



## **The ANDRITZ GROUP**

Company presentation October 2017

# Contents

**1** Company profile

---

**2** Update on business areas

---

**3** Financial targets

---

# The ANDRITZ GROUP

## Overview

ANDRITZ is a globally leading supplier of plants, equipment, and services for hydropower stations, the pulp and paper industry, the metal-working and steel industries, and solid/liquid separation in the municipal and industrial sectors.

**Headquarters:** Graz, Austria

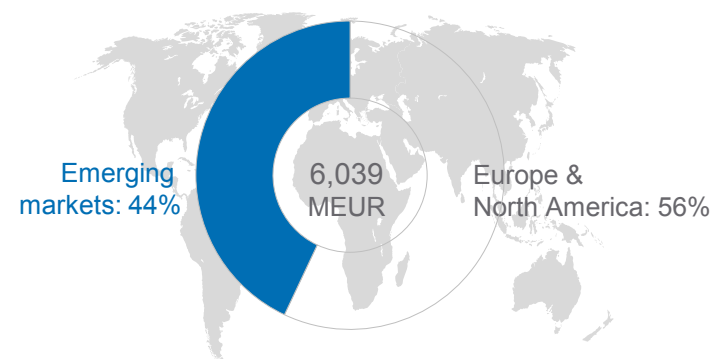
**Global presence:** over 250 production sites and service/sales companies worldwide

### KEY FINANCIAL FIGURES H1 2017 AND 2016

	Unit*	H1 2017	2016
Order intake	MEUR	2,771.3	5,568.8
Order backlog (as of end of period)	MEUR	6,849.1	6,789.2
Sales	MEUR	2,779.0	6,039.0
EBITA	MEUR	207.3	442.1
Net income (including non-controlling interests)	MEUR	131.8	274.8
Employees (as of end of period; without apprentices)	-	25,390	25,162

\* MEUR = million euros

### Sales by region 2016 (%)



	H1 2017	2016	2015
Europe	38	35	38
North America	21	21	19
China	15	12	12
Asia (without China)	12	12	13
South America	10	15	14
Africa, Australia	4	5	4

# Company profile

A global market leader with four business areas

# ANDRITZ

**ANDRITZ**  
Hydro



**Product offerings:**  
electromechanical equipment for hydropower plants (turbines, generators); pumps; turbo generators

**ANDRITZ**  
Pulp & Paper



**Product offerings:**  
equipment for production of all types of pulp, paper, tissue, and board; energy boilers

**ANDRITZ**  
Metals



**Product offerings:**  
presses for metal forming (Schuler); systems for production of stainless steel, carbon steel, and non-ferrous metal strip; industrial furnace plants

**ANDRITZ**  
Separation



**Product offerings:**  
equipment for solid/liquid separation for municipalities and various industries; equipment for production of animal feed and biomass pellets

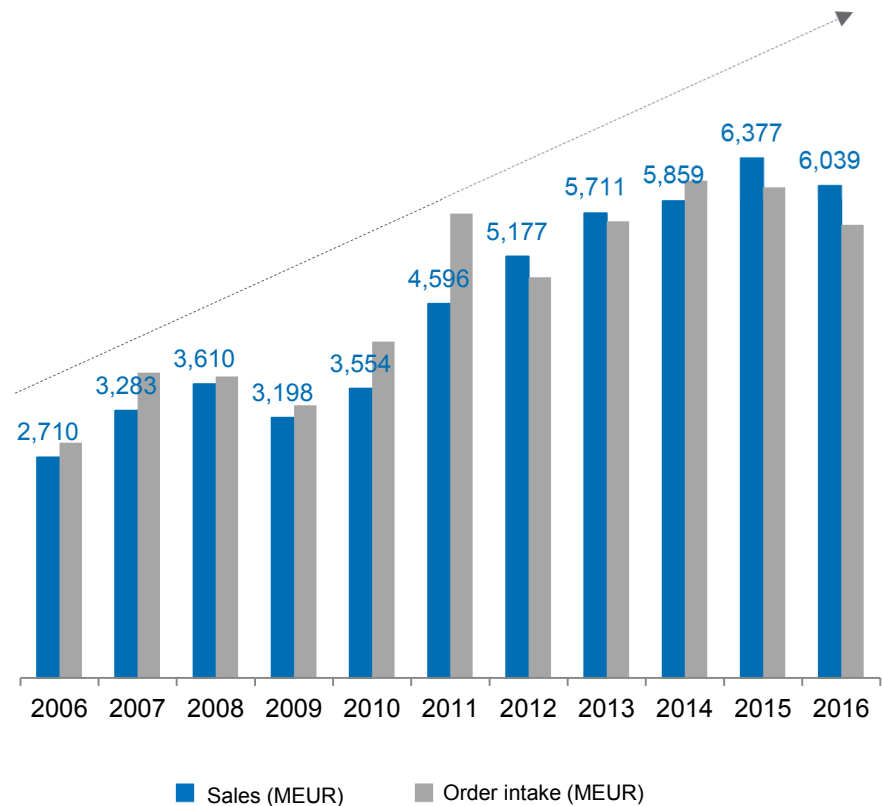
# Strengthening of market position

## Growth through organic expansion and acquisitions

### Acquisitions by business area since 1990

HYDRO	
2006	VA TECH HYDRO
2007	Tigép
2008	GE Hydro business
2008	GEHI (JV)
2010	Precision Machine
2010	Hammerfest Strøm (59%)
2010	Ritz
2011	Hemicycle Controls
PULP & PAPER	
1990	Sprout-Bauer
1992	Durametal
1994	Kone Wood
1998	Kvaerner Hymac
1999	Winberg
2000	Ahlstrom Machinery
2000	Lamb Baling Line
2000	Voith Andritz Tissue LLC (JV)
2002	ABB Drying
2003	IDEAS Simulation
2003	Acutest Oy
2003	Fiedler
2004	EMS (JV)
2005	Cybermetrics
2005	Universal Dynamics Group
2006	Küsterson
2006	Carbona
2006	Pilão
2007	Bachofen + Meier
2007	Sindus
2008	Kufferath
2009	Rollteck
2010	Rieter Perfojet
2010	DMT/Biax
2011	AE&E Austria
2011	Iggesund Tools
2011	Tristar Industries
2011	Asselin-Thibeau
METALS	
1997	Sundwig
1998	Thermtec
2000	Kohler
2002	SELAS SAS Furnace Div.
2004	Kaiser
2005	Lynson
2008	Maerz
2012	Bricmont
2012	Soutec
2013	Schuler (> 95%)
2013	FBB Engineering
2014	Herr-Voss Stamco
2016	Yadon
2016	AWEBA
2017	Powerlase (51%)
SEPARATION	
1992	TCW Engineering
1995	Jesma-Matador
1996	Guinard
2000	UMT
2002	3SYS
2004	Bird Machine
2004	NETZSCH Filtration
2004	Fluid Bed Systems
2005	Lenser Filtration
2006	CONTEC Decanter
2009	Delkor Capital Equipment
2009	Frautech
2010	KMPT
2012	Gouda
2013	Shende Machinery
2016	ANBO

### Compound Annual Growth Rate (CAGR) of Group sales 2006-2016: +8% p. a. (thereof approximately half organic growth)



# Results H1 2017: Major findings

<b>ANDRITZ GROUP</b>	<i>Unit</i>	<b>H1 2017</b>	H1 2016	Change	<b>Q2 2017</b>	Q2 2016	Change
Order intake	<i>MEUR</i>	<b>2,771</b>	2,566	+8%	<b>1,211</b>	1,319	-8%
Sales	<i>MEUR</i>	<b>2,779</b>	2,761	+1%	<b>1,393</b>	1,476	-6%
EBITA (%)	<i>MEUR</i>	<b>207 (7.5%)</b>	183 (6.6%)	-	<b>110 (7.9%)</b>	99 (6.7%)	-

## Order intake:

Weak first H1 in METALS and HYDRO, no orders in automotive, no large projects in hydro

**EBITA** at 7.5%, without extraordinary items is 6.6% which is the same level as H1 2016 on a comparable basis

**Rise of order intake and stabilization of profitability in SEPARATION**

**Extraordinary profit from the sale of Technical Center in China**

# Contents

## 1 Company profile

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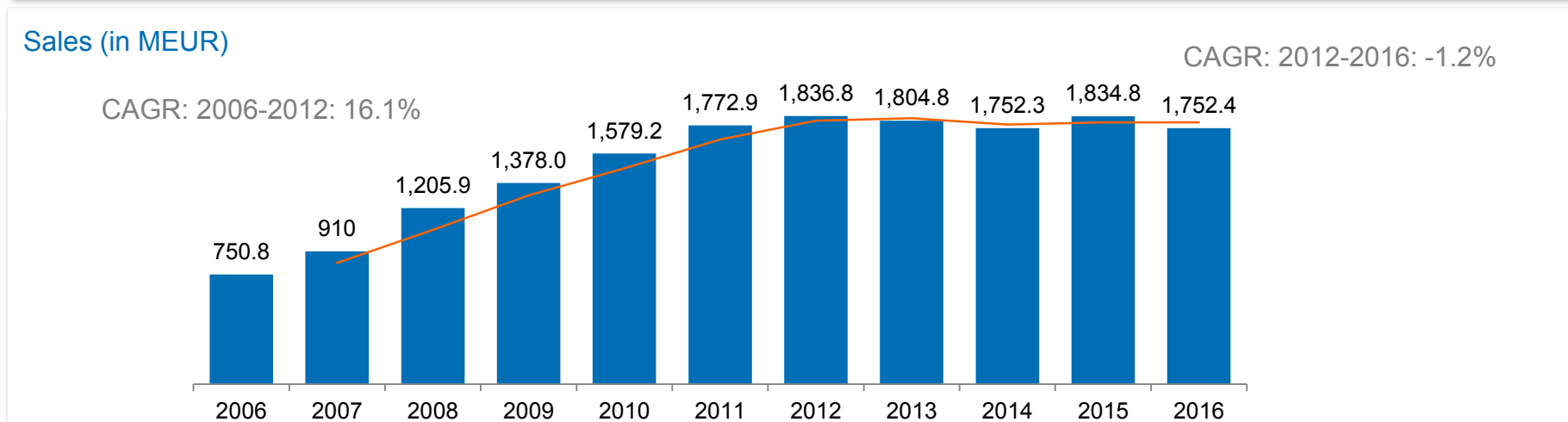
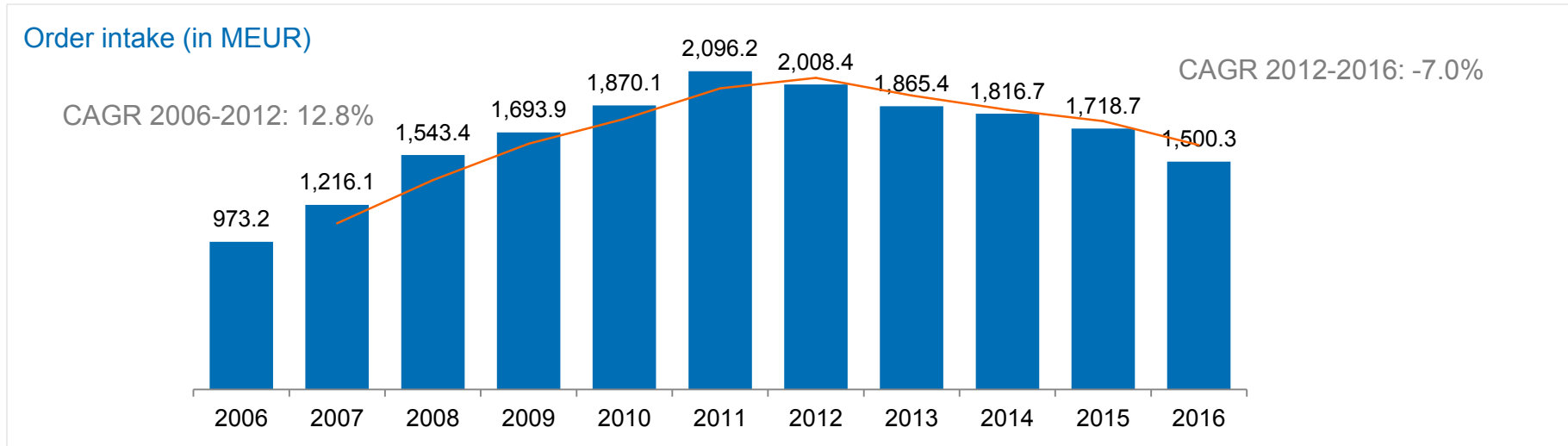
## 2 Update on business areas

- **HYDRO**
  - PULP & PAPER
  - METALS
  - SEPARATION
- 

## 3 Financial targets

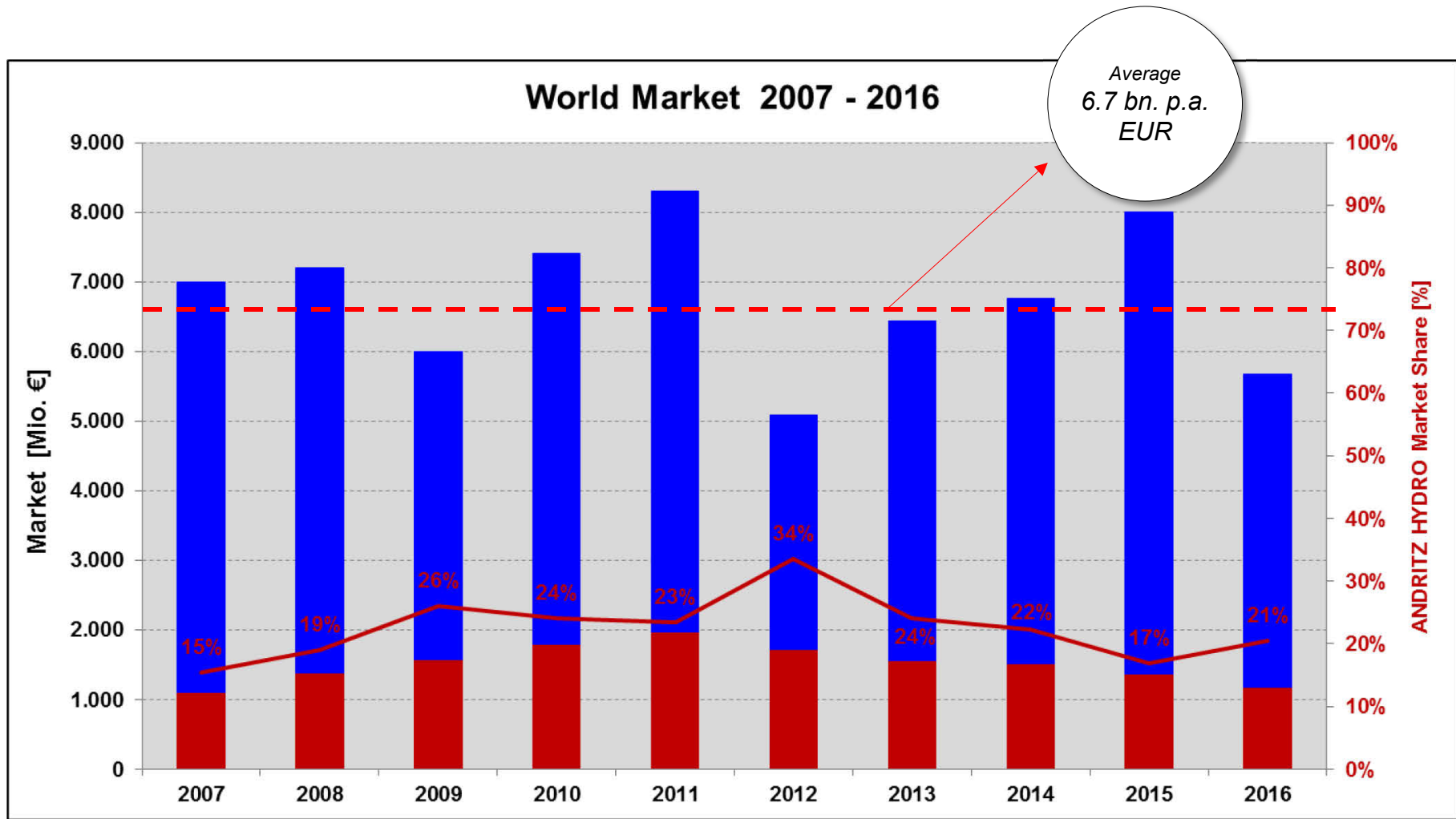
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# ANDRITZ HYDRO order intake peaked in 2011





# Global market for electromechanical equipment: market volatility mainly caused by large scale projects



Source: ANDRITZ HYDRO project data base

# Update on Hydro capacity adjustments and strategy

- Target is to **increasingly shift resources to China and India** to cover and serve growing Asian and Chinese markets locally
- In line with this strategy and based on overall low market activity **several capacity adjustment measures** have been taken during the last three years
- Total restructuring costs 2014-2016: 23 MEUR
- **Reduction of total headcount** by approximately 1,000 employees and almost 400 contracted personnel
  - Increase in China and India
  - Reduction in most other countries
- **Reduction of direct labour hours** by around 10%:
  - Increase India to become by far largest production facility
  - Reduction in other facilities, mainly Sweden, Spain, Switzerland, and Austria
- **Additional slight restructuring highly likely** in 2017 to further adjust capacities to market conditions

# Conclusions regarding hydro

## ANDRITZ:

- Generally low market share (~15%) in large hydro projects → goal 20%
- Re-entry in China in pumped storage achieved → potential for future orders
- Further growth of pumps business targeted

### ▪ Business volume potential for ANDRITZ HYDRO:

- Average global hydro equipment market: 6,000 MEUR
  - thereof 23% market share ANDRITZ 1,380 MEUR
  - Pumps, Turbogenerators 250 MEUR

Total HYDRO >1.630 MEUR

plus possible volume from market share in increase in large projects

# Contents

## 1 Company profile

---

## 2 Update on business areas

- HYDRO
  - **PULP & PAPER**
  - METALS
  - SEPARATION
- 

## 3 Financial targets

---

# PULP & PAPER

## Satisfactory project and investment activity

### Modernizations

Satisfactory project and investment activity for modernization/refurbishment projects → change of production from graphic to packaging paper, increase productivity and efficiency

Outlook: **Stable +/-**

Long-term  
average growth  
potential:  
2-3% p.a.

### Service

Solid market development to continue

Outlook: **Slightly up**

### Competition

Stable competitive environment

### Greenfield

Investments in greenfield pulp mills to continue; mid- to long-term good project activity for greenfield pulp mills; most likely no greenfield order to be placed in Brazil in 2017; some mid-sized projects in Russia

Outlook: **Stable +**

### Nonwoven

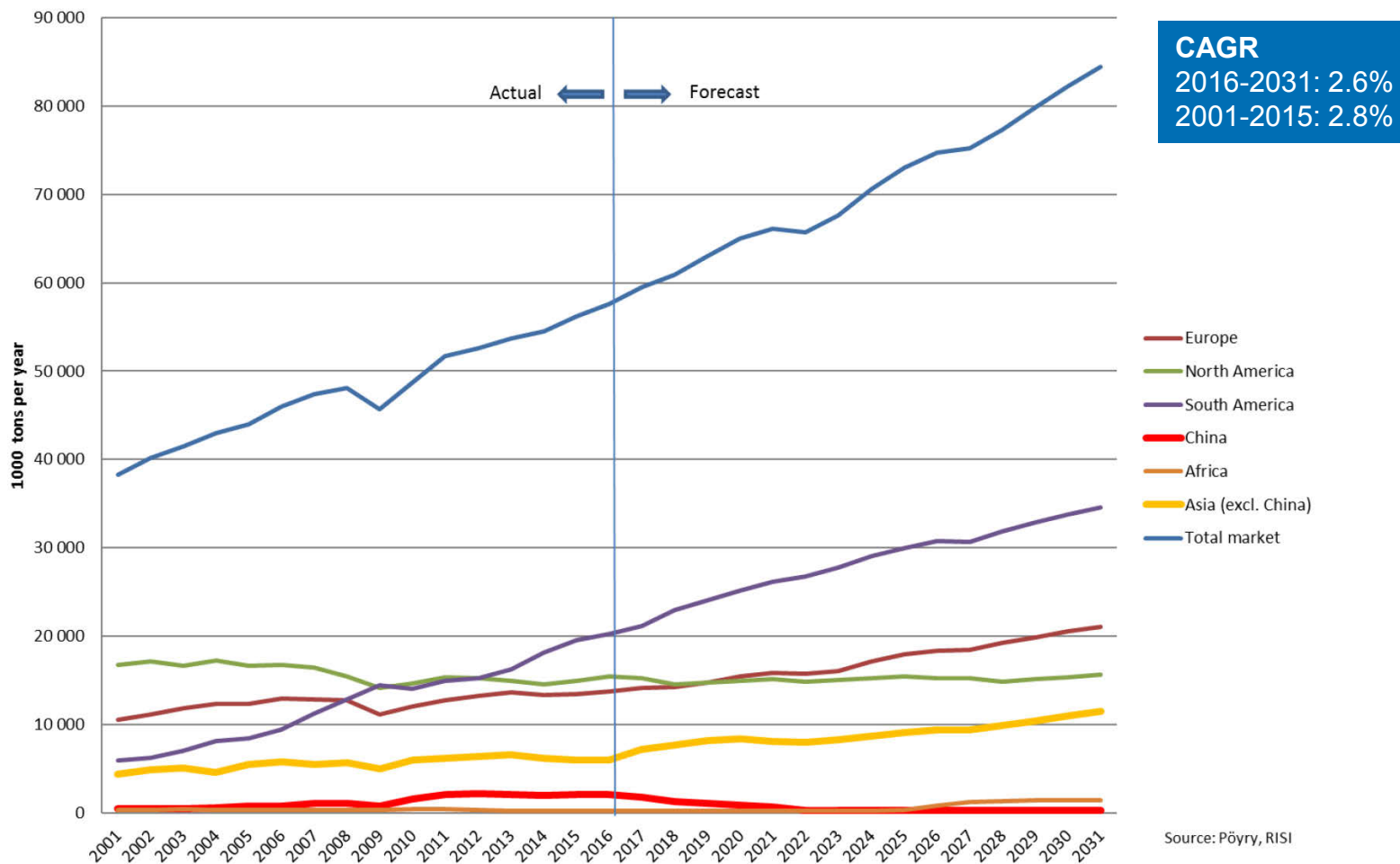
Continued good project activity.

Outlook: **Slightly up**



# Continued market pulp production growth (BHKP, BSKP)

Growth mainly in South America and Europe



# PULP & PAPER

## Good project pipeline for greenfield pulp mills

### USA:

Owner – project	Capacity/a.*	Planned start-up
SUN BIO Arkansas	0.6	2020

### Chile:

Owner – project	Capacity/a.*	Planned start-up
Arauco – MAPA	1.6	2021

### Brazil:

Owner – project	Capacity/a.*	Planned start-up
Eldorado – Três Lagoas	2.3	2021**
Veracel – Eunápolis	1.8	2022 et seq.
Braxel – Peixes	2.0	2022 et seq.
CRPE Holding S.A – Ribas do Rio Pardo	2.2	2022 et seq.
Suzano – Imperatriz	1.3	2022 et seq.
Fibria – Aracruz	1.7	2022 et seq.
Eldorado - Três Lagoas	2.3	2022 et seq.
CMPC Brazil – Pelotas	1.8	2022 et seq.

### Mozambique:

Owner	Capacity/a.*	Planned start-up
Portucel	1.5	2022 et seq.

### Finland:

Owner – project	Capacity/a.*	Planned start-up
Finnpulp – Kuopio	1.2	2020
Kemijärvi	0.4	2020

### China:

Owner – project	Capacity/a.*	Planned start-up
Guangxi Jingui – Qinzhou City	1.2	2020

### Russia:

Owner – project	Capacity/a.*	Planned start-up
Siberwood	0.9	2019
Sveza Group	1.2	2020
Segezha	1.3	2022 et seq.



\* Annual capacity in million tons (may change over time); source: Pöyry. Capacity/year refers to added gross capacity (i.e. relevant as accessible market) without taking into account possible shut-downs of existing capacities

\*\* open after sale to APP Group

# Contents

## 1 Company profile

---

## 2 Update on business areas

- HYDRO
  - PULP & PAPER
  - **METALS**
  - SEPARATION
- 

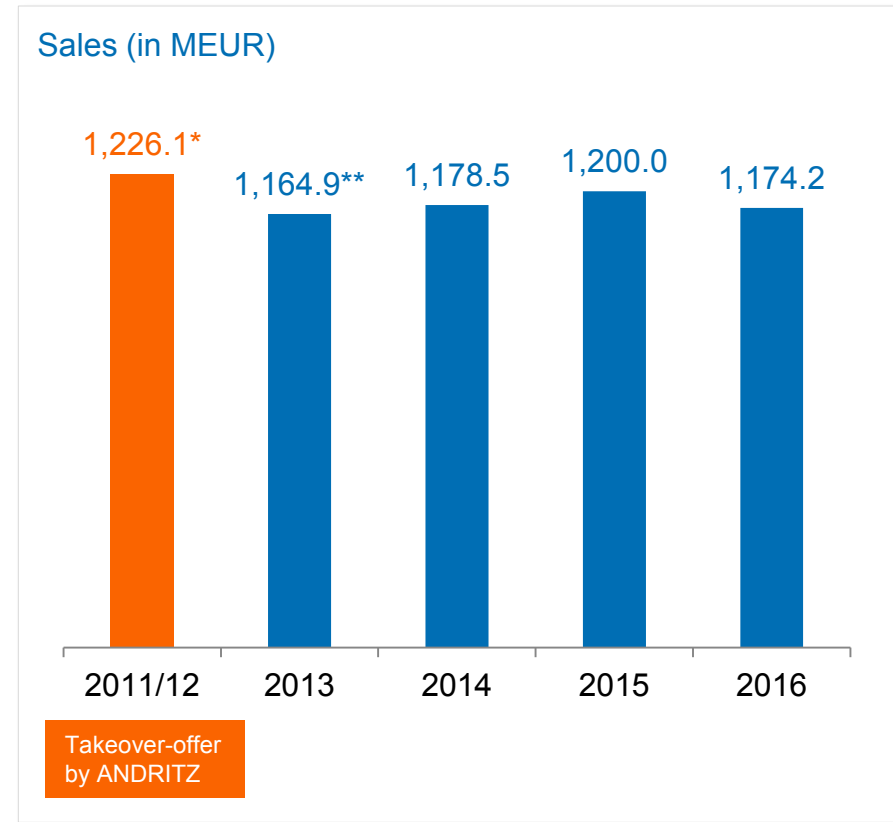
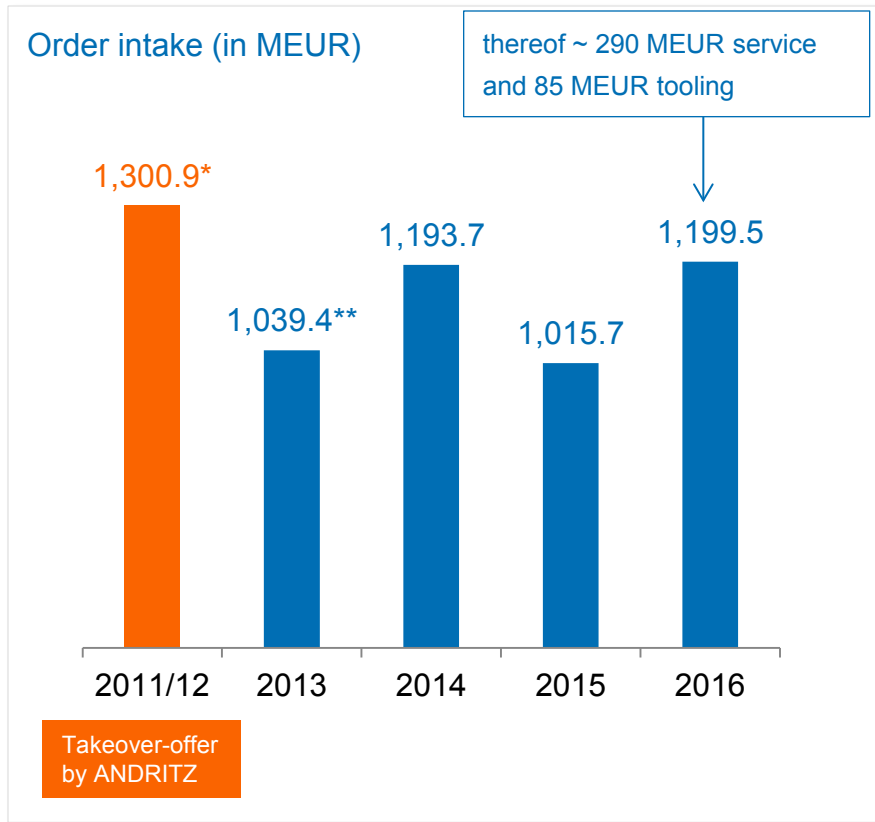
## 3 Financial targets

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# Schuler

## Order intake and sales 2012-2016

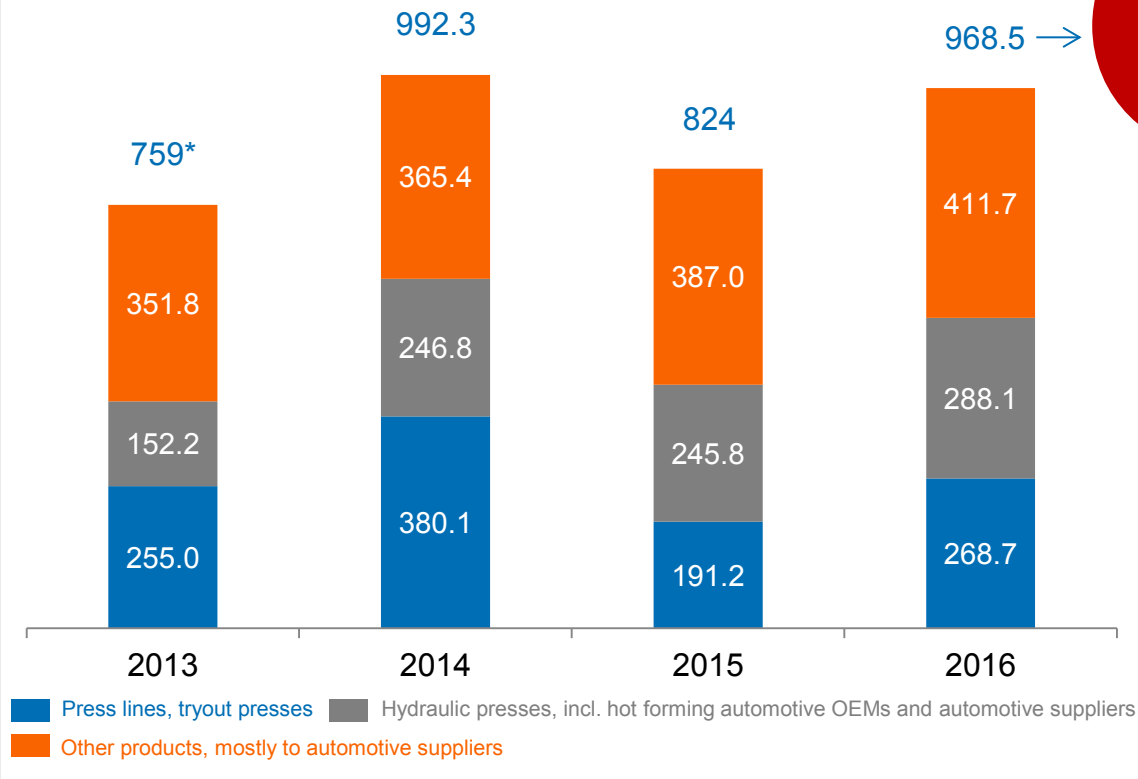


\* 01.10.-30.09.

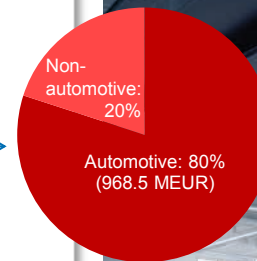
\*\* Pro forma 1.1.-31.12., first-time consolidation in March 2013

# Schuler: automotive accounts for ~80% of the business

Order intake from automotive OEMs, tier 0.5 and automotive suppliers (in MEUR)



Schuler: split of order intake 2016



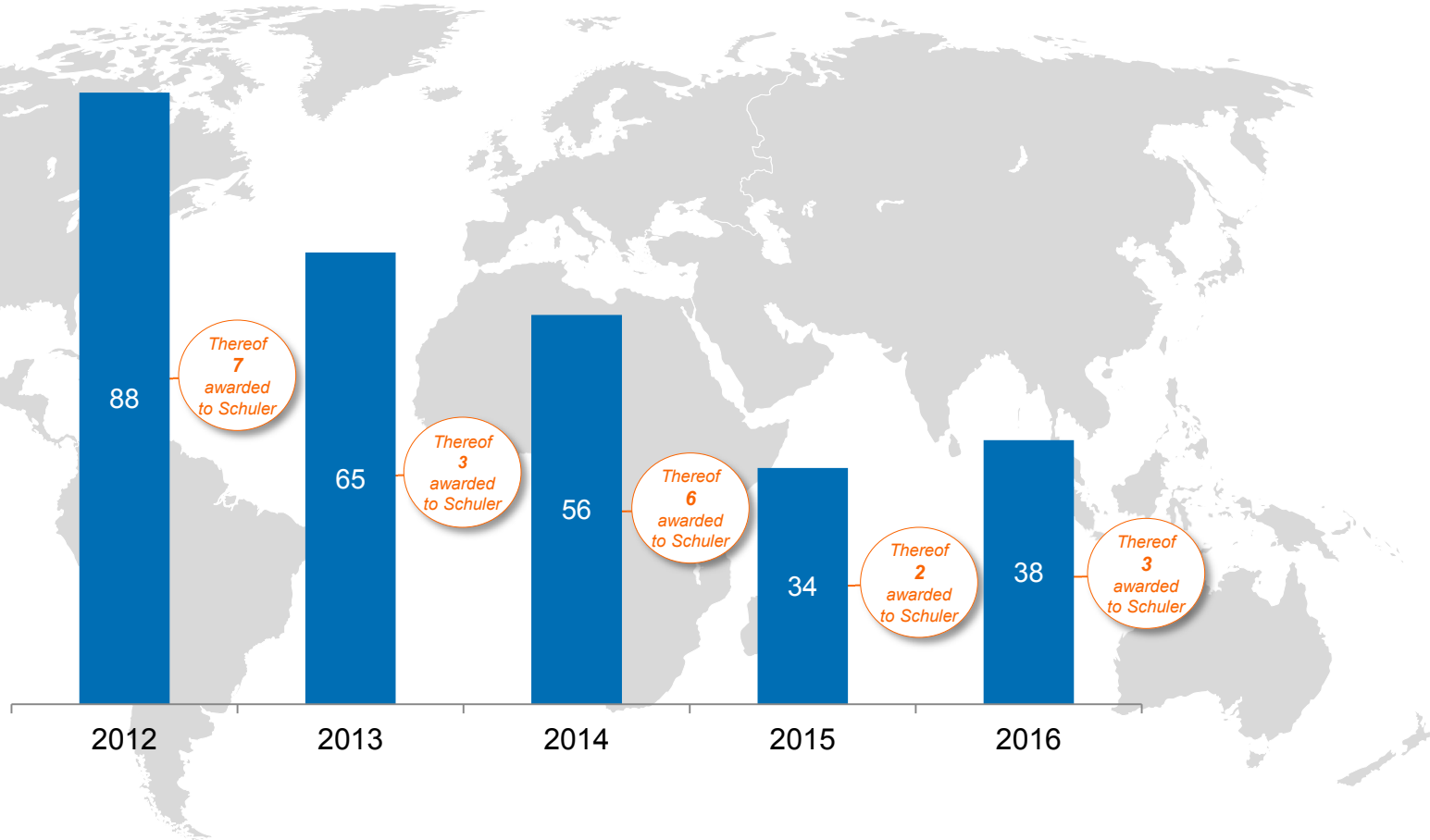
▲ Production of double parts at an automotive components supplier with a servo press in tie rod design with 16,000 kN press force

\* Pro forma; first-time consolidation in March 2013

# Total number of press lines awarded worldwide

2012-2016

(in units)



Note: total amount of press lines sold in A, B, C segments

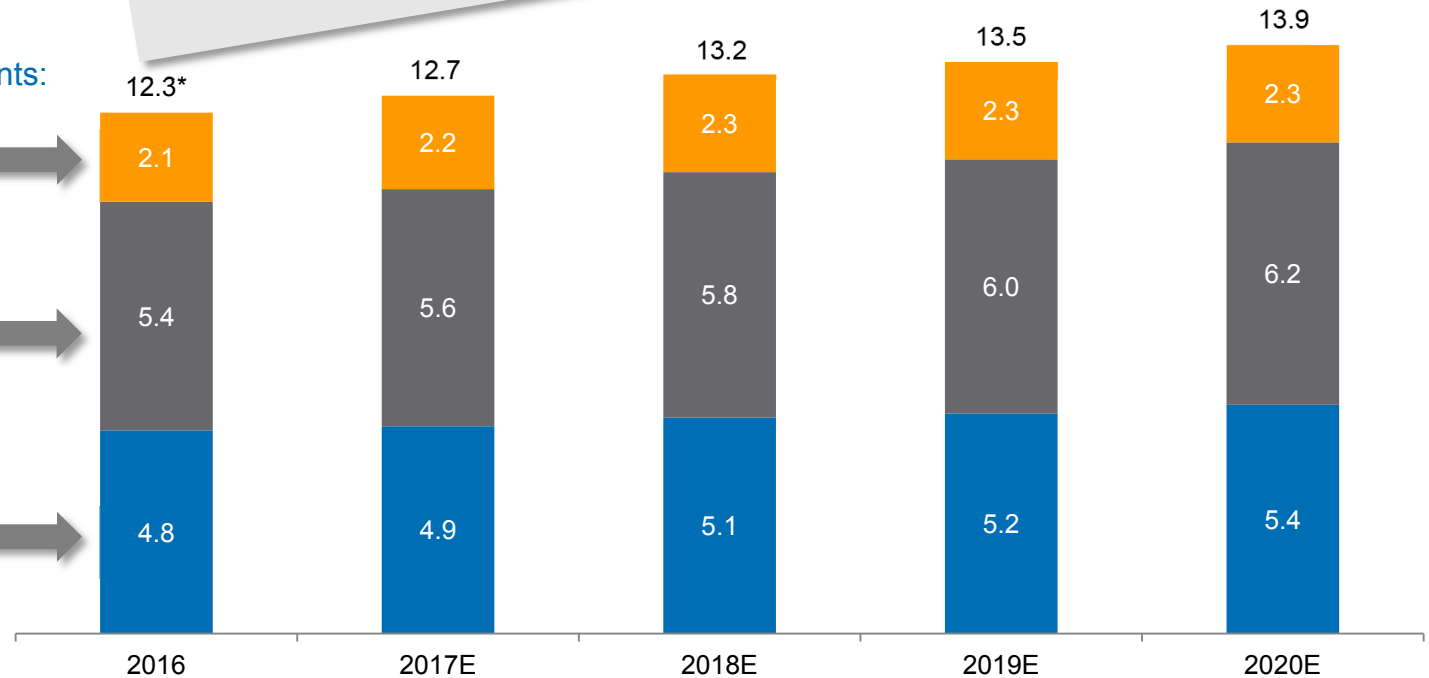
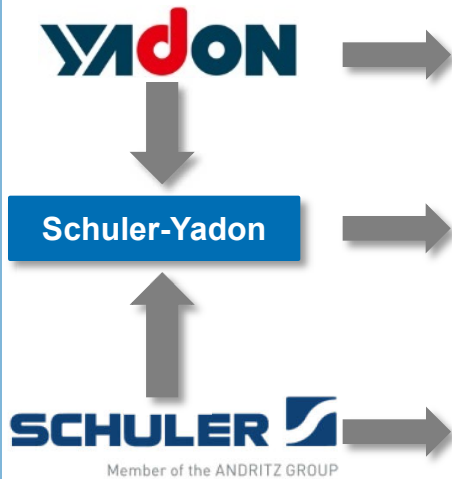
# Development of global market volume for presses

## Schuler-Yadon addresses B-segment

CAGR 2016-2020E:

■ A-Segment	+3.1%
■ B-Segment	+3.2%
■ C-Segment	+2.7%

Group companies and addressed target segments:



\* bn. EUR

■ A-Segment ■ B-Segment ■ C-Segment

# Update on Schuler restructuring program

- **2015: 78 MEUR provisions for restructuring (thereof 18 MEUR released in 2016)** → main focus on reduction of production capacities to avoid cost under-absorption in times of lower order intake
- Closure of inhouse production of Waghäusel and Weingarten
- **All cost saving targets reached**
- Reduction of headcount of around 650 employees since 2013 (corresponds to -30% of workforce in Germany)
- Reduction of direct labour hours for new machines in Europe from 1.8 to 1.5 million direct labour hours
- **Direct labour hours in emerging markets doubled**, now around one third of total direct labour hours

# Conclusions regarding Schuler

## Market:

- Continued growth of light-weight vehicles produced
- E-mobility will reduce the total number of car body parts, however very limited impact on Schuler expected
- New steel types require new press and die technologies → opportunity for Schuler

## Schuler:

- Still too focused on German car manufacturers and their suppliers
- Mid-term strategy:
  - Develop attractive products for Non-German car manufacturers (China, US, Europe)
  - Additional growth from non-automotive products

# Contents

## 1 Company profile

---

2

### Update on business areas

- HYDRO
  - PULP & PAPER
  - METALS
  - **SEPARATION**
- 

## 3 Financial targets

---

# SEPARATION

## Satisfactory investment and project activity

### Municipal

Investment activity at reasonable levels, mainly in developed markets

Outlook: **Stable +**

### Feed and biomass pelleting

Solid project activity

Outlook: **Stable +/-**

Long-term  
average growth  
potential:  
**2-3% p.a.**

### Industrial

Reasonable demand in chemicals and mining/minerals;  
low project activity in food

Outlook: **Stable +**

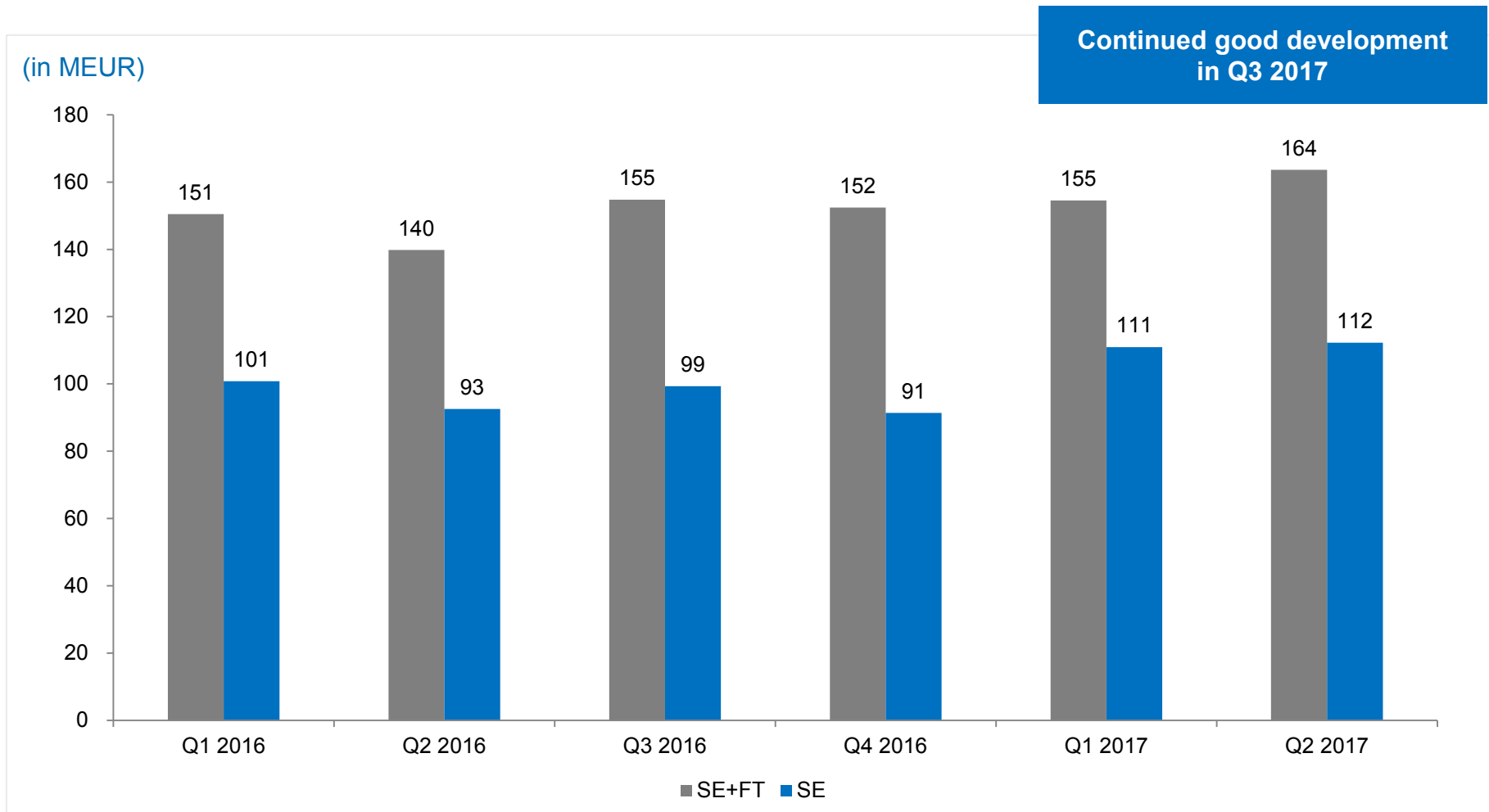
### Competition

Unchanged market environment  
with some global and many regional competitors



# SEPARATION

## Quarterly development of order intake since 2016



# Contents

1 Company profile

---

2 Update on business areas

---

**3 Financial targets**

---

# ANDRITZ GROUP growth opportunities

## Aftermarket:

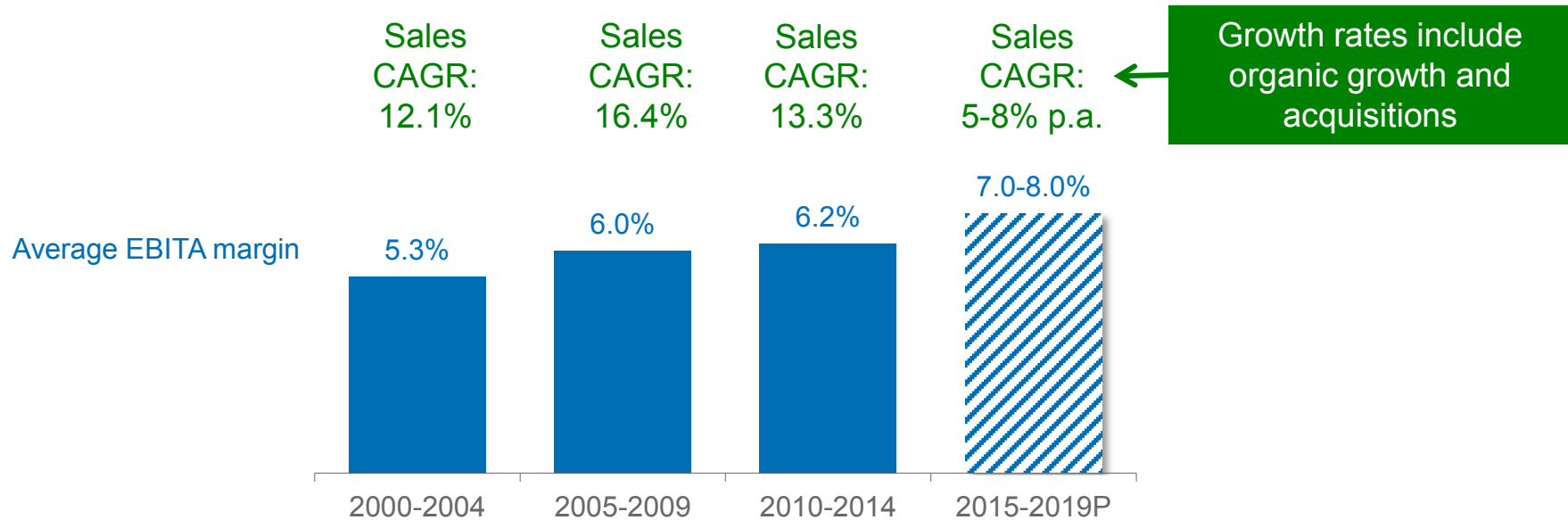
- Digital business
  - Metris IoT solutions and Metris spare part catalog (eShop)
  - Mill maintenance
  - O & M (HYDRO)
- Grow METALS aftermarket

## Capital:

- HYDRO → China
- Schuler → B-segment automotive/non-automotive
- SEPARATION

# Target to continue long-term profitable growth

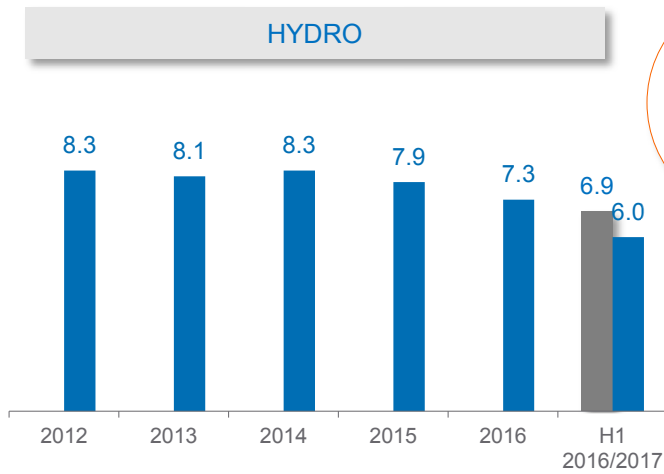
Goal: further improve profitability with top-line sales growth



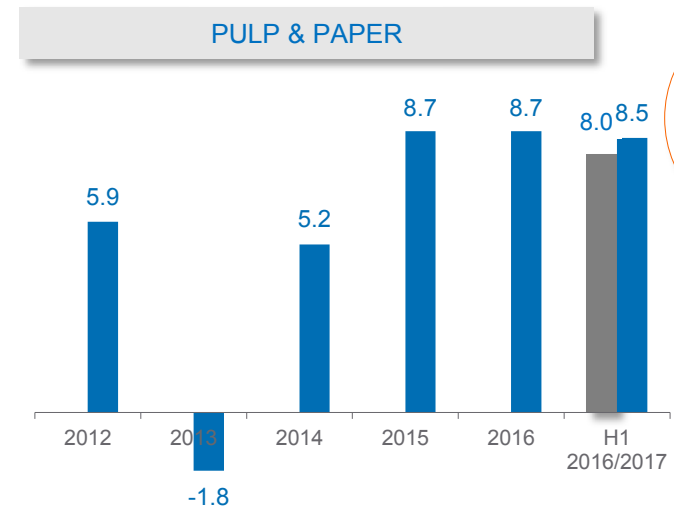
## How to achieve long-term profitable growth:

- Price discipline
- Launch of new service products (OPP, eShop)
- Continued cost optimization
- Focus on further acquisitions

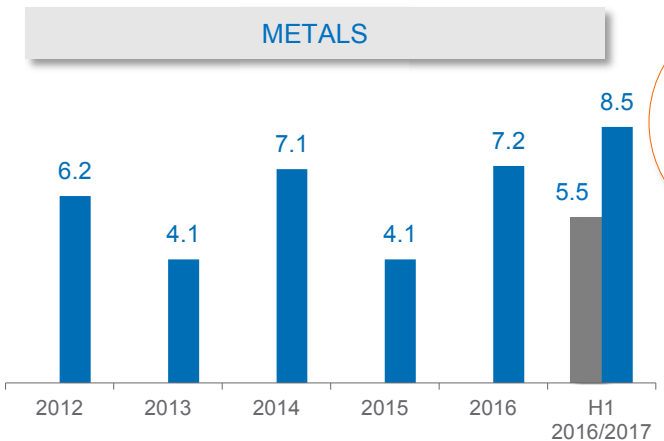
# Update on long-term EBITA margin goals per business area



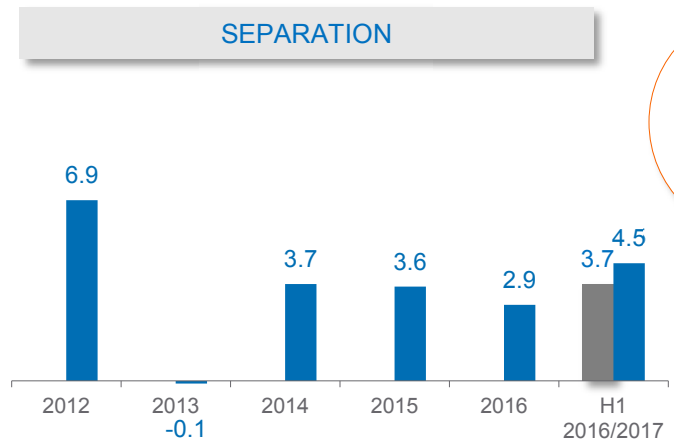
Long-term goal:  
8.5-9.0%  
**CONFIRMED** ✓



Long-term goal:  
7.0-8.0%  
**NEW: >8%**



Long-term goal:  
7.0-8.0%  
**NEW: 6.0-7.0%**



Long-term goal:  
8.0-9.0%  
**CONFIRMED** ✓

\* Including restructuring expenses of ~40 MEUR for Schuler

\*\* Schuler: 8.8%