



**PRESENTATION**

July 2018

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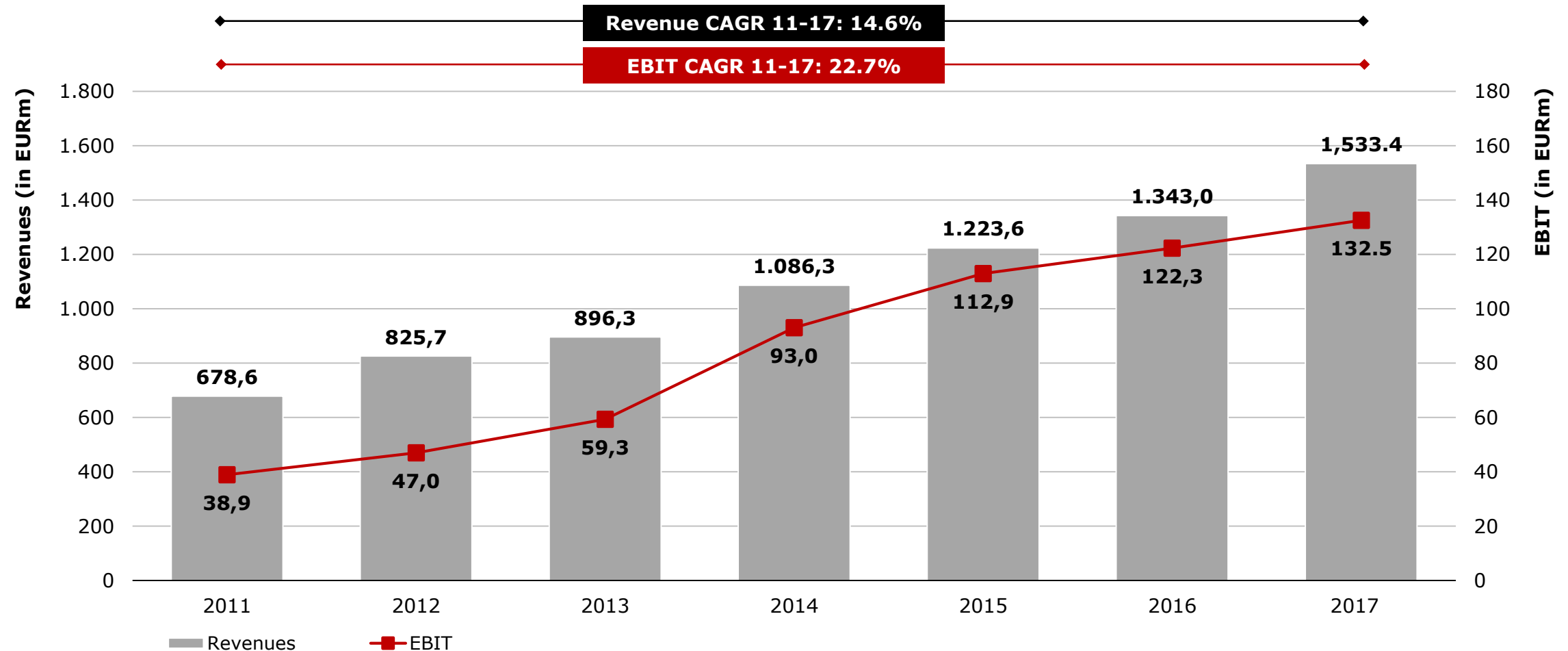
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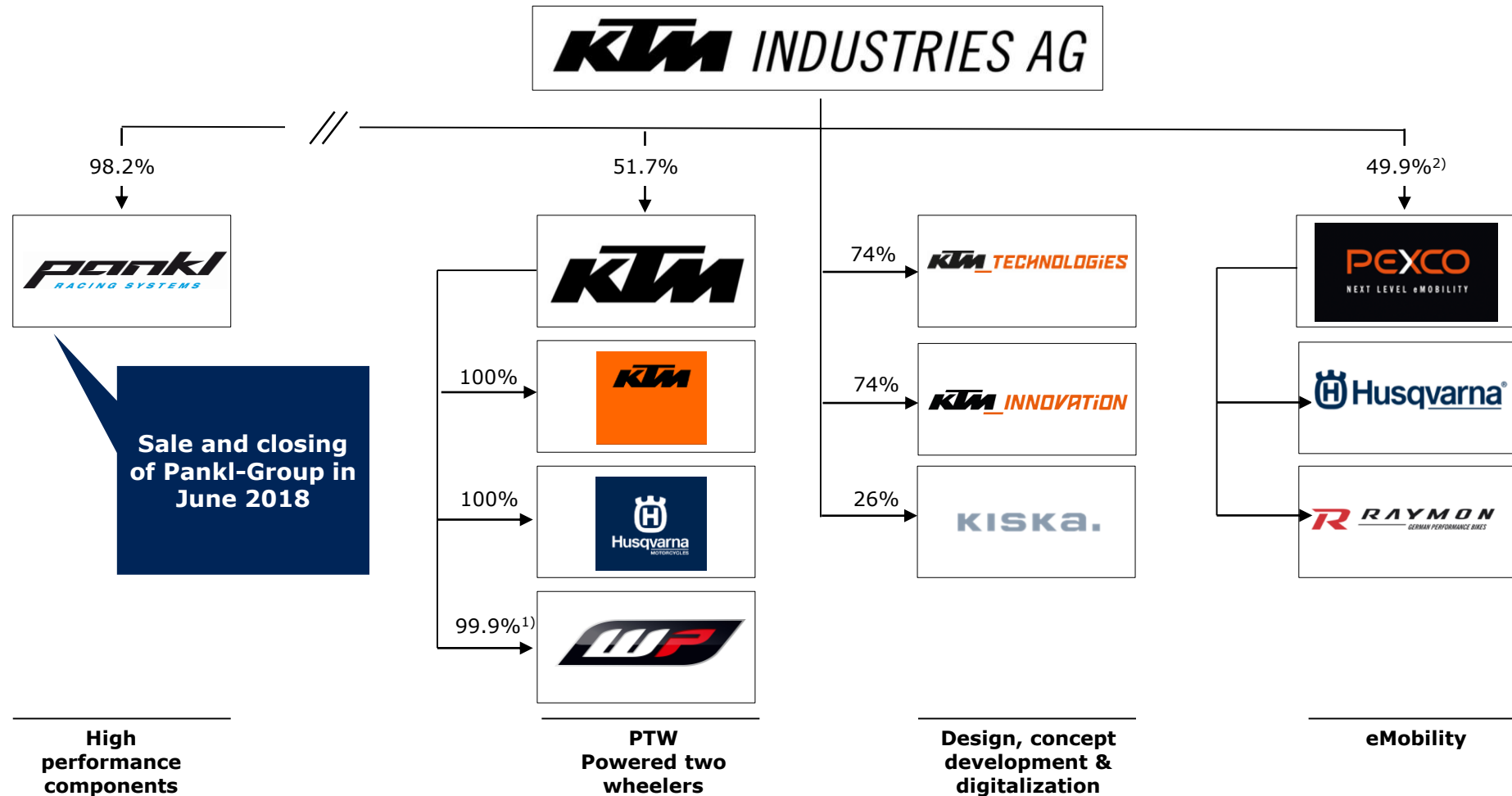
# The leading European powered-two wheeler group

Revenue and EBIT performance



# The leading European powered-two wheeler group

Group structure



Source: KTM Industries AG

Note: Simplified group structure as of January 2018

1) Since January 2018 operating under the roof of KTM AG, 2) PEXCO GmbH „at equity“; 50.1% are held by family Puello

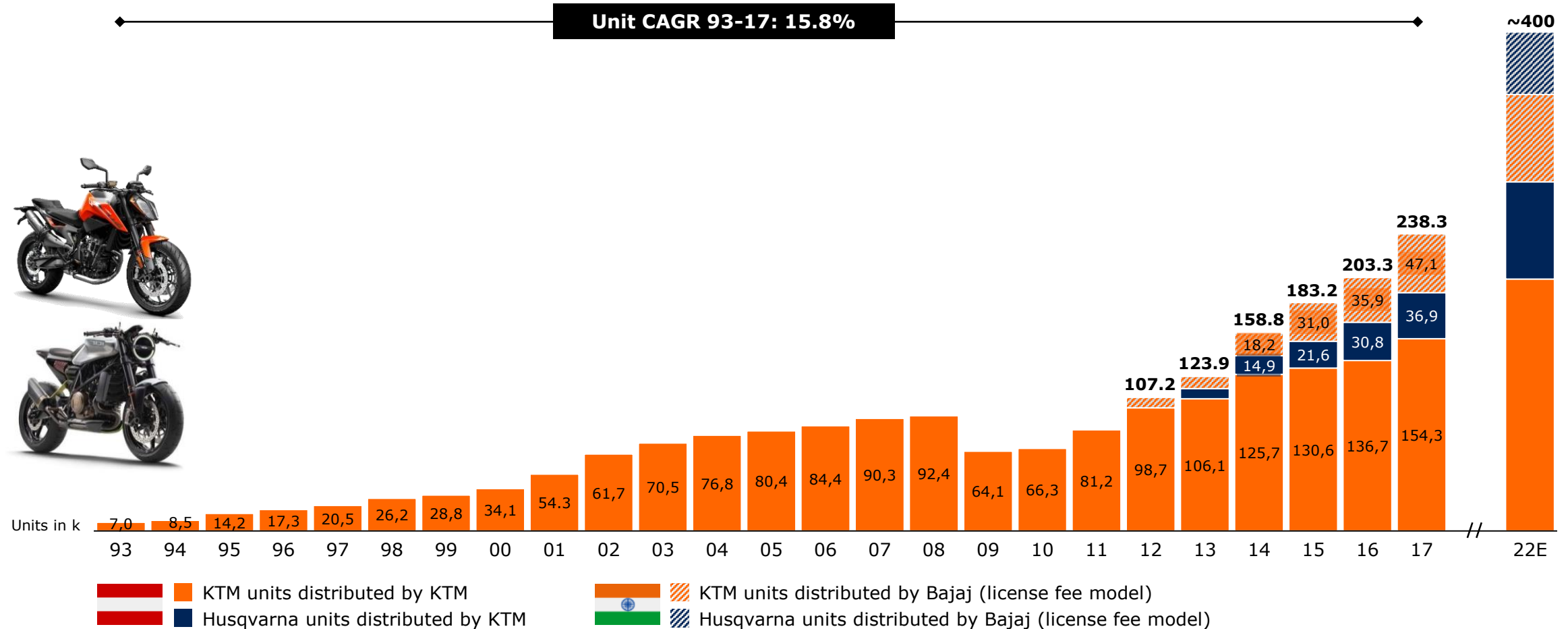
## **Focus on the two-wheeler industry – Sale of Pankl-Group**

Rationale and impact on KTM Industries AG

- Reduction of Net Debt of about EUR 150 million
- Improvement of Gearing to  $\sim < 50\%$  and Net Debt/EBITDA  $\Rightarrow \sim 1,0$
- Reduction of balance sheet total; Equity Ratio will amount to  $\sim 40\%$
- Reduction of interest expense
- Improvement of Rating  $\Rightarrow$  positive impact on potential future growth financing
- Completion of the transaction in June 2018

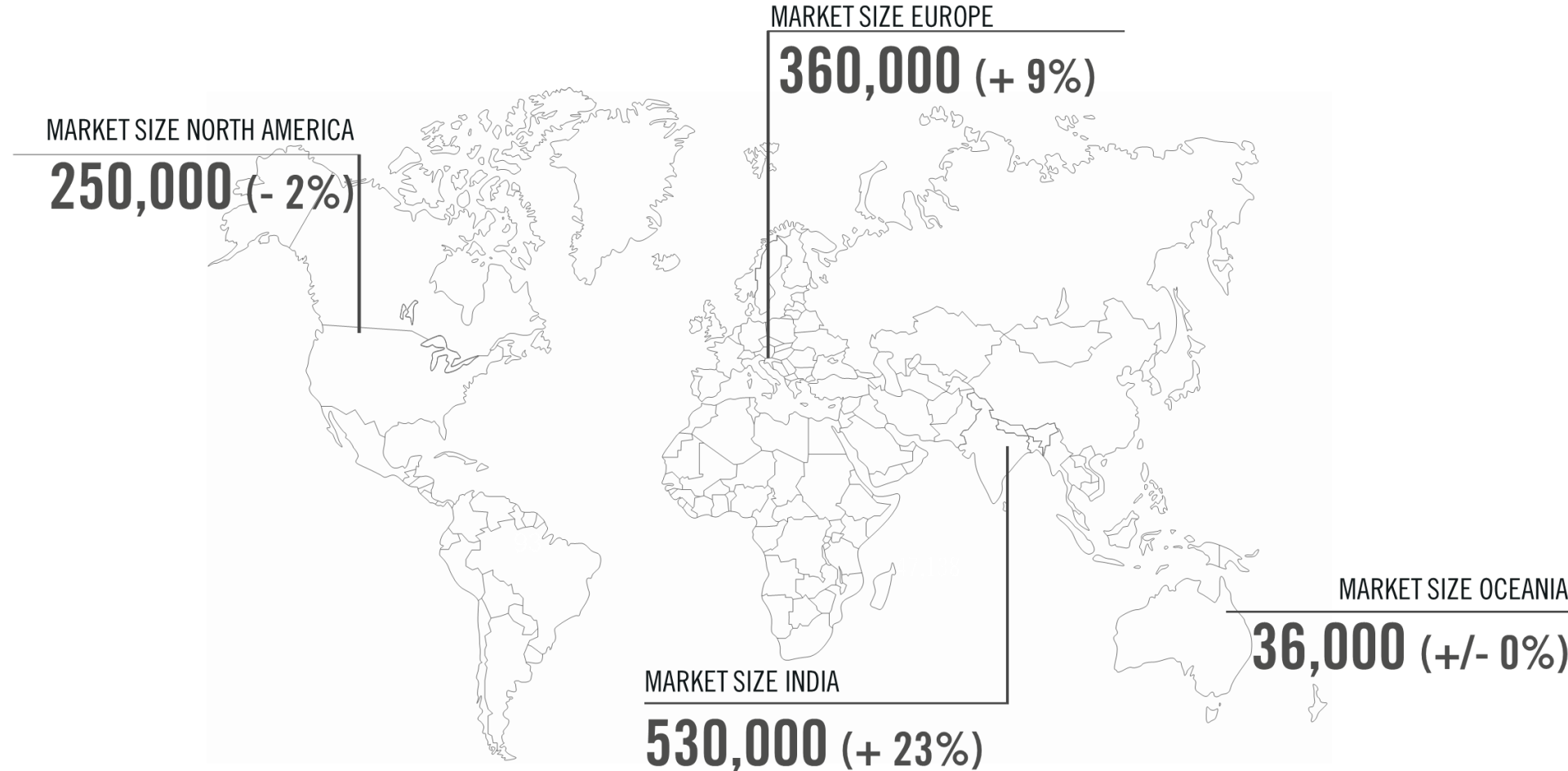
## Motorcycle growth

Long-standing growth track record with sales target of 400,000 units in 2022



## Market environment HY1 2018 vs 2017

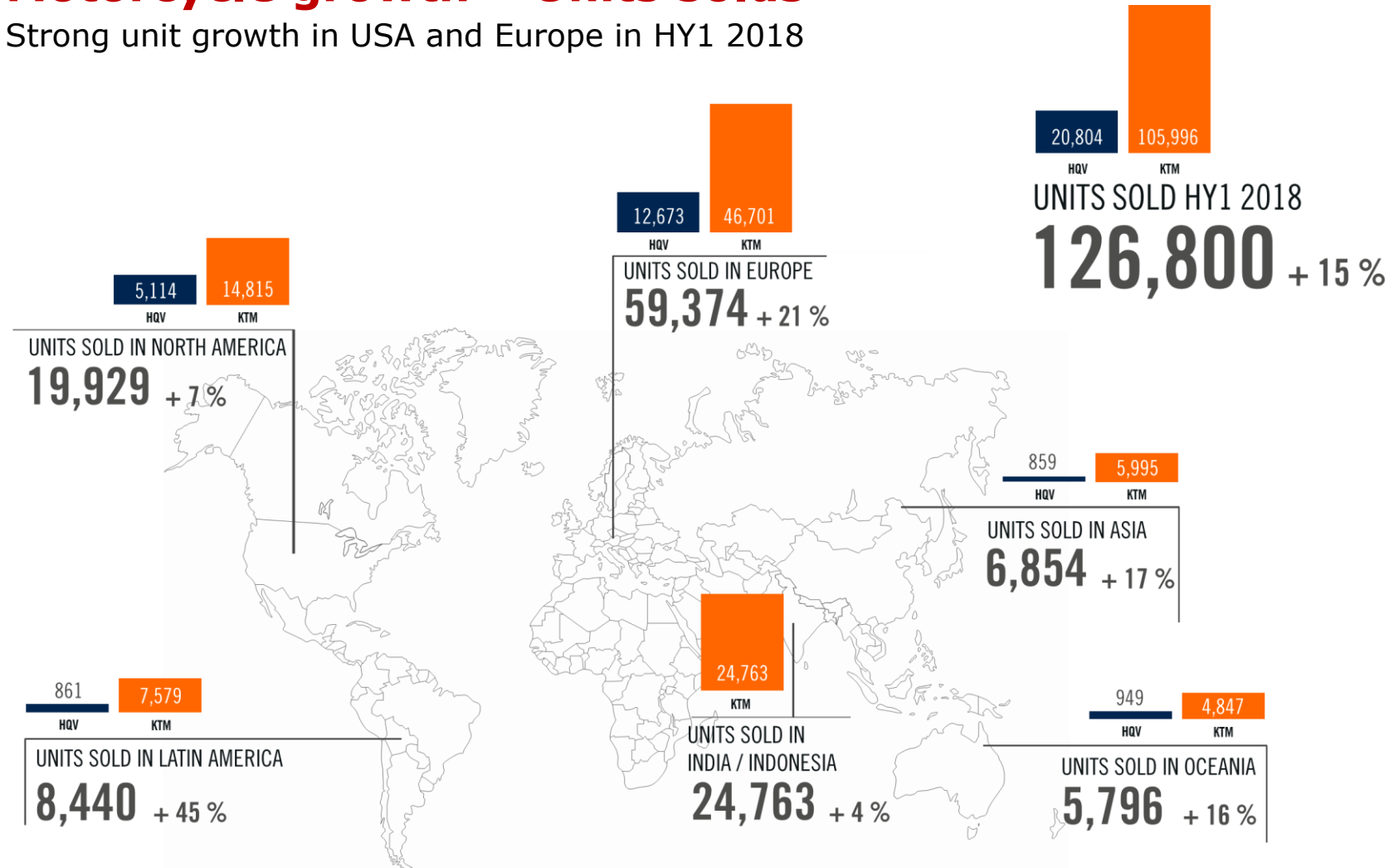
Overall trends in addressable market above > 120ccm





# Motorcycle growth – Units solds

Strong unit growth in USA and Europe in HY1 2018

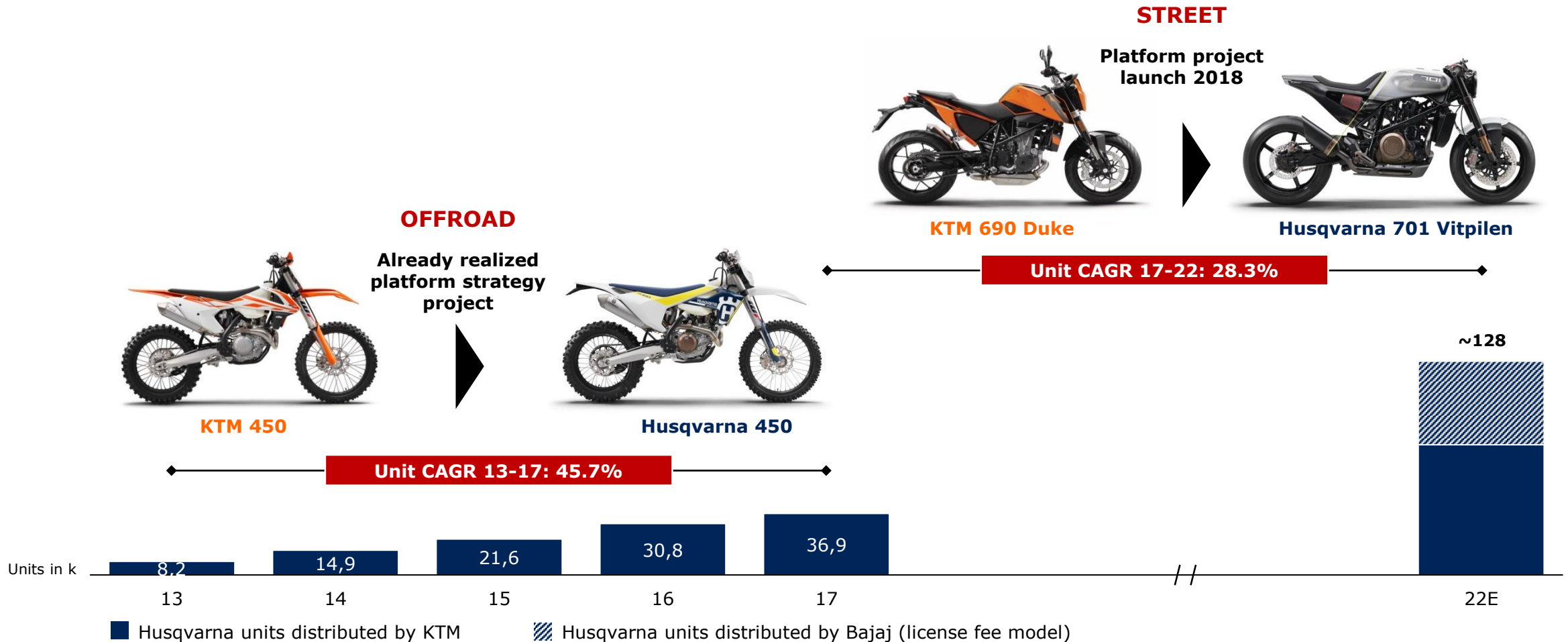


- **India is seen as the most important future market**
- Largest growth in absolute terms is still expected from Europe and North America
- Largest growth in relative terms is expected in emerging markets
- The revenue mix of street vs offroad is expected to shift from 50:50 in 2017 to about 70:30 in 2022



## Motorcycle growth driver - Husqvarna Street

Leveraging the KTM product and distribution platform for Husqvarna Street



## Motorcycle growth driver - 800cc parallel-twin

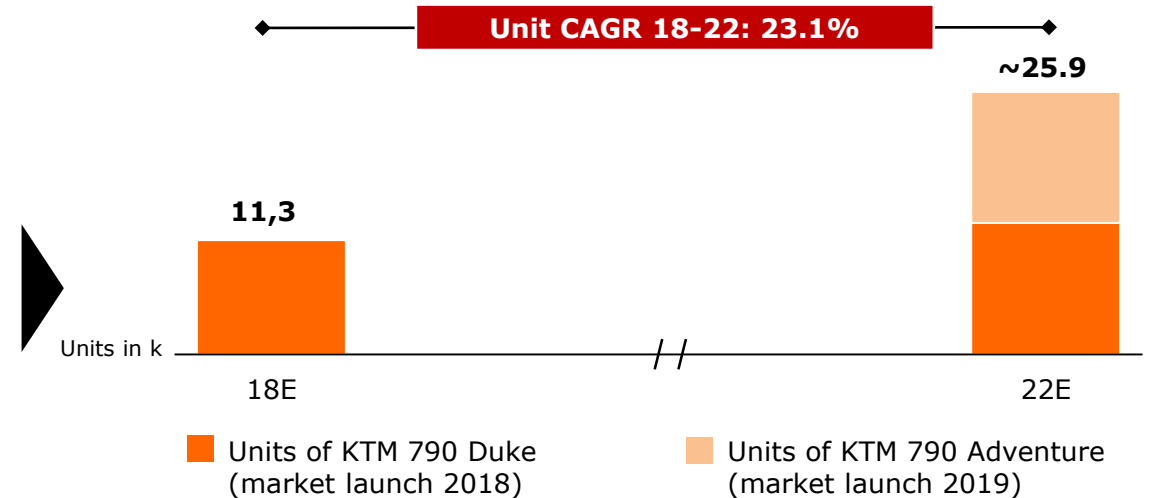
Leveraging the new 800cc motor platform



**KTM 790 Duke**

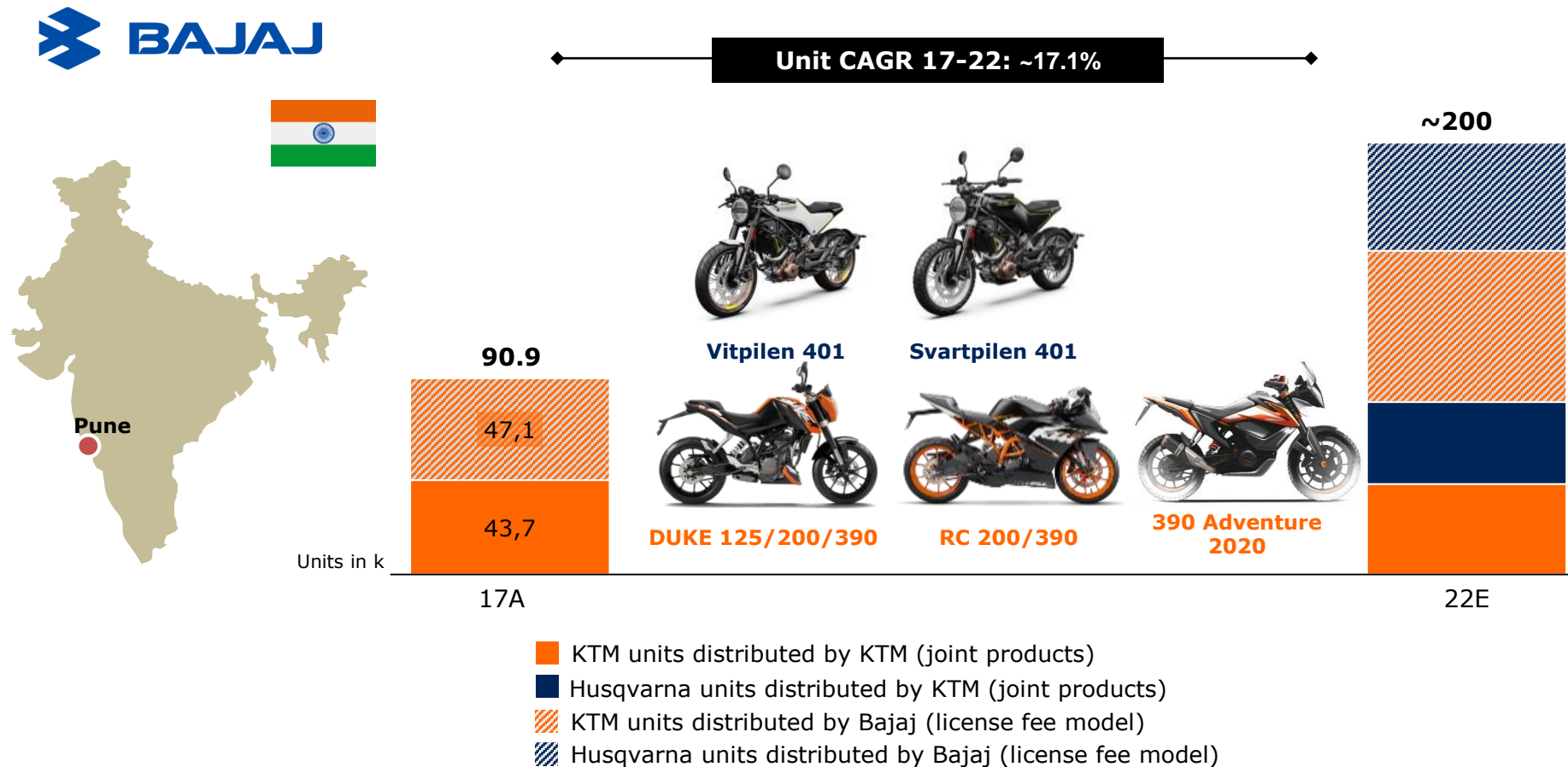


**KTM 790 Adventure R**



## Motorcycle growth driver - Cooperation with Bajaj

Production volume is expected to increase to over 200,000 units during the next years





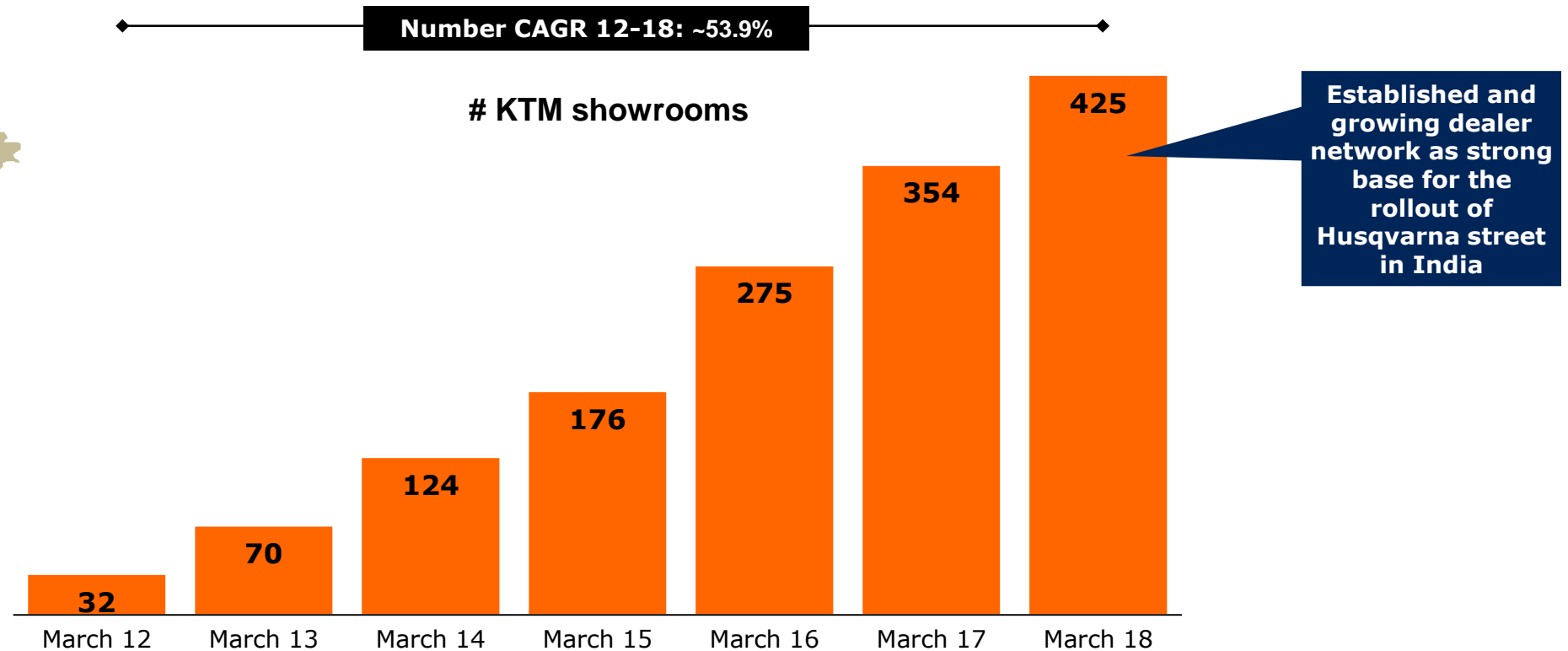
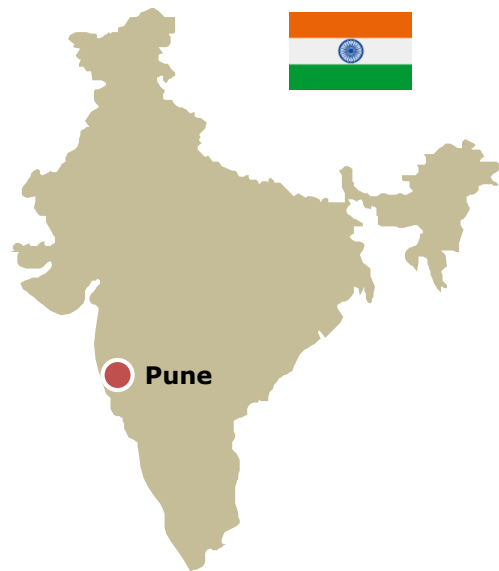
## Motorcycle growth driver - Cooperation with Bajaj

Bajaj factory in Pune / India



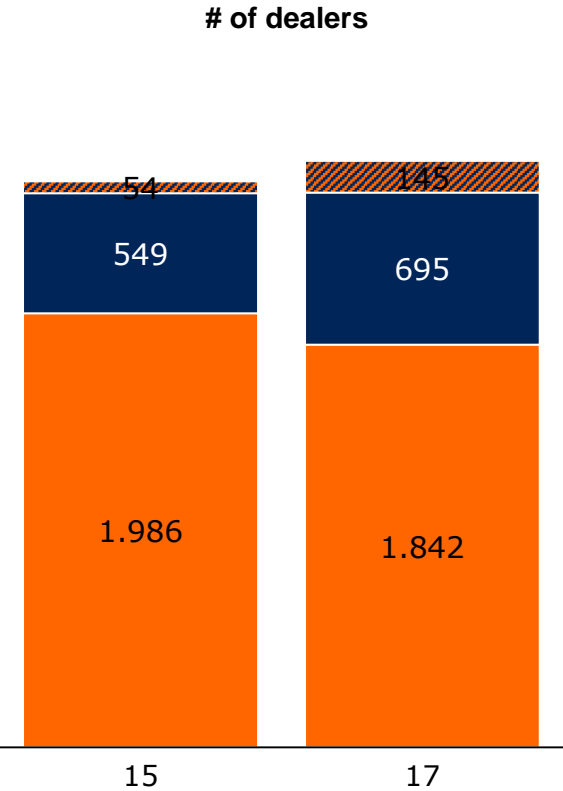
## Motorcycle growth driver - Cooperation with Bajaj

Bajaj built-up 425 KTM showrooms in India over the last 6 years



# Motorcycle growth driver – Dual brand dealers

Dual brand dealers almost tripled in three years. 840 Husqvarna dealers by end of 2017



## Strategic alliances

New joint venture with CF Moto



### Joint venture with long-term Chinese partner CF Moto



- KTM entering into a joint venture with its long-term partner CF Moto in order to expand the market presence in China
- The joint venture will focus on the industrialization of components in China and the ASEAN region and the assembly of mid-class street motorcycles with an engine capacity between 500 and 1000cc
- As a result, production costs of mid-class street motorcycles will be reduced, import duties into the Chinese market will be eliminated and production capacities in the Mattighofen plant will be relieved
- Motorcycles produced by the joint venture will be distributed worldwide

**KTM 790 Duke**



**Currently, CF Moto is the distributor for KTM motorcycles in China. Once the joint venture will commence production, the 790 Duke will be distributed worldwide from China**





**eMOBILITY**



## PEXCO – electric two-wheeler

Start with a comprehensive Husqvarna model range 2017/18

**1** Husqvarna offroad and street motorcycles



**EVOLUTION STREET**



**EVOLUTION OFFROAD**

**2** Different model types for electric two-wheelers



**7 models**

Grand City



**4 models**

Grand Tourer 27.5"



**10 models**

Light Tourer

**4 models**

Cross Tourer



**3 models**

Light Cross 27.5" and 29.0"

**2 models**

Light Cross + Linkage Battery

**3 models**

Mountain Cross + Linkage Battery

**E-two wheeler market DE, CH and AT: ~1.0m units p.a. Double-digit market growth expected**

## KTM E-Mobility

Zero emission product strategy

**Freeride E  
16kW**



**Sport Mini 2kW  
(5 kW Top Performance)**



**Freeride Light  
4kW**



**Husqvarna Scooter  
4kW / 11kW**



### Market launch:

**On the market**

**2019**

**2020**

**2020/21**





**OUTLOOK**



# Outlook

## Financial guidance

Short- and mid-term guidance	2018 (NEW)	2021 (NEW)	2021 (OLD)
Revenue growth	9 – 11%	9 – 11% CAGR 2018-21	7 – 9% CAGR 2018-21
Number of motorcycles sold <sup>1)</sup>	–	> 360,000 units	> 300,000 units
EBIT margin	8 – 10%	8 – 10%	8 – 10%
Capex <sup>2)</sup> / sales	8 – 10%	8 – 10%	9 – 11%
Net debt / EBITDA	1.6 – 1.7x	< 1.3 x	< 1.5 x
ROIC	–	10 – 12%	9 – 11%
Dividend policy	Stable and conservative payout level	Stable and conservative payout level	Stable and conservative payout level

▶ Targeted sales of more than 400,000 motorcycles<sup>1)</sup> in 2022





APPENDIX



## Appendix

### Management team and contact details

#### KTM Industries AG



**Stefan Pierer**

- CEO
- DI



**Friedrich Roithner**

- CFO
- Mag.



**Hubert Trunkenpolz**

- CSO
- Mag. Ing.



**Wolfgang Plasser**

- Member
- Mag.



**Harald Plöckinger**

- COO
- DI

#### Contact details

##### KTM Industries AG

Edisonstrasse 1

4600 Wels

Austria

[www.ktm-industries.com](http://www.ktm-industries.com)

##### Mag. Friedrich Roithner, CFO

E-mail: [friedrich.roithner@ktm-industries.com](mailto:friedrich.roithner@ktm-industries.com)

##### Mag. Michaela Friepess, IR

E-mail: [michaela.friepess@ktm-industries.com](mailto:michaela.friepess@ktm-industries.com)

Phone: +43 7242 / 69 402 205

Mobile: +43 664 916 77 11



## Financials

Consolidated profit & loss figures under IFRS

in EURm	2015	2016	2017	Δ 2016/17	CAGR 2015-17	
Revenues	1,223.6	1,343.0	1,533.4	+14%	+12%	1
EBITDA	178.4	198.4	219.0	+10%	+11%	
EBIT	112.9	122.3	132.5	+8%	+8%	
Earnings	65.0	89.0	84.2	-5%	+14%	2
Earnings after minorities	30.0	52.1	44.8	-14%	+22%	3
EBITDA margin	14.6%	14.8%	14.3%	–	–	
EBIT margin	9.2%	9.1%	8.6%	–	–	

Split of expenses <sup>1)</sup>					
in EURm	2015	2016	2017		
Cost of sales	792.9 76%	853.5 74%	1,008.8 75%		
Selling & racing	154.6 15%	182.6 16%	213.1 16%	4	
Administration	64.1 6%	76.3 6%	78.9 6%		
R&D	34.6 3%	44.9 4%	47.5 3%		

Type of costs					
in EURm	2015	2016	2017		
Materials & purchased services	694.4 66%	729.7 63%	845.7 63%		
Personnel expenses	216.5 21%	246.6 21%	288.2 21%	5	
Other operating expenses	135.3 13%	181.0 16%	214.4 16%		

- 1 As a result of the cooperation with Bajaj, the share of motorcycles sold in lower price segments (< 400cc) has further increased
- 2 Tax rate of 28.1% in 2017 vs 18.3% in 2016 (positive one-time effects in 2016)
  - Normalized tax rate at 25%
- 3 One-time effects 2016 were primarily at WP and Pankl, which both have insignificant minorities
- 4 Entry into MotoGP has not increased racing expenditure as % of revenues
- 5 KTM employed 5,887 people (FTE) at the end of 2017, an increase of 818 employees to previous year
  - About 10% of the workforce are leased employees

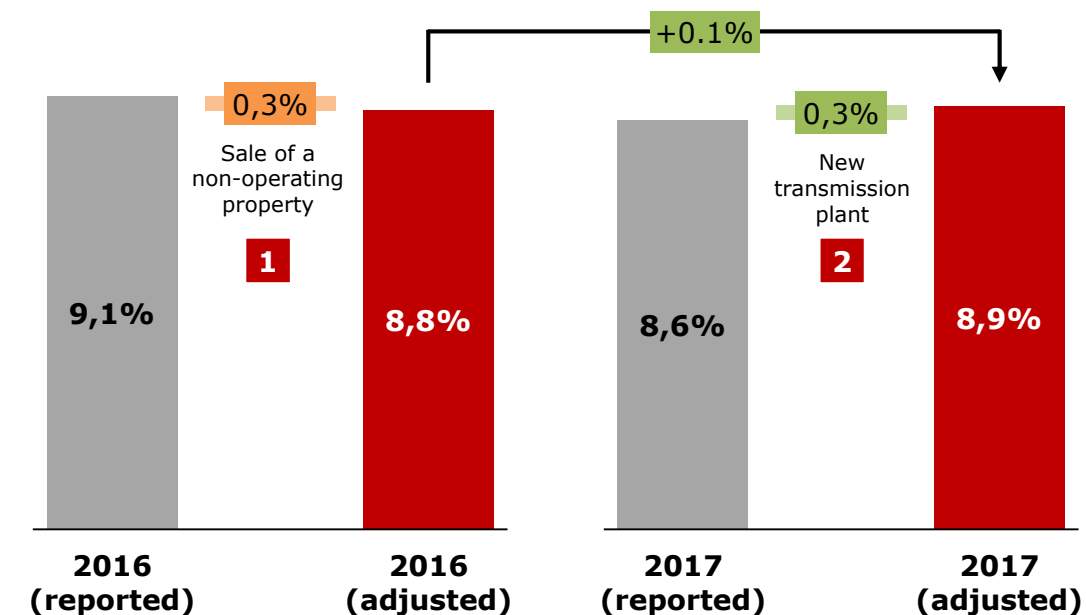
Source: KTM Industries AG

1) Exclusive depreciation, sponsorship money, subsidies and other operating income

# Financials

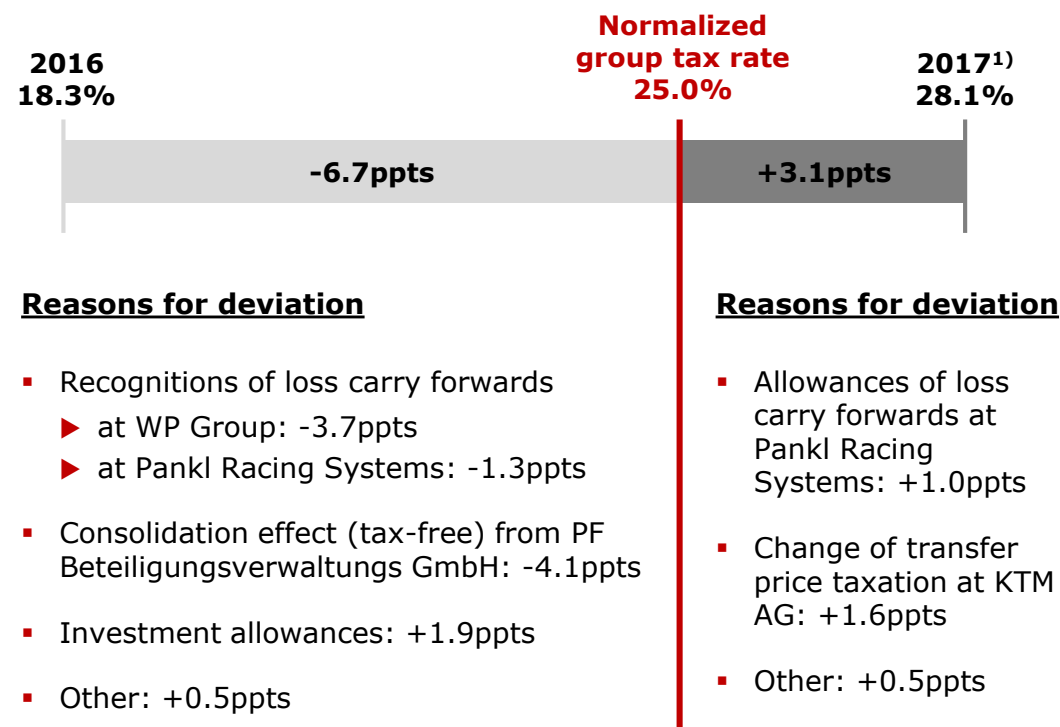
EBIT margin bridge and effects on tax rate

## Adjusted EBIT margin 2016 vs 2017



- 1** ▪ Accounting profit of EUR 3.3m in 2016 from the sale of a non-operating property in the WP Group
- 2** ▪ Additional one-off expenses of EUR 4.0m from starting up the new transmission plant at Pankl Racing Systems in Kapfenberg

## Deviations from normalized tax rate 2016 vs 2017



### Reasons for deviation

- Recognitions of loss carry forwards
  - ▶ at WP Group: -3.7ppts
  - ▶ at Pankl Racing Systems: -1.3ppts
- Consolidation effect (tax-free) from PF Beteiligungsverwaltungs GmbH: -4.1ppts
- Investment allowances: +1.9ppts
- Other: +0.5ppts

### Reasons for deviation

- Allowances of loss carry forwards at Pankl Racing Systems: +1.0ppts
- Change of transfer price taxation at KTM AG: +1.6ppts
- Other: +0.5ppts

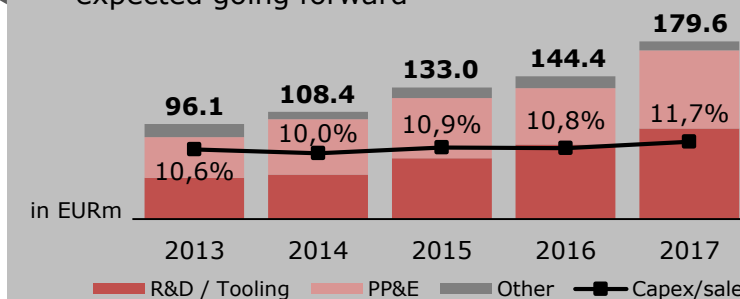
## Financials

Consolidated balance sheet and cash flow figures under IFRS

in EURm	2015	2016	2017	Δ 2016/17	
Balance sheet total	1,175.9	1,423.8 <sup>1)</sup>	1,470.6	+3%	
Equity	386.6	454.9	528.9	+16%	
Total interest bearing debt	522.6	648.2 <sup>1)</sup>	544.1	-16%	1
Net working capital (NWC)	243.3	245.2	238.7	-3%	3
Net debt	387.4	364.6	375.0	+3%	
Net working capital as % of sales	19.9%	18.3%	15.6%	–	
Equity ratio	32.9%	32.0% <sup>1)</sup>	36.0%	–	
Gearing	100.2%	80.1%	70.9%	–	
Net debt / EBITDA	2.2x	1.8x	1.7x	–	2

in EURm	2015	2016	2017	Δ 2016/17	
Cash flow from operating activities	106.9	167.8	164.3	-2%	4
Capex <sup>2)</sup>	-133.0	-144.4	-179.6	+24%	5
Cash flow from investing activities	-110.1	-158.8	-158.5	0%	

- Decreased due to repayment of the bond issued by KTM AG (EUR 85m) in 2012
- Net debt / EBITDA is at the lower end of guidance due to higher EBITDA and optimization of the capital structure
- Stable NWC performance despite high revenue growth in 2017 due to the cooperation model with Bajaj
  - Stable level of NWC in absolute terms is expected going forward
- Stable development of operating cash flow in 2017
- Stable trend of capex in absolute terms is expected going forward<sup>2)</sup>



Source: KTM Industries AG

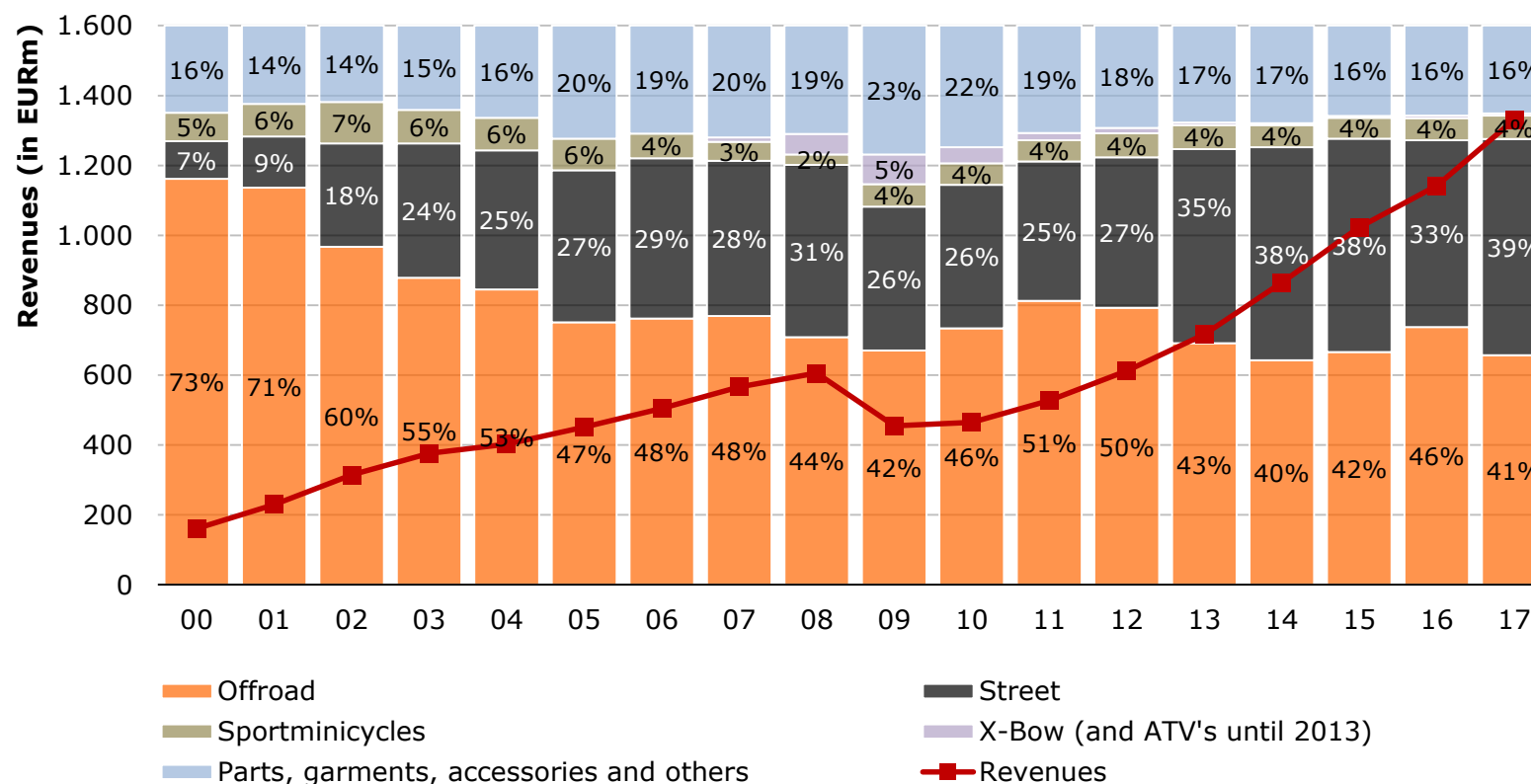
1) Restated figures related to early redemption of promissory notes (Schuldscheindarlehen)

2) Definition: Additions of property, plant & equipment (PP&E) and intangible assets according to the fixed assets schedule

# Appendix

Development of sales mix since 2000

## Revenue development and split by type



- KTM/Husqvarna is the largest manufacturer of offroad motorbikes worldwide
- In 2000, KTM entered the Street segment, i.e. a market with a global sales volume of 1,000k units in 2017
- In 2017, street motorcycles accounted for around 39% of KTM/Husqvarna's total sales i.e. EUR 515m / 85,314 bikes
- For the KTM brand alone, Street motorcycles accounted for more than 35% of total sales in 2017
- Share of revenues generated with "parts, garments, accessories and others" – a high margin business – remained quite stable despite the change in overall revenue split

## Appendix

### Data sources for motorcycles market information and intelligence

#### Sources by market

Europe	Reported countries: Data source: Motorcycles:	AT, BE CH, DE, DK, ES, FI, FR, GR, IT, NL, NO, PT, SE, UK ACEM, national data providers >120cc & electric, no MX available
North America	Data source: Motorcycles:	MIC (US), MMIC (CA) >120cc, incl. MX
South Africa	Data source: Motorcycles:	eNaTis >120cc, incl. MX
Australia	Data source: Motorcycles:	ERG >120cc, incl. MX
ASEAN	Reported countries: Data source: Premium motorcycles:	ID, KH, MY, PH, TH Bajaj Market Intelligence >120cc, MSRP >~EUR 2,500 Market share partly extrapolated due to data availability
China	Data source: Premium motorcycles:	CAAM, import statistics >120cc, MSRP >~EUR 2,500 Market share partly extrapolated due to data availability
India	Data source: Premium motorcycles:	Bajaj Market Intelligence >120cc, MSRP >~EUR 2,500 Market share partly extrapolated due to data availability
Latin America	Reported countries: Data source: Premium motorcycles:	AR, BR, CO, CR, PE Registrations and import statistics >120cc, MSRP >~EUR 2,500 Market share partly extrapolated due to data availability