Annual results 2017

Amsterdam, February 22th 2018
Safe harbor statement

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Neways Electronics

Agenda

❖ Main points
❖ Neways today
❖ Financials
❖ Operational
❖ Management agenda & outlook
Main points
Main points

Strategic and operational highlights

- Increased turnover following strong market demand, driven by higher focus and business dedication following “One Neways”
  - Strong increase turnover of Semicon
  - Higher turnover automotive, strong expansion development activity for future eCar sales
  - Substantial increase orderbook with 37,8% to € 263,6 million

- Operational result increase 20,5%
  - Improvement based on acceleration growth and better operational execution 2nd half 2017
  - Operational inefficiency due to quick ramp-up and scarcity component markets
  - High initial cost development projects and organization
  - 2016 net result positively impacted by tax benefit € 1,8 million (2017 tax benefit € 0,6 million)
Main points

Market outlook

- General market trends
  - IoT enters more and more in our daily lives
  - Content semicon in cars is growing fast
  - Consumer electronics still growing which has big impact in the semicon chain

- Main growth drivers for Neways: Automotive and Semiconductors
Main points

**Scarcity**

- Strong growth in several segments, but non-disruptive
  - IoT, E-mobility, global GDP-increase

**BUT:**
- Fear of double-booking
- Fear of demand downfall
- Consolidation of semicon companies

**SO:**
- Still very limited ramp-up of capacity
- Supplies have become tight

- Noting significant increase lead times for MLCC and thick film chip resistors
  - Lead times from 30 to more than 52 weeks

- Predictability which components become critical is limited

**Lessons learned**
- Communication, communication, communication
- Intensify contact with suppliers
- Investigate alternative components for our customers

**CURRENT EXPECTATION:**
Shortages will last until deep into 2018
Main points

Stock control

### Challenges:
- Acceleration growth and orderbook
- Reliability supply chain due to scarcity
- Expectation of customers for more ownership by Neways?
- Ramp-up new projects with existing and new customers

### Actions:
- Continued effort and focus on improving processes with integral approach
- QLTC improvement program with suppliers further extended and intensified
- Demand management with extra focus
Main points

Market Trends

- Globalization OEM’s
- Increasing demand from OEM’s for Life Cycle Management, early involvement and shared participation in development process of a product
- Increase in electronics content in Automotive and Medical
- Strong increase electronics due to IoT, growth automotive etc driving scarcity in component market
- Volatility is a given (the only constant is change)
- Shortened product life cycles
- Increased investment levels
- Intensified cooperation in supply chain through transparency and modern communication
- Consolidation EMS market
- Transition to more regulation
- Product traceability
Neways Today
Company overview

**PROFILE**

- Custom-made total solutions for product life cycle management of advanced and integrated electronic applications
- Active in select growth sectors of the Electronic Manufacturing Services (EMS) market
- Products range from electronic components to complete (box-build) control systems

**CORE ACTIVITIES**

- Engineering
- Connectivity
- Micro electronics
- PCB assembly
- System integration

**KEY FIGURES**

- € 438.7m FY 2017 net turnover
- € 10.0m FY 2017 normalized net income
- 2.750 FY-17 # of staff
Neways Today

Product portfolio and product applications
Neways Today

Business strategy

- **AMBITION**: The technology and life cycle partner of choice
- **CONDITION**: Understanding customer views, dilemmas and ideas
- **MEANS**: Serve select market sectors and PMCs
- **FOCUS**: Build long term partnerships
- **FOCUS**: Maximize customer value

- Enlarge competitive edge
- Fuel organic growth
- Increase operating leverage
- Standardize way of working
- Optimise production footprint utilisation
- Push local-for-local business in China
- Make add-on acquisitions

Leverage three-pillar improvement program (2016 – 2019)
Neways Today

Three-pillar improvement program: ‘Up to the next level’

Moving up the value chain
Driving growth
Improving profitability
Financials
## Main points

### Financial highlights

<table>
<thead>
<tr>
<th></th>
<th>FY 2017</th>
<th>% FY 2016</th>
<th>HYE 2017</th>
<th>% HYE 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>438.7</td>
<td>+11.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Normalized operating result</strong></td>
<td>15.3</td>
<td>+20.5%</td>
<td></td>
<td></td>
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<tr>
<td><strong>Normalized net result</strong></td>
<td>10.0</td>
<td>+8.7%</td>
<td></td>
<td></td>
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<tr>
<td><strong>Net cash flow</strong></td>
<td>-3.4</td>
<td>-231.7%</td>
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</tr>
<tr>
<td><strong>Normalized profit per share (€)</strong></td>
<td>0.87</td>
<td>+8.7%</td>
<td></td>
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</tr>
<tr>
<td><strong>Interest coverage</strong></td>
<td>10.2</td>
<td>+50.0%</td>
<td></td>
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</tr>
<tr>
<td><strong>Net debt / EBITDA</strong></td>
<td>1.6</td>
<td>+6.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Solvency %</strong></td>
<td>44.0</td>
<td>-1.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong># Employees (FTEs)</strong></td>
<td>2.750</td>
<td>+7.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>85.0</td>
<td>+7.7%</td>
<td></td>
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</tr>
</tbody>
</table>
## Profit & Loss Account

<table>
<thead>
<tr>
<th>(€m)</th>
<th>FY 2017</th>
<th>2H 2017</th>
<th>FY 2016</th>
<th>2H 2016</th>
<th>FY 2015</th>
<th>FY 2014</th>
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<tbody>
<tr>
<td>Net turnover</td>
<td>438,7</td>
<td>225,1</td>
<td>393,2</td>
<td>195,3</td>
<td>374,1</td>
<td>308,6</td>
</tr>
<tr>
<td>- nominal growth in %</td>
<td>11,6%</td>
<td>15,3%</td>
<td>5,1%</td>
<td>5,6%</td>
<td>21,2%</td>
<td>16,5%</td>
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<tr>
<td>- comparable growth in %</td>
<td>11,6%</td>
<td>15,3%</td>
<td>5,1%</td>
<td>5,6%</td>
<td>-1,3%</td>
<td>-6,4%</td>
</tr>
<tr>
<td>Operating result</td>
<td>14,3</td>
<td>7,6</td>
<td>11,8</td>
<td>5,1</td>
<td>5,9</td>
<td>6,6</td>
</tr>
<tr>
<td>Normalized operating result **</td>
<td>15,3</td>
<td>8,1</td>
<td>12,7</td>
<td>5,5</td>
<td>10,1</td>
<td>9,0</td>
</tr>
<tr>
<td>Normalized net result **</td>
<td>10,0</td>
<td>5,1</td>
<td>9,2</td>
<td>4,4</td>
<td>6,2</td>
<td>5,3</td>
</tr>
<tr>
<td>Extraordinary income/expenditure</td>
<td>-0,1</td>
<td>-0,1</td>
<td>0,5</td>
<td>0,9</td>
<td>-3,0</td>
<td>1,7</td>
</tr>
<tr>
<td>Net result</td>
<td>9,9</td>
<td>5,0</td>
<td>9,7</td>
<td>5,3</td>
<td>3,2</td>
<td>7,0</td>
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<tr>
<td>Gross margin/net turnover</td>
<td>39,0%</td>
<td>38,4%</td>
<td>39,1%</td>
<td>39,1%</td>
<td>39,4%</td>
<td>40,5%</td>
</tr>
<tr>
<td>Gross margin/per employee (k€)</td>
<td>62,3</td>
<td>30,6</td>
<td>60,0</td>
<td>29,5</td>
<td>56,9</td>
<td>54,6</td>
</tr>
<tr>
<td>Operational margin **</td>
<td>3,5%</td>
<td>3,6%</td>
<td>3,2%</td>
<td>2,8%</td>
<td>2,7%</td>
<td>2,9%</td>
</tr>
<tr>
<td>Net margin **</td>
<td>2,3%</td>
<td>2,3%</td>
<td>2,3%</td>
<td>2,3%</td>
<td>1,7%</td>
<td>1,7%</td>
</tr>
<tr>
<td>EPS (€)</td>
<td>0,86</td>
<td>0,43</td>
<td>0,85</td>
<td>0,46</td>
<td>0,28</td>
<td>0,63</td>
</tr>
</tbody>
</table>

** excl PPA and extraordinary income/expenditure
Financials

Total sales / Order intake

€ m

Total sales – 2017 vs 2016
- Y-o-Y total sales growth of 11.8%
- Sales growth 2nd half 15.3%, 1st half 7.9%
- Strong development esp. in Semiconductors
- Automotive and Defense sound growth, other sectors flat
- Development activities stabilized

Orderbook – 2017 vs 2016
- Orderbook (gross) 21.3% growth, higher order intake especially through orders in Semiconductors, Automotive and Industrial
- Orderbook reflects increased long term visibility
- Book-to-Bill 1.15 vs 1.06 last year

Note 1: 1H 14 prior to BuS Group acquisition
Note 2: Definition orderbook w/ult 2014: confirmed orders (max 1 year) plus forecast first 3 months
Financials

Net revenue and gross margin trends

2017 vs 2016

- Absolute Gross Margin increased 11.4%, largely in line with sales growth percentage.
- Relative margin at 39.0% vs 39.1% in 2016
- Relative margin slightly decreased resulting from
  - Trend of increasing material content as consequence of more complex Box-build systems,
  - Partly offset by effects supplier improvement program and higher added value products.

2013 | 2014 | 2015 | 2016 | 2017
---|---|---|---|---
Net revenue (€m) | 265.0 | 308.6 | 374.1 | 393.2 | 438.7
Gross margin (€m) | 105.7 | 124.9 | 147.5 | 153.8 | 171.3
Financials

2017 vs 2016
- Sales growth in Semiconductors, Automotive and Defense
- Semiconductor sector share increased from 19% to 24%
- Relative strong growth in Defense
- Healthy spread turnover over market sectors

YE 2016

<table>
<thead>
<tr>
<th>Sector</th>
<th>YE 2016</th>
<th>YE 2017</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>143</td>
<td>143</td>
<td>0.0%</td>
</tr>
<tr>
<td>Automotive</td>
<td>103</td>
<td>97</td>
<td>6.2%</td>
</tr>
<tr>
<td>Semiconductor</td>
<td>105</td>
<td>73</td>
<td>43.8%</td>
</tr>
<tr>
<td>Medical</td>
<td>55</td>
<td>56</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Defense</td>
<td>15</td>
<td>12</td>
<td>25.0%</td>
</tr>
<tr>
<td>Other</td>
<td>18</td>
<td>12</td>
<td>50.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>439</strong></td>
<td><strong>393</strong></td>
<td><strong>11.7%</strong></td>
</tr>
</tbody>
</table>

YE 2017

<table>
<thead>
<tr>
<th>Sector</th>
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<td>105</td>
<td>73</td>
</tr>
<tr>
<td>Medical</td>
<td>55</td>
<td></td>
</tr>
<tr>
<td>Defense</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>Other</td>
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<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>439</strong></td>
<td></td>
</tr>
</tbody>
</table>
Opex and operational income trends

Opex (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
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<tr>
<td>Opex</td>
<td>99,4</td>
<td>115,9</td>
<td>137,4</td>
<td>141,1</td>
<td>156,0</td>
</tr>
</tbody>
</table>

Normalized EBIT (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT</td>
<td>6,3</td>
<td>9,0</td>
<td>10,1</td>
<td>12,7</td>
<td>15,3</td>
</tr>
</tbody>
</table>

Opex 2017 vs 2016

- Increase organization cost with 10.6%, relative decline from 35.9% to 35.6% of turnover
- Cost development largely driven by higher employee costs following the increased activity level
- Scarcity component market and high growth rate affected the efficiency in the organization. The latter caused high inflow of temporary (direct and indirect) staff with initially learning curve and inefficiency.
- “Up to next level” investment started in 2016 now fully visible in organization
- Relatively high costs incurred to realize development projects, which have become substantial bigger in size and complexity

Normalized EBIT 2017 vs 2016

- Increased EBIT, improved margin contribution partly offset by increased costs levels
Financials

Financial condition

Net debt / EBITDA (ratio)

- 2013: 0.1
- 2014: 1.7
- 2015: 1.9
- 2016: 1.5
- 2017: 1.6

Solvency (Guaranteed) %

- 2013: 41.5
- 2014: 40.5
- 2015: 42.6
- 2016: 44.6
- 2017: 44.0

2017 vs 2016

- Sound and stable financial basis with increased balance sheet total of € 204.4 vs € 188.1 million ultimo 2016
- Equity increased by 7.7% to € 85.0 million vs € 78.9 million following addition realized profit, partly offset by paid dividend
- With effect from 2016 the guaranteed capital (€ 4.9 million) is no longer part of net debt
- Net debt increased by 24.1% to € 37.2 million vs € 30.0 million last year, especially driven by higher working capital
- 16.8% increase LTM EBITDA to € 23.4 million vs € 20.0 million
- Solvency decreased to 44.0% vs 44.6% following higher total assets (working capital)

* With effect from 2016 Net debt excluding guaranteed capital
Financials

Working capital trends

Net working capital (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>YE13</th>
<th>YE14</th>
<th>YE15</th>
<th>YE16</th>
<th>YE17</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>13,3</td>
<td>53,3</td>
<td>59,4</td>
<td>64,4</td>
<td>79,4</td>
</tr>
</tbody>
</table>

€m, unless otherwise stated

- Inventories: 47,4 81,6 86,3 98,0
- Inventory days: 59 81 79 80
- Debtors: 27,9 38,1 47,0 51,5
- Debtor days: 34 36 38 36
- Creditors: 35,8 40,4 46,8 51,1
- Creditor days: 62 53 63 61

2017 vs 2016
- € 15.0 million increase working capital largely related to:
  - Higher activity level driving inventories and debtors
  - Scarcity of materials in the market
- Inventory days slightly up in environment increased scarcity component market and accelerating growth. Actions continuing to improve (SMOI, supplier reduction), challenging especially in current environment
- Debtors and creditors days slightly decreased, although absolute increased following higher activity level
Cash flow and capex trends

Operational and net cash flow (€m)

- Operational cash flow strongly affected by the increased working capital
- Capex decreased from €7.6 million to €6.6 million (lowered by impact €2.4 million paid after year end), in line with depreciation level and to facilitate growth
- Investments intangible assets limited to €0.1 million, related to software
- On balance net debt increased with €7.2 million vs end of last year following higher working capital
Financials

Headcount trends

Average # staff

- Western Europe
- Eastern Europe & China

<table>
<thead>
<tr>
<th>Year</th>
<th>Western Europe</th>
<th>Eastern Europe &amp; China</th>
<th>Flex Pool</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1277</td>
<td>632</td>
<td>184</td>
</tr>
<tr>
<td>2014</td>
<td>1614</td>
<td>674</td>
<td>235</td>
</tr>
<tr>
<td>2015</td>
<td>1924</td>
<td>669</td>
<td>186</td>
</tr>
<tr>
<td>2016</td>
<td>1940</td>
<td>625</td>
<td>227</td>
</tr>
<tr>
<td>2017</td>
<td>2037</td>
<td>713</td>
<td>391</td>
</tr>
</tbody>
</table>

Headcount

- Knowledge component in human resource mix increasingly important
- No. of engineers increasing, approx. 8% of total number of employees
- Increase headcount largely driven by higher activity level, productivity affected by learning curve new (temporary) employees and late deliveries material due to scarcity in component market
- Eastern Europe increased headcount due to activity level
## Financials

### Data per share

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<tr>
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</thead>
<tbody>
<tr>
<td>Operating result</td>
<td>1,25</td>
<td>1,03</td>
<td>0,52</td>
<td>0,60</td>
<td>0,26</td>
<td></td>
</tr>
<tr>
<td>Net result</td>
<td>0,86</td>
<td>0,85</td>
<td>0,28</td>
<td>0,63</td>
<td>0,19</td>
<td></td>
</tr>
<tr>
<td>Dividend</td>
<td>0,35</td>
<td>0,34</td>
<td>0,11</td>
<td>0,25</td>
<td>0,06</td>
<td></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>7,40</td>
<td>6,89</td>
<td>6,19</td>
<td>6,01</td>
<td>5,03</td>
<td></td>
</tr>
<tr>
<td>Number of issued shares (x 1,000 year-end)</td>
<td>11,481</td>
<td>11,459</td>
<td>11,401</td>
<td>10,986</td>
<td>9,946</td>
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</tr>
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</table>
## Financials

### Financial condition

<table>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt / EBITDA ratio *)</strong></td>
<td>1,6</td>
<td>1,5</td>
<td>1,9</td>
<td>1,7</td>
<td>0,1</td>
</tr>
<tr>
<td><strong>Interest coverage ratio</strong></td>
<td>10,2</td>
<td>6,8</td>
<td>4,9</td>
<td>6,9</td>
<td>11,2</td>
</tr>
<tr>
<td><strong>Solvency (Guaranteed) %</strong></td>
<td>44,0%</td>
<td>44,6%</td>
<td>42,6%</td>
<td>40,5%</td>
<td>41,5%</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>85,0</td>
<td>78,9</td>
<td>70,6</td>
<td>66,0</td>
<td>50,1</td>
</tr>
<tr>
<td>**Solvency <strong>)</strong></td>
<td>73,8</td>
<td>66,1</td>
<td>56,9</td>
<td>52,0</td>
<td>42,6</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>23,4</td>
<td>20,0</td>
<td>16,9</td>
<td>13,7</td>
<td>10,1</td>
</tr>
</tbody>
</table>

*) with effect from 2016 excl garanteed capital

**) incl convertible loans and corrected for intangible assets and deferred tax assets
### Initiative

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A  Key account management</td>
<td>Each Sector will embrace on Key Account Management programme, aimed at growing existing clients and targeting new accounts</td>
</tr>
<tr>
<td>B  Capabilities throughout the life-cycle</td>
<td>Building capabilities throughout the life-cycle, to become “I-EMS provider”</td>
</tr>
<tr>
<td>C  Bottom-line improvement</td>
<td>Continue with focus on strategy to improve the bottom-line results of the OC’s</td>
</tr>
<tr>
<td>D  One Neways</td>
<td>Lean harmonization of business processes to improve OC integration in the Group and become one coherent company</td>
</tr>
<tr>
<td>E  Management development</td>
<td>Management and talent development in all leadership positions</td>
</tr>
</tbody>
</table>
Operational

Key account management

- Understanding the Sector
  - Deepen understanding on trends, themes, issues, solutions etc. in chosen Sector
  - Sector team meetings in place

- Understanding the Client
  - Deepen understanding on trends, themes, issues, solutions, etc. which are relevant with a certain Client
  - Key account management responsibility over the operating companies
    - Build relationships with key decision makers within a Client
Operational

Capabilities throughout the life-cycle

Neways Technologies (NT) focuses on the design phase of product life cycle, to take care of the customer’s outsourcing needs in terms of development. NT realizes 100% of revenue in this phase.

Currently, the Neways production OCs realize ~90% of their revenue in this phase of product life cycle.

- Connect all ingredients in the life cycle and create an integral process
- Develop life cycle management to the next level
Operational

Capabilities throughout the life-cycle

- First Competence centers over the group in place
  - Standard functional test platform
  - Standard ICT platform
  - Flexible automated production
  - Surface mounted technology

- Life Cycle monitoring of products in pilot phase
- Model in place Design, engineering and production in a close loop
Operational

- **Procurement**
  - Supplier program on track to “Get in Control”
    - Per category key and performance suppliers defined
    - Continues improvement in compliance
  - QLTC cross-functional supply chain approach
    - Improvement program further extended and intensified
  - TCO programs in place

- **Supply chain**
  - Continuous mitigation of component shortages
  - Extension of Vendor Managed Inventory
  - Supplier CLIP and RLIP improvement program running
  - Streamline “One Neways” order process
    - Standard auditing method for supply chain process developed and successfully introduced
    - Developed a standard process for Order and forecast acceptance
Operational

Operations

- Continue Improvements program
  - Further roll out of Process Improvement process (POENK method)
  - Lean green belt training kicked off whole organization

- Footprint development
  - China: New modern facility will be opened in summer 2018
  - Eastern Europe:
    - Expansion automotive factory in Czech Republic is started. Open summer 2019.
    - Investigation for further expansion production capacity for industry, semicon and medical in CEE is started
  - US: start engineering capacity on small basis in Bay area
Operational

- We have brought the Neways Risk & Control framework for key processes to the next level
- New sustainability strategy developed
- Mapping standard Business landscape and IT architecture
People make the difference

- Neways DNA and lean leadership program as fundament of the Neways House
- Stimulate learning in the organization
  - Through cooperation along functional axis
  - Competence groups across Neways
- Continuous attention for program in Western Europe, Slovakia and Czech Republic
- Preparation roll-out for China
Management agenda & outlook
Management agenda & outlook

2018 priorities

- Roll-out of Neways DNA and lean leadership training programme in operating companies in China
- Identification and building of knowledge of new PMCs for higher added value solutions
- Drive forward simplification and standardization of the supply chain with a focus on materials purchasing and better supply risk management
- Further strengthening of central alignment with QLTC processes and reducing the workload of operating companies
- Strengthening and expansion of long-term partnerships by applying customer intimacy principles
- Further strengthening of engineering organization by growth of the number of development architects and closer collaboration with operating companies
Based on strategic progress made in 2017 and development of the order book, we expect a higher net turnover and normalized operating result for FY18.
Questions & Answers

Striving for TCO partnerships