

KOENIG & BAUER

Conference Call
Full-Year Results 2019
19 March 2020

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we're on it.

Agenda

Highlights in 2019

Business performance & key figures in 2019

Main focus, guidance for 2020 and mid-term targets at a glance

Highlights in 2019

- Service revenue share rose sharply from 25.9% to 28.2%
- Product innovations in corrugated board printing, digital decor and beverage carton printing, 2-piece can decorating, coding, glass direct printing and die-cutting progressing well
- Most recent acquisition of Duran's folder gluer business is developing positively, expanded market position in die-cutting
- Good progress in the joint venture with inkjet pioneer Durst in digital folding carton and corrugated board printing
- In addition to advances in IT projects (SAP, Salesforce) visible signs with construction activities:
 - new campus in Würzburg for customer and internal training
 - expanded Customer Experience Center in Radebeul
 - new facility for Koenig & Bauer Kammann in Löhne

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Volatile project business slows down business development

- Good order intake in Q4, although not all expected orders were placed in security printing and metal decorating
- Project postponements in flexible packaging printing due to uncertainties in plastic packaging
- Group order intake and order backlog below the figures for the prior year favoured by the major order in security printing
- Group revenue at the previous year's level

Order intake 01.01. - 31.12.



2018 2019

Q1:	250.9	276.4
Q2:	454.4	296.9
Q3:	237.9	269.7
Q4:	278.8	298.3

Revenue 01.01. - 31.12.



2018 2019

Q1:	217.3	230.7
Q2:	297.1	275.3
Q3:	274.4	292.2
Q4:	437.2	420.3

Order backlog at 31.12.



2018 2019

Q1:	648.5	656.6
Q2:	805.8	678.2
Q3:	769.3	655.7
Q4:	610.9	533.7

Earnings influenced by growth expenses and special items

- EBIT margin of 4.6% below target due to some special items
- High market-entry and growth-related expenses (\approx half of around €50m budgeted for 2019 to 2021)
- Lack of profit contributions due to delayed or shifted contract closings
- Further burdens are declining web offset service business, unexpected project expenses for major order in security printing, higher quality and order processing costs, negative mix effects
- One-time income from a property sale and reversal of provisions due to lower legal risks
- Suspension of the dividend payment for 2019 in view of the significantly increased uncertainties caused by the corona crisis

	2017	2018	2019
Gross margin	30%	29%	25.7%
EBIT	€81.4m	€87.4m	€56m
EPS	€4.91	€3.86	€2.31

Group income statement

in €m	2018	2019
Revenue	1,226.0	1,218.5
Cost of sales	-870.4	-905.6
Gross profit	355.6	312.9
Research and development costs	-44.3	-37.5
Distribution costs	-138.8	-151.3
Administrative expenses	-94.2	-103.4
Other income ./ expenses	9.1	35.3
Earnings before interest and taxes (EBIT)	87.4	56.0
Interest result	-3.5	-6.2
Earnings before taxes (EBT)	83.9	49.8
Income tax	-19.9	-11.4
Net profit	64.0	38.4

Group cash flow statement

in €m	2018	2019
Earnings before taxes	83.9	49.8
Non-cash transactions	19.5	24.9
Gross cash flow	103.4	74.7
Changes in inventories, receivables, other assets	8.7	-26.5
Changes in provisions and payables	-45.8	-56.1
Cash flows from operating activities	66.3	-7.9
Cash flows from investing activities	-85.8	-44.4
Free cash flow	-19.5	-52.3
Cash flows from financing activities	16.0	101.0
Change in funds	-3.5	48.7
Effect of changes in exchange rates/consolidated companies	3.1	0.3
Funds at beginning of period	142.4	142.0
Funds at end of period	142.0	191.0

Group balance sheet

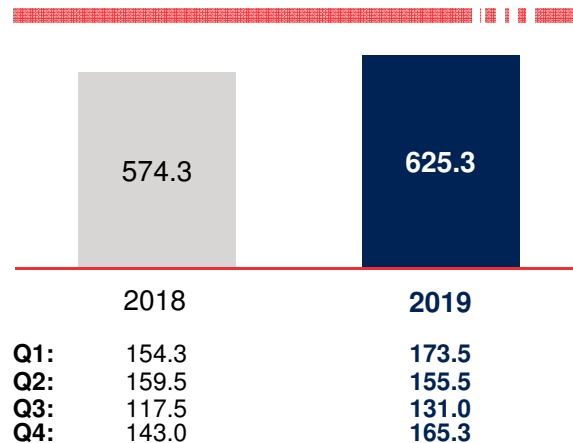
Assets in €m	31.12.2018	31.12.2019
Non-current assets		
Intangible assets and property, plant and equipment	293.0	361.0
Investments/other financial receivables	26.0	22.5
Other assets	1.3	0.9
Deferred tax assets	79.5	106.4
	399.8	490.8
Current assets		
Inventories	265.7	292.6
Trade receivables	156.0	140.6
Other financial receivables	13.7	15.5
Other assets	184.8	207.8
Securities	16.3	4.8
Cash and cash equivalents	142.0	191.0
	778.5	852.3
	1,178.3	1,343.1

Equity and liabilities in €m	31.12.2018	31.12.2019
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	322.0	328.7
Equity attrib. to non-controlling interests	0.9	1.2
	453.4	460.4
Non-current liabilities		
Pension provisions	152.6	165.5
Other provisions	20.9	23.7
Bank loans/other financial payables	6.4	32.2
Other liabilities	0.9	6.3
Deferred tax liabilities	33.9	53.2
	214.7	280.9
Current liabilities		
Other provisions	138.0	90.0
Trade payables	82.5	110.0
Bank loans/other financial payables	142.2	271.9
Other liabilities	147.5	129.9
	510.2	601.8
	1,178.3	1,343.1

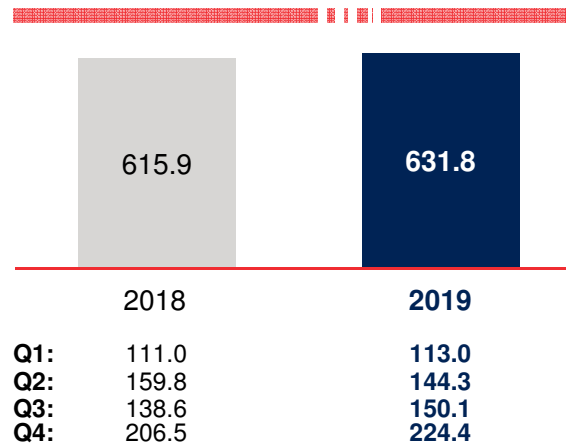
8.9% higher order intake in Sheetfed

- Order gains in service business, large and medium format presses, strong domestic demand
- Good order intake in Q4 due to robust demand from packaging printing and considerable success in commercial printing
- Expanded market position in die-cutting, folder gluer business progressing well
- Revenue increased by 2.6%, order backlog of €183.4m
- EBIT burdened by product and regional mix plus higher order processing costs

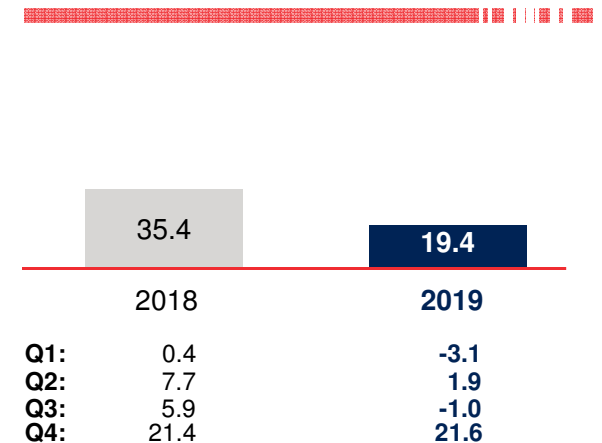
Order intake 01.01. - 31.12.



Revenue 01.01. - 31.12.



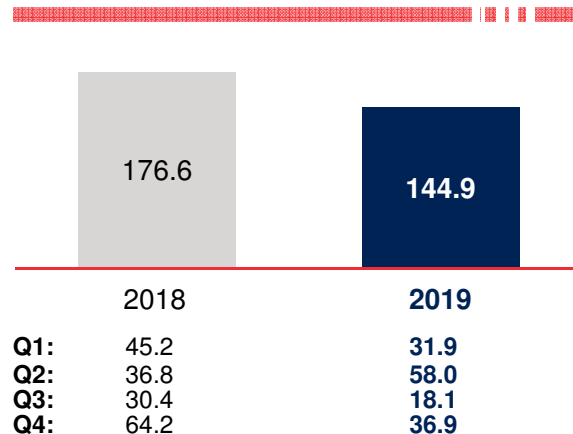
EBIT 01.01. - 31.12.



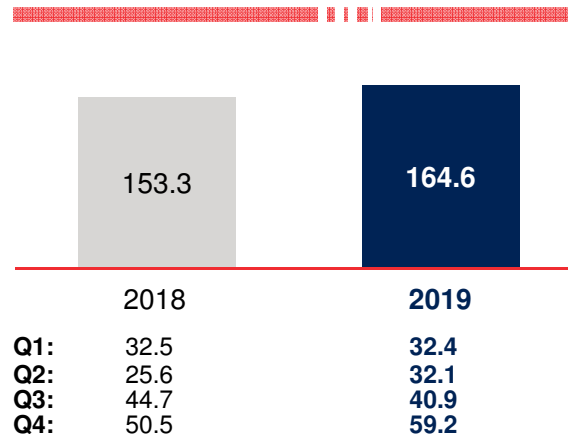
Revenue up in Digital & Web

- Lower order intake due to shrinking web offset service business and fewer orders for flexible packaging printing
- Follow-up orders of strategic importance received after the close of the 2019 financial year: decor printer Interprint orders third RotaJET, the well-known corrugated printer Thimm a CorruFLEX
- 7.4% rise in revenue, order backlog of €66.1m
- EBIT heavily burdened by market-entry and growth-related expenses as well as the negative result in flexible packaging printing

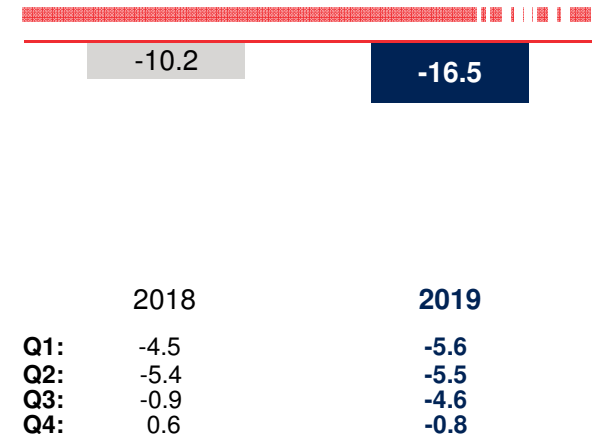
Order intake 01.01. - 31.12.



Revenue 01.01. - 31.12.



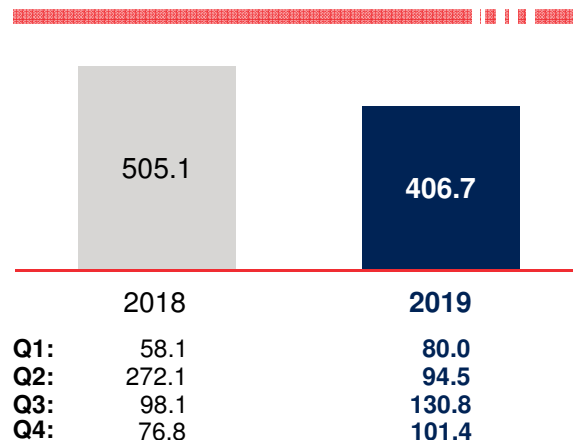
EBIT 01.01. - 31.12.



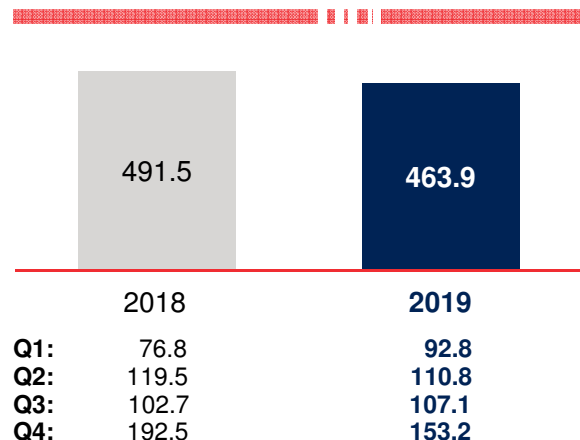
Good order backlog in volatile security printing

- Order intake in Special below prior-year figure, which was impacted by a major security printing order
- In metal decorating, demand for large-scale press lines for 3-piece can decorating has calmed, significant order growth in glass and hollow container decorating
- EBIT below prior year due to lower revenue, product mix and unexpected project expenses for the major order despite one-time income from a property sale and reversal of provisions
- Order backlog of €287.3m

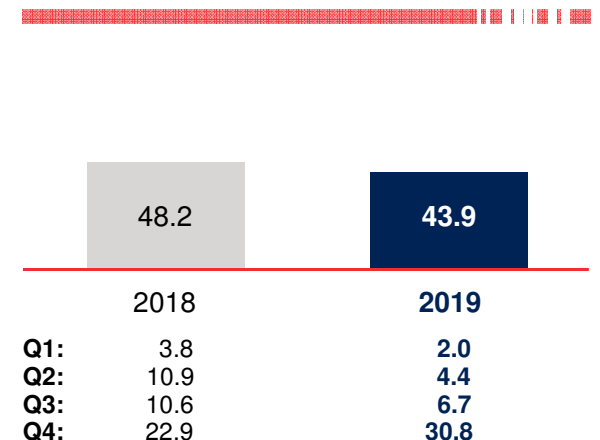
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EBIT 01.01. - 31.12.



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Performance 2024 efficiency programme

- Package of measures targets to improve operating margins regardless of further economic developments, focus on substantially reducing COGS
- Cost reduction of over €70m by 2024 with one-off costs of €30m to €40m for 2020 to 2024
- Over 40 sub-projects started to optimise the group-wide structures, processes and products, production and assembly network is one key topic, reduction in holding costs and SG&A also on the agenda
- In addition to cost measures, working capital reduction through lower inventories and receivables in security printing and a more even distribution of revenue in Sheetfed, sophisticated controlling of all measures with permanent monitoring
- Management Board expects the cost-cutting measures to be expanded further in the course of the project with higher positive effects (possibly with one-off costs)

Guidance for 2020

- Even before the outbreak of the coronavirus, global economic conditions were demanding
- Given the daily worsening global economic situation due to the coronavirus, the impact on our company and the achievement of our planning are currently completely open
- For 2020, we are planning to achieve a largely stable group revenue compared to the previous year and the prior year's EBIT level without the around €10m in special expenses from the efficiency programme
- Managing the possible consequences of the corona crisis is currently a top priority, professional project organisation already established

Growth offensive with future opportunities

- Reducing dependence on volatile security printing through growth in packaging and industrial printing
- Continued work on innovative products which enable customers to realise tangible added value
- Approximately half of the growth-related expenses of around €50m budgeted for 2019 to 2021 in the reporting year
- Strong revenue and earnings potential, e.g. in corrugated board, digital decor and digital beverage carton printing
- Good progress with new and enhanced products in corrugated board printing, digital decor and beverage carton printing, 2-piece can decorating, coding, glass direct printing, die-cutting and folder-gluing

Mid-term targets at a glance

Revenue target:
annual growth rate
of $\approx 4\%$ in normal
economic years

Profit target:
EBIT margin $>7\%$
on Group level

Resilience:
strengthen earnings,
financial, balance sheet
power

- Growth from packaging printing, service and market share gains
- Investments in new and enhanced products pay off with additional revenue
- Declining web offset service business medium to long-term

- Efficiency programme as a key driver for returning in the medium-term to the margin level already achieved (7.1% EBIT margin in 2018)
- Possible medium-term consequences of the corona crisis cannot be foreseen

- 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

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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.

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