



MTU AERO ENGINES PRESENTED FIGURES FOR 2020

News / Finance, Maintenance / Trainings



MTU Aero Engines presented its preliminary figures for 2020: Revenue was €3,977 million, compared with €4,628 million in 2019. The operating profit¹ was €416 million (2019: €757 million) and the EBIT margin was 10.5% (2019: 16.4%). Net income² was €294 million in 2020, compared with €538 million in 2019.

“Our swift and decisive action in the face of the coronavirus crisis has paid off. We managed the challenges due to the coronavirus pandemic well and posted respectable earnings in 2020 despite the crisis,” said Reiner Winkler, CEO of MTU Aero Engines AG. “While our revenue was at the lower end of our target range in 2020 as a result of lower maintenance volumes and the unfavorable development of the dollar exchange rate, earnings were slightly above our forecast.” In light of the coronavirus crisis, MTU revised its forecast at the end of July and published more precise guidance after the first nine months. The company had forecast an adjusted EBIT margin of around 10% and had expected adjusted net income to develop in line with adjusted EBIT. The target corridor for revenue was set at between €4 and €4.2 billion. Winkler: “Experts anticipate the recovery of our sector to begin in 2021. That should be reflected in a slight upward trend in our business figures.”

Outlook for 2021

In 2021, the commercial maintenance business is expected to recover most clearly from the effects of the coronavirus crisis, with revenue growth of around 15 to 25%. Here, the revenue contribution from the Geared Turbofan™ should increase considerably. At the Capital Market Day in November 2020, MTU initially assumed revenue growth in the commercial MRO business in the twenty percent range. The commercial spare parts business is expected to post revenue growth in the low to mid single-digit percentage range. At the Capital Market Day, a slight rise in revenue was forecast for the commercial spare parts business. For the commercial series business, MTU is forecasting slight revenue growth. Until now, it had expected this business to make a stable revenue contribution. The military business has not been affected by the coronavirus crisis and should post further slight growth in 2021. Overall, MTU expects revenue to be between €4.2 and 4.6 billion. The adjusted EBIT margin should be between 9.5 and 10.5%. Adjusted net income is expected to develop in line with adjusted EBIT. The cash conversion rate, which shows the ratio of free cash flow to adjusted net income, is expected to be in the mid double-digit percentage range in 2021 (2020: 36%). Chief Financial Officer Peter Kameritsch: “We will monitor the market situation closely and continue our disciplined liquidity management. The financial headroom we built up in liquidity last year gives us additional security.” MTU increased its liquidity reserves considerably in 2020: it raised an existing credit facility by €100 million to €700 million, took out a €100 million note loan and successfully placed a corporate bond with a nominal value of €500 million.



Higher revenue from the military engines business

The military business has not been affected by the coronavirus crisis. Here, MTU grew revenue by 5% to €483 million in 2020 (2019: €459 million). The main revenue driver was the EJ200 engine for the Eurofighter. “In 2020, a decision was taken on replacement of the first Eurofighter tranches. That will help safeguard revenue in our military business,” said Winkler. “In the military segment, the focus for the future is the next generation of European fighter aircraft, which we are supporting with the Next European Fighter Engine.”

The most significant drop in revenue in 2020 was in the commercial engines business, where revenue fell 32% from €1,537 million to €1,052 million. “The revenue figures reflect production cuts at Airbus and Boeing and lower aircraft deliveries,” explained Winkler. The most important revenue generators in the commercial OEM business were the PW1100G-JM for the A320neo and the V2500 for the classic A320 aircraft family. “In our financial statements for 2020, we have taken account of the fact that Boeing has postponed market entry of the 777X and reduced production volume. This led to a write-down on our investment in the GE9X engine for the 777X. As a special item, this is adjusted out of earnings,” said Winkler.

Revenue from commercial maintenance contracted by 7% to €2,522 million (2019: €2,711 million). “The retrofit program for the Geared Turbofan™ largely offset the drop in revenue in our core business, so the revenue decline was in the mid single-digit percentage range, as forecast,” said Winkler. The GTF retrofit program comprises warranty work for the PW1100G-JM. The principal revenue drivers in the commercial maintenance business were the V2500 and the PW1100G-JM. “In 2020, we gained new MRO orders worth more than US\$ 5 billion. Our ability to achieve such success during a crisis shows our attractive service offering and our good reputation in the sector,” added Winkler.

Order backlog at €18.6 billion

The order backlog at MTU was €18.6 billion at year-end, compared with €19.8 billion in the previous year. “That is still a high level as we only registered postponements and very few cancellations; theoretically it is equivalent to full capacity utilization for more than four years,” said Winkler. The majority of these orders are for the V2500 and the Geared Turbofan™ engines of the PW1000G family, especially the PW1100G-JM.

Earnings of the business units

In 2020, earnings declined in both the OEM business and the commercial maintenance business.

In the OEM business, the operating profit was €280 million in 2020, compared with €496 million in 2019. Winkler: "Here, earnings were reduced by an organic decline in revenue in the twenty percent range in both the commercial series business and the spare parts business." The EBIT margin in the OEM business was 18.2 % (2019: 24.8%).

Earnings in the commercial maintenance business came in at €136 million in 2020 (2019: €261 million) and the margin was 5.4% (2019: 9.6%). "In the commercial maintenance business, the high proportion of work on the Geared Turbofan™ particularly had a negative impact on the margin," explained Winkler.

Dividend proposal on March 9

"We would like to thank our shareholders for their trust and loyalty during this crisis and pay them a dividend for the 2020 fiscal year," said Kameritsch. "When the Supervisory Board meets on March 9 to adopt the financial statements, we will therefore recommend to propose a resolution to the Annual General Meeting to pay a dividend of €1.25." Due to the coronavirus pandemic, the dividend paid for 2019 was the statutory minimum of €0.04.

Research and development

In 2020, research and development expenses amounted to €186 million (2019: €214 million). "Our R&D activities are paving the way for the future of aviation," stressed Winkler. "Our long-term focus is on emission-free flying, especially hydrogen and flying fuel cells." Alongside this R&D work and technology studies for future engine generations, MTU's focus was on the ongoing development of the Geared Turbofan™ programs and on the GE9X for the Boeing 777X.

Free cash flow of €105 million

MTU's free cash flow was €105 million in 2020, compared with €358 million in 2019. "Therefore, we fully achieved our goal of ending 2020 with a clearly positive cash flow," said Kameritsch.

Property, plant and equipment

In 2020, net capital expenditure on property, plant and equipment dropped from €299 million to €179 million. "In view of the coronavirus crisis, we postponed expenditures wherever possible, but without jeopardizing the future of MTU. Automation and digitalization are central areas where we are investing to extend our technology and cost leadership," explained Winkler.

10,313 employees

MTU had 10,313 employees on December 31, 2020 (December 31, 2019: 10,660 employees). "The decline reflects our measures to adjust personnel capacity," said Winkler. The capacity adjustment should be completed by the end of 2021. MTU is reducing personnel capacity by ten to 15%. Restructuring provisions for this were established in 2020. They are adjusted out of earnings as a special item.

MTU Aero Engines will publish its Annual Report on March 9, 2021.

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