

February 7, 2023

# EARNINGS CALL Q4 2022



S Y S T E M S





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CFO

# **Q4 2022**

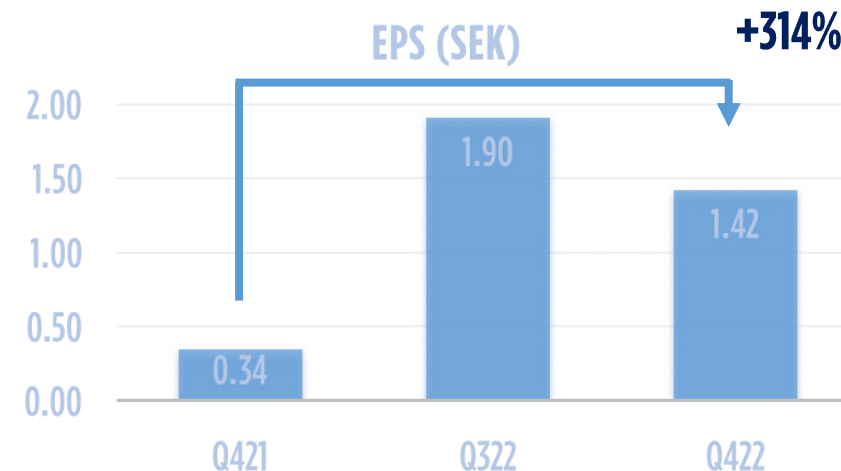
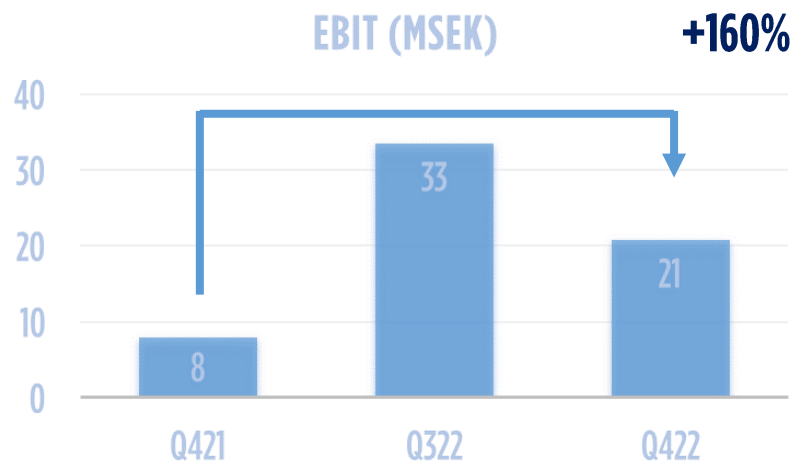
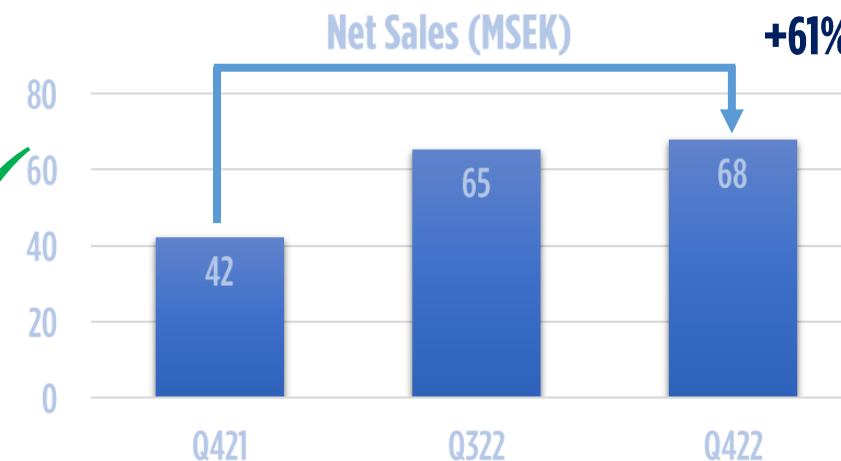
## **Business highlights**

- ❑ Strong aftermarket with sales close to ATH in Q3 2022
- ❑ Kit-order for ACJ320 together with Airbus Corporate Jets (Dec-22)

# Q4 2022 Financials in short

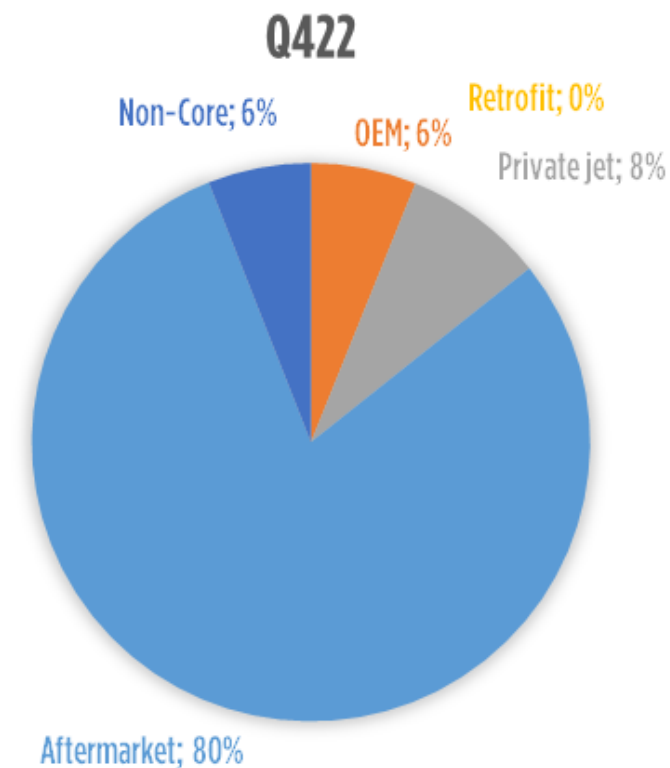
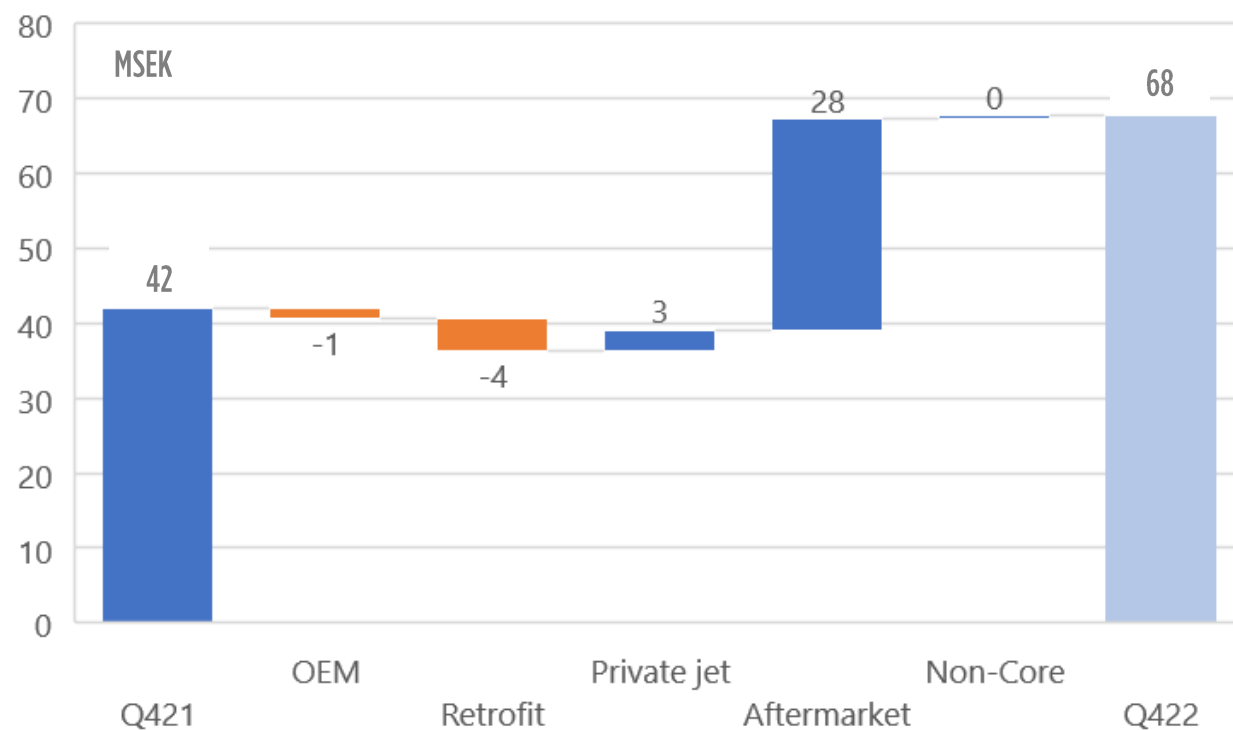
Sales met the forecast and recorded growth for the 7<sup>th</sup> consecutive quarter

- Net Sales of 68 MSEK (42) – increased 61% - currency adjusted 33% - in the forecasted range MSEK 65 - 70 ✓
- EBIT 21 MSEK (8) - EBIT Margin 31% (19)
- EPS 1.42 SEK (0.34)
- Operating cash flow of 18 MSEK (20)



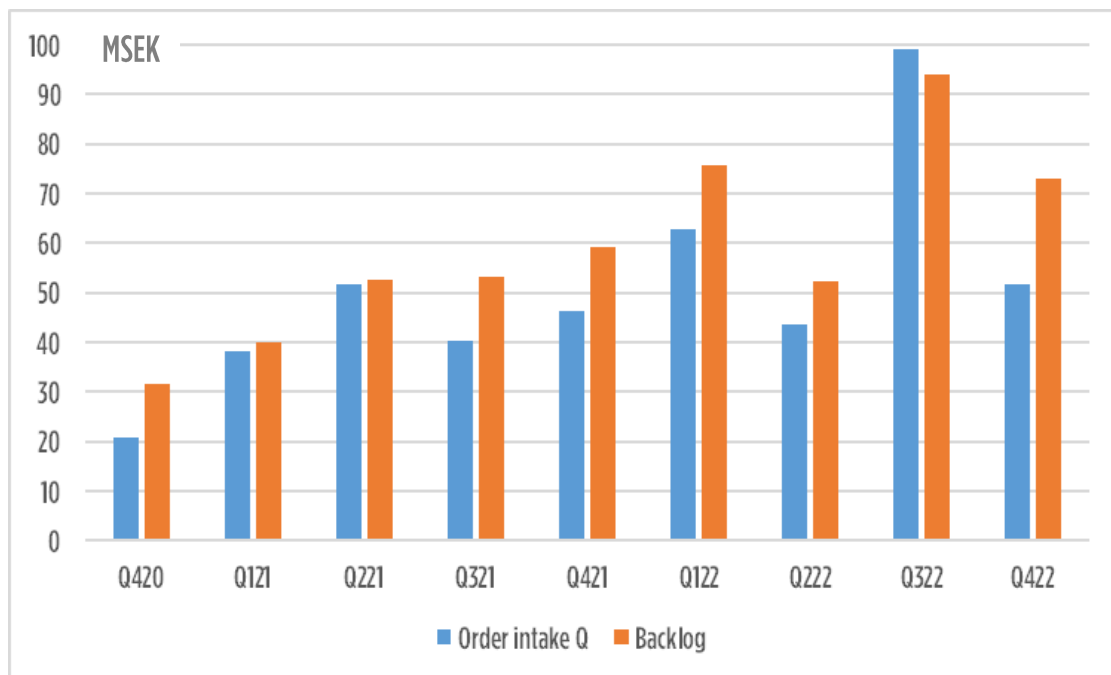
# Q4 2022 Net Sales Bridge and Mix

Net Sales increase was driven by the Aftermarket



# Q4 2022 Order Intake & Backlog

- Order intake 52 MSEK vs 46 MSEK same period last year
  - Aftermarket driven sales growth with short lead-time from order to delivery (some order and delivery in the same quarter)
  - One new Private jet order during the quarter, to be delivered during the first quarter 2023
- Order backlog at 73 MSEK (59)

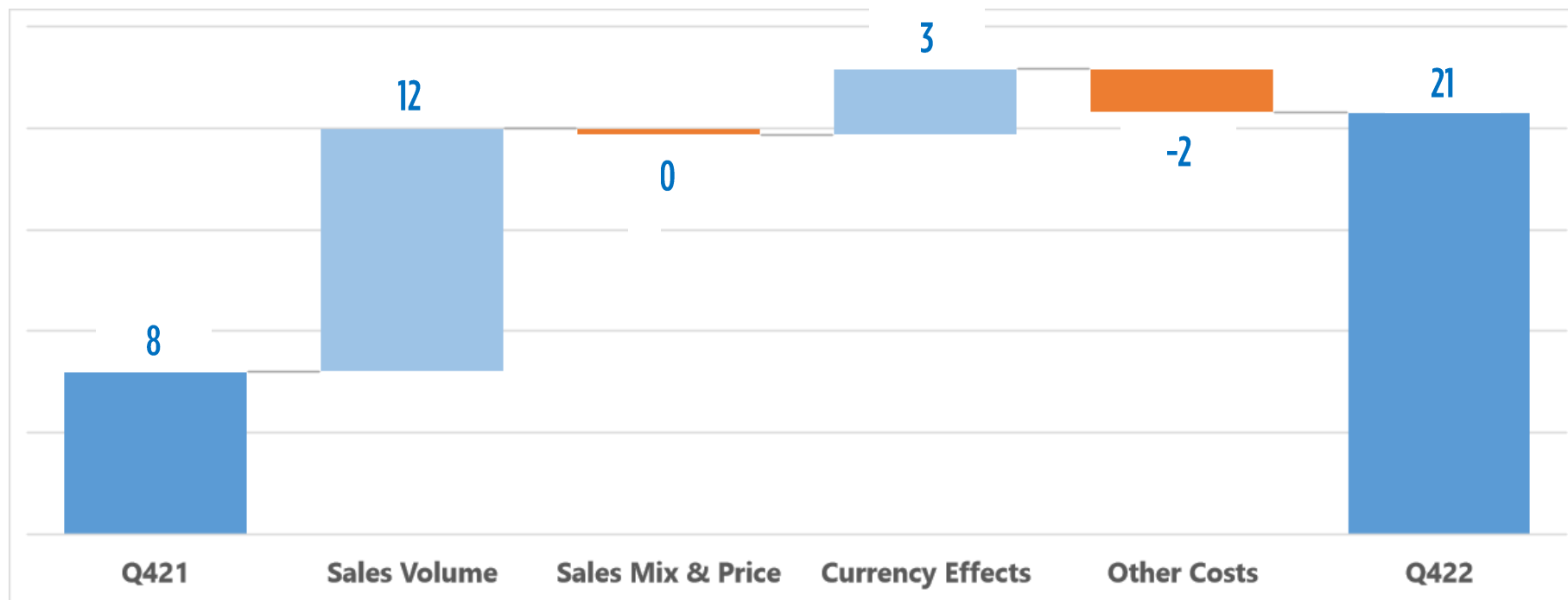


MSEK	Q421	Q422
Order intake	46	52
Backlog	59	73
USD/SEK	8.98	10.55

# Q4 2022

## EBIT Profit Bridge

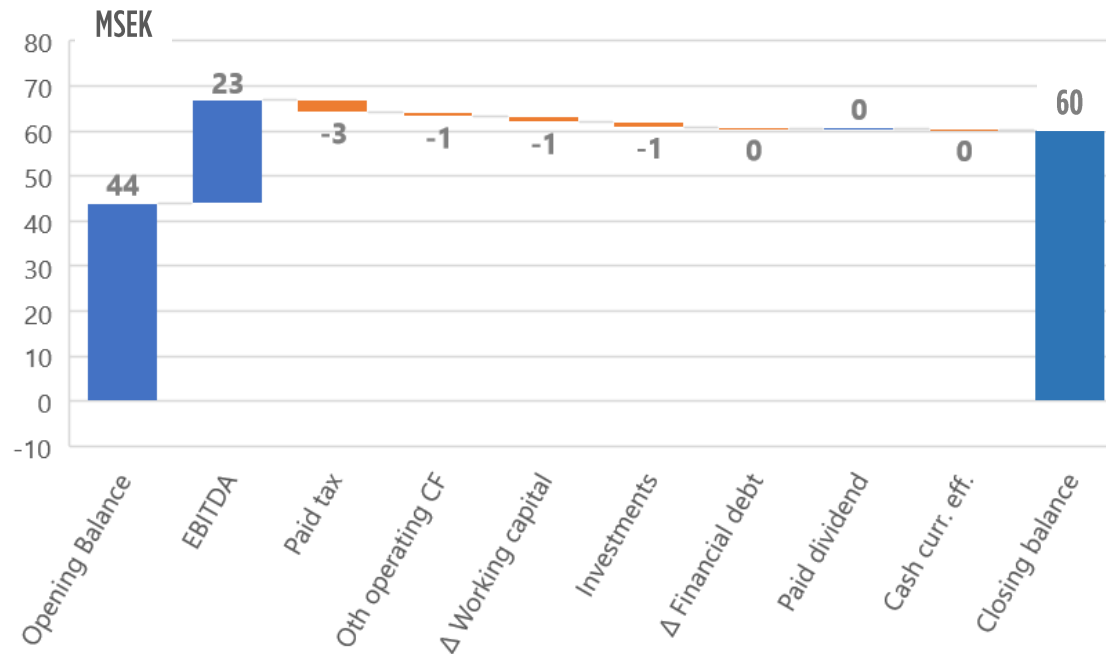
- Business related performance improvements - driven by sales volume
- Stronger USD/SEK compared with last year – contributing with 9 MSEK on EBIT
- Weaker USD/SEK compared to last quarter closing, with negative impact on AR/AP valuation – offsetting 6 MSEK on EBIT



# Q4 2022 Cash Flow

□ Operating cash flow +18 MSEK (20), driven by improved financial performance (EBITDA) of 23 MSEK

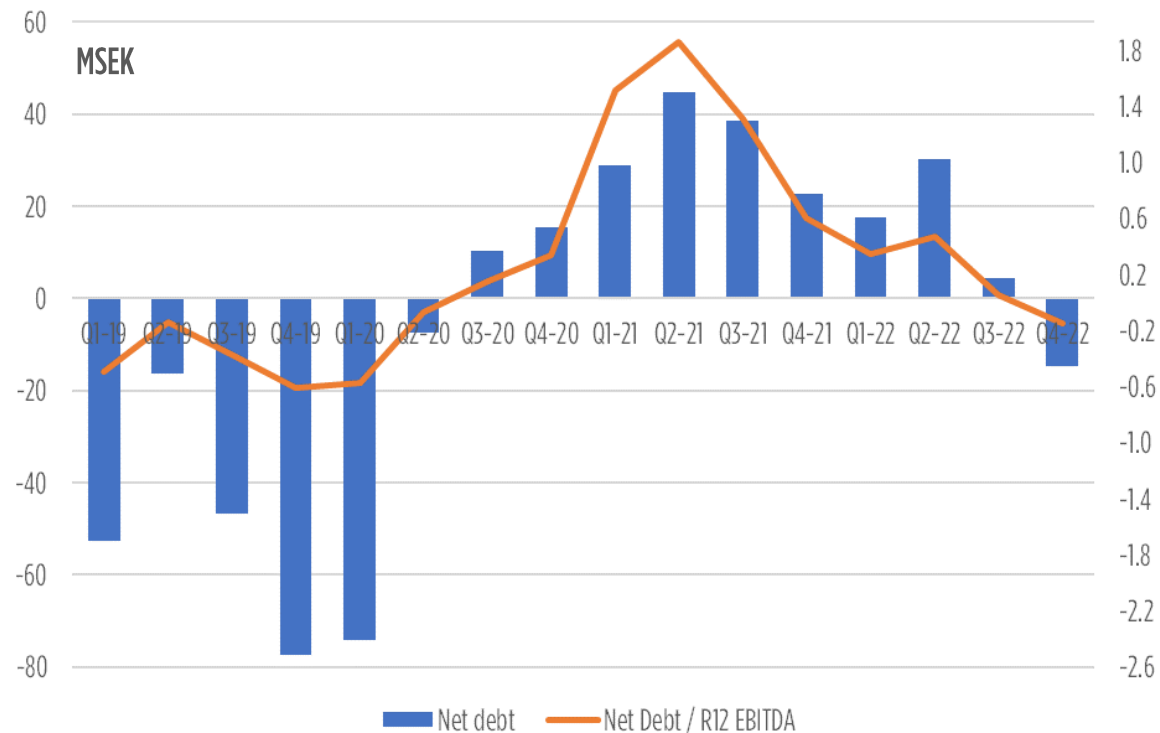
Change in Cash





# Q4 2022 Net Debt

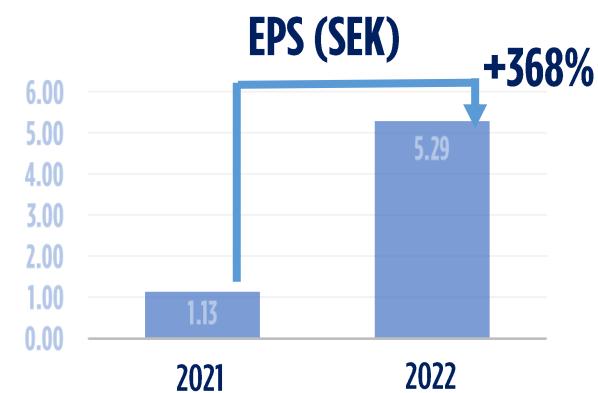
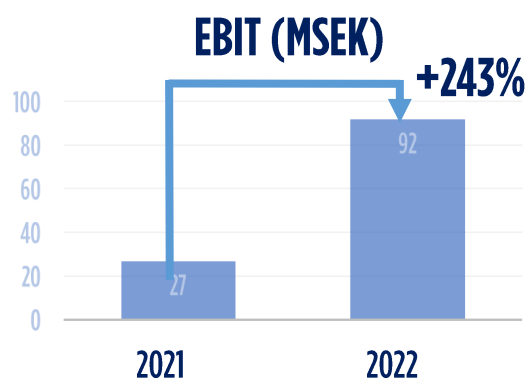
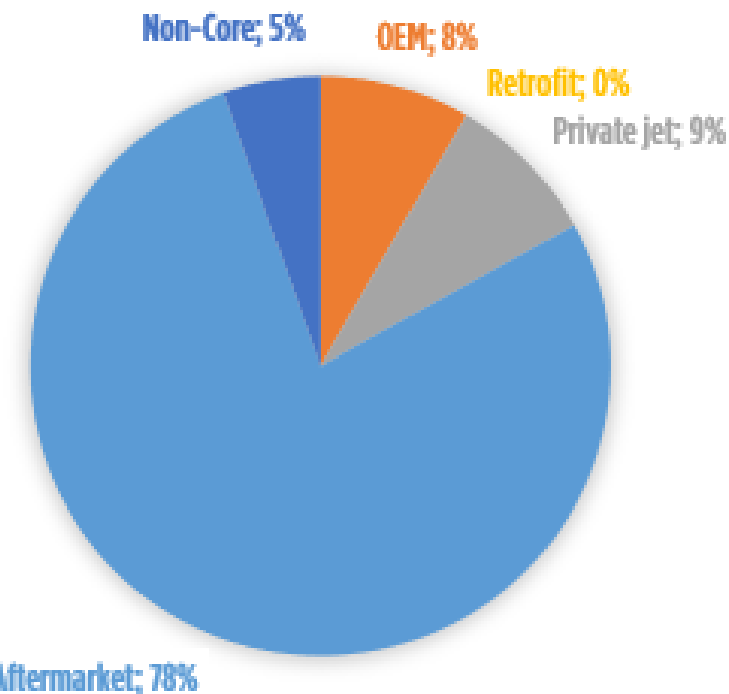
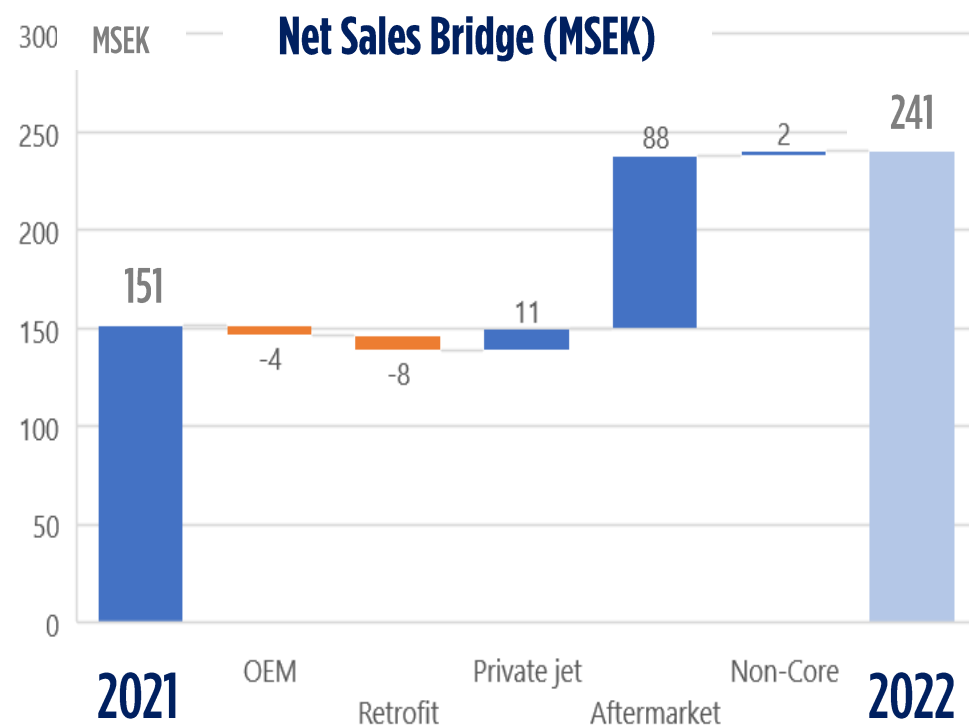
- Net debt amounting to -15 MSEK compared 23 MSEK in Q4 last year
- Cash 60 MSEK and in addition available credit facilities amounting to 51 MSEK
- Solidity 71% (65%) and Net Debt / (R12 EBITDA) -0.15 (0.6)



**FY 2022**

# FY 2022

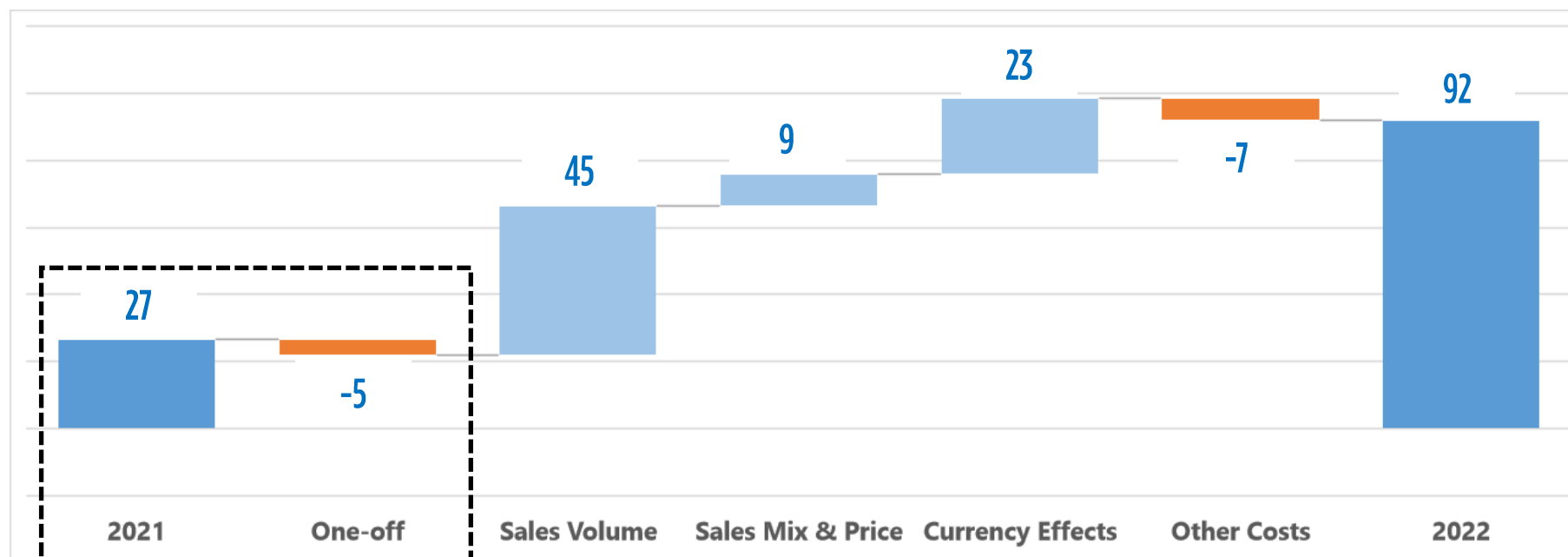
## Financials in short



# FY 2022

## EBIT Profit Bridge

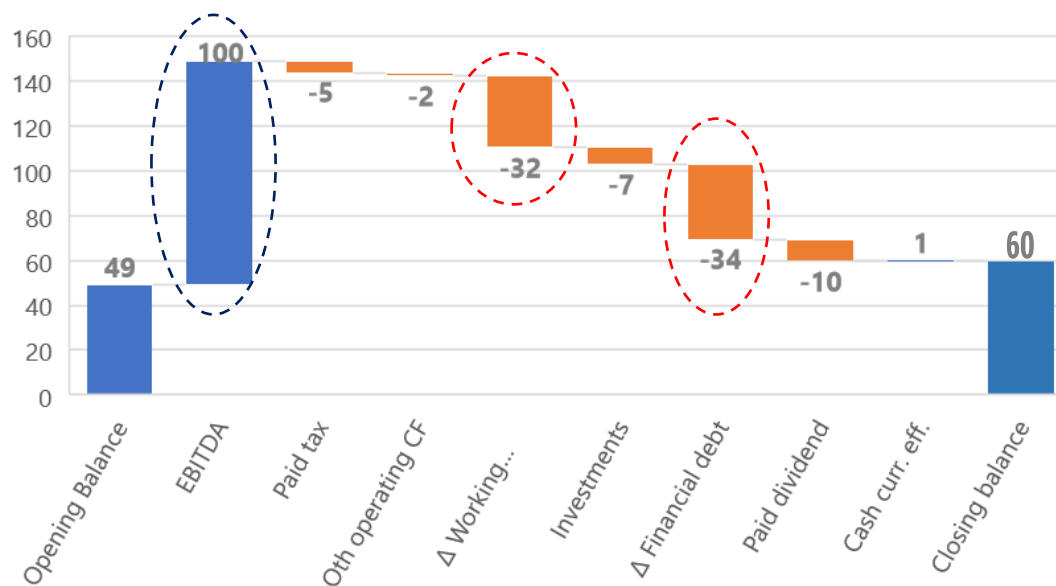
- Business related performance improvements - driven by sales volume & mix – added 54 MSEK on EBIT
- Stronger USD/SEK compared to 2021 added 23 MSEK on EBIT
- Other costs include variable remuneration to management and employees (profit-sharing foundation)



# FY 2022 Cash Flow

- Operating cash flow +61 MSEK (30), mainly driven by improved financial performance (EBITDA) partly offset by working capital
- Tax refund of MSEK 5 from year 2021 and tax debt 2022 of MSEK 7
- Working capital increased primarily due to higher sales level – driving increased AR (MSEK 17) and higher inventory (MSEK 16)
- Reduced debt due to re-payment of USD loan of 33 MSEK in Q1 - Net debt amounting to -15 MSEK compared 23 MSEK Q4 last year

Change in Cash



In addition: Available credit facilities of 51 MSEK (not utilized)

# FY 2022

## Proposed Dividend AGM 2023

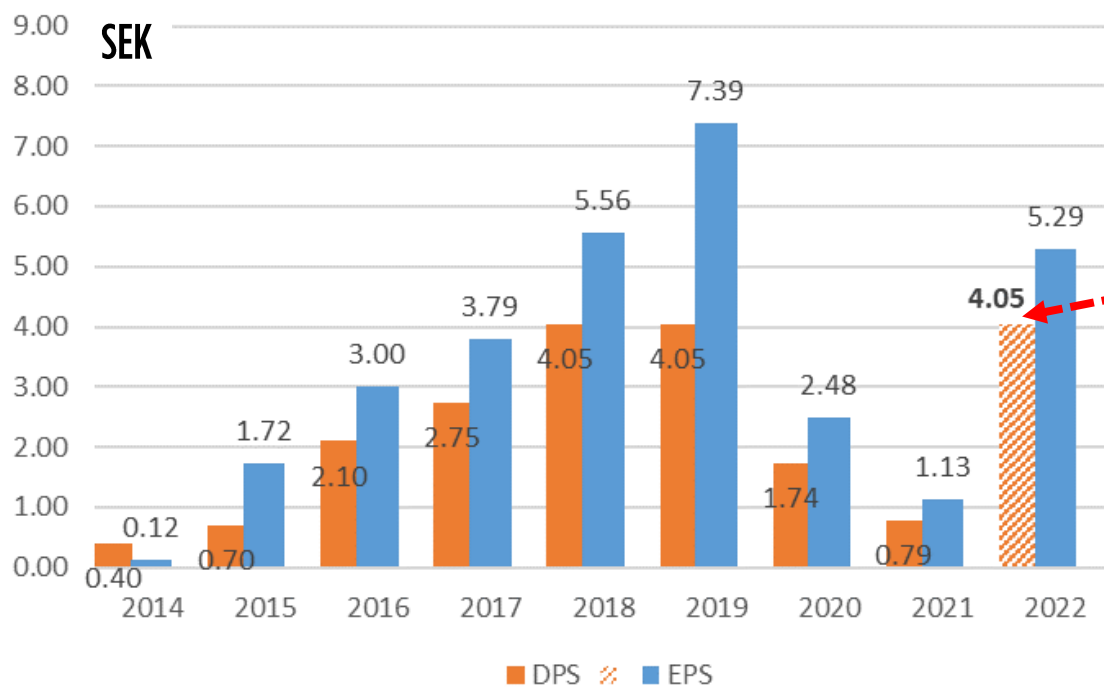
- ❑ Proposed dividend: 4.05 SEK / share (0.79) – 77 % of EPS
- ❑ Total proposed dividend 51 MSEK (10)

### Strong financial position:

Cash & available credit facilities: 111 MSEK

Solidity: 71 % (65)

Net debt: -15 MSEK



Proposal = 77 % of EPS

Same dividend as 2018 & 2019

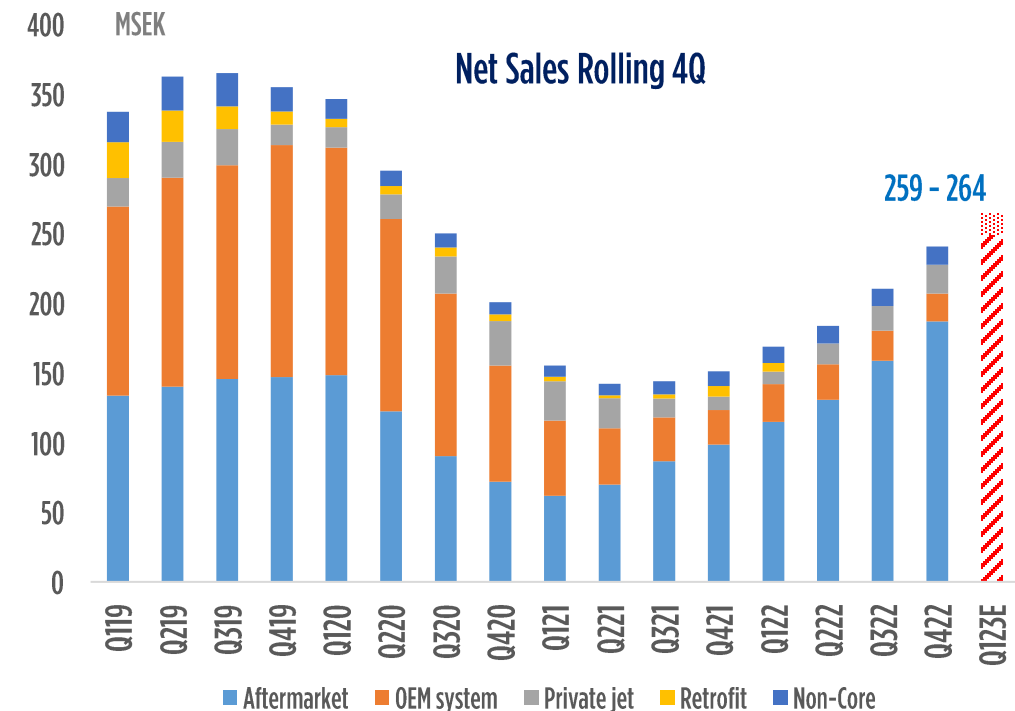
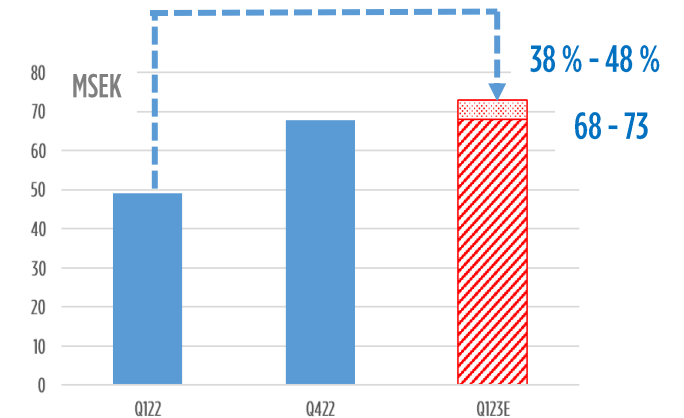
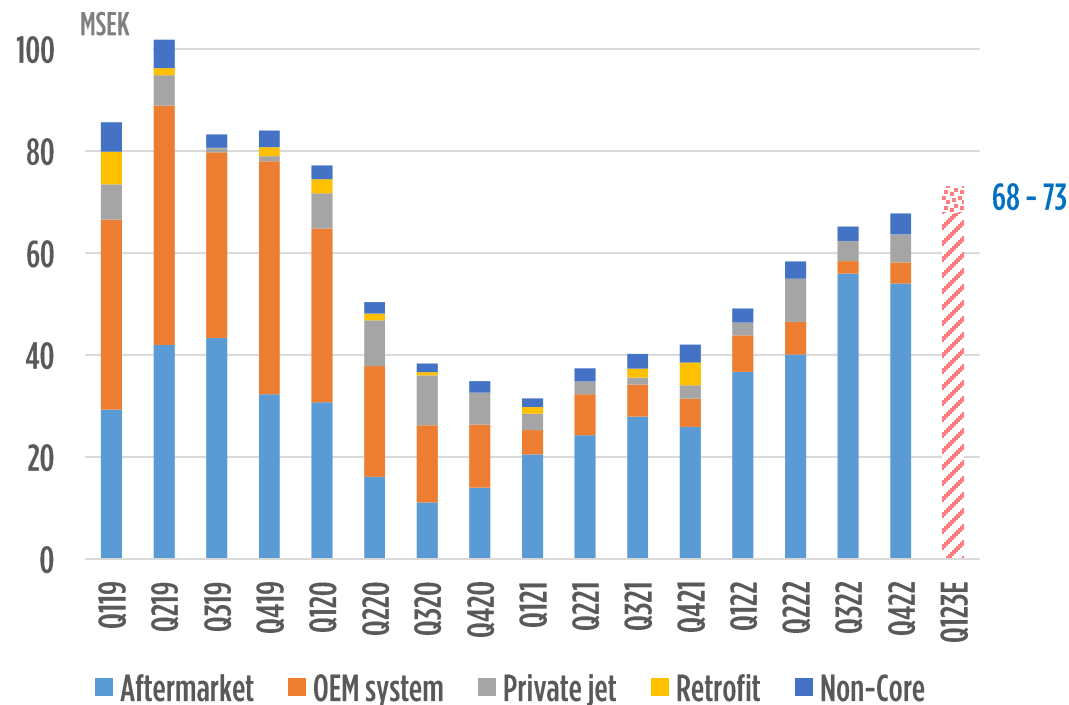
### Dividend policy:

At least 70 % of EPS, if Solidity  $\geq$  40 %

# OUTLOOK

# Forecast Q1 2023

- Net Sales Forecast Q4 2022: 68 - 73 MSEK (49) (Y-o-Y-increase of 38 % - 48 %)
- Q1 sales growth expected to be quarter-to-quarter driven by private jet and OEM; partly offset by consolidation in aftermarket due to inventory build-up at distributors / airlines in Q3 / Q4

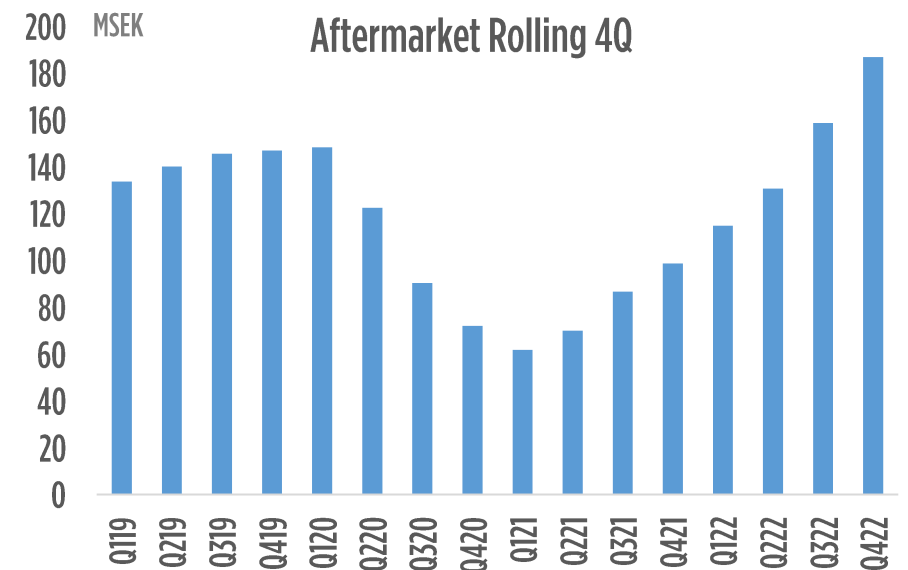
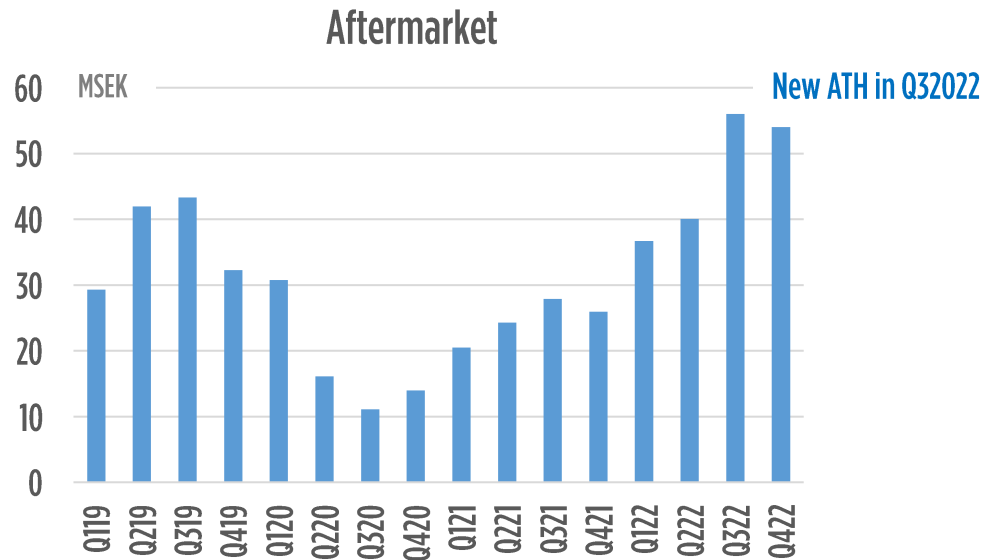
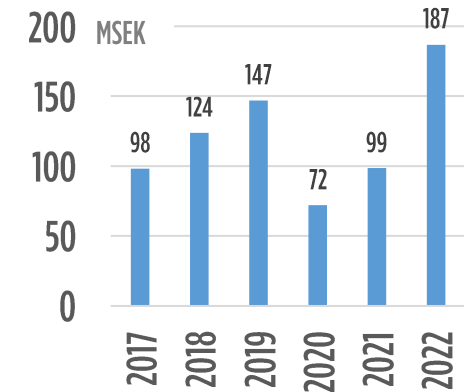




# Aftermarket sales expected to pause q-to-q growth

Q3 and Q4 driven by inventory effect – consolidation – some quarters in Q2 – Q3 range

- Boeing 787s back to delivery mode – 100 ready-built aircraft representing ~10 % population growth
- Pandemic-recovery gradually fades – Back-to-normal where aftermarket correlates with population growth

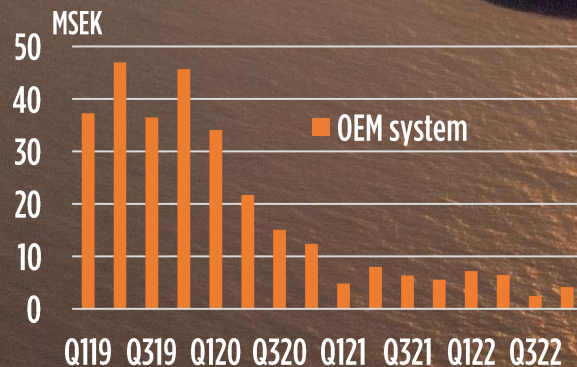
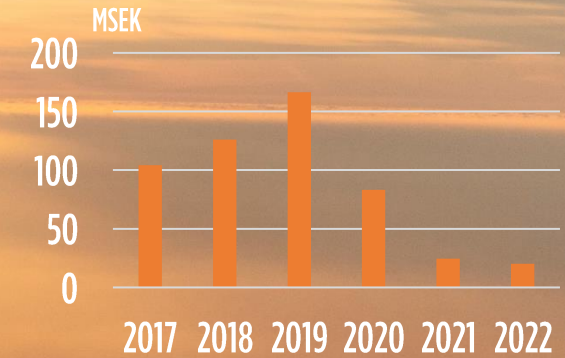




# New dawn in OEM – rebounding 2023

Pandemic low in Q4 2022 – Full-Year 2022 at MSEK 20 vs MSEK 166 in 2019

- Boeing 787 at low build-rate (1 – 2 per month) - gradual increase to 5 by end-23
- Airbus currently targeting A350 build-rate to increase to 6 in 2023
- First 777X delivery expected in 2025 – Some CTT deliveries in 2023



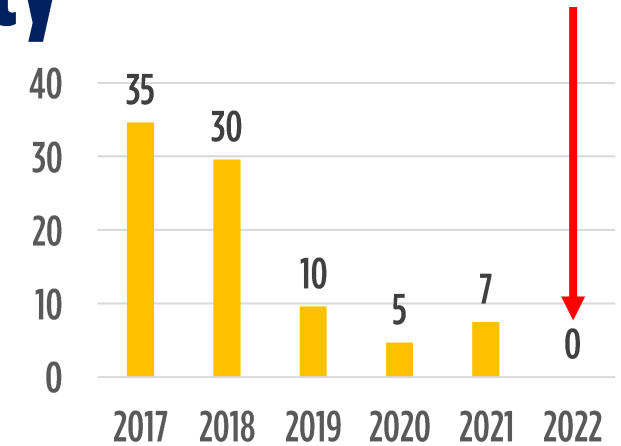
“The 787 program continues at a low production rate with plans to ramp production to five per month in late 2023 and to 10 per month in the 2025/2026 timeframe.”

Boeing Earnings Report Q4 2022 (January 25, 2023)



# 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 – Re-open discussions with Boeing team
  - ❑ 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**

- ❑ 98 A320-Family on order to be delivered 2023-



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



# The cabin humidification retrofit opportunity

Air quality and health in focus – Cost-benefit is compelling – Interest 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

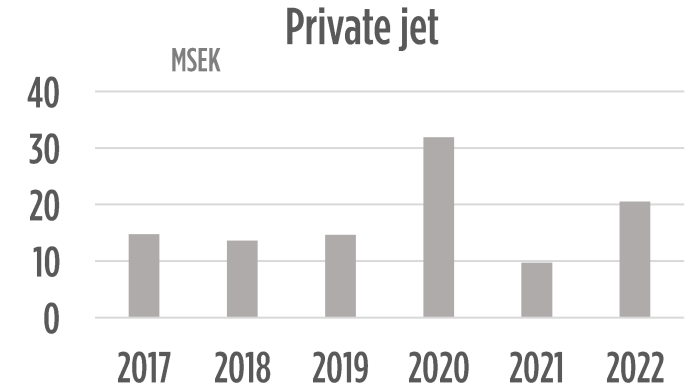
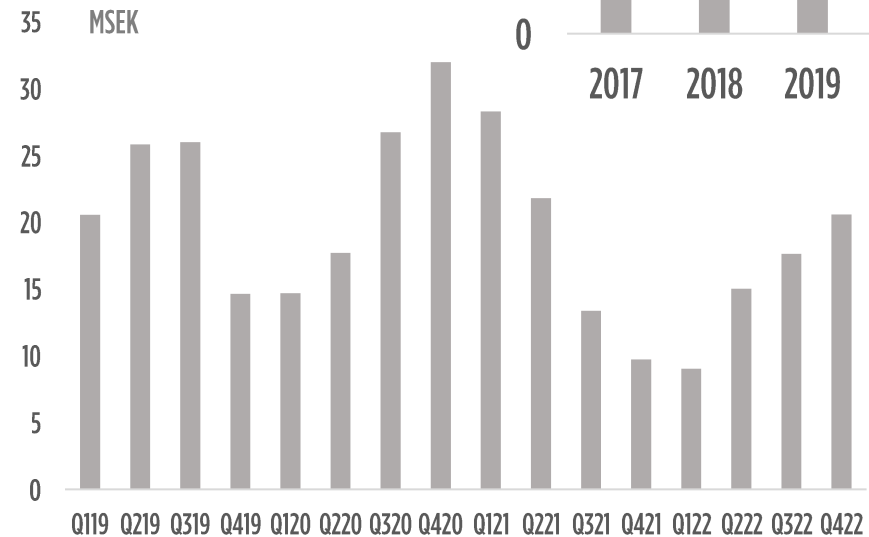


# The private jet opportunity

**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'
- ACJ320neo Family kit-system paradigm shift





# #1 Airbus ACJ320neo partnership increases selection rate



#4

2022

05  
Dec

 Lufthansa Technik

Contract for VIP cabin completion of an ACJ320neo

Tailor-made yet enormously flexible interior for private travel and charter operations

- Airbus ACJ promotes the optimized humidification system for ACJ320neo VIP Family
- Bolt-on-kit delivery – More scalable vs VIP projects together with completion centers
- Successful partnership – Another kit-order in Q4 2022 – the 4<sup>th</sup> – 100 %

**CTT**  
SYSTEMS

# #2 Airbus promotes kit for ACJ TwoTwenty business jet



Bolt-on-kit with STC delivered together with ACJ TwoTwenty aircraft for completion



ACJ promotes and sells humidification together with 'green' aircraft

- ACJ launched Inflight Humidification at EBACE in May 2022
- First order in partnership with Airbus Corporate Jets in July 2022
- First system delivered in Jan 2023 (for aircraft#2) - Entry-into-service 2023



# #3 Opportunity: Large-cabin bizjet market

Large-cabin, long-range business jets - 50 – 100 a/c per year

- ☐ Long-range (10+ hours)
- ☐ Equipped for best comfort
- ☐ Humidification system required to obtain matching climate
- ☐ OEM availability is key to volumes

Gulfstream G700 / G800

- ☐ G700 with scheduled EIS 2023

Bombardier Global 7500 / 8000

- ☐ World's first humidification system
- ☐ In-service at charter operator since 2021
- ☐ #2 Global 7500 in completion





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