



# Positive signs in greenfield investments and good growth in Services

Q1 Interim Report 2019

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**Outotec**

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# Business and market development

# The market sentiment was positive...

- Primarily brownfield investments
  - Signs of increased activity in greenfield investments in both segments
- Market for copper, gold and battery metals continued to be most active
- Solid demand in minerals processing and hydrometallurgical plants
- Four larger projects won
  - Incl. pelletizing and sulfuric acid
- Competition continued to be intense

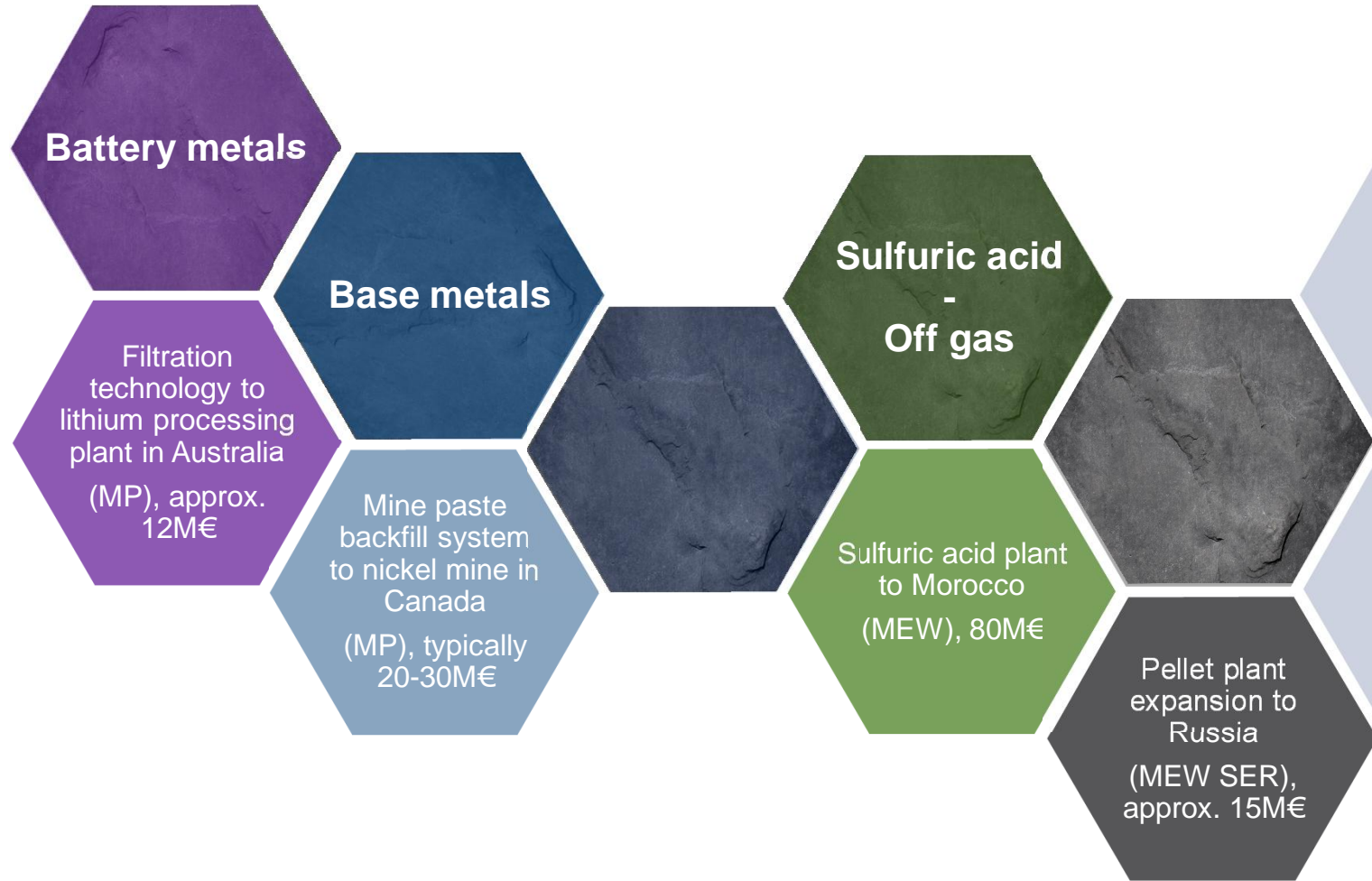
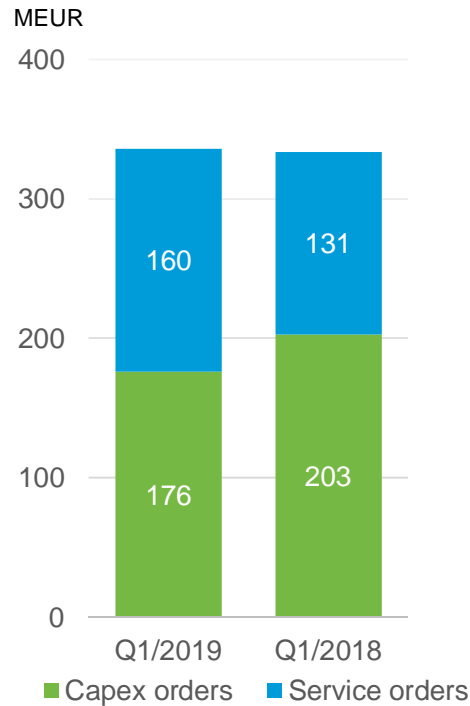


Market sentiment positive, also larger investments moving ahead



# ...with demand continuing for battery and base metals

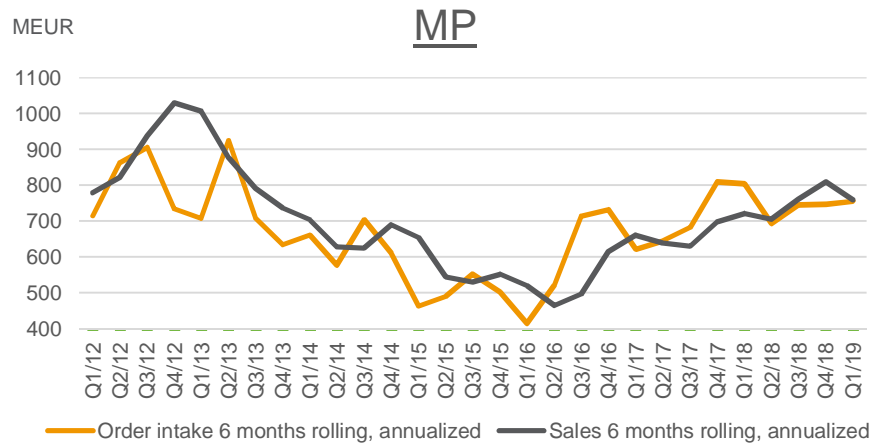
Order intake Q1oQ1



# Minerals Processing experienced solid demand...

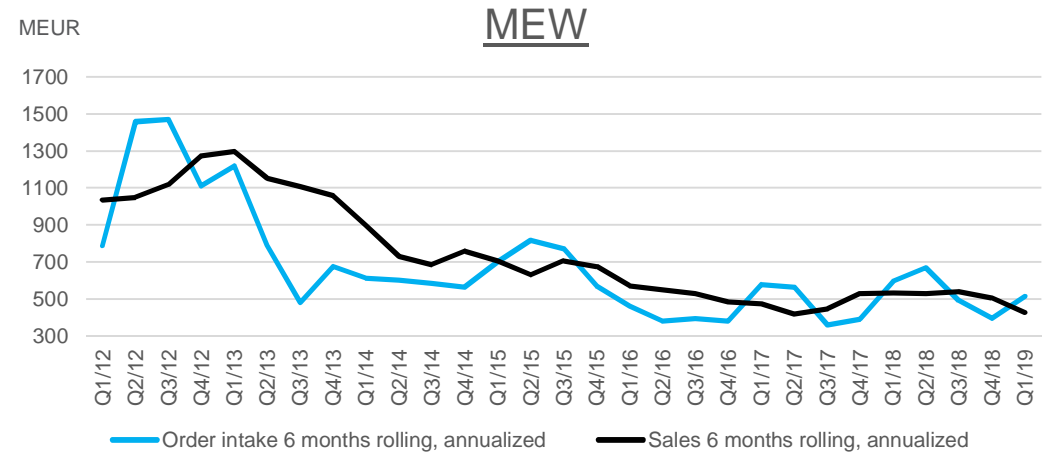
## MP

- Equipment orders increased by 19%
- Sales were stable
- Service orders rose by 9%
- Service sales grew by 11%
- Service sales mix was geared toward technical services



## MEW

- Orders declined by 17%
- Sales decreased due to fewer plant deliveries
- Service orders included a large pellet plant modernization
- Service sales increased by 12%

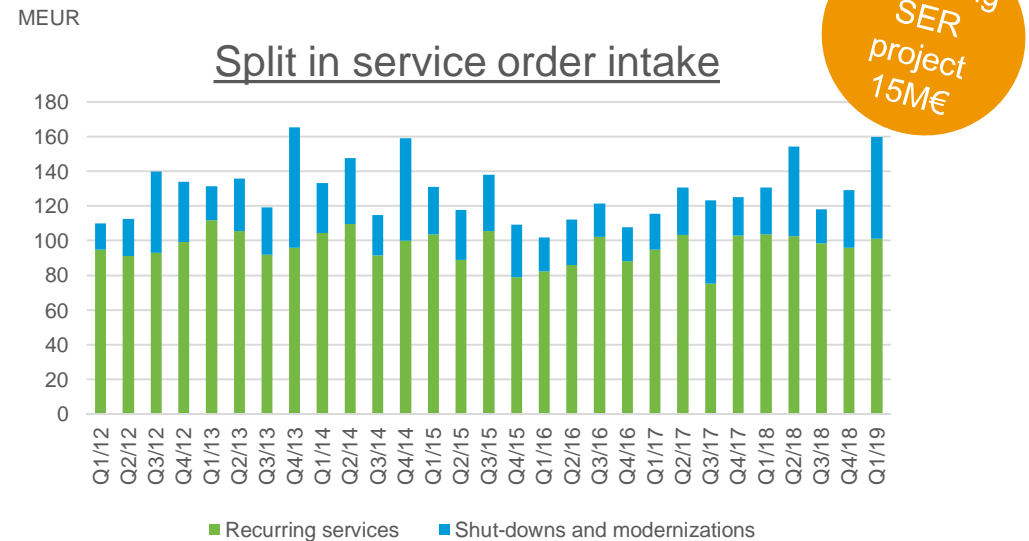
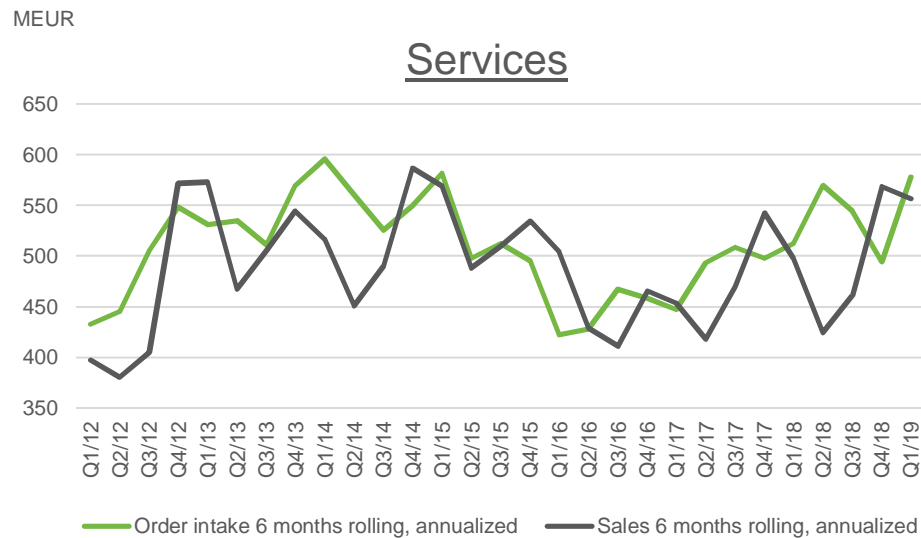


...and service order intake grew 22%, one large order

## Services

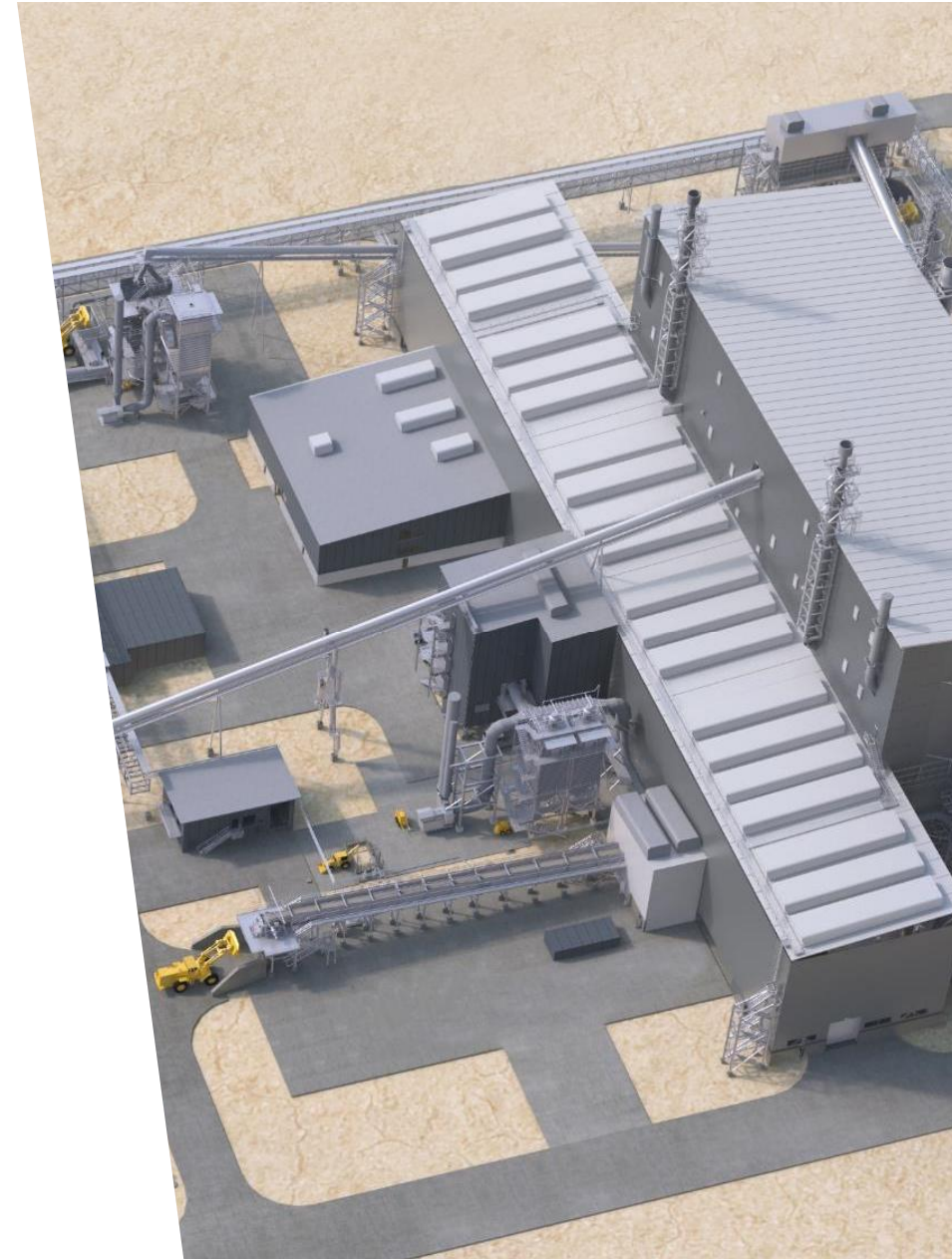
- Service orders rose by 22%
  - Large pellet plant modernization order
  - Technical services
- Q1-end service backlog reached 256 (214) M€

- Service sales grew by 11%
  - Spare parts and modernizations
- Service sales mix was more diverse
  - Technical services and modernizations



## Status of the ilmenite smelter project in MEW

- Negotiations concerning the ilmenite smelter project are ongoing in cooperation with the customer
- We remain confident that we are provided adequately for the project
- Further updates will be announced following any substantial news





# Achievements in our focus areas Q1 / 2019



## Customer focus

- Progress in major sales cases
- Customer prioritization and coverage
- Sales and Account Management improvements



## Service business

- Positive development in order intake vs Q1 2018
- Reduced RFQ response times
- 15 x market area trainings in 2019
- Inventory planning tool deployed



## Product competitiveness

- Best cost country utilization improving. New suppliers audited. Orders placed with competitive prices.
- No quality issues. Improved situation in costing and pricing.
- Productization progressing in several areas.



## Project excellence

- Gross margin developing favourably
- Digital tool selected for a major project
- Project start-up audits initiated



## Our people

- 1st global leadership program completed, 2nd program kicked-off
- Women's mentoring program starts in May
- Values launch activities globally

# Q1 2019 Key financials

## Good level of order intake at the start of the year

EUR million	Q1 2019	Q1 2018	Change, %	Change in comparable currency, %
Order intake	<b>336</b>	334	1	1
Sales	<b>255</b>	287	-11	-11
Service sales	<b>115</b>	103	11	13
Share of services in sales, %	<b>45</b>	36		
Gross margin, %	<b>27</b>	23		
Adjusted EBIT <sup>1</sup>	<b>11</b>	7		
Adjusted EBIT <sup>1</sup> , %	<b>4</b>	2		
- Restructuring and acquisition-related costs	-	0		
- PPA amortization	<b>-2</b>	-2		
EBIT	<b>9</b>	5		
EBIT, %	<b>4</b>	2		
Result for the period	<b>5</b>	2		

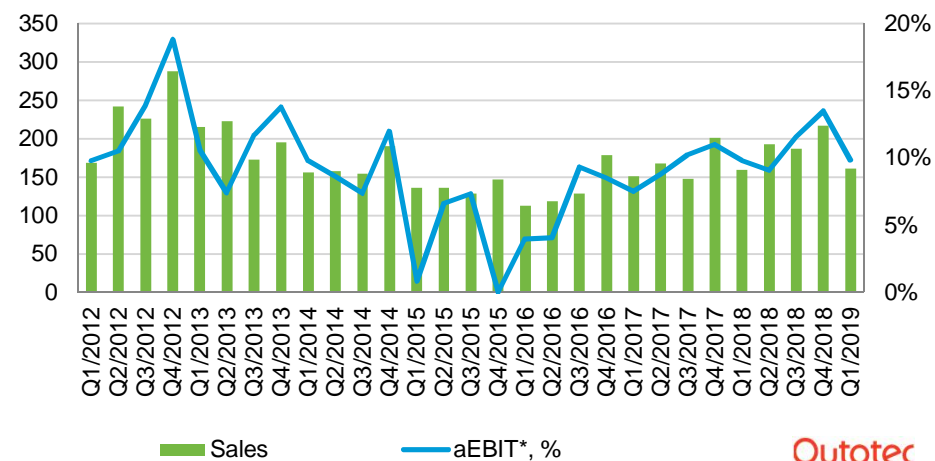
<sup>1</sup> Excl. restructuring and acquisition-related costs as well as PPA amortizations.

# MP: Significant growth in order intake and higher service sales

Minerals Processing MEUR	Q1 2019	Q1 2018	Change, %	Change in comp. currency, %
Order intake	<b>194</b>	163	<b>19</b>	20
Sales	<b>162</b>	160	<b>1</b>	2
Service sales	<b>79</b>	71	<b>11</b>	13
Adjusted EBIT*	<b>16</b>	16		
Adjusted EBIT*, %	<b>10</b>	10		



MP sales and adjusted EBIT development by quarter



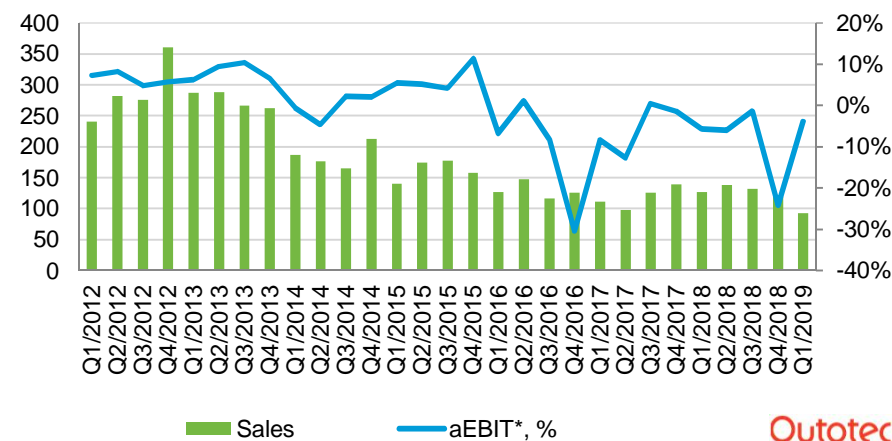
\* Excl. restructuring and acquisition-related costs as well as PPA amortizations

# MEW: Delays in larger projects impacted order intake, but service sales increased

Metals, Energy & Water MEUR	Q1 2019	Q1 2018	Change, %	Change in comp. currency, %
Order intake	143	171	-17	-17
Sales	93	127	-27	-26
Service sales	36	32	12	14
Adjusted EBIT*	-4	-7		
Adjusted EBIT*, %	-4	-6		



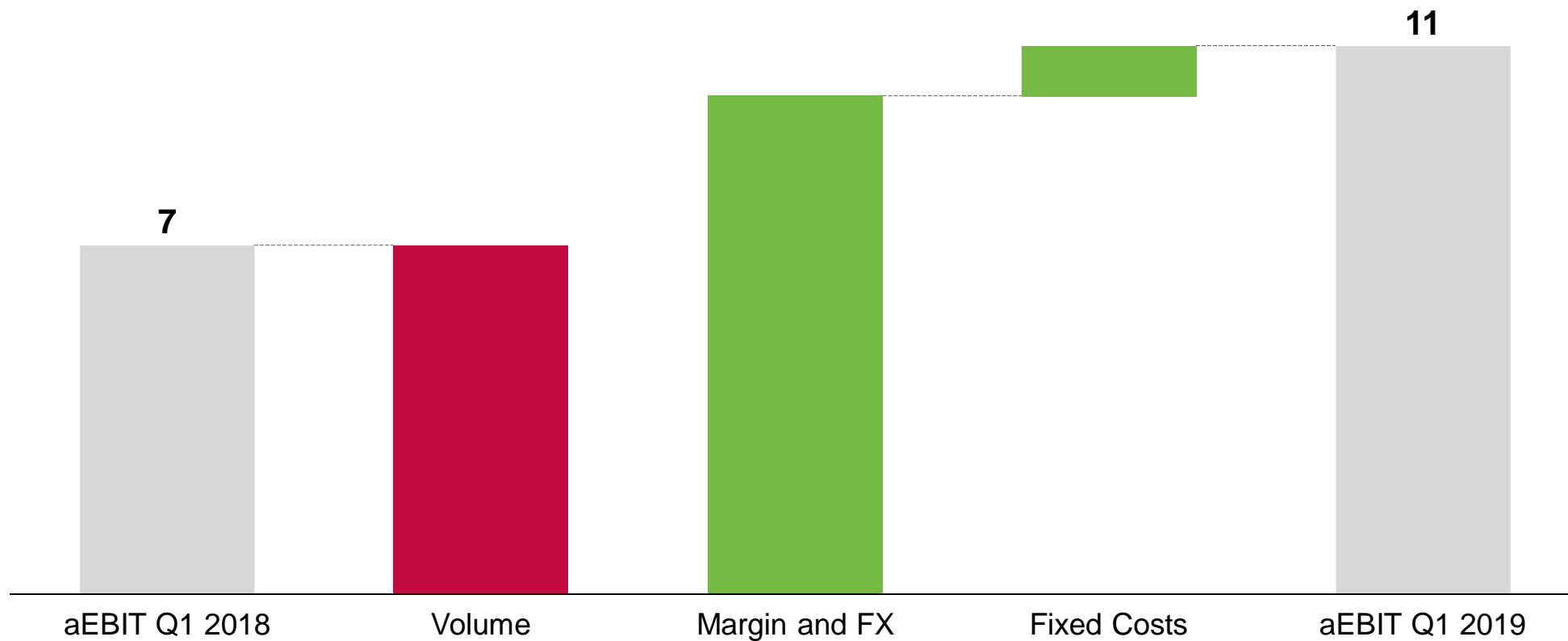
MEW sales and adjusted EBIT development by quarter



\* Excl. restructuring and acquisition-related costs as well as PPA amortizations



# Adjusted EBIT improved due to better project margins



## Cash flow reduced due to timing of payments and increased WIP...

EUR MILLION	Q1 2019	Q1 2018
OPERATING PROFIT	9	5
Total depreciation and amortization	13	10
EBITDA	22	15
Total change in net working capital	-39	56
Capital Expenditure & other	-6	-6
<b>FREE CASH FLOW</b>	<b>-22</b>	<b>65</b>
Net Interest received and paid	0	0
Income tax paid	0	-2
INTEREST AND TAXES	1	-1
<b>FREE CASH FLOW AFTER INTEREST AND TAXES</b>	<b>-22</b>	<b>64</b>
Repayment of long-term debt	-0	-0
Change in current debt	8	-28
Repayment of lease liabilities	-4	0
Hybrid bond & interest	-11	-11
NET CASH FROM FINANCING ACTIVITIES	-7	-39
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-29</b>	<b>25</b>
Foreign exchange rate effect on cash and cash equivalents	5	-2
Cash and cash equivalents at March 31	210	253

## ...and financial position remains stable

	Q1 2019	Q1 2018	Q1-Q4 2018
Net interest-bearing debt <sup>1) 2)</sup> , EUR million	60	-56	-38
Gearing <sup>1) 2)</sup> , %	16	-12	-10
Equity-to-assets ratio <sup>1) 2)</sup> , %	31	42	33
Return on investment <sup>2)</sup> , %, LTM	-10	4	-11
Return on equity, %, LTM	-15	2	-16
Net working capital at the end of the period, EUR million	-91	-63	-123
Advances received	199	230	211
Equity, EUR million	377	454	377
Balance sheet total, EUR million	1,419	1,319	1,358

<sup>1)</sup> If the hybrid bond were treated as a liability: net interest-bearing debt would be EUR 210.3 million, gearing 92.7%, and the equity-to-assets ratio 18.6% on March 31, 2019 (March 31, 2018: EUR 94.0 million, 30.9% and 27.9% respectively).

<sup>2)</sup> Excluding the impact of implementing IFRS 16 in 2019: net interest-bearing debt would be EUR -7.2 million, gearing -1.9%, equity-to-assets ratio 32.7% and return on investment (LTM) -10.6%.

# Market outlook and guidance

# Market outlook for mining & metals is expected to remain positive

- Increasing requirement for efficient technologies
  - Tighter regulations
  - More challenging raw materials
  - Tailings
- New uses for metals (EV) drive long-term demand
- High activity in copper, gold and battery metals is expected to continue
- Increased activity in greenfield investments in both segments





# Post Q1 updates

- Saudi Arabian Mining Company (Ma'aden) awarded Outotec a EUR 140 million greenfield mineral concentrator and gold processing plant order.
  - Proven track in gold applications
  - Successfully done several projects with Ma'aden



## Financial guidance for 2019 reiterated

“ *Based on the current market outlook, we expect sales to increase, and adjusted EBIT\* to increase significantly from the 2018 adjusted EBIT (EUR 63.8 million), excluding the provision for the ilmenite smelter project.* ”

*\* Excluding restructuring- and acquisition-related items as well as PPA amortizations*



Outotec



Sustainable use of  
Earth's natural resources

# Appendix: Cash Flow

	Q1 2019	Q1 2018
Result for the period	5	2
Depreciation and amortization	13	10
Change in net working capital	-39	56
Interests and taxes	1	-2
Other	1	3
<b>Operating Cash flow</b>	<b>-18</b>	<b>69</b>
Capital expenditure & other investing activities	-3	-5
<b>Cash flow after investments</b>	<b>-22</b>	<b>64</b>
Repayment of non-current debt	-0	-0
Change in current debt	8	-28
Repayment of lease liabilities	-4	-
Hybrid bond interest	-11	-11
Net cash from financing activities	-7	-39
<b>Net change in cash and cash equivalents</b>	<b>-29</b>	<b>25</b>
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