FY 2016 Results

VTG AG – On the track for the future

Analyst Conference

April 6, 2017

Agenda


VTG
TRANSPORT VON GETREIDE
TRANSPORT OF CEREALS
TRANSPORT DE CEREALES

Executive Summary

- Considerable synergies from AAE takeover and efficiency gains lead to higher profitability
- In spite of slight sales decline, EBITDA rises to new record high
- EPS more than doubled
- For 2017 further increase in sales and earnings expected
- New shareholder structure: After more than ten years Wilbur Ross gave his shares into new hands

Group figures

	2015	2016	Δ
Sales	1,027.5	986.9	- 4.0 %
EBITDA	336.5	345.3	+ 2.6 %
EPS	0.75	1.56	+ 108 %
Utilization	90.6 %	89.8 %	- 0.8 PP

Railcar Division – Highlights by region

Europe

- Market demand remains stable but less dynamic than expected
- Investments into new builds increased
- Joint development of innovative railcars started
- Digitization of fleet announced

North America

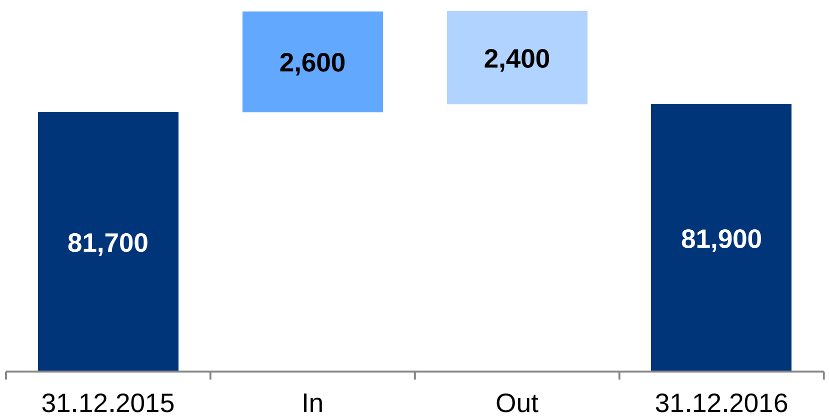
- High utilization maintained
- Downturn in shale gas market with no impact on VTG‘s US business
- Opportunistic acquisition of a used fleet (200 wagons)
- Delivery of 1,000 new railcars expected to commence in 2017

Russia

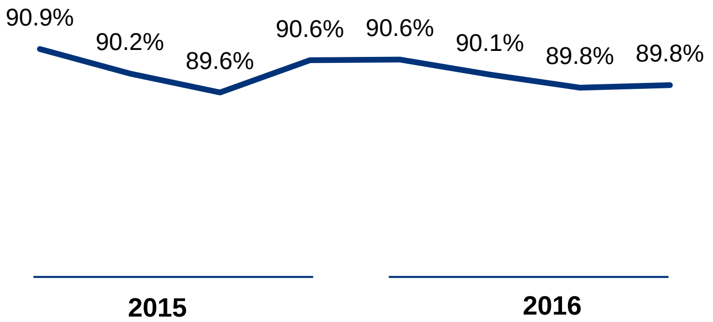
- Stabilizing economic environment
- Utilization remains on a high level at low prices
- Capex plans mainly on hold due to uncertain political and economical situation

Railcar fleet

Fleet development 2016



Utilization



Comment

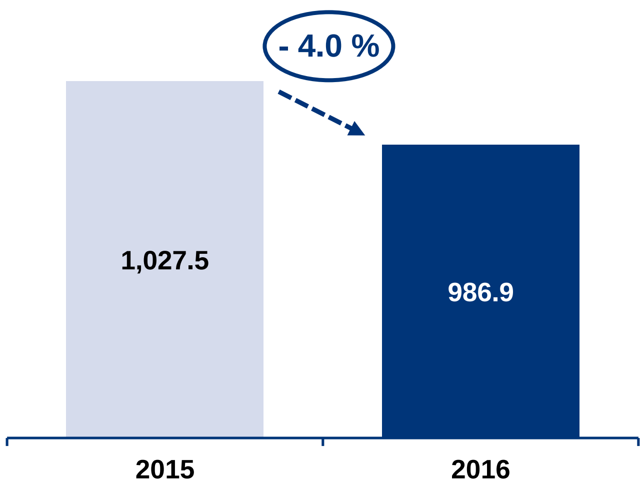
- 1,400 new and 300 used wagons were added to the fleet in 2016
- Additionally the take over of a French railcar pool increased the number of wagons by 900
- In the same period 2,000 wagons were discharged and another 400 were off-hired

Comment

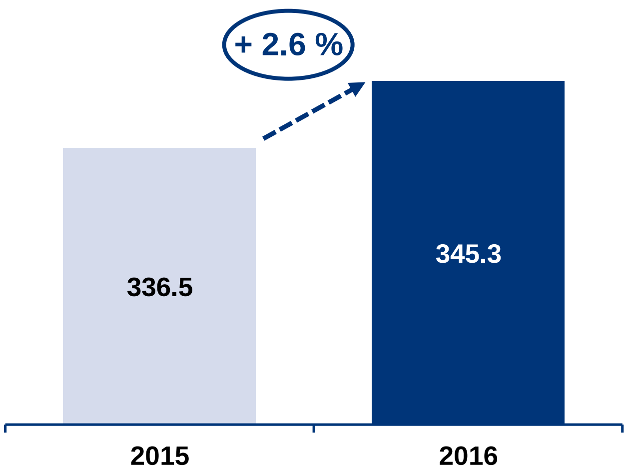
- Utilization of VTG's world wide fleet remains on satisfying level
- European intermodal fleet with somewhat lower utilization

Split of Group Sales and EBITDA

Group Sales
(in € m)



Group EBITDA
(in € m)



Comment

Sales below last year due to:

- increased road competition
- discontinuation of low margin business in rail logistics
- lower freight rates in tank container logistics

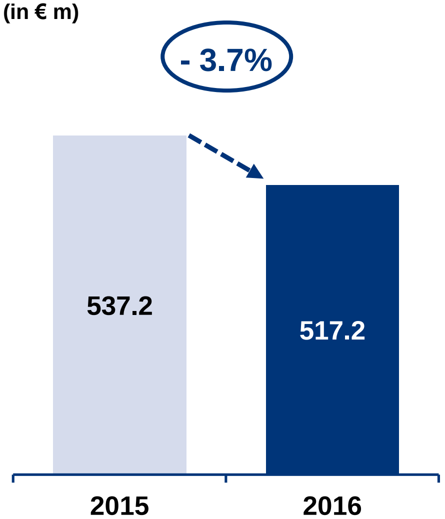
Comment

Key drivers of EBITDA increase:

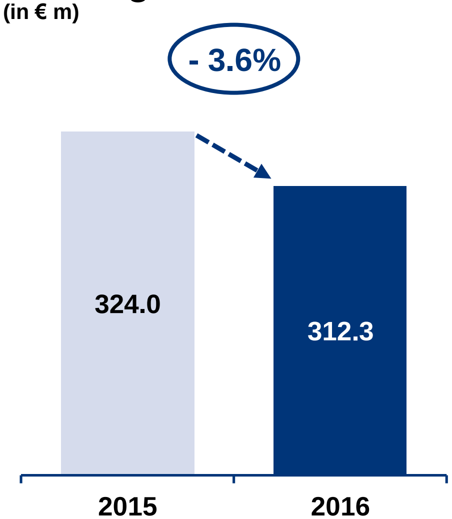
- Efficiency gains
- realized synergies from AAE acquisition
- positive one-off (6m €)

Sales development by division

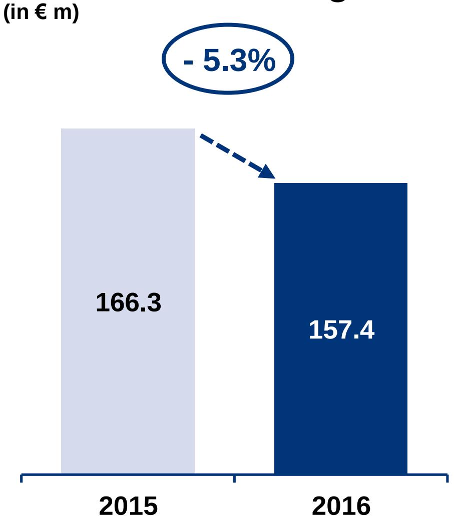
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



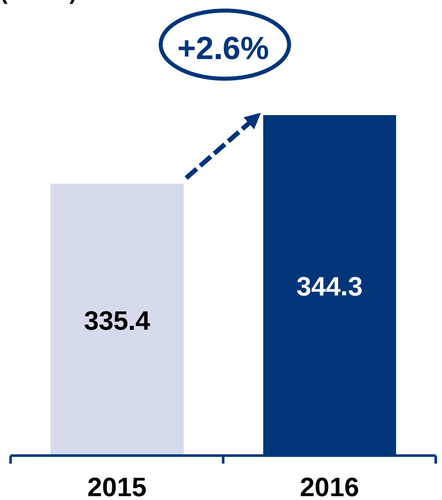
Comment
- Intensified competition with road transport due to low diesel prices and reduced truck toll in Germany
- Utilization with 89.8 % on a satisfying level (2015: 90.6 %)

Comment
- Discontinuation of low margin business
- Little demand for agricultural goods transportation and production downtimes at customers

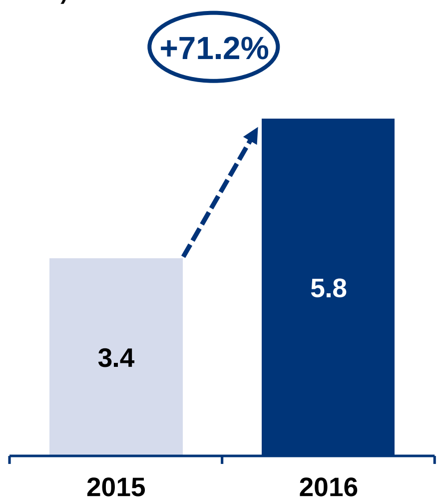
Comment
- Stable transport volumes
- Lower freight rates due to lower oil prices

EBITDA development by division

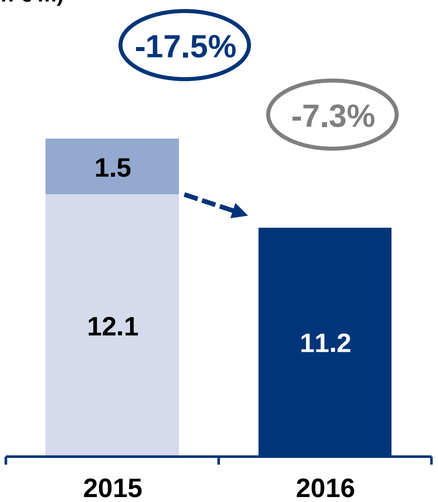
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment
- Synergies, efficiency gains and a positive one-off lead to positive EBITDA development
- EBITDA margin at 66.6 % (2015: 62.4 %)

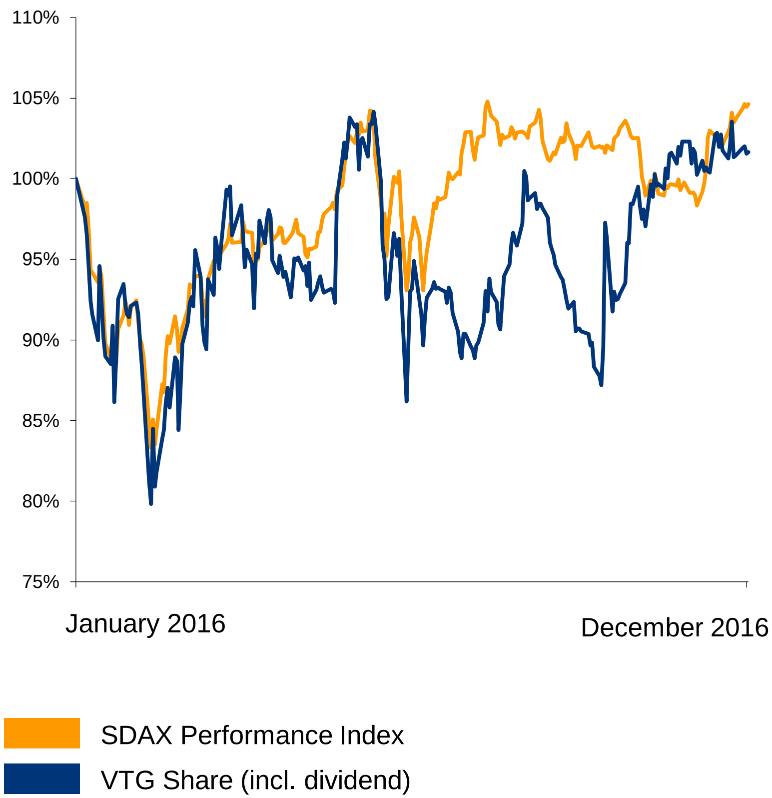
Comment
- EBITDA up by 71 % on the back of a higher margin business and efficiency gains
- EBITDA margin* at 20.9 % (2015: 12.2 %)

Comment
- Extraordinary income in Q1 2015 from sale of affiliate (1.5 m €)
- Like-for-like EBITDA down by 7 % - margin* at 39.4 % (2015: 42.1 %)

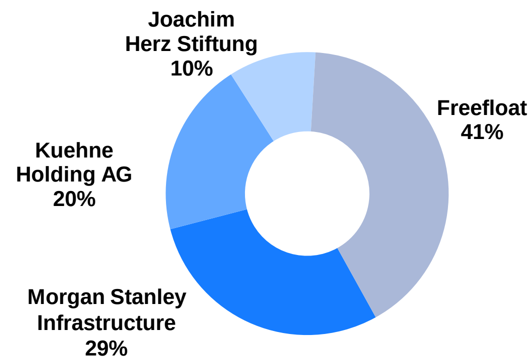
* EBITDA margins calculated on gross profit (logistics divisions only)

VTG Group with strong anchor shareholders

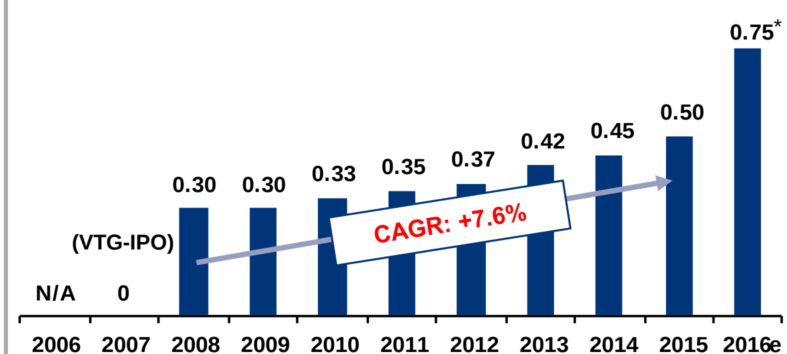
Share price development



Ownership structure



Group dividend per share (in €)



* Intended proposal to AGM

Agenda

1 Highlights 2016
2 Discussion of FY 2016 figures
3 Outlook FY 2017
4 VTG 4.0 – Current Financial Status
5 Financial calendar

Group key figures

Key figures

(in € m)	2015	2016	Δ
Sales	1,027.5	986.9	- 4.0 %
EBITDA	336.5	345.3	+ 2.6 %
EBIT	144.1	149.7	+ 3.8 %
EBT	45.9	88.2	+ 92.3 %
Net income	29.4	57.5	+ 95.5 %
Net income to shareholders	21.6	45.0	+ 108 %
EPS in €	0.75	1.56	+ 108 %

Comment

- Group revenue below while EBITDA slightly above last year´s level
- Significant EBT improvement mainly triggered by lower interest expenses and lower other financial expenses (FX and swap valuation)
- Earnings per share (EPS) more than doubled

Financial result

Split of financial result (in € m)

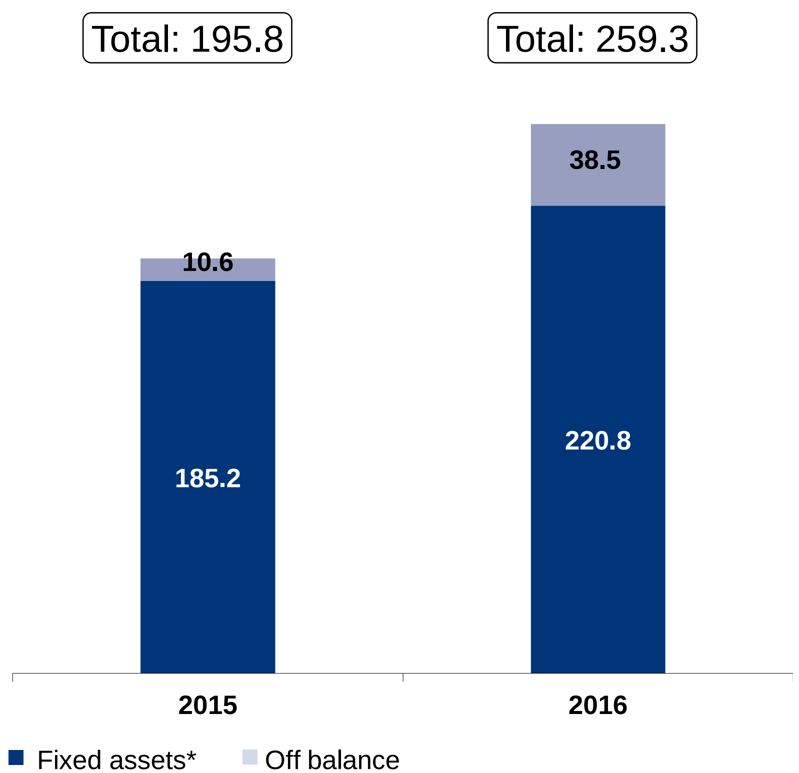
	2015	2016
EBIT	144.1	149.7
EBT	45.9	88.2
Financial result	**-98.2**	**-61.5**
Thereof:		
interest expenses of financial debt	-65.4	-53.5
interest expenses from credit lines	-2.0	-2.5
Total interest expenses	**-67.4**	**-56.0**
transaction costs	-7.9	-3.2
Swap effects	-9.7	-4.9
FX effects	-10.5	4.0
interest on pensions	-1.3	-1.3
other financial result	-1.4	-0.1
Total other financial expenses	**-30.8**	**-5.5**

Comment

- Financial result improved significantly
- New financing structure led to interest savings of 11.4 m € in 2016
- Other financial expenses considerably lowered
- Overall net effect of swap valuation and ruble appreciation still negative (-0.9 m€)
- Average interest rate at around 4% (incl. swaps)

Capex

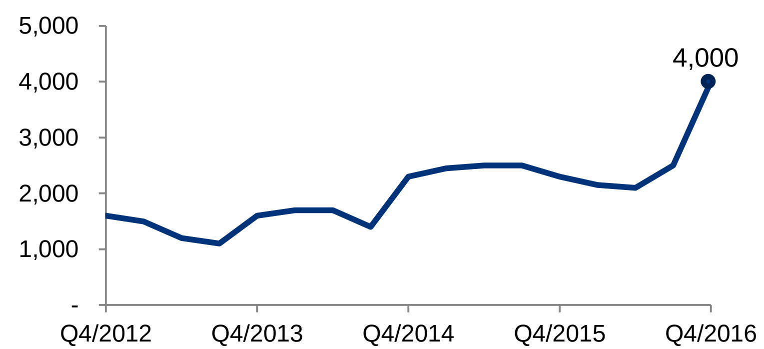
Capital expenditures (in € m)



Comment

- Higher off balance capex due to postponements from last year
- Roughly 50% of on balance capex was made in Q4 with no effect on earnings in 2016
- Order book shows effects from the "Initiative 2020" which will additionally drive Capex in the next 3 years

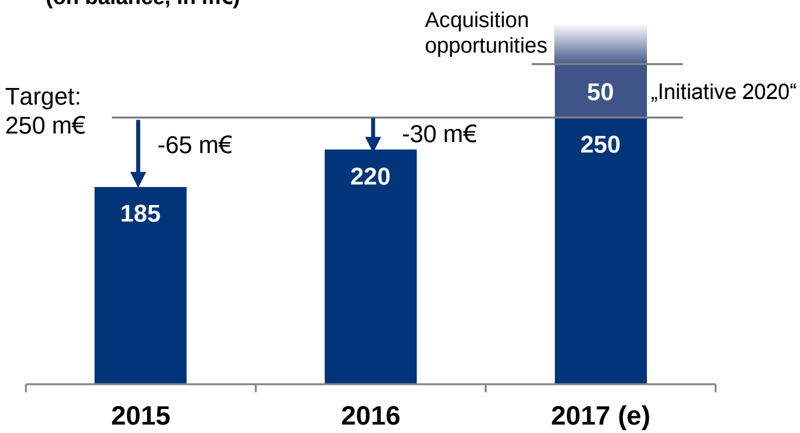
Order Book



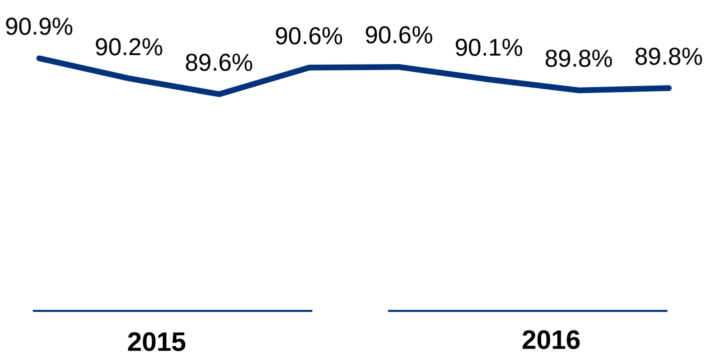
* Capex for fixed assets, including intangible assets and capitalization of revision costs

Implications for mid-term targets

Investments
(on balance, in m€)



Utilization



Comments

- Investments and utilization have been below budget recently reflecting the somewhat slower economic environment
- Growth investments of 95 m€ are currently delayed
- For 2017 investments will increase up to the originally planned level but will not fully close the gap
- VTG will use the currently favorable market conditions for new builds and increase modernization efforts ("Initiative 2020")
- To meet 2018 EPS expectations growth investments and utilization especially in the intermodal segment need to catch up

VTG Group – Operating cash flow and Net debt

Cash flow

(in € m)	2015	2016
Operating cash flow	**282.9**	**326.2**
Payments for fixed assets	-170.5	-220.4
Disposal of fixed assets	+76.0	+11.9
Financial assets AAE (net)	+19.4	-
Others	-6.4	+1.3
Total investing cash flow	**-81.5**	**-207.2**
Free cash flow (rep.)	**201.4**	**119.0**
Disposal of fixed assets	-50.5	-
Financial assets AAE (net)	-19.4	-
Free cash flow (adj.)	**131.5**	**119.0**

Net debt

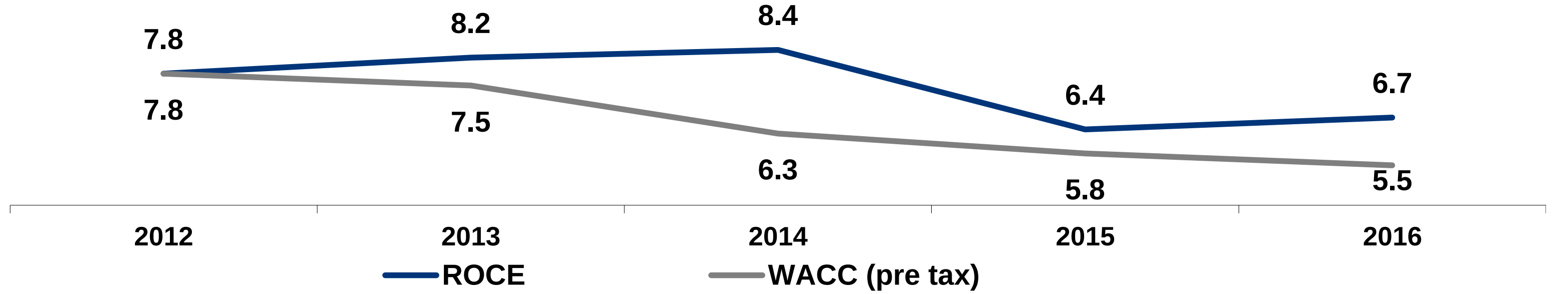
(in € m)	31.12.2015	31.12.2016
Net debt	1,667.5	1,660.4
Net debt adjusted (incl. pensions)	1,742.0	1,731.4
Net debt adj./EBITDA	5.2	5.0

Comment

- Operating cash flow further improved
- Free cash flow in 2015 was boosted by the sale of a wagon fleet and from the acquisition of AAE (effect: € 69.9 m)
- On the back of a very healthy Free cash flow net debt decreased while investments increased in 2016

Comparing ROCE and WACC

ROCE and WACC



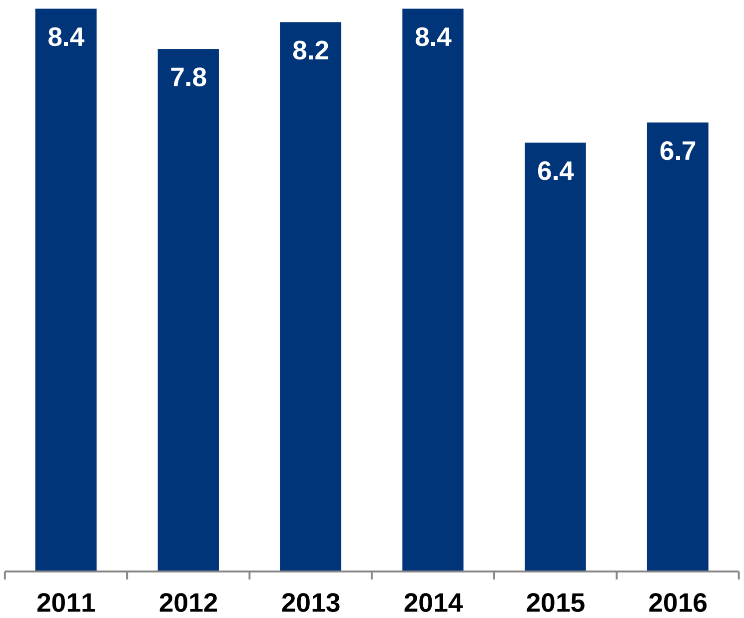
Comment

- ROCE improved slightly in 2016 in light of higher profitability and stable capital employed
- Decline in ROCE in 2015 is typical for high investments in young fleets
- ROCE is expected to further recover in the coming years as book values of former AAE fleet decline and profits increase
- Capital costs continued to decline in 2016

Several effects influenced ROCE development

ROCE Development

(in %)



ROCE Calculation

(in m €)

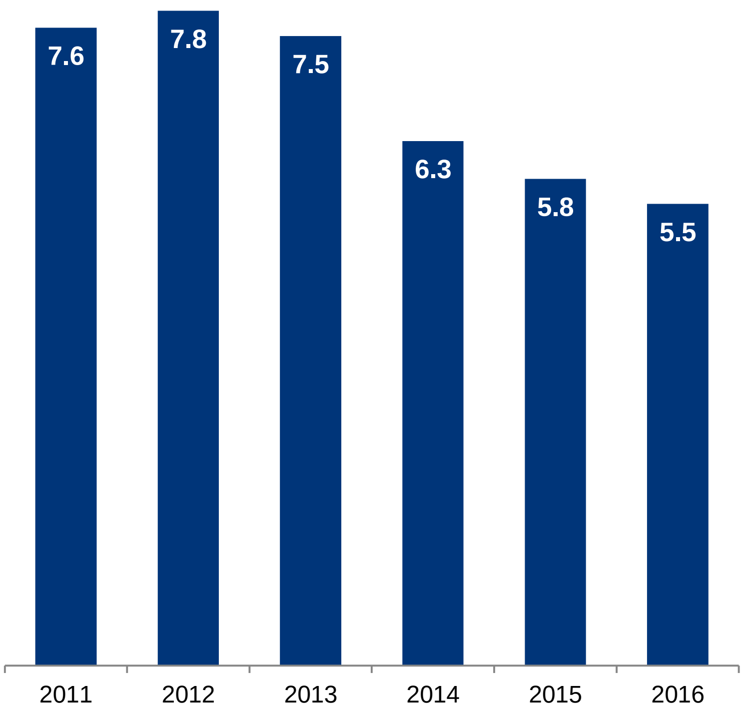
	2015	2016
EBIT	144.1	149.7
Elimination PPA	8.1	8.1
Elimination extraordinary result	8.2	8.4
EBIT normalized	160.5	166.2
Capital employed	2,490*	2,498**
$\text{ROCE} = \frac{\text{EBIT normalized}}{\text{Capital employed}}$	6.4%	6.7%

*Year-end value ** Yearly average

WACC development

WACC Development

(in %)

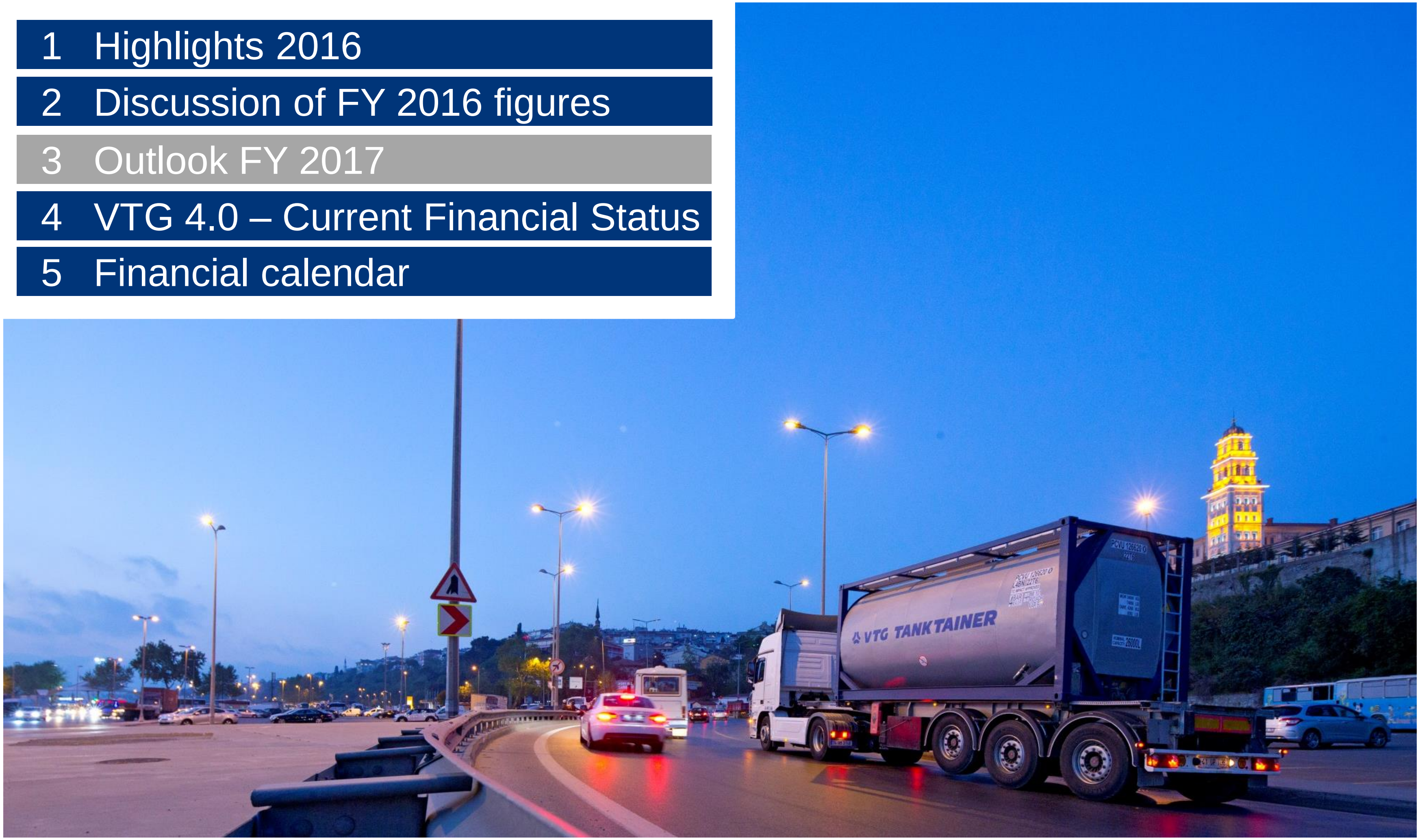


WACC Calculation

	2015*	2016
Risk free rate	1.6 %	0.7 %
Market Risk premium	6.3 %	6.3 %
Beta	0.96x	1.00x
Cost of Equity	**7.6 %**	**7.0 %**
Debt premium	267 bp	337 bp
Cost of debt	**2.7 %**	**2.7 %**
Cost of hybrid bond	**5.0 %**	**5.0 %**
Share of equity	16.0 %	16.0 %
Share of hybrid bond	9.0 %	9.0 %
Share of debt	75.0 %	75.0 %
Tax rate	36.0 %	35.0 %
WACC (pre tax)	**5.8 %**	**5.5 %**

* after refinancing

Agenda



FY 2017 outlook

For VTG Group slight increase in sales and EBITDA expected

Railcar

Stable sales and EBITDA development expected

- Current market environment with no significant growth drivers
- Utilization to stay at previous year level with slight fluctuations
- 6 m € one-off from 2016 will be compensated by full-year effect of 2016 investments

Segment outlook

Revenue →

EBITDA →

Rail Logistics

Slight increase in sales and EBITDA expected

- Strengthening of sales activities with continued focus on high margin business
- Further efficiency measures to be taken

Segment outlook

Revenue ↗

EBITDA ↗

Tank Container Logistics

Slight increase in sales and EBITDA expected

- Slight increase in transport volume expected
- Margin improvement due to investment in own containers

Segment outlook

Revenue ↗

EBITDA ↗

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Mid-term financial objectives

Status of Projects

1 Growth

Railcar	In progress
Logistics	Well on track

2 Efficiency

Utilization	In progress
Efficiency	Well on track
Synergies	Well on track

3 Finance & Tax

Interest Rates	accomplished
Tax Rate	Well on track

Comments

- Growth investments catching up – effect on EPS increase might be delayed
- Growth in logistics divisions with good progress
- Expected increase of utilization with the current economic outlook less predictable
- Efficiency and synergies progressing well
- Effect of better financing fully seen in 2016
- Tax rate moving in the right direction

VTG is on track to reach the EPS target of 2.50 € in 2018/2019

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Save the date 2017

Financial Calendar 2017:

March 7	Preliminary Results FY 2016
April 6	Annual Report FY 2016
April 6	Analyst Conference, Hamburg
May 4	Quarterly Statement Q1 2017
June 8	Annual General Meeting, Hamburg
August 29	Half-Yearly Financial Results 2017
November 9	Quarterly Statement Q3 2017

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