

## **ACE beneficial experience – two years after the IPO**

**An interview with Jose Manuel Corrales – CEO  
for IPO.pl**

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**IPO.pl: On June 1 there was exactly the second anniversary of ACE debut on WSE. Do you remember that day? How would you describe its importance?**

*Jose Manuel Corrales - CEO: Of course yes, it was one of the most important days in my professional carrier. Indeed it was a very important time for ACE having impact not only on current performance of the Company at those days but especially for our future. During the IPO we increased significantly our equity and cash position to the level which allowed us for realization of our expansion plans in the CEE region and also restructuring of debt structure. We would never do it without the IPO. You should remember that in terms of ACE organizational structure we are a very young company, but in terms of our business experience and the market presence we have almost 20 years of history. So from our perspective the IPO was an important step boosting development of ACE in a new organizational structure but for our investors and shareholders we were trustful due to long business experience and a strong market position.*

**IPO.pl: Having in mind what you said about relatively short history of ACE what was the perception of your company during the IPO and after?**

*JMC: I must say that the IPO roadshow was very successful. Of course we did not convince all institutional investors for buying our shares but the demand during book building procedure was exceeding significantly a number of shares in the offer. But it was symptomatic that many fund managers and analysts had a little knowledge about nature of our automotive business, commercial relations among companies in the supply chain, barriers of entry and other important issues which are typical for Tier 2 companies like ACE. And we understood that because there was no, and still there is no similar company to ACE listed on WSE. It was a big effort of both sides but finally now there are a number of analysts and fund managers understanding very well our business and not raising basic questions during meetings or presentations.*

*I have to admit that after the IPO, when ACE become a member of large WSE family, we observed a strong psychological effect when investors in general started to have a “proximity” problem with ACE, they “suddenly noticed” not only that the company was registered abroad, but also that it had an international character. To make the situation even more complex, we were almost completely unknown among individual investors, simply because the IPO was not targeted on them.*

**IPO.pl: Did you manage to overcome the issue?**

*JMC: I am sure we did, but it took a lot of time even so right from the beginning one of our top priorities was to establish good relations with our current and potential shareholders and analysts. We decided to give investors a frequent possibility to meet us after publication of each quarterly report. During such roadshows, every quarter, we have now over 20 one-on-one meetings, which is a quite substantial number having in mind the size of our company. The next top priority was to have the IR activities based*

*in Warsaw to allow easy contact also for people not speaking English or Spanish. We also actively participate in many events organized by WSE, and we are a member of ASEI (SEG) to have a direct contact with other listed companies and initiatives of the community. These are of course not all actions taken by us, but summarizing I am quite sure that ACE is one of the most accessible companies and it is much easier to contact us and have a quick respond to the raised question than in many Polish companies listed on WSE.*

**IPO.pl: Did you noticed any other psychological aspects of the stock market affecting ACE?**

*JMC: In my opinion the stock market is based at least in half on psychology. There are fashionable sectors and general opinions about them not always having to do with financial fundamentals, which might be changed overnight. It is also clearly visible now during the crises when fundamentally strong companies are put to the same basket with bankrupt ones. But this is the issue we can discuss for hours... Coming back to ACE we, as managers, are fundamental guys and our target is to deliver planned financial results and grow the company business. Sometimes we have a problem with understanding the disproportion between delivered earnings and reaction of the market. Short example: in 2007 we slightly missed our net earnings target and investors seemed to be very disappointed, what had a direct strong impact on our share price. But from today's perspective it was the best year in the history of ACE and its subsidiaries alone. Today during meetings investors say that they would be happy if we show a half of 2007 profits and ask for any hints when it is going to happen. We know that the delivery of the results is very important for the market but it also shows the psychology mechanism that rules the market – slightly missing very high target is punished much more than achieving the target on much lower level, which is perceived as psychologically beneficial, however from fundamental point of view it should be quite opposite.*

*The second example I can mention, are hedging contracts. Not going into details, ACE was put into the same basket of companies having “toxic options” despite the fact that the role and the size of contracts we had were completely different than the rest of listed Polish companies.*

**IPO.pl: Talking about profits and market perception how would you compare ACE with peer listed companies in other European countries?**

*JMC: Indeed, there are no similar companies to ACE on WSE but there are a number of such companies listed on other stock exchanges in Europe. We monitor a list of automotive companies being comparable in terms of the size, business profile, position in the supply chain etc. I must say, that starting from 2007 when we created the list of more than a dozen companies from all over the Europe, we are on the top three in terms of the profitability on all levels but in the very end in terms of market valuation.*

**IPO.pl: Do you want to say that if ACE was quoted elsewhere your market valuation would be higher?**

*JMC: I can not say that, but there is some value growth potential coming only from this obvious fact.*

**IPO.pl: Even now during the crises when the automotive sector is one of the mostly harmed ones? How would you describe your current situation of the business and your perspectives for the future?**

*JMC: Yes, you are right. Even now, sales are lower, margins are lower than a year ago but we are still at the top in terms of achieved profitability.*

*In comparison with a very dynamic slowdown of the market we had in the second half of last year and the first two months of this year, the current situation should be perceived as relatively stable. The most difficult for companies are not times with lower demand for their products but the periods of rapid and dramatic changes of market conditions like sales, raw material prices etc. Because usually during those relatively short periods of time companies are not able to adjust their cost structure in the same speed as the market changes and this creates financial problems which can not be easily overcome in a low demand environment. In ACE we managed to decrease substantially our break-even point in relatively short period of time of 3 months, and the first positive effects of the restructuring program were visible after the first quarter of 2009 when we achieved much higher margins on all levels than in the previous quarter despite the fact that the first two months of the current year were much worse than the fourth quarter of 2008. From March the market conditions in the automotive sector are slightly but constantly improving, basically due to government subsidies for new car buyers introduced by many European countries.*

**IPO.pl: Don't you think that this is quite an artificial market stimulation.**

*JMC: It could be, but it helps to cover the demand gap which is the effect of the crisis. The beauty of these programs is that they activate slightly different market segment – owners of older cars usually not changing them very often and thus probably creating additional concentrated demand which would not show up when the crisis is finished. But you are right that the support programs can not be perceived as a long term demand creators.*

**IPO.pl: Due to lower demand does ACE consider sale or closing down of one of its production plants?**

*JMC: No, definitely not. All our plants are strong assets of the ACE Group. Just to remind all your readers: our Spanish plant is number one supplier of iron anchors in Europe with 45% market share, our plant in Poland is the second largest producer of aluminium calipers, which managed even to increase its market share up to around 30% in 2008. And finally our newly acquired plant in Czech Republic is an important platform for future capacity growth of the Group with perfect location and proximity to our main current and future clients. As you probably noticed that during a market slowdown we maintained our market importance for our clients and even in Poland we recorded its considerable growth.*

**IPO.pl: .... so may be Group expansion and new acquisitions?**

*JMC: An acquisition is not our top priority at the moment. However, we closely monitor performance of our potential targets. Current difficult market conditions create some opportunities in this area. Many companies are facing financial and liquidity problems and also some of our direct competitors are among them. If we manage to find an interesting project fitting our long term strategy and having neutral impact on our short and medium term financial position, we will take the opportunity. We strongly believe that companies of the best financial standing after the slowdown will become natural integrators of the sector.*

**IPO.pl: Thank you for the interview.**