

Annual report for 2017/18

Highlights of the annual report of the Roblon Group for 2017/18

The Board of Directors and Executive Management today considered and approved the annual report of Roblon A/S for 2017/18.

It was a challenging year for Roblon, and our performance fell short of our expectations for the 2017/18 financial year. In September, and again in October, Management thus had to downgrade the full year profit guidance.

During the financial year, the Group saw a sharp increase in demand for Roblon's products in the North American market. On the other hand, Roblon suffered significant postponements of expected order intake and revenue from 2017/18 to the subsequent financial year.

Selected financial highlights

- Revenue grew to DKKm 221.8 (DKKm 198.6), driven by the acquisitions made.
- Operating profit (EBIT) was DKKm 5.8 (DKKm 19.6) for an EBIT margin of 2.6% (9.9%)
- Profit before tax was DKKm 9.6 (DKKm 21.6)
- Profit before tax from discontinued operations was DKKm 8.8 (DKKm 5.9)
- Profit for the year after tax was DKKm 14.5 (DKKm 20.2)
- Return on invested capital (ROIC) before tax was 4.7% (21.2%)
- Earnings per DKK 20 share (EPS) was DKK 8.1 (DKK 11.3)
- Cash flow from operations for the year was DKKm 37.1 (DKKm 33.0)
- The Board of Directors proposes to the annual general meeting on 24 January 2019 a dividend distribution corresponding to 50% of the nominal value per share, equivalent to DKK 10 per class B share and DKK 100 per class A share

The decline in the Group's profit for 2017/18 compared with last year was due to the postponement of expected revenue to subsequent financial years, major challenges in the supply of raw materials, recruitment and running-in of a large number of new production staff as well as delays in the setting up of new production lines in the US subsidiary. The performance was moreover impacted by a change in the product mix and increased production costs relating to the ramp-up of a new business for production and sales of composite components for wind turbine blades.

2021 Strategy

Since Roblon announced the Group's five-year strategy for 2016-2021 in the autumn of 2016, the Company's business portfolio has undergone major changes. Roblon's core business is now focused on Industrial Fiber. Two business entities were divested in the first two years of the five-year strategy period, Roblon Lighting in April 2017 and the greater part of Roblon Engineering (rope-making equipment, twisters and winders) in February 2018. In the USA, the Group made acquisitions and established a Fibre Optic Cables (FOC) business in April 2017, made additional investments and concluded a project contract in the wind turbine industry (Composite) in April 2018.

As a consequence of the divestment of the greater part of Roblon Engineering and the Group's investment in rights and technologies for the production of composite components for wind turbine blades during 2018, Roblon's strategic focus has shifted and its financial targets have been revised for the last three years of the strategy period to the end of the 2020/21 financial year.

Roblon's vision is to be the preferred supplier of high-performance fibre solutions and technologies for selected strategic customers.

The Group's strategy, which is unchanged, focuses on continually boosting sales efforts, strengthening product development and expanding the product offering in close collaboration with strategic customers. Through this strategy, Roblon aspires to a position as total supplier of strength element solutions to selected strategic customers in the fibre optic cable industry. Roblon also aims for a position as market-leading supplier of strength element solutions to the offshore oil and gas industry and other industries.

Within the strategy period, the Group's aim remains to achieve the following financial ratios, assuming normal economic conditions:

- Average annual revenue growth of at least 15%
- An average annual EBIT margin of at least 10%
- Average annual EPS growth of at least 15%
- A return on invested capital (ROIC) of at least 20% before tax

The Group expects to achieve these financial growth targets through a combination of organic and acquisitive growth. Roblon has adequate financial resources to achieve this.

Outlook for 2018/19

The Group's profit guidance for 2018/19:

- Revenue in the DKKm 350-380 range (2017/18: DKKm 221.8)
- Profit before tax in the DKKm 24-30 range (2017/18: DKKm 9.6)

For 2018/19, Roblon forecasts revenue growth in the range of 58%-71%, based on the following significant factors:

- Stronger growth in the Composite product group relating to production and sales to the wind turbine industry, which are expected to increase significantly in 2018/19 after a six-month ramp-up period in 2017/18.
- Customers in the rest of the Composite product group express positive expectations for 2018/19 with an expected normalisation of their order intake.
- Further capacity expansions, not least for the rapidly expanding FOC market in Roblon US Inc., following preparations in the autumn of 2018.

The Group's 2018/19 guidance is based on a USD/DKK exchange rate of 625.

Frederikshavn, 20 December 2018
Roblon A/S

Jørgen Kjær Jacobsen
Chairman of the Board

Lars Østergaard
Managing Director and CEO

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