

**Capital Markets Day  
at Drupa in Düsseldorf  
7 June 2016**

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# Agenda

**Strategy & growth drivers**

Q1 2016

Outlook

## Focus on growth and profit after successful Group realignment



**Strategic  
agenda  
2016**

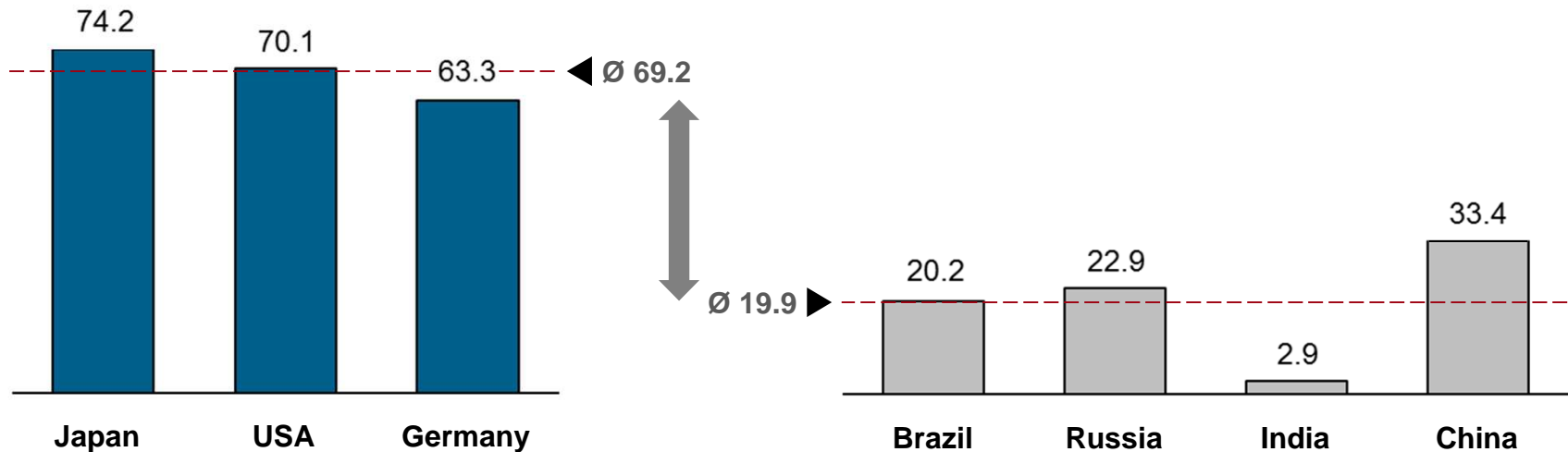
- Restructuring successfully completed, clear Corporate Governance and new company structure implemented
- Revenue share in packaging printing increased to over 70%, media exposure declined to around 10%
- Realignment unlocks good prospects for earnings-driven growth
- Growth with
  - existing and new products in packaging markets,
  - digital web printing for industrial applications and
  - service business expansion
- Robust earnings development in all Group units
- Strong cash flow, strengthen financial power

## KBA is focusing on the growing packaging market

**Global packaging volume CAGR +4%**

- Global GDP +3%, world population +1.1% to +1.5%, (CAGR 2015-2017)
- Trend towards sophisticated packaging, booming online retail and increasing legal regulations as additional drivers
- 80% of growth expected from Asia

Annual packaging consumption per capita in kilo

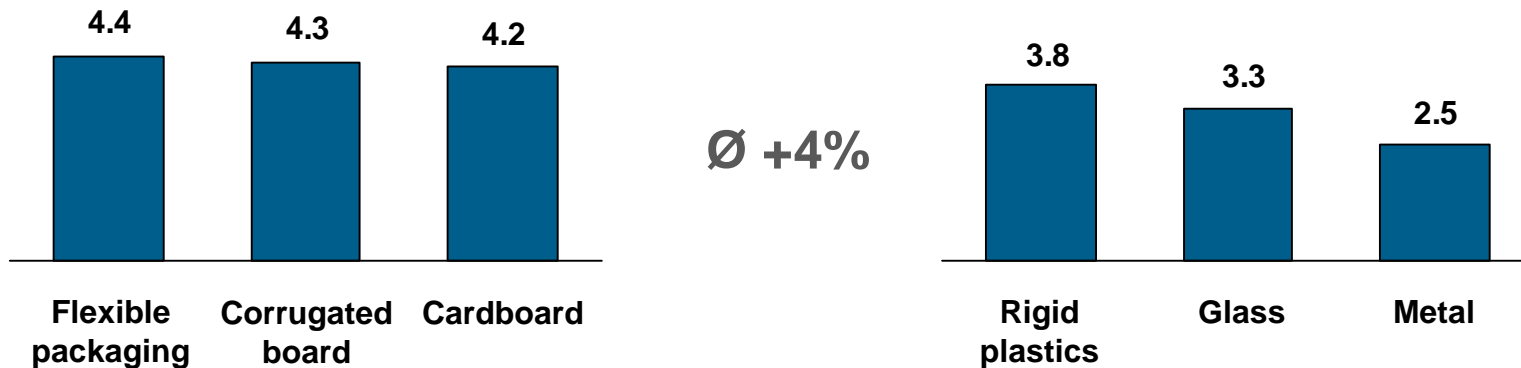


## Greatest potential in flexible packaging, corrugated and cardboard

**Above-average growth on high market volumes**

- Different growth rates in the various packaging markets
- Highest growth rates and market volume in flexible packaging, corrugated board and cardboard
- Attractive end-user industries (40% outer and transport packaging, 30% food, 10% drinks and 10% healthcare/cosmetics)

CAGR growth rates 2015-2017 in %



## Expansion steps in cardboard and flexible packaging

### Cardboard packaging

- International market and technology leader with highly complex, tailored sheetfed presses
- Global market share over 40%
- New industrial digital sheetfed press KBA VariJET 106 with Xerox inkjet technology targets folding carton market
- Combines inkjet printing strengths with traditional inline finishing



### Flexible packaging

- Entry into the billion press market 2½ years ago by acquiring Flexotecnica
- Sophisticated technology for film printing (market volume ≈ €1bn p.a.)
- Global market share rose to 5% through more extensive use of KBA sales network
- 2015: 20% higher revenues y-o-y, strong rise in orders in Q1 2016





## Twin-track entry into the future market of corrugated board

### Direct corrugated printing

- Re-entry into direct corrugated printing with flexo press KBA Corruraph
- Analogue print processes dominate with a market share of over 95% (global corrugated press volume > €1bn p.a.)
- Prototype completed
- Talks with potential pilot users
- First delivery planned for mid-2017



### Digital corrugated printing

- Successful alliance with HP for digital pre-prints of corrugated liners
- More flexibility in formats and run lengths
- First sales soon after the launch at an Open House 12/2015
- Five presses already ordered
- Digital printing potential at 3-5% of corrugated press volume until 2020



## Portfolio expansion in growth market of die-cutting

### Rotary die-cutter for packaging printers

- Unlocks growth prospects in large label market
- Further development for increasingly thicker sheets
- Sets benchmark with high productivity with up to 14,000 sheets/h



### Flatbed die-cutter for cardboard/corrugated

- KBA plans acquisition of Iberica AG S.A.
- Portfolio expansion for folding carton and corrugated printer
- Already good access to this customer base with sheetfed machines
- Integration in KBA network greatly improves Iberica's growth prospects





## Expansion of existing market positions/product offerings

### Metal decorating

- Global leading supplier in metal decorating
- Printing, coating, drying and logistics of metal sheets for 3-part cans (for food, cosmetics, tobacco), crown caps etc.
- High order level increased further in Q1



### Glass/hollow container decoration

- Entry into glass direct decoration through acquiring Kammann in summer 2013
- International market leader for the direct decoration of premium glass containers for cosmetics, perfume, spirits
- Newly developed digital solutions
- Good prospects in Asia, primarily in China



## Growth focus also on industrial applications / service business

### New applications and markets

- Investment in extended product portfolio for attractive markets and new applications
- Expand service offerings with customised solutions

### Expand sales and service network

- Integrated management of sales/service network across all Group units
- Targeted expansion in growth markets Asia, Africa and Latin America
- Unlock service potential of growing installed machine base

### High customer satisfaction as leading principle

- Strong customer competitiveness through tailor-made, innovative solutions with premium quality and convincing service
- Optimisation of all relevant internal processes
- Improved customer loyalty with sinking complexity costs

## Transfer of our web printing technology and expertise in future markets

### Own digital platform with our KBA RotaJET

- Primary focus on industrial applications such as digital decor printing of furniture, floors
- First inkjet web press at industrial decor printer in full swing
- Further presses sold
- Visible future prospects with huge potential, however depending on gravure printers propensity to switch process



## Increase independence from volatile security printing, using chances

### Global bank note production grows

- Bank note printing up to 155bn notes in 2015, +3.5% (CAGR 2006-2015) continues
- Growth drivers are
  - growing world population and prosperity
  - increasing quality demands of ATMs
  - inflation
  - smaller denominations
  - more and more countries print their own bank notes



### Strong trust in bank notes continues

- High level of counterfeit protection through KBA investments in new security features (R&D ratio 10-15%)
- PIN/credit card fraud causes huge damages (2bn US\$ 2015)
- Cashless society is refused by large parts of the world's population
- 60% of world's population without a bank account



# Agenda

Strategy & growth drivers

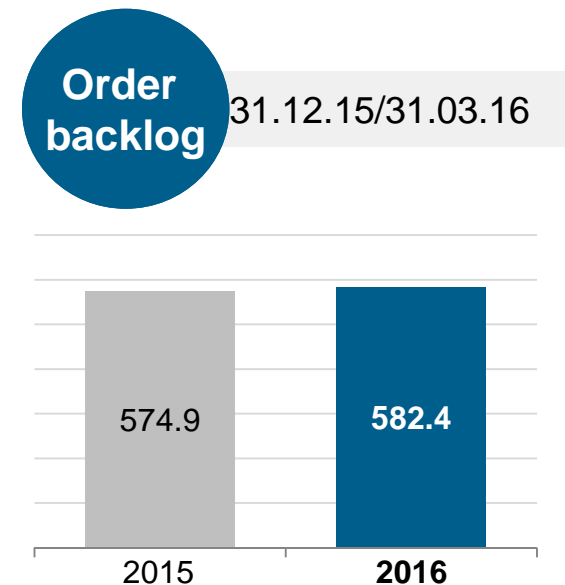
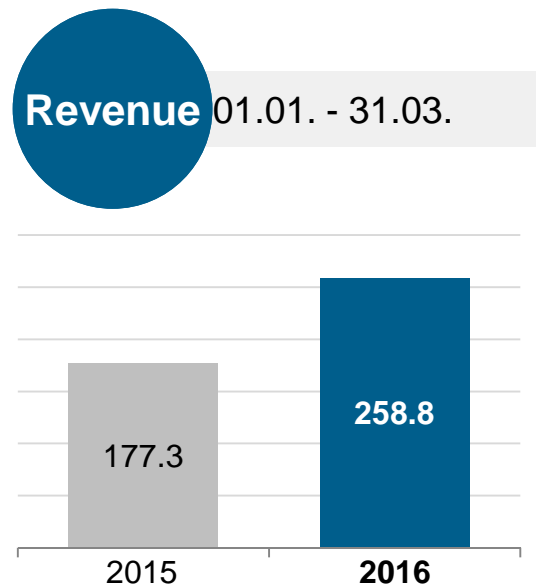
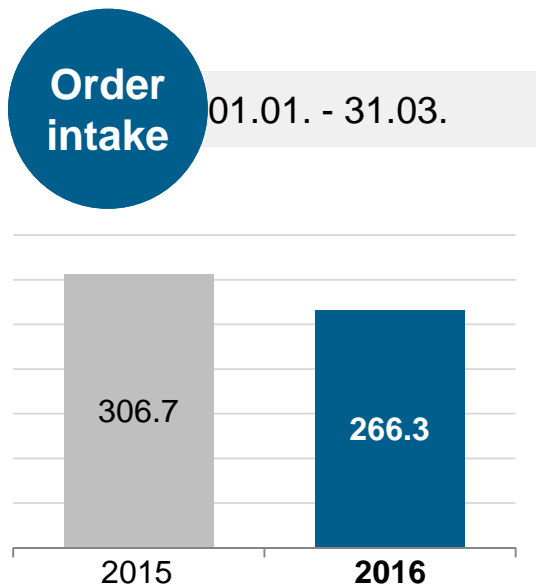
**Q1 2016**

Outlook



## Good first quarter for the KBA Group

- Robust order intake despite challenging macro-economic environment, as expected Sheetfed orders in pre-drupa quarter below prior year
- Strong revenue gains in all segments, packaging share of new equipment rises to slightly over 70%
- Increased order backlog with higher margins overall



Group figures as per IFRS in €m



## Q1 Group earnings improved by over €18m

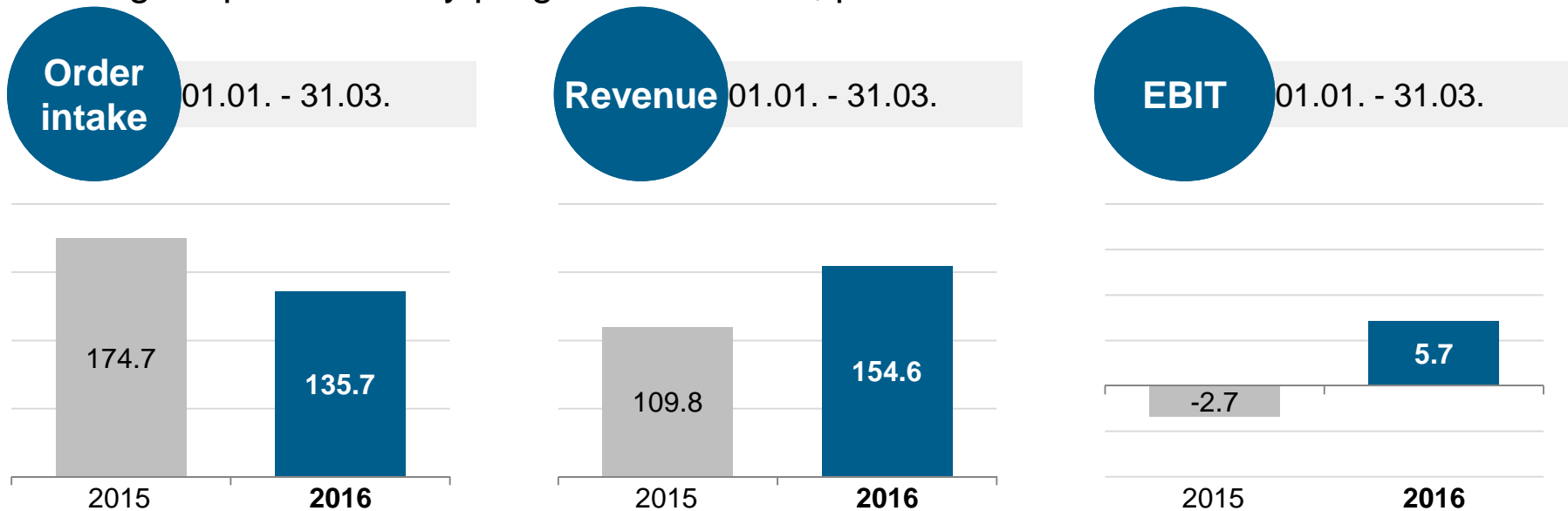
- EBIT of +€2.1m and EBT of €0.6m clearly above prior year
- Visible results of cut in cost base and better margins
- Increased revenues, good utilisation and more service business boost profitability
- Earnings in Special affected by execution delay in security printing, sequential improvement in coming quarters

	2014	2015	Q1 2015	Q1 2016
<b>Gross profit margin</b>	27%	26.8%	20.6%	29.8%
<b>EBT</b>	€5.5m	€29.7m	-€17.7m	€0.6m
<b>EPS</b>	€0.03	€1.62	-€1.01	€0.11

Group figures as per IFRS

## Gains in Sheetfed revenues and earnings

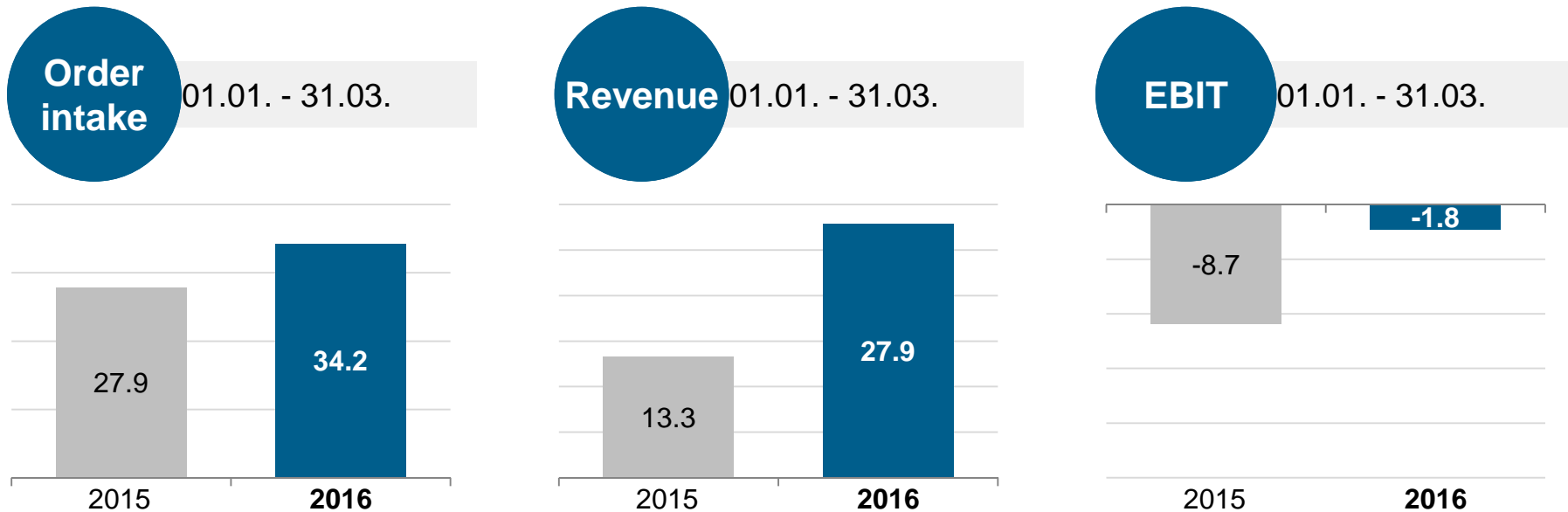
- Order intake below high prior-year figure due to workload-driven longer lead times and expected pre-drupa effect
- Order backlog of €264m on a high level
- Revenues 41% up on low previous-year figure
- Earnings improvement by progress with costs, prices and service activities



Group figures as per IFRS in €m

## Visible results of strategic realignment in Digital & Web

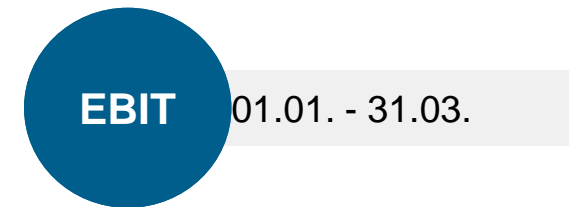
- 23% rise in orders due to new digital web printing orders, order backlog growth to €77m
- Revenue more than doubled
- Substantial earnings improvement through higher revenues and cut in cost base, profit in FY 2016 expected



Group figures as per IFRS in €m

## Delayed earnings realisation in Special segment

- Stable order intake due to gains in packaging markets, unchanged good project pipeline in banknote printing with often lengthy order processes
- 40% higher revenues, order backlog up to €277m
- Earnings improvement in packaging businesses
- Project execution delays of a security order affect earnings, sequential improvement foreseen in following quarters



Group figures as per IFRS in €m

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Q1 2016

**Outlook**

## Guidance for 2016 and 2017

**2016**

- Increase in Group revenue to around €1.1bn
- EBT margin between 3 and 4%
- Profits in all business fields

**2017**

- Revenue growth from packaging markets, service and digital printing
- Continued profitability gains
- Strengthen financial power and balance sheet



# Mid-term margin targets per segment

**Comprehensive restructuring**

**+4%**

**Peaks in security printing business**

**+2%**

**+4-6%**

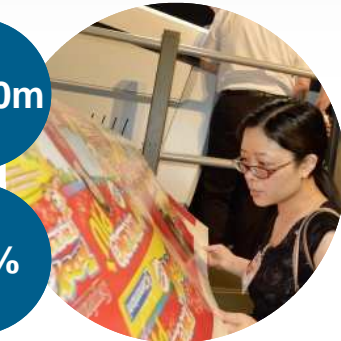
**Mid-term EBT target**

## Sheetfed

- Sheetfed offset presses, services, workflows, postpress equipment

**Sales target**

**~€550m**



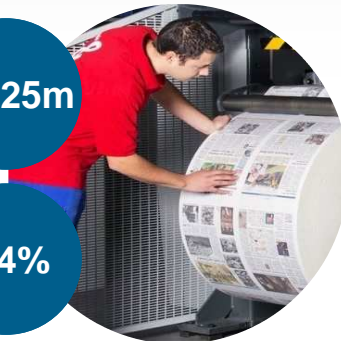
**EBT margin mid-term target**

**3-4%**

## Digital & Web

- Web offset presses, digital presses (own, cooperation with HP), services

**~€125m**



**3-4%**

## Special

- Solutions for security printing, marking & coding, special packaging (metal, glass, film), services

**~€475m**



**5-6%**

**11/08/2016**

**Interim report on 2<sup>nd</sup> quarter 2016**

**20/09/2016**

**Berenberg and Goldman Sachs Fifth German Corporate Conference in Munich**

**10/11/2016**

**Interim report on 3<sup>rd</sup> quarter 2016**

**17/11/2016**

**LBBW German Company Day 2016 in London**

**Disclaimer:**

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