



## INVESTOR PRESENTATION Q2 2014

August 7, 2014

Matti Hyytiäinen, President & CEO

**PKC GROUP** 

# Q2/2014 Highlights

## Business Environment

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- Heavy and medium duty truck production decreased from previous year in Europe and South America
- North American truck production increased driven by tight freight capacity and improving economic conditions

## PKC's Operations

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- Lower utilization rates in general continued
- Development program announced for Europe and South America

## PKC's Financial Performance

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- Second quarter revenue and EBITDA similar to first quarter
- Cash flow from operations positive EUR 13 million in the second quarter



# Strategy 2018 Update

## Maximizing current PKC set-up

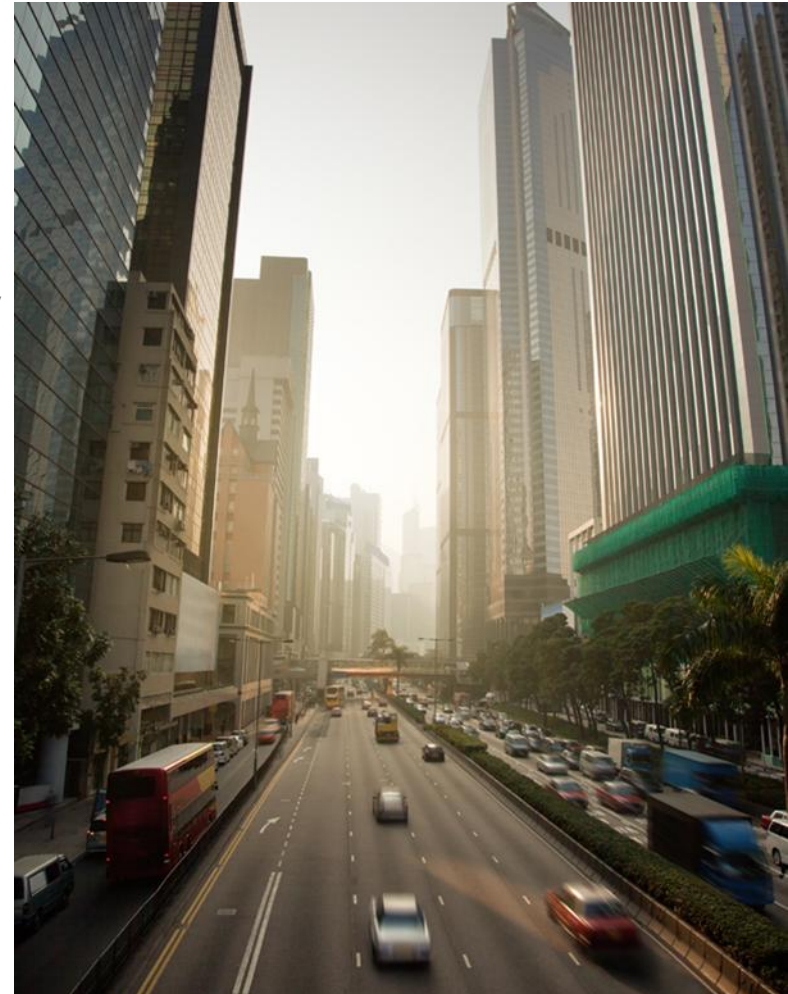
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- Nogales factory to be closed in 2014. The Nogales production shall be transferred to PKC's existing facility in Torreon, Mexico
- PKC has established a wiring systems company in Lithuania
- European and South American manufacturing footprint to be improved – plant closures in Sosnowiec (Poland), Haapsalu (Estonia) and Itajuba (Brazil)

## Penetrating into APAC

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- Chinese OEMs are launching new trucks to comply EURO 4 standards and to new quality requirements. PKC assists several OEMs on product design and explores strategic co-operation opportunities.



# Key Figures

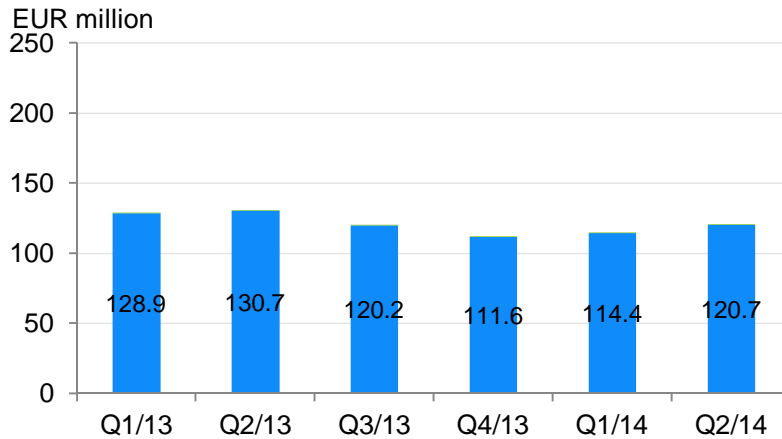
EUR million	4-6/14	4-6/13	Change %	1-6/14	1-6/13	Change %	2013
Revenue	206.2	235.1	-12.3	410.0	460.3	-10.9	884.0
EBITDA <sup>1)</sup>	12.4	20.6	-39.6	24.5	39.4	-37.7	70.3
EBITDA <sup>1)</sup> %	6.0	8.8		6.0	8.6		8.0
Non-recurring items	-1.5	-1.3	15.8	-4.2	-6.7	-36.9	-10.4
Operating profit	4.1	12.0	-65.5	7.0	17.9	-60.8	30.5
EPS (EUR)	0.11	0.28	-61.3	0.15	0.42	-65.5	0.62
Cash flow from operations	13.0	4.8	168.3	0.1	8.3	-98.5	39.7
Gross capital expenditure	5.0	3.5	41.8	11.5	6.8	68.7	14.6
Net working capital	78.2	83.2	-6.0	78.2	83.2	-6.0	63.5
Total assets	445.5	449.0	-0.8	445.5	449.0	-0.8	455.6
Gearing, %	14.0	45.2		14.0	45.2		-1.1

<sup>1)</sup> Excluding PPA depreciation and amortisation and non-recurring asset impairment and write-downs

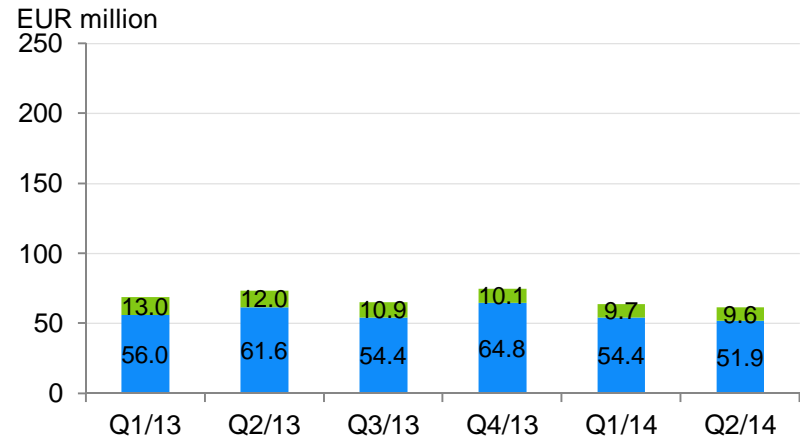


# Revenue

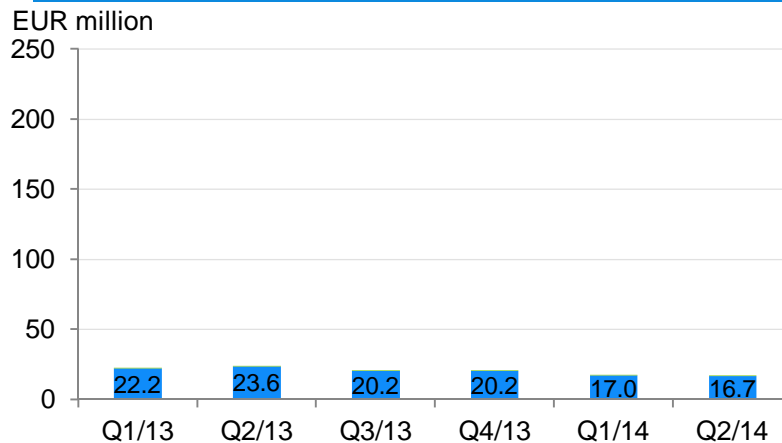
## North America



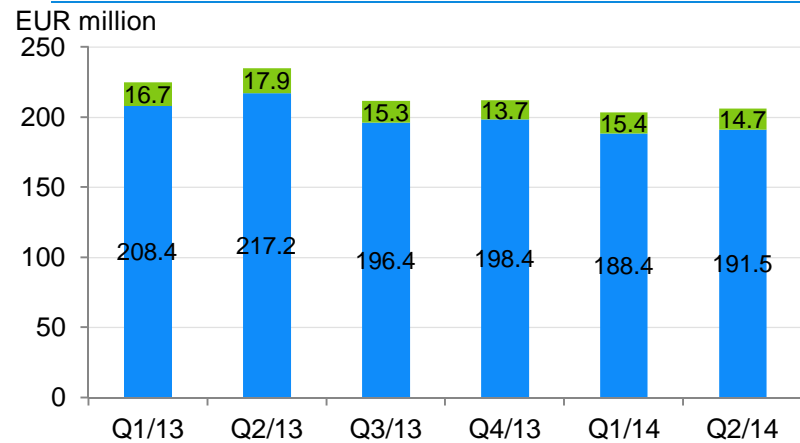
## Europe



## South America



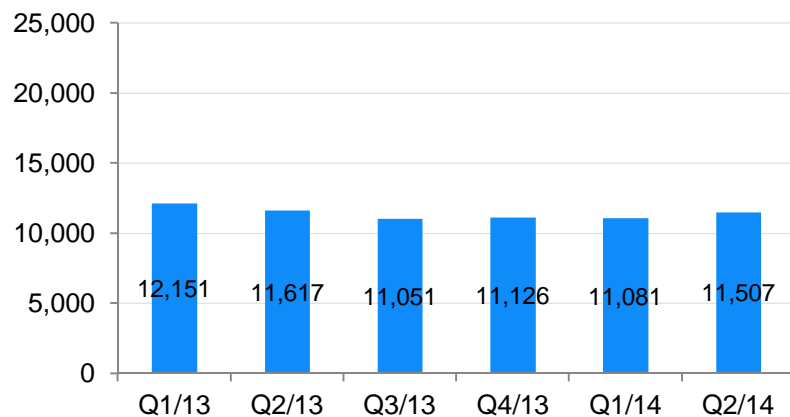
## Total Group



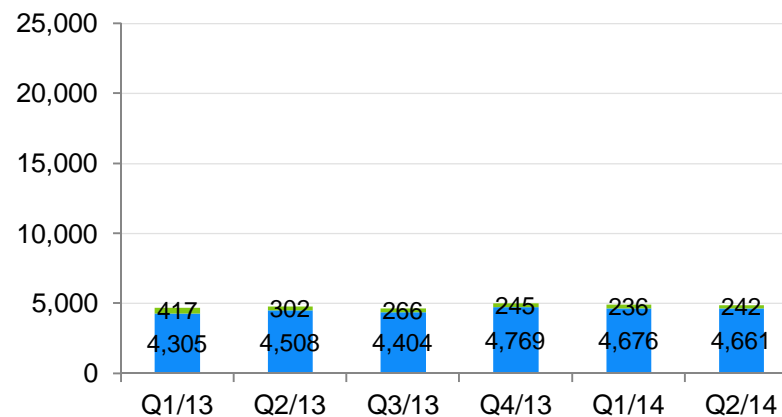
■ Wiring Systems ■ Electronics

# Average Number of Personnel

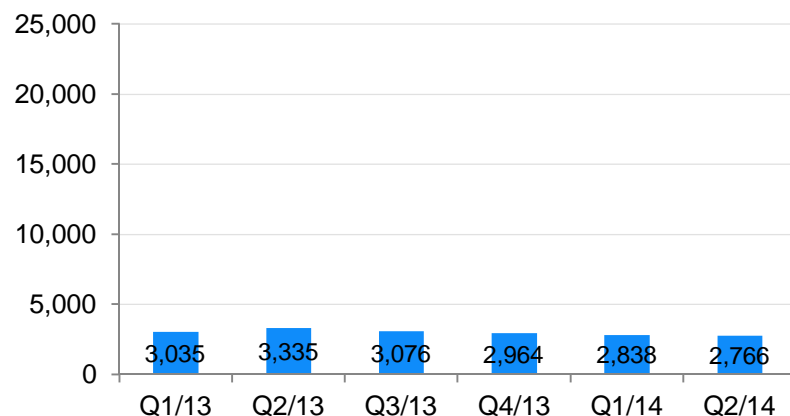
## North America



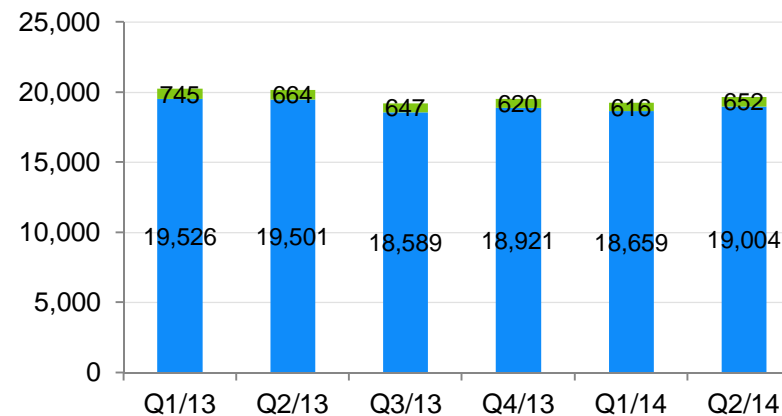
## Europe



## South America

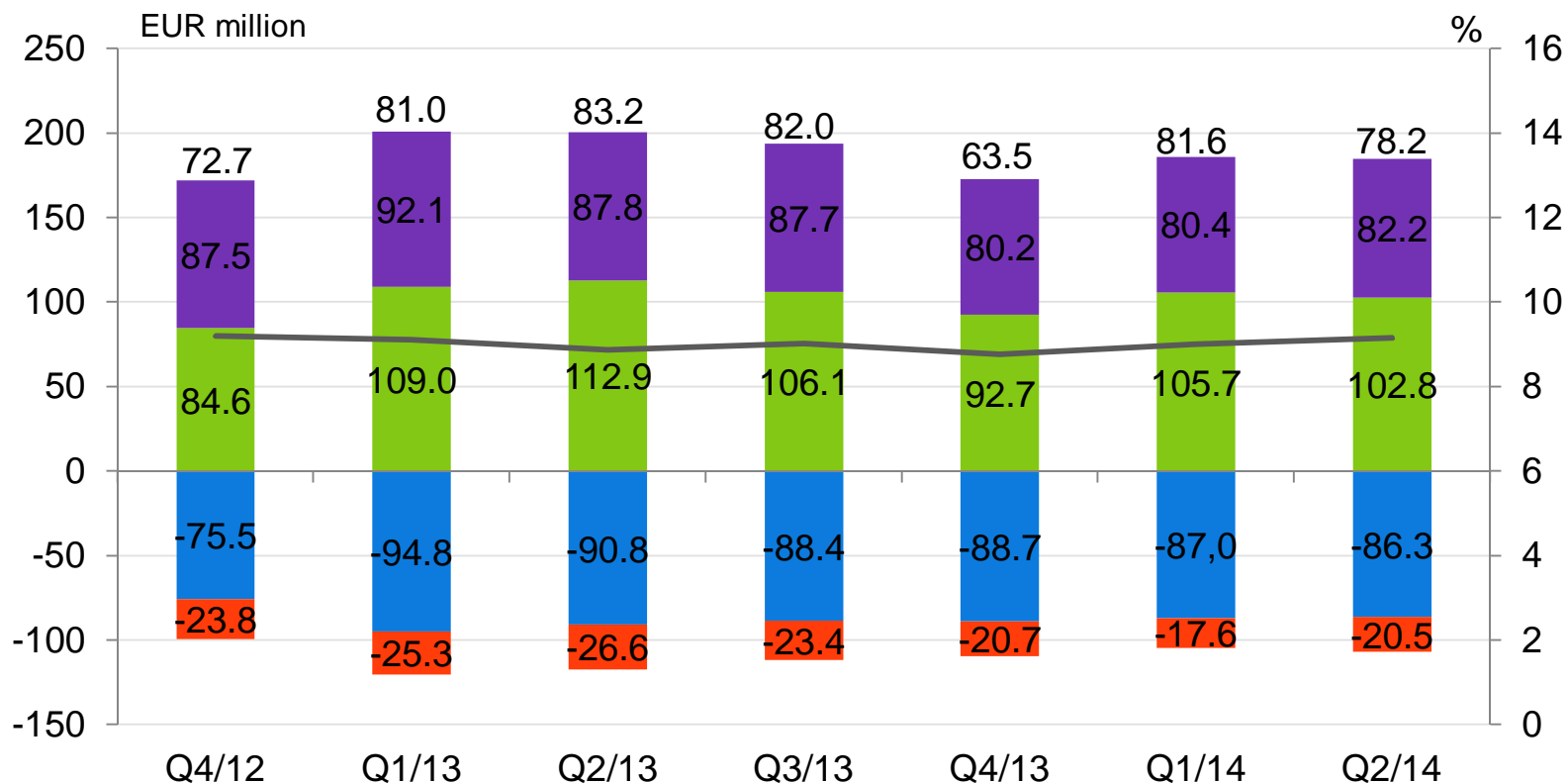


## Total Group



■ Wiring Systems ■ Electronics

# Net Working Capital



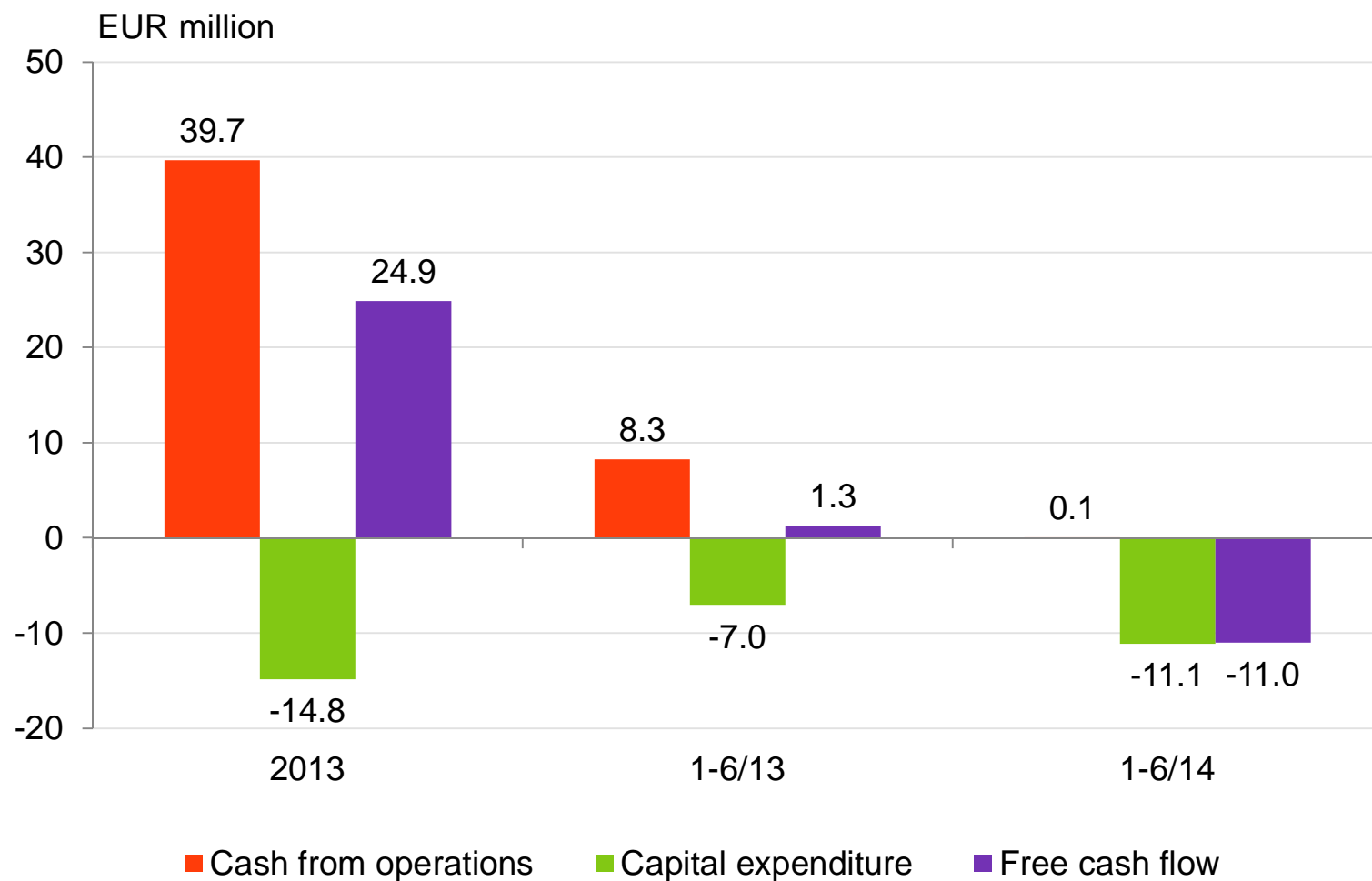
- Inventories
- Trade receivables
- Trade payables
- Other liabilities and receivables\*\*\*
- NWC\* % of Revenue\*\*

\* Average of previous four quarters

\*\* Revenue of previous 12 months

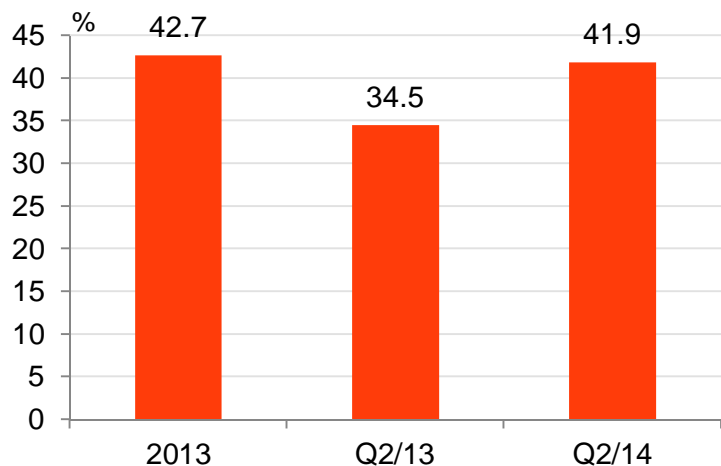
\*\*\* related to employee benefits, taxes and financial items

# Cash Flow

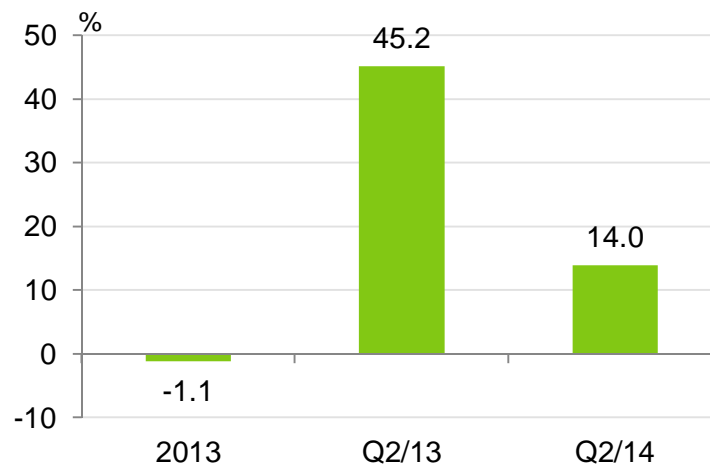




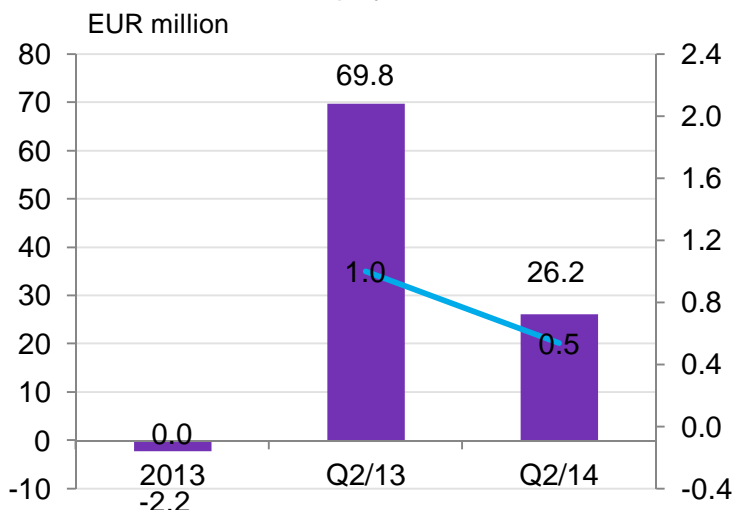
# Balance Sheet and Returns



Equity ratio, %

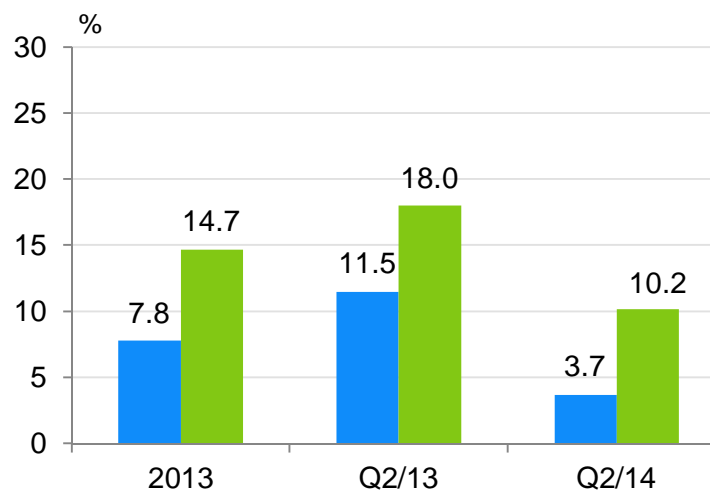


Gearing, %



Net debt Net debt to EBITDA\*

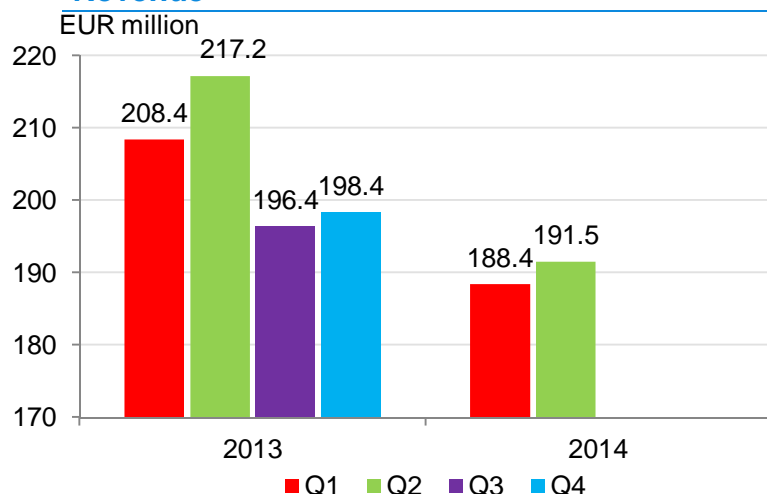
\*EBITDA of previous 12 months



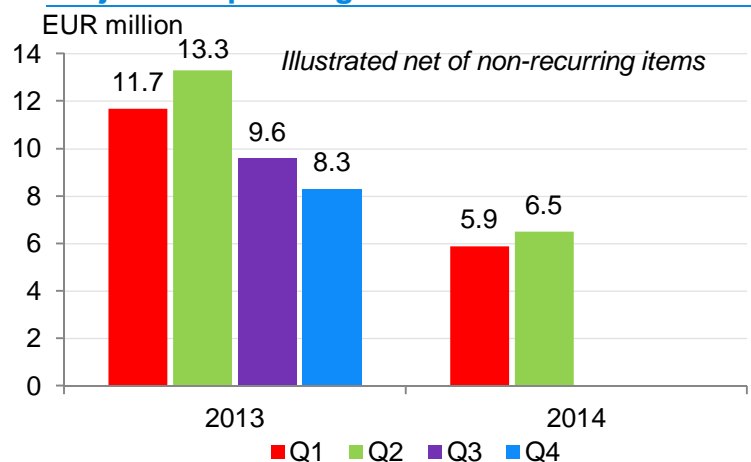
ROE, % ROI, %

# Wiring Systems Segment, Q2/2014

## Revenue

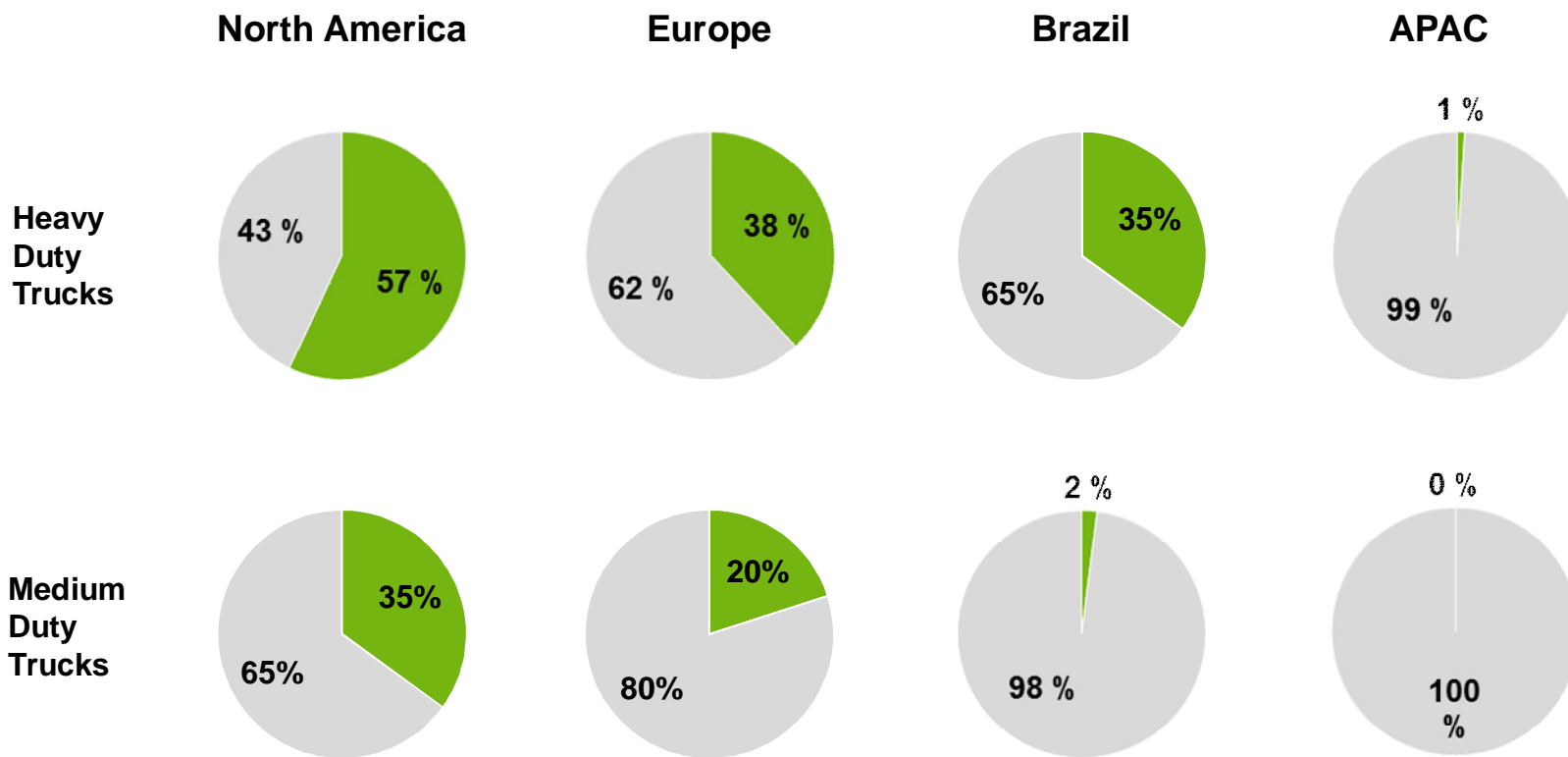


## Adjusted Operating Profit



- Revenue increased 2% from previous quarter and decreased 12% from previous year
  - FX conversion impact about -5%
  - Light-vehicle build-outs reduced revenue in North America
  - In Europe, the revenue has also been impacted by changes in the product portfolio
- Adjusted EBIT increased slightly from previous quarter, but decreased from previous year level
  - Losses continued in Brazil
  - Lower utilization rates in general
  - Reorganisation and program transfers in Europe
  - Expenditures related to the implementation of PKC's growth strategy

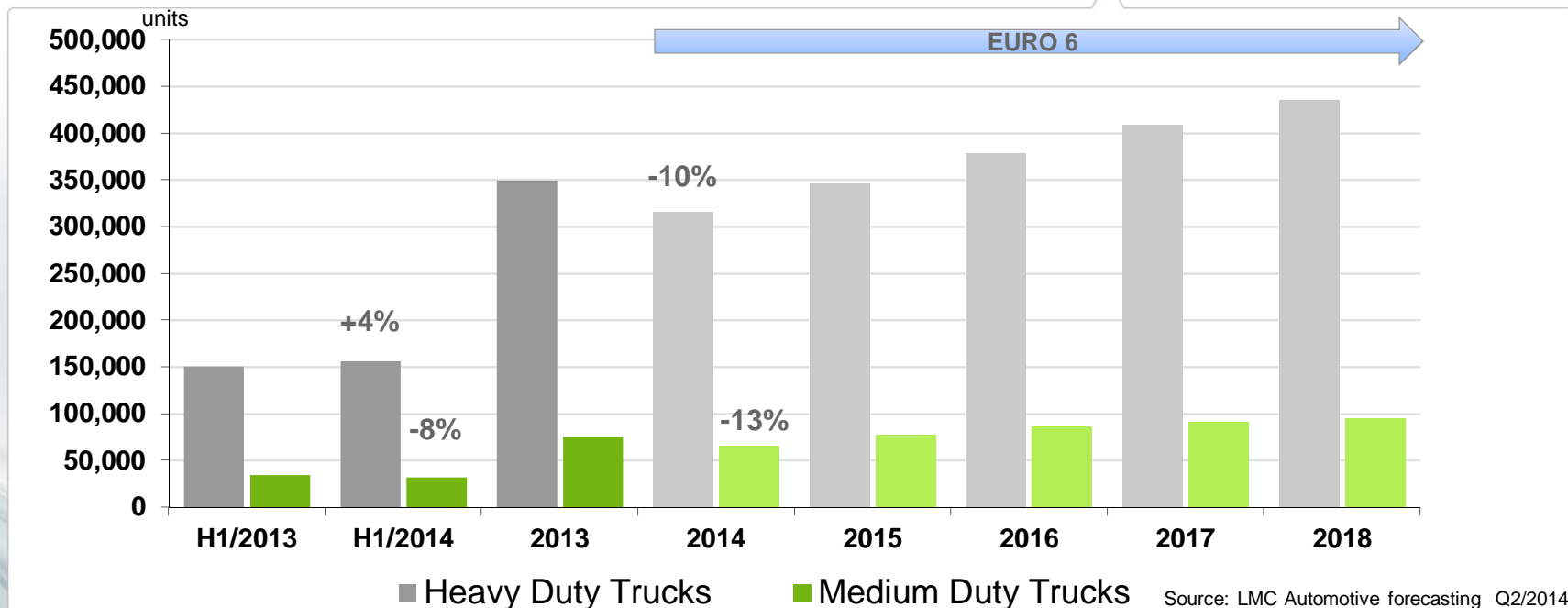
# PKC Market Share 1-6/2014



Source: PKC Group, ACT Build History July 2014, LMC Automotive forecasting Q2/2014. Note: Europe comprised of EU27 + Efta

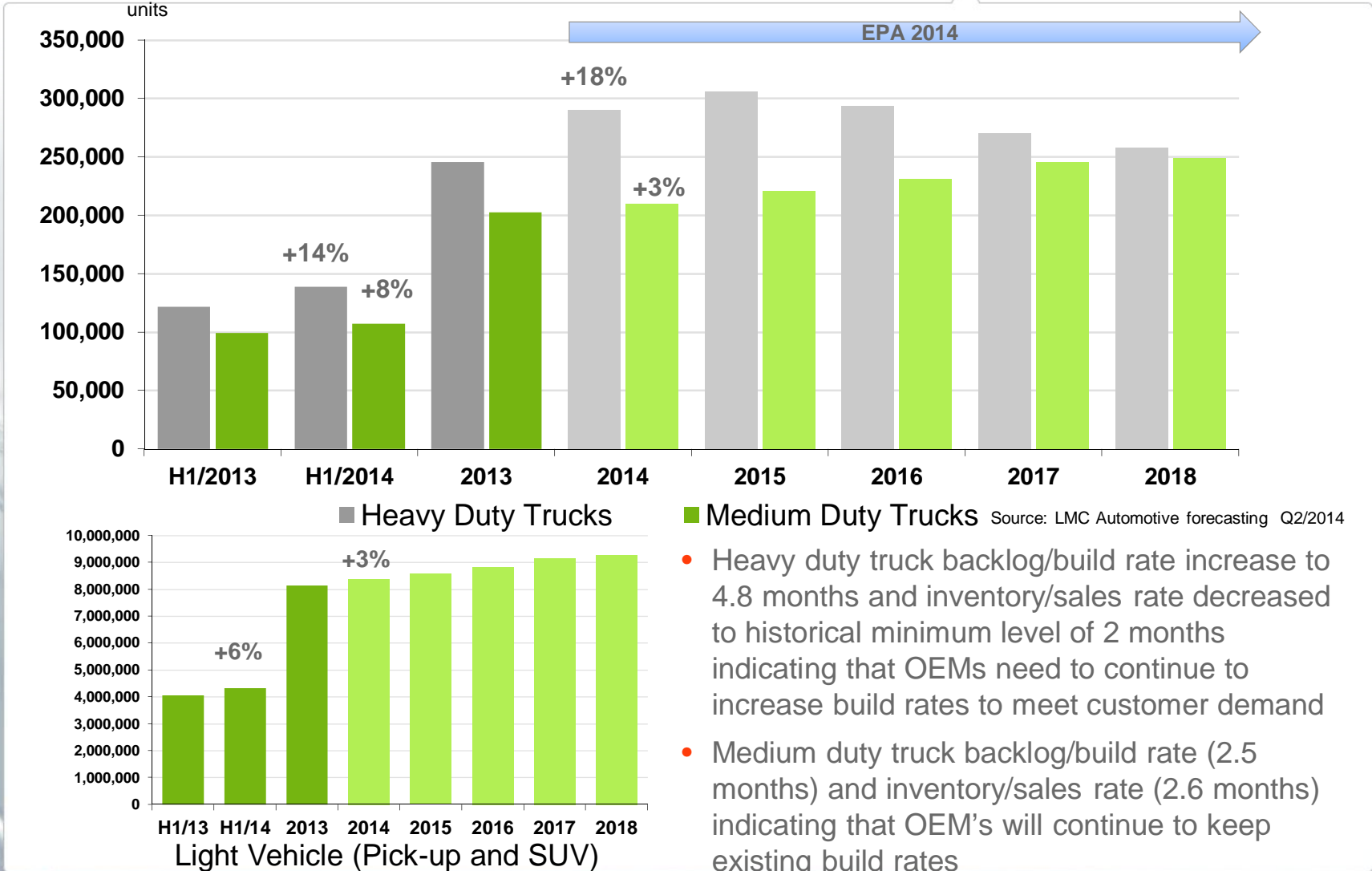
 PKC  
 Other

# EU27+ EFTA Truck Production

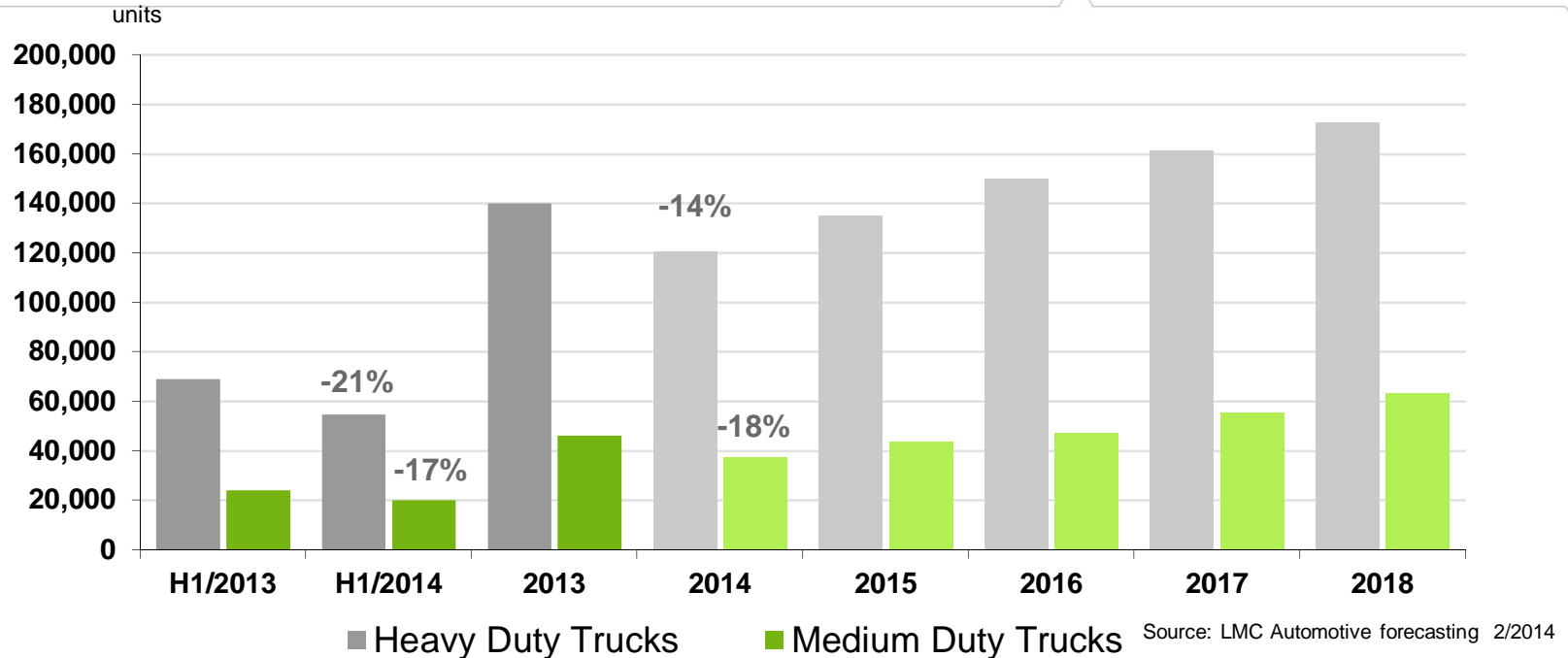


- Customers in Europe accelerated purchases of Euro 5 vehicles last year and are gradually adjusting to the increased prices of Euro 6 trucks
- Due to recent uncertainty related to Ukraine crisis and its potential impact to EU economies, the normalization of truck demand in Europe is uncertain

# North America Production



# Brazil Truck Production

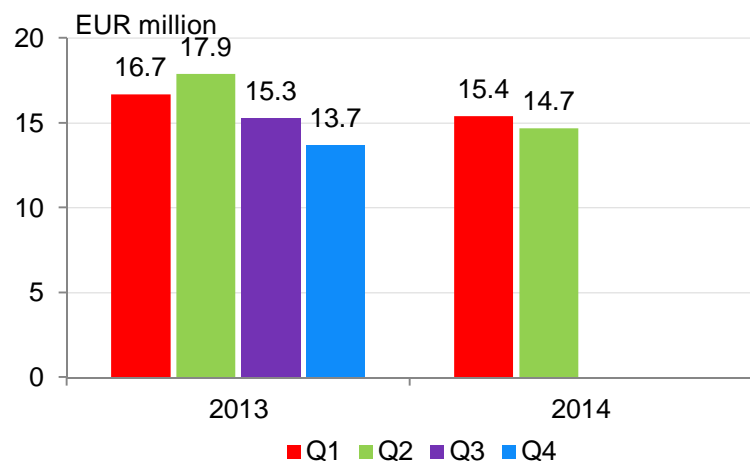


- Political and economic uncertainty has increased in Brazil
- The truck production volume forecast for H2/14 is with higher uncertainty



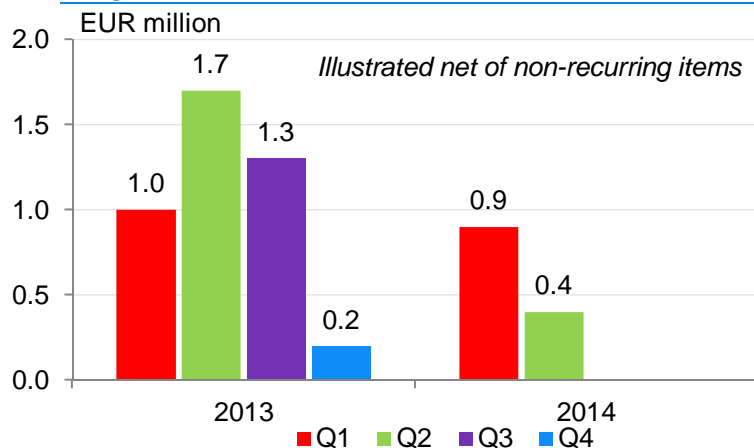
# Electronics Segment, Q2/2014

## Revenue



- Revenue decreased 5% from previous quarter and 18% year-on-year
- Due to lower sales and different sales mix the profitability was lower than in the comparison period even though the cost structure has improved due to measures implemented during 2013.

## Adjusted EBIT



## Market Outlook – Full Year 2014

- The market demand for Electronics segment's products is expected to remain at the present level

# Market Outlook – Full Year 2014



- European heavy duty truck production is estimated to decrease by 10% and medium duty truck production by 13% compared to 2013.
- North American heavy duty truck production is estimated to increase by 18% and medium duty truck production by 4% compared to 2013.
- Brazilian heavy duty truck production is estimated to decrease by 14% and medium duty truck production by 18% compared to 2013.

# PKC Group's Outlook

- PKC Group estimates that 2014 revenue and comparable EBITDA will be lower than in 2013.
- Revenue estimate is based on current business structure. Revenue will be affected by light vehicle build-outs in North America and by changes in exchange rates.
- Comparable EBITDA in 2014 will also be affected by reorganisation and program transfers in Europe and expenditures related to the implementation of PKC's growth strategy.
- In 2013, PKC's revenue was EUR 884.0 million and comparable EBITDA before non-recurring items was EUR 70.3 million

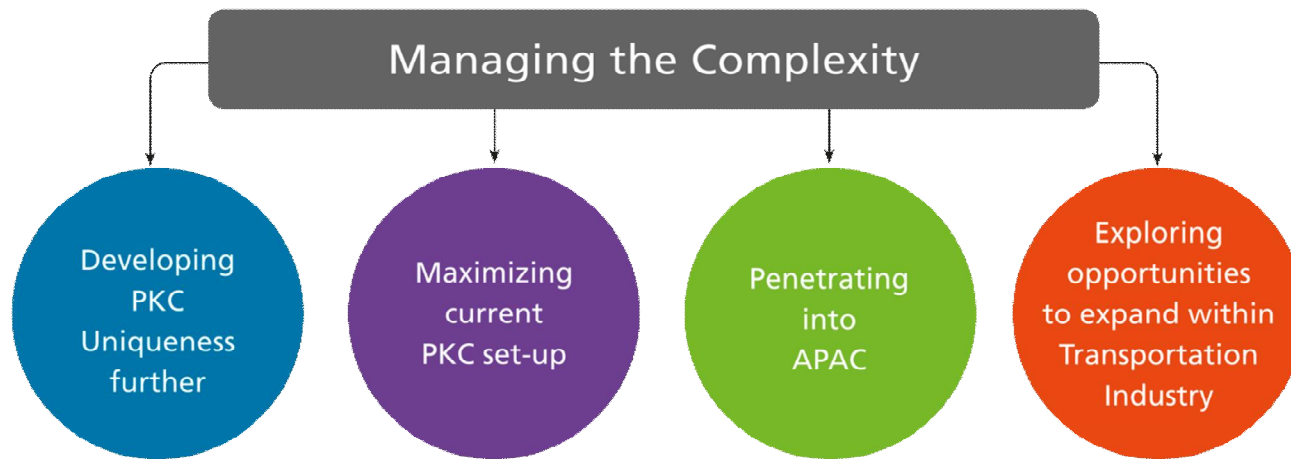


# PKC's Strategy Captures Growth Opportunities

## VISION 2020

PKC is the Preferred Supplier in Electrical Distribution Systems for Transportation Industry globally.

## STRATEGIC INITIATIVES



Developing Electronics business as a stand alone within PKC Group

## Long-term Financial Targets

Annual Revenue EUR 1.4 Billion by 2018  
EBITDA > 10%      Gearing < 75%  
Dividends 30–60% of Free Cash Flow





MANAGING THE COMPLEXITY

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