

October 28, 2021

EARNINGS CALL Q3 2021



S Y S T E M S





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Q3 2021

Q3 2021 Highlights

Net Sales in upper-end of forecasted range – Aftermarket recovery continues

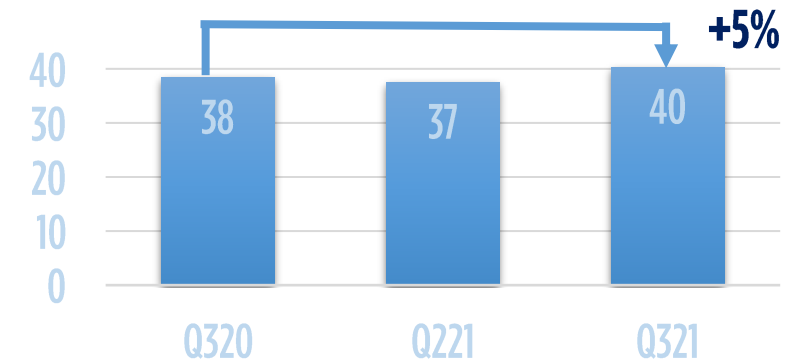
- ❑ Net Sales 40 MSEK (38) vs Forecast 35 - 40 MSEK ✓
- ❑ Aftermarket sales increased for fourth consecutive quarter

Q3 2021 Financials in short

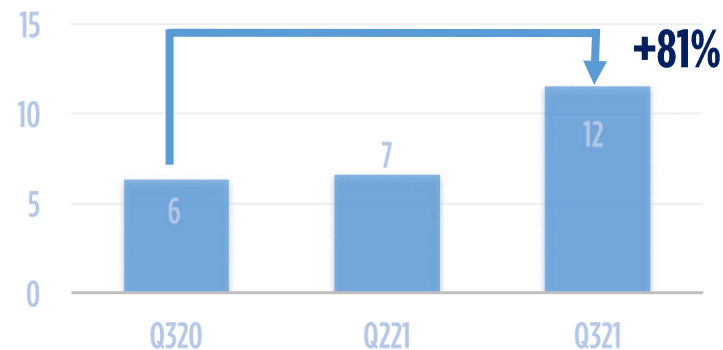
Better EBIT - Improved operating cash flow

- Net Sales of 40 MSEK (38) – increased 5% - currency adjusted 10%
- EBIT 12 MSEK (6) - EBIT Margin 29% (17)
- EPS 0.56 SEK (0.40)
- Operating cash flow of 10 MSEK (-5)

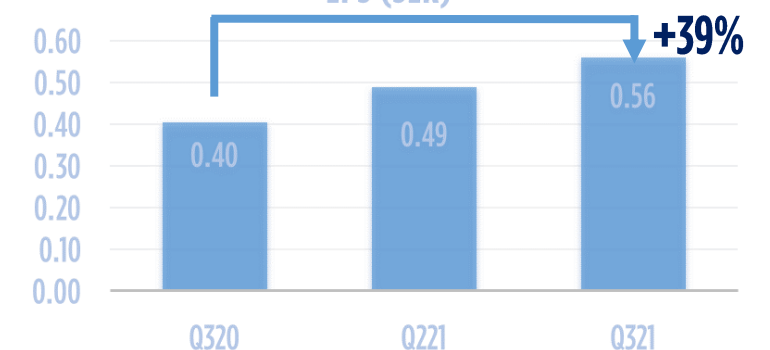
Net Sales (MSEK)



EBIT (MSEK)

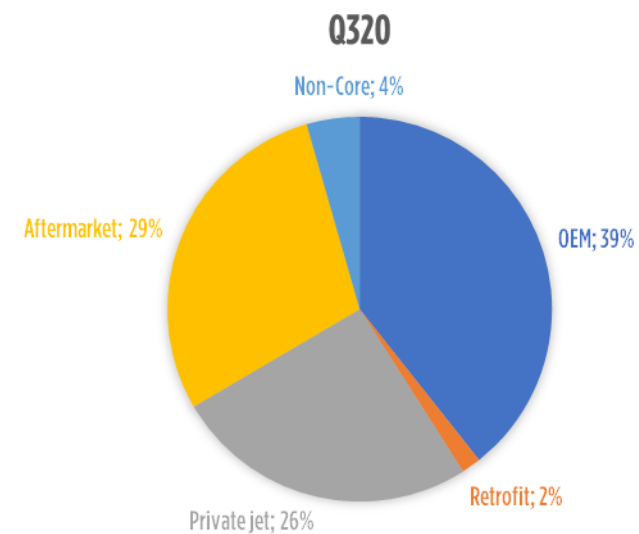
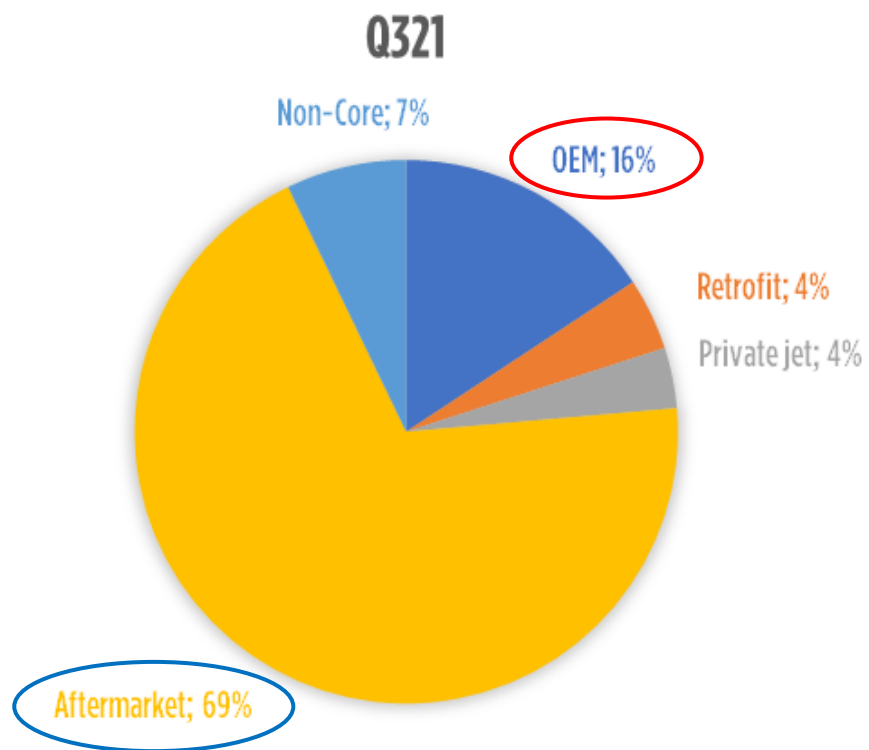


EPS (SEK)



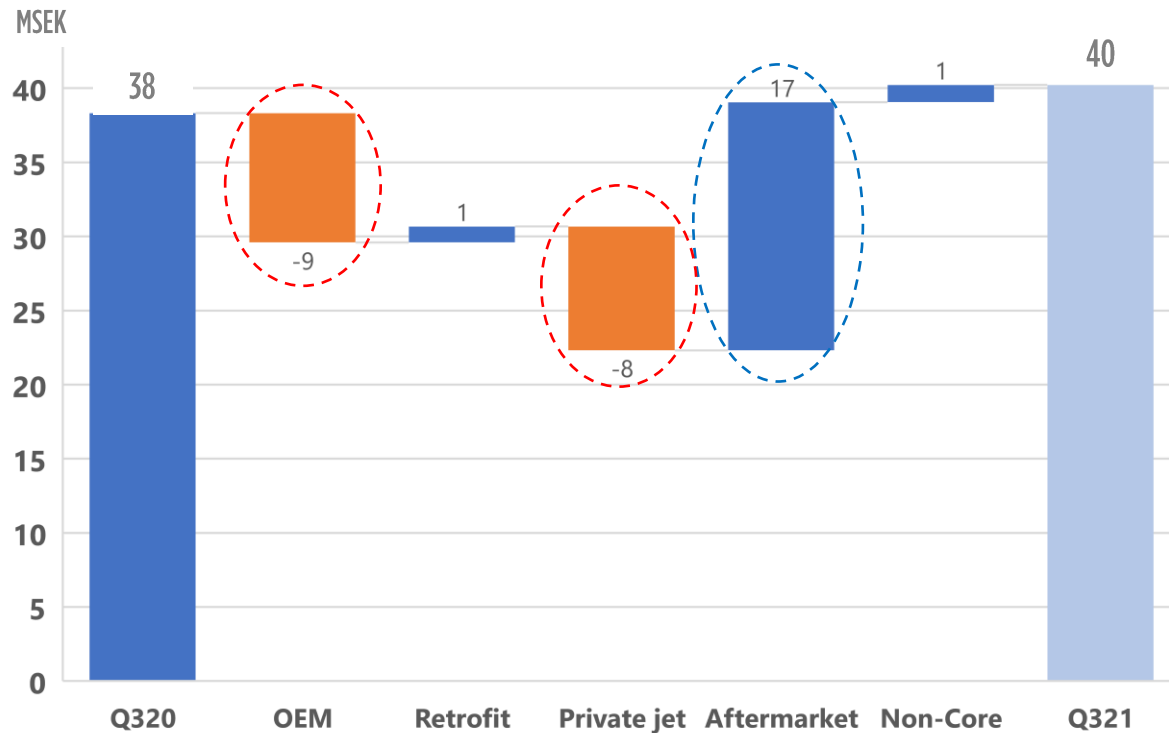
Q3 2021 Sales Mix

Aftermarket >2/3 of sales - Other segments remain at low level



Q3 2021 Net Sales Bridge, YoY

Reported Net Sales show minor increase of 2 MSEK or 5% - Aftermarket up 151% - OEM down 71% and Private jet down 85%



Net sales increase 2 MSEK (+5%)

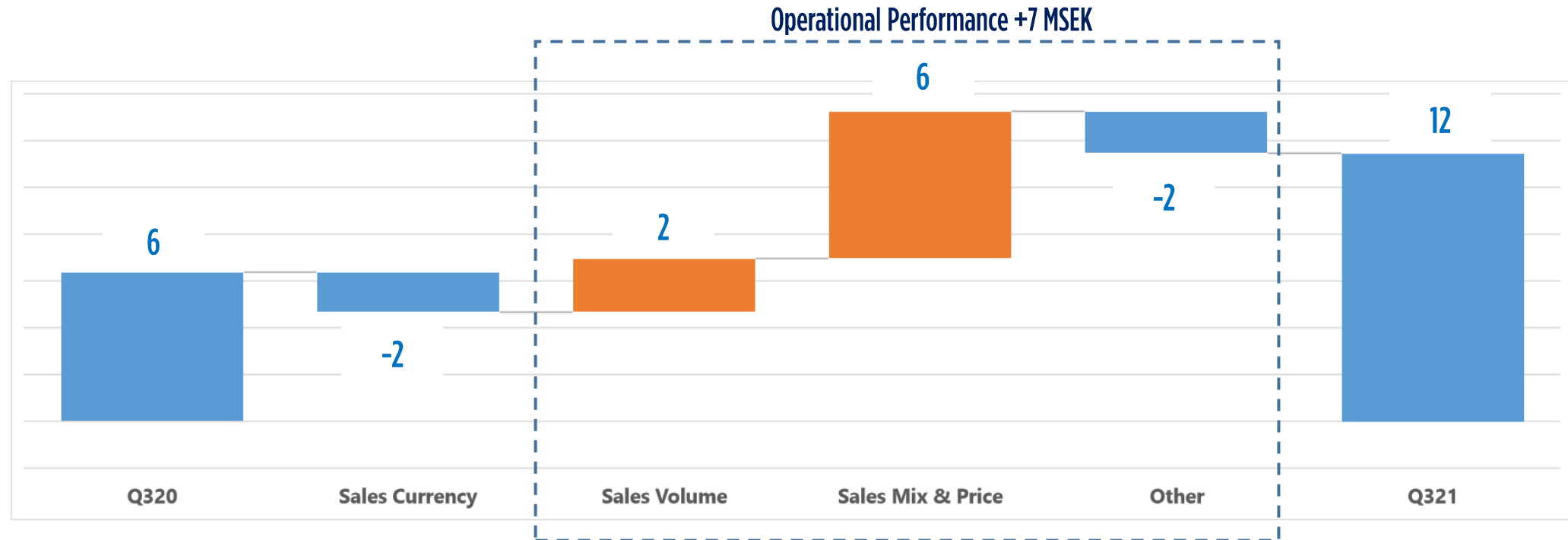
- Driven by a 151% increase in aftermarket sales, benefitting from higher utilization of installed base (more flight hours per a/c per day)
- Offset by:
 1. A 71% decline in OEM sales - impacted by pandemic adjustments in aircraft production rates at Boeing and Airbus
 2. A 85% decrease in Private jet revenues from weak order intake - fewer projects

Q3 2021

EBIT Profit Bridge

EBIT increased 6 MSEK

- Driven by business related improvements – explained mainly by higher aftermarket sales
- Partly offset by negatively impact on EBIT from weaker USD/SEK

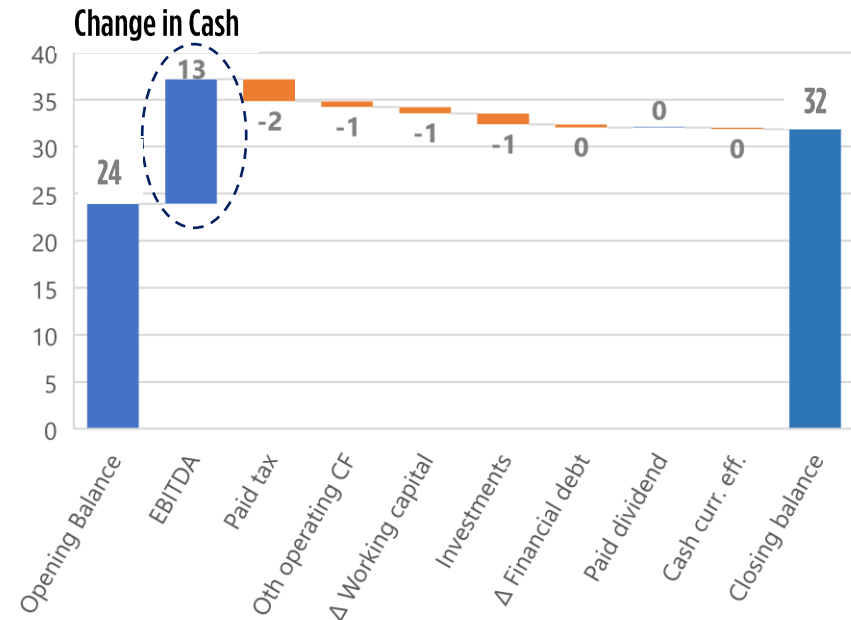


Q3 2021 Cash Flow

- ❑ Better operating cash flow +10 MSEK (-5)
- ❑ Driven by improved financial performance (EBITDA)

Cash Flow

	Q321	Q320
Earnings before tax reconciled to cash	12.6	3.6
Paid tax	-2.4	-5.2
Change in working capital	-0.7	-3.1
Operating Cash Flow	9.6	-4.7
Investments	-1.2	-13.4
Borrowings	-0.3	9.8
Paid dividend	0.0	0.0
Cash flow	8.1	-8.3

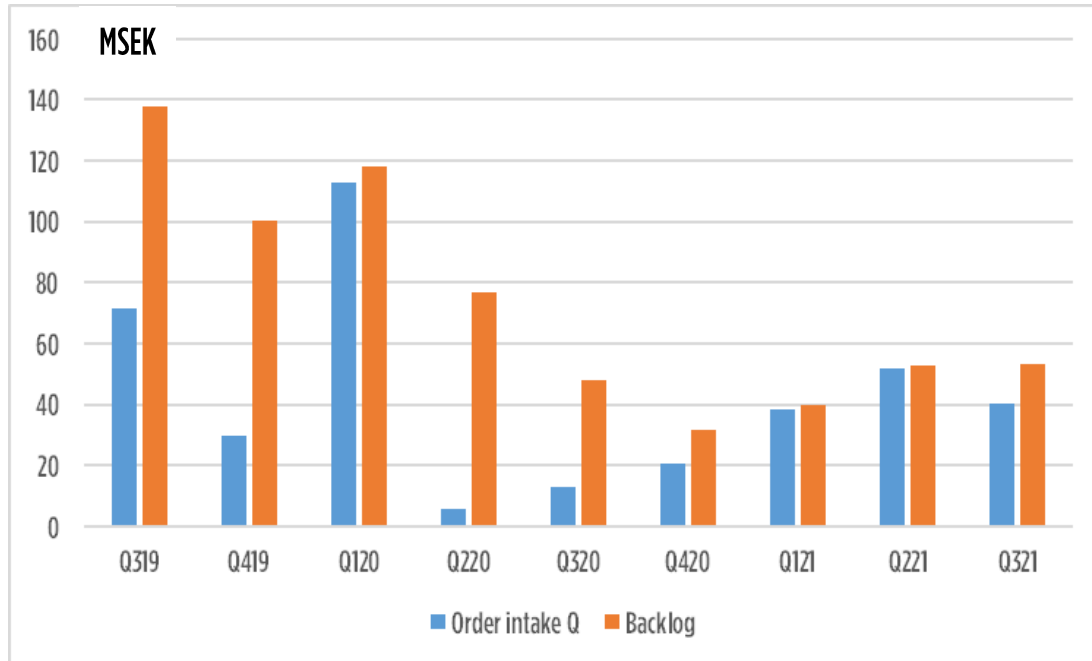


Credit facilities: 52 MSEK unused / available

Q3 2021

Order Intake & Backlog

- Order intake 40 MSEK vs 13 MSEK same period last year
- Order backlog increased 10 % compared with Q320
- Order backlog same level as Q221



MSEK	Q320	Q321
Order intake	13	40
Backlog	48	53
USD/SEK	8.99	8.66

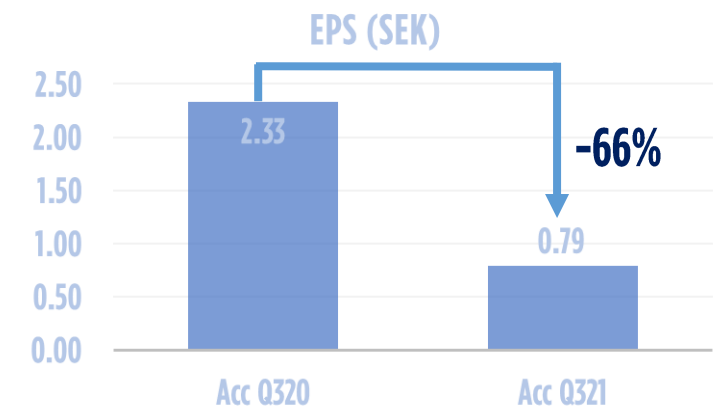
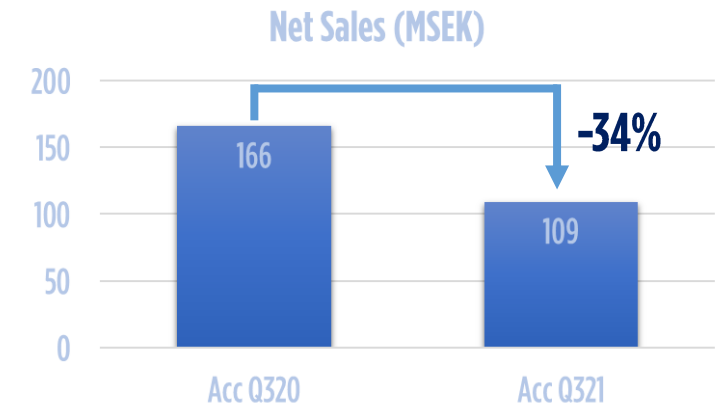
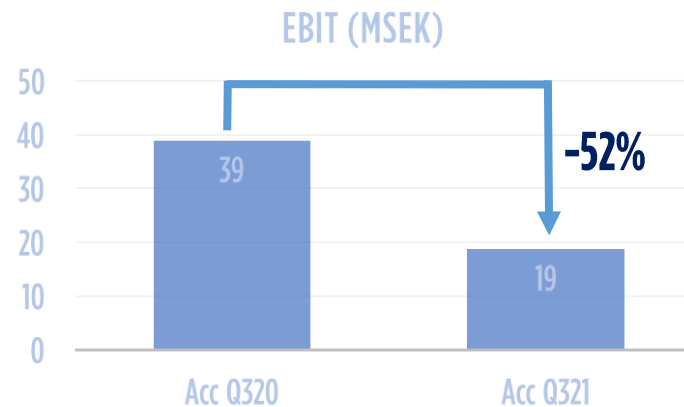
Q1-Q3 2021

Q1-Q3 2021

Financials in short

Comparable period includes Q1 2020 with limited pandemic impact

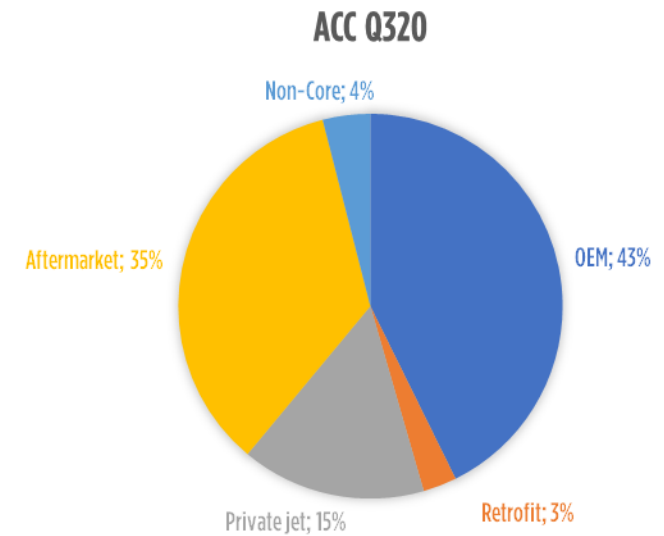
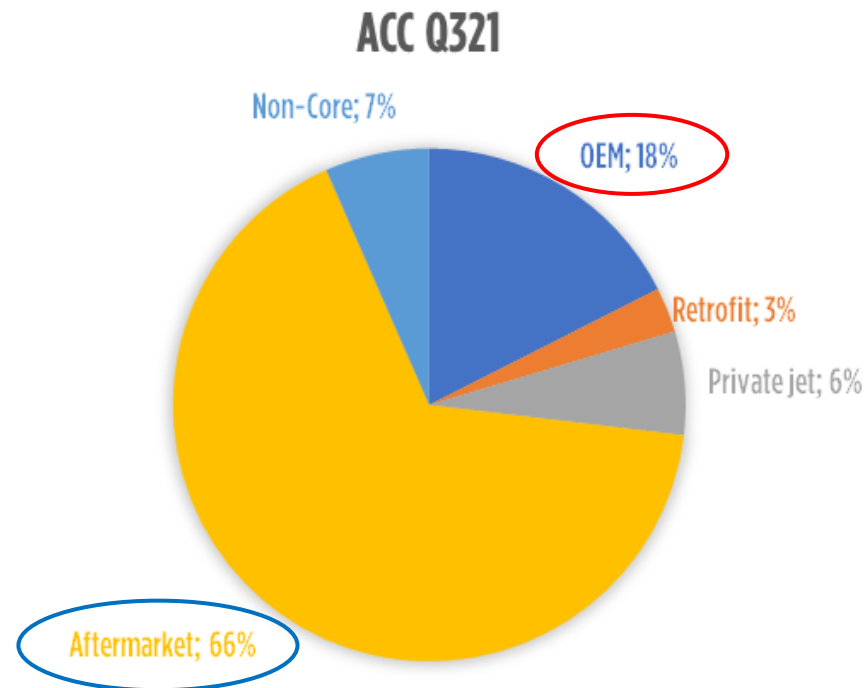
- Net Sales decreased 34 % to 109 MSEK (166) – Currency adjusted a decline of 27 %
- EBIT 19 MSEK (39) - EBIT Margin 17% (23)
- EBIT Margin adjusted for one-off items was 13%
- EPS 0.79 SEK (2.33)
- Operating cash flow of 10 MSEK (-10), adjusted for one-off items +1 MSEK



Q1-Q3 2021

Sales Mix

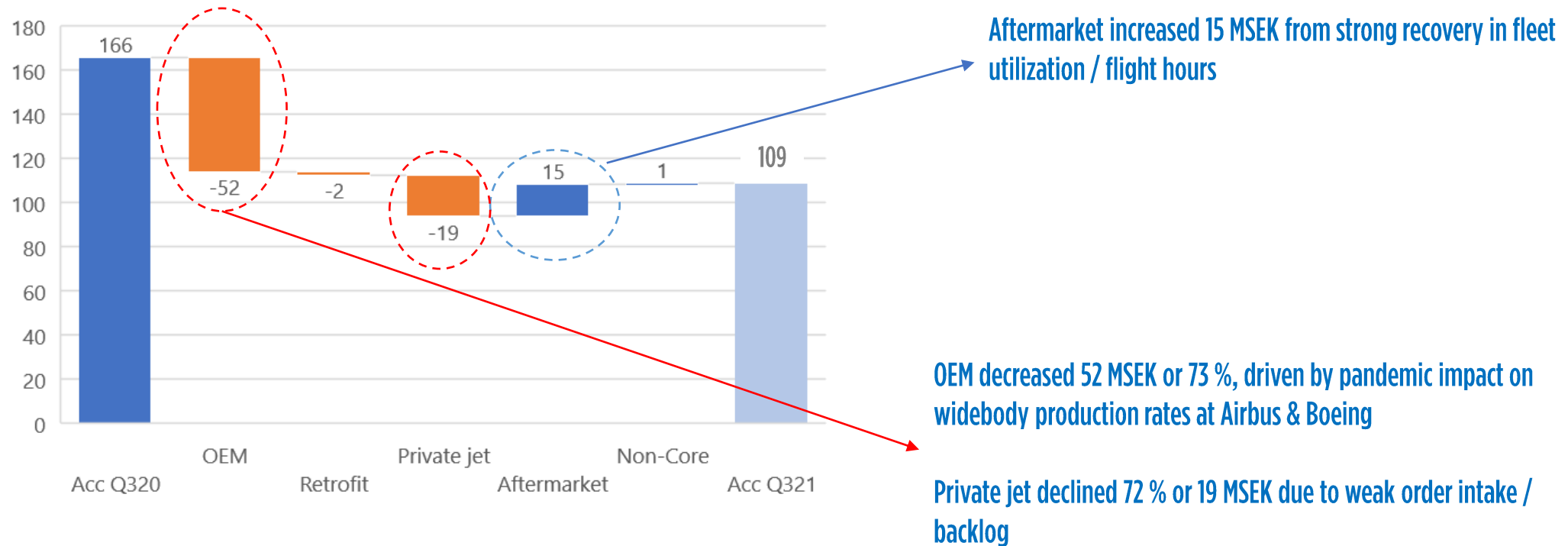
Aftermarket sales dominated Q1-Q3 sales mix – OEM weak



Q1-Q3 2021

Net Sales Bridge, YoY

Net Sales declined 57 MSEK or 34 %

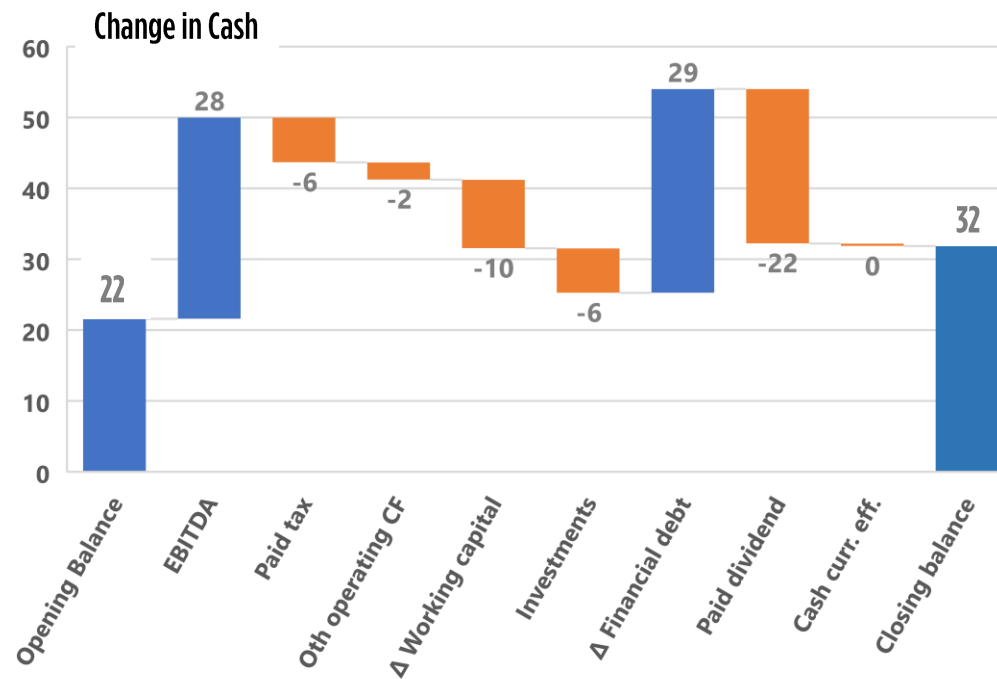


Q1-Q3 2021 Cash Flow

- ❑ Operating cash flow +10 MSEK (-10)
- ❑ New loan to strengthen liquidity with 29 (10)
- ❑ Paid dividend of 22 (51)
- ❑ Working capital had a negative cash impact of 10 MSEK, driven mainly by a liabilities decrease in AP and 5 MSEK variable remuneration payment for 2020

Cash Flow

	Acc Q3 2021	Acc Q3 2020
Earnings before tax reconciled to cash	26.0	37.6
Paid tax	-6.3	-38.5
Change in working capital	-9.7	-8.8
Operating Cash Flow	9.9	-9.7
Investments	-6.3	-26.6
Borrowings	28.8	9.8
Paid dividend	-21.8	-50.7
Cash flow	10.6	-77.2

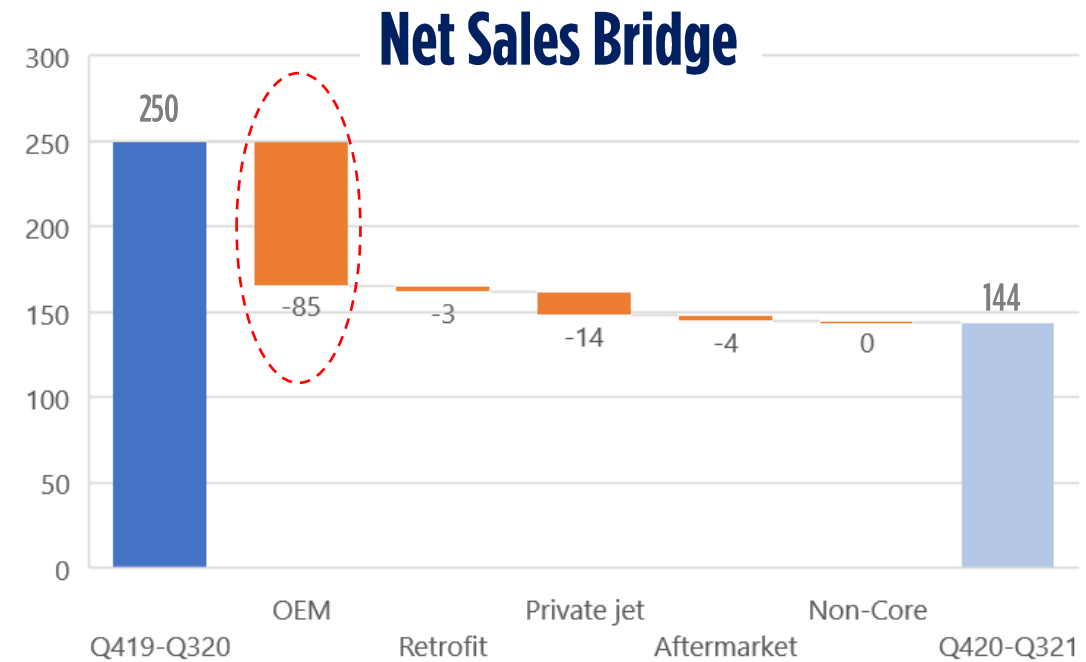


ROLLING 4Q

Rolling 4Q Financials in short

OEM decline drives Net Sales decrease – Aftermarket sales rebounding

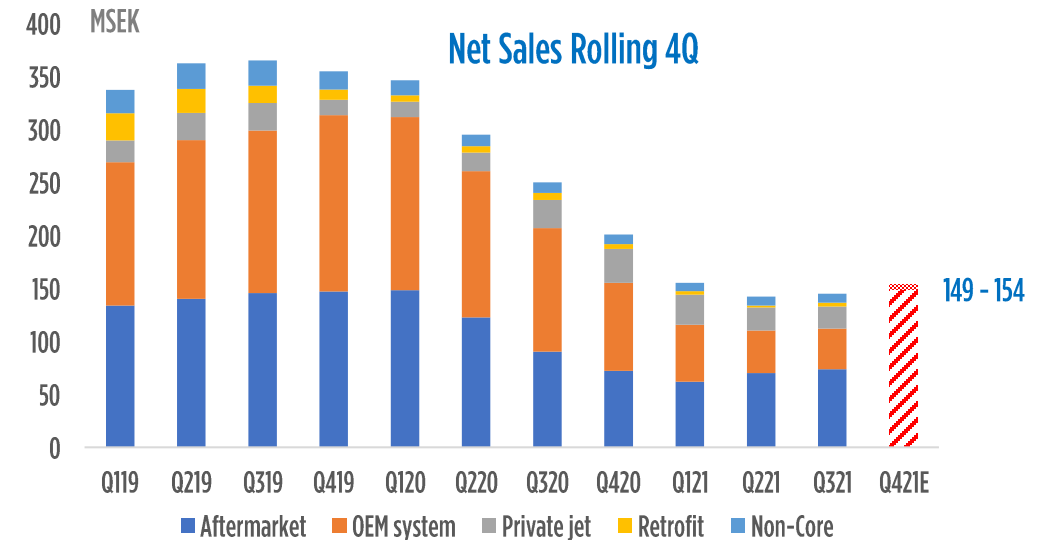
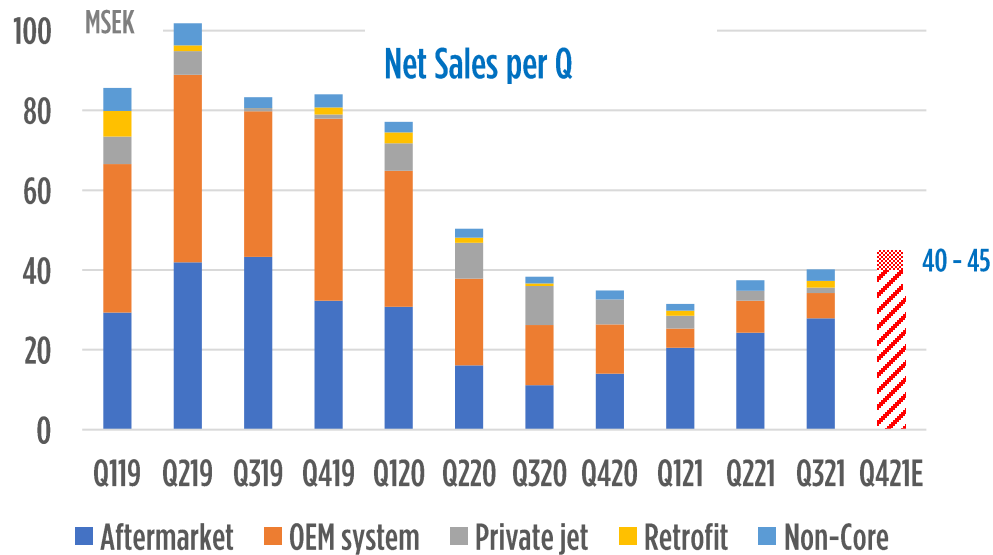
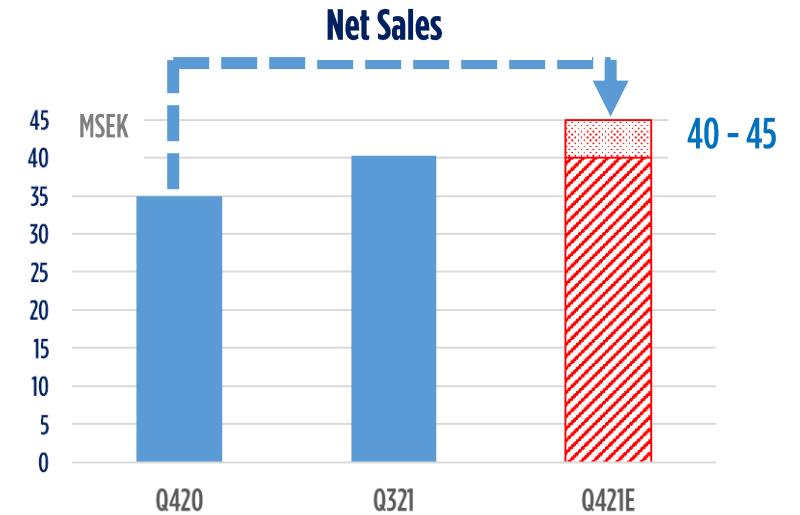
- ❑ Net Sales of 144 MSEK (250), down 42% versus comparable Rolling 4Q period (Q419 – Q320)
- ❑ Operating Profit (EBIT) declined 71% to 18 MSEK (63)
- ❑ EBIT Margin 13% (25)
- ❑ EPS 0.94 SEK (3.88), a decrease of 76%
- ❑ Operating cash flow of 9 MSEK (24)



OUTLOOK

Forecast Q4 2021 – Update FY2021E

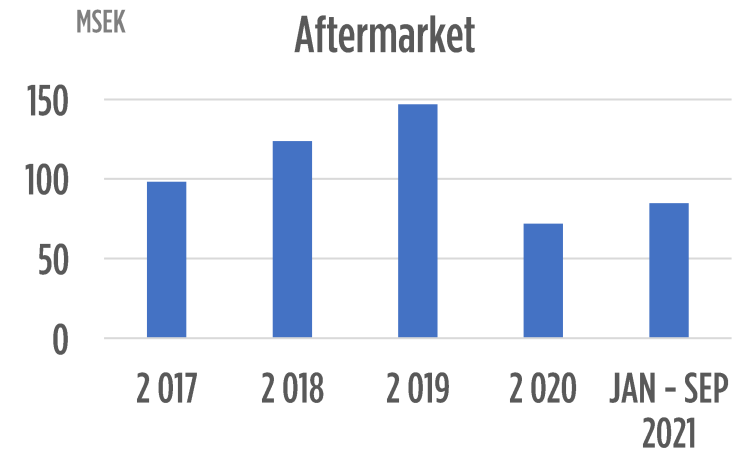
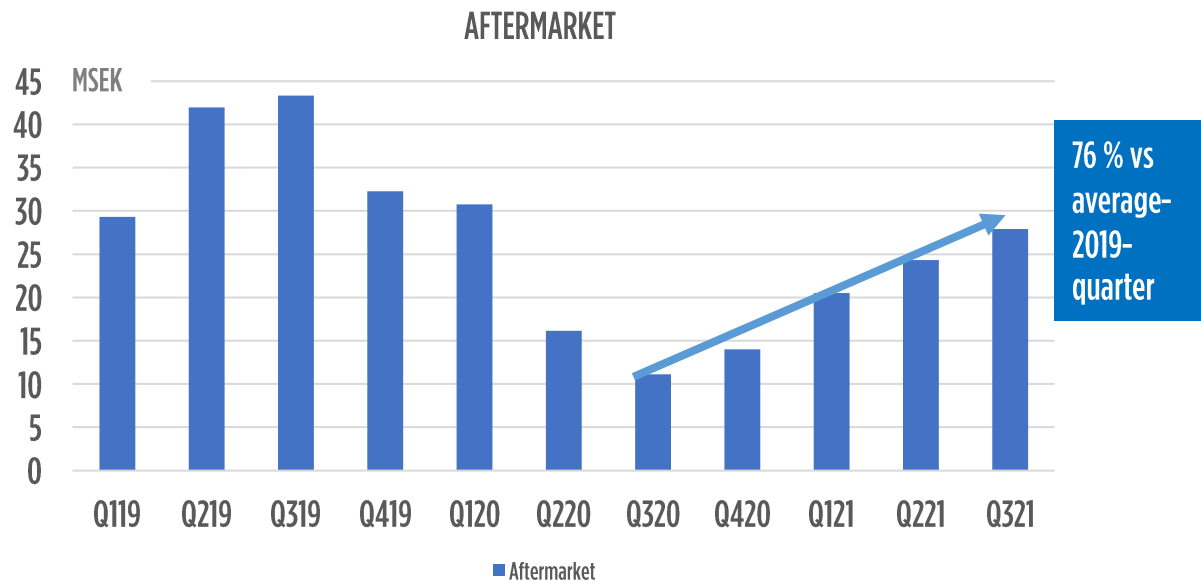
- Net sales Forecast Q4 2021: 40 - 45 MSEK (35)
- New Estimate for FY2021 Net Sales: 149 – 154 MSEK
(Revised from last quarter estimate: 140 – 160 MSEK)



Entering next recovery phase: Intercontinental travel

Higher widebody fleet utilization – More flight hours per day per A350 / Boeing 787 aircraft

- ☐ Re-opening of borders trigger increasing number of transatlantic flights next month,
- ☐ Early indications of loosening travel restrictions in key Pacific markets, lead by Australia and Singapore



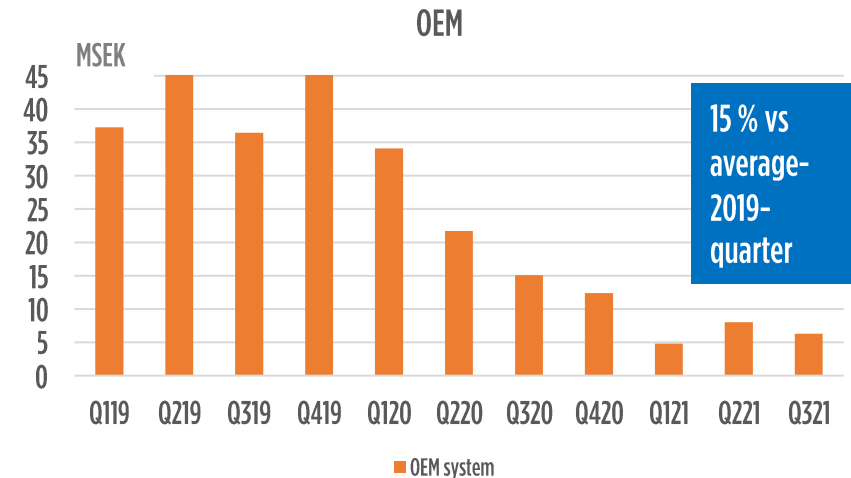
Growth drivers:

- ☐ Growing population in-service – More aircraft
- ☐ Longer flights - Higher utilization per aircraft (more flight hours)

OEM bottoming - out in Q4 2021

Gradual normalization to a/c production rate – Initial a/c production ramp-up in H2 2022

- ❑ OEM sales bottoming-out in Q4 2021 - Recovery to slowly commence
- ❑ Expecting OEM sales in 2022 to be significantly better than 2021 but lower than 2020
- ❑ Rebounding OEM sales in H1 2022 from record low in H2 2021
- ❑ Recovery demand expected to drive aircraft production rates higher in H2 2022 – lead by A350



Boeing 787

- ❑ Temporary production cut below 5 per month
- ❑ Cutting delivery target to less than half of approx. 100 undelivered planes

- ❑ Penetration at max – only more content (cabin humidifier) or higher production

Airbus A350

- ❑ Guided higher production rate in Q3 2022, up from 5 per month to 6
- ❑ Many large CTT customers with remaining humidifier orders
- ❑ Lumpy humidifier demand

- ❑ Max content – Only via penetration and rate increase

Boeing 777X

- ❑ Certification delayed

- ❑ Max content – Only via penetration and ramp-up

MC-21

- ❑ Basic - Only ramp-up and more content

Retrofit business renaissance

Airline discussions with focus on air quality and wellness as well as green tech to reduce carbon footprint drive retrofit opportunities

- ❑ Growing airline interest in cabin air quality / humidity / wellness
- ❑ Short-term limited number of refurbish programs
- ❑ Projects conditional on re-start of intercontinental travel

- ❑ Sustainability efforts + pressure and oil at 7 year high drives interest for Anti-Fuselage-Condensation protection (A320 / Boeing 737)
- ❑ Boeing MAX – Efforts to obtain STC for Boeing 737 MAX

- ❑ Retrofit opportunity: 1,000 Boeing 787 aircraft
- ❑ Humidification system for the business class at a cost <50% of the cost for 1 business class suite



Pobeda fleet expansion opportunity:

- ❑ Order in Q2 for 10 a/c to be retrofitted
- ❑ Opportunity: 40 more a/c scheduled to be added to Pobeda fleet in 2022 / 2023

Jet2-com recently ordered 51 A321 aircraft scheduled to be delivered 2023-

Private jet scaling-up

Start converting strong VIP pipeline into orders – Target Global 7500 and ACJ TwoTwenty

- ❑ Average revenues in Private jet: \$2.2M per year
- ❑ Awarded ACJ320 OEM-kit system: Adding \$1.5M per year
- ❑ Addressed growth opportunities: Approx. \$13M per year



- ACJ320 sets new climate standard and
- bolt-on-kit delivery vs projects



	Completion projects	OEM project	Kit + STC	Addressable Market (per year)	Entry-into-Service
ACJ320	✓	✓	✓	\$1.5M	In-service
Bombardier Global 7500	✓			\$10M	In-service
ACJ TwoTwenty				\$3M	2023

Projects for future growth – Power to invest



777X



Q & A





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