# Press Release

Good order situation and cash flow performance  
in the Koenig & Bauer group

## Focus on additional growth offensive 2023

* Order intake up 4.4% and continued good project situation
* Revenue and EBIT below prior year due to greater accumulation of deliveries in Q4   
  and bottlenecks in parts availability
* Good EBIT margin of 6.6% in Q3 with low revenue level
* 25.5% rise in order backlog to €769.3m
* Increase in cash flows from operating activities to €50.5m, equity ratio widened to 37.4%
* Dr Andreas Pleßke appointed to management board for five years

Würzburg, 7 November 2018  
Driven by strong security press business and growth in packaging printing markets, order intake in the Koenig & Bauer group rose by 4.4% over the previous year to €943.2m in the first nine months of 2018. At the end of Q3, order backlog was up 25.5%, standing at €769.3m. Group revenue came to €788.8m but fell short of the previous year’s figure of €847.7m due to the even greater accumulation of delivery dates requested by our customers in Q4 and bottlenecks in the parts availability. This was also reflected in EBIT, which at €28.6m was lower than in 2017 (€36.4m).

Segment performance  
While the project situation is good, order intake, revenue and EBIT in the Sheetfed segment were affected in particular by bottlenecks in the availability of parts. President and CEO Claus Bolza-Schünemann: “The situation with respect to parts and the high order backlog dampen our new business due to longer delivery times. We are currently working intensely on optimising our entire supply chain to achieve a sustained reduction in delivery times.” Despite the growth in flexible packaging printing, order intake for Digital & Web was up only slightly on the previous year’s figure due to fewer orders for newspaper and digital printing presses. Together with market-entry and growth-related expenses for corrugated board and flexible packaging, the lower revenue exerted pressure on EBIT in this segment. Despite substantially higher orders, revenue in the Special segment was slightly below the previous year’s figure. However, the EBIT margin remained stable in this segment.

### Financial and balance sheet profile strengthened

Cash flows from operating activities rose substantially over the previous year (–€24.6m) to €50.5m. Although free cash flow was burdened by the final payment instalment of €34.8m made in Q1 for the external funding of a part of the pension provisions, it also improved substantially. In addition to net liquidity of €74.3m and securities of €15.7m that can be liquidated at any time, the group also has access to syndicated credit facilities. The equity ratio widened from 36.4% at the end of 2017 to 37.4%.

### Group targets for 2018

Referring to the targets for 2018, CFO Mathias Dähn says: “The numerous press deliveries and service activities scheduled in the final months of the year will trigger a surge in revenue and earnings in Q4. In view of this business concentration, which is challenging due to the high capacity utilisation and the parts situation but not really unusual, we aim to achieve organic growth of around 4% in Group revenue for 2018. As things currently stand, we cannot rule out a shift of around €35m in revenue into 2019 as a result of delivery delays caused by bottlenecks in the parts availability. In terms of our earnings target for 2018, we are confident that we will achieve an EBIT margin of around 7% for the full year with higher revenue in view of the EBIT margin of 6.6% in the third quarter with low revenue. Global macroeconomic risks have increased due to trade conflicts and barriers, rising US interest rates and political uncertainties in Europe (Brexit, Italy) and in the emerging markets.”

Medium-term goals until 2021  
Depending on trends in the global economy, end markets and the necessary investments in growth, management is targeting a group-wide organic revenue growth rate of around 4% p.a. and an EBIT margin of between 4% and 9% by 2021. The effects of the additional growth offensive 2023 which the management board presented in conjunction with the announcement of the Q3 figures are not included in the medium-term targets, neither revenue nor costs.

Additional growth offensive 2023  
Describing in greater detail the additional growth offensive 2023, CFO Mathias Dähn says: “For a stronger profitable growth, we want to actively exploit the currently available market opportunities in corrugated board printing, flexible packaging and 2-piece can decorating alongside our service initiative. The same thing applies to marking & coding and postpress equipment such as rotary and flatbed die-cutters. Based on an addressed total market volume of currently around €2bn p.a. for machines, these business fields are expanding at annual rates of between 2% and 10% as they are benefiting from growth in consumer spending and demand for packaging around the world as well as long-term trends such as e-commerce, more sophisticated packaging and smaller sizes due to more single-person households. With newly developed products such as CorruCUT, CorruFLEX and CorruJET for corrugated board printing, CS MetalCan for 2-piece can decorating and the Rapida RDC 106 rotary die-cutter, we want to stand out from the competition with improved total cost of ownership, shorter make-ready times for ever more frequent job changes, greater ease of operation and high production output. The same thing also applies to our new and enhanced products for flexible packaging printing, flatbed die-cutters and marking & coding. Complex customer surveys and analysis always form the basis for our decisions. Our growth offensive 2023 necessitates additional experts and specialists in our global service and sales network as well as targeted portfolio additions based on platform concepts. We estimate the cumulative market-entry, growth-related and R&D expenses for 2019 to 2021 at around €50m. By 2023, we want to gradually generate additional revenue of around €200m in these addressed business areas. Given this favourable market environment with structural and above-average growth as well as less cyclical end markets such as food, beverages and pharmaceuticals, we want to gradually increase the EBIT margin from additional business to a double-digit figure at steady-state.”

Management board change  
The supervisory board has appointed its member Dr Andreas Pleßke to the management board for five years with effect from 1 December 2018 for managing the Special segment. His area of responsibility also includes the optimisation of the internal production network. Furthermore, the company has been able to find Prof Dr-Ing Raimund Klinkner as his successor to the supervisory board.

Photo 1:  
New orders for flexible packaging printing rose at a particularly gratifying rate

Photo 2:  
Intelligent service solutions thanks to the digital transformation

Press contact:

Koenig & Bauer AG  
Investor Relations  
Dr Bernd Heusinger   
T +49 931 909-4835  
M [bernd.heusinger@koenig-bauer.com](mailto:bernd.heusinger@koenig-bauer.com)

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 important packaging printing markets. Throughout its 200-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 under the “Koenig & Bauer 4.0” label. With its solid balance sheet and high financial strength together with its focus on packaging printing, Koenig & Bauer is on a profitable growth trajectory.

For more information, visit [www.koenig-bauer.com](http://www.koenig-bauer.com)

Disclaimer:  
The projections contained in this press release 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. Koenig & Bauer therefore accepts no liability for transactions based upon these projections.

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| Koenig & Bauer group | 30.09.2017  in €m | 30.09.2018  in €m | Change |
| Revenue  Sheetfed  Digital & Web  Special  Reconciliation | 847.7  474.7  113.2  304.6  -44.8 | 788.8  429.0  97.7  296.8  -34.7 | - 6.9%  - 9.6%  - 13.7%  - 2.6% |
| Order intake  Sheetfed  Digital & Web  Special  Reconciliation | 903.4  480.3  111.1  359.8  -47.8 | 943.2  453.8  112.7  427.6  -50.9 | + 4.4%  - 5.5%  + 1.4%  + 18.8% |
| Order backlog  Sheetfed  Digital & Web  Special  Reconciliation | 613.2  243.1  74.0  313.4  -17.3 | 769.3  258.3  76.5  463.5  -29.0 | + 25.5%  + 6.3%  + 3.4%  + 47.9% |
| EBIT  Sheetfed  Digital & Web  Special  Reconciliation | 36.4  20.3  -3.6  25.6  -5.9 | 28.6  14.6  -10.6  25.0  -0.4 |  |
| Earnings before taxes (EBT) | 35.0 | 25.4 |  |
| Net profit | 29.5 | 20.4 |  |
| Earnings per share in € | 1.79 | 1.23 |  |
| Cash flows from operating  activities | -24.6 | 50.5 |  |
| Balance sheet total | 1,139.6 | 1,119.6 |  |
| Equity | 369.5 | 418.8 |  |
| Employees (30 September)  thereof apprentices/students | 5,542  357 | 5,698  341 |  |
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The employees of 5,698 on 30 September 2018 include 31 following the consolidation of KBA LATINA