

COMING UP...



Key Financials for the first quarter of 2018

Monday, May 14, 2018

at 10:00 a.m. (CET)



presented by

**Dr Thomas Kneip, CFO**



CENTROTEC Sustainable AG  
First Quarter Results 2018

*May 14, 2018*



## AGENDA

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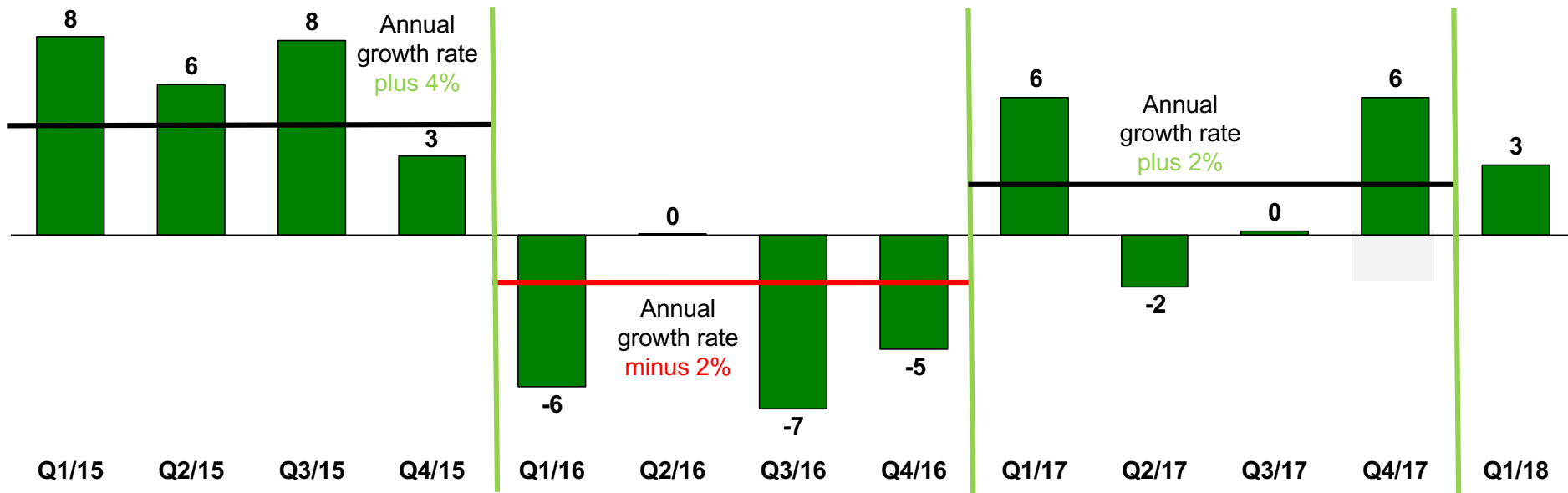
- 
- **Market Overview**
  - Key Financial Results Q1 2018
  - Share Buy Back Program
  - Outlook
-

Slower than expected growth, but good Q4/17 and stable Q1/18 in German heating



## MARKET DEVELOPMENT

Quarterly market growth rate of oil and gas heat generating units in Germany   
 [in percent compared to same quarter of previous year]



Approx. 1/3rd of Centrotec's revenues are linked to the German heating market

## AGENDA

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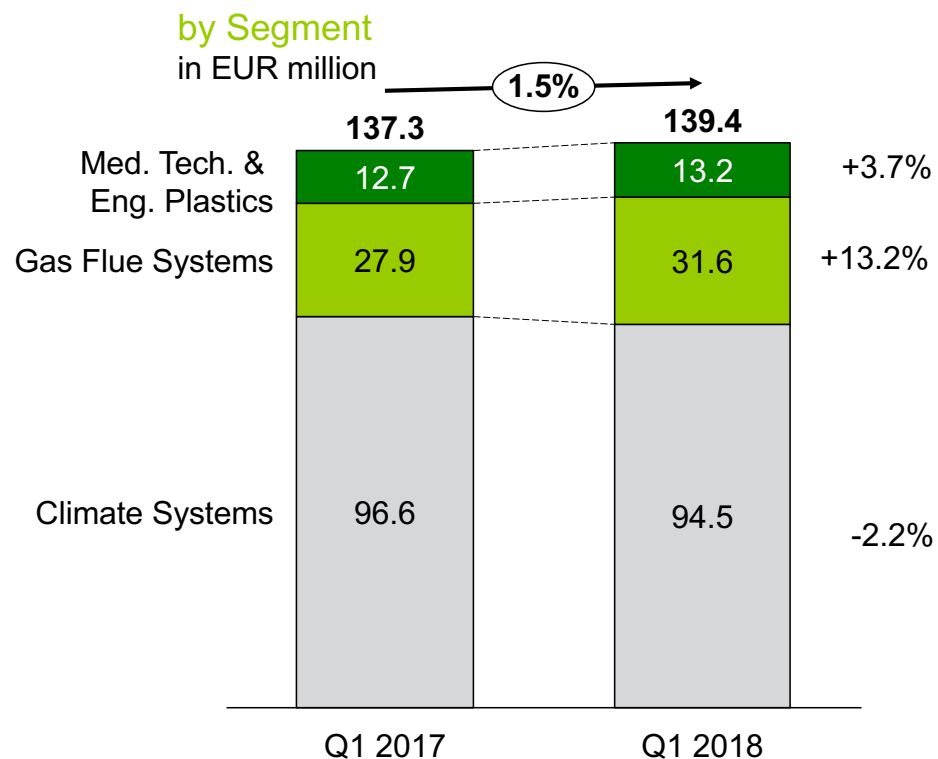


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- Market Overview
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Stabilized situation in German heating business; good growth in Gas Flue Segment



## REVENUE DEVELOPMENT



### Drivers of Revenue Development

- + Continued growth in many international markets
- + Gas Flue Systems with good development in almost all product groups
- o Stabilised sales in German heating business
- Decline in CHP system sales due to performance peak last year, driven by regulatory changes

### Drivers of Regional Sales

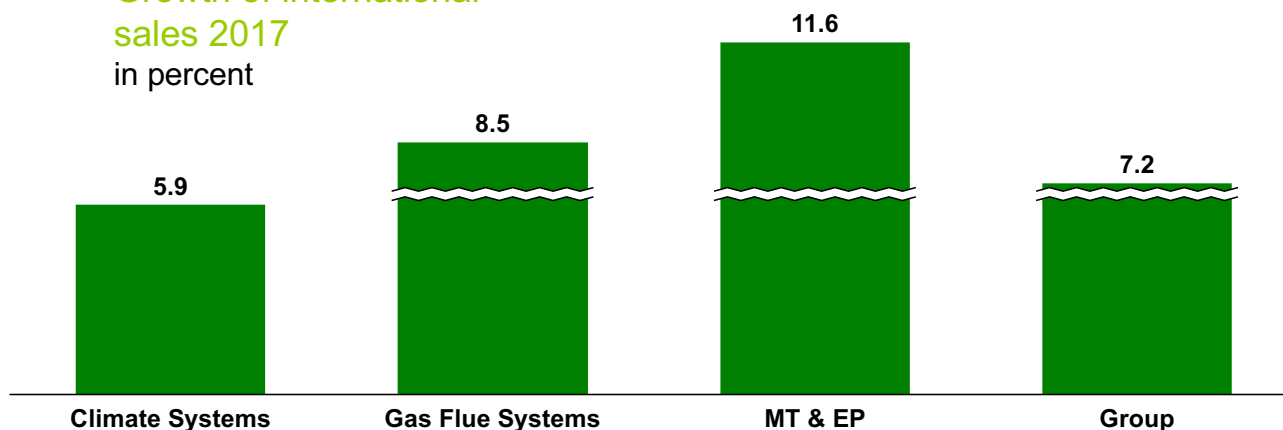
- + Good development in Spain, Netherlands, Belgium, Italy, US etc.
- Weak development in German heating market

## Further positive impact of internationalization strategy

### INTERNATIONAL SALES



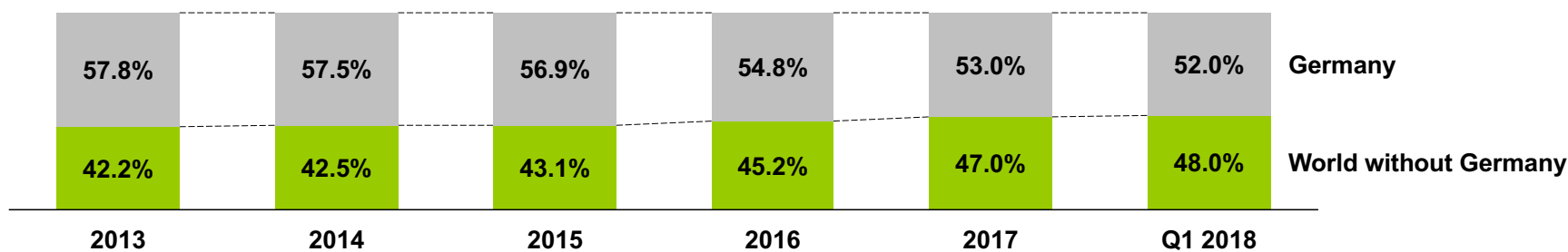
Growth of international sales 2017 in percent



### Situation

- Focused activities in international markets, like Italy, Spain, Eastern Europe and China show success
- Adjusted products and sales strategies for the identified target markets
- Sales in Germany only nearly at par with last year

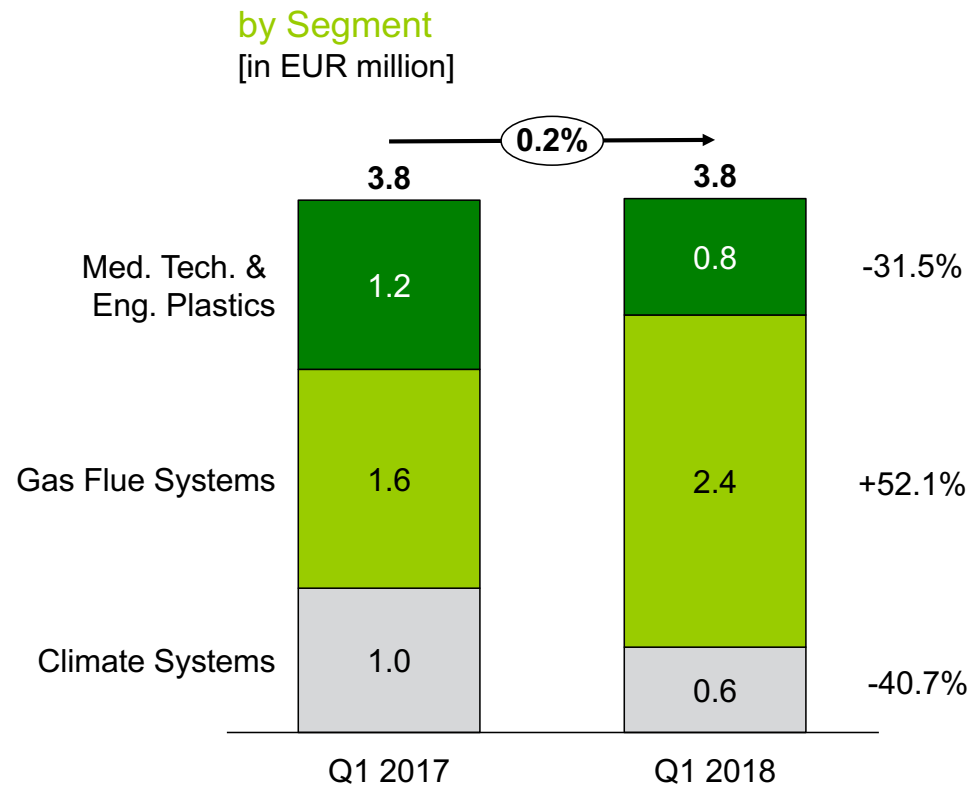
Sales by Region in percent of total revenue



EBIT in line with expectations



## EBIT DEVELOPMENT



### Drivers of EBIT Development

#### Climate Systems

- Lower result largely linked to sales decline
- Increase in factor costs (personnel & material)

#### Gas Flue Systems

- + Further growth in most markets
- Higher material prices

#### Med. Tech. & Eng. Plastics

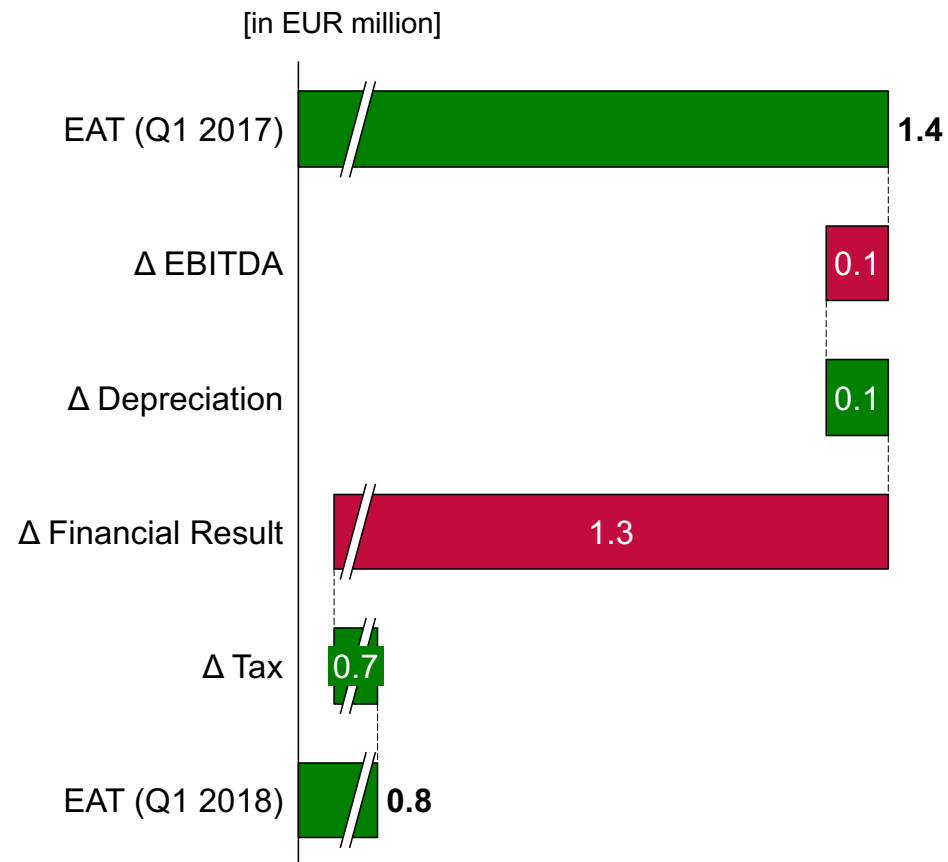
- + Sales growth
- Higher labor costs and depreciations



Lower financial result linked to lower performance of financial investments and interest expenses of promissory note



## EAT TRANSITION Q1 2017 VS. Q1 2018



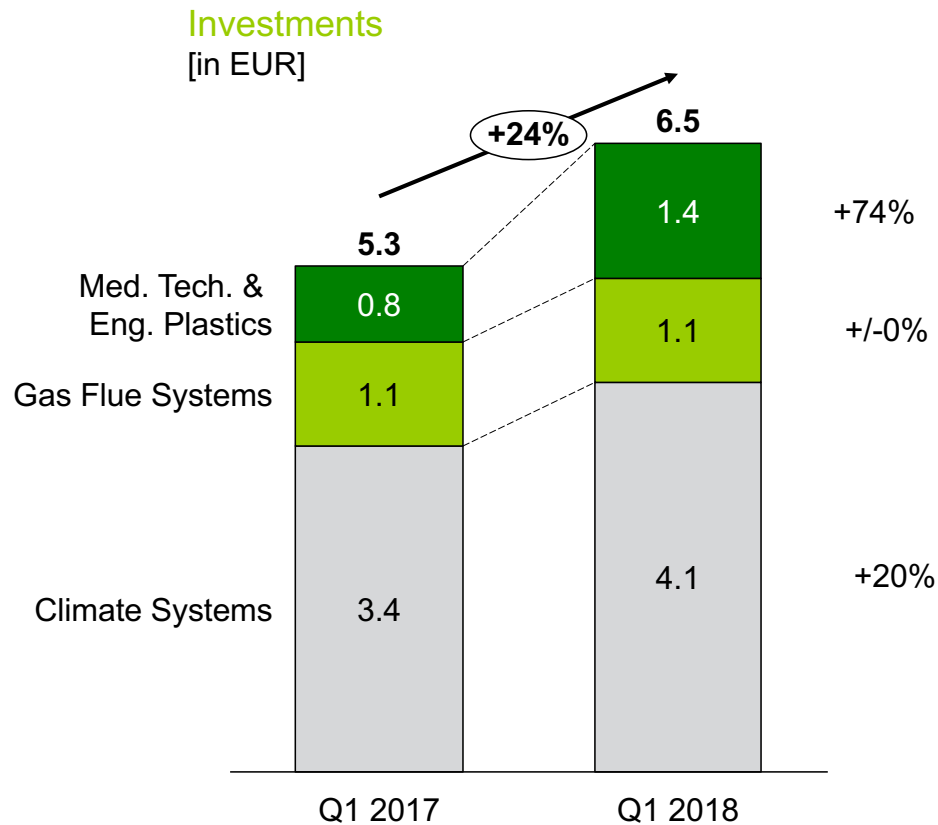
### Explanation

- Slightly lower EBITDA
- Depreciations slightly below last years level
- Interest expenses linked to promissory note
- Slightly negative result of financial investments (YTD)
- Tax decrease due to lower earnings; tax rate nearly on the same level

Investments above previous year's level



## INVESTMENTS BY SEGMENT



### Key Investments

#### Climate Systems:

- New product developments
- Digitalization of sales support
- Purchase of land for production expansion in Croatia

#### Gas Flue Systems:

- Capacity expansion
- ERP system update

#### Med. Tech. & Eng. Plastics

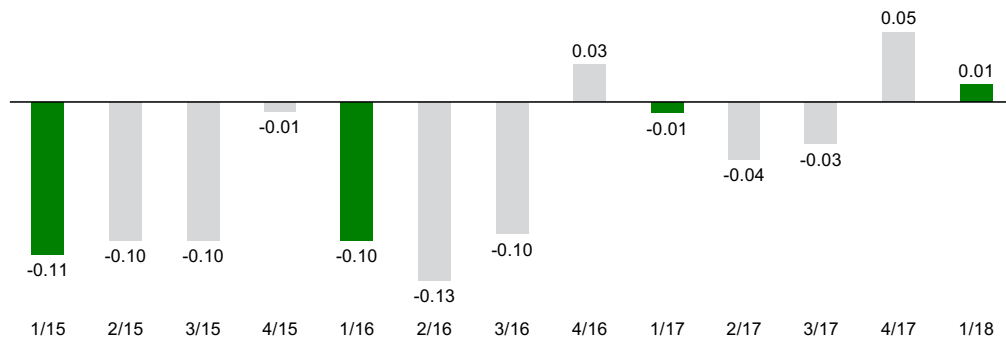
- Update of production equipment
- Further development of production infrastructure at German sites

Promissory note led to extended balance sheet; growing international sales drives higher net working capital level

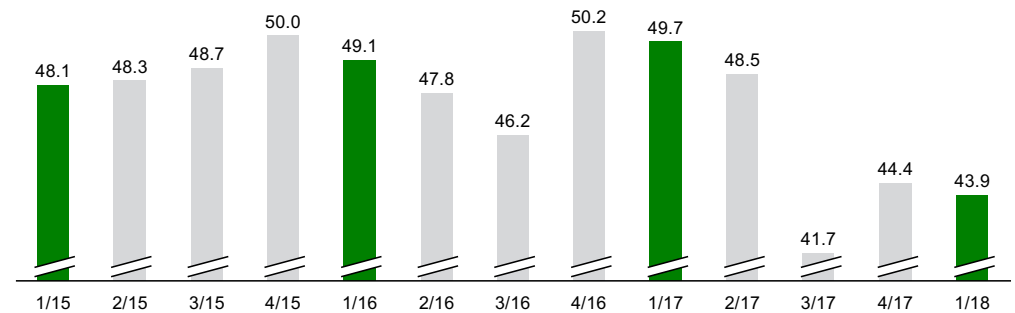


## KEY BALANCE SHEET AND CASH FLOW RATIOS

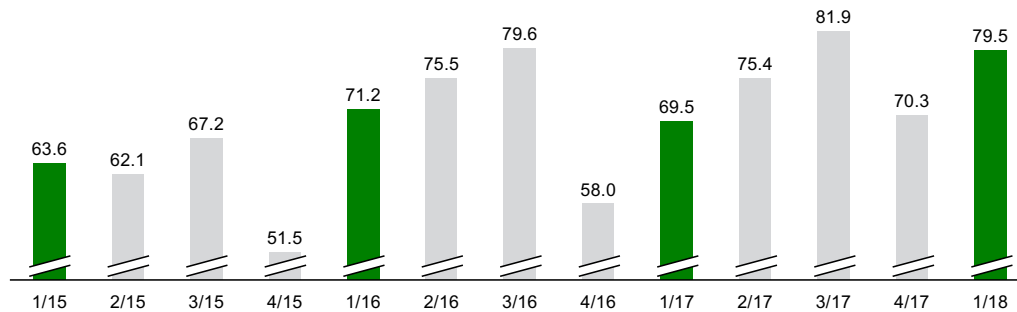
### Net Financial Position / Equity



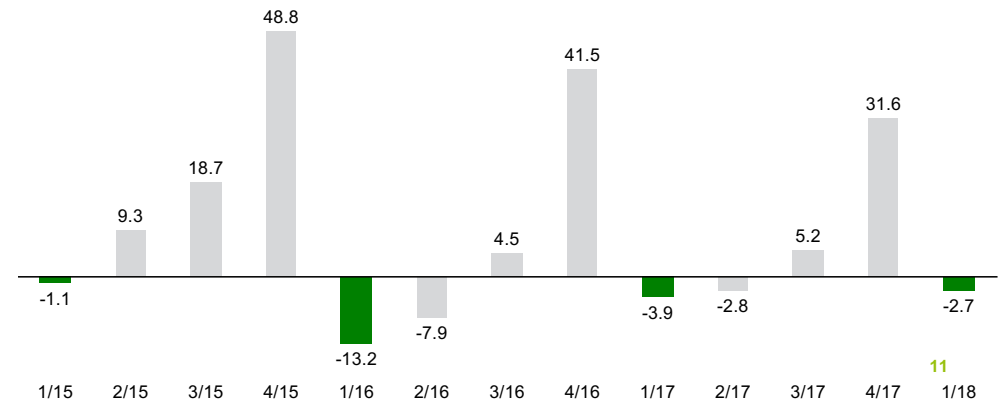
### Equity Ratio [percent]



### Net Working Capital [EUR million]



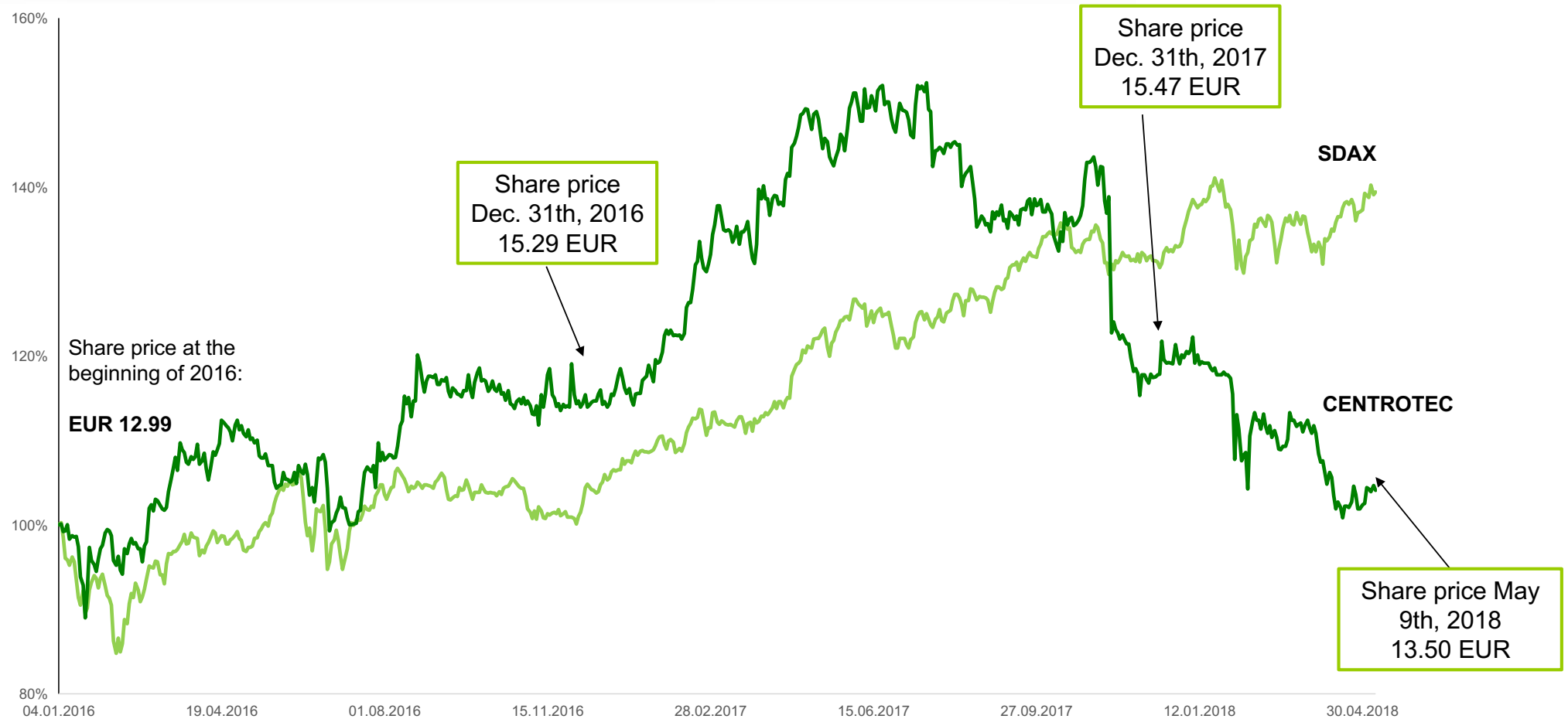
### Operating Cash Flow (YTD) [EUR million]



Share price negatively affected by profit warning in October



## SHARE PRICE SINCE BEGINNING OF 2016



\*Quelle: Bloomberg, last share price from May 9, 2018

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  - **Share Buy Back Program**
  - Outlook
-

On May 11, Centrotec announced a share buy back program

## SHARE BUY BACK PROGRAM



### Rationale for Buy-Back Program

- High level of liquidity, long-term secured
- Recent acquisition bids unsuccessful; currently only smaller opportunities in the pipeline
- Low stock valuation level

### Key Parameters

- Public Tender Offer
- Fixed price at 14,40 EUR per share
- Up to 1.764.652 shares (9,79%)
- Acceptance Period May 22 to June 12
- It is intended to redeem the shares

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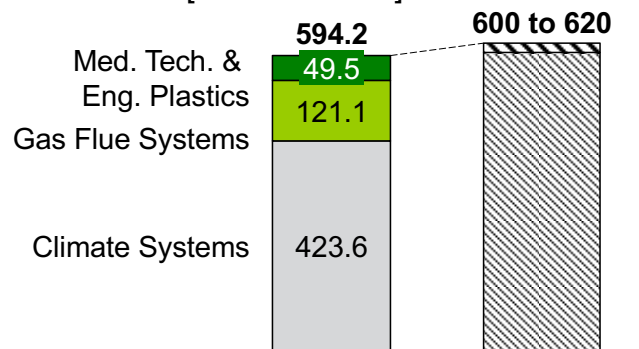
Further growth expected in 2018; stabilization of margin



## OUTLOOK

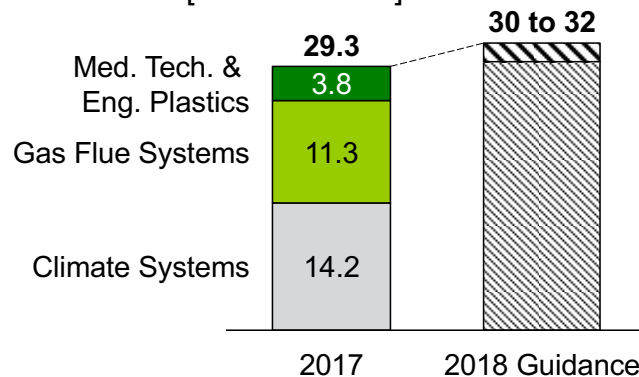
### Revenue

[in million EUR]



### EBIT

[in million EUR]



### Rationale

- + Continued international growth
- + Strong traction in AHU and ventilation business
- o Stabilized development in the German heating business, based on the sales stimulation program launched in H2 2017
- Higher material costs

Q1 Result fully in line with guidance



May 14	Publication of Q1/2018
May 15	Annual Shareholders` Meeting
August 10	Publication of Q2/2018
November 14	Publication of Q3/2018
November 26 - 28	Deutsches Eigenkapitalforum 2018



## Thank you!

*This presentation contains forward-looking statements based on current expectations, assumptions and forecasts of the executive board and on currently available information. Various known and unknown risks, unpredictable developments, changes in the economic and political environment and other presently not yet identifiable effects could result in the fact that the actual future results, financial situation or the outlook for the company differ from the estimates given here. We are not obligated to update the forward-looking statements made in this presentation unless there is a legal obligation.*

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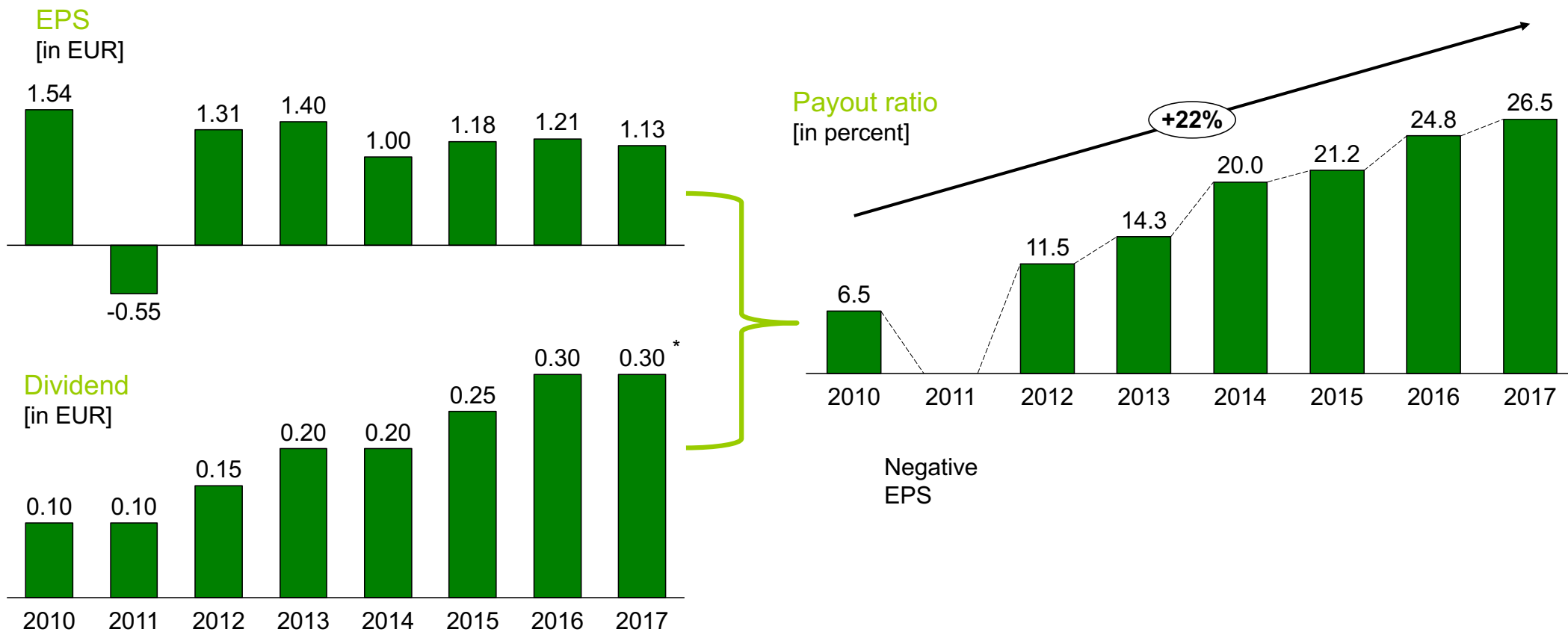
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Centrotec intends to continue its steady dividend growth path



## DIVIDENDS PROPOSAL TO THE GENERAL ASSEMBLY



\* 2017 value suggested for approval by AGM

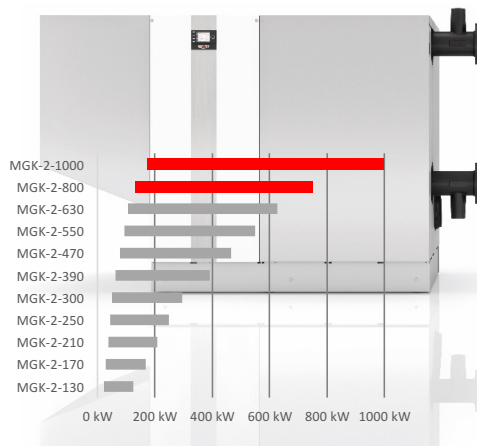
# Broad array of new products introduced

## PRODUCT PORTFOLIO ENHANCEMENTS



### Gas condensing boiler MGK-2 800-1000

- Rounding up the performance spectrum at the upper end
- 800 and 1.000 kW
- Very compact/ easy to install
- Fully integrated in the Wolf control and regulation system



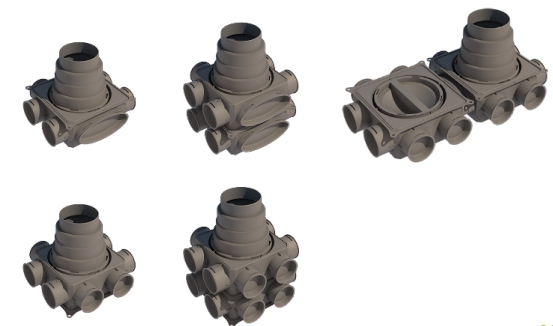
### Heatpump Centers CHC

- Modular System, 200 and 300 l storage tanks
- All-in-one Solution: Heatpump, Hotwater, Controller, Wi-Fi
- Attractive and compact Design
- Rapid Installation



### Distribution boxes 200 Series

- ventilation ductwork for central mechanical ventilation systems
- Standard 6 or 8 ductwork connections
- Horizontal and/ or vertical extendable offering stacked configurations
- All common mass flow ductwork connectable



# Significant digital enhancements with regards to usability and comfort

## DIGITAL PRODUCT ENHANCEMENTS



### Two Minute Configurator

- Design an Airhandling Unit in only 2 min
- 100% online with Smartphone and Browser



### New Service App

- Order spare parts directly on site
- Guided problem solution
- iOS, Android and Browser
- For Smartphone, Tablet and PC

### New Smartset System

- Control EVERY Wolf Unit (Heating, Solar, Airhandling, CHP)
- iOS and Android App for Endusers
- Browser Solution for professionals



We have successfully consolidated our production activities in the CHP business in one location



## CONSOLIDATION OF CHP PRODUCTION IN WOLFHAGEN



Investment:	1 Mio. EUR
Purchase date:	March 2017
Start of Production:	July 2017



A comprehensive sales stimulation program for the German heating market has been set up.

## SALES STIMULATION PROGRAM – HEATING GERMANY



### 2017: Fire Fighting

Short term measures to avoid further market share declines

- „Low-hanging-fruit“-enhancements of the offering (5-year warranty, attractive product bundles etc.)
- Motivation and support of sales team with external coaches

### 2018: Filling the Gaps

Reaching benchmark performance in sales

- Enabling sales organisation to actively drive sales growth, through
  - Improved data transparency on active customer base
  - Better goodwill management
  - New CRM system
  - Optimized internal sales processes
- Intensified marketing activities
- Introduction of a new customer loyalty system

### 2019ff: New strength

Reaching market share growth

- Improved and motivating sales force incentivation scheme
- Widely applied and intensively utilized customer loyalty program for focused sales stimulation activities
- Enhanced product portfolio

Successful start of the “Gipfelstürmer”\*-customer loyalty program accompanied by innovative soccer marketing campaign



## SALES- AND MARKETING-ACTIVITIES

### B2B Gipfelstürmer\*



- Start: January 2018
- Number of participating fitters: > 4.000
- Base System:
  - Bonus per sales (wholesaler and WOLF)
  - Bonus per installation (from WOLF)
- PUSH System:
  - Trade Fair Actions (e.g. 3 x Scoring in 4 weeks)
  - Top-cards (e.g. 50 € extra for one installation)

### B2C Soccer Boilers



- Start: middle of April 2018
- Selected clubs with large fan community
- Marketing principles:
  - Gaining awareness
  - Offering club branded WOLF boiler / heat pump
  - Registration of leads coming from specific Fan-pages
- Positive feedback from all service centers and many customers



CENTROTEC places promissory note in the amount of EUR 90 m

## OVERVIEW OF PROMISSORY NOTE



Highlights	
Total Amount	90 Mio. EUR
- Thereof 7 Years	71 Mio. EUR
- Thereof 10 Years	19 Mio. EUR
Average Fixed Interest Rate	<2% p.a.






Current low interest rates secured for long-term financing.  
Purpose: General refinancing and corporate development

The management board will be extended to three members, as of April 1, 2018



## ORGANISATION

Existing board members		New board member
		
<b>Dr. Thomas Kneip</b>	<b>Dr. Christoph Traxler</b>	<b>Bernhard Pawlik</b>
Climate Systems (Wolf)	MT & EP Climate Systems (Brink)	Gas Flue Systems
Finance		Operations

### Background

- Engineer, 51 years old
- Mr. Pawlik has led the Gas Flue Systems segment since 2014
- Extensive experience in Supply Chain, Quality, Operations Management
- Automotive and Photovoltaics background