



Paris, 4 October 2016

Keywords: HIGH TECHNOLOGY | RESULTS

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## First half 2016 earnings

- Dynamic organic growth: +9.3%
- Lower earnings related to a one-off unfavorable business mix.
- Net cash maintained at €17 million

in millions of euro	First half 2015	First half 2016
<b>Revenues</b>	<b>27.9</b>	<b>30.5</b>
<b>EBITDA</b>	<b>2.3</b>	<b>2.0</b>
<i>Margin</i>	8.3%	6.4%
<b>Current operating income</b>	<b>1.5</b>	<b>0.8</b>
<i>Margin</i>	5.3%	2.7%
Operating income	0.6	-0.5
Net finance costs	-0.3	-0.4
Taxes	-0.01	-0.5
<b>Net income</b>	<b>0.2</b>	<b>-1.1</b>
<b>Net income, Group share</b>	<b>0.4</b>	<b>-0.9</b>

MVG's revenues grew by nearly 10% over the first half of 2016, confirming the Group's good overall commercial momentum. However, the breakdown of revenues was atypical over the first half due to the high proportion in Aerospace/Defense of contracts that were more "mechanical" than "electronic," and therefore less profitable, which had a direct impact on the current operating margin.

Given the traditional seasonality of the business and the type of contracts positioned in the second half that are more favorable to margins, the Group expects a much more profitable second half.

### Business: growth driven by AMS and EMC

The MVG Group generated half-year revenues of €30.5 million compared with €27.9 million in the first half of 2015, at almost constant exchange rates, reflecting organic growth of +9.3%.

In geographical terms, the Group's activity remains balanced with 35% of revenues in EMEA, 35% in the United States, and 30% in Asia.

The **AMS** division (79% of total revenues) generated €24.1 million in revenues, up +6.6% compared with June 30, 2015. The Aerospace/Defense sector represented 58% of

revenues (compared with 48% in the first half of 2015). This sector's production set a new record during the first half thanks in particular to the appeal of our innovative multi-sensor technologies. The PIT RADWAR contract is on schedule and will be completed as planned in the first half of 2017. The telecommunications business was successfully focused mainly on 4G smart relay station tests.

The **EMC** division (19% of total revenues) posted revenues of €5.9 million, up +44% compared with the same period last year. Production has been intense, and the group is reaping the benefits of the commercial success achieved since mid-2015. This commercial momentum was continued in the first half with many new orders.

Lastly, the **EIC** division's revenues (2% of the total revenues) amounted to €0.5 million compared with €1.0 million last year. The first half was marked by orders delayed to the second half, which will see strong growth. The distribution network was strengthened by four new partners in the Americas.

### **Operating margin**

EBITDA (6.4%) totaled €2.0 million compared with €2.3 million, down 1.9 points compared with the first half of 2015.

This change is explained by a one-off decrease in the gross margin to 61.3% compared with 65.0% in the first half of 2015, due to the large share of "all mechanical" contracts, which incorporate more material costs, in the distribution of revenues over this half-year period. This decline was partially offset by the good control of operating expenses, which amounted to 54.9% of revenues, compared with 57.7% in the first half of 2015. The Group is notably reaping the benefits of its reorganization in the United States and Israel.

After accounting for amortization, depreciation, and provisions for €1.3 million, current operating income totaled €0.8 million.

### **Net income**

Non-recurring expenses totaled €1.3 million and were directly related to defending the Group's intellectual property in the US, pending the trial to take place no later than 2017, and in China. Operating income totaled -€0.5 million (€0.6 million in the first half of 2015).

In the end, after recognizing a financial loss of -€0.1 million and a tax expense of -€0.5 million, the group's share of net income was -€0.9 million (compared with €0.4 million at June 30, 2015).

### **Controlled financial structure and financial flows**

The Group's shareholders' equity stood at €68.3 million at the end of June 2016 compared with €70.1 million at December 31, 2015.

In terms of cash management, the rigorous action plan undertaken by the group has yielded results. The change in WCR was positive, compared with -€4.8 million last year. The actions focused mainly on the management of trade receivables (billing and collection) and will continue. The financial flows generated by the activity totaled €1.0 million, covering exactly the total amount of investment flows for the period.

Gross cash totaled €25.8 million, and cash net of financial debts totaled €17.0 million, a stable level compared with December 31, 2015.

## Outlook

The commercial momentum remains very good with new orders reaching €29.3 million at the end of June (compared with €32 million last year, but with the PIT RADWAR contract alone accounting for €9 million). The order book at June 30, 2016, therefore remains at a high level at €54.0 million (up +13.4% compared with June 30, 2015) with, in addition, numerous deals that have materialized or are under negotiation since the beginning of the third quarter of 2016.

The Group confirms its confidence about its ability to deliver significant organic growth throughout the financial year. The type of contracts positioned on the second half, more electronic and mechanical, will have a positive impact on the gross margin. The Group will also benefit in the second half from the traditional seasonality of its business, with higher revenues over the last six months of the financial year, while operating expenses are virtually equivalent from one half-year period to another.

Third quarter revenues will be published on November 22, 2016.

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## About MICROWAVE VISION

Since its creation in 1987, The Microwave Vision Group (MVG) has developed a unique expertise in the visualization of electromagnetic waves. These waves are at the heart of our daily lives: Smartphones, computers, tablets, cars, trains and planes - all these devices and vehicles would not work without them. Year after year, the Group develops and markets systems that allow for the visualization of these waves, while evaluating the characteristics of antennas, and helping speed up the development of products using microwave frequencies. The Group's mission is to extend this unique technology to all sectors where it will bring strong added value. Since 2012, MVG is structured around 3 departments: AMS (Antenna Measurement Systems), EMC (Electro-Magnetic Compatibility), EIC (Environmental & Industrial Control). MVG is present in 10 countries, and generates 90% of sales from exports. MVG has over 300 employees and a loyal customer base of international companies. The Group generated revenues of € 60.1 million in 2015. MVG has received the BPI "Innovative Enterprise" award, and is eligible for PEA-PME.

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