



**KION GROUP AG**

## **Q2 2017 Update Call**

Gordon Riske (CEO), Dr Thomas Toepfer (CFO) – Wiesbaden, 26 July 2017

**KION**<sup>™</sup>  
GROUP

# Agenda

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

## Q2 2017 Strategic Highlights

### Broad new product line-up released at ProMat 2017

#### ► ProMat: Successful Chicago trade show in April

- Release of 5 new forklift trucks adapted to the US market
- Result of KION's global platform strategy
- First time Linde, Baoli and Dematic were jointly showcasing their products
- KION offering covers the entire supply chain from forklifts to automated solutions

#### ► Capital increase completed

- Gross proceeds of ~€603m
- Used to further refinance the Dematic acquisition



# Q2 2017 Financial Highlights

## KION maintains strong profitable growth

<b>Outlook</b>	<ul style="list-style-type: none"><li>- Outlook for FY 2017 confirmed</li></ul>
<b>Growth</b>	<ul style="list-style-type: none"><li>- Order intake and revenue grew to €2bn in Q2 2017</li><li>- IT&amp;S<sup>1</sup> segment with continued strong growth</li><li>- SCS<sup>2</sup> segment growth mainly driven by Dematic acquisition</li></ul>
<b>Profitability</b>	<ul style="list-style-type: none"><li>- Adj. EBIT<sup>3</sup> of €214m results in margin of 10.6% in Q2 2017</li><li>- Margin above strong previous-year level</li></ul>
<b>Indebtedness</b>	<ul style="list-style-type: none"><li>- Net financial debt reduced to €2.3bn as at Jun 2017 following capital increase</li><li>- Strong free cash flow of €101m in H1 2017</li></ul>

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

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# Market Development

## Industrial truck market maintains dynamic growth

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

North America			
Q3/16	Q4/16	Q1/17	Q2/17
12.3%	0.9%	6.6%	8.1%

Western Europe			
Q3/16	Q4/16	Q1/17	Q2/17
13.9%	9.7%	10.6%	7.3%

China			
Q3/16	Q4/16	Q1/17	Q2/17
22.4%	33.9%	46.3%	36.5%

Eastern Europe			
Q3/16	Q4/16	Q1/17	Q2/17
21.0%	18.2%	42.0%	14.8%

South/Central America			
Q3/16	Q4/16	Q1/17	Q2/17
-8.9%	5.0%	16.6%	28.2%

World			
Q3/16	Q4/16	Q1/17	Q2/17
13.2%	12.4%	19.4%	15.5%

Source: WITS/FEM; Note: Country allocation according to new governance

# KION Development

## KION grows in line with strong global market

### Industrial trucks: Regional development

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

	H1 2017		Q2 2017	
	Market	KION	Market	KION
Western Europe	+9.1% ↑	+8.9% ↑	+7.3% ↑	+9.7% ↑
Eastern Europe	+27.3% ↑	+31.1% ↑	+14.8% ↑	+23.2% ↑
China	+41.3% ↑	+28.8% ↑	+36.5% ↑	+20.1% ↑
North America	+7.4% ↑	>100.0% ↑	+8.1% ↑	>100.0% ↑
South/Central America	+22.8% ↑	+1.5% ↑	+28.2% ↑	-10.3% ↓
World	694.1 +17.4% ↑	102.4 +14.9% ↑	343.6 +15.5% ↑	52.5 +15.3% ↑

Source: WITS/FEM; Note: Country allocation according to new governance

### Western Europe

- **Market:** Persisting growth momentum
- **KION:** Above market in Q2

### Eastern Europe

- **Market:** Strong growth across markets, esp. in Russia
- **KION:** Growing ahead of market

### China

- **Market:** Very strong dynamics
- **KION:** Strong growth continues

### North America

- **Market:** Steady growth trend
- **KION:** Effect from new product introductions

### South/Central America

- **Market:** Recovery continues
- **KION:** Volatile demand in Brazil

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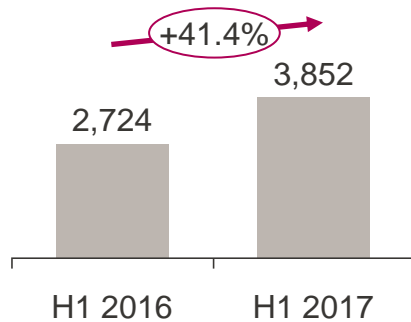


# H1 2017 Key Financials

## Continued strong profitable growth

### Order intake

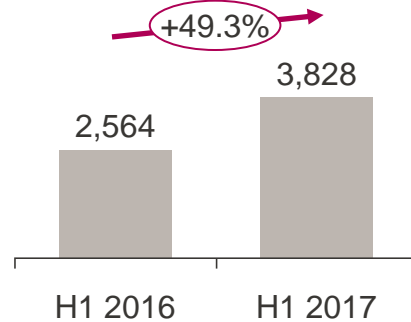
(in €m)



- No material FX-impact
- Order book of €2.2bn remains at high year-end level

### Revenue

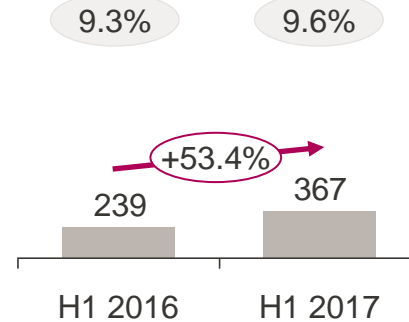
(in €m)



- No material FX-impact
- Book-to-bill ratio 1.01x

### Adj. EBIT and margin

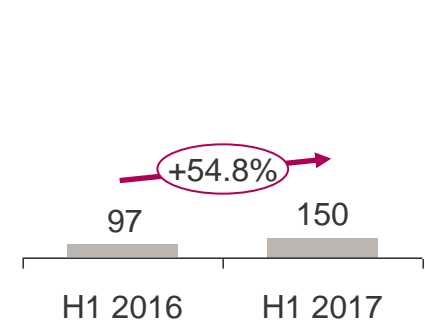
(in €m and %)



- Adj. EBIT margin driven by growth and implementation of margin upside measures

### Net Income

(in €m)



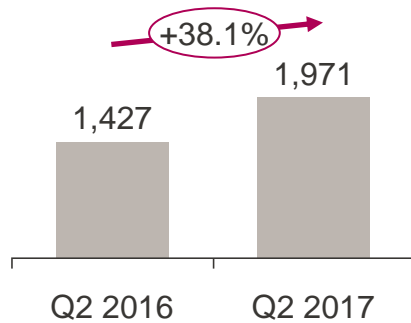
- Strong increase despite PPA-effect from Dematic acquisition

## Q2 2017 Key Financials

Strong set of results driven by continued momentum

### Order intake

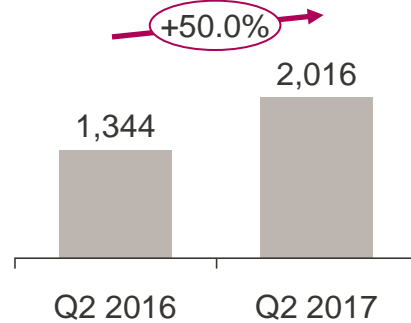
(in €m)



- No material FX-impact

### Revenue

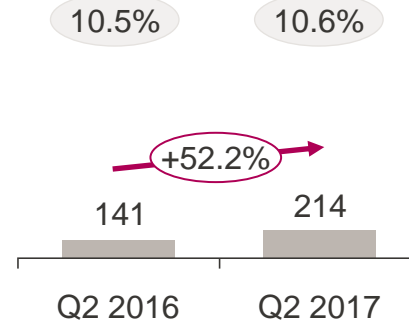
(in €m)



- No material FX-impact
- Book-to-bill ratio 0.98x

### Adj. EBIT and margin

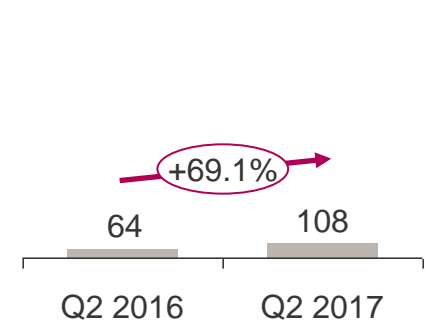
(in €m and %)



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

### Net Income

(in €m)



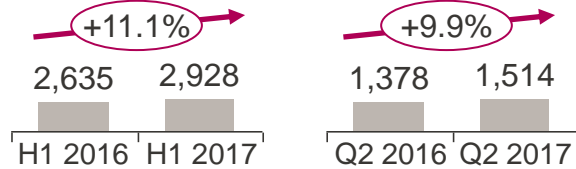
- Strong increase despite PPA-effect from Dematic acquisition

# Industrial Trucks & Services

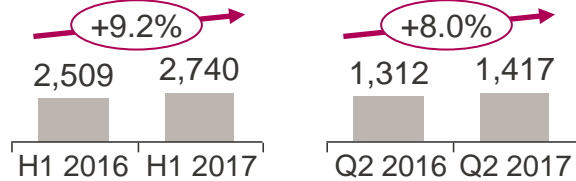
## Significant topline growth in Q2 2017

### Key financials

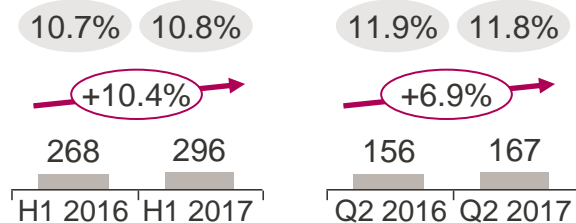
**Order intake**  
(in €m)



**Revenue**  
(in €m)

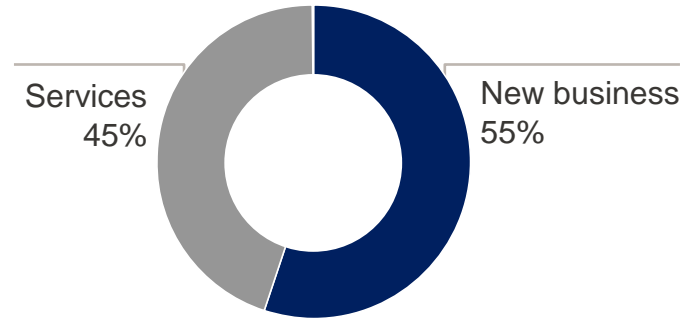


**Adj. EBIT and margin**  
(in €m and %)



### Revenue by category

Based on FY 2016 financials



# Supply Chain Solutions

## Strong margin with 10.3% in Q2 2017

### Key financials

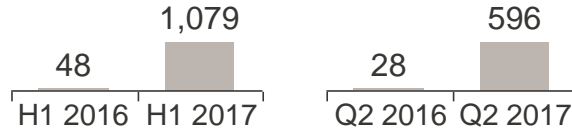
#### Order intake

(in €m)



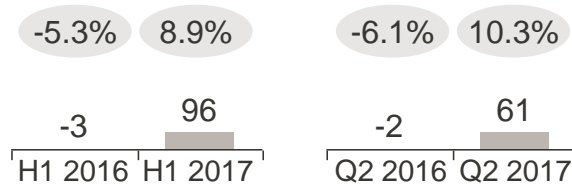
#### Revenue

(in €m)



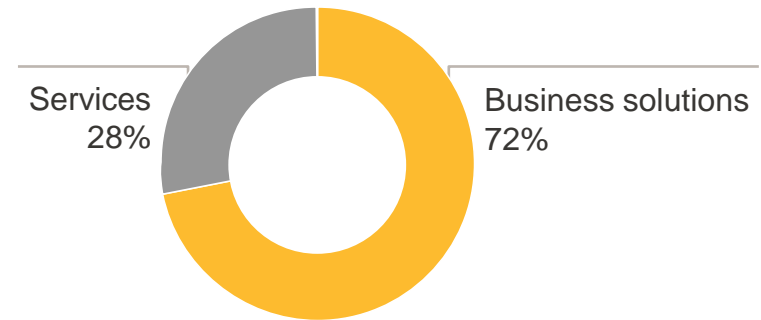
#### Adj. EBIT and margin

(in €m and %)



### Revenue by category

Based on FY 2016 financials



### Segment composition

- Egemin: consolidated as of Aug 2015
- Retrotech: consolidated as of Mar 2016
- Dematic: consolidated as of Nov 2016

## Adjusted EBITDA to Net Income

### Strong net income increase despite Dematic PPA

(in €m)	H1 2017	H1 2016	Change	Q2 2017	Q2 2016	Change
<b>Adjusted EBITDA</b>	<b>589</b>	<b>430</b>	<b>37.0%</b>	<b>326</b>	<b>238</b>	<b>36.8%</b>
D&A	222	191	16.4%	112	97	14.7%
<b>Adjusted EBIT</b>	<b>367</b>	<b>239</b>	<b>53.4%</b>	<b>214</b>	<b>141</b>	<b>52.2%</b>
Non-recurring items (NRI)	-15	-20	-23.6%	-6	-17	-67.5%
PPA items	-92	-14	>100%	-45	-7	>100%
<b>Reported EBIT</b>	<b>260</b>	<b>206</b>	<b>26.5%</b>	<b>164</b>	<b>117</b>	<b>40.1%</b>
Net financial expenses	-45	-63	-29.4%	-9	-23	-61.5%
<b>EBT</b>	<b>216</b>	<b>143</b>	<b>51.3%</b>	<b>155</b>	<b>94</b>	<b>64.8%</b>
Taxes	-65	-45	43.7%	-47	-30	55.6%
<b>Net income</b>	<b>150</b>	<b>97</b>	<b>54.8%</b>	<b>108</b>	<b>64</b>	<b>69.1%</b>
Reported EPS	€1.35	€0.97		€0.95	€0.64	
Adjusted EBITDA margin	15.4%	16.8%		16.2%	17.7%	
Adjusted EBIT margin	9.6%	9.3%		10.6%	10.5%	

#### 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 supported by optimised financing structure

# Free Cash Flow Statement

## Strong free cash flow

(in €m)	H1 2017	H1 2016	Change
EBITDA	574	413	39.0%
Change in Net Working Capital (NWC)	-94	-111	15.0%
Taxes paid	-54	-56	4.2%
Pension payments	-17	-12	-44.9%
Other	-15	-10	-59.3%
Rental capex (net)	-103	-90	-15.2%
Change in leased assets and lease receivables/liabilities	-90	-58	-53.5%
<b>CF from operating activities</b>	<b>201</b>	<b>77</b>	<b>&gt;100%</b>
Operating capex	-92	-64	-43.6%
Acquisitions	-	-27	100%
Other	-8	5	<-100%
<b>CF from investing activities</b>	<b>-100</b>	<b>-87</b>	<b>-15.0%</b>
<b>Free cash flow</b>	<b>101</b>	<b>-10</b>	<b>&gt;100%</b>

### Explanations

- Operating performance drives strong free cash flow

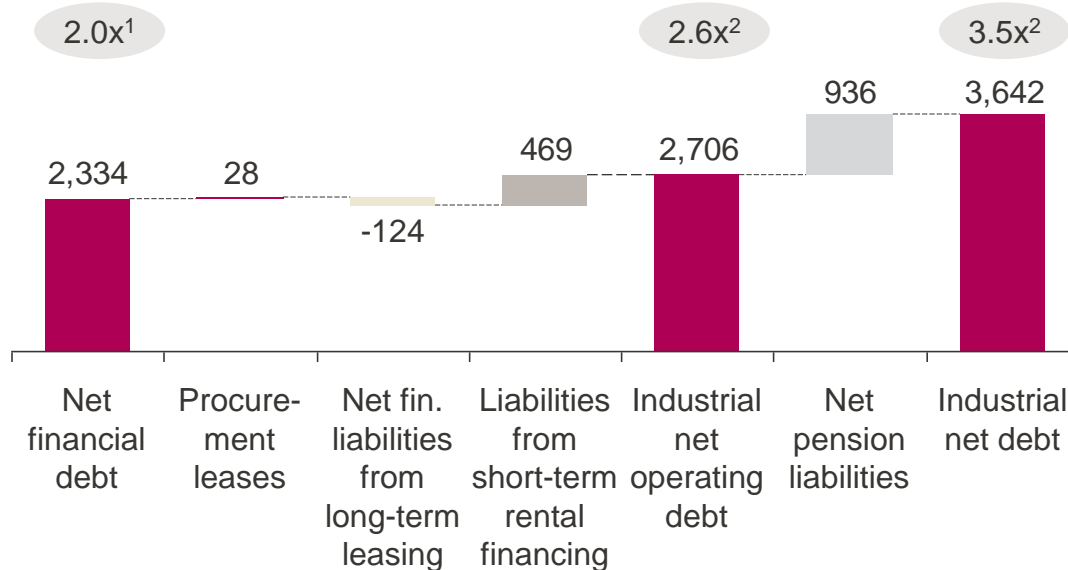
- NWC includes inventories, trade receivables, trade payables as well as advances received and unbilled construction contracts (net)

## Net Debt

### Improvement in net debt and leverage following capital increase

#### Net debt as at 30 Jun 2017

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



#### Net debt development

- Group net financial debt decreased by €524m compared to Mar 2017 following successful capital increase
- Leverage on industrial net operating debt reduced from 3.2x as at Mar 2017
- Net pension liabilities decreased by €36m compared to Mar 2017

#### Long-term leasing business

- Assets for long-term leasing of €1,228m
- Correspondingly, funding via SALB of €1,038m

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

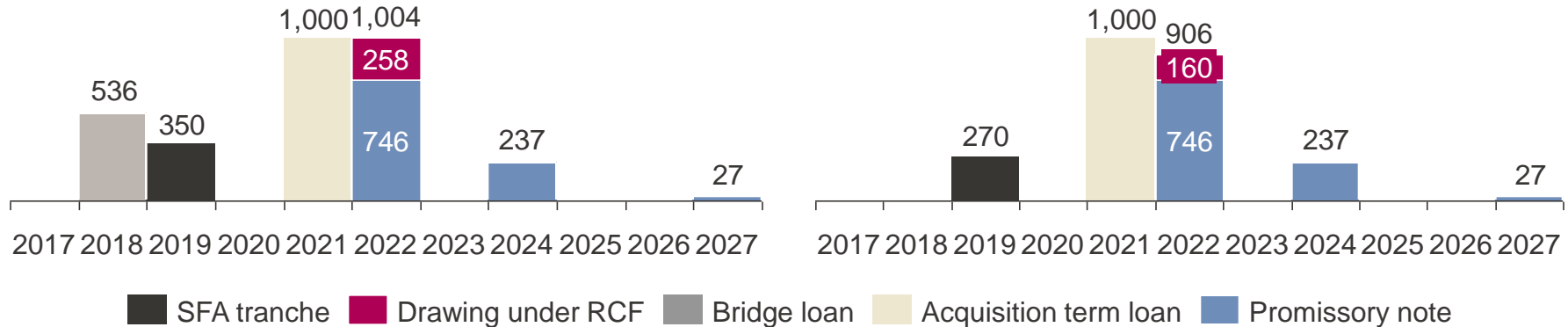
## Capital increase further improves maturity profile

### Pre capital increase as at 31 March 2017

(in €m)

### Post capital increase as at 30 June 2017

(in €m)





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## FY 2017 Outlook

### Guidance detailed by segment

(in €m)	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	FY 2016	Outlook FY 2017	FY 2016	Outlook FY 2017	FY 2016	Outlook FY 2017
<b>Order intake</b>	5,833	7,800 – 8,250	5,383	5,450 – 5,600	431	2,350 – 2,650
<b>Revenue</b>	5,587	7,500 – 7,950	5,203	5,300 – 5,450	366	2,200 – 2,500
<b>Adj. EBIT</b>	537	740 – 800	587	605 – 630	6	195 – 230
<b>FCF</b>	-1,850	370 – 430				
<b>ROCE</b>	6.8%	9.5% – 10.5%				

 Key performance indicators (KPIs)

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

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Date	Event
26 July 2017	Interim report for the period ended 30 June 2017 (Q2 2017) and analyst call
26 October 2017	Quarterly statement for the period ended 30 Sep 2017 (Q3 2017) and analyst call
1 March 2018	Financial statements press conference and analyst call Publication of 2017 annual report (FY 2017)
26 April 2018	Quarterly statement for the period ended 31 Mar 2018 (Q1 2018) and analyst call

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