

Quarterly statement | Q1 2019 (IFRS)



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1 ABOUT VA-Q-TEC

va-Q-tec is a pioneer in highly efficient products and solutions in the area of thermal insulation and TempChain logistics. The company develops, produces and markets vacuum insulation panels (VIPs) as well as phase change materials (PCMs) for reliable and energy-efficient temperature controlling. In addition, va-Q-tec produces passive thermal packaging systems (containers and boxes) through optimally integrating VIPs and PCMs – these maintain constant inner temperatures, depending on type, up to 200 hours without external energy input, irrespective of surrounding temperatures, whether extremely low, or high. In order to implement temperature-sensitive logistics chains, va-Q-tec – within a global partner network – operates a fleet of rental containers and boxes meeting high thermal protection standards, such as in the case of constant-temperature transports in the pharmaceuticals industry. Along with Healthcare & Logistics as the main market, va-Q-tec addresses the following further markets: Appliances & Food, Technics & Industry, Building and Mobility. The high-growth company, which was founded in 2001, is based in Würzburg, Germany.

Weitere Informationen unter: www.va-q-tec.com

SIGNIFICANT EVENTS IN Q1 2019

- va-Q-tec reports strong revenue growth of +27% in Q1 2019; Q1 2019 revenue of EUR 15.2 million compared to EUR 12.0 million in Q1 2018
- Services division („Serviced Rental“ of boxes and containers) makes a particularly strong contribution to revenue trends with +76% growth; Products division (sale of vacuum insulation panels) continues to prove very dynamic with strong revenue growth of +18%; Systems division (thermal packaging) reports -22% reduction due to a specific project
- EBITDA Q1 2019: EUR 2.2 million compared to EBITDA of EUR 0.7 million in Q1 2018 (+242%); EBITDA margin grows from 4% in Q1 2018 to 13% in Q1 2019
- Further strategic progress achieved to strengthen internationalization and technology leadership, such as with the new small box rental project in the USA

2 SIGNIFICANT EVENTS IN THE REPORTING PERIOD

In the first quarter of 2019, the company's accelerated revenue growth, which was already apparent in Q4 2018, continued with an increase of 27%. The company benefited in particular from a significant expansion of its customer base in its strategically important service business. To a certain extent, sales that were originally planned to be ramped up in 2018 have materialized. After the start and ramp-up in Q4 2018, the planned run rate for the rental of small thermal transport boxes to a new customer on the US East Coast was also achieved in Q1 2019. Overall, va-Q-tec recorded a sustained positive development in its Services division in Q1 2019 with revenues of EUR 6.5 million, representing growth of 76% compared with Q1 2018 after an already strong Q4 2018. In the Products division (sale of vacuum insulation panels and phase change materials) va-Q-tec benefited from increasing energy efficiency requirements, e.g. for refrigerators or hot water storage tanks. Revenue increased accordingly by 18% to EUR 5.8 million. In the Systems division (thermal packaging), which is often influenced by large project business in individual quarters, revenue declined by 22%.

In Q1 2019, va-Q-tec also made strategic progress in its internationalization and technological leadership. The innovative insulation solutions of va-Q-tec are meeting with growing interest not only in the traditional regions and end markets of Appliances & Food (refrigerators and commercial refrigeration) and Technics & Industry (hot water tanks). The attractiveness for other areas, e.g. for mobility applications and in the construction sector, not only opens up additional growth prospects, but also potential for technological differentiation. This development was underlined in Q1 2019, for example, by the joint application with Airbus Operations GmbH for the Crystal Cabin Award, an international innovation award for outstanding concepts in the aircraft cabin interiors area. Here, too, va-Q-tec vacuum insulation panels ensure innovative solutions and significantly improved energy efficiency.

The first successes have been achieved as part of the Power 20+ program since the start of the year, with cost efficiency improving in areas such as purchasing, network management and production. In addition to accelerated growth in the high-margin Services business, this contributed to the considerable earnings improvement in Q1 2019. EBITDA rose from EUR 0.7 million in the prior-year quarter to EUR 2.2 million, representing a significant margin increase from 4% to 13%. In addition, the one-time costs associated with the high level of capital expenditure and relocations were no longer incurred in the reporting period compared with the prior-year quarter.

3 FINANCIAL POSITION AND PERFORMANCE IN Q1 2019

3.1 RESULTS OF OPERATIONS

The following overview presents the main items of the income statement of the va-Q-tec Group in each case in comparison with the previous year's quarter.

kEUR unless stated otherwise	Q1 2019 (IFRS)	Q1 2018 (IFRS)	Δ
Revenues	15,236	12,037	+27%
Total income	16,845	14,662	+15%
Cost of materials and services	-6,646	-6,888	-4%
Gross profit	10,199	7,774	+31%
<i>Gross margin</i>	61%	53%	
Personnel expenses	-5,375	-4,692	+15%
Other operating expenses	-2,599	-2,431	+7%
EBITDA	2,225	651	242%
<i>EBITDA margin</i>	13%	4%	
Depreciation, amortisation and impairment losses	-2,900	-2,268	+28%
EBIT	-675	-1,617	
Result from equity accounted investments	-48	-30	
Net financial result	-273	-202	
EBT	-996	-1,849	
Number of employees	452	411	+41

In Q1 2019, va-Q-tec grew its revenue by 27% year-on-year to kEUR 15,236. Revenue growth was generated by the Services division („Serviced Rental“ of boxes and containers) and the Products division (sale of vacuum insulation panels).

kEUR	Q1 2019	Q1 2018	Δ
Products	5,832	4,928	+18%
Systems	2,491	3,190	-22%
Services	6,535	3,710	+76%

In Q1 2019, business in the Products division (sale of vacuum insulation panels) was up by kEUR 904, from kEUR 4,928 to kEUR 5,832 (+18%), thanks to rising energy efficiency requirements. In the Systems division (sale of thermal packaging), revenue decreased by kEUR 699 from kEUR 3,190 to kEUR 2,491 (-22%) due to the project-related nature of the business. The Group generated sales revenues of kEUR 6,535 with Services („Serviced Rental“ of thermal packaging), compared with kEUR 3,710 million in the prior-year period, which is equivalent to an increase of kEUR 2,825 (+76%). In this area, the customer base has broadened considerably. In addition, Service revenues with a major pharmaceutical customer – whose own decline in revenue had had a negative impact on its services revenue trend with va-Q-tec in the previous year – strengthened. Overall, and especially in the Services division, the year 2019 got off to a very good start.

Total income grew by 15% to kEUR 16,845 (previous year: kEUR 14,662); this was mainly thanks to the lower level of own work capitalized for the construction of containers and boxes used by the Group itself and thereby at a lower rate of increase than the Group revenue growth rate, as the expansion of the container and box fleets had already been very strongly advanced in the two previous years, as planned.

The cost of materials decreased by 4% from kEUR 6,888 to kEUR 6,646. The decline is primarily attributable to lower revenues in the Systems division. Thanks to the strong growth of the less material cost-intensive Services business, the cost of materials ratio improved from 47% in the previous year to 39% in Q1 2019. Similarly, the gross profit ratio improved to 61% in Q1 2019 (previous year 53%).

Personnel expenses in Q1 2019 were up by kEUR 683 compared with the prior-year period, rising from kEUR 4,692 to kEUR 5,375 (+15%). Besides standard wage and salary increases, this rise is mainly due to staff newly hired in 2018 for the planned international growth.

Other operating expenses rose by kEUR 168, from kEUR 2,431 in the previous year's period to kEUR 2,599 in Q1 2019 (+7%). Positive factors in this area include the elimination of relocation and double costs as well as even tighter central cost control. This reduced the ratio of other operating expenses to total income to 15% (previous year: 17%).

As a consequence, earnings before interest, tax, depreciation and amortization (EBITDA) were down by kEUR 1,574, from kEUR 651 to kEUR 2,225. This corresponds to a significantly better 13% EBITDA margin in Q1 2019, compared with 4% in Q1 2018. The first-time application of the IFRS 16 accounting standard had a positive impact on the margin of around kEUR 215. Adjusted for this effect, profitability was approximately 1% lower at 12%.

Depreciation, amortization and impairment charges reported a marked increase to kEUR 2,900 (previous year: kEUR 2,268). This reflects the previous two years' high level of investments in containers and boxes, both of which have short depreciation periods.

Above all, higher depreciation and amortization resulted in a negative operating result (EBIT) of kEUR -675 in the first quarter of 2019, despite the significantly improved EBITDA. Compared to the previous year, however, this represents an improvement in earnings of kEUR 942 (previous year: kEUR -1,617).

Financing costs increased from kEUR -202 in the previous year to kEUR -273 in Q1 2019 due to the increased use of external financing.

The company reports a result before tax (EBIT) of kEUR -996 for Q1 2019 (previous year: kEUR -1,849).

Reporting segments

The reporting segments performed as follows in Q1 2019:

German reporting segment (va-Q-tec AG)

kEUR unless stated otherwise	Q1 2019	Q1 2018	Δ
Revenues	9,972	12,363	-19%
EBITDA	-37	1,103	-103%
Number of employees	390	361	+29

In the German reporting segment (va-Q-tec AG), revenue reduced from kEUR 12,363 in the previous year to kEUR 9,972 in Q1 2019 (-19%). The decline is mainly due to lower investments in self-manufactured containers for the global fleet. Personnel expenses increased significantly in the course of the 2018 financial year due to the recruitment of new staff for the further expansion of business and internationalization. EBITDA decreased to kEUR -37 in Q1 2019 (previous year: kEUR 1,103), especially as a consequence of the marked increase in personal expenses as well as a temporary reduction in Systems revenue. The number of employees rose by 29 to 390 at the end of the first quarter (previous year: 361).

UK reporting segment (va-Q-tec UK Ltd)

kEUR unless stated otherwise	Q1 2019	Q1 2018	Δ
Revenues	5,660	3,266	+73%
EBITDA	1,741	512	+240%
Number of employees	40	39	+1

The UK reporting segment comprises mainly the rental of temperature-managed containers for the global pharmaceuticals industry. Revenues in this segment rose significantly in Q1 2019 by kEUR 2,394 (73%) from kEUR 3,266 in the previous year to kEUR 5,660. The UK reporting segment benefited from a significant broadening of the customer base. In addition, Service revenues generated with a major pharmaceutical customer – with which va-Q-tec had recorded a decline in revenue in 2018 due to the customer's own declining business growth – strengthened. EBITDA in this segment rose by 240% year-on-year from kEUR 512 in Q1 2018 to kEUR 1,741 in Q1 2019 thanks to the significant revenue growth and lower costs reflecting efficiency-optimized logistics processes for the container fleet. The number of employees rose by 1 to 40 as of 31 March 2019 (previous year: 39).

Other reporting segment

kEUR unless stated otherwise	Q1 2019	Q1 2018	Δ
Revenues	1,647	515	+220%
EBITDA	64	40	+60%
Number of employees	22	11	+11

The subsidiaries in Singapore, Korea, Switzerland, Japan, Uruguay and the USA, which together comprise the Other reporting segment, reported higher revenue overall, driven by an increase in sales and purchasing commissions as well as significant growth in revenues generated directly within the regions by the subsidiaries themselves. After the start and ramp-up in Q4 2018, the US subsidiary achieved its planned run rate in Q1 2019 for the rental of small thermal transport boxes to a new customer on the US East Coast. EBITDA amounted to kEUR 64 (previous year: kEUR 40). The number of staff stood at 22 as of 31 March 2019 (previous year: 11).

3.2 NET ASSETS AND CAPITAL STRUCTURE

Property, plant and equipment increased by 1% to kEUR 70,317 as of 31 March 2019, compared with kEUR 69,390 as of 31 December 2018. The figure as of 31 March 2019 includes the effect from the inclusion of rights-of-use pursuant to IFRS 16 in an amount of kEUR 2,329.

By contrast, current assets reduced by kEUR 2,264 to kEUR 29,913 as of 31 March 2019 due to the decrease in liquid assets as of the reporting date (31 December 2018: kEUR 32,177).

Consolidated equity reduced by kEUR 1,132 compared to 31 December 2018 to kEUR 44,128, with the equity ratio thereby remaining almost unchanged at 41% as of 31 March 2019.

Non-current bank borrowings decreased slightly to kEUR 24,047 compared to 31 December 2018 due to the scheduled repayment of long-term financing. At the same time, current bank borrowings decreased by kEUR 593 from kEUR 9,400 to kEUR 8,807.

Current liabilities in provisions amounted to kEUR 24,053 as of 31 March 2019, corresponding to 22% of total equity and liabilities (31 December 2018: kEUR 23,952, 22%) Consolidated non-current liabilities and provisions amounted to kEUR 40,589 as of 31 March 2019, equivalent to 37% of total equity and liabilities (31 December 2018: kEUR 40,935, 37%). Trade payables totaled kEUR 4,816 as of the first quarter 2019 reporting date, compared with kEUR 4,594 as of 31 December 2018.

3.3 FINANCIAL POSITION

Liquidity

Before working capital changes, va-Q-tec generated a positive cash flow from operating activities of kEUR 505 as of the balance sheet date, compared with kEUR 570 in Q1 2018. Net cash flow from operating activities including working capital changes amounted to kEUR -909 in Q1 2019, kEUR 937 above the adjusted level of kEUR -1,846 in the prior-year quarter.

Cash flow from investing activities changed from kEUR 3,331 to kEUR -1,328. The previous year's figure was influenced by the release of short-term time deposits (kEUR 9,000). Payments for the purchase of property, plant and equipment decreased from kEUR -5,566 to kEUR -1,372. The reason for this is the decline in investments, since the most important investments and initiatives for further growth towards EUR 100 million in sales were largely completed faster than originally planned in 2018.

Overall, va-Q-tec had comfortable liquidity as of 31 March 2019 with bank balances plus open credit lines totaling EUR 13.1 million. Together with further financing facilities of up to EUR 6 million, which are in final negotiations, the financial scope would amount to over EUR 19 million.

4 CONSOLIDATED INCOME STATEMENT UNAUDITED

KEUR	Q1 2019	Q1 2018
Revenues	15,236	12,037
Changes in inventories	124	238
Work performed by the company and capitalised	429	1,603
Other operating income	1,056	784
Total income	16,845	14,662
Cost of materials and services	-6,646	-6,888
Gross profit	10,199	7,774
Personnel expenses	-5,375	-4,692
Other operating expenses	-2,599	-2,431
EBITDA	2,225	651
Depreciation, amortisation and impairment losses	-2,900	-2,268
Earnings before interest and tax (EBIT)	-675	-1,617
Results from equity accounted investments	-48	-30
Financial income	3	7
Financial expenses	-276	-209
Net financial result	-273	-202
Earnings before tax (EBT)	-996	-1,849
Income tax	-133	75
Net income	-1,129	-1,774
Consolidated net income attributable to owners of va-Q-tec AG	-1,129	-1,774
Earnings per share – basic/undiluted	-0,09	-0,14

5 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME UNAUDITED

kEUR	Q1 2019	Q1 2018
Net income	-1,129	-1,774
Consolidated other comprehensive income		
Currency translation differences	-3	-1
Total other comprehensive income that will be reclassified to profit or loss	-3	-1
Consolidated total comprehensive income	-1,132	-1,775
Consolidated total comprehensive income attributable to owners of va-Q-tec AG	-1,132	-1,775

6 CONSOLIDATED STATEMENT OF FINANCIAL POSITION UNAUDITED

Assets

kEUR	31/03/2019	31/12/2018
Non-current assets		
Intangible assets	2,651	2,437
Property, plant and equipment	70,317	69,390
Investment property	1,614	1,614
Contract assets	157	157
Equity accounted investments	532	580
Financial assets	188	184
Other non-financial assets	550	647
Deferred tax assets	2,848	2,961
Total non-current assets	78,857	77,970
Current assets		
Inventories	11,385	10,924
Trade receivables	9,083	7,557
Other financial assets - of which term deposits (6-12 months): 0 (31/12/18: 0)	343	334
Tax assets	69	135
Other non-financial assets	1,153	1,073
Cash and cash equivalents	7,880	12,154
Total current assets	29,913	32,177
Total assets	108,770	110,147

Equity and liabilities

kEUR	31/03/2019	31/12/2018
Equity		
Issued share capital	13,090	13,090
Treasury shares	-54	-54
Additional paid-in capital	46,158	46,158
Consolidated total other comprehensive income	-42	-39
Retained earnings	-15,024	-13,895
Total equity	44,128	45,260
Non-current liabilities		
Provisions	131	79
Bank borrowings	24,047	24,732
Other financial liabilities	7,136	6,814
Other non-financial liabilities	9,275	9,310
Total non-current liabilities	40,589	40,935
Current liabilities		
Provisions	113	62
Bank borrowings	8,807	9,400
Other financial liabilities	5,198	4,873
Liabilities from contracts with customers	19	19
Trade payables	4,816	4,594
Tax liabilities	74	79
Other non-financial liabilities	5,026	4,925
Total current liabilities	24,053	23,952
Total Equity and liabilities	108,770	110,147

7 CONSOLIDATED STATEMENT OF CASH FLOW UNAUDITED

KEUR	Q1 2019	Q1 2018
Cash flow from operating activities		
Net income	-1,129	-1,774
Current income taxes recognised income statement	18	-
Income taxes paid	-17	-
Net finance costs recognised income statement	273	202
Interest received	-	2
Interest paid	-264	-175
Depreciation on contract assets	4	-
Non-cash losses from equity accounted investments	48	30
Depreciation, amortisation and impairment losses	2,880	2,268
Gain/loss from disposal of non-current assets	-72	-19
Change in other assets	-438	159
Change in other liabilities	-204	577
Change in provisions	102	-8
Other non-cash expenses or income	-696	-692
Cash flow from operating activities before working capital changes	505	570
Change in inventories	-387	-1,509
Change in trade receivable	-1,526	593
Change in trade payable	499	-1,500
Net cash flow from operating activities	-909	-1,846
Cash flow from investing activities		
Payments for investments in intangible assets	-64	-128
Proceeds from disposals of property, plant and equipment	112	25
Payments for investments in property, plant and equipment	-1,372	-5,566
Proceeds from the release of short-term deposits	-	9,000
Payments for investments in contract assets	-4	-
Net cash flow from investing activities	-1,328	3,331

KEUR	Q1 2019	Q1 2018
Cash flow from financing activities		
Payments from bank loans		-9
Proceeds from bank loans	1,302	
Repayments of bank loans	-2,582	-210
Payments for finance lease liabilities	-763	-950
Net cash flow from financing activities	-2,043	-1,169
Change in cash flows before exchange rate effects	-4,280	316
Effect of exchange rate changes on cash and cash equivalents	6	18
Net change in cash and cash equivalents	-4,274	336
Cash and cash equivalents at start of period	12,154	5,201
Cash and cash equivalents at end of period	7,880	5,537

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FINANCIAL CALENDAR

24/05/2019	AGM
14/08/2019	Publication of half-year financial report
14/11/2019	Publication quarterly financial report (call-date Q3)

REMARKS

This report can include forward-looking statements based on current assumptions and forecasts of the management of va-Q-tec AG. Such statements are subject to risks and uncertainties. These and other factors can lead the company's actual results, financial position, development, or performance to differ significantly from the estimates provided here. The company assumes no obligation of any kind to update such forward-looking statements and adjust them to future events or developments.

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