

KOENIG & BAUER

Conference Call
Full-Year Results 2017
22 March 2018

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we're on it.

Agenda

Highlights in 2017

Business performance & key figures in 2017

Guidance for 2018 and mid-term targets until 2021

Activities in corrugated market progressing well

- Large and significantly growing corrugated printing/processing market
- Sheetfed flexo presses CorruFLEX and CorruCUT (with an integrated rotary die-cutter) developed for the dominant analogue direct printing
- Unique features shorten make-ready times and increase operating comfort
- First CorruCUT will be installed at pilot customer Klingele in early 2019
- Newly developed digital CorruJET sheetfed press in test mode before delivery to customer



Koenig & Bauer sets new benchmarks in 2-piece can printing

- Strong customer interest in new solution CS MetalCan
- Unique features: ten inking units, high production output and short make-ready times of a few minutes
- Two customer contracts signed for intensive field-testing with the target of sales launch at the end of 2018



CS MetalCan



CS MetalCan line with a curing oven

Successful entry into the growing die-cutter market

- Innovative solutions for folding cartons, corrugated and other packaging, labels, in-mold products and a variety of commercials
- Rapida RDC 106 sets world record in rotary die-cutting with 17,000 sheets per hour
- Order intake, revenue and EBIT in flat-bed die-cutting well above expectations



Rotary die-cutter



Flat-bed die-cutter for large formats

Service initiative bearing first fruits

- Service revenue share expanded from 23.5% to 25.6% y-o-y
- Comprehensive and individual customer care with bespoke solutions
- Proven and new proactive services such as analytics for process optimisation and benchmarks
- “Internet of Things” enabling intelligent solutions for maximum performance



Constant innovations for greater customer benefits

- SUSI Optics: banknote printing with maximum counterfeit protection
- Special micro-lenses create dynamic movement effects
- Various optical effects are readily discernible and extremely difficult to force
- In addition, our start-up coverno is performing research on intelligent banknotes that can be authenticated by machines



SUSI Optics

Agenda

Highlights in 2017

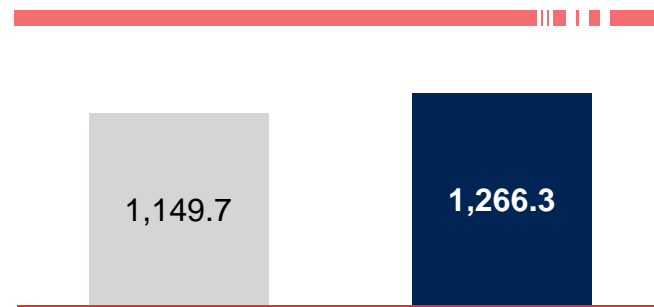
Business performance & key figures in 2017

Guidance for 2018 and mid-term targets until 2021

Good Group business performance

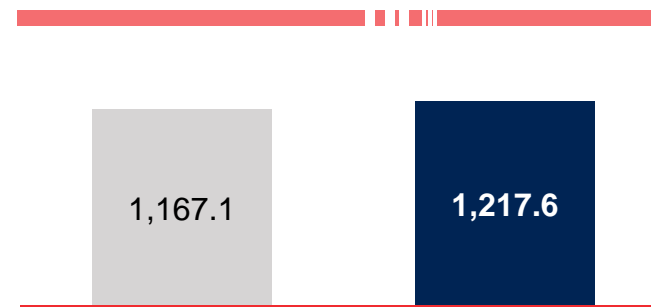
- 10.1% rise in orders to €1,266.3m, further market share gains
- Order growth in all packaging markets, in service and security printing
- 4.3% increase in revenue to €1,217.6m despite the €25m decline in newspaper and commercial press sales
- With a book-to-bill ratio of 1.04 order backlog grows to €606.2m

Order intake 01.01. - 31.12.



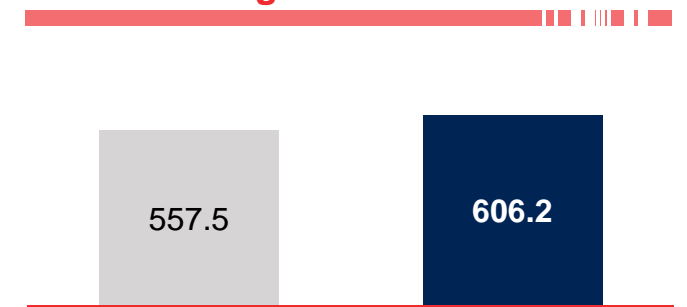
	2016	2017
Q1:	266.3	321.5
Q2:	352.5	280.4
Q3:	251.0	301.5
Q4:	279.9	362.9

Revenue 01.01. - 31.12.



	2016	2017
Q1:	258.8	259.1
Q2:	295.1	279.8
Q3:	277.5	308.8
Q4:	335.7	369.9

Order backlog 31.12.16/31.12.17



	2016	2017
Q1:	582.4	619.9
Q2:	639.8	620.5
Q3:	613.3	613.2
Q4:	557.5	606.2

Group figures as per IFRS in €m

Group earnings target 2017 exceeded

- Gross profit margin of 29.2% at a high level
- Adjusted for the non-recurring income in the previous year, EBIT climbed from €62.9m to €81.4m
- At 6,7%, EBIT margin exceeded the guidance for 2017 of around 6%
- One-time tax income of €12.7m resulting from tax loss carry-forwards
- Dividend proposal of €0.90 per share, 18.4% payout ratio of Group net profit

	2015	2016	2017
Gross profit margin	26.8%	29.7%	29.2%
EBIT	€35.9m	€62.9m ¹⁾	€81.4m
EPS	€1.62	€4.98	€4.91

1) Adjusted for the non-recurring income
Group figures as per IFRS

Stronger financial power and balance sheet

€121m:
net liquidity with
security

€350m:
syndicated credit facility

36.4%:
equity ratio

- Working capital successfully reduced in large parts of the Group, still necessary optimisations in the security business addressed
- Cash flows from operating activities increased slightly to €23.8m
- Free cash flow burdened by high investments and payment instalments for external funding of pension obligations
- Guarantee facility of €200m and revolving cash credit facility of €150m with an option to increase it by €50m
- Long-term maturity with two renewal options until December 2024
- Equity increased by €86.2m to €424m
- At 31.1% in the previous year, significant step towards target of more than 45%

Group income statement

in €m	2016	2017
Revenue	1,167.1	1,217.6
Cost of sales	-820.5	-861.6
Gross profit	346.6	356.0
Research and development costs	-59.3	-48.4
Distribution costs	-144.1	-141.0
Administrative expenses	-80.4	-80.5
Other operating income ./ expenses	24.3	-4.7
Earnings before interest and taxes (EBIT)	87.1	81.4
Interest result	-6.1	-2.9
Earnings before taxes (EBT)	81.0	78.5
Income tax	1.2	2.6
Net profit	82.2	81.1

Group figures as per IFRS

Group cash flow statement

in €m	2016	2017
Earnings before taxes	81.0	78.5
Non-cash transactions	10.6	34.9
Gross cash flow	91.6	113.4
Changes in inventories, receivables, other assets	-35.1	-74.2
Changes in provisions and payables	-34.6	-15.4
Cash flows from operating activities	21.9	23.8
Cash flows from investing activities	-19.6	-83.4
Free cash flow	2.3	-59.6
Cash flows from financing activities	13.9	0.9
Change in funds	16.2	-58.7
Effect of changes in exchange rates/consolidated companies	-0.5	-0.9
Funds at beginning of period	186.3	202.0
Funds at end of period	202.0	142.4

Group figures as per IFRS

Group balance sheet

Assets in €m	31.12.2016	31.12.2017
Non-current assets		
Intangible assets and property, plant and equipment	239.5	256.3
Investments/other financial receivables	15.9	50.5
Other assets	0.1	1.6
Deferred tax assets	64.9	80.7
	320.4	389.1
Current assets		
Inventories	293.4	254.9
Trade receivables	209.0	308.3
Other financial receivables	14.2	14.2
Other assets	26.6	33.4
Securities	19.9	21.6
Cash and cash equivalents	202.0	142.4
	765.1	774.8
	1,085.5	1,163.9

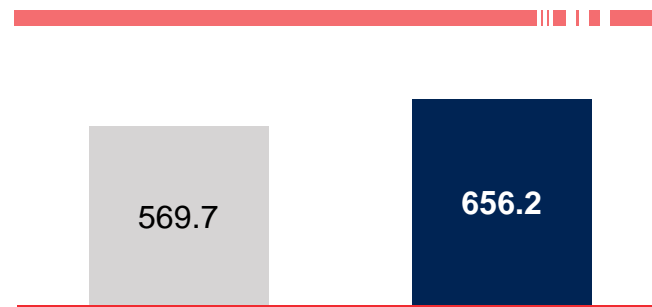
Equity and liabilities in €m	31.12.2016	31.12.2017
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	206.8	293.5
Equity attrib. to non-controlling interests	0.5	-
	337.8	424.0
Non-current liabilities		
Pension provisions	212.5	198.4
Other provisions	23.2	27.1
Bank loans/other financial payables	9.4	8.6
Other liabilities	1.0	1.2
Deferred tax liabilities	22.0	26.2
	268.1	261.5
Current liabilities		
Other provisions	180.5	144.6
Trade payables	59.0	72.1
Bank loans/other financial payables	94.5	100.9
Other liabilities	145.6	160.8
	479.6	478.4
	1,085.5	1,163.9

Group figures as per IFRS

Order and earnings momentum continuing for Sheetfed

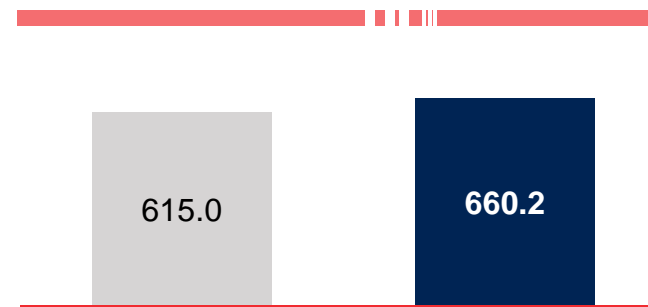
- 15.2% rise in orders, clear increase in service business, good momentum in orders for packaging and commercial printing and flat-bed die-cutting
- 7.3% higher revenue, order backlog of €233.5m
- Pleasing EBIT margin of 5.7% due to revenue growth with strong service business and lower costs

Order intake 01.01. - 31.12.



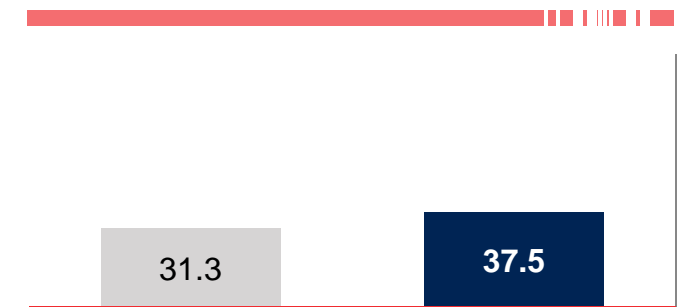
	2016	2017
Q1:	135.7	152.0
Q2:	155.1	174.3
Q3:	139.0	154.0
Q4:	139.9	175.9

Revenue 01.01. - 31.12.



	2016	2017
Q1:	154.6	150.0
Q2:	137.1	157.8
Q3:	152.1	166.9
Q4:	171.2	185.5

EBIT 01.01. - 31.12.



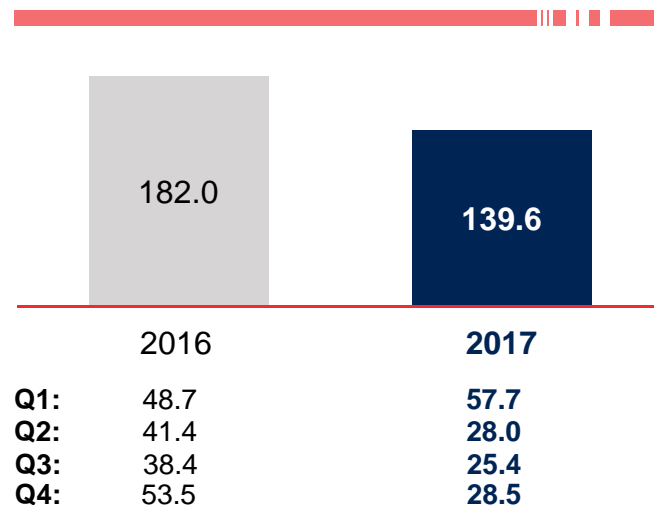
	2016	2017
Q1:	5.7	4.6
Q2:	2.9	7.5
Q3:	8.7	8.2
Q4:	14.0	17.2

Group figures as per IFRS in €m

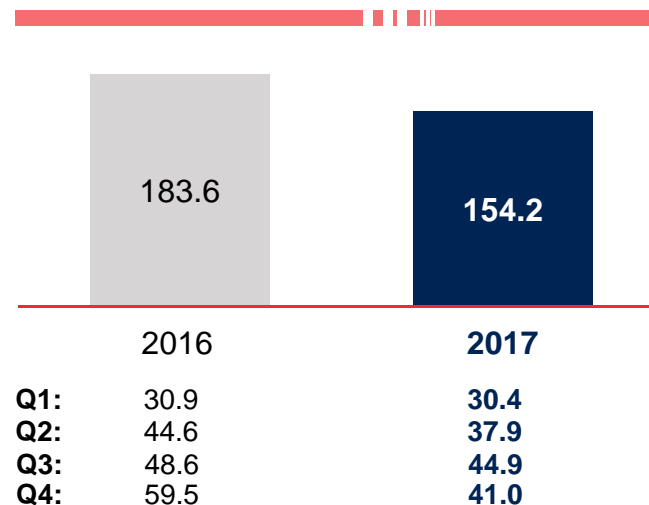
Digital & Web investing in future markets

- Order intake and revenue below prior year due to expected decline in orders for newspaper and commercial web presses
- Growing service business strengthens earnings
- Optimisation efforts for flexible packaging and R&D spending weigh on earnings

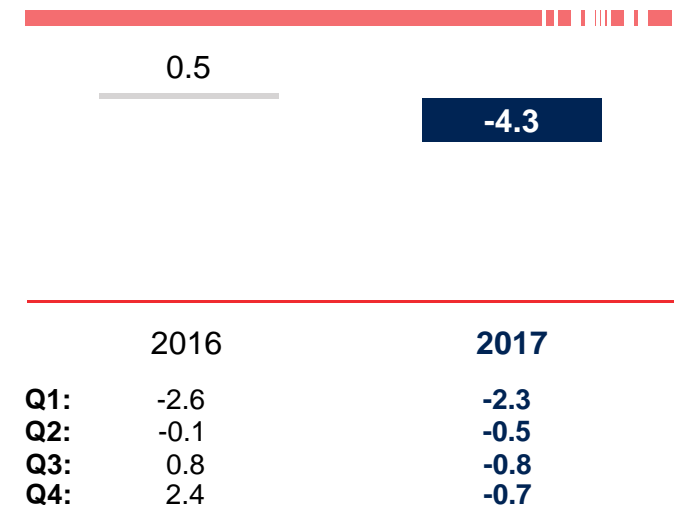
Order intake 01.01. - 31.12.



Revenue 01.01. - 31.12.



EBIT 01.01. - 31.12.

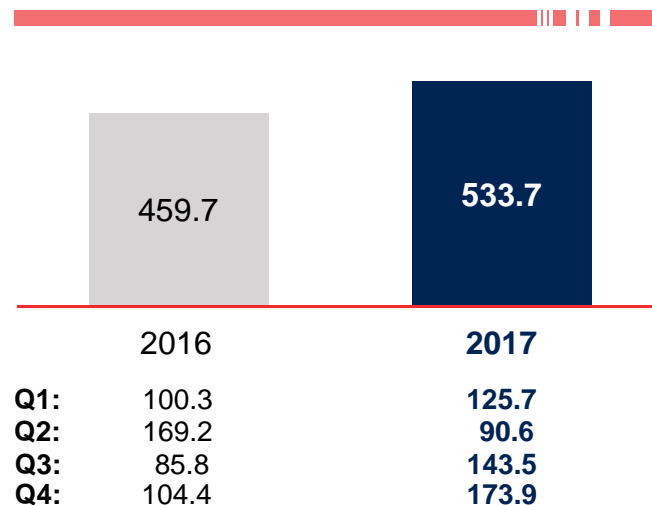


Group figures as per IFRS in €m

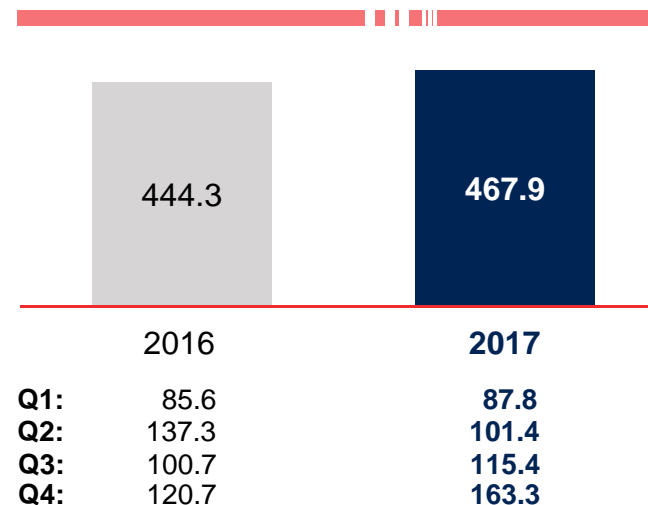
Order intake, revenue and profit up in Special

- Order intake rose by 16.1% yoy
- Gains in security printing, metal and glass/hollow container decorating and coding
- 5.3% higher revenue, order backlog up to €324m
- EBIT increases to €53.7m

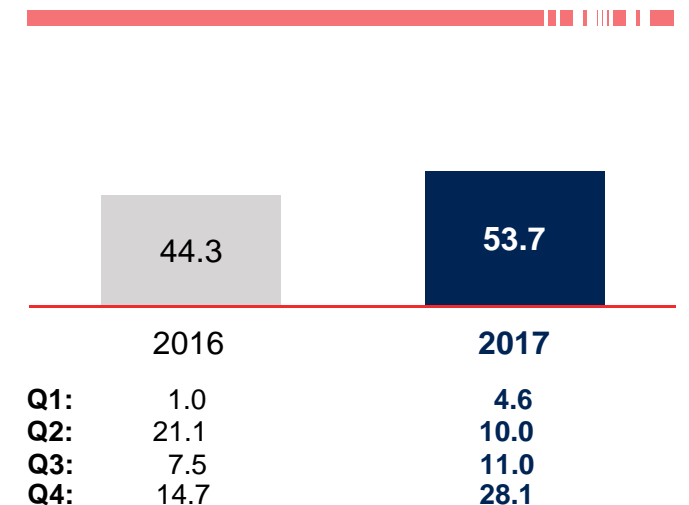
Order intake 01.01. - 31.12.



Revenue 01.01. - 31.12.



EBIT 01.01. - 31.12.



Group figures as per IFRS in €m

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Guidance and targets for 2018

- Around 4% organic growth in Group revenue
- EBIT margin of around 7%
- Next growth step in service business
- Further market share gains across all business fields
- Further progress on the projects to achieve the €70m EBIT increase by 2021 (compared to 2016)
- External funding of pension liabilities to be completed in Q1 2018,
further improvement of the equity ratio through balance sheet reduction

Targets until 2021

Revenue:
target organic growth rate
of $\approx 4\%$ p.a.

Profits:
target 4-9% EBIT margin
on Group level

Resilience:
reduce volatility and risks

- New equipment in packaging printing expected to grow at $\approx 4\%$, 70% of revenues in packaging will give a base growth rate of $\approx 2,8\%$
- Further growth to come from expanding service revenues in all divisions as well as from market share growth
- $\approx \text{€}70\text{m}$ profit increase through the optimisation of security printing business and growth in service business ($\approx \text{€}20\text{m}$ each) together with an integrated production network and strategic purchasing ($\approx \text{€}15\text{m}$ each)
- Depending on global macro, end markets and growth-related spending
- Targeted service revenue share of 30% to support earnings stability
- $>45\%$ equity ratio, with dividend policy of 15-35% of Group net income
- Net working capital target range of 20-25 % of revenue

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Disclaimer:

The projections contained in this presentation were founded on data available at the time of issue. 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. The outlook contains no meaningful portfolio effects and influences relating to legal and official matters. It also depends on ongoing earnings growth and the absence of disruptive temporary market changes. KBA therefore accepts no liability for transactions based upon these projections.

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we're on it.