

# SMA SOLAR TECHNOLOGY AG

## Analyst / Investor Presentation

### Quarterly Financial Results: January to March 2014



Pierre-Pascal Urbon, CEO; Lydia Sommer, CFO – May 15, 2014



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# EXECUTIVE SUMMARY

## **WEAK DEMAND IN KEY MARKETS** IN Q1 2014 IMPACTS SMA'S RESULT

- > Global installations of only 9 GW in Q1 2014. German demand dropped by 40% y-o-y.
- > Nearly 1.0 GW inverter output sold (-18%).
- > €176 m sales due to customers' decision to postpone projects, price concessions and product mix changes (-17%).
- > International share of 68.0% underpins SMA's strong international presence (Q1 2013: 67.5%).
- > An operating loss of €-22 m in line with guidance.
- > A net working capital ratio of 26.1% is above management full-year guidance<sup>1</sup> in light of expected volume increases.
- > Positive adjusted free cash flow of €3 m despite weak sales.
- > Solid balance sheet structure with an equity ratio of 57.4%.
- > Net cash of €314 m (Dec. 31. 2013: €308 m).

<sup>1</sup> Management guidance: Net working capital ratio of 20% to 23% as of LTM at the end of 2014

# POSITIVE FREE CASH FLOW DESPITE A MASSIVE DROP IN DEMAND

	January - March 2013	January - March 2014	Changes
MW sold	1,167	956	-18%
Sales	212	176	-17%
EBITDA	9	-3	-127%
Net loss	-6	-17	188%
NWC ratio	22.8%	26.1%	
Net Capex	18	12	-33%
Free Cash Flow (Adj.)	-21	3	114%

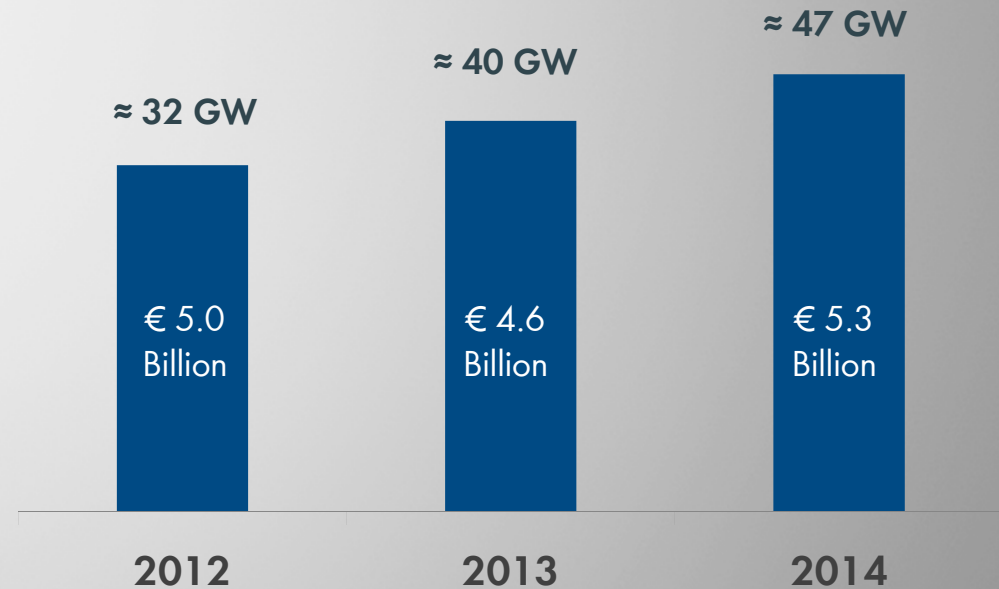
Numbers in million €, unless stated otherwise

# MARKET AND STRATEGY



# THE **GLOBAL SOLAR INVERTERS MARKET** IS EXPECTED TO **GROW** IN 2014

- > Strong growth in China, Japan and North America
- > Upcoming markets in Asia, South America and Africa will fuel global demand as well.
- > European markets are expected to decline again.
- > Utility-scale projects and commercial applications will gain momentum.



## AS THE FIRST PLAYER, **SMA LAUNCHED** ITS PRODUCT BUNDLE FOR **RESIDENTIAL PV - ENERGY MANAGEMENT**

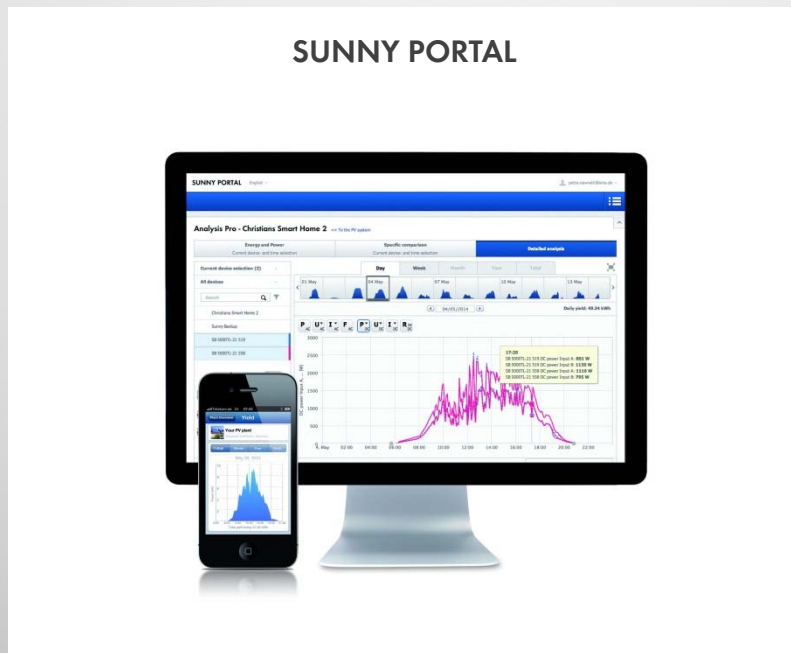


Available: April 2014

- > DC-coupled system with power rating options 3.6 kW and 5.0 kW and LG Chem's lithium battery (capacity 2 kWh)
- > Sunny Home Manager and Digital Meter complete the package and allows professional energy management for residential application
- > Up to 50% self-sufficiency can be achieved with SMA's unique product bundle



# SMA WILL INTRODUCE A **NEW PROFESSIONAL MONITORING** FOR SYSTEMS OF ALL POWER CLASSES



Available: July 2014

- > New analysis tool allows for detailed analysis of high resolution PV-system data as well as multi plant management
- > Instant availability after purchase via SMA Sunny Portal Store
- > Third party devices will be integrated in to SMA Sunny Portal

DURING THE UPCOMING INTERSOLAR SMA WILL PRESENT  
**NEW TECHNOLOGIES TO ACCELERATE FUTURE SALES**



Available: Q4-2014

- > Doubling of power to 2,200 kVA/1500V
- > 1,000 and 1,500 V technology for flexible plant layout
- > Complete solution for all medium and high voltage grids

# THE IMPLEMENTATION OF OUR **STRATEGY IS ON-TRACK**



- > Development of the PV-Diesel-Hybrid market
- > SMA has already installed hybrid systems of more than 50 MW worldwide



- > Coverage of the booming Chinese solar market and the „budget“ segment
- > Presentation of Zerversolar's complete new product portfolio during SNEC 2014 in Shanghai

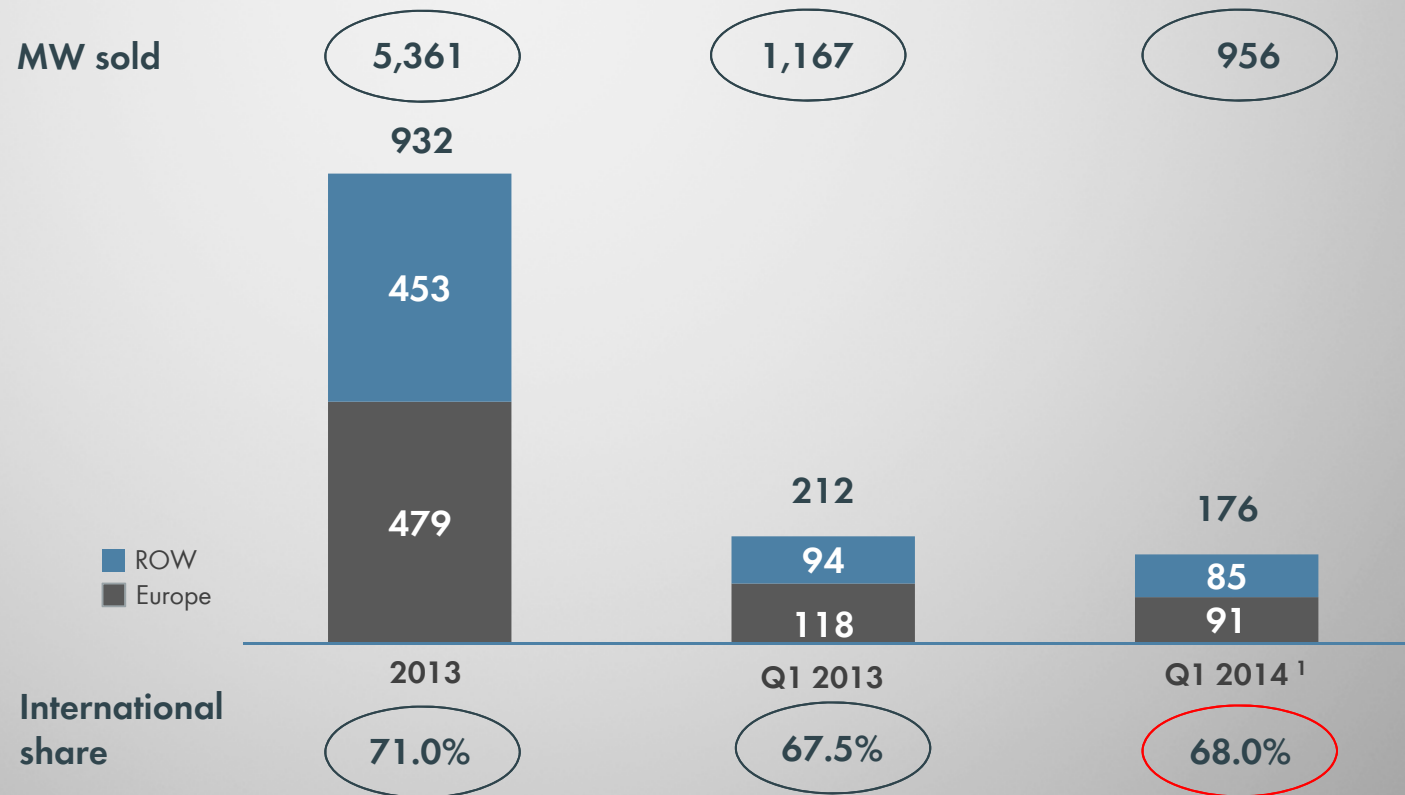


- > Savings from operational excellence initiatives and cost out projects
- > Alliance with Danfoss Group to further lower costs and to pool purchasing volumes

# FINANCIALS

# SMA REMAINED ITS HIGH **INTERNATIONAL SHARE** IN Q1 2014

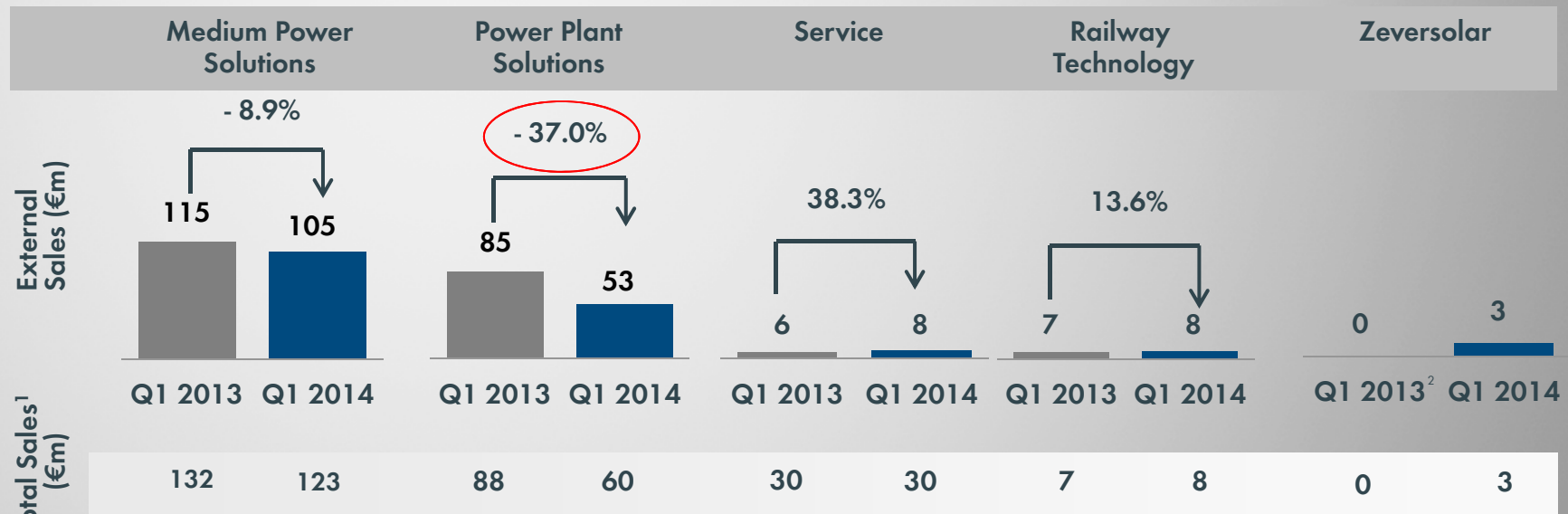
Sales in € million



<sup>1</sup>Management guidance Q1 2014: Sales of €170 million to €200 million



# THE DECLINE IN THE PROJECT BUSINESS IS THE MAIN REASON FOR THE DROP IN SMA GROUP SALES IN Q1 2014



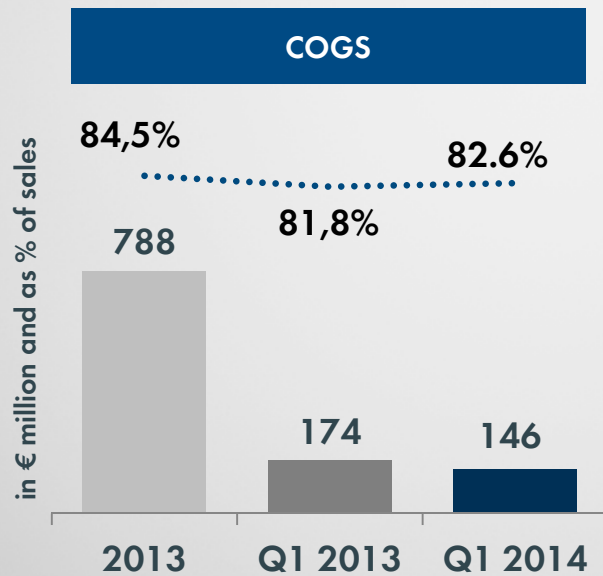
## Highlights

- > Sales decline mainly due to the ongoing political discussion about changes to the German EEG
- > Sales decline in Germany was partially offset by sales in Japan, U.S. and U.K.
- > Recent market launch of Sunny Boy Smart Energy
- > Sales decline due to project postponements
- > Market launch of SMA medium voltage skid solution
- > Most important foreign markets included North America and Great Britain
- > Sales drivers were maintenance and service contracts, 50.2 Hz modifications and chargeable repairs
- > SMA Services took on operational management of a 100-MW Canadian PV farm under a 10 year contract in February 2014
- > Railway Technology's project business is on-track
- > A more efficient platform to supply energy to local trains was developed
- > International sales increased, domestic sales were traditionally weak
- > Zeversolar reworked string inverters for international budget-markets and central inverters for China
- > Zeversolar completely overhauled its brand presence

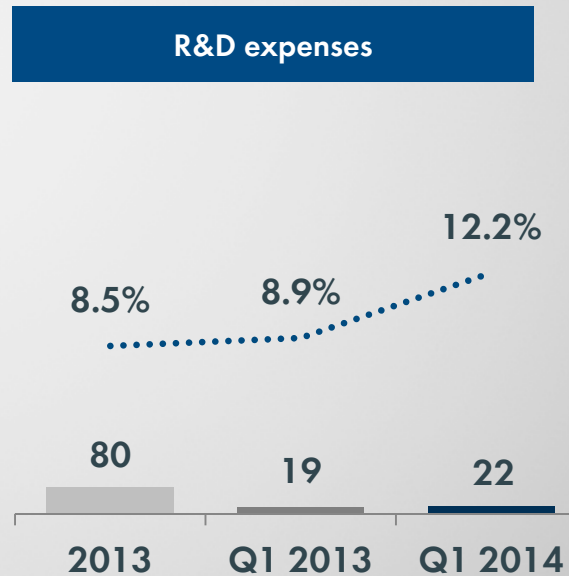
<sup>1</sup> Incl. Internal sales  
<sup>2</sup> 2013 sales only from March 12, 2013 to March 31, 2013



# RISING PERSONAL COSTS AND INTERNATIONAL STAFF EXPANSION OFFSET **GERMAN HEADCOUNT ADJUSTMENT SAVINGS**



- > Price pressure and utilization negatively affected gross margin
- > COGS declined 16%, slightly less than the decline in sales and volume<sup>1</sup>
- > Personnel cost savings were offset by salary increases, the consolidation of Zeversolar and the expansion of international procurement organizations



- > Investments of €27.1 million in R&D in Q1 2014 (incl. capitalized R&D projects) are according to plan
- > High number of capitalized projects (€5.6 million) reflects activity in the development of new devices

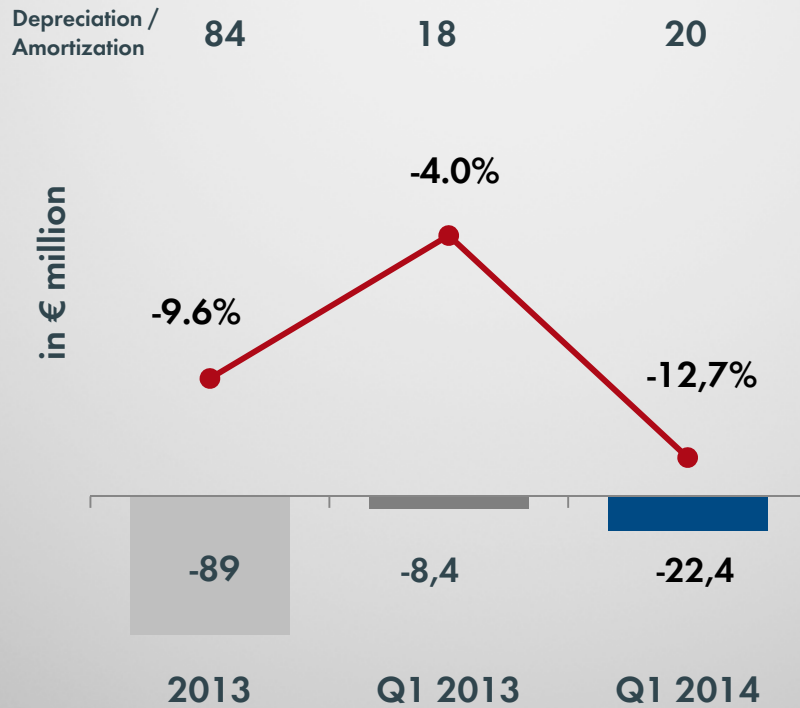


- > Personnel adjustments effects in Germany were offset by collectively agreed salary increases, the expansion of the sales organization, and the first-time full consolidation of Zeversolar in first quarter 2014

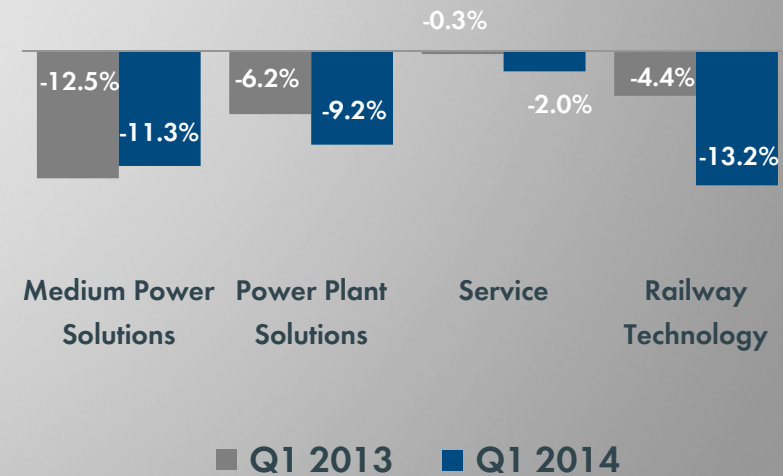
<sup>1</sup> Change in Q1 2014 compared to Q1 2013

# SMA'S **EARNINGS** ARE IMPACTED BY A LOWER SALES LEVEL AND A CHANGE IN THE PRODUCT MIX

EBIT and EBIT margin SMA Group



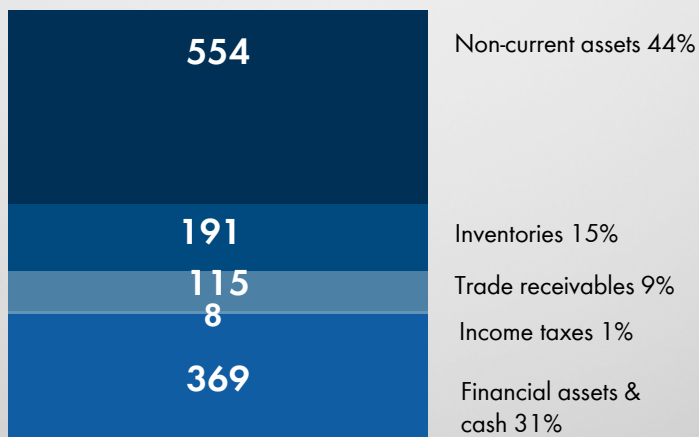
EBIT margin by segment



Zeversolar's EBIT amounted to -3,5 m in Q1 2014 (Q1 2013: €-0,6 m).

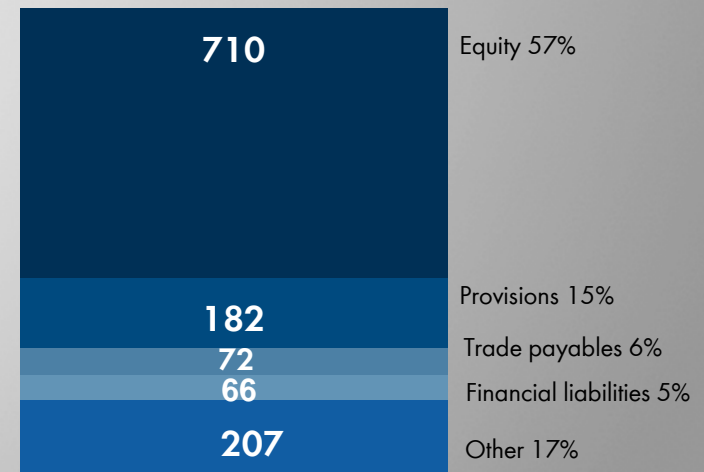
# SMA HAS A **SOLID BALANCE SHEET STRUCTURE** WITH AN EQUITY RATIO OF 57.4%

Σ €1,237 million



Assets

Σ €1,237 million



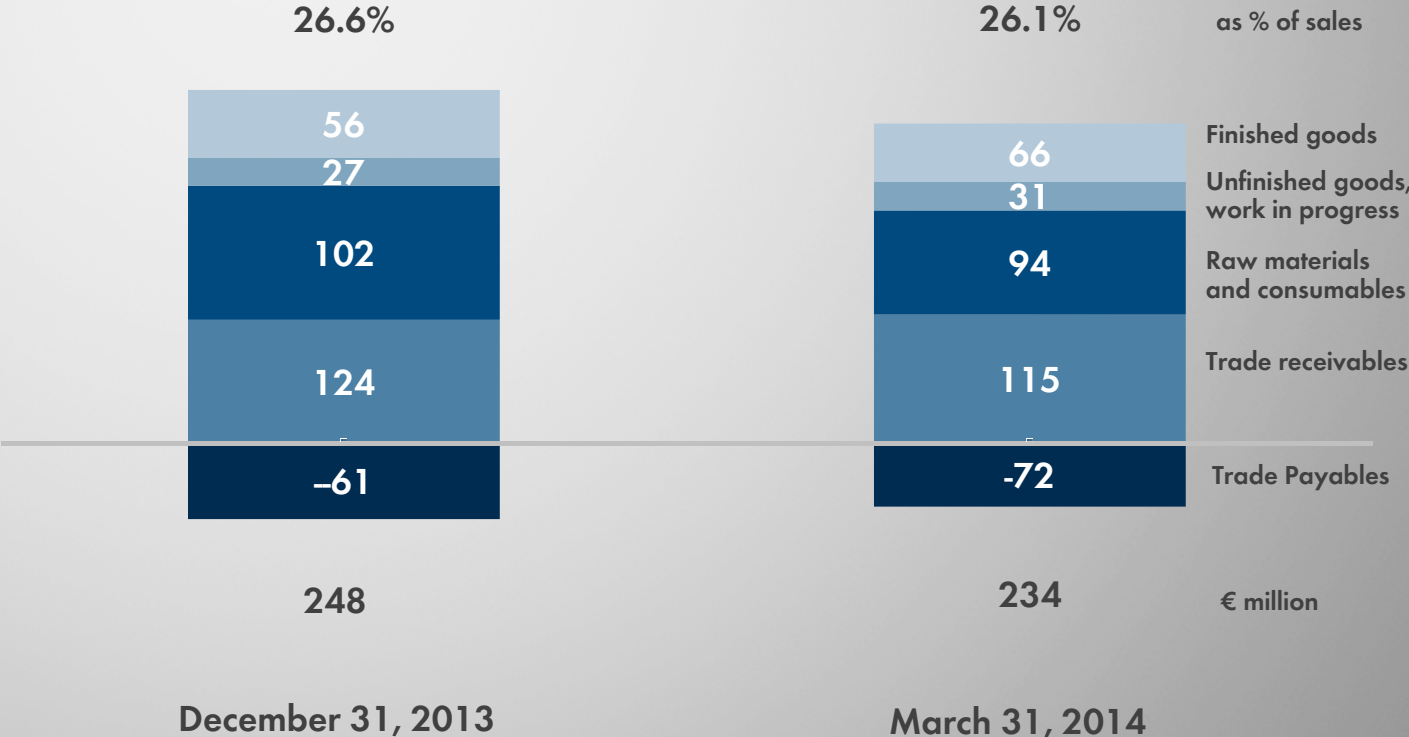
Liabilities

Differences due to rounding.

► Net cash amounted to €314 million at the end of Q1, 2014.

# NET WORKING CAPITAL REDUCED BY 14 MILLION EUROS DUE TO A RECEIVABLE DECLINE AND A PAYABLE INCREASE

## Net Working Capital<sup>1,2</sup>



► Net Working Capital Ratio of 26.1% above full year guidance<sup>3</sup> in light of expected volume increases.

<sup>1</sup> Net Working Capital = Inventory + Trade Receivables - Trade Payables (no advanced payments included)  
<sup>2</sup> Relating to the last twelve months (LTM)  
<sup>3</sup> Management guidance: 20% to 23% as of LTM sales

## CASH FLOW FROM OPERATIONS POSITIVE DESPITE STRAINED SALES SITUATION

	Q1 2013 <sup>1</sup>	Q1 2014 <sup>1</sup>
Gross Cash Flow	1	-9
Cash Flow from Operating Activities	-3	15
Net Capex <sup>2</sup>	-18	-12
Free Cash Flow (Adj.)	-21	3
Acquisition <sup>2</sup>	-22	0
Net investments from securities and other financial assets	46	14
Free Cash Flow (IFRS)	3	17

<sup>1</sup> In € million, with rounding difference

<sup>2</sup> Acquisition of Zeversolar

# OUTLOOK



# MANAGEMENT BOARD **CONFIRMS FULL YEAR GUIDANCE<sup>1</sup>** **BUT HIGHLIGHTS REGULATORY RISKS.**

## **Sales**

- > Sales of between €1.0 billion and €1.3 billion.
- > International sales share > 75%.

## **Operating Results**

- > EBIT of up to €20 million in the best case.
- > Net working capital ratio of between 20% and 23% as of LTM sales in 2014.

## **Investments**

- > Capital expenditure up to €90 million, including capitalized R&D of €20 million to €30 million.

- ▶ **The SMA management continuously reviews the full year guidance. The information gathered during customer meetings during the upcoming SNEC (China) and Intersolar (Germany) will be particularly important to assess SMA's full year guidance.**

<sup>1</sup> First announced November 4, 2013

# SMA IS THE **WORLD'S LEADING SPECIALIST** FOR PV SYSTEM TECHNOLOGY

- 1 Direct exposure to growing PV-market (all markets - all module types - all power ranges)
- 2 SMA - Specialist for system technology and global market leader
- 3 Proven technology leadership and high rate of innovation
- 4 Powerful global sales and service infrastructure
- 5 Flexible business model
- 6 Commitment to adjust organization and drive down product costs
- 7 Special corporate culture and strong balance sheet

ENERGY  
THAT  
CHANGES

