KOENIG & BAUER

Conference Call
H1 Results 2019
1 August 2019

Claus Bolza-Schünemann, CEO
Mathias Dähn, CFO

we’re on it.

Agenda

Highlights

Business performance in H1 2019

Guidance for 2019 and mid-term targets until 2023

Highlights

- Fifth RotaJET system sold for digital decor printing, two orders from manufacturers of wood-based products who themselves want to print decors in the future
- Key order from Tetra Pak for digital printing of beverage cartons in progress
- Good start of the 50/50 joint venture with Durst focusing on digital folding carton/corrugated printing following approval from antitrust authorities, experienced expert appointed as managing director

Highlights

- Following a testing phase in our plant, the prestigious pilot customer and development partner Klingele approved the ordered CorruCUT
- Due to the printing and die-cutting quality, the short make-ready times and general operating comfort, our innovation has generated a very positive response from the global corrugated industry
- Equally gratifying is customer feedback from field tests currently underway on the CS MetalCan which we developed for 2-piece beverage can decorating with some unique features

CorruCUT

Agenda

Highlights

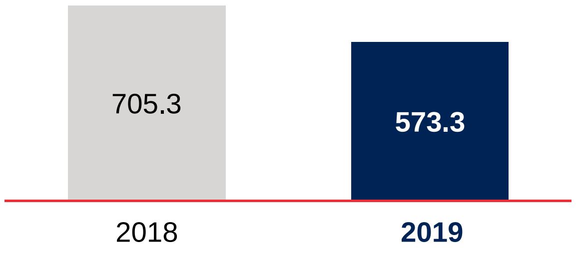
Business performance in H1 2019

Guidance for 2019 and mid-term targets until 2023

Good order situation in the Koenig & Bauer Group

- In the current market environment, good order intake of €573.3m, prior-year figure was impacted by a major order in security printing which is unusual in this scope
- Revenue slightly below prior year due to accumulation of deliveries in H2
- Book-to-bill ratio of 1.13
- Order backlog of €678.2m ensures high capacity utilisation in H2

Order intake 01.01. - 30.06.

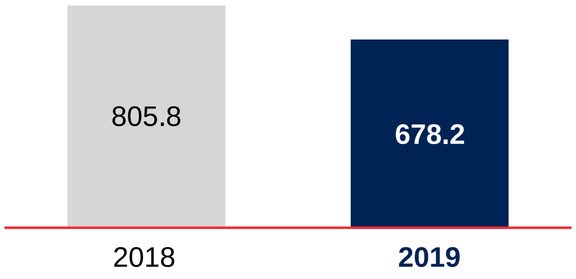


	2018	2019
Q1:	250.9	**276.4**
Q2:	454.4	**296.9**

Revenue 01.01. - 30.06.

	2018	2019
Q1:	217.3	**230.7**
Q2:	297.1	**275.3**

Order backlog 30.06.



	2018	2019
Q1:	648.5	**656.6**
Q2:	805.8	**678.2**

Group figures as per IFRS in €m

H1 earnings impacted by growth and market-entry expenses

- In addition to the growth offensive 2023, H1 earnings were influenced by low revenue level
- Gross margin came to 26.5% following 29.6% in the prior year
- EBIT of €0.6m below prior year
- Positive earnings momentum with rising revenue in Q3 and Q4
- Further increase in earnings from group projects in production and other areas

	2017	2018	H1 2018	H1 2019
Gross margin	30%	29%	29.6%	26.5%
EBIT	€81.4m	€87.4m	€10.6m	€0.6m
EPS	€4.91	€3.86	€0.39	-€0.15

Group figures as per IFRS

Group income statement

in €m	H1 2018	H1 2019
Revenue	514.4	506.0
Cost of sales	-362.1	-371.9
Gross profit	**152.3**	**134.1**
Research and development costs	-23.6	-22.5
Distribution costs	-67.3	-68.1
Administrative expenses	-49.4	-43.6
Other operating income ./. expenses	-1.4	0.7
Earnings before interest and taxes (EBIT)	**10.6**	**0.6**
Interest result	-2.1	-2.6
Earnings before taxes (EBT)	**8.5**	**-2.0**
Income tax	-1.8	-0.4
Net profit/loss	**6.7**	**-2.4**

Group figures as per IFRS

Group cash flow statement

in €m	H1 2018	H1 2019
Earnings before taxes	8.5	-2.0
Non-cash transactions	16.6	17.8
Gross cash flow	**25.1**	**15.8**
Changes in inventories, receivables, other assets	-6.5	-78.9
Changes in provisions and payables	-1.2	-33.4
Cash flows from operating activities	**17.4**	**-96.5**
Cash flows from investing activities	**-57.1**	**-38.7**
Free cash flow	**-39.7**	**-135.2**
Cash flows from financing activities	**1.6**	**67.2**
Change in funds	**-38.1**	**-68.0**
Effect of changes in exchange rates/consolidated companies	3.0	-
Funds at beginning of period	142.4	142.0
Funds at end of period	**107.3**	**74.0**

Group figures as per IFRS

Group balance sheet

Assets in €m	31.12.2018	30.06.2019
Non-current assets		
Intangible assets and property, plant and equipment	293.0	335.1
Investments/other financial receivables	26.0	30.0
Other assets	1.3	1.1
Deferred tax assets	79.5	80.1
	399.8	**446.3**
Current assets		
Inventories	265.7	357.4
Trade receivables	156.0	114.3
Other financial receivables	13.7	16.7
Other assets	184.8	219.4
Securities	16.3	17.4
Cash and cash equivalents	142.0	74.0
	778.5	**799.2**
	1,178.3	**1,245.5**

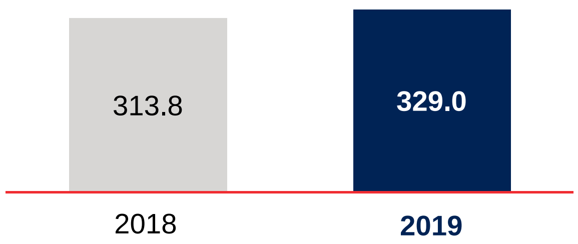
Equity and liabilities in €m	31.12.2018	30.06.2019
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	322.0	289.2
Equity attrib. to non-controlling interests	0.9	1.2
	453.4	**420.9**
Non-current liabilities		
Pension provisions	152.6	163.3
Other provisions	20.9	21.0
Bank loans/other financial payables	6.4	15.3
Other liabilities	0.9	1.3
Deferred tax liabilities	33.9	34.3
	214.7	**235.2**
Current liabilities		
Other provisions	138.0	91.1
Trade payables	82.5	65.0
Bank loans/other financial payables	142.2	259.6
Other liabilities	147.5	173.7
	510.2	**589.4**
	1,178.3	**1,245.5**

Group figures as per IFRS

4.8% rise in orders in Sheetfed

- High order gains in medium format and in service business, strong domestic demand
- Revenue below prior year due to delivery schedule
- EBIT burdened by low revenue level, product mix and costs for Print China trade fair
- High capacity utilisation due to order backlog of €261.6m

Order intake 01.01. - 30.06.

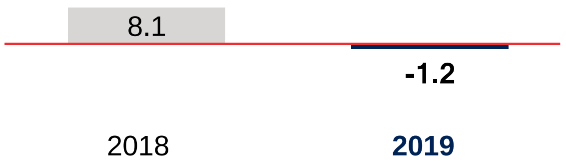


	2018	2019
Q1:	154.3	**173.5**
Q2:	159.5	**155.5**

Revenue 01.01. - 30.06.

	2018	2019
Q1:	111.0	**113.0**
Q2:	159.8	**144.3**

EBIT 01.01. - 30.06.



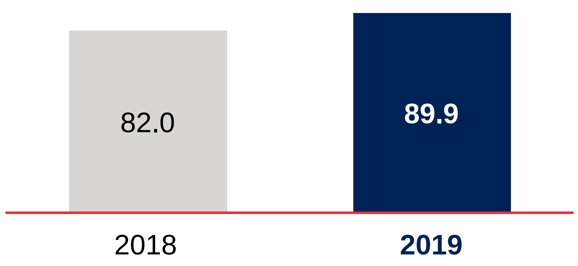
	2018	2019
Q1:	0.4	**-3.1**
Q2:	7.7	**1.9**

Group figures as per IFRS in €m

Order and revenue growth in Digital & Web

- Order gains in flexible packaging and more orders for newspaper and digital decor printing presses
- Slightly lower service orders for newspaper and commercial printing
- EBIT burdened by market-entry and growth-related expenses
- Order backlog up to €111.2m

Order intake 01.01. - 30.06.

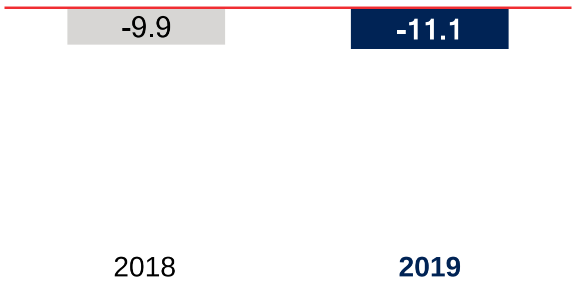


Q1: 45.2 **31.9**
Q2: 36.8 **58.0**

Revenue 01.01. - 30.06.

Q1: 32.5 **32.4**
Q2: 25.6 **32.1**

EBIT 01.01. - 30.06.



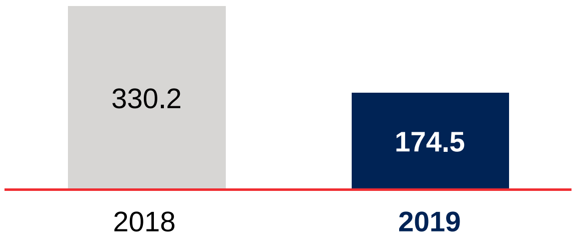
Q1: -4.5 **-5.6**
Q2: -5.4 **-5.5**

Group figures as per IFRS in €m

3.7% higher revenue in Special

- Order intake below prior-year figure, which was impacted by a major order in security printing
- Security press business in H1 2019 in line with plan
- Dynamic demand for large-scale press lines for 3-piece can decorating has calmed
- Significant order growth in glass and hollow container decorating
- EBIT of €6.4m, order backlog of €315.5m

Order intake 01.01. - 30.06.



	2018	2019
Q1:	58.1	**80.0**
Q2:	272.1	**94.5**

Revenue 01.01. - 30.06.

	2018	2019
Q1:	76.8	**92.8**
Q2:	119.5	**110.8**

EBIT 01.01. - 30.06.

	2018	2019
Q1:	3.8	**2.0**
Q2:	10.9	**4.4**

Group figures as per IFRS in €m

Agenda

Highlights

Business performance in H1 2019

Guidance for 2019 and mid-term targets until 2023

Guidance for 2019

- Organic growth of around 4% in Group revenue

- EBIT margin of around 6%

  - annual margin improvement of 0.7% from Group projects for boosting earnings

  - margin burden from the growth offensive 2023 included (start-up costs of ≈ €50m cumulated for 2019 to 2021 with a heavier load in the first year)

Mid-term targets until 2023

Revenue target:
annual growth rate of ≈ 4% p.a. to €1.5bn

- Growth from packaging printing (Ø 4% annual growth rate in equipment), from service and market share gains
- Additional revenue from new and enhanced products
- Declining service business in newspaper printing medium to long-term

Profit target:
7-10% EBIT margin on Group level

- Incremental advances in Group projects for boosting earnings
- Increasing revenue in consumer-oriented markets with lower volatility and higher margins
- Compensation of start-up costs from growth offensive 2023

Resilience:
strengthen earnings, financial, balance sheet power

- Targeted service revenue share of 30% to support earnings stability
- >45% equity ratio, with dividend policy of 15-35% of Group net income
- Average net working capital target range of 20-25 % of revenue

Disclaimer:
The projections contained in this presentation are 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 on these projections.

Koenig & Bauer AG

www.koenig-bauer.com

we're on it.