

KOENIG & BAUER

H1 2023

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Dr Stephen Kimmich, CFO

28 July 2023

we're on it.

Koenig & Bauer at a glance.

1. Business Performance at a Glance.



- Koenig & Bauer reports positive half-year results
- Temporary increase in material costs gradually decreases
- Continuing high inflationary pressure worldwide raises key interest rates

2. Highlights H1 2023.



- Koenig & Bauer benefits in several ways from growth market corrugated board
- Partnership with hubergroup further expanded; strategic partnership with GIETZ for safety-related features
- Cooperation agreement with VW on sustainable battery production

3. Figures H1 2023.



- Highest half-year revenue of €596.4m in the company's recent history achieved
- EBIT of €-5.4m, an improvement of €8.4m compared to the same period of the previous year

4. Segments H1 2023.



- Sheetfed and Digital & Webfed with double-digit revenue growth
- Digital & Webfed with high order intake
- Cumulative order intake of €552.9m at expected level; book-to-bill ratio of 0.9 achieved despite sales increase

5. Outlook & Key messages.



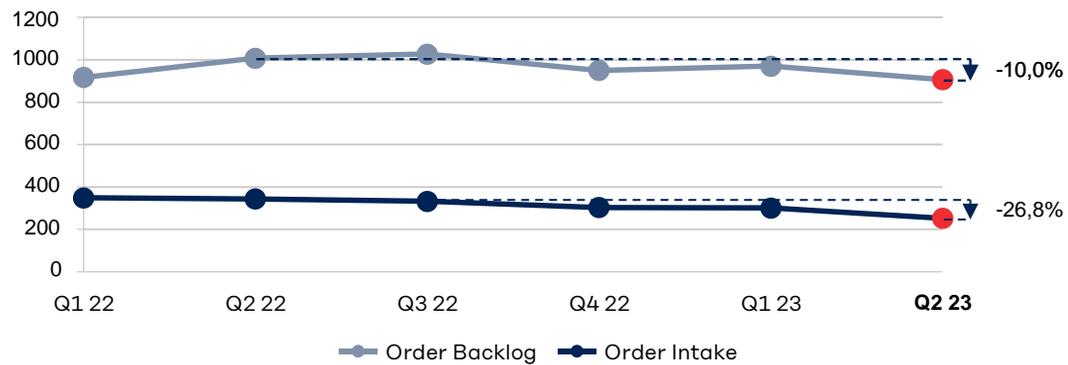
- Forecast 2023: Group revenue of €1.3 bn with an EBIT margin of around 3%; medium-term planning revenue of around €1.8 bn with an EBIT margin of 8-9%; revenue of €1.5 bn and an EBIT margin of 6-7% to be achieved as early as in 2025

1. Business Performance at a Glance.

Placing the first half of 2023 in the big picture.

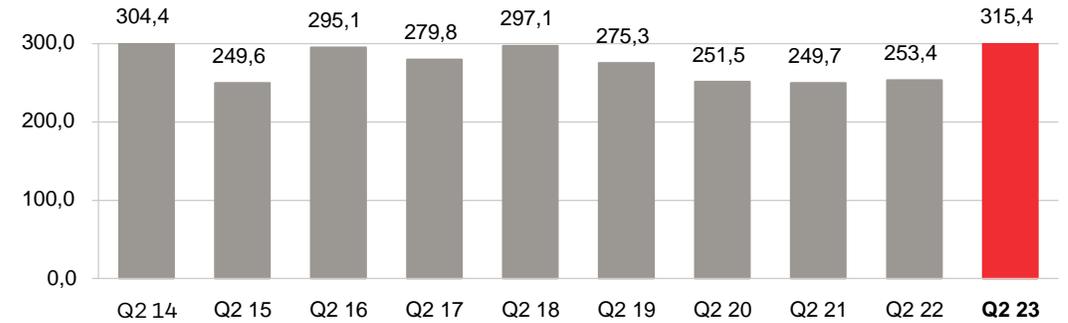
Order Backlog and Order Intake

€m



Revenue

€m

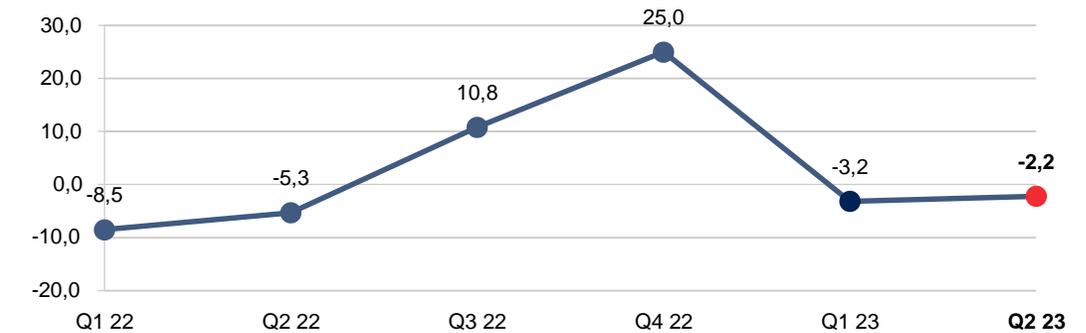


Book-to-Bill Ratio (Relation Order Intake to Revenue)



EBIT

€m



2. Highlights H1 2023.

Corrugated board is growing - and so is Koenig & Bauer.

// Market growth perspective



Globally, experts expect an increase of around 18% between 2022 and 2027 despite current normalization to pre-Covid levels

Source: Smithers 2022



// Large groups in the corrugated market have grown very strongly in recent years (2020-2022)

Smurfit Kappa **+39%** more revenue

DS Smith **+29%** more revenue

International Paper **+20%** more revenue

Westrock **+20%** more revenue

Picture source: Packaging journal; Box Inc

2. Highlights H1 2023.

Positive balance sheet: one year Koenig & Bauer Celmacch.



Customer

Number of machines

Features

KLINGELE
P A P I E R W E R K E

Order of the third machine

MODEL

Order of the third machine

THIMM 
THE HIGHPACK GROUP

Second machine was successfully accepted in Wolnzach



First machine to GB, production start-up takes place

First Chroma X Pro in 2.1 m format (previously: 2.8 m) due to the usual width of the folder gluer

This marked the successful acceptance of 1st machine with a presettable die cutting for Chroma X Pro



// Order backlog in the Digital & Webfed segment includes 33 presses in the growth area of corrugated board, 10 of these machines are Chroma X Pro series.

// Further projects with order intake are expected in 2023.

2. Highlights H1 2023.

Koenig & Bauer Celmacch is not the only company which benefits from the boom in the corrugated board industry.



// Koenig & Bauer supplies jumbo-format sheetfed offset technology to packaging specialist Rondo - unique presses



Unique machinery installation:

- Rondo invests €36m in its site in St Ruprecht, Steiermark, and opens one of the most modern printing centers for corrugated packaging in Europe.
- In the middle is the new Rapida 164 sheetfed offset press with six printing units, coater and extended delivery, a microwave package for printing on corrugated board (up to 1.7 mm thick).
- To process the strong and torsionally rigid substrates, the press was raised by one meter and integrated into a fully automatic pile logistics system.
- 20 million square meters of corrugated board are now additionally processed per year in the new printing center in St Ruprecht.

2. Highlights H1 2023.

Existing partnership with hubergroup Print Solutions further expanded.



The aim of the cooperation is to coordinate the products of both manufacturers ever better. In addition, the agreement includes:

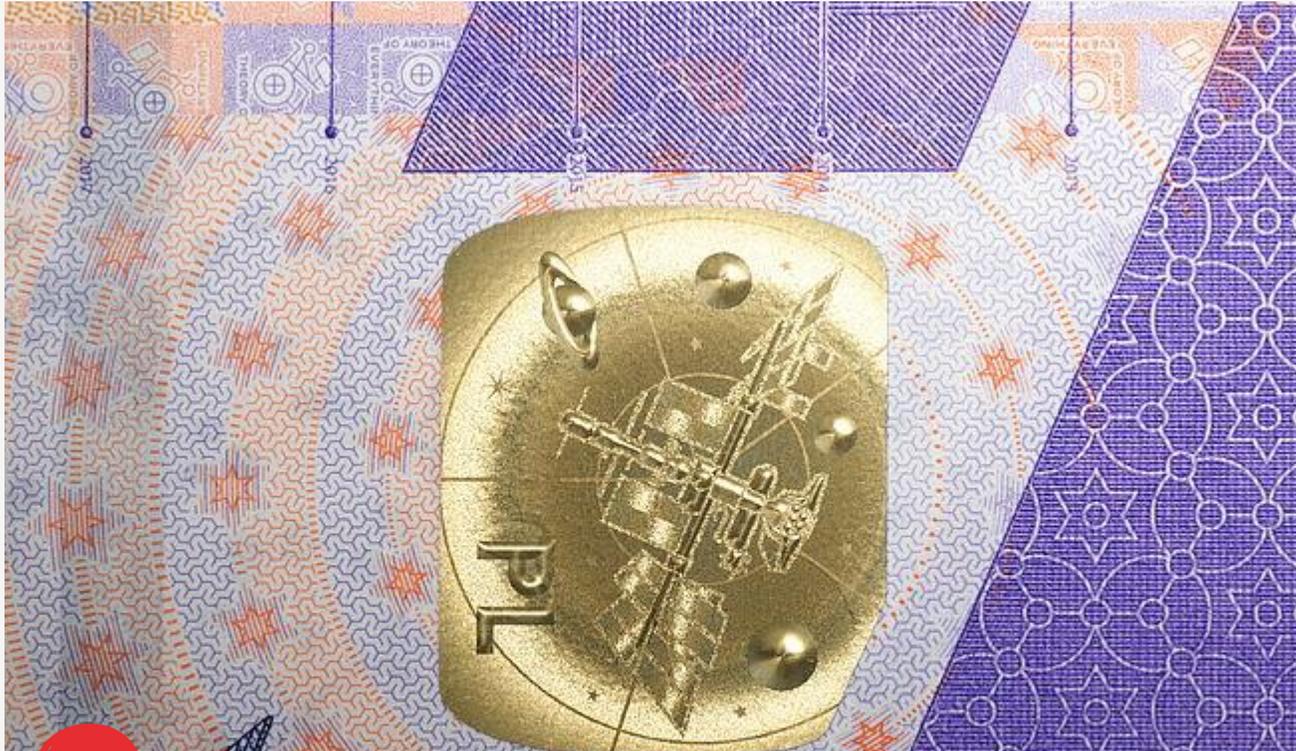
- the development of a joint strategy for sustainability (health protection, cradle-to-cradle concept, certifications)
- the joint development and marketing of printing inks for primary packaging of food products
- the development of customized concepts for brand owners
- strategic as well as technological development projects



// Best-in-class products for use on Rapida sheetfed offset presses with the aim of better harmonizing the products of both manufacturers

2. Highlights H1 2023.

Koenig & Bauer Banknote Solutions and GIETZ agree on strategic partnership.



// Joint improvement and development of OVD application platforms [OVD = Optically Variable Devices] for banknote printers.

The partnership between Koenig & Bauer Banknote Solutions and GIETZ includes the following innovations:

- Collaboration on the development of a NotaFoil application machine based on GIETZ FSA 1060 Foil Commander NOTA technology with Koenig & Bauer Banknote Solutions' inspection, drying and multi-slit feeding modules.
- Koenig & Bauer Banknote Solutions commissions GIETZ with the collective design and development of an upgrade and service package for existing OptiNota-H machines.
- Joint development and dissemination of a high-speed application platform that meets future requirements.
- The technologies developed under the new partnership will be marketed by Koenig & Bauer Banknote Solutions worldwide (with the exception of Japan).

2. Highlights H1 2023.

Cooperation agreement concluded with VW subsidiary for sustainable battery cell production.



// The ability to apply "colors" to virtually any substrate is one of Koenig & Bauer's core competencies and thus represents a successful metamorphosis outside the print media industry

Contents of the cooperation agreement:

-  We will develop a system used for industrial powder coating (solvent-free dry coating) of electrodes.
-  We plan to cover most of the development effort with our own existing engineering resources.
-  Development phase is scheduled to run until the end of 2024; whether the high development goals will be achieved can only be assessed once they have been completed.
-  If the high development targets are achieved, VW will have the exclusive right to use or sell the Koenig & Bauer equipment itself for a period of 7 years.
-  A separate supply and distribution agreement is to be concluded for this purpose.

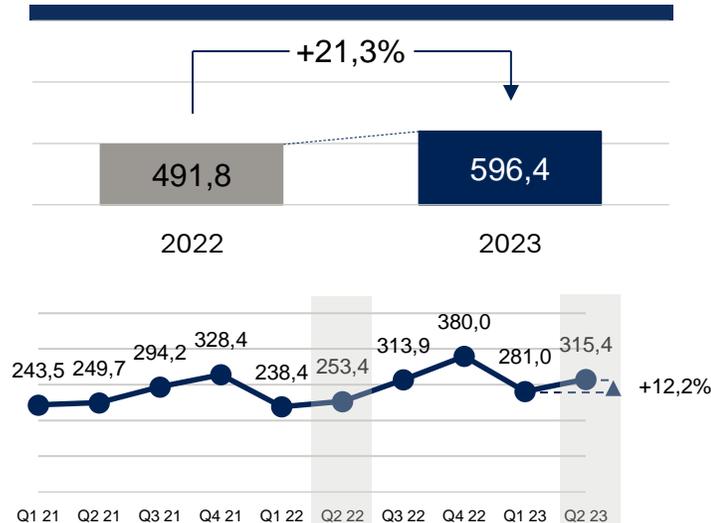
3. Figures H1 2023.

Business Performance in the Group.

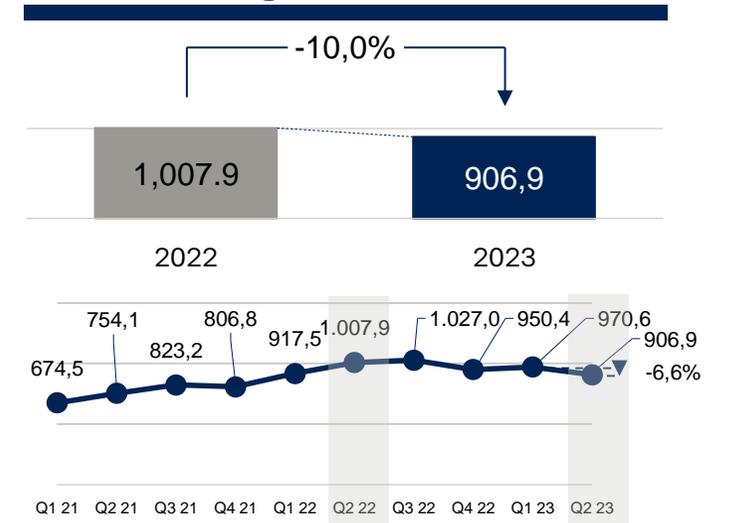
Order Intake 01.01. - 30.06. €m



Revenue 01.01. - 30.06. €m



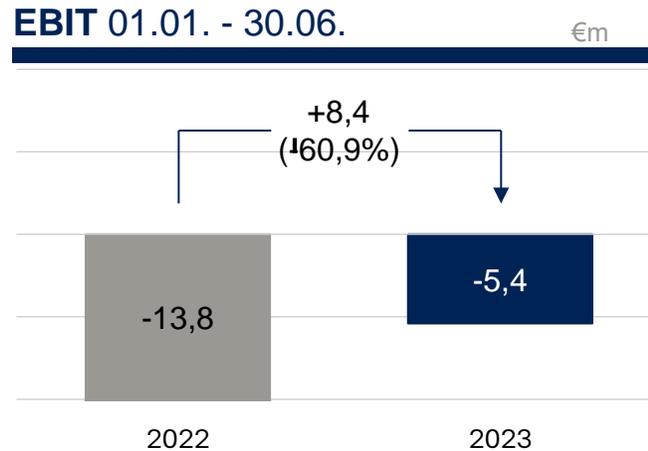
Order Backlog 30.06. €m



- At €552.9m (previous year: €692.9m), the order intake in the first half of the year was in line with expectations; this marked a return to a robust level of the order intake, as already forecast, particularly in the Sheetfed and Special segments, plus the Digital & Webfed segment showed a positive performance.
- Revenue growth in all segments led to a jump in sales of 21.3% to €596.4m in the first half of 2023 (previous year: €491.8m) - revenue growth in Q2 was even more positive at 24.5% - the highest half-year revenue in the company's recent history.
- At €906.9m, the order backlog was higher than the average of recent years.

3. Figures H1 2023.

Business Performance in the Group.



EBIT Bridge

+	Volume- and mix effect (~€16.0m)
+	Price Increases (~€14.0m)
-	Material, Energy and Personnel costs (~€16.0m)
+	Other Effects (~€5.0m)



- The EBIT improved in H1 23 by 60.9% to €-5.4m compared to the same time last year, which corresponds to an EBIT margin of -0.9% after -2.8% in the previous year.
- The operational improvement of €8.4m is mainly due to the overall positive volume and mix effect and the ability to almost offset the material, energy and personnel costs through the announced price increases.
- On the one hand, the delta reflects the time lag between price increases and cost increases on the procurement markets e.g. for energy costs and electronic components. In addition, there is a further lag effect between price reductions on the procurement market and their effectiveness in the income statement. Other effects mainly include increased depreciation and amortization (SAP), travel, communication and marketing costs, and capitalized development costs.

3. Figures H1 2023.

Group Income Statement.

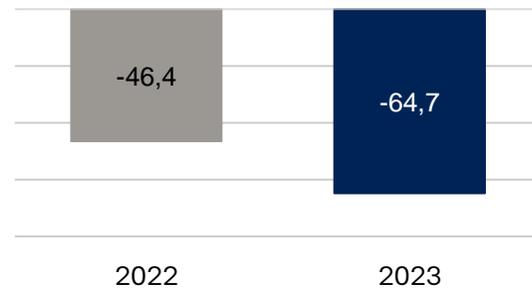
€m	H1 2022	in % ¹	H1 2023	in % ¹	Δ in %
Revenue	491.8		596.4		21.3
Cost of sales	-362.7	-73.7	-436.5	-73.2	-20.3
Gross profit	129.1	26.3	159.9	26.8	23.9
Research and development costs	-27.2	-5.5	-31.0	-5.2	-14.0
Distribution costs	-65.4	-13.3	-78.6	-13.2	-20.2
Administrative costs	-48.2	-9.8	-53.1	-8.9	-10.2
Other income ./ expenses ./ Financial result	-2.1	-0.4	-2.6	-0.4	-23.8
Earnings before interest and taxes (EBIT)	-13.8	-2.8	-5.4	-0.9	60.9
Interest results	-4.6	-0.9	-7.9	-1.3	-71.7
Earnings before taxes (EBT)	-18.4	-3.7	-13.3	-2.2	27.7
Income tax expense	2.6	0.5	2.7	0.5	3.8
Net loss	-15.8	-3.2	-10.6	-1.8	32.9

- **Revenues** increased by €104.6m, compared to the same period of the previous year, at €596.4m, represent one of the highest H1 revenues in the company's recent history.
- **Gross profit** was €159.9m (previous year: €129.1m). The gross margin increased slightly to 26.8% (previous year: 26.3%).
- **R&D expenses** amounted to €31.0m (previous year: €27.2m), due to the new digital unit.
- **Selling expenses** increased by €13.2m to €78.6m (previous year: €65.4m), mainly due to the increase in personnel costs in addition to the general increase in expenses for services; **administrative expenses** rose by €4.9m to €53.1m (previous year: €48.2m) as a result of the increase in amortization of intangible assets in the Group.
- The **balance of ol and oE** was €-2.6m after €-2.1m in the previous year, partly due to foreign currency valuations.
- **EBIT** improved by €8.4m to €-5.4m (previous year: €-13.8m).
- The **interest result** amounted to €-7.9m (previous year: €-4.6m).
- The **EBT** of €-13.3m was €5.1m higher than in the previous year.
- After income taxes, the **consolidated result** for H1 23 was €-10.6m (previous year: €-15.8m). This corresponds to **earnings per share** of €-0.65 (previous year: €-0.98).

3. Figures H1 2023.

Financial and asset positions.

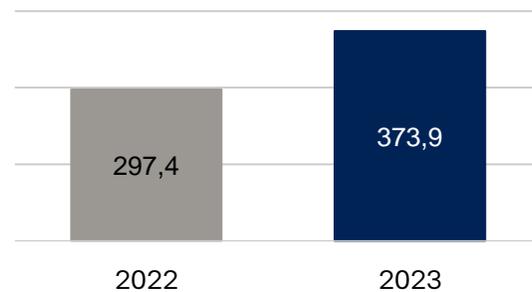
Free Cashflow 01.01. - 30.06. €m



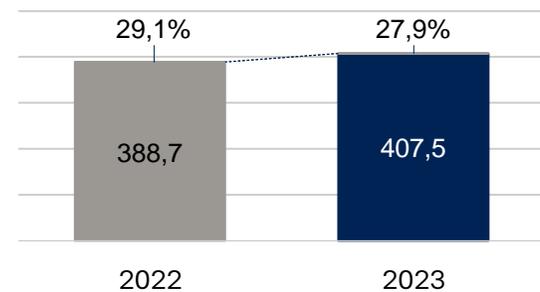
Net financial position as of 30 June €m



Net Working Capital 01.01. - 30.06. €m



Equity as of 30 June €m



Development of net financial position mainly characterized by:

- Working capital: in particular by building up inventories of raw materials in order to avoid supply bottlenecks
- Investments made mainly to adapt infrastructure to gas and energy developments, as well as M&A activities

3. Figures H1 2023.

Group cash flow statement.

€m	H1 2022	H1 2023
Earnings before taxes	-18.4	-13.3
Non-cash transactions	21.2	30.5
Gross cash flow	2.8	17.2
Changes in inventories, receivables, other assets	-91.7	-65.4
Change in provisions and payables incl. interest and income tax payments/refunds	59.4	3.3
Cash flows from operating activities	-29.5	-44.9
Cash flows from investing activities	-16.9	-19.8
Free cash flow	-46.4	-64.7
Cash flow from financing activities	10.5	5.6
Change in funds	-35.9	-59.1
Effect of changes in exchange rates	2.7	-1.0
Funds at beginning of period	129.5	132.2
Funds at end of period	96.3	72.1

- **Gross cash flow** improved by €14.4m compared with the previous year.
- **Cash flow from operating activities** amounted to €-44.9m in the reporting period (previous year: €-29.5m), mainly as a result of the increase in inventories. This was countered by the increase in advance payments received.
- **Cash flow from investing activities** amounted to €-19.8m (previous year: €-16.9m).
- **Free cash flow** amounted to €-64.7m (previous year: €-46.4m). The decrease was mainly due to the change in net working capital.
- **Cash flow from financing activities** of €5.6m (previous year: €10.5m) is also attributable to changes in the syndicated loan.
- At the end of June 2023, **cash and cash equivalents** amounted to €72.1m (previous year: €96.3m).
- After deducting liabilities to banks of €206.6m the **net financial position** was €-134.5m (previous year: €-45.2m), compared with €-63.7m at the end of the financial year 2022.

3. Figures H1 2023.

Group balance sheet.

in €m	31.12.2022	30.06.2023
Assets		
Non-current assets		
1. Intangible assets, property, plant and equipment	393.6	393.7
Investments and other financial receivables	25.5	25.2
Investments accounted for using the equity method	16.0	15.6
Other assets	1.6	1.0
Deferred tax assets	89.8	97.5
	526.5	533.0
2. Current assets		
Inventories	426.2	494.5
Trade receivables	121.6	122.4
Other financial receivables	33.7	35.4
Other assets	205.5	200.6
Securities	3.5	4.5
Cash and cash equivalents	132.2	72.1
	922.7	929.5
Balance sheet total	1,449.2	1,462.5

in €m	31.12.2022	30.06.2023
Equity and liabilities		
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	290.6	275.4
Equity attributable to owners of the Parent	421.1	405.9
Equity attributable to non-controlling interests	1.7	1.6
	422.8	407.5
Liabilities		
Non-current liabilities		
Pension provisions and similar obligations	86.3	90.6
Other provisions	31.7	26.9
Bank loans	136.4	136.3
Other financial payables	22.2	26.1
Other liabilities	9.1	9.6
Deferred tax liabilities	73.0	74.6
	358.7	364.1
Current liabilities		
Other provisions	106.6	95.6
Trade payables	104.7	105.6
Bank loans	59.5	70.3
Other financial payables	92.4	95.5
Other liabilities	304.5	323.9
	667.7	690.9
Balance sheet total	1,449.2	1,462.5

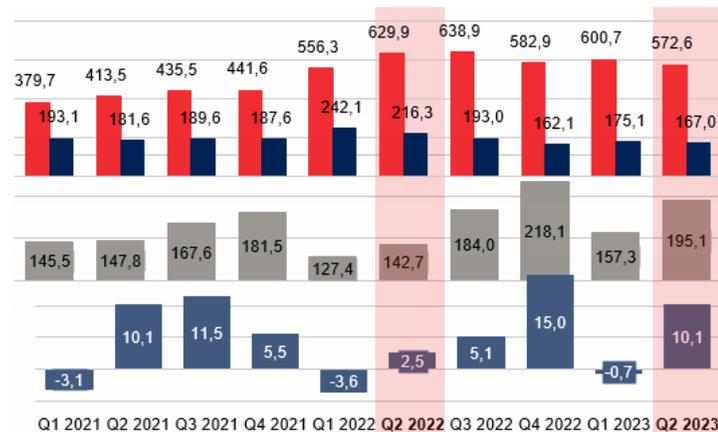
1. In the reporting period, €22.0m (previous year: €19.8m) was invested in **property, plant and equipment** and **intangible assets** for construction and IT projects. The investment volume includes capitalized development costs of €1.7 million (previous year: €1.6m). Capital expenditure was offset by depreciation and amortization amounting to €21.4m (previous year: €18.8m).
2. **Current assets** increased by €6.8m compared with the end of the previous year. **Inventories** increased by €68.3m and **cash and cash equivalents** decreased by €60.1m. The main reasons for this continue to be cost increases on the procurement markets and increased stockpiling due to the global supply bottlenecks and shortage of materials.
3. The decline in the discount rate for domestic pensions (December 31, 2022: 3.9%; June 30, 2023: 3.7%) and the negative consolidated net income contributed significantly to the reduction in **equity** to €407.5m, with the **equity ratio** falling accordingly to 27.9% (previous year: 29.2%). Pension provisions increased slightly due to the lower discount rate for domestic pensions.
4. **Non-current liabilities** increased by €5.4m. **Current liabilities** increased by €23.2m, mainly due to an increase in advance payments received.

3. Segment report.

Sheetfed

€m

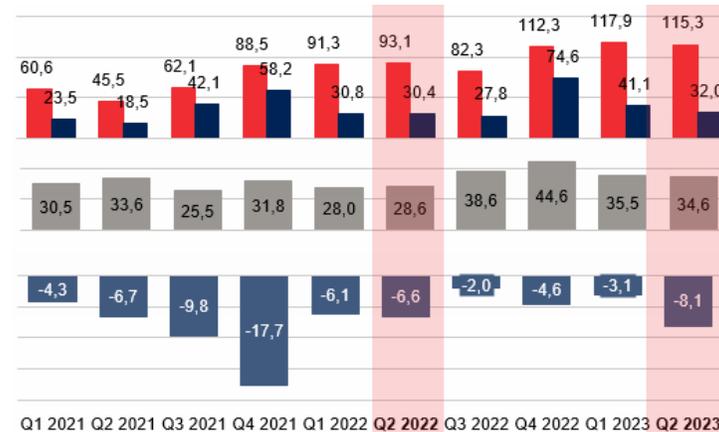
in €m	H1 2022	in % ¹	H1 2023	in % ¹	Δ in %
Order backlog	629.9		572.6		- 9.1
Order intake	458.4		342.1		- 25.4
Revenue	270.1		352.4		+ 30.5
Earnings before interest and taxes (EBIT)	- 1.1	- 0.4	9.4	2.7	+ 954.5



Digital & Webfed

€m

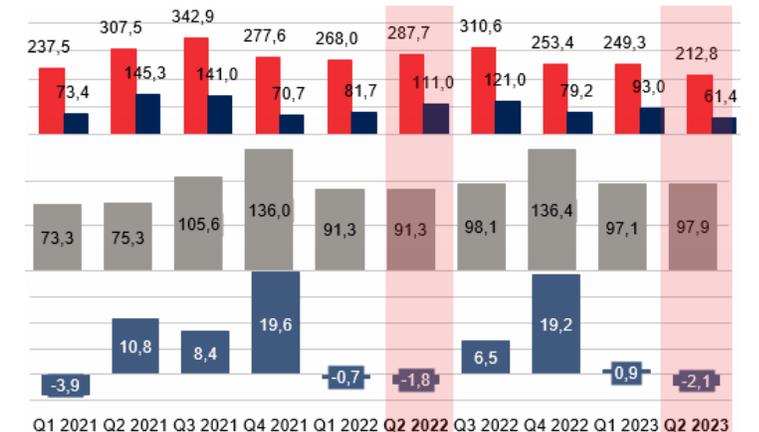
in €m	H1 2022	in % ¹	H1 2023	in % ¹	Δ in %
Order backlog	93.1		115.3		+ 23.8
Order intake	61.2		73.1		+ 19.4
Revenue	56.6		70.1		+ 23.9
Earnings before interest and taxes (EBIT)	- 12.7	- 22.4	- 11.2	- 16.0	+ 11.8



Special

€m

in €m	H1 2022	in % ¹	H1 2023	in % ¹	Δ in %
Order backlog	287.7		212.8		- 26.0
Order intake	192.7		154.4		- 19.9
Revenue	182.6		195.0		+ 6.8
Earnings before interest and taxes (EBIT)	- 2.5	- 1.4	- 1.2	- 0.6	+ 52.0



Order backlog Order intake Revenue EBIT

4. Forecast.

Medium-term targets also adjusted for inflation effects.



5. Key messages.

From tradition to innovation.



Metamor[e]phosis

- We again demonstrated our **speed and adaptability** in the first half of 2023, despite of the fact that the macroeconomic conditions such as inflation, price increases and, in some cases, supply chains are still not running smoothly.
- We are not only benefiting from the **growth market of corrugated board** with Koenig & Bauer Celmacch; here we are celebrating our almost one-year partnership and in this short time we have an answer for almost every requirement of our customers with the new features, the pre-finishable die cutter for the Chroma X Pro series and top-bottom printing for Chroma High-Tech and Chroma Smart series.
- On the **earnings side**, we still have potential for the second half of the year, as Digital & Webfed was not yet able to improve its earnings contribution due to start-up and follow-up costs in connection with the launch of the new products in flexographic, corrugated board and digital printing. Also, the negative earnings contribution in the Special segment was mainly due to a short-term loss of two Banknote Solutions customers, which are based in Sudan and Argentina respectively.
- In our history, which now spans more than 200 years, we have always **adapted to changes in the market environment**. This includes that the respective management always deals intensively and in good time with possible developments and we will continue to do so, even if the P24x program has now officially ended by reaching the savings targets.
- We therefore continue to **confirm our forecast** of achieving Group sales of €1.3 billion and an EBIT margin of around 3% in fiscal year **2023**.

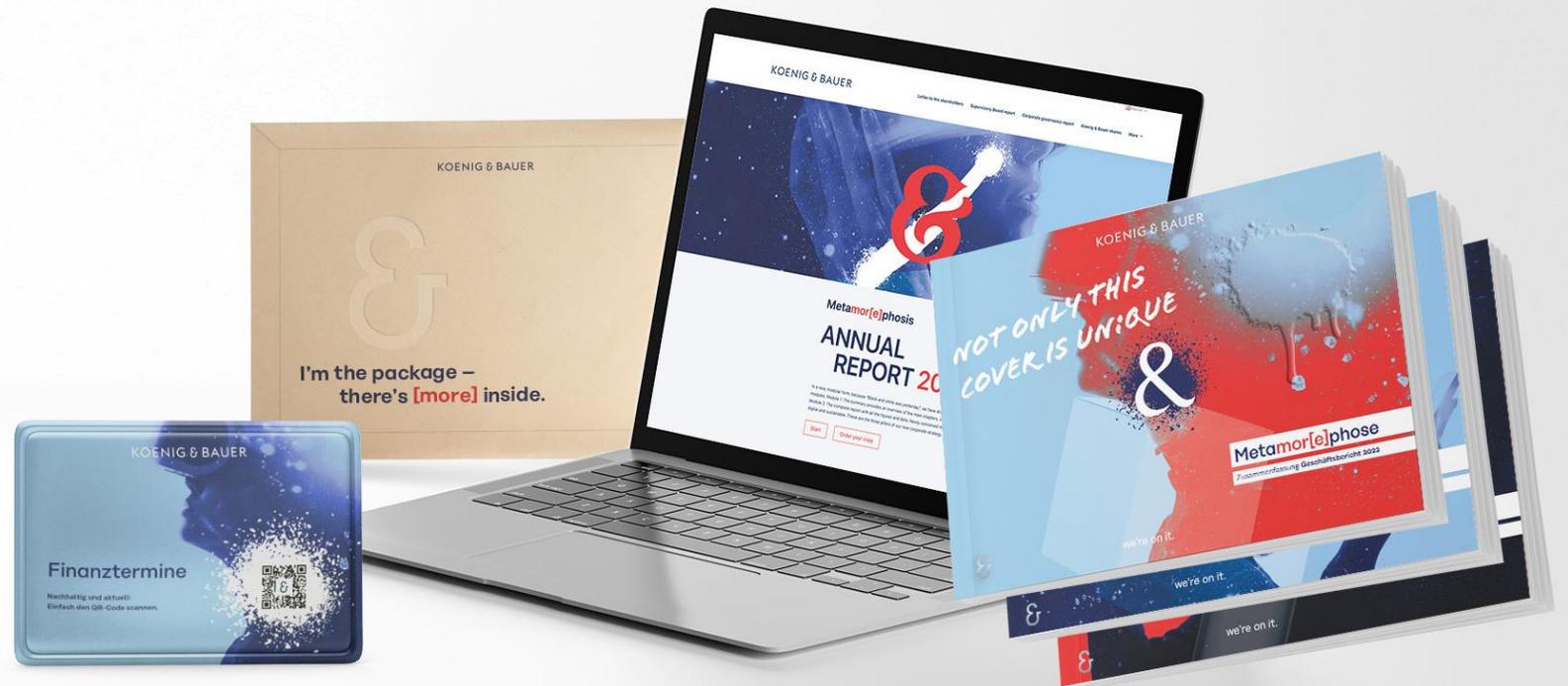


Save the Date
Capital
Markets
Day 23

09 / 10
October
in Radebeul

KOENIG & BAUER

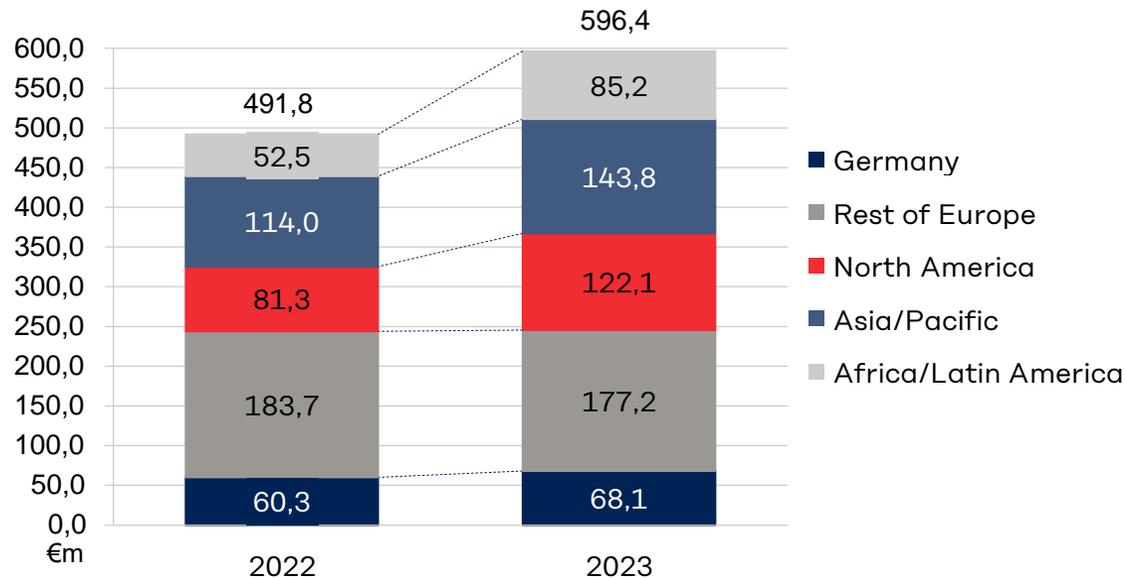
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3. Regional Report H1 Figures 2023.

Group.

Revenue by regions 01.01. - 30.06.



- The **Group export ratio** widened from 87.7% to **88.6%**.
- North America's share significantly increased to 20.5% (previous year: 16.5%). The share of Latin America and Africa increased to 14.4% (previous year: 10.7%) and in the Asia/Pacific region to 24.1% (previous year: 23.2%).
- The share of revenue coming from Germany is at 11.4% (previous year: 12.3%) and in the rest of Europe at 29.6% (previous year: 37.3%) were both lower than in the previous year.

3. Segment report.

Group reconciliation.

in €m	H1 2022		H1 2023	Δ in %
Order backlog	- 2.8		6.2	+ 321.4
Order intake	- 19.4		- 16.7	+ 13.9
Revenue	- 17.5		- 21.1	- 20.6
Earnings before interest and taxes (EBIT)	2.5		- 2.4	- 196.0

Koenig & Bauer – Financial calendar



9 / 10 Oct 2023

Capital Markets Day, Radebeul

8 Nov 2023

Statement on the 3rd quarter of 2023

KOENIG & BAUER

Disclaimer:

This presentation contains forward-looking statements about the business, financial performance and earnings of the Koenig & Bauer Group. These statements are based on assumptions and projections resting on currently available information and present estimates. They are subject to a multitude of uncertainties and risks. While management believes them to be accurate, the impact of external factors beyond its control, such as changes in the economy, exchange rates and in our industry, may give rise to a different outcome from that projected. In particular, the outlook does not include meaningful portfolio effects and influences related to legal and regulatory matters. It also depends on ongoing earnings growth and the absence of disruptive temporary market changes. The actual course of business may therefore deviate substantially from the expected development. Koenig & Bauer therefore accepts no liability for transactions based on these forecasts, nor does it undertake any obligation to update forward-looking statements beyond that required by law.

Koenig & Bauer AG

www.koenig-bauer.com

we're on it.

2019/2020