

# SMA SOLAR TECHNOLOGY AG

## Analyst / Investor Presentation

### Quarterly Financial Results: January to March 2020

Presented by Ulrich Hadding, CFO  
May 14, 2020





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# 1. Review Q1/2020



Sales increased by 72% with Home and Business Solutions segments delivering strong double-digit growth and Large Scale & Project Solutions growing by 140%



## Key financials (in € million)

	Q1 2019	Q1 2020	Change
MW sold	1,803	4,367	142%
Sales	168	288	72%
Home Solutions	45	71	57%
Business Solutions	65	79	21%
Large Scale & Project Solutions	58	138	140%
Gross margin	19%	17%	
EBITDA	1	12	n.m.
Depreciation	11	11	-5%
EBIT	-11	2	n.m.
Net result	-11	0	n.m.
Free cash flow (Adj.)	-17	-58	n.m.
Net CapEx (incl. R&D)	6	7	14%

	2019/12/31	2020/03/31	Change
Net cash	303	243	-20%
Total assets	1,107	1,032	-7%
NWC ratio (in %) <sup>1</sup>	17%	21%	

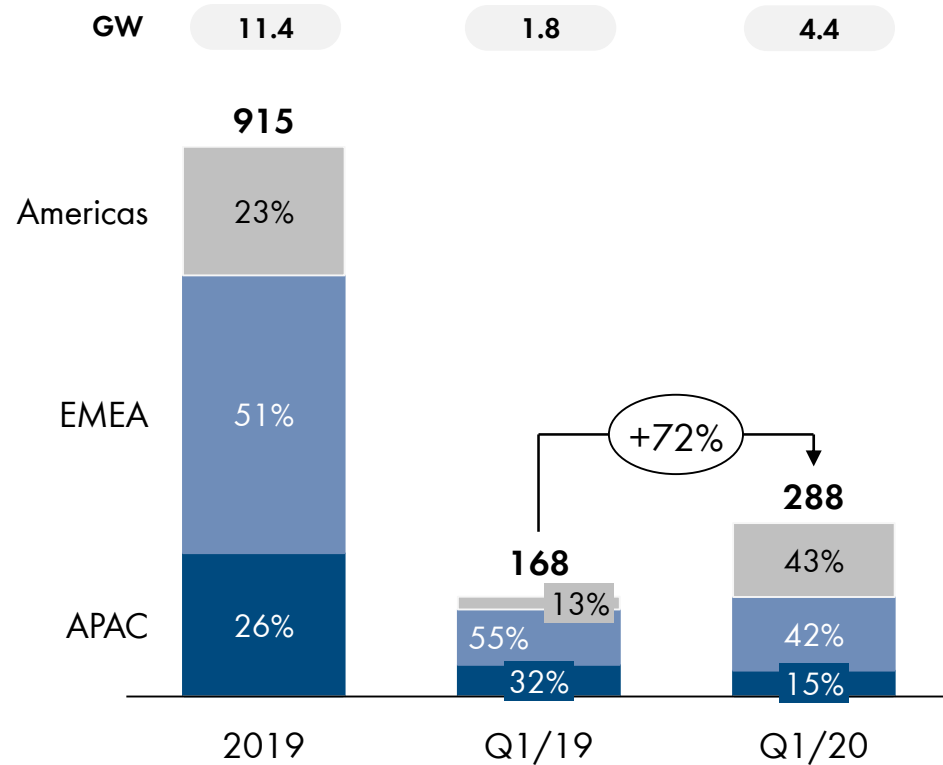
  

	2019/2020			
	Q2	Q3	Q4	Q1
Sales	195	268	284	288
Home Solutions	57	73	65	71
Business Solutions	70	74	87	79
Large Scale & Project Solutions	68	121	132	138
Gross margin	21%	17%	17%	17%
EBITDA	8	17	8	12

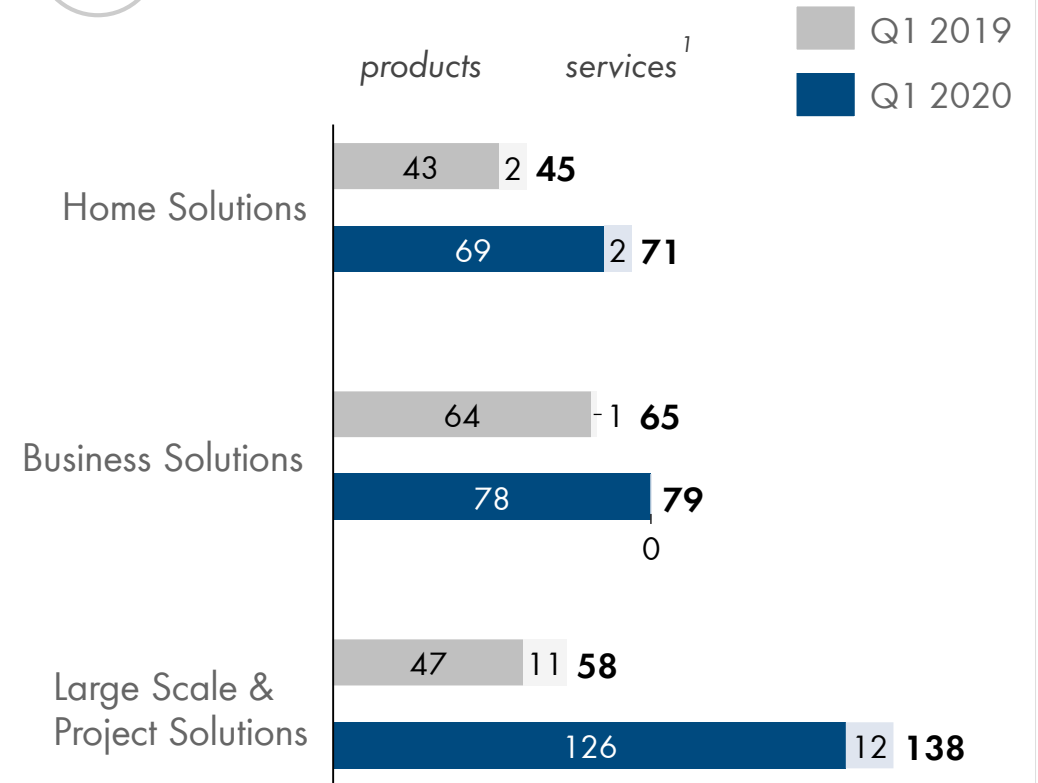
# Americas and EMEA achieved strong revenue growth in Q1 2020



## Sales (in € million)



## Sales by segment<sup>1</sup> (in € million)



# Significant increase in EBITDA driven by strong sales growth in Q1 2020



## EBITDA (in € million)

Margin

4%

0%

4%

34

1

12

2019

Q1/19

Q1/20

One-Offs

1

0

Depreciation/  
Amortization

11

11



## EBIT by segment (in € million)

Q1 2019

Q1 2020

Home Solutions

-5

5

Business Solutions

0

1

Large Scale &  
Project Solutions

-6

-4



# Net working capital increased mainly due to higher inventories

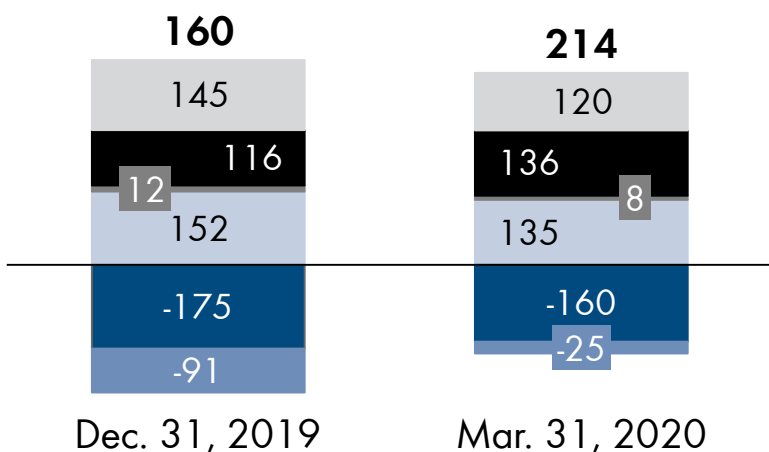


## Net working capital (in €million)

NWC ratio

17%

21%



- Trade receivables
- Raw materials and consumables
- Unfinished goods
- Finished goods
- Trade payables
- Advanced Payments



## Group balance sheet (in €million)

	31.12.2019	31.03.2020	Change
<b>Non-current assets<sup>1</sup></b>	299	305	2%
<b>Working capital</b>	425	399	-6%
<b>Other assets</b>	65	71	+9%
<b>Total cash</b>	318	257	-19%
<b>Shareholder's equity</b>	417	415	0%
<b>Provisions<sup>2</sup></b>	153	157	+2%
<b>Trade payables</b>	175	160	-9%
<b>Financial liabilities<sup>3</sup></b>	15	14	-7%
<b>Other liabilities<sup>1,2</sup></b>	347	286	-18%
<b>TOTAL</b>	<b>1,107</b>	<b>1,032</b>	<b>-7%</b>

Gross Cash Flow significantly better than Q1 2019; Adjusted Free Cash Flow negative due to decreased liabilities in Q1 2020



### Cash Flow (in € million)

	Q1 2019	Q1 2020
Net Income	-11	0
Gross Cash Flow	1	16
Cash Flow from Operating Activities	-11	-51
Net Capex	-6	-7
<b>Free Cash Flow (Adj.)</b>	<b>-17</b>	<b>-58</b>
Net Investments from Securities and Other Financial Assets	7	9
Free Cash Flow (IFRS)	-10	-49



# Sales and earnings continued to improve significantly in Q1 2020



## Financial highlights Q1 2020

### Top Line

- SMA sales increased by 72% reaching €288m in Q1 2020, with strong sales growth in all three segments. Our Large Scale & Project Solutions segment more than doubled its first quarter revenues compared to Q1 2019.

### Profitability, Bankability

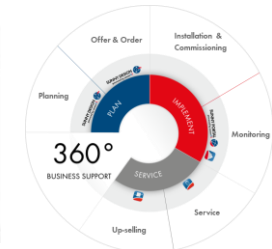
- EBITDA of €12m in Q1 2020 significantly improved compared to Q1 2019, driven by far higher sales.
- SMA maintains a solid balance sheet structure with a 40% equity ratio, €243m net cash and a €100m credit facility. SMA's debt to equity ratio of 1.48 also confirms our solid financial position.

## Product Highlights

### SMA Shadefix



### SMA 360° App



### SMA Power Plant Manager



## 2. Market & Competition

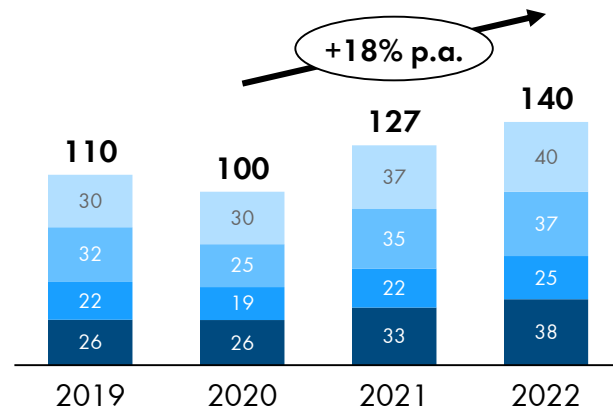


# Global PV installations expected to grow by 18% p.a. in the medium term after slow-down in 2020

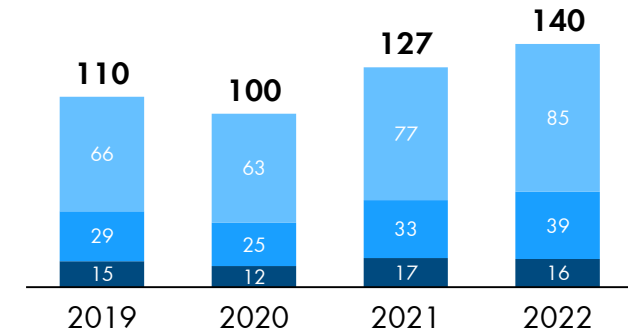


## Core business: PV installations<sup>1</sup>

### REGIONS in GWdc



### SEGMENTS in GWdc



- The global PV installations grew by 9% from 2018 to 2019 and are expected to grow by 18% p.a. until 2022, after a slow-down in 2020 due to lockdown measures and investment restraints resulting from the Corona crisis.
- Taking renewable energy goals into consideration and already permitted and financed projects, PV development is expected to recover soon.
- It is assumed that emerging markets are more affected by the current situation than mature ones and residential/commercial segments more than the utility segment due to investment restraints from private households and smaller businesses.

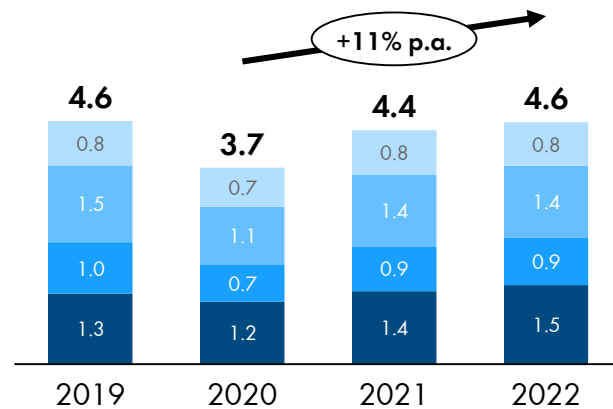


# Recovery of global investment level in PV inverter technology after Corona-affected installation decrease

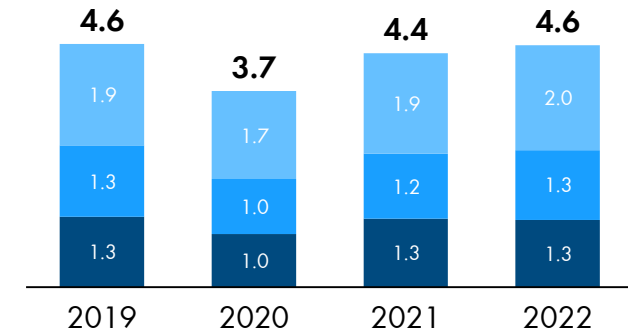


## PV inverter revenue<sup>1</sup>

### REGIONS in bn€



### SEGMENTS in bn€



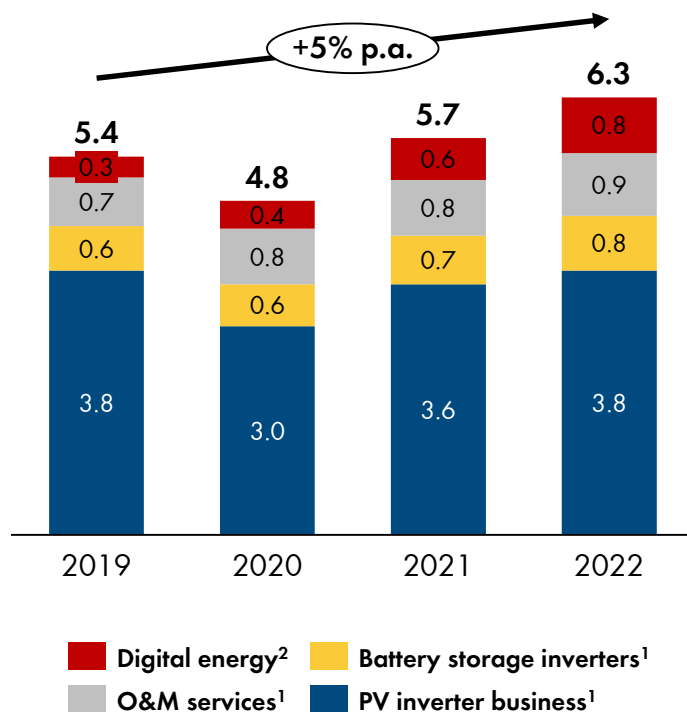
- Investment in PV system technology will develop according to installations and recover by showing a growth rate of 11% p.a. until 2022, after a decrease in 2020 in all segments and regions.
- In 2020, the lowest decrease in inverter revenue is expected in EMEA region, the highest decrease in APAC<sup>2</sup> region.
- The investment in PV inverters is expected to reach pre-Corona level in 2022.

# Storage inverter technology and digital energy solutions drive market growth



## Market outlook by sector for market addressable by SMA<sup>1</sup>

in € bn



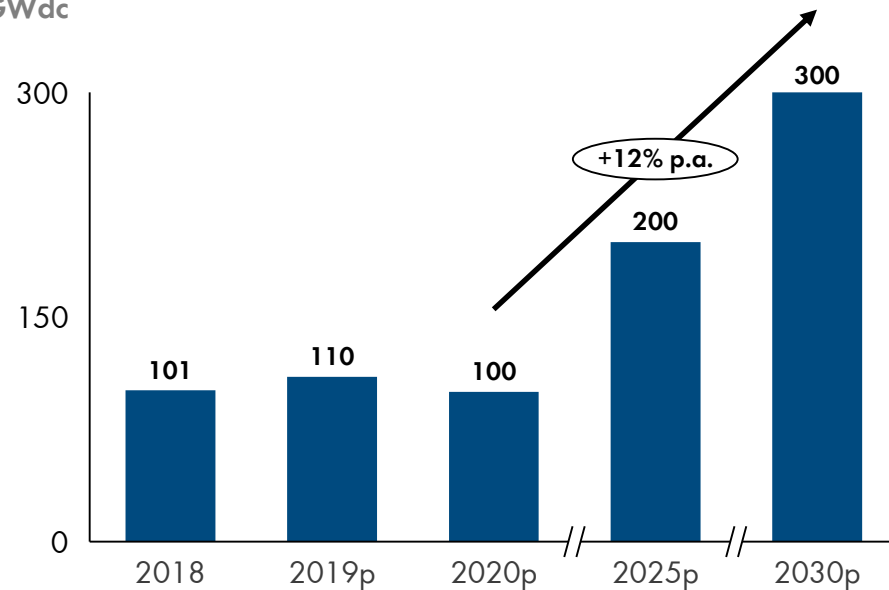
- PV power generation costs decrease, integrated energy and digitalization will lead to a higher share of renewable energy and its growth.
- After a Corona-related dip in 2020, the traditional PV inverter market outside of China will go back to pre-Corona level and be mostly stable over the next years. Digital solutions and battery storage are attractive additional value pools.
- PV inverters will serve as the backbone for smart grid solutions connecting the components and collecting data.
- Digital energy solutions gain importance for both homes and businesses, e.g. energy services for residential houses, food and non-food retail.
- O&M services remain important with continuously declining equipment prices and are key for sustainable PV investments. Service packages are aiming at utility plants in particular and vary from full to partial.

PV is key for a cost-effective, secure and sustainable energy generation –  
Annual installations are expected to triple by 2030



Long-term global market development<sup>1</sup>

PV installations  
in GWdc



- Digitalization accelerates the transition towards a decentralized energy supply system based on renewable energies.
- With the electrification of additional sectors, electricity is expected to become the main energy source, contributing almost 50% to final consumption in 2050. This means gross electricity consumption would more than double.
- PV will become the preferred energy source in the decentralized, digital energy supply system of tomorrow. This will lead to records in installations year over year.



### 3. Positioning



# Sustainability has been at the heart of SMA's people and business right from the beginning

From the very beginning, our goal has been to combine long-term business success with environmental protection and social responsibility.

That is why sustainability has been firmly anchored in our corporate mission since SMA was founded.



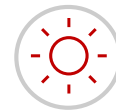
**€10.5 billion**

of environmental damage was prevented in 2019 through the use of SMA inverters.<sup>1</sup>



**58%**

less energy is used today per kW of inverter power produced than four years ago.



**2001**

marks the installation of the first PV plant installed at our headquarters. Today, company-owned PV plants cover 38% of our total electricity consumption in Germany; the remaining electricity used is also renewable.



**50,000 customers**

from all segments were asked for their feedback in our global customer satisfaction survey 2019.



**100%**

transparency on our sustainability activities is secured by our sustainability reporting according to the GRI standard<sup>2</sup>.

Our perfectly matched hardware, software and services enable customers to participate in tomorrow's integrated and interconnected energy system, today

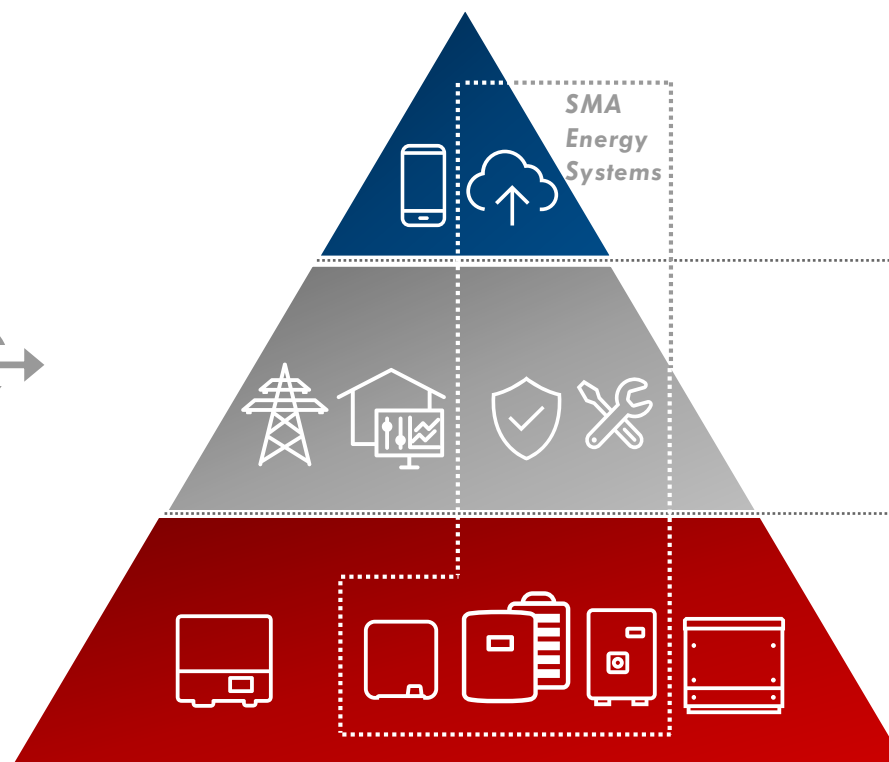


### Market trend

Demand for dedicated solutions is rising – SMA offers future-proof system packages and comprehensive solutions for all customer groups.



### SMA offering



#### Software – added value for all customer groups

With software like **ennexOS** and **digital services**, SMA is an innovator in the digital energy market and opens up new possibilities for all customer groups.

#### Service products – basis for mutually beneficial long-term customer relationships

With service products such as O&M, monitoring, PV planning, grid integration, commissioning, etc., SMA is reliable long-term partner of its customers.

#### Components – SMA's core business

With innovative and high-quality solar inverters and system components, SMA forms the core of every PV system.



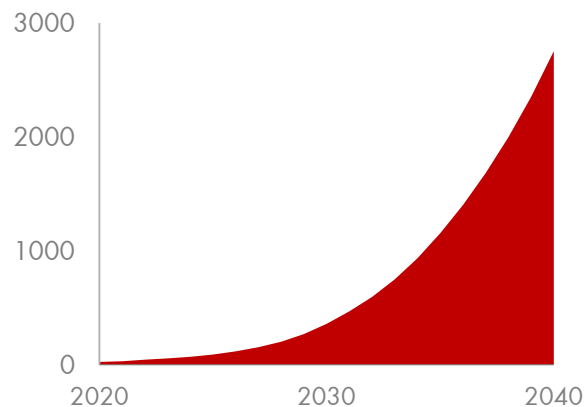
# Battery storage is the enabler for a secure and sustainable energy supply – SMA is the #1 battery inverter manufacturer in a rapidly growing market



## Battery storage is the backbone of the future energy supply<sup>1</sup>

In combination with battery storage, renewable energies are available 24/7 and can contribute flexibly to grid support.

Cumulative global storage capacity GWh



## SMA offers storage solutions for all segments and applications

Home solutions



Business solutions



Utility PV and storage plants



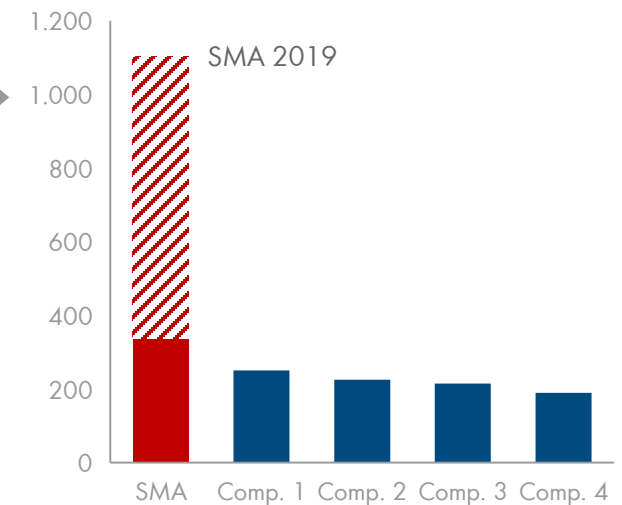
Off-grid solutions



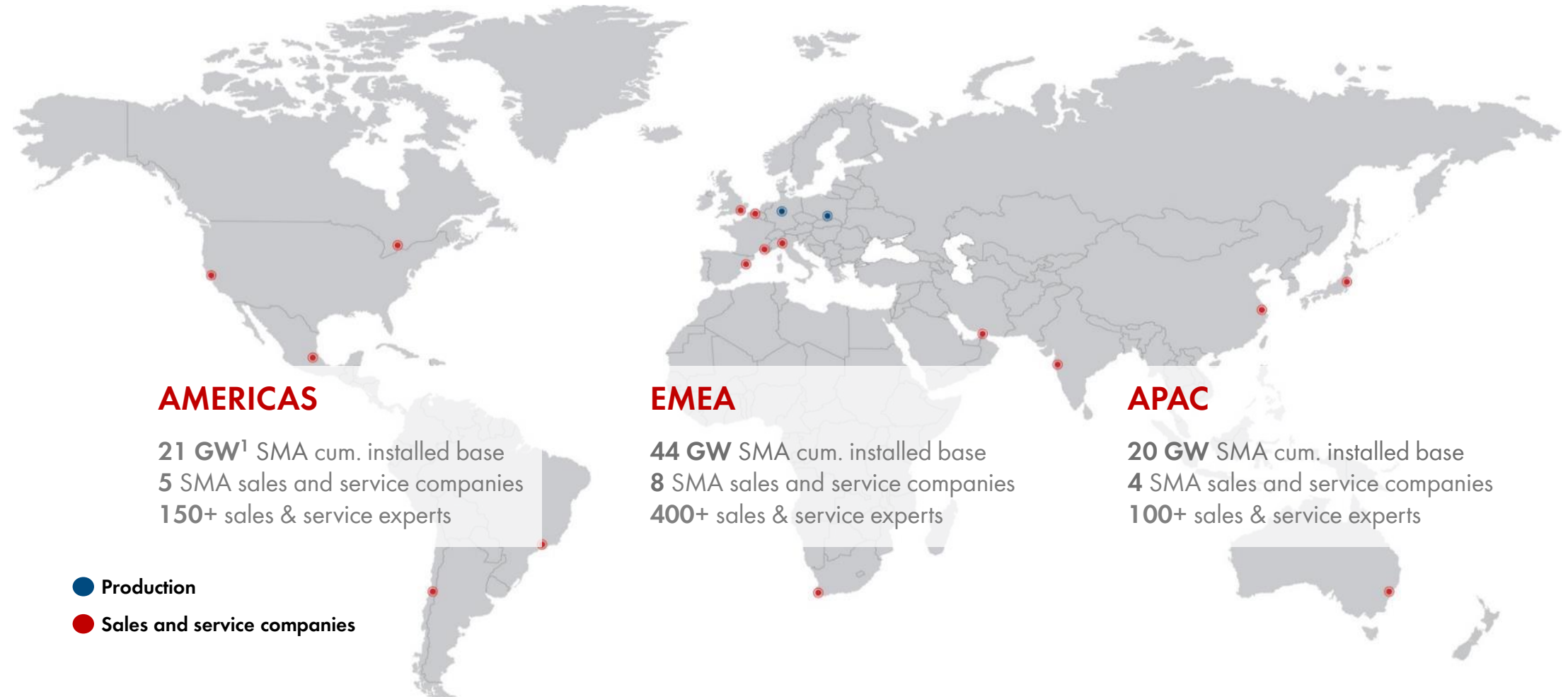
## SMA is by far the market leader in battery system technology

SMA's experience and long-standing expertise are unrivalled in the industry.

Battery inverter output sold in 2018<sup>2</sup>  
MW



The global SMA sales and service infrastructure supports all customer groups –  
Our state-of-the-art production sites are located in Germany and Poland



# SMA has introduced innovative solutions for all segments in Q1/2020

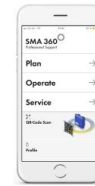


## SMA Shadefix: No need for module optimizers



- Effective shade management is a key to maximum yields in solar arrays.
- With ShadeFix, SMA has introduced an intelligent software in all its string inverters, that optimizes PV systems on string level – with the same or even better results than optimizers at less costs, except in strongly shaded PV arrays.
- Cost and material savings are good for our customers and for the environment.

## SMA 360° App: all-round support for PV professionals



- The new SMA 360° App supports installers and other PV professionals in all aspects of their daily business.
- It is the only app in the industry that connects PV system simulation, planning, commissioning and monitoring as well as automatic notification in case of service.
- All data and documents are available via cell phone 24/7, making the business of our customers more efficient.

## SMA Power Plant Manager: ready for the future energy supply



- With the new Power Plant Manager, SMA makes sure that decentralized energy systems in the megawatt range meet all requirements for networking, digitalization and data security and gets them ready for new business models.
- The SMA Power Plant Manager monitors, optimizes, controls and visualizes grid-conform energy generation and enables the integration of large battery-storage systems and other decentralized energy generators into the overall system.



# Corona virus: SMA implemented measures early on to maintain business operations



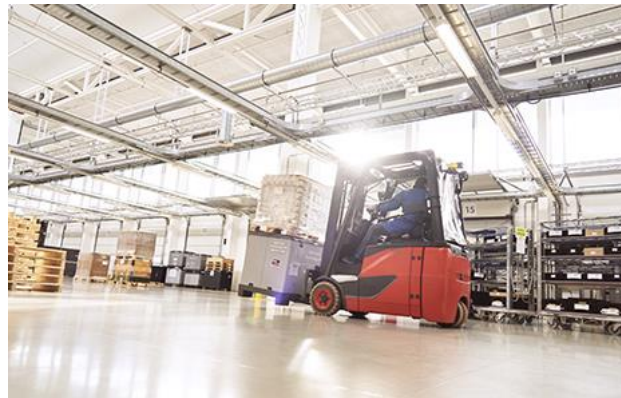
## Production: processes adapted to protect employees and keep up capacity

- The targeted changes in production processes include strict separation of shifts, social distancing and disinfection of workplaces.
- With this, we have been able to keep up our production capacity at 100% and have had no infections in our production.



## Logistics: flow of goods is secured in all areas

- We have implemented the same protective measures in logistics as in production.
- Through close cooperation with suppliers and service providers, we can largely avoid component shortages and significant restrictions in delivery times.



## Sales: good order backlog and close collaboration with customers

- Order intake has been positive in the first quarter. We expect an impact from the Corona virus over the next few months, with a strong recovery in the second half of the year.
- Despite the Corona virus-related restrictions we continue to work closely with our customers.



## 4. Outlook & Guidance 2020

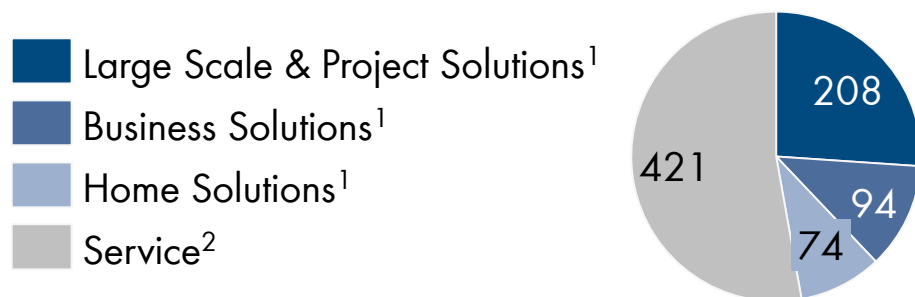


# Order backlog for products of €376m at the end of Q1 2020 remains strong



## Order backlog by segment (in €m) and region (in %)

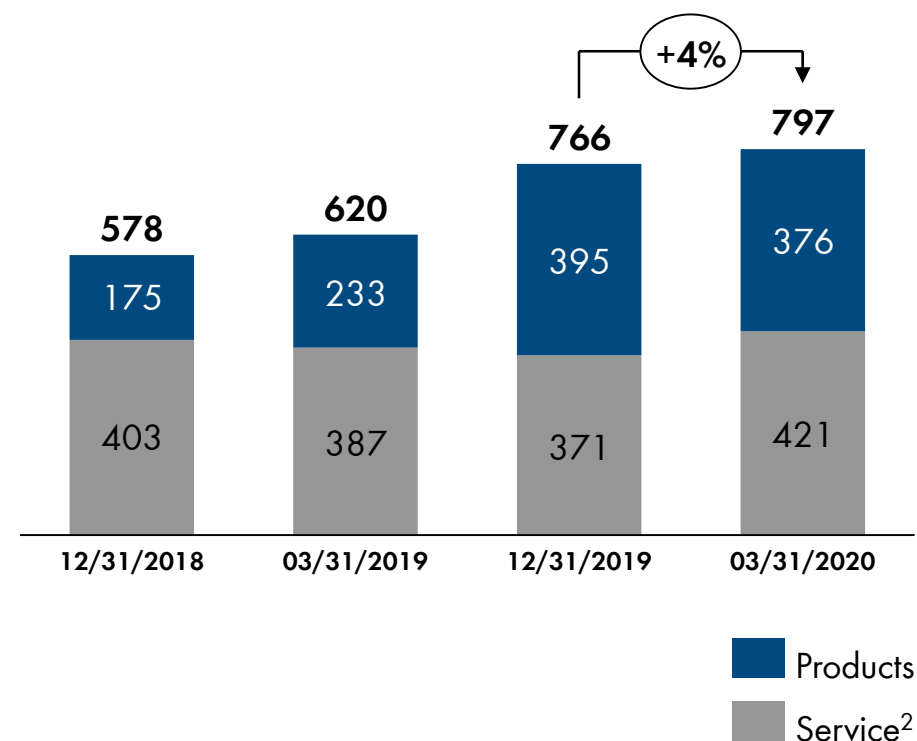
Total order backlog: €797m (Mar. 31<sup>st</sup>, 2019)



## Product order backlog by regions (in%)



## Order backlog development (in €m)



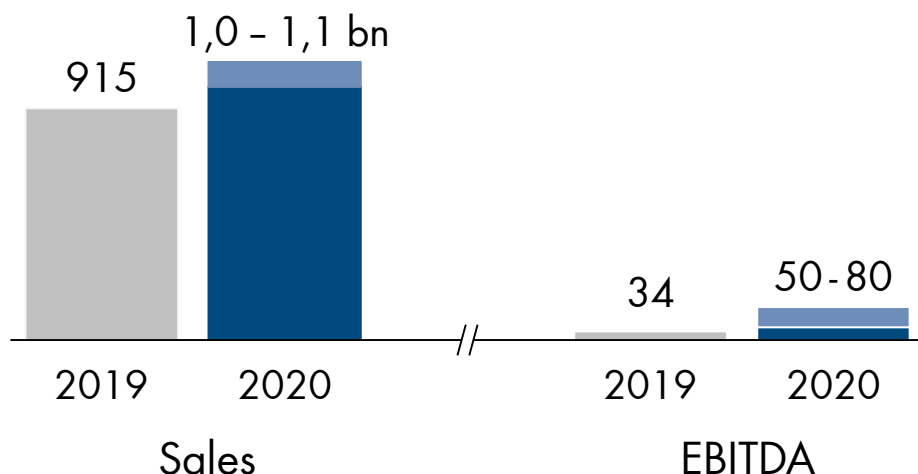
> Q1 sales and product order backlog already secure more than 60% of our 2020 annual sales guidance.



Management continues to expect strong sales and profitability growth for 2020. Covid-19 impact on our supply chain could be mitigated.



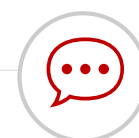
### Guidance 2020 (in €m)



### 2020

CapEx (incl. R&D & leasing)<sup>1</sup> c. €50m

Depreciation / amortization c. €45m

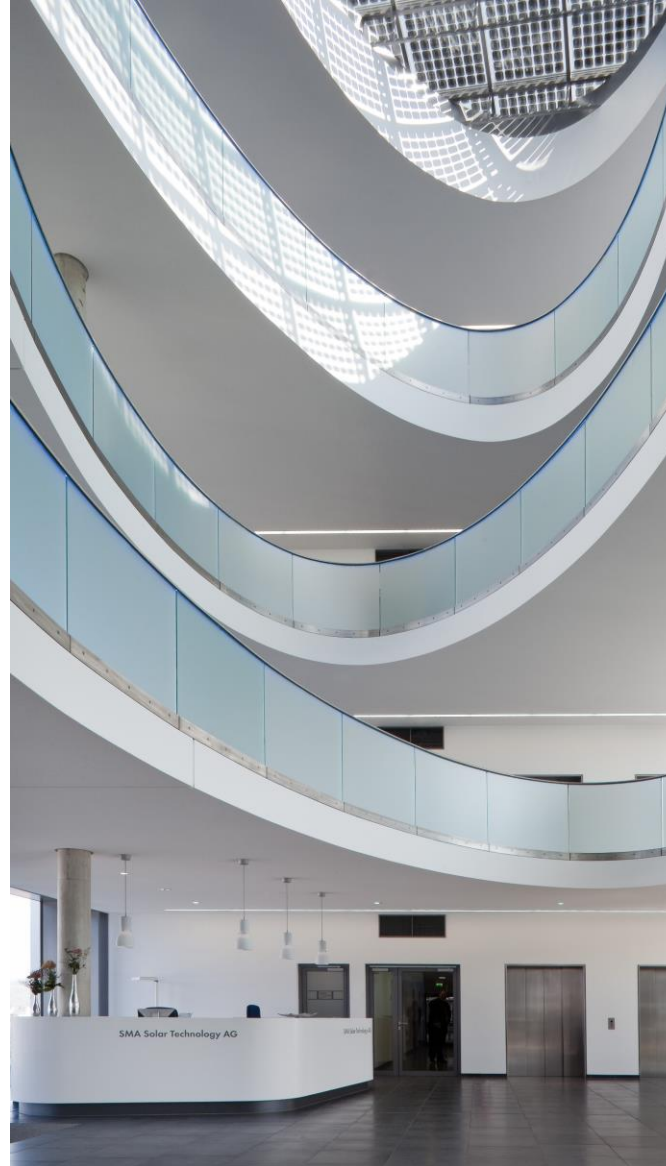


### Management comments

- Management remains confident to grow sales to more than 1 billion Euros in 2020, building on our strong Q1 result. Our Large Scale and Business segments do not expect to be significantly affected by the Covid-19 situation.
- SMA continues to strive to increase market share in all key markets, building on order intake of over 1 billion Euros in 2019 and more than 330 million Euros in Q1 2020.
- All segments are expected to experience less price pressure in comparison to prior years.
- Restructuring savings continue to contribute to profitability in 2020.

# Why invest in SMA?

SMA is a truly sustainable and financially solid company with a clear focus, comprehensive portfolio and global reach in one of the most exciting industries of the future.



## Sustainability

has been anchored in our corporate mission since SMA was founded. Our state-of-the-art inverter production in Germany is CO<sub>2</sub>-neutral.



## Financial stability

is secured by c. 40% equity ratio and c. €240 million net cash.



## Clear focus

as a leading specialist for PV system technology with 8.5 GW installed base.



## Comprehensive portfolio

of components, services, software and complete solutions for all PV segments and markets as well as for future business fields such as energy management, storage and repowering.



## Global reach

with a strong sales and service infrastructure in 18 countries, serving customers in more than 190 countries on all continents.

Back up





# Managing Board and shareholder structure



## Managing Board



**Dr. Jürgen Reinert, CEO**

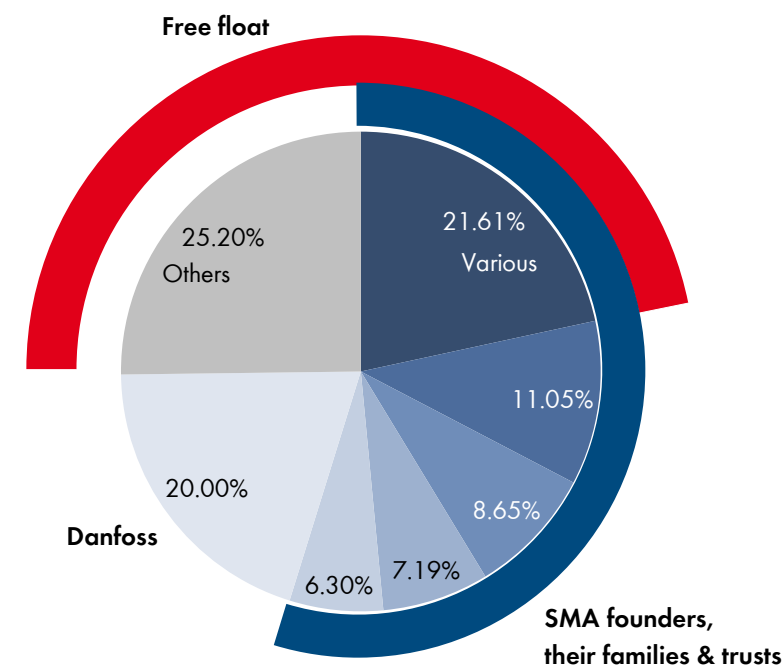
Sales & Service, Technology,  
Operations, Business Units



**Ulrich Hadding, CFO**

Finance, HR, Legal, Investor Relations

## Shareholder Structure<sup>1</sup>



- No pre-emption rights or other restrictions

# Thank you.

## **SMA Solar Technology AG**

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