

# QUARTERLY RESULTS

## Q1 2018

**KION GROUP AG**

**Q1 2018 Update Call**

Gordon Riske (CEO) – Frankfurt, 26 April 2018



# Agenda

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

# Q1 2018 Strategic Highlights

## First initiatives implemented under updated strategy KION 2027

» Updated strategy KION 2027 sets course for further profitable growth over the next decade

KION  
2027

» New Robotics Center of Excellence



» Enhanced digital offering for fleet management



» Strategic partnership with EP Equipment



» Start of KION Digital Campus

» Start of production at new Dematic site in Czech Republic

# Q1 2018 Financial Highlights

## KION continues to generate profitable growth despite headwinds

### Outlook

- Outlook for FY 2018 confirmed

### Growth

- Order intake at strong prior-year level of €1.9bn, revenue grew by 2.4% to €1.8bn in Q1 2018
- IT&S<sup>1</sup> order intake increased by 5.0% to €1.5bn and revenue by 4.2% to €1.4bn
- SCS<sup>2</sup> order intake decreased by -14.1% to €396m and revenue by -2.3% to €471m impacted significantly by FX headwinds

### Profitability

- Adj. EBIT<sup>3</sup> of €158m results in a margin of 8.6% in Q1 2018 compared to 8.4% in Q1 2017
- IT&S margin increased to 9.9% and SCS margin to 7.4%, both up 0.2%-pts over prior year
- Both segments saw margin expansion despite headwinds from material and labour cost

### Indebtedness

- Net financial debt of €2.1bn as of Mar 2018 remains unchanged compared to Dec 2017
- Lower free cash flow of €13m in Q1 2018 impacted by working capital increase

1. Segment Industrial Trucks & Services 2. Segment Supply Chain Solutions 3. Adjusted for PPA items and non-recurring items  
Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

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# Industrial Truck Market

## Global market continues growth with some normalisation

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

North America			
Q2/17	Q3/17	Q4/17	Q1/18
8.1%	-0.9%	26.1%	19.2%

Western Europe			
Q2/17	Q3/17	Q4/17	Q1/18
7.3%	8.9%	11.6%	4.7%

China			
Q2/17	Q3/17	Q4/17	Q1/18
36.5%	39.0%	35.0%	15.2%

Eastern Europe			
Q2/17	Q3/17	Q4/17	Q1/18
14.8%	14.1%	19.4%	17.8%

South/Central America			
Q2/17	Q3/17	Q4/17	Q1/18
28.2%	32.4%	39.8%	29.0%

World			
Q2/17	Q3/17	Q4/17	Q1/18
15.5%	15.5%	21.0%	12.0%

Source: WITS/FEM

# Industrial Truck Market

## KION sees a good start into 2018

### Industrial trucks: Regional development

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

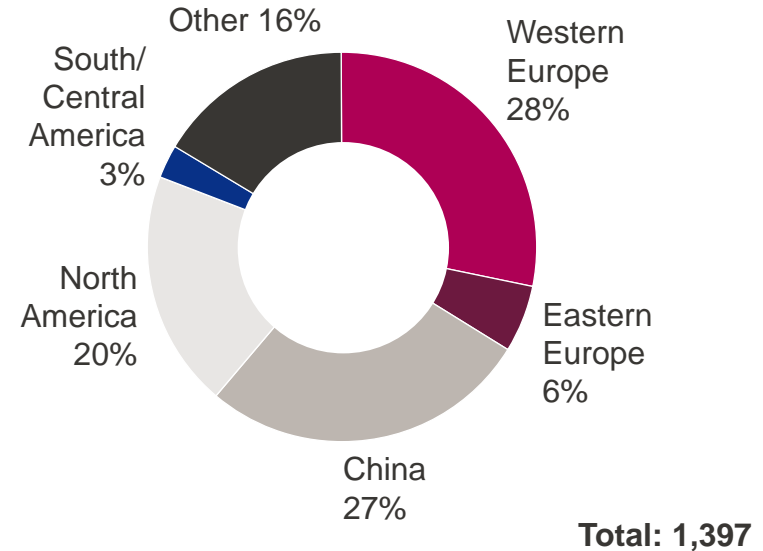
**Q1 2018**

	Market	KION
<b>Western Europe</b>	+4.7% ↑	+7.7% ↑
<b>Eastern Europe</b>	+17.8% ↑	+9.5% ↑
<b>China</b>	+15.2% ↑	+0.5% →
<b>North America</b>	+19.2% ↑	+24.5% ↑
<b>South/Central America</b>	+29.0% ↑	+24.4% ↑
<b>World</b>	<b>392.6</b> +12.0% ↑	<b>53.5</b> +7.3% ↑

Source: WITS/FEM

### Industrial trucks: Market by region

Order intake FY 2017 (in '000 units)



# Agenda

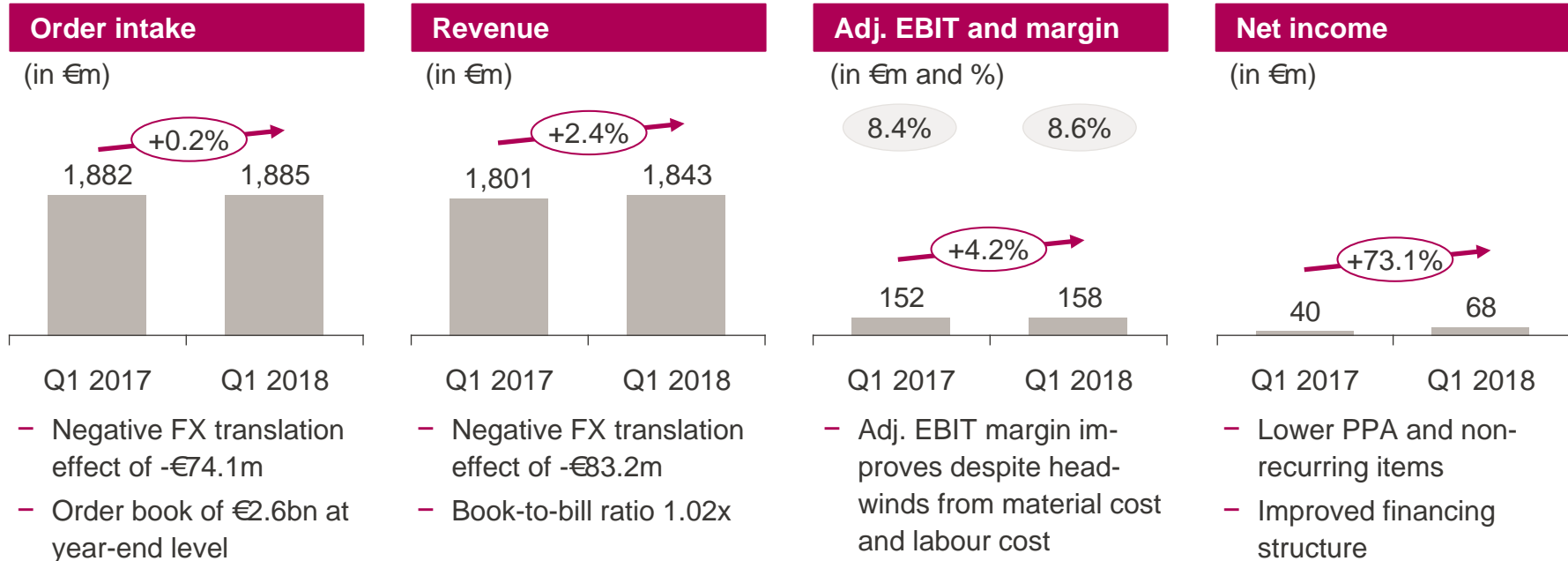
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# Q1 2018 Key Financials

## Margin improvement despite headwinds



Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

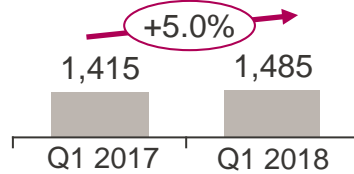
# Industrial Trucks & Services

## Continued growth and margin expansion in Q1 2018

### Key financials

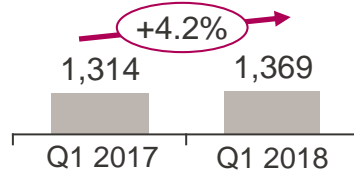
#### Order intake

(in €m)



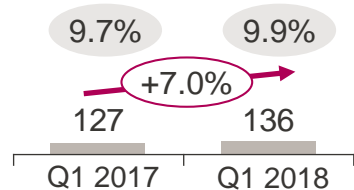
#### Revenue

(in €m)



#### Adj. EBIT and margin

(in €m and %)



### Currency effects

#### FX translation effect

Q1 2018

Order intake

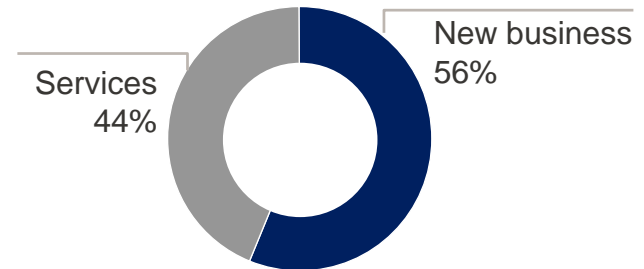
-€32.0m

Revenue

-€30.1m

### Revenue by category

Based on FY 2017 financials



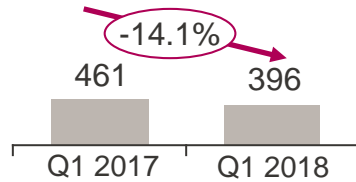
Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

# Supply Chain Solutions

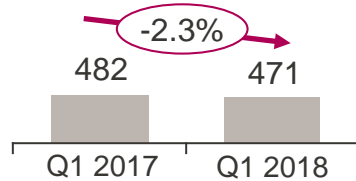
## Slow start and FX headwinds in Q1 2018

### Key financials

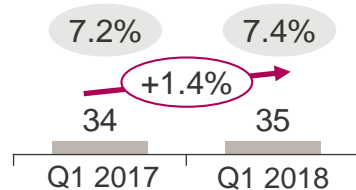
**Order intake**  
(in €m)



**Revenue**  
(in €m)



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



### Currency effects

FX translation effect

Q1 2018

Order intake

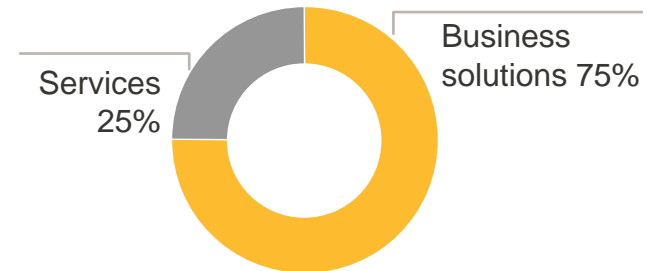
-€42.2m

Revenue

-€53.1m

### Revenue by category

Based on FY 2017 financials



Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

## Adjusted EBITDA to Net Income

### Strong increase in net income

(in €m)	Q1 2018	Q1 2017	Change	Explanations
<b>Adjusted EBITDA</b>	<b>341</b>	<b>322</b>	<b>5.8%</b>	
D&A	183	170	7.3%	
<b>Adjusted EBIT</b>	<b>158</b>	<b>152</b>	<b>4.2%</b>	
Non-recurring items (NRI)	1	-10	<-100%	
PPA items	-33	-47	-29.1%	- PPA relates mainly to Dematic
<b>Reported EBIT</b>	<b>126</b>	<b>95</b>	<b>32.0%</b>	
Net financial expenses	-29	-38	-24.7%	- Net financial expenses reflect among others optimised financing structure
<b>EBT</b>	<b>97</b>	<b>57</b>	<b>70.0%</b>	
Taxes	-29	-18	63.2%	- Effective tax rate decreases due to US tax reform
<b>Net income</b>	<b>68</b>	<b>40</b>	<b>73.1%</b>	
Reported EPS	€0.58	€0.36		
Adjusted EBITDA margin	18.5%	17.9%		
Adjusted EBIT margin	8.6%	8.4%		

Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

# Free Cash Flow Statement

## Free cash flow impacted by working capital increase

(in €m)	Q1 2018	Q1 2017	Change	Explanations
EBITDA	342	312	9.4%	
Change in Net Working Capital (NWC)	-95	12	<-100%	<ul style="list-style-type: none"> <li>- NWC driven by business volume</li> <li>- Increased inventories due to tight supply chain</li> </ul>
Taxes paid	-40	-26	-52.2%	
Pension payments	-6	-5	-1.3%	
Other	20	-23	>100%	
Rental capex (net)	-89	-58	-53.8%	<ul style="list-style-type: none"> <li>- Higher tax pre-payments</li> </ul>
Change in leased assets and lease receivables/liabilities	-69	-87	20.9%	
<b>CF from operating activities</b>	<b>63</b>	<b>125</b>	<b>-49.5%</b>	<ul style="list-style-type: none"> <li>- Rental capex driven by business volume</li> </ul>
Operating capex	-49	-41	-20.4%	
Acquisitions	-1	-	-	
Other	0	1	<-100%	
<b>CF from investing activities</b>	<b>-50</b>	<b>-40</b>	<b>-26.7%</b>	
<b>Free cash flow</b>	<b>13</b>	<b>85</b>	<b>-85.0%</b>	

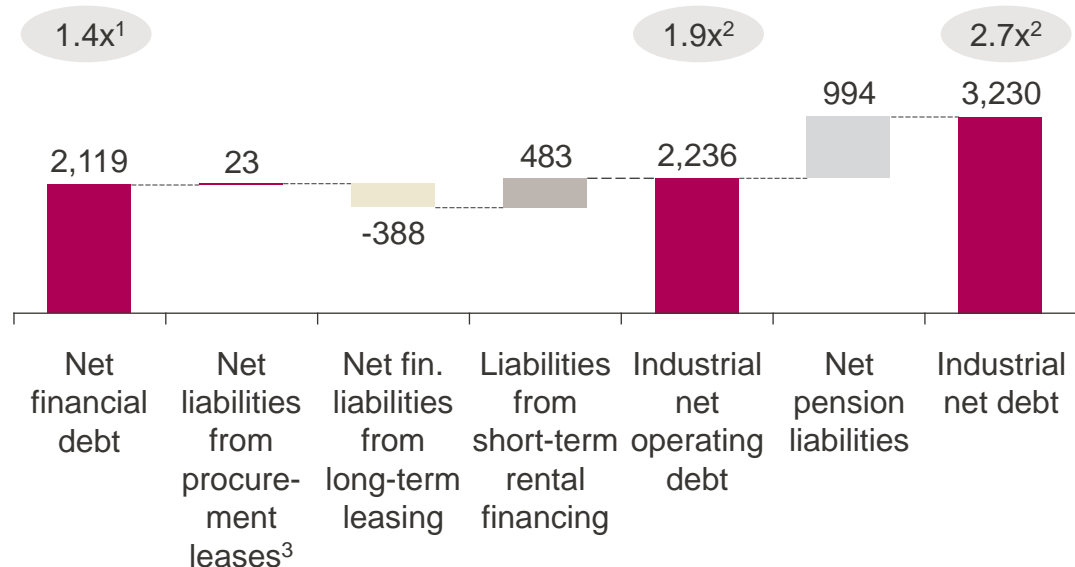
Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

## Net Debt

### Net debt and leverage significantly reduced

#### Net debt as at 31 Mar 2018

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



#### Net debt development

- Net financial debt remains almost unchanged (Dec 2017: €2,096m)
- Leverage on industrial net operating debt increased slightly (Dec 2017: 1.8x)
- Net pension liabilities also increased slightly (Dec 2017: €979m)

#### Long-term leasing business

- Assets for long-term leasing of €2,100m (Dec 2017: €2,122m)
- Correspondingly, liabilities from long-term leasing of €2,029m (Dec 2017: €2,050m)

1. Based on pro-forma LTM adjusted EBITDA 2. Based on pro-forma LTM adjusted industrial EBITDA (excluding LTM EBITDA for long-term leasing) 3. Includes liabilities from procurement leases less right-of-use assets from procurement leases Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

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# FY 2018 Outlook

## Outlook for continued profitable growth confirmed

(in €m)	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	FY 2017 <sup>1</sup>	Outlook FY 2018	FY 2017 <sup>1</sup>	Outlook FY 2018	FY 2017 <sup>1</sup>	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</b>	378	410 – 475				
<b>ROCE</b>	9.9%	8.7% – 9.7%				

1. Key figures for 2017 were not restated due to the initial application of IFRS 15 and IFRS 16. Note: The outlook is based on the assumption that material prices and the exchange rate environment will hold steady as at the time the outlook was prepared. Please see disclaimer on last page regarding forward-looking statements.



# Financial Calendar



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Date	Event
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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