



# RESULTS FOR 2018

ANDRITZ GROUP

MARCH 6, 2019

**ANDRITZ**

ENGINEERED SUCCESS

# CHAPTER OVERVIEW



**01** FY 2018 AT A GLANCE

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**02** PERFORMANCE FY 2018  
AND MARKET UPDATE

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**03** UPDATE OF BUSINESS AREAS

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**04** OUTLOOK

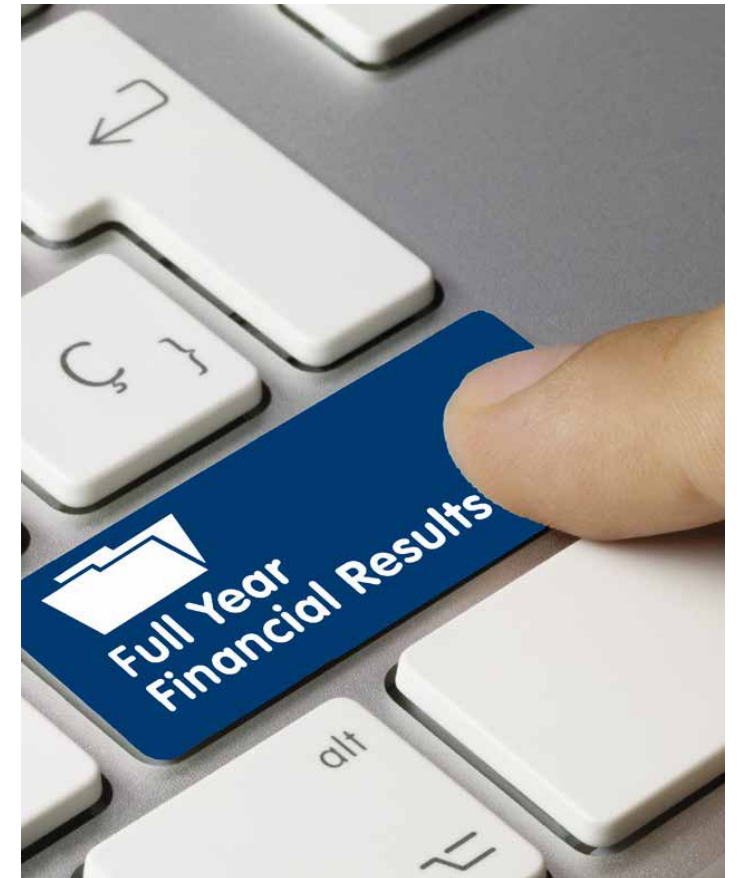
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# FY 2018 AT A GLANCE



Mixed business development.

- **Favorable** development of **Group order intake**, reaching a record level of **6.6 billion euros**.
- **Sales slightly up to 6.0 billion euros**.
- **EBITA decreased to 394 million euros (margin: 6.5%)** due to provisions for restructuring and lack of extraordinary income booked last year.
- Adjusted by extraordinary items, **practically stable earnings and profitability**.
- Dividend proposal: **unchanged dividend of 1.55 EUR/share → 70.5% payout ratio**.



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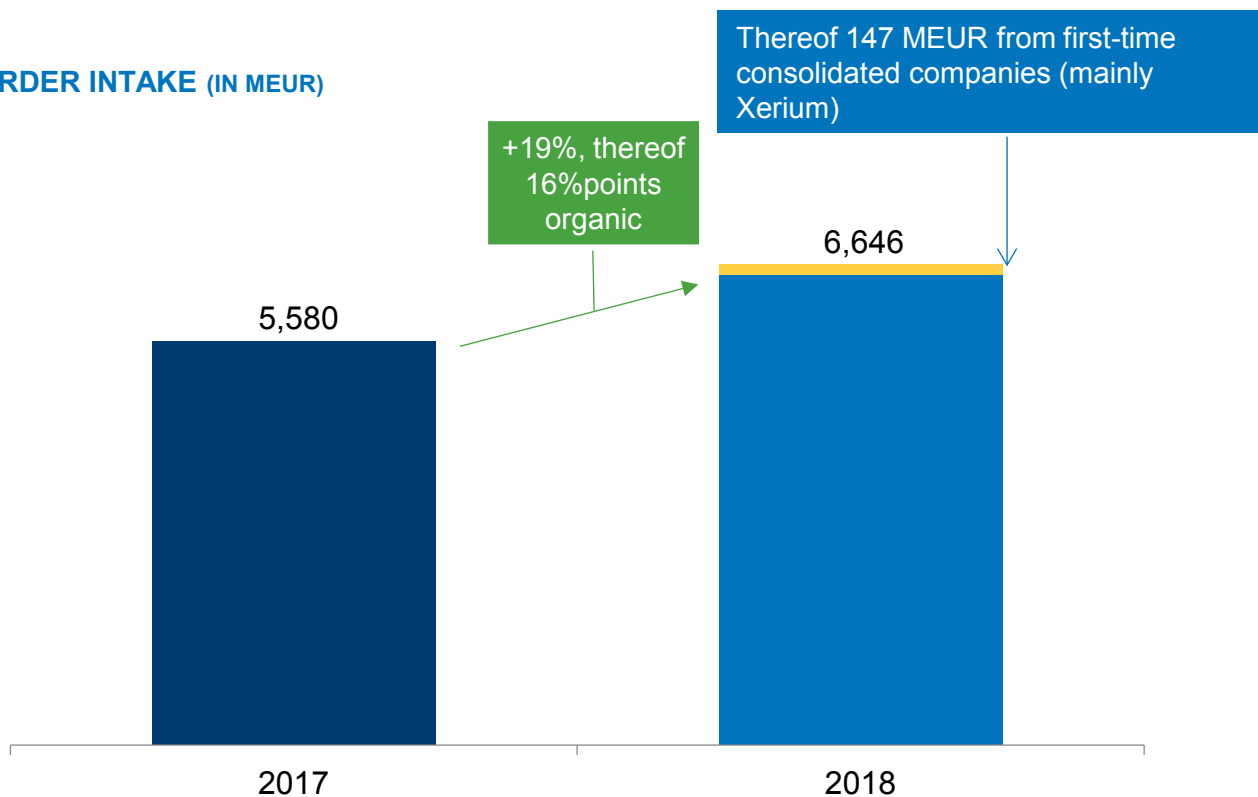
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# RECORD ORDER INTAKE



Increase in all business areas.

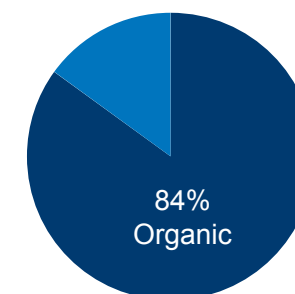
ORDER INTAKE (IN MEUR)



ORDER INTAKE BY BUSINESS AREA (IN MEUR)

	2018	2017	+/-
Hydro	1,446	1,317	+10%
Pulp & Paper	2,572	2,033	+26%
Metals	1,932	1,607	+20%
Separation	697	622	+12%

SPLIT OF ORDER INTAKE GROWTH

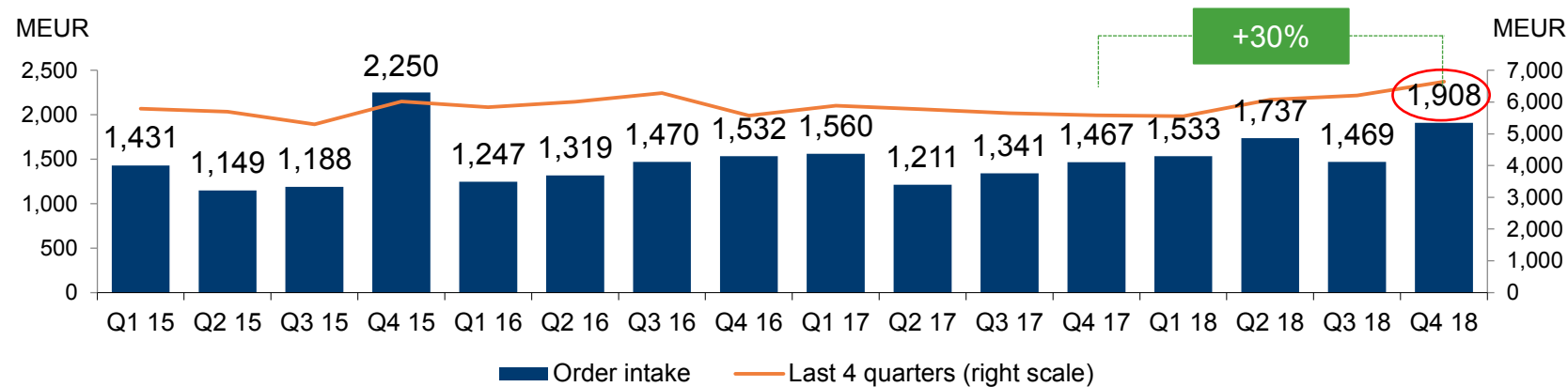


■ Order intake of first-time consolidated companies

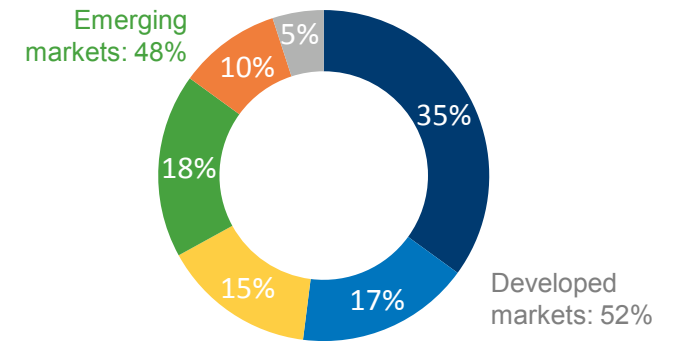
# STRONG ORDER INTAKE IN Q4 2018



Very high Group order intake in Q4 2018 due to Pulp & Paper and Metals



ORDER INTAKE BY REGION (IN %)



## Strong Q4 2018:

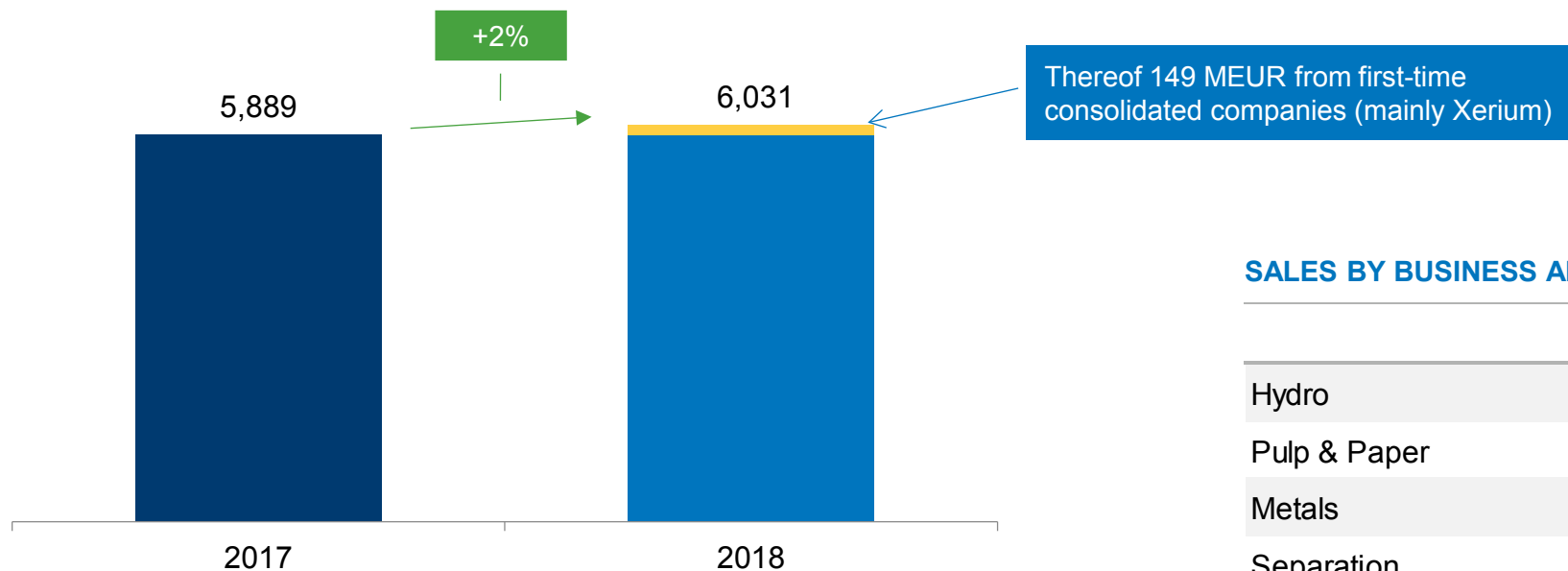
- Large order to supply technologies and key process equipment for Arauco's MAPA project in Chile.
- First-time consolidation of Xerium Technologies, Inc. in October 2018, which contributed ~100 MEUR.

# SLIGHT RISE OF SALES



Flat sales excluding acquisitions.

SALES (IN MEUR)



SALES BY BUSINESS AREA (IN MEUR)

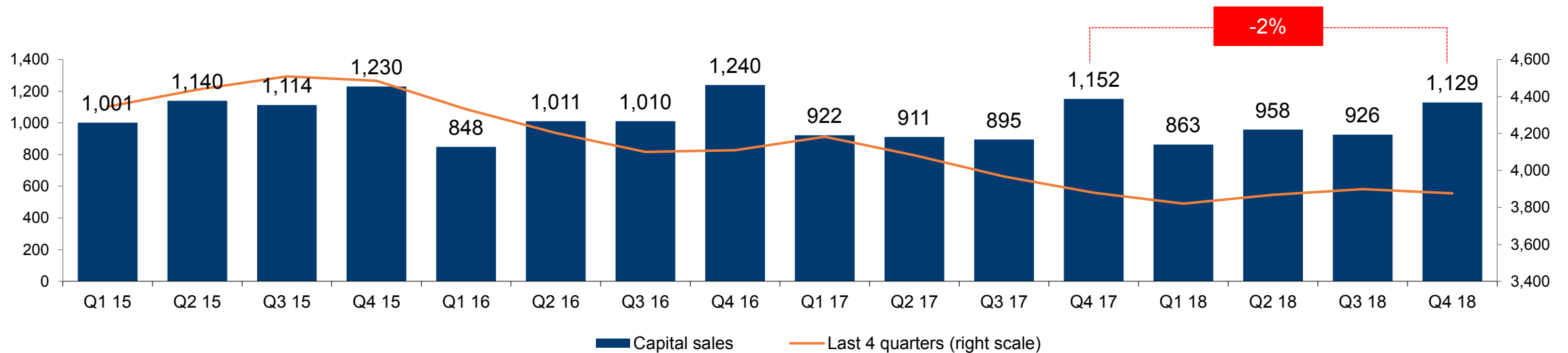
	2018	2017	+/-
Hydro	1,518	1,583	-4%
Pulp & Paper	2,233	2,060	+8%
Metals	1,635	1,644	-1%
Separation	646	603	+7%

■ Sales of first-time consolidated companies

# CAPITAL SALES



Quarterly development of capital sales (in MEUR).



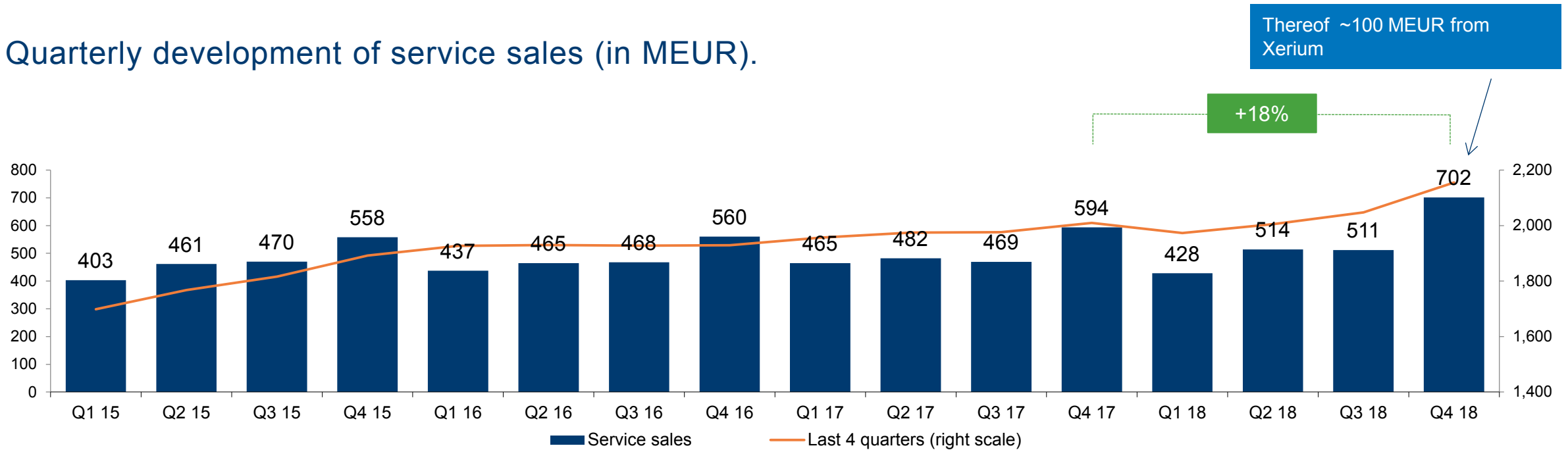
- Aggregated capital sales of the last 4 quarters amounted to 3.9 bn EUR.



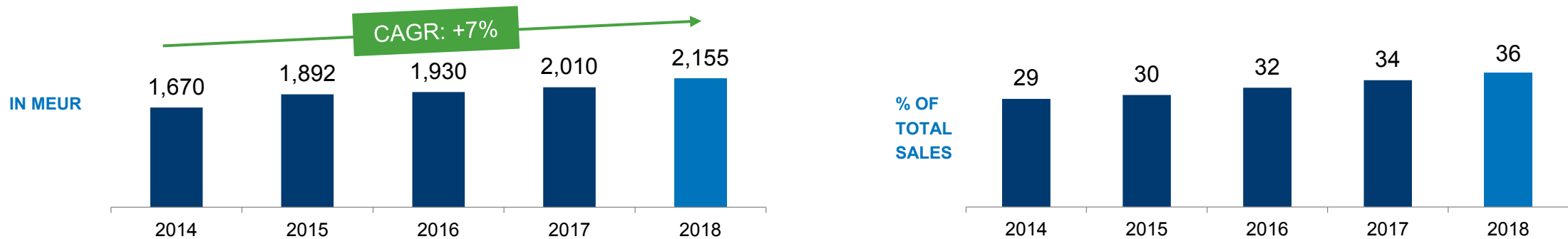
# FURTHER INCREASE OF SERVICE BUSINESS



Quarterly development of service sales (in MEUR).



Service business increased in absolute and relative terms:

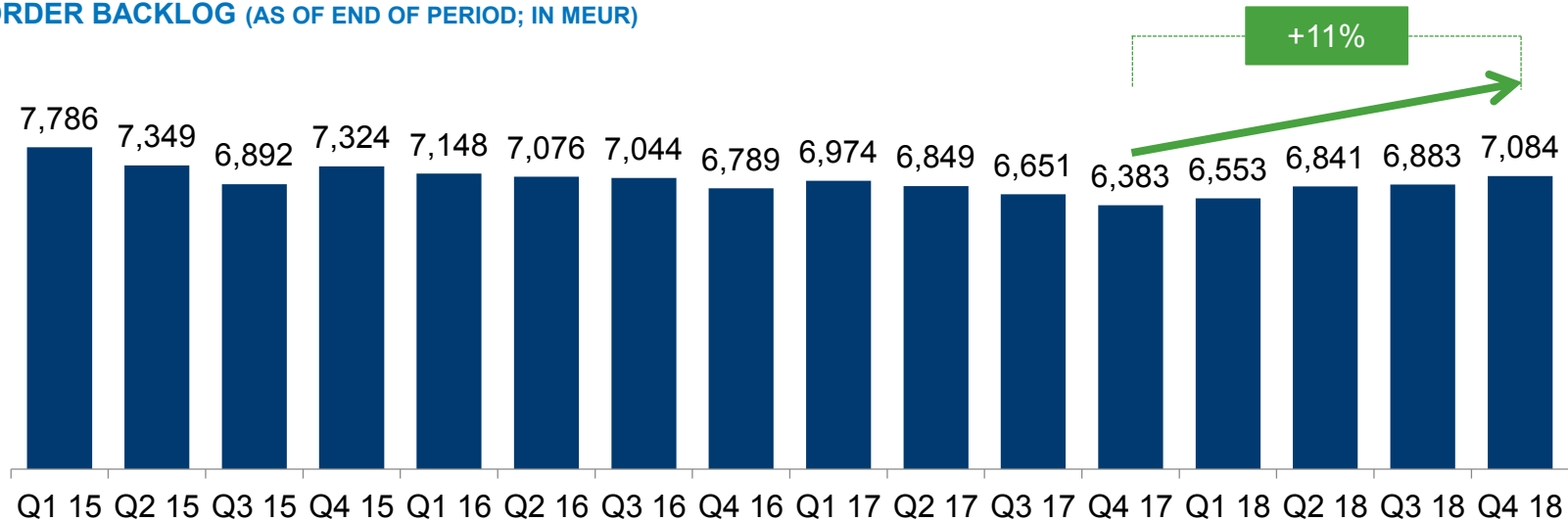


# RISING ORDER BACKLOG SINCE END OF 2017

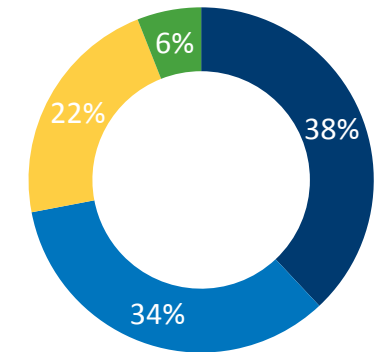


Order backlog of almost 7.1 billion EUR provides good basis for business development in 2019

ORDER BACKLOG (AS OF END OF PERIOD; IN MEUR)



ORDER BACKLOG 2018 BY BUSINESS AREA (IN %)



■ Hydro ■ Pulp & Paper ■ Metals ■ Separation

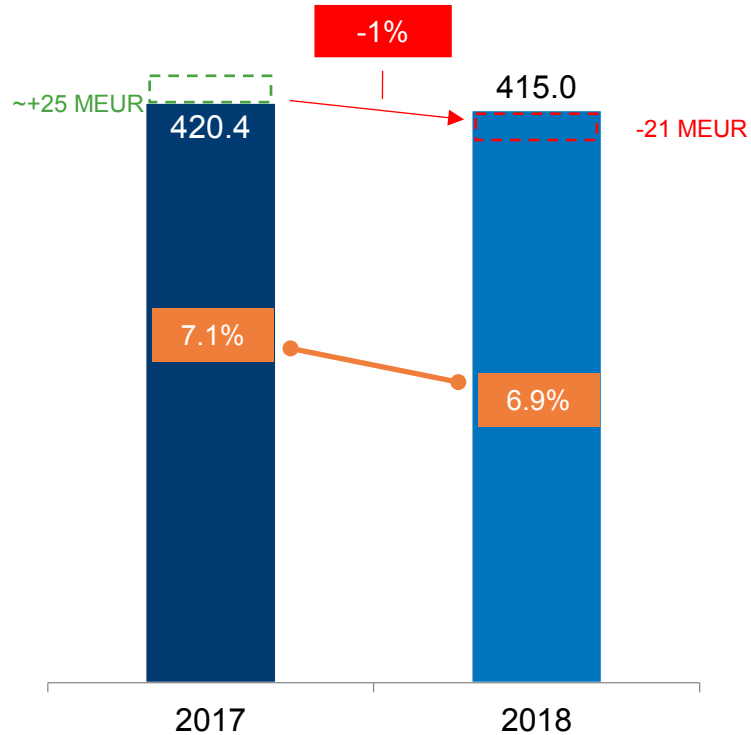
- Order backlog at the end of 2018 was approx. 700 MEUR higher than at the end of 2017.
- Hydro and Pulp & Paper **account for 72% of total order backlog.**



# PRACTICALLY STABLE EARNINGS EXCLUDING EXTRAORDINARY EFFECTS

Margins excluding extraordinary items practically unchanged

EBITA AND EBITA MARGIN **ADJUSTED BY**  
EXTRAORDINARY ITEMS (IN MEUR)



Practically stable profitability  
excluding extraordinaries:

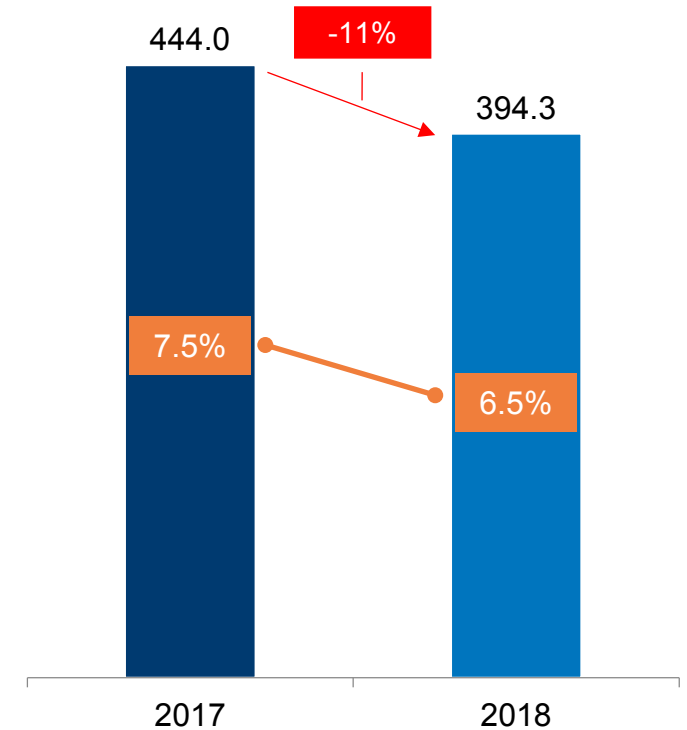
**2017: ~+25 MEUR**

(sale of Technical Center in China)

**2018: - 21 MEUR**

(provisions for restructuring measures)

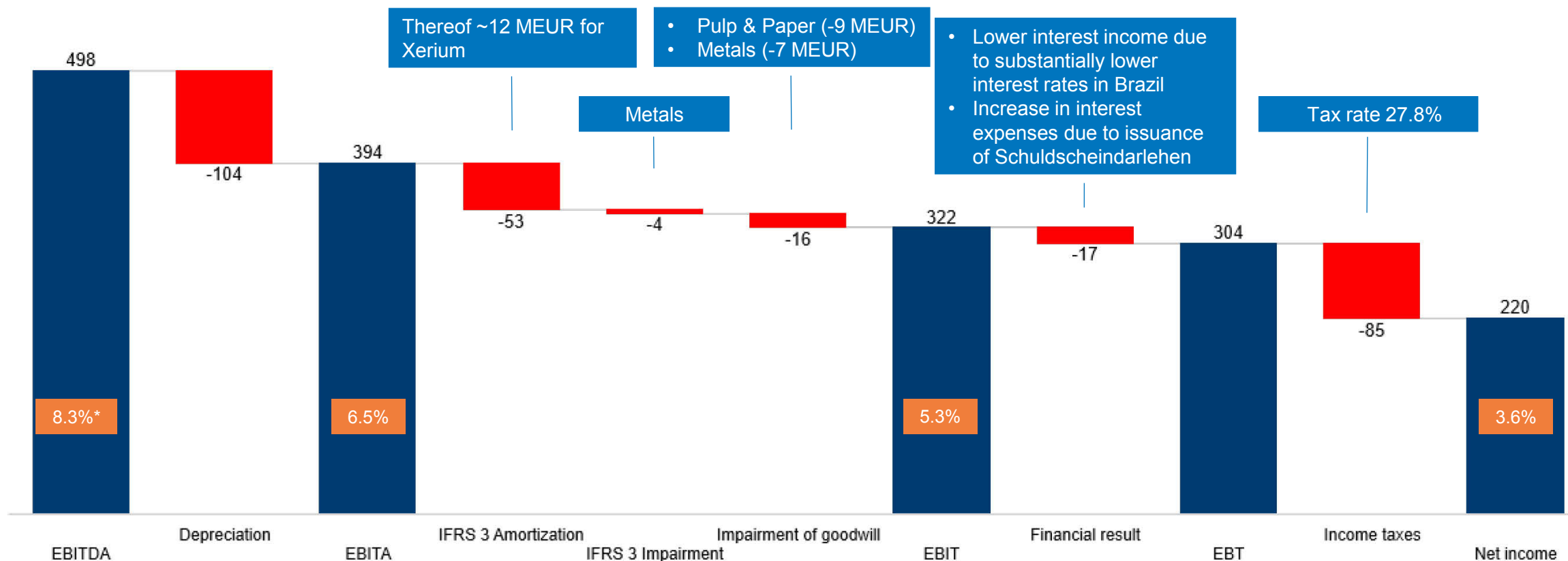
EBITA AND EBITA MARGIN **REPORTED** (IN MEUR)



# EBITDA – NET INCOME BRIDGE



Impairment of goodwill in the amount of 16 MEUR.

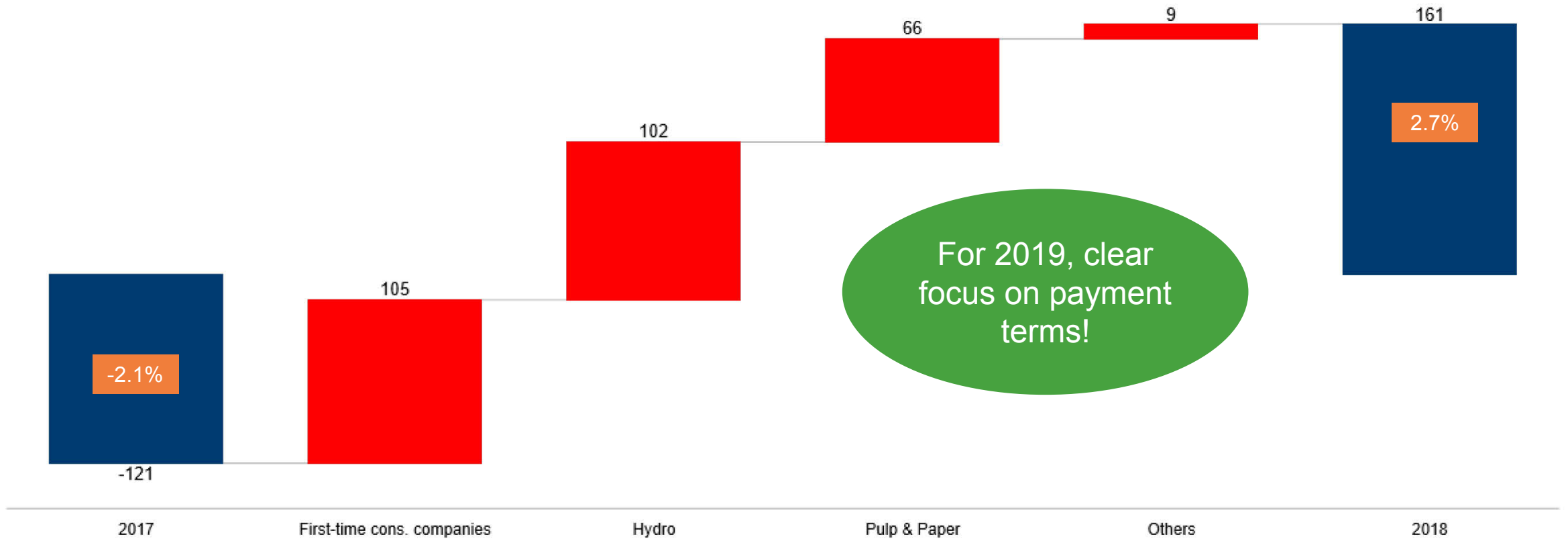


IN MEUR; \*: % OF TOTAL SALES

# NET WORKING CAPITAL BRIDGE



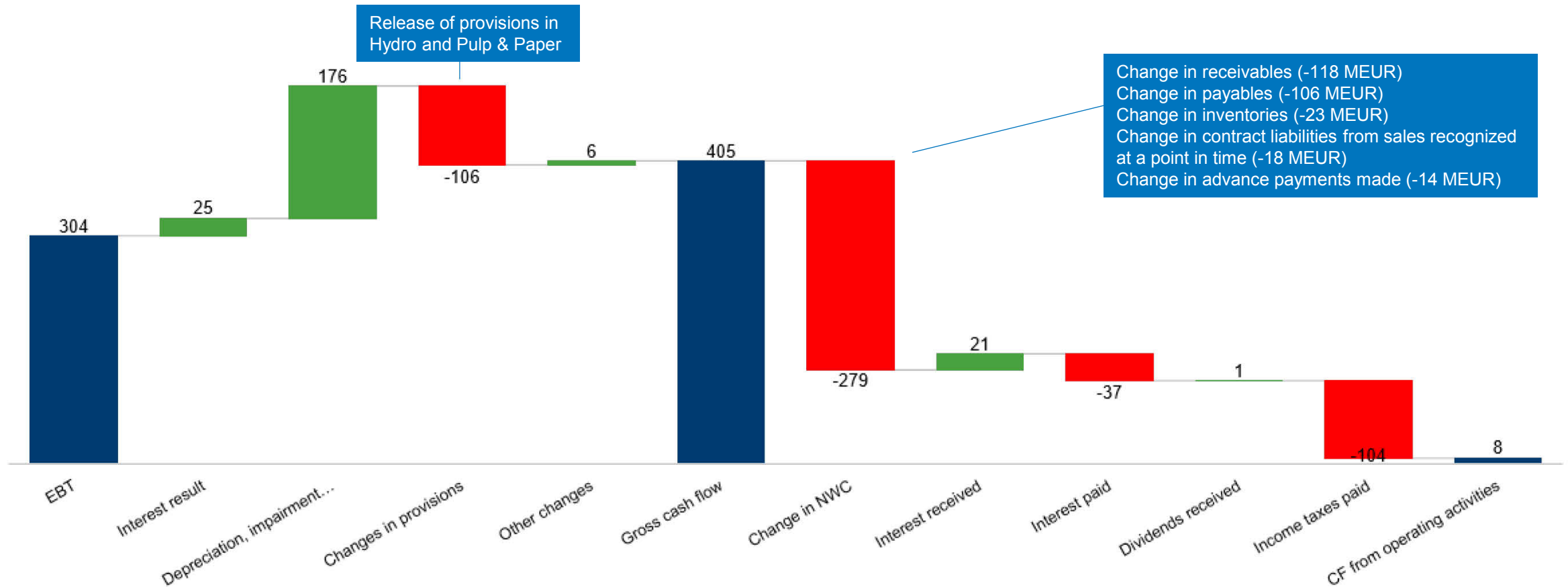
in MEUR and in % of sales



# CASH FLOW FROM OPERATING ACTIVITIES



Project related changes in receivables/payables negatively impact cash flow



IN MEUR

# KEY FIGURES FY 2018 AT A GLANCE



	UNIT	2018	2017	+/-
Order intake	MEUR	6,646.2	5,579.5	+19.1%
Order backlog (as of end of period)	MEUR	7,084.3	6,383.0	+11.0%
Sales	MEUR	6,031.5	5,889.1	+2.4%
EBITA (adj. by extraordinary items)	MEUR	415.0	420.4	-1.3%
EBITA	MEUR	394.3	444.0	-11.2%
Net income (including non-controlling interests)	MEUR	219.7	265.6	-17.3%
Capital expenditure	MEUR	137.0	116.8	+17.3%
Liquid funds	MEUR	1,279.7	1,772.3	-27.8%
Net liquidity	MEUR	-129.5	908.0	-114.3%
Net working capital	MEUR	160.5	-121.0	+232.6%

Increase mainly attributable to the acquisition of a production site in Brazil.

Acquisitions: approx. 770 MEUR, thereof ca. 700 MEUR for Xerium, including early redemption of bond.

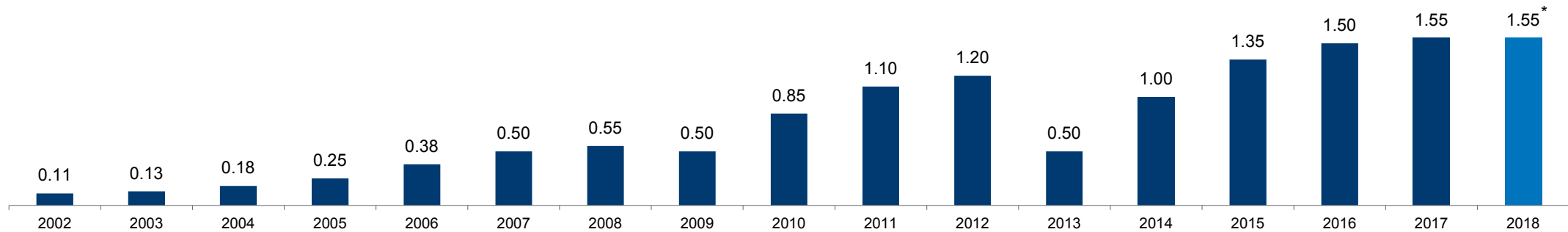
Increase due to inventories (Xerium: ca +100 MEUR) and project-related changes in receivables/payables.

# PROPOSED DIVIDEND OF 1.55 EUR/SHARE



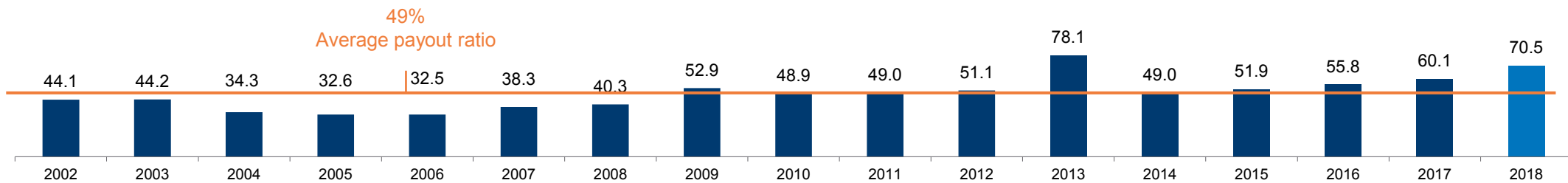
Increase of payout ratio to 70.5%; dividend yield of ~3.5%

## DIVIDEND PER SHARE (EUR)



\* Proposal to AGM

## PAYOUT RATIO (%)





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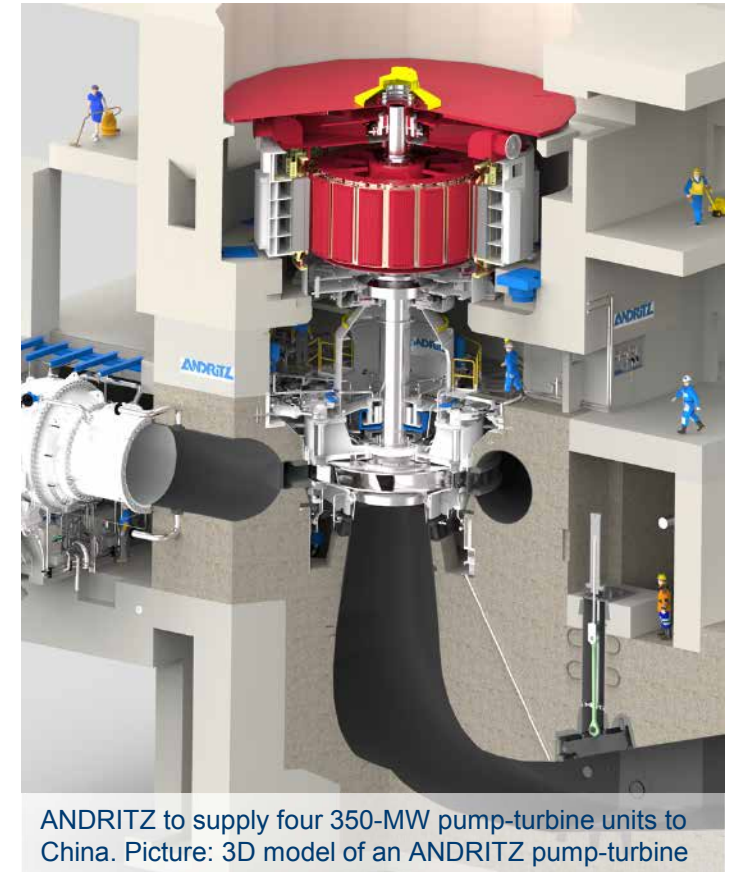
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# HYDRO (1): UNCHANGED MODERATE MARKET ENVIRONMENT



Selective award of individual projects, particularly in emerging markets.

- **New hydropower plants**  
Some new, larger projects are currently in the planning phase, especially in Southeast Asia and Africa; selective award is only expected in the medium to long term.
- **Pumps**  
Satisfactory project activity.
- **Modernizations/rehabilitations**  
Unchanged moderate project and investment activity, particularly in Europe.
- **Competition**  
Stable competition at challenging level.



ANDRITZ to supply four 350-MW pump-turbine units to China. Picture: 3D model of an ANDRITZ pump-turbine

# HYDRO (2): STRONG INCREASE IN ORDER INTAKE FROM VERY LOW LEVEL



Decrease in sales and earnings; solid profitability.

**Order intake** above the low reference figure for the previous year.

**Sales** decreased as a consequence of lower order intake in the past years.

**Earnings and margin** down as a result of lower sales and provision for capacity adjustments (~7 MEUR).

	UNIT	2018	2017	+/-
Order intake	MEUR	1,445.8	1,317.2	+9.8%
Order backlog (as of end of period)	MEUR	2,667.9	2,921.8	-8.7%
Sales	MEUR	1,517.5	1,583.1	-4.1%
EBITDA	MEUR	142.4	154.1	-7.6%
EBITDA margin	%	9.4	9.7	-
EBITA (excl. extraordinary effects)	MEUR	120.5	123.0	-2.0%
EBITA margin (excl. extraordinary effects)	%	7.9	7.8	-
EBITA	MEUR	113.8	123.0	-7.5%
EBITA margin	%	7.5	7.8	-
Employees (as of end of period; without apprentices)	-	7,002	7,237	-3.2%

ORDER INTAKE BY REGION 2018 VS. 2017 (%)



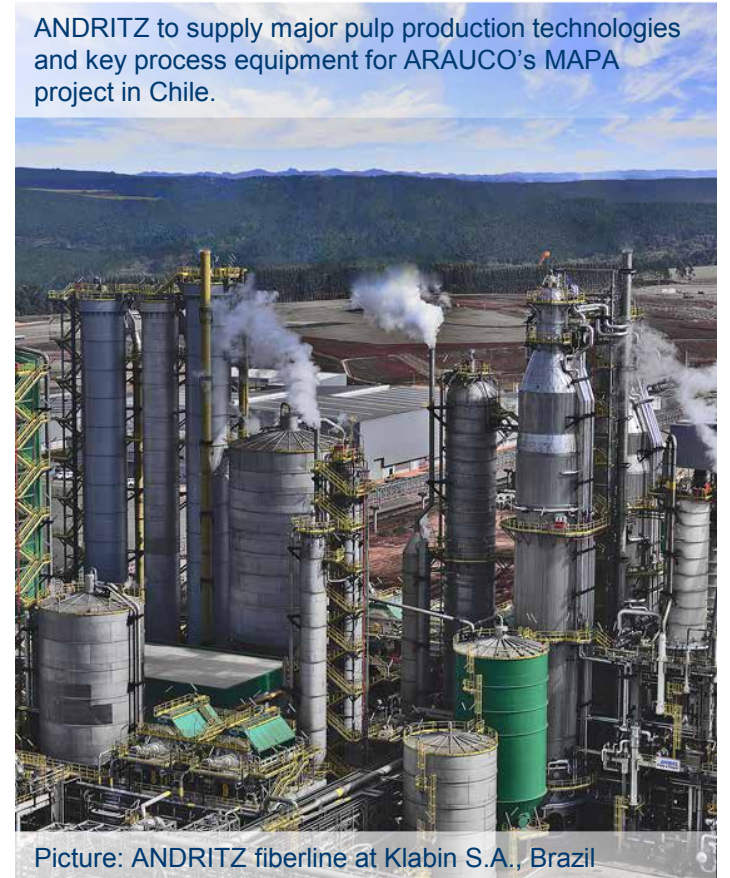
SALES BY REGION 2018 VS. 2017 (%)



# PULP & PAPER (1): CONTINUED GOOD MARKET ENVIRONMENT



- **Pulp**  
Good project activity, particularly for modernization of existing pulp mills.
- **Paper**  
Satisfactory market development for tissue and packaging equipment continued.
- **Power generating boilers**  
Good project and investment activity, especially in Asia (China, Japan).
- **Competition**  
Stable competitive environment.





# PULP & PAPER (2): FAVORABLE BUSINESS DEVELOPMENT

Earnings and profitability at record levels.

**Order intake** significantly up, both for the capital and service business.

Increase in **sales**; including Xerium on full-year basis, service share is already over 50%.

**Earnings and profitability** at record level.

First-time consolidation of Xerium (2,800 employees), Diatec (~70) and Novimpianti (~40) as well as project-related increase in employees.

	UNIT	2018	2017	+/-
Order intake	MEUR	2,571.9	2,033.4	+26.5%
Order backlog (as of end of period)	MEUR	2,421.1	1,787.0	+35.5%
Sales	MEUR	2,233.2	2,059.7	+8.4%
EBITDA	MEUR	258.4	221.5	+16.7%
EBITDA margin	%	11.6	10.8	-
EBITA	MEUR	222.1	194.9	+14.0%
EBITA margin	%	9.9	9.5	-
Employees (as of end of period; without apprentices)	-	11,435	8,002	+42.9%

ORDER INTAKE BY REGION 2018 VS. 2017 (%)



SALES BY REGION 2018 VS. 2017 (%)



# METALS (1): CAUTIOUS PROJECT AND INVESTMENT ACTIVITY



Good market environment in Metals Processing;

- **Metals Forming**  
Project delays in the automotive industry and due to the general economic development in China.
- **Metals Processing**  
Overall good global economic environment and the related high capacity utilization at international steel producing companies led to numerous new and modernization projects, particularly in Asia, Europe, and North America.
- **Competition**  
Unchanged challenging competition.



ANDRITZ to supply new hot-dip galvanizing line to Nucor Steel Arkansas, USA.





# METALS (2): UNSATISFACTORY BUSINESS DEVELOPMENT

Earnings and profitability negative impacted by provisions for capacity adjustment measures.

Significant increase in **order intake** mainly due to Metals Processing; order intake in Metals Forming (Schuler) was slightly above 2017.

**Earnings and profitability** negatively impacted by

- provisions for capacity adjustment measures in Metals Forming (~14 MEUR)
- cost overruns on some first-time contracts.

	UNIT	2018	2017	+/-
Order intake	MEUR	1,931.8	1,606.5	+20.2%
Order backlog (as of end of period)	MEUR	1,591.6	1,309.7	+21.5%
Sales	MEUR	1,635.1	1,643.5	-0.5%
EBITDA	MEUR	57.8	129.7	-55.4%
EBITDA margin	%	3.5	7.9	-
EBITA (adj. by extraordinary items)	MEUR	41.3	75.0	-44.9%
EBITA margin (adj. by extraordinary items)	%	2.5	4.6	-
EBITA	MEUR	27.3	98.6	-72.3%
EBITA margin	%	1.7	6.0	-
Employees (as of end of period; without apprentices)	-	7,818	7,573	+3.2%

ORDER INTAKE BY REGION 2018 VS. 2017 (%)



SALES BY REGION 2018 VS. 2017 (%)



# SEPARATION (1): GOOD PROJECT AND INVESTMENT ACTIVITY CONTINUED



Mainly for solid/liquid separation equipment.

- **Municipal**  
Investment activity at unchanged good levels (sewage sludge dewatering and drying).
- **Industrial**  
Good project activity in chemicals and mining and minerals; slightly improved investment activity in food from a low level.
- **Feed and biomass pelleting**  
Solid project activity.
- **Competition**  
Unchanged market environment with some global and many regional competitors.



The self-cleaning Aqua-Guard continuous belt screen has been a pioneer in this field and remains the reference for fine screening.



# SEPARATION (2): INCREASE IN ORDER INTAKE AND SALES



Earnings and profitability slightly up.

**Order intake** strongly up for solid/liquid separation equipment. Stable order intake in feed & biomass pelleting.

Increase in **sales** as a result of rising order intake.

**Earnings** and **profitability** slightly up.

	UNIT	2018	2017	+/-
Order intake	MEUR	696.7	622.4	+11.9%
Order backlog (as of end of period)	MEUR	403.7	364.5	+10.8%
Sales	MEUR	645.7	602.8	+7.1%
EBITDA	MEUR	39.4	36.4	+8.2%
EBITDA margin	%	6.1	6.0	-
EBITA	MEUR	31.1	27.5	+13.1%
EBITA margin	%	4.8	4.6	-
Employees (as of end of period; without apprentices)	-	2,841	2,754	+3.2%

ORDER INTAKE BY REGION 2018 VS. 2017 (%)



SALES BY REGION 2018 VS. 2017 (%)



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# TARGETS FOR 2019



- Processing of **high order backlog** according to schedule.
- Focus on securing long-term **profitability** by further optimization of capacity and organizational structures.
- **Integration of newly acquired companies.**
- **Improve** net working capital.










# OUTLOOK FOR 2019



Largely unchanged prospects and expectations for markets served by ANDRITZ.

- For **2019**, ANDRITZ expects a **significant increase in sales** compared to 2018 due to
  - **high order backlog** as of end of 2018 and
  - **sales contributions** by the **companies acquired in 2018**.
- **Net income and profitability (EBITA margin)** should also **increase** compared to the previous year.

Market outlook			
Hydro	Pulp & Paper	Metals	Separation
Satisfactory  	Very Good  	Good  	Very good  

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