

# Preliminary figures 2018 and guidance 2019

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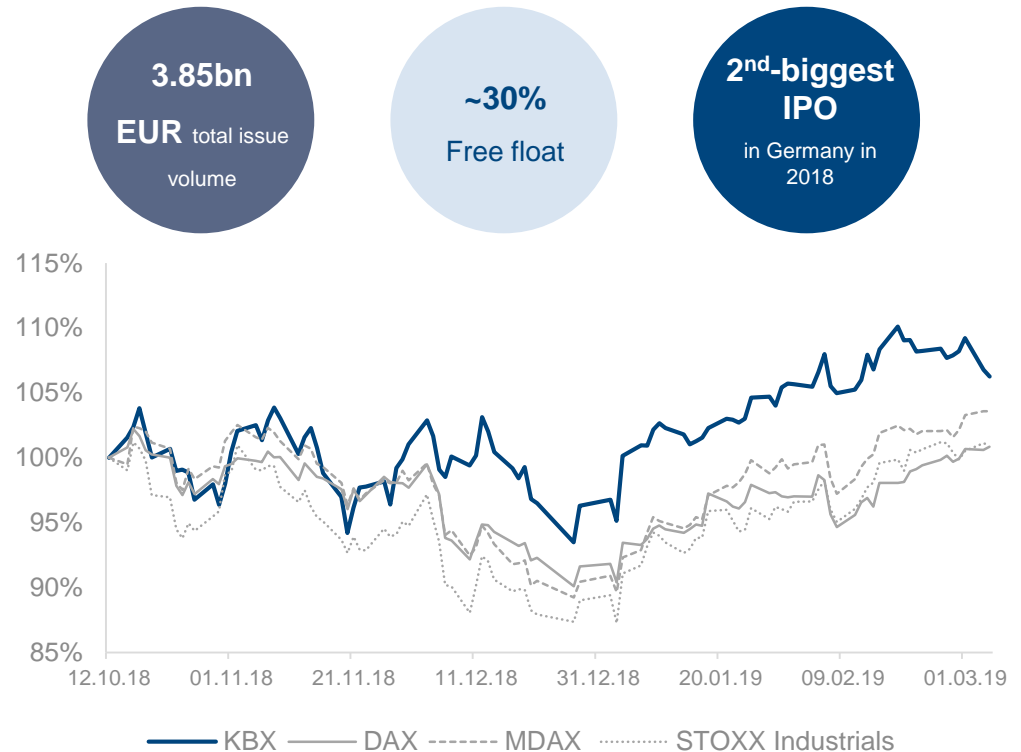
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## Highlights KB Group 2018

- Successful IPO and listing on the Frankfurt stock exchange on 12 October 2018
- Setting new standards at tradeshows Innotrans, IAA and Automechanika
- Dynamic growth towards a new record group revenue level of 6,616 mEUR within guidance of 6,600 – 6,700 mEUR despite macro headwinds
  - +10.5% @ const. FX, +7.5% @ actual FX
- Solid EBITDA development within guidance of 17.5% – 18.5%: 1,178 mEUR (+5.6% vs. PY)
  - Reported margin at 17.8% (PY: 18.1%), adjusted EBITDA margin at 18.0%
  - Operating EBITDA margin – eliminating disposals – at 18.4%
- RVS: strong revenue growth (+6.2% vs. PY), EBITDA margin at 20.0% (PY: 19.6%)
- CVS: very dynamic revenue growth (+9.3% vs. PY), EBITDA margin at 16.4% (PY: 17.4%)
- Good visibility: Strong order book 4,563 mEUR (+9.2% vs. PY), supporting 2019 growth
- Guidance FY 2019 in line with medium-term guidance
  - Revenue: 6,800 - 7,000 mEUR, EBITDA margin: 18.0% – 19.0%

## Successful IPO on October 12, 2018




- Issue price of 80 EUR
- Outperformed STOXX Ind., DAX, and MDAX
- Balanced geographical distribution of top investors
- Sustained interest for meetings at conferences and roadshows
- Stoxx600 and SDAX inclusion shortly after the IPO
- Fast entry into the MDAX effective March 18, 2019



# Growth by M&A and strategic partnerships 2018





## Systems for Rail Vehicles

M&A target	Regional Focus	Deal Scope
Federal Mogul		Industrial <b>Property Rights</b> for development and production of friction materials (rail and industrial)
Divestment	Regional Focus	Deal Scope
Sydac		Simulators business
Swedtrac, Railcare		<b>Overhaul and modernization</b> of rail vehicles



## Systems for Commercial Vehicles

Target	Regional Focus	Deal Scope
Hitachi Automotive Systems		<b>Steering systems</b> for commercial vehicles, strengthening of competence for <b>driver assistance</b> and <b>HAD</b> solutions
Dongfeng Auto Parts		<b>JV: Compressors</b> and <b>compressed air</b>
FAW Jiefang		<b>Strategic framework agreement:</b> CVS brake systems, automated <b>manual transmissions</b> , <b>steering</b> , <b>automated driving</b>

## FY and Q4 2018 key figures – record sales of 6,616 mEUR

mEUR	9M 2018	FY 2018	FY 2017	Δ	Q4 2018	Q4 2017	Δ
Revenue @ <i>actual FX</i>	4,994	<b>6,616</b>	<b>6,154</b>	+7.5%	<b>1,622</b>	<b>1,591</b>	+1.9%
Revenue @ <i>constant FX</i>		<b>6,798</b>	<b>6,154</b>	+10.5%			
Order intake	5,266	<b>7,001</b>	<b>6,657</b>	+5.2%	<b>1,736</b>	<b>1,791</b>	-3.1%
Order book	4,449	<b>4,563</b>	<b>4,177</b>	+9.2%			

- Dynamic revenue growth towards a new record group revenue of 6,616 mEUR despite FX headwinds
- Record order intake, first time above 7,000 mEUR @ book-to-bill of 1,06
- Strong order book of 4,563 mEUR (+9.2% vs. PY) provides good basis for 2019 growth
- Moderate increase Q4 revenue development against strong comps

## FY and Q4 2018 key figures – adjusted EBITDA margin close to PY level

mEUR	9M 2018	FY 2018	FY 2017	Δ	Q4 2018	Q4 2017	Δ
<b>EBITDA</b>	<b>876</b>	<b>1,178</b>	<b>1,116</b>	+5.6%	<b>302</b>	<b>337</b>	-10.5%
<i>EBITDA margin</i>	17.5%	17.8%	18.1%	30 bps	18.6%	21.2%	-260 bps
<b>EBIT</b>	<b>718</b>	<b>972</b>	<b>904</b>	+7.6%	<b>254</b>	<b>287</b>	-11.5%
<i>EBIT margin</i>	14.4%	14.7%	14.7%	0 bps	15.7%	18.1%	-240 bps

- Reported EBITDA of 1,178 mEUR (margin: 17.8%) within guidance
- Adjusted EBITDA of 1,193 mEUR (margin: 18.0%)
  - IPO cost reimbursement by selling shareholder recognized as equity transaction: 15 mEUR
- Operating EBITDA – eliminating disposals – of 1,204 mEUR (margin: 18.4%\*) above PY level
  - Operating losses for rail maintenance & simulator business : -11 mEUR (PY: -5 mEUR)
- Declining AM share, material price inflation and supply chain constraints with adverse effects
- Continued implementation of innovation roadmap with R&D ratio of 5.5%

## FY and Q4 2018 key figures – adjusted EBIT margin above PY level

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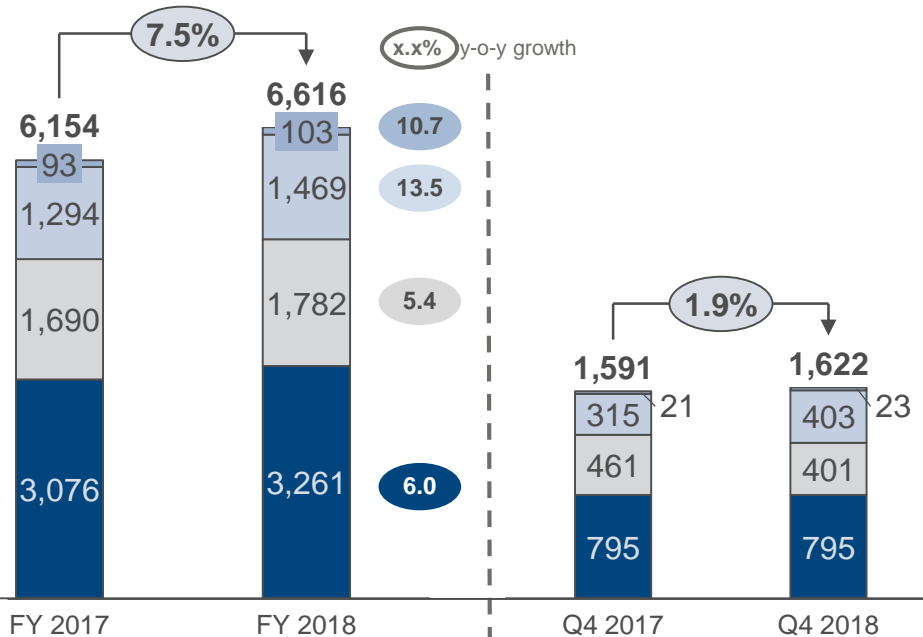
- EBIT development largely mirroring EBITDA
- Adjusted EBIT – including IPO reimbursement – of 987 mEUR (margin: 14.9%), operating EBIT of 1,019 mEUR (margin: 15.6%\*) both above PY level
  - Disposal losses for rail maintenance & simulator business: -19 mEUR (PY: -25 mEUR)
  - Operating losses for rail maintenance & simulator business: -13 mEUR (PY: -6 mEUR)
- Increase in net profit expected
- Dividend expected within dividend policy of 40-50%



# All regions contributed to strong revenue growth

## Revenue (regional split)

mEUR ■ Europe ■ Asia/Pacific ■ North America ■ South America

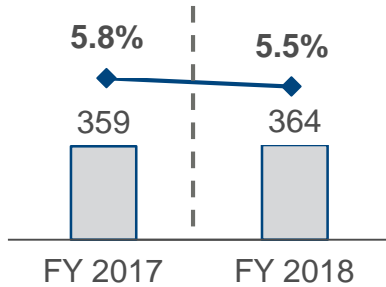


- Global growth +462 mEUR (+7.5% vs PY)
- **EU:**
  - Strong development throughout the year carried especially by OE
- **Asia:**
  - Moderate growth, seasonal decrease in Q4
  - CVS growth despite decreasing Chinese TPR
- **NA:**
  - Outperformance of dynamic market in both divisions, especially in CVS
- **SA:**
  - Recovery from a low base

# Innovation agenda continued, resource base strengthened

## R&D

mEUR —◆ % of sales



### RVS R&D highlights

- NextGen break valve designs
- Ecodesign for HVAC and doors

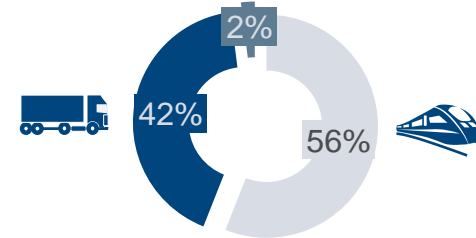
### CVS R&D highlights:

- ADAS/HAD – continued invest
- GSBC – Global Scalable Br. Con.

- Continued R&D within 5% - 6% range
- R&D expenditures growing at 1.4%, however share of revenues moderately decreasing due to strong revenue growth

## Employees (eop incl. leasing)

FTEs — RVS CVS Other



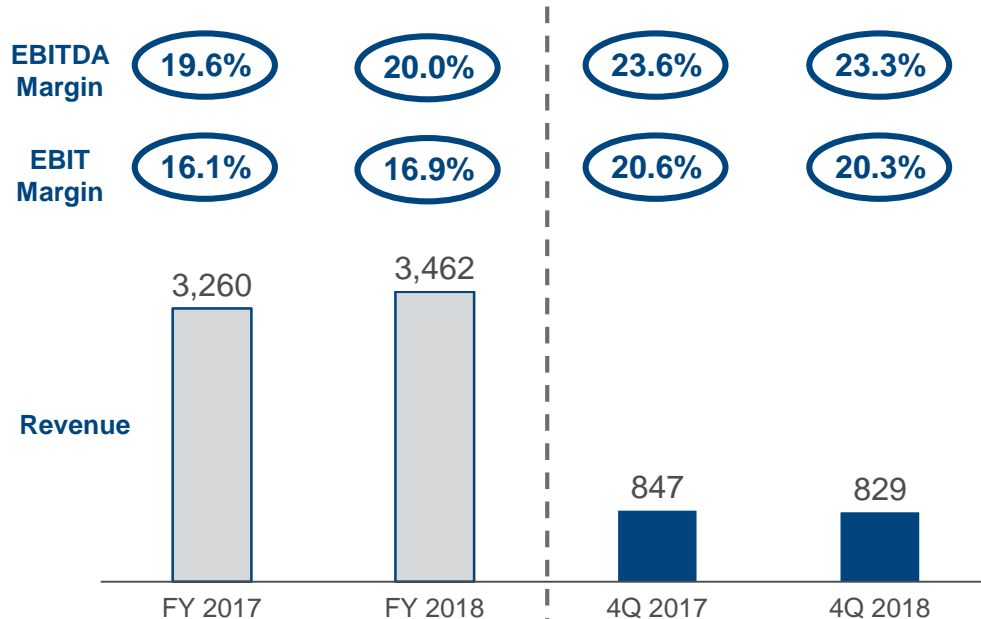
- Headcount development reflecting strong growth
  - EOP: 28,452 (PY: 27,705) +2.7%
  - AVG: 28,983 (PY: 26,910) +7.7%
- Disposals in October 2018 reducing EOP headcount
- Resource base growing at lower pace than FX adjusted revenue

# RVS: Strong growth with solid margin expansion



## Revenue & EBITDA margin & EBIT margin

mEUR



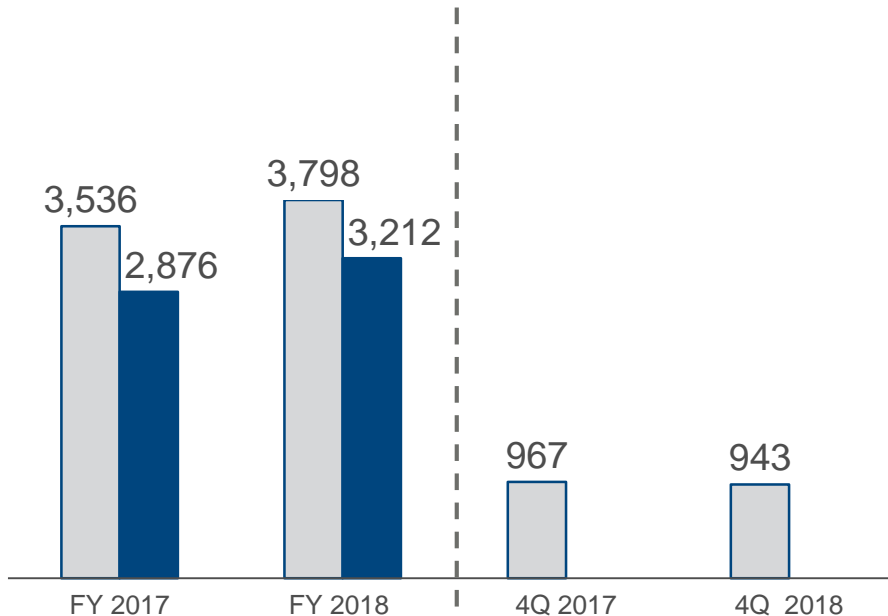
- Strong revenue growth of +6.2% (Q4: -2.1%), all major regions contributed
  - **EU:** Growth in OE (Locomotives, R&C, Metro); AM share moderately below PY, despite disposals
  - **Asia:** Outperformance esp. OE India & Metro / AM China
  - **NA:** Positive development in freight business
  
- Strong reported EBITDA margin of 20.0% (PY 19.6%)
  - Operating leverage, stringent cost measures
  - Operating EBITDA margin – eliminating disposals – at 20.5%\*
  - Q4 2018 again at extraordinary margin level 23.3% (PY: 23.6%)

# RVS: Strong order book development provides good visibility for 2019



## Order book & order intake

mEUR     Order intake     Order book



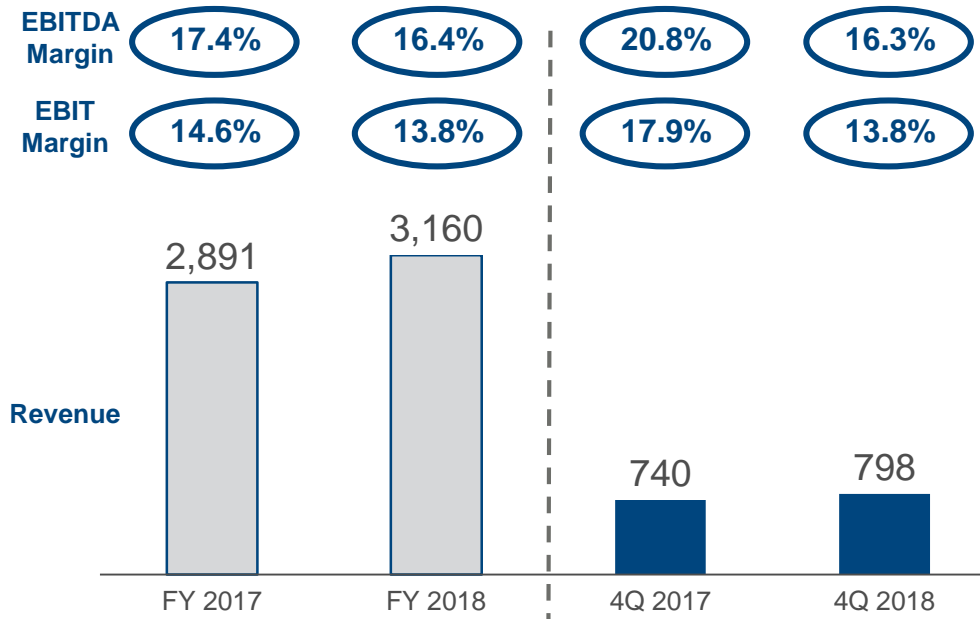
- Strong order intake increase  
+262 mEUR (+7.4% vs PY)
  - Book to bill of 1.10 (PY: 1.08)
- Growth drivers in orders:
  - **Asia:** Metro business in China & India
  - **EU:** High Speed in Spain & regional & commuter brake / door business in UK
- Strong order book increase  
+ 336 mEUR (+11.7% vs PY)
  - Visibility of 11.1 months revenue (PY: 10.6)

# CVS: Globally increasing TPR driving very dynamic revenue growth



## Revenue & EBITDA margin & EBIT margin

mEUR



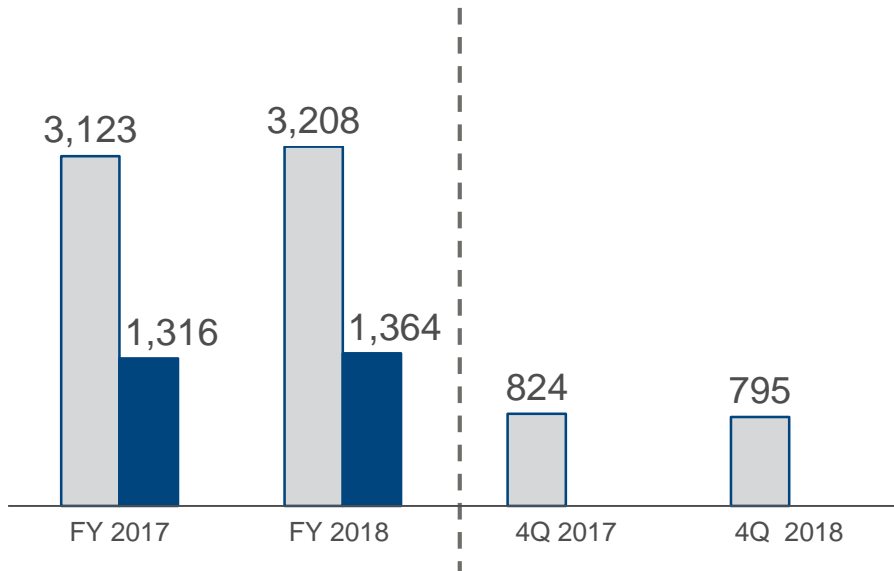
- TPR growth of 6.0% globally
- Very dynamic revenue growth of 9.3% (Q4: +7.8%) across all regions
  - **EU:** Resilient growth above market
  - **Asia:** Growing China revenues against declining TPR
  - **NA:** Outperformance of market through growing content e.g. ADB penetration
- EBITDA margin at 16.4% (PY 17.4%)
  - Q4 margin in line with FY as expected
  - Headwinds from material price inflation and supply chain constraints
  - Q4 2017 provided tough comps mainly due to mix effects (OE/AM) and R&D capitalization
  - Investments in ADAS/HAD to continue

# CVS: Healthy order book development provides good visibility for 2019



## Order book & order intake

mEUR     Order intake     Order book

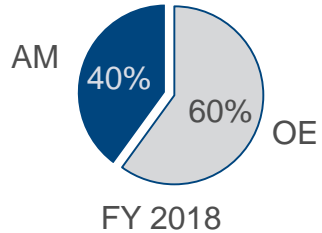
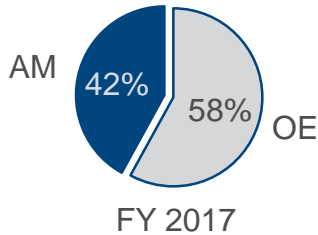


- Moderate order intake increase  
+85 mEUR (+2.7% vs PY)
  - Book to bill of 1.02 (PY: 1.08)
- Solid OE order bookings in key markets EU & NA driving KB order intake
- NA orders driven by high TPR as well as content i. e. ADAS & ADB
- China favorable due to increased content per vehicle despite decreasing TPR
- Strong order book increase  
+48 mEUR (+3.6% vs PY)
  - Visibility of 5.2 months revenue (PY: 5.5)

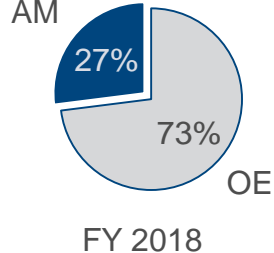
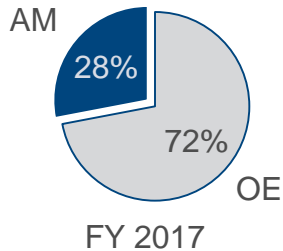
# Strong OE growth and disposals leading to lower aftermarket share

## Aftermarket (German GAAP)

### RVS Aftermarket






### CVS Aftermarket



- Strong OE growth in 2018 combined with disposal diluted AM contribution from 35.3% to 33.8%
  - RVS: +1.5% after strong overhaul cycle in 2017 (+5.8% adjusting for divestments of overhaul in RVS)
  - CVS: +2.3% by gaining market shares from all competitor segments (OEM, OE suppliers & IAM suppliers), but affected by FX headwinds
- Aftermarket growth initiatives to be continued in 2019
  - RVS: Asia benefiting from large installed base and numerous service locations in China; strong demand for LL pads (freight) in Europe continues
  - CVS: Expansion of remanufacturing EconX portfolio and AllTrucks network

## 2018 guidance fully delivered

		2018 guidance	2018 result
P&L	Revenue	<ul style="list-style-type: none"> <li>6,600 – 6,700 mEUR</li> </ul>	<ul style="list-style-type: none"> <li>6,616 mEUR </li> </ul>
	EBITDA margin	<ul style="list-style-type: none"> <li>17.5% – 18.5%</li> </ul>	<ul style="list-style-type: none"> <li>17.8% (adj. 18.0%) </li> </ul>
Cash flow	Capex	<ul style="list-style-type: none"> <li>Capex ratio in line with 2014 – 2017 average               <ul style="list-style-type: none"> <li>➢ RVS: c. 4% of revenue</li> <li>➢ CVS: c. 4% of revenue</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Expected within guided range </li> </ul>
	Working capital	<ul style="list-style-type: none"> <li>DWC requirements expected to be in line with 2014 – 2017 average</li> </ul>	
Capital structure	Leverage	<ul style="list-style-type: none"> <li>Maintain solid investment grade</li> <li>Target leverage &lt;1x Net debt/EBITDA</li> </ul>	
	Dividend	<ul style="list-style-type: none"> <li>Target payout ratio of 40% – 50% of IFRS net income</li> </ul>	
Other	Tax rate	<ul style="list-style-type: none"> <li>IFRS tax rate @ ~30%</li> </ul>	



# Market environment RVS for 2019

## Key observations

- Healthy fundamental demand driven by mega-trends
- Car builders with very strong order books
- China rail infrastructure stimulus expected to materialize medium-term
- Solid project pipeline in OE and AM
- Strong KB order book
- Wabtec/GE transaction and Siemens/Alstom without significant impact for KB



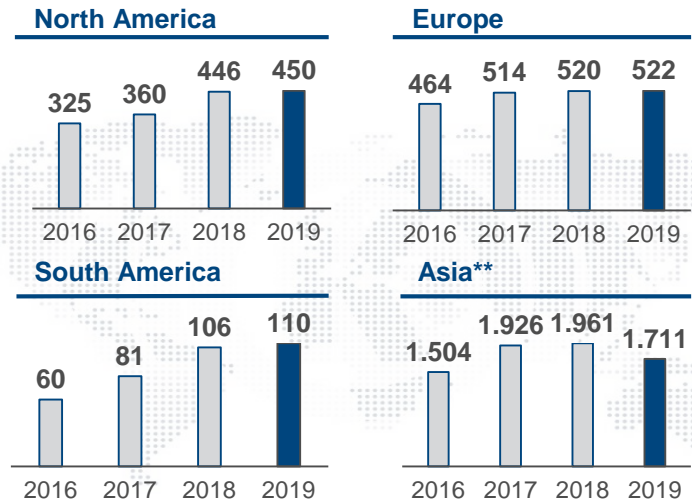
**Decreasing global GDP growth, increased macro-economic and political risks – more limited impact for KB RVS than CVS**

# Market environment CVS for 2019

## Key observations

- Flat-ish TPR development: slight growth in NA, flat in EU and temporarily declining in AP
  - Solid visibility given OEM order books
- Continued CPV growth, driven by safety and environmental regulation
- Continued adverse effects from material price inflation and supply chain constraints expected
- Continued need for R&D investments
- Solid KB order book

TPR forecast 2019 [1,000 units]\*



**Decreasing global GDP growth, increased macro-economic and political risks – potentially impacting TPR and therefore KB CVS later in 2019**

## 2019 guidance – fully on track towards our mid-term guidance

### 2019 guidance

#### P&L

#### Revenue

- Group: 6,800 – 7,000 mEUR (+3.8% – 6.9% after eliminating disposals)
- Assuming constant currencies, organic growth only, already considering disposals
- Unchanged economic & political environment

#### EBITDA margin

- 18.0% – 19.0%
- On track with medium term margin expansion by +150 bps until 2021/2022 (acc. prospectus)
- Assuming no structural changes

- Strong order book provides good visibility for 2019
- RVS growth broad-based across all markets and segments
- CVS continued outperformance through increasing content per vehicle
- Margin expansion from elimination of 2017/18 one-offs, stringent profit improvement measures and AM initiatives
- Continued strong focus on cash generation

**Full guidance, including divisional targets, to be disclosed with annual report end of April**

# Medium-term guidance unchanged

## Medium-term guidance

P&L	Revenue	<ul style="list-style-type: none"><li>▪ Group organic CAGR of c. 4.5%–5.5%<ul style="list-style-type: none"><li>➢ RVS c. 5–6%</li><li>➢ CVS c. 4–5%</li></ul></li><li>▪ Assuming constant currencies</li></ul>
	EBITDA Margin	<ul style="list-style-type: none"><li>▪ Margin expansion c. 150 bps compared to 2017<ul style="list-style-type: none"><li>➢ Driven by both divisions</li><li>➢ RVS division slightly ahead vis-à-vis CVS division</li></ul></li></ul>
Cash flow	Capex	<ul style="list-style-type: none"><li>▪ Capex ratio in line with 2014–2017 average<ul style="list-style-type: none"><li>➢ RVS: c. 4% of revenue</li><li>➢ CVS: c. 4% of revenue</li></ul></li></ul>
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# Q&A

# Financial calendar

## Upcoming events

Event	Date [mm/dd/yyyy]	Location
Investor Roadshow	03/11/2019 03/12/2019	New York London
MS Industrial Day	03/14/2019	Paris
BAML European Conference	03/19/2019	London
Full Year report	04/30/2019	Munich
1Q 2019 Analyst Call	05/30/2019	Munich
Annual General Meeting	06/18/2019	Munich

# Contact

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