

Zumtobel Group AG

Q1 2018/19 & Strategic Outlook

September 2018

zumtobel group

acdc

THORN

THORNECO

TRIDONIC

zgs zumtobel group
services

ZUMTOBEL

AGENDA



Q1 2018/19 financial results



Corporate Strategy Outlook

Stabilisation measures show first successes

Financials Q1 2018/19 at a glance

- Group revenues 7.6% below prior year, UK (minus 22%) and negative FX effects remain the biggest drag
- Components Segment shows moderate growth (fx-adjusted plus 3.2%) after 10 consecutive quarters of decline
- Group adj. EBIT decreases from EUR 18.2 million to EUR 10.0 million driven by:
 - missing contribution from revenues growth
 - ongoing intense price competition
- Corrective actions initiated and already clearly visible in P&L – selling, administrative & development expenses favourable influenced by saving measures
- Net profit at EUR 2.8 million (PY: EUR 9.7 million)
- European Investment Bank (EIB) financing package amounting to EUR 40 million with a 6 years term bullet repayment signed on Sept 3, 2018
- Guidance confirmed - slight year-on-year improvement in adjusted Group EBIT

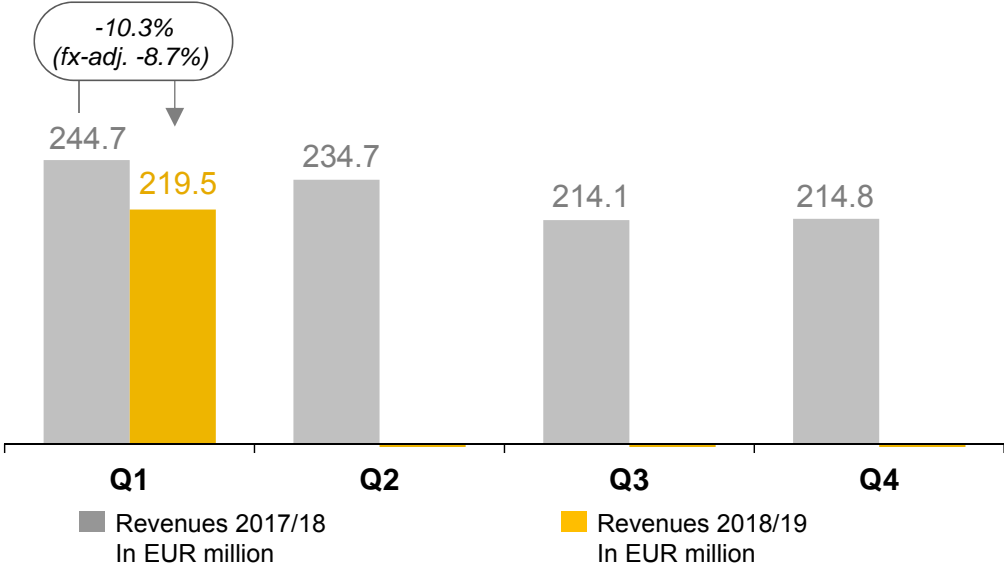


Further decline in revenues as well as in adjusted EBIT

Lighting Segment – Revenue and EBIT development

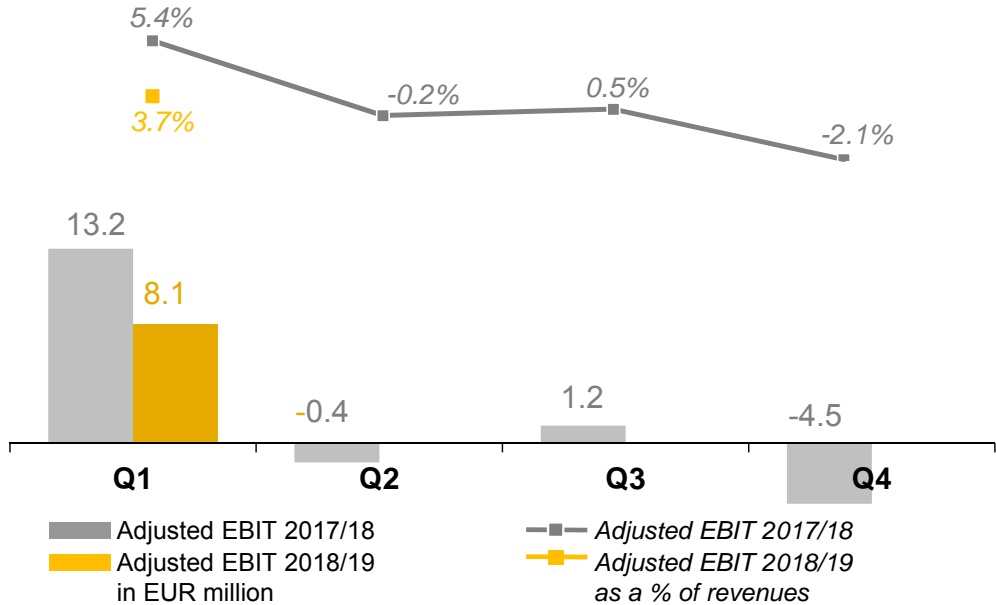
Lighting Segment

Revenues



Revenues FY 2017/18 EUR 908.3 million (minus 9.2%)

Adjusted EBIT¹⁾



Adjusted EBIT FY 2017/18 EUR 9.4 million (margin of 1.0%)

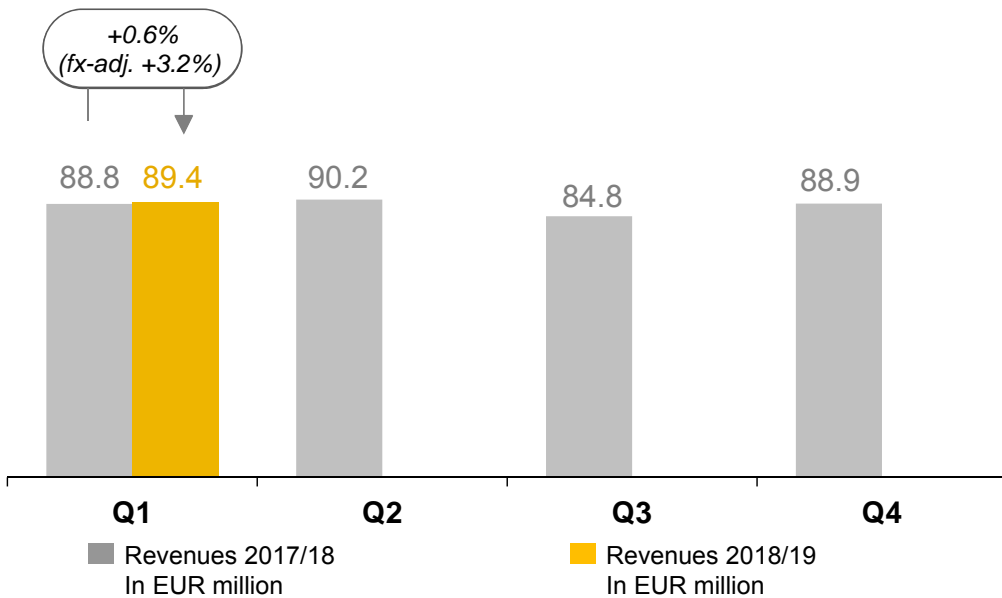
1) Reported EBIT adjusted for special effects

Stabilisation of both top line and adjusted EBIT development

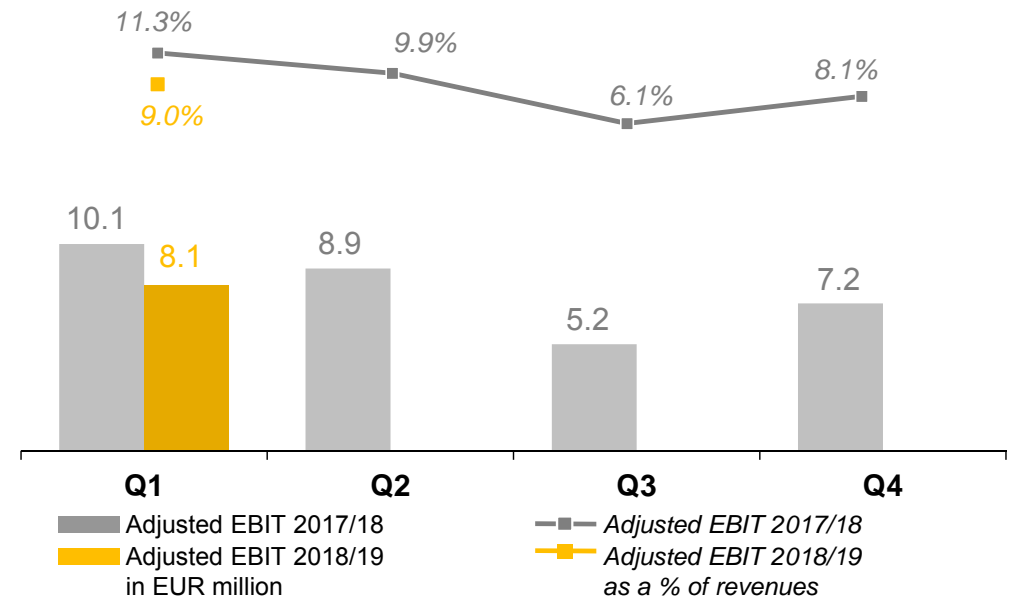
Components Segment – Revenue and EBIT development

Components Segment

Revenues



Adjusted EBIT¹⁾

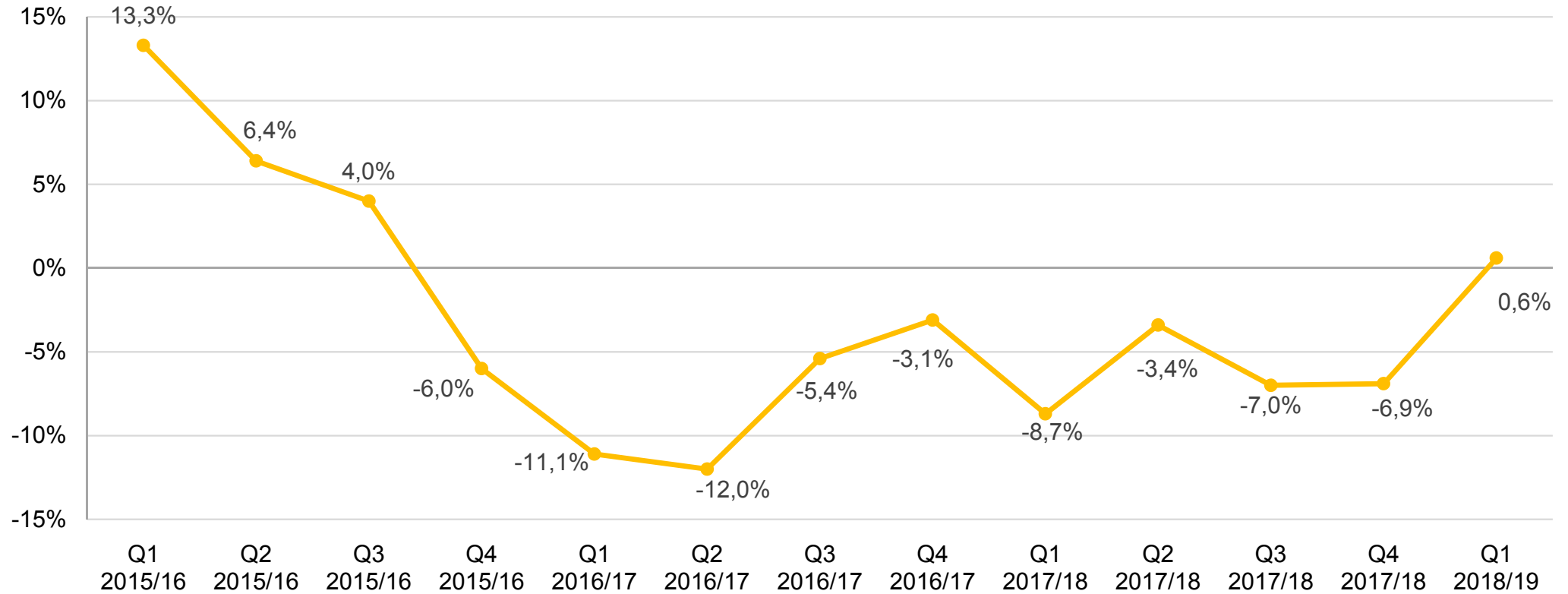


Revenues FY 2017/18 EUR 352.7 million (minus 6.5%)

Adjusted EBIT FY 2017/18 EUR 31.4 million (margin of 8.9%)

Decline stopped after 10 quarters

Components Segment – Revenue development by quarter (in % vs prior year)

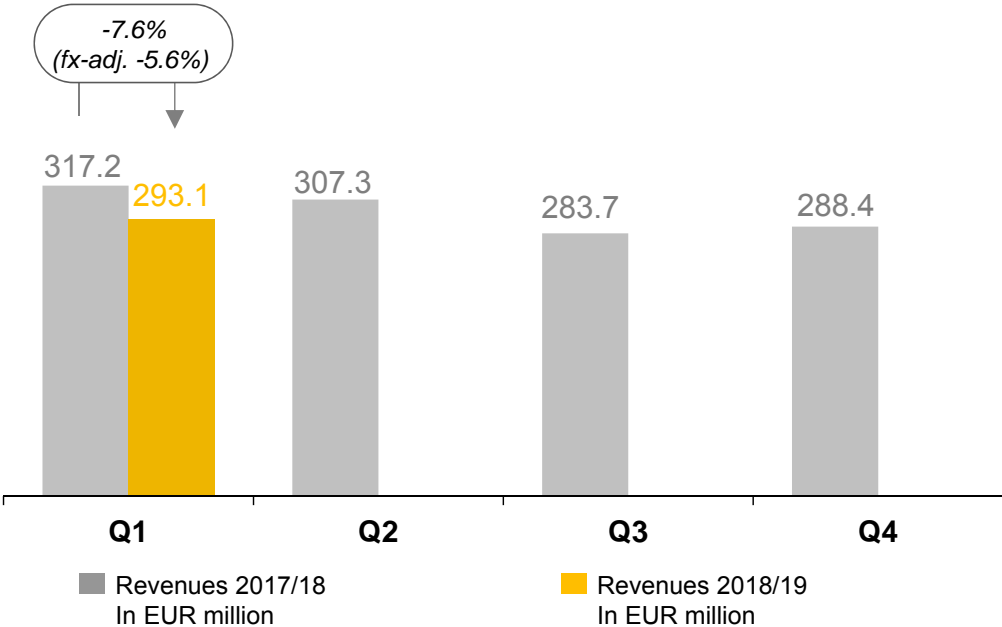


Profitability hit by lower volume and pricing pressure but fixed costs favourable impacted by saving measures

Zumtobel Group – Revenue and EBIT development

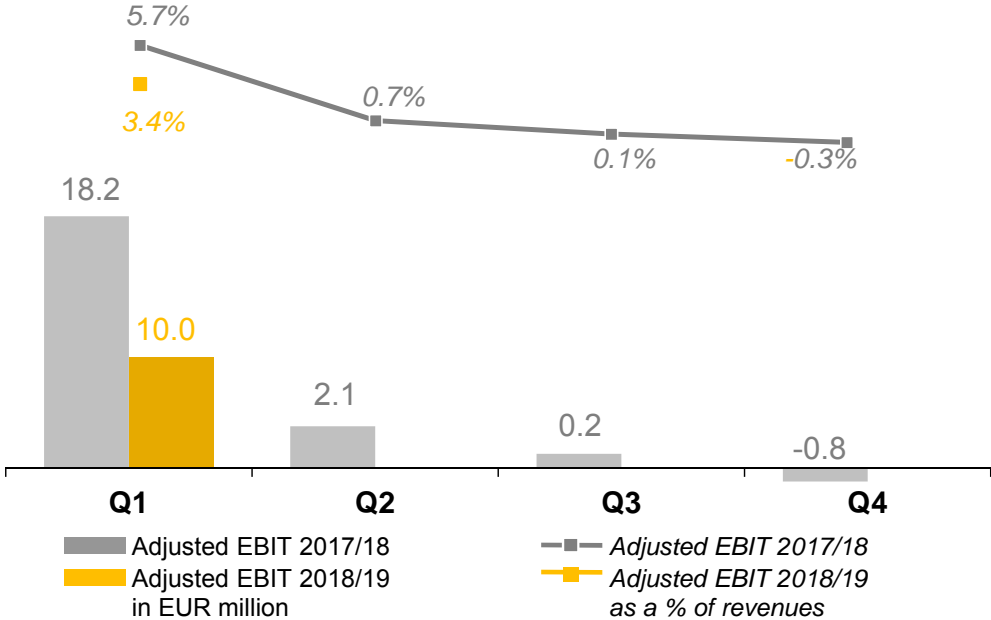
Zumtobel Group

Revenues



Revenues FY 2017/18 EUR 1,196.5 million (minus 8.2%)

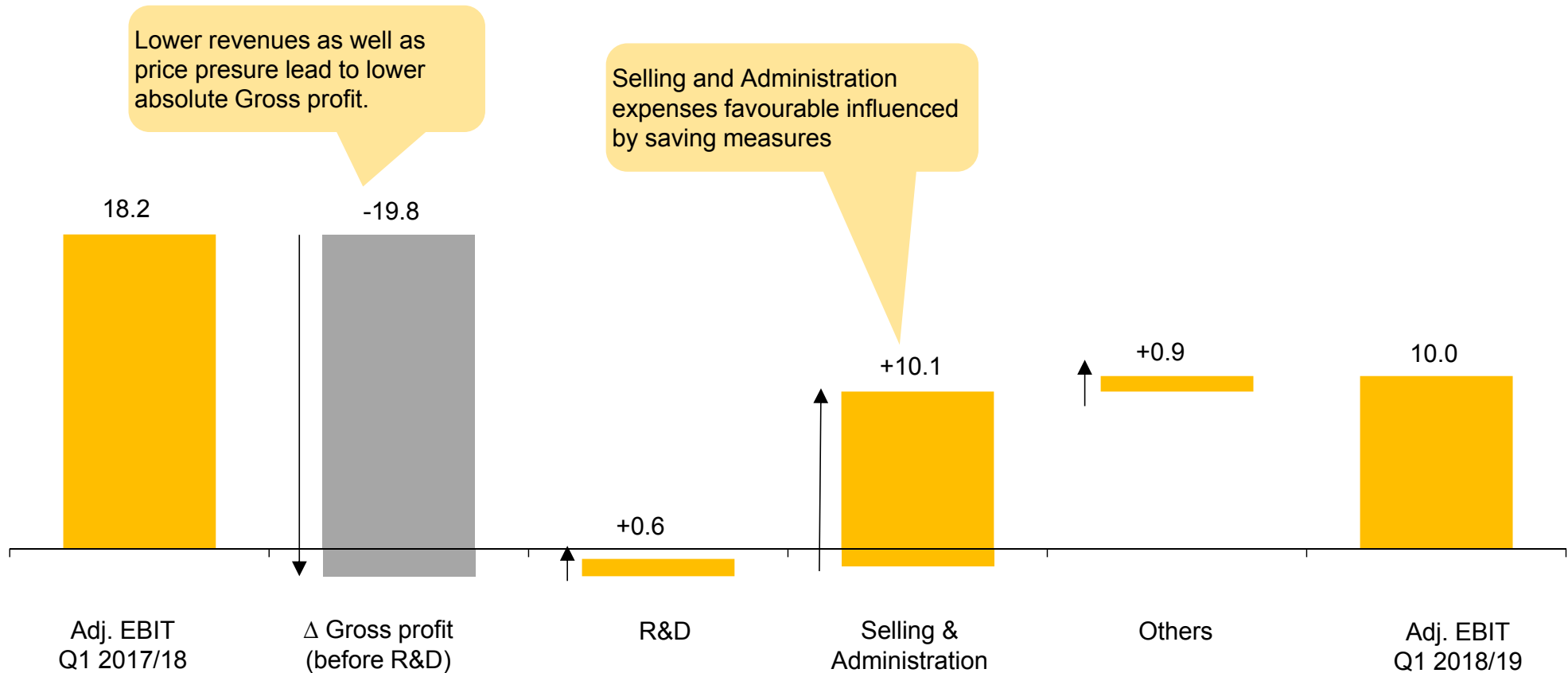
Adjusted EBIT¹⁾



Adjusted EBIT FY 2017/18 EUR 19.7 million (margin of 1.6%)

1) Reported EBIT adjusted for special effects

Simplified illustration to highlight main building blocks of the adj. EBIT development Zumtobel Group – adj. EBIT Q1 2017/18 vs. Q1 2018/19



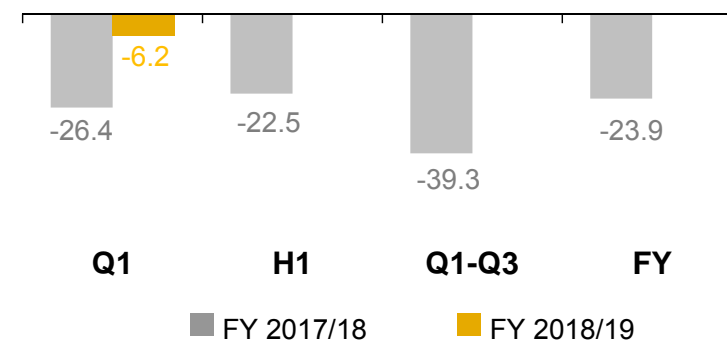
[in EUR million]

Free cash flow at minus EUR 6.2 million (Q1 PY minus EUR 26.4 million) Zumtobel Group – Cash flow statement

in EUR million	Q1 2018/19	Q1 2017/18
Cash flow from operating results	21.0	29.7
Change in working capital	-8.4	-17.6
Change in other operating items	-3.4	-16.4
Taxes paid/received	-1.0	-2.3
Cash flow from operating activities	8.3	-6.5
Proceeds from the sale of non-current assets	0.2	0.1
Capital expenditures on non-current assets	-15.5	-20.6
Change in current and non-current financial assets	0.8	0.6
Cash flow from investing activities	-14.5	-19.9
Free cash flow	-6.2	-26.4
Cash flow from financing activities	-0.4	21.3

Free cash flow development

(cumulative figures in EUR million)



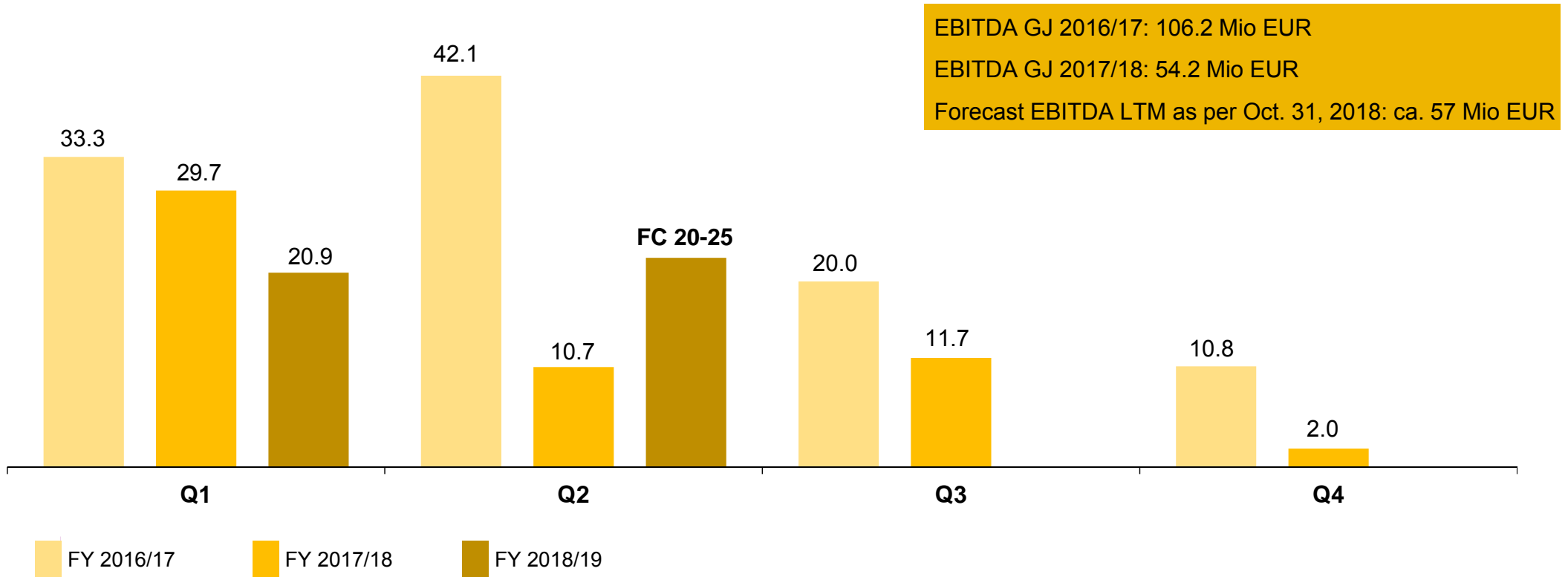
Balance sheet structure unchanged

Zumtobel Group – Key balance sheet data

in EUR million	31 July 2018	30 April 2018
Total assets	997.8	986.1
Net debt	156.3	146.3
Equity	271.8	268.3
<i>Equity ratio in %</i>	<i>27.2</i>	<i>27.2</i>
<i>Gearing in %</i>	<i>57.5</i>	<i>54.5</i>
Investments	15.5	69.0
Working capital	195.7	188.1
<i>As a % of rolling 12 months revenues</i>	<i>16.7</i>	<i>15.7</i>

- Net debt totalled EUR 156.3 million as of 31 July 2018 (30 April 2018: EUR 146.3 million)
 - Secure liquidity position backed by:
 - Consortium credit agreement with a term ending November 2022 and a current max. volume of EUR 250 million (EUR 120 million drawn by 31 July 2018)
 - Two bilateral bank credit agreements of EUR 40 million each with a term extending to September 2018 respectively January 2020 (fully drawn by 31 July 2018)
 - EIB financing package amounting to EUR 40 million with a 6 years term bullet repayment signed on Sept 3, 2018 (not drawn yet)
 - Uncommitted lines of credit totalling EUR 75.5 million as of 31 July 2018
 - Financial covenants attached to financing:
 - Debt coverage ratio (=net debt/EBITDA) < 3.5
 - Equity ratio > 25%
- ➡ Testing on 31 Oct as well 30 April

Expected EBITDA development indicates full compliance with covenants as per 31.10.18
 Zumtobel Group – EBITDA development by quarter (in Mio EUR)



➔ A forecasted LTM EBITDA of 57 Mio EUR as per 31 October implies a net debt headroom of up to 200 Mio EUR

Substantial decline in Great Britain and USA

Zumtobel Group – Regional revenue distribution

	Q1 2018/19		
	Revenues in EUR million	Change in %	
		nominal	FX adjusted
D/A/CH	88.0	-6.1	-4.1
Northern Europe	63.0	-18.9	-17.6
Benelux & Eastern Europe	45.1	3.9	8.0
Southern Europe	48.8	0.2	0.2
Asia & Pacific	30.1	-2.7	0.7
Middle East & Africa	12.7	-12.6	-10.1
America	5.5	-34.2	-32.2
Total	293.1	-7.6	-5.6

Zumtobel Group Outlook – Guidance confirmed

Cautious optimism for the 2018/19 financial year

- We see 2018/19 as a year of transition in which we must do everything to stabilise the operating business and, at the same time, re-establish a stable foundation for profitable growth in the future.
- The forecast for revenues and earnings in the 2018/19 financial year is connected with substantial uncertainty due to the upcoming changes in the company, the generally aggressive price competition in the lighting industry and the ongoing weak operating environment in Great Britain, the Zumtobel Group's most important market.
- We expect a decline in revenues in the first half-year. For the full 2018/19 financial year, the Management Board has set a goal to generate a slight year-on-year improvement in adjusted Group EBIT (FY 2017/18: EUR 19.7 million).

AGENDA



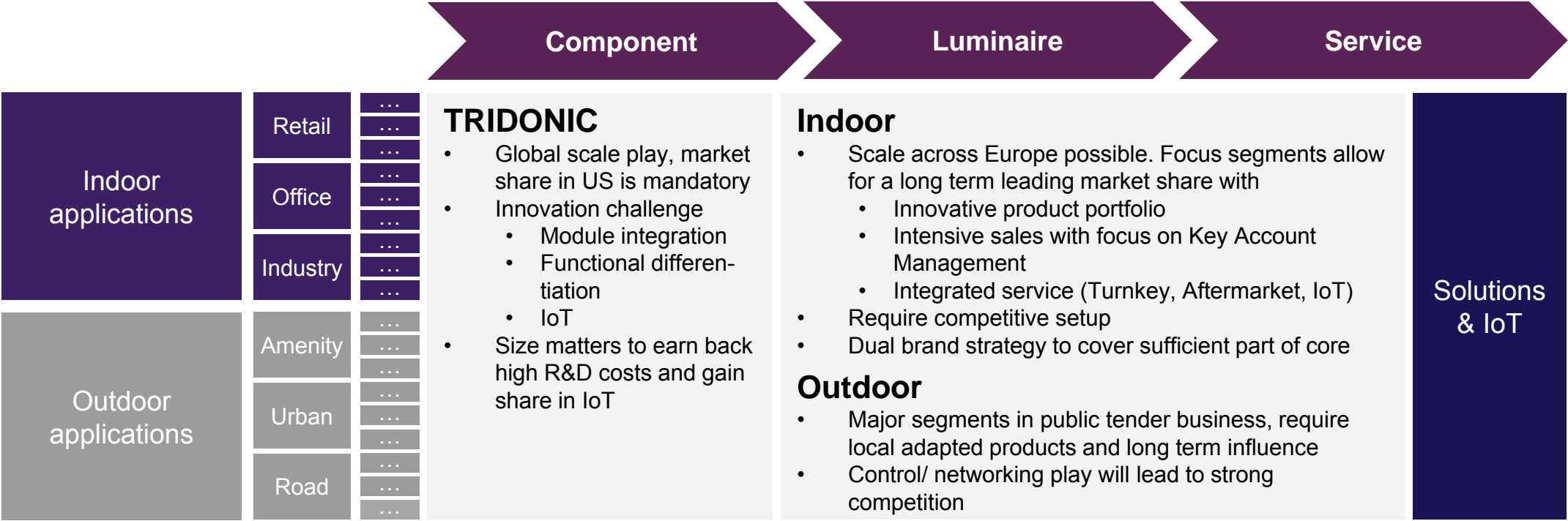
Q1 2018/19 financial results



Corporate Strategy Outlook

The various businesses of the ZG follow a different logic, requiring quite different plays and actions to develop each business

Zumtobel Group businesses with key requirements



Vision for Zumtobel Group: Lighting Solutions provider with the clear ambition to be the undisputed market leader in focus markets and applications
Repositioning based on 5 strategic cornerstones

F O C U S

Focus Markets & Applications

- Lighting: European market
- Components: Global market
- Sustainable and profitable applications

Operational & Process Excellence

- Lean organisation for competitive cost base in operations, administration & sales
- Digitalization of business processes

Components

- Integral part of Zumtobel Group
- IOT as driver for business
- Innovation driver for components & sensors

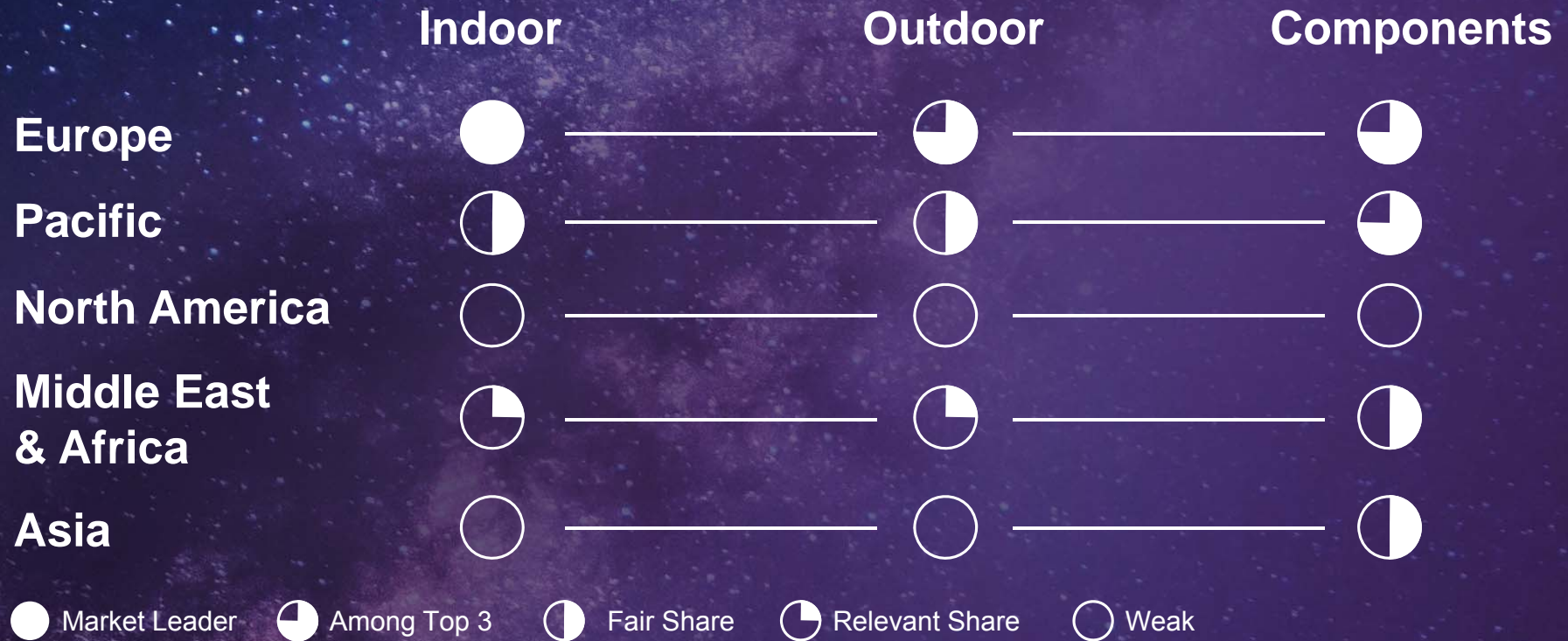
Unique Brands

- 3 strong brands: ZUMTOBEL, THORN, TRIDONIC
- Lighting: dual brand strategy with differentiated portfolio
- Special focus on specification business

Services & Turnkey Solutions

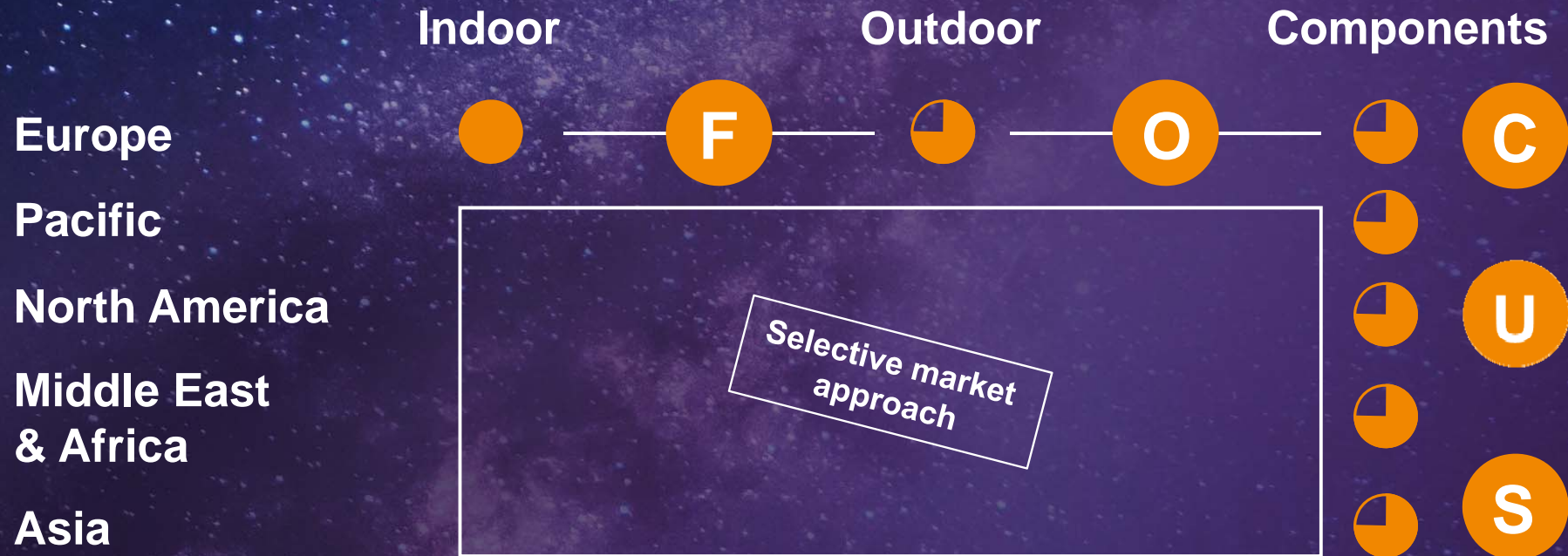
- Differentiator & enabler for future growth
- Services as integral part of lighting solutions
- Innovative turnkey solutions for products, systems & services

Current Market Positioning



Source: Zumtobel Group AG

Desired Market Positioning



● Market Leader ◐ Among Top 3

Source: Zumtobel Group AG

zg FOCUS

Components: Tridonic will succeed in the future by executing on four key priorities

Reduce costs (Operations and Indirect Selling Expenses)

- Streamline operations; cost-competitive production in Serbia
- Modernize our IT systems to reduce back-office efforts

Develop Software Competence

- Setup effective R&D in Porto (Portugal)

Drive Sales with new and existing customers, incl. solution sales

- Market entry & grow in the US market
- Increase share in existing accounts in Europe
- Develop solution sales – invest in people

Continue to drive “Hardware” innovations (LED Drivers, Sensors, LED Modules)

- Miniaturization of Drivers, ease of use (NFC), electrical interface (p-DALI), design for cost
- Smart and connectable sensors, design for cost
- Performance & Cost competitive LED Modules, integrate electronics

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Vision



**# market leader in
focus markets &
applications**

**= sustainable value
for customers,
shareholders, employees**

(FY 2020/2021: ~6% EBIT-Margin)

zumtobel group

Back-up

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THORN

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TRIDONIC

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ZUMTOBEL

Net profit for the period at EUR 2.8 million

Zumtobel Group – Income statement

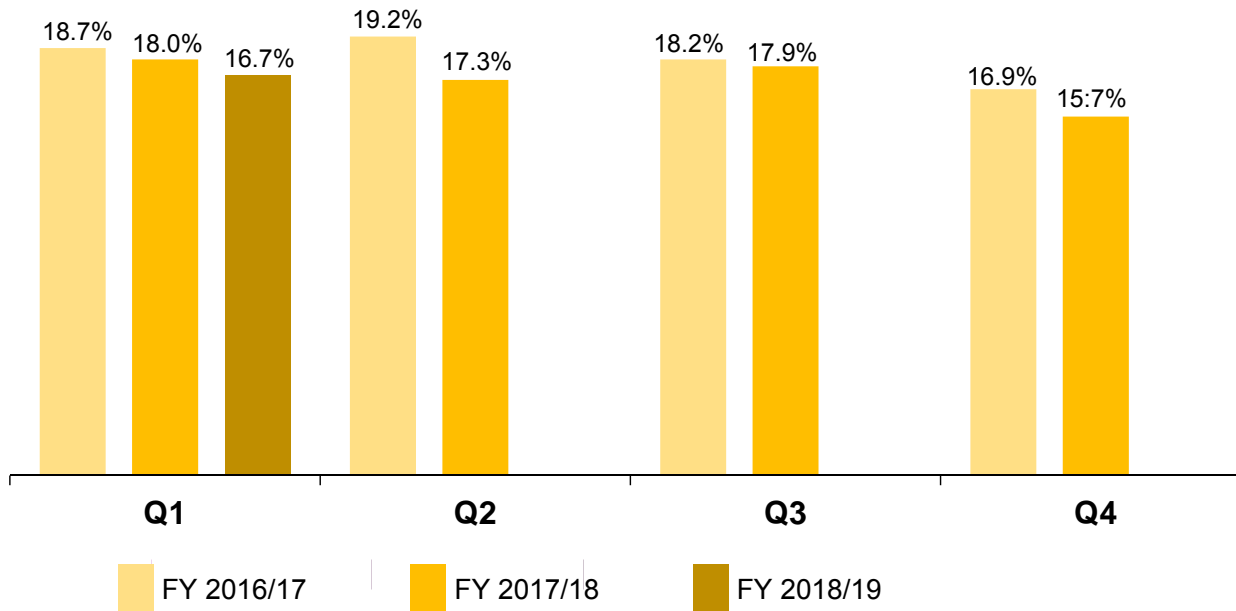
in EUR million	Q1 2018/19	Q1 2017/18	Change in %
Revenues	293.1	317.2	-7.6
Cost of goods sold	-183.1	-187.4	-2,3
Gross profit (w/o development)	110,0	129.8	-15.3
<i>as a % of revenues</i>	<i>37.5</i>	<i>40.9</i>	
R&D	-17.7	-18.4	-3.5
SG&A expenses	-82.3	-93.3	-11.8
Adjusted EBIT	10.0	18.2	-45.0
<i>as a % of revenues</i>	<i>3.4</i>	<i>5.7</i>	
Special effects	-2.7	-1.1	<-100
EBIT	7,3	17.0	-57.4
<i>as a % of revenues</i>	<i>2.5</i>	<i>5.4</i>	
Financial results	-2.8	-4.3	+34.1
Profit before tax	4.4	12.7	-65.2
Income taxes	-1.6	-3.0	-45.8
Net profit for the period	2.8	9.7	-71.2
Earnings per share (in EUR)	0.06	0.22	

Working capital below prior year level

Zumtobel Group – Working capital

Working capital

in % of rolling 12-month revenues



- Working capital at EUR 195.7 million as of 31 July 2018 (31 July 2017: EUR 233.7 million)
- In % of rolling 12-month revenues, working capital down to 16.7% (PY: 18.0%)

Supplement data regarding Segment Reporting

Zumtobel Group – Segment Reporting Q1

in TEUR	Lighting Segment		Components Segment		Reconciliation		Group	
	Q1 2018/19	Q1 2017/18	Q1 2018/19	Q1 2017/18	Q1 2018/19	Q1 2017/18	Q1 2018/19	Q1 2017/18
Net revenues	219.492	244.736	89.355	88.807	-15.739	-16.380	293.109	317.163
External revenues	219.367	244.684	73.730	72.471	11	8	293.109	317.163
Internal revenues	125	52	15.625	16.336	-15.750	-16.388	0	0
Adjusted EBIT	8.147	13.230	8.083	10.057	-6.239	-5.121	9.992	18.166
Special Effects	2.585	1.134	195	0	-43	15	2.737	1.150
Operating profit	5.562	12.096	7.889	10.057	-6.197	-5.138	7.254	17.015
Investments	9.732	7.601	4.626	4.036	1.107	8.979	15.465	20.616
Depreciation	-8.024	-7.870	-3.108	-3.529	-955	-1.327	-12.087	-12.726

Five-Year Overview

in EUR million	2017/18	2016/17	2015/16	2014/15	2013/14
Revenues	1,196.5	1,303.9	1,356.5	1,312.6	1,246.8
Adjusted EBIT	19.7	72.4	58.7	66.5	47.6
<i>as a % of revenues</i>	1.6	5.6	4.3	5.1	3.8
Net profit/loss for the period	-46.7	25.2	11.9	11.9	-4.8
<i>as a % of revenues</i>	-3.9	1.9	0.9	0.9	-0.4
Total assets	986.1	1,019.6	1,068.6	1,086.3	1,006.6
Equity	268.3	334.0	333.2	322.6	327.6
<i>Equity ratio in %</i>	27.3	32.8	31.2	29.7	32.5
Net debt	146.3	91.0	134.8	148.2	126.2
Cash flow from operating results	53.5	116.8	84.8	103.1	79.5
Investments	69.0	45.2	58.4	76.6	65.6
<i>as a % of revenues</i>	5.8	3.5	4.3	5.8	5.3
R&D total	73.4	82.4	87.9	79.0	71.8
<i>as a % of revenues</i>	6.1	6.3	6.5	6.0	5.8
Headcount incl. contract worker (full-time equivalent)	6,224	6,562	6,761	7,234	7,291

Financial Calendar

- September 4, 2018 Report on the First Quarter 2018/19 (1 May 2018 – 31 July 2018)
- December 4, 2018 Report on the First Half-year 2018/19 (1 May 2018 – 31 October 2018)
- March 5, 2019 Report on the First Three Quarters 2018/19 (1 May 2018 – 31 January 2019)

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Contacts:

Investor Relations

Tel.: +43 (5572) 509-1125

harald.albrecht@zumtobelgroup.com

www.zumtobelgroup.com