

# Zumtobel Group AG

## Q1-Q3 2014/15 results



March 3, 2015

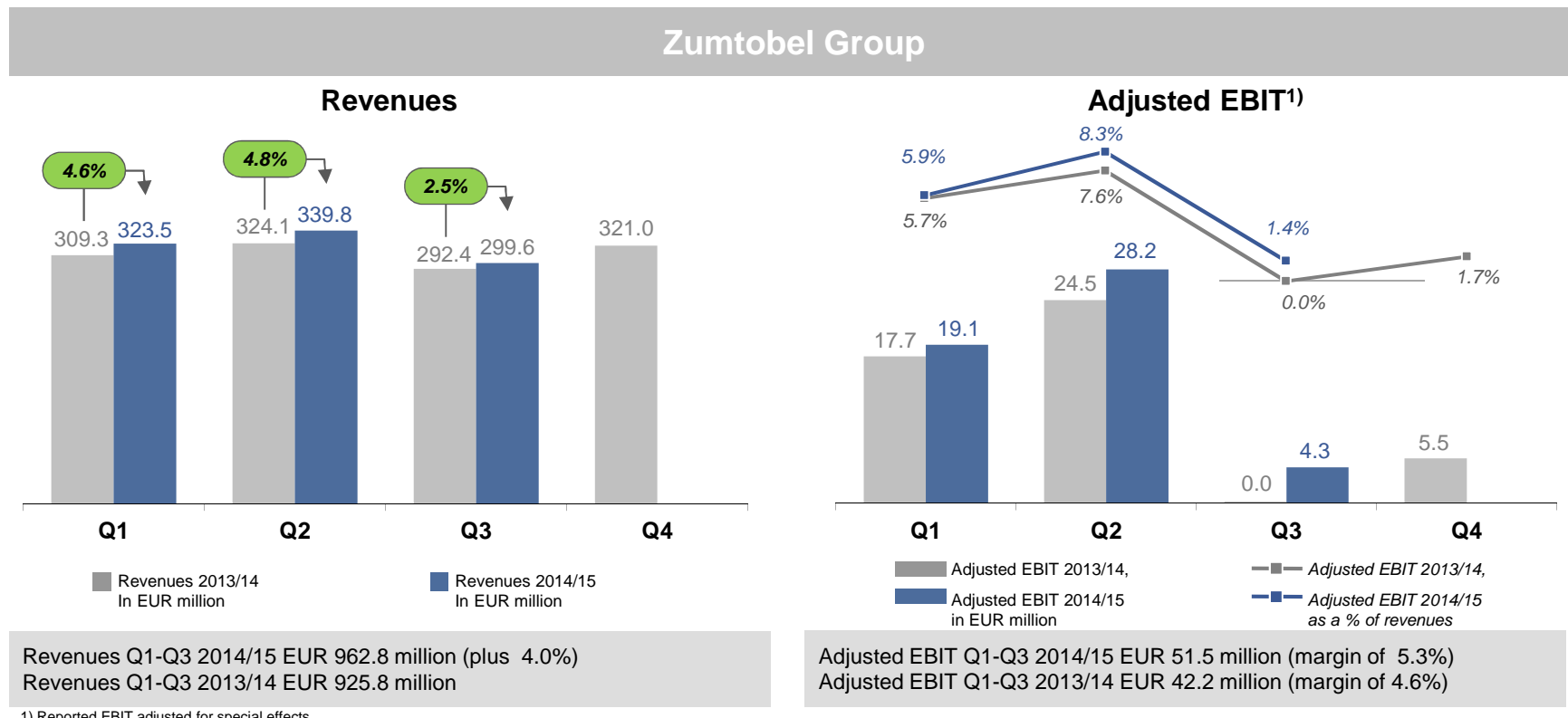
## Improvement in revenues and earnings, restructuring measures on track

### Financials Q1-Q3 2014/15 at a glance

- Group revenues increase by 4.0% year-on-year (FX adjusted 2.6%) to EUR 962.8 million driven by strong growth momentum with LED products (plus 56.6%) and Key Account customers (e.g. retail chains)
- Execution of restructuring measures and transformation process is on track and shows positive results – negative special effects of minus EUR 14.7 million
- Group adj. EBIT increases by 21.9% to EUR 51.5 million (Adj. EBIT margin 5.3%) due to improved profitability in both segments
- 28.1% higher net profit at EUR 15.4 million (PY EUR 12.1 million)
- Outlook for FY 2014/15 and confirmed – approx. 3% increase in revenues and improvement of adjusted EBIT margin to 5% to 6%



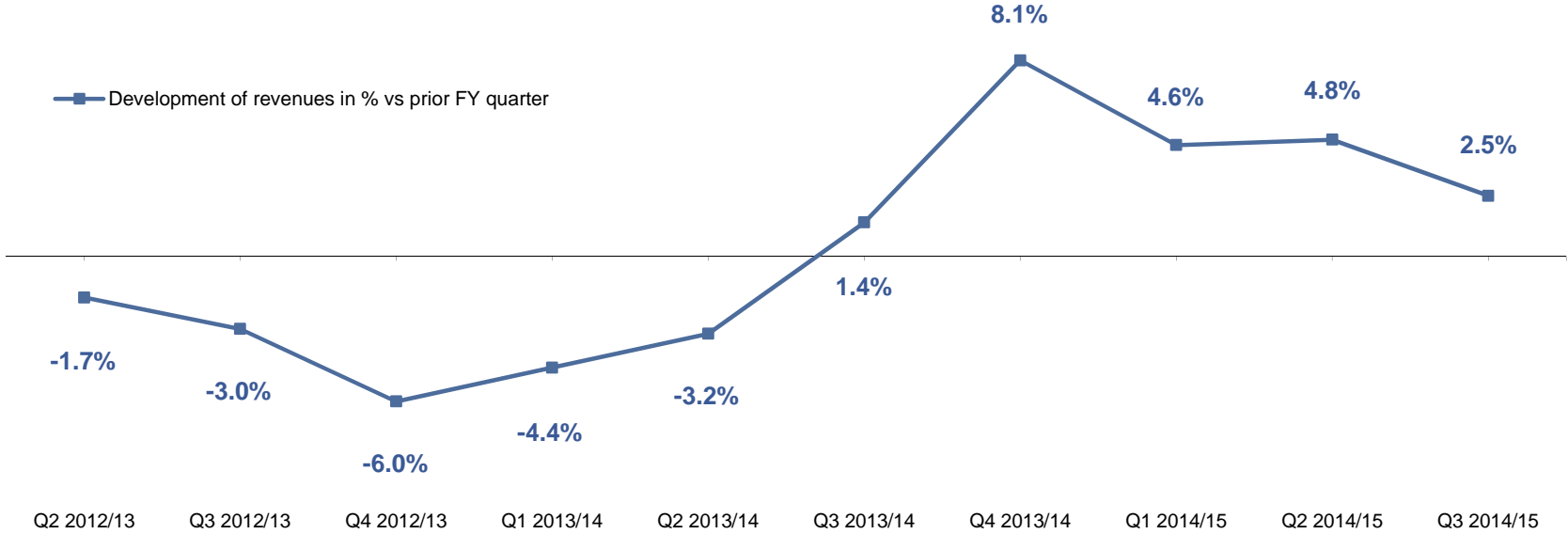
## Higher revenues and sequential margin expansion Zumtobel Group – Revenues and EBIT development



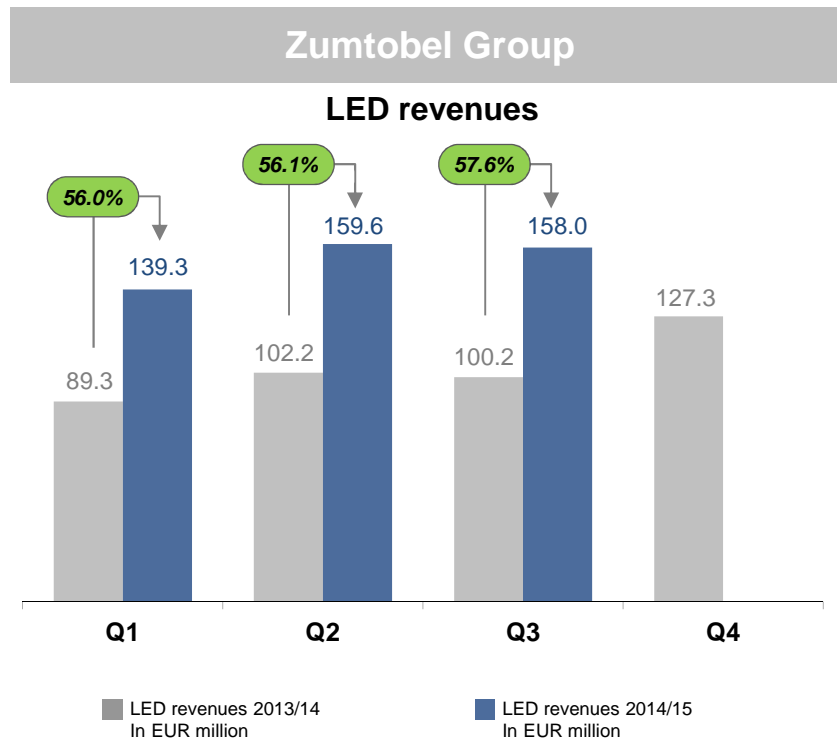
**Moderate growth momentum in Q3 due to a more challenging prior year basis for comparison**  
 Zumtobel Group – Revenues and EBIT development

Zumtobel Group

Development of revenues over the last 10 quarters



**Q3 LED share of group revenues increases to 53% (Q3 2013/14: 34%)**  
 Zumtobel Group – LED revenue development



- LED revenues in Q1-Q3 2014/15 grow by 56.6% to EUR 456.8 million
- Q1-Q3 LED share of group revenues increases to 47.4% (Q1-Q3 2013/14: 31.5%)
- Lighting Segment increases sales with LED products by 48.9% to EUR 335.3 million (LED Penetration ~46%)
- LED sales in Components Segment rise by 87.1% to EUR 149.4 million (LED penetration ~52%)

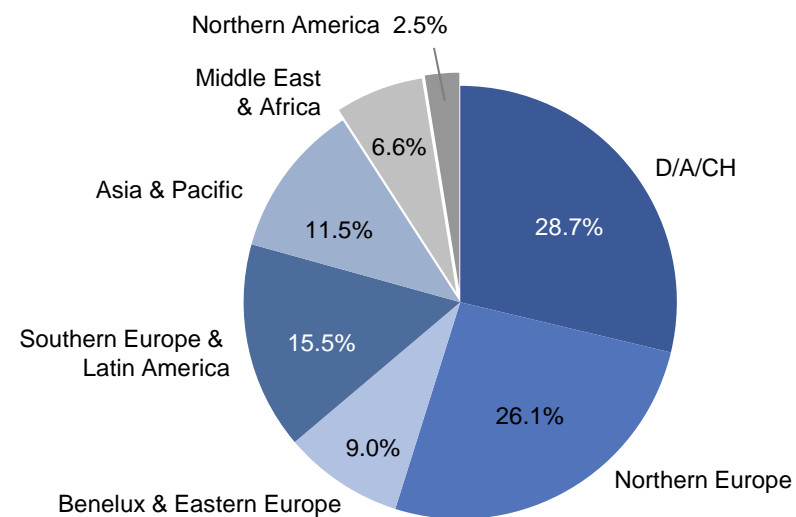
## UK remains the main growth driver in Q1-Q3 Zumtobel Group – Regional revenue distribution

	Q3 2014/15		Q1-Q3 2014/15		Change in %	
	Revenues in EUR million	Change in %	Revenues in EUR million	nominal	FX adjusted	
D/A/CH	85.7	6.4	276.5	4.1	3,0	
Northern Europe	77.4	4.9	251.6	11.0	7,3	
Benelux & Eastern Europe	25.8	-1.2	86.5	8.0	8,7	
Southern Europe & Latin America	48.2	-4.7	149.2	-6.1	-6,1	
Asia & Pacific	34.1	8.6	111.2	2.4	1,2	
Middle East & Africa*	22.0	4.9	63.3	3.2	3,2	
Northern America	6.3	-29.4	24.5	-0.4	-3,5	
<b>Total</b>	<b>299.6</b>	<b>2.5</b>	<b>962.8</b>	<b>4.0</b>	<b>2,6</b>	

\* incl. India, Central Asia & Turkey

## Zumtobel Group

### Regional revenue distribution

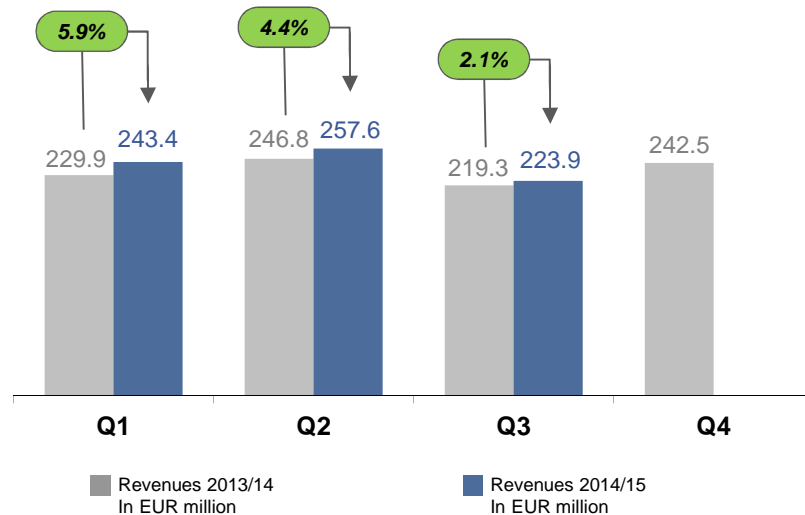


## Restructuring measures start to take effect and lead to an improvement in profitability

### Lighting Segment – Revenue and EBIT development

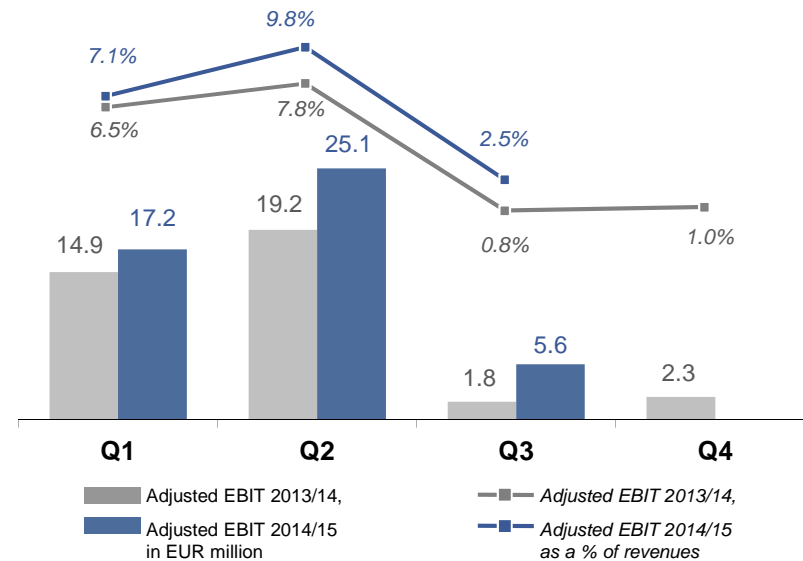
#### Lighting Segment

##### Revenues



Revenues Q1-Q3 2014/15 EUR 724.8 million (plus 4.1%)  
 Revenues Q1-Q3 2013/14 EUR 696.0 million

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

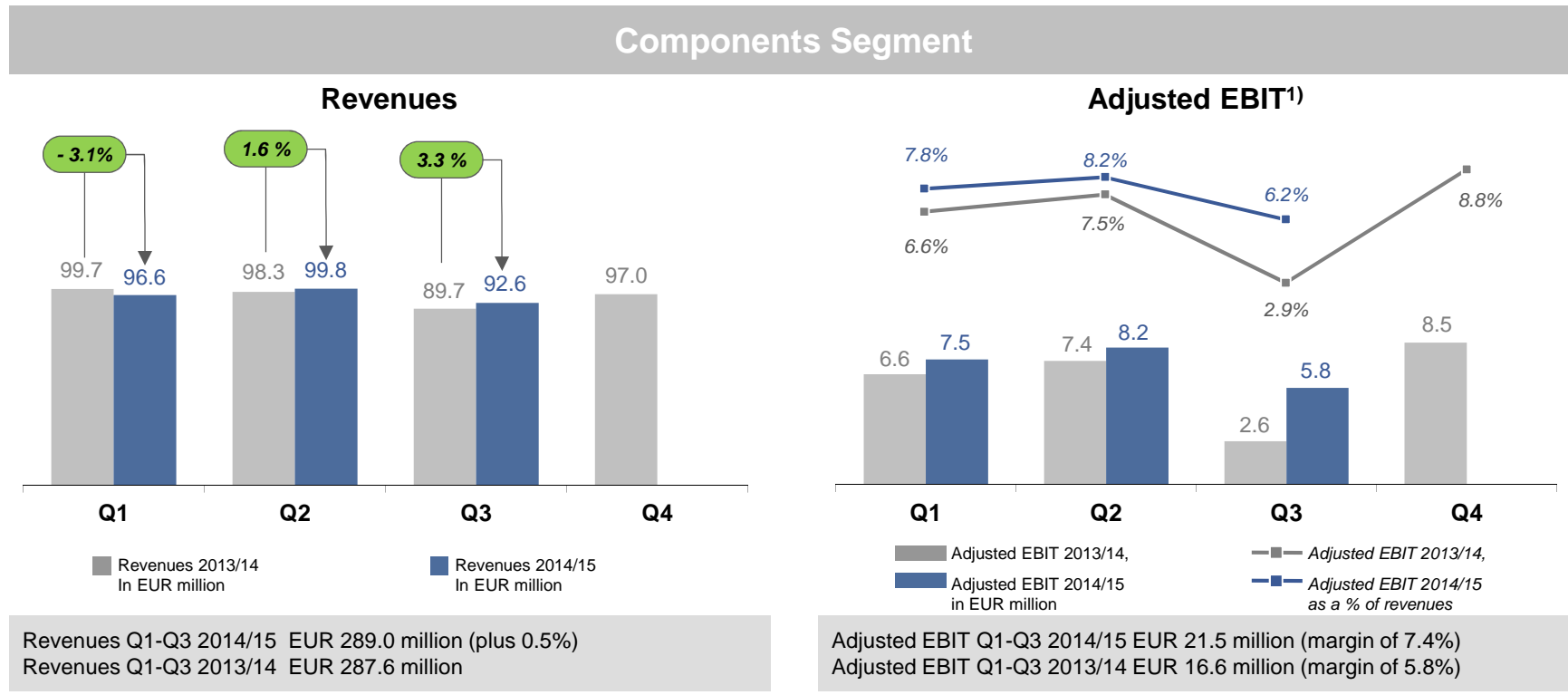


Adjusted EBIT Q1-Q3 2014/15 EUR 47.9 million (margin of 6.6%)  
 Adjusted EBIT Q1-Q3 2013/14 EUR 36.0 million (margin of 5.2%)

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

## Successful transformation process

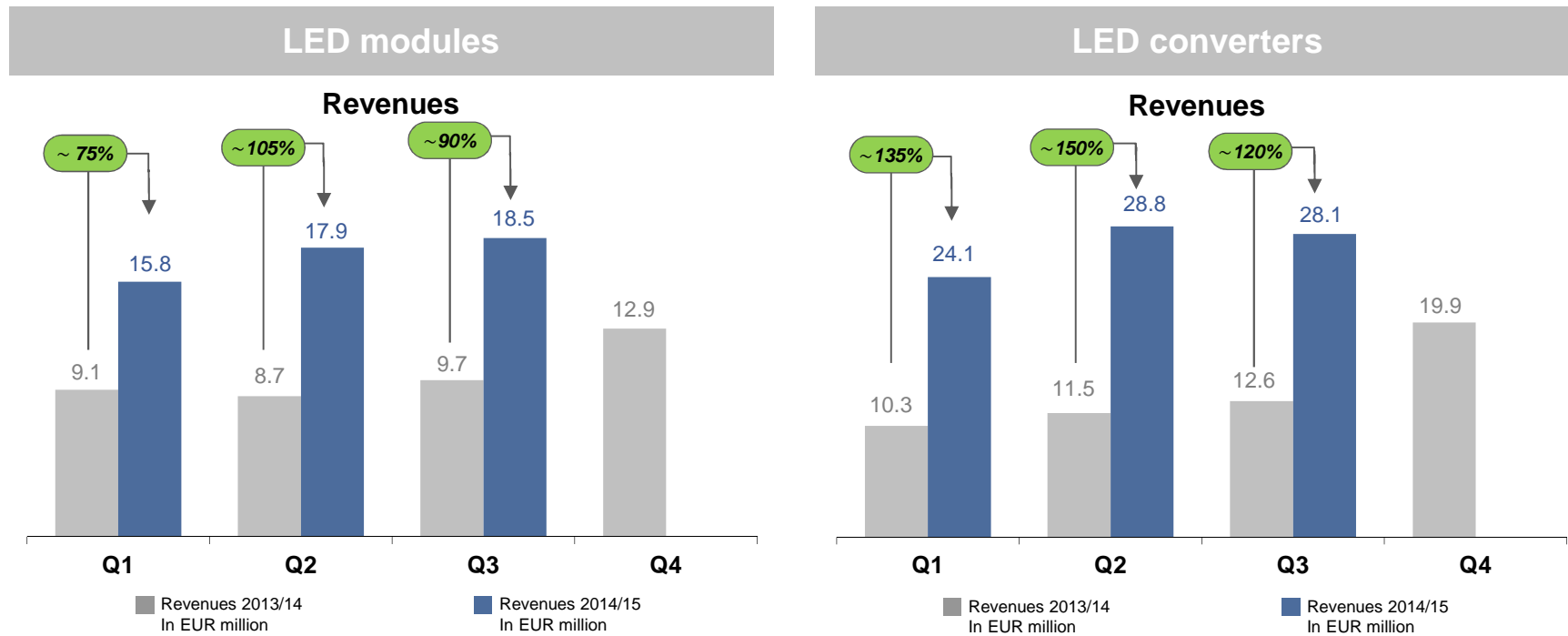
### Components Segment – Revenue and EBIT development





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

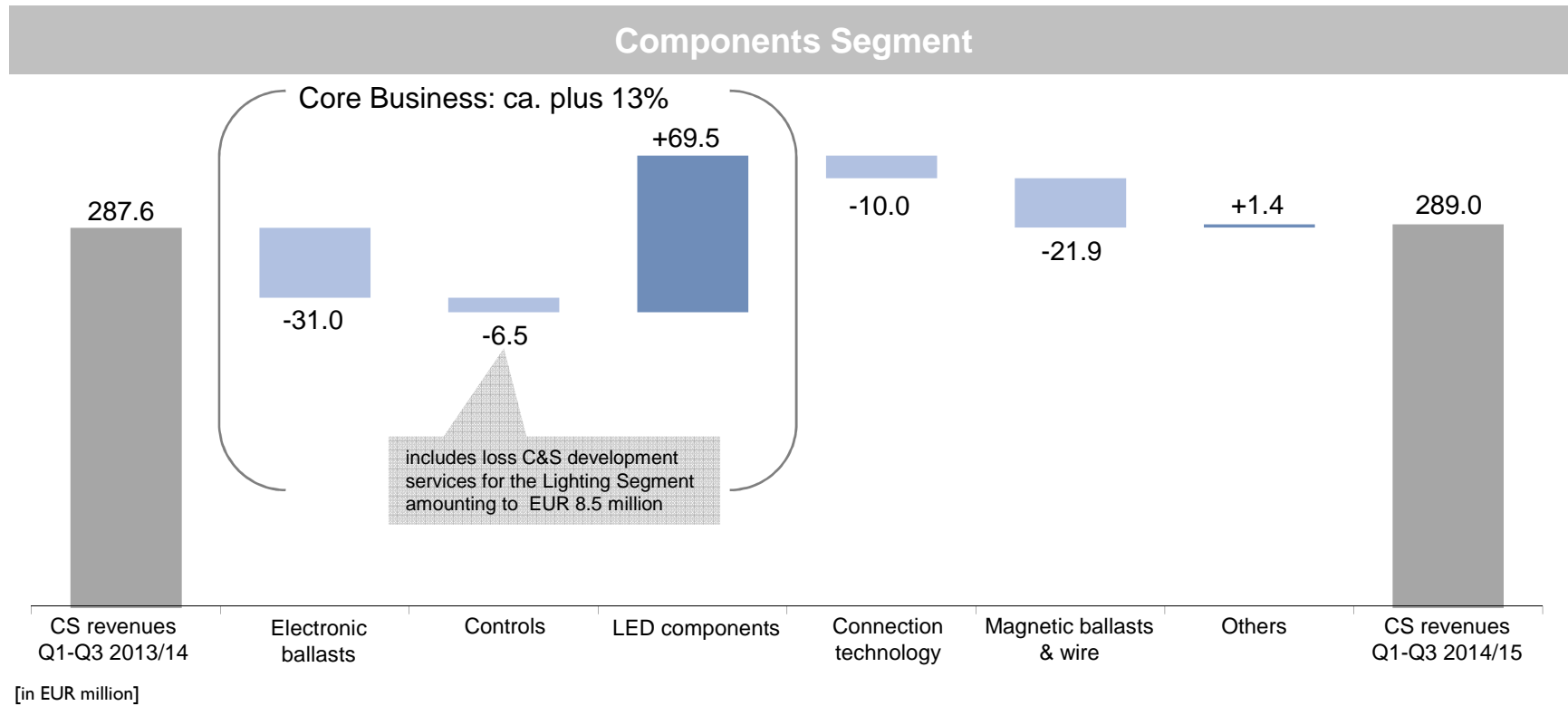
### Components Segment



European market share of around 8% (PY 6%) for LED Modules and around 12% (PY 8.5%) for LED converters

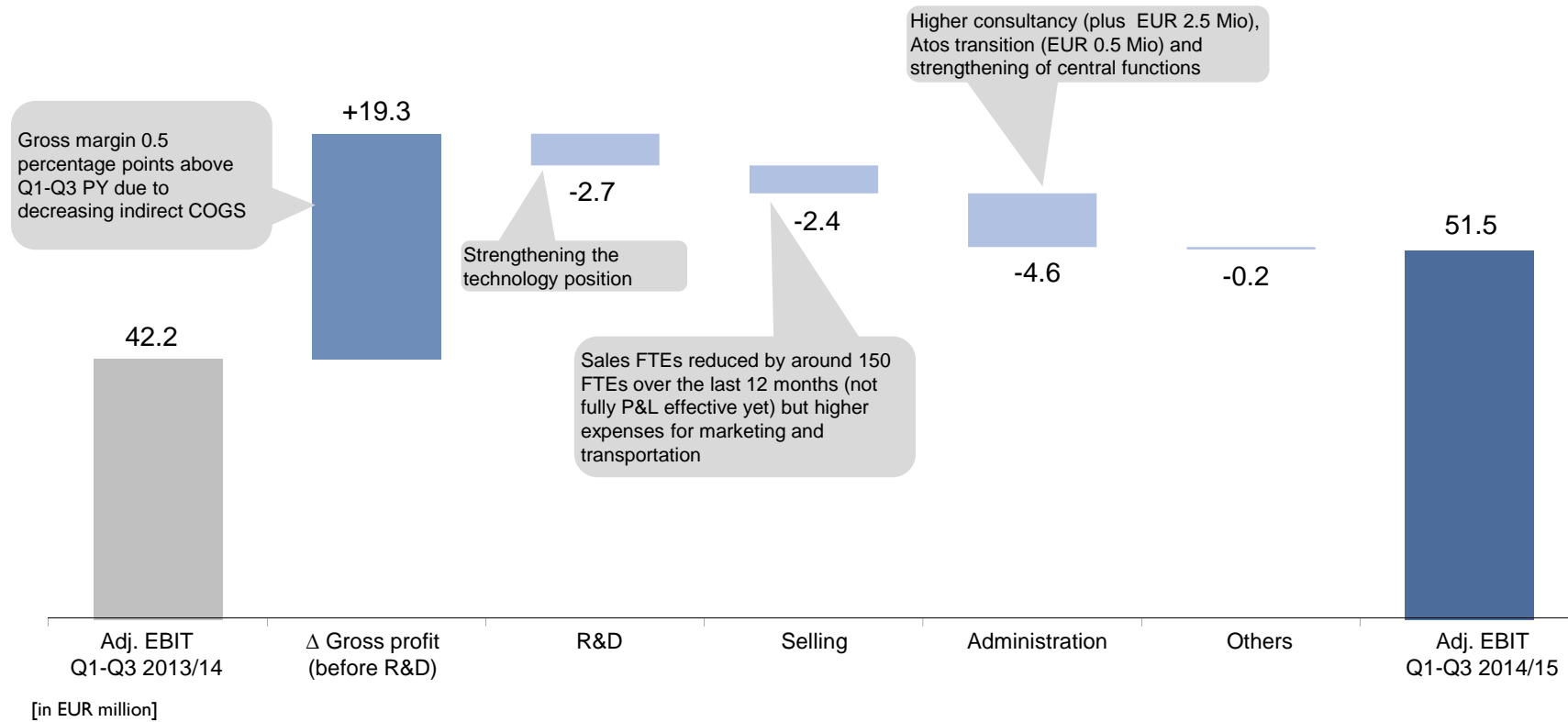
## Encouraging growth in core business

Components Segment revenue bridge Q1-Q3 2014/15 vs. Q1-Q3 2013/14



## Restructuring effects increasingly visible in the P&L

Zumtobel Group – adj. EBIT Q1-Q3 2013/14 vs. Q1-Q3 2014/15



## Further expanding the outstanding technology position of the Zumtobel Group

### Zumtobel Group – Investments into Research and Development

R&D Guidance: ~ 6% of revenues

Research & Development in EUR million	Q1-Q3 2014/15	Q1-Q3 2013/14	Change in %
Development costs	53.8	51.0	5.5
Research costs	2.5	2.6	-3.5
<b>R&amp;D total</b>	<b>56.3</b>	<b>53.6</b>	<b>5.1</b>
<i>as a % of revenues</i>	<i>5.8</i>	<i>5.8</i>	<i>0</i>

- In line with medium term guidance to increase R&D to 6% of sales
- Focus on energy efficiency, light quality and intelligent controls
- Higher expenditures for software development

## Restructuring on track - EUR 14.7 million special effects in Q1-Q3 2014/15

Zumtobel Group – special effects

FY 2014/15

Guidance: ~ EUR 25 million

Adjusted EBIT in EUR million	Q1-Q3 2014/15	Q1-Q3 2013/14	Change in %
<b>Reported EBIT</b>	36.8	27.8	32.4
Thereof special effects	-14.7	-14.5	1.4
<b>Adjusted EBIT</b>	51.5	42.2	22.0

- Closure of luminaire plant in Landskrona, Sweden (EUR 7.2 million)
- Closure of components plant in Ennenda, Switzerland (EUR 2.7 million)
- Closure of components plant in Fürstenfeld, Austria (EUR 1.0 million)
- Adjustments in the lighting segment sales organisation (EUR 2.6 million)
- Miscellaneous (EUR 1.2 million)

## Net result for the period at EUR 15.4 million

### Zumtobel Group – Income statement

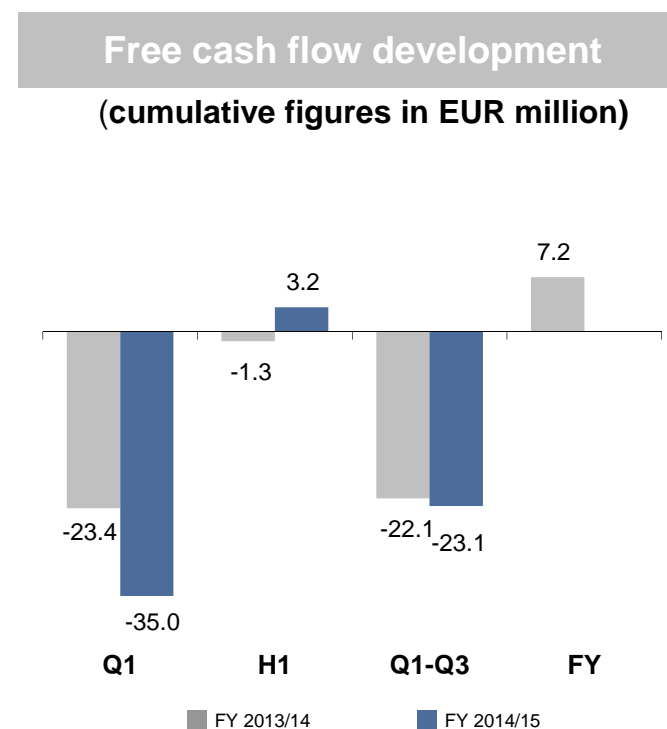
in EUR million	Q1-Q3 2014/15	Q1-Q3 2013/14	Change in %
<b>Revenues</b>	962.8	925.8	4.0
Cost of goods sold	-642.9	-622.4	3.3
<b>Gross profit (w/o development)</b>	373.7	354.4	5.4
<i>as a % of revenues</i>	38.8	38.3	
R&D	-56.3	-53.6	5.1
SG&A expenses adjusted for special effects	-266.0	-258.7	2.8
<b>Adjusted EBIT</b>	<b>51.5</b>	<b>42.2</b>	<b>21.9</b>
<i>as a % of revenues</i>	5.3	4.6	
Special effects	-14.7	-14.5	1.3
<b>EBIT</b>	<b>36.8</b>	<b>27.8</b>	<b>32.7</b>
<i>as a % of revenues</i>	3.8	3.0	
Financial results	-16.5	-11.9	-38.6
<b>Profit before tax</b>	<b>20.3</b>	<b>15.8</b>	<b>28.2</b>
Income taxes	-4.8	-3.8	28.3
<b>Net profit or loss for the period</b>	<b>15.4</b>	<b>12.1</b>	<b>28.1</b>
<b>Earnings per share ( in EUR)</b>	<b>0.36</b>	<b>0.28</b>	<b>30.6</b>

Burdened by negative market valuation of financial instruments (i.e. predominantly CHF Hedge)

## Free Cash Flow at minus 23.1 Mio EUR

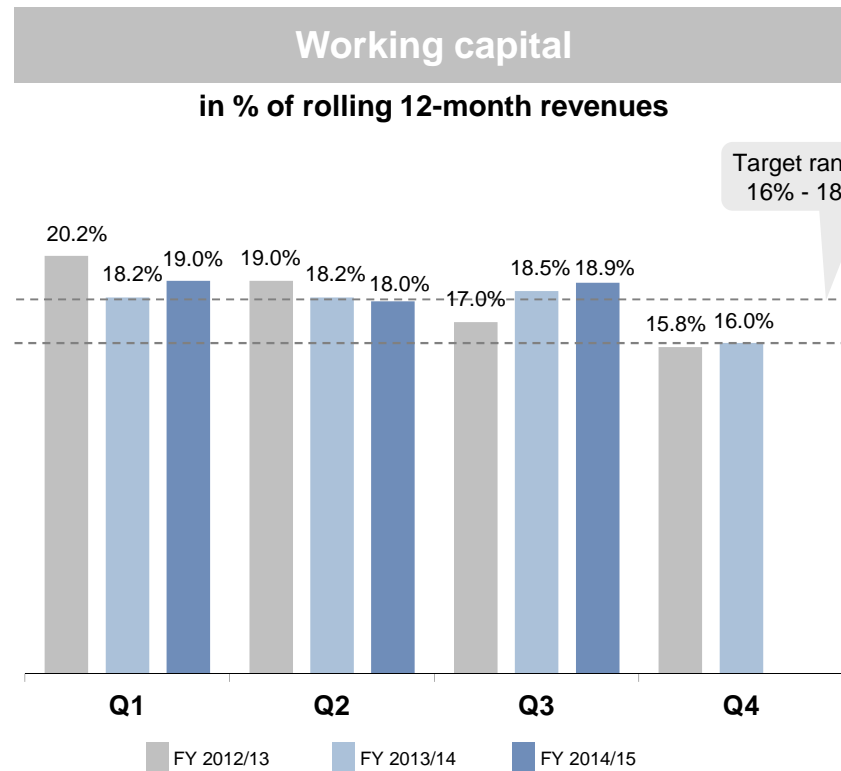
### Zumtobel Group – Cash flow statement

in EUR million	Q1-Q3 2014/15	Q1-Q3 2013/14
Cash flow from operating results	78.6	72.3
Change in working capital	-41.2	-36.6
Change in other operating items	-21.3	-14.2
Taxes paid/received	-5.1	-3.3
<b>Cash flow from operating activities</b>	<b>11.0</b>	<b>18.3</b>
Proceeds from the sale of non-current assets	1.0	0.4
Capital expenditures on non-current assets	-47.5	-42.5
Capital expenditures on non-current and current financial assets	2.8	-1.0
Change in liquid funds from changes in the consolidation range	9.5	2.7
<b>Cash flow from investing activities</b>	<b>-34.1</b>	<b>-40.4</b>
<b>Free cash flow</b>	<b>-23.1</b>	<b>-22.1</b>
<b>Cash flow from financing activities</b>	<b>9.3</b>	<b>18.8</b>
Effects of exchange rate changes on cash and cash equivalents	4.2	-6.9
<b>Change in cash and cash equivalents</b>	<b>-9.6</b>	<b>-10.2</b>



## Increase in working capital due to higher inventories

### Zumtobel Group – Working capital



- In % of rolling 12-month revenues, working capital increased slightly to 18.9% vs. 18.5% in Q3 PY
- Increase of inventories (~ EUR 19 million vs. Q3 PY), increase in receivables (~ EUR 10 million vs. Q3 PY) and increase in payables (~ EUR 13 million vs. Q3 PY)
- Increase of inventories due to close down of Ennenda avoids 3<sup>rd</sup> party manufacturing
- Level of factoring slightly higher compared to previous year (~ EUR 39 million)



## Continued solid balance sheet structure and secured liquidity position

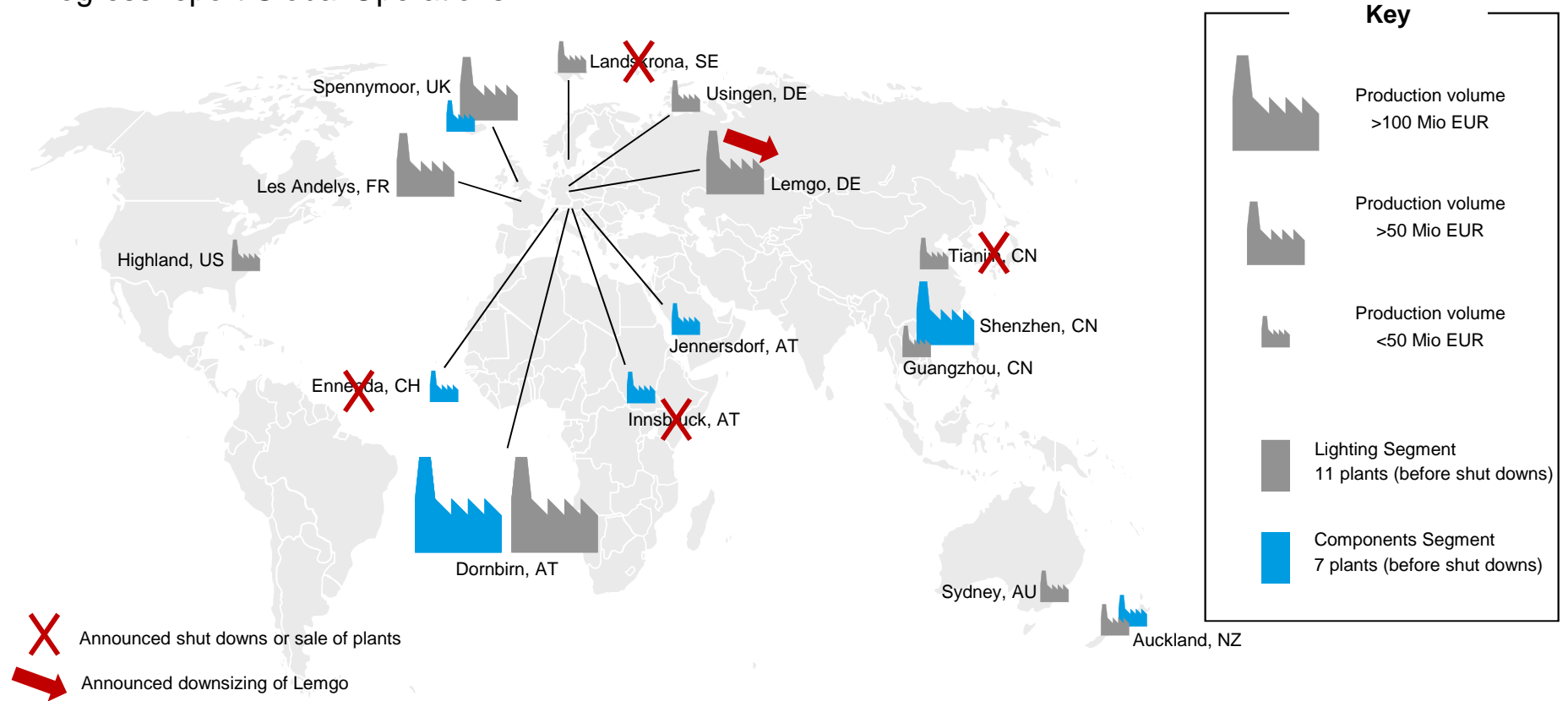
### Zumtobel Group – Key balance sheet data

in EUR million	31 January 2015	30 April 2014
Total assets	1,043.3	1,006.6
Net debt	158.1	126.2
<i>Debt coverage ratio</i>	1.83	1.57
Equity	339.4	327.6
<i>Equity ratio in %</i>	32.5	32.5
<i>Gearing in %</i>	46.6	38.5
Investments	47.5	65.6
Working capital	242.5	200.0
<i>As a % of rolling 12 months revenues</i>	18.9	16.0

- Net debt totalled EUR 158.1 million as of 31 Jan 2015 (31 Jan 2014: EUR 154.4 million)
- Secure liquidity position
  - Consortium credit agreement with a term extending to October 2016 and a max. volume of EUR 350 million (EUR 105 million drawn by 31 Jan 2015)
  - Two bilateral credit agreements with a term extending to September 2018 respectively January 2020 and a max. volume of EUR 40 million each (In total EUR 80 million drawn by 31 Jan 2015)
  - Unsecured lines of credit totalling EUR 91.7 million as of 31 Jan 2015
- Increase in CAPEX by ca. 12% to EUR 47.5 million, among other due to a big investment in an automated assembly line for the production of LED luminaires in our Dornbirn plant

# 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)
  - ✓ Downsizing of production lighting plant Lemgo, Germany (roughly 70 employees)
    - Announcement date: end of Feb 2015
    - Execution: over the next six months
- 

#### 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 twelve months (not fully P&L effective yet)
  - ✓ Reduction of 21 sales offices
- 

#### **2. Sales force performance programme**

- ✓ New incentive system for sales organization and upper management in place
- 

#### **3. Increase share of wallet**

- ✓ Initiatives have been started – multi-brand approach gains momentum
- 

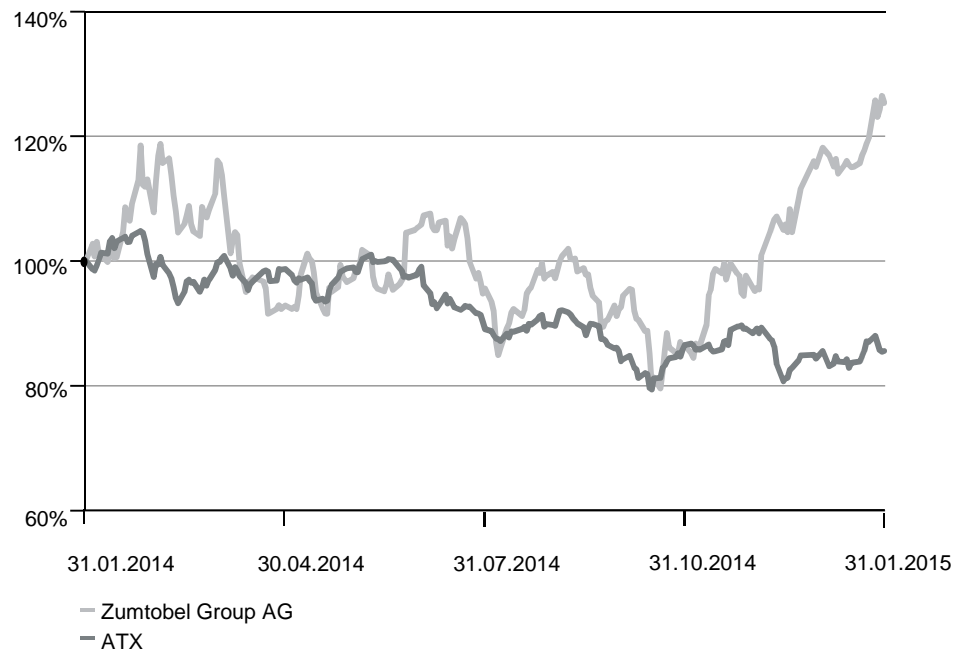
#### **4. Selective build-up of the sales force in emerging markets**

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## Zumtobel share clearly outpaces ATX average

Zumtobel Group AG – Development of Zumtobel Share over the last 12 months

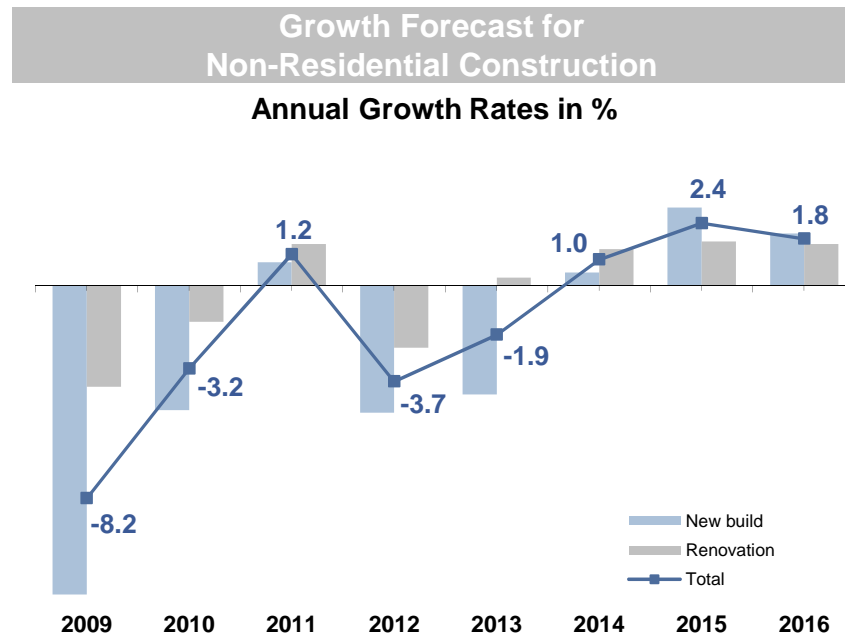
### Zumtobel share price performance vs. ATX



- Share price benefits from restructuring story, strategic reorientation, tailwind from the market and success in managing the LED technology change
- 35.8% increase in share price in Q1-Q3 2014/15
- ATX decreases by 13.3% in Q1-Q3 2014/15
- Share price development (TSR) relative to a peer group is the key performance indicator for the bonus payment to the management

## 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 25 million in 2014/15 (adding downsizing Lemgo)

## Financial Calendar

- 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!**

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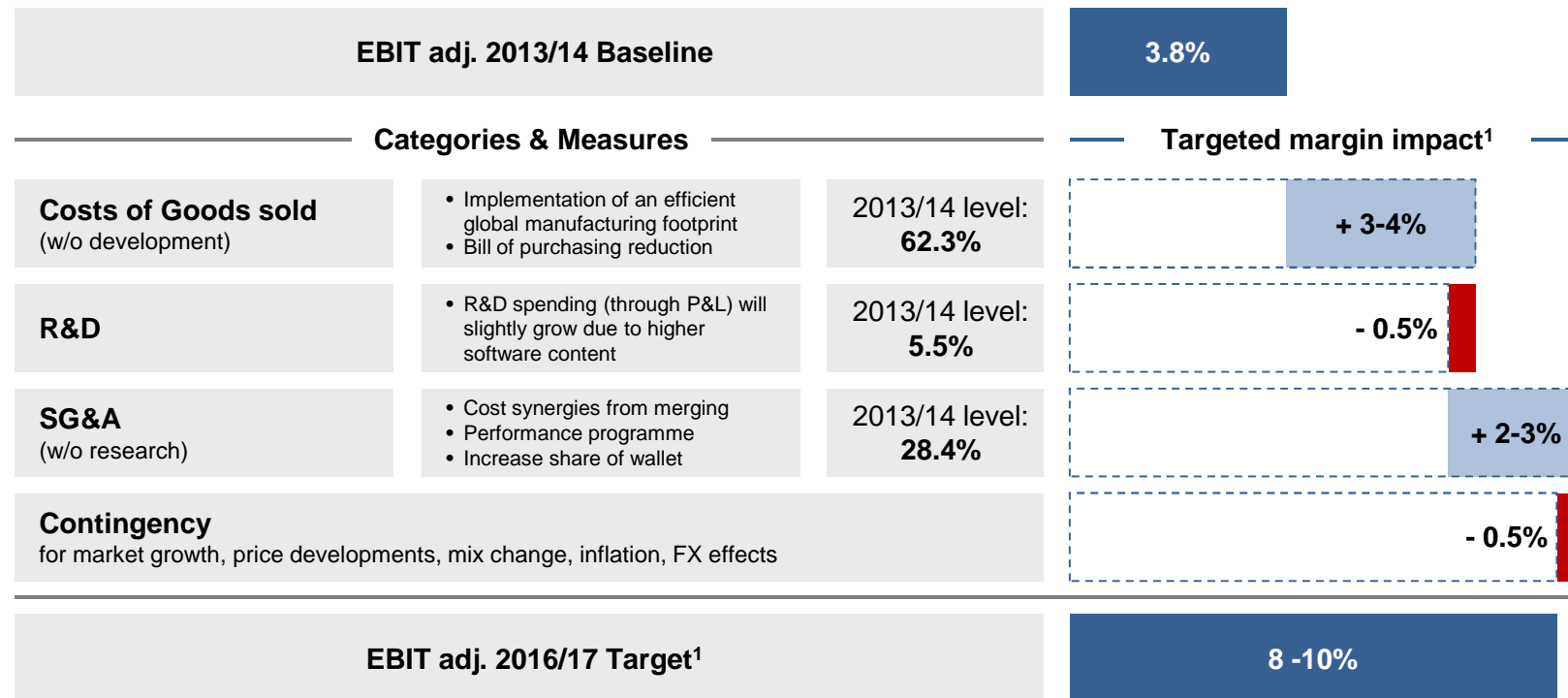
[www.zumtobelgroup.com](http://www.zumtobelgroup.com)

## 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.