



Impro

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

2024 INTERIM RESULTS PRESENTATION

August 8, 2024



Disclaimer

The information set forth in this presentation relates to the business of Impro Precision Industries Limited (the “Company”, together with its subsidiaries, the “Group”) for the six months ended June 30, 2024. This presentation is intended to provide updated information on the Group for the six months ended June 30, 2024 and does not constitute an offer, solicitation, invitation or recommendation to subscribe for or purchase 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, 2024. 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, 2024, please refer to the 2024 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 conditions, 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. Accordingly, you should not place reliance on any forward-looking information or statements.

1H/2024 Results Summary



Flattish Group Revenue, Mixed End-Markets Performance

- 1H/2024 Group revenue remained flat at HK\$2,402.5M
- Aerospace, energy & medical end-markets revenue grew strongly by 24.5% to HK\$398.0M, aerospace grew 35.3% while energy grew 27.3%
- Diversified Industrials end-market revenue down 3.9%, with high horsepower engine up 42.9%, other diversified industrials sub end-markets revenue dropped
- Automotive end-market revenue down 3.8%, with passenger car end-market revenue up 5.1% while commercial vehicle down 11.7%



“Global Footprint” & “Diversified End-Markets” strategies at work, continued investments

- “Global Footprint” & “Diversified End-markets” strategies are continuously implemented effectively, manufacturing plants in Asia, Europe and Americas offering reliable and convenient services to customers
- Continued investments in Mexico and certain China plants in 2024, including new large sand casting workshop and expand staff quarters in Mexico and strategically invest in sand casting capacity in China region



Gross Profit Margin Improved & Profit attributable to Shareholders Increased

- Group GPM up 0.4% to 26.4%, with IC up 2.5% to 34.2%; SC up 6.2% to 27.2%; PM & others down 4.3% to 18.6% due to lower gross profit of China, Turkey and Mexico plants; ST recorded small negative gross loss due to ramp up of Nantong plant after rehabilitation in Jan 2024
- Profit attributable to shareholders up 0.4% to HK\$304.5M; adjusted for one-off, adjusted profit attributable to shareholders up 3.6% to HK\$322.3M

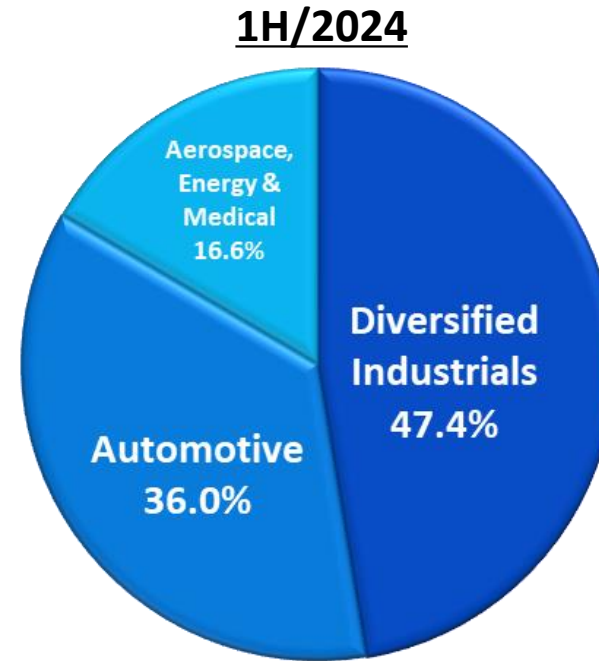
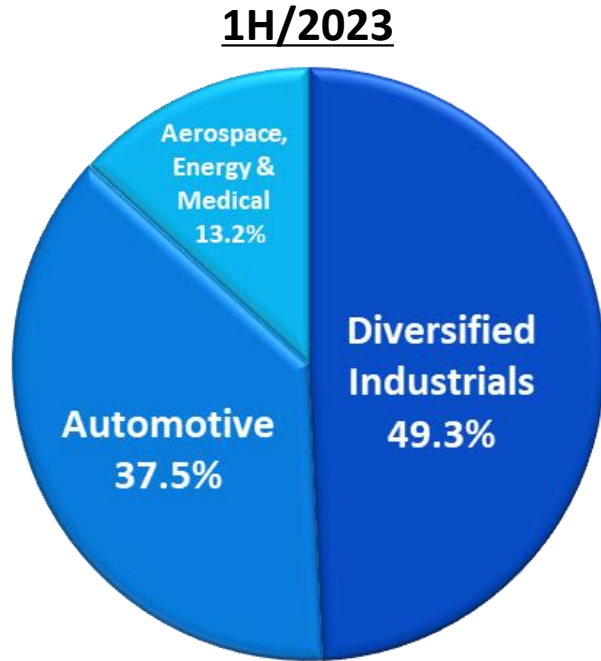


Stable Free Cash Flow & Dividend Payout

- Free cash flow reached HK\$156.6M in 1H/2024, driven by effective control of working capital management as both inventory and accounts receivable turnover days dropped during the period
- 2024 interim dividend remains unchanged vs last year, at HK\$0.08 per share, or total HK\$151.0M, equivalent to dividend payout rate of 46.9% based on adjusted profit attributable to shareholders



Revenue by End Markets



By End Markets	1H/2023	1H/2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Diversified Industrials	1,184.1	1,138.2	(45.9)	-3.9%
Automotive	900.9	866.3	(34.6)	-3.8%
Aerospace, Energy & Medical	319.8	398.0	78.2	24.5%
Total	2,404.8	2,402.5	(2.3)	-0.1%

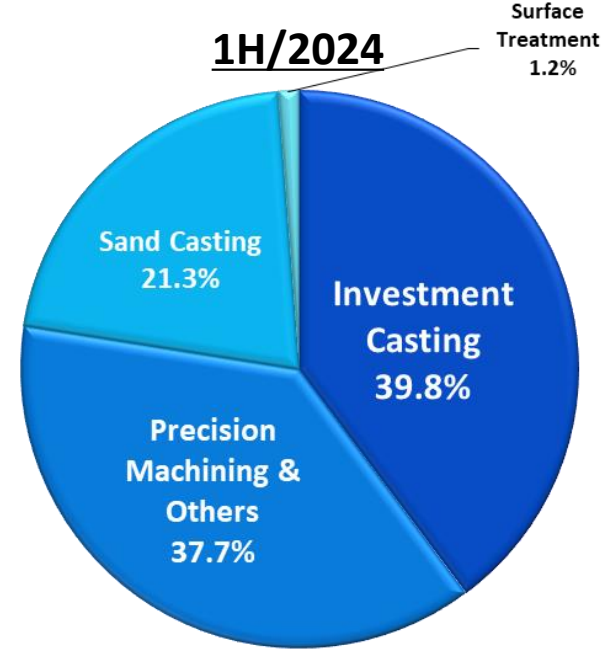
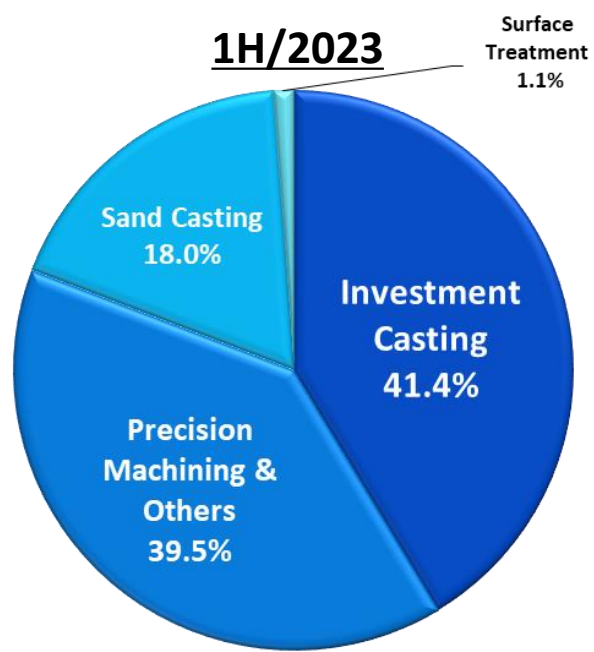


Revenue by End Markets

By End Market	1H/2023	1H/2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Diversified Industrials	1,184.1	1,138.2	(45.9)	-3.9%
- High Horsepower Engine	251.8	359.8	108.0	42.9%
- Construction Equipment	402.2	334.1	(68.1)	-16.9%
- Agricultural Equipment	206.0	177.2	(28.8)	-14.0%
- Recreational Boat & Vehicle	123.9	91.8	(32.1)	-25.9%
- Others	200.2	175.3	(24.9)	-12.4%
Automotive	900.9	866.3	(34.6)	-3.8%
- Passenger Car	423.0	444.5	21.5	5.1%
- Commercial Vehicle	477.9	421.8	(56.1)	-11.7%
Aerospace, Energy & Medical	319.8	398.0	78.2	24.5%
- Aerospace	188.9	255.5	66.6	35.3%
- Energy	80.3	102.2	21.9	27.3%
- Medical	50.6	40.3	(10.3)	-20.4%
Total	2,404.8	2,402.5	(2.3)	-0.1%



Revenue by Business

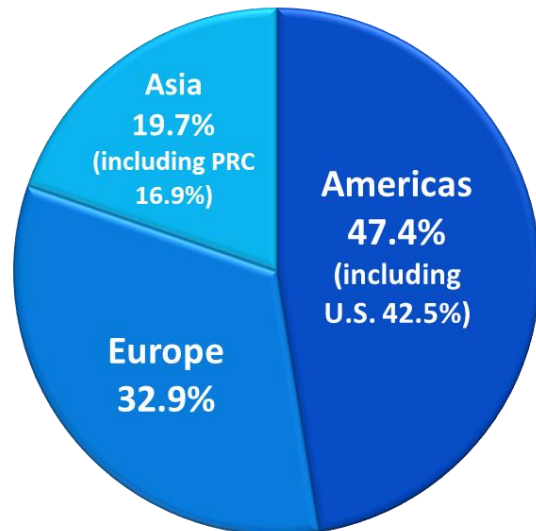


By Business	1H/2023	1H/2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Investment Casting	994.9	957.0	(37.9)	-3.8%
Precision Machining & Others	948.7	904.8	(43.9)	-4.6%
Sand Casting	433.8	511.7	77.9	18.0%
Surface Treatment	27.4	29.0	1.6	5.8%
Total	2,404.8	2,402.5	(2.3)	-0.1%

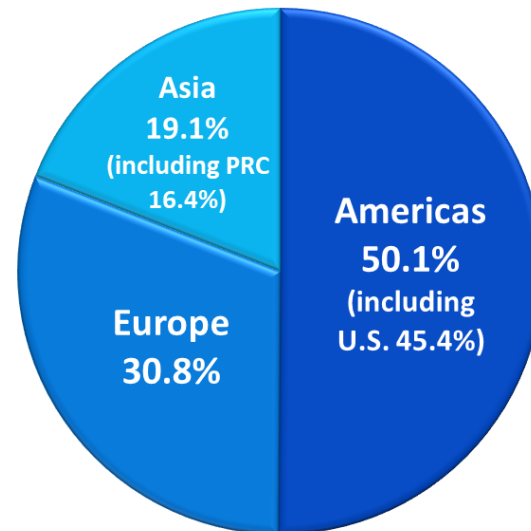


Revenue by Geographical

1H/2023



1H/2024



By Geographical	1H/2023	1H/2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change
Americas	1,140.5	1,204.0	63.5	5.6%
- United States	1,023.3	1,090.1	66.8	6.5%
- Others	117.2	113.9	(3.3)	-2.8%
Europe	790.1	739.9	(50.2)	-6.4%
Asia	474.2	458.6	(15.6)	-3.3%
- PRC	405.6	393.0	(12.6)	-3.1%
- Others	68.6	65.6	(3.0)	-4.4%
Total	2,404.8	2,402.5	(2.3)	-0.1%

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1H/2024 Financial Review



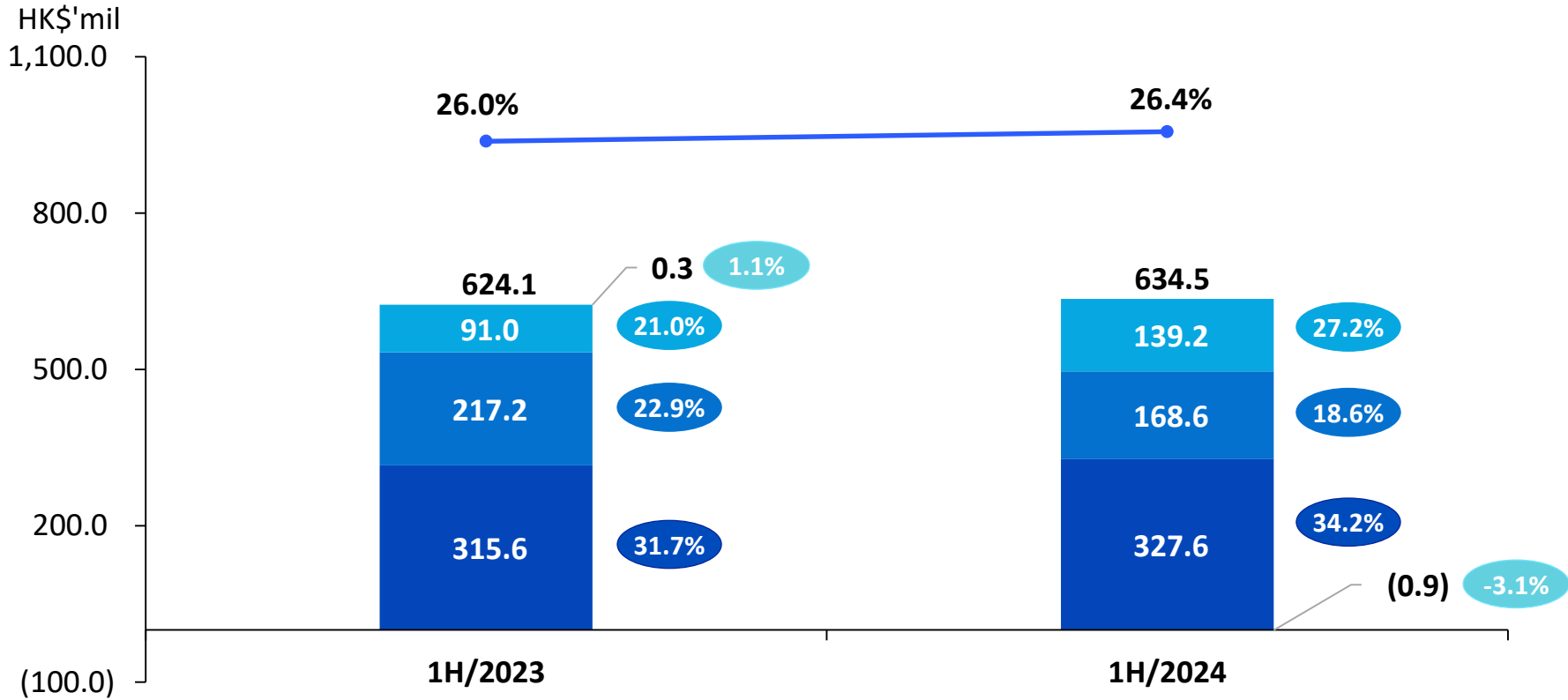


1H/2024 Financial Review

Financial Highlights	1H/2023	1H/2024	Change
	HK\$ mil	HK\$ mil	
Revenue	2,404.8	2,402.5	-0.1%
Gross profit	624.1	634.5	1.7%
Gross profit margin	26.0%	26.4%	0.4%
Other revenue	14.8	13.5	-8.8%
Other net income	25.7	44.8	74.3%
Selling and distribution expenses	(83.9)	(87.0)	3.7%
Administrative and other operating expenses	(156.1)	(173.6)	11.2%
Adjusted EBITDA	658.6	694.3	5.4%
Adjusted EBITDA margin	27.4%	28.9%	1.5%
Profit att. to shareholders of the Company	303.2	304.5	0.4%
Adj. Profit Attr. to shareholders of the Company	311.2	322.3	3.6%
Adjusted basic EPS (HK cents)	16.51	17.10	3.6%
DPS (HK cents)	8.0	8.0	0.0%



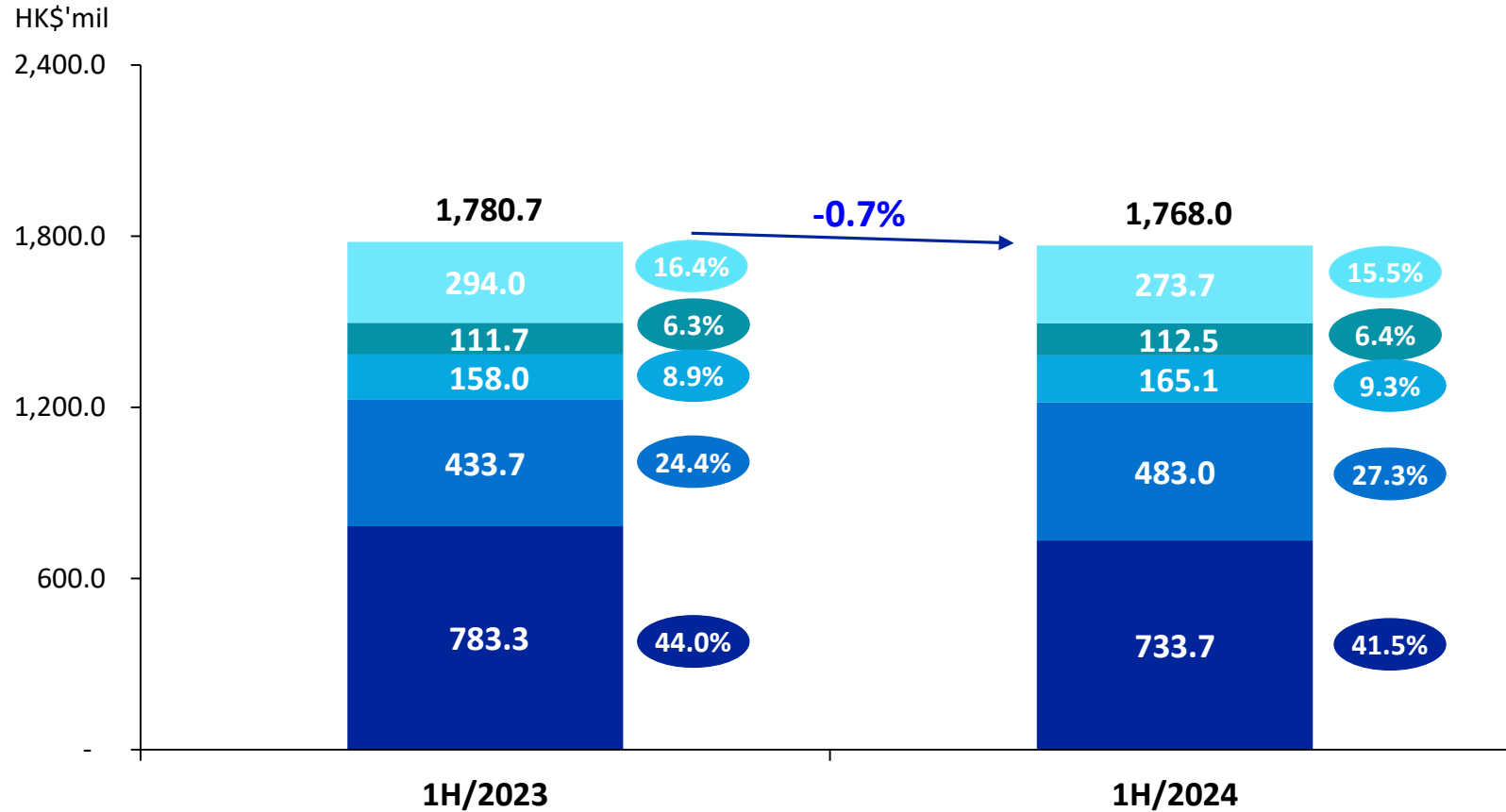
Gross Profit



- Investment Casting
- Precision Machining and Others
- Sand Casting
- Surface Treatment
- Gross Profit Margin
- Gross profit margin of each segment indicated by the segment's color



Cost of Sales Analysis



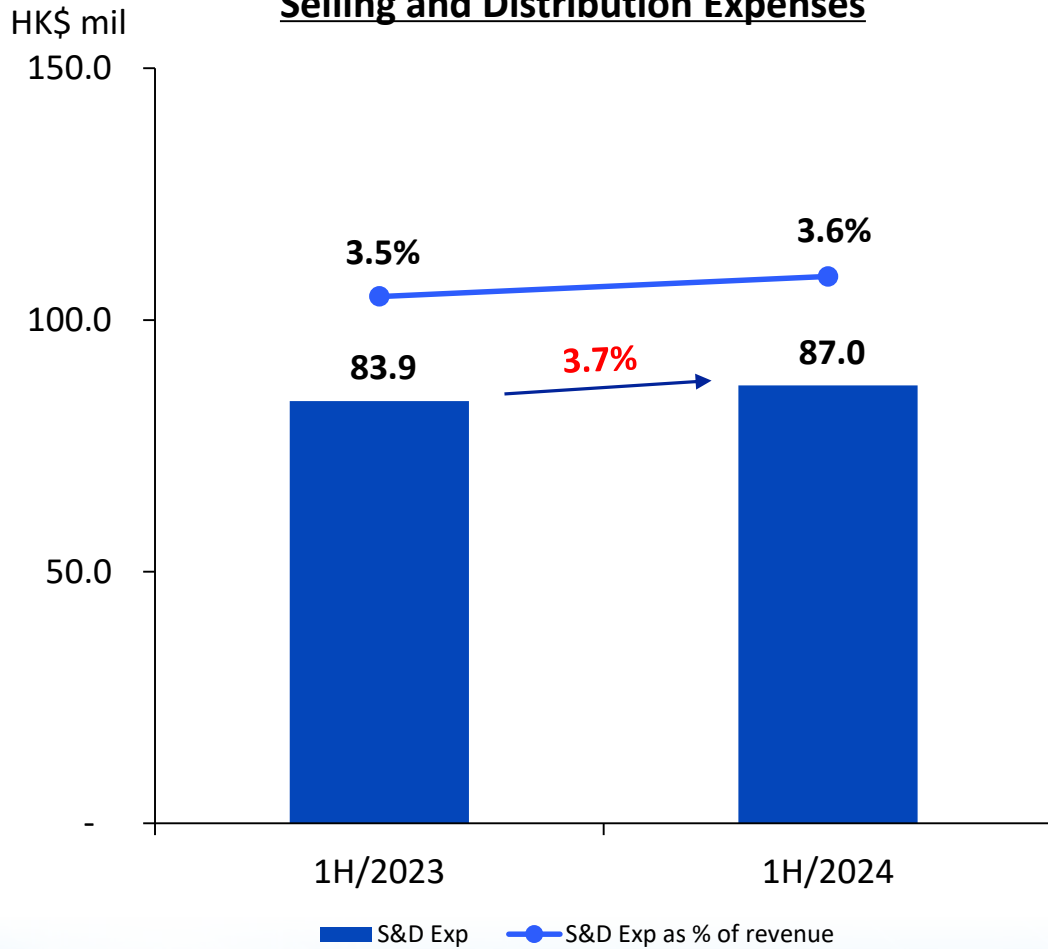
■ Cost of materials (raw materials & auxiliary materials) ■ Staff Costs ■ Depreciation ■ Fuel Expenses and Utilities ■ Others

● Percentage of Cost of Sales indicated by the expense's color

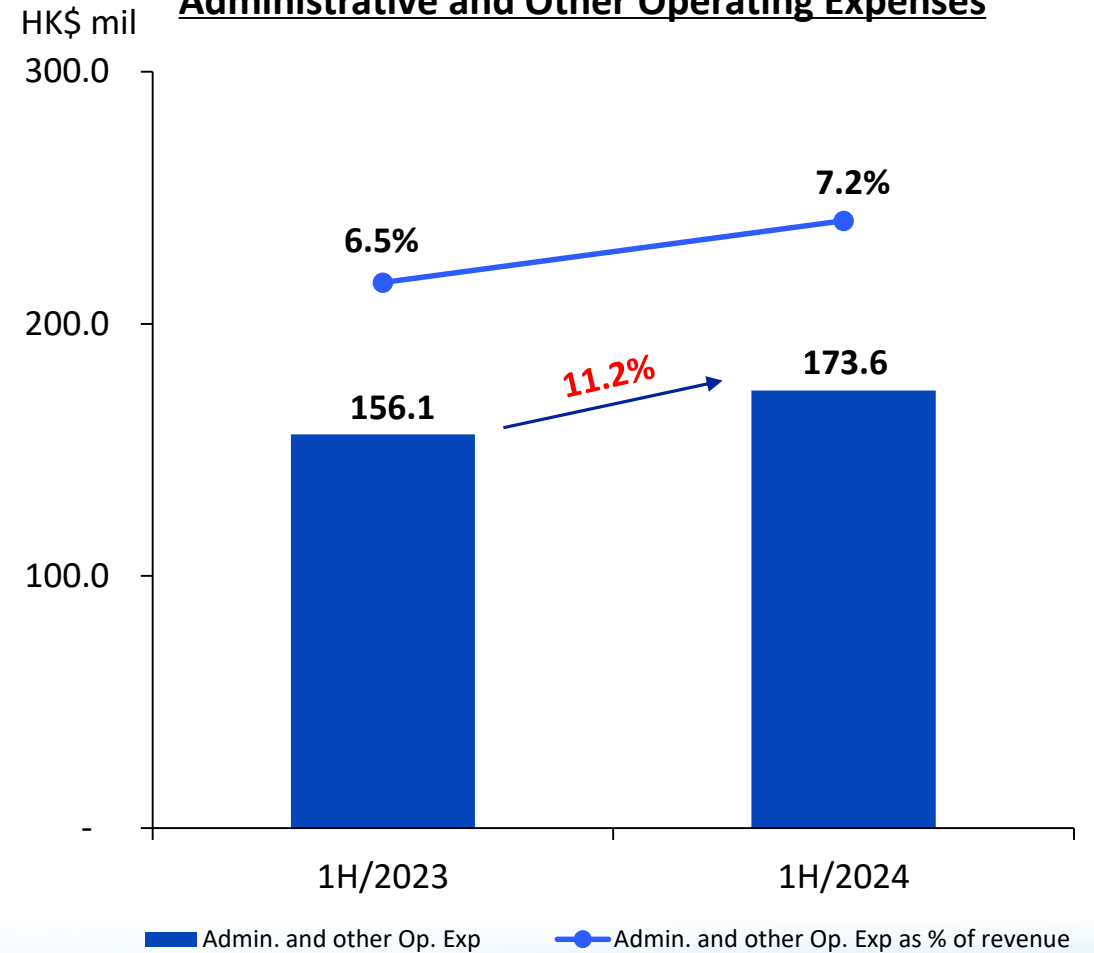


Operating Expenses Analysis

Selling and Distribution Expenses



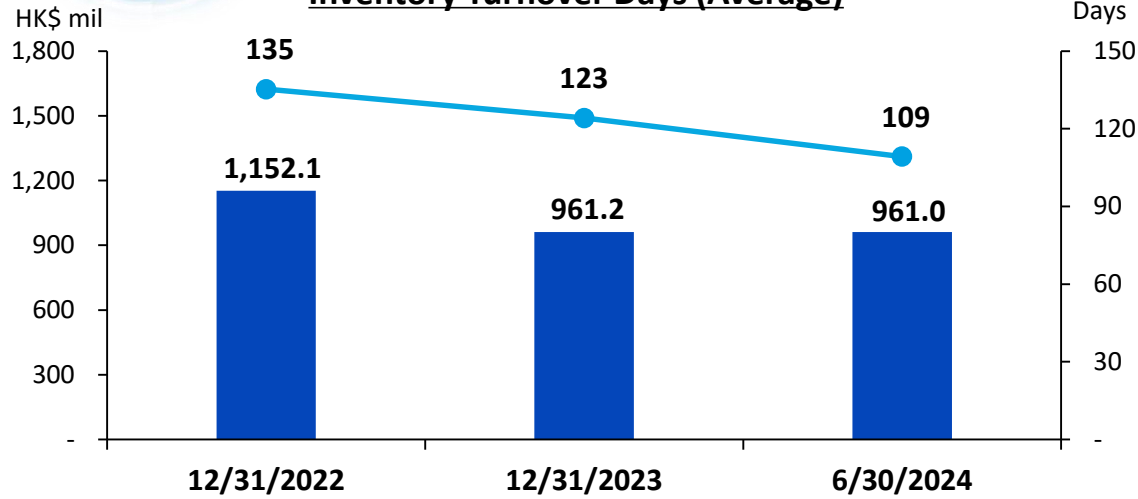
Administrative and Other Operating Expenses



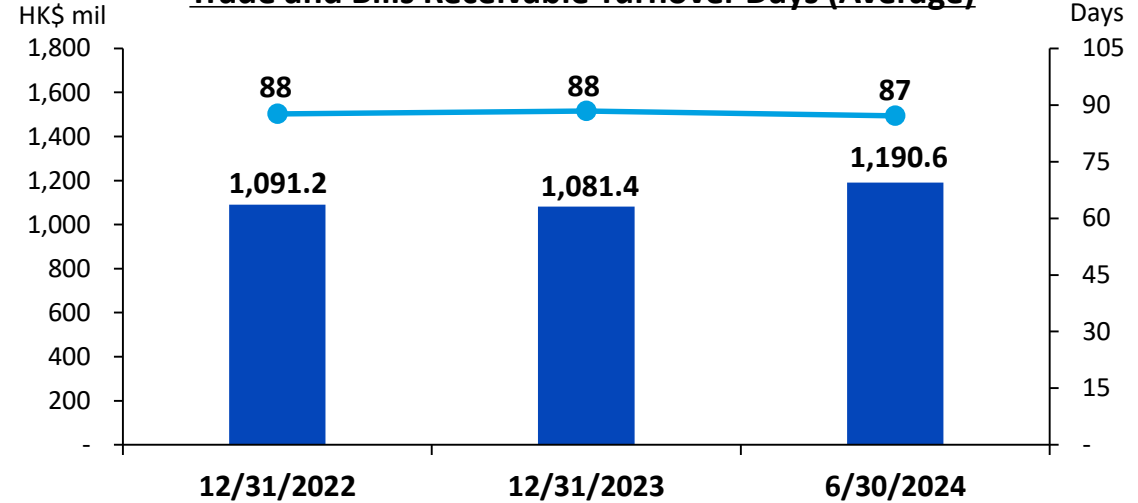


Key Working Capital Ratios

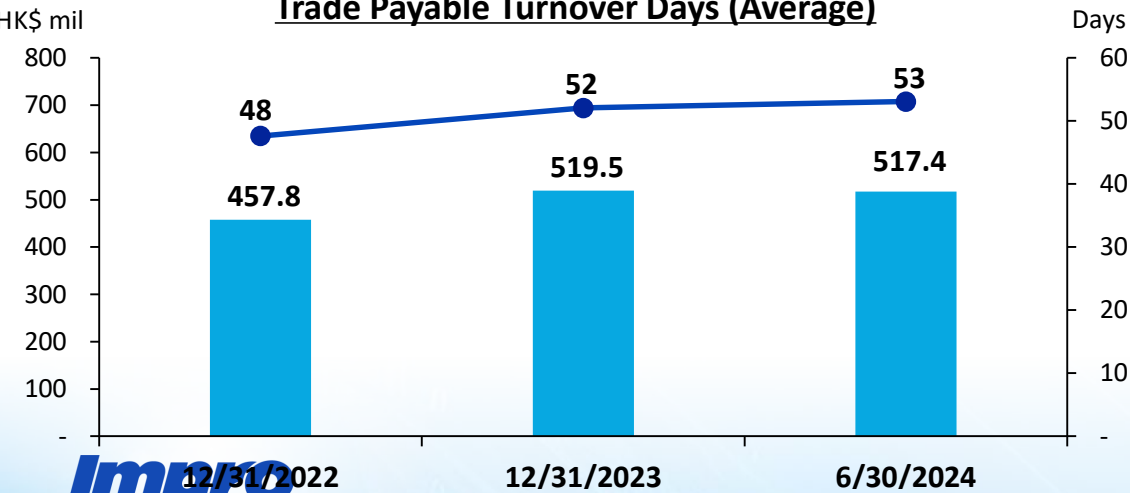
Inventory Turnover Days (Average)



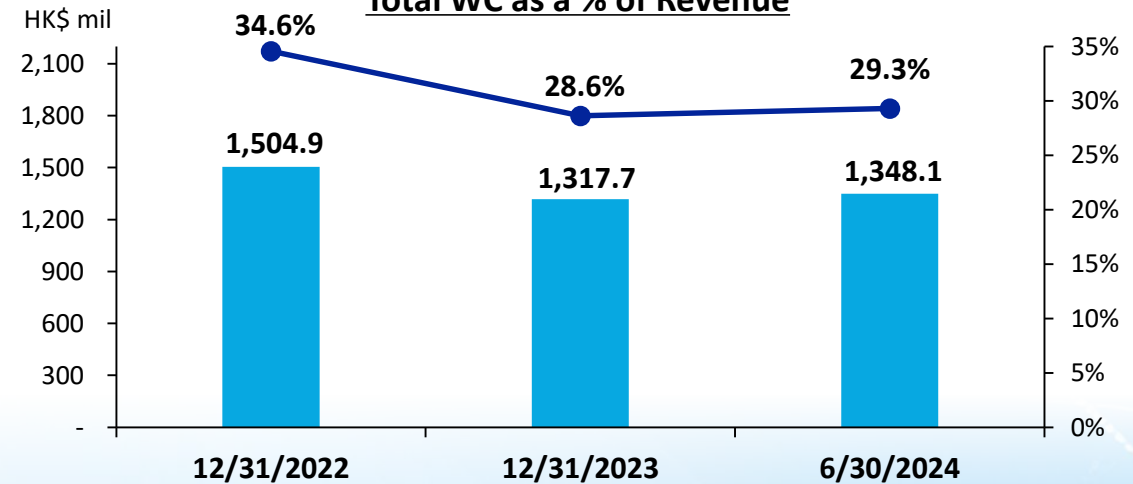
Trade and Bills Receivable Turnover Days (Average)



Trade Payable Turnover Days (Average)

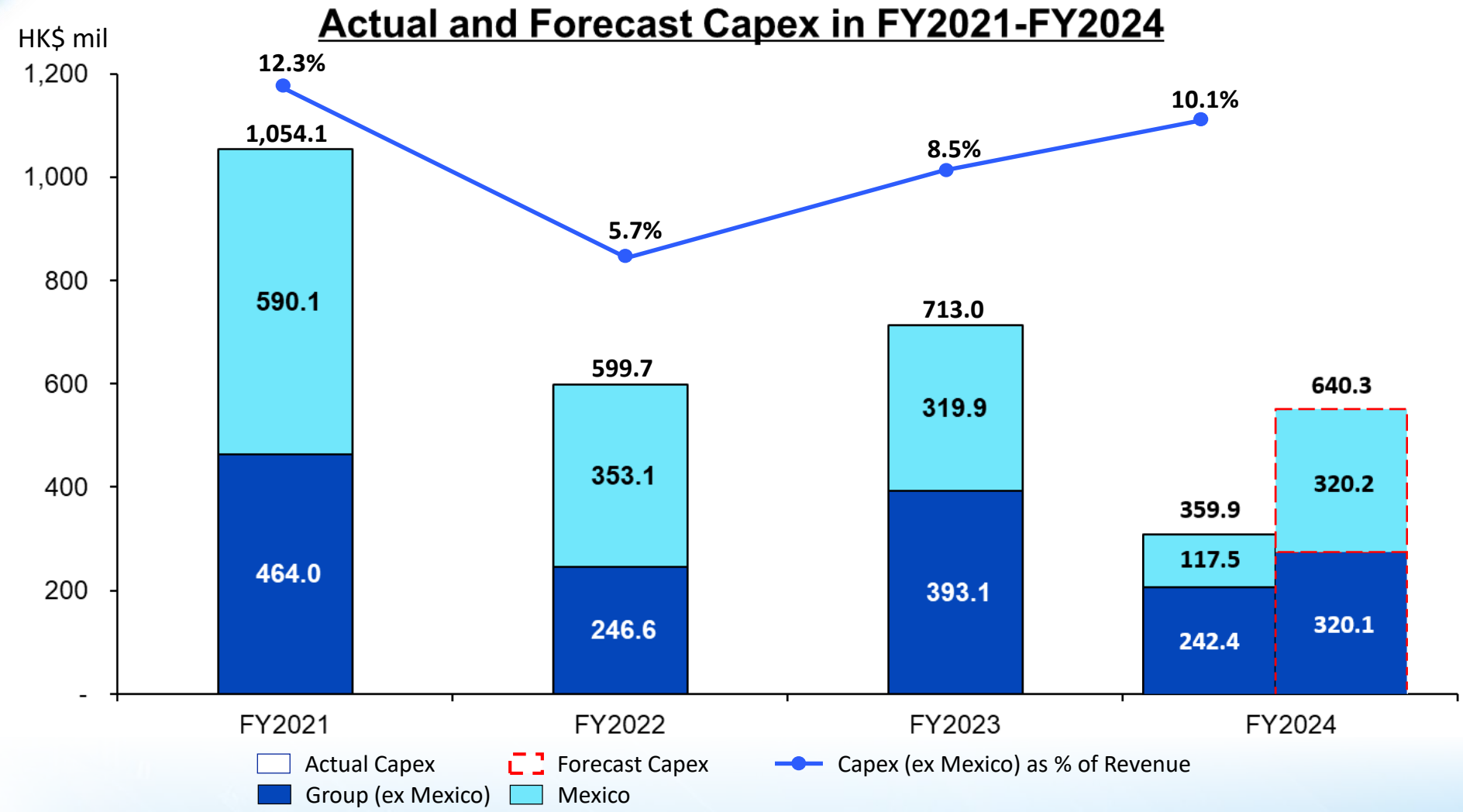


Total WC as a % of Revenue





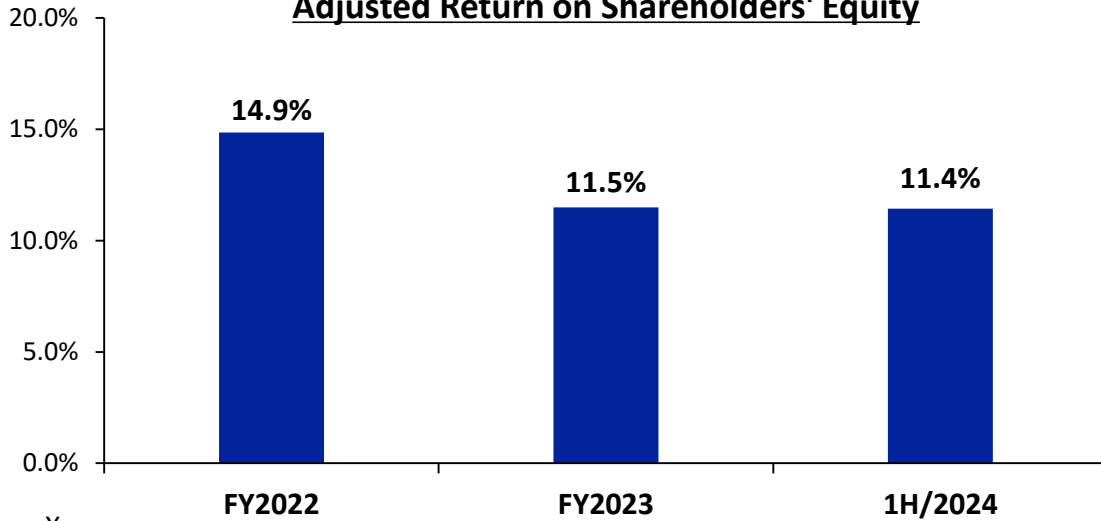
Capital Expenditure



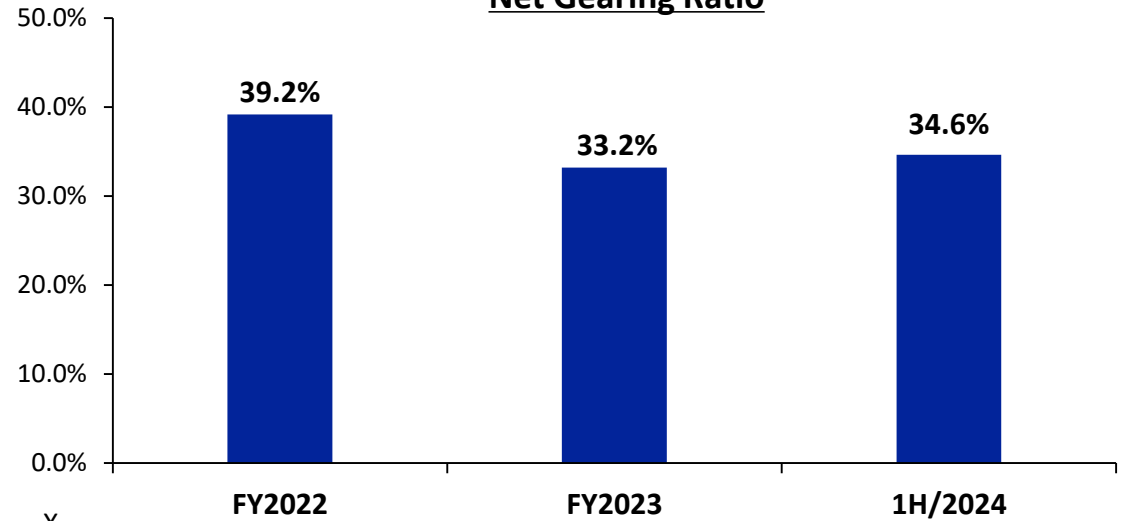


Key Financial Ratios

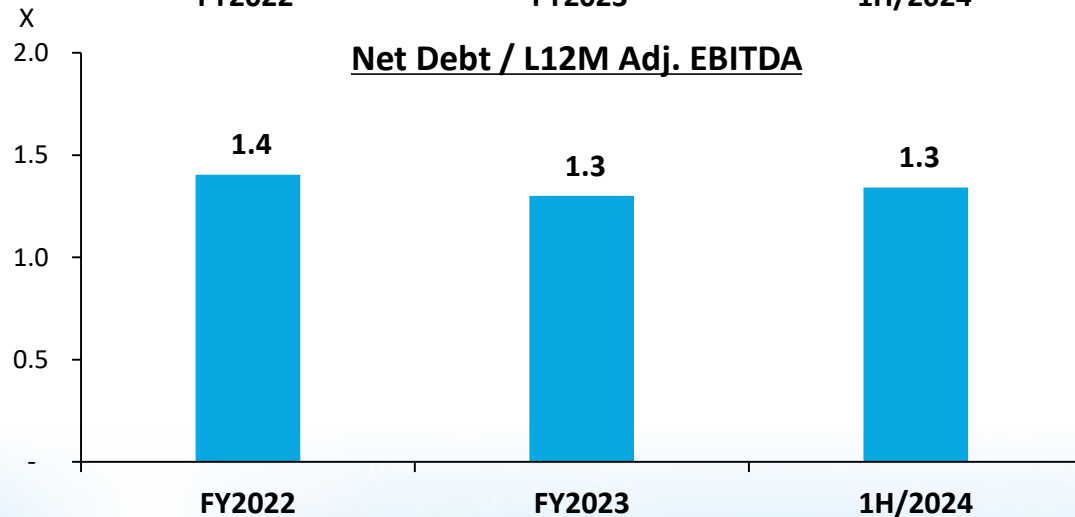
Adjusted Return on Shareholders' Equity



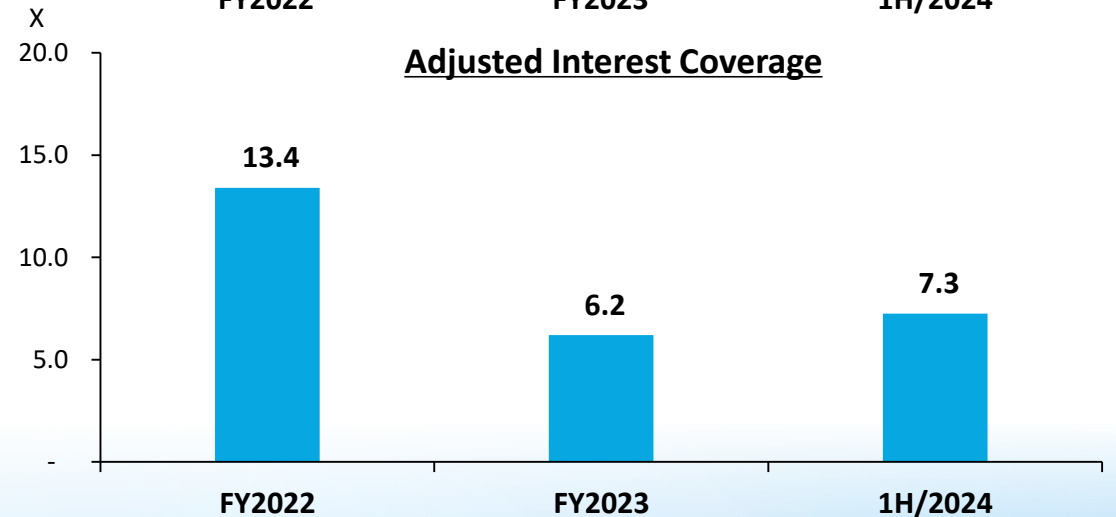
Net Gearing Ratio



Net Debt / L12M Adj. EBITDA



Adjusted Interest Coverage



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Business Outlook





Mexico SLP Campus Construction Update



- Mexico SLP Campus Precision Machining (PM), Sand Casting (SC) and Investment Casting (IC) plants are currently operating, infrastructure works of the remaining two plants, including Aerospace components and Surface Treatment (ST) plants have been completed, and is currently undertaking machinery installation, aerospace system certification and trial production
- In view of the significant future growth expectations of the Group's Mexico SLP Campus, the Group will deploy the second phase construction in the Mexico SLP campus, along with the expansion of second phase of Impro Campus, 2024 capex budget for Mexico plants revised upwards by HK\$60 million to HK\$320 million
- Revenues from the Mexico SLP Campus are expected to grow strongly in the coming years and operating results is expected to be improved as revenue increases



Business Outlook

- Global economy remains exposed to a number of uncertainties: high inflation, potential geopolitical conflicts and multilateral tensions that 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 end-market is expected maintain strong growth, and the medical end market has many new products in the development, and is expected to develop into one of the growth engines of the Group in the future**
- Driven by the widespread adoption and rapid development of artificial intelligence-related big data centres in United States and Europe, demand of distributed power generator sets has risen significantly. **Given the Group has successfully developed more related high horsepower engine core components and increased its production capacity, future growth is expected to remain robust**
- **In the passenger car end market, we will continue to seize more markets and customer wallet shares with high-quality and cost-effective products.** In the commercial vehicle end market, there are a considerable number of new projects under development
- Considering the Group's total order on hand and future new project development, **the Company updated the revenue growth will be approximately between 3% and 8% in 2024**
- Sound financial and cash flow position of the Group, and ~HK\$1.95B undrawn banking facilities will provide the Group with ample resources to continue executing "Twin Growth Engine" strategy prudently...

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Q&A Session



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Appendices – Financials Summary





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

	1H/2023	1H/2024	
	HK\$ mil	HK\$ mil	Change
<u>Reconciliation to Adj. Profit Attr. to Shareholders</u>			
Profit after tax	303.5	305.5	
Adjustments (net of tax):			
- Insurance claims received for Nantong fire incident	(10.5)	-	
- Amort'n and Dep'n related to past acq's PPA adj	18.5	17.8	
Adjusted NPAT	311.5	323.3	3.8%
Less: Profit Attr. to non-controlling interest	(0.3)	(1.0)	
Adjusted Profit Attr. to Shareholders	311.2	322.3	3.6%
<u>Reconciliation to Adj. EBITDA</u>			
EBITDA	671.0	694.3	
Adjustments:			
- Insurance claims received for Nantong fire incident	(12.4)	-	
Adjusted EBITDA	658.6	694.3	5.4%
Adjusted EBITDA Margin	27.4%	28.9%	1.5%



Appendix 2 – Consolidated Statement of Profit or Loss

	1H/2023	1H/2024
	HK\$ mil	HK\$ mil
Revenue	2,404.8	2,402.5
Cost of sales	(1,780.7)	(1,768.0)
Gross Profit	624.1	634.5
Other revenue	14.8	13.5
Other net income	25.7	44.8
Selling and distribution expenses	(83.9)	(87.0)
Administrative and other operating expenses	(156.1)	(173.6)
Operating Profit	424.6	432.2
Net finance costs	(50.4)	(55.0)
Profit before taxation	374.2	377.2
Income tax	(70.7)	(71.7)
Profit for the period	303.5	305.5
Attributable to:		
- Equity shareholders of the Company	303.2	304.5
- Non-controlling interest	0.3	1.0
Profit for the period	303.5	305.5



Appendix 3 – Consolidated Statement of Financial Position

	12/31/2023	6/30/2024
	HK\$ mil	HK\$ mil
Non-current assets		
Property, plant and equipment	4,535.5	4,465.4
Prepayments for Property, plant and equipment	52.4	77.8
Intangible assets	214.8	198.2
Goodwill	227.5	225.9
Deferred expenses	161.1	160.2
Other financial assets	1.6	1.5
Deferred tax assets	121.3	102.6
	5,314.2	5,231.6
Current assets		
Inventories	961.2	961.0
Trade and bills receivables	1,081.4	1,190.6
Prepayments, deposits and other receivables	302.9	296.3
Taxation recoverable	10.3	13.9
Cash and cash equivalents	630.9	447.4
	2,986.7	2,909.2
TOTAL ASSETS	8,300.9	8,140.8



Appendix 3 – Consolidated Statement of Financial Position

	12/31/2023	6/30/2024
	HK\$ mil	HK\$ mil
Current liabilities		
Bank loans	1,028.6	878.0
Lease liabilities	7.7	3.7
Trade payables	519.5	517.4
Other payables and accruals	308.9	378.8
Taxation payable	59.6	22.9
	1,924.3	1,800.8
Net current assets	1,062.4	1,108.4
Total assets less current liabilities	6,376.6	6,340.0
Non-current liabilities		
Bank loans	1,211.9	1,234.9
Lease liabilities	9.6	8.2
Deferred income	135.1	136.6
Defined benefit retirement plans obligation	64.3	67.0
Deferred tax liabilities	54.8	51.8
	1,475.7	1,498.5
NET ASSETS	4,900.9	4,841.5



Appendix 3 – Consolidated Statement of Financial Position

	<u>12/31/2023</u>	<u>6/30/2024</u>
	HK\$ mil	HK\$ mil
Capital and reserves		
Share capital	188.7	188.7
Reserves	4,691.9	4,631.8
Total equity attributable to equity shareholders of the Company	4,880.6	4,820.5
Non-controlling interest	20.3	21.0
TOTAL EQUITY	4,900.9	4,841.5



Appendix 4 – Condensed Consolidated Cash Flow Statement

	1H/2023	1H/2024
	HK\$ mil	HK\$ mil
Operating activities		
Cash generated from operations	718.7	560.0
Tax paid	(41.2)	(62.1)
Net cash generated from operating activities	677.5	497.9
Investing activities		
Payment of property, plant and equipment	(373.8)	(315.8)
Payment for deferred expenses	(38.4)	(44.2)
Others	9.7	18.7
Net cash used in investing activities	(402.5)	(341.3)



Appendix 4 – Condensed Consolidated Cash Flow Statement

	1H/2023	1H/2024
	HK\$ mil	HK\$ mil
Financing activities		
Proceeds from bank loans	673.4	796.3
Repayment of bank loans	(607.2)	(915.9)
Interest paid	(56.8)	(59.3)
Lease rentals paid	(7.2)	(3.7)
Dividends paid	(150.8)	(151.0)
Proceeds from exercise of share options	0.6	-
Net cash used in from financing activities	(148.0)	(333.6)
Increase/(decrease) in cash and cash equivalents	127.0	(177.0)
Cash and cash equivalents at January 1	483.3	630.9
Effect of foreign exchange rate changes	(5.1)	(6.5)
Cash and cash equivalents at June 30	605.1	447.4

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