

# ANNUAL RESULTS 2018



## **KION GROUP AG** **FY 2018 Update Call**

Gordon Riske (CEO), Anke Groth (CFO) – Frankfurt, 28 February 2019



# Agenda

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

# FY 2018 Financial Highlights

## KION sees strong finish to the year and fully meets outlook



Order intake

**€8.7bn**

+8.5% y-o-y

Revenue

**€8.0bn**

+5.2% y-o-y

Adj. EBIT<sup>1</sup>

**€790m**

Margin of 9.9% in  
FY 2018

Free cash flow

**€520m**

+€46m y-o-y

Dividend per share

**€1.20**

+21.2% y-o-y,  
35% payout ratio<sup>2</sup>

**Outlook for FY 2018 fully achieved across all KPIs**

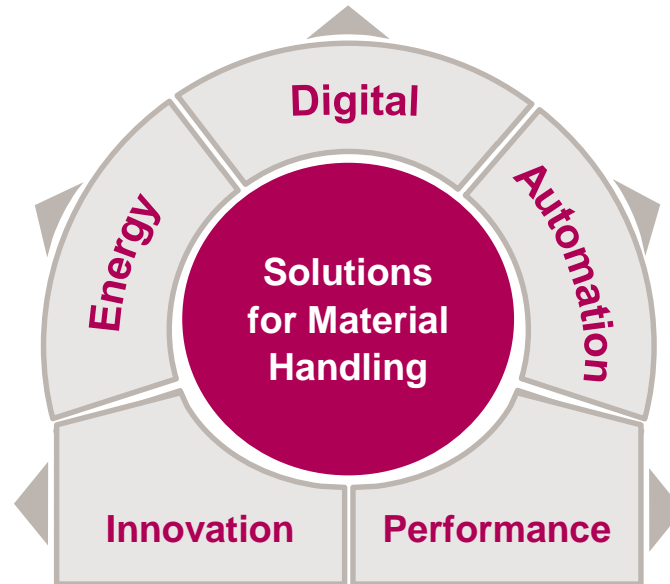
1. Adjusted for PPA items and non-recurring items 2. Proposed dividend for the fiscal year 2018

## FY 2018 Strategic Highlights

### Significant progress in implementing KION 2027 strategy

- Enhanced digital **fleet management**
- Go-live of KION **Digital Campus**

- Complete **Li-Ion** truck portfolio
- Strategic **partnership** with EP Equipment
- **Award-winning** STILL RX 20 E-truck family
- New Linde **safety** solutions



- New Dematic piece **picking robot**
- Launch of Dematic iQ InSights **software**
- **Ramp-up** of new factory in CZ
- Preparation of new factory in **Poland**

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# Industrial Truck Market

## Double digit order growth in FY 2018

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

North America				
Q1/18	Q2/18	Q3/18	Q4/18	FY18
19.2%	7.6%	2.9%	-9.5%	<b>+4.0%</b>

Western Europe				
Q1/18	Q2/18	Q3/18	Q4/18	FY18
4.7%	19.4%	13.4%	4.0%	<b>+10.0%</b>

China				
Q1/18	Q2/18	Q3/18	Q4/18	FY18
15.2%	30.4%	11.9%	3.2%	<b>+15.2%</b>

Eastern Europe				
Q1/18	Q2/18	Q3/18	Q4/18	FY18
17.8%	27.5%	20.8%	14.6%	<b>+20.0%</b>

South/Central America				
Q1/18	Q2/18	Q3/18	Q4/18	FY18
29.0%	7.8%	-6.1%	-4.1%	<b>+5.0%</b>

World				
Q1/18	Q2/18	Q3/18	Q4/18	FY18
12.0%	18.9%	9.7%	1.2%	<b>+10.3%</b>

Source: WITS/FEM

# Industrial Truck Market

## KION ends a successful year with a good Q4

### Industrial trucks: Regional development

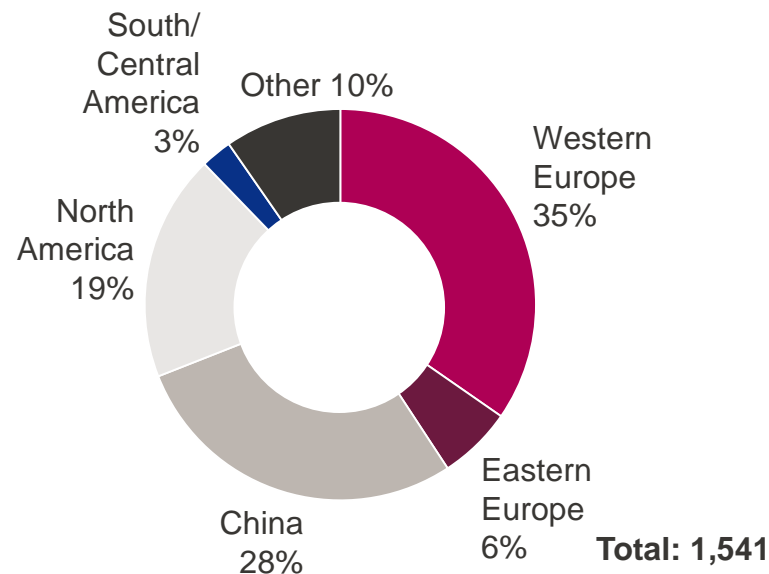
Order intake (in '000 units) and growth y-o-y (in %)

	FY 2018		Q4 2018	
	Market	KION	Market	KION
Western Europe	+10.0% ↑	+7.5% ↑	+4.0% ↑	+6.0% ↑
Eastern Europe	+20.0% ↑	+19.4% ↑	+14.6% ↑	+23.2% ↑
China	+15.2% ↑	+4.4% ↑	+3.2% ↑	-10.0% ↓
North America	+4.0% ↑	-12.2% ↓	-9.5% ↓	-1.9% ↓
South/Central America	+5.0% ↑	+10.2% ↑	-4.1% ↓	+11.7% ↑
<b>World</b>	<b>1,540.9</b> +10.3% ↑	<b>216.7</b> +7.6% ↑	<b>375.0</b> +1.2% ↑	<b>57.2</b> +6.6% ↑

Source: WITS/FEM

### Industrial trucks: Market by region

Order intake FY 2018 (in '000 units)



# Supply Chain Solutions Market

## Growth drivers and trends remain intact

### Market growth drivers

E-commerce

Automation

Digitalization

### Growth indicators 2018

**+9%**

Global  
warehouse  
capex<sup>1</sup>

**+14%**

Global  
e-commerce  
growth<sup>2</sup>

1. Projected capital expenditure growth for warehousing equipment and technology in 2018; Peerless Research Group 2018 Ecommerce Foundation 2. Outlook for global e-commerce growth in 2018;



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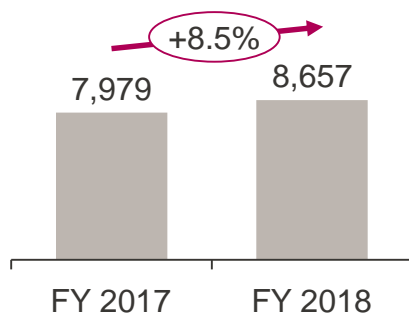
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# FY 2018 Key Financials

## Good growth momentum and solid margin despite headwinds

### Order intake

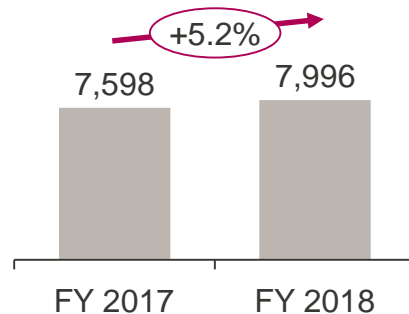
(in €m)



- Negative FX translation effect of -€186m
- Order book of €3.3bn strongly above prior year level (+26.2%)

### Revenue

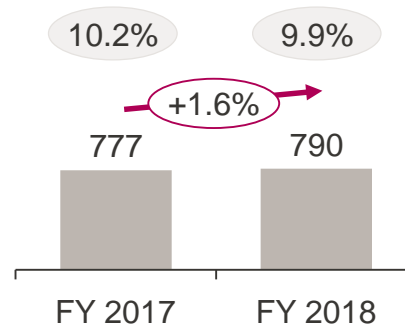
(in €m)



- Negative FX translation effect of -€174m
- Book-to-bill ratio 1.08x

### Adj. EBIT and margin

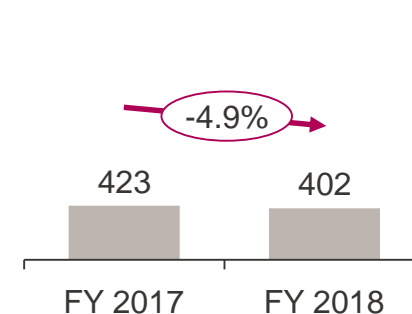
(in €m and %)



- Negative FX translation effect of -€14m
- Headwinds from supplier bottlenecks, SCS under-utilization, material and labor cost

### Net income

(in €m)

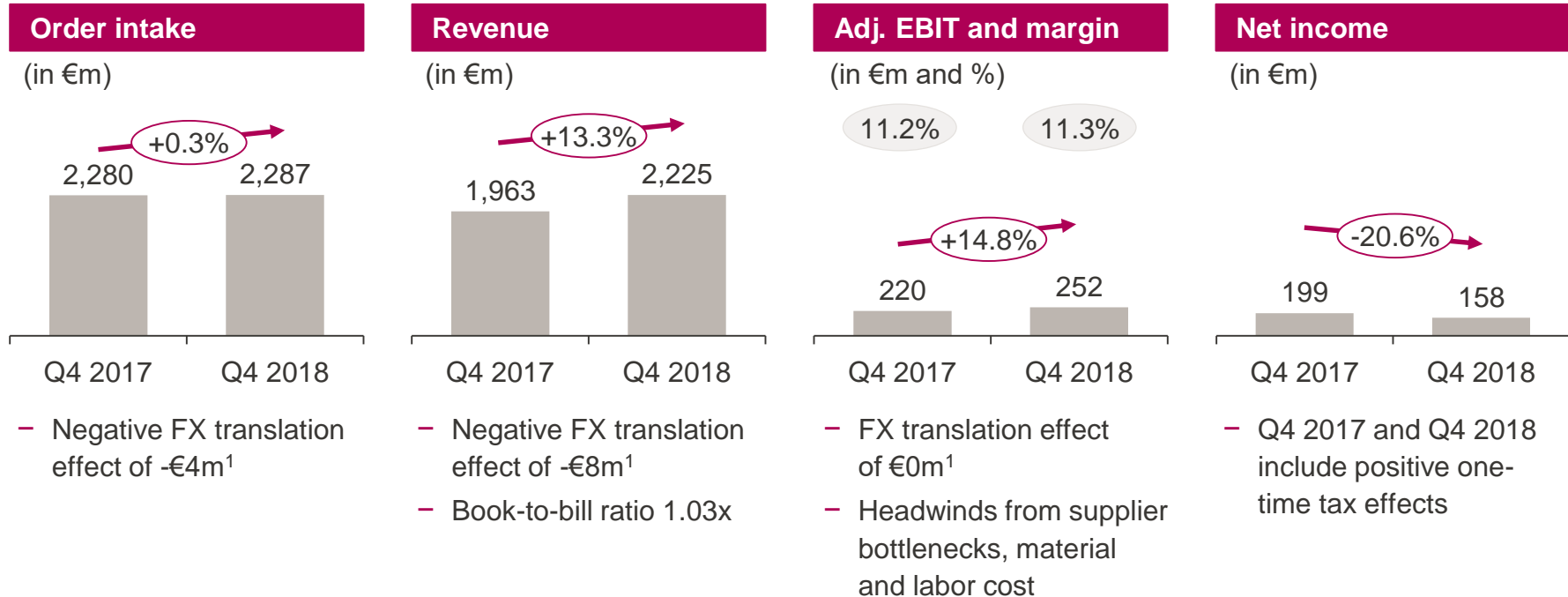


- Lower PPA items and non-recurring items
- FY 2017 and FY 2018 include positive one-time tax effects

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

# Q4 2018 Key Financials

## Strong finish to the year

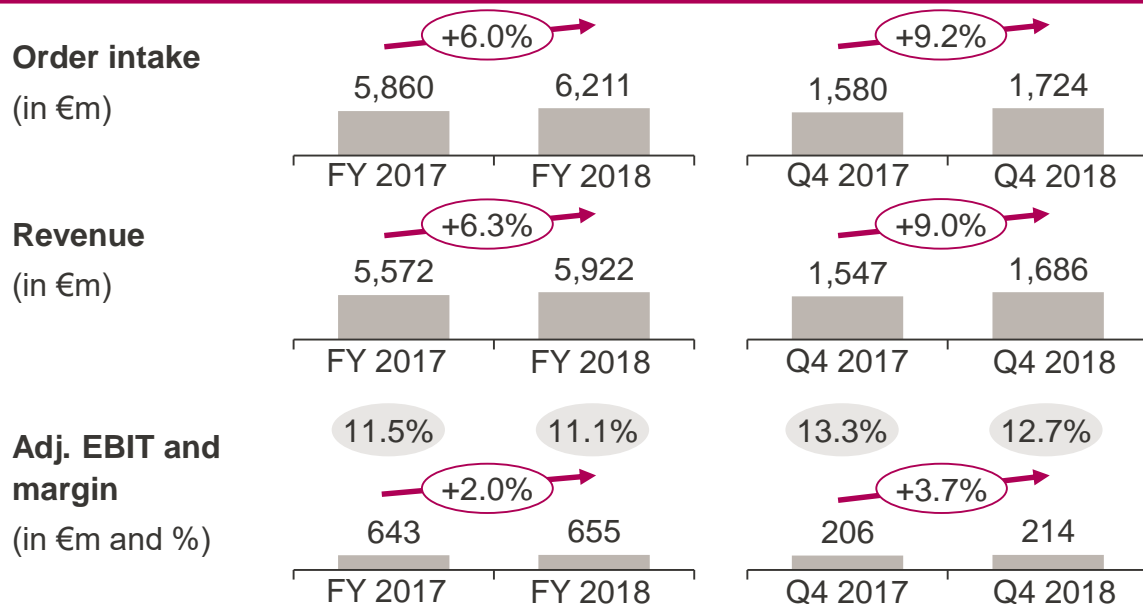


1. Calculated as delta between FX-effects as at FY 2018 and Q1-Q3 2018  
 Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

# Industrial Trucks & Services

## Good growth momentum and continued supplier bottlenecks

### Key financials



### FX translation effect

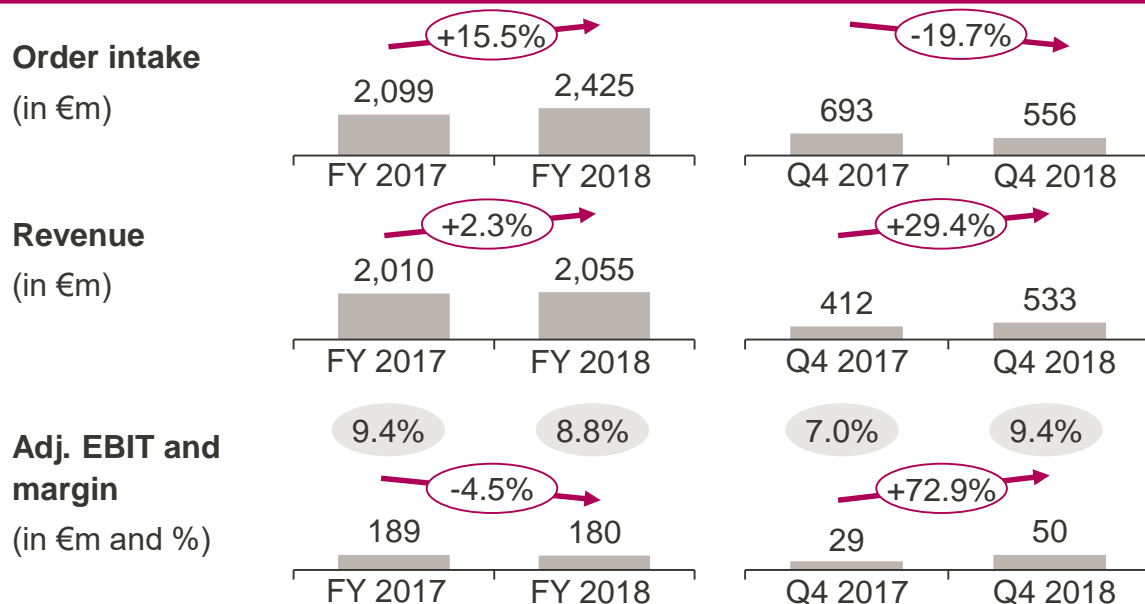
(in €m)	FY 2018	Q4 2018 <sup>1</sup>
Order intake	-99	-15
Revenue	-98	-15
Adjusted EBIT	-4	-2

1. Calculated as delta between FX-effects as at FY 2018 and Q1-Q3 2018  
Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

# Supply Chain Solutions

## Significant revenue growth and margin expansion in Q4 2018

### Key financials



### FX translation effect

(in €m)	FY 2018	Q4 2018 <sup>1</sup>
Order intake	-88	+12
Revenue	-76	+7
Adjusted EBIT	-10	+2

1. Calculated as delta between FX-effects as at FY 2018 and Q1-Q3 2018  
 Note: Key figures for 2017 were restated due to the initial application of IFRS 15 and IFRS 16

## Adjusted EBITDA to Net Income Significant pro-forma EPS increase

(in €m)	FY 2018	FY 2017	Change	Q4 2018	Q4 2017	Change
<b>Adjusted EBITDA</b>	<b>1,555</b>	<b>1,496</b>	<b>4.0%</b>	<b>457</b>	<b>405</b>	<b>12.9%</b>
D&A	-765	-718		-205	-185	
<b>Adjusted EBIT</b>	<b>790</b>	<b>777</b>	<b>1.6%</b>	<b>252</b>	<b>220</b>	<b>14.8%</b>
Non-recurring items (NRI)	-21	-40		-17	-13	
PPA items	-126	-176		-29	-37	
<b>Reported EBIT</b>	<b>643</b>	<b>561</b>	<b>14.6%</b>	<b>206</b>	<b>170</b>	<b>21.5%</b>
Net financial expenses	-97	-96		-16	-28	
<b>EBT</b>	<b>545</b>	<b>465</b>	<b>17.3%</b>	<b>190</b>	<b>142</b>	<b>33.8%</b>
Taxes	-144	-42		-32	57	
<b>Net income</b>	<b>402</b>	<b>423</b>	<b>-4.9%</b>	<b>158</b>	<b>199</b>	<b>-20.6%</b>
Reported EPS	€3.39	€3.68	-7.9%	€1.31	€1.68	-22.0%
<b>Pro forma EPS<sup>1,2</sup></b>	<b>€3.14</b>	<b>€2.88</b>	<b>9.0%</b>	<b>€1.06</b>	<b>€0.90</b>	<b>17.8%</b>

### Description

- NRIs relate to Dematic integration and redirection of IT&S sales activities in South Africa
- PPA items relate mainly to Dematic
- Net financial expenses reflect among others a positive FX impact in 2017 from USD intercompany loan related to Dematic
- Q4 2017 and Q4 2018 include positive one-time tax effects

1. Pro forma EPS for FY / Q4 2017 is adjusted by a one-off non-cash effect resulting from the US tax reform from a tax law amendment concerning the forfeiture of tax loss carry forwards 2. Pro forma EPS for FY / Q4 2018 is adjusted by a one-time effect from a tax law amendment concerning the forfeiture of tax loss carry forwards 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 supported by EBITDA increase

(in €m)	FY 2018	FY 2017	Change	Description
Reported EBITDA	1,541	1,458	5.7%	- EBITDA driven by operating performance
Change in Net Working Capital (NWC)	-54	-113	-52.1%	
Taxes paid	-193	-136	-41.7%	- Received pre-payments in SCS from strong order intake in FY 2018
Pension payments	-37	-28	-32.5%	
Other	74	59	26.3%	- Higher tax pre-payments
Rental capex (net)	-189	-196	4.0%	
Change in leased assets and lease receivables/ liabilities and non-cash deferral of leasing profits	-376	-331	-13.8%	- Leasing capex driven by business volume
<b>CF from operating activities</b>	<b>766</b>	<b>712</b>	<b>7.5%</b>	
Operating capex	-258	-218	-18.4%	- Operating capex driven by facility expansion and modernization
Acquisitions	-2	-13	-87.7%	
Other	14	-6	>100%	
<b>CF from investing activities</b>	<b>-246</b>	<b>-238</b>	<b>-3.4%</b>	
<b>Free cash flow</b>	<b>520</b>	<b>474</b>	<b>9.6%</b>	

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

## Net Debt

### Continued reduction of net debt and leverage

(in €m)	31 Dec 2018	31 Dec 2017 <sup>3</sup>	Description
Adjusted EBITDA	1,555	1,496	– Net debt lowered through continued deleveraging from FCF
Adjusted industrial EBITDA <sup>1</sup>	1,234	1,195	
<b>Net financial debt</b>	<b>1,870</b>	<b>2,096</b>	– Leverage on industrial net operating debt lowered to 2.3x adj. industrial EBITDA
Liabilities from procurement leases	421	369	
Liabilities from short-term rental financing <sup>2</sup>	597	516	
<b>Industrial net operating debt (INOD)</b>	<b>2,888</b>	<b>2,980</b>	
Net pension liabilities	1,010	979	
<b>Industrial net debt</b>	<b>3,898</b>	<b>3,960</b>	
Leverage on net financial debt	1.2x	1.4x	
Leverage on industrial net operating debt	2.3x	2.5x	
Leverage on industrial net debt	3.2x	3.3x	

1. Excludes LTM EBITDA for long-term leasing 2. Includes liabilities from short-term rental financing and liabilities from financial services (rental)

3. Restated based on adjusted definition of industrial net operating debt 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 Comparison

### Guidance achieved for all KPIs

(in €m)	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	Outlook FY 2018	FY 2018	Outlook FY 2018	FY 2018	Outlook FY 2018	FY 2018
<b>Order intake</b>	8,050 – 8,550	8,657 	5,950 – 6,150	6,211 	2,100 – 2,400	2,425 
<b>Revenue</b>	7,700 – 8,200	7,996 	5,700 – 5,900	5,922 	2,000 – 2,300	2,055 
<b>Adj. EBIT</b>	770 – 835	790 	650 – 685	655 	180 – 215	180 
<b>FCF</b>	410 – 475	520 				
<b>ROCE</b>	8.7% – 9.7%	9.3% 				

 Achieved

## FY 2019 Outlook

Investing into strategic fields of action for continued profitable growth

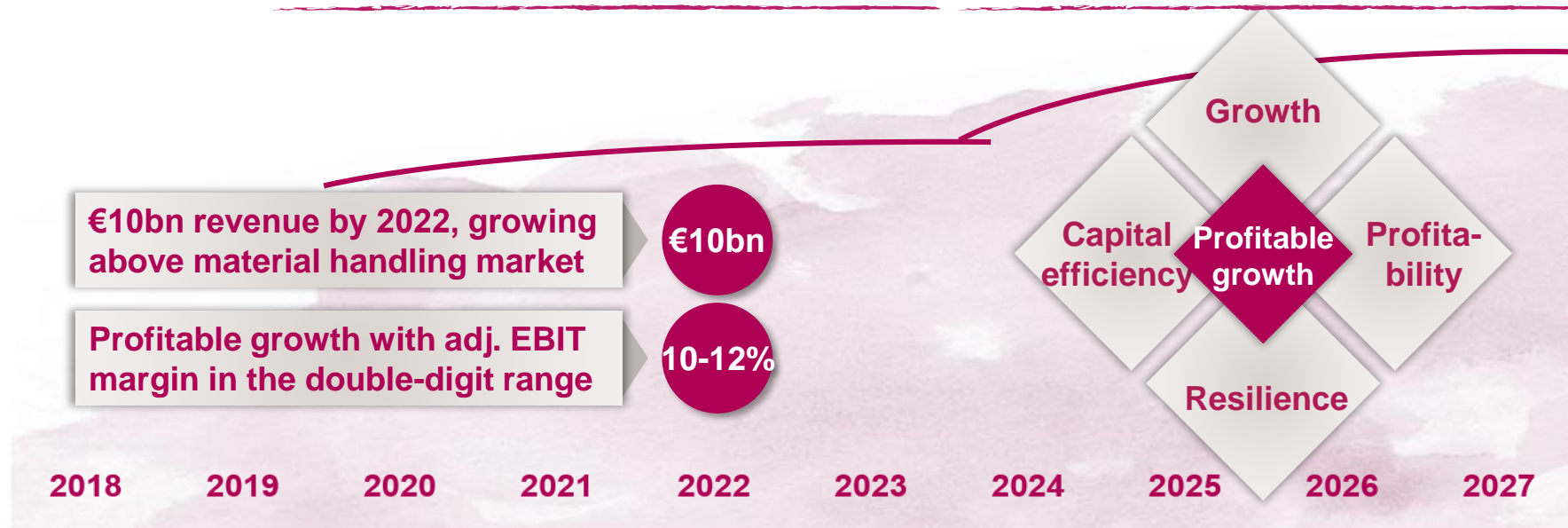


(in €m)	KION Group		Industrial Trucks & Services		Supply Chain Solutions	
	FY 2018	Outlook FY 2019	FY 2018	Outlook FY 2019	FY 2018	Outlook FY 2019
<b>Order intake</b>	8,657	8,250 – 8,950	6,211	6,250 – 6,450	2,425	2,000 – 2,500
<b>Revenue</b>	7,996	8,150 – 8,650	5,922	6,050 – 6,250	2,055	2,100 – 2,400
<b>Adj. EBIT</b>	790	805 – 875	655	685 – 720	180	190 – 225
<b>FCF</b>	520	380 – 480				
<b>ROCE</b>	9.3%	9.0% – 10.0%				

Please see disclaimer on last page regarding forward-looking statements

### Mid-term targets

### Aspiration KION 2027



Performance depends on industry-specific conditions and may be negatively affected by increasing uncertainty or worsening of the economic and political situation

# Financial Calendar



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Date	Event
13 March 2019	Analyst Day
25 April 2019	Quarterly statement for the period ended 31 Mar 2019 (Q1 2019) and analyst call
09 May 2019	Annual General Meeting
25 July 2019	Interim report for the period ended 30 Jun 2019 (Q2 2019) and analyst call
24 October 2019	Quarterly statement for the period ended 30 Sep 2019 (Q3 2019) and analyst call

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Subject to change without notice

# Key Financials

	Group figures							Industrial Trucks & Services							Supply Chain Solutions						
(in €m)	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017
Order intake	8,657	2,287	2,060	2,424	1,885	7,979	2,280	6,211	1,724	1,455	1,546	1,485	5,860	1,580	2,425	556	598	874	396	2,099	693
Revenue	7,996	2,225	1,896	2,031	1,843	7,598	1,963	5,922	1,686	1,418	1,450	1,369	5,572	1,547	2,055	533	473	579	471	2,010	412
Adj. EBITDA <sup>1</sup>	1,555	457	380	377	341	1,496	405	1,340	395	326	318	301	1,289	372	232	65	56	64	46	236	42
Adj. EBITDA margin in % <sup>1</sup>	19.4	20.5	20.0	18.6	18.5	19.7	20.6	22.6	23.4	23.0	21.9	22.0	23.1	24.0	11.3	12.3	11.9	11.1	9.8	11.7	10.1
Adj. EBIT <sup>1</sup>	790	252	193	187	158	777	220	655	214	157	148	136	643	206	180	50	44	52	35	189	29
Adj. EBIT Margin in % <sup>1</sup>	9.9	11.3	10.2	9.2	8.6	10.2	11.2	11.1	12.7	11.1	10.2	9.9	11.5	13.3	8.8	9.4	9.3	8.9	7.4	9.4	7.0

1. 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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