

KOENIG & BAUER

**Koenig & Bauer at  
Deutsches Eigenkapitalforum Online**

Dr Stephen Kimmich, CFO

we're on it.

# Agenda

- 1 Highlights**
- 2 Markets addressed
- 3 Business performance

# We print your world

Millions of people come into contact with the Koenig & Bauer brand every day – with products printed or finished with Koenig & Bauer technology:



from banknotes to cardboard, film, metal and glass packaging, and from book, display, coding, decor, magazine, advertising and newspaper printing.

# Koenig & Bauer at a glance



> 200

years of experience

No 1

in cardboard printing, metal and glass  
decorating, banknote printing

70 %

revenue share in packaging printing



11

manufacturing locations



109

sales and service locations



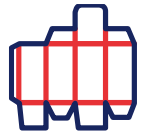
80 %

strong global presence with  
international business

# We stand for printing in all its diversity

The widest variety of substrates

## Sheetfed



Folding Cartons



Labelling



Magazines & Catalogues



Books

## Digital & Web



Flexible Packaging



Decors & Laminates



Corrugated Board



Newspapers

## Special



Metal decorating



Coding



Hollow Glass & Plastic Containers



Banknotes

# We print your world – every day

## Morning



Hollow Containers



Glass Containers



Metal Cans



Folding Carton



Newspaper

# We print your world – every day

Noon



Flexible Packaging



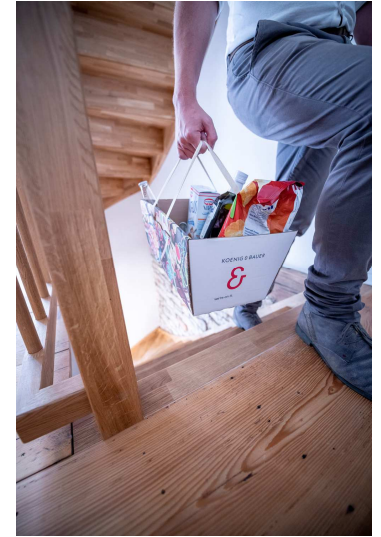
Corrugated Board



Banknotes



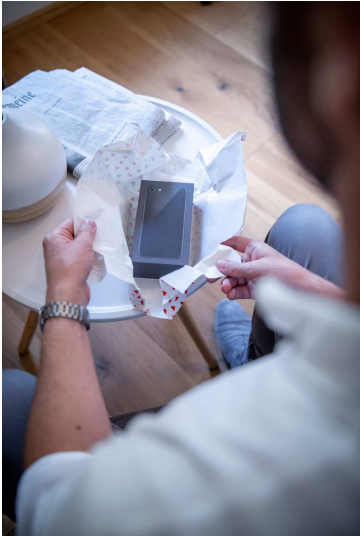
Coding



Corrugated Board

# We print your world – every day

## Evening



Folding Carton



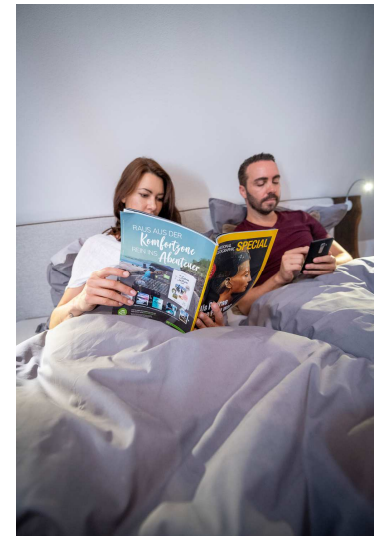
Flexible Packaging



Glass Bottles



Hollow Containers



Commercial Printing



# Koenig & Bauer in numbers

Around **140 bn**

banknotes are printed in one year on presses of the NotaSys unit

Up to **20,000**

sheets the world's fastest medium-format press, the Rapida 106 from the Sheetfed division, prints in one hour

Up to **180,000**

containers of hollow glassware or plastic the screen printing machine K15 M of the Kammann unit can print in one day with multi-colour patterns

Up to **960,000**

alphanumeric codes the alphaJET EVO inkjet system of the Coding unit can print in one day on any surface

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# Markets addressed

## Market Leader



#1  
Cardboard



#1  
Metal



#1  
Glass



#1  
Banknote



#1  
Newspaper



## Strong Player



#2  
Commercial



#2  
Postpress



	Growing Market
	Stable Market
	Declining Market

## Emerging Player



Coding



Flexible  
packaging



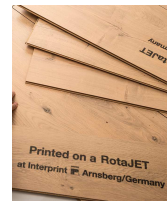
Corrugated



2-piece  
metal can



## New Markets



Digital  
decor



Digital  
beverage  
carton



Digital  
corrugated



Digital  
cardboard



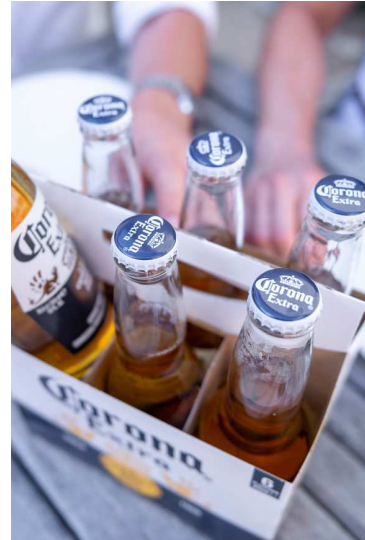
# Packaging, cardboard (offset – analogue and digital)



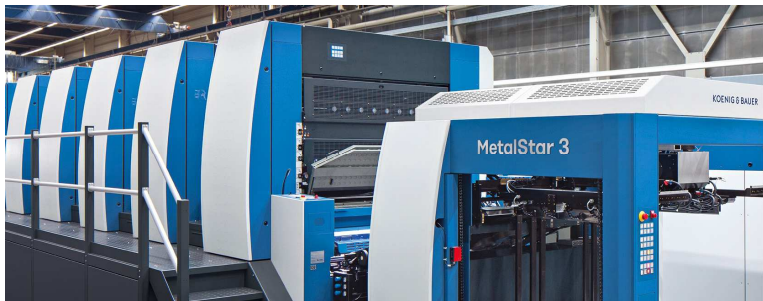
- Packaging solutions from a single supplier for printing, die-cutting and gluing of folding cartons
- Global market leader in folding carton printing with a share of 45%, market volume €800m ↗
- #2 in die-cutting with 10% global market share, market volume €200m ↗
- #2 in folder gluing with 8% global market share, market volume €140m ↗
- Market entry into the digital sheetfed printing market of folding cartons with the VariJET 106 ↗



# Packaging, metal (offset – analogue and digital)



- Production lines for printing, coating and drying of metal sheets for 3-piece can decorating
- Global market leader in 3-piece can decorating with a share of 47%, market volume €180m →
- Market entry in 2-piece beverage can market with CS Metal Can, market volume €70m ↗
- MetalDecoJET – digital solution for metal sheets



# Packaging, glass/hollow container (screen – analogue + digital)




- Special machines and peripheral equipment for the decoration of glass and hollow containers
- Flexible modular solutions with globally unique inline combinations (unique hybrid systems with screen/digital printing/hot-stamping/labelling)
- Global market leader with a share of 45%
- Market volume €70m →



# Flexible packaging, foil (flexo – analogue)



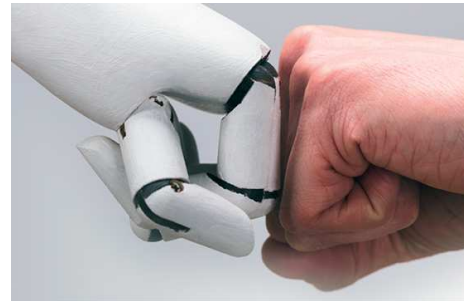
- Flexo web presses for flexible packaging printing
- Machine series with Evo XC, XD and XG
- Top performance and quality in CI flexo printing, even with large printing lengths
- Global market share of 5%
- Market volume €530m 



# Packaging, marking and coding (digital + analogue)




- Solutions for industrial marking and coding, branch-specific ID and labelling systems
- Inkjet, laser, hot embossing and thermal transfer systems
- Global market share of 1%
- Market volume €3.8bn ↗

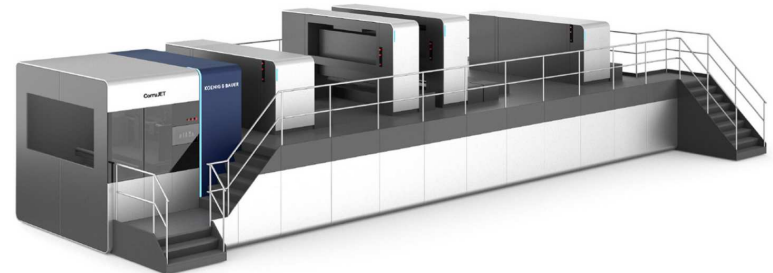




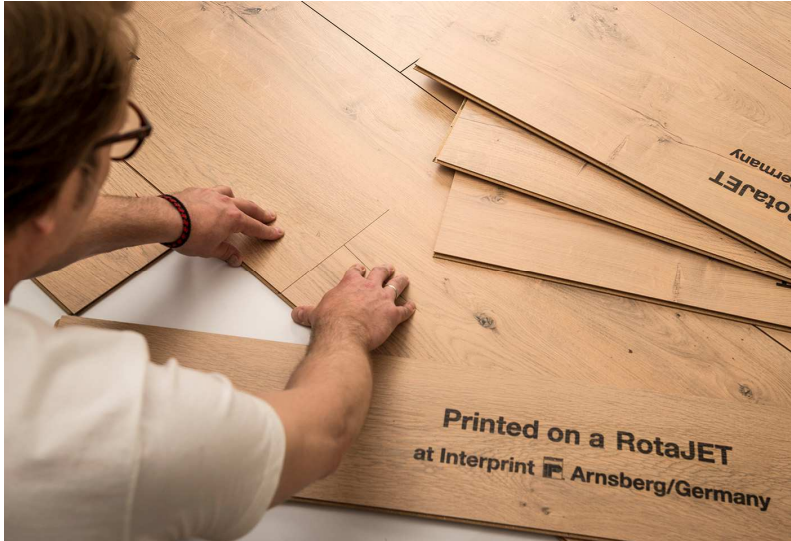
# Packaging, corrugated board (flexo – analogue + digital)



- Corrugated board printing & processing, experience translated into modern technology
- CorruFLEX: flexo post-printing on corrugated
- CorruCUT: high board line rotary die-cutter
- CorruJET from Koenig & Bauer Durst: digital post-printing directly onto corrugated sheets
- Market entry with first installations
- Market volume of the addressed submarkets €220m, in total €1bn 



# Packaging/Industrial, decor and beverage carton (digital)



- Digital web printing for commercial and industrial applications
- Most flexible high-volume inkjet system on the market
- Mature and high-quality RotaJET platform focuses on décor and beverage carton printing
- Six RotaJET machines already sold to the decor industry ➔
- Key order from Tetra Pak for digital full-colour beverage carton printing ➔



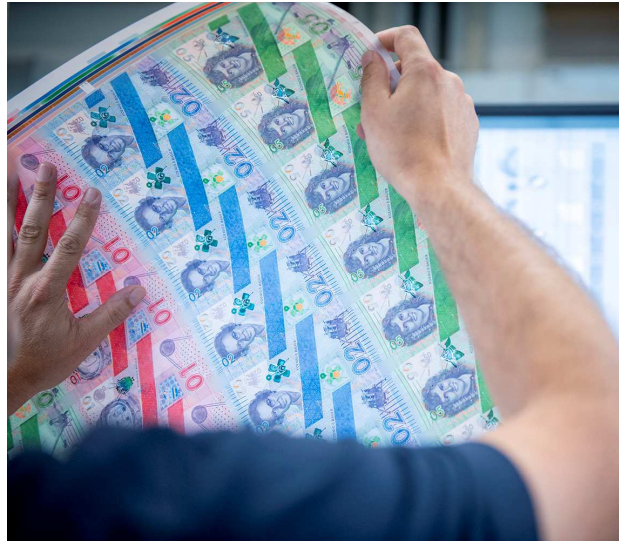
# Newspaper/Commercial, web and sheetfed offset (analogue)



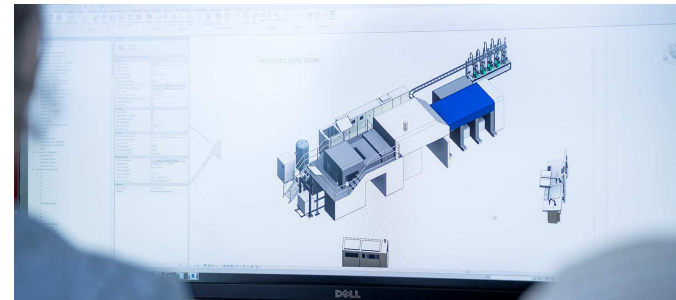
- High-quality presses for high-performance web offset printing of newspapers and commercials
- Customer-oriented and innovative solutions in sheetfed offset commercial printing
- #1 in premium web offset newspaper printing with market share of 30% (market volume €90m) ➔
- #2 in sheetfed offset commercial printing with market share of 15% (market volume €1bn) ➔



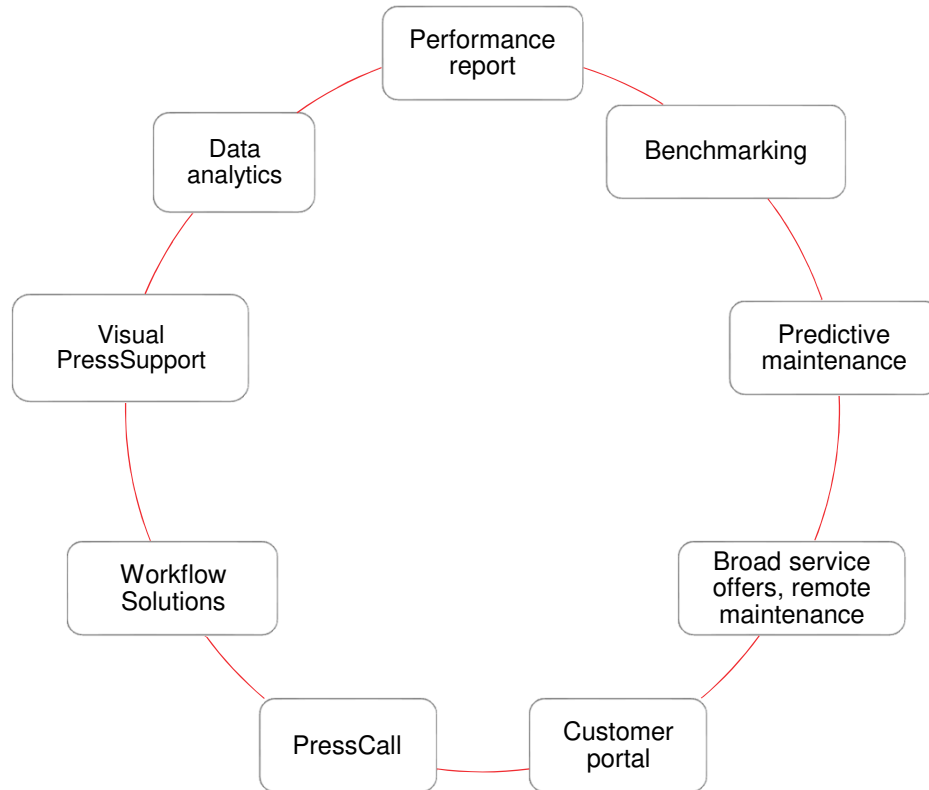
# Banknote/Security, numerous processes (analogue)



- Special presses offer high-security and high-quality solutions for banknote/security printing
- Over decades, built up of know-how with innovations and competitive differentiators in the area of security features
- Banknote printing with maximum counterfeit protection
- Banknote design service
- Technology and market leader with global share of 80%, market volume €250m →



# Connected services with rapidly increasing digitisation



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# Koenig & Bauer business development at a glance

	2015	2016	2017	2018	2019	Guidance 2020	Mid-term targets
Revenue in €m	1,025.1	1,167.1	1,217.6	1,226.0	1,218.5	900-950	1,300
EBIT in €m	35.9	87.1	81.4	87.4	56.0	negative EBIT before special items in the mid double-digit million range	
EBIT margin in %	3.5	7.5	6.7	7.1	4.6		>7%
EPS in €	1.62	4.98	4.91	3.86	2.31		

# Decided Performance 2024 programme in implementation

- Strengthening the operating profitability and position as leading supplier in the growing packaging market as well as in industrial, security printing and postpress
- Clear commitment to continuing the previous portfolio strategy with the broadest product range in the industry
- Addressed end markets are fundamentally intact
- Research and development expenses remain unaffected
- Continuation and acceleration of the development of new products for the areas of packaging in sheetfed and web-fed printing with analogue and digital printing technology, hollow container decorating and solutions for postpress and banknote production
- Annual cost savings of over €100m should increasingly be achieved until 2024
- One-off costs of €57.6m were expensed in Q3 by recognising a provision



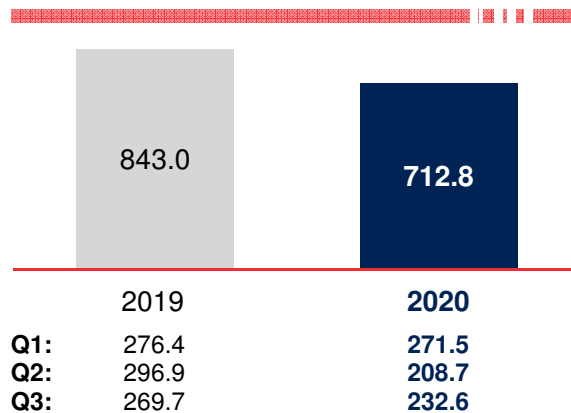
# Business development in Q3 2020 at a glance

- Further improvement of operating earnings in a challenging environment with a still strained global economic situation
- After a high operating loss in H1, adjusted EBIT almost reached break-even in Q3
- Order intake was down 13.8% at €232.6m year-on-year, 9M decline of 15.4% significantly better than industry trend of -26.8% published by the VDMA
- Revenue of €250.6m (before special item due to new revenue recognition guideline) also better than industry trend
- Introduction of new revenue recognition guideline in the Sheetfed segment with revenue shift of -€52.5m and EBIT effect of -€6.3m
- Adoption of the Performance 2024 programme and booking of provisions of -€57.6m
- One-off income of €4.8m from the sale of a real estate asset in Frankenthal had a positive effect

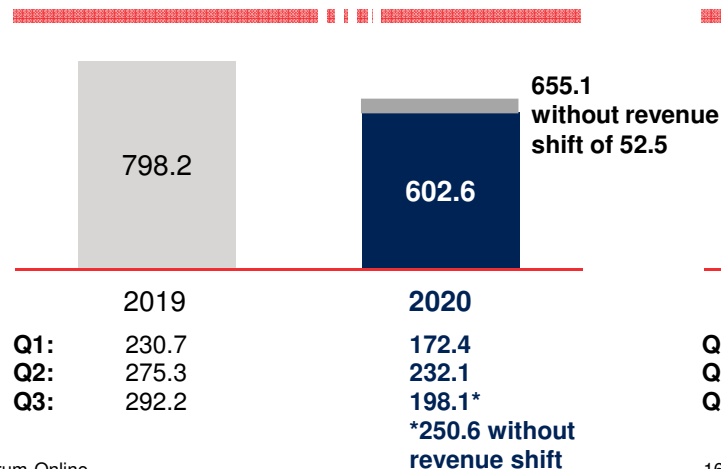
# Group business performance

- Covid-19 pandemic burdens business development, especially travel restrictions are impeding the global deployment of our assembly staff and service technicians
- Despite the continued noticeable interest in our innovative printing, finishing and postpress solutions, customers are postponing new investments in view of the uncertainty
- Order intake in Q3 13.8% below prior year
- Revenue decline in Q3 was materially due to new revenue recognition guideline, which caused a revenue shift of €52.5m to 2021

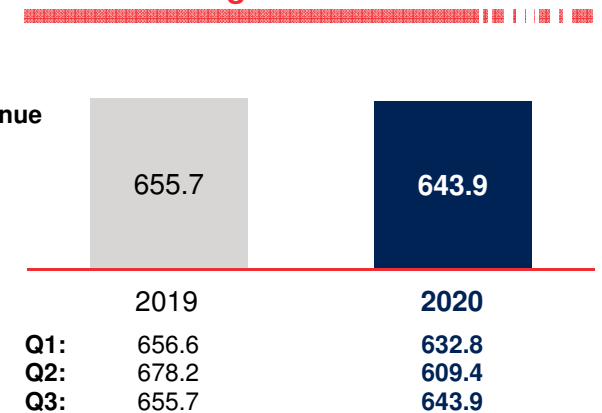
## Order intake 01.01. - 30.09.



## Revenue 01.01. - 30.09.



## Order backlog 30.09.

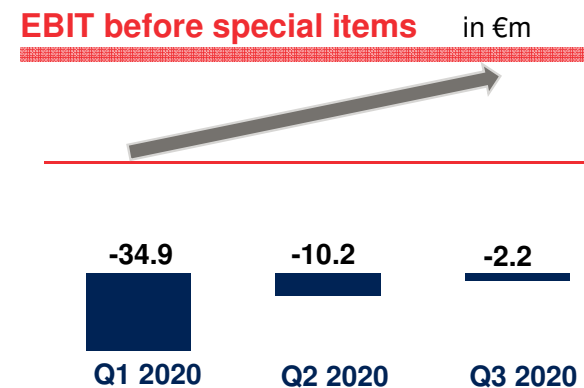


Group figures as per IFRS in €m

# Group earnings performance

- Q3 earnings negatively impacted by the provisions set up for the Performance 2024 programme (€57.6m) and the earnings-related effects of the new revenue recognition guideline (€6.3m)
- One-off income of €4.8m from the sale of a real estate asset in Frankenthal had a positive effect
- Adjusted EBIT almost reached the break-even in Q3, significant improvement over Q1 and Q2

€m	Q1 2020	Q2 2020	Q3 2020
Revenue	172.4	232.1	198.1
EBIT	-34.9	-6.0	-61.3
Special items	-	-4.2	59.1
EBIT adjusted for special items	-34.9	-10.2	-2.2



# Group income statement

in €m	9M 2019	9M 2020
Revenue	798.2	602.6
Cost of sales	-596.2	-501.0
<b>Gross profit</b>	<b>202.0</b>	<b>101.6</b>
Research and development costs	-33.1	-31.0
Distribution costs	-106.1	-95.3
Administrative expenses	-69.7	-82.3
Other income ./ expenses	12.1	4.8
<b>Earnings before interest and taxes (EBIT)</b>	<b>5.2</b>	<b>-102.2</b>
Interest result	-4.0	-3.7
<b>Earnings before taxes (EBT)</b>	<b>1.2</b>	<b>-105.9</b>
Income tax	-0.2	-3.1
<b>Net profit/loss</b>	<b>1.0</b>	<b>-109.0</b>
<b>EPS in €</b>	<b>0.05</b>	<b>-6.62</b>

## Special items in Q3 2020

- Provisions for the Performance 2024 programme (-€57.6m)
  - Cost of sales (-€51.3m)
  - Distribution costs (-€2.9m)
  - Administrative expenses (-€3.4m)
- Revenue recognition guideline
  - Revenue (-€52.5m)
  - Cost of sales (-€46.2m)
  - Gross margin (-€6.3m)
- Real estate sale in Frankenthal included in other income (+€4.8m)

# Group cash flow statement

in €m	9M 2019	9M 2020
Earnings before taxes	1.2	-105.9
Non-cash transactions	29.2	24.9
<b>Gross cash flow</b>	<b>30.4</b>	<b>-81.0</b>
Changes in inventories, receivables, other assets	-96.2	-45.3
Changes in provisions and payables	-58.4	78.5
<b>Cash flows from operating activities</b>	<b>-124.2</b>	<b>-47.8</b>
<b>Cash flows from investing activities</b>	<b>-50.0</b>	<b>-14.3</b>
<b>Free cash flow</b>	<b>-174.2</b>	<b>-62.1</b>
<b>Cash flows from financing activities</b>	<b>82.1</b>	<b>-10.3</b>
<b>Change in funds</b>	<b>-92.1</b>	<b>-72.4</b>
Effect of changes in exchange rates	1.0	-2.7
Funds at beginning of period	142.0	191.0
<b>Funds at end of period</b>	<b>50.9</b>	<b>115.9</b>

# Group balance sheet

Assets in €m	31.12.2019	30.09.2020
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	361.0	357.2
Investments/other financial receivables	22.5	23.5
Other assets	0.9	0.9
Deferred tax assets	106.4	107.1
	<b>490.8</b>	<b>488.7</b>
<b>Current assets</b>		
Inventories	292.6	384.1
Trade receivables	140.6	99.5
Other financial receivables	15.5	22.0
Other assets	207.8	191.9
Securities	4.8	2.3
Cash and cash equivalents	191.0	115.9
	<b>852.3</b>	<b>815.7</b>
	<b>1,343.1</b>	<b>1,304.4</b>

- Increase in pension provisions charged to equity following the cut in the discount rate for domestic retirement benefits from 1.2% to 0.9%
- Of the provisions of €57.6m for the Performance 2024 programme, €34.5m are short-term and €23.1m are long-term

Equity and liabilities in €m	31.12.2019	30.09.2020
<b>Equity</b>		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	328.7	208.9
Equity attrib. to non-controlling interests	1.2	1.3
	<b>460.4</b>	<b>340.7</b>
<b>Non-current liabilities</b>		
Pension provisions	165.5	175.0
Other provisions	23.7	47.6
Bank loans/other financial payables	32.2	31.6
Other liabilities	6.3	6.1
Deferred tax liabilities	53.2	53.2
	<b>280.9</b>	<b>313.5</b>
<b>Current liabilities</b>		
Other provisions	90.0	114.7
Trade payables	110.0	58.1
Bank loans/other financial payables	271.9	273.4
Other liabilities	129.9	204.0
	<b>601.8</b>	<b>650.2</b>
	<b>1,343.1</b>	<b>1,304.4</b>

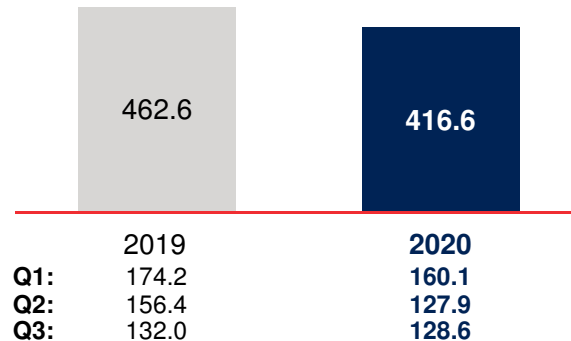
# Sheetfed performance

- Robust order intake in Q3, significantly better than industry trend
- Order gains with large-format sheetfed offset presses and folder gluers, lower orders for medium and half-format presses
- In Q3 revenue shift of €52.5m to 2021 due to the new revenue recognition guideline
- EBIT burdened by revenue and provision effect

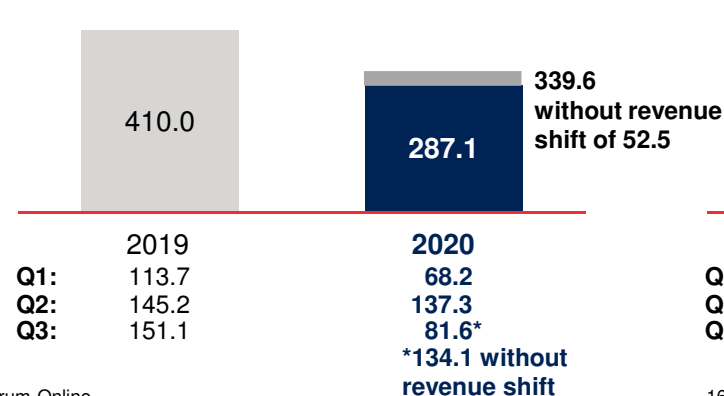
**EBIT** 01.01. - 30.09.

	2019	2020
	-2.8	-49.1
		thereof -22.9 for provision for Performance 2024 and -6.3 effect revenue recognition
<b>Q1:</b>	-3.0	-18.6
<b>Q2:</b>	1.7	1.2
<b>Q3:</b>	-1.5	-31.7

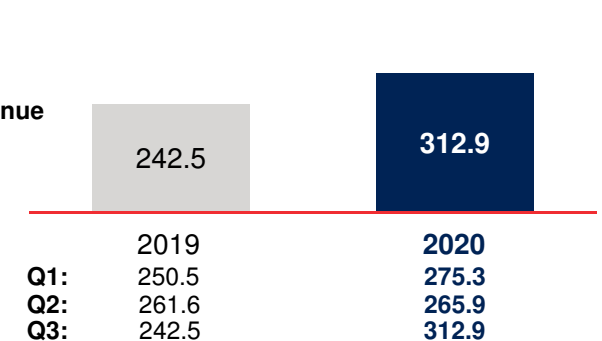
## Order intake 01.01. - 30.09.



## Revenue 01.01. - 30.09.



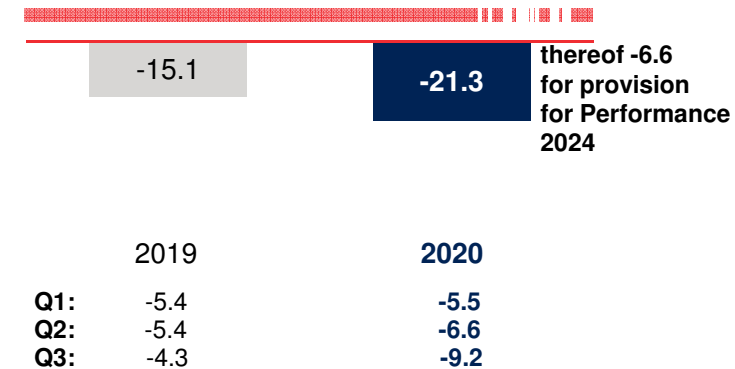
## Order backlog 30.09.



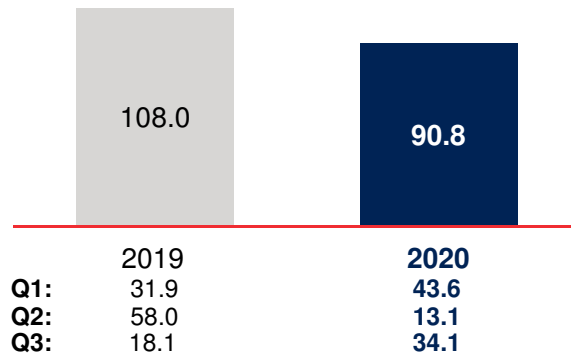
# Digital & Web performance

- Encouraging order intake in Q3 due to sales successes with RotaJET presses and HP machines
- Lower orders in the web offset press business and for flexible packaging printing
- Revenue below prior year due to pandemic
- EBIT significantly burdened by provision for the Performance 2024 programme

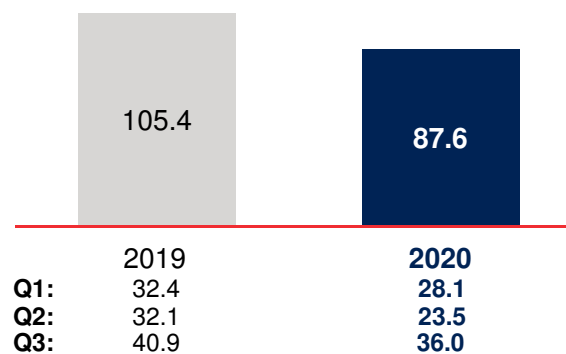
## EBIT 01.01. - 30.09.



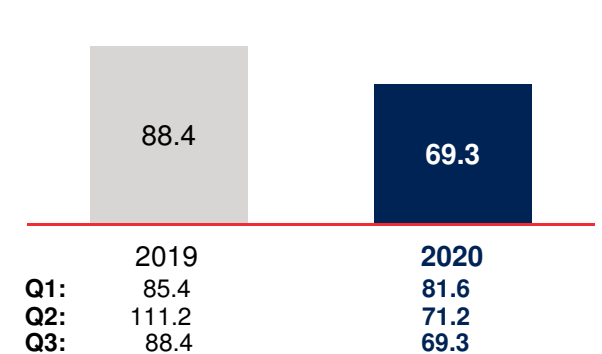
## Order intake 01.01. - 30.09.



## Revenue 01.01. - 30.09.



## Order backlog 30.09.

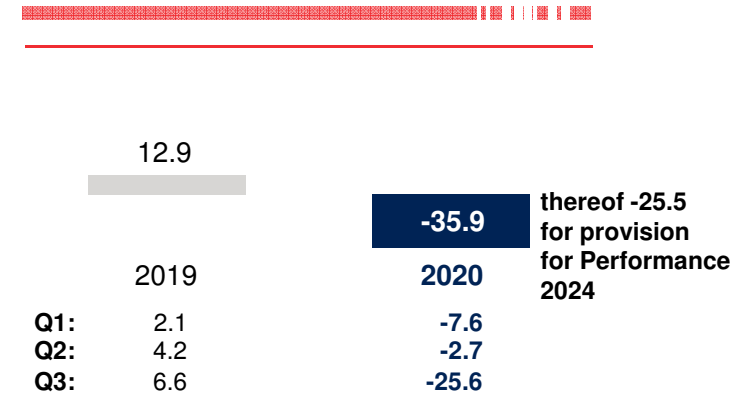




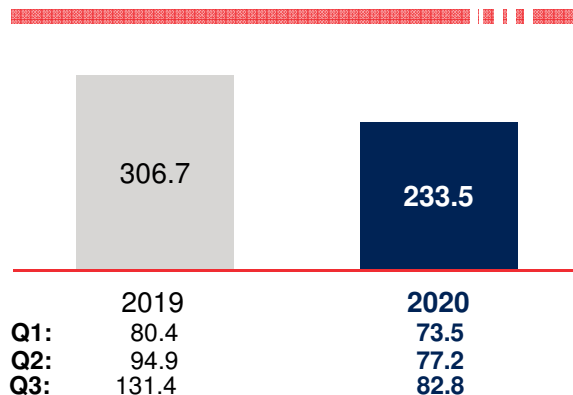
# Special performance

- Order intake below prior year due to fewer orders in security printing, coding and direct glass decorating
- Increased new business in metal decorating
- Revenue below previous year due to pandemic
- EBIT came to –€25.6m in Q3 due to the provision for the Performance 2024 programme

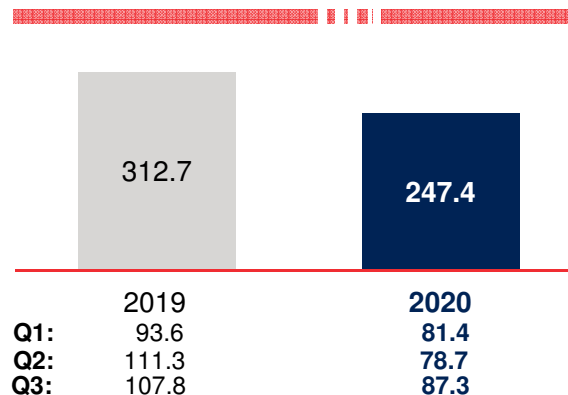
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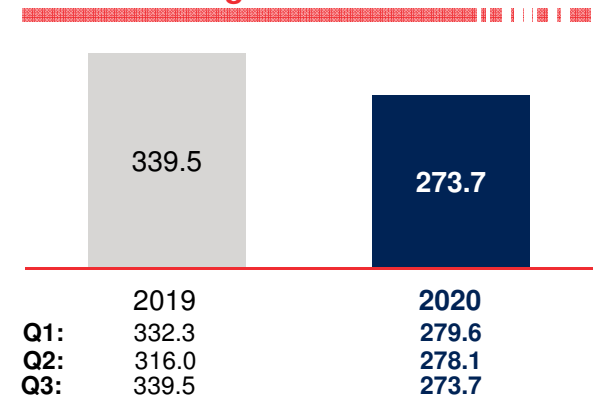
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## Revenue 01.01. - 30.09.



## Order backlog 30.09.



# KOENIG & BAUER

## Disclaimer:

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