Kendrion N.V. – Q4 & FY 2018 results

Amsterdam, 19 February 2019

Agenda

- Q4 and FY 2018 results
- Strategic and operational update
- Outlook
- Q&A

Cautionary Note Regarding Forward Looking Statements

Certain statements contained in this presentation constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the Company's share of new and existing markets, general industry and macro-economic trends and the Company's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside the Company's control that could cause actual results to differ materially from such statements.

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Q4 2018 – group financial highlights

(x EUR 1 million unless otherwise stated)	Q4 2018*	Q4 2017*	
Revenue	101.9	109.5	-7%
EBITDA	9.9	11.8	-16%
EBITA	4.2	6.1	-31%
Net profit	2.2	3.7	-41%
ROS	4.2%	5.6%	

** normalised for EUR 2.3m non recurring costs (2017: EUR 1.4m) and EUR 2.3m expenses related to tax audits*

- Q4 revenue impacted by weak market circumstances in Automotive
- 3% reduction in costs and 1% higher added value margin
- Simplification measures announced earlier in Passenger Cars fully implemented in the fourth quarter
- One-off costs of EUR 2.3 million in the fourth quarter, with EUR 1.2 million annualised savings
- Reported net profit includes a non-recurring expense related to tax audits of EUR 2.3 million

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FY 2018 – group financial highlights

(x EUR 1 million unless otherwise stated)	FY 2018*	FY 2017*	
Revenue	448.6	461.8	-3%
EBITDA	58.5	60.0	-3%
EBITA	35.4	37.5	-6%
Net profit	22.6	23.3	-3%
ROS	7.9%	8.1%	

** normalised for EUR 8.8m non recurring costs (2017: EUR 5.1m) and EUR 2.3m expenses related to tax audits*

- Revenue decrease of 3%; 2% at constant rates of exchange
- 3% reduction in total cost
- Annualised additional savings from simplification measures of EUR 6.4 million (EUR 8.8 million non-recurring costs)
- Normalised free cashflow before acquisitions of EUR 10.5 million (2017: EUR 16.4 million)
- EUR 30.7 million investments (depreciation: EUR 23.1 million)
- Solvency of 48.5% (2017: 49.8%)
- More than EUR 12 million capital returned to shareholders

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Automotive

- Further deteriorating market circumstances for Passenger Cars, especially in Europe and China
- Commercial Vehicles impacted by lower revenues from Asian customers and the closure of the Mexican plant; agricultural activities in Czech Republic ongoing strong
- Fourth quarter revenue decreased 10% to EUR 64.0 million
- Revenue FY 2018 decreased by 5% to EUR 283.9 million
- Return on Sales in FY 2018 of 5.2% (2017: 7.0%), with lower cost levels not offsetting reduced revenues
- Simplification measures announced earlier in Passenger Cars fully implemented in Q4
- Capital investments in new production lines for transmission systems in China and Romania, active damping in Austria, Czech Republic and Romania, and engine management in Germany

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Industrial

- In Q4 slight reduction in revenue to EUR 38.2 million due to a weak December
- Strong increase in Q4 profitability driven by lower costs and a higher added value margin
- FY 2018 revenue increase of 1%; 2% at constant rates of exchange
- Industrial had the strongest year on record with a Return on Sales of 12.5% (2017: 10.5%)
- Reduced revenues at Industrial Magnetic Systems as a result of low order intake from a major customer
- Good growth in Industrial Control Systems with strong demand in medical and machine automation
- Stable revenues and a step-up in profitability for Industrial Drive Systems; ongoing growth in electromagnetic brake segment
- Capital investments focused on production lines for permanent magnet brakes in China and valves for medical and machine automation applications in Romania

Dividend and cash return

	2015 Actual	2016 Actual	2017 Actual	2018 Proposed
Dividend per share	0.78	0.78	0.87	0.87
Dividend yield*	3.2%	2.9%	2.2%	4.2%
Pay out %	61%	53%	50%	52%
Total dividend (x million EUR)	10.2	10.3	11.7	11.7

- Kendrion endeavours to realise an attractive return for shareholders
- Kendrion strives to distribute an annual dividend between 35% and 50% of annual profit
- A proposal will be submitted to the shareholders for the payment of an optional dividend of 52% of the normalised net profit of 2018
- The proposed dividend is equivalent to an amount of EUR 0.87 per share, equal to 2017
- In 2017 and 2018 Kendrion launched share buyback programmes to neutralise the dilutive effect of the stock portion of the optional dividend

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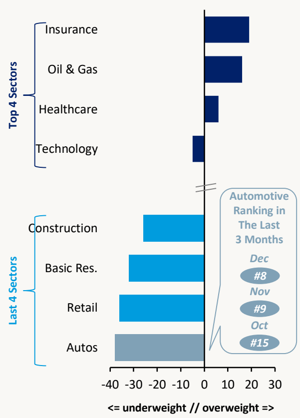
Auto Investor Sentiment Remains Muted

Bank of America Merrill Lynch

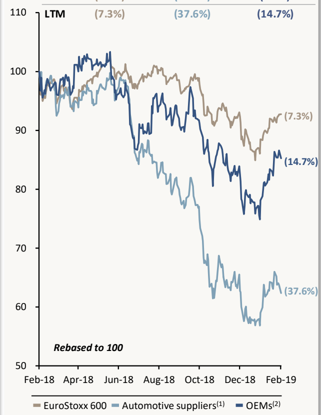
AUTOMOTIVE LEAST FAVORITE INVESTOR SECTOR

BofAML European Fund Manager Survey – 2019



AUTO SUPPLIERS UNDERPERFORM THE MARKET

	Eurostoxx	Auto Suppliers	OEMs
L3M	(1.0%)	(7.1%)	(2.4%)
L6M	(7.5%)	(24.3%)	(9.3%)
LTM	(7.3%)	(37.6%)	(14.7%)



KEY INVESTOR PRESSURE POINTS

- Greater Rotation Into OEMs
- Muted Earnings Momentum
- Slowdown in China Volumes
- WLTP Impact in Europe
- Elevated Investment Requirements

Source: FactSet as of February 2019, BofAML January 2019 European Fund Manager Survey.
(1) Automotive supplier companies include Autoliv, Borgwarner, Brembo, Continental, Elringklinger, Faurecia, Gestamp, Hella, Leoni, Norma Group, Plastic Omnium, Rheinmetall, Schaeffler, SHW, Sogefi, Stabilus and Valeo.
(2) OEMs companies include Daimler, BMW, Volkswagen, Renault, Peugeot SA.

Growing Divergence Between Buy- and Sellside Perception

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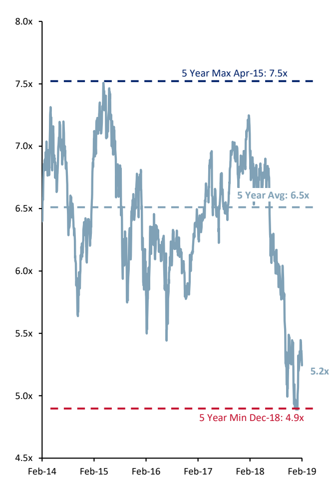
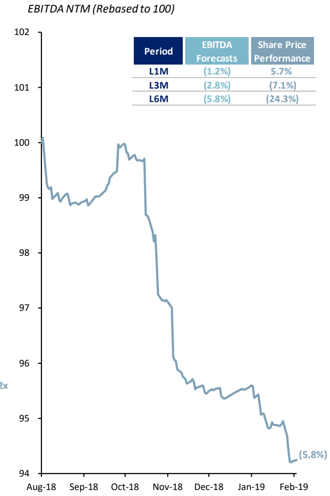
Auto Suppliers Trading Close to 5-Year-Low

EV / EBITDA NTM



Earnings Weakness Not Fully Reflected

EBITDA NTM (Rebased to 100)



Period	EBITDA Forecasts	Share Price Performance
L1M	(1.2%)	5.7%
L3M	(2.8%)	(7.1%)
L6M	(5.8%)	(24.3%)

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Automotive suppliers(1)

Source: FactSet as of February 2019.
(1) Automotive suppliers include Autoliv, Borgwarner, Brembo, Continental, Elringklinger, Faurecia, Gestamp, Hella, Leoni, Norma, Plastic Omnium, Rheinmetall, Schaeffler, SHW, Sogefi, Stabilus and Valeo.

Technology Disruption Amplifying Current Uncertainty

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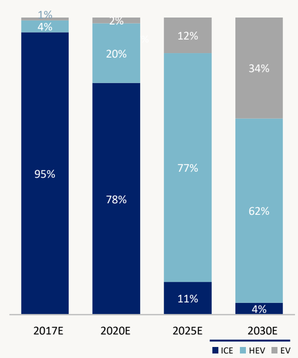
POWERTRAIN ELECTRIFICATION THEME

Electrified powertrain solutions are expected to account for almost 90% of sales by 2025

Powertrain Electrification Penetration[1]

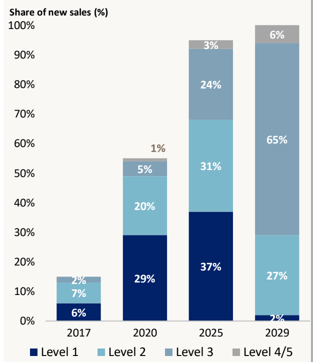


Source: BAML "Global Electric Vehicle Primer: Fully charged by 2050" dated October '17
Note: Hybrid Electric Vehicles includes Plug-in HEVs and Mild-Hybrids.

AUTONOMOUS DRIVING THEME

More than 70% of new vehicles sold are expected to be autonomous driving L3 or higher by 2029

Autonomous Driving Commercialisation Timeline[2]



Source: Morgan Stanley research, "Autos & Shared Mobility", Apr '17.

(1) Very Strict CO2 emission reduction to 10 g/km in 2050, representing the global warming goal of a maximum increase of 2 degrees Celsius transferred to the transportation industry.
(2) Level 1: The driver is in control of the vehicle at all times; Level 2: Partial automation using ADAS, driver responsible for monitoring driving; Level 3: Auto-pilot "eyes off" driving; Level 4: Fully automated "brain off" driving; Level 5: Autonomous driving, no need for human presence.
(3) Including taxis, excluding car rental.

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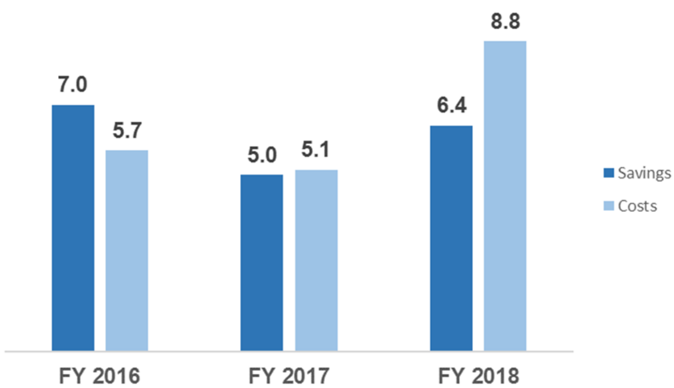
Simplify – EUR 18.4 million savings at EUR 19.6 million one-off costs



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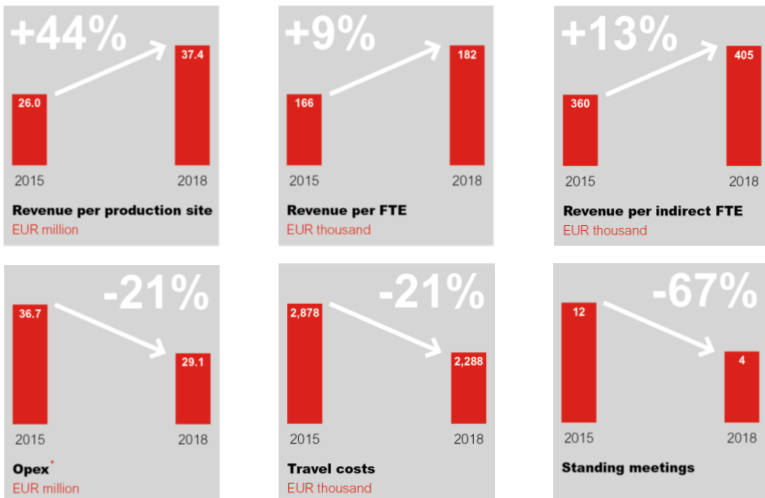
Simplify – improved efficiency



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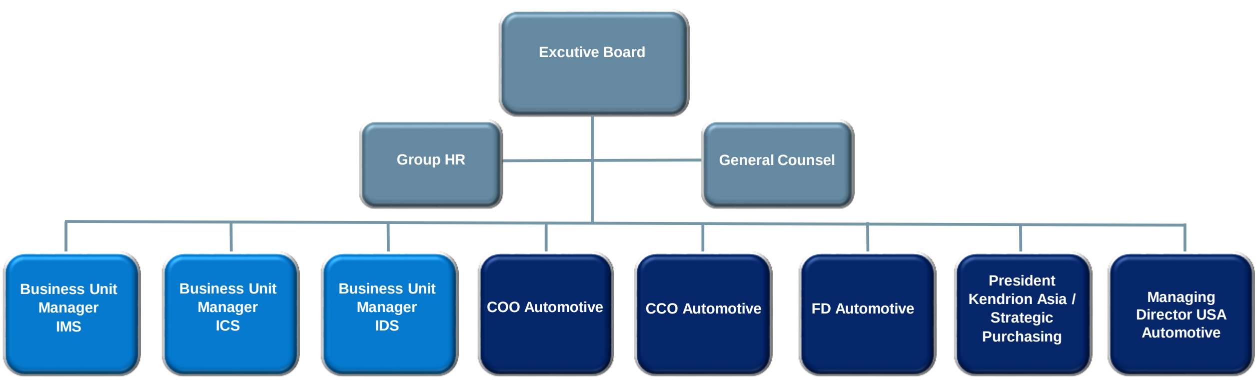
Kendrion Management Team as per 1 January 2019



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Focus

Passenger Cars

- New business in fuel systems, engine management, transmission systems and active damping
- New functional Automotive organisation to increase commercial visibility and to further optimise our production facilities

Robotics

- Strong growth in electromagnetic brakes
- Phase one of production capacity expansion in Suzhou completed, phase 2 started
- R&D activities center around brake technology for collaborative robots

China

- Larger manufacturing facility in Suzhou in anticipation of strong growth
- New production line for park lock ramping on plan
- Significant nominations received with excellent commercial momentum

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Grow

- Long-term growth opportunities for both our Automotive and Industrial activities intact
- Kendrion has robustly optimised its organisation, is financially healthy and relentlessly focused on important organic growth opportunities, despite short term headwinds
- Healthy level of nominations in 2018 in the Automotive group, significantly higher than current annual revenue

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Corporate Social Responsibility: target framework 2019 - 2023

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Outlook

- The overall sentiment regarding the global economic outlook deteriorated considerably in the final months of 2018
- Kendrion expects continued pressure for its Automotive activities and expects the weaker demand in these markets seen during the latter half of 2018 to continue
- The long-term outlook is unchanged and remains good for both the Automotive group and the Industrial activities

Long-term targets 2023

- ROI* 2023: > 20.0%
- EBITDA 2023: > 15%
- Dividend policy: 35 – 50% of net profit (unchanged)

* Before potential acquisitions

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Q & A

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