

# EARNINGS CALL

1st quarter figures for the 2019 financial year

May 15, 2019





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Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.



## Presenter



**Andreas Becker**  
CEO

Andreas Becker has been Chief Executive Officer (CEO) of the STS Group since its foundation in 2017. His areas of responsibility include in particular sales, purchasing, research & development and human resources. In addition, the companies MCR and STS China report directly to him.

Before Andreas Becker lead STS Acoustics as CEO (2013). Between 1996 and 2013 he held various management positions at the Autoneum Group, a global automotive supplier like STS Group. From 2010 to 2013, he was also responsible for the management in Italy as well as the Truck Business Worldwide division.



**Dr. Ulrich Hauck**  
CFO

Ulrich Hauck took over the CFO role at STS Group April 1, 2019. His areas of responsibility comprise in particular controlling, accounting, treasury, taxes and IT.

Prior to joining STS Group, Ulrich Hauck held the positions of Group CFO at Schaeffler, Corporate Senior Vice President at Bayer AG, heading global accounting and controlling of Bayer and Vice President at Rheinmetall. He started his career as CPA and tax consultant at Deloitte.

*Andreas Becker and Dr. Ulrich Hauck will present STS Group AG Financial Figures for the first three months 2019.*

# Agenda

- 1. Overview**
- 2. Business Highlights 3M 2019**
- 3. Financial Highlights Q1 2019**
- 4. Outlook**

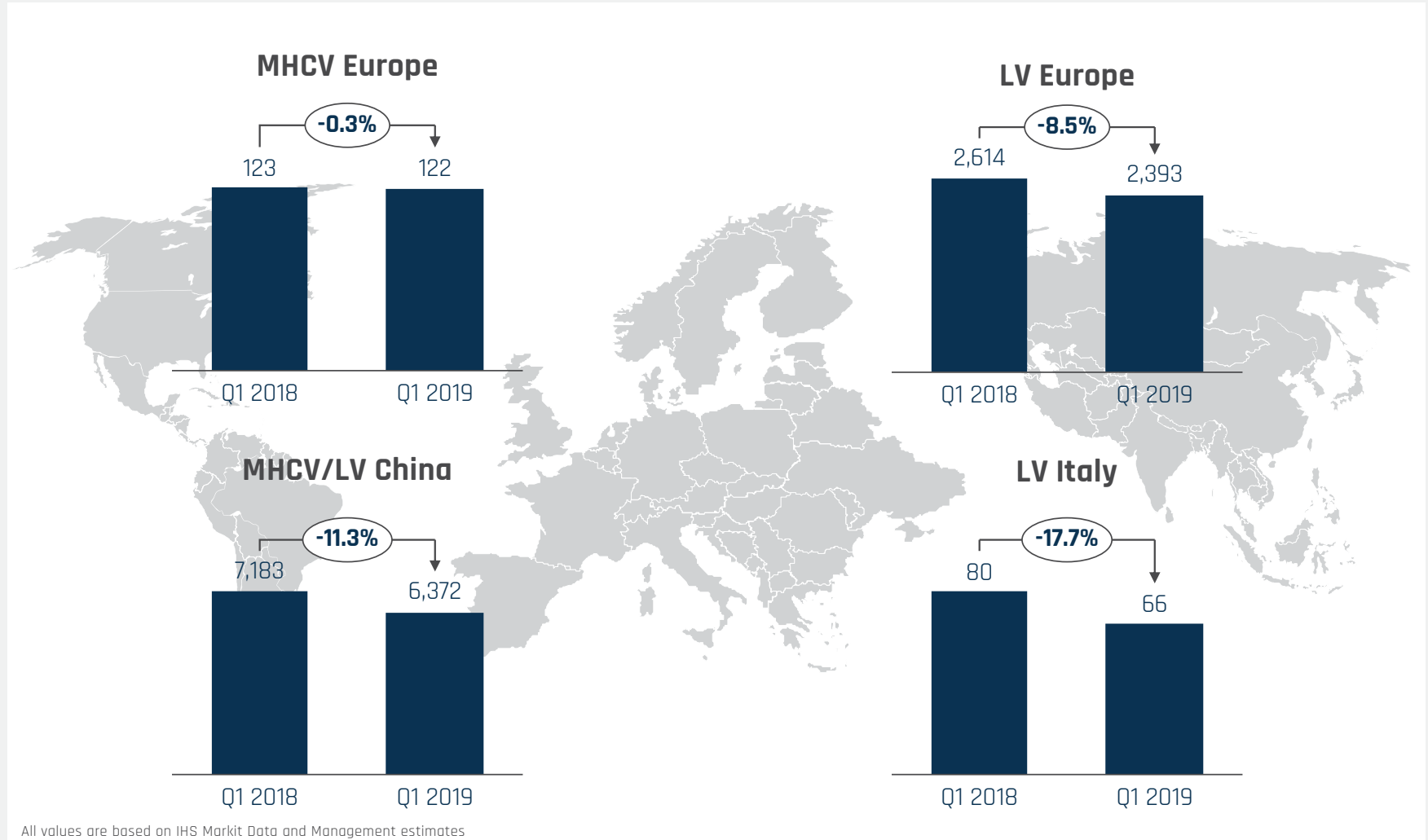




# Overview

## Market Development Q1 2019

STG's main markets with weak development in the first quarter 2019.





## Overview

### 3M 2019 results


 Weaker 3M 2019 were nearly in line with management expectations for 2019.

	3M 2018	3M 2019	
<b>STS Group</b>			
Sales	108.9	95.5	-12.3%
EBITDA	3.5	4.3	
Adj. EBITDA (%)	8.1 (7.4%)	4.3 (4.5%)	
<b>BU Acoustics</b>			
Sales	34.4	29.1	-15.4%
EBITDA	0.2	0.0	
Adj. EBITDA	0.7		
<b>BU Plastics</b>			
Sales	53.4	46.5	-13.0%
EBITDA	1.8	3.0	
Adj. EBITDA	4.0		
<b>BU China</b>			
Sales	12.5	11.3	-9.6%
EBITDA	2.1	1.1	
Adj. EBITDA	2.3		
<b>BU Materials</b>			
Sales	11.3	11.0	-2.5%
EBITDA	0.8	0.4	
Adj. EBITDA	0.9		

### Key aspects:

- ▶ Revenues **decreased by 12.3 %** mainly due to:
  - BU Acoustics **weak passenger car market in Italy**;
  - BU Plastics **planned end of a major order**;
  - BU China overall **decline in market** and **logistical bottlenecks** at a major **customer**.
- ▶ **EBITDA increased** due to completed integration activities. **Adj. EBITDA** impacted by lower volumes.
- ▶ **Polish plant improved** earnings in Q1 2019, but still negative EBITDA contribution. Measures to increase capacity utilization and further cost efficiency in place.
- ▶ **Initial costs** at the new production location in **Shiyan**.



# Business Highlights

## 3M 2019

### Focus China



### Highlights China:

- ▶ April 11, 2019 **opening ceremony of Shiyan plant.**
- ▶ **Next Step:** Introduction of injection molding technology in new plant.
- ▶ Continuously **strong order intake.**
- ▶ Several **project SOPs** expected in **2HY** 2019.
- ▶ Volume and market share **growth for FY 2019** forecasted.



# Financial Highlights Q1 2019

## Key Figures

Key Financials show overall mixed picture.

in mEUR / %		Q1 2018	Q1 2019	Q1 2018 vs. Q1 2019
1	Sales	108.9	<b>95.5</b>	-12.3%
	EBITDA	3.5	<b>4.3</b>	+22.3%
	EBITDA Margin	3.2%	<b>4.5%</b>	+1.3% pts.
2	Adj. EBITDA	8.1	<b>4.3</b>	-47.3%
	Adj. EBITDA Margin	7.4%	<b>4.5%</b>	-2.9% pts.
	EBIT	0.0	<b>-0.1</b>	n.a.
	EBIT Margin	0.0%	<b>-0.1%</b>	-0.1% pts.
3	NET Income	-1.7	<b>-1.3</b>	+77.4%
	EPS	-34.3 <sup>1)</sup>	<b>-0,22</b>	+99.3%
4	CAPEX	2.9	<b>3.1</b>	+9.0%
	FOCF <sup>2)</sup>	-4.8	<b>-4.9</b>	+2.4%
5	Cash	8.6	<b>28.3</b>	+229.1%
	NFD <sup>3)</sup>	52.9	<b>33.3</b>	-37.1%

<sup>1)</sup> Not meaningful due to share capital in Q 1 2018 of only 50.000 shares <sup>2)</sup> FOCF (= Free Operating Cash Flow) = Op CF - CAPEX - Leasing Cash Out

<sup>3)</sup> NFD (=Net Financial Debt) = Bank loans + Third Party loans + Recourse Factoring - Cash





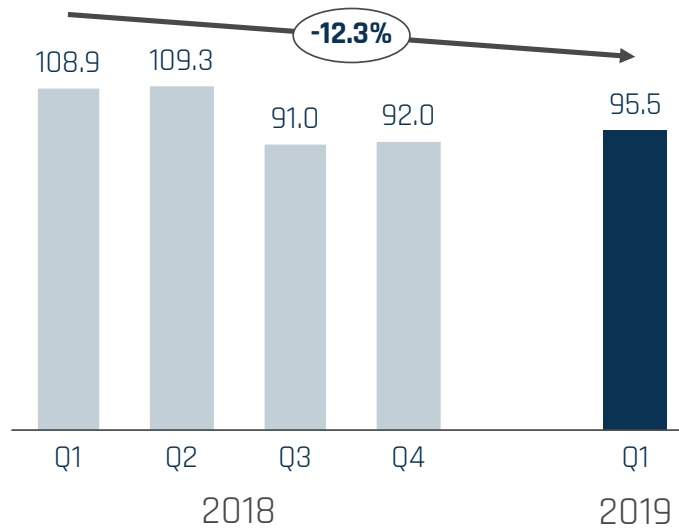
# 1 Financial Highlights Q1 2019

## Sales growth

*Sales decline versus prior year across all BU's due to overall weak conditions on automotive markets*

*Quarter-on-quarter sales growth of 3.9%*

Sales in mEUR

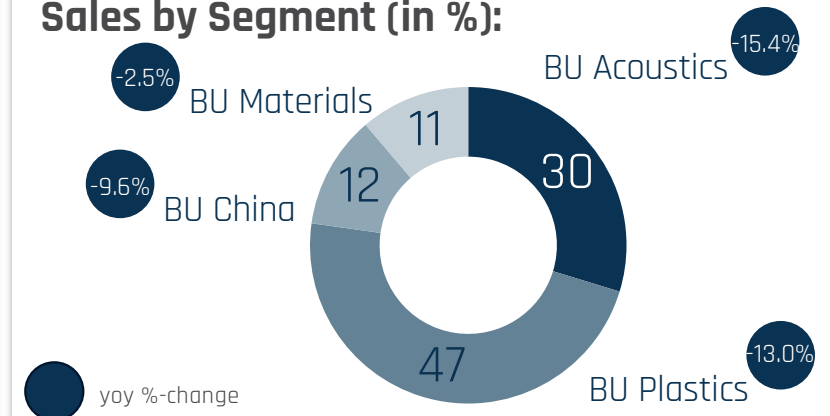


Growth rate in %	2018				2019
	Q1	Q2	Q3	Q4	Q1
fx-adj.	+101.9%	+98.5%	-1.5%	+15.3%	-12.3%
	+29.4%				-12.3%

### Comments:

- ▶ Market driven sales decline across all Business Units
- ▶ Quarter-on-quarter sales growth of 3.9%
- ▶ Planned phase-out of significant project at BU Plastics in Q 2 2018 with negative topline impact (-3.2 mEUR)
- ▶ Positive FX effect of 0.4 mEUR

### Sales by Segment (in %):



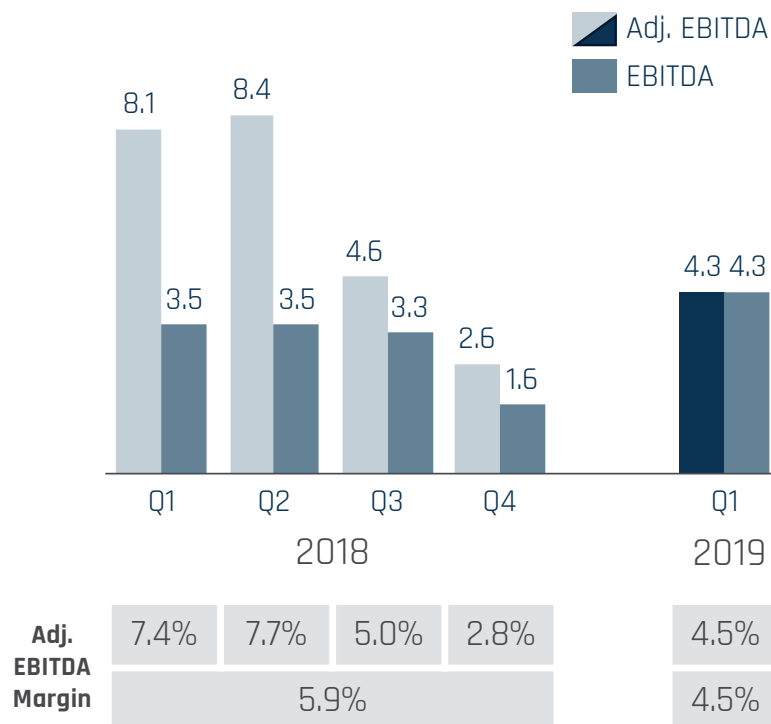


## 2 Financial Highlights Q1 2019

### Adj. EBITDA

Mostly volume driven decline of Adj. EBITDA margin in Q1 2019; however margin improvement over Q4 2018.

#### Adj. EBITDA in mEUR



#### Comments:

- ▶ EBITDA in Q1 2019 improved over PY Quarter and Quarter 4, 2018
- ▶ Adj. EBITDA in Q1 2019 significantly below PY quarter, however up on a quarter-on-quarter basis
- ▶ Benefit from IFRS 16 of ard. 1.0 mEUR in Q1 2019, thereof 0.4 mEUR each for BU Acoustics, Plastics

#### Adj. EBITDA margin:

	HY1 18	HY2 18	Q1 19
BU Acoustic	1.5%	-4.1%	-0.2%
BU Plastics	10.4%	6.1%	6.5%
BU China	17.2%	11.9%	9.5%
BU Materials	6.1%	3.3%	3.7%

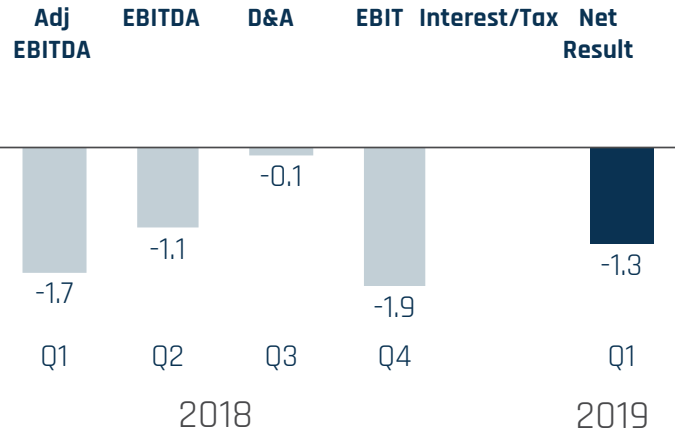
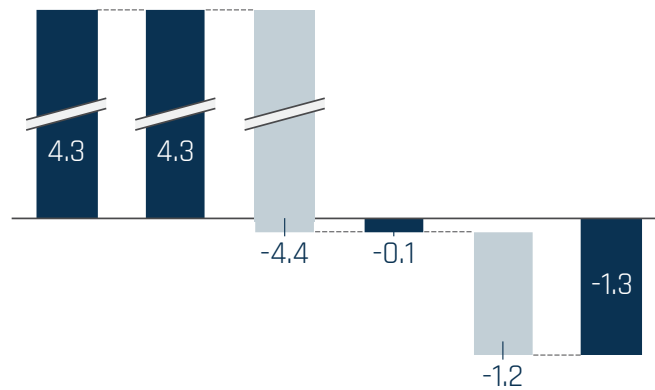


### 3 Financial Highlights Q1 2019

## Net Income

Net income -1.3 mEUR in Q1 2019, improved over prior year and Q4 2018.

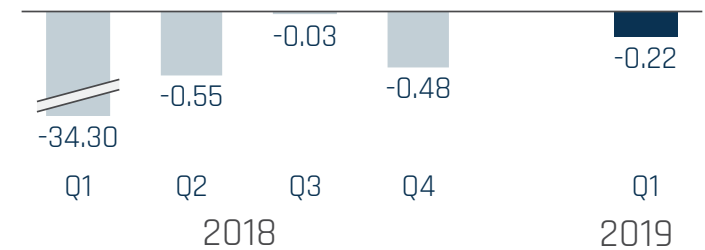
Net Income in mEUR



### Comments:

- ▶ Net income and EPS still negative in Q1 2019, however improved vs. PY Q1 and Q4, 2018
- ▶ PY quarterly EPS not comparable due to different share base.

### Earnings per share (in €)<sup>1)</sup>:



<sup>1)</sup> 50.000 shares until April 12, 2018; 1.050.000 until April 24, 2018; 5.000.000 until Mai 7, 2018; 6.000.000 from Mai 8, 2018 on.



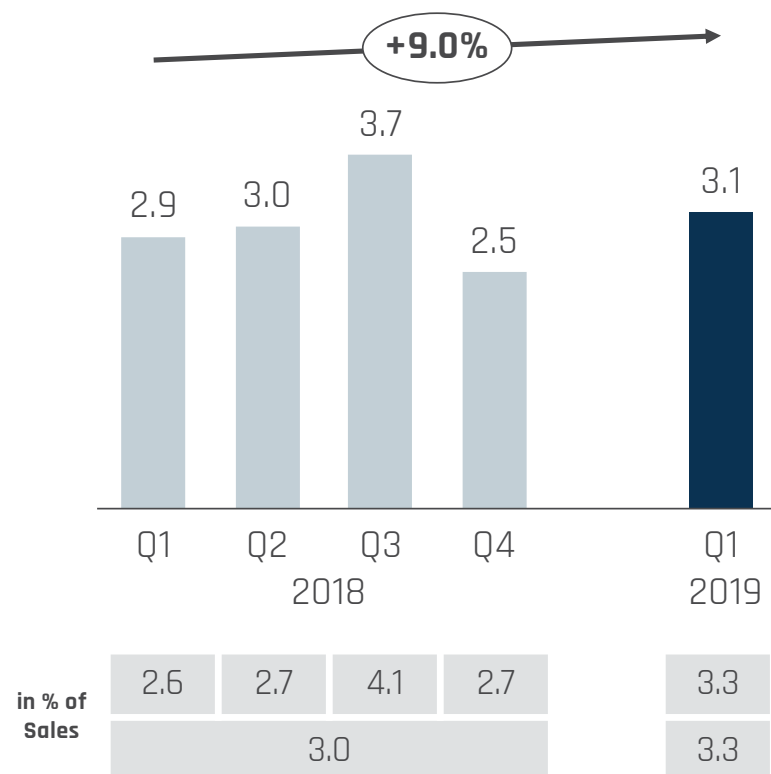
# 4 Financial Highlights Q1 2019

## Cash Flow

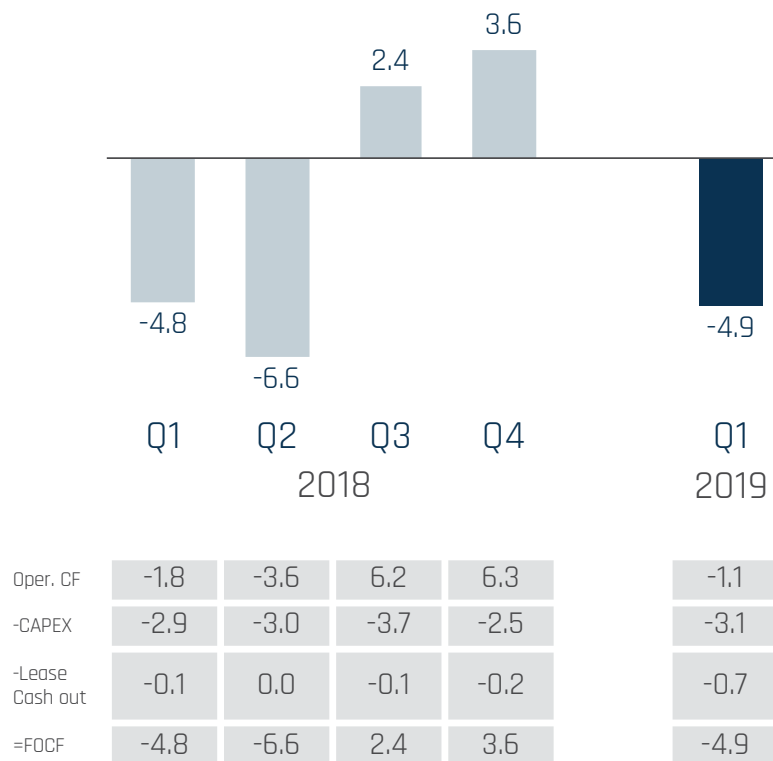
CAPEX in Q1 with 3.1 mEUR or 3.3% of sales slightly above prior year (PY quarter 2.9 mEUR, 2.6%)

Free Operating Cash Flow in Q1 -4.9 mEUR level with PY Q1. Significant seasonal built up of Trade Working Capital in Q1

CAPEX in mEUR



Free Operating Cash Flow<sup>1)</sup> in mEUR



<sup>1)</sup> Cashflow from Operations - CAPEX - Lease cash outs

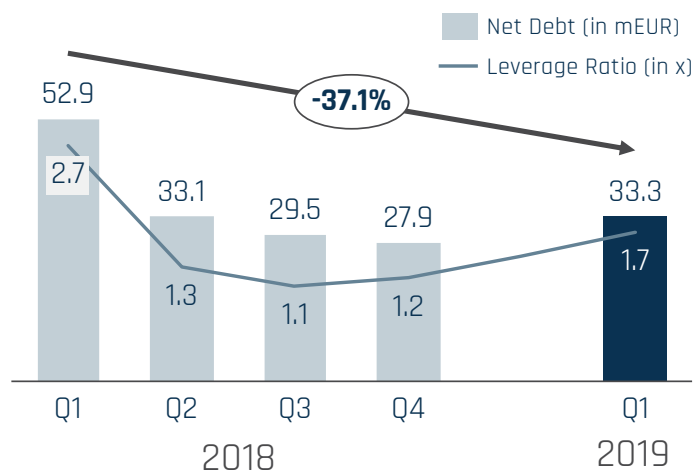


# 5 Financial Highlights Q1 2019

## Net Debt Leverage

Leverage ratio of 1.7 as per end of Q1 2019 on a very solid level

### Net financial debt and leverage in mEUR



	Q1	Q2	Q3	Q4	Q1
	2018				2019
<b>Financial Debt<sup>1)</sup></b>	61.5	64.0	58.4	59.1	61.6
<b>Cash &amp; Cash equivalents</b>	8.6	30.9	28.9	31.2	28.3
<b>Net financial debt</b>	52.9	33.1	29.5	27.9	33.3
<b>LTM EBITDA<sup>2)</sup></b>	19.6	25.4	27.0	23.7	19.9
<b>Leverage Ratio</b>	2.70	1.30	1.09	1.18	1.70

<sup>1)</sup> Bank loans, third party loans, non recourse factoring <sup>2)</sup> last 4 quarters

### Comments:

- ▶ Net Financial Debt as of March 31, 2019 33.3 mEUR; excluding recourse factoring liabilities of 36.1 mEUR STS has positive Net Liquidity position of ca. 3 mEUR
- ▶ Leverage ratio as per March 31, 2019 of 1.7 very solid

### Financial debt:

	Q1 18	Q2 18	Q3 18	Q4 18	Q1 19
Bank loans	16.4	15.4	14.9	13.9	16.7
Third party loans	7.9	7.4	7.5	9.0	8.8
Non recourse factoring	37.2	41.2	36.0	36.2	36.1
<b>Financial Debt</b>	61.5	64.0	58.4	59.1	61.6



# Outlook

## Capital Market

Higher liquidity in 2019. Average daily trading volume has been significantly increased.

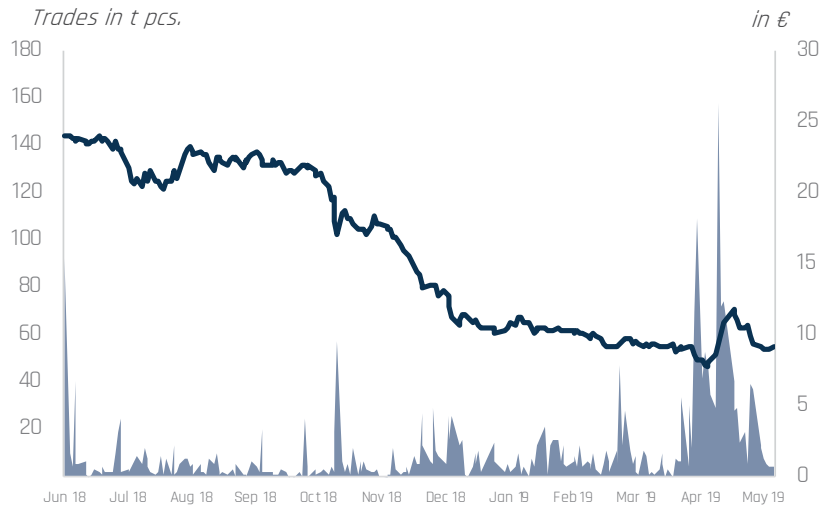
### XETRA:

- 2018 ard. 6.500 pcs.
- 2019 ard. 17.000 pcs.

### Tradegate:

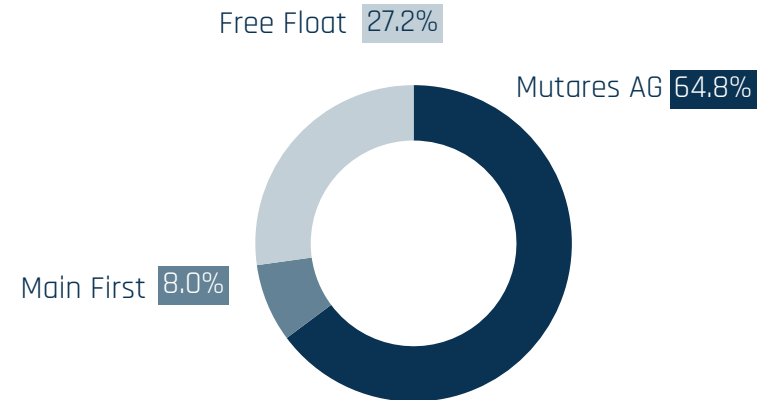
- 2018 ard. 500 pcs
- 2019 ard. 8.000 pcs.

### Share Price



Date	Publ.	Target	Rec.
15/04/2019	SMC Research	<b>15.10 €</b>	Speculative Buy
05/04/2019	MainFirst	<b>12.00 €</b>	Outperform
27/02/2019	H&A	<b>17.00 €</b>	Buy

### Shareholder Data



### Share Information

ISIN:	DE000A1TNU68
Number of Shares:	6,000,000
Market Cap:	63 mEUR
EV/EBITDAX	ard. 3.5

**Share Buy Back Program finished**  
(total of 50.000 shares bought back)



# Outlook

## Guidance

### 2019

Management confirms guidance 2019 due to positive outlook for 2HY.



## 2019

- ▶ Market environment in the **automotive industry** will continue to be **challenging**
- ▶ **Revenue** expected to remain at **previous year's level**
- ▶ **Adjusted EBITDA** at least at **previous year's level** (2018: 23.7 mEUR), **increase of EBITDA by  $\geq 100\%$**  compared to previous year (2018: 11.9 mEUR)

## Assumptions

- ▶ **Challenging market** environment in first half year in line with **management expectations**.
- ▶ For the **second half** of the current year **management expects**:
  - A **positive market** development in the relevant **vehicle market**;
  - A **stronger Chinese** commercial vehicle **market**;
  - **Start up of larger projects in China** scheduled.



## Outlook

### Financial Calendar 2019

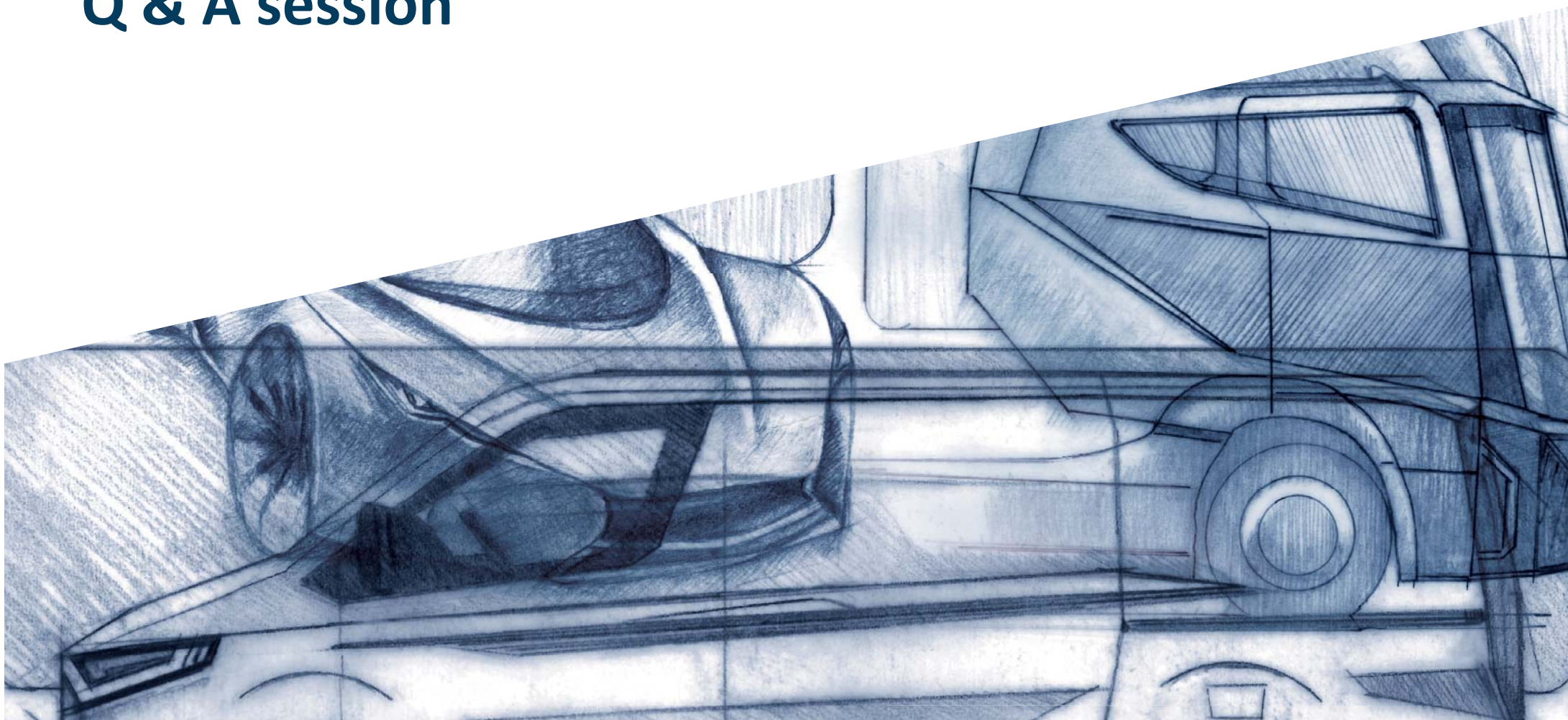
#### Upcoming conferences / publications...

<b>17 May 2019</b>	<b>Annual General Meeting</b>
28 May 2019	MainFirst SMID CAP Event, Frankfurt/Main
4 June 2019	Prior Capital Market Conference, Frankfurt/Main
27 June 2019	Capital Market Day, Frankfurt/Main
7 August 2019	Publication half-yearly financial report
2/3 September 2019	Autumn Conference, Frankfurt/Main
11 September 2019	ZKK Zurich Capital Market Conference, Zurich
6 November 2019	Publication Quarterly Statement (call-date Q3)
25/27 November 2019	German Equity Forum 2019, Frankfurt/Main


*Conferences and relevant publications in 2019.*



# Q & A session



# Thank you for your attention!

## Contact us

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