

# FUCHS GROUP

## Investor Presentation

| September 2019

| Thomas Altmann, Head of Investor Relations



SI Analytics

Typ 501 11 / Σα

App. Nr. 1053 941

# Agenda

**01** | The Leading Independent Lubricants Company

**02** | H1 2019

**03** | Shares

**04** | Appendix

# 01 The Leading Independent Lubricants Company



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# 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

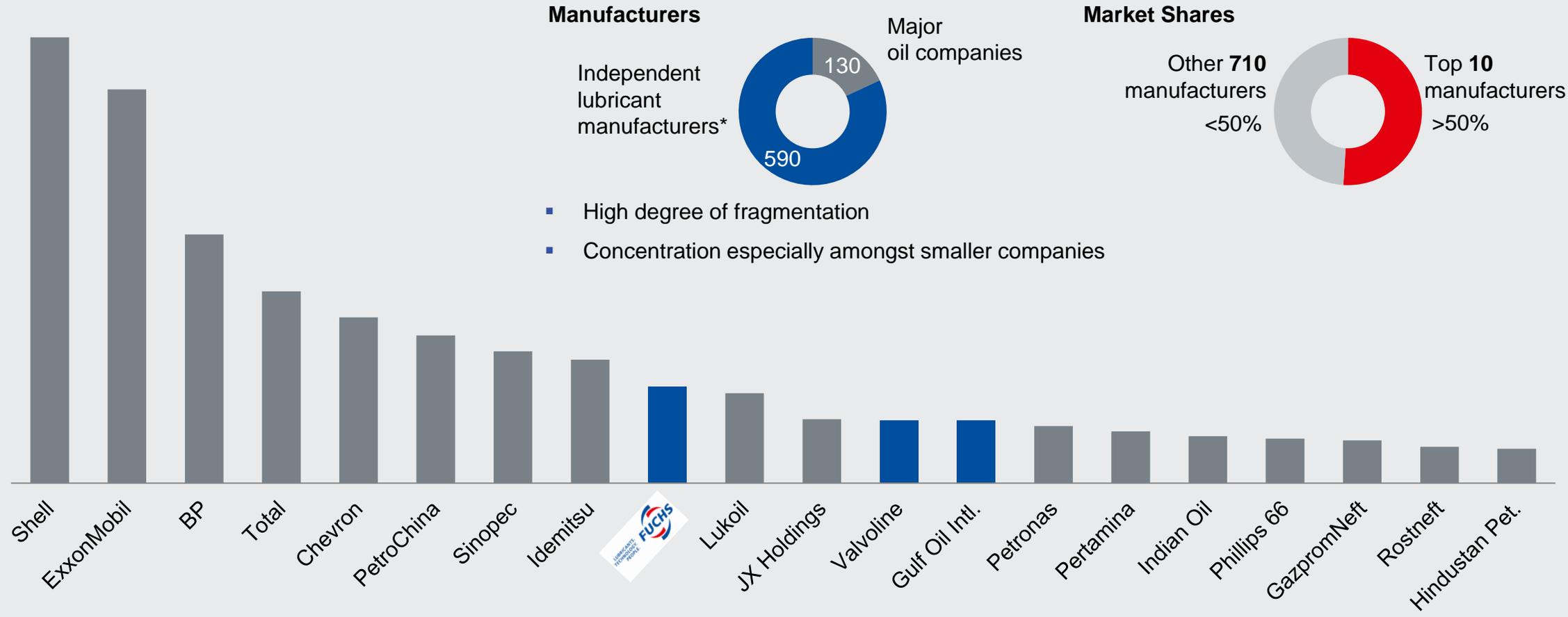
**58** companies worldwide

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

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

# Top 20 lubricants manufacturers

Number 1 among the independent lubricants companies



\* > 1000 tons

# 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

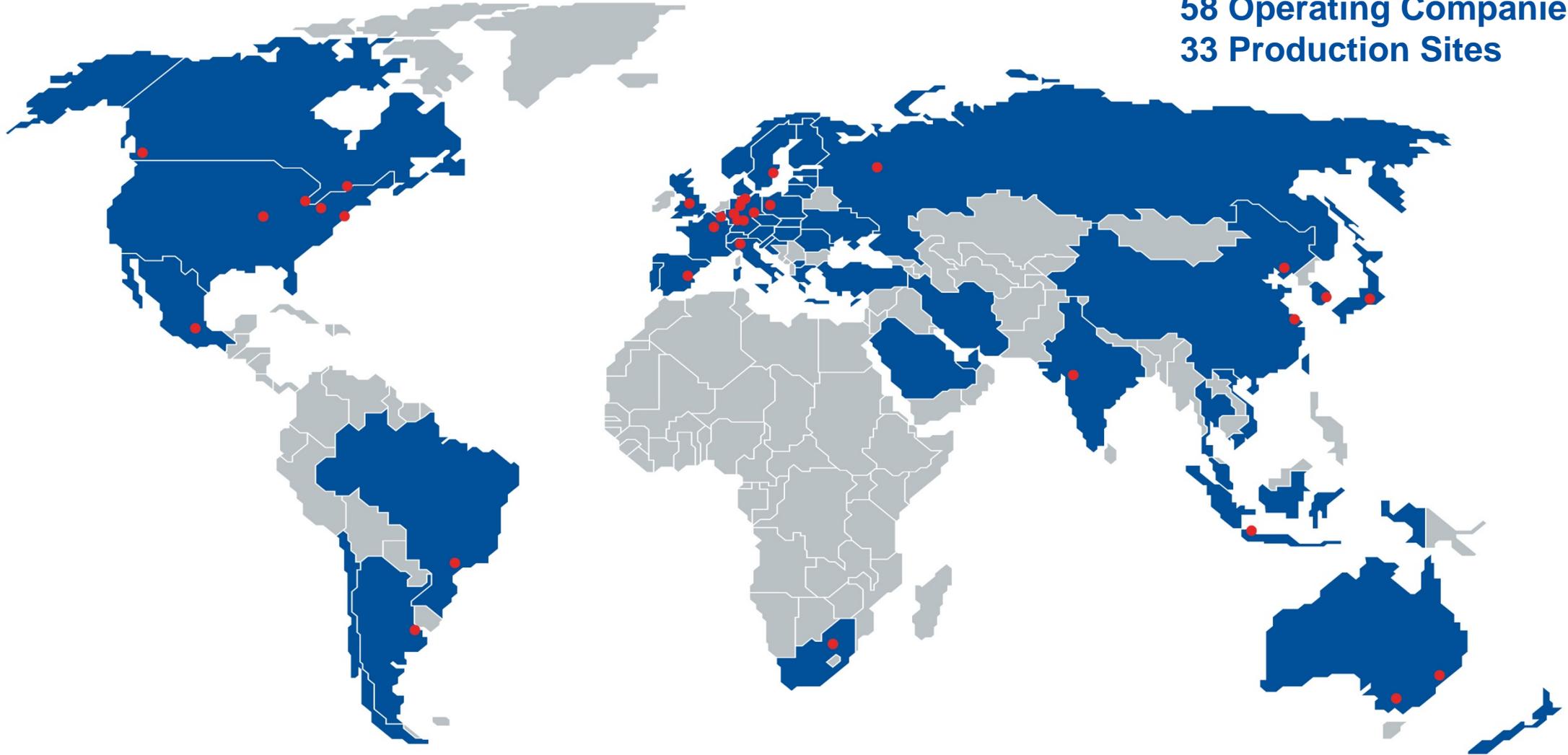
Global presence, R&D strength, know-how transfer, speed



**Advantage over  
independent companies**

# We are where our customers are

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



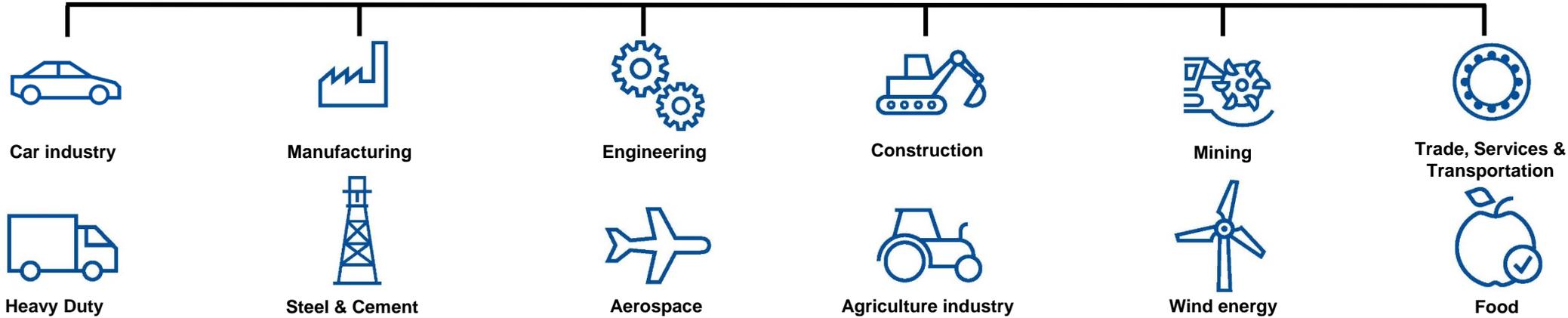
# Full-line supplier advantage

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

Automotive lubricants  
~45%  
e.g. Engine & gear oils, hydraulic oils, shock absorber fluids, etc.

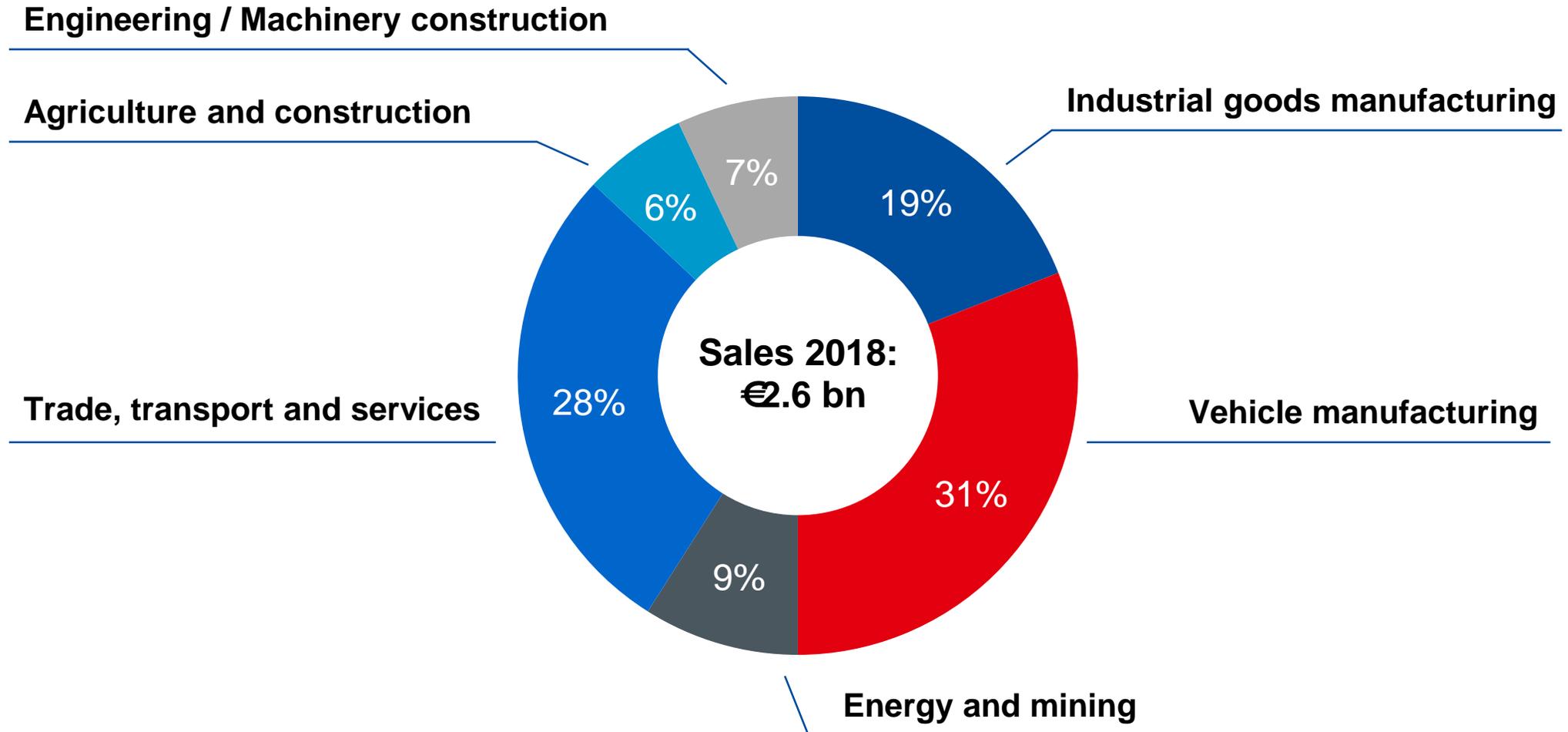
Industrial lubricants  
~55%  
e.g. Industrial oils, MWF/CP\* and greases

100,000 customers in more than 150 countries



# Well balanced customer structure

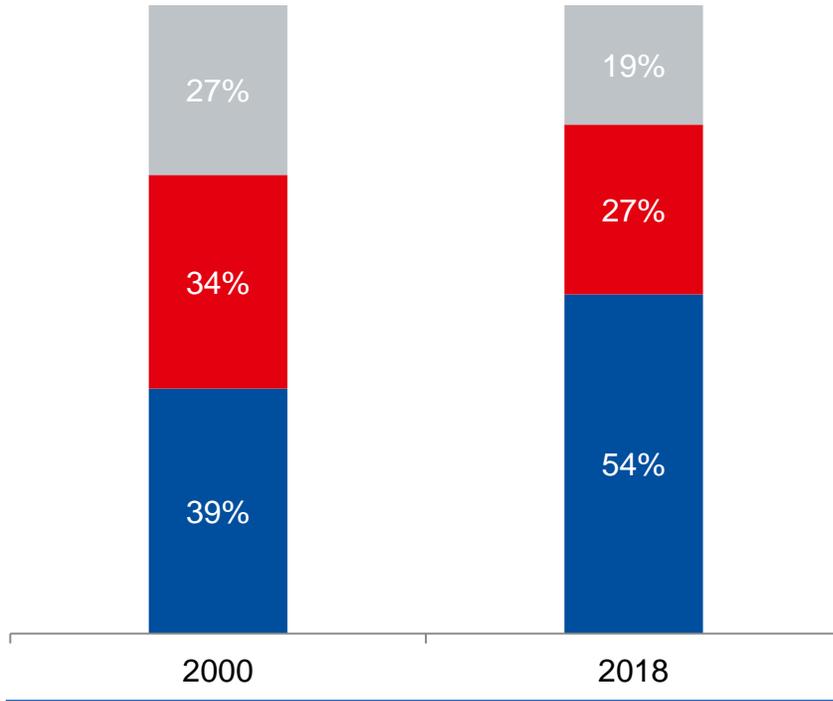
Top 20 Customers account for ~ 25% sales



# Organic growth potential in emerging countries

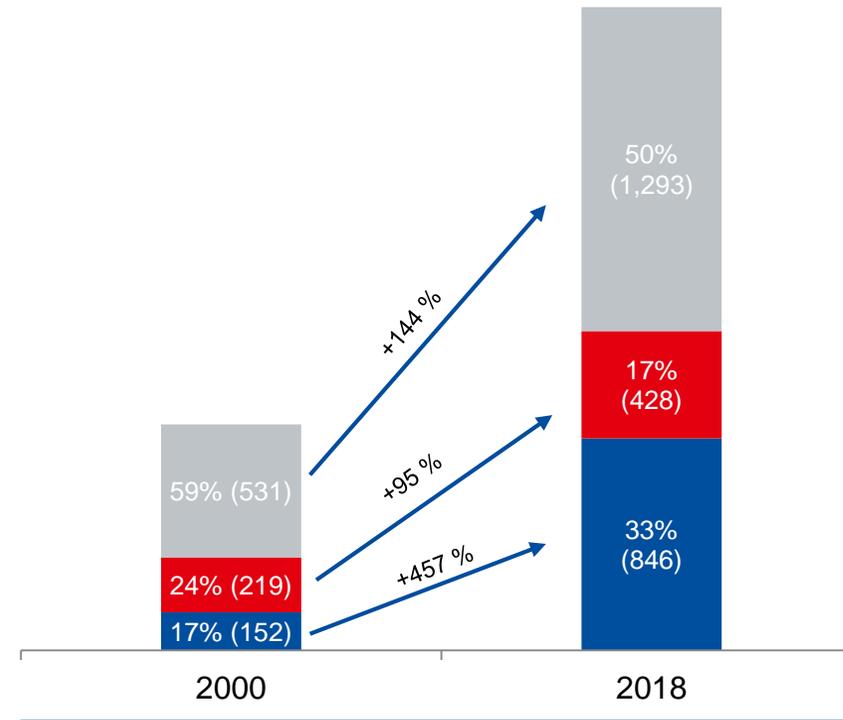
## Market Demand

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



## FUCHS Sales (by customer location)

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



# FUCHS' Strategy

## Profitable Growth:

Internationalization of core activities  
Local production in 33 plants

Global standards, processes and branding

## People:

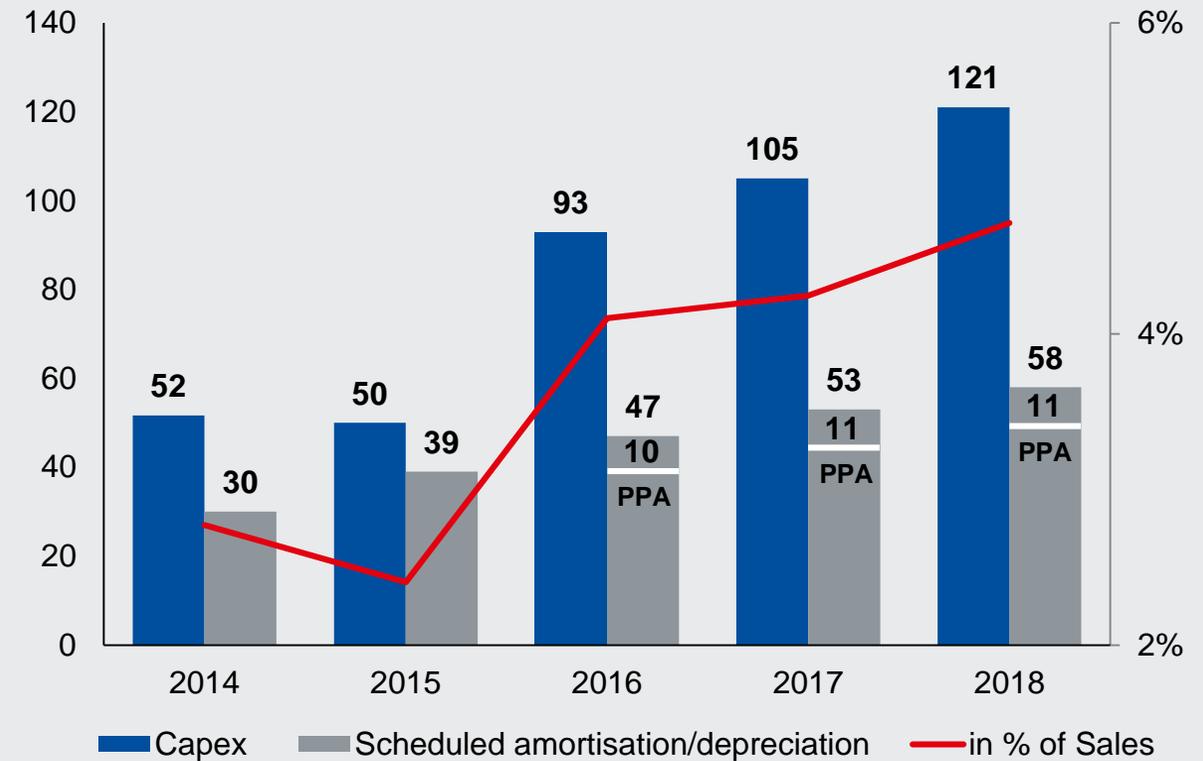
- Employer Branding
- Culture
- Talent-management
- Learning

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

Agile network structure based on common values

# Investment in the future

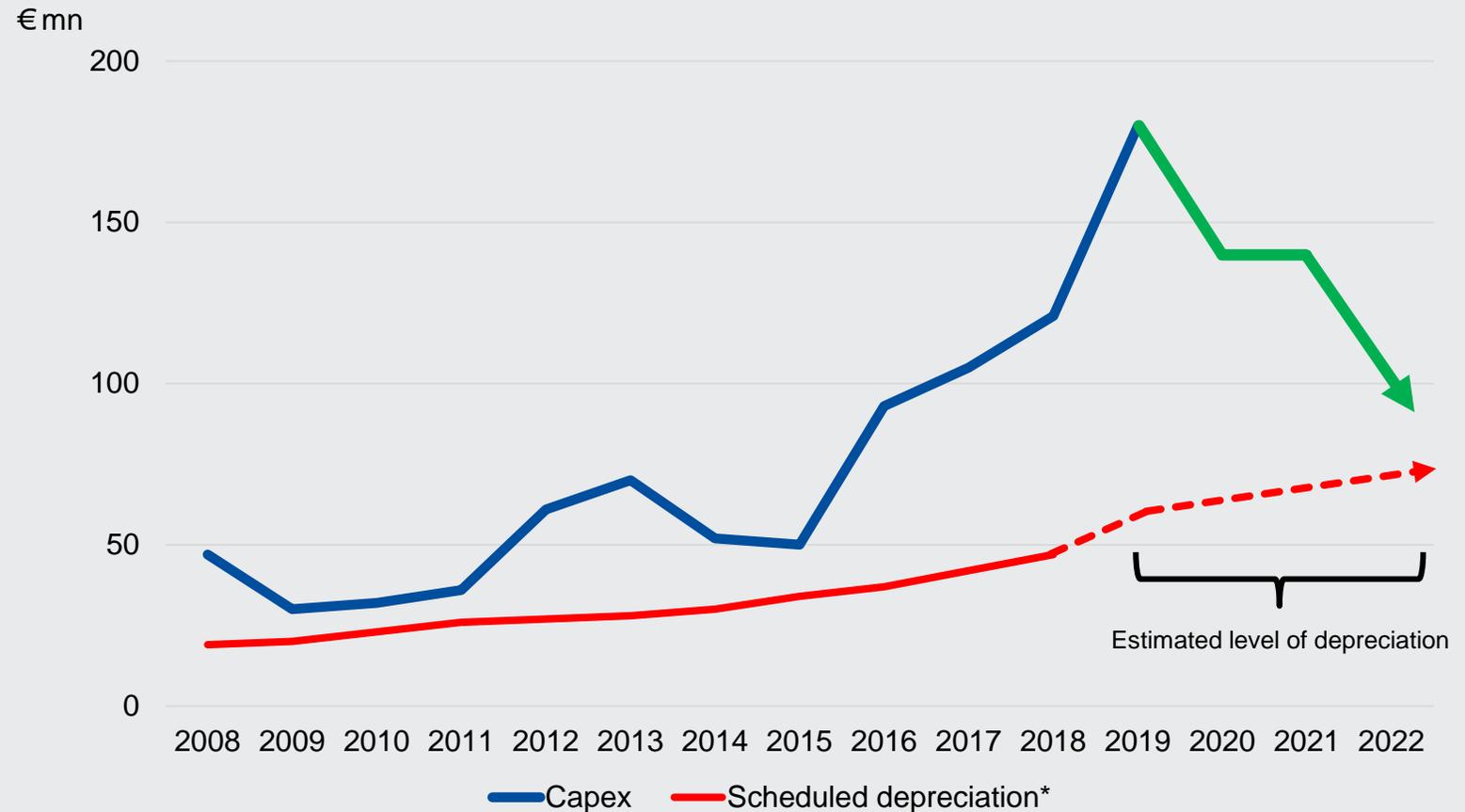
## R&D expenses and Capex



# 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



\* Depreciation figures excluding PPA from M&A

# Strong track record of integrating businesses

M&A deals > € 10mn sales (p.a.)



02 H1 2019



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## Highlights H1 2019

**Sales -1% at  
€1,296 mn**

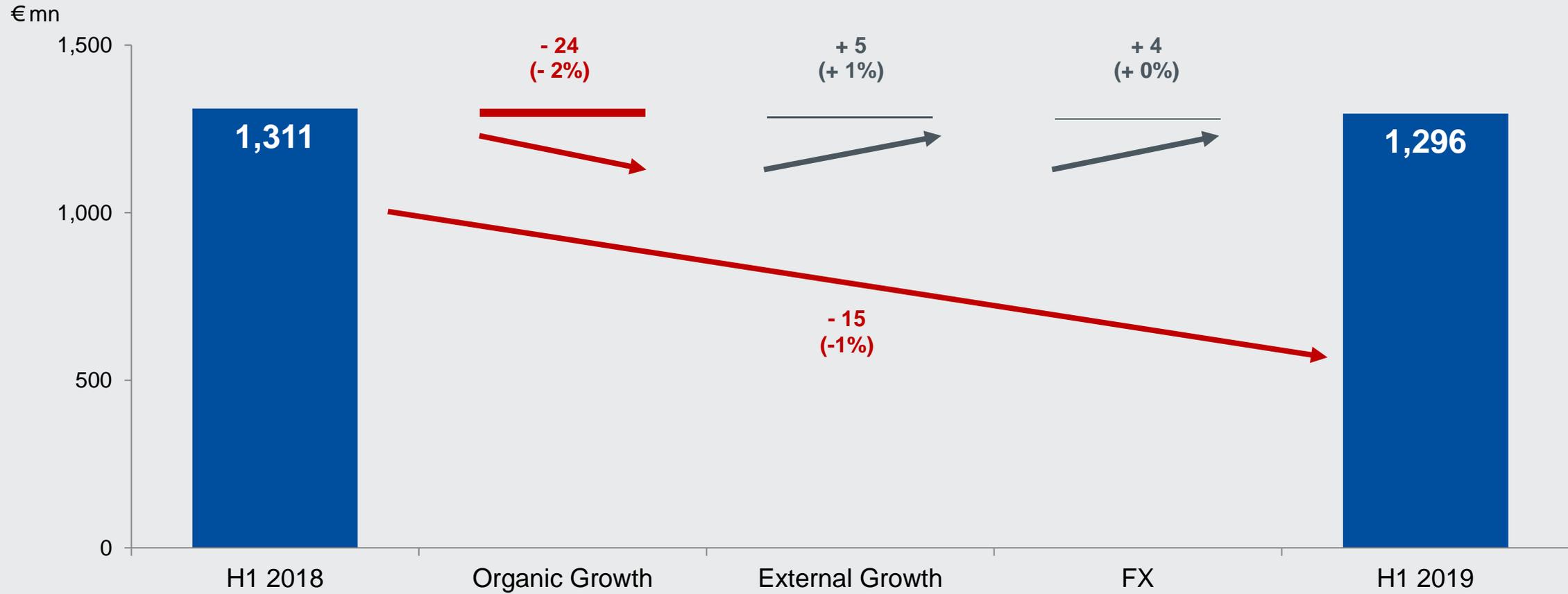
**EBIT down by 19%  
to €157 mn**

- Growth initiative results in costs increasing as planned
- Continuing weakness of automotive markets in Germany and China
- Declining organic growth in North and South America in Q2

### **Outlook 2019 adjusted**

- Sales -3% to +0%
- EBIT -30% to -20% (EBIT comparable: -27% to -17%)
- Free cashflow before acquisitions €70mn to €90 mn
- FVA €130 mn to €160 mn

# H1 2019 Group sales



# Regional sales growth H1 2019

Continuing weakness in Europe and Asia – Decreasing organic sales growth in Americas

	H1 2019 (€mn)	H1 2018 (€mn)	Growth	Organic	External	FX
Europe, Middle East, Africa	799	829	-4%	-3%	-	-1%
Asia-Pacific	355	369	-4%	-5%	+1%	0%
Americas	212	199	+7%	+3%	0%	+4%
Consolidation	-70	-86	-	-	-	-
<b>Total</b>	<b>1,296</b>	<b>1,311</b>	<b>-1%</b>	<b>-2%</b>	<b>+1%</b>	<b>0%</b>

# Income statement H1 2019

€mn	H1 2019	H1 2018	Δ €mn	Δ in %
<b>Sales</b>	<b>1,296</b>	<b>1,311</b>	<b>-15</b>	<b>-1</b>
Gross Profit	441	464	-23	-5
<i>Gross Profit margin</i>	34.0 %	35.4 %	-	-1.4 %-points
Other function costs	-289	-276	-13	-5
<b>EBIT before at Equity</b>	<b>152</b>	<b>188</b>	<b>-36</b>	<b>-19</b>
At Equity	5	5	0	0
<b>EBIT</b>	<b>157</b>	<b>193</b>	<b>-36</b>	<b>-19</b>
Earnings after tax	112	140	-28	-20

# EBIT by regions

H1 2019 (H1 2018)<sup>1</sup>



<sup>1</sup> 2018 comparable

# Cash flow H1 2019

€mn	H1 2019	H1 2018	Δ in %
<b>Earnings after tax</b>	<b>112</b>	<b>140</b>	<b>-20</b>
Amortization/Depreciation	36	28	29
Changes in net operating working capital (NOWC)	-20	-32	38
Other changes	-36	-10	>100
Capex	-76	-41	-85
<b>Free cash flow before acquisitions</b>	<b>16</b>	<b>85</b>	<b>-81</b>
Acquisitions	-10	-1	>100
<b>Free cash flow</b>	<b>6</b>	<b>84</b>	<b>-93</b>

# H1 2019 earnings summary

- Decrease in sales in EMEA and Asia-Pacific mainly due to weakness of the automotive market in China and Germany
- North and South America in Q2 also with organic sales decrease
- Positive FX effects North- and South America (+4%) due to a strong US dollar, minor negative effect (-1%) in EMEA and no effect in APAC; External growth (+1%) in APAC due to acquisition of NULON
- Product mix changes and higher manufacturing costs (in particular staff and D&A) related to the growth initiative result in a decrease of gross profit by 5% to €441 mn (464). Gross profit margin decreases to 34.0% (35.4)
- Additional D&A and higher staff costs increase other function costs by €13 mn to €289 mn (276)
- EBIT therefore, combined with sales decrease, lower y-o-y at €157 mn (193); Earnings after tax at €112 mn (140), down by 20%

## Outlook 2019 adjusted

Performance indicator	Actual 2018	Outlook 2019 (March 19)	Adjusted Outlook 2019 (August 19)
Sales	€2,567 mn	+2% to +4%	-3% to +0%
EBIT comparable (before one-off effect)	€371 mn	-5% to -2%	-27% to -17%
EBIT	€383 mn	-8% to -5%	-30% to -20%
FUCHS Value Added	€251 mn	~ € 200 mn	€130 to €160 mn
Free cash flow before acquisitions	€147 mn	~ € 100 mn	€70 mn to €90 mn

- Cost increase as planned as a result of investments in new and existing plants, people, R&D and IT
- Planned capex on record level (€180 mn) with focus on: Germany, China, Sweden, USA, Russia an UK

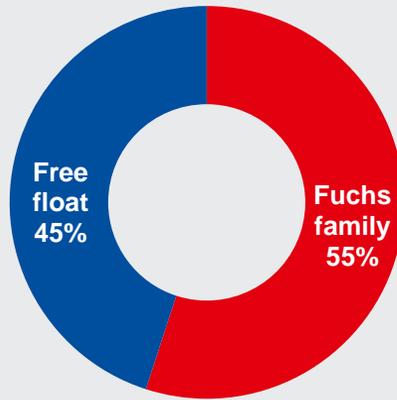
## 03 Shares



# Breakdown ordinary & preference shares

(December 31, 2018)

## Ordinary shares



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

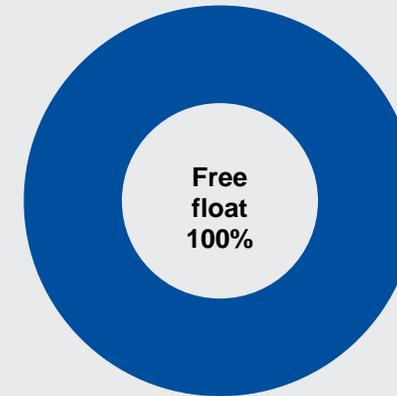
Basis: 69,500,000 ordinary shares

### Characteristics:

- Dividend
- Voting rights

## Preference shares

*MDAX-listed*



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

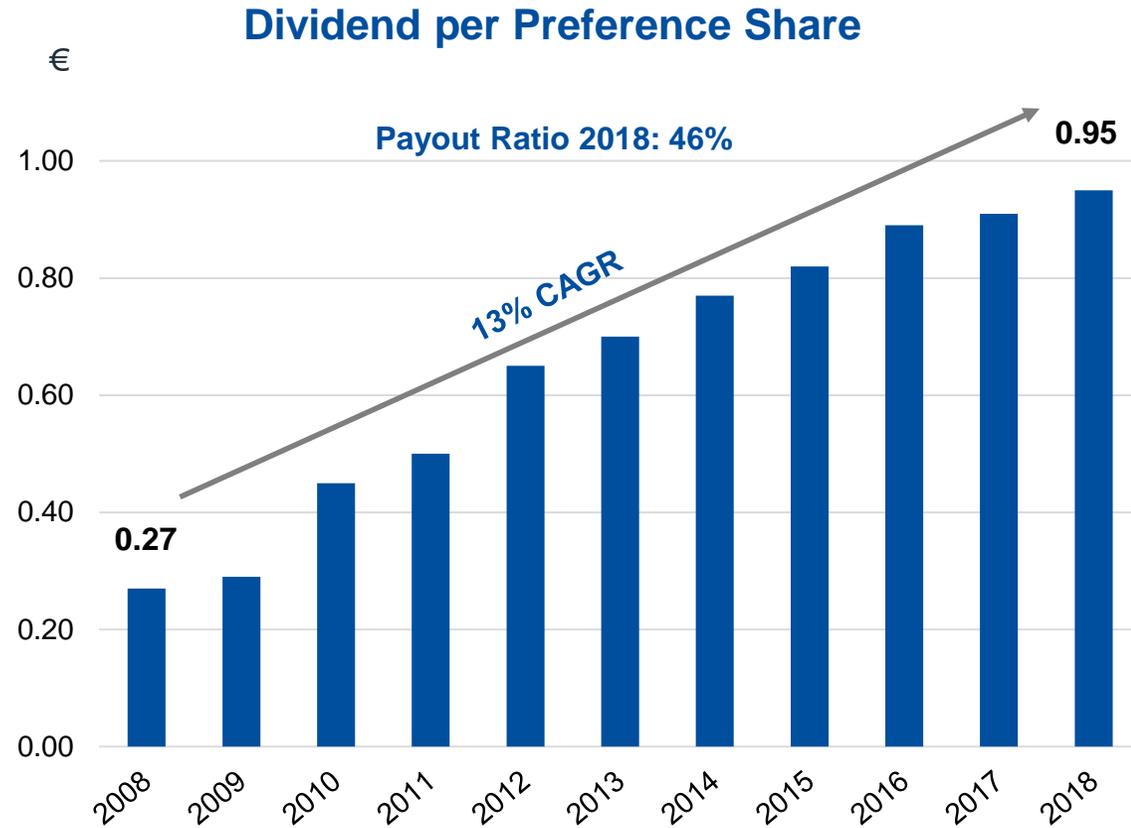
Basis: 69,500,000 preference shares

### 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

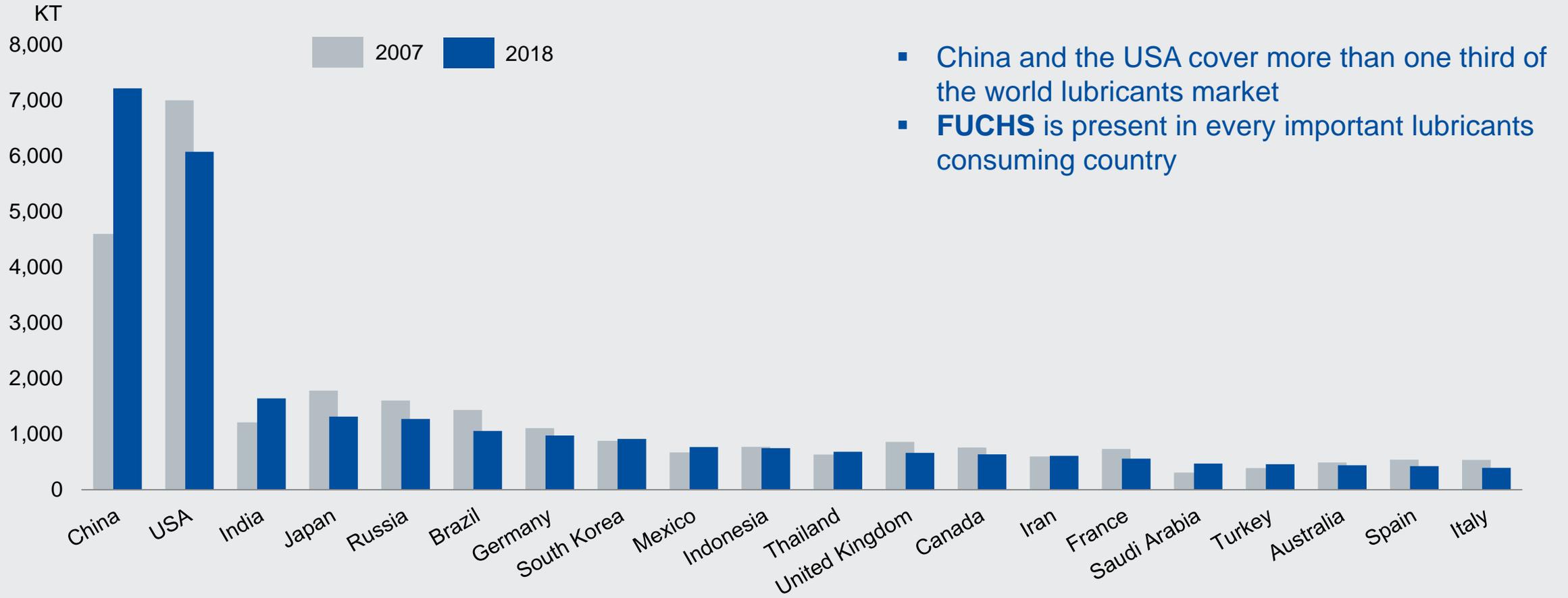


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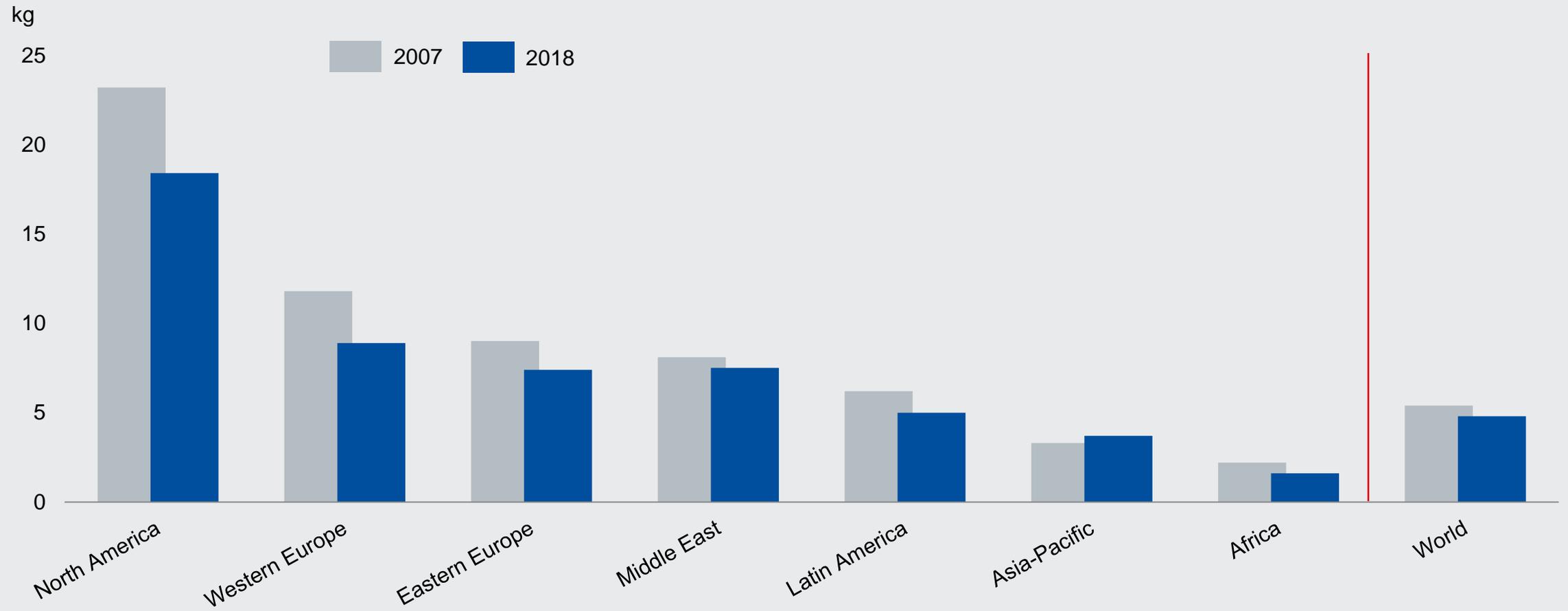
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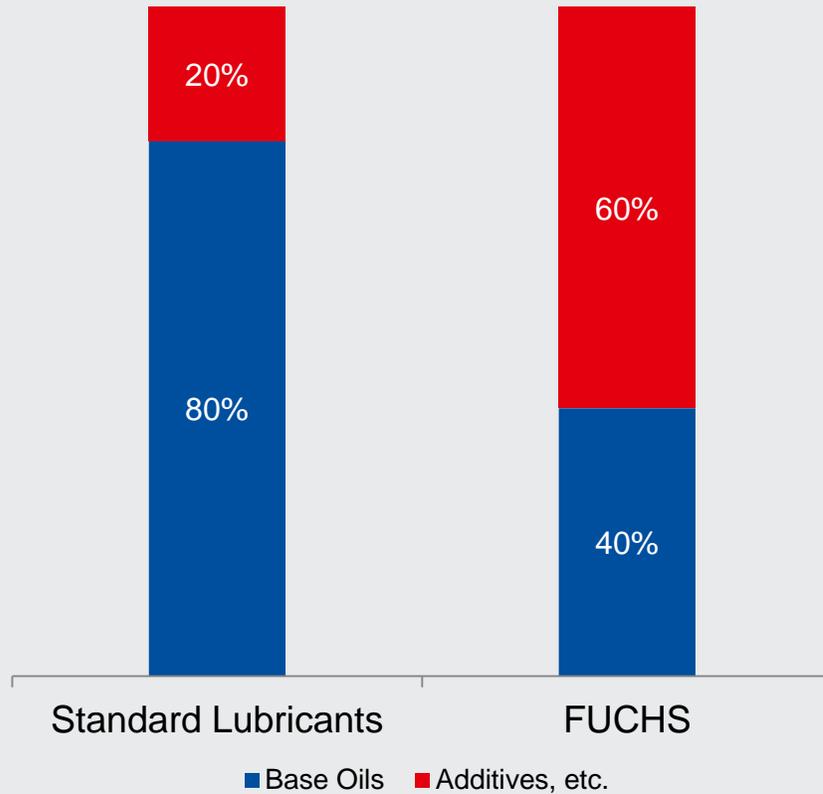
# Top 20 lubricant countries



# Regional per-capita lubricants demand



## Base oil / additives value split

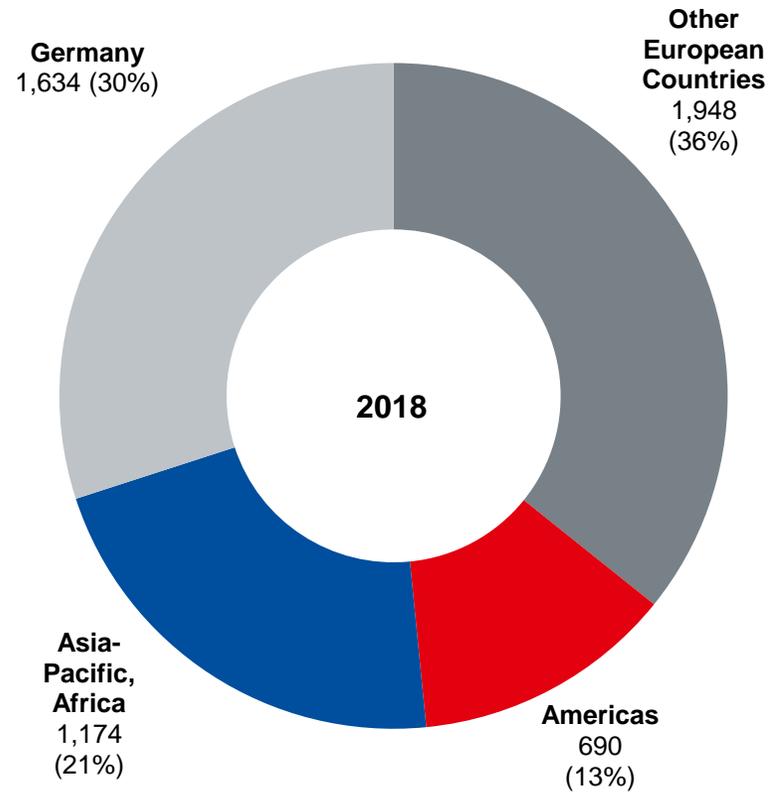


- Base oil prices do not necessarily follow crude oil prices
- No direct link between additives and crude oil prices. We even face price increases for certain raw materials where supply/demand is not balanced or special situations occur
- Special lubricants consist of less base fluid and more additives

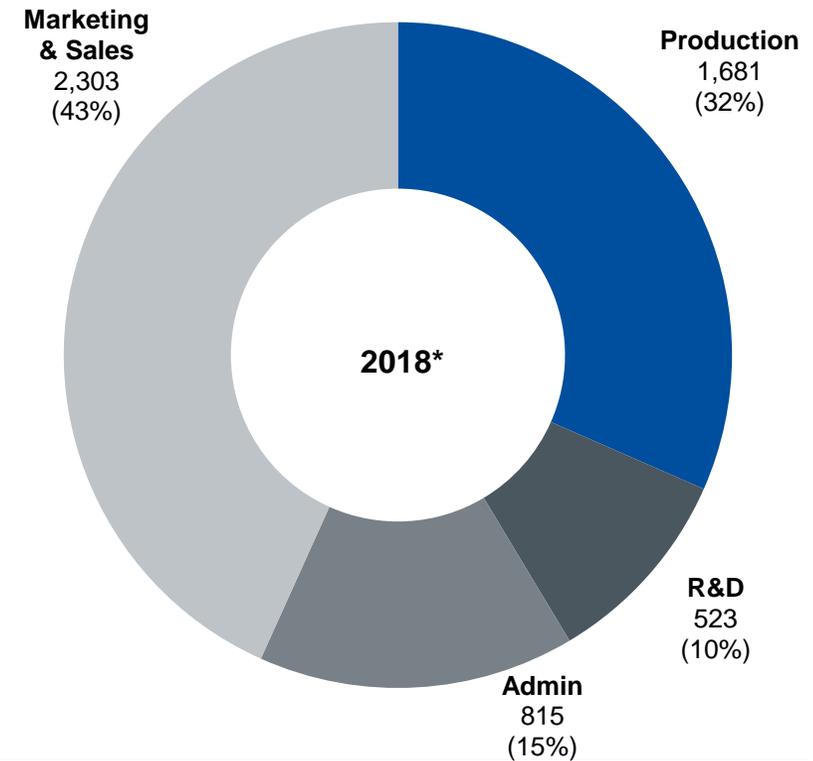
# Workforce Structure

5,446 employees globally

## Regional Workforce Structure



## Functional Workforce Structure



\*Excl. 124 Trainees

# FUCHS2025 – Vision



Unique company culture with family roots and a strong value foundation. An independent, global thinking and agile company communicating free of hierarchies & practicing an open feedback culture.

High performance organization driven to continuously improve and adapt to technology and market changes.

Know-how and state of the art technology linked with top service are a matter of course.

Customer focus and proximity around the globe.

Global alignment and communication with no friction within the matrix.

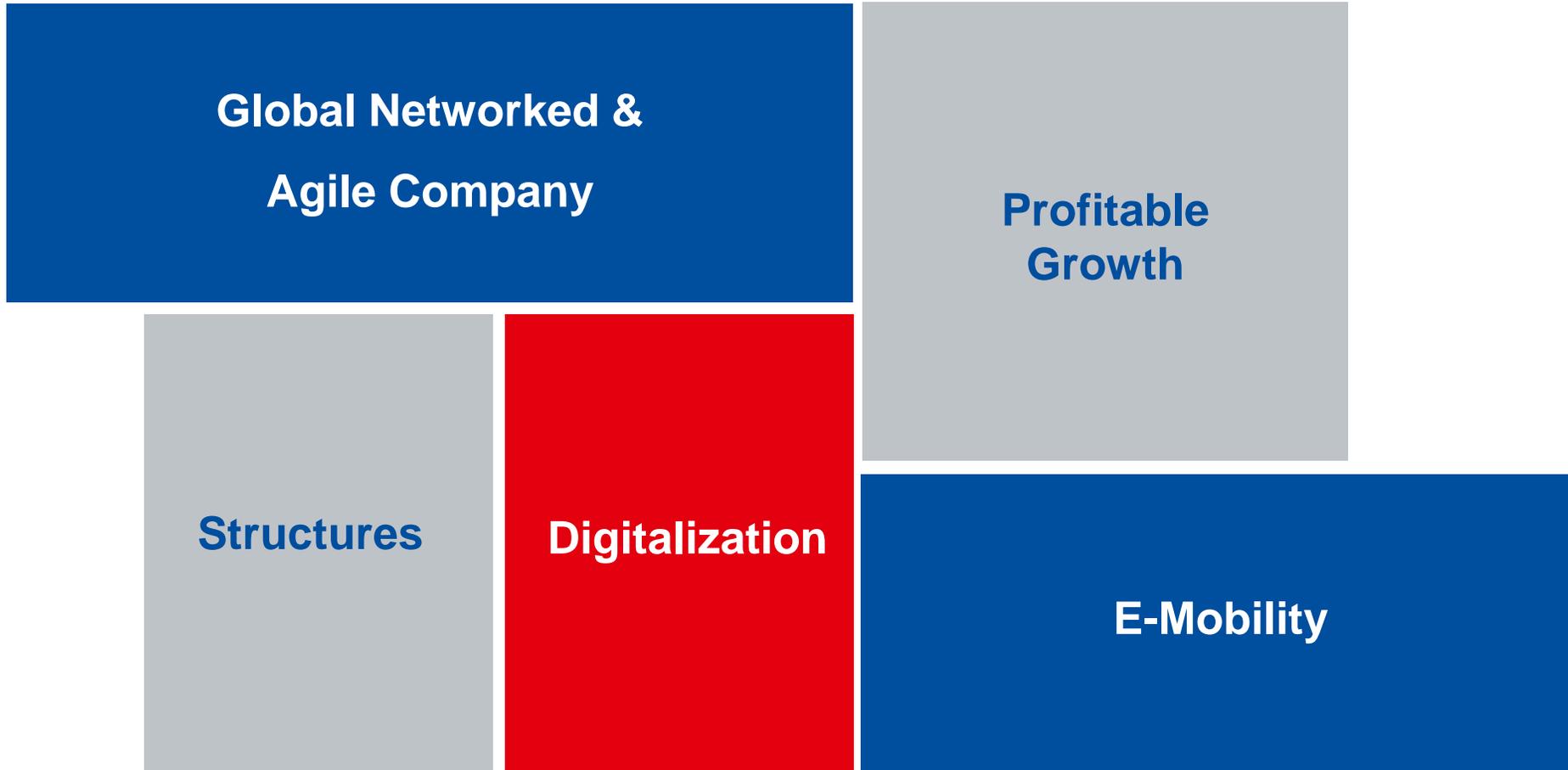
First choice for our global stakeholders: investors, employees, customers, suppliers etc.

Sustainable and successful global business model.

## Act global

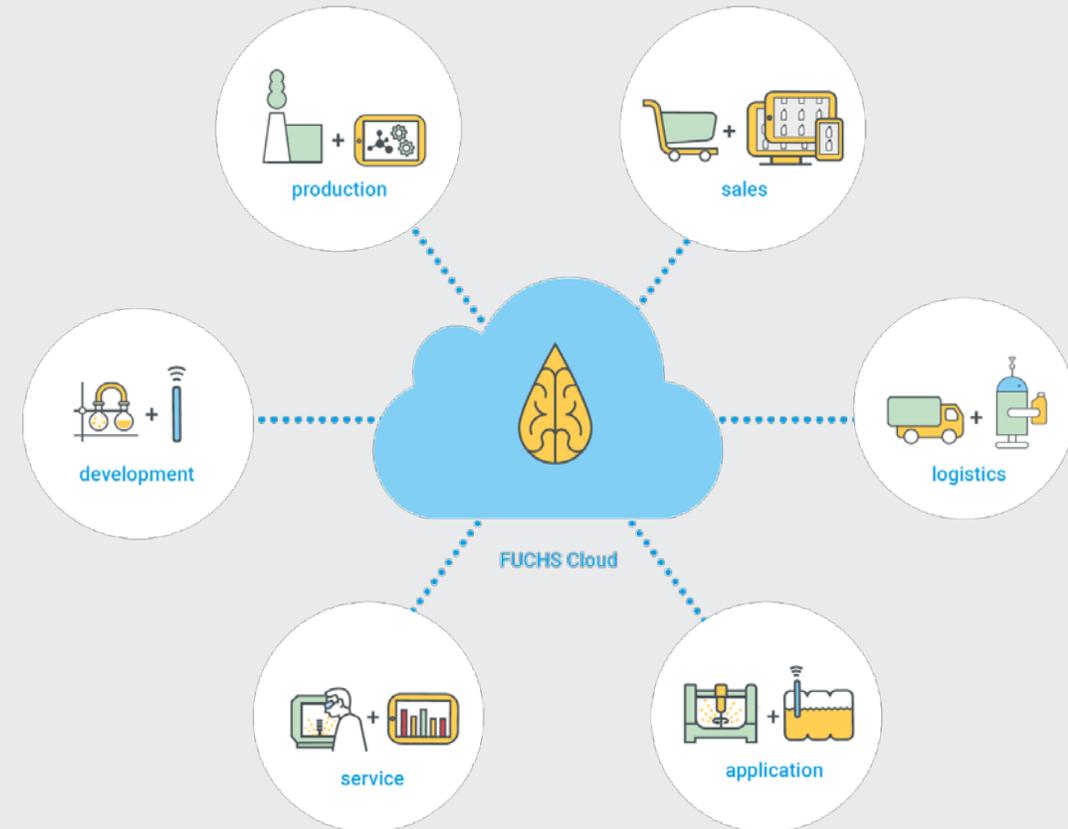
Based on our global standards and processes our employees act global while we keep the local entrepreneurship with strong local teams.

# Challenges & Opportunities



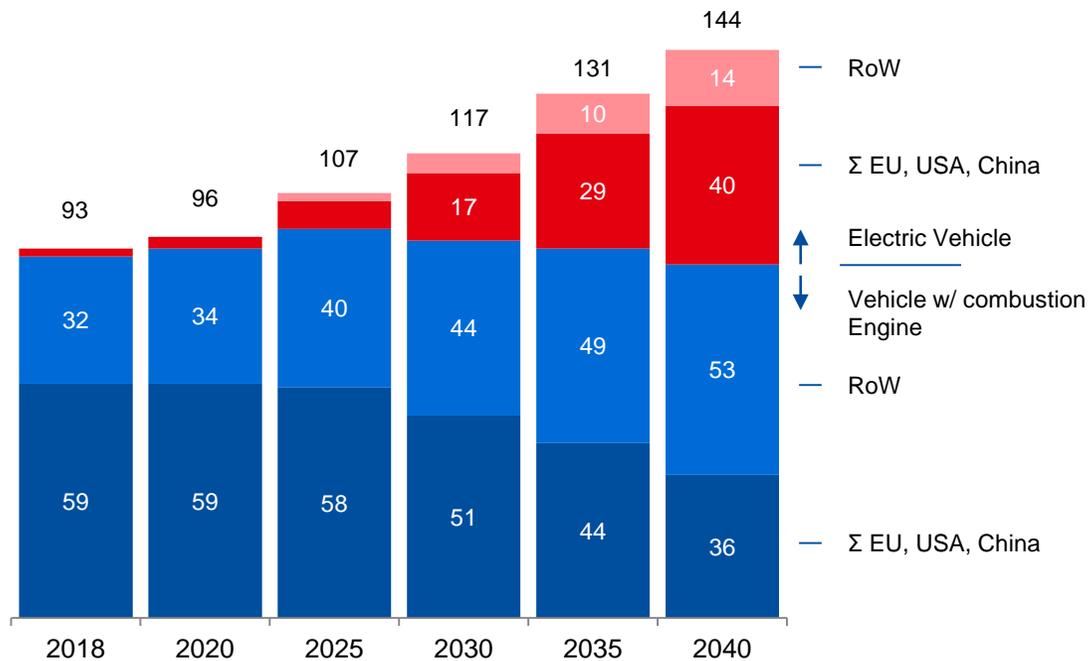
# Digitalisation will fundamentally change our value creation

- inoviga GmbH is a think tank outside the operative business
- Driving force behind digitalization projects
- Develops prototypes and tools for digital business models
- Current topics:
  - eCommerce
  - Digitalized product development & production
  - Smart Services



# Electrification of cars creates new applications

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



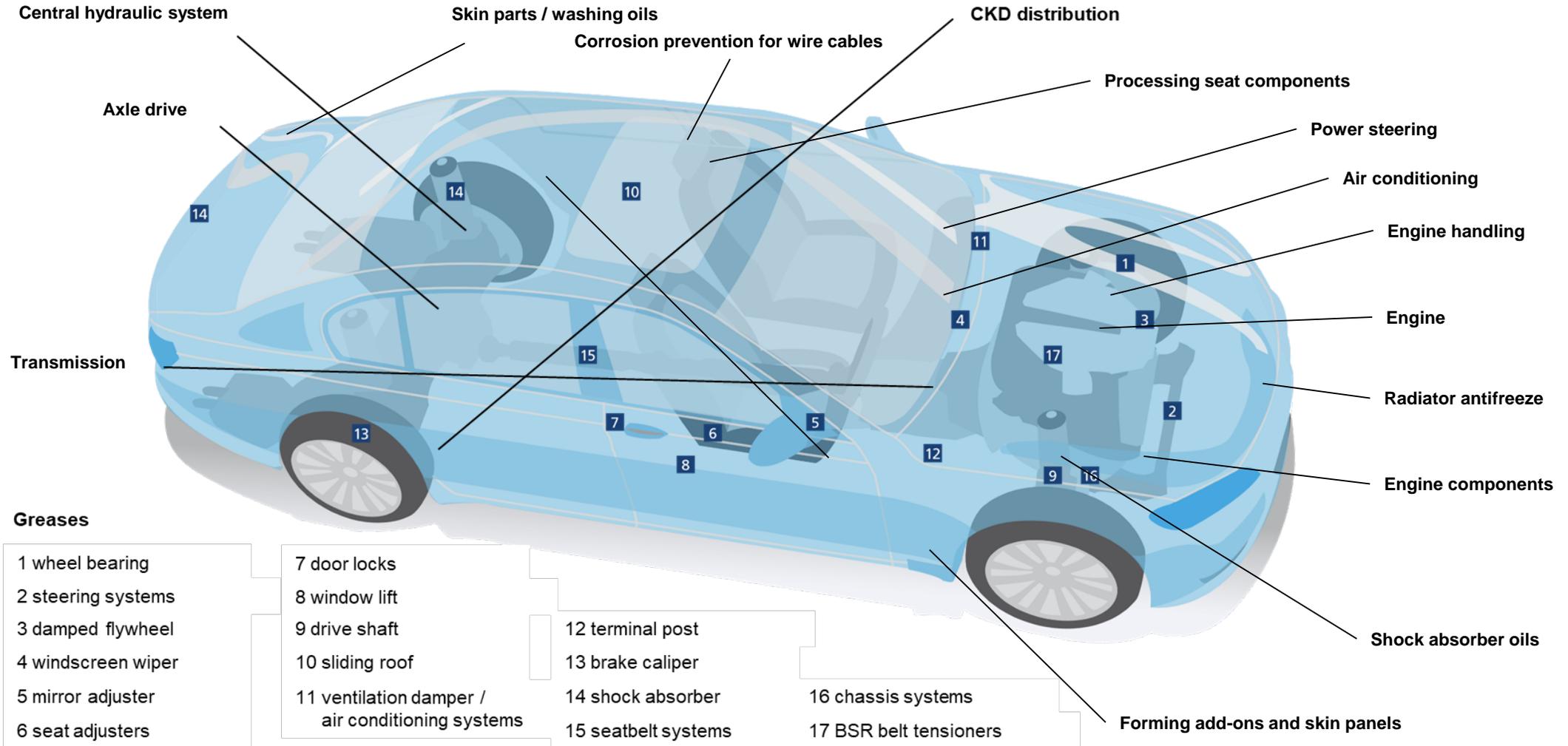
Source: FEV / Base Scenario

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

- 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

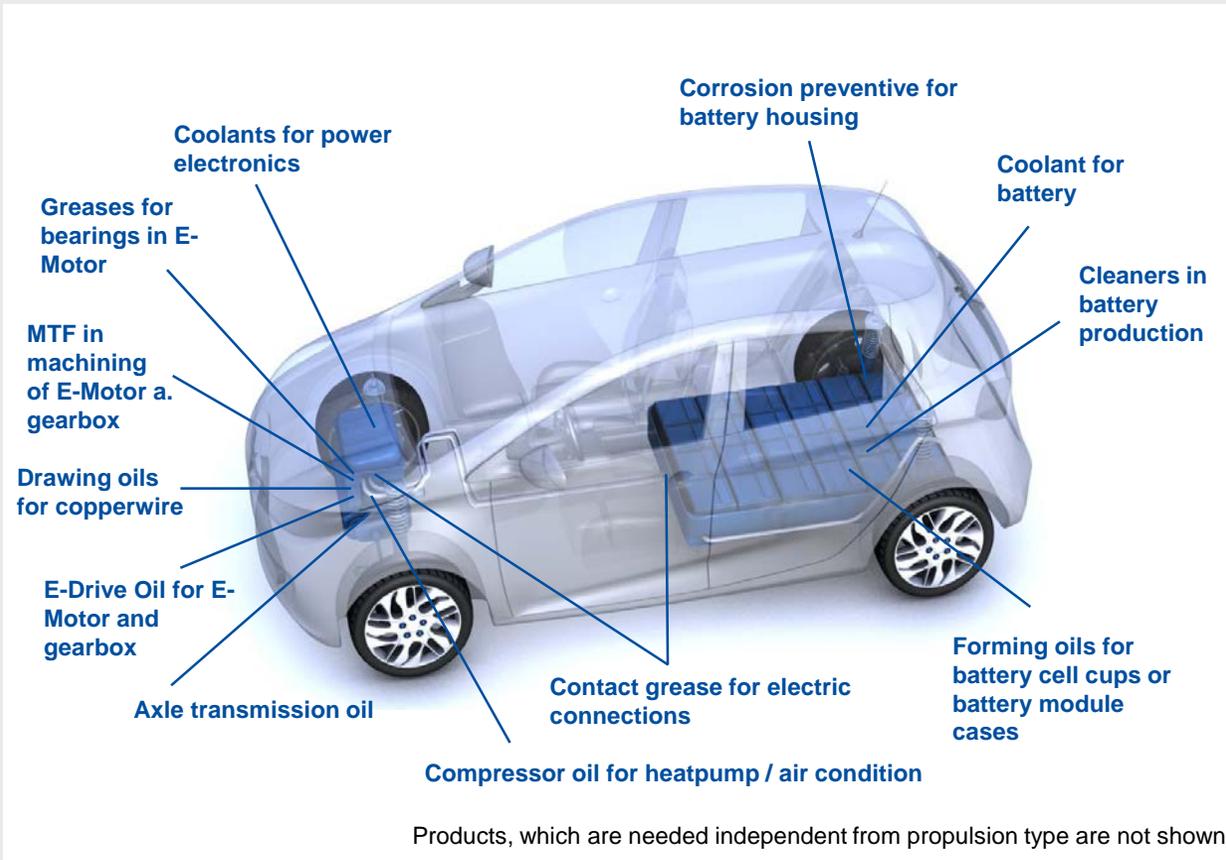
# Lubricant applications in passenger cars

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



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

– Omitted ✓ Required + Increased

# 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

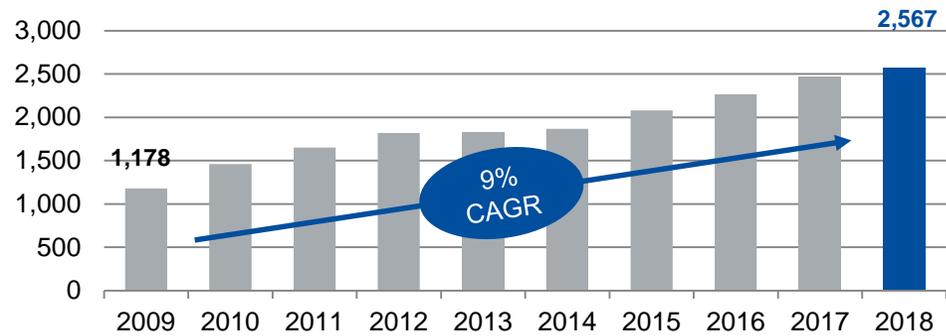
Stable Dividends

Acquisitions

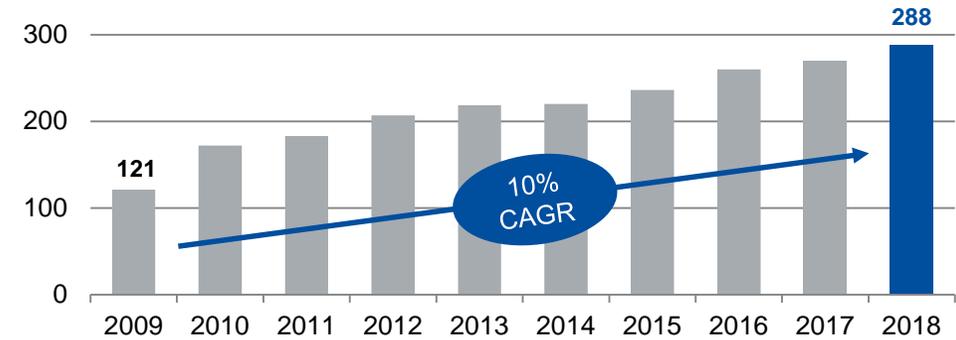
Share Buyback

# Unique track record for continued profitability and added value

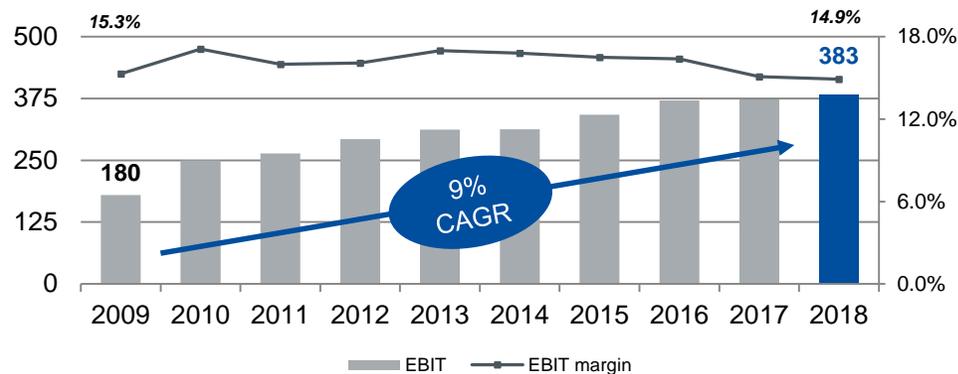
### Sales (in €mn)



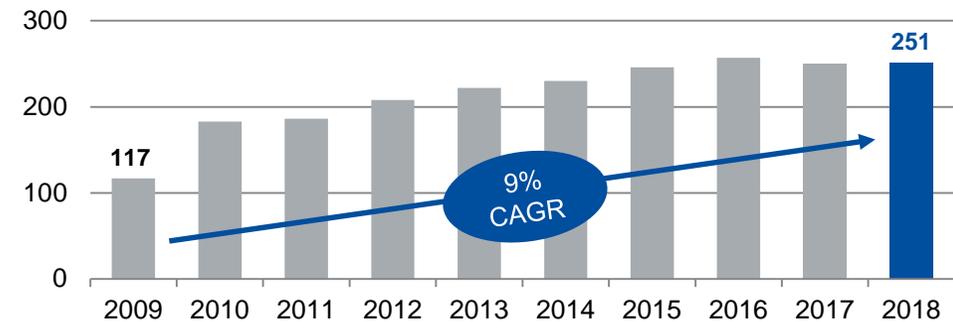
### Earnings After Tax (in €mn)



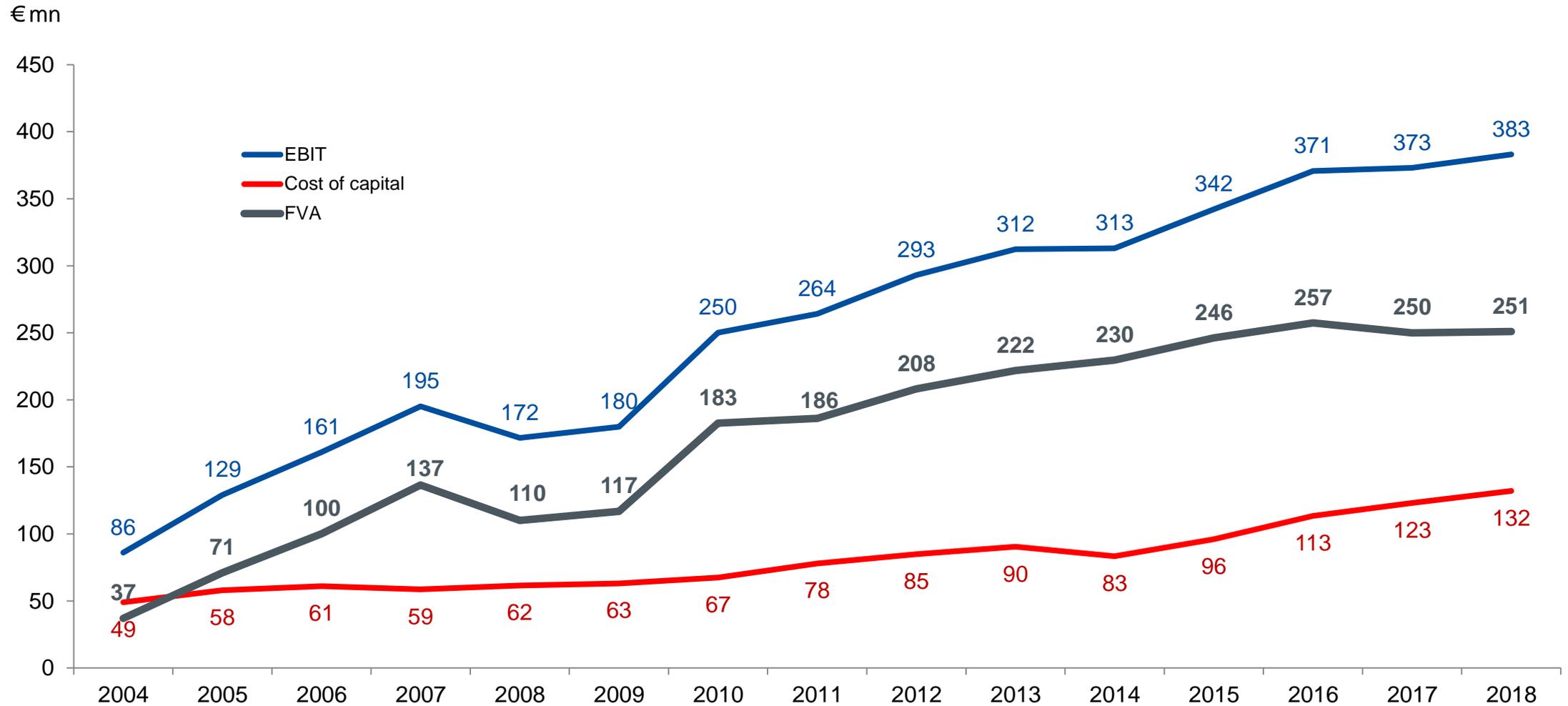
### EBIT (in €mn)



### 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>3.5%</b>
EBITDA margin	18.4%	18.3%	18.4%	17.2%	17.2%	-

## 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

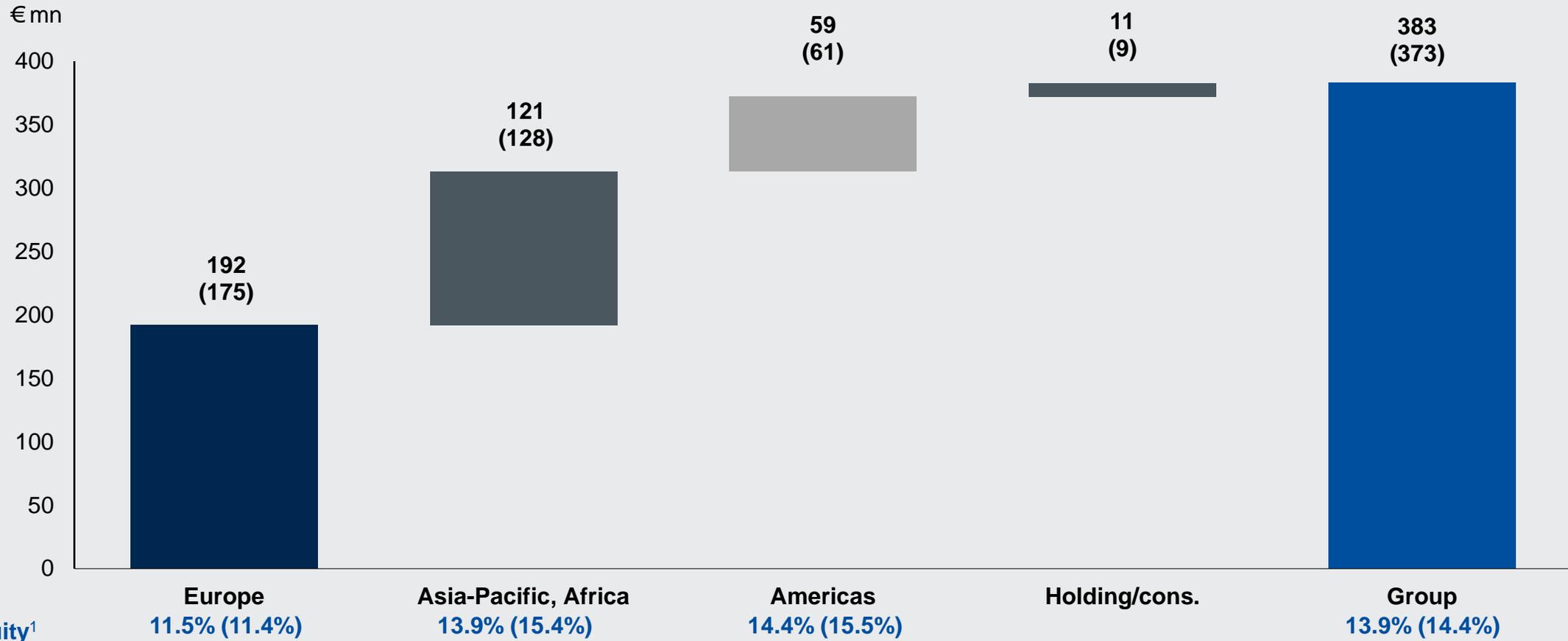
## Regional sales growth 2018

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>

# EBIT by regions

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



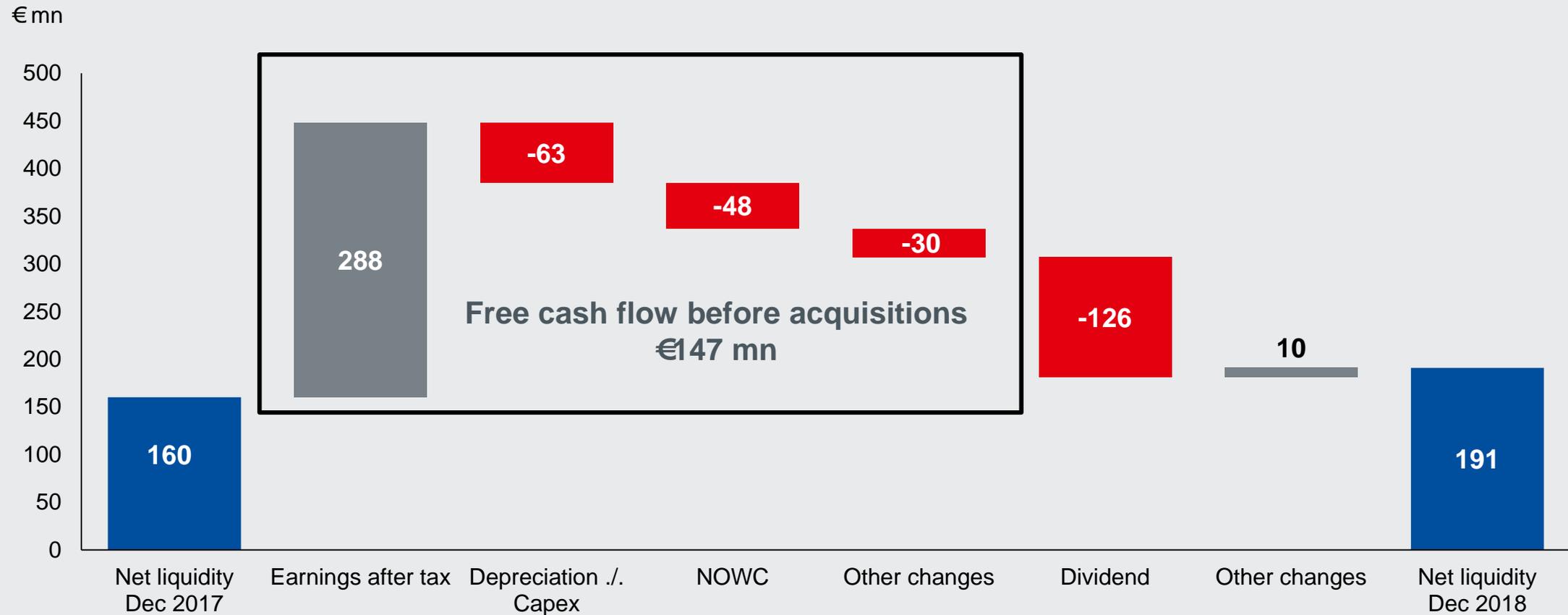
<sup>1</sup>2017 comparable

## Cash flow 2018

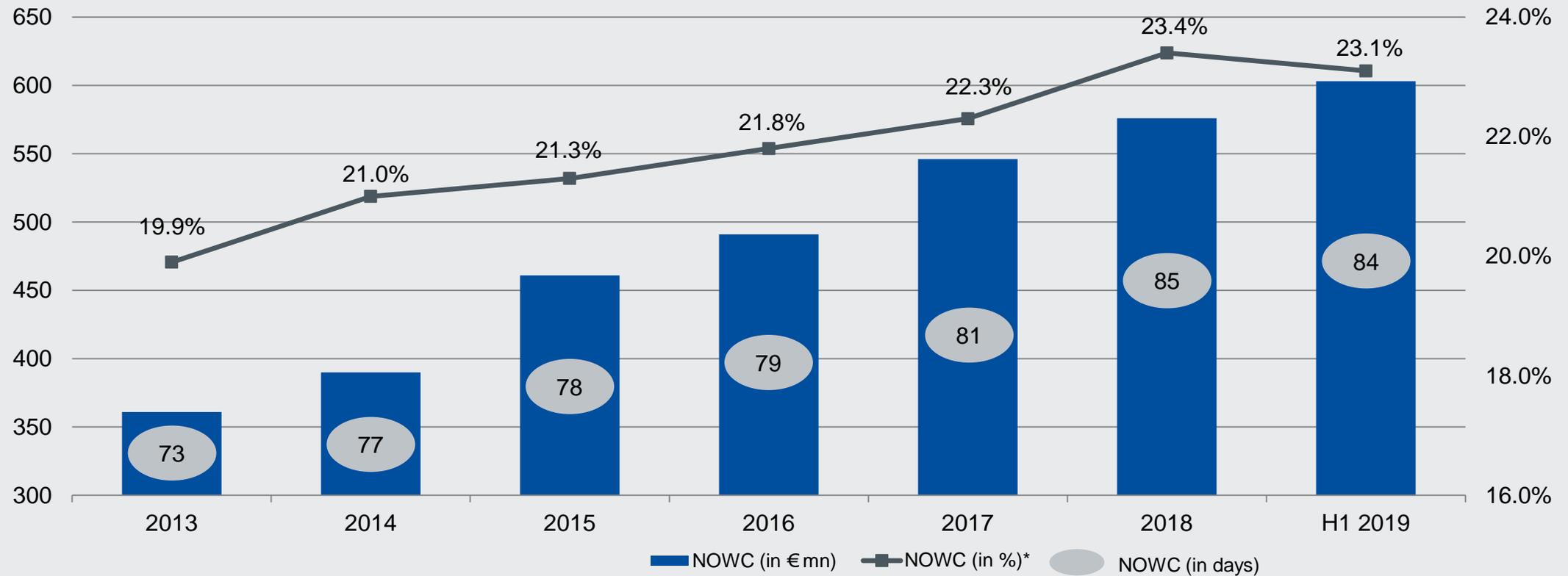
€mn	2018	2017	Δ in %
<b>Earnings after tax</b>	<b>288</b>	<b>269</b>	<b>7</b>
Amortization/Depreciation	58	59	-2
Changes in net operating working capital (NOWC)	-48	-78	-39
Other changes	-30	-3	-
Capex	-121	-105	15
<b>Free cash flow before acquisitions<sup>1</sup></b>	<b>147</b>	<b>142</b>	<b>4</b>
Acquisitions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



# Net operating working capital (NOWC)\*



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

# Adjusted 2018 quarterly figures accounting for the new segment reporting structure

2018 comparable
Sales by company location
EBIT before at equity income
<i>in % of sales</i>
Income from at equity companies
Segment earnings (EBIT)
<i>in % of sales</i>

EMEA				
Q1	Q2	Q3	Q4	FY
415	414	408	381	<b>1,618</b>
47	48	46	44	<b>185</b>
11.3	11.6	11.3	11.5	<b>11.4</b>
3	3	15	5	<b>26</b>
50	51	61	49	<b>211</b>
12.0	12.3	15.0	12.9	<b>13.0</b>

Asia-Pacific				
Q1	Q2	Q3	Q4	FY
178	191	173	164	<b>706</b>
28	28	24	22	<b>102</b>
15.7	14.7	13.9	13.4	<b>14.4</b>
-	-	-	-	<b>-</b>
28	28	24	22	<b>102</b>
15.7	14.7	13.9	13.4	<b>14.4</b>

North and South America				
Q1	Q2	Q3	Q4	FY
95	104	105	105	<b>409</b>
13	17	15	14	<b>59</b>
13.7	16.3	14.3	13.3	<b>14.4</b>
-	-	-	-	<b>-</b>
13	17	15	14	<b>59</b>
13.7	16.3	14.3	13.3	<b>14.4</b>

2018 comparable
Sales by company location
EBIT before at equity income
<i>in % of sales</i>
Income from at equity companies
Segment earnings (EBIT)
<i>in % of sales</i>

Holding / Consolidation				
Q1	Q2	Q3	Q4	FY
-45	-41	-44	-36	<b>-166</b>
1	6	3	1	<b>11</b>
-	-	-	-	<b>-</b>
0	-1	1	0	<b>0</b>
1	5	4	1	<b>11</b>
-	-	-	-	<b>-</b>

FUCHS Group				
Q1	Q2	Q3	Q4	FY
643	668	642	614	<b>2,567</b>
89	99	88	81	<b>357</b>
13.8	14.8	13.7	13.2	<b>13.9</b>
3	2	16	5	<b>26</b>
92	101	104	86	<b>383</b>
14.3	15.1	16.2	14.0	<b>14.9</b>

# Quarterly income statement

€mn	2016				2017				2018				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Sales</b>	<b>550</b>	<b>586</b>	<b>567</b>	<b>564</b>	<b>618</b>	<b>629</b>	<b>615</b>	<b>611</b>	<b>643</b>	<b>668</b>	<b>642</b>	<b>614</b>	<b>643</b>	<b>653</b>		
Gross Profit	206	221	214	210	226	226	215	215	225	239	222	213	217	224		
<i>Gross Profit margin (in %)</i>	<i>37.4</i>	<i>37.7</i>	<i>37.8</i>	<i>37.1</i>	<i>36.6</i>	<i>35.8</i>	<i>35.0</i>	<i>35.2</i>	<i>35.0</i>	<i>35.8</i>	<i>34.6</i>	<i>34.7</i>	<i>33.7</i>	<i>34.3</i>		
Other function costs	-126	-128	-125	-120	-137	-134	-129	-126	-136	-140	-134	-132	-142	-147		
<b>EBIT before at Equity</b>	<b>80</b>	<b>93</b>	<b>89</b>	<b>90</b>	<b>89</b>	<b>92</b>	<b>86</b>	<b>89</b>	<b>89</b>	<b>99</b>	<b>88</b>	<b>81</b>	<b>75</b>	<b>77</b>		
<i>EBIT margin before at Equity (in %)</i>	<i>14.6</i>	<i>15.8</i>	<i>15.8</i>	<i>15.9</i>	<i>14.5</i>	<i>14.5</i>	<i>14.1</i>	<i>14.6</i>	<i>13.8</i>	<i>14.8</i>	<i>13.7</i>	<i>13.2</i>	<i>11.7</i>	<i>11.8</i>		
At Equity	5	5	5	4	5	4	5	3	3	2	16	5	2	3		
<b>EBIT</b>	<b>85</b>	<b>98</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>96</b>	<b>91</b>	<b>92</b>	<b>92</b>	<b>101</b>	<b>104</b>	<b>86</b>	<b>77</b>	<b>80</b>		
<i>EBIT margin (in %)</i>	<i>15.5</i>	<i>16.6</i>	<i>16.5</i>	<i>16.8</i>	<i>15.3</i>	<i>15.1</i>	<i>14.8</i>	<i>15.1</i>	<i>14.3</i>	<i>15.1</i>	<i>16.2</i>	<i>14.0</i>	<i>12.0</i>	<i>12.3</i>		
<b>EBITDA</b>	<b>97</b>	<b>109</b>	<b>105</b>	<b>107</b>	<b>107</b>	<b>109</b>	<b>105</b>	<b>111</b>	<b>106</b>	<b>115</b>	<b>118</b>	<b>102</b>	<b>95</b>	<b>98</b>		
<i>EBITDA margin (in %)</i>	<i>17.6</i>	<i>18.7</i>	<i>18.6</i>	<i>18.8</i>	<i>17.4</i>	<i>17.3</i>	<i>17.0</i>	<i>18.2</i>	<i>16.5</i>	<i>17.2</i>	<i>18.4</i>	<i>16.6</i>	<i>14.8</i>	<i>15.0</i>		

# The Executive Board



**Stefan Fuchs:** CEO; Americas, 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 2019

<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>June 25, 2019</b>	Capital Market Day 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)

## Investor Relations Contact

### FUCHS PETROLUB SE

Friesenheimer Str. 17  
68169 Mannheim  
[www.fuchs.com/group/investor-relations](http://www.fuchs.com/group/investor-relations)



**Thomas Altmann**  
Head of Investor Relations  
[thomas.altmann@fuchs.com](mailto:thomas.altmann@fuchs.com)



**Andrea Leuser**  
Manager Investor Relations  
[andrea.leuser@fuchs.com](mailto:andrea.leuser@fuchs.com)

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