

# SMA SOLAR TECHNOLOGY AG

## Analyst / Investor Presentation

### Quarterly Financial Results: January to March 2017



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May 11, 2017



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# The First Quarter 2017 was Impacted by Bad Weather Conditions in Key Regions as well as Continuous Price Pressure



## Top-Line

- > SMA generated sales of €173m (Q1/2016: 248m); in line with Q1/17 guidance.<sup>1</sup>
- > All Segments were impacted by bad weather conditions in key regions (Utility -58% Y/Y; Residential -25% Y/Y; Commercial -6% Y/Y).
- > Sales declined in Americas and EMEA (-63% and -29% Y/Y), Strong sales in APAC in all segments (+45% Y/Y).

## Profitability/ Bankability

- > Weak sales had a negative impact on gross margin (Q1/2017: 19%; Q1/2016: 25%).
- > Accordingly, EBITDA declined to €16m (Q1/2016: €41m) despite reduced fixed costs (Depreciation/amortization of €13m in Q1/2017).
- > Rock solid balance sheet structure with 50% equity ratio, > €410m net cash and €100m long-term credit facility.

## Outlook

- > Positive medium-term outlook; importance of PV is expected to increase due to low cost point and climate targets.
- > Market Outlook 2017 remains unchanged: global inverter revenues to decline to €4.9bn (-6% Y/Y) because of a shrinking Chinese solar market. Global revenues w/o China are expected to be flattish in 2017; decline in traditional segments is offset by strong growth in the storage segment.
- > Management confirms guidance with sales of €830m to €900m and EBITDA of €70m to €90m.
- > Guidance is backed by a strong order backlog of €626m at the end of Q1/2017, thereof €232m products.
- > SMA will introduce new products in 2017 and beyond to protect the gross margin.

**> SMA's management expects the second half year to be stronger than the first six months 2017.**

1. Guidance Q1/2017: Sales €165-175m; EBITDA €15-18m

# SMA is Rock Solid With an Equity Ratio of 50% and Net Cash + Credit Facility of >€510m



Key Financials (in € million)			
	Q1/16	Q1/17	Δ
MW sold	2,075	1,661	-20%
Sales	248	173	-30%
Residential	50	37	-25%
Commercial	60	57	-6%
Utility	115	49	-58%
Service <sup>1</sup>	13	15	+12%
Other Business	10	15	+60%
Gross margin	25%	19%	
EBITDA	41	16	-61%
EBIT	25	3	-90%
Thereof One-Offs <sup>2</sup>	0	-1	
Free cash flow (adj.)	49	35	-28%
Depreciation	16	13	-18%
Capex (incl. R&D)	7	7	0%

Key Financials (in € million)				
	2016/12/31	2017/03/30	Δ	
Net cash	362	413	+14%	
Total assets	1,211	1,202	-1%	
NWC ratio <sup>3</sup>	24%	22%		
	2016			2017
	Q2	Q3	Q4	Q1
Sales	234	227	238	173
Residential	53	43	33	37
Commercial	64	71	68	57
Utility	90	84	108	49
Service <sup>1</sup>	12	14	6	15
Other Business	15	15	23	15
Gross margin	24%	27%	27%	19%
EBITDA	30	37	34	16
One-Offs	-2	-9	-20	-1

1. External sales

2. Q1/2017 w/o the book gain from the sale of the Railway Technology business division: Impairment on working capital (neg.); thereof in COGS (€-1m)

3. NWC= inventory+trade receivables-trade payables (no advanced payments included); as of last twelve month's sales

MARKET OUTLOOK 2017 REMAINS  
UNCHANGED

FLATTISH GLOBAL PHOTOVOLTAICS MARKET WITH  
5 BILLION EUR SALES

SYSTEM TECHNOLOGY FOR STORAGE WILL BE THE  
MAIN GROWTH DRIVER UNTIL 2019

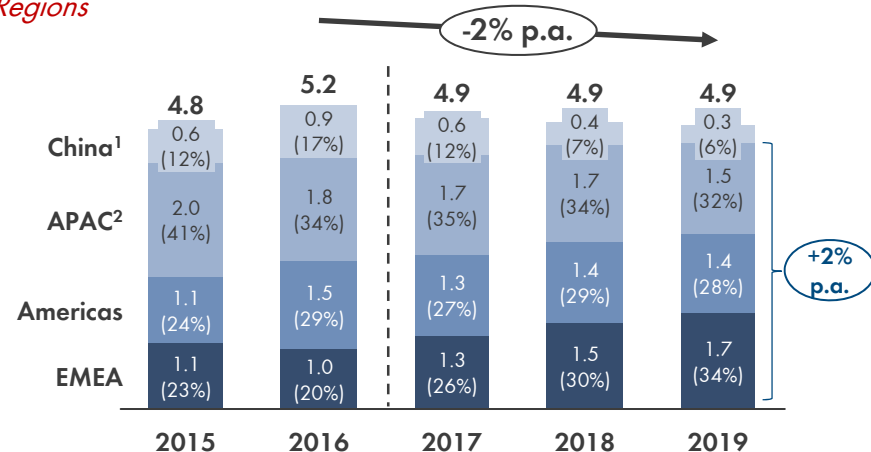


# The Chinese Solar Market is Expected to Decline by 70% Until 2019 – International Markets are Expected to Grow by 9% p.a.



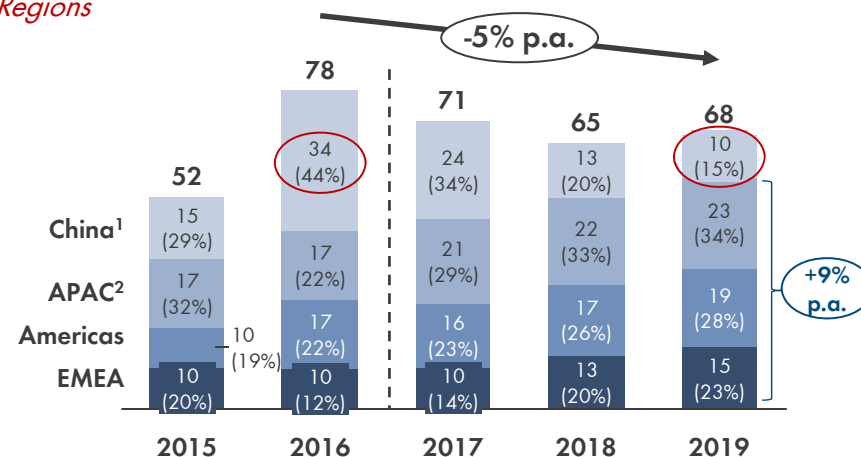
**Global Inverter Revenues by Region/Segment (bn€)<sup>3,4,5</sup>**

*Regions*

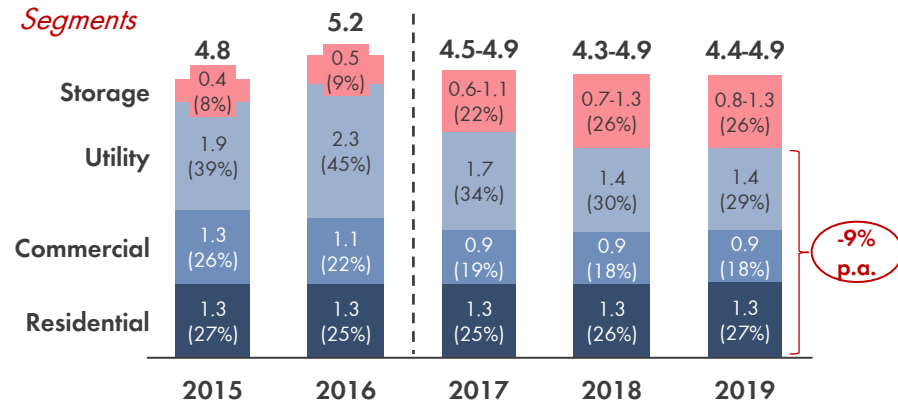


**Global New PV Install. by Region/Segment (GWdc)<sup>3,4</sup>**

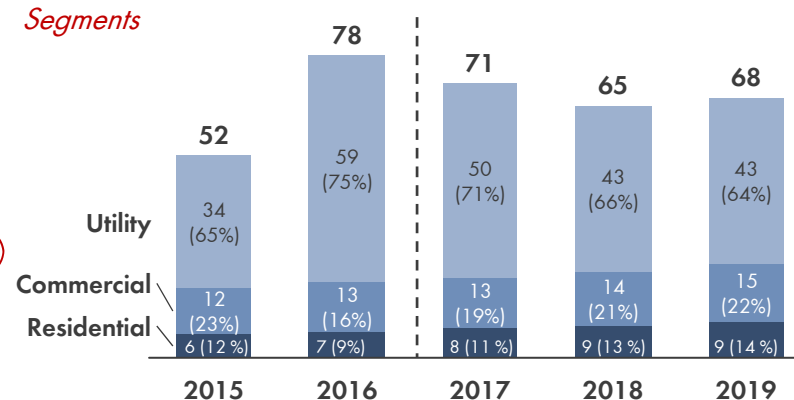
*Regions*



*Segments*



*Segments*



> Today, utility PV plants (<10 MW) are installed for less than 1 USD per watt in the US.

1. China reduced the feed-in-tariff (FIT) by the end of June 2016 and set further FIT reduction for 2017; new national solar target set in 13<sup>th</sup> Five-Year-Plan for power released on Nov. 7<sup>th</sup> 2016 by NEA  
2. w/o China

3. SMA MI Market Model Q1 2017; Res ≤10kW plants, Com >10kW to 1MW plants, Uti >1MW plants  
4. Incl. ~1 GW Off-Grid installations p.a.: residential, remote and micro-grid applications  
5. Incl. inverter potential for retrofit

SMA OFFERS A COMPLETE PORTFOLIO FOR ALL  
TRADITIONAL PV-APPLICATIONS

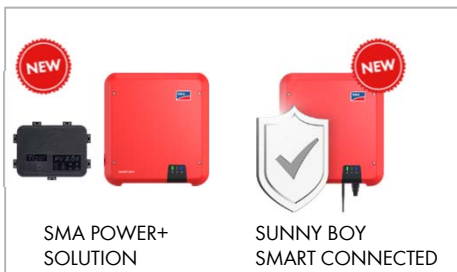
SMA IS BEST POSITIONED TO BENEFIT FROM  
GROWTH IN THE STORAGE MARKET

SMA HAS THE SERVICE INFRASTRUCTURE TO  
SECURE GRID STABILITY AND SAFETY

# SMA Offers a Complete Portfolio for All PV-Applications and All Key Solar Regions



## RESIDENTIAL



### Lower Costs & High Yield

Tigo Optimizers with selective deployment to reduce cost and secure high yields

### High Uptime

New service concept to secure high technical uptime

New heat management to increase lifetime

### Energy management

Better monitoring with easy integration into Sunny Portal

## COMMERCIAL



### Best for Roof-top

Up to 60% faster installation;  
6 MPPTs to avoid MLPE<sup>1</sup>

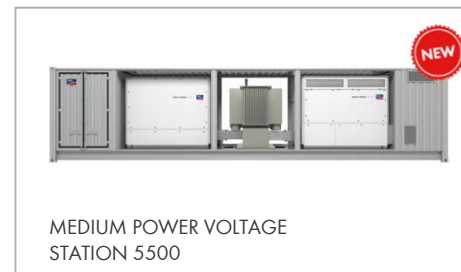
### Future Proof

Core1 is ready for SMA's new commercial energy management and storage<sup>2</sup>

### Best for Ground Mounted

Higher power class (75 kW)  
for small utility plants;  
Best from both worlds  
(String/Central)

## UTILITY



### Turnkey Solution

- Compact 12.2m (40-foot) shipping container (Inverter, Transformer, Switchgear)

### Cost-Effective

- Reduced watt-specific price;
- Minimized transport and installation cost

### Versatile

- Flexible design for all grid-voltages (1,500V / 1,000V)

> **SMA's product innovations will help to improve the gross margin in 2017 and beyond**

1. MLPE: Module Level Power Electronics

2. Available in 2. HY 2017



# Storage will Become the Game Changer in the Solar Industry



## STORAGE



### Any Battery Technology

- Lead Acid,
- Lithion,
- Redox Flow

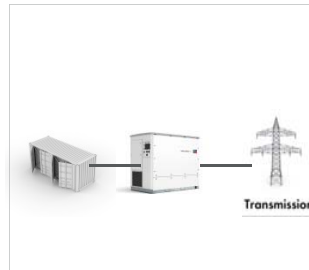
### Any Segments

- Residential,
- Commercial,
- Utility

### Any Application

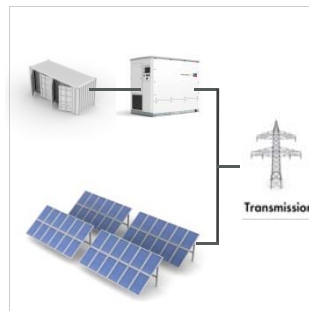
- Grid Support
- Integration
- Industrial (behind-the-meter)

## APPLICATIONS



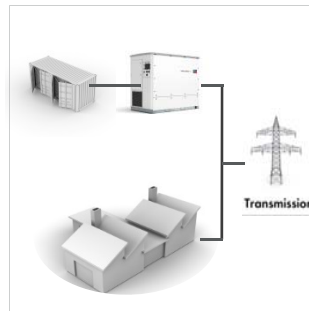
### 1. GRID SUPPORT

- > Ancillary services
- > Congestion relief (grid and generation capacity improvement)



### 2. INTEGRATION OF RENEWABLES

- > Ancillary services
- > PV ramp rate control
- > Energy shifting



### 3. INDUSTRIAL BEHIND-THE-METER

- > Peak load shaving
- > Peak/Energy shifting
- > Power Quality (reactive power supply, backup)

> Competencies in grid integration and battery technologies will become success factors

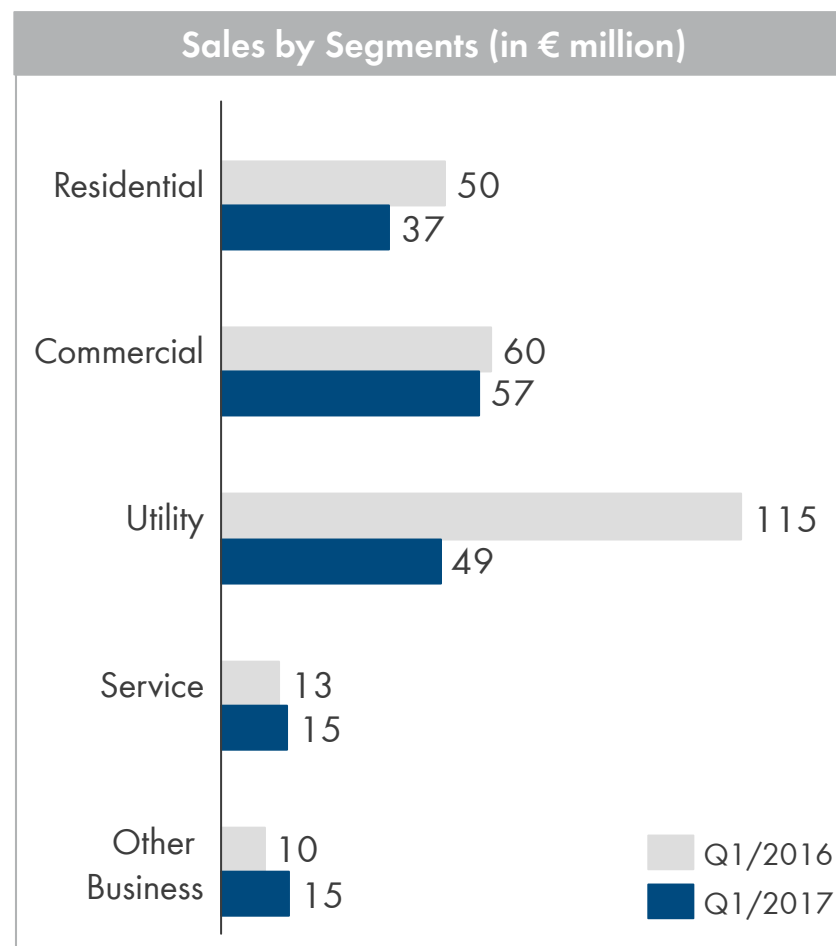
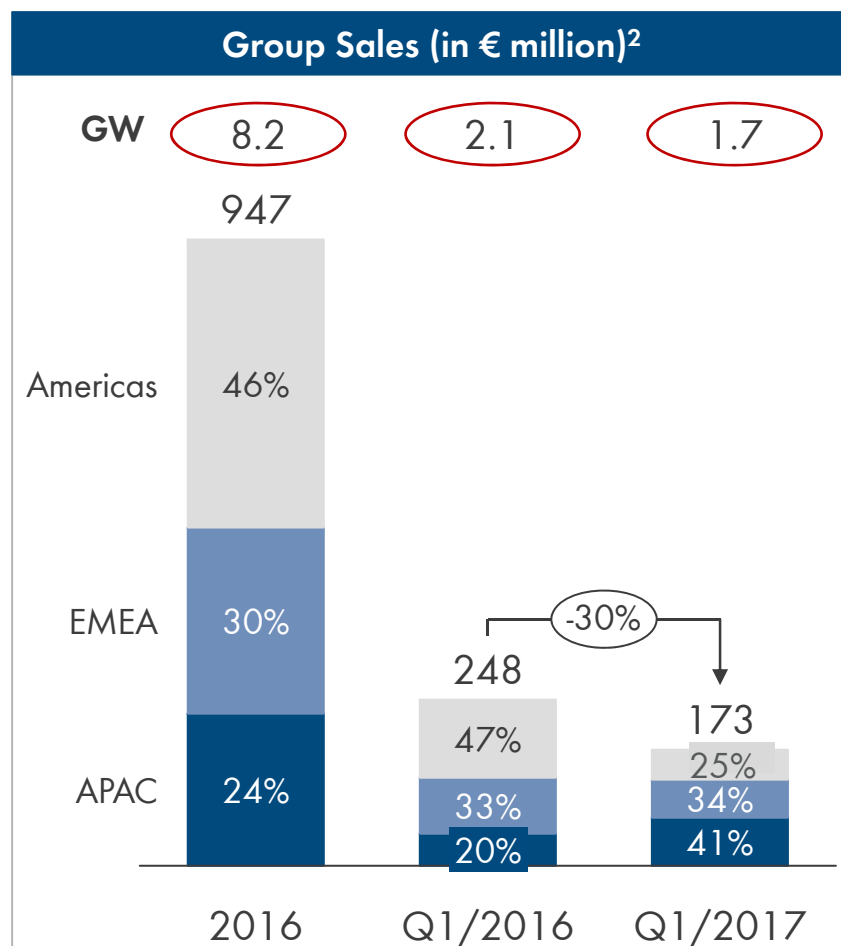
SMA GENERATED SALES OF €173M; IN LINE  
WITH Q1/17 GUIDANCE

EQUITY RATIO OF 50% AND NET CASH  
INCREASED TO MORE THAN €410M

BACKLOG OF €626M; POSITIVE BOOK-TO-BILL  
RATIO SINCE JANUARY 2017

FULL YEAR SALES & EARNINGS GUIDANCE  
CONFIRMED

# APAC was a Growth Region<sup>1</sup> while Americas and EMEA Slowed Down Impacted by Bad Weather and Price Pressure

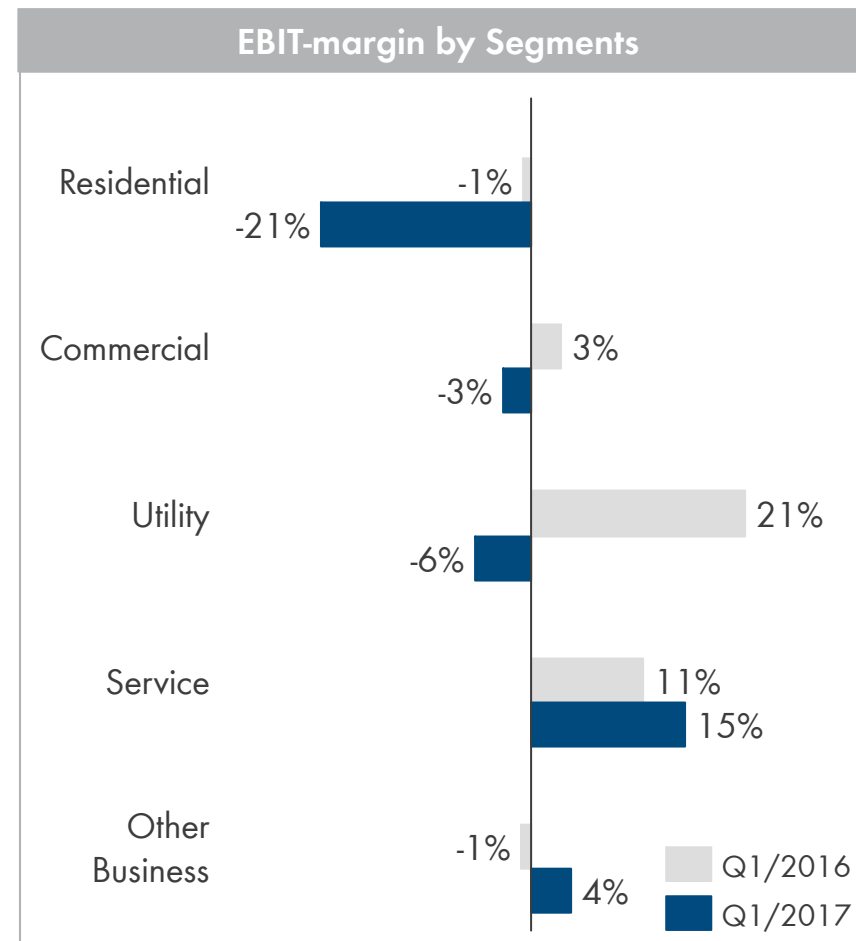
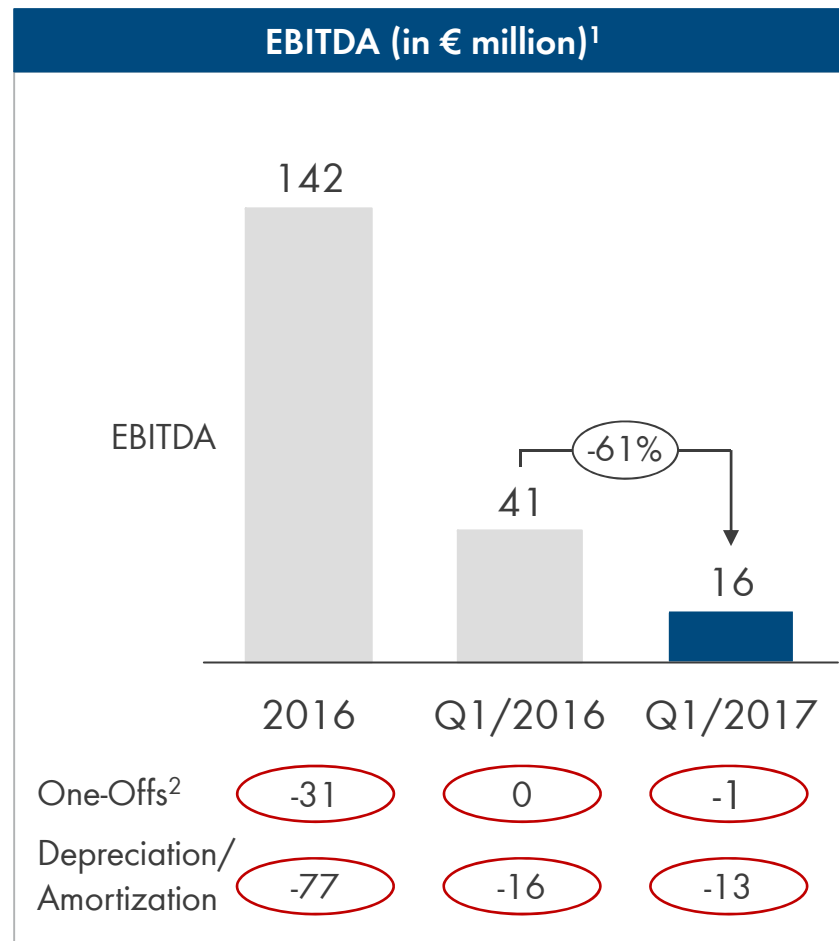


> Sales decline in all key segments (Utility -58% Y/Y; Residential -25% Y/Y; Commercial -6% Y/Y); Service and Other Business sales increased (+12% Y/Y; +60% Y/Y) .

1. Q1 2017: Sales in APAC+45% Y/Y

2. Unless otherwise stated

# EBITDA of €16m Includes the Book Gain from the Sale of the Railway Technology Business Division

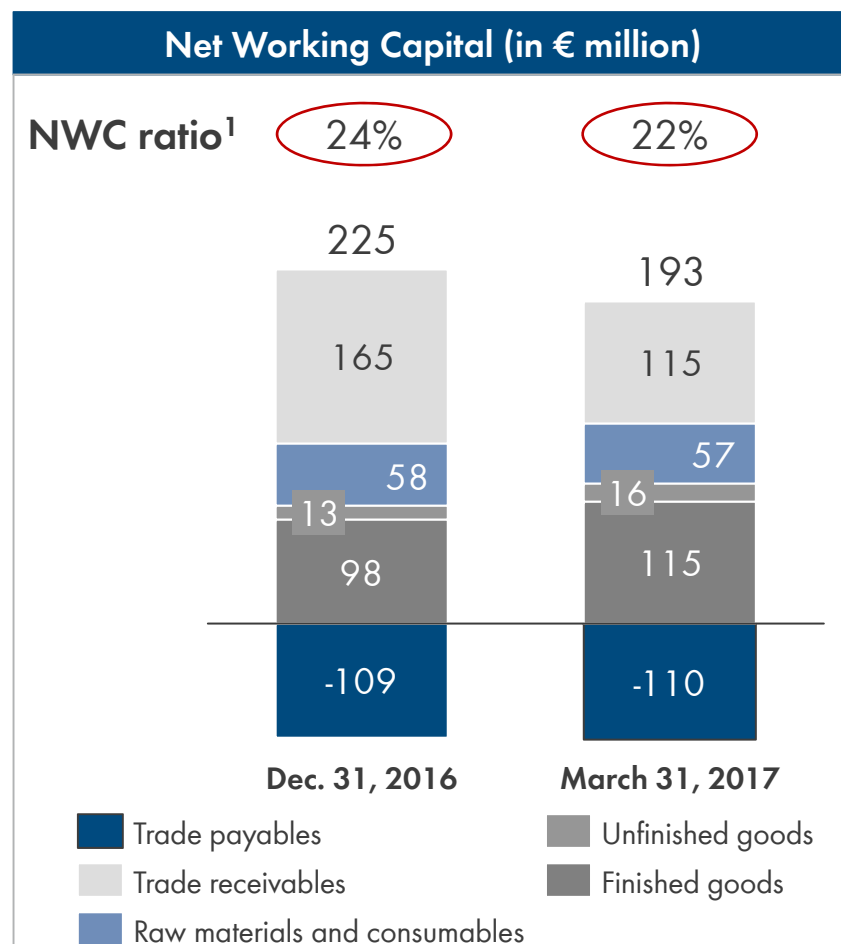


> **Weak sales had a negative impact on EBITDA, despite reduced fixed costs.**

1. Unless otherwise stated

2. Q1/2017 (w/o the book gain from the sale of the Railway Technology business division): Impairment on working capital (neg.); thereof in COGS (€-1m)

# With an Equity Ratio of 50% and Net Cash of More Than €410m SMA is Well Prepared for the Future



**Group Balance Sheet , reclassified (in € million)**

	2016/12/31	2017/03/31	Δ
Non-current assets	426	422	-1%
Working capital	334	303	-9%
Other assets	66	42	-36%
Total cash	385	435	13%
Shareholders' equity	585	595	2%
Provisions <sup>2</sup>	177	171	-3%
Trade payables	109	110	1%
Financial liabilities <sup>3</sup>	23	22	-4%
Other liabilities <sup>2</sup>	317	304	-11%
<b>Total</b>	<b>1,211</b>	<b>1,202</b>	<b>-1%</b>

> The net working capital ratio was at the lower end of the guidance range of 22% and 25% of sales.

1. NWC= inventory+trade receivables-trade payables (no advanced payments included); As of last twelve months sales

2. Not interest-bearing

3. Incl. not-interest-bearing derivatives: €13m (2016: €18m)

# SMA Generates a Positive Free Cash Flow Despite Drop in Demand



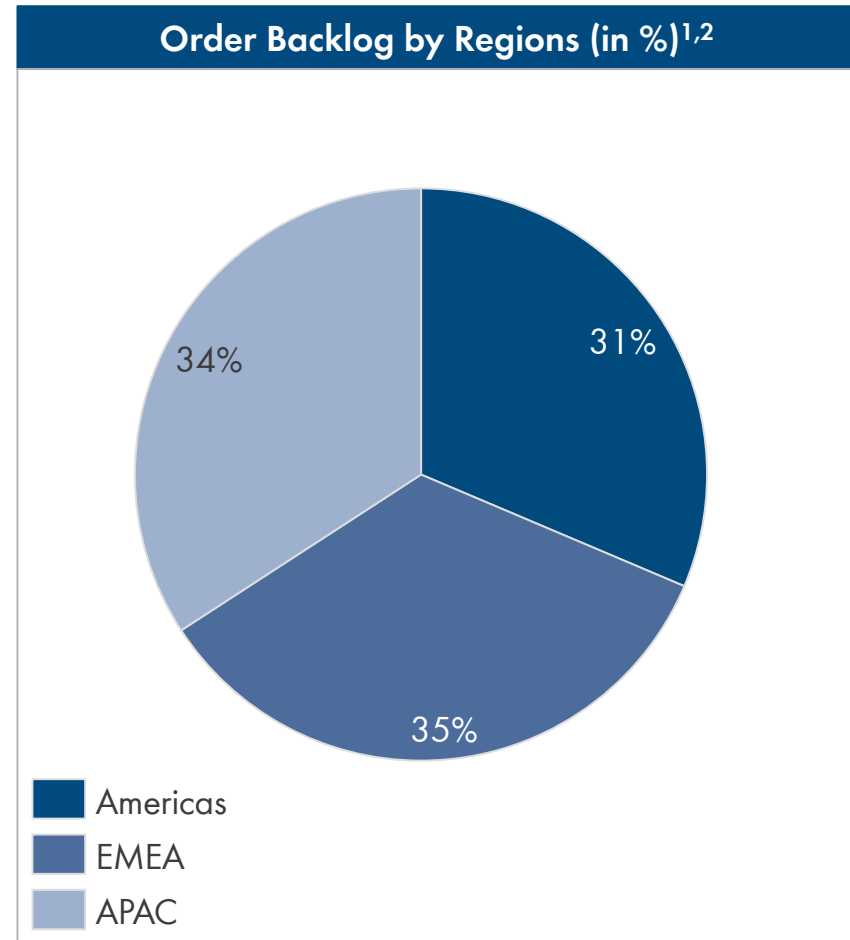
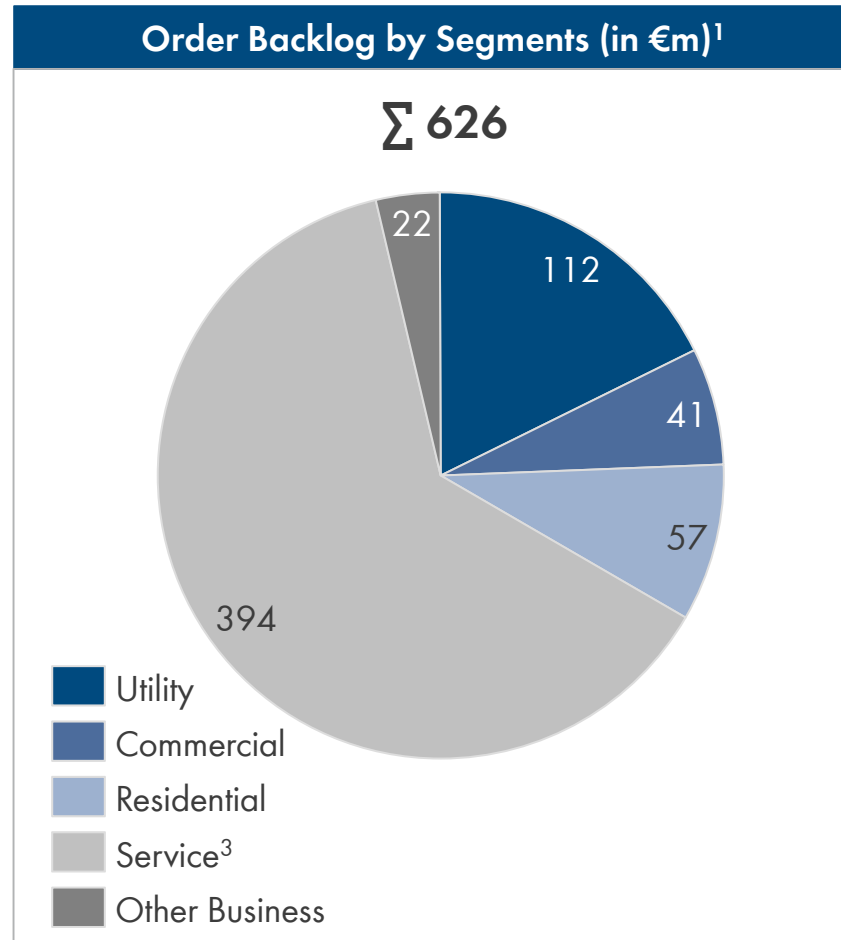
Cash Flow (in € million)		
	Q1/2016	Q1/2017
Net Income	19	6
Gross Cash Flow	38	11
Cash Flow from Operating Activities	56	42
Net Capex <sup>1</sup>	-7	-7
<b>Free Cash Flow (Adj.)</b>	<b>49</b>	<b>35</b>
Net Investments from Securities and Other Financial Assets	-19	-6
Cash inflow from divestments	0	17
Free Cash Flow (IFRS)	30	46

> **SMA's business is not capital intense; therefore, SMA offers an attractive cash flow profile.**

1. Thereof R&D capitalization Q1/2017: €4m (Q1/2016: €5m)



# SMA has a Strong Order Backlog; Order Backlog for Products Increased by 60% since End of January



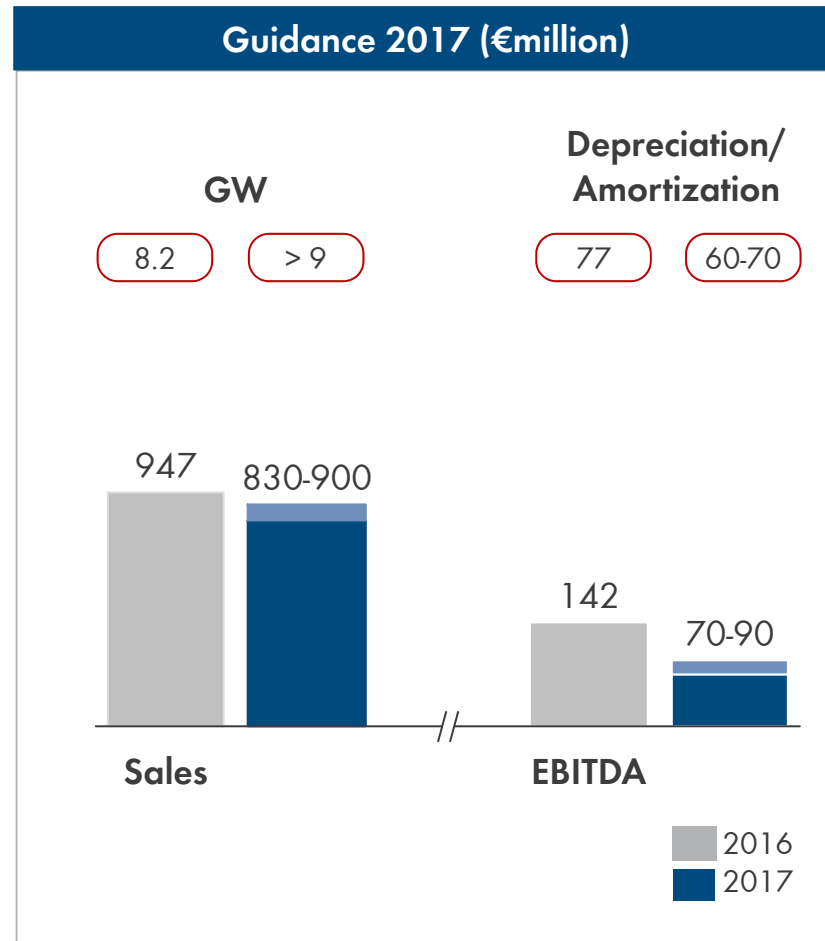
> **Strong book-to-bill ratio of 1.4 in Q1/2017 backs up Management's expectation that H2/2017 will see higher sales volumes.**

1. As of March 31, 2017

2. W/o Service

3. Order backlog in Service will be recognized over a period of 5 to 10 years

# Managing Board Confirms Guidance for 2017



- Comments on Guidance 2017**
- > SMA expects sales of €830m to €900m in fiscal year 2017.
  - > EBITDA is expected to reach €70m to €90m.
  - > Price pressure will remain high in all segments and regions.
  - > Net working capital ratio will be between 22% and 25% of sales.
  - > SMA plans to invest about € 50m.
  - > Divestment of SMA Railway Technology GmbH was completed in Q1.

> With cost-optimized products and the development of its solution business, SMA expects to increase profitability from 2018 onwards.

## Investment Highlights: Attractive Investment Opportunity



- ✓ Direct exposure to the global solar market
- ✓ SMA has been the #1 for solar inverters for more than 2 decades
- ✓ Proven technology and new solutions for the energy Internet
- ✓ Flexible business model and best-cost sourcing strategy
- ✓ Powerful sales and service infrastructure
- ✓ Bankable partner due to high equity ratio, net cash position and credit facility
- ✓ Stable shareholder structure with Danfoss as strategic anchor investor
- ✓ Experienced management team with proven track record



BACK UP

# Contacts and Financial Calendar



## Investor Relations Contact:

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Stephanie Peschinger	Investor Relations
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## Financial Calendar:

May 23, 2017	Annual General Meeting
June 7, 2017	Roadshow Paris
June 21, 2017	dbAccess Berlin Conference
August 10, 2017	Publication of the Half-Yearly Financial Report: January to June 2017 Analyst Conference Call: 09:00am (CET)
September 21, 2017	Roadshow Edinburgh
September 22, 2017	Macquarie 10th Alternative Energy Conference, London

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