

SEVCON, INC.
Form DEFA14A
January 20, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

SEVCON, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-(6) (i) (1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transactions applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Right Strategy and Board Leadership to Create Long-Term Value January 2017

Forward-Looking Statements 2 Forward Looking StatementsForward looking statements in this presentation about Sevcon's product development and sales growth are subject to risks and uncertainties that could cause actual results to differ materially from those we anticipate. In particular: global demand for electric vehicles may not grow as much as we expect; our customers' products may not be as successful as those of other entrants in the electric vehicle market who are supplied by our competitors; economic instability caused by Britain's changing role in the European Union or other factors may affect the pricing of our products and may cause customers to delay, decrease or cancel purchases; we are dependent on a few key suppliers and subcontractors for most components, sub assemblies and finished products, and we may not be able to establish alternative sources of supply in time if supplies are interrupted; we have a small number of key customers whose loss would adversely affect our results; customers for whom we are currently engaged in engineering design projects may not contract with us to manufacture and sell the products being designed; and our worldwide operations are subject to the risks of international trade, including, without limitation, regional economic downturns, exchange rate fluctuations, and changing laws, regulatory practices and tariffs. Before making any investment decisions regarding our company, we strongly advise you to read the section entitled "Risk Factors" in our most recent annual report on Form 10 K which can be accessed under the "SEC Filings" link of the "Investor Info" page of our website at www.sevcon.com. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law or regulation.

Capitalizing on the Opportunity 3

What We Do 4 CONTROLLER Battery Motor + - CHARGER Sevcon is a world leader in power electronics and controllers for on road applications, building on 50+ years of history with off-road applications

SEV Applications/Markets 5 Historically supplied products for industrial applicationsMoving quickly to target a wide range of custom applications for highly-engineered lower-volume on-road marketsUsing a flexible and adaptable technology platform across a family of products (re-usable logic engine) SEV Targets:Sports CarsBuses/TrucksFork Lift TrucksMotor CyclesUtility VehiclesIndustrial Applications High volume applications are generally standardized with more competition and lower margins.

6 Growing Blue Chip Customer Base

Electrification and the Future 7 Today is the inflection point for electric vehicles – the market is growing exponentially The market is ready to shift to a new paradigm without internal combustion systems thanks to technology improvements and the declining cost of batteries Overlapping forces are driving: Lithium ion batteries continue to get 10% cheaper every year Tightening emissions regulations and environmental awareness Electrification technology allows best-in-class performance

Forklift Trucks*: Average sales of Electrified Industrial Trucks based on IDTechEx survey and Industrial Truck market data for current year. All Trucks and Buses*: Objective data based on OICA, MAN and US Government findings; % electrification based on detailed customer indication. Sports Cars*: Average sales based on OICA data; 2022 sales forecast from Autocar and Motor Magazines and from supplier feedback; % electrification based on current market feedback and customer indications. *Number of components/vehicle based on Sevcon's current projects.
Projected Market Value for Electrification (\$M) 8 2019: Euro 6 into effect

Our Customers Face A Variety Of Challenges In Transitioning From Internal Combustion Engines To Electrification

Every electric drivetrain has three core components: Batteries and motors are commodities with 20% margins, but the controller engineering challenges are complex and offer attractive margins and a high return on investment. The Challenge Today: The market for controllers is fragmented and no supplier offers a cost effective, integrated electric drivetrain solution. 10 The Electrification Challenge

Advanced engineering skillsPower electronics, real time control, variable speed drivesBusiness and industry specific knowledgeContacts at all levels in the customers baseDeep understanding of product design cyclesThe mixture of industrial and on road cyclesExperience of the interacting systems on the vehicleChargers, inverters, DC:DC and safety systems Leveraging SEV's Capabilities to Meet the Challenge 11 Meeting the Challenge

The Solution: Investment in Customization for Long-Term Rewards 12 Cost (Actually Earned Value)
100%0% Time Alpha 1 Rough idea Of the product Alpha 2 Key functions working Beta All features
implemented Field test 98% complete SOP Start Of Production Doesn't move! Fixed time period Suppliers who
make customized components can take the cost risk of the design alongside the manufacturer, which raises costs and
lowers profits for several years but produces reward based on high margin component in production phase.
1 2 3 4 5 6 7 +

The Board plan is to proactively invest in Engineering. As we have added engineering resource, we gain the opportunity for substantial increases in stockholder value. 13 The solution: Engineering Investment

Benefits of Bassi addition Bassi was a strategic acquisition to access charging technologyPart of the integrated system approach requires such technologyProject pipeline contains charging opportunityWhen answering customers requests for quotation, chargers was our Achilles heel.As a consequence of acquiring BassiWe have been able to address further pipeline opportunitiesWe added to an existing program, \$40M of additional backlog Bassi opens up infrastructure charging opportunitiesSome of the Bassi portfolio allows us to address infrastructure charging Fast, DC Chargers supplied by Bassi are another substantial opportunityUtilities, OEMs, Municipalities and Oil companies all desire such products 14

Edgar Filing: SEVCON, INC. - Form DEFA14A

Luxury automotive manufacturer of high-performance sports cars Custom Gen5 Size 9 Motor Controller A-1: Q1/2 2017A-2: Q3/4 2017B: Q1/2 2018C: Q2/3 2019 Production Duration:5 Years Spares Demand:+ (10 Years) \$40M Leading international supplier of commercial vehicles and transport solutions Custom Gen5 Size 9 Motor Controller C: Q1/2 2017Software: Q3 2016 Production Duration:6 Years Spares Demand:+ (10 Years) \$26M Leader in stabilizing technology for yacht and commercial marine industry Custom Gen5 Size 4 Motor Controller B: Q1/2 2017 Production Duration:6 Years Spares Demand:+ (5 Years) \$15M Manufacturer of electric motors for automotive applications Custom Gen5 Size 2, 4, 9 Motor Controller A: Q1 2017B: Q2/3 2017 Production Duration:7 Years Spares Demand:+ (10 Years) \$85M Manufacturer of pure electric vehicles Custom Gen5 Size 9 Motor Controller A: Q2 2017B: Q4 2017C: Q1 2018 Production Duration:5 Years Spares Demand:+ (10 Years) CUSTOMER I CUSTOMER IV CUSTOMER III CUSTOMER II Expanding On-Road Pipeline 15 Description of OEM Milestones (SEV Fiscal Year) Expected Production Start Date Production Duration + (Spares Demand) Application Forecasted Production Sales Q2 2020 Q1 2019 Q2 2017 Q4 2017 \$80M \$26M \$15M \$85M These are engineering design projects that include nonbinding terms for the manufacture and sale of products in the customer's discretion if the design phase is successful. The information above represents the customers' and Sevcon management's current expectations of results if and when the customers decide to produce vehicles that include Sevcon's components. CUSTOMER V Q2 2018 \$40M

16 Committed Board Nominees to Drive the Business Forward Glenn Angiolillo Director Board Member since 2013 President of GJA Management Corporation since 1998 Matthew Boyle President and CEO Board Member since 1997 President and Chief Executive Officer of the Company since November 1997 Vice President and Chief Operating Officer of the Company from November 1996 to November 1997 Matthew Goldfarb Chairman of the Board Board Member since 2016 Chief Restructuring Officer/Acting Chief Executive Officer of Cline Mining Corporation since 2013 Served as Chief Executive Officer of Xinergy, Ltd. Helped lead, as a board member, the \$1 billion sale of Pep Boys (PBK) to Icahn Enterprises in February 2016 for in excess of 100% premium to unaffected share price of PBK William Ketelhut Director Board Member since 2011 Chairman of the Company's Board of Directors from January 2013 to December 2015 Served as president of several business units of Invensys plc Served as President of Control products at Honeywell International Walter Schenker Director Board Member since 2013 Chairman of the Company's Board of Directors from February 2016 until July 2016 Principal at MAZ Capital Advisors since 2010 and was a Principal at Titan Capital Management from 1999 until 2010 Dr. Marvin Schorr Director Emeritus Board Member since 1951 Chairman of the Company's Board of Directors from January 1988 until January 2005 David Steadman Director Board Member since 1997 Chairman of the Company's Board of Directors from January 2005 to January 2013 President of Atlantic Management Associates, Inc. from 1988 to 2009 Paul O. Stump Director Board Member since 2005 President and Chief Executive Officer of Telequip Corporation from 1997 to 2007, and Consultant to Telequip Corporation from 2007 to 2009 Vice President of Engineering of Crane Payment Solutions from 2010 to 2013 Chief Executive Officer of Chromata LLC, a manufacturer of color night vision products since September 2014 Experienced Board of Directors

A clear choice: Your Board of Directors Our Board developed our strategic plan with input from premier consultants with deep industry knowledgeBoard of Directors and management are demonstrating strong success in plan to invest in engineering resources to capitalize on on-road opportunitiesSevcon is growing its impressive on-road development pipeline, resulting in increasing total expected production revenueOur Board has demonstrated Sevcon's capital-raising ability with two recent, successful offeringsSevcon's management incentives are closely aligned to stockholders via meaningful equity ownership 17

18 Sevcon has six independent directors, all of whom are experienced, highly qualified and committed to delivering shareholder value. The Board proposed annual elections to declassify the directors' terms providing more accountability to stockholders. The Board is not static. We added four new Board members in the past three years, replacing five members. A Clear Choice: Your Board of Directors

Not in the best interests of Sevcon Stockholders to Elect Ryan Morris and his Nominees Based on their firsthand experiences with Ryan Morris, as both a director and employee at Sevcon, the entire Board believes Morris would mismanage our operations and disrupt the businessHe was removed as Executive Chair by the unanimous vote of all other directorsMorris appears only to want to churn your Board to gain effective control The veto power held by his four nominees as directors will create the potential for continual stalemateMorris has presented no business strategy other than what your Board implemented in 2013 – before he joined the Board – and is executing successfullyYour Board perceives that Morris’s public statements continually exaggerate his influence on Sevcon’s successes and continually misstate the directors’ interactions with himBased on Morris’s apparent operational track record, your Board’s unanimous view is that he is unqualified to manage the Company and would have a major negative effect on Sevcon:In 2015, Morris had to issue a public apology to Aberdeen International and withdraw a proxy fight and litigationAt Lucas Energy, the stock price dropped 78% during Morris’s tenure as a directorMorris’s “activist” history is rife with controversyMorris/Meson holds 14.5% of Sevcon’s outstanding shares, not 20%His public disclosures exaggerate his voting power/legitimacy 19
