

# ONLINE



## VTG acquires CIT Rail Holdings

VTG, one of the leading railcar leasing and rail logistics companies in Europe, reached a definitive agreement to acquire CIT Rail Holdings (Europe) SAS and the associated NACCO Group, the fourth largest private rental company of rail freight cars in Europe. With this transaction, VTG is further expanding its market position as one of the largest private railcar leasing companies in Europe with a fleet of then more than 94,000 railcars. The newly acquired fleet will further diversify the VTG portfolio, while offering greater availability to customers.

"With the agreement to acquire CIT Rail Holdings SAS, we are strengthening our market position in Europe sustainably," explains Dr. Heiko Fischer, CEO of VTG. "With the NACCO fleet, we are offering our customers an even greater and more differentiated portfolio and an even stronger presence in Europe. As a result, we are positioning ourselves as an efficient, forward-looking partner on the rail. We will also equip the NACCO fleet with the VTG-Connector in the coming years, thus creating a unique network of digital freight cars in the market and in Europe. We are opening up new customers, new markets and securing our growth as VTG in the coming years", Fischer continues.

CIT Rail Holdings (Europe) SAS is headquartered in Paris and is a wholly owned indirect subsidiary of CIT Group Inc. and currently has about 14,000 railcars in Europe with the NACCO Group. The main markets are in France, Germany, Austria and Eastern Europe. The fleet includes a well-balanced portfolio of different freight cars from all major segments.

VTG expects a purchase price of approximately EUR 780 million plus all investments made by the NACCO Group in rail freight cars between January 1 2017 and closing date which could sum up to EUR 140 million. The company intends to finance the transaction via a senior loan of up to EUR 500 million, a privately placed hybrid bond of approximately EUR 300 million and the assumption of existing net debt of approximately EUR 120 million. It is envisaged to refinance the privately placed hybrid bond via the capital market, potentially via a rights issue for the increase of VTG's capital from the authorized capital.

Depending on the investments in railcars made by NACCO in 2017, VTG expects a sales contribution of approximately EUR 120 million from the acquisition in the year 2018 and an EBITDA contribution of approximately EUR 100 million before transaction and integration costs, including significant synergies.

The transaction is subject to customary closing conditions, consents and approvals, in particular, the clearance of the transaction by the competent antitrust authorities. The transaction is expected to be closed in the fourth quarter 2017.

## VTG leads the way

### VTG initiative to introduce efficient, paperless, maintenance management.

VTG has teamed up with Sheffield based digital software company 3Squared to develop a new system to bring wagon maintenance management into the 21st century.

ProActive Maintenance (PAM) is a bespoke web-based management tool, complete with mobile app, designed to replace existing, inefficient, paper-based management systems.

This will enable VTG, as both wagon lessor and Entity in Charge of Maintenance, to better service its clients and suppliers and improve operational effectiveness through improved speed and quality of information plus enhanced levels of operational insight.

VTG's PAM project manager Sam Hunt said: "While the current system is functional and allows us to safely control the operation of the wagon fleet, it has a number of inefficiencies, for example, the duplication of inputs and a lack of consistency in terminology used.

"This new technology streamlines and automates processes thereby improving productivity, ultimately saving time and allowing us to improve levels of availability even further. Importantly it will link to existing VTG groupwide management systems such as "WAMOS!" and will enable wider use of condition based maintenance. Having a system that predicts the optimum time at which a wagon might need attention is a major benefit.

"We have a good working relationship with 3Squared, who understand our vision for the project."

# First quarter 2017: Stable business



Dr. Heiko Fischer

**VTG Aktiengesellschaft (WKN: VTG999), continued to experience stable business development in the first quarter of 2017.**

Group revenue of EUR 243.8 million was on a par with the previous year (Q1 2016: EUR 243.8 million). Although EBITDA was slightly down year on year at EUR 76.6 million (Q1 2016: EUR 81.6 million), Group net profit improved further to EUR 12.7 million (Q1 2016: EUR 11.8 million). Earnings per share (EPS) likewise increased again from EUR 0.30 in the first quarter of 2016 to EUR 0.33 in the quarter under review.

"Our results for the first quarter of 2017 are solid and satisfactory. We once again increased Group net profit and EPS, as we wanted to do," says Dr. Heiko Fischer, Chairman of the Executive Board of VTG AG, explaining the figures. "Declining revenue

and the accumulation of higher maintenance expenses in the European wagon hire business meant that our revenue and EBITDA expectations for the Group were not quite fulfilled. At the same time, we see positive development in our logistics divisions as a sign that the economy is gaining momentum. We think that the European rail business should also benefit from this trend in the months ahead."

## Railcar: A softer start to the year

The Railcar Division posted revenue of EUR 125.6 million in the first three months of 2017 (Q1 2016: EUR 129.0 million). The decline of 2.6 percent is attributable essentially to the fact that the rising momentum in the world trade has not yet arrived in our sector. This led to a lower number of hired wagons, especially in the intermodal and mineral oil tank car segments. Alongside the drop in revenue, which affected income, higher cumulative maintenance expenses and higher expenses for the preparation of previously unhired wagons prompted a decline in EBITDA, which was down 7.1 percent to EUR 76.2 million (Q1 2016: EUR 82.0 million). This development caused the revenue-based EBITDA margin to fall by 2.9 percentage points to 60.7 percent (Q1 2016: 63.6 percent). Capacity utilization across the entire fleet edged down slightly to 90.3 percent (Q1 2016: 90.6 percent).

Investments of EUR 31.7 million in the first quarter of 2017 was down on the previous year's figure of EUR 51.6 million. These were channelled exclusively into fixed assets, especially in the core European market, where the bulk of this total was spent on chemical and compressed gas wagons.

## Rail Logistics: Strong growth – Tank Container Logistics: Increase in EBITDA

The Rail Logistics Division saw revenue climb 6.7 percent to EUR 79.2 million in the first quarter of 2017 (Q1 2016: EUR 74.2 million), continuing the positive trend experienced in recent months. This result was largely due to profits from high-margin business with new customers and a positive start to the year with agricultural business.

Thanks to this revenue development and stable structural costs, the division's EBITDA jumped sharply by 49.1 percent to EUR 1.6 million in the first quarter of 2017, up from EUR 1.1 million in the same period a year ago. The EBITDA margin for Rail Logistics, which is based on gross profit, thus improved by 6.7 percentage points to 22.8 percent (Q1 2016: 16.1 percent).

A higher transportation volume gave Tank Container Logistics a good start to 2017. Demand revived in both intra-European and overseas business. With freight rates lower in the first three months of the current financial year than in the same period of 2016, revenue nevertheless dropped by 3.9 percent from EUR 40.6 million to EUR 39.0 million. EBITDA for the division improved by 4.4 percent from EUR 2.3 million to EUR 2.4 million, largely because of new high-margin business. The gross profit-based EBITDA margin stood at 29.3 percent, slightly down on the previous year's figure of 33.2 percent.

The Executive Board confirms the forecast for the current year published in April, according to which Group revenue and Group EBITDA are expected to be slightly higher than in the previous year.

## VTG has a new website

Designed and built in Germany by parent company VTG AG the smart new site – [www.vtg.com/uk](http://www.vtg.com/uk) – has the same, easy to navigate style and format as the rest of the Group.

The site holds information about a range of topics, such as VTG's wagons, some past and present company details, quality and environmental statements. There's news, Online – of course – and information about careers with VTG.

You can even check out VTG's other sites throughout the world.

Why not drop in and take a look?



# We take responsibility so you don't have to

Q. At what point does the price of goods or services influence buying decisions?

A. When customers feel the price of those goods or services are not best value for money.

Q. Can you define "best value for money"?

A. "Best value for money" can be defined as the most advantageous combination of cost, quality and sustainability to meet customer requirements.

You need to hire a car for a road trip, but the choice is bewildering.

You ask yourself: What job do I want the vehicle to do? How many seats will I need? How much boot space? Roof rack? Do I need speed? Diesel? Automatic?

Once that's resolved would you ask for a vehicle that's really cheap to hire, with only the bare minimum of maintenance carried out.

Would you use a car hire company that might know the rules and regulations for road travel in its home country but not necessarily the one you're hiring the car in?

It sounds and is, of course, ridiculous but if you remove the extremes, might some people be tempted by a bargain?

Why would anyone do that? Presumably to get what they believe is best value for money. So how do you measure best value for money when you are leasing rail freight wagons?

For many, best value for money is the service offered by VTG.

"We have spent years, in the UK and Europe, building our status as the market leading rail car lessor," explains Ian Shaw, VTG UK's Marketing and Sales Director.

"We pride ourselves that we are expert in the range of services that we provide.

"We listen to our customers, engage with the industry and act accordingly. Our wagon fleets are built and maintained to exceed industry standards, using high quality designs and materials, incorporating features such as track friendly bogies, high strength bodies and integrated brake systems.

"We enjoy positive relationships with governing, industry and other bodies. We have for years worked with, and been part of, organisations such as the Rail Freight Group, the Freight Transport Association and the Chartered Institute of Logistics and Transport contributing to their policy making and helping them to positively influence the market. We also provide support and expertise to bodies such as the Rail Safety and Standards Board including its Freight Technical Com-

mittee and the Dangerous Goods Working Group".

VTG advised and assisted the ORR during the introduction of the Entity in Charge of Maintenance (ECM) legislation for rail freight. The legislation ensures that every rail vehicle on the network has an ECM assigned to it, responsible for ensuring it is maintained at the right times and to the right level. VTG was the first UK rail freight company to be accredited by the ORR as an ECM.

Wagon safety, availability and reliability are key for us because they are for our clients too. The UK railway is, for various reasons, very different to its continental European counterparts, and that operating and maintaining wagons here presents a different set of challenges to running them, for example, in France or Germany.

For a start, UK wagons do not tend to go to workshops for routine maintenance as they would in mainland Europe, and routine activities like replacing worn brake blocks or wheels aren't handled by the Freight Operating Company rather they have to be organised by the wagon owner. The vast majority of VTG's wagons remain "in the field" at customer locations at all times meaning they don't have to be specially transported to workshops for maintenance and time out of service is minimised. However, if the demanding safety, availability and reliability targets we set ourselves are to be achieved, it is still vitally important that the maintenance is carried out to "workshop standards" in order to ensure best quality results.

To address this VTG has developed a network of maintenance partners who provide services under either Running Maintenance Agreements (RMAs), the "day to day" maintenance activities, or Maintenance Support Agreements (MSAs) in the case of larger and more complex maintenance activities. Examples of the latter are things such as bogie overhauls, wheelset maintenance or air brake equipment refurbishment, all of which is done in controlled workshop conditions, with overhauled materials then being



brought to the wagons for service exchange by the RMA contractor.

It might sound straightforward but all of this takes careful liaison, planning and execution by VTG's UK team of engineers and service delivery staff in conjunction with customers and suppliers. A daily performance management meeting all of the departmental functions within VTG, allows us to monitor progress against our targets achieved and put in place the actions necessary to achieve them.

In combination with our new VTG Connect service (a major Europe-wide initiative, see page 5), we are also in the process of rolling out new IT platforms which will provide greater control and visibility for VTG and all of its suppliers in order to allow us to deliver an even better service.

"Working alongside VTG Group, we have invested a significant amount of time, money and effort in people, suppliers, systems and resources to achieve number one status in the UK and throughout Europe."

"As market leader, we see it as our responsibility to make rail freight more attractive than other modes of transportation and it is our duty to keep our fleet in top condition in order to provide our customers with the best levels of safety, reliability and availability. We do things properly, paying attention to detail and adding value.

"So, when you lease rail wagons from VTG you can be confident that you are working with an organisation that fully understands the UK, as well as the wider European, market and has made significant investments in providing you with the best and most reliable fleet for your needs, not just on day one but throughout its life. We really do take responsibility so you don't have to and we offer you best value for money with a clear conscience."



# Tanks for the Memory



Paul Lugg, Fleet Sales Manager, celebrated 40 years of service in the rail freight industry on 1st June this year. The story of those 40 years and the rest of his working life shows how interesting Paul's career has been.

The Masters Degree he gained in Engineering with Technical French in 1972 made a positive impact throughout his career which, prior to entering the rail industry, saw him working on projects including the Anglo-French Concorde, the Challenger tank and the Scorpion light tank.

Paul's railway career began in 1977 as Engineering Manager at STS (Storage and Transport Systems Ltd) in London.

STS was then part of the CAIB group, which became CAIB UK, then EVA UK under Brambles' ownership. "At that time STS was largely controlled by Simotra, now VTG France," explained Paul. "We built most of our new wagons in France so my knowledge of technical French was a real asset." The STS wagon fleet was then almost exclusively tank wagons carrying more dangerous products than we carry today such as Liquefied Ammonia, Chlorine, Nitric and Acetic acid and HCN, a very toxic cyanide based gas."

Paul was responsible for the procurement and development of new wagons and spent much of his time at Arras and later Balbigny, near St Etienne, when the group bought the CFMF wagon building workshop. Paul

became Director of STS Wagon Sales, the subsidiary company set up by STS so that it could both sell and hire wagons.

"In the mid-1980s I moved onto the Commercial side of the business and became Commercial manager with responsibility for negotiating the hire contracts and managing the operational side of the business. The fleet at this stage was only about 650 wagons.

"In 1988 we bought the Procor fleet of about 3,000 wagons and moved back into London to the offices of Traffic Services Ltd which we had bought a year or so before." The fleet, now too big for one person to manage, was split into two with Paul taking on the tank fleet. Brambles sold the fleet to VTG in 2002 and the rest, as they say, is history.

Paul added: "It has been an interesting 40 years with many changes, particularly regarding regulations which are far more prescriptive than they were in the '70s and not all of them for the better.

"I still enjoy what I do and hope to continue to contribute to the business for some time to come."

## Raj is full of PEP!

Rajesh Sharma recently completed PEP!, the company's training and development programme for junior employees and management trainees.

PEP! is a VTG AG forum for preparing promising young staff members for future challenges and, potentially, senior roles within the company.

This round started in January 2016 and ended with the final presentation in April this year.

Over the months the participants have taken part in different seminars and workshops including project management, personality and presentation, dialogue management and negotiation, team building and change management.

VTG AG selected the best of the high-potential individuals identified as being most likely to benefit from the intense training, encouragement and support offered by the course, which supports career planning according to their personal potential.

Raj was chosen having been recommended by his UK line manager after which he went through a series of interviews both locally and in Hamburg.

He explained that his personal objectives were based around leadership as he had been selected as project leader.

"This turned out to be a crash course in leadership for me," he said. "As I was the only member from the UK this challenge was

slightly more difficult as I had to manage remotely a group of people based in another country. However, we managed to develop our group into a high energy driven team."

Raj added that the course had an immediate effect on him. "I am now more confident with managing sub-contractors and suppliers as well as with public speaking and engaging in industry level discussions."

The group had been assigned a project by members of the VTG Executive Board.

Raj and the team wanted to give their project an identity. "After intense brainstorming," he said, "we came up with the project name UNITED!, which stands for Use New



Raj, second left, and fellow PEP! participants.

Information To Exchange Daily.

"This is a message for VTG staff in the spirit of sharing information between different departments and business units."

Other objectives included the improvement in cross-subject and cross-divisional co-operation within and throughout VTG. Others included the enhancement of participants' knowledge of the VTG group of companies, its structure, services and strengths.

VTG hopes the programme gives promising employees a clear sense that their potential is important to the company and in return leads to a mutual sense of loyalty.

# VTG Connect – The future of rail freight logistics

Railway digitalisation will increase track capacity, make operations safer and enable staff to be better trained and informed.

Much of the digitalisation effort will be focused upon signalling and improvements in the quality of passenger service.

However, the innovative world of rail freight logistics also offers some exciting opportunities and, not surprisingly, VTG is leading the field.



Every VTG wagon is to be fitted with a telematics system.

VTG UK's German parent company – VTG AG – has unveiled a comprehensive digitalisation strategy that will be the cornerstone of digital services throughout the industry.

Over the next three to four years, the company will equip its whole European wagon fleet with a telematics system. Digitalising every freight car will lay the foundation for its new VTG Connect service, one aspect of which will involve supplying the customer with location and event data from all wagons.

VTG Connect, when combined with other innovative digital systems being developed by VTG, will have the potential to give every party involved in wagon leasing, real time information about loading, haulage and maintenance of wagons.

This will help establish faster, smoother and more efficient maintenance and logistical processes in the future.

The Connect service establishes tracking

and tracing, shock monitoring and environmental measures as basic functionality for all VTG wagons.

For bespoke versions VTG Connect can also be connected to individual hardware solutions that add extra functions such as weight measurement and lock monitoring. VTG Connect tracks the current position and condition of a wagon at any time, monitoring and predicting arrival times and possible delays with great accuracy.

Data comes in a clear intuitive dashboard and can be supplied at any specified time along the route.

The solar-powered VTG Connector – a small box fitted to each wagon – is at the centre of the new digital technology. The current position of each and every wagon is permanently available based on its GPS coordinates. A series of alert functions supplies immediate information on certain things such as an impact or standing still

for extended periods. Customers can access all information through VTG's online portal, alternatively data can be accessed through customers' own systems.

So-called 'geo fencing' allows customers to define geographic zones – national borders or port areas, for example – and to be alerted the moment a wagon enters or leaves the zone.

Customers can use the analysis of their information to consider how to manage their wagons to get the most out of wagon scheduling, improvements in productivity and dealing with idle times.

VTG Connect can also provide invaluable data which can be used for predictive maintenance thus enabling the planning of maintenance intervals to give customers maximum availability, ensuring wagons remain in revenue earning service for as long as possible.

A key feature of VTG's digitalisation strategy is its potential to bring together, access and evaluate the data currently stored in different systems by wagon owners and their customers.

The wagon hardware is tough, dust proof, can operate in temperatures between -40C to +85C, or if temporarily submerged in water. It can also records shocks in the range +16g to -16g.

Within four years the whole of VTG's European wagon fleet will be equipped with telematics technology to make all this possible making it the first company in the industry to do so.

Connect, alongside VTG's other industry leading initiatives such as the repurposing of coal wagons into aggregate hoppers and designing the Ecofret – the highly efficient container flat wagon – boosts VTG's market position but also helps drive digitalisation across the whole industry.

VTG Connect is the foundation on which a series of further innovations can be built. It lays the foundations for the digitalisation of rail freight logistics, taking the whole industry one step closer to the digital railway.







## VTG gives PC to FC

VTG has donated a new laptop computer to a junior football team, Whitchurch Alport FC, one of the biggest of its kind in North Shropshire.

The club needs a laptop following the Football Association's decision last year to change to an online method of registering players.

It will also be used for all the online courses and disclosures that the managers, coaches, volunteers and young referees must complete each year.

Founded in 1986 Whitchurch Alport Junior Football Club is a grassroots club with more than 270 registered players, including 5 female teams. Its male teams run from the age of 4 years all the way through to the senior level.

The Club has also been pro-active in training young referees from the ages of 14 years

old to help strengthen the local FA's pool. To date the club has 8 qualified referees and is just starting the second phase to get more young referees qualified.

The club is run by volunteers and relies heavily on local sponsorship and donations to help provide kits, rain jackets plus all of the other equipment that's required to run and train the players at the club.

Adrian Freely, VTG's fleet engineer, said: "If the club didn't receive this support year on year it would really struggle to continue within the local community, and this is really important because it's not just getting kids actively playing a sport, but it's also about their self development as a young person."

Adrian added: "On behalf of everyone involved with Whitchurch Alport Junior Football club I thank VTG for their kind and generous donation."

## Hat trick John wins again

VTG's annual Golf Day was held in searing heat at the Warwickshire Golf and Country Club, Warwick, at the beginning of July.

21 golfers representing a range of customers and suppliers took part in the competition, which was won, once again, by John Dean from GB Railfreight.

Winning the 2017 event makes it three VTG Golf Day victories in a row for John, an achievement applauded by Ian Shaw, VTG's sales and marketing director.

Ian said: "Congratulations to John and a big thank you to everyone who took part in our popular event."

"It was good to welcome old friends and to meet some new faces. We had a super day."



From left: Paul Davies, David Legge, Luke Cassar and John Dean.

## Welcome Adam!

VTG welcomes Adam Mooney, previously a financial analyst with Paragon, to its Birmingham HQ as Data and Performance Analyst.

Adam has 18 years of finance industry experience.

As Data and Performance Analyst he will be responsible for the maintenance of data on ACMS, VTG's bespoke business management platform. He will also be in charge of producing regular customer information packs and ad-hoc management information reports.

Adam said: "Starting in a completely new industry after 18 years working elsewhere is a rather daunting but exciting challenge," he admits.

It seems, however, that Adam has his own philosophy when it comes to dealing with daunting situations:

"An apple a day keeps anyone away if you throw it hard enough!"

Don't say you haven't been warned!

## Welcome Aran!

Aran Guner is VTG's latest "YINI" (Year in Industry) student.

Taking time out from his mechanical engineering studies at Warwick University Aran, who joined VTG on 1 August, spoke to Online about his expectations.

"I'm hoping that this placement will give me practical experience and a better understanding of industry."

"I hadn't considered a role in rail but VTG is opening my eyes to one. I'm sure that I will leave having a clearer understanding of what to aim for."

"So far I have witnessed how a business works, not only in engineering but also through witnessing how departments interact."

"It has been interesting to see how both my engineering and business module studies will benefit me."

"My time up until now has been filled with gaining a lot of experience. I'm sure my year at VTG will be enlightening and enjoyable."