

Next

Financial results Q1 2019

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May 9, 2019



Agenda

- **Q1 2019 at a glance**
- Financial performance Q1 2019
- Market development
- Outlook

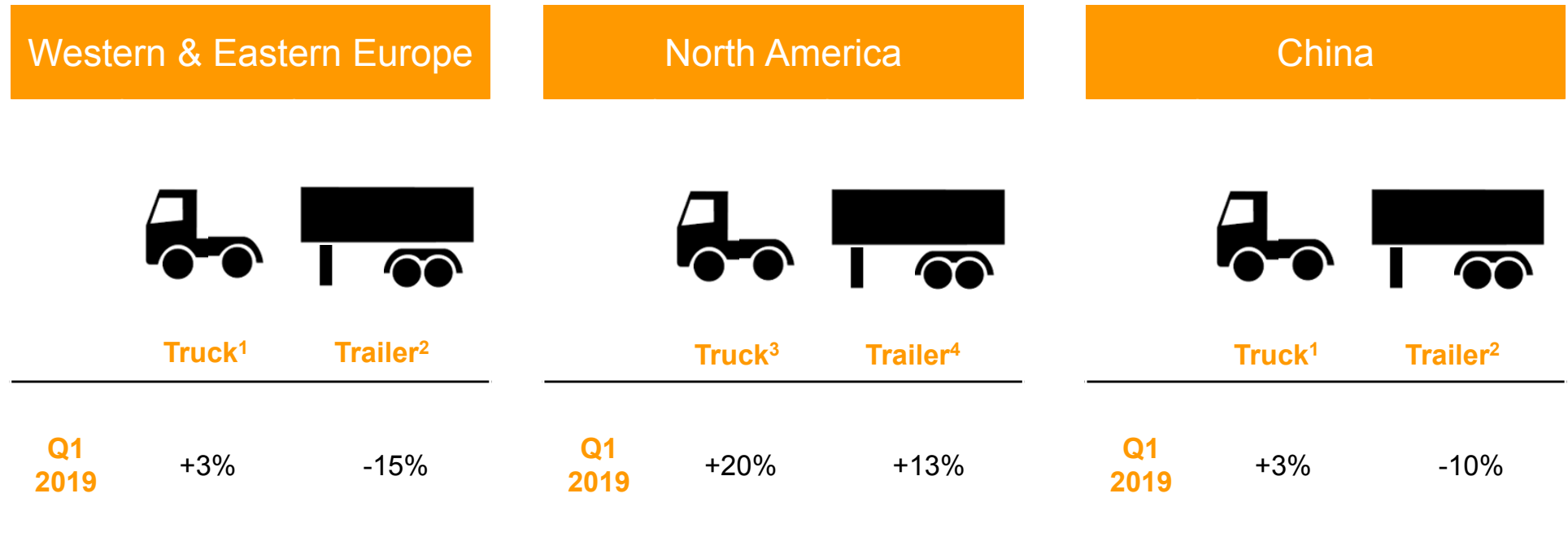
Q1 2019 at a glance

1. Strong organic sales growth and adjusted EBIT margin development on track
2. Americas region: first sign of improvement
3. Continued high investment level to support future growth
4. Significantly better operating free cash flow
5. Acquisition of PressureGuard and Stara Group strengthen competitive position on the product and market side
6. Two big orders for trailer axles in the low three digit million range underpin sales and earnings targets for 2020

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Truck and trailer production Q1 2019



Mixed picture in the relevant markets

5 ¹ LMC Global Commercial Vehicles Forecast Q1, 2019, Western & Eastern Europe, China, medium & heavy truck
² Clear, October 2018 Eastern Europe, December 2018 Western Europe, Local sources
³ ACT Truck & Trailer Outlook, April 2019, Class 8
⁴ FTR Truck & Trailer Outlook, May 2019

Truck and trailer production Q1 2019

South America



Truck¹

Trailer^{2, 3}

Q1 2019

+5%

+35%

India



Truck¹

Trailer^{2, 3}

Q1 2019

-6%

-30%



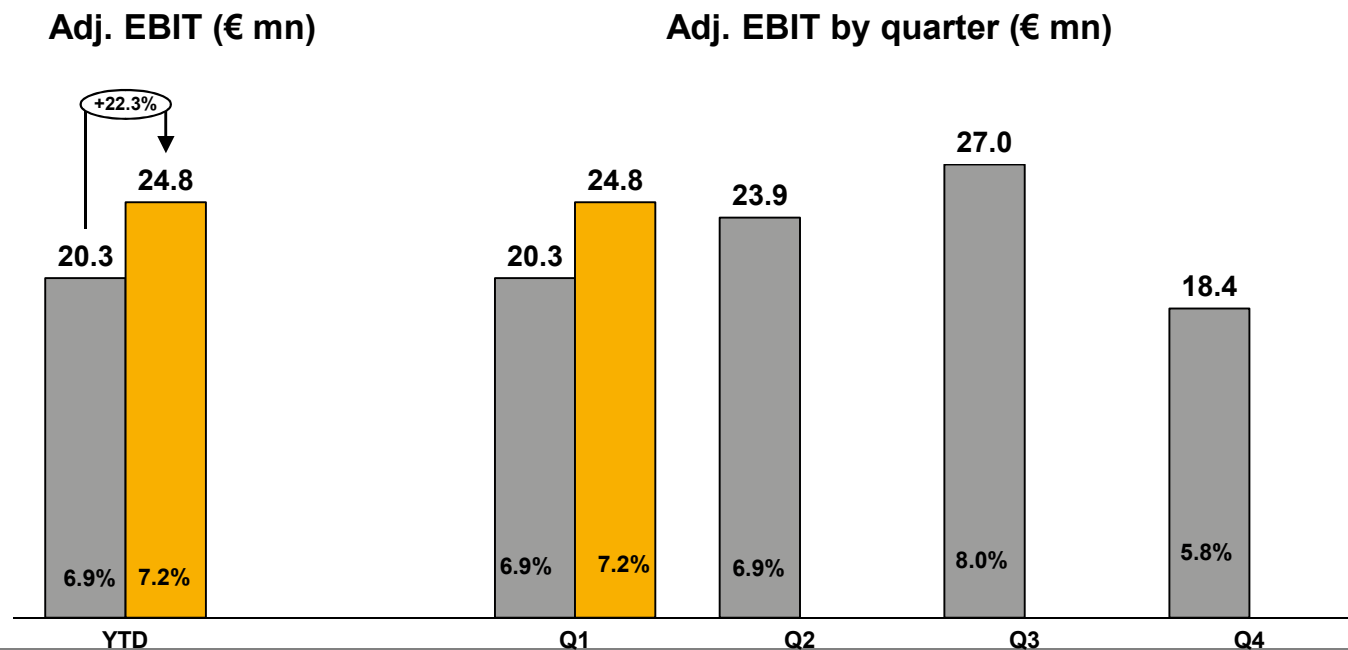
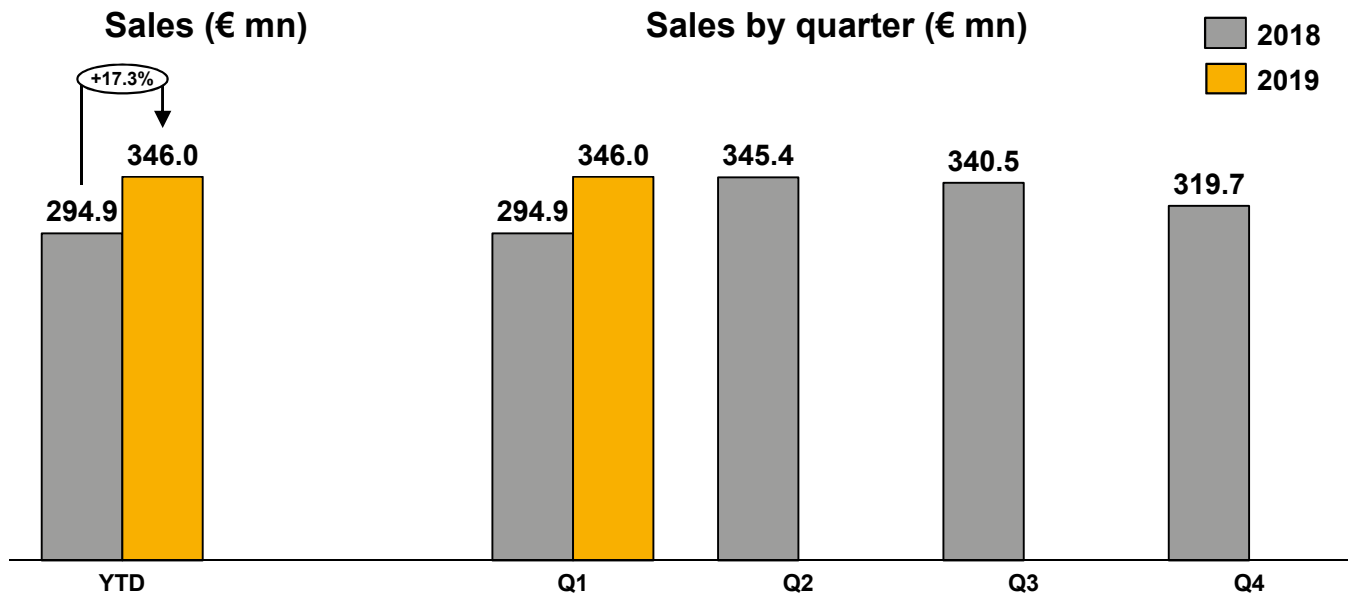
Sustainable recovery in South America; strong slump of the Indian trailer market due to restrictions on the maximum payload and buying restraints ahead of the April/May elections

⁶ 1 LMC Global Commercial Vehicles Forecast Q1, 2019, South America, India, medium & heavy truck

² Clear, December 2018

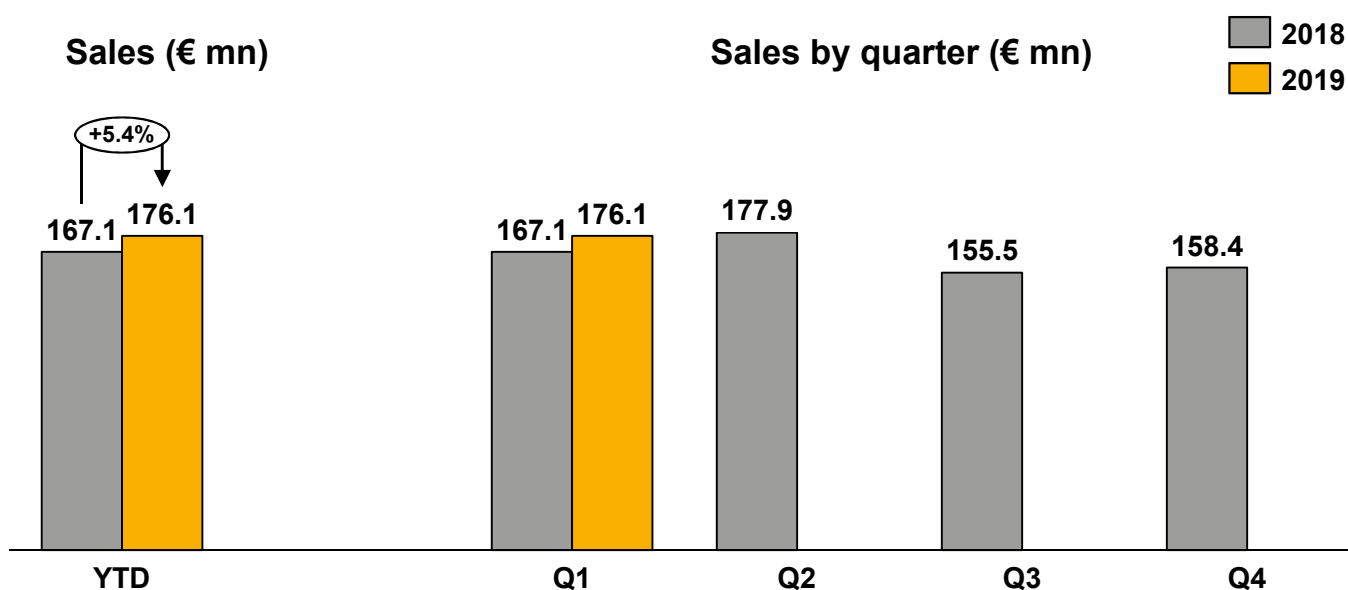
³ Local sources

Group

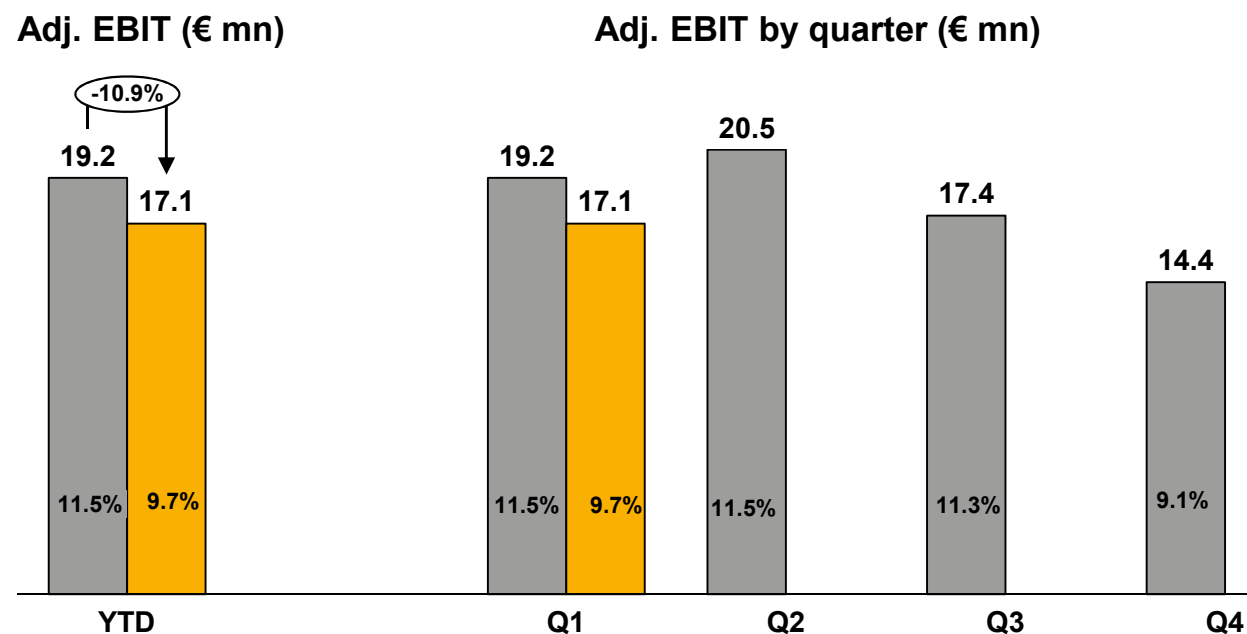


- Sales improved on
 - Organic growth totalling € 19.1 mn (mainly from the Americas region due to ongoing strong customer demand from the US trailer and truck industries)
 - Acquisitions (€ 24.2 mn)
 - FX effects (€ 7.8 mn)
- Adj. EBIT margin above previous year's level mainly due to
 - Initial earnings improvement in the Americas region

Business segment: EMEA

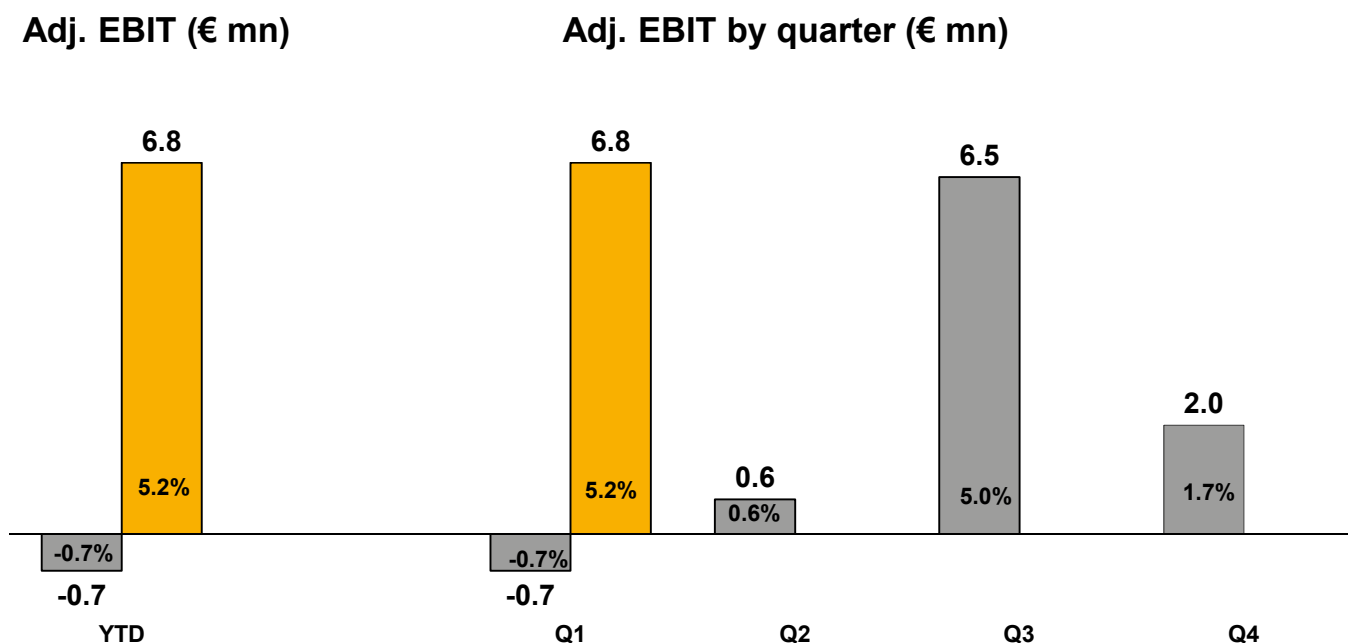
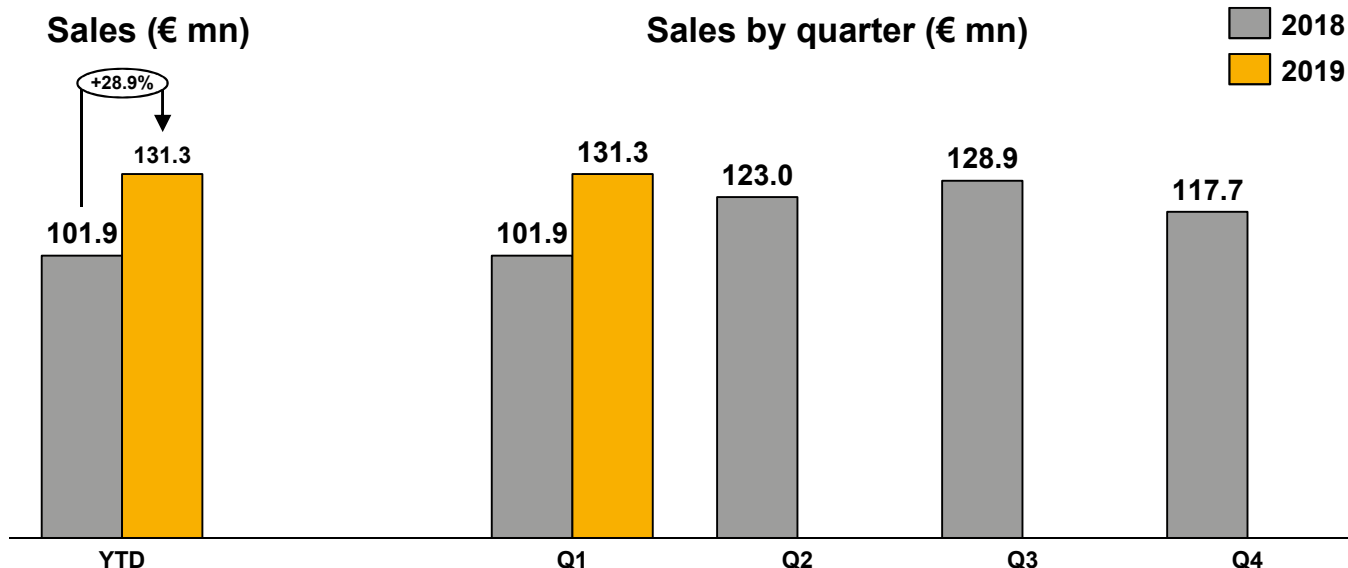


- Higher sales
 - Organic growth (+1.1 per cent respectively € 1.8 mn)
 - Acquisitions (+5.0 per cent respectively € 8.4 mn)
 - FX effects (-0.8 per cent respectively € -1.3 mn)



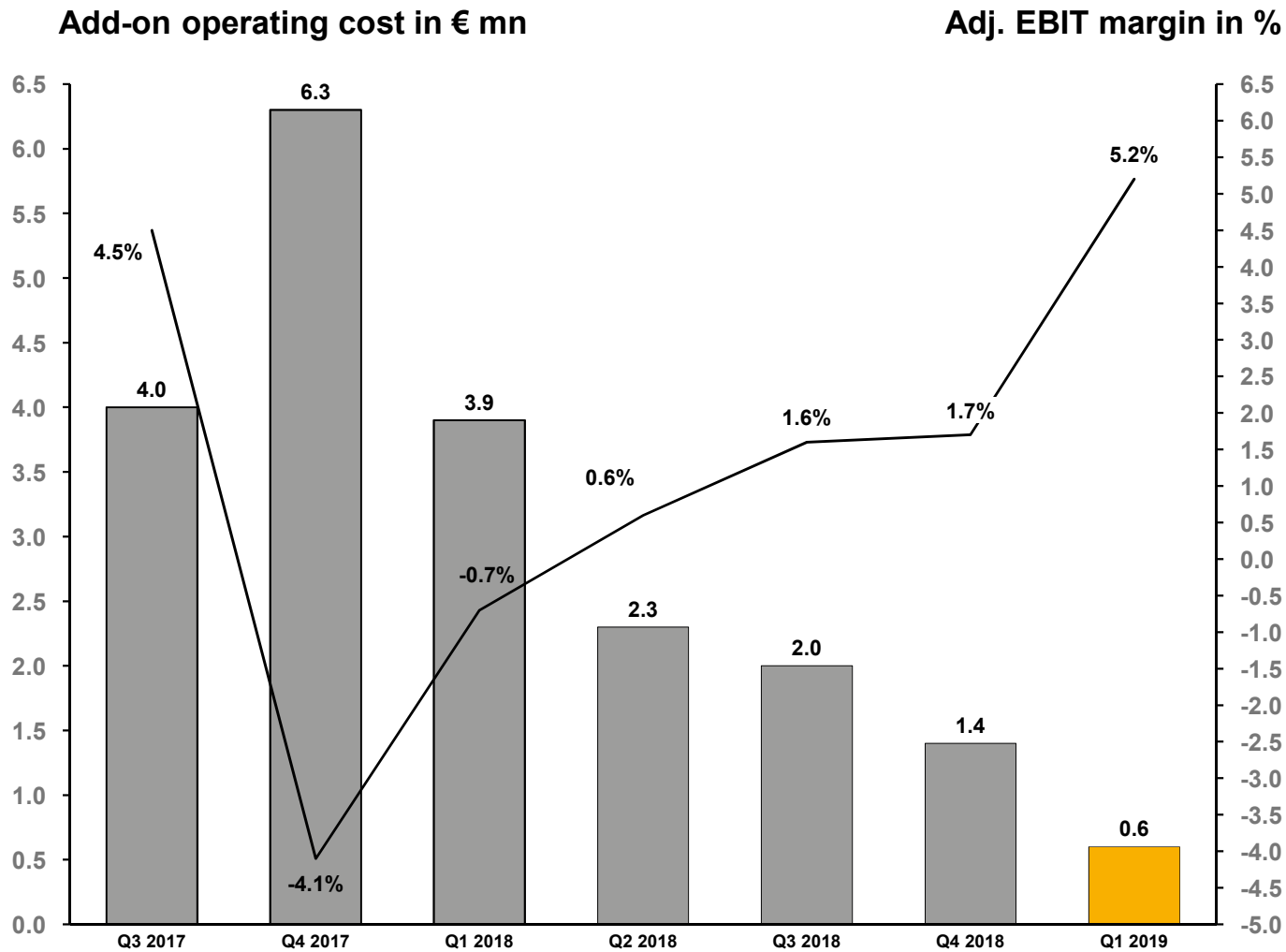
- Lower adj. EBIT margin due to
 - Positive consolidation effect from the elimination of intercompany results in Q1 2018 (warehouse fire at the Russian subsidiary in February 2018)
 - Product mix and material price effects, among others, in Q1 2019

Business segment: Americas



- Sales rise on
 - Strong customer demand for truck and trailer components
 - Strong organic growth: +20.1 per cent to € 122.4mn
 - FX effects (+8.7 per cent respectively € 8.9 mn)
- Adj. EBIT margin improved due to
 - Lower add-on operating expenses
 - Volume, product mix and economies-of-scale effects
 - Contractually agreed passing on of prior year's steel price increases
- Project FORWARD to drive turnaround

Business segment: Americas



* excl. extraordinary income of € 4.4 million from partial settlement of US medical plan (Q3/2018)

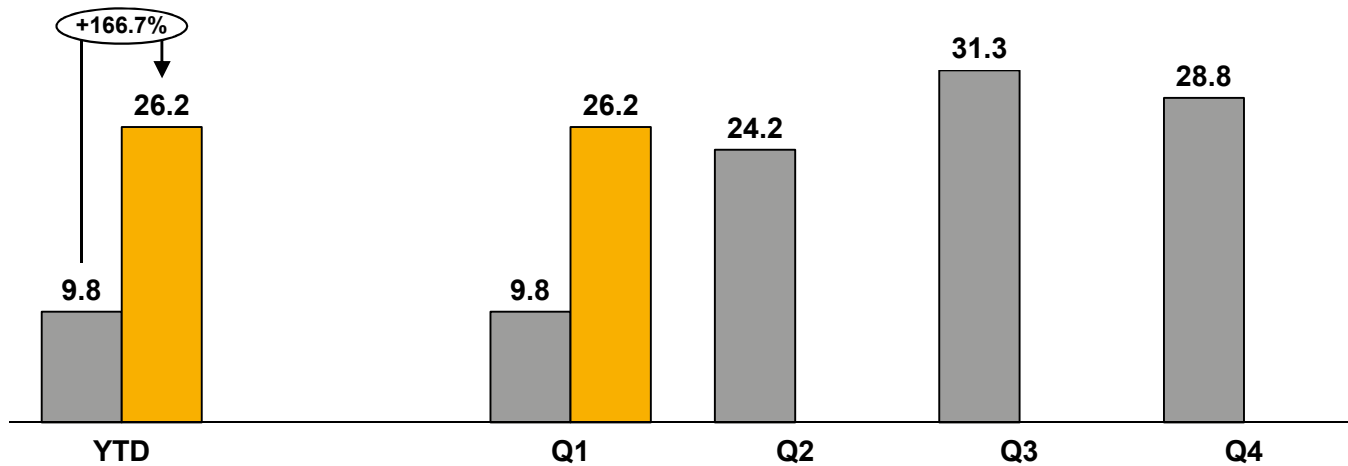
- Adj. EBIT margin improved due to
 - Lower add-on operating expenses
 - Volume, product mix and economies-of-scale effects
 - Sourcing savings
 - Contractually agreed passing on of prior year's steel price increases
- Successive margin improvement since low-point in Q4 2017 and return to profitability in Q2 2018
- Project FORWARD will bring down add-on operating costs further in the course of fiscal year 2019



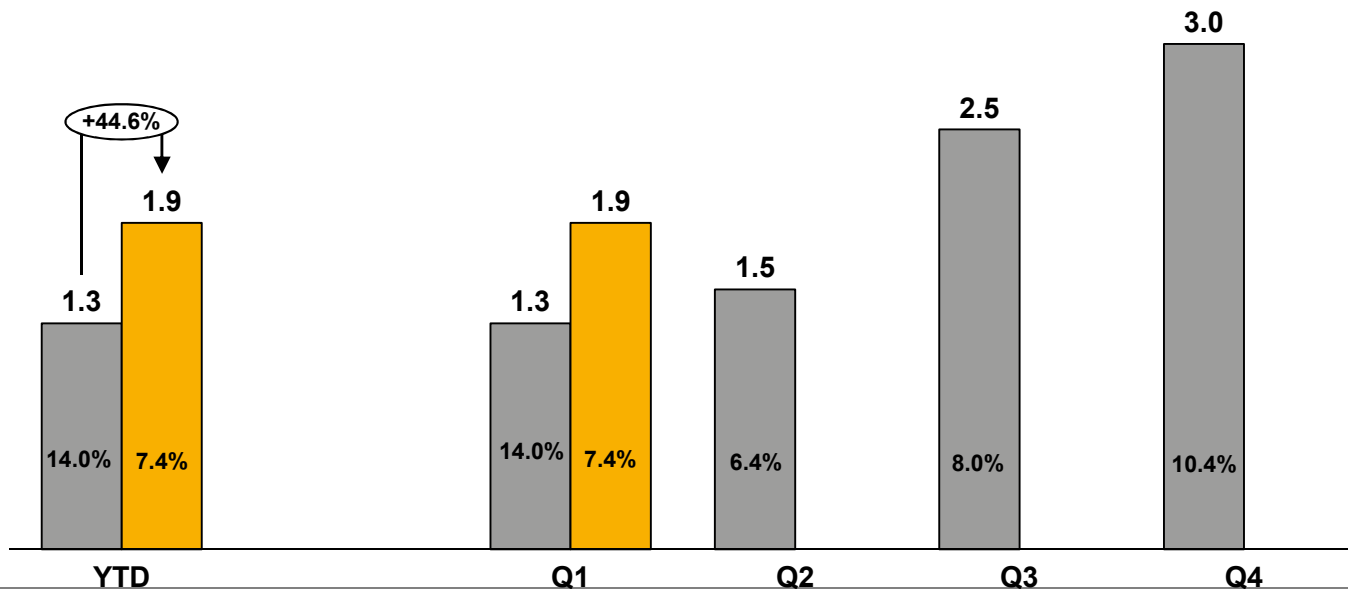
Adjusted EBIT margin continues to rise as add-on operating costs decline further

Business segment: APAC

Sales (€ mn)



Adj. EBIT (€ mn)

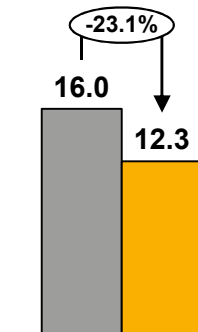


- Sales increase due to
 - Organic growth (+8.0 per cent respectively € 0.8 mn)
 - Acquisitions (+158.7 per cent respectively €15.6 mn)

- Adj. EBIT margin APAC (old structure) slightly below previous year's level
- Indian trailer market shrank by approx. 30 per cent in Q1/2019
- Margin dilution from inclusion of York Group

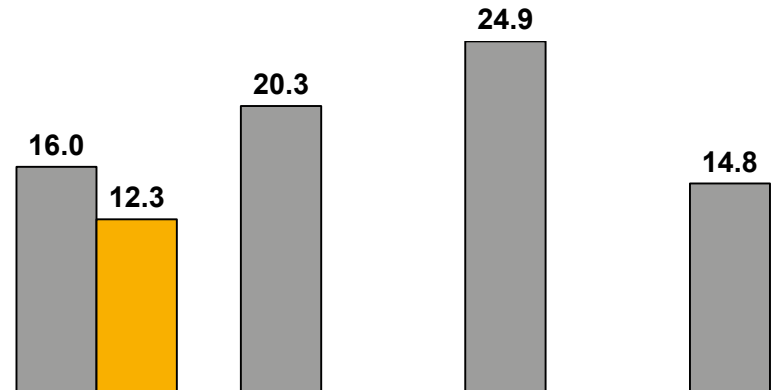
Business segment: China

Sales (€ mn)



YTD

Sales by quarter (€ mn)



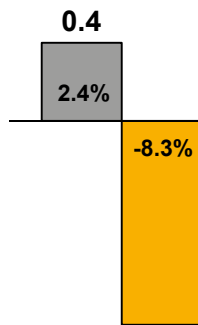
Q1

Q2

Q3

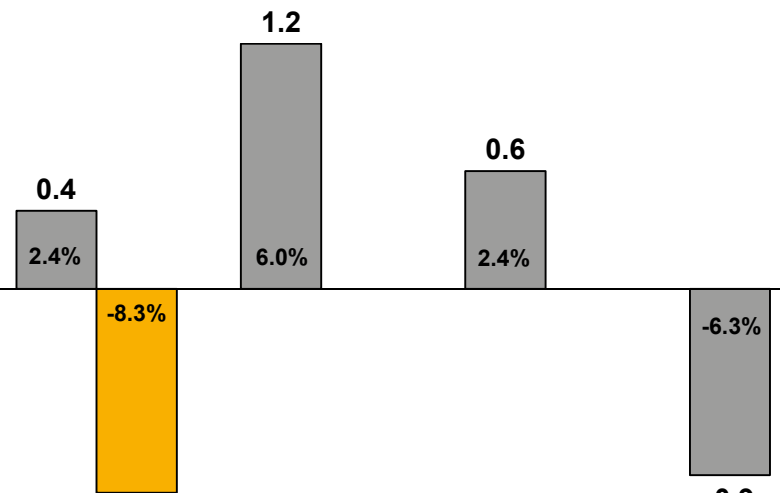
Q4

Adj. EBIT (€ mn)



YTD

Adj. EBIT by quarter (€ mn)



Q1

Q2

Q3

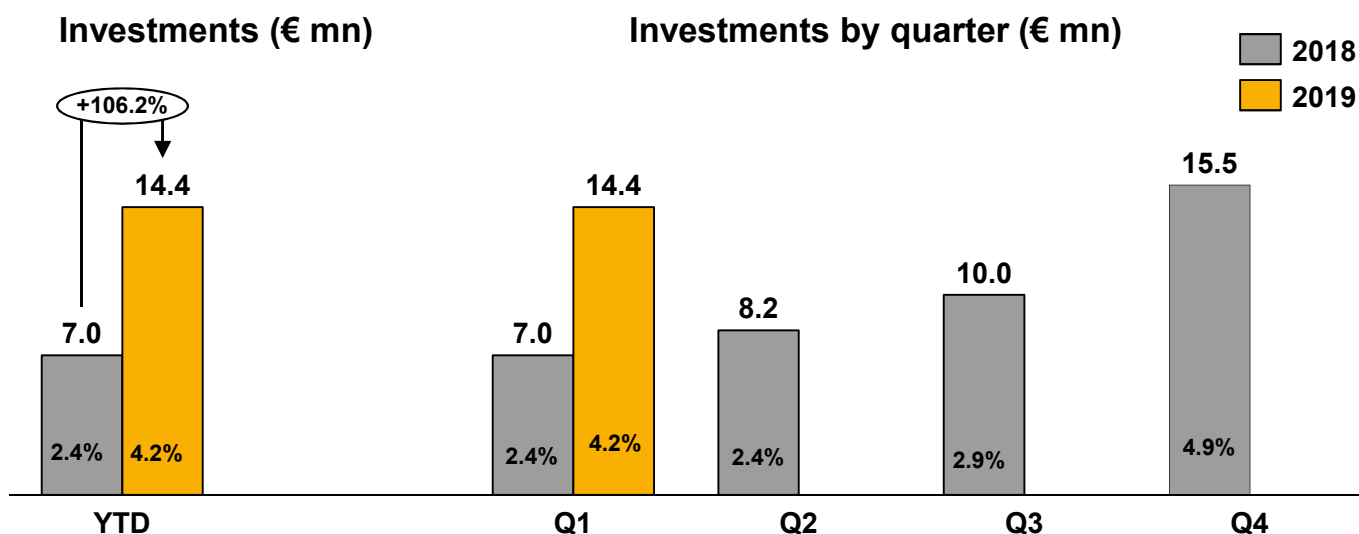
Q4

2018
2019

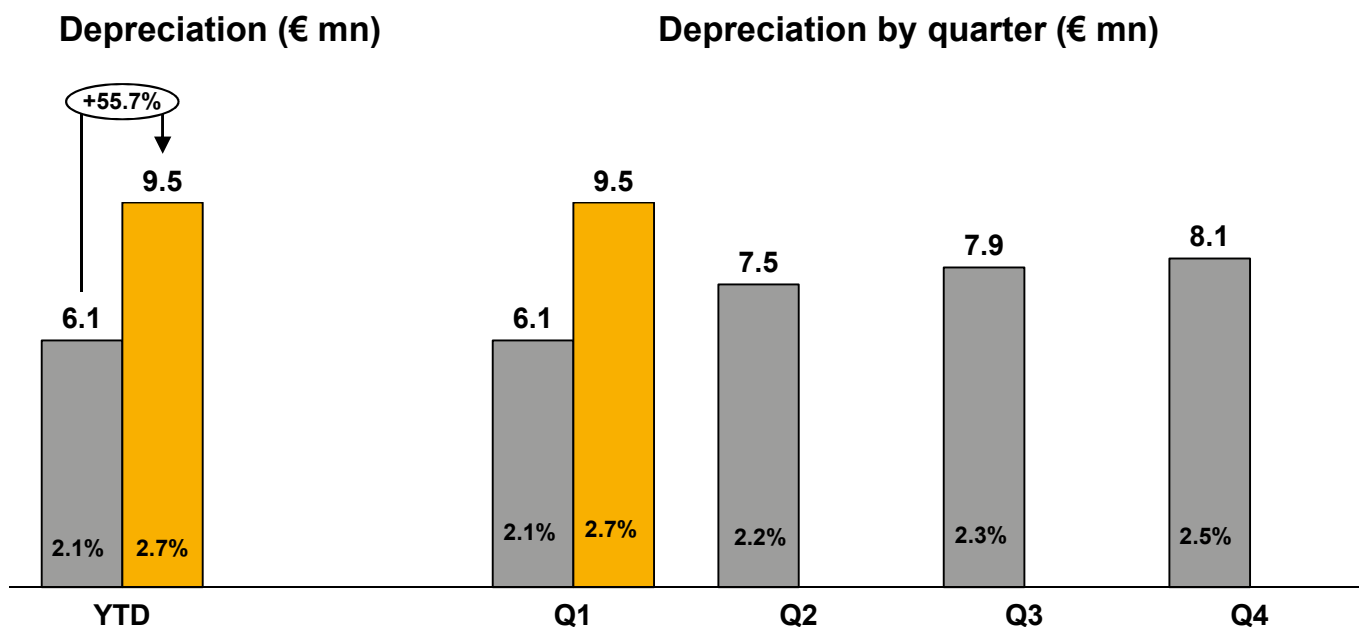
- Sales decline mainly due to
 - Declining export business of Chinese customers following the trade dispute between China and the US

- Lower adj. EBIT margin due to
 - Insufficient capacity utilization at the Xiamen plant
 - Temporary cost burden from duplicate structures in the course of the started integration of the other Chinese locations into the new Greenfield plant

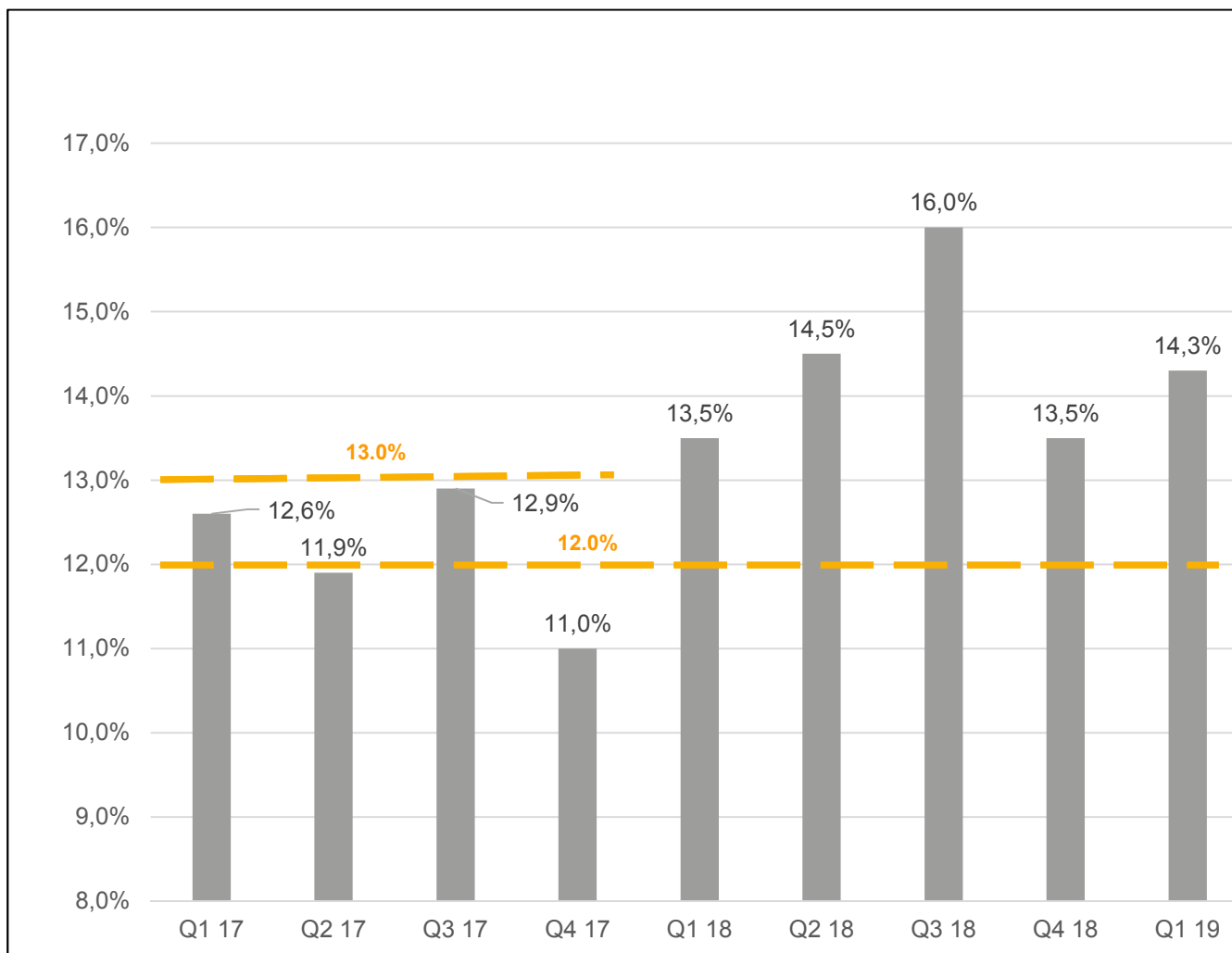
Investments and depreciation



- Investments in plant, property, equipment and intangible assets of € 14.4 mn
- Focus of investments: construction of the Chinese Greenfield project and rationalisation and expansion investments in the US
- Depreciation increased due to higher investments compared to previous years



Net working capital ratio

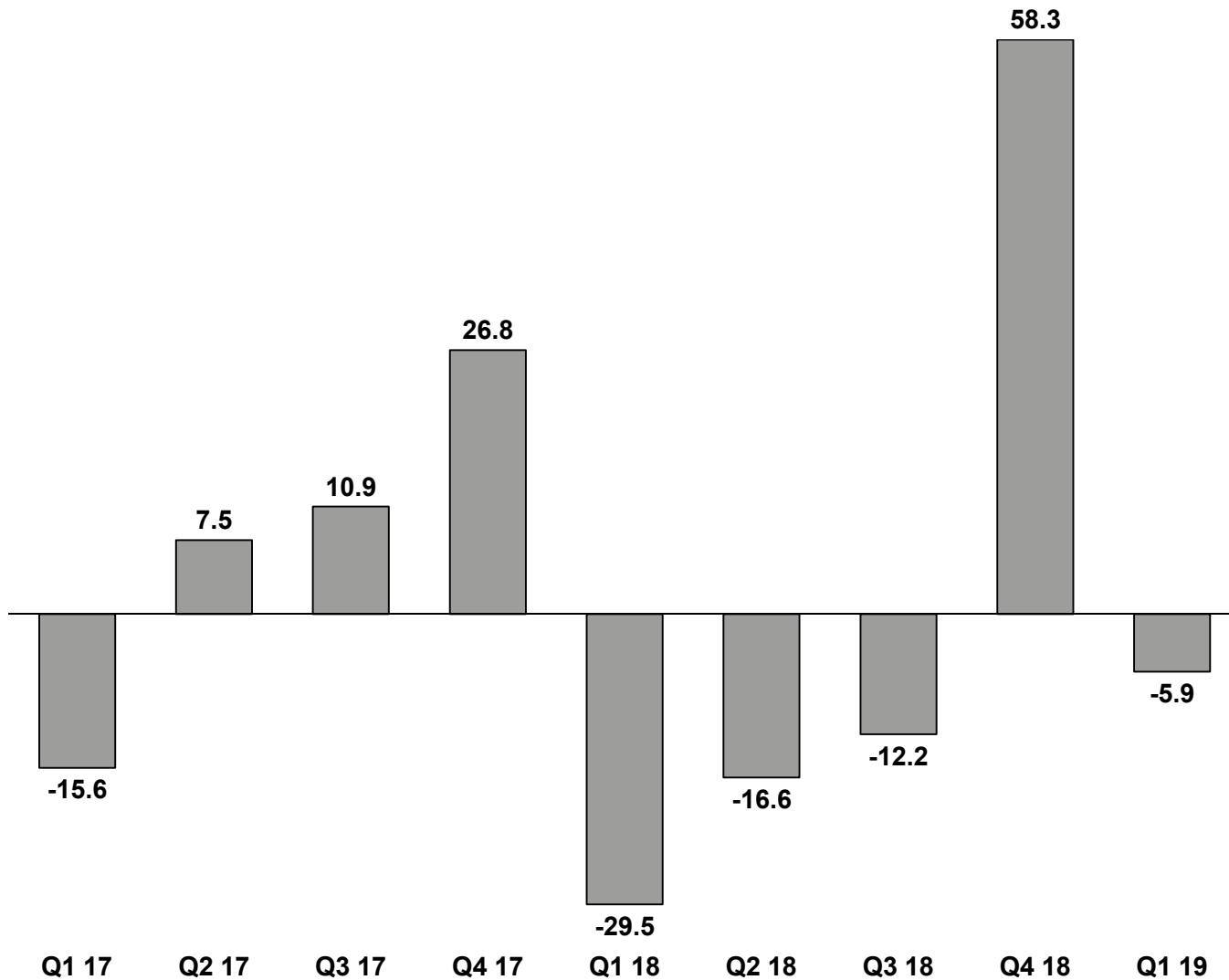


- Net working capital (NWC) 22.7 per cent or € 36.6 mn above previous year's figure
 - Inventories increased by 29.1 per cent or € 44.1 mn mainly to ensure timely delivery to North American customers
 - Trade receivables up only 5.2 per cent on improved cash collection
 - Trade payables up 16.1 per cent or € 23.3 mn compared to Q1 2018
- NWC ratio increased from 13.5 per cent to 14.3 per cent due to disproportionate increase of NWC



Full focus on NWC management

Operating free cash flow



- Operating cash flow at € 8.6 mn (Q1 2018: € -22.5 mn)
- Increase of net working capital in Q1 2019 significantly lower than in Q1 2018
- Investing cash flow: +106.2 per cent to € 14.4 mn
- Operating FCF substantially better than previous year









Measures to improve the operating free cash flow initiated

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Truck and trailer production

Western & Eastern Europe			North America			China		
	 Truck ¹	 Trailer ²		 Truck ³	 Trailer ³		 Truck ¹	 Trailer ²
2018	-1%	+4%	2018	+27%	+12%	2018	-7%	-4%
2019	+2%	-10%	2019	+4%	+3%	2019	-4%	-15%



Stable growth in North America; Western & Eastern Europa and China weaker

¹ LMC Global Commercial Vehicles Forecast Q1, 2019, Western & Eastern Europe, medium & heavy truck

² Clear, October 2018 Eastern Europe, December 2018 Western Europe, local sources

³ ACT Truck & Trailer Outlook, April 2019, Class 8

Truck and trailer production

South America



Truck¹

Trailer²

2018

+23%

+55%

2019

+17%

+5%

India



Truck¹

Trailer²

2018

+41%

+13%

2019

-12%

-6%



South America with steady recovery, India in reverse gear

18 ¹ LMC Global Commercial Vehicles Forecast Q1, 2019, South America, India, medium & heavy truck

² Clear, December 2018

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Financial targets 2019

	FY 2018	FY 2019*	Strategy 2020
Sales	€ 1,300.6 mn	+ 4 to 5 per cent	€ 1,500 mn (incl. M&A)
Adj. EBIT margin	6.9 per cent	Around the mid-point of the 7 to 8 per cent range	≥ 8 per cent
Net working capital ratio	13.5 per cent	13 per cent	13 per cent
CAPEX	€ 40.8 mn	€ 68 to 70 mn	4 to 5 per cent of sales

²⁰ * Projections assume that there is no significant deterioration of the political, economic or industry-specific environment; organic projections do not include potential sales and earnings contributions from acquisitions or JVs

Your key takeaways



- ≈ Mixed picture in relevant markets
- ✓ North America well on track
- ✓ Countermeasures in place to improve Chinese efficiency
- ✓ Full focus on NWC management
- We take back control of our performance

Financial Calendar 2019

Dates	Events
09.05.2019	Quarterly Statement Q1 2019
23.05.2019	Berenberg Conference USA 2019, Tarrytown
28.05.2019	MainFirst SMID Cap One-on-One Forum, Frankfurt
05.06.2018	dbAccess Berlin Conference, Berlin
05.06.2018	ODDO BHF Nextcap Forum, Paris
27.06.2019	Warburg Highlights, Hamburg
08.08.2019	Half-yearly Financial Report 2019
10.09.2019	dbAccess IAA Cars Conference 2019, Frankfurt
24.09.2019	Berenberg and Goldman Sachs German Corporate Conference, Munich
07.11.2019	Quarterly Statement Q3 2019

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