KION GROUP AG

FY 2016 Update Call

Conference Call Transcript

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Dr Thomas Toepfer (CFO)

Gordon Riske

Yes, thank you. Also from my side, welcome to our update call for year 2016. Today we will summarise a very successful 2016 and certainly, I would call it a transformational year for the KION Group.

As a basis for the call, we would like you to use the presentation that we have available for you at kiongroup.com under Investor Relations, Presentations, of course titled for year 2016. As usual, we are presenting in four parts today and then open it up for your questions. I will begin with the strategic and financial highlights followed by a market update and then Thomas Toepfer, CFO, will give you the financial update then we will conclude with an outlook for the full year 2017.

So let me start. This is on page three of the documentation with the key milestones for the full year 2016. February, we renewed our financing, we repaid the last bond issued before the IPO and refinanced our old pre-IPO credit facility. Of course as a result significantly improved terms reflecting investment grade style features. Moreover, we opened up our new plants in Stříbro. Production started in January and we successfully transferred the reach truck from the original factory in Aschaffenburg to Stříbro. In June, we signed the Dematic agreement. The transaction really is a transformational acquisition, makes KION one of the world's leading providers of supply chain solutions with a unique and comprehensive portfolio ranging from forklifts to fully automated warehouse and material handling solutions. And this certainly positions us to tap into the very attractive market and profitable growth driven by ecommerce industry for point zero industrial utilisation. It is really the market that is growing and you will see that reflected also in our outlook for 2017.

In July, we successfully completed a capital increase. The authorised capital, which was authorised to increase by 10 percent amounted to gross proceeds of €459 million. And in November, 1st November 2016, we successfully completed this landmark acquisition that had been subject to the customary closing conditions, regulatory approvals and we ended the year 2016, ten years KION Group. So, it is already ten years for this new company.

And we started the new year with another step towards refinancing the Dematic acquisition. In January we obtained the first investment credit rating from Fitch, they assigned us long-term issue default rating, of a BBB- with a stable outlook. I think this does reflect the strong profile, very good stable operating margins that we do have and cash flow generation.

In 2017, February 2017, so just a few days ago, we successfully issued promissory notes with a volume of around €1 billion for refinancing the Dematic acquisition and we have certainly made use of the favourable interest rate environment to significantly extend the maturity profile of our group financing.

So now, I would like to turn a little bit about the Dematic acquisition on page four. Some of the highlights of this transaction with the picture you have here on the screen or on your screen at home. This does establish KION as a unique global player in the Intralogistics 4.0 scope. Dematic was valued at an enterprise value of USD3.25 billion. From the combination with our forklift business, we expect initially 1 to 2 percent run rate cost synergies of Dematic's revenue in the years to come, in addition of course to a wide range of topline benefits.

Some key facts on Dematic. Dematic is a leading supplier of advanced integrated automation technology software and services. It is globally among the top three players in automation systems with the leading positions in the United States and in Europe. And the picture in the middle of this graphic does show a seamless total offering across the entire enlarged KION group. The purchase of Dematic compliments KION's full range of forklift trucks, warehouse equipment and related services, and KION will now be able to provide unique and the most comprehensive material handling solutions including fully automated warehouses.

Moving further to the right, you can see the complimentary regional setup for both companies. Both companies contribute to these complimentary positions with leading market share positions in the different geographies and that is a real opportunity for new revenue growth. KION will establish with this acquisition a much, much stronger presence in the US market and Dematic can of course leverage KION’s very strong sales and service network and brand reputation in markets like Europe, China and Brazil. Going forward, Dematic will be at the core of the new reporting segment we now call Supply Chain Solutions, the segment also integrated then the businesses of Egemin Automation and its subsidiary of Retrotech. So all these three companies then make up the Supply Chain Solutions segment.

Looking at the bottom right hand of this page, you see the solid financing strategy that we have in place. The transaction was originally funded with a €3 billion bridge loan and the capital increase, which has helped the promissory notes now, which was successfully issued in February to refinance another approximately €1 billion of the bridge loan. So, we continue to pursue our conservative financial policy of maintaining a strong crossover credit profile with very reliable access to the debt capital markets as was just proven.

Moving on to page five, showing how a comprehensive automation offering also drives growth. KION and Dematic together will offer a unique full spectrum one-stop offering for industrial trucks and automation services with its strong brands. KION contributes with market leading industrial truck portfolio for electric trucks, engine driven trucks and warehouse equipment. And Dematic has a complete range of warehouse equipment and solutions as a global market leader. Its high performance hardware is turned into an automated supply chain through innovative software as the system backbone and these offerings combined and customised across the supply chain functions of a warehouse or distribution centre depending on the customer specific automation requirements. And when you combine these offers there is no one else that can really provide this type of service to its customers.

Moving on to page six, a very important page giving you an update on the Dematic Monterrey plant. The plant production footprint spans six production sites, so the entire Dematic global footprint is in six sites in key regions. The largest production sites being in Grand Rapids, Michigan, US and in Monterrey, Mexico. Monterrey is an area with many production facilities for global manufacturing companies so there are many qualified suppliers, skilled workers and we can benefit from low cost labour costs. The new plant in Monterrey started production in 2015 and we did experience operational process-related problems when ramping up such a large new facility. We have monitored those issues closely since signing of the acquisition so in June after the due diligence and in this period we have taken certainly further measures put in place day one, so November 1st when we were actually able to act. Focus of these measures lies on process optimisation for kitting and assembly both within the plants and of course the inner face with a new built up local supplier network.

We have installed a bi-weekly Steering Committee headed by myself and the CEO of Dematic, John Baysore, to monitor all the activities of all the teams that are locally in place. And I can report happily that we are making progress within the factory, within its suppliers, continuously tracking the output and the utilisation and I can also say we are completely on track and expect to finish this ramp-up process during the course of this year. So, we are definitely making good progress in our factory in Monterrey.

Moving onto page seven, summarising a little bit the financial highlights of the year 2016. In our annual report, which we have provided for you with the key financials for KION including and excluding Dematic. This allows you to assess the performance of KION before the Dematic acquisition and compare it to the outlook for the year 2016, which also excludes Dematic.

Overall, we had a very strong finish to the year and fully achieved our outlook excluding Dematic for 2016 across all KPIs, and we will provide a detailed outlook comparison later in this presentation so that you have a clear view on those numbers. On the topline, we saw order intake excluding Dematic grew by 6.5 percent to €5.6 billion. Similar we saw revenue excluding Dematic grow by 4.5 percent to €5.3 billion, and regarding our profitability our adjusted EBIT margin set again a new record excluding Dematic improved to 9.9 percent. Including Dematic our adjusted EBIT margin was 9.6 percent. Net financial debt for the group was 2.9 billion, which of course includes the acquisition financing.

And on the basis of this strong set of financials, we will be proposing to our annual general assembly which is in May, to increase the dividend to 80 cents per share despite of course the share increase, number of shares following last year's capital increase and that represents a payout ratio of 35 percent, which is fully in line with our dividend policy.

Our Annual Report for the full year 2016, which is newly printed and is - for those of you that are in the room here - the first time available today, also shows the new segmentation - this is summarised here on this page eight of the presentation - reflects our new organisational structure following the acquisition.

Our traditional industrial truck business will be shown as the segment Industrial Trucks & Services and this includes all of our regional Operating Units as well as financial services related to industrial trucks in each region. Dematic, Egemin and Retrotech, so those three together, will be grouped into the new global segment called Supply Chain Solutions, and finally as before Corporate Services will include our internal service entities and all of the KION holding entities. This new segmentation allows us to report separately on different trends and of course developments in each of our businesses.

Moving on to the market update on page ten, showing the graphic here of the industrial truck market and the global market development by region. Overall, the market grew globally significantly and if you just look at Q4 with 12.4 percent growth, a very strong finish for the year 2016. Western Europe showed a strong growth of 9.7 percent driven by continued momentum in the warehouse segment. Eastern Europe showed again a very positive development with a growth of 18.1 percent in Q4 benefiting from the continued recovery in Russia - so Russia is back - and a good development in other markets.

China continued its recovery with an extremely strong 33.9 percent driven by a surge in economy IC-trucks.

North America grew by 0.6 percent in Q4, broadly in line with the first half of 2016. South and Central America, I think politically difficult area, remained challenging despite posting a growth of 5.4 percent in the fourth quarter.

Now when we take a look at page eleven the breakdown of KION's growth by region, you see what particularly we are very happy with, Western Europe KION outperforming the growth in the full fourth quarter: 12.5 percent versus 9.7 percent for the market. Eastern Europe a very strong quarter for us. China continued to show a positive development across the products in Q4 reaching record volumes for us, a new record there in China.

North America: a successful year, in Q4 certainly with higher comps, you know, we still have low numbers in total.

Latin America, a negative development due to our exposure as market leader in Brazil but overall Q4 very strong. We grew in line with the market for the full year and we recognised a total order intake of more than 178,000 units, more than in any previous year.

Now, when I look at the statistics for the supply chain solutions, I have to report there are no really good ones as in the industrial truck markets. We have no official quarterly database like the WITS, the world industrial truck statistics. But it is a market from all the numbers that we can gather that we believe will grow at 10 percent approximately over the coming years and the strong growth of this market is supported by the well-known megatrends: we talked about Industry 4.0 digitalisation and e-commerce. With this, I would like to turn it to Thomas Toepfer and we will now go through the financial update.

Thomas Toepfer

Oh yes, thank you very much, and also a very warm welcome from my side to our update call or update meeting here in Heusenstamm. If you please turn to page thirteen you have the set of key financial numbers for the full year of 2016 and those numbers do include Dematic for two months, namely November and December. Please keep this in mind.

So if you look at the first set, which is the order intake, that number grew by 11.8 percent to €5.8 billion and that includes negative FX effect of €109 million. The order backlog stands at €2.2 billion with a very strong contribution from Dematic and therefore providing us a very good starting base for a successful year 2017. If you exclude Dematic from the order intake numbers, the growth was 6.5 percent to €5.6 billion. If you look at revenue, that number grew by 9.6 percent to €5.6 billion, again that includes a negative FX effect of €105 million and the book-to-bill ratio remained above one with 1.04. So also a very good sign. And if you exclude Dematic from the revenue development then the growth rate is 4.5 percent to €5.3 billion.

If you look at adjusted EBIT, our key performance indicators for the operating performance received growth of 11.3 percent to €537 million. Again, that includes Dematic and we achieved a margin of 9.6 percent. If you exclude Dematic - and that obviously mirrors much better what we have given as a guidance in the first place for the year - the adjusted EBIT margin improved to 9.9 percent, clearly above the previous year level, and also clearly showing that we are on track with the margin expansion as implied in our outlook for the year 2016.

Net income, on the very right hand side, stands at €246, up 11.3 percent above the previous year and that results in undiluted EPS of 2 Euros and 38 cents. And on that basis, as Gordon Riske already said, we are proposing to the annual general meeting a dividend of €80 Euro cents per share, which corresponds to a payout ratio of 35 percent, and overall we are very convinced that this is a very strong set of financial numbers for 2016.

So with that please turn to the next page, which gives you again as usual the same set of numbers for the last quarter of the year. Again, that contains Dematic for two months, November and December. If you look at order intake, the growth is 27.6 percent to €1.8 billion. If you exclude Dematic the order intake grew by 7.6 percent to €1.5 billion, and the revenue growth including Dematic is 20.7 percent to €1.7 billion. Again, if you exclude Dematic growth is 2.7 percent to just under €1.5 billion for the quarter.

Adjusted EBIT, the growth is 12.8 percent to €171 million, that represents a margin of 9.8 percent. If you exclude Dematic, the adjusted EBIT margin improved to 10.9 percent for the quarter and that is clearly above the previous year level. Net income, €82 million up 5.8 percent above previous year, to be kept in mind that this is despite negative effects from the Dematic acquisition and therefore also, financially as already operationally, we had a very strong finish of the year 2016.

With that let me dive a little deeper into the two segments that we are now reporting, the first one being Industrial Trucks & Services. The financials on this page include only the industrial truck and services business, so they exclude Egemin and Retrotech but they include our financial services business, which previously we had reported as a separate segment.

Let me start with the order intake, the growth is 4.6 percent to €5.4 billion and driven by growth in the E- and warehouse trucks.

I think this is very important to mention. If you take electric counterbalance and electric warehouse trucks together, this represents 80 or over 80 percent of our unit order intake. So over 80 percent of all the units that we produce are already electric. Revenue growth: 3.1 percent to €5.2 billion, split into 55 percent new business and 45 percent services. So roughly on the same level as we had in 2015.

Order intake and revenue are affected by negative FX-effects as I was already explaining on the group level, and if you look at the adjusted EBIT that number grew by 10.8 percent to €587 million. That represents a margin of 11.3 percent up 80 basis points compared to the financial year 2015. So again, we think that both numbers do strongly underline that our strategy of margin uplift has proven to work in the financial year 2016 as those numbers clearly show.

If you turn the page you find the similar set, same set of numbers actually for the new segment Supply Chain Solutions. Those financials include Egemin, Retrotech and Dematic from the point in time that they were consolidated within the KION Group and you have that indicated on the lower right hand side of the page.

So Egemin was consolidated starting in August 2015, Retrotech starting March 2016 and Dematic November 2016. Order intake for the segment for the year stood at €431 million and revenue at €366 million. And on the right hand side you see that the revenue split is 72 percent business solutions and 28 percent of that revenue comes from services.

If you look at the EBIT, that number is €6 million for the entire year thus resulting in an EBIT margin of 1.6 percent. I would just like to make very clear that this is a seasonal effect, which you see here, because the months of November and December for Dematic are seasonally the very weak months of the year because no customer in the e-commerce field will allow you to install a system during the Christmas season, which is the peak season for all the retailers. So, those are seasonally the weakest months of the year and that is reflected in the margin that you see here on that page. I would also say that as you will see in the outlook, which we will give you later in this presentation, we are very confident to bring that segment to high single digit EBIT margins in the course of 2017, so again it underlines that the number that you see here is seasonally driven.

If you turn the page there is a specific page on the Dematic numbers to provide you with maximum clarity and you will recognise the historic financials for Dematic for the first nine months of the year which we had already given you. If you look at November and December, you will see that the order intake is €280 million and the revenue is €260 million. The order intake is slightly lower than for the two months of 2015. Again, I would like to emphasise this is purely due to the lumpiness of the business.

If you look at the order backlog of Dematic at the end of 2016, that number is significantly higher than the order backlog, which Dematic had in 2015. So again, I think this should give you some comfort that €280 million relative to the €317 million is just a ‘snapshot’ and just driven by the lumpiness of the business but not systematic. I would also like to emphasise the adjusted EBIT that you see here on the page, €10 million, that is a slightly lower margin than for the two months in 2015. That effect in fact is driven by the ongoing ramp-up that we are seeing in Monterrey and, as Gordon Riske mentioned, we are making good progress, so we should be able to overcome those issues in the course of 2017.

If you turn the page to page eighteen you have the reconciliation all the way from the adjusted EBITDA to the net income for the group. I would just like to pick out and comment a few selected items on that page. If you go to the nonrecurring line items, you see €42 million for the entire year, that number is higher than in 2015 just as we had guided for and it is of course mainly driven by the acquisition of Dematic.

And the second item I would like to pick is the PPA effect, you see €60 million for the entire year, that reflects two things. One is the last bit of PPA depreciation for KION, which still stems from the 2006 acquisition and we said this is the last year, in which we will face this, and roughly the other half of that number comes from the first time PPA depreciation relative to the Dematic acquisition in 2016. So, those two effects essentially explain that number.

Net financial expense would be the third line item I would briefly like to comment on: You see that for the full year we are just slightly higher than 2015. That reflects the positive effects that we had with the refinancing earlier in 2016, that were offset to some extent by some prepayment charges. And if you look at Q4, you see that the net financial expense is lower than in 2015 despite the fact that this number already contains two months of bridge financing for acquisition financing for Dematic. So that kind of fully shows you the positive effects we have generated through refinancing of the group. Again, despite the fact of having two months of bridge financing already in there.

With that, I would like you to turn the page to page nineteen, you have a free cash flow statement, as always, I would like to start with the last line of that page. You see the free cash flow to the firm stands at a negative €1.9 billion. That number is of course driven by the acquisition of Dematic. If you exclude the acquisition, the number would be €317 million positive free cash flow. So therefore, on the same high level as we had in 2015 and at the upper end of the guidance that we have given, and therefore we feel that this was a very good cash performance that the company has shown in 2016.

Please turn to the next page, page 24 - an overview of our net debt position. The net financial debt that is in the column of the very left hand side of the page, increased by €2.3 billion to €2.9 billion relative to December 2015. Of course, this is a result of the drawing under the acquisition bridge loan and at that level the leverage is 3.7x. The number that we mainly look at is the one in the middle, the industrial net operating debt. That number stands at €3.3 billion with a leverage of 3.4x.

What I would like to mention here is already the positive effect that you see, the first pro forma number for the leverage immediately after the acquisition was 3.7x. We have already delevered 0.3 turns in the first two months of the acquisition due to the strong cash flow performance of the company. Going forward, talking about the leverage, our ambition is to reduce that number. You know that we are following a conservative financial policy so we want to be trending towards two times leverage over the medium term.

Pension liabilities at €979 million. That number has increased relative to the number one year before. Two factors are driving this; one is the inclusion of some pensions for Dematic and secondly a decrease in the interest rate from 2.4 percent to 1.9 percent, which always inflates that number. Again, you know my comments on the net pensions, the cash out on those liabilities is very stable and therefore again the number we focus on is the industrial net operating debt in the middle.

Just a last comment on the text on the right hand side for our end customer financing and long-term leasing activities for the industrial truck business: The assets and corresponding sale and lease-back liabilities grew in line. Again, that reflects the flow-through the nature of that business. That has not changed over the past since we have commented on that number.

Just to round it up on page 21, it gives you a quick update on our refinancing activities, as Gordon Riske mentioned, we have issued close to one billion in 'Schuldschein', so promissory note. And that has quite significantly pushed out the maturities of our debt into the years 2021 and 2022. You see there is no maturity in 2017 and only €588 million remaining in 2018. So we feel we have made a very big and important step into kind of stabilising and refinancing the acquisition debt that we have taken up for Dematic. So with that I would like to turn it back to Gordon Riske for the outlook for 2017.

Gordon Riske

Thank you, Thomas. I am on page 23 for our outlook for the full year 2016. As you know the outlook was written, the guidance we gave at the beginning of the year 2016, excluding the Dematic acquisition. What we have tried to do on this page is to give you on the right side of this page the KION actuals, which is also in the Annual Report. And if you look at all the numbers, all the KPIs, we have achieved our outlook across all the numbers. So the team, the company has done a great job in delivering on the promises that we have made, and continued to build a consistent track record in the capital markets.

Now moving forward to the year 2017, going to page 24 and our full outlook for the year, including Dematic of course, and what we have also done is to detail this outlook, not only at the group level but at each of the new segments. I would like to start with a couple of comments on forward-looking statements. The performance does depend on the macroeconomic and industry-specific conditions and may be negatively affected by increasing uncertainty or a worsening of the economic and/or political situation.

Our outlook does have some assumptions and specific sectorial conditions. Going forward, we believe the overall market for industrial trucks and warehouse systems will continue to depend heavily on economic conditions in these markets, following very substantial growth of almost eight percent of the global market for new industrial trucks in 2016. That was a very solid year of eight percent growth in 2016. We do believe that growth rates will normalise returning a little bit closer to the longer-term trend of around four percent for the year.

A further increase we do expect in Europe and North America, although growth rates will be more modest to absolute record high market volume and some political uncertainties. Following a strong second half of 2016, the KION Group expects a further firming of demand in China. The constantly increasing number of trucks in operation, however, does provide us with a very sustainable base for our service business. In the warehouse systems business, the rapid expansion of e-commerce and increasingly widespread use of Industry 4.0 technologies are likely to push up demand for automation solutions. For this reason, we expect slightly faster growth with an average growth rate of about 10 percent, so the SCS, Supply Chain Solutions segment, to growth faster.

Based on these assumptions now we have the following financial expectation for the full year 2017. We do aim to build on the successful performance that we had in 2016. And based on the forecast for market growth, achieve further increases in order intake, revenue and adjusted EBIT. The order intake for the group entirely we expect to be between €7.8 billion and €8.25 billion.

The target figure for consolidated revenue in the range of €7.5 billion to €7.950 billion. The target for adjusted EBIT is €740 million to €800 million. And the adjusted EBIT margin is predicted to increase to be around - if you do the math - between 9.9 and 10.1 percent. Thus, clearly above the margin of 9.6 percent that was generated at the group level in 2016. The free cash flow is expected to be in range between €370 million and €430 million. The target figure for ROCE is between 9.5 and 10.5 percent.

That is the group level. If I look at the Industrial Trucks & Services segment, order intake in the segment to be about €5.45 billion to €5.6 billion, implying a growth rate between 1.2 and 4 percent.

The target figure for revenue is in the range of €5.3 billion to €5.4 billion, which is implying a growth rate between 1.9 and 4.8 percent. Target range for adjusted EBIT is €605 million to €630 million, which would imply a growth rate between 3.1 and 7.3 percent. Again if you do the math, an increase in adjusted EBIT from around 11.4 to 11.6 percent. So, above the margin of 11.3 percent, which was achieved in 2016.

Now looking to Supply Chain Solutions, order intake to be between €2.3 billion and €2.65 billion. The target figure for revenue in the range of €2.2 billion to €2.5 billion. The target range for adjusted EBIT €195 million to €230 million, which would bring us to an adjusted EBIT margin between 8.9 and 9.2 percent. So certainly very much above the two months that we saw with 1.6 percent in 2016.

Again, please note that KION has based these assumptions on that material prices would hold steady, and that the current exchange rate environment will remain roughly as it is. Of course, I would like to repeat the statement. It is our goal to reach and adjust EBIT margin of 12 percent for the entire KION group. So both segments contributing in the next 3 to 5 years. Both segments Industrial Trucks and Supply Chain Solutions to be able to contribute to this target. That is our forecast and our guidance for the year 2017.

We look on page 25. We would like to take a look at our financial calendar. We will present Q1 2017 results on the 27th April in 2017. Our AGM takes place on May 11th in Frankfurt. And with this we would like to formally close this part of the presentation and turn it back over to the operator and here to take your questions.

Operator

Ladies and gentlemen, at this time we will begin the question and answer session. One moment for the first question please.

Martin Wilkie	Thank you. Martin Wilkie from CITI. A couple of questions; the first one is on the growth outlook for supply chain solutions. You talked about 10 percent market growth. I know we cannot do an exact growth rate based on your outlook because of the baseline and currency and so forth, but it looks like you are expecting an underlying growth rate so closer to low to mid teens for supply chain solutions. If you could just comment about how much of that is already visible. You mentioned the backlog is very strong. Is that locked into the backlog? Is it anticipated sales synergies, a little bit of that. Thank you.
Gordon Riske	Well, there is a couple of things. We did have a very strong backlog towards the end of last year, so that is the one thing that gives us great confidence. Number two is we see that customer activity has certainly picked up. I just looked at our order delivery schedules and so forth so the market is very vibrant at the moment. For the year 2017, I would not put too much into the combined, the industrial trucks and supply chain. There is also a lot of teamwork to do. We have the organisation in place but that is more of a later effect to 2019-20. So, really the growth and you are right with your assumptions: stronger than the market, based on order backlog and very solid customer activity right now in terms of getting orders.
Martin Wilkie	Thanks. If I could just follow up on these longer term targets. There is a change of wording around when you get to 12 percent and the previous understanding was in 2018. Is that a reflection, perhaps, it was too ambitious, or has there been a step change in any of the items that you are looking at?
Thomas Toepfer	No, I mean you have seen that we have made steady progress with the KION Group as it stands today. But with where we

stand today, especially for the Industrial Trucks & Services segment, which has made great progress, to step immediately to 12 percent in the year 2018, that I think is too much of an ambitious step. We feel that the focus must be on both segments contributing to that. I think that is what we consistently said that both, the new Supply Chain Solutions and Industrial Truck segment can reach a 12 percent and can contribute to this 12 percent margin target. This is why we have now defined that for the entire group and to reach within the next 3 to 5 years.

Alexander Hauenstein

Hello, Alexander Hauenstein from DZ Bank. I have two major questions. First of all, with regard to the Mexican plant ramp up, could you please give some colour here of what has been done? What has been achieved in Q4 and what is still left for the coming quarters? Maybe give us a sense when this will happen. Is it more likely to see the bulk of activities being finalised in the first half of the year 2017 or the second half? Maybe you can give us an update with regard to the costs related to the ramp up. I understand from last time that €20-40 million was the total target here. How much of this has been achieved already in Q4 and how much is going to come or has there been any change yet in this kind of range? My second question would be on the classical truck business. During the start of 2017, do you see kind of a competitive pricing increase or has it eased a bit quarter on quarter? Thank you. Maybe on regional levels, thank you.

Gordon Riske

Yes okay, 2017 is a little fresh to review if there has been pricing aggressiveness or not. The fact is the market had a good January. February is also going okay across the world. China is also always affected by the Chinese New Year. So, you have to look at that on a quarterly basis. But no, we have not seen any change or different behaviour to 2016 at this point.

Mexico, what we are doing now is we do have a substantial group in there from the Dematic team locally, Grand Rapids, from the KION team around the world and some external support. What we have done is we stabilised the process in terms of planning, better planning processes. Another big effort has been training, a lot of new people, a lot of training required. The third biggest effort is getting the local supplier network up to speed. We do buy quite a bit in what is called fabrication. What we do in the factories is more concentration and assembly so that all has to work. In all three of those areas we have made very good progress. We are not getting customers upset anymore and that is the biggest thing that you have to avoid. That process of getting Mexico up to speed is not just a question of speed with current order intake levels. But we do see increasing order intake so we also have to do some structural things to continue to improve that process. As I said, one of the big things is the training of the people and that will continue throughout the year. Regarding the split of the costs - Thomas.

Thomas Toepfer

Yes, let me take this. I think we are fully in line with what we have said at the end of 2016 on this. Remember, we said that we are foreseeing about €10 million of NRIs more on the KION level mainly with respect to the integration of Dematic. So you can imagine when you integrate a €1.8 billion business there is things like IT and structures, etc.. At the time we said that we see €20-40 million on the Dematic side which mainly relate to Monterrey. With all that we see, as of today, we have been in Monterrey several times, the team is there and as Gordon said, the measures are working. We can confirm that number, so it is absolutely in line with what we have communicated late in 2016.

And those NRI's will flow in over the course of the year. There is not specific let us say quarter where you should expect it because they relate to on the one hand the operational work at the site, but they also relate to express freight in order to make sure that all the customer projects are delivered in time. So, they should be stretching out over the course of the year.

Philippe Lorrain

Philippe Lorrain from Berenberg. Just to bounce back on Martin's question at the beginning. You adjust a bit your mid-term guidance to let us say in 3-5 years, just to get a better idea. You also said you expect both divisions, ITS and Supply Chain Solutions, to perform towards the 12 percent margin. Which one do you expect to reach that threshold the first? And if you could provide us with a time horizon for that?

Gordon Riske

Well, there are probably two answers to that. Certainly you see alone the guidance that we have given for the industrial trucks, we're very, very close already. That is well underway and I am assuming the market stays the market. Some of the great products we are introducing around the world that will bring us closer. With the Supply Chain Solutions, I think that will take a little bit longer and we have a big step up from 16 to 17. That has some work to do, with the plants and getting all the staff ready. But we do see a market that grows 10 and if we are outgrowing the market we also have to adjust capacities. We have to see how we managed that so that means it would take a little bit longer.

Philippe Lorrain	Okay just to bounce back again on this ITS segment. You had a very strong improvement in the margin actually in 2016 and now you guide for it around 30 bps. Is there are anything here that we should bear in mind when looking at 2017 that makes you perhaps a bit more cautious?
Thomas Toepfer	Well nothing new. I think already at the Capital Markets Day we said there are two things that come a little bit as a headwind. It is not so easy to quantify where exactly this will end up. One is the FX-effects, you know with the British Pound we do have some transaction effects which are of course depending on where exactly the exchange rate will go. Secondly is we will have some pension costs in the P&L through the very low interest rates. I think we were mentioning both factors already earlier that has not changed and this is why we are a bit more cautious maybe because we have those two headwinds that we will have to cope with.
Philippe Lorrain	Thank you very much and then the last one on the Supply Chain Solutions. If I look at the last slide that you have provided and the development of this division in the first three quarters, and do some maths around that, it seems like Egemin and Retrotech were loss-making over the course of 2016. What was the reason behind that?
Thomas Toepfer	Well, first of all, your assumptions is correct. You can easily do the math. What is behind it? I think what you have to see if that Egemin and Retrotech were in the middle of being integrated into Dematic already. Because in the second half 2016 they knew that Retrotech would be fully integrated. So, there was definitely some hesitation from the customer's side. That has also reflected in their numbers. We have deliberately said we

will not scale back costs in the first place because Retrotech is a very interesting business. They have a real spike in specific industries and we wanted to preserve that so that Dematic can then fully take advantage of it. So I would say, it is mainly driven by the fact that integrating a business into another one leads to some customer hesitation and we were experiencing that in the second half of 2016.

Stefan Maichl

Stefan Maichl from LBBW in Stuttgart. Coming back to Monterrey. If 100 percent is your target rate in terms of factory and supply chain, which is the percentage share you are at the moment? Then some minor financial questions, tax rate? I have seen in 2016 it was 27 percent, I believe below your given range. What is the target for 2017 and also on financial costs and PPA.

Gordon Riske

On the first one, the hundred never stays the same. I could say in the first quarter based on customer demands we were pretty close to 100, maybe we are at 90 already. But I do know in the second quarter I have a higher build plan. So that kind of the bar is moving up as the year goes. I would say we are in good shape but it is a question of how much resources do you need to keep in good shape, if I have to have more training time on people. So whether it is 75, 85…we are in good shape right now but that is why the answer was we will not be done in the first quarter. There is a year of work to do here to make sure that we can maintain those levels that we need for the strong growth plan we have. It is not a question so much of orders. It is getting the stuff out.

Thomas Toepfer

With respect to the financial questions, tax rate, first of all. Yes we have a relatively low tax rate which was below our guide for

2016. That is driven by, I would call it mixed effects. We had some countries with higher revenues and therefore results, which were bearing a lower tax rate, namely also the UK and France. Plus in 2015 we had some negative tax effects that are not recurring this year. I think going forward our guidance remains unchanged with respect to the tax rate, which is between 30 and 35 percent.

Also please bear in mind that the US has a higher corporate tax rate. So increase in revenues in the US at least as it stands today will have also an impact on the tax rate, to be seen if politically that changes to the good. But in our current guidance we remain with 30 to 35 percent.

PPA, and what you should expect is that PPA that was relating to the old KION acquisition 2006 will completely disappear. So this year that was the last time and for Dematic our guidance is unchanged. So we expect around €150 million pre-tax negative PPA effect in 2017, and that will obviously decrease in the years beyond that, because things like the order backlog will be depreciated relatively quickly. But for 2017 I think around €150 million would be a good number to take.

Stefan Maichl: Financial results?

Thomas Toepfer: Well net financial expenses, you see the positive results from the refinancing, if you take around €25 million per quarter that would be a good number.

Operator: Are there any further questions in the room?

Sebastian Ubert: Thank you for taking my question. It is Sebastian Ubert here from Société Générale. Doing the math around the 11 month figures you are giving us without October last year and this year. It seems that you are guiding for a growth order intake 14 to 30 percent for the new Dematic segment. Likewise the revenues are also pretty ambitious with growth rates north of 20 percent. Can you shed some light where you see this growth should come from? Then lastly, we have seen KUKA's Swisslog division getting a large order from Walmart in the first quarter, which is also one of the big customers at Dematic. Maybe you can comment on the competitive situation with Swisslog now under the umbrella of KUKA. Thank you.

Gordon Riske

Okay, yes, we have a very solid growth plan. Absolutely, that is why I am very confident in Monterrey and the progress we have made there. Otherwise we could not give you such a solid guidance. So we are fully confident that we can achieve that. Where the growth is coming from, mainly North America and Europe. So, some of our big traditional customers, even one that is if you walk outside this building, you will see a big yellow… I think the biggest distribution centre of DHL in all of Europe, also are very good customer and big customer. So it is mainly North America driven by e-commerce and Europe. What I have seen in a lot of customer visits, they have been very happy that it belongs to KION. Long-term vision there and the closeness of forklifts to supply chain solutions that comes across very, very well and our service support. We have already had a couple of Amazon projects in Europe with some of our technicians from Linde in Sweden and other locations have helped out. That has worked very well. Regarding our specific customers, I mean I was there at Walmart so I know them pretty well. Still a big customer and always will be of Dematic. However, several years ago when Walmart started the journey, they did start with Swisslog because Swisslog did provide them with a certain piece of WMS, warehouse management software, which Dematic at that time, several years ago, did not have. That is embedded in their system. So for that part of it they are using but for other parts, the conveyer, shuttles and so forth, even in the same distribution centre you will see equipment from Dematic, so they are still a big customer, an important customer for us. We have not lost anything. There is some things out of historical reasons that has worked and Walmart, if you read their Capital Markets Day last year, I think they showed a nice graphic of what their goal is in terms of revenue generated by e-commerce from going forward to what it is today; so a big step forward.

Sebastian Ubert — Okay, thank you.

Daniel Gleim — Daniel Gleim, MainFirst. A couple of questions from my side as well. The first one would be, what is your medium-term expectation towards growth in Industrial Trucks & Services business, goes in line with the midpoint of the 2017 guidance or do you expect an acceleration? You mentioned political uncertainties in the current year was going to reverse. Do you expect to grow stronger from there? Secondly, maybe as a clarification on Monterrey, beyond the one-offs you expect in 2017 will there be incremental one-offs in 2018 or do you expect this to be solved thereafter. And finally maybe on topline synergies, you have so far refrained from giving a quantification of what you are expecting now being a little bit further down the road. Do you have any more concrete comments for us? That would be highly appreciated. Thank you.

Gordon Riske — Well, first on the medium-term growth, what we have said and I think you will also find that in that guidance, the long term trend in the ITS segment is a market growth rate of around 4 percent. And our vision is of course to outgrow the market. But still, that means that you will not see double-digit growth rates in that segment. Just put that into perspective. And secondly, what we have also said, the segment, SCS Supply Chain Solutions, we are expecting market growth rates of about 10 percent for the next years, so 2017, 2018, 2019, each year we should see the market growing double digit at around 10 percent. And our ambition is to outgrow the market in that segment as well. So that of course gives you a much higher number. I think the calculation that was made for 2017 is correct that we are expecting higher growth rates in the Supply Chain Solutions segment, specifically in 2017 whether that is sustainable in 2018 and 2019 is yet to be seen. But clearly we want to outgrow the market, which we are expecting at around 10 percent.

Daniel Gleim — Maybe as a follow up, where I was trying to get here is it seems to be a conflict between outgrowing the market and also expanding the margin quite tremendously and I was trying to figure out a little bit better what the priorities are going to be going forward for you. Is it more margin focused management or are you clearly setting number one priority to outgrow the market even as the margin pick-up then would take a little bit longer?

Thomas Toepfer — Quite frankly, the way I would look at it is we do want to have profitable growth. And I think we have shown consistently over the last number of years that we are able to deliver this, growing in the market and also expanding the margin. Especially in the Supply Chain Solutions segment, this is for me also a question of leading technology. It is not a separate market. There is plenty of innovations that Dematic has. So I would say it is not so simple as to say we have to choose between growth and margin, especially in that market I think technology can really beat competition and this is where Dematic is very strong.

Gordon Riske

Absolutely. The Monterrey cost we do expect to be through that in 2017 and not to have anything too unusual in 2018, other than normal things, expanding capacity and so forth. So that is clearly and as I have said and somebody asked a question we have had it now for a while, it is right, and I am much more confident now than we were when we had the Capital Markets Day in November. So yes, we can say 2017 is the year. Regarding the synergies, we clearly said on the cost between 1 to 2 percent of the Dematic revenue. On the topline, it is a little bit more difficult to predict exactly. Of course, we have an internal business plan but that needs a little bit more time for the teams to get together. We have some quick wins that we have set up. And whether it is in Brazil or China, we have some opportunities there where we can through our customer access simply have the Dematic people get into customers that would not have been possible before. But to quantify that at this early stage I think by the time we have the next report, we will have a better flavour on that. So the first 100 days was get the organisation set, everybody knows what to do. And the next is - what we call commercial readiness - is how much more can we gain in synergies on the topline in the year beyond 2017.

Philippe Lorrain

And just one follow-up question regarding your target in terms of leverage. You were mentioning that you would like to reach a level of two times net debt to EBITDA in the midterm, what exactly is the midterm for you?

Thomas Toepfer — I would say within the next three years, is in the midterm but I said we want to be trending towards two.

Philippe Lorrain — Okay, thank you. And then the last question would be, I have noticed that Toyota has done a small acquisition in the systems business. I just wanted to share views with you on that one. Do you expect further consolidation to happen in the market and probably Toyota then to become a bit more active on that?

Gordon Riske — Well, we saw Honeywell purchase Intelligrated, we saw now the movement with Toyota, we see other movements in this market. Fact is that the digitalisation of warehouses and logistic processes is a huge task to be done, all underlined with world-beating software and project execution. It is not a typical strong suit of a product of a company making forklifts so I think that is their reasoning behind it. Other than that, I do not know their internal M&A. But for us it is the absolute right move to go. It's really market driven, customer driven and we will see more of that, certainly consolidation. There are a number of players still out there, smaller ones, €100-200 million, I think there will be some add-ons and consolidations as the year passes.

Philippe Lorrain — Thank you.

Sven Weier — Yes, good afternoon. Two questions from my side please. The first one is coming back on the PPA question. You mentioned 150 for 2017, I was just wondering if you could already quantify the numbers for the years after 2017 and to what extent those PPA charges are tax deductible, which tax rate you would assume. And then coming back on the 12 percent margin target, so should we take it now that the earliest year where you

	want to achieve is at 2020 and the latest 2022 and is it still a group target as well, not just for the divisions? Thank you.
Thomas Toepfer	The PPA, please bear in mind we only have a preliminary PPA allocation at this point in time and therefore I think those things have to be handled with care. I think what you could probably assume is that PPA will decrease in 2018 to around €100 million and then I think beyond that somewhat difficult to quantify. Again, you know that those are preliminary numbers and this is why we are a little bit cautious to give more precise guidance and I hope for your understanding regarding this.
Gordon Riske	And Sven, you know this is 2017. So simple mathematics 2017, 2018, 2019 that is three, that would be 2019. So 2019 to 2021, when we say three to five and the group is group, so everything.
Sven Weier	Okay, so you did confirm it for the group as well?
Gordon Riske	Yes.
Sven Weier	Okay. Another question on the tax deductibility of the PPA charge: what tax rate do we have to assume there, the group tax or what is the assumption?
Thomas Toepfer	I think yes. The assumption is the group tax rate so I think for your models you can apply that.
Sven Weier	Okay, thank you.
Operator	The next question comes from the line of Markus Almerud of Kepler Cheuvreux. Please go ahead.

Markus Almerud

Hi, Markus Almerud here at Kepler Cheuvreux. I would like to go back to the guidance especially for the Industrial Trucks & Services. So in the midpoint you are looking for 3 percent revenue growth and at 20 basis points margin expansion - and you talked a little bit about this but I missed if it was Industrial Trucks & Services. For the group you have some headwinds from currencies, but correct me if I am wrong, you should still have some headwinds cost from Stříbro coming out of the system, right? So is there anything else? Is it a conservative assumption? How do you look upon it? That is my first question.

Thomas Toepfer

Well on that question, there are two things that we would name as headwinds, which was the transaction effects from the British pound and the pensions. I think there are a lot of little things up and down, some material which is probably rather headwind, a little bit of Stříbro, which might be a tailwind, but those things we would say largely equal out because they are smaller items. So, I think for your models I would not specifically quantify them but leave it at the two things that we have quantified as headwinds.

Markus Almerud

Okay, thank you. And then if I can move on to Retrotech and Egemin, just they are loss making in 2016: Will they contribute to your guidance in 2017? So should they turn profit-making or turn black?

Thomas Toepfer

I think the way to look at this is Retrotech will be completely integrated into Dematic. Egemin will also be strongly integrated especially with respect to the AGV business. We are joining forces between what Dematic had in AGVs and Egemin will create the largest AGV producer worldwide. So, to break out individual numbers does not make sense from our end and therefore I think the meaningful numbers is what you have in the guidance for the SCS segment, because the integration is a key to success for both Retrotech and also the AGV business of Egemin.

Markus Almerud

Okay. And then finally - I know it is difficult to say this - but there is a lot of questions and uncertainty about this. Can you just talk a little bit about the preparedness you have for a potential tax from Mexico? I know that you talk a lot about you have flexibility, you can move some production back to Grand Rapids and I assume that there will be price increases involved, etc., if there will be tax. But, can you just talk a little bit about what kind of preparedness you have for this if it would come through. That would be very helpful. Thank you.

Thomas Toepfer

Well, I mean in light of the political developments in the US, I think definitely we have flexed our strategy also with respect to the production footprint. So you will see we have kept Grand Rapids fully up and running, while at the same time having Mexico. So we feel we are in an absolutely comfortable position to flexibly allocate production, growth to either of those two sites. That is the first point. Secondly, we have made some calculations, what would an import tax mean relative to the production in Mexico. And I think up to a rate of over 20 percent it would still be economically advantageous to import from Mexico into the United States. And the third point I would be making, keep in mind Mexico is not only delivering in the US, they are also delivering into other regions like Europe, like South America. So, it is not exclusively an exclusive stream from Mexico into the US. So, we have a very flexible production footprint and as Gordon Riske mentioned very early in the presentation the strategy has always been to produce local and I think that we can fully accomplish.

Markus Almerud	Okay. Now finally very quickly if I may just a housekeeping question. Could you just give us the contribution from acquisitions, both including Retrotech for the full year, for sales and orders please? So we have the Dematic but if I could just get for the Retrotech as well.
Thomas Toepfer	Maybe I do not fully get your question. I think if your question is how to do a proxy for twelve months of Dematic I think what you just do is take the eleven months that we have given you, so the first nine months of the year, add two months, November, December, divide by eleven, multiply by twelve and then I think that gives you a good proxy for the entire year. We have not given you the October because the EBIT for that month is severely distorted by acquisition effects, etc., but if you want to derive a proxy I think this back of the envelope calculation will do.
Markus Almerud	If the sales for Retrotech in October, November, December is quite small, I just want to back out the organic growth for the business. This is what I want to do. So I want to have the sales contribution from acquisitions, sales and order contribution.
Thomas Toepfer	Okay, it is roughly €100 million.
Markus Almerud	Okay, thank you.
Operator	The next question comes from the line of Sebastian Growe of Commerzbank. Please go ahead.
Sebastian Growe	Yes, good afternoon gentlemen, can you hear me?

Gordon Riske — Yes, just perfect.

Sebastian Growe — Okay, perfect. The first one is on Dematic and the question that I have is on the margin and the trajectory for the fiscal year 2017. Could you be so kind to break it out by the expectations that you might have for the first half of the year versus your assumption for the second half of the year? I know it is not easy in a project business and the respective sales but just directionally. Could you say that you expect only 40 percent of the guided sales volume to be booked in the first half compared to then 60 percent in the second half? And the second question, a follow up to Markus' question before. The 12 percent margin ambition over time I think it is probably fair to say that getting there requires quite a significant improvement at the Monterrey plant. Against that background, can you comment what border tax assumption is behind getting to 12 percent margin target? And if I may follow up on Egemin again, we have - and I think all been a bit surprised by the loss that the company incurred in the fiscal 2016 – can you just give us a sense what the historical profitability level was in the past? And then, lastly on free cash flow just have a question on the working capital that you have planned: For Dematic if I remember correctly the working capital ratio that you alluded to at the Capital Markets Day back in 2016 it was minus 10 percent of sales. Is that still an assumption that you would feel comfortable with today? Thank you.

Thomas Toepfer — Yes, let me refer to the last question. Yes, I mean that assumption is still absolutely valid. The fact that you do not see that in the cash flow statement is simply due to the fact that we have included two months of Dematic - November, December which are absolutely not representative as I said earlier in the call. This is exactly the time where no retail client will allow

Dematic to install any systems at their site so that obviously also has an impact on working capital and payment and therefore it is not representative. The assumption of negative working capital of minus 10 percent is fully in line. I think to your third question what is the historical performance of Egemin? They were profitable and they will return to profitability but their profitability was below the KION Group average. I think that is the guidance that we have given and I can reconfirm that.

Gordon Riske — The trajectory?

Thomas Toepfer — Dematic trajectory, exactly. Sorry, no we will not break that out by quarters or months or anything. I think the only indication that I can give you that is of course in line with fixing Monterrey. The margin will increase over time through the course of 2017.

Gordon Riske — And the border tax issue, we have not built into our model a border tax because for the border tax to be defined does require some certain assumptions. For instance, the factory in Monterrey is mainly assembling things so a lot of the value add, the higher value add comes from places like Michigan, Grand Rapids, China. And as you know when you have this whole local content discussion, there are different calculations based on where does the value originate in and then go back. So I think it is just simply too early to try to take an undefined threat and put it into your business plan at this moment. So our 12 percent assumption is assuming that the business more or less in terms of the border tax situation is like now. Certainly a smaller tax will not affect us that much because as Thomas said we made a decision very, very early in the KION ten years to start moving our value add, production, sales, R&D, purchasing, capability and capacity globally around to markets where most of our customers are. So we have a very diverse set of 24 factories now around the world, all in the key markets. So we are able - because this is assembly - to move some things around. So, it is too early to try to make a complicated border tax into our business model.

Sebastian Growe

Okay, fair statement. Last question that I just have is, on the rather broad range when it comes to the sales guidance specifically for Dematic with €2.2 billion to €2.5 billion. Is it fair to assume that a lot of if you will end at the lower or the higher end will depend on indeed the progress you make at the Monterrey plant? And if I may just very, very briefly come back to the order intake trajectory. I think you just provided numbers for the first nine months and then for the last two months but just for the sake of completion can you give us a growth rate for the entire year 2016, in terms of order intake growth at Dematic? Thank you.

Thomas Toepfer

I think there is a good reason why for the month of October we were unable to provide you with. Again, if you want to arrive at a proxy, I think taking the eleven months, divide it by eleven and multiply it by twelve gives you the right number. Therefore, I think that is the best guidance for the organic growth rate in that year. The relatively wide range that we have given you for the 2017 guidance, simply reflects the fact that Dematic is a project business and therefore there is inherent lumpiness in the business that is both true for the order intake and also for the sales line and that is simply reflected in the guidance as well.

Gordon Riske

And regarding the Monterrey, let us not put everything on Monterrey. As I said we have 24 factories around the world, and not all of those are building things for Dematic, but certainly a number of factories. Our Grand Rapids factory is also very important in getting out that volume. So whether it is the top end or the bottom end of that range, it depends also on how our order intake profile works. Some of these systems can be done in a relatively short time. Other large systems do take a little bit of a longer time and to see how the cut-off date, sometimes customers do have issues along the way. I mean we have had projects with some of our bigger customers, that the construction of the building is not done on time because whatever happened in this country. So it is not solely dependent on Monterrey. Monterrey will not be the limiting factor in that case.

Sebastian Growe — Okay. Thank you very much.

Operator — The next question comes from the line of Omid Vaziri of Jefferies. Please go ahead sir.

Omid Vaziri — Yes, good afternoon everybody. My question relates to the price increases with customers in 2016, what you have you managed to achieve, and also how you expect this to develop into 2017? And whether this achievement is part of your guidance given for this year? As we know with tyre prices increasing, a lot of industry players are expecting price increases of around 5 to 8 percent for forklift trucks and a lot of that is being attributed to rising tyre prices. And clearly for your customers the replacement of tyres is a key component of overall servicing costs, and so could you please also comment on that? My second question is in relation to your performance in North America. Why was your forklift truck performance down in the fourth quarter of 2016, please? Thank you.

Gordon Riske

Okay, on the first one I am not sure I understood it 100 percent but if the prices of tyres go up it will not affect the price of the forklift by 5 to 8 percent. That certainly is not the case. However, in terms of our own pricing ability we have in normal years – and 2016 was a fairly normal year - normally try to get a price increase on the so-called list price of 2 percent and better, and we are in a normal year and again 2016 was a normal year, able to push about half of that so about 1 percent in terms of price assertion, net assertion. Our industry works kind of at a price list so the customer has some kind of discount then. And we do not see any reason to change that in 2017. We are observing of course price increases around the world but we do have longer term contracts so that we would have six months or so before that turns into our own bottom line, which gives us some time to react. In North America performance is certainly in Q4. I think for that little downturn we are talking between 70 and 100 forklifts. It is not a big number, again in a market that is 160-180 thousand forklifts. Our few thousand at this point are not critical. So if our numbers are down a little bit in the fourth quarter that was mainly due to high comps. I am much more interested in what will happen in 2017. In 2017, we will introduce the largest line-up of new forklifts that any company has ever introduced into the North American market including all the incumbents. We will introduce eight new specifically for the US market products at ProMat in April, in Chicago. So there I do expect some uplift in 2017, 2018 and 2019 based on the new products and launches that we have been working on, and talking to you about in terms of R&D, and now they are actually coming to life.

Operator

I hand back to Mr Gordon Riske for closing remarks. Please go ahead sir.

Gordon Riske	Very good. Thank you very much for the active questions, very interesting, and we look forward to seeing and hearing you all again at the next quarterly call we will have for the first quarter of 2017.