



# Trelleborg interim report

**July - September 2017**

Peter Nilsson, President & CEO

Ulf Berghult, CFO



# Agenda

Highlights

Business areas

Financials

Summary & Q4 2017 outlook

Q&A

# Stable earnings with good market trend

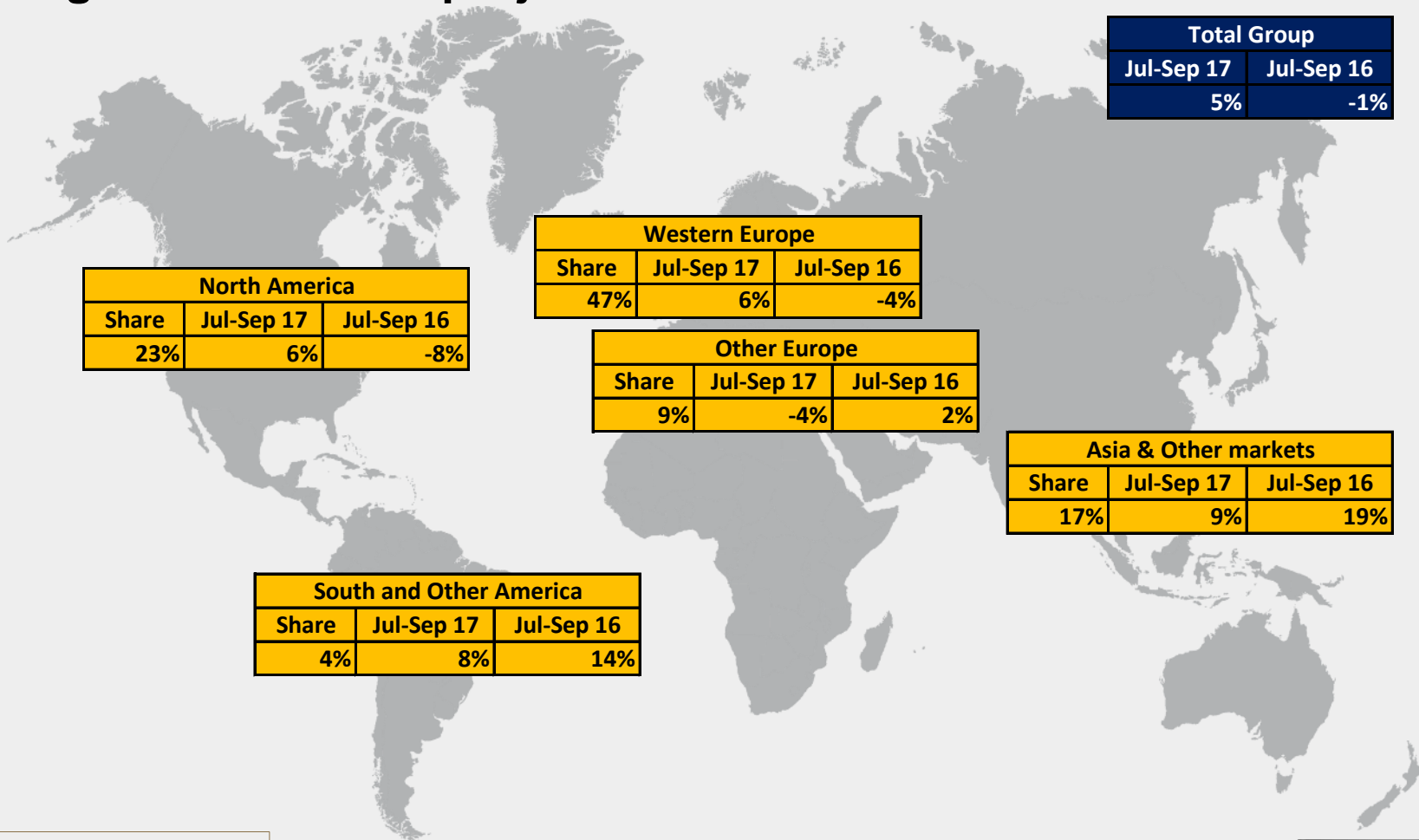
## Q3 2017 financial summary

- Sales at SEK 7 310 M, increase of 3 percent
- Organic sales grew by 3 percent. Excluding project deliveries, the organic sales increase was 5 percent
- Improving markets in most segments and geographies
- EBIT<sup>1</sup> up 1 percent, corresponding to a margin of 12.6 percent
- Operating cash flow at SEK 967, decrease of 9 percent
- R12M cash conversion at 95 percent



# Organic sales development by geography

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



Share = Actual 2016<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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# Organic decline – margins still hampered

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

- Organic sales: -2%
- Coated fabrics declined, impacted by individual market segments
- Printing blankets; growth in Asia, offset by lower sales in Europe and N.A.
- EBIT and EBIT-margin impacted by lower volumes and production disturbances in one unit

SEK M	Q3 2017	Q3 2016	Change, %
Net sales	565	596	-5
Organic, %	-2	-2	
Structural, %			
Exchange rate, %	-3	1	
EBIT	58	74	-22
EBIT, %	10.3	12.4	-2.1 p.p.

# Market conditions continue to improve

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

- Organic sales: +4%
- Improved markets in general
- Low activity in oil & gas
- All geographical regions improved
- EBIT improved on higher volumes and earlier acquisitions
- Focus on integration and strengthening AVS platform

SEK M	Q3 2017	Q3 2016	Change, %
Net sales	1 290	1 139	13
Organic, %	4	-5	
Structural, %	11	2	
Exchange rate, %	-2	-	
EBIT	128	111	15
EBIT, %	10.0	9.7	+0.3 p.p.

# Offshore oil & gas segment still challenging

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

- Organic sales: -14%
- Market situation remains challenging in offshore oil/gas
- Mixed development in infrastructure projects
- Proactive alignment to current market situation continues
- Earlier guidance of FY17 organic sales drop of ~10-20% still valid
- Q4 conditions expected to be similar to Q3

SEK M	Q3 2017	Q3 2016	Change, %
Net sales	698	837	-17
Organic, %	-14	-22	
Structural, %	-	8	
Exchange rate, %	-3	-4	
EBIT	-29	42	-169
EBIT, %	-4.2	5.1	



# Strong growth trend continues

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

- Organic sales: +8%
- All geographical and most market segment developed favorably
- Asian sales strong
- Solid development due to volumes and market positioning
- Peter Hahn new business area president from 1 January, 2018
- Decision to invest in a state-of-the-art plant in Denmark

SEK M	Q3 2017	Q3 2016	Change, %
Net sales	2 388	2 195	9
Organic, %	8	-1	
Structural, %	3	4	
Exchange rate, %	-2	-	
EBIT	533	470	13
EBIT, %	22.3	21.4	+0.9 p.p.

# Solid organic growth

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

- Organic sales: +7%
- Strong Agri OE sales in all regions
- Industrial & construction tires sales increased in most regions
- Compensating for higher raw material prices
- Integration progressing well
- EBIT increased on organic growth  
- margin impacted by mix

SEK M	Q3 2017	Q3 2016	Change, %
Net sales	1 992	1 855	7
Organic, %	7	1	
Structural, %	-	78	
Exchange rate, %	-	-	
EBIT	215	204	5
EBIT, %	10.8	11.0	-0.2 p.p.

# Preparing structure for integration by year-end

## Rubena Savatech<sup>1</sup>

- Operations will be integrated into existing business areas from year-end
- Deliveries and EBIT affected by high employment rates in CZ
- Integration costs
- Ongoing investments to increase capabilities and capacity

SEK M	Q3 2017	Q3 2016	Change, %
Net sales	446	450	-1
Organic, %	-3	-	
Structural, %	-	-	
Exchange rate, %	2	-	
EBIT	33	55	-40
EBIT, %	7.4	12.1	-4.7 p.p.



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Highlights

Business areas

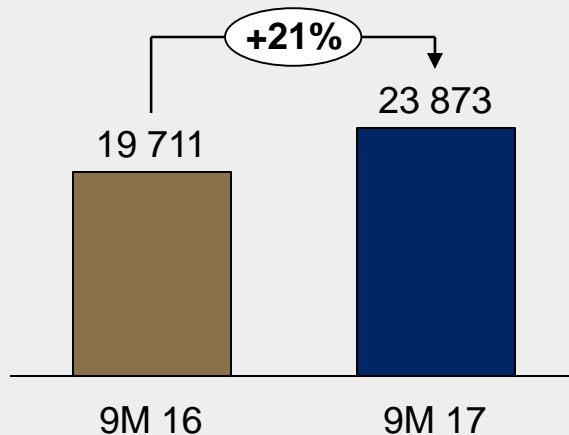
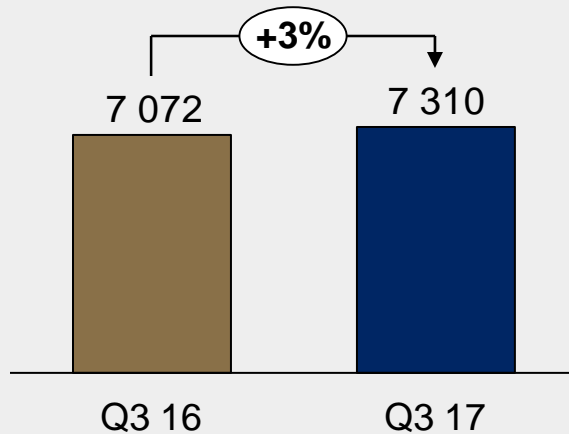
Financials

Summary & Q4 2017 outlook

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# Organic growth continues

## Sales development



### July - September [%]

Organic	3
Structural	2
Currency	-2
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Total	3

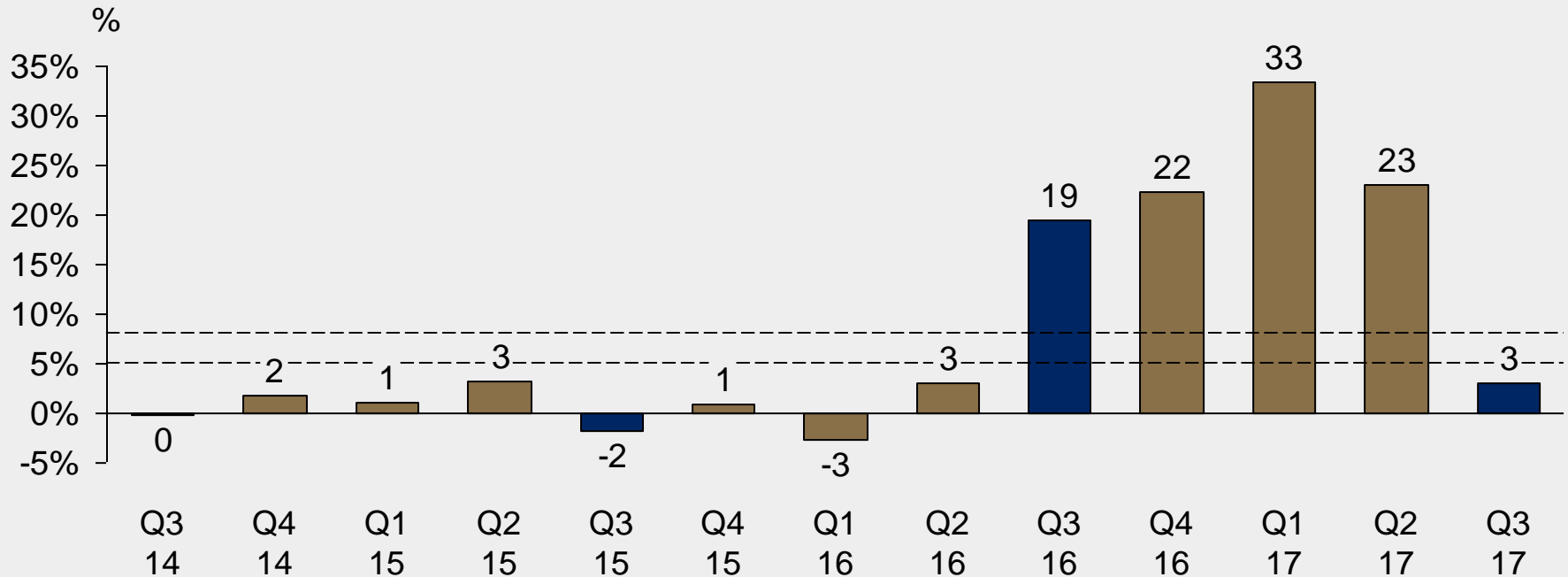
### January - September [%]

Organic	3
Structural	17
Currency	1
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Total	21

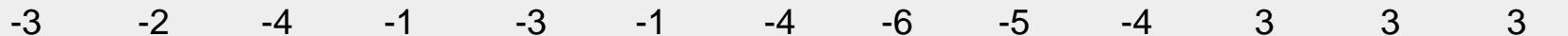


# Organic growth continues

Target: Sales growth of 5-8% over a business cycle

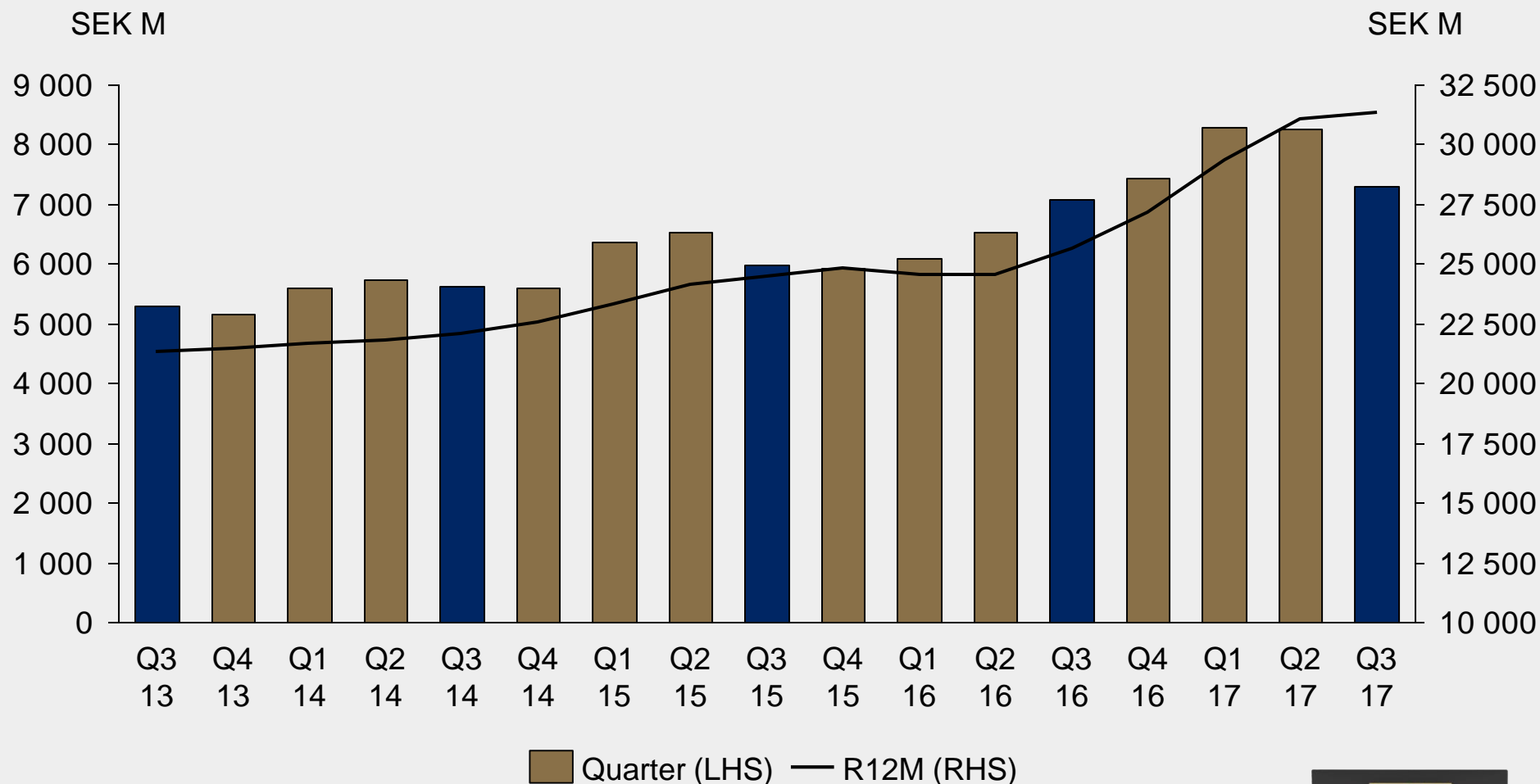


*Of which organic growth, %:*



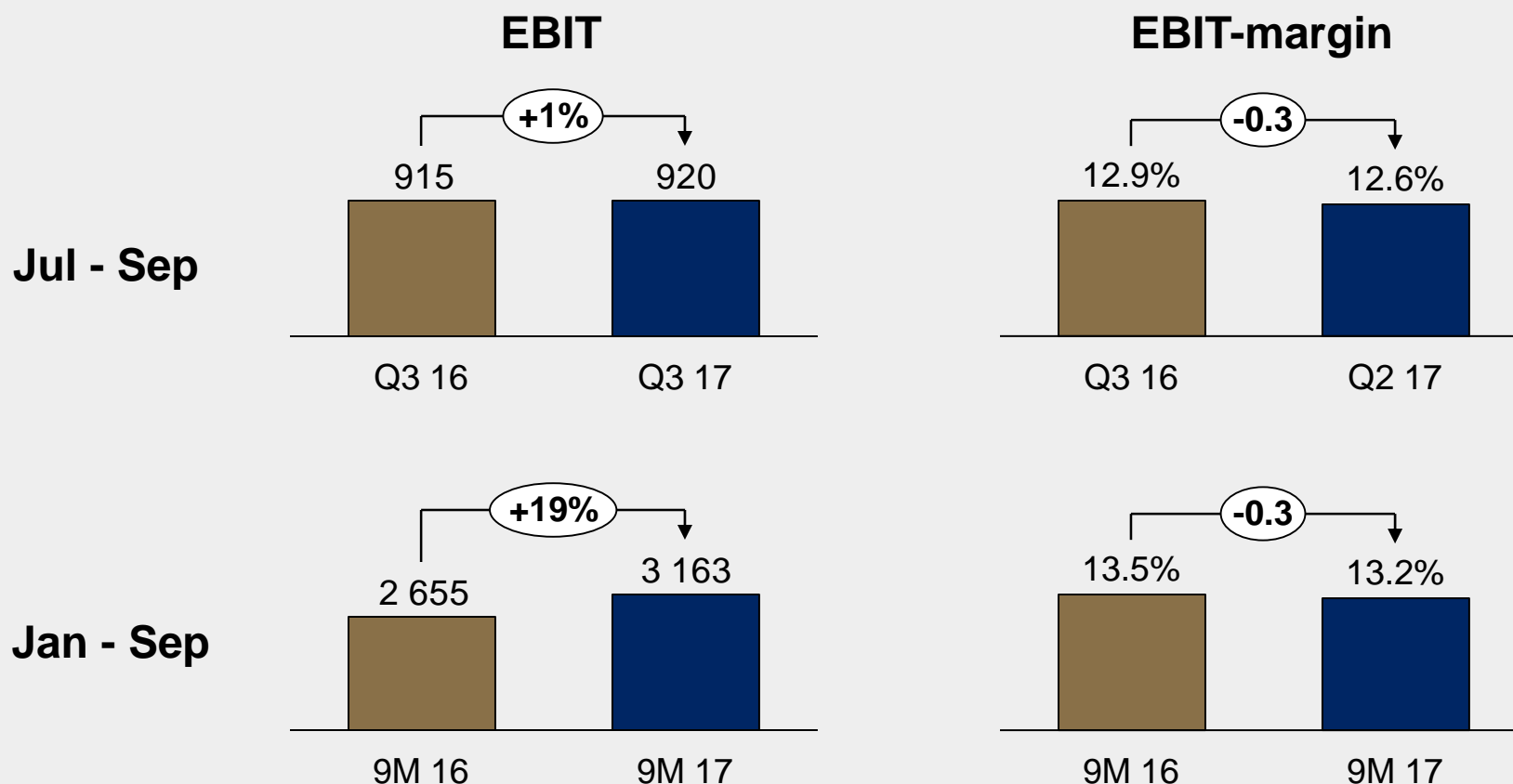
# Strongest Q3 sales to date

## Sales development, R12M



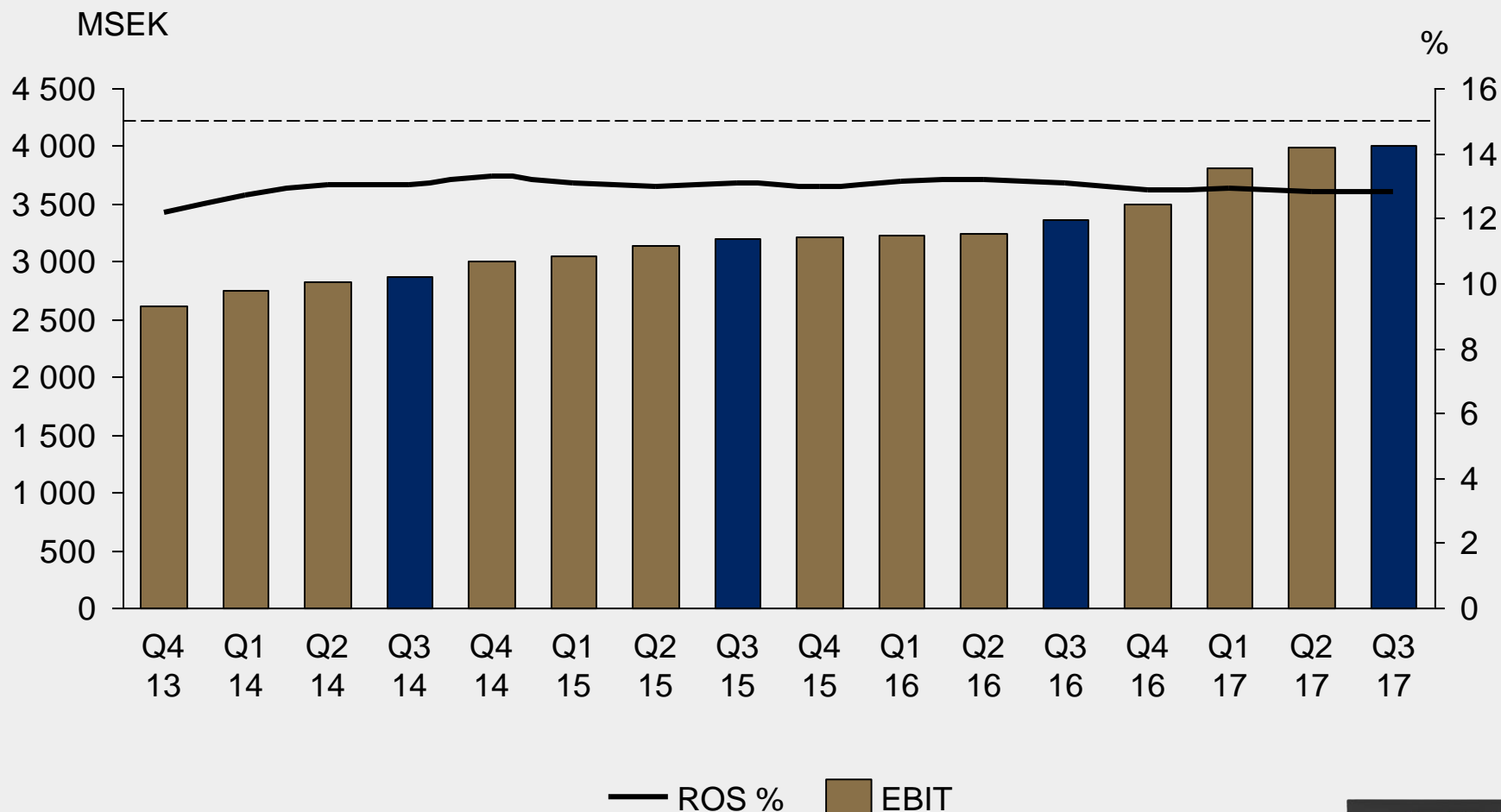
# Loss in oil & gas segment hampers EBIT-margin

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



# Eighteen quarters of improved profits

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



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

# Total Group

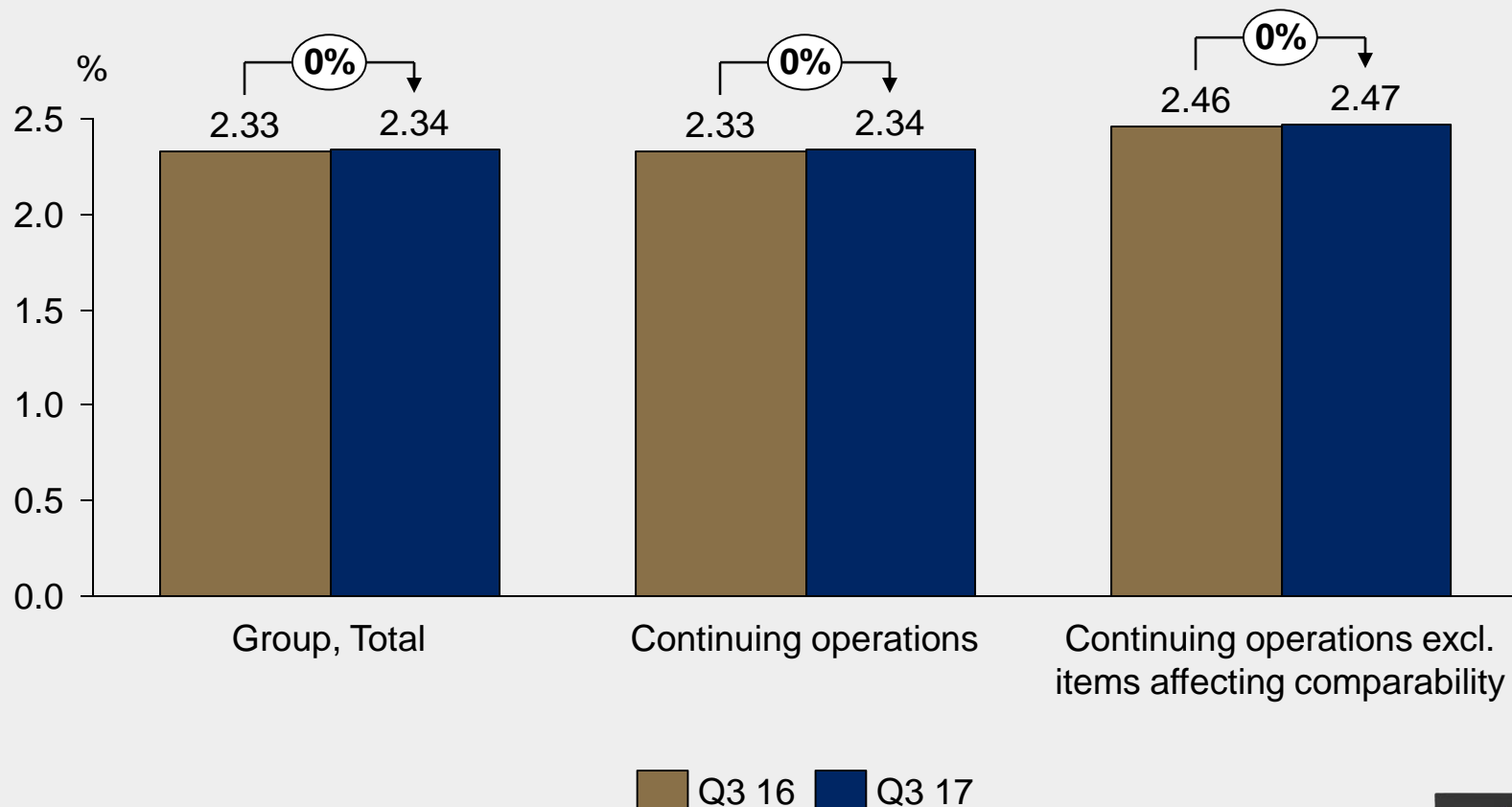
## Profit & loss statement

July - September			SEK M	January - September		
2017	2016	Change %		2017	2016	Change %
920	915	1	EBIT, excl. items affecting comparability	3 163	2 655	19
12.6%	12.9%	-0.3 p.p.	EBIT-margin	13.2%	13.5%	-0.3 p.p.
-45	-51	12	Items affecting comparability <sup>1</sup>	245	-273	190
875	864	1	EBIT	3 408	2 382	43
-66	-46	-43	Financial income and expense	-173	-156	-11
809	818	-1	Profit before tax	3 235	2 226	45
-174	-187	7	Taxes	-634	-529	-20
635	631	1	Net Profit, continuing operations	2 601	1 697	53
0	0		Net Profit, discontinuing operations <sup>2</sup>	0	4 369	
635	631	1	Net Profit, Total Group	2 601	6 066	-57



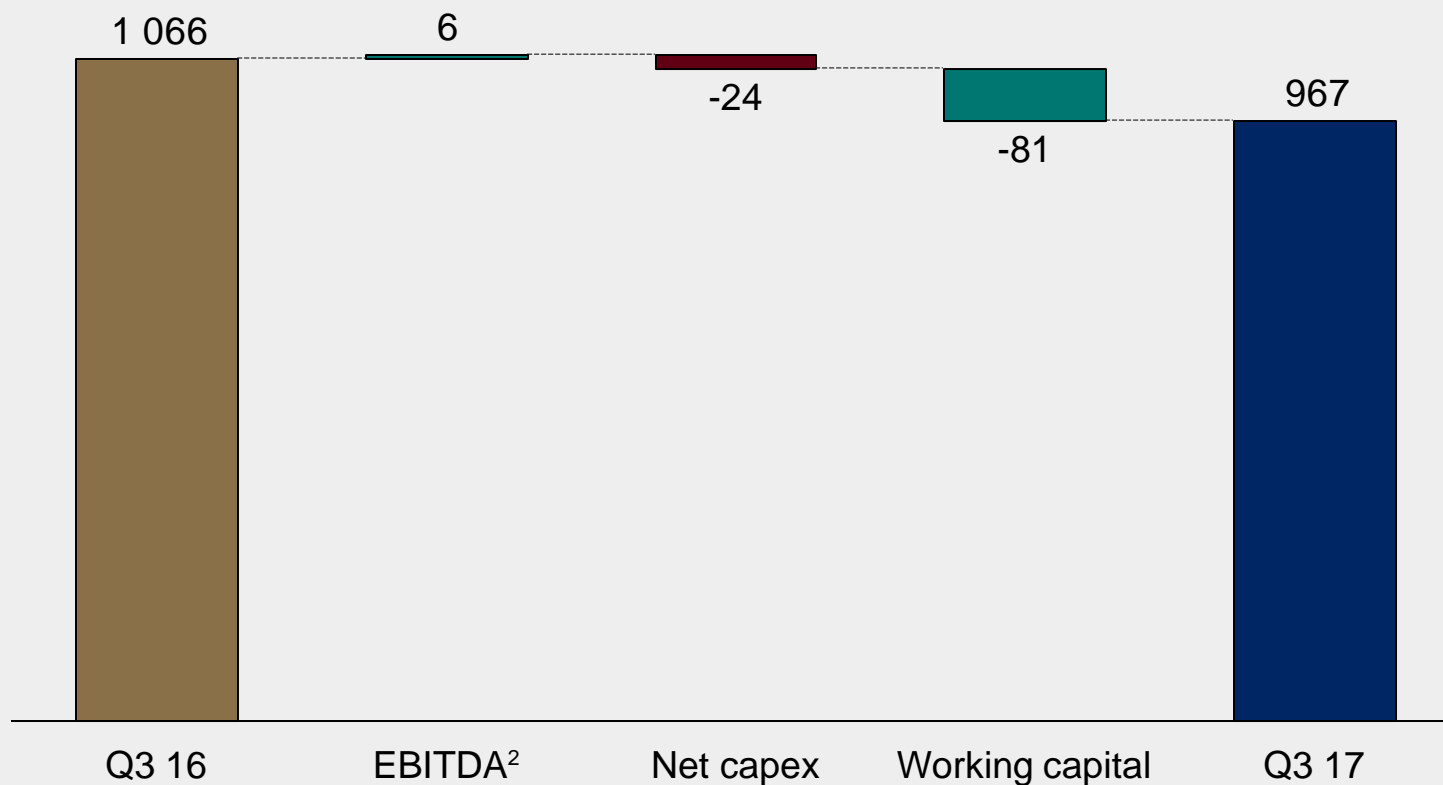
# Slight EPS increase

## Earnings per share



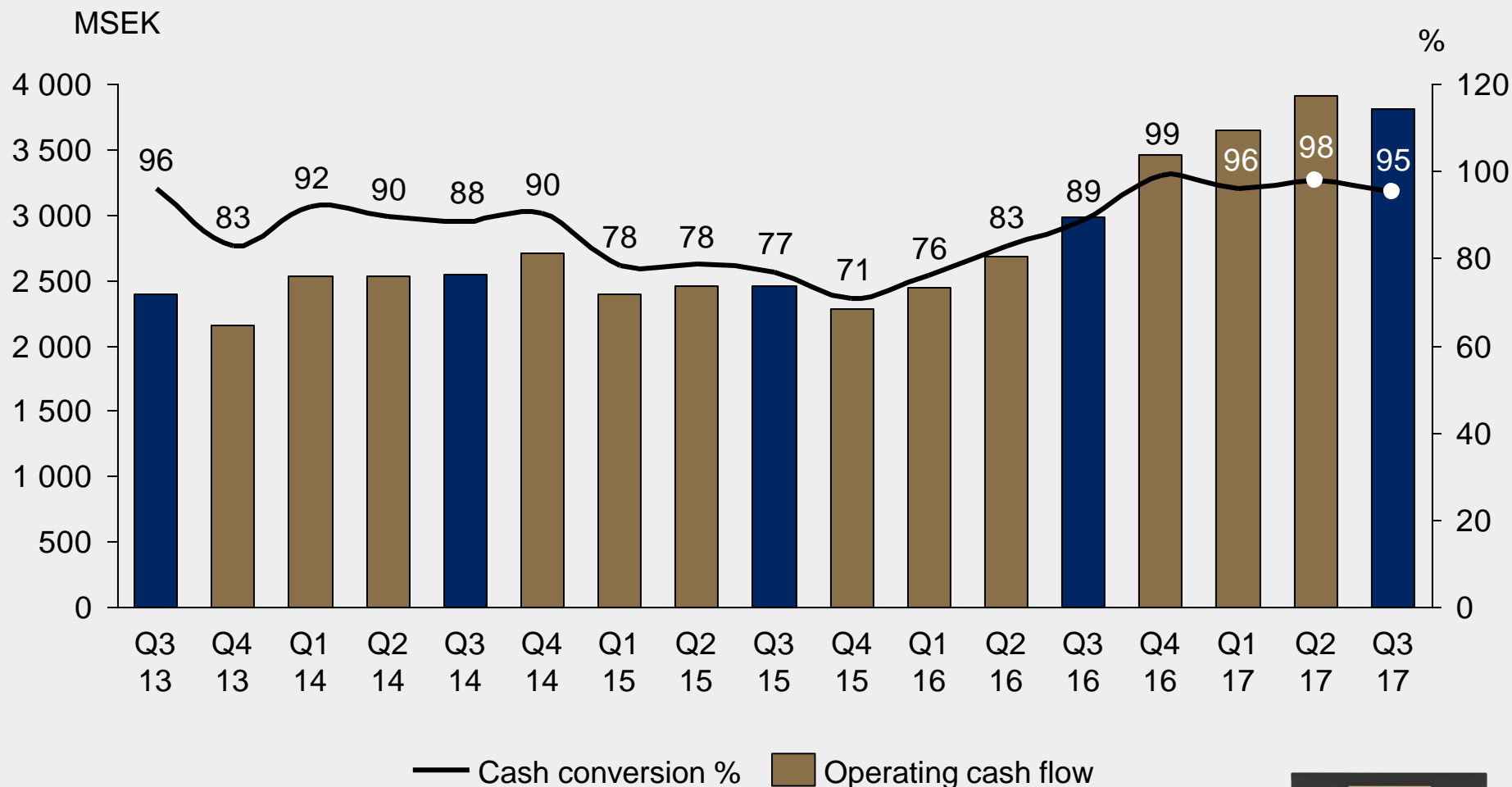
# Cash flow slightly below last year, but still on good level

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



# Continued focus on cash conversion

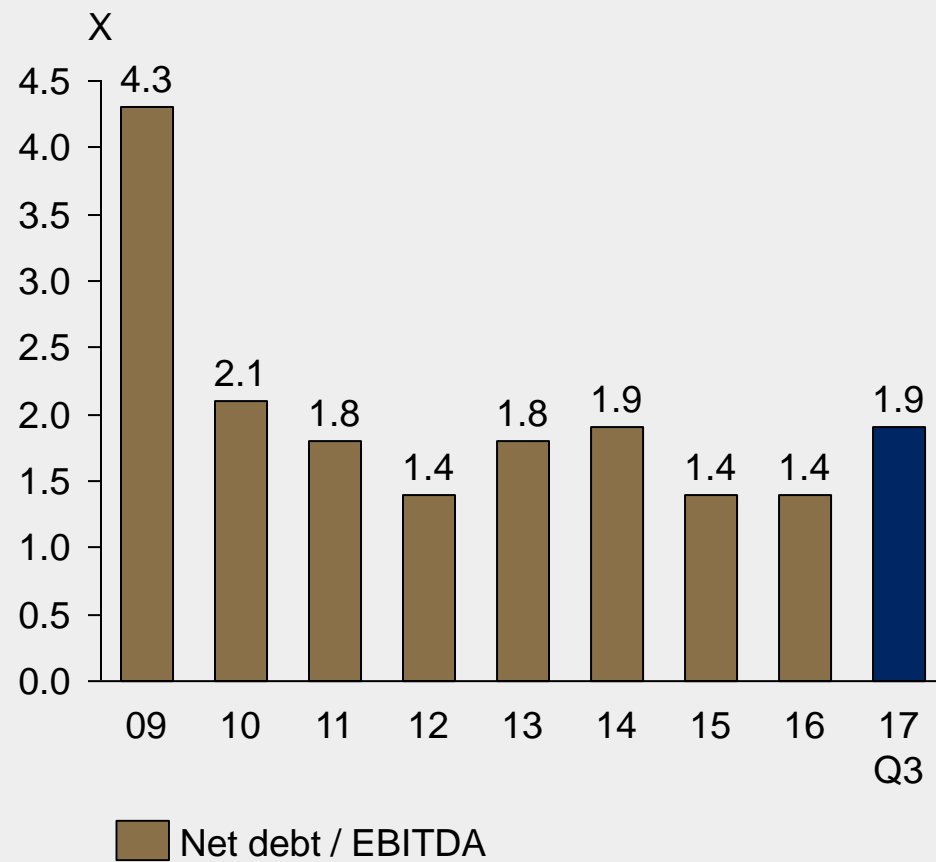
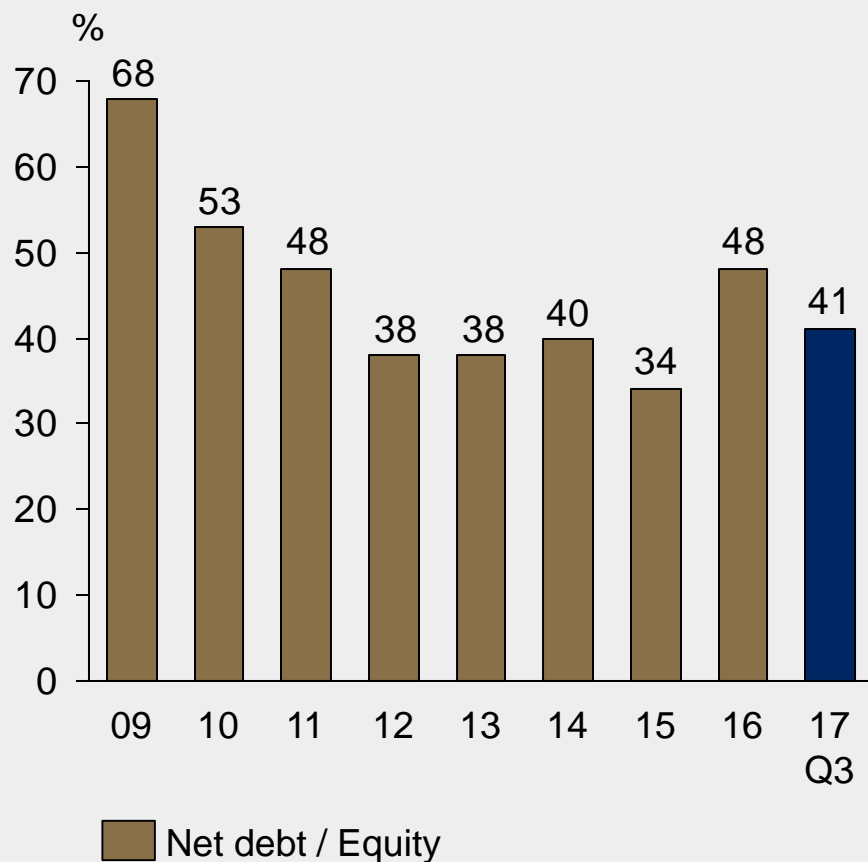
## Operating cash flow, R12M<sup>1</sup>



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

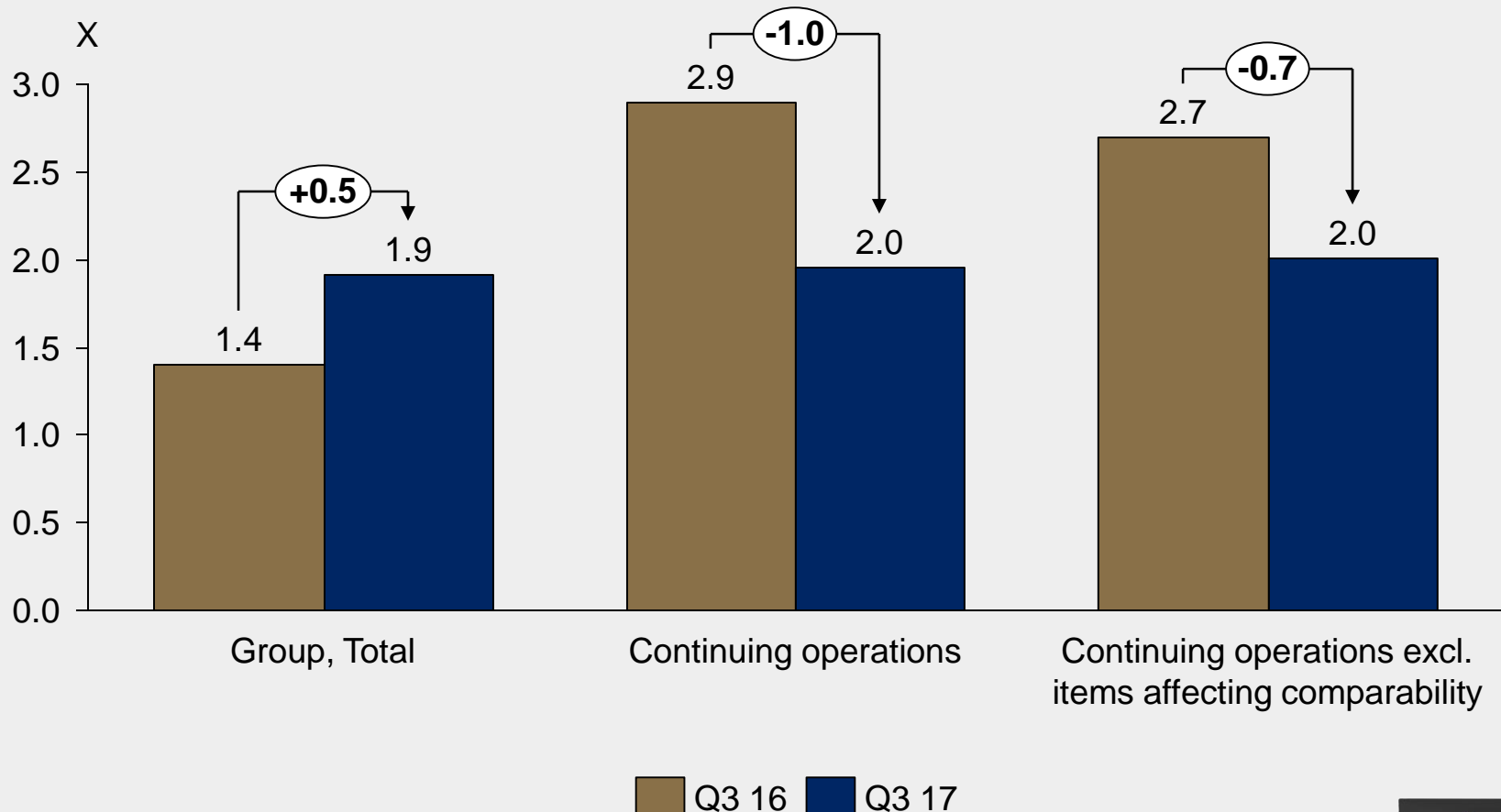
# Steadily decreasing leverage

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



# Steadily decreasing leverage

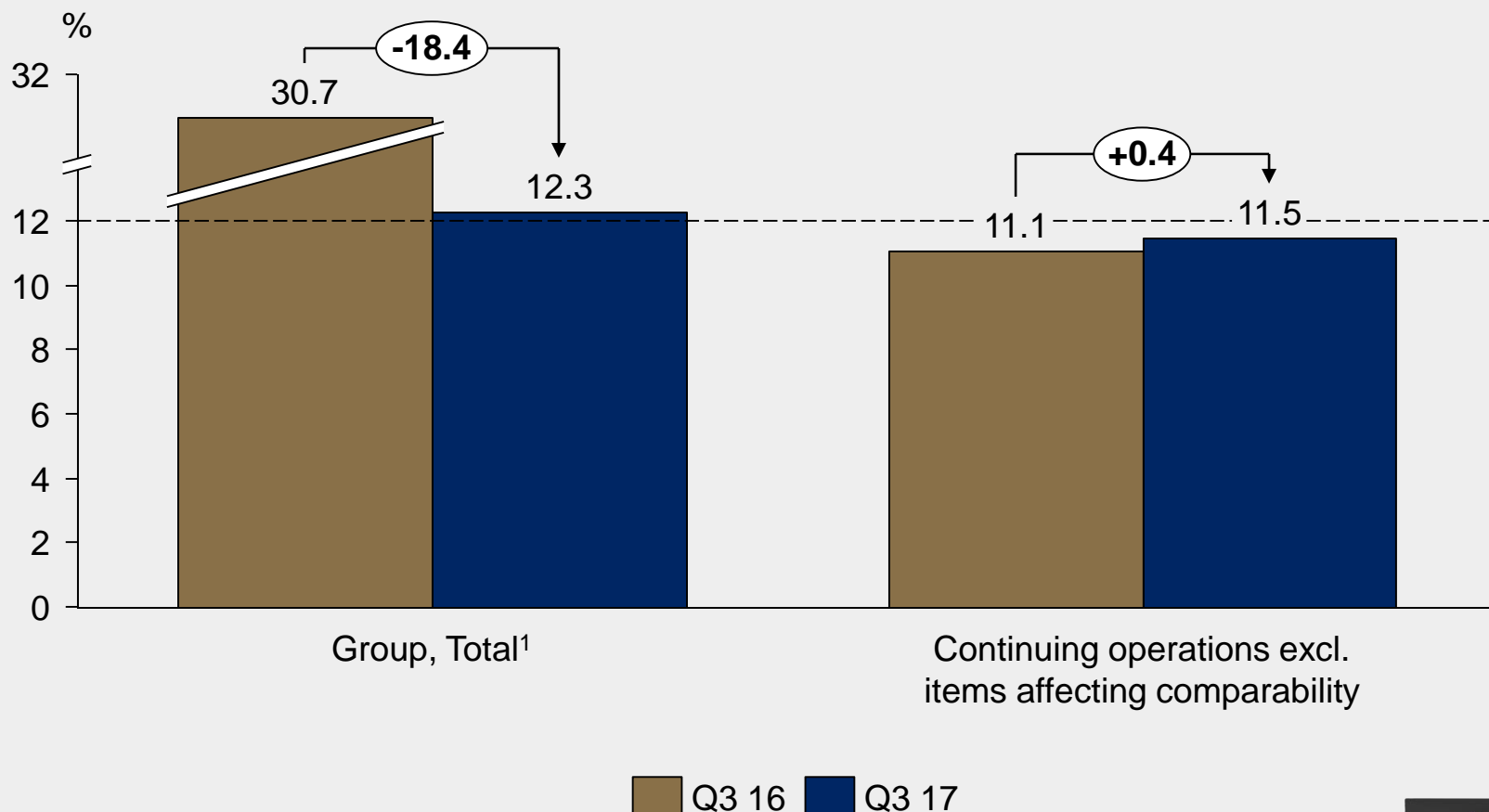
Net debt / EBITDA, R12M





# Underlying ROE moving towards target

## Return on equity, R12M





# Financial guidelines for full-year 2017

- Capex: SEK ~1,500 – 1,700 M
- Restructuring costs: SEK ~350 – 450 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

## 2017 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 use of new smart technology
- Integration of CGS and other recent acquisitions



# Outlook Q4 2017

- Demand is expected to be on a par with, or slightly better than, the third quarter of 2017, adjusted for seasonal variations



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# Questions & Answers