



# KION GROUP AG

## FY 2015 Update Call

Gordon Riske (CEO), Dr Thomas Toepfer (CFO) – Wiesbaden, 17 March 2016



- 
1. Highlights
  2. Market Update
  3. Financial Update
  4. Outlook

**Gordon Riske**

Gordon Riske

Thomas Toepfer

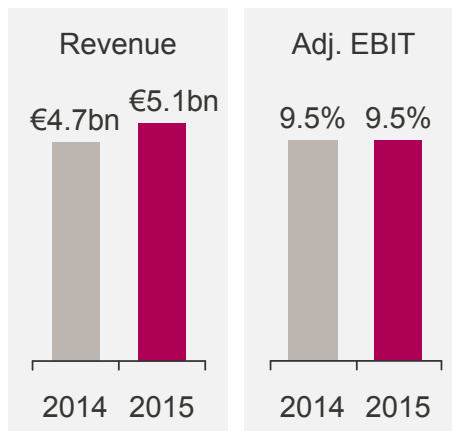
Gordon Riske

# FY 2015 Milestones

## KION hits new highs and executes Strategy 2020

### » Another record year

- Strong finish to the year
- Guidance achieved across all KPIs



### » Implementation of manufacturing setup

- New CZ plant with production start in Jan 2016
- Continued investments into German core plants



### » Cross-brand R&D function

- New CTO organisation in place
- 11 new platform products launched

### » New company structure

- 4 Operating Units by region
- Stronger customer focus
- Implementation during 2016

Linde EMEA	STILL EMEA
KION APAC	KION Americas

### » Intralogistics 4.0

- Acquisition of Egemin Automation in Aug 2015 and Retrotech in Mar 2016
- Full-line automation offering



### » New financing in Feb 2016

- New credit facility with investment-grade-style features
- Redemption of last pre-IPO bond

# FY 2015 Financial Highlights

## KION outperforms in a soft global market

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- » **Guidance FY 2015** achieved for all KPIs
- » **Order intake** value rises by 9.3% to €5,216m in FY 2015 (Q4: €1,397m, +8.8% y-o-y), driven by unit growth in Western Europe; healthy order book at €864m
- » **Revenue** grows by 9.0% to €5,098m in FY 2015 (Q4: €1,441m, +10.3% y-o-y)
- » **Adjusted EBIT** of €483m results in margin of 9.5% in FY 2015 at previous-year level (Q4: €152m, margin of 10.5%)
- » **Net income** increases by 24.0% to €221m in FY 2015 driven mainly by operating performance (Q4: €77m, +29.5%)
- » **Free cash flow** increases by 8.8% to €333m in FY 2015 (Q4: €293m, +40.7%)
- » **Net debt** significantly reduced by 29.3% to €573m
- » **Proposed dividend** per share of €0.77, up 40% on previous year (payout ratio: 35%)

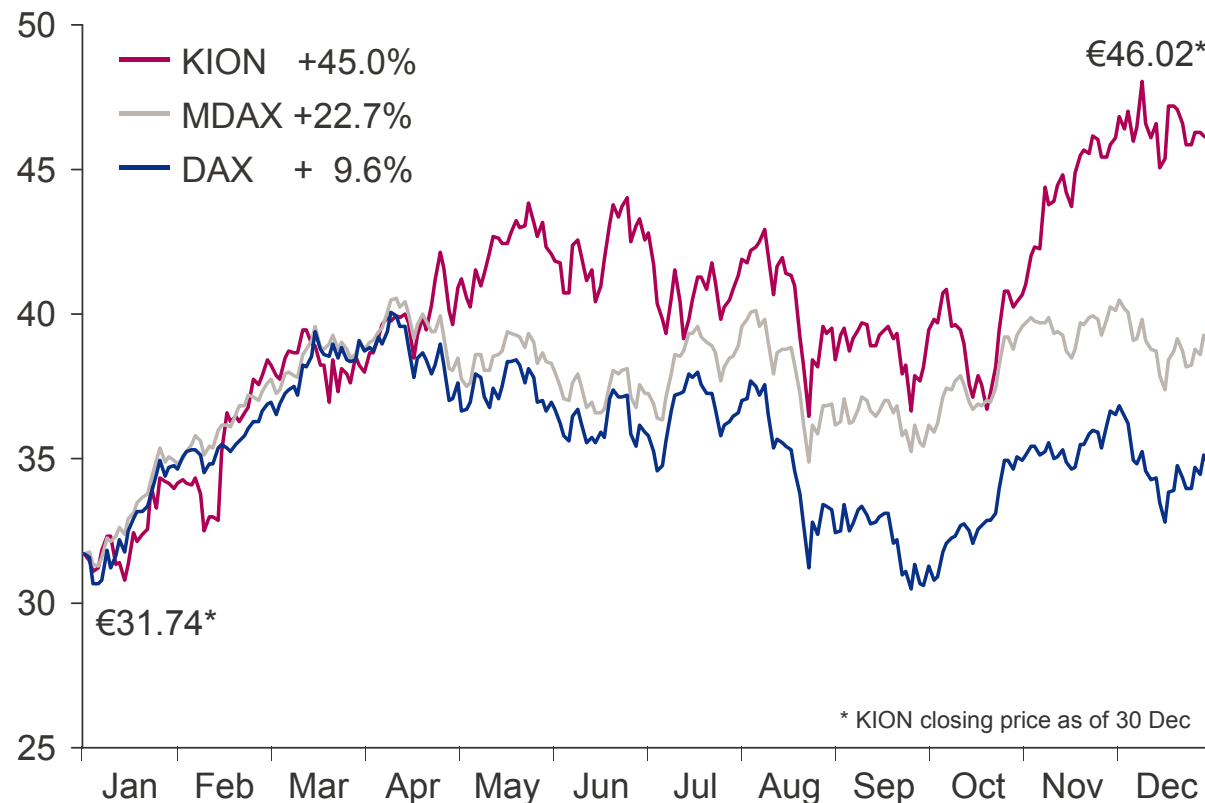
# FY 2015 Capital Market Highlights

## Strong share performance and further free float increase



### KION share price performance 30 Dec 2014 – 30 Dec 2015

Share price  
(in €)



### Strong share performance

- Price increase by 45% to closing price of €46.02 at year-end
- Outperformance of DAX and MDAX

### Further rise in free float

- Free float increase to 61.5% in March 2015
- Following the disposal of remaining shares held by Goldman Sachs and KKR

### Mainly buy recommendations

- 17 analysts cover KION: 11 buy and 6 neutral recommendations
- Median target price at year-end of €48.50

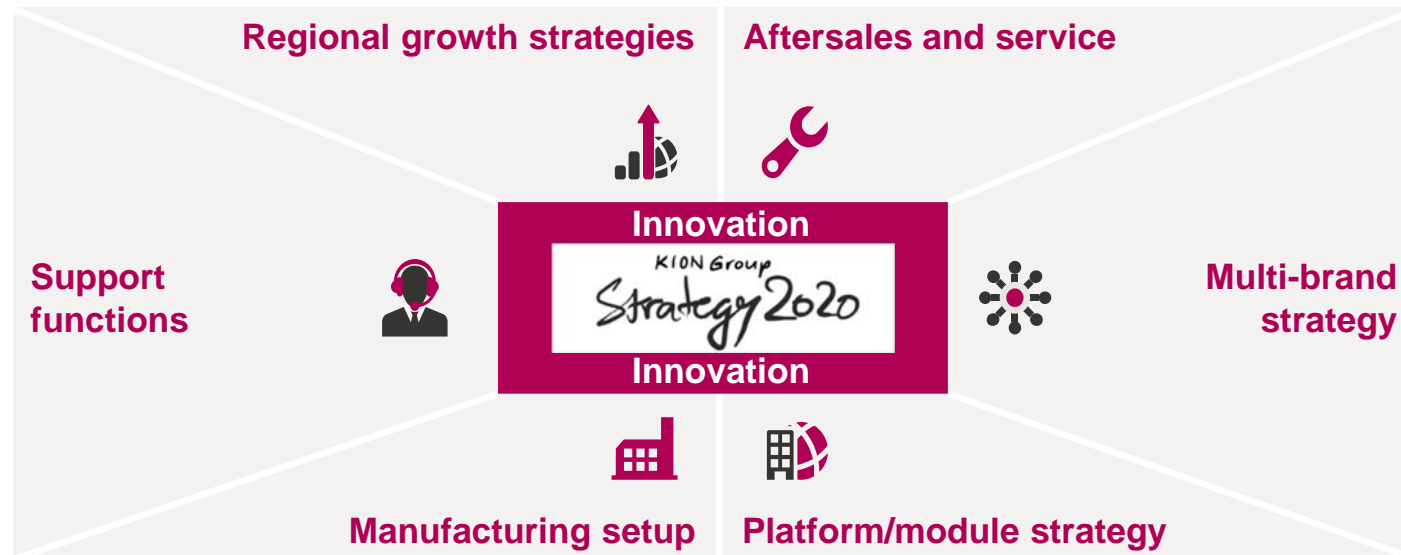
# Strategy 2020

## Implementation under way, supported by new structure

Objective

Even stronger focus on customers, innovation and efficiency

Strategic levers



Facilitators

### New company structure

- 4 Operating Units by region
- Cross-brand R&D function
- Implementation during 2016
- New CTO organisation in place

### Joining forces in automation and intralogistics



- Automated logistics systems
- Project management skills
- Proven software competence



- Broad range of industrial trucks
- Sales leads for automation projects
- Service network
- Production efficiencies

No “Industry 4.0” without “Logistics 4.0”

### Attractive automation market

- Market for warehouse solutions and automation systems is attractive
- KION to become a leading player in solutions and automation

### Egemin adds to KION’s capabilities

- Egemin established as 7th brand of the KION Group in August 2015
- Egemin is one of the leading suppliers of automated solutions for logistics and processes
- KION can leverage its sales and service network
- Direct synergies result from automating series production trucks



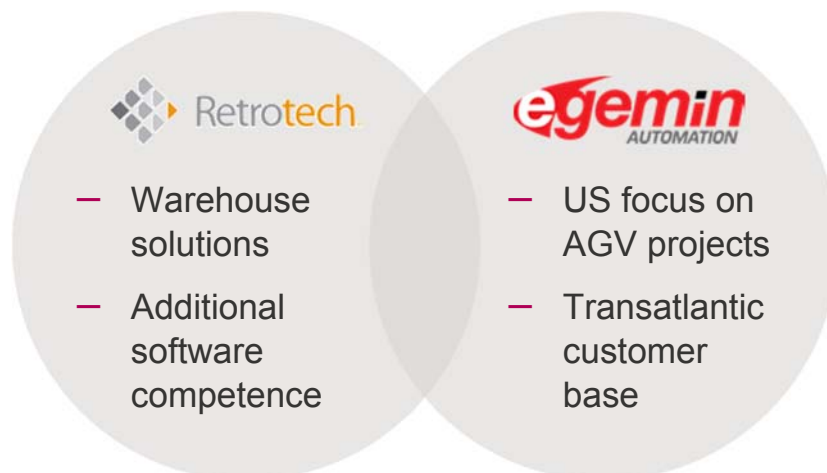
# Strategy 2020 – Innovation

## Retrotech strengthens US warehouse systems expertise

### Retrotech at a glance

- US systems integrator for automated warehouse and distribution solutions
- High-profile customer base in US
- 30 year old business with strong track record
- 2015 revenue of USD70m with 150 employees
- Enterprise value of ~USD40m

### Complementarity



### Offering

- Integration of large automated storage and retrieval systems (ASRS) and other warehouse and distribution systems
- New installations as well as expansions and upgrades of existing systems
- Bespoke software design
- Lifetime service

### End markets and customers




- Food & beverage (esp. chilled beef)
- FMCG, retail, e-commerce
- Production, manufacturing
- Pharma





# Strategy 2020 – Margin Upside

## Track record in implementing margin drivers

Levers	Selected achievements 2015	Selected activities 2016
 <b>Manufacturing setup</b>	<ul style="list-style-type: none"> <li>– Building of Stribro plant</li> <li>– Design of efficient plant setup for core plants Aschaffenburg and Hamburg</li> <li>– Focus on core competences</li> </ul>	<ul style="list-style-type: none"> <li>– Stribro start of production in Jan 2016</li> <li>– Implementation of new setup in Châtellerault</li> <li>– Further outsourcing (e.g. cylinders)</li> </ul>
 <b>Platforms &amp; modules</b>	<ul style="list-style-type: none"> <li>– Launch of 11 global platform trucks</li> <li>– Introduction of further common modules into lead trucks</li> <li>– New group-wide CTO function</li> </ul>	<ul style="list-style-type: none"> <li>– Sales ramp-up of new platform trucks</li> <li>– Localisation of new platform trucks for use in other markets</li> <li>– Introduction of Li-ion E-truck modules</li> </ul>
 <b>Support functions</b>	<ul style="list-style-type: none"> <li>– Agreement on new STILL sales &amp; service setup in Germany</li> <li>– Cross-brand spare parts logistics in selected countries</li> </ul>	<ul style="list-style-type: none"> <li>– Continuous review and implementation of efficiency measures</li> </ul>

# Strategy 2020 – Organisational Structure

## New structure drives change during 2016

### New company structure

Executive Board

CEO (Riske)	C-APAC (Quek)	CTO (Böhm)	CFO (Toepfer)
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Operating Units

Linde EMEA	STILL EMEA	KION Americas	KION APAC
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Group functions

Product Strategy	Accounting, Tax, Finance, Controlling
Product Development	HR
Module Development	Legal
Procure- ment	IT
...	...

### Operating Units focus on regional customers

- Shift from a brand-driven to a regional setup
- Four regional Operating Units with P&L responsibility
- Focus on specific customer requirements in each region

### New group-wide CTO function

- Close cooperation with group functions
- Cross-brand synergies in development and procurement
- Implementation of platform and module strategy

### Implementation during 2016

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1. Highlights
  - 2. Market Update**
  3. Financial Update
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Gordon Riske

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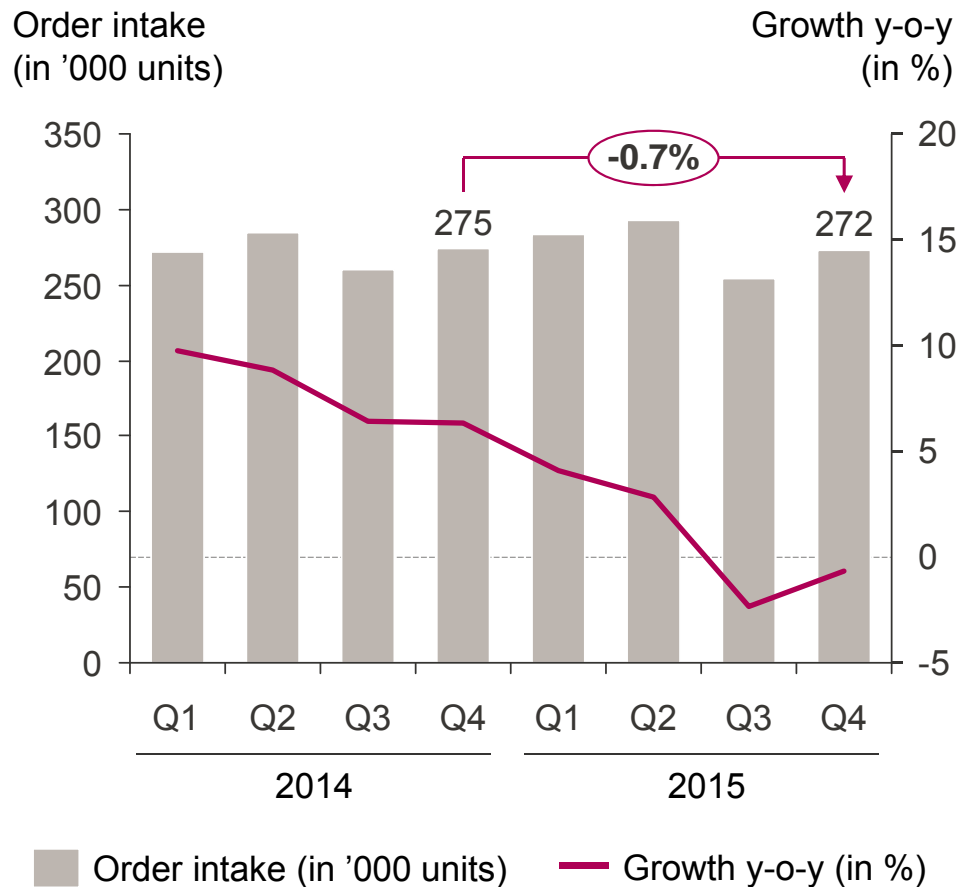
Thomas Toepfer

Gordon Riske

# Market Development

## Weakness in big emerging markets hampers global growth

### Global market order intake



- Global demand declines by 0.7% in Q4, resulting in growth of 1.0% for FY 2015
- Order volume of 272,500 units in Q4
- Developed markets in Europe with strong finish
- Big emerging markets continue to struggle
- Persisting slowdown in China (mainly IC-trucks)
- E- and WH-truck segments drive global growth

Source: WITS/FEM

# Market Development

## Soft global demand with strong finish in Europe

Order intake unit growth y-o-y (in %)

North America		
Q2/15	Q3/15	Q4/15
14.0%	9.7%	-1.8%

Western Europe		
Q2/15	Q3/15	Q4/15
8.6%	6.2%	13.0%

Eastern Europe		
Q2/15	Q3/15	Q4/15
-17.3%	-8.5%	9.9%

South/Central America		
Q2/15	Q3/15	Q4/15
-14.9%	-14.1%	-20.8%

China		
Q2/15	Q3/15	Q4/15
-7.7%	-17.0%	-14.5%

World		
Q2/15	Q3/15	Q4/15
2.8%	-2.3%	-0.7%

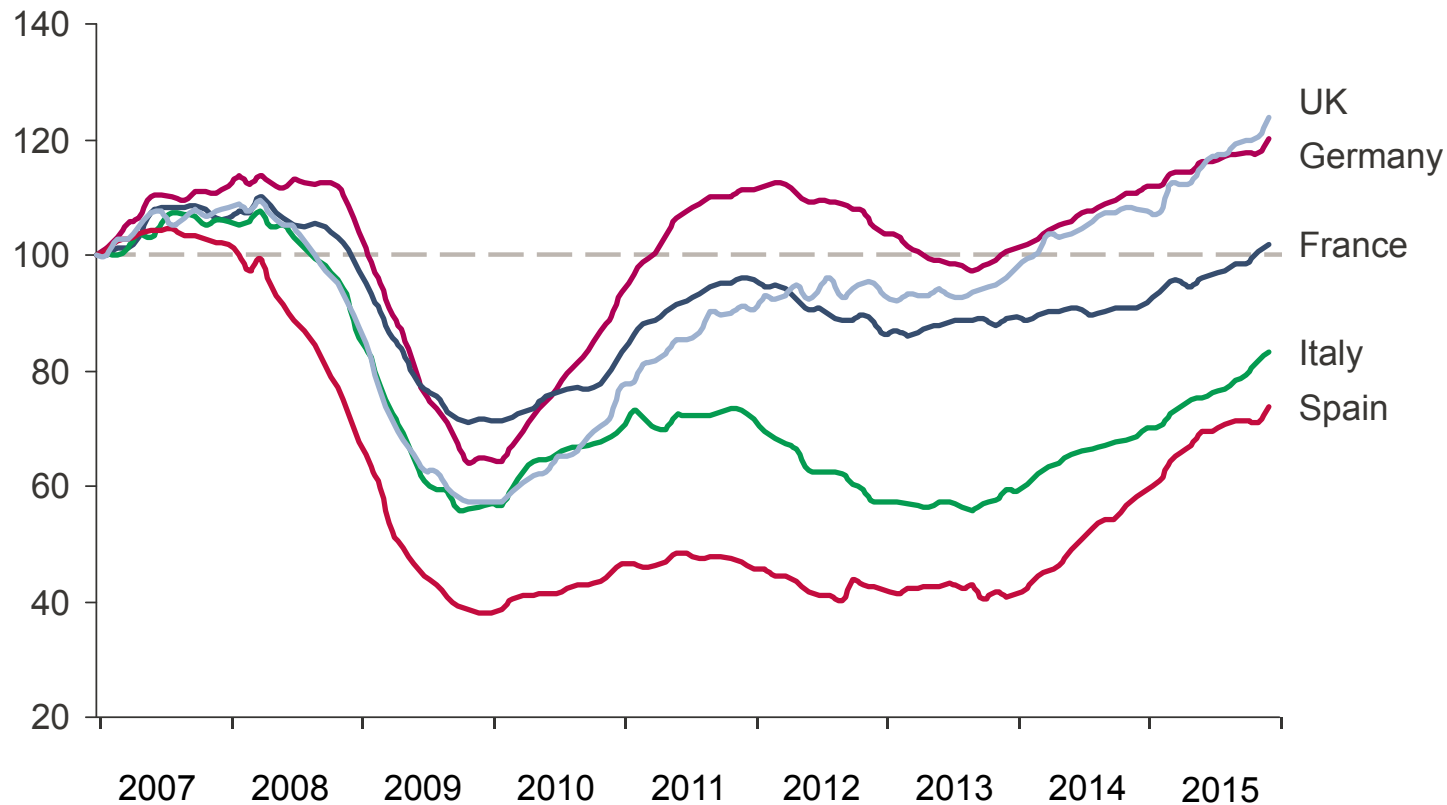
Source: WITS/FEM

# Market Development

## Western European markets sustain upward trend

### Markets pre- and post-crisis as at 31 Dec 2015

Indexed LTM order units (LTM Jan 2007=100)



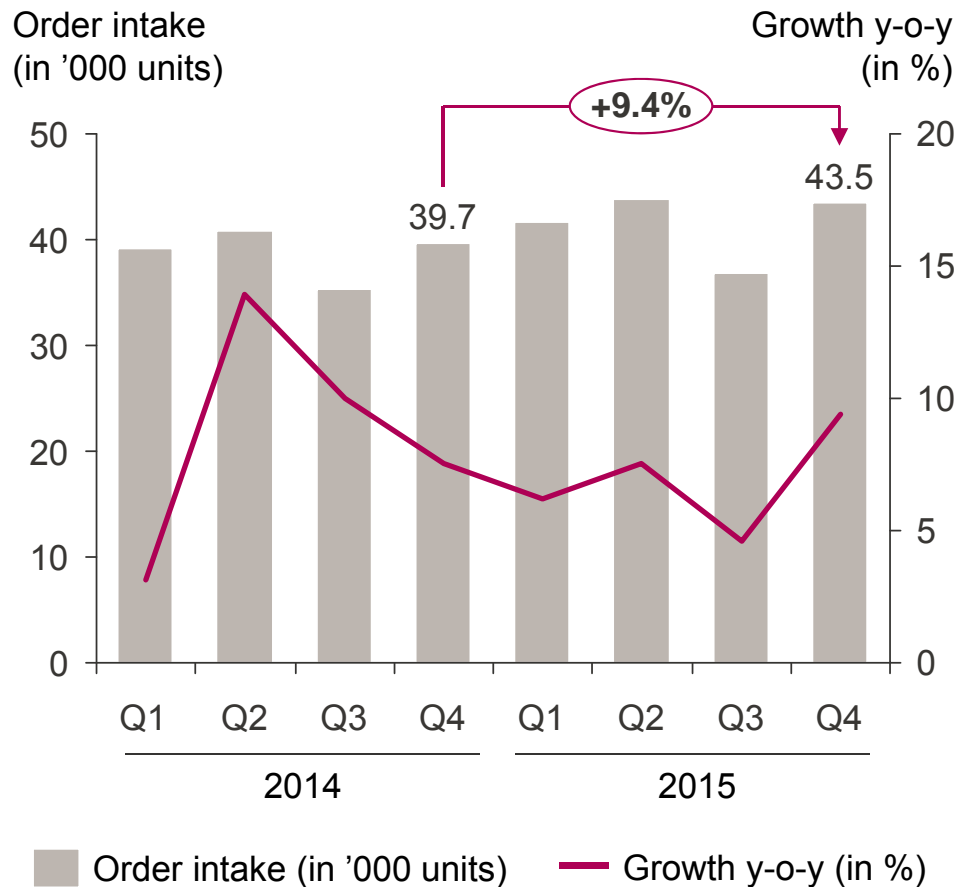
- Solid development in Germany and UK with a strong finish
- France continues to recover
- Italy and Spain continue to benefit from pent-up demand

Source: WITS/FEM

# KION Development

## KION sees strong finish in Q4

### KION global order intake



- KION clearly outperforms global market in Q4
- Orders are 9.4% above previous year in Q4 vs. market decline of -0.7%
- Order volume of 43,500 units in Q4
- Benefiting from continued healthy demand in European home markets
- E- and WH-truck segments drive growth



### Regional development

Order intake unit growth y-o-y (in %)

	FY 2015		Q4 2015	
	Market	KION	Market	KION
Western Europe	+11.3% ↑	+10.0% ↑	+13.0% ↑	+10.8% ↑
Eastern Europe	-7.0% ↓	-1.8% ↓	+9.9% ↑	+13.0% ↑
China	-12.8% ↓	+5.6% ↑	-14.5% ↓	+4.2% ↑
South/Central America	-12.3% ↓	-17.1% ↓	-20.8% ↓	-21.0% ↓
World	+1.0% ↑	+7.0% ↑	-0.7% ↓	+9.4% ↑

Source: WITS/FEM

### Western Europe

- **Market:** Strong last quarter
- **KION:** Overall healthy development

### Eastern Europe

- **Market:** Russia significantly down, growth in other regional markets
- **KION:** Better than market, growth outside of Russia

### China

- **Market:** Ongoing weakness, esp. in IC-trucks
- **KION:** Growth above market driven by E- and WH-segments

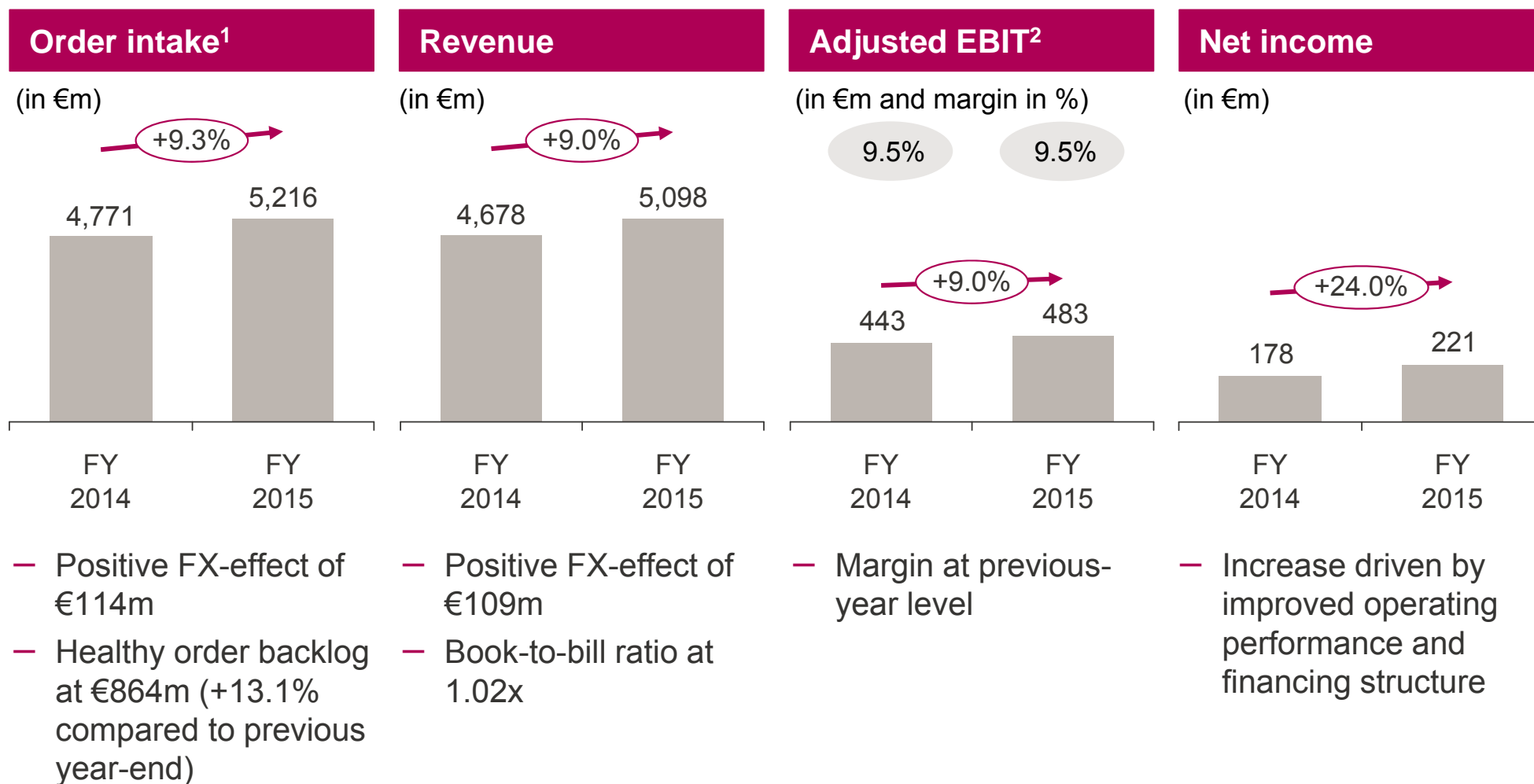
### South/Central America

- **Market:** Decline mainly driven by Brazil
- **KION:** Negative mix effect due to Brazil, growth in other regional markets

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|----------------------------|-----------------------|
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| 4. Outlook                 | Gordon Riske          |

# FY 2015 Key Financials

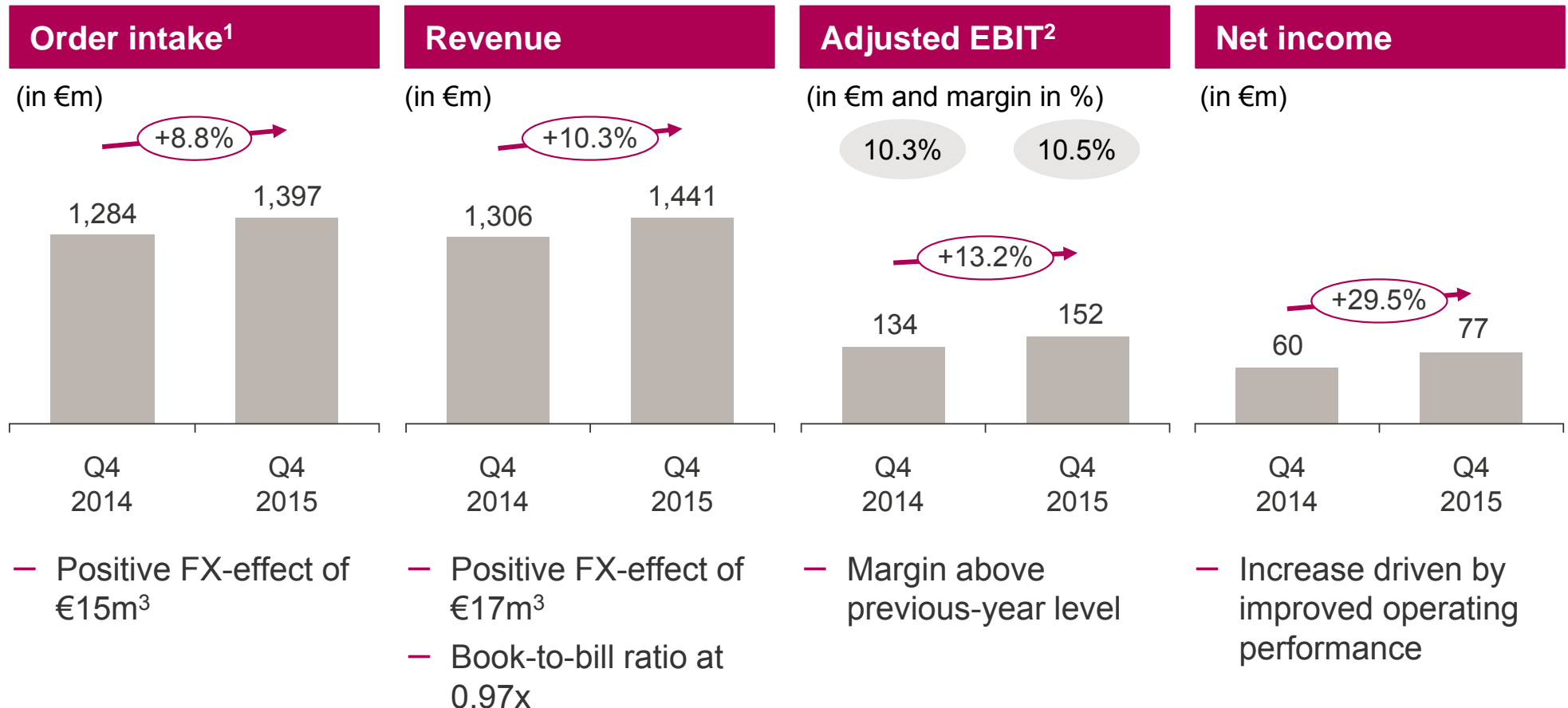
## All KPIs above previous year



1. Order intake for FY 2014 shown based on new presentation  
 2. Adjusted for KION acquisition items and non-recurring items

# Q4 2015 Key Financials

## Strong finish to the year



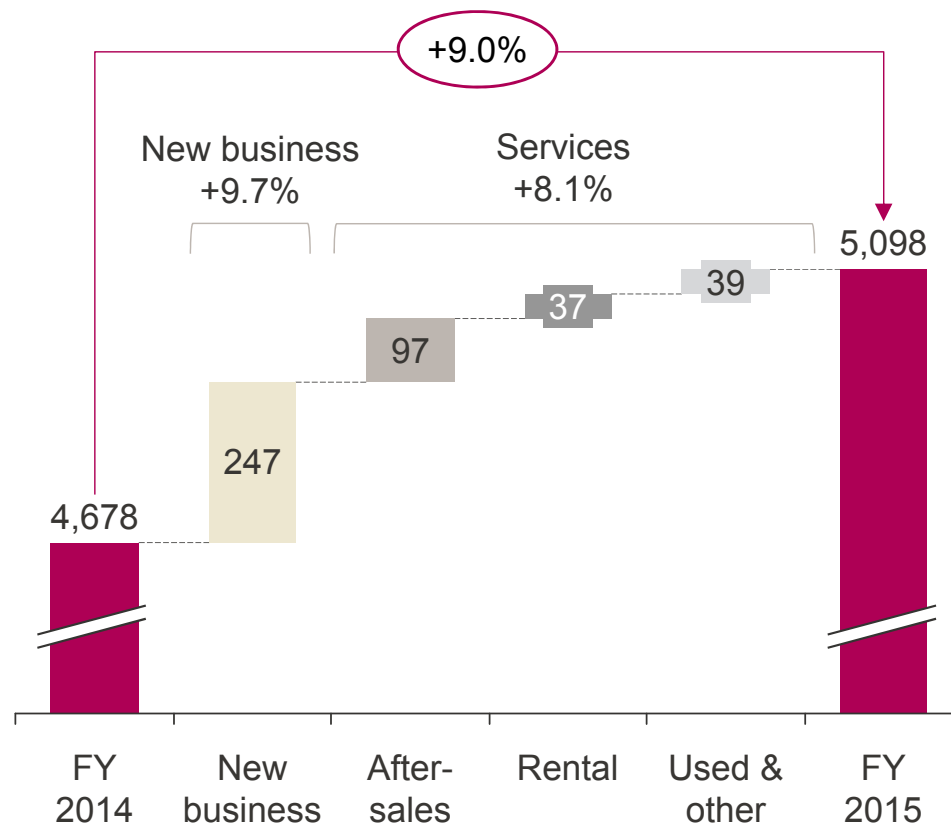
1. Order intake for Q4 2014 shown based on new presentation  
 2. Adjusted for KION acquisition items and non-recurring items  
 3. Quarterly FX-effects calculated as delta between FX-effects for Q1-Q3 2015 and FY 2015

# Revenue

## Growth contribution from both new business and services

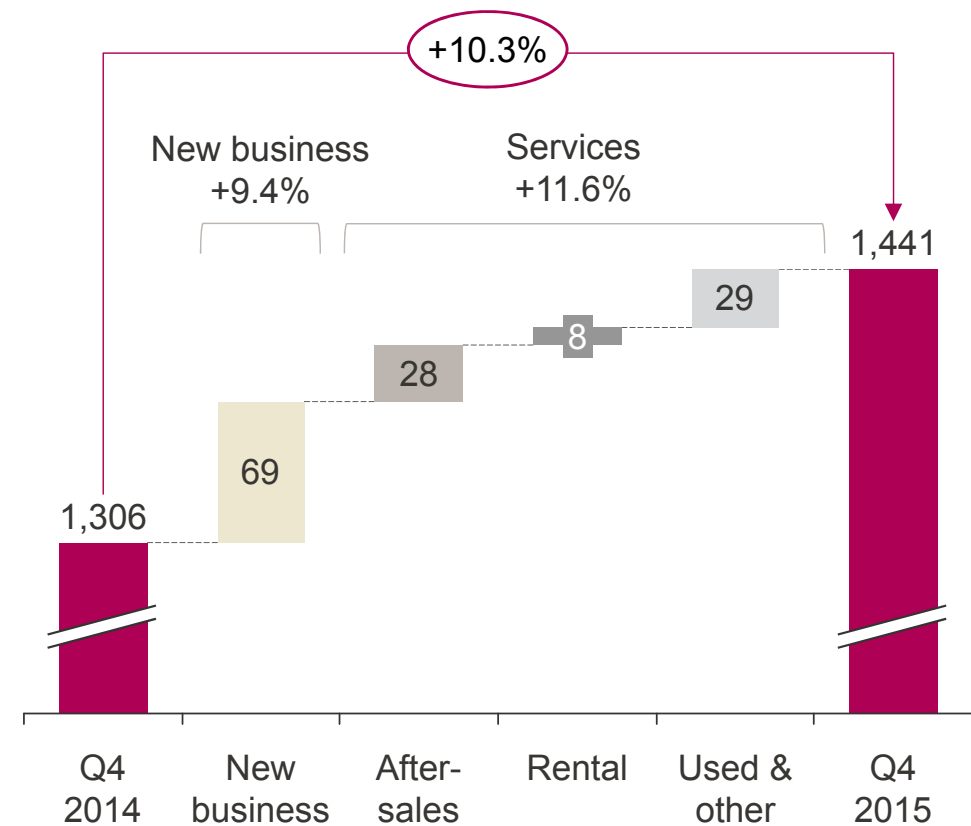
### FY: Revenue bridge by product categories

(in €m and growth y-o-y in %)



### Q4: Revenue bridge by product categories

(in €m and growth y-o-y in %)

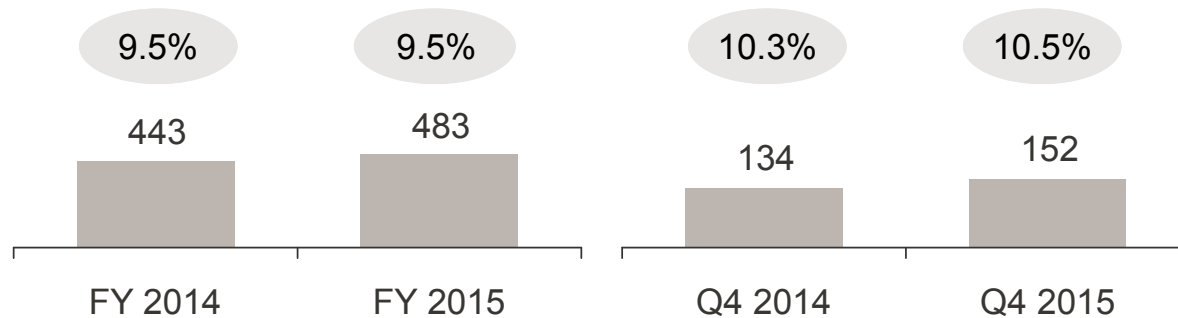


# Adjusted EBIT and EBITDA

## Margins reflect implementation costs for Strategy 2020

### Adjusted EBIT<sup>1</sup>

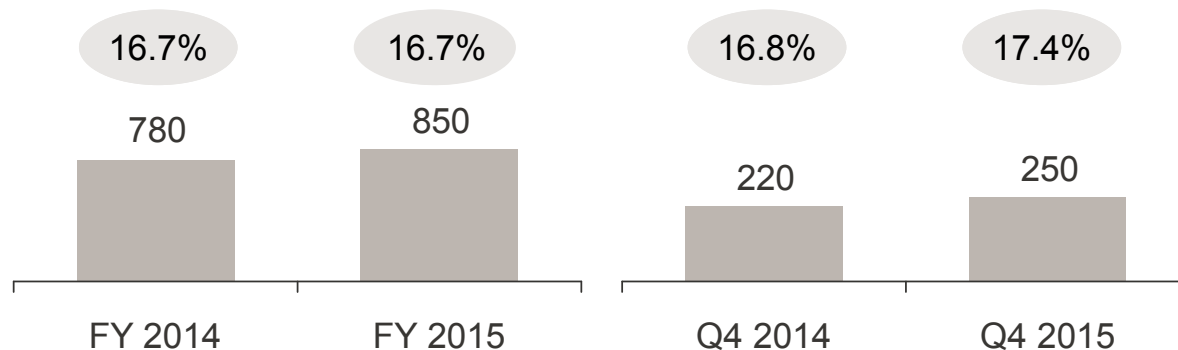
(in €m and margin in %)



- Gross margin increase driven by new business growth, supported by product mix, lower commodity prices and FX-effects
- Increase in fixed costs driven by wage inflation, FX-effects and costs for implementation of Strategy 2020

### Adjusted EBITDA<sup>1</sup>

(in €m and margin in %)



1. Adjusted for KION acquisition items and non-recurring items

# Adjusted EBIT to Net Income

## Net income driven by operating performance

(in €m)	FY 2015	FY 2014	Change	Q4 2015	Q4 2014	Change
<b>Adjusted EBIT<sup>1</sup></b>	<b>483</b>	<b>443</b>	<b>9.0%</b>	<b>152</b>	<b>134</b>	<b>13.2%</b>
Non-recurring items	-33	-57	42.1%	-13	-10	-24.9%
KION acquisition items	-27	-39	30.4%	-7	-15	54.3%
<b>Reported EBIT</b>	<b>423</b>	<b>347</b>	<b>21.8%</b>	<b>133</b>	<b>109</b>	<b>21.2%</b>
Net financial expenses	-93	-89	-4.3%	-24	-27	9.4%
<b>EBT</b>	<b>330</b>	<b>258</b>	<b>27.9%</b>	<b>108</b>	<b>82</b>	<b>31.2%</b>
Taxes	-109	-80	-36.4%	-31	-23	-35.5%
<b>Net income</b>	<b>221</b>	<b>178</b>	<b>24.0%</b>	<b>77</b>	<b>60</b>	<b>29.5%</b>
Reported EPS	€2.20	€1.79		€0.76	€0.60	
Proposed dividend per share	€0.77	€0.55				

- Non-recurring items in Q4 2015 impacted by accruals relating to efficiency programs in the context of Strategy 2020
- Effective tax rate of 33.1% for FY 2015
- Proposed dividend payout ratio of 35%, compared to 31% in the previous year

1. Adjusted for KION acquisition items and non-recurring items



# Free Cash Flow Statement

## Strong cash generation driven by operating performance

(in €m)	FY 2015	FY 2014	Change
EBITDA (excl. FS segment) <sup>1</sup>	735	632	16.4%
Change of TWC	-83	-34	<-100%
Taxes paid	-85	-51	-66.3%
Pension payments	-24	-20	-18.4%
Other	141	62	>100%
Leasing cash flow	-6	16	<-100%
<b>CF from operating activities</b>	<b>678</b>	<b>604</b>	<b>12.3%</b>
Operating capex	-143	-133	-7.1%
Rental capex (net)	-223	-183	-21.5%
Acquisitions	-85	0	0.0%
Other	105	19	>100%
<b>CF from investing activities</b>	<b>-345</b>	<b>-298</b>	<b>-15.9%</b>
<b>Free cash flow</b>	<b>333</b>	<b>306</b>	<b>8.8%</b>

- Free cash flow increases compared to previous year
- Increased trade working capital (TWC) and rental capex related to business growth
- Other operating cash flow driven by prior year restructuring payments and cash in transit
- Acquisitions mainly reflect closed purchase of Egemin Automation (-€69m)
- Other investing cash flow reflects inflow from closing of put option vis-à-vis Weichai Power on 20% of the shares in Linde Hydraulics (+€77m)

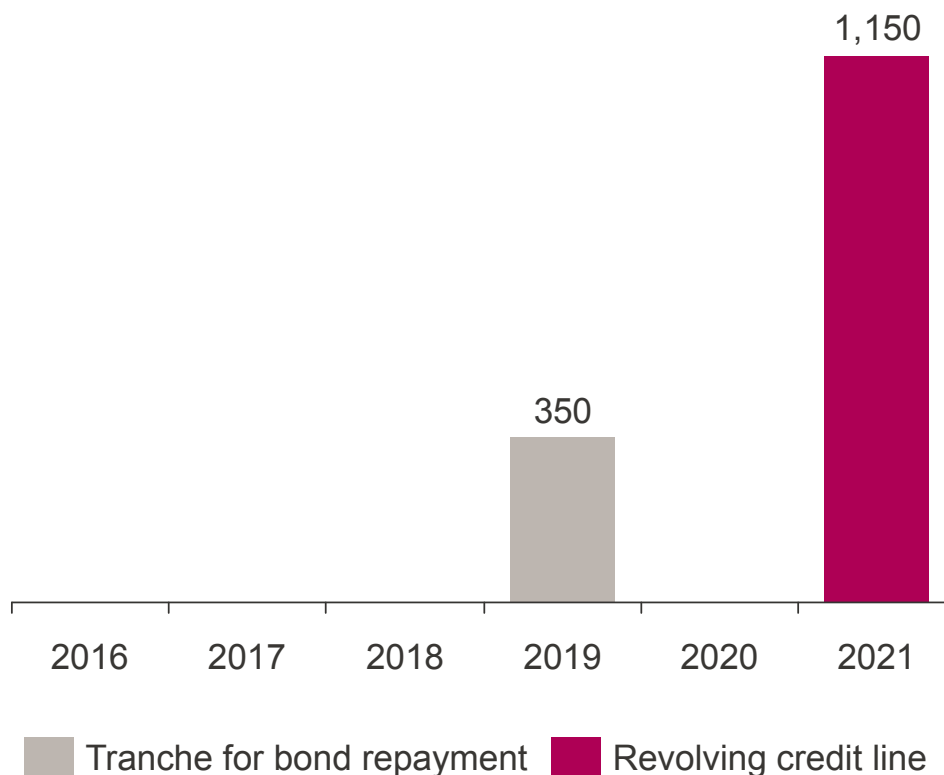
1. EBITDA excludes FS segment with €89m EBITDA in FY 2015; FS EBITDA is included in leasing cash flow

# Financing Structure

## Renewed financing on improved terms in Feb 2016

### Maturity profile as at 15 Feb 2016

(in €m)



### Last pre-IPO bond called on 15 Feb 2016

- Early redemption of €450m 6.75% bond
- Significant reduction of interest expense (ca. €30m savings based on FY 2015 financials)
- €26m one-off costs for early redemption and capitalized borrowing costs

### €1.5bn refinancing with new corporate credit facility

- Improved terms reflecting investment-grade-style features
- Final step in transformation of financing structure after IPO

### Positive ratings action in April 2015

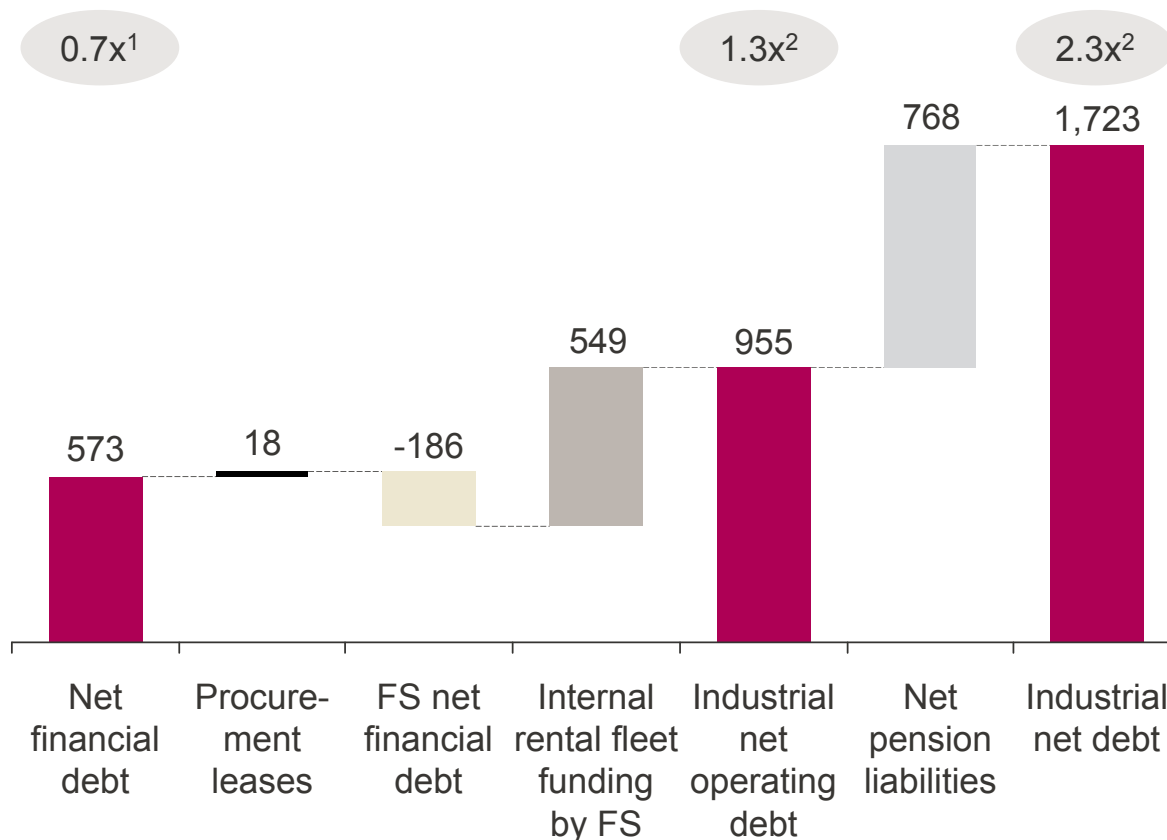
- Standard & Poor's: BB+ with stable outlook
- Moody's: Ba2 with positive outlook

# Net Debt

## Significant net debt reduction compared to Dec 2014

### Net debt as at 31 Dec 2015

(in €m and leverage as multiple of LTM adjusted EBITDA)



### Net debt development

- Group net financial debt significantly reduced by €237m compared to Dec 2014
- Stable net pension liabilities compared to Dec 2014

### End customer financing

- Total assets for end customer leasing of €988m increase by €161m compared to Dec 2014 from stronger FS activity
- Correspondingly, funding via SALB of €856m increases by €148m compared to Dec 2014

1. Based on LTM adjusted EBITDA of €850m

2. Based on €761m of LTM adjusted industrial EBITDA (excluding €89m of LTM EBITDA for FS)

# Agenda

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|---------------------|---------------------|
| 1. Highlights       | Gordon Riske        |
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| 4. <b>Outlook</b>   | <b>Gordon Riske</b> |

# FY 2015 Outlook Comparison

## Guidance achieved for all key performance indicators

(in €m)	Actuals FY 2014	Guidance FY 2015	Actuals FY 2015	
Order intake	4,771	Slightly higher order intake	5,216	✓
Revenue	4,678	Slightly higher consolidated revenue	5,098	✓
Adj. EBIT	443	Slight year-on-year rise in adj. EBIT	483	✓
FCF	306	FCF slightly below the very high level in previous year	333	✓
Adj. EBIT margin	9.5%	Adjusted EBIT margin stable at 2014 record level	9.5%	✓

Key performance indicators FY 2015
  Achieved

# FY 2016 Outlook

## Margin uplift 2016 driven by Strategy 2020 progress

### Market

- KION expects a slower rate of global market growth this year
- 2015 trend likely to continue
  - Sustained rise in Europe and North America
  - Further contraction of Russian and Brazilian markets
  - China expected to stabilise although conditions will remain challenging
- Positive longer-term perspective
  - Average growth of global market expected to be higher than that of global GDP
  - Above-average growth in demand for E- and WH-trucks
  - Further potential offered by increasing connectivity and automation relating to products, services and system solutions

### KION

(in €m)	Actuals FY 2015	Guidance FY 2016
Order intake	5,216	5,350 – 5,500
Revenue	5,098	5,200 – 5,350
Adj. EBIT	483	510 – 535
FCF	333	280 – 320
ROCE	11.9%	Slightly above previous year
Adj. EBIT margin	9.5%	Increase compared to previous year

Key performance indicators FY 2016

Note: Please see disclaimer on last page regarding forward-looking statements

# Financial Calendar

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Date	Event
17 March 2016	Publication of 2015 annual report / Financial statements press conference and analyst call
27 April 2016	Interim report for the period ended 31 March 2016 (Q1 2016) and analyst call
12 May 2016	Annual General Meeting
27 July 2016	Interim report for the period ended 30 June 2016 (Q2 2016) and analyst call
27 October 2016	Interim report for the period ended 30 September 2016 (Q3 2016) and analyst call

*Subject to change without notice*



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