

# **Agfa-Gevaert NV (AFGVF) Q1 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

May 14, 2024 Tuesday

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**Length:** 5855 words

**Byline:** SA Transcripts

**Body**

Agfa-Gevaert NV (AFGVF)

Q1 2024 Earnings Conference Call

May 14, 2024 03:30 AM ET

Company Participants

Pascal Juery - Chief Executive Officer

Vincent Wille - President, Digital Print & Chemicals

Conference Call Participants

Alexander Craeymeersch - Kepler Cheuvreux

Kris Kippers - Degroof Petercam

Guy Sips - KBC Securities

Maxime Stranart - ING Group

Presentation

Operator

Hello and welcome to the Agfa Q1 2024 Results Call. My name is Laura and I will be your coordinator for today's event. Please note this call is being recorded. [Operator Instructions]

I will now hand you over to your host Pascal Juery, CEO to begin today's conference. Thank you.

Pascal Juery

Thank you much and good morning everyone. I'm sitting in Mortsel with my colleagues of the Executive Committee and Viviane Dictus, our Head of Investor Relations.

I will be walking you through the results of Agfa for Q1. Actually our CFO, Dirk De Man is still out for medical leave, so I'll take most of the presentation today. And of course all the questions of the analysts.

So, let me turn to the first slide. And indeed we had a weak start of the year very clearly. So, a weak start of the year, but we are also maintaining our full year outlook and I will explain to you why.

We knew that the first quarter and the first semester in fact would be weaker and that we will have a back-ended year actually in 2024 quite in a similar fashion that what happened last year by the way.

So, if I turn quickly to give you the headlines per business. So, Healthcare IT, we had a very [indiscernible] quarter, of course, in Q4 followed by a weaker quarter in Q1, but it's not abnormal in this business. And we are going to see the similar pattern actually this year that we've seen this year with most of the EBITDA generation in the second semester of the year and the strongest quarter of the year will be Q4 as usual.

I'll make more comments on Healthcare IT, but I can tell you that today we are seeing extremely good momentum in our funnel -- in our commercial funnel, in our pipeline, but I'll come back to that. I think we are going to do -- we are going -- good job in Healthcare IT.

DPC also a very weak start. Here, ZIRFON was really on track with what we thought. However our Digital Printing is starting a bit slower than normal I would say. The reason being that we have launched and renewed actually a significant part of our product portfolio in terms of equipment and that kind of delayed a bit some investment decisions by customers.

But again we will deliver what we did and it's going to be also for once actually more in H2, in the second semester and that's also the fact that that the partnership with EFI will take more impact in the second half of the year. Film activities are still very difficult in terms of volume for us.

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Radiology had a very complex quarter, I would call it a perfect storm. Actually we had the same volume in films decrease by 20% versus first -- the quarter of last year. There is no -- well, the reason is destocking in a lot of geographies. The fact that we are reorganizing our go-to-market in China had a significant impact. And normally between regions, you have more or less I would say compensation of volumes with this quarter actually. All the regions were linked in volumes. So, it's a bit of an outlier quarter.

And unfortunately, at the same time, we suffered some significant quality issues in manufacturing that means we were hit not only on the top line, but also on the margin of films this quarter. So, it's a very weak quarter. We expect I would say to be back to normal I assume that is Q2.

So, this leads to a very low EBITDA for the quarter for the group by €2 million. In this context, we were able to keep working capital under control in spite of reduced top line. We limited the normal inflow of working capital during the first quarter.

So, again, a weak start of the year. We knew that probably it was a bit weaker than what we thought originally, but we are maintaining our full year outlook and there are lots of timing events actually in these results.

So if I turn to numbers, you see the top line, minus 7.6% in top line, minus 6.5% when I remove the impact of currency which is still a bit adverse. And it's really across the board. All the businesses have seen a decrease in the top line from Radiology DPC, as well although to a lesser extent and HealthCare IT as well. So, leading to a very weak EBITDA for the quarter, if you can see here Q1 of this year versus Q1 last year.

If I turn to the profit and loss, the top line I think I commented already. So having a specific impact on our gross profit for the quarter is a double impact the volume impact and margin impact specifically in film due to the quality issues we suffered during the quarter. Operational expenses is under control lower than last year. We are continuing to deliver productivity quarter-after-quarter in this area. But of course this leads to a very negative EBIT for the quarter.

If I turn to the rest of the P&L what I would like to draw your attention to is as explained, we are now at a time where we are still executing some consolation projects, but not launching new initiatives meaning the restructuring and non-recurring charge is a lot less than what it used to be and this is a trend that will continue during the year. If I look at tax 0 for the quarter, we guided for 12 for the year also in quarter -- all quarters of '24. And also the results from discontinued operations is still an offset related charge in our accounts for the first quarter.

If I look at the working capital, at this time last year, we were at 32% of sales. Now we are 29% of sales. It shows that the improvements we've made during the course of last year in terms of working capital management are sustained. It's normal that at the end of the first quarter, we had a bit of an inflow of working capital, but it was a lot less in previous years and that against the contract that is unfavorable. First, indeed the weak sales; and second the fact that shipment routes today from Europe to Asia is delayed due to the situation in the Middle East, so overall a good management.

Cash flow as usual is negative during the first quarter, but is even probably become further amplified by the fact that we have a very low EBITDA in the first quarter. Just a couple of comments. I already commented on the working capital. Yes, under control working capital, but much less than the previous year. More CapEx, actually more CapEx due to two things, the ZIRFON project so that goes on. And as well we have started to capitalize a bit of R&D in HealthCare IT. And for pension, it's a rather low quarter in terms of expenses and restructuring and non-recurring minus €6 million. Well this is a result of past projects for which we are still spending our cash. I repeat that for the full year, the guidance is will be at less than 50% of last year's restructuring cash expenses.

Just a word on the liquidity. We are going to finance actually the ZIRFON project or through a lease. And we are also -- we are today vendor financing part of our business and especially in HealthCare IT North America with our balance sheet. We will now switch to an external provider and have the opportunity to sell a good lease receivables to -- through this operation.

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Then if I turn now to business and give you more color on business-by-business. So really indeed a big quarter we had a few contracts that we did over a bit in the first quarter. And again I think now everybody is also accustomed with the seasonality of this business, which builds up during the year. So meaning Q2 is higher than Q1, Q3 is higher than Q2 and Q4 represents a significant part of the yearly EBITDA.

So on order intake, which is important, we are comparing ourselves in these last 12 months rolling with Q1 last year that was the strongest in the year actually that results today minus 15% in our 12 months rolling order intake. But I immediately tell you that in Q2 and at the end of Q2 will be ahead again.

Again for order intake we had -- we believe we have a strong activity in terms of funnel and we expect Q2 to be rather strong. So at the end of this first semester, we'll be in rolling mode again in terms of order intake. It's just a phasing issue. And actually if anything, I would say we have good momentum today in the market and I'll come back to that in a minute.

13% of the total order intake is related to managed servicing. It's a way to indicate that that is more distributed revenue and margin during the life of the contract. So low quarter in terms of EBITDA, but with a gross margin that is still satisfactory. So it's purely top line related and phasing related no issue there.

If you look at the P&L, again the gross profit shortage just coming from the lower supply, the percentage of gross profit is quite okay. The operational expenses are under control. So again we are maintaining our guidance for the full year.

Why are we so confident? Well, first we have brought some well-received new features to the market with our cloud solutions with also our streaming clients. We have seen really an accelerated demand for new cloud contracts. And we are currently have received vendor of choice status on a number of cloud deals, which means some of it is not yet fully in the order book, the vendor of choice meaning they are in contract negotiation and just a few days or weeks away to put it in the order book actually. And we are winning significant contracts and I want to insist these are net new customers as well for us.

As you know we are continuing the acceleration of innovation effort. We told you we were going to have a specific effort to, I would say improve our cloud solutions to the market. We are doing that. And for the first time this quarter, we capitalized a bit of R&D related to this program.

Industry recognition, really super happy to report that we had the best-in-class awards in 2024 and especially for the first time for XERO Viewer of North America, which is quite a milestone. We also -- recently there was a report by KLAS related to Enterprise Imaging. And really I think Agfa HealthCare is standing out here. And we can see in the momentum of our funnel.

We have a lot more I would say customer opportunities, customer discussions and we are getting invited I would say to ask this a lot more today than it was the case a few months ago. So and this are well the KLAS Research is based on customer feedback. So it means we have fundamentally improved the way we are perceived in the market and it has a very positive impact on our business.

Let me turn to DPC. So DPC again in the first quarter, it's a bit across the board weak. Actually when we say weak, it's really impacting in Specialty Film and Chemicals because for the film we continue to grow and for DPS, we are very close to last year. So the sales top line -- sales top line shortage comes from the legacy part of the portfolio.

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For DPS, it's a small decrease. But as I said, we had a lot of new product initiatives right at the end of the quarter, because we launched at FESPA, which is a digital printing fair that happened in the last week of March. So typically, we are taking out older equipment and introducing new machines, so you have a bit of a gap in between.

Films, 6% growth, well, it's good performance, but I think we are expecting the growth to accelerate in the next quarter, and as I said, on the legacy film of film and chemicals, a weak quarter. So very, very much slower in Q1 this year compared to last year. There is a lot of phasing issues here, and I repeat, we are absolutely maintaining our guidance for 2024, DPC will be the fastest growing, including bottom line, business of the group. I repeat, I got the question last time, what do you mean by significant growth? As I said, strong double-digit growth of profitability in DPC, and we maintain it, and it's again a timing issue that we are facing in Q1.

If I turn to P&L here, same story, a lot of actually the impact on EBITDA coming from the top line. Operational expenses, the only business in which we have a bit higher operational expenses, that's on all the initiatives that we are taking in terms of digital printing and so on. But at the end of the day, that explains why also we had a bit lower EBITDA. But I repeat, timing.

If I look at the highlights for the growth businesses within DPC, so I said the growth of 6% in ink, but everything, I would say, goes pretty well in this area, and we continue the success with our ink-swap program for the Inca install base. Agfa ESI, no impact in Q1 at all. Most of the impact will be actually in Q3 and Q4, so that's also one of the reasons we know that the phasing is going to be a bit different this year.

The first SpeedSet customer should be up and running, I would say, end of June, beginning of July with our SpeedSet, or at least during the beginning of Q3, I think. And we are about, it's probably a question of weeks to sign the second contract with a North American-based customer. And as explained, we have expanded, renewed and rebranded a significant part of our inkjet printer portfolio. We have replaced, actually, our mid-range with the Anapurna.

We have introduced a new machine in the Bronco, in our GTI series. And last but not least, that's also part of the EFI partnership. We are adding to our range a newer frame through the 5-meter roll-to-roll printer. But all this was done right at the end of March, actually, so no impact at all in the first quarter, but we already have a good order book for these product initiatives.

ZIRFON, still going well, more than 130 customers, 30 countries, so you see that we are pretty much being present globally. We continue to ramp up the production, let's say, in ZIRFON, and we continue to make progress in productivity. We, as you know, have now signed the full contract for the €11 million subsidy, and by the way, we are going to receive the first tranche in April, about €2 million.

And as I told you, we are financing the project through leasing. It's not yet in place, so for the time being, you see, it's not yet in place end of March, but we have a principle agreement to do that. And we expect the new capacity to be ready by the end of 2025, and that's at that time that we will receive also the balance of the subsidy. When the unit will be up and running.

And last but not least, a couple of points of ZIRFON that I want to share with you. So, when we say more than 80%, actually it's closer to 85% of volumes that are already part of the order book. So, we have good visibility on this business and although, as you know, the hydrogen development was probably a bit -- a lot of projects, but not yet a lot of fully financed and decided projects. Also, when you look at the portfolio, actually, there is a gap between the number of the project that keeps increasing almost daily and the projects actually be financed and fully decided.

And we've seen a slower ramp-up than what our customers also have thought. But for us, it was already in our prediction. We believe that volume growth this year will be 30%. So we are on this assumption. Good news that recently was announced in the market is actually the European Hydrogen Bank, has approved the first batch of projects for hydrogen with subsidies. And these are seven projects right across Europe. It's a positive signal because it means this is clearly a project portfolio that should develop, it had an impact, not in 2024, but in the following year. So we see things moving also on ZIRFON.

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Radiology. Radiology is probably the most complex quarter ever for Radiology.

So, as I told you nothing were during the quarter, our China sales impacted by the fact that we are reorganizing our go-to-market and changing a bit, so the policy and the distribution structure in China. But all the other regions had low volumes either for de-stocking, region like in Latin America, which is temporary effect. We have confirmed in all other regions, I would say, the sales volume for the year. But unfortunately, Q1 was weak due to phasing and timing issues as well.

And as if it were not enough, actually, we had a very good performance in the films where the medic film that basically had a credit issue and that cannot be sold. So, it's a clear it's -- it's a €90 million impact that we have to the P&L. We have sold the issue in the meantime. This is an issue that is behind us. But of course, we lost a significant volume order right.

Just a word on DR. We continue to see a similar trend as of last year on the DR, very dynamic in all emerging markets and more softness in Europe and North America. So, it means the growth is really focused on the emerging markets for us today. So all this has impacted tremendously the EBITDA of the year -- the EBITDA of the quarter, because basically, this is an outlier quarter and we expect to be back to normal during -- due to quality issues are over, and we already know April trading, which is more or less back to forecast actually. So that's a bit of an outlier quarter.

Profit and loss, well, as you see, minus 15% top line and actually the film is even higher than that. Actually, gross profit impacted by the top line and the quality issues at the plant, operational expenses well under control and yeah, the streamlining and we will continue to do so our operations in Radiology and by the way, not only in the operational expenses, but also in our manufacturing area, where we are taking initiatives in this field.

Just a word on highlights of Radiology and the DR side, we have -- our strategy is really to differentiate through the software, and we are embedding more and more AI-based solution that we bring at the point of care. And today, we are receiving is a good market feedback from this initiative. So the level of the gain for us is not really to differentiate through the modality sales, but through the service and software, AI power although is there for this. And we have also achieved the full Medical Device Regulation certification for our portfolio, and we are totally compliant and that's also a very positive way for the business.

And then on CONOPS. On CONOPS, As you know CONOPS is where we provide sales service and supply to our ECO3 ex offset business. On the contrary it was a strong quarter also for I would say inventory management reasons in fact on -- which is a reverse of what I told you on some of other activities. So when you look at -- and I believe there the quarter that's not something that can be extrapolated. Just as I told you cannot extrapolate the first quarter performance for the rest of the business we were the same but in reverse just so to speak.

Outlook unchanged. We are not changing the outlook. We've reviewed very carefully the phasing of our initiatives. We have taken also a few actions to secure the delivery of course of the business. But at the end of the day we knew that we would have a back-ended year but it's fully confirmed of course now. But it's really underpinned by our vision and the pipeline of projects or an order book behind. So the outlook remains the same by division. HealthCare IT the same we will continue to progress and at the same time continue to invest significantly in cloud training.

DPC we keep our guidance in the same way. We will have a good top- line growth and profitability growth during the year still driven by our growth engines the ZIRFON and Digital Print Solutions. And Radiology we already told you it was going to be difficult. We've got a much more difficult quarter than what we thought in Q1. But for the rest of the year we see things getting back I would say to normal. This being said, the fundamental trend that the business still -- is still and still remains. We will still be under pressure in this area for this year actually.

Just a word on sustainability before we turn to questions. In fact key message is we have a plan to reduce our emissions by 62% by 2030. By the way doing that in a smart way it doesn't mean that -- by changing the energy it doesn't mean that we are going to be penalized in terms of cost absolutely not. We'll have a situation that will give us flexibility and the ability to reach a reduction target also it's the best of the two worlds.

We are responding to the market whenever we need to in terms of net zero targets especially in HealthCare and for instance the NHS in the UK has asked us to commit and we have met this commitment of NHS. We continue to have DEI initiatives and I would say gender equality initiatives as well that are broadly on track.

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And safety is still an area where we are working on. Our goal this year is to have a significant reduction of accidents within our plan by more than 20%. And so far we are tracking along this result. And again, we are already preparing the new CSRD Compliance. We are on track to do that. And this year we got a lot of recognition from EcoVadis. Actually it's a bronze medal but it means we are in the top -- we are actually in the top quartile of all companies reporting to EcoVadis and we've been doing that actually for a couple of good results.

So again, before let me wrap up before I turn to your questions. Yes, very weak start of the year. Indeed we knew that it was going to be such a phasing but it was a little bit more pronounced that's what we saw during the first quarter. However, again we maintain the guidance for the full year and we maintain our growth targets for DTC and HealthCare IT, as already stated and we do that based on the projects and the visibility that we have on our commercial pipeline and other initiatives.

So let me now turn to the questions of the analysts. So operator, if we can.

Question-and-Answer Session

Operator

Sure. Thank you. [Operator Instructions] We will now take our first question from Alexander Craeymeersch of Kepler Cheuvreux. Your line is open. Please go ahead.

Alexander Craeymeersch

Good morning, Pascal and team. Yes. Kepler Cheuvreux speaking. I was just wondering if you could explain the decrease in the order intake in HealthCare IT because mid-March we had a call and I think you were rather proud, I believed on a big order that was placed in January and you sounded rather optimistic. So I thought that the order intake should have listed. So between mid-March and I guess then the end of March, something must have changed. So if you could just explain that change?

Pascal Juery

No. It's just a signature that of some contract that was pushed back to early April. So when you do the cutoff 31 of March, it doesn't look good. We are going to do the cutoff end of June. It's going to look good, okay? So it's a cutoff issue Alexander, nothing more than that.

Alexander Craeymeersch

Okay.

Pascal Juery

We have very stringent recognition criteria for order intake actually. And therefore, you can sleep for a contract not fully signed and whatnot. But again, we are following that up every week and the bucket is already okay. And we know that in – the question in Q2 is, is it going to be good? Or is it going to be great that we don't know yet.

Alexander Craeymeersch

Okay. And that's good for Q2. But just if you say that the Q2 order intake will be higher is that then higher year-on-year? Or is it higher quarter-on-quarter?

Pascal Juery

No. We say – well, we guide on 12 months rolling. So at the end of June I'm saying it's going to be higher than the last year 12 months rolling. Now if you take on quarter, Q1 was quite below last year, which was the highest order intake quarter of the year and Q2 will be much above Q1.

Alexander Craeymeersch

Okay. Answer

Pascal Juery

Remember this is a lumpy business in terms of order intake because a significant contract can tell the numbers pretty clear. So it's not – order intake is not a steady flow in HealthCare IT. It's lumpy. So we do pretty – quite an okay quarter in the first quarter because we did about 30 million order intake but Q2 will be much higher. And Q1 last year was much higher than Q1 this year and it was the highest quarter of – but again, it's lumpy. But what is more important to me is to see what we have in the pipe to see the number of opportunities to see where we are because before we sign a contract there are a few milestones. And do I feel good? The answer is yes. I feel very good for Q2.

Alexander Craeymeersch

Okay. Then maybe if you could just give us the direct and indirect impact from the one-off that you are discussing in Radiology, please? Because you've talked about lots of sales but I guess there's also a direct cost related to that. Thank you.

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Pascal Juery

Yes. Yes. In Radiology, if you look at the shortfall versus last year, I would say, 60% is volume related, 40% is manufacturing quality related.

Alexander Craeymeersch

Okay.

Pascal Juery

I hope this has answered your question. And again these quality issues are now sold. They are behind us. We took the full charge. We see what we can do if we can recover part of it. I don't have a lot of hope, but we'll do the full chart.

Alexander Craeymeersch

Okay. Thank you. I'll leave the floor to my colleagues. Thank you, Pascal.

Pascal Juery

Thank you, Alexander

Operator

Thank you. We'll now move on to our next question from Kris Kippers of Degroof Petercam. Your line is open. Please go ahead. Kris, you might want to unmute your audio, please.

Kris Kippers

Yes. Good morning. Can you hear me now?

Pascal Juery

Kris, we can hear you now. Thanks.

Kris Kippers

Sorry, yes, indeed double mute. Thank you, Pascal for the explanation. I've got one main question actually. If you look at the press release of course, there is a hiccup in the organic sales evolution that's well explained and the working capital, is well managed. But if you look at the debt position, it's going up. At the same time, you actually now communicate that you will be leasing your production facility of ZIRFON, and you will be selling also your receivables in the US. So could we link both actions? Or how should we see it? Are you a bit worried about the cash generation, in the coming quarters? Or why does Agfa does not provide any debt line, for example, what's the reason for those actions? Thank you.

Pascal Juery

No. Well for ZIRFON, I mean it's a significant CapEx project and we had the opportunity to finance it and we took it, just as simple as that. And regarding, what I told you about vendor financing, we have been doing that at Agfa for many, many years, and using our own resources to do it. But we believe that going forward, it's not the best way to do. It's not the best use of our resources, and we are looking indeed at externalizing vendor financing, through a third-party. I mean, we are not a bank, so to speak. And don't read anything more than that, okay? In it, we are always looking at managing financially of doing things, so that can make sense, so to speak.

Kris Kippers

Yes. Okay. And there's no linkage at all to any cash requirements for the pensions in 2024?

Pascal Juery

No, no, not at all. Not at all, Kris. We are fully -- we also have an RCF. No absolutely not related.

Kris Kippers

Okay. Thank you.

Operator

Thank you. And we'll now take our next question from Guys Sips of KBC Securities. Your line is open. Please go ahead.

Q – Guy Sips

Yes. Thank you. Pascal, a few questions on ZIRFON, first. There was recently a Bloomberg research, indicating that there are too many fish in a tiny pond, that the --materialize manufacturing market could be a little bit under pressure. So could you give some color on the situation, at your client side? How do you see that evolving?

Pascal Juery

Well, it's a bit delicate for me to comment on my customers' business. But what we are seeing, today is -- in fact, first remember that all the customers we have, are busy building capacity as well to be prepared for the projects. Is there right now a glut or a surplus of capacity in electrolyzer, I think it's too early to say. Today, I don't think it is the case, personally. But anyway, I would say for us, we're pretty neutral about it because basically we are a supplier to this market. And you know, we are -- how can I say, we are agnostic. We play with all players. So for the time being, you've got strong players, with a strong business in this field. We are happy to have them as customers and I'm happy to say, that when I look at the projects approved by Hydrogen European Bank, a good number of these projects actually will be has named the electrolyzer producer, that act that we know very well, that will play that we are a supplier. So we are -- so we seem to be okay, well care for this.

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Q – Guy Sips

Just can you give us some color on the seven projects in Europe that will be subsidized by the European Commission? Out of these seven projects, in how many are will be ZIRFON be included? Or do you hope ZIRFON to be included?

Pascal Juery

Vincent do you have an answer to this? How many do we hope out of the seven? Seven?

Vincent Wille

No, no, not

Pascal Juery

Not seven.

Vincent Wille

Not seven. But we do know and we cannot be much more specific than that because final choices have not been made. But we do know that for actually all the large ones in those lists, let's say that our bigger customers have been supporting those projects.

So, do we hope to get the majority of those projects? We're not counting on that, but it's even an eventuality but we should for sure get some. But this will -- to be clear I don't think this will actually bring volumes to us this year, but it should bring achieve volumes for next year.

Pascal Juery

Yes. of course, yes. So, this year, it's pretty much done I would say.

Guy Sips

A question on the situation with AURELIUS, how is that evolving? When can we expect the cash to come in? Any news on this one?

Pascal Juery

Yes, sure. Good question indeed. Well, we are -- to make a long story short, I think I expect the cash rather be in beginning of Q3 than Q2 because the timing right now is seems to be a bit tight. We are in the process of still appointing the expert and the expert has 30 days to give his judgment, but these are business days. And then this has a bit of time to pay. So, I would expect -- we expect this to happen in the beginning of Q3. This is the best timing I can give you today.

Guy Sips

But it's still -- you still stand behind your previous statement that is just a timing issue not--

Pascal Juery

Yes. Yes, I stand behind it. It's a timing issue. It's not we feel good about what we have and we always guided for about €30 million -- a little bit less actually €28 million we said and we still stand.

Guy Sips

And then the statement of the press release is a weak start of the year full year outlook maintained. And if you then look at -- and I'm just looking at your website the consensus of the analysts for 2024, €1.18 billion sales and adjusted rebid consensus is €35 million. This -- are you still sitting on your chair or how do you feel?

Pascal Juery

I feel good in my chair. I'm sitting comfortably in my chair.

Guy Sips

Even after reading this number?

Pascal Juery

Sorry?

Guy Sips

Even after the hearing these numbers?

Pascal Juery

Yes.

Guy Sips

Okay. Thank you.

Pascal Juery

Yes. I heard the numbers loud and clear.

Operator

Thank you. We'll now take our next question from Maxime Stranart of ING Bank. Your line is open, please go ahead.

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Maxime Stranart

Hi, good morning. Hope you can hear me well. Two questions from my end. First of all, if we look at adjusted EBITDA excluding CONOPS, basically end up with a minus €2 million adjusted EBITDA. Could you elaborate a bit on what was the capitalized R&D in that just to see the underlying adjusted EBITDA performance there?

Secondly you mentioned radiology back to normal. If we look back over the last four years now, adjusted EBITDA dropped by 20% per annum. So, I just wanted to make sure what normal is for the time being? That would be all for me. Thank you.

Pascal Juery

Yes. Okay. So, on the capitalized R&D, it's €1.7 million. But again, let me insist, we have not moved charges from the P&L to CapEx. It's specific program on top of that we are -- for which we are doing capitalization. So don't believe that we have switched €1.7 million from expenses to CapEx. No, we have spent €1.7 million more on a specific capitalized program. Just on the first point.

On the second point, yes, I mean we -- in my guidance, I take into account that indeed Radiology will continue to decrease year-over-year due to the film evolution. Indeed, that's part of our outlook that's always the case actually. So, I'm not commenting on the percentage of decline per year. But indeed we have in our outlook a decline for the Film and for Radiology. It's taken into account from the start.

Maxime Stranart

Okay. And if I may add one then. Obviously, DP&C, you mentioned that you expect a double-digit growth on profitability. I asked the question last time already but basically on what metric? Because obviously, looking at the adjusted EBIT of last year was €2.6 million, even a double-digit growth on that for -- the move the needle. So I just wanted to make sure we understand things correctly there.

Pascal Juery

I'm not sure I totally got your question. We said, okay, last year basically EBITDA for DPC was about €19 million, okay? And what we are saying this year is indeed DPC will continue its profitability growth. And I said, very strong double-digit. I'm not talking 10% or 20%, I'm talking more to be clear, so it's...

Maxime Stranart

And to be clear that guidance is a related adjusted EBITDA, not something else?

Pascal Juery

EBITDA.

Maxime Stranart

Clear. Thank you.

Pascal Juery

But the EBITDA will be the same. Yes, absolutely guidance on EBITDA. Okay?

Operator

Thank you. There are no further questions in queue. I will now hand it back to Pascal for closing remarks. Thank you.

Pascal Juery

Thanks very much, and again, thanks for attending the call. Again I repeat, a weak quarter and definitely a weaker quarter than expected, but it doesn't change the overall message, doesn't change what we told you regarding the growth engine, so just a question of phasing.

Again, there is some seasonality in our business. We discussed it also a few months back. And some timing impact here. And I can tell you on HealthCare IT and DPC, and all the growth engines, we are not -- we have not changed our view at all on these activities. More difficult than forecasted start of the year for Film, but again, with the back to situation that will normalize in Q2.

So, this being said thanks a lot for attending and have a good day. Thank you.

Operator

Thank you. Ladies and gentlemen, this concludes today's call. Thank you for your participation. Stay safe. You may now disconnect.

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