

# SMA SOLAR TECHNOLOGY AG

## Increased Sales & Earnings Guidance 2015

Pierre-Pascal Urbon, CEO/CFO  
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# SMA Increased Its Sales and Earnings Guidance for 2015



## Outlook 2016

- > Demand increase of 15% to 56 GW estimated in 2016; Shift in regional demand and applications will lead to stable global solar sales and a change in the competitive environment - The North American utility segment is expected to grow significantly in revenue terms
- > With the Sunny Central inverter and the Siemens alliance SMA is best positioned to offer a complete and cost-effective solution for utility-scale PV-projects and thus expected to benefit from future market development

## Performance 2015

- > SMA gained market share and is estimated to be the global market leader for solar inverter technology in 2015<sup>1</sup>
- > Sales guidance increase to €850 - 900 million is based on strong revenue growth until Q3 2015 (>20% Y-o-Y) and solid order backlog of c. €665 million<sup>2</sup>
- > Balanced revenue mix with c. 45% of sales in Americas, c. 35% in EMEA and c. 20% in APAC - The utility segment is expected to account for c. 40% of full year sales, while Residential and Commercial account for c. 25% and c. 20% respectively<sup>3</sup>
- > Turnaround completed already in Q3 2015 - For the full year SMA's management expects an operating profit (EBIT) of up to €10 million
- > Attractive cash flow profile due to adjusted fixed cost base, reduced net working capital and low capital intensity

**> SMA returned to profitability earlier than expected and is well positioned to benefit from the expected market growth in 2016**

1. IHS PV Inverter Market Tracker Q3 2015 (Sept. 2015)  
 2. Thereof €>350 million service contracts (sales recognition over 5 to 10 years)  
 3. Other segments (Service, Zeversolar, Off-grid, Railway) account for the remaining sales

## 2. Global Market Development & SMA's Positioning



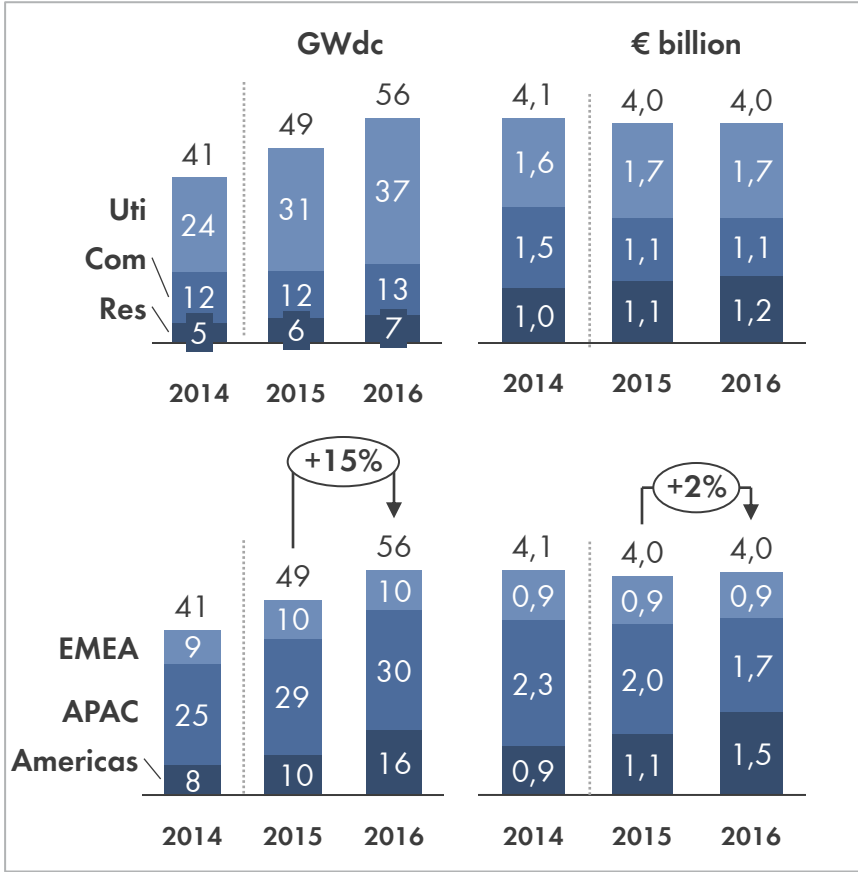
# SMA's Market Outlook Shows an Increased Demand in 2016 - The North American Utility Segment is the Main Growth Driver



## Comments

- > In Americas solar inverter sales are expected to grow by >35% to €1.5 bn in 2016 - The utility segment remains the key growth driver in revenue terms
- > In Japan solar inverter sales are estimated to decline by more than 25% due to the already introduced FIT cuts; India and South East Asia are expected to grow slightly in revenue-terms- This trend is mainly driven by commercial and utility-scale PV systems
- > The EMEA markets remain stable. Demand in UK remains strong until Q1 2016 due to the deadline for ROC<sup>3</sup>; Other key markets are France, Benelux and Germany -Those markets have strong demand for commercial & residential systems

## Global PV Installations per Segment/Region<sup>1,2</sup>



> **The sudden shift in demand towards Utility and North America will change the competitive environment- SMA is best positioned for future sales growth and clearly the global #1 player<sup>4</sup>**

1. Excl. Off-grid and Hybrid Systems

2. Source: SMA MI Market Model; Prices according to IHS PV Inverter Market Tracker

3. ROC: Renewable Obligation Certificate, incentive scheme for >1MW PV system

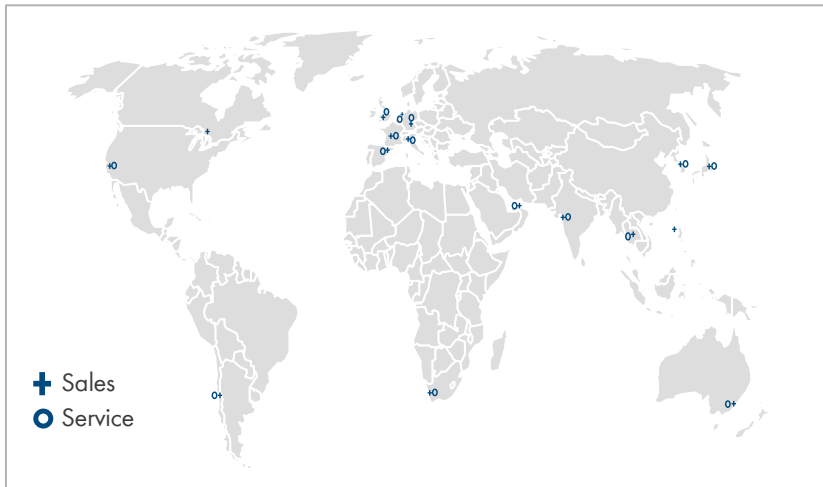
Q3 2015 (Sept. 2015)

4. IHS PV Inverter Market Tracker Q3 2015 (Sept. 2015)

# No Other Competitor Has a Similar Specialized Global Sales & Service Infrastructure

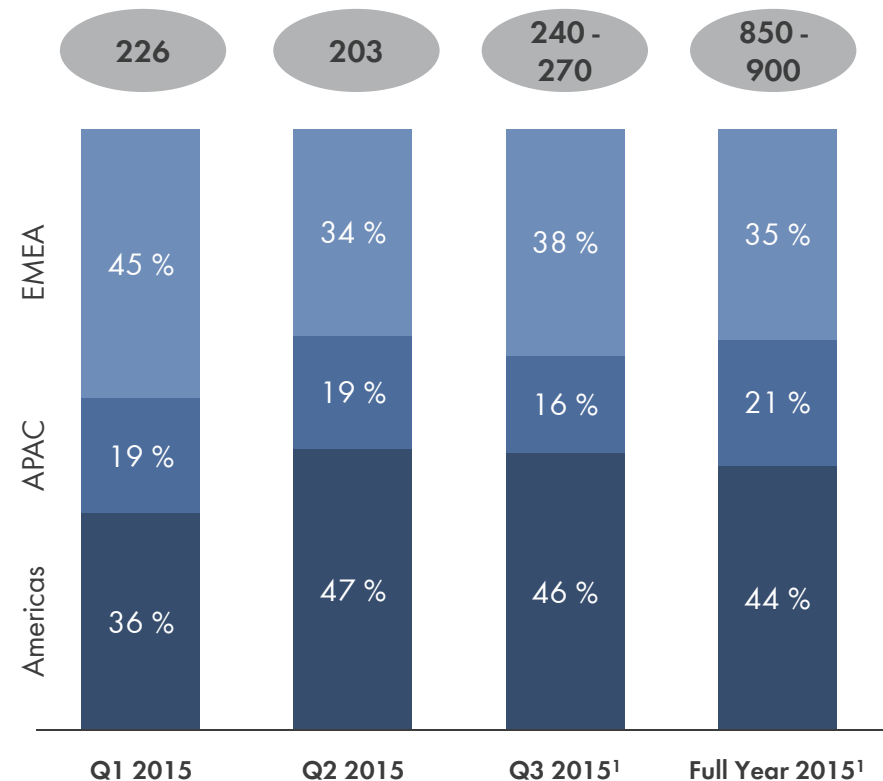


## SMA's Global Presence



Global Service Specialists:	400+
Global Service Partner:	90+
Global Sales Professionals:	200+
# of Sales & Service Subsidiaries:	16
# of Service Monitoring Center:	3

## SMA's Global Sales Mix (in € million)



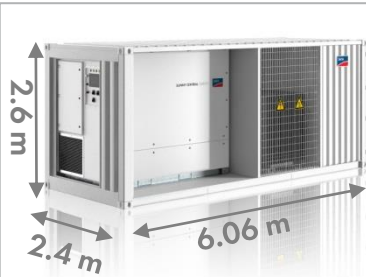
> **SMA has a balanced regional sales mix and the ability to enter successfully into new upcoming regions (e.g. South America)**

1. SMA estimate; preliminary figures

# SMA Serves All Market Segments and All Power Ranges - This is a Key Success Factor in a Fast Changing Market Environment



## SMA Utility (> 40 % of 2015 Group Sales)



**Sunny Central**

- > New **2.5 MW turnkey solution<sup>1</sup>**
- > Less design work
- > Less working capital
- > More yield

## SMA Commercial (> 20 % of 2015 Group Sales)



**Sunny Tripower**

- > New **60 kW US** unit & **25 kW JP** unit
- > Simple installation
- > Low maintenance costs
- > Comprehensive plant performance analysis

## SMA Residential (> 25 % of 2015 Group Sales)



**Sunny Boy**

- > New **1.5 kW / 2.5 kW** units
- > Simple installation

- > Ease of integration into the home grid
- > PV Monitoring via smartphone or tablet

## SMA Service (> 5 % of 2015 Group Sales)



- > **O&M Service<sup>2</sup>**
- > Largest service infrastructure for fast response

- > Advanced preventive monitoring features to secure investments

> **SMA has a balanced product sales mix and opened up successfully new market segments (e.g. O&M-Service, Storage)**

1. Sunny Central Inverter + MV transformer + MV Switchgear  
 2. In Europe and North America

# Based on the New Platform Concept, SMA will Introduce Key Products for Fast Growing Solar Applications



## Sunny Boy for Residential Homes



**Sunny Boy (Q1 2016)**

Target Segment:	Residential
Target Market:	North America
Target Customer:	Leasing Companies / Distribution Channel
Power Range:	5 - 8 kW <sub>AC</sub> single phase
Benefits:	Low ASP; Key Features for TPOs <sup>1</sup> already included; Commissioning with Smartphone possible within seconds

## Sunny Boy for Residential Storage



**Sunny Boy (Q1 2016)**

Target Segment:	Residential (New / Retrofit)
Target Market:	North America / Europe
Target Customer:	Automotive / Distribution Channel
Power Range:	1,0 - 3,5 kW <sub>AC</sub> single phase
Benefits:	Low ASP, High Voltage (up to 500 V <sub>DC</sub> ); Ready for vehicle to grid; Easy to bundle with batteries; Low complexity

➤ **SMA will present its product innovation during the next Capital Markets Day to investors<sup>2</sup>**

1. Third Party Ownership / Leasing Company  
 2. The Capital Markets Day will be held end of January 2016 in Kassel, Germany



### 3. Financials



11240.32  
+ 342.25  
+ 1241.28  
+ 640.39  
+ 428.45

-----  
14092.69

+ 1445.65  
+ 1204.25  
+ 2008.6  
+ 1804.

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2055

21  
2.68  
547.20  
672.08

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31142.45

+ 3542.55  
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+ 854.94

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+ 12  
54

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59.14

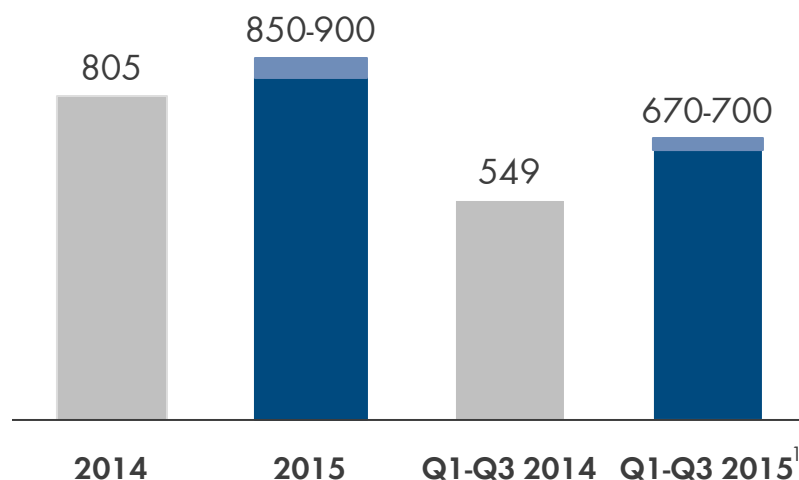
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874.48  
+ 689.45

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7761.67

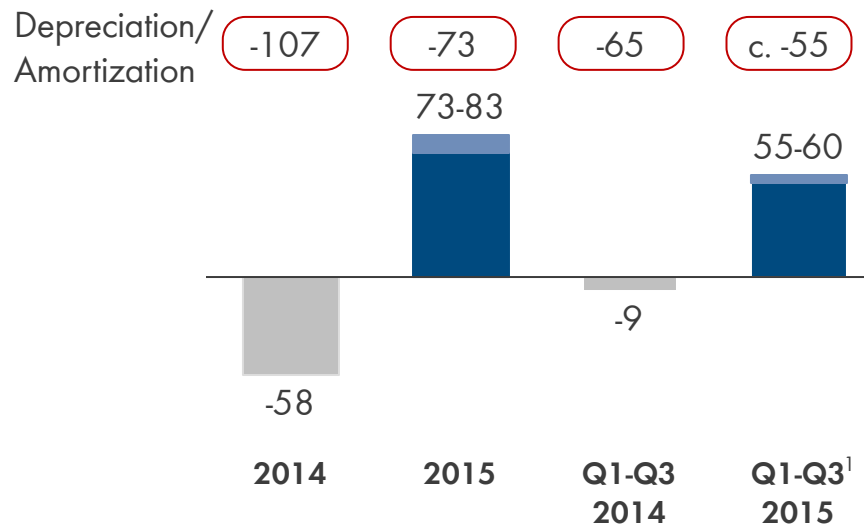
# Until the End of Q3 2015, SMA Increased Sales by More than 20% Compared to the Same Period Last Year



Sales in € million



EBITDA in € million



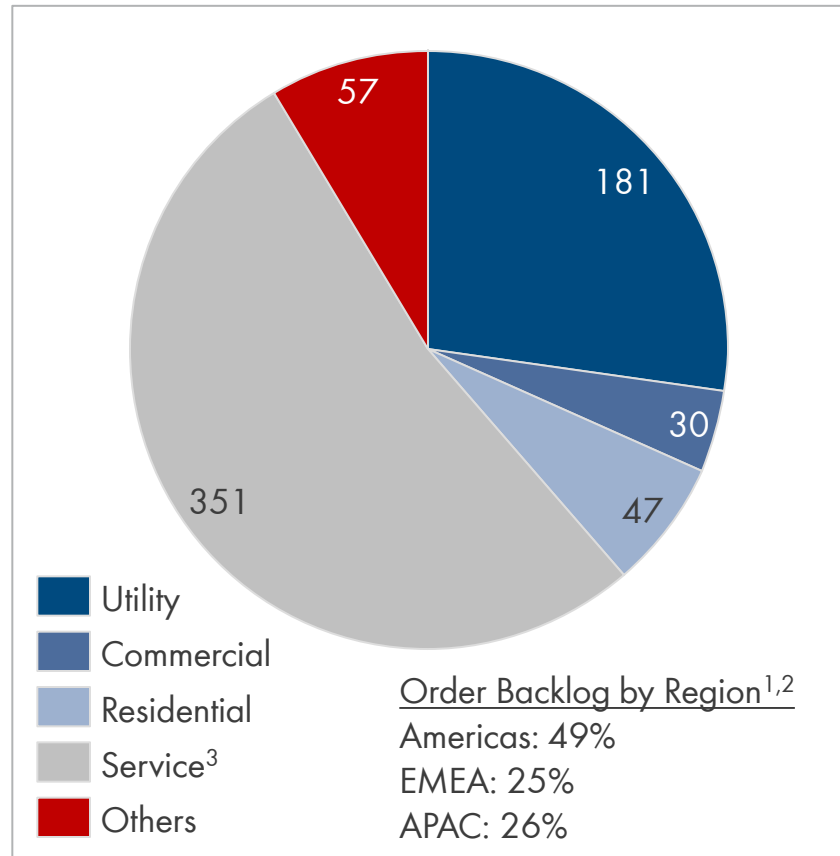
	2014	2015	Q1-Q3 2014	Q1-Q3 2015 <sup>1</sup>
Total assets	1,180		1,233	c. 1,170
NWC ratio	31%	23-26%	35%	c. 23%
Equity ratio	47%	>47%	55%	c. 47%
Net Cash in € million	225		246	c. 260
Debt (loan liabilities excl. derivatives)	-63		-62	c. -64

> SMA will achieve a break even result on an EBIT level already in Q3 2015

# SMA Increased the Strong Order Backlog to c. €665 Million, thereof c. €315 Million from Products



## Order Backlog by Segments (in € million)<sup>1</sup>



## Strategic Projects

- > Swinerton Renewable Energy awarded SMA with a contract to supply 700 MW of Sunny Central 2200 US
- > Customer Bejulo awarded SMA with a 34 MW Operations & Maintenance contract for PV-plants in England
- > Customer Bosung Powertec awarded SMA with a 24 MW storage contract in South Korea
- > SMA won a 250 MW tender for a large utility plant in Brazil

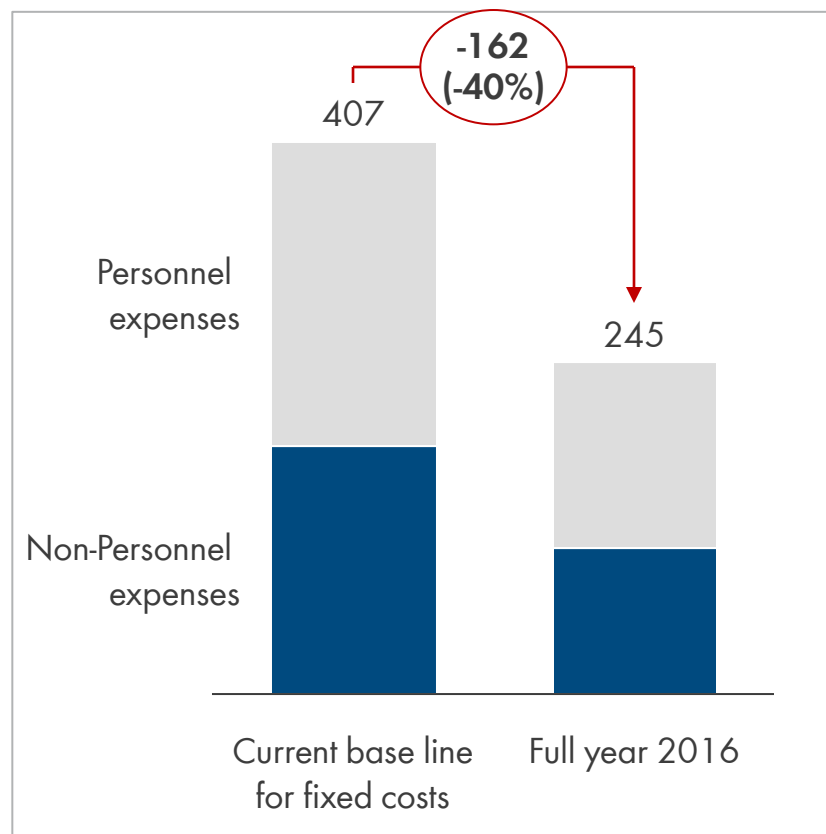
> **SMA works already on utility scale projects for 2017 to be installed in North America**

1. As of September 28, 2015  
 2. Only Utility, Commercial, Residential, Other Business  
 3. Order backlog in service will be recognized over a period of 5 to 10 years

# SMA is on Track to Reduce its Fixed Cost Base by more than €160 Million by the End of 2015



## Fixed cost base (in € million)



## Key transformation measures (FTE)<sup>1</sup>

<b>Technology</b>	<ul style="list-style-type: none"> <li>&gt; Downsizing Kassel, Denver, Suzhou</li> <li>&gt; Reduction of ext. service providers</li> <li>&gt; Focus R&amp;D projects / portfolio</li> </ul>
From 1,050 to max. 570	
<b>Operations</b>	<ul style="list-style-type: none"> <li>&gt; Outsourcing of non-core activities</li> <li>&gt; Phase out interim managers</li> <li>&gt; Improvement of SCM and central inverter production</li> </ul>
From 2,030 to max. 1,500	
<b>Administration</b>	<ul style="list-style-type: none"> <li>&gt; Restructuring CFO/CEO functions</li> <li>&gt; Centralization of administration funct.</li> <li>&gt; Reduction of non-personnel expenses</li> </ul>
From 630 to max. 380	
<b>Sales &amp; Marketing</b>	<ul style="list-style-type: none"> <li>&gt; Reduction of back office staff</li> <li>&gt; Downsizing of communication &amp; marketing</li> <li>&gt; Closure of subsidiaries</li> </ul>
From 450 to max. 270	
<b>Service</b>	<ul style="list-style-type: none"> <li>&gt; Rightsizing infrastructure EMEA/APAC</li> <li>&gt; Reduction of service level</li> </ul>
From 510 to max. 420	
<b>Others</b>	<ul style="list-style-type: none"> <li>&gt; Reduction of office/production space</li> <li>&gt; Restructuring of IT services</li> </ul>

> More than 1,250 employees<sup>2</sup> left the company already - The implementation of measures to reduce the non-personnel expenses is closely monitored

1. Without temporary employees, trainees, interns

2. FTEs w/o temporary employees, trainees, interns as of September 2015; Additional c. 1200 employees are expected to leave SMA until the end of the year 2015

## 4. Strategy & Investment Highlights

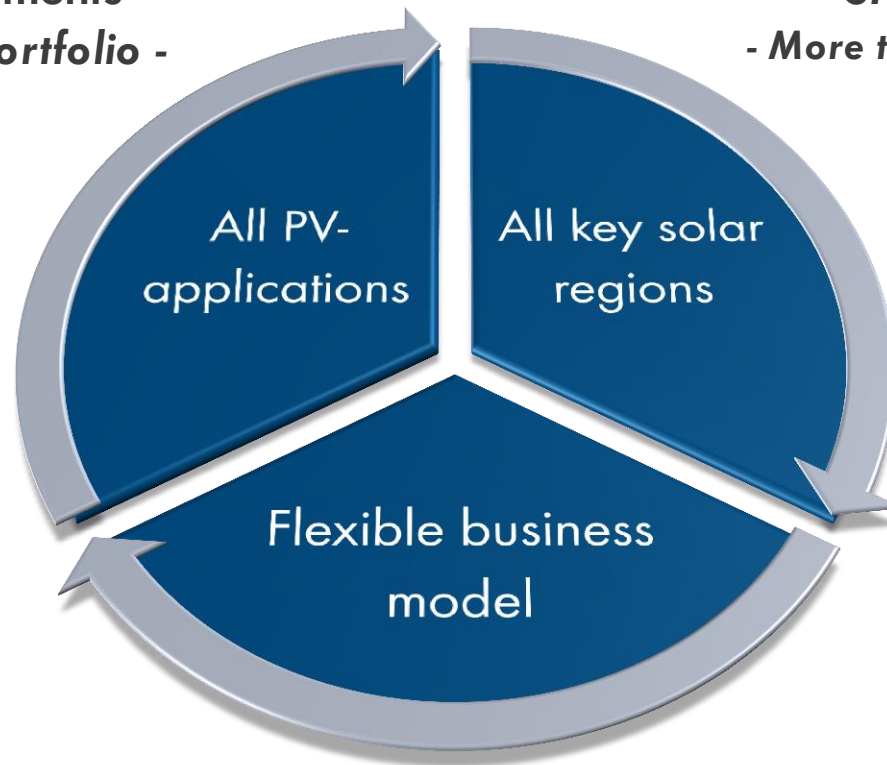


# SMA is the Clear #1 in the Global PV Inverter Industry with a Sound Strategy and a Unique Positioning



**SMA serves all segments**  
**- Complete Product Portfolio -**

**SMA serves all markets**  
**- More than 100 countries covered -**



**SMA performs under all conditions**  
**- High Operational Leverage -**  
**- Low Break Even Point -**  
**- Low Capital Intensity -**

# SMA is a technology driven Company with a global presence and an flexible business model



- ✓ Direct exposure to the fast growing global solar market
- ✓ SMA is the #1 for solar inverters for more than 2 decades
- ✓ Proven technology and game changing new products
- ✓ Flexible business model and best-cost sourcing strategy
- ✓ Powerful sales and service infrastructure
- ✓ Swift execution of transformation process to reduce fixed cost base
- ✓ Bankable partner due to high equity ratio and net cash position
- ✓ Conservative guidance, despite unique positioning
- ✓ Stable shareholder structure with Danfoss as strategic anchor investor

ENERGY  
THAT  
CHANGES



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