

Q1

Interim statement Q1 2022/2023

Fiscal 2022/2023

1st October 2022 until 31st December 2022

The first quarter at a glance

	01/10/2022 - 31/12/2022	Change y-o-y	01/10/2021 - 31/12/2021
Consolidated Statements of Operations			
		in %	
Total revenues (EUR million)	280.469	20.3	233.167
EBIT (EUR million)	11.496	16.0	9.912
Margin (%)	4.1%	-	4.3%
Segments			
Digital Engineering			
Total revenues (EUR million)	136.037	16.3	116.989
EBIT (EUR million)	7.657	13.7	6.734
Physical Engineering			
Total revenues (EUR million)	53.922	6.9	50.459
EBIT (EUR million)	-2.891	-	-1.434
Electrical Systems/Electronics			
Total revenues (EUR million)	90.510	37.7	65.720
EBIT (EUR million)	6.730	45.9	4.612
Cash flow			
Cash flow from operating activities (EUR million)	53.754	114.0	25.113
Cash flow from investing activities (EUR million)	-7.631	-	-5.176
Free cash flow (EUR million)	46.123	131.3	19.937
Balance sheet			
Balance sheet total (EUR million)	931.484	1.4	918.672
Equity (EUR million)	438.402	5.9	413.819
Equity ratio (%)	47.1	-	45.0
Cash and cash equivalents (EUR million)	190.420	-4.6	199.600
Employees			
Number of employees at the end of the reporting period	13,416	10.8	12,108

Market development and material events

Macroeconomic environment

Fiscal year 2022/2023 started in October 2022 under tense global economic conditions due to geopolitical circumstances and a mix of high inflation rates, sharply rising interest rates and a possible energy crisis in Europe. The risk of low value added also increased due to high sickness rates in China and Europe.

Despite geopolitical risks, a restrictive monetary policy and persistently high inflation rates, the International Monetary Fund (IMF) recently revised its economic outlook slightly upward. According to the IMF, the background to this positive development was resilient economic growth in the fall of 2022, robust consumption by private households and companies, and a better than feared adjustment to the energy crisis in Europe. As a result, the IMF now expects global economic growth of 2.9% (previously 2.7%) in 2023, although this would still represent a decline compared with 2022, when the global economy grew by 3.4%.

In our home market Germany, economic output contracted by 0.2% in the first quarter of fiscal year 2022/2023. The global adverse environment also

had a negative impact in Germany. The economists at M.M.Warburg & CO nevertheless expect only a mild winter recession for Germany, i.e. a slight decline in gross domestic product in two consecutive quarters. However, the feared gas shortage with correspondingly strong negative effects on the economy is unlikely at this point in time. M.M.Warburg & CO expects Germany's economy to grow slightly by 0.2% in 2023 as a whole, after a decline of 0.6% had previously been expected.

Situation in the automotive industry

The international automotive markets were again characterized by varying dynamics in the first quarter of our fiscal year. Overall, according to the VDA, the global automotive market reached the prior-year level of 71.2 million cars sold in the period to December 2022. Sales contracted by 8.1% in the U.S., while China posted a 10.0% increase. In Europe, sales were down just 4.1% thanks to strong year-end business. Germany reported a 1.1% increase in sales for the full year after strong growth in December 2022.

According to the ifo institute, the German automotive industry has recently been in a better overall position than in late summer 2022, when the industry had expected a massive slump in earnings for the second half of 2022. The ifo institute also observes that the order situation is stabilizing and manufacturers are more satisfied with their order backlog.

An improved situation in the industry is an important prerequisite for meeting the long-term challenges in the automotive industry associated with the megatrends of digitization, autonomous driving, connectivity, and emissions reduction or electrification. The transformation in the automotive industry is progressing unabated in the direction of electrified powertrains, not least due to the EU Commission's proposal to allow only zero-emission passenger cars from 2035 onwards.

In November 2022, the EU Commission also presented plans for a further tightening of emission limits from 2025. The so-called Euro 7 standard not only affects exhaust emissions, but also emissions from tire abrasion and braking, so that electric cars will also be affected by the regulations. This means that the pressure to innovate and make technological leaps remains high. Coupled with an increasing number of variants of electrified or alternative drives, these market trends offer a wide range of opportunities for service providers in the field of engineering and testing.

Significant events

To strategically secure its long-term liquidity, Bertrandt AG issued a promissory bill loan of EUR 115.5 million in October 2022, which was paid out in November 2022. The promissory note loan serves to refinance the tranches of other debt instruments maturing in the first quarter of fiscal year 2022/2023.

Business performance, results of operations and financial position

Total revenues

The trend observed in fiscal year 2021/2022 of increased demand for engineering services, rising project awards and improved capacity utilization in Germany and abroad following the pandemic has been consolidated in the current reporting period.

Total operating performance increased by 20.3% year-on-year to EUR 280.469 million in Q1 2022/2023 (Q1 2021/2022: EUR 233.167 million). Organic growth in the Bertrandt Group amounted to 14.8% in the first quarter of 2022/2023. In addition to the contribution made by the Philotech Group, a key driver of the development in total revenues was the growth in the workforce to 13,416 people (of which Philotech Group: 433) at the end of the first quarter 2022/2023 (December 31, 2021: 12,108). International business, which was still characterized by pandemic-related underutilization in the first quarter of 2021/2022, particularly in France, also grew noticeably in the reporting period. In addition, there was a project-related increase in external service suppliers, which in addition to material expense also increased total output.

In addition to these positive influencing factors, the recovery in overall performance continued to be burdened by an unusually high level of sick leave in the period from October to December 2022 in a historical comparison. This reporting period also had two fewer working days than the comparable period in the previous year.

Key expense ratios

The reasons for the increase in personnel expenses are, on the one hand, the growth in the number of employees, the further normalization of capacity utilization and the associated noticeable reduction in short-time working in France compared with the reporting period of the previous year, and salary developments. The personnel expense ratio was 70.5% in the reporting period (Q1 2021/2022: 72.2%). A project-related increase in the use of external services led to a rise in the cost of materials. Depreciation and amortization hardly changed in the first quarter of 2022/2023 compared with the prior-year period. The increase in other operating expenses is related to the higher business volume and relates for example to recruiting measures, training and education costs, sales initiatives and effects from exchange rate differences.

Results

EBIT in the Bertrandt Group in the first three months of fiscal 2022/2023 amounted to EUR 11.496 million (Q1 2021/2022: EUR 9.912 million). The operating margin reached 4.1% in this period (Q1 2021/2022: 4.3%). In the first three months of the reporting period, operating profit benefited from the increase in total output and cost optimization measures initiated during the pandemic. At the same time, however, the overall earnings recovery was impacted by the working day effect, an increased sickness rate and generally rising costs in the wake of persistently high inflation. The countermeasures introduced in this context will only be able to compensate for these burdens with a time lag.

With an improved financial result compared to the previous year and a normalized income tax rate of 31.7% (previous year 39.2%), earnings after income taxes after three months reached EUR 6.243 million in fiscal year 2022/2023 (Q1 2021/2022: EUR 4.492 million).

Personal

As of December 31, 2022, 13,416 employees were employed in the Group (December 31, 2021: 12,108 and September 30, 2022: 13,179). While the employees of the Philotech Group were not included in the comparative period of the previous year, the number of employees as of December 31, 2022 includes 433 persons at the Philotech Group. The organic employee growth compared to December 31, 2021 amounts to 875 persons as of December 31, 2022.

Furthermore, Bertrandt has a large number of vacancies to fill, reflecting the capacity requirements of the market. The number and details of current vacancies and further information on human resources management can be found on the Bertrandt website at www.bertrandt.com under the heading "Careers".

Forecast change report

The assessments of the economic and sector-specific conditions for business in the reporting year 2022/2023 are presented in the overall statement on expected developments in the Annual Report 2021/2022 on pages 124-125 and continue to apply unchanged.

As long as the pandemic does not intensify again, the general economic conditions do not deteriorate, energy prices do not rise further, our customers continue to invest in the research and development of new technologies, development services continue to be outsourced to service providers and qualified personnel are available, Bertrandt expects the following development in fiscal year 2022/2023:

- growth in total revenues of EUR 60 to 100 million.
- an EBIT margin (EBIT in relation to total revenues) of between 4.1 to 7%.
- capital spending of between EUR 25 and 40 million
- positive cash flow from operating activities, the actual magnitude will ultimately be a result of the growth of total revenues, depending on the funds tied up in net assets

The Management has grounds for optimism that in the segments Digital Engineering, Physical Engineering and Electrical Systems/Electronics total revenues and EBIT will develop positively in fiscal 2022/2023 based on and in relation to the Group's forecast. With respect to non-financial performance indicators, it is our objective to maintain the high level of the previous year.

Financial calendar

Annual General Meeting FY 2021/2022
February 22, 2023 Sindelfingen City Hall

Report on the 2nd quarter 2022/2023
11 May 2023

Capital Market Day
11 May 2023

Report on the 3rd quarter 2022/2023
7 August 2023

Annual report 2022/2023
Annual press and analysts' conference
14 December 2023

Credits

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The masculine form of speech is used for better readability. It is used to refer to all genders, equally addressed.

Consolidated income statement and statement of comprehensive income

EUR million¹

01/10 to 31/12

	Q1 2022/2023	Q1 2021/2022
I. Income statement		
Revenues	280.370	232.972
Other internally generated assets	99	196
Total revenues	280.469	233.167
Other operating income	1.649	2.349
Raw materials and consumables used	-35.791	-23.266
Personnel expenses	-197.715	-168.435
Depreciation	-14.155	-14.373
Other operating expenses	-22.962	-19.529
EBIT	11.496	9.912
Share of profit in associates	102	134
Interest income	97	27
Financial expenses	-1.864	-2.152
Other financial result	-42	-26
Net finance income	-1.707	-2.016
Profit from ordinary activities	9.789	7.896
Other taxes	-650	-503
Earnings before tax	9.140	7.393
Income taxes	-2.896	-2.901
Post-tax earnings	6.243	4.492
– attributable to shareholders of Bertrandt AG	6.243	4.492
Number of shares (million) – diluted/basic, average weighting	10.100	10.095
Earnings per share (EUR) – diluted/basic	0.62	0.44
II. Statement of comprehensive income		
Post-tax earnings	6.243	4.492
Differences from currency translation and hedging reserve	752	384
Tax effects on the hedging reserve	-573	496
Remeasurement of pension obligations and plan assets	83	1.341
Tax effects on the remeasurement of pension obligations and plan assets	50	-1.226
Other comprehensive income after taxes	312	499
Total comprehensive income	6.556	4.991
of which total comprehensive income attributable to Bertrandt AG shareholders	6.556	4.991

¹ Rounding differences of EUR 0.001 million may occur in the presentation of figures due to the system used.