# AEA SGLT Holding II LP

## - Summary of the Q2 interim report 2018

# Key market developments

**Ocean, Air and Road freight market development**

- 2017 was a strong year for the global air freight market with around 12% growth

- The air freight market is estimated to continue to grow in 2018 by around 5-7% based on a combination of several research companies

- Global Sea freight Market is expected to increase by 3-5% in 2018 while the European trucking market is estimated to increase with 3-4% on the back of strong economies in key EU countries

- Generally, rates are expected to stabilize from the relative surges in 2017 in particular on the airfreight segment

# Financial highlights

- AEA SGLT Holding II LP generated revenues of USD 232.7 million in the second quarter, equal to a 10% increase over Q2 2017 and mainly due to strong growth within TransGroup

- With a gross profit was USD 35.1 million, the gross margin expanded 0.6 p.p. during the second quarter to 15.1% up from 14.5% in Q2 the previous year

- EBITDA before special items grew by 88% YoY from USD 3.6 million in Q1'17 to USD 6.7 million in Q2'18

- SGA amounted to USD 28.4 million and the USD 1.3 million increase compared to Q2'17 is due to growth initiatives in TransGroup. However, the cost base was stable compared to Q1'18

- As per end of June, the equity ratio was 29.9% and the consolidated NIBD amounted to USD 202.8 million resulting in an NIBD/EBITDA ratio of 7.7x (on a pro forma level)
  - Net leverage is down from 9.3x as per end of March 2018

**TransGroup**

- Revenues grew by 22% compared to Q2 2017, driven by increased sales in domestic (+20%) as well as international traffic (+23%)

- TransGroup experienced margin pressure in its international and domestic markets in average of -2.8 p.p. over Q2'17. Moreover, several growth initiatives including new stations and business development drove higher SG&A costs compared to Q2 2017, however in line with Q1 2018
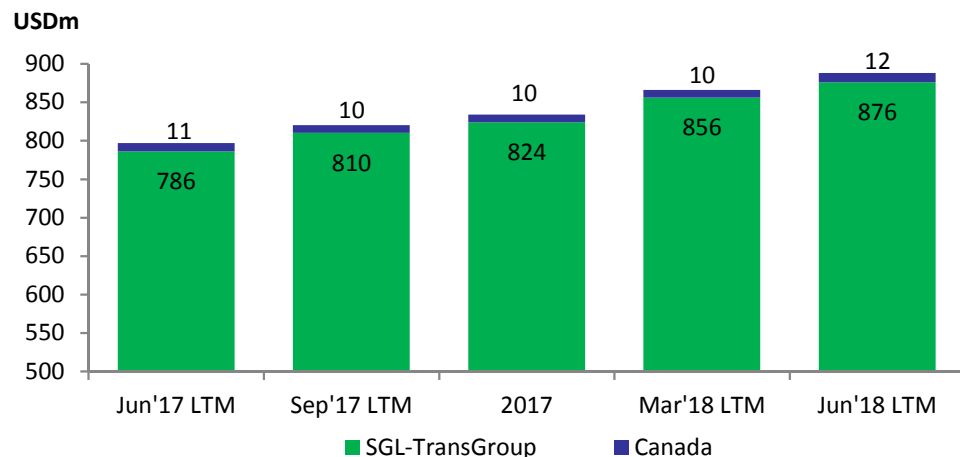
**Scan Global Logistics**

- Revenues increased by 3% YoY (local currencies) equal to a ~5% organic growth mainly driven by increased activity in the industrial project / ADP division, Road activities in Sweden and Air and Sea activities in China

- Gross margin improved 1.1%-points relative to last year, driven by the Nordic region

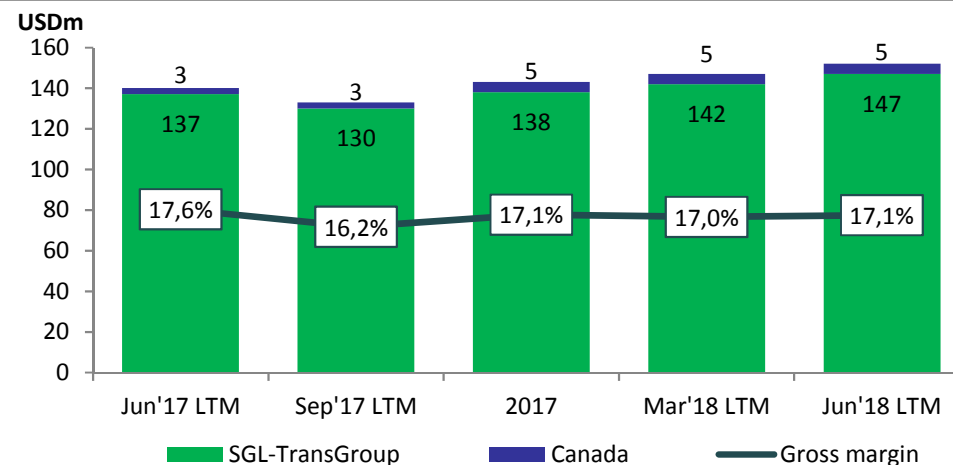- Lower staff costs in Q2 2018 resulted in a reduction of SG&A costs by 1% YoY

## Key financials

| USD '000 | Q2 2018 | Q2 2017 | YTD 2018 | YTD 2017 |
|---|---|---|---|---|
| Revenue | 232,673 | 211,053 | 450,582 | 390,980 |
| Cost of operation | -197,558 | -180,441 | -381,590 | -332,430 |
| **Gross profit** | **35,115** | **30,612** | **68,992** | **58,550** |
| Other external expenses | -7,409 | -7,911 | -14,271 | -13,557 |
| Staff costs | -20,962 | -19,109 | -42,316 | -35,669 |
| **EBITDA before special items** | **6,744** | **3,592** | **12,405** | **9,324** |
| Depreciation of tangibles | -466 | -362 | -885 | -665 |
| Amortisation of intangibles | -2,128 | -2,582 | -4,269 | -5,129 |
| **EBIT before special items** | **4,150** | **648** | **7,251** | **3,530** |
| Special items | -36 | -364 | -551 | -364 |
| **EBIT** | **4,114** | **284** | **6,700** | **3,166** |
| Net financial items | -4,188 | -4,090 | -8,300 | -7,990 |
| **Result before tax** | **-74** | **-3,806** | **-1,600** | **-4,824** |
| Tax on profit | -124 | 922 | -438 | 699 |
| **Result of the period** | **-198** | **-2,884** | **-2,038** | **-4,125** |
| | | | | |
| Gross margin* | 15.1 % | 14.5 % | 15.3 % | 15.0 % |
| EBITDA margin* | 2.9 % | 1.7 % | 2.8 % | 2.4 % |

| USDm | 30 Jun. 2018 | 30 Jun. 2017 | | |
|---|---|---|---|---|
| Net interest bearing debt | 202,798 | 195,175 | | |
| Net leverage (pro forma) | 7.7x | 7.2x | | |

# Pro forma development (rolling last twelve months)

## Combined revenue development (LTM)

USDm

| | Jun'17 LTM | Sep'17 LTM | 2017 | Mar'18 LTM | Jun'18 LTM |
|---|---|---|---|---|---|
| Canada | 11 | 10 | 10 | 10 | 12 |
| SGL-TransGroup | 786 | 810 | 824 | 856 | 876 |

Legend: ■ SGL-TransGroup ■ Canada

## Combined gross profit development (LTM)

USDm

| | Jun'17 LTM | Sep'17 LTM | 2017 | Mar'18 LTM | Jun'18 LTM |
|---|---|---|---|---|---|
| Canada | 3 | 3 | 5 | 5 | 5 |
| SGL-TransGroup | 137 | 130 | 138 | 142 | 147 |
| Gross margin | 17,6% | 16,2% | 17,1% | 17,0% | 17,1% |

Legend: ■ SGL-TransGroup ■ Canada ─ Gross margin

## Combined EBITDA development (LTM)

USDm

| | Jun'17 LTM | Sep'17 LTM | 2017 | Mar'18 LTM | Jun'18 LTM |
|---|---|---|---|---|---|
| Canada | | | | 0 | 1 |
| SGL-TransGroup | 29 | 25 | 23 | 23 | 26 |
| EBITDA margin | 3,6% | 3,0% | 2,8% | 2,7% | 3,0% |

Legend: ■ SGL-TransGroup ■ Canada ─ EBITDA margin
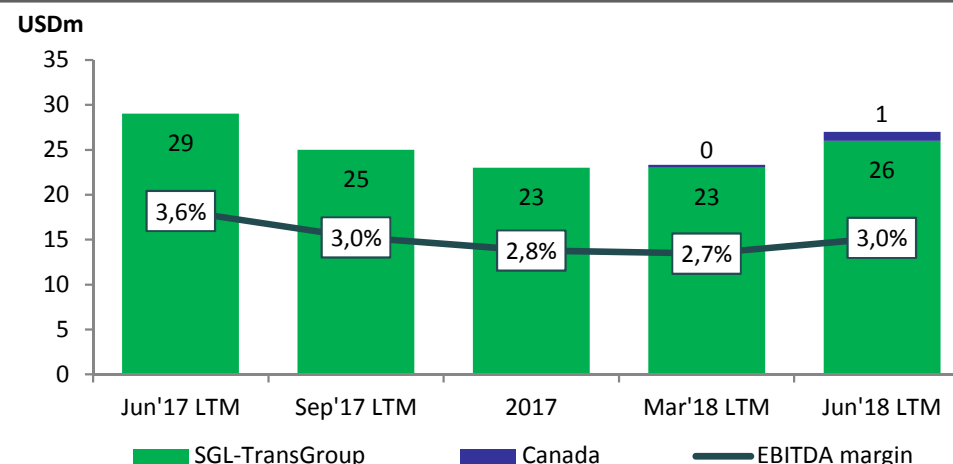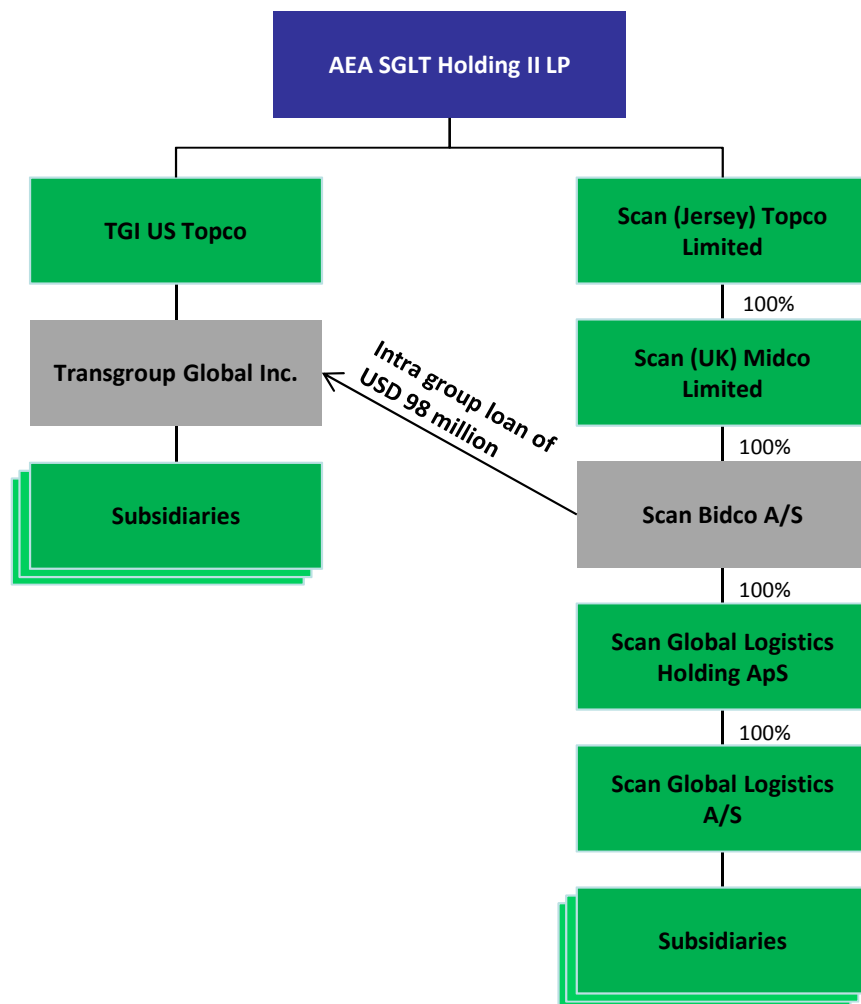
- On 11 June 2018, Transgroup Global Logistics Inc. acquired specific assets and liabilities of Commfirst (and related entities), a Canadian based freight forwarding and logistics organization with three Canadian offices in Toronto, Montreal and Vancouver

- On a pro forma level, the company generated revenues of USD 888 million in LTM June, equal to a 11.4% increase over June 2017

- LTM gross profit amounted to USD 152 million and grew for the third consecutive quarter. YoY, the gross profit increased by nearly 9%
  - TransGroup has experienced some gross margin pressure in recent months, but we have seen improvement in gross margins on the SGL side in the first half of 2018.

- Following the stabilization in EBITDA in the previous quarter, EBITDA increased by 16% in Q2'18 compared to Q1'18

- Adjusted EBITDA amounted to USD 27 million in LTM June'18, equal to a margin of 3.0%

Note: The pro forma figures illustrates the development if the acquisitions had been effective as from 1 July 2016 (excl. holding costs). This includes the acquisition of Airlog and Crosseurope in 2017 and the acquisition of Commfirst in Q2 2018. Please see the full interim report for more details.

# Group structure – AEA SGLT Holding II LP



Scan Bidco A/S is the Issuer of the outstanding bonds:
- ISIN: NO 0010768062
- ISIN: NO 0010768070