

SOMFY<sup>®</sup>

# Presentation of 2017 Annual Results and 2018 Outlook



8 March 2018

Jean Guillaume Despature



Summary of the year  
just ended

# Highlights

- Continued strong sales growth
- Decline in current operating margin
- Roll-out of the strategic roadmap “Believe & ACT”
- Integration of recently-acquired companies (Myfox, iHome)
- Return on capital employed maintained at a high level

# Key figures

- Sales: **€1,246.6 million**
- Current operating margin (COR/Sales): **13.5%** (14.3% on a like-for-like basis)
- Net profit: **€157.7 million** (€135.4 million after restatement of tax rebates)
- Net financial surplus: **€104.6 million**
- Shareholders' equity: **€770.7 million**
- Return on capital employed (ROCE): **19.7%**

2017 data



Pierre Ribeiro



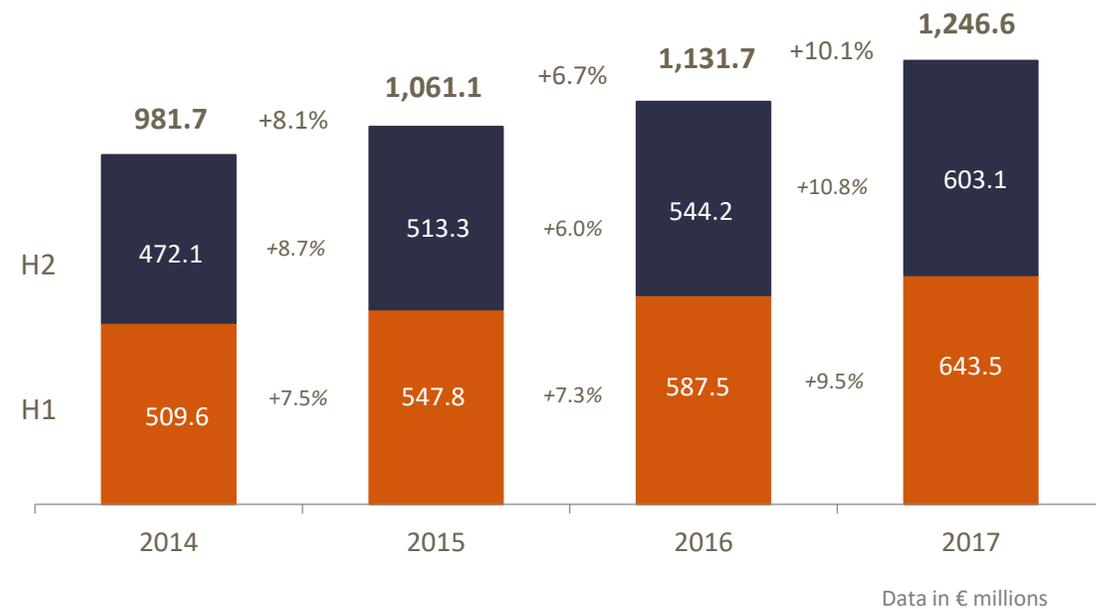
Analysis of results for  
the year just ended

# Sales

## Half-year breakdown

- A further year of strong growth
- Sustained increase in the first half-year despite a high comparison base
- Acceleration of the trend over the second half-year
- Beneficial effect of the energy transition tax credit on sales in France

Data in € millions	2014	2015	2016	2017	2017/16 change
Sales	981.7	1,061.1	1,131.7	1,246.6	+10.1%



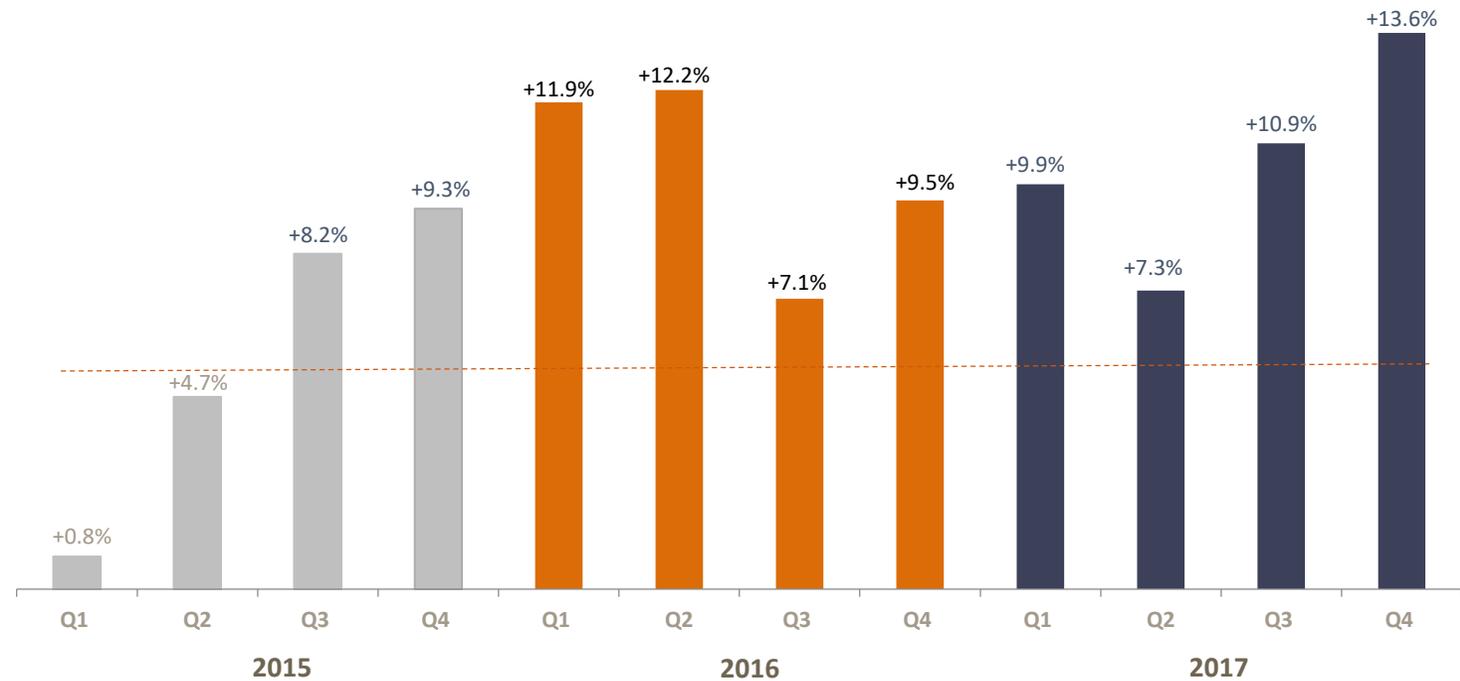
**+10.3%**  
like-for-like  
in 2017  
compared with  
**+10.2%**  
in 2016

# Sales growth

## by quarter

- Growth rate significantly higher than 5%, on a like-for-like basis, over 10 consecutive quarters

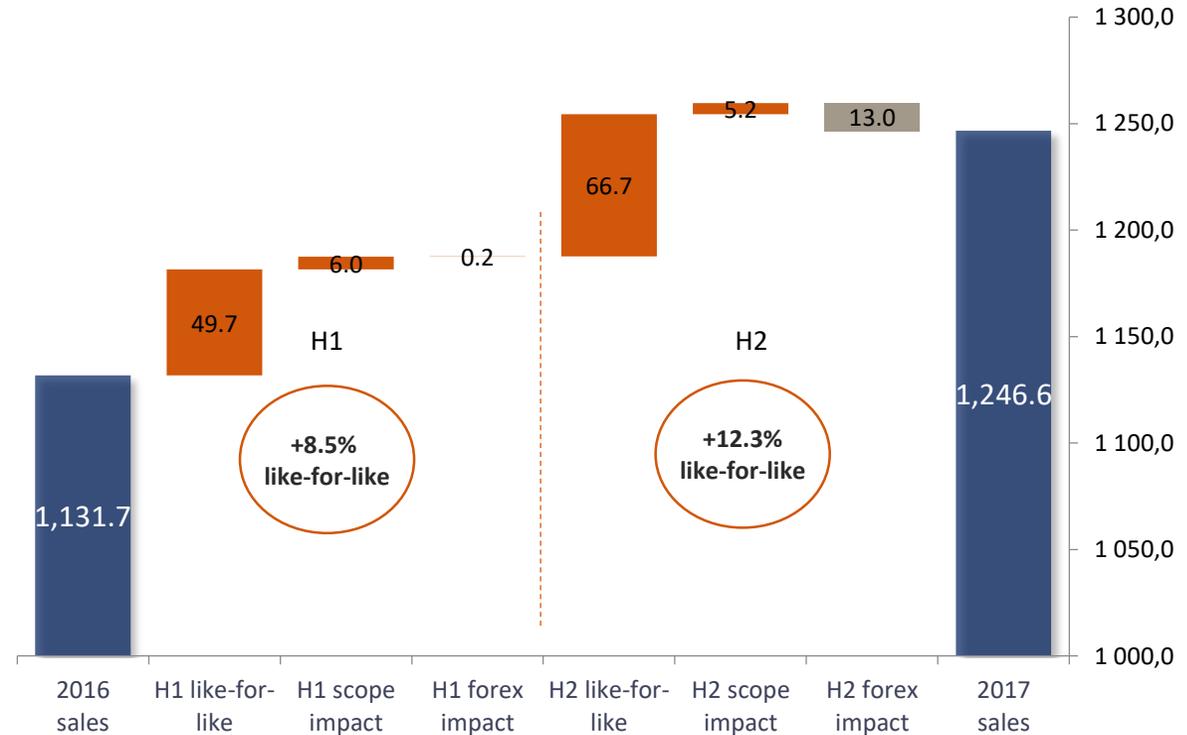
Sales growth on a like-for-like basis



# Sales

## Foreign exchange and scope impacts

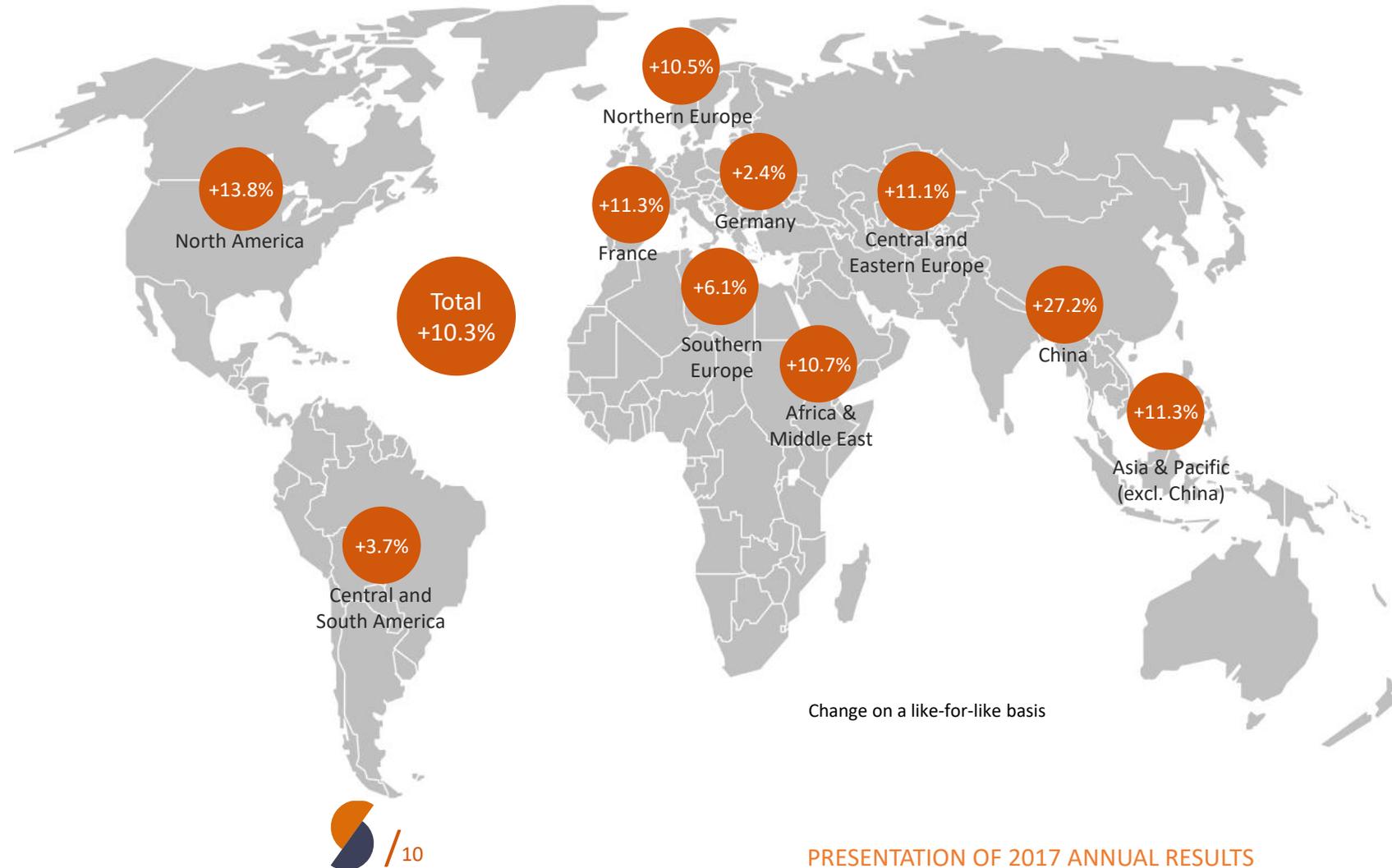
- Positive scope impact due to the full-year integration of iHome Systems and Myfox
- Negative foreign exchange impact due to reappreciation of the Euro against other major currencies



# Sales

by geographic region

- Double-digit growth in most regions, with particularly high rates in France, Central and Eastern Europe, Asia and North America
- Decline in Germany after several years of steady growth



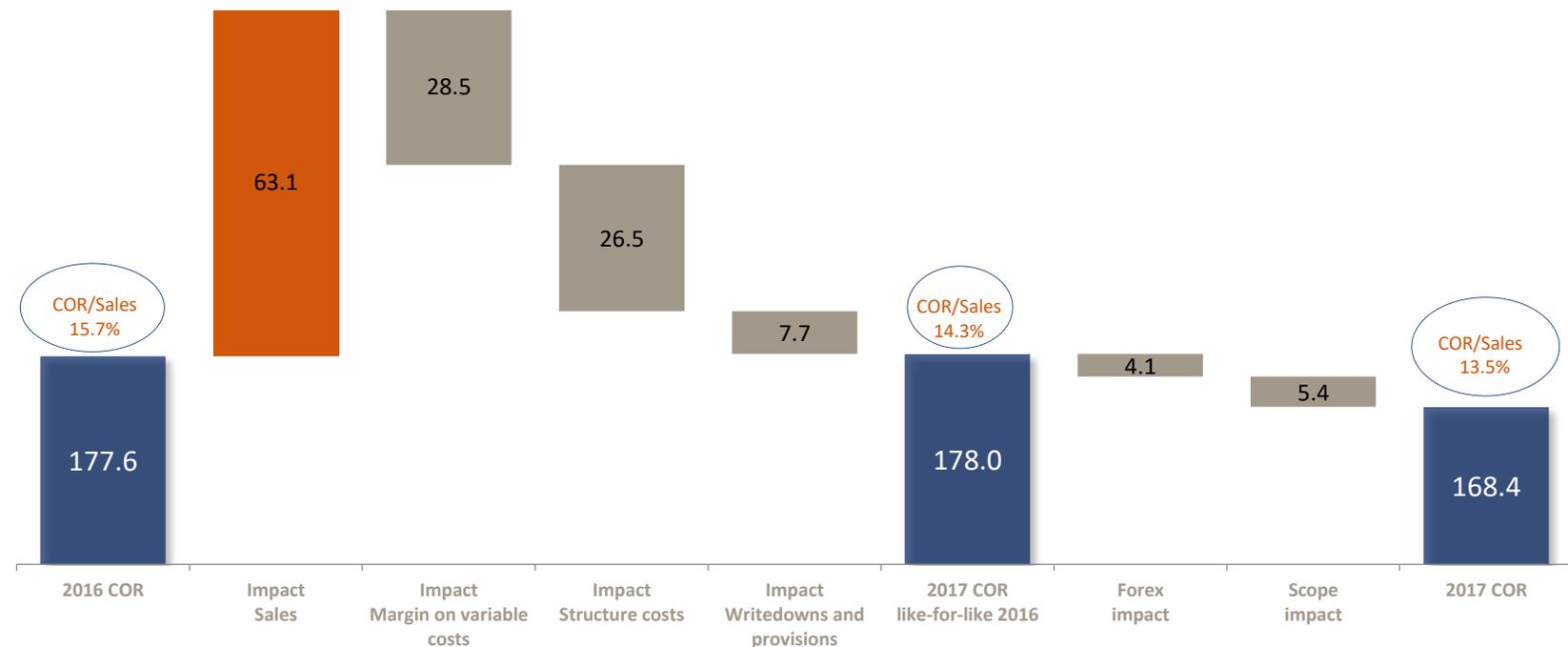
# Current operating result

## Analysis of year-on-year change

Data in € millions	2016*	2017	2017/16 change
Current operating result	177.6	168.4	-5.2%
Current operating margin (COR/Sales)	15.7%	13.5%	-2.2 pp

\* Financial statements restated following the allocation of the goodwill of Myfox

- Erosion of gross margin rate due to the combination of negative contextual and structural factors
- Continued strategic investments but moderate overall increase in structure costs
- Stability in current operating result on a like-for-like basis



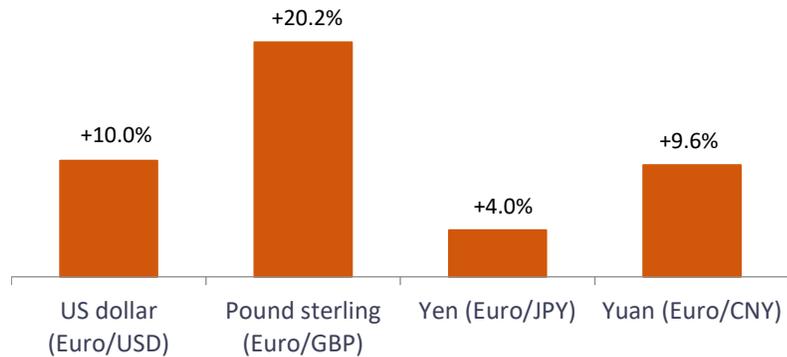
Data in € millions

# Current operating result

## Impact of exchange rates and raw materials

### Two-year comparative increase in Euro rates

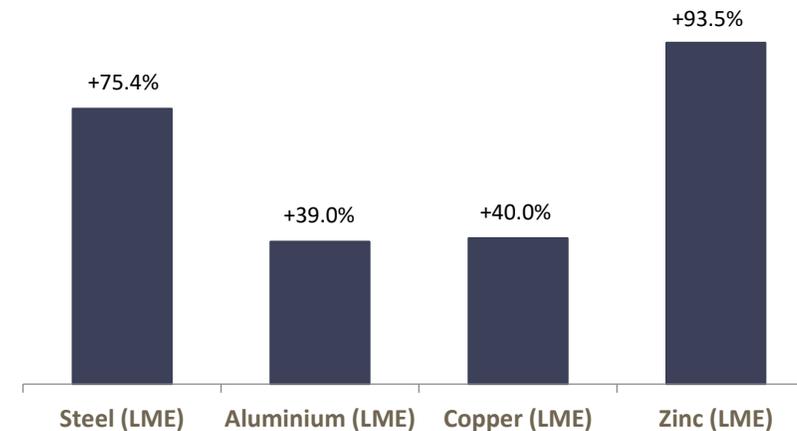
(January 2016 - December 2017)



- Increased strength of the Euro against major invoicing currencies

### Two-year comparative increase in metal prices

(January 2016 - December 2017)



- Surge in the price of metals required for the manufacture of products

# Income statement

## Main items

- Insignificant level of non-recurring operating items and negative impact of financial items (unrealised foreign exchange gains and losses)
- Exceptionally low tax rate due to tax rebates (notably tax on dividends)
- Offsetting the fall in current operating result with ultimately an increase in net profit

Consolidated data (€ millions)	2016*	2017	2017/16 change
<b>Sales</b>	<b>1,131.7</b>	<b>1,246.6</b>	<b>+10.1%</b>
<b>Current operating result</b>	<b>177.6</b>	<b>168.4</b>	<b>-5.2%</b>
Non-recurring operating items	(0.2)	(0.2)	NS
Financial income and expenses	(2.1)	(5.9)	NS
<b>Profit before tax</b>	<b>175.3</b>	<b>162.3</b>	<b>-7.4%</b>
Income tax	(31.3)	(3.1)	NS
Contribution of equity-accounted companies	(0.7)	(1.5)	NS
<b>Consolidated net profit</b>	<b>143.3</b>	<b>157.7</b>	<b>+10.1%</b>
<b>Net profit restated for tax rebates</b>	<b>143.3</b>	<b>135.4</b>	<b>-5.5%</b>

\* Financial statements restated following the allocation of the goodwill of Myfox

# Cash flow statement

## Main items

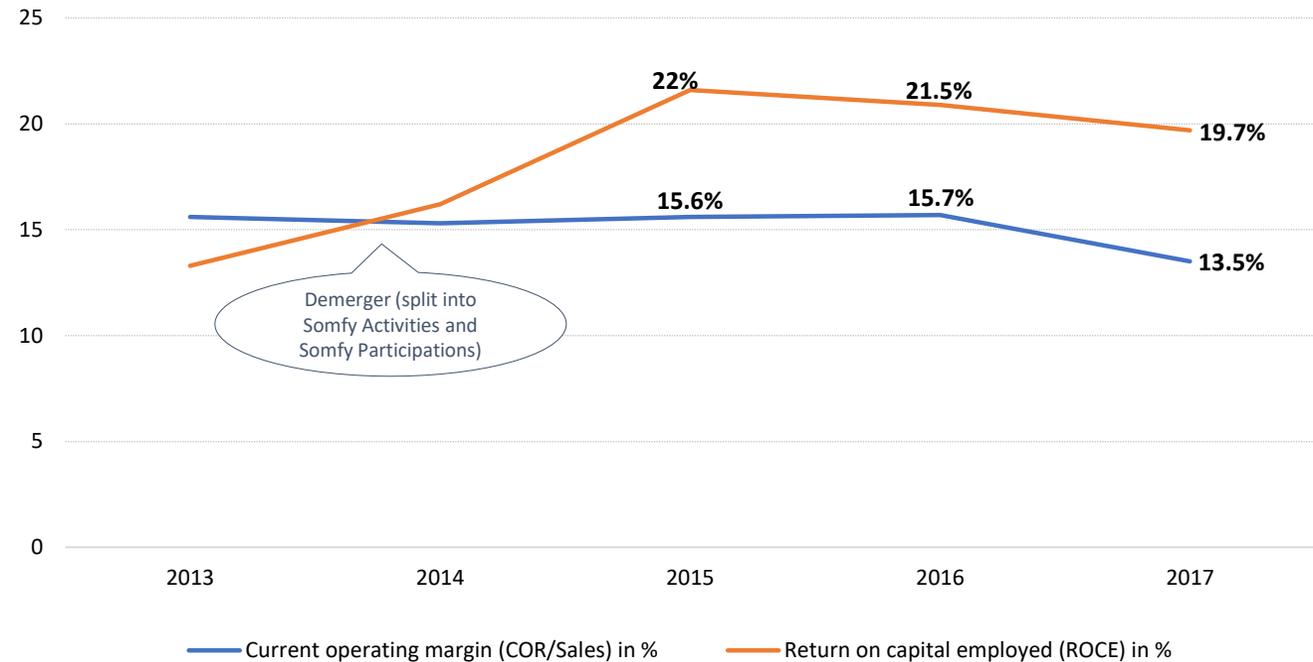
- Significant growth in cash flow due in particular to lower income tax
- Controlled increase in working capital requirements
- Investments maintained at a high level

Consolidated data (€ millions)	2016	2017
<i>Cash flow</i>	181.7	208.1
<i>Change in working capital requirements</i>	(26.7)	(23.5)
<i>Other cash flows</i>	0.8	1.5
<b>Net cash flow from operating activities</b>	<b>155.8</b>	<b>186.0</b>
<b>Net cash flow from investment activities</b>	<b>(62.4)</b>	<b>(55.2)</b>
Net cash flow from financing and equity activities	(65.8)	(41.9)
Impact of changes in exchange rate	(0.7)	(2.6)
<b>Net change in cash and cash equivalents</b>	<b>27.0</b>	<b>86.3</b>

# Profitability

- Profitability maintained at a high level in spite of an intensification in strategic investments and the combination of unfavourable short-term factors (currencies, raw materials, scope, etc.)

Operating margin and return on capital employed (after normative tax)



Unaudited data

# Condensed balance sheet

## Main items

- Increase in shareholders' equity
- Controlled working capital requirements (inventories, trade receivables)
- Increase in net financial surplus (cash and cash equivalents)

Consolidated data (€ millions)	2016*	2017
<b>Equity</b>	<b>657.8</b>	<b>770.7</b>
Long-term borrowings	35.4	33.5
Provisions and retirement commitments	40.0	35.3
Other non-current liabilities	15.5	17.3
<b>Permanent capital</b>	<b>748.7</b>	<b>856.9</b>
Goodwill	200.4	196.8
Net non-current assets	307.6	324.1
Other non-current assets	25.0	27.3
<b>Working capital</b>	<b>215.7</b>	<b>308.6</b>
<b>Working capital requirements</b>	<b>164.3</b>	<b>171.7</b>
Cash and cash equivalents	51.4	136.9
<b>Net financial surplus</b>	<b>15.5</b>	<b>104.6</b>

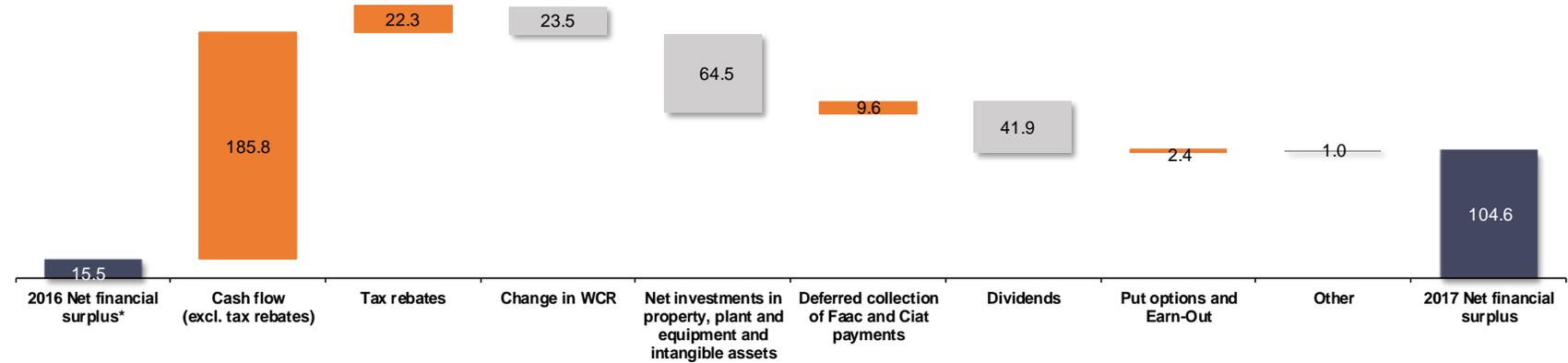
\* Financial statements restated following the allocation of the goodwill of Myfox

Net financial surplus: Cash and cash equivalents - Financial debt

# Net financial surplus

## Analysis of year-on-year change

- Change in working capital requirements, investment budget and distribution of dividends largely covered by cash flow
- Sharp increase in net financial surplus (cash and cash equivalents)



\* Financial statements restated following the allocation of the goodwill of Myfox

Data in € millions

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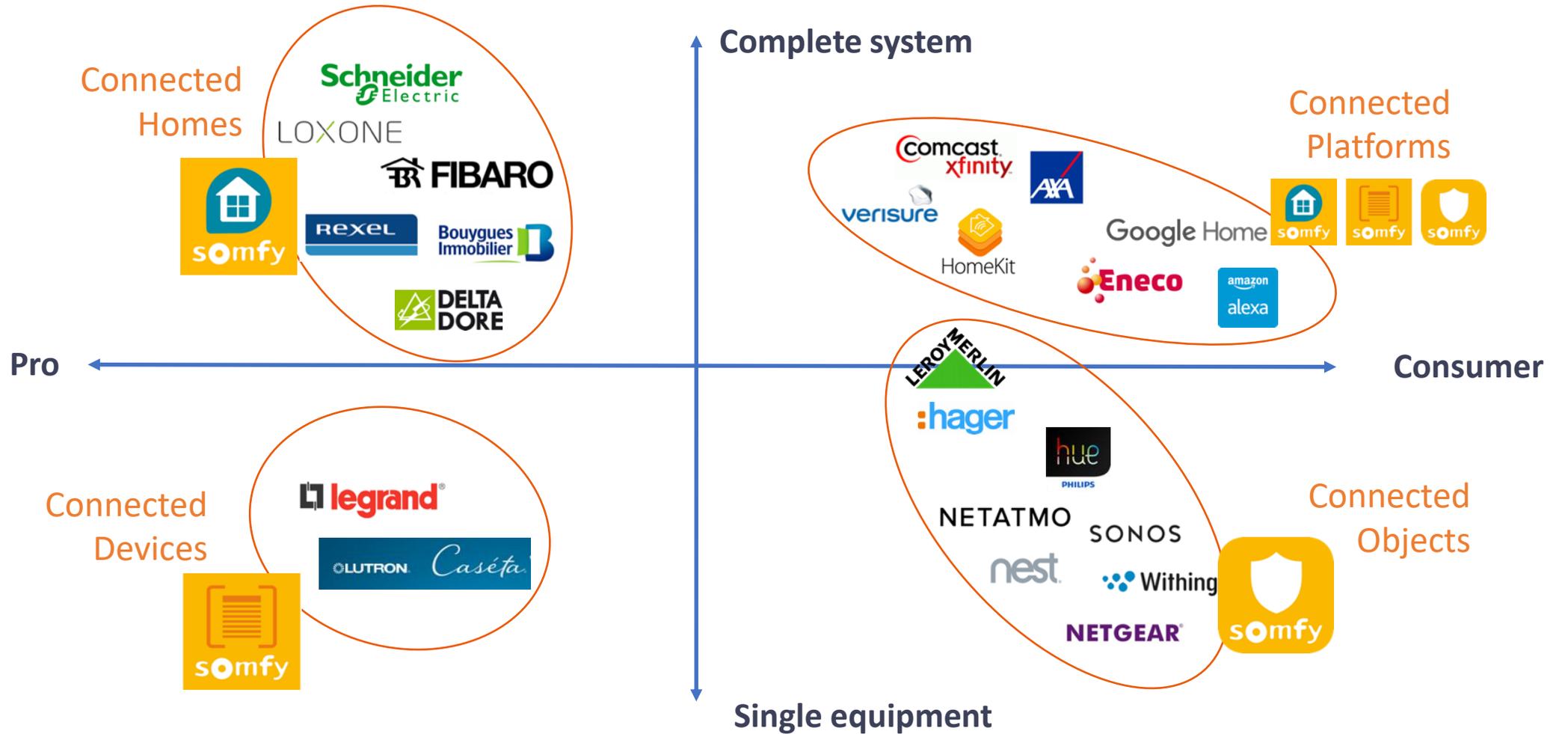


Review of the main  
achievements  
of the year just ended

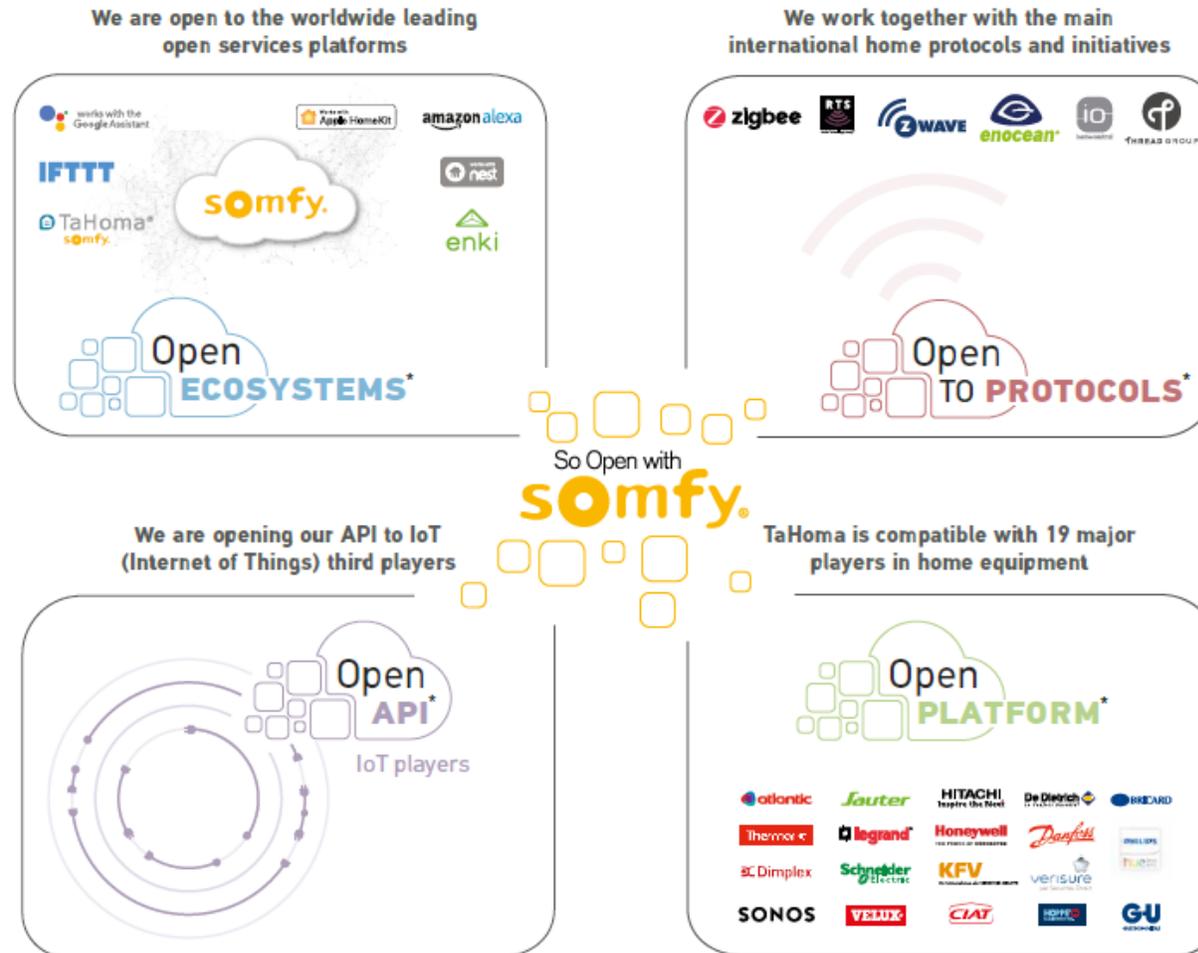
# Business update

- Continued growth of the two main divisions Home & Building and Access
- Ramp-up of the Smart & Smooth (RS100) motor and commissioning of the 2nd assembly line
- Steady acceleration of sales of connected solutions
- Launch of the programme So Open with Somfy
- Receipt of 2 “CES Awards”

# “So Open with Somfy” programme



# “So Open with Somfy” programme (continued)



# 2017 achievements and activities

## CONNECTED THERMOSTAT APPLICATION RECOGNISED AT CES 2018

- Launched at IFA in September 2017
- A coaching service to help people improve their energy efficiency in the home + option to link this system with control of rolling shutters



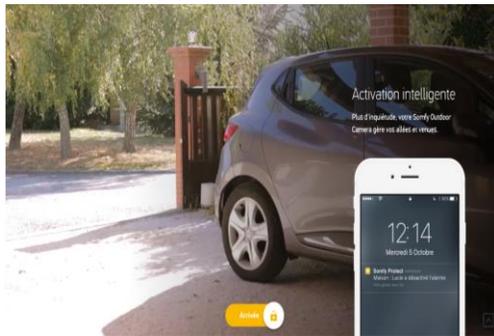
- Remote control and configuration
- Programming according to lifestyle
- Management of energy use
- Geolocation function allowing thermostat to adapt to movement in the home
- Available on iOS and Android



# 2017 achievements and activities (continued)

## SOMFY PROTECT OUTDOOR CAMERA RECOGNISED AT CES 2018

- Successful integration of Myfox with the development of a new range of Somfy Protect products (launched in May 2017) based on Somfy One => major commercial success with doubling of Myfox sales
- Somfy Protect differentiating factor: both a brand and a cloud platform dedicated to security



- Only detect people => no false alarms
- Smart activation: automatically deactivates outdoor camera when the user returns home and sends a notification to the user to remind them to activate detection
- Possibility to hear and speak to the person who is outside
- Secured storage of videos in the Cloud



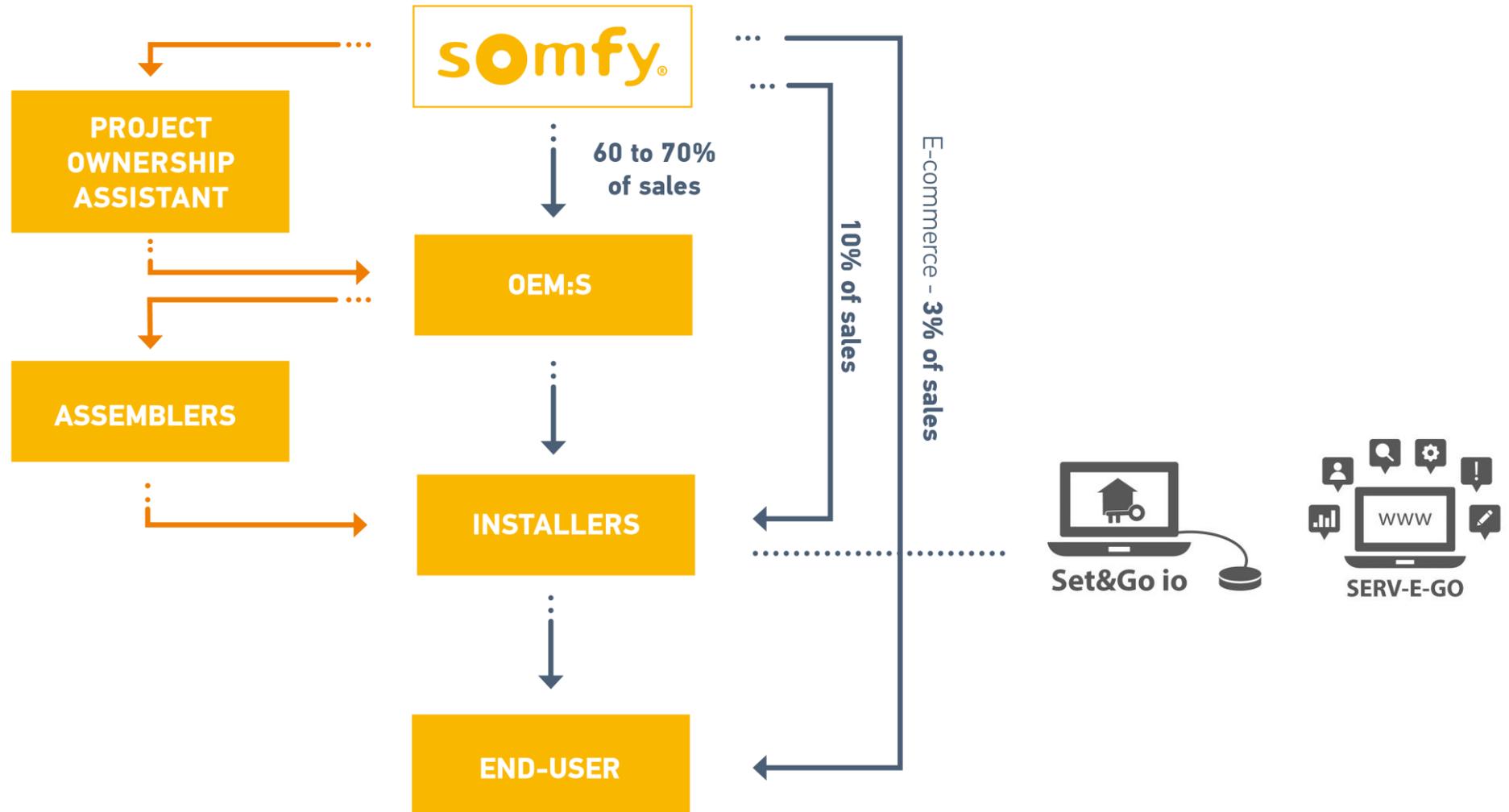
# Coordination of the pricing policy

- Strategy of winning market share: passing on productivity gains to customers
- Contributing to the widespread popularity of the sector: move from a niche market to a mass market
- Desire to cover the entire market: presence from high-end to entry level
- Stepping up the international expansion policy: investment in newly industrialised countries
- Consolidation of leadership position: strengthening competitive advantage



**Steady decline in prices over an extended period of time while retaining the option to deviate occasionally depending on circumstances and targets**

# Distribution networks



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Somfy Foundation

# Collaboration between the Somfy & Schneider Electric Foundations

- **A shared objective:** combatting poor housing in France and Europe
- Two inputs:

**The Schneider Electric Foundation:** expert sponsor on the issue of fuel poverty

**The Somfy Foundation** via **Les Petites Pierres**, a leading community crowdfunding platform that doubles the donations it receives

- **Opening up Les Petites Pierres to businesses:** the Schneider Electric Foundation is the first to join the Somfy Foundation as part of the Petites Pierres Alliance
- **Combining the expertise and financial resources of both foundations:** every donation made online is now doubled by the Schneider Electric and Somfy Foundations



# Petites Pierres Alliance commitments

- **Commitments over a minimum of 3 years:**

**Contributing financially** by doubling the value of online donations (budget of €450,000 per Foundation over the next 3 years)

**Providing expert sponsorship support** to organisations through the involvement of employee volunteers

- The long-term goal of the Alliance is to help fund **150 to 200 projects each year**

- **Les Petites Pierres in figures**

Created 4 years ago

150 projects have been financed

€1,700,000 given to non-profit organisations

8,000 donors



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Outlook

# Environment and outlook for the current financial year

- Market momentum in major geographic areas
- Accelerated digitalisation of the company
  - Launch of the ERP project
- Strategic investments maintained at a high level
- Continued cost leadership initiatives
- Continued policy of acquisitions and partnerships
  - Acquisition of new expertise et technologies to enhance the range
  - Opening up of protocols to external partners to promote synergies and interoperability among existing solutions (e.g.: Amazon, Apple, Legrand and Schneider)



Appendices (consolidated  
financial statements)

# Overview

Data in € millions	31/12/16*	31/12/17
Sales	1,131.7	1,246.6
Current operating result	177.6	168.4
Operating result	177.4	168.2
Consolidated net profit	143.3	157.7
Cash flow	181.7	208.1
Net investments in intangible assets and property, plant and equipment	64.5	64.5
Depreciation and amortisation charges**	-39.6	-46.4
Equity	657.8	770.7
Net financial debt ***	-15.5	-104.6
Non-current assets	533.0	548.3
Total workforce	8,000	8,940

\* Financial statements restated following the allocation of the goodwill of Myfox  
 \*\* Excluding goodwill impairment  
 \*\*\* (-) Net financial surplus  
 Takes into account liabilities related to put options granted to holders of non-controlling interests, earnouts, unlisted bonds receivable and deferred payments of a financial nature

# Sales by geographic region

Data in € millions	31/12/16	31/12/17	%17/16	%17/16 on a like-for-like basis
France	272.6	312.5	14.6%	11.3%
Germany	176.4	180.4	2.2%	2.4%
Northern Europe	105.7	114.9	8.8%	10.5%
Central and Eastern Europe	118.6	133.1	12.2%	11.1%
Southern Europe, Middle East and Africa	207.2	219.1	5.7%	7.9%
Asia Pacific	127.8	151.6	18.7%	20.7%
Americas	123.4	128.0	9.4%	11.5%
<b>Total</b>	<b>1,131.7</b>	<b>1,246.6</b>	<b>10.1%</b>	<b>10.3%</b>

# Income statement

Data in € millions	31/12/16*	% sales	31/12/17	% sales	%17/16
<b>Sales</b>	<b>1,131.7</b>		<b>1,246.6</b>		<b>10.1%</b>
<b>Current operating result</b>	<b>177.6</b>	<b>15.7%</b>	<b>168.4</b>	<b>13.5%</b>	<b>-5.2%</b>
Other non-recurring items	-0.2		-0.2		
Impairment of goodwill	0.0		0.0		
<b>Operating result</b>	<b>177.4</b>	<b>15.7%</b>	<b>168.2</b>	<b>13.5%</b>	<b>-5.2%</b>
Net financial expense	-2.1		-5.9		
<b>Profit before tax</b>	<b>175.3</b>	<b>15.5%</b>	<b>162.3</b>	<b>13.0%</b>	<b>-7.4%</b>
Income tax	-31.3		-3.1		
Share of profit/(loss) of EACs	-0.7		-1.5		
<b>Consolidated net profit</b>	<b>143.3</b>	<b>12.7%</b>	<b>157.7</b>	<b>12.7%</b>	<b>-10.1%</b>

\* Financial statements restated following the allocation of the goodwill of Myfox

EACs: equity-accounted companies

# Cash flow statement

Data in € millions	31/12/16	31/12/17
Cash flow	181.7	208.1
Cost of net financial debt and other (excluding calculated items)	0.8	1.5
Change in working capital requirements (CFS)	-26.7	-23.5
<b>Net cash flow from operating activities</b>	<b>155.8</b>	<b>186.0</b>
Net investments in PPE & intangible assets	-64.5	-64.5
Net non-current financial assets	5.4	8.9
Acquisition of entities, net of cash acquired	-4.6	0.0
Disposal of entities, net of cash transferred	1.2	0.0
Interest received	0.2	0.4
<b>Net cash flow from investment activities</b>	<b>-62.4</b>	<b>-55.2</b>
Dividends paid	-39.1	-41.9
Change in borrowings	-23.8	2.8
Interest paid	-2.8	-3.1
Movements in treasury shares	0.0	-0.3
<b>Net cash flow from financing and equity activities</b>	<b>-65.8</b>	<b>-41.9</b>
Forex impact	-0.7	-2.6
<b>Net change in cash and cash equivalents</b>	<b>27.0</b>	<b>86.3</b>

# Condensed balance sheet

Data in € millions	31/12/16*	31/12/17
<b>Equity</b>	<b>657.8</b>	<b>770.7</b>
Long-term borrowings	35.4	33.5
Provisions and retirement commitments	40.0	35.3
Other non-current liabilities	15.5	17.3
<b>Permanent capital</b>	<b>748.7</b>	<b>856.9</b>
Goodwill	200.4	196.8
Net intangible assets	48.6	45.8
Net property, plant and equipment	254.6	272.0
Net financial assets	4.5	6.3
Other non-current receivables	25.0	27.3
<b>Working capital</b>	<b>215.7</b>	<b>308.6</b>
Net inventories	169.7	184.7
Net trade receivables	162.4	173.5
Other current receivables	61.4	62.4
Trade payables	115.0	135.0
Other current liabilities	114.3	113.9
<b>Working capital requirements</b>	<b>164.3</b>	<b>171.7</b>
<b>Cash and cash equivalents</b>	<b>51.4</b>	<b>136.9</b>
<b>Net financial debt**</b>	<b>-15.5</b>	<b>-104.6</b>

\* Financial statements restated following the allocation of the goodwill of Myfox / \*\* (-) Net financial surplus

Note: Net financial debt includes liabilities granted to holders of non-controlling interests and earnouts of €78.1 million at 31 December 2017 compared with €80.4 million. It also includes deferred payments of €5.2 million at 31 December 2017, compared with €5.6 million at 31 December 2016.

# Analysis of net financial debt

Data in € millions	31/12/16*	31/12/17
Bank borrowings (non-current portion)	8.1	6.3
Liabilities related to put options and earnout	21.7	22.0
Other financial liabilities	5.6	5.3
Non-current financial assets	-0.2	-2.1
<b>Net long-term financial debt</b>	<b>35.2</b>	<b>31.4</b>
Bank borrowings (current portion)	16.9	20.5
Liabilities related to put options and earnout	58.7	56.1
Cash and cash equivalents	-126.2	-212.6
Other cash items	-0.1	-0.1
<b>Net short-term financial debt</b>	<b>-50.7</b>	<b>136.1</b>
<b>Net financial debt**</b>	<b>-15.5</b>	<b>-104.6</b>

17/16 change from cash flow statement  
**86.3**

\* Financial statements restated following the allocation of the goodwill of Myfox

\*\* (-) Net financial surplus

Net financial debt includes liabilities granted to holders of non-controlling interests and earnouts of €78.1 million at 31 December 2017 compared with €80.4 million. It also includes deferred payments of €5.2 million at 31 December 2017, compared with €5.6 million at 31 December 2016.

# Definitions

- **Current operating margin (COR/Sales):** current operating result as a proportion of sales
- **Return on capital employed (ROCE):** return on capital invested (or employed) = ratio between the current operating result, after normative tax, and capital invested (or employed)
- **Capital invested (or employed) :** sum of shareholders' equity (with the effects of goodwill impairment being neutralized) and the net financial debt

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