

Interim Report Q1 2017/18

The Board of Directors of Rovsing A/S has today considered and approved the Interim Report for the 1st quarter (1 July – 30 September 2017) of the financial year 2017/18. The Interim Report is not audited.

Financial performance

In the 1st quarter of the financial year 2017/18, Rovsing's revenue amounted to DKK 4.0 million, compared to DKK 9.0 million in the same period last year. While a decrease in revenue was planned, the decrease is larger than expected. The reason for the lower revenue is primarily related to the following items:

- The quarterly impact of the generally lower revenue expected for the full year 2017/18, as stated in the Annual Report for 2016/17, and
- Delays and reassessments of the amount of work required to finalize a few larger ongoing contracts which have led to a reduction in the completion ratios for such contracts. While the total revenue to be generated over time from these contracts remains the same, the change in completion rates means that a smaller part of the total revenue from these contracts was recognised in the 1st quarter of the financial year, while a correspondingly higher share of the revenue will be recognised in subsequent quarters

The lower revenue also impacted Rovsing's Earnings before interest, taxes, depreciation and amortisation, EBITDA, which decreased from DKK -0.2 million in the first quarter of 2016/17 to DKK -2.2 million in the 1st quarter of 2017/18.

Management considers the financial performance in the 1st quarter 2017/18 as being unsatisfactory.

In light of the disappointing performance in the 1st quarter, Management has already initiated a comprehensive review of all main factors affecting Rovsing's profitability, and several cost savings measures have already been implemented. The profitability optimisation efforts will be aligned with ongoing work on an updated strategy for Rovsing's future development. While the updated strategy is expected to be disclosed before the end of 2017, the cost saving measures will be initiated and take effect as soon as possible.

In the 1st quarter of 2017/18, Rovsing' liquidity situation remained very tight and continued to put the operations under pressure and with reliance on short-term debt from related parties. Therefore, as a subsequent event, on October 5, Rovsing raised DKK 5.1 million in new equity by way of a directed share issue. Furthermore, in November 2017, Rovsing has entered into agreements to obtain medium-term debt funding of DKK 4 million. As a further step in establishing a robust financial basis for Rovsing's operations and investments in new growth initiatives, Management is exploring opportunities to carry out further funding in order to strengthen the capital structure of the company.

Operational highlights

In the 1st quarter of 2017/18 Rovsing has actively pursued a number of opportunities to expand its pipeline within its core product areas of SAS- and DSTE-based products and systems, a market where Rovsing has a strong track-record.

During the quarter, negotiations conducted in cooperation with Rovsing's US partner, RT Logic, regarding the electrical power test and simulation system for Boeing Space System was finalised with a considerable improvement of the associated milestone payment plan. Work is now well underway for a delivery in spring and early summer 2018 with the CDR (Critical Design Review) planned for early November. An R&D project associated with the Boeing project to develop an efficient, automated test & calibration device achieved CDR during the quarter.



Rovsing

Rovsing also successfully concluded negotiations concerning a 5-year prolongation of its service contracts at the Centre Spatial Guyanais (CSG) from January 2018 and onwards. Another service contract for Airbus DS in Toulouse was also extended beyond its planned end date in October 2017.

In mid-2017, Rovsing joined forces with three large industrial consortia to bid for two software development projects for two European bodies and one infrastructure project for a European national space agency. Based on earlier Rovsing deliveries, two customers requested follow-on deliveries for two DSTE-based systems for which negotiations are ongoing.

Outlook for 2017/18

Based on the actions initiated by the management strongly supported by the Board of Directors, the full-year outlook for the financial year 2017/18 is maintained, i.e. a revenue in the range of DKK 32-36 million and EBITDA in the range of DKK 0 - 2 million.

Further information

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