Quarterly Statement

January to March 2024 | SMA Solar Technology AG

SMA Solar Technology AG at a glance

SMA Group		Q1 2024	Q1 2023	Change	Full year 2023
Sales	€ million	361.8	367.2	–1.5%	1,904.1
Export ratio	%	67.9	59.3		63.4
Inverter output sold	MW	4,253	3,236	31.4%	20,454
Capital expenditure [1]	€ million	21.9	17.1	28.1%	95.1
Depreciation	€ million	11.7	9.6	21.9%	41.5
EBITDA	€ million	49.9	60.0	–16.8%	311.0
EBITDA margin	%	13.8	16.3		16.3
Net income	€ million	28.5	51.7		225.7
Earnings per share [2]	€	0.82	1.49		6.50
Employees [3]		4,518	3,786	19.3%	4,377
in Germany		3,144	2,665	18.0%	3,039
abroad		1,374	1,121	22.6%	1,338

SMA Group		2024/03/31	2023/12/31	Change
Total assets	€ million	1,656.3	1,621.9	2.1%
Equity	€ million	715.3	686.2	4.2%
Equity ratio	%	43.2	42.3	
Net working capital [4]	€ million	463.7	392.1	18.3%
Net working capital ratio [5]	%	24.4	20.6	
Net cash [6]	€ million	241.6	283.3	–14.7%

1 Investments including additions of rights of use in accordance with IFRS 16
2 Converted to 34,700,000 shares
3 Reporting date; including trainees and learners; excluding temporary employees
4 Inventories and trade receivables minus trade payables and liabilities from advanced payments received for orders
5 Relating to the last twelve months (LTM)
6 Total cash minus interest-bearing financial liabilities to banks

CONTENT

ECONOMIC REPORT

Results of operations

Sales and earnings

SALES AND PROFITABILITY REMAIN AT A GOOD LEVEL

The SMA Group's sales from January to March 2024 amounted to €361.8 million and were thus roughly at the previous year's level (Q1 2023: €367.2 million). In the reporting period, inverter output sold amounted to 4,253 MW (Q1 2023: 3,236 MW). In the Large Scale & Project Solutions segment, sales almost doubled compared with the previous year, resulting in a correspondingly strong improvement in the segment's EBIT.

The SMA Group is well positioned internationally and generates sales in all relevant regions. In the reporting period, the company generated 56.0% of external sales in European countries, the Middle East and Africa (EMEA), 30.3% in the North and South American (Americas) and 13.7% in the Asia-Pacific (APAC) region calculated before sales deductions (Q1 2023: 72.9% EMEA, 22.4% Americas, 4.7% APAC). The main markets for SMA in the reporting period were Germany, the U.S., the UK and Italy.

The Large Scale & Project Solutions segment made the largest contribution to sales in the first quarter of 2024, accounting for 63.2% (Q1 2023: 33.7%). The Commercial & Industrial Solutions segment generated 19.5% of the SMA Group's sales, while the Home Solutions segment generated 17.3% (Q1 2023: 21.8% Commercial & Industrial Solutions, 44.5% Home Solutions).

As of March 31, 2024, the SMA Group had a solid order backlog of €1,467.8 million (March 31, 2023: €2,468.2 million). At €1,102.3 million, three-quarters of this is attributable to product business (March 31, 2023: €2,097.2 million). The order backlog in the service business amounts to €365.5 million (March 31, 2023: €371.0 million). The order backlog in the service business will come in particular from extended warranties against payment over a period of five to ten years.

In the reporting period, earnings before interest, taxes, depreciation and amortization (EBITDA) fell to €49.9 million (EBITDA margin: 13.8%; Q1 2023: €60.0 million; 16.3%), partly due to the product mix and planned cost increases. Earnings before interest and taxes (EBIT) decreased to €38.2 million (Q1 2023: €50.4 million). This equates to an EBIT margin of 10.6% (Q1 2023: 13.7%). Net income amounted to €28.5 million (Q1 2023: €51.7 million) and includes the income from the sale of the shares in elexon GmbH of €19.1 million. Earnings per share thus amounted to €0.82 (Q1 2023: €1.49).

Sales and earnings per segment

SALES AND EARNINGS IN THE HOME SOLUTIONS SEGMENT DOWN DUE TO NORMALIZATION OF THE SUPPLY CHAIN

In the **Home Solutions** segment, SMA serves the key photovoltaic markets worldwide (excluding China) and offers integrated solar energy solutions for private users. The new SMA Home Energy Solution comprises systems for the generation, storage and management of solar energy as well as for heating or charging purposes. The system is supplemented by various components such as hybrid inverters, battery storage systems, heat pump connections, wallboxes and an AI-based intelligent energy management system. The ennexOS energy management platform interconnects the various energy sectors and provides the basis for linking the sectors, thus enabling maximum efficiency and functionality. Taking comprehensive data protection standards into account, the system can be adapted to individual customer needs thanks to its modular design. In addition to the single-phase Sunny Boy Smart Energy hybrid inverter, the modular SMA Home Storage battery and the Sunny Home Manager 2.0 for intelligent energy management, the Home Solutions segment is delivering the next generation of the Wallbox Home EV Charger with the eCharger. Communication products, accessories, warranties, spare parts and modernization services (repowering) to increase system performance and service life as well as digital energy services complete the extensive offering.

In the first quarter of 2024, external sales in the Home Solutions segment fell by 61.7% to €62.6 million (Q1 2023: €163.3 million) due to the normalized supply situation combined with high inventories at distributors. Its share of the SMA Group's total sales was 17.3% (Q1 2023: 44.5%). The EMEA region made up 92.4% (Q1 2023: 94.5%) of gross sales, the Americas region 6.3% (Q1 2023: 3.9%) and the APAC region 1.3% (Q1 2023: 1.6%).

Earnings before interest and taxes (EBIT) deteriorated year on year to –€3.6 million (Q1 2023: €50.3 million) due to the decline in sales. In relation to external sales, the EBIT margin was –5.8% (Q1 2023: 30.8%). This is currently only a temporary effect because end-customer demand for Home Solutions products remains particularly high and earnings will stabilize accordingly over the course of the year.

COMMERCIAL & INDUSTRIAL SOLUTIONS SEGMENT DOWN SLIGHTLY DUE TO NORMALIZATION OF THE SUPPLY CHAIN

In the **Commercial & Industrial Solutions** segment, the focus is on global markets for commercial PV systems with and without energy management, battery storage and electric vehicle charging solutions. The SMA Commercial Energy Solution, featuring ideally matched hardware, software, tools and services, gives commercial enterprises and the real estate industry the option of producing, storing and selling solar power themselves, organizing their companies' energy flows in a transparent and cost-efficient way as well as charging and managing electric vehicle fleets efficiently and sustainably. The solutions comprise the three-phase string inverters of the Sunny Tripower product family with outputs of 12 kW and up to 110 kW, storage solutions for commercial and island applications in the Sunny Tripower Storage and Sunny Island product families as well as holistic energy management solutions for commercial integrated energy. Solutions for charging management and billing of electric vehicle fleets on the basis of the ennexOS platform are implemented together with the subsidiary company coneva. As a SaaS provider for intelligent energy management, coneva connects all energy-related sectors, optimizing energy flows and making them transparent. The product offering is rounded off by integrated services and digital services along the product life cycle, starting with the planning of a custom energy solution and including the commissioning of the systems and operational system management right through to system repowering and expansion.

External sales in the Commercial & Industrial Solutions segment fell to €70.5 million in the first quarter of 2024 (Q1 2023: €80.2 million) due to the normalized supply situation combined with high inventories at distributors. Its share of the SMA Group's total sales was 19.5% (Q1 2023: 21.8%). 80.8% of gross sales were attributable to the EMEA region, 11.7% to the Americas region and 7.5% to the APAC region (Q1 2023: 77.4% EMEA, 14.6% Americas, 8.0% APAC).

Operating earnings before interest and taxes (EBIT) amounted to –€18.2 million in the first quarter of 2024 (Q1 2023: –€1.2 million) and were below the previous year's level, driven by the decline in sales, reduced utilization and corresponding lack of fixed cost degression. In relation to external sales, the EBIT margin was –25.8% (Q1 2023: –1.5%). As in our Home Solutions segment, this is currently only a temporary effect because end-customer demand for Commercial & Industrial Solutions products remains high, and earnings will stabilize accordingly over the course of the year.

LARGE SCALE & PROJECT SOLUTIONS SEGMENT SIGNIFICANTLY INCREASES SALES AND EARNINGS

The **Large Scale & Project Solutions** segment offers products, systems and solutions for industrial solar, storage and hydrogen projects as well as for the conversion of utility grids to a higher proportion of renewable energy. These are complete solutions, including turnkey medium-voltage stations, for international markets that perform optimal grid service and monitoring functions on the basis of central and string inverters and system controllers. The offering is complemented by services such as repowering, engineering services, operation and maintenance as well as customized solutions for individual customer requirements. Grid stability and grid reliability are becoming increasingly important as the energy mix is transitioned from conventional to renewable energies. The Large Scale & Project Solutions segment is addressing these challenges with grid-forming solutions in combination with large-scale storage systems. These systems enable numerous additional services, such as energy arbitrage, black starts, frequency control, inertia, stability services and system restoration.

External sales in the Large Scale & Project Solutions segment increased by 84.9% to €228.7 million in the first quarter of 2024 (Q1 2023: €123.7 million). All regions recorded double-digit growth, with the Large Scale & Project Solutions segment accounting for 63.2% of the SMA Group's total sales (Q1 2023: 33.7%). The Americas region made up 42.8% (Q1 2023: 53.0%) of gross sales, the EMEA region 38.1% (Q1 2023: 40.3%) and the APAC region 19.1% (Q1 2023: 6.7%).

Operating earnings before interest and taxes (EBIT) improved to €41.3 million (Q1 2023: €2.3 million) in line with the high level of sales and fixed cost degression. The increase in sales and the profitable product mix contributed to this. In relation to external sales, the EBIT margin was 18.1% (Q1 2023: 1.9%).

Development of significant income statement items

SALES AND PROFITABILITY REMAIN AT A GOOD LEVEL

Cost of sales increased by 5.5% year on year to €266.9 million (Q1 2023: €252.9 million). The main reasons for the increase are a change in the product mix, this year's pay rise and last year's increase in personnel in all functional areas. In the reporting period, the gross margin was 26.2% (Q1 2023: 31.1%). SMA is continuously working on cost optimization of existing products and the introduction of new, more cost-effective products in all segments.

Personnel expenses included in cost of sales increased by 19.6% to €47.6 million in the reporting period (Q1 2023: €39.8 million). This was due to an increase in personnel driven by greater production volumes and cost increases in remuneration, among others. Material costs amounted to €194.3 million (Q1 2023: €190.5 million).

From January to March 2024, depreciation and amortization included in cost of sales amounted to €10.2 million (Q1 2023: €8.3 million). This comprises scheduled depreciation on capitalized development costs of €3.9 million (Q1 2023: €2.0 million). Other costs increased to €14.8 million (Q1 2023: €14.3 million).

Selling expenses rose to €34.1 million (Q1 2023: €29.4 million), primarily due to the increase in personnel as a result of the expansion of business and the pay rise. The cost of sales ratio was 9.4% in the reporting period (Q1 2023: 8.0%).

Research and development expenses, excluding capitalized development costs, amounted to €23.4 million in the first quarter of 2024 (Q1 2023: €12.7 million). The ratio of the research and development expenses amounted to 6.5% (Q1 2023: 3.5%). Total research and development expenses, including capitalized development costs, were above the previous year's level at €33.5 million (Q1 2023: €22.2 million). Development costs were capitalized amounting to €10.1 million in the reporting period (Q1 2023: €9.5 million).

General administrative expenses totaled €20.9 million in the first quarter of 2024 (Q1 2023: €14.1 million). The ratio of administrative expenses amounted to 5.8% in the reporting period (Q1 2023: 4.7%).

The balance of other operating income and expenses resulted in a positive effect on earnings of €21.7 million in the reporting period (Q1 2023: –€4.7 million). The positive result is mainly due to the sale of the shares in elexon GmbH in January 2024 amounting to €19.1 million. This balance also comprises expenses and revenue from the rental of own buildings, for financial assets measured at fair value through profit or loss, as well as expenses from the recognition and income from the reversal of specific valuation allowances on receivables. Furthermore, it includes effects from exchange rate differences, foreign currency valuation and foreign currency hedging.

Financial position

Gross cash flow reflects operating income prior to commitment of funds. Compared with the previous year, it decreased in the first quarter of 2024 to €51.1 million (Q1 2023: €75.6 million).

In the first three months of the reporting year, net cash flow from operating activities amounted to –€43.6 million (Q1 2023: €65.1 million). The main driver here was the further increase in inventories to ensure delivery capability for expected and already agreed customer projects. This development was offset by a reduction in accounts payable due to the currently more restrictive purchasing policy.

At €685.5 million, inventories were significantly higher than at the end of the previous year (December 31, 2023: €559.1 million) due to strategic stockpiling. The balance of accounts receivable decreased by –€53.4 million compared with the end of the previous year. Together with the decrease in the balance of accounts payable by –€14.3 million and an increase in liabilities from advance payments received by €16.0 million, this led to a significant increase in net working capital compared with the end of the previous year (March 31, 2024: €463.7 million, December 31, 2023: €392.1 million). At 24.4%, the net working capital ratio in relation to sales over the past 12 months was higher than the figure at the end of the previous year (December 31, 2023: 20.6%) and was thus above the range of 19% to 23% targeted by management.

In the first quarter of 2024, cash flow from investing activities amounted to €38.5 million after –€15.1 million in the previous year. This was significantly influenced by the sale of long-term securities amounting to €41.2 million. In addition, the sale of the shares in elexon GmbH in January 2024 made a positive contribution with a cash inflow of €18.2 million. The outflows of funds for investments in property, plant and equipment and intangible assets amounted to €20.4 million in the reporting period (Q1 2023: €15.2 million). At €10.1 million (Q1 2023: €9.5 million), capitalized development costs accounted for a large part of these investments.

As of March 31, 2024, cash and cash equivalents totaling €211.7 million (December 31, 2023: €219.4 million) included cash on hand, bank balances and short-term deposits with an original term to maturity of less than three months. Net cash is made up of cash and cash equivalents as well as of time deposits that have a term to maturity of more than three months, fixed-interest-bearing securities and liquid assets pledged as collateral minus interest-bearing financial liabilities to banks. This decreased to €241.6 million as of March 31, 2024 (December 31, 2023: €283.3 million).

Investment analysis

In the first quarter of 2024, investments in property, plant and equipment (including additions from rights of use under IFRS 16) and intangible assets amounted to €21.9 million and were thus above the previous year's figure of €17.1 million. The investment ratio increased to 6.1% (Q1 2023: 4.7%) due to the almost unchanged sales level compared with the first quarter of the previous year.

€10.0 million was invested in property, plant and equipment (Q1 2023: €4.6 million). The investment ratio for property, plant and equipment was 2.8% in the first quarter of the fiscal year (Q1 2023: 1.3%). Additions of rights of use under leases amounted to €1.5 million (Q1 2023: €1.9 million). Depreciation of property, plant and equipment, including depreciation of rights of use under leases, totaled €7.4 million (Q1 2023: €7.1 million).

Investments in intangible assets totaled €10.3 million (Q1 2023: €10.5 million). These largely related to capitalized development costs. Amortization of intangible assets amounted to €4.3 million and was thus slightly above the previous year's figure of €2.5 million.

Net assets

Total assets went up by 2.1% to €1,656.3 million as of March 31, 2024 (December 31, 2023: €1,621.9 million). At €437.7 million, non-current assets were also above the value observed at the end of 2023 (December 31, 2023: €428.2 million).

Compared to the end of 2023, net working capital significantly increased to €463.7 million (December 31, 2023: €392.1 million). This put the net working capital ratio in relation to sales over the past twelve months at 24.4%. Trade receivables decreased by 13.3% compared to December 31, 2023, to €224.3 million as of the end of the first quarter of 2024 (December 31, 2023: €277.4 million). Days sales outstanding came to 48.2 days and were above the value at the end of the previous year (December 31, 2023: 41.3 days). Inventories grew to €685.5 million (December 31, 2023: €559.1 million) as a result of strategic stockpiling to ensure delivery capacity. Trade payables decreased by €14.3 million to €289.5 million (December 31, 2023: €303.8 million). At 17.5%, the share of trade credit in total assets was slightly lower than at the end of the previous year (December 31, 2023: 18.7%).

As a result of the positive quarterly results, the SMA Group's equity capital base increased to €715.3 million (December 31, 2023: €686.2 million). With an equity ratio of 43.6% (December 31, 2023: 42.3%), SMA continues to have a solid equity capital base.

FORECAST REPORT

Preamble

The Managing Board's forecasts include all factors with a likelihood of impacting business performance that were known at the time this report was prepared. Not only general market indicators but also industry- and company-specific circumstances are factored into the forecasts. All assessments cover a period of one year.

The general economic situation

Slow recovery of the global economy – Pace varies greatly from country to country

The International Monetary Fund (IMF) has revised its guidance for global economic growth upward slightly. Compared with the forecast in January (3.1%), the IMF now expects in its World Economic Outlook from April that global growth this year will be on a par with the previous year at 3.2% (2023: 3.2%). The reasons for this are the continued high resilience of the global economy, stable growth and the further decline in inflation.

One of the main drivers of global economic growth is the U.S., which is performing significantly better than expected. The growth forecast for this year was revised upward by 0.6 percentage points compared with January to 2.7% (2023: 2.5%). Private consumption remains high here, and the situation on the labor markets is good. Germany remains at the bottom of the G7 industrialized nations. For the current year, the IMF forecasts economic growth of just 0.2% as opposed to 0.5% in January (2023: –0.3%). The experts expect growth of 0.8% for the eurozone (2023: 0.4%).

Overall, global economic growth remains historically weak. This is due to short-term factors such as higher interest rates on loans, weak productivity growth and increasing geo-economic fragmentation as well as the ongoing impact of the war in Ukraine or the pandemic.

The IMF expects a global rate of price increases of an average of 5.9% in 2024, 0.1 percentage points higher than was forecasted as recently as January. The industrialized countries will reach their inflation targets faster than the developing and newly industrialized countries.

Risks that could slow down growth include recent price increases due to geopolitical tensions, which could lead to permanently higher key interest rates and, in turn, weaken private consumption and corporate investment.

Future general economic conditions in the photovoltaics sector

Solar energy to become largest source of energy supply [1]

Greater efforts to expand renewable energies are widely regarded as the central pillar in the response to climate change. Politicians are taking account of this with action plans, such as the European Green Deal, to achieve climate neutrality within the EU by 2050 and by appointing top-class teams of experts to tackle climate change, like the U.S. government is doing. These attitudes will expedite expansion of renewable energies over the coming years and decades. The analysis company Wood Mackenzie describes the solar industry as "highly investable" because it is increasingly able to meet both economic and political targets. [2]

The International Energy Agency (IEA) emphasizes the major role of solar energy in combating the climate crisis: In their "Net Zero by 2050 – A Roadmap for the Global Energy Sector" study, it is described that by 2050 the global energy supply will need to be based largely on renewables, with solar energy as the single largest source of supply. The Potsdam Institute for Climate Impact Research (PIK) forecasts that green electricity could cover three-quarters of global energy use in the long term, given a consistent climate policy.

[1] Source: IEA "Net Zero by 2050 – A Roadmap for the Global Energy Sector"
[2] Source: Wood Mackenzie "Total eclipse: How falling costs will secure solar's dominance in power 2021"

In this context, the electrification of other sectors, such as mobility and heat, and the production of green hydrogen will additionally drive electricity demand as further important elements in achieving climate protection targets. In their Energy Transition Outlook 2023, the experts of the consulting company DNV predict that electricity's share in global total energy demand will increase from 19% in 2022 to 35% in 2050. The share of renewable energies in global power generation will also rise from about 31% currently to more than 80%. Solar energy will account for half of this. Connectivity and fast demand response through flexible storage will become crucial success factors for a decarbonized power system with a high share of fluctuating renewable energies.

According to Bloomberg New Energy Finance's New Energy Outlook 2022, global CO_2 emissions will need to drop by an average of 6% per year to realize the goal of global climate neutrality by 2050. Decarbonizing the power sector will require such actions as trebling the current level of new PV capacity installations. Global investment in climate-friendly technologies for power generation and storage would need to increase to a total of about $35 trillion to achieve the goal of climate neutrality by 2050.

Along with climate change targets, further decreases in levelized costs of electricity are contributing to the anticipated growth of solar and wind energy. According to the PIK, the cost of solar power generation has fallen by 85% over the past ten years and further cost reductions can be expected in the future thanks to rapid technological progress. The experts at Bloomberg New Energy Finance classify newly installed wind or PV power plants to be already the most cost-effective form of electricity generation in almost all major markets. These markets cover two-thirds of the world's population, about 77% of global GDP and 91% of total power generation. Moreover, in a growing number of countries, including China, India and a large part of Europe, it is now more cost-effective to build new renewable energy capacity than to operate existing coal- and gas-fired power plants.

In addition to the gradually decreasing consumer cost electricity from PV systems, their decentralized and local generation can be combined very well with battery storage systems. The combination of photovoltaics and storage systems is therefore particularly attractive for private, commercial and industrial consumers. DNV's experts see photovoltaics combined with battery storage systems as a separate power plant category that can supply electricity reliably and on demand, just like conventional power plants. According to their projections, combined PV and storage power plants will have a storage capacity of more than 20 TWh by 2050, accounting for around two-thirds of the world's electricity storage capacity.

In the energy system of the future, cutting-edge communication technologies and services for cross-sector energy management will represent key building blocks for the modernization and expansion of the power grid infrastructure. In its World Energy Outlook 2022, the IEA states that, in conjunction with the increasing electrification of the transportation and heating sectors through renewable energies, modern utility grids and smart energy management, there is great potential to sustainably reduce both the high electricity costs and CO_2 emissions.

The SMA Managing Board is therefore convinced of the market appeal and has thus positioned SMA to ensure it benefits from future developments in the fields of photovoltaics and storage technologies as well as in the markets for e-mobility, digital energy services and green hydrogen production, which experts predict will experience exponential growth in the future.

Global PV installations remain roughly at the previous year´s level at over 368 GW

The Managing Board of SMA Solar Technology AG anticipates growth in newly installed PV power worldwide of approximately 368 GW to 384 GW in 2024 (2023: 374 GW). The Managing Board estimates that global investments in system technology for traditional photovoltaic applications will decrease by around 7%. Investments in system technology for storage applications (excluding investments in batteries) will rise by approximately €500 million to €600 million compared to the previous year. Overall, the Managing Board therefore expects investments in PV system technology (including system technology for battery storage systems) of around €16.1 billion to €17.7 billion in 2024 (2023: €17.4 billion). The expected market development is subject to an undisturbed delivery situation.

Demand in EMEA at least at previous year's level

For the Europe, Middle East and Africa (EMEA) region, the Managing Board of SMA Solar Technology AG expects an increase in newly installed PV capacity of around 72 GW to 76 GW in 2024 (2023: 72 GW). In addition to growth in the countries in the Middle East and Africa, this is also due to the positive development in European markets, such as France, the UK and in North and East European markets. According to SMA estimates, investments in PV and storage system technology will be at approximately €5.2 billion to €5.6 billion (2023: €5.7 billion). In Europe, new programs for targeted support for climate change mitigation technologies (e.g., REPowerEU) are creating new investment incentives. The photovoltaic market is expected to benefit significantly from this in the medium term.

In many European countries, particularly in Germany, the UK and Italy, battery storage systems are becoming increasingly important because, together with renewable energies, they further improve independence from traditional energy sources. Self-consumption of solar power is a particularly attractive option for the operators of these systems.

In addition to business involving new systems for consumption of self-generated energy, retrofitting of existing systems with new inverters and storage systems will yield high potential in the medium term. For traditional PV markets such as Germany, Italy, the UK and Australia, government subsidization for PV systems will end in the coming years, as the maximum subsidy duration has been reached.

Americas region continues to grow

For the Americas region, the Managing Board of SMA Solar Technology AG anticipates growth in newly installed PV power to approximately 55 GW to 59 GW (2023: 52 GW). Roughly between 35 GW and 37 GW of this amount is attributable to the North American markets. The U.S. market in particular is currently exhibiting a dynamic environment. The Inflation Reduction Act (IRA) passed by the U.S. Congress in August 2022 includes a long-term extension of the Investment Tax Credit (ITC) for PV systems and, with the Production Tax Credit (PTC), will additionally create significant overall investment incentives for climate change mitigation technologies. The photovoltaic market is also expected to benefit significantly from these positive factors in the medium term. Inverter technology investments are expected to amount to around €4.1 billion to €4.5 billion in the Americas region (2023: €4.1 billion).

Investments in the Asia-Pacific region at previous year’s level

The most important markets in the APAC region include China, India, Japan and Australia. In Japan and Australia, the installation of PV systems combined with battery storage systems to supply energy independently of fossil energy carriers offers additional growth potential. In China, the Managing Board expects PV installations to consolidate at a high level of 202 GW to 206 GW in 2024 (2023: 217 GW). Investments in inverter technology are expected to decrease to approximately €5.1 billion to €5.5 billion (2023: €5.8 billion). For the APAC region, excluding China, the SMA Managing Board expects newly installed PV power to grow to around 39 GW to 43 GW in 2024 (2023: 33 GW). This growth is in particular attributable to the positive development in India. The Managing Board of SMA Solar Technology AG expects investments of approximately €1.7 billion to €2.1 billion in inverter technology for the region as a whole (2023: €1.8 billion).

Growth markets: energy management, digital energy services and operational management

The trend to decentralize power supplies is progressing. More and more households, cities and companies are making themselves less dependent on unsustainable, imported energy sources and rising energy costs by having their own PV systems. This will lead to a rise in demand for energy storage solutions in the residential, commercial and industrial sectors. Plus, energy will be increasingly distributed via smart grids to manage electricity demand, avoid consumption peaks and take the strain off utility grids. E-mobility is also expected to become an essential pillar of these new energy supply structures. Integration of a prospectively large number of electric vehicles will help increase self-consumption of renewable energies and offset fluctuations in the utility grid. Using artificial intelligence, the behavior of decentralized energy consumers and storage systems can be adapted to the fluctuating production of electricity from renewable energies, thus enabling the overall system to be optimized.

In this context, the Managing Board of SMA Solar Technology AG holds that innovative system technologies that temporarily store solar power and provide energy management to private households and commercial enterprises offer worthwhile business opportunities. Rising, volatile prices for conventional domestic and commercial power and many private households and companies wanting to drive forward the energy transition by making their contribution to a sustainable and decentralized energy supply are the basis for new business models. Demand for solutions that increase self-consumption of solar power is likely to continue to rise, particularly in the European markets, the U.S., Australia and Japan. In these markets, renewable energies are already taking on a greater share in the electricity supply. Additionally, electric utility companies are increasingly using battery storage systems to avoid expensive grid expansions, stabilize grid frequency and balance fluctuations in the power feed-in from renewable energy sources. The Managing Board expects the still fairly new storage market to grow to approximately €2.6 billion to €2.8 billion in 2024 (excluding investments in batteries). Estimated demand is already included in the specified development projections for the entire inverter technology market.

In addition to storage technology, digital energy services aimed at optimizing household and commercial enterprises’ energy costs and their connection to the energy market are becoming increasingly significant. The Managing Board expects this area to represent an addressable market of approximately €2.6 billion in 2024. The market will record strong growth in the medium and long run.

Overall statement from the Managing Board of SMA Solar Technology AG on expected development of the SMA Group

Sales and earnings within expectations

On February 29, 2024, the Managing Board of SMA Solar Technology AG published its sales and earnings guidance for the current fiscal year. It envisages sales of between €1,950 million and €2,220 million (2023: €1,904 million) and operating earnings before interest, taxes, depreciation and amortization (EBITDA) of between €220 million and €290 million (2023: €311.0 million). The Managing Board anticipates stronger sales and earnings in the second half of 2024.

Depreciation and amortization are expected to come to approximately €45 million in 2024. On this basis, the Managing Board expects an EBIT of €175 million to €245 million. In 2024, capital expenditure (including capitalized development costs and lease investments) will be approximately €200 million and thus significantly above the level of 2023 (ACTUAL 2023: €95.1 million). The SMA Group is investing in the future to benefit from the significant potential arising from the megatrends of decentralization, decarbonization and digitalization of the energy supply worldwide, and is developing highly integrated and digitalized solutions that precisely meet the resulting requirements. Against this background, investments, especially in new products, land and buildings, technical equipment and machines for the new GIGAWATT FACTORY, at the site in Niestetal, Kassel, as well as the capitalization of research and development expenses are planned for 2024.

For details regarding risks, please refer to the Risks and Opportunities Report in the SMA Annual Report 2023 starting on page 90.

SMA Group guidance for 2024 at a glance

Key figure	Guidance 2024	Actual 2023
Sales in € million	1,950 to 2,220	1,904.1
Inverter output sold in GW	20 to 22	20.5
EBITDA in € million[1]	220 to 290	311.0
Capital expenditure in € million	approx. 200	95.1
Net working capital in % of sales	19 to 23	20.6
Net cash in € million	approx. 300	283.3
EBIT in € million[1]	175 to 245	269.5

[1] Including €19 million positive one-time effect from the sale of shares in elexon GmbH

The SMA Group's sales and earnings depend on global market growth, market share, price dynamics and the supply of electronic components. Our global presence and our comprehensive portfolio of products and solutions for all segments (Home Solutions, Commercial & Industrial Solutions and Large Scale & Project Solutions) enable us to respond quickly to changing market conditions, offset fluctuations in demand and take advantage of developments in global photovoltaic and storage markets, including the market for green hydrogen.

The Managing Board of SMA Solar Technology AG forecasts the following performance for individual SMA segments in the 2024 fiscal year:

Segment guidance for 2024 at a glance compared to previous year

Segment	Sales	EBIT
Home Solutions	Down significantly	Down significantly
Commercial & Industrial Solutions	Up slightly	Down slightly
Large Scale & Project Solutions	Up significantly	Up significantly

System and solution expertise strengthen long-term competitiveness

In recent years, the SMA Group has laid important groundwork for its future viability. The Managing Board of SMA Solar Technology AG therefore also sees excellent growth prospects for the future. In addition to the continued positive development of the global PV market, key drivers include growth in important future fields such as storage, e-mobility, digital energy services and green hydrogen. With its Strategy 2025, its global presence in 20 countries on six continents and its innovative products and solutions, the SMA Group is well positioned to benefit from this market growth and consolidate and/or expand its market position. The company is continuously driving forward the further development of its portfolio toward a comprehensive system landscape for decentralized energy supply. The SMA Group is already an innovative and sustainable energy transition company. As part of our Strategy 2025, we are developing comprehensive and future-proof systems and solutions with high customer benefits for all key areas of the future energy supply and opening up new business fields. Our high level of system expertise and close cooperation with strong partners will also enable us to consistently develop this strategy in the future.

SMA Group will continue to reap the benefits of megatrends

The expansion of renewable energies and battery storage systems and the electrification of other sectors, such as mobility, heating and air-conditioning, will further accelerate the increased fight against climate change and the striving for an energy supply that is largely independent from imports of raw materials. Photovoltaics in particular will benefit from this expansion, also due to the already low levelized cost of electricity compared to other types of generation. The three megatrends of decarbonization, decentralization and digitalization are having an accelerating effect on the expansion of PV but also on the innovation of new business models, for example in the area of smart energy management and grid stabilization solutions.

The SMA Group is well positioned to benefit from these trends in all market segments and regions. With our products and solutions, we actively contribute to combating the global climate crisis. In addition, we have an international sales and service organization and decades of experience and technological expertise in all PV and storage applications as well as key future fields for energy supply. Our total installed inverter output of more than 150 GW worldwide is a particularly good foundation for data-based business models, as valuable energy data can be compiled by the inverter. Our extensive knowledge of managing complex battery storage systems and linking solar power systems to other energy sectors, such as heating, ventilation and cooling technology as well as e-mobility, is an excellent basis for developing future growth potential for digital energy solutions. The SMA Group also has extensive expertise in the area of grid stability and has been bundling its services in this area centrally at its competence center in Bangalore (India) since October 2023. In addition, the SMA Group has already positioned itself in the high-margin business field of green hydrogen production, which is expected to see strong growth in the future. With the Electrolyzer Converter for the grid-friendly processing of electricity for electrolysis, we successfully launched our own range of solutions for optimized hydrogen production on the growing market, which we will continue to expand.

SMA Group will take advantage of the potential of digitalization

Thanks to its extensive knowledge and experience in PV system technology, the ability to quickly implement changes, alignment of the subsidiaries toward future business areas and its numerous strategic partnerships, the SMA Group is well prepared for the digitalization of the energy industry and will take advantage of the opportunities that it yields. As a specialist in holistic solutions in the energy sector, we will help shape the energy supply of the future, launch a number of innovations and establish further strategic partnerships as part of our centralized and focused partner management. In the process, we will build on our strengths to design additional system solutions for the conversion to a cost-effective, reliable and sustainable energy supply that is based on decentralized renewable energy. We will be helped in this endeavor by SMA’s corporate culture and our motivated employees who make a decisive contribution to the company’s long-term success and are therefore also given a share in the SMA Group’s financial success.

Niestetal, April 30, 2024

SMA Solar Technology AG
The Managing Board

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Income statement SMA Group

in €'000	Jan. – Mar. (Q1) 2024	Jan. – Mar. (Q1) 2023
Sales	**361,775**	**367,178**
Cost of sales	266,945	252,906
Gross profit	**94,830**	**114,272**
Selling expenses	34,085	29,384
Research and development expenses	23,393	12,727
General administrative expenses	20,883	17,103
Other operating income	28,938	7,917
Other operating expenses	7,165	12,569
Operating profit (EBIT)	**38,242**	**50,406**
Financial income	1,896	2,231
Financial expenses	2,400	1,237
Financial result	**–504**	**994**
Profit before income taxes	**37,738**	**51,400**
Income taxes (expense (+)/income (–))	9,284	–286
Net income	**28,454**	**51,686**
of which attributable to shareholders of SMA AG	28,454	51,686
Earnings per share, basic (in €)	0.82	1.49
Earnings per share, diluted (in €)	0.82	1.49
Number of ordinary shares (in thousands)	34,700	34,700

Statement of comprehensive income SMA Group

in €'000	Jan. – Mar. (Q1) 2024	Jan. – Mar. (Q1) 2023
Net income	**28,454**	**51,686**
Unrealized gains (+)/losses (–) from currency translation of foreign subsidiaries	633	–1,389
Changes recognized outside profit or loss (currency translation differences)	**633**	**–1,389**
Overall result	**29,087**	**50,298**
of which attributable to shareholders of SMA AG	29,087	50,298

Balance sheet SMA Group

in €'000	2024/03/31	2023/12/31
ASSETS		
Intangible assets	123,382	117,277
Property, plant and equipment	229,973	226,107
Investment property	4,712	4,773
Other financial assets, non-current	4,894	1,562
Deferred tax assets	74,735	78,511
Non-current assets	**437,696**	**428,230**
Inventories	685,523	559,066
Trade receivables	224,341	277,398
Other financial assets, current (total)	42,579	70,152
Cash equivalents with a duration of more than 3 months and asset management	1,914	41,391
Rent deposits and cash on hand pledged as collaterals	27,961	22,541
Remaining other financial assets, current	12,704	6,220
Income tax assets	6,735	6,270
Value added tax receivables	26,766	41,587
Other non-financial assets, current	20,938	15,279
Cash and cash equivalents	211,747	219,383
	1,218,629	1,189,135
Assets held for sale	0	4,550
Current assets	**1,218,629**	**1,193,685**
Total assets	**1,656,325**	**1,621,915**
LIABILITIES		
Share capital	34,700	34,700
Capital reserves	119,200	119,200
Retained earnings	561,369	532,282
SMA Solar Technology AG shareholders' equity	**715,269**	**686,182**
Provisions, non-current	105,464	105,057
Financial liabilities, non-current	22,885	23,037
Contract liabilities, non-current	149,457	150,540
Other non-financial liabilities, non-current	2,919	2,895
Deferred tax liabilities	1,056	1,854
Non-current liabilities	**281,781**	**283,383**
Provisions, current	102,368	95,992
Financial liabilities, current	8,846	8,816
Trade payables	289,477	303,796
Income tax liabilities	15,960	15,694
Contract liabilities (advances)	156,492	140,526
Other contract liabilities, current	48,572	57,696
Other financial liabilities, current	383	922
Other non-financial liabilities, current	37,177	28,908
Current liabilities	**659,275**	**652,350**
Total equity and liabilities	**1,656,325**	**1,621,915**

Statement of cash flows SMA Group

in €'000	Jan. – Mar. (Q1) 2024	Jan. – Mar. (Q1) 2023
Net income	28,454	51,686
Income taxes	9,284	–286
Financial result	504	–994
Depreciation and amortization of property, plant and equipment and intangible assets	11,697	9,601
Change in provisions	6,783	8,747
Result from the disposal of intangible and fixed assets and non-current assets	371	187
Change in non-cash expenses/revenue	–834	5,652
Interest received	383	34
Interest paid	–359	–232
Income tax paid	–5,184	1,173
Gross cash flow	**51,098**	**75,568**
Change in inventories	–127,608	–69,555
Change in trade receivables	53,436	–22,168
Change in trade payables	–14,319	43,492
Change in other net assets/other non-cash transactions	–6,225	37,761
Cash flow from operating activities	**–43,618**	**65,099**
Payments for investments in property, plant and equipment	–9,998	–4,645
Proceeds from the disposal of property, plant and equipment	6	2
Payments for investments in intangible assets	–10,302	–10,505
Proceeds from the sale of shares in associates and available-for-sale assets less cash given up	18,211	0
Proceeds from the disposal of securities and other financial assets	41,186	3,911
Payments for the acquisition of securities and other financial assets	–613	–3,845
Cash flow from investing activities	**38,490**	**–15,082**
Change in other financial liabilities	71	0
Payments for lease liabilities	–2,437	–2,051
Redemption of financial liabilities	–2	–2
Cash flow from financing activities	**–2,368**	**–2,053**
Net increase/decrease in cash and cash equivalents	–7,496	47,964
Changes due to exchange rate effects	–139	885
Cash and cash equivalents as of January 1	219,383	165,355
Cash and cash equivalents as of March 31	**211,747**	**214,203**

Statement of changes in equity SMA Group

in €'000	Share capital	Capital reserves	Difference from currency translation	Other retained earnings	Consolidated shareholders' equity
Shareholders' equity as of January 1, 2022	**34,700**	**119,200**	**3,836**	**305,787**	**463,523**
Net income				51,686	51,686
Other comprehensive income after tax			–1,389	–752	–2,141
Overall result					49,545
Shareholders' equity as of March 31, 2023	**34,700**	**119,200**	**2,447**	**356,721**	**513,068**
Shareholders' equity as of January 1, 2024	**34,700**	**119,200**	**1,694**	**530,588**	**686,182**
Net income				28,454	28,454
Other comprehensive income after tax			633	0	633
Overall result					29,087
Shareholders' equity as of March 31, 2024	**34,700**	**119,200**	**2,327**	**559,042**	**715,269**

Financial ratios by segments and region

in € million	External product sales Q1 2024	External product sales Q1 2023	External services sales Q1 2024	External services sales Q1 2023	Total sales Q1 2024	Total sales Q1 2023
Segments						
Home Solutions	59.4	161.1	3.2	2.2	62.6	163.3
C&I Solutions	69.8	78.7	0.7	1.5	70.5	80.2
Large Scale & Project Solutions	214.4	101.1	14.3	22.6	228.7	123.7
Total segments	**343.6**	**340.9**	**18.2**	**26.3**	**361.8**	**367.2**
Reconciliation	0.0	0.0	0.0	0.0	0.0	0.0
Continuing operations	**343.6**	**340.9**	**18.2**	**26.3**	**361.8**	**367.2**

in € million	Depreciation and amortization Q1 2024	Depreciation and amortization Q1 2023	Operating profit (EBIT) Q1 2024	Operating profit (EBIT) Q1 2023
Segments				
Home Solutions	1.3	0.3	–3.6	50.3
C&I Solutions	2.6	1.8	–18.2	–1.2
Large Scale & Project Solutions	0.8	0.8	41.3	2.3
Total segments	**4.7**	**2.9**	**19.5**	**51.4**
Reconciliation	7.0	6.7	18.7	–1.0
Continuing operations	**11.7**	**9.6**	**38.2**	**50.4**

Sales by regions (target market of the product)

in € million	Q1 2024	Q1 2023
EMEA	207.4	276.6
Americas	112.1	85.0
APAC	50.6	17.8
Sales deductions	–8.3	–12.2
External sales	**361.8**	**367.2**
thereof Germany	118.8	154.6

Reconciliation of the segment figures to the correlating figures in the Financial Statements is as follows:

in € million	Q1 2024	Q1 2023
Total segment earnings (EBIT)	19.5	51.4
Elimination	18.7	–1.0
Consolidated EBIT	38.2	50.4
Financial result	–0.5	1.0
Earnings before income taxes	**37.7**	**51.4**

Circumstances are shown in the reconciliation, which by definition are not part of the segments. In particular, this comprises unallocated parts of group head offices, including centrally managed cash and cash equivalents, financial instruments, financial liabilities and buildings, the expenses of which are allocated to the segments. Business relationships between the segments are eliminated in the reconciliation.

FINANCIAL CALENDAR

2024/05/28	Annual General Meeting 2024
2024/08/08	Publication of Half-Yearly Financial Report: January to June 2024 Analyst Conference Call: 13:30 p.m. (CEST)
2024/11/14	Publication of Quarterly Statement: January to September 2024 Analyst Conference Call: 13:30 p.m. (CET)

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