

# SMA SOLAR TECHNOLOGY AG

## Analyst / Investor Presentation

### Quarterly Financial Results: January to March 2015

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May 13, 2015



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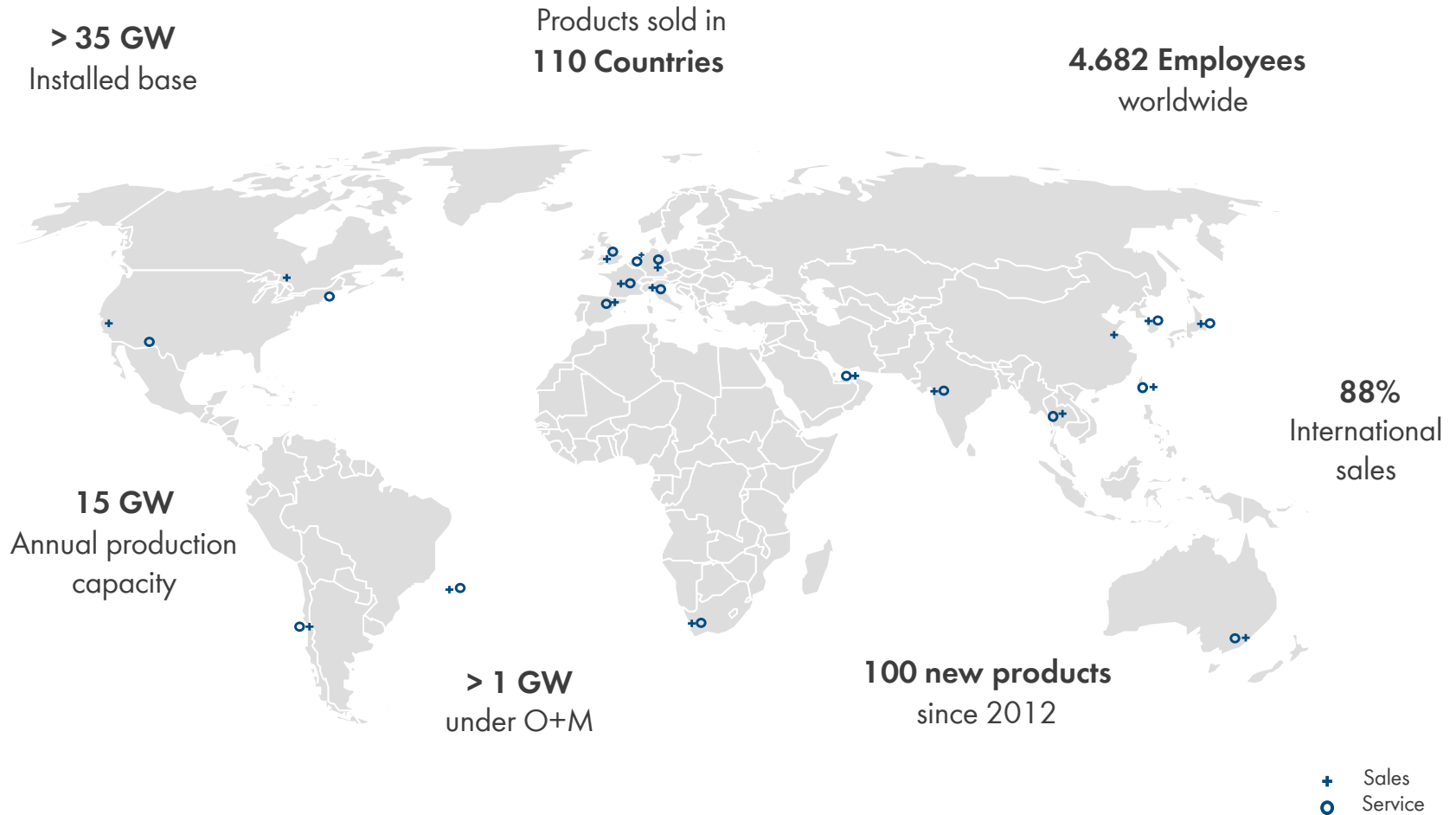
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# 1. Executive Summary










# SMA is the Clear #1 in the Global PV Inverter Industry



# SMA Serves all Solar Segments in all Attractive Markets



Residential	Commercial	Utility	Service	Other Business
 <p><b>Brand Values</b> Attain affordable, controllable and reliable energy</p>	 <p><b>Brand Values</b> Boost in economic performance</p>	 <p><b>Brand Values</b> Most efficient use of technology</p>	 <p><b>Brand Values</b> Ensures profitability</p>	 <p>SMA Offgrid and Storage</p>  <p>SMA Railway Technology GmbH</p> 
<p>SMA is a Specialist in System Technology for Energy Management We Stand for Greater Independence in the Use of Energy</p>				



# SMA Generated a Positive EBITDA and Stopped the Cash Drain in Q1 2015



## Key Financials (in € million)<sup>1</sup>

	Q1 2014	Q1 2015	Change
Sales	176	226	+28%
Gross Margin	17%	17%	-
EBITDA	-3	13	n.m.
EBIT	-22	-5	-76%
Free Cash Flow (Adj.)	3	-8	n.m.
Net Cash	225	224	-1%

## Highlights Q1 2015

- > Launched new Sunny Boy (1.5/2.5) according to schedule
- > Completed headcount reduction program ahead of plan
- > Commissioned 500 MW in the UK only in March. With cum. 1.5 GW installed, SMA has a market share of c. 35%.

> Earnings are impacted by favorable x-rate and higher capitalization of R&D projects<sup>2</sup>

1. Guidance Q1 2015: Sales: 210-230 € million; EBIT: -5 to -10 € million

2. R&D capitalization: Q1 2014: 6 € million, Q1 2015: 13 € million

## 2. SMA's Unique Positioning



# SMA Residential: Seamless System Integration



## Technology

- > Modbus - the globally established protocol interface - becomes the interface standard of SMA's residential inverters
- ✓ Flexible connection of inverters in building automation systems
- ✓ Flexible integration of system data into any control room system

## Partners for System Solutions



- > We meet the demand for home automation involving strong partnerships with top players in the industry

## SMA Smart Home



- > SMA, a SunSpec Alliance member, contributes to the implementation of an open protocol standard for PV systems
- > Easy connection of SMA inverters and battery systems
- > SMA has the competence to reduce energy costs and to increase autonomy of our customers worldwide

- > **Germany plays a pioneering role in the increase of self consumption. This trend becomes pivotal in other European countries, Japan and the U.S. in the coming years**



# SMA Commercial: Boost in Economic Performance



## Technology

- > The entire SMA commercial inverter portfolio is now based on just two global product platforms
- > The platform derivatives range from 15 to 60 kW and are fully applicable and compliant to all global norms and grid codes
- > The new Sunny Tripower platforms contain the know-how and field experience of >9GW / 700.000 units installed capacity at world class cost/performance ratio

## System Monitoring

- > The extended Sunny Portal Professional Package for professional monitoring of PV farms improves operating processes and cuts costs
- > The new SMA Cluster Controller simplifies the integration of PV plants into the grid and ensures future proof for sophisticated grid code requirements



- > SMA can realize the full potential of commercial PV systems:
  - ✓ High-performance Sunny Tripower on standardized platforms
  - ✓ World class cost/performance ratio
  - ✓ Future proof and optimized plant control
  - ✓ Full O&M Services

- > **We increase our customers' return by minimizing risks in planning and operation of commercial PV plants and improving their performance**

# SMA Utility: Plug & Play Solution for Large PV Power Plants



## Technology



- > 1500-VDC technology for cost-optimized power plant design
- > Unmatched power density for optimized logistics and installation
- > Field experience of >14 GW installed capacity

## Plug & Play

- > Highly integrated turnkey solution:
  - ✓ 2.5 MW central inverter
  - ✓ Medium-voltage transformer
  - ✓ Medium-voltage switchgear
  - ✓ Pre-commissioned components

- > SMA's expertise in customized solutions and the flexible system design meets all global requirements
- > Highly integrated solution: to increase overall system efficiency and reliability as well as to reduce customer efforts in all project phases (from planning to execution)<sup>1</sup>
- > SMA's inverters go through extensive and rigorous testing in the unique SMA Test Center. Long term testing in our own test solar park ensures smooth operation under all environmental and grid conditions
- > Fully type approved system offering highest safety standards

> **SMA's Business Unit Utility is a truly global partner that serves diverse technical requirements in fragmented markets**

1. Offering perfectly matched components that arrive on-site in one shipment and don't require on site-assembly with minimum commissioning efforts and less risk

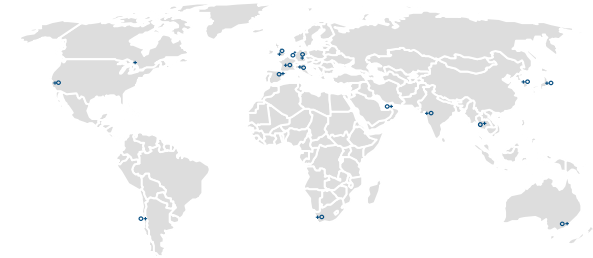
# SMA Service: Expertise and Infrastructure to Protect our Customers' Investments in PV Technology



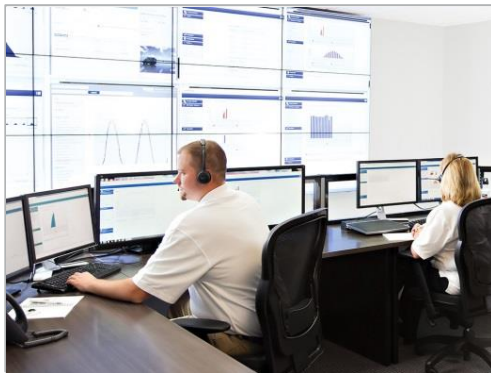
## Service Range Operations & Maintenance

- > SMA provides a global full-package service and takes on the complete technical operational management of large-scale PV power plants:
  - ✓ Commissioning
  - ✓ Proactive PV Plant Monitoring and Analytics
  - ✓ Preventive / Corrective maintenance
  - ✓ Thermography scans, infrastructure services

## Infrastructure



500+ service specialists / 90+ service hubs  
300+ service partner  
3 regional monitoring/competence center



- > SMA has the competence to provide optimal system operation, the greatest possible yields and maximum reliability for the customer
- > SMA already performs operations and maintenance for PV plants with a total capacity of over 1 GW worldwide
- > SMA proved its execution power during the most recent boom in the UK<sup>1</sup>

> **SMA's Service is well prepared to expand further in the growing O&M market**

1. Commissioning approx. 500 MW only in March to secure the benefits of the ROC-certificates

# SMA Offgrid and Storage: Cutting Edge Battery Technology to Increase Performance of Residential PV Systems



## Technology

- > Lithium Ion batteries – the smartest way to increase self consumption of PV systems and thus profitability of the investment
- ✓ Automotive batteries prove optimal performance at lowest cost
- ✓ SMA system technology is capable of integrating any modern battery

## Partners for System Solutions



- > Partnering with the most important players in the battery industry, we can provide a solution at best costs

## SMA Smart Home



- > SMA has pioneered storage integration – starting with off-grid applications, we're #1 in top residential storage markets
- > Our modular and flexible technologies allows to choose the most cost effective storage technology on the market
- > Integrating storage is the smartest way to increase self consumption and create independence from energy cost increase

- > **Covering a share of approx. 35 % in Germany, today's most important residential storage market, SMA is market and innovation leader**

# 1. Market environment and competitive landscape





# New PV Installations to Reach 45 GW in 2015 with 4.2 € billion of PV Inverter Revenue



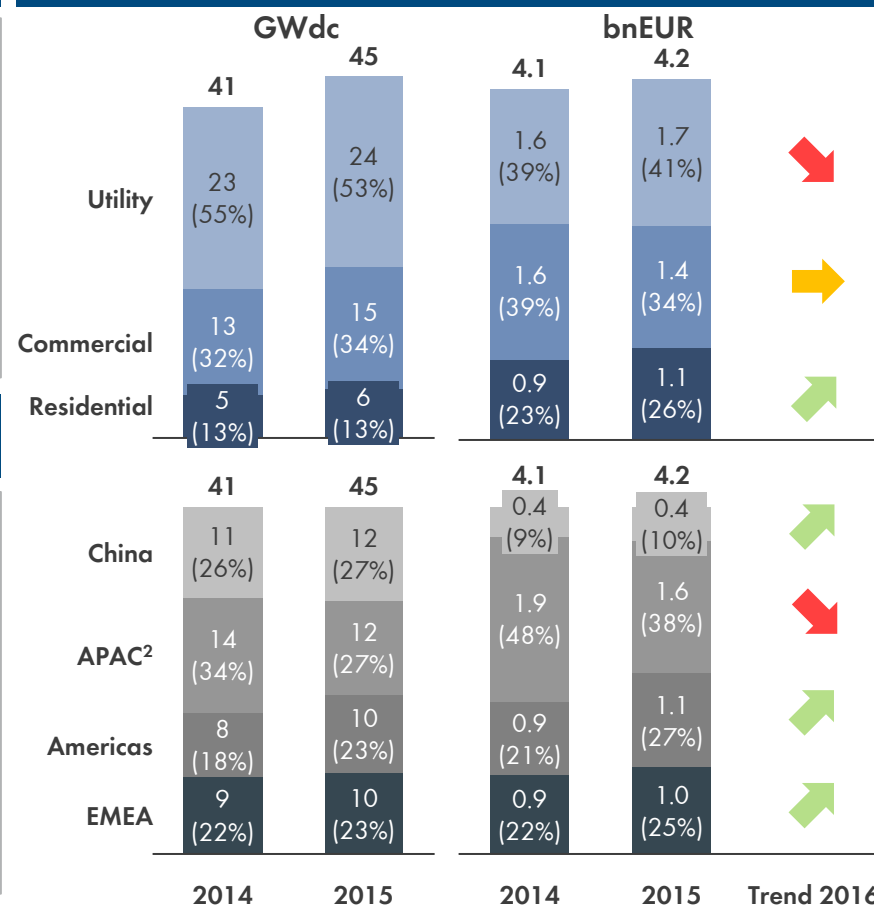
## SMA Forecast

- > SMA's Market Intelligence evaluates the market insides of our subsidiaries as well as research institutes, official statistics and market news
- > SMA slightly adjusted the size of new installations in 2014 and 2015<sup>1</sup>

## Trends 2016

- > The strongest markets remain Japan and the US, with c. 50% of global inverter revenue until 2016
- > SMA expects a market shift from APAC to Europe and Americas
- > Residential and Commercial segments will become the main growth driver

## Global new PV Installations per Segment/Region<sup>3,4</sup>



> In the mid term we expect a slight decline of the market in Euro-terms due to strong price pressure, but further growth of the market in GW-terms

1. 2014: from 40 to 41 GW; 2015: from 46 to 45 GW

2. Excluding China

3. Excluding Off-grid systems

4. Source: SMA MI Market Model, Prices according to IHS World Market Report (July 2014)

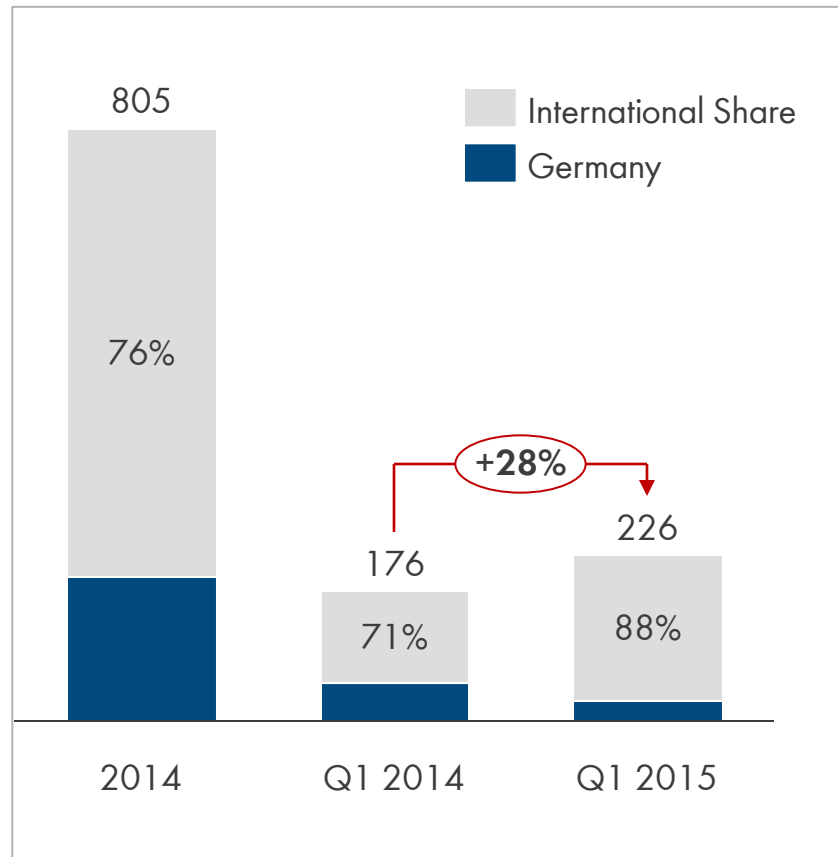
### 3. Financials



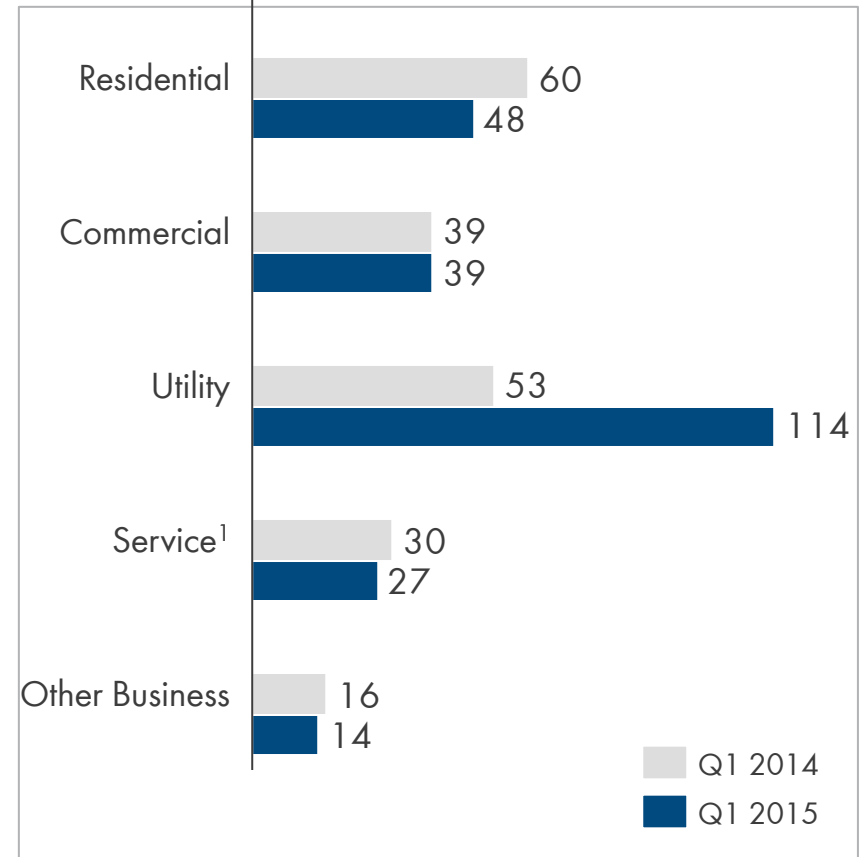
# International Business in Americas and APAC Overcompensates the Decline in the German Market



Group Sales (in € million)



Sales by Segments (in € million)

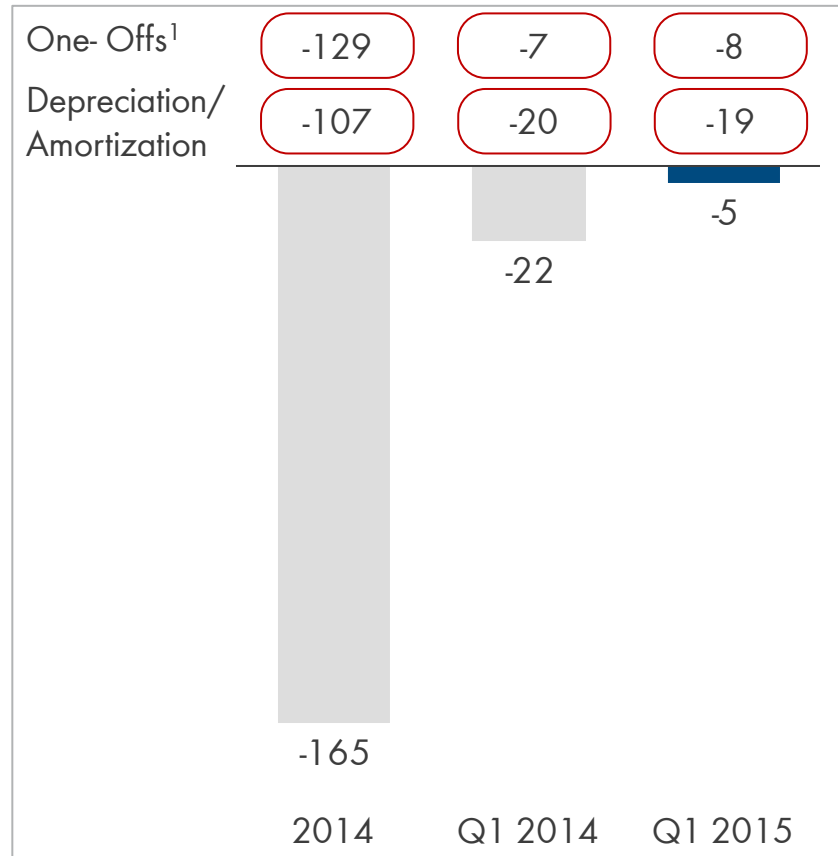


> The Business Unit Utility is the growth driver in the first quarter with sales more than twice as high as in the same period of the previous year

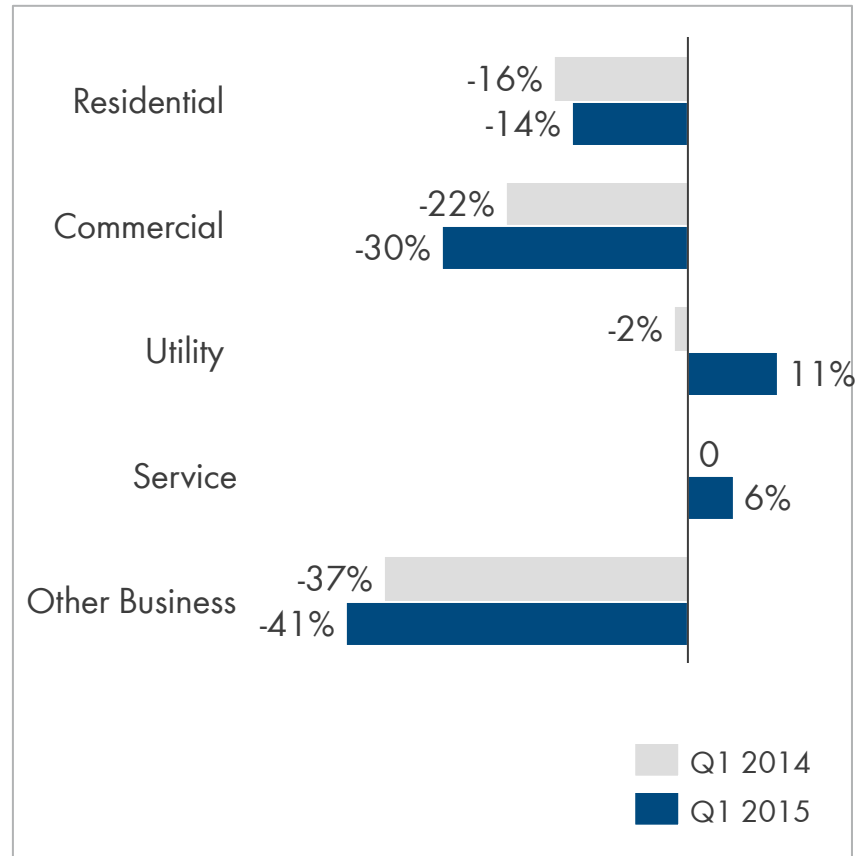
# X-Rate and High Capitalization of R&D Projects Have a Significant Positive Impact on EBIT



## SMA EBIT (in € million)



## EBIT-margin by Segments



**> SMA reaches the upper end of the earnings forecast for the first quarter of 2015 (forecast: € -5 million to €-10 million)**

1. Q1 2014: 1.7 € million Impairment on Working Capital ; 3.5 € million Loss in Zeversolar; 1.3 € million Others

Q1 2015: 2.7 € million Impairment on Working Capital; 2.4 € million Loss in Zeversolar; 1.9 € million Severance Payments; 1.4 € million Others

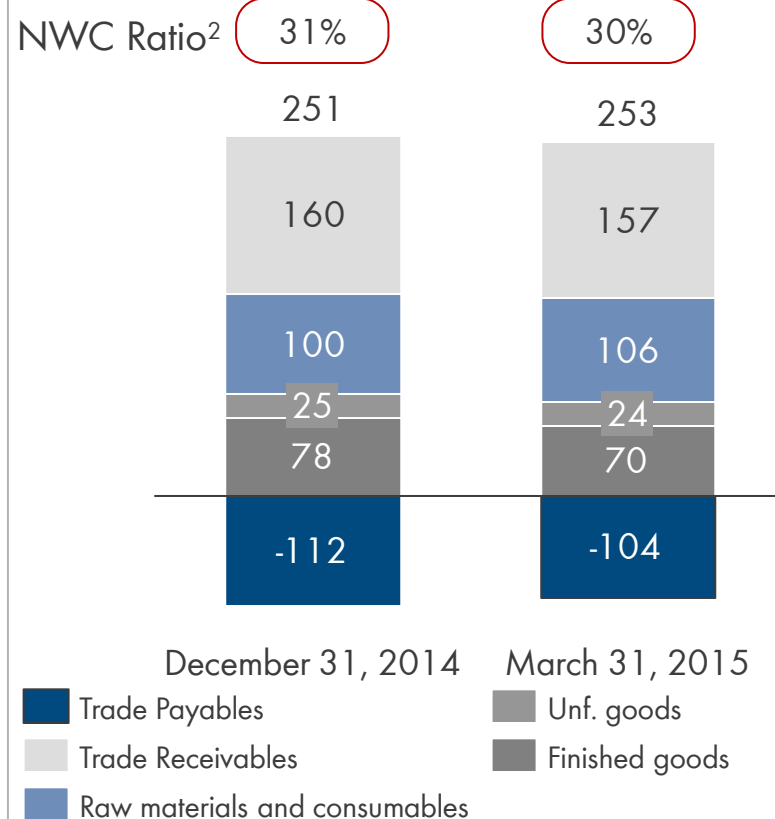
# The Structure of Net Working Capital Improved Since the Beginning of 2015



## Group Balance Sheet (in € million)

	31.12.2014	31.03.2015	Change
Non Current Assets	488	499	+2%
Working Capital	363	357	-2%
Other Assets	42	36	-9%
Cash & Deposits	287	290	+1%
Shareholders' Equity	552	551	0%
Provisions	213	219	+3%
Trade Payables	112	104	-7%
Financial Liabilities	69	67	+6%
Others	234	243	+1%
<b>Total</b>	<b>1,180</b>	<b>1,183</b>	<b>0%</b>

## Net Working Capital (in € million)<sup>1</sup>



> SMA has a solid Equity Ratio of 46.6% and Net Cash of 224 € million

1. Net Working Capital= Inventory+Trade Receivables- Trade Payables (no advanced payments included)

2. As of LTM sales



# SMA Generates Significant Positive Gross Cash Flow



## Cash Flow (in € million)

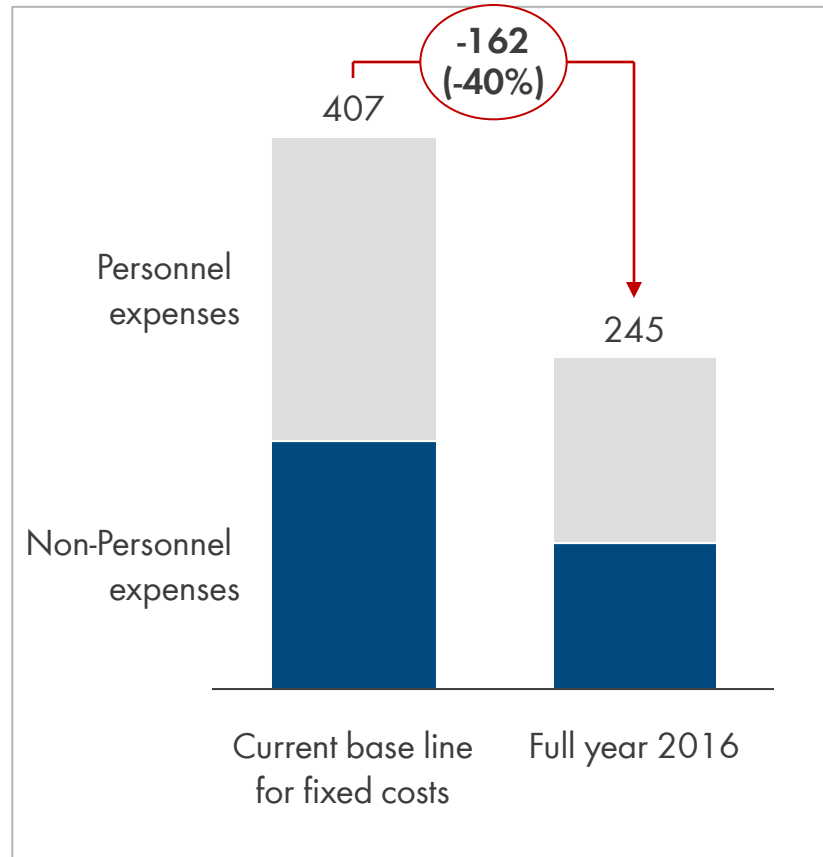
	Q1 2014	Q1 2015	Change
Net Income	-17	-8	n.m.
Gross Cash Flow	-9	16	n.m.
Cash Flow from Operating Activities	15	11	-27%
Net Capex <sup>1</sup>	-12	-19	7%
Free Cash Flow (Adj.)	3	-8	n.m.
Net Investments from Securities and Other Financial Assets	14	-2	n.m.
Free Cash Flow (IFRS)	17	-10	n.m.

➤ The increase of Net Capex is mainly due to the higher capitalization of R&D projects

# SMA Strives to Reduce its Break-Even Point to Less than 700 € million by the End of 2015



## Fixed cost base (in MEUR)



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

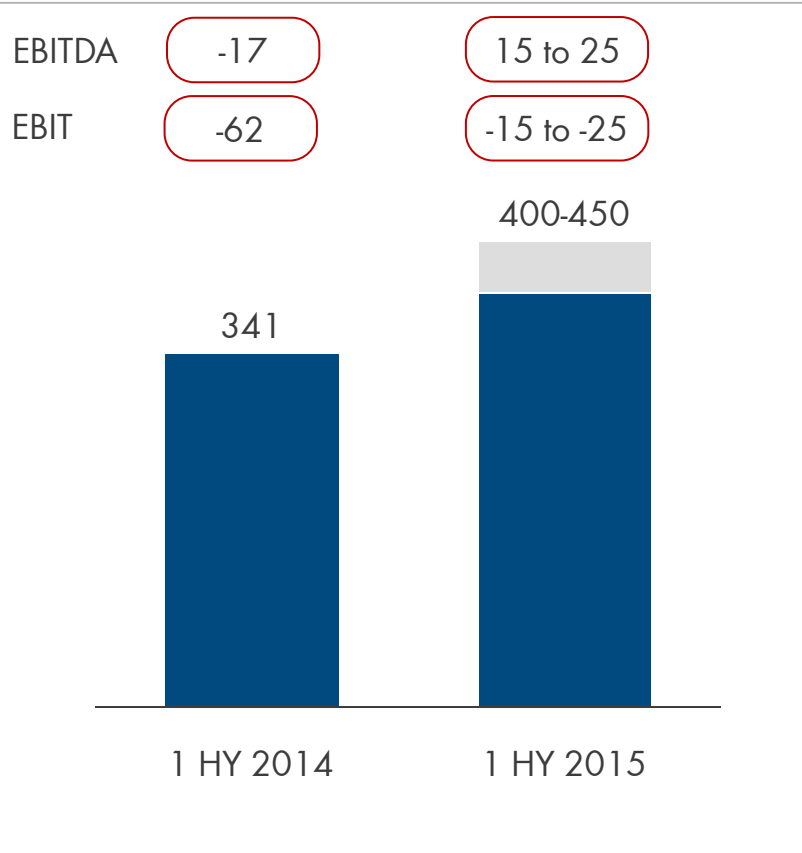
<b>Technology</b>	<ul style="list-style-type: none"> <li>&gt; Downsizing Kassel, Denver, Suzhou</li> <li>&gt; Reduction of ext. service providers</li> <li>&gt; Focus R&amp;D projects / portfolio</li> </ul>
From 1,050 to 570	
<b>Operations</b>	<ul style="list-style-type: none"> <li>&gt; Outsourcing of 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 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 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 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 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>

> Implementation of transformation is well on track; Cost saving effects will kick-in during the second half of 2015

# SMA will Increase Sales by up to c. 30% in 1. HY 2015 Compared to Last Year and Reduce the Operating Loss



## 1 HY 2015 Sales & EBIT-Guidance (€ million)



## Comments

- > Order intake during April remained on Q1 2015 levels; Shift in product mix towards string inverters
- > Order backlog totals c. >550 € million on April 30, 2015, thereof c. 350 € million from Service and c. >200 € million<sup>1</sup> from Solar and Railway Business
- > Restructuring benefits are not expected to impact 1 HY figures significantly. No x-rate effects included in guidance for Q2 2015.
- > Management confirms full year guidance:
  - > Sales: 730-770 € million; EBITDA: 10 to 40 € million; EBIT: -30 to -60 € million

> **More than 60% of the 2015 full year sales guidance is already covered with Q1 sales and the order backlog for new product sales**

## 5. Strategy



# SMA Retains its Strategy – to Become Profitable Is our Main Target 2015



## SMA Strategy



## SMA Targets for 2015

Global Market Leader

International Focus

Trendsetter

Sales:  
730-770 € million  
EBITDA:  
10-40 € million

Best Practices

Collaboration Partner

High Commitment



# Investment Highlights: SMA Is a Technology Driven Company With an Attractive Business Model



- ✓ Direct exposure to the 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
- ✓ Transformation process will lead to significant cost reduction
- ✓ Bankable partner due to high equity ratio and net cash position
- ✓ Conservative planning assumptions, despite unique positioning
- ✓ Stable shareholder structure with Danfoss as strategic anchor investor

ENERGY  
THAT  
CHANGES



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