

Press release

Koenig & Bauer making good progress with strategic projects for sustainably profitable growth

2019 group targets confirmed

- Good order situation and high capacity utilisation
- Revenue still slightly below prior year due to accumulation of deliveries in H2
- H1 earnings impacted by market-entry and growth-related expenses
- Cash flow temporarily burdened by revenue growth in H2 and high investments in the future
- 33.8% equity ratio
- 2019 group targets: organic growth in revenue of around 4% and EBIT margin of around 6%

Würzburg, 1 August 2019

In the first half of 2019, the Koenig & Bauer group made good progress with its strategic projects for sustainably profitable growth. CEO Claus Bolza-Schünemann reports on the successful start of the joint venture with Durst and the good outlook: "Following approval from antitrust authorities, we officially founded the 50/50 joint venture with the inkjet pioneer at the beginning of May 2019 and appointed an experienced expert as managing director of Koenig & Bauer Durst as of 1 August 2019. We are also seeing good opportunities for digital production lines in the folding carton and corrugated board industry. This sector is demanding economical and flexible solutions for smaller, more individualised print runs. In addition to the VariJET 106 for digital folding carton printing, the Koenig & Bauer CorruJET 170 and the Durst SPC 130 for digital direct printing on corrugated board as well as the ink business and all related services are part of the joint venture's portfolio."

CFO Mathias Dähn adds further examples of the progress made: "We have already sold our fifth RotaJET system for digital decor printing. Two orders for this sophisticated and premium-quality digital printing solution have been received from manufacturers of wood-based products who themselves want to print decors that had to date been procured externally. This allows them to address the increasing trend toward individualisation with smaller order volumes. We are seeing great revenue and earnings potential for our RotaJET digital printing platform as a result of this increasingly apparent structural transformation in decor printing. This applies simultaneously to digital beverage carton printing following the key contract from Tetra Pak. For the large and high growth market for analogue direct printing on corrugated board, we have developed the sheetfed flexo presses CorruCUT and CorruFLEX with a number of unique features. Following a testing phase in our plant, the prestigious pilot customer and development partner Klingele has now approved the ordered CorruCUT. By virtue of the printing and die-cutting quality, the short make-ready times and general operating comfort, our innovation has generated a very positive response from the customer and the global corrugated board industry. Equally gratifying is customer feedback from the field tests currently underway on the CS MetalCan which we developed for 2-piece beverage can decorating with some unique features."

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Book-to-bill ratio at 1.13

Following €276.4m in the first quarter, positive order development in the Koenig & Bauer group continued in the second quarter with new orders of €296.9m. In the first half of 2019 a good order intake of €573.3m was achieved. The prior-year figure of €705.3m benefited from a major order in security printing. Through the accumulation of deliveries in the second half of the year, group revenue of €506m was still slightly below the prior-year figure of €514.4m. At €678.2m, order backlog as of 30 June was 11% higher compared with the beginning of the year (€610.9m), although it was lower y-o-y as a result of the huge security printing order booked in the second quarter of 2018. Besides the delivery-related low revenue level in the first half of the year, there was a significant impact on earnings due to expenses for the growth offensive 2023 which we cumulatively estimate at around €50m for 2019 to 2021 with a heavier load in the first year. Accordingly, EBIT of €0.6m was below the prior year (€10.6m). At –€2.4m, net earnings as of 30 June corresponds to earnings per share of –€0.15.

4.8% rise in orders in Sheetfed

In the Sheetfed segment, the successful Print China trade fair in mid-April contributed to the increase in order intake of 4.8% to €329m (2018: €313.8m). For delivery-related reasons, revenue of €257.3m was below the prior-year figure of €270.8m. The high order backlog of €261.6m (2018: €274.7m) ensures continued full capacity utilisation. Due to lower revenue, the product mix and costs for the Print China trade fair, EBIT of –€1.2m was below the figure from the prior year (€8.1m).

Order and revenue growth in Digital & Web

At Digital & Web, order intake expanded from €82m in the prior year to €89.9m. Order gains in flexible packaging printing and more press sales for the newspaper and digital decor printing overcompensated the declining services business with web offset presses for newspaper and commercial printing. While revenue increased from €58.1m to €64.5m, order backlog was up significantly from €86.4m to €111.2m. EBIT, burdened by market-entry and growth-related expenses, was –€11.1m as compared to –€9.9m in the prior year.

3.7% higher revenue in Special

In the Special segment, order intake of €174.5m was below the prior-year figure of €330.2m, which was impacted by a huge order. Major orders of this scope are unusual, even in security printing. Revenue was up from €196.3m to €203.6m. After €14.7m in the prior year, EBIT came to €6.4m in the first half of 2019. With €315.5m, order backlog and capacity utilisation are at a high level (2018: €464.8m).

Equity ratio of 33.8%

Despite lower trade receivables as well as increased customer payments, higher inventories for revenue growth in coming quarters and high investments for construction and IT projects significantly burdened cash flow. With a syndicated long-term credit line, Koenig & Bauer has a good and stable financial foundation.

2019 group targets

CEO Claus Bolza-Schünemann: "With the high order backlog of €678.2m as of 30 June 2019, we have good visibility for the second half of 2019. On the basis of a good order situation with high capacity utilisation and the continued progress with our group projects for boosting earnings, we are confident, with the planned order processing in security printing and the expected orders in metal decorating, to achieve organic growth of around 4% in revenue and an EBIT margin of around 6% in 2019 in

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the group. The impact on the margin resulting from the growth offensive 2023 has already been taken into account for our earnings target 2019.”

Mid-term goals until 2023

CFO Mathias Dähn: “With our growth offensive 2023, we want to actively make use of market opportunities currently presented in the corrugated board, cardboard, flexible packaging, 2-piece can, coding, glass direct and decor printing as well as in the postpress area for sustainably profitable growth. The influence of the volatile security printing business will subside with the higher share of packaging in group revenue. With web offset presses for newspaper and commercial printing, we anticipate further declines in the service business due to increased machine shut downs and printshop closings. With all of our initiatives and projects, we are targeting to increase group revenue to around €1.5bn with an EBIT margin of between 7% and 10% until 2023. All three segments are to contribute to the growth in revenue and earnings. In addition to a dividend ratio of 15% to 35% of group net profit, further targets include an equity ratio of over 45%, a net working capital target corridor of between 20% and 25% of revenue and a 30% share of revenue from services.”

Photo 1:

Following a testing phase in the Koenig & Bauer plant, the prestigious pilot customer and development partner Klingele has now approved the ordered CorruCUT

Photo 2:

With data-based services and other innovations, Koenig & Bauer has become one of the cross-industry visionary in the digitalisation of business processes

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About Koenig & Bauer

The Koenig & Bauer group is a customer-centric partner to the international printing industry with annual revenue of over €1.2bn and 5,700 employees. The group is the global market and technology leader in security printing and in growing packaging printing markets. Throughout its 201-year history, it has been driven by innovation and technological progress. Systematically oriented to meeting customer requirements, its high-tech printing presses and systems permit highly efficient printing, finishing and postpress processing. Its services cover a wide range of customer-oriented offerings including networked printing. With its strong balance sheet and financial power, Koenig & Bauer is on a profitable and sustainable growth trajectory.

For more information, visit www.koenig-bauer.com

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Disclaimer:

The projections contained in this press release are 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 therefore accepts no liability for transactions based on these projections.

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Koenig & Bauer group	30.06.2018 in €m	30.06.2019 in €m	Change
Revenue	514.4	506.0	- 1.6%
Sheetfed	270.8	257.3	- 5.0%
Digital & Web	58.1	64.5	+ 11.0%
Special	196.3	203.6	+ 3.7%
Reconciliation	-10.8	-19.4	
Order intake	705.3	573.3	- 18.7%
Sheetfed	313.8	329.0	+ 4.8%
Digital & Web	82.0	89.9	+ 9.6%
Special	330.2	174.5	- 47.2%
Reconciliation	-20.7	-20.1	
Order backlog	805.8	678.2	- 15.8%
Sheetfed	274.7	261.6	- 4.8%
Digital & Web	86.4	111.2	+ 28.7%
Special	464.8	315.5	- 32.1%
Reconciliation	-20.1	-10.1	
EBIT	10.6	0.6	
Sheetfed	8.1	-1.2	
Digital & Web	-9.9	-11.1	
Special	14.7	6.4	
Reconciliation	-2.3	6.5	
Earnings before taxes (EBT)	8.5	-2.0	
Net earnings	6.7	-2.4	
Earnings per share in €	0.39	-0.15	
Cash flows from operating activities	17.4	-96.5	
Balance sheet total (prior year: 31.12.)	1,178.3	1,245.5	
Equity (prior year: 31.12.)	453.4	420.9	
Employees at 30 June	5,605	5,725	
thereof apprentices/students	260	275	