Montana Aerospace AG

Q3 2022 Earnings Presentation

10 November 2022

Q3 2022 Earnings Call

Presenters

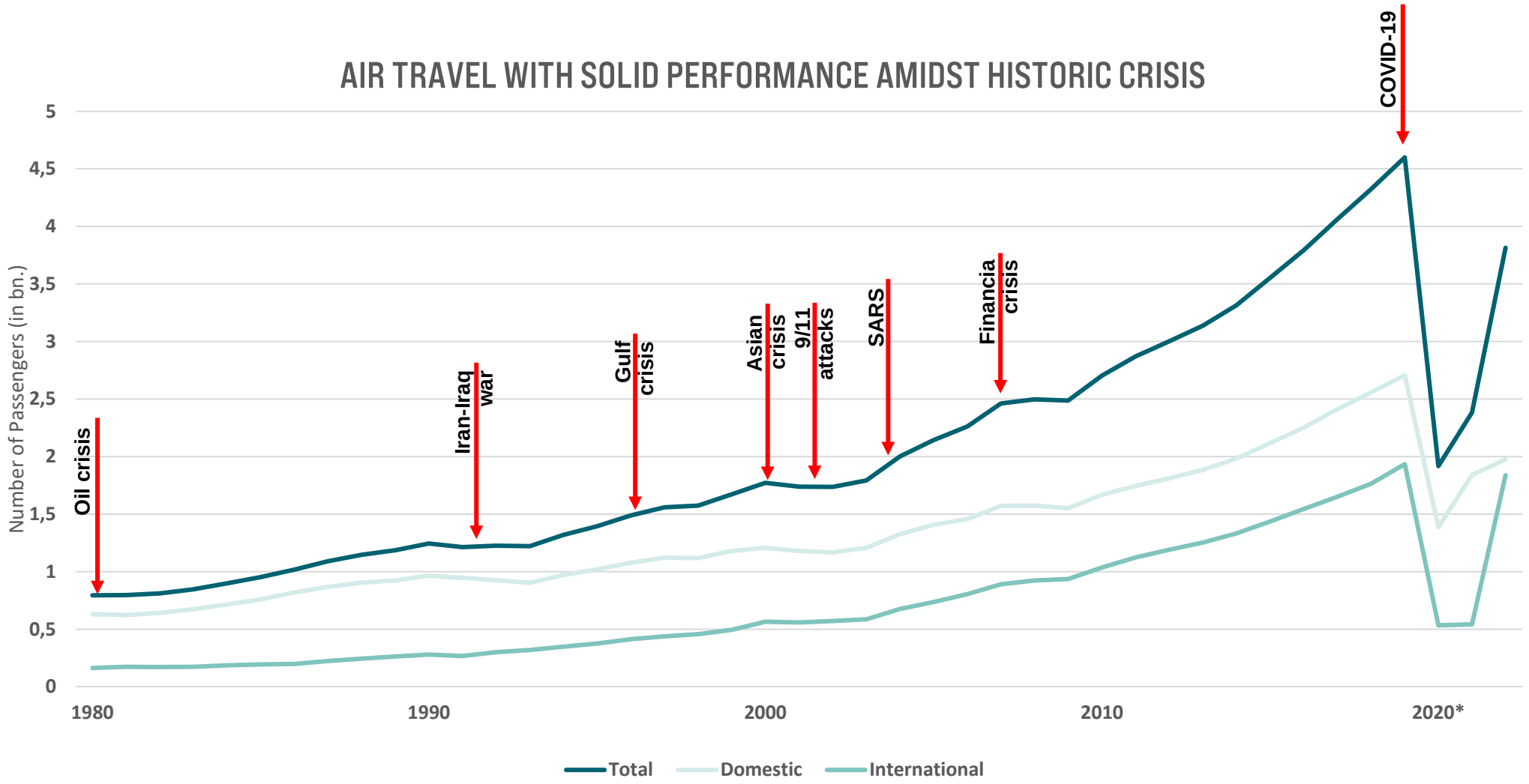
Michael Pistauer

Co-CEO & CFO

Marc Vesely

Head of M&A and IR

AIR TRAVEL WITH SOLID PERFORMANCE AMIDST VARIOUS PREVIOUS GLOBAL CRISIS, PROVING GENERAL RESILIENCE OF THE SECTOR



 Source: https://www.icao.int/Newsroom/Pages/2021-global-air-passenger-totals-show-improvement.aspx

MAJOR TAILWINDS BOOST OUTLOOK FOR GLOBAL AEROSPACE RAMP-UP, OUTWEIGHING SHORT-TERM HEADWINDS

MONTANA AEROSPACE

TAILWINDS

FHL Infrastructure, Oct. 2022

Energy transition driving infrastructure sector boom

Many infrastructure assets have a contractual linkage to inflation, but the rising interest environment will begin to adversely impact valuations.

Energy markets and the related 'cost of living' crisis is undoubtedly causing hardship in the UK and elsewhere but in two respects, infrastructure assets are the beneficiaries:

Infrastructure is central to the transition to net zero. The infrastructure sector - through energy, transport, water g

Aerotime, Sep. 2022

Wizz Air targets 500-plane fleet by 2030, plans to buy 75 A321neos

Hungarian ultra-low-cost carrier Wizz Air plans to exercise its option to purchase 75 Airbus A321neo passenger planes with the goal of expanding its current fleet to 500 aircraft by the end of 2030.

According to Wizz Air chief executive Jozsef Varadi, the airline reached an agreement with European plane maker Airbus for the 75 Airbus A321neo jets, with delivery estimated to be between 2028 and 2029.

"We remain on track to become a 500 aircraft airline

BMW, Oct. 2022

BMW Group doubles sales of fully-electric vehicles

The BMW Group sold a total of 75,891 fully-electric BMW and MINI vehicles worldwide in the first half of 2022 – more than doubling its all-electric sales compared to the same period of last year (+110.3%).

This growth underlines the company's focus on ramping up electromobility and confirms the high desirability of its pure electric models among customers worldwide.

"Despite a very challenging environment, we were able to more than double our sales of fully-electric vehicles

Centre for Aviation, Nov. 2022

Airbus and Boeing to deliver more than 1000 aircraft in 2022

Airbus and Boeing continued to enjoy an upswing in ordering and aircraft production through 3Q2022, putting both manufacturers on the path towards a better 2023.

The two major Western OEMs are poised to exceed 1000 aircraft deliveries in 2022, and both are looking to ramp up deliveries further in 2023, and achieve full recovery somewhere in the middle of the decade.

Based on production plans, declared targets and

HEADWINDS

The Diplomat, Nov. 2022

Workforce shortages: how to win the ongoing war for talents

Poll of the German ekonomic institute IFO showed that almost half of the questioned companies in Germany are forced to reduce its offer and limit its business operations due to the lack of workforce. But this is not the case only in Germany.

According to European Commission, about one-quarter of manufacturing and services businesses in EU reported lack of workers as a factor limiting production in January, the highest proportion since data was first available in 1982. What are the root causes of this trend

Aviation Pros, Nov. 2022

Airlines Brace for Impact as Supply Chain Issues Emerge

The winter schedule for airlines [...] started on 30 October, with companies bracing for the impact of supply chain issues due to a a shortage of parts, engines and planes.

"For any industry, capacity deployment is a key parameter for its fixed cost absorption. Supply chain issues for aircraft, leading to their non-availability for flying, will lead to under absorption of capacity, impacting the earnings, given we are in the midst of the winter/festive travel season," said Suprio Banerjee, vice

INVESTMENT & RAMP-UP…

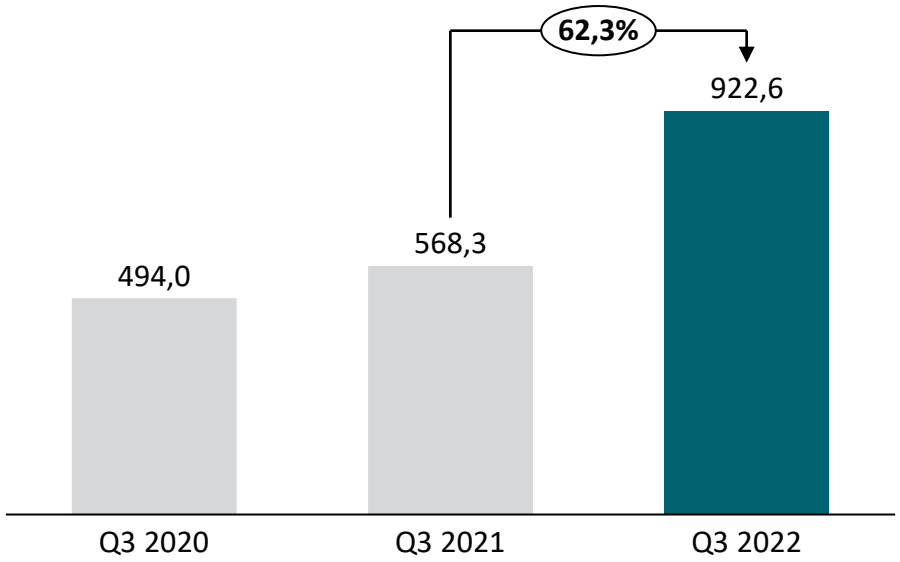
…NOW BEARING THE FRUITS!

Massive >600m CAPEX program	Maintenance CAPEX forward looking only
Win of market share	Contracted sales growth *(from low/single digit €m amount to >5bn as of Q3 2022)*
Globalization expansion & ramp-up	Operative phase running – industrialization complete
Talent & workforce expansion	Utilizing global HR footprint
Accretive acquisitions & M&A activity	Financial benefit of leveraging synergy potential

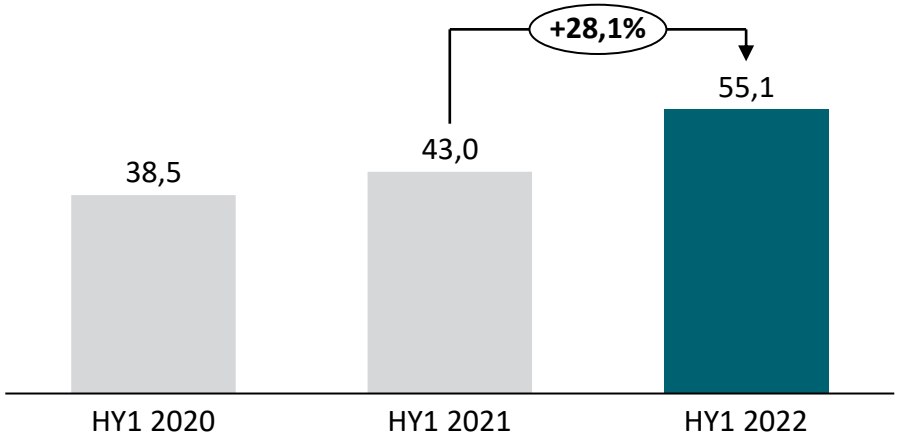
INVESTMENT PHASE… → **…PROFIT PHASE**

SOLID AND SUSTAINABLE GROWTH VERIFIES GUIDANCE ASSUMPTIONS

Net Sales (EURm)



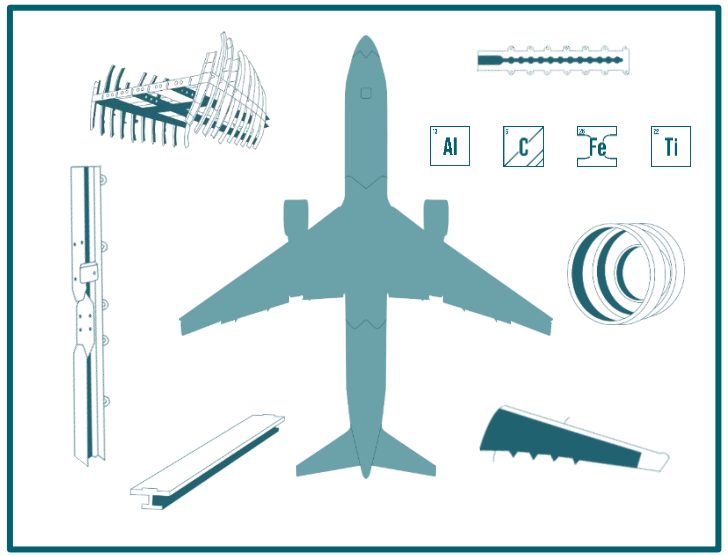
Adj. EBITDA (EURm)



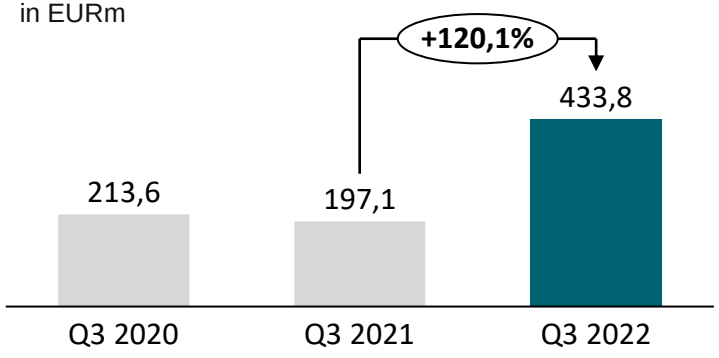
CLEAR DEVELOPMENT TOWARDS ANNOUNCED GUIDANCE

STRONG SALES PERFORMANCE IN ALL THREE SEGMENTS, CONFIRMING STRATEGY

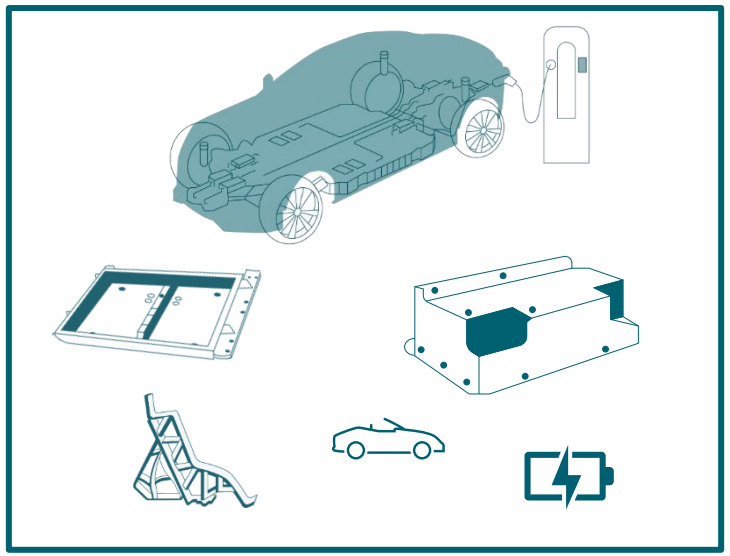
AEROSTRUCTURES

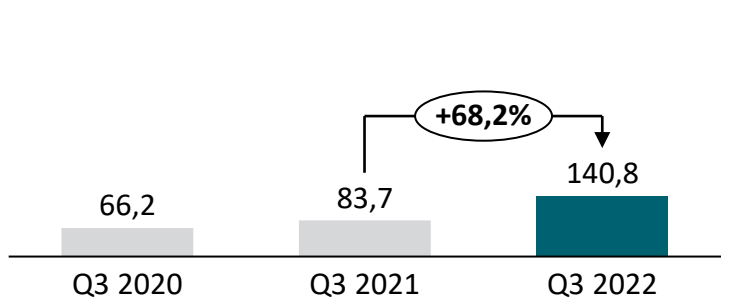


in EURm

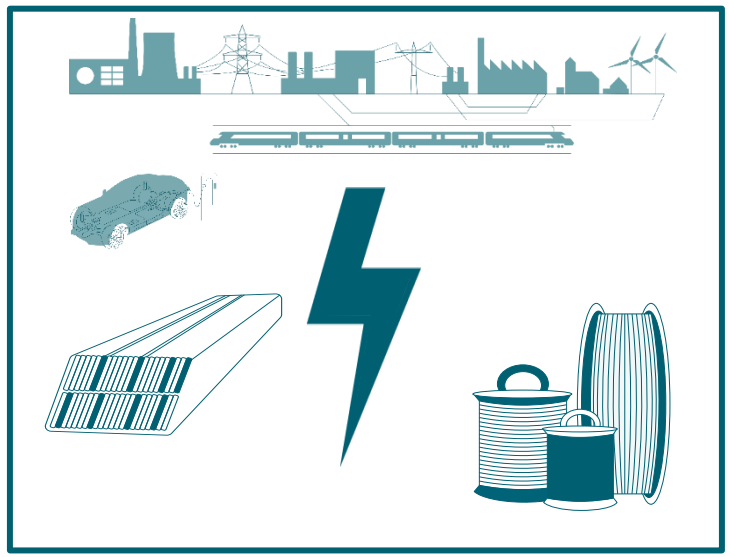


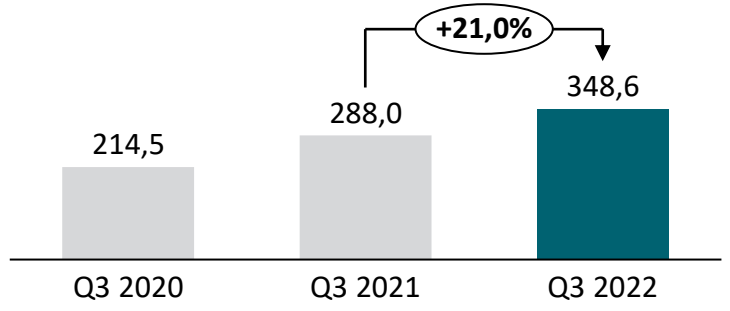
E-MOBILITY





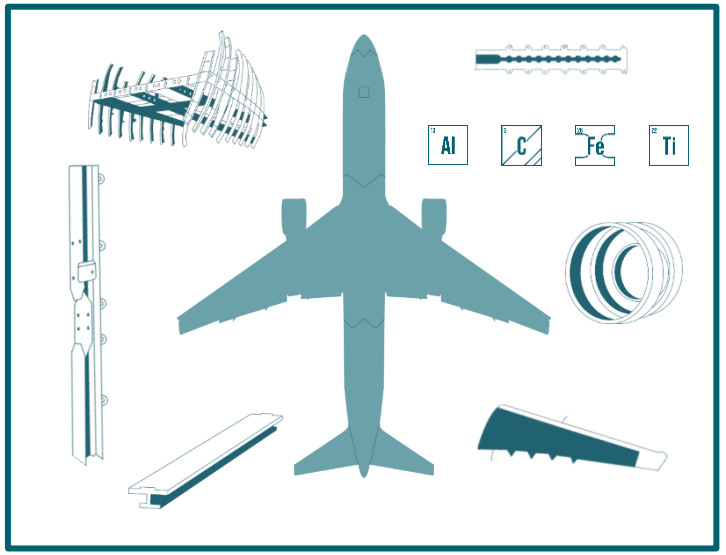
ENERGY



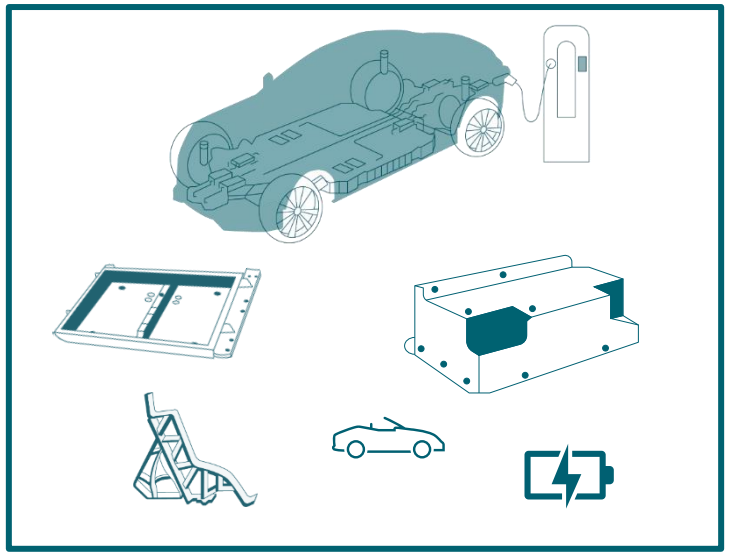


STRONG SALES PERFORMANCE IN ALL THREE SEGMENTS, CONFIRMING STRATEGY

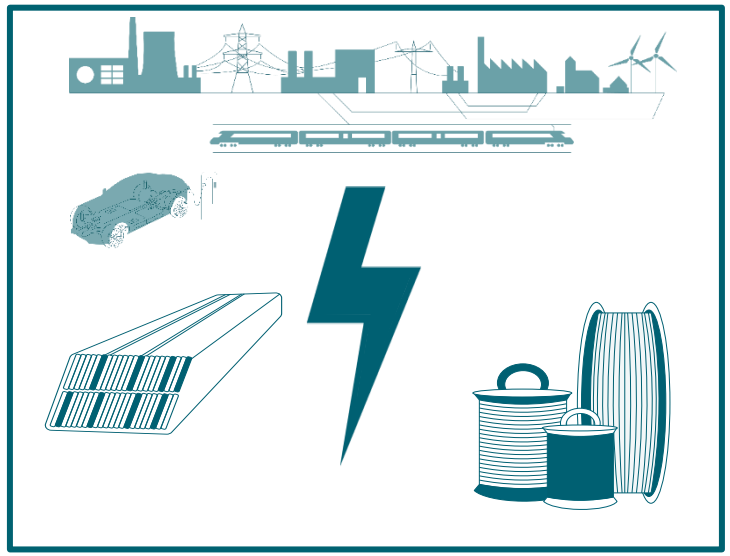
AEROSTRUCTURES



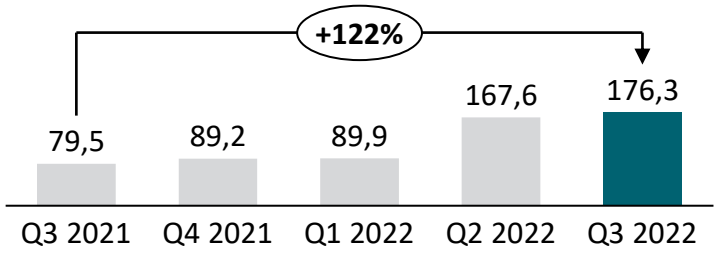
E-MOBILITY

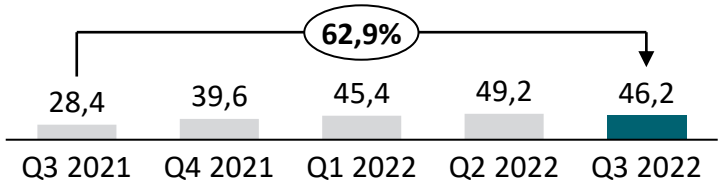


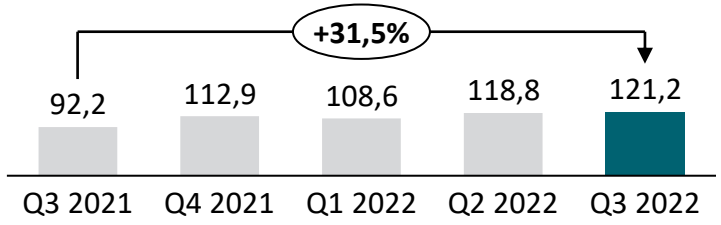
ENERGY



in EURm







(stand-alone quarterly result per segment)

NET SALES & ADJ. EBITDA BY SEGMENT – DETAILED BREAKDOWN:

NET SALES in EURm (YTD)	Q3 2021	Q3 2022	YoY change
Aerostructures	197.1	433.8	+120.1%
E-Mobility	83.7	140.8	+68.3%
Energy	288.0	348.6	+21.1%

Adj. EBITDA* in EURm (YTD)	Q3 2021	Q3 2022	YoY change
Aerostructures	27.6	36.4	+31.6%
E-Mobility	4.8	12.7	+163.6%
Energy	8.7	10.0	+14.9%

* Segment adj. EBITDA not adjusted for reconciliations on a group level (intra-group interdependencies and facts that cannot be directly allocated to any segment), detailed list of reconciliation to be found in HY1 report on website

FINANCIALS

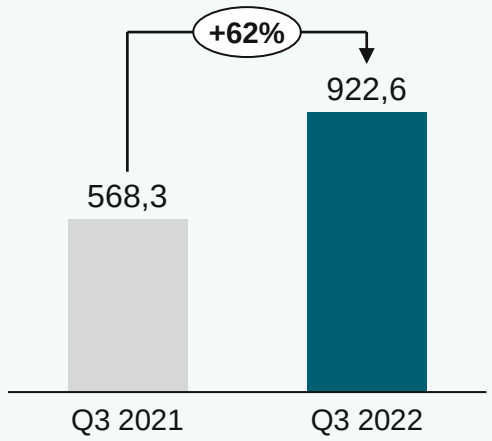
SOLID PERFORMANCE IN ALL KEY PERFORMANCE INDICATORS BESIDES HIGH TWC

in EURm (YTD)	Q3 2021		Q3 2022	yoy change	
Net Sales	568.3	↗	922.6	+354.3	✓
Adj. EBITDA	43.0	↗	55.1	+12.1	✓
CAPEX spent*	-92.3	↘	-59.7	+32.6	✓
TWC**	265.2	↗	503.7	+238.5	~
Total Assets**	1,792.4	↗	2,285.1	+492.7	✓

(*) Acquisition of intangible assets and property, plant and equipment; (**) comparison period: Dec. 2021

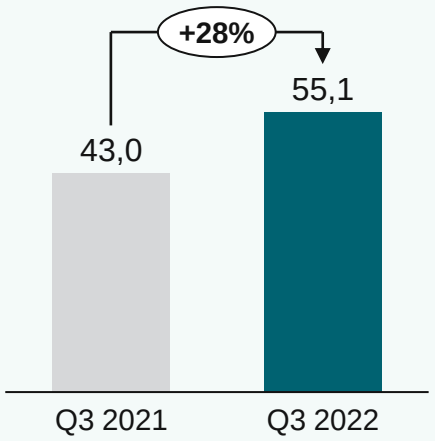
STRONG TOP-LINE GROWTH AS WELL AS SOLID PROFITABILITY DEVELOPMENT ON GROUP LEVEL

Net Sales
in EURm



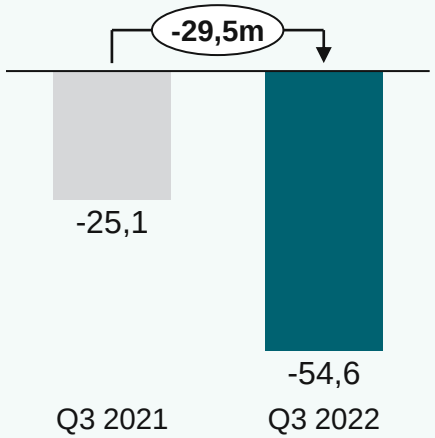
- **Strong sales**, driven by the **aerostructures business segment**, supported by a **growing demand**, acquisitions (ASCO Group and São Marco) and **higher build rates**
- High order intake and backlog → demonstration of high resilience to turbulences

Adjusted EBITDA[(1)]
in EURm



- Increased **EBITDA strongly impacted by continuous improvement in production output**, negative impact through inflationary effects (material costs and personnel expenses)
- Most notable **one-off** and non-operative effects are the **MSOP**, **legal expenses** and **acquisitions**

Result for the period
in EURm

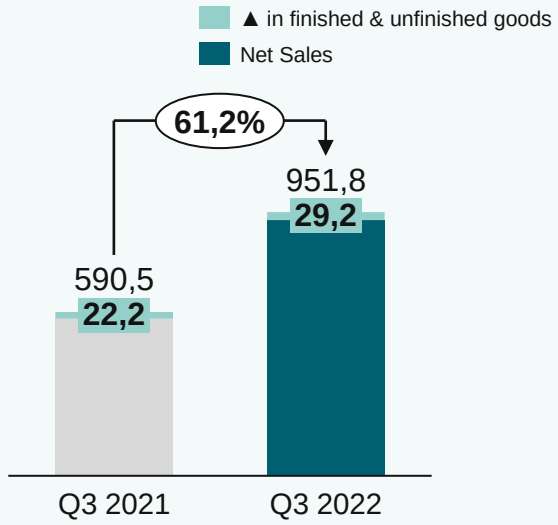


- Increased **depreciation and amortization** costs as a result of major investment programs between 2018-2022

[(1)]Ajdusted EBITDA refers to operating profit before interest, taxes, depreciation and amortization adjusted for one-off effects – in particular legal costs for the Arconic lawsuit and MSOP (Management Stock Option Program) related cost as well as M&A and PMI related costs.

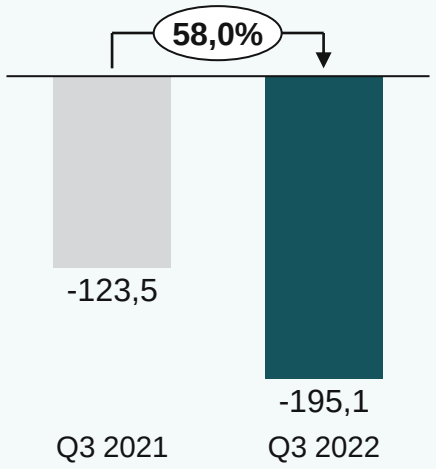
DEVELOPMENT OF KEY KPIs IN LINE WITH STRATEGY

Production Performance
in EURm



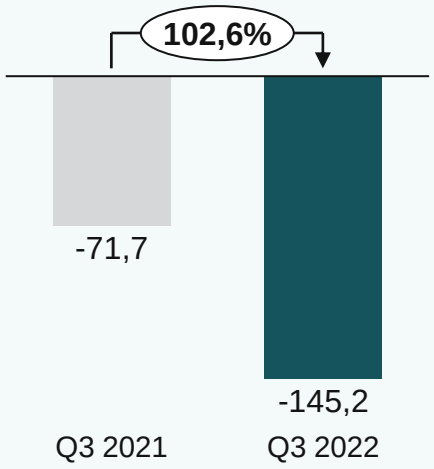
- **Deliveries surpass pre-Covid levels** with strong **output**, demonstrating high levels of **production process agility**

Personnel expenses
in EURm



- **Demand increase** resulted in creation of additional shifts
- **Salary hikes** to **attract new talent and keep hold of existing talent** in a dynamic labor market
- **Inflation** expected to continue to impact personnel expenses

Other operating expenses
in EURm

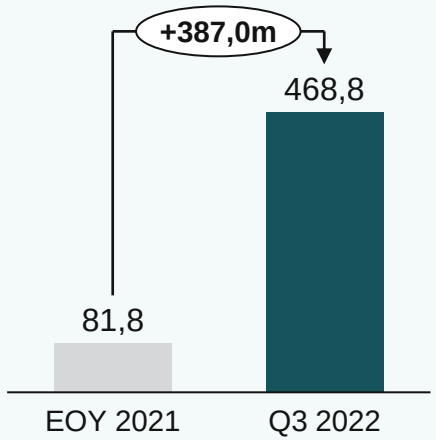


- **Main issue = inflationary costs**
- Main **drivers** continue to be **freight and energy cost,** which remain stable at a high level relative to 2021 – ongoing **efforts to pass on even more of these costs**
- Further plans for **transition to green energy** to **reduce energy costs**

* Production performance based on balance sheet figures (page 18 Q3 report), adjusting for liabilities from purchase of intangibles and PPE (7,6m EUR) per EO 2021 and adjusted for liabilities from purchase of intangibles and PPE (6,0m EUR) and residual purchase price (EUR 6,6m)

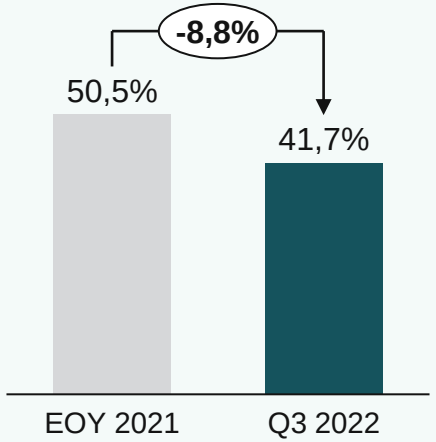
CONSCIOUSLY STRESSED BALANCE SHEET IN FY 2022 WITH A PEAK IN Q3 2022

Net Debt
in EURm



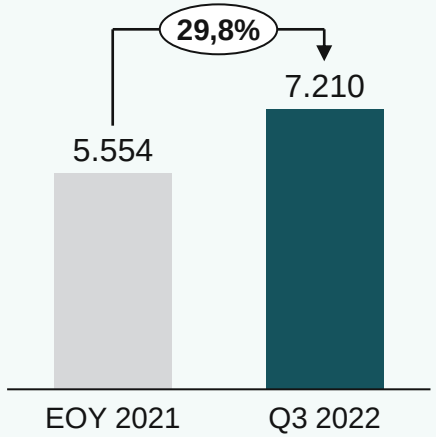
- **Increase** mostly as a result of the recent **acquisitions** (purchase price, acquired net debt, incl. profit certificates & earn out)
- **Remainder: impacted** by negative **Free Cash Flow** (TWC* increase mainly due to inventory build up)

Equity Ratio
in %



- Lower ratio mostly as a **result of increased asset base**
- Additionally, **net result** with negative ratio **impact**

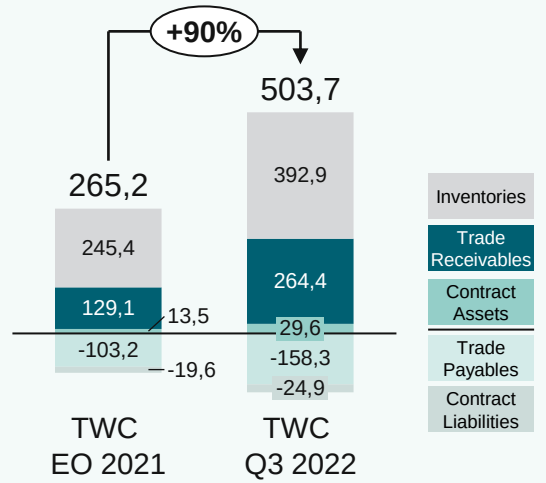
Number of Employees
in absolute figures



- In-organic growth by **acquisitions (**ASCO Group and São Marco)
- Further **acceleration** in **Romanian sites** (esp. UACE)

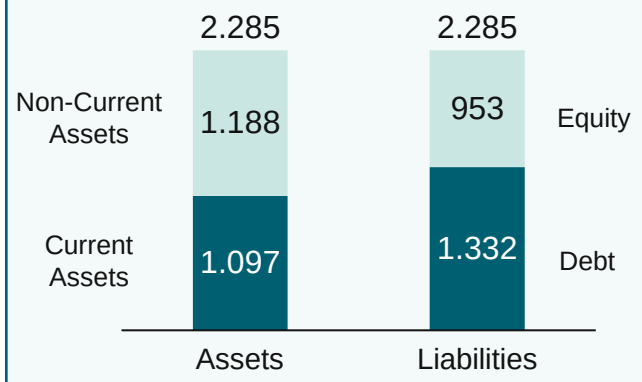
INVENTORY STRATEGICALLY HELD AT HIGH LEVEL TO PREVENT SUPPLY-CHAIN CONSTRAINTS

Trade Working Capital
in EURm



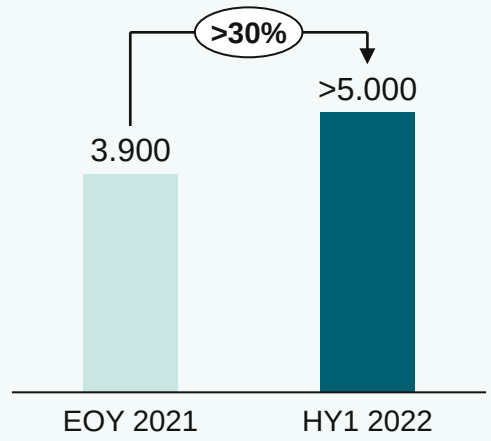
- Impacted by **most recent acquisitions,** increase in line with **expanded production**
- Increase in **receivables reflecting strong sales** growth
- High **inventory** as **strategic asset** concerning **shortfalls in supply chain**

Balance Sheet Structure
in EURm



- **Negative net result** impacting the equity ratio negatively
- **Solid equity base** gives us additional resilience

Contracted Sales
in EURm

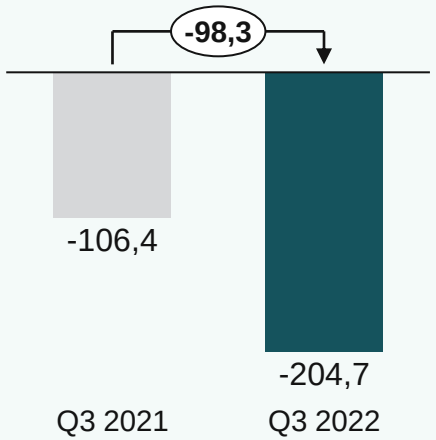


- **Strong sales** performance underlines **industry demand** & trust of our customers into our **resilience**
- As a side effect, **TWC increased** as **trade receivables** go up

Note: TWC definition see Q3 report 2022

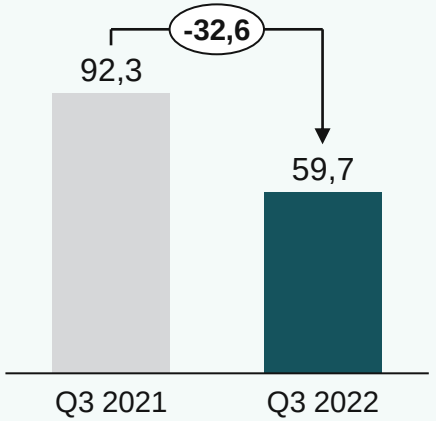
FINISHING STEPS OF RAMP-UP OF MAJOR CAPEX PROGRAMME OF THE LAST YEARS

Free Cash Flow
in EURm



- **FCF impacted by** high investing cash flow through **acquisitions** and **high inventory**

CAPEX
in EURm

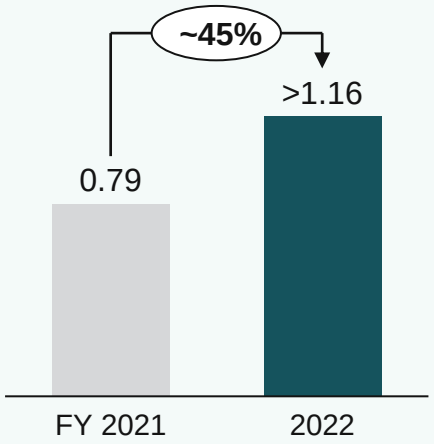


- No large new investments, instead finishing steps of previous ramp-up projects from past years (esp. Vietnam and Romania)
- Approximation to **sustainable CAPEX** only as the ramp-up projects are finished

GUIDANCE 2022

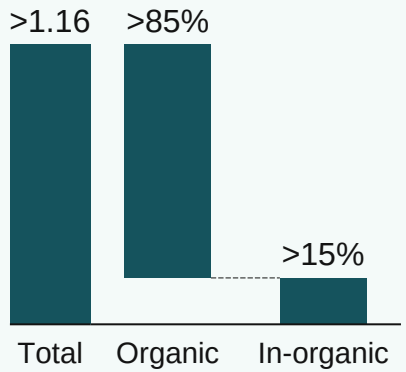
GUIDANCE FOR 2022

Total Sales
in EURbn



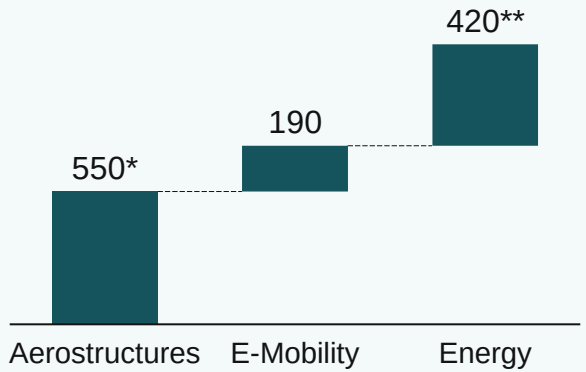
- Sales increase driven by **sustainable growth in all segments**
- **Aerostructures** as **key driver of growth** and re-established as **largest segment**

Guidance Sales Split
in EURbn



- **Total revenue** estimated to grow by approximately 40%, partly **due to organic** effects, as well as partly due to **acquisitions**

Segment Sales Guidance
in EURm, approximated



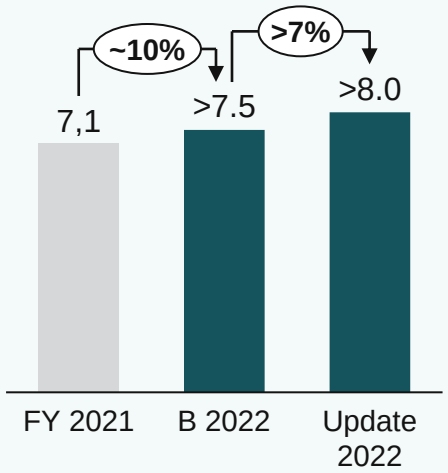
- **Aerostructures driver of growth**, re-gaining position as **largest segment**
- E-Mobility and Energy with **further positive outlook** and **stable growth**

*incl. 9 months ASCO

**incl. 3 months Sao Marco

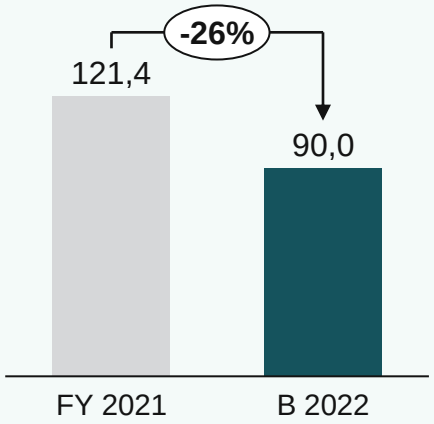
GUIDANCE FOR 2022 & OUTLOOK FOR 2023

Adj. EBITDA margin (approx.)
in %



- EBITDA **margin development** will be slightly **over proportional in 2022**

CAPEX cash-out
in EURm



- Approximately **EUR 90m cash out in 2022**, continuing the **shift toward only sustainable CAPEX**

OUTLOOK 2023 & ONWARDS

2023

1. **Sales** increase by another **~20%**
2. **Overproportional** EBITDA growth
3. Massive **CAPEX reduction**
4. **Positive Free Cash Flow**
5. **Positive Net Income**
6. Streamline **Trade Working Capital**

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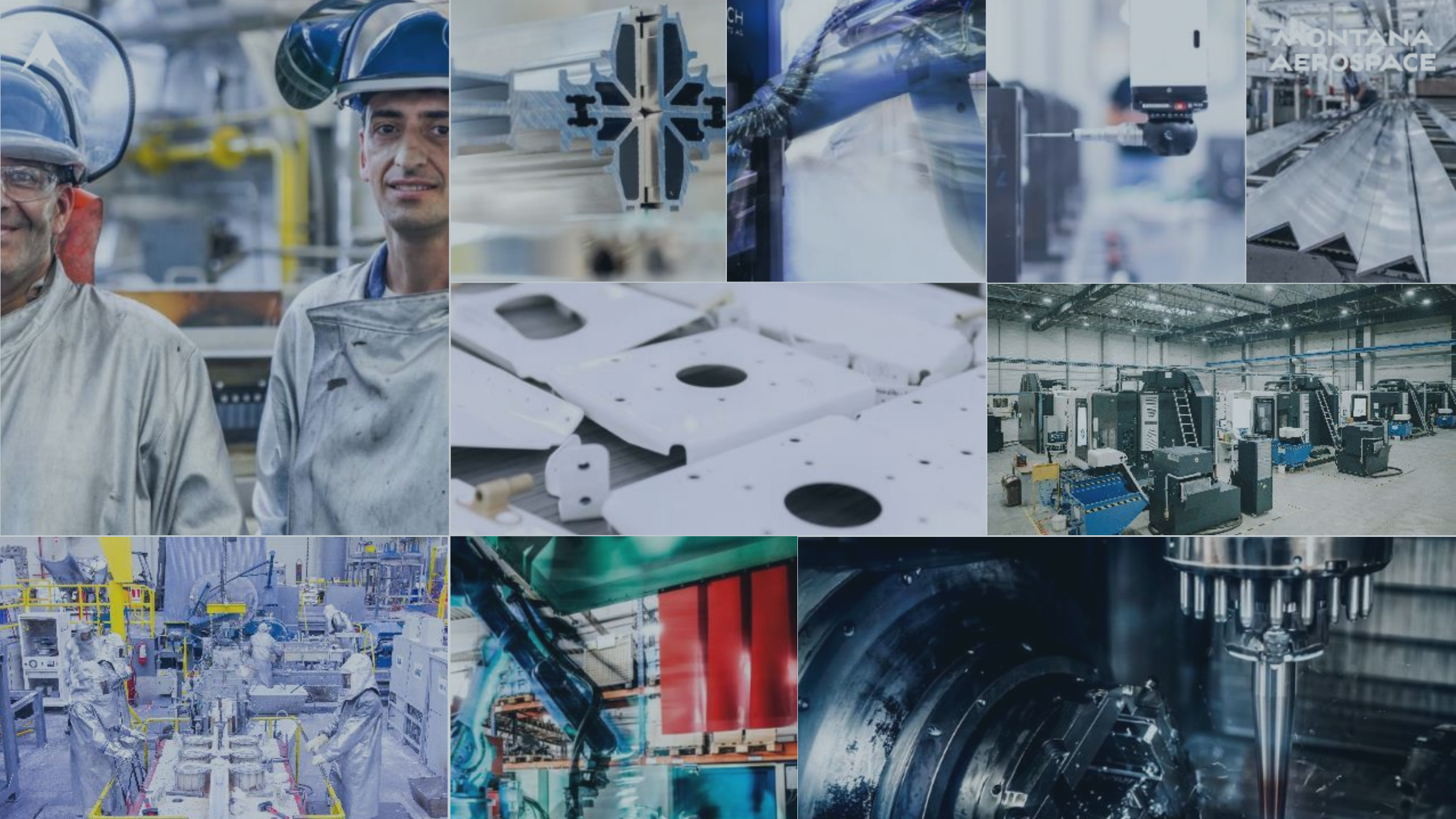
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