



# Trelleborg interim report

**January - March 2018**

Peter Nilsson, President & CEO

Ulf Berghult, CFO



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# Good earnings improvement

## Q1 2018 financial summary

- Sales at SEK 8 577 M, increase of 3 percent
- Organic sales up 4 percent. Excluding project deliveries, the organic sales increase was 5 percent
- EBIT<sup>1</sup> up 12 percent, corresponding to a margin of 15.1 percent
- Items affecting comparability at SEK -18 M
- Operating cash flow at SEK 406 M, decrease of 3 percent
- R12M cash conversion at 87 percent



# Organic sales development by geography

Organic sales excl. project-related business<sup>1</sup>

| Total Group |            |
|-------------|------------|
| Jan-Mar 18  | Jan-Mar 17 |
| 5%          | 8%         |

| North America |            |            |
|---------------|------------|------------|
| Share         | Jan-Mar 18 | Jan-Mar 17 |
| 22%           | 6%         | 5%         |

| Western Europe |            |            |
|----------------|------------|------------|
| Share          | Jan-Mar 18 | Jan-Mar 17 |
| 47%            | 6%         | 5%         |

| Other Europe |            |            |
|--------------|------------|------------|
| Share        | Jan-Mar 18 | Jan-Mar 17 |
| 11%          | -5%        | 14%        |

| South and Other America |            |            |
|-------------------------|------------|------------|
| Share                   | Jan-Mar 18 | Jan-Mar 17 |
| 4%                      | 8%         | 16%        |

| Asia & Other markets |            |            |
|----------------------|------------|------------|
| Share                | Jan-Mar 18 | Jan-Mar 17 |
| 16%                  | 9%         | 16%        |

Share = Actual 2017<sup>2</sup>

<sup>1</sup>Project deliveries refer to the whole of Trelleborg Offshore & Construction and minor parts of Trelleborg Industrial Solutions' operations

<sup>2</sup>Share represents sales including project-related business



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# Better productivity fuels results and margins

## Trelleborg Coated Systems<sup>1</sup>

- Organic sales: -4%
- Coated fabrics; stronger in North America, weaker in Europe & Asia
- Printing blankets; lower sales in most regions
- Alignment of mixing operation impacted organic sales adversely
- EBIT and EBIT-margin increased as a result of higher productivity
- Acquisition of Dartex

| SEK M            | Q1 2018 | Q1 2017 | Change, % |
|------------------|---------|---------|-----------|
| Net sales        | 890     | 912     | -2        |
| Organic, %       | -4      | 2       |           |
| Structural, %    | 3       | 38      |           |
| Exchange rate, % | -1      | 5       |           |
| EBIT             | 113     | 102     | 11        |
| EBIT, %          | 12,7    | 11,2    | +1.5 p.p. |

# Margins edge upwards on good organic growth

## Trelleborg Industrial Solutions<sup>1</sup>

- Organic sales: +8%
- Improved segments in general, especially industrial-related
- Most geographical regions improved, Asia particularly strong
- EBIT improved on higher volumes and good cost control

| SEK M            | Q1 2018 | Q1 2017 | Change, % |
|------------------|---------|---------|-----------|
| Net sales        | 1 923   | 1 756   | 10        |
| Organic, %       | 8       | 2       |           |
| Structural, %    | -       | 37      |           |
| Exchange rate, % | 2       | 2       |           |
| EBIT             | 212     | 186     | 14        |
| EBIT, %          | 11,0    | 10,6    | +0.4 p.p. |

<sup>1</sup>Excl. items affecting comparability

# Still challenging market conditions

## Trelleborg Offshore & Construction<sup>1</sup>

- Organic sales: -18%
- Market situation remains challenging in offshore oil/gas
- However, slight increase in activity points to potential improvement in the latter part of the year
- Mixed development in infrastructure projects
- Unfavorable product mix in the quarter hurt EBIT

| SEK M            | Q1 2018 | Q1 2017 | Change, % |
|------------------|---------|---------|-----------|
| Net sales        | 576     | 718     | -20       |
| Organic, %       | -18     | -18     |           |
| Structural, %    | -       | -       |           |
| Exchange rate, % | -2      | 1       |           |
| EBIT             | -34     | 5       |           |
| EBIT, %          | -5,9    | 0,7     | -6.6 p.p. |



# Solid quarter in all aspects

## Trelleborg Sealing Solutions<sup>1</sup>

- Organic sales: +8%
- All geographical and market segment developed favorably
- Asian sales particularly strong
- EBIT and margin improved on higher sales

| SEK M            | Q1 2018 | Q1 2017 | Change, % |
|------------------|---------|---------|-----------|
| Net sales        | 2 800   | 2 623   | 7         |
| Organic, %       | 8       | 9       |           |
| Structural, %    | 1       | 8       |           |
| Exchange rate, % | -2      | 3       |           |
| EBIT             | 684     | 618     | 11        |
| EBIT, %          | 24,4    | 23,6    | +0.8 p.p. |

# Strong improvement in profitability

## Trelleborg Wheel Systems<sup>1</sup>

- Organic sales: +4%
- Strong sales to especially Agri OE customers
- Aftermarket sales impacted by prolonged winter conditions
- Industrial & construction tires sales increased in most regions
- EBIT and margin improves on higher sales and stable raw materials
- Somewhat adverse sales channel mix

| SEK M            | Q1 2018 | Q1 2017 | Change, % |
|------------------|---------|---------|-----------|
| Net sales        | 2 505   | 2 328   | 8         |
| Organic, %       | 4       | 8       |           |
| Structural, %    | 1       | 91      |           |
| Exchange rate, % | 3       | 4       |           |
| EBIT             | 368     | 283     | 30        |
| EBIT, %          | 14,7    | 12,1    | +2.6 p.p. |



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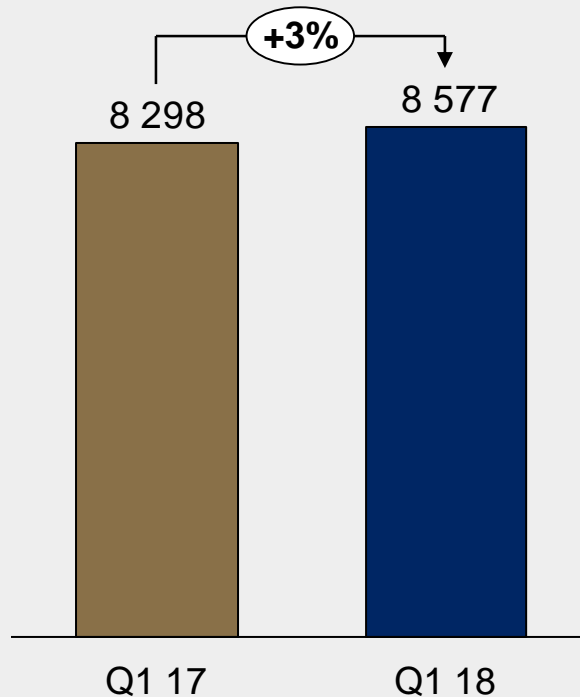
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# Organic growth hampered by project business

## Sales development

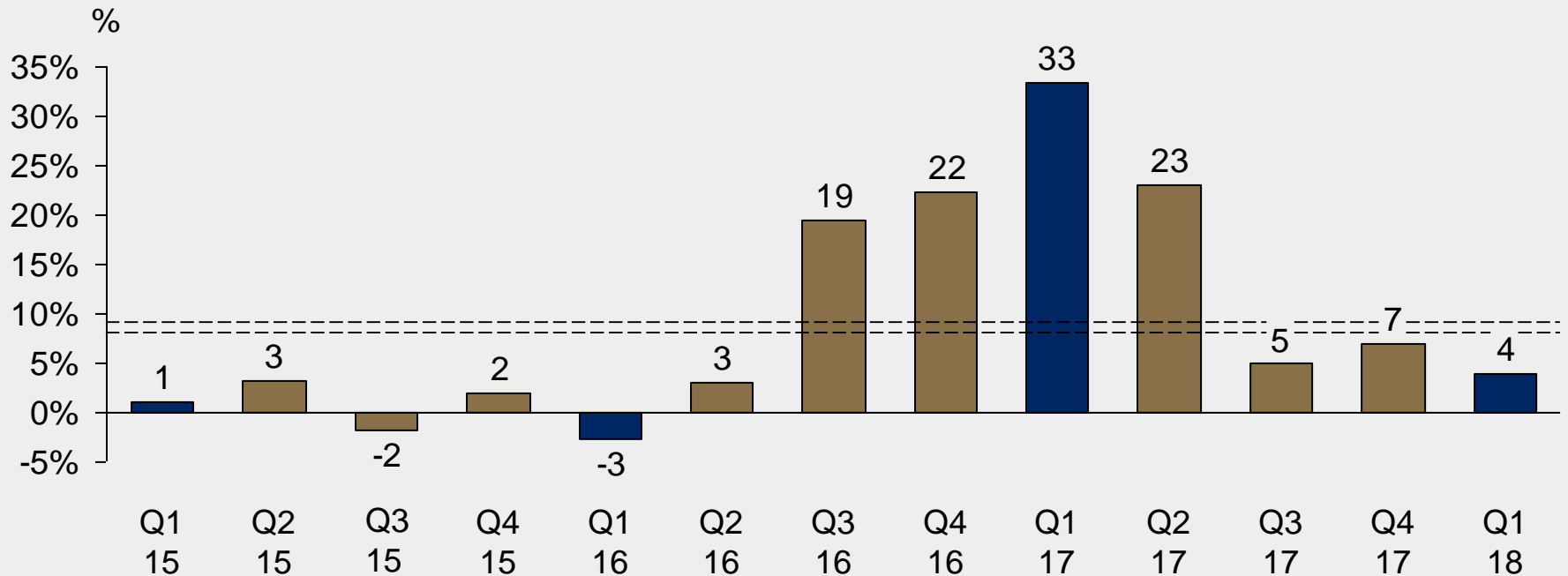


### January - March [%]

|              |          |
|--------------|----------|
| Organic      | 4        |
| Structural   | 0        |
| Currency     | -1       |
| <b>Total</b> | <b>3</b> |

# Structural growth replaced by organic growth

Target: 5-8% annual sales growth over a business cycle



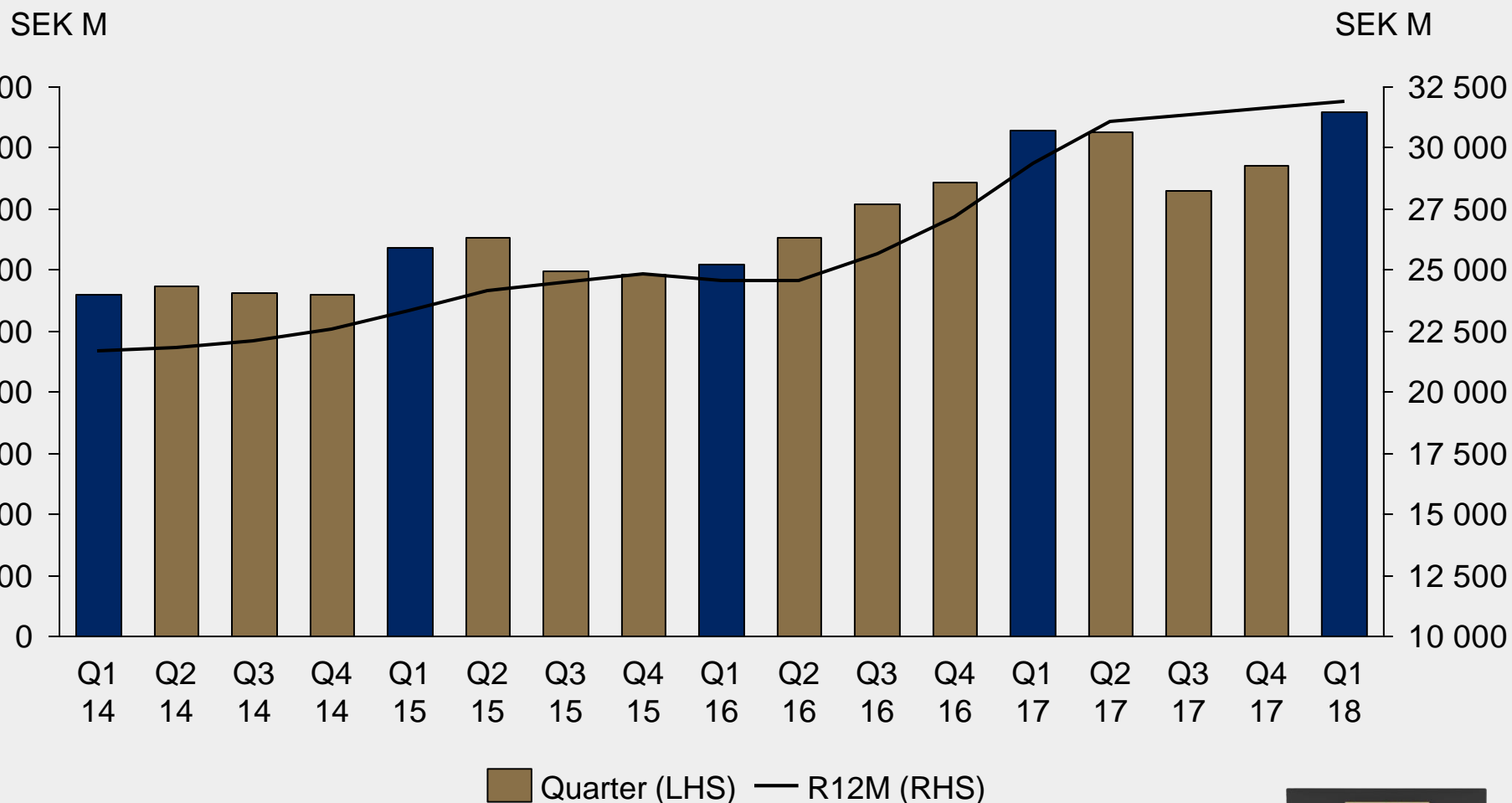
*Of which organic growth, %:*





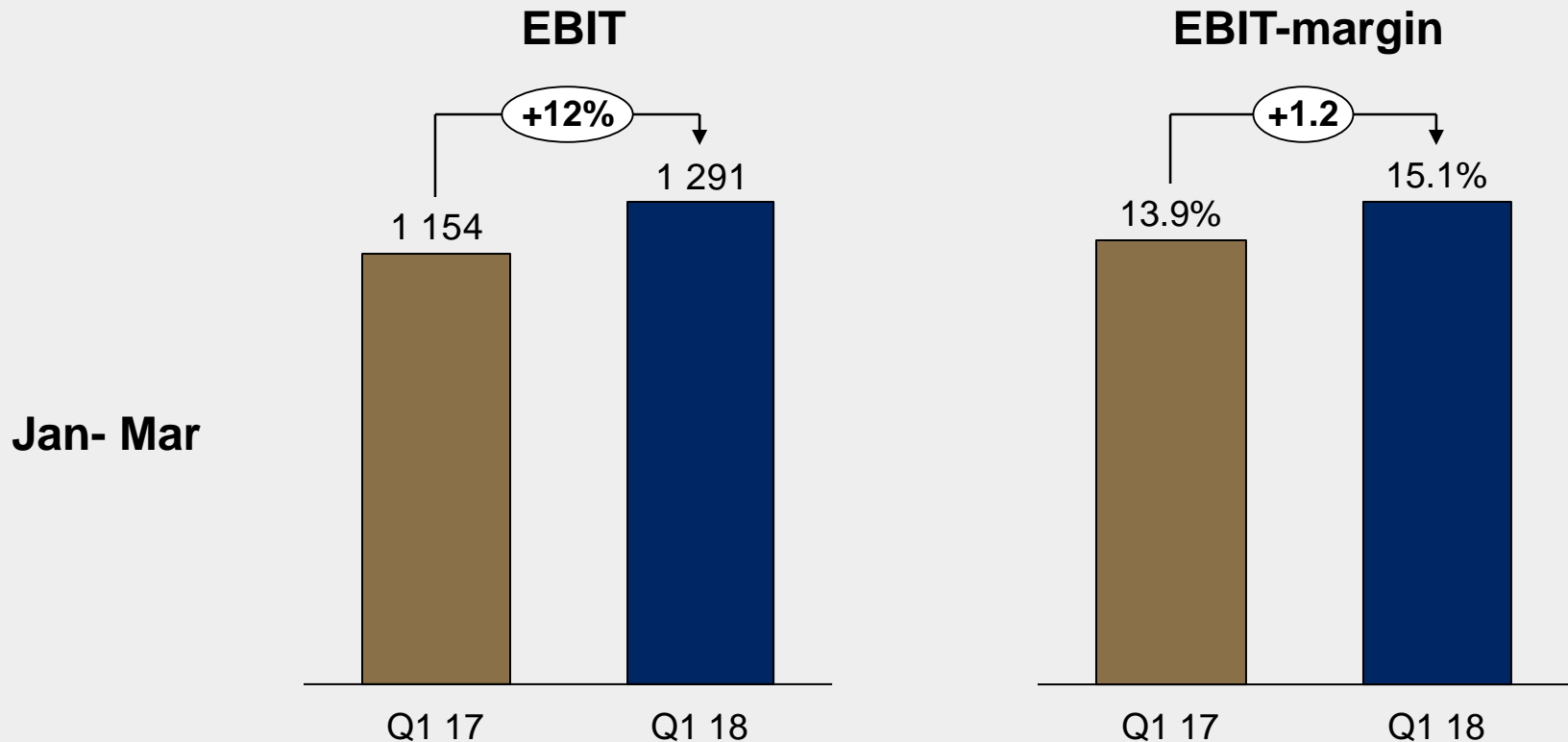
# Highest first quarter sales to date

## Sales development, R12M



# Highest first quarter EBIT to date

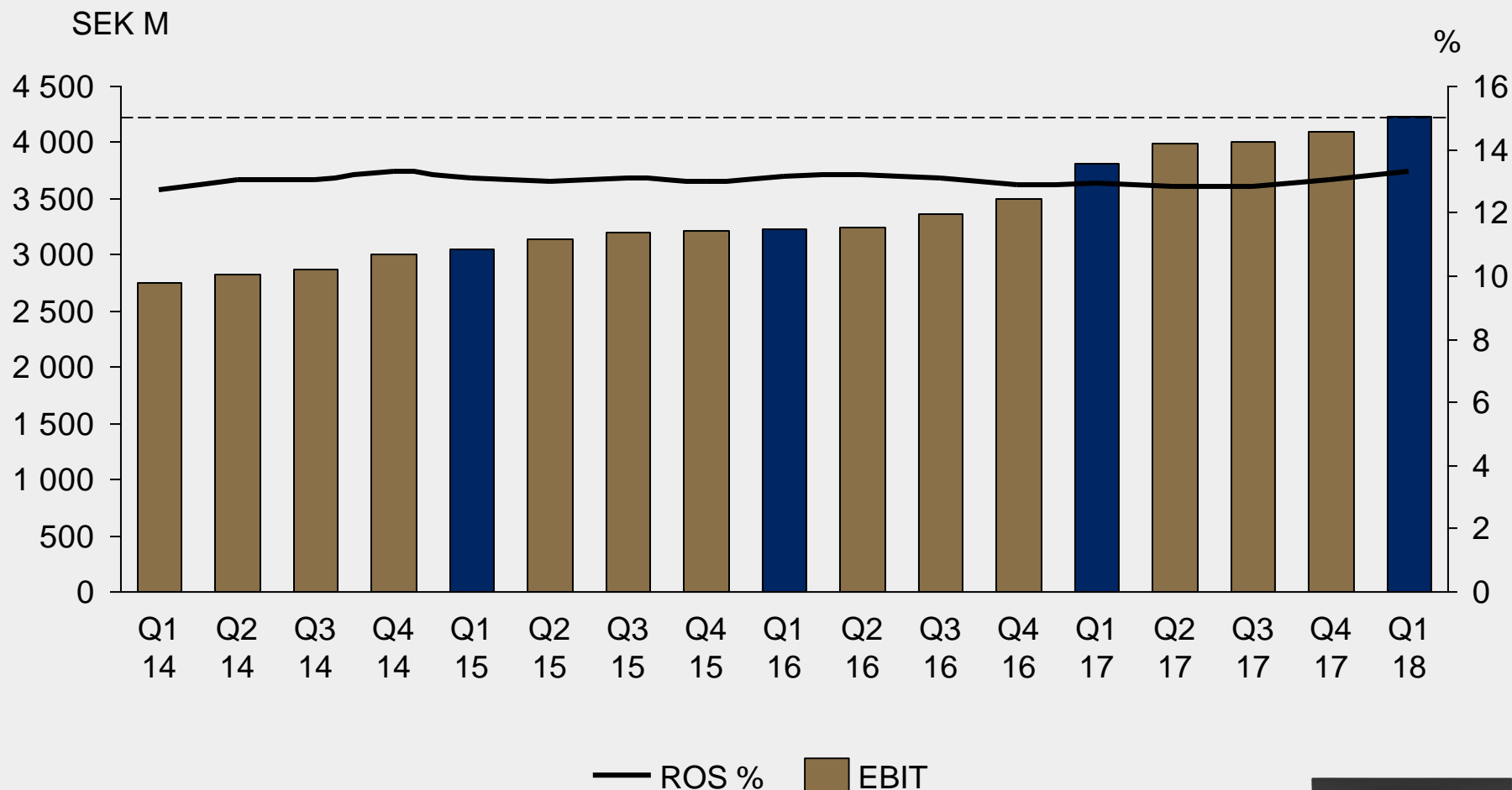
## EBIT development<sup>1</sup>



<sup>1</sup>Excluding items affecting comparability

# 20 consecutive quarters of improved EBIT

## EBIT and margin, R12M<sup>1</sup>



<sup>1</sup>Excluding items affecting comparability

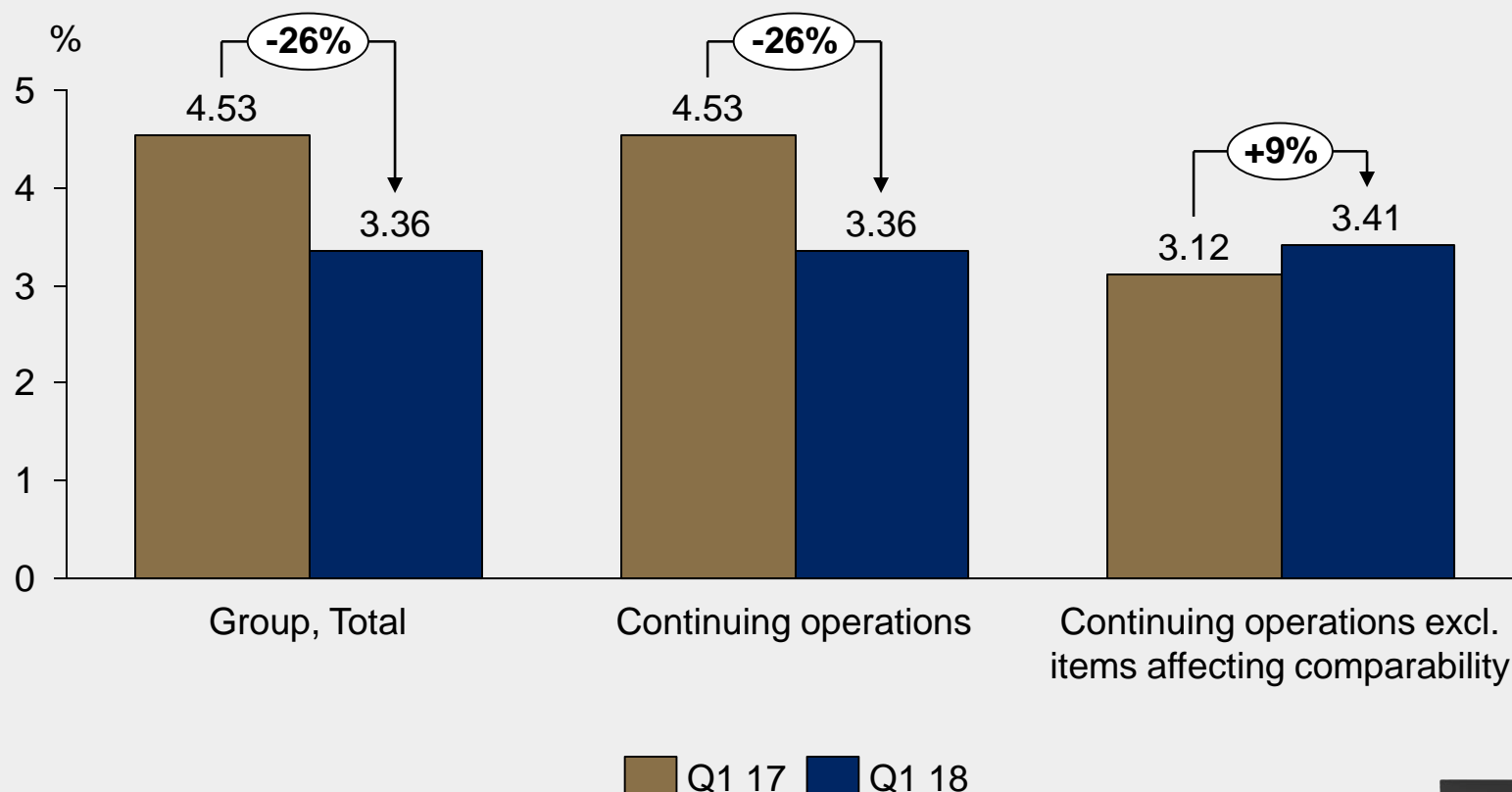
# Total Group

## Profit & loss statement

| SEK M  | Q1 2018 | Q1 2017 | Change, % | R 12 2018 | 12 M 2017 | Change, % |
|--|---------|---------|-----------|-----------|-----------|-----------|
| EBIT, excl. items affecting comparability                  | 1 291   | 1 154   | 12        | 4 228     | 4 091     | 3         |
| EBIT margin, %   | 15,1    | 13,9    | 1.2 p.p.  | 13,3      | 13,0      | 0.3 p.p.  |
| <i>Restructuring costs</i>                                 | -18     | -106    |           | -920      | -1 008    |           |
| <i>Capital gain divestment of compounding operation</i>    | -       | 472     |           | -         | 472       |           |
| <i>Profit impact on receivable related to Vibracoustic</i> | -       | -       |           | 467       | 467       |           |
| Items affecting comparability                              | -18     | 366     |           | -453      | -69       |           |
| EBIT   | 1 273   | 1 520   | -16       | 3 775     | 4 022     | -6        |
| Financial income and expenses                              | -62     | -51     | -22       | -241      | -230      | 5         |
| Profit before tax  | 1 211   | 1 469   | -18       | 3 534     | 3 792     | -7        |
| Taxes <sup>1</sup>   | -301    | -240    | -25       | -979      | -918      | 7         |
| Net profit, Group  | 910     | 1 229   | -26       | 2 555     | 2 874     | -11       |

# Underlying EPS improvement

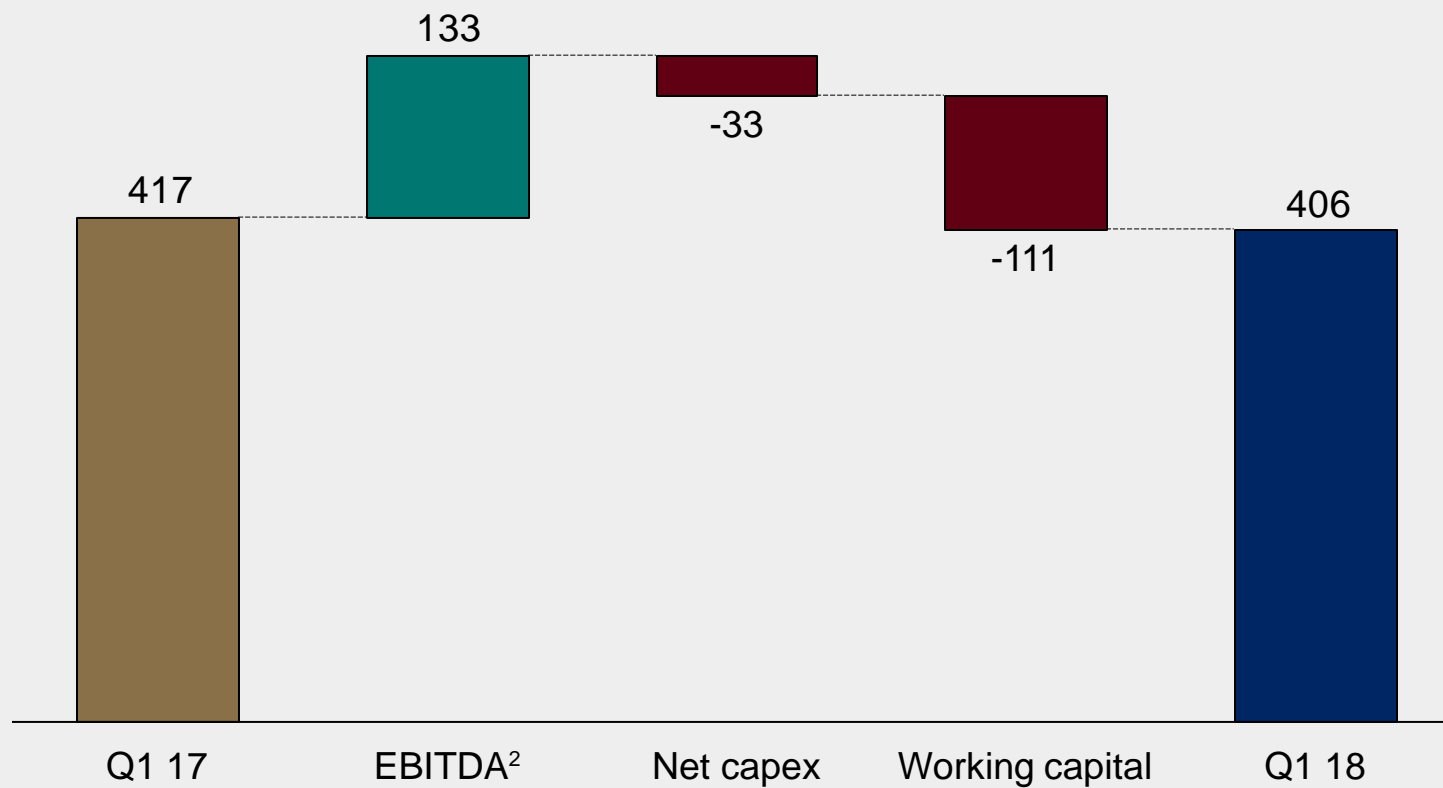
## Earnings per share





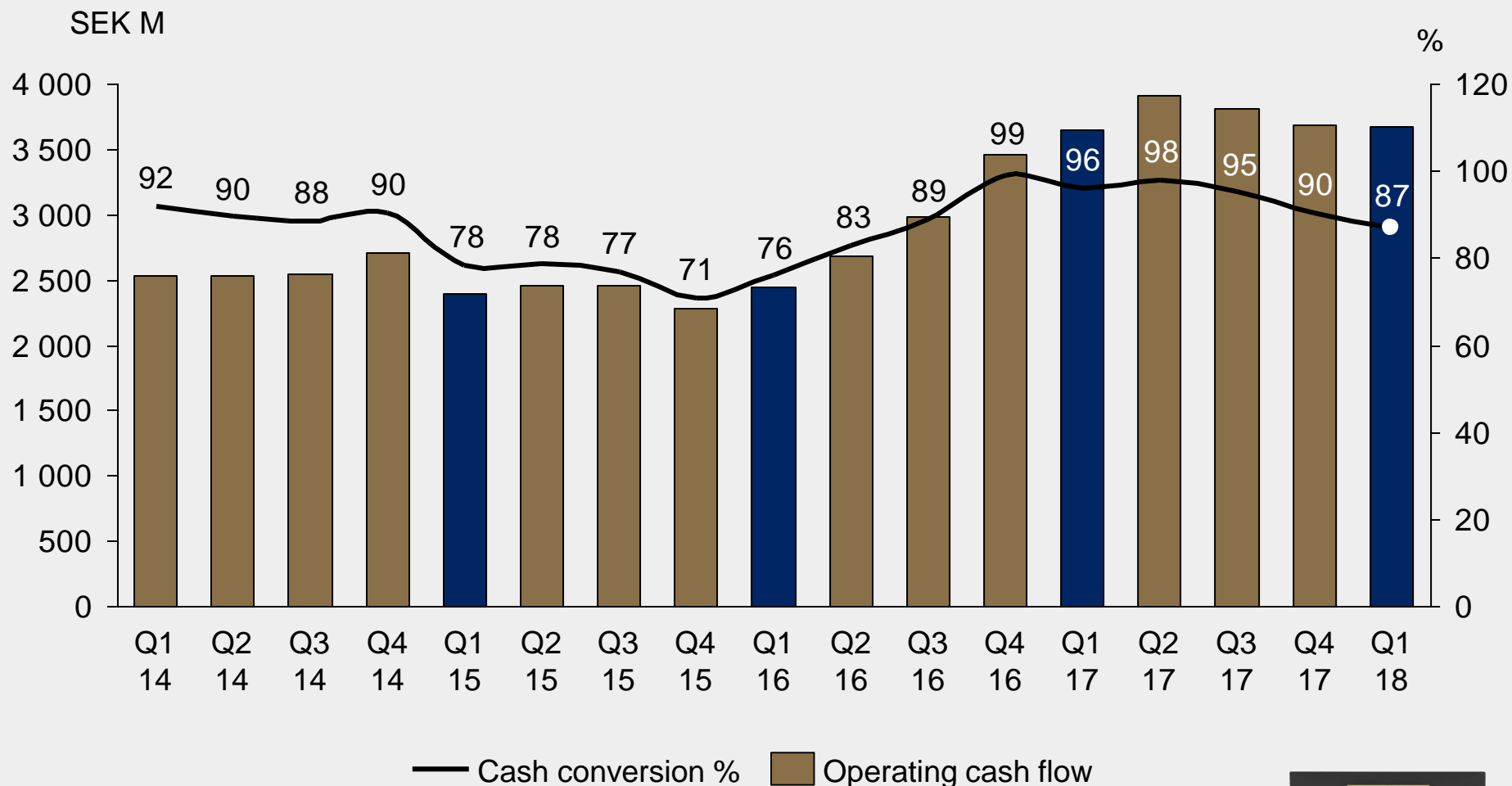
# Stable cash flow

## Operating cash flow<sup>1</sup>



# Solid cash conversion

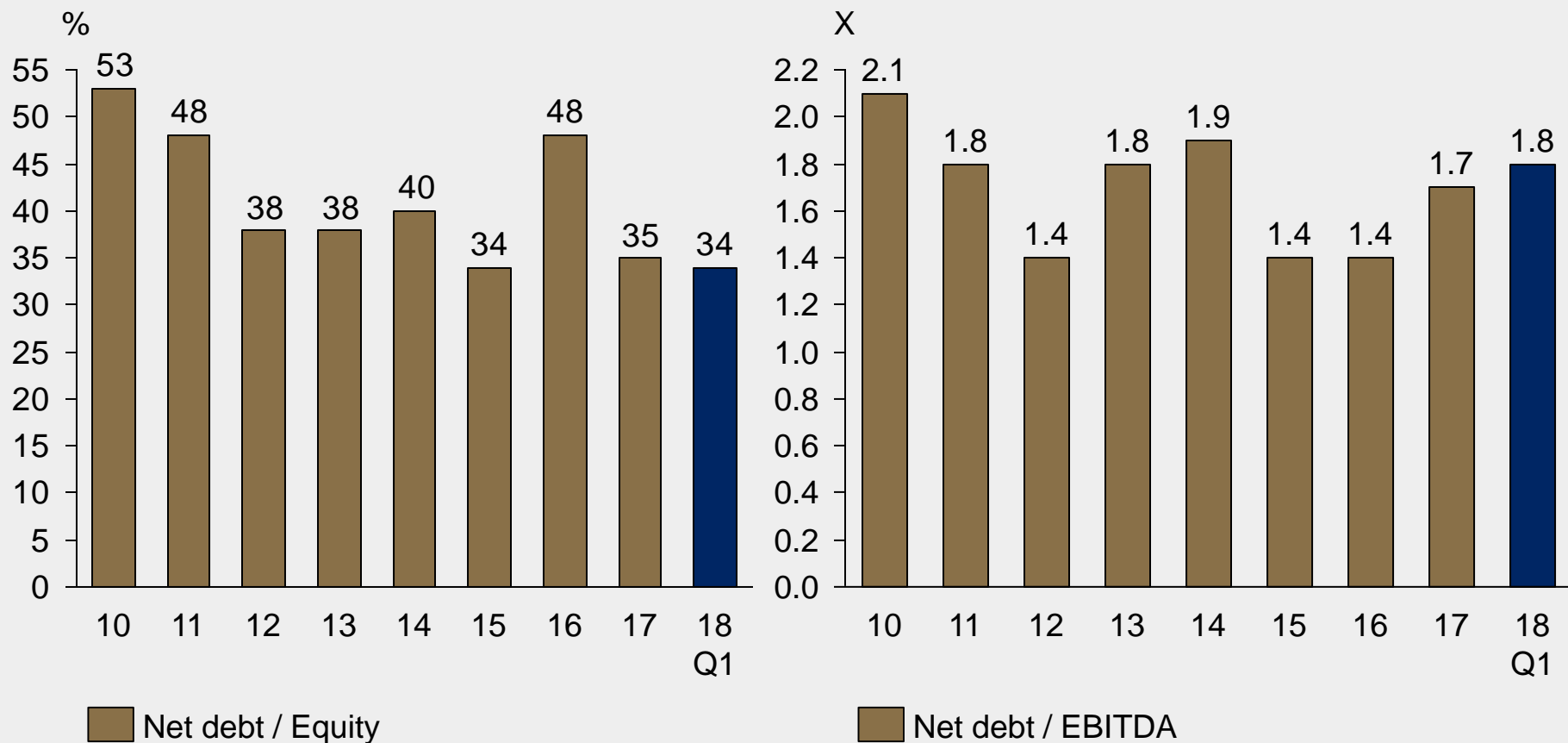
## Operating cash flow, R12M<sup>1</sup>



<sup>1</sup>Excluding items affecting comparability

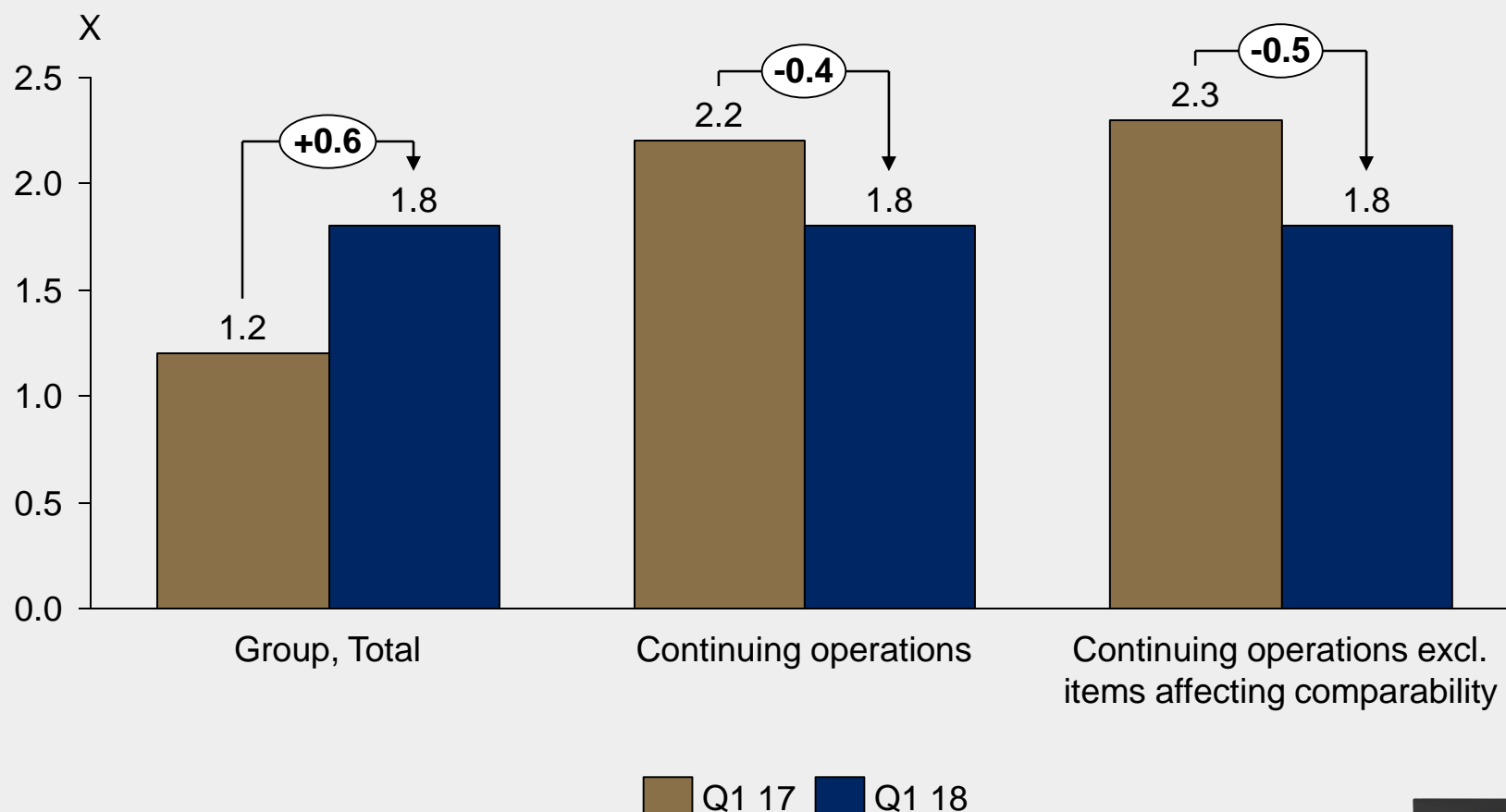
# Leverage and gearing at stable levels

## Gearing and leverage development, R12M<sup>1</sup>



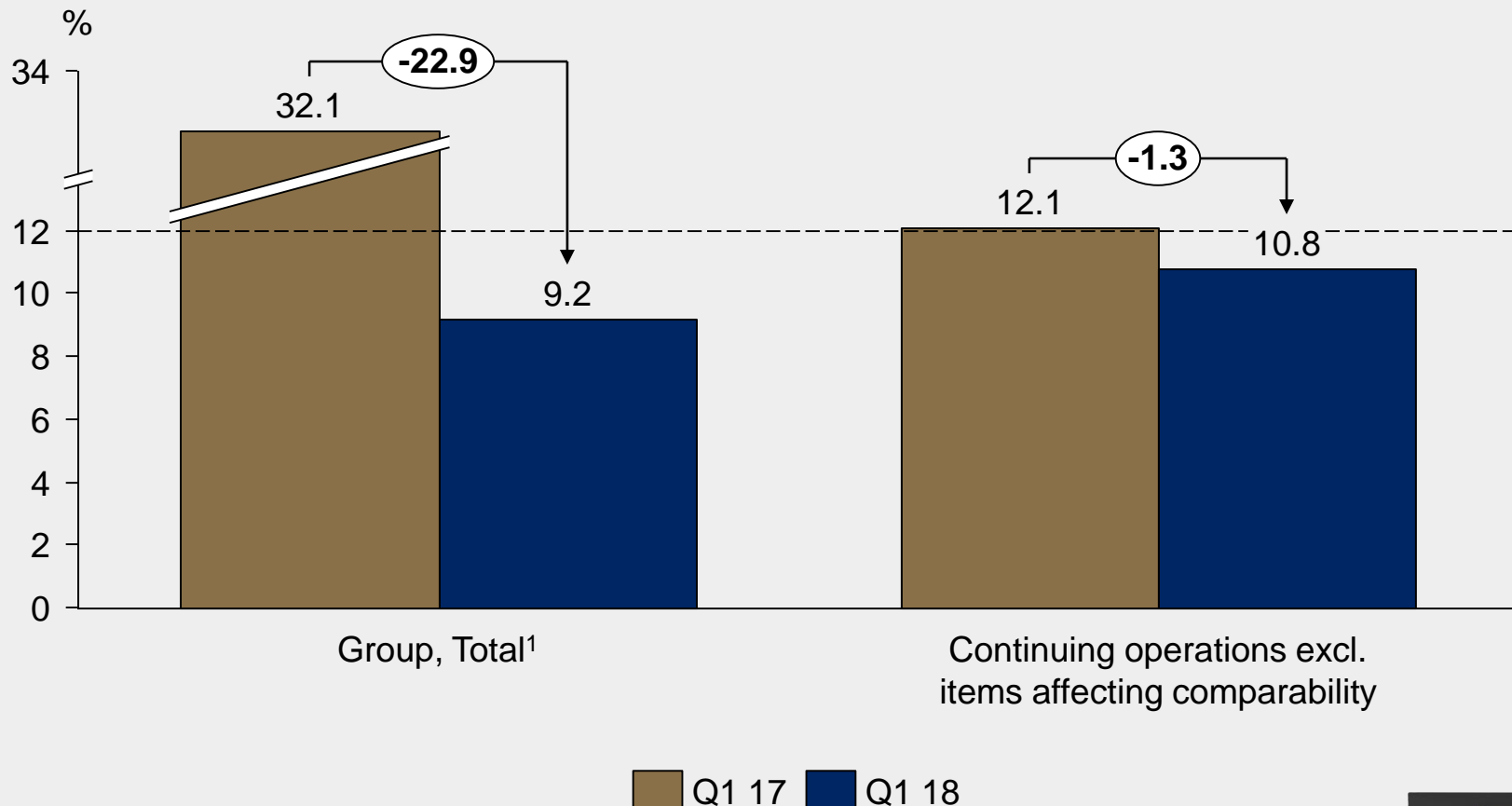
# Steadily decreasing underlying leverage

Net debt / EBITDA, R12M



# ROE impacted by higher equity and US tax reform

## Return on equity, R12M



<sup>1</sup>2017 key figure includes the capital gain from the disposal of Vibracoustic





# Financial guidelines for full-year 2018

- Capex: SEK ~1,8 - 2 Bn
- Restructuring costs: SEK ~250 M
- Underlying tax rate: ~26%
- Amortization of intangible assets<sup>1</sup>: SEK ~300 M



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# Continued focus on growth and excellence

## 2018 priorities

- Manage market conditions
- Manage sales and margin development through market positioning, operational excellence and improved customer integration
- Continued portfolio management to improve leading positions
- Continued focus on innovations and smart use of new technology
- Integration of CGS and other recent acquisitions

# Outlook Q2 2018

- Demand is expected to be on a par with the first quarter of 2018, adjusted for seasonal variations

# Welcome to our Capital Markets Day 2018

- The Capital Markets Day 2018<sup>1</sup> will provide an update of our strategic agenda, insights from our business areas as well as an opportunity to meet Trelleborg representatives
- **June 5<sup>th</sup>, 2018**, 10:30-16:00 CET at **Berns** in central Stockholm, Sweden
- Please **register before May 28<sup>th</sup>** on our website:

**[trelleborg.com/en/investors/cmd2018](http://trelleborg.com/en/investors/cmd2018)**



Note:

<sup>1</sup>Please note that the Capital Markets Day is a targeted event for the financial market and media



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# Questions & Answers

