

# Quarterly Communication

January 1 – September 30, 2016



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### Q3/2016: STRONG THIRD QUARTER, TECHNOTRANS CONFIRMS ORGANIC GROWTH TARGETS FOR 2016

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#### Quarterly Result at a Glance

- › The technotrans Group increased revenue by 27 percent in Q3/2016 to € 39.7 million (Q3/2015: € 31.3 million). The biggest growth driver in Q3 was the Technology segment (+29 percent).
- › technotrans has maintained its growth trajectory as planned in the current financial year of 2016: over the first nine months consolidated revenue grew by 12.7 percent to € 103.3 million in total (previous year: € 91.6 million). After adjustment for the takeovers of Ovidius GmbH and gwk Gesellschaft Wärme Kältetechnik mbH, the group recorded solid organic growth of 6.1 percent.
- › Nine months into the year, the group achieved earnings before interest and taxes of € 6.5 million, as against € 6.8 million in the previous year. The EBIT margin as reported thus declined from 7.4 percent to 6.3 percent. After adjustment for non-recurring effects (in the first instance in connection with the acquisitions in the current financial year) the operating result (adjusted EBIT) for the first nine months was € 7.3 million (+8 percent year on year). The EBIT margin before consolidation of the acquisitions was therefore 7.5 percent.
- › Based on the adjusted result, the technotrans Group was thus within its forecast range for the 2016 year overall.
- › Net profit after nine months showed a slight improvement: earnings per share reached € 0.71 with an average of 6.5 million shares. After stripping out non-recurring effects, earnings per share came to € 0.80 (previous year: € 0.69).
- › The acquisition in the third quarter increased net financial debt to € 16.5 million at September 30, 2016. The equity ratio at the reporting date declined to 46.5 percent (December 31, 2015: 68.0 percent).
- › The technotrans Group has had an average of 890 employees (previous year: 802 employees) in the current financial year. The acquisitions increased the number of employees in the group at the September 30 reporting date to 1,290.
- › As a result of the first-time consolidation of gwk Gesellschaft Wärme Kältetechnik mbH, as matters stand the Board of Management expects to post revenue amounting to € 150 million for the financial year in progress, and EBIT in the range of € 9.5 to € 10.5 million. Furthermore, from 2017 there are expected to be synergy benefits that will gradually yield improved margins.

“The dominant event in the third quarter was the takeover accomplished in August,” remarked Henry Brickenkamp, Chief Executive Officer of technotrans AG. He added that with the acquisition of the majority interest in gwk Gesellschaft Wärme Kältetechnik mbH, technotrans had stepped up its activities in the area of plastics engineering. The group had also taken this opportunity to significantly strengthen its position in the market for cooling and temperature control solutions. One particular benefit of the takeover was that the group had already achieved the goal of significantly reducing its dependence on the traditional target market of the printing industry.”

“But the consolidation of gwk Gesellschaft Wärme Kältetechnik mbH with effect from September 1, 2016 also means non-recurring and one-off effects from the acquisition will impact costs and profit,” added Brickenkamp. After elimination of these effects the technotrans Group was however fully in line with expectations for the 2016 financial year at the nine-month mark and consequently achieved its organic growth targets.”

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## PRESENTATION OF SIGNIFICANT EVENTS AND BUSINESS PERFORMANCE

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### Significant Events at a Glance

- › Compared with the third quarter of 2015 the group of consolidated companies changed as follows:
- › On April 12, 2016 technotrans AG acquired a majority interest amounting to 51 percent in Ovidius GmbH, Berlin, via its subsidiary gds GmbH. Ovidius GmbH and its subsidiary, EasyBrowse GmbH based in Schwerin, develop XML-based content management and editorial systems for technical documentation and therefore complement the product portfolio of gds GmbH.
- › On August 16, 2016 technotrans AG acquired a majority interest of 98 percent in the share capital of gwk Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen. This acquisition gives technotrans access to the plastics processing market.
- › The completion of the transaction was confirmed on September 9, 2016. gwk Gesellschaft Wärme Kältetechnik mbH, Meinerzhagen, is included in the consolidated financial statements for the first time with effect from September 1, 2016. gwk's share of consolidated revenue at September 30, 2016 is € 5 million and its share of the net profit for the period amounts to € 0.3 million. The allocation of the purchase price had not yet been completed at the time of preparation of the Quarterly Communication.

### Goals and Benefits of the Acquisition of gwk Gesellschaft Wärme Kältetechnik mbH

- › Through the acquisition, technotrans is expanding into the market for plastics engineering and thus gains access to a large number of new customer groups.
- › In gwk, technotrans acquires an established brand with an extensive international network of sales and service locations. This network can be used by the entire group in accessing new regions and acquiring new customers.
- › Within the market for cooling and temperature control solutions, technotrans is significantly boosting its worldwide standing.
- › With the acquisition of gwk Gesellschaft Wärme Kältetechnik mbH, technotrans' medium to long-term goal of increasing consolidated revenue to € 150 million will now be achieved sooner.
- › The medium-term goal of generating 50 percent of all revenue outside the printing industry was achieved through the takeover. Until recently, two-thirds of total revenue still came from print business.

### Business Performance of the technotrans Group in the First Nine Months of 2016

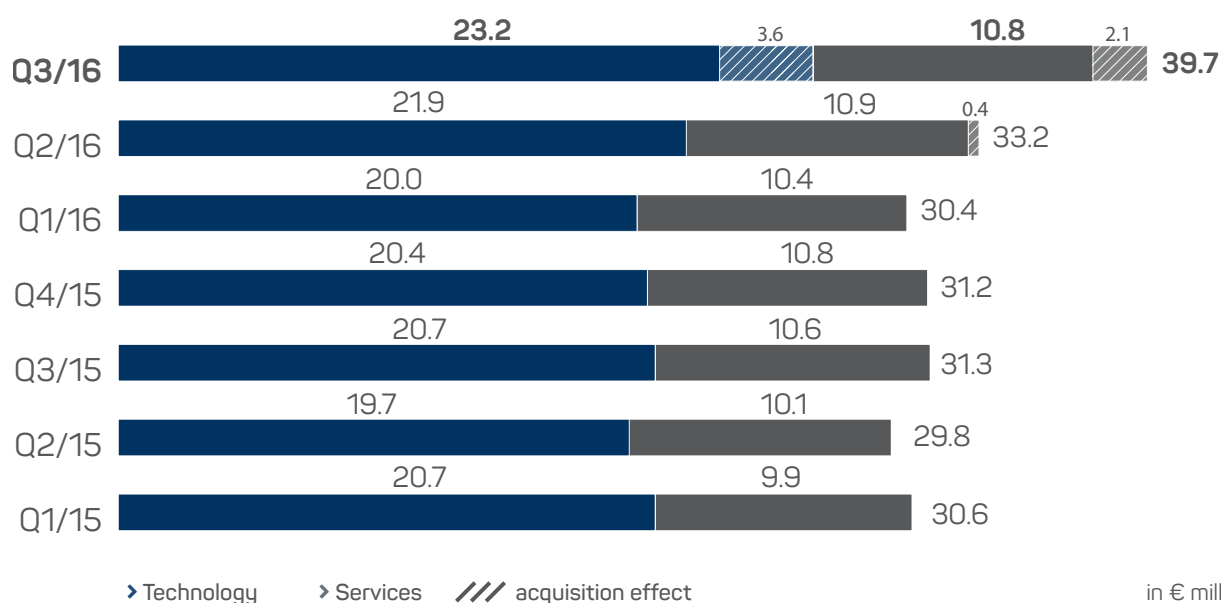
#### Development in Revenue

Following dynamic growth in the print area in the first half of 2016, business outside the printing industry continued to develop especially well in the third quarter.

Consolidated revenue for the first nine months of the 2016 financial year climbed to € 103.3 million overall

(previous year: € 91.6 million, +12.7 percent). The revenue which stemmed from the aforementioned changes in consolidation totalled € 6.1 million.

## REVENUE BY SEGMENT



The **Technology segment** can look back on an extremely successful third quarter of 2016 and improved further on the result already achieved in the previous quarters. After nine months, the revenue for the segment was up € 7.6 million (+12.5 percent) at € 68.7 million. The revenue total included € 3.6 million for gwk, which has been consolidated since September 1, 2016. While the revenue and orders level in the printing industry remained satisfyingly stable, there was a noticeable jump in revenue in the remaining technology markets.

The **Services segment** put in a successful business performance in the first nine months of 2016. Revenue came in at € 34.6 million, 13.2 percent up on the previous

year (previous year: € 30.6 million). Within the segment, the increase was driven both by follow-on business in the technology markets and by pleasing revenue growth from technical documentation business. The increased scope of consolidation produced a revenue contribution amounting to € 2.5 million. Organic revenue growth for the group after this effect is stripped out rose by around 5 percent.

Compared with the previous year all segments and markets have shown a highly satisfactory revenue performance and are in line with the expectations of technotrans AG.

### Financial Performance

The operating result (EBIT) for the first nine months of € 6.5 million was down 3.7 percent on the previous year (€ 6.8 million). The EBIT margin consequently merely reached 6.3 percent, compared with 7.4 percent in the previous year. Operating costs were above the previous year's level due to non-recurring and consolidation effects. They largely comprise costs for the acquisition and integration of the companies purchased, as well as

expenditure associated with the consolidation process. After elimination of non-recurring and consolidation effects, the operating result for the technotrans Group came to € 7.3 million. This represents an (adjusted) EBIT margin of 7.5 percent. This also includes year-on-year higher expenditure for shows in connection with the drupa (€ 0.4 million), as well as negative exchange rate effects (€ 0.2 million).

### Key figures on earnings position of technotrans group

		Q1-Q3 2016	Q1-Q3 2015	change in %
revenue	in € mill	103.3	91.6	12.7
Technology	in € mill	68.7	61.0	12.5
Service	in € mill	34.6	30.6	13.2
operative costs	in € mill	96.7	84.8	14.1
EBIT	in € mill	6.5	6.8	-3.7
EBIT margin	in %	6.3	7.4	
earnings per share	in €	0.71	0.69	2.9

### Key figures on earnings position of technotrans group (adjusted)

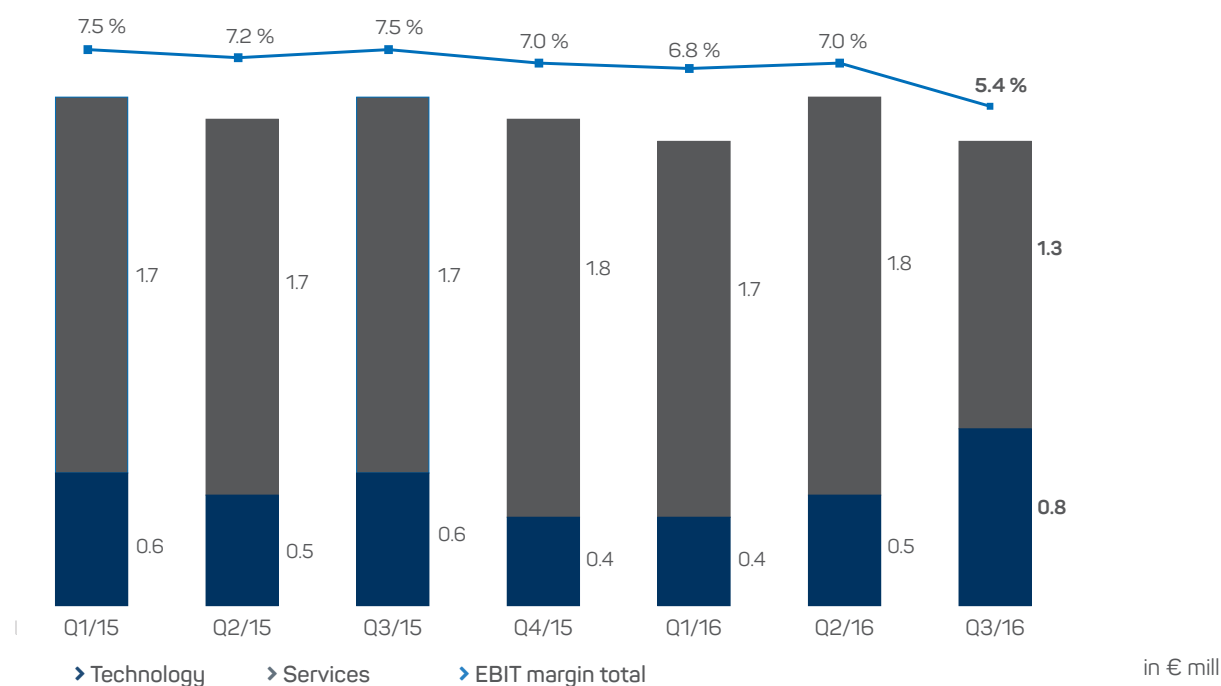
		Q1-Q3 2016	Q1-Q3 2015	change in %
revenue	in € mill	97.2	91.6	6.1
Technology	in € mill	65.0	61.0	6.6
Service	in € mill	32.1	30.6	5.1
operative costs	in € mill	89.9	84.8	5.9
EBIT	in € mill	7.3	6.8	7.8
EBIT margin	in %	7.5	7.4	
earnings per share	in €	0.80	0.69	15.9

The operating result (EBIT adjusted) for Q3/2016 delivered a rate of return in excess of 8 percent. The comparable EBIT margin to the previous year is thus in line with expectations to date for the 2016 financial year (forecast: 7.5 to 8.0 percent).

The operating result (EBIT reported) in the Technology segment of € 1.7 million was slightly down on the previous

year (€ 1.8 million) at the nine-month mark. The rate of return for the segment consequently came to 2.4 percent, compared with 2.9 percent in 2015. As well as the revenue mix, the pro rata cost burdens from the acquisitions and the increased expenditure for shows significantly impacted the segment's earnings situation in the period under review.

### EBIT BY SEGMENT



Overall, the Services segment confirmed its healthy financial performance. After nine months, the result for the segment was € 4.8 million and was therefore slightly down on the prior-year level (previous year: € 5.0 million). This figure includes pro rata additional costs in connection with the acquisitions of Ovidius GmbH and gwk GmbH. The rate of return for the segment in the reporting period therefore came to 14.0 percent, compared with 16.4 percent in the previous year.

EBITDA (earnings before interest, taxes, depreciation and amortisation) at September 30, 2016 came to € 9.1

million, unchanged from the previous year (€ 9.1 million). Depreciation and amortisation rose to € 2.5 million (previous year: € 2.3 million). The financial result as per the end of September of € 0.2 million (interest expense) remained still largely unaffected by the new financing raised in connection with the acquisition.

Earnings per share outstanding after nine months were € 0.71 (previous year: € 0.69). The consolidated result after tax for the period under review came to € 4.6 million (previous year: € 4.5 million). The return on sales was 4.5 percent (previous year: 5.0 percent).

### Financial Position

Net debt as recognised on the balance sheet – after netting of cash and cash equivalents with interest-bearing borrowings – changed significantly in the course of the third quarter. At September 30, 2016 net debt amounted to € 16.5 million (previous year: net liquidity € 9.2 million). The corporate acquisition in September 2016 led to an outflow of liquidity of around € 22 million. A bridging loan of € 16.8 million was raised by way of financing. This bridging loan will be rescheduled with the core banks of technotrans AG in the course of the fourth quarter of 2016. The balance of the amount paid for the acquisition was taken from cash and cash equivalents available within technotrans AG. The short-term credit lines granted (€ 13.5 million) were not used.

Bank borrowings at the end of September 2016 totalled € 29.2 million. The newly consolidated companies account for around € 5.9 million of this sum.

The cash flow (net cash from operating activities) amounted to € 4.9 million in the period under review, compared with € 7.6 million in the previous year. As expected, the cash flow from investing activities rose sharply compared to 2015 as a result of the interests acquired. The free cash flow deteriorated correspondingly to € -16.7 million (previous year: € +6.5 million).

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## REPORT ON POST-BALANCE SHEET DATE EVENTS

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On October 20, 2016 technotrans AG increased its shareholdings in each of the companies KLH Kältetechnik GmbH (Bad Doberan), KLH Cooling International Pte. Ltd. (Singapore) and Taicang KLH Cooling Systems Co. Ltd. (PR China) by 35 %, bringing them all up to 100 %. These companies have already been included in consolidation by technotrans AG since the 2013 financial year on the basis of its participating interests to date.

The complete takeover of the shares in the KLH companies follows the successful integration of the business into the laser cooling area, and the Taicang location moreover offers technotrans scope for the strategically important expansion of China business for the entire technotrans Group.

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## OUTLOOK

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The economic environment for 2016 is still broadly stable. The current economic development continues to reflect our expectations for the current financial year. The Board of Management rates business outlook for the technotrans Group for the 2016 financial year as positive overall. technotrans has set itself the goal of growing faster than the market.

After adjustment for the latest acquisitions, technotrans has achieved substantial growth in revenue and profit in the current financial year compared with the previous year. After nine months, organic growth is fully in line with our expectations. Taking account of the widening of the scope of consolidation in the course of 2016 and the additional one-off costs arising in that connection, the result is a correction to expectations for the full year. Despite various global uncertainties, we reassert the expectation that we will be able to maintain the positive business development in the coming quarters, too.

As matters stand, based on the extended scope of consolidation we expect consolidated revenue for 2016 to reach the order of € 150 million and EBIT to lie within the range of € 9.5 to € 10.5 million. We had previously envisaged revenue for 2016 in the region of € 126 to € 132 million, along with EBIT of between € 9.5 and € 10.5 million. This is the basis for an EBIT margin forecast of 6.3 to 7.0 percent (previously 7.5 to 8.0 percent).

The downgraded margin is a result of the non-recurring and one-off effects on the cost side in connection with the recent acquisitions. However as matters stand we anticipate that from 2017 the EBIT margin will stabilise and progress at a higher level, once synergy effects have been realised above all in the areas of purchasing and sales.

On the financial side, credit agreements for a total volume of € 20 million will be concluded with the existing group of banks by the end of 2016. From the present perspective the Board of Management does not anticipate any significant credit expansion above and beyond that. The new external financing structure of technotrans AG will assure medium to long-term liquidity and provide potential leeway for action.

The Board of Management stands by its medium-term goals of taking revenue for the technotrans Group beyond € 200 million. The revenue growth, the economies of scale that will result from this, along with a disciplined approach to costs and higher margins from growing technology and service business, should increase the value of the company in the medium term. We will provide guidance on revenue and earnings targets for 2017 with the publication of the 2016 Annual Report on March 14, 2017.



# Quarterly Communication

## Januar 1 – September 30, 2016

### TECHNOTRANS AT A GLANCE

	Δ previous year	1/1– 30/9/2016	1/1– 30/9/2015	2015	2014
		€ `000	€ `000	€ `000	€ `000
<b>Earnings</b>	12.7%	<b>103,269</b>	<b>91,600</b>	<b>122,838</b>	<b>112,371</b>
of which Technology	12.5%	68,668	61,036	81,457	73,758
of which Services	13.2%	34,601	30,564	41,381	38,613
<b>EBITDA</b>	-0.7%	<b>9,059</b>	<b>9,121</b>	<b>12,187</b>	<b>9,873</b>
EBITDA margin (%)		8.8	10.0	9.9	8.8
<b>EBIT</b>	-3.7%	<b>6,525</b>	<b>6,779</b>	<b>8,952</b>	<b>6,830</b>
EBIT margin (%)		6.3	7.4	7.3	6.1
<b>Net profitd for the period<sup>1</sup></b>	2.8%	<b>4,628</b>	<b>4,503</b>	<b>6,262</b>	<b>4,381</b>
as percent of the revenue		4.5	4.9	5.1	3.9
<b>Net profit per share (€)</b>	2.9%	<b>0.71</b>	<b>0.69</b>	<b>0.96</b>	<b>0.67</b>
<b>Balance sheet</b>	51.3%*	<b>115,057</b>	<b>78,666</b>	<b>76,043</b>	<b>74,534</b>
<b>Equity</b>	3.4%*	<b>53,469</b>	<b>50,066</b>	<b>51,725</b>	<b>47,470</b>
Equity ratio (%)		46.5	63.6	68.0	63.7
<b>Net debt<sup>2</sup></b>		<b>16,489</b>	<b>-9,220</b>	<b>-11,575</b>	<b>-4,763</b>
<b>Free cash flow<sup>3</sup></b>		<b>-16,676</b>	<b>6,498</b>	<b>8,542</b>	<b>4,821</b>
<b>Employees (average)</b>	11.0%	<b>890</b>	<b>802</b>	<b>810</b>	<b>771</b>
<b>Personnel expenses</b>	14.1%	<b>35,724</b>	<b>31,320</b>	<b>42,160</b>	<b>39,808</b>
as percent of revenue		34.6	34.2	34.3	35.4
<b>Revenue per employee</b>	1.6%	<b>116</b>	<b>114</b>	<b>152</b>	<b>146</b>
<b>Number of shares in circulation at end of period</b>		<b>6,532,750</b>	<b>6,518,621</b>	<b>6,530,588</b>	<b>6,516,434</b>
share price max (€)		23.70	18.40	19.90	9.56
share price min (€)		15.75	9.21	9.21	7.41

\* Changes compared to 31/12/2015

<sup>1</sup>Net profit of the period

= profit attributable to technotrans AG shareholders

<sup>2</sup>Net debt

= financial liabilities – cash and cash equivalents

<sup>3</sup>Free cash flow

= Net cash from operating activities

+ cash used for investments acc. to cash flow statement

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## SUPPLEMENTARY INFORMATION

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### IR Service

Our website provides a comprehensive IR service. In addition to corporate reports (online Annual Report), analyst estimates, financial presentations and information on the Annual General Meeting, you will also find our factsheet and financial communications there.

<http://www.technotrans.com/en/investor-relations.html>

### Note

With the German Transparency Directive Implementation Act coming into force in autumn 2015, the obligation to prepare and publish comprehensive Q1 and Q3 Consolidated Quarterly Reports was removed. technotrans – in common with many other listed companies – would like to use this opportunity to adjust its reporting and focus on key topics. In future, we will therefore publish an Interim Statement/Quarterly Communication (in German and English) instead of a Quarterly Financial Report. The Second Quarter Report/Interim Financial Report on the financial year will continue to be published in the established form.

This Quarterly Communication contains statements on the future development of the technotrans Group.

These reflect the present views of the management of technotrans AG and are based on the corresponding plans, estimates and expectations. We point out that the statements are subject to certain risks and uncertainties which could mean that the actual results differ considerably from those expected. The figures and percentages contained in this communication may lead to differences due to rounding. The Quarterly Communication of technotrans AG at September 30, 2016 has been prepared in accordance with Section 51a of the stock exchange rules for the Frankfurt Stock Exchange (FSE).

### Financial Calendar

Publications	Date
Annual report 2016	March 14, 2017
Quarterly communication Q1/2017	May 5, 2017
Annual general meeting 2017	May 12, 2017



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**technotrans AG**  
Robert-Linnemann-Str. 17  
48336 Sassenberg  
Germany

Tel +49 (0)2583 301-1000  
Fax +49 (0)2583 301-1030  
info@technotrans.com  
[www.technotrans.com](http://www.technotrans.com)