

KOENIG & BAUER

Conference Call

Q1 Results 2019

3 May 2019

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Mathias Dähn, CFO

we're on it.

Agenda

Highlights and main focus in 2019

Business performance in Q1 2019

Guidance for 2019 and mid-term targets until 2023

Highlights

Joint venture agreement signed with inkjet pioneer Durst

- 50/50 joint venture with Durst, a technology leader in inkjet and very successful in digital printing on ceramics and textiles
- Focus on future-oriented digital printing solutions with added value for customers in the folding carton and corrugated printing markets
- Anti-trust clearance expected in the next few weeks

Further strategic growth step in coding and packaging printing

- Acquisition of 100% of Swedish company All-Print Holding by our subsidiary Koenig & Bauer Coding
- Strengthening market presence in coding in Scandinavia
- Expanding market position in tertiary packaging with highly automated labelling systems

Main focus in 2019

- Driving revenue and earnings contributions from new and enhanced products
- More even distribution of revenue across the year
- Initiative to strengthen our quality leadership
- Expanding our service share towards 30% in relation to a higher revenue level
- Optimising our entire supply chain for a sustained reduction in delivery times
- Operational and strategic adjustments to the internal production and assembly network to reduce costs and lead times as well as to boost productivity

Agenda

Highlights and main focus in 2019

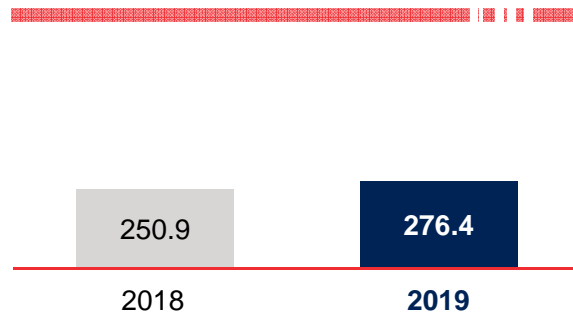
Business performance in Q1 2019

Guidance for 2019 and mid-term targets until 2023

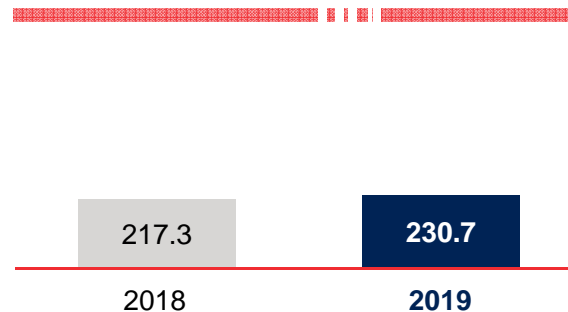
Good order and project situation in the Koenig & Bauer Group

- Strong order intake with an increase of 10.2%, order gains in service and packaging printing markets
- Well filled project pipeline in all business fields
- Revenue growth of 6.2%
- High order backlog of €656.6m

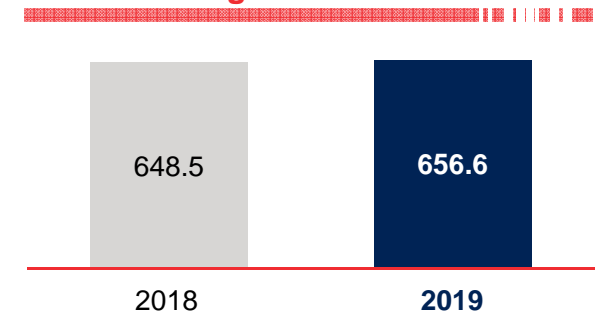
Order intake 01.01. - 31.03.



Revenue 01.01. - 31.03.



Order backlog 31.03.



Despite growth expenses, Q1 earnings close to last year

- In addition to growth offensive 2023, low revenue level influenced earnings in the first quarter
- Gross margin came to 27.4 % following 30.7% in the prior year
- Despite high market-entry and growth-related expenses, EBIT of –€2.8m was not far off the previous year’s figure of –€1.9m
- Positive earnings momentum with rising revenue in the following quarters

	2017	2018	Q1 2018	Q1 2019
Gross margin	30%	29%	30.7%	27.4%
EBIT	€81.4m	€87.4m	-€1.9m	-€2.8m
EPS	€4.91	€3.86	-€0.15	-€0.30

Group income statement

in €m	Q1 2018	Q1 2019
Revenue	217.3	230.7
Cost of sales	-150.6	-167.4
Gross profit	66.7	63.3
Research and development costs	-12.1	-11.2
Distribution costs	-30.9	-32.8
Administrative expenses	-26.2	-22.2
Other income ./ expenses	0.6	0.1
Earnings before interest and taxes (EBIT)	-1.9	-2.8
Interest result	-1.0	-1.3
Earnings before taxes (EBT)	-2.9	-4.1
Income tax	0.6	-0.8
Net loss	-2.3	-4.9

Group cash flow statement

in €m	Q1 2018	Q1 2019
Earnings before taxes	-2.9	-4.1
Non-cash transactions	6.5	8.9
Gross cash flow	3.6	4.8
Changes in inventories, receivables, other assets	11.1	-17.5
Changes in provisions and payables	5.6	-17.9
Cash flows from operating activities	20.3	-30.6
Cash flows from investing activities	-40.7	-20.6
Free cash flow	-20.4	-51.2
Cash flows from financing activities	-29.1	-10.5
Change in funds	-49.5	-61.7
Effect of changes in exchange rates/consolidated companies	2.0	0.5
Funds at beginning of period	142.4	142.0
Funds at end of period	94.9	80.8

Group balance sheet

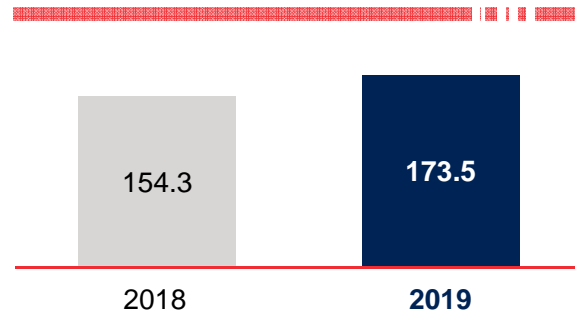
Assets in €m	31.12.2018	31.03.2019
Non-current assets		
Intangible assets and property, plant and equipment	293.0	329.5
Investments/other financial receivables	26.0	28.4
Other assets	1.3	1.3
Deferred tax assets	79.5	80.8
	399.8	440.0
Current assets		
Inventories	265.7	317.0
Trade receivables	156.0	118.9
Other financial receivables	13.7	12.9
Other assets	184.8	189.1
Securities	16.3	17.1
Cash and cash equivalents	142.0	80.8
	778.5	735.8
	1,178.3	1,175.8

Equity and liabilities in €m	31.12.2018	31.03.2019
Equity		
Share capital	43.0	43.0
Share premium	87.5	87.5
Reserves	322.0	309.7
Equity attrib. to non-controlling interests	0.9	1.2
	453.4	441.4
Non-current liabilities		
Pension provisions	152.6	160.4
Other provisions	20.9	20.8
Bank loans/other financial payables	6.4	21.8
Other liabilities	0.9	0.9
Deferred tax liabilities	33.9	33.9
	214.7	237.8
Current liabilities		
Other provisions	138.0	102.0
Trade payables	82.5	71.5
Bank loans/other financial payables	142.2	160.5
Other liabilities	147.5	162.6
	510.2	496.6
	1,178.3	1,175.8

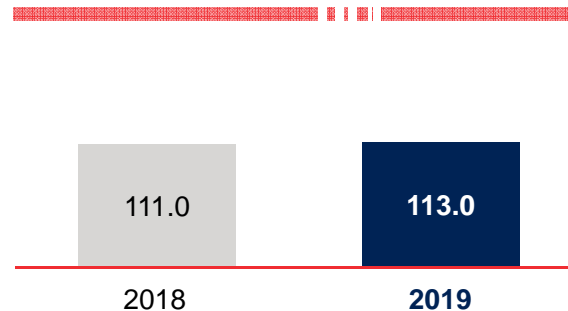
Strong order intake in Sheetfed

- 12.4% rise in orders, high order gains in service business
- Revenue slightly above previous year's figure
- EBIT influenced by product mix, costs for Print China trade fair and low revenue level
- High capacity utilisation due to order backlog of €250.5m
- Additional order boost from very successful Print China trade fair in mid-April

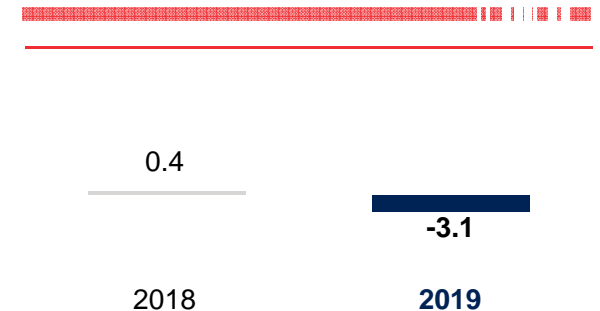
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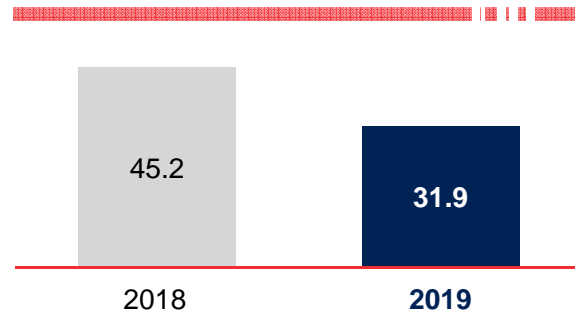
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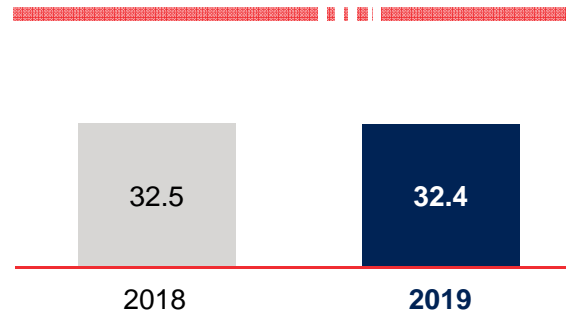
Growth expenses burden Digital & Web earnings

- Order intake below previous year's figure due to fewer press orders for newspaper and flexible packaging printing, strong gains in service orders
- Revenue at previous year's level, prior-year figure influenced by high service revenue due to major press relocations
- EBIT burdened by market-entry and growth-related expenses
- Order backlog increased from €75.2m to €85.4m

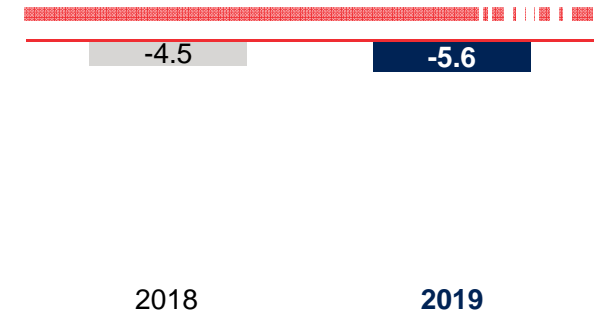
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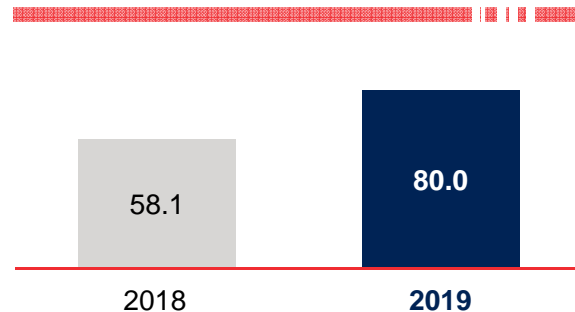
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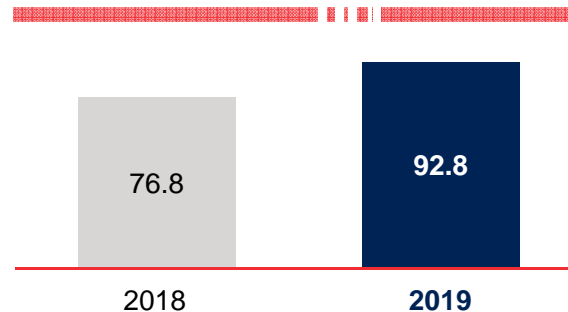
Significant order and revenue growth in Special

- 37.7% higher order intake due to more orders for services and presses for security printing and glass decorating
- 20.8% rise in revenue
- Order backlog up to €331.7m by 6.2%
- EBIT of €2m following €3.8m in the previous year

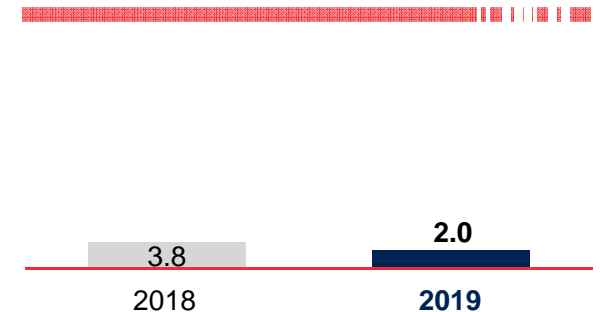
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Guidance for 2019

- Organic growth of around 4% in Group revenue
- EBIT margin of around 6%
 - annual margin improvement of 0.7% from Group projects for boosting earnings
 - margin burden from the growth offensive 2023 included (start-up costs of \approx €50m cumulated for 2019 to 2021 with a heavier load in the first year)

Mid-term targets until 2023

Revenue target:
annual growth rate
of \approx 4% p.a. to €1.5bn

Profit target:
7-10% EBIT margin
on Group level

Resilience:
strengthen earnings,
financial, balance sheet
power

- Growth from packaging printing (\emptyset 4% annual growth rate in equipment), from service and market share gains
- Additional revenue from new and enhanced products
- Declining service business in newspaper printing medium to long-term
- Incremental advances in Group projects for boosting earnings
- Increasing revenue in consumer-oriented markets with lower volatility and higher margins
- Compensation of start-up costs from growth offensive 2023
- 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

Mid-term targets until 2023

**Favourable
market
environment**

- Structural and above-average growth in the markets addressed
- Annual growth rates of up to 10%
- End markets with a high share in less cyclical sectors such as food, beverages and pharmaceuticals

Growth drivers

- Increasing consumer spending and demand for packaging in the world as well as growing world population
- Long-term trends such as e-commerce with high article-return rates and smaller sizes due to more single-person households
- More sophisticated packaging and more stringent regulations

Mid-term targets until 2023

Current product innovations and enhancements

- CorruCUT, CorruFLEX and CorruJET for corrugated printing
- Compact CI flexo press for flexible packaging
- CS MetalCan for 2-piece beverage can decorating
- Rapida RDC 106 rotary die-cutter, upgrade of flatbed die-cutters
- Additional coding products and software solutions such as Kyana
- High-performance screen printing press for the beer and soft drink bottle market
- Omega-series folder gluer solutions
- RotaJET digital press platform for decor and flexible packaging
- VariJET for digital folding carton printing

Differentiation from competition

- Improved total cost of ownership
- Shorter make-ready times for increasingly frequent job changes
- Greater ease of operation for the printer
- High production output and first-class print quality
- Intelligent quality inspection systems and further USPs

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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. KBA therefore accepts no liability for transactions based upon these projections.

Koenig & Bauer AG

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