



we engineer mission-critical technologies for
ground-breaking industries and everyday life

full year results 2018

Utrecht, 26 February 2019

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1. Aalberts



we engineer **mission-critical technologies**
for ground-breaking industries and everyday life

we are a company of mission-critical people who can't resist
going beyond the line of duty - **good is never good enough**

sharing and discussing 'bad' gets us to brilliant
– **greatness is made of shared knowledge**

we are relentless in our pursuit of excellence

our way of value creation

our essence



mission-critical
technologies



good is never
good enough

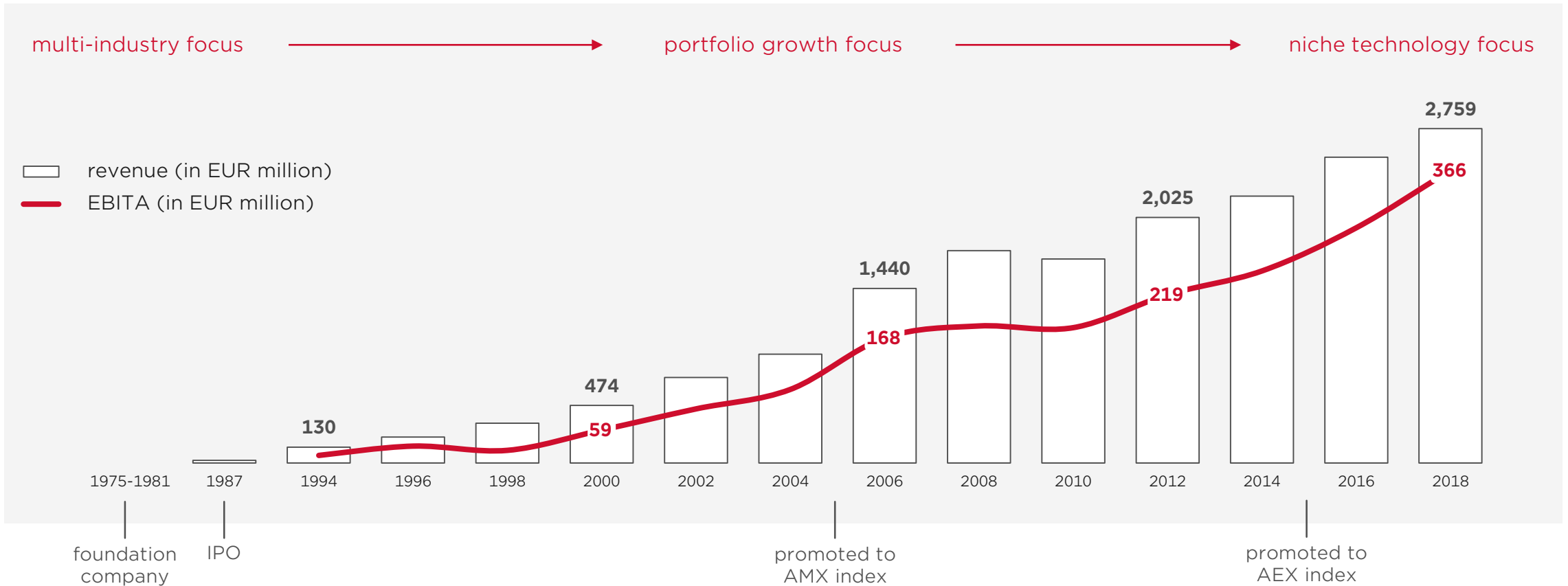


greatness is made of
shared knowledge

shareholder value

- leading niche technology positions
- high entry barriers, pricing power
- high added-value margins, sustainable growth
- operational excellence
- improve EBITA margins, strong cash conversion
- disciplined capital allocation
- technology exchange
- innovation speed
- fast learning & adaptation

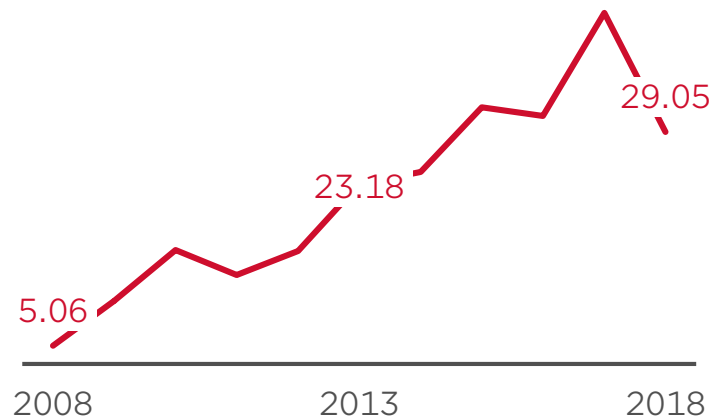
our track record – over 40 years of sustainable profitable growth



focused technology leader, strongly positioned for accelerated future growth

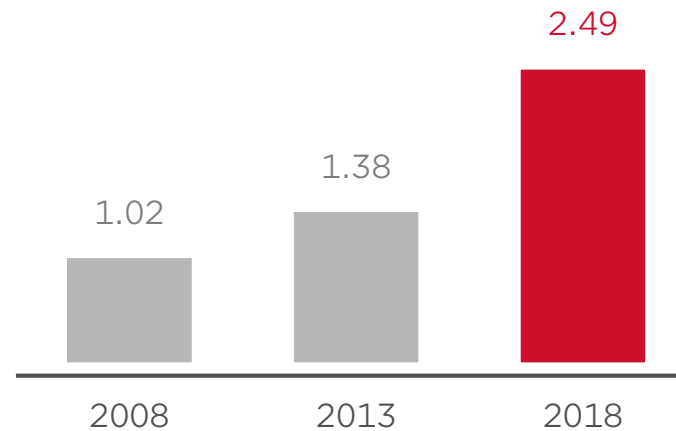
our track record - shareholder value creation

share price development
(in EUR)



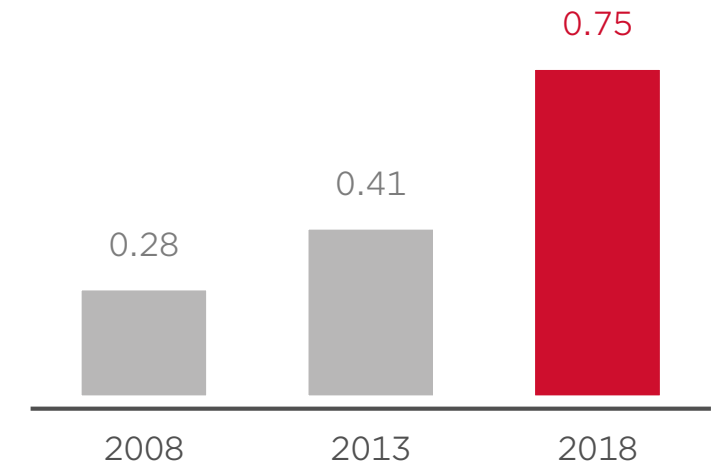
CAGR ↗ 19%

earnings per share
(in EUR)



CAGR ↗ 9%

dividend per share
(in EUR)



CAGR ↗ 10%

our relentless pursuit of excellence drives true shareholder value

our key strength - mission-critical people

the Aalberts way winning with people

-  be an entrepreneur
-  take ownership
-  go for excellence
-  share and learn
-  act with integrity

greatness is made of shared knowledge our unique advantage



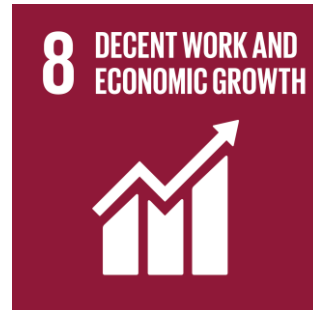
our global leading niche technology positions



we are where technology matters and real progress can be made

our way of sustainable entrepreneurship

Since our inception in 1975, Aalberts has always been where technology matters and real progress can be made. Humanly, environmentally and financially.



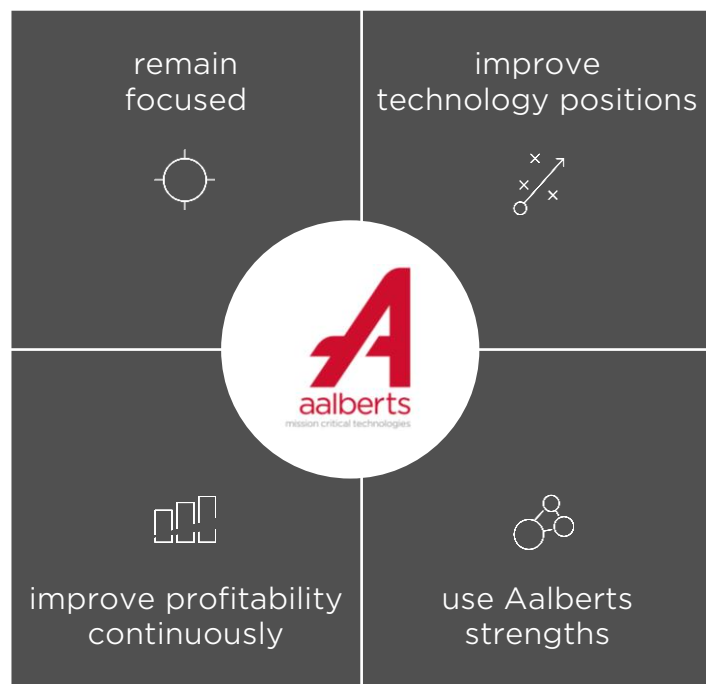
impacting eco-friendly buildings, sustainable transportation, lifetime extension of materials, clean water and sanitation and producing and consuming responsibly



2. strategy & objectives

our strategy & objectives 2018-2022

strategy 'focused acceleration'



non-financial objectives

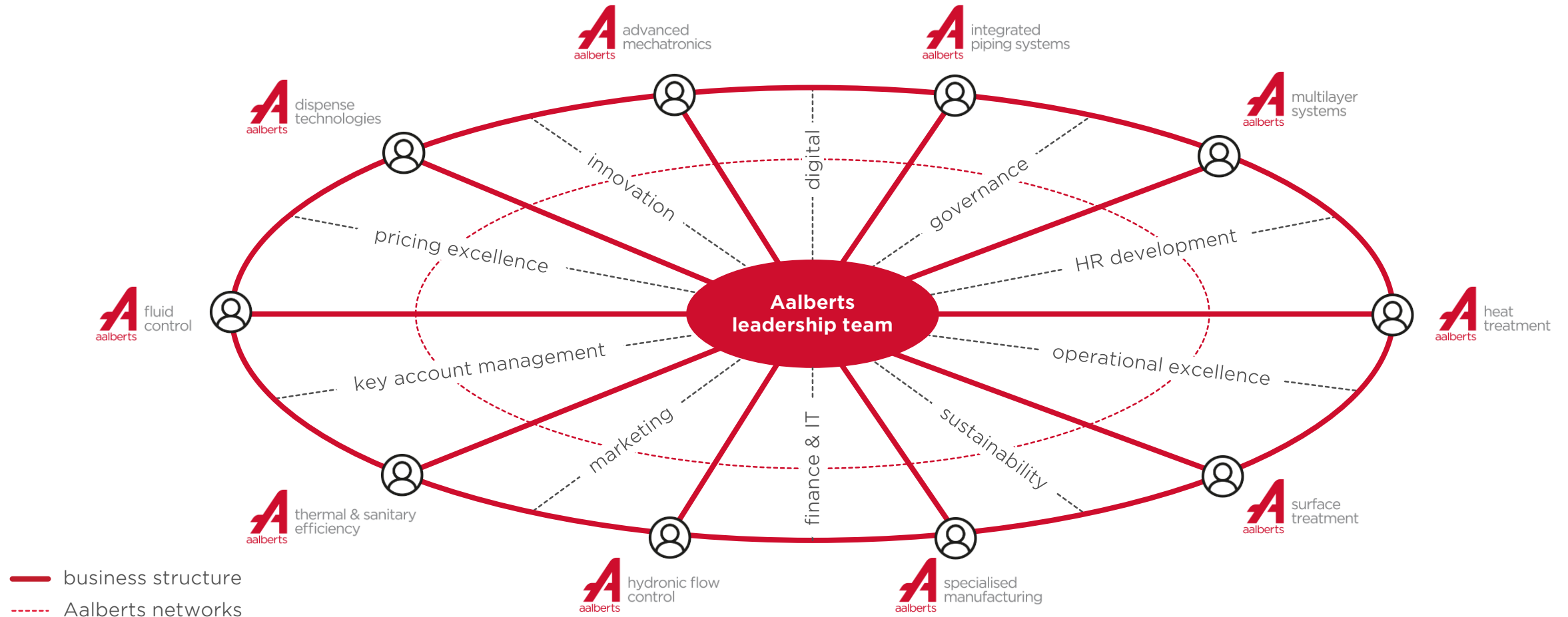
-  worldwide leading niche technology positions
-  creating sustainable profitable growth
-  generating high added-value margins
-  converting strong operational execution into free cash flow

financial objectives

- average organic revenue growth **> 3%**
- EBITA margin **> 14%**
- ROCE **> 18%**
- free cash flow conversion ratio **> 70%**
- leverage ratio **< 2.5**
- solvability **> 40%**

driven by entrepreneurship and a relentless pursuit of excellence

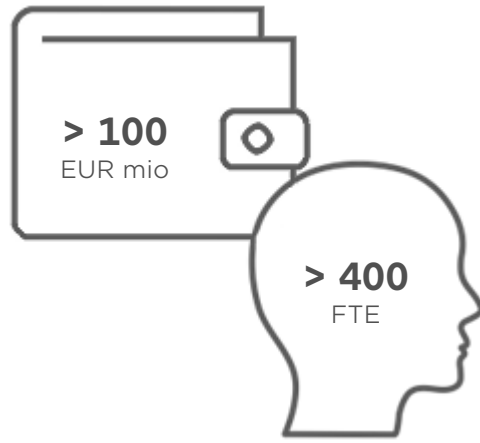
our lean and effective structure



stimulates business focus, entrepreneurship, fast learning and decision making

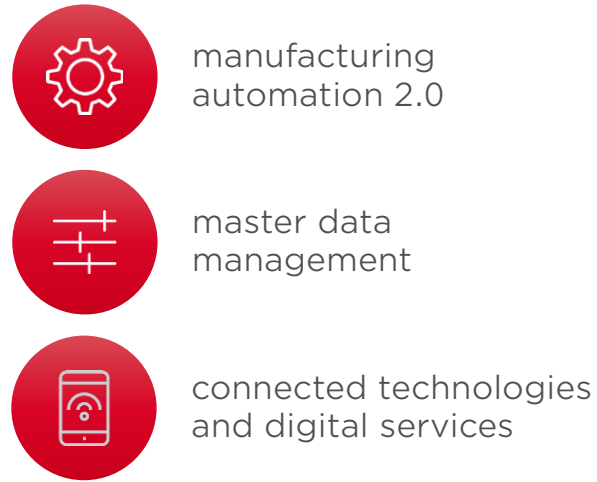
innovation driving sustainable profitable growth

continuous investments in R&D



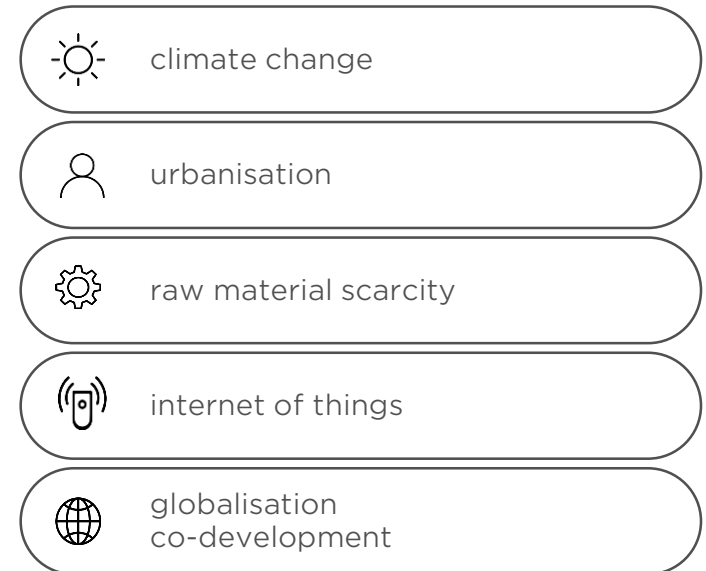
R&D investments increased to 4% of total revenue

innovate portfolio & business



leadership networks and focused investments

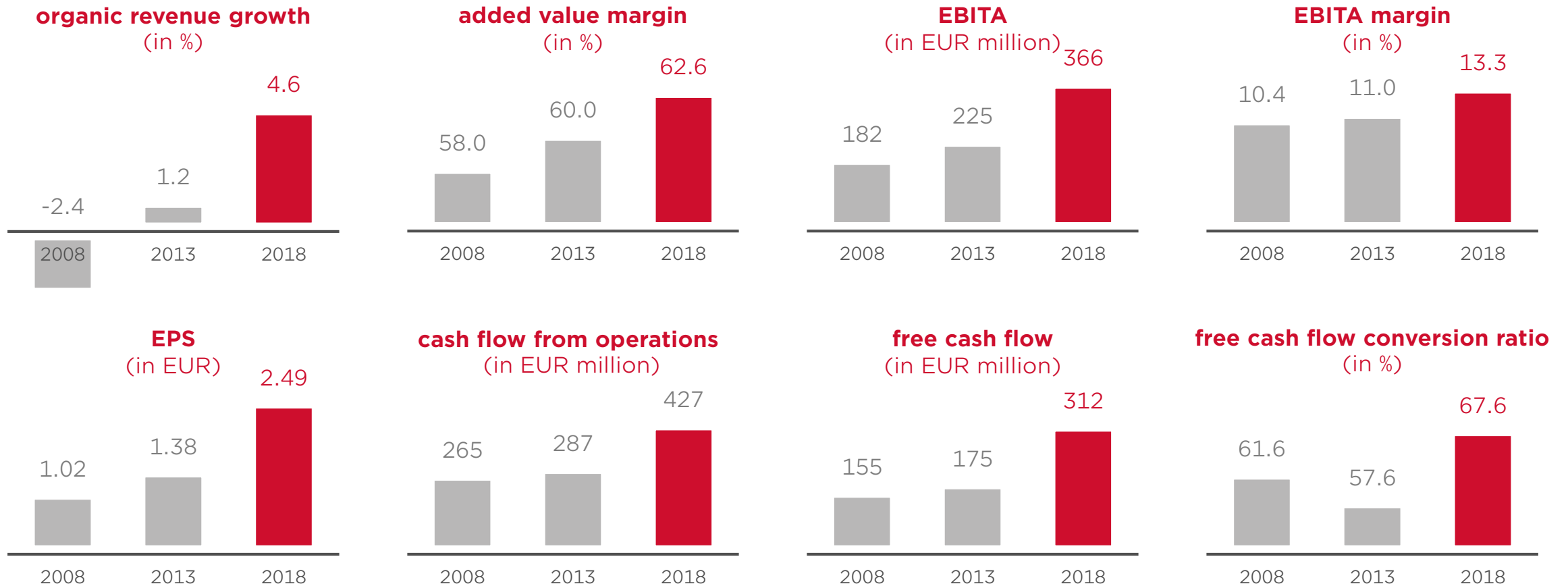
leverage mega trends



exchange fresh thinking and embrace new technologies

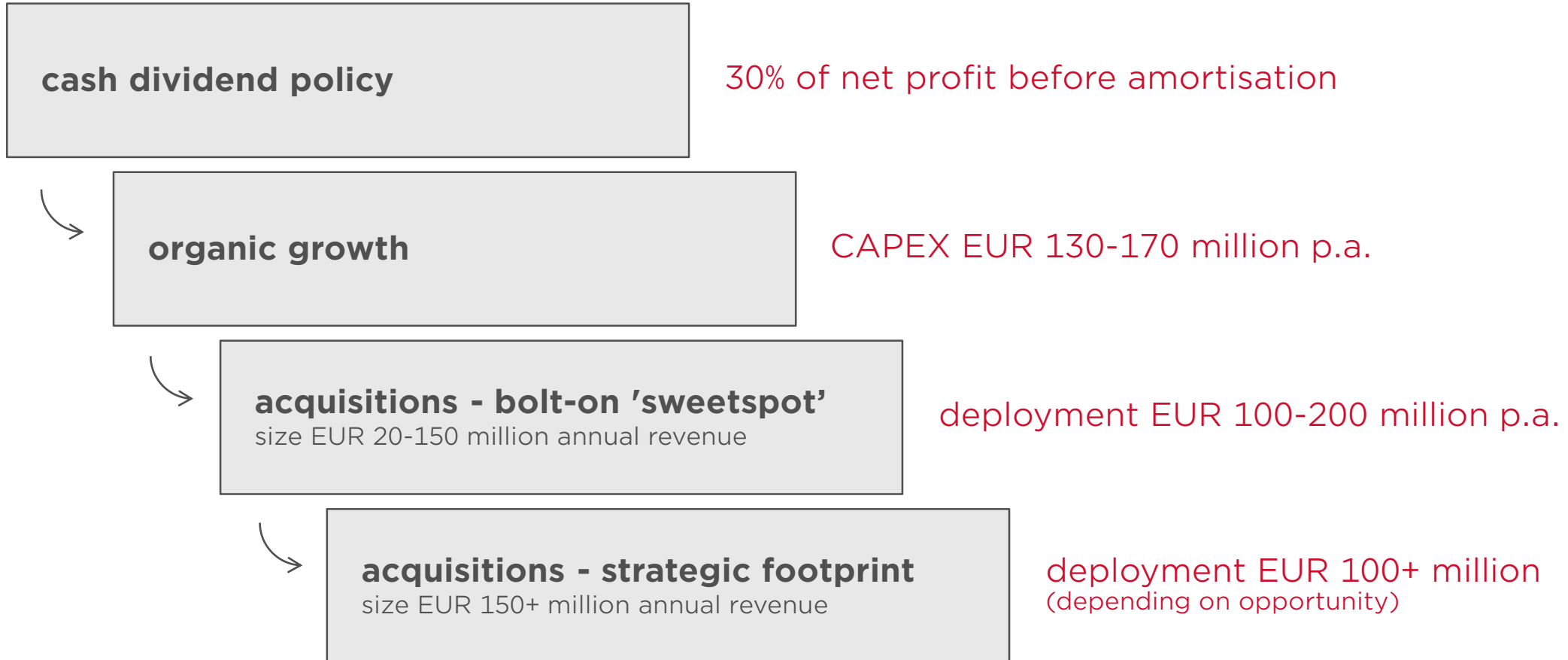
our pragmatic culture and lean structure keep us ahead of the game

converting strong operational execution into free cash flow



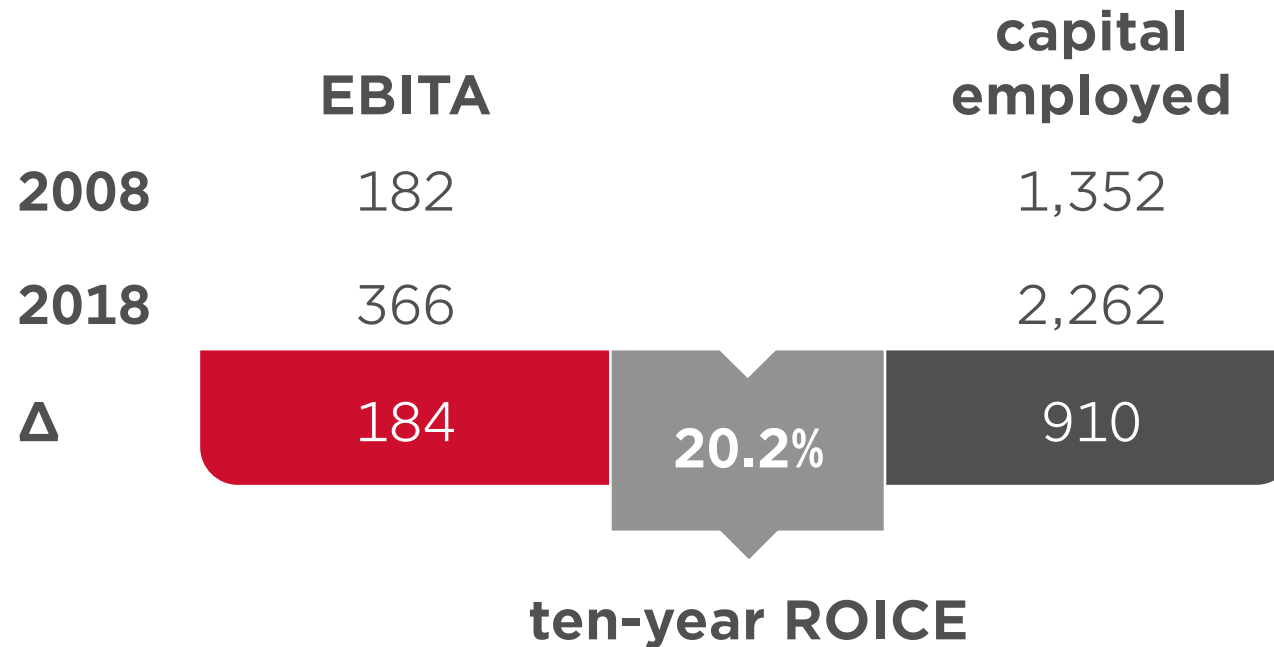
generating high added value margins to invest in innovations and market opportunities

disciplined capital allocation



strengthening our worldwide leading niche technology positions

return on incremental capital employed (ROICE)



demonstrating the sustainability of our long-term business model



3. business review

Aalberts highlights 2018



revenue
(in EUR million)

2,759
+2%

added-value
(% of revenue)

62.6
2017: 62.3

EBITA
(in EUR million)

366
+9%

EBITA %
(% of revenue)

13.3
2017: 12.5

net profit
(in EUR million)

275
+15%

earnings per share
(in EUR)

2.49
+16%

capital expenditure
(in EUR million)

134
+13%

ROCE
(in %)

16.6
2017: 16.2

- revenue +2% to EUR 2,759 million (organic +5%)
- operating profit (EBITA) +9% to EUR 366 million; EBITA-margin improved to 13.3%
- net profit before amortisation +15% to EUR 275 million; earnings per share EUR 2.49 (+16%)
- free cash flow amounted to EUR 312 million; ROCE improved to 16.6%
- continued investments in organic growth and innovation initiatives
- bolt-on acquisitions: PEM, VAF, Co-Planar and RMF; annual revenue of EUR 82 million
- annual revenue of EUR 97 million divested and optimised

organic revenue growth +5%; earnings per share +16%
continued investments in growth and innovations

installation technology

revenue
(in EUR million)

1,119
-1%

EBITA
(in EUR million)

134
-3%

EBITA %
(in % of revenue)

12.0
2017: 12.2

capital expenditure
(in EUR million)

38
-13%

- realised a good organic growth
- acceleration of the implementation of the long-term global plans
- management and sales teams in North America, Asia and Europe strengthened
- many optimisation and efficiency initiatives were taken, additional costs were made
- started process to roll-out the Aalberts company passport worldwide
- new product lines launched, additional investments fast-growing product lines
- offered integrated piping systems portfolio successfully to several key accounts
- innovation roadmap extended with digital, engineering initiatives
- multilayer systems excellent year, good growth North America and Europe
- many good initiatives to further optimise portfolio, grow the business
- focus on integrated piping and multilayer systems works out well

many investments in alignment, optimisation and efficiency; focus works out well

material technology

revenue
(in EUR million)

747
+2%

EBITA
(in EUR million)

102
+5%

EBITA %
(in % of revenue)

13.7
2017: 13.3

capital expenditure
(in EUR million)

59
+15%

- did well during the year, especially in Europe
- North America strong performance, power generation challenging circumstances
- surface treatment activities successfully aligned in Europe
- investments heat treatment increased to exploit the many opportunities
- automotive many opportunities to develop new, more complex, highly specified parts on larger global scale for electrification of vehicles and autonomous driving
- Aalberts' worldwide presence, development and investment power real advantage
- aerospace continued execution business and investment plan
- global operational excellence initiatives made good progress; several locations further optimised, divested or integrated
- strengthened portfolio with three bolt-on acquisitions; corrosion protection technology North America, reel-to-reel surface treatment technology Europe, expansion North American footprint precision stamping

good performance with many opportunities; portfolio strengthened

revenue
(in EUR million)

546
+4%

EBITA
(in EUR million)

65
+5%

EBITA %
(in % of revenue)

12.0
2017: 11.9

capital expenditure
(in EUR million)

10
+46%

- realised organic growth
- launch new and upgraded product ranges including digital services
- mixed business picture; good growth in several regions, project business slowdown summer period; order intake increased during last months of the year
- innovation roadmaps good progress, many new and upgraded product lines
- integrated three locations in Spain, France and UK
- hydronic flow control will be expanded, optimised by investing in a new manufacturing and distribution facility in the Netherlands
- new digital business models in development in France, Netherlands; energy efficiency system improvements are driven by data collection and monitoring; increasing demand for pre-fabrication of modular installation systems
- speeding up innovation and engineering key to strengthen position

new product ranges and digital business models; speeding up innovation, engineering

revenue
(in EUR million)

409
+13%

EBITA
(in EUR million)

64
+18%

EBITA %
(in % of revenue)

15.7
2017: 15.0

capital expenditure
(in EUR million)

25
+43%

- good performance and order intake
- fluid control launched upgraded product lines, well received
 - » strengthened technology portfolio with acquisition of VAF, sensor and measurement specialist
 - » engineered valves difficult circumstances, mainly due to less governmental projects in Eastern Europe and China; North America performed well
- dispense technologies good year; streamlined, consolidated operations North America, excellent year Europe, started to align locations globally
- advanced mechatronics realised great performance; business accelerated
 - » pre-investments in people and equipment worked out well
 - » additional investments in engineering, project management, key account management and capital equipment to facilitate growth coming years
 - » Aalberts strengths enable us to attract talented and experienced people

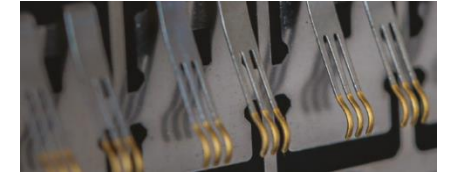
good performance and order intake; additional investments facilitating growth



4. business development

strengthening technology positions - acquisitions

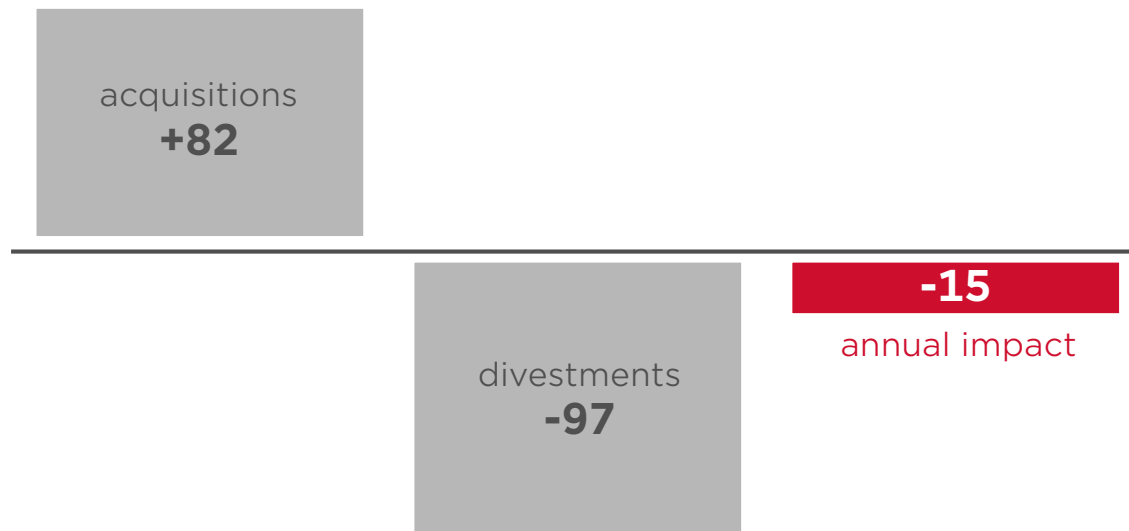
- **PEM SAS (France)** → **material technology**
 - » adds reel-to-reel surface treatment technology, utilising Aalberts' global service network
- **VAF Instruments (the Netherlands)** → **industrial technology**
 - » adds high-tech sensors, measurement systems and performance management software engineering
- **Roy Metal Finishing (USA)** → **material technology**
 - » adds corrosion protection surface treatment technologies in North America, serving our global key accounts
- **Co-Planar (USA & Mexico)** → **material technology**
 - » expands precision stamping footprint, serving our global key accounts in USA and Mexico



EUR 82 million of annual revenue acquired

strengthening technology positions – divestments, optimisations

- **integrated piping systems** → **installation technology**
 - » non-core, low margin product lines
- **heat & surface treatment, specialised manufacturing** → **material technology**
 - » non-core, low margin processes



EUR 97 million of annual revenue divested and optimised

strengthening technology positions - going forward

- **organic growth**

- » acceleration of innovations to be launched
- » innovation rate targets per business team
- » more business with existing and new key accounts
- » further increase of capex (40% innovation, 30% efficiency, 30% capacity)

- **acquisitions**

- » continuous alignment of acquired businesses
- » good pipeline of acquisition targets, many opportunities

- **optimisations**

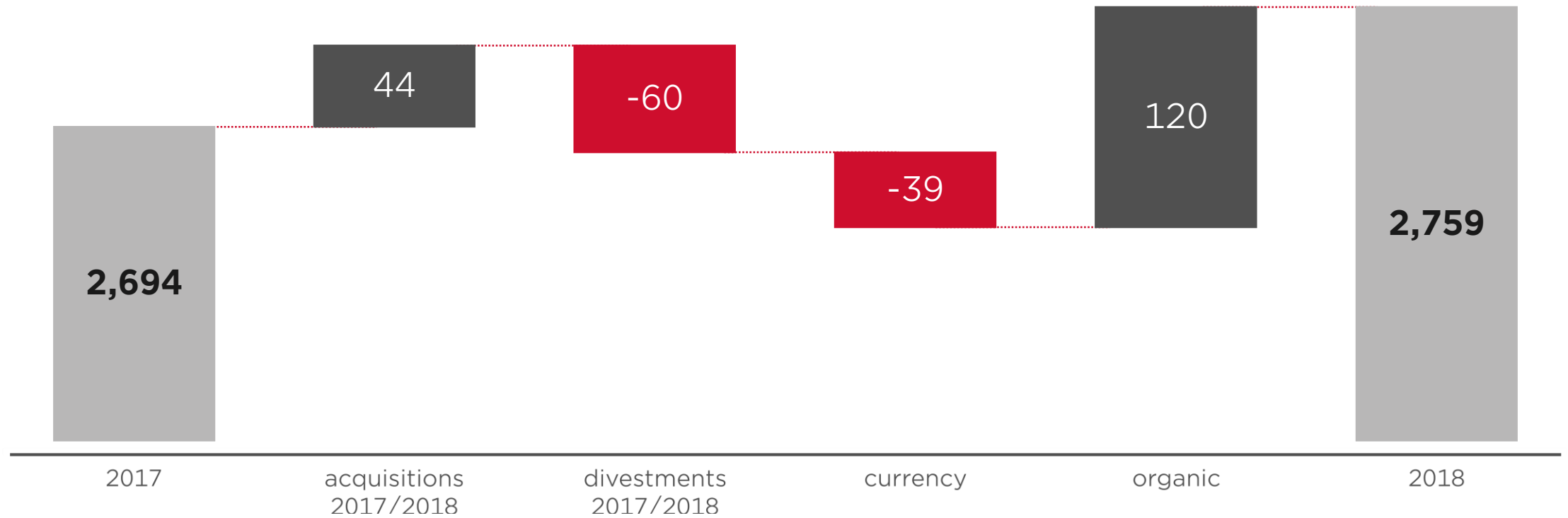
- » continuous optimisation technology portfolio and locations

our disciplined capital allocation drives sustainable profitable growth

5. financial review



revenue bridge



organic revenue growth +5%, portfolio further improved

condensed consolidated income statement

in EUR million	2018	2017
revenue	2,758.9	2,694.0
operating profit (EBITDA)	461.4	422.4
depreciation	(95.9)	(86.9)
operating profit (EBITA)	365.5	335.5
net interest expense	(16.7)	(16.7)
other net finance cost	(5.7)	(8.7)
income tax expense (<i>ETR 2018: 21.4%; 2017: 24.6%</i>)	(65.6)	(68.0)
non-controlling interests	(2.6)	(3.9)
NET PROFIT BEFORE AMORTISATION	274.9	238.2
EPS before amortisation in EUR	2.49	2.15

- revenue growth: +4.6% organic (reported +2.4%; FX impact -1.4%; acquisitions/divestments -0.8%)
- FX impact EUR 39 million *negative* on revenue and EUR 4.3 million *negative* on EBITA

EBITA +9% , net profit +15% and EPS +16%

condensed consolidated balance sheet

in EUR million

	31.12.2018	31.12.2017
total non-current assets	2,068	1,916
total current assets	1,080	994
TOTAL ASSETS	3,148	2,910
total equity	1,676	1,513
total non-current liabilities	674	640
total current liabilities	798	757
TOTAL EQUITY AND LIABILITIES	3,148	2,910
net debt	586	569
leverage ratio: net debt / EBITDA (12-months-rolling)	1.3	1.3
net working capital	464	455
net working capital as a % of total revenue	16.8	16.8
total equity as a % of total assets	53.2	52.0
return on capital employed (ROCE) (in %)	16.6	16.2

NWC remained 16.8% of revenue and ROCE further improved to 16.6%

condensed consolidated cash flow statement

in EUR million	2018	2017	delta
operating profit (EBITDA)	461.4	422.4	39.0
result on sale of equipment / changes in provisions	(20.5)	(3.0)	(17.5)
changes in working capital	(14.3)	7.6	(21.9)
CASH FLOW FROM OPERATIONS	426.6	427.0	(0.4)
net capital expenditure	(114.5)	(117.0)	2.5
FREE CASH FLOW	312.1	310.0	2.1
finance cost paid	(19.2)	(22.7)	3.5
income taxes paid	(85.6)	(68.1)	(17.5)
acquisition/disposal of subsidiaries	(131.5)	(41.0)	(90.5)
proceeds from non-current borrowings	169.6	144.5	25.1
repayment of non-current borrowings	(139.4)	(130.0)	(9.4)
dividends paid	(71.9)	(64.1)	(7.8)
cash flow to non-controlling interests	(7.1)	(0.1)	(7.0)
NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS	27.0	128.5	(101.5)

Δ NWC EUR -14 million (inventories EUR -67m, receivables EUR +14m and payables EUR +39m)

revenue & capex

in EUR million	2018	2017	delta
installation technology	1,119.4	1,134.8	(1%)
material technology	746.7	733.9	2%
climate technology	546.0	523.8	4%
industrial technology	409.3	362.9	13%
<i>holding / eliminations</i>	<i>(62.5)</i>	<i>(61.4)</i>	
TOTAL REVENUE	2,758.9	2,694.0	2%

in EUR million	2018	2017	delta
installation technology	37.7	43.2	(13%)
material technology	58.7	51.2	15%
climate technology	9.5	6.5	46%
industrial technology	24.9	17.4	43%
<i>holding / eliminations</i>	<i>3.1</i>	<i>0.6</i>	
TOTAL CAPEX	133.9	118.9	13%

CAPEX expectation FY2019 EUR 140-160 million

operating profit (EBITA) & EBITA margin

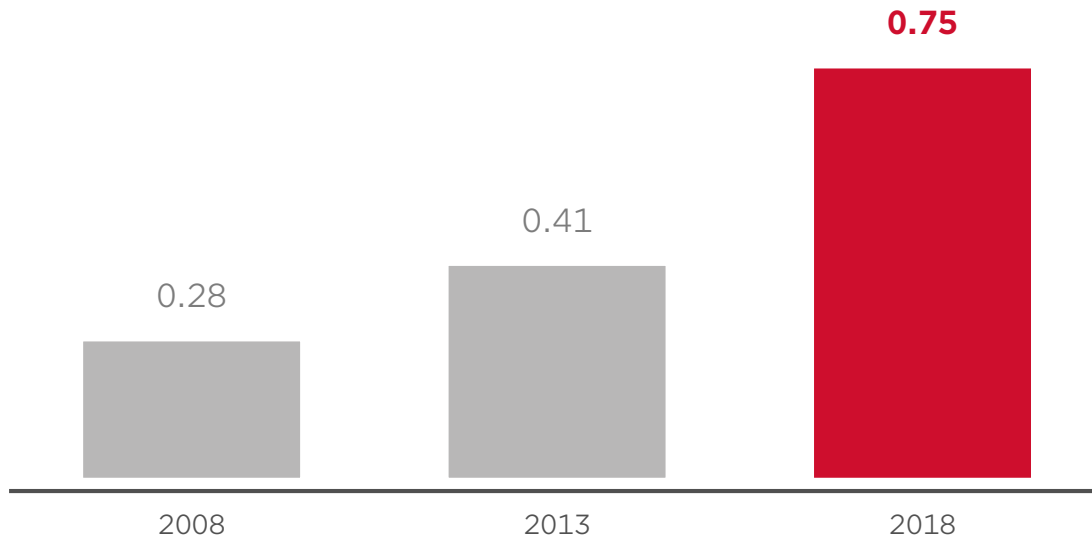
in EUR million	2018	2017	delta
installation technology	134.1	138.7	(3%)
material technology	102.1	97.3	5%
climate technology	65.4	62.3	5%
industrial technology	64.3	54.4	18%
<i>holding / eliminations *</i>	<i>(0.4)</i>	<i>(17.2)</i>	
TOTAL EBITA	365.5	335.5	9%

**includes holding expenses, insurance income, result on divestments, release of earn-out provisions and non-recurring expenses*

in % of revenue	2018	2017	delta
installation technology	12.0	12.2	(0.2)
material technology	13.7	13.3	0.4
climate technology	12.0	11.9	0.1
industrial technology	15.7	15.0	0.7
TOTAL EBITA MARGIN	13.3	12.5	0.8

EBITA margin improved from 12.5% to 13.3%

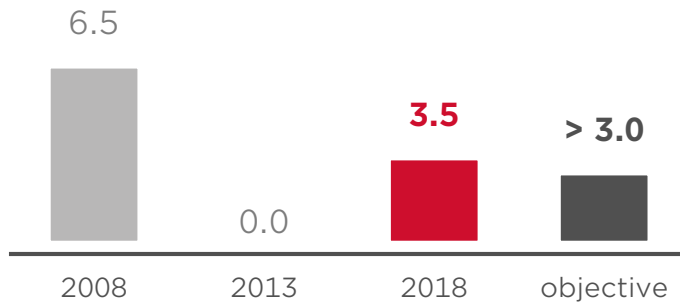
dividend per ordinary share (in EUR)



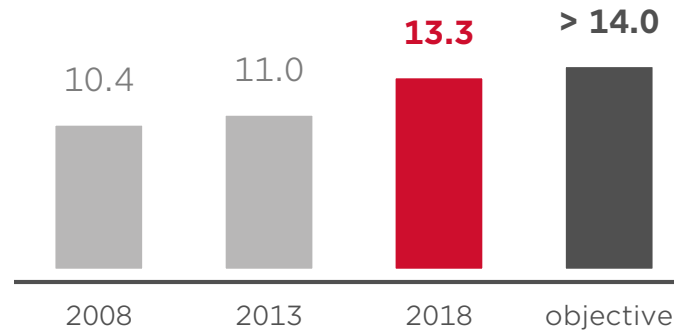
- cash dividend of EUR 0.75 per share (2017: EUR 0.65)
- 15% increase

review financial objectives 2018-2022

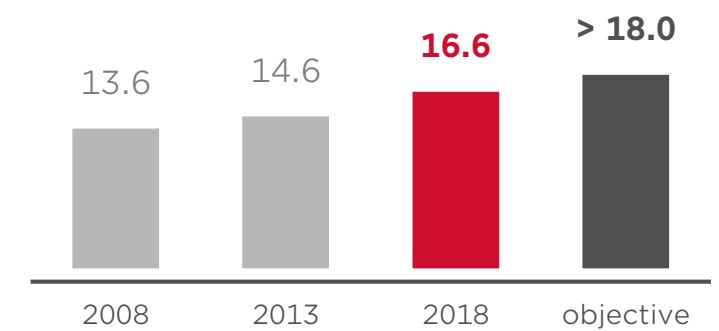
5Y average organic revenue growth
(in %)



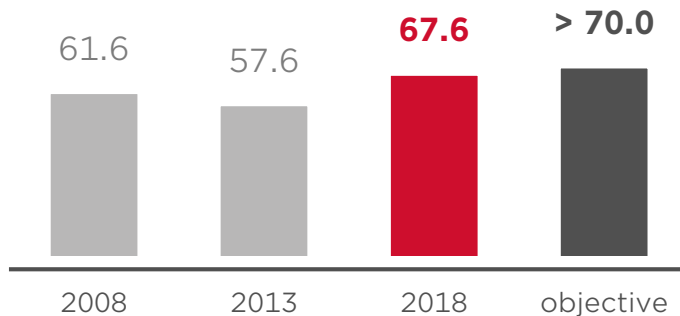
EBITA margin
(in %)



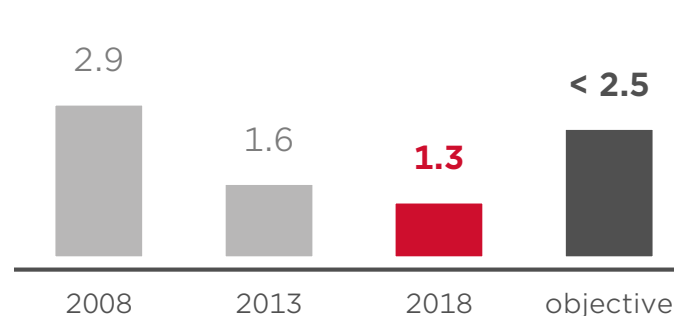
return on capital employed (ROCE)
(in %)



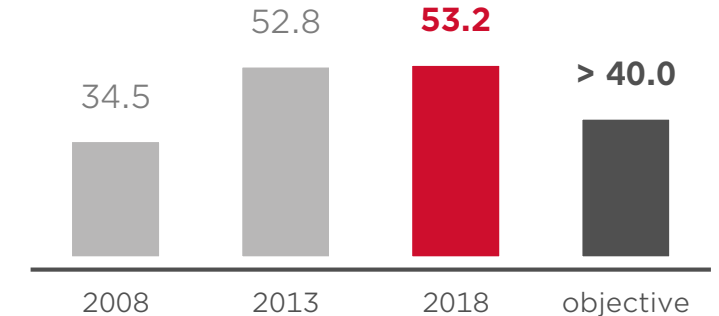
FCF conversion ratio
(in %)



leverage ratio



solvability
(in %)



on track to reach our financial objectives



6. outlook 2019

outlook 2019

- looking ahead to 2019 we remain confident in the execution of the many growth and innovation initiatives and investment plans
- we will pursue our strategy 'focused acceleration' and objectives
- drive our profitability further and convert strong operational execution into free cash flow



7. questions & answers