

**MOVING  
FORWARD** 

# **KION GROUP AG**

## **Q1 2016 Update Call**

Gordon Riske (CEO), Dr Thomas Toepfer (CFO) – Wiesbaden, 27 April 2016

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

**Gordon Riske**

Gordon Riske

Thomas Toepfer

Gordon Riske

# Q1 2016 Financial Highlights

## KION continues growth path

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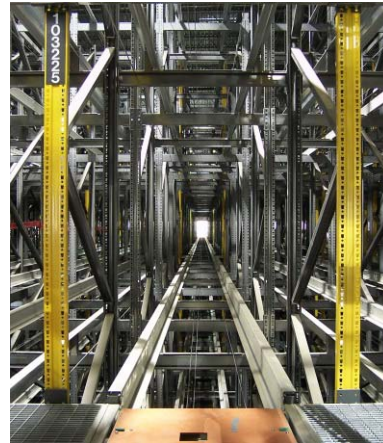
- » **Order intake** value rises by 3.9% to €1,297m in Q1 2016; healthy order book at €921m
- » **Revenue** grows by 4.8% to €1,221m in Q1 2016
- » **Adjusted EBIT** of €99m results in margin of 8.1% in Q1 2016 above previous-year level
- » **Net income** decreases by 21.0% to €33m in Q1 2016 due to refinancing in February
- » **Free cash flow** of -€20m at previous-year level even after Retrotech acquisition
- » **Guidance FY 2016** confirmed

# Q1 2016 Strategy Highlights

## KION continues implementation of Strategy 2020

### » Acquisition of Retrotech Inc.

- Established US systems integrator
- Complements US offering of Egemin Automation



### » STILL EMEA under new leadership

- Part of new company structure implemented during 2016
- Henry Puhl as President STILL EMEA since April 2016

Linde EMEA

STILL EMEA

KION Americas

KION APAC

### » New plant in CZ opened

- Reach truck production start in January 2016
- Smart factory equipped with connected systems



### » Renewed financing

- New credit facility with significantly improved terms
- Redemption of last pre-IPO bond
- Recent upgrade by Moody's to Ba1

# Intralogistics 4.0

## Recent additions to KION's intralogistics solutions

### Intelligent trucks

#### Increased safety with Speed Assist

- Safety system limiting speed indoors



### Fleet data management

#### New fleet management feature

- New mobile phone app for connected pre-shift check



### Automated trucks

#### Extended range of robotic trucks

- Launch of 2 new Linde-MATIC trucks



### System solutions

#### Acquisition of Retrotech

- Established US systems integrator complementing Egemin



#### Award-winning iGo neo autonomous picker

- Addressing trend for adaptive logistics solutions



#### New automated compact trucks

- Introduction of new Egemin AGV series at CeMAT



#### Egemin automates for Nestlé

- Automated system installation at baby food plant



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# Market Development

## Good start with positive momentum in Europe

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

North America			
Q2/15	Q3/15	Q4/15	Q1/16
14.0%	9.7%	-1.8%	-0.9%

Western Europe			
Q2/15	Q3/15	Q4/15	Q1/16
8.6%	6.2%	13.0%	12.5%

Eastern Europe			
Q2/15	Q3/15	Q4/15	Q1/16
-17.3%	-8.5%	9.9%	8.4%

South/Central America			
Q2/15	Q3/15	Q4/15	Q1/16
-14.9%	-14.1%	-20.8%	-18.4%

China			
Q2/15	Q3/15	Q4/15	Q1/16
-7.7%	-17.0%	-14.5%	6.8%

World			
Q2/15	Q3/15	Q4/15	Q1/16
2.8%	-2.3%	-0.7%	3.7%

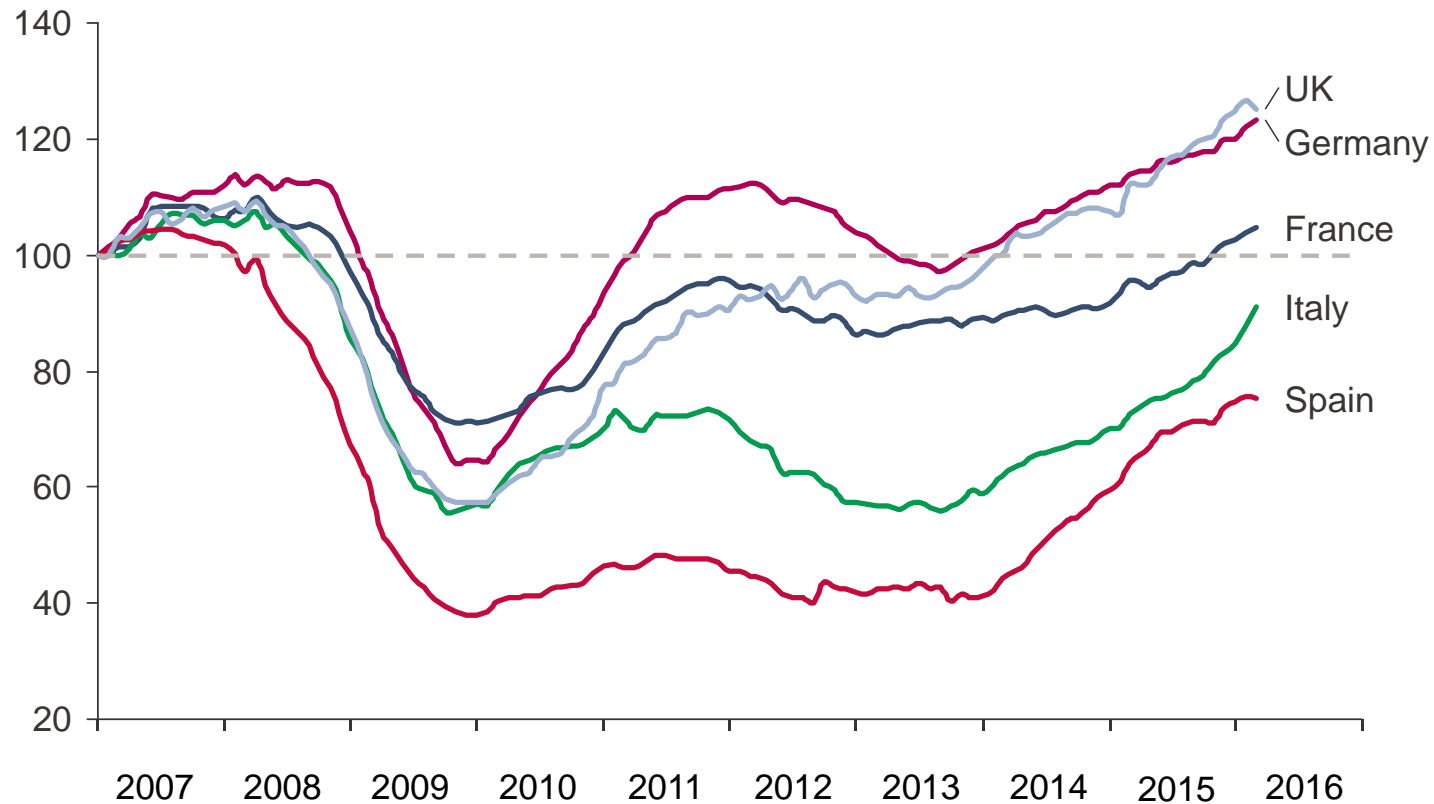
Source: WITS/FEM

# Market Development

## Core markets in Western Europe continue on growth path

### Markets pre- and post-crisis as at 31 March 2016

Indexed LTM order units (LTM Jan 2007=100)



- All core markets expand in Q1 2016
- Healthy demand in Germany and France
- Solid development in UK
- Italy and Spain continue to recover

Source: WITS/FEM



# KION Development

## KION stays ahead of global market growth

### Regional development

Order intake (in '000 units) and growth y-o-y (in %)

	Q1 2016	
	Market	KION
Western Europe	12.5% ↑	6.2% ↑
Eastern Europe	8.4% ↑	13.6% ↑
China	6.8% ↑	2.5% ↑
South/Central America	-18.4% ↓	-23.8% ↓
World	293.5 3.7% ↑	43.6 4.9% ↑

### Western Europe

- **Market:** Strong start in WH-trucks and driven by short-term rental fleet investments
- **KION:** Continued growth on high levels

### Eastern Europe

- **Market:** Overall positive development, Russia only slightly down
- **KION:** Better than market

### China

- **Market:** Positive signals, but demand driven by pre-buy effects from emissions regulations for IC-trucks from April 2016
- **KION:** Positive development

### South/Central America

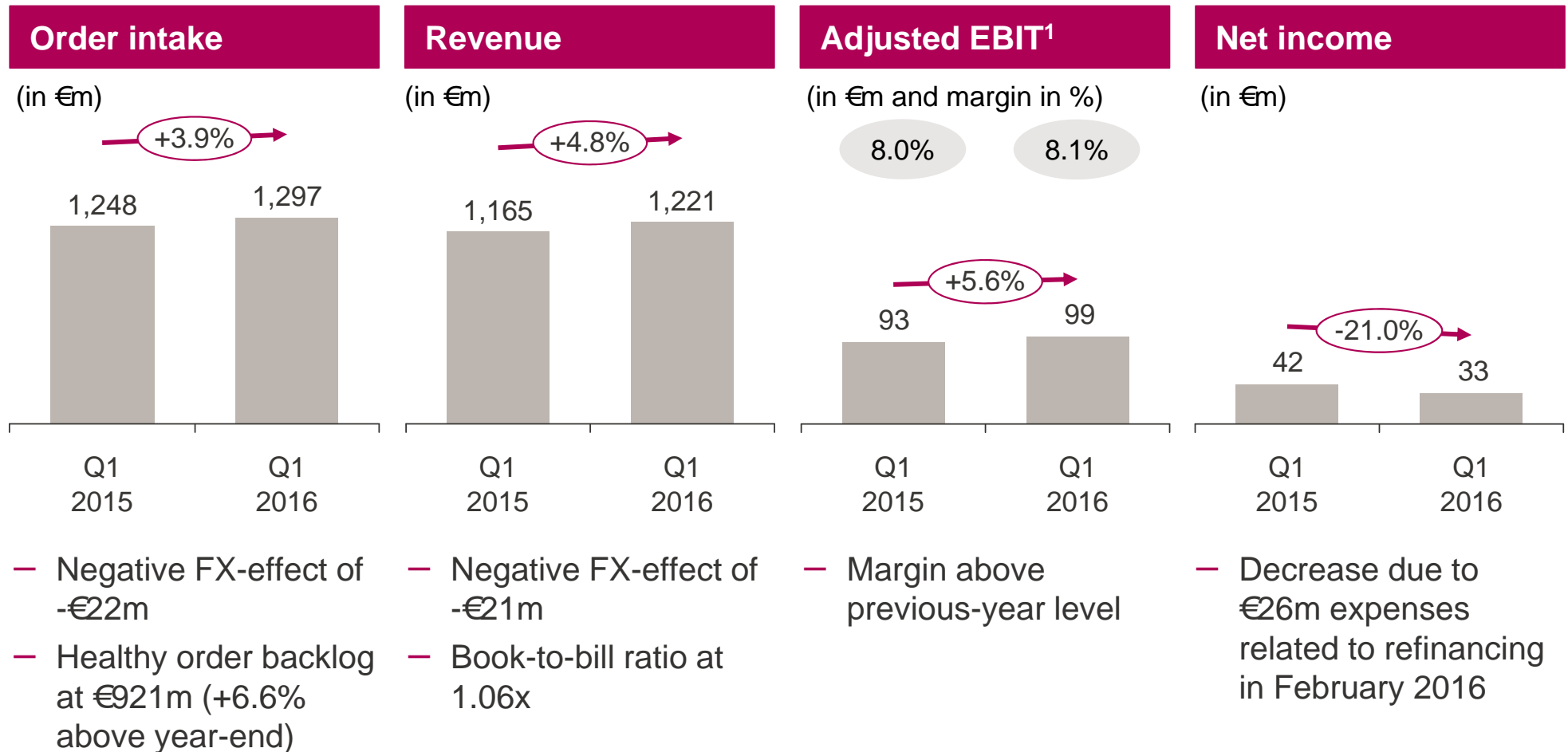
- **Market:** Decline driven by Brazil
- **KION:** Negative mix effect due to Brazil, growth in other regional markets

Source: WITS/FEM

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| 4. Outlook                 | Gordon Riske          |

# Q1 2016 Key Financials

## Good start to the year



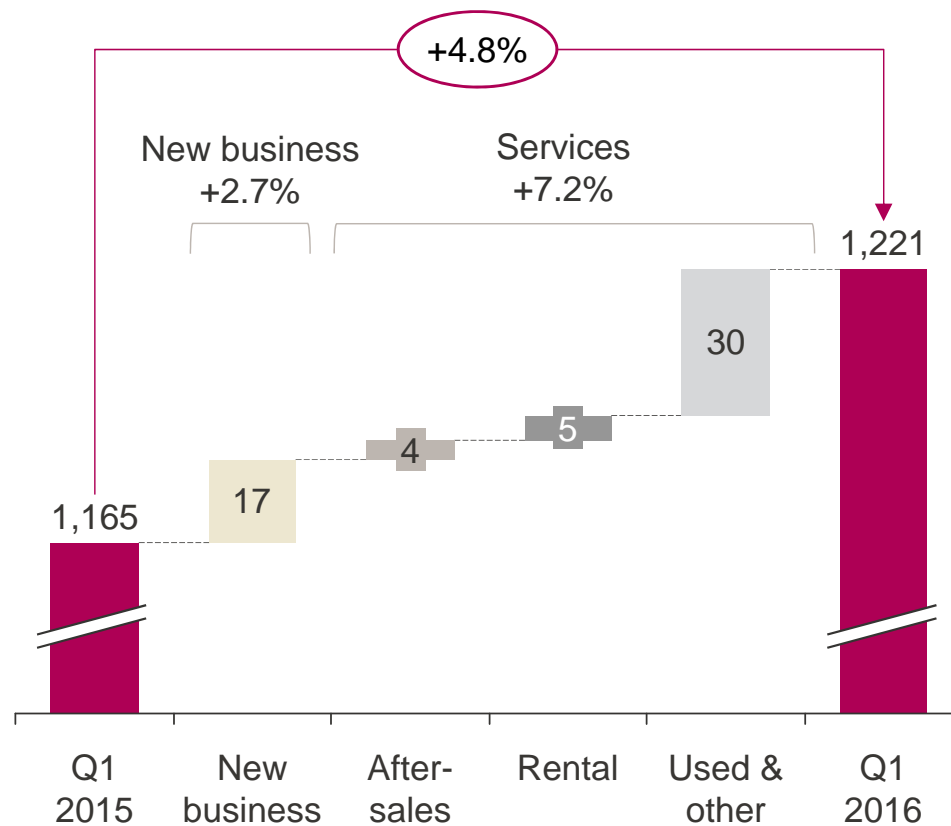
1. Adjusted for KION acquisition items and non-recurring items

# Revenue

## Continued growth in new business and services

### Q1: Revenue bridge by product categories

(in €m and growth y-o-y in %)



- New business driven by growth in IC- and E-trucks
- Services driven by growth in ad-hoc service and rental in addition to Egemin Automation
- Services represent 48% of KION revenues

## Adjusted EBITDA to Net Income

### Net income driven by refinancing activities

(in €m)	Q1 2016	Q1 2015	Change
<b>Adjusted EBITDA<sup>1</sup></b>	<b>192</b>	<b>181</b>	<b>5.7%</b>
D&A	93	88	5.9%
<b>Adjusted EBIT<sup>1</sup></b>	<b>99</b>	<b>93</b>	<b>5.6%</b>
Non-recurring items	-3	-4	36.0%
KION acquisition items	-7	-7	1.1%
<b>Reported EBIT</b>	<b>89</b>	<b>82</b>	<b>8.4%</b>
Net financial expenses	-40	-21	-95.9%
<b>EBT</b>	<b>49</b>	<b>61</b>	<b>-21.0%</b>
Taxes	-16	-20	20.9%
<b>Net income</b>	<b>33</b>	<b>42</b>	<b>-21.0%</b>
Reported EPS	€0.33	€0.41	
Adjusted EBITDA <sup>1</sup> margin	15.7%	15.6%	
Adjusted EBIT <sup>1</sup> margin	8.1%	8.0%	

- EBITDA increase driven by operating performance
- Net financial expenses in Q1 2016 driven by €26m expenses relating to refinancing in February 2016
- Effective tax rate of 31.9% for Q1 2016

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

# Free Cash Flow Statement

## Free cash flow remains at previous-year level

(in €m)	Q1 2016	Q1 2015	Change
EBITDA (excl. FS segment) <sup>1</sup>	166	156	6.7%
Change of TWC	-85	-102	17.4%
Taxes paid	-18	-18	3.7%
Pension payments	-5	-5	-3.1%
Other	29	22	29.8%
Leasing cash flow	-9	5	<-100%
<b>CF from operating activities</b>	<b>79</b>	<b>57</b>	<b>38.2%</b>
Operating capex	-28	-27	-1.3%
Rental capex (net)	-46	-39	-18.6%
Acquisitions	-27	-3	<-100%
Other	2	-8	>100%
<b>CF from investing activities</b>	<b>-99</b>	<b>-77</b>	<b>-29.5%</b>
<b>Free cash flow</b>	<b>-20</b>	<b>-20</b>	<b>-4.1%</b>

- Free cash flow at previous-year level even after Retrotech acquisition
- Cash flow supported by good trade working capital (TWC) performance
- Acquisitions mainly reflect closed purchase of Retrotech Inc. (-€23m)

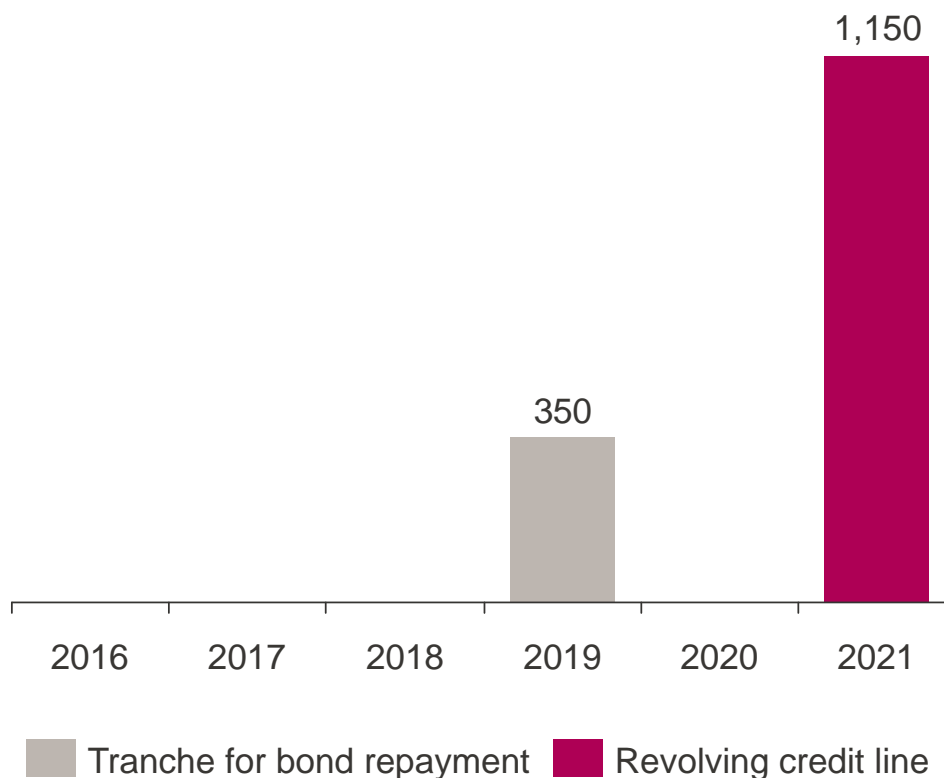
1. EBITDA excludes FS segment with €24m EBITDA in Q1 2016; FS EBITDA is included in leasing cash flow

# Financing Structure

## Renewed financing on improved terms in February 2016

### Maturity profile as at 31 March 2016

(in €m)



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

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

### €1.5bn refinancing with new credit facility

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

### Strong credit ratings

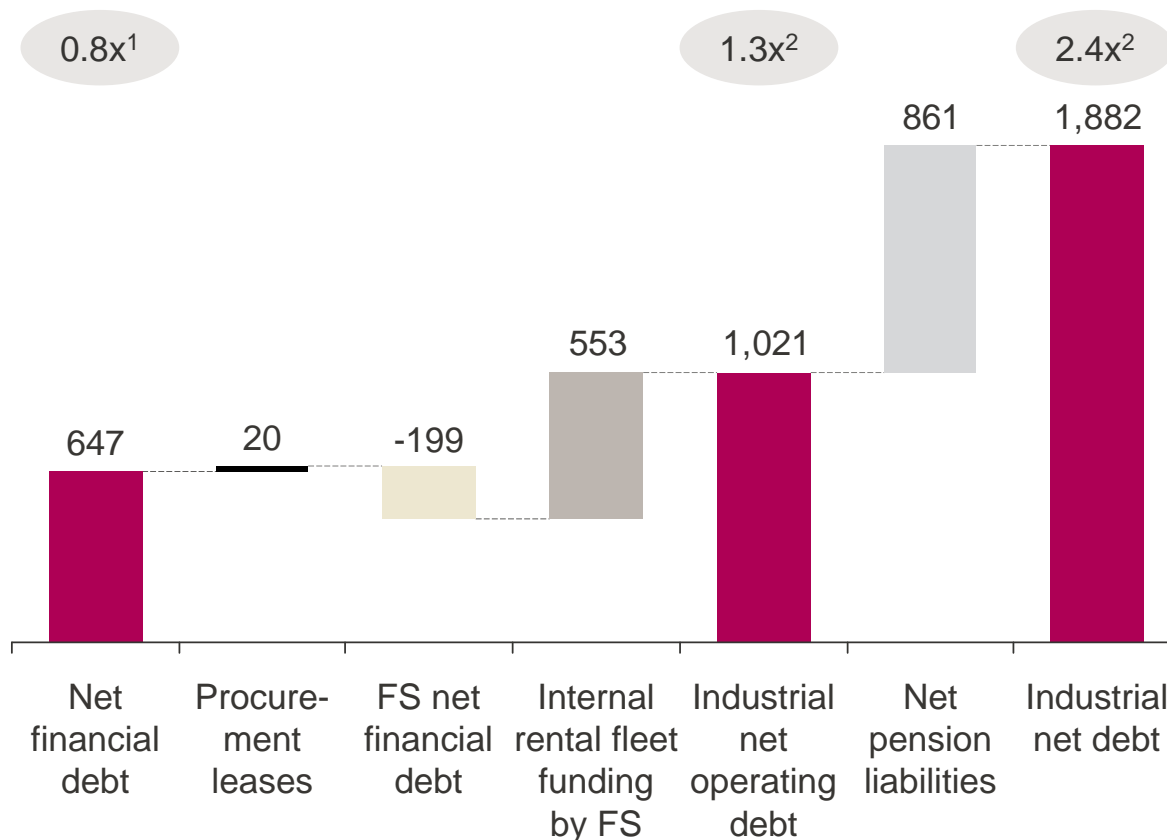
- Moody's: Ba1 with stable outlook (April 2016)
- Standard & Poor's: BB+ with stable outlook (April 2015)

# Net Debt

## Slight net debt increase compared to December 2015

### Net debt as at 31 March 2016

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



1. Based on LTM adjusted EBITDA of €860m

2. Based on €770m of LTM adjusted industrial EBITDA (excluding €91m of LTM EBITDA for FS)

### Net debt development

- Group net financial debt increased by €73m compared to Dec 2015
- Net pension liabilities increased by €93m compared to Dec 2015, driven by lower interest rates

### End customer financing

- Total assets for end customer leasing of €1,012m increased by €24m compared to Dec 2015 from stronger FS activities
- Correspondingly, funding via SALB of €874m increased by €19m compared to Dec 2015



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# FY 2016 Outlook

## Outlook confirmed

### 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
<b>Order intake</b>	5,216	5,350 – 5,500
<b>Revenue</b>	5,098	5,200 – 5,350
<b>Adj. EBIT</b>	483	510 – 535
<b>FCF</b>	333	280 – 320
<b>ROCE</b>	11.9%	Slightly above previous year
<b>Adj. EBIT margin</b>	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
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

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