

secunet Security Networks AG: Group Quarterly Statement as at 31 March 2024

secunet Group has started the 2024 financial year with an improved performance compared to the previous year. Both sales and earnings before interest and taxes (EBIT) increased in the first quarter. Overall, the development is in line with expectations.

The high order backlog as at 31 March 2024 forms a solid basis for the coming months. The targets for the current financial year are therefore confirmed. Sales are expected to total around 390 million euros (2023: 393.7 million euros). EBIT is estimated at around 42 million euros (2023: 43.0 million euros).

Sales development

secunet Group increased its revenue to 57.6 million euros in the first three months of the 2024 financial year. This corresponds to an increase of 4% compared to the same period of the previous year (55.2 million euros). Growth was driven by the Public Sector segment, which recorded a significant increase in revenue due to the successful business with SINA products.

Sales in Germany increased to 50.8 million euros (Q1/2023: 49.8 million euros). Sales revenue totalling 6.8 million euros was generated in foreign markets. Compared to the same period of the previous year (5.4 million euros), this corresponds to an increase of 26%. The proportion of sales generated abroad increased to 12% (Q1/2023: 10%).

Earnings development

The gross profit on sales totalled 6.9 million euros in the first quarter of 2024 (Q1/2023: 4.4 million euros). The cost of sales remained unchanged at 50.7 million euros (Q1/2023: 50.8 million euros) despite the increase in sales volume. This was also due to a lower cost of materials ratio.

At 6.3 million euros, selling expenses remained at the previous year's level (6.2 million euros). Research and development costs increased to 2.8 million euros (Q1/2023: 2.2 million euros) due to product developments. General administrative expenses totalled 3.5 million euros (Q1/2023: 2.3 million euros).

Earnings before interest and taxes (EBIT) totalled -5.6 million euros, a slight improvement on the same period of the previous year (-6.2 million euros).

Segment reporting

The secunet Group is segmented into two business units according to target groups.

Public Sector

The secunet Group's business activities focus on national and international ministries, government institutions and organisations in the defence sector. The Public Sector segment, in which these activities are bundled, makes a significant contribution to Group revenue: In the first three months of 2024, the share was 85% (Q1/2023: 82%).

Sales revenue increased to 48.8 million euros. Compared to the same period in the previous year (45.3 million euros), this corresponds to an increase of 8%. The main reason for this was the SINA business, which developed positively despite the tense budget situation in the public sector and the associated budget discussions.

With an EBIT of -4.1 million euros, the Public Sector showed a slight improvement compared to the same period of the previous year (-5.1 million euros).

Business Sector

The Business Sector division focuses on two private sector markets: healthcare and industry. In the first quarter of 2024, this segment generated 15% of Group sales (Q1/2023: 18%).

Sales totalled 8.8 million euros (Q1/2023: 9.9 million euros). As expected, lower sales were generated in the healthcare market. This is due to the market-wide switch to the Telematics Infrastructure 2.0 and the associated expiry of the previous connector business.

EBIT in the Business Sector totalled -1.5 million euros (Q1/2023: -1.1 million euros).

Order situation

Due to a good order intake, the Group's order backlog reached a high level as at 31 March 2024. In total, firm orders totalled 202.7 million euros. Compared to 31 December 2023 (190.2 million euros), this represents an increase in the order backlog of 7%. A significant proportion of the order backlog is attributable to the Public Sector segment. As at the previous year's reporting date of 31 March 2023, the order backlog stood at 230.6 million euros.

Cash flow and liquidity

Cash flow from operating activities improved significantly to -2.9 million euros in the first three months of 2024 (Q1/2023: -12.0 million euros). This positive development was achieved through a sharp reduction in trade receivables while liabilities remained unchanged. It should be noted that a negative cash flow from operating activities after the first three months of the year is common due to the seasonal nature of the business model.

Cash flow from investing activities totalling -1.1 million euros in the reporting period mainly comprised investments in intangible assets and property, plant and equipment. Compared to the same period of the previous year (-1.3 million euros), the figure has not changed significantly.

Cash flow from financing activities totalled -1.4 million euros and, as in the same period of the previous year (-1.4 million euros), mainly resulted from repayments of lease liabilities.

At the end of the first quarter of 2024, there was a total outflow of cash and cash equivalents of 5.4 million euros. In the same period of the previous year, the cash outflow was significantly higher at 14.7 million euros. Cash and cash equivalents amounted to 35.9 million euros as at 31 March 2024 and were therefore significantly higher than the figure on the previous year's reporting date (6.8 million euros).

Employees

At the end of the first quarter of 2024, secunet had 1,037 permanent employees across the Group. The number of employees thus increased by 38 permanent employees or 4% compared to the same reporting date in the previous year (999 permanent employees). In addition, secunet Group employed 129 temporary staff as at the reporting date (31 March 2023: 116 temporary staff). In total, 1,166 employees worked for secunet Group (31 March 2023: 1,115 employees).

The increase in employees will primarily serve to expand and diversify the product portfolio, for example in the area of cloud security for particularly security-critical applications. Additional operational capacity will also be created for the company's future growth.

Opportunities and risks

Since the publication of the Annual Report 2023 (March 2024), the Management Board's assessment of the opportunities and risks of secunet Group has not changed.

Outlook

Following the expected start to the year, the Management Board confirms the previous targets for the current financial year 2024. Sales are expected to be around 390 million euros (2023: 393.7 million euros). EBIT is estimated at around 42 million euros (2023: 43.0 million euros).

These forecasts are subject to the proviso that the sector-specific conditions and the investment behaviour of key public sector customers do not change significantly in the current financial year.

Forward-looking statements

This interim statement contains statements relating to the future development of secunet Security Networks AG as well as economic and political developments. These statements are estimates that we have made on the basis of the information available to us at the present time. If the underlying assumptions do not materialise or further risks occur, the actual results may differ from the results currently expected. We can therefore not provide any guarantee for these statements.

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