

H1 2018 Results

TRESU Investment Holding A/S
30 August 2018



BRINGING FLEXOGRAPHIC TECHNOLOGY TO A HIGHER LEVEL

General Information

- All figures are based on unaudited management figures as at 30 June 2018 prepared in accordance with IFRS but without all the disclosure requirements. The income statement is presented according to DK GAAP with non-IFRS measures, including Adjusted EBITDA and EBIT, for comparability with prior periods
- Consolidated figures for periods prior to 21 June 2017 are prepared pro forma on the basis that Tresu Investment Holding A/S existed and owned Tresu A/S for the relevant periods
- This report will be available at www.tresu.dk/investor-relations

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Deputy CEO & CFO, Tresu Group

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CEO, Tresu Group

Carsten Knudsen
Chairman, Tresu Group

H1 2018 Update

- Tresu delivered the first Flexo Innovator to the US folding carton market in September 2016. The successful market entry was enabled by significant investments in product development over the past several years. Tresu's Flexo Innovator is now setting the industry standard with respect to speed and quality and as a consequence Tresu experienced a step-change in growth in 2017
- However, in achieving that we have had project cost overruns in Q2 2018, especially related to two large installations where we underestimated the development work required to further optimize our technology in connection with Tresu's entry into the folding carton market. All projects have been delivered on time and the performance of our equipment is fully living up to our customers' expectations
- Further, we have decided to tighten some of our accounting practices, which has resulted in a one-off hit on Tresu's P&L in Q2 2018 incl. expensing of ongoing product development costs in Digital Solutions, an increase in warranty provisions, a number of smaller balance sheet clean-ups and adjustments related to the sale of the existing factory
- Q2 2018 revenue is significantly below management expectations due to lower than expected order intake in our Flexo Inline business. Nevertheless, our Aftermarket and Ancillary businesses perform very well and the Digital Solutions business is also growing according to plan
- Most of the costs incurred are expected to be non-recurring in nature and therefore not expected to impact the underlying earnings capacity of the Company going forward
- Moreover, from an organizational perspective, Tresu has decided to strengthen the important interface between project management and project controlling as the new Deputy CEO & CFO takes over the responsibility for, among others, Operations

Income Statement

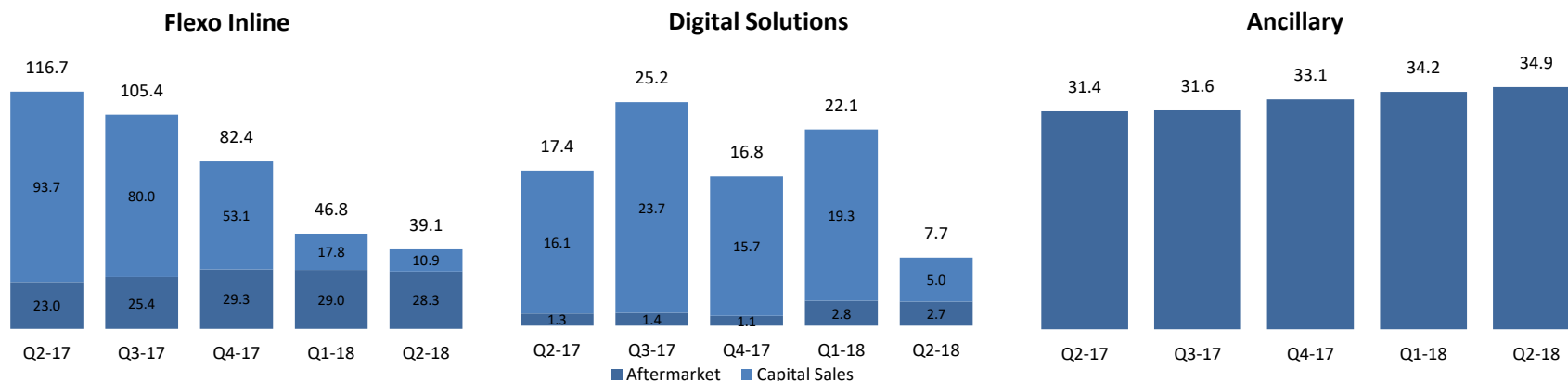
in m.dkk		
INCOME STATEMENT	YTD 18	YTD 17
Net Sales	184,9	323,1
Contribution	38,7	125,9
<i>Contribution margin (%)</i>	20,9%	39,0%
Indirect production cost	34,0	19,9
Fixed overhead	74,6	52,2
Adjusted EBITDA	-69,9	53,7
<i>Adjusted EBITDA margin (%)</i>	-37,8%	16,6%
Depreciation	5,8	5,3
Adjusted EBIT	-75,7	48,5
<i>Adjusted EBIT margin (%)</i>	-40,9%	15,0%
Net interest (incl bond)	15,3	1,3
Adjusted EBT	-91,0	47,1
Taxes	-35,9	12,1
Adjusted EAT	-55,1	35,0
Non Recurring items (post tax)		
Transaction fees / Restructuring	4,0	13,2
Financing fees	0,0	2,4
PPA depreciation	56,3	1,9
Total NRI	60,2	17,6

Comments

- Q2 2018 YTD performance was significantly below expectations
- YTD revenue was lower than YTD 2017 driven primarily by lower revenue in the Flexo Inline business unit due to a continued delay in order intake
- The negative development in contribution margin was primarily driven by the decline in revenue as well as the cost overruns on two large projects within the Flexo Inline business unit
- YTD EBITDA was negatively impacted by an increase in fixed costs vs YTD 2017 primarily driven by the expensing of ongoing product development costs in Digital Solutions, an increase in provisions for warranty claims and holiday pay, as well as a number of smaller balance sheet clean-ups
- Transaction fees / restructuring mainly relate to redundancies from cost initiatives to date and costs associated with the Strategy Plan 2021 implementation
- PPA depreciations classified as non-recurring items to allow for comparability with prior periods

Quarterly Revenue by Business Unit

In m.dkk



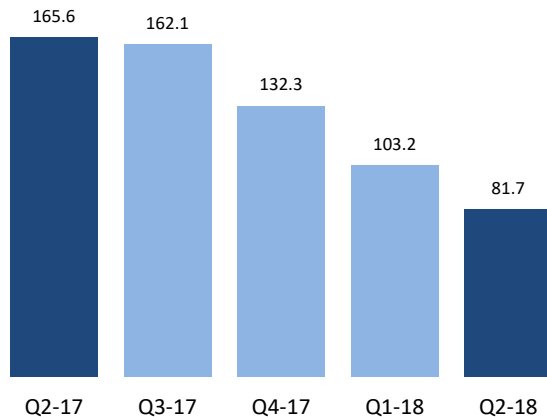
Comments

- Revenue in Flexo Inline declined in Q2 2018 primarily driven by a continued delay in order intake
- Revenue in Digital Solutions is growing according to plan despite a weaker Q2 2018, which was driven by phasing effects in product deliveries
- Revenue in Ancillary remains stable and continues to grow in line with expectations

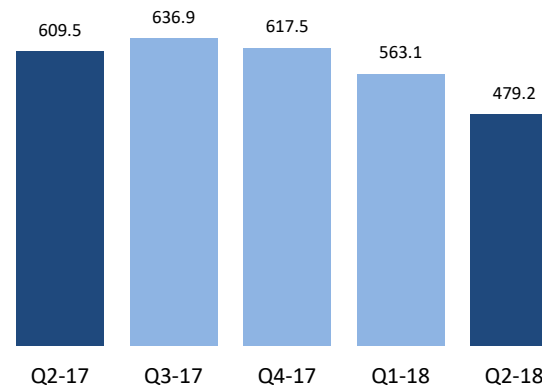
Revenue and Adjusted EBITDA – Quarterly and LTM

In m.dkk

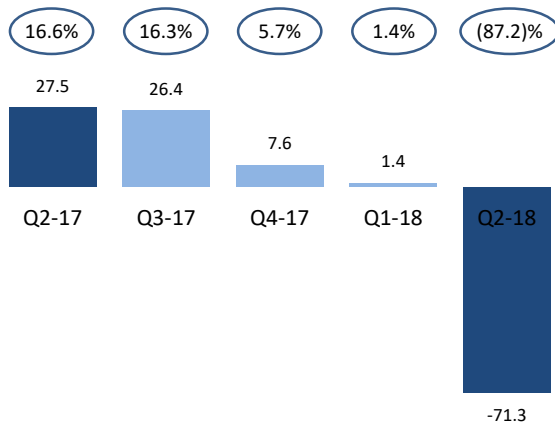
Quarterly net revenue



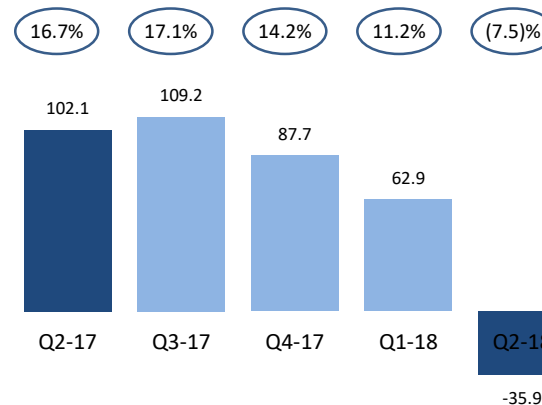
LTM net revenue



Quarterly adjusted EBITDA



LTM adjusted EBITDA



% = EBITDA % of net revenue

Actions Taken

- In light of Tresu's performance in 2018, a number of actions have been taken:
 - Executive management changes
 - Heidi Thousgaard Jørgensen (CFO as of August 2018) appointed Deputy CEO & CFO with responsibility for Operations, Finance, HR, and site/HQ. This will enable Søren Maarssø, CEO, to focus on Sales and Business Development
 - Right sizing of workforce and outsourcing of non-core activities
 - Outsourcing of paint and machine workshops and staff reduction to improve operational flexibility (announced 21 August 2018 and 30 August 2018, respectively)
 - Operational improvements
 - Strengthen the important interface between project management and project controlling
 - Investment in new factory on attractive sale-and-lease back terms (operational from H2 2019)
 - Equity contribution
 - Tresu's shareholders have demonstrated strong support of the Company by fully subscribing to the equity issue of approx. DKK 50m in May 2018 and approx. DKK 75m announced this morning to secure liquidity while the Company is executing on its strategy

Balance Sheet

in m.dkk	jun-18	dec-17	jun-17
BALANCE SHEET			
Intangible Assets	737,4	769,9	804,7
Property, Plant & Equipment	48,0	65,5	66,1
Other non-current assets	1,7	1,6	0,7
Non-current Assets	787,1	837,0	871,5
Inventory	121,7	133,2	91,8
Trade receivables	56,9	50,5	55,6
Contract Work in Progress	107,3	175,6	190,9
Tax receivables	18,1	1,9	8,5
Other short-term receivables	13,7	7,6	0,1
Prepayments	3,9	2,4	2,1
Receivables	321,6	371,2	349,0
Cash & Cash equivalents	6,9	10,6	74,7
Current Assets	328,5	381,8	423,7
Total Assets	1.115,6	1.218,8	1.295,2
Equity	174,8	238,5	270,9
Provisions for deferred tax	123,6	137,8	131,3
Other provisions	4,8	1,3	1,3
Corporate bonds ⁽¹⁾	516,6	515,4	0,0
Finance lease liabilities	0,1	0,2	0,1
Other payables	6,9	7,2	7,4
Non-current liabilities	652,0	661,9	140,2
Current portion of long-term lease liabilities	0,0	0,2	1,7
Current portion of long-term other payables	1,1	1,1	400,0
Bank debt	90,9	67,5	123,2
Payable group company	0,3	0,0	0,0
Payable associated companies	0,0	0,0	49,3
Contract liabilities	10,1	3,9	90,5
Trade payables	144,9	202,3	161,1
Income tax payable	0,0	5,7	17,2
Other payables	41,4	37,7	41,2
Current liabilities	288,7	318,4	884,1
Total Liabilities	940,8	980,3	1.024,2
Total Equity and Liabilities	1.115,6	1.218,8	1.295,2

Comments

- Net working capital change primarily driven by changes in customer work in progress
- The balance sheet was affected by the equity issuance in Q2 2018
- Net interest bearing debt of DKK 605.7m by end-June 2018

(1) Net of financing fees of DKK 5.1m. Gross corporate bonds of DKK 521.7m.

Cash Flow Statement

in m.dkk CASH FLOW	YTD 18	YTD 17
Operating Profit/Loss	-135,9	-12,6
Amortization, depreciations and impairment loss	62,2	2,7
Other provisions	3,4	-1,3
NRI - expenses	0,0	0,0
Working capital changes	19,2	1,5
Cash Flow from ordinary operating activities	-51,1	-9,7
Financial income received	0,5	0,1
Financial expenses paid	-16,1	-2,5
Cash Flow from operating activities	-66,7	-12,1
Aquisition (etc) of intangible assets	-8,3	0,0
Aquisition (etc) of property, plant and equipment	-3,9	0,0
Acquisition (etc) of fixed assets	-0,1	0,0
Acquisition group companies	0,0	-873,1
Cash Flow from Investing Activities	-12,3	-873,1
Loans raised	0,0	702,5
Instalments loan	-0,1	-52,7
Overdraft facility	25,4	24,2
Capital increase	50,0	285,7
Net Cash Flow from Financing activities	75,3	959,7
Increase/decrease in cash and cash equivalents	-3,6	74,6
Cash and Cash equivalents -beginning of period	10,6	0,1
Cash and Cash equivalents - end of period	6,9	74,7

Comments

- YTD cash flow from ordinary operating activities of DKK - 51.1m vs DKK -9.7m YTD 2017
 - Negative development primarily driven by lower activity levels and under absorption
- Equity issuance of ca. DKK 50m in Q2 2018

Summary and Way Forward

- Tresu's shareholders have demonstrated strong support of the Company by fully subscribing to the equity issue of approx. DKK 75m announced this morning. Moreover, Tresu's board remain fully supportive of the Company as the growth fundamentals remain intact and the customer relationships are wider and stronger than ever
- Equity contribution of ca. DKK 75m exceeds the Q2 2018 loss and provides Tresu with a sizable liquidity buffer to execute on its strategy
- Focus for the coming months:
 - Strengthen the interface between project management and project controlling
 - Execute on increased flexibility in our supply chain
 - Improve efficiency by gathering today's 7 locations in Denmark to 1 new modern factory
 - Convert the pipeline into order backlog
- Management will, with Altor participation, offer meetings with bondholders during the coming week in order to provide ample opportunity to respond to questions from bondholders (to be scheduled via Danske Bank and Nykredit)