VTG AG – We Make Rail Easy

Analyst Conference on 3M/2018 Results

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May 17, 2018

Agenda

1 Highlights 3M/2018
2 Discussion of 3M/2018 figures
3 Outlook FY 2018
4 Update on Nacco Acquisition

Executive Summary

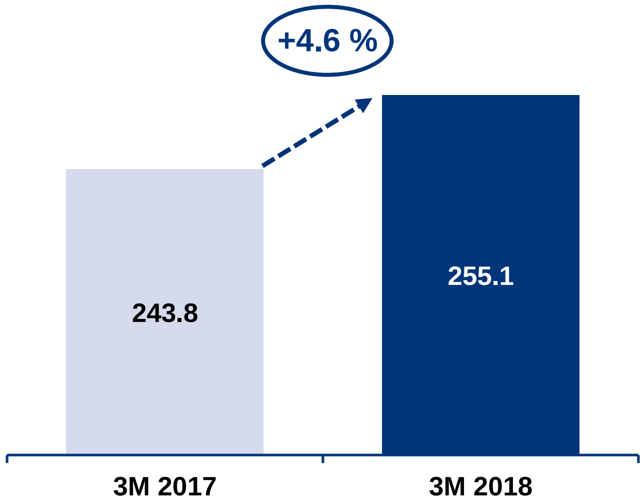
- Good start to the year with all relevant Group KPI showing an upward trend
- Sales increase mainly driven by good performance of Railcar division
- All three divisions managed to increase EBITDA significantly
- Guidance remains unchanged – Closing of Nacco transaction in H2/2018 expected

Group figures

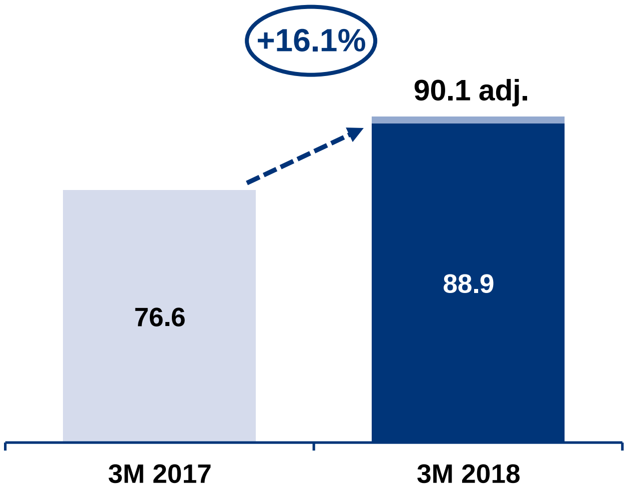
	3M 2017	3M 2018	Δ
Sales	€ 243.8 m	€ 255.1 m	+ 4.6 %
EBITDA	€ 76.6 m	€ 88.9 m	+ 16.1 %
EPS	€ 0.33	€ 0.47	+ 42.4 %
Utilization	90.3 %	92.2 %	+ 1.9 PP

Split of Group Sales and EBITDA

Group Sales
(in € m)



Group EBITDA
(in € m)



Comment

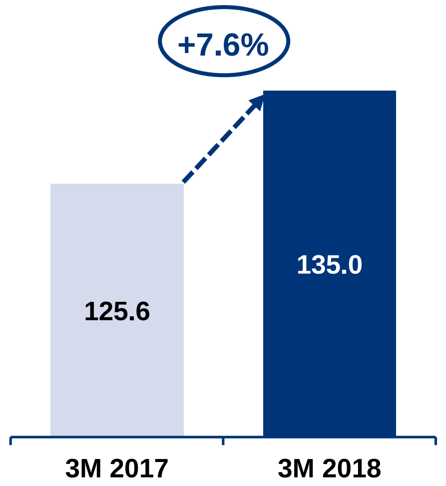
- Railcar and Tank Container Logistics with a noticeable increase in sales while Rail Logistics experienced a somewhat flat sales development

Comment

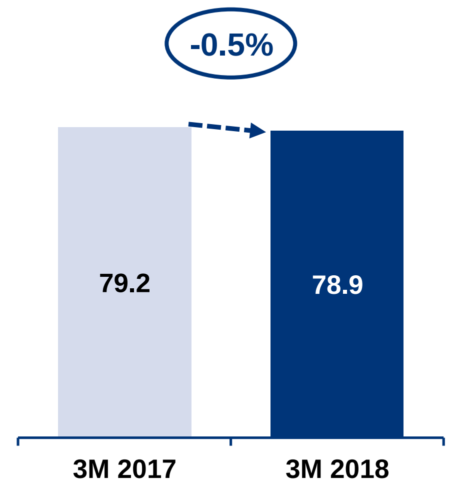
- Significant increase in EBITDA is predominately the result of higher demand and lower costs in the Railcar division
- EBITDA adjusted by Nacco related expenses (€ -1.2 m) at € 90.1 m

Sales development by division

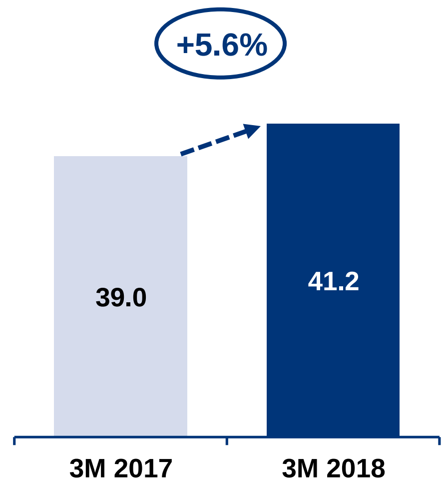
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment

- Increase in sales is driven by higher utilization and growth of worldwide fleet size
- Utilization remains on a high level of 92.2 % (3M/2017: 90.3 % / 2017: 92.2 %)

Comment

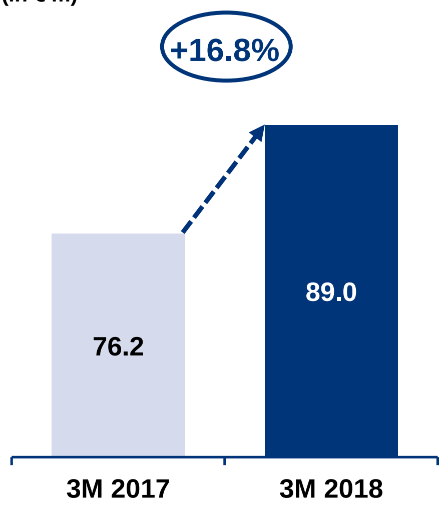
- Sales in 3M/2018 basically on previous year´s level
- Slightly lower volumes from metal working industry and project delays were offset by better agricultural business

Comment

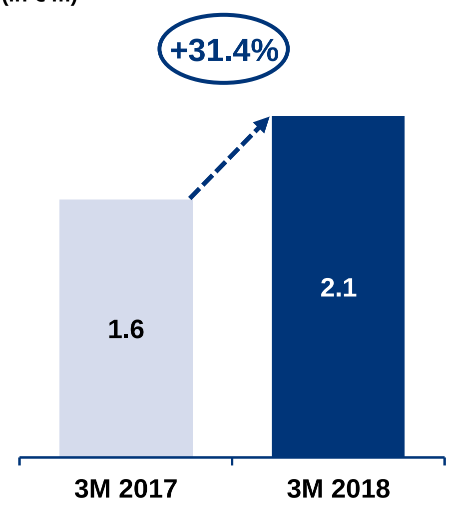
- Rising transport volume particularly in Europe as well as stable or somewhat higher prices led to a good start to the year

EBITDA development by division

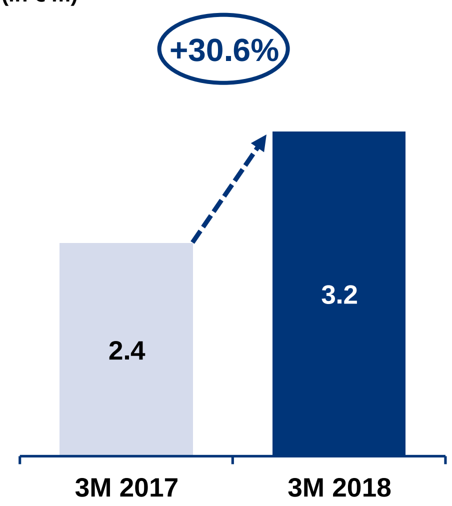
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment
- Higher fleet utilization and lower R&M expenses led to an increase in EBITDA
- EBITDA margin at 65.9 % (3M/2017: 60.7 %)

Comment
- EBITDA improved despite flat sales level due to lower rental and transport costs
- EBITDA margin* at 25.9 % (3M/2017: 22.8 %)

Comment
- Lower rental costs due to continuous exchange of rented TC for own, new equipment
- Lower R&M expenses
- EBITDA margin* increased to 39.4 % (3M/2017: 29.3 %)

* EBITDA margins calculated on gross profit (logistics divisions only)

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Group key figures

Key figures

(in € m)	3M 2017	3M 2018	Δ
Sales	243.8	255.1	+ 4.6 %
EBITDA	76.6	88.9	+ 16.1 %
EBIT	29.5	42.1	+ 42.8 %
EBT	18.8	23.8	+ 26.6 %
Net income	12.7	16.6	+ 31.3 %
Net income to shareholders	9.6	13.5	+ 42.4 %
EPS in €	0.33	0.47	+ 42.4 %

Comment

- Good sales growth, mainly in Railcar due to higher utilization and expansion of global fleet in 2017
- Significant increase in EBITDA due to higher utilization of wagon fleet and lower repair and maintenance costs as well as better performance of logistics divisions
- Nacco related costs amounted to € 3.8 m
  - € 1.2 m advisory costs on EBITDA level
  - € 2.6 m financing costs
- Adjusted EBITDA therefore at € 90.1 m
- Earnings per share (EPS) further increased on the back of better EBT and a lower tax rate (30.0 % vs. 32.5 % 3M/2017)

Financial result

Split of financial result (in € m)

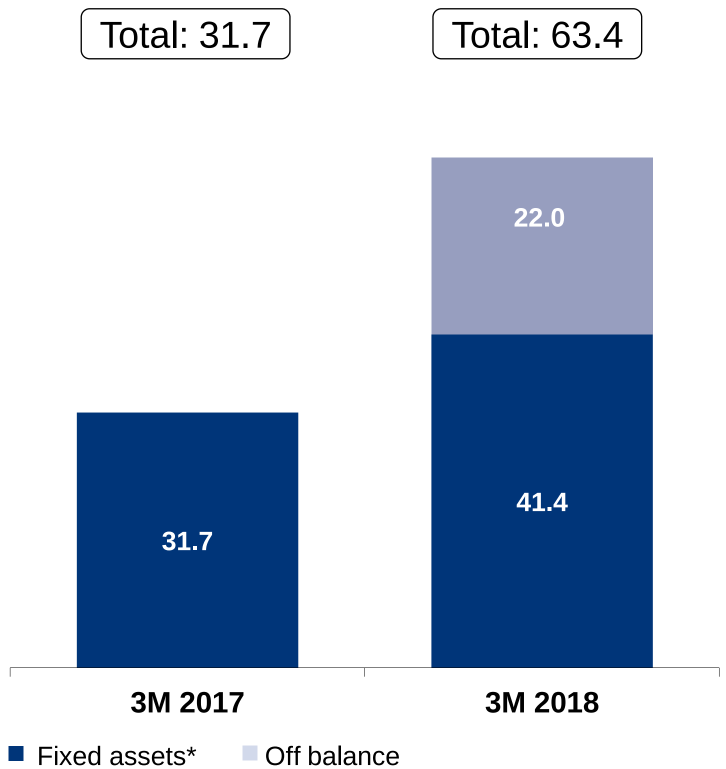
	3M 2017	3M 2018
EBIT	29.5	42.1
EBT	18.8	23.8
Financial result	**- 10.7**	**- 18.3**
Thereof:		
interest expenses of financial debt	- 13.4	- 13.9
interest expenses from credit lines	- 0.5	- 0.6
Total interest expenses	**- 13.9**	**- 14.5**
transaction costs	-0.8	- 0.9
Swap effects	1.9	- 0.4
FX effects	2.3	0.2
interest on pensions	- 0.3	- 0.3
Nacco financing	-	- 2.6
others	0.1	0.2
Other financial result	**3.2**	**- 3.8**

Comment

- Interest expenses increased only moderately
- Financial result lower due to one-offs:
  - Nacco related financing costs of € 2.6 m in 3M/2018
  - No significant FX or swap effects in 3M/2018
- Average interest rate still around 4% (incl. swaps)

Capex – Normalization of order book

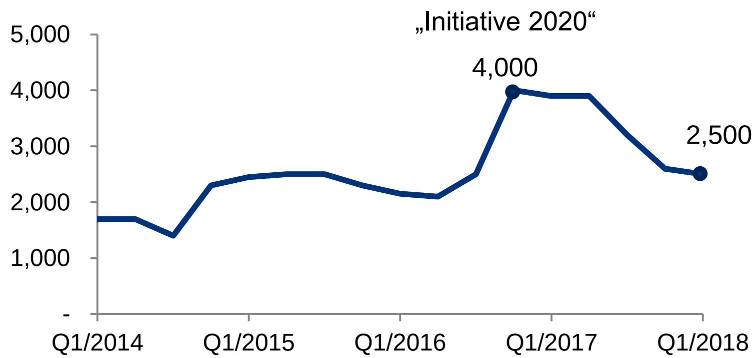
Capital expenditures (in € m)



Comment

- Purchase of 600 new railcars mainly in Europe and to a small extent in Russia in 3M/2018
- Normalization of order book volume due to delivery of new railcars in the US and Europe in 2017 / 2018

Order Book



* Capex for fixed assets, including intangible assets and capitalization of revision costs

VTG Group – Operating cash flow and Net debt

Cash flow

(in € m)	3M 2017	3M 2018
Operating cash flow	**+ 50.0**	**+ 64.6**
Payments for fixed assets	- 35.1	- 70.9
Disposal of fixed assets	+ 29.1	+ 14.3
Others	+ 0.2	- 0.3
Investing cash flow	**- 5.8**	**- 56.9**
Free cash flow	**+ 44.2**	**+ 7.7**

Net debt

(in € m)	12/31/2017	03/31/2018
Net debt	1,667.9	1,690.6
Net debt adjusted (incl. pensions)	1,735.6	1,758.1
Net debt adj./EBITDA	5.1	5.0*

* Calculated on mid-range of 2018 EBITDA guidance

Comment

- Improvement of operating cash flow due to higher EBITDA
- Cash outflow from investing activities increased due to:
  - Higher investments into fixed assets
  - lower proceeds from sale of wagons (+€ 27.3 m in 3M/2017 vs. +€ 11.8 m in 3M/2018)

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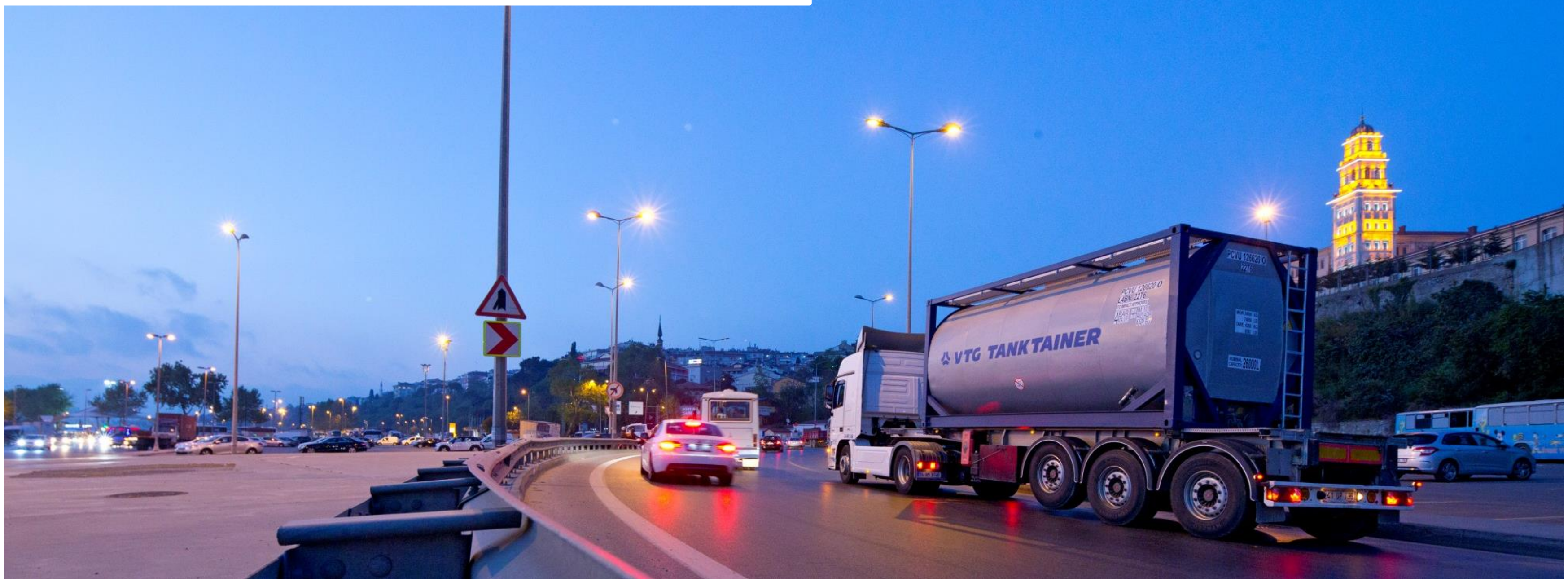
5 Digitization



FY 2018 outlook remains unchanged

Group

Revenue: Slightly above previous year (>€1,014m)

EBITDA: €340m - €370m

Outlook does not include any effects from the envisaged Nacco acquisition

Railcar

Revenue

EBITDA

Slight increase in sales and EBITDA expected

- Sustained upward trend in 2018 expected, investments with positive impact on sales development
- Utilization to stay on a high level

Rail Logistics

Revenue

EBITDA

Slight increase in sales and EBITDA expected

- Expansion of sales activities in defined core segments
- Good economic environment in Europe should support growth

Tank Container Logistics

Revenue

EBITDA

Slight increase in sales and EBITDA expected

- Transport volume to increase further
- Purchase of 500 tank containers to replace hired equipment should improve cost structure

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Update on Nacco Acquisition

VTG & NACCO

Signing
July 1, 2017

Merger control proceedings in Germany and Austria
starting September 4, 2017

Voluntary proposal of remedies (sale of 30% of Nacco fleet)
January 25, 2018

Start of new market test in Germany
January 30, 2018

Germany: conditional clearance
March 21, 2018

Austria: conditional clearance
March 28, 2018

Sale of 30% of Nacco fleet
from Q2/2018

Closing
expected H2/2018

Integration
starting H2/2018

● **done**
○ **pending**

Update on Nacco Acquisition

	Original Nacco Deal	Updated Nacco Deal
Fleet	14,000 railcars (tank, standard freight, intermodal)	~ 10,000 railcars (tank, standard freight, intermodal) ~ 4,000 to be resold (remedy sale)
Sales	~ € 120 m in 2018	~ € 85 m in 2019
EBITDA	~ € 100 m (before transaction and integration costs) in 2018	~ € 70 m in 2019 (before transaction and integration costs)
EPS	Accretive from 2018 on (before transaction and integration costs) after envisaged capital increase	Accretive from 2019 on (before transaction and integration costs) after envisaged capital increase
Purchase Price	€ 780 m + CapEx for 2017 (€ 140 m)	€ 780 m + CapEx for 2017/18 (€ 195 m) – proceeds remedy sale
Financing	▪ Privately-placed Hybrid Bond: ~ € 300 m ▪ Senior Loan: up to € 500 m ▪ Nacco´s existing net debt taken by VTG: ~ € 120 m	▪ Financing structure basically unchanged ▪ Financing volume depends on proceeds from remedy sale
Refinancing	Envisaged replacement of privately-placed hybrid bond via the capital market, potentially via a rights issue for the increase of VTG´s capital from the authorized capital.	
Net debt	Net debt increases to max 5.75x but will decrease to current level again within the next two years	
Closing	Expected in Q4/2017 Subject to antitrust approval	Expected in H2/2018 Approved under condition to sell 30% of the Nacco business

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Save the date 2018

Financial Calendar 2018:

March 27	Annual Report FY 2017
March 27	Annual Results Press Conference, Hamburg
May 17	Quarterly Statement as of March 31, 2018
May 17	Analyst Conference, Elze
June 6	Annual General Meeting, Hamburg
August 14	Half-yearly Financial Report 2018
November 13	Quarterly Statement as of September 30, 2018

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