

SMA SOLAR TECHNOLOGY AG



Analyst / Investor Presentation: Roadshow Frankfurt / Zurich

Ulrich Hadding (CFO)

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1. Review 2018



Sales and Earnings Down Significantly Year on Year; Managing Board Expects Growth in 2019



Financial Highlights 2018

Top Line

- Sales 2018 with €761m below prior year in every segment due to very high price pressure, component shortages in H1/2018, project postponements and limited battery availability.

Profitability, Bankability

- EBITDA of € -69m negatively impacted by extraordinary effects of net €86m.
- In addition, 2018 EBIT is affected by the impairment of R&D intangible assets (- €30m).
- Solid balance sheet structure with >40% equity ratio, > €300m net cash and €100m credit facility

Outlook 2019

- Cost-saving measures on track
- Managing Board expects sales of €800m to €880m in 2019 and EBITDA of €20-50m.

Strategic Highlights

New Products



Awards



Sunny Central Storage
Intersolar 2018



ennexOS
Intersolar 2018

Sales 2018 Remained Below Expectations; EBITDA Impacted by Extraordinary Effects



Key Financials (in € million)

	2017	2018	Change
MW sold	8,538	8,449	-1%
Sales	891	761	-15%
Residential	233	182	-22%
Commercial	272	252	-7%
Utility	289	266	-8%
Storage	97	61	-37%
Digital Energy	0	0	n.m.
Gross margin	22%	10%	
EBITDA	97	-69	n.m.
Depreciation	53	83	55%
EBIT	44	-152	n.m.
Net income	30	-176	n.m.
Free Cash Flow (Adj.)	85	-94	n.m.
Net CapEx (incl. R&D)	32	40	24%

	2017	2018	Change
Net cash	450	306	-32%
Total assets	1,216	989	-19%
NWC ratio (in %) ¹	19% ²	23%	

	2018			
	Q1	Q2	Q3	Q4
Sales	183	212	180	186
Residential	39	44	48	51
Commercial	57	75	60	60
Utility	67	84	55	60
Storage	20	9	17	15
Digital Energy	0	0	0	0
Gross margin	21%	27%	20%	-33%
EBITDA	18	23	10	-120

2. Market



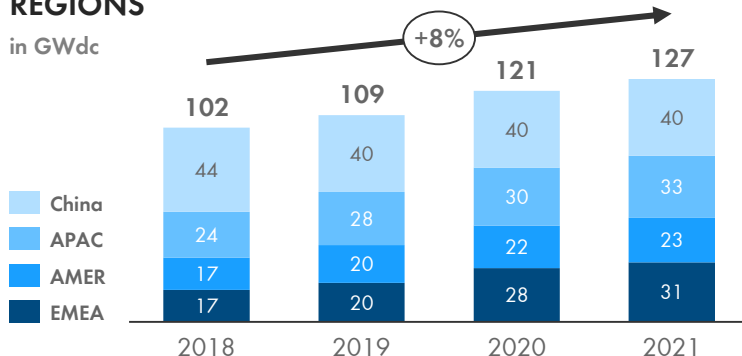
Global PV Installations Expected to Grow in all Regions, Except China



Core Business: PV Installations¹

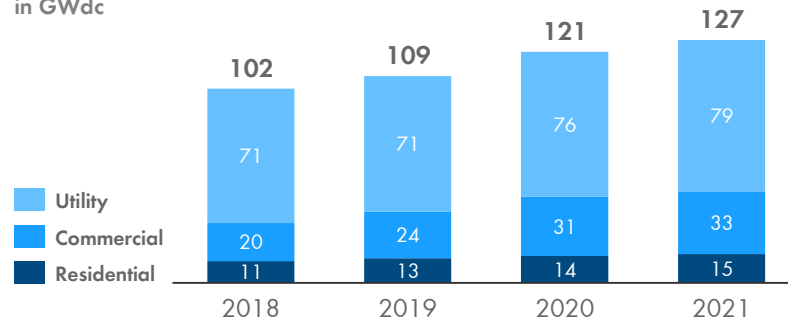
REGIONS

in GWdc



SEGMENTS

in GWdc



New installations

From 2018 on PV installations are expected to show a continuous average growth of 8% p.a.

EMEA

EMEA is most promising region with >20% annual growth. MEA² is expected to add huge potential from 2020.

China

Chinese installations decreased by 16% in 2018. 5-Year-Plan³ ends in 2020, forecast thereafter subject to uncertainty.

Utility

Utility remains largest segment. Most promising markets are USA, Australia, Japan. India and China are largest low-cost markets.

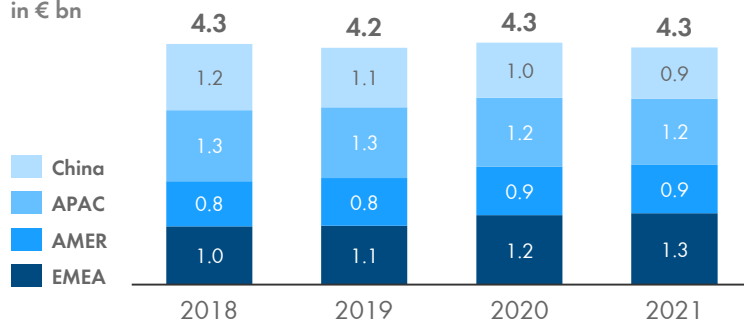
Price Pressure will Largely Erode Growth in PV Installations



PV Inverter Revenue¹

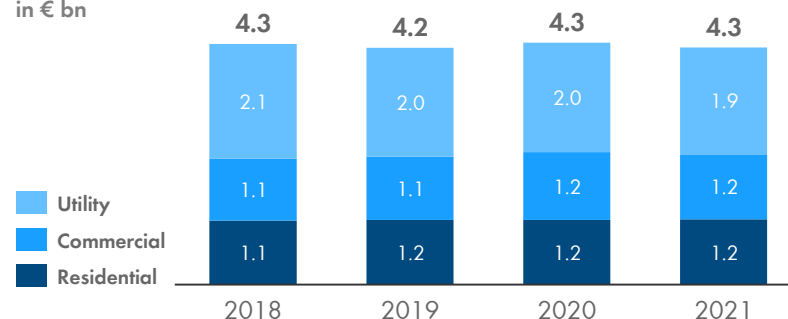
REGIONS

in € bn



SEGMENTS

in € bn



Revenue potential

After drop from 2017 to 2018 by ~10%, flat revenue expected until 2021. Price pressure will largely erode volume growth.

EMEA

Emerging PV markets in MEA² contribute strongly to growth in EMEA, which is expected to reach 7% p.a.

AMERICAS

Largest country in Americas region remains the USA. Latin America gains importance with revenue growth of 14% p.a.

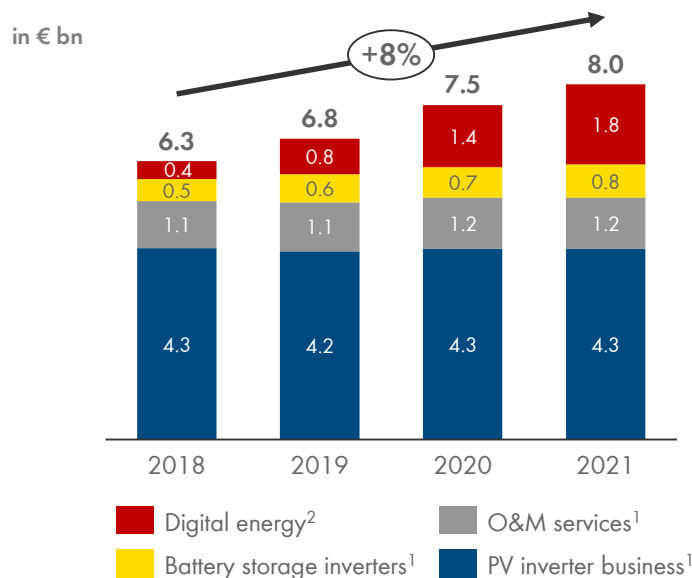
Segments

Revenue potential for each segment expected to remain rather stable, no significant shift among segments expected.

Storage and Digital Energy Solutions Drive Global Market Growth



Global Market Outlook by Sector



- Power generation costs decrease, integrated energy and digitalization will lead to a higher share of renewable energy and its growth.
- The traditional PV inverter market revenue potential is expected to be stable. 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 aim utility plants in particular and vary from full to partial.

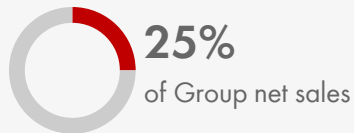
3. Positioning



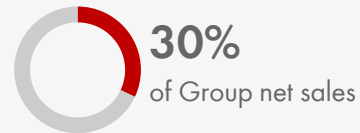
SMA has a Complete Portfolio to Serve all PV Segments



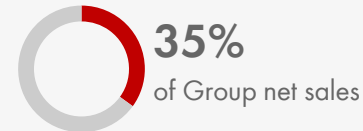
**SMA
RESIDENTIAL**



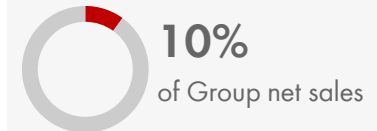
**SMA
COMMERCIAL**



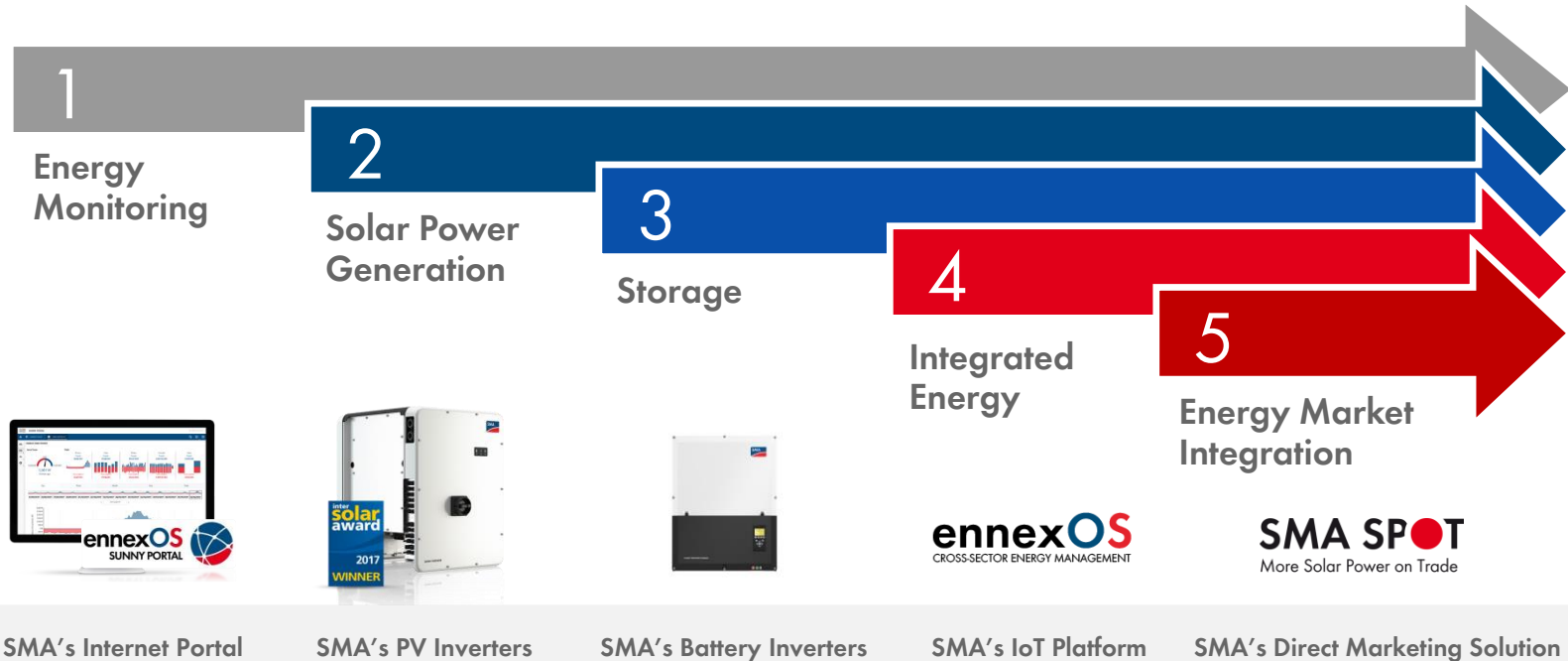
**SMA
UTILITY**



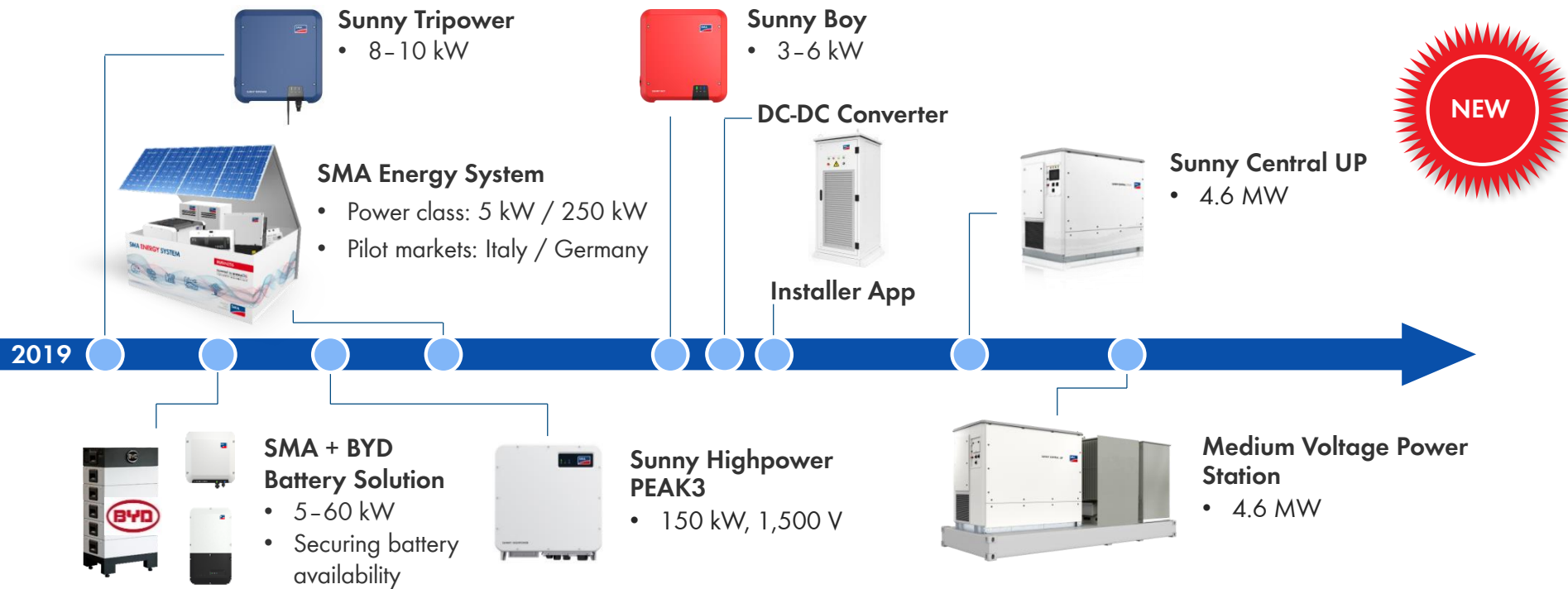
**SMA
STORAGE**



SMA 's Portfolio Covers Every Stage of Energy Integration



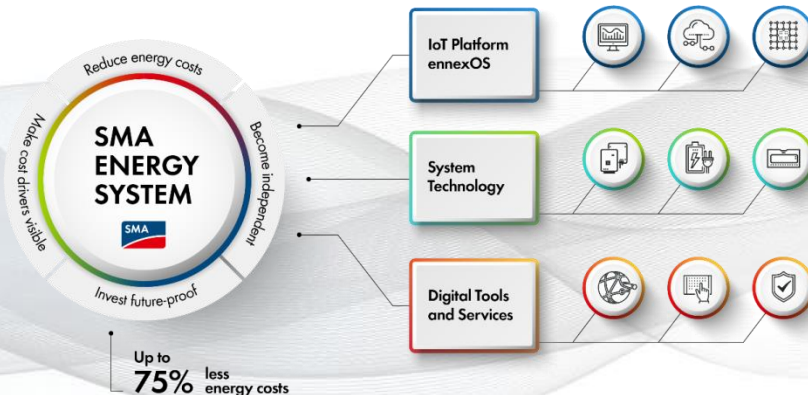
SMA will Introduce New Cost Improved Products in 2019



SMA can do more than Selling Components – We Possess the Necessary Prerequisites for Offering Future-Proof Systems



Be Part of the New Energy System. Decentralized. Digital. Connected.



Complete SMA PV & Storage Systems



SMA's System Offering for Residential and Commercial

HARDWARE – Intelligent PV and storage technology

Smart products such as intelligent inverters, powerful storage technologies and innovative data managers.

SOFTWARE – Energy management software

Cross-sectoral energy platform with applications and tools to manage and make energy consumption transparent.

SERVICES – (Digital) sales processes and services

Tailor-made sales processes along the customer journey to ensure ease of use and a maximum positive customer experience.

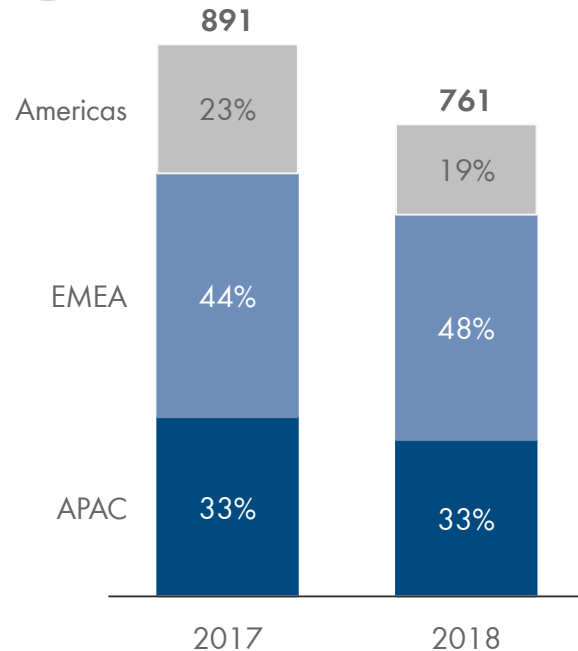
4. Financials & Guidance



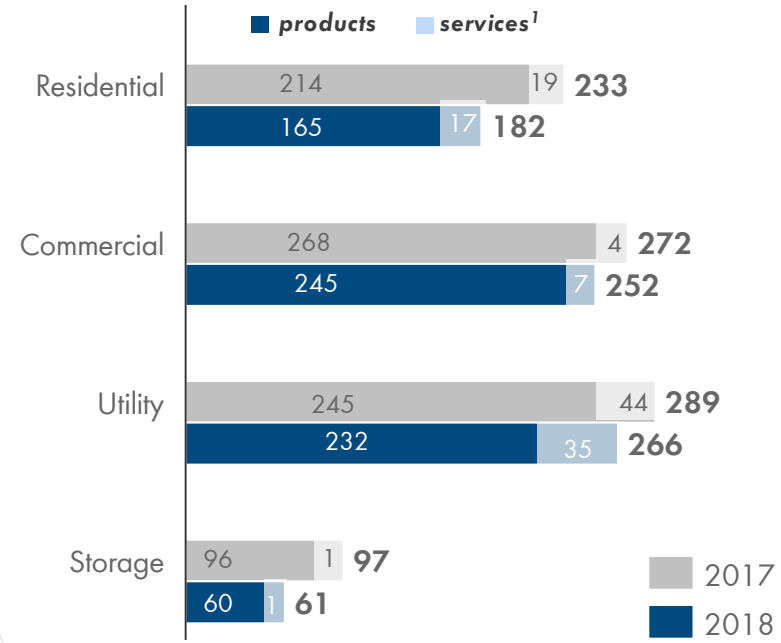
Sales 2018 Decreased in All Regions and Segments; Americas was Most Affected



Sales (in € million)



Sales by Segment¹ (in € million)



EBITDA Impacted by Negative Extraordinary Effects of €86 Million



EBITDA (in € million)

Margin

11%

-9%

97

-69

2017

2018

One-Offs¹

13

-86

Depreciation/
Amortization

53

83²



EBIT by Segment³ (in € million)

Residential

-17

3

Commercial

-12

1

Utility

-64

26

Storage

-6

10

2017

2018

The Net Working Capital Ratio 2018 was slightly above the Range of 19% to 23% Targeted by Management

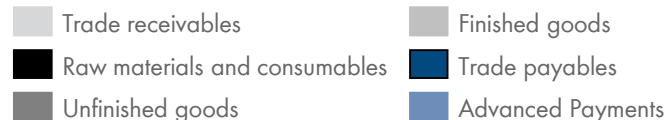
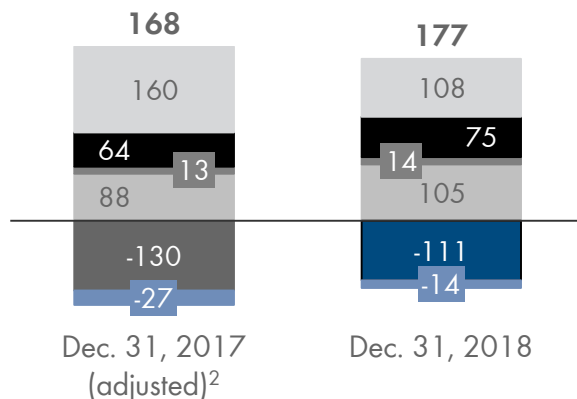


Net Working Capital (in €million)

NWC ratio¹

19%

23%



Group Balance Sheet (in €million)

	31.12.2017	31.12.2018	Change
Non-current assets	358	283	-21%
Working capital	325	302	-7%
Other assets	63	80	28%
Total cash	470	324	-31%
Shareholder's equity	612	424	-31%
Provisions ³	156	157	1%
Trade payables	130	111	-15%
Financial liabilities ⁴	20	18	-12%
Other liabilities ³	298	279	-6%
TOTAL	1,216	989	-19%

1. Net Working Capital ratio: inventory + trade receivables - trade payables (advanced payments included); as of last twelve months sales

2. NWC ratio as of 2018 reporting includes advanced payments; the year end figure 2017 has been adjusted accordingly

3. Not interest-bearing

4. w/o not interest-bearing derivatives: €2.0m (2017: €0.4m)

The Managing Board and Supervisory Board will Recommend no Dividend Payment to the General Meeting



Cash Flow (in € million)

	2017	2018
Net Income	30	-176
Gross Cash Flow	84	-39
Cash Flow from Operating Activities	117	-54
Net Capex	-32	-40
Free Cash Flow (Adj.)	85	-94
Net Investments from Securities and Other Financial Assets	-66	47
Acquisitions/ Divestitures	17	0
Free Cash Flow (IFRS)	36	-47

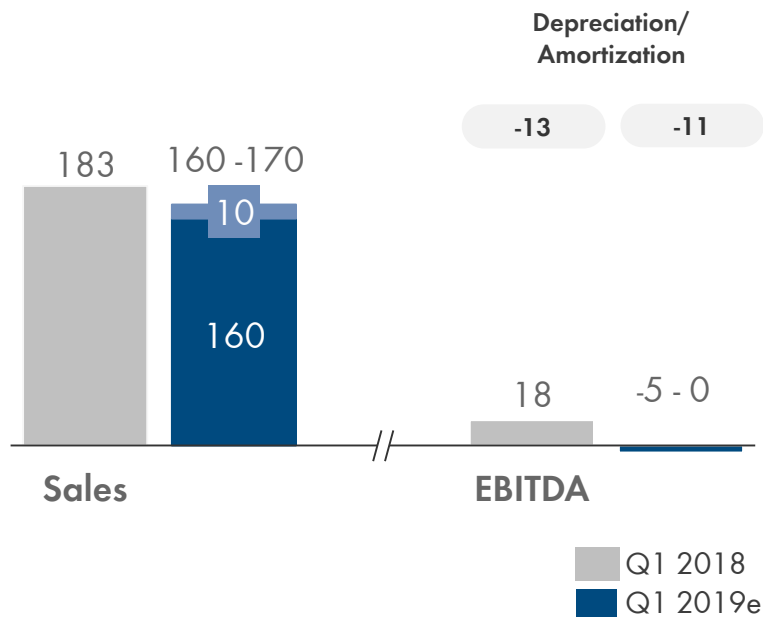
With our Cost Saving Program we Reduce our Costs by c. €40 m p.a. until 2020 while Maintaining SMA's Ability to Seize Opportunities



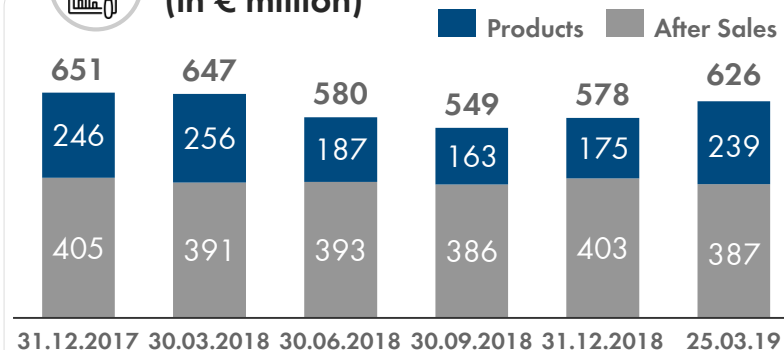
In Q1/19, SMA's Management Estimates Sales of €160m to €170m and EBITDA of -€5m to €0m



Sales & EBITDA Q1/2019e (in € million)



Order Backlog Development (in € million)

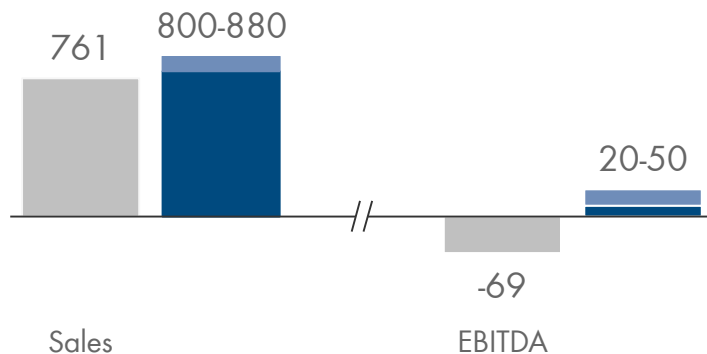


- Product order backlog increased by nearly 40% since end of 2018.
- Increase in Q1/2019 order backlog for products across all segments, especially Commercial.
- EMEA markets remain most promising.
- About 50% of guided sales figure 2019 is covered by Q1/19 revenues and product order backlog

For 2019 Management Expects Sales Growth



Guidance 2019 (in € million)



2019

Net Cash	> €300m
NWC-Ratio	19-24%
CapEx (incl. R&D) ²	c. €60m
Depreciation / Amortization	c. €50m



Management Comments

- SMA strives to increase market share, especially in the U.S.
- Management expects growth in all segments, especially in Utility and our storage business.
- In 2019, digital solution business will still have only limited sales contribution.
- Price pressure remains high in all segments.
- Most of the cost-saving measures will be effective in 2019.

SMA Continues to be a Leading Player in the PV Industry



Investment Highlights

- **Focus:** A leading global specialist for photovoltaics system technology with 75 GW installed base
- **Complete portfolio** to serve all PV segments
- **Global reach:** Present in 18 countries with a strong sales and service infrastructure; serving > 180 countries
- **Award winning production:** CO₂ neutral production with a capacity of 15 GW p.a. in Germany
- **Bankable partner:** c. 40% equity ratio and c. 300m net cash
- **Technological Know-how** & products to benefit from strong growth in future fields such as energy management, storage & repowering
- **Strong partnerships** to create a new energy ecosystem

Strategic Highlights

New Products



Awards



Sunny Central Storage
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ennexOS
Intersolar 2018

Back up



Managing Board and Shareholder Structure



Managing Board

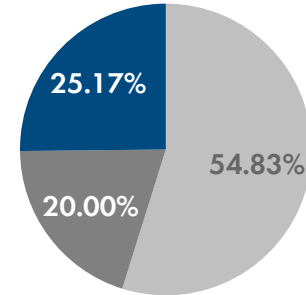





Juergen Reinert
CEO
born 1968
With SMA since 2011
Contract 2024



Ulrich Hadding
CFO
born 1968
With SMA since 2009
Contract 2019

Shareholder Structure¹



-  SMA founders, their trusts and families
-  Danfoss A/S
-  Freefloat

Thank you



SMA Solar Technology AG

Sonnenallee 1
34266 Niestetal, Germany

Tel. +49 561 9522 0
Fax +49 561 9522 100

www.SMA.de
info@SMA.de