

# Zumtobel Group AG

## H1 2014/15 results

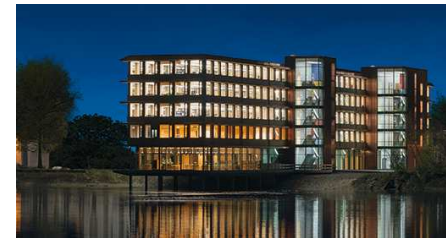


December 9, 2014

## Improvement in revenues and earnings, restructuring measures on track

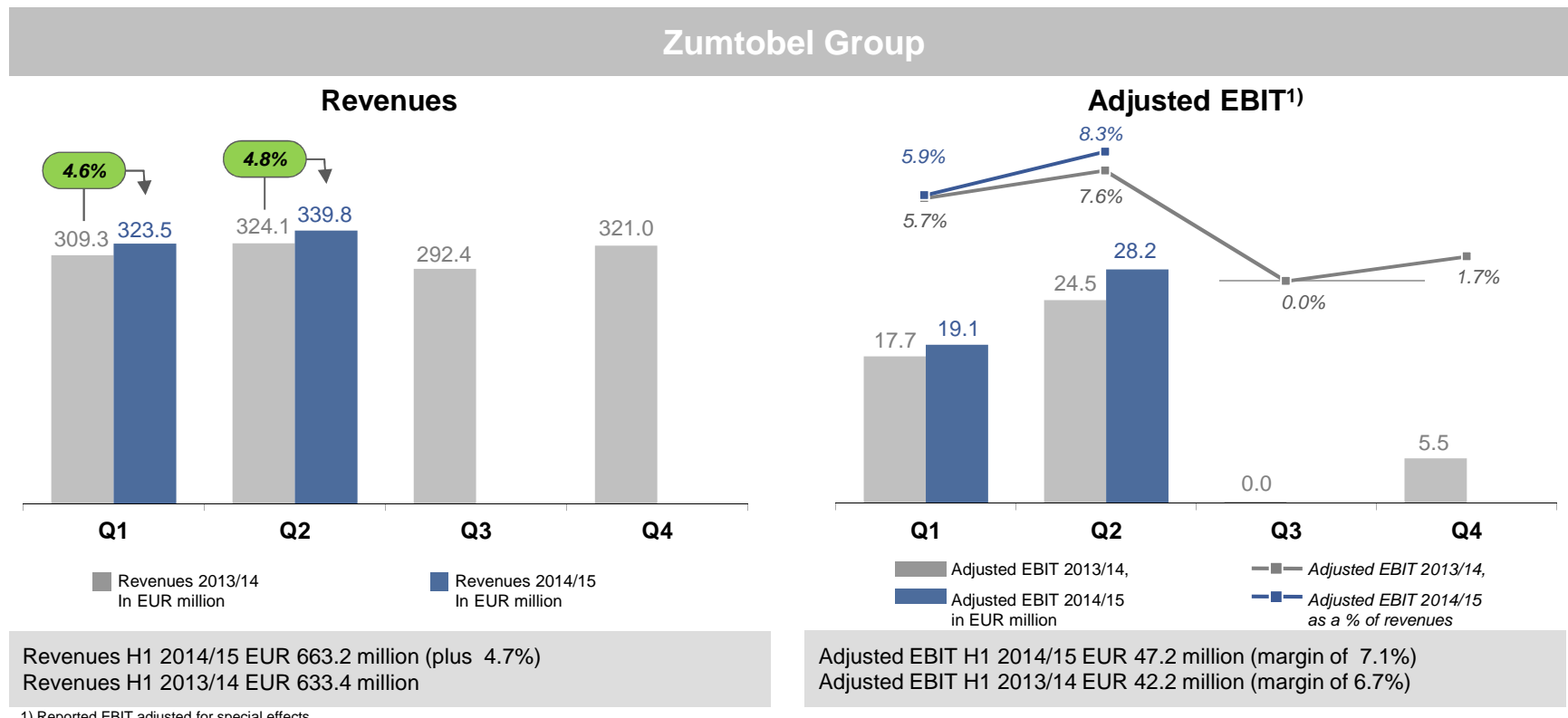
### Financials H1 2014/15 at a glance

- Group revenues increase by 4.7% year-on-year to EUR 663.2 million driven by strong growth momentum with LED products (plus 56.1%) and ongoing stable development in European key markets
- Execution of restructuring measures and transformation process is on track and shows first positive results – negative special effects of minus EUR 11.6 million
- Group adj. EBIT increases by 11.8% to EUR 47.2 million (Adj. EBIT margin 7.1%) due to improved profitability in both segments
- Significantly higher net profit (plus 57.2%) at EUR 28.9 million (PY 18.4 million)
- Outlook for FY 2014/15 confirmed – approx. 3% increase in revenues and improvement of adjusted EBIT margin to 5% to 6%



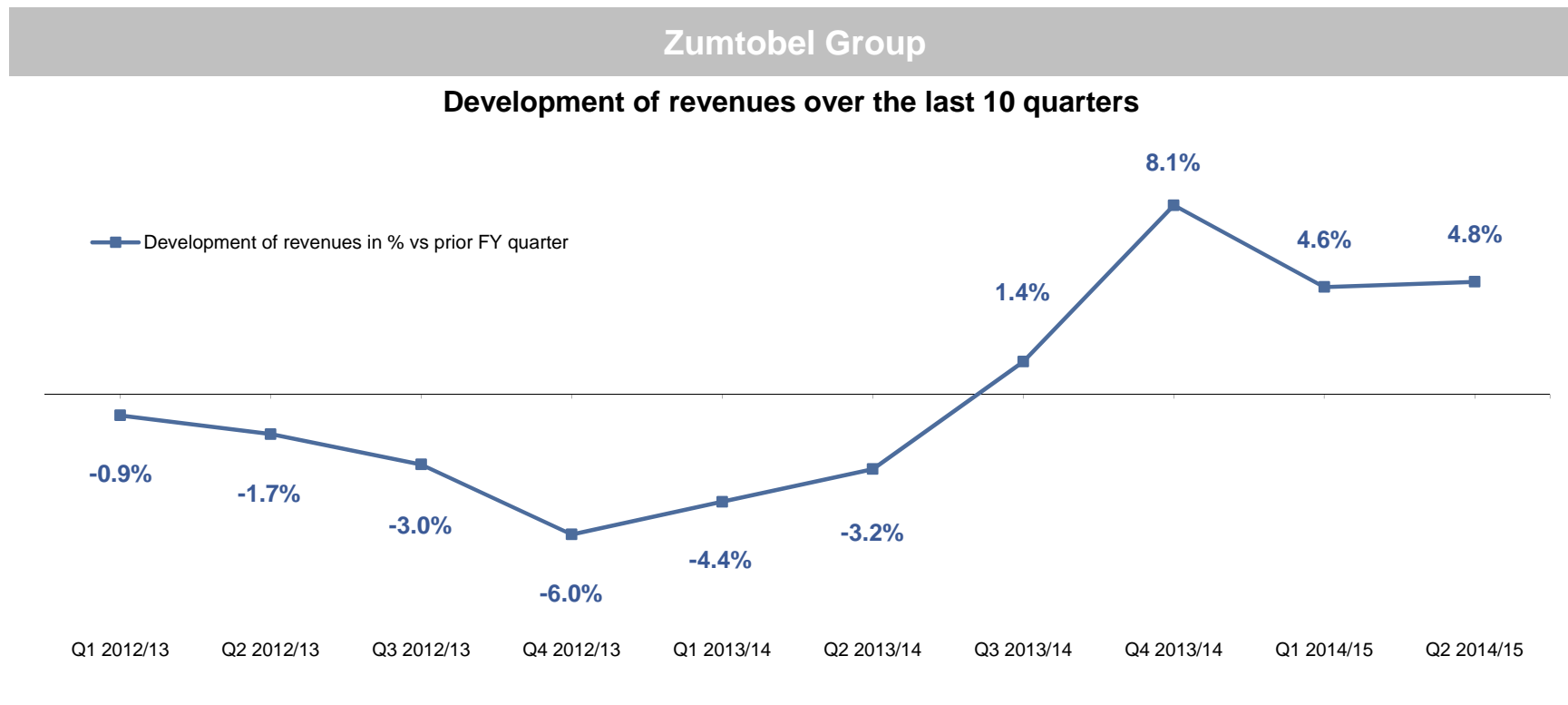
## Sound sales development and sequential margin expansion

### Zumtobel Group – Revenues and EBIT development

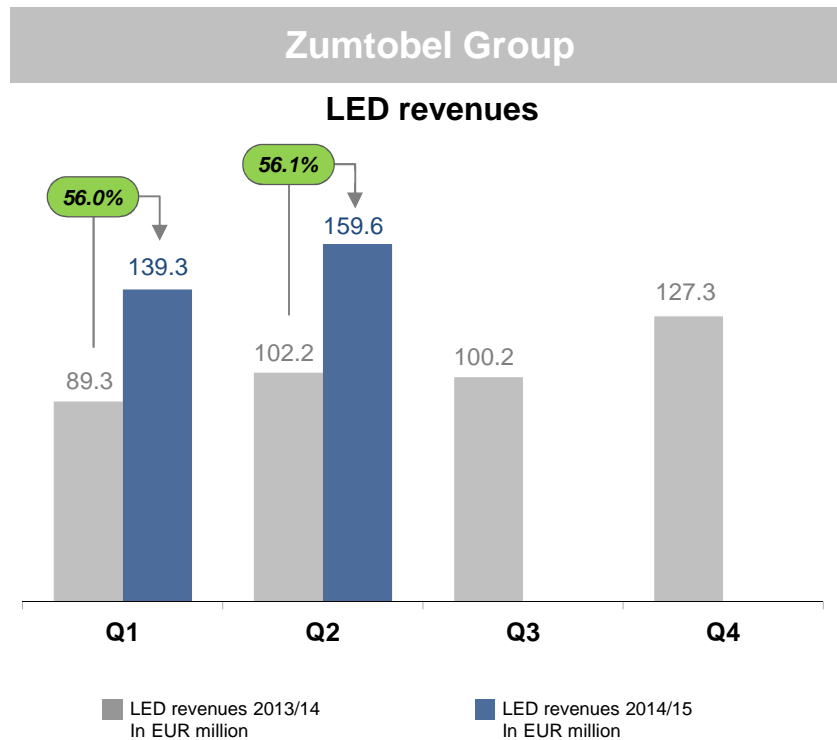


## Solid growth momentum in H1 but basis for comparison becomes more challenging in H2

### Zumtobel Group – Revenues and EBIT development



**LED share of group revenues increases to 45.1% (H1 2013/14: 30.2%)**  
 Zumtobel Group – LED revenue development

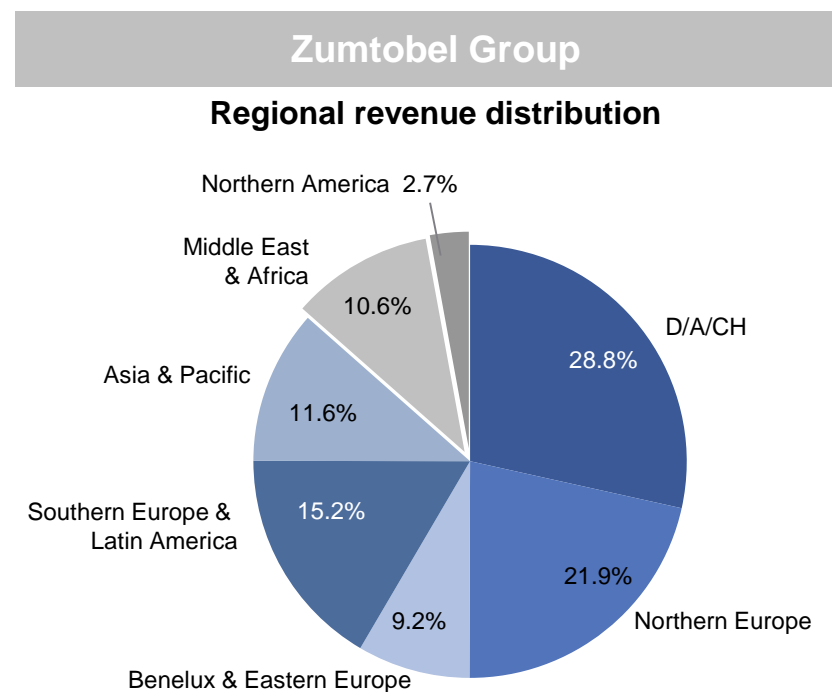


- LED revenues in H1 2014/15 grow by 56.1% to EUR 298.9 million
- Lighting Segment increases sales with LED products by 47.1% to EUR 218.0 million (LED Penetration ~44%)
- LED sales in Components Segment rise by 86.9% to EUR 97.8 million (LED penetration ~50%)

## H1 revenue growth mainly driven by Northern Europe, Benelux, Germany and Middle East Zumtobel Group – Regional revenue distribution

	Q2 2014/15		H1 2014/15	
	Revenues in EUR million	Change in %	Revenues in EUR million	Change in %
D/A/CH	98.6	0.8	190.8	3.0
Northern Europe	75.1	9.0	144.9	11.7
Benelux & Eastern Europe	33.6	20.5	60.7	12.5
Southern Europe & Latin America	47.3	-10.9	101.0	-6.8
Asia & Pacific	39.9	7.3	77.1	0.0
Middle East & Africa*	36.3	17.6	70.6	11.3
Northern America	8.9	7.4	18.2	16.2
<b>Total</b>	<b>339.8</b>	<b>4.8</b>	<b>663.2</b>	<b>4.7</b>

\* incl. India, Central Asia & Turkey

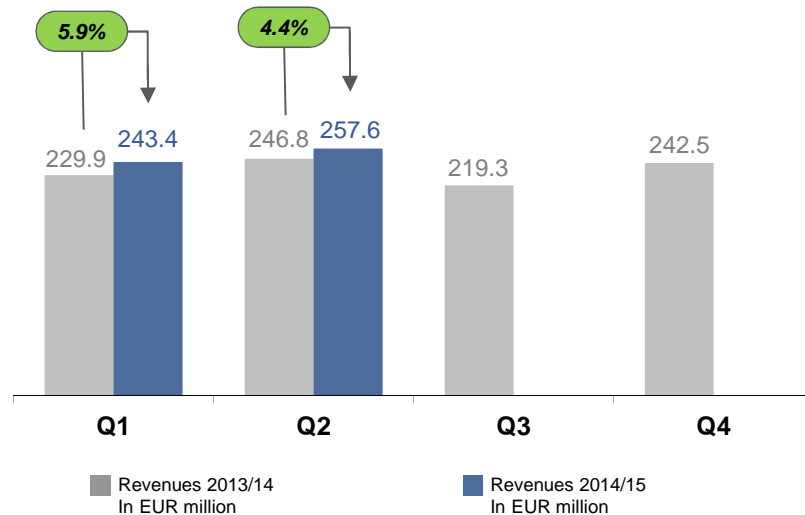


## Restructuring measures show first positive results, improvement in profitability

### Lighting Segment – Revenue and EBIT development

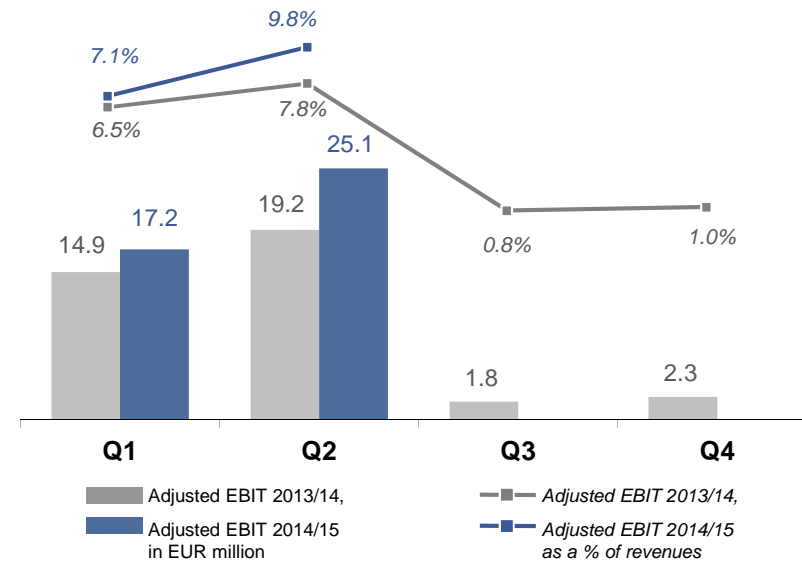
#### Lighting Segment

##### Revenues



Revenues H1 2014/15 EUR 500.9 million (plus 5.1%)  
 Revenues H1 2013/14 EUR 476.7 million

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

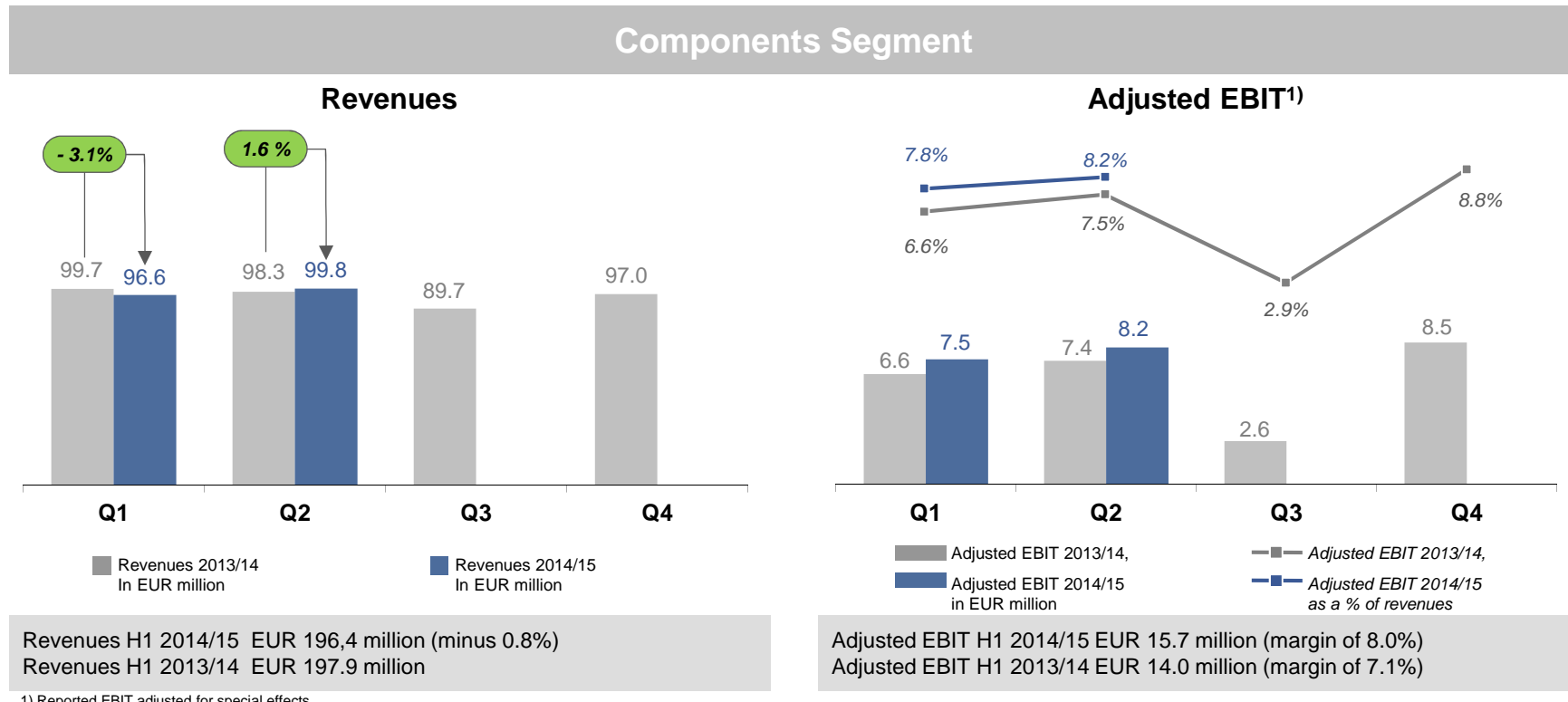


Adjusted EBIT H1 2014/15 EUR 42.3 million (margin of 8.4%)  
 Adjusted EBIT H1 2013/14 EUR 34.2 million (margin of 7.2%)

<sup>1)</sup> Reported EBIT adjusted for special effects

## Successful transformation process

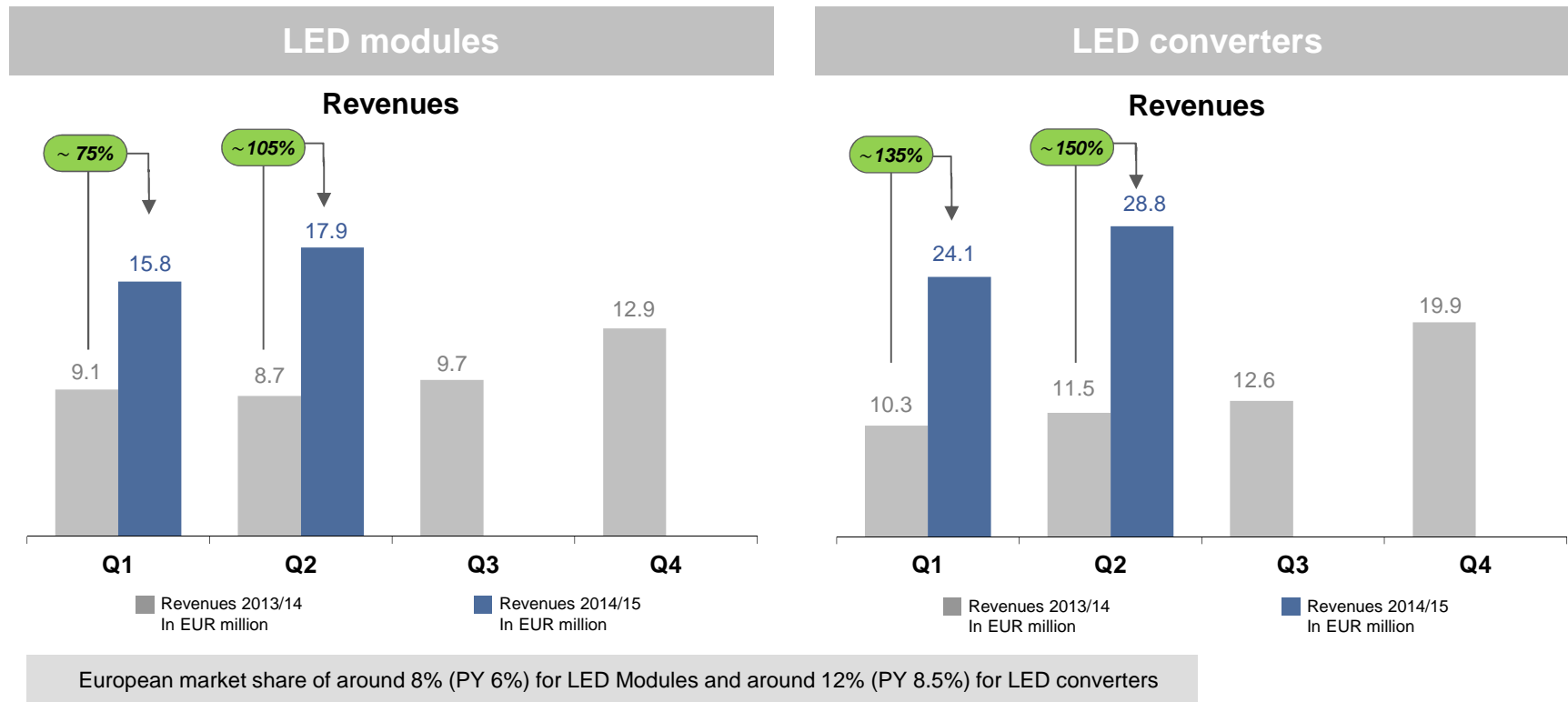
### Components Segment – Revenue and EBIT development





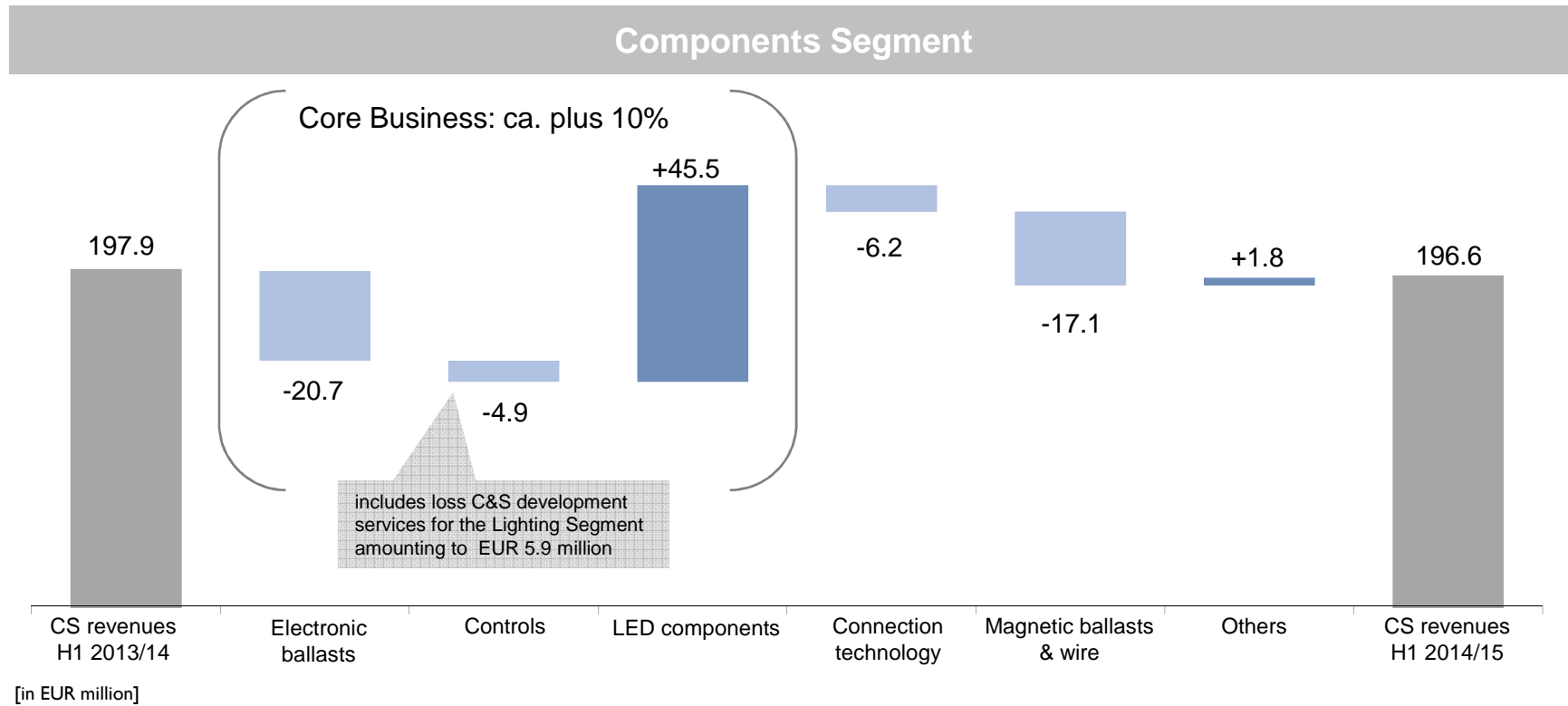
## Continuation of strong growth with LED-modules and converters

### Components Segment



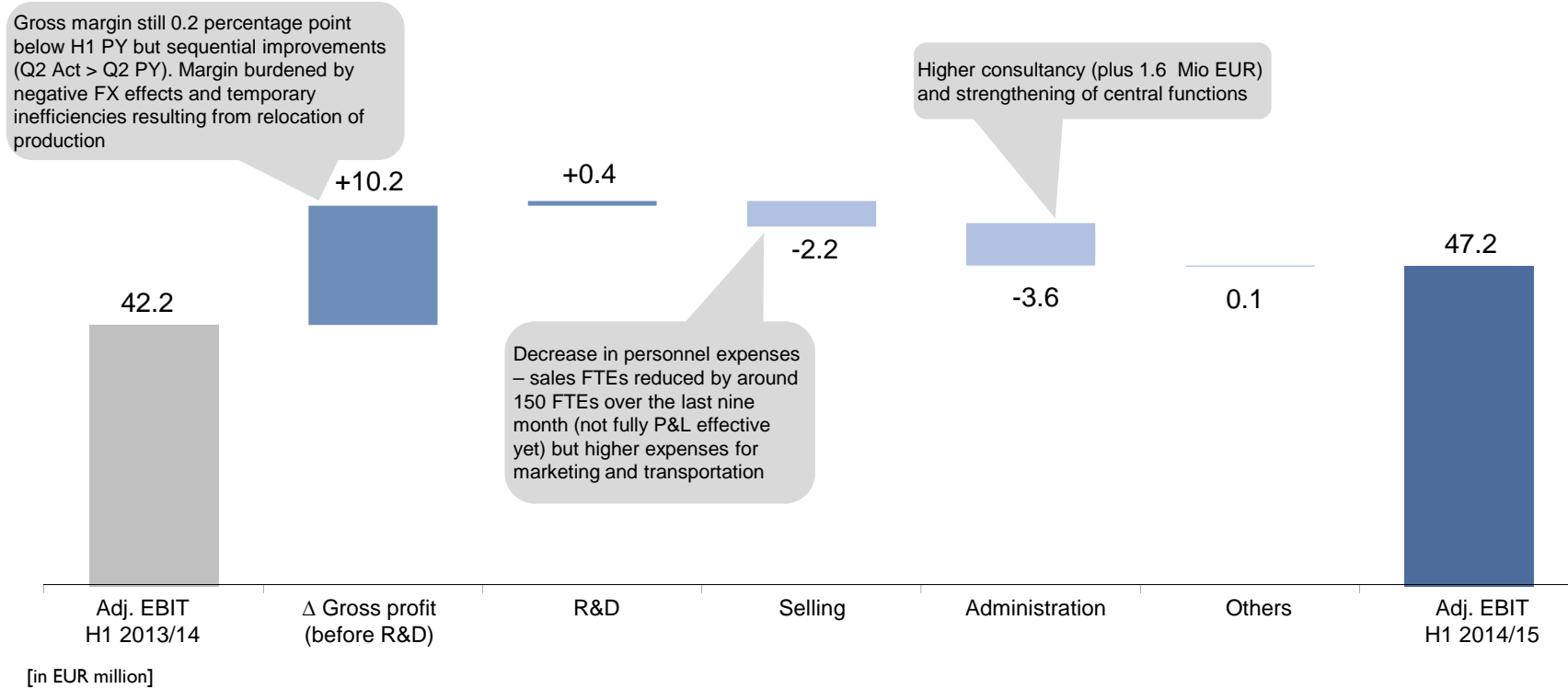
## Encouraging growth in core business

Components Segment revenue bridge H1 2014/15 vs. H1 2013/14



## Profitability in H1 is driven by good top line momentum – green shoots of restructuring effects visible in the P&L

Zumtobel Group – adj. EBIT H1 2013/14 vs. H1 2014/15



## Restructuring on track - EUR 11.6 million special effects in H1 2014/15

Zumtobel Group – special effects

FY 2014/15

Guidance: ~ EUR 20 million

Adjusted EBIT in EUR million	H1 2014/15	H1 2013/14	Change in %
Reported EBIT	35.7	29.2	22.0
Thereof special effects	-11.6	-13.0	11.2
Adjusted EBIT	47.2	42.2	11.8

### Lighting (EUR 7.1 million)

- Operations restructuring – Landskrona (EUR 4.7 million)
- Sales organisation adjustments (EUR 2.3 million)

### Components (EUR 4.5 million)

- Closure Fürstenfeld (EUR 1.0 million)
- Closure Ennenda (EUR 2.7 million)
- Miscellaneous (EUR 0.8 million)

## Net result for the period at EUR 28.9 million

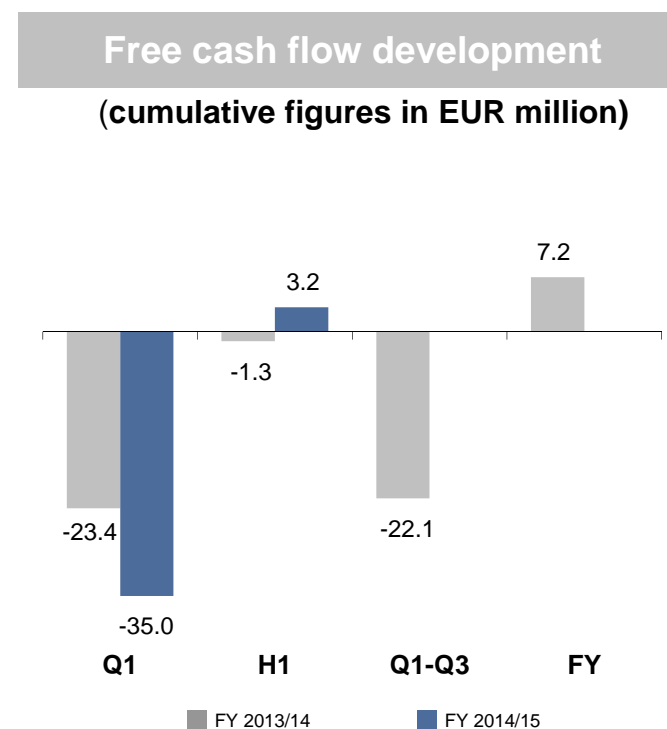
### Zumtobel Group – Income statement

in EUR million	H1 2014/15	H1 2013/14	Change in %
<b>Revenues</b>	663,2	633,4	4.7
Cost of goods sold	-405.9	-386.3	5.1
<b>Gross profit (w/o development)</b>	257.3	247.1	4.1
<i>as a % of revenues</i>	38.8	39,0	
R&D	-35,7	-36.2	-1.2
SG&A expenses adjusted for special effects	-174.4	-168.7	3.4
<b>Adjusted EBIT</b>	<b>47.2</b>	<b>42.2</b>	<b>11.8</b>
<i>as a % of revenues</i>	7.1	6.7	
Special effects	-11.6	-13.0	-11.2
<b>EBIT</b>	<b>35.7</b>	<b>29.2</b>	<b>22.0</b>
<i>as a % of revenues</i>	5.4	4.6	
Financial results	-3.7	-7.8	52.2
<b>Profit before tax</b>	<b>31.9</b>	<b>21.4</b>	<b>49.2</b>
Income taxes	-3.0	-3.0	-1.0
<b>Net profit or loss for the period</b>	<b>28.9</b>	<b>18.4</b>	<b>57.2</b>
<b>Earnings per share ( in EUR)</b>	<b>0.67</b>	<b>0.43</b>	<b>57.9</b>

## Free Cash Flow at plus 3.2 Mio EUR

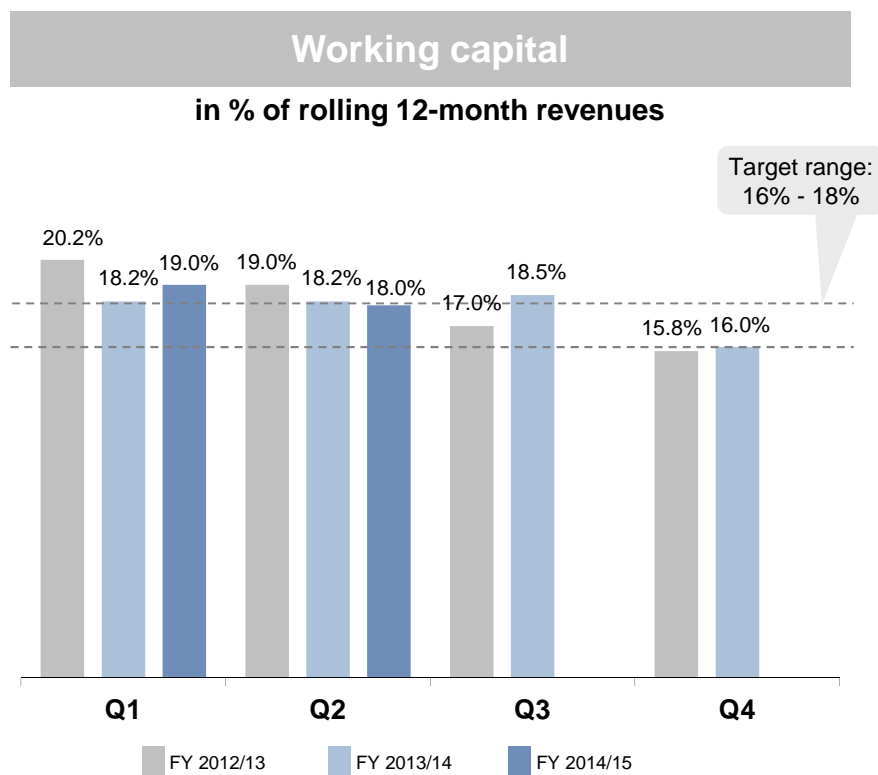
### Zumtobel Group – Cash flow statement

in EUR million	H1 2014/15	H1 2013/14
Cash flow from operating results	63.0	59.9
Change in working capital	-28.6	-31.2
Change in other operating items	-10.2	-2.2
Taxes paid/received	-3.8	-2.5
<b>Cash flow from operating activities</b>	<b>20.4</b>	<b>24.0</b>
Proceeds from the sale of non-current assets	0.6	0.2
Capital expenditures on non-current assets	-28.9	-26.4
Capital expenditures on non-current and current financial assets	1.6	-1.8
Change in liquid funds from changes in the consolidation range	9.5	2.7
<b>Cash flow from investing activities</b>	<b>-17.2</b>	<b>-25.3</b>
<b>Free cash flow</b>	<b>3.2</b>	<b>-1.3</b>
<b>Cash flow from financing activities</b>	<b>7.0</b>	<b>-0.5</b>
Effects of exchange rate changes on cash and cash equivalents	2.8	-4.4
<b>Change in cash and cash equivalents</b>	<b>13.0</b>	<b>-6.2</b>



## Working capital back within target range

### Zumtobel Group – Working capital



- In % of rolling 12-month revenues, working capital improved slightly to 18.0% vs. 18.2% in H1 PY
- Increase of inventories (~ EUR 21 million vs. H1 PY), increase in receivables (~ EUR 5 million vs. H1 PY) and increase in payables (~ EUR 18 million vs. H1 PY)
- Level of factoring slightly lower compared to previous year (~ EUR 42 million)

## Continued solid balance sheet structure and secured liquidity position

### Zumtobel Group – Key balance sheet data

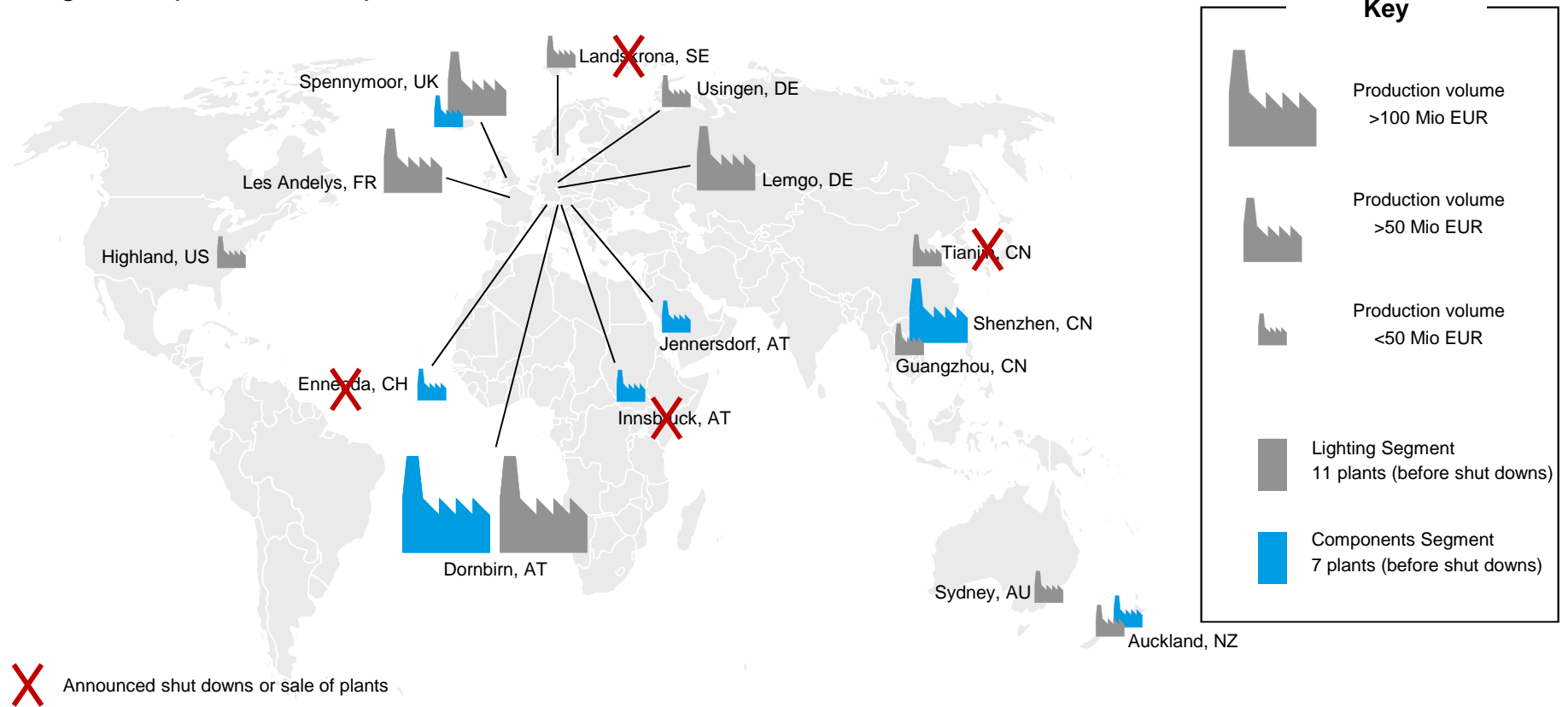
in EUR million	31. Oktober 2014	30. April 2014
Total assets	1,047.4	1,006.6
Net debt	131.3	126.2
<i>Debt coverage ratio</i>	<i>1.58</i>	<i>1.57</i>
Equity	344.3	327.6
<i>Equity ratio in %</i>	<i>32.9</i>	<i>32.5</i>
<i>Gearing in %</i>	<i>38.1</i>	<i>38.5</i>
Investments	28.9	65.6
Working capital	229,3	200.0
<i>As a % of rolling 12 months revenues</i>	<i>18.0</i>	<i>16.0</i>

- Net debt totalled EUR 131.3 million as of 31 Oct 2014 (31 Oct 2013: EUR 128.5 million)
- Secure liquidity position
  - Consortium credit agreement with a term extending to October 2016 and a max. volume of EUR 350 million (EUR 145 million drawn by 31 Oct 2014)
  - New: bilateral credit agreement with a term extending to September 2018 and a max. volume of EUR 40 million (EUR 40 million drawn by 31 Oct 2014)
  - Unsecured lines of credit totalling EUR 90.3 million as of 31 Oct 2014



# Measures to unlock full potential in Global Operations – targeting best in class cost structure

## Progress report Global Operations



## **Measures to unlock full potential in Global Operations – targeting best in class cost structure**

### Progress report Global Operations

#### **1. Implementation of an efficient global manufacturing footprint**

- ✓ Shut down of production lighting plant Tianjin, China (July 2014 / 70 employees)
  - ✓ Shut down of production lighting plant Landskrona, Sweden (Dec. 2014 / 155 employees)
  - ✓ Shut down of production components plant Ennenda, Switzerland (Feb. 2015 / 115 employees)
  - ✓ Sale of Tridonic connection technology in Innsbruck, Austria (May 2014 / 97 employees)
- 

#### **2. Substantial reduction in the bill of material (41.7% of sales in FY 2013/14)**

- ✓ Centralized function has been implemented
- ✓ Strategic purchasing project with KPMG

## **Measures to unlock full potential in Global Sales – to balance growth potential with cost savings**

### Progress report Global Sales

#### **1. Cost synergies from merging our two lighting brand sales organizations**

- ✓ Reduction of 150 FTEs in the last nine months (not fully P&L effective yet)
  - ✓ Reduction of 21 sales offices
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#### **2. Sales force performance programme**

- ✓ New incentive system for sales organization and upper management in place
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#### **3. Increase share of wallet**

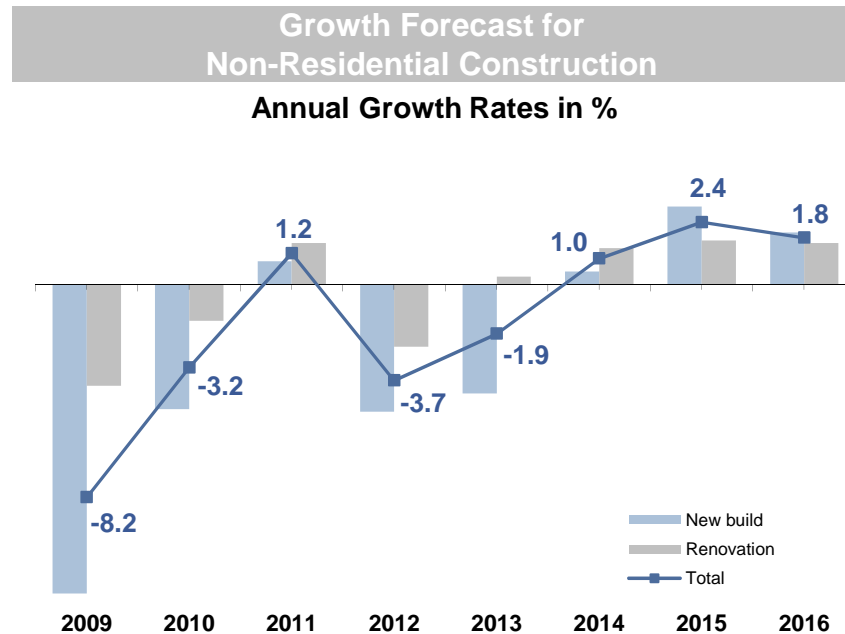
- ✓ Initiatives have been started – multi-brand approach gains momentum
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#### **4. Selective build-up of the sales force in emerging markets**

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## Euroconstruct November forecast shows non-residential construction slightly recovering

### Market environment / trends



- Forecast for 2015 shows non-residential construction slowly growing in Europe
- Austria (+0.7%), Germany (+2.1%), Switzerland (+1.5%) with modest growth
- UK (+4.7%) and Nordic (+4.0%) growth engines in Europe
- France and Italy expected to be back on growth (+0.9% and + 1.0%)
- By 2015, non-residential construction will have declined by around 20% compared to its peak in 2008

Source: Euroconstruct, November 2014  
Total based on Austria, Belgium, Switzerland, Germany, France, Italy, Netherlands, UK and Nordic

## Guidance unchanged for FY 2014/15

### Zumtobel Group Outlook

- 2014/15 will be an important year of transition for the Zumtobel Group: Our key tasks are to bring the new structures to life, eliminate past inefficiencies and, in this way, leverage growth and cost synergies
- Confirming FY 2014/15 guidance of improvement in Group revenues and operating earnings
  - Revenues: Slight tailwinds from the recovering construction market in Europe, but end of revenue stream from the exit of magnetic technology and sale of connecting clamp business – we expect an **increase of approx. 3% in group revenues** in FY 2014/15
  - Earnings: We expect an **improvement in the adjusted EBIT margin to 5% to 6%** (adjusted EBIT margin 2013/14 financial year: 3.8%)
  - Negative special effects of roughly EUR 20 million in 2014/15

## Financial Calendar

- March 3, 2015 Report on the First Three Quarters 2014/15 (1 May 2014 - 31 January 2015)
- Jun 24, 2015 Annual Financial Results 2014/15
- July 24, 2015 39<sup>th</sup> Annual General Meeting
- July 28, 2015 Ex-Dividend Day
- July 31, 2015 Dividend Payout Day
- September 8, 2015 Report on the First Quarter 2015/16 (1 May 2015 – 31 July 2015)
- December 9, 2015 Report on the First Half-year 2015/16 (1 May 2015 - 31 October 2016)
- March 2, 2016 Report on the First Three Quarters 2015/16 (1 May 2015 - 31 January 2016)



**Thank you for your attention!**

## Disclaimer

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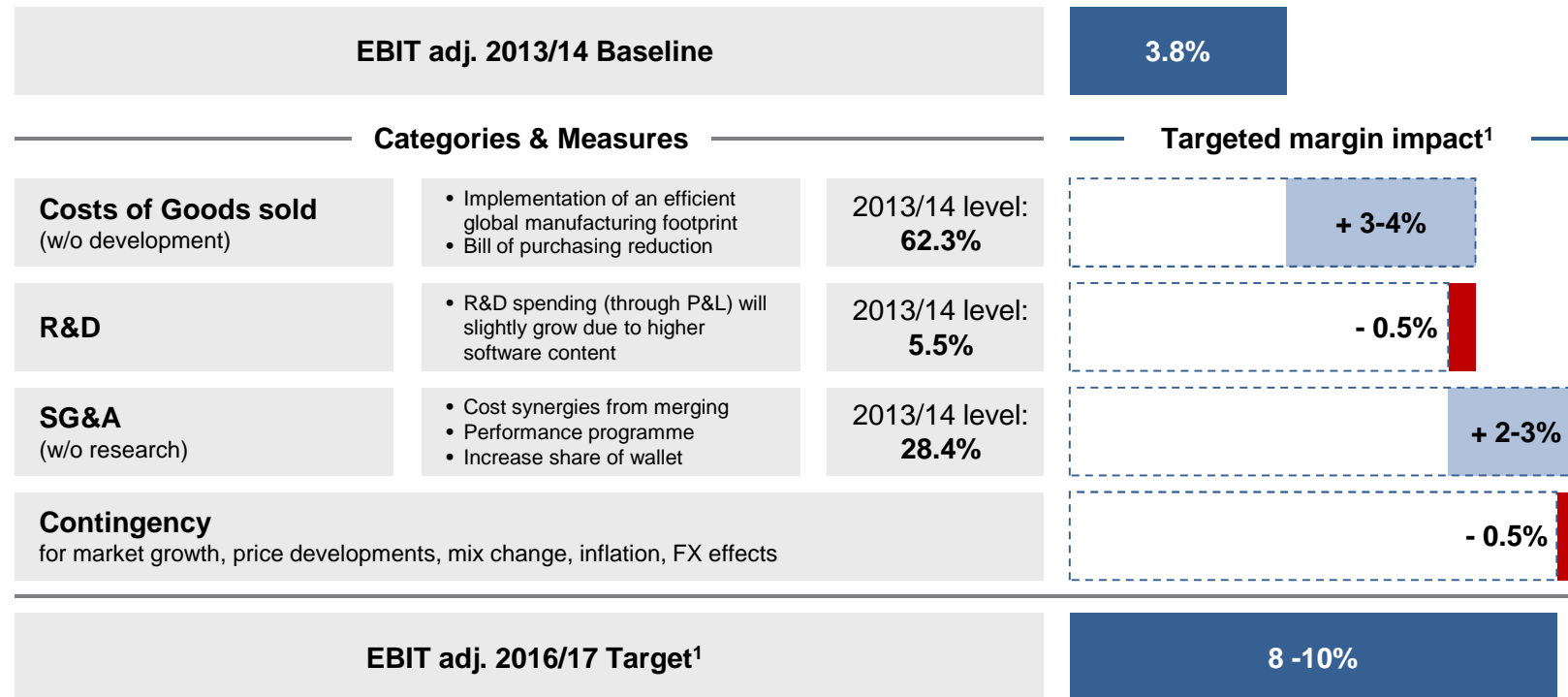


## Five-Year Overview

in EUR million	2013/14	2012/13	2011/12	2010/11	2009/10
Revenues	1,246.8	1,243.6	1,280.3	1,228.2	1,114.6
Adjusted EBIT	47.6	35.7	35.0	78.4	51.4
<i>as a % of revenues</i>	3.8	2.9	2.7	6.4	4.6
Net profit/loss for the period	-4.8	6.1	15.2	51.3	-69.8
<i>as a % of revenues</i>	-0.4	0.5	1.2	4.2	-6.3
Total assets	1,006.6	994.8	1,036.3	1,020.5	972.8
Equity	327.6	357.4	370.6	378.7	340.4
<i>Equity ratio in %</i>	32.5	35.9	35.8	37.1	35.0
Net debt	126.2	113.2	141.4	141.3	131.4
Cash flow from operating results	79.5	79.8	88.1	123.2	80.4
Investments	65.6	59.5	57.2	57.3	48.7
<i>as a % of revenues</i>	5.3	4.8	4.5	4.7	4.4
R&D total	71.8	69.1	58.7	48.6	39.8
<i>as a % of revenues</i>	5.8	5.6	4.6	4.0	3.6
Headcount incl. contract worker (full-time equivalent)	7,291	7,162	7,456	7,814	7,329

## Zumtobel Group - medium term targets (2016/17)

Doubling of profitability driven by significant cost savings and modest growth



1) EBIT margin impact in FY 2016/17 assuming sales growth CAGR of 3-5% p.a.