

KOENIG & BAUER

Conference Call
Q3 Results 2018
7 November 2018

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we're on it.

Agenda

Highlights Q3 2018

Business performance 9M 2018

Guidance for 2018, mid-term targets until 2021, additional growth offensive 2023

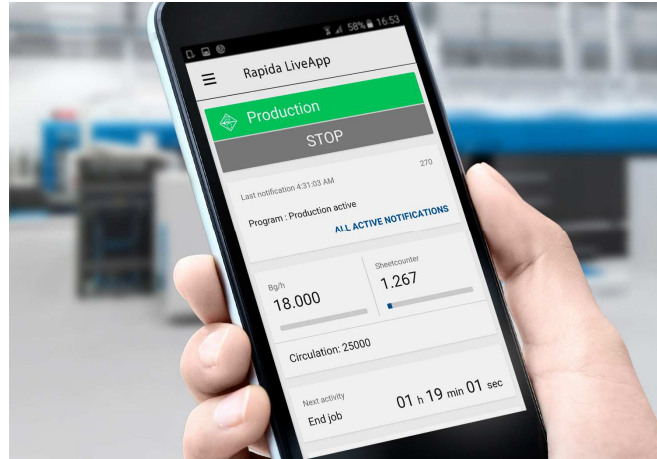
Successful open house „Large Format meets LED-UV“

- High-speed 4-over-4 printing using both reel stocks and piles on a Rapida 145
- Efficient processing of long runs
- Economical even for print jobs with only 250 sheets due to fast job changes with AutoRun
- Autonomous printing: 13 jobs in barely 70 minutes
- World premiere: energy efficient LED-UV technology in large-format perfecting



Intelligent service solutions through digital transformation

- Predictive maintenance and analytics for process optimisation and benchmarks
- “Internet of Things” enabling customised solutions for maximum performance
- LiveApp in practice, e.g. at Schur Pack Germany
- MobileConsole as a fully-fledged mobile control station with all operating functions
- Artificial intelligence with augmented reality applications



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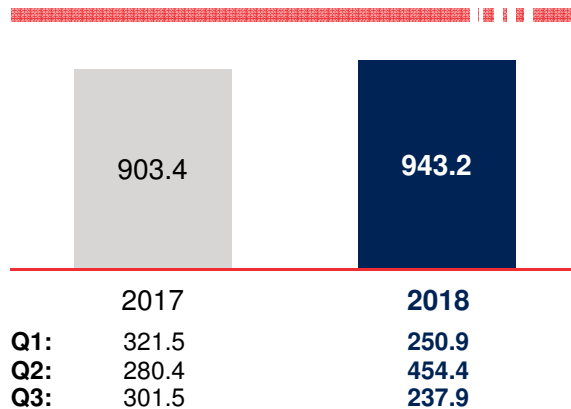
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Guidance for 2018, mid-term targets until 2021, additional growth offensive 2023

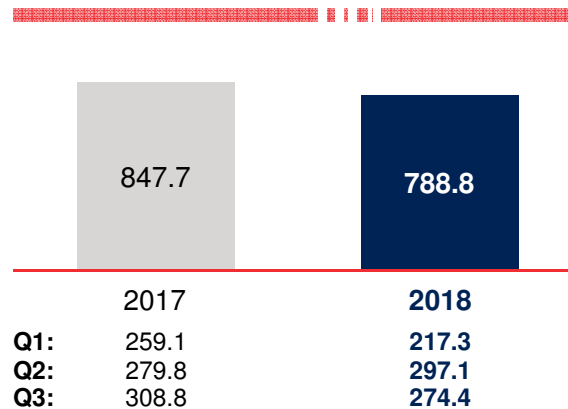
Good order situation in the Koenig & Bauer Group

- 4.4% rise in orders to €943.2m
- Strong security press business and growth in packaging printing markets
- Revenue below previous year due to greater accumulation of deliveries in Q4 and bottlenecks in parts availability
- 25.5% increase in order backlog to €769.3m

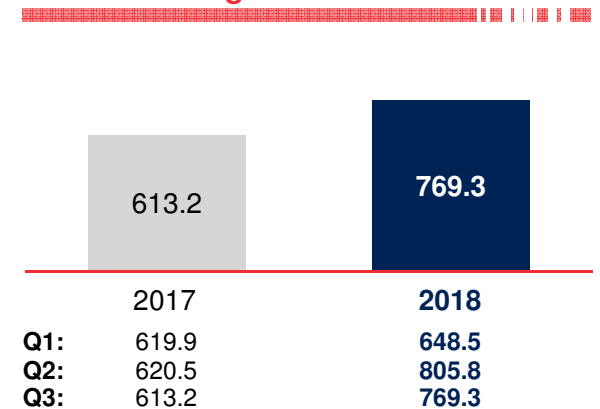
Order intake 01.01. - 30.09.



Revenue 01.01. - 30.09.



Order backlog 30.09.



Group figures as per IFRS in €m

Earnings significantly influenced by lower revenue

- Gross margin increased from 29.1% to 30.1%
- 9M EBIT of €28.6m below prior year due to lower revenue together with market-entry and growth-related expenses for corrugated board and flexible packaging
- Good EBIT margin of 6.6% in Q3 with low revenue level
- Strong revenue and earnings momentum in Q4 expected

	2016	2017	9M 2017	9M 2018
Gross profit margin	29.7%	29.2%	29.1%	30.1%
EBIT	€62.9m ¹⁾	€81.4m	€36.4m	€28.6m
EPS	€4.98	€4.91	€1.79	€1.23

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

Group income statement

in €m	9M 2017	9M 2018
Revenue	847.7	788.8
Cost of sales	-601.1	-551.1
Gross profit	246.6	237.7
Research and development costs	-35.9	-36.7
Distribution costs	-103.8	-102.6
Administrative expenses	-66.7	-73.0
Other operating income ./ expenses	-3.8	3.2
Earnings before interest and taxes (EBIT)	36.4	28.6
Interest result	-1.4	-3.2
Earnings before taxes (EBT)	35.0	25.4
Income tax	-5.5	-5.0
Net profit	29.5	20.4

Group figures as per IFRS

Group cash flow statement

in €m	9M 2017	9M 2018
Earnings before taxes	35.0	25.4
Non-cash transactions	28.1	23.6
Gross cash flow	63.1	49.0
Changes in inventories, receivables, other assets	-104.4	19.9
Changes in provisions and payables	16.7	-18.4
Cash flows from operating activities	-24.6	50.5
Cash flows from investing activities	-63.2	-63.6
Free cash flow	-87.8	-13.1
Cash flows from financing activities	3.3	-8.8
Change in funds	-84.5	-21.9
Effect of changes in exchange rates/consolidated companies	-0.4	2.9
Funds at beginning of period	202.0	142.4
Funds at end of period	117.1	123.4

Group figures as per IFRS

Group balance sheet

Assets in €m	31.12.2017	30.09.2018
Non-current assets		
Intangible assets and property, plant and equipment	256.3	261.4
Investments/other financial receivables	50.5	25.1
Other assets	1.6	1.6
Deferred tax assets	80.7	84.0
	389.1	372.1
Current assets		
Inventories	254.9	337.4
Trade receivables	308.3	206.8
Other financial receivables	14.2	13.4
Other assets	33.4	50.8
Securities	21.6	15.7
Cash and cash equivalents	142.4	123.4
	774.8	747.5
	1,163.9	1,119.6

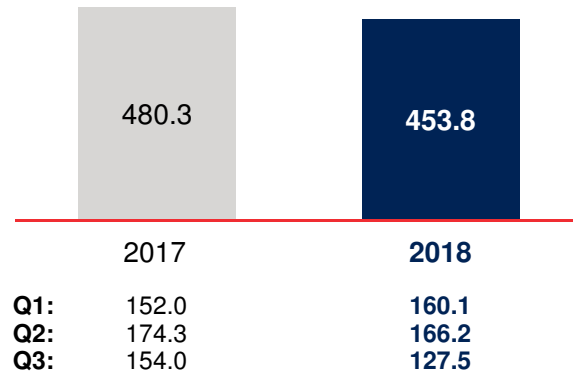
Equity and liabilities in €m	31.12.2017	30.09.2018
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	293.5	287.9
Equity attrib. to non-controlling interests	-	0.4
	424.0	418.8
Non-current liabilities		
Pension provisions	198.4	145.3
Other provisions	27.1	16.6
Bank loans/other financial payables	8.6	6.4
Other liabilities	1.2	1.2
Deferred tax liabilities	26.2	29.6
	261.5	199.1
Current liabilities		
Other provisions	144.6	133.1
Trade payables	72.1	47.1
Bank loans/other financial payables	100.9	130.5
Other liabilities	160.8	191.0
	478.4	501.7
	1,163.9	1,119.6

Group figures as per IFRS

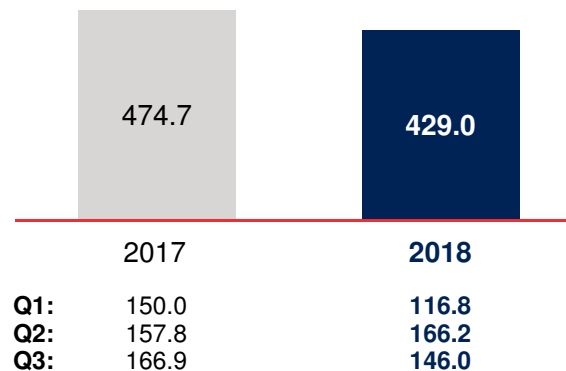
Sheetfed limited by parts availability

- While the project situation is good, bottlenecks in parts availability are dampening new business
- Revenue and earnings also affected
- Working intensely on optimising the entire supply chain to reduce delivery times
- Order backlog increased from €243.1m to €258.3m

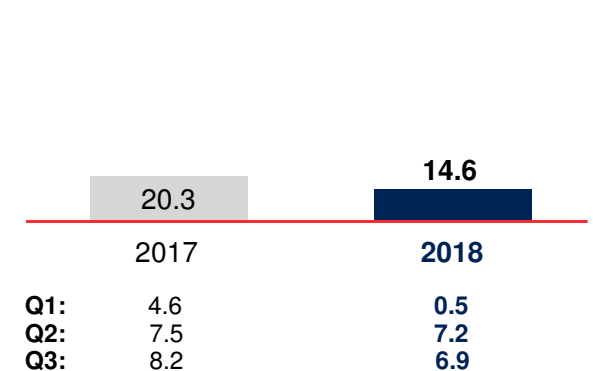
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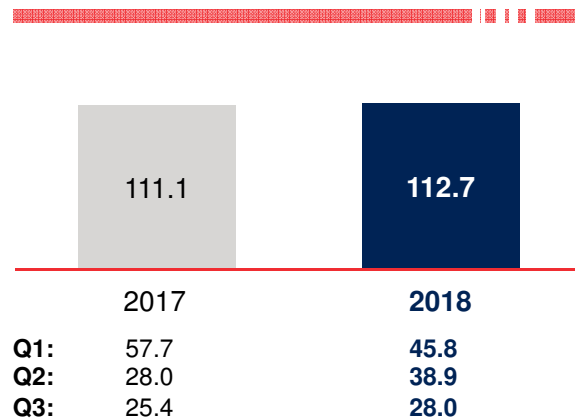
EBIT 01.01. - 30.09.



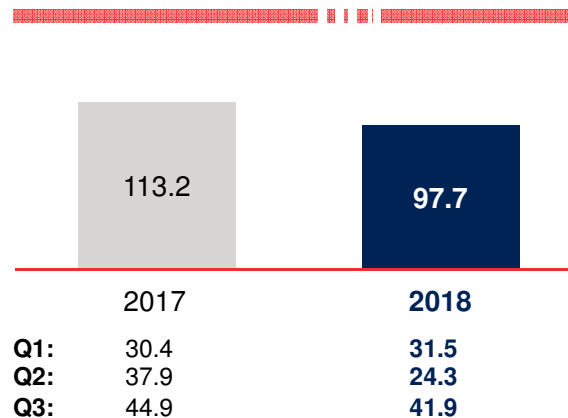
Growth expenses burden Digital & Web earnings

- Realignment of flexible packaging showing first successes with a substantial increase in order intake
- 9M order intake only slightly up due to fewer orders for newspaper and digital printing presses
- Lower revenue due to fewer digital press installations
- EBIT burdened by lower revenue and market-entry costs for corrugated and flexible packaging
- Good order backlog of €76.5m compared to €74m in the previous year

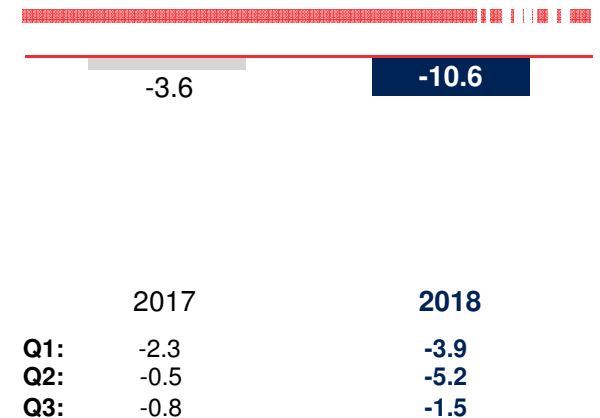
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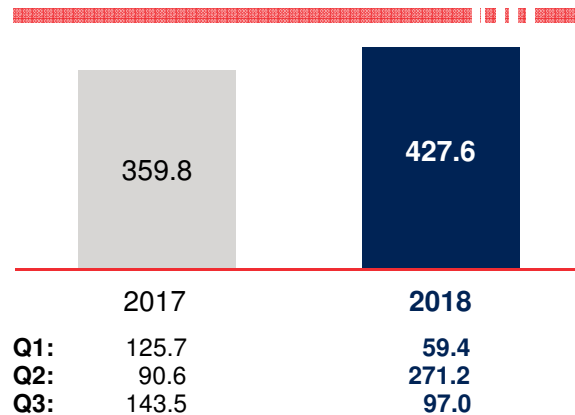


Group figures as per IFRS in €m

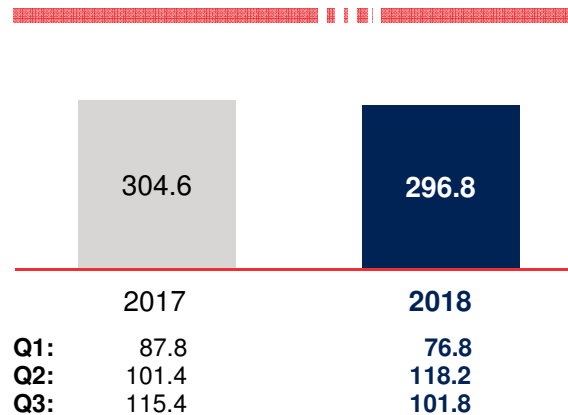
18.8% rise in orders in Special

- Large orders in security printing and growth in marking & coding
- Revenue of €296.8m slightly below previous year
- 9M EBIT of €25m at prior year's level
- Q3 EBIT margin improved to 10.4%
- Extraordinarily high order backlog of €463.5m compared to €313.4m in the previous year

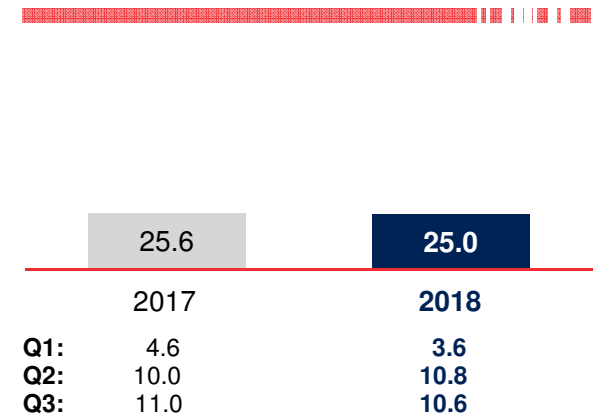
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Guidance and targets for 2018

- Around 4% organic growth in Group revenue
- Strong management focus on execution of orders on time in Q4; as things currently stand, revenue shifts of around €35m into 2019 cannot be ruled out due to bottlenecks in parts availability
- EBIT margin of around 7%
- Increased global macroeconomic risks due to trade conflicts and barriers, rising US interest rates and political uncertainties in Europe (Brexit, Italy) and in emerging countries

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 \emptyset 4%, 70% of revenues in packaging will give a base growth rate of \emptyset 2,8%
- Further growth to come from expanding service revenues in all divisions as well as from market share growth
- \approx €70m profit increase through the optimisation of security printing business and growth in service business (\approx €20m each) together with an integrated production network and strategic purchasing (\approx €15m 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

Additional growth offensive 2023: market opportunities

Addressed markets

- Corrugated board printing (analogue and digital)
- Flexible packaging printing
- 2-piece can decorating
- Postpress equipment such as rotary and flatbed die-cutters
- Marking and coding

Market volume

- Addressed total market volume of currently around €2bn p.a. for equipment
- Annual growth rates of between 2% and 10%

Growth drivers

- Increasing consumer spending and demand for packaging in the world as well as growing world population
- Long-term trends such as e-commerce, more sophisticated packaging and smaller sizes due to more single-person households

Additional growth offensive 2023: innovations

Complex customer surveys and analysis as basis for all decisions

- Differentiation by
 - improved total cost of ownership
 - shorter make-ready times for increasingly frequent job changes
 - greater ease of operation
 - high production output

Current product innovations and enhancements

- CorruCUT, CorruFLEX and CorruJET for corrugated board printing
- New machines and automation modules for flexible packaging printing
- CS MetalCan for 2-piece can decorating
- Rapida RDC 106 rotary die-cutter, upgrade of flatbed die-cutters
- Additional coding products and software solutions

Additional growth offensive 2023: targets and costs

Revenue and earnings targets until 2023

- Successively generate an additional revenue volume of around €200m
- Gradual EBIT margin increase from additional business to a double-digit figure at steady-state

Favourable market environment as basis

- Structural and partly above-average growth in the addressed markets
- End markets with a high share in less cyclical sectors such as food, beverages and pharmaceuticals

Costs of around €50m cumulated for 2019 to 2021

- Staged approach with clear milestones
- Higher costs for additional experts and specialists in our global service and sales network
- Market-entry and R&D expenses for targeted portfolio additions based on platform concepts

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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. Koenig & Bauer AG therefore accepts no liability for transactions based upon these projections.

Koenig & Bauer AG

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