

KOENIG & BAUER

**Conference Call**

**Q3 Results 2020**

**11 November 2020**

Claus Bolza-Schünemann, CEO  
Dr Stephen Kimmich, CFO

we're on it.

# Agenda

## Current topics

Business performance in 9M 2020

Outlook 2020 and medium-term targets

# 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

# 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

# Agenda

Current topics

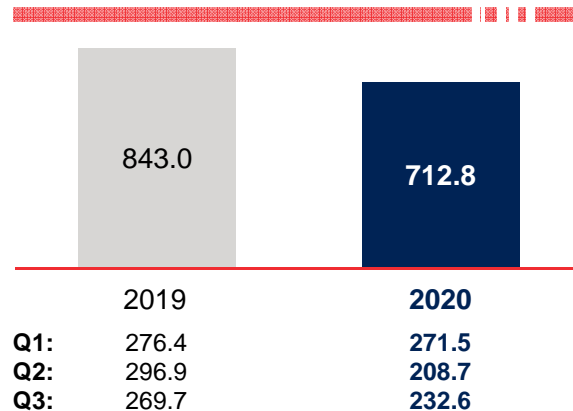
**Business performance in 9M 2020**

Outlook 2020 and medium-term targets

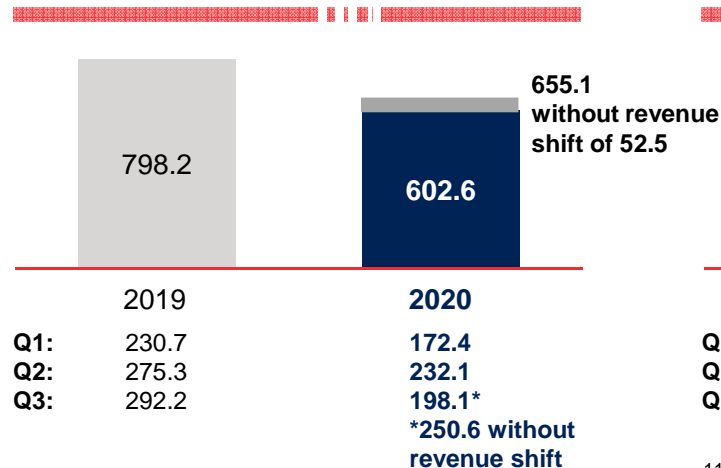
# Group business performance

- 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

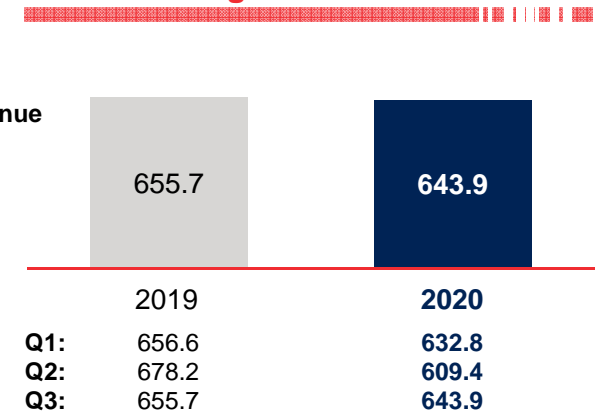
## Order intake 01.01. - 30.09.



## Revenue 01.01. - 30.09.



## Order backlog 30.09.

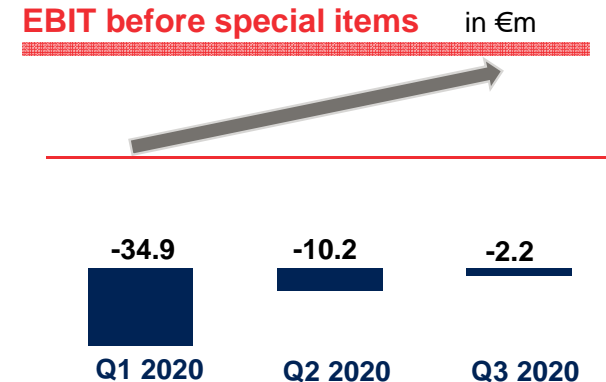


Group figures as per IFRS in €m

# 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

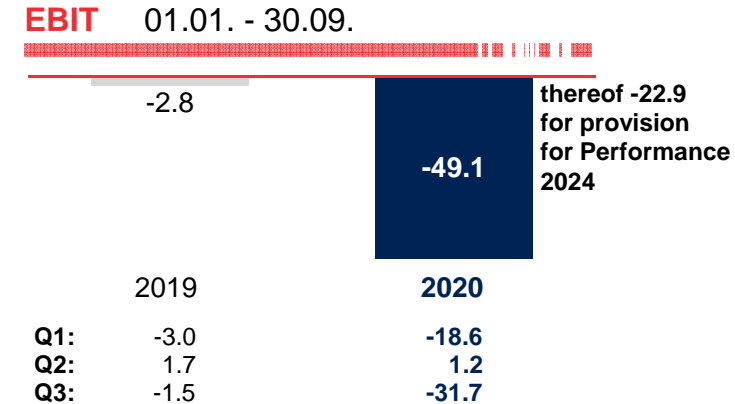
Assets in €m	31.12.2019	30.09.2020
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	361.0	357.2
Investments/other financial receivables	22.5	23.5
Other assets	0.9	0.9
Deferred tax assets	106.4	107.1
	<b>490.8</b>	<b>488.7</b>
<b>Current assets</b>		
Inventories	292.6	384.1
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

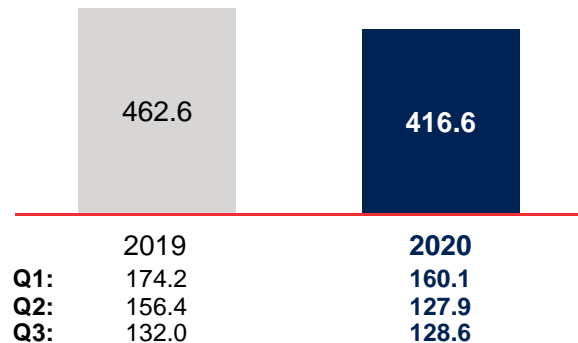
Equity and liabilities in €m	31.12.2019	30.09.2020
<b>Equity</b>		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	328.7	208.9
Equity attrib. to non-controlling interests	1.2	1.3
	<b>460.4</b>	<b>340.7</b>
<b>Non-current liabilities</b>		
Pension provisions	165.5	175.0
Other provisions	23.7	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

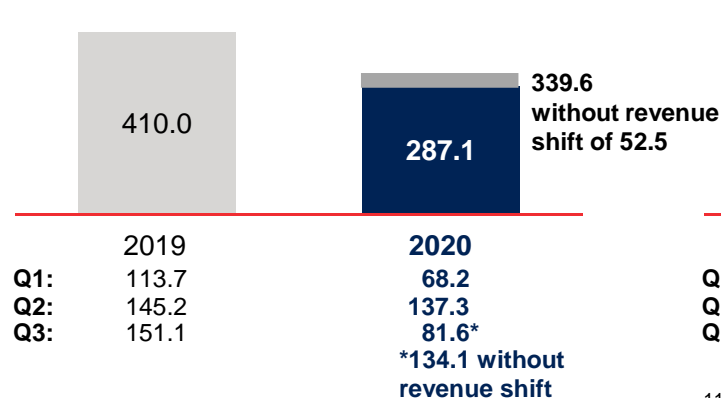
- Robust order intake in Q3, significantly better than industry trend
- Order gains with large-format sheetfed offset presses and folder gluers, lower orders for medium and half-format presses
- In Q3 revenue shift of €52.5m to 2021 due to the new revenue recognition guideline
- EBIT burdened by revenue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



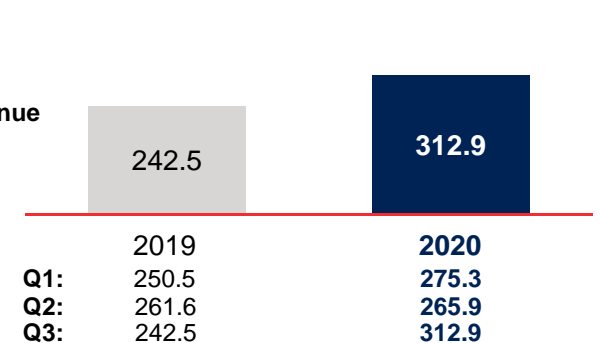
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**Revenue** 01.01. - 30.09.



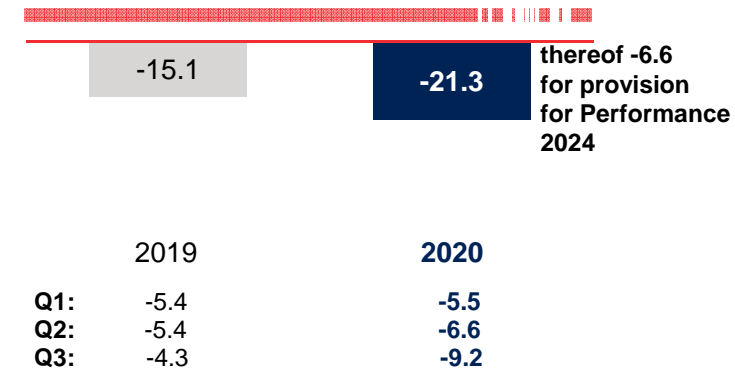
**Order backlog** 30.09.



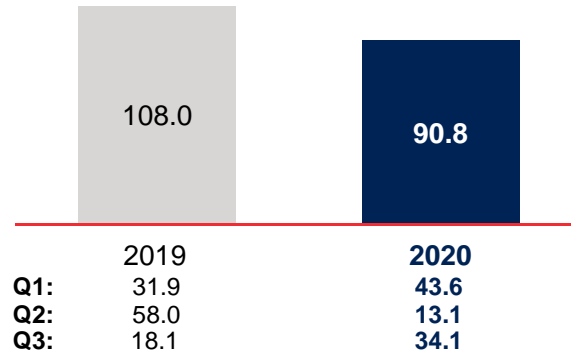
# Digital & Web performance

- 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

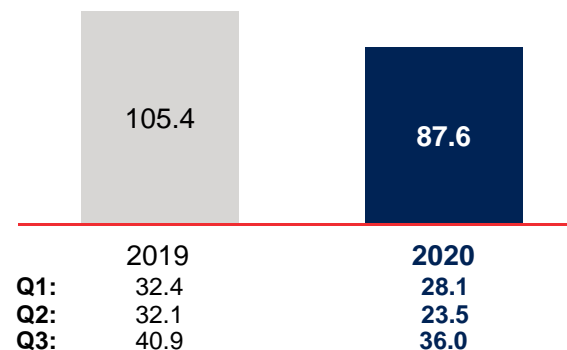
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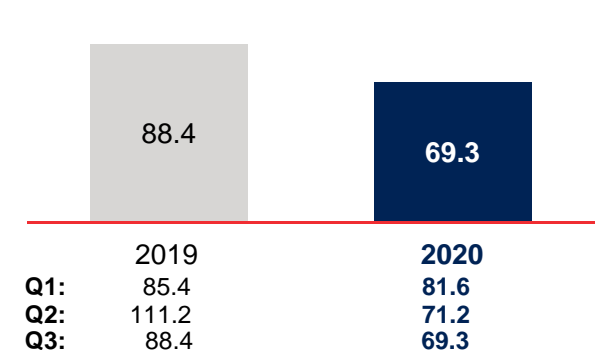
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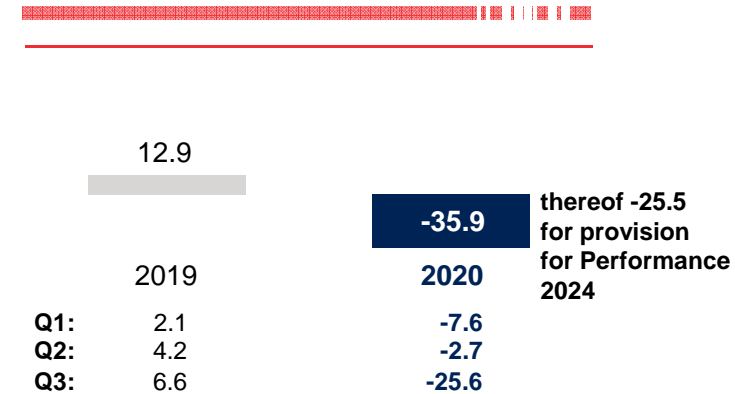
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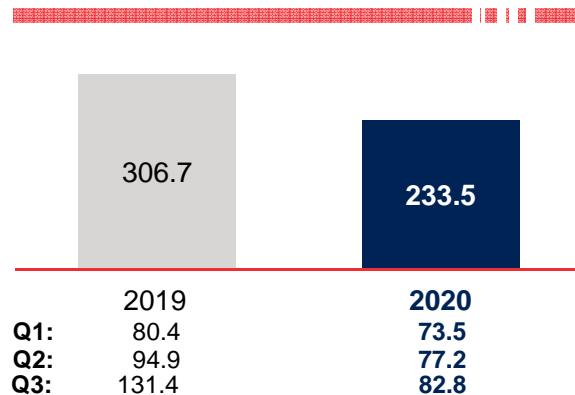
# Special performance

- 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

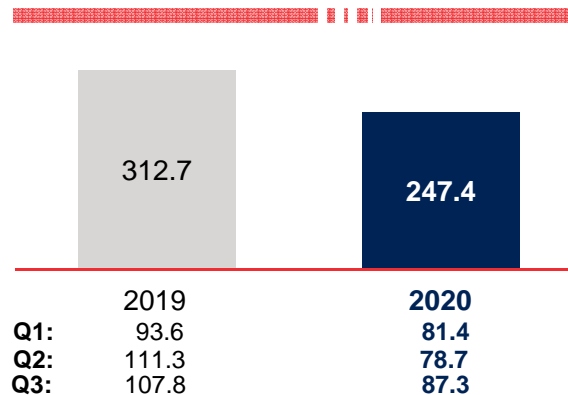
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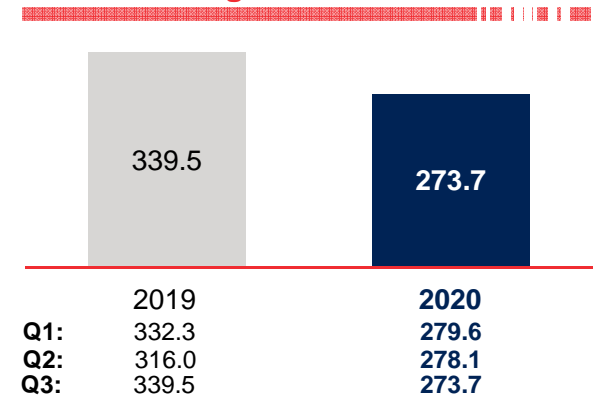
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**Outlook 2020 and medium-term targets**

# Outlook 2020

- In Q4 2020, the worsening international course of the Covid-19 pandemic is expected to have a negative impact on business performance
- Expectations for the financial year 2020:
  - Group revenue to reach a figure of between €900m and €950m
  - negative EBIT before special items in the mid double-digit million range

# Medium-term targets

- Short and medium-term measures of the Performance 2024 programme will take effect from 2021 to 2024
- After completion of the programme, the Koenig & Bauer group should achieve a revenue level of around €1.3bn
- On the earnings side, after implementing the approved cost and structural adjustments, we are still aiming for a return on sales (based on EBIT) of at least 7% in the medium-term
- On the working capital side, the target is to lower the working capital requirements to an average level of 25% of annual revenue



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## Disclaimer:

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we're on it.