

schouw+co

Schouw & Co. Full Year 2017

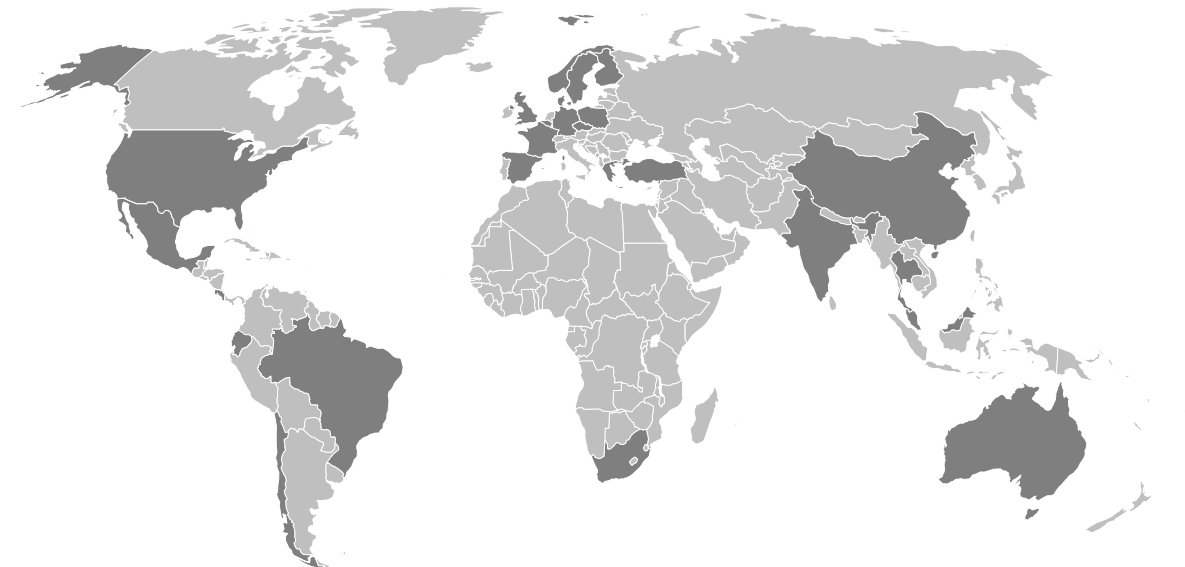
Investor presentation

MARCH 2018

CEO JENS BJERG SØRENSEN | IR KASPER OKKELS

Schouw & Co. value proposition

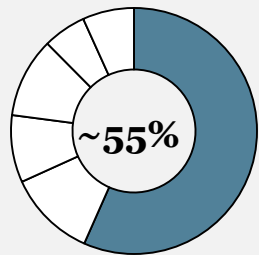
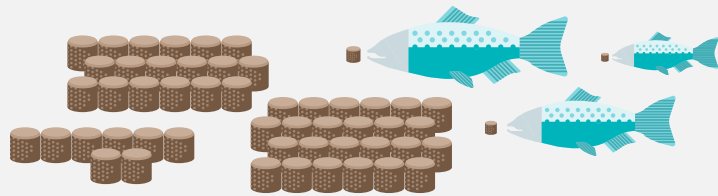
- 1 **Diversified portfolio**
- 2 **Leading B2B businesses**
- 3 **Active/long-term ownership**
- 4 **Europe based, global outlook**
- 5 **ROIC focused**
- 6 **Financially strong**



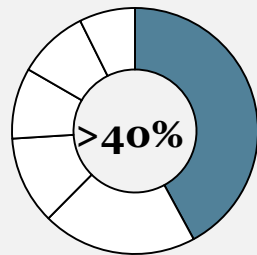
The portfolio

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Fish Feed

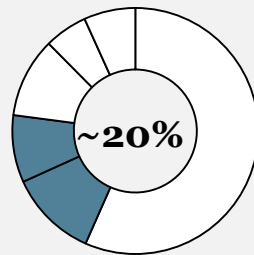
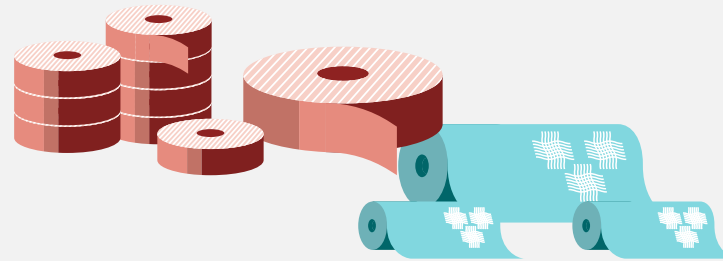


of 2018E sales

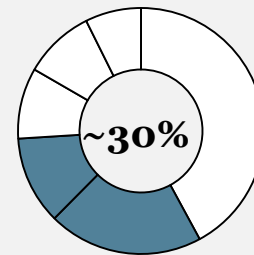


of 2018E EBITDA

Nonwovens

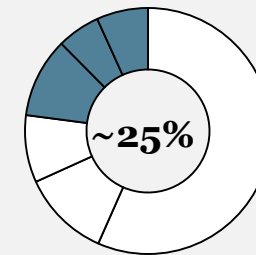
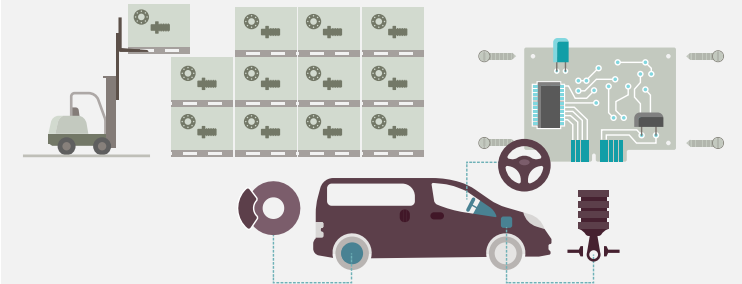


of 2018E sales

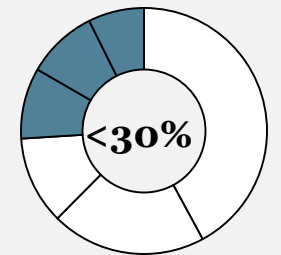


of 2018E EBITDA

Industrial solutions



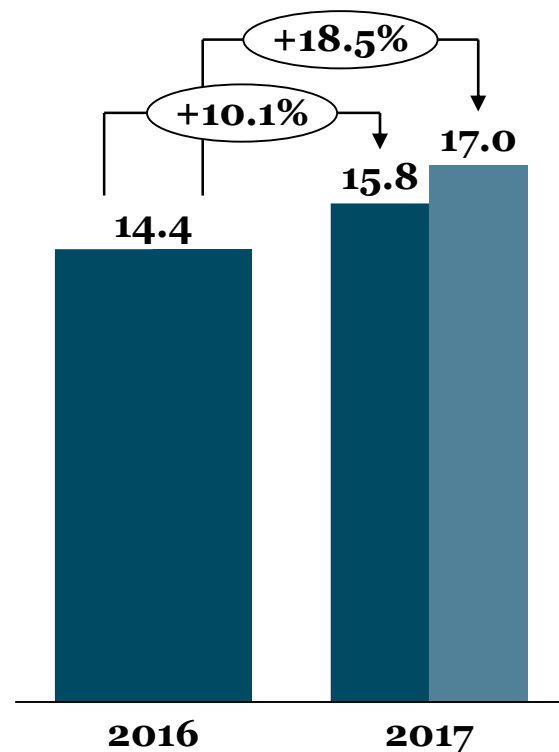
of 2018E sales



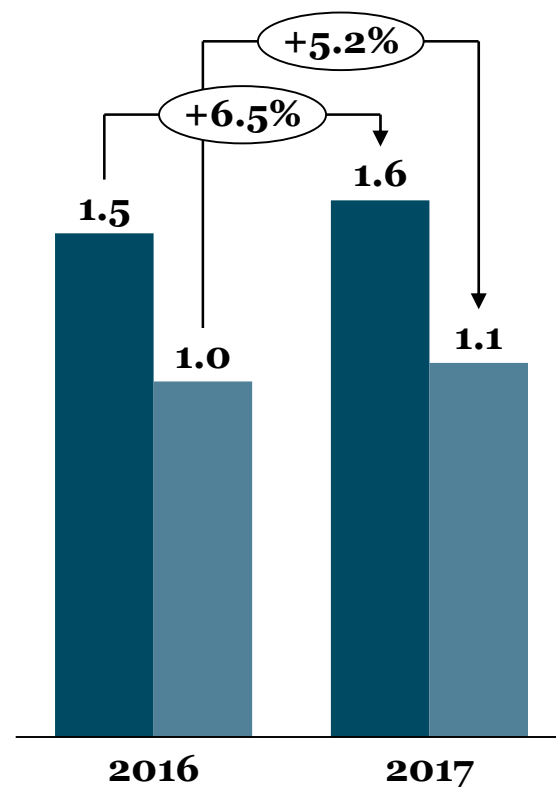
of 2018E EBITDA

2017 financial highlights

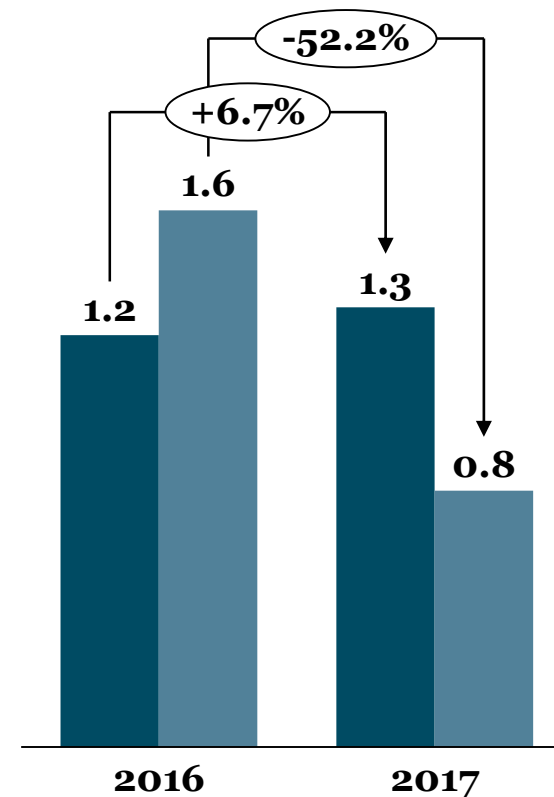
Revenue



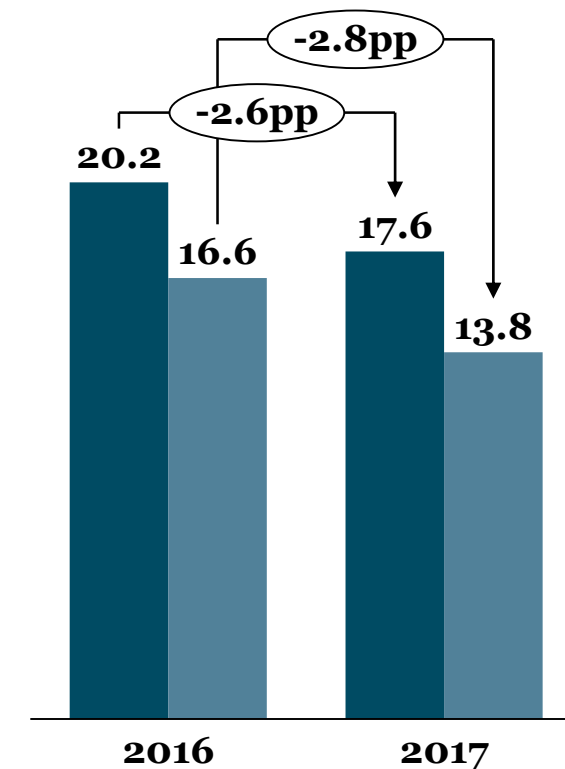
Profit



Cash Flow



Return



Organic revenue
Total revenue

EBITDA
EBIT

CF Op. before NWC
CF from Operations

ROIC excluding GW
ROIC including GW

2017 operational highlights

Acquisitions

Borg Automotive became 6th portfolio leg in April 2017

EV 100%
DKK
~1.1bn

Alimentsa gives strategic foothold in shrimp for BioMar

EV 70%
DKK
~800m

BHE part of Nordic EMS consolidation in GPV

EV 100%
DKK
~40m

In 2018, **FIN** acquires Brazilian peer to grow with auto customers

EV 100%
DKK
~80m

Capex

BioMar builds world's biggest fish feed site in Karmøy

Capex
DKK
~350m

FPC establishes new site in Malaysia and adds 20kt capacity

Capex
DKK
~400m

GPV announces multi-year extension of its Thailand site

Capex
DKK
+200m

Competition

BioMar faces price pressure especially in Norway, offset by increasing market share

FPC sees period of over capacity in Europe, hence focus on NPI and innovation

FX and **raw material** prices remain volatile and affect competitiveness

Innovation

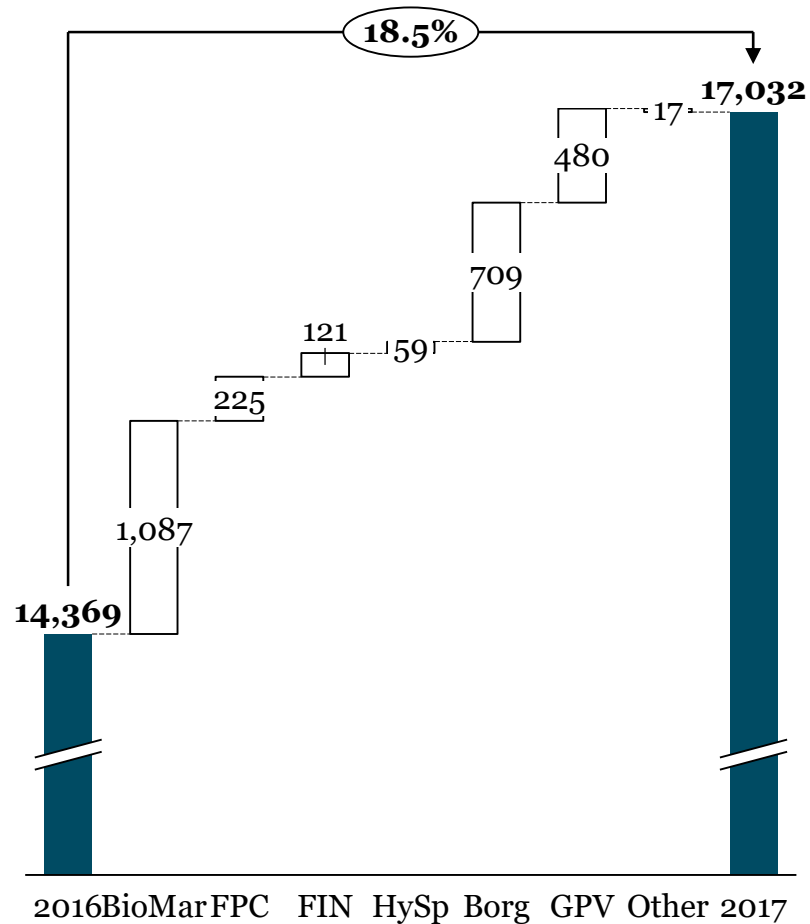
BioMar introduces Omega3 rich feed based on sustainable algae products

FPC patents a super-soft and cloth-like material called Fibertex Loft

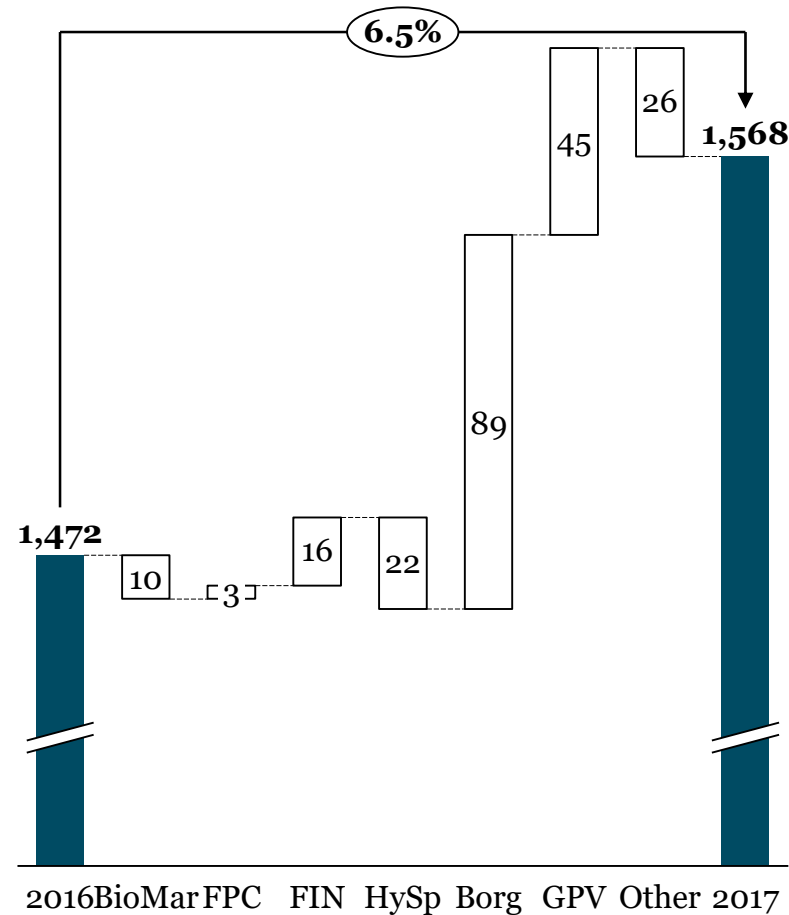
FIN develops filtration solutions based on nano technology

Across all businesses: growth but less cash generation

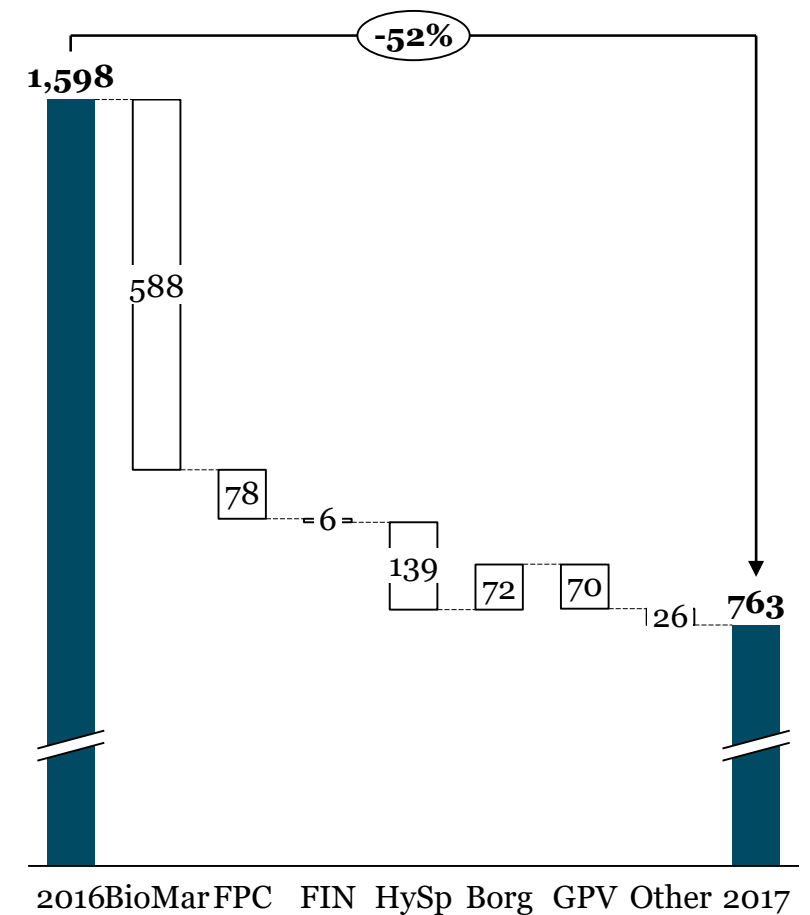
Revenue (DKK billion)



EBITDA (DKK million)



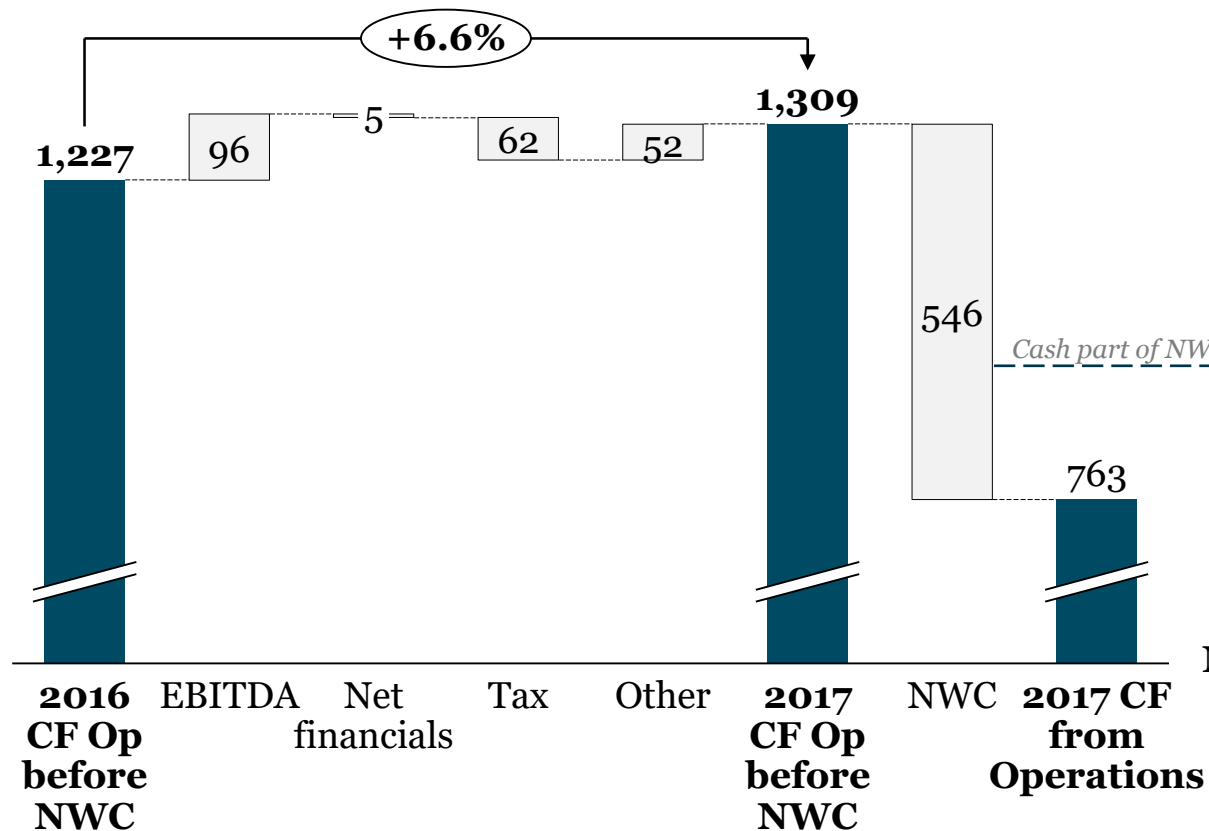
Cash Flow Operations (DKK billion)



Cash Flow generation

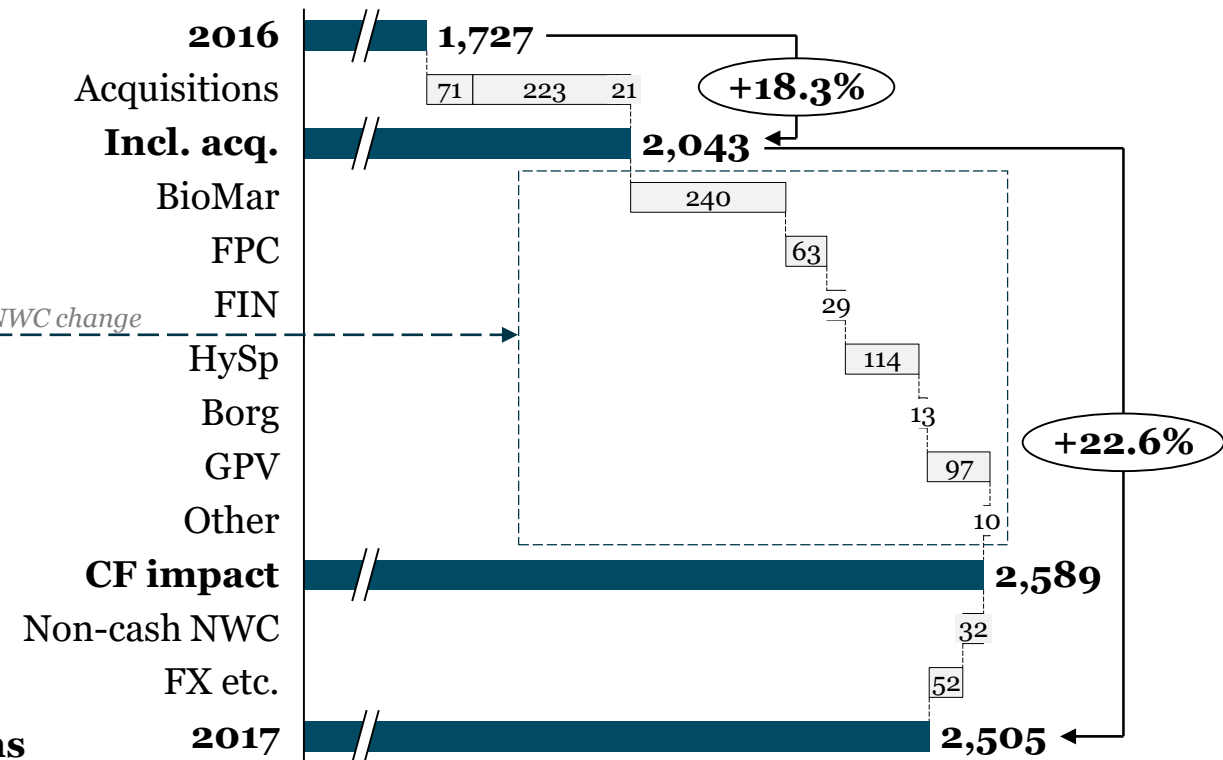
Operational Cash Flow (DKK million)

Underlying Cash Flow from Operations increases, but significant negative impact from NWC



Net Working Capital (DKK million)

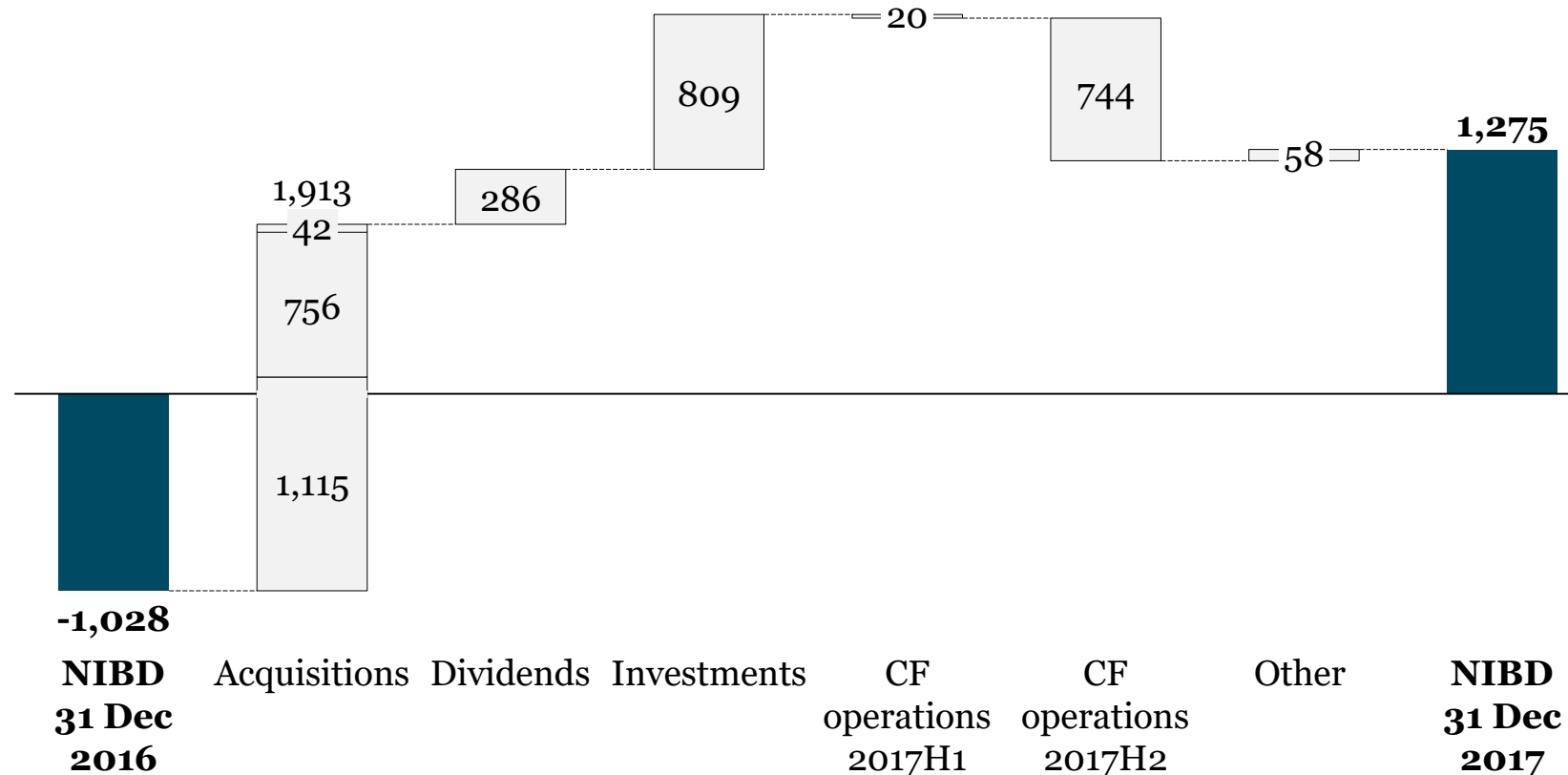
NWC increase follows higher activity. Significant less attractive to use Supply Chain Financing in BioMar.



NIBD development

Net Interest-Bearing Debt (DKK million)

NIBD increases mainly from acquisitions, high capex and low cash flow generation in H1



Selected investments¹

BioMar expansion in Karmøy, Norway
DKK ~350m

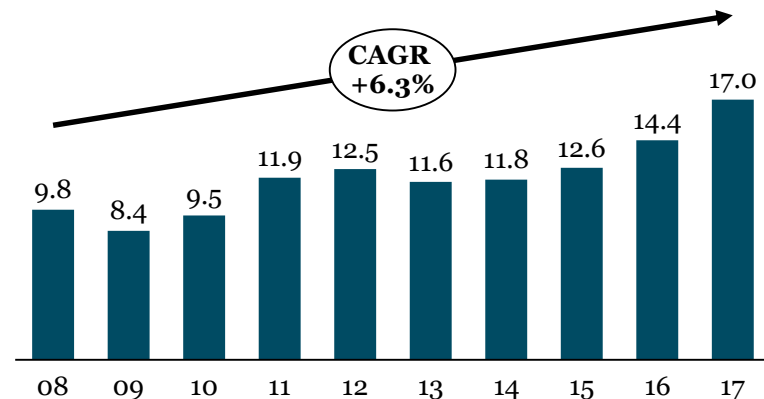
Fibertex Personal Care in Sendayan,
Malaysia DKK ~400m

Fibertex Nonwovens expansions and line
upgrades DKK ~125m

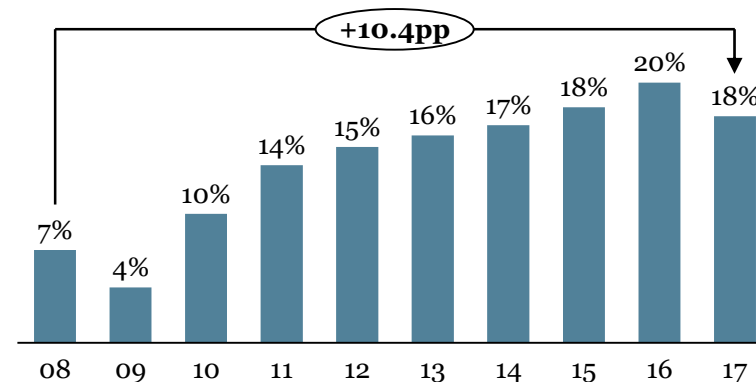
GPV in Guadalajara, Mexico and new SMT
capacity DKK ~50m

10 years of development

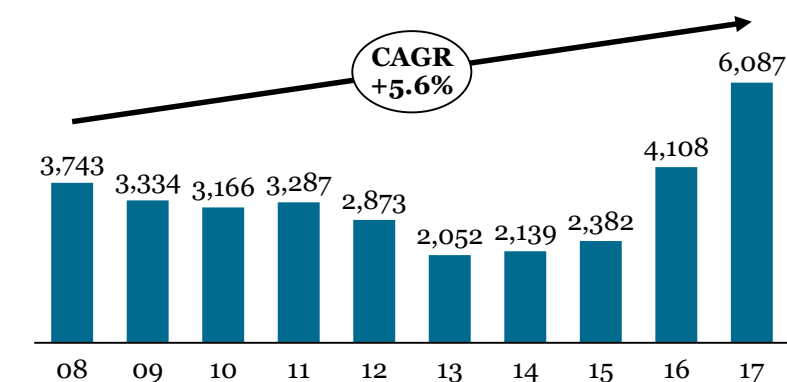
Revenue (DKK bn)



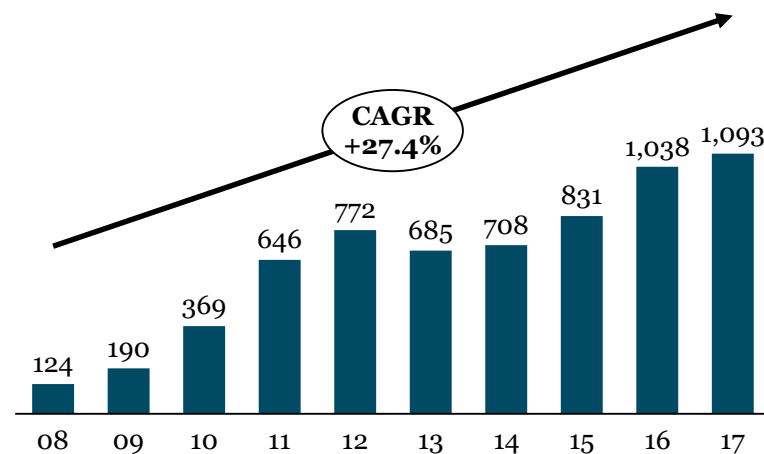
ROIC ex goodwill



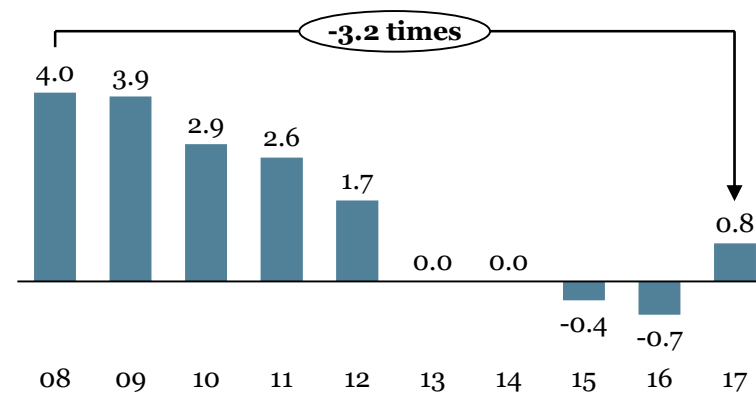
FTEs (yearly average)



EBIT (DKK m)



NIBD/EBITDA



Market Capitalisation (end of year)



Delivering on our strategic goals

GROWTH




Considerable growth every year

PROFIT



Benchmark level profitability

RETURN



ROIC > 15% (dependent on risk)

GEARING



Investment grade capital structure

DIVIDENDS

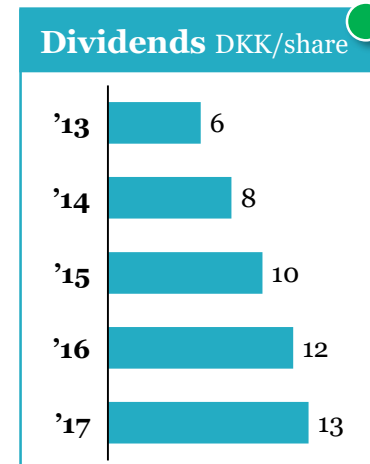
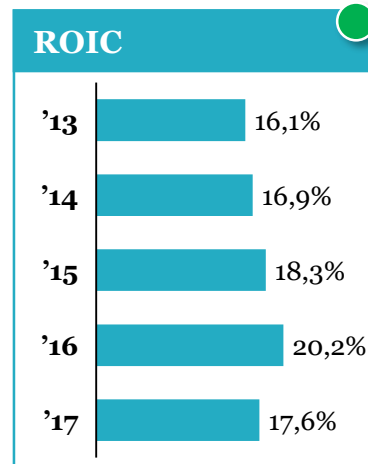
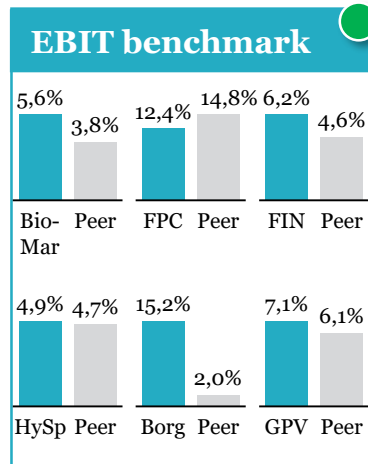
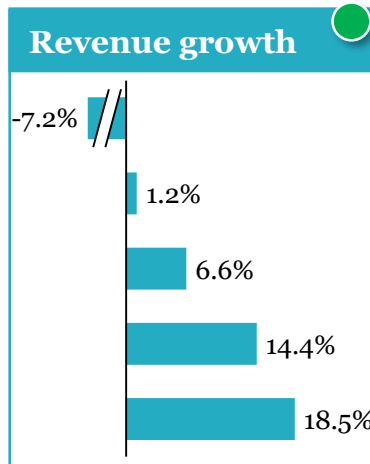


Constant or increasing dividends

PORTFOLIO



5-7 strong businesses



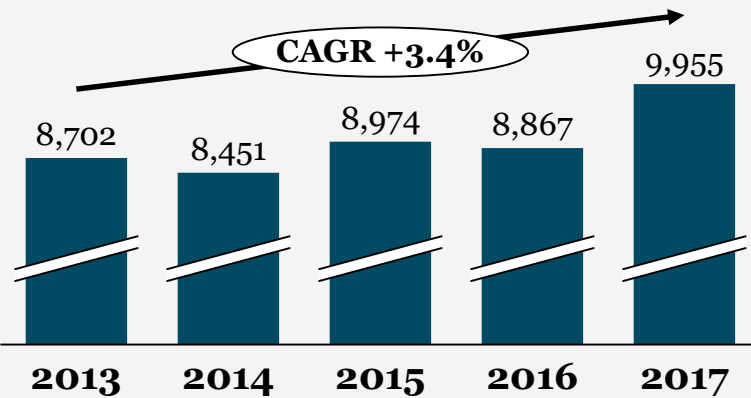
Portfolio



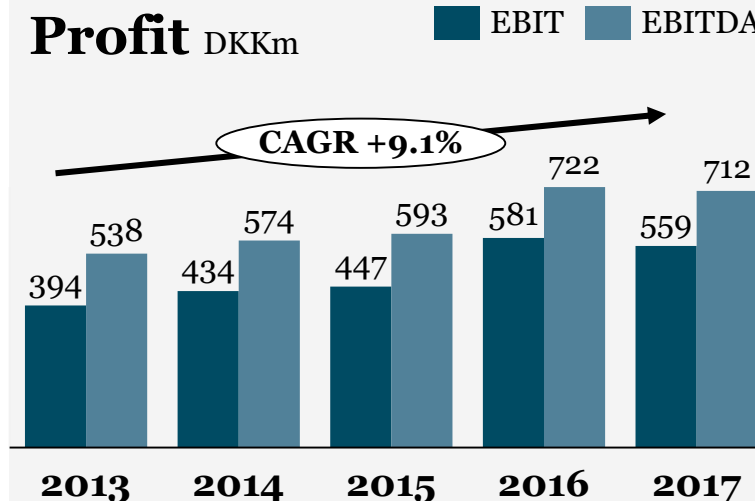
- BioMar
- FIBERTEX PERSONAL CARE
- Fibertex NONWOVENS
- HydraSpecma Group
- GPV
- BORG AUTOMOTIVE

BioMar: Strong salmon but tough competition

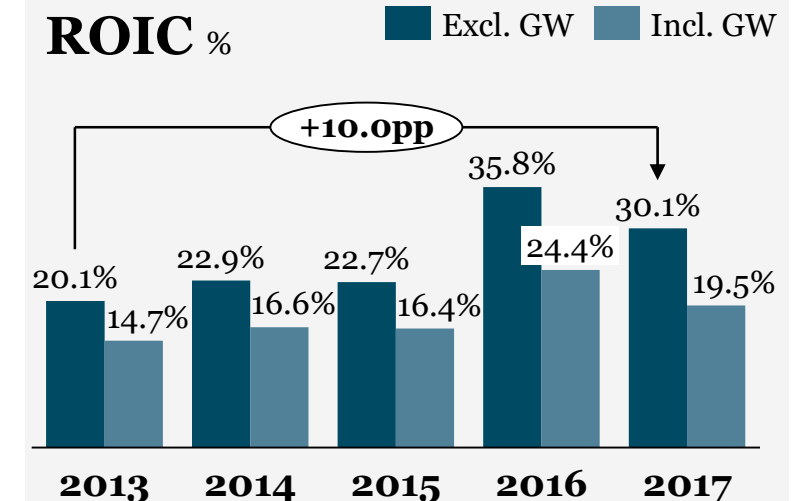
Revenue DKKm



Profit DKKm



ROIC %



Financials

- Significant volume growth of 20%
- All divisions contribute to growth, but especially salmon region increases
- Very strong Q4 – better than expected
- EBIT at 2016 level which was significantly affected by one-off income
- ROIC declines but remains very attractive
- NWC negatively affected by changed use of Supply Chain Financing

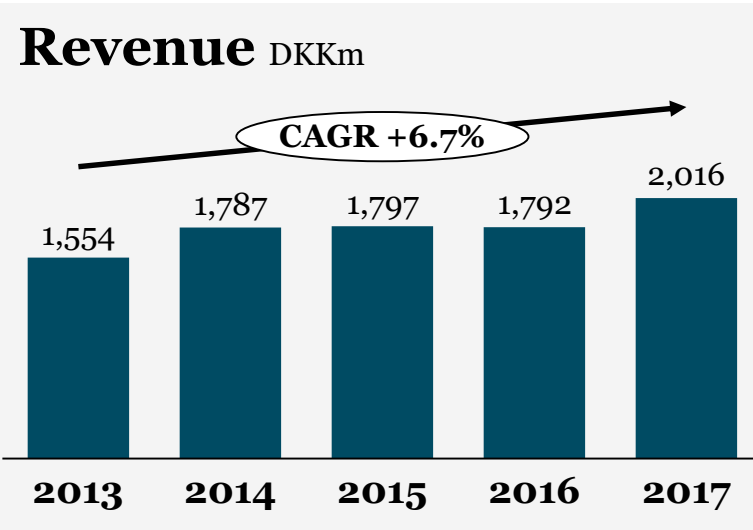
Segments

- Increase in market share in salmon
- Price competition in Norway remains tough – no change since 2017 Q3
- Very strong profitability in EMEA
- Ecuador significant contributor to EBIT
- Salmones Austral (23% non-core ownership) in significant progress (2017 EBITDA DKK 380m, NIBD DKK 500m)
- Non-consolidated 50% JVs (China/Turkey) revenue DKK ~700m, EBIT DKK ~40m

2018 outlook

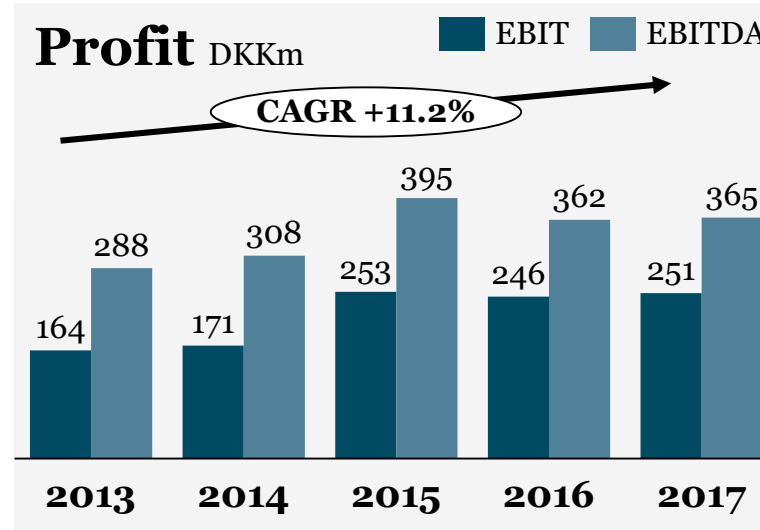
- Volume growth driven by new capacity and full-year effect from Ecuador
- Increased market share in Norway will offset price pressure
- Innovation and NPI to drive future growth
- Growth in non-consolidated JVs
- 2018 sales expected at DKK 10-10.5bn
- 2018 EBITDA increase to DKK 720-770m

FPC: Growth in Asia and pressure in Europe



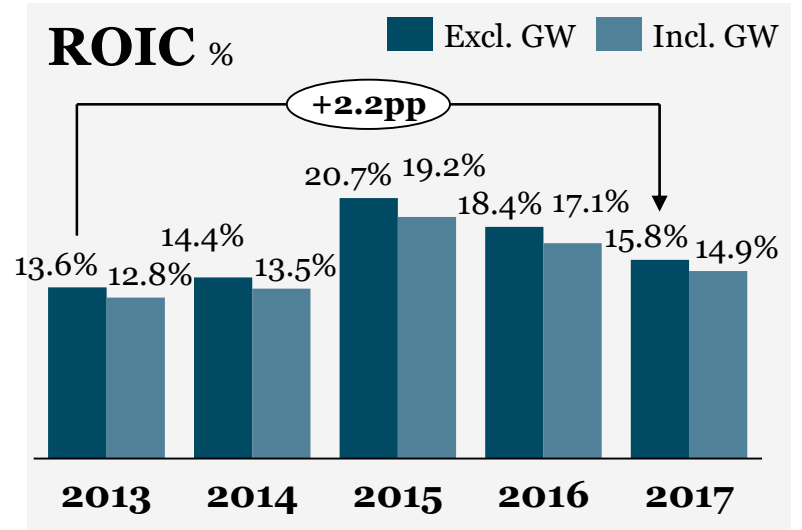
Financials

- Strong Q4 with sales 20% above 2016Q4
- 2017 growth driven by volume increase in Malaysia and expansion of print business
- Attractive ROIC despite huge investments



Segments

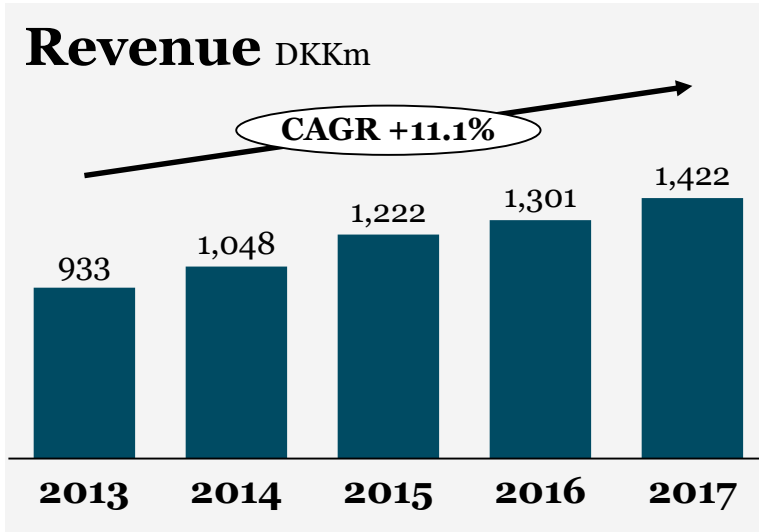
- Strong sales of new volume in Malaysia
- Asian demand continues to grow double-digit
- Demand for print continues to grow both in Europe, Asia and Americas
- Value-added focus to compensate for price pressure in Europe



2018 outlook

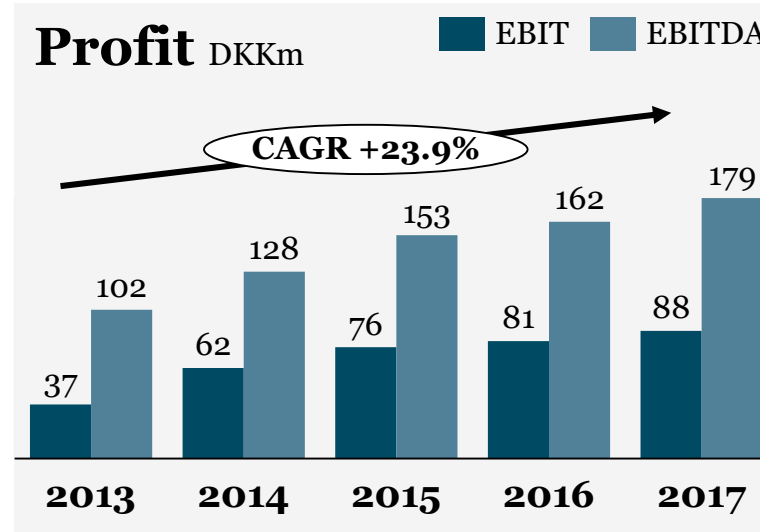
- Focus on value-added products (softness, light material, print)
- Revenue expected to reach DKK 2.1bn
- EBITDA expected at DKK 350-370m with uncertainty from raw material prices and FX (especially USD/MYR)

FIN: Continuing profitable growth



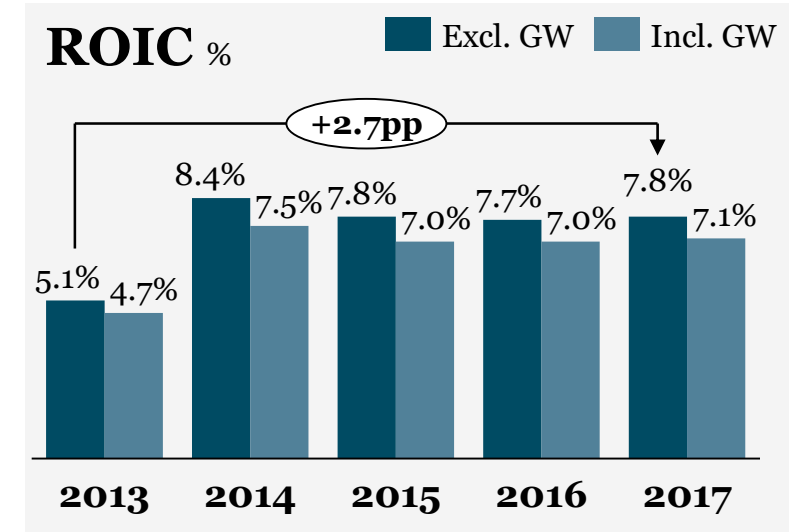
Financials

- Continued progress in sales and EBIT, both Q/Q and Y/Y
- 9% increase in both 2017 sales and EBIT
- Negative result in South Africa offsetting solid progress in European business
- ROIC is lower than 15% target due to underperformance in South Africa and relatively large tied-up capital



Segments

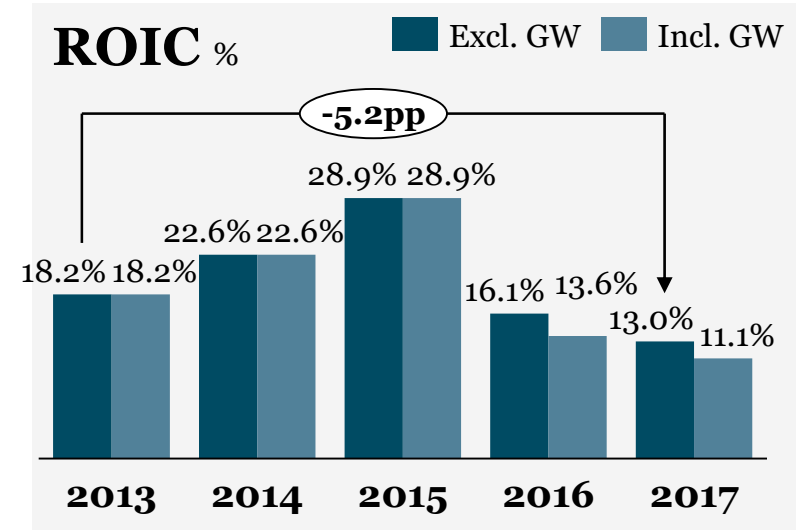
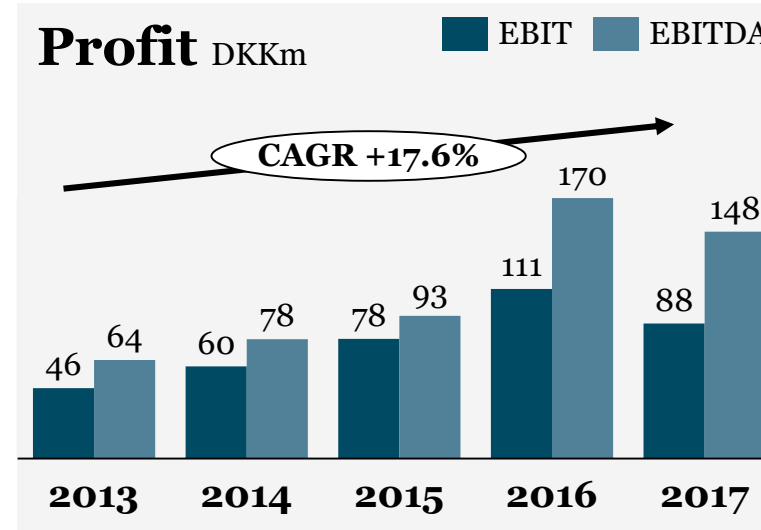
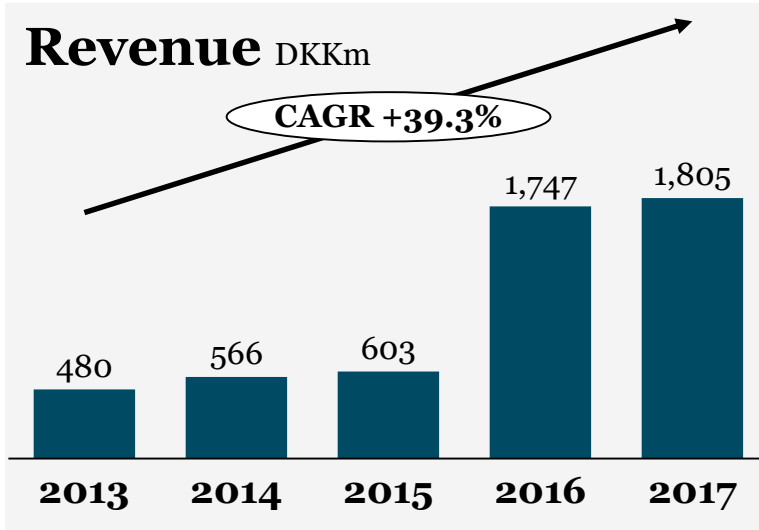
- Good performance on all European sites
- Strong sales to automotive and other high-value segments
- Higher activity in US with strong EBIT improvement and good pipeline
- Continued challenging market in South Africa (EBIT DKK -13m)
- Foothold in Brazil following recent acquisition



2018 outlook

- Strong market position from investments in capacity expansion, value add and innovation
- Stable market activity expected
- Focus on new products and innovation
- Small positive effect from Brazil acquisition
- Revenue expected to reach DKK 1.6bn and EBITDA at DKK 195-215m

HydraSpecma: Utilising the combined platform



Financials

- Q4 sales above expectations but EBIT deviated negatively
- Profit adversely affected by lower demand in wind sector, restructuring in China and high costs following high Swedish activity
- ROIC declines as NWC increases from strategic decision on higher inventory
- Level of synergies from integration of Hydra and Specma continues as planned

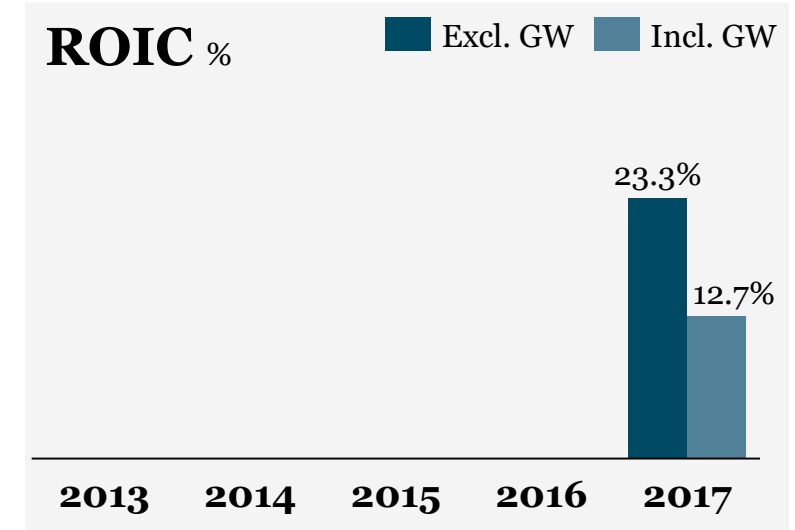
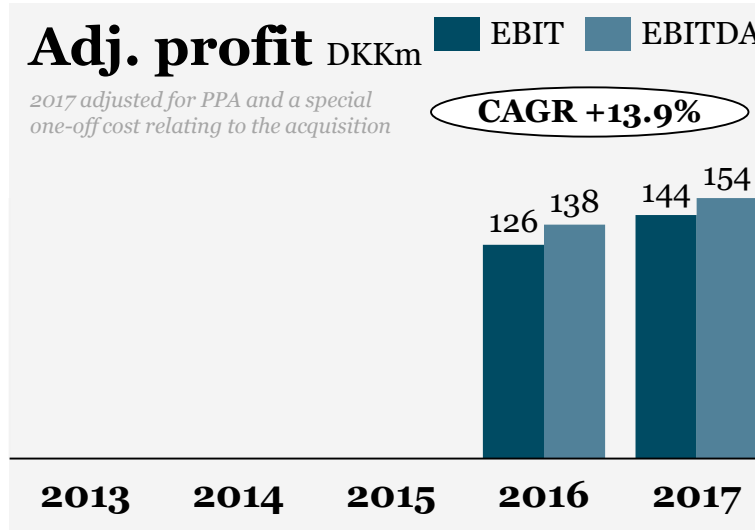
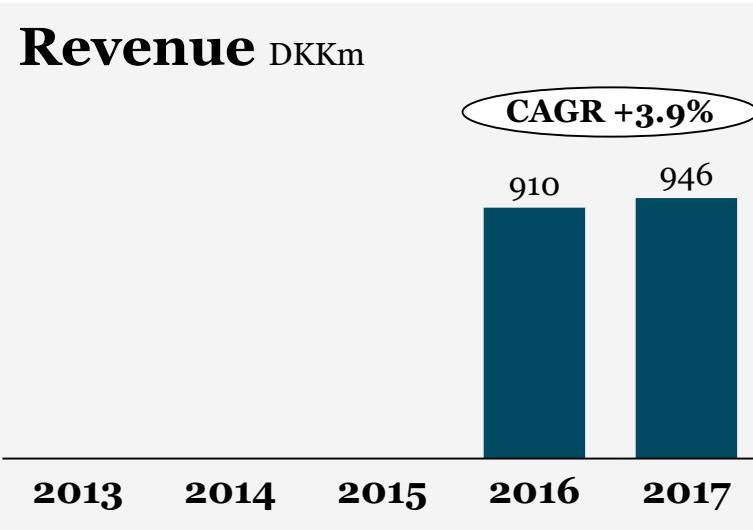
Segments

- Strong market position after Specma acquisition in 2016 with solid platform of serving international customers
- Demand for more capacity requires investments in Nordic and Poland
- Unchanged pressure from global customers of lower costs
- China the weak spot in 2017 – loss making

2018 outlook

- Continued integration and further utilisation of the combined platform
- Solid position to long-term growth
- Positive outlook in truck/bus and wind, but marine remains challenging
- Revenue expected to reach DKK 1.9bn
- EBITDA expected at DKK 155-175m

Borg Automotive: Solid start in the new business



Financials

- Borg Automotive acquired in April 2017 at EV/EBITDA₁₇ of 7.4x
- Overall, the first 9 months in Schouw & Co. were as expected
- Adjusted for PPA and a special one-off cost relating to the acquisition EBIT increased 14% compared to 2016
- Solid ROIC in first year of acquisition

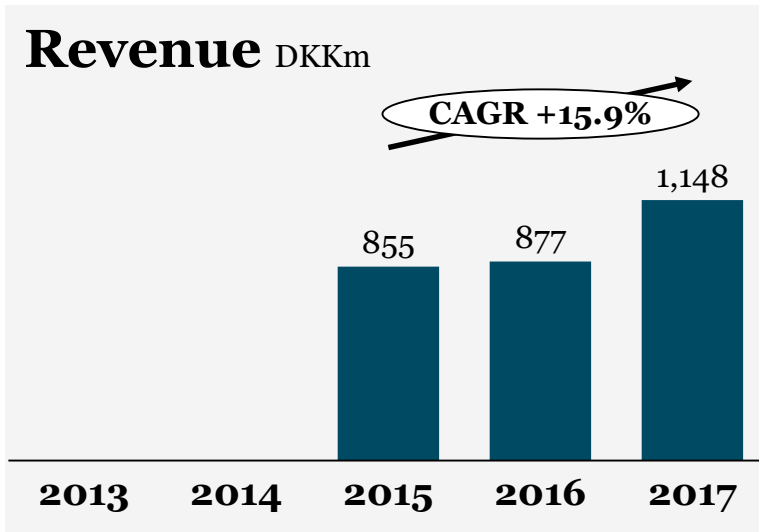
Segments

- Increase in both IAM (independent aftermarket) and OE sale
- Optimising production footprint, UK/PL
- Growth strategy targeting new products
- Review of need for new production capacity

2018 outlook

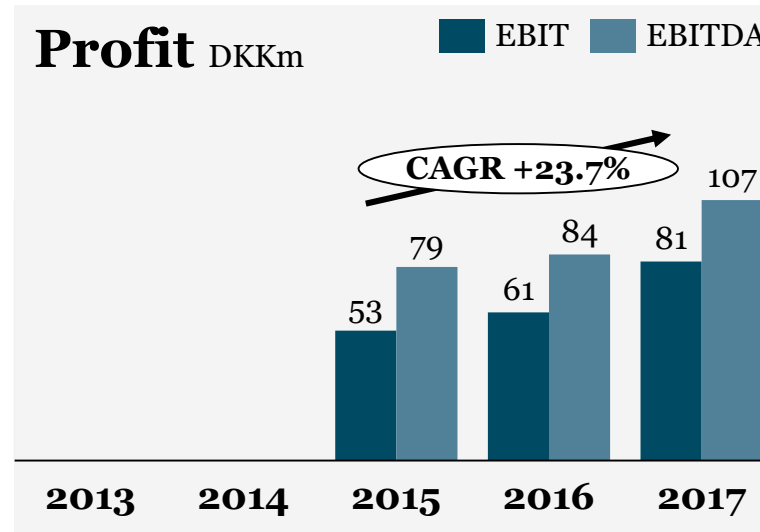
- Consolidation in the automotive aftermarket changes industry dynamics
- Borg's broad product range opens many doors and gives Borg a strong position
- Revenue expected to increase to DKK +1bn
- EBITDA expected at DKK 155-175m

GPV: Significant growth in sales and profit



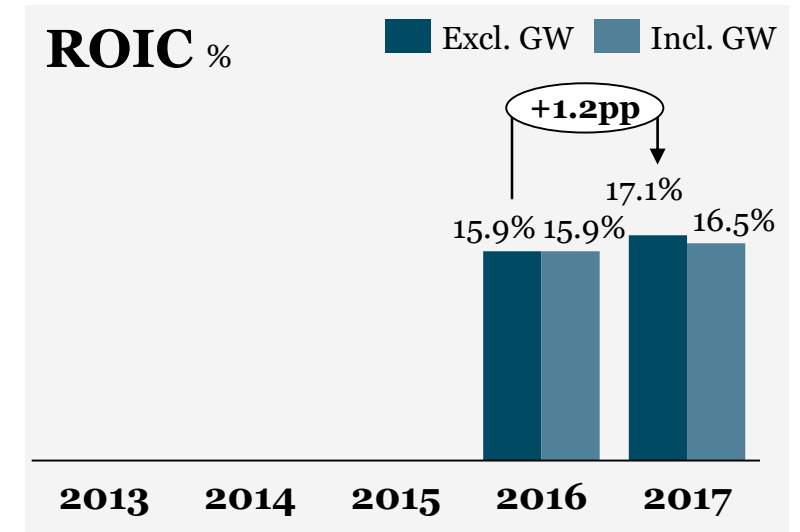
Financials

- A very strong year for GPV
- Revenue growth of 31% with similar increase in profit
- Best-in-class EBIT margin performance
- Synergies from BHE acquisition materialises as expected
- Strong execution of high order intake
- Mexico still in ramp-up phase (lossmaking)
- Solid ROIC performance above target



Segments

- Effect from long-term customer relations
- Solid demand in many segments and very strong order intake throughout 2017
- Mexico commercially operational in 2017 but volume still being built up
- Major extension of Thailand sites planned 2018-2022
- Added capacity in Denmark



2018 outlook

- Sales growth from increased outsourcing and customer's focus on a.o. IIoT
- Positive outlook in Americas
- Pressure on component delivery times
- Revenue expected to reach DKK ~1,225m and EBITDA to increase to DKK 125-135m

Schouw & Co. 2018 focus areas

1

Build strength

Maintain position and build competitive strength by focus on **operational streamlining** and **margin management** and on sustaining strategic development from volume to value

2

Allocate capital

Allocate capital for growth and review future capacity expansion to ensure a strong platform for **long-term value creation**

3

Innovation

Invest to prepare for the future and put **innovation and digitalisation** on the agenda in all our businesses

4

Develop across all businesses

Drive '**intelligent synergies**' in financing, accounting, strategy, acquisition and developing our organisations and talent across all businesses

5

Investments







Ensure financial resources for future investments in both maintaining and expanding **capacity** and in large and small **acquisitions**

Outlook 2018: Solid increase

	Profit			Revenue		
	2018E	2017R	2016R	2018E	2017R	2016R
BioMar	● 720-770	712	722	● 10-10.5b	9,955	8,867
Fibertex Personal Care	● 350-370	365	362	● c. 2,100	2,016	1,792
Fibertex Nonwovens	● 195-215	179	162	● c. 1,600	1,422	1,301
HydraSpecma	● 155-175	148	170	● c. 1,900	1,805	1,747
Borg Automotive	● 155-175	89	-	● c. 1,025	709	-
GPV	● 125-135	107	62	● c. 1,225	1,148	668
Other	c. -35	-32	-6	-	-23	-6
Total EBITDA	1,665-1,805	1,568	1,472	c. 18.1b	17,032	14,369
PPA depreciation	c. -85	-64	-43			
Other depreciation	c. -470	-411	-391			
Total EBIT	1,110-1,250	1,093	1,038			
Associates, etc.	● c. 55	42	566			
Other financial items	● c. -45	-30	-27			
Profit before tax	1,120-1,260	1,105	1,578			

- Portfolio business guidance changed to **EBITDA level** but full disclosure on depreciations and PPA
- Increase in both revenue and profit guidance **across all businesses**
- FX incorporated at current levels – largest exposure to **USD** (BioMar Chile, BioMar Ecuador, FPC Malaysia, FIN USA), **GPB** (BioMar, Borg), **NOK** and **SEK**
- Total 2018 capex DKK ~750m with a few major items:
 BioMar Australia DKK ~300m
 FPC print US DKK ~80m
 GPV Thailand DKK ~150m

Confirming the long-term goals

						
EBITDA	7.5%	17.5%	15%	13%	18%	10%
EBIT (pre PPA)	6%	12%	9%	10%	15%	7%
Industry growth	3-6%	5%	7-8%	5-7%	7%	5-7%

Summing up

Schouw & Co. level

- Best revenue/EBIT performance ever in Schouw & Co.
- Well-proved business model
- Delivering on strategic goals
- Financial versatile despite significant investments
- Well-balanced portfolio with active growth agenda

Business level

- All businesses contributing to the solid performance
- Taking markets shares in competitive markets
- Well-positioned for further expansion with attractive growth rates in all industries
- Strong focus on margin management, value-add and global production footprint
- Capitalising on capex and M&A