

# FUCHS GROUP

## Investor Presentation

| April 2019

| Dagmar Steinert, CFO

| Thomas Altmann, Head of Investor Relations



# Agenda

- 01** | The Leading Independent Lubricants Company
- 02** | FY 2018
- 03** | Shares
- 04** | Appendix

# 01 The Leading Independent Lubricants Company



# FUCHS at a glance

Established **3**  
generations ago as a  
family-owned business

Around **5,500**  
employees

Preference share is listed  
in the MDAX

**No. 1**  
among the independent  
suppliers of lubricants

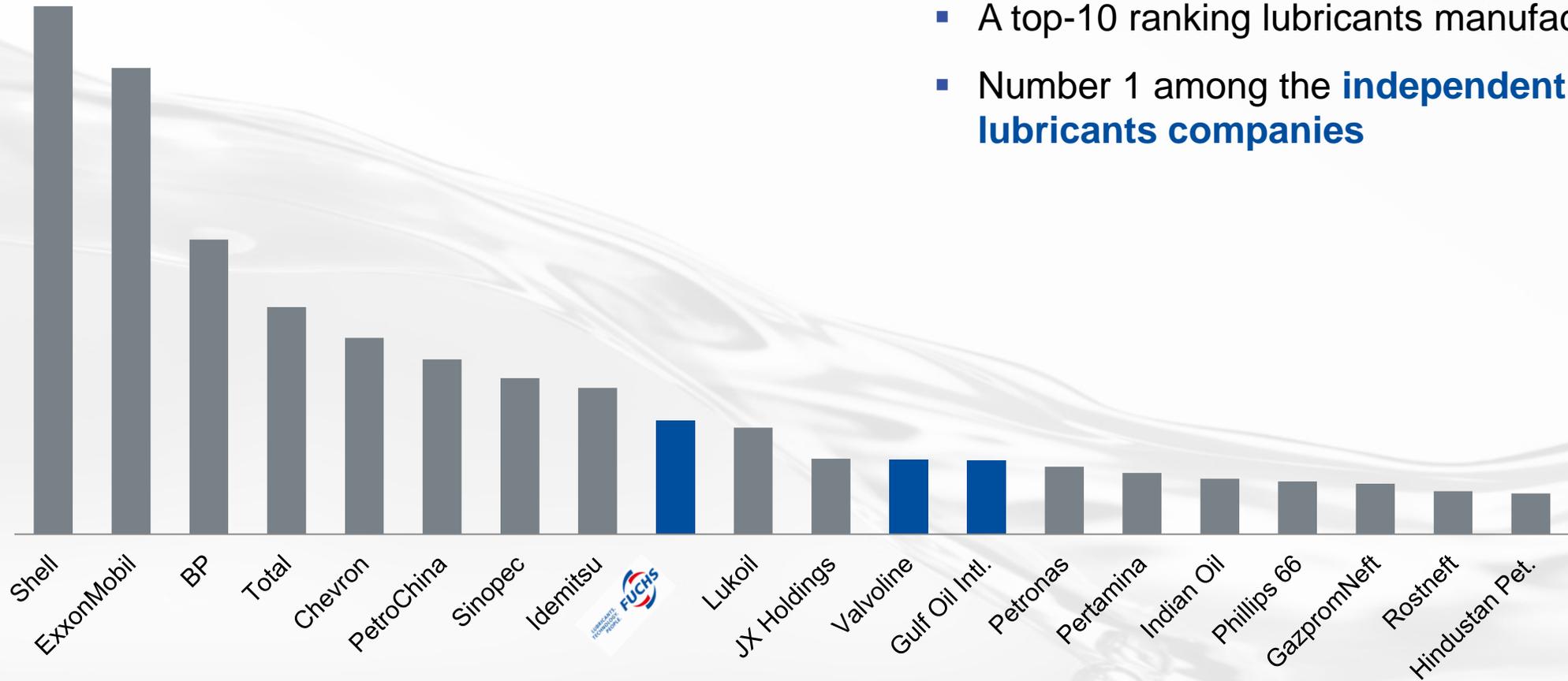
**€2.6** bn  
sales in 2018

**58** companies worldwide

The Fuchs family holds  
**55%** of  
ordinary shares

A full range  
of over  
**10,000**  
lubricants and related  
specialties

# Top 20 lubricants manufacturers



- A top-10 ranking lubricants manufacturer
- Number 1 among the **independent lubricants companies**

# Our unique business model is the basis for our competitive advantage

## Technology and innovation leadership in strategically important product areas

FUCHS is fully focussed on lubricants

Independency allows reliability, customer & market proximity (responsiveness and flexibility) and continuity



**Advantage over  
major oil companies**

FUCHS is a full-line supplier

Global presence, R&D strength, know-how transfer, speed



**Advantage over  
independent companies**

# We are where our customers are



**58 Operating Companies**  
**33 Production Sites**

# Full-line supplier advantage

Sales 2018: €2.6 bn  
(~80% international)  
by customer location

Automotive lubricants  
~45%

e.g. Engine & gear oils, hydraulic oils, shock absorber fluids, etc.

Industrial lubricants  
~55%

e.g. Industrial oils, MWF/CP\* and greases

100,000 customers in more than 150 countries



Car industry



Manufacturing



Engineering



Construction



Mining



Trade, Services &  
Transportation



Heavy Duty



Steel & Cement



Aerospace



Agriculture industry



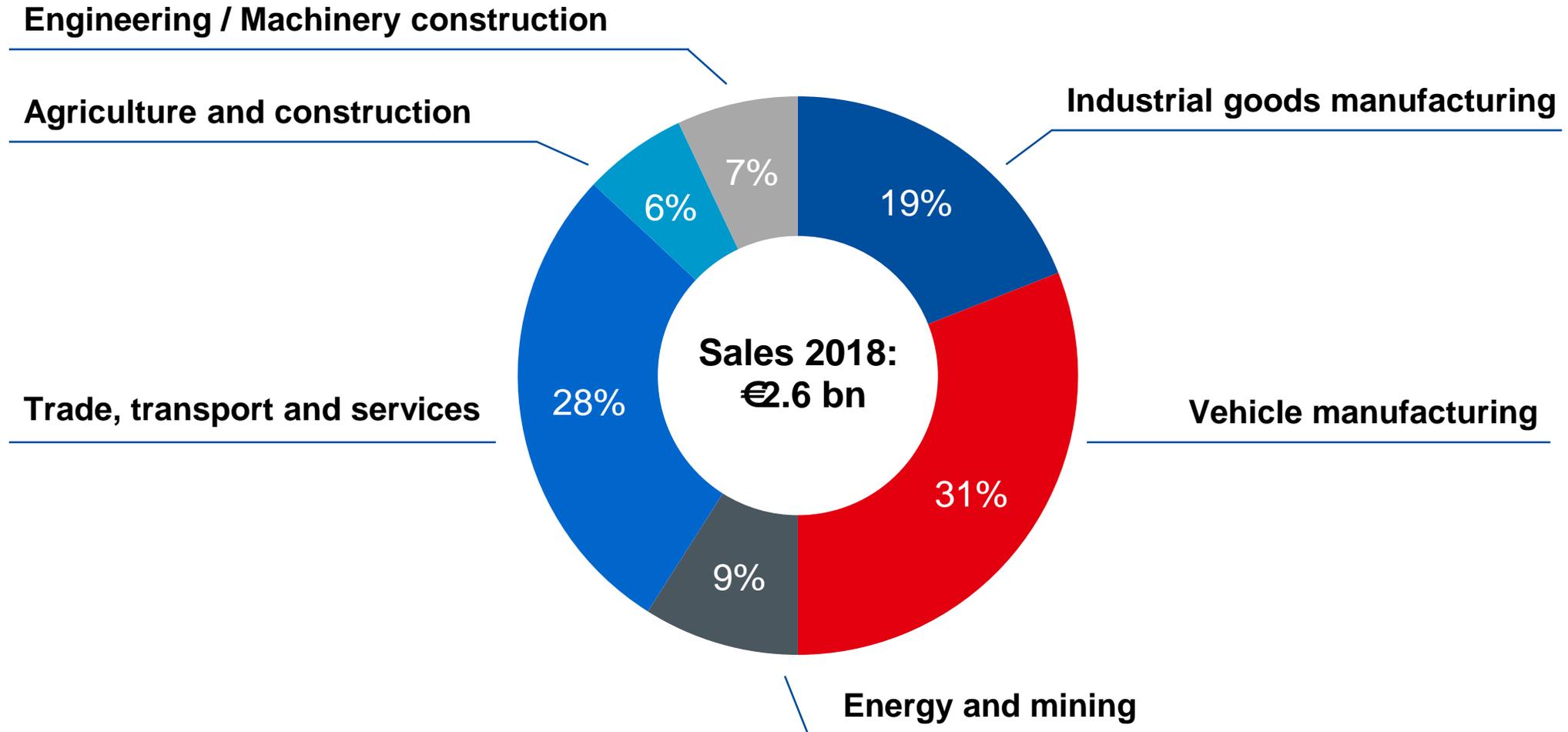
Wind energy



Food

# Well balanced customer structure

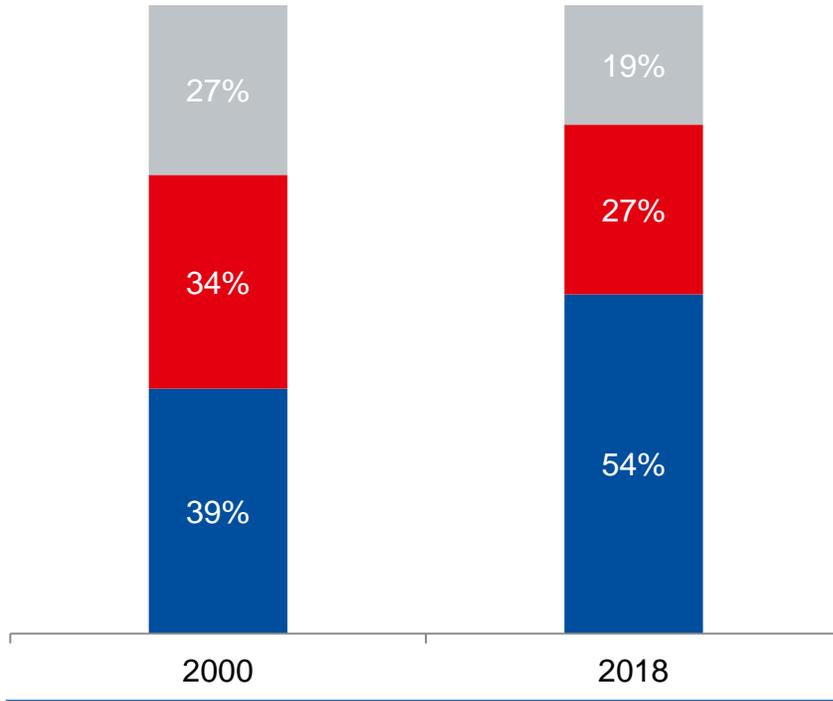
Top 20 Customers account for ~ 25% sales



# Organic growth potential in emerging countries

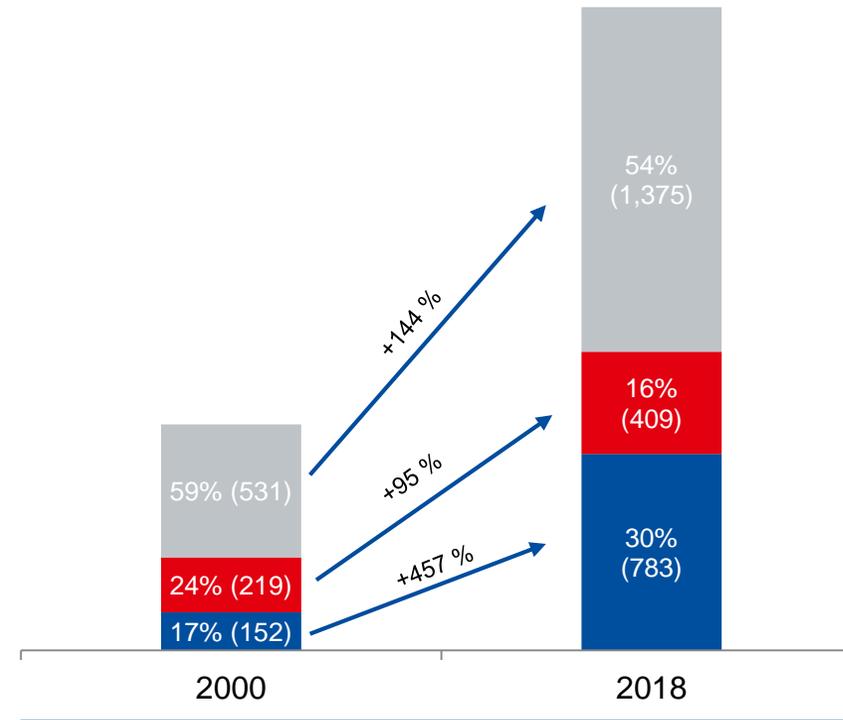
## Market Demand

36.4 mn t  $\xrightarrow{0\%}$  36.4 mn t



## FUCHS Sales (by customer location)

€ 902 mn  $\xrightarrow{+185\%}$  € 2,567 mn



# FUCHS' Strategy

FUCHS2025 – Act Global

## Profitable Growth:

Internationalization of core activities

Local production in 33 plants

Global standards, processes and branding

## People:

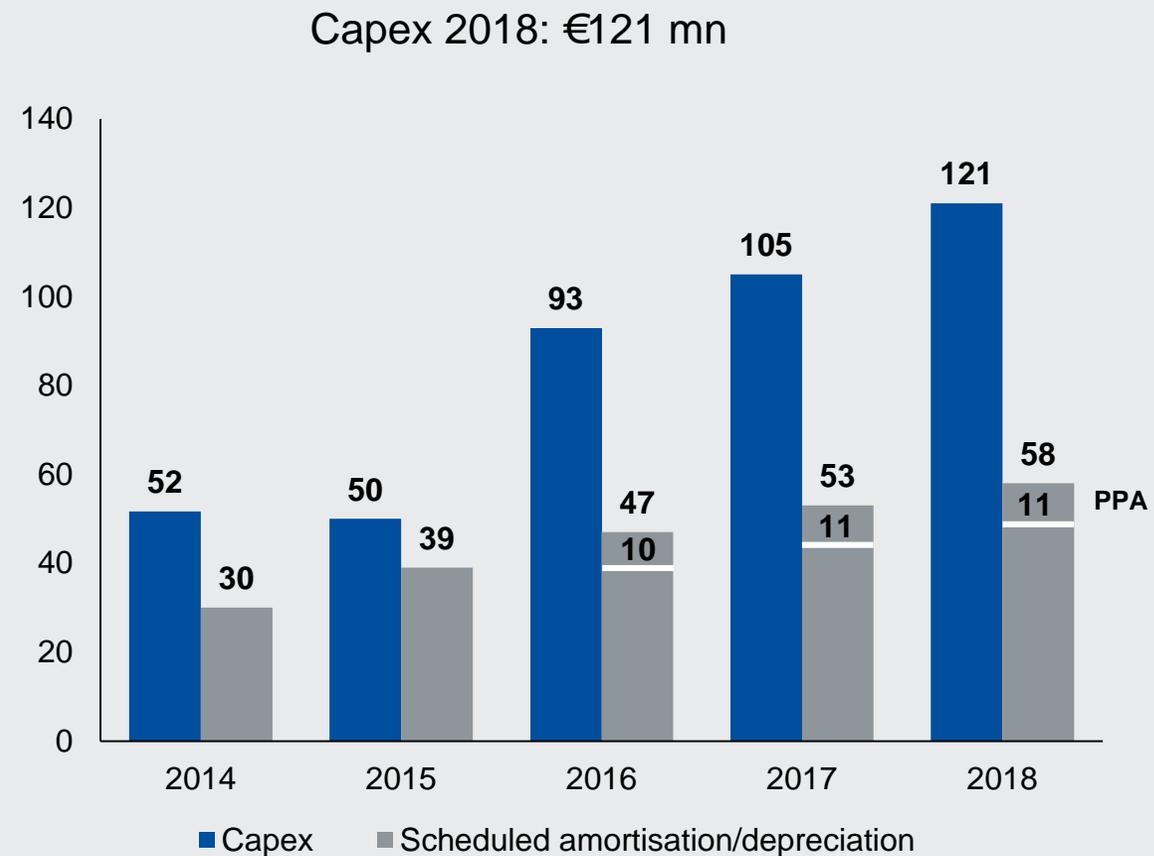
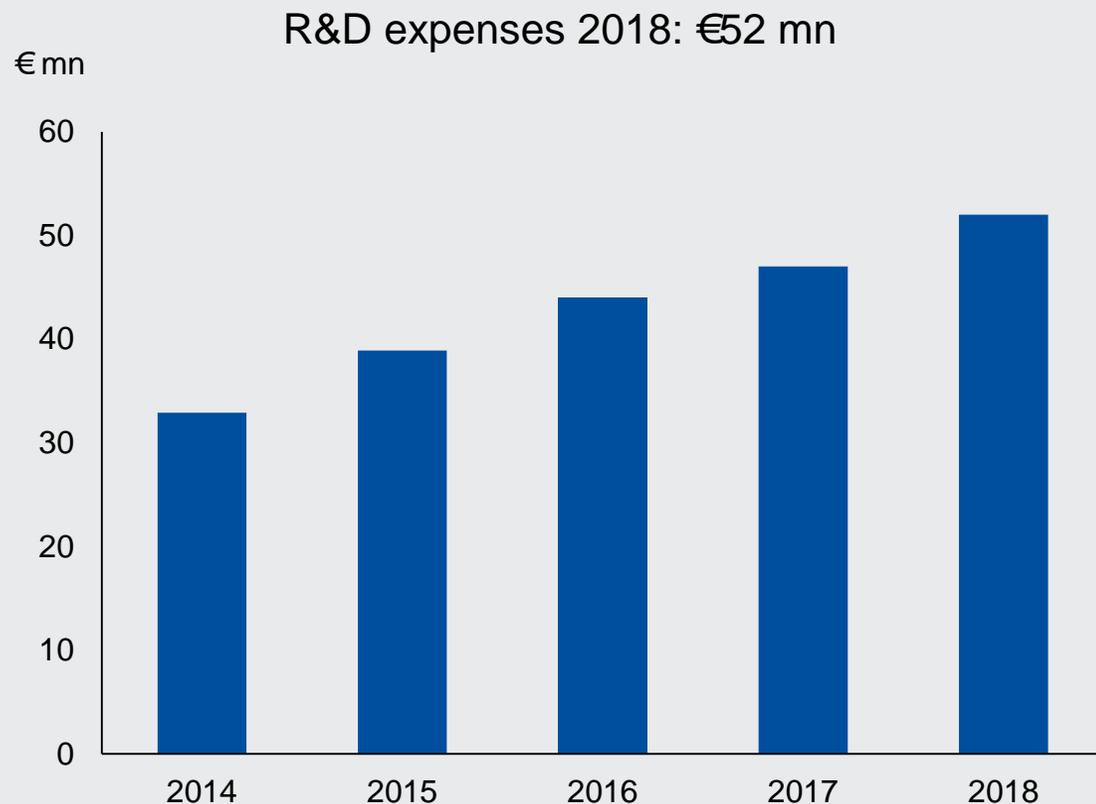
- Employer Branding
- Culture
- Talent-management
- Learning

Utilize disruptions like e-mobility, digitalization, etc. as an opportunity

Agile network structure based on common values

# Investment in the future

## R&D expenses and Capex



# Investment initiative

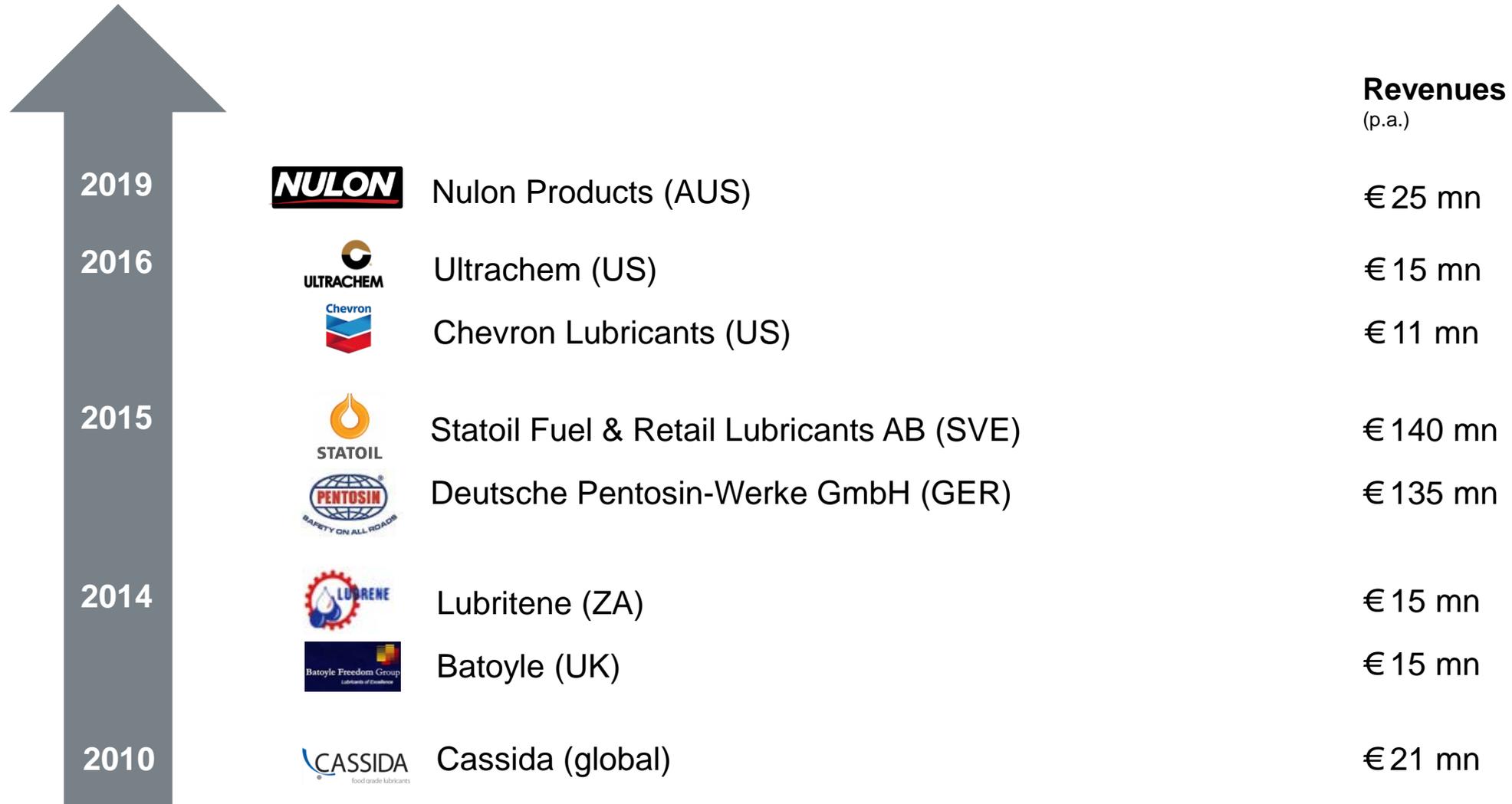
Capex 2016-2021 €700+ mn

- In 2016 - 2018 over **€300 mn** capex was spent with focus on the expansion of Mannheim, Kaiserslautern and Chicago as well as new plants in China, Australia and Sweden
- Capex will peak in 2019 at **€180 mn**. In 2020/2021 more than **€100+ mn p.a.** will be spent on growth and replacement as well as efficiency improvements due to significant volume increases, technological changes and a changed product mix
- From 2022 onwards, capex should be back on par with the new level of depreciation



Maintenance capex amounting to the level of depreciation

# Strong track record of integrating businesses



**02** FY 2018



# Highlights FY 2018

**Sales +4%**  
**to €2.6 bn**

- Double-digit organic growth in Asia-Pacific, Africa and Americas
- Negative currency effects especially in Asia-Pacific, Africa as well as North and South America
- Free cash flow before acquisitions at €147 mn

**EBIT +3%**  
to €383 mn

**EPS +7%**

**Dividend**

**+4%**

to €0.95 per pref. share /  
€0.94 per ord. share

## Outlook 2019

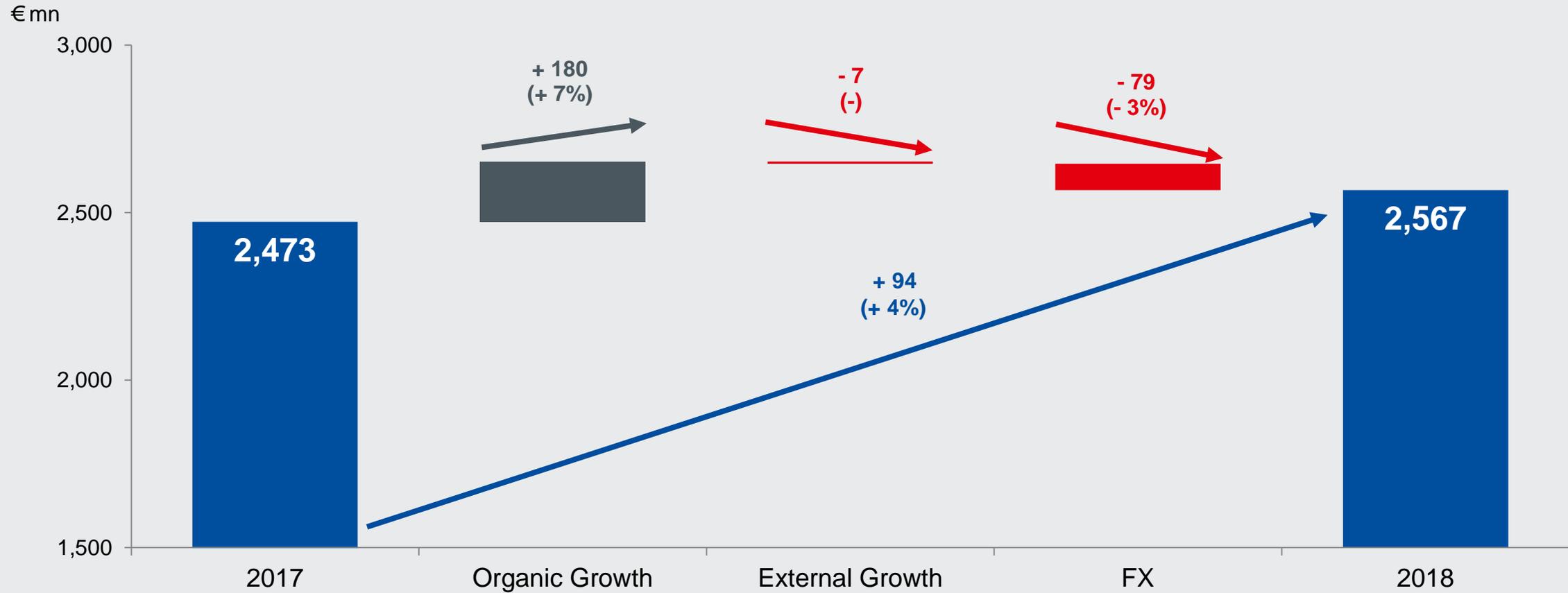
- Sales +2% to +4%
- EBIT -8% to -5%
- EBIT comparable (before one-off effect) -5% to -2%

## Comparison outlook and results 2018

Performance indicator	FY 2017	Outlook 2018 (March & July 18)	Outlook 2018 (October 18)	FY 2018	
Sales	€2,473 mn	+3% to +6%	+3% to +5%	€2,567 mn (+4%)	✓
EBIT before one-off effect <sup>1</sup>	€373 mn	+2% to +4%	At previous year's level	€371 mn (-1%)	✓
EBIT	€373 mn	-	+2% to +4%	€383 mn (+3%)	✓
FUCHS Value Added	€250 mn	At previous year's level	At previous year's level	€251 mn	✓
Free cash flow before acquisitions	€142 mn	At previous year's level	At previous year's level	€147 mn	✓

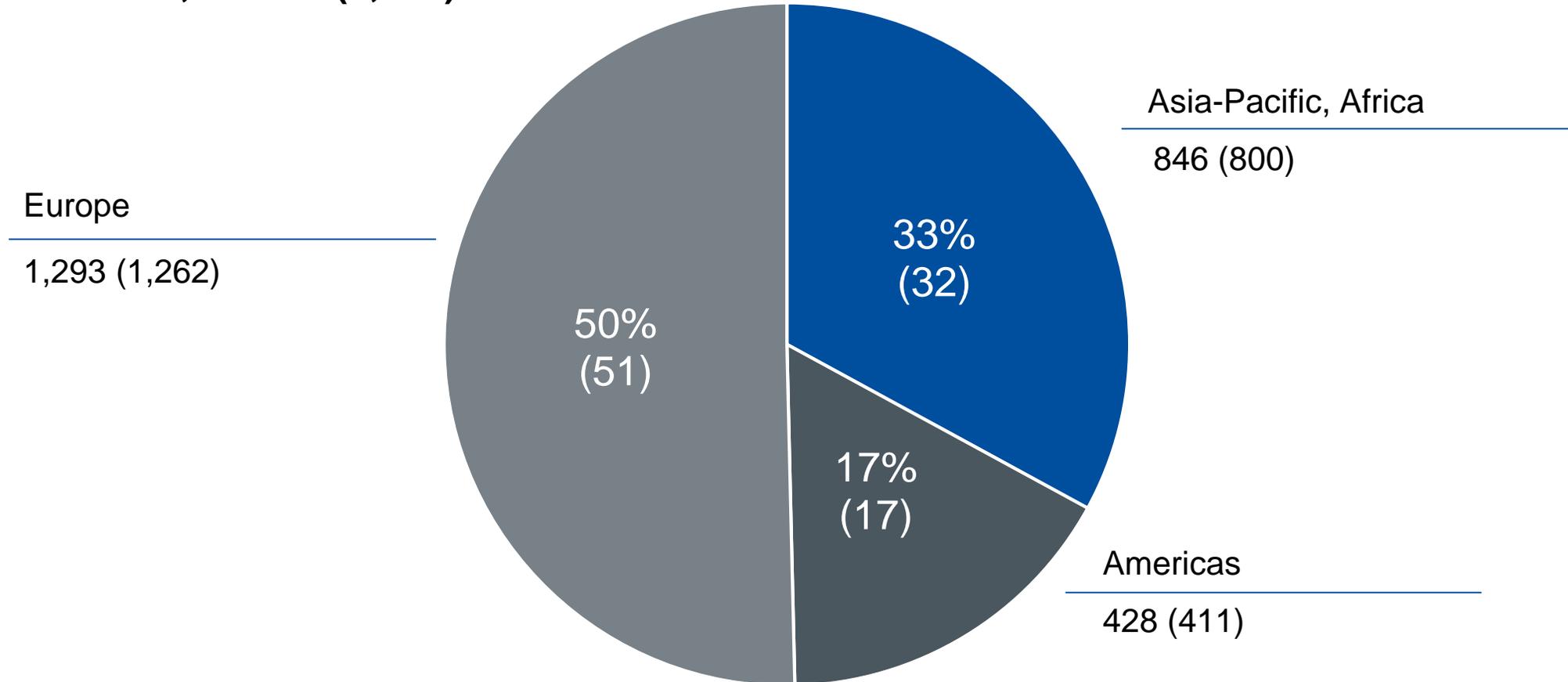
<sup>1</sup> Sale of an at equity share (earnings of €12 mn)

# 2018 Group sales



## Sales by customer location

Sales 2018: €2,567 mn (2,473)



## Regional sales growth 2018

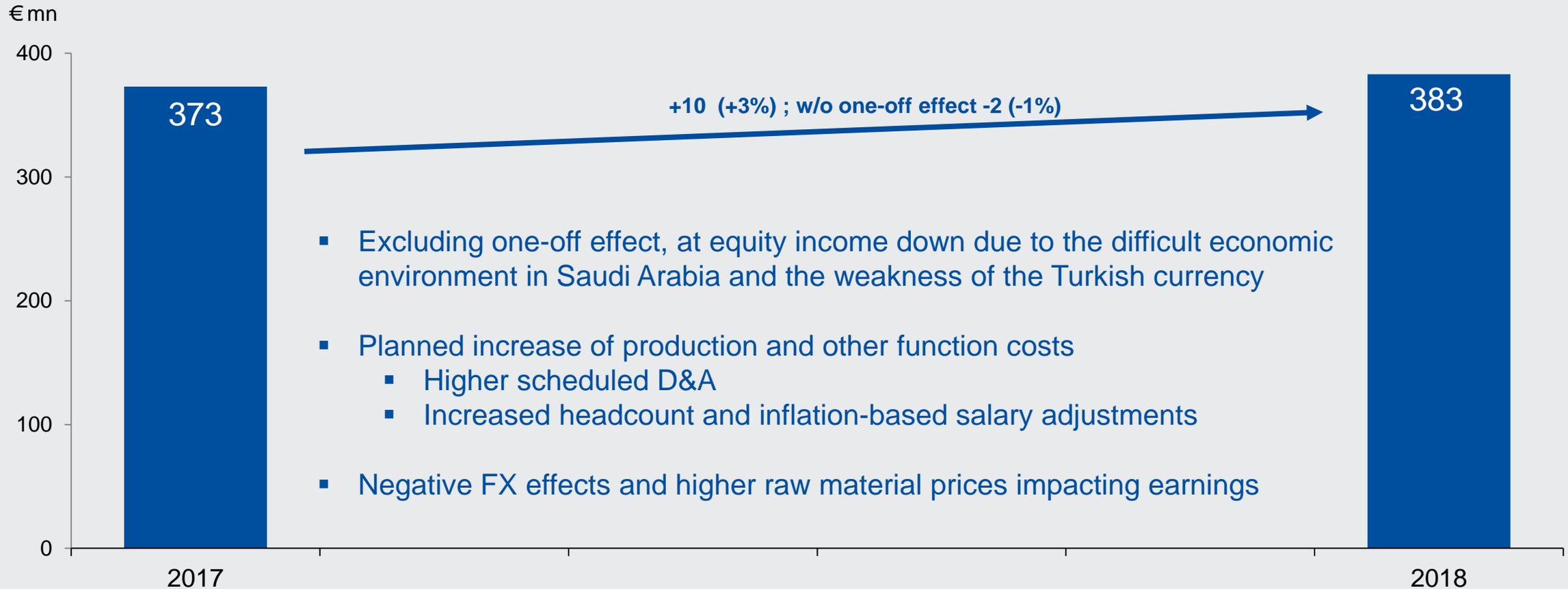
Europe and Asia-Pacific, Africa declining in the course of the year

	2018 (€mn)	2017 (€mn)	Growth	Organic	External	FX
Europe	1,546	1,515	+2%	+3%	0%	-1%
Asia-Pacific, Africa	783	733	+7%	+11%	-	-4%
Americas	409	393	+4%	+13%	-	-9%
Consolidation	-171	-168	-	-	-	-
<b>Total</b>	<b>2,567</b>	<b>2,473</b>	<b>+4%</b>	<b>+7%</b>	<b>-</b>	<b>-3%</b>

# Income statement 2018

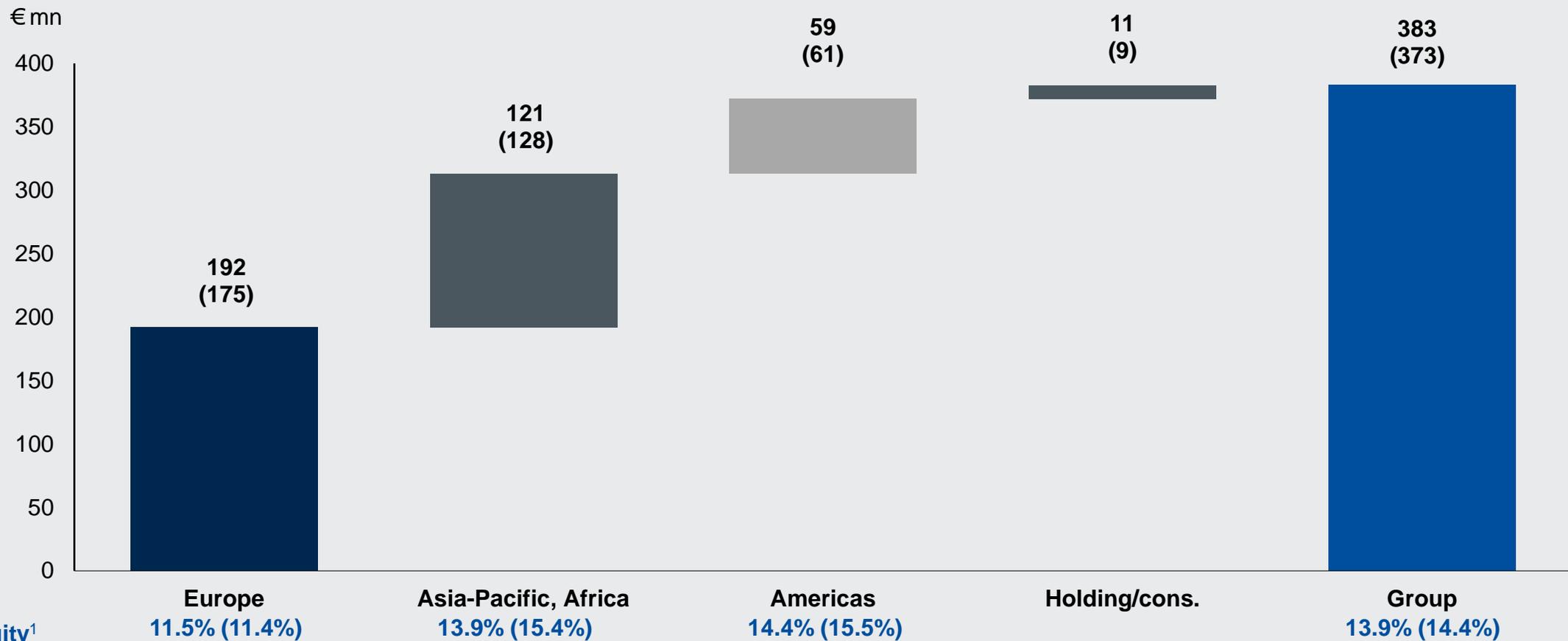
€mn	2018	2017	Δ €mn	Δ in %
<b>Sales</b>	<b>2,567</b>	<b>2,473</b>	<b>94</b>	<b>4</b>
Gross Profit	899	882	17	2
<i>Gross Profit margin</i>	35.0 %	35.7 %	-	-0.7 %-points
Other function costs	-542	-526	-16	3
<b>EBIT before at Equity</b>	<b>357</b>	<b>356</b>	<b>1</b>	<b>0</b>
At Equity (including €12 mn one-off)	26	17	9	53
<b>EBIT</b>	<b>383</b>	<b>373</b>	<b>10</b>	<b>3</b>
Earnings after tax	288	269	19	7

## Slightly higher EBIT in 2018



# EBIT by regions

2018 (2017)<sup>1</sup>



EBIT margin before at equity<sup>1</sup>

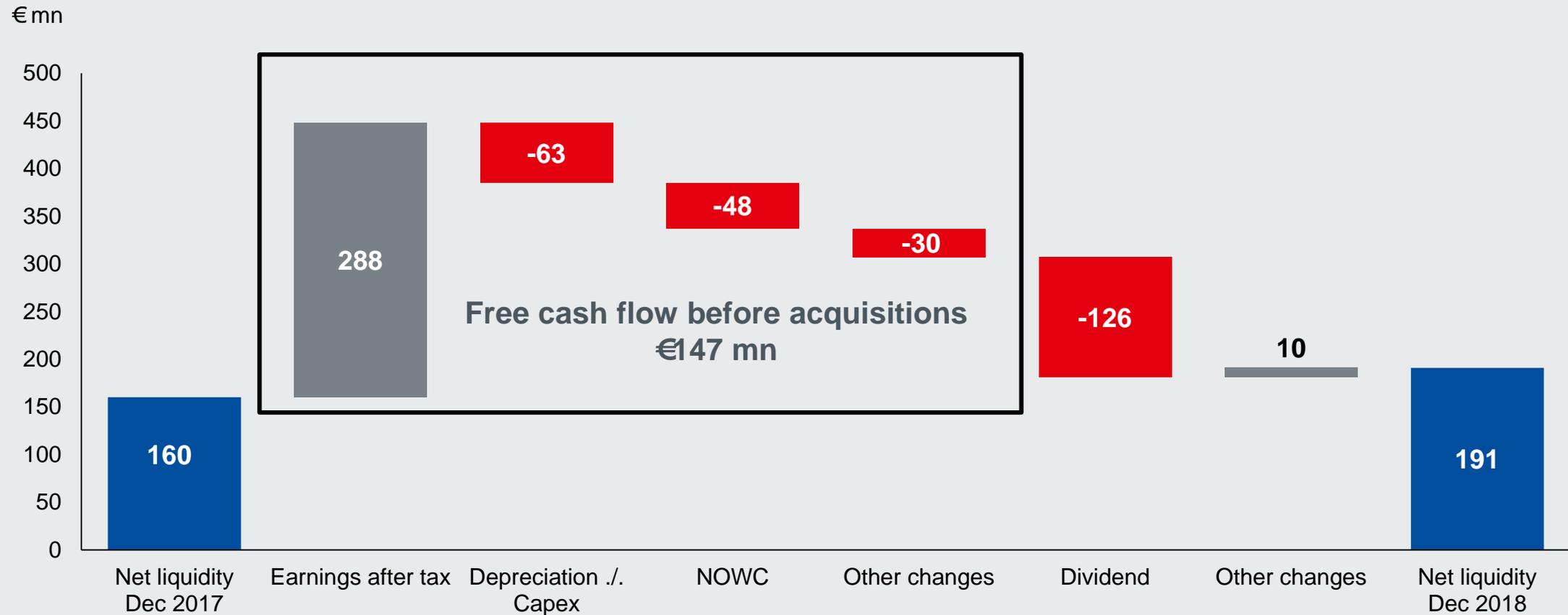
<sup>1</sup>2017 comparable

## Cash flow 2018

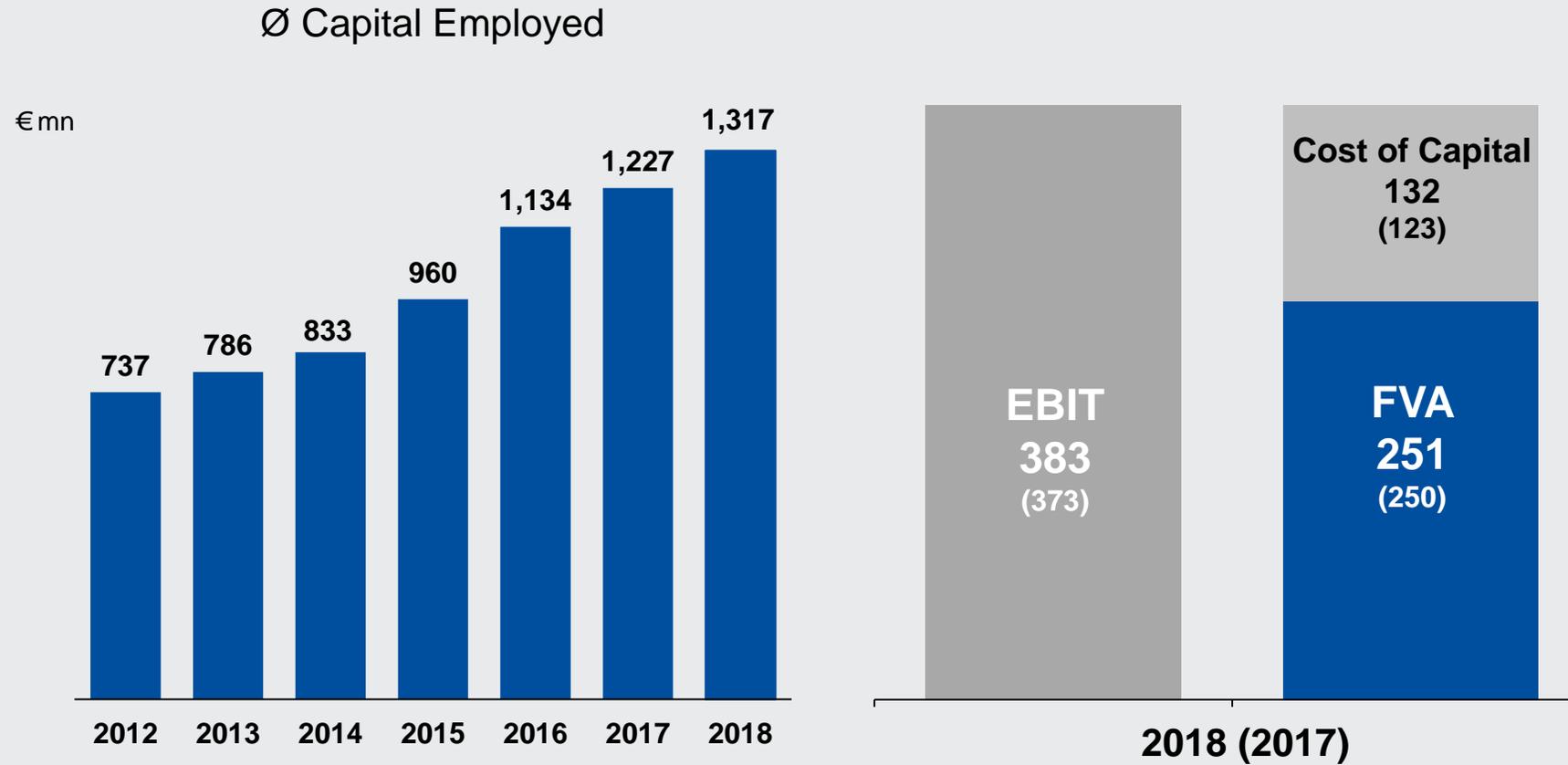
€mn	2018	2017	Δ in %
<b>Earnings after tax</b>	<b>288</b>	<b>269</b>	<b>7</b>
Amortization/Depreciation	58	59	-2
Changes in net operating working capital (NOWC)	-48	-78	-39
Other changes	-30	-3	-
Capex	-121	-105	15
<b>Free cash flow before acquisitions<sup>1</sup></b>	<b>147</b>	<b>142</b>	<b>4</b>
Acquisitions <sup>1</sup>	12	-2	-
<b>Free cash flow</b>	<b>159</b>	<b>140</b>	<b>14</b>

<sup>1</sup> Including divestments.

# Net Liquidity 2018



# FUCHS Value Added (FVA)



Cost of Capital = CE x WACC (10%)

## FY 2018 earnings summary

- Mainly volume driven organic sales growth coming from Asia-Pacific, Africa and North and South America; Europe driven by price and product mix changes
- Strong negative FX effects in North and South America as well as in Asia-Pacific, Africa
- Although higher raw material costs were largely passed on across the Group, gross margin decreased due to production costs increases; increasing raw material prices had different impacts with respective regional FX development; Europe compensated with stronger Euro in H1
- Cost increases due to investments in new and existing plants, in additional employees as well as in increased R&D as planned
- Increase in earnings after tax stronger than EBIT growth due to a lower tax rate of 26.2% (28.8%) mainly attributable to lower withholding taxes on dividends
- Capex on record level (€121 mn), however lower than originally planned (€140 mn) due to project delays
- NOWC up to 23.4% of sales mainly due to slowdown of business in Q4

# Outlook 2019

Economic outlook gloomy due to trade conflicts between US and China as well as Brexit

Performance indicator	Actual 2018	Outlook 2019
<b>Sales</b>	<b>€2,567 mn</b>	+2% to +4%
<b>EBIT comparable (before one-off effect)</b>	<b>€371 mn</b>	-5% to -2%
<b>EBIT</b>	<b>€383 mn</b>	-8% to -5%
<b>FUCHS Value Added</b>	<b>€251 mn</b>	~ €200 mn
<b>Free cash flow before acquisitions</b>	<b>€147 mn</b>	~ €100 mn

- Organic sales growth in all the regions mainly volume driven
- Earnings decrease expected as a result of investments in new and existing plants, people, R&D and IT
- Capex on record level (€180 mn) with focus on: Germany, China, Sweden, USA, Russia and UK

## M&A 2019

### NULON in Australia

- Contract to acquire NULON Products Australia Pty Ltd signed at the beginning of March
- Closing early Q2
- Sales AUD 40 mn (~ € 25 mn)
- 65 employees
- Automotive Retail Business



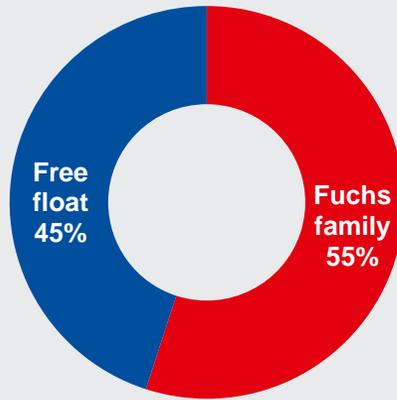
## 03 Shares



# Breakdown ordinary & preference shares

(December 31, 2018)

## Ordinary shares



**Symbol:** FPE  
**ISIN:** DE0005790406  
**WKN:** 579040

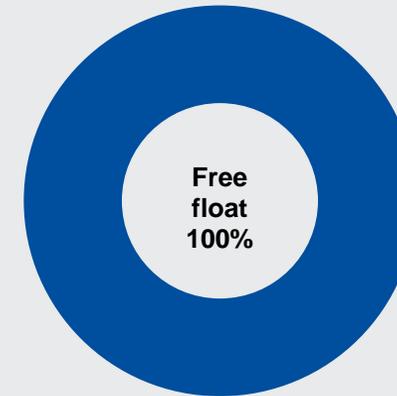
Basis: 69,500,000 ordinary shares

### Characteristics:

- Dividend
- Voting rights

## Preference shares

*MDAX-listed*



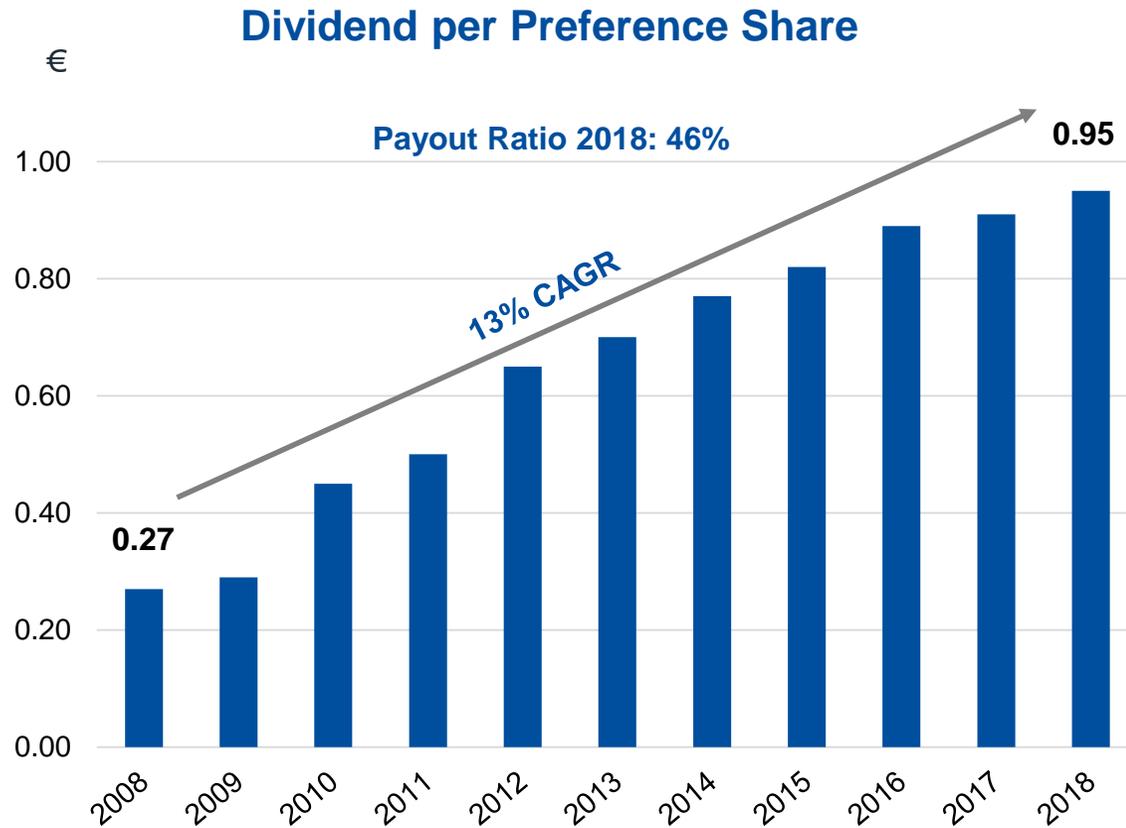
**Symbol:** FPE3  
**ISIN:** DE0005790430  
**WKN:** 579043

Basis: 69,500,000 preference shares

### Characteristics:

- Dividend plus preference profit share (0.01€)
- Restricted voting rights in case of:
  - preference profit share has not been fully paid
  - exclusion of pre-emption rights (e.g. capital increase, share buyback, etc.)

# Stable dividend policy

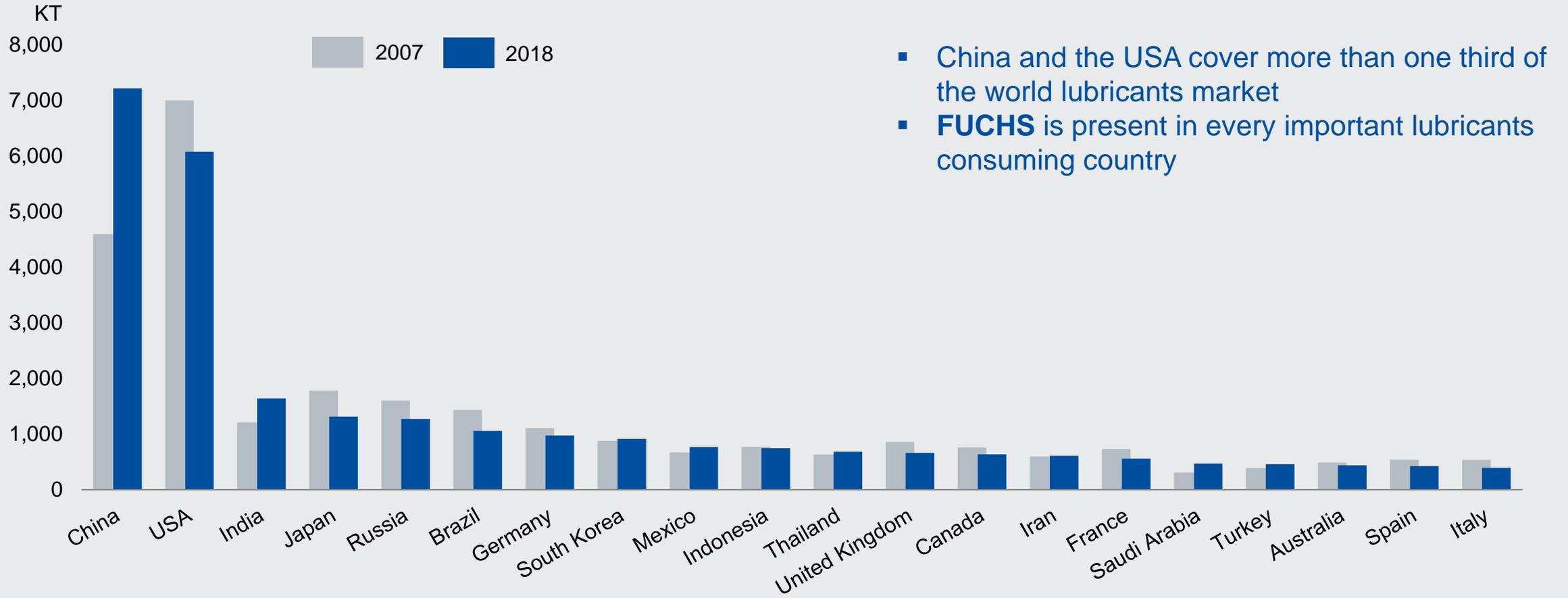


**Our target: Increase the absolute dividend amount each year or at least maintain previous year's level.**

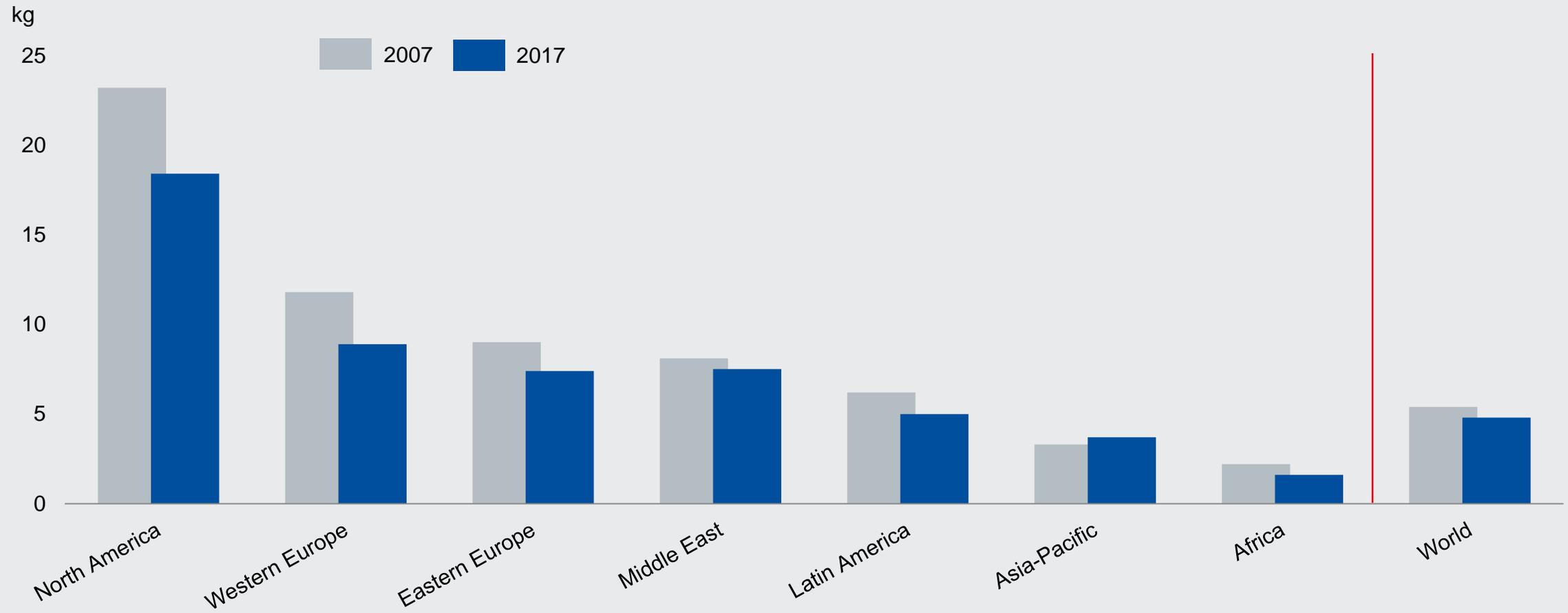
## 04 Appendix



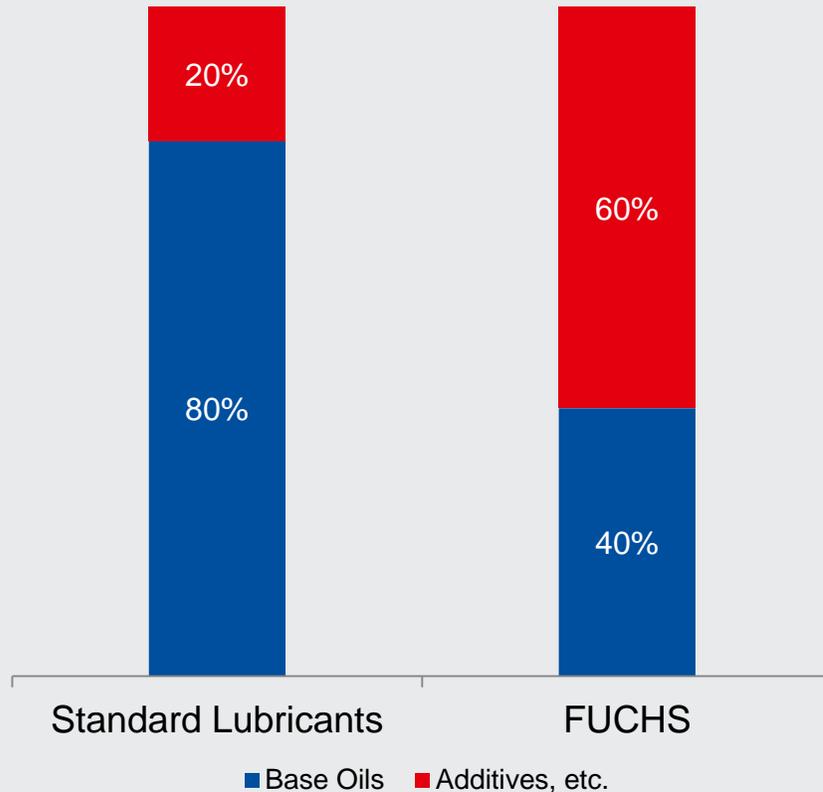
# Top 20 lubricant countries



# Regional per-capita lubricants demand



## Base oil / additives value split



- Base oil prices do not necessarily follow crude oil prices
- No direct link between additives and crude oil prices. We even face price increases for certain raw materials where supply/demand is not balanced or special situations occur
- Special lubricants consist of less base fluid and more additives

# Base Oil Price Outlook H1/2019

Prices expected to stabilize, but Risks remain

## Aspects supporting **downward** pressure on base oil prices

- Dip of crude oil pricing from December last year
- Macroeconomic uncertainties

## Aspects supporting **upward** pressure on base oil prices

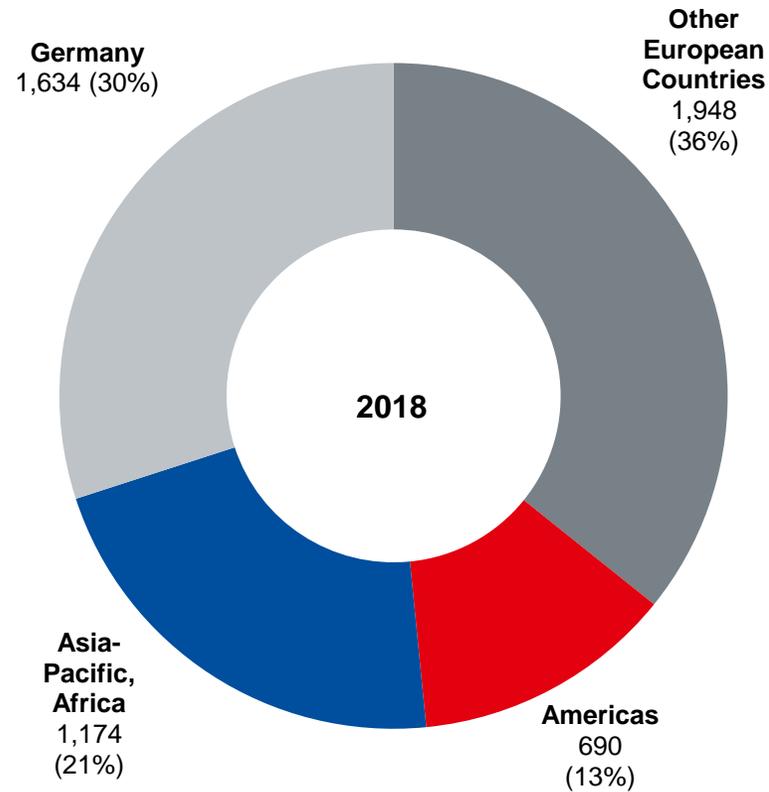
- Crude oil pricing recovered to a significant extent in Q1/2019 again
- Crude oil pricing shows an upward trend
- Several major base oil refiners have scheduled maintenance shutdowns in Q2/2019 which
  - reduces the output of base oil during shutdown period
  - bears a risk if shutdown period takes longer than anticipated and inventories deplete unexpectedly

Overall no major changes to base oil prices are expected for H1/2019 at mixed signals from the raw material market

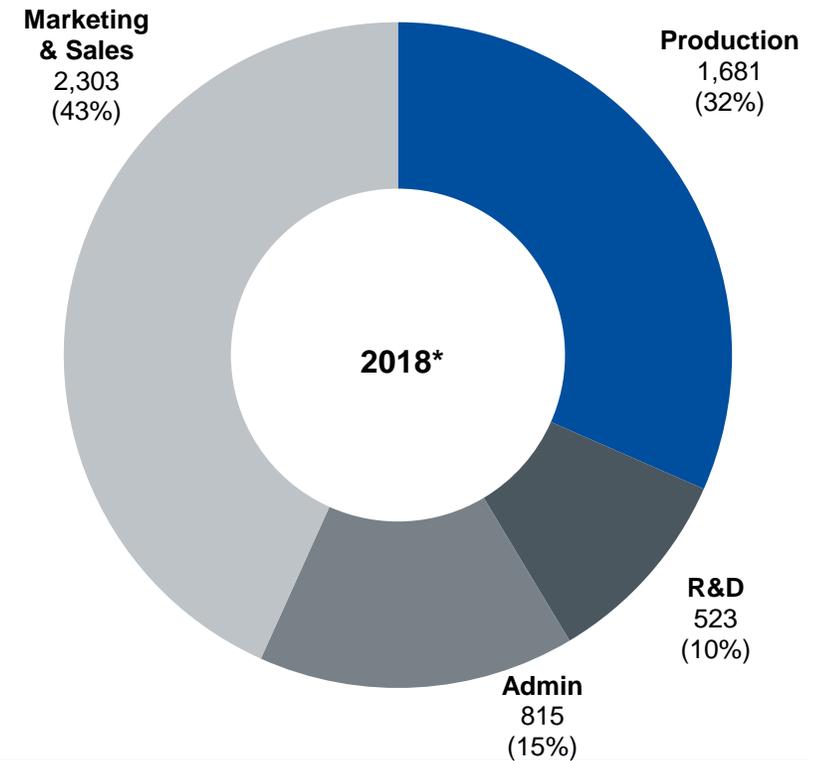
# Workforce Structure

5,446 employees globally

## Regional Workforce Structure

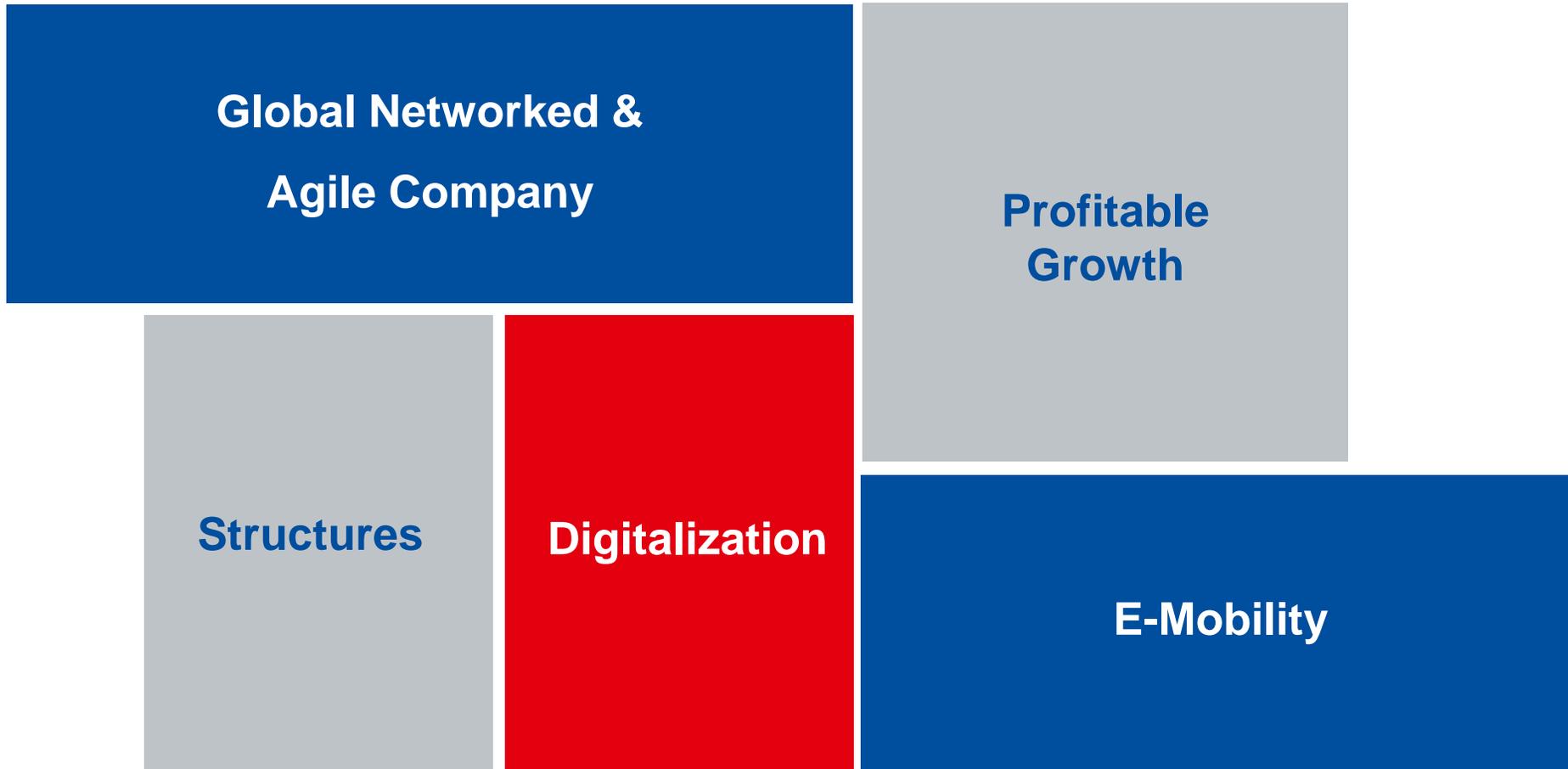


## Functional Workforce Structure



\*Excl. 124 Trainees

# Challenges & Opportunities



# FUCHS' 3C grease commitment

Germany / USA / China

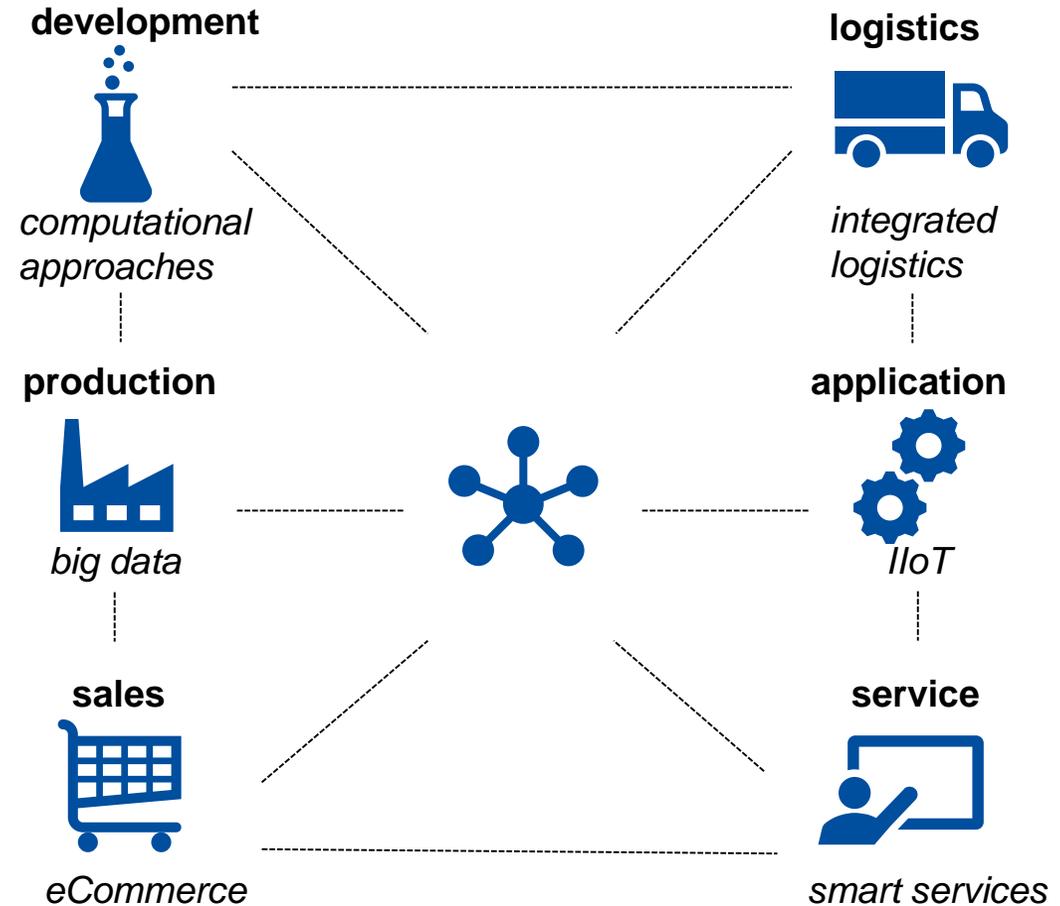
- Globally identical production equipment
- Globally identical finishing equipment
- Globally identical quality control test devices
- Globally similar raw materials
- Globally identical quality standards



# Digitalisation will fundamentally change our value creation

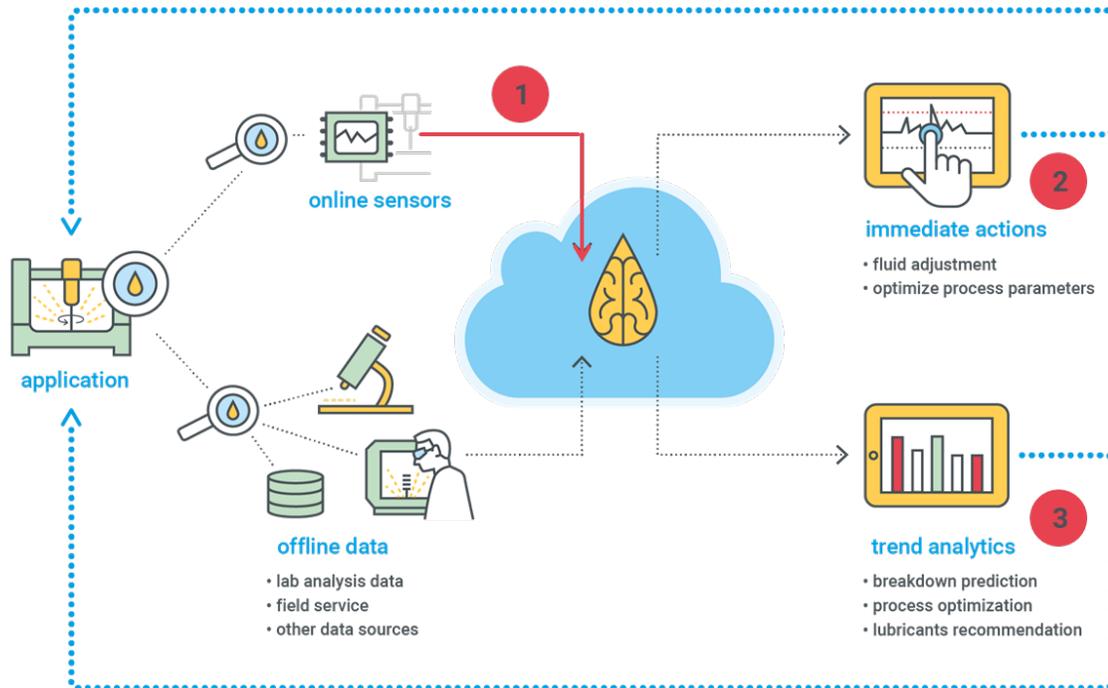
With our “think tank“ in the FUCHS family, **inoviga GmbH**, we created a unit aiming to deliberately engage in new ways of thinking and to be the driving force behind digitalization projects.

inoviga’s mission:  
co-create next level FUCHS



# Smart services

## How FluidVision fits into FUCHS' digitalization strategy



### smart services: objectives

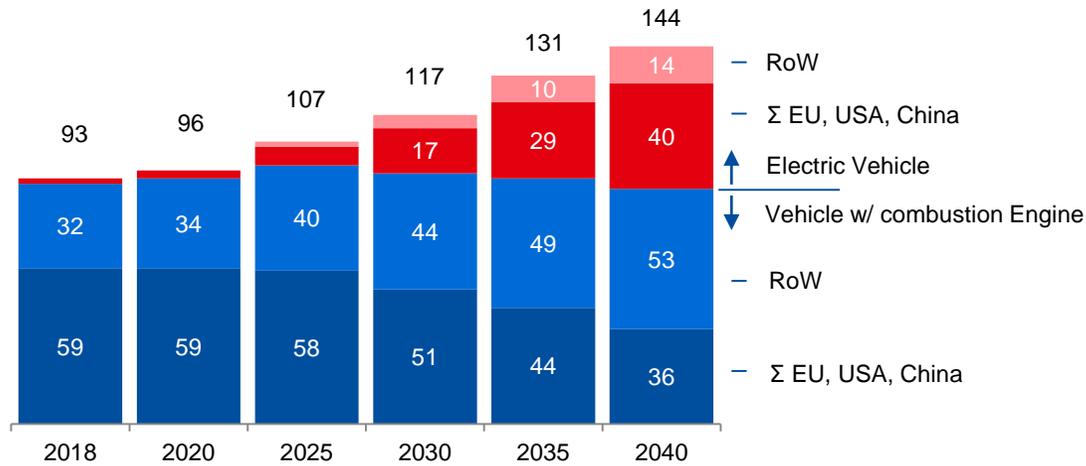
- Make the lubricant talk in real-time by introducing online condition monitoring via sensors
- Empower customers to take immediate actions to keep the lubricant and the machine healthy, preventing unplanned downtime

### smart services: objectives

- **FluidVision** provides a setup to collect sensor information and forward these data to customers maintenance network as well to FUCHS' cloud based customer self service. (1)
- **FluidVision** therewith enhances our efforts to create input for immediate actions (2) as well as FUCHS' trend analytics (3) get enriched by live data

# Electrification of cars creates new applications

Global light-duty vehicles sales forecast (in mn units)



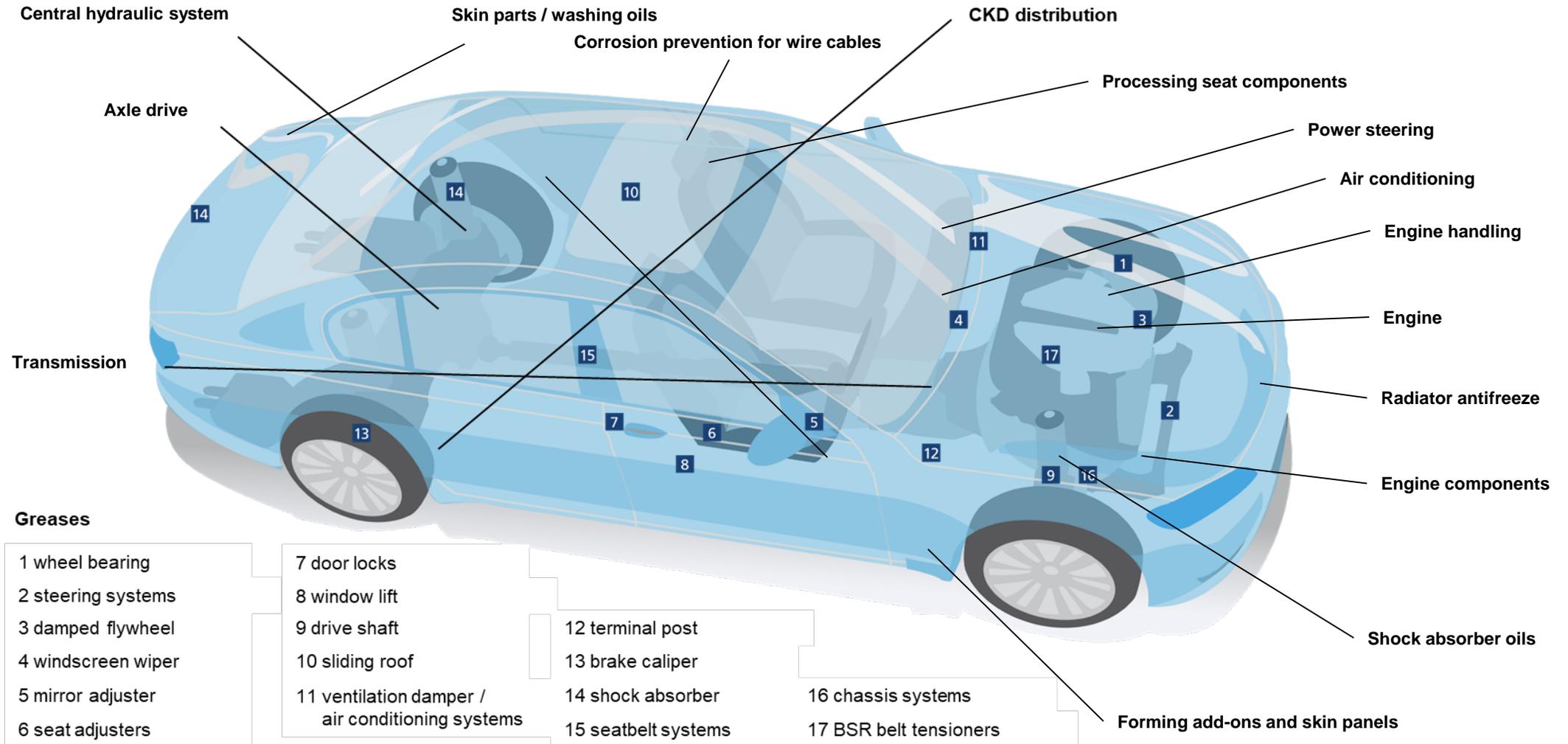
- **No market revolution expected:**  
Evolution of existing technologies: Hybrids with efficient combustion engines will dominate the market
- Increasing demand of EVs mainly in larger cities with high traffic density across Europe, China and USA

Source: FEV / Base Scenario

<u>Powertrain Applications</u>	ICE	HEV	BEV
			
Engine oil	✓	✓	–
Transmission oil	✓	✓	✓ / –
Greases	✓	✓	✓
Specialty greases	✓	+	+
Lubricants for Auxiliary systems	✓	+	+
Cooling & functional liquids	✓	+	+
		– Omitted	✓ Required
			+ Increased

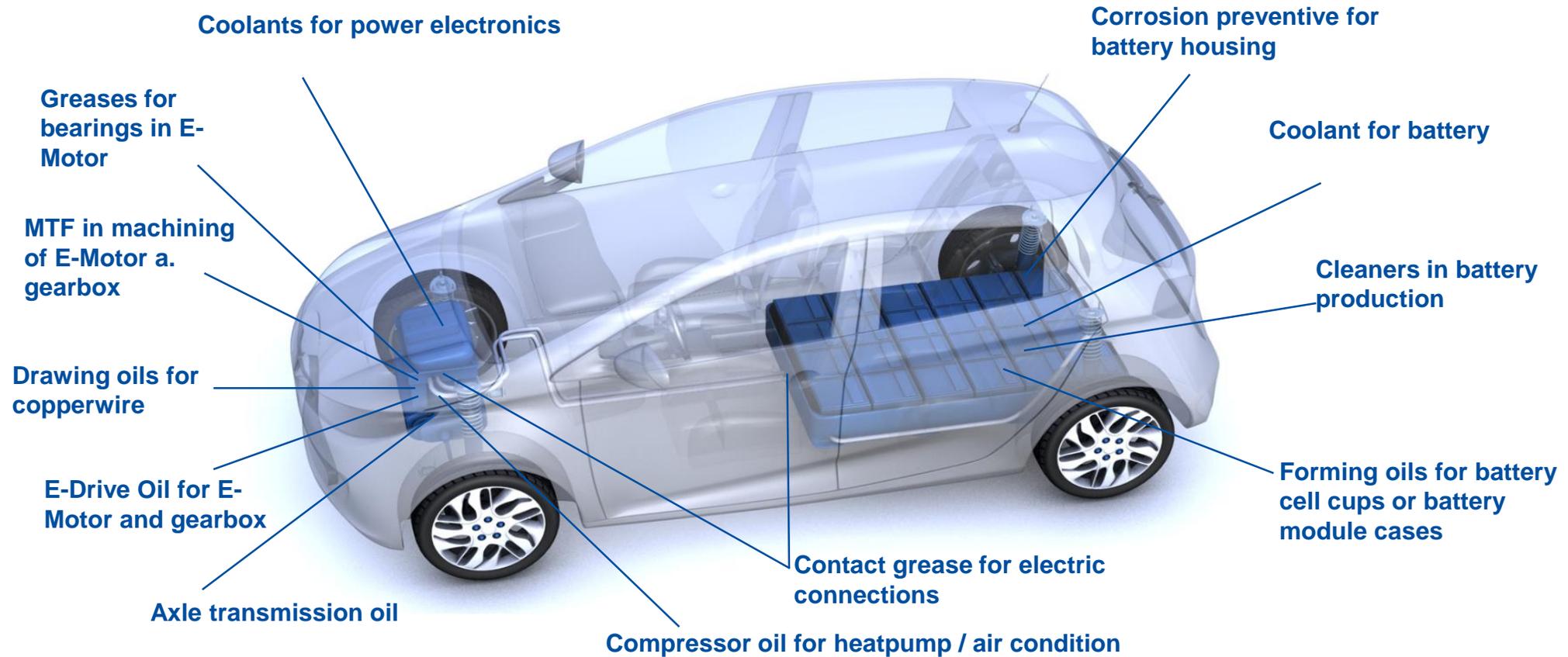
# Lubricant applications in passenger cars

In modern cars there are more than 30 different types of greases



# Lubricant applications in passenger cars

Electrification brings a variety of opportunities for FUCHS



*Products, which are needed independent from propulsion type are not shown*

# Electric cars – new technology calls for new lubrication

- Electrification of cars will lead to new applications and higher requirements for existing applications
- Regardless of the powertrain type, every car needs a variety of other lubricant applications
- Combustion engines will face further efficiency improvements leading to higher requirements of existing lubricants (e.g. higher protection against deposits for turbocharged engines, higher heat and ageing stability for more compact engines)
- Hybrid cars with efficient combustion engines will place complex requirements for existing applications but also create new demand for new applications
- EVs will place whole new demand on gear oils, coolants, greases (e.g. contact with electrical currents and electromagnetic fields, higher heat emission, reduction gears with less gear steps and higher input speeds)
- FUCHS is used to quickly adapting to new market demands and is working on concrete methods to meet the challenges of the future mobility

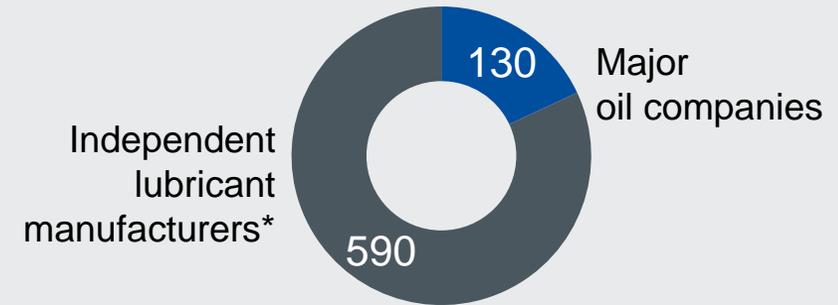
**Electrification is an opportunity for FUCHS to further strengthen its market leadership with technically advanced solutions**

# Further market consolidation to be expected

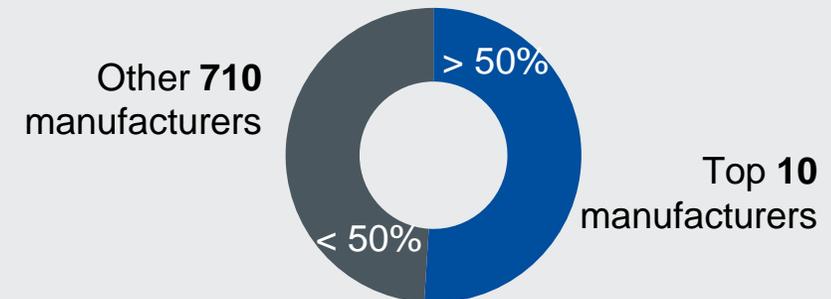
- High degree of fragmentation
- Concentration especially amongst smaller companies

- Differences are enormous

## Manufacturers



## Market Shares



\* > 1000 tons

# Long-term objective: Focus on Shareholder Value

## Drive returns

- Organic growth through strict customer focus, geographic expansion and product innovation
- Improve operating profitability through margin and mix management, operating cost management and efficiency improvements

## Optimize capital

- Capex with returns above WACC
- Manage NOWC

## Strengthen portfolio

- Reinvest in the business
- Acquisitions

# Cash allocation

## Cash allocation priority

Reinvest in the business

Return cash to shareholders

Capex

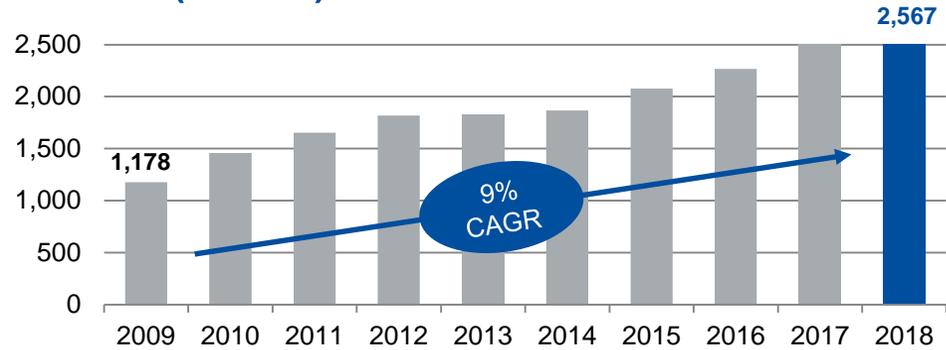
Stable Dividends

Acquisitions

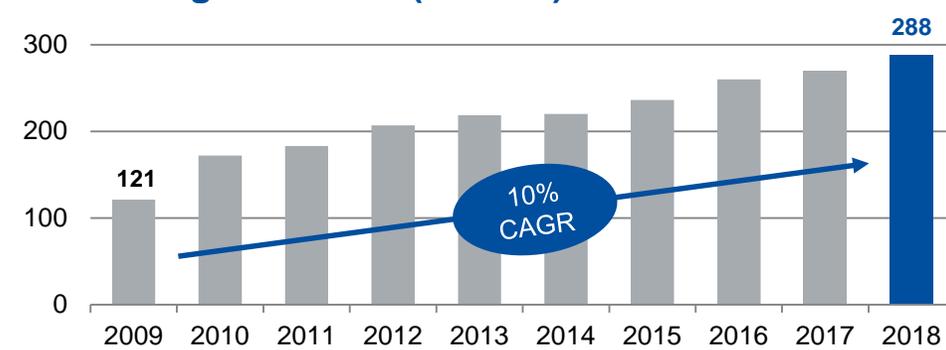
Share Buyback

# Unique track record for continued profitability and added value

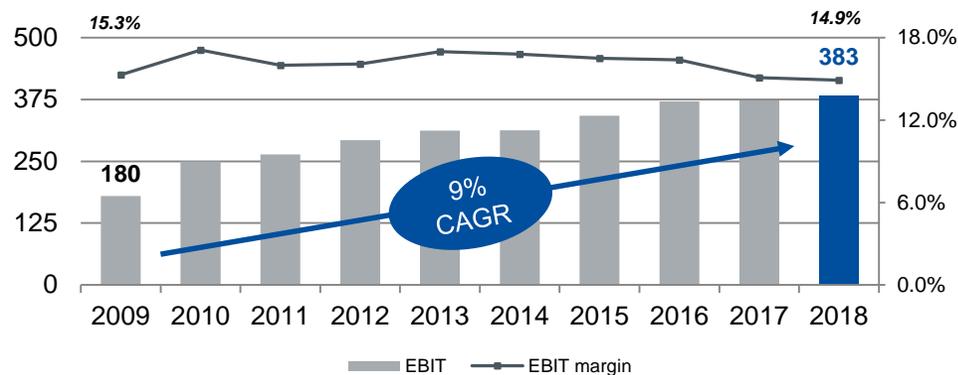
Sales (in €mn)



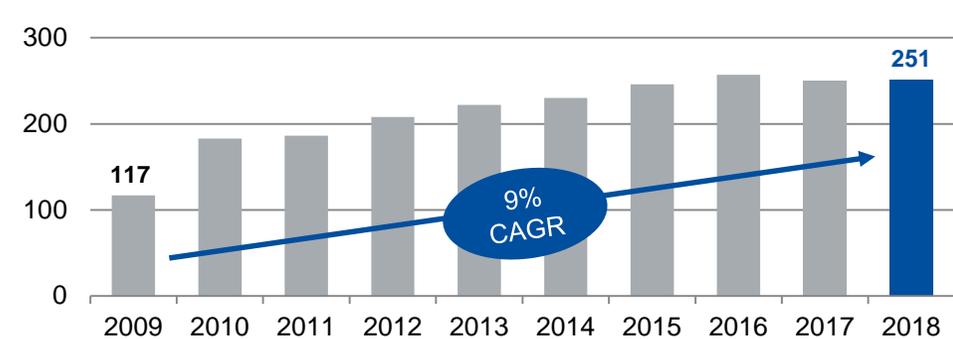
Earnings After Tax (in €mn)



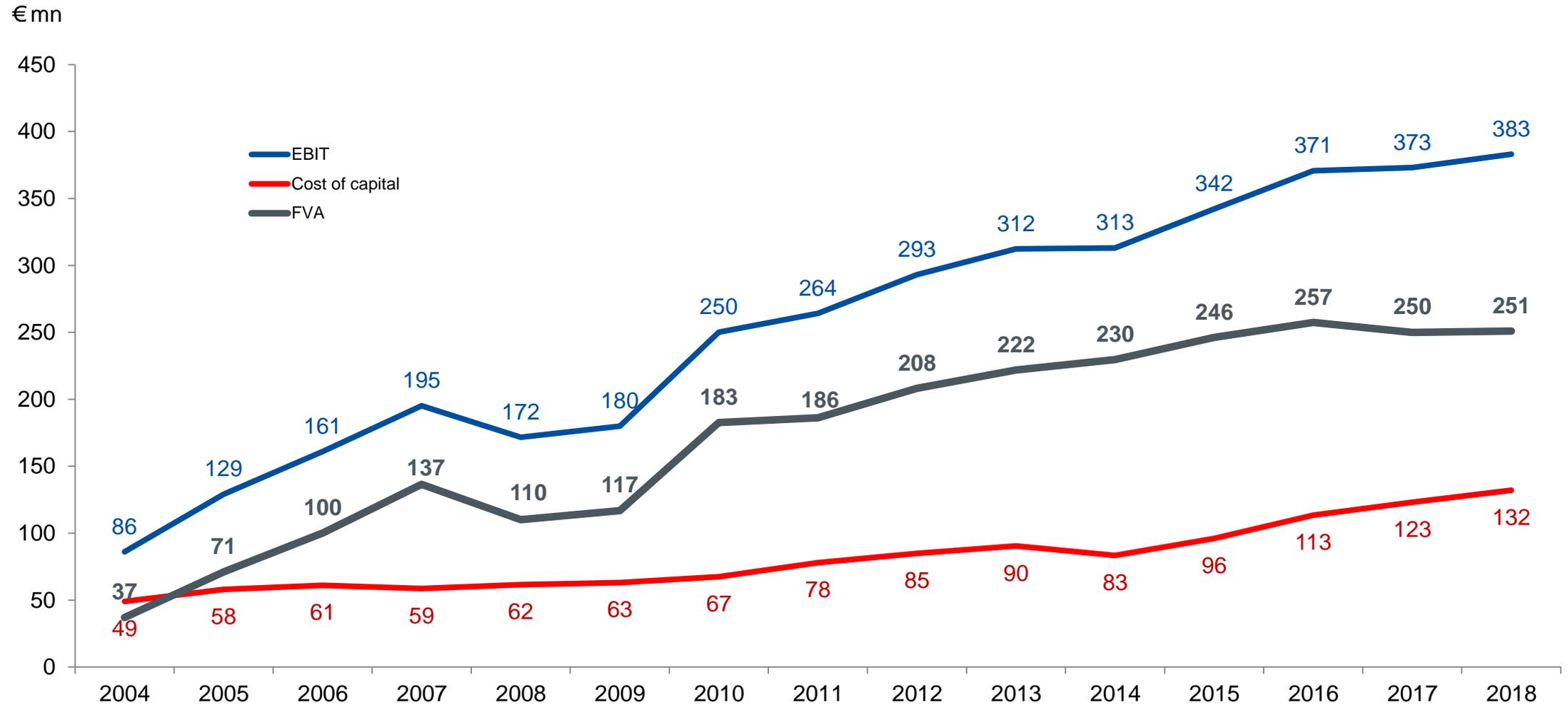
EBIT (in €mn)



FVA (in €mn)



# Development EBIT – Cost of Capital – FVA



# Stable EBIT in 2018

€mn	2014	2015	2016	2017	2018	Δ 17/18
<b>Sales</b>	<b>1,866</b>	<b>2,079</b>	<b>2,267</b>	<b>2,473</b>	<b>2,567</b>	<b>3.8%</b>
Gross Profit	693	791	851	882	899	1.9%
Gross Profit margin	37.2%	38.1%	37.5%	35.7%	35.0%	-0.7%-points
Other function costs	-400	-467	-499	-526	-542	3.0%
<b>EBIT before at Equity</b>	<b>293</b>	<b>324</b>	<b>352</b>	<b>356</b>	<b>357</b>	<b>0.3%</b>
EBIT margin before at Equity	15.7%	15.6%	15.5%	14.4%	13.9%	-0.5%-points
At Equity	20	18	19	17	26	52.9%
<b>EBIT</b>	<b>313</b>	<b>342</b>	<b>371</b>	<b>373</b>	<b>383</b>	<b>2.7%</b>
EBIT margin	16.8%	16.5%	16.4%	15.1%	14.9%	-0.2%-points
<b>EBITDA</b>	<b>343</b>	<b>381</b>	<b>418</b>	<b>426</b>	<b>441</b>	<b>2.1%</b>
EBITDA margin	18.4%	18.3%	18.4%	17.2%	17.2%	-0.3%-points

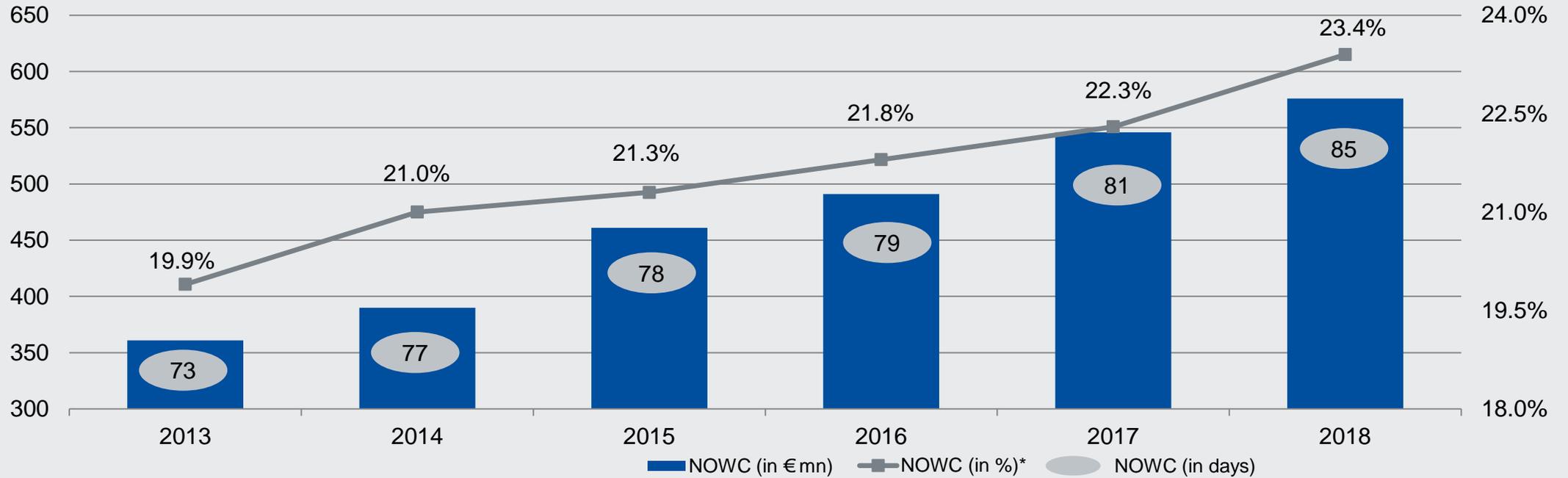
## Solid balance sheet and strong cash flow generation

€mn	2018	2017	2016	2015	2014
Total assets	1,891	1,751	1,676	1,490	1,276
Goodwill	174	173	185	166	88
Equity	1,456	1,307	1,205	1,070	916
Equity ratio	77%	75%	72%	72%	72%

€mn	2018	2017	2016	2015	2014
Net liquidity	191	160	146	101	186
Operating cash flow	267	242	300	281	255
Capex	121	105	93	50	52
Free cash flow before acquisitions <sup>1</sup>	147	142	205	232	210
Free cash flow	159	140	164	62	188

<sup>1</sup> Including divestments.

# Net operating working capital (NOWC)\*



Inventories/days	75	76	80	84	84	93
Debtors/days	53	56	54	57	56	56
Payables/days	43	43	42	48	45	48

\* In relation to the annualized sales revenues of the last quarter

# Quarterly sales growth split by regions

Organic Growth (in %)	2016					2017					2018				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	1.8	4.7	4.7	2.7	3.5	5.5	3.3	9.0	11.0	7.1	9	5	1	-1	3
Asia-Pacific, Africa	2.0	2.5	11.0	22.5	9.2	20.9	17.1	23.0	18.3	19.7	18	19	9	-2	11
Americas	-3.4	1.8	-4.0	-1.5	-1.8	9.0	6.4	12.7	10.1	9.4	7	14	12	22	13
<b>FUCHS Group</b>	<b>1.1</b>	<b>3.7</b>	<b>3.0</b>	<b>5.2</b>	<b>3.3</b>	<b>9.3</b>	<b>5.7</b>	<b>10.2</b>	<b>11.3</b>	<b>9.1</b>	<b>10</b>	<b>10</b>	<b>6</b>	<b>3</b>	<b>7</b>

External Growth (in %)	2016					2017					2018				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	24.9	24.4	9.3	-	14.0	-	-	-	-	-	-	-1	-	-	-
Asia-Pacific, Africa	2.9	4.8	-	-	2.0	-	-	-	-	-	-	-	-	-	-
Americas	2.0	3.4	2.1	3.0	2.6	7.4	5.5	4.3	2.2	4.9	-	-	-	-	-
<b>FUCHS Group</b>	<b>13.7</b>	<b>14.9</b>	<b>6.0</b>	<b>0.5</b>	<b>8.6</b>	<b>1.1</b>	<b>0.8</b>	<b>0.7</b>	<b>0.4</b>	<b>0.8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

FX Effects (in %)	2016					2017					2018				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Europe	-1.2	-2.3	-2.2	-2.0	-2.0	-0.2	-0.2	-0.3	-0.3	-0.2	-1	-1	-1	-1	-1
Asia-Pacific, Africa	-6.3	-8.4	-3.1	-1.4	-4.9	4.2	1.7	-4.4	-6.5	-1.5	-8	-4	-3	-2	-4
Americas	-2.9	-5.7	-1.1	1.8	-2.0	6.3	3.5	-6.1	-10.1	-1.7	-16	-11	-4	-7	-9
<b>FUCHS Group</b>	<b>-3.1</b>	<b>-4.8</b>	<b>-2.3</b>	<b>-1.3</b>	<b>-2.9</b>	<b>2.0</b>	<b>0.8</b>	<b>-2.3</b>	<b>-3.4</b>	<b>-0.8</b>	<b>-6</b>	<b>-4</b>	<b>-2</b>	<b>-2</b>	<b>-3</b>

# The Executive Board

Changes of responsibilities as of 2019



**Stefan Fuchs:** CEO; Americas (until Sept. 30, 2019), Corporate Group Development, HR, PR & Marketing



**Dr. Lutz Lindemann:** CTO; R&D, Technology, Product Management, Supply Chain, Sustainability, inoviga GmbH, Mining Division, OEM Division



**Dr. Timo Reister:** Asia-Pacific, Americas (as of Oct. 2019), Industrial Sales Strategy



**Dr. Ralph Rheinboldt:** Europe, Middle East & Africa, LUBRITECH Division



**Dagmar Steinert:** CFO; Finance, Controlling, Investor Relations, Compliance, Internal Audit, IT (incl. SAP/ERP-Systems), Legal, Tax

# Executive Compensation & FUCHS Shares

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## Executive Board

**25%**

of variable compensation

must be invested in FUCHS preference shares with a 3 year lock-up period

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## Supervisory Board

**50%**

of variable compensation

must be invested in FUCHS preference shares with a lock-up period of 5 years. The vesting period is waived when the member leaves the Supervisory Board

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# Financial Calendar & Contact

## Financial Calendar

<b>March 20, 2019</b>	Full Year Results 2018
<b>May 3, 2019</b>	Quarterly Statement Q1 2019
<b>May 7, 2019</b>	Annual General Meeting 2019
<b>August 1, 2019</b>	Half-year Financial Report 2019
<b>October 30, 2019</b>	Quarterly Statement Q3 2019

The financial calendar is updated regularly. You can find the latest dates on the webpage at [www.fuchs.com/financial-calendar](http://www.fuchs.com/financial-calendar)

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