

Press Release

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Unleashing the potential of Siemens Gamesa: Wind energy leader unveils path to long-term profitable growth at Capital Markets Day

- Confirms positive global outlook for wind renewable energy generation
- Turnaround in Onshore and growth capture in Offshore and Service to drive future value creation
- SGRE sets objective of growing faster than the market and delivering 8-10% EBIT margin pre PPA and I&R costs for FY23
- Reiterates Sustainability commitment

Siemens Gamesa Renewable Energy today outlined its path to long-term sustainable profitable growth at its virtual Capital Markets Day. SGRE said that a refreshed corporate strategy would unleash the full potential of the company by capturing growth opportunities in its profitable Offshore and Services businesses and driving a turnaround in Onshore. The strategy prioritizes profitability over volume, cash generation, as well as efficiency and productivity in all operations.

“Public and government demand for clean energy solutions to climate crisis will drive continued investment in renewable electricity generation and we are well positioned to deliver value to shareholders and society by playing a full role in that process,” said Andreas Nauen, CEO of Siemens Gamesa. “It has been a tough period for the industry and the company, but I am confident we have all the right components in place. Our people, technology, scale and global footprint are strong foundations on which to build a long-term industry leader.”

While wind turbine manufacturers’ margins have been eroded by external factors — such as the introduction of auctions, global trade tensions, and the disruption caused by COVID-19 — the long-term outlook for wind power is very favorable. According to the International Energy Agency (IEA), renewable energies will account for more than 50% of the global capacity mix in 2040 and wind is expected to attract the highest investments in that period, according to BNEF. Strong growth is expected in particular in the Offshore and Services markets over the next decade, while demand in Onshore will remain solid. Additionally, prospects are expected to be buoyed by the emergence of green hydrogen technologies in which SGRE expects wind to play a key role.

“We have a strong profitable competitive position in the growing Offshore (#1) and Services (#2) markets, and there is very significant potential in our Onshore business that we will realize through the turnaround process now underway,” said Nauen. “A new management team has been appointed to lead the turnaround. Additionally, through our new core shareholder, Siemens Energy, we will be part of an energy powerhouse, and we expect to be able to benefit from strong synergy potential.”

With the goal of achieving long-term success, the company presented the LEAP acceleration program it has launched, which is based on three pillars:

- Innovation: both in terms of product portfolio and business offering,
- Productivity: through cost optimization and strict cash management,
- Operational excellence: in project execution quality and in health and safety in our operations.

Digitalization and sustainability are at the heart of the LEAP program, as enablers and differentiating factors.

Financial objectives

This corporate strategy includes financial objectives that pursue profitable growth by prioritizing profitability over volume and focusing on continuous cash flow and capital efficiency, among others:

- EBIT margin pre-PPA and I&R costs in the range of 8%-10%
- Grow faster than the market
- Cash conversion rate¹ greater than 1 minus growth
- Net financial debt/EBITDA <1.0x and maintain investment grade rating
- Distribute at least 25% of net profit in dividends

SGRE expects to achieve these objectives as financial framework by 2023.

For fiscal year 2021, a transition year, we expect revenues of €10.2-11.2bn and EBIT margin pre-ppa and I&R costs in the range of 3-5%.

Business units

WTG – Onshore industry forecasts predict stable long-term demand, with estimated high level of annual installations of 55 GW through 2025 growing to more than 65 GW in 2030. Siemens Gamesa has defined a clear roadmap to return the business to sustainable profitability, leveraged on the LEAP program and focused on prioritizing profitability over volume, as well as reducing the risk profile of the business model. To drive this necessary turnaround, the company will also focus on delivering leading competitive technology, including the 5X platform, reducing the complexity of its supply chain and rightsizing the structure. Some of the measures are already under way, such as the achievement of the first orders of the new product platform, the initiation of restructuring measures in India and the adaptation of the manufacturing footprint to demand in EMEA. The onshore market, with strong fundamentals, remains core for Siemens Gamesa and the company is committed to deliver sustainable profitability in the business.

The **WTG – Offshore** segment is expected to achieve strong growth in current European markets but also in new emerging markets globally such as Taiwan or the United States. On the back of this growth potential, installations of more than 180 GW are expected between 2020 and 2030. To capture this global market growth and reinforce its lead in the industry, Siemens Gamesa will continue to develop its technology, delivering innovative solutions, such as the new SG14-222 DD turbine. Together with the market, SGRE will also globalize its offshore operations in close collaboration with its customers and will maintain execution excellence as a key pillar to maintain its profitable leadership position.

Siemens Gamesa is also well positioned in the **Service** segment, which is projected to achieve 8% CAGR through 2025. The company plans to outstrip the market maintaining strong profitability through continuous innovation and developing new business models including digital solutions while maintaining stringent focus on productivity and operational excellence. Siemens Gamesa intends to address its own as well as multi-brand fleet opportunities leveraging on the recent acquisition of selected Servion assets.

Siemens Gamesa committed to leadership in sustainability

Sustainability is at the core of Siemens Gamesa business model with our achievements acknowledged by the award of an MSCI ESG 'A' rating for our work in sustainability. The rating adds

¹ **Cash Conversion Rate:** Free Cash Flow divided by EBIT pre PPA.

to a growing number of ESG indices to which we belong, such as Dow Jones Sustainability Index, FTSE4Good, Bloomberg Gender Equality index, etc. The company also extend its sustainability commitment to its financial model. Sustainability will remain a key pillar of the LEAP program for SGRE.

“Our commitment to sustainability in everything we do enables us to proudly be a an enabler of decarbonization trends contributing to combating the effects of climate change,” said Andreas Nauen, Chief Executive Officer of Siemens Gamesa.

Press enquiries

Nigel Davies
+34 634 27 05 92
nigel.davies@siemensgamesa.com

Peter Jefimiec
Phone: +49 172 1401412
peter.jefimiec@siemensgamesa.com

More information: www.siemensgamesa.com

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