

# Financial Year 2016

Analyst-Call

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



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## **1** Market Environment

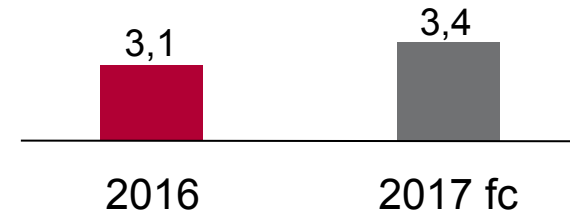
## **2** Key Figures – Financial Year 2016

## **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>



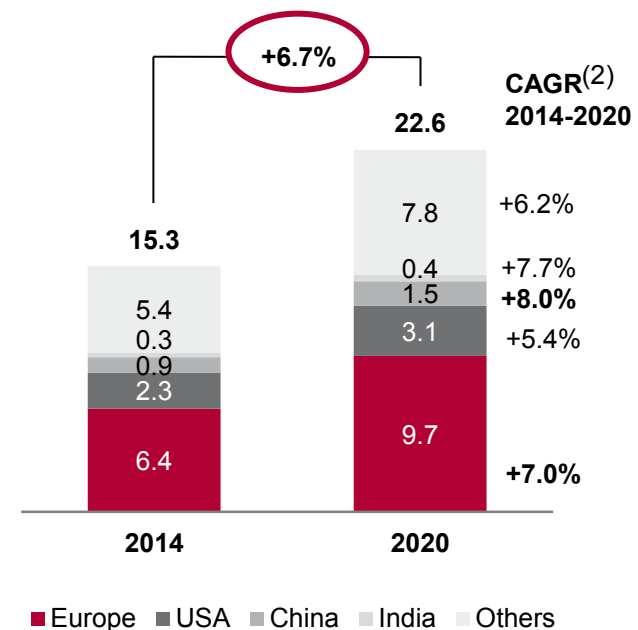
Change of passenger car sales in percent<sup>(2)</sup>

	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

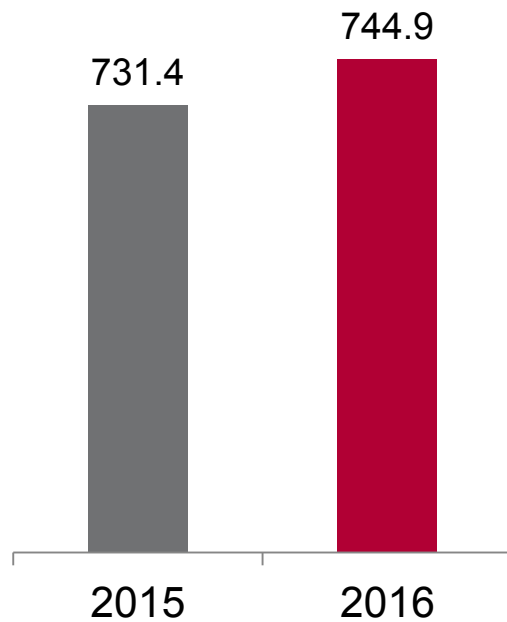


- Order intake at record level of 744.9 m€, 13.6 m€ above 2015 figure
- Order book at year end was at 318.9 m€
  - ~ 11% increase to previous year
- Sales stable after high growth in previous years
- Adjusted EBIT stabilized in H2
  - implemented measures showed positive impact
- Equity ratio up from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

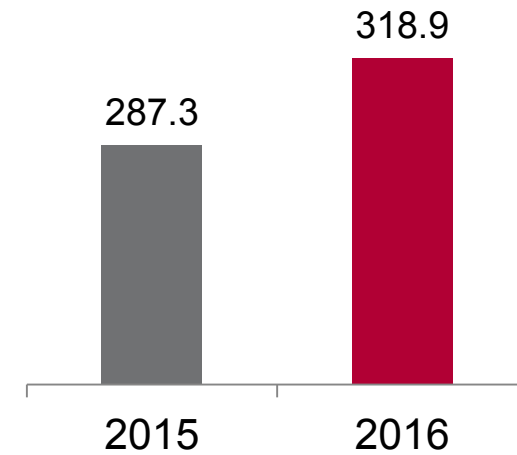


[m€]

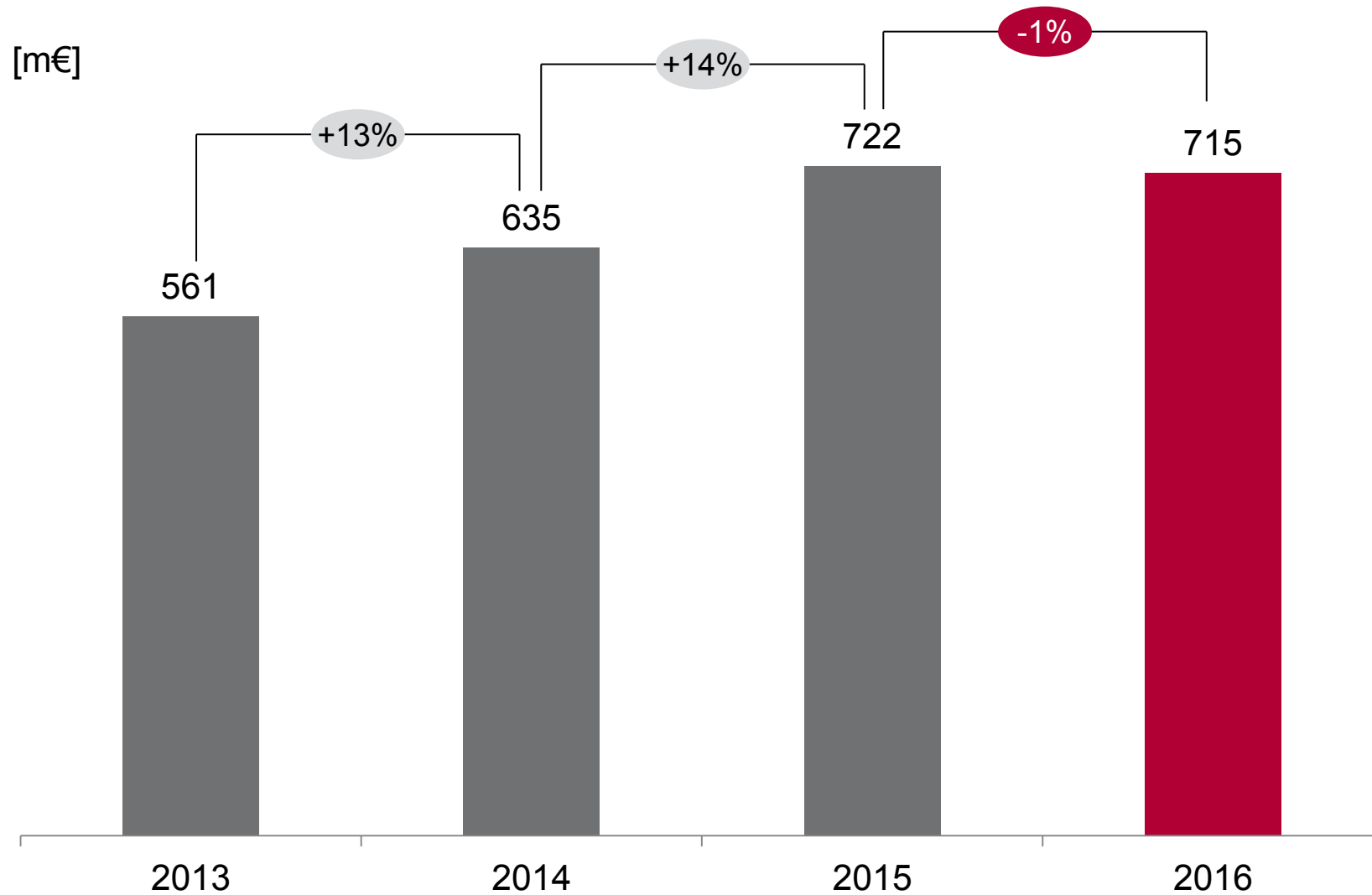
## Order intake



## Order book [31.12.]







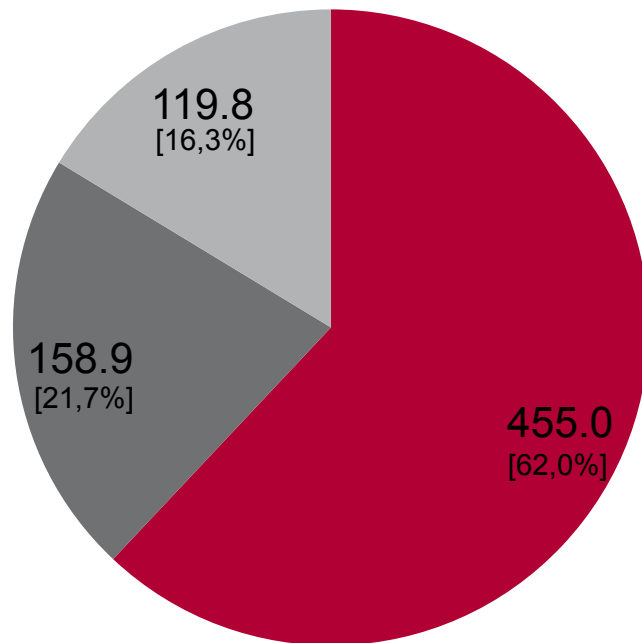
1. Revenue defined as sales revenue plus change in inventories; Core defined as total excluding Others segment

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

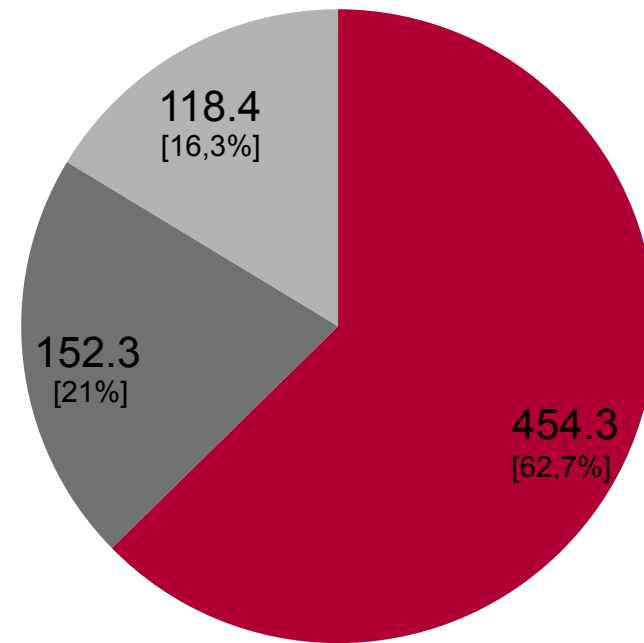


[m€]

2015



2016

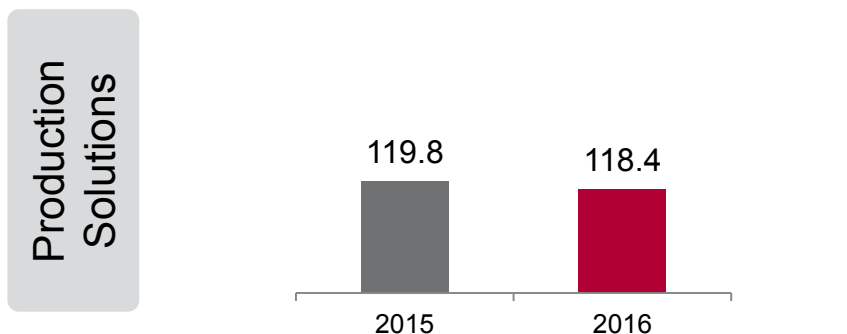
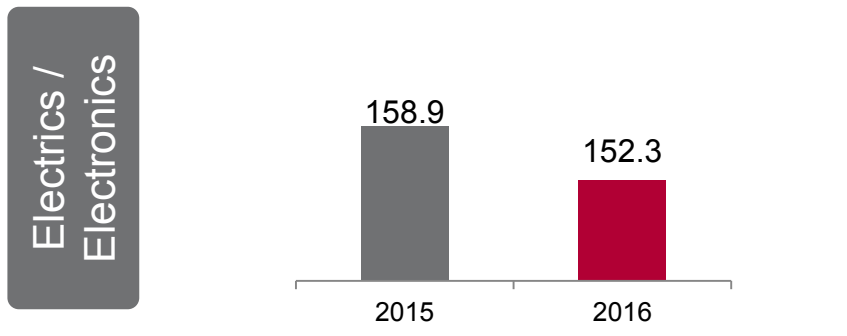
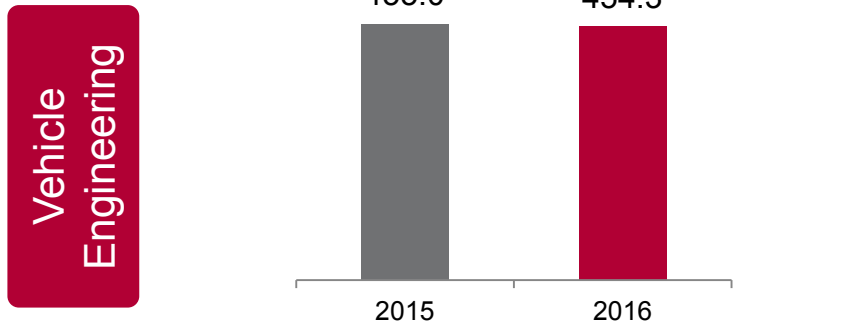


■ Vehicle Engineering    ■ Electrics / Electronics    ■ Production Solutions

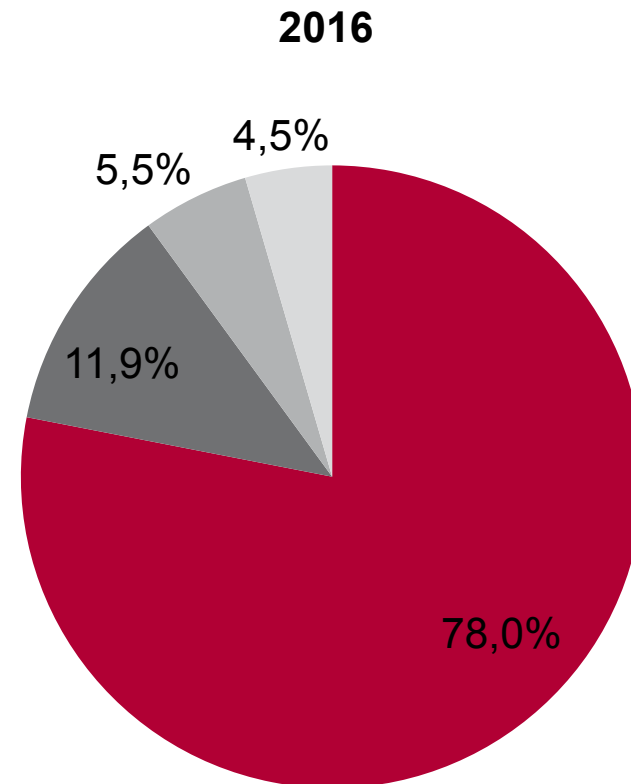
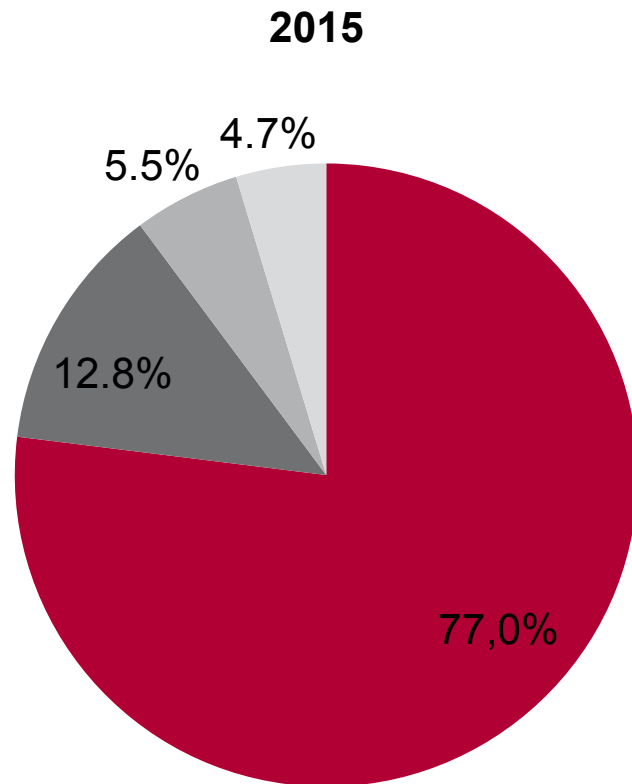
1. Revenue defined as sales revenue plus change in inventories; figures include sales revenue with other segments

# 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



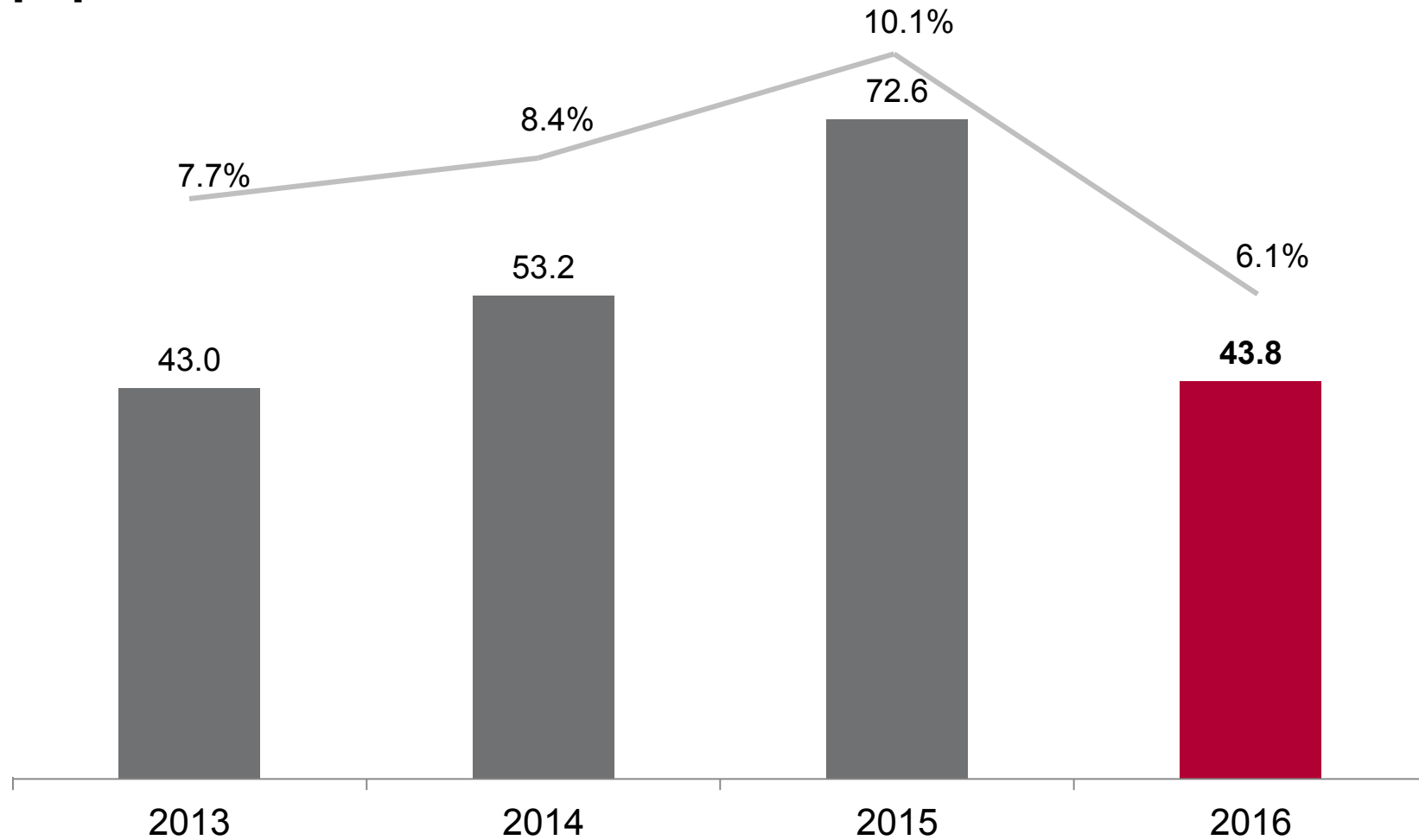
■ Germany ■ Rest of Europe ■ North & South America ■ Asia

1. Revenue defined as sales revenue plus change in inventories

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



[m€]



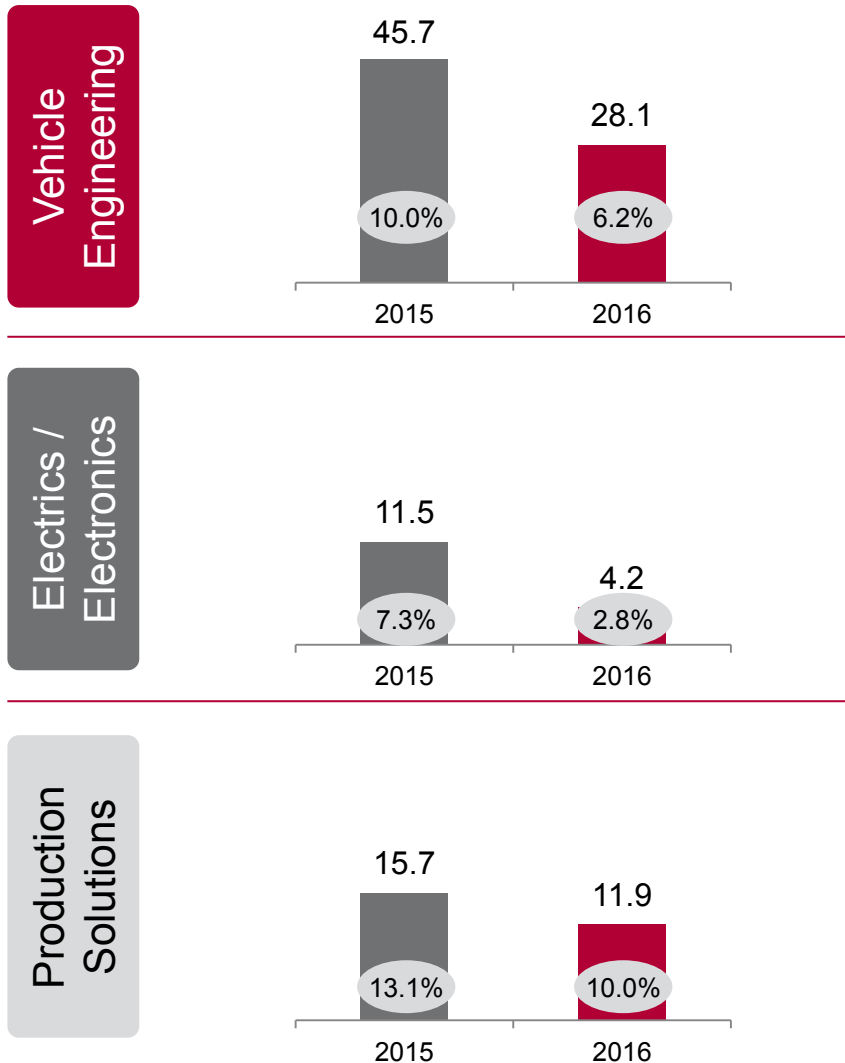
1. Adj. for one-offs (purchase price allocation, consolidation effects, M&A costs, restructuring costs, proceeds from real estate sales, a. o.); 2013 and 2014 showing Core adj. EBIT - Core defined as total excluding segment Others



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



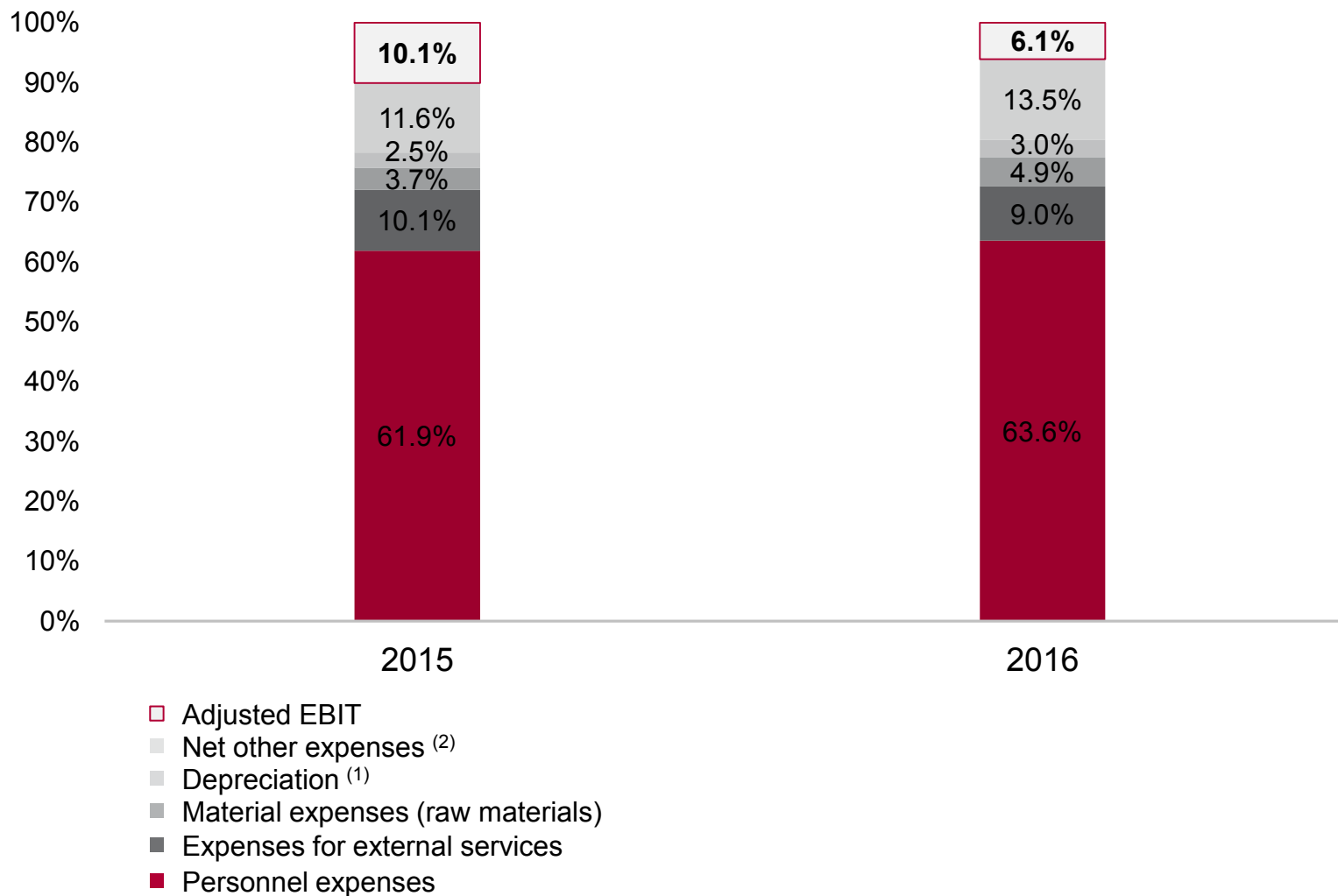
## Adjusted EBIT [m€]



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

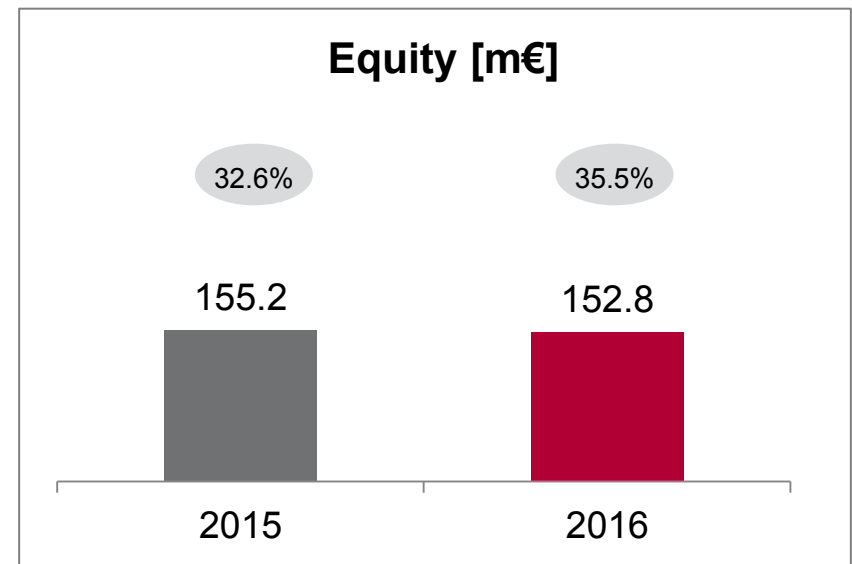
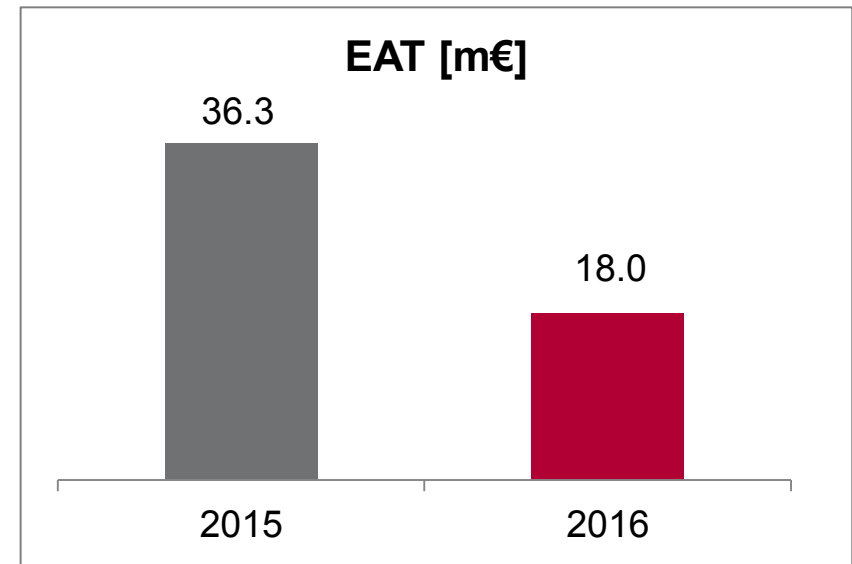
## Total cost structure breakdown (as % of revenue)



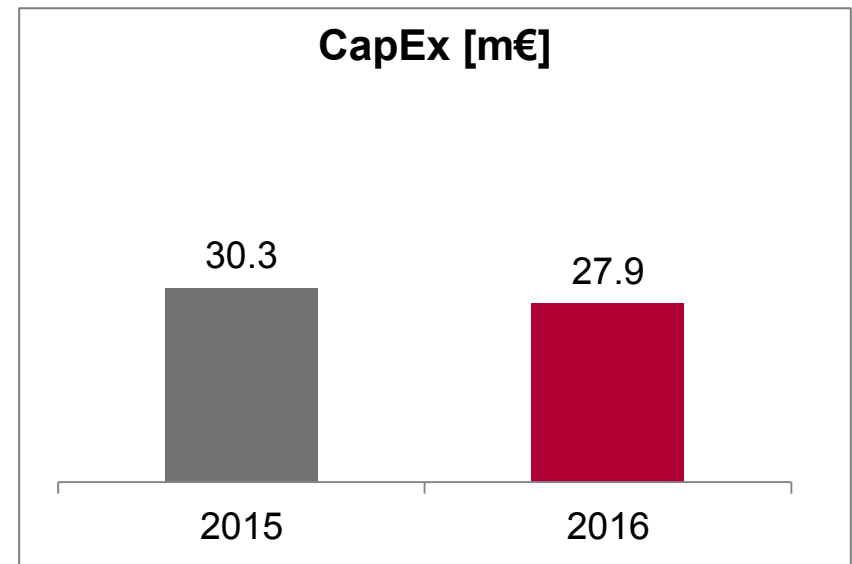
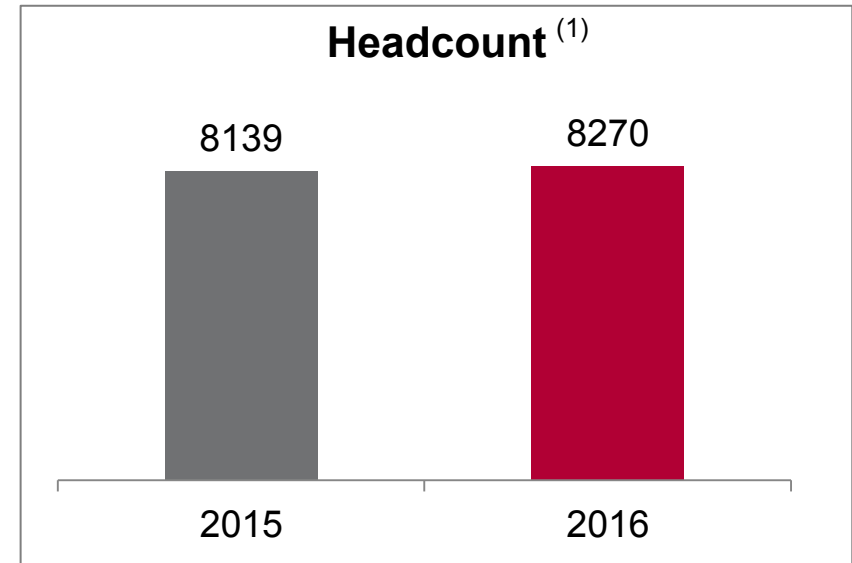
**Notes**

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

- 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



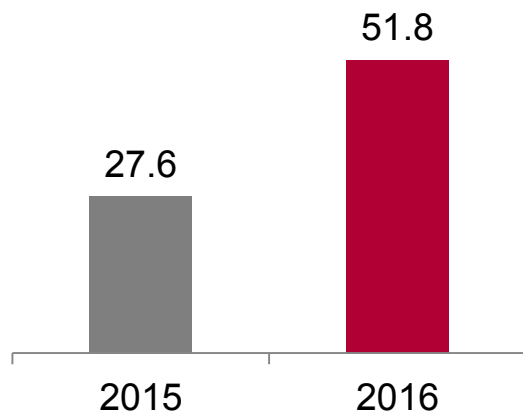
**Notes**

1. Including Trainees and work-study students

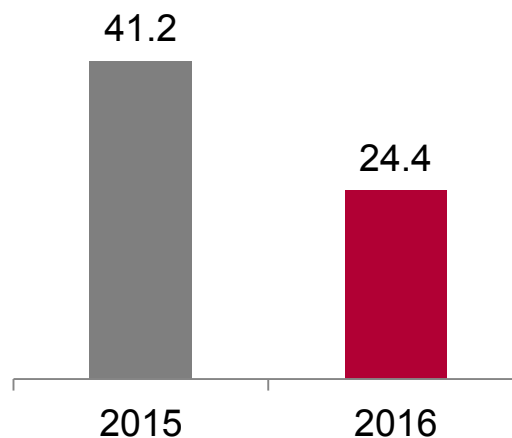
# Cash Flow and Adjusted Cash Conversion



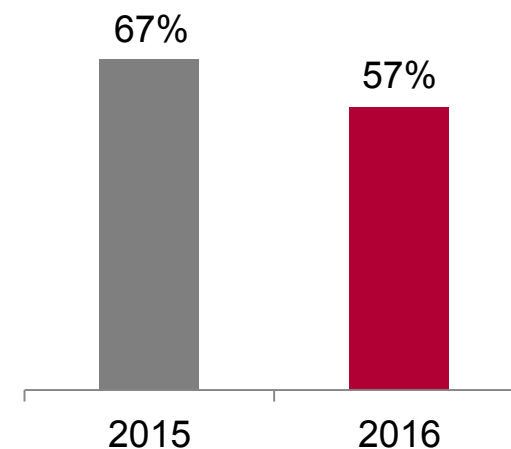
## Operating CF [m€]



## Free CF [m€]



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

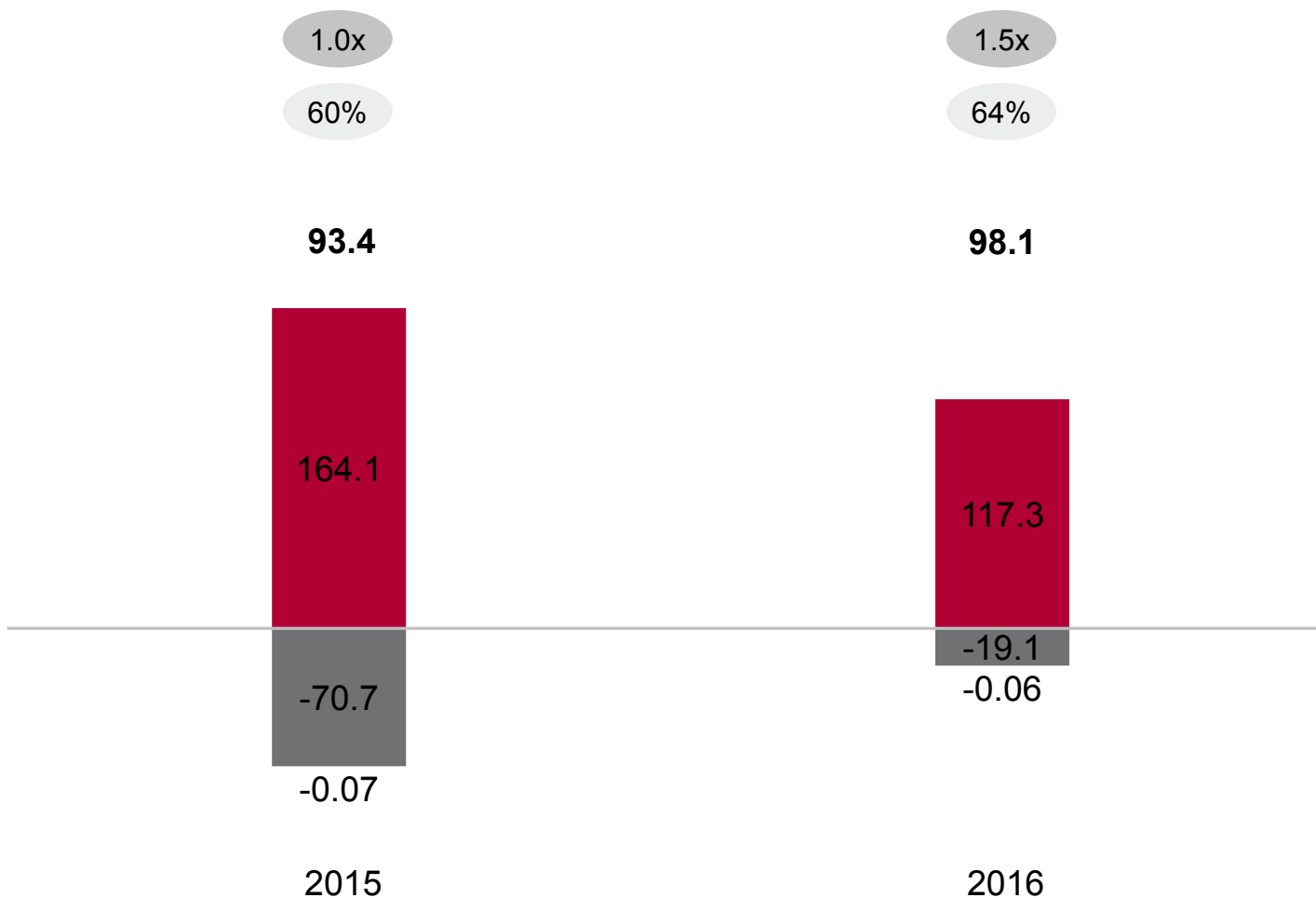


### Notes

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€]

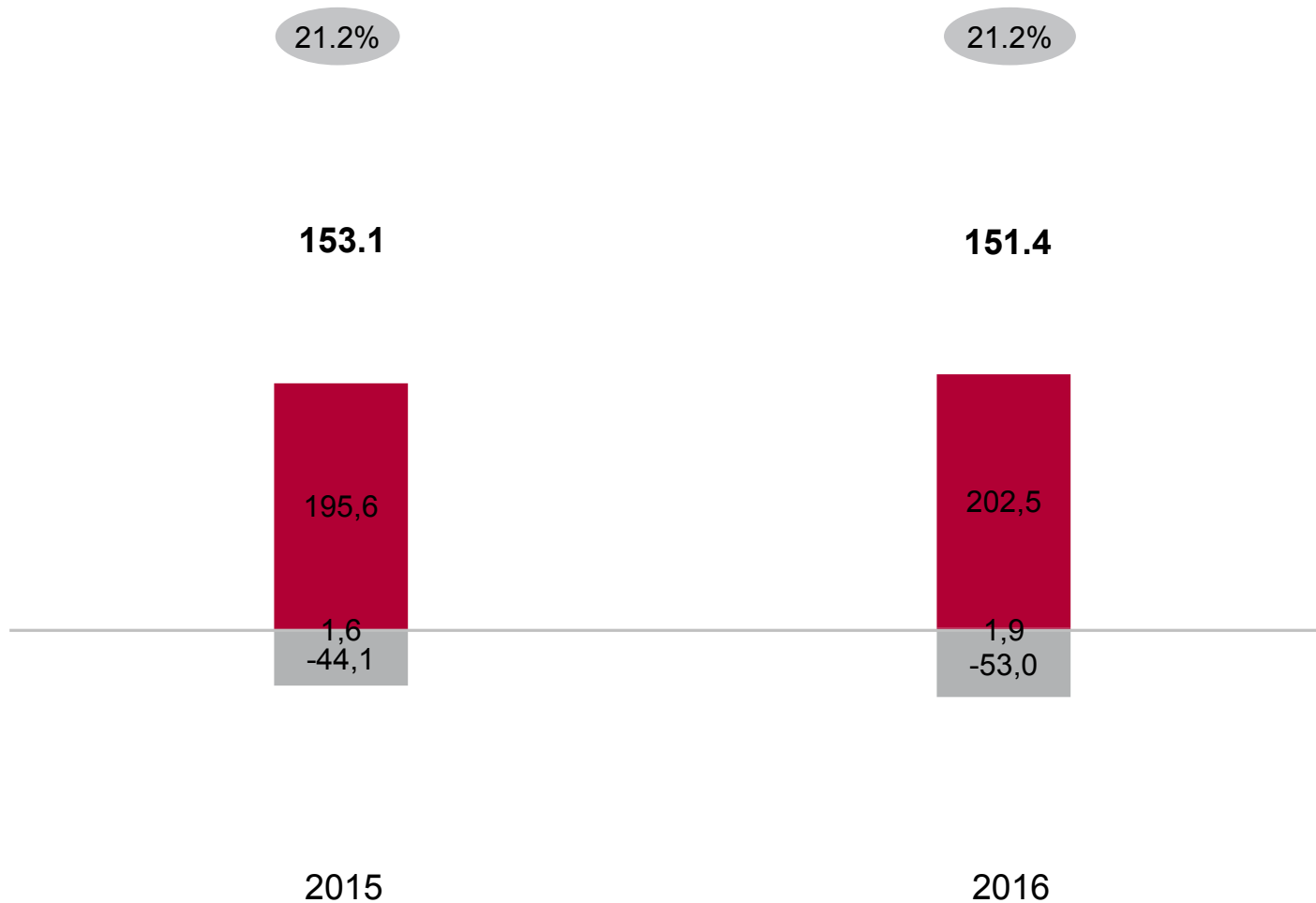


■ Financial debt   ■ Cash and cash equivalents   ■ Other financial assets

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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**3** Outlook – Financial Year 2017



## 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