9M 2017 Results

VTG AG – On the track for the future

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November 16, 2017

Agenda


VTG
Linz Stahlwerke
VTG
TRANSPORT VON GETREIDE
TRANSPORT OF CEREALS
TRANSPORT DE CEREALES
102,0m³
25,3t

Executive Summary

Highlights 9M 2017

- Positive sales trend in Railcar division continues in Q3
- Utilization on the highest level since September 2008
- Logistics divisions perform well. Tank Container Logistics slightly affected by temporary closure of rail route at Rastatt
- Closing of Nacco acquisition expected for Q1 2018
- Full year EBITDA therefore expected at the lower end of guided range

Group figures

	9M 2016	9M 2017
Sales	€ 742.0m	€ 750.2m
EBITDA	€ 255.9m	€ 250.7m
EPS	€ 1.24	€ 1.21
Utilization	89.8%	92.1%

Update on Nacco Acquisition

VTG & NACCO

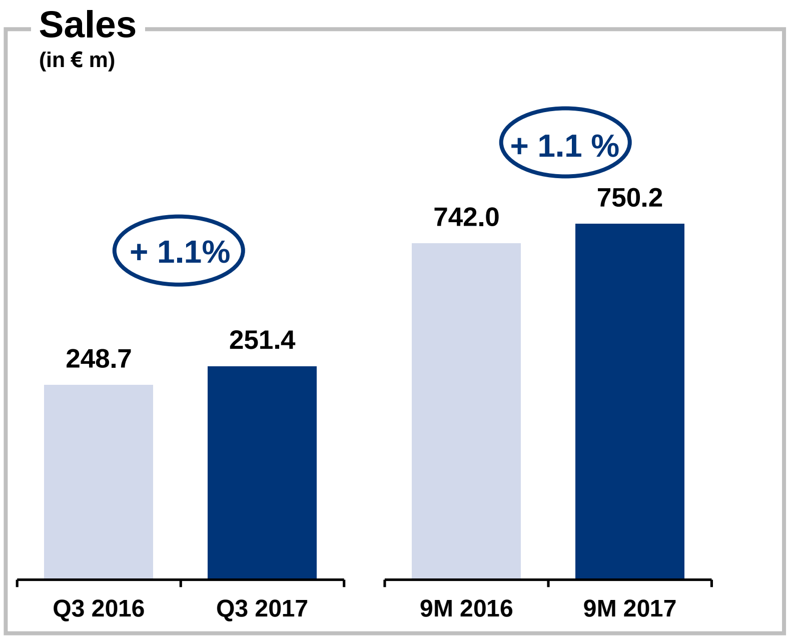
Status quo

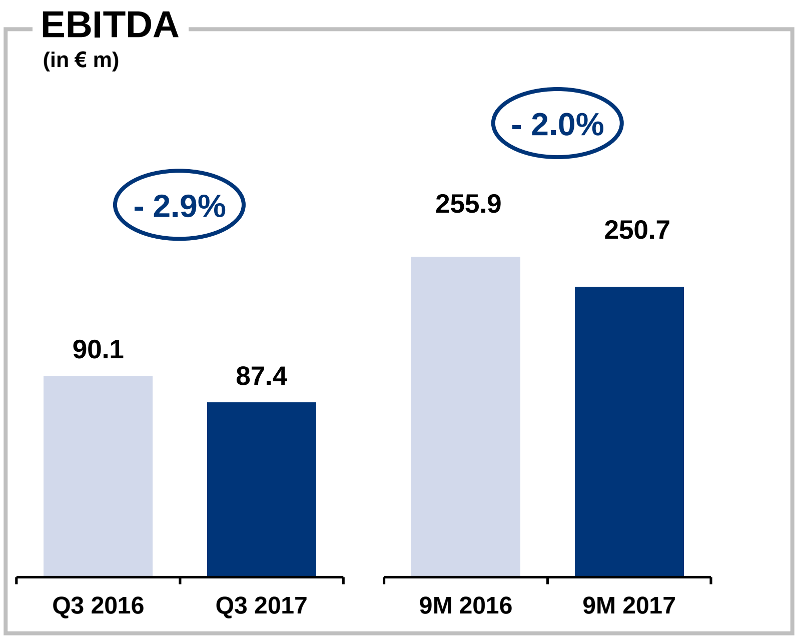
- German and Austrian antitrust authorities initiated a more time consuming second phase of merger control proceedings
- Closing of Nacco acquisition expected for Q1 2018
- VTG is in constructive discussions with the respective regulatory bodies

Financial Implications

- The current EBITDA guidance range of € 330m – € 360m will most likely be met at the lower end since Nacco will not contribute to earnings in 2017
- VTG still expects full year earnings contributions from Nacco of € 100m on EBITDA level (after synergies, before integration and transaction costs)
- Depending on actual closing date there might not be a full year effect in 2018

Split of Sales and EBITDA





Comment

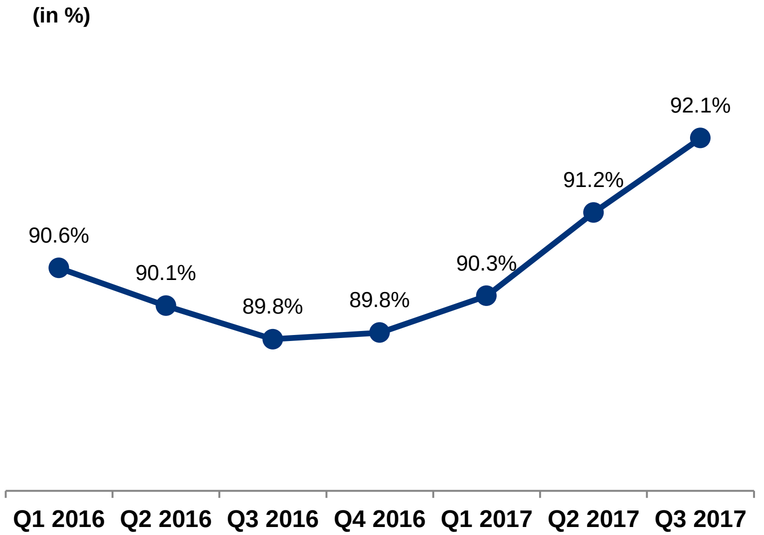
- Sales increase driven by Rail Logistics
- Soaring demand in Railcar division not yet reflected in sales figures
- Tank Container Logistics with a slight decrease in sales due to lower freight rates

Comment

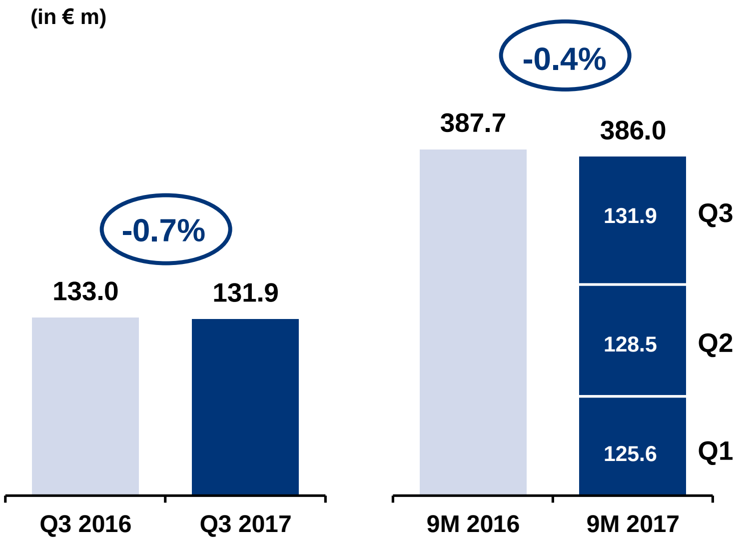
- Both logistics divisions with rising EBITDA
- 9M 2017 Railcar result burdened by extraordinary costs (€ 4.2m), while Q3 2016 result included positive one-offs (€ 3.2m)
- On a like-for-like basis EBITDA is € 2.2 m higher in 9M 2017 compared to previous year

Sales development Railcar division

Utilization



Railcar



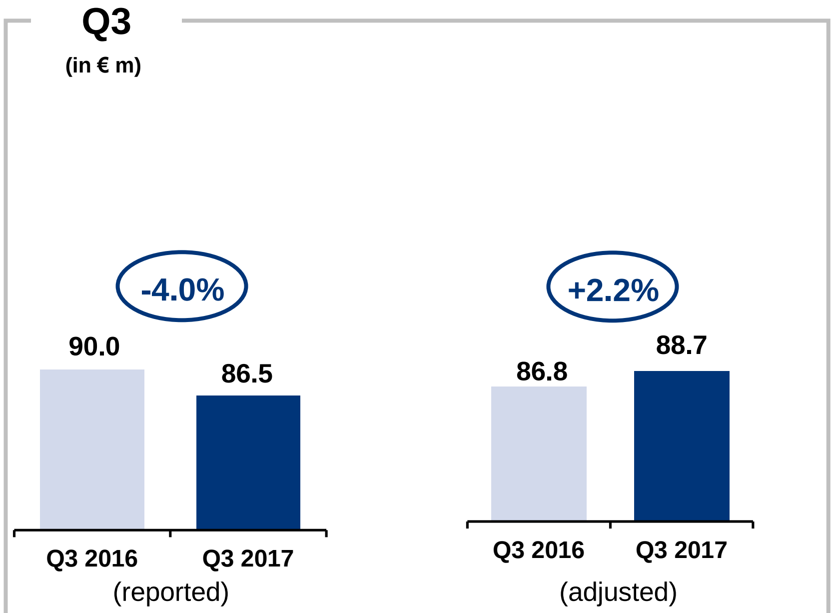
Comment

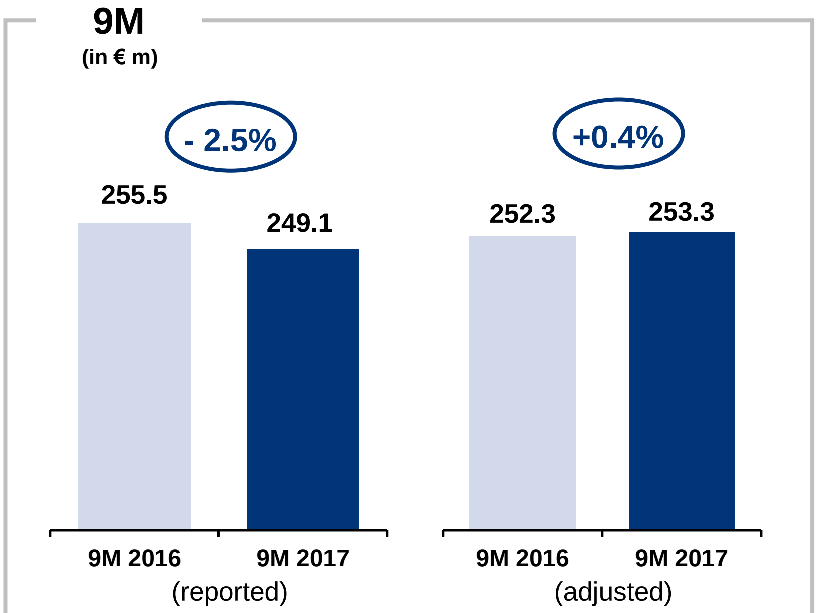
- After utilization hit the lowest level at the end of 2016 numbers were increasing constantly
- At the end of Q3 fleet utilization (92.1%) was on the highest level since September 2008

Comment

- Broad upswing in European railcar demand not yet reflected in sales figures
- After a slow start in Q1 2017, sales constantly increased in Q2 and Q3

EBITDA development Railcar division





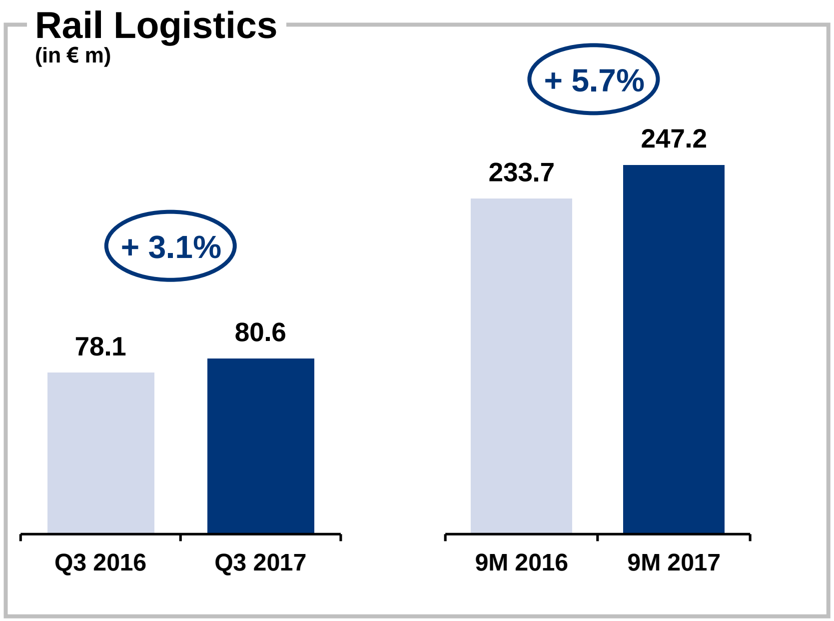
Comment

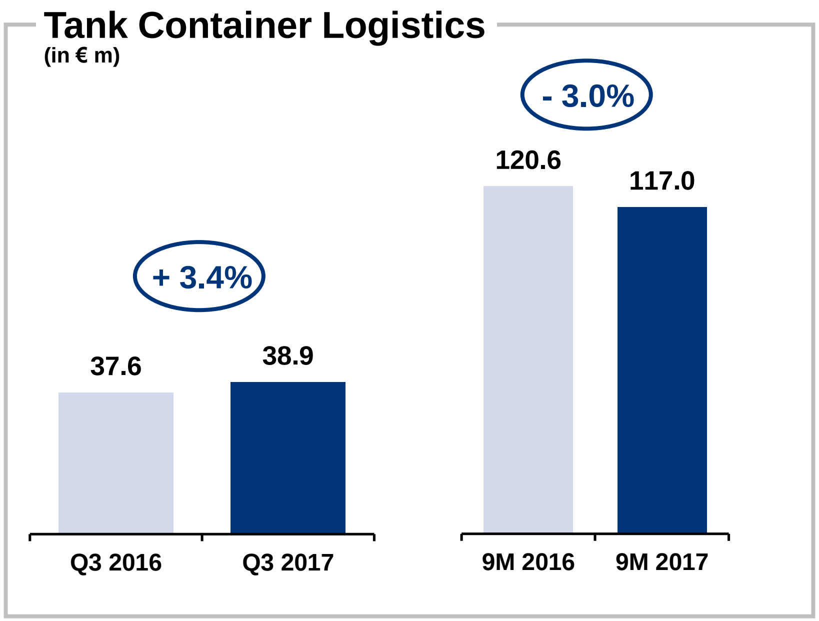
- Extraordinary expenses for preparation of idle railcars, overhaul of brake systems as well as for Nacco transaction totaled € 2.2m in Q3 2017
- Q3 2016 includes positive one-off effects of € 3.2m
- Adjusted for one-offs EBITDA increased by 2.2%

Comment

- In 9M 2017 extraordinary expenses (preparation of idle railcars, new regulations (brake systems) and Nacco transaction) total € 4.2m (previous year: € 3.2m extraordinary income)
- Reported EBITDA margin of 64.5% nevertheless almost on previous year´s level (65.9%)

Sales development Logistics divisions





Comment

- Sales increase driven by business expansion in southeastern Europe and project logistics
- Higher volumes in the metalworking industries

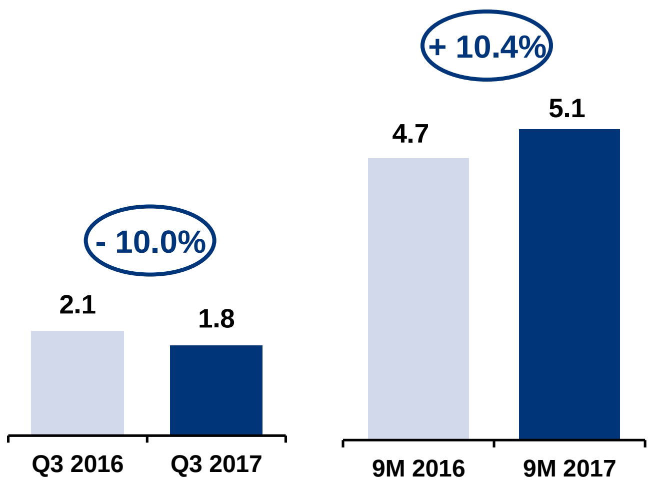
Comment

- Sales increase in Q3 2017 due to higher transport volumes
- Higher demand could only partly compensate lower freight rates in 9M 2017, therefore sales are slightly below previous year

EBITDA development Logistics divisions

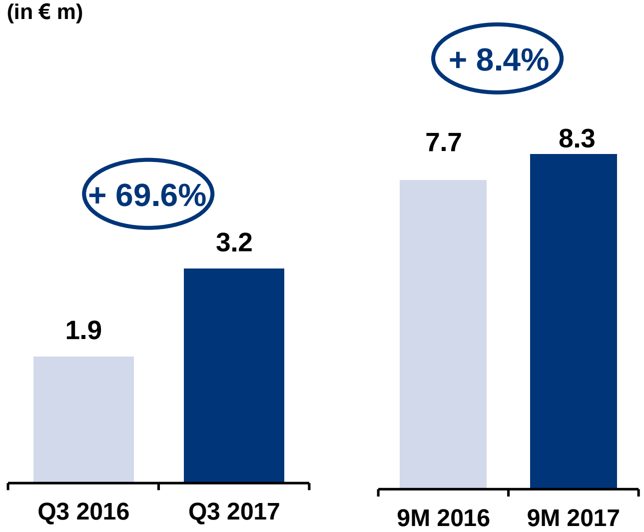
Rail Logistics

(in € m)



Tank Container Logistics

(in € m)



Comment

- Higher sales level leads to strong EBITDA increase after nine months 2017
- Decrease in Q3 2017 compared to Q3 2016 due to higher admin costs
- EBITDA margin* improved to 22.8% (9M 2016: 22.0%)

Comment

- EBITDA growth due to lower transport and TC rental costs in spite of sales decline
- Q3 2016 was negatively affected by a temporary drop in demand
- Slight increase of EBITDA margin* to 37.0% (9M 2016: 36.0%)

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

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2 Discussion of 9M 2017 figures
3 Outlook FY 2017
4 Financial Calendar 2018

Group key figures

Key figures

(in € m)	9M 2016	9M 2017	Δ
Sales	742.0	750.2	+1.1%
EBITDA	255.9	250.7	-2.0 %
EBIT	115.9	109.7	-5.3 %
EBT	69.2	63.0	-8.9 %
Net income	45.0	44.1	-1.9 %
Net income to shareholders	35.6	34.7	-2.4 %
EPS in €	1.24	1.21	-2.4 %

Key figures (adjusted)

EBITDA	252.3	254.9	+1.0 %
EBIT	112.7	113.9	+1.0 %
EBT	67.0	70.7	+5.5 %
EPS in €	1.19	1.39	+16.8 %

Comment

- Sales slightly above previous year´s level, EBITDA slightly below
- 9m 2017 EBITDA impacted by extraordinary expenses of € 4.2m:
  - preparation of idle railcars and adoption of new regulations (€ 1.6m)
  - Nacco transaction (€ 2.6m)
- 9m 2016 EBITDA included positive effects of in total € 3.2m
- Financial result includes additional financing costs of € 3.5m related to Nacco acquisition
- Expected tax rate level for 2017 unchanged at 30%

Financial result

Split of financial result (in € m)

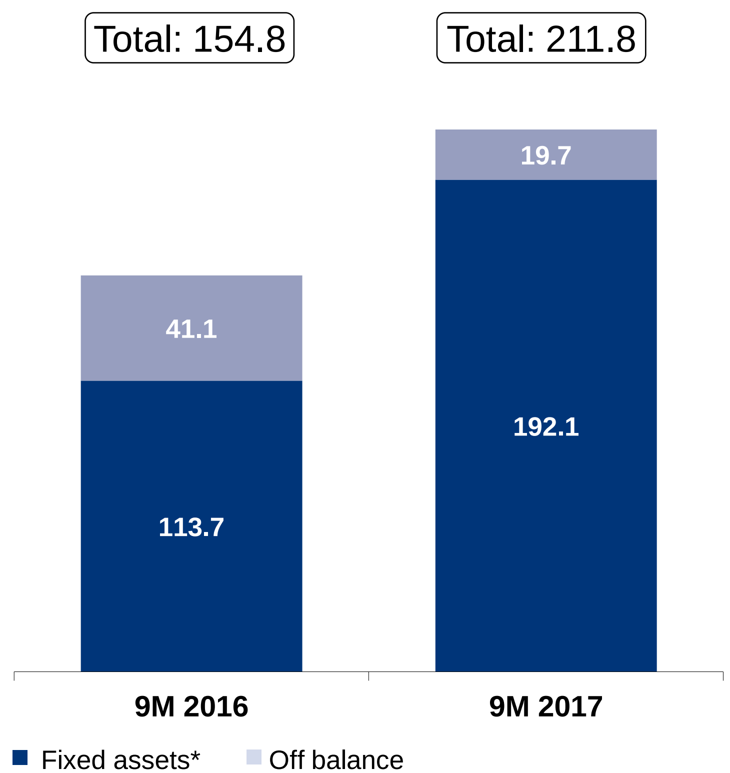
	9M 2016	9M 2017
EBIT	115.9	**109.7**
EBT	69.2	**63.0**
Financial result	**- 46.7**	**- 46.7**
Thereof:		
interest expenses of financial debt	- 40.1	**- 40.4**
interest expenses from credit lines	- 1.9	**- 1.3**
Total interest expenses	**- 42.0**	**- 41.7**
transaction costs	- 2.4	**- 2.4**
Swap effects	- 3.9	**1.3**
FX effects	2.9	**1.9**
interest on pensions	- 1.0	**- 0.9**
others	- 0.3	**- 4.9**
Other financial result	**- 4.7**	**- 5.0**

Comment

- Financial result stable on previous year´s level
- No major changes in interest expenses
- Positive swap and FX valuation effects in other financial result
- But: Other financial result also includes € 3.5m for Nacco financing

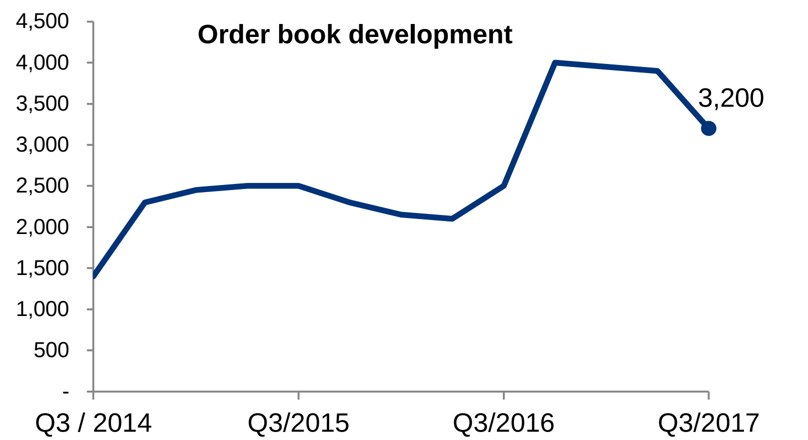
Capex – Above prior year level

Capital expenditures (in € m)



Comment

- Significantly higher investments compared to previous year (1,500 new builds and 1,500 used railcars)
- Strong decrease in the order book related to first deliveries in US and ongoing deliveries in Europe



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

VTG Group – Operating cash flow and Net debt

Cash flow

(in € m)	9M 2016	9M 2017
Operating cash flow	**+ 226.1**	**+ 170.5**
Payments for fixed assets	- 120.0	- 176.7
Disposal of fixed assets	+ 6.2	+ 36.1
Others	+ 1.1	- 9.5
Investing cash flow	**- 112.7**	**- 150.1**
Free cash flow	**+ 113.4**	**+ 20.4**

Net debt

(in € m)	31.12.2016	30.09.2017
Net debt	1,660.4	**1,714.5**
Net debt adjusted (incl. pensions)	1,731.4	**1,783.4**
Net debt adj./EBITDA*	5.0	**5.2**

* Calculated on EBITDA 2016

Comment

- Lower operating cash flow due to purchase of wagons (€ -32.5m, previous year: € +8.1m) designated for resale (operate lease) and temporarily higher receivables
- Cash flow used in investing activities increased due to purchase of used fleets as well as new builds in Europe, US and Russia
- Increase in disposal of fixed assets attributable to refinancing of some investments via operate lease

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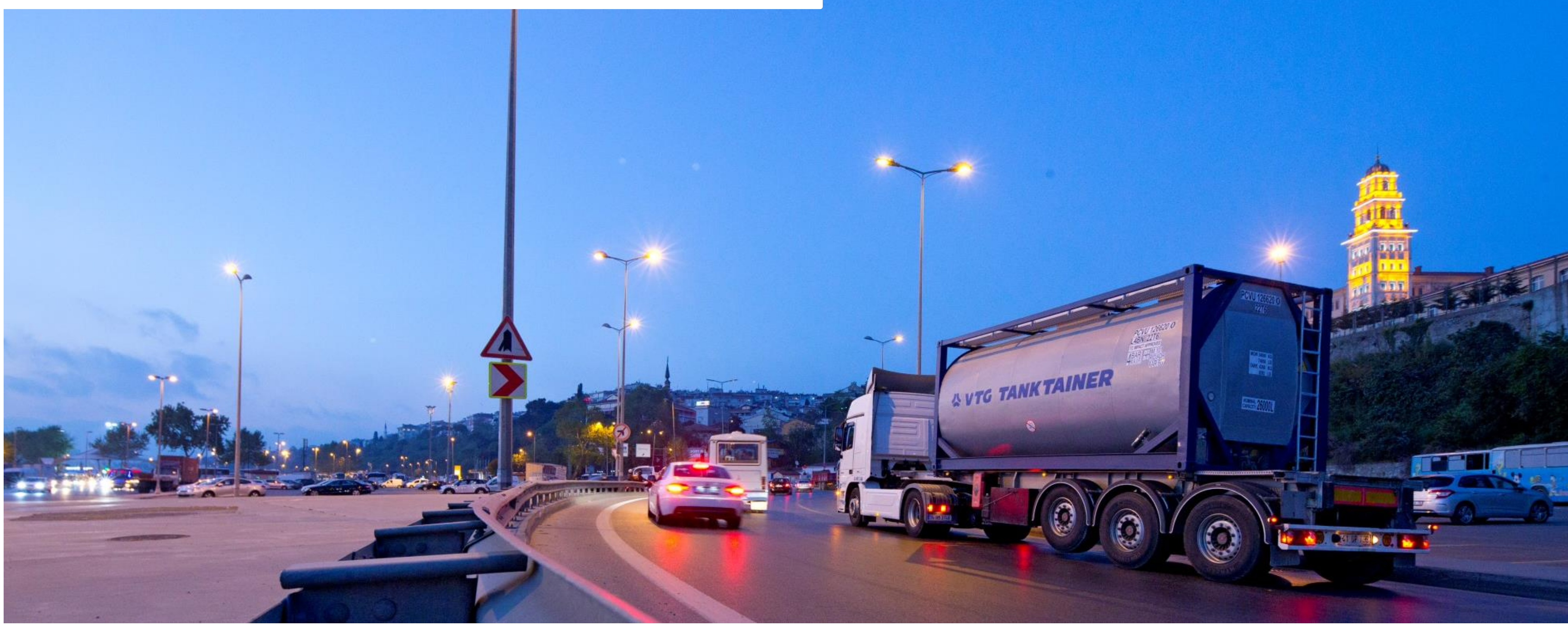
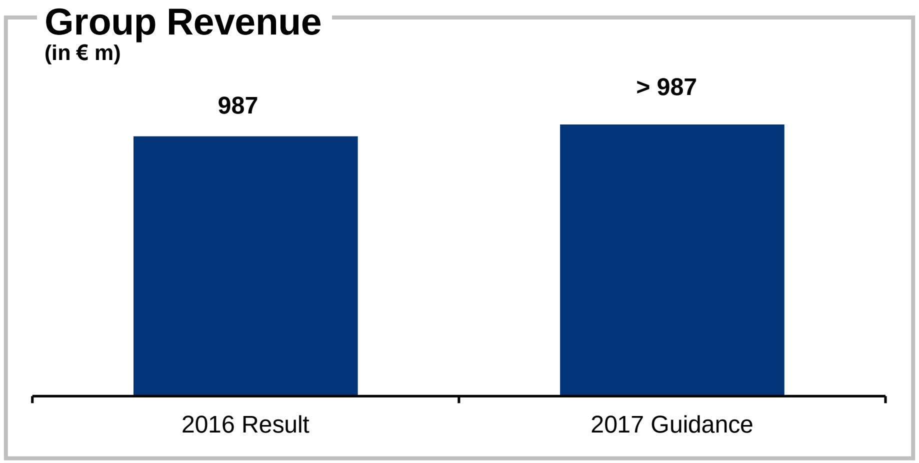
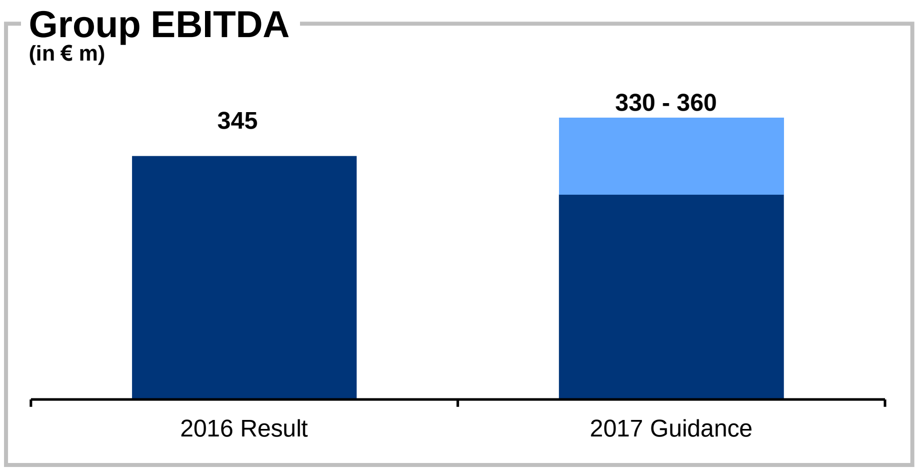


FY 2017 group guidance



Group revenue for 2017 expected slightly above previous year level (€ 987m)

- Rail logistics as main sales driver
- Increasing utilization in Railcar division to materialize in sales



Group EBITDA for 2017 expected to be at the lower end of € 330m – € 360m range

- High preparation expenses for previously idle railcars
- Expenses for Nacco acquisition accounted for in 2017 but earnings contributions only from 2018 onwards expected

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Save the date 2018

Financial Calendar 2018:

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

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