# FUCHS GROUP

## Financial Results 2017

| Analyst's Conference, 21st March 2018, Frankfurt
| Stefan Fuchs, CEO
| Dagmar Steinert, CFO

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TECHNOLOGY.
PEOPLE.
FUCHS

# Highlights FY 2017

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## Sales +9%
## to €2.5 bn

- Strong organic growth in Asia-Pacific, Africa and Americas
- Slight external growth in North America
- Slight negative currency effect

## EBIT +1%
to €373 mn

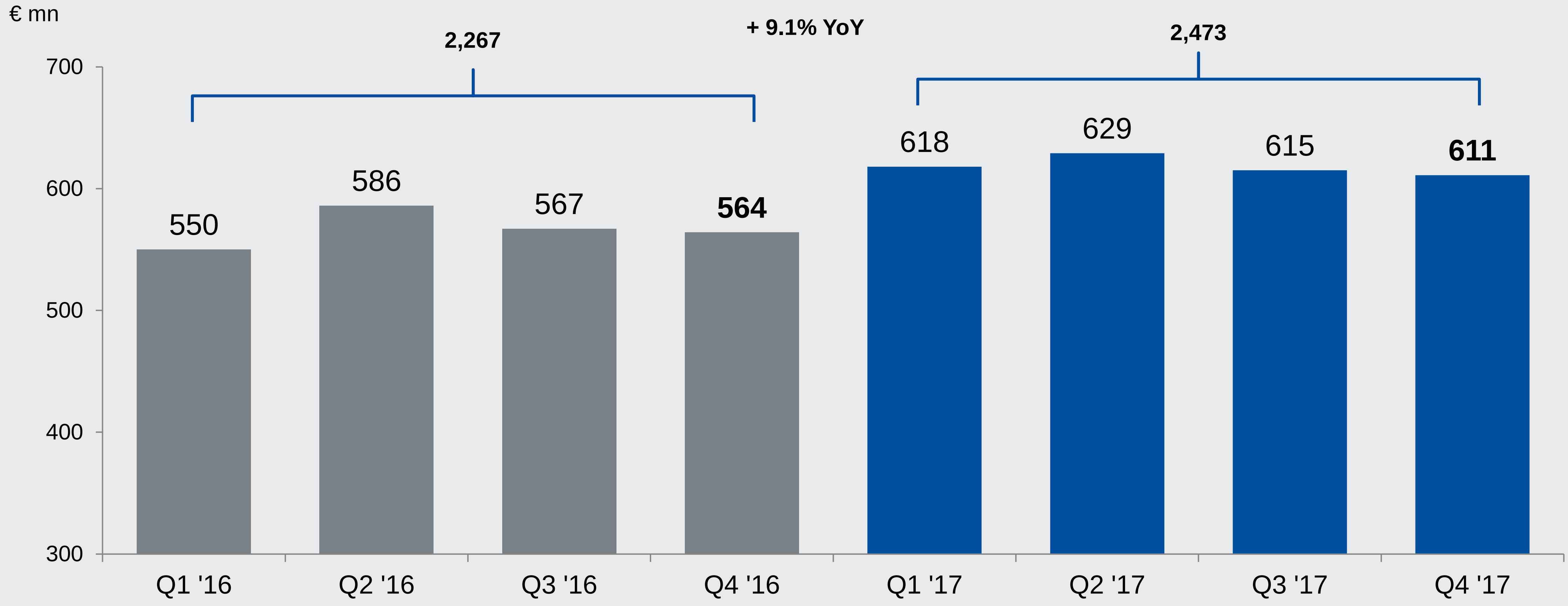
## EPS +4%

## Dividend +2%
to €0.91 per pref. share / €0.90 per ord. share

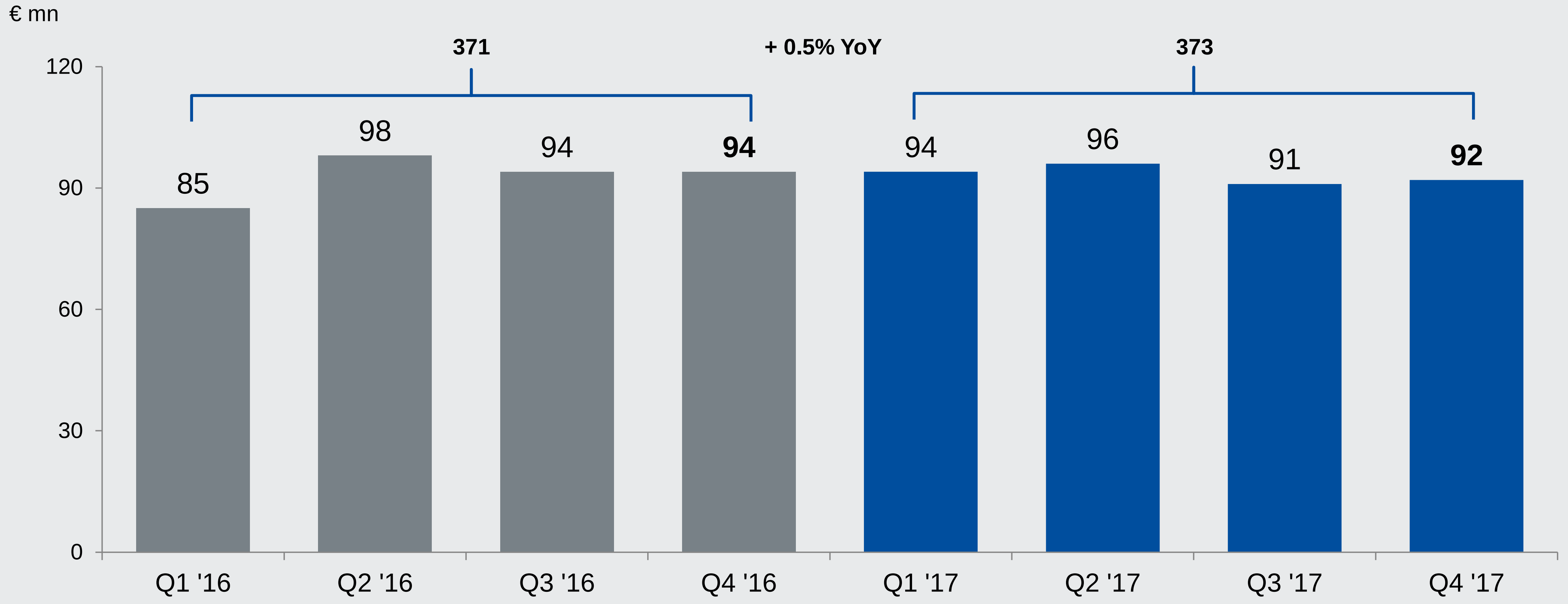
## Outlook 2018

- Sales +3% to +6%
- EBIT +2% to 4%
- Free cash flow before acquisitions at FY17 level

# Sales development



# EBIT development



# FUCHS‘ Strategy

**Profitable Growth:**

Internationalization of core activities
Local production in 33 plants

Utilize disruptions like e-mobility, digitalization, etc. as an opportunity

Global standards, processes and branding

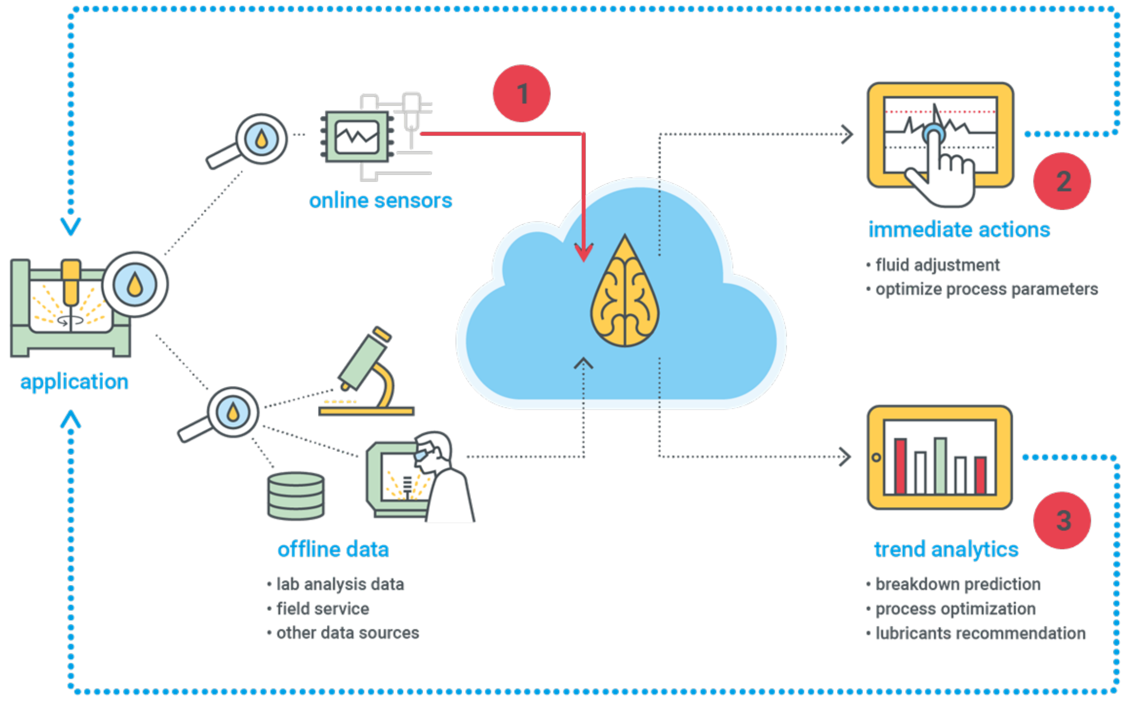
**People:**

- Employer Branding
- Culture
- Talent-management
- Learning

Agile network structure based on common values

# Smart services

## How FluidVision fits into FUCHS' digitalization strategy



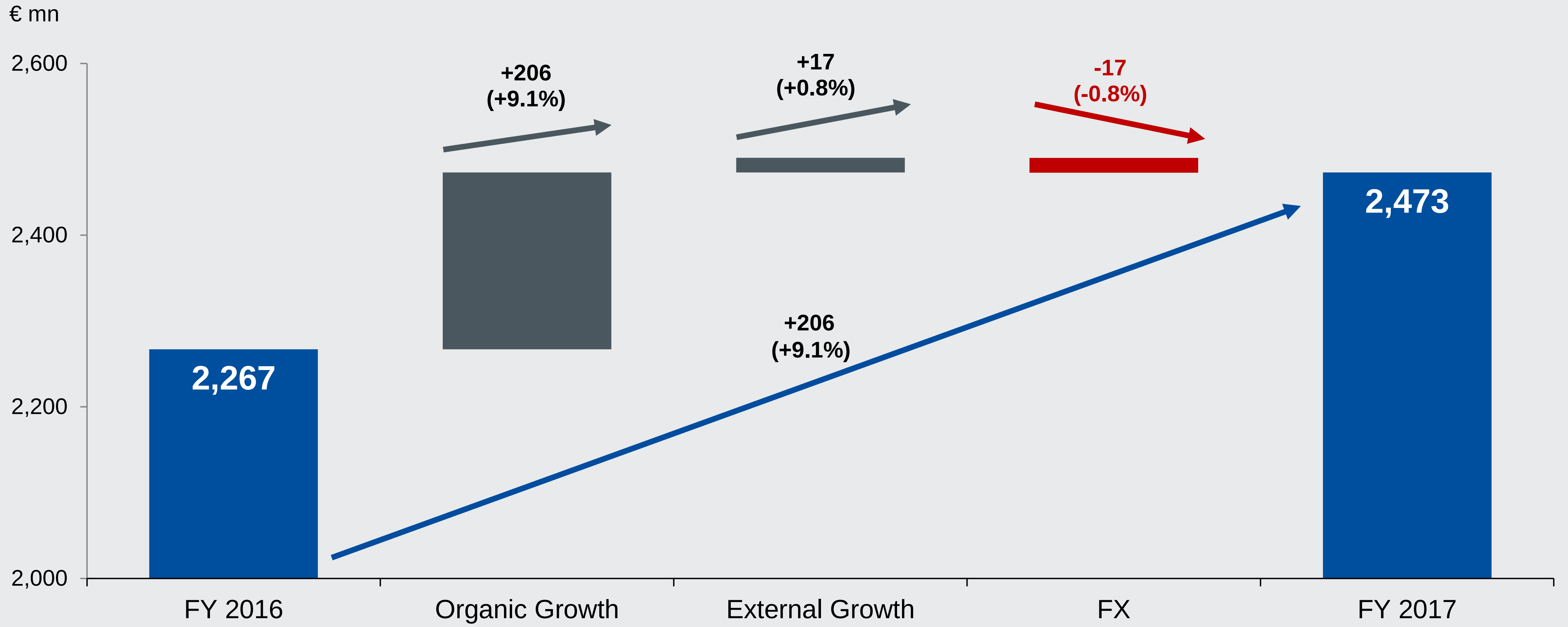

### smart services: objectives

- Make the lubricant talk in real-time by introducing online condition monitoring via sensors
- Empower customers to take immediate actions to keep the lubricant and the machine healthy, preventing unplanned downtime

### smart services: objectives

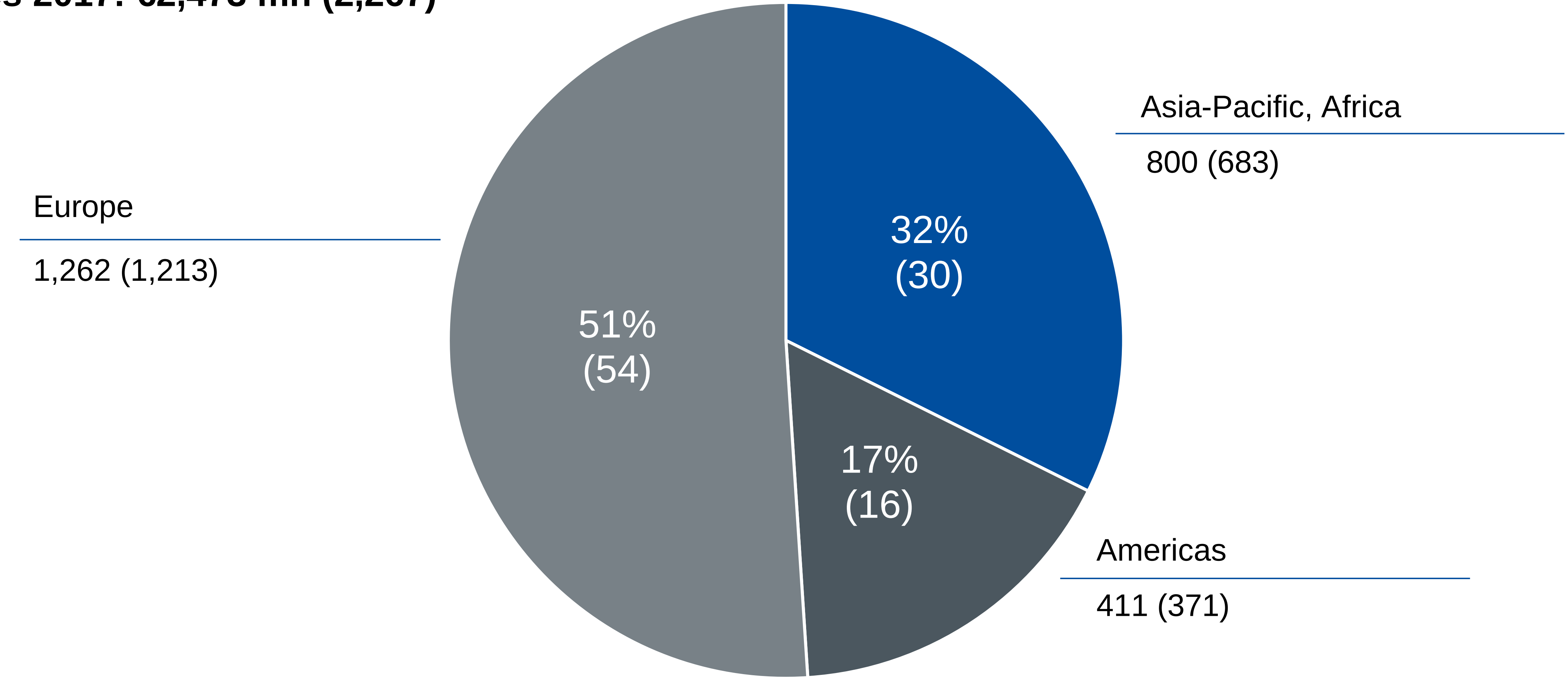
- **FluidVision** provides a setup to collect sensor information and forward these data to customers maintenance network as well to FUCHS' cloud based customer self service. (1)
- **FluidVision** therewith enhances our efforts to create input for immediate actions (2) as well as FUCHS' trend analytics (3) get enriched by live data

# FY 2017 Group sales



# Sales by customer location

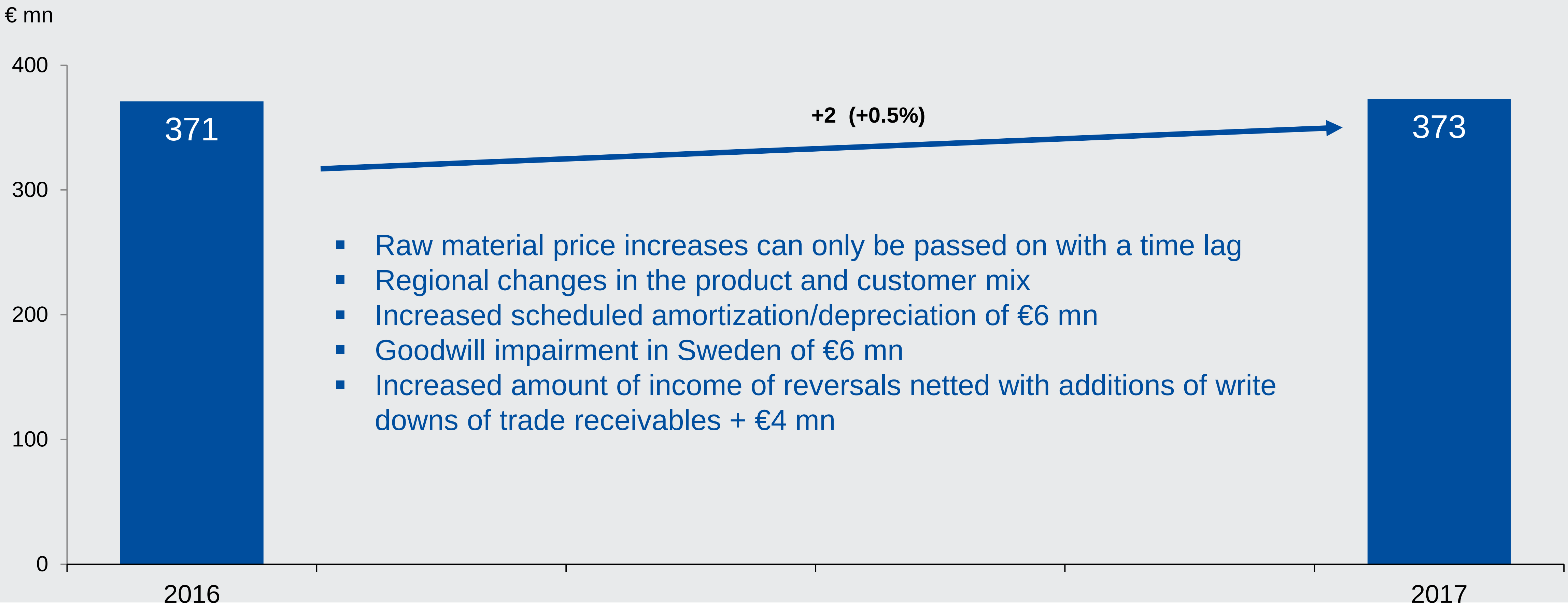
**Sales 2017: €2,473 mn (2,267)**



# Regional sales growth FY 2017

| | FY 2016 (€ mn) | FY 2017 (€ mn) | Growth | Organic | External | FX |
|---|---|---|---|---|---|---|
| Europe | 1,417 | 1,515 | **+6.9%** | +7.1% | - | -0.2% |
| Asia-Pacific, Africa | 620 | 733 | **+18.2%** | +19.7% | - | -1.5% |
| Americas | 349 | 393 | **+12.6%** | +9.4% | +4.9% | -1.7% |
| Consolidation | -119 | -168 | **-** | - | - | - |
| **Total** | **2,267** | **2,473** | **+9.1%** | **+9.1%** | **+0.8%** | **-0.8%** |

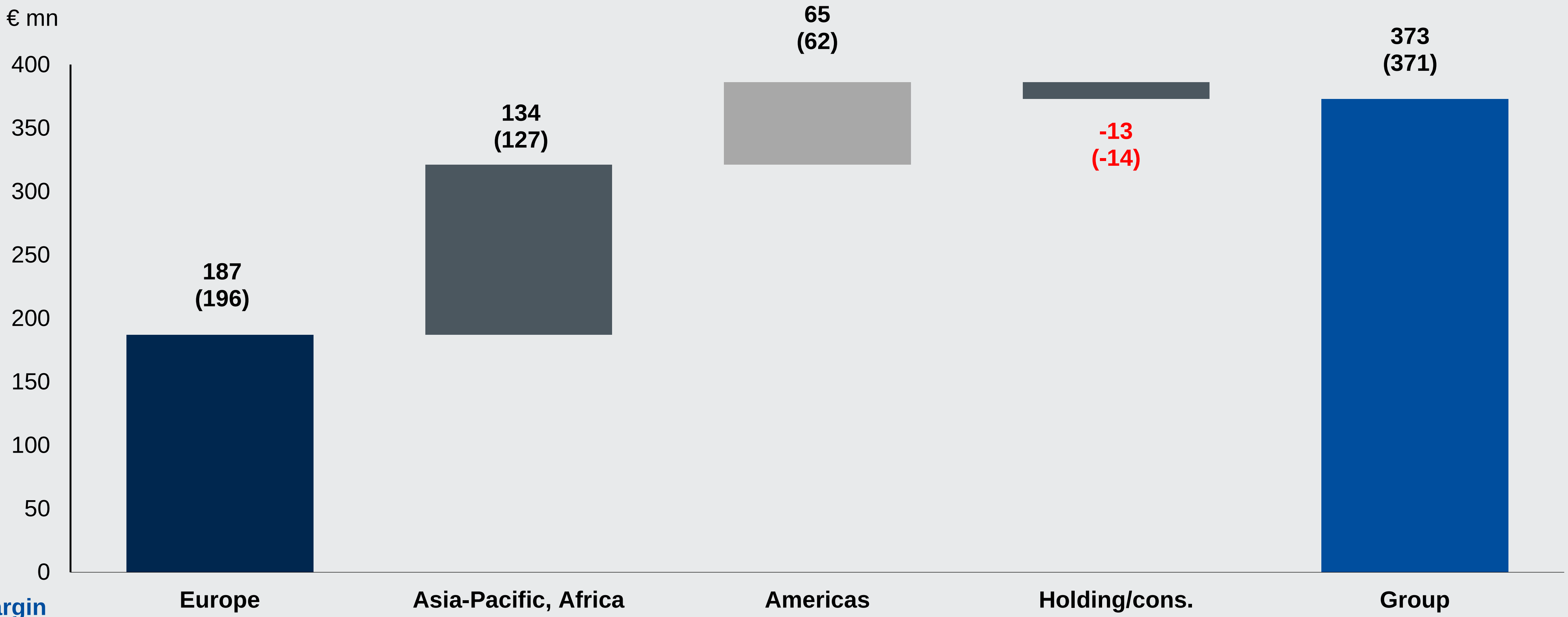
# EBIT 2017 at previous year's level




- Raw material price increases can only be passed on with a time lag
- Regional changes in the product and customer mix
- Increased scheduled amortization/depreciation of €6 mn
- Goodwill impairment in Sweden of €6 mn
- Increased amount of income of reversals netted with additions of write downs of trade receivables + €4 mn

# EBIT by regions

## FY 2017 (FY 2016)




| EBIT margin before at equity | Europe | Asia-Pacific, Africa | Americas | Holding/cons. | Group |
|---|---|---|---|---|---|
| | 12.2% (13.7%) | 16.2% (17.7%) | 16.5% (17.8%) | | 14.4% (15.5%) |

# Income statement FY 2017

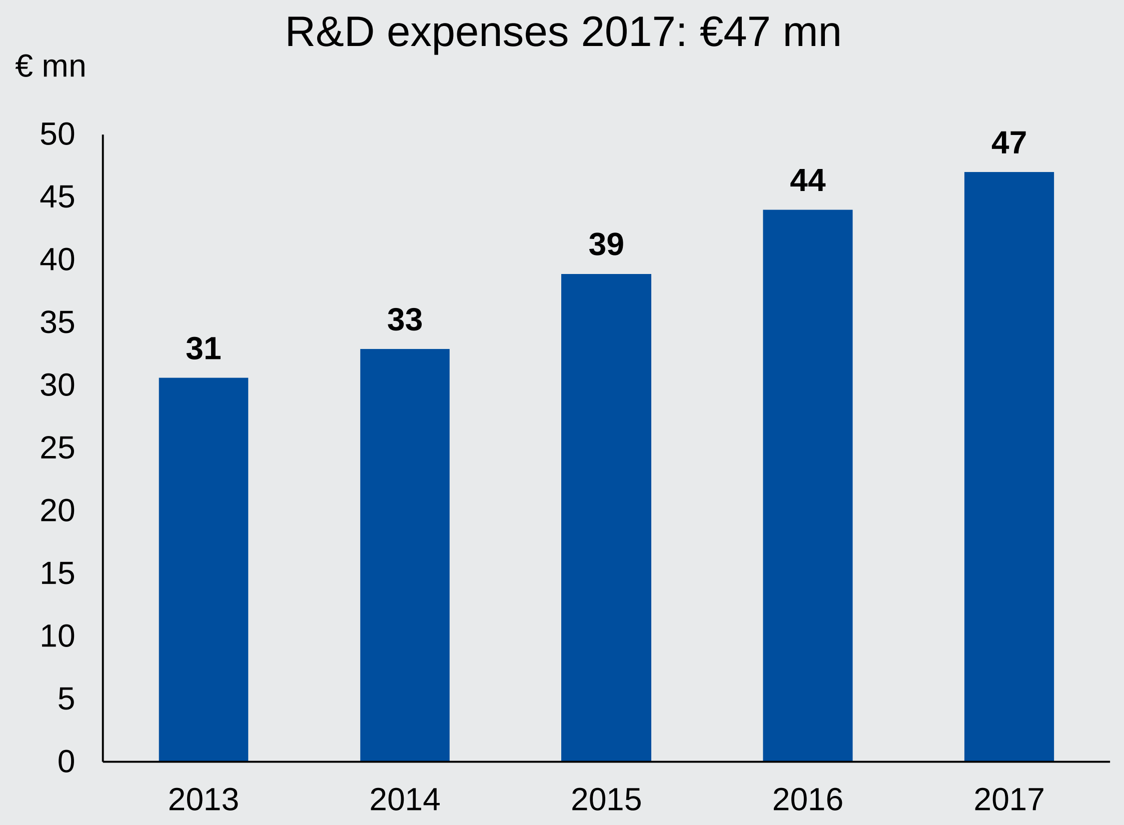
| € mn | FY 2016 | FY 2017 | Δ € mn | Δ in % |
|---|---|---|---|---|
| **Sales** | **2,267** | **2,473** | **206** | **9.1** |
| Gross Profit | 851 | 882 | 31 | 3.6 |
| *Gross Profit margin* | *37.5* | *35.7* | - | *-1.8 %-points* |
| Other function costs | -499 | -526 | -27 | 5.4 |
| **EBIT before at Equity** | **352** | **356** | **4** | **1.1** |
| At Equity | 19 | 17 | -2 | -10.5% |
| **EBIT** | **371** | **373** | **2** | **0.5** |
| Earnings after tax | 260 | 269 | 9 | 3.5 |

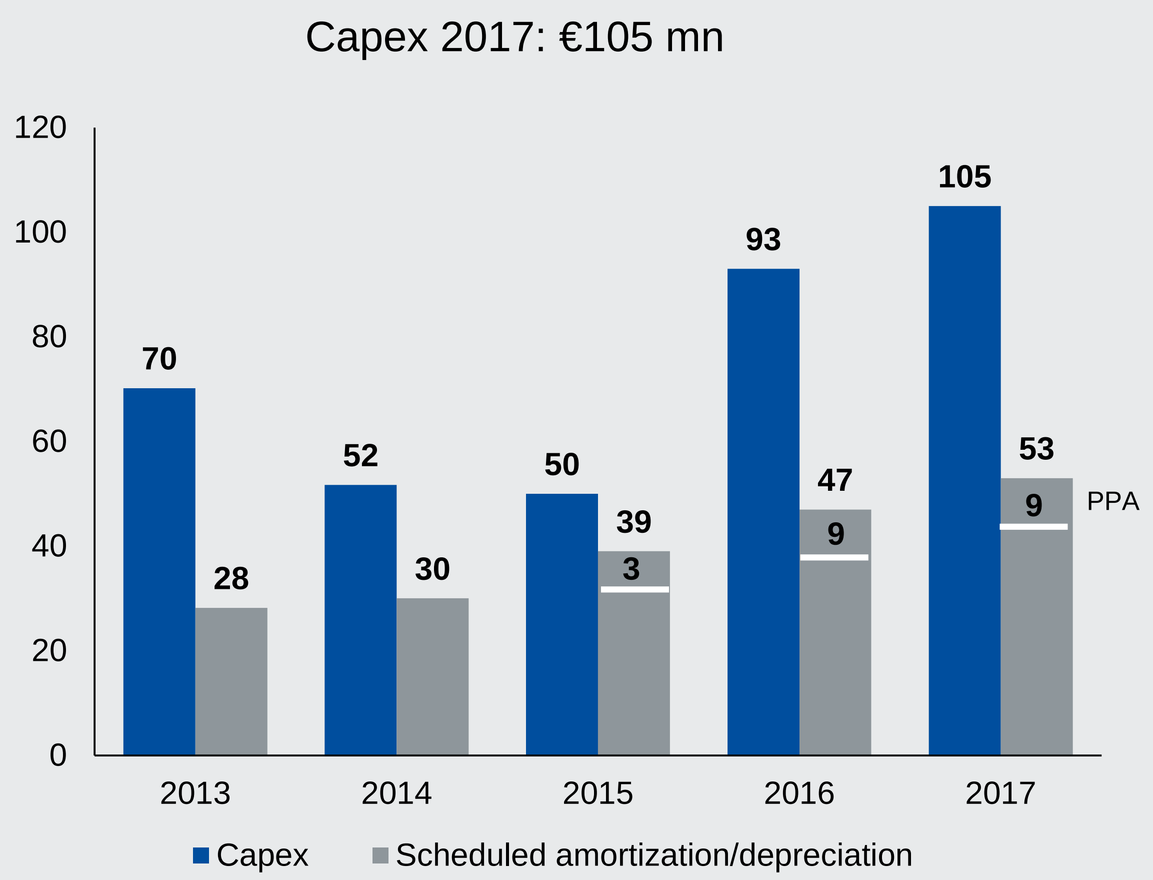
# Solid balance sheet and cash flow

| € mn | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Total assets | 1,162 | 1,276 | 1,490 | 1,676 | 1,751 |
| Goodwill | 82 | 88 | 166 | 185 | 173 |
| Equity | 854 | 916 | 1,070 | 1,205 | 1,307 |
| Equity ratio | 74% | 72% | 72% | 72% | 75% |

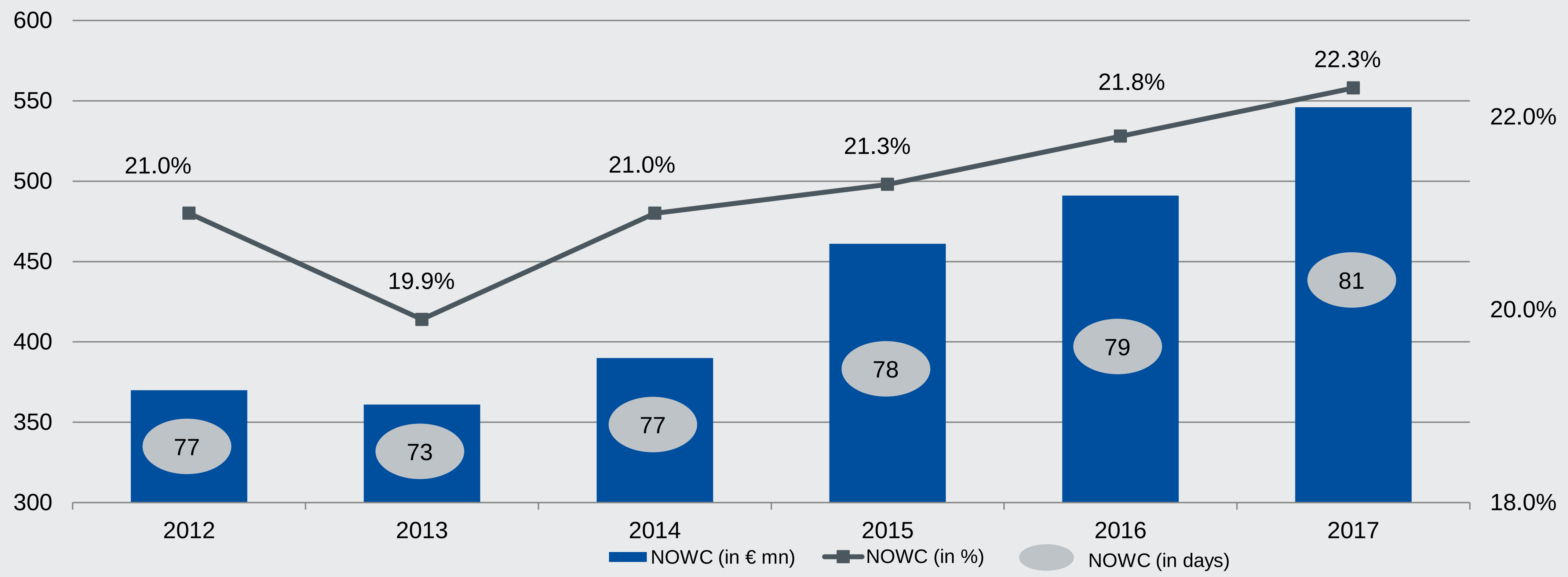
| € mn | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Net liquidity | 167 | 186 | 101 | 146 | 160 |
| Operating cash flow | 221 | 255 | 281 | 300 | 242 |
| Free cash flow before acquisitions | 150 | 210 | 232 | 205 | 142 |
| Free cash flow | 150 | 188 | 62 | 164 | 140 |

# Investment in the future



# Net operating working capital (NOWC)*




* In relation to the annualized sales revenues of the last quarter

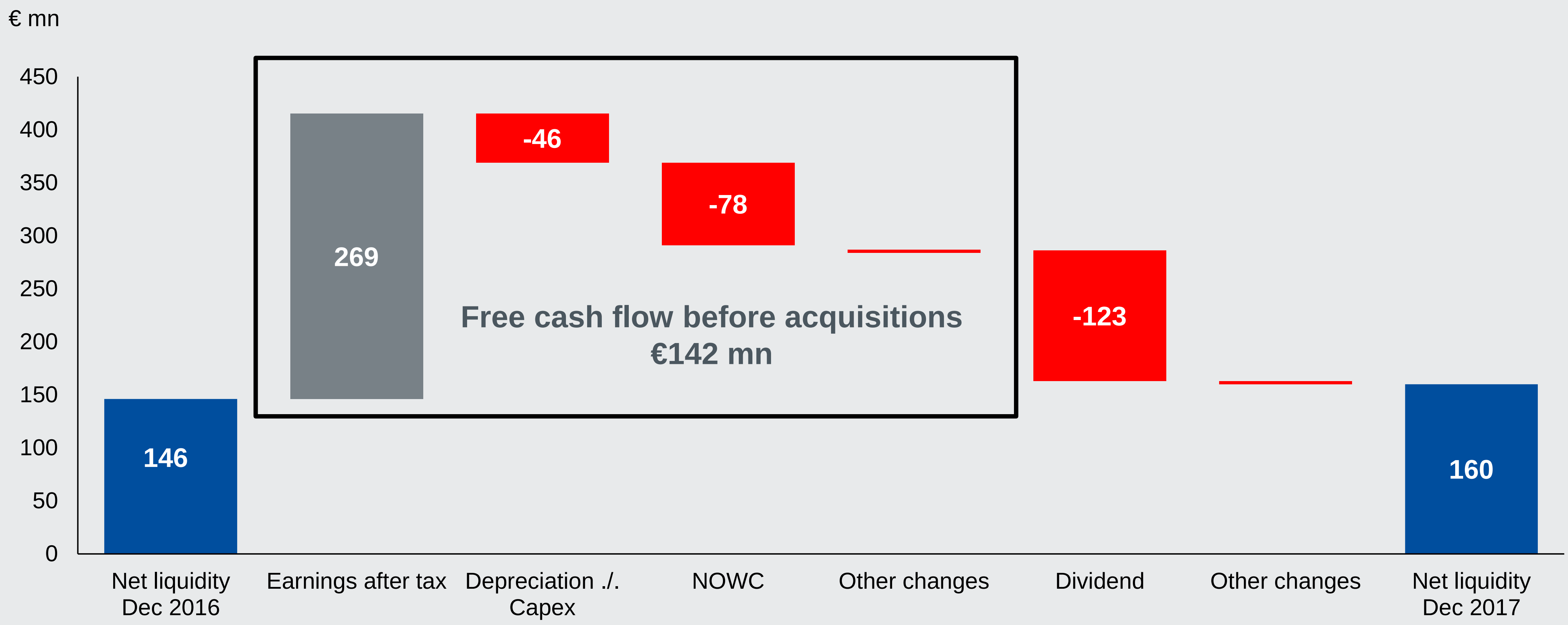
# Net operating working capital (NOWC)

| Year | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|
| **Sales (€ mn)** | 1,819 | 1,832 | 1,866 | 2,079 | 2,267 | 2,473 |
| **Annualized last quarterly sales (€ mn)** | 1,760 | 1,810 | 1,852 | 2,161 | 2,256 | 2,442 |
| **NOWC/sales (%)** | 21.0 | 19.9 | 21.0 | 21.3 | 21.8 | 22.3 |
| | | | | | | |
| **Inventories/days** | 79 | 75 | 76 | 80 | 84 | 84 |
| **Debtors/days** | 52 | 53 | 56 | 54 | 57 | 56 |
| **Payables/days** | 39 | 43 | 43 | 42 | 48 | 45 |

# Cash flow FY 2017

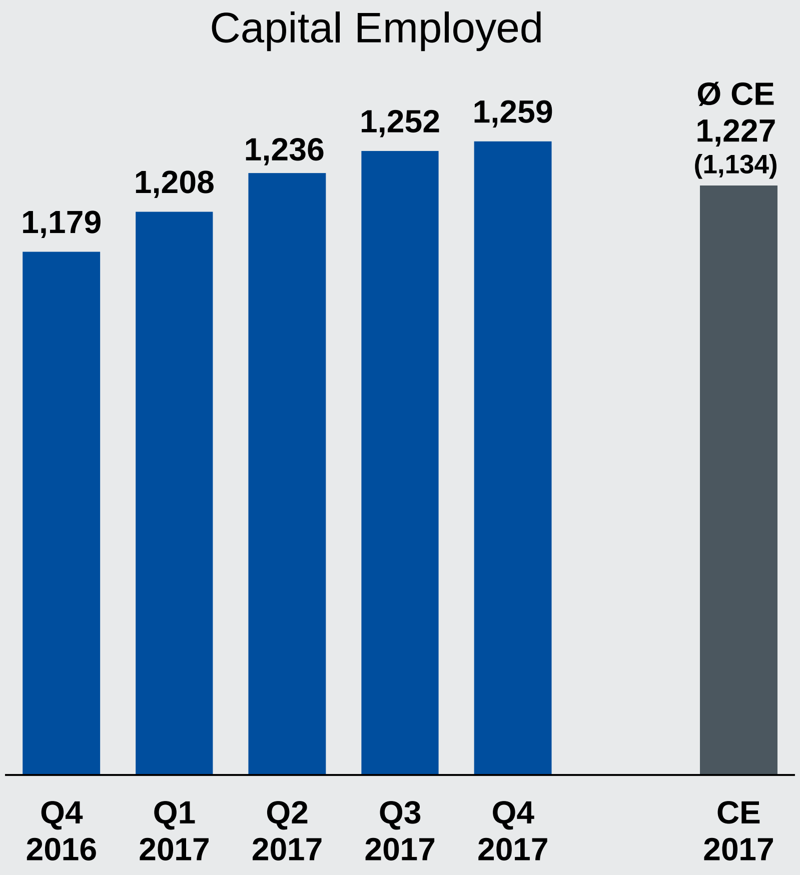
| € mn | FY 2016 | FY 2017 |
|---|---|---|
| **Earnings after tax** | **260** | **269** |
| Amortization/Depreciation & Impairment | 47 | 59 |
| Changes in net operating working capital (NOWC) | -22 | -78 |
| Other changes | 13 | -3 |
| Capex | -93 | -105 |
| **Free cash flow before acquisitions** | **205** | **142** |
| Acquisitions | -46 | -2 |
| **Free cash flow** | **164** | **140** |

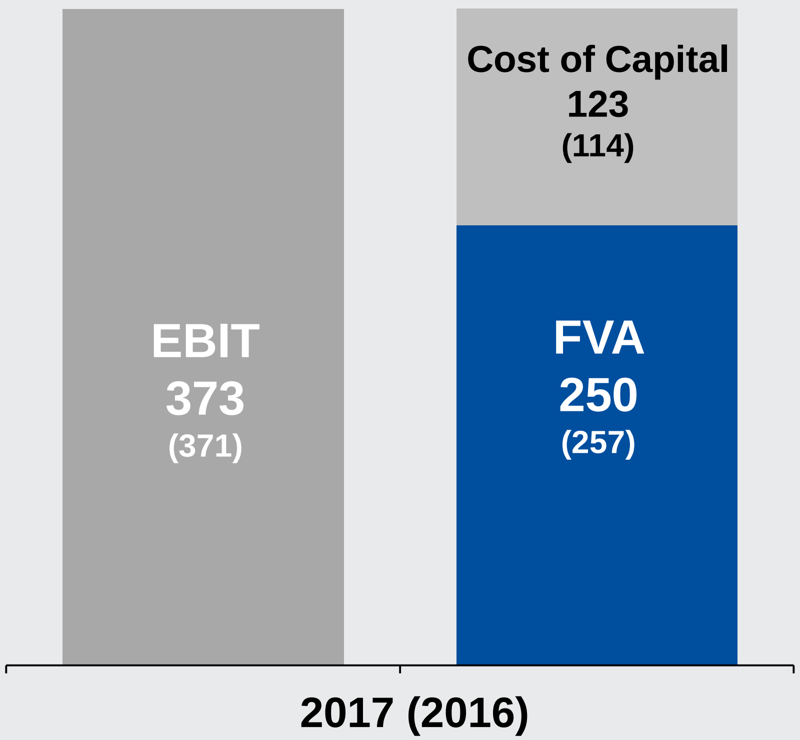
# Net Liquidity 2017



# FUCHS Value Added (FVA)

## Decrease by 3%




Cost of Capital = CE x WACC (10%)

# FY 2017 earnings summary

- Mainly volume driven organic sales growth; stronger euro in the second half of the year results in slight negative FX-effects for the full year
- Higher raw material prices, planned increase in costs as well as changes in product/customer mix lead to a less than proportional increase in earnings
- Raw material price increases can only be passed on with a time lag
- Increase in earnings after tax stronger than EBIT growth mainly due to the American tax reform
- Strong international business lead to higher inventories
- Capex increase according to plan
- Free cash flow below previous year due to the significant business-related increase in net operating working capital especially as a result of the strong sales growth in Asia-Pacific, Africa

# Dividend proposal

The Executive and Supervisory Board will propose an increase of €0.02 to the Annual General Meeting to be held on 8th May 2018

**2%**

higher dividend payment proposed

**€0.91**

**(0.89)**

per preference share

**€0.90**

**(0.88)**

per ordinary share

# Outlook 2018

| Performance indicator | Actual 2017 | Outlook 2018 |
|---|---|---|
| **Sales** | **€ 2,473 mn** | +3% to +6% |
| **EBIT** | **€ 373 mn** | +2% to +4% |
| **FUCHS Value Added** | **€ 250 mn** | At previous year‘s level |
| **Free cash flow before acquisitions** | **€ 142 mn** | At previous year‘s level |

- Sales growth mainly driven by organic volume growth as well as price and mix changes
- External growth expected to be slightly negative due to sale of the Dormagen plant (December 2017)
- Less than proportional increase in earnings expected due to a higher costs base as a result of investments in new and existing plants, people and R&D
- Investments of around €140 mn in new plants and expansion of plants in China, USA, Germany, Sweden, Russia and UK

# Investments

## Beresfield (Newcastle), Australia – New plant


# Investment initiative
## Growth/replacement/efficiency

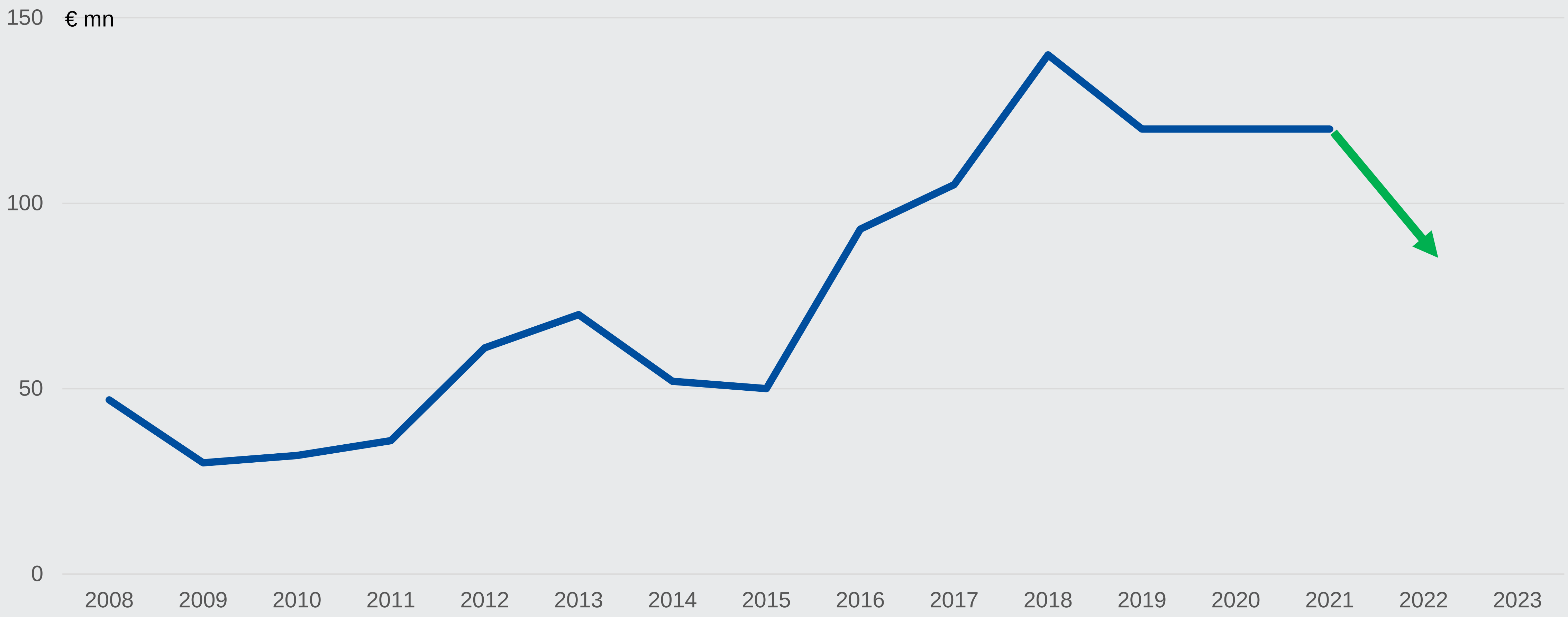
- For 2016 - 2018 around **€300 mn** capex was planned with focus on the expansion of Mannheim, Kaiserslautern and Chicago as well as new plants in China, Australia and Sweden. As of today we expect capex to be ~ **€340 mn**.

- From today‘s perspective more than **€100 mn p.a.** will be spent on growth and replacement investments as well as efficiency improvements in the years 2019 - 2021.The focus is on the expansion of the German, Chinese and US plants. Background is the significant volume increase, technological changes and a changed product mix.

- From 2022 onwards, investments should be back on par with the scheduled increased annual amortization/depreciation.

Maintenance capex amounting to the level of amortization/depreciation

# Investment initiative



# Extention of contracts of the Executive Board until 2023

The contracts of the Executive Board members Dr. Lutz Lindemann, Dr. Timo Reister, Dr. Ralph Rheinboldt and Dagmar Steinert are extended until December 2023

- Dr. Lutz Lindemann (57 years): 19 years at FUCHS, Member of the Executive Board since 2009
- Dr. Timo Reister (38 years): 8 years at FUCHS, Member of the Executive Board since 2016
- Dr. Ralph Rheinboldt (50 years): 19 years at FUCHS, Member of the Executive Board since 2009
- Dagmar Steinert (53 years): 5 years at FUCHS, Member of the Executive Board since 2016

- The contract of Stefan Fuchs (50 years) runs until June 2021

# Disclaimer

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