KION GROUP AG

Q1 2015 Update Call

Conference Call Transcript

07.05.2015

13:00 CET

Speakers: Gordon Riske (CEO)
Thomas Toepfer (CFO)

Gordon Riske

Thank you and welcome, ladies and gentlemen, to our KION Update Call Q1 2015. We're very happy that you've joined us on this call and we will use the process, as we've done in the past. I will give you some highlights and a market update, Thomas will go into the financial update, and at the end, an outlook, and of course, we anticipate all your questions.

I'd like to start on page three of the documentation that, I believe, has been sent out. With some of the financial highlights, I think the right word here, a dynamic start into the financial year 2015. Order intake has risen by 7%, much driven by western Europe, so western Europe is running very well, and China, and overall, our unit growth has been above the market. I think what we are especially happy with is that in western Europe some of the bigger trucks, that means counterbalanced trucks, are ahead. Some of the smaller trucks, small warehouse trucks, a little bit less. But it's a nice development for us that the bigger trucks are selling.

Healthy order intake with €867 million in revenues also grew by 7% to €1.165 billion. The adjusted EBIT margin, 8%, was at record prior year levels, and we do expect the net income that does increase, and did increase, following our refinancing, so free cash flow improves over the previous year. In a nutshell, we can say our guidance for 2015 is confirmed. We did have some activity in our shareholder structure, and now have a free float of 62%.

Some of the details of these highlights are on the next page. I think we also made the statement this morning in our press release that we have made some progress in implementing some things along the guidelines of our KION 2020 strategy. One of those points, of course, is the multi-brand strategy and innovation. We signed an agreement last night to acquire Egemin's handling automation division.

Egemin is a leading supplier of automation solutions for logistics, so we will, with that acquisition, further extend our capacity and capability in the automation and systems business. Many of you in Europe hear the word called Industry 4.0. In the US, you hear it as the internet of everything. Without the Logistics 4.0, none of that would be possible. And, I think, with this acquisition, we do absolutely improve our position here.

After sales and service, another important initiative. We have opened a new service and spare parts centre in China, and the service quality and parts availability continues to improve in the Asia Pacific region, which, as you all know, is, for KION, a very important region for us in the growth area. And the other important region for us in years to come is the North American strategy. We have introduced a number of new products into this market, leveraging the R&D capability that we have in our organic strategy. And with those products that we have shown on some of the road shows are coming into the market now.

On page five, a little bit more detail on the acquisition of the handling automation division of Egemin Group. Logistics automation is becoming an ever stronger demand, in all of our sales contacts, especially our key accounts, this demand is getting stronger each year. So within the KION 2020 strategy, being a leading player in this industry in automated logistics and material flow systems, we were able, with this acquisition, to extend our capacity here and we strengthen, certainly, our position and expertise. Egemin will be established an independent seventh brand, so Egemin Automation will form the new brand under KION's multi-brand strategy and will be responsible for the project business and automation systems business.

On page six, a little bit of an overview of the type of products that we are offering from automated warehouse systems, distribution systems, order picking systems, high level software for warehouse management. That means we do have IP and capability in the software development for these types of projects. Automated guided vehicles, which fit very nicely, technologically. And from the know-how that we have in-house, with our own forklift products and in-floor chain conveyers, a very robust technology that enables some of the reliable transport and sorting systems in those types of applications.

Egemin Automation, on page seven, is over 60 years, so it's not a new player in the market; it's a very established player. It's not a start-up company. The headquarters is in Belgium, with subsidiaries in Europe, and the US, and in China, so that also helps us internationally. It's about €76 million revenue, about 300 employees. The enterprise value was 72 million. And we do expect the transaction to be completed within the third quarter of 2015.

So we are providing, with this, more solutions. We are upping our capability and capacity in software and project management capabilities. We have been working closely with Egemin, both Linde and STILL brands, for many years, so it's not an unknown partner. And, as I said, we're very happy to leverage our very broad sales network, sales contacts, into all of these types of customers that use this equipment. Joining forces with Egemin is a very positive move and we're very happy about this acquisition.

So that is the first quarter highlights in 2015; a very dynamic start to the year. And with that, I'll turn it over to Thomas Toepfer. Sorry, that was the highlights. I don't want to turn it over to Thomas yet. We're going to go into the market update on page nine. Going back to our order intake in the first quarter of 2015, globally, the market, especially driven by western Europe, is still going strong. High order intake of 283,000 units, so also a first quarter of 2015, a very solid start to the year.

Globally, on page ten, the typical breakdown that we've been giving you, quarter after quarter. How the different markets have developed. North America, very solid with 8.7%. Western Europe, astounding with 16.9%. Certainly, some special effects, the high number or strong growth of small warehouse equipment that is mainly in distribution, food retailers, and so forth. So maybe that's a special that's a special effect in the first quarter. We don't expect the 16.9% to be repeated every quarter of the year 2015.

Eastern Europe, some of the effect of Russia showing its face. And after high levels in the past quarters, down with minus 10%. China, also the market with minus 12.8%. We'll just get to the comparison of how KION performed in that market. And Latin America, showing some very slight signs of recovery, but Latin America is, nonetheless, a very volatile market. So all in all, around the world, 4.1% unit growth in the first quarter.

Now let's take a deep dive into western Europe on page 11. Also, a picture that gives the meaning to what has happened to the 16.9%, where all of the major countries, so the big five, as we call them, were all very positive momentum. Especially in the UK, we saw a lot of growth, albeit much in the warehouse segment, rental fleets, and dealer inventories, so we will see how that progresses through the remainder of the year. Good momentum in Germany, even France, on an uptick, and Spain and Italy coming back nicely, it seems, quarter after quarter. That recovery is progressing.

For KION, Q1 was the second best quarter that we've had, lower only than Q2 2007, which was the peak of the markets at that time. So orders grew by 6% above the previous year. The high level for us of 41,600 units and a special gains in our leading position that we have already, we were able to maintain that position, with growth in electric trucks and continued recovery in all markets. So we're very happy, as I said, with the order intake in the first quarter of 2015.

Now, on page 13, comparing ourselves with the market. Yes, western Europe, 16.9%, KION also double-digit with 11.2%. As I said, we're very happy that KION grew faster in counterbalance trucks. The gap to growing at 16.9% was mainly in warehouse trucks. And, as I said, we do believe there are some special effects there, in terms of rental fleet and dealer inventories. Eastern Europe, we do see a slowdown in Russia and KION is impacted by that. One also must remember, KION, in the last couple of years, we have gained market share, and each year, we now have over 25% market share in eastern Europe, so it's natural for that growth to slow down a little bit.

China, a very interesting story. The market minus 12.8%, we at plus 8.6%, so that is, clearly, an outperformance of the market and Baoli did a great job in improving the market position. And South America, although it's a smaller market, we have not seen that recovery. I do believe, as market leader, we do have a little bit of a disadvantage here. At the moment, we are very strong in warehouse trucks, that market has gone down, and as I said, the particular Brazilian market, if you look at all of South America, the Brazilian market was particularly weak in the first quarter.

So with that, the highlights of the first quarter of 2015, the market update. And now I will give it over to Thomas for the financial update.

Dr Thomas Toepfer

Thank you very much. I'm on page 15 of the presentation and I would like to present the financial highlights. You know that page very well with all the key KPIs, and you can see that we are above the previous year in all respects. Let's start at the left hand side of the page. Order intake is up 7% to €1.248 billion. And you find, very clearly laid out, that there was a positive FX effect of €34 million in that number. I think, even more important is the healthy order backlog, which now stands at €867 million, up 13%, relative to end of 2014. And with that backlog, that gives us the confidence that we can also confirm our outlook.

In terms of revenue, also an uplift of 7% with an FX effect in a similar order of magnitude as for the order intake. And the book to bill ratio is at 1.1, so also from that perspective, I think a very healthy first quarter. Adjusted EBIT is also up by 6.8% to €93 million, and therefore, the margin is constant at 8%, fully in line with our guidance, which we have given for the full year. And I think the most important uplift, you can see in the net income, with over 50% increase to €42 million. That is, obviously, driven by the operating performance, but also by the very nice development in our financial result, and the positive effect that we can draw from the financing actions, which we did last year.

With that, I would like to turn to page 16 and give you a short update on our order intake definition; we have slightly adjusted that, and now we put the order intake according to a new definition, which eliminates the deviation between the former gross order intake and the net sales. We all remember that some questions came up during this call also, so that is now fully eliminated and like for like. And obviously, the uplift in order book that I was referring to, the 13%, refers to the restated number and is, therefore, fully like for like, as I just said.

So I hope, with that, we have increased the clarity even more in the presentations that we give to this audience. If you turn to page 17, you see the revenue development. I think the key messages, both the new truck business and the services business, are both growing very nicely at 7.7% and 6.3% respectively. The growth in the new business is mainly driven by the E-trucks and the warehouse trucks, And the services business now represents 47% of our overall revenues, so also, from that perspective, a very good development.

In terms of profitability, you have it on page 18. The adjusted EBIT and also adjusted EBITDA margin is in line with the previous year, as we have projected in our guidance. And I think we have made progress in the further increase of our gross margin, which increased from 60 bases points, relative to the previous year. Against that, we have some fixed cost increases, which obviously also contain FX effects and the cost for the implementation of the strategy, where I think we have also been very clear that these will materialise in 2015 because it is a year of implementation.

Page 19 gives you the reconciliation all the way down from the adjusted EBIT down to the net income number. I think there are no surprises here at all. The non-recurring items are at €4 million, slowly decreasing from the previous year's number. The KION acquisition items at the previous year level, also fully in line with our guidance. A very nice, positive development in our net financial expense, which is at €21 million. Even slightly better than we had guided for, but, I think, definitely on the positive side. And the tax rate was €20 million, also, I think, in line with what we have projected for the entire year.

With that, if you turn to page 20, the cash flow statement, also no big surprises here. Just let me pick a couple of highlights. The change in trade working capital of €102 million is completely in line with the seasonal pattern. Slightly up, relative to the previous year, due to the higher business volume. The pension payment, I would like to pick this number out because, as you can see, it is very stable at €5 million per quarter, roughly €20 million per year. It may be important if we look at the balance sheet and the pension development, but please keep in mind that the cash payment is very constant.

The Other line item in the operating cash flow mainly relate to some cash in transit at the end of last year, which now has materialised and flown through in our cash flow statement. Then in terms of the investing activities, you see that operating capex is fully in line with the previous year. The rental capex, slightly up, in line with the uplift of the business volume. And the Other line item of minus €8 million contains a loan to Linde Hydraulics to support the restructuring of the company, also fully in line with our plans, and therefore, no big surprise from that perspective.

If you turn to page 21, I think also no big news here, in terms of maturity profile. I would like to draw your attention to the upper paragraph on the right hand side, which is very pleasing. We have received an upgrade from Standard & Poor's to BB+, with now a stable outlook, and we have received a positive outlook from Moody's on the Ba2 rating. So I think that, also, the rating agencies are adjusting their view on KION based on the good progress that we have made, in terms of our financing structure.

That, you have on page 22. Also, no big movements here, in terms of our net financial debt, which is up some €36 million, relative to the December number, but that is the normal seasonal pattern. The other numbers have slightly increased in line with our business volume. The only number I would like to draw your attention to is the net pension liabilities, which obviously, have gone up some €160 million to now €926 million. That is exclusively due to the very low discount rate, and you have it on the next page.

And to conclude this page, 22, the end customer leasing, just to repeat: it is, basically, a flow-through in nature. So the increase of €32 million, with respect to the total assets for customer leasing, is funded through an increase in sale and lease back, in the same order of magnitude. So it is, as I said, a flow-through from a financing perspective.

To conclude on the financial side, on page 23, I think, graphically, very intuitive. With the further decrease of the discount rate to now 1.5% in Germany, we have the uplift of €160 million, our pension assets. However, I would like to repeat that, and you have it on the bottom of the right hand side, our cash out is very stable with some expected €20 million per year, and the quarterly number is fully in line with that. So the cash flow is not affected by that accounting effect. And with that, I would like to hand it back to Gordon for the outlook.

Gordon Riske

Thank you. I'm on page 25. So the outlook, as we said in a nutshell on the first page, we confirmed our guidance and positive performance in Q1 2015. We do expect, from the market side, a further moderate increase in the market volume. In 2015, we saw 4.1% in the first quarter. Certainly, 16.9% first quarter western Europe; we'll see how that pans out. Certainly, North America is healthy at the moment, and we do hope that the Chinese market does recover somewhat in the second and third quarter. The risks regarding eastern Europe, especially Russia, and the potential negative effect that has to be accounted for.

So the average annual growth rate of about 4%, that's in line with what we are projecting and making our estimates based on that, we don't see a significant shift. In the segmentation around the markets, E-trucks and warehouse trucks will continue to be important, and that shift will continue. For KION, that means we will continue our growth in western Europe and the emerging markets. We do believe a slightly higher order intake versus last year, based on a consolidated revenue, than in 2014.

A slight year-on-year rise in adjusted EBIT, reflecting some of the costs for the implementation of the KION 2020 Strategy, which of course, leads to higher EBITs in subsequent years. So the adjusted EBIT margin will be at about the 2014, which, don't forget, it was a record level. We will have a further increase in that income. The cash flow could be slightly below the very high levels of last year, due to the increased capex and some higher anticipated tax payments, but we will be able, at this point, to say that we want to and will reduce our net debt, using some of the free cash flows. So I just want to repeat it; we confirm our outlook in our guidance and we do believe that our adjusted EBIT margin will be at a record level, like we had last year.

On the last page, 26, I would like to point out that today, we have May 7th, so the Interim Report, we do have on the coming Tuesday, so the 12th May, the Annual General Assembly, or the General Meeting, that will be held, this time, in Frankfurt on Tuesday. Then the next calls with you on the 6th of August and on the 5th of November for each of the quarters. And with that, we'd like to end the presentation part of this call and turn it back over to the operator to take your questions.

Operator	Thank you. Ladies and gentlemen, at this time, we will begin the question and answer session. Anyone who wishes to ask a question may press star, followed by one, on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star, followed by two. If you are using speaker equipment today, please lift your handset before making your selection. Anyone who has a question may press star, followed by one, at this time. The first question is from the line of Jürgen Siebrecht of HSBC. Please go ahead.
Jürgen Siebrecht	Good afternoon. A question to the market development in western Europe. We have 87,000 units, in terms of orders. You mentioned your special effects and Q4 was 75,000. What would be the underlying development? Will it be in between those two numbers or how much do you think relates to this special effect? And on the margin side, how much of these extra charges you had here in Q1, or what would have been the margin without those costs, which was including that 8%. And then lastly, on the acquisition, do you have any indications you can give us on sales, growth and profitability? And to what extent are you entering into competition with Jungheinrich or Swisslog? I think, in the past, you said that you didn't want to enter this area of the business. Has anything changed here? Thank you.
Dr Thomas Toepfer	Maybe let me start with your second question, which is the margin uplift. I think, in our last call, when we presented our outlook for 2015, we said we are envisioning some €20 million of costs relating to the strategy implementation, and also to higher pension charges in our P&L. And I would say that we are fully – they are, more or less, evenly distributed across the quarters, and we are fully in line with that. So I think that would be my comment to this, so no changes in our expectation with respect to those €20 million for 2015.

Gordon Riske

Then on the first question, between 74 and 84. The units are the one thing, it is just the 16.X% growth is quite unusual, and that's why I say the class three, as we know it, the small warehouse equipment, was overproportionally sold in the first quarter, according to the statistics, which are food and distribution. So I do expect that the numbers, going forward, will be less than the 84,000 in the quarters. How much less, it's difficult to say. Maybe it's right in the middle because we do have underlying very solid growth, as we see with the bigger trucks.

On Egemin, first of all, what we've said is that we don't want to be in the turnkey. There are some companies that build the buildings and a lot of the construction around it. What we do want to do is provide our customers with automated solutions, the software, the interconnectability, and that has always been our strategy. But we've looked at, very carefully, our own capability in-house, as a product supplier of equipment, and felt it would be best to do that via an acquisition, which fits nicely into our brands, and somebody that we've worked with over the years.

So yes, of course, we're competing, not just on forklifts, but on automated systems, with some of the companies that you mentioned, but that's part of the game that we're in. We are a material handling solutions provider, and that's part of our strategy.

Regarding outlooks on Egemin, we haven't closed the deal yet. We signed the contract last night. It's a business that's grown, year after year. It's €76 million in revenues. Give us a chance to integrate that to really leverage our sales opportunity. As I said, it's a 300 person company; we have 23,000 people. Half of those 23,000 people are in sales and marketing. So I believe that once those two things are synchronised with each other, we will see some different growth rates and results than we have in the past, so it's difficult, today, to say that's our prognosis, based on past because the past is a much different set-up than what we have intended, going forward.

Operator: The next question is from the line of Sven Weier of UBS. Please go ahead.

Sven Weier: Good afternoon, gentlemen. A couple of questions from my side. The first one is relating to the article in the Nikkei we had recently about you being interested in UniCarriers. Should we take this acquisition from today as a sign that you're more interested in these kind of deals? Or would you still, generally, have a large M&A potential without specifically commenting UniCarriers, of course, but maybe just how we should see your M&A pipeline and strategy, in general, on that.

The second question was on the admin. I think you had a year on year increase of €10 million for the year as a whole. Should we take that number times four? How should we think about the increase in admin? Can you just remind me why the admin is related to the Strategy 2020? What is it exactly that is driving the costs there? Then, just finally, in terms of thinking about your flat full year EBIT margin. You had margins flat in Q1, but the comps was easy. Now the comps are getting tougher. In the remaining quarters, you still have the pro rata share of those costs. So isn't this becoming a little bit more challenging, or how should we think about that? Thank you.

Gordon Riske: Regarding the first question, I read the article too, so interesting article. But our typical – and we presented our KION 2020 strategy, our M&A pipeline – we have always said that there are a couple of drivers for acquiring companies. One is the regional focus; where are we strong, where are we weak? That's the history of KION over the last 25 years. And the other one is technological, and we've always tried to make acquisitions that fit nicely with us.

And that's when we say something like Egemin, with 70 some million, fits very well in that category of upgrading our technological capabilities. And regarding the articles: no, we can't really make any specific comment on that. But our pipeline, as I said, is normally geared towards those two things, in smaller dimensions that we can easily handle.

Dr Thomas Toepfer — Then with respect to the question about the admin costs. They do, obviously, contain the strategy implementation effect that I was referring to. For example, one of them is IT costs because we have to upgrade our IT systems to link our R&D sites. We have to spend some money to link, also, the new plant in the Czech Republic to our systems, and all these costs, obviously, you find them in the admin line item. To a smaller extent, just to remind you, the costs are, obviously, also driven by FX effects, which also materialise in the cost line items..

And therefore, your question; whether you will find the €20 million mainly in that line item, I would say yes. And I have no expectation that the uplift will materially change over the next quarter, so your times four assumption is not totally wrong, I would say..

Sven Weier — Maybe just a follow-up on the M&A. You're, not generally, ruling out doing a large acquisition. Obviously, UniCarrier would be very sizeable, and again, I don't expect you to comment on that specifically, but would you generally also be willing to do sizeable deals that go much beyond the Egemin one that you've just announced?

Gordon Riske — That's difficult to comment on at this… I'll just repeat what I said before. Technologically, regionally, and of course, any M&A transaction, small or large, always has to fit to our capital structure, dividend policy, etc., and has to be able to be financed..

Operator — The next question is from the line of Sebastian Growe of Commerzbank. Please go ahead..

Sebastian Growe — Good afternoon, gentlemen. Thanks from my side for taking the questions. Firstly, on the market, could you just give us a quick update on the trading side? What you see and the various markets you operate in, in general. Especially in China, do you see any kind of spill over from the weak Q1 and how this is currently playing out? That's the first one. Related to this on China, can you just share the volume that you're currently doing in China on a quarterly basis with us?

And then I would like to go over to competition. Dr Toepfer, you said that 8% sales growth in the new truck business in Q1 was largely driven by the E-trucks and warehouse trucks. Is this related to heightened competition in the area of IC-trucks? Do you see that, for example, Jungheinrich is making life a little bit more difficult for you? And along these lines, can you comment on the order intake mix in Q1? Has this also been more dominated, so to speak, by E-trucks and warehouse trucks?

And the last one on Egemin. Although it is, potentially, a bit premature and early stage, but can you share with us the current profitability level of the company and where you see the greatest synergies? Is it more on the sales side or rather on the cost side? Thank you.

Gordon Riske

Let me start from the last one and work back. Egemin, I said that the traditional profitability is certainly a little bit less than what we currently have as a group average, but I wouldn't put too much emphasis on that because the points you made there, the synergies, we have two aspects. Number one is leveraging the sales and service network that we have globally. And all the customer contacts that we have that a smaller company just doesn't have access to. So that's one thing to really grow business.

And number two, we talk about the cost side. Today, Egemin normally takes some of these forklifts, tears them down technically, to put in some of the automation, sensor, vision, and other equipment into it. And with this acquisition, we will put some of that into the early part of our production process, to eliminate doing things two or three times, and thereby, giving us some cost advantages. There again, you come back to the profitability. So as I said, we don't have that big of a concern with that point. We shouldn't look backwards, but more look forward because it is a different set-up independently of KION, as it is together with the KION brand.

Volume. IC-trucks, and no, we're not seeing that is so much of an issue as one or two competitors hitting on KION. Actually, in western Europe, we were able to grow faster than the market on IC-trucks, so obviously, we took some away. But there is a shift, and that has been for the last ten years, a shift in western Europe to go towards more electric trucks. So we are the market leader in those trucks. We have some great capability there. That's why the trend has become, more or less, our friend in this regard, because we do have the leading technology.

But there is simply the fact that the emissions levels, which started years ago with the bigger trucks, so higher horsepower engines, are now making their way through all classes of trucks. And, in some regards, on smaller trucks that are 1.5 to 2.5 tonnes, you're talking about engine price going forward, tier four and above, that's almost double what it was previously. That, combined with the more capability of electric trucks, simply drives the market. But no, it's not an issue of us losing to somebody else.

Regarding China, Q1, we are at a record level. We don't really publish our volume per reach and per country; that gets a little bit mixed up, what is done here, what is done in China. But we are absolutely continuing at a record level. The market itself had some corrections, especially IC-trucks, so the two big Chinese companies, and we have been able to leverage our capability in warehouse and in electric trucks.

Operator: The next question is from the line of Kai Mueller of Berenberg. Please go ahead.

Kai Mueller

Thank you very much for taking my question. Just actually coming back to the China market, how do you do better than the market? Is it really that you're offering more warehouse equipment and E-trucks and you see the shift over to that, that's why you're outperforming the market? Or is it to do with the service offering and people are more keen on actually getting a truck and the similar service, full service contract that you see in western Europe, so i.e. the Chinese players are being somewhat squeezed out?

Then the second question is; you've been talking a little bit about this acquisition earlier, but in terms of the sales side, is it right to assume that you could easily leverage this and bring it into other regions? I've seen that Egemin was already in China. They are already in North America. But how present are they really there? And is it fair to assume that you can almost double the volumes of that?

And a third question, just quickly. In terms of your line-up, you have made this clear message that you want to introduce the value trucks in the North American markets. How are you progressing there? How are your prototypes going on? Can we see most of the R&D already being done or is there more to come? Because, actually, on a run rate, your R&D is actually not as high, I think you mentioned €150 million for the year. Possibly, you are below that at the moment on the run rate. What should we expect there and how far are you with that strategy?

Gordon Riske

On the first one. China, why are we out performing? There are three reasons. Reason number one is that the premium brand of Linde and the absolute leading position in electric and warehouse trucks. Number two is the service. We have the broader service network, we have 25% of revenues that are after the sale of the truck, which ist unusual in a market like China, and that has really stabilised and customers look at that. And three, this little acquisition that we had four or five years ago, called Baoli, which had a limited number of products, which maybe the quality wasn't always perfect for China.

But in the first couple of years, now that KION expectations, we have really put a lot of work into that brand and they're growing at a good 25% to 35% every year. And that starts to make an impact, then, on the volume, those are the main three reasons. A good performance of our established brand, Linde, and really an outstanding improvement with the economy brand. After a couple of years of KION, and training and upgrading products and processes, that's really starting to come now.

Egemin, absolutely correct. If it's 25%, 10%, or, as you say, double growth quickly, let's see. But in China, we have such a large network and Egemin has a number of people there, very specialised warehouse technology people, project managers, but not nearly the coverage that we can offer in China. So that is, I think, a quick step up for us there. And the North American market, that adds another dimension to our offering for products that we have with the Linde brand and offering mainly IC-trucks. So with this speciality systems supplier, Egemin, we will be able to get some of our products to the back door. That is sell an automation project and then just get your trucks piggy backed onto that.

North America trucks. The value trucks, we are, kind of, in the middle of the R&D process. We have a number of trucks that will be launched in the fourth quarter, I think, of 2015, and in the first half of 2016. So we are in final phases for a number of trucks, but we will not see any substantial impact in the financial year 2015 on that. What we've introduced recently, when I said North American, we have a liftrunner, that's a warehouse type of equipment made by STILL, and we have a number of customers; Mexico, the aircraft industry, Audi, that have ordered a number of these products.

Kai Mueller

Thank you very much. Maybe just a quick follow-up on the Chinese market. So you say that Baoli is doing well, despite the local players not performing well. What is the difference there? Is it just the higher

	quality now? It can't be the end market that is more premium equipment in demand. Even the lower end, people are switching to Baoli from local competitors. Am I right to assume that?
Gordon Riske	First of all, the other two big ones, we all know them, Heli and Hangcha are quite a bit larger and a bigger market. So when we started a few years ago, 2,500 units, and we're up to now 6,000 plus, we're talking, percentage wise, big steps, but in absolute numbers, not those huge numbers, but it just makes a difference when you go at that kind of rate. And I just think we have a good organisation there, that the KION factor quality and the customer expectation, which is more and more being met, that's been leading to the success that we've had.
Kai Mueller	Just one question on that. in terms of margin, a Baoli truck would still be a good margin business for you, despite it being at a lower price?
Gordon Riske	It's certainly a lower margin business than our premium trucks, simply due to the fact that the after sales service, which is all done via a dealer network and not through direct distribution, is not nearly as high as it is with Linde or the other premium brands.
Operator	If you would like to ask a question, please press star, followed by one. The next question is from the line of Felicitas von Bismarck of Deutsche Bank. Please go ahead.
Felicitas von Bismarck	Thank you very much. I have another three questions, please. First of all, you said it yourself, IC-trucks are structurally declining in Europe, but also in emerging markets. Could you give us an indication how you see your own revenue split, say in five years, by 2020? And what do you think that means for your margin, given that IC-trucks tend to be a higher margin business.
	The second question is, again, on your margin in Q1. I understand it's in line with your full year guidance, but Q1 was, by far, the easiest

base, also given the negative currency impact last year. So how confident are you that you are going to keep this flat guidance until the end of the year? And the last part would be – I don't know if I missed that – could you comment on current trading, how is the April developing western Europe and in China, please?

Dr Thomas Toepfer

Thank you very much. Let me start with the first question. I think, yes, there is a structural development away from IC-trucks and towards E-trucks. And I think we do like that trend because we are, already today, the world market leader in E-trucks, so I think we are definitely benefiting from that development. Where exactly and how quickly over, let's say, five to ten years, that will develop, I think is a little bit difficult to estimate at this point in time.

However, what I can say, in terms of profitability, that doesn't worry us, because the profitability, actually, on the E-trucks, is not worse than it is for the IC-trucks. And therefore, we are very confident that this trend is in our favour, not simply because we have the leading product in the E-space, but also in terms of because of profitability, it has no negative impact on us.

Felicitas von Bismarck

Thank you. One question, in that case. when you're talking about the profitability for E-trucks being the same as for IC-trucks, is that for the whole lifecycle? Does that include the after sales?

Thomas Toepfer

Correct. That does include the after sales. And then in terms of the margin, yes, we are fully confident that we keep our guidance for the entire year, this is why we have confirmed our outlook. And we think the first quarter is, in fact, a good indicator that we're fully on track.

April, it's much too early to comment on April. But what we can say is that positive momentum, obviously, has continued into the year, so no things where we are sleepless at night. I think, in general, as I've just said, momentum is stable.

Operator	If you would like to ask a question, please press star, followed by one. We are waiting for further questions. Your next question is from the line of Patrick Speck of Montega. Please go ahead.
Patrick Speck	Hello and good afternoon, gentlemen. One short question from my side. You expect the adjusted EBIT margin for this year to be at the same level as in the previous year, which was at nearly 9.5%. But in the first quarter, we saw an adjusted EBIT margin of just 8%. So how do you expect the margin to improve in the next couple of quarters. Thanks.
Dr Thomas Toepfer	I think that is a purely seasonal pattern, I would say. As you rightly said, also last year, it was 8.0%, so I think we're fully on track to the seasonal pattern that we have been observing over many, many years. Again, that does give us the confidence that we are fully in line with our margin targets for 2015.
Operator	The next question is from the line of Stefan Augustin of Kepler Cheuvreux. Please go ahead.
Stefan Augustin	Hello. Just one question. You said that the forklift trucks… can you comment on the growth of the forklift trucks in western Europe, please, in relation to the 16% you see in the overall market? Could you also comment a little bit on whether forklift trucks in Q1 have grown stronger than, on average, of 2014.
Gordon Riske	When you say forklift trucks, they're all forklift trucks, but we've, let's say, counterbalance trucks, either driven by electric motor, which is E-trucks, or an engine. And the electric trucks are going double digit, and the IC-trucks, single digit, and warehouse is double digit. That's what we can say, so we do have double digit on E and warehouse, and a single digit on IC-trucks, and we are slightly above the industry average on the IC-trucks, these are engine driven trucks, and slightly below on the warehouse trucks.

Stefan Augustin	And the double digit growth in E-trucks, is that more than we have seen, on average, in 2014?
Gordon Riske	I think it's similar. Could it be a point more? I'd say it was about the level of 2014.
Operator	The next question is from the line of Gerhard Orgonas of Exane BNP Paribas.
Gerhard Orgonas	Good afternoon. Two or three questions on Egemin, please. First of all, including any warehouse automation activities that you already had before, what is the total volume you do in this business now? That's my question number one. Secondly, will you report the new business separately, or will you mix it up, maybe, in the Other line. And thirdly, do you expect any impact on your margin? So is this above group average margin or below group average margin?
Dr Thomas Toepfer	First of all, with respect to the reporting, obviously, we will not change our segment structure. And therefore, it will be as a seventh brand in the KION world, but it will not change our segment structure. But you will find it in the Other segment..
Gordon Riske	Then we had the total volume. In terms of volume, the Egemin business is a €72 million. We sell intra logistic systems through STILL, which is slightly smaller than that number. We have a number of systems that we sell through Linde. We haven't actually carved that out, like it is done with Egemin. We have to do that in the future for our own internal numbers, but I can't give you a carved out number, like some other companies might do, at this point. But that is certainly something, at least internally, we have to get clear.
Gerhard Orgonas	And Egemin, maybe on profitability of Egemin. Is it profitable right now?

Gordon Riske	Absolutely. Yes, of course. Yes, it's profitable. What I said earlier is it's slightly below our average that we have as a group, of 9.5%. But as I say, that's maybe an incorrect way to look at it because you have a company stand alone, without the sales structure and force that we have together. But if I just look at what we purchased, it's slightly below what we have today.
Operator	The next question is from the line of Gordon Schoenell of Bankhaus Lampe. Please go ahead..
Gordon Schoenell	Hello. My first question is on your interest results. Can we take the minus €21 million as the run rate for the full year? And then a second question on your development in the North American market. The market was up plus 9%, how was your development in North America because on chart 13, you are only showing the result in South and Central America. Thank you.
Dr Thomas Toepfer	Let me start with the interest question. Our guidance was that we expect the financial results line to be between €23 and €25 million per quarter, and I think I would like to stick to that projection because there are always some fluctuations, also, in terms of the pension interest. And therefore, I think we came out, as you can see, slightly better this quarter. But I think it would be premature to take that as a basis and to multiply it by four.
Gordon Riske	Regarding North America, it's absolutely… don't forget, we have 1.8% market share in North America, so when a market like that grows, we normally do not follow that growth, so we are below that. But as I said, with 1.8%, there's, today, no real impact on our numbers.
Operator	We have no further questions. I hand back to Mr Gordon Riske. Please go ahead.
Gordon Riske	Thank you very much for participating in today's Update Call Q1 2015. We're looking forward to the next update call for the following quarter.

	And for those of you who will be at the General Assembly, maybe we'll see some of you on Tuesday.
Operator	Ladies and gentlemen, the conference is now concluded and you may disconnect your telephone. Thank you for joining, and have a pleasant day. Goodbye.