

**BUCHER**

# Annual press and analysts' conference

7 March 2017

**BUCHER**

Annual report 2016



## Business performance in the divisions ranged from pleasing progress to market slowdown

- **Kuhn Group:** Record harvests and overproduction resulted in price slump and cautious investment behaviour; division with marked decline in sales
- **Bucher Municipal:** Major contracts were largely missing in the European market for municipal vehicles; sales slightly higher than previous year thanks to acquisitions
- **Bucher Hydraulics:** Modest growth in stable market environment
- **Bucher Emhart Glass:** Robust demand in Central America, slowdown in China; brisk business with spare parts; positive co-operation with O-I
- **Bucher Specials:** Marked recovery in beverage technologies; positive development in automation solutions

**Group sales were only 4% lower year on year, partly thanks to acquisitions**

# Key figures

CHF million	Change in				
	2016	2015	%	% <sup>1)</sup>	% <sup>2)</sup>
Order intake	2 386	2 440	-2.2	-2.3	-4.0
Net sales	2 380	2 490	-4.4	-4.6	-6.7
Order book	728	688	5.7	5.5	2.5
Operating profit (EBITDA) as % of net sales	263 11.0%	296 11.9%	-11.4		
Operating profit (EBIT) as % of net sales	169 7.1%	207 8.3%	-18.3		
Employees at 31 December	11 175	11 072	0.9		-1.5
Average employees during year	11 251	11 486	-2.0		-3.7

<sup>1)</sup> Adjusted for currency effects

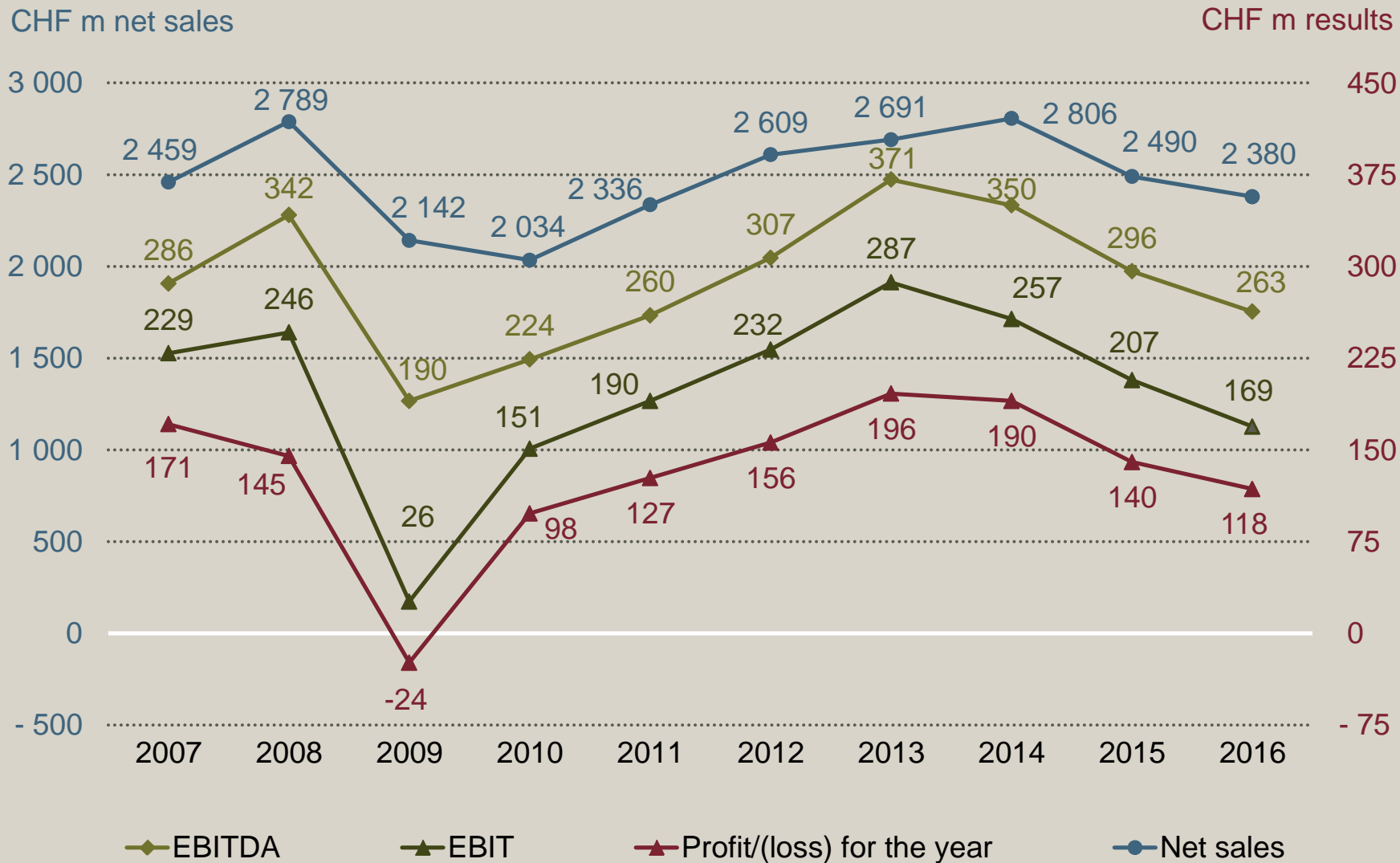
<sup>2)</sup> Adjusted for currency and acquisition effects

# Key figures

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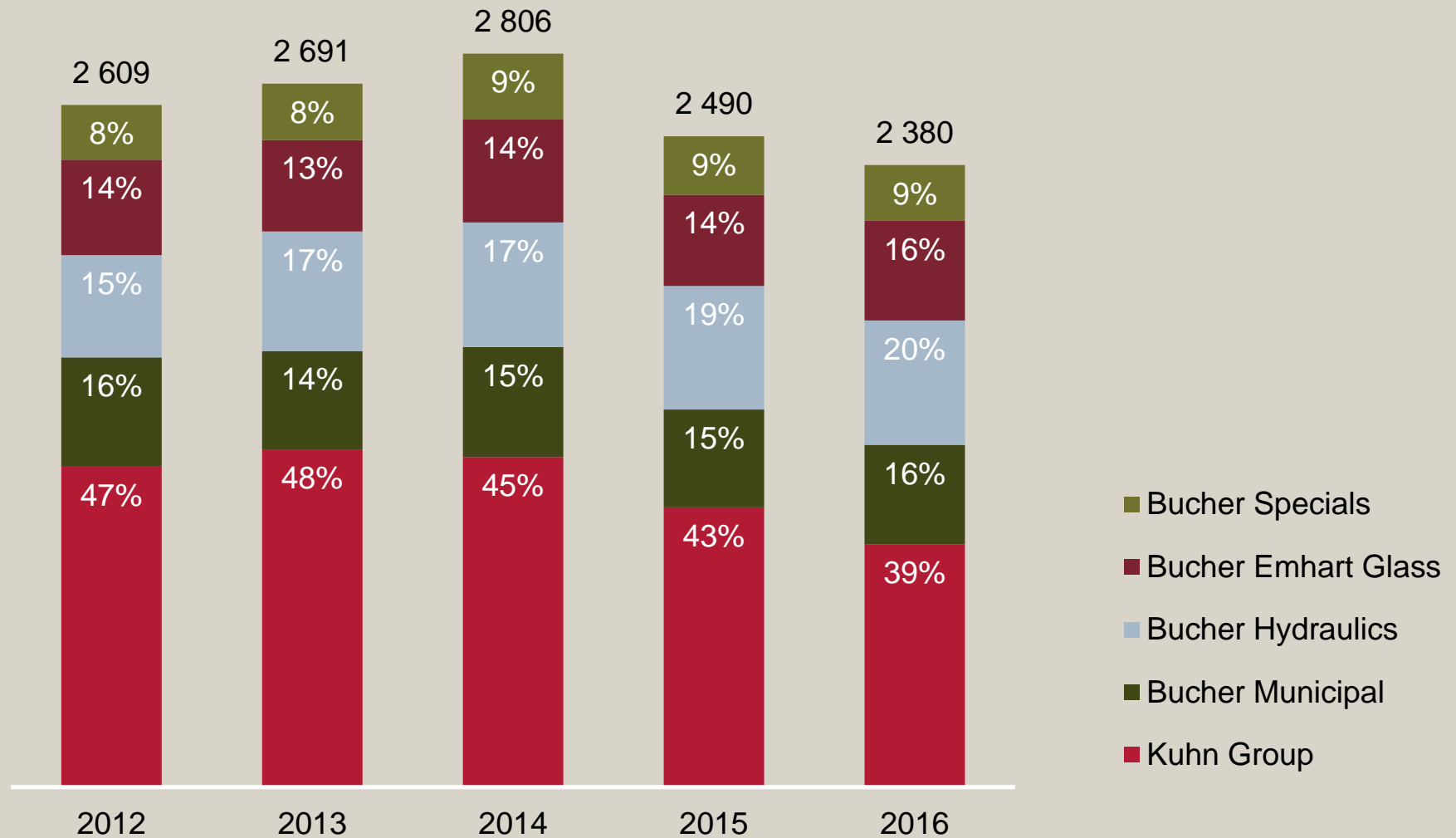
CHF million			Change in
	<b>2016</b>	<b>2015</b>	<b>%</b>
Profit/(loss) for the year as % of net sales	118 5.0%	140 5.6%	-15.4
Earnings per share in CHF	11.73	13.69	-14.3
Capital expenditure	78	82	-4.5
Operating free cash flow	190	158	20.1
Net cash/debt	61	-10	n.a.
Equity as % of total assets (equity ratio)	1 224 50.6%	1 154 49.0%	6.0
Net operating assets (NOA) average as % of return after tax (RONOA)	1 293 9.7%	1 296 11.5%	-

# Net sales and results

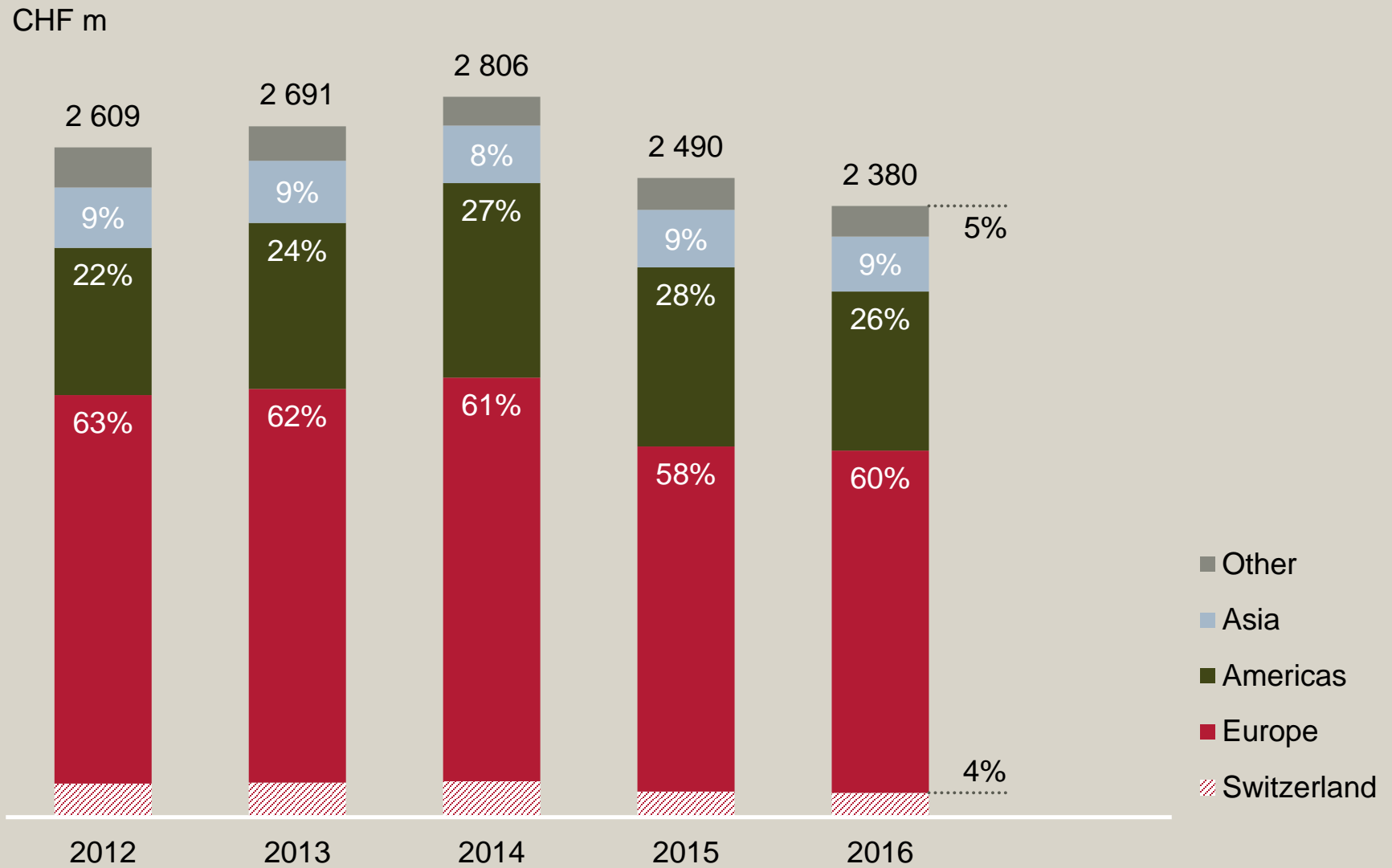


# Net sales by division

CHF m

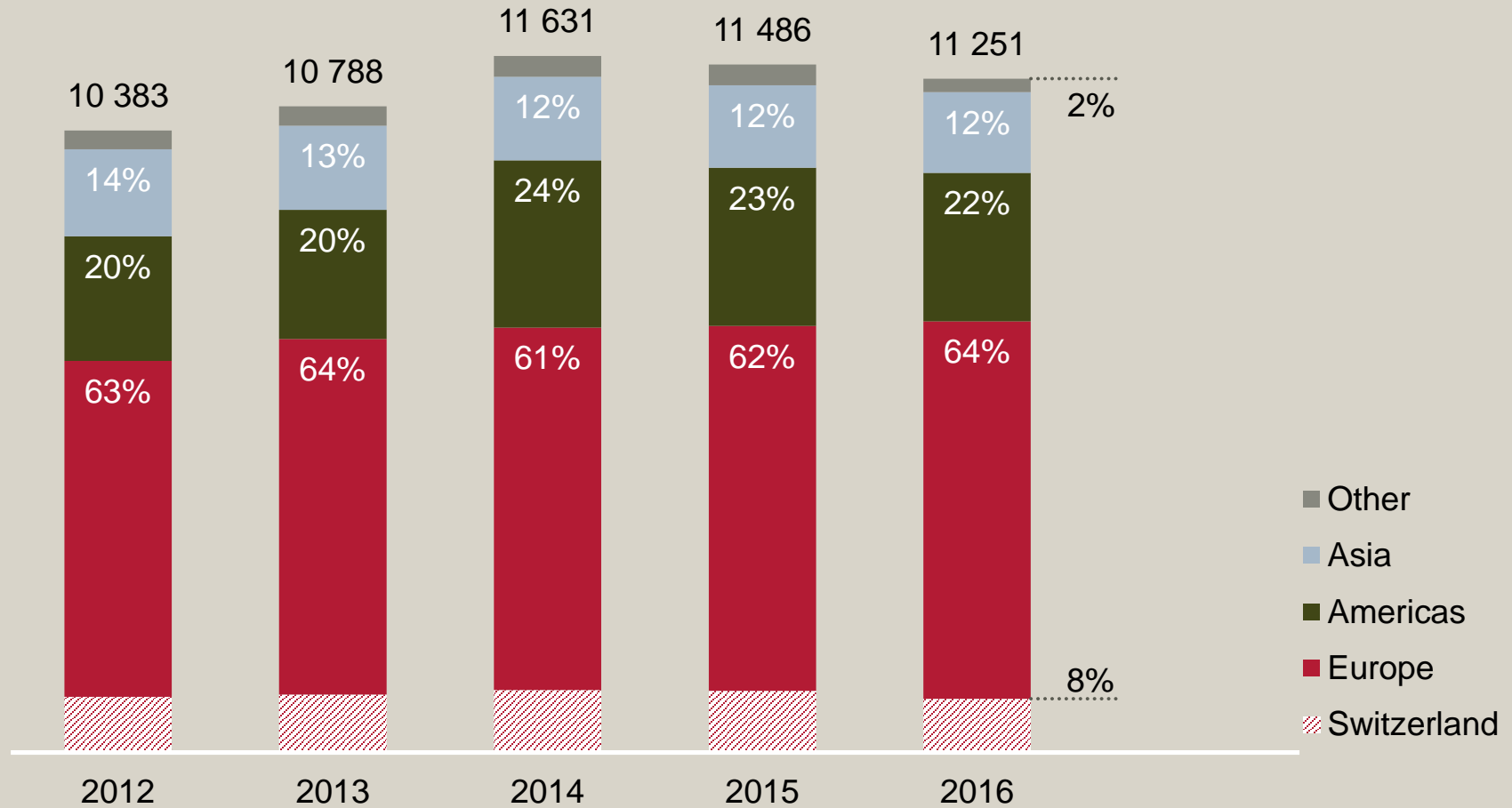


# Net sales by region



# Number of employees by region

Employees <sup>1)</sup>

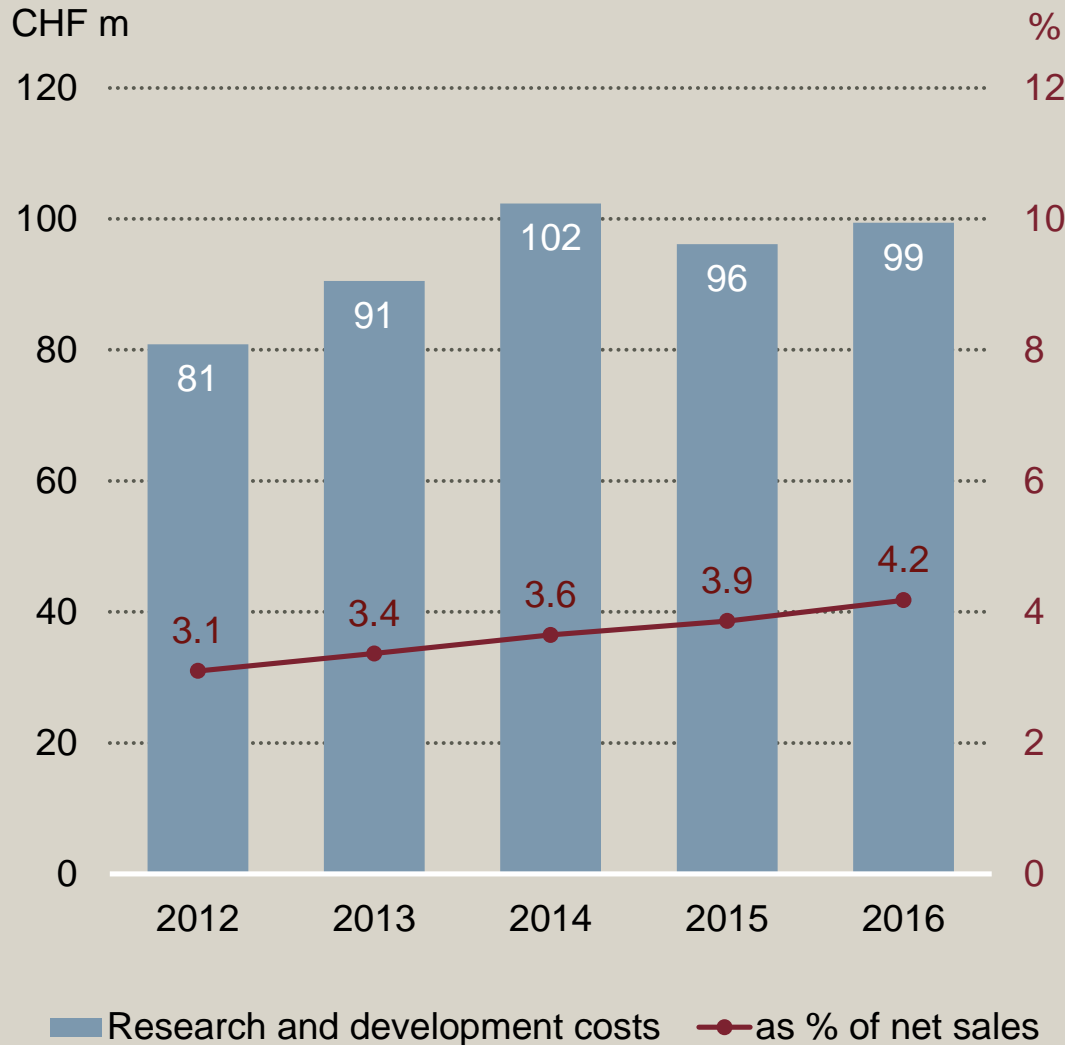


<sup>1)</sup> Expressed in full time equivalents; average during year



# Investments in the future

## Research and development costs



### Selected development projects

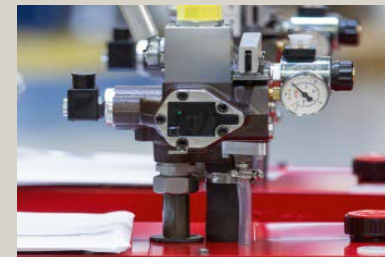
Kuhn Group  
DKE Data-Hub



Bucher Municipal  
CityCat 2020ev

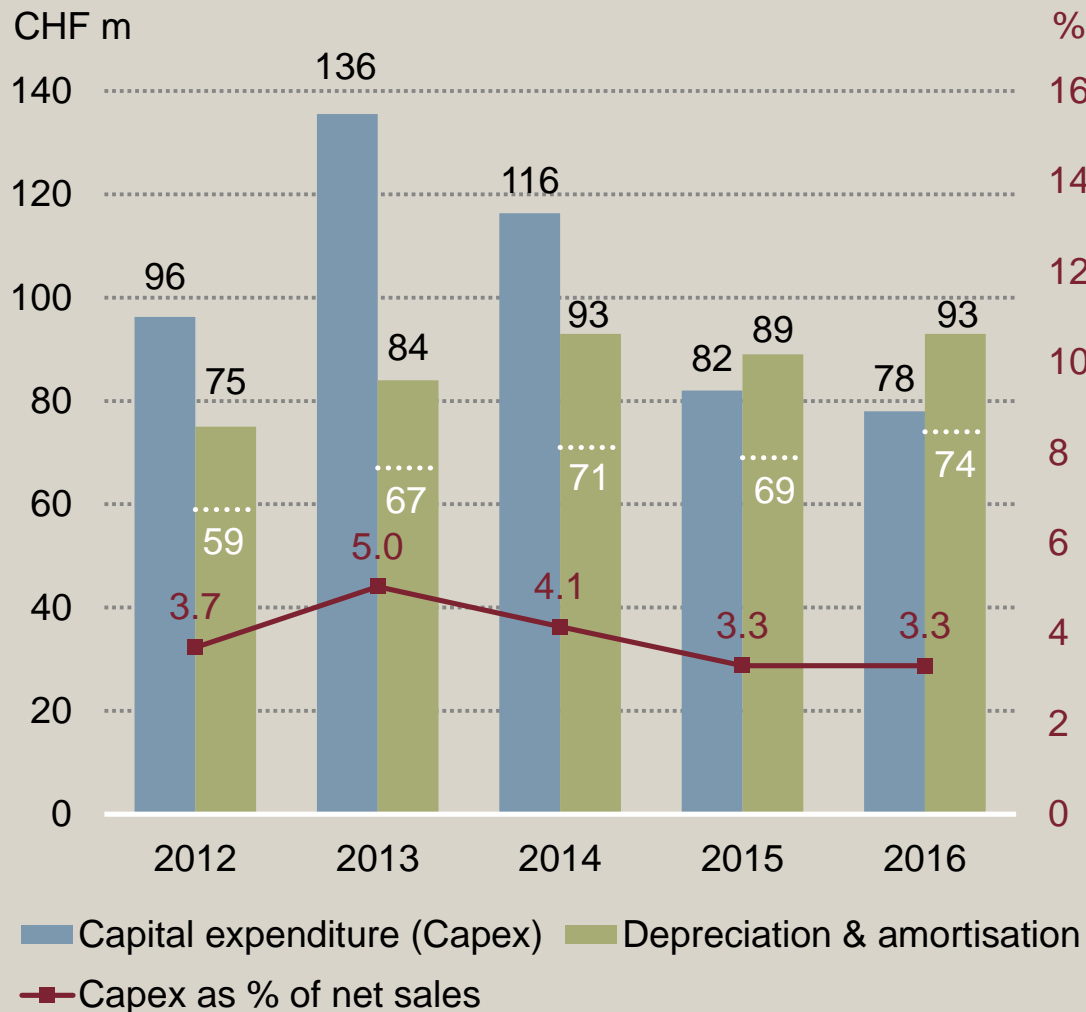


Bucher Hydraulics  
iValve



# Investments in the future

## Fixed and intangible assets



### Key investment projects

- Kuhn Group – logistics centre in Saverne, France
- Bucher Hydraulics – new building for product development in Klettgau, Germany
- Bucher Hydraulics – purchase of adjacent land in Gurgaon, India
- Bucher Emhart Glass – new location for inspection machinery in Horseheads, USA

Comment: Investments in property, plant and equipment and intangible assets

# Acquisitions 2013 – 2016

## 2013

### Bucher Hydraulics

Eco  
Systemas,  
Brazil



Net sales<sup>1)</sup>  
CHF 10 Mio.

Employees  
60

### Bucher Hydraulics

Ölhydraulik  
Altenerding,  
Germany



Net sales<sup>1)</sup>  
CHF 40 Mio.

Employees  
250

### Bucher Specials

Filtrox  
Engineering,  
Switzerland



Net sales<sup>1)</sup>  
CHF 30 Mio.

Employees  
35

### Bucher Specials

Jetter AG,  
Germany



Net sales<sup>1)</sup>  
CHF 50 Mio.

Employees  
230

## 2014

### Kuhn Group

Montana  
Indústria de  
Máquinas,  
Brazil



Net sales<sup>1)</sup>  
CHF 60 Mio.

Employees  
600

## 2016

### Bucher Municipal

J. Hvidtved  
Larsen  
(JHL),  
Denmark



Net sales<sup>1)</sup>  
CHF 60 Mio.

Employees  
200

### Bucher Municipal

PakMor  
Australia



Net sales<sup>1)</sup>  
CHF 10 Mio.

Employees  
50

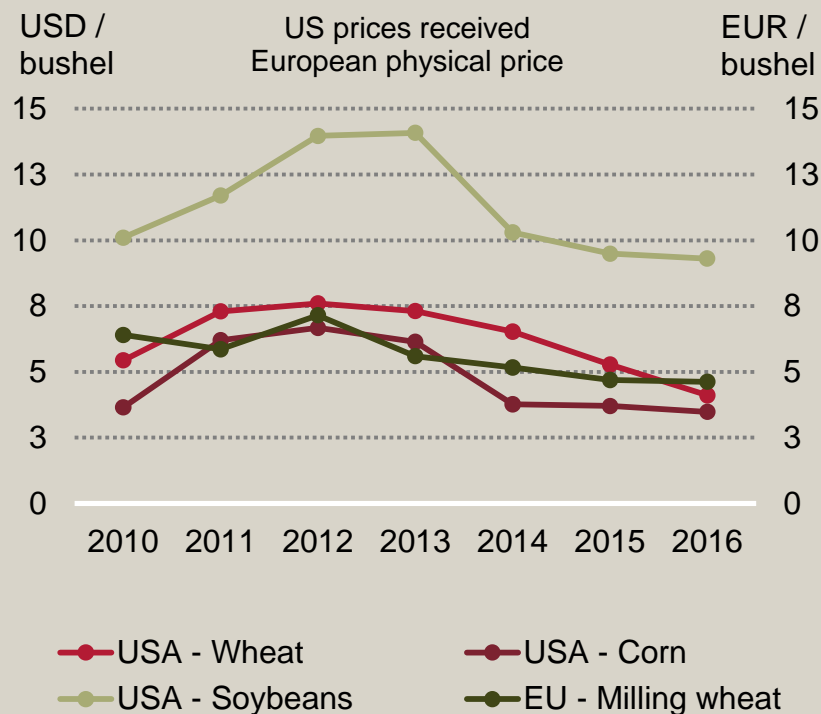
<sup>1)</sup> Prior acquisition



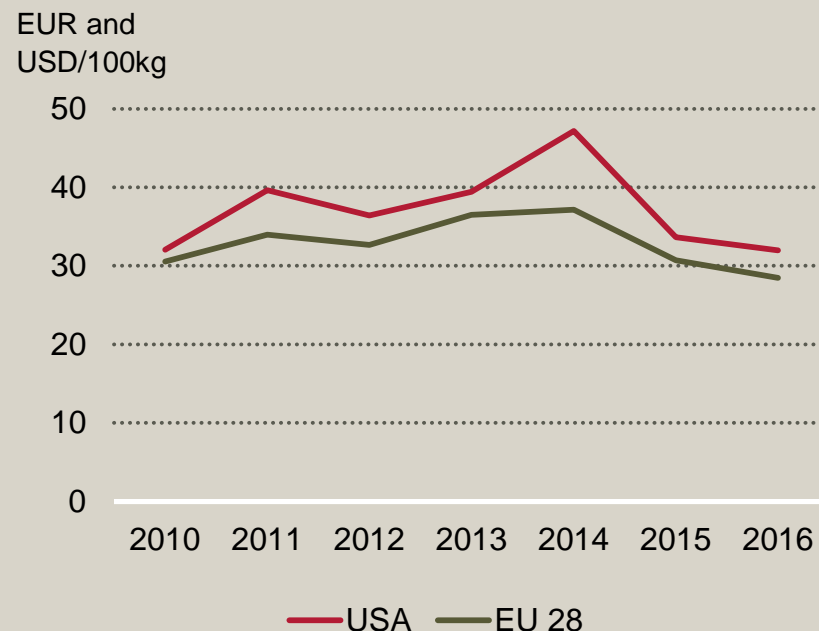
- Worldwide decline in agricultural machinery market ongoing since 2014
- Overproduction and stagnating demand led to high inventories of agricultural commodities, a decline in the prices and falling income for farmers
  - Record harvests overall in the arable sector, with continued decline in grain prices; poor harvests in France and parts of Germany
  - Overproduction of milk, also due to abolition of milk quotas in the EU in April 2015; slight recovery in prices in the second half of 2016
  - Prices in meat industry partially lower
- Above all in North America, particular reluctance to invest, resulting in a marked drop in sales
- Division held up well in difficult environment
- EBIT margin falls from 10.2% to 8.0%, mainly due to slowdown in North America

# Price development soybeans, corn, wheat, milk (average price)

## Grain prices



## Milk prices



Source: USDA, AHDB

Source: www.dairyco.net, USDA

# Kuhn Group

## Key figures

CHF million			Change in	
	2016	2015	%	% <sup>1)</sup>
Order intake	935	1 009	-7.3	-7.3
Net sales	930	1 068	-12.9	-13.1
Order book	371	363	2.3	1.9
Operating profit (EBITDA) as % of net sales	116 12.4%	150 14.1%	-23.1	
Operating profit (EBIT) as % of net sales	74 8.0%	109 10.2%	-31.7	
Employees at 31 December	4 731	4 830	-2.0	
Average employees during year	4 823	5 130	-6.0	

<sup>1)</sup> Adjusted for currency effects





# Bucher Municipal 2016 in brief

- Absence of major projects in main market, Europe
  - Investments in Great Britain inhibited due to Brexit and weak pound
  - Demand for winter maintenance equipment weakened by further mild winter
  - Cyclical weakening of demand for refuse collection vehicles in Australia
- Moderate sales growth
  - Acquisitions of sewer cleaning vehicles and refuse compactors contribute CHF 52 million to sales
  - Previous year's major order worth CHF 30 million from the city of Moscow lacking
- EBIT margin of 3.7% was affected by one-off costs of CHF 7 million
  - Ongoing concentration of sweeper production in UK and Latvia
  - Acquisition and integration of businesses purchased
  - Initiatives to improve quality
- Aurelio Lemos, head of Bucher Hydraulics Switzerland took over as division president on 1 March 2016

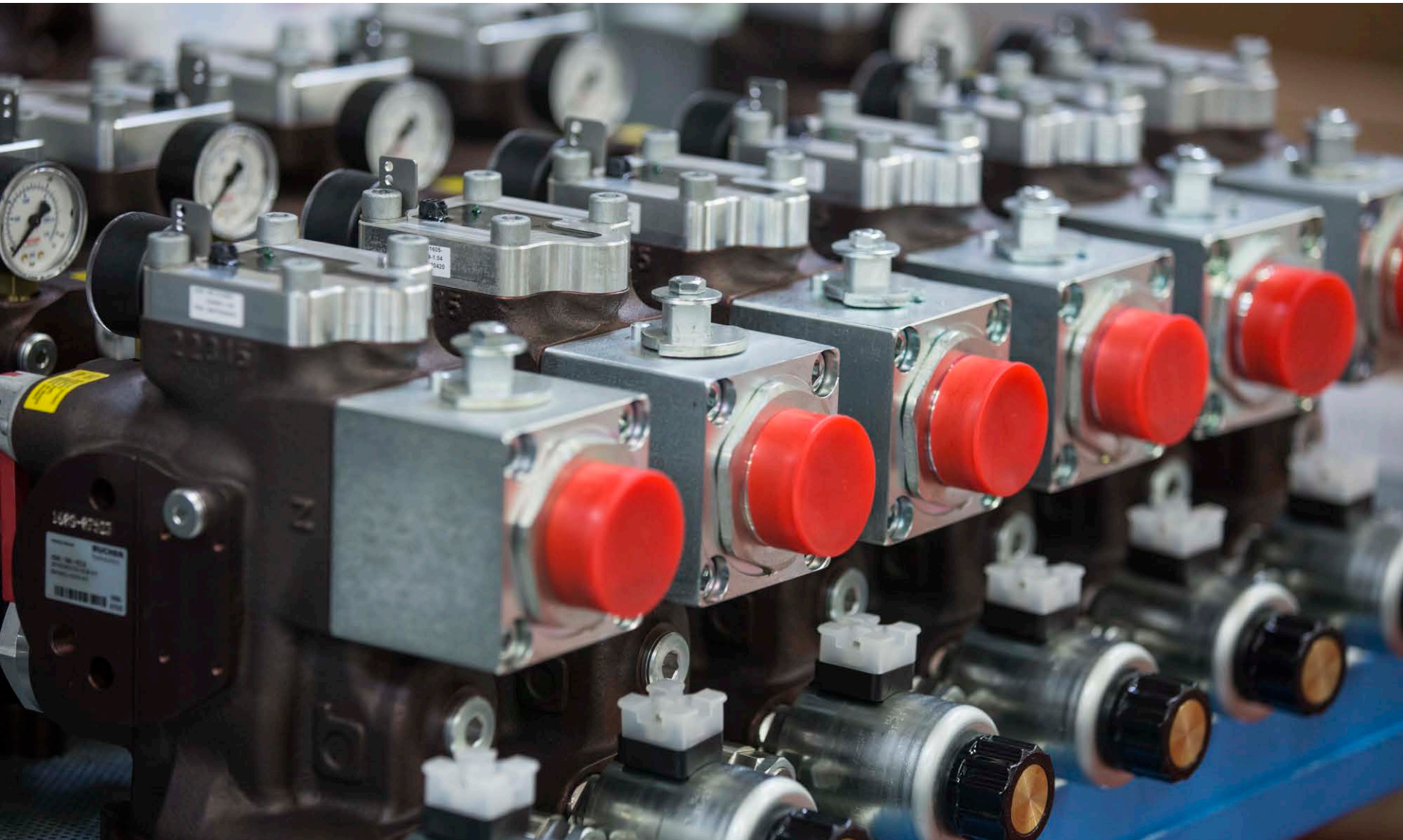
# Bucher Municipal

## Key figures

CHF million	Change in				
	2016	2015	%	% <sup>1)</sup>	% <sup>2)</sup>
Order intake	381	374	1.9	3.3	-8.0
Net sales	389	384	1.2	2.5	-10.8
Order book	104	85	22.8	24.4	0.3
Operating profit (EBITDA) as % of net sales	25 6.4%	40 10.5%	-38.5		
Operating profit (EBIT) as % of net sales	15 3.7%	32 8.4%	-55.4		
Employees at 31 December	1 746	1 525	14.5		-3.1
Average employees during year	1 694	1 569	8.0		-3.0

<sup>1)</sup> Adjusted for currency effects

<sup>2)</sup> Adjusted for currency and acquisition effects



# Bucher Hydraulics

## 2016 in brief

- Stagnating markets
  - Market segments in Europe at same low level as previous year, particularly in Germany
  - Absence of positive impetus in North America
  - Increasing price pressure
- Outperforms market
  - Outstanding operational performance with sales growth of 3%
  - Successful collaboration with customers in material handling as well as industrial and lift hydraulics
  - Agricultural machinery segment profits from serial orders in first half; second half marked by market decline
- EBIT margin increased by 0.4 of a percentage point to 11.9%.

# Bucher Hydraulics

## Key figures

CHF million			Change in	
	2016	2015	%	% <sup>1)</sup>
Order intake	482	461	4.5	3.5
Net sales	475	461	3.0	2.0
Order book	82	75	9.9	8.9
Operating profit (EBITDA) as % of net sales	76 16.0%	72 15.6%	5.8	
Operating profit (EBIT) as % of net sales	57 11.9%	53 11.5%	6.6	
Employees at 31 December	2 061	2 034	1.3	
Average employees during year	2 039	2 043	-0.2	

<sup>1)</sup> Adjusted for currency effects



# Bucher Emhart Glass

## 2016 in brief

- Market for glass-forming and inspection machinery stable overall, with regional differences:
  - Brisk project activity in Central America, above all Mexico
  - Western Europe remained stable, but practically no demand in Eastern Europe
  - Market decline of 40% overall in China since 2011
- Positive business performance
  - Lively demand for technologically advanced machinery
  - Positive development in spare parts business
  - Pleasing co-operation with O-I
- EBIT margin increased to 7.1% thanks to improved and sustainable cost efficiency
- Without taking into account the joint venture in China, the division achieved an operating profit margin of 9.0%; provision of CHF 2 million set aside for restructuring in Sanjin

# Bucher Emhart Glass

## Key figures

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CHF million			Change in	
	2016	2015	%	% <sup>1)</sup>
Order intake	351	400	-12.2	-12.8
Net sales	371	360	3.0	2.2
Order book	108	126	-14.6	-15.4
Operating profit (EBITDA) as % of net sales	39 10.5%	36 9.9%	9.3	
Operating profit (EBIT) as % of net sales	26 7.1%	24 6.6%	10.5	
Employees at 31 December	1 757	1 819	-3.4	
Average employees during year	1 782	1 837	-3.0	

<sup>1)</sup> Adjusted for currency effects





# Bucher Specials

## 2016 in brief

- Individual business segments with contrasting trends
  - Winemaking equipment slight improvement in business performance despite softening market
  - Project business in beverage technologies: Significant recovery in demand for systems for fruit juice processing and beer filtration
  - Dealership in agricultural machinery in Switzerland: Market position remains good despite decline in agriculture
  - Automation technology: Good performance and gratifying sales progress
- High order intake and modest sales growth as some of the projects will not be delivered until 2017
- With measures to increase sales and efficiency, the division increased the EBIT margin by three percentage points to 8.0%

# Bucher Specials

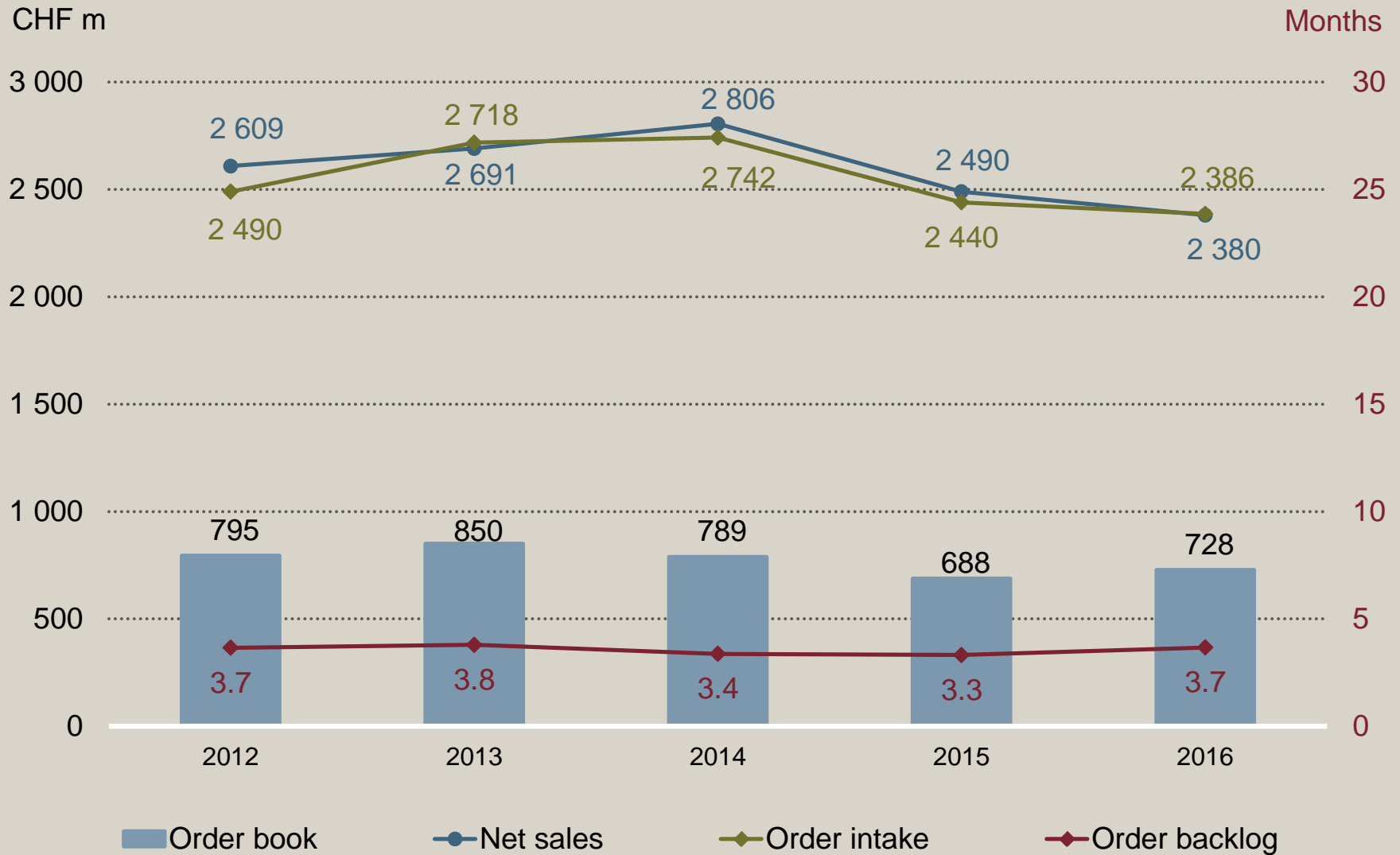
## Key figures

CHF million			Change in	
	2016	2015	%	% <sup>1)</sup>
Order intake	289	238	21.4	20.9
Net sales	263	257	2.4	1.9
Order book	76	51	50.1	49.8
Operating profit (EBITDA) as % of net sales	27 10.2%	20 7.7%	35.9	
Operating profit (EBIT) as % of net sales	21 8.0%	13 5.0%	63.6	
Employees at 31 December	817	802	1.9	
Average employees during year	849	844	0.6	

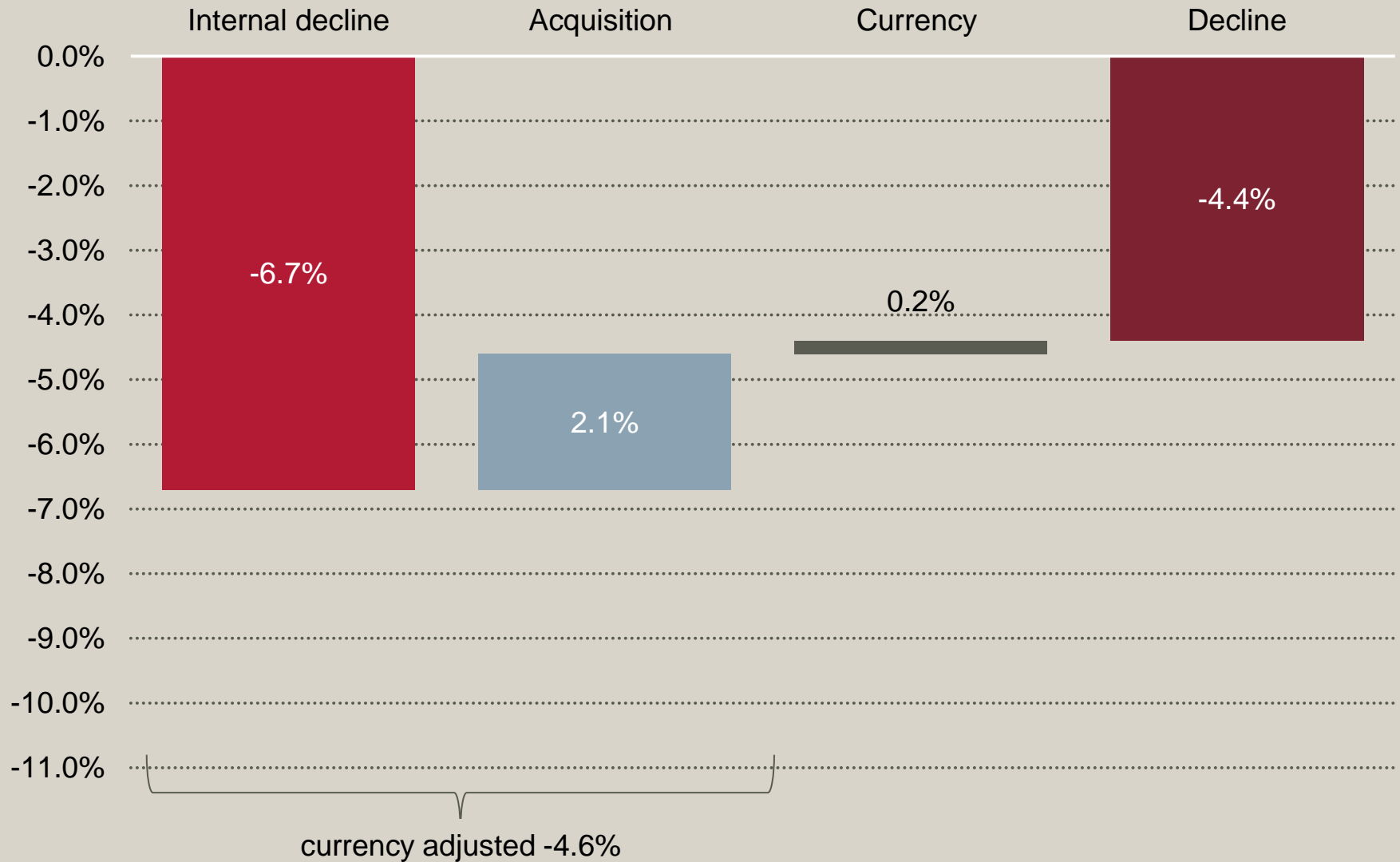
<sup>1)</sup> Adjusted for currency effects

# Financial review 2016

# Order intake, net sales, order book and order backlog



# Impact on net sales 2016



# Consolidated income statement

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CHF million	2016	2015	Change in %
Net sales	2 380	2 490	-4.4
Operating profit (EBITDA) as % of net sales	263 11.0%	296 11.9%	-11.4
Depreciation	-74	-69	-6.6
Amortisation	-20	-20	2.5
Operating profit (EBIT) as % of net sales	169 7.1%	207 8.3%	-18.3
Net financial result	-9	-13	34.6
Income tax expense	-42	-54	21.6
Profit/(loss) for the year as % of net sales	118 5.0%	140 5.6%	-15.4
Basic earnings per share in CHF	11.73	13.69	-14.3

# Net financial result

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CHF million	2016	2015	Change
Net interest expense	-7	-12	5
Net gain on financial instruments	2	1	1
Foreign exchange gains and losses	-3	-1	-2
Other financial result	-1	-1	-
<b>Net financial result</b>	<b>-9</b>	<b>-13</b>	<b>4</b>

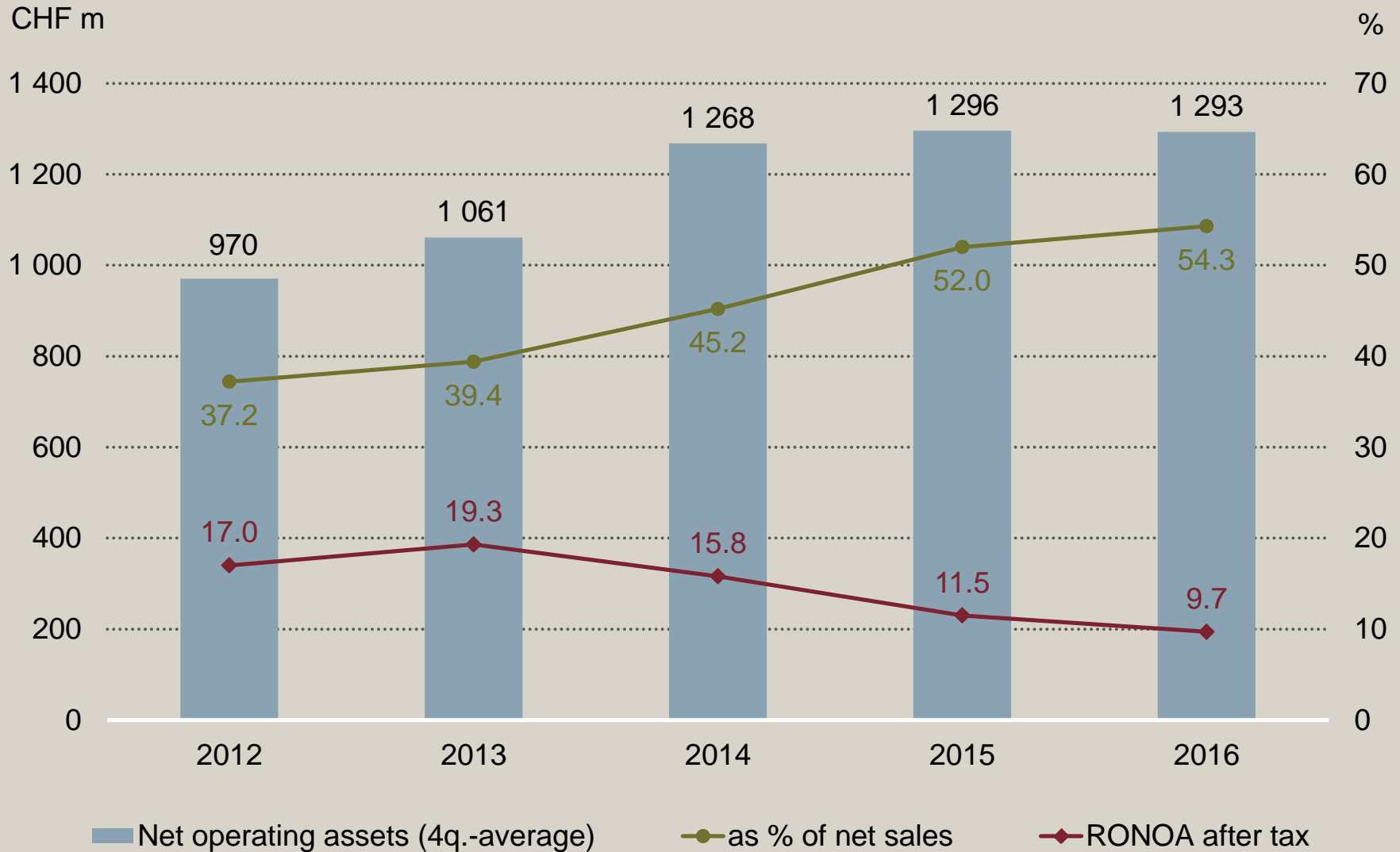


# Income tax expense

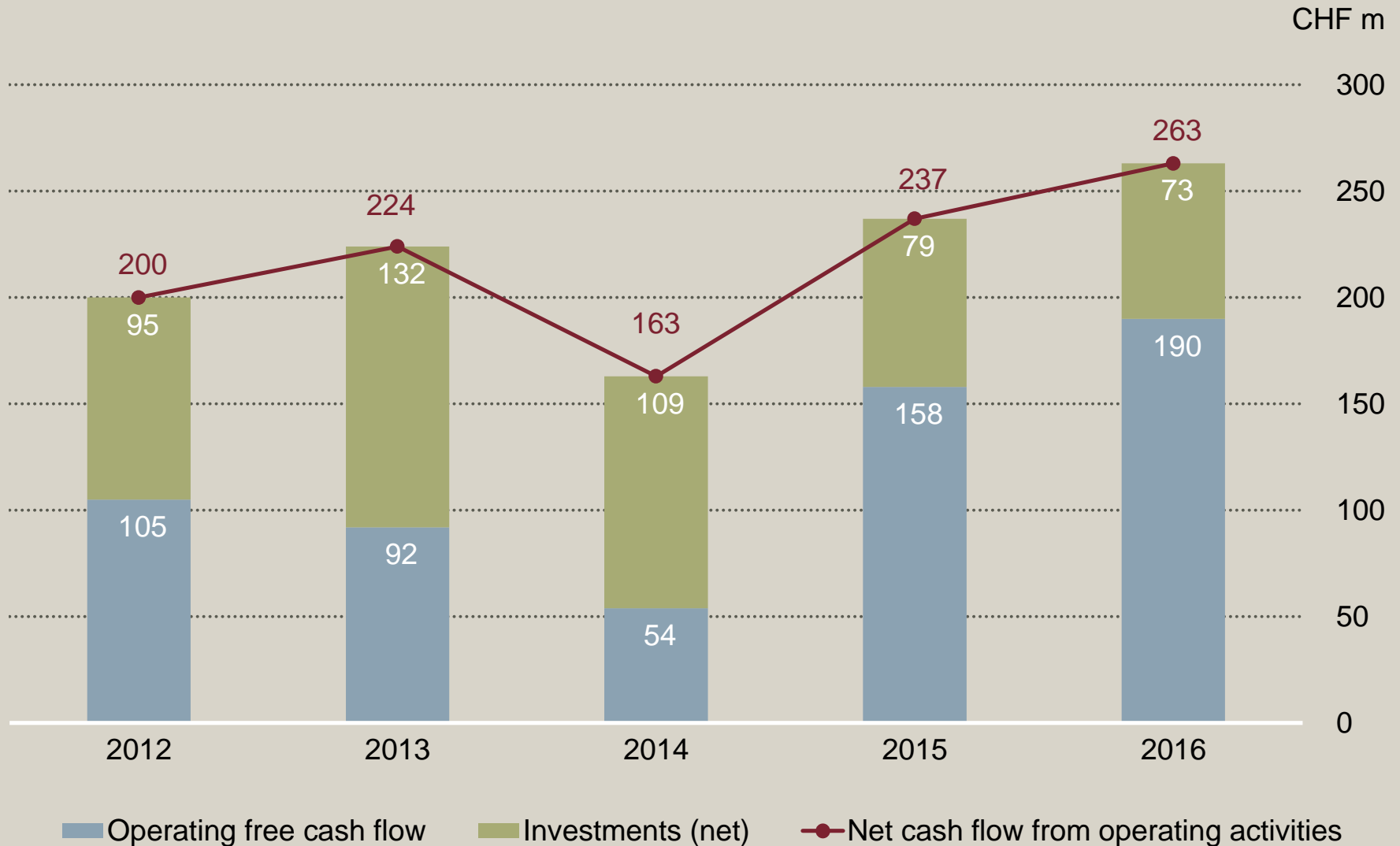
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CHF million	2016	2015	Change
Profit before tax	161	194	-33
Income tax expense	-42	-54	12
Effective tax rate	26.3%	27.8%	
Weighted average tax rate	27.7%	29.9%	

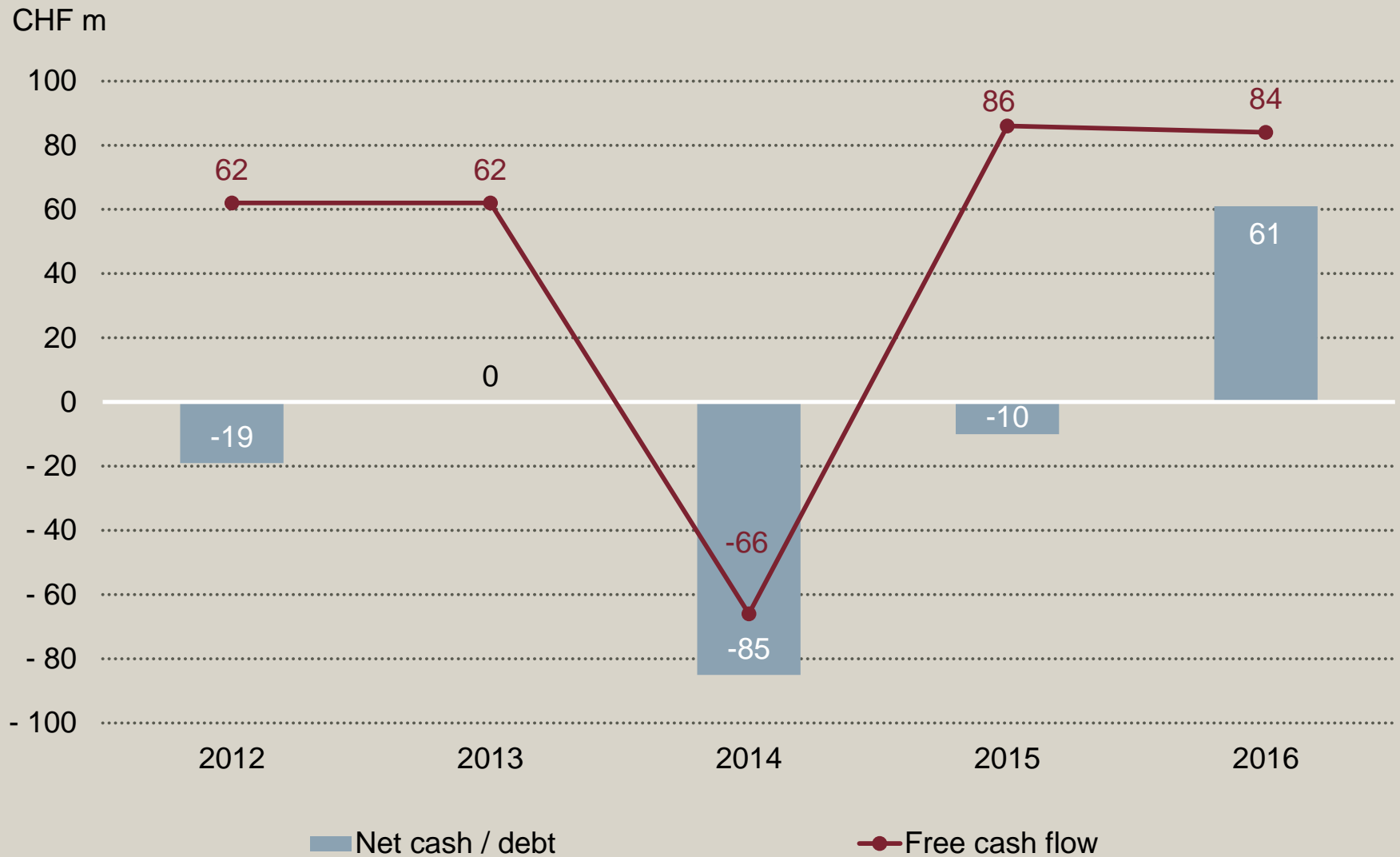
# Net operating assets (NOA) and RONOA after tax



# Operating free cash flow, investments and net cash flow from operating activities

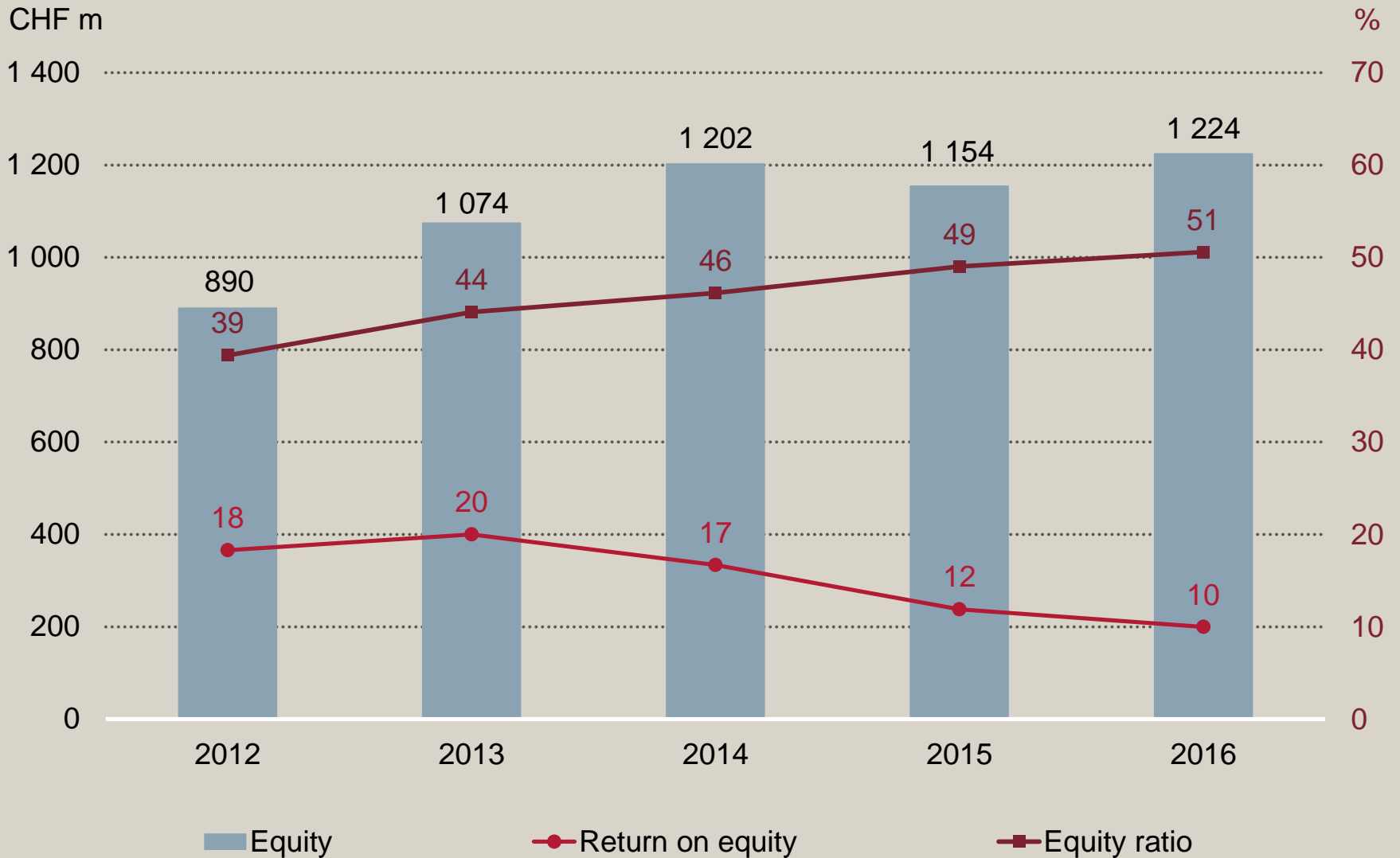


# Net cash / debt and free cash flow



# Equity and return on equity

## Equity ratio



# Outlook

# Kuhn Group

## Outlook for 2017

- Continuing pressure on farmers' incomes:
  - Prices for field crops at a low but stable level overall
  - Moderate price increase in dairy sector
- North American market should have bottomed out; demand in Europe likely to remain at a low level
- Improved market conditions in Brazil could have positive effect
- Full effect of measures to adapt capacities adopted in 2016 should be felt in 2017
- For 2017: Sales on a par with previous year and better EBIT margin expected

# Bucher Municipal Outlook for 2017

- Growth potential in North America with new sweepers and JHL sewer cleaning vehicles
- Stable trend in the European market
- Cyclical stagnation in demand for refuse collection vehicles in Australia
- Subdued trend in winter maintenance equipment owing to weather conditions
- Concentration of sweeper production capacity and synergies from acquisitions have positive impact on EBIT
- For 2017: Sales growth and increase in EBIT margin expected



# Bucher Hydraulics Outlook for 2017

- Market trend similar to previous year plus further increase in pricing pressure
- Weak growth in European market
- Opportunities in material handling in North America
- Growth impetus in China, India and Brazil market regions
- Stable trend in agricultural equipment
- For 2017: Modest sales growth and an EBIT margin in the same range as the previous year expected

# Bucher Emhart Glass

## Outlook for 2017

- Stable demand for machinery for the glass container industry
- Further strengthening of the EBIT margin through continuous implementation of measures to improve efficiency
- Restructuring continues at joint venture in Sanjin, China
- For 2017: Sales on a par with previous year and better EBIT margin expected

# Bucher Specials Outlook for 2017

- Consistent demand in winemaking equipment
- Project business with beverage technologies expects sales growth thanks to solid order book at the end of 2016
- Slight decline in trade business with agricultural machinery in Switzerland as a result of weakness in agricultural machinery market
- Positive development in automation technology
- For 2017: Bucher Specials expects an increase in sales and profitability for the year as a whole

- **Kuhn Group:** Slight recovery in livestock bedding and feeding technology; cost-control and efficiency measures boost EBIT margin
- **Bucher Municipal:** Stable demand; growth impetus in the USA; synergies from acquisitions; concentration of sweeper production and absence of one-off costs increase EBIT margin
- **Bucher Hydraulics:** Market at same level as 2016; slight recovery in material handling thanks to new business in North America
- **Bucher Emhart Glass:** Stable market overall; improved EBIT margin thanks to efficiency measures and restructuring in China
- **Bucher Specials:** Solid order book in beverage technologies and automation solutions has positive effect on sales and EBIT margin

**Overall, the Group expects a slight increase in sales and an improved EBIT margin**

# Annual general meeting 2017

# Annual general meeting 2017

## Agenda and proposals

- Annual general meeting 19 April 2017, begin at 15:30h
- Standard agenda as in previous year
- Dividend applied
  - CHF 5.00 per share (previous year CHF 5.50)
  - Yield of 2.2% relative to year end share price 2016 of CHF 250.75
- Changes to the board of directors
  - Ernst Bärtschi (65), member of the audit committee, does not stand for re-election

**BUCHER**

**Many thanks.**

Jacques Sanche, CEO  
Christina Johansson, CFO

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