



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

2023 INTERIM RESULTS PRESENTATION

August 8, 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 six months ended June 30, 2023. This presentation is intended to provide updated information on the Group for the six months ended June 30, 2023 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 six months ended June 30, 2023. 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 six months ended June 30, 2023, please refer to the 2023 interim 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.



1H/2023 Results Summary



Resilient Revenue Growth

- Group revenue up 9.7% y-on-y to HK\$2,404.8M, in local currency the growth rate is 11.0%
- Aerospace, energy & medical end-markets revenue grew strongly, 1H/2023 revenue up 67.3% to HK\$319.8M
- Diversified Industrials end-market revenue up 10.5%, construction equipment, high horsepower engine and agricultural end-markets up 27.7%, 20.7% and 16.3% respectively
- Automotive end-market revenue down 3.1%, commercial vehicle up 5.5% while passenger car end-market revenue down 11.2%



Effective Implementation of 3 major Strategies

- “Global Footprint” & “Diversified End-markets” strategies are effectively implemented, manufacturing plants in Asia, Europe and Americas offering reliable and convenient services to customers
- Integration of the two 2H/2022 acquired businesses proceeded well, Foshan Ameriforge revenue grew strongly and the hydraulic orbital motor business also expanded overseas sales network during the Period, “Twin Growth Engine” strategy shows effectiveness



Increase in EBITDA & Reported Profit

- Despite headwinds of surface treatment division loss mainly due to Nantong plant fire incident in early June 2022 and higher than expected loss in Mexico new plants, adjusted EBITDA continued to increase by 3.1% to HK\$658.6M
- Reported profit attributable to shareholders increased to HK\$303.2M or 13.3% increase y-on-y
- Adjusted for the one-off items, adjusted profit attributable to shareholders decreased 7.1% to HK\$311.2M



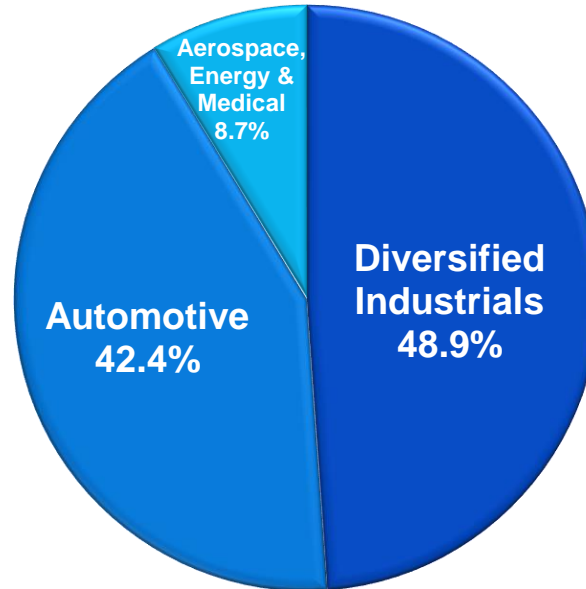
Significant increase in Free Cash Flow & Stable Dividend Payout

- Free cash flow increased substantially by 31 times to HK\$274.9M in 1H/2023, driven by effective control of working capital management
- Net debt decreased by \$79.8M to \$1.642.8M, net gearing decreased to 35.0%
- 2023 interim dividend remains unchanged vs last year, at HK\$0.08 per share, equivalent to dividend payout rate of 48.5% based on adjusted profit attributable to shareholders

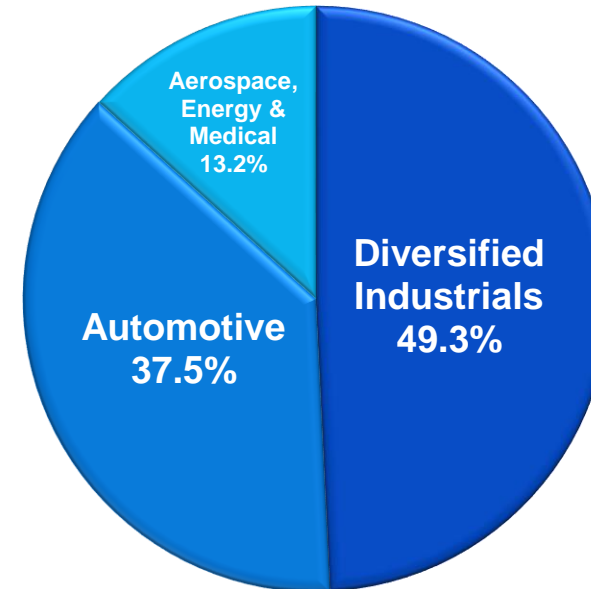


Revenue by End-Market

1H/2022



1H/2023



By End-Market	1H/2022	1H/2023	Inc/Dec	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Diversified Industrials	1,071.8	1,184.1	112.3	10.5%
Automotive	929.7	900.9	(28.8)	-3.1%
Aerospace, Energy & Medical	191.2	319.8	128.6	67.3%
Total	2,192.7	2,404.8	212.1	9.7%



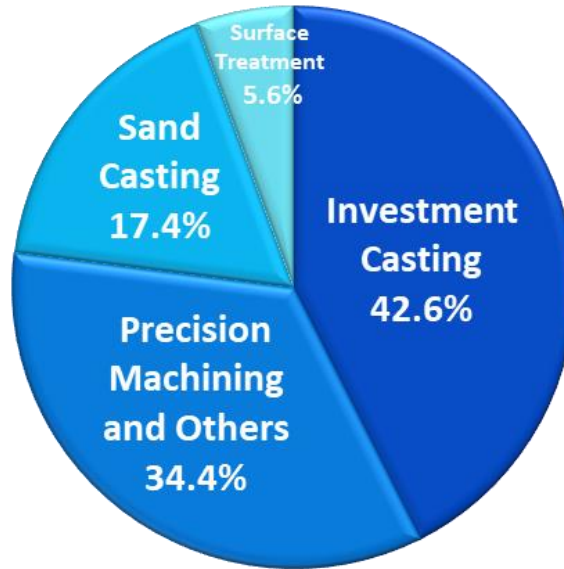
Revenue by End-Market

By End-Market	1H/2022	1H/2023	Inc/Dec	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Diversified Industrials	1,071.8	1,184.1	112.3	10.5%
– Construction Equipment	314.9	402.2	87.3	27.7%
– High Horsepower Engine	208.6	251.8	43.2	20.7%
– Agricultural Equipment	177.2	206.0	28.8	16.3%
– Recreational Boat and Vehicle	126.5	123.9	(2.6)	-2.1%
– Others	244.6	200.2	(44.4)	-18.2%
Automotive	929.7	900.9	(28.8)	-3.1%
– Commercial Vehicle	453.2	477.9	24.7	5.5%
– Passenger Car	476.5	423.0	(53.5)	-11.2%
Aerospace, Energy & Medical	191.2	319.8	128.6	67.3%
– Aerospace	113.0	188.9	75.9	67.2%
– Energy	24.3	80.3	56.0	230.5%
– Medical	53.9	50.6	(3.3)	-6.1%
Total	2,192.7	2,404.8	212.1	9.7%

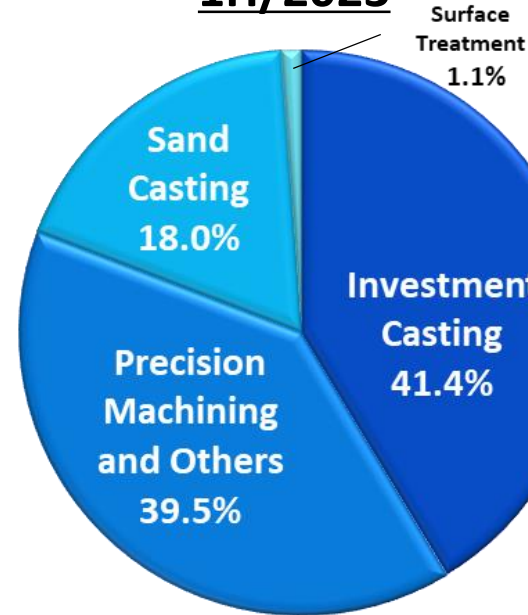


Revenue by Business Segment

1H/2022



1H/2023

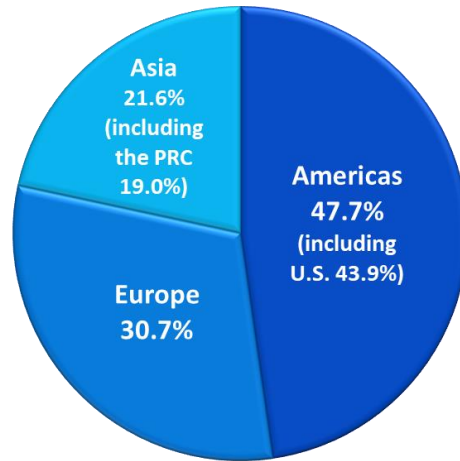


By Business Segment	1H/2022	1H/2023	Inc/Dec	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Investment Casting	933.8	994.9	61.1	6.5%
Precision Machining & Others	754.8	948.7	193.9	25.7%
Sand Casting	380.6	433.8	53.2	14.0%
Surface Treatment	123.5	27.4	(96.1)	-77.8%
Total	2,192.7	2,404.8	212.1	9.7%

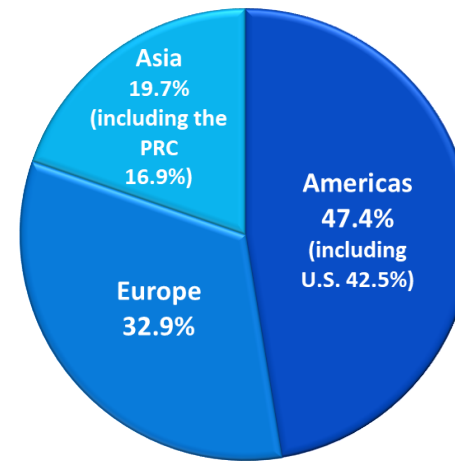


Revenue by Geographical Area

1H/2022



1H/2023



By Geographical	1H/2022	1H/2023	Inc/Dec	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Americas	1,046.4	1,140.5	94.1	9.0%
- United States	963.1	1,023.3	60.2	6.3%
- Others	83.3	117.2	33.9	40.7%
Europe	672.2	790.1	117.9	17.5%
Asia	474.1	474.2	0.1	0.0%
- The PRC	417.3	405.6	(11.7)	-2.8%
- Others	56.8	68.6	11.8	20.8%
Total	2,192.7	2,404.8	212.1	9.7%

1H/2023 Financial Review



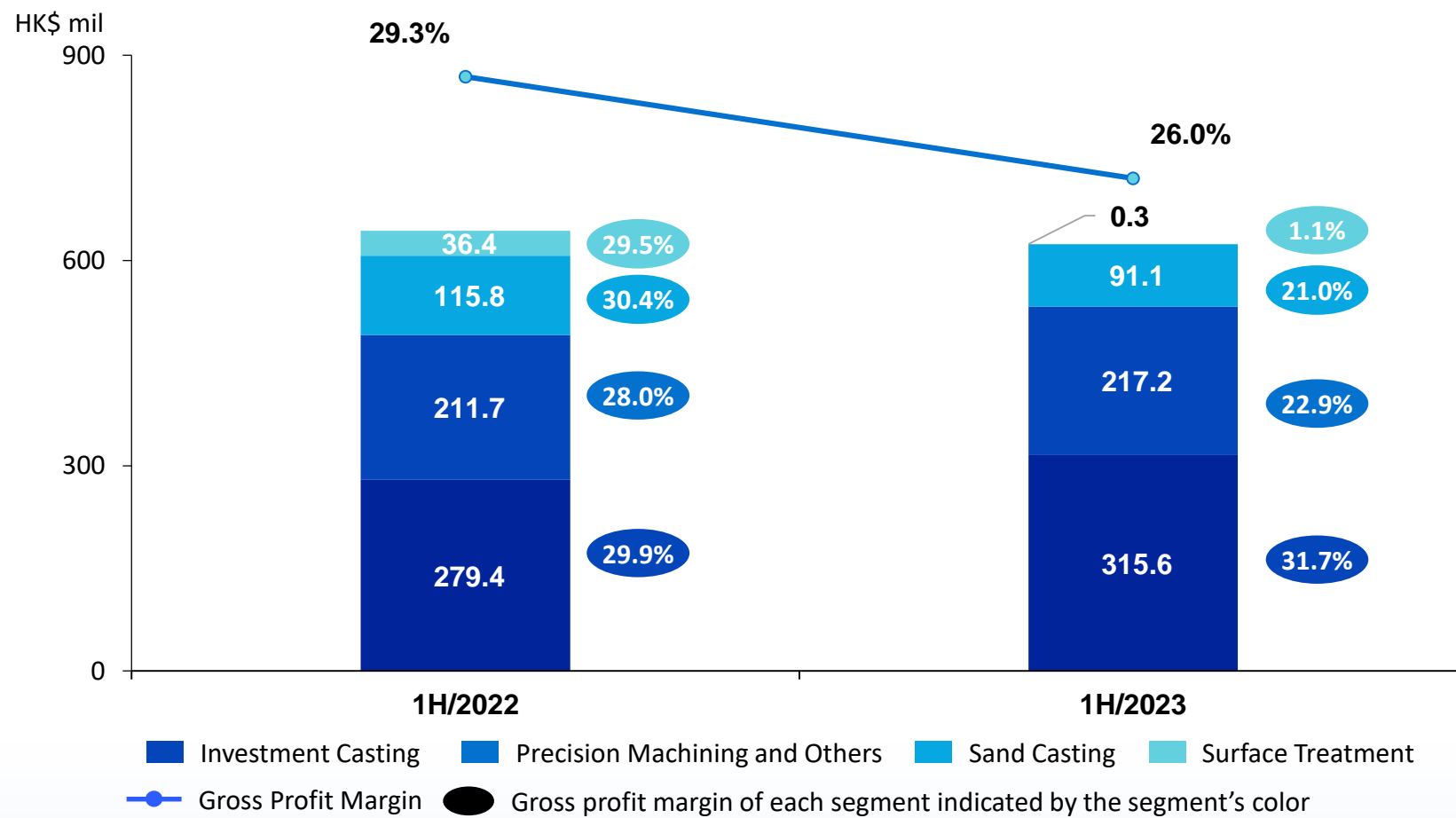


1H/2023 Financial Review

Financial Highlights	1H/2022	1H/2023	Change
	HK\$ mil	HK\$ mil	
Revenue	2,192.7	2,404.8	9.7%
Gross Profit	643.3	624.1	-3.0%
Gross Profit Margin	29.3%	26.0%	-3.3%
Other revenue	12.6	14.8	17.5%
Other net (loss)/income	(49.6)	25.7	-151.8%
Selling and distribution expenses	(103.3)	(83.9)	-18.8%
Administrative and other operating expenses	(153.5)	(156.1)	1.7%
Adjusted EBITDA	638.5	658.6	3.1%
Adjusted EBITDA Margin	29.1%	27.4%	-1.7%
Profit attributable to shareholders	267.7	303.2	13.3%
Adjusted profit attributable to shareholders	335.0	311.2	-7.1%
Basic EPS (HK cents)	14.22	16.09	13.2%
Adjusted EPS (HK cents)	17.79	16.51	-7.2%
DPS (HK cents)	8.0	8.0	0.0%

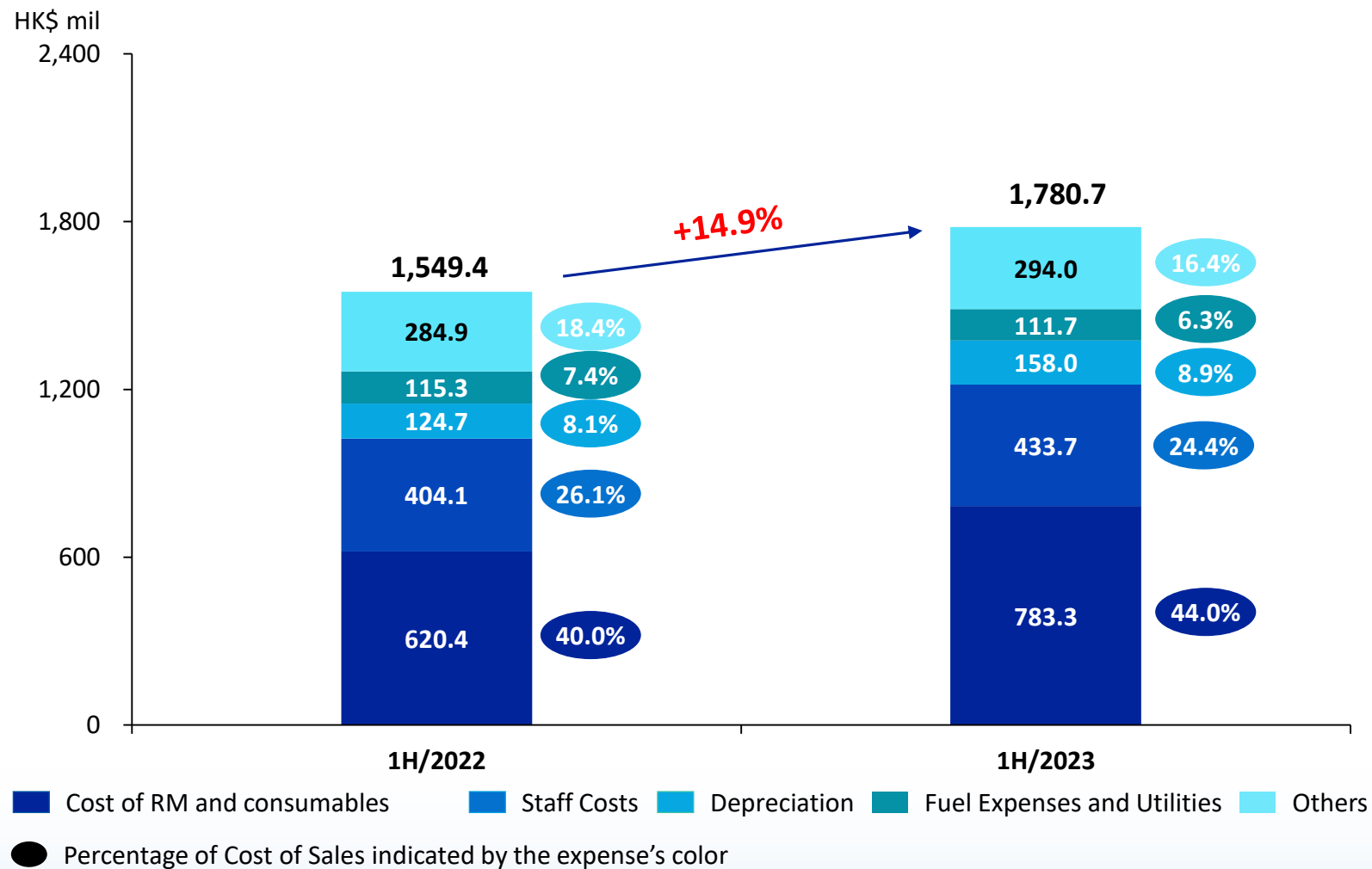


Gross Profit





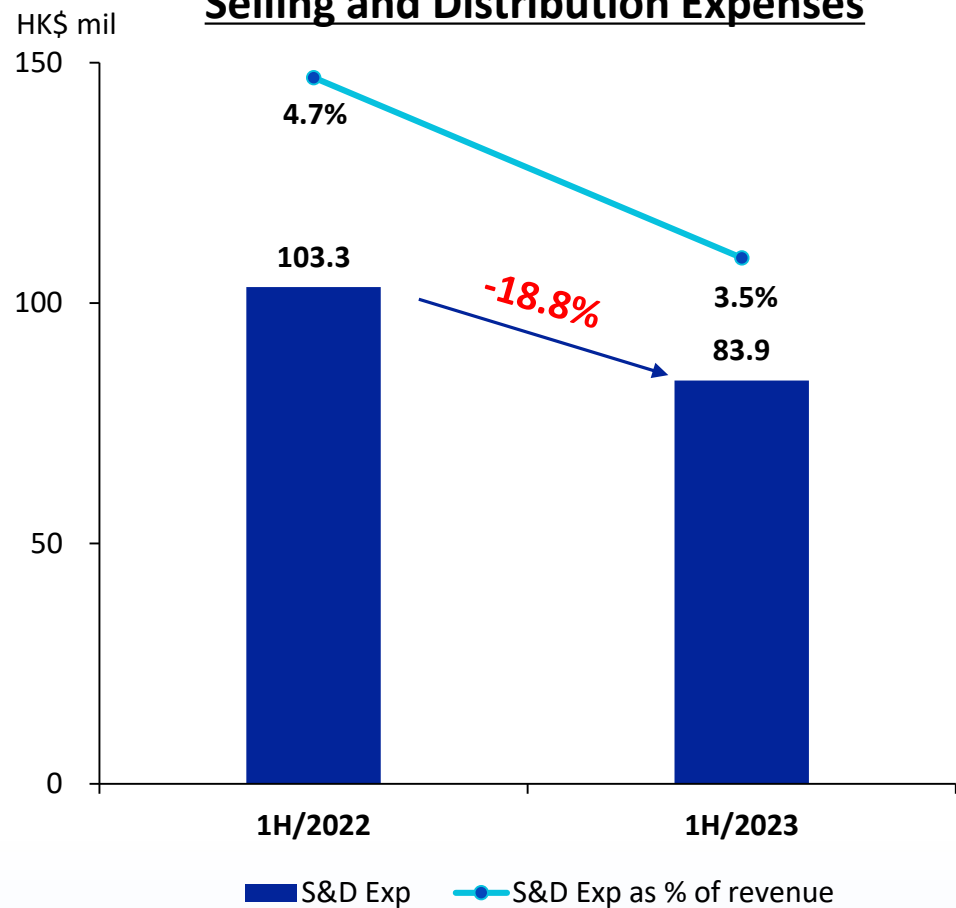
Cost of Sales Analysis



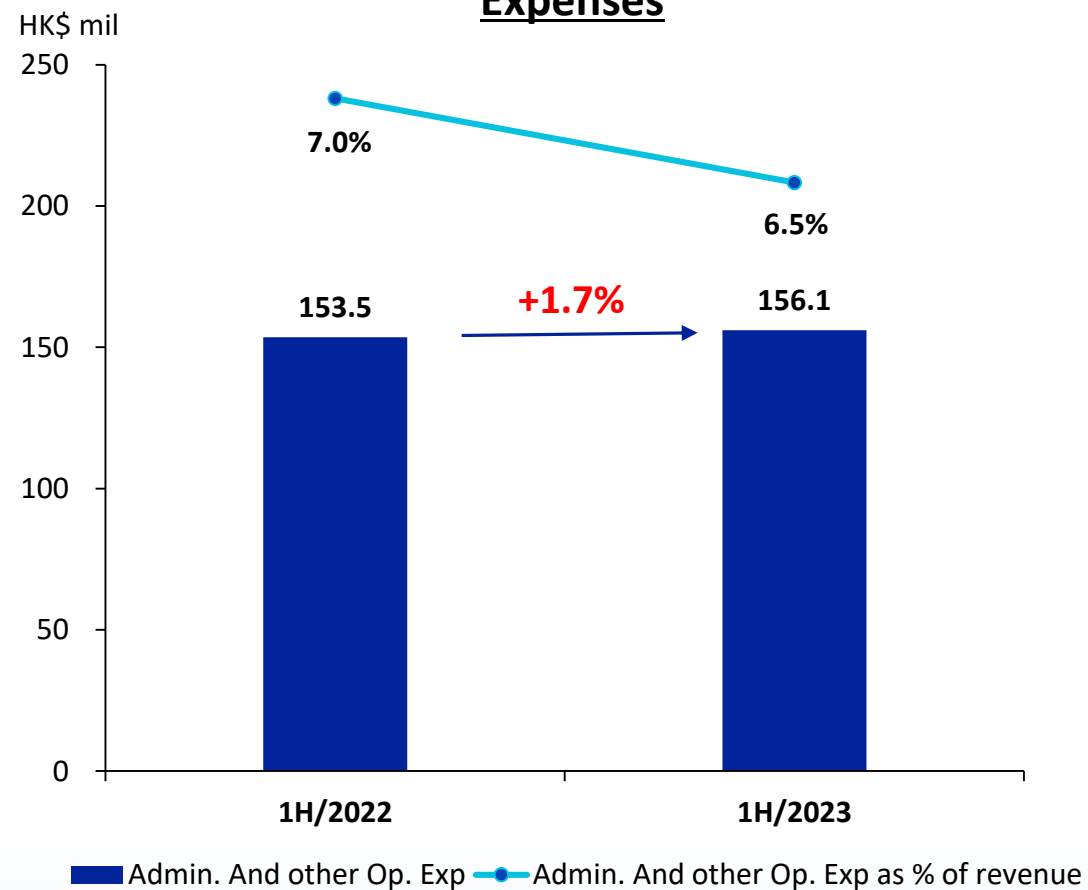


Operating Expenses Analysis

Selling and Distribution Expenses



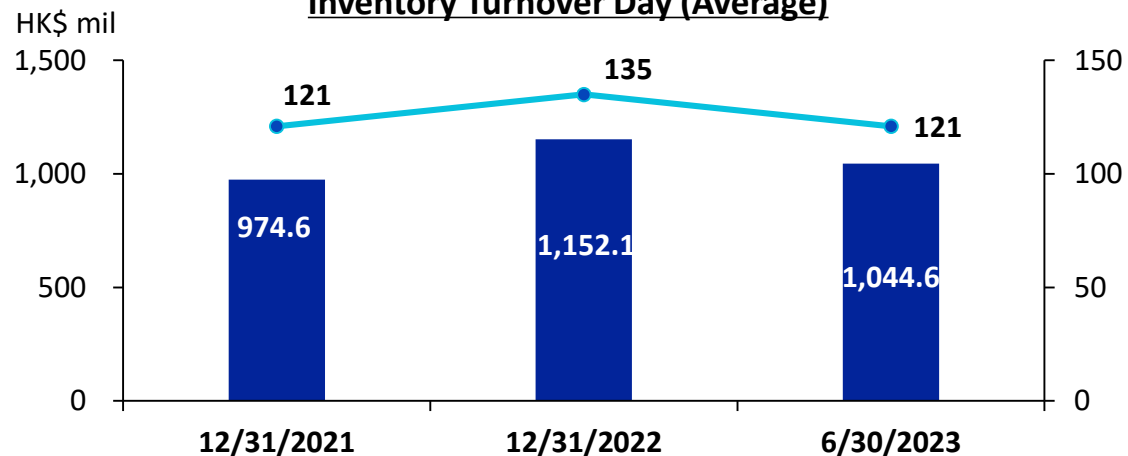
Administrative and Other Operating Expenses



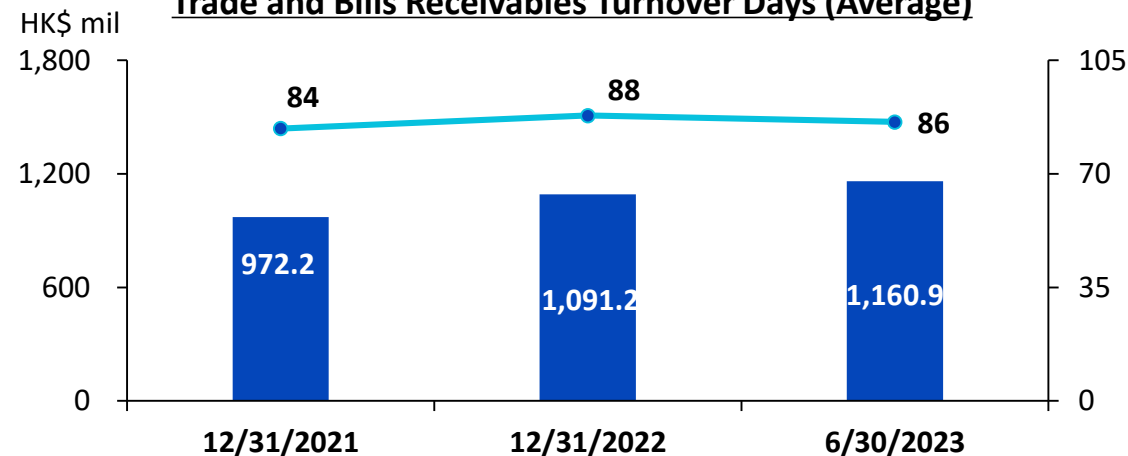


Key Working Capital Ratios

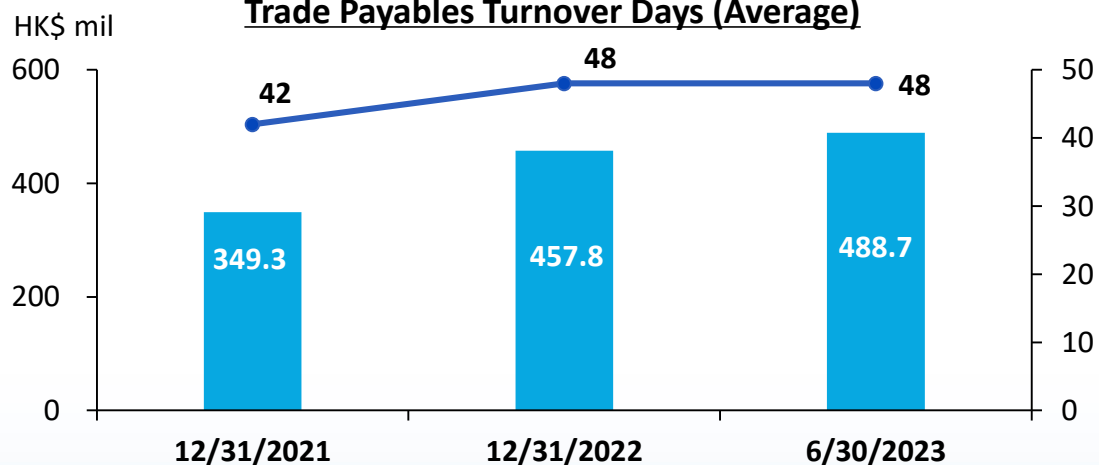
Inventory Turnover Day (Average)



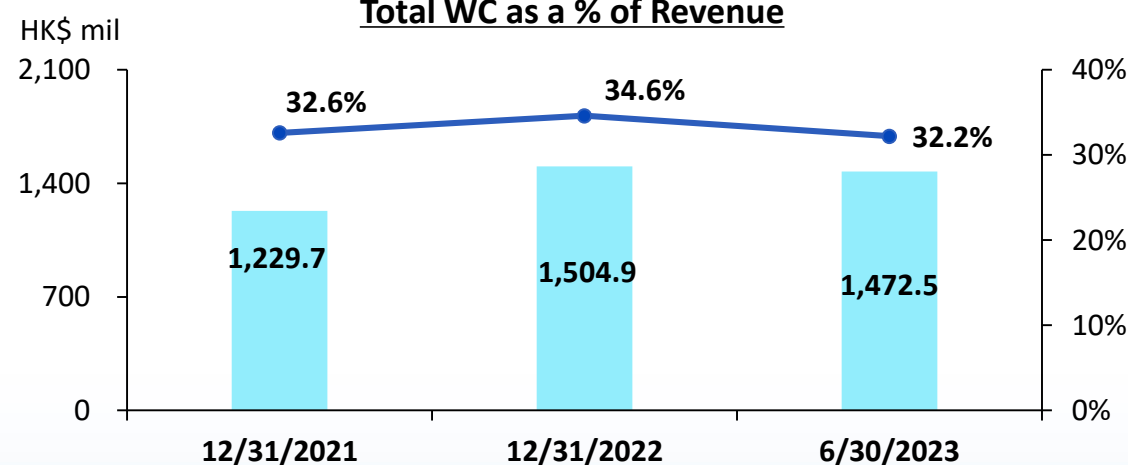
Trade and Bills Receivables Turnover Days (Average)



Trade Payables Turnover Days (Average)

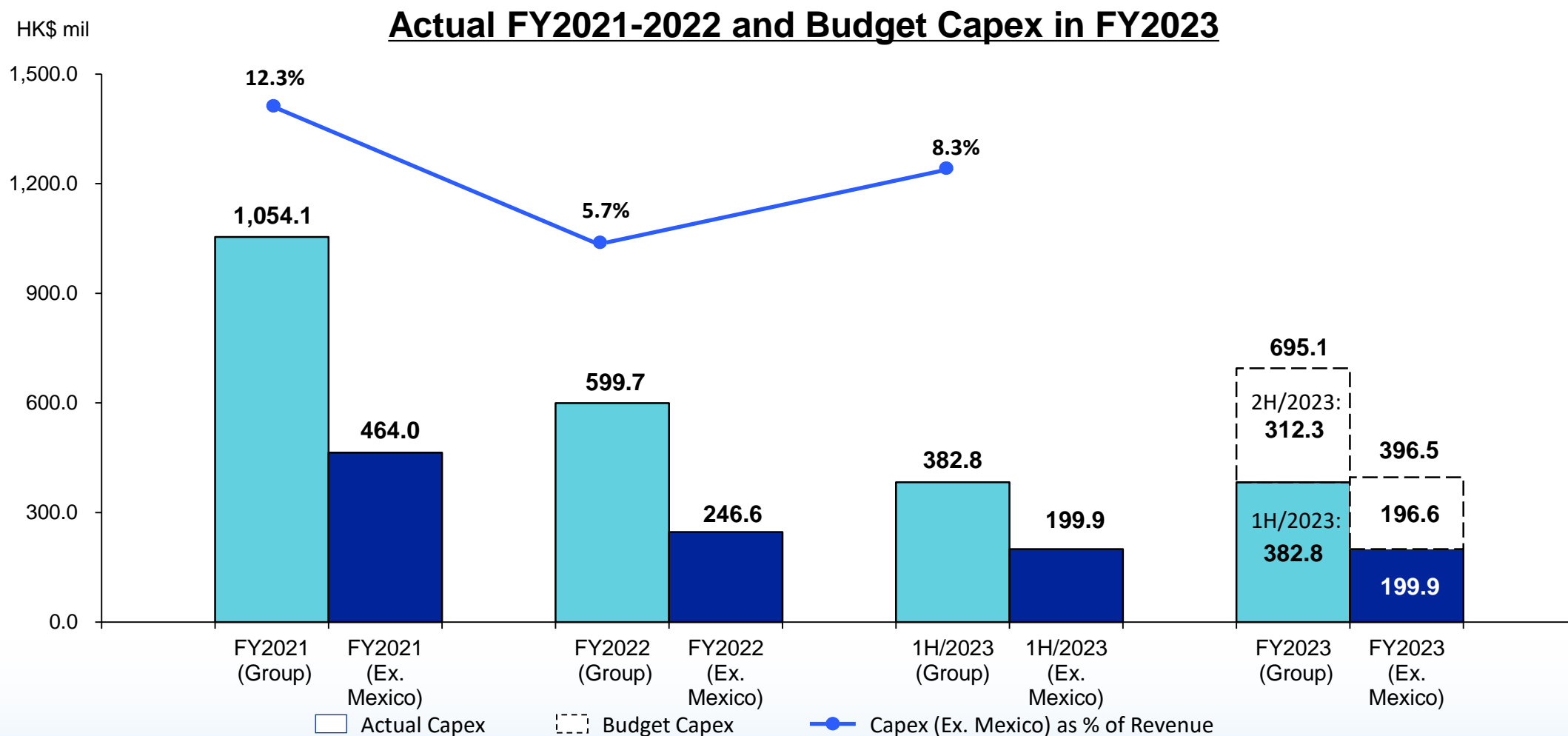


Total WC as a % of Revenue





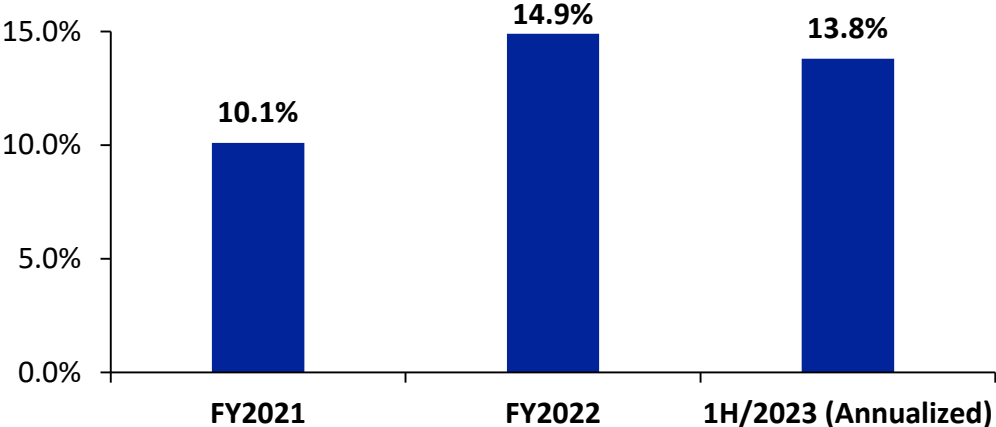
Capital Expenditure



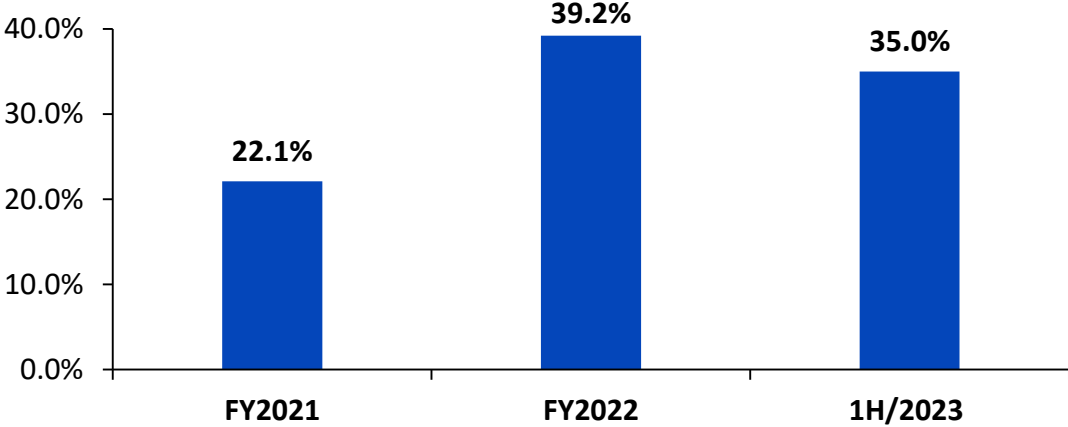


Key Financial Ratios

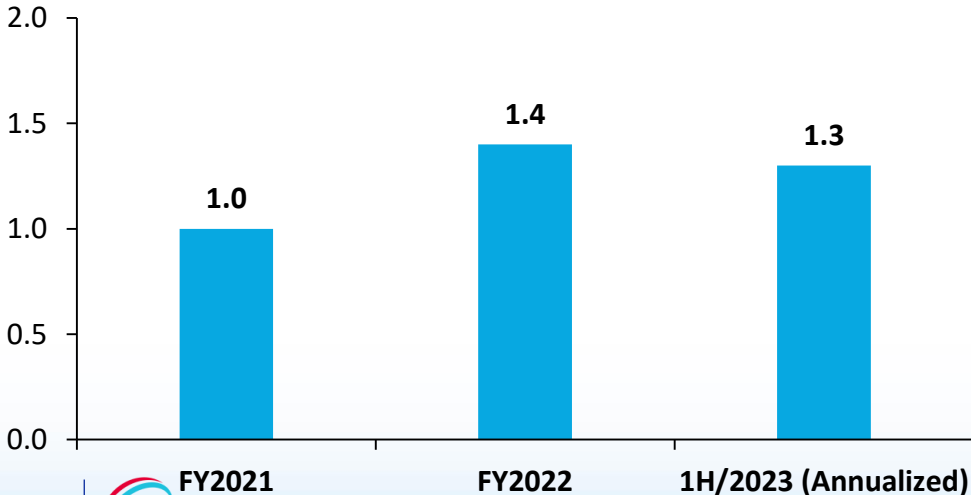
Adjusted Return on Equity



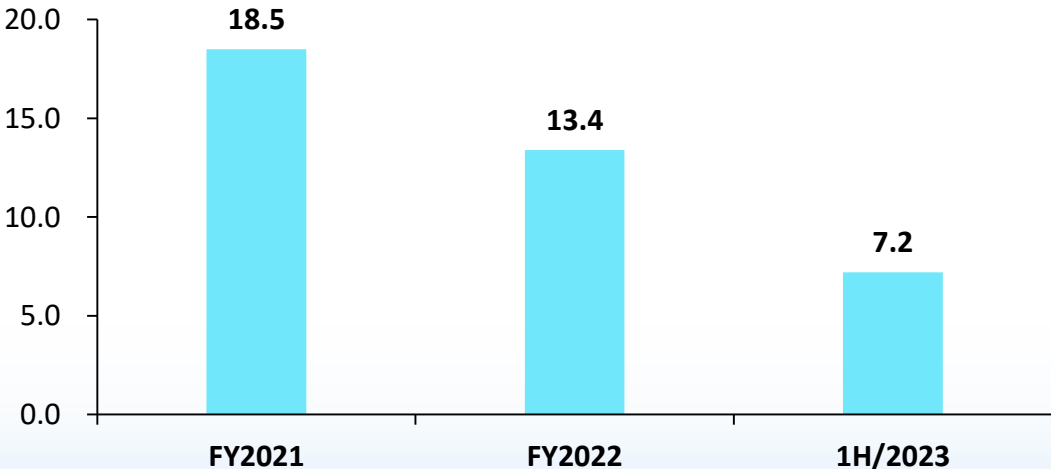
Net Gearing Ratio



Net Debt / Adj. EBITDA



Adjusted Interest Coverage Ratio

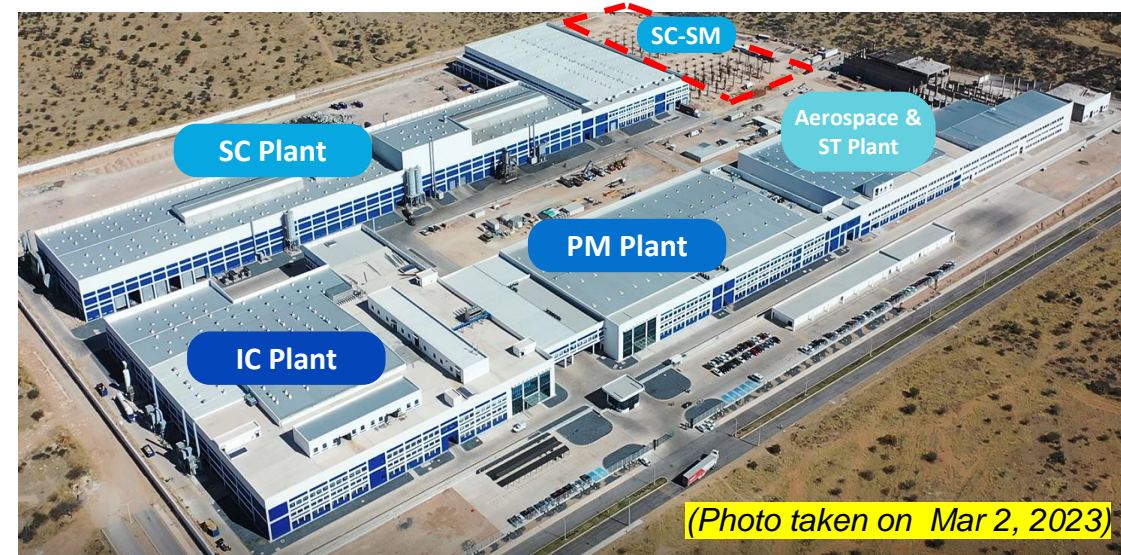
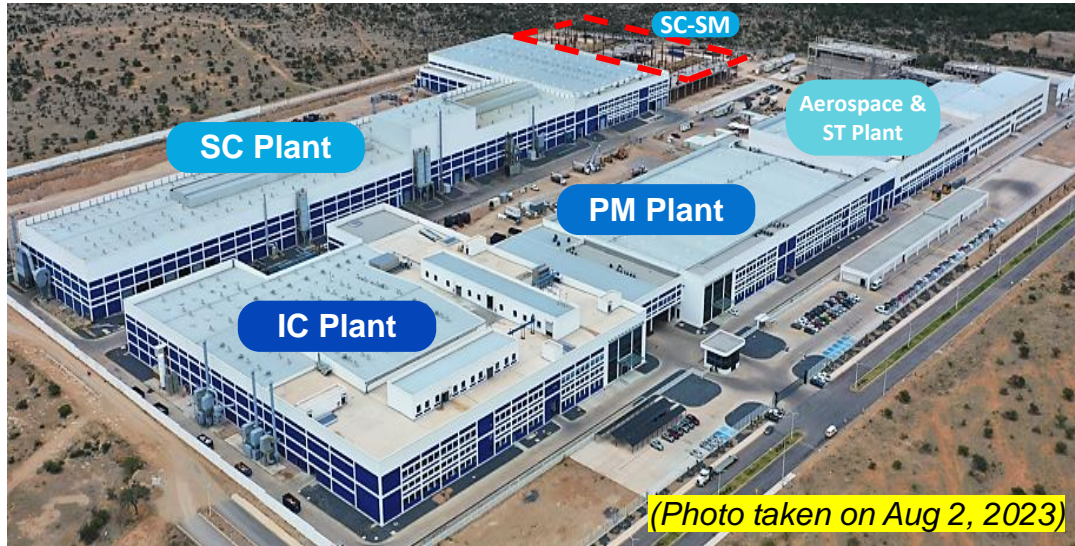


Business Outlook





Mexico SLP Campus Construction Update



- Mexico SLP Campus Precision Machining (PM), Sand Casting (SC) and Sand Casting (IC) plants are currently operating
- Construction of the remaining two plants, including Aerospace components and Surface Treatment (ST) plants reached final stage, and is currently planned to complete the installation of equipment in 2023 and put into production in 2024
- Mexico SLP Campus 1H/2023 capex at HK\$183M and Phase I accumulated capex reached ~HK\$1.6B; FY 2023 budget capex at HK\$299M. Mexico SLP Campus capex expected to decrease substantially in future years
- Despite the initial operating loss, revenue from Mexico SLP Campus is expected to grow strongly in next few years and operating results will improve gradually with better economies of scale



Business Outlook

- Global economy remains exposed to a number of uncertainties: high inflation, high interest rate, ongoing Russia-Ukraine war and slowdown in the recovery of China market would dampen near term revenue growth rate
- The Group's "Global Footprint" and "Diversified End-markets" strategies will continue to diversify our business portfolio and reduce risk
- Aerospace and energy end-markets are expected to continue robust growth rate, medical end-market received many new product developments
- Strong pipeline on new project developments in passenger car and diversified industrials end-markets
- As of July 31, 2023, orders on hand for next 12 months at HK\$4.05B, 11.4% increase y-on-y
- Sound financial and cash flow position of the Group, and HK\$1.04B undrawn banking facilities will provide the Group with ample resources to continue executing "Twin Growth Engine" strategy prudently.....

Q&A Session



Appendices – Financials Summary





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

	1H/2022 HK\$ mil	1H/2023 HK\$ mil	Change
<u>Reconciliation to Adj. Profit Attr. to Shareholders</u>			
Profit after tax	268.0	303.5	
Adjustments (net of tax):			
- Impairment loss prov./(reversal) of PPE & inv. re: Nantong fire incident	72.5	(10.5)	
- Net gain on disposal of a Germany plant's property and machinery	(13.1)	-	
- Amort'n and Dep'n related to past acq's PPA adj	7.9	18.5	
Adjusted NPAT	335.3	311.5	-7.1%
Less: Profit Attr. to NCI	(0.3)	(0.3)	
Adjusted Profit Attr. to Shareholders	335.0	311.2	-7.1%
<u>Reconciliation to Adj. EBITDA</u>			
EBITDA	563.1	671.0	
Adjustments:			
- Impairment loss prov./(reversal) of PPE & inv. re: Nantong fire incident	93.7	(12.4)	
- Net gain on disposal of a Germany plant's property and machinery	(18.3)	-	
Adjusted EBITDA	638.5	658.6	3.1%
Adjusted EBITDA Margin	29.1%	27.4%	-1.7%



Appendix 2 – Consolidated Statement of Profit or Loss

	1H/2022	1H/2023
	HK\$ mil	HK\$ mil
Revenue	2,192.7	2,404.8
Cost of sales	(1,549.4)	(1,780.7)
Gross Profit	643.3	624.1
Other revenue	12.6	14.8
Other net (loss)/income	(49.6)	25.7
Selling and distribution expenses	(103.3)	(83.9)
Administrative and other operating expenses	(153.5)	(156.1)
Operating Profit	349.5	424.6
Net finance costs	(18.6)	(50.4)
Profit before taxation	330.9	374.2
Income tax	(62.9)	(70.7)
Profit for the period	268.0	303.5
Attributable to:		
Equity shareholders of the Company	267.7	303.2
Non-controlling interest	0.3	0.3
Profit for the period	268.0	303.5



Appendix 3 – Consolidated Statement of Financial Position

	12/31/2022	6/30/2023
	HK\$ mil	HK\$ mil
Non-current assets		
Property, plant and equipment	4,050.2	4,336.3
Prepayments for property, plant and equipment	46.8	75.2
Intangible assets	248.4	226.2
Goodwill	230.8	223.6
Deferred expenses	163.3	157.0
Other financial assets	1.6	1.5
Deferred tax assets	69.2	72.3
Total non-current assets	4,810.3	5,092.1
Current assets		
Inventories	1,152.1	1,044.6
Trade and bills receivables	1,091.2	1,160.9
Prepayments, deposits and other receivables	219.2	231.4
Taxation recoverable	6.8	4.9
Pledged deposits	-	5.4
Cash and cash equivalents	483.3	605.1
Total current assets	2,952.6	3,052.3



Appendix 3 – Consolidated Statement of Financial Position

	12/31/2022	6/30/2023
	HK\$ mil	HK\$ mil
Current liabilities		
Bank loans	942.4	1,051.6
Lease liabilities	14.4	10.4
Trade payables	457.8	488.7
Other payables and accruals	303.1	293.9
Taxation payable	94.4	121.7
Total current liabilities	1,812.1	1,966.3
Net current assets	1,140.5	1,086.0
Total assets less current liabilities	5,950.8	6,178.1
Non-current liabilities		
Bank loans	1,244.2	1,184.1
Lease liabilities	4.9	7.3
Deferred income	129.4	129.8
Defined benefit retirement plans obligation	67.3	51.8
Deferred tax liabilities	107.0	112.0
Total non-current liabilities	1,552.8	1,485.0
NET ASSETS	4,398.0	4,693.1



Appendix 3 – Consolidated Statement of Financial Position

	12/31/2022	6/30/2023
	HK\$ mil	HK\$ mil
Capital and reserves		
Share capital	188.5	188.5
Reserves	4,190.8	4,486.0
Total equity attributable to equity shareholders of the Company	4,379.3	4,674.5
Non-controlling interest	18.7	18.6
TOTAL EQUITY	4,398.0	4,693.1



Appendix 4 – Condensed Consolidated Cash Flow Statement

	1H/2022	1H/2023
	HK\$ mil	HK\$ mil
Operating activities		
Cash generated from operations	500.9	718.7
Tax paid	(57.9)	(41.2)
Net cash generated from operating activities	443.0	677.5
Investing activities		
Payment of property, plant and equipment	(420.4)	(373.8)
Payment for deferred expenses	(40.2)	(38.4)
Others	26.2	9.7
Net cash used in investing activities	(434.4)	(402.5)



Appendix 4 – Condensed Consolidated Cash Flow Statement

	1H/2022	1H/2023
	HK\$ mil	HK\$ mil
Financing activities		
Proceeds from bank loans	876.7	673.4
Repayment of bank loans	(524.1)	(607.2)
Lease rentals paid	(5.2)	(7.2)
Dividends paid	(135.6)	(150.8)
Interest paid	(20.4)	(56.8)
Proceeds from exercise of share options	-	0.6
Net cash generated from/(used in) financing activities	191.4	(148.0)
Increase in cash and cash equivalents	200.0	127.0
Cash and cash equivalents at 1 January	579.0	483.3
Effect of foreign exchange rate changes	(27.3)	(5.2)
Cash and cash equivalents at 30 June	751.7	605.1



Impro

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