

Pilot. Passion. Partnership.

facc

# H1 2014/15 Results Presentation

16 October 2014

facc



# DISCLAIMER

This presentation (the "Presentation"), and the information contained therein, is not directed to, or intended for viewing, release, distribution, publication or use by (directly or indirectly, in whole or in part), any person or entity that is a citizen of, or resident or located in, the United States, Australia, Canada or Japan or any jurisdiction where applicable laws prohibit its viewing, release, distribution, publication or use.

This Presentation does not constitute or form part of, and should not be construed as an offer or invitation or recommendation to, purchase or sell or subscribe for, or any solicitation of any offer to purchase or subscribe for any securities in FACC AG, an Austrian Corporation incorporated under the laws of Austria (the "Company"), in any jurisdiction. Neither this Presentation, nor any part of it nor anything contained or referred to in it, nor the fact of its distribution, should form the basis of or be relied on, in connection with, or act as an inducement in relation to, a decision to purchase or subscribe for or enter into any contract or make any other commitment whatsoever in relation to any such securities.

The information contained in this Presentation has been provided by the Company and has not been verified independently. Unless otherwise stated, the Company is the source of information.

No reliance may be placed for any purpose whatsoever on the information or opinions contained in the Presentation or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its respective directors, officers, employees, agents or advisers as to the accuracy, completeness or fairness of the information or opinions contained in the Presentation and no responsibility or liability is accepted by any of them for any such information or opinions. In particular no representation or warranty is given as to the achievement or reasonableness of and no reliance should be placed on any projections, targets, ambitions, estimates or forecasts contained in this Presentation and nothing in this Presentation is or should be relied on as a promise or representation as to the future.

This Presentation contains forward-looking statements based on the currently held beliefs and assumptions of the management of the Company, which are expressed in good faith and, in their opinion, reasonable. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance, or achievements of the Company, or industry results, to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forward-looking statements.

All information in this Presentation is current at the time of publication but may be subject to change in the future. The Company disclaims any obligation to update or revise any statements, in particular forward-looking statements, to reflect future events or developments.

Statements contained in this Presentation regarding past events or performance should not be taken as a guarantee of future events or performance.

Prospective recipients should not treat the contents of this Presentation as advice relating to legal, taxation or investment matters, and are to make their own assessments concerning such matters and other consequences of a potential investment in the Company and its securities, including the merits of investing and related risks.

In receiving or otherwise accessing this Presentation, you will be deemed to have represented and agreed for the benefit of the Company (i) that you are permitted, in accordance with all applicable laws, to receive such information, and (ii) that you are solely responsible for your own assessment of the business and financial position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company's business.

1	<b>Market Update</b>	4
2	Operations Update	7
3	Financial Highlights	15
4	Executive Summary	23

# The super-cycle continues

- Airbus and Boeing issued their expected annual deliveries forecast for the 2014-2033 period
  - ~35,000 aircraft over 100 seats are expected to be delivered over the next 20 years
  - On average, Airbus and Boeing updated their forecast by (i) 5% by number of aircraft, and (ii) 7% by the value
- Airbus and Boeing are both planning to ramp up the single aisle airplane deliveries in the coming years
  - Boeing just announced the intention to ramp up to 52 aircraft per month on the Boeing 737 program
- With the introduction of the A330 NEO in Q4 2017, FACC expects that Airbus will grow its A330 program order book significantly over the coming years
  - Expected positive impact on FACC's bottom line, given A330 design maturity
- FACC has expanded its backlog in the first half with its Airbus A320 orders plus the significant extension of the backlogs of Airbus and Boeing in the first nine months of 2014

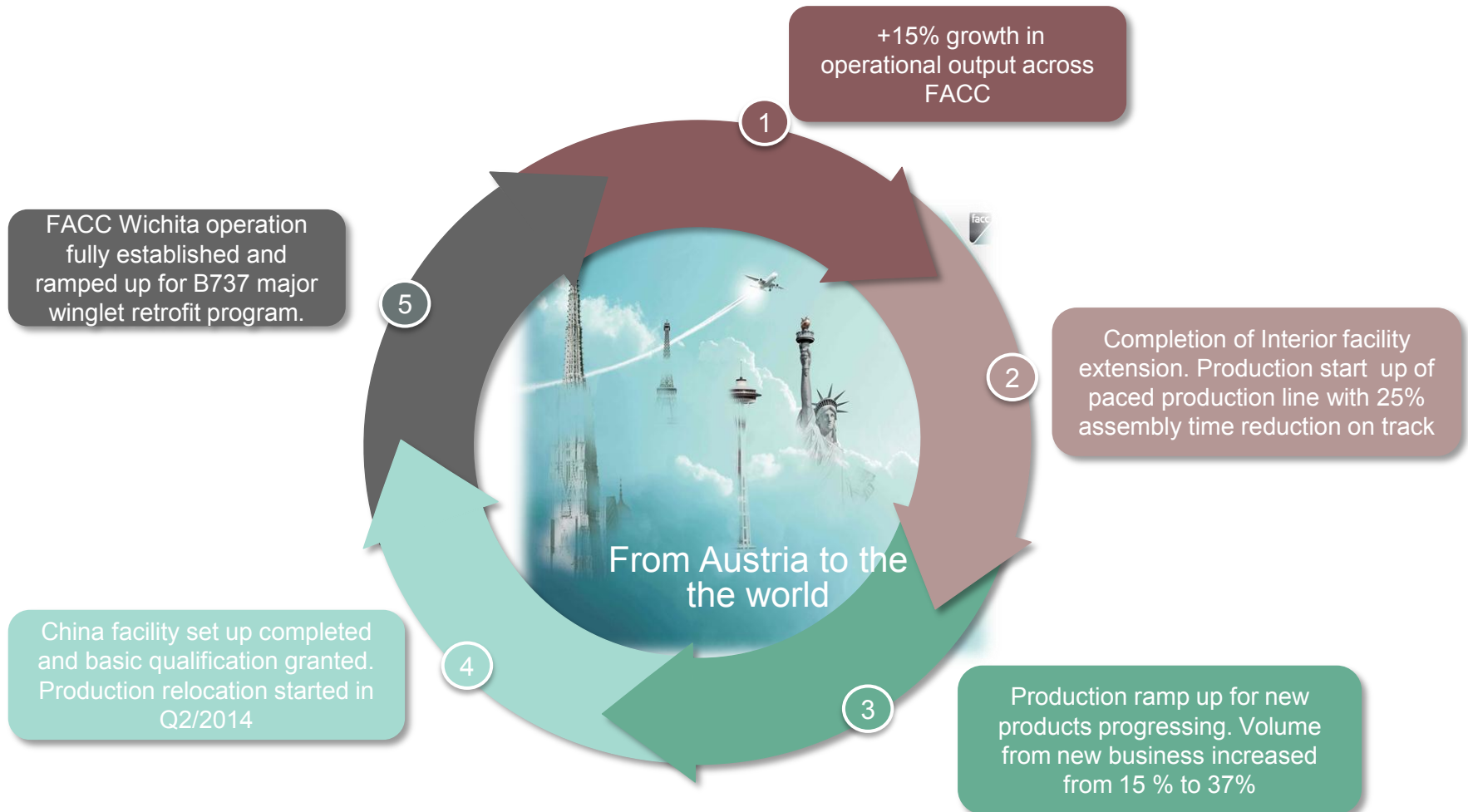
# Major milestones

- ✓ A350 certified by EASA in September of 2014
- ✓ The first A320 NEO has started its flight test program on schedule, taking off with components from FACC AG
- ✓ The first Challenger 350 was delivered to Netjets on 27 June 2014 after the aircraft was certified by authorities
- ✓ The first Legacy 500 was certified in September 2014 and was delivered to its first customer on 14 October 2014
- ✓ Delivery of 100th A321 outer flap after less than a year of production and delivery scheduled at a rate of 13 per month

1	Market Update	4
2	<b>Operations Update</b>	<b>7</b>
3	Financial Highlights	15
4	Executive Summary	23

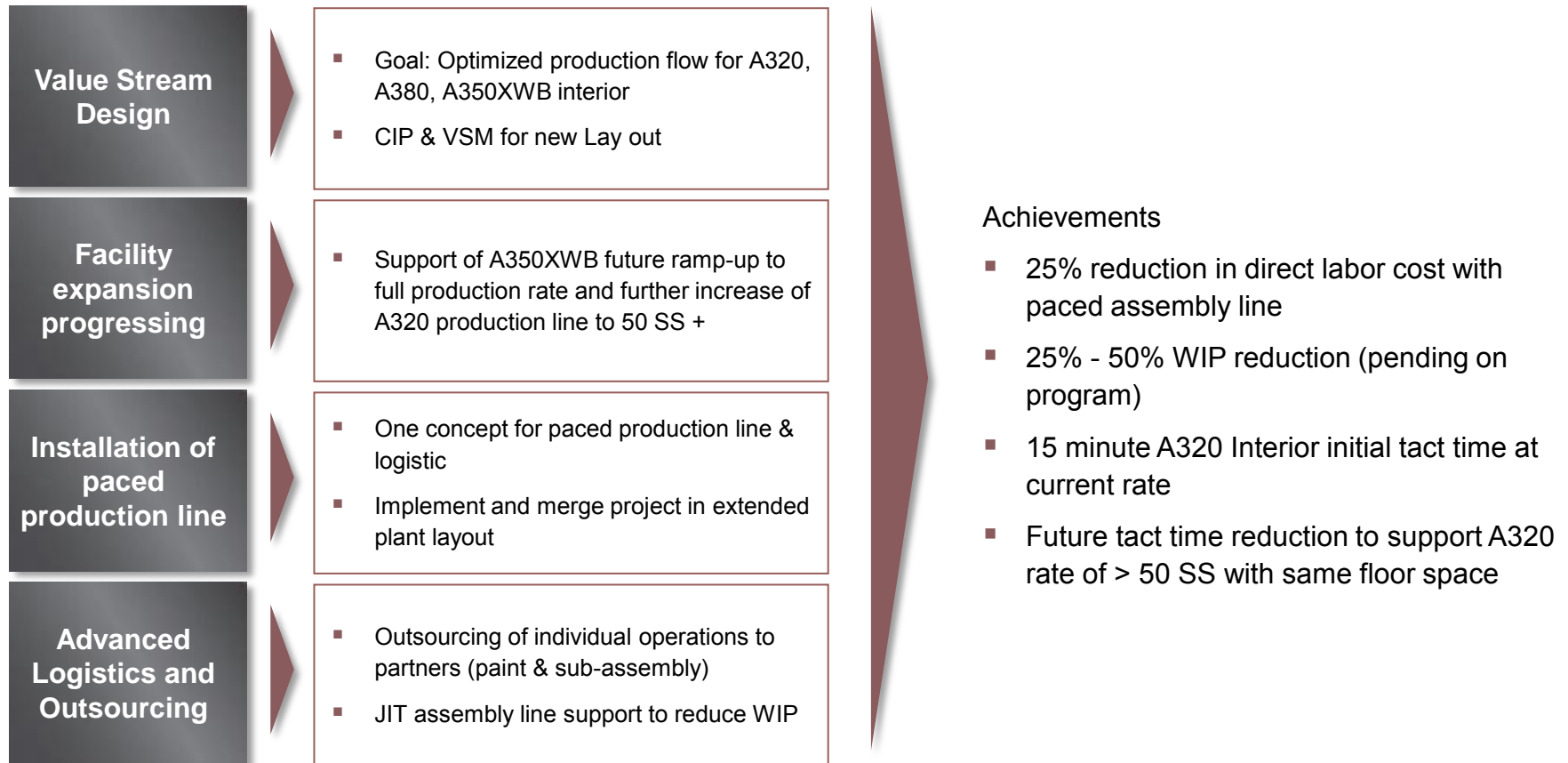
# Highlights and achievements

Operational milestones achieved in Q1 & Q2 to support growth in future quarters



# Highlights and achievements

Transformation of the Interior facility from cell- to paced production line completed



**Productivity increase and WIP reduction as a result of paced assembly line introduction will reduce interior fabrication cost in Q3 / Q4 of FY 2014/15**



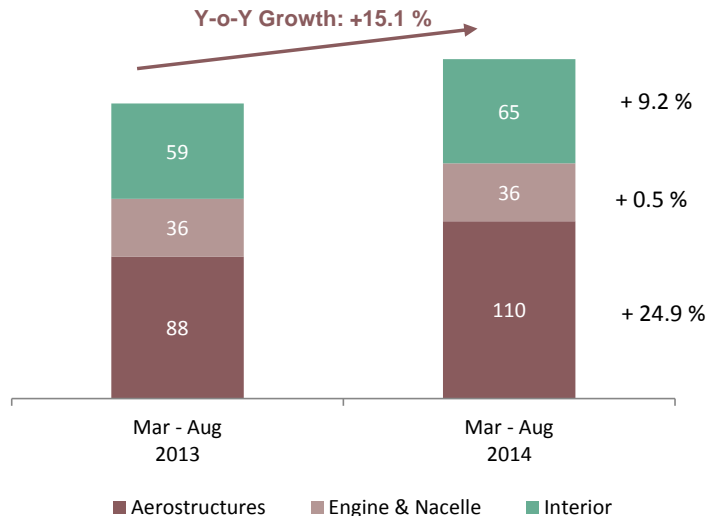
## “Double-Digit” growth in operational output

The product related revenue grew by 15,1 %. New projects are gaining further sales volume and will drive future revenues.

### Comments:

- Sales growth in all division
- +15,1% overall product sales increase
- + 24,9% growth in Aerostructures division
- + 9,2% growth in Interior division

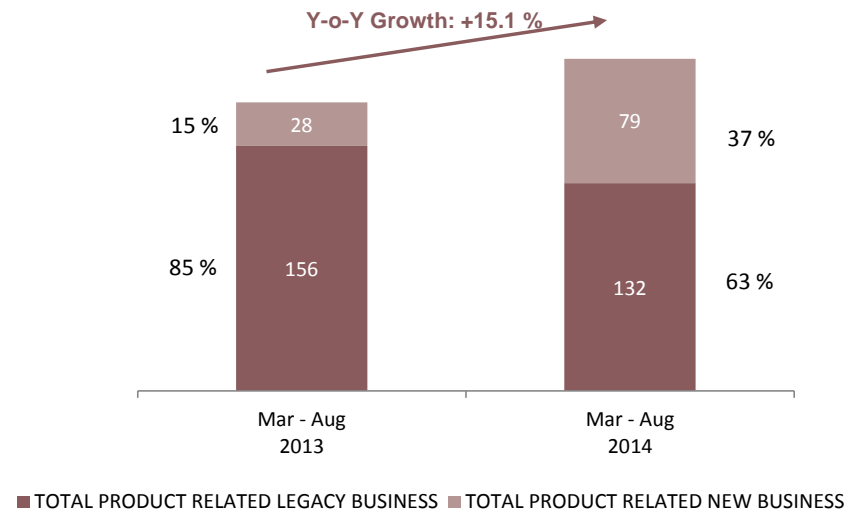
**ALL DIVISIONS - PRODUCT SALES**  
FY 2014 vs FY 2015 (Mar - Aug)



### Comments:

- The product portfolio is changing to programs with strong future revenue potential
- New programs (B787, A350XWB, CL350, L450/500) are getting more important
- Programs with 15% revenue in 2013 are generating 37% revenue in FY 2014/15

**ALL DIVISIONS - PRODUCT SALES**  
FY 2014 vs FY 2015 (Mar - Aug)



# “Double-Digit” growth in operational output

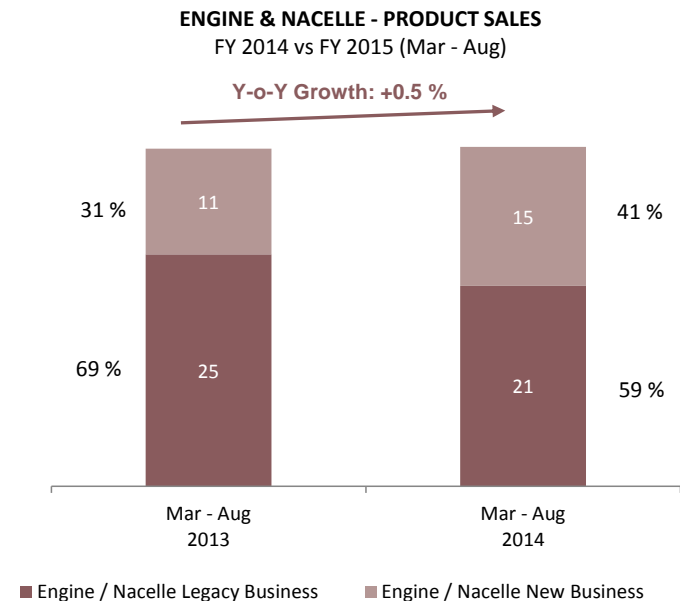
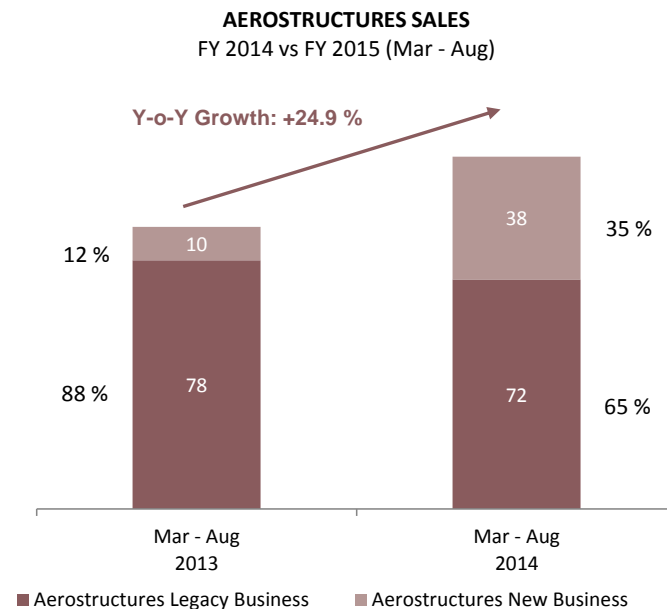
The Aerostructures division showed the highest growth in H1

## Comments Aerostructures

- +24,9% overall product sales increase
- B787, A350 XWB and A321 are main growth drivers.
- A321 Flap production ramp up successfully accomplished
- Product portfolio is changing, new programs will further increase sales in the future

## Comments Engines & Nacelle

- Stable engine business but order adjustment (downwards) due to WIP reduction at customer
- Engine business will return to previous revenue volume in 2015 after WIP adjustment program is executed
- A350 XWB ramp up on going with revenues expected to increase in the future



## “Double-Digit” growth in operational output

Interior business is growing close to 10%. The product mix in the business jet area has turned – discontinued programs were replaced with new cabin interior developments

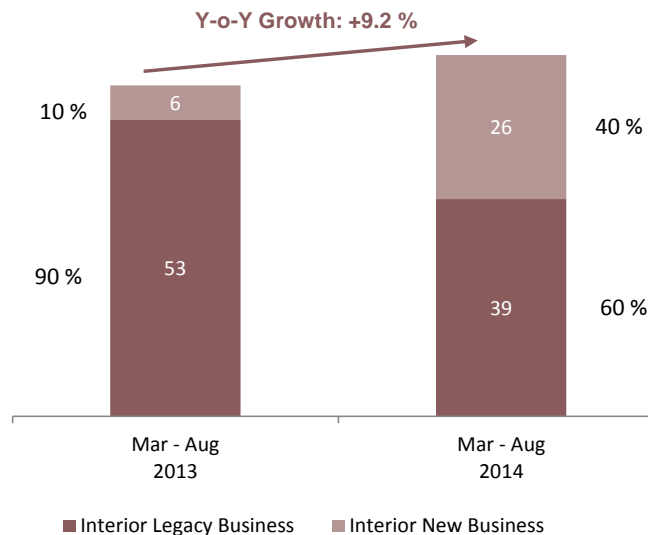
### Comments Interior general

- +9,21% overall product sales increase
- A350 XWB, SSJ100, CL350 and Embraer L45/500 are main growth drivers.
- Product portfolio is changing due to production ramp ups on new programs. New programs are getting more important and are expected to drive sales increases in the future

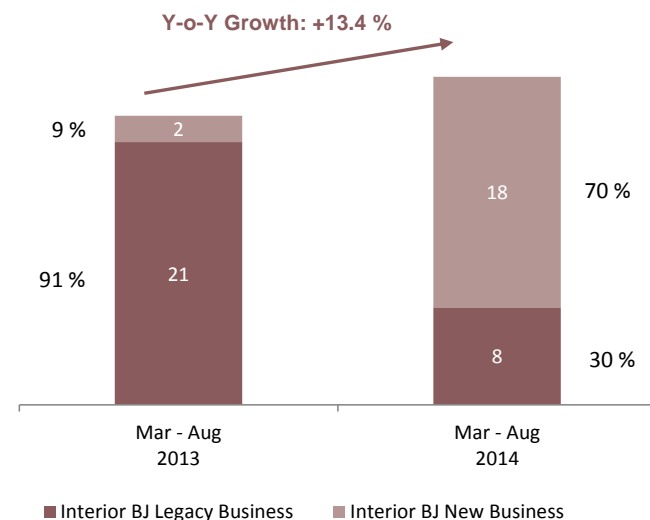
### Comments Interior - Business Jets

- +13,4% increase in output in business jet interiors
- Significant model mix change in business jet with new interiors are replacing discontinued programs (ie CL300)
- New programs currently in portfolio will secure future revenue growth

**INTERIOR - PRODUCT SALES**  
FY 2014 vs FY 2015 (Mar - Aug)

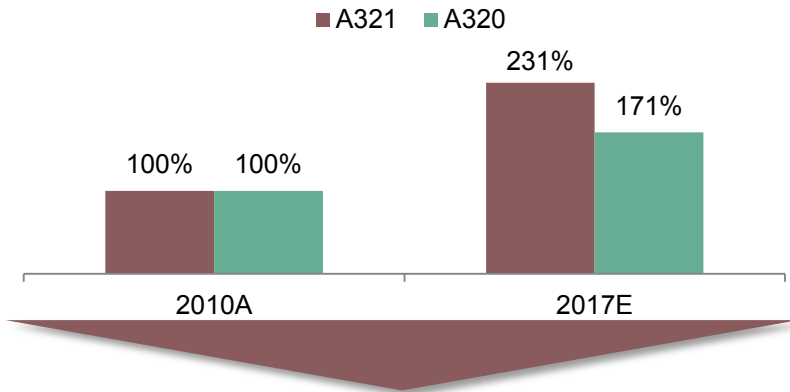


**BUSINESS JET INTERIOR - PRODUCT SALES**  
FY 2014 vs FY 2015 (Mar - Aug)

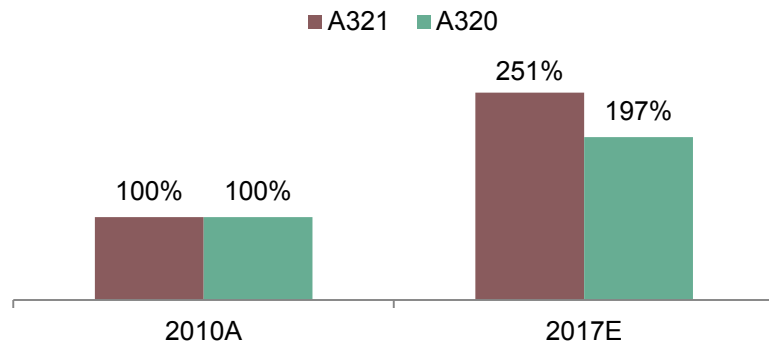


# Strong performance and high quality convinced leading OEMs to intensify their partnership with FACC

Shipset value delivered by FACC – Status at IPO Roll Out



Shipset value delivered by FACC – Status August 2014



Market share gains on the A320 family flagship program since June 2014

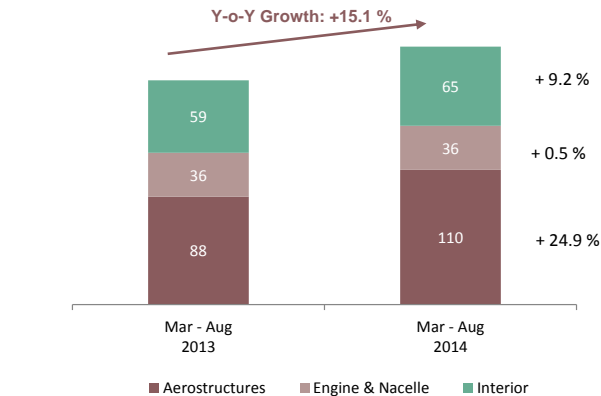
- More A320 Family business won since the June 2014 IPO.
- A321 volume per aircraft increased from 231% to 251% since June 2014 IPO
- A320 volume per aircraft increased from 171% to 197% since June 2014 IPO.
- Work packages for all division secured for long term revenue generation

**By capturing an increasing share of revenues from key OEMs, FACC is able to gain more work share on flagship programs**

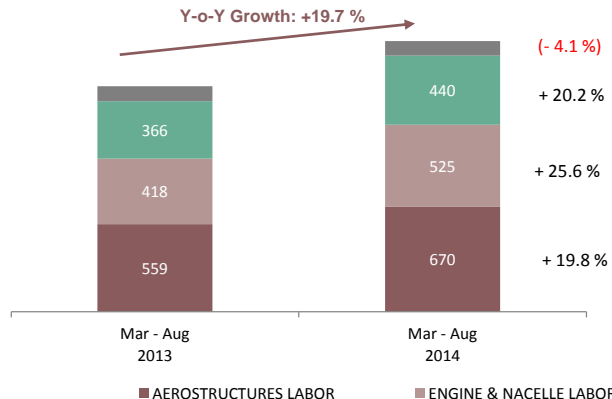
# New Product Introduction – Ramp up snapshot

Strong growth from new programs, changes in the Interiors model mix and expected increases in deliveries for H2 2014/15 led to front loading of capacity increases during the first half of the year

**ALL DIVISIONS - PRODUCT SALES**  
FY 2014 vs FY 2015 (Mar - Aug)



**ALL DIVISIONS - Headcount Development**  
FY 2014 vs FY 2015 (Mar - Aug)



## Comments

- Investment in Production Head Count
  - Overall headcount increased by 19.7% compared to product revenue growth of 15.1%
  - Increase in production human resources in Interiors (+20.2%) and Engines & Nacelles (25.6%) during H1/2014 to (i) manage new program mix, (ii) ramp up production in H2/2014 and (iii) support expected volume increases
  - A double digit increase from product revenues per month is expected in H2/2014
- Engineering Support
  - Front loaded engineering support to stabilize process for the new portfolio mix in Interiors and Engines & Nacelles
- Higher product costs at start programs
  - Material cost higher at program start up due to short lead times between design freeze and first product delivery
  - Introduction of modifications / configuration changes impacted initial material cost; material cost expected to decrease after completion of product introduction phase
  - Freight cost higher at start up programs (airfreight); lower sea freight cost will apply in H2/2014

# Operations Overview - Summary

- H1/2014 output growth in all divisions thanks to ramp up of new products
- Strong growth from new programs following portfolio changes:
  - New business generating 37% of sales volume in Aug. 2014, up from 15% in Aug. 2013
  - Business jet interior product portfolio renewed in FY 2014: new programs generated 70% of output in August 2014 versus 10% in August 2013
- New business to drive future increases in sales volumes across all three divisions
- Capacity increase established in H1
  - Production resources established to enable double digit increase in production output in H2 2014/15
  - Program start up cost incurred in H1 2014/15 will allow further product revenue increase in H2 2014/15 from new business



1	Market Update	4
2	Operations Update	7
3	<b>Financial Highlights</b>	<b>16</b>
4	Executive Summary	23

# Financial snapshot

## Order Backlog

- Positive developments to support future growth
  - Three additional work packages on the A320 Neo
  - FACC selected as supply partner for the new Boeing 787-10

## Revenues Evolution

- Revenue H1 2014/15 up 3.4% Y-o-Y driven by continued growth in product revenues, partially offset by a decrease in revenues from development services (milestone contracts)

## Profitability

- (6.1%) EBIT margin (vs. 3.4% in H1 2013/ 14):
  - Strong revenue from development services (milestone contracts) expected in H2
  - “Early phase” modification costs in Engines & Nacelles and Interiors
  - Portfolio reshaping costs in Interiors

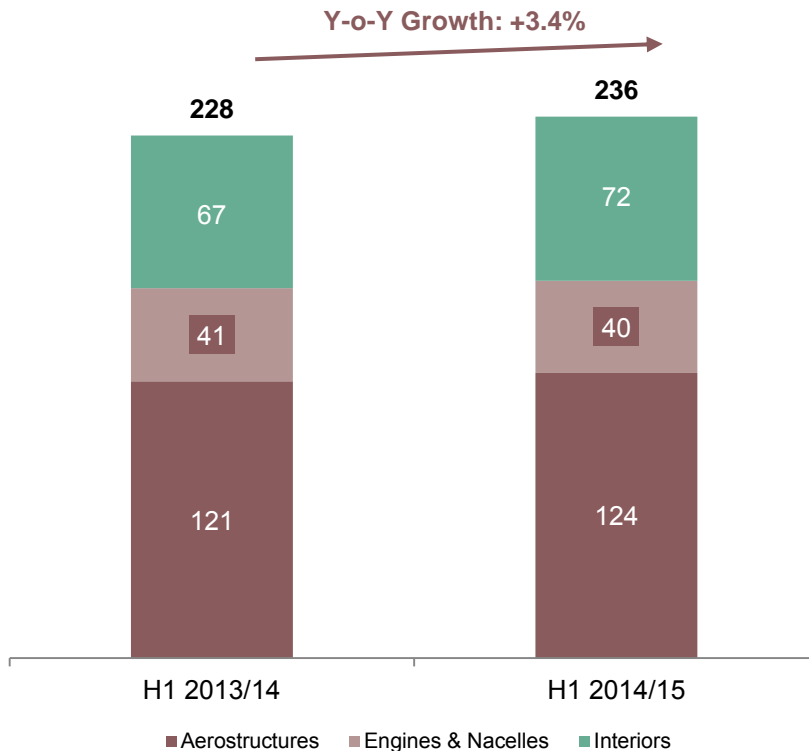
## Other Cash Flow Items

- Cash flow in H1 2014/15 benefitted from the net proceeds of €139 mm from the IPO
  - Invested in inventories to support stronger delivery volumes expected in H2 2014/15
  - Capex increased to 14.9% of revenues mainly driven by investments in plant capacity expansion and investments into future growing programs
  - Dividend payment of €19 mm



# Revenue

Revenue by segment (€mm)

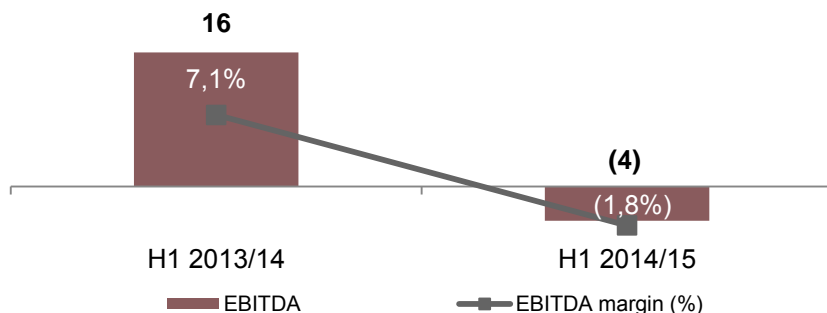


## Comments

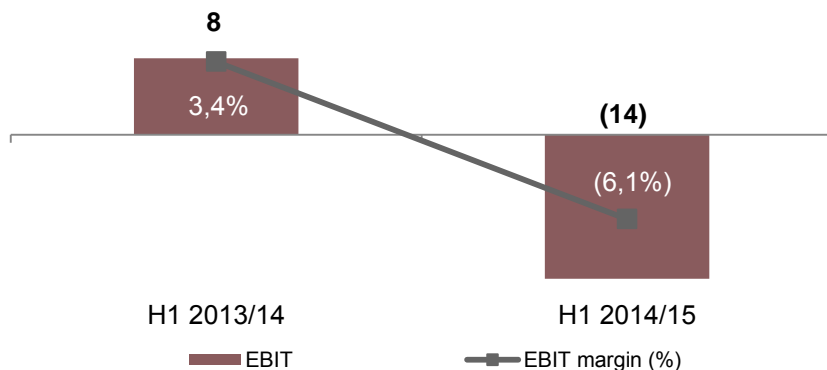
- Group total revenue up 3.4% Y-o-Y, in line with budget
  - Increase in product revenue of €29.3 mm (+15,1%)
  - Revenues related to development services down €21.5 mm due to unfavorable comparison with 2013/14, unusually H1 weighted
- Aerostructures total revenues up 3.1%
  - Volumes ramp-up on B787, A321, and A350XWB
- Engines & Nacelles total revenues down 1.2%
  - Continued growth and ramp-up of new programs (B787, A350, and A320 neo)
  - Revenue negatively impacted by (i) adjustments of inventories at one key customer, (ii) delays in deliveries due to customer requested changes in product specifications
- Interiors total revenue up 7.5%
  - Increased revenues from new programs (SSJ100, A350 and Legacy 500)
  - Revenues from other existing programs remained stable

# Group EBITDA and EBIT

## EBITDA (€mm)



## EBIT (€mm)



## Comments

- Negative group margins in H1 2014/15:
  - (1.8%) EBITDA margin vs. 7.1% in H1 2013/14
  - (6.1%) EBIT margin vs. 3.4% in H1 2013/14
- Aerostructures profitability impacted by lower revenues from development services (milestones contracts) vs. H1 2013/14
  - It is expected that this situation will reverse in H2 as a result from scheduled major program milestones
- Interiors profitability impacted by product portfolio reshaping
  - Post ramp-up phase, new business mix expected to deliver increased profitability vs. programs that have been discontinued by OEMs
- Engines & Nacelles profitability impacted by higher production cost resulting from new component configurations
  - Expected to reverse in the coming months

# Research and Development

## R&D costs (€mm)

R&D spend –  
% of revenues

13.4%

11.4%

30

23

7

27

15

12

H1 2013/14

H1 2014/15

■ R&D (capitalized) ■ R&D (expensed)

## Comments

- Total R&D (capitalized and expensed) costs decreased by 11.6% Y-o-Y
  - Significant number of applied research programs were concluded in H1 2014/15
- Increase in capitalized R&D driven by A350 development
- St. Martin technology center has established itself as central hub for research activities
- FACC's research focus areas remain unchanged:
  - Development of new design concepts and prototypes
  - Development of manufacturing technology
  - Development of more complex systems
  - Materials characterization and modelling
  - Non-destructive testing

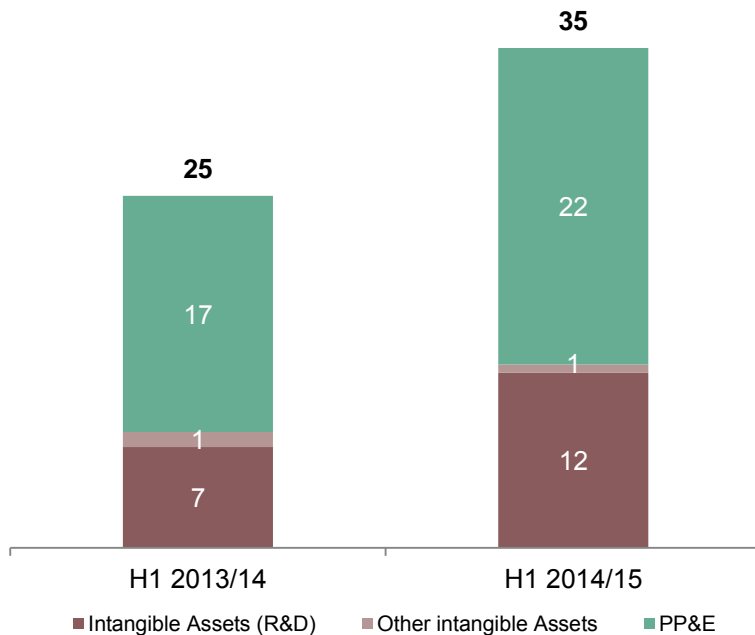
# Capital Expenditures

## Capital Expenditure (€mm)

% of  
revenues

10.8%

14.9%

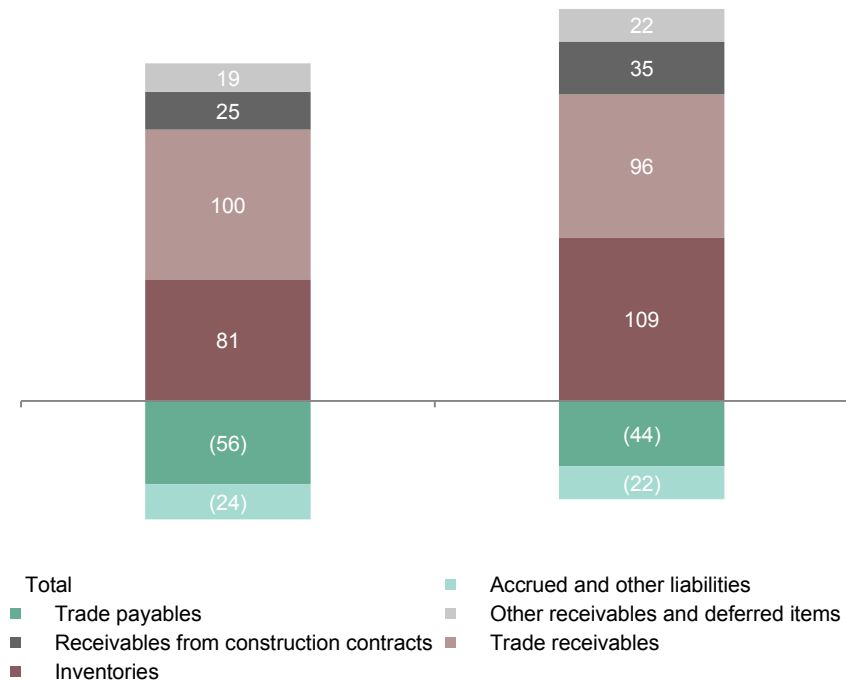


## Comments

- Capital expenditures increased from 10.8% to 14.9% of total revenues
  - In line with the investment budget
- Investment in tangible assets mainly consisted of (i) planned investments in the expansion of Plant II, (ii) investments in tools for new aircraft programs
- Investment in intangible assets consisted of capitalized development costs associated with the A350 winglet, Embraer Legacy 450/500 and Embraer E-Jet 190

# Working Capital

## NWC by Asset / Liability Type (€mm)



## Comments

- Significant growth in inventories to support the stronger delivery volumes expected in H2 2014/15
- Increase in receivables under construction
  - Design improvement for A380
  - A330 wing fairing – introduction of new drag optimized part configuration
  - COMAC C919 wing components
  - COMAC C919 Interior
  - A350 XWB engine component package

1	Market Update	4
2	Operations Update	7
3	Financial Highlights	15
4	<b>Executive Summary</b>	<b>23</b>

# Executive Summary

- Our order backlog benefits from the Aerospace super-cycle
  - The order backlog is growing with the ramp up of new business
  - Our market share is increasing with additional long term contracts executed with key OEMs
- Revenues increased in line with expectation
- H1 profitability temporary impacted by
  - ramp up cost of new business programs
  - early phase modification
  - capacity increase in H1 (labor, inventory,..) to fully support H2 revenue growth expectations
- Based on today's order book and awareness, full year guidance reiterated
- Equity business case remain unchanged