



**Koenig & Bauer AG**  
**at 14<sup>th</sup> German Corporate Conference 2015**  
**January 20, 2015, Frankfurt**

Mathias Dähn, CFO



# Agenda

**Company description**

Strategy & growth drivers

Q3 2014 & outlook

## KBA at a glance

### Key Facts

- Leading supplier in packaging and security printing
- No 1 in bank note printing, No 1 in cardboard printing and metal decorating
- Attractive position in glass decorating and flexible packaging
- Strong global presence with 80% international business, 40% in future growth markets
- Media exposure reduced to <15% of revenue in new machine business
- Restructuring of web business and production footprint almost complete with significant upside in cost base

**Founded in 1817**

**Annual revenue  
>1 billion EUR**

**5,000+ employees**

**R&D ratio 5-6%**

**CAPEX  
≈ €30m in 2014,  
<€20m in 2015**

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## Strategy

### Short term

- Cut cost base through restructuring of web business and production footprint
- Improve cash generation, strengthen financial power
- Implement strong corporate governance and transparent reporting (segments)

### Mid term

- Accelerate portfolio transformation into growth markets
- Unlock potential of installed base
- Targeted expansion into selected international markets
- Achieve robust margin level
- Secure market position in security printing

## Strategy – Short-term execution (1)



**Cut  
cost base**

- 1,000+ jobs cut in 2014, 400 to be cut in 2015, 70% of cuts finalised
- ≈€100m in personnel expenses cut, with respective upside
- Full effect kicking in by 2016, incremental improvements starting 2015



**Restructuring  
of web**

- Web business now without major downside risk
- Former dependency on new web machine orders successfully cut
- Promising digital web options as upside



**Restructuring  
of production  
footprint**

- Production footprint with specialised plants
- Production cost under continuous pressure / benchmark
- Redundancies between sites terminated

## Strategy – Short-term execution (2)



### Improve cash generation

- Strong working capital management initiated
- €70m cash released
- Reduction of web prepayments overcompensated



### Incremental cash improvements in next quarters

- Inventory levels with further upside through implementation of pull-principle in production and assembly
- Structure of receivables under strong focus
- Reduction of working capital as continuous effort with clear target levels

## Strategy – Short-term execution (3)

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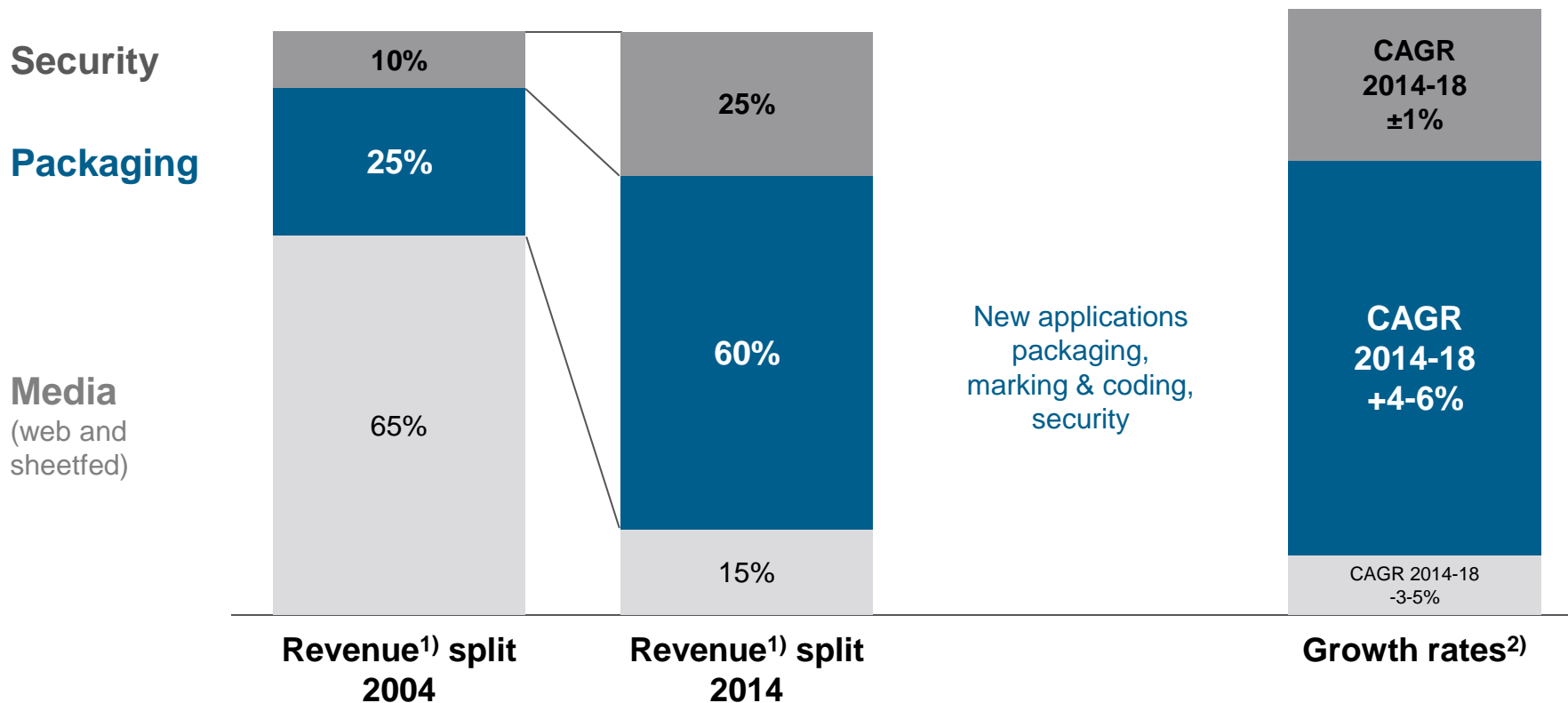
**Implement  
strong corporate  
governance**

- Accountable management across all divisions
- Clear targets and transparent reporting
- Zero tolerance for loss-makers
- No cross subsidisation
- Capital deployment in line with strategic ambitious targets and expected returns
- Legal structure to be aligned after AGM 2015



## Strategy – Mid-term growth & growth drivers

**Expand portfolio into growth markets and attractive niches**



1) New machine business 2) Source: Smithers PIRA, own research

## Accelerate portfolio transformation into growth markets: digital web printing

### Own KBA RotaJET L platform

- Direct entry into future market with an own product
- KBA expands digital printing portfolio with modular RotaJET 89 – 130 platform
- First extra-wide KBA RotaJET press for decorative printing delivered in Q3/2014

### Collaboration with Hewlett Packard

- HP and KBA announced a partnership for inkjet solutions for corrugated packaging segment in Q3/2014
- Trends, such micro-segmentation and shorter product lifecycles, are driving demand for shorter run lengths enabled by digital print



## Accelerate portfolio transformation into growth markets: packaging

### Flexible packaging

- Takeover of Flexotecnica paved the way for KBA to enter the growth market for flexible packaging
- Integration of KBA-Flexotecnica into the KBA Group's global sales and service network is one growth driver
- Pre-tax profit in 2014 with annual sales of approx. €30m with 100 employees






### Glass/hollow container decoration

- Entry into the direct decoration of glass packaging and hollow containers with new subsidiary KBA-Kammann
- Global market leader in screen printing systems for direct glass decoration with sales of slightly under €30m in 2014 with around 150 employees
- First digital solution launched



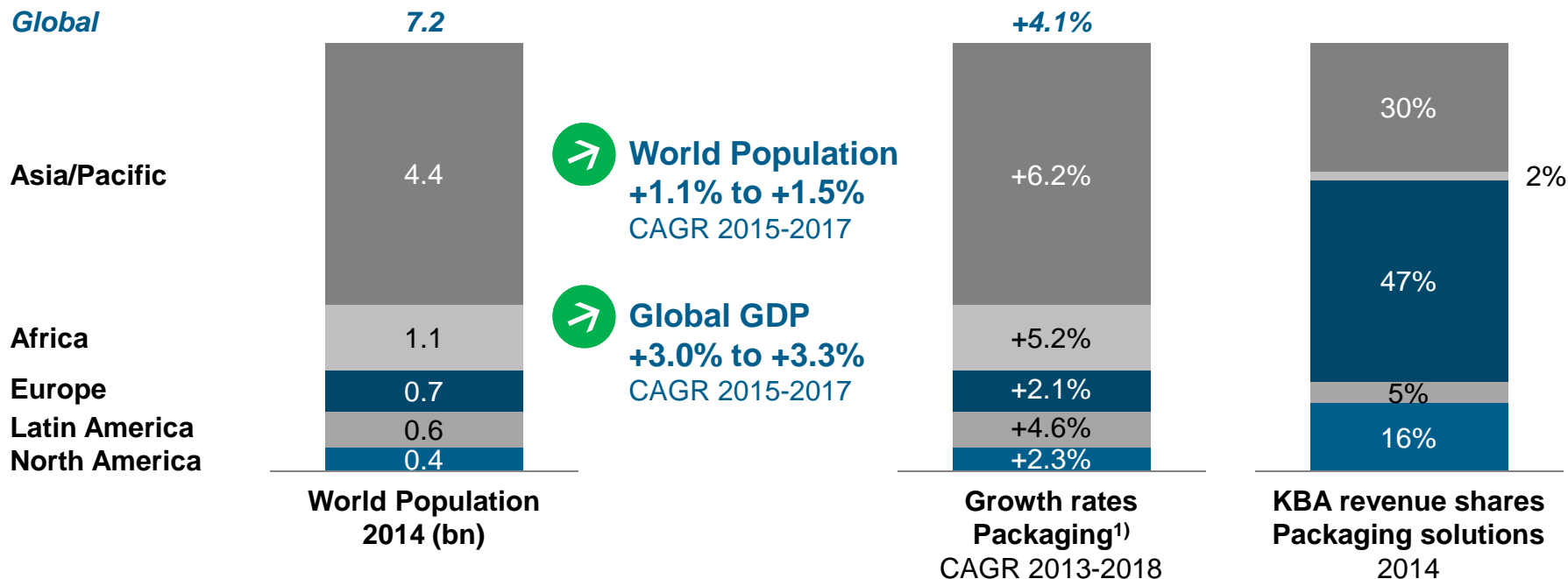
## Unlock potentials of installed base

- Expansion of profitable service business with new offerings
- Service managed as stand-alone business
- Increasing potential due to ageing press structure, especially in web business
- Common service strategy and approach to be deployed starting 2015
- Long-term target : 30% sales share

	2012	2013	9M 2013	9M 2014	Q3 2013	Q3 2014
<b>Service revenue</b> (in €m)	192.1	221.9 	159.7	183.6 	51.4	64.4 
<b>In % of Group revenue</b>	14.8	20.2	21.9	23.2	22.6	23.5

## Targeted expansion into selected international markets

- Global packaging volume: CAGR +4% from 2013 to 2018; 80% of the growth expected comes from Asia
- Unlock large potential in packaging segments with strong focus on future markets in Asia and Latin America



1) Source: Smithers PIRA, 2013

## Mid-term strategy as per segment: achieve robust margin level

Short + mid term execution

+4%

Peaks in security printing business

+2%

+4-6%

Mid-term target

### Sheetfed

- Sheetfed offset presses, services, workflows, postpress equipment

### Digital & Web

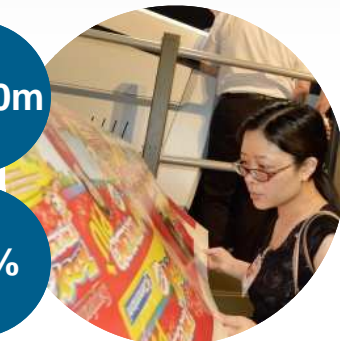
- Web offset presses, services, digital presses (own, cooperation with HP)

### Special

- Solutions for security printing, marking & coding, packaging (metal, glass, plastics, film), services

Sales target

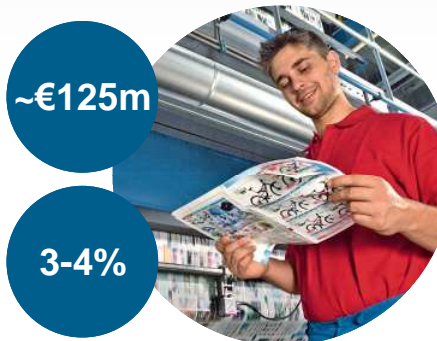
~€550m



EBT margin mid-term target

3-4%

~€125m



3-4%

~€475m



5-6%

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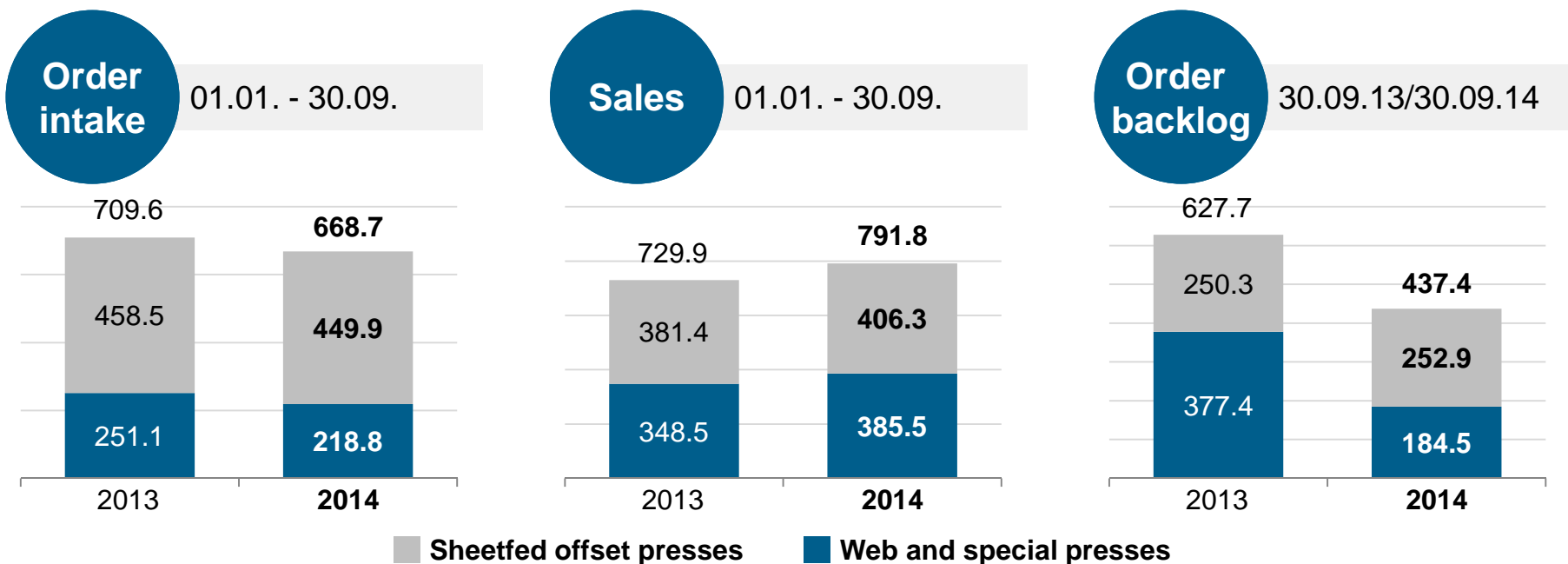
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## KBA Group performance to 30 September 2014

- Group sales on track with 8.5% increase in 9M 2014 y-o-y
- In sheetfed KBA outperformed the industry trend with strong order intake in Q3 2014
- Delayed customer decisions for numerous bank note printing projects, web orders as expected



Group figures as per IFRS in €m



## Clear improvement in earnings, solid financial structure

- Positive effects in 2014 through past cost savings, restructuring benefits with incremental ramp-up during 2015
- Strong cash generation in Q3 2014 despite cash outflows for staff cuts
- Comfortable net liquidity
- Strong focus on NWC management with visible first results

in €m	2012	2013	9M 2013	9M 2014	Q3 2013	Q3 2014
<b>Gross margin</b>	25.2%	14.4%	25.3%	27.7%	22.2%	28.6%
<b>Operating result<sup>1)</sup></b>	40.8	24.5	-10.7	7.0	-5.8	3.2

in €m	12/31/2012	12/31/2013	03/31/2014	06/30/2014	09/30/2014
<b>Net liquidity</b>	174.7	163.9	108.9	120.1	184.7
<b>Net working capital (NWC)</b>	350.8	337.9	368.9	362.7	311.6

1) before special items  
Group figures as per IFRS

## Outlook for KBA Group

**2014**

→ Annual Group sales of €1bn to €1.1bn, at least a balanced EBT for the Group

**2015**

→ Incremental benefits from restructuring with direct impact on earnings

**2016**

→ Implementation of restructuring finished  
→ Further progress in portfolio transformation  
→ Sustained earnings in all business fields

This 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.

## Financial calendar

**20/03/2015**

**Annual report 2014**

**12/05/2015**

**Interim report on 1<sup>st</sup> quarter 2015**

**21/05/2015**

**AGM in Würzburg**

**11/08/2015**

**Interim report on 2<sup>nd</sup> quarter 2015**

**10/11/2015**

**Interim report on 3<sup>rd</sup> quarter 2015**

