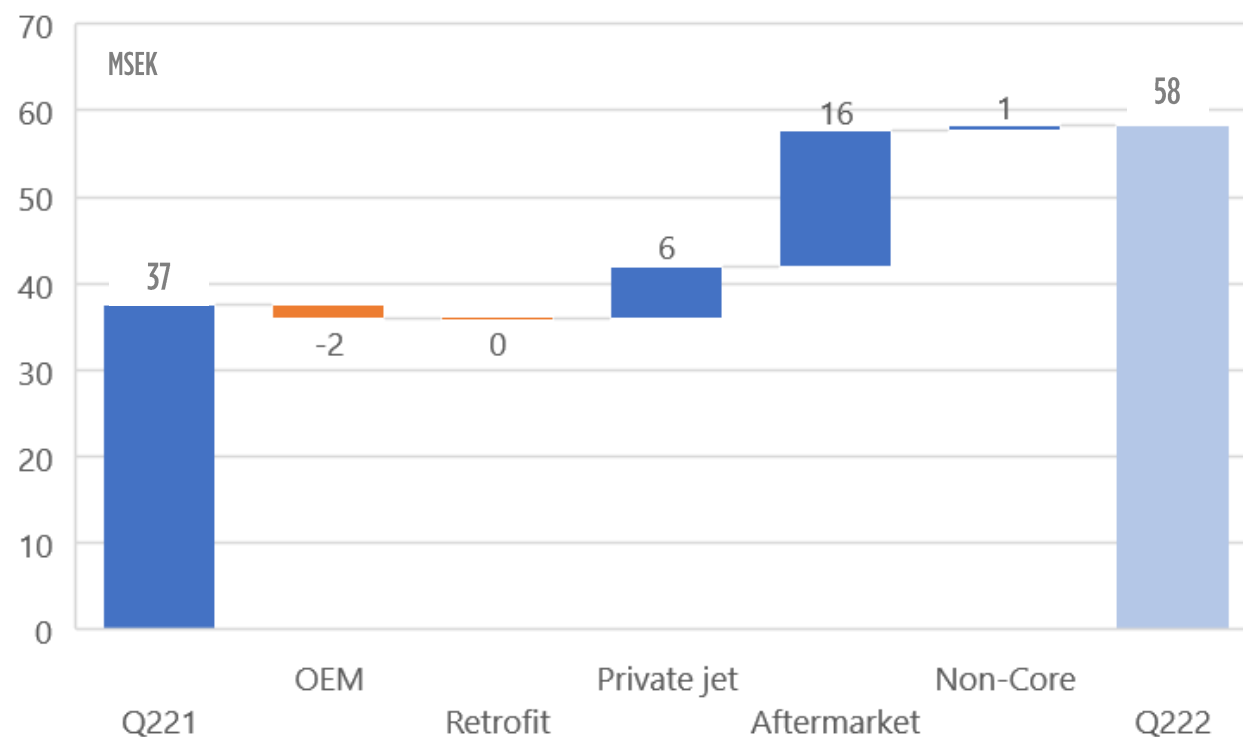
- Net Sales of 58 MSEK (37) – increased 56% - currency adjusted 36% - beat forecast MSEK 50 - 55 ✓
- EBIT 23 MSEK (7) - EBIT Margin 40% (18)
- EPS 1.21 SEK (0.49)
- Operating cash flow of 4 MSEK (7)



**Q2 2022**

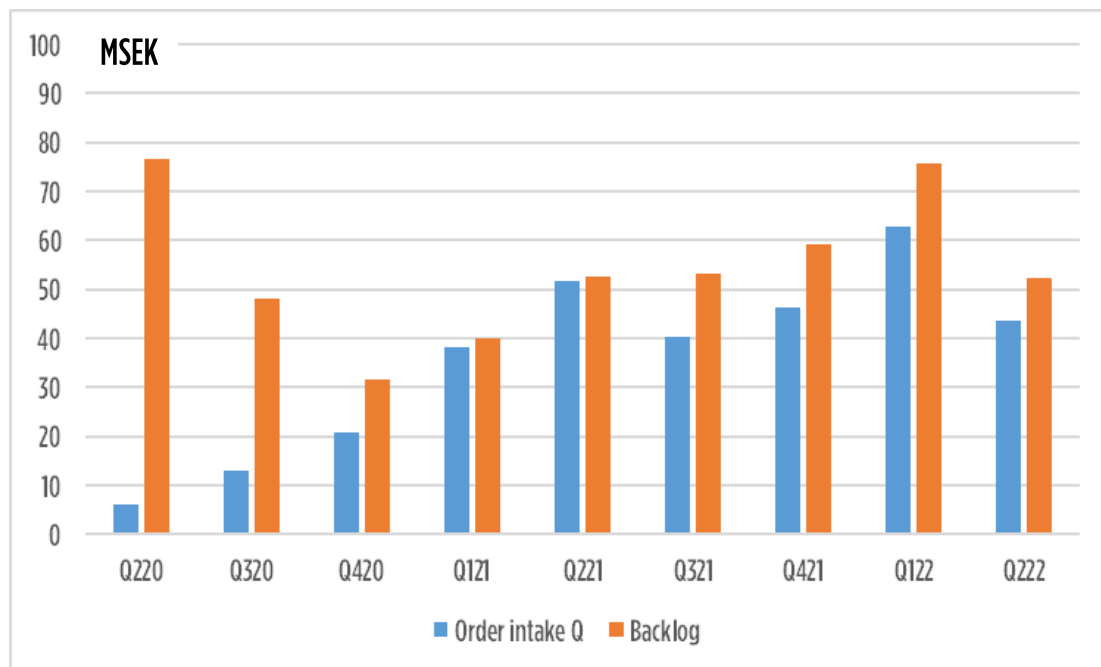
# Net Sales Bridge and Mix

Net Sales increase was driven by Aftermarket sales recovery and Private jet growth



# Q2 2022 Order Intake & Backlog

- ❑ Gross order intake 44 MSEK vs 52 MSEK same period last year
  - ❑ The weaker order intake compared to previous year is mainly explained by lower build-rate by Boeing in the 787 program
  - ❑ Aftermarket sales dominating revenue with short lead-time from order to delivery (i.e. order and delivery in the same quarter)
- ❑ Net order intake 30 MSEK due to cancellation of all orders to the Russian market
- ❑ Order backlog at 52 MSEK (53), decrease mainly explained by deleted Russian orders (booked at MSEK 14)

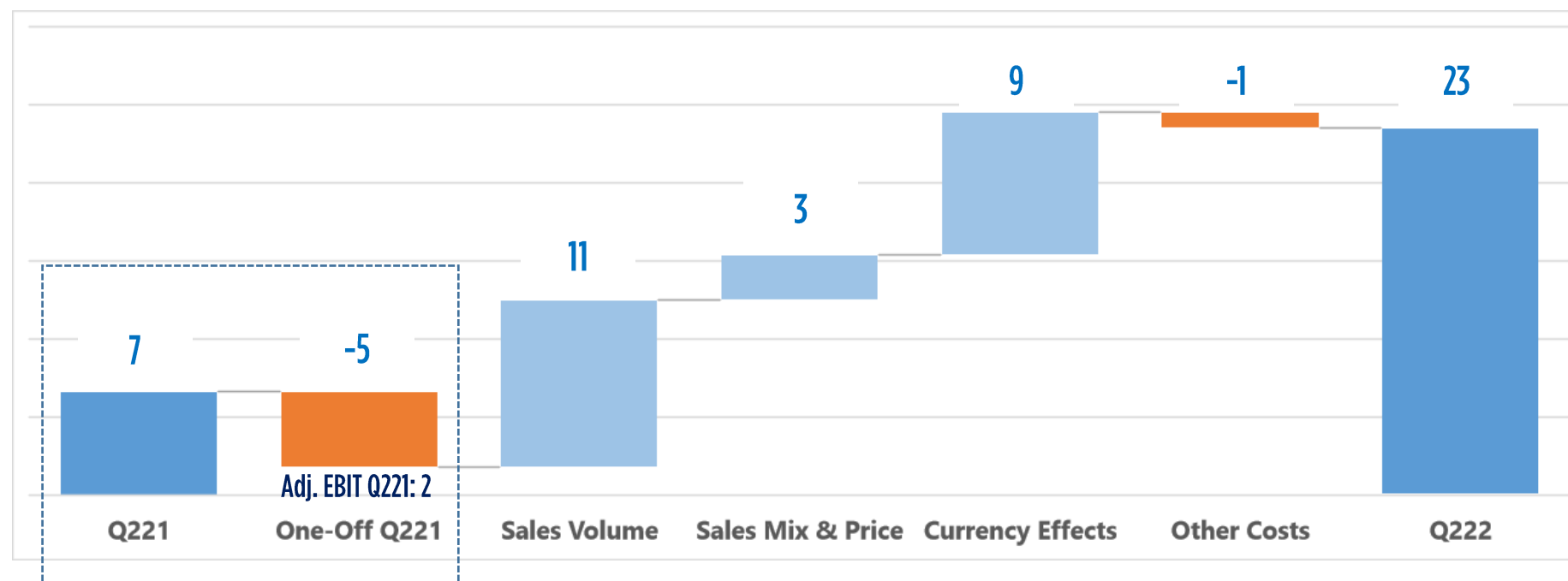


MSEK	Q221	Q222
Order intake	52	44
Backlog	53	52
USD/SEK	8.51	10.10

# Q2 2022

## EBIT Profit Bridge

- Q2 2021 EBIT adjusted for positive one-off item impact was MSEK 2 (EBIT 7 minus 5)
- Business related performance improvements - driven by sales volume and mix (higher Aftermarket and Private jet sales lower OEM)
- Stronger USD/SEK with positive impact on reported sales in SEK and AR/AP valuation





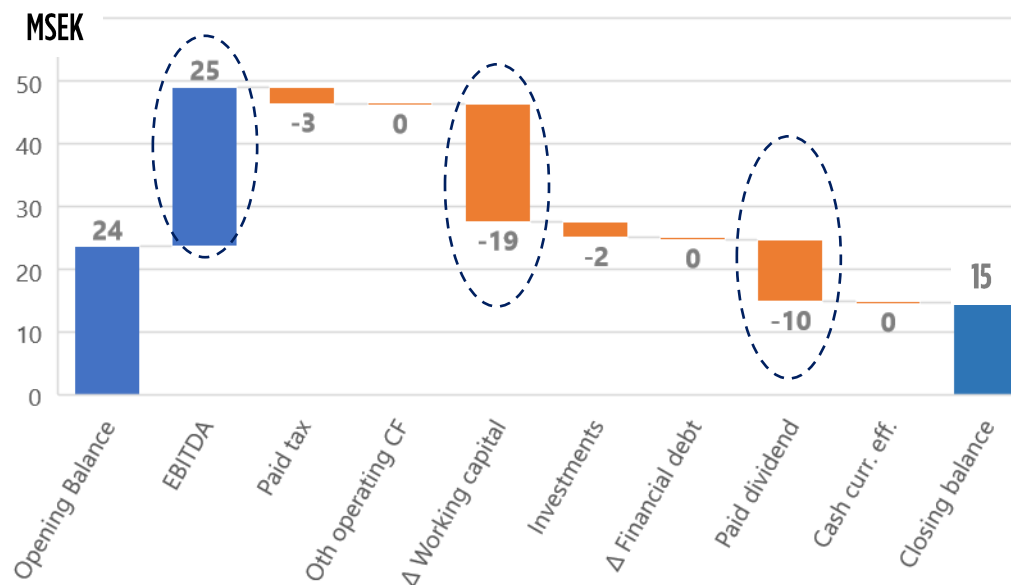
# Q2 2022 Cash Flow

- Operating cash flow +4 MSEK (7) driven by improved financial performance (EBITDA) and partly offset by working capital
- Working capital higher due to increased account receivables from increased sales and some large payments sliding into Q3
- Net debt amounting to 30 MSEK compared 45 MSEK in Q2 last year

## Cash Flow

	Q222	Q221
Earnings before tax reconciled to cash	25,4	11,5
Paid tax	-2,7	-2,4
Change in working capital	-18,8	-1,9
<b>Operating Cash Flow</b>	<b>4,0</b>	<b>7,2</b>
Investments	-2,4	-2,4
Borrowings	-0,4	-0,3
Paid dividend	-9,9	-21,8
<b>Cash flow</b>	<b>-8,7</b>	<b>-17,3</b>

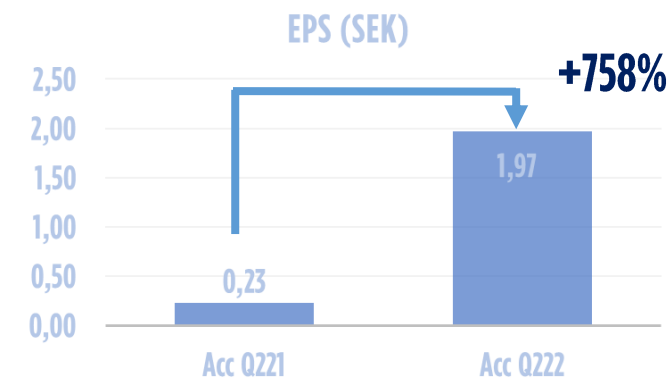
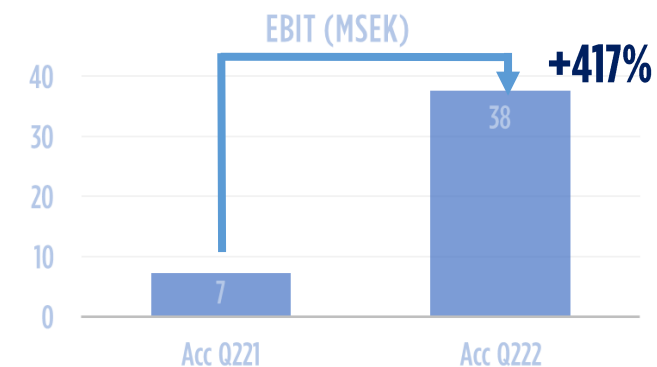
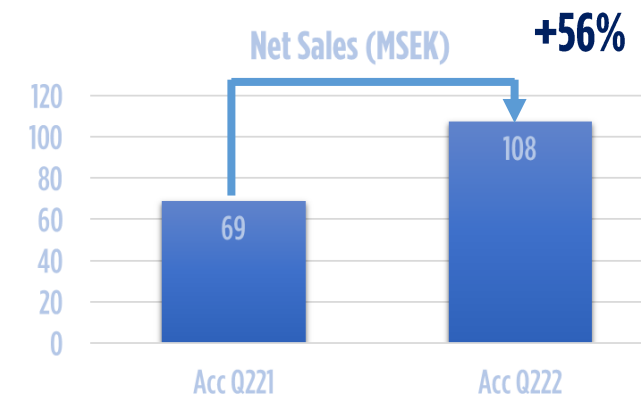
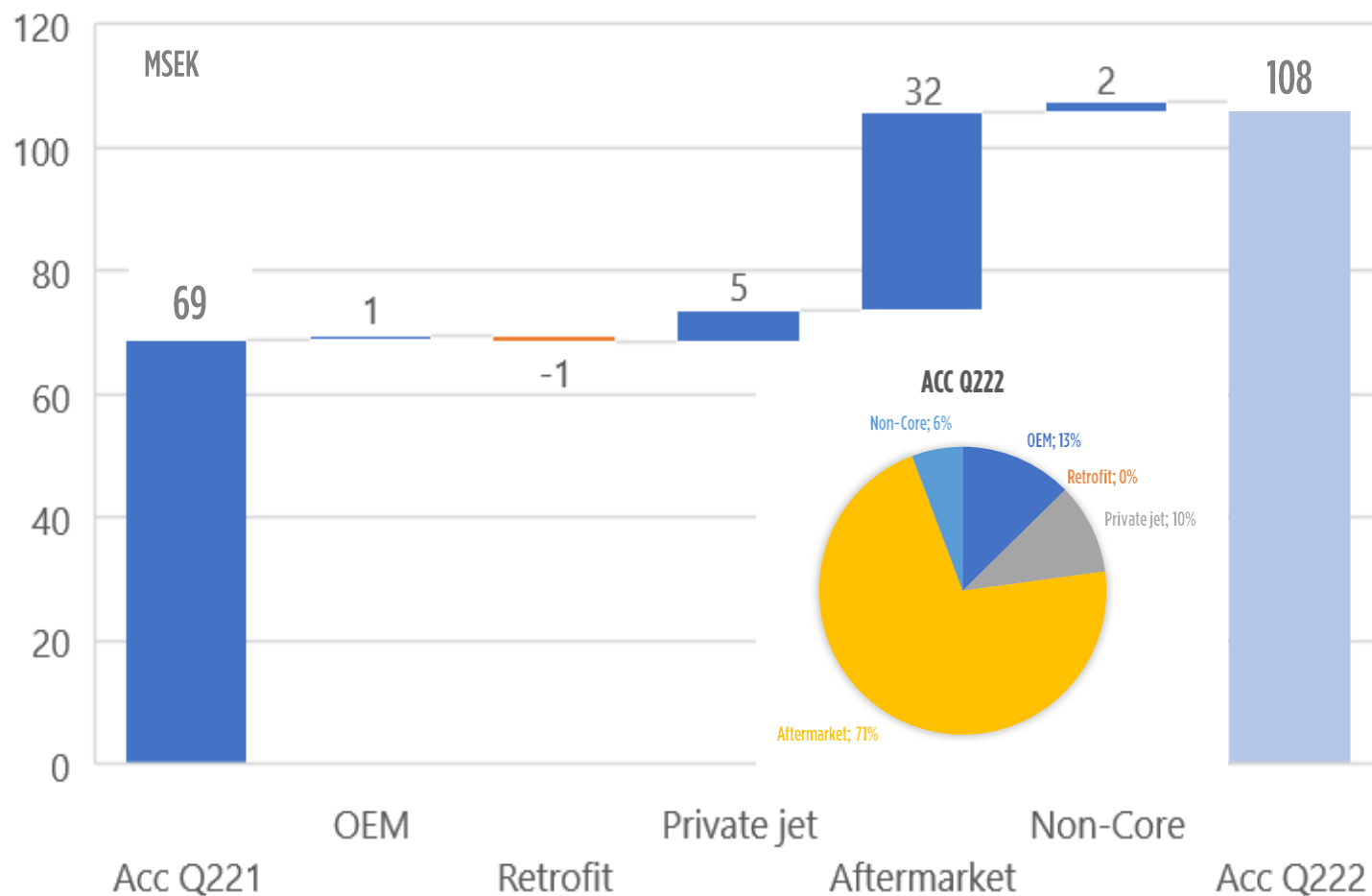
## Change in Cash



Credit facilities: 51 MSEK unused / available

**Q1-Q2 2022**

# H1 2022 Financials in short



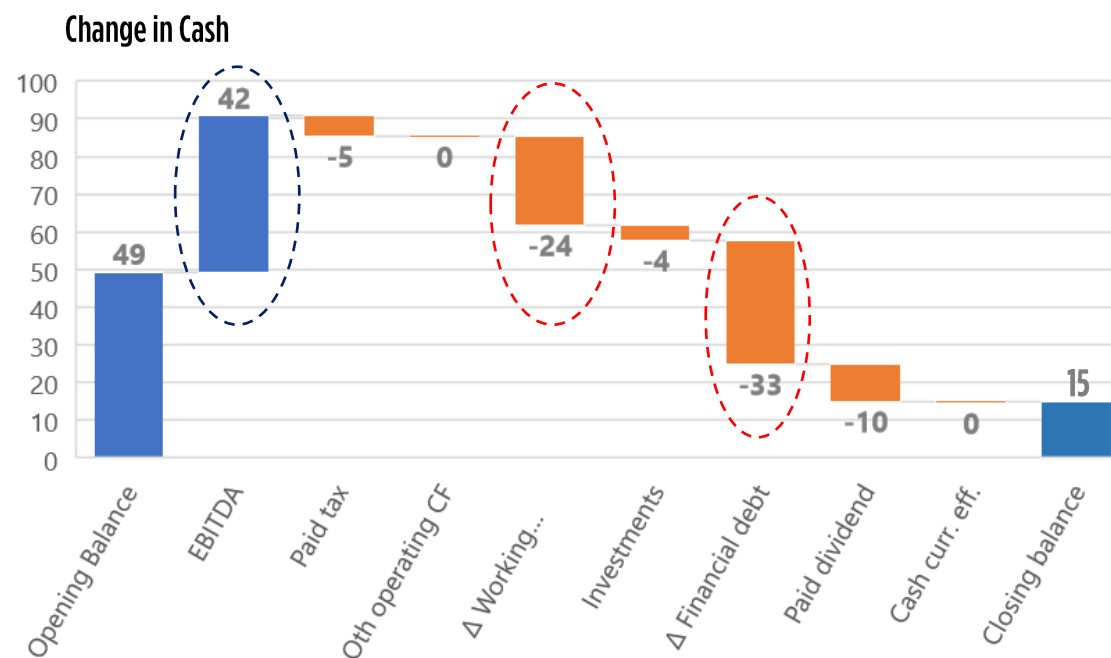
# H1 2022

## Cash Flow

- Operating cash flow +13 MSEK (0), mainly driven by improved financial performance (EBITDA) partly offset by working capital
- Working capital increased primarily due to strong sales increase and from accounts receivable from large customer payments to be settled in Q3
- Reduced debt due to re-payment of USD loan of 33 MSEK in Q1 - Net debt amounting to 30 MSEK compared 45 MSEK Q2 last year

### Cash Flow

	Acc Q2 2022	Acc Q2 2021
Earnings before tax reconciled to cash	41,5	13,3
Paid tax	-5,4	-4,0
Change in working capital	-23,5	-9,0
<b>Operating Cash Flow</b>	<b>12,5</b>	<b>0,3</b>
Investments	-4,0	-5,1
Borrowings	-32,9	29,1
Paid dividend	-9,9	-21,8
<b>Cash flow</b>	<b>-34,3</b>	<b>2,5</b>



Credit facilities: 51 MSEK unused / available

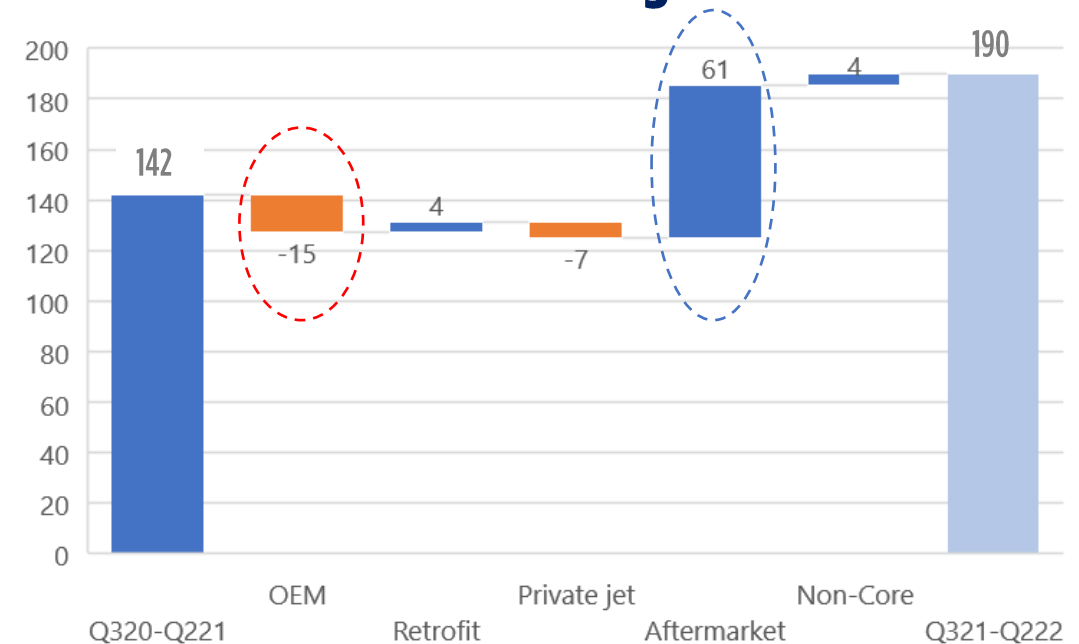
**ROLLING 4Q**

# 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 190 MSEK (142), up 34% versus comparable Rolling 4Q (Q320 – Q221)
- Operating Profit (EBIT) increase 338% to 57 MSEK (13)
- EBIT Margin increase to 30% (9)
- EPS 2.87 SEK (0.78), an increase of 268%
- Operating cash flow of 43 MSEK (-5)

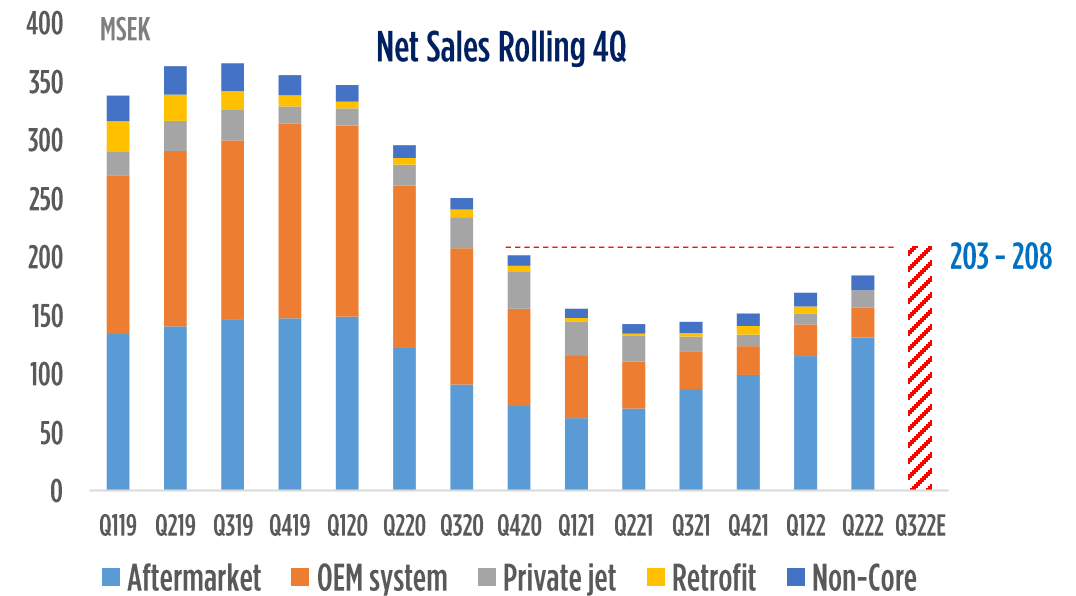
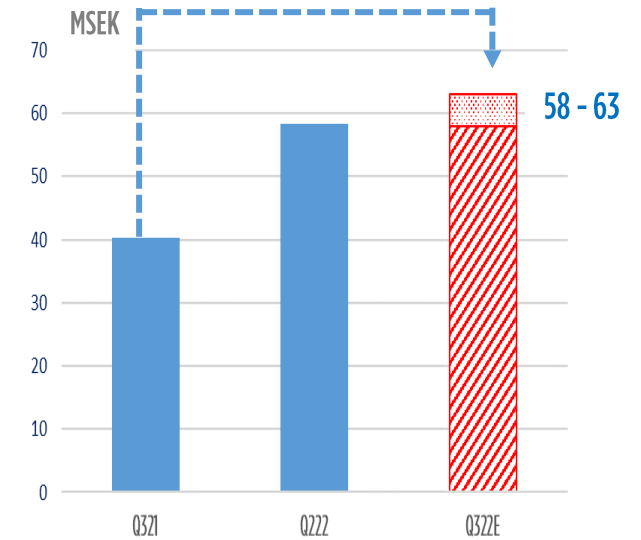
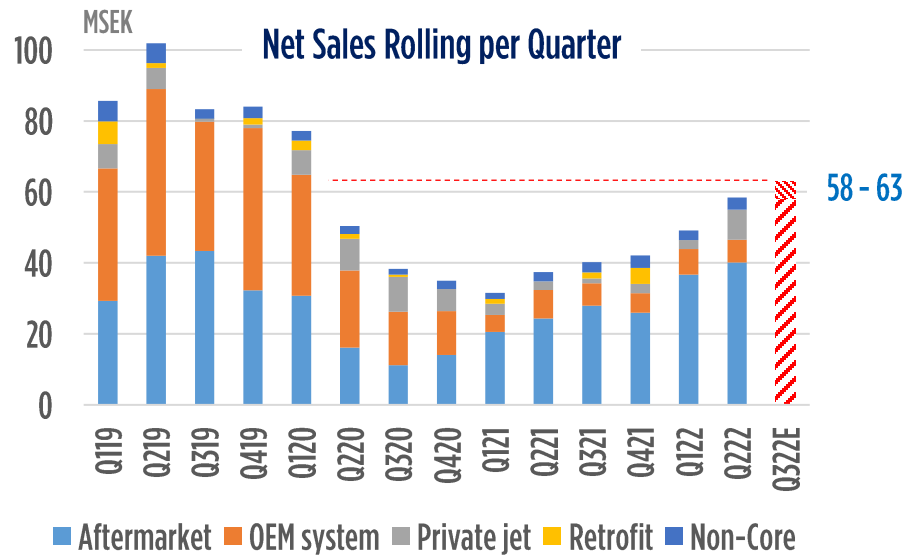
## Net Sales Bridge



# OUTLOOK

# Forecast Q3 2022

- Net Sales Forecast Q3 2022: 58 - 63 MSEK (40) (Y-o-Y-increase of 44 % - 57 %)
- Q3 expected to mirror previous quarter (Q2)





# Growth opportunities – but not without challenges

CTT is in a strong position to grow sales in all our segments

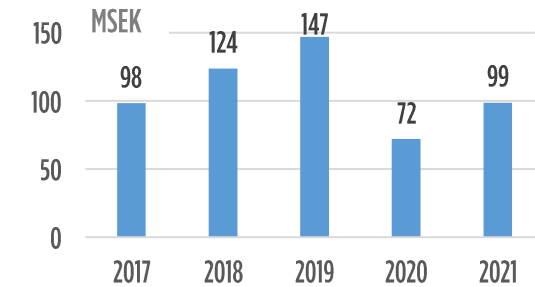
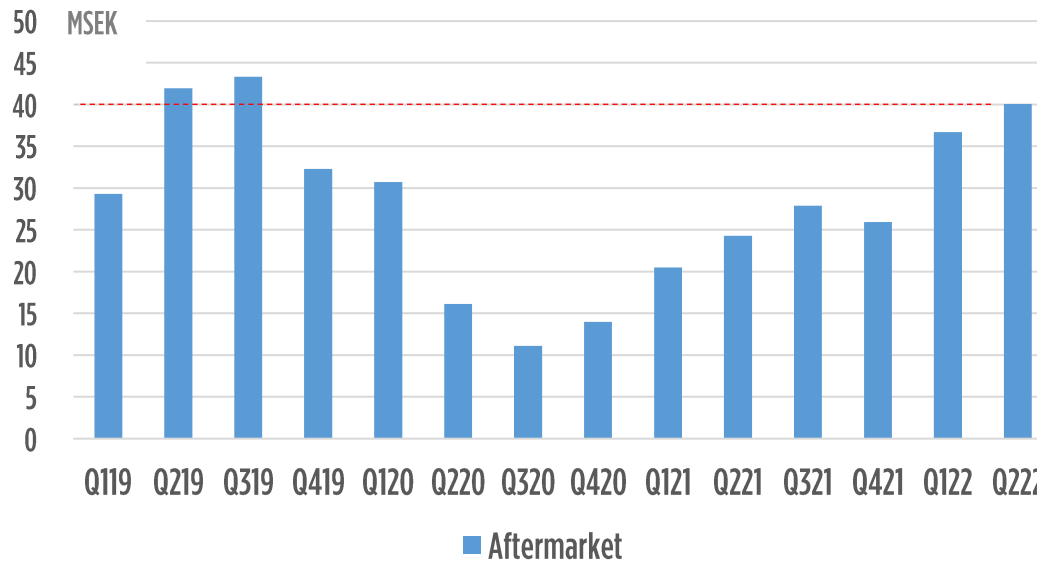
- ❑ Private jet
  - Recovery started driven by our partnership with ACJ and by that, positioned for further growth
- ❑ OEM
  - Widebody-centric, aircraft build-rates likely to start rebounding next year
- ❑ Retrofit market for Humidification and Anti-Condensation
  - Supported by the megatrends in favor of our products that make flying a little more sustainable and far more pleasurable
- ❑ Aftermarket
  - Still some pandemic recovery potential

CTT has flexibility in our strategic plan to re-accelerate revenue growth in a challenging environment.

# Aftermarket sales expected to increase in 2022

Restored to pre-pandemic level – Some recovery upside remains

- Population restored: More products flying totally on A350 and Boeing 787 vs pre-pandemic – More A380s return
- Utilization still in recovery: Normalization from increase in intercontinental traffic = more flight hours
- Pandemic-recovery gradually fades – Back-to-normal where aftermarket correlates with population growth



## Growth drivers going forward:

- More flight hours: Intercontinental flights - Longer flights - Higher utilization per aircraft
- Population growth:
  - 115 Boeing 787s 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 – Recovery starts in 2023

- ❑ 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
- ❑ First 777X delivery expected in 2025



## 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

# The cabin humidification retrofit 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

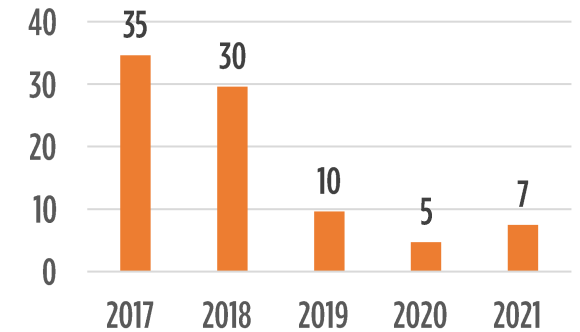
- ❑ Retrofit opportunity: 1,000 Boeing 787 aircraft
- ❑ Humidification system for the business class at a cost <50% of the cost to retrofit 1 new business class suite





# The anti-condensation retrofit opportunity

- ❑ Anti-Fuselage-Condensation (A320 / Boeing 737) – sustainability and high oil price
- ❑ Retrofit to drive OEM:
  - ❑ Efforts to obtain STC for Boeing 737 MAX
  - ❑ A320 operators to demand line-fit or post-delivery modification



Focus on airlines in northern Europe

- Sustainability key selling point
- Strong prospect list

**Jet2.com**



- ❑ 57 A321s on order to be delivered 2023-

- ❑ 100 A320 Family aircraft on order to be delivered 2023-

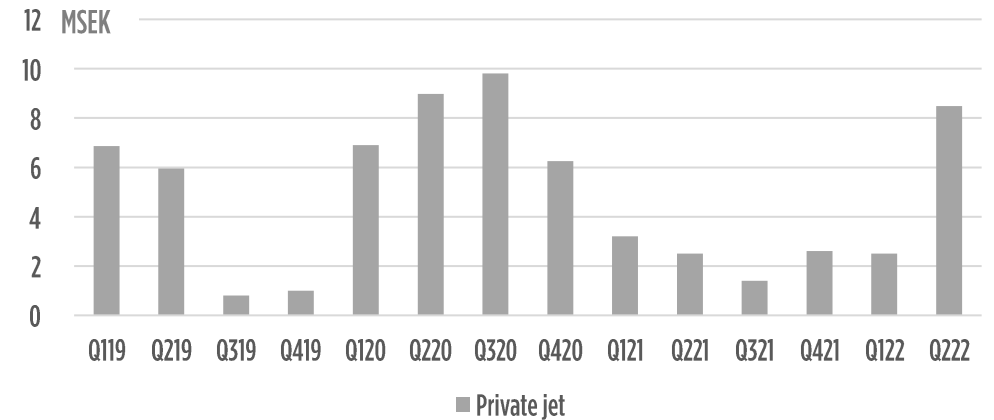
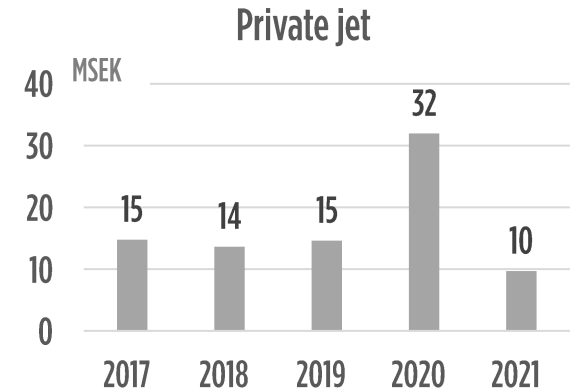


# The private jet opportunity

**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



# #1 Airbus partnership to increase ACJ320 VIP penetration

- ❑ 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





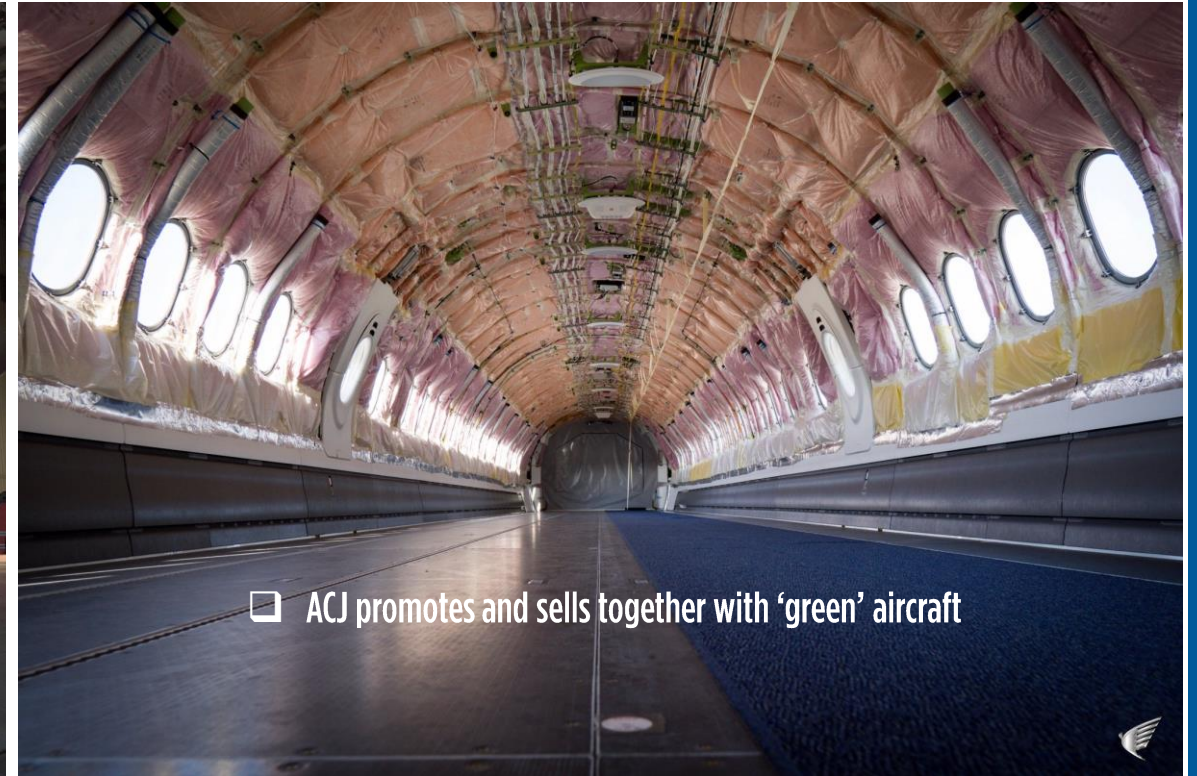
# #2 Airbus partnership on ACJ TwoTwenty business jet

- ❑ ACJ launched Inflight Humidification at EBACE in May 2022
- ❑ First order in partnership with Airbus Corporate Jets in July
- ❑ Entry-into-service 2023

- ❑ Addressed Market potential: \$1M-3M per year

	Completion projects	OEM project	Kit + STC	Addressable Market (per year)	Entry-into-Service
ACJ TwoTwenty		✓	✓	\$1M-3M	2023

- ❑ Delivered together with aircraft for completion
- ❑ Bolt-on-kit with STC



- ❑ ACJ promotes and sells together with 'green' aircraft



# #3 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

1<sup>st</sup> Humidification fitted Global 7500 aircraft delivered to charter operator – In-service



❑ Addressed Market potential: \$10M-\$12M per year

	Completion projects	OEM project	Kit + STC	Addressable Market (per year)	Entry-into-Service
Bombardier Global 7500	✓			\$10M-\$12M	In-service



❑ 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**





