



鷹普精密工業有限公司

Impro Precision Industries Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1286

## 2022 ANNUAL RESULTS PRESENTATION

March 9, 2023





# Disclaimer

The information set forth in this presentation is relating to the business of Impro Precision Industries Limited (the “Company” which, together with its subsidiaries, the “Group”) for the twelve months ended December 31, 2022. This presentation is intended to provide updated information on the Group for the twelve months ended December 31, 2022 and does not constitute an offer or an invitation to offer for sale or otherwise of any securities of any member of the Group. The information in this presentation is in summary form and is not a complete description of the business and the operating results of the Group for the twelve months ended December 31, 2022. No representation or warranty, express or implied, is made and no reliance should be placed on the accuracy, fairness or completeness of the information herein contained. For more detailed information of the annual results of the Group for the twelve months ended December 31, 2022, please refer to the 2022 annual results announcement of the Group published on the websites of the Stock Exchange of Hong Kong Limited and the Company.

This presentation contains certain forward-looking statements with respect to the financial condition, operating results, and business of the Group and certain plans and objectives of the management of the Group. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Group to be materially different from any future results of performance expressed or implied by such forward looking statements.



# FY 2022 Results Summary



## Solid Revenue Growth

- **2022 Group revenue up 15.3% y-on-y to HK\$4,354.7M, in local currencies, growth rate was 19.3%**
- **Aerospace, Medical & Energy end-markets revenue grew strongly, up 53.6% to HK\$515.8M**
- **Diversified Industrials end-market revenue up 24.5%** with high horse power engine, recreational boat and vehicle & agricultural equipment end-markets up 38.1%, 31.2% & 29.1%, respectively



## “Twin Growth Engine” Strategy

- “Global Footprint” & “Diversified End-markets” strategies are in works, mfg plants in Asia, Europe and Americas offering reliable and convenient services to diversified customers
- Continue executing “Twin Growth Engine” strategy, proactively deploying Aerospace and Hydraulics end-markets, **completed two related acquisitions in FY 2022 and continue to look for new target companies with synergetic value**



## Improving GP and EBITDA margin

- Mainly driven by economies of scale and expanded capacity, **FY 2022 GP margin increased by 1.9% to 29.0%**
- All business segments GP margin increased except ST
- IC, PM & SC segment GP margin increased by 2.8%, 1.1% & 3.1% to 33.7%, 24.1% & 27.2%, respectively
- **FY 2022 Adjusted EBITDA margin up 3.3% to 28.2%**



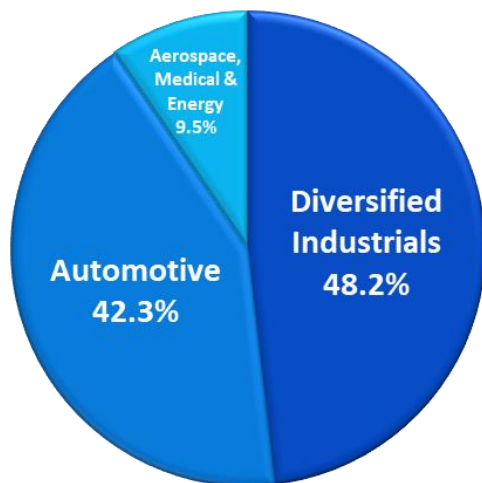
## Significant increase in Net Profit & Dividend Growth

- **FY 2022 profit att. to shd. up 52.0% y-on-y to HK\$582.0M**
- Excluding certain significant one-off items and PPA related amortization and other adjustments, **FY 2022 adj. profit att. to shd. up 53.7% y-on-y to HK\$649.1M**
- Applying ~46% dividend payout ratio on adjusted earnings per share, **2022 2<sup>nd</sup> interim dividend at HK\$0.08 per share, FY 2022 total dividend at HK\$0.16 per share, up 58.4% y-on-y**

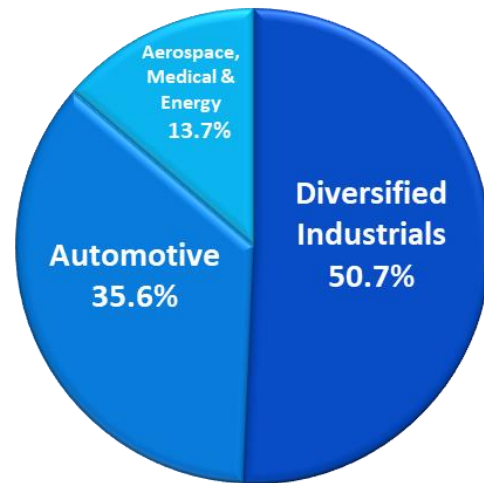


# Revenue by End Markets

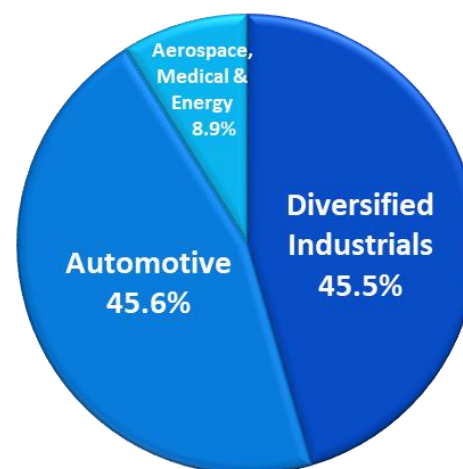
**2H/2021**



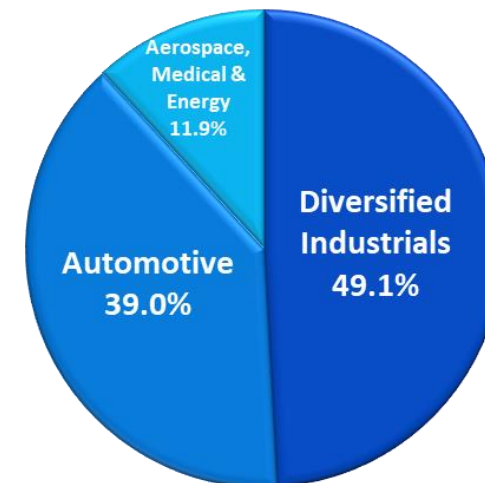
**2H/2022**



**FY2021**



**FY2022**



By End Market	2H/2021	2H/2022	Inc/(Dec)		FY2021	FY2022	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
Diversified Industrials	941.0	1,096.0	155.0	16.5%	1,718.6	2,139.4	420.8	24.5%
Automotive	826.8	769.8	(57.0)	-6.9%	1,723.3	1,699.5	(23.8)	-1.4%
Aerospace, Medical & Energy	186.0	296.2	110.2	59.2%	335.8	515.8	180.0	53.6%
<b>Total</b>	<b>1,953.8</b>	<b>2,162.0</b>	<b>208.2</b>	<b>10.7%</b>	<b>3,777.7</b>	<b>4,354.7</b>	<b>577.0</b>	<b>15.3%</b>





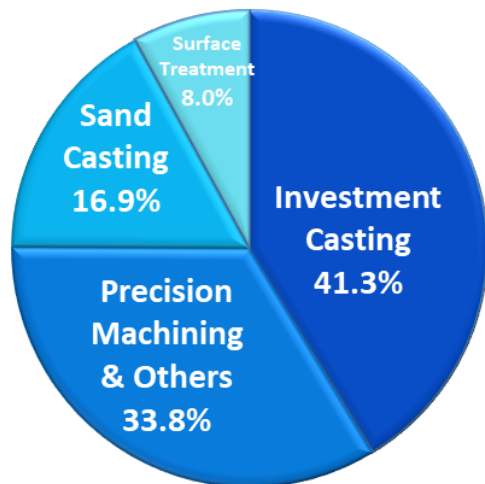
# Revenue by End Markets

By End Market	2H/2021	2H/2022	Inc/(Dec)		FY2021	FY2022	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
<b>Diversified Industrials</b>	<b>941.0</b>	<b>1,096.0</b>	<b>155.0</b>	<b>16.5%</b>	<b>1,718.6</b>	<b>2,139.4</b>	<b>420.8</b>	<b>24.5%</b>
- Construction Equipment	301.4	332.0	30.6	10.2%	556.9	646.9	90.0	16.2%
- High Horsepower Engine	205.8	254.5	48.7	23.7%	335.3	463.1	127.8	38.1%
- Agricultural Equipment	147.1	176.1	29.0	19.7%	273.6	353.3	79.7	29.1%
- Recreational Boat & Vehicle	99.5	121.7	22.2	22.3%	189.2	248.2	59.0	31.2%
- Others	187.2	211.7	24.5	13.1%	363.6	427.9	64.3	17.7%
<b>Automotive</b>	<b>826.8</b>	<b>769.8</b>	<b>(57.0)</b>	<b>-6.9%</b>	<b>1,723.3</b>	<b>1,699.5</b>	<b>(23.8)</b>	<b>-1.4%</b>
- Commercial Vehicle	368.3	442.8	74.5	20.2%	755.0	896.0	141.0	18.7%
- Passenger Car	458.5	327.0	(131.5)	-28.7%	968.3	803.5	(164.8)	-17.0%
<b>Aerospace, Medical &amp; Energy</b>	<b>186.0</b>	<b>296.2</b>	<b>110.2</b>	<b>59.2%</b>	<b>335.8</b>	<b>515.8</b>	<b>180.0</b>	<b>53.6%</b>
- Aerospace	105.5	171.5	66.0	62.6%	190.4	290.9	100.5	52.8%
- Medical	59.1	76.5	17.4	29.4%	115.4	152.4	37.0	32.1%
- Energy	21.4	48.2	26.8	125.2%	30.0	72.5	42.5	141.7%
<b>Total</b>	<b>1,953.8</b>	<b>2,162.0</b>	<b>208.2</b>	<b>10.7%</b>	<b>3,777.7</b>	<b>4,354.7</b>	<b>577.0</b>	<b>15.3%</b>

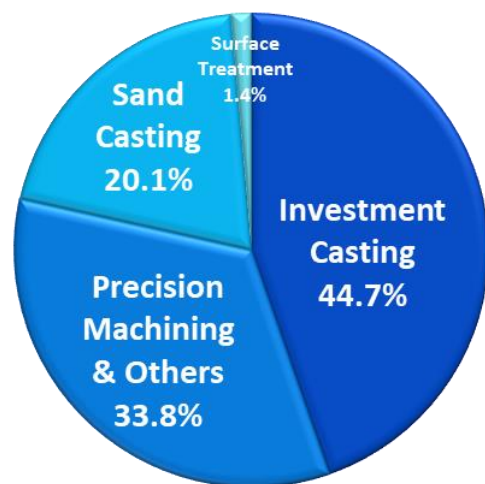


# Revenue by Business

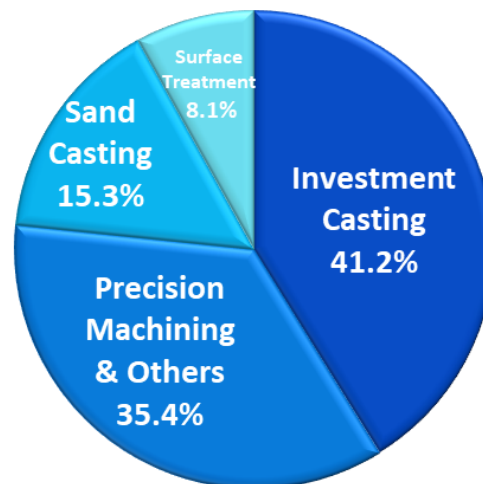
**2H/2021**



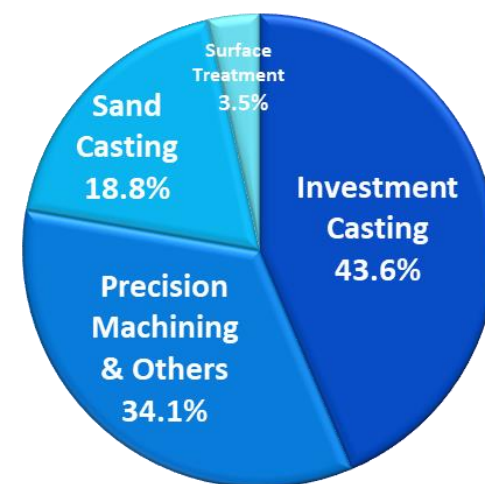
**2H/2022**



**FY2021**



**FY2022**

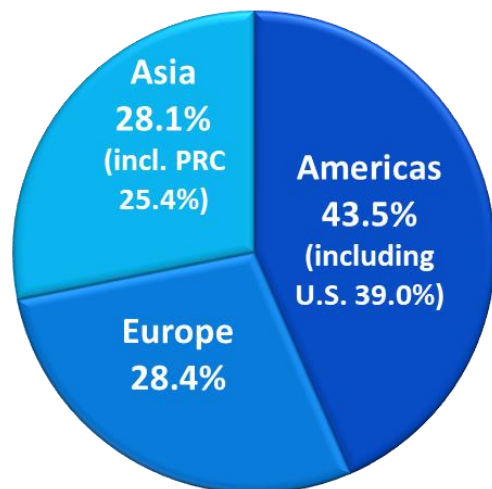


	<u>2H/2021</u>	<u>2H/2022</u>	<u>Inc/(Dec)</u>		<u>FY2021</u>	<u>FY2022</u>	<u>Inc/(Dec)</u>	
By Business	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
Investment Casting	807.4	965.8	158.4	19.6%	1,556.4	1,899.6	343.2	22.1%
Precision Machining & Others	659.6	731.2	71.6	10.9%	1,338.6	1,486.0	147.4	11.0%
Sand Casting	331.2	435.0	103.8	31.3%	578.5	815.6	237.1	41.0%
Surface Treatment	155.6	30.0	(125.6)	-80.7%	304.2	153.5	(150.7)	-49.5%
<b>Total</b>	<b>1,953.8</b>	<b>2,162.0</b>	<b>208.2</b>	<b>10.7%</b>	<b>3,777.7</b>	<b>4,354.7</b>	<b>577.0</b>	<b>15.3%</b>

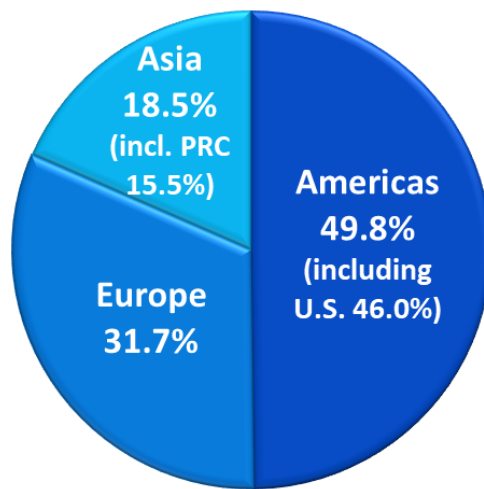


# Revenue by Geographical

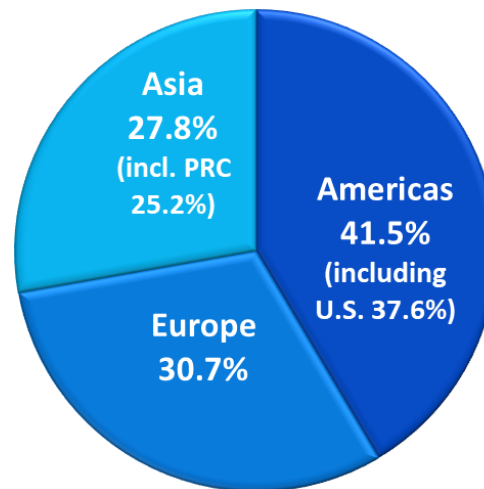
**2H/2021**



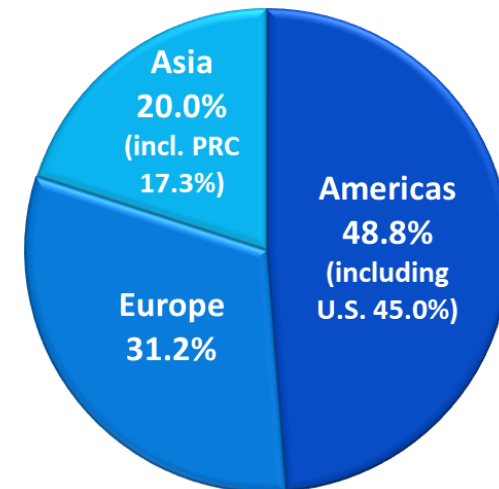
**2H/2022**



**FY2021**



**FY2022**



	2H/2021	2H/2022	Inc/(Dec)		FY2021	FY2022	Inc/(Dec)	
By Geographical	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
<b>Americas</b>	<b>849.4</b>	<b>1,076.6</b>	<b>227.2</b>	<b>26.7%</b>	<b>1,567.2</b>	<b>2,123.0</b>	<b>555.8</b>	<b>35.5%</b>
- United States	761.2	994.6	233.4	30.7%	1,420.4	1,957.7	537.3	37.8%
- Others	88.2	82.0	(6.2)	-7.0%	146.8	165.3	18.5	12.6%
<b>Europe</b>	<b>554.4</b>	<b>686.2</b>	<b>131.8</b>	<b>23.8%</b>	<b>1,161.0</b>	<b>1,358.4</b>	<b>197.4</b>	<b>17.0%</b>
<b>Asia</b>	<b>550.0</b>	<b>399.2</b>	<b>(150.8)</b>	<b>-27.4%</b>	<b>1,049.5</b>	<b>873.3</b>	<b>(176.2)</b>	<b>-16.8%</b>
- PRC	495.6	336.0	(159.6)	-32.2%	951.7	753.3	(198.4)	-20.8%
- Others	54.4	63.2	8.8	16.2%	97.8	120.0	22.2	22.7%
<b>Total</b>	<b>1,953.8</b>	<b>2,162.0</b>	<b>208.2</b>	<b>10.7%</b>	<b>3,777.7</b>	<b>4,354.7</b>	<b>577.0</b>	<b>15.3%</b>

# 2022 Financial Review





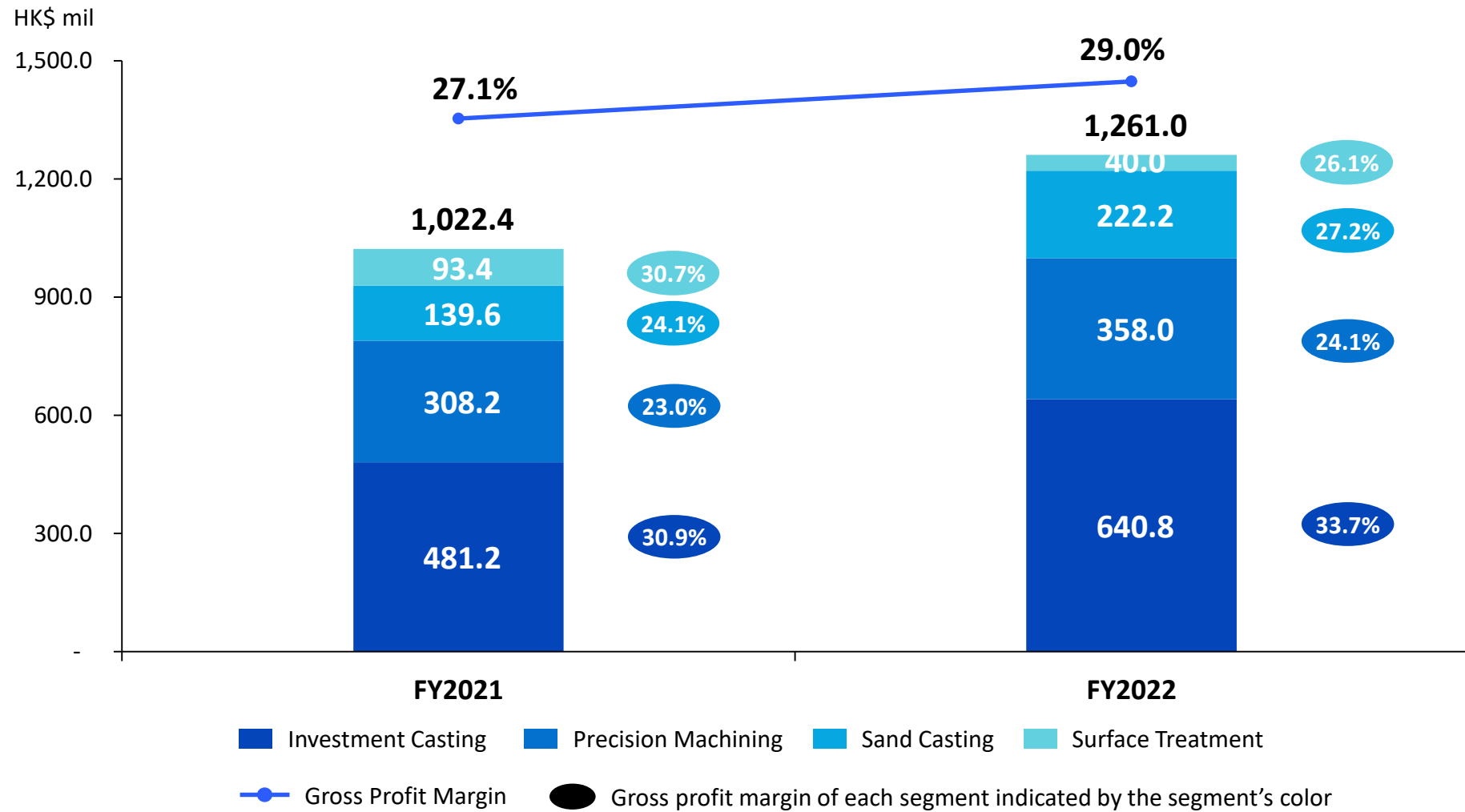


# FY2022 Financial Review

	FY2021	FY2022	
Financial Highlights	HK\$ mil	HK\$ mil	Change
Revenue	3,777.7	4,354.7	15.3%
Gross Profit	1,022.4	1,261.0	23.3%
Gross Profit Margin	27.1%	29.0%	1.9%
Other net loss	(48.0)	(24.6)	-48.8%
Selling and distribution expenses	(187.4)	(180.7)	-3.6%
Administrative and other operating expenses	(328.4)	(334.7)	1.9%
Adjusted EBITDA	940.9	1,227.6	30.5%
Adjusted EBITDA Margin	24.9%	28.2%	3.3%
Profit att. to shareholders of the Company	382.8	582.0	52.0%
Adj. Profit Attr. to Shareholders of the Company	422.2	649.1	53.7%
Adjusted basic EPS (HK cents)	22.4	34.5	54.0%
DPS (HK cents)	10.1	16.0	58.4%

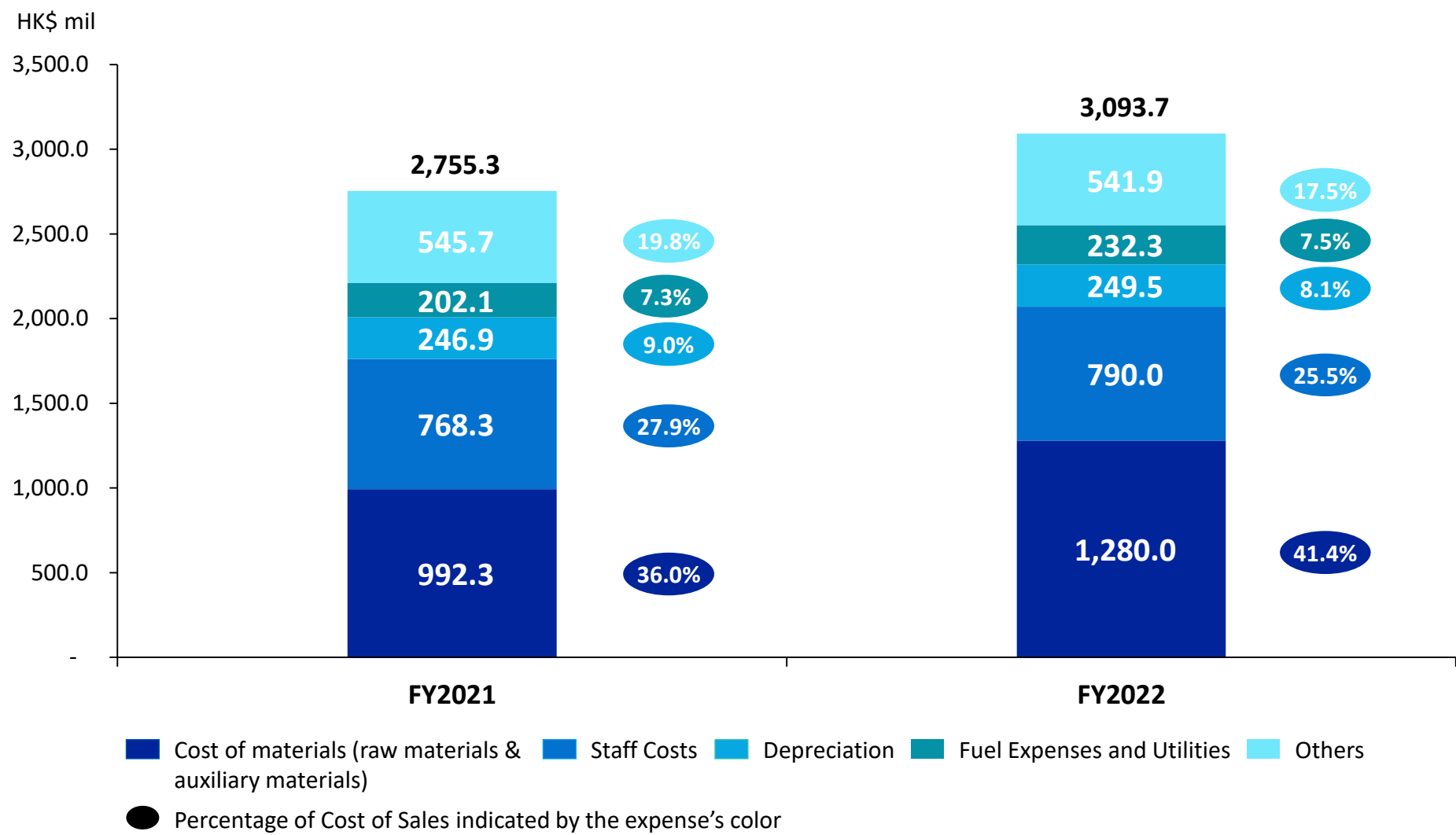


# Gross Profit



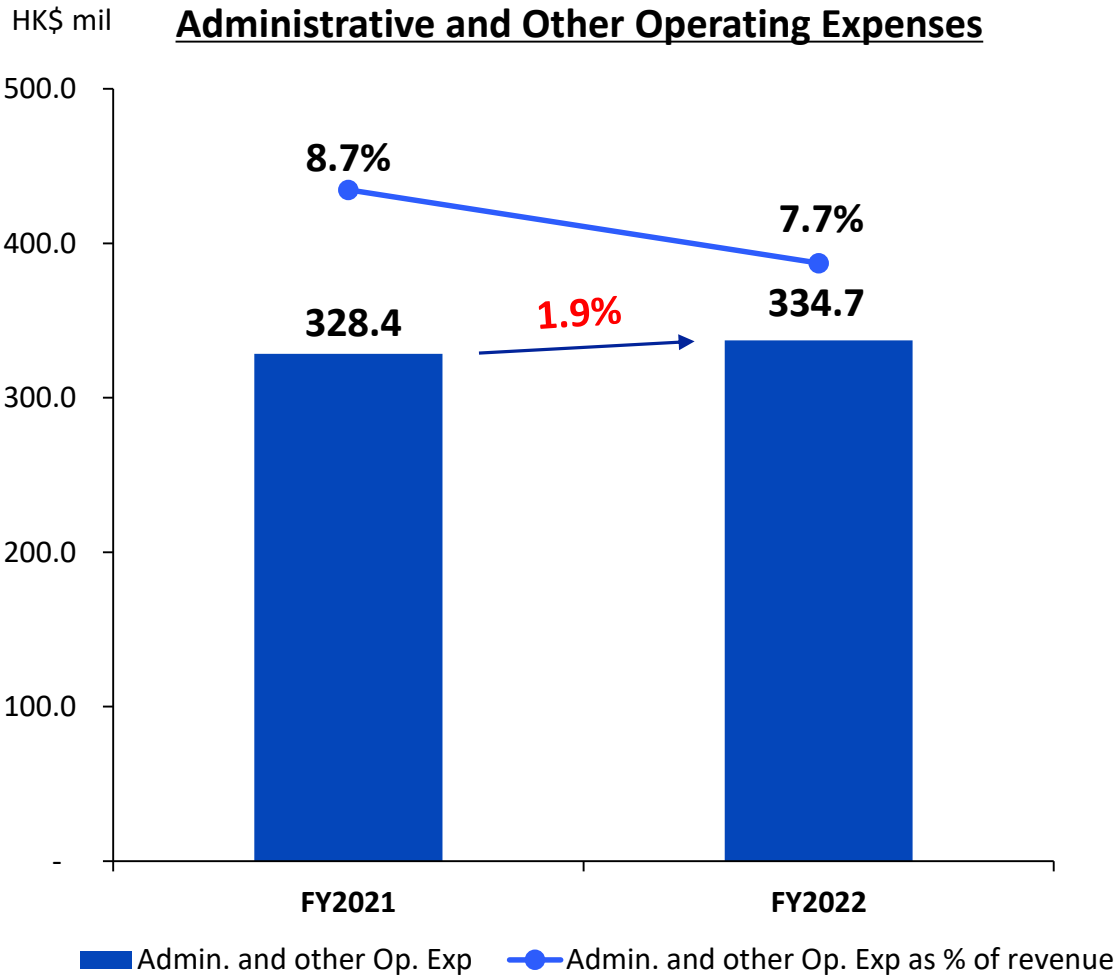
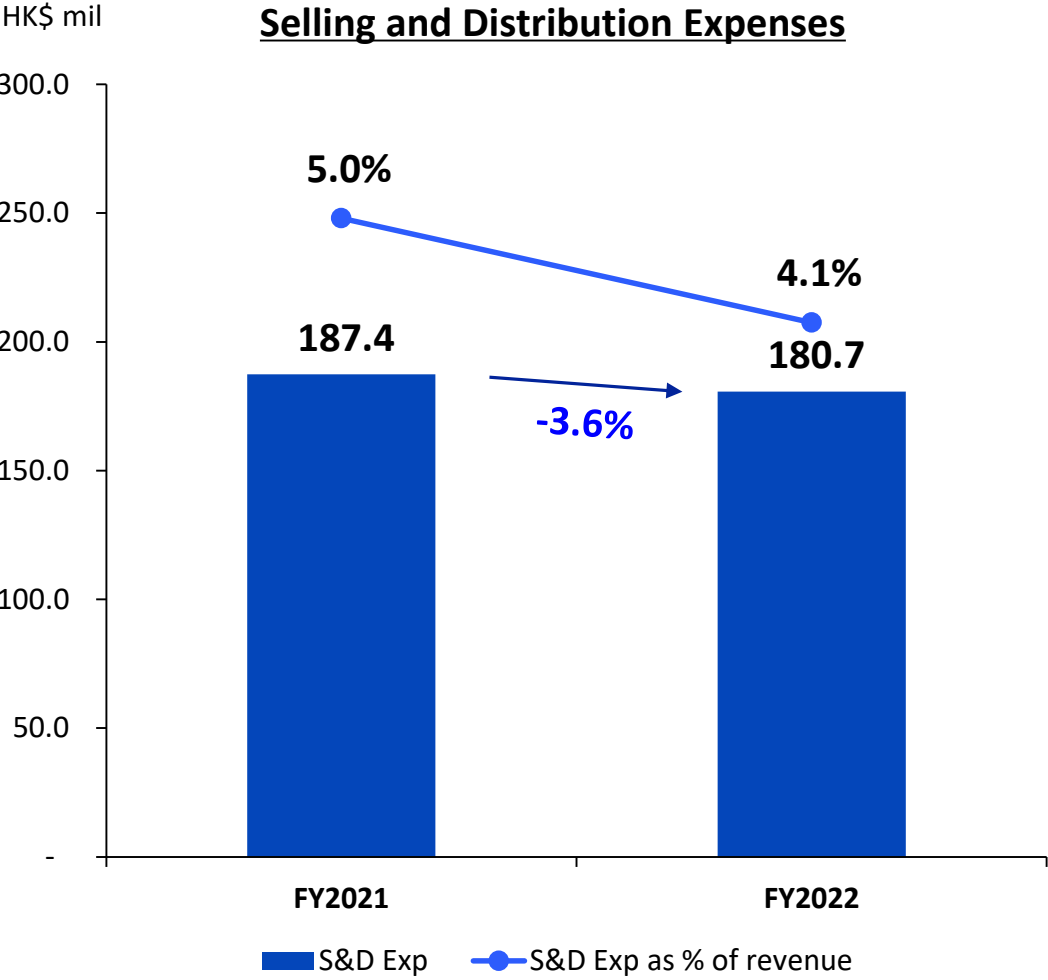


# Cost of Sales Analysis





# Operating Expenses Analysis

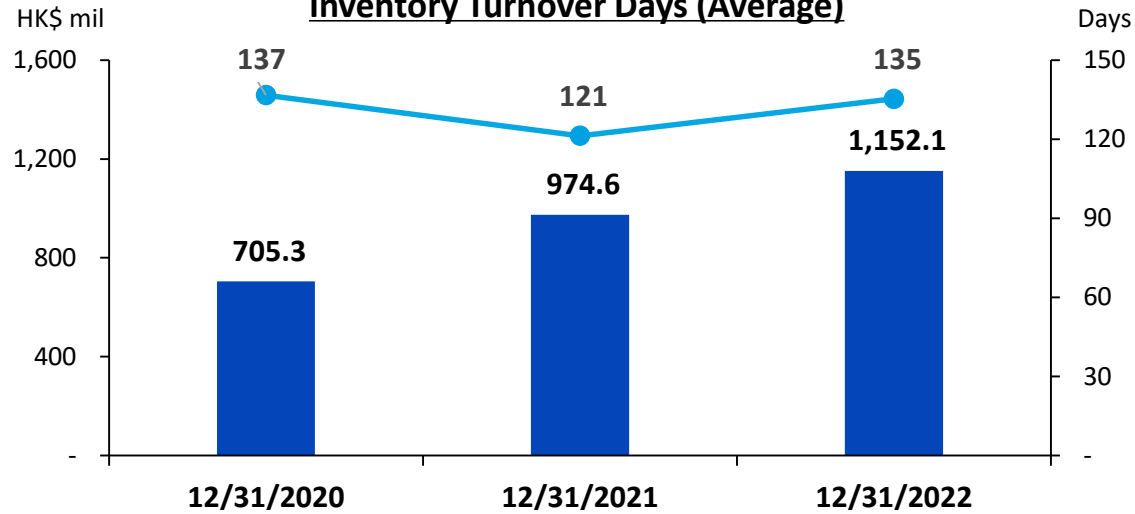




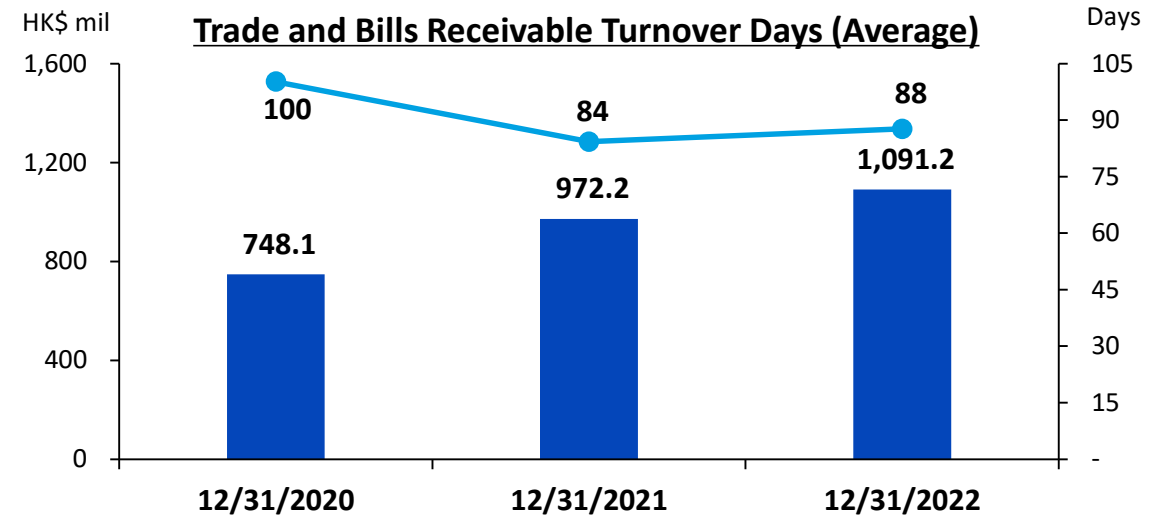


# Key Working Capital Ratios

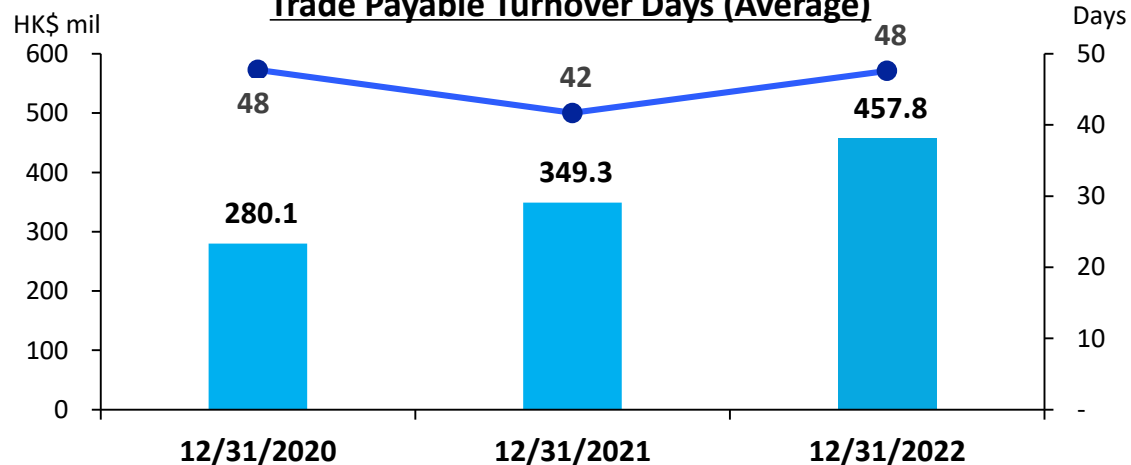
**Inventory Turnover Days (Average)**



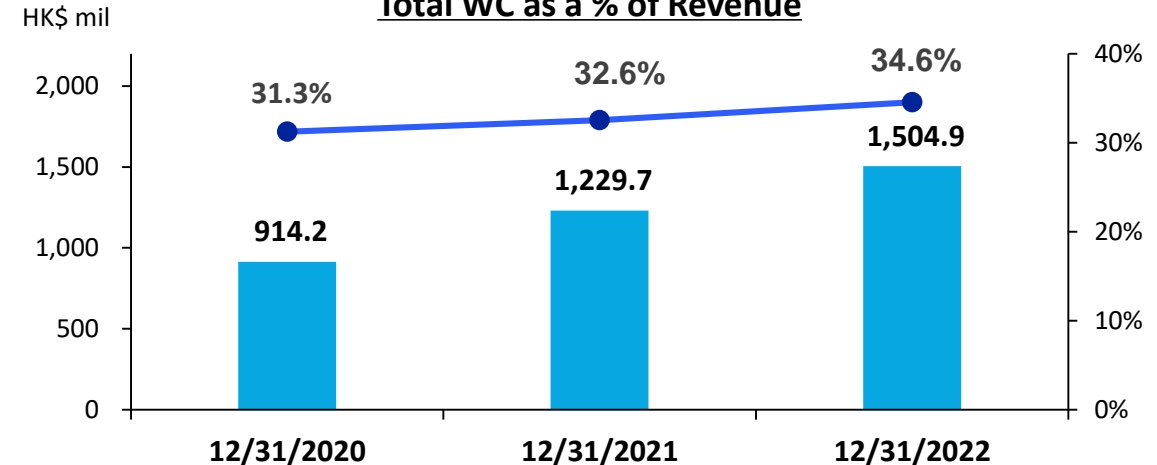
**Trade and Bills Receivable Turnover Days (Average)**



**Trade Payable Turnover Days (Average)**

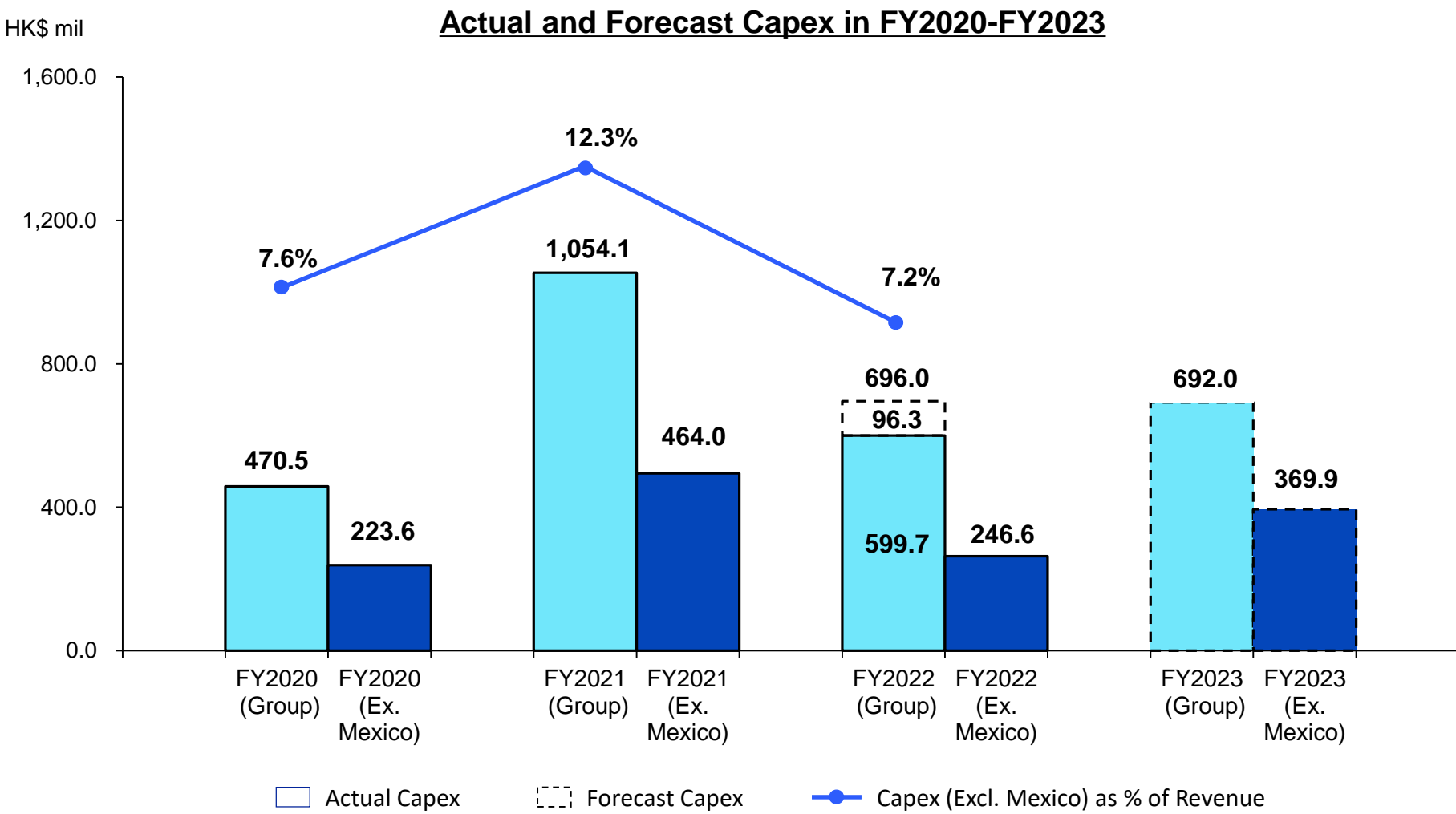


**Total WC as a % of Revenue**



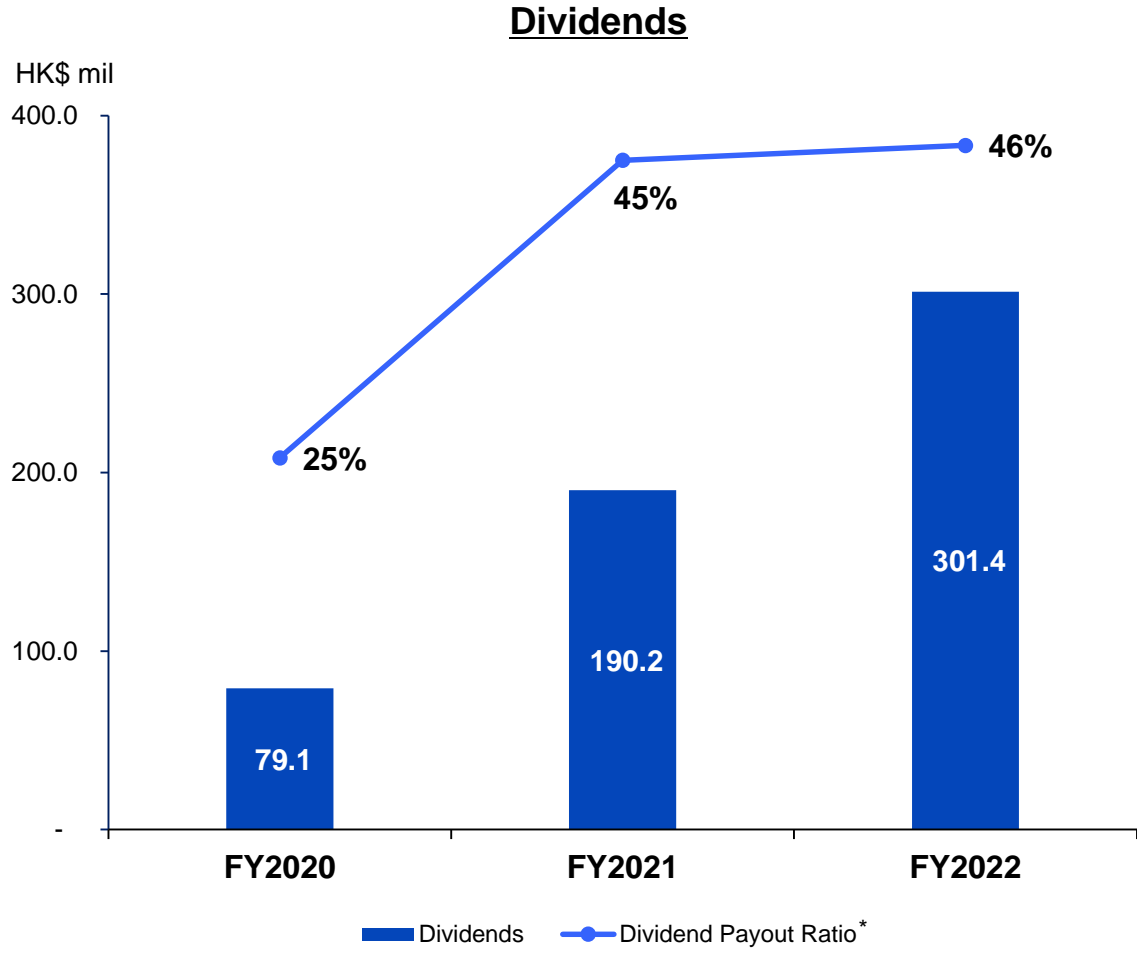


# Capital Expenditure

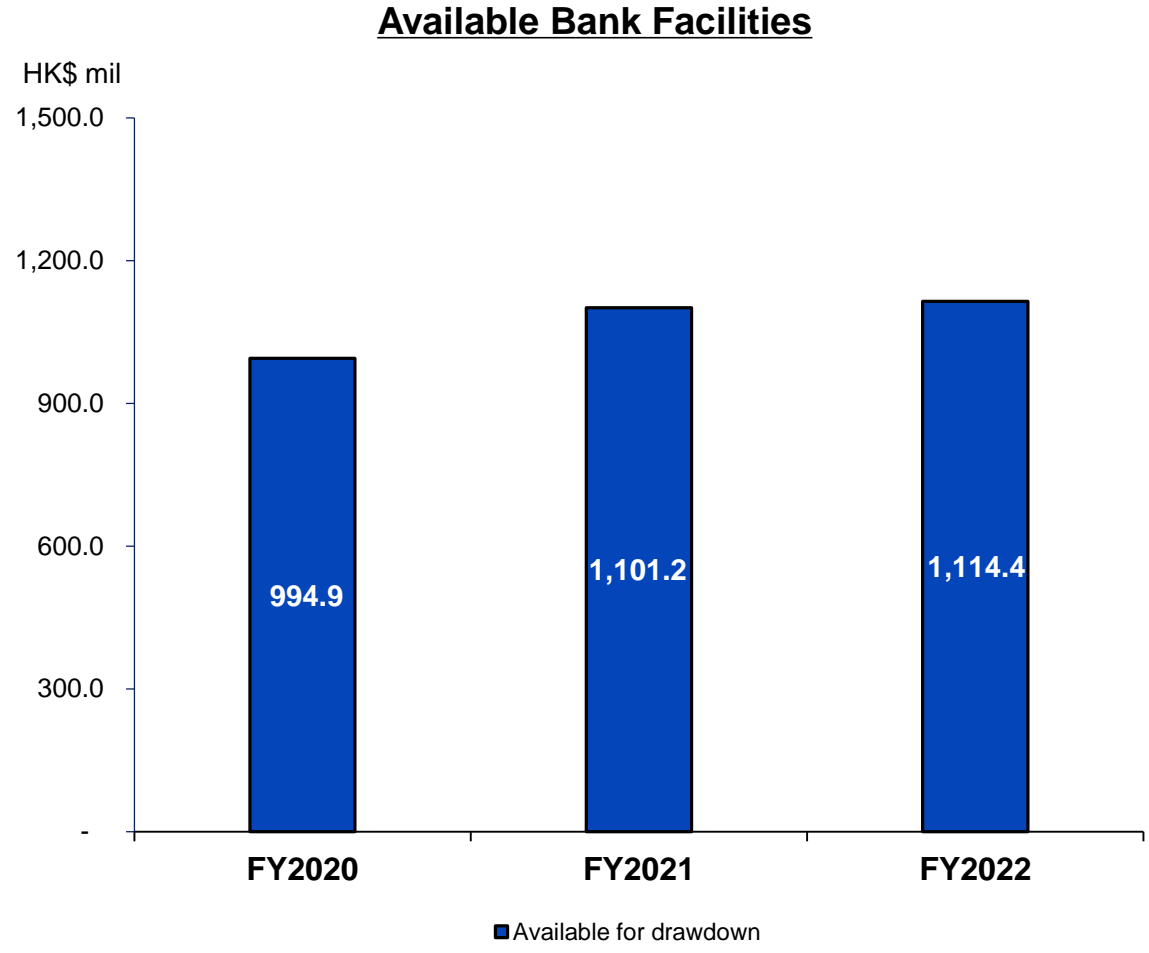




# Dividends & Available Bank Facilities



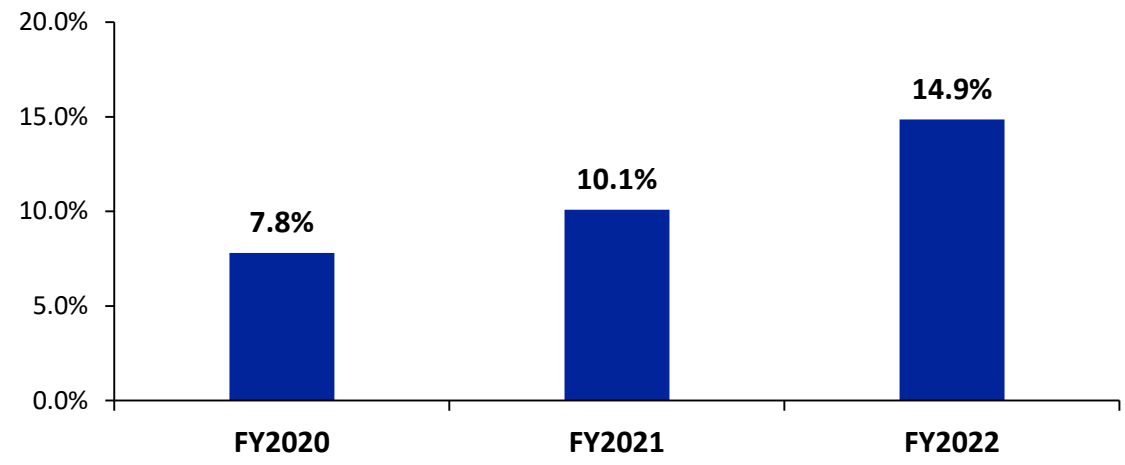
\* Based on adjusted profit attributable to shareholders



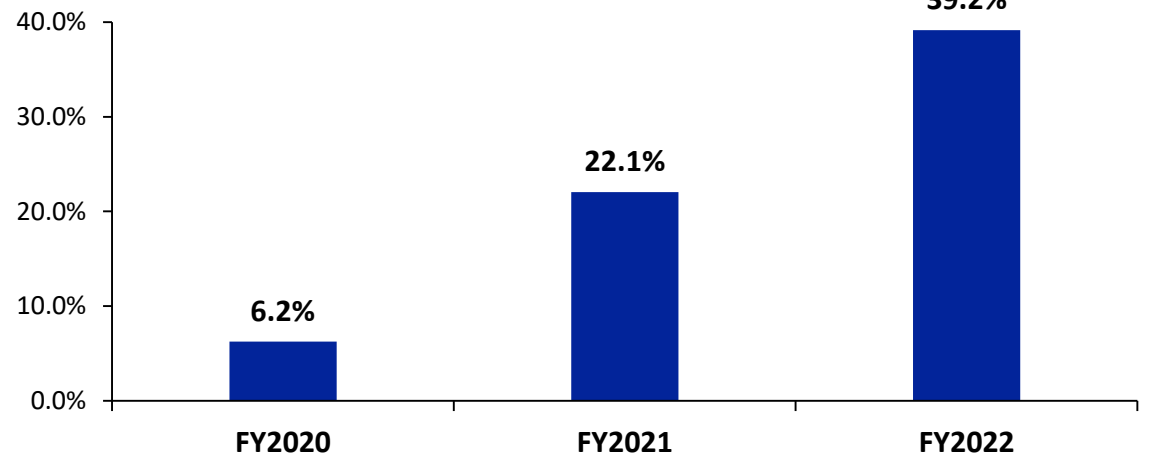


# Key Financial Ratios

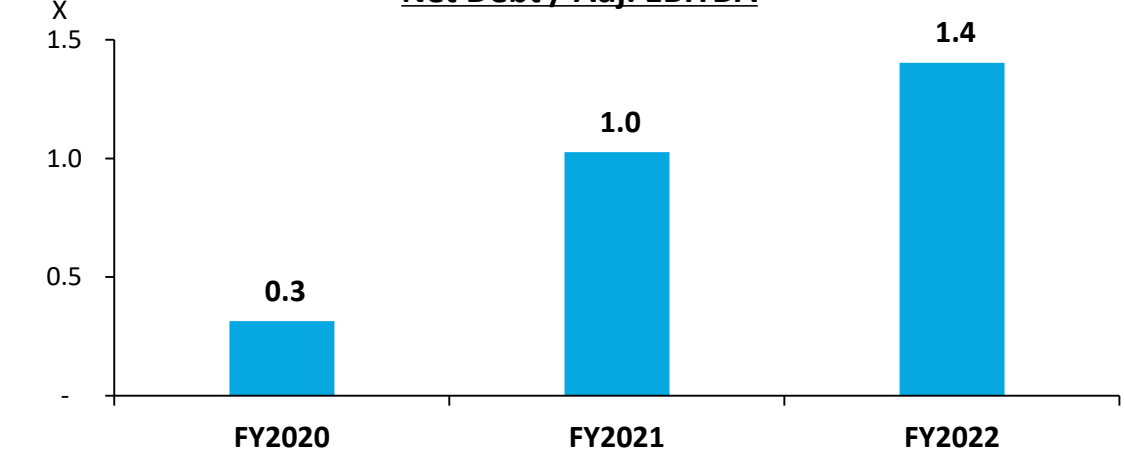
Adjusted Return on Equity



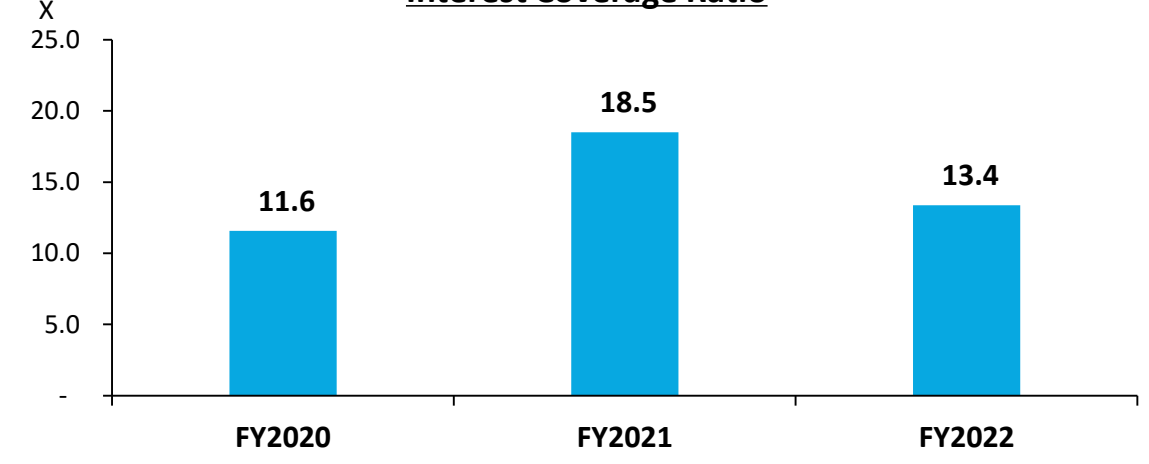
Net Gearing Ratio



Net Debt / Adj. EBITDA



Interest Coverage Ratio

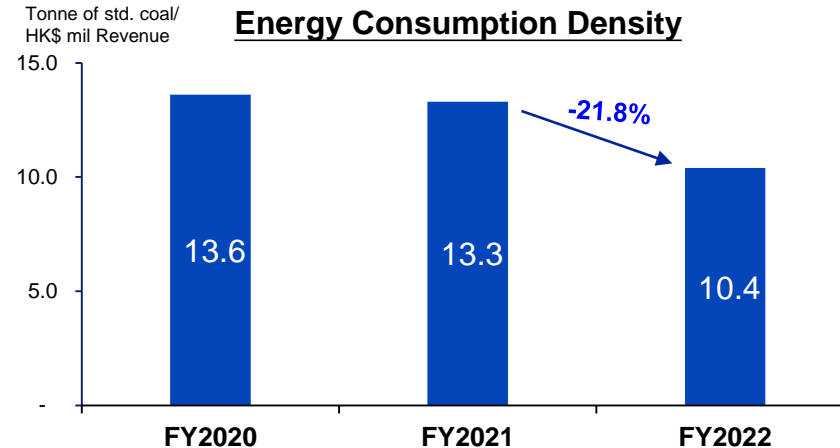
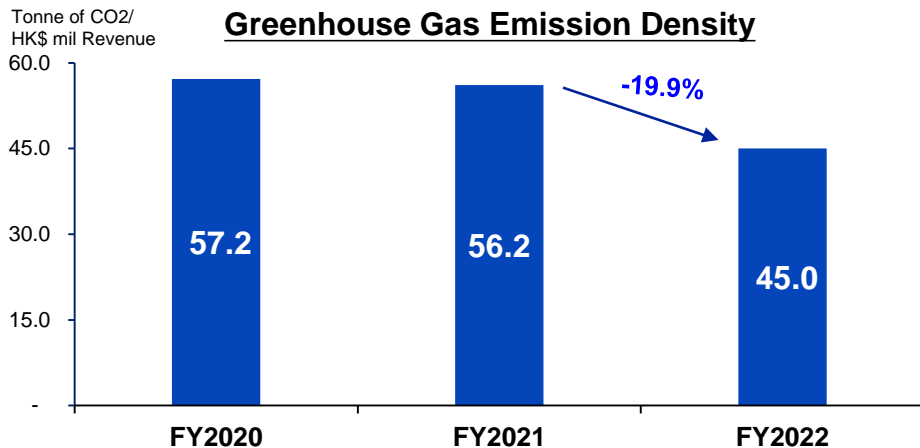






# Sustainability Highlights

- Insist in low greenhouse gas emission and reduction of energy consumption during manufacturing process, consistently reducing group's remarkable carbon emissions and energy consumption density over the last few years



- Pledged to reduce 2030 greenhouse gas emission and energy consumption intensity by at least 30% since 2020**
- Awarded Bronze Medal by a global reputable sustainability rating agency EcoVadis in February 2023**, signifying the Group's outstanding corporate social responsibility and sustainability achievements
- Earned “Excellent ESG Enterprise of 2021-2022” Award again from HK Economic Times in 2022
- Completed new living facility in Wuxi, China, and currently finishing another living facility in SLP Campus, Mexico to improve the living quality and happiness of employees



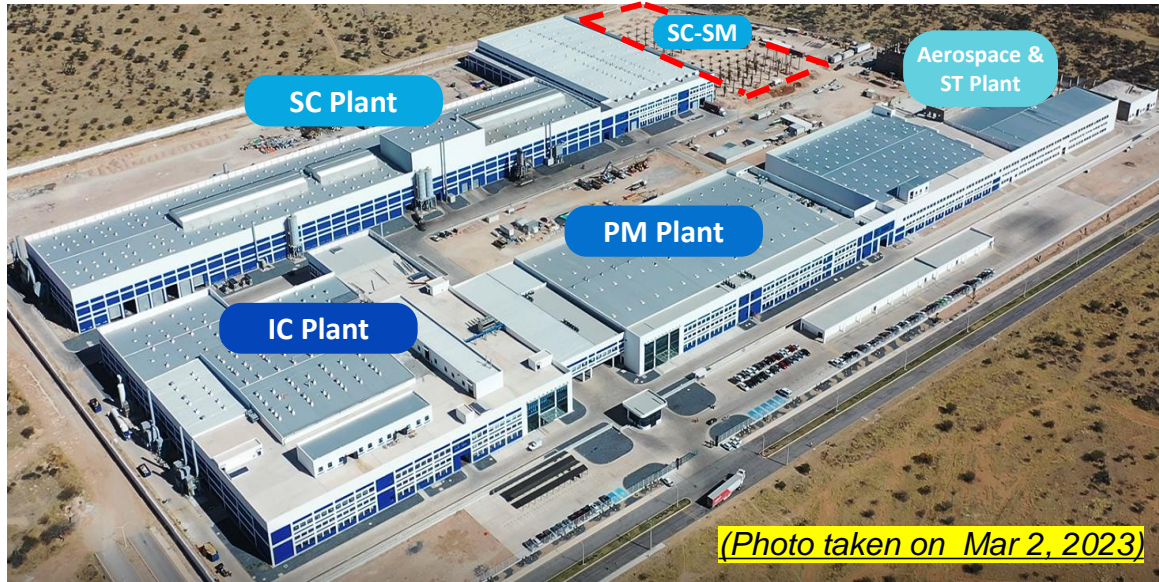
# Business Outlook







# Mexico SLP Campus Construction Update



- Mexico SLP Campus Precision Machining (PM), Sand Casting (SC) and Sand Casting (IC) plants have been put into operation in 2021 and 2022
- Construction of the other two plants, including Aerospace components and Surface Treatment (ST) plants reached final stage, and it is planned to start trial production and obtain aerospace system certification in 2023
- Mexico SLP Campus 2022 capex at HK\$353M and Phase I accumulated capex exceeded HK\$1.4B; 2023 budget capex at HK\$322M. Due to overwhelming business growth outlook of SC, 2023 budget capex included a 22,860m<sup>2</sup> SC-SM plant which originally planned only at phase II. Mexico SLP Campus capex expected to decrease in subsequent years
- Revenue from Mexico SLP Campus is expected to grow strongly in next few years and operating results will improve accordingly



# Business Outlook

- Strong customer demand from Aerospace, Medical and Energy end-markets; several Diversified Industrials sub end-markets like Construction Equipment and Agricultural Equipment overseas demand growth remain significant
- Asia customers demand is expected to rebound and may grow the fastest in 2023, followed by Americas and Europe
- As of Feb 28, 2023, orders on hand for next 12 months amount to HK\$3.98B, a 6.2% increase y-on-y
- Customers of the two 2H/2022 completed acquisitions are mostly located in PRC that generally have shorter order cycle; Management of the Company believe the Group will gradually extract synergies from these acquisitions, and maintain a solid revenue growth in 2023
- Mexico SLP campus business is still in the ramp-up stage and expects a greater depreciation cost, and interest rate and forex fluctuations, etc. will inevitably put pressure on the 2023 profit margin of the Group
- Sound financial and cash flow position of the Group, and with abundant undrawn banking facilities provide a solid foundation for future synergetic M&A

.....



# Q&A Session



# Appendices – Financials Summary





# Appendix 1 - Reconciliation of Adjusted Profit Attributable to Shareholders and Adjusted EBITDA

	FY2021	FY2022	
	HK\$ mil	HK\$ mil	Change
<b><u>Reconciliation to Adj. Profit Attr. to Shareholders</u></b>			
Profit after tax	385.8	582.8	
Adjustments (net of tax):			
- Net impairment loss prov. of PPE & inv. re: Nantong fire incident	-	62.2	
- Gain on disposal of a Germany plant's property and machinery	-	(13.1)	
- Prov. for staff severance costs re: Germany plant closure	21.6	-	
- Amort'n and Dep'n related to past acq's PPA adj	17.8	18.0	
<b>Adjusted NPAT</b>	<b>425.2</b>	<b>649.9</b>	<b>52.8%</b>
Less: Profit Attr. to non-controlling interest	(3.0)	(0.8)	
<b>Adjusted Profit Attr. to Shareholders</b>	<b>422.2</b>	<b>649.1</b>	<b>53.7%</b>
<b><u>Reconciliation to Adj. EBITDA</u></b>			
EBITDA	910.0	1,165.5	
Adjustments:			
- Net impairment loss prov. of PPE & inv. re: Nantong fire incident	-	80.4	
- Gain on disposal of a Germany plant's property and machinery	-	(18.3)	
- Prov. for staff severance costs re: Germany plant closure	30.9	-	
<b>Adjusted EBITDA</b>	<b>940.9</b>	<b>1,227.6</b>	<b>30.5%</b>
<b>Adjusted EBITDA Margin</b>	<b>24.9%</b>	<b>28.2%</b>	<b>3.3%</b>





## Appendix 2 – Consolidated Statement of Profit or Loss

	FY2021	FY2022
	HK\$ mil	HK\$ mil
Revenue	3,777.7	4,354.7
Cost of sales	(2,755.3)	(3,093.7)
<b>Gross Profit</b>	<b>1,022.4</b>	<b>1,261.0</b>
Other revenue	34.4	23.9
Other net loss	(48.0)	(24.6)
Selling and distribution expenses	(187.4)	(180.7)
Administrative and other operating expenses	(328.4)	(334.7)
<b>Operating Profit</b>	<b>493.0</b>	<b>744.9</b>
Net finance costs	(24.4)	(55.9)
<b>Profit before taxation</b>	<b>468.6</b>	<b>689.0</b>
Income tax	(82.8)	(106.2)
<b>Profit for the year</b>	<b>385.8</b>	<b>582.8</b>
Attributable to:		
Equity shareholders of the Company	382.8	582.0
Non-controlling interest	3.0	0.8
<b>Profit for the year</b>	<b>385.8</b>	<b>582.8</b>



## Appendix 3 – Consolidated Statement of Financial Position

	12/31/2021	12/31/2022
	HK\$ mil	HK\$ mil
<b>Non-current assets</b>		
Property, plant and equipment	3,970.1	4,050.2
Prepayments for Property, plant and equipment	54.5	46.8
Intangible assets	43.7	248.4
Goodwill	-	230.8
Deferred expenses	178.5	163.2
Other financial assets	1.7	1.6
Deferred tax assets	46.0	69.3
	<b>4,294.5</b>	<b>4,810.3</b>
<b>Current assets</b>		
Inventories	974.6	1,152.1
Trade and bills receivables	972.2	1,091.2
Prepayments, deposits and other receivables	219.9	219.2
Taxation recoverable	2.1	6.9
Cash and cash equivalents	579.0	483.3
	<b>2,747.8</b>	<b>2,952.7</b>



## Appendix 3 – Consolidated Statement of Financial Position

	12/31/2021	12/31/2022
	HK\$ mil	HK\$ mil
<b>Current liabilities</b>		
Bank loans	786.7	942.4
Lease liabilities	9.4	14.4
Trade payables	349.3	457.8
Other payables and accruals	381.7	303.1
Taxation payable	56.0	94.5
	<b>1,583.1</b>	<b>1,812.2</b>
<b>Net current assets</b>	<b>1,164.7</b>	<b>1,140.5</b>
<b>Total assets less current liabilities</b>	<b>5,459.2</b>	<b>5,950.8</b>
<b>Non-current liabilities</b>		
Bank loans	742.2	1,244.2
Lease liabilities	6.6	4.9
Deferred income	140.8	129.4
Defined benefit retirement plans obligation	65.2	67.3
Deferred tax liabilities	125.0	107.0
	<b>1,079.8</b>	<b>1,552.8</b>
<b>NET ASSETS</b>	<b>4,379.4</b>	<b>4,398.0</b>



## Appendix 3 – Consolidated Statement of Financial Position

	<u>12/31/2021</u>	<u>12/31/2022</u>
	HK\$ mil	HK\$ mil
<b>Capital and reserves</b>		
Share capital	188.3	188.5
Reserves	4,167.8	4,190.8
<b>Total equity attributable to equity shareholders of the Company</b>	<b>4,356.1</b>	<b>4,379.3</b>
Non-controlling interest	23.3	18.7
<b>TOTAL EQUITY</b>	<b>4,379.4</b>	<b>4,398.0</b>





## Appendix 4 – Condensed Consolidated Cash Flow Statement

	FY2021	FY2022
	HK\$ mil	HK\$ mil
<b>Operating activities</b>		
Cash generated from operations	515.5	940.5
Tax paid	(91.1)	(103.0)
<b>Net cash generated from operating activities</b>	<b>424.4</b>	<b>837.5</b>
<b>Investing activities</b>		
Payment of property, plant and equipment	(962.0)	(634.9)
Proceeds from disposal of property, plant and equipment	2.3	38.0
Payment for deferred expenses	(74.9)	(76.1)
Acquisitions of subsidiaries, net	-	(545.0)
Interest received	4.0	4.5
<b>Net cash used in investing activities</b>	<b>(1,030.6)</b>	<b>(1,213.5)</b>



## Appendix 4 – Condensed Consolidated Cash Flow Statement

	FY2021	FY2022
	HK\$ mil	HK\$ mil
<b>Financing activities</b>		
Proceeds from bank loans	1,212.8	1,626.6
Repayment of bank loans	(491.5)	(950.7)
Lease rentals paid	(25.7)	(9.4)
Interest paid	(27.2)	(59.6)
Proceeds from exercise of share options	-	3.0
Dividends paid to equity shareholders of the Company	(88.5)	(286.3)
Dividend paid to non-controlling interest	-	(3.8)
<b>Net cash generated from financing activities</b>	<b>579.9</b>	<b>319.8</b>
<b>Decrease in cash and cash equivalents</b>	<b>(26.3)</b>	<b>(56.2)</b>
Cash and cash equivalents at January 1	602.0	579.0
Effect of foreign exchange rate changes	3.3	(39.5)
<b>Cash and cash equivalents at December 31</b>	<b>579.0</b>	<b>483.3</b>



# ***Impro***

*Reliable · Flexible · Global*

---

## THANK YOU