

# Financial Year 2016

Analyst-Call

Wiesbaden, April 5<sup>th</sup>, 2017



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## **1** Market Environment

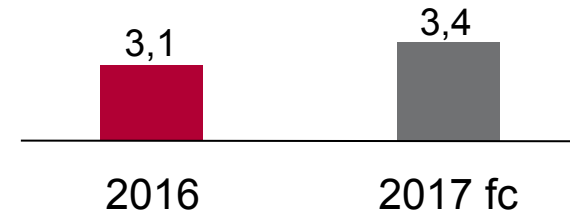
## **2** Key Figures – Financial Year 2016

## **3** Outlook – Financial Year 2017



- World economy grew by 3.1 % in 2016
- For 2017, a growth of 3.4 % is projected
- Worldwide car sales grew by 6 % in 2016
- China particularly positive, Europe and India with robust growth, whilst sales declined in Japan, Russia and Brazil
- Overall, a further positive development for 2017

Change of world-GDP in percent <sup>(1)</sup>



Change of passenger car sales in percent <sup>(2)</sup>

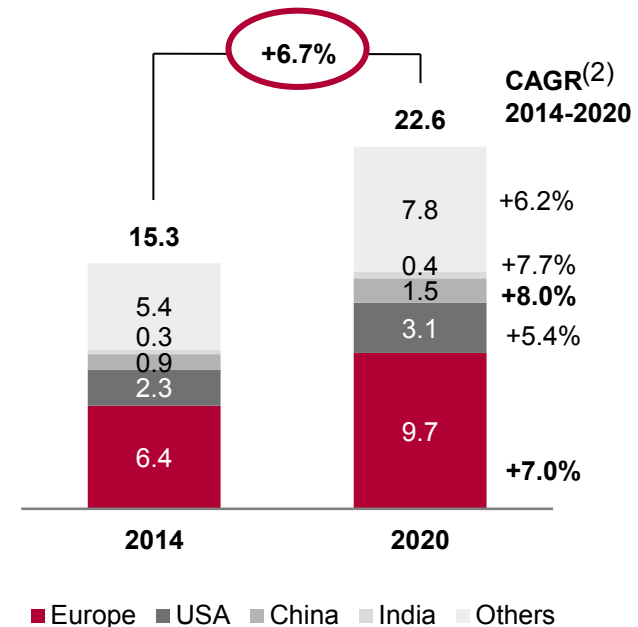
	2016	2017 fc
USA	0	0
Western Europe	6	1
New EU	16	6
Japan	-2	1
Russia	-11	5
China	18	5
India	7	9
Brazil	-20	0
<b>World</b>	<b>6 (82,880)</b>	<b>3 (84,966)</b>

(in thousands)

(in thousands)

- The global ESP market is expected to grow by 6.7% p.a.
- Highest growth rates projected for China and Europe
- Europe represents the largest market for automotive ESP
- Shift in OEM R&D outsourcing budgets towards ADAS,<sup>(3)</sup> e-mobility and digitalization is likely.
- This development may contain future chances but also risks for the ESP business

**Automotive ESP market by region (€ bn)<sup>(1)</sup>**



Source A.T. Kearney, Market assessment Engineering Service Provider Automotive 2020, August 2015

Notes

1. Global automotive ESP market including passenger cars, commercial vehicles and suppliers
2. Compound Annual Growth Rate
3. Advanced Driver Assistance Systems

**1** Market Environment

**2** Key Figures – Financial Year 2016

**3** Outlook – Financial Year 2017



# Key Highlights Financial Year 2016

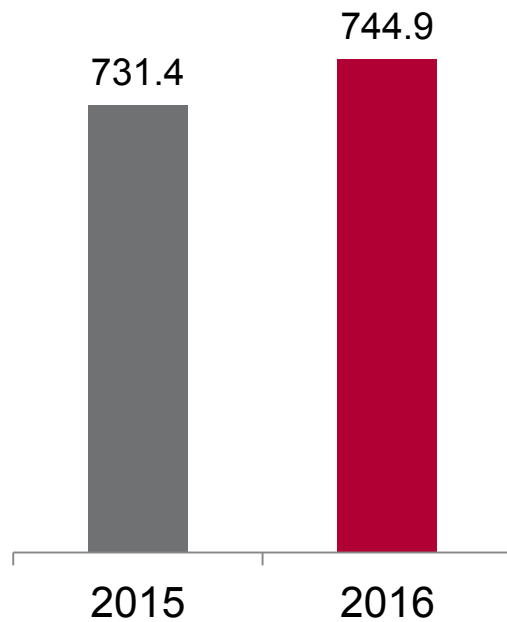


- Order intake at record level of 744.9 m€, 13.6 m€ above 2015 figure
- Order book at year end was at 318.9 m€
  - ~ 11% increase to previous year
- Sales stable after high growth in previous years
- Adjusted EBIT stabilized in H2
  - implemented measures showed positive impact
- Equity ratio up from 32.6% to 35.5%
- CapEx at about 3.9% of revenues
- Proposed dividend of 0,75€ per share

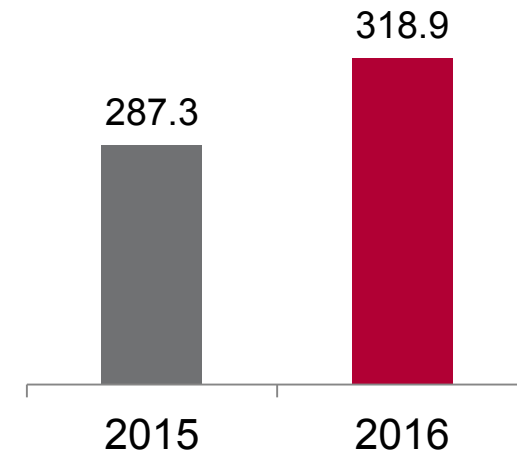


[m€]

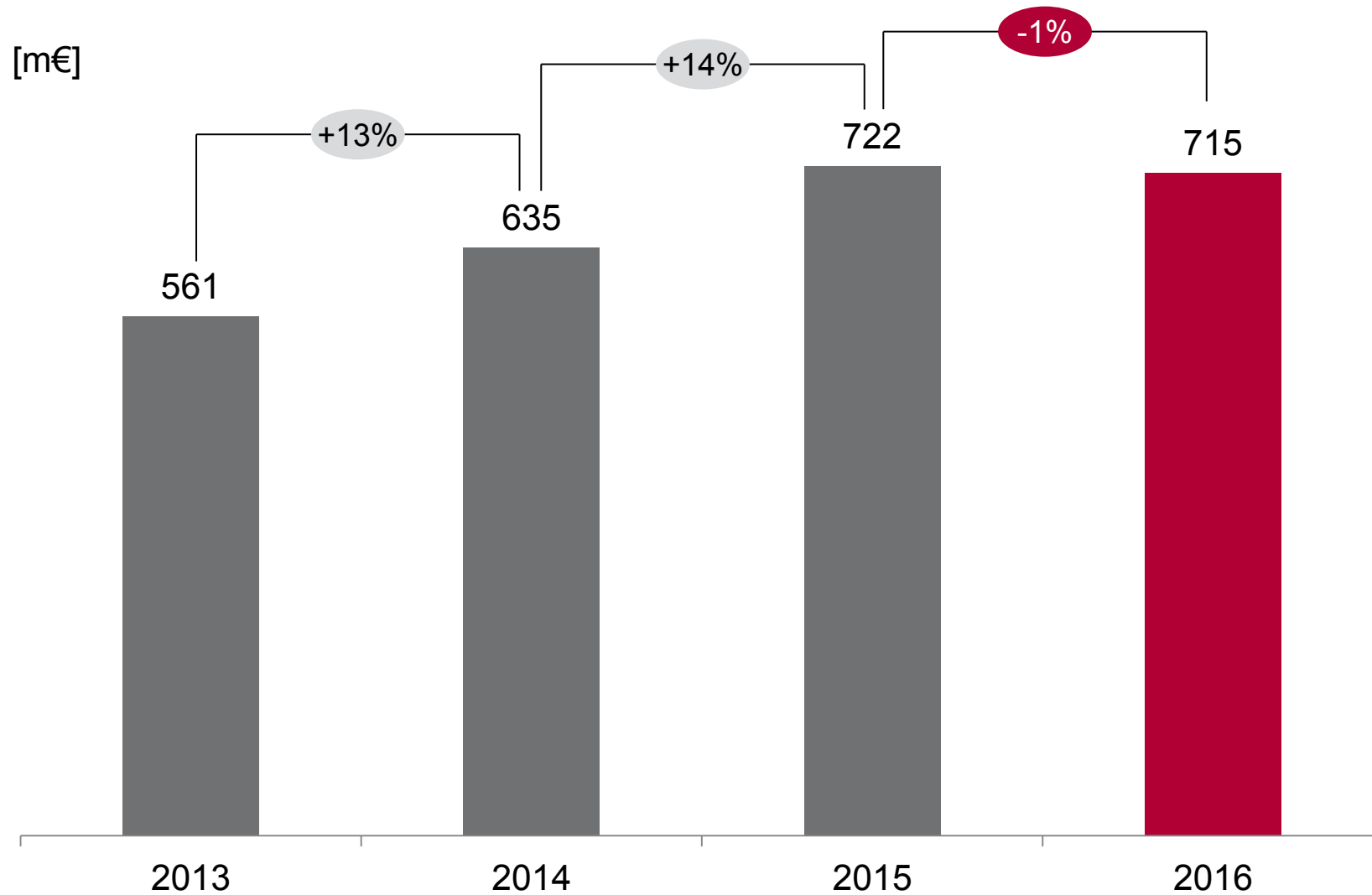
## Order intake



## Order book [31.12.]







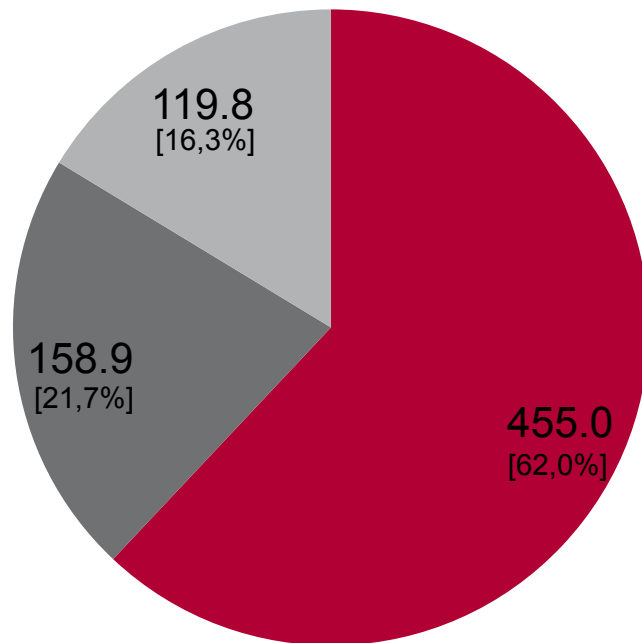
1. Revenue defined as sales revenue plus change in inventories; Core defined as total excluding Others segment

# Revenues by Segment <sup>(1)</sup>

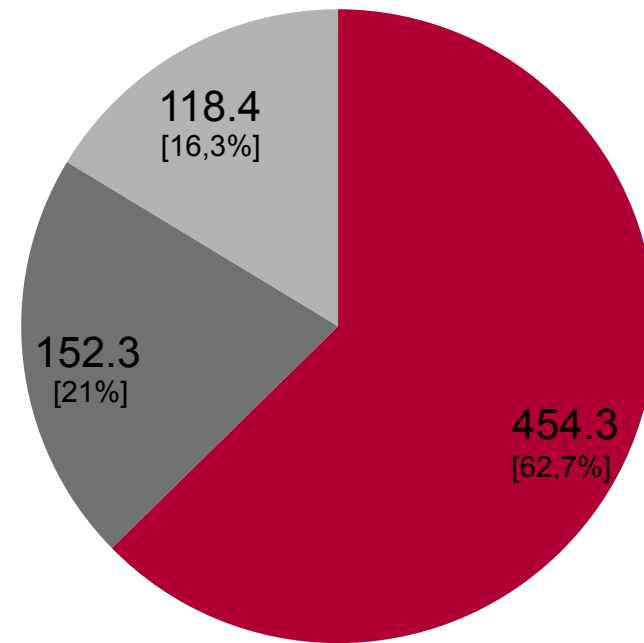


[m€]

2015



2016



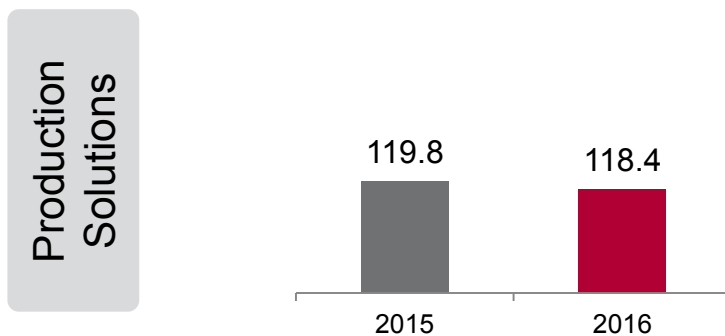
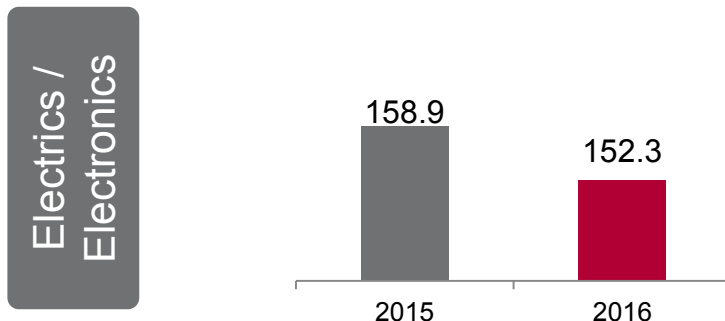
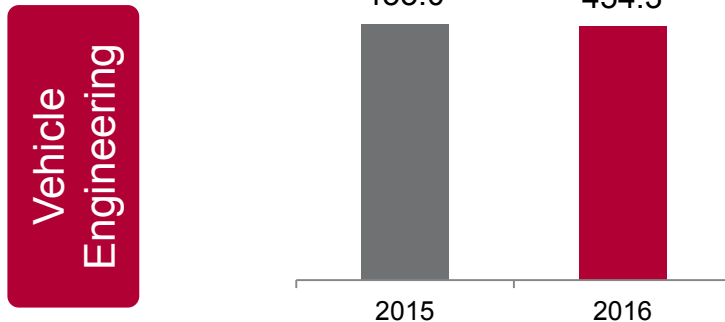
■ Vehicle Engineering    ■ Electrics / Electronics    ■ Production Solutions

1. Revenue defined as sales revenue plus change in inventories; figures include sales revenue with other segments

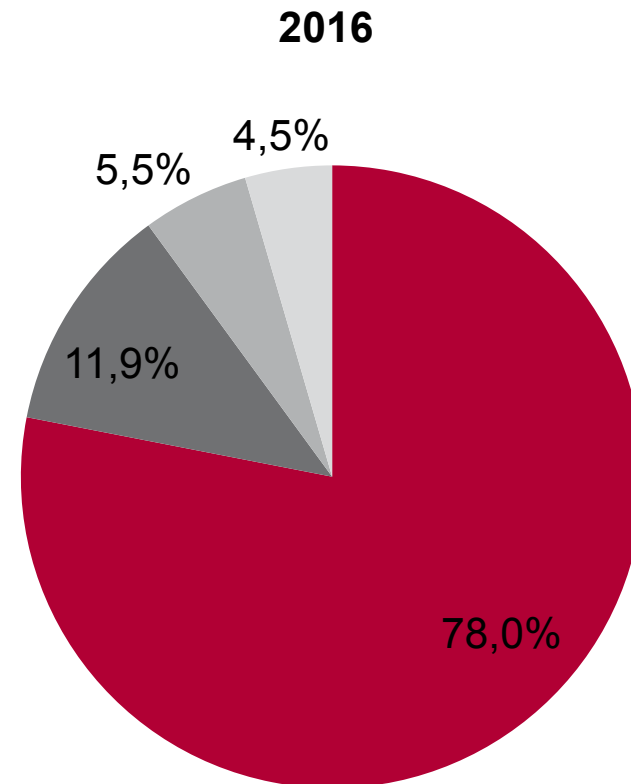
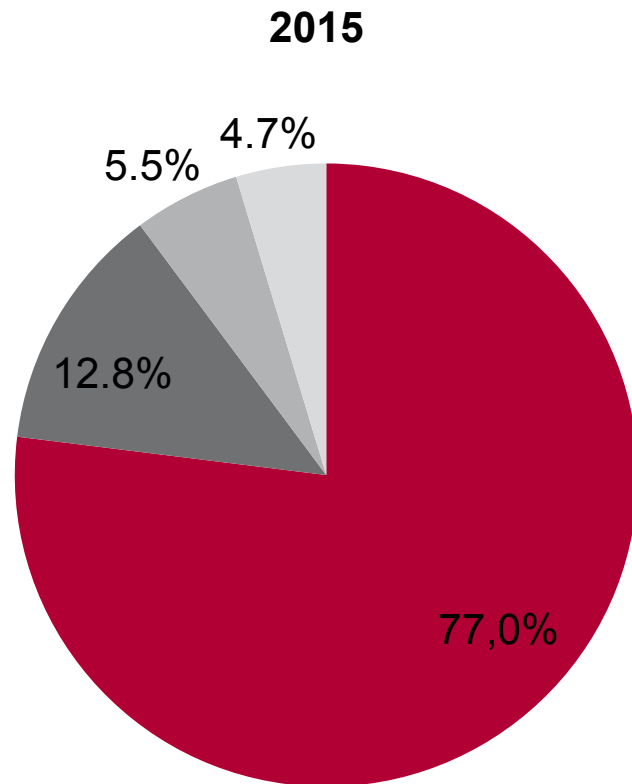
# Revenues by Segment <sup>(1)</sup>



## Revenues [m€]



1. Revenue defined as sales revenue plus change in inventories; Figures include Sales revenue with other segments



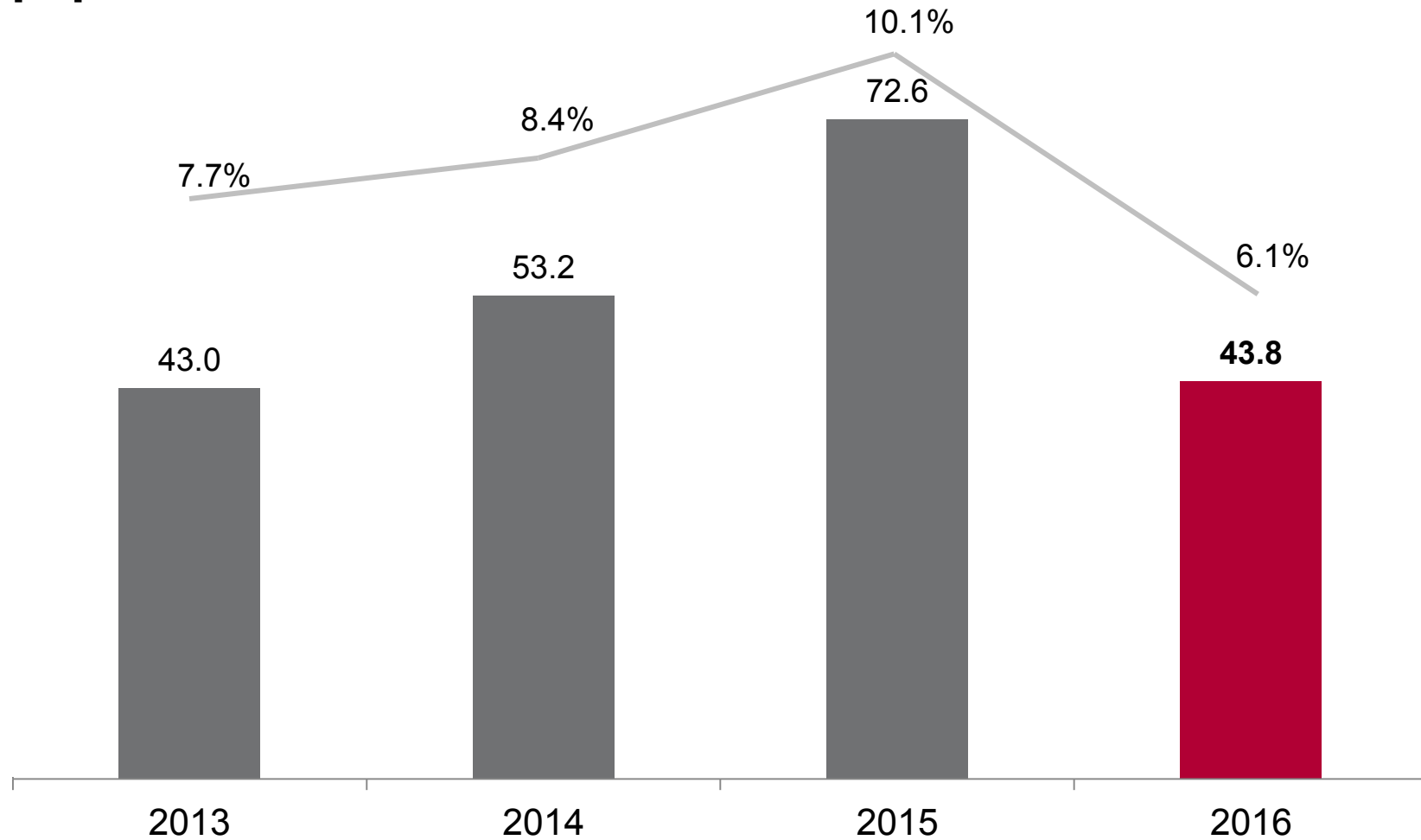
■ Germany ■ Rest of Europe ■ North & South America ■ Asia

1. Revenue defined as sales revenue plus change in inventories

# Adjusted EBIT <sup>(1)</sup>



[m€]

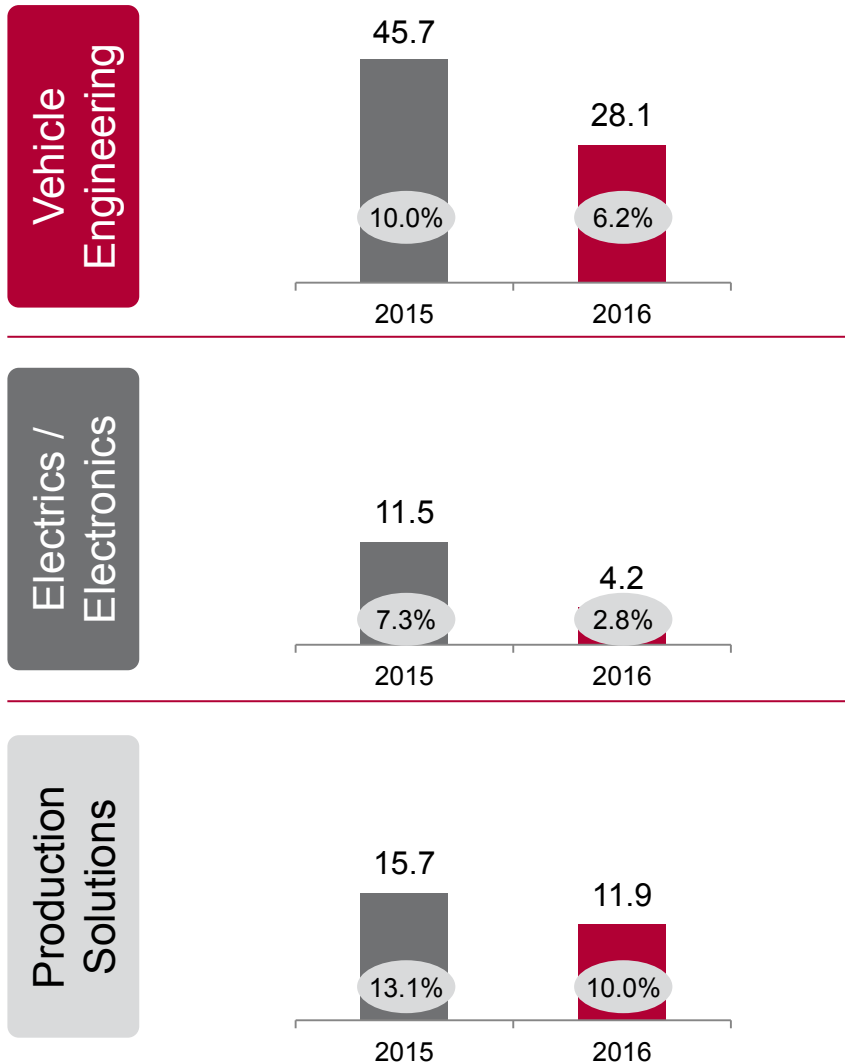


1. Adj. for one-offs (purchase price allocation, consolidation effects, M&A costs, restructuring costs, proceeds from real estate sales, a. o.); 2013 and 2014 showing Core adj. EBIT - Core defined as total excluding segment Others

# Adjusted EBIT by Segment <sup>(1)</sup>



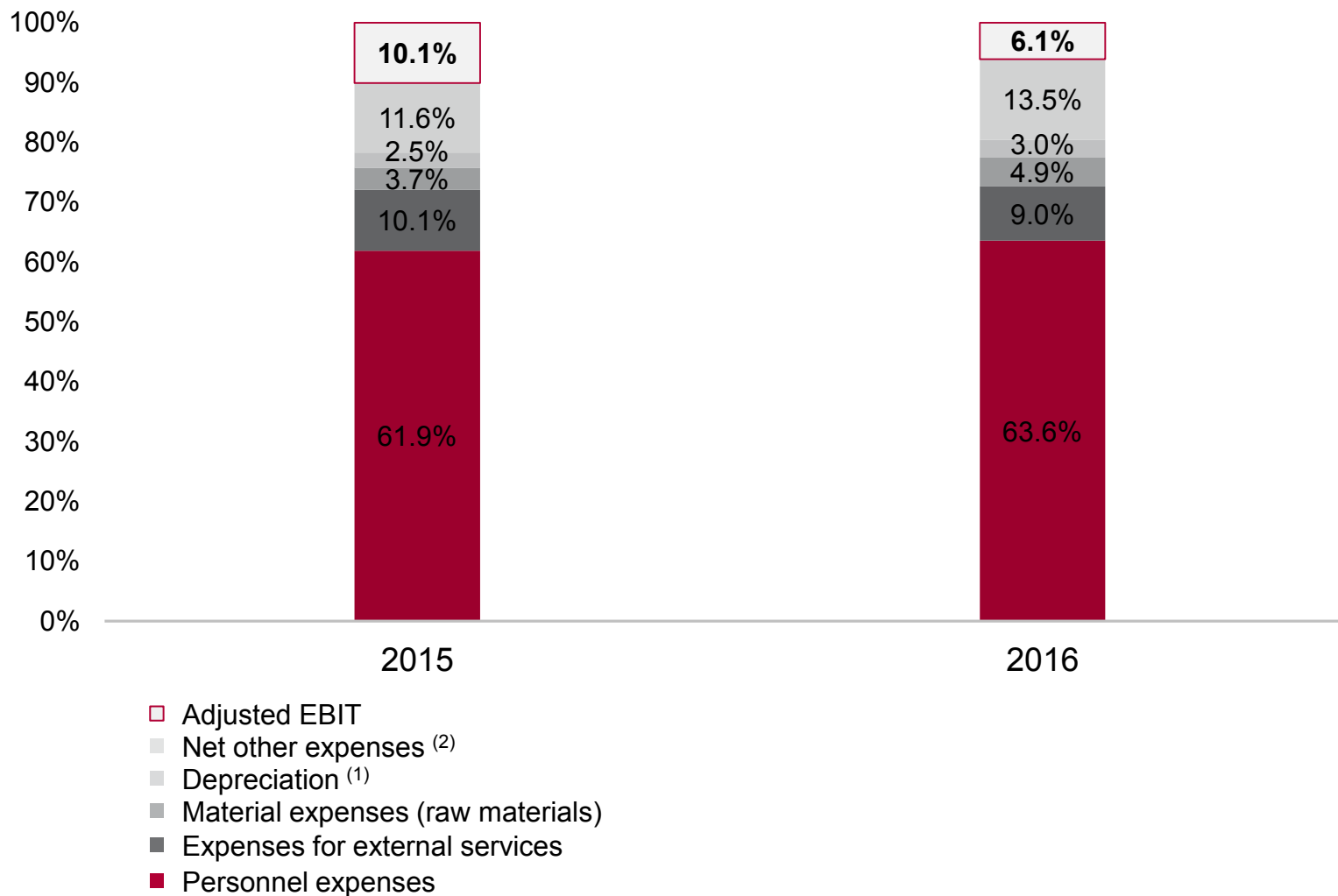
## Adjusted EBIT [m€]



1. Adj. for one-offs (purchase price allocation, consolidation effects, M&A costs, restructuring costs, proceeds from real estate sales, a. o.)

x.x% EBIT-Margin

## Total cost structure breakdown (as % of revenue)

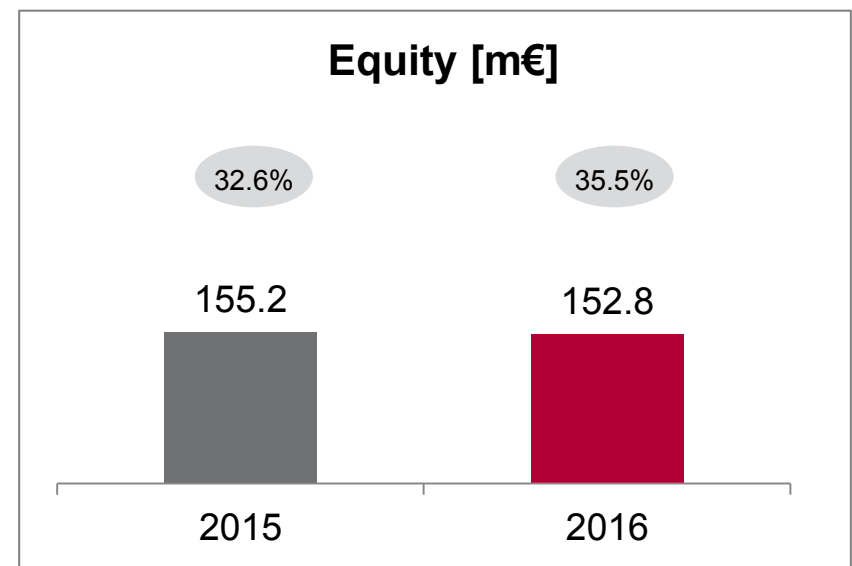
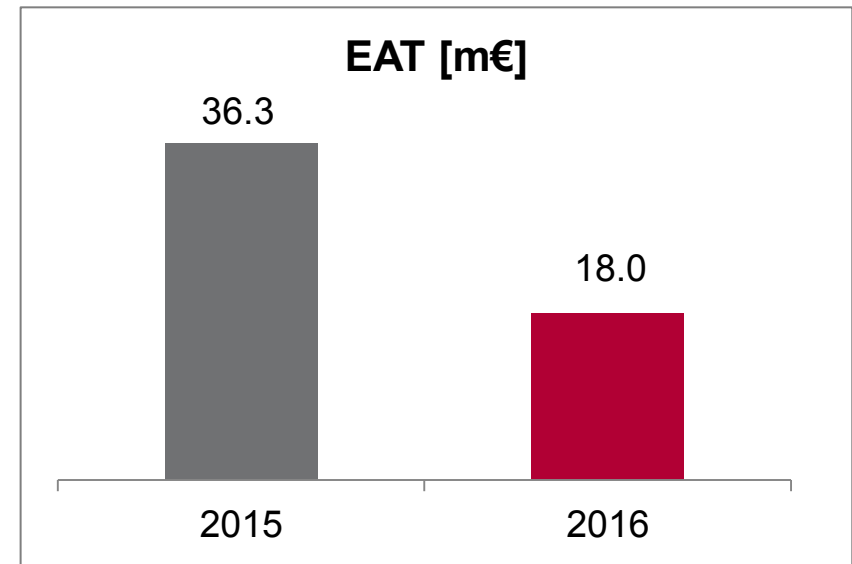


**Notes**

1. Excluding PPA amortization
2. Defined as other expenses net of other income plus all EBIT adjustments other than PPA amortization

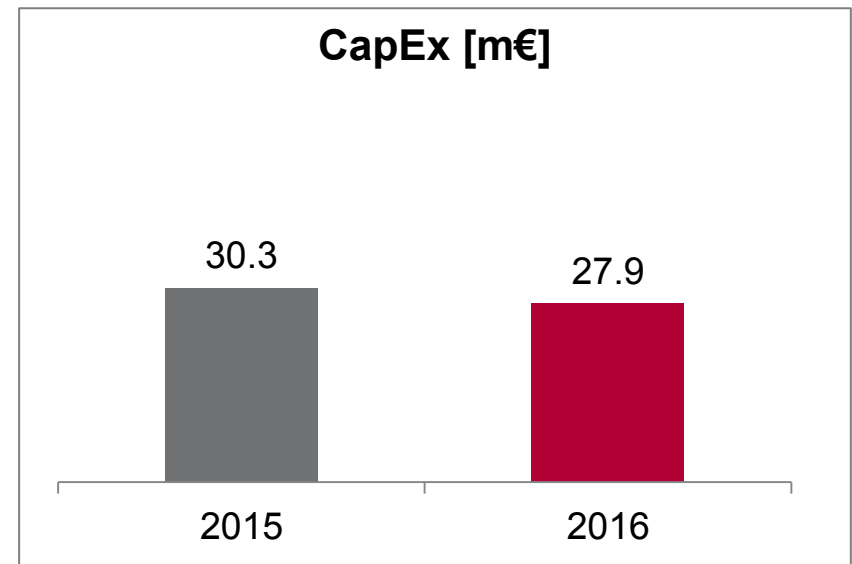
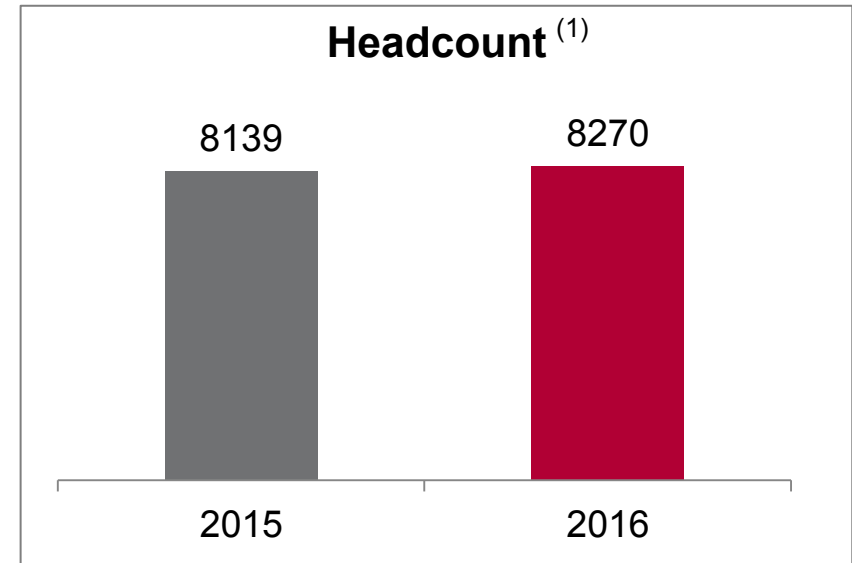
# Development of EAT and Equity

- Decrease of EAT to 18.0 m€
  - Result from equity-accounted investment at -1 m€ (+1.2 m€ in 2015)
  - Tax ratio increased to 36.7% from 31.9% in 2015
  
- The Equity ratio went up from 32.6% to 35.5%





- Headcount increased by 131 employees
  - Selected measures implemented in Q4 2016
  
- Reductions in CapEx in line with savings programme
  
- The CapEx levels at about 3.9% of revenues



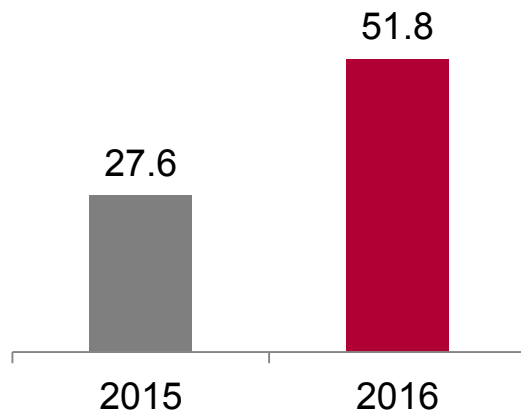
**Notes**

1. Including Trainees and work-study students

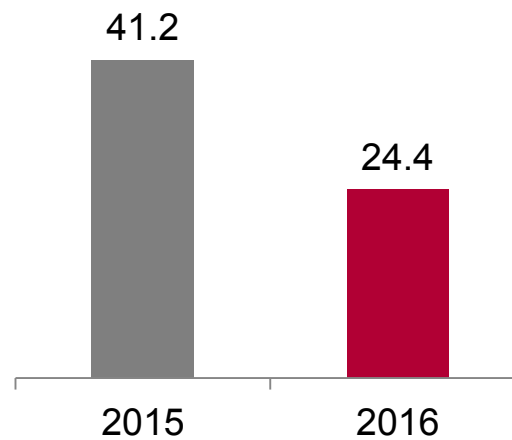
# Cash Flow and Adjusted Cash Conversion



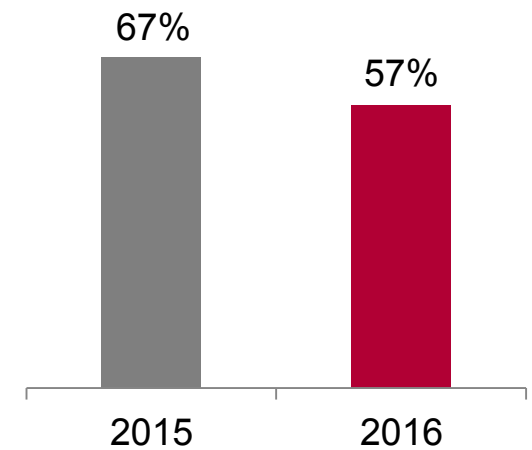
## Operating CF [m€]



## Free CF [m€]



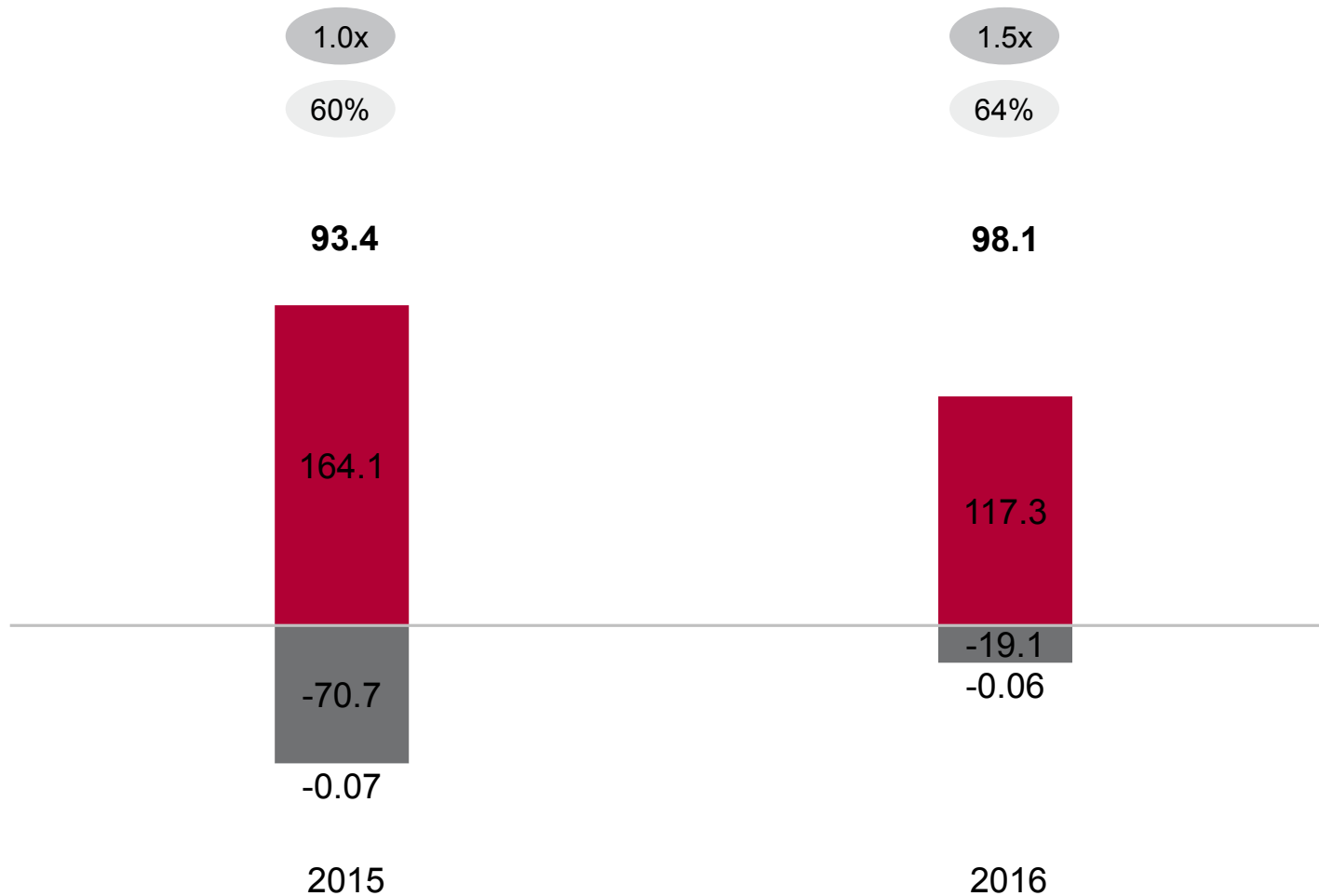
## Adj. Cash Conversion<sup>(1)</sup>



### Notes

1. Adj. Cash Conversion = (Adj. EBITDA - Capex) / Adj. EBITDA; Adj. EBITDA = Adj. EBIT plus D&A less PPA-related D&A  
Slide 18

## Net financial debt [m€]

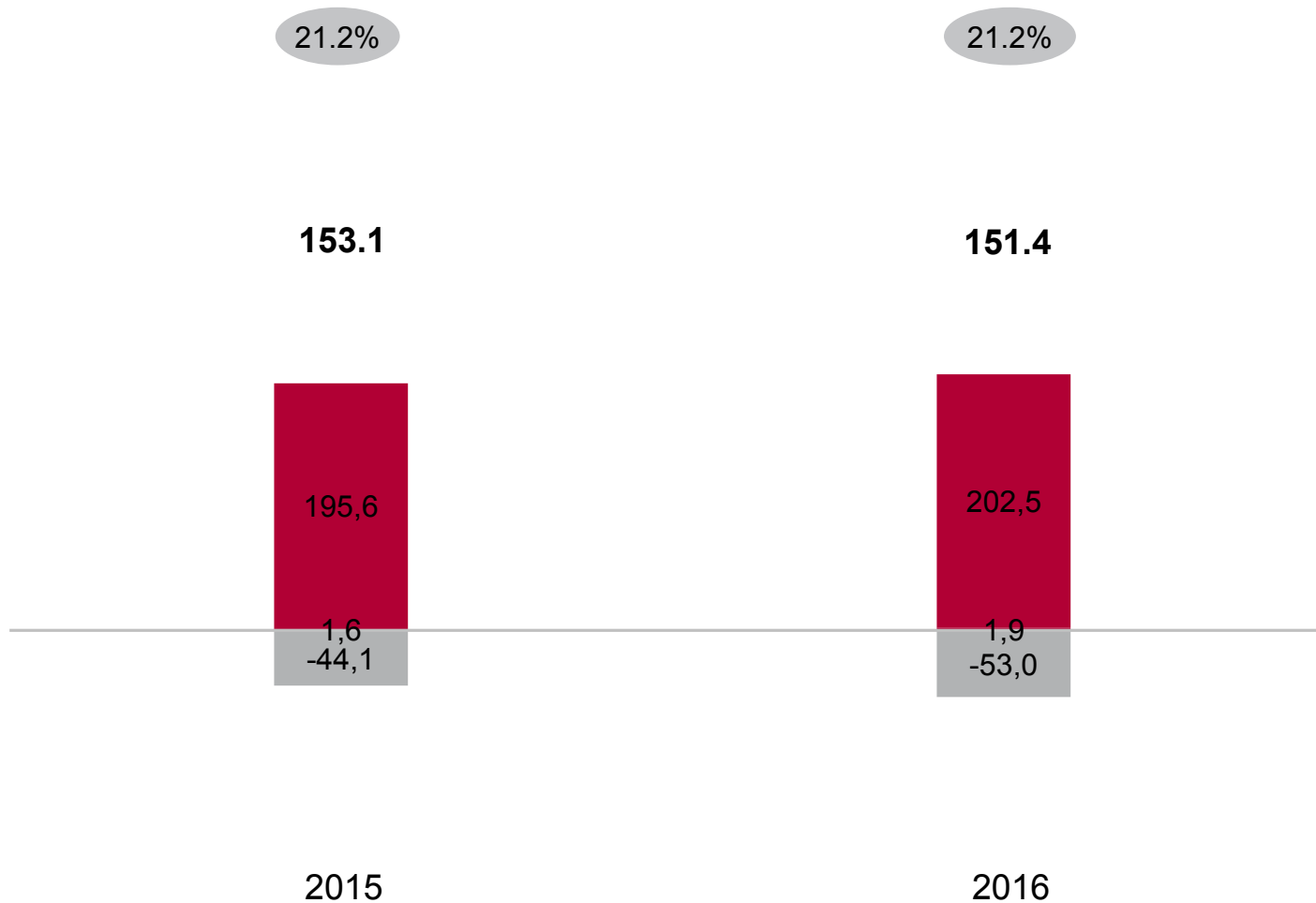


■ Financial debt   ■ Cash and cash equivalents   ■ Other financial assets

x Net financial debt / Adj. EBITDA

x Net Gearing

## Trade Working Capital [m€]



■ Trade receivables 
 ■ Inventories 
 ■ Trade payables 
 % Trade Working Capital as % of revenue

**1** Market Environment

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## Overall R&D Budgets are increasing or remain on high level, several new electric-vehicles announced

- Daimler: Increase number of models from 30 in 2016 to 40 in 2020;<sup>(1)</sup> invest of 10 bn. EUR into 10 new electric-vehicles until 2022<sup>(2)</sup>
- BMW: Research & Development ratio shall remain within 5-5.5% of until 2020;<sup>(3)</sup> launch of more than 40 new and redesigned models in 2017 and 2018<sup>(4)</sup>
- Audi: Research & Development ratio within 6-6.5% until 2025;<sup>(5)</sup> in 2017 a slightly higher R&D ratio is expected<sup>(6)</sup>
- Volkswagen: Research & Development ratio targeted at about 6% until 2020;<sup>(7)</sup> Volkswagen Group to bring >30 additional, pure-electric vehicles to the market until 2025<sup>(8)</sup>

Target period: 5 – 10 years

## 1. Organic Growth

Strengthening of core business and return to growth-path according to market perspectives

## 2. New Clients

Win new clients with focus on international and new OEM, as well as system suppliers

**Revenue  
growth**

## 3. Portfolio Expansion

Offering of new services alongside the product development process

## 4. M&A

Acquisition of companies in selected countries and technological fields with 50-200 employees

Target period: 5 – 10 years

## 1. Technological Leadership

Superior margins with cutting-edge services in lightweight-design, e-mobility, integral safety, digitalization and „industry 4.0“

## 2. Offshoring

Disproportionate increase of BCC-capacities in Eastern Europe and India

**EBIT  
growth**

## 3. New Business Areas

Entering into and expansion of high margin business, especially Consulting and software development

## 4. Efficiency Gains

Process optimizations and improved Management of resources; leverage of overhead



## ESP Market offers opportunities for further growth

- The World Economy is projected to grow at a rate of 3.4% in 2017 and 3.6% in 2018.
- The world passenger car sales are forecasted to grow by 3% from 82.9 million in 2016 to 85 million in 2017.
- The ESP market with a projected CAGR of 6.7% until 2020 remains positive and intact, although currently affected by price pressure.
- Shifting of R&D budgets at OEMs seems to be likely. This development may contain future opportunities but also risks for the ESP business. EDAG reviews the situation carefully and might adopt strategy accordingly.
- Continued challenging market conditions with high competition, especially in H1, expected. To counterbalance the impacts, EDAG will increase its BCC-capacities and expand activities in new fields like e-mobility and active safety.
- For the full year 2017, we expect revenues to grow up to 5% and an adjusted EBIT-margin of approximately 6-8%.

# Questions / Answers