

# ANNUAL RESULTS 2017

## **KION GROUP AG** **FY 2017 Update Call**

Gordon Riske (CEO), Dr Thomas Toepfer (CFO) – Frankfurt, 1 March 2018



1. **Highlights**
2. Market Update
3. Financial Update
4. Outlook
5. Strategy “KION 2027”

# FY 2017 Strategic Highlights

## Continuous expansion of KION's offering

### » ProMat trade show attended in the US

- Release of 5 new trucks adapted to US
- Joint showcasing of Dematic, Linde, Baoli



### » Dematic agreement with AutoStore

- Expands offering to ultra-high density storage



### » Li-ion offering increased

- E-trucks with two to three tons load capacity
- Low-maintenance, long-life and energy-saving batteries

### » Strategic partnership with EP<sup>1</sup>

- Exclusive global partnership and minority interest
- Focus on entry-level warehouse equipment



### » Dematic production site in CZ completed

### » KION awarded first investment grade rating (Fitch Ratings)

### » Promissory note of ~€1bn issued and successful capital increase of €603m

1. Strategic partnership agreed in January 2018

# FY 2017 Financial Highlights

## KION fully meets adjusted outlook, achieving record results

<b>Outlook</b>	<ul style="list-style-type: none"><li>- Adjusted outlook for FY 2017 fully achieved across all KPIs</li></ul>
<b>Growth</b>	<ul style="list-style-type: none"><li>- Order intake grew to €8.0bn, revenue to €7.7bn in FY 2017</li><li>- IT&amp;S<sup>1</sup> increased its full year order intake by 8.8% to €5.9bn and revenue by 8.2% to €5.6bn</li><li>- SCS<sup>2</sup> showed an order intake of €2.1bn and revenue of €2.0bn in FY 2017</li></ul>
<b>Profitability</b>	<ul style="list-style-type: none"><li>- Adj. EBIT<sup>3</sup> of €766m results in a margin of 10.0% in FY 2017 compared to 9.6% in FY 2016</li><li>- IT&amp;S showed a slight margin increase to 11.4%, while SCS expanded its margin to 9.0%</li></ul>
<b>Indebtedness</b>	<ul style="list-style-type: none"><li>- Net financial debt lowered to €2.1bn as at Dec 2017, compared to €2.9bn in 2016</li><li>- Free cash flow of €378m generated in FY 2017</li></ul>
<b>Dividend</b>	<ul style="list-style-type: none"><li>- Net income of €426m includes positive one-time non-cash effect from US tax reform</li><li>- Proposed dividend per share increases by 23.8% to €0.99 in FY 2017</li></ul>

1. Segment Industrial Trucks & Services 2. Segment Supply Chain Solutions 3. Adjusted for PPA items and non-recurring items

# Agenda

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2. **Market Update**
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# Industrial Truck Market

## Strong final quarter across all regions

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

North America			
Q1/17	Q2/17	Q3/17	Q4/17
6.6%	8.1%	-0.9%	26.1%

Western Europe			
Q1/17	Q2/17	Q3/17	Q4/17
10.6%	7.3%	8.9%	11.6%

China			
Q1/17	Q2/17	Q3/17	Q4/17
46.3%	36.5%	39.0%	35.0%

Eastern Europe			
Q1/17	Q2/17	Q3/17	Q4/17
42.0%	14.8%	14.1%	19.4%

South/Central America			
Q1/17	Q2/17	Q3/17	Q4/17
16.6%	28.2%	32.4%	39.8%

World			
Q1/17	Q2/17	Q3/17	Q4/17
19.4%	15.5%	15.5%	21.0%

Source: WITS/FEM

# Industrial Truck Market

## KION continues to benefit from strong market growth

### Industrial trucks: Regional development

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

	FY 2017		Q4 2017	
	Market	KION	Market	KION
Western Europe	+9.7% ↑	+9.1% ↑	+11.6% ↑	+8.6% ↑
Eastern Europe	+21.6% ↑	+26.1% ↑	+19.4% ↑	+29.5% ↑
China	+39.1% ↑	+22.4% ↑	+35.0% ↑	+14.3% ↑
North America	+10.2% ↑	+58.5% ↑	26.1% ↑	+19.8% ↑
South/Central America	+29.8% ↑	+8.3% ↑	+39.8% ↑	+21.3% ↑
World	1,397 +17.9% ↑	201 +13.0% ↑	371 +21.0% ↑	54 +10.9% ↑

Source: WITS/FEM

### Western Europe

- **Market:** Persisting growth momentum
- **KION:** Strong growth

### Eastern Europe

- **Market:** Steady growth in key markets
- **KION:** Above market growth

### China

- **Market:** Very strong dynamics
- **KION:** Record levels

### North America

- **Market:** Strong final quarter
- **KION:** Very good progress

### South/Central America

- **Market:** Recovery continues
- **KION:** Good finish below strong market

# Supply Chain Solutions Market

## Growth drivers and trends remain intact

### Market growth drivers

E-commerce

Automation

Digitalisation

### Growth proxies 2017

**+17%**  
Global  
E-commerce  
growth<sup>1</sup>

**+12%**  
Growth in  
German  
logistics  
space<sup>3</sup>

**+9%**  
Global  
warehouse  
capex<sup>2</sup>

1. Outlook for global E-commerce growth in 2017; Ecommerce Foundation 9/2017 2. Growth in capital expenditure on enlarging and modernising warehouses and on the related technologies increased in 2017; Peerless Research Group 2017 3. Growth in demand for logistics premises in Germany in 2017; bulwiengesa AG Report 10/2017



# Agenda

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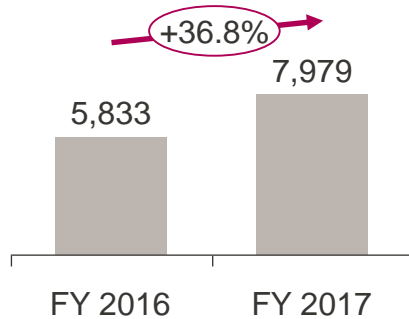
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# FY 2017 Key Financials

## Continued strong profitable growth

### Order intake

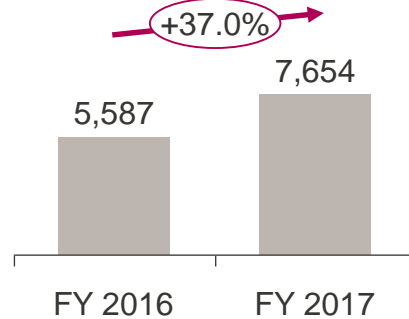
(in €m)



- Negative FX translation effect of -€47m<sup>1</sup>
- Order book of €2.6bn above previous year

### Revenue

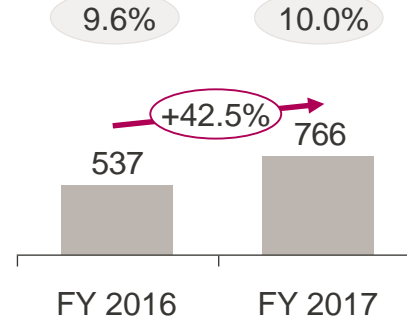
(in €m)



- Negative FX translation effect of -€48m<sup>1</sup>
- Book-to-bill ratio 1.04x

### Adj. EBIT and margin

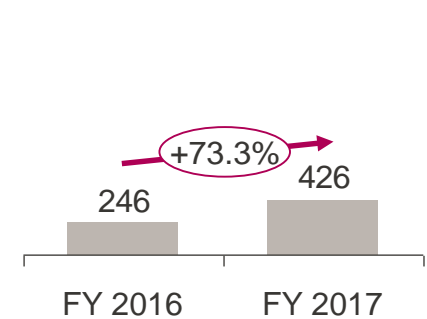
(in €m and %)



- Adj. EBIT margin improves despite material cost headwinds and FX transaction effects

### Net Income

(in €m)



- Positive effect of €92m from US tax reform
- Proposed dividend of €0.99, 35% payout ratio<sup>2</sup>

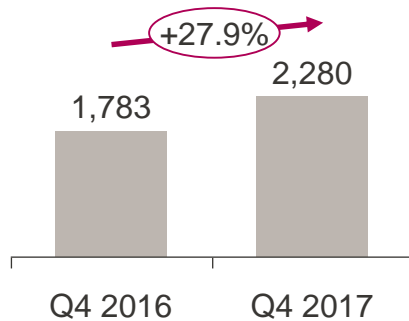
1. Relating only to IT&S segment 2. Proposed dividend is based on pro forma EPS of €2.91 for FY 2017, which is adjusted due to the one-off non-cash effect resulting from the remeasurement of deferred taxes in connection with the corporate tax rate reduction approved in the US

# Q4 2017 Key Financials

## Margin improvement despite headwinds

### Order intake

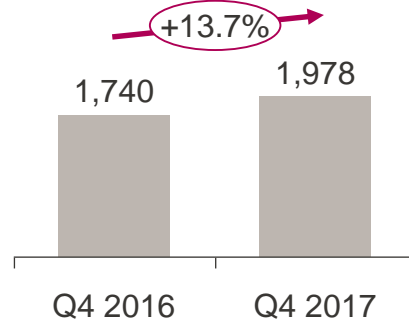
(in €m)



- Negative FX translation effect of -€20m<sup>1,2</sup>

### Revenue

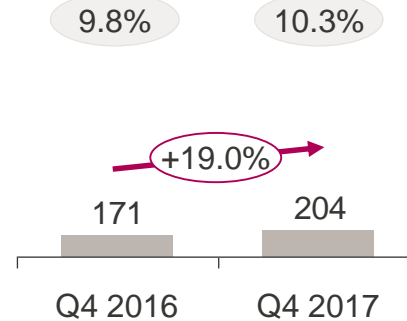
(in €m)



- Negative FX translation effect of -€21m<sup>1,2</sup>
- Book-to-bill ratio 1.15x

### Adj. EBIT and margin

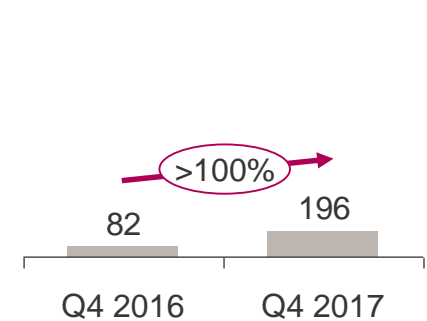
(in €m and %)



- Adj. EBIT margin improves despite material cost headwinds and FX transaction effects

### Net Income

(in €m)



- Positive effect of €92m from US tax reform

1. Calculated as delta between FX-effects for FY 2017 and Q1-Q3 2017 2. Relating only to IT&S segment

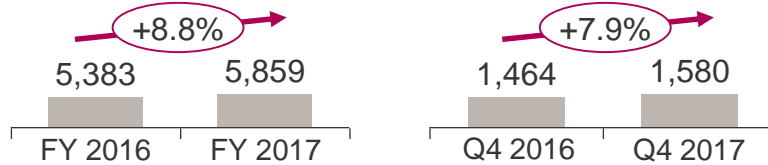
# Industrial Trucks & Services

## Continued growth and slight margin improvement in FY 2017

### Key financials

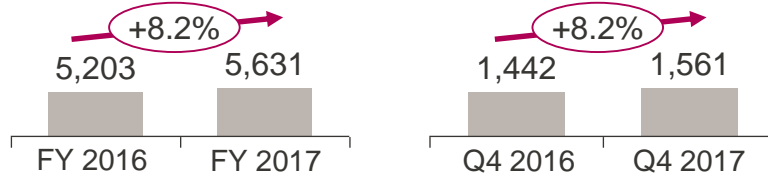
#### Order intake

(in €m)



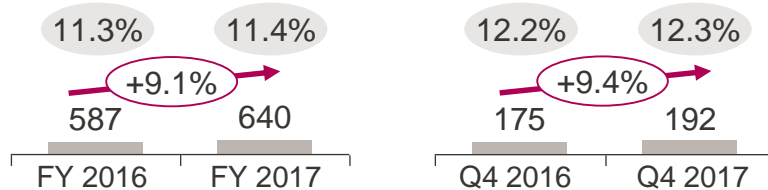
#### Revenue

(in €m)



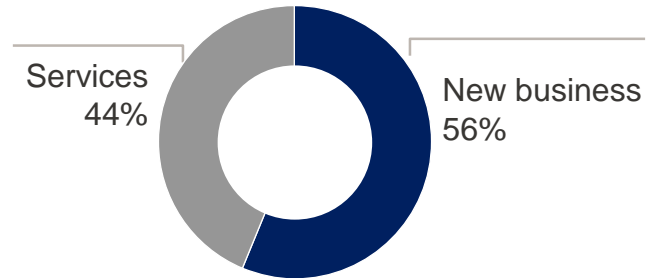
#### Adj. EBIT and margin

(in €m and %)



### Revenue by category

Based on FY 2017 financials



# Supply Chain Solutions

## First full year results of Dematic with margin improvement

### Key financials

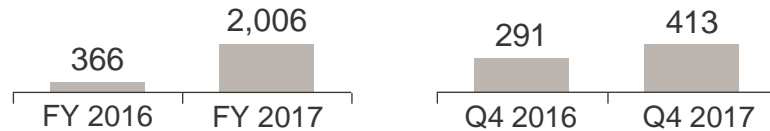
#### Order intake

(in €m)



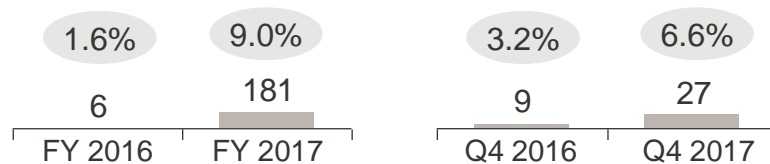
#### Revenue

(in €m)



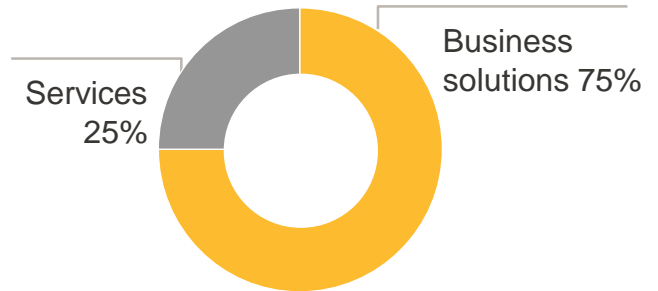
#### Adj. EBIT and margin

(in €m and %)



### Revenue by category

Based on FY 2017 financials



### Segment composition

- Dematic: consolidated as of Nov 2016
- Retrotech: consolidated as of Mar 2016

## Adjusted EBITDA to Net Income

Net income increase includes one-time non-cash effect of US tax reform

(in €m)	FY 2017	FY 2016	Change	Q4 2017	Q4 2016	Change
<b>Adjusted EBITDA</b>	<b>1.224</b>	<b>932</b>	<b>31.4%</b>	<b>325</b>	<b>278</b>	<b>17.2%</b>
D&A	458	394	16.2%	122	106	14.3%
<b>Adjusted EBIT</b>	<b>766</b>	<b>537</b>	<b>42.5%</b>	<b>204</b>	<b>171</b>	<b>19.0%</b>
Non-recurring items (NRI)	-40	-42	-4.9%	-13	-14	-7.9%
PPA items	-176	-60	>100%	-37	-40	-8.6%
<b>Reported EBIT</b>	<b>549</b>	<b>435</b>	<b>26.3%</b>	<b>154</b>	<b>117</b>	<b>31.9%</b>
Net financial expenses	-81	-96	-15.3%	-19	-16	19.7%
<b>EBT</b>	<b>468</b>	<b>339</b>	<b>38.1%</b>	<b>135</b>	<b>101</b>	<b>33.9%</b>
Taxes	-42	-93	-55.0%	61	-19	<-100%
<b>Net income</b>	<b>426</b>	<b>246</b>	<b>73.3%</b>	<b>196</b>	<b>82</b>	<b>&gt;100%</b>
Reported EPS	€3.72	€2.38		€1.66	€0.77	
Pro forma EPS <sup>1</sup>	€2.91	–		€0.88	–	
Adjusted EBITDA margin	16.0%	16.7%		16.5%	16.0%	
Adjusted EBIT margin	10.0%	9.6%		10.3%	9.8%	

### Explanations

- Non-recurring items result mainly from expenses relating to integration costs and the Monterrey ramp-up
- PPA in 2017 relates mainly to Dematic
- Net financial expenses reflect among others optimised financing structure
- Pro forma EPS adjusted for positive one-time non-cash effect of US tax reform

1. Pro forma EPS of €2.91 for FY 2017 is adjusted due to the one-off non-cash effect resulting from the remeasurement of deferred taxes in connection with the corporate tax rate reduction approved in the US

## Free Cash Flow Statement

### Free cash flow supported by operating performance

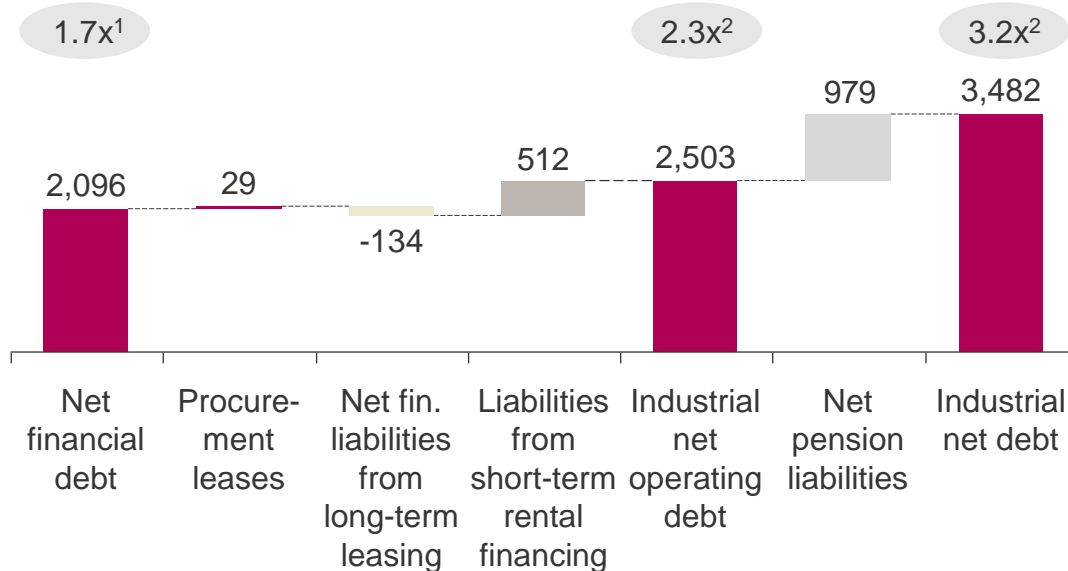
(in €m)	FY 2017	FY 2016	Change	Explanations
EBITDA	1,186	889	33.3%	- Operating performance drives strong free cash flow
Change in Net Working Capital (NWC)	-110	-29	<-100%	
Taxes paid	-136	-109	-25.4%	- NWC reflects higher business volume
Pension payments	-28	-21	-36.6%	
Other	54	-39	>100%	- FY 2016 included cash outflows due to pre-contract expenses at Dematic in connection with the acquisition by KION
Rental capex (net)	-206	-158	-30.1%	
Change in leased assets and lease receivables/liabilities	-144	-120	-19.3%	
<b>CF from operating activities</b>	<b>616</b>	<b>414</b>	<b>48.6%</b>	
Operating capex	-218	-167	-31.0%	
Acquisitions	-13	-2,119	99.4%	
Other	-6	21	<-100%	
<b>CF from investing activities</b>	<b>-238</b>	<b>-2,264</b>	<b>89.5%</b>	
<b>Free cash flow</b>	<b>378</b>	<b>-1,850</b>	<b>&gt;100%</b>	

## Net Debt

### Net debt and leverage significantly reduced

#### Net debt as at 31 Dec 2017

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



#### Net debt development

- Group net financial debt significantly lowered by €808m compared to Dec 2016 as a result of capital increase in May 2017 and strong FCF generation
- Leverage on industrial net operating debt materially lower from 3.4x in Dec 2016
- Net pension liabilities remained almost unchanged compared to Dec 2016

#### Long-term leasing business

- Assets for long-term leasing of €1,398m
- Correspondingly, funding via SALB of €1,131m

1. Based on pro-forma LTM adjusted EBITDA 2. Based on pro-forma LTM adjusted industrial EBITDA (excluding LTM EBITDA for long-term leasing)

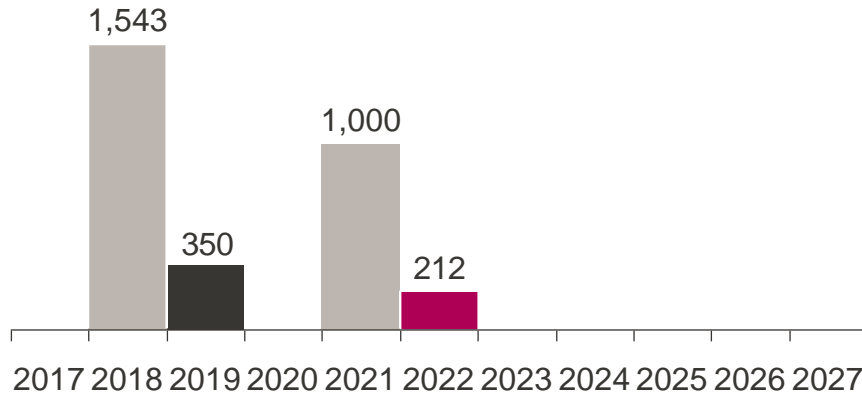


# Financing Structure

## Maturity profile significantly improved

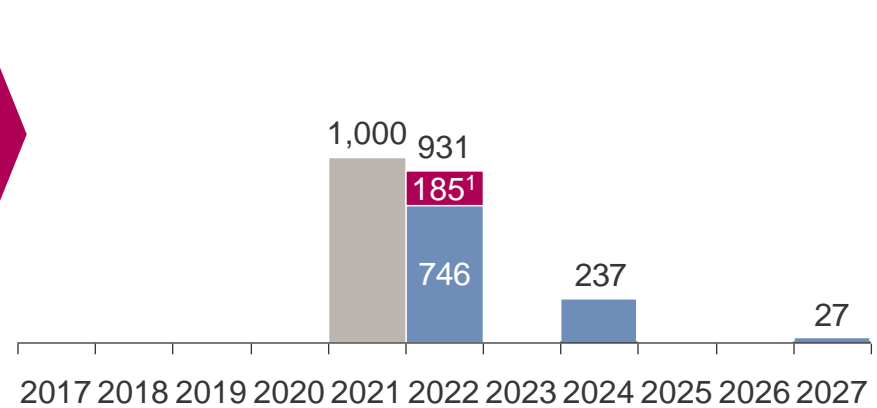
### Financing Structure as at 31 Dec 2016

(in €m)



### Financing Structure as at 31 Dec 2017

(in €m)



SFA tranche
  Drawing under RCF
  Acquisition term loan
  Promissory note

1. In January 2018, the term of the RCF was extended by one year. The RCF can now be utilized until February 2023

## IFRS Impact

### New IFRS accounting mainly results in balance sheet extension

#### New IFRS accounting standards applied as of 1 Jan 2018

##### IFRS 9

(Financial instruments)

- Changes in classification requirements without material impact on KION's financial statements
- Expected loss model reduces loss provisions on financial assets
- Hedge relations are expected to be maintained

##### IFRS 15

(Revenue from contracts with customers)

- For IT&S, no material changes in revenue recognition for sales & service contracts
- For SCS, revenue for selected construction contracts will be affected by timing shifts

##### IFRS 16

(Leases)

- Transactions previously shown as outright sales to either refinancing or vendor partners will be classified as lease transactions
- Procurement leases will be on balance, in general, stating right-of-use assets and liabilities from procurement leases

#### Estimated one-time impact

(in €m)	Min	Max
Assets	25	35
Equity	25	35

(in €m)	Min	Max
Assets	0	50
Liabilities	0	50

(in €m)	Min	Max
Assets	900	1,000
Liabilities	1,070	1,230
Equity <sup>1</sup>	-145	-195

1. Including deferred taxes












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5. Strategy “KION 2027”

# FY 2017 Outlook Comparison

## Adjusted guidance achieved for all KPIs

(in €m)	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	Adj. Outlook <sup>1</sup> FY 2017	FY 2017	Adj. Outlook <sup>1</sup> FY 2017	FY 2017	Adj. Outlook <sup>1</sup> FY 2017	FY 2017
<b>Order intake</b>	7,550 – 7,900	7,979 	5,650 – 5,800	5,859 	1,900 – 2,100	2,099 
<b>Revenue</b>	7,400 – 7,700	7,654 	5,450 – 5,600	5,631 	1,950 – 2,100	2,006 
<b>Adj. EBIT</b>	715 – 765	766 	605 – 630	640 	170 – 195	181 
<b>FCF</b>	320 – 380	378 				
<b>ROCE</b>	9.0% – 10.0%	9.9% 				

 Achieved

1. Outlook for FY 2017 (in €m) as published in Annual Report FY 2016: **KION Group**: Order intake 7,800 – 8,250; Revenue 7,500 – 7,950; Adj. EBIT 740 – 800; FCF 370 – 430; ROCE 9.5% – 10.5%; **Industrial Trucks & Services**: Order intake 5,450 – 5,600; Revenue 5,300 – 5,450; Adj. EBIT 605 – 630; **Supply Chain Solutions**: Order intake 2,350 – 2,650; Revenue 2,200 – 2,500; Adj. EBIT 195 – 230

## FY 2018 Outlook

### Profitable growth set to continue

(in €m)	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	FY 2017	Outlook FY 2018	FY 2017	Outlook FY 2018	FY 2017	Outlook FY 2018
<b>Order intake</b>	7,979	8,050 – 8,550	5,859	5,950 – 6,150	2,099	2,100 – 2,400
<b>Revenue</b>	7,654	7,700 – 8,200	5,631	5,700 – 5,900	2,006	2,000 – 2,300
<b>Adj. EBIT</b>	766	770 – 835	640	650 – 685	181	180 – 215
<b>FCF<sup>1</sup></b>	378	410 – 475				
<b>ROCE<sup>1</sup></b>	9.9%	8.7% – 9.7%				

1. FCF and ROCE for FY 2018 are adjusted by effects of new IFRS accounting standards Note: Please see disclaimer on last page regarding forward-looking statements

# Agenda

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# Strategy KION 2027

## New starting position following acquisition of Dematic

### New starting position

Dematic acquisition



New governance

Industrial Trucks & Services



Supply Chain Solutions



Corporate Services

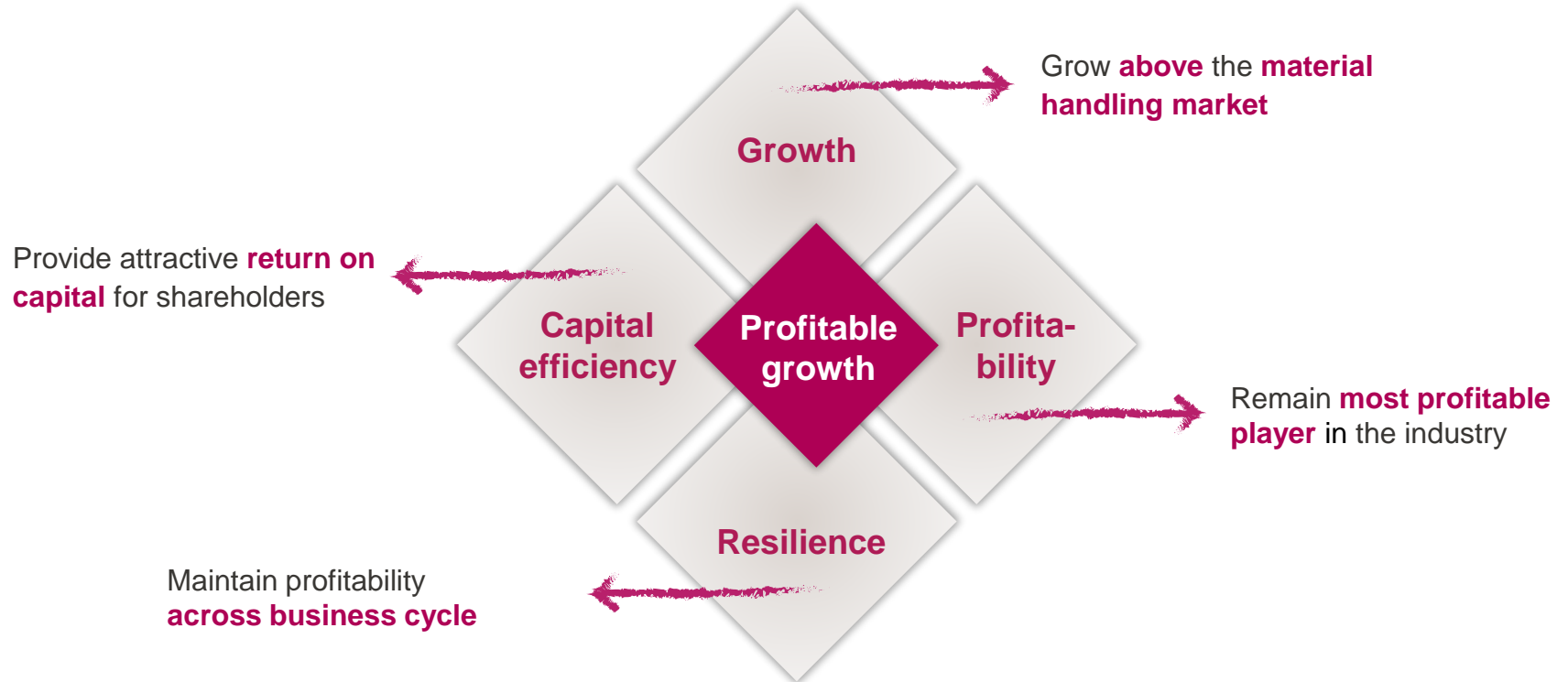


Updated strategy

**KION  
2027**

# Strategy KION 2027

## Strategy maintains aspiration for profitable growth





# Strategy KION 2027

## Strategic fields of action set priorities to achieve aspiration

We transform our business into the digital world. For customers we develop **digital solutions** to improve their intralogistics efficiency. Internally we **digitalise our processes** to improve our performance.

We are leading the material handling industry in the **efficient use of energy** through our products and solutions. We focus on **new energy sources** for **industrial trucks** and related **services**.

We **drive innovation** in the material handling industry through an effective **innovation ecosystem** and a state-of-the-art **development process & speed**.



Our solutions allow customers to benefit from **automation effectively**, supporting them on their journey to “lights-out” warehouses.

We continuously improve the **efficiency in our group** as well as the **performance of our products**.

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Date	Event
6 March 2018	Capital Markets Day
26 April 2018	Quarterly statement for the period ended 31 Mar 2018 (Q1 2018) and analyst call
9 May 2018	Annual General Meeting
26 July 2018	Interim report for the period ended 30 Jun 2018 (Q2 2018) and analyst call
25 October 2018	Quarterly statement for the period ended 30 Sep 2018 (Q3 2018) and analyst call

Subject to change without notice

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