

# KUEHNE+NAGEL



## Analyst Conference – First quarter 2018 results

Kuehne + Nagel International AG

24 April 2018 (CET 14.00) | Zurich, Switzerland

# Forward-looking statements



This presentation contains forward-looking statements.

Such statements are subject to risks and uncertainties as various factors, many of which are beyond the control of Kuehne + Nagel International AG, may cause actual development and results to differ materially from the expectations contained in the presentation.

Reference is also made to our disclaimer on the last slide of this presentation.

# A good start into 2018



Group's earnings for the first quarter with CHF 184 million again over last year (+ 12%)



Strong volume increase in Seafreight of 5%, 51,000 TEUs



Strong volume increase in Airfreight of 21%, 72,000 tons

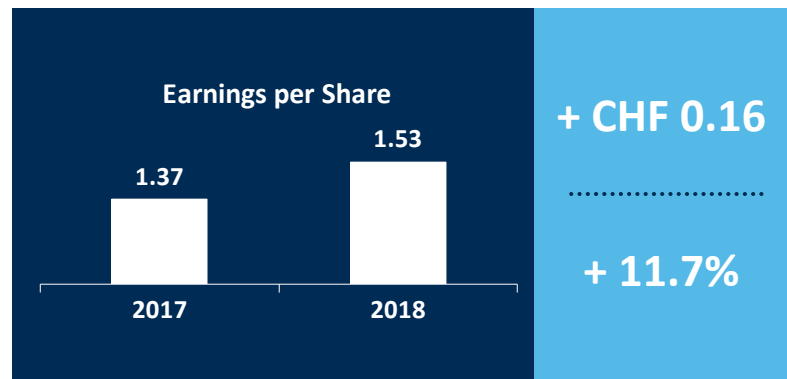
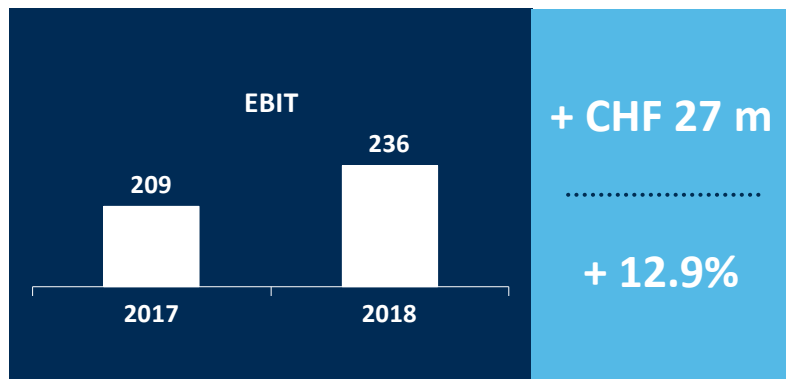
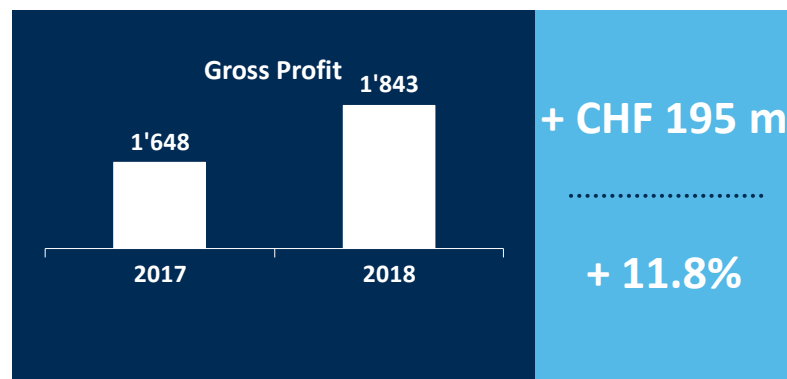
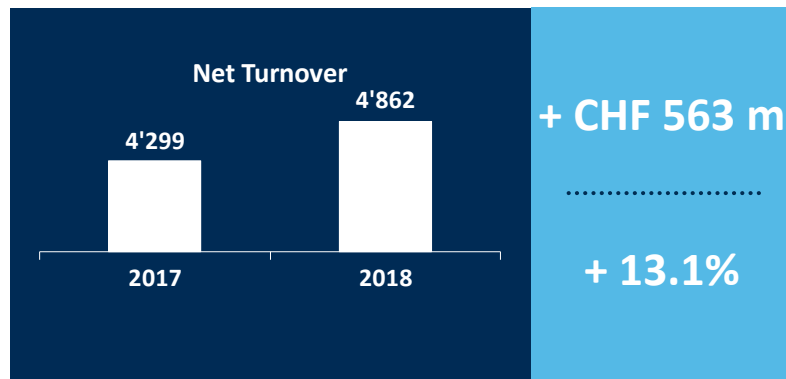


Overland with substantial net turnover growth of 16%



Contract Logistics with strong net turnover growth of 11%

# Overview Group performance first quarter 2018



# Seafreight



No. 1 worldwide

Two digital platforms launched  
(Sea Explorer & KN ESP)

Change in import terms for recycling  
material to China

# Airfreight



No. 2 worldwide

Perishable acquisitions fully integrated

Continued volume growth with  
industry-solutions

# Seafreight and Airfreight – business development

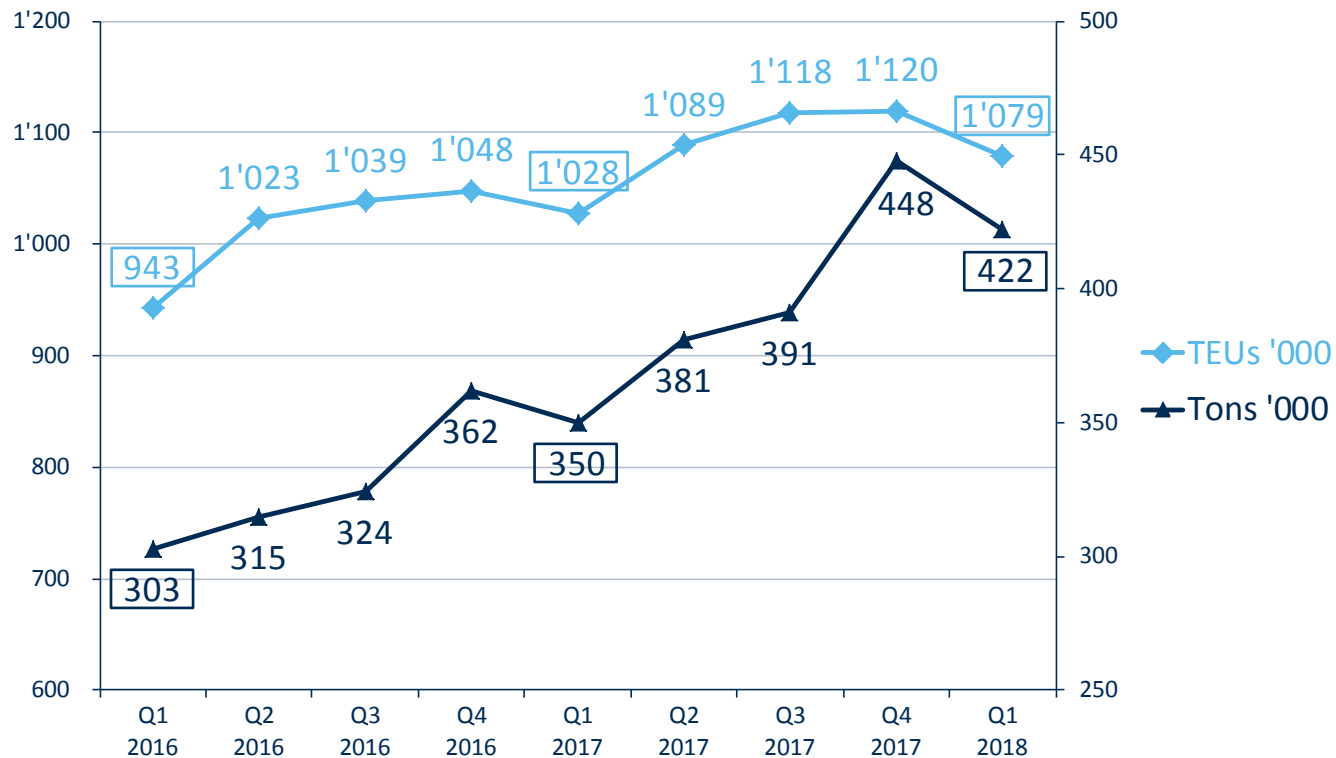


- Sea Explorer and KN Login ESP platforms launched
- Change in import terms for recycling material to China
- Strong growth in Asia and North America

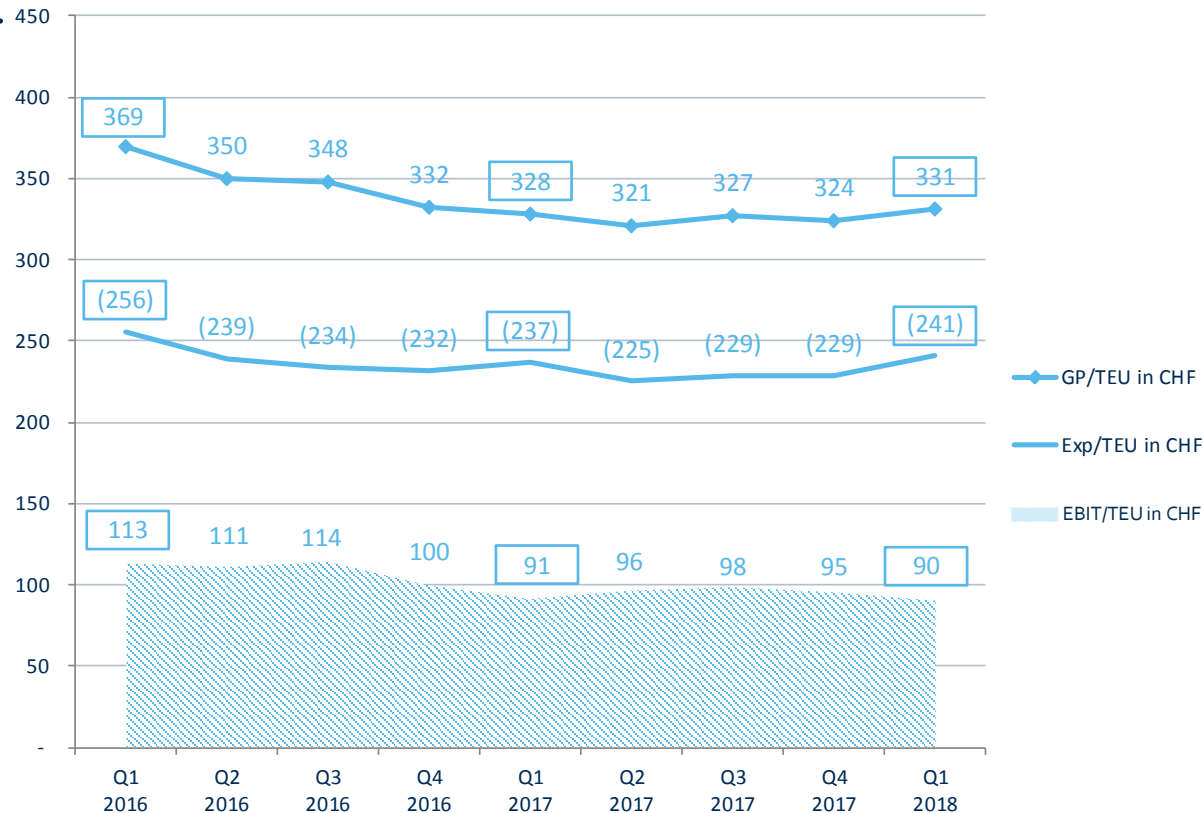


- Perishable acquisitions fully integrated
- Continued volume growth in Perishables, Pharma, Healthcare, Aerospace and e-commerce
- Strong growth in North America exports
- New industry solution KN InteriorChain launched

# Seafreight and Airfreight - volumes

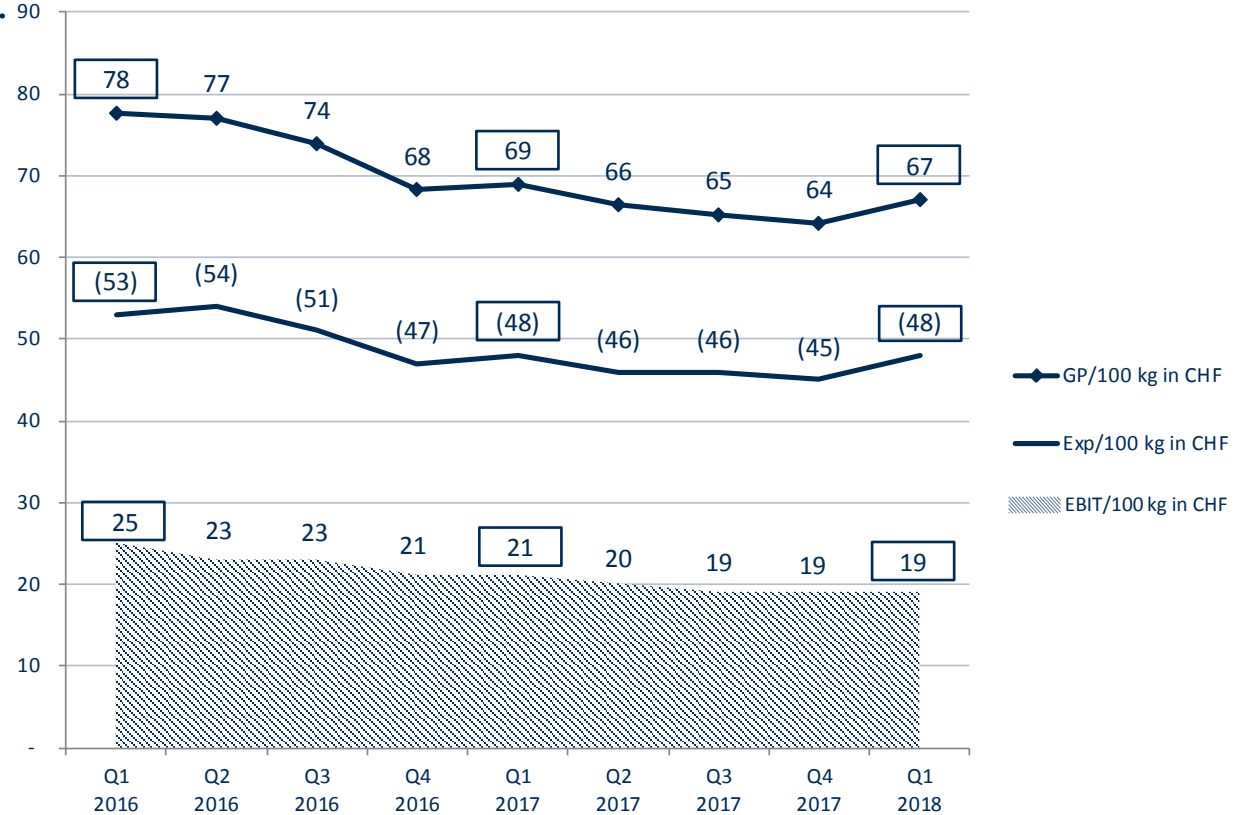


# Seafreight – GP/Expenses/EBIT per TEU in CHF





# Airfreight – GP/Expenses/EBIT per 100 kg in CHF



# Seafreight and Airfreight – Income Statements



| Income statement<br>in CHF million | Q1<br>2017   | Q1<br>2018   | Variance  |        |                    |
|------------------------------------|--------------|--------------|-----------|--------|--------------------|
|                                    |              |              | 2018/2017 | Growth | Forex <sup>1</sup> |
| Turnover                           | 2'095        | 2'170        | 3.6%      | 1.6%   | 2.0%               |
| Gross profit                       | 337          | 357          | 5.9%      | 4.1%   | 1.8%               |
| EBITDA                             | 99           | 102          | 3.0%      | (2.1%) | 5.1%               |
| EBIT                               | 93           | 97           | 4.3%      | - %    | 4.3%               |
| <b>Conversion rate</b>             | <b>27.6%</b> | <b>27.2%</b> |           |        |                    |
| Volume in '000 TEUs                | 1'028        | 1'079        | 5.0%      |        |                    |

<sup>1</sup> Foreign currency translation impact



| Income statement<br>in CHF million | Q1<br>2017   | Q1<br>2018   | Variance  |        |             |                    |
|------------------------------------|--------------|--------------|-----------|--------|-------------|--------------------|
|                                    |              |              | 2018/2017 | Growth | Acquisition | Forex <sup>1</sup> |
| Turnover                           | 1'063        | 1'310        | 23.2%     | 16.0%  | 5.6%        | 1.6%               |
| Gross profit                       | 241          | 283          | 17.4%     | 10.0%  | 6.6%        | 0.8%               |
| EBITDA                             | 76           | 88           | 15.8%     | 19.8%  | (5.3%)      | 1.3%               |
| EBIT                               | 72           | 81           | 12.5%     | 11.1%  | 1.4%        | - %                |
| <b>Conversion rate</b>             | <b>29.9%</b> | <b>28.6%</b> |           |        |             |                    |
| Volumes in '000 tons               | 350          | 422          | 20.6%     | 8.9%   | 11.7%       |                    |

<sup>1</sup> Foreign currency translation impact

# Overland



Strategic development of  
industry-specific solutions

Leverage of top line growth driving significant  
profitability improvement

Disposal of Brazilian Overland business

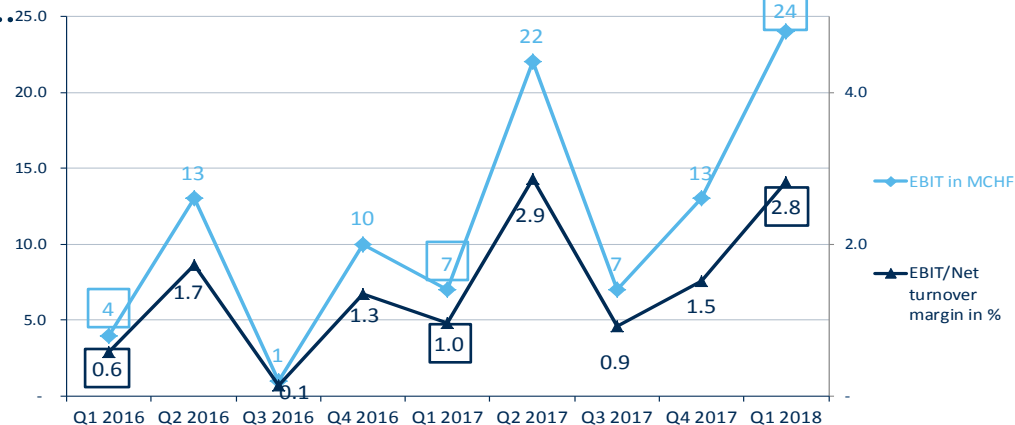
# Overland – performance of business unit



## Income statement in CHF million

|                              | Q1<br>2017 | Q1<br>2018 | Variance  |        |                    |
|------------------------------|------------|------------|-----------|--------|--------------------|
|                              |            |            | 2018/2017 | Growth | Forex <sup>1</sup> |
| Net turnover                 | 730        | 850        | 16.4%     | 10.9%  | 5.5%               |
| Gross profit                 | 226        | 264        | 16.8%     | 10.2%  | 6.6%               |
| EBITDA                       | 17         | 33         | 94.1%     | 94.1%  | - %                |
| EBIT                         | 7          | 24         | 242.9%    | 228.6% | 14.3%              |
| EBITDA / Net turnover margin | 2.3%       | 3.9%       |           |        |                    |
| EBIT / Net turnover margin   | 1.0%       | 2.8%       |           |        |                    |
| Conversion rate              | 3.1%       | 9.1%       |           |        |                    |

<sup>1</sup> Foreign currency translation impact





# Contract Logistics



Successful with scalable  
logistics solutions

Roll out of new WMS-solution and  
Warehousing technology started

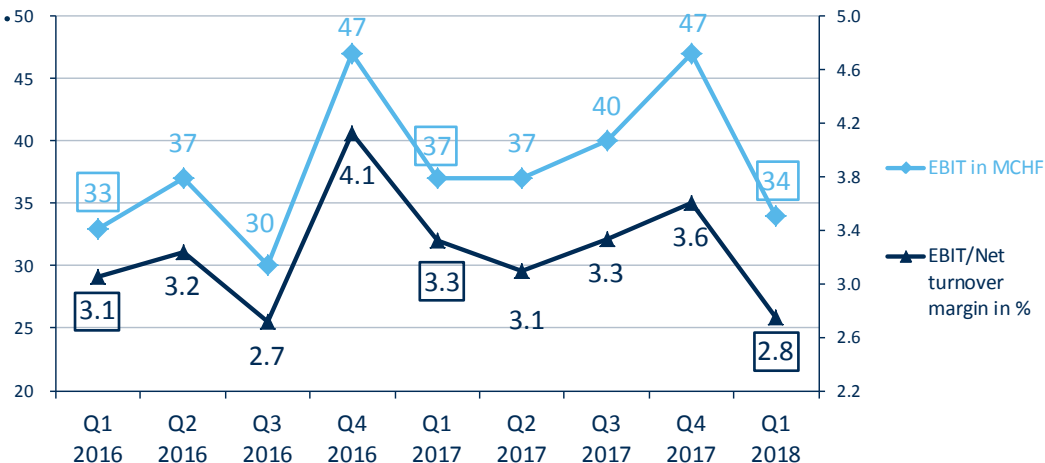
# Contract Logistics – performance of business unit



**Income statement**  
in CHF million

|                              | Q1<br>2017 | Q1<br>2018 | Variance  |         |             |                    |
|------------------------------|------------|------------|-----------|---------|-------------|--------------------|
|                              |            |            | 2018/2017 | Growth  | Acquisition | Forex <sup>1</sup> |
| Net turnover                 | 1'115      | 1'236      | 10.9%     | 4.6%    | 1.0%        | 5.3%               |
| Gross profit                 | 844        | 939        | 11.3%     | 5.1%    | 0.6%        | 5.6%               |
| EBITDA                       | 65         | 66         | 1.5%      | (6.2%)  | 3.1%        | 4.6%               |
| EBIT                         | 37         | 34         | (8.1%)    | (13.5%) | -           | 5.4%               |
| EBITDA / Net turnover margin | 5.8%       | 5.3%       |           |         |             |                    |
| EBIT / Net turnover margin   | 3.3%       | 2.8%       |           |         |             |                    |
| Conversion rate              | 4.4%       | 3.6%       |           |         |             |                    |

<sup>1</sup> Foreign currency translation impact





# Income Statement

| CHF million                 | 2017  | 2018  | Variance  | Variance in % |        |             |                    |
|-----------------------------|-------|-------|-----------|---------------|--------|-------------|--------------------|
|                             | Q1    | Q1    | 2018/2017 | 2018/2017     | Growth | Acquisition | Forex <sup>1</sup> |
| Net turnover                | 4'299 | 4'862 | 563       | 13.1%         | 8.4%   | 1.6%        | 3.1%               |
| Gross profit                | 1'648 | 1'843 | 195       | 11.8%         | 6.3%   | 1.3%        | 4.2%               |
| Gross profit margin         | 38.3% | 37.9% |           |               |        |             |                    |
| EBITDA                      | 257   | 289   | 32        | 12.5%         | 7.8%   | 1.2%        | 3.5%               |
| EBITDA margin               | 6.0%  | 5.9%  |           |               |        |             |                    |
| EBIT                        | 209   | 236   | 27        | 12.9%         | 9.1%   | 0.5%        | 3.3%               |
| EBIT margin to net turnover | 4.9%  | 4.9%  |           |               |        |             |                    |
| Conversion rate             | 12.7% | 12.8% |           |               |        |             |                    |
| EBT                         | 214   | 239   | 25        | 11.7%         | 7.9%   | 0.5%        | 3.3%               |
| EBT margin to net turnover  | 5.0%  | 4.9%  |           |               |        |             |                    |
| Earnings for the period     | 165   | 184   | 19        | 11.5%         | 7.9%   | 0.6%        | 3.0%               |

<sup>1</sup> Foreign currency translation impact

- Acquisition impact: GP CHF 21 million; EBITDA CHF 3 million; EBIT CHF 1 million / FTE 1,143
- FX impact: EUR + 9%; USD - 5%; GBP + 6%; total KN + 3%, CHF 5 million earnings for the period
- Tax rate stable, 23% expected for 2018
- Conversion rate target of the Group of 16% confirmed

# Balance Sheet



| CHF million                   | December 31,<br>2017 | March 31,<br>2018 |  | December 31,<br>2017 | March 31,<br>2018 |
|-------------------------------|----------------------|-------------------|--|----------------------|-------------------|
| <b>Assets</b>                 |                      |                   | <b>Liabilities and equity</b>  |                      |                   |
| Property, plant and equipment | 1'249                | 1'250             | <b>Equity attributable to the equity holders of the parent company</b> | <b>2'321</b>         | <b>2'463</b>      |
| Goodwill                      | 849                  | 838               | Non-controlling interests  | 6                    | 6                 |
| Other intangibles             | 96                   | 88                | <b>Total equity</b>  | <b>2'327</b>         | <b>2'469</b>      |
| Others                        | 251                  | 225               | <b>Non-current liabilities</b>   | <b>620</b>           | <b>611</b>        |
| <b>Non-current assets</b>     | <b>2'445</b>         | <b>2'401</b>      | Trade payables   | 1'890                | 1'748             |
| Trade receivables             | 3'537                | 3'485             | Contract liabilities   | -                    | 214               |
| Contract assets               | -                    | 437               | Accrued trade expenses/deferred income                                 | 1'493                | 1'263             |
| Work in progress              | 418                  | -                 | Bank and other interest-bearing liabilities                            | 14                   | 30                |
| Cash and cash equivalents     | 720                  | 717               | Others   | 1'113                | 1'261             |
| Others                        | 337                  | 556               | <b>Current liabilities</b>   | <b>4'510</b>         | <b>4'516</b>      |
| <b>Current assets</b>         | <b>5'012</b>         | <b>5'195</b>      | <b>Total liabilities and equity</b>                                    | <b>7'457</b>         | <b>7'596</b>      |
| <b>Total assets</b>           | <b>7'457</b>         | <b>7'596</b>      |  |                      |                   |



# Cash Flow



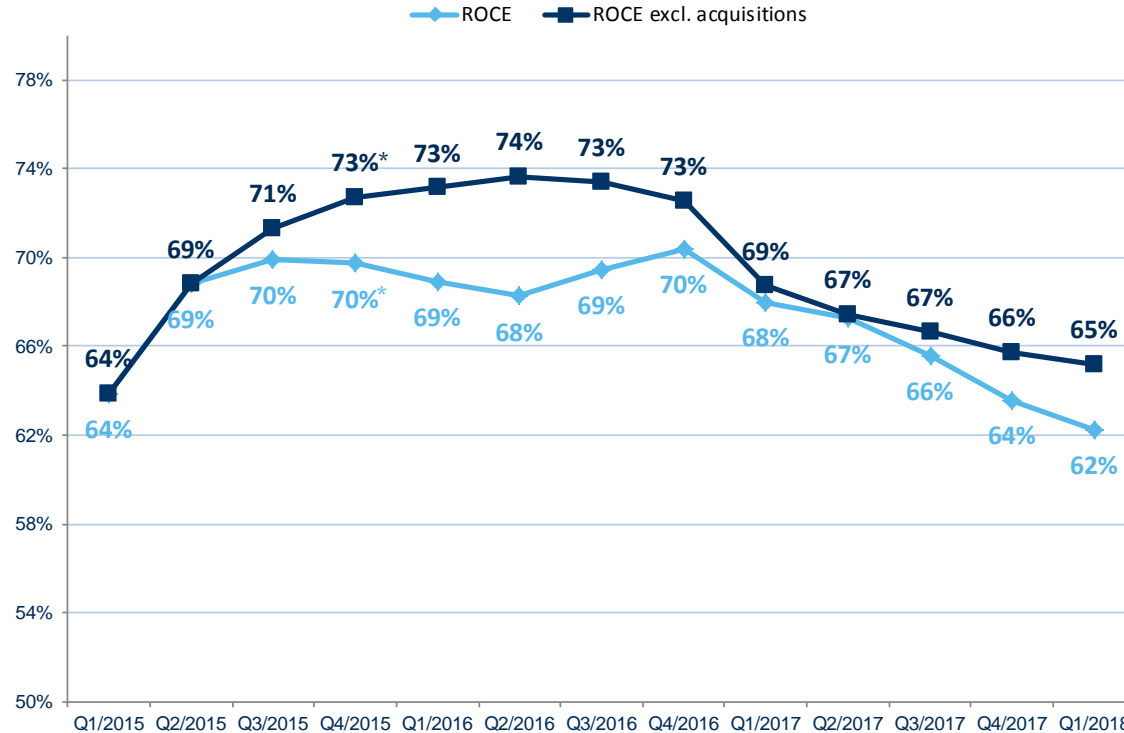
| CHF million  | Q1<br>2017  | Q1<br>2018  | Variance     |
|--|-------------|-------------|--------------|
| <b>Operational cash flow</b>   | <b>262</b>  | <b>276</b>  | <b>14</b>    |
| Changes in working capital   | (241)       | (199)       | 42           |
| Income taxes paid  | (43)        | (44)        | (1)          |
| <b>Cash flow from operating activities</b>                           | <b>(22)</b> | <b>33</b>   | <b>55</b>    |
| <b>Cash flow from investing activities</b>                           | <b>18</b>   | <b>(34)</b> | <b>(52)</b>  |
| <b>Cash flow from financing activities</b>                           | <b>(5)</b>  | <b>(11)</b> | <b>(6)</b>   |
| Exchange difference on cash and cash equivalents                     | (6)         | (7)         | (1)          |
| <b>Increase/(decrease) in cash and cash equivalents</b>              | <b>(15)</b> | <b>(19)</b> | <b>(4)</b>   |
| <b>Cash and cash equivalents at the beginning of the period, net</b> | <b>837</b>  | <b>710</b>  | <b>(127)</b> |
| <b>Cash and cash equivalents at the end of the period, net</b>       | <b>822</b>  | <b>691</b>  | <b>(131)</b> |

# Working Capital development



| CHF million  | March 31<br>2017 | March 31<br>2018 | Better/(worse)<br>2018 vs. 2017 |
|--|------------------|------------------|---------------------------------|
| Trade receivables/Contract assets/Work in progress         | 3'122            | 3'986            | (864)                           |
| Trade payables/Contract liabilities/Accrued trade expenses | (2'333)          | (3'011)          | 678                             |
| Net working capital  | 789              | 975              | (186)                           |
| KPIs:  |                  |                  |                                 |
| Working capital intensity                                  | 3.8%             | 4.2%             | (0.4%)                          |
| DSO  | 48.8             | 55.1             | (6.3)                           |
| DPO  | 59.3             | 68.0             | 8.7                             |
| Δ  | 10.5             | 12.9             | 2.4                             |

# Return on capital employed (EBIT)



\* Rolling EBIT excluding antitrust fine in Q4 2015

Calculation: last four quarters EBIT (rolling EBIT) divided by the average of the last four quarters capital employed (rolling capital employed)

# Financial targets 2018



| CHF million                    | Q1<br>2018 | Targets<br>2022 |
|--------------------------------|------------|-----------------|
| <b>GROUP</b>                   |            |                 |
| Conversion rate                | 12.8%      | 16%             |
| ROCE (excl. acquisitions)      | 65%        | 70%             |
| Effective tax rate             | 23%        | ~ 22 - 23%      |
| Working capital intensity      | 4.2%       | 3.5 - 4.5%      |
| Cash and cash equivalents, net | 691        |                 |
| Capex                          | 54         |                 |

## Assumptions:

- Stable macro-economic environment
- No acquisition impacts considered
- Impact of IFRS 16-Leases not considered – 1.1.2019



|                   | Q1<br>2018 | Market<br>2018 |
|-------------------|------------|----------------|
| <b>SEAFREIGHT</b> |            |                |
| Conversion rate   | 27.2%      |                |
| Volume growth     | 5.0%       | ~ 4 %          |



|                   |       |      |
|-------------------|-------|------|
| <b>AIRFREIGHT</b> |       |      |
| Conversion rate   | 28.6% |      |
| Volume growth     | 20.6% | ~ 5% |



|  |       |      |
|--|-------|------|
| <b>OVERLAND</b>                                  |       |      |
| Volume growth (net turnover in cc <sup>1</sup> ) | 10.9% | ~ 4% |



|  |      |      |
|--|------|------|
| <b>CONTRACT LOGISTICS</b>                        |      |      |
| Volume growth (net turnover in cc <sup>1</sup> ) | 5.6% | ~ 4% |

<sup>1</sup> in constant currency

# Leading the Transformation – focus topics 2018



..... ***Cost control*** to ascertain ***leverage*** benefits

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..... ***Digitisation*** as game changer for new solutions and productivity improvements

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..... Investing in new opportunities connected to ***value chain expansion***

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..... ***Acquisitions*** as an ***accelerator*** for our strategy implementation

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# Upcoming events 2018



|     |          |                           |
|-----|----------|---------------------------|
| AGM | 08.05.18 | Annual General Meeting    |
| Div | 15.05.18 | Dividend payment for 2017 |
| Q2  | 19.07.18 | Half-year 2018 results    |
| Q3  | 18.10.18 | Nine-months 2018 results  |
| Q4  | 27.02.19 | Full-year 2018 results    |



# Quarter over Quarter 2018/2017

| CHF million                   | 2017  | 2018  | 2017  | 2018 / 2017<br>Change in % | 2018 / 2017<br>Change in mCHF |
|-------------------------------|-------|-------|-------|----------------------------|-------------------------------|
|                               | Q4    | Q1    | Q1    | Q1                         | Q1                            |
| <b>1. Seafreight</b>          |       |       |       |                            |                               |
| <b>A) Income Statement</b>    |       |       |       |                            |                               |
| Turnover                      | 2'259 | 2'170 | 2'095 | +3.6                       | 75                            |
| Net Turnover                  | 1'714 | 1'635 | 1'546 | +5.8                       | 89                            |
| Gross Profit                  | 363   | 357   | 337   | +5.9                       | 20                            |
| Opex                          | (250) | (255) | (238) | (7.1)                      | (17)                          |
| EBITDA                        | 113   | 102   | 99    | +3.0                       | 3                             |
| Depreciation and Amortisation | (7)   | (5)   | (6)   | +16.7                      | 1                             |
| EBIT                          | 106   | 97    | 93    | +4.3                       | 4                             |
| <b>B) KPI</b>                 |       |       |       |                            |                               |
| EBIT / GP conversion rate     | 29.2% | 27.2% | 27.6% |                            |                               |
| Volume (TEUs 'ooo)            | 1'120 | 1'079 | 1'028 | +5.0                       | 51                            |
| GROSS PROFIT                  | 324   | 331   | 328   | +0.9                       | 3                             |
| EXPENSES                      | (229) | (241) | (237) | (1.7)                      | (4)                           |
| EBIT                          | 95    | 90    | 91    | (1.1)                      | (1)                           |
| <b>2. Airfreight</b>          |       |       |       |                            |                               |
| <b>A) Income Statement</b>    |       |       |       |                            |                               |
| Turnover                      | 1'379 | 1'310 | 1'063 | +23.2                      | 247                           |
| Net turnover                  | 1'197 | 1'141 | 908   | +25.7                      | 233                           |
| Gross Profit                  | 287   | 283   | 241   | +17.4                      | 42                            |
| Opex                          | (194) | (195) | (165) | (18.2)                     | (30)                          |
| EBITDA                        | 93    | 88    | 76    | +15.8                      | 12                            |
| Depreciation and Amortisation | (7)   | (7)   | (4)   | (75.0)                     | (3)                           |
| EBIT                          | 86    | 81    | 72    | +12.5                      | 9                             |
| <b>B) KPI</b>                 |       |       |       |                            |                               |
| EBIT / GP conversion rate     | 30.0% | 28.6% | 29.9% |                            |                               |
| Volume (TONs 'ooo)            | 448   | 422   | 350   | +20.6                      | 72                            |
| GROSS PROFIT                  | 64    | 67    | 69    | (2.9)                      | (2)                           |
| EXPENSES                      | (45)  | (48)  | (48)  | -                          | -                             |
| EBIT                          | 19    | 19    | 21    | (9.5)                      | (2)                           |





# Quarter over Quarter 2018/2017

| CHF million                   | 2017  | 2018  | 2017  | 2018 / 2017<br>Change in % | 2018 / 2017<br>Change in mCHF |
|-------------------------------|-------|-------|-------|----------------------------|-------------------------------|
|                               | Q4    | Q1    | Q1    | Q1                         | Q1                            |
| <b>3. Overland</b>            |       |       |       |                            |                               |
| <b>A) Income Statement</b>    |       |       |       |                            |                               |
| Turnover                      | 914   | 936   | 794   | +17.9                      | 142                           |
| Net Turnover                  | 854   | 850   | 730   | +16.4                      | 120                           |
| Gross Profit                  | 249   | 264   | 226   | +16.8                      | 38                            |
| Opex                          | (224) | (231) | (209) | (10.5)                     | (22)                          |
| EBITDA                        | 25    | 33    | 17    | +94.1                      | 16                            |
| Depreciation and Amortisation | (12)  | (9)   | (10)  | +10.0                      | 1                             |
| EBIT                          | 13    | 24    | 7     | +242.9                     | 17                            |
| <b>B) KPI</b>                 |       |       |       |                            |                               |
| EBITDA / Net turnover         | 2.9%  | 3.9%  | 2.3%  |                            |                               |
| EBIT / GP conversion rate     | 5.2%  | 9.1%  | 3.1%  |                            |                               |
| EBIT / Net turnover           | 1.5%  | 2.8%  | 1.0%  |                            |                               |
| <b>4. Contract Logistics</b>  |       |       |       |                            |                               |
| <b>A) Income Statement</b>    |       |       |       |                            |                               |
| Turnover                      | 1'460 | 1'379 | 1'233 | +11.8                      | 146                           |
| Net turnover                  | 1'304 | 1'236 | 1'115 | +10.9                      | 121                           |
| Gross Profit                  | 988   | 939   | 844   | +11.3                      | 95                            |
| Opex                          | (909) | (873) | (779) | (12.1)                     | (94)                          |
| EBITDA                        | 79    | 66    | 65    | +1.5                       | 1                             |
| Depreciation and Amortisation | (32)  | (32)  | (28)  | (14.3)                     | (4)                           |
| EBIT                          | 47    | 34    | 37    | (8.1)                      | (3)                           |
| <b>B) KPI</b>                 |       |       |       |                            |                               |
| EBITDA / Net turnover         | 6.1%  | 5.3%  | 5.8%  |                            |                               |
| EBIT / GP conversion rate     | 4.8%  | 3.6%  | 4.4%  |                            |                               |
| EBIT / Net turnover           | 3.6%  | 2.8%  | 3.3%  |                            |                               |



# Quarter over Quarter 2018/2017

| CHF million                                | 2017    | 2018    | 2017    | 2018 / 2017<br>Change in %<br>Q1 | 2018 / 2017<br>Change in mCHF<br>Q1 |
|--|---------|---------|---------|----------------------------------|-------------------------------------|
| Q4   | Q1      | Q1      |         |                                  |                                     |
| <b>5. Kuehne + Nagel Group</b>             |         |         |         |                                  |                                     |
| <b>A) Income Statement</b>                 |         |         |         |                                  |                                     |
| Turnover                                   | 6'012   | 5'795   | 5'185   | +11.8                            | 610                                 |
| Customs duties and taxes                   | (943)   | (933)   | (886)   | (5.3)                            | (47)                                |
| Net Turnover                               | 5'069   | 4'862   | 4'299   | +13.1                            | 563                                 |
| Net expenses for services from 3rd parties | (3'182) | (3'019) | (2'651) | (13.9)                           | (368)                               |
| Gross Profit                               | 1'887   | 1'843   | 1'648   | +11.8                            | 195                                 |
| Opex                                       | (1'577) | (1'554) | (1'391) | (11.7)                           | (163)                               |
| EBITDA                                     | 310     | 289     | 257     | +12.5                            | 32                                  |
| Depreciation and Amortisation              | (58)    | (53)    | (48)    | (10.4)                           | (5)                                 |
| EBIT                                       | 252     | 236     | 209     | +12.9                            | 27                                  |
| Result from finance and associates         | 2       | 3       | 5       | (40.0)                           | (2)                                 |
| EBT  | 254     | 239     | 214     | +11.7                            | 25                                  |
| Income tax                                 | (54)    | (55)    | (49)    | (12.2)                           | (6)                                 |
| Earnings for the period                    | 200     | 184     | 165     | +11.5                            | 19                                  |
| Non-controlling interests                  | (1)     | (1)     | (1)     | -                                | -                                   |
| Net Earnings                               | 199     | 183     | 164     | +11.6                            | 19                                  |
| <b>B) KPIs</b>                             |         |         |         |                                  |                                     |
| EBIT / GP conversion rate                  | 13.4%   | 12.8%   | 12.7%   |                                  |                                     |
| GP / Net turnover                          | 37.2%   | 37.9%   | 38.3%   |                                  |                                     |
| EBITDA / Net turnover                      | 6.1%    | 5.9%    | 6.0%    |                                  |                                     |
| EBIT / Net turnover                        | 5.0%    | 4.9%    | 4.9%    |                                  |                                     |
| EBT / Net turnover                         | 5.0%    | 4.9%    | 5.0%    |                                  |                                     |
| Earnings for the period / Net turnover     | 3.9%    | 3.8%    | 3.8%    |                                  |                                     |



**Kuehne + Nagel International AG**

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