



# Trelleborg interim report

**October - December 2018**

Peter Nilsson, President & CEO

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# Agenda

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Q&A

# Record earnings despite challenges

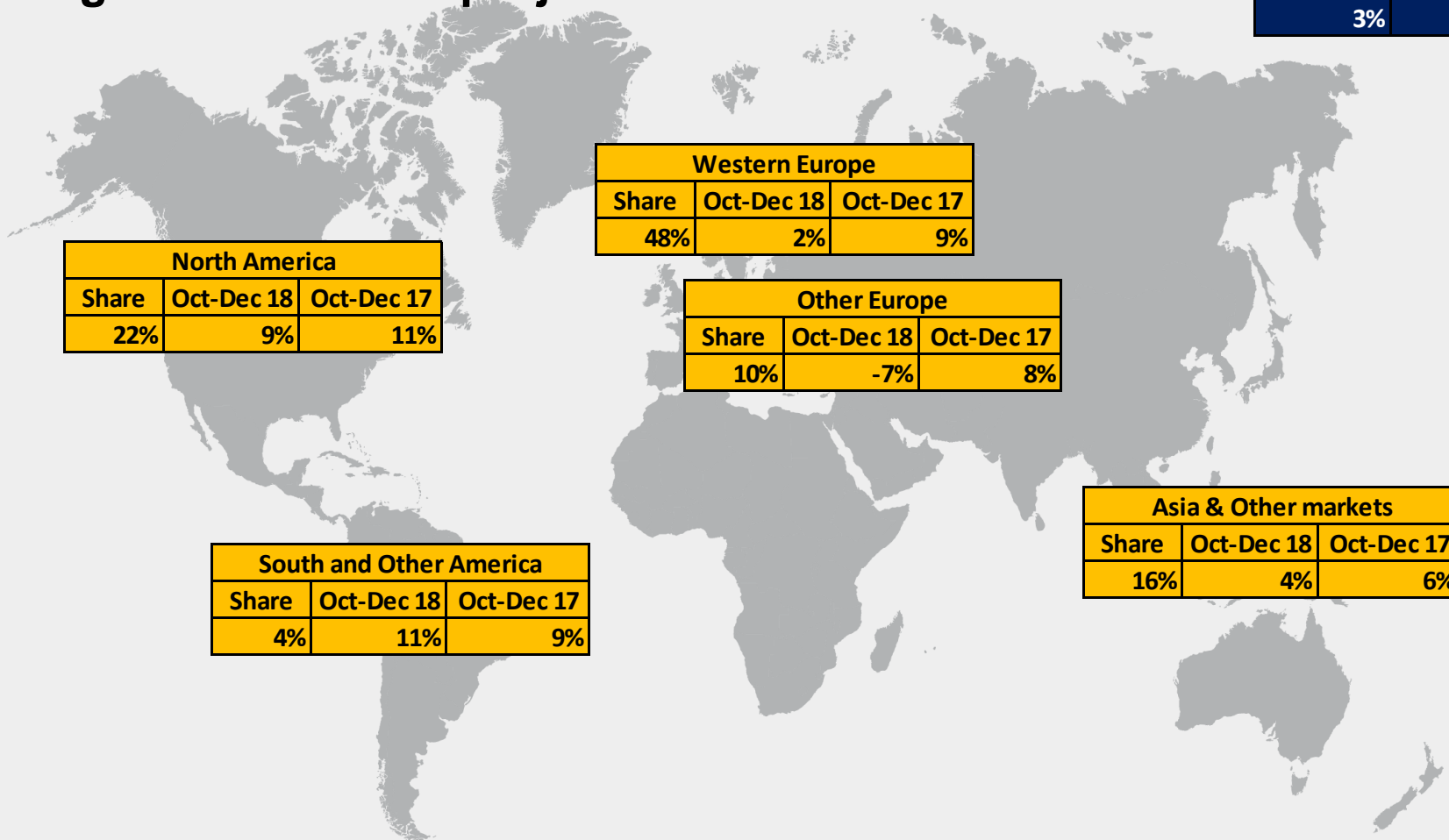
## Q4 2018 financial summary

- Sales at SEK 8 342 M, an increase of 8 percent
- Organic sales up 2 percent. Excluding project deliveries, the organic sales increase was 3 percent
- EBIT<sup>1</sup> at SEK 977 M, an increase of 5 percent, corresponding to a margin of 11.7 percent
- Items affecting comparability at SEK -98 M
- Operating cash flow at SEK 1 166 M, decrease of 3 percent
- Joint-venture in India – manufacturing of two-wheel tires

# Organic sales development by geography

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

Total Group	
Oct-Dec 18	Oct-Dec 17
3%	9%



North America		
Share	Oct-Dec 18	Oct-Dec 17
22%	9%	11%

Western Europe		
Share	Oct-Dec 18	Oct-Dec 17
48%	2%	9%

Other Europe		
Share	Oct-Dec 18	Oct-Dec 17
10%	-7%	8%

South and Other America		
Share	Oct-Dec 18	Oct-Dec 17
4%	11%	9%

Asia & Other markets		
Share	Oct-Dec 18	Oct-Dec 17
16%	4%	6%

Share = Actual 2018<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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# Back to organic growth, improved margins

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

- Organic sales: +2%
- Structural growth: +10%
- Coated fabrics; aerospace, general industry increased, automotive segment weaker
- Printing blankets; slight increase due to positive development in Europe
- EBIT improved due to increased sales, improved productivity and acquisitions

SEK M	Q4 2018	Q4 2017	Change, %
Net sales	959	812	18
Organic, %	2	-5	
Structural, %	10	0	
Exchange rate, %	6	-3	
EBIT	114	89	28
EBIT, %	11.9	11.0	+0.9 p.p.

# Good organic growth but weaker margin

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

- Organic sales: +7%
- Deliveries to most market segments developed well
- Building-related segments slightly weaker
- All geographical regions improved
- Bottlenecks in particularly Czech Republic created inefficiencies
- EBIT and margin negatively impacted by Czech issues
- Post Q4: Joint-venture in Malaysia – manufacturing of composite hoses

SEK M	Q4 2018	Q4 2017	Change, %
Net sales	1 890	1 706	11
Organic, %	7	8	
Structural, %	-	-	
Exchange rate, %	4	-2	
EBIT	166	170	-2
EBIT, %	8.8	9.9	-1.1 p.p.

# Poor quarter, but recovery looming in H2 2019

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

- Organic sales: -17%
- Weaker sales in both offshore and infrastructure segments
- Underabsorption and project write-downs impacted earnings
- Growing order book for both offshore and infrastructure segments
- Recovery on the horizon, particularly in H2 2019

SEK M	Q4 2018	Q4 2017	Change, %
Net sales	649	741	-12
Organic, %	-17	-10	
Structural, %	-	-	
Exchange rate, %	4	-4	
EBIT	-61	-12	-408
EBIT, %	-9.4	-1.6	-7.8 p.p.



# Yet another favorable quarter

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

- Organic sales: +6%
- Organic sales trend was good in all geographical regions
- General industry and aerospace sales developed well in all geographies
- Automotive sales slightly negative, due to North America
- EBIT and margin improved on higher sales and cost control
- Sil-Pro acquisition finalized in January 2019, expanding clean-room platform

SEK M	Q4 2018	Q4 2017	Change, %
Net sales	2 662	2 349	12
Organic, %	6	9	
Structural, %	0	1	
Exchange rate, %	6	-4	
EBIT	535	469	14
EBIT, %	20.4	20.0	+0.4 p.p.

# Mixed development

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

- Organic sales: -1%
- Weaker agri sales in Europe and Asia; positive in North America
- Industrial and construction tire sales stable and growing
- Slight EBIT improvement
- Margin slightly down due to negative mix
- Joint-venture in India – manufacturing of two-wheel tires

SEK M	Q4 2018	Q4 2017	Change, %
Net sales	2 320	2 198	6
Organic, %	-1	17	
Structural,%	2	1	
Exchange rate, %	5	-1	
EBIT	246	240	3
EBIT, %	10.6	10.9	-0.3 p.p.



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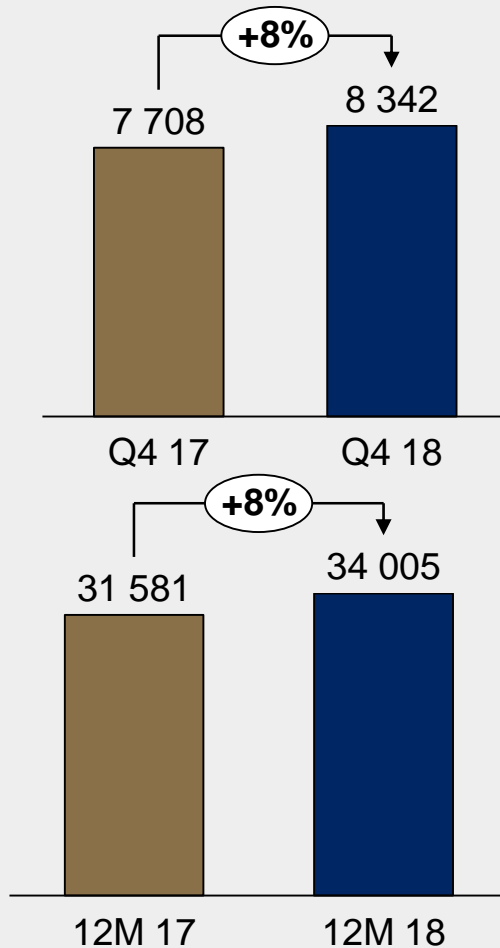
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# Solid sales growth continues

## Sales development



### October - December [%]

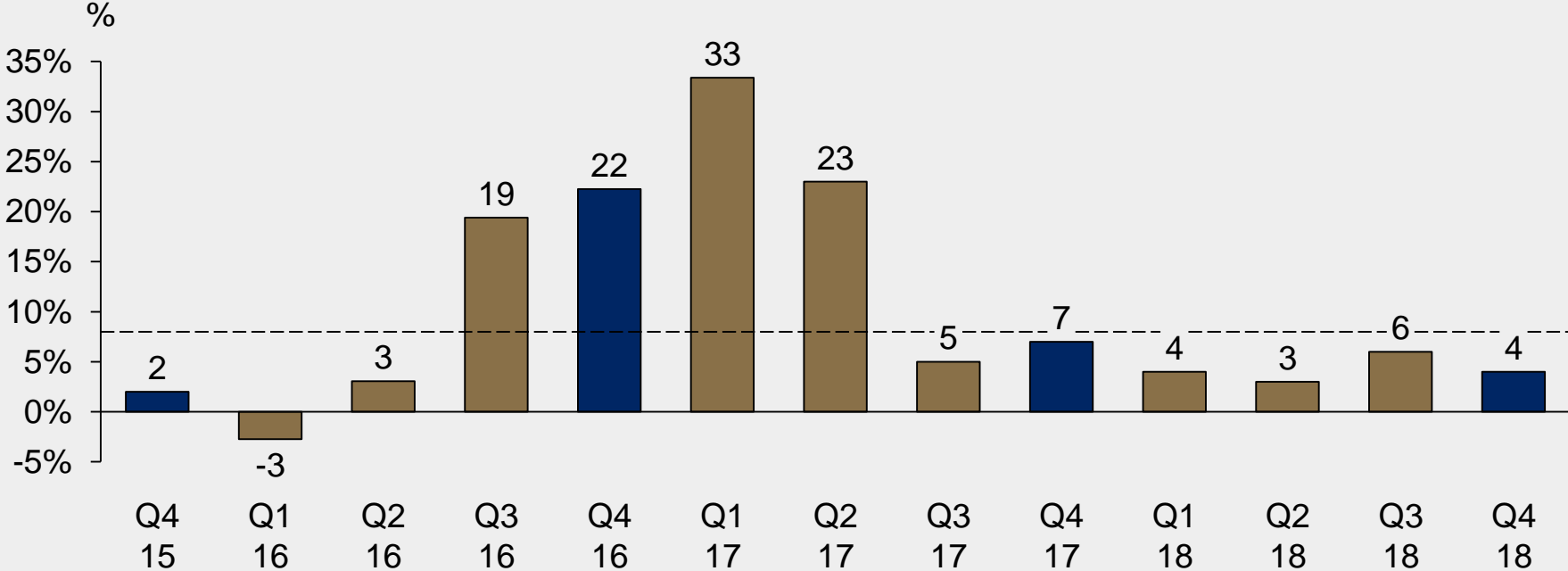
Organic	2
Structural	2
Currency	4
<b>Total</b>	<b>8</b>

### January - December [%]

Organic	3
Structural	1
Currency	4
<b>Total</b>	<b>8</b>

# 11 quarters of positive sales development<sup>1</sup>

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



**Of which organic growth, %:**

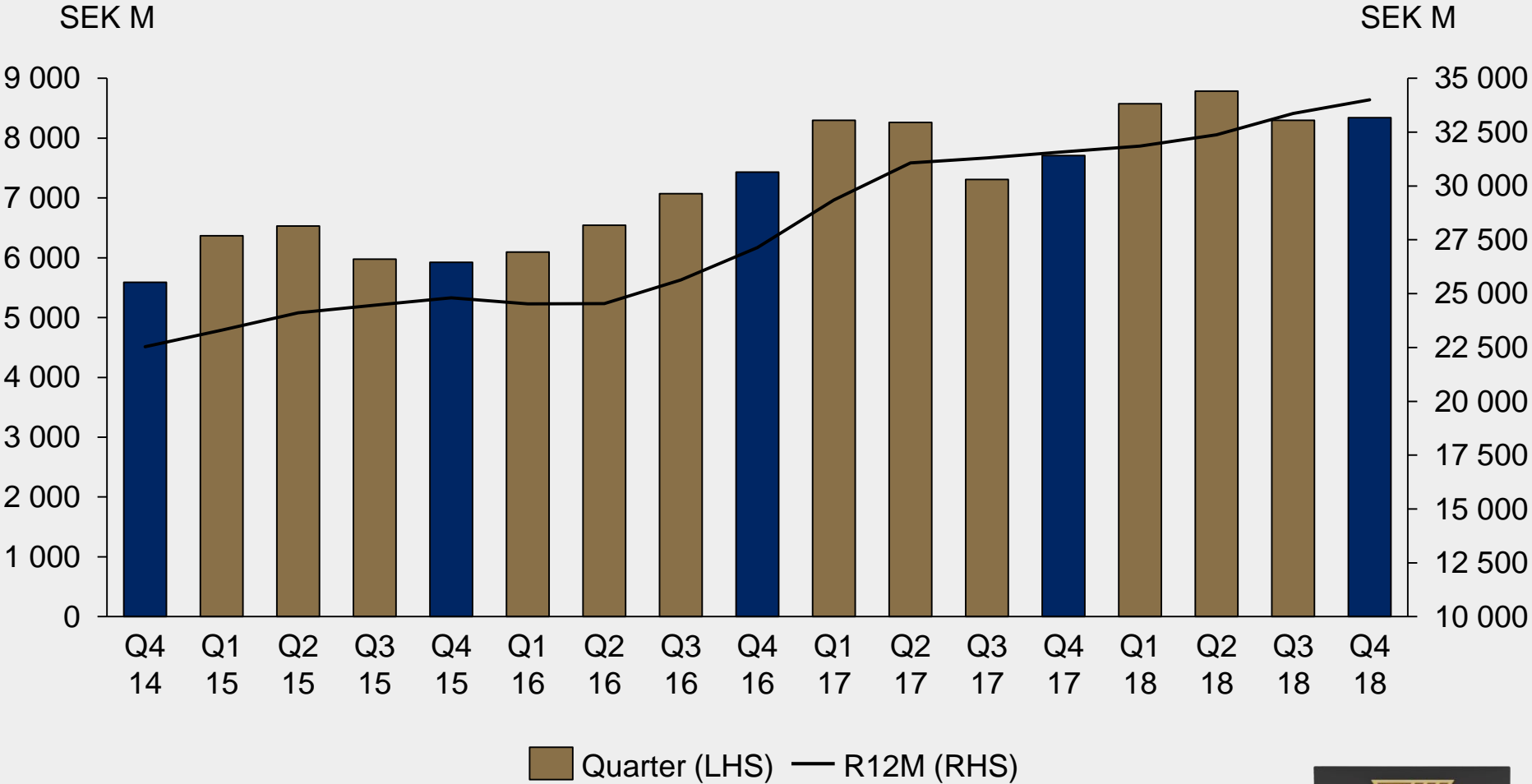


<sup>1</sup>Structural growth + organic growth **excluding** currency effects



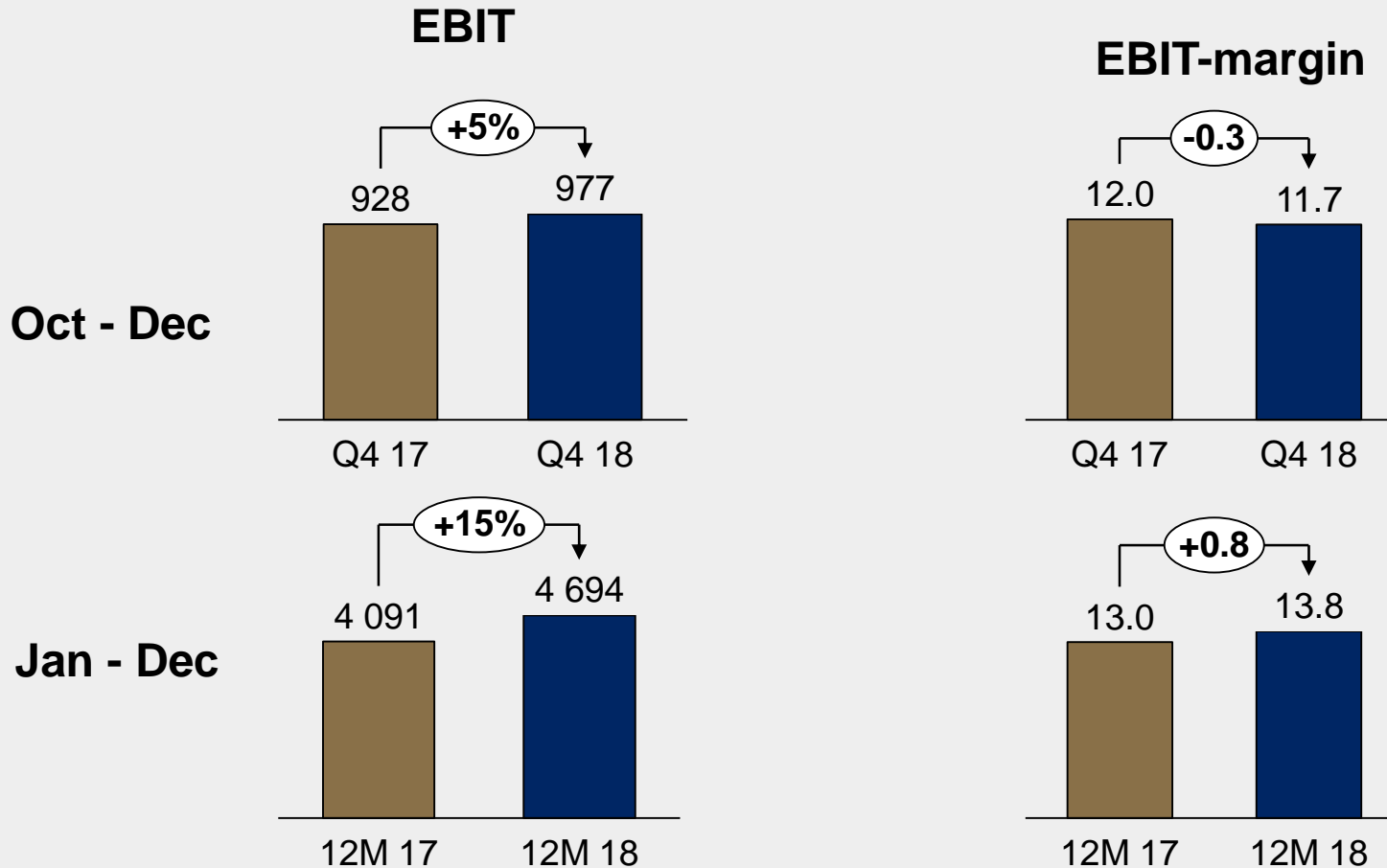
# Highest fourth-quarter sales to date

## Sales development, R12M



# Highest fourth-quarter EBIT to date

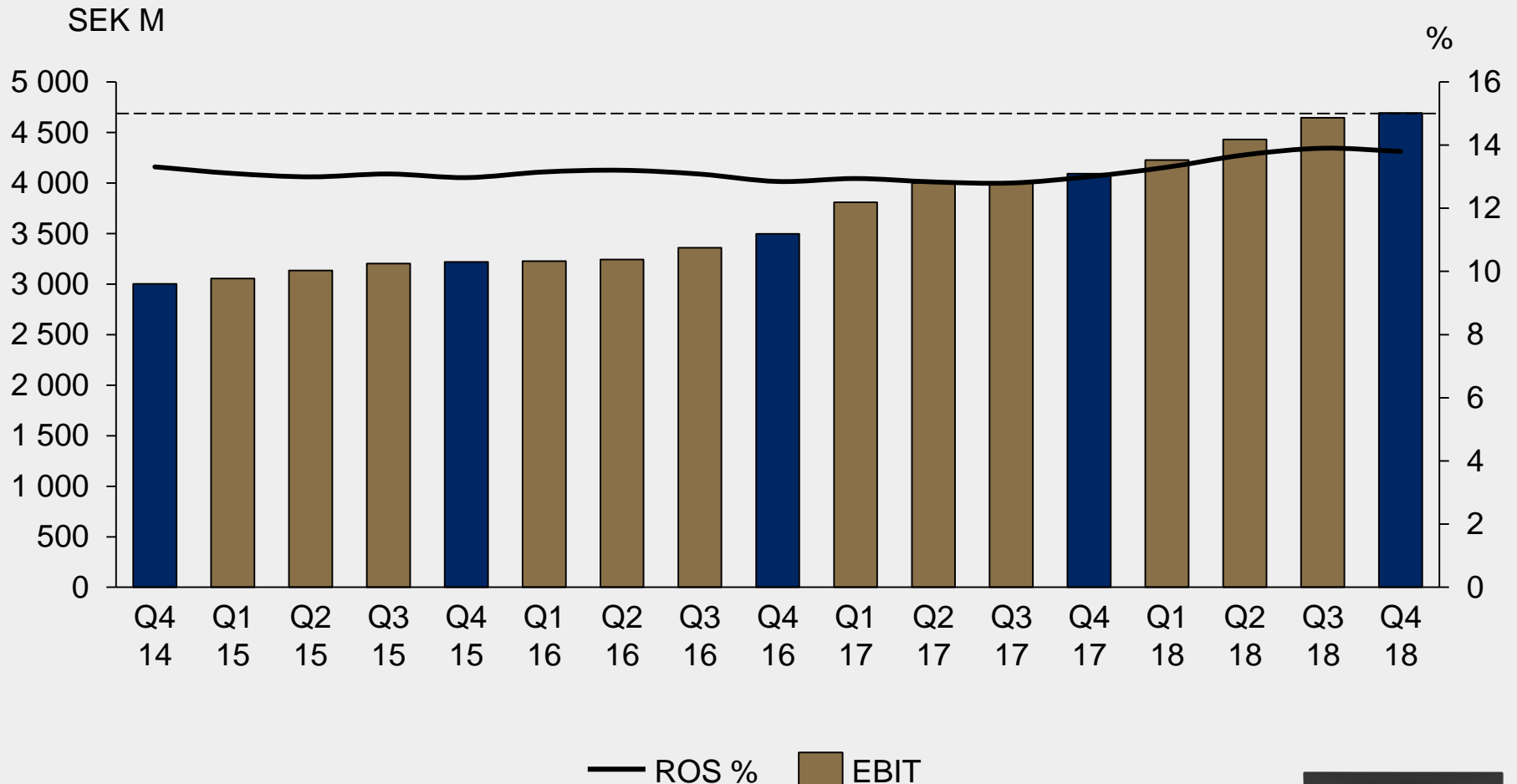
## EBIT development<sup>1</sup>



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

# 23 consecutive quarters of improved EBIT

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



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



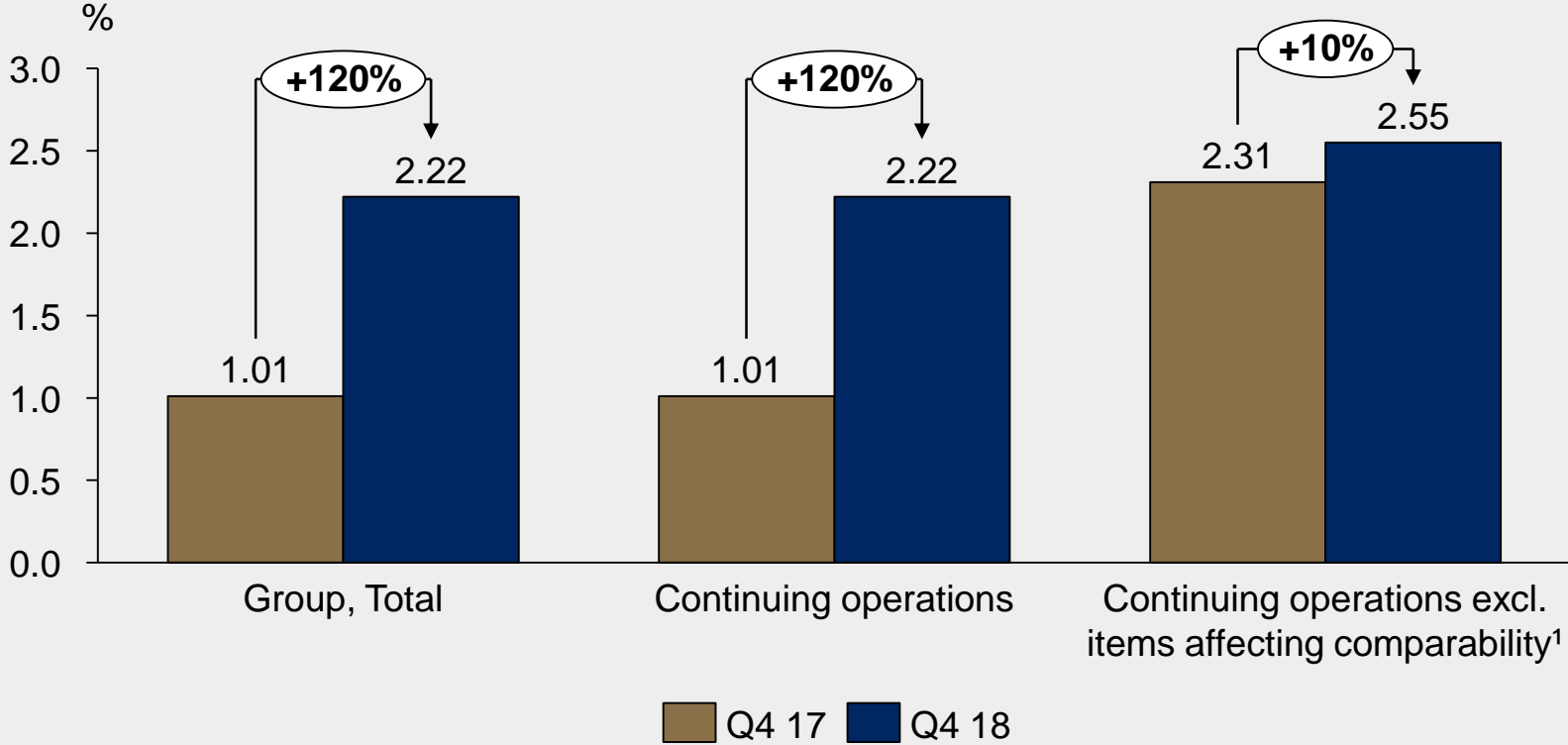
# Total Group

## Profit & loss statement

SEK M	Q4 2018	Q4 2017	Change, %	12 M 2018	12 M 2017	Change, %
EBIT, excl. items affecting comparability	977	928	5	4 694	4 091	15
EBIT margin, %	11,7	12,0	-0.3 p.p.	13,8	13,0	0.8 p.p.
<i>Restructuring costs</i>	-98	-781		-176	-1 008	
<i>Capital gain divestment of compounding operation</i>	-	-		-	472	
<i>Profit impact on receivable related to Vibracoustic</i>	-	467		-	467	
Items affecting comparability	-98	-314		-176	-69	
EBIT	879	614	43	4 518	4 022	12
Financial income and expenses	-78	-57	-37	-282	-230	-23
Profit before tax	801	557	44	4 236	3 792	12
Taxes	-200	-284	30	-1 046	-918	-14
Net profit, Group	601	273	120	3 190	2 874	11

# Solid underlying EPS improvement

## Earnings per share

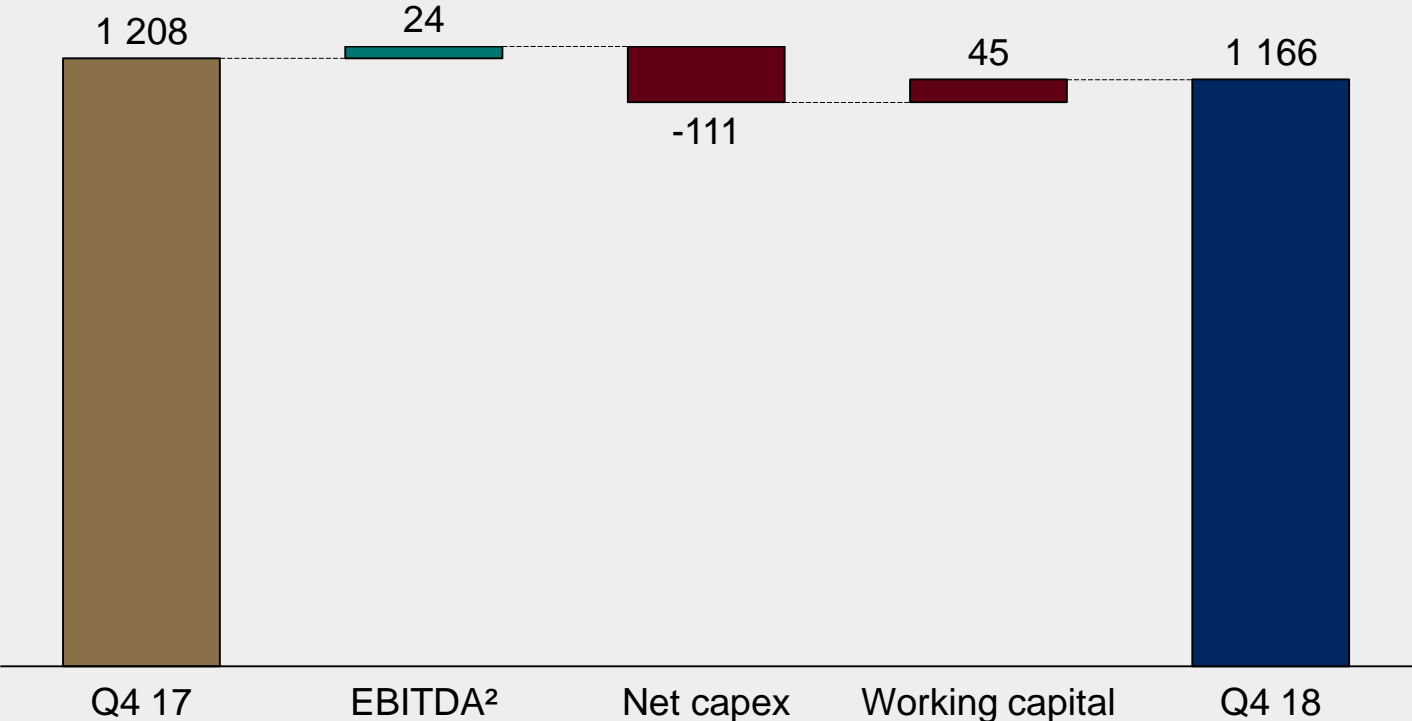


<sup>1</sup>No dilution effects arose.



# Cash flow impacted by higher capex and WC

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

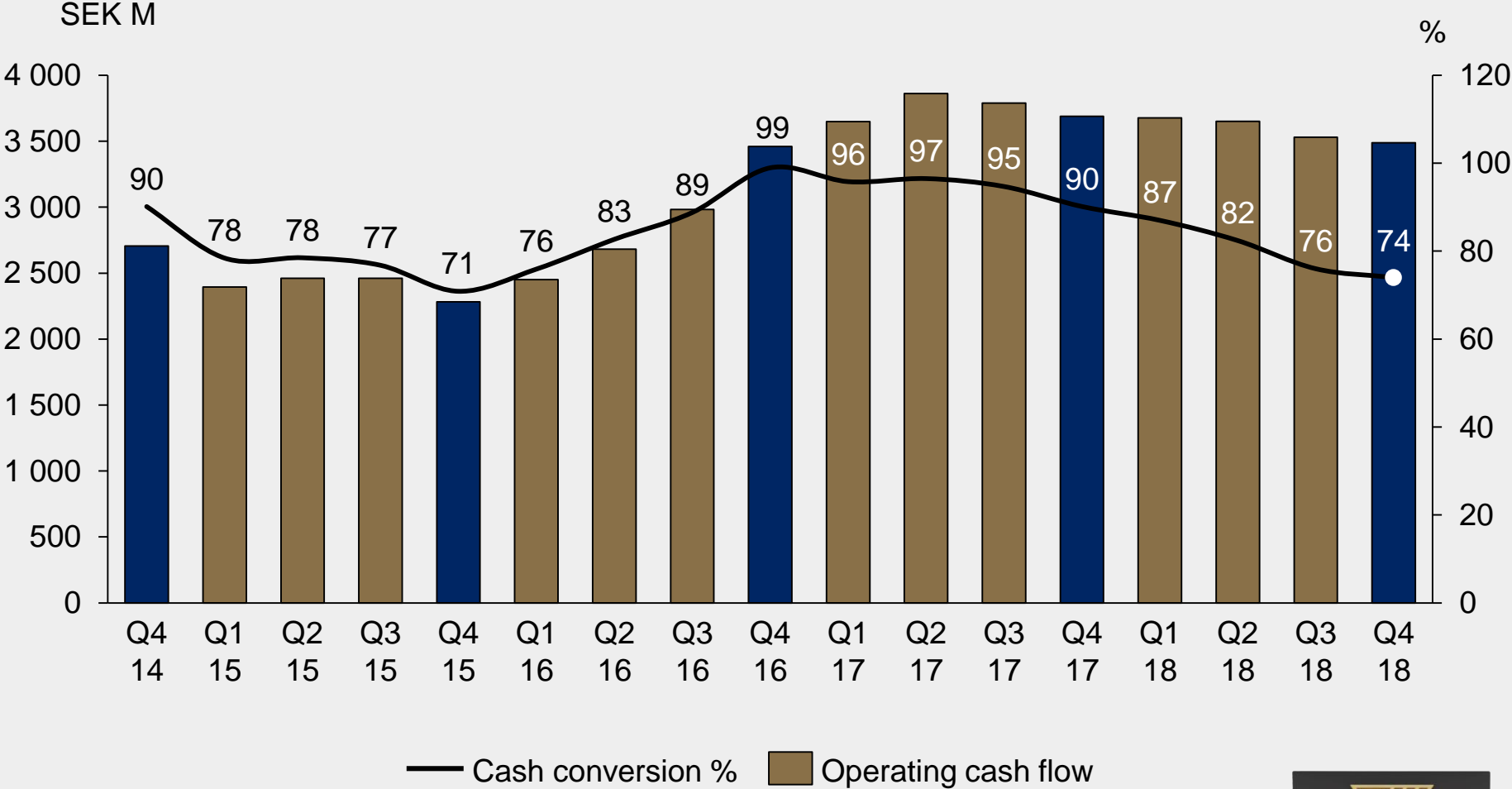


<sup>1</sup>Excluding items affecting comparability  
<sup>2</sup>Including other non cash flow affecting items



# Cash conversion impacted by higher capex

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

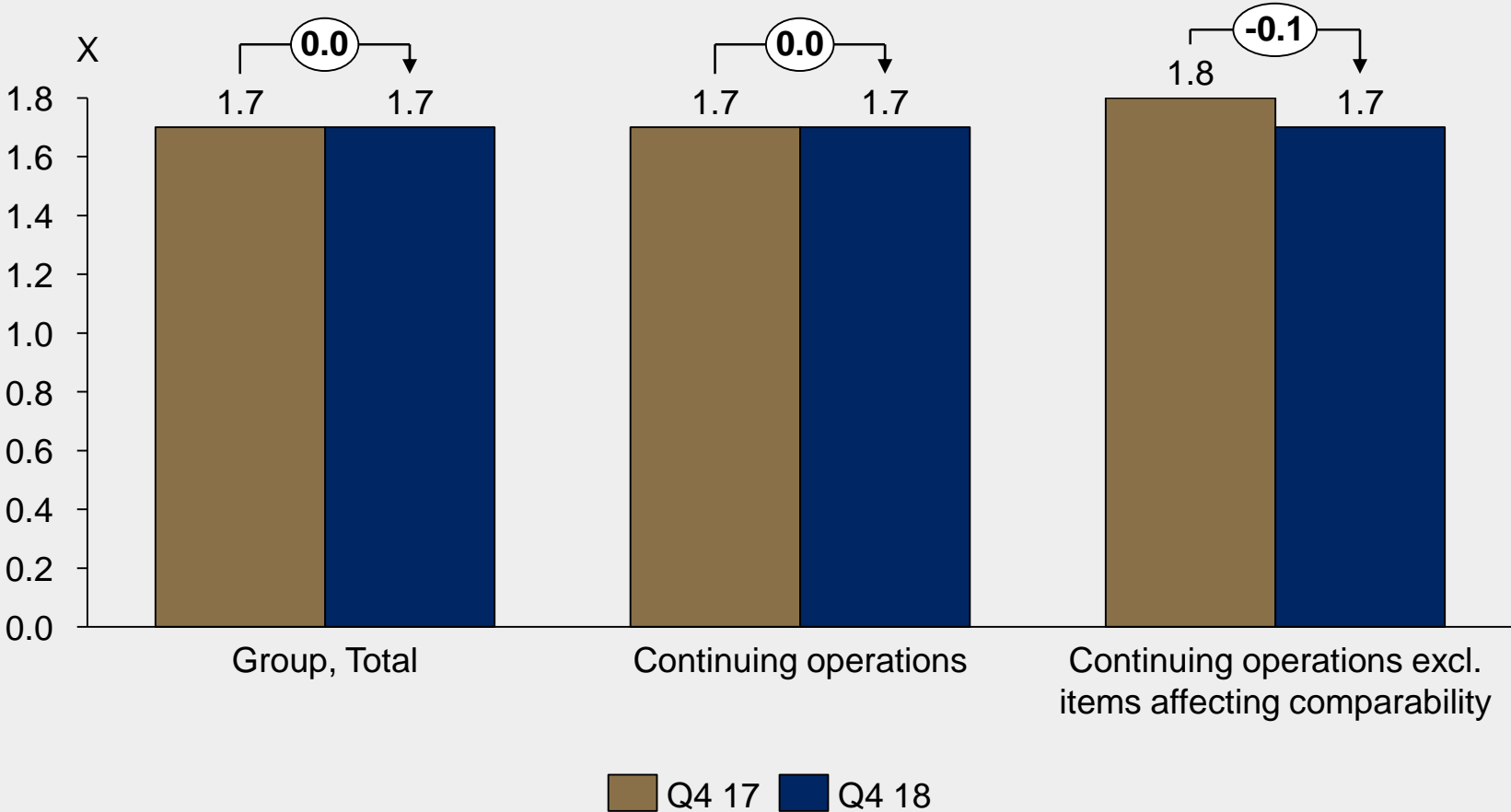


<sup>1</sup>Excluding items affecting comparability



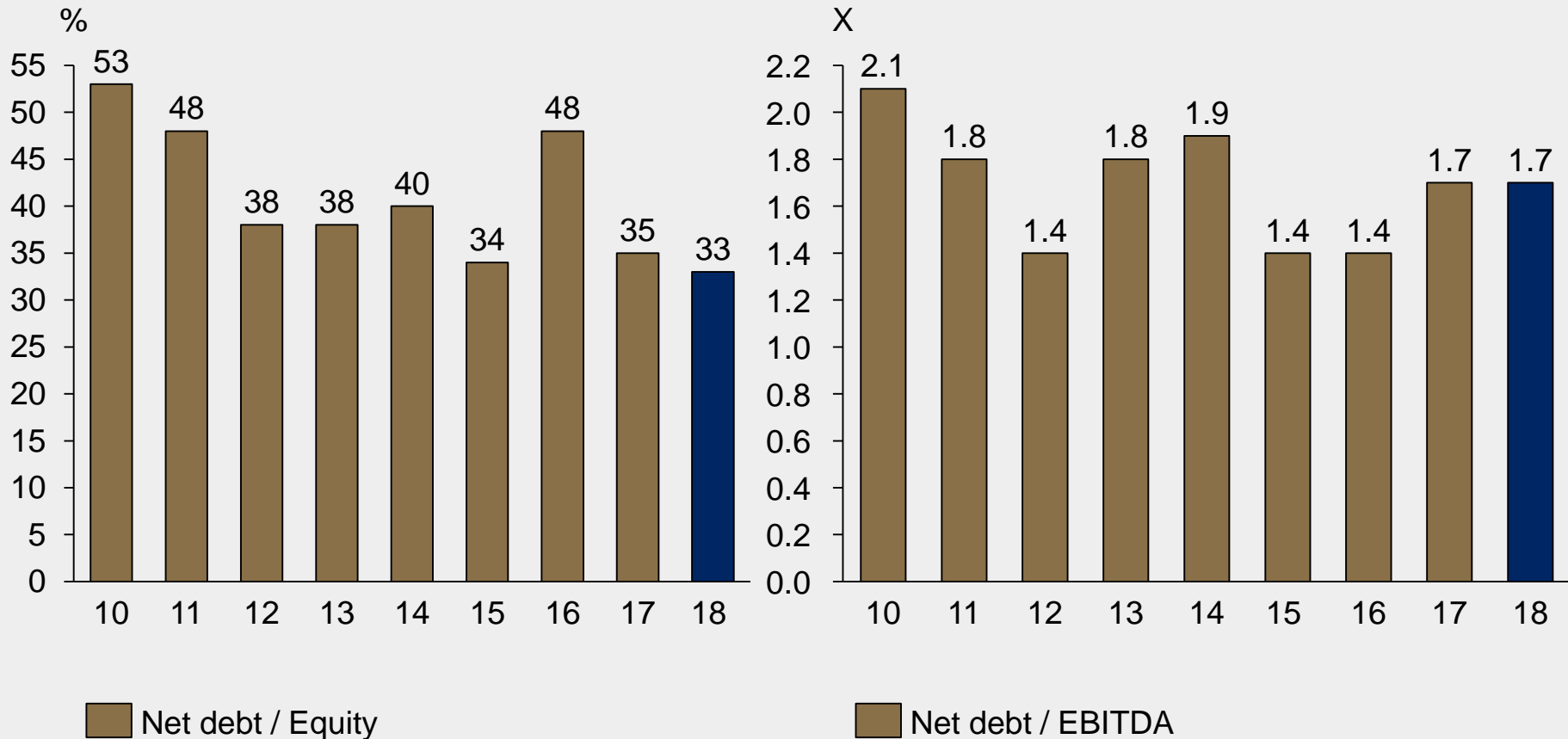
# Stable underlying leverage

Net debt / EBITDA, R12M



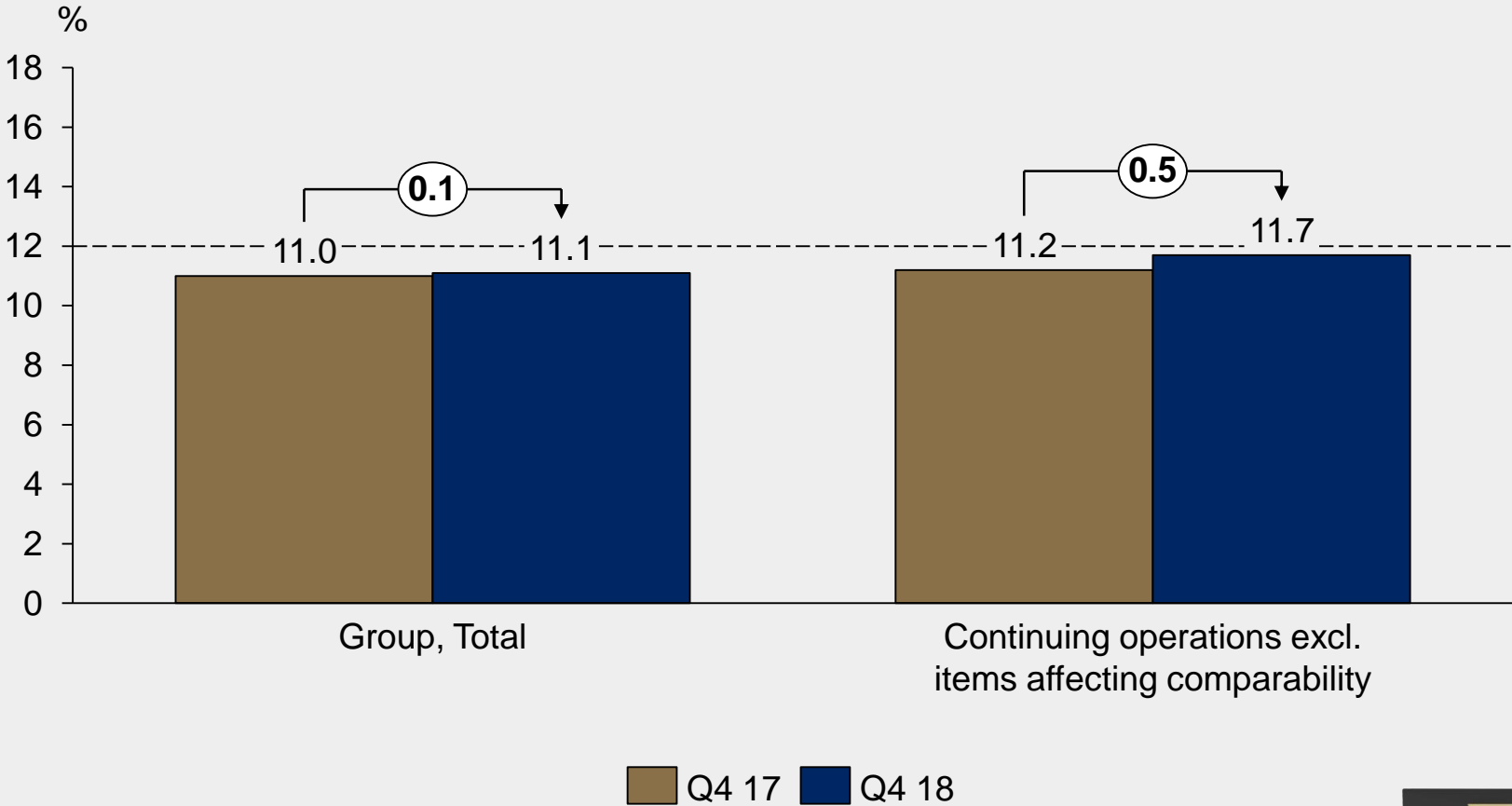
# Leverage and gearing at stable levels

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



# Slight underlying ROE improvement

## Return on equity, R12M





# Financial guidelines for full-year 2019

- 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

## 2019 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
- Manage constraints in supply chains
- Continued focus on innovations and smart use of new technology
- Integration of recent acquisitions

# Outlook Q1 2019

- Demand is expected to be on a par with, or somewhat lower than, the fourth quarter of 2018, adjusted for seasonal variations



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# Questions & Answers

