



glaston

# **Glaston Corporation interim report 1 Jan–30 Sept 2019**

**CEO Arto Metsänen & CFO Päivi Lindqvist**

# Q3 – mixed quarter



- Insulating glass business growing strongly, challenges in heat treatment market.
- Orders received grew 3% to 45.6 MEUR.
- Net Sales grew 15% to 54.5 MEUR.
- Comparable EBITA totalled 3.1 (3.5) MEUR, 5.7 (7.5)% of net sales.

# Operating environment



## Architectural glass

- EMEA heat treatment machines market subdued. Demand for insulating glass machines and their services and spare parts has remained at a good level. Demand for heat treatment machine services has also been good in the third quarter.
- The overall market situation in North America has remained good, and the heat treatment and insulating glass machines and services markets have been buoyant.
- In the Asia-Pacific area, the development of especially insulating glass machines and services was good in the third quarter.

## Automotive glass

- The automotive market downturn, trade policy tensions between the USA and China, and anticipation of the new Chinese emission regulations are negatively impacting market activity.
- At the same time, however, automotive glass requirements are increasing and presenting new challenges for glass processing, creating new opportunities.
- Activity in the automotive glass machines market is expected to be weaker than in previous years throughout 2019.



# Integration progress in the quarter



- Integration progress faster than expected.
- Sales offices in Singapore combined.
- Overlapping functions, for example in the UK, the USA and China discontinued.
- Integration of ICT and CRM-tools initiated. Co-operation with Tieto Corporation.
- Integration of digital services started.
- Cost synergies realized in the third quarter amounted to **EUR 0.4 million**. Annual cost savings from the measures undertaken will amount to **EUR 2.3 million**.
- Third-quarter accumulated integration costs totaled EUR 1.4 million. In the review period January-September, accumulated integration costs totaled EUR 2.7 million.

# Emerging Technologies Q3



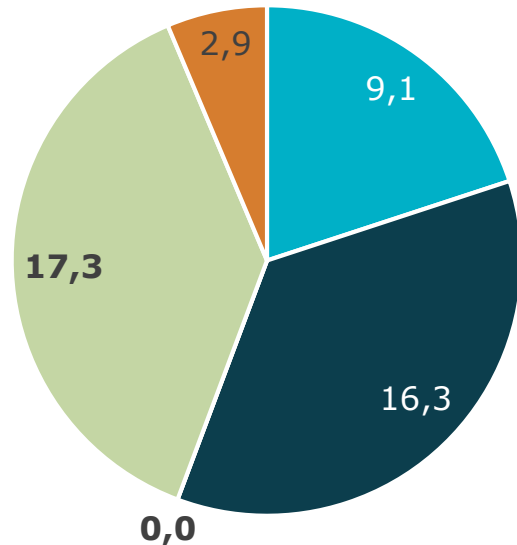
- Strategically significant engineering project completed, which is expected to lead to an order during the fourth quarter.
- Finding new innovations alongside the Heliotrope project is one of ET's most important areas of focus, in order to balance the unit's innovation portfolio.
- As a result of the Heliotrope-cooperation Glaston has found also other interesting cooperation opportunities with among others other smart glass parties, and discussions are expected to lead to orders shortly.
- The product development of the Heliotrope project continues and it is approaching a product that can be industrialized.
  - The development has taken longer than Glaston has expected, mainly due to the complexity of the product's technical features but also due to the financing of the project
- The GlastonAir installation was completed at a customer's factory in China and is awaiting final acceptance.
  - This first pilot delivery will facilitate the company's stronger access to the Chinese solar panel market.
- Orders of the Display business postponed due to market uncertainty.

# Financial development

# Orders received and order book (pro forma)



## Orders received by product area Q3/19



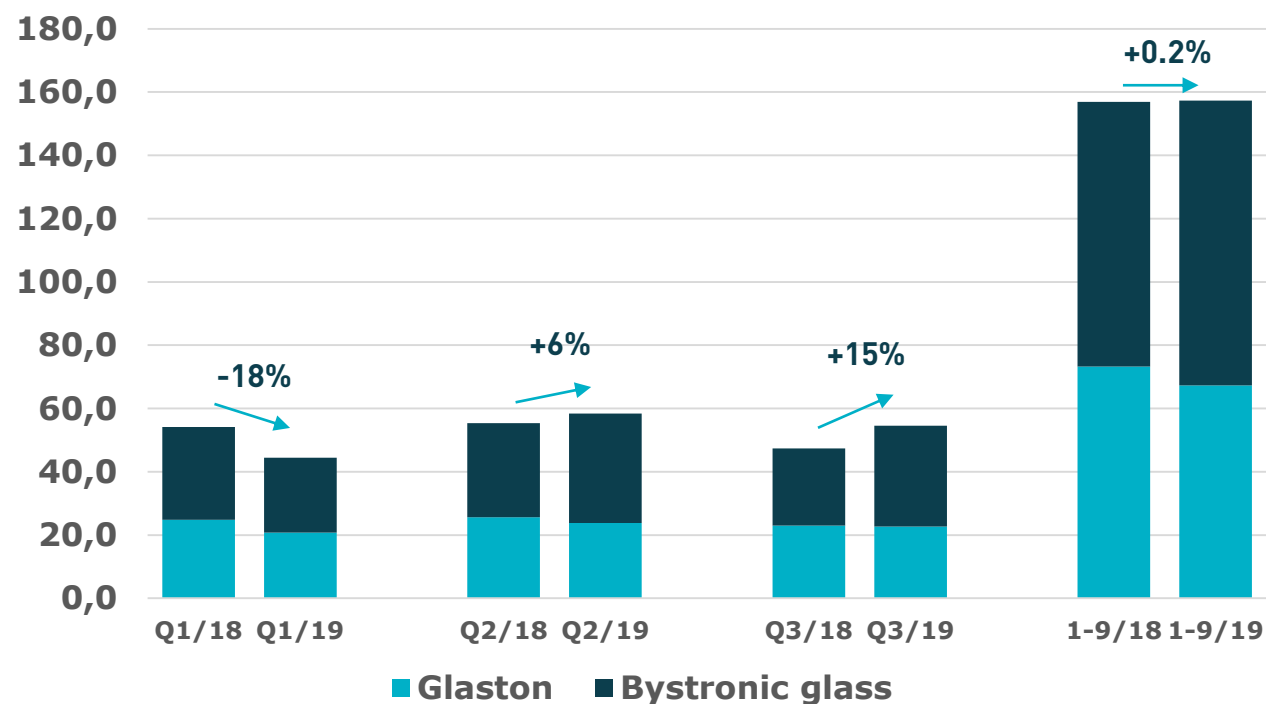
- Heat Treatment Technologies
- Bystronic glass Technologies
- Emerging Technologies
- Services
- Other

- July–September 2019 orders received + 3%, 45.6 MEUR.
  - Heat Treatment Technologies orders received -28%, 9,1 MEUR.
  - Bystronic glass Technologies orders +34% 16.3 MEUR. Demand for insulating glass machines was strong in all geographical areas.
  - Services activity at last year’s good level. Orders received 17.3 (17.3) MEUR.
- Order book totalled 79.1 (84.5) MEUR at the end of the period.

# Q3 Net Sales grew 15%



Pro forma Net Sales, M€



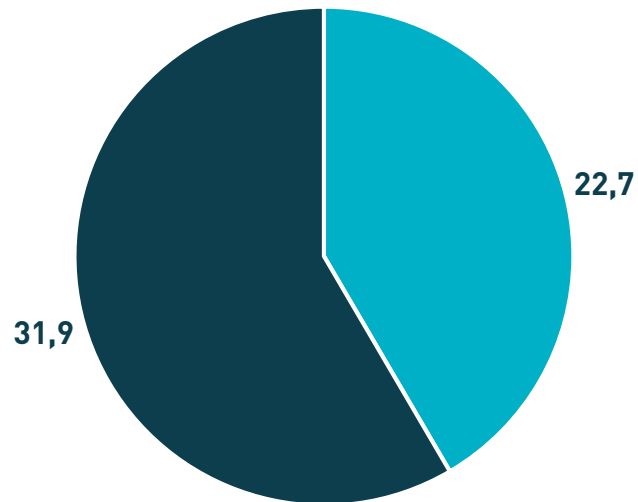
Net Sales pro forma, M€	Actual 7-9/2019	Pro forma 7-9/2018	Pro forma 1-9/2019	Pro forma 1-9/2018
Glaston	22.7	23.0	67.3	73.3
Bystronic glass	31.9	24.4	90.0	83.6
<b>Glaston Group</b>	<b>54.5</b>	<b>47.3</b>	<b>157.3</b>	<b>156.9</b>



# Net Sales distribution

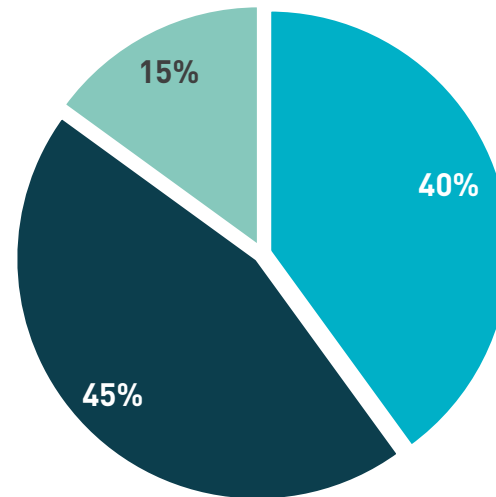


Net Sales by reporting segment Q3/19 (MEUR)



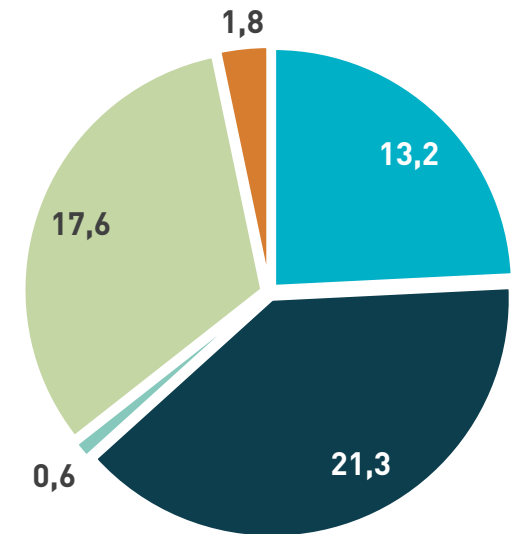
■ Glaston ■ Bystronic glass

Geographical distribution of Net Sales Q3/19



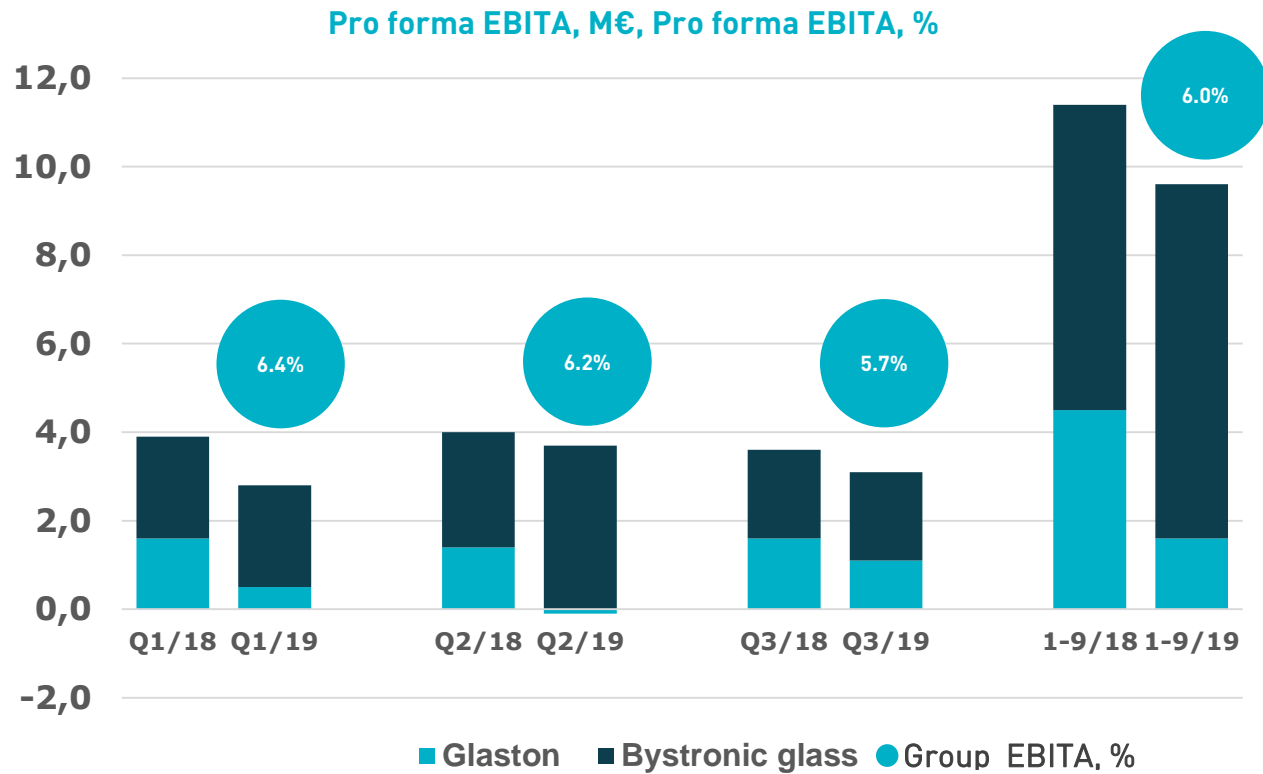
■ Americas ■ EMEA ■ APAC

Net Sales by Product Area Q3/19 (pro forma, MEUR)



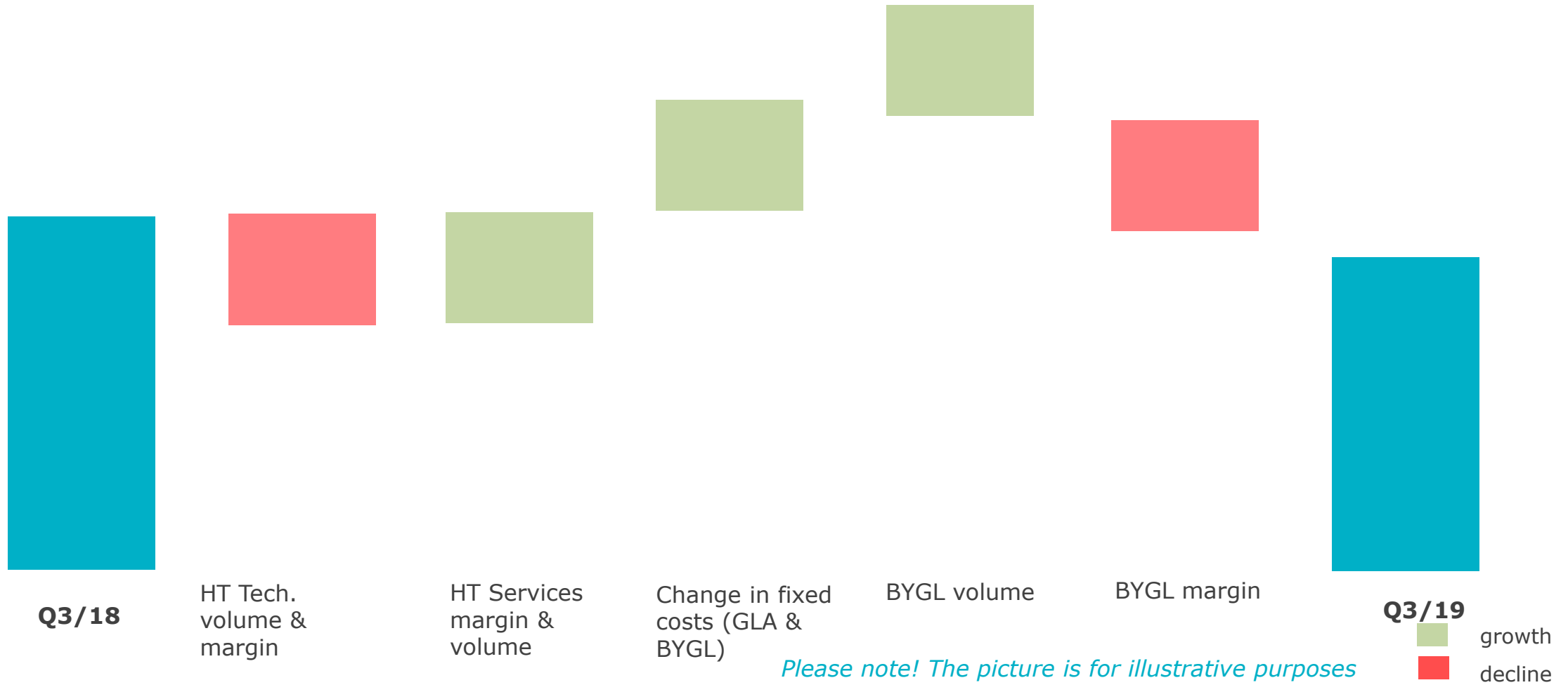
■ Heat Treatment Technologies  
■ Bystronic glass Technologies  
■ Emerging Technologies  
■ Services  
■ Other

# Result and profitability



Comparable EBITA, M€	Actual 7-9/19	Pro forma 7-9/18	Pro forma 1-9/19	Pro forma 1-9/18	Pro forma 2018
EBIT	0.0	2.0	1.2	7.3	4.4
Items affecting comparability	2.0	0.3	4.9	0.5	2.3
<b>Comparable EBIT</b>	<b>2.0</b>	<b>2.4</b>	<b>6.1</b>	<b>7.8</b>	<b>6.7</b>
Depreciation of intangible assets and PPA	1.1	1.2	3.4	3.5	4.8
<b>Comparable EBITA</b>	<b>3.1</b>	<b>3.5</b>	<b>9.6</b>	<b>11.4</b>	<b>11.5</b>
% of net sales	5.7%	7.5%	6.1%	7.3%	5.7%

# Profitability development of Glaston Group

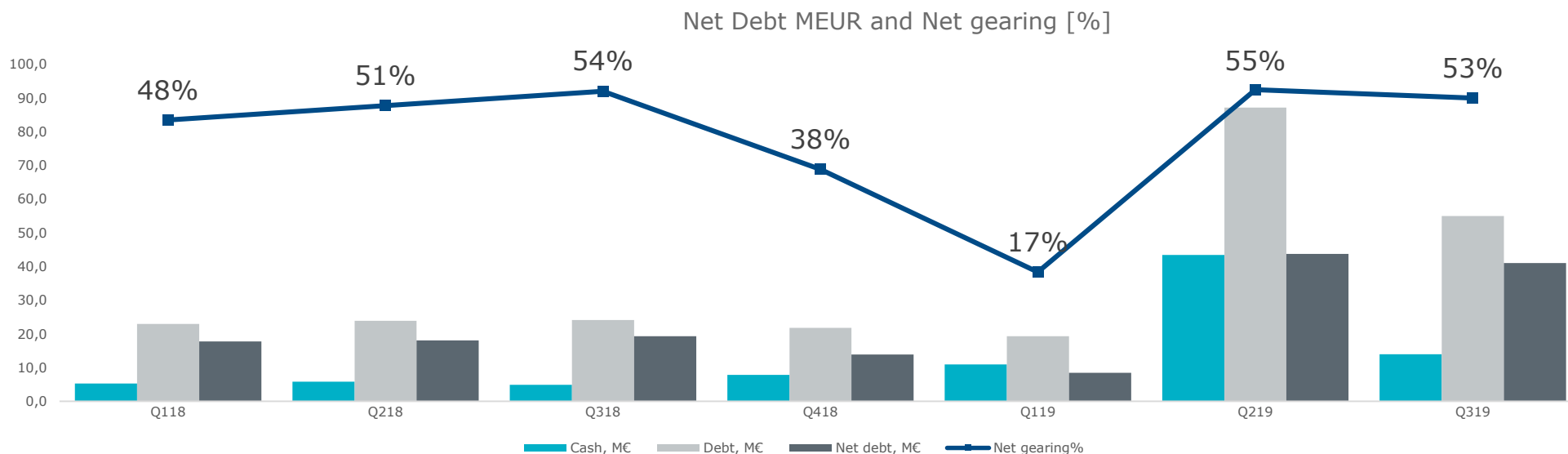


# Items affecting comparability

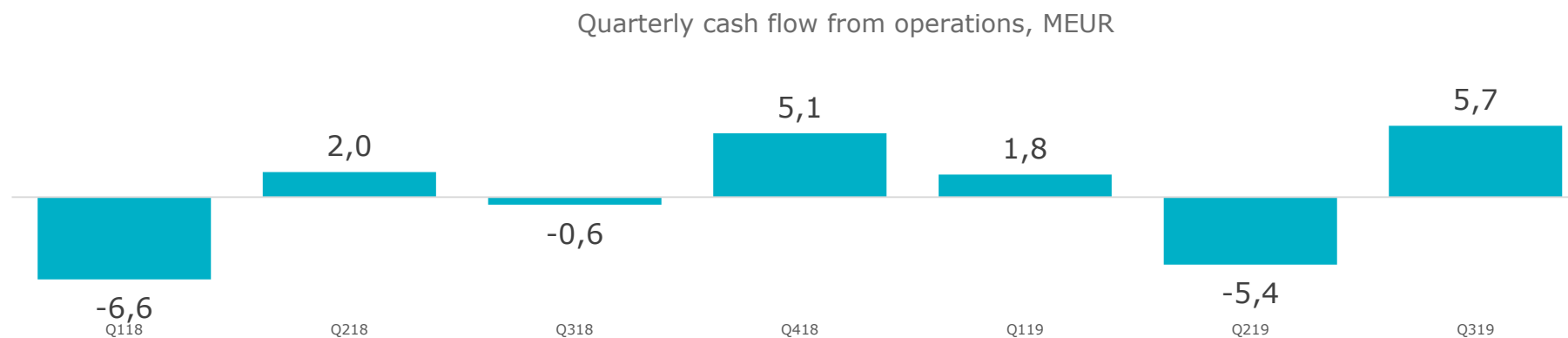


		Items affecting comparability				Total
		Q1/19	Q2/19	Q3/19	01-9/19	2019-2021
<b>EBIT- impact</b>	Integration costs	-	1,2	1,4	2,7	<b>7-8 MEUR</b>
	Transaction costs with EBIT impact	0,8	0,9	0,2	1,8	approx. <b>3 MEUR</b>
	Other			0,5	0,5	
	<b>Total</b>	<b>0,8</b>	<b>2,1</b>	<b>2,0</b>	<b>4,9</b>	
	One time financing costs with earnings impact related to refinancing arrangements	-	0,9	-	0,9	approx. <b>1 MEUR</b>

# Net debt and cash flow



- Net debt decreased and totalled 41 M€.
- Gearing reduced to 53% mainly due to increased cash
- Q3 operating cash flow positive 5.7M€, working capital +3.4M€.



# Glaston's outlook 2019 unchanged



- Glaston Corporation expects that 2019 comparable pro forma EBITA will be at the 2018 level or will improve slightly on it (2018 comparable pro forma EBITA EUR 11.5 million).
  - At the end of 2018, Bystronic glass had a significant number of orders that were recognized as revenue in the second and third quarters of 2019, thereby improving Bystronic glass' net sales and profitability in the early part of the year. Bystronic glass's fourth quarter net sales and profitability will be significantly lower than in the early part of the year.
  - The Glaston segment's result is skewed towards the second half of the year.



**Glaston Group's Q4 interim report and financial statement bulletin 2019 will be published 11 February 2020.**

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**Thank you!**

# The Glaston-segment



## Glaston segment's third quarter in brief:

- Market uncertainty and trade policy tensions continued to slow down decision-making on heat treatment machines, particularly in Europe. In North America, the market continued to be at a good level for sales of both equipment and services.
- The segment's net sales and profitability development was impacted primarily by the lower volumes and margins of heat treatment machines. The net sales and margin of heat treatment machine services improved, but not sufficiently to compensate for the negative impact of the machines business.
- At the beginning of October, adjustment measures were launched in the Glaston segment's units in Finland due to weaker demand for heat treatment machines.

### KEY FIGURES

GLASTON, EUR million	7-9/19	7-9/18	1-9/19	1-9/18
Orders received	18.7	21.7	59.8	73.6
Order book at end of period	35.7	36.3	35.7	36.3
Net sales	22.7	23.0	67.3	73.3
Net sales (comparison figure excludes divested Tools business)	22.7	22.0	67.3	70.2
Comparable EBITA	1.1	1.6	1.6	4.5
PPA depreciation	-	-	-	-
Comparable operating result (EBIT)	0.8	1.1	0.5	3.1
Operating result (EBIT)	-0.6	0.7	-3.1	2.6
Net working capital			-7.8	-2.6
Employees at end of period			361	386



# The Bystronic glass -segment



## Bystronic glass segment's third quarter in brief:

- Good activity in the insulating glass machines market; automotive glass machines market was quiet.
- Net sales and profitability continued to be impacted by the number of project revenue recognitions.

<b>KEY FIGURES BYSTRONIC GLASS, EUR million</b>	7-9/19	Pro forma 7-9/18	Pro forma 1-9/19	Pro forma 1-9/18
Orders received	26.9	22.6	75.6	79.6
Order book at end of period	43.5	48.1	43.5	48.1
Net sales	31.9	24.4	90.0	83.6
Comparable EBITA	2.0	2.0	8.0	6.9
Comparable EBITA, %	6.2%	8.1%	8.9%	8.2%
PPA	0.7	0.7	1.4	1.4
Comparable operating result (EBIT)	1.2	1.3	5.7	4.7
Comparable operating result (EBIT), %	3.7%	5.2%	6.3%	5.7%
Operating result (EBIT)	0.6	1.3	4.3	4.7
Operating result (EBIT), %	1.8%	5.2%	4.8%	5.7%
Net working capital			14.1	
Employees at end of period	431		431	