

# Full Year 2014 Analyst and Investor Presentation



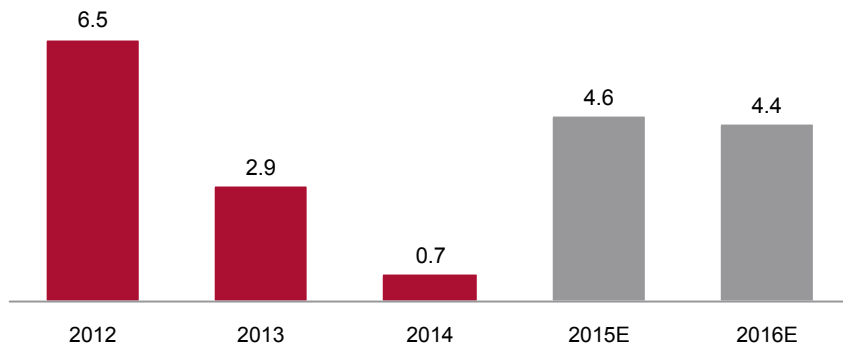
**DKSH Holding Ltd.**

February 26, 2015

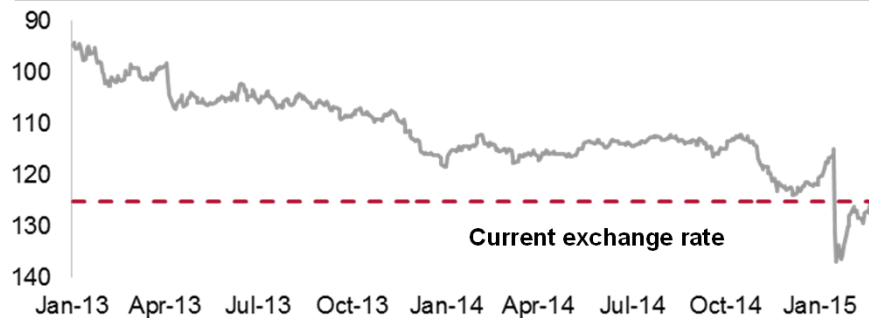
**Think Asia. Think DKSH.**

## 2014 the most challenging year since 2002

**Thailand Real GDP Growth (%)<sup>1</sup>**



**Exchange rate: Japanese yen to Swiss franc<sup>2</sup>**



- Economic implications in Thailand were more profound and enduring than previously expected:
  - Lower demand for higher-margin luxury and lifestyle products and FMCG items
  - Reduced industrial investments
  - Less tourism
- Additional impact on our business:
  - Further depreciation of the Japanese yen
  - Political unrest in Hong Kong
  - Reduced demand for luxury products in China

**Difficult market conditions in Thailand, Japan, Hong Kong and China**

<sup>1</sup> IMF World Economic Outlook

<sup>2</sup> Bloomberg

## Track record 2014

### Highlights 2014

Net sales growth of 7.1% at constant exchange rates in unfavorable market environment

Acceleration of net sales growth in the second half-year of 2014 to 7.6%

EBIT at constant exchange rates above last year's level

Consistently high Free Cash Flow resulting in a CHF 292.5 million net cash position

RONOC of 24.2% and return on equity of 13.3% remain at high level

Increase of long-term dividend pay-out ratio to 30–50% in the year of the 150th anniversary

Substantial increase of the ordinary dividend to CHF 1.15 per share (+21%)<sup>1</sup>

Number of specialists rises by 3.2% to 27,550

**Performance reflects unique and proven business model**

<sup>1</sup> Proposed by the Board of Directors

## Strategy for growth

### Net sales growth driven by organic growth and solid business model

- Organic growth
  - Expanding business with existing clients and customers
  - Multiplying success stories from country to country
  - Gaining new business partners
- Bolt-on acquisitions
  - Glory, Macao (Healthcare)
  - Zeus Química, Spain and Portugal (Performance Materials)
- Expanding service offerings



**DKSH drives further consolidation of fast-growing, yet highly fragmented industry**

## Industry with promising growth potential



### Market Expansion Services (MES)

- Still considerable growth potential in DKSH's addressable markets: 7.4% p.a until 2019<sup>1</sup>
- Growth drivers:
  - Rise of the middle class in emerging markets
  - Stronger inner-Asian trade
  - Trend towards outsourcing

**MES growth premium is driven by an increase in the outsourcing rate**

<sup>1</sup> Roland Berger Strategy Consultants, February 2015

## Rapidly growing middle class in Asia

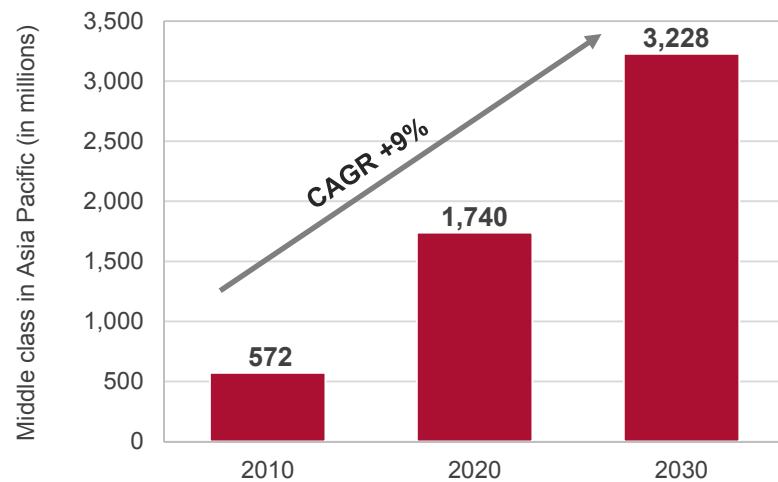
### Growing middle class in Asia Pacific<sup>1</sup>

APAC middle class  
in % of the global  
middle class

28%

54%

66%



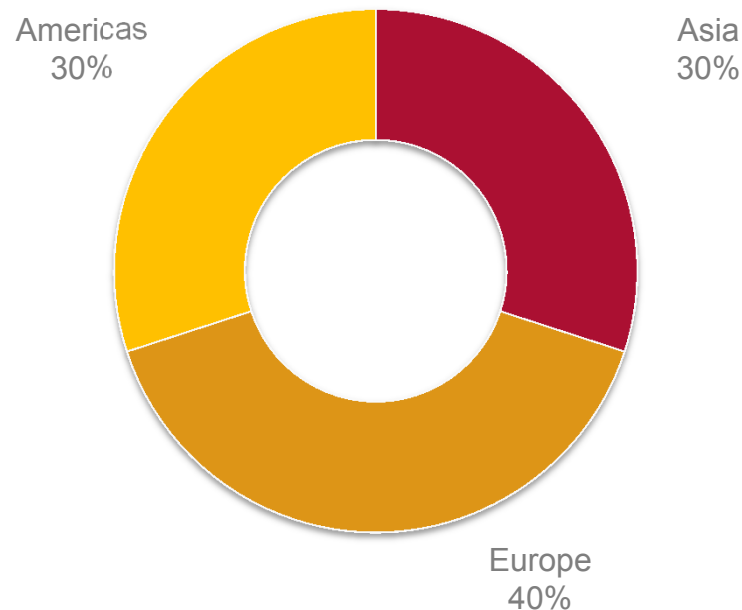
- By 2030 middle class is expected to grow sixfold<sup>1</sup>
- Growing middle class driving demand for local and international products
- DKSH is well positioned to benefit from these trends:
  - Direct positive impact on consumer spending
  - Indirect positive impact on industrial sectors

From the "extended workbench" of the West to attractive domestic sales markets

<sup>1</sup> UnctadSTAT, Roland Berger Strategy Consultants, March 2013

## Strong inner-Asian trade

### Origin of DKSH's key clients



- Asia is today already the second largest trading area after Europe, having overtaken America<sup>1</sup>
- Inner-Asian trade is expected to rapidly grow as trade barriers between Asian nations decline (e.g. AEC) and local consumer markets develop fast
- Out of our major clients, already 30% are of Asian origin

**DKSH enables and benefits from growing inner-Asian trade**

<sup>1</sup> Roland Berger Strategy Consultants, March 2013

## Trend towards outsourcing

- Asia as a target region for companies seeking to grow their business
- Strong focus on core competencies – R&D, global marketing and manufacturing – leads to increasing demand for outsourcing services related to market entry and expansion
- Because of increased uncertainty and complexity in some Asian markets, clients are increasingly outsourcing sales and distribution of their products in Asia to transparent and reliable partners like DKSH. This further drives our business development activities
- DKSH is a reliable partner for the successful, rapid and low-risk expansion to and within Asia



**Focus on core competencies leads to increasing demand for Market Expansion Services**



## FY 2014: Growth in a challenging market environment

In CHF millions	At constant exchange rates <sup>1</sup>		In CHF		In CHF 2013
	2014	Δ in %	2014	Δ in %	
<b>Net sales</b>	<b>10,240.7</b>	<b>7.1%</b>	9,818.2	2.7%	9,559.0
<b>Operating profit (EBIT)<sup>2</sup></b>	<b>284.1</b>	<b>0.7%</b>	272.7	-3.4%	282.2
Operating profit incl. gain from sale of property	284.1	-8.3%	272.7	-12.0%	309.8
<b>Profit after tax<sup>2</sup></b>	<b>201.3</b>	<b>-6.0%</b>	195.5	-8.7%	214.1
Profit after tax incl. gain from sale of property	201.3	-16.7%	195.5	-19.1%	241.7
<b>Free Cash Flow</b>	-	-	188.4	-1.8%	191.8
<b>Earnings per share (in CHF)<sup>2</sup></b>	-	-	2.96	-5.7%	3.14
Earnings per share (in CHF) incl. gain from sale of property	-	-	2.96	-17.1%	3.57
<b>Ordinary dividend per share (in CHF)<sup>3</sup></b>	-	-	1.15	21.1%	0.95
<b>Employees at year-end</b>	-	-	27,550	3.2%	26,693

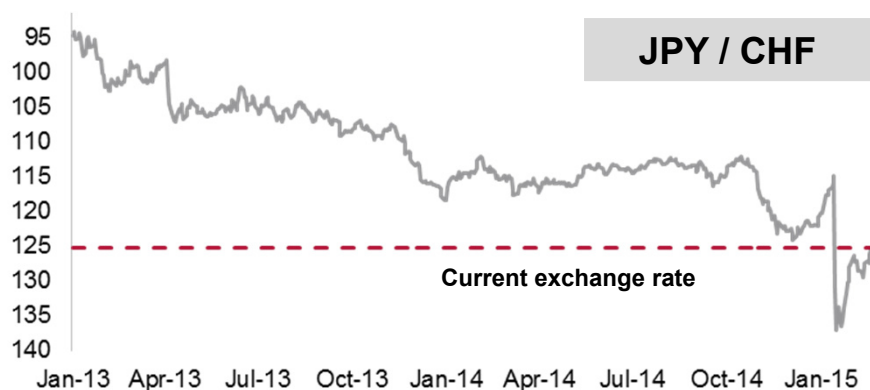
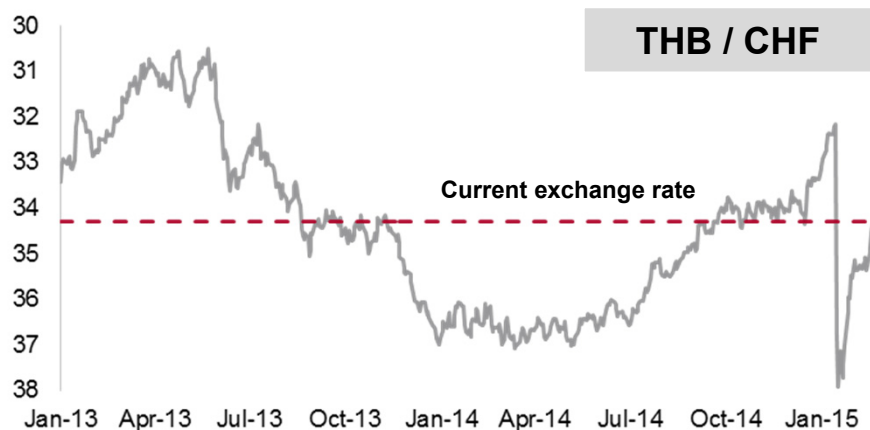
**DKSH continues to grow in a challenging market environment in 2014**

<sup>1</sup> Constant exchange rates: 2014 figures converted at 2013 exchange rates

<sup>2</sup> Excl. income from sale of property in Malaysia in 2013 (CHF 27.6 million)

<sup>3</sup> Proposed by the Board of Directors

## Expected impact of the Swiss franc appreciation



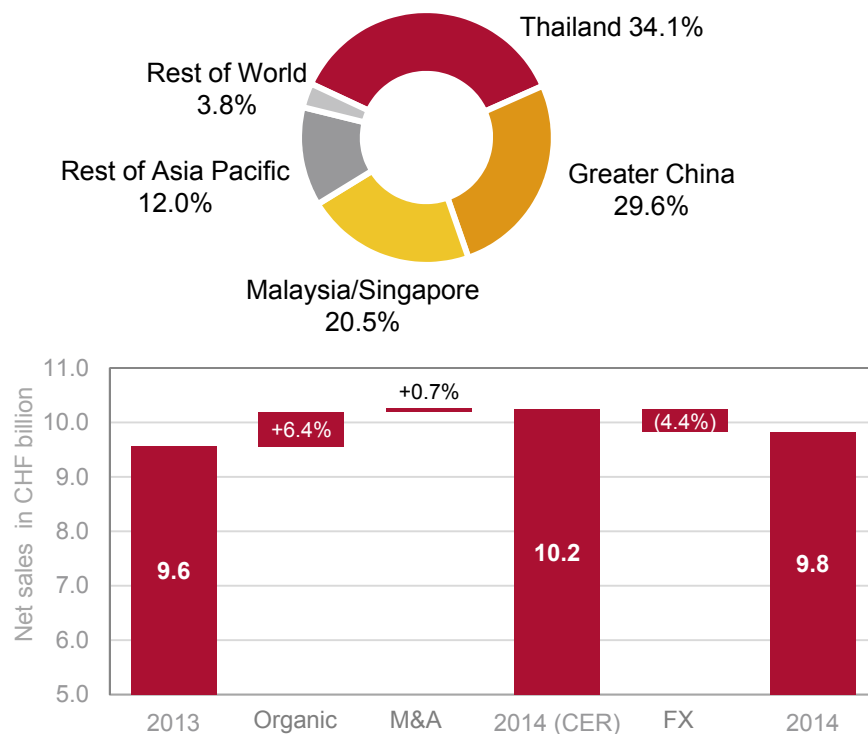
### Comments

- DKSH generates 96% of its business in Asia – limited exposure to Swiss franc and Euro. Asian currencies depreciated
- Short term no substantial impact on local operations expected
- Low single digit impact on net sales and EBIT anticipated
- Transactions fully hedged
- Substantial part of equity held in Swiss francs. This limits effect on equity translation to less than 5%
- Debt mainly held in local currencies and large part of cash held in Swiss francs

**Short-term no substantial impact on local operations expected**

## Solid organic growth

### Net sales by region and breakdown



### Comments

- Deeply rooted in one of the world's fastest growing markets: 96.2% of net sales generated in Asia Pacific
- Net sales growth of 7.1% at constant exchange rates<sup>1</sup> reached, mainly driven by:
  - 6.4% organic growth
  - 0.7%-points of net sales growth from acquisitions
- Negative impact from FX changes of 4.4%-points

**Deeply rooted in one of the world's fastest growing markets**

<sup>1</sup> Constant exchange rates: 2014 figures converted at 2013 exchange rates

## New Free Cash Flow definition

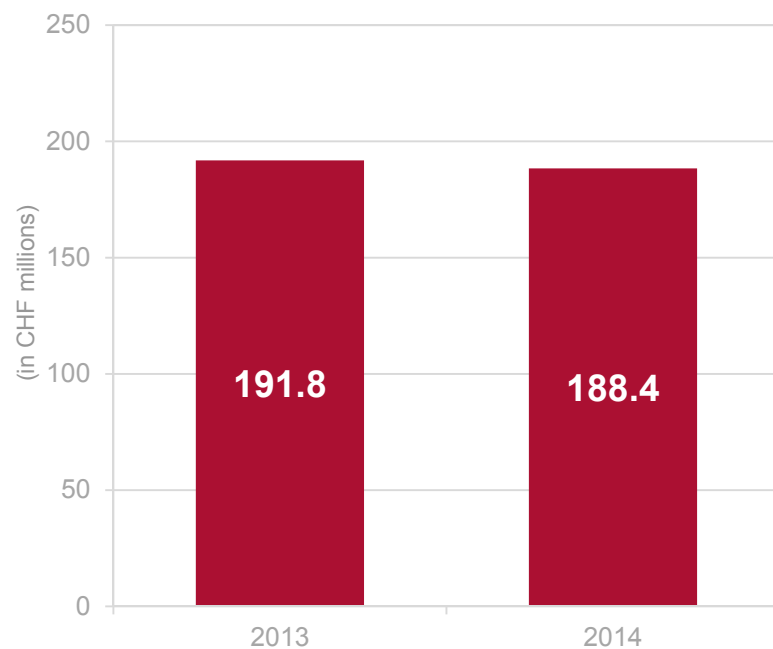
New and previous definition of Free Cash Flow	Comments
<p data-bbox="250 539 797 571"><b>New definition Free Cash Flow</b></p> <p data-bbox="250 580 824 663">FCF = Cash Flow from Operations - Capex</p> <p data-bbox="250 863 875 895"><b>Previous definition Free Cash Flow</b></p> <p data-bbox="250 904 1016 1034">FCF = EBITDA +/- Change in Specific Working Capital<sup>1</sup> - Capex</p>	<ul style="list-style-type: none"> <li data-bbox="1240 469 1944 592">• As announced with the H1 2014 results, DKSH changed the Free Cash Flow definition with full-year 2014 results</li> <li data-bbox="1240 619 1973 975">• Advantages of the new definition:               <ul style="list-style-type: none"> <li data-bbox="1279 679 1939 711">– Easier to understand for shareholders</li> <li data-bbox="1279 743 1921 866">– Identical with cash flow statement as shown in the Half-Year and Annual Reports</li> <li data-bbox="1279 898 1973 975">– Excludes FX-related, i.e. non-monetary, changes of Specific Working Capital</li> </ul> </li> </ul>

**New definition increases transparency**

<sup>1</sup> Specific working capital (SWC) = Trade receivables + Inventory - Trade payables

## Free Cash Flow

### Free Cash Flow (Cash Flow from Operations – Capex)



### Comments

- Free Cash Flow achieved CHF 188.4 million and thereby almost reached the high level of last year
- Balance sheet further strengthened
  - Low counterparty risk is a competitive advantage for client negotiations and collaboration

**Solid Free Cash Flow**

## Business Unit Consumer Goods

Financials					
(in CHF millions)	At constant exchange rates <sup>1</sup>		In CHF		In CHF
	2014	Δ in %	2014	Δ in %	2013
<b>Net sales</b>	<b>4,326.8</b>	<b>3.7%</b>	4,143.2	(0.7%)	4,171.2
<b>EBIT</b>	<b>136.6</b>	<b>(13.6%)</b>	130.9	(17.2%)	158.1
EBIT margin	3.2%		3.2%		3.8%

Comments
<ul style="list-style-type: none"> <li>Achieving net sales growth<sup>1</sup> of 3.7% at constant exchange rates:               <ul style="list-style-type: none"> <li>Growth derived from all major markets</li> <li>Net sales in Thailand increased despite the challenging market environment</li> </ul> </li> <li>Accelerating net sales growth to 5.6%<sup>1</sup> in the second half-year of 2014</li> <li>Profitability impacted by:               <ul style="list-style-type: none"> <li>Lower demand for higher-margin luxury and lifestyle goods in Thailand and China</li> <li>Political unrest in Hong Kong</li> </ul> </li> </ul>

### Net sales growth despite challenging market environment

<sup>1</sup> Constant exchange rates: 2014 figures converted at 2013 exchange rates

## Business Unit Healthcare

Financials					Comments
(in CHF millions)	At constant exchange rates <sup>1</sup>		In CHF		In CHF
	2014	Δ in %	2014	Δ in %	
<b>Net sales</b>	<b>4,728.5</b>	<b>11.1%</b>	4,544.0	6.8%	4,254.7
<b>EBIT</b>	<b>131.4</b>	<b>23.1%</b>	128.7	20.6%	106.7
EBIT margin	2.8%		2.8%		2.5%

- Excellent net sales growth of 11.1%<sup>1</sup>
- Outstanding EBIT increase of 23.1%<sup>1</sup>
- Strong organic growth
  - Increased volumes with existing clients
  - Multiplying success stories from country to country
  - Successful new business development
- Economies of scale resulted in significant increase in profitability
- Strategic bolt-on acquisition of Glory in Macao

**Business Unit Healthcare showing best performance in 2014**

<sup>1</sup> Constant exchange rates: 2014 figures converted at 2013 exchange rates

## Business Unit Performance Materials

Financials					
(in CHF millions)	At constant exchange rates <sup>1</sup>		In CHF		In CHF
	2014	Δ in %	2014	Δ in %	2013
<b>Net sales</b>	<b>821.3</b>	<b>6.6%</b>	781.9	1.5%	770.1
<b>EBIT</b>	<b>55.9</b>	<b>2.8%</b>	52.5	(3.5%)	54.4
EBIT margin	6.8%		6.7%		7.1%

Comments
<ul style="list-style-type: none"> <li>• Solid net sales growth of 6.6% and EBIT growth of 2.8% at constant exchange rates<sup>1</sup></li> <li>• Price adjustments in Japan successfully implemented, yet further weakening of Japanese yen by the end of 2014</li> <li>• Acquisition of Zeus Química in Spain and Portugal strengthens market position in Europe and complements market leadership in Asia</li> </ul>

### Solid results

<sup>1</sup> Constant exchange rates: 2014 figures converted at 2013 exchange rates



## Business Unit Technology

Financials					Comments
(in CHF millions)	At constant exchange rates <sup>1</sup>		In CHF		In CHF
	2014	Δ in %	2014	Δ in %	2013
<b>Net sales</b>	<b>364.4</b>	<b>0.1%</b>	349.5	(4.0%)	363.9
<b>EBIT</b>	<b>11.3</b>	<b>(30.2%)</b>	11.5	(29.0%)	16.2
EBIT margin	3.1%		3.3%		4.5%

- Business Unit Technology with net sales growth of 0.1% at constant exchange rates in full-year 2014<sup>1</sup>
- Lower government-funded and private sector investment activities in Thailand
- EBIT decline mainly attributable to postponement of investment projects in Thailand

### Business Unit with weak results

<sup>1</sup> Constant exchange rates: 2014 figures converted at 2013 exchange rates

## Continued dynamic growth expected

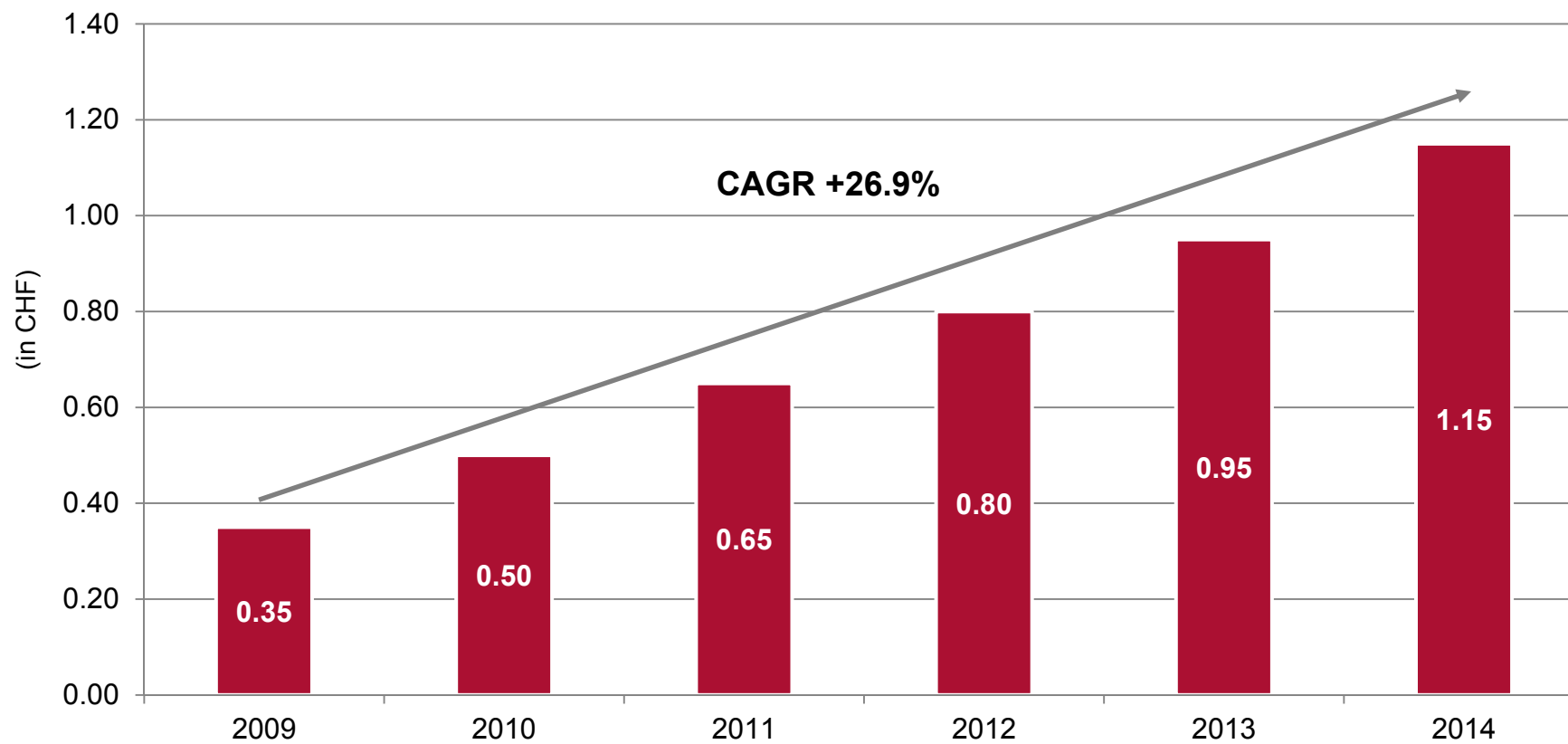
- Improvement of economic situation in Thailand expected for 2015
- Enhanced support for Japanese companies aiming to expand into South East Asia
- Acquisition of healthcare distributor Glory in Macao allows us to serve both Hong Kong and Macao out of one hand
- Acquisition of Zeus Química in Spain and Portugal strengthens market position in Europe and complements market leadership in Asia
- Continued dynamic net sales growth and double-digit EBIT growth expected for 2015<sup>1</sup>



**Further cemented leading market position of DKSH**

<sup>1</sup> Assuming constant exchange rates

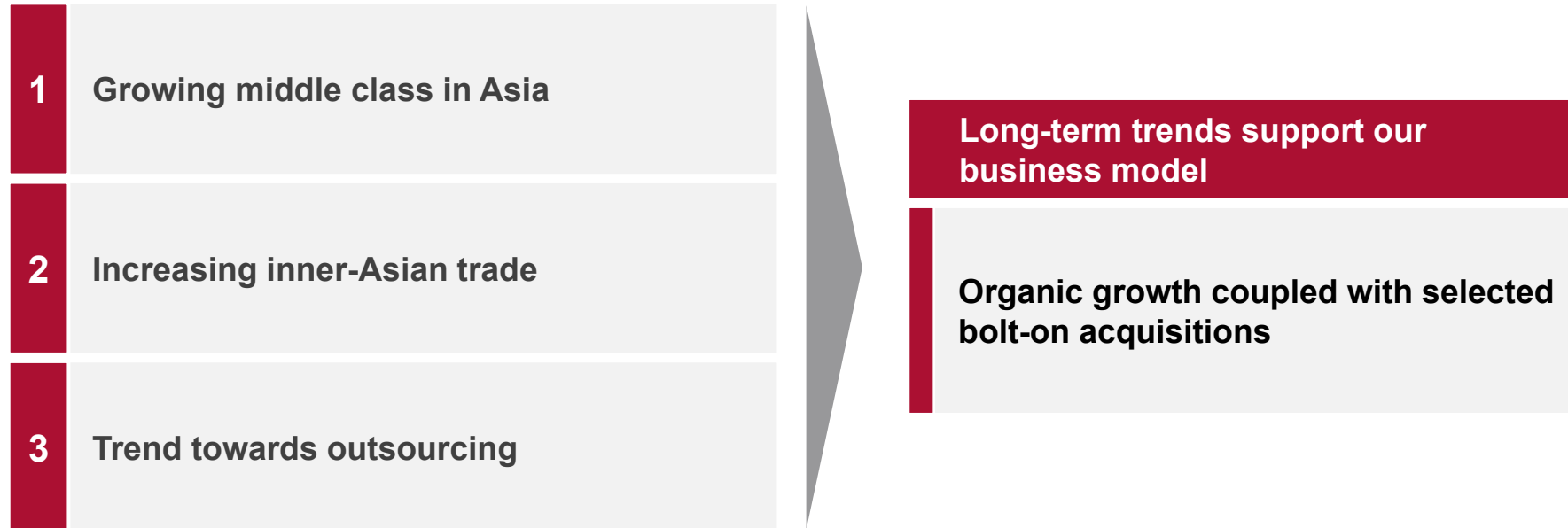
## Progressive dividend policy



**Continuation of progressive dividend policy**

Note: Ordinary dividend per common share. Chart assumes share split of 1:100 effective as of Annual General Meeting 2011

## Attractive business model with three major growth drivers



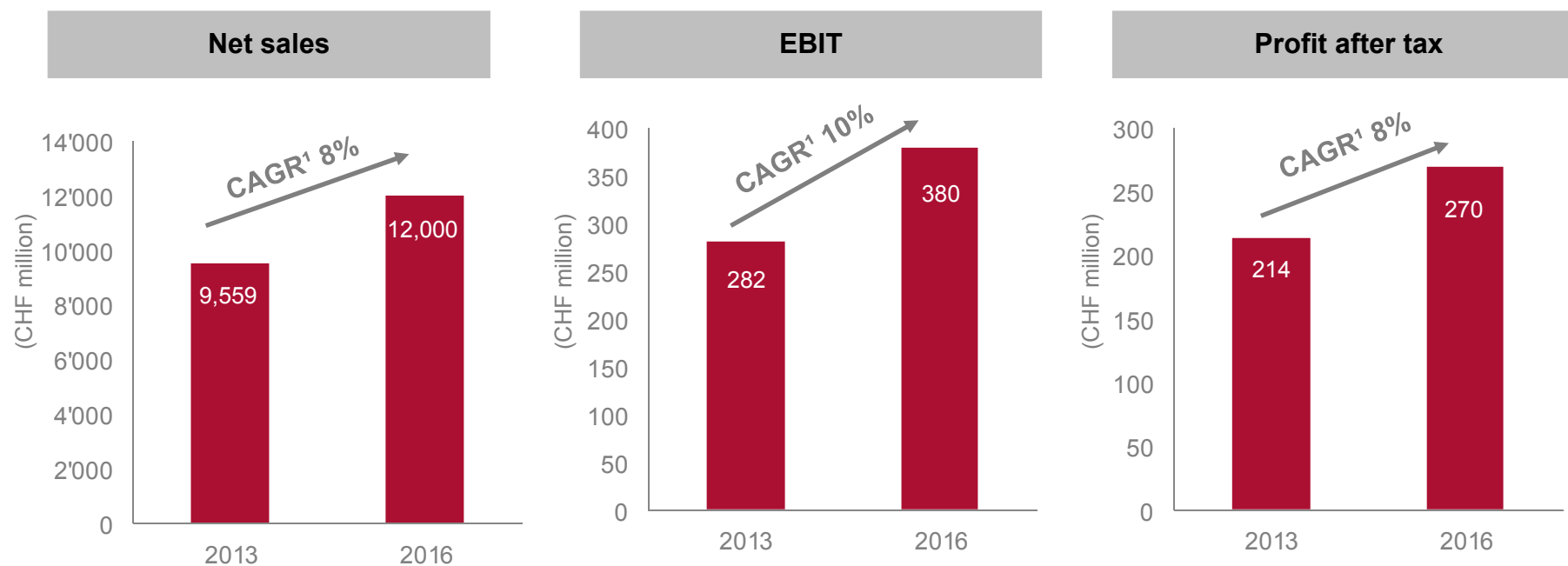
**Double-digit EBIT growth expected in 2015<sup>1</sup>**

<sup>1</sup> Assuming constant exchange rates

**Think Asia. Think DKSH.**

## Confirmation of targets for 2016<sup>1</sup>

Double-digit profitable growth until 2016 at constant exchange rates



CAGR of 8% in net sales and 10% in EBIT until 2016 expected<sup>1</sup>

<sup>1</sup> Assuming constant exchange rates

DKSH celebrates 150th anniversary in 2015

**150**  
**YEARS** OF MARKET  
EXPANSION  
SERVICES

## Save the date

### DKSH – Capital Markets Day 2015

- November 27, 2015
- Zurich, Switzerland
- More details to follow



Thank you for your attention.



Think Asia. Think DKSH.



## Disclaimer

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