H1 2016 Results

VTG AG – Moving potential towards success

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Agenda


VTG
TRANSPORT VON GETREIDE
TRANSPORT OF CEREALS
TRANSPORT DE CEREALES
VTG

Executive Summary

Highlights H1 2016

- Efficiency gains compensate for a slow first half year
- Demand in logistics business picked up in Q2
- EBT and net income significantly improved
- Earnings per share (EPS) soar to 0.71 €
- Revenue guidance reduced, EBITDA guidance confirmed

Group figures

	H1 2015	H1 2016
Sales	512.3	493.3
EBITDA	168.0	165.8
EPS	0.42	0.71
Utilization	90.2 %	90.1 %

Split of Sales and EBITDA

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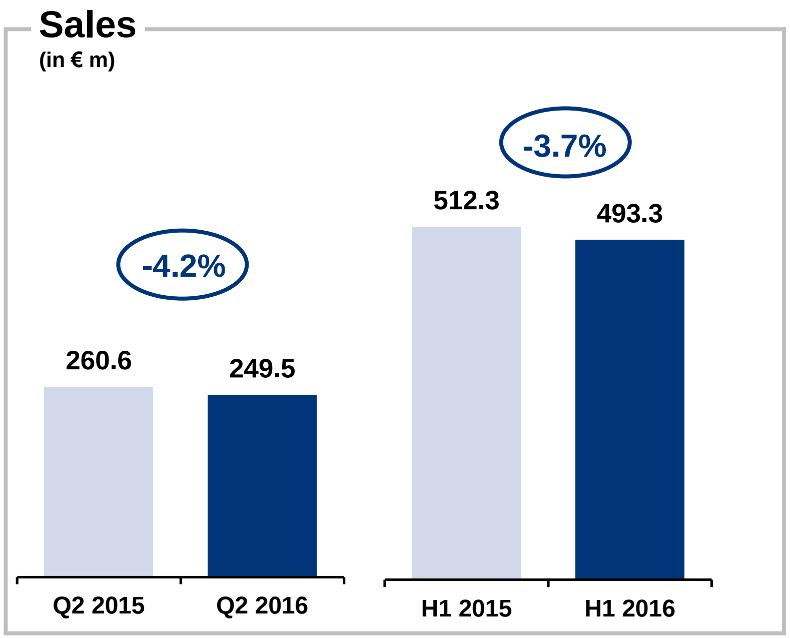
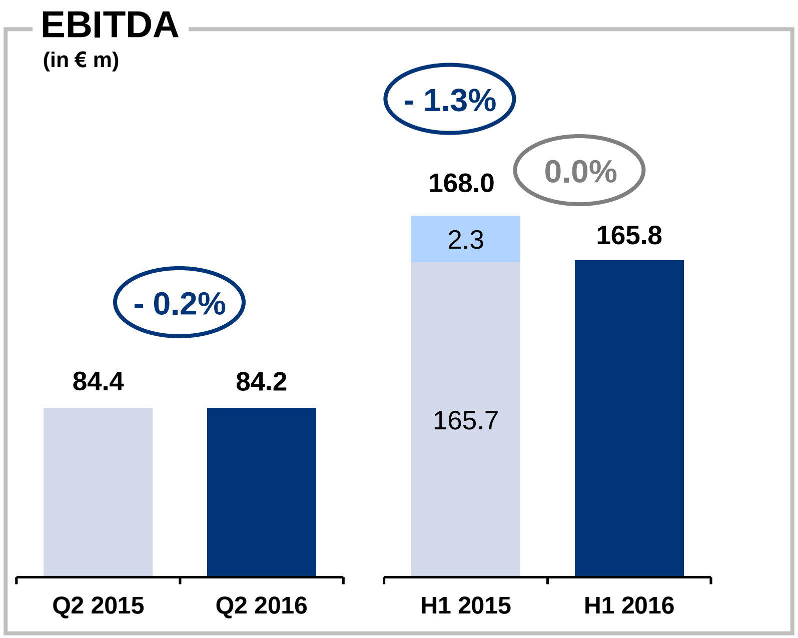




Comment

Sales decline due to:

- lower external sales of workshops
- slow start into the year of rail logistics
- slightly declined railcar business

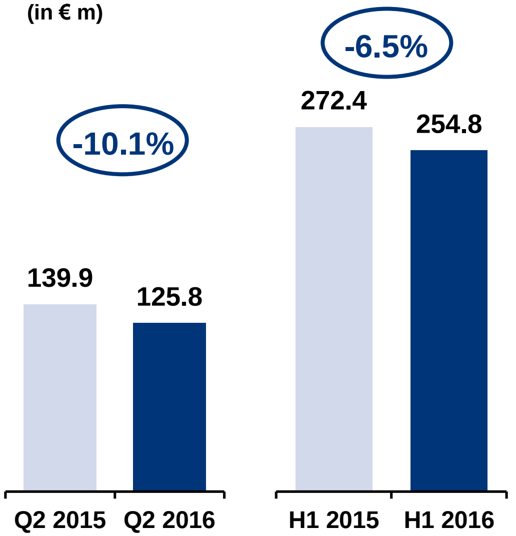
- Q2 shows encouraging trend over Q1 (+2.4%)

Comment

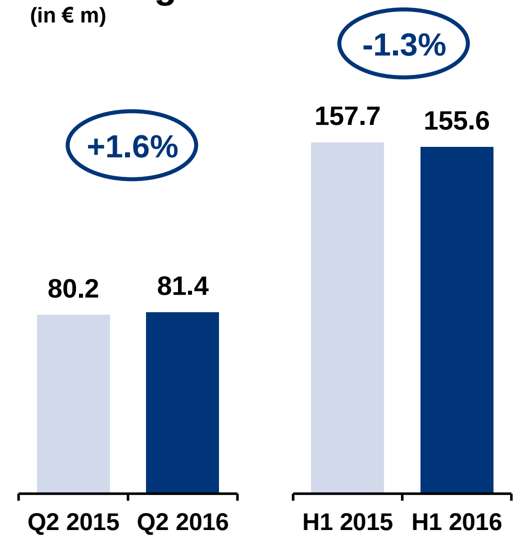
- Sales decline with only little EBITDA effect
- H1-EBITDA was influenced by a net effect of positive and negative one-offs totaling 2.3 m€
- On a like-for-like basis EBITDA after six months on previous year´s level

Sales development by division

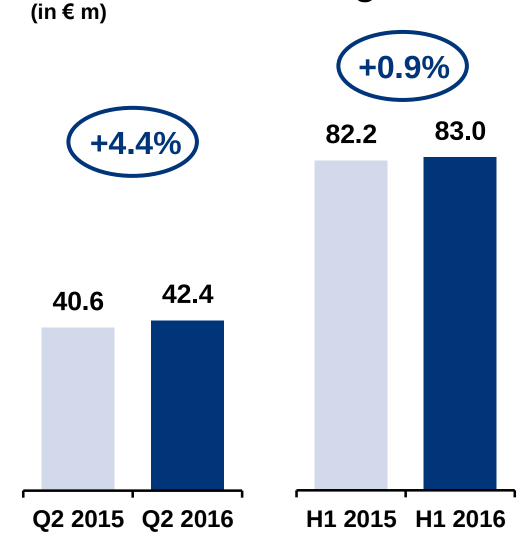
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment

Decline in sales mainly due to:

- Lower external sales of workshops (7.3 m €)
- Modified invoicing of some pool wagons with no impact on profitability (3.4 m €)
- Weaker demand for railcars (especially intermodal cars)

Comment

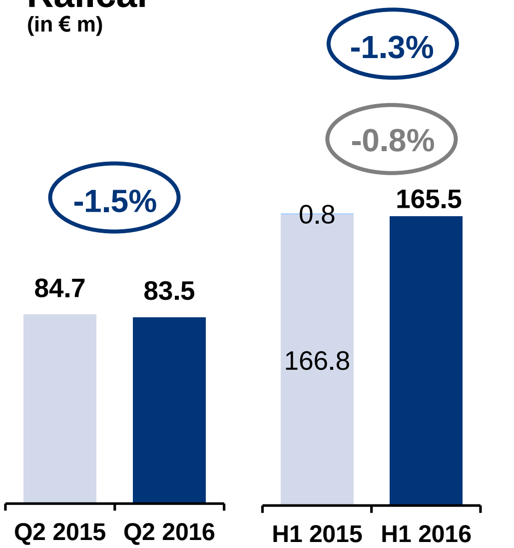
- Little demand for transport of agricultural goods production downtimes at customers and a strike in France lead to a slight decline in sales in H1
- Pick up in sales in Q2 (Q2 vs Q1: +9.6%)

Comment

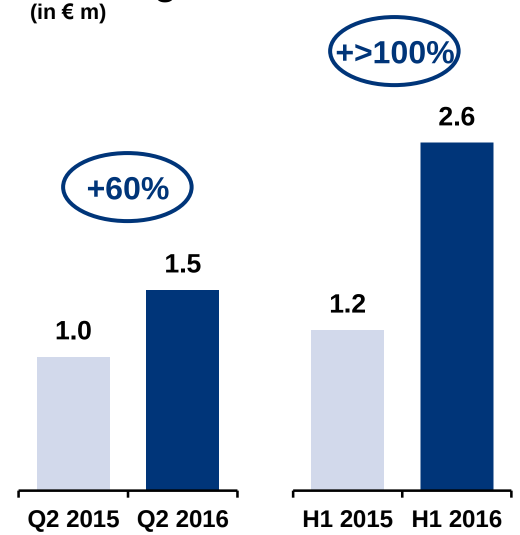
- Increasing freight volumes in Europe and stable overseas transports
- Positive sales trend with Q2 being 4.3 % above Q1 2016

EBITDA development by division

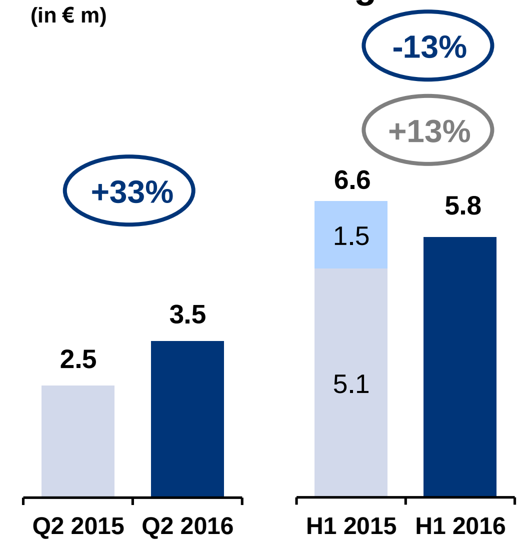
Railcar
(in € m)



Rail Logistics
(in € m)



Tank Container Logistics
(in € m)



Comment

- Synergies partly compensate for lower sales
- EBITDA margin improved to 65.0 % from 61.5% last year
- Q2 vs Q1: +1.7%

Comment

- EBITDA more than doubles on the back of efficiency gains
- EBITDA margin* at 18.7% after 8.9% in H1 2015
- Q2 vs Q1: +42%

Comment

- Extraordinary income in Q1 2015 from sale of affiliate (1.5 m €), underlying profit is up by more than 13 %
- EBITDA margin* at 38.1% after 49.2% in H1 2015
- Q2 vs Q1: +48%

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

Agenda

1. Highlights H1 2016
2. Discussion of H1 2016 figures
3. Outlook FY 2016
4. Financial Calendar 2016

Group key figures

Key figures

(in € m)	H1 2015	H1 2016	Δ
Sales	512.3	493.3	- 3.7 %
EBITDA	168.0	165.8	- 1.3 %
EBIT	71.4	72.7	+ 1.8 %
EBT	28.2	41.1	+ 45.4 %
Net income	18.1	26.7	+ 47.7 %
Net income to shareholders	12.1	20.5	+ 69.0 %
EPS in €	0.42	0.71	+69.0 %

Comment

- Company revenue and EBITDA slightly below last year´s level
- EBIT above previous year level due to slightly lower depreciation and amortization
- Considerably lower interest expenses due to the refinancing realized in December 2015
- EBT significantly improved
- Earnings per share (EPS) up by 69%

Financial result

Split of financial result (in € m)

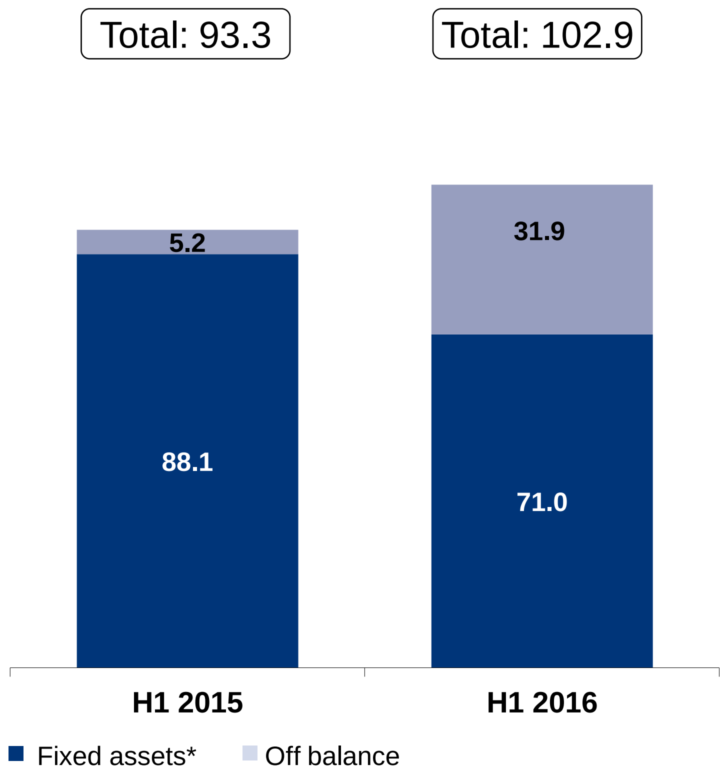
	H1 2015	H1 2016
EBIT	71.4	72.7
EBT	28.2	41.1
Financial result	**(43.2)**	**(31.6)**
Thereof:		
interest expenses of financial debt	(32.5)	(26.7)
interest expenses from credit lines	(0.9)	(1.3)
Total interest expenses	**(33.4)**	**(28.1)**
transaction costs	(2.1)	(1.6)
Swap effects	(4.5)	(4.4)
FX effects (one-offs)	(1.9)	2.9
interest on pensions	(0.7)	(0.7)
other financial result	(0.6)	0.3
	(9.8)	**(3.5)**

Comment

- Financial result improved significantly
- Considerably lower interest expenses due to the refinancing realized in December 2015
- Negative valuation effect from ineffective AAE swaps
- Positive effect from Ruble appreciation
- Overall effect of swap valuation and ruble appreciation is still negative (-1.5 m €)
- Average interest rate at around 4% (incl. swaps)

Capex – Below prior year level

Capital expenditures (in € m)



Comment

- Higher off balance CapEx due to postponements from last year
- Decreasing order book of 2,100 wagons:
  - 1,100 wagons for European market (to be delivered in 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)	H1 2015	H1 2016
Operating cash flow	**139.6**	**147.8**
Payments for fixed assets	-80.0	-75.8
Disposal of fixed assets	47.2	4.4
Financial assets AAE (net)	19.4	-
Others	-9.9	0.6
Total investing cash flow	**-23.3**	**-70.8**
Free cash flow (rep.)	**116.3**	**77.0**
Disposal of fixed assets	-39.6	-
Financial assets AAE (net)	-19.4	-
Free cash flow (adj.)	**57.3**	**77.0**

Net debt

(in € m)	31.12.2015	30.06.2016
Net debt	(1,667.5)	(1,662.6)
Net debt adjusted (incl. pensions)	(1,742.0)	(1,744.4)
Net debt adj./EBITDA	5.2	5.1*

* Calculated on lower end of EBITDA guidance range for FY 2016

Comment

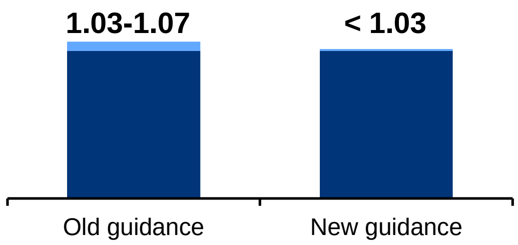
- Operating cash flow and free cash flow at a good level in spite of a minor EBITDA decline
- Cash flow from investing activities in H1 2015 was boosted by the sale of a wagon fleet and from the acquisition of AAE (effect: € 59.0 m)

Agenda

FY 2016 group guidance

Group Revenue

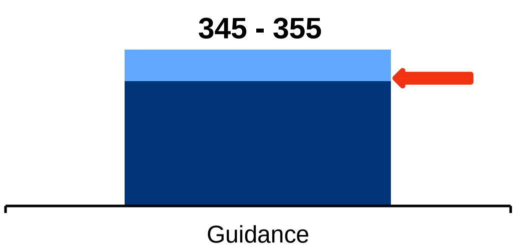
(in € bn)



Group revenue for 2016 now expected **slightly below** previous year level

Group EBITDA

(in € m)



Group EBITDA for 2016 **unchanged**, but expected to reach the **lower end**

Implications for lower sales expectations:

Rail Logistics

- Sales volume in H1 2016 negatively influenced by one-offs with new business generation below expectations
- Sales should recover in H2 2016 with the disappearance of one-offs and a slight increase in new business generation but…

→ Short fall of sales in the first half will not be compensated

Railcar

- Sales development mainly influenced by revenue shift of workshops from external to internal
- Additionally slightly weaker utilization and lower investments

→ Order book is expected to increase in the second half with first effects in 2016 – but utilization will remain on current level

Implications for unchanged EBITDA guidance:

- Large portion of sales decline with only little effect on EBITDA
- Rising synergies and efficiency gains with positive impact on profitability

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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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