

ECA Group: significant improvement in 2018 Group's profitability

- Increase in operating income
- Solid backlog and sales momentum in Robotics
- Dividend at €0.40 per share

ECA Group (Euronext Paris: ECASA) reports its results for the 2018 financial year today.

(In € millions)	2018	2017 ¹	Change	2017 reported	H2 2018	H2 2017 ¹	Change	H2 2017 reported
Backlog 12/31	120.3	96.5	+24.6%					
Revenue	102.1	113.5	-10.1%	112.0	51.6	58.3	-11.5%	57.6
EBITDA ²	14.5	14.2	+2.0%	11.5	9.2	9.4	-2.0%	7.9
% revenue	14.2%	12.5%	+168bp	10.2%	17.8%	16.0%	+171bp	13.7%
Profit (loss) from continuing operations	7.1	4.1	+71.5%	3.8	5.4	2.9	+85.7%	2.8
Operating income	7.1	(1.2)	ns	(1.5)	6.3	(2.1)	ns	(2.2)
Operating margin	7.0%	-1.1%	+807bp	-1.3%	12.1%	-3.5%	+1,565bp	-3.8%
Financial result	0.7	(0.5)	ns	(0.5)	(0.1)	(0.1)	ns	(0.1)
Tax	(1.9)	(1.4)	ns	(1.3)	(1.3)	(1.3)	ns	(1.3)
Net income	5.9	(3.0)	ns	(3.2)	4.9	(3.5)	ns	(3.5)

The 2018 financial statements were approved by the Board of Directors on April 1, 2019. Audit procedures were performed by the statutory auditors, and the audit report is currently being issued.

In 2018, **consolidated revenue** was €102.1 million, compared to €113.5 million in 2017, down 10.1% for the financial year. Full-year order intake was up 45.3% to €128.0 million, reflecting the excellent commercial activity in the Robotics and Aerospace divisions, where several major commercial successes were recorded in the fourth quarter of 2018.

Despite a decrease in revenue, the Group achieved its target of improving profitability. The **EBITDA margin** improved significantly to 14.2% in 2018 compared to 12.5% in 2017 and even reached 17.8% during the second half-year, reflecting the impact of the measures to improve operational efficiency implemented since the end of the 2017. **EBITDA** increased by 2.0% to €14.5 million, compared to €14.2 million in 2017.

¹Since January 1, 2018, the Group has applied IFRS 15 "Revenue from Contracts with Customers". All changes and comments indicated in this press release are in comparison with the 2017 figures restated for the implementation of this standard.

Detailed reconciliations can be found in the 2018 Registration Document.

²Operating income before depreciation, amortization and provisions.

Profit from continuing operations amounted to €7.1 million, compared to €4.1 million in 2017, up 71.5%. **Non-current operating income items** amounted to €0.1 million, and notably included restructuring costs for -€0.9 million, the impact of the disposal of EN Moteurs for +€1.2 million and the amortization of intangible assets recognized at fair value in connection with acquisitions for -€0.4 million.

Operating income amounted to €7.1 million, compared to -€1.2 million in 2017. The operating margin was 7.0% in 2018 and even reached 12.1% during the second half year.

Financial income and expense contributed positively to income for +€0.7 million compared to -€0.5 million in 2017.

Group **net income** recovered significantly to €5.9 million in 2018, compared to -€3.0 million the previous financial year.

Performance by division

(In € millions)	Revenue			EBITDA		
	2018	2017 ¹	Change	2018	2017 ¹	Change
Robotics	59.2	64.4	-8.1%	11.4	10.6	+7.3%
Aerospace	32.6	36.9	-11.5%	0.9	2.5	-65.1%
Simulation	10.0	9.7	+3.1%	2.3	2.6	-13.5%
Structure & disposals	(0.0)	(0.1)	nm	0.2	0.3	nm
Adjustments ³	0.3	2.7	nm	(0.2)	(1.8)	nm
Consolidated	102.1	113.5	-10.1%	14.5	14.2	+2.0%

Revenue for the **Robotics** division was €59.2 million for 2018, down 8.1% from 2017. The division was impacted during the first nine months of the year by the insufficient order intake level in 2017. This trend was reversed during the fourth quarter of 2018.

As part of the measures to improve its operational efficiency and the review of its strategic assets, the Group simplified its legal organization with the merger of several entities during Q4 and the disposal in December of the motor and special electric generator production business (EN Moteurs). This latter activity contributed €2.3 million to 2018 revenue.

Order intake for the financial year amounted to €91.0 million boosted by an especially active fourth quarter. This surge of 72.3% compared to 2017 reflects the increasing importance of the use of drones in the defense sector for land, air, naval and submarine applications.

The division's EBITDA saw a significant 7.3% increase to €11.4 million in 2018, with an EBITDA margin of 19.3% compared to 16.5% in 2017, benefiting from efficiency gains thanks to the reorganizations

³The segment information is adjusted for the contribution of activities whose closure or disposal was decided in 2017 (deconsolidation of ECA SINDEL from the Robotics division at January 1, 2018 and disposal of SSI's business in August 2018 in the Simulation division).



within the division and resource allocation discipline, offsetting the significant costs (around €1 million) for the response to the Belgian-Dutch call for tenders.

In the **Aerospace** division, revenue fell by 11.5% to €32.6 million in 2018, due largely to a slowdown in assembly line operations. Order intake for the financial year amounted to €32.8 million, a 2.4% increase, and given strong order intake of nearly €8.6 million in January, it is expected to contribute to the recovery of the division's growth during the 2019 financial year.

This decrease in revenue led to a decline in the division's EBITDA, down 65.1% to €0.9 million in 2018.

Finally, **Simulation** remains at a high level of revenue, at €10.0 million in 2018, boosted by the finalization of the second contract for driving simulators for military vehicles during the financial year. Order intake was up 27.0% to €3.9 million.

The division's EBITDA was €2.3 million in 2018, slightly down compared to 2017 (€2.6 million), but the margin remains high at 22.8% of revenue.

Financial position at December 31, 2018 and dividend proposal

Cash flow stood at €10.2 million compared to €10.9 million in 2017. The **working capital requirement**, which decreased during the first half year, is up by €4.1 million over the financial year, due to the level of activity at the end of the year, especially in December.

Investments totaled €6.6 million in 2018 (before proceeds from the disposal of EN Moteurs), compared to €7.2 million in 2017.

At December 31, 2018, **net debt** stood at €12.9 million, compared to €13.0 million at December 31, 2017 (taking into account the value of treasury shares).

The Board of Directors will ask at the Annual General Meeting of 6 June 2019 for the approval of a dividend payment of €0.40 per share, paid in cash, in respect of 2018. If this dividend proposal is approved, the ex-dividend date will be 2 July 2019, and payment will be on 4 July 2019.

Award of an emblematic contract in Robotics

Following a call for tenders launched in the Summer of 2018, the Belgian navy has awarded the Belgium Naval & Robotics consortium, bringing together Naval Group and ECA Group, the supply of 12 mine-hunting vessels equipped with a total of 100 drones. Six ships are for the Belgian navy, the other six will be delivered to the Dutch navy.

ECA Group's share of this contract represents around €450 million. The 10-year program will start with a design phase of about 3 years before the production and delivery phase of the drone systems. The contract should generate revenue starting in 2019.



This success is the achievement of a strategy focused for many years on the development of drone systems composed of multiple and varied drones cooperating as autonomously as possible within the same mission ([see the press release of March 18, 2019](#)).

The final notification of the contract could take place by the end of April, after processing of potential recourses.

2019 outlook

The Group's **backlog** reached €120.3 million at December 31, 2018, driven by the 50.3% increase in the Robotics division, whose backlog reached a record level of €94.5 million.

Full-year 2018 stood out for its remarkably high order intake. Continuing this trend, 2019 will feature significant growth in operations, particularly in the Aerospace and Robotics divisions.

In this favorable commercial context, the Group's profitability should continue to improve, amplified in the medium term by the volume and series effects of the mine-hunter contracts. Several major navies including France, India or England will renew their mine hunting fleet in the coming years. In addition, ECA Group believes that most navies will also be equipped with transportable drone systems that can be used from the coast.

ECA Group's profitability should continue to benefit from cost reduction and operational efficiency efforts. The mergers of legal entities, particularly the mergers in 2018 within the Robotics division between ECA Robotics, ECA EN, ECA RSM, ECA DRONES, then at the start of 2019 within the Aerospace division between ECA Aerospace, ELTA and ECA Sintors, are part of this momentum.

In 2019, the Group is targeting revenue growth above 5%. This outlook does not factor in the approximately €450 million contract for the supply of 12 mine-hunting vessels for the Belgian and Dutch navies.

Meeting to present the results on April 3, 2019 at 10:00 am at the #Cloud Business Center

The disclosure of the results for the 2018 financial year includes this press release, as well as the presentation available on ECA Group's website: www.ecagroup.com section Investors.

Today, Tuesday April 3, 2019, Raphaël Gorgé, Chairman, Guenaël Guillaume, Chief Executive Officer and Loïc Le Berre, Chief Financial Officer of Groupe Gorgé, will comment on the results of ECA Group and its parent company, Groupe Gorgé, and respond to questions from the financial community and analysts, during a meeting at the #Cloud Business Center (10 bis rue du Quatre Septembre – 75002 Paris).

Next release: Publication of first quarter 2019 revenue on April 25, 2019, after close of the stock market.



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ECA Group

Recognized for its expertise in robotics, automation systems, simulation and industrial processes, the ECA Group has been developing complete, innovative technological solutions for complex missions in hostile and confined environments since 1936. Its product offering is designed for an international client base that is demanding, both in terms of safety and effectiveness. The Group's main markets are in the defense, maritime, aeronautics, simulation, industrial and energy sectors. In 2018, the Group reported revenue of €102 million across its three divisions: Robotics, Aerospace and Simulation.

The ECA Group is a Groupe Gorgé company.

The ECA Group is listed on Euronext Paris Compartment C.
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