

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 ANNUAL RESULTS PRESENTATION

March 11, 2025





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 year ended December 31, 2024. This presentation is intended to provide updated information on the Group for the year ended December 31, 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 year ended December 31, 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 year ended December 31, 2024, please refer to the 2024 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 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.

FY2024 Results Summary



Moderate Revenue Growth, with spectacular Financial Performance in High Horsepower Engine End-markets

- 2024 Group revenue up 1.8% y-on-y to HK\$4,686.8M
- High horsepower engine end-market revenue grew strongly by 58.6%, or increase by HK\$290.2M. The growth rate accelerated even further in the 2H/2024 to 74.7%
- Aerospace end-market revenue grew by 26.8% in 2024, the growth rate slowed down slightly to 20.0% due to the impact of end customer in 2H/2024
- Construction equipment end-market began to recover in 2H/2024, yet sales for the entire year continued to decline
- Revenue in most of the remaining end-markets were mainly influenced by industry cyclical, resulting in a year-on-year decline



Seizing the growth opportunities in High Horsepower Engine, Aerospace and Medical End-markets

- As the demand for AI-related big data centres continued to bloom across the world, the demand for high horsepower engines as key a component of distributed power generators continued to rise; Upon the completion of construction project for one of the Phase II plants at the SLP Campus in Mexico by end 2025 (est), it will significantly enhance the Group's production capacity of high horsepower engine components
- Two newly completed Mexico aerospace and surface treatment plants are currently undergoing equipment installation & certification in full swing. The production is expected to begin in 2H/2025 or 1H/2026



Increase in Gross Profit Margin and Adjusted profit attributable to shareholders of the Company

- Group's GP Margin increased by 1.5% to 27.1%; GP Margin of Sand Casting business benefited from the substantial increase in revenue from the high horsepower engine end-market
- Most of the PRC plants achieved spectacular financial performance; profit of Turkey plants dropped due to high inflation; Mexico plants remained in the ramp-up stage, still recorded a relatively large net loss, while its EBITDA loss narrowed
- Profit attributable to shareholders of the Company increased by 10.1% y-o-y to HK\$644.3M; after adjustment of significant one-off items, adjusted profit attributable to shareholders of the Company rose by 15.7% to HK\$615.5M



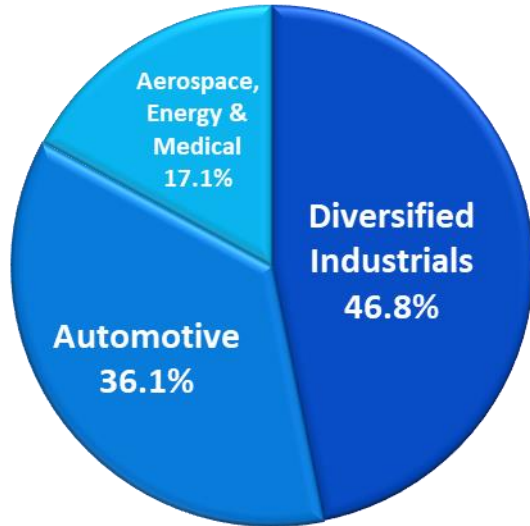
Stable Free Cash Flow and Dividend Payout

- Operating cash flow reached HK\$1,146.2M in 2024, and the net debt of the Group decreased by HK\$32.5M after expenditures such as capex and dividends to shareholders, due to effective control of working capital with decrease in inventory and accounts receivable turnover days
- 2024 2nd interim dividend at 8.0 HK cents per share or a total of HK\$151M, dividend payout ratio is ~49% of the adjusted profit attributable to shareholders

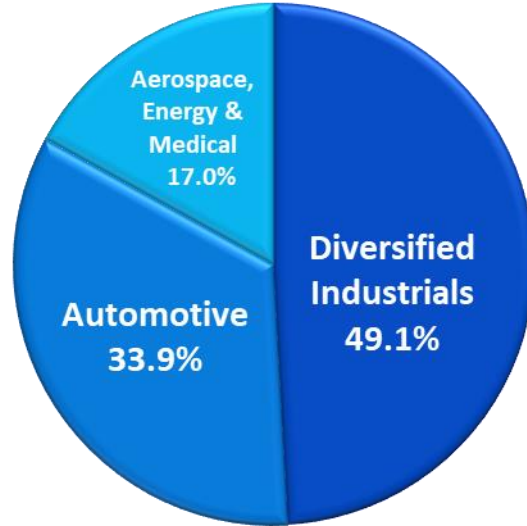
Revenue by End-market



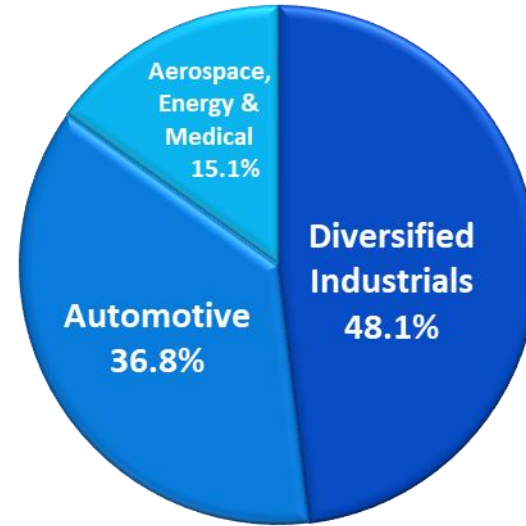
2H/2023



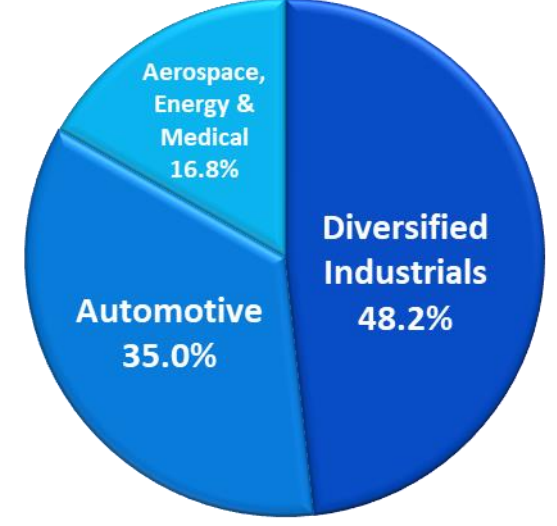
2H/2024



FY2023



FY2024



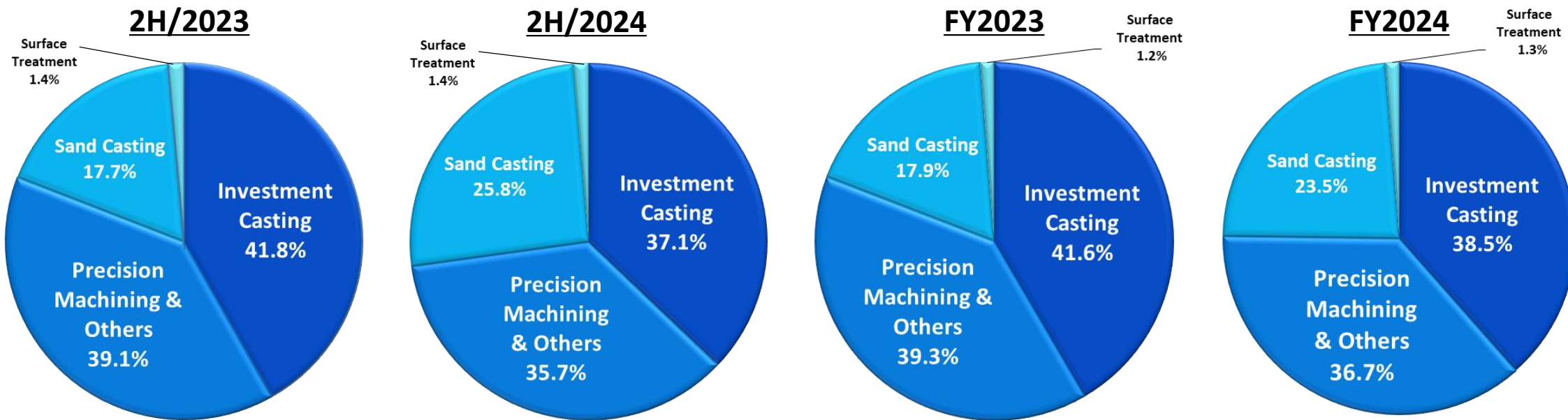
By End-market	2H/2023	2H/2024	Inc/(Dec)		FY2023	FY2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
Diversified Industrials	1,029.5	1,121.8	92.3	9.0%	2,213.6	2,260.0	46.4	2.1%
Automotive	793.8	774.2	(19.6)	-2.5%	1,694.7	1,640.5	(54.2)	-3.2%
Aerospace, Energy & Medical	376.3	388.3	12.0	3.2%	696.1	786.3	90.2	13.0%
Total	2,199.6	2,284.3	84.7	3.9%	4,604.4	4,686.8	82.4	1.8%



Revenue by End-market

By End-market	2H/2023	2H/2024	Inc/(Dec)		FY2023	FY2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
Diversified Industrials	1,029.5	1,121.8	92.3	9.0%	2,213.6	2,260.0	46.4	2.1%
- High Horsepower Engine	243.8	426.0	182.2	74.7%	495.6	785.8	290.2	58.6%
- Construction Equipment	292.8	314.4	21.6	7.4%	695.0	648.5	(46.5)	-6.7%
- Agricultural Equipment	215.0	147.1	(67.9)	-31.6%	421.0	324.3	(96.7)	-23.0%
- Recreational Boat & Vehicle	93.8	56.6	(37.2)	-39.7%	217.7	148.4	(69.3)	-31.8%
- Others	184.1	177.7	(6.4)	-3.5%	384.3	353.0	(31.3)	-8.1%
Automotive	793.8	774.2	(19.6)	-2.5%	1,694.7	1,640.5	(54.2)	-3.2%
- Passenger Car	411.9	407.5	(4.4)	-1.1%	834.9	852.0	17.1	2.0%
- Commercial Vehicle	381.9	366.7	(15.2)	-4.0%	859.8	788.5	(71.3)	-8.3%
Aerospace, Energy & Medical	376.3	388.3	12.0	3.2%	696.1	786.3	90.2	13.0%
- Aerospace	236.0	283.1	47.1	20.0%	424.9	538.6	113.7	26.8%
- Energy	89.9	59.7	(30.2)	-33.6%	170.2	161.9	(8.3)	-4.9%
- Medical	50.4	45.5	(4.9)	-9.7%	101.0	85.8	(15.2)	-15.0%
Total	2,199.6	2,284.3	84.7	3.9%	4,604.4	4,686.8	82.4	1.8%

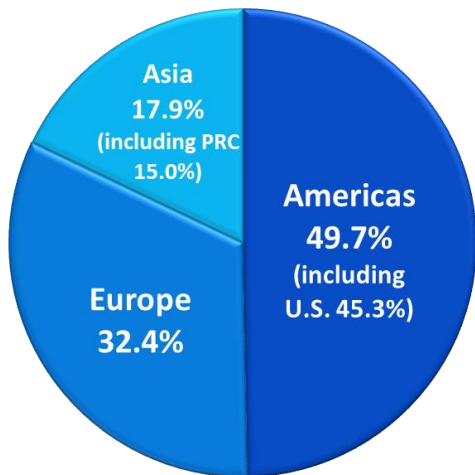
Revenue by Business



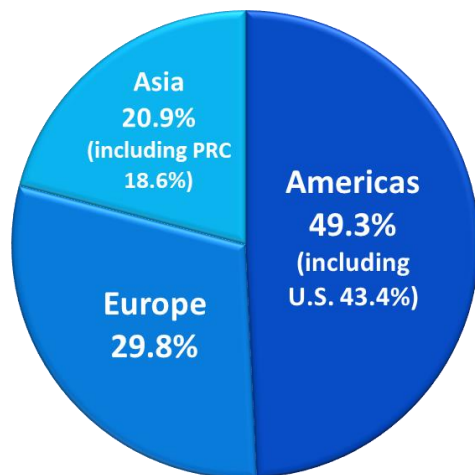
By Business	2H/2023	2H/2024	Inc/(Dec)		FY2023	FY2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
Investment Casting	919.9	847.7	(72.2)	-7.8%	1,914.8	1,804.7	(110.1)	-5.7%
Precision Machining & Others	859.6	815.5	(44.1)	-5.1%	1,808.3	1,720.3	(88.0)	-4.9%
Sand Casting	390.1	589.6	199.5	51.1%	823.9	1,101.3	277.4	33.7%
Surface Treatment	30.0	31.5	1.5	5.0%	57.4	60.5	3.1	5.4%
Total	2,199.6	2,284.3	84.7	3.9%	4,604.4	4,686.8	82.4	1.8%

Revenue by Geographical

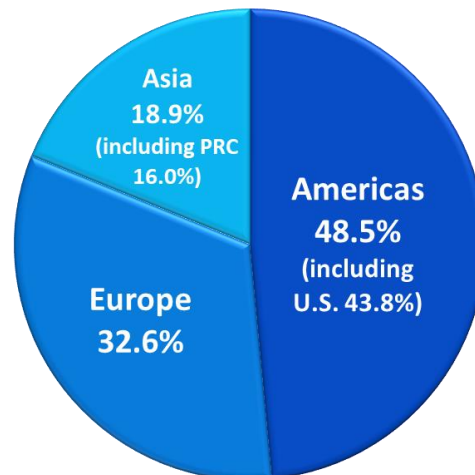
2H/2023



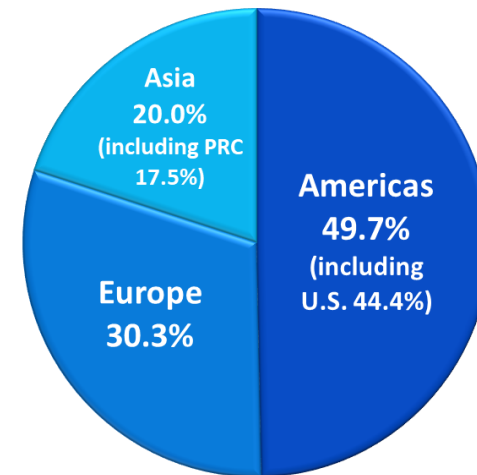
2H/2024



FY2023



FY2024



By Geographical	2H/2023	2H/2024	Inc/(Dec)		FY2023	FY2024	Inc/(Dec)	
	HK\$ mil	HK\$ mil	HK\$ mil	Change	HK\$ mil	HK\$ mil	HK\$ mil	Change
Americas	1,092.8	1,124.5	31.7	2.9%	2,233.3	2,328.5	95.2	4.3%
- United States	995.7	992.2	(3.5)	-0.4%	2,019.0	2,082.3	63.3	3.1%
- Others	97.1	132.3	35.2	36.3%	214.3	246.2	31.9	14.9%
Europe	712.6	681.7	(30.9)	-4.3%	1,502.7	1,421.6	(81.1)	-5.4%
Asia	394.2	478.1	83.9	21.3%	868.4	936.7	68.3	7.9%
- PRC	331.0	424.9	93.9	28.4%	736.6	817.9	81.3	11.0%
- Others	63.2	53.2	(10.0)	-15.8%	131.8	118.8	(13.0)	-9.9%
Total	2,199.6	2,284.3	84.7	3.9%	4,604.4	4,686.8	82.4	1.8%



2024 Financial Review

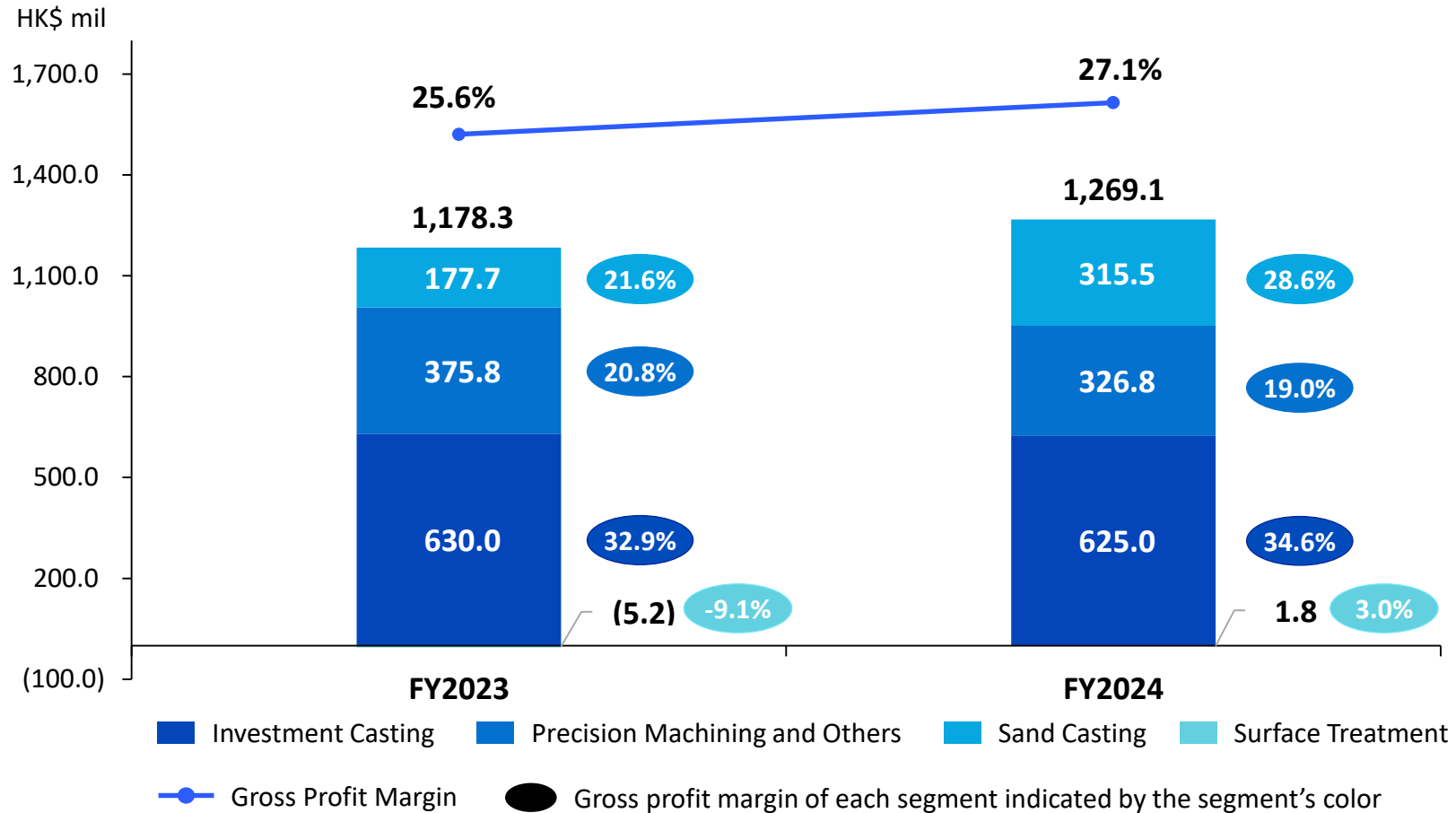




2024 Financial Review

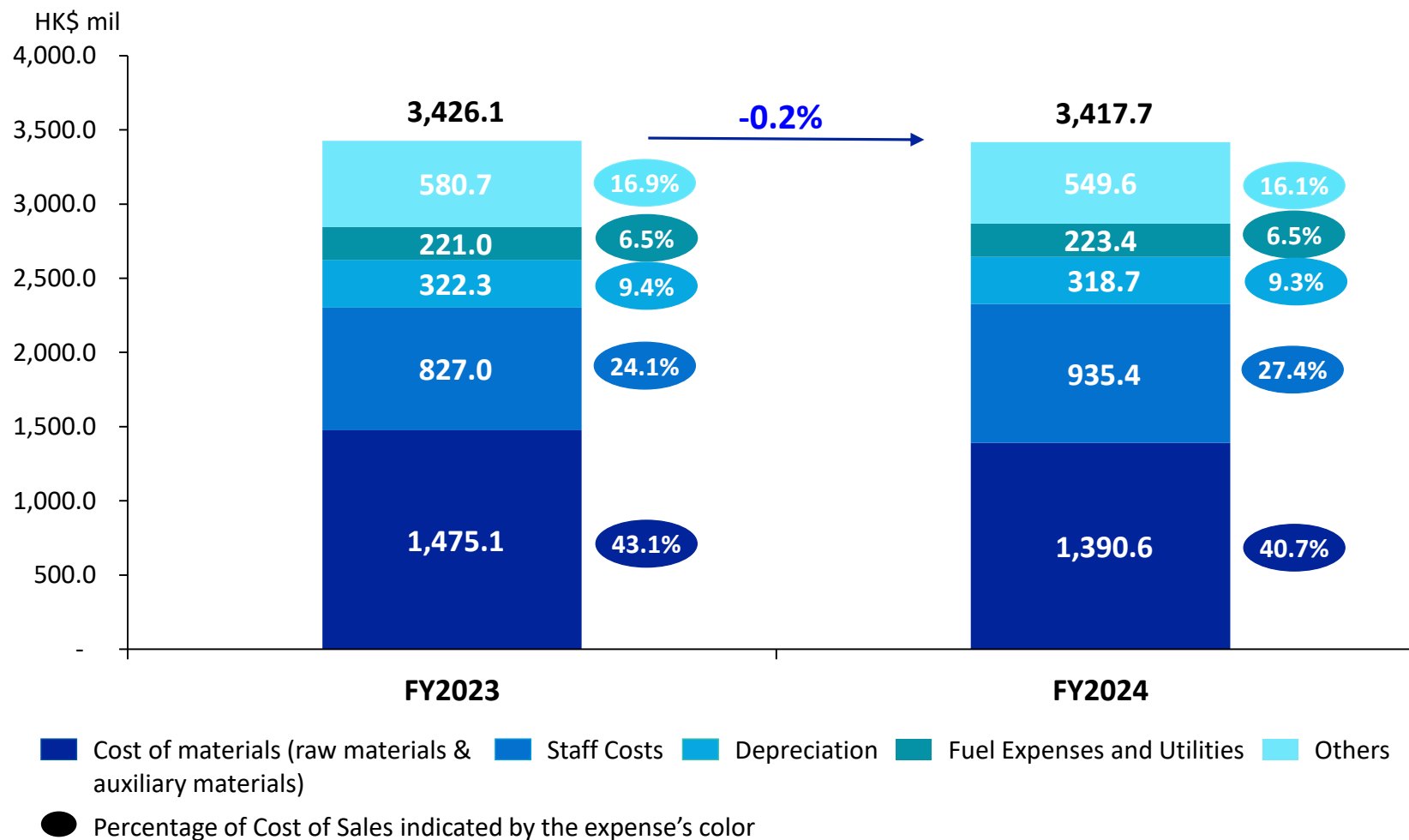
Financial Highlights	FY2023	FY2024	Change
	HK\$ mil	HK\$ mil	
Revenue	4,604.4	4,686.8	1.8%
Gross profit	1,178.3	1,269.1	7.7%
Gross profit margin	25.6%	27.1%	1.5%
Other revenue	30.2	33.2	9.9%
Other net income	20.0	125.5	527.5%
Selling and distribution expenses	(158.5)	(177.0)	11.7%
Administrative and other operating expenses	(341.7)	(362.6)	6.1%
Adjusted EBITDA	1,214.9	1,318.6	8.5%
Adjusted EBITDA margin	26.4%	28.1%	1.7%
Profit att. to shareholders of the Company	585.1	644.3	10.1%
Adj. Profit Attr. to shareholders of the Company	532.0	615.5	15.7%
Adjusted basic EPS (HK cents)	28.2	32.6	15.6%
DPS (HK cents)	16.0	16.0	-

Gross Profit





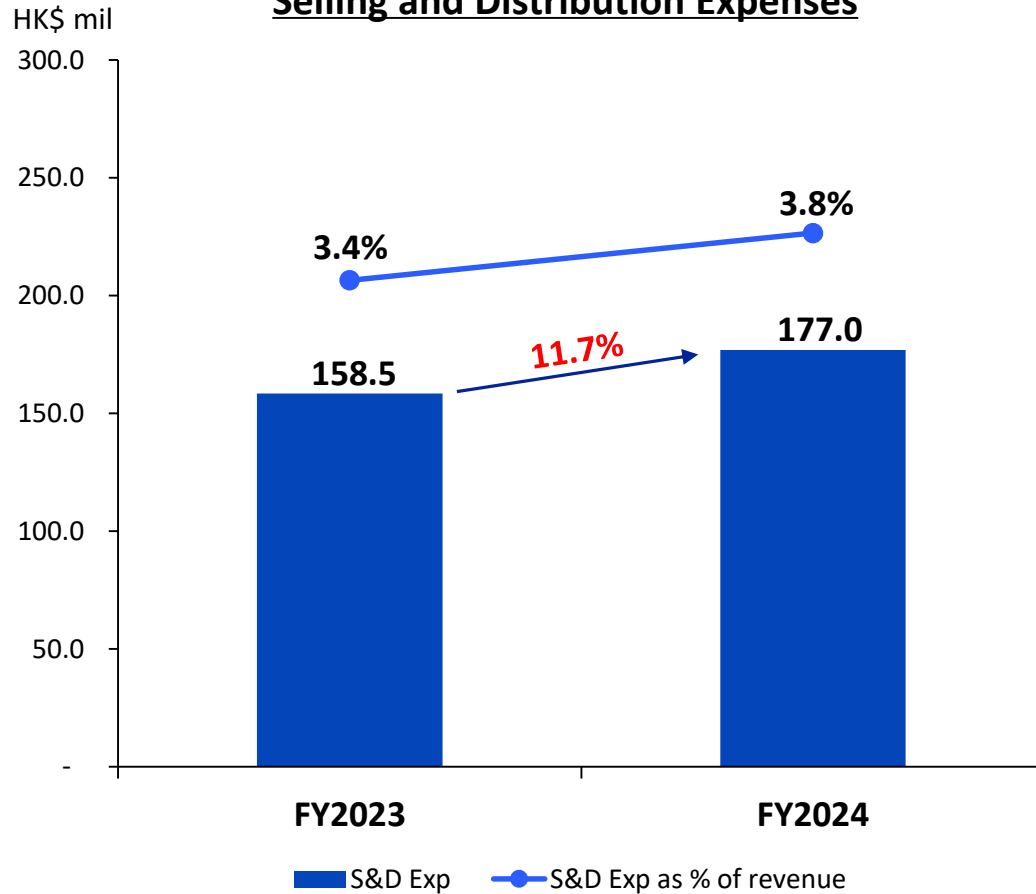
Cost of Sales Analysis



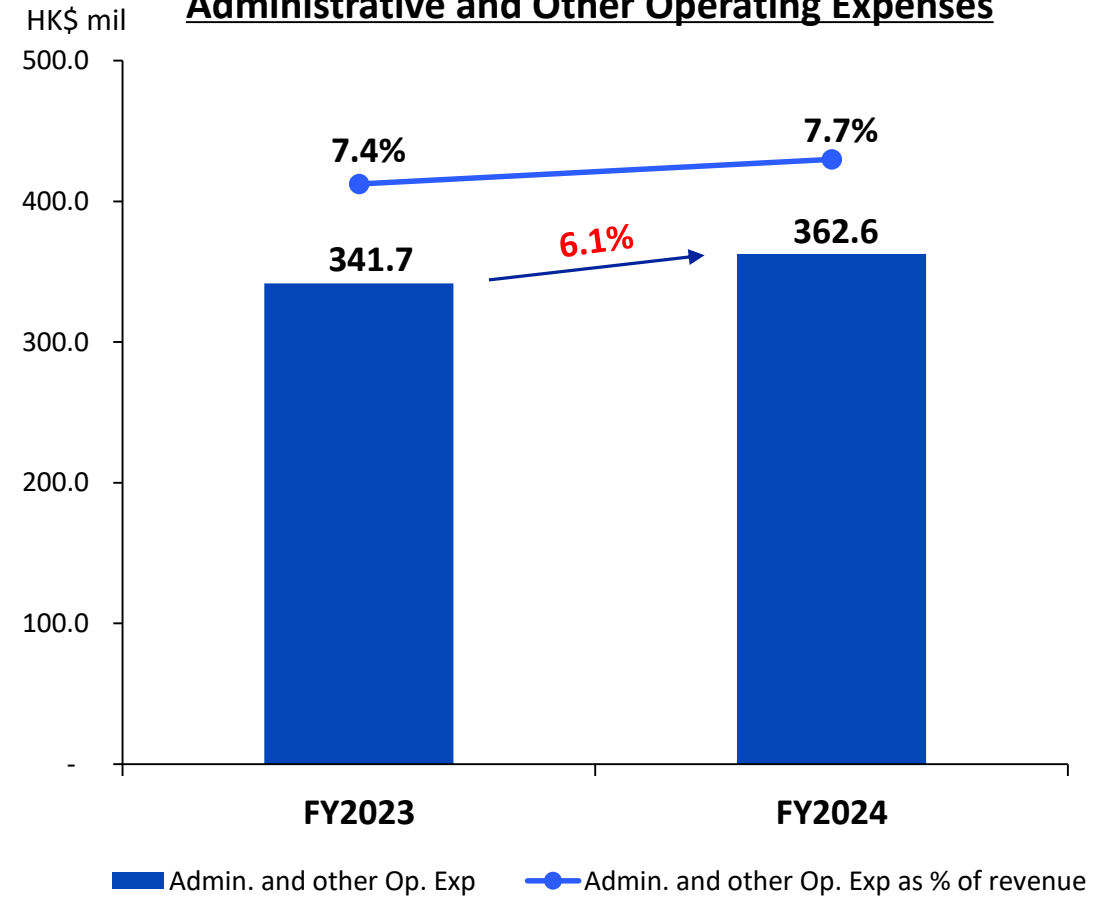


Operating Expenses Analysis

Selling and Distribution Expenses

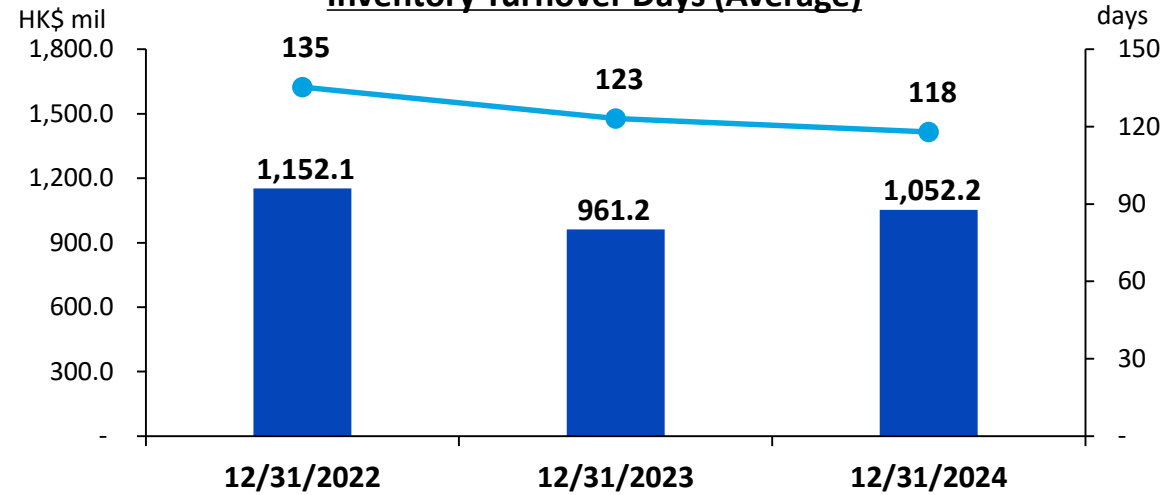


Administrative and Other Operating Expenses

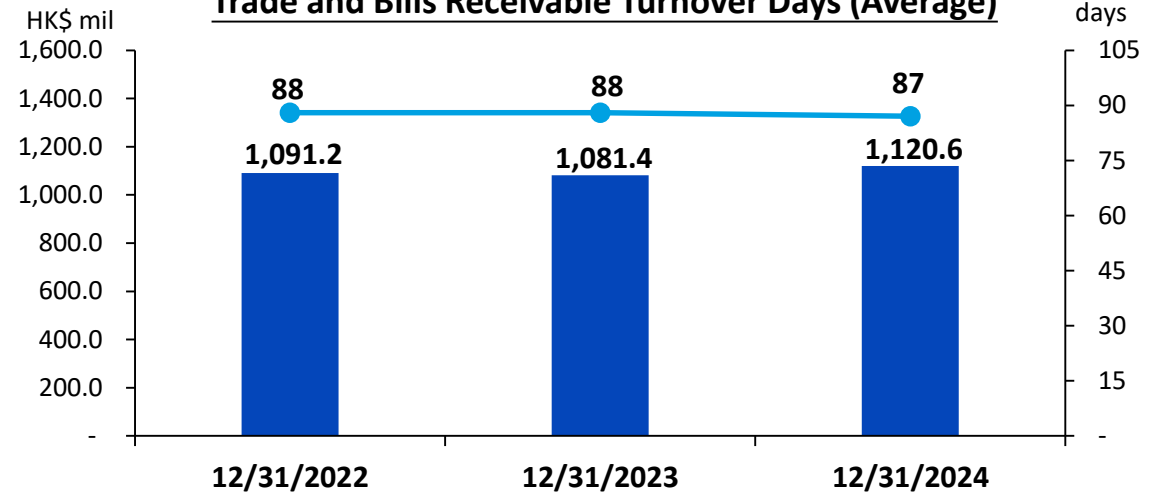


Key Working Capital Ratios

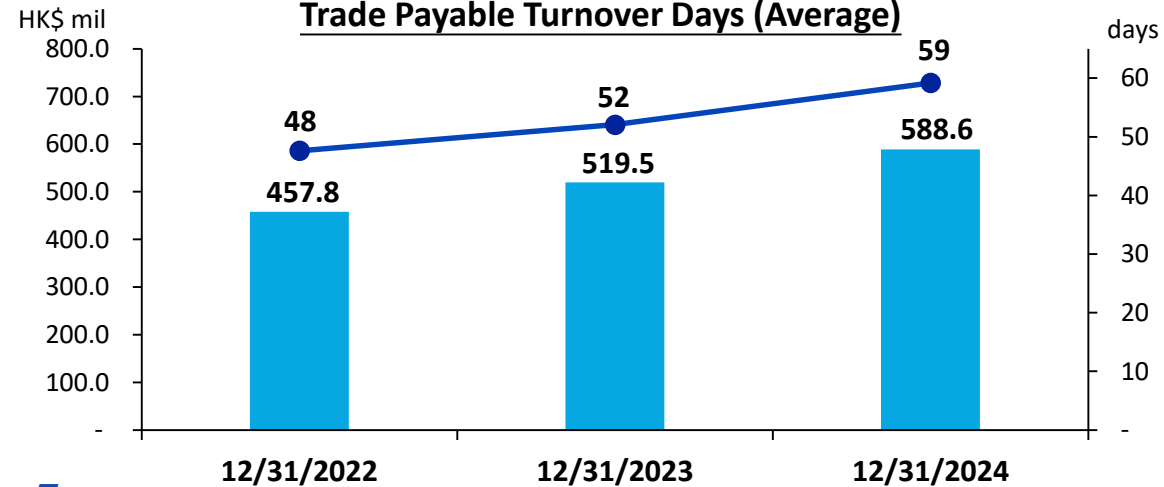
Inventory Turnover Days (Average)



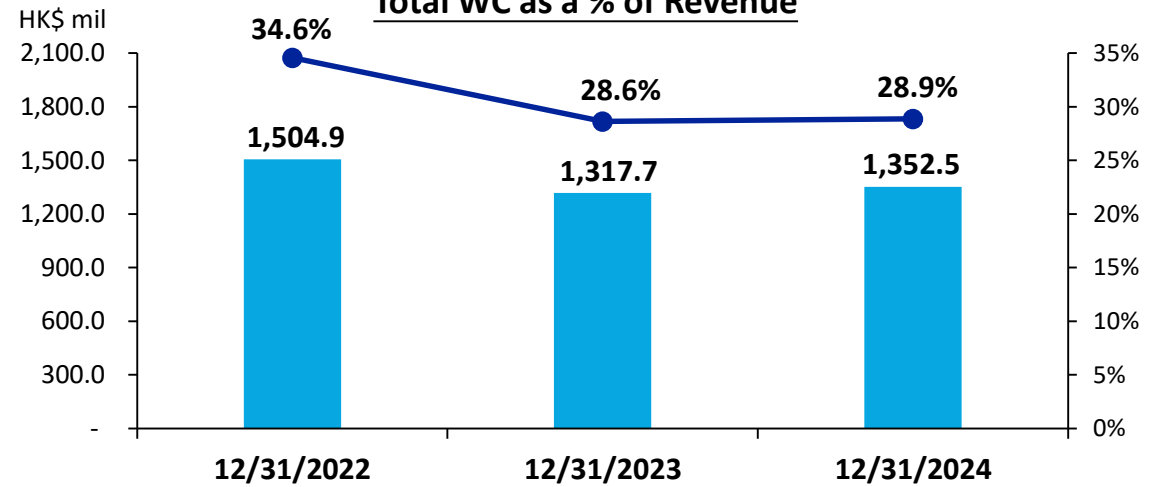
Trade and Bills Receivable Turnover Days (Average)



Trade Payable Turnover Days (Average)



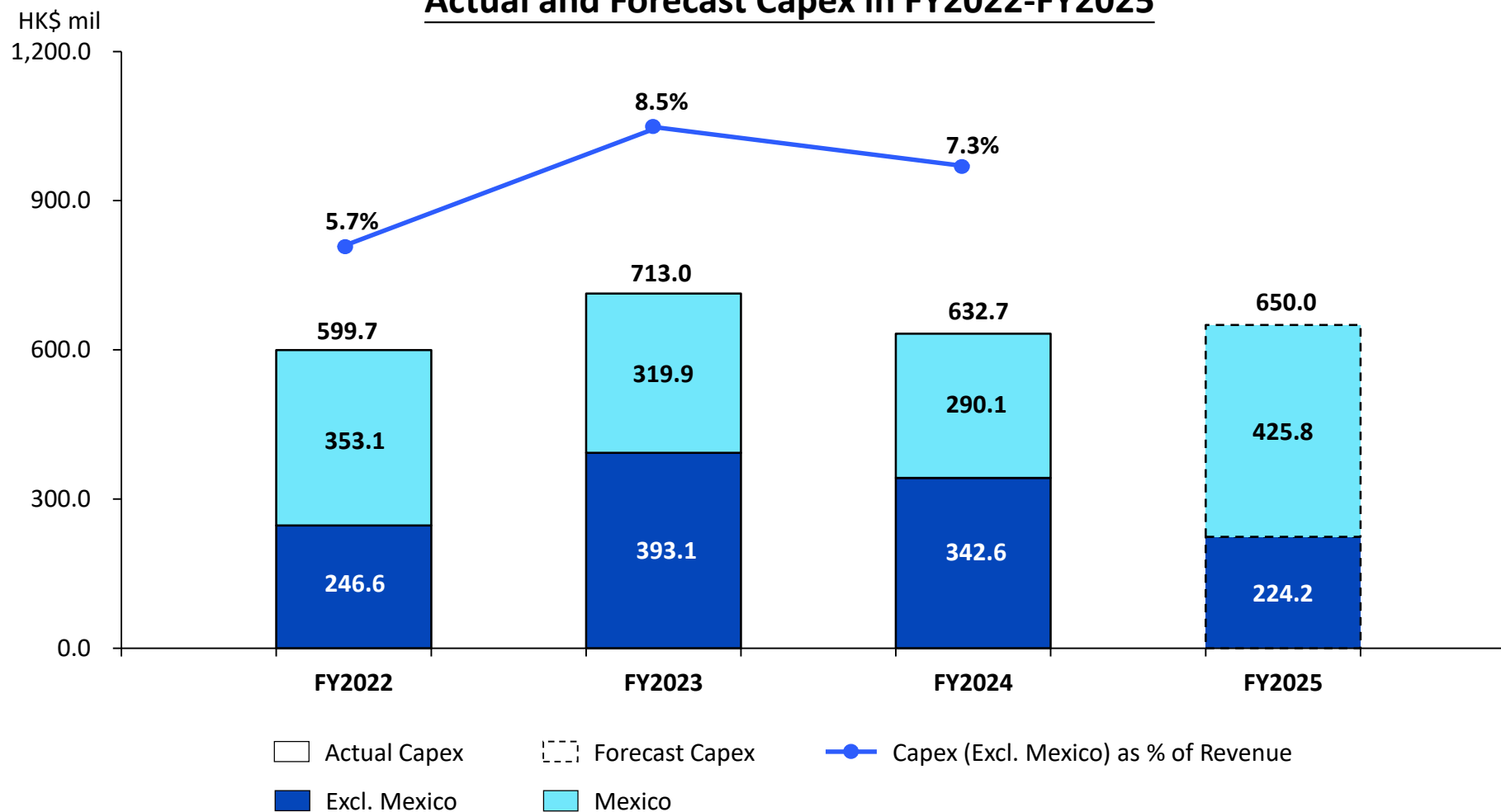
Total WC as a % of Revenue





Capital Expenditure

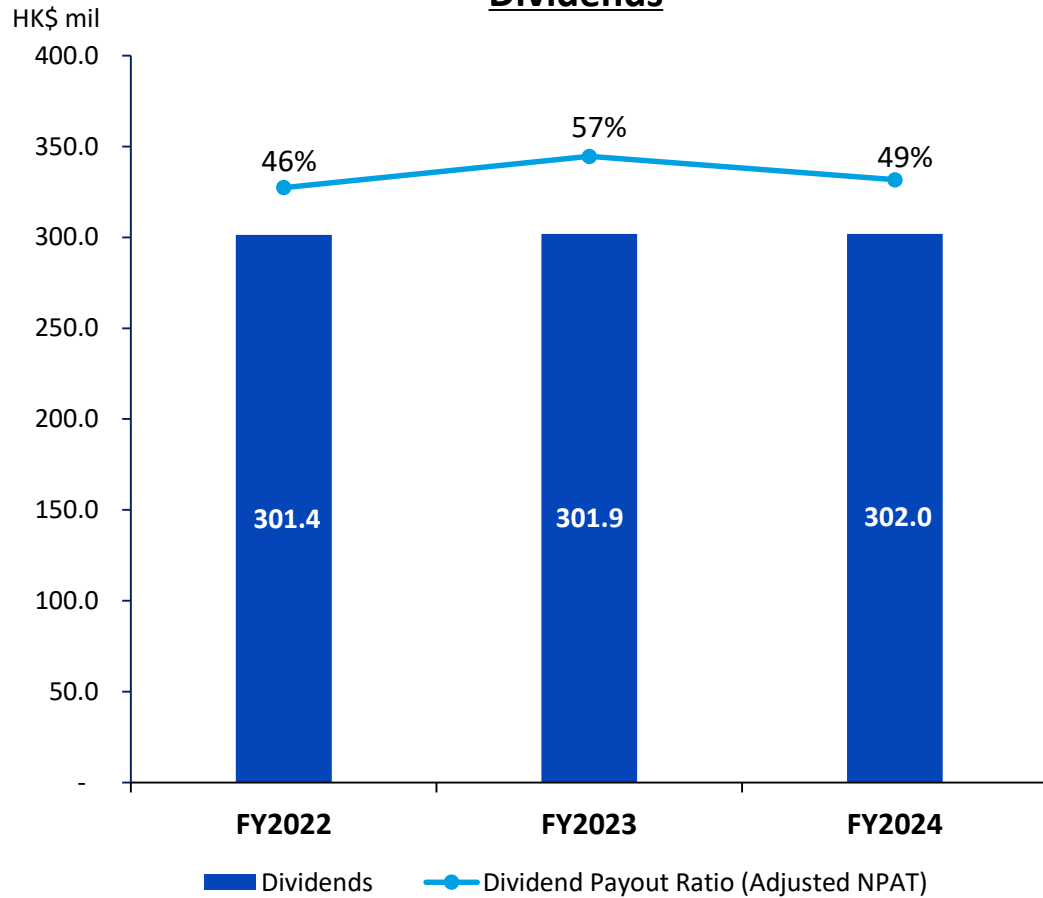
Actual and Forecast Capex in FY2022-FY2025



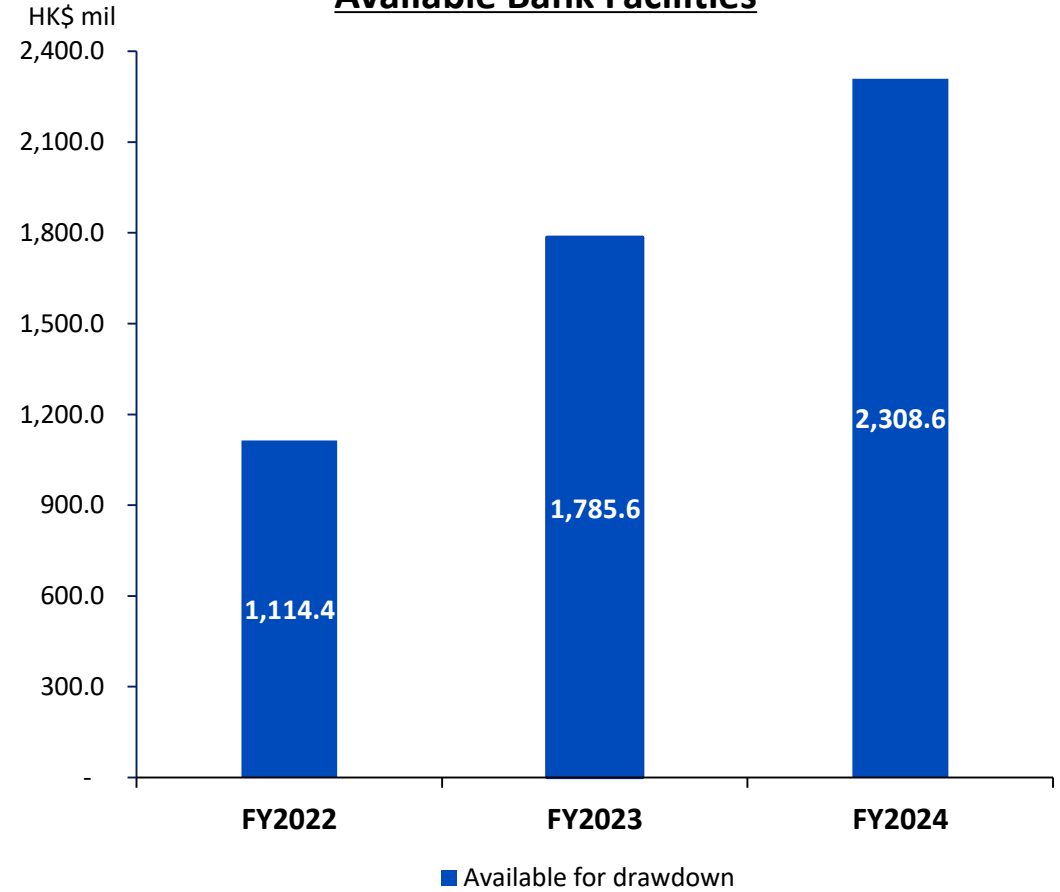


Dividends & Available Bank Facilities

Dividends

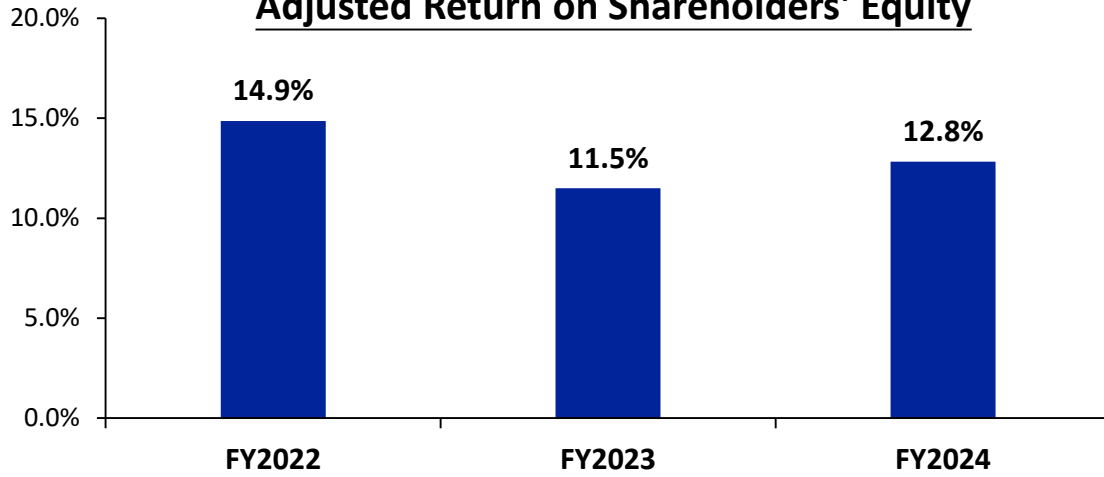


Available Bank Facilities

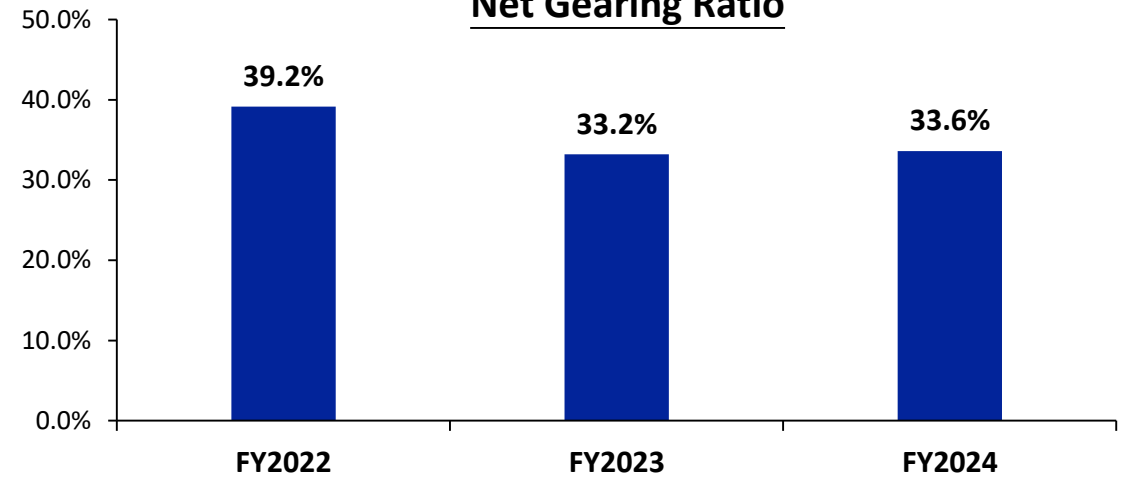


Key Financial Ratios

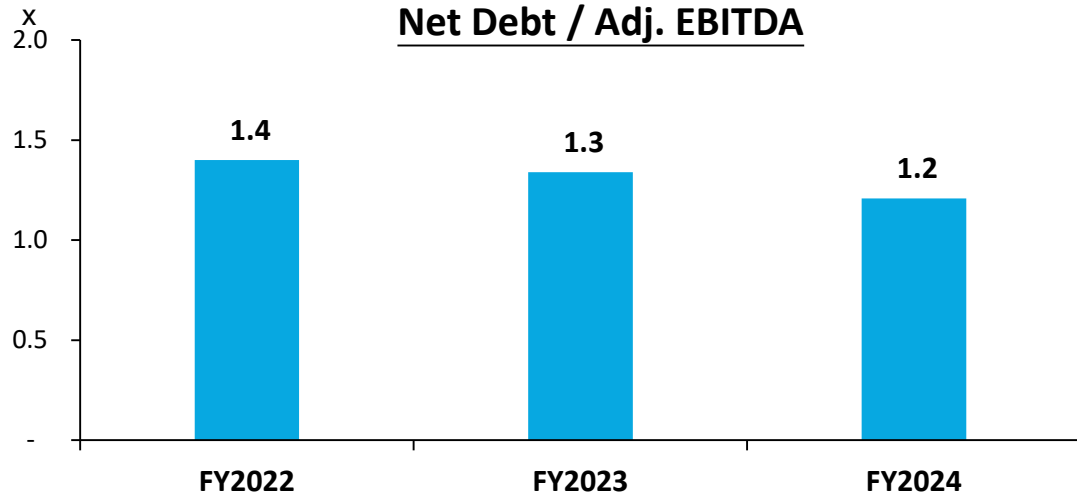
Adjusted Return on Shareholders' Equity



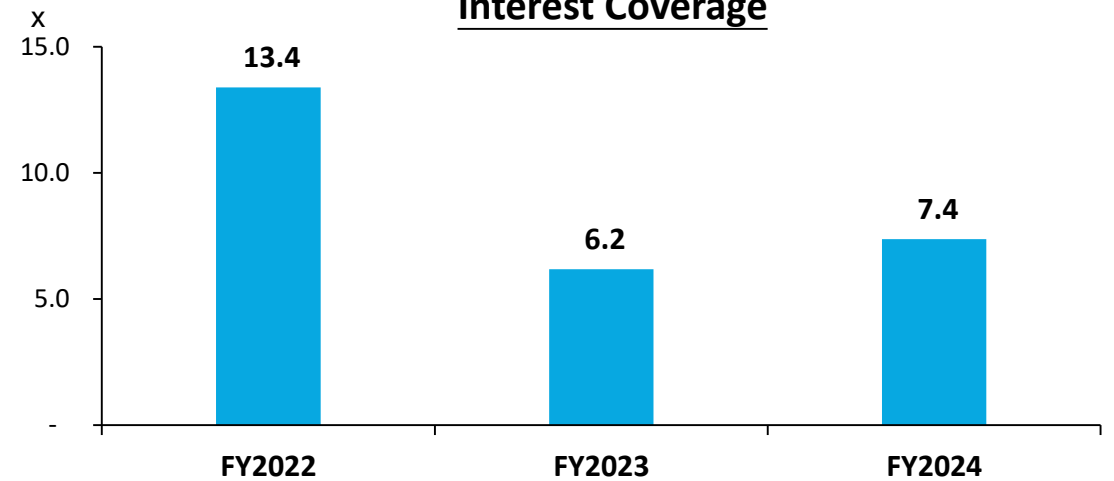
Net Gearing Ratio



Net Debt / Adj. EBITDA

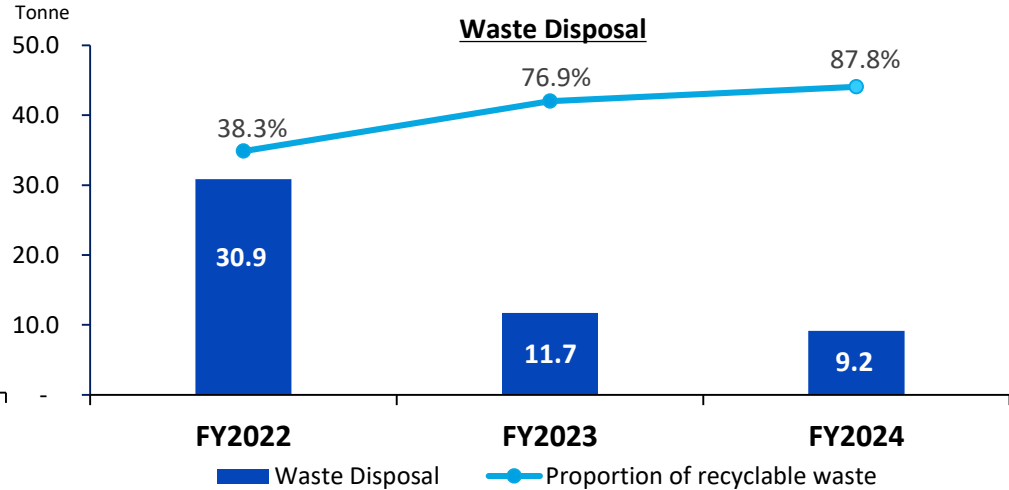
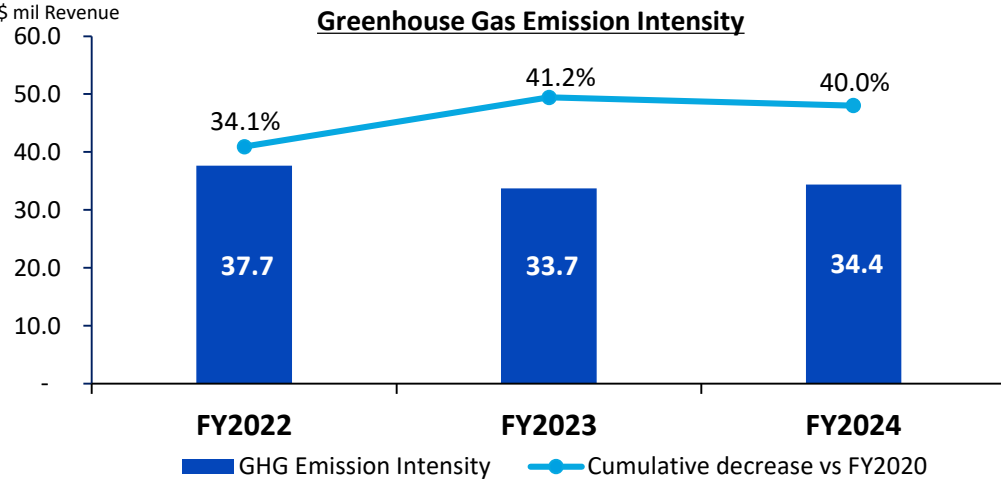


Interest Coverage



Sustainability Highlights

Tonne of CO₂/HK\$ mil Revenue



- Cumulatively as of December 31, 2024, the Group has reduced GHG emission intensity by 40.0% vs 2020, exceeding the original 2030 goal of 30% reduction; 2024 GHG emission intensity rose slightly y-on-y as new China Nantong and Zhenjiang plants remain in ramp up stage. Excluding these two new plants, 2024 GHG emission intensity decreased by 0.2% y-on-y. The Group has also made progress with waste disposal intensity, with 87.8% of waste being recycled
- Awarded Bronze Medal by a global reputable sustainability rating agency EcoVadis for third year in a row, signifying the Group’s outstanding corporate social responsibility and sustainability achievements; Won “Sustainable Corporate (Environment) – Outstanding Award” at Standard Chartered Corporate Achievement Award 2024
- Energy storage power station at Impro China’s headquarters officially started operations. It aims to reduce corporate energy costs, and also balance the electricity grid's supply and demand, ensuring the continuity and reliability of corporate power usage. These stations also enhance the utilization of renewable energy, promote transitioning to a green economy, and contribute to low-carbon emission.



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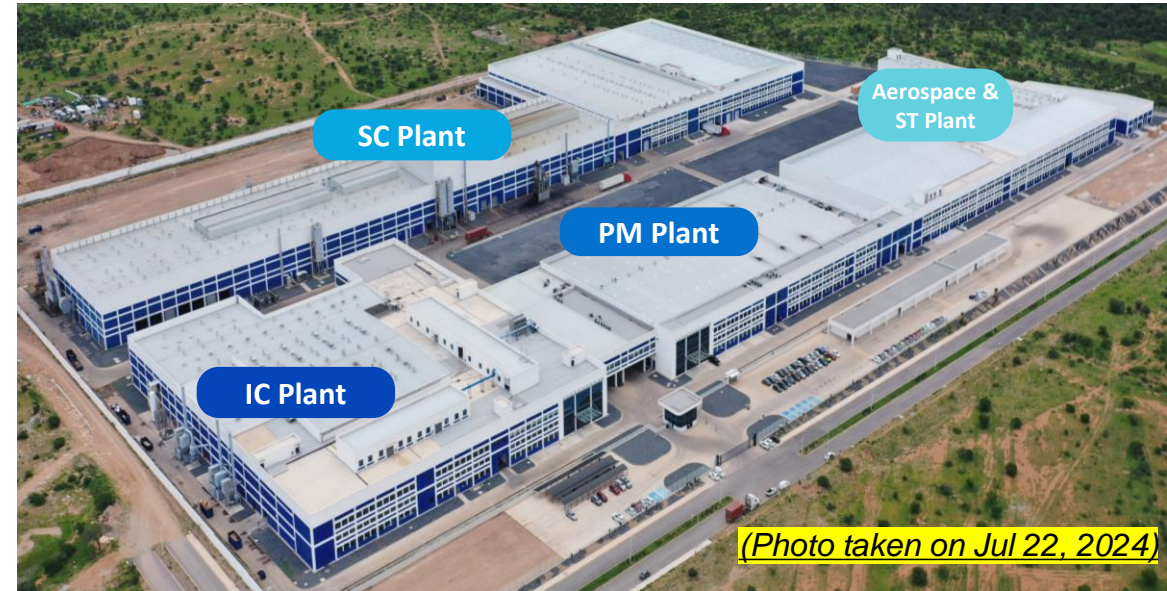


Business Outlook





Mexico SLP Campus Construction Update



- Mexico SLP Campus Precision Machining (PM), Sand Casting (SC) and Investment Casting (IC) plants are currently operating, Aerospace component and Surface Treatment (ST) plants are currently undergoing equipment installation in full swing. As the Aerospace plant certification process is rather long, production is expected to begin in 2H/2025 or 1H/2026
- Due to the significant growth expectations for Mexico SLP Campus, the Group commenced Phase II construction of the Mexico SLP Campus in 2H/2024; among them, a plant related to the high horsepower engine end-market is expected to be completed by end 2025, significantly enhancing the Group's production capacity and dual source supply in the field of high horsepower engine components
- 2025 capex budget for Mexico plants ~HK\$430 million, including capex related to the Phase II Campus construction and Phase II living facilities
- Revenue from the Mexican SLP Campus is expected to grow strongly over the next few years, and operating performance is expected to improve as revenue increases



Business Outlook

- Uncertainties such as geopolitical conflicts, high inflation and high interest rates that have persisted for several years will continue to loom over the global economy, dampening the short-term revenue growth rates in some end-markets
- The Group’s “Global Footprint” and “Diversified End-markets” strategies will continue to diversify our business portfolio and reduce risk
- With the rapid development of AI, the demand for AI-related big data centers in the American and European markets, as well as the Asian markets including China, has increased significantly. **This surge has stimulated the demand for high horsepower engines, critical components for distributed power generators; The Group expects that high horsepower engines will become the largest sub-end market in terms of the Group's sales revenue in 2025**
- **The aerospace end-market is expected to continue to experience significant growth. The medical end-market is being propelled by new products developed by the Group for North American customers, with related business starting to ramp up in the fourth quarter of 2024. It is anticipated that the medical end-market will experience significant growth in 2025**
- Despite the possibility of cyclical fluctuations and downward pressure in certain end-markets of the Group in 2025, considering the Group's total order on hand and future new project development, **the Company forecasts that the sales growth rate will be approximately mid to high single digit**
- Sound financial and cash flow position of the Group, and ~HK\$2.3B undrawn banking facilities will provide the Group with ample resources to continue executing “Twin Growth Engines” strategy prudently

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Q&A Session





Appendices – Financials Summary



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

	FY2023	FY2024	
	HK\$ mil	HK\$ mil	Change
<u>Reconciliation to Adj. Profit Attr. to Shareholders</u>			
Profit after tax	586.8	645.8	
Adjustments (net of tax):			
- Insurance claims received, net of legal expenses & tax, as a result of Nantong fire incident	(14.6)	(61.5)	
- Amort'n and Dep'n related to past acq's PPA adj	36.2	32.7	
- Recognition of deferred tax assets of a Turkish subsidiary in accordance with inflation accounting as prescribed by the Turkish Tax Procedure Code	(80.8)	-	
- Prov. for staff severance costs re: FSMD relocation	6.1	-	
Adjusted NPAT	533.7	617.0	15.6%
Less: Profit Attr. to non-controlling interest	(1.7)	(1.5)	
Adjusted Profit Attr. to Shareholders	532.0	615.5	15.7%
<u>Reconciliation to Adj. EBITDA</u>			
EBITDA	1,224.9	1,390.9	
Adjustments:			
- Insurance claims received, net of legal expenses as a result of Nantong fire incident	(17.2)	(72.3)	
- Prov. for staff severance costs re: FSMD relocation	7.2	-	
Adjusted EBITDA	1,214.9	1,318.6	8.5%
Adjusted EBITDA Margin	26.4%	28.1%	1.7%



Appendix 2 – Consolidated Statement of Profit or Loss

	FY2023	FY2024
	HK\$ mil	HK\$ mil
Revenue	4,604.4	4,686.8
Cost of sales	(3,426.1)	(3,417.7)
Gross Profit	1,178.3	1,269.1
Other revenue	30.2	33.2
Other net income	20.0	125.5
Selling and distribution expenses	(158.5)	(177.0)
Administrative and other operating expenses	(341.7)	(362.6)
Operating Profit	728.3	888.2
Net finance costs	(108.4)	(102.3)
Profit before taxation	619.9	785.9
Income tax	(33.1)	(140.1)
Profit for the year	586.8	645.8
Attributable to:		
Equity shareholders of the Company	585.1	644.3
Non-controlling interest	1.7	1.5
Profit for the year	586.8	645.8

Appendix 3 – Consolidated Statement of Financial Position

	12/31/2023	12/31/2024
	HK\$ mil	HK\$ mil
Non-current assets		
Property, plant and equipment (PPE)	4,535.5	4,322.6
Prepayments for purchase of PPE	52.4	75.7
Intangible assets	214.8	184.2
Goodwill	227.5	222.7
Deferred expenses	161.1	159.0
Other financial asset	1.6	1.5
Deferred tax assets	121.3	83.9
	5,314.2	5,049.6
Current assets		
Inventories	961.2	1,052.2
Trade and bills receivables	1,081.4	1,120.6
Prepayments, deposits and other receivables	302.9	338.3
Taxation recoverable	10.3	9.4
Cash and cash equivalents	630.9	601.7
	2,986.7	3,122.2
TOTAL ASSETS	8,300.9	8,171.8

Appendix 3 – Consolidated Statement of Financial Position

	12/31/2023	12/31/2024
	HK\$ mil	HK\$ mil
Current liabilities		
Bank loans	1,028.6	919.2
Lease liabilities	7.7	3.8
Trade payables	519.5	588.6
Other payables and accruals	308.9	378.1
Taxation payable	59.6	24.4
	1,924.3	1,914.1
Net current assets	1,062.4	1,208.1
Total assets less current liabilities	6,376.6	6,257.7
Non-current liabilities		
Bank loans	1,211.9	1,265.6
Lease liabilities	9.6	7.5
Deferred income	135.1	129.2
Defined benefit plan obligations	64.3	62.6
Deferred tax liabilities	54.8	49.9
	1,475.7	1,514.8
NET ASSETS	4,900.9	4,742.9




Appendix 3 – Consolidated Statement of Financial Position

	12/31/2023	12/31/2024
	HK\$ mil	HK\$ mil
Capital and reserves		
Share capital	188.7	188.7
Reserves	4,691.9	4,532.7
Total equity attributable to equity shareholders of the Company	4,880.6	4,721.4
Non-controlling interest	20.3	21.5
TOTAL EQUITY	4,900.9	4,742.9

Appendix 4 – Condensed Consolidated Cash Flow Statement

	FY2023	FY2024
	HK\$ mil	HK\$ mil
Operating activities		
Cash generated from operations	1,454.5	1,259.0
Tax paid	(173.1)	(112.8)
Net cash generated from operating activities	1,281.4	1,146.2
Investing activities		
Payment for the acquisition of PPE	(711.4)	(612.0)
Proceeds from disposal of PPE	6.6	1.7
Payment for deferred expenses	(76.0)	(88.1)
Interest received	7.9	8.4
Net cash used in investing activities	(772.9)	(690.0)

Appendix 4 – Condensed Consolidated Cash Flow Statement



	FY2023	FY2024
	HK\$ mil	HK\$ mil
Financing activities		
Proceeds from bank loans	1,295.0	1,529.4
Repayment of bank loans	(1,228.3)	(1,578.7)
Interest paid	(115.5)	(110.1)
Lease rentals paid	(15.7)	(5.8)
Proceeds from exercise of share options	6.5	-
Dividends paid to equity shareholders of the Company	(301.7)	(302.0)
Net cash used in financing activities	(359.7)	(467.2)
Increase/(decrease) in cash and cash equivalents	148.8	(11.0)
Cash and cash equivalents at January 1	483.3	630.9
Effect of foreign exchange rate changes	(1.2)	(18.0)
Cash and cash equivalents at December 31	630.9	601.7

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