

FY 2015 Results

VTG AG – Moving potential towards success

Analyst Conference

April 5, 2016



Agenda



- 1 Highlights 2015
- 2 Discussion of FY 2015 figures
- 3 Outlook FY 2016
- 4 VTG 4.0 – Current Status
- 5 Financial Calendar 2016

Executive Summary

Highlights 2015

- Sales for the first time ever above the 1 bn € mark
- All figures largely driven by Railcar division
- Both logistics divisions with improving performance
- Refinancing completed
- Free cash flow generation significantly improved
- Mid-term objectives for 2018 published



Group figures

	2014	2015
Sales	€ 818.3 million	€ 1,027.5 million
EBITDA	€ 191.0 million	€ 336.5 million
Investments	€ 219.2 million	€ 195.8 million
Utilization	91.0%	90.6%

Highlights by divisions

1

Railcar



- AAE acquisition strengthened VTG's position as leading European wagon hire company
- Integration of AAE with good progress over the year
- Take over of outstanding stake of ex AAE joint venture in Russia
- Stable order book with 2,300 rail cars until end of 2017

2

Rail Logistics



- Successful reorganization
- Return to profitability
- Acquisition of remaining 30% stake from Kühne + Nagel
- Additional measures planned to further increase competitiveness

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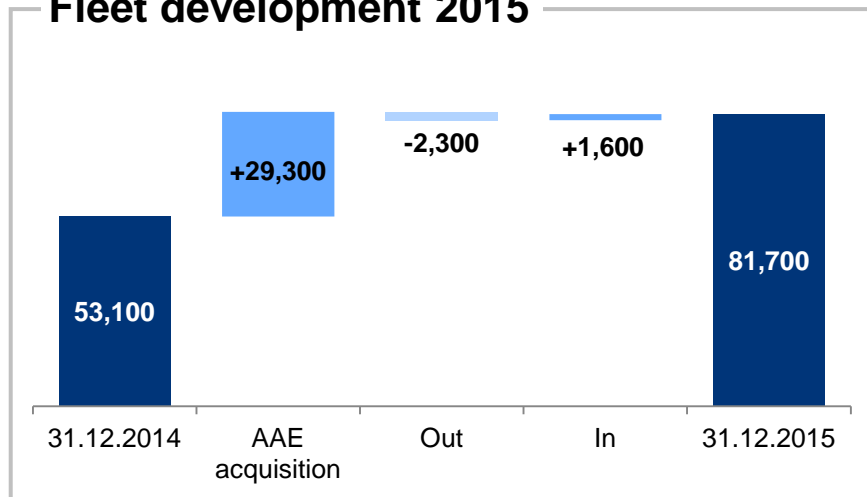
Tank Container Logistics



- Good development in spite of some macro-economic headwinds
- Higher transport volumes and favorable FX-rates
- Sale of a non-consolidated company to streamline business

Railcar – Key developments

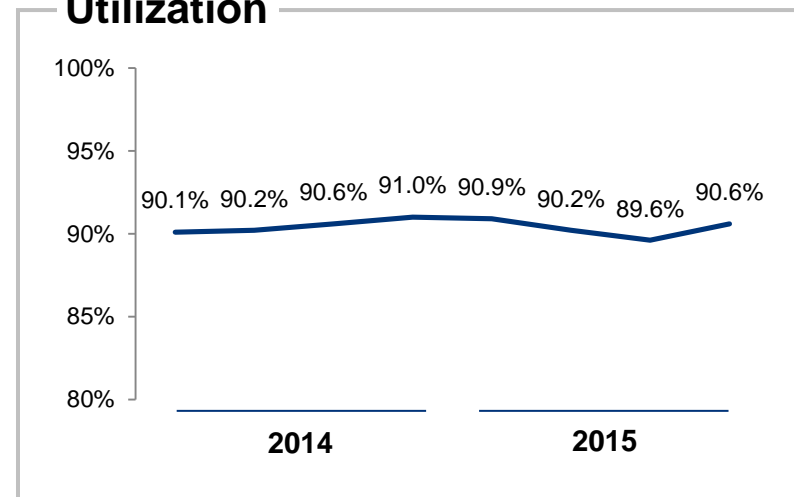
Fleet development 2015



Comment

- 29,300 new wagons from AAE
- Scrapping above normal level due to portfolio optimization following the AAE acquisition
- Investments in new wagons solely in Europe
- Fleet size well above 80,000 wagons

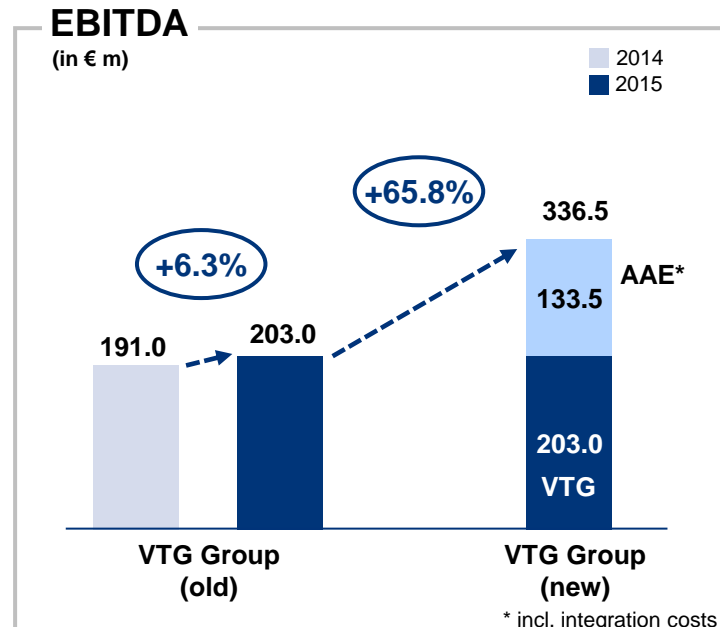
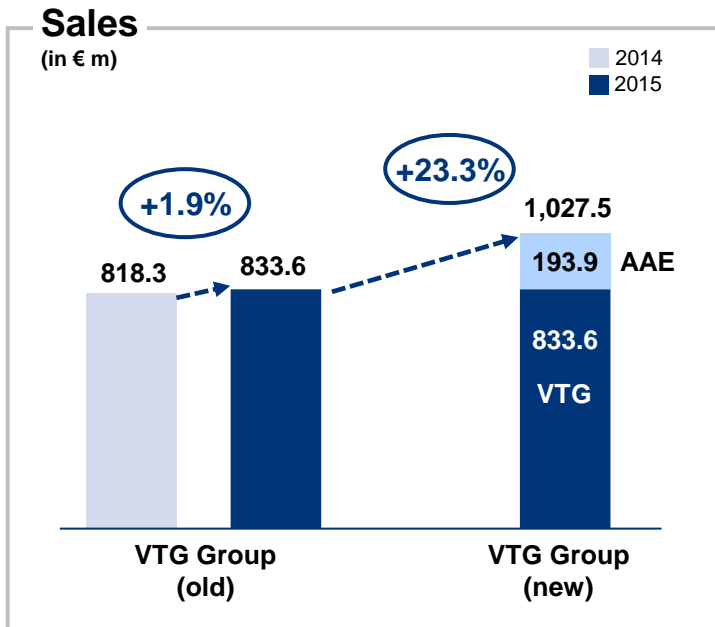
Utilization



Comment

- In spite of low economic growth and flagging world trade utilization at good level
- Utilization of intermodal fleet with somewhat higher dependence on trade cycle

Split of Sales and EBITDA



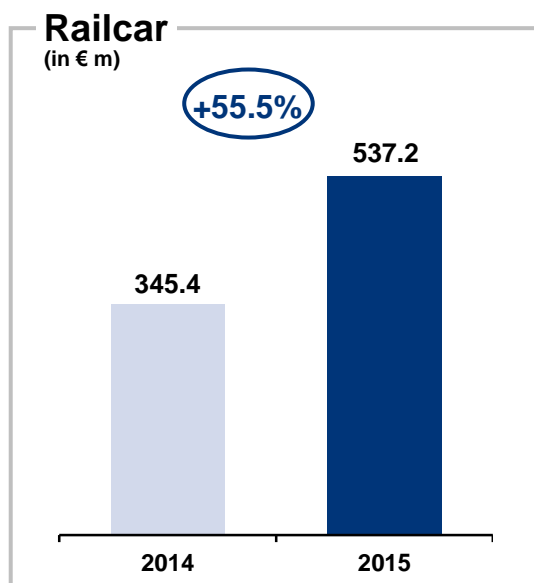
Comment

- AAE acquisition leads to sales increase above the 1 bn € mark
- Slightly positive sales trend even without AAE

Comment

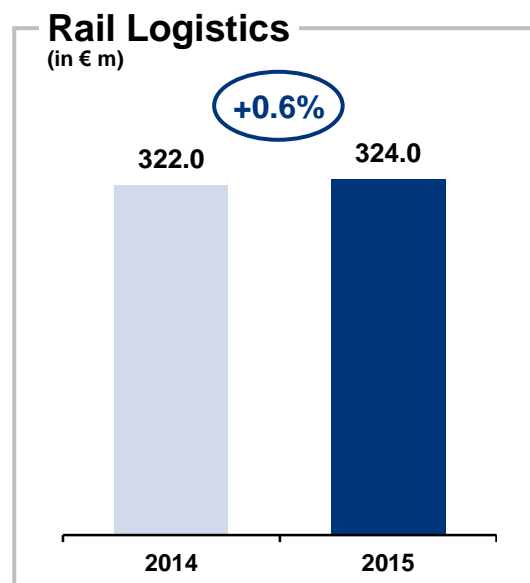
- Increase in EBITDA attributable to AAE and better underlying business
- Organic EBITDA growth in line with historical averages

Sales development by division



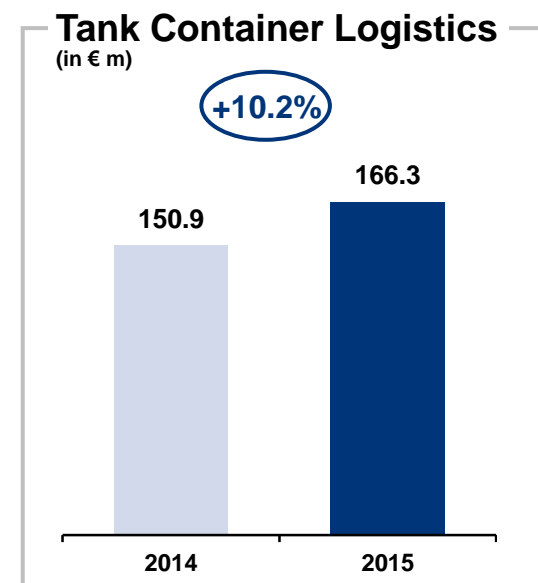
Comment

- Sales increase triggered by AAE takeover
- Utilization with 90.6 % below last year's level but up again from previous quarter (Q3 2015: 89.6%)



Comment

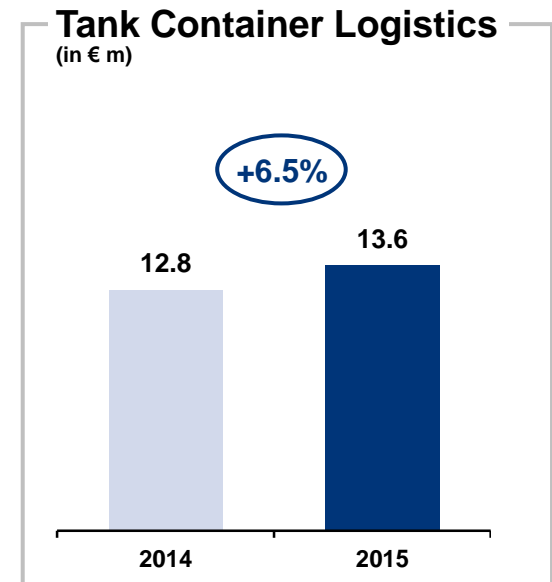
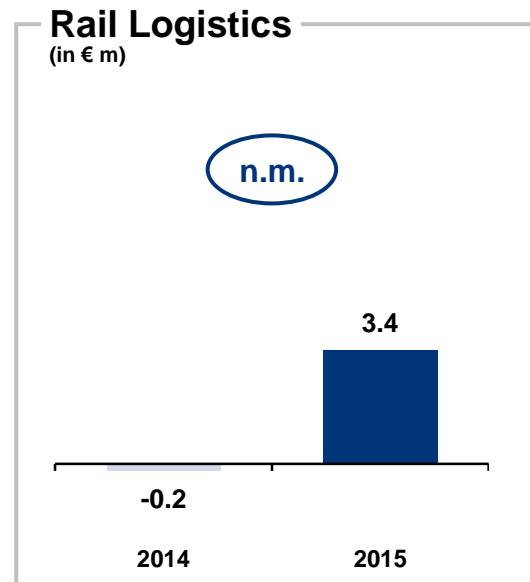
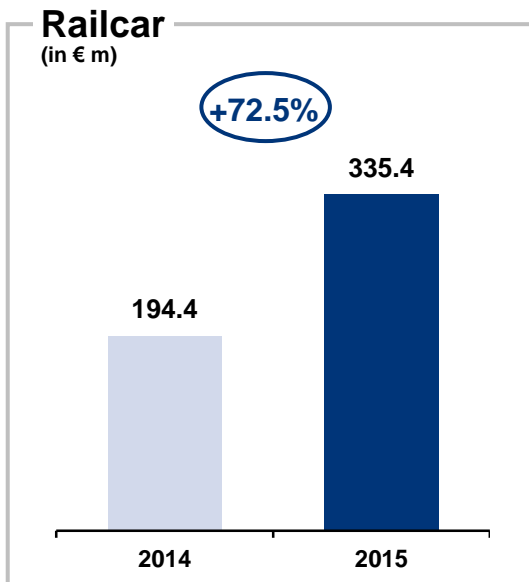
- New business acquired to compensate still difficult situation in Eastern Europe
- Transportation of liquids in Germany remains challenging
- Ongoing price pressure



Comment

- European volumes increased, oversea volumes stable
- US-Dollar/EUR development with positive effect on sales

EBITDA development by division



Comment

- EBITDA up by more than 70%
- Like-for-like earnings also up by 3.9%
- EBITDA margin at 62.4 % compared to 56.3 % last year

Comment

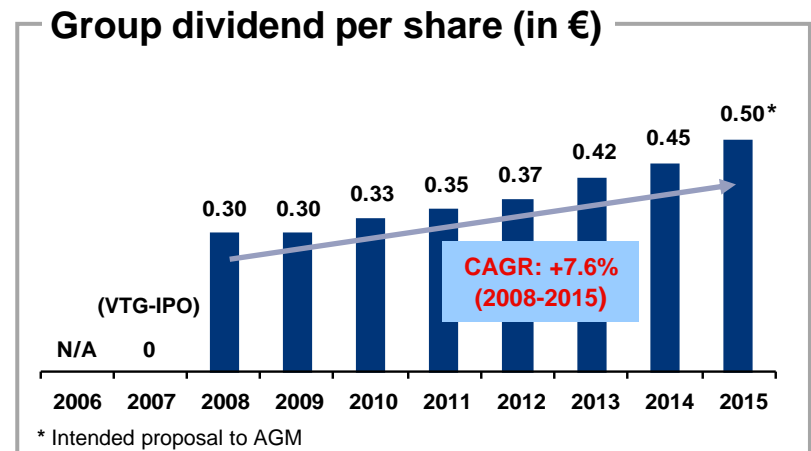
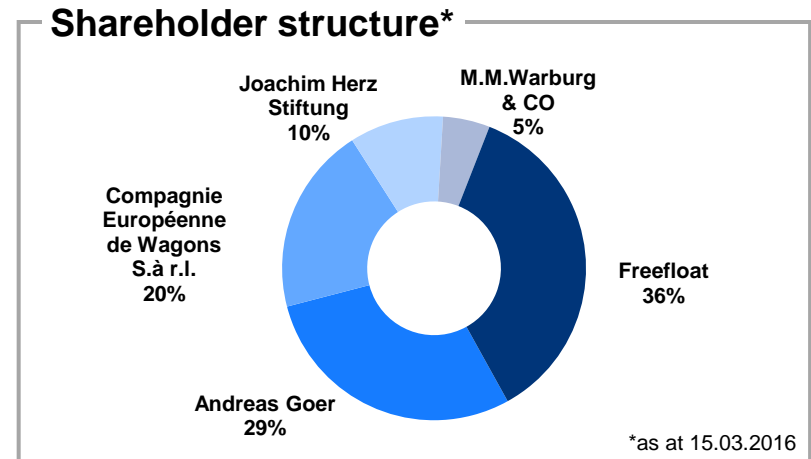
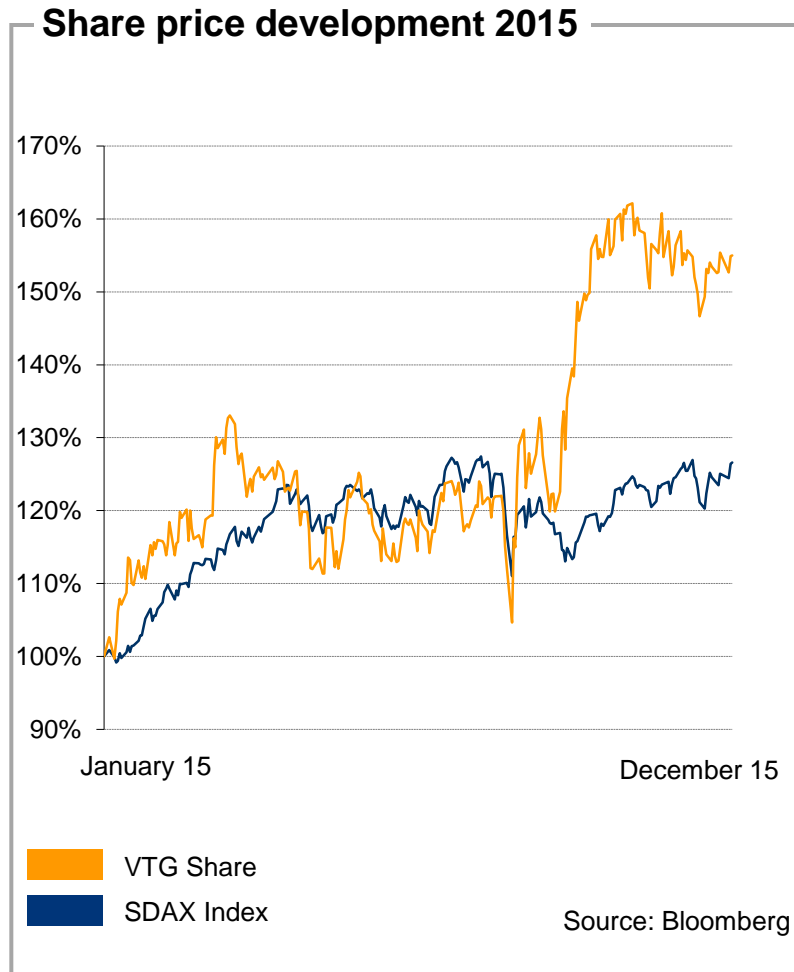
- Positive EBITDA after successful reorganization
- EBITDA margin* at 12.2 % after marginal loss in previous year

Comment

- Adjusted for positive one-offs in 2014 and 2015 increase even higher (+15.2%)
- EBITDA margin* at 47.4 % (2014: 49.3%)

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

VTG Group with new anchor shareholders



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Group key figures

Key figures

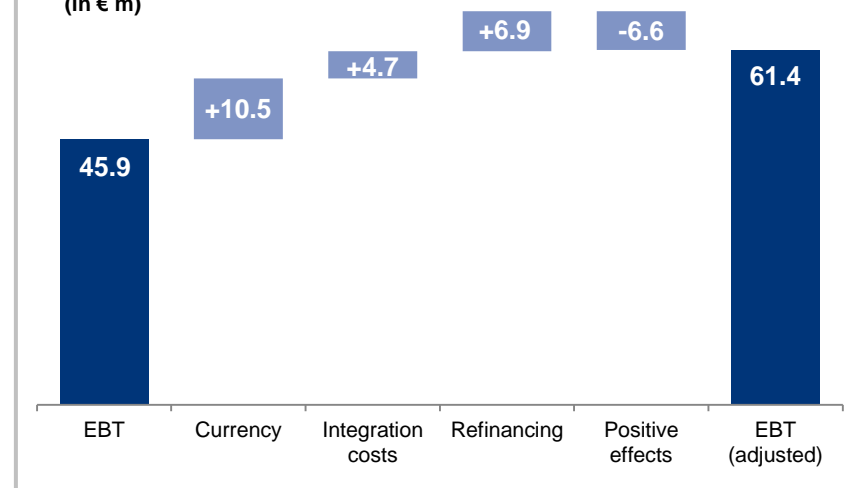
(in € m)	2014	2015	Δ
Sales	818.3	1,027.5	+26%
EBITDA	191.0	336.5	+76%
EBIT	83.5	144.1	+73%
EBT	29.8	45.9	+54%
Net income	18.8	29.4	+57%
Net income to shareholders	19.8	21.6	+9%
EPS in € (reported)	0.93	0.75	-0.18 €

(in € m)	2014	2015	Δ
EBT	29.8	61.4*	+106%
Net income to shareholders	19.8	29.3*	+48%
EPS in €	0.93	1.02*	+0.09 €

* 2015 figures adjusted

Bridge to adjusted EBT

(in € m)



Comment

- Negative impact from Russian ruble devaluation (8.2 m €) and the appreciation of the Swiss franc in Q1 (2.3 m €)
- Sale of wagon portfolio and of a non-consolidated business with positive effect on earnings

➔ Overall net effect of 15.5 m €

Breakdown D & A

Split of D & A

(in € m)	2015
EBITDA	336.5
<i>Depreciation of fixed assets</i>	174.8
<i>PPA 2005</i>	8.1
<i>PPA AAE</i>	7.6
<i>Other PPA</i>	1.9
EBIT	144.1

- Approximately 9 % of D&A are attributed to PPAs
- PPA 2005 running until 2021, reduced to ~5 m € p.a. from 2018 onwards

Harmonized depreciation

- In 2015 the depreciation methods of VTG and AAE have been harmonized
- Depreciation periods for some wagon types have been adjusted to reflect longer useful lives (EBIT effect: +2.8 m€)
- According to VTG practice, all AAE wagons are now being depreciated to a residual value of zero (EBIT effect: -1.6 m€)
- Positive net effect of 1.2 m € in 2015 on depreciation

Financial result

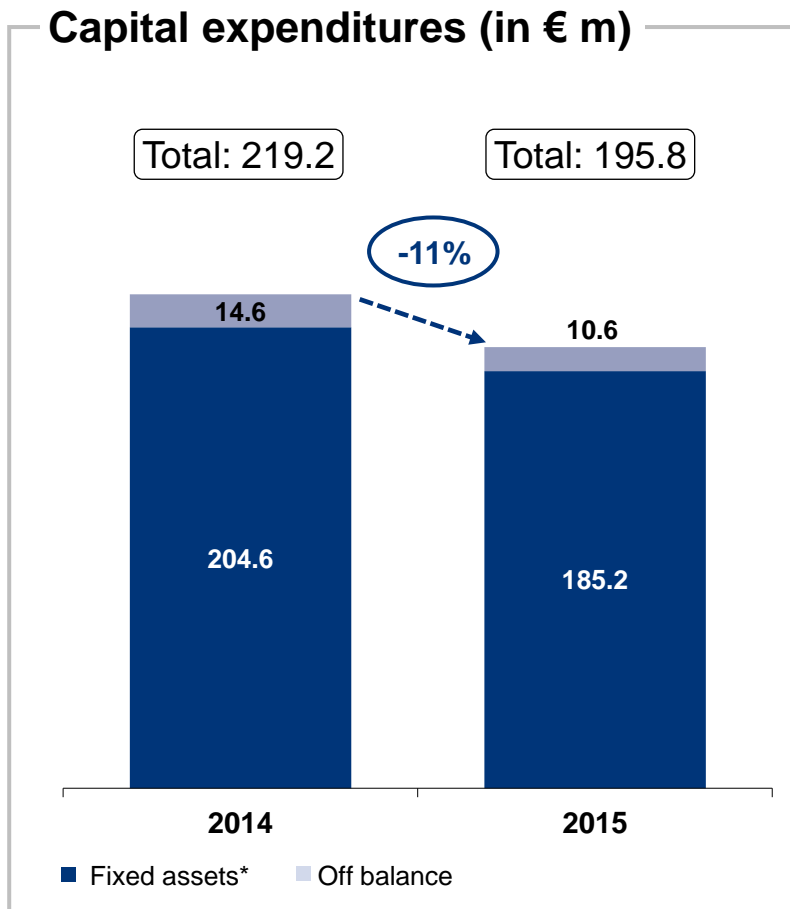
Split of financial result (in € m)

	2014	2015
EBIT	83.5	144.1
EBT	29.8	45.9
Financial result	(53.7)	(98.2)
Thereof:		
interest expenses of financial debt	(37.4)	(65.4)
interest expenses from credit lines	(1.1)	(2.0)
Total interest expenses	(38.5)	(67.4)
transaction costs	(2.0)	(7.9)
swap cash effect	(8.3)	(3.5)
swap valuation (m-t-m)	(0.5)	(6.2)
FX effects (one-offs)	-	(10.5)
interest on pensions	(1.8)	(1.3)
other financial result	(2.6)	(1.4)
	(15.2)	(30.8)

Comment

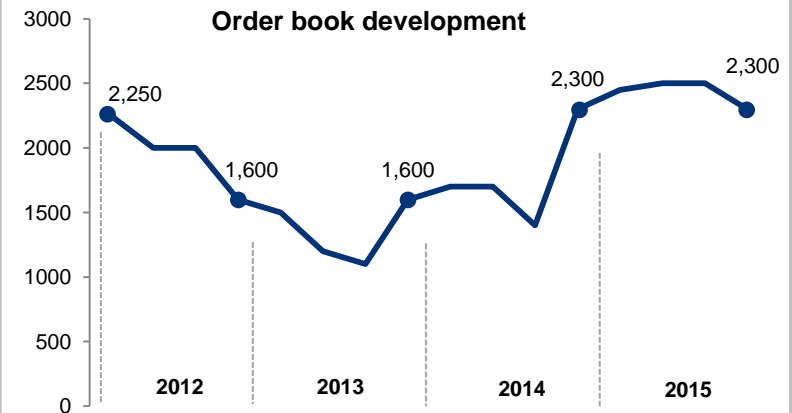
- Financial expenses increased with a higher indebtedness following the AAE acquisition
- One time increase of transaction costs due to refinancing (3.5 m€)
- Group average interest rate now close to 4%, down from slightly below 6.0% end of 2014
- **Ineffective VTG swap** expired in June 2015
- Negative valuation effect from **ineffective AAE swaps** in the amount of 6.2 m€
- Non-operating currency effects from Russian ruble devaluation (8.2 m€) and Swiss franc appreciation (2.3 m€)

Capex – Below prior year level



Comment

- Stable order book of 2,300 wagons:
 - 1,300 wagons for European market (to be delivered in 2015/2016/2017)
 - 1,000 wagons for North American market (to be delivered in 2017)



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

VTG Group – Operating cash flow and Net debt

Cash flow

(in € m)	2014	2015
Operating cash flow	159.9	282.9
Payments for fixed assets	-196.8	-170.5
Disposal of fixed assets	+24.1	+76.0
Financial assets AAE (net)	-	+19.4
Others	1.6	-6.4
Total investing cash flow	-171.1	-81.5
Free cash flow (rep.)	-11.2	201.4
Disposal of fixed assets	-	-50.5
Financial assets AAE (net)	-	-19.4
Free cash flow (adj.)	-11.2	131.5

Historical Free cash flow

(in € m)	2012	2013	2014
FCF	-36.1	9.1	-11.2

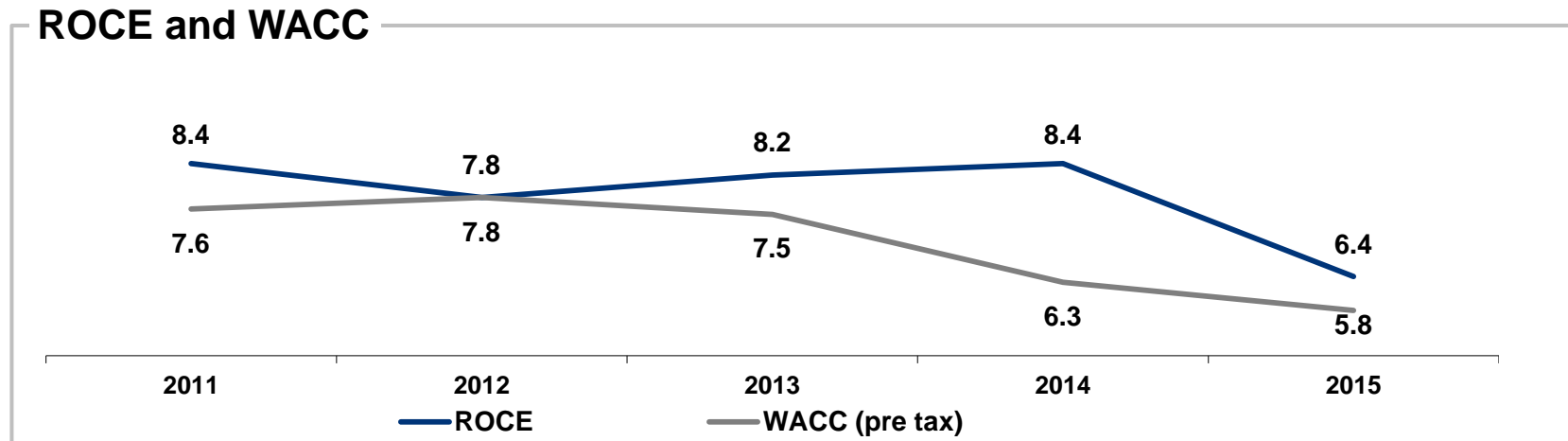
Net debt

(in € m)	31.12.2014	31.12.2015
Net debt	(829.3)	(1,667.5)
Net debt adjusted (incl. pensions)	(893.9)	(1,742.0)
Net debt adj./EBITDA	4.7	5.2

Comment

- Very good cash generation in 2015
- Free cash flow even after adjustments well above previous years
- Increase in net debt following the AAE acquisition
- Leverage in line with market practice and expectation

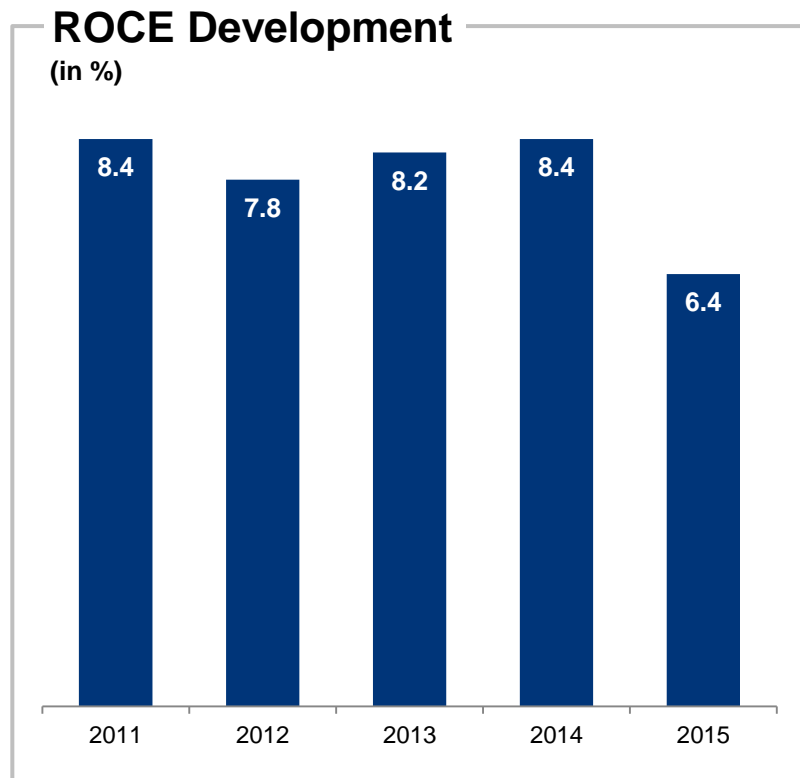
Comparing ROCE and WACC



Comment

- Initial decline in ROCE is typical for high investments in young fleets (15yrs. AAE vs. 23 yrs. VTG)
- Capital employed rose faster (+111%) than EBIT (+62%) due to high book values of young AAE fleet
- ROCE recovery in the coming years expected as book values decline and profits increase
- Debt costs decreased significantly along with the new financing
- WACC should therefore stay at a low level for the next years

Several effects influenced ROCE development

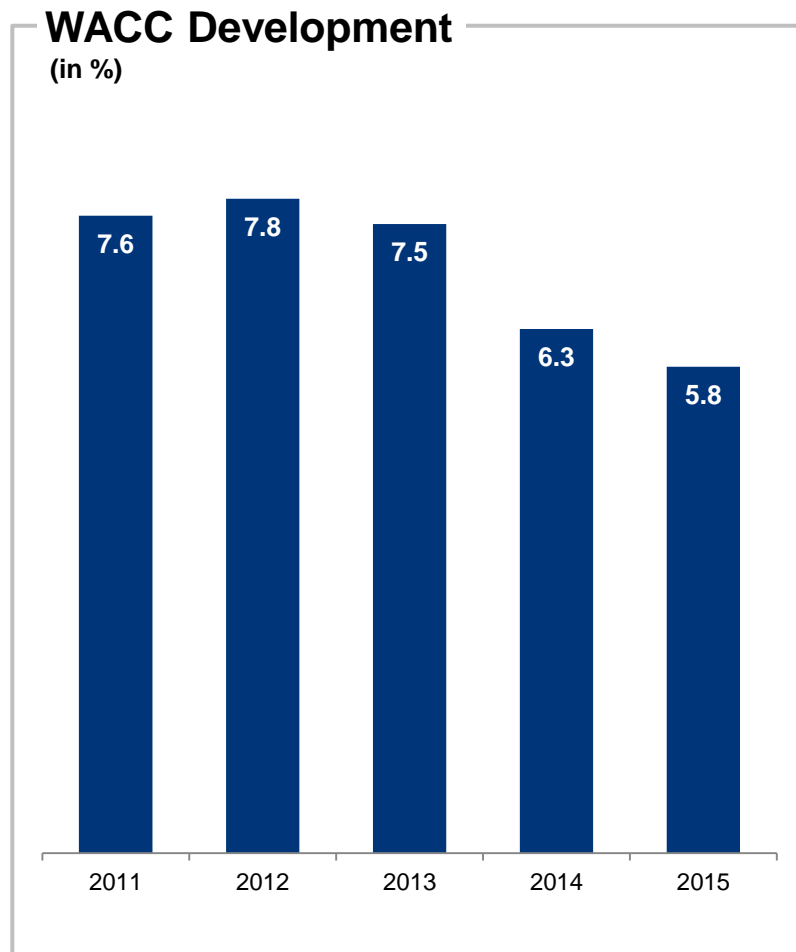


ROCE Calculation
(in m €)

	<u>2014</u>	<u>2015</u>
EBIT	83.5	144.1
Elimination PPA	8.1	8.1
Elimination extraordinary result	7.7	8.2
EBIT normalized	99.3	160.5
Capital employed	1,180*	2,490**
ROCE = $\frac{\text{EBIT normalized}}{\text{Capital employed}}$	8.4%	6.4%

*Yearly average ** Year-end value

WACC development



WACC Calculation

	2014	2015*
Risk free rate	1.9 %	1.6 %
Market Risk premium	6.0 %	6.3 %
Beta	0.92x	0.96x
Cost of Equity	7.4 %	7.6 %
Debt premium	253 bp	267 bp
Cost of debt	2.8 %	2.7 %
Cost of hybrid bond	-	5.0 %
Share of equity	25.0 %	16.0 %
Share of hybrid bond	-	9.0 %
Share of debt	75.0 %	75.0 %
Tax rate	37.0 %	36.0 %
WACC (pre tax)	6.3 %	5.8 %

* after refinancing

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Outlook FY 2016

1

Railcar



- Continued investments into growth
- Realization of synergies with AAE
- Efficiency gains from new structure
- Utilization will stay at a good level with slight fluctuations expected

Sales and EBITDA are expected to increase slightly in 2016

2

Rail Logistics



- Challenging market conditions
- Further measures to increase profitability
- Positive business trend expected to continue

Slight increase in sales and EBITDA

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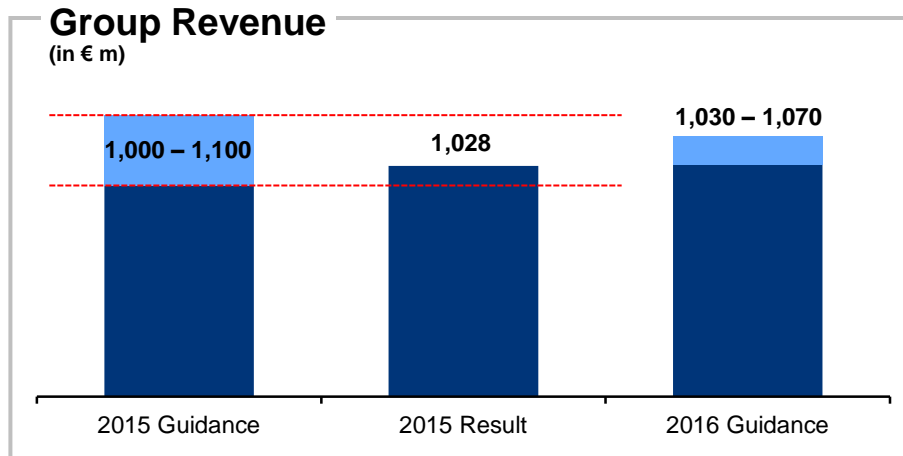
Tank Container Logistics



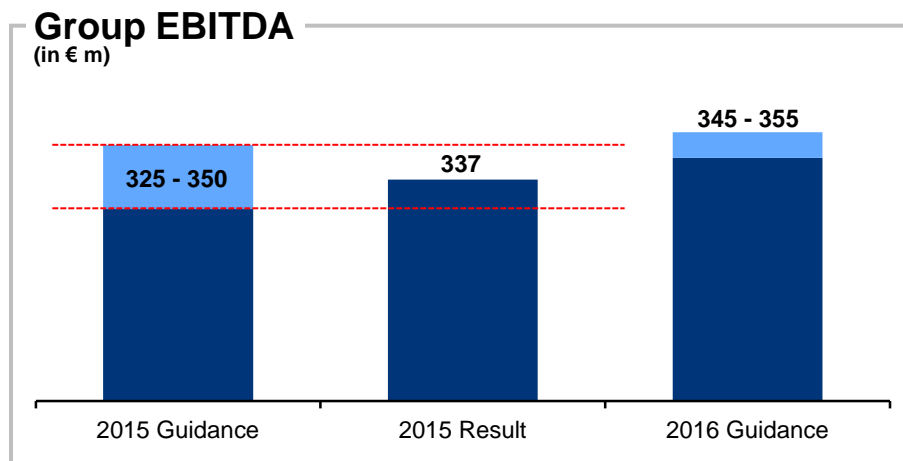
- Market remains affected by overcapacities in some regions
- Efficiency measures implemented to improve competitiveness
- Non recurrence of extraordinary income

Slight improvement of sales and stable EBITDA development

FY 2016 group guidance



- ✓ 2015 sales guidance reached
- New** Group revenue for 2016 expected to range between € 1.03 – 1.07bn



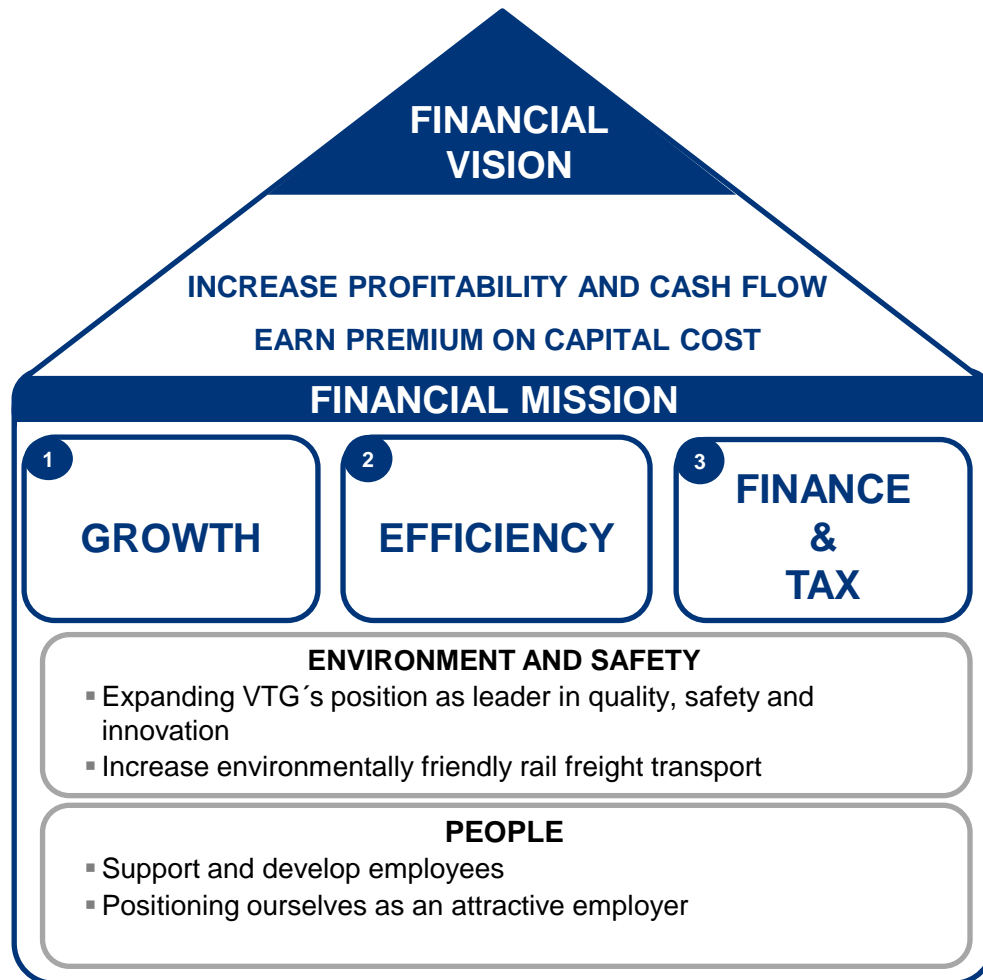
- ✓ 2015 EBITDA guidance reached
- New** Group EBITDA for 2016 expected to range between € 345 – 355m

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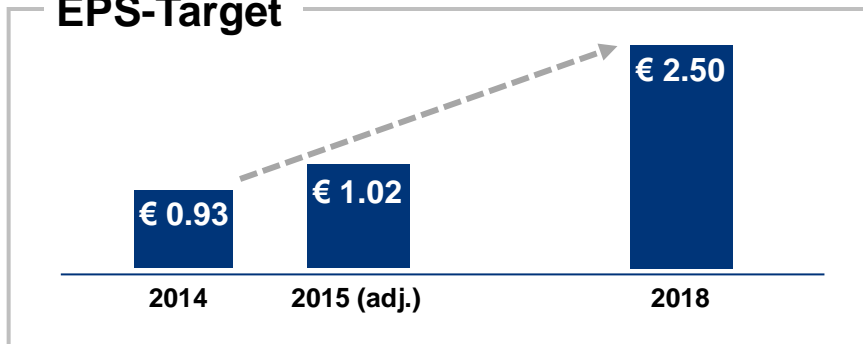


Comments

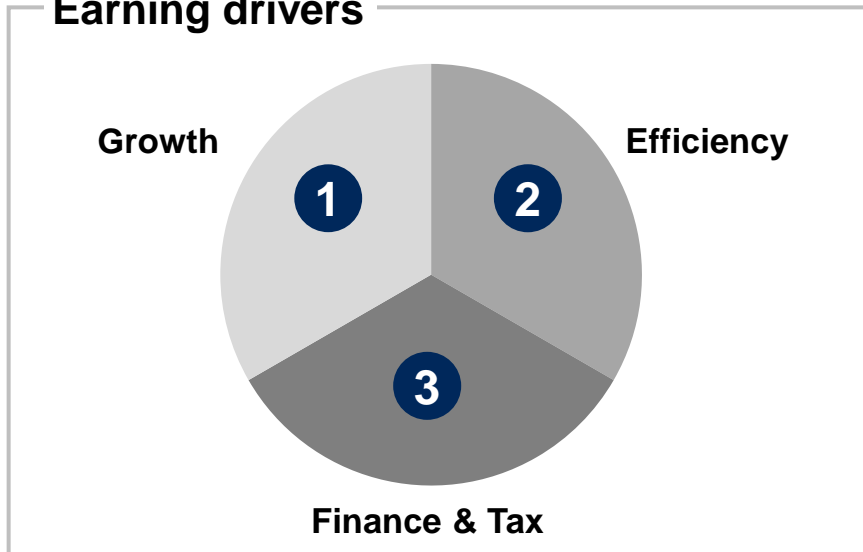
- VTG has set up a roadmap to increase profitability and to extend the premium on capital costs in the coming years.
- **Growth, Efficiency**, as well as **Finance & Tax** are the strongest drivers of the improvement
- This strategy is backed by our goals to position ourselves as an attractive employer as well as to increase environmental friendly rail freight transport.

Mid-term financial objectives

EPS-Target



Earning drivers



Comments

Financial Vision

VTG strives to increase earnings per share to € 2.50 by 2018.

Underlying pillars

- 1 **Growth:** Invest in new build wagons, improve existing business.
- 2 **Efficiency:** Realize earnings potentials within new VTG group (AAE synergies, reorganization of wagon hire business in Europe), digitalization.
- 3 **Finance & Tax:** Improve financial engineering (harmonize VTG/AAE financing, lower interest rates, optimize tax rate).

Current status of VTG 4.0

Growth		▪ Return to profitability in rail logistics	✓
		▪ Strengthening logistic divisions	(✓)
		▪ Innovation and Digitalization	(✓)
		▪ Moderate growth investments	(✓)
<hr/>			
Efficiency		▪ New organizational and legal structure of Railcar division	(✓)
		▪ Procurement synergies with AAE	(✓)
		▪ Avoiding double structures after AAE integration	(✓)
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Finance & Tax		▪ New financing structure	✓
		▪ Reduction of tax rate	(✓)

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Save the date 2016

Financial Calendar 2016:

- February Preliminary Results FY 2015
- April 5 Annual Report FY 2015
- April 5 Analyst Conference
- May 12 Interim Disclosure for the 1st Quarter 2016
- May 31 Annual General Meeting, Hamburg
- August 30 Half-Yearly Financial Results 2016
- November 17 Interim Disclosure for the 3rd Quarter 2016

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