

**MOVING  
FORWARD** 

# **KION GROUP AG**

## **Q2 2016 Update Call**

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

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

**Gordon Riske**

Gordon Riske

Thomas Toepfer

Gordon Riske

## Q2 2016 Financial Highlights

### KION remains firmly on a path of profitable growth

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- » **Order intake** value rises by 6.2% to €2,724m in H1 2016 (Q2: €1,427m, +8.3% y-o-y); strong order book at €1,009m
- » **Revenue** grows by 5.9% to €2,564m in H1 2016 (Q2: €1,344m, +7.0% y-o-y)
- » **Adjusted EBIT** of €239m results in margin of 9.3% in H1 2016 significantly above previous-year level (Q2: €141m, 10.5% margin)
- » **Net income** increases by 2.9% to €97m in H1 2016 despite refinancing in February and expenses relating to the acquisition of Dematic (Q2: €64m, +21.9% y-o-y)
- » **Free cash flow** at -€10m H1 2016 driven by Retrotech acquisition and tax payments
- » **Guidance FY 2016** fully confirmed, excluding pending Dematic acquisition

# Q2 2016 Strategic Milestone

## KION prepares for the future by acquiring Dematic

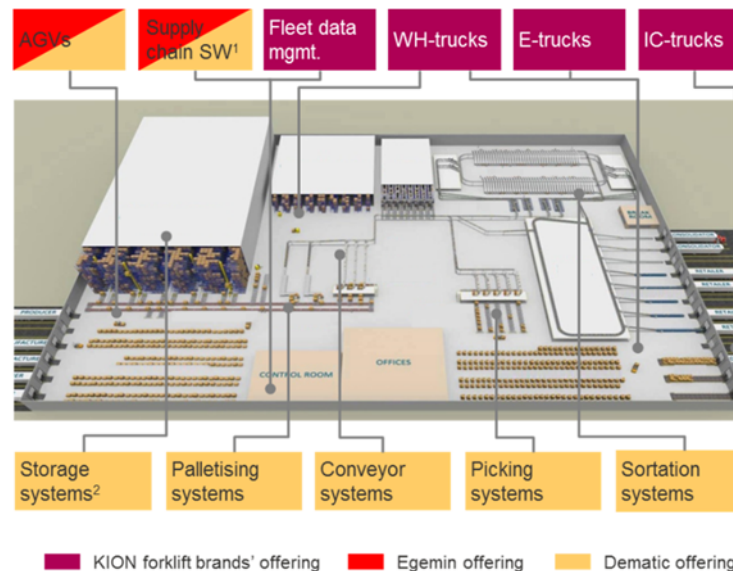
### Transaction highlights

- Acquisition creates unique player in Intralogistics 4.0
- Attractive market growth in supply chain automation
- Dematic EV of \$3.25bn
- Initial run-rate synergies of 1-2% of Dematic's sales

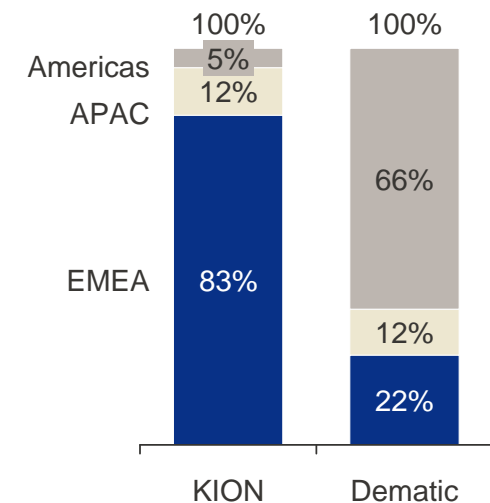
### Dematic – leading in automation

- Global No. 3 and leading in US and Europe
- Revenue CY 2015 ~\$1.8bn
- Revenue CAGR ~12% from 2013 to 2015
- Adj. EBIT margin of 9.2% in CY 2015

### Seamless one-shop offering



### Complementary regional setup



### Dematic as new operating unit

- New unit will also include Egemin and Retrotech

### Clear path to closing and financing

- Closing expected in Q4 2016
- 10% capital increase successfully completed in July 2016
- Long-term financing to maintain solid cross-over credit

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# Market Development

## Europe remains global growth driver

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

North America			
Q3/15	Q4/15	Q1/16	Q2/16
9.7%	-1.8%	-0.9%	-1.0%

Western Europe			
Q3/15	Q4/15	Q1/16	Q2/16
6.2%	13.0%	12.5%	11.3%

Eastern Europe			
Q3/15	Q4/15	Q1/16	Q2/16
-8.5%	9.9%	8.4%	28.6%

South/Central America			
Q3/15	Q4/15	Q1/16	Q2/16
-14.1%	-20.8%	-18.4%	-5.1%

China			
Q3/15	Q4/15	Q1/16	Q2/16
-17.0%	-14.5%	6.8%	-1.2%

World			
Q3/15	Q4/15	Q1/16	Q2/16
-2.3%	-0.7%	3.7%	1.8%

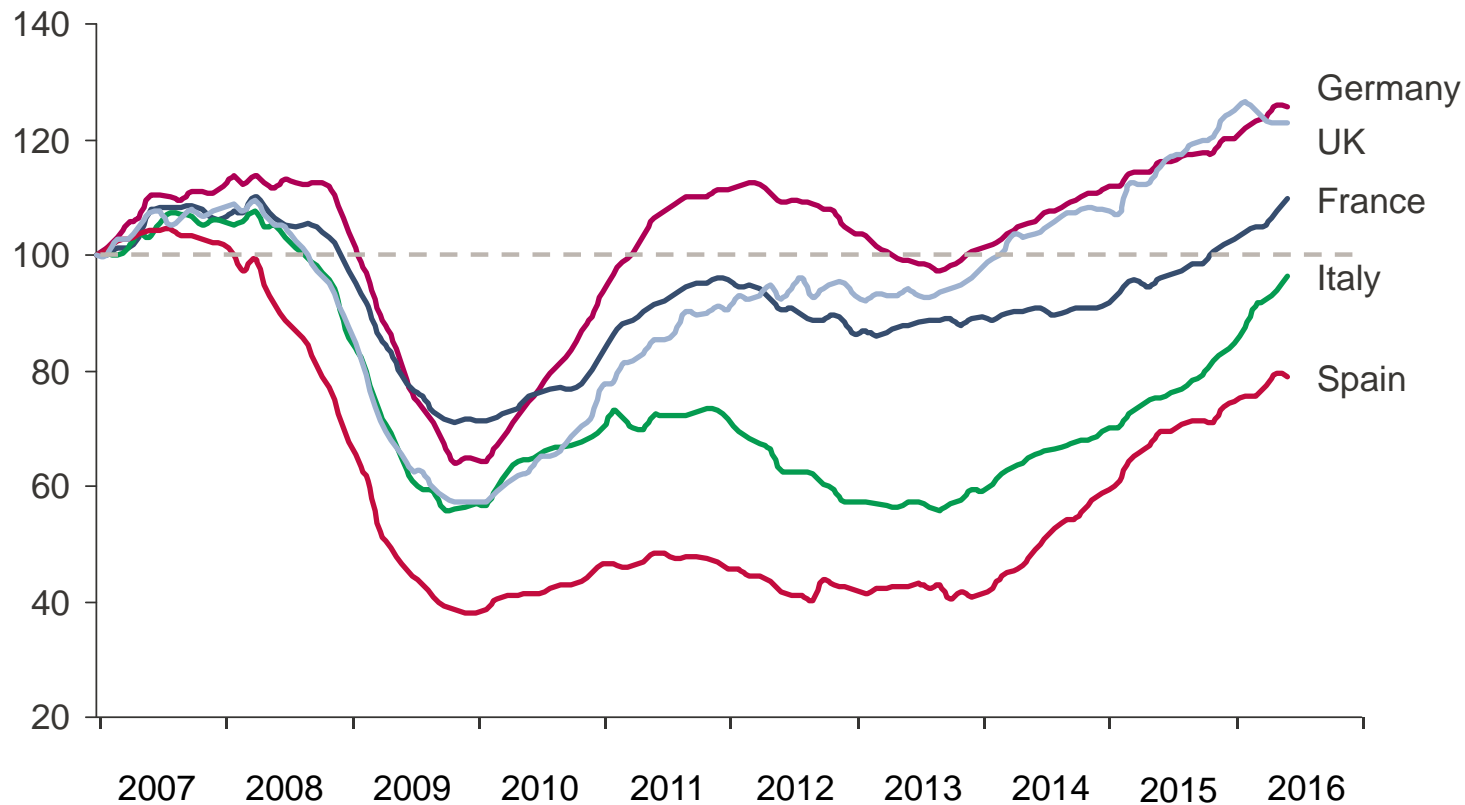
Source: WITS/FEM

# Market Development

## Continued strong momentum in Western Europe

### Markets pre- and post-crisis as at 30 Jun 2016

Indexed LTM order units (LTM Jan 2007=100)



- Persisting upward trend in Germany and France
- UK market declines in Q2 due to slowing investment activity
- 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 %)

	H1 2016		Q2 2016	
	Market	KION	Market	KION
<b>Western Europe</b>	+11.9% ↑	+5.4% ↑	+11.3% ↑	+4.7% ↑
<b>Eastern Europe</b>	+18.4% ↑	+9.3% ↑	+28.6% ↑	+5.6% ↑
<b>China</b>	+2.6% ↑	+3.3% ↑	-1.2% ↓	+3.9% ↑
<b>South/Central America</b>	-11.9% ↓	-7.2% ↓	-5.1% ↓	+6.3% ↑
<b>World</b>	591.0 +2.7% ↑	89.2 +4.4% ↑	297.5 +1.8% ↑	45.6 +3.9% ↑

### Western Europe

- **Market:** Strong momentum, growth driven by smaller WH-trucks and fleet investments
- **KION:** Profitable growth on high levels

### Eastern Europe

- **Market:** Strong quarter driven by Russian market recovery
- **KION:** Lagging dynamics due to higher comps

### China

- **Market:** Slightly below in Q2 due to decline in IC-trucks
- **KION:** Growth above market

### South/Central America

- **Market:** Continued downturn
- **KION:** Positive development in Q2 due to growth outside of Brazil

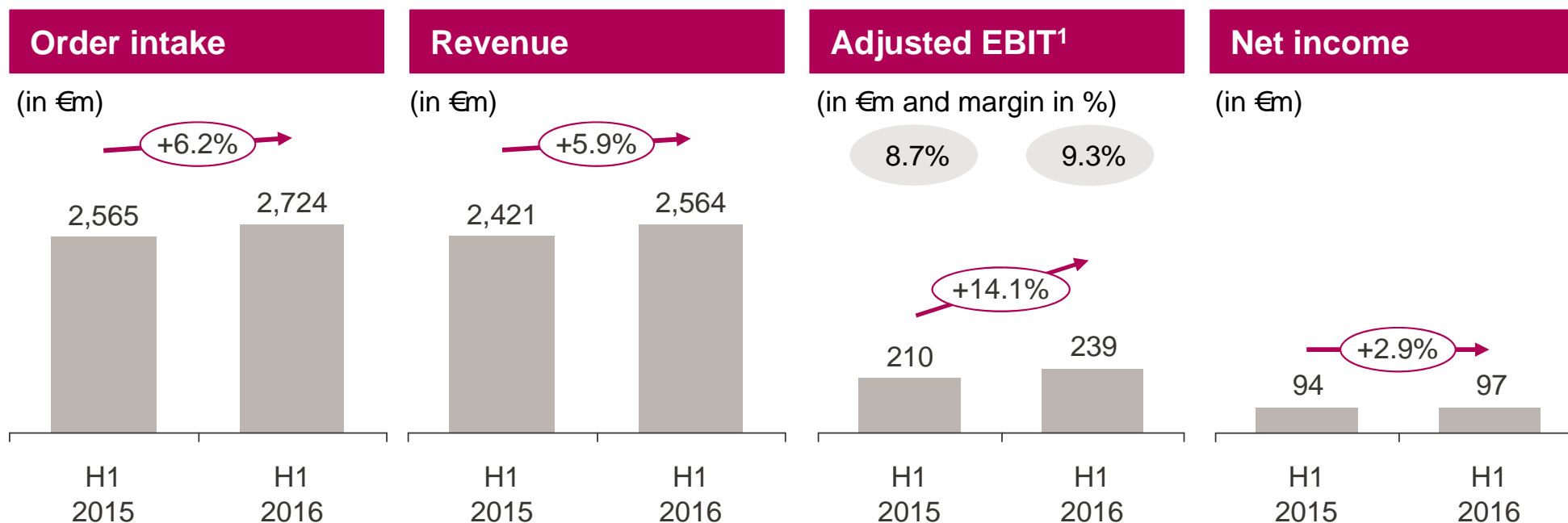
Source: WITS/FEM



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# H1 2016 Key Financials

## Continued momentum across the board



- Contribution from acquisitions<sup>2</sup> of €80m
- Negative FX-effect of -€57m
- Strong order book at €1,009m (+16.8% vs Dec 2015)

- Contribution from acquisitions<sup>2</sup> of €47m
- Negative FX-effect of -€53m
- Book-to-bill ratio at 1.06x

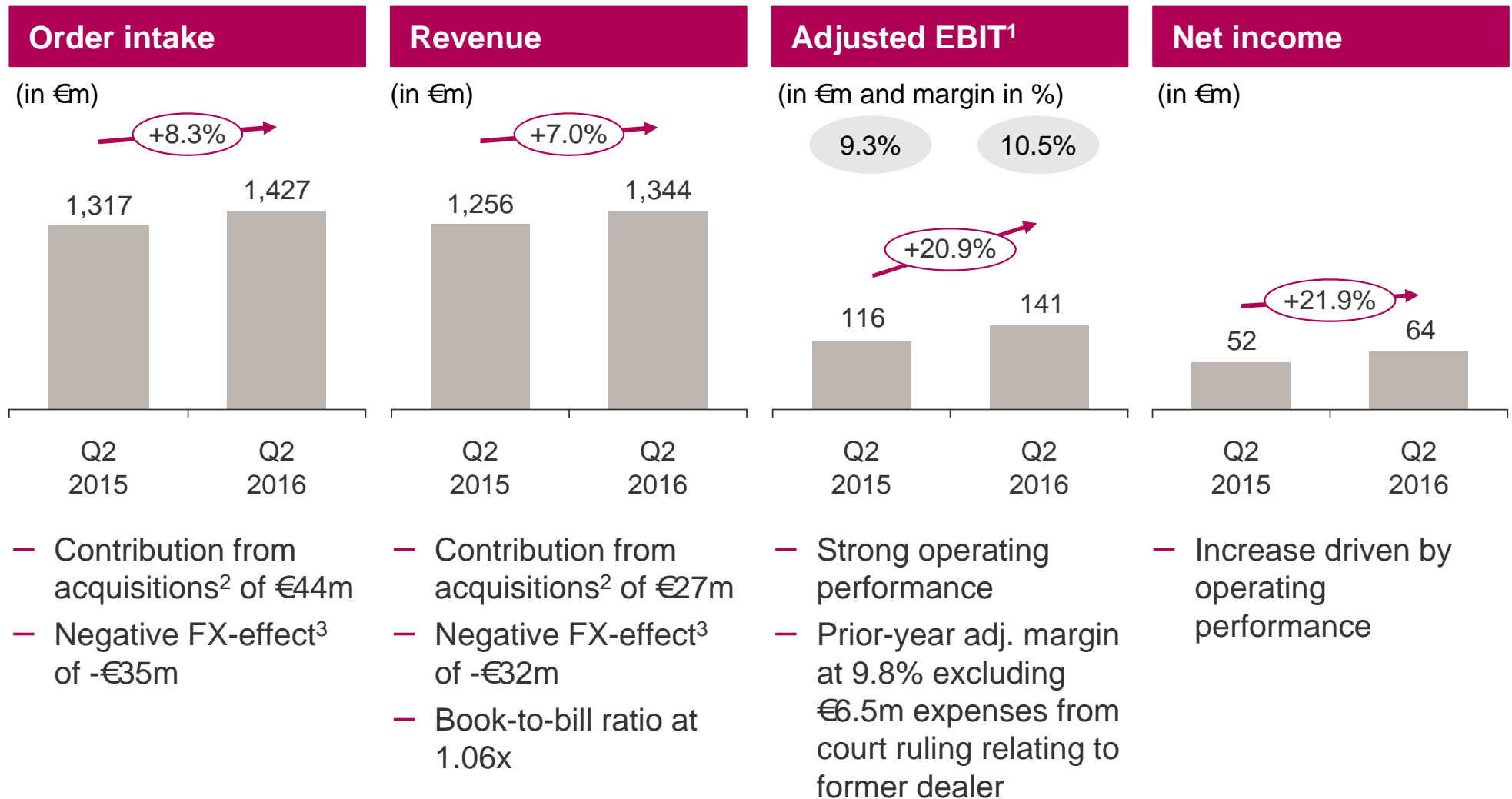
- Margin above previous-year level

- Increase despite €26m expenses related to refinancing in February 2016

1. Adjusted for KION acquisition items and non-recurring items 2. Includes Egemin and Retrotech

# Q2 2016 Key Financials

## Strong growth and operating performance



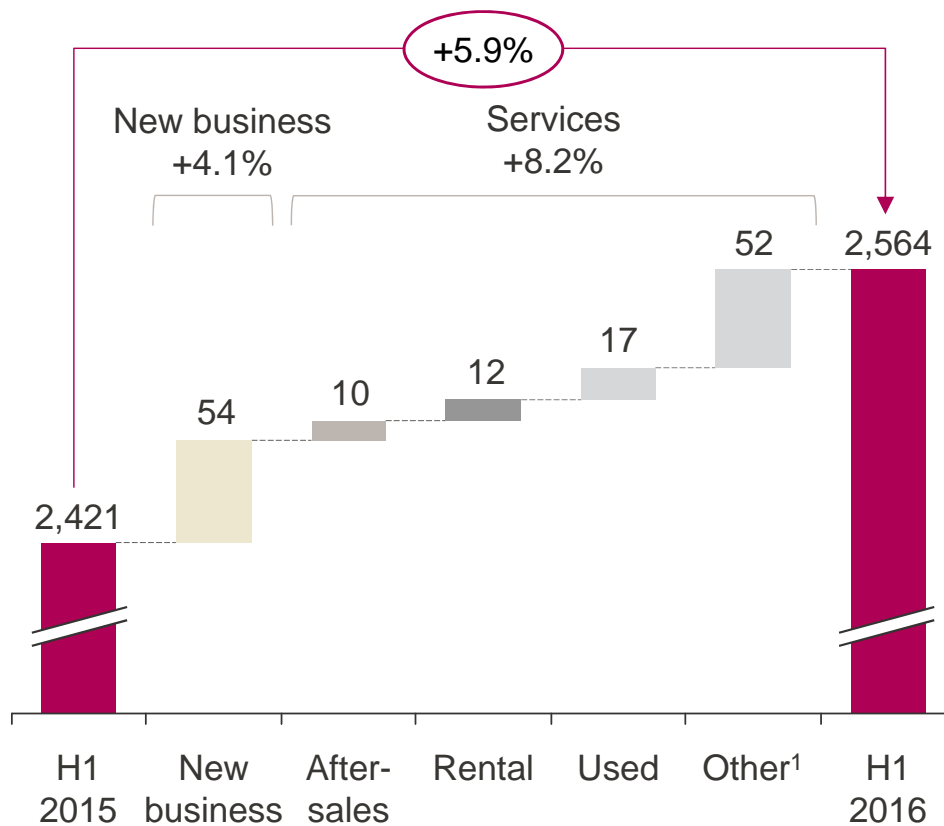
1. Adjusted for KION acquisition items and non-recurring items    2. Includes Egemin and Retrotech    3. Calculated as delta between FX-effects as at H1 2016 and Q1 2016

# Revenue

## Continued growth in new business and services

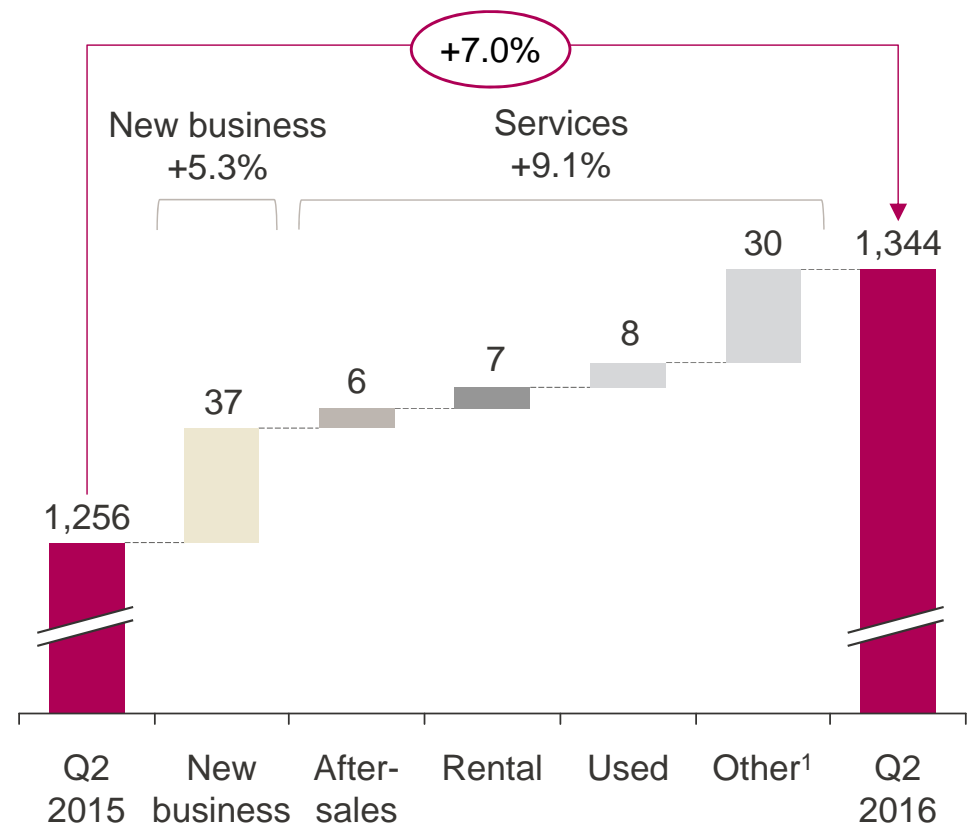
### H1: Revenue bridge by product categories

(in €m and growth y-o-y in %)



### Q2: Revenue bridge by product categories

(in €m and growth y-o-y in %)



1. Includes Egemin and Retrotech

# Adjusted EBITDA to Net Income

## Net income driven by operating performance

(in €m)	H1 2016	H1 2015	Change	Q2 2016	Q2 2015	Change
<b>Adjusted EBITDA</b>	<b>430</b>	<b>388</b>	<b>10.8%</b>	<b>238</b>	<b>207</b>	<b>15.3%</b>
D&A	191	178	7.0%	97	90	8.1%
<b>Adjusted EBIT<sup>1</sup></b>	<b>239</b>	<b>210</b>	<b>14.1%</b>	<b>141</b>	<b>116</b>	<b>20.9%</b>
Non-recurring items	-20	-15	-36.6%	-17	-10	-68.6%
KION acquisition items	-14	-14	0.5%	-7	-7	-0.0%
<b>Reported EBIT</b>	<b>206</b>	<b>181</b>	<b>13.4%</b>	<b>117</b>	<b>99</b>	<b>17.5%</b>
Net financial expenses	-63	-43	-46.2%	-23	-23	-1.0%
<b>EBT</b>	<b>143</b>	<b>138</b>	<b>3.1%</b>	<b>94</b>	<b>77</b>	<b>22.4%</b>
Taxes	-45	-44	-3.6%	-30	-24	-23.3%
<b>Net income</b>	<b>97</b>	<b>94</b>	<b>2.9%</b>	<b>64</b>	<b>52</b>	<b>21.9%</b>
Reported EPS	€0.97	€0.94		€0.64	€0.52	
Adjusted EBITDA <sup>1</sup> margin	16.8%	16.0%		17.7%	16.4%	
Adjusted EBIT <sup>1</sup> margin	9.3%	8.7%		10.5%	9.3%	

- EBITDA increase driven by operating performance
- Non-recurring items result from expenses relating to the acquisition of Dematic
- Net financial expenses in Q1 2016 driven by €26m expenses relating to refinancing in February 2016
- Effective tax rate of 31.9% in H1 2016

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

# Free Cash Flow Statement

## Free cash flow impacted by Retrotech acquisition and taxes

(in €m)	H1 2016	H1 2015	Change
EBITDA (excl. FS segment) <sup>1</sup>	365	331	10.5%
Change of TWC	-109	-166	34.0%
Taxes paid	-56	-28	-99.9%
Pension payments	-12	-12	5.3%
Other	14	41	-64.6%
Leasing cash flow	-11	6	<-100%
<b>CF from operating activities</b>	<b>192</b>	<b>171</b>	<b>11.9%</b>
Operating capex	-64	-60	-7.5%
Rental capex (net)	-115	-101	-13.7%
Acquisitions	-27	-3	<-100%
Other	5	2	>100%
<b>CF from investing activities</b>	<b>-202</b>	<b>-162</b>	<b>-24.7%</b>
<b>Free cash flow</b>	<b>-10</b>	<b>9</b>	<b>&lt;-100%</b>

- Cash flow supported by good trade working capital (TWC) performance
- Difference in taxes driven by higher tax prepayments
- Leasing cash flow and rental capex driven by business growth
- Acquisitions mainly reflect closed purchase of Retrotech Inc. (-€23m)

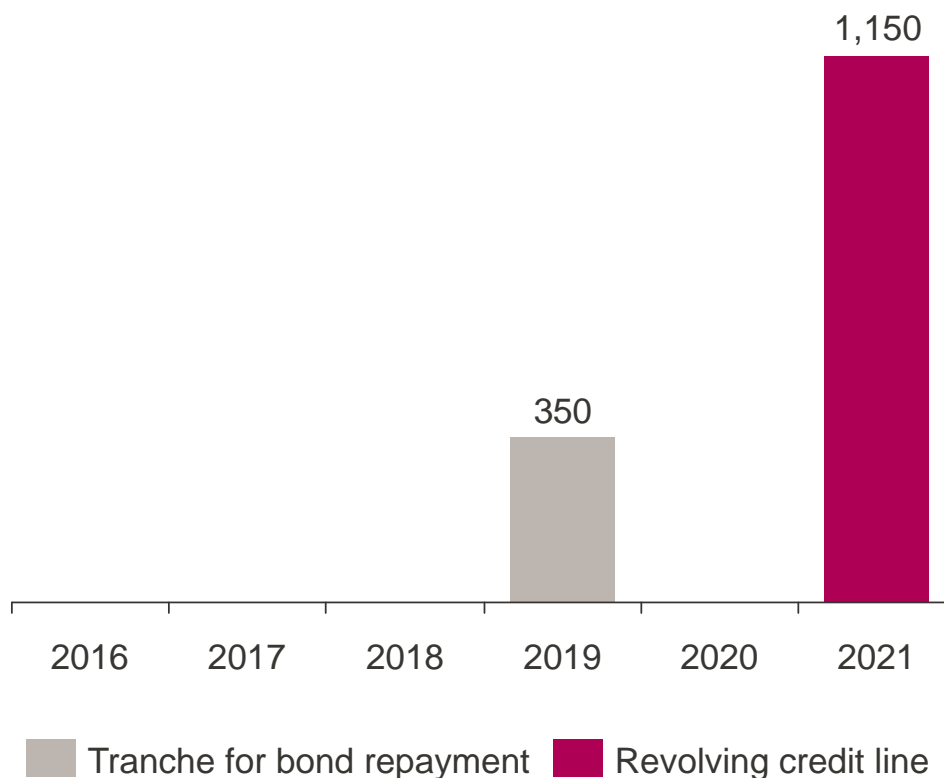
1. EBITDA excludes FS segment with €47m EBITDA in H1 2016; FS EBITDA is included in leasing cash flow

# Financing Structure

## Credit ratings maintained after Dematic announcement

### Maturity profile as at 30 Jun 2016

(in €m)



### Financing renewed in February 2016

- €1.5 billion refinancing with new credit facility reflecting investment grade terms
- Early redemption of €450 million 6.75% bond
- Significantly reduced interest costs (ca. €30m savings based on FY 2015 financials)
- Final step in transformation of pre-IPO financing structure

### Successful 10% capital increase in July 2016

- Gross proceeds amount to approx. €459m
- Used to partly refinance Dematic acquisition

### Strong credit ratings as of June 2016

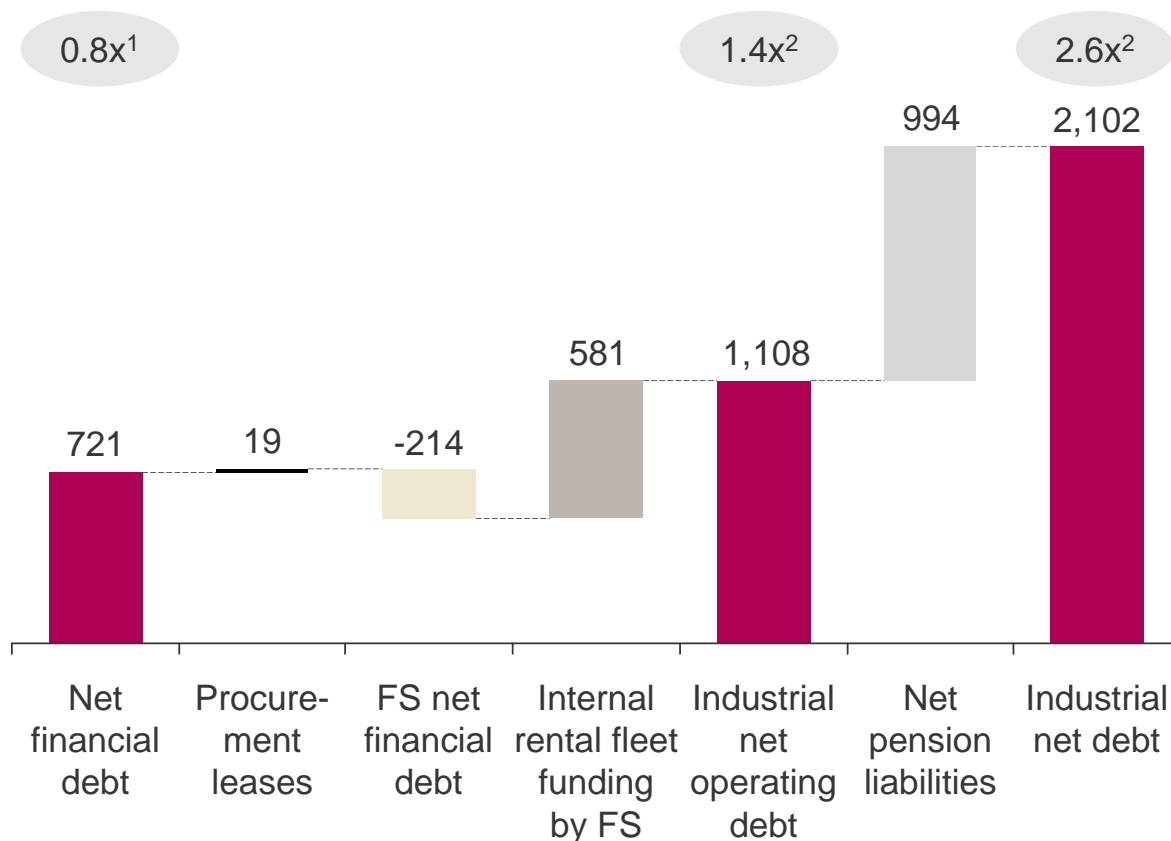
- Moody's: Ba1 review for a downgrade
- Standard & Poor's: BB+ confirmed with negative outlook

# Net Debt

## Leverage remains in line with March 2016

### Net debt as at 30 Jun 2016

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



1. Based on LTM adjusted EBITDA of €892m

2. Based on €800m of LTM adjusted industrial EBITDA (excluding €92m of LTM EBITDA for FS)

### Net debt development

- Group net financial debt increased by €74m compared to Mar 2016
- Net pension liabilities increased by €133m compared to Mar 2016, driven by lower interest rates

### End customer financing

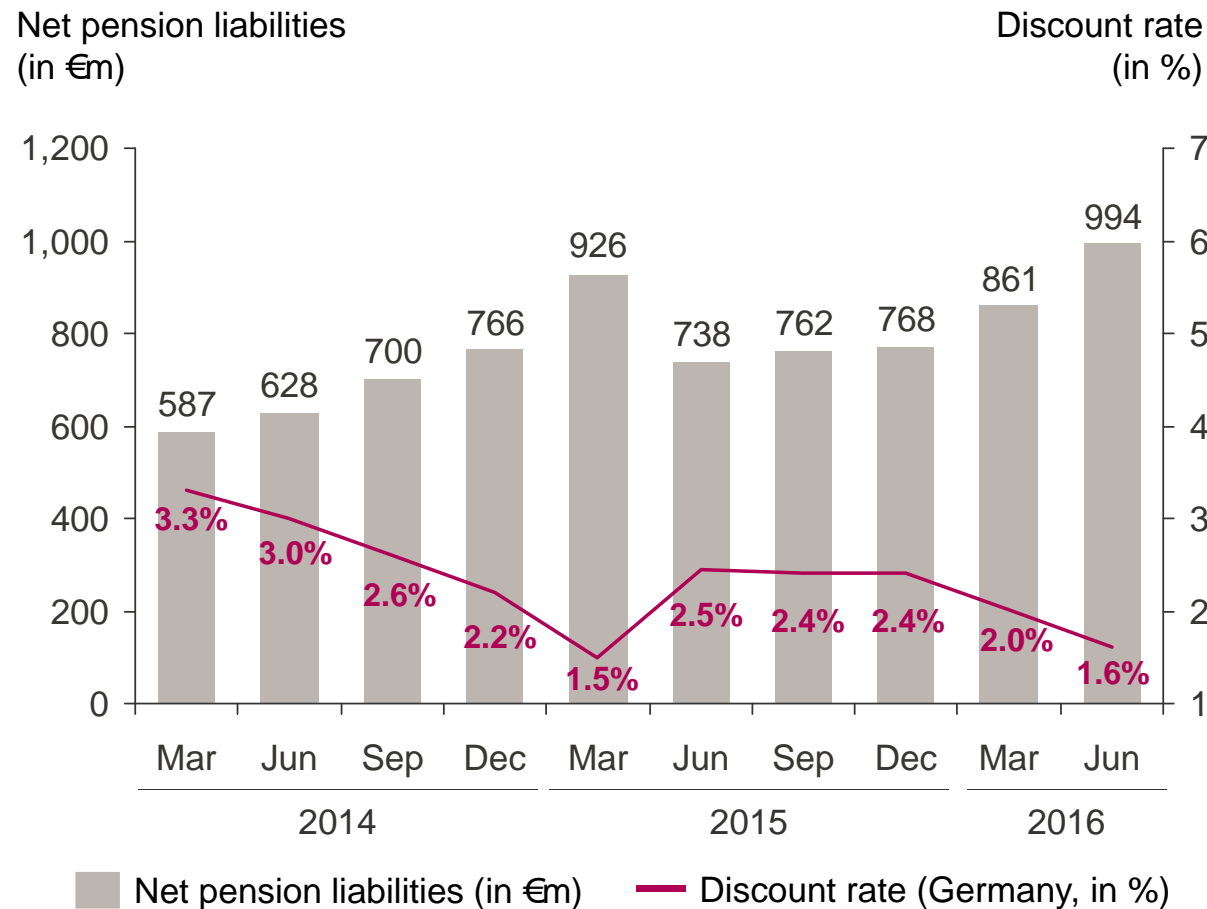
- Total assets for end customer leasing of €1,053m increased by €41m compared to Mar 2016 from stronger FS activities
- Correspondingly, funding via SALB of €904m increased by €30m compared to Mar 2016



# Pension Liabilities

## Increase driven by reduced interest rate

### Net pension liabilities as at 30 Jun 2016



### Net pension liabilities mostly driven by German plans

- Large UK plans are fully funded, with offsetting pension assets
- Smaller plans in other countries

### German pay-as-you-go long-term pension plan liability

- Accrued on balance sheet
- Duration of German plan even above group-level weighted average

### Stable current cash outflows

- Cash payments amount to €12m in H1 2016

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# FY 2016 Outlook

## Outlook fully 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

**Not considering any effects from the Dematic acquisition (closing expected in Q4 2016)**

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

# Financial Calendar

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Date	Event
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
2 March 2017	Financial statements press conference and analyst call Publication of 2016 annual report (FY 2016)
27 April 2017	Interim report for the period ended 31 March 2017 (Q1 2017) and analyst call

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