



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

full year results 2019
Utrecht, 27 February 2020

contents

1. Aalberts
2. Aalberts highlights
3. operational development
4. financial development
5. Aalberts looking forward
6. questions & answers





1. Aalberts

Wim Pelsma - CEO

“you will find Aalberts where technology matters and real progress can be made”

humanly, environmentally and financially



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



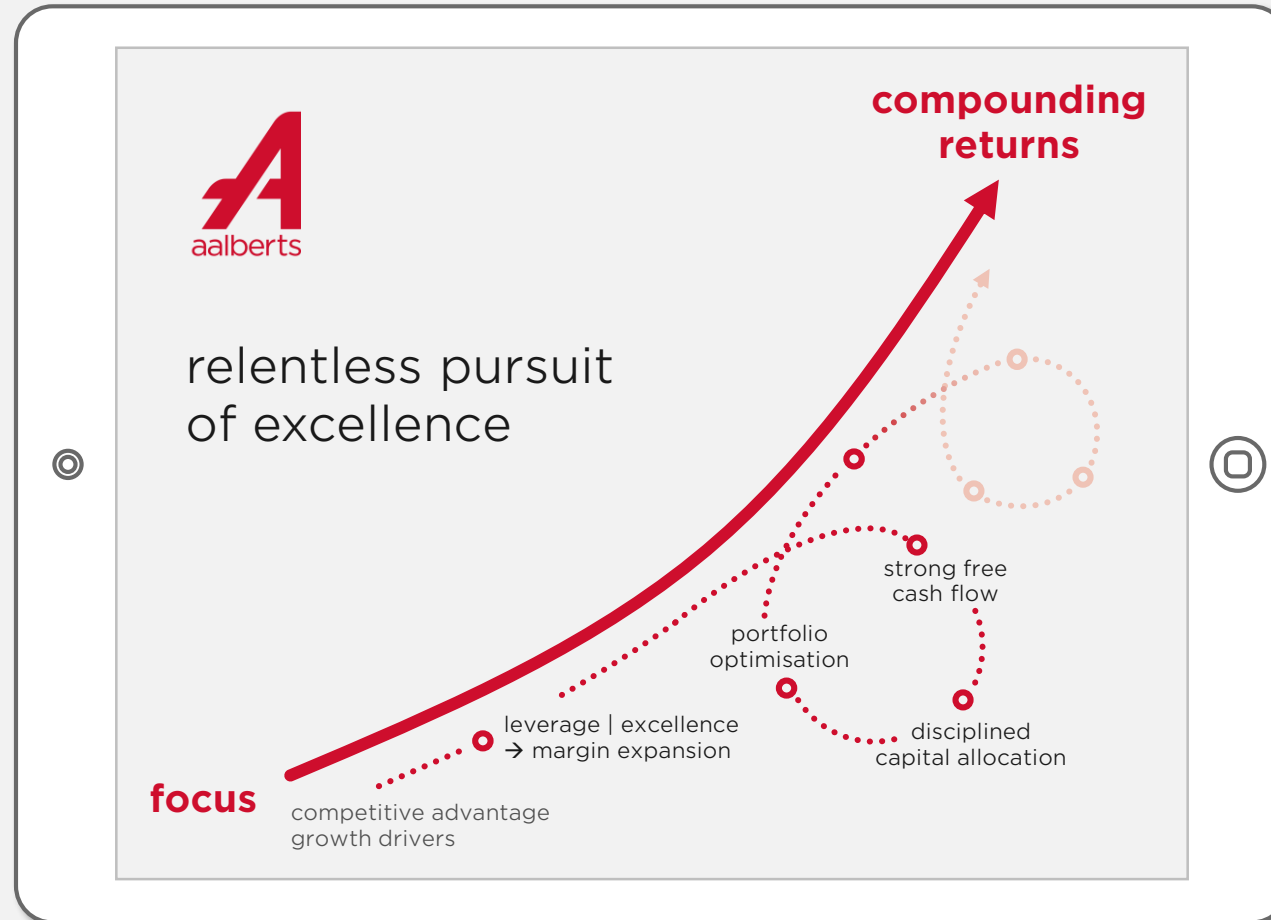
good is never
good enough



greatness is made of
shared knowledge

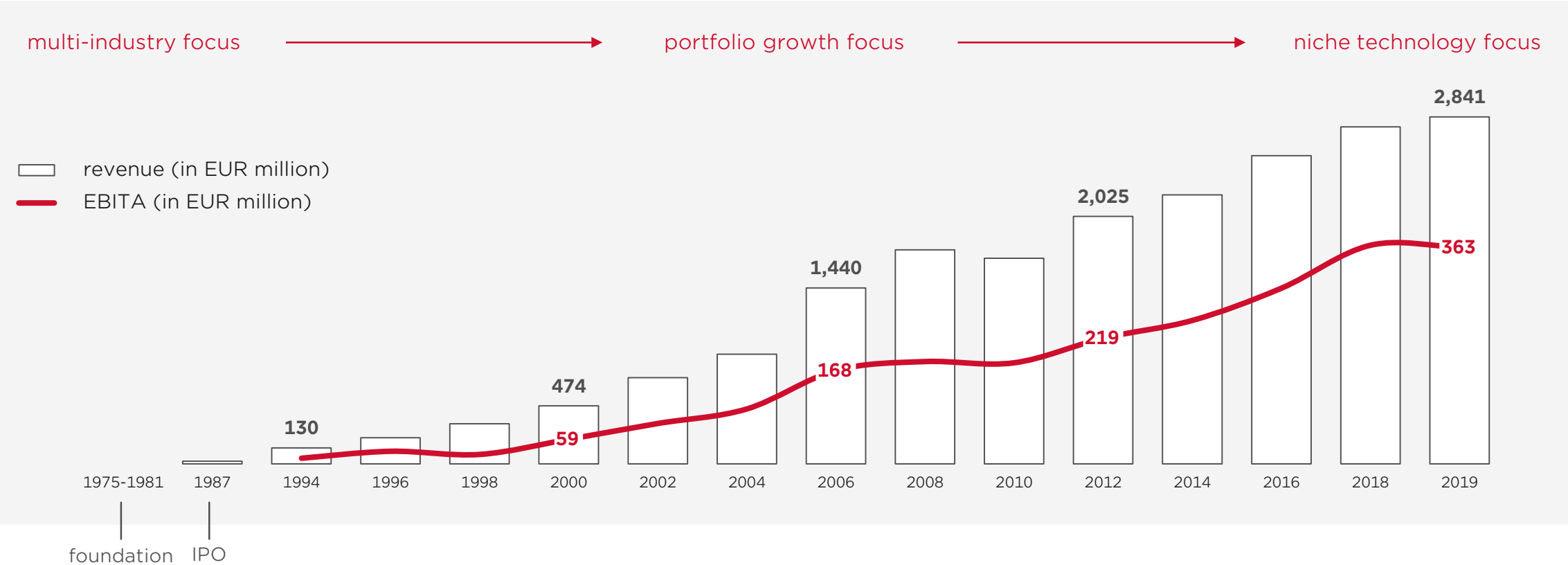
shareholder value

- 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



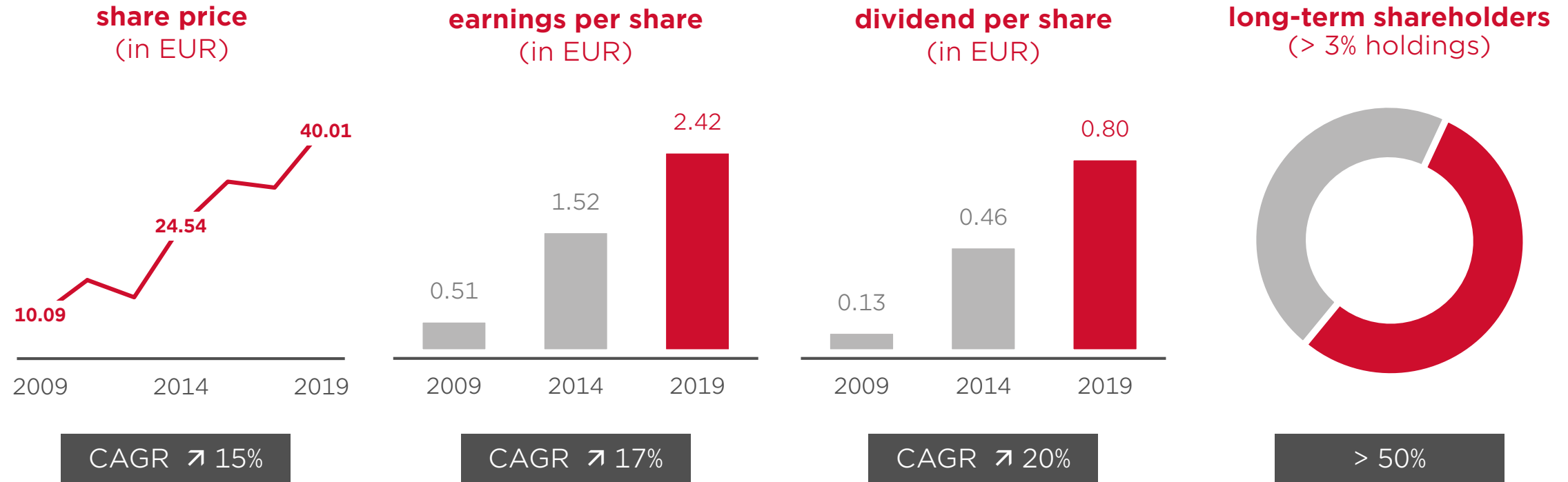
relentlessly creating long-term shareholder value

our track record – over 40 years of sustainable profitable growth



the Aalberts playbook: a proven sustainable business model

our track record - shareholder value creation



our relentless pursuit of excellence drives true shareholder value

our key strength - mission-critical people

the Aalberts way
winning with people

greatness is made of shared knowledge
our unique advantage

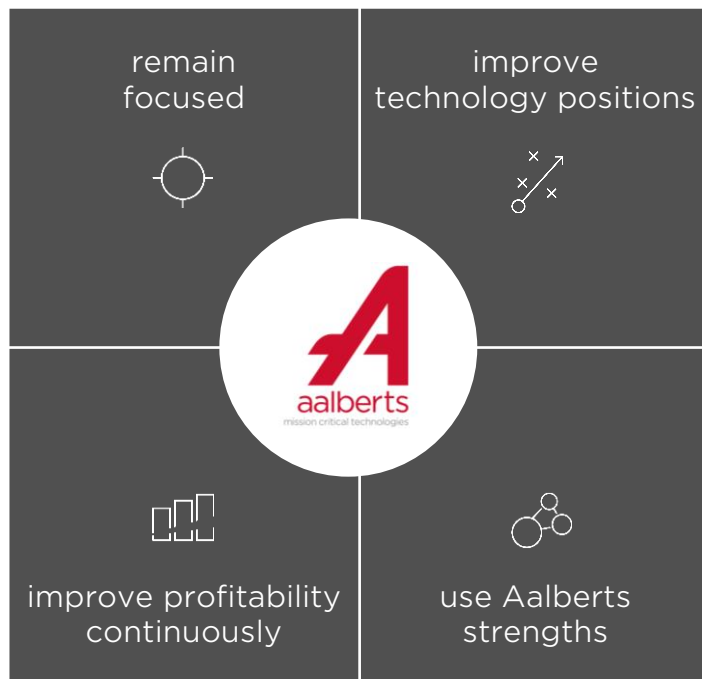
-  be an entrepreneur
-  take ownership
-  go for excellence
-  share and learn
-  act with integrity



the Aalberts way – winning with people

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 (before IFRS 16)

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

innovation drives organic revenue growth

continuous investments in R&D



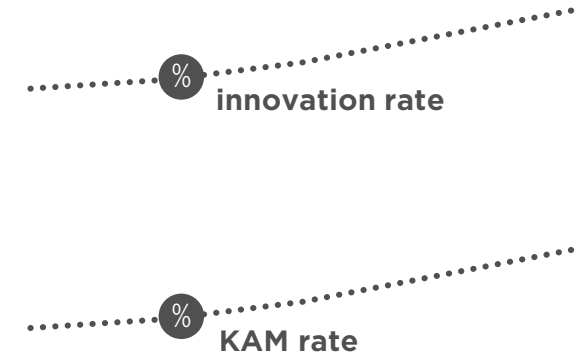
R&D investments increased to > 4% of total revenue

megatrends shaping our future

-  rapid urbanisation
-  climate change resource scarcity
-  the internet of things

globalisation & co-development connectivity & integration

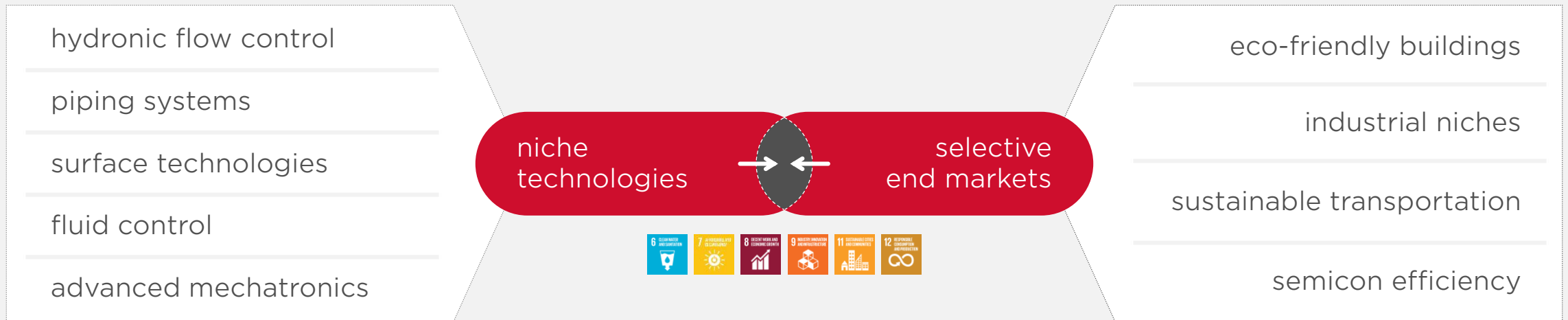
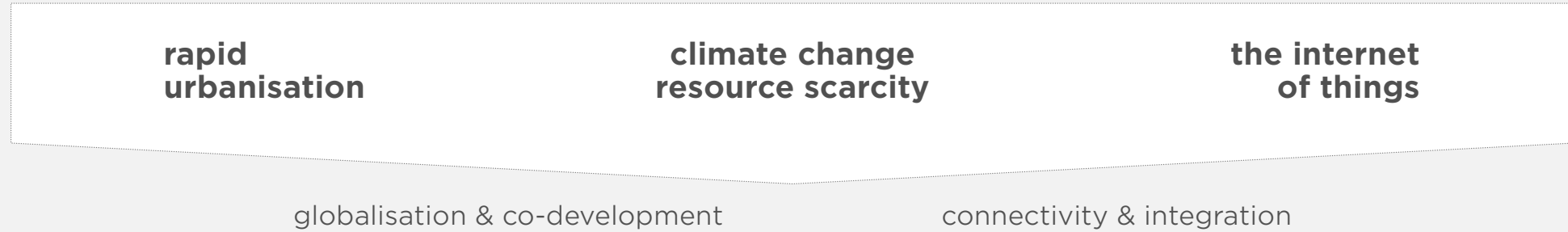
target rates



innovation and KAM rates strongly increase

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

megatrends shaping our future



achieving unique market positions with sustainable impact



2. Aalberts highlights

Wim Pelsma - CEO

Aalberts highlights



revenue
(in EUR million)

2,841
+3%

added-value
(% of revenue)

62.8
2018: 62.6

EBITA
(in EUR million)

363
-1%

EBITA %
(% of revenue)

12.8
2018: 13.3

net profit
(in EUR million)

267
-3%

earnings per share
(in EUR)

2.42
-3%

capital expenditure
(in EUR million)

148
+11%

ROCE
(in %)

14.1
2018: 16.6

- revenue +3% to EUR 2,841 million (organic +1.1%)
- operating profit (EBITA) EUR 362.6 million with an EBITA-margin of 12.8%
- net profit before amortisation EUR 267.4 million; per share EUR 2.42 (-3%)
- free cash flow EUR 312.1 million; ROCE 15.1% (before IFRS 16)
- increased investments in organic growth and innovation initiatives
- portfolio optimisation: acquired PPC and Applied, annual revenue USD 62 million; divested STAG and HFI, annual revenue EUR 30 million
- updated strategy 'focused acceleration', presented December 2019

solid and resilient performance in a more difficult market environment

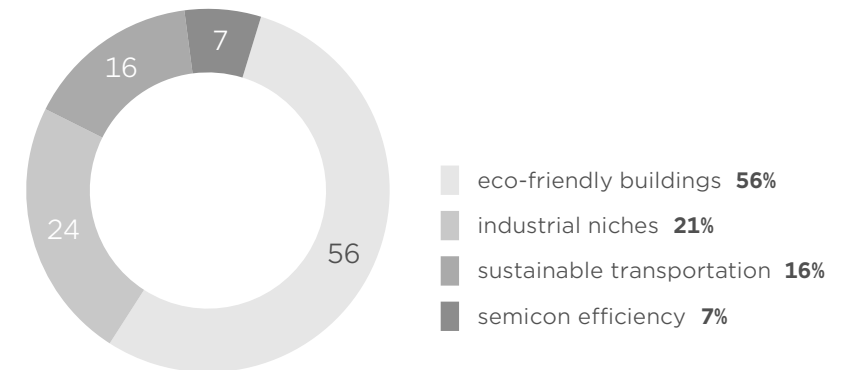
3. operational development

Wim Pelsma - CEO

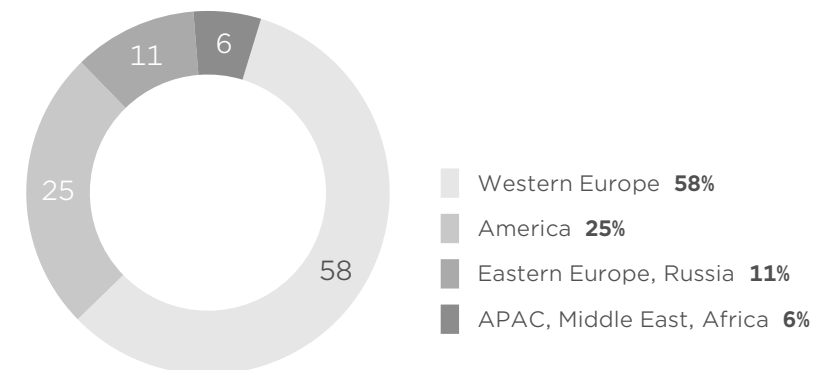
operational development

- organic revenue growth in three segments
 - » installation, climate and industrial technology
 - » driven by initiatives last years
- organic revenue decline in material technology Europe
 - » market uncertainty, postponements orders, inventory reduction
 - » in automotive and several industrial niche end markets
 - » initiated efficiency and restructuring actions; additional costs
 - » North America and aerospace good growth and performance
- solid and resilient EBITA performance; mixed picture
 - » three business segments organic EBITA growth
 - » European surface technologies activity organic EBITA decline
 - » less incidental benefits compared to 2018
- CAPEX increased to EUR 148 million
 - » facilitate organic growth and innovations
 - » more than 15 new product lines launched

revenue per end market (in %)



revenue per region (in %)



solid and resilient performance in a more difficult market environment



new distribution centre

- » 13.500 sqm, Belgium
- » facilitate growth, improved supply chain efficiency and lay-out

organic growth | innovation

- » good organic growth;
 - Europe, America - commercial good level; UK, America - industrial challenging
- » portfolio further optimised, improved quality of inventory
- » successful launch innovations press portfolio; new innovations to be launched coming year
- » gained several larger key accounts

operational leverage | excellence

- » streamlined distribution setup America; reduction inventories and costs
- » American organisation streamlined, overhead reduced; additional redundancy costs
- » new European assembly and distribution centre; construction finished; 2H2020 operational
- » efficiency improvements manufacturing, combined with capacity expansion
- » initiatives UK streamline organisation, reduce costs

capital allocation | portfolio

- » increase capacity fast-growing product lines, combined with higher efficiency
- » European assembly and distribution centres
- » operational excellence and innovation projects

revenue
(in EUR million)

1,124

EBITA
(in EUR million)

138

+3%

EBITA %
(in % of revenue)

12.2

2018: 12.0

capital expenditure
(in EUR million)

46

+23%

huge potential in growth and operational leverage | excellence

**ACCURATE
BRAZING**
And Thermal Processing



new Hot Isostatic Press (HIP)

- » Greenville, North America
- » expansion thermal processing and additive manufacturing capabilities

organic growth | innovation

- » European business deteriorated gradually in course of year; automotive and industrial niches
- » last months order intake and inventories reduction stabilised; overall organic decline
- » revenue partly compensated by good performance North America, aerospace
- » many new developments; surface treatment, electrification of vehicles, precision extrusion
- » good progress business integration previous acquisitions; PPC and Applied acquired
- » Eastern Europe performed well, expanded capacity

operational leverage | excellence

- » actions taken to reduce costs service locations EU; less volume can only be compensated partly
- » additional actions to restructure | streamline overhead, group structure

capital allocation | portfolio

- » growth initiatives Eastern Europe and America
- » new post-processing technology additive manufacturing
- » maintenance | efficiency improvement existing facilities
- » service network footprint further evaluated, based on Capital Markets Day

revenue
(in EUR million)

772
+3%

EBITA
(in EUR million)

97
-5%

EBITA %
(in % of revenue)

12.6
2018: 13.7

capital expenditure
(in EUR million)

67
+14%

solid performance despite lower order level Europe



smart thermostat and radiator heads

- » driving digitalisation, creating new business models
- » realising up to 30% energy savings

organic growth | innovation

- » good level in all regions
- » many new product lines
 - still minor sales impact
 - manufacturing and service issues; solved towards end of the year
- » connected products, gaining data, new digital business models

operational leverage | excellence

- » additional costs in sales, marketing, manufacturing and supply chain
- » manufacturing footprint and supply chain will be streamlined

capital allocation | portfolio

- » started construction new facility Almere, the Netherlands
- » facilitate growth several product lines
- » portfolio optimised, divestment STAG;
- » further portfolio optimisation needed

revenue
(in EUR million)

552

+1%

EBITA
(in EUR million)

67

+3%

EBITA %
(in % of revenue)

12.2

2018: 12.0

capital expenditure
(in EUR million)

10

+7%

good organic growth, many new product lines, further portfolio optimisation



unique soda dispensing bar gun

- » co-engineered with global key accounts, own IP & patents
- » retrofittable functionalities existing installed base

organic growth | innovation

- » semicon efficiency solid organic growth
 - lower level; ready for next strong ramp up; new co-development projects
- » fluid control
 - market uncertainty; postponement orders and inventory reductions
 - last months inventory reductions and order intake stabilised
 - several new innovations sustainable transportation, industrial niche end markets

operational leverage | excellence

- » manufacturing, supply chain, organisation improvements advanced mechatronics
- » fluid control aligned cost structure and organisation; full year sales effect VAF acquisition

capital allocation | portfolio

- » innovations, related manufacturing and assembly equipment; operational excellence initiatives
- » new R&D centre, expanded manufacturing Graz, Austria
- » further capacity expansion semicon efficiency
- » portfolio optimised, divestment HFI, the Netherlands

revenue
(in EUR million)

433
+6%

EBITA
(in EUR million)

72
+13%

EBITA %
(in % of revenue)

16.7
2018: 15.7

capital expenditure
(in EUR million)

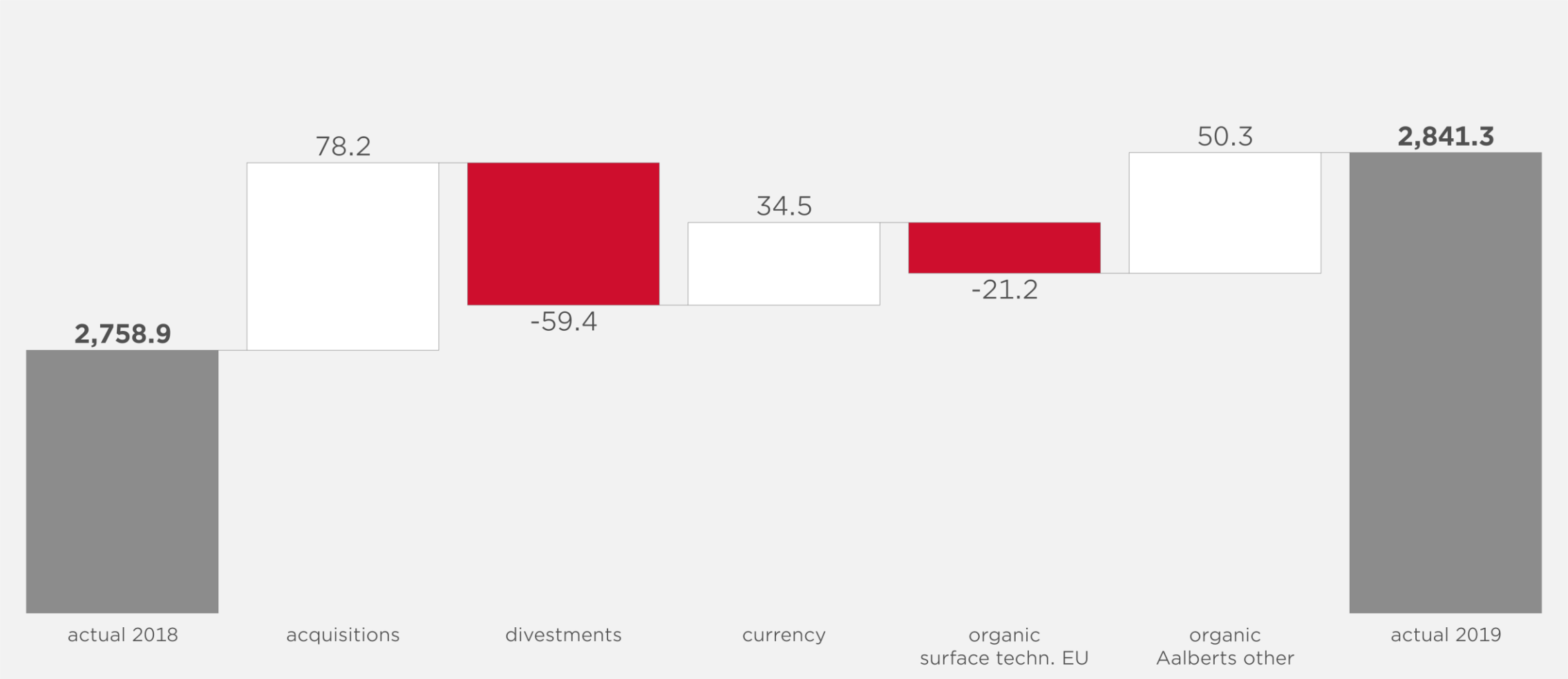
24
-4%

innovation is driving growth, advantage of earlier investments

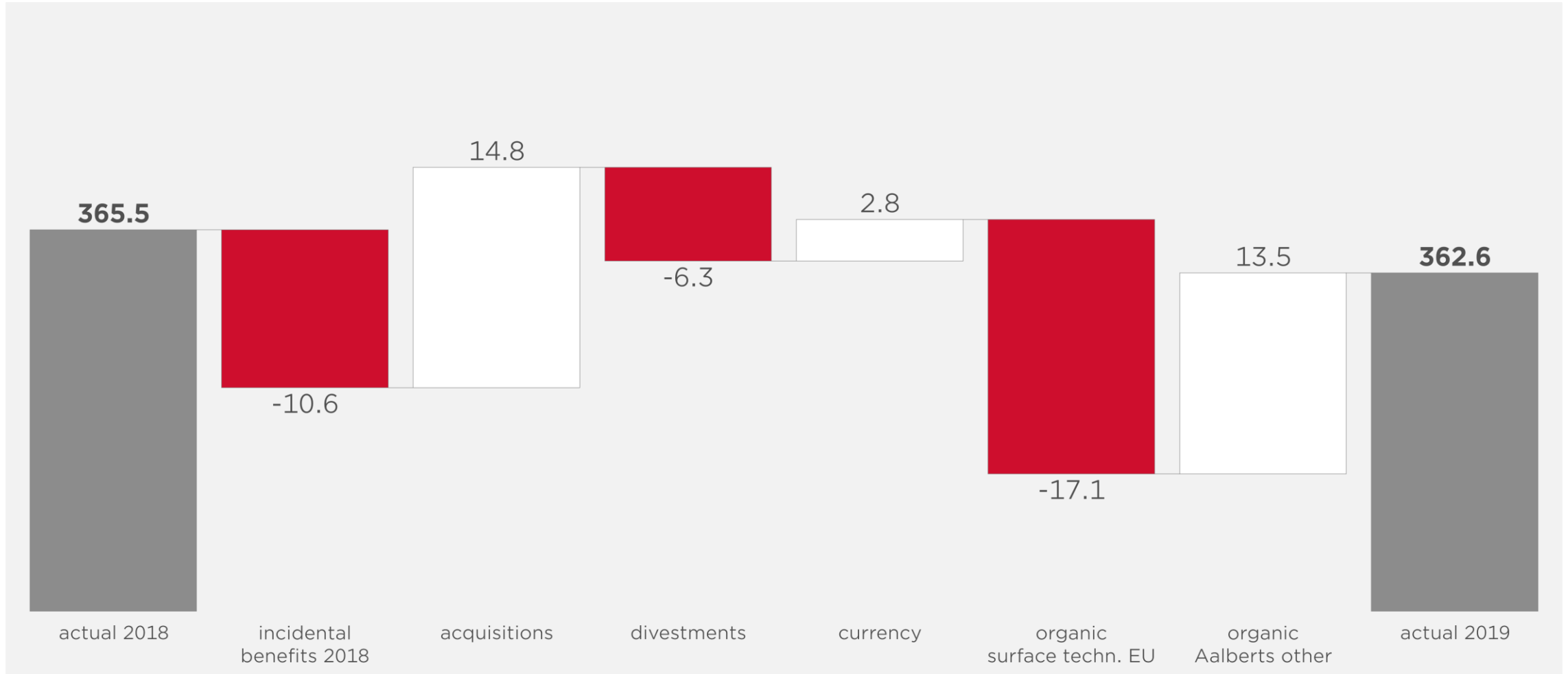
4. financial development

Arno Monincx - CFO

revenue bridge



EBITA bridge



condensed consolidated income statement

in EUR million	2019	2018
revenue	2,841.3	2,758.9
operating profit (EBITDA)	493.4	461.4
depreciation	(130.8)	(95.9)
operating profit (EBITA)	362.6	365.5
net finance cost	(23.2)	(22.4)
income tax expense (<i>ETR 2019: 22.9, 2018: 21.4</i>)	(68.2)	(65.6)
non-controlling interests	(3.8)	(2.6)
NET PROFIT BEFORE AMORTISATION	267.4	274.9
EPS before amortisation in EUR	2.42	2.49

- revenue growth +3.0% (+1.1% organic; FX impact +1.3%; acquisitions/divestments +0.6%)
- FX impact EUR 34.5 million *positive* on revenue and EUR 2.8 million *positive* on EBITA

solid and resilient performance in a more difficult market environment

condensed consolidated balance sheet

in EUR million

	30.12.2019	31.12.2018
total non-current assets	2,383	2,068
total current assets	1,083	1,080
TOTAL ASSETS	3,466	3,148
total equity	1,838	1,676
total non-current liabilities	793	674
total current liabilities	835	798
TOTAL EQUITY AND LIABILITIES	3,466	3,148
net debt	755	586
leverage ratio: net debt / EBITDA (12-months-rolling)	1.5	1.3
net working capital	490	464
days net working capital	61	60
total equity as a % of total assets	53.0	53.2
return on capital employed (ROCE)	14.1	16.6

IFRS 16 is effective as of 1 January 2019, 2018 comparative figures have not been restated, see slide 'impact adoption IFRS 16'

IFRS 16 impact mainly on net debt and ROCE %

condensed consolidated cash flow statement

in EUR million	2019	2018	delta
operating profit (EBITDA)	493.4	461.4	32.0
result on sale of equipment / changes in provisions	(13.1)	(20.5)	7.4
changes in working capital	(15.2)	(14.3)	(0.9)
CASH FLOW FROM OPERATIONS	465.1	426.6	38.5
net capital expenditure	(153.0)	(114.5)	(38.5)
FREE CASH FLOW	312.1	312.1	-
finance cost paid	(20.2)	(19.2)	(1.0)
income taxes paid	(67.1)	(85.6)	18.5
acquisition/disposal of subsidiaries	(110.6)	(131.5)	20.9
change of non-current borrowings	(5.9)	30.2	(36.1)
lease payments	(34.7)	-	(34.7)
dividends paid	(82.9)	(71.9)	(11.0)
settlement of share based payment awards and other	(0.2)	(7.1)	6.9
NET INCREASE/(DECREASE) IN CASH AND CURRENT BORROWINGS	(9.5)	27.0	(36.5)

strong cash flow from operations, NWC more balanced

revenue & CAPEX

in EUR million	2019	2018	delta
installation technology	1,124.4	1,119.4	-
material technology	772.0	746.7	3%
climate technology	551.5	546.0	1%
industrial technology	432.7	409.3	6%
<i>holding / eliminations</i>	<i>(39.3)</i>	<i>(62.5)</i>	
TOTAL REVENUE	2,841.3	2,758.9	3%

in EUR million	2019	2018	delta
installation technology	46.2	37.7	23%
material technology	66.8	58.7	14%
climate technology	10.2	9.5	7%
industrial technology	23.9	24.9	(4%)
<i>holding / eliminations</i>	<i>0.9</i>	<i>3.1</i>	
TOTAL CAPEX	148.0	133.9	11%

CAPEX increased to facilitate many organic growth, innovation and efficiency initiatives

operating profit (EBITA) & EBITA margin

in EUR million	2019	2018	delta
installation technology	137.5	134.1	3%
material technology	97.2	102.1	(5%)
climate technology	67.2	65.4	3%
industrial technology	72.4	64.3	13%
<i>holding / eliminations</i>	<i>(11.7)</i>	<i>(0.4)</i>	
TOTAL EBITA	362.6	365.5	(1%)

in % of revenue	2019	2018	delta
installation technology	12.2	12.0	0.2
material technology	12.6	13.7	(1.1)
climate technology	12.2	12.0	0.2
industrial technology	16.7	15.7	1.0
TOTAL EBITA MARGIN	12.8	13.3	(0.5)

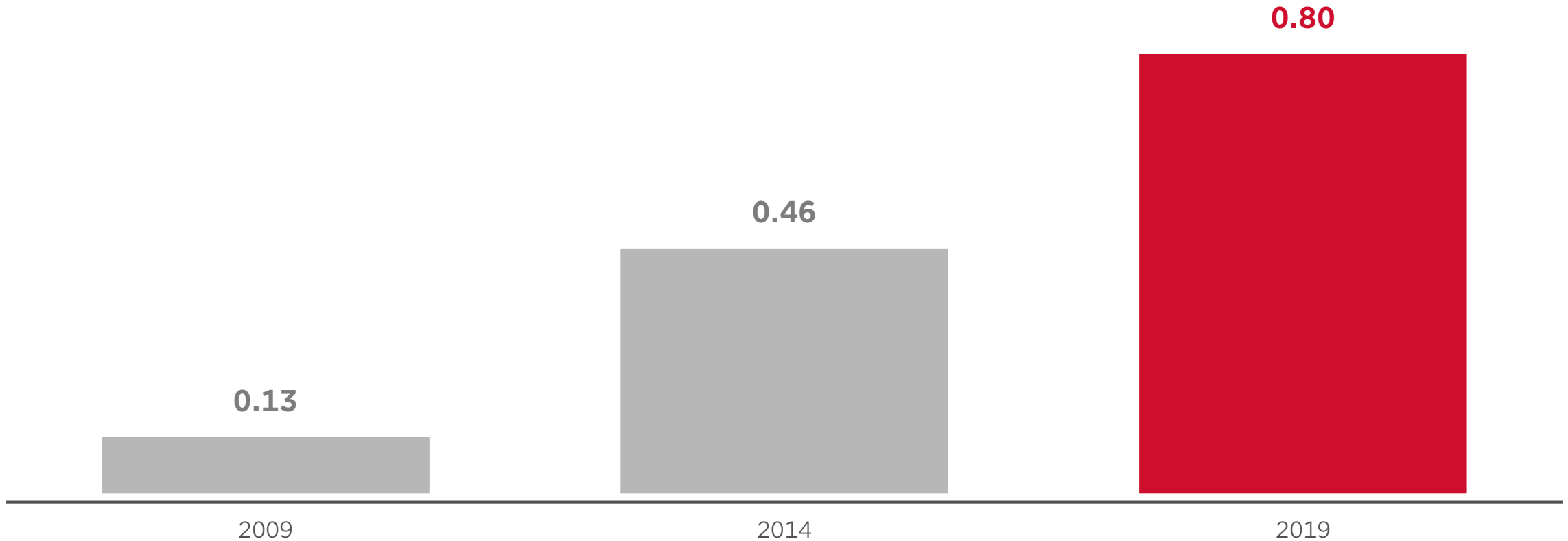
EBITA margin increased in three segments; decline material technology

impact adoption IFRS 16

in EUR million	2019 before IFRS 16	adoption IFRS 16	2019 as reported
EBITDA	459.5	33.9	493.4
EBITA	361.9	0.7	362.6
net interest expense	(20.1)	(2.6)	(22.7)
income tax expense	(68.7)	0.5	(68.2)
net profit before amortisation	268.8	(1.4)	267.4
net debt	587.9	166.6	754.5
total assets	3,300.4	165.2	3,465.6
total equity as a % of total assets	55.7	(2.7)	53.0
leverage ratio	1.3	0.2	1.5
return on capital employed	15.1	(1.0)	14.1
free cash flow	278.2	33.9	312.1
free cash flow conversion ratio	60.5	2.7	63.2
earnings per share	2.43	(0.01)	2.42

IFRS 16 impacted our ROCE % with 1% negative

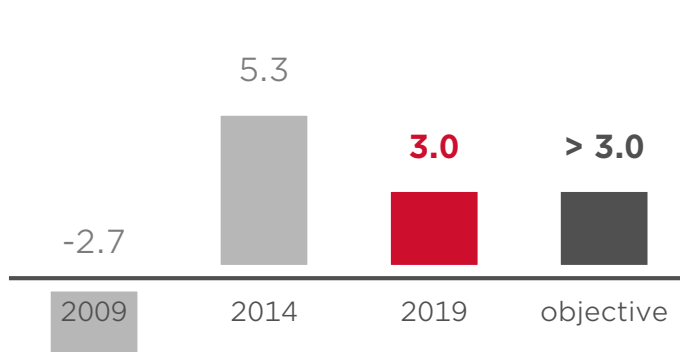
dividend per ordinary share (in EUR)



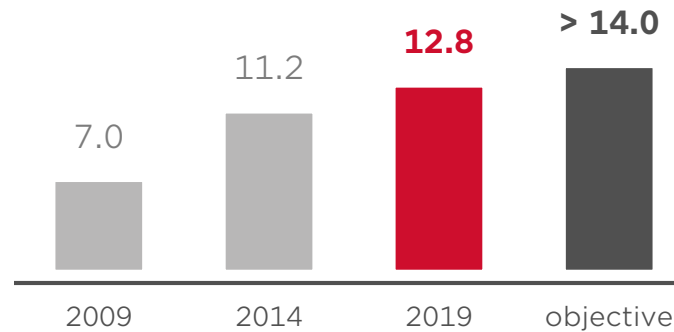
cash dividend EUR 0.80 per share, 7% increase

review financial objectives 2018-2022 (before IFRS 16)

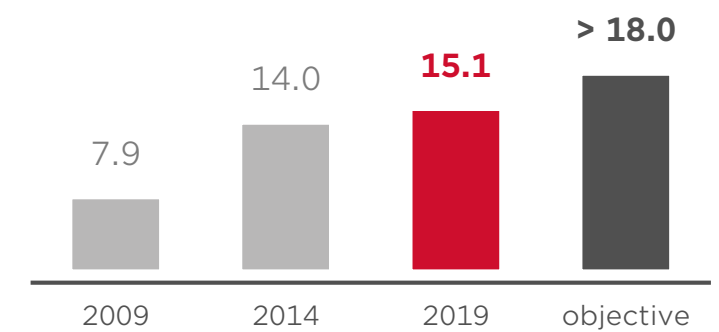
5Y average organic revenue growth
(in %)



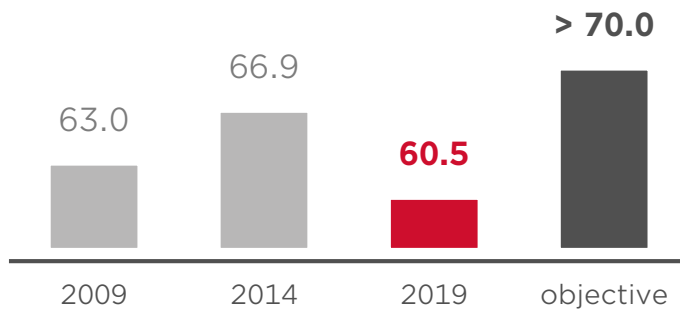
EBITA margin
(in %)



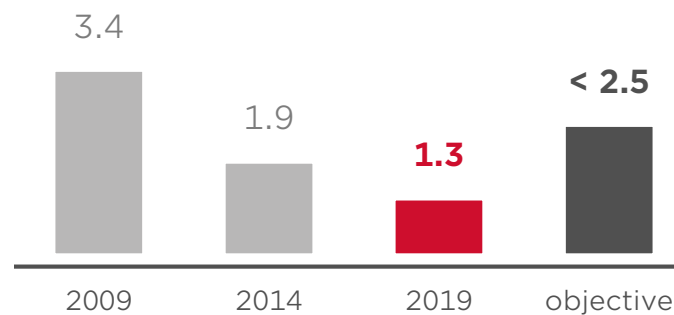
return on capital employed (ROCE)
(in %)



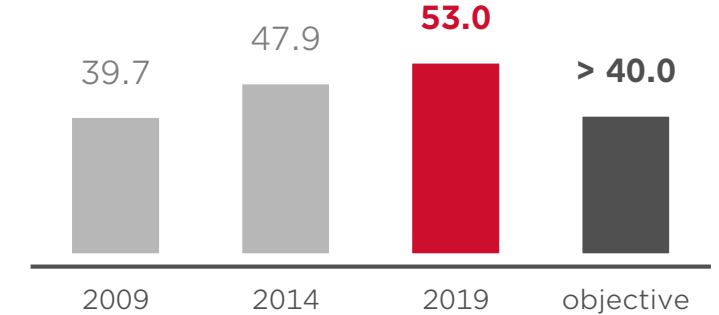
FCF conversion ratio
(in %)



leverage ratio



solvability
(in %)



Aalberts accelerates, achieving our strategic objectives (CMD)

5. Aalberts looking forward

Wim Pelsma - CEO

Aalberts looking forward - key takeaways CMD



- ① **allocating our capital in the most efficient way - further narrow the focus**
- ② **achieving unique leading market positions with sustainable impact**
- ③ **building an even stronger and better Aalberts**
 - » accelerate organic revenue growth
 - » realise operational leverage | excellence; 'drop through' 25%
 - » accelerate portfolio optimisation
 - » further focus, clustering and simplification
- ④ **operational leverage | excellence mainly drives EBITA % increase**
- ⑤ **efficient capital allocation drives ROCE % increase**

to evolve into a stronger and better Aalberts

Aalberts looking forward - segments

A technician in a white shirt is working on a pipe, using a tool to adjust a component. The background is dark and industrial.

installation technology

- many sales, innovation, efficiency initiatives
- will have positive effect
- there is a lot to gain

A technician in a white shirt is working on a pipe, using a tool to adjust a component. The background is dark and industrial.

material technology

- European business will gradually recover; difficult to predict speed
- continue efficiency actions
- realise expansion plans Eastern Europe, North America

A technician in a white shirt is working on a pipe, using a tool to adjust a component. The background is dark and industrial.

climate technology

- leverage newly launched product lines
- accelerate organic revenue growth
- further optimisation footprint, portfolio

A technician in a white shirt is working on a pipe, using a tool to adjust a component. The background is dark and industrial.

industrial technology

- strong growth in semicon efficiency
- further capacity and footprint expansions
- fluid control innovations accelerate organic growth

Aalberts looking forward - outlook

- we will accelerate our actions as presented during our CMD
- we remain confident in realising our organic growth and innovation plans and operational excellence projects, achieving our strategic objectives



6. questions & answers