

Fortaco Group Holdco Plc's Business Review January–September 2024: Challenging quarter due to continued market headwind

Fortaco Group Holdco Plc's Business Review 28 November 2024 at 3:00 p.m. EET

This release is a summary of Fortaco Group Holdco Plc's Business Review for January–September 2024. The full release is attached and available on our website at <https://investors.fortacogroup.com>.

Unless otherwise stated, comparison figures in brackets refer to the corresponding period of the previous year.

Financial highlights: July–September 2024

Reported financials

Note: Comparison figures do not include Buisard Cabins which was acquired in Autumn 2023. MauserCABS is included since September 2023.

- Order intake was EUR 70.3 (71.2*) million.
- Net sales were EUR 73.3 (79.9) million.
- Recurring EBITDA was EUR 3.7 (2.5) million, i.e. 5.0 (3.1) per cent of net sales.
- EBITDA was EUR 1.8 (0.0) million, i.e. 2.4 (-0.1) per cent of net sales.

*) Not including MauserCABS order intake

Financials excluding businesses under strategic review

Note: The financials presented below are based on the "New Fortaco" scope, i.e. excluding the marine, energy and heavy project businesses which have been divested during 2024 except for the Gruza business in Serbia. Net sales comparison figures include MauserCABS and Buisard net sales as if they had been part of Fortaco whole July–September 2023. Other comparison figures are not shown as MauserCABS did not report intra-year financials prior to the acquisition by Fortaco.

- Order intake was EUR 66.6 million.
- Net sales were EUR 69.0 (93.1) million. Reduction in net sales is driven by the continued market headwind.
- Recurring EBITDA was EUR 3.6 million, i.e. 5.3 per cent of net sales.
- EBITDA was EUR 1.7 million, i.e. 2.5 per cent of net sales.

Financial highlights: January–September 2024

Reported financials

Note: Comparison figures do not include Buisard Cabins which was acquired in Autumn 2023. MauserCABS is included since September 2023.

- Order intake was EUR 275.8 (260.0*) million.
- Net sales were EUR 280.1 (272.0) million. Increase in net sales is driven by acquisition of MauserCABS (September 2023) and Buisard (October 2023).
- Recurring EBITDA was EUR 14.7 (19.4) million, i.e. 5.3 (7.1) per cent of net sales.
- EBITDA was EUR 7.8 (14.8) million, i.e. 2.8 (5.4) per cent of net sales.

*) Not including MauserCABS order intake

Financials excluding businesses under strategic review

Note: The financials presented below are based on the "New Fortaco" scope, i.e. excluding the marine, energy and heavy project businesses which have been divested during 2024 except for the Gruza business in Serbia. Comparison figures include MauserCABS and Buisard impact as if they had been part of Fortaco whole January–September 2023.

- Order intake was EUR 254.1 million.
- Net sales were EUR 257.8 (323.9) million. Decline in net sales is driven by the market headwind during January – September 2024.
- Recurring EBITDA was EUR 16.2 (30.0) million, i.e. 6.3 (9.2) per cent of net sales.
- EBITDA was EUR 8.7 (25.9) million, i.e. 3.4 (8.0) per cent of net sales.

Operational highlights

- In February 2024, Fortaco announced having started a strategic evaluation of its marine, energy, and heavy project businesses, as these businesses are no longer considered strategic. The strategic evaluation was completed in the third quarter of 2024.
- In March 2024, Fortaco successfully placed a subsequent bond issue of EUR 25.0 million and received an equity injection of EUR 10 million from One Equity Partners, the company's owner.
- In May 2024, the first part of the strategic review was completed with the sale of the company's heavy project business in Jászberény, Hungary, to Cyclus GmbH and Ask US Management s.r.o. The transaction was completed on 28 June 2024.
- On 22 July 2024, Fortaco announced having signed an agreement to sell its marine and energy business in Kalajoki and Sepänkylä in Finland to Componenta, an international technology company and a Finnish contract manufacturer of metal components. The transaction was completed after the reporting period, on 1 October 2024.

Key figures

Fortaco Group key financials

MEUR	07–09/24	07–09/23	01–09/24	01–09/23	01–12/23	Last 12 months
Net sales	73.3	79.9	280.1	272.0	373.8	381.9
EBITDA	1.8	0.0	7.8	14.8	17.3	10.4
% of net sales	2.4%	-0.1%	2.8%	5.4%	4.6%	2.7%
EBITA	-2.9	-3.1	-14.1	6.6	5.1	-15.5
% of net sales	-4.0%	-3.9%	-5.0%	2.4%	1.4%	-4.1%
Non-recurring items - EBITDA impact	1.9	2.5	6.9	4.6	7.1	9.4
Recurring EBITDA	3.7	2.5	14.7	19.4	24.4	19.8
% of net sales	5.0%	3.1%	5.3%	7.1%	6.5%	5.2%
Non-recurring items - EBITA impact	3.0	2.5	17.8	4.6	7.1	20.4
Recurring EBITA	0.1	-0.5	3.7	11.2	12.3	4.8
% of net sales	0.1%	-0.7%	1.3%	4.1%	3.3%	1.3%
Balance sheet ratios						
Return on Capital Employed % (ROCE)	0.1%	-1.1%	2.1%	7.8%	5.7%	2.0%
Equity ratio %	16.3%	24.2%	16.3%	24.2%	24.8%	16.3%
Net debt	134.2	81.4	134.2	81.4	91.2	134.2
Net gearing	259.0%	125.1%	259.0%	125.1%	119.9%	259.0%
Net debt / last 12 months recurring EBITDA	6.8x	3.3x	6.8x	3.3x	3.7x	6.8x

Financials include figures for MauserCABS since September 2023 and for Buisard since 24 October 2023.

Guidance for 2024

Fortaco does not provide guidance for the financial year 2024.

President & CEO Lars Hellberg's comments

Fortaco's third quarter of the year was a challenging quarter due to the continued market headwind. Our pro forma net sales decreased by almost 26% year on year to EUR 69.0 (93.1) million. The situation however varied greatly between our different business sites. The overall market remained highly unpredictable. At the moment, we believe that we are approaching the lower point of the order intake cycle. Our customers are normalising their deliveries after the high order backlog originating from the large order increase after COVID-19 in 2020–2022 as well as due to large inventories that they have inhouse and with distributors. Excluding businesses under strategic evaluation, our order intake was EUR 66.6 million.

During the third quarter, the business and margin improvement programme we initiated in the first quarter of the year continued to deliver margin improvements in the tough market environment. Our recurring EBITDA was EUR 3.7 (2.5) million or 5.0 (3.1) % of our net sales. Excluding the marine, energy, and heavy project businesses under strategic evaluation and including the businesses acquired in 2023, our pro forma recurring EBITDA was EUR 3.6 million, or 5.3% of net sales. In January–September, our pro forma recurring EBITDA was EUR 16.2 (30.0) million, reflecting the impact of volume decline in the tough market environment. A few business sites are currently operating at EBITDA break-even driven primarily by the low volume. As a response for market headwind, Fortaco has during H1 2024 launched a holistic transformation programme addressing EBITDA and net working capital improvements, fixed cost reduction, pricing and volume improvements as well as other areas jointly targeting to contribute to the improving profitability and cash flow generation going forward. The efforts and targets of the programme have been further increased after the review period in Q4 2024.

During the quarter, we deepened our cooperation with Indian Apex Auto, a large and professional manufacturer of finished fabricated structures and vehicle assemblies to e.g. earth-moving and construction equipment industry in India and rest of the world.

Strategic evaluation completed

The strategic evaluation of our marine, energy, and heavy project businesses, announced in February 2024, has now been finalised.

In June, we sold our heavy project business in Jászberény, Hungary. In July, we announced the sale of our marine and energy business in Kalajoki and Sepänkylä in Finland to Componenta, and the transaction was closed in October 2024. At the same time, our marine and energy business in Gruza in Serbia has made a turn-around and reached a break-even in profitability, and we expect further improvements to come. Thus, the business in Gruza will remain in Fortaco's business portfolio.

We remain committed to our strategic agenda and are continuously evaluating M&A opportunities to further develop our business in Europe, the US and Asia in the future.

Investments proceeding as planned

The strategic expansion projects in our factories in Estonia, Slovakia, and Poland have continued as planned. In Narva in Estonia, with additional floor space and updated production processes, we are planning to start serial production in the first quarter of 2025. In Slovakia, we made a major makeover of our site in Holic. The new assembly shop extension has reached serial production, and the new welding robot line is scheduled to start production at the beginning of 2025. In the Gliwice region in Poland, the new manufacturing hall was inaugurated in October, and preparations for serial production have started. Production ramp-up is ongoing with the target to reach full production capacity at the end of 2025. With these investments we will have the needed capacity to fulfil our customers' needs when the markets eventually pick up.

Preparing for the Corporate Sustainability Reporting Directive (CSRD)

During the third quarter, we have put additional focus on preparing for CSRD reporting. We have updated our sustainability related policies, reviewed processes, and informed employees about updated reporting. In the last months of this year, we are concentrating on preparing the sustainability report for 2024 and planning for our sustainability actions in 2025. We continue to cooperate with our customers to build a common sustainability agenda.

Market expected to remain weak

We remain fully committed to delivering a solid financial performance in 2024 by staying focused on improving our profitability through the ongoing operational improvement programme and strategic initiatives. At the same time, we have revised our view on market demand downwards and expect it to remain weak at least till the later part of the second half of 2025, except for certain market segments, such as mining and defence industries.

As announced on 4 November, I will be retiring on 1 January 2025. My tenure at Fortaco as President & CEO has been a great learning experience for all of us, and we have achieved a lot together: we have established ourselves as a technology leader in the vehicle cabin industry and steel-fabricated components in Europe. We have more than doubled our net sales and including all strategic investments more than tripled our European capacity. We have also established a footprint in India, key critical market going forward in the new global environment. I am looking forward to joining Fortaco's Supervisory Board in January 2025 as a continuation of being a member in the Fortaco family, contributing to the strategic initiatives. I wish Mika Mahlberg, assigned as COO on 1 November 2024 and as interim President and CEO on 1 January 2025, every success in his new role. My heartfelt thanks to the entire personnel for great teamwork in developing a premium partner serving off-highway industries globally, and to our customers, suppliers, and investors for your trust in us during these 11 years.

Events after the review period

On 22 July 2024, Fortaco announced having signed an agreement to sell its marine and energy business in Kalajoki and Sepänkylä in Finland to Componenta, an international technology company and a Finnish contract manufacturer of metal components. The transaction is part of the strategic evaluation of Fortaco's marine, energy and heavy project business announced on 28 February 2024. The transaction was completed on 1 October 2024.

On 4 November 2024, Fortaco announced that Mr. Lars Hellberg, President & CEO of Fortaco and a member of Fortaco's Board of Directors, had decided to retire on 1 January 2025 and that the company's Board of Directors had appointed Mr. Mika Mahlberg as Chief Operating Officer (COO) effective 1 November 2024 and Interim President & CEO as of 1 January 2025.

Fortaco Group Holdco Plc
Board of Directors

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Fortaco Group

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