VTG AG – We Make Rail Easy

H1/2018 Results

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Agenda


VTG
TRANSPORT VON GETREIDE
TRANSPORT OF CEREALS
TRANSPORT DE CEREALES

Executive Summary

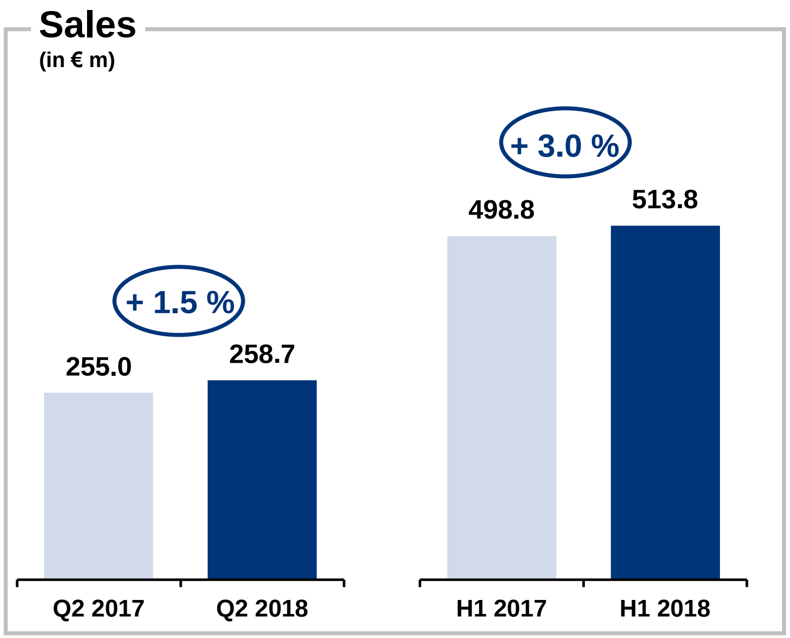
- After a good start to the year, favorable development continued in Q2 leading to a positive outcome in the first half of 2018
- All group key figures improved driven by Railcar and Tank Container Logistics
- Adjusted for Nacco related expenses group earnings growth even stronger
- New milestone reached with the signing of remedy sale August 13, 2018
- Closing of Nacco now expected for Sept./Oct. 2018

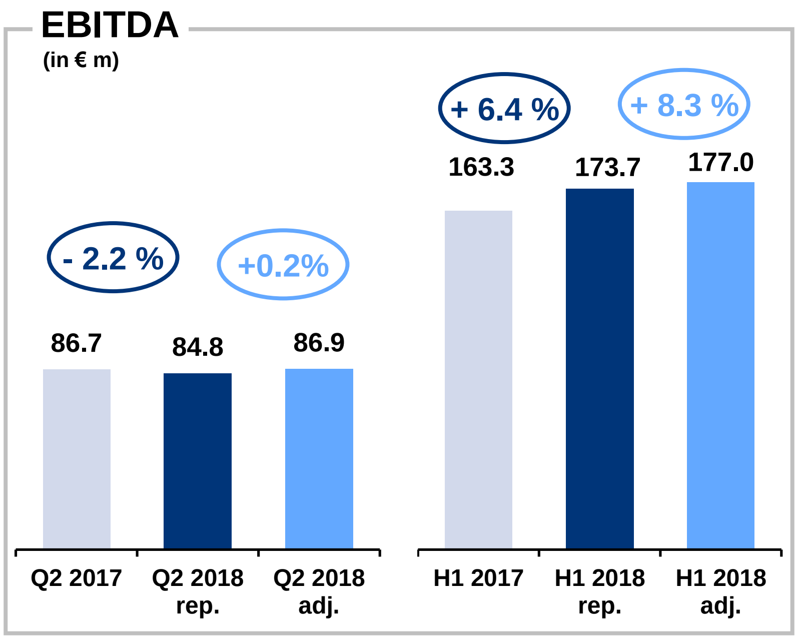
Group figures

	H1 2017	H1 2018	Δ
Sales	€ 498.8	€ 513.8 m	+ 3.0 %
EBITDA rep.	€ 163.3	€ 173.7 m	+ 6.4 %
EBITDA adj.*	*€ 163.3*	*€ 177.0 m*	*+ 8.3 %*
EPS rep.	€ 0.74	€ 0.76	+ 2.7 %
EPS adj.*	*€ 0.74*	*€ 0.96*	*+ 29.7 %*
Utilization	91.2 %	93.0 %	+ 1.8 PP

* Adjusted for Nacco related expenses

Split of Sales and EBITDA





Comment

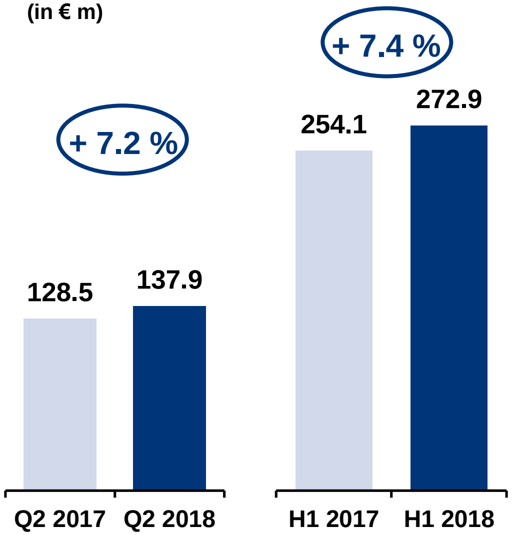
- Positive upward trend continued in Q2 in Railcar and Tank Container Logistics
- Half year sales level well above last year
- Rail Logistics experienced some headwinds in Q2

Comment

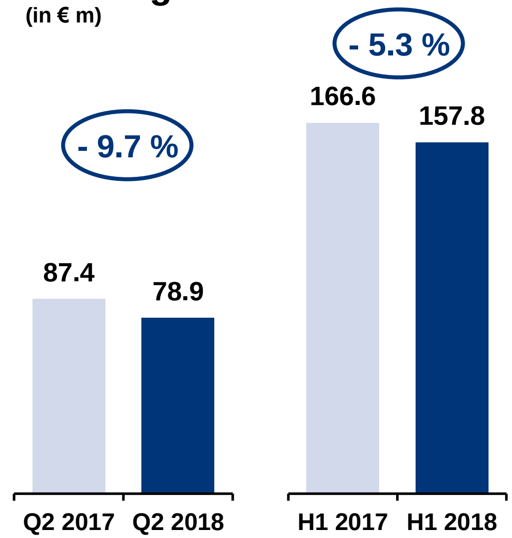
- Group EBITDA increase driven by high utilization rate in the Railcar division
- Adjusted for Nacco related expenses of € 3.3 m in H1 (Q1/18: € 1.2 m / Q2/18: € 2.1 m) underlying earnings trend even stronger

Sales development by division

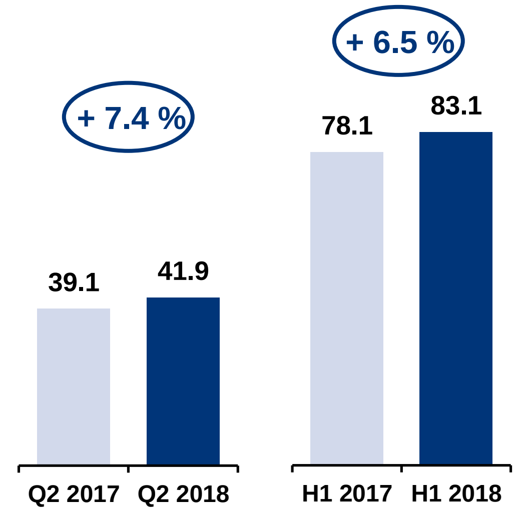
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



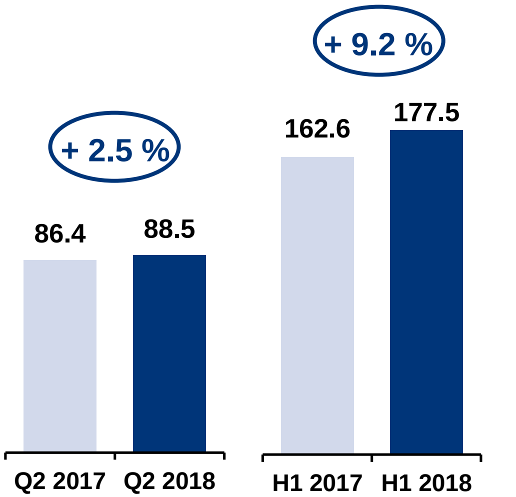
Comment
- Dynamic growth due to higher utilization and larger fleet
- Rising demand in all wagon segments, especially in intermodal

Comment
- Lower sales due to:
  - loss of two major industrial contracts
  - delays in project logistics business
  - French rail strikes

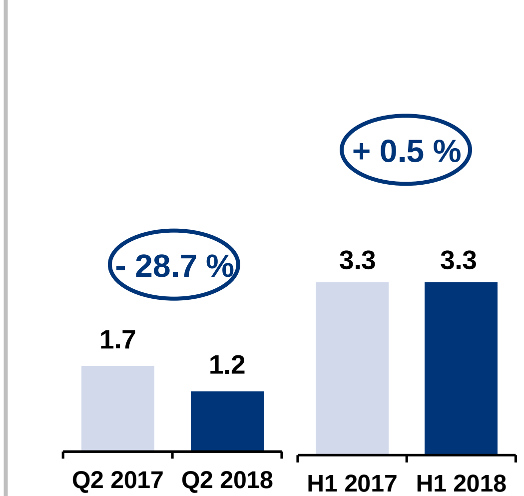
Comment
- Improving utilization of European chemical industry leads to higher transport volume
- Good development of intercontinental transports to and from Asia

EBITDA development by division

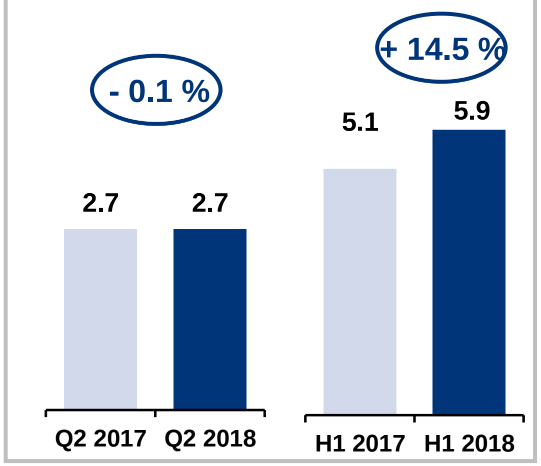
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment

- Improved utilization and low maintenance costs lead to a strong EBITDA development
- EBITDA-margin improved to 65.1% in H1 2018 vs 64.0 % in H1 2017

Comment

- H1 EBITDA on last year's level, while Q2 EBITDA below previous year due to missing revenue
- EBITDA-margin* in H1 2018 decreased slightly to 21.7% from 22.2% in H1 2017

Comment

- Purchase of tank containers to replace rented equipment leads to lower rental and maintenance costs
- EBITDA margin* in H1 2018 at 45.0% after 34.7% in H1 2017

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

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1 Highlights H1/2018
2 Discussion of H1/2018 figures
3 Outlook FY 2018
4 Update on Nacco Acquisition
5 Voluntary public takeover offer

Group key figures

Key figures – reported

(in € m)	H1 2017	H1 2018	Δ
Sales	498.8	513.8	+ 3.0 %
EBITDA	163.3	173.7	+ 6.4 %
EBIT	69.2	80.5	+ 16.3 %
EBT	39.3	40.0	+ 1.8 %
Net income	27.5	28.0	+ 1.9 %
Net income to shareholders	21.3	21.8	+ 2.7 %
EPS in €	0.74	0.76	+ 2.7 %

Key figures – adjusted for Nacco acquisition

(in € m)	H1 2017	H1 2018	Δ
EBITDA	163.3	177.0	+ 8.3 %
EBIT	69.2	83.8	+ 21.1 %
EBT	39.3	48.2	+ 22.6 %
EPS in €	0.74	0.96	+ 29.7 %

Comment

- Sales growth driven by Railcar and Tank Container Logistics
- Substantial increase in EBITDA due to further improving utilization of wagon fleet
- Nacco related costs amounted to € 8.2 m
  - € 3.3 m advisory costs on EBITDA level
  - € 4.9 m financing costs (commitment fees)
- Earnings per share (EPS) adjusted for Nacco related expenses increased significantly to 0.96 €

Financial result

Split of financial result (in € m)

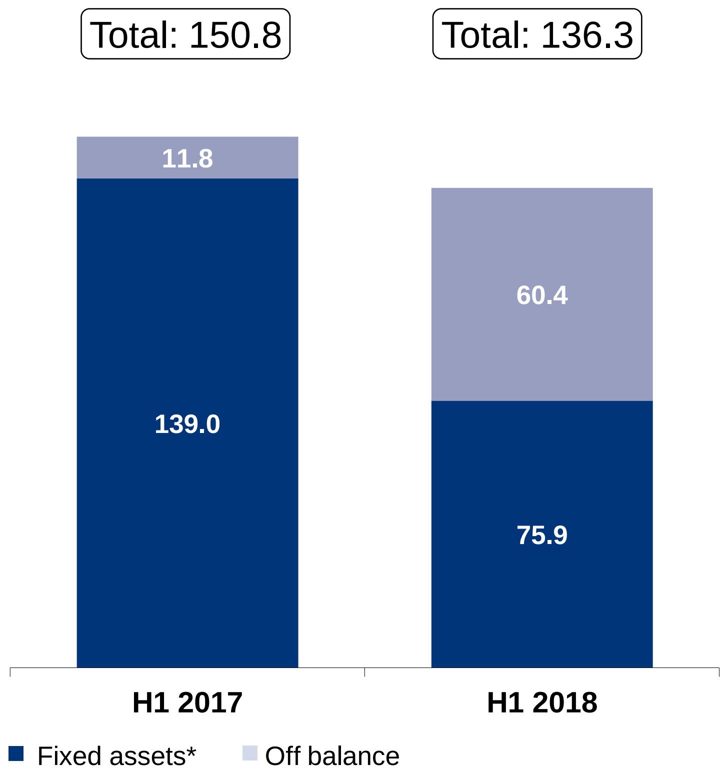
	H1 2017	H1 2018
EBIT	69.2	80.5
EBT	39.3	40.0
Financial result	**-29.9**	**-40.5**
Thereof:		
interest expenses of financial debt	-26.8	-28.2
interest expenses from credit lines	-1.0	-1.1
Total interest expenses	**-27.8**	**-29.3**
transaction costs	-1.6	-1.8
Swap effects	0.4	-1.5
FX effects	0.9	-2.5
interest on pensions	-0.6	-0.6
Nacco financing	-	-4.9
others	-1.2	+0.1
Other financial result	**-2.1**	**-11.2**

Comment

- Interest expenses increased only moderately
- Financial result lower due to one-offs:
  - Nacco related financing costs of € 4.9 m in H1/2018
  - FX expenses of € 2.5 m mainly in relation to Russian Ruble
  - Negative swap valuation of € 1.5 m
- Average interest rate still around 4% (incl. swaps)

Capex – Normalization of order book

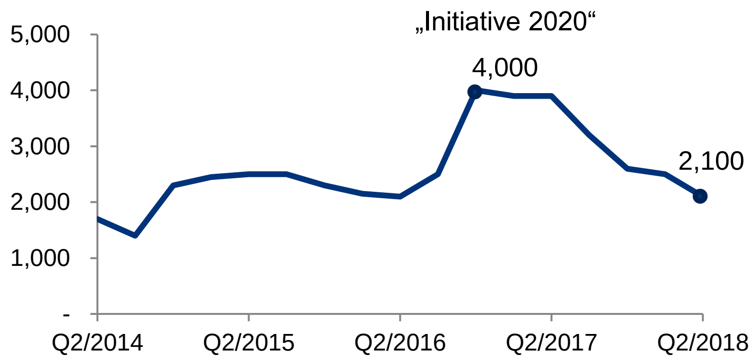
Capital expenditures (in € m)



Comment

- Purchase of 1,300 new railcars mainly in Europe but also in the US and Russia
- 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)	H1 2017	H1 2018
Operating cash flow	**+ 124.9**	**+ 128.9**
Payments for fixed assets	- 145.9	- 106.5
Disposal of fixed assets	+ 34.0	+ 15.7
Others	+ 1.0	- 0.8
Investing cash flow	**- 110.9**	**- 91.6**
Free cash flow	**+ 14.0**	**+ 37.3**

Net debt

(in € m)	12/31/2017	06/30/2018
Net debt	1,667.9	1,717.0
Net debt adjusted (incl. pensions)	1,735.6	1,783.8
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 decreased due to slightly lower investments and a higher portion of investments via operate leasing
- Net debt / EBITDA ratio slightly decreased

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FY 2018 outlook remains unchanged

Group

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

EBITDA: € 340 m - € 370 m

unchanged

Outlook does not include any effects from the envisaged Nacco acquisition

Railcar

Revenue
EBITDA

Slight increase in sales and EBITDA expected

unchanged

- 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 decrease in sales and EBITDA expected

Updated

- H1 2018 with some headwinds
- Loss of two major contracts, project delays and French rail strike weigh on performance

Tank Container Logistics

Revenue
EBITDA

Slight increase in sales and EBITDA expected

unchanged

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

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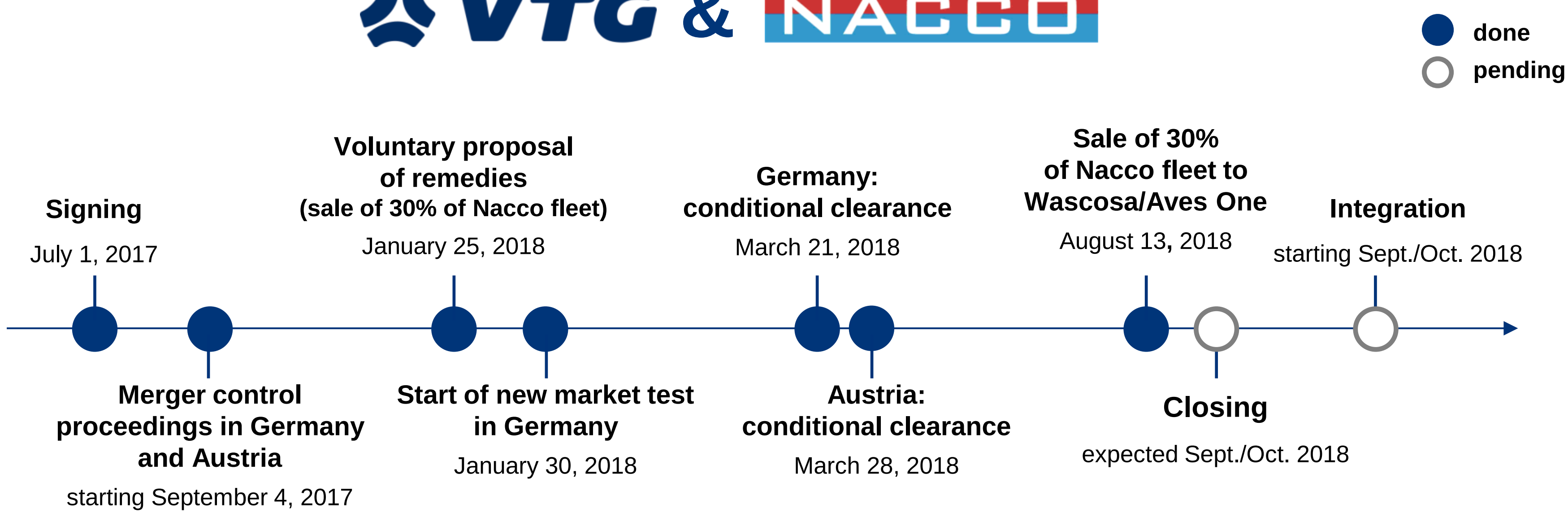
Update on Nacco Acquisition



Comment

- New milestone reached: Sale of 30% of Nacco fleet to Wascosa / Aves One signed
- Proceeds from remedy sale in line with valuation of the entire Nacco transaction
- Antitrust conditions fulfilled
- Closing of Nacco transaction expected Sept./Oct. 2018
- Proceeds from sale will be offset against the purchase price of € 780 m (plus Capex 2017/18)

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 sold to Wascosa/Aves One (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 (approx. € 195 m expected) – 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 ▪ Volume significantly reduced by remedy sale proceeds
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 Sept./Oct. 2018 Approved under condition to sell 30 % of the Nacco business

Voluntary public takeover offer

Voluntary public takeover offer by MSI

MSI offer

- On July 16, 2018, VTG's major shareholder Morgan Stanley Infrastructure announced to make a voluntary public takeover offer for VTG at an offer price of € 53.00 cash per share
- Second biggest shareholder Kühne Holding agreed to tender his ~ 20 % stake
- Bidder announced that Offer will, in addition to the usual closing conditions, be subject to the closing of the Nacco acquisition and to the condition precedent that the VTG Group has no business relationships with parties sanctioned by the U.S. Office for Foreign Assets Control
- The public tender offer will not be subject to a minimum acceptance threshold
- Offer document should be published end of August

VTG's management view

- Takeover offer not agreed with VTG
- Management is always open for constructive discussions
- Offer does not reflect the company's fundamental value considering its future potential
- 4 % premium on volume weighted average share price (3 months) does not contain an adequate control premium
- From today's perspective, the Executive Board of the Company will therefore not be able to recommend to its shareholders to accept an offer at EUR 53 per share
- As soon as VTG will have received the offer document, management will thoroughly examine whether the offer is in the interest of the company, the employees and the shareholders

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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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