



## Group financial results Q1 2014

*Analysts' conference call, 8<sup>th</sup> May*



# AGENDA

- I. BUSINESS HIGHLIGHTS
- II. GROUP FINANCIAL RESULTS
- III. OUTLOOK
- IV. MID-TERM GUIDANCE



Q1  
2014

# Group Highlights in Q1 2014: Strong Start into the Year



All-time high order intake of € 88.4 m, + 7.1 % yoy

Particularly strong demand in the Americas and Asia/Pacific

Biggest LED-order on the market won by R. STAHL

Creating a Malaysian hub for Asia: Move of Malaysian subsidiary in January



## Financial Overview – All-time High Order Intake

in million €	Q1 2014	Q1 2013	Δ in %
Sales	67.6	72.1	(6.2) %
Order Intake	88.4	82.6	+7.1 %
EBIT	1.8	5.6	(67.5) %

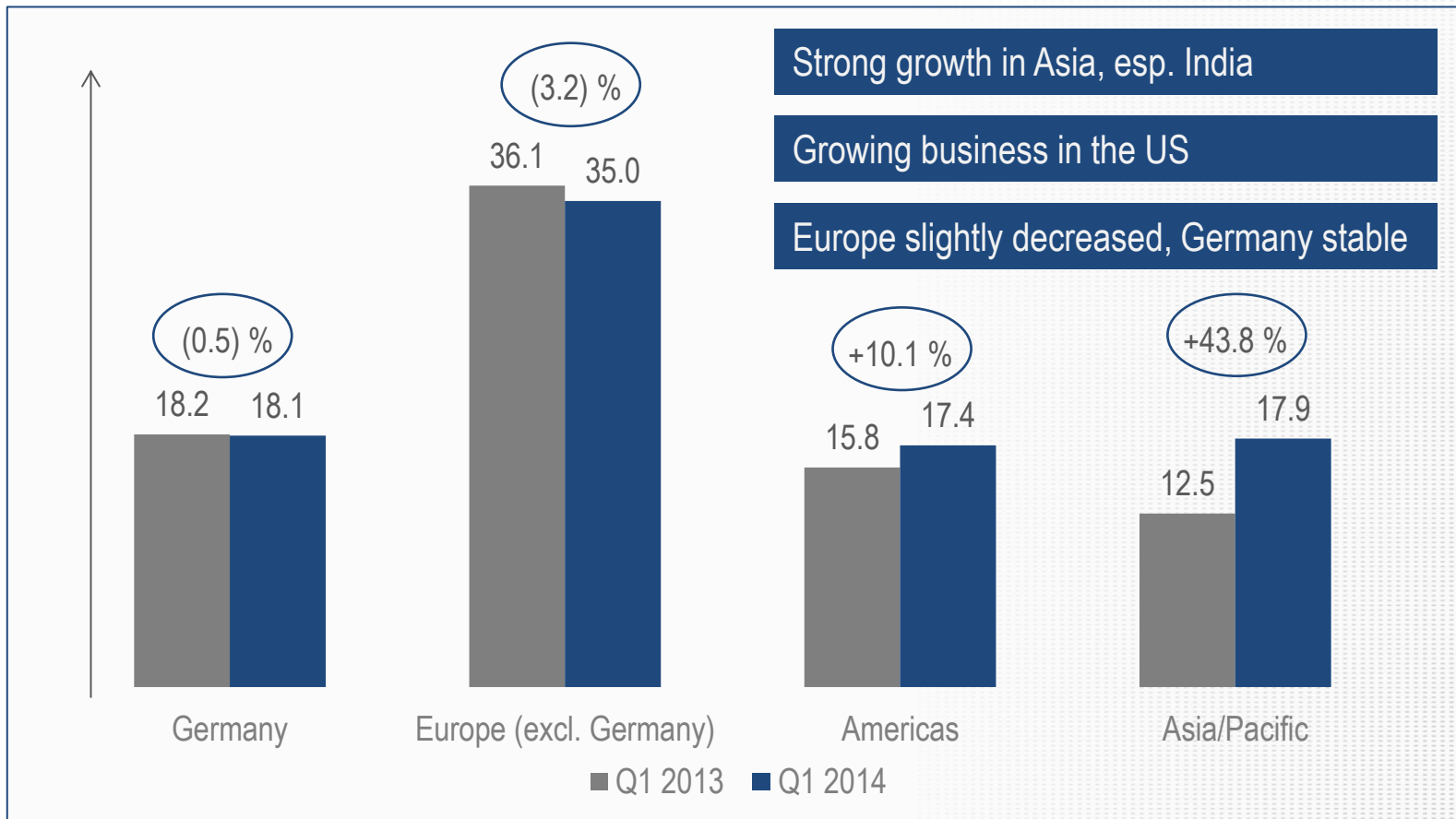
### ALL-TIME HIGH ORDER INTAKE, SLOWER SALES DEVELOPMENT DUE TO POSTPONEMENTS

- ➔ All-time high order intake with particularly strong demand from oil and gas industry and customers in Asia/Pacific and the Americas
- ➔ Sales development primarily reflects slower order intake of major projects in H2 2013 as well as postponements in deliveries upon customer request
- ➔ EBIT development reflects strategic investments into growth initiatives



# All-time High Order Intake

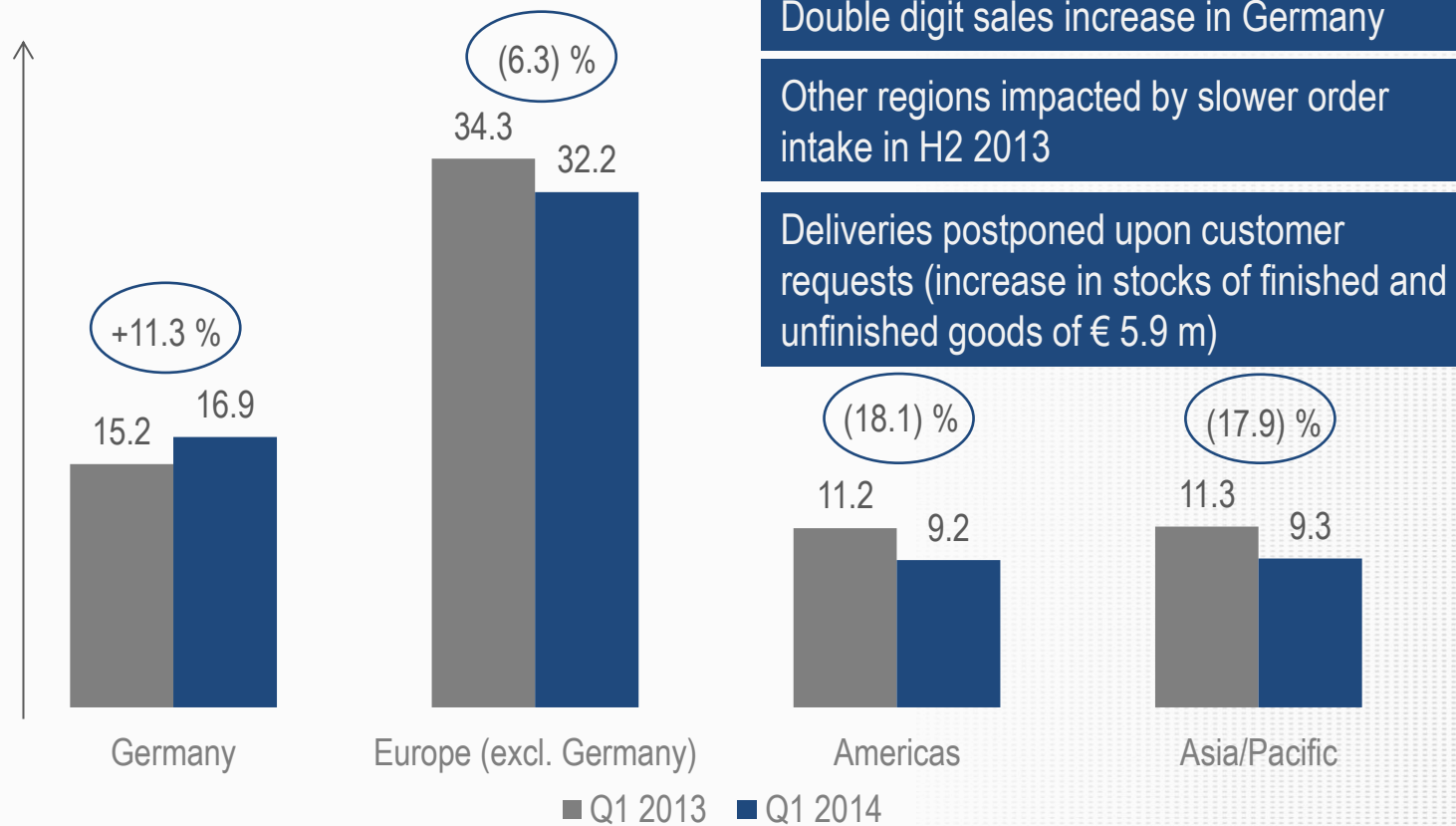
**ORDER INTAKE BY REGION Jan. – Mar.**  
(in million €)





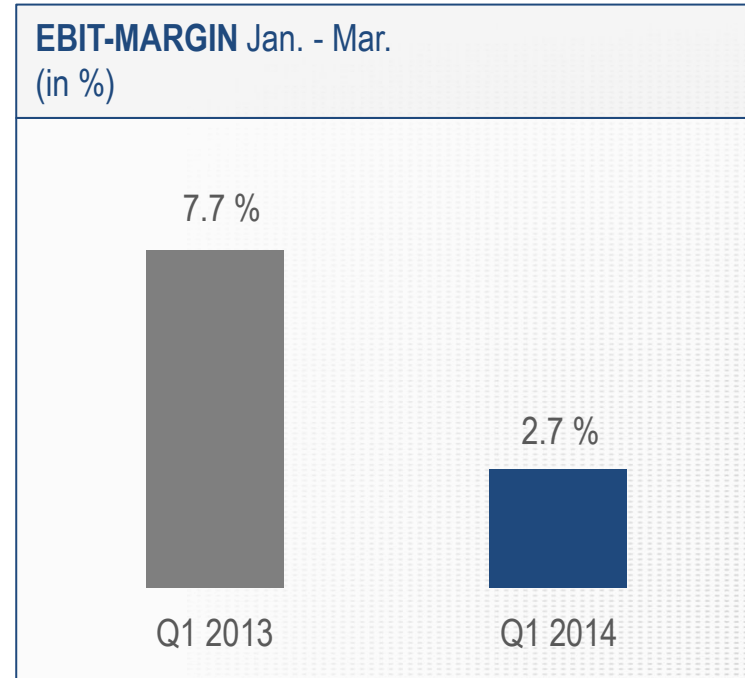
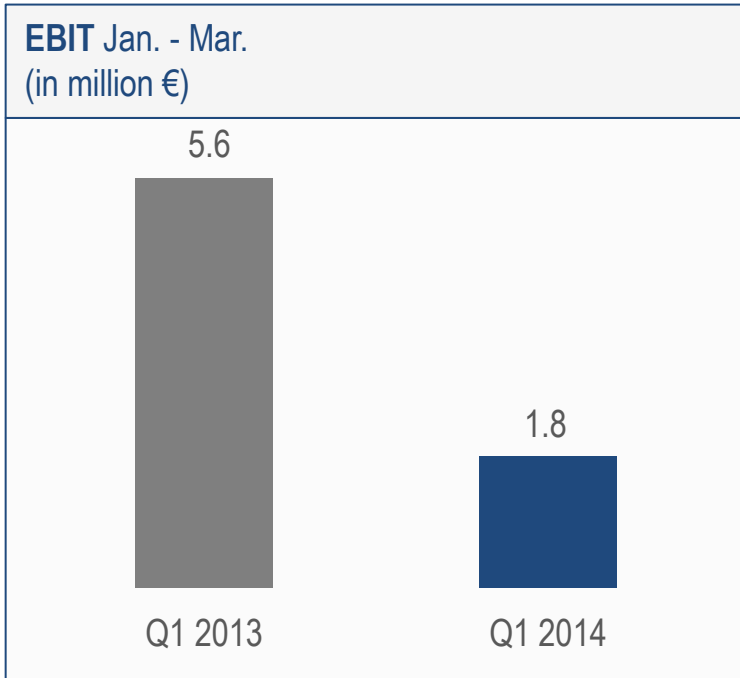
# Sales Reflect Slower Dynamics in H2 2013

**SALES BY REGION Jan. – Mar.**  
(in million €)





# EBIT Impacted by Strategic Investments in Growth Initiatives



**INCREASED COST BASE DUE TO INTERNATIONAL EXPANSION PROGRAM**

- ➔ Site expansions through additional rentals in Houston, Oslo and Waldenburg
- ➔ Additional staff hired to process booming order intake in growing subsidiaries
- ➔ Profitability will rise with increasing capacity utilization and additional sales growth

# Cash Flow Impacted by Earnings, Investments and Redemption



## Cash Flow

in million €	Q1 2014	Q1 2013
<b>CASH FLOW FROM ONGOING BUSINESS OPERATION</b>	(1.9)	1.2
<b>CAPEX</b>	(4.4)	(4.0)
<b>FREE CASH FLOW</b>	(6.2)	(2.8)
<b>FINANCE CASH FLOW</b>	(2.0)	5.5
<b>FINANCIAL FUNDS AT THE END OF THE PERIOD</b>	16.9	20.3

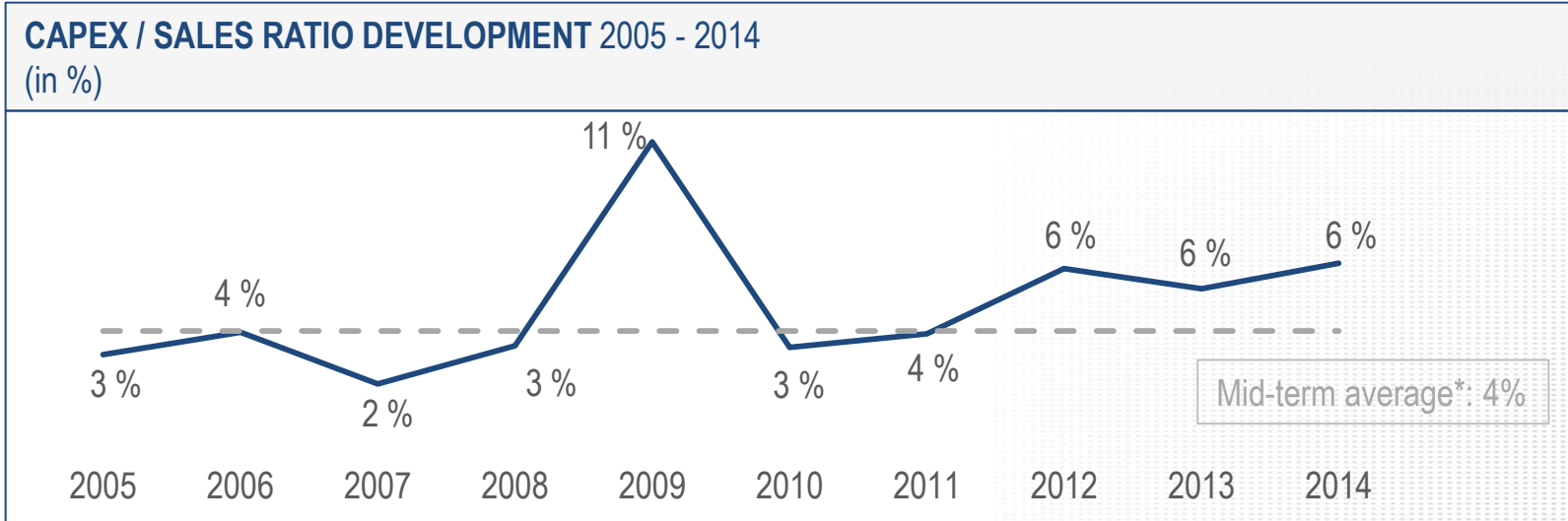
## MAIN FACTORS IMPACTING FINANCIAL FUNDS

- ➔ Lower Q1 2014 earnings
- ➔ Continued investment projects
- ➔ Decrease in short-term, interest-bearing financial debt (€ 1.8 m)





# Investment in Future Growth and Technological Leadership



\* Adjusted by effects from financial crisis in 2009

## INCREASED CAPEX / SALES RATIO

- ➔ Investments in Q1 2014:
- Expansion of production site in Malaysia
  - Purchase of high quality machinery and state-of-the-art technical equipment (e.g. in India, Norway and the Netherlands)



# Focus: Expansion of Production Sites

## EXTENDING THE MALAYSIAN PLANT TO CREATE A HUB FOR SOUTH-EAST ASIA

- ➔ Setting up the Malaysian subsidiary to become the operating hub for whole South-East Asia
- ➔ Moved to 2,200 square meters building in January 2014
- ➔ Production space doubled to 1,100 square meters
- ➔ Combining German best practices with Asian methodologies to leverage further growth





# Expectations for 2014 - Sales

## SALES

### ➔ HIGH ORDER INTAKE IN 2014 TO DRIVE SALES

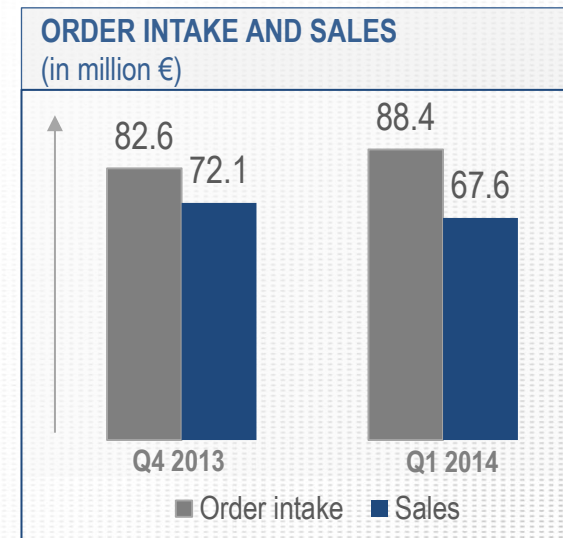
- Strong start in Q1 2014 with favorable dynamics and clients showing increased willingness to invest
- Sales to follow record order intake

### ➔ STRONG GROWTH IN THE AMERICAS AND ASIA/PACIFIC

- Strong demand by the oil and gas industry, favorable dynamics also in other key segments such as the chemical industry
- Increase in demand for specialist ships for the offshore industry

### ➔ POSTPONED PROJECT BUSINESS 2013 TO SHOW EFFECTS IN 2014

- Major projects have been awarded later than planned leading to a postponement in sales



**EXPECTED SALES: € 315 M - € 325 M**



# Expectations for 2014 – Order Intake

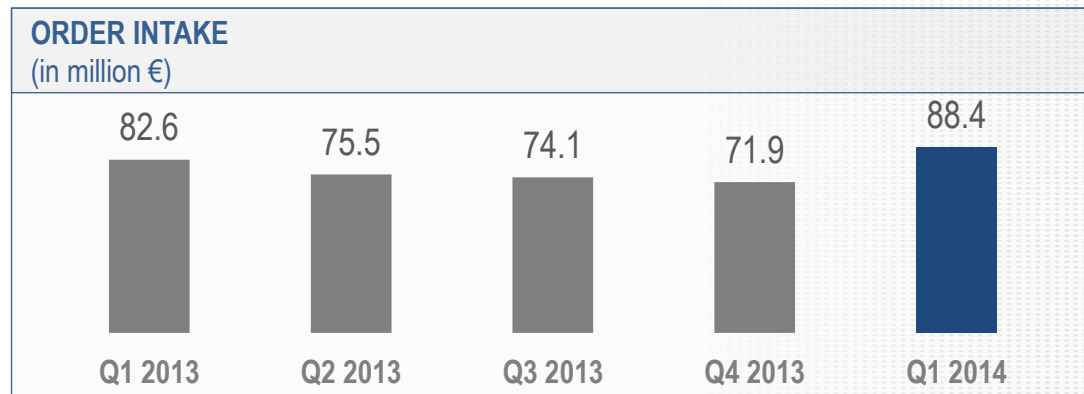
## ORDER INTAKE

### ➔ ALL-TIME HIGH ORDER INTAKE IN Q1 2014

- Strong order intake underpins growth path and proves the successful investment program

### ➔ FULL ORDER PIPELINE FOR 2014 BASED ON STRONG DEMAND

- Strong demand across all markets, especially in the Americas and Asia/Pacific
- Need for innovative and high quality solutions in explosion protection (LED-technology and automation)



**EXPECTED ORDER INTAKE: € 325 M - € 335 M**



# Expectations for 2014 – Profitability and Cash Flow

## PROFITABILITY

### ➔ INCREASED CAPACITY UTILIZATION

- Higher volumes at expanded sites leading to a lower cost ratio

### ➔ ONGOING EFFICIENCY IMPROVEMENTS AND PROCESS OPTIMIZATIONS

## CASH FLOW

### ➔ CASH FLOW 2014 TO BE IMPACTED BY INVESTMENT INTO GROWTH INITIATIVES

- New production and development center in Cologne to be constructed
- Purchase of new machinery and state-of-the-art equipment for expanded sites



**EXPECTED EBIT: € 24 M - € 26 M**

# Mid-term Expectations – Strong Business Platform



## INVESTMENTS FOR FUTURE GROWTH



### Market Leadership in Systems Business

- No. 1 supplier of systems solutions worldwide through business expansion
- Increased resilience due to different cyclicity compared to standard product business



### New Subsidiaries Integrated

- Strong presence in the oil & gas markets (Canada, Brazil, Russia, Malaysia and Australia)
- Investments in integration and infrastructure



### Significant Capacity Expansion in Growth Markets

- 3 additional production sites built up in the US, India and Malaysia
- Investments in buildings, state-of-the-art machinery, skilled staff and quality standards



### Innovation Based on Expanded R&D

- Expansion of R&D centers in Waldenburg and Weimar, new R&D center in India
- Development of future-oriented products, e.g. LED-technology and automation

**R. STAHL WILL CAPITALIZE ON MARKET OPPORTUNITIES BASED ON ITS UNIQUE AND POWERFUL PLATFORM**



## Mid-term Expectations – Growth Drivers

### ➔ FOCUS ON DYNAMIC CUSTOMER INDUSTRIES, PARTICULARLY OIL & GAS

- Strong order pipeline in the oil & gas markets
- High demand for specialist ships (Floating Production Storage and Offloading Units)
- Increasing demand for explosion protection in fracking projects

### ➔ STRONG PRESENCE IN REGIONAL GROWTH MARKETS

- Strong demand in the US
- High potential in Asia, esp. India and Malaysia/Singapore
- Several liquefied gas projects off the North West Australian coast
- Tapping new markets (e.g. Kazakhstan)
- Optimized structures and strong processes in place for international project business
- R&D platforms in Germany, the US and India, strong R&D workforce with specific market know-how

### ➔ SHIFT IN CERTIFICATION STANDARDS AND SAFETY REGULATION

- Increased trend towards IECEx standards with additional markets opening up for IECEx
- Standardized explosion protection (e.g. Gulf of Mexico)
- New regulations regarding the de-icing on offshore ships



# Mid-term Expectations – Profitability Drivers

## ➔ PROCESS OPTIMIZATIONS

- Shorter order to cash time by decreasing lead times
- Interfaces between sales and engineering softened

## ➔ COST-OPTIMIZED PRODUCT DESIGN

- Introduction of a modular conception in systems business
- Sourcing in India

## ➔ FIX COST DEGRESSION

- Cost efficiency as capacity utilization increases

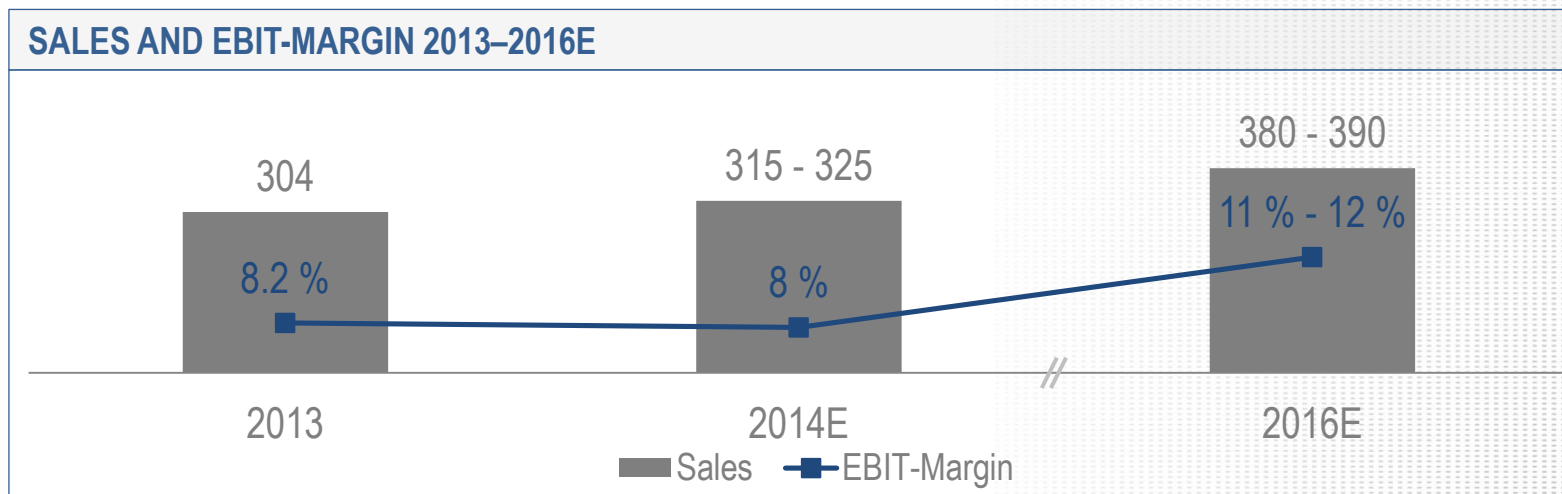






## Mid-term Expectations – Sales and Profitability Increase

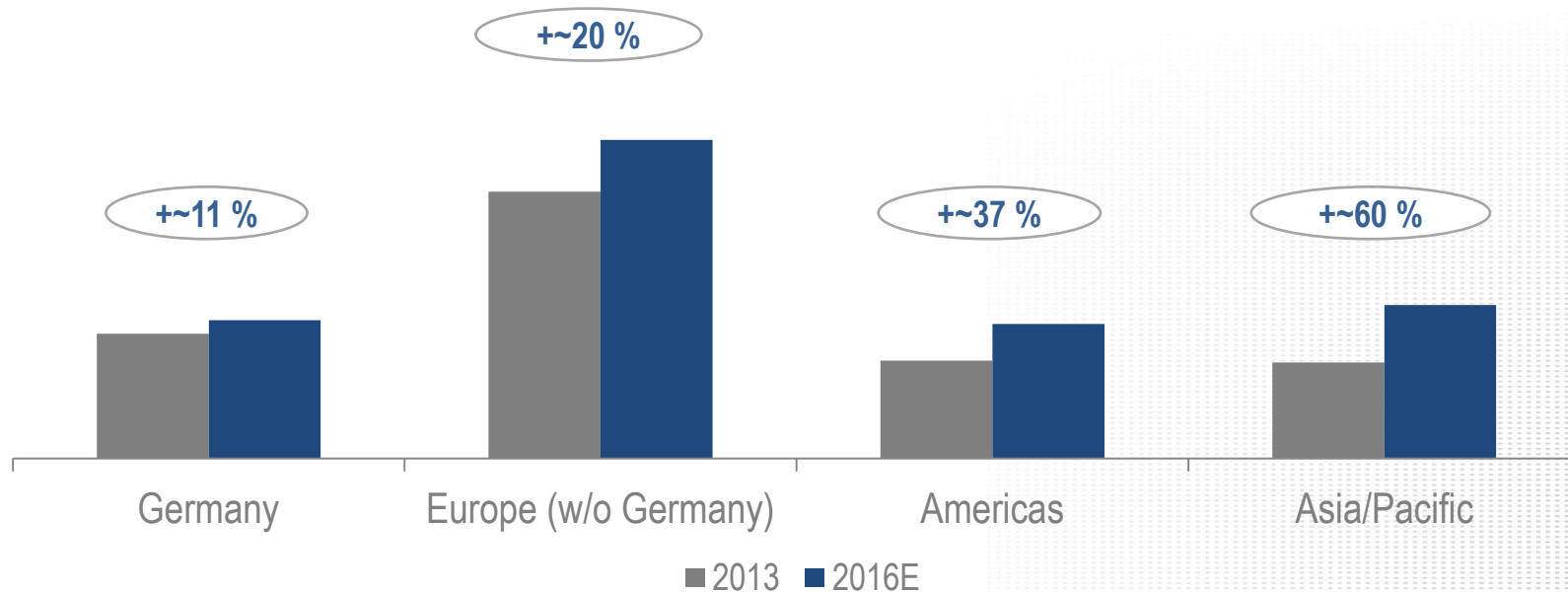
- Sales growth with strong profitability improvements based on increased capacities, efficiency and focusing measures → investment volume of more than € 70 m between 2012 and 2014
- Asia/Pacific and America as main growth drivers
- Significant growth as a result of product innovations
- Operating improvements and margin increase driven by an optimized price strategy and cost reduction (sourcing in India) as well as rising utilization of extended capacities





# Mid-term Expectations – Growth by Region

in million €



**Germany:**  
**Sales +~11 %**  
 broad installed base

**Europe (w/o Germany):**  
**Sales +~20 %**  
 strong demand in Northern Europe (esp. Norway and UK)

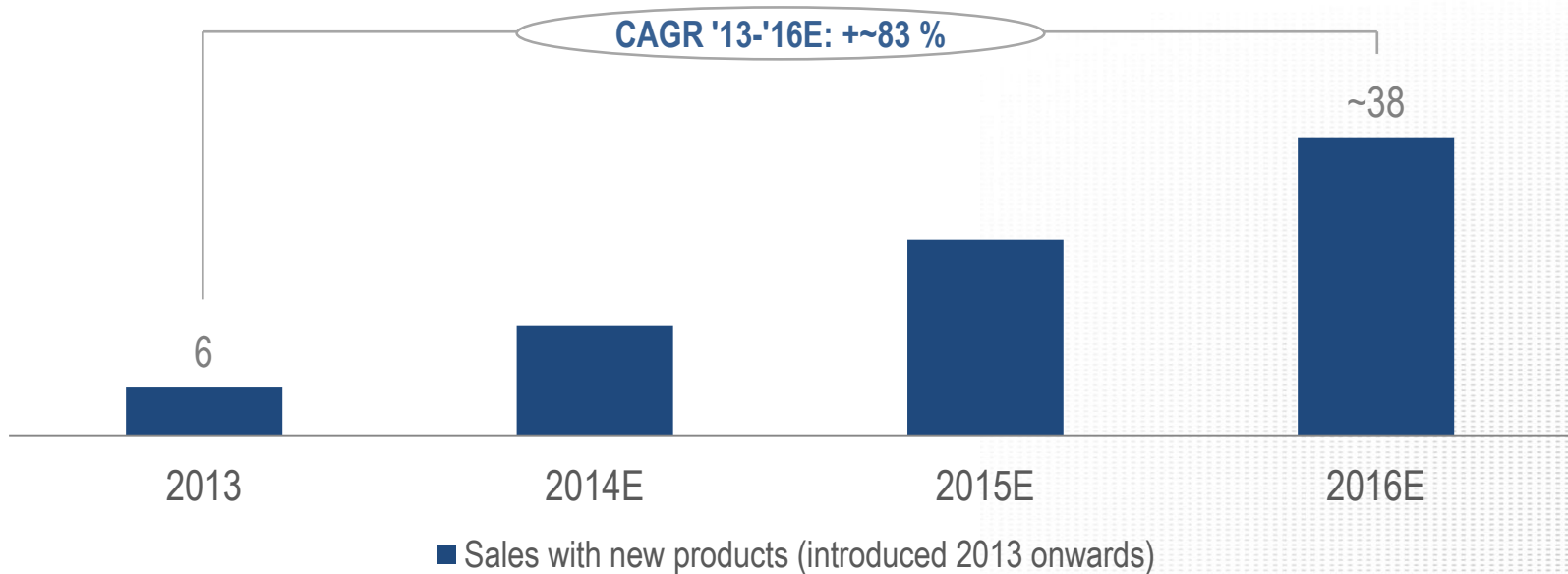
**Americas:**  
**Sales +~37 %**  
 improved sales and marketing structure and significant investments in the US

**Asia/Pacific:**  
**Sales +~60 %**  
 extension of capacities in India; strong growth in all relevant regions



# Mid-term Expectations – New Products as Growth Drivers

in million €



- Innovative and future-proof product developments in LED-technology
- Future-oriented interface technology with Ethernet suitable for Cyber Physical Systems (Industry 4.0)
- Cutting edge camera and surveillance systems
- Expansion of systems business by dedicated development of system components
- Cost-oriented product development based on a modular system



# Mid-term Expectations – Key Figures



## Key figures

in million €	2013	2014E	2016E
<b>SALES</b>	304	315 - 325	380 - 390
GROWTH %	4.6 %	3.5 % - 6.8 %	7.7 % - 8.6 %*
<b>EBITDA-MARGIN %</b>	12.1 %	12 %	15 % - 16 %
<b>EBIT-MARGIN %</b>	8.2 %	8 %	11 % - 12 %

\* CAGR 2013-2016E



# Mid-term Expectations – Cash Flow



## Cash Flow

in million €	2013	2014E (approximated values)	2016E
<b>GROSS CASH FLOW</b>	33	30	40 - 45
<b>OPERATING CASH FLOW</b>	27	26	35 - 40
<b>CAPEX</b>	(24)	(25)	(14)
<b>FREE CASH FLOW</b>	3	2	22 - 26

- ➔ Significant improvement of free cash flow based on sales growth, profitability increase and lower capex requirements
- ➔ Additional optimization measures regarding working capital management



# R. STAHL Fully Aligned Towards Profitable Growth

- 1. INNOVATION AND TECHNOLOGY**
  - Strong R&D capabilities
  - Promising product pipeline of innovative solutions
- 2. MARKET LEADERSHIP**
  - Nr. 1 in systems business
  - Nr. 2 in explosion protection
- 3. INTERNATIONAL FOOTPRINT IN ALL GROWTH MARKETS**
  - Strong R&D and high quality production capacities
  - Broad regional presence to ensure customer proximity
- 4. EFFICIENT BUSINESS PLATFORM – ONGOING PROCESS OPTIMIZATION**
  - Lean and efficient sales and service functions
  - Ongoing efficiency improvements and processes optimizations



## Questions and Answers





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