


# KOENIG & BAUER








## Koenig & Bauer Full-year figures 2020

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24 March 2021, Würzburg

we're on it.

23/03/2021

# Koenig & Bauer at a glance.

1.	Business performance at a glance.		<ul style="list-style-type: none"><li>• Further improvement in operating result achieved in Q4.</li><li>• Order intake significantly better than industry average.</li><li>• Business performance still affected by travel restrictions.</li></ul>
2.	Full-year figures 2020.		<ul style="list-style-type: none"><li>• With an annual turnover of €1,029m and an EBIT before special effects of -€19m, the forecast for 2020 was clearly exceeded.</li></ul>
3.	New revenue recognition policy.		<ul style="list-style-type: none"><li>• Retrospective application leads to increase in year-on-year transparency. The new policy reduces volatility in revenue reporting and enables more balanced planning.</li></ul>
4.	Efficiency programme P24x.		<ul style="list-style-type: none"><li>• Initial measures, e.g. to increase productivity, in purchasing and in service, were successfully implemented in Q4.</li><li>• Negotiations with employee representatives successfully started.</li></ul>
5.	Market outlook & forecast.		<ul style="list-style-type: none"><li>• Fundamentally intact end markets with different growth opportunities.</li><li>• Forecast 2021: +4% turnover, balanced EBIT; medium-term targets confirmed.</li></ul>

# 1. Business performance at a glance.

Full-year figures 2020 and Q4 2020.



- Further improvement of the operating result in Q4 in a challenging environment with a still tense global economic situation. Despite the effects of the pandemic, we were able to achieve clear recovery trends in EBIT before special effects – starting with a heavily affected Q1: In Q2, the minus was only in single digits, in Q3 we were almost "break-even" and in Q4 even slightly positive.
- Covid-19 pandemic (virus mutations) and the delayed start of the vaccination campaigns continue to burden business development; travel restrictions in particular hamper the worldwide deployment of our fitters and service technicians.
- Despite the continued noticeable interest in our innovative printing, finishing and postpress solutions, customers are postponing new investments in light of the current economic uncertainty.
- Due to the retrospective application of the revenue recognition policy, turnover in 2020 was €1,028.6m, EBIT was -€68m and EBIT before special effects was around -€19m.
- Turnover thus clearly exceeded the guidance of €900-950m; accordingly, EBIT before special effects also exceeded the guidance of a negative EBIT before special effects in the mid double-digit million range.

# 1. Business performance at a glance.

Full-year figures 2020 and Q4 2020.

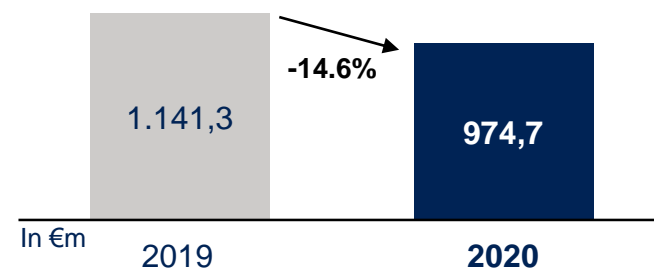


- At €974.7m, order intake for 2020 was around 14.5% down on the prior-year figure, but significantly better than the -21.9% 12-month order intake for printing presses published by the German Engineering Federation (VDMA)
- According to preliminary figures, order intake in the Sheetfed segment in particular developed very positively in the medium- and large-format sheetfed offset and folding carton gluers segments. Overall, the decline in the Sheetfed segment of -5.5% was significantly better than the industry average.
- In the Digital & Webfed segment order intake was burdened primarily by lower orders in the offset web press business and in flexible packaging printing – sales successes for RotaJET presses and HP machines.
- In the Special segment, fewer orders in security, identification and direct glass printing led to a decline in sales – in contrast, new business in metal decorating increased.
- The service business comprises more than 30% of the Group and has remained stable in terms of turnover and results even during the crisis.

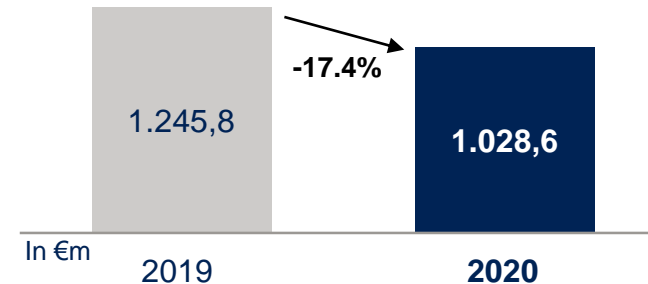
## 2. Full-year figures for 2020 and Q4 2020.

Business development in the group.

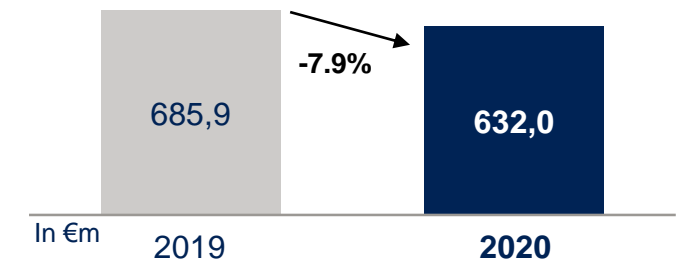
**Order intake 01.01. - 31.12.**



**Revenue 01.01. - 31.12.**



**Order backlog 31.12.**

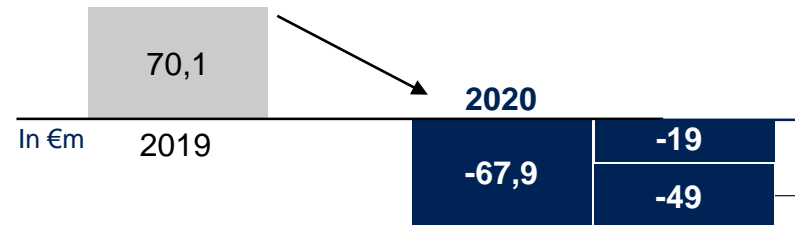


- The 14.6% decline in order intake was less severe than the 21.9% drop in new orders for printing presses published by the VDMA.
- This also applies to the decline in sales, which at 17.4% was less pronounced than the 24.2% drop in sales of printing presses according to VDMA.
- €632m in orders on hand as of 31.12.2020 as a solid basis for the 2021 financial year.

## 2. Full-year figures for 2020 and Q4 2020.

Earnings development in the group.

**EBIT 01.01. - 31.12.**



**Special items**

- One-off income from the successful outcome of a legal proceeding (€4m) in Q2
- One-off expenses in connection with the efficiency programme "P24x" (-€58m) in Q3
- One-off income from the property sale in Frankenthal (€5m) in Q3



- The decline in EBIT is mainly due to the Covid-pandemic and the associated decrease in turnover. It also includes special effects of around -€49m.
- Accordingly, EBIT before special effects was around -€19m and thus significantly exceeded our forecast.

## 2. Full-year figures for 2020 and Q4 2020.

### Group income statement.

In €m	2019*	in %*	2020	in %*	Δ
Revenue*	1,245.8		1,028.6		-217.2
Cost of sales	-918.8	73.8%	-827.7	80.5%	91.1
<b>Gross profit</b>	<b>327.0</b>	<b>26.2%</b>	<b>200.9</b>	<b>19.5%</b>	<b>-126.1</b>
Research and development costs	-37.5	3.0%	-39.1	3.8%	-1.6
Distribution costs	-151.3	12.1%	-129.7	12.6%	21.6
Administrative expenses	-103.4	8.3%	-94.7	9.2%	8.7
Other income ./ expenses	26.7	2.1%	-6.9	0.7%	-33.6
<b>Earnings before interest and taxes (EBIT)</b>	<b>70.1</b>	<b>5.6%</b>	<b>-67.9</b>	<b>6.6%</b>	<b>-138.0</b>
Interest result	-6.2	0.5%	-5.6	0.5%	0.6
<b>Earnings before taxes (EBT)</b>	<b>63.9</b>	<b>5.1%</b>	<b>-73.5</b>	<b>7.1%</b>	<b>-137.4</b>
Income tax	-11.6	0.9%	-29.6	2.9%	-18.0
<b>Net profit/loss</b>	<b>52.3</b>	<b>4.2%</b>	<b>-103.1</b>	<b>10.0%</b>	<b>-155.4</b>
<b>EPS in €</b>	<b>3.15</b>	<b>-</b>	<b>-6.27</b>	<b>-</b>	<b>-9.42</b>

- **Sales revenue** down ~€217m year-on-year due to pandemic; decline in sales revenue of 17.4 % less severe than the 24.2 % decline according to VDMA. Sequential recovery trends in the quarters.
- Due to Covid 19 pandemic, P24x one-time costs, special effects and product mix, **gross profit** was €200.9m despite lower cost of sales. Gross margin at 19.5 % (previous year 26.2 %).
- In addition to capitalised development costs of €11.8m (previous year: €21.7m), **R&D costs** of €39.1m were almost at the previous year's level.
- Decrease in distribution and administrative expenses.
- Balance of **other income and other expenses** was -€6.9m. Previous year's value of €26.7m due to one-off income from the sale of real estate and the release of provisions.
- **EBIT** of -€67.9m and an EBIT margin of -6.6% (2019: 5.6%). **EBIT before special effects** of -€18.9m - despite the effects of the pandemic, EBIT before special effects also recovered significantly in the quarter.
- **Interest result** of -€5.6m just at the previous year's level.
- **EBT** of -€73.5m compared to €63.9m in the previous year.
- Higher **income tax** in the reporting year resulted primarily from the value adjustment of deferred tax assets on loss carryforwards, which were considered to be of no value in the context of the preparation of a new integrated five-year plan.
- At -€103.1m, **the consolidated result** in the 2020 financial year (2019: €52.3m) corresponds to pro rata earnings per share of -€6.27 (previous year: €3.15).



## 2. Full-year figures for 2020 and Q4 2020.

### Group cash flow statement.

In €m	2019*	2020
Earnings before taxes	63.9	-73.5
Non-cash transactions	24.9	37.2
<b>Gross cash flow</b>	<b>88.8</b>	<b>-36.3</b>
Changes in inventories, receivables, other assets	-23.1	48.6
Changes in provisions and payables	-73.6	-0.1
<b>Cash flows from operating activities</b>	<b>-7.9</b>	<b>12.2</b>
<b>Cash flows from investing activities</b>	<b>-44.4</b>	<b>-36.3</b>
<b>Free cash flow</b>	<b>-52.3</b>	<b>-24.1</b>
<b>Cash flows from financing activities</b>	<b>101.0</b>	<b>-25.0</b>
<b>Change in funds</b>	<b>48.7</b>	<b>-49.1</b>
Effect of changes in exchange rates	0.3	-4.1
Funds at beginning of period	142.0	191.0
<b>Funds at end of period</b>	<b>191.0</b>	<b>137.8</b>

- **Gross cash flow** at -€36.3m after €88.8m in the previous year.
- **Cash flow from operating activities** and **free cash flow** amounted to €12.2m and -€24.1m respectively in the 2020 financial year and improved significantly compared to the corresponding period of the previous year (-€7.9m and -€52.3m respectively); the decrease in inventories was the main contributing factor.
- **Net working capital** thus decreased from €348.5m in the previous year to €344.0m.
- **Cash flow from investing activities** amounted to -€36.3m in the financial year after -€44.4m in the previous year.
- **Financing activities** resulted in a cash flow of -€25.0m compared to €101.0m in the previous year.
- At the end of December 2020, **liquid funds** of €137.8m were available (31.12.2019: €191.0m).
- After deducting liabilities to banks of €184.9m from cash and cash equivalents, the **net financial position** was -€47.1m (2019: -€8.3m).



## 2. Full-year figures for 2020 and Q4 2020.

### Group balance sheet.

Assets in €m	31.12.2019	31.12.2020
<b>Non-current assets</b>		
Intangible assets and property, plant and equipment	361.0	392.3
Investments/other financial receivables	22.5	22.3
Other assets	0.9	3.4
Deferred tax assets	106.7	91.7
	<b>491.1</b>	<b>509.7</b>
<b>Current assets</b>		
Inventories	408.5	357.6
Trade receivables	108.4	91.9
Other financial receivables	15.5	23.4
Other assets	185.1	190.6
Current tax assets	9.4	7.3
Securities	4.8	2.8
Cash and cash equivalents	191.0	137.8
	<b>922.7</b>	<b>811.4</b>
	<b>1,413.8</b>	<b>1,321.1</b>

Equity and liabilities in €m	31.12.2019	31.12.2020
<b>Equity</b>		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	301.1	210.3
Equity attrib. to non-controlling interests	1.2	1.4
	<b>432.8</b>	<b>342.2</b>
<b>Non-current liabilities</b>		
Pension provisions	165.5	165.6
Other provisions	23.7	40.3
Bank loans/other financial payables	207.2	169.6
Other liabilities	6.2	9.9
Deferred tax liabilities	53.0	68.6
	<b>455.6</b>	<b>454.0</b>
<b>Current liabilities</b>		
Other provisions	82.8	124.8
Trade payables	109.6	59.2
Bank loans/other financial payables	96.7	111.3
Current tax liabilities	11.2	7.8
Other liabilities	225.1	221.8
	<b>525.4</b>	<b>524.9</b>
	<b>1,413.8</b>	<b>1,321.1</b>

## 2. Full-year figures for 2020 and Q4 2020.

### Sheetfed performance.

In €m	2019*	in %*	2020	in %*	Δ in
Order backlog	293.1		332.1		+13.3%
Order intake	629.0		594.6		-5.5%
<b>Revenue*</b>	<b>638.6</b>		<b>555.6</b>		<b>-13.0%</b>
<i>thereof machine</i>	487.2	76.3	419.3	75.5	-13.9%
<i>thereof total service</i>	143.6	22.5	131.3	23.6	-8.6%
<b>Earnings before interest and taxes (EBIT)</b>	<b>19.1</b>	<b>3.0</b>	<b>-27.8</b>	<b>-5.0</b>	<b>-46.9</b>



- **Order backlog** up 13.3% on the previous year (sheetfed offset medium and large format and for folder gluers) - provides an excellent starting point for 2021. Corresponds to a book-to-bill ratio of 1.07.
- Robust **order intake** – strong order intake for sheetfed offset medium and large format and for folding-box gluers – at -5.5% compared to the decline in order intake of -21.9% for printing presses according to VDMA. Sequentially there were clear signs of recovery, especially in the final quarter.
- **Revenue** down 13.0% due to pandemic impact. Sales decline of ~14% in **new press business** and ~9% in **service business**.
- **EBIT** impacted by pandemic and P24x provisions; **EBIT margin** at -5.0% (previous year: 3.0%).
- Adjusted for the P24x provisions, **EBIT before special effects** was -€5.2m.



## 2. Full-year figures for 2020 and Q4 2020.

### Digital & Webfed performance.

In €m	2019*	in %*	2020	in %*	Δ in
Order backlog	87.5		67.6		-22.7%
Order intake	144.5		109.0		-24.6%
<b>Revenue*</b>	<b>159.2</b>		<b>128.9</b>		<b>-19.0%</b>
<i>thereof machine</i>	78.6	49.4	75.5	58.6	-3.9%
<i>thereof total service</i>	77.0	48.4	50.6	39.3	-34.3%
<b>Earnings before interest and taxes (EBIT)</b>	<b>-15.2</b>	<b>-9.5</b>	<b>-25.5</b>	<b>-19.8</b>	<b>-10.3</b>



- The **order backlog** fell by 22.7% from €87.5m in the previous year to €67.6m.
- **Order intake** down by 24.6% to €109.0m due to lower orders for offset web presses and flexible packaging presses - sales successes with RotaJET presses and HP presses.
- **Revenue** after twelve months at €128.9m was 19.0% below the previous year's figure of €159.2m.
- Overall, **service revenue** of €50.6m (-34.3%) underperformed **new machine revenue** of €75.5m (-4%).
- **EBIT** was burdened primarily by the pandemic-related investment restraints; accordingly, the **EBIT margin** was -19.8% (previous year: -9.5%).
- Adjusted for the P24x provisions, **EBIT before special effects** was -€18.6m.



## 2. Full-year figures for 2020 and Q4 2020.

### Special performance.

In €m	2019*	in %*	2020	in %*	Δ in
Order backlog	308.6		237.4		-23.1%
Order intake	407.7		306.1		-24.9%
<b>Revenue*</b>	<b>494.8</b>		<b>377.3</b>		<b>-23.7%</b>
<i>thereof machine</i>	352.3	71.2	242.8	64.4	-31.1%
<i>thereof total service</i>	126.0	25.5	121.9	32.2	-3.3%
<b>Earnings before interest and taxes (EBIT)</b>	<b>50.7</b>	<b>10.2</b>	<b>-31.8</b>	<b>-8.4</b>	<b>-82.5</b>

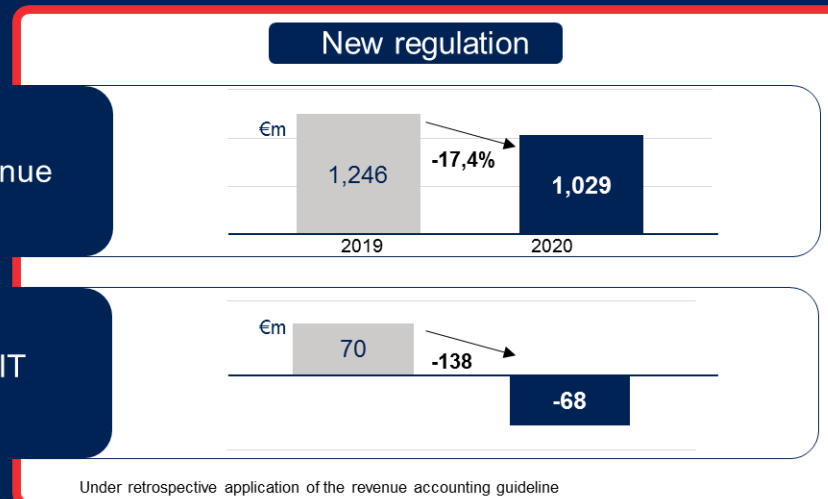
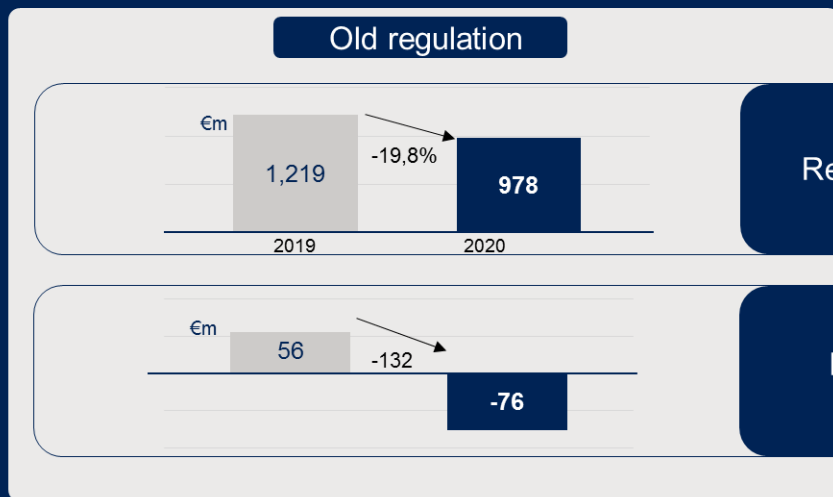


- **Order backlog** down by 23.1% compared to the previous year.
- **Order intake** of €306.1m after twelve months - down 24.9% on the previous year - mainly due to fewer orders from the Banknote Solutions division.
- Fewer orders in securities, identification and direct glass printing led to **revenue** of €377.3m - in contrast, new business in metal decorating increased. The decline was thus in line with the -24.2% drop in sales of printing presses published by the VDMA.
- Revenues decline of ~31% in **new press business** and ~3% in **service business**.
- **EBIT** particularly affected by P24x provisions -€31.7m (€50.7m); **EBIT margin**: -8.4%, previous year: 10.2%.
- **EBIT before special effects** adjusted for P24x and the one-off income from the successful outcome of a legal dispute (€4m) at -€10.4m.



### 3. New revenue recognition policy.

Comparison of the old and new regulations.

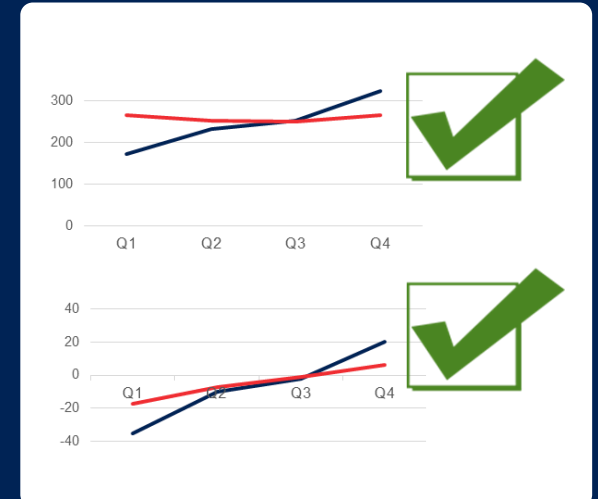


#### New version of the revenue recognition policy for non-customised projects

- old: Depending on the customer contract, revenue was recognised at different points in time (e.g. at delivery, at commissioning, etc.).
- new: Sales are predominantly booked at the time of commissioning.

**Targets:**

- Reduction of volatility in revenue recognition
- More balanced planning

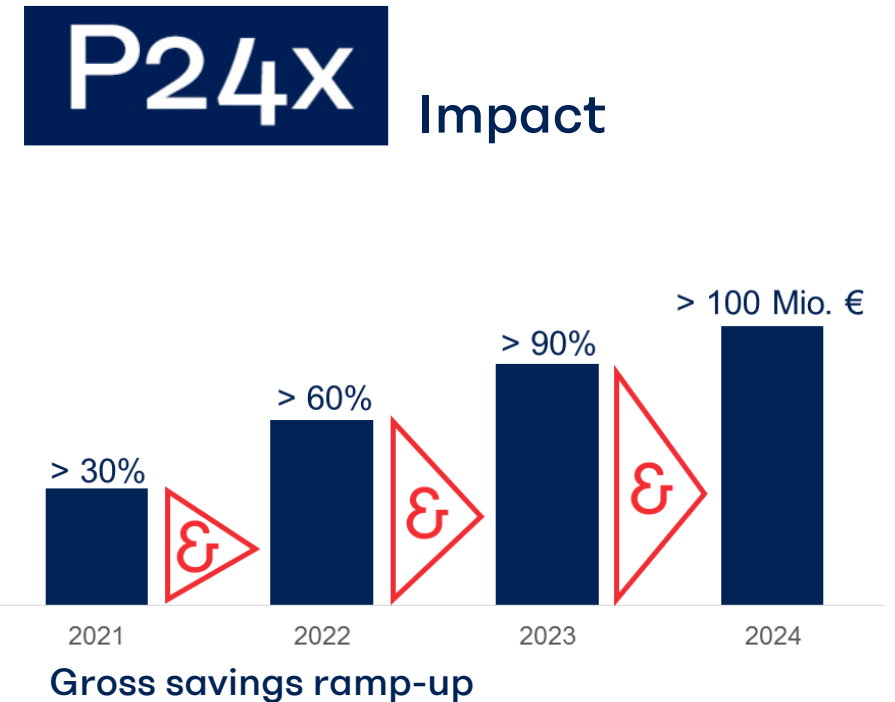


- Reduction of volatility in revenue recognition
- More balanced planning

## 4. Efficiency programme P24x.

First measures successfully launched in Q4.

- The already adopted efficiency programme P24 was expanded in Q3 2020 also due to the covid-pandemic, hence P24x. One-off costs of €58m expensed in Q3 2020 through creation of a provision.
- Annual cost savings increasing to over €100m by 2024:
  - ~60% of measures will be installed in 2021, with full-year effect in 2022
  - ~30% of measures will be installed in 2022, with full-year effect in 2023
- The efficiency programme aims at savings in purchasing, productivity increases, cost optimisation of administration, sales and service as well as location concepts.
- 700 to 900 jobs affected in the short and medium term; negotiations with employee representatives have started successfully
- **Measures from Q4 2020 already yield >10% of the savings effects:**
  - **Productivity:** Due to already implemented productivity increases and adjustment of capacities as well as lower quality expenses
  - **Purchasing:** Successful supplier dialogues and optimised cash discounts
  - **R&D and service:** Merging of design and service departments of several business units

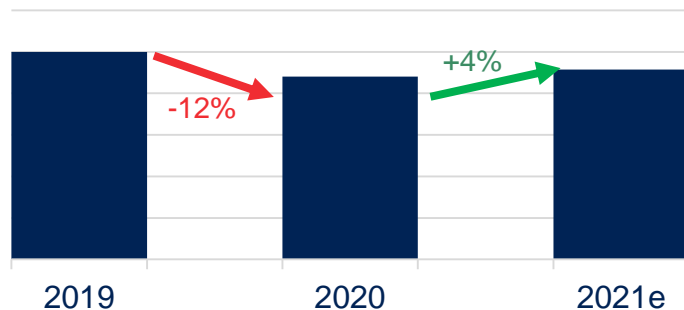


## 5. Market outlook & forecast.

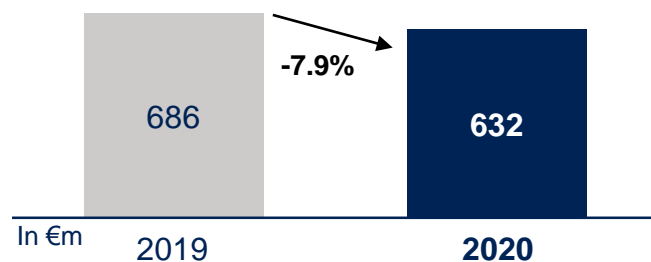
Forecast for 2021 and medium-term targets.

### VDMA guidance

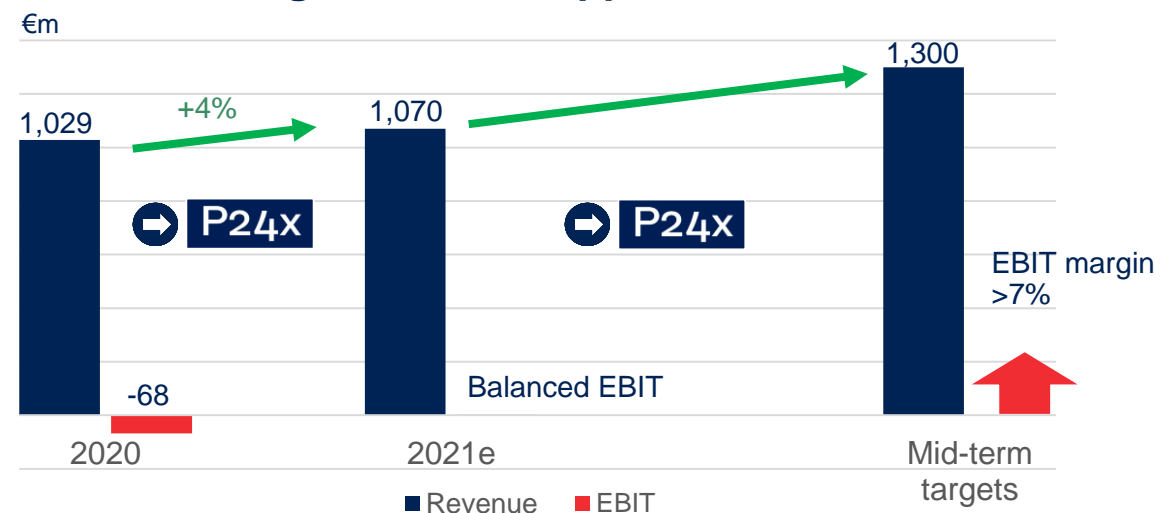
Production in mechanical and plant engineering



### Order book - solid basis



### Koenig & Bauer-Gruppe: Guidance



- >> This forecast is under the assumption that there will be a lifting of Covid-19 restrictions due to advances in vaccination, which include Covid-19 viral mutations. The 2020 order intake, which declined less compared to the industry as a whole, is considered a solid starting point for the new financial year under the current Covid-19 framework.
- >> Renewed travel restrictions – also due to the emergence of Covid-19 virus mutations – continue to weigh on the first quarter of 2021.



# Koenig & Bauer – Key Investment Highlights.



- Fundamentally intact end markets with different growth opportunities; in particular, the growing market for packaging is proving very stable in the Covid pandemic.
- Covid pandemic to some extent as an accelerator of trends in the growing market for packaging printing: e-commerce, rise of household packaging.
- Financially well positioned: Group equity ratio of more than 25 % and more than € 250m cash and cash equivalents available; Active net working capital management.
- P24x on track with focus on increasing operating profitability through efficiency gains and scaling the group.

# Koenig & Bauer – Financial calendar

4 May 2021



Interim report on 1st quarter 2021

11 May 2021



Koenig & Bauer Annual General Meeting

29 July 2021



Interim report on 2nd quarter 2021

28 Oct. 2021



Interim report on 3rd quarter 2021



# KOENIG & BAUER

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Koenig & Bauer AG

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