

K+S' Capital Markets Day 2018

# Workshop II – Shaping 2030 from a Financial Perspective

Bethune, 5 September 2018

Thorsten Boeckers, Chief Financial Officer



Thorsten Boeckers was born in 1975 in Würselen (North Rhine-Westphalia). After training as a banker, Boeckers began his professional career in 1996 at Deutsche Bank in Aachen. He joined Deutsche Bank's Equity Research department in Frankfurt in 1999. In 2002, he was appointed Head of Institutional Investor Relations at Deutsche Post DHL. In 2009, he was transferred and served for around two years as Head of Investor Relations North America for Deutsche Post DHL in New York, USA. In 2011, he returned to his previous function in Bonn.

In 2012, Boeckers joined K+S Aktiengesellschaft in Kassel as Head of Investor Relations. Since 12 May 2017, he has been a member of the Board of Executive Directors of K+S Aktiengesellschaft. Mr Boeckers is responsible for Controlling, Finance & Accounting, Procurement, Tax and IT.

## Safety moment



### Did you know ...

- With a speed of 50 km/h:
- **14 meters in 1 second**



How long does it take to write a text message?



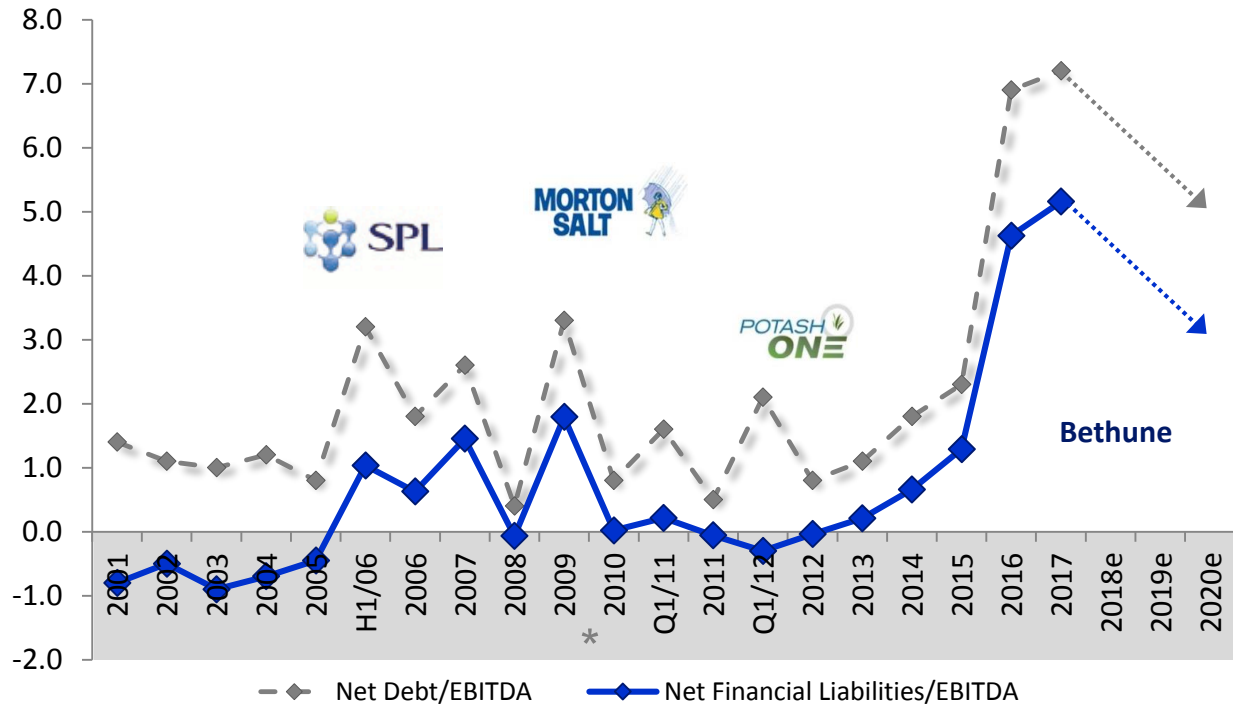
**18 seconds means you are driving 252 meters blindly!**

## Financial discipline in focus



- 1 Shaping 2030 Phase I: Transformation phase has started
- 2 K+S history is showing several examples of elevated financial leverage as a result of external growth but always followed by a quick de-leveraging
- 3 Financial de-risking has started:
  - CapEx back to significantly lower levels
  - M&A policy becoming even more disciplined
  - Bethune turning accretive

# History of indebtedness



\* including capital increase in December 2009

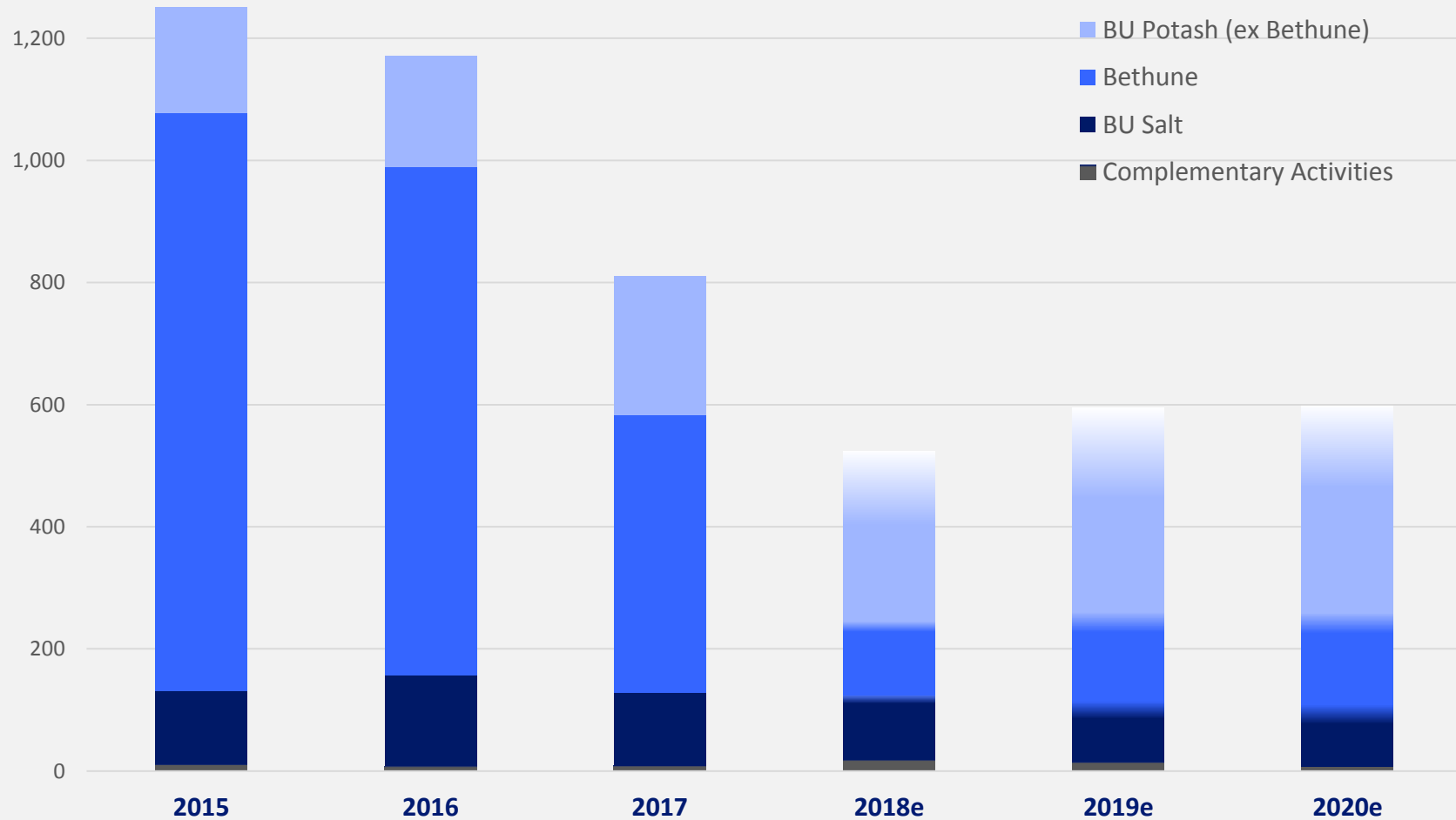
## Clear financial targets

- ➔ CapEx below €600m in 2018 and remaining on the level of ~ €600m
- ➔ At least **€150m synergies** by year end of 2020
- ➔ **FCF positive** from 2019 onwards
- ➔ Cut **Net Debt/EBITDA** from 8.1x to 4x in 2020
- ➔ Achieving prerequisites for **Investment Grade rating** by the end of 2023

# CapEx development 2015-2020



in m€



# Synergies: Breakdown by program

**SHAPING  
2030**



**Lift  
synergies**

**Net synergies YE 2020  
(vs. 2017)**

SG&A Optimization	~ €30m
Operations	> €50m
Procurement	> €30m
Supply Chain and Logistics	> €20m
Commercial Excellence	> €20m

**Σ > €150m**

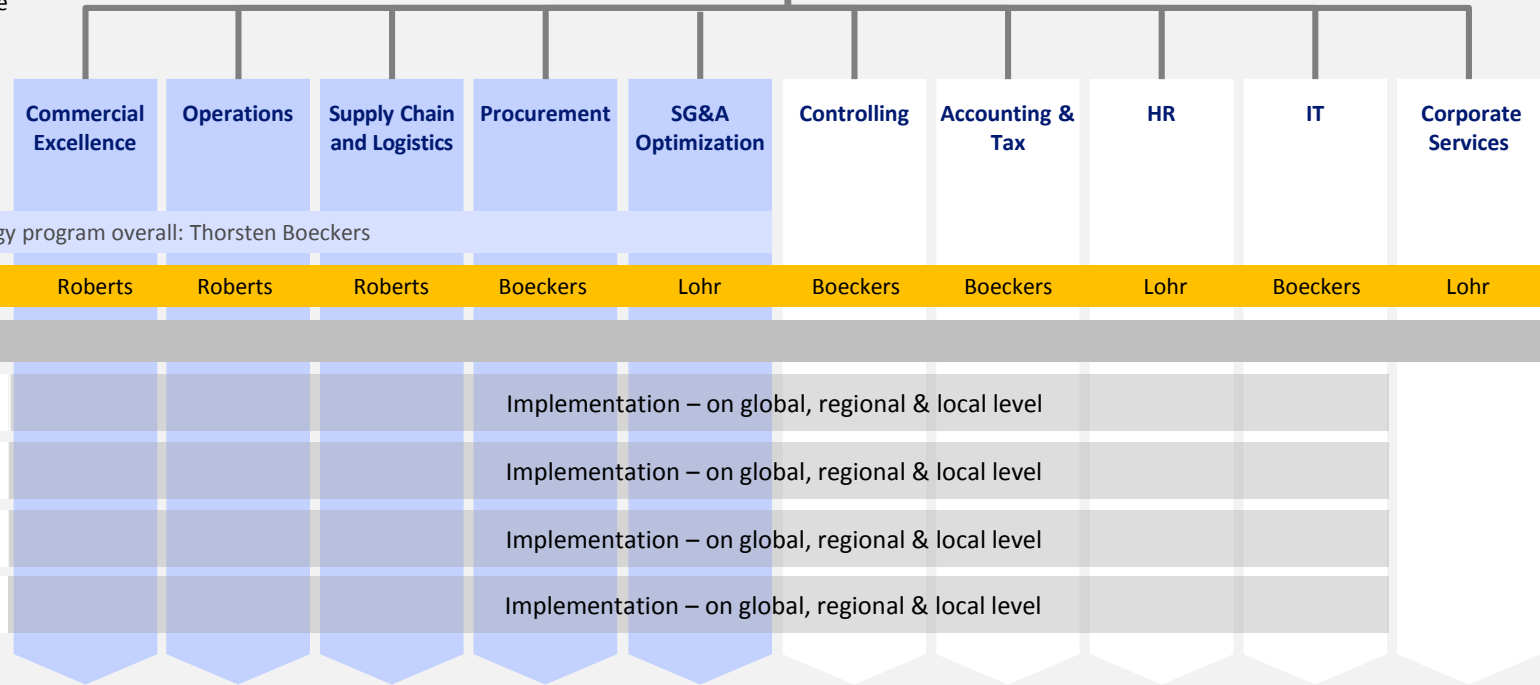


# High Board attention

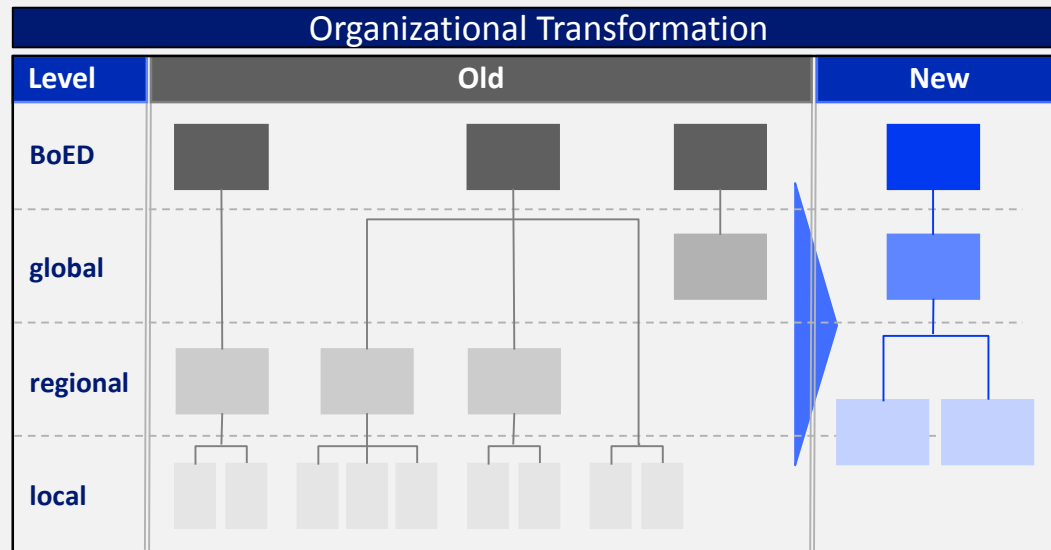
## Steering Committee – Executive Committee

### Transformation Management Office

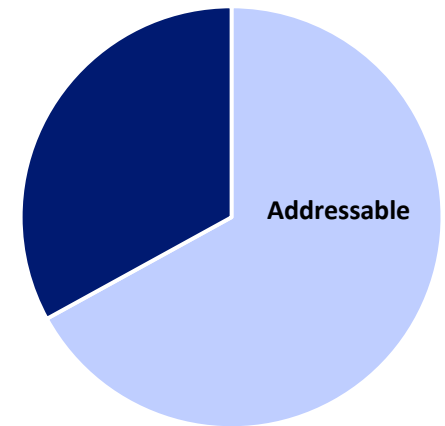
- Program steering
- Tracking and Reporting
- Project Portfolio Management
- Comm. & Change Management
- HR, IT and Process Management Governance



# Breakout: Procurement

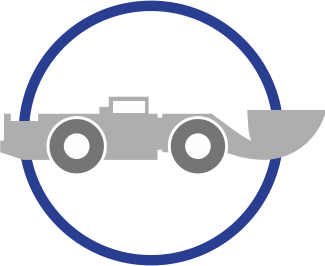
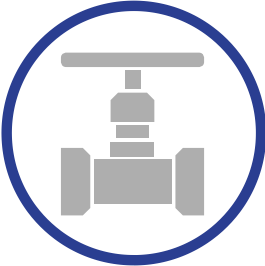
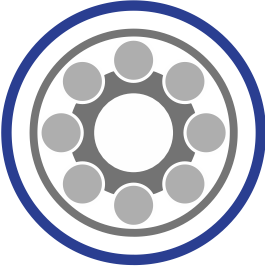


Total spend: € 2.2bn



# Breakout: Procurement



Examples		
Mobile Mining Equipment	Valves	Bearings
		
<ul style="list-style-type: none"><li>▪ Multi-year bundling approach</li><li>▪ Representing potential savings of €2-4m</li></ul>	<ul style="list-style-type: none"><li>▪ Qualify alternative suppliers</li><li>▪ Standardize product portfolio</li><li>▪ Savings of &gt; €200k/year</li></ul>	<ul style="list-style-type: none"><li>▪ Optimized manufacturer portfolio</li><li>▪ Savings potential up to €1.1m/year</li></ul>



Key examples: > € 30m

**SHAPING  
2030**



**Lift  
synergies**

**Construction Related Services**

New suppliers, intensification of claim management, etc.

**Packaging**

Tendering, Bundling, packaging optimization, etc.

**Mining Specific Services/Drilling**

Best cost country sourcing, framework agreement, etc.

**Chemicals**

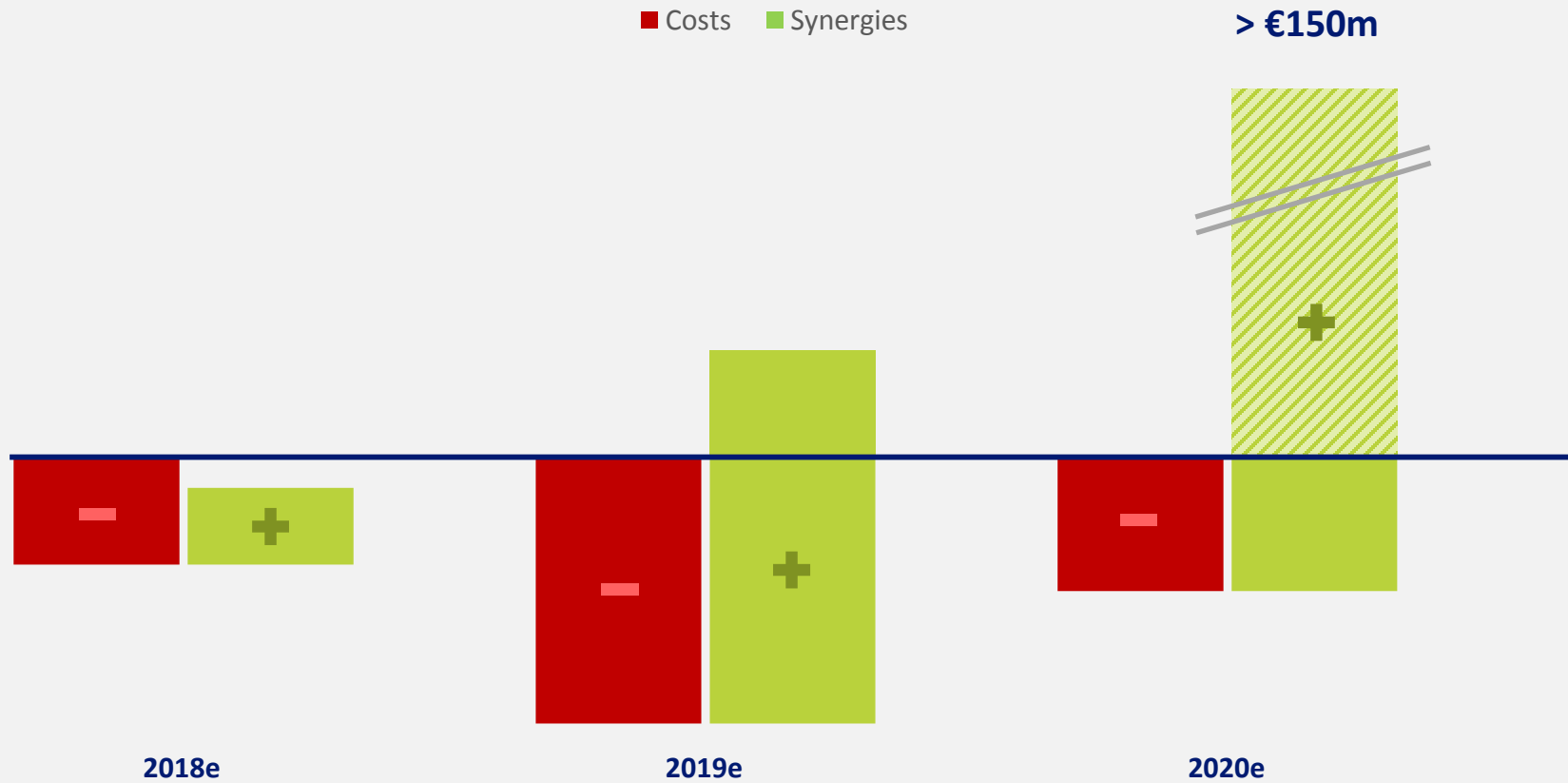
Contract re-negotiations, YPS procurement strategy, etc.

**Pallets**

Contract re-negotiations, standardization, tendering

# K+S' Capital Markets Day 2018

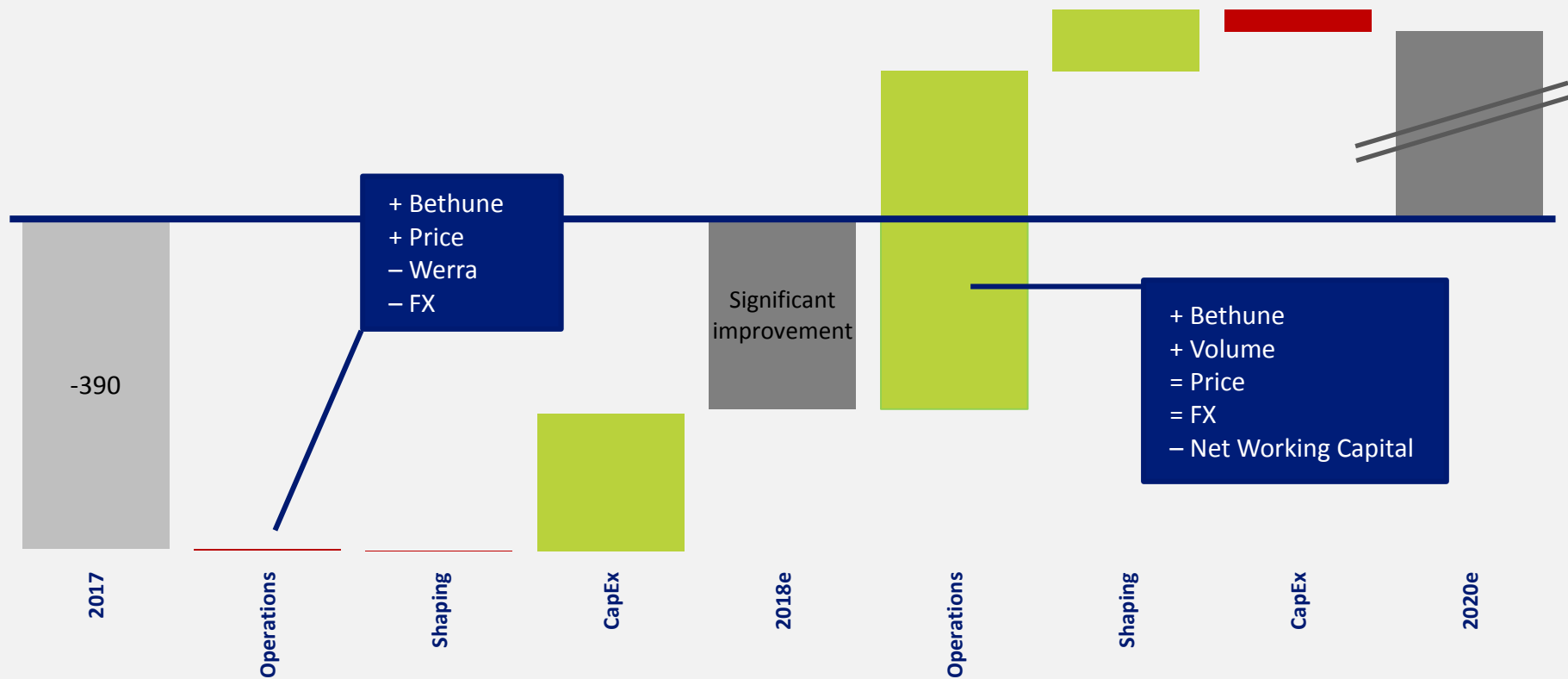
## Shaping 2030 EBITDA impact



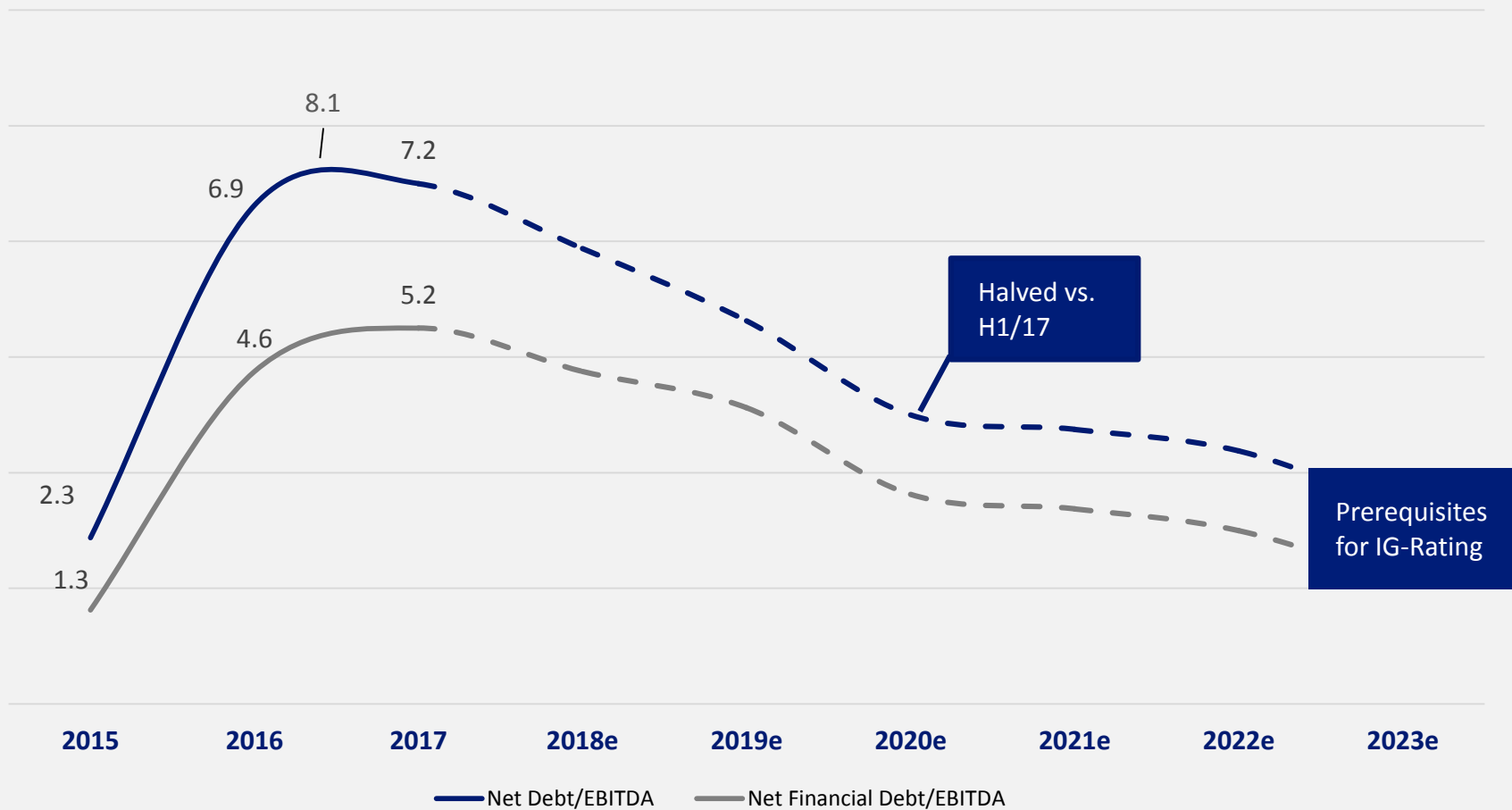
Total costs for synergy program: ~ €150m (2020 year end)

# Moving parts Free Cash Flow 2017-2020

in m€



# Deleveraging – Development 2015-2020



# KPI dashboard developed



	KPI	Unit	K+S Group				BU Potash and Magnesium				BU Salt			
			Plan 2018	FC 07/2018	Δ to Plan	Trend FC/FC	Plan 2018	FC 07/2018	Δ to Plan	Trend FC/FC	Plan 2018	FC 07/2018	Δ to Plan	Trend FC/FC
People & Sustain.	Lost time incident rate	LT/1 Mio. h												
	Sickness rate	%												
	FTE (due date)	#												
Market & Customer	Net sales (third-party)	m€												
	Sales volumes (third-party)	kt												
	Sales prices	€/t												
	MOP gran Brazil	\$/t												
	# customer complaints to orders	%												
	On time in full	%												
	Freight costs per tonne	€/t												
Operations	Capital expenditures	m€												
	# TOP 10 Projects on Budget	#												
	Maintenance costs	m€												
	Production volumes	kt												
	Cost per tonne	€/t												
Finance	EBITDA	m€												
	EBITDA margin	%												
	ROCE	%												
	Synergies - Shaping 2030	m€												
	Free cash flow	m€												
	Net debt/EBITDA	ratio												
	Net debt	m€												
	USD/EUR	\$/€												

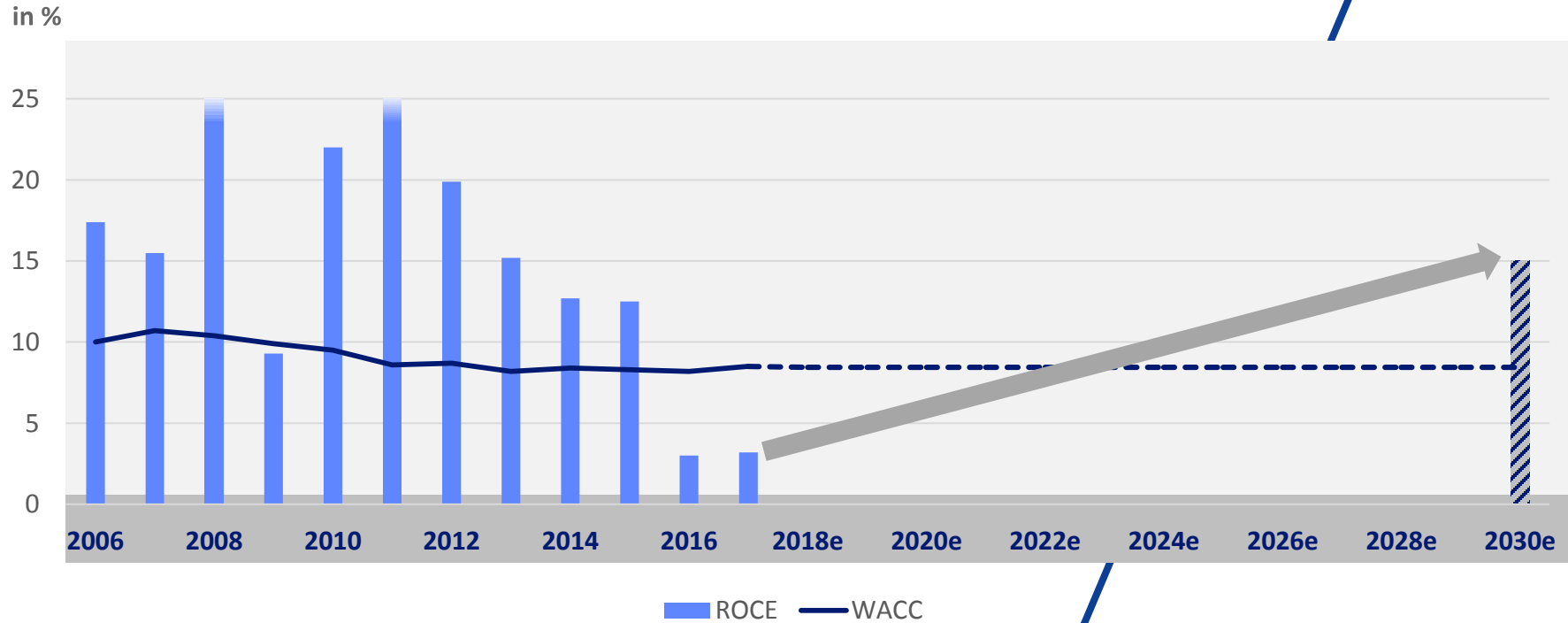
## Key financial KPIs

- EBITDA
- ROCE
- FCF
- Net Debt/EBITDA

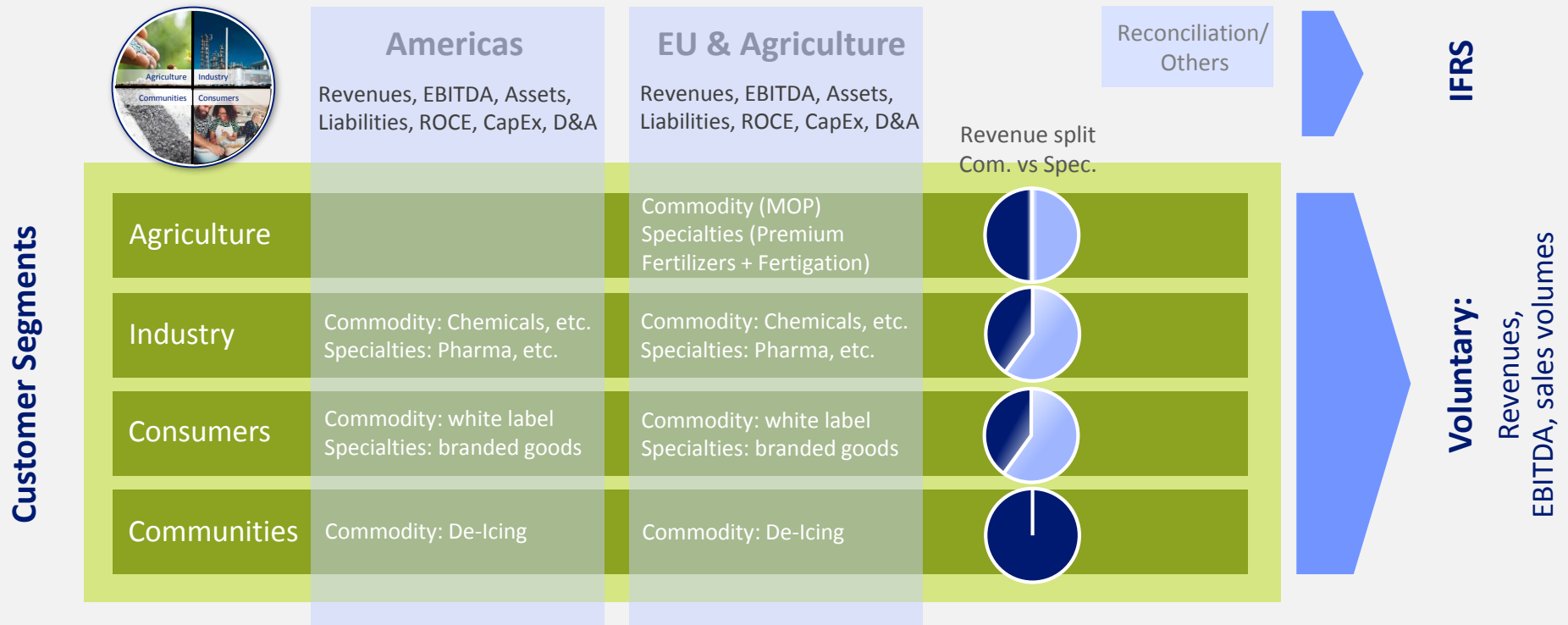


# K+S' Capital Markets Day 2018

## Historical ROCE development



# The way we look at our business in the future



## Wrap up

- ✓ We have set **clear financial targets**
- ✓ We consider our targets **ambitious but realistic**
- ✓ We will ensure that our **targets can be measured externally**
- ✓ Our adjusted external reporting will **increase transparency** and **uncover hidden champions**
- ✓ **Unlocking synergies** will support our way achieving our financial targets and will set the basis to realize our **growth opportunities** after the Transformation Phase

## Disclaimer



No reliance may be placed for any purpose whatsoever on the information or opinions contained in the Presentation or on its completeness, accuracy or fairness. No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its respective directors, officers, employees, agents or advisers as to the accuracy, completeness or fairness of the information or opinions contained in the Presentation and no responsibility or liability is accepted by any of them for any such information or opinions. In particular, no representation or warranty, express or implied, is given as to the achievement or reasonableness of, and no reliance should be placed on any projections, targets, ambitions, estimates or forecasts contained in this Presentation and nothing in this Presentation is or should be relied on as a promise or representation as to the future.

This presentation contains facts and forecasts that relate to the future development of the K+S Group and its companies. The forecasts are estimates that we have made on the basis of all the information available to us at this moment in time. Should the assumptions underlying these forecasts prove not to be correct or should certain risks – such as those referred to in the Annual Report – materialise, actual developments and events may deviate from current expectations. Given these risks, uncertainties and other factors, recipients of this document are cautioned not to place undue reliance on these forecasts.

This Presentation is subject to change. In particular, certain financial results presented herein are unaudited, and may still be undergoing review by the Company's accountants. The Company may not notify you of changes and disclaims any obligation to update or revise any statements, in particular forward-looking statements, to reflect future events or developments, save for the making of such disclosures as are required by the provisions of statute. Thus statements contained in this Presentation should not be unduly relied upon and past events or performance should not be taken as a guarantee or indication of future events or performance.

This presentation has been prepared for information purposes only. It does not constitute an offer, an invitation or a recommendation to purchase or sell securities issued by K+S Aktiengesellschaft or any company of the K+S Group in any jurisdiction.

K+S' Capital Markets Day 2018

# **Workshop II – Shaping 2030 from a Financial Perspective**

Bethune, 5 September 2018

Thorsten Boeckers, Chief Financial Officer