2016/2017 annual results

Sharp increase in profit margins: current EBIT doubled

Strong turnover growth in Q1 2017/2018: up 39.3% as reported, up 42.2% at constant consolidation scope and exchange rates (like-for-like)

The MND Group's 2016/2017 annual results bear witness to the appropriateness of its commercial development strategy as well as the successful streamlining of its organisational structure and industrial capacity. In line with its targets, the MND Group posted significant turnover growth of 15.4% at constant consolidation scope and exchange rates, combined with a sharp improvement in earnings: current EBIT rose by 108% and generated a current operating margin of 4.1%.

The beginning of the 2017/2018 financial year, marked by organic turnover growth of 42.2% in the first quarter and an backlog totalling €172.3 million at 30 June 2017, representing 2.3 years of business, augurs well for a year of strong business growth driven, in particular, by two major long-term contracts signed in China in early 2017 (Snowland and Wanlong resorts), totalling €160 million.

The Group is perfectly placed to reach its goal of doubling in size and to exceed the €150 million turnover mark by March 2020, while returning to normal profitability with a current operating margin of 8-10%.

Key income statement information – Period from 1 April to 31 March

€m - IFRS	2016/2017 12 months	2015/2016 12 months	Change €m
Sales	**76.4**	67.6	**+8.8**
Gross margin[1] *Gross margin*	**38.2** *50.0%*	33.8 *50.0%*	
Current EBIT *Current operating margin*	**3.1** *4.1%*	1.5 *2.2%*	**+1.6**
EBIT	**3.1**	1.0	**+2.1**
Net financial result	**(1.1)**	(1.2)	**+0.1**
Taxes on revenues	**0.2**	0.7	**-0.5**
Net Result	**2.2**	0.5	**+1.7**

The Board of Directors met on 19 July 2017 to approve the consolidated financial statements for the financial year ended 31 March 2017. The audit processes have been completed and the certification report will be issued once the checks required for the publication of the annual financial report have been finalised.

1 Gross margin on variable costs

Buoyant growth in 2016/2017: turnover up 15.4% like-for-like

The MND Group posted 2016/2017 consolidated turnover of €76.4 million, up 13.1% as reported and 15.4% at constant consolidation scope and exchange rates (like-for-like). This performance was largely underpinned by an increase in orders in France (up 10% LFL) and particularly buoyant business in Asia (up 25% LFL) and the United States (up 94% LFL), which have been top sales targets over the last few years. In 2016/2017, the MND Group generated 66% of its business abroad, including 27% outside Europe.

The Snowmaking & Ski Lift division generated sales of €50.9 million, representing organic growth of 18.2%. The year was primarily marked by the delivery of the first new generation detachable chairlift to the French alpine resort of La Plagne, the contract for the development of the Waterville resort in the USA and the installation of a pulsed gondola lift in China's Guizhou province.

The Safety and Leisure division posted consolidated turnover of €25.5 million, including organic growth of 10.2%. Safety sales edged up, thanks in particular to a safety equipment order for the University Games in Kazakhstan, while the high-adrenaline leisure segment posted sharper growth, benefiting from the full impact of the global offering strategy.

Significant improvement in profit margins in 2016/2017: income from current EBIT doubled

Buoyed by a combination of strong growth and an efficient fixed cost optimisation policy, the MND Group posted a significant improvement in its 2016/2017 profit margin, as expected.

The gross margin on cost of sales amounted to €38.2 million, up 13% year-on-year, representing a perfectly stable gross margin rate of 50.0%, due to the rebalancing of the business mix in the second half of 2016/2017.

The policy of managing personnel expenses (6% improvement), for an average headcount of 329 employees in 2016/2017, as well as external expenses (11% improvement), contributed to a €1.6 million increase in current EBIT over the year, up 108% to €3.1 million.

Both business segments generated profits in 2016/2017: driven by an increase in volumes, the Snowmaking & Ski Lift division posted current EBIT of €1.6 million, compared to a €0.3 million loss the previous year. The Safety and Leisure division posted income from current EBIT of €1.5 million, versus €1.7 million a year earlier.

The sharp reduction in non-recurring restructuring expenses versus 2015/2016, as well as the recognition of income from the disposal of non-strategic subsidiaries (in Canada and Turkey), resulted in the multiplication of EBIT by 3.2 to €3.1 million.

After recognition of a slightly improved net financial loss of €1.1 million, with currency gains offsetting a modest increase in financial expenses, and tax income of €0.2 million relating to the recognition of tax loss carryforwards, net result Group quadrupled to €2.2 million compared to 2015/2016.

At 31 March 2017, the Group had deferred tax assets of €7.2 million, deductible from future profits.

Strengthened shareholders' equity and diversification of financing

Free cash flow doubled over the financial year to €5.3 million which, combined with a reduction in the change in WCR from a €6.2 million reduction in 2015/2016 to a €0.9 million reduction in 2016/2017, enabled the Group to record cash flow from operating activities of €4.3 million, versus a €3.7 million outflow the previous year.

The Group continued its investment policy in 2016/2017, with cash flow from investing activities amounting to €8.5 million versus €5.0 million last year. The Group also completed the development of its new generation of detachable ski lifts and continued to invest in urban transport solutions, filing a number of patent applications. R&D expenditure totalled €6 million (compared to €4 million in 2015/2016) of which €5.5 million was capitalised.

Flows of financing amounted to a €2.3 million outflow, including a €1.4 million interest expense and a €0.9 million net repayment of new borrowings during the year.

Shareholders' equity stood at €26.2 million at 31 March 2017 (€23.9 million last year) compared to net debt of €48.7 million (€43.3 million last year), giving a gearing ratio of 1.87.

In addition to its short-term liquidity facilities, in February 2017 the MND Group set up a pan-European factoring agreement capped at €35 million in order to diversify its sources of financing and shore up WCR, in particular during peak business periods.

Furthermore, after the yearly closure, in June 2017 the Group raised €6.0 million via a capital increase by private placement, enabling it to strengthen equity and increase its financial flexibility in order to support the strong growth expected in 2017/2018.

A highly dynamic start to the 2017/2018 financial year - backlog at 30 June 2017: €172.3 million

In Q1 2017/2018, the MND Group posted consolidated turnover of €8.2 million, up 39.3% as reported and up 42.2% at constant consolidation scope and exchange rates. We would remind you that the Group generates a large portion of its turnover in the second half of its financial year.

The Snowmaking and Ski Lift division posted growth of 35.3% (36.1% LFL), marked by the first instalments, totalling €2 million, for the Snowland contract in China. No turnover was recorded for the Wanlong contract in the first quarter.

The Safety and Leisure division reported turnover of €2.5 million, posting strong growth of 49.1% (58.4% LFL) primarily driven by safety contracts (avalanche protection equipment) in the United States.

At 30 June 2017, the Group's backlog totalled €172.3 million, representing 2.3 years of business (based on 2016/2017 full-year turnover). The backlog to be delivered in the 2017/2018 financial year amounted to €37.8 million, representing organic growth of 52.2% compared with 30 June 2016.

Positive outlook for 2017/2018: strong growth and continued improvement in profit margins

Thanks to this active start to the year, the launch of two long-term contracts in China in 2017/2018 and a positive sales outlook, the MND Group aims to post strong turnover growth in 2017/2018 while continuing to increase profitability.

The Group confirms its goal to achieve turnover of €150 million within three years, i.e. double the current level and return to normal profitability with a current operating margin of 8-10% of revenues.

Xavier Gallot-Lavallée, the Group's Chairman and Chief Executive Officer, made the following comments:

"*The development priorities targeted by the Group began to bear fruit in 2016/2017: installation of the first new-generation detachable chairlift at the prestigious La Plagne resort, conquering of the Asian market with the signing of two major long-term contracts worth €110 million and €50 million for China's Snowland and Wanlong resorts, the development of an innovative year-round, high-adrenaline Alpine Coaster and the promotion of a "four seasons" global development offering.*

Initiatives rolled out over the last few years to step up growth and increase profitability are now beginning to yield results, supporting the Group's goal to double in size and significantly improve its profit margins by 2020.

In this respect, MND will continue to win market share in business sectors benefiting from investment in R&D or in high-potential regions that have been specific sales targets over the last few years: detachable ski lifts, which offer the Group access to an additional market worth €800 million, high-adrenaline leisure activities and, of course, the Asian market, specifically via the development of mountain resorts in China and the upcoming 2022 Beijing Olympic Games.

Lastly, we will continue to develop new urban cable transport solutions, with around a dozen projects currently under review ranging from €10-50 million."

Appendices:

Consolidated 12-month revenues – 1 April to 31 March

€m - IFRS	31/03/2017 12 months	31/03/2016 12 months	Growth	Organic growth*
Revenues	**76.4**	**67.6**	**+13.1%**	**+15.4%**
of which Safety & Leisure	25.5	24.2	+5.6%	+10.2%
of which Snowmaking & Ski Lifts	50.9	43.5	+17.2%	+18.2%

* At constant consolidation scope and exchange rates

Consolidated 3-month revenues – 1 April to 30 June

€m - IFRS	30/06/2017 3 months	30/06/2016 3 months	Growth	Organic growth*
Revenues	**8.2**	**5.9**	**+39.3%**	**+42.2%**
of which Safety & Leisure	2.5	1.7	+49.1%	+58.4%
of which Snowmaking & Ski Lifts	5.7	4.2	+35.3%	+36.1%

* At constant consolidation scope and exchange rates

Summary half-yearly income statement – 1 April 2016 to 31 March 2017

€m - IFRS	H1 2016/2017 6 months	H2 2016/2017 6 months
Revenues	26.3	50.1
Gross margin[2] *Gross margin*	11.8 *44.9%*	26.4 *52.7%*
Income/(loss) from current operations	(3.7)	6.8
Operating income/(loss)	(3.8)	6.9
Net financial income/(loss)	(0.1)	(1.0)
Tax	0.9	(0.7)
Net income/(loss) Group share	(3.0)	5.2

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ABOUT MND GROUP

The MND Group has been based at Sainte Hélène du Lac (Savoie), in the very heart of the French Alps, since 2004. MND is one of the few market players to have a global range of products and services dedicated to the development, equipping and protection of ski resorts, leisure areas and other mountain infrastructure. Buoyed by its industrial expertise in the mountain cable transport market and by innovative technology protected by worldwide patents, the MND Group has strong growth potential in the urban cable public transport field, where it offers an unobtrusive alternative mode of urban transport. With 5 manufacturing plants in Europe, 8 distribution subsidiaries and 30 distributors worldwide, the MND Group has 350 employees and almost 3,000 customers in 49 countries.

Find all the information you need on www.mnd-bourse.com

2 Gross margin on variable costs