Press release

## Koenig & Bauer publishes its Q3 report 2020

Adjusted EBIT almost reached break-even in Q3

* Further improvement of operating earnings in a challenging environment
* 9M order intake significantly better than the industry trend for printing presses
* Revenue before special item due to new revenue recognition guideline also better than industry trend
* Clearly positive cash flow in Q3 and significant improvement compared to the previous year
* Decided Performance 2024 programme in implementation

Würzburg, 11 November 2020  
As in many industries, the Covid-19 pandemic, which is worsening again in most countries over the past few weeks, has left clear traces on the course of business in the Koenig & Bauer group. In Q3, order intake was down 13.8% at €232.6m and revenue was down 32.2% at €198.1m year-on-year. In addition to the effects of the pandemic, this revenue decline was materially due to the new internal revenue recognition guideline of the Koenig & Bauer AG, which caused a once-only revenue shift of €52.5m to 2021 in the Sheetfed segment. In the first three quarters of 2020, new orders of €712.8m were below the previous year’s figure of €843m by 15.4%, although this was better than the general sector figures for printing presses published by industry association VDMA, which dropped by 26.8% in the same period. Cumulative revenue came to €602.6m in the first nine months of 2020 (2019: €798.2m).

At the end of September, management and supervisory board decided the Performance 2024 programme, which had been enhanced and expanded over the last few months, to strengthen Koenig & Bauer’s position as leading supplier in packaging, industrial, security printing and postpress as well as to increase the group’s operating profitability. The one-off costs required for the comprehensive package of measures were expensed in Q3 by recognising a provision of €57.6m. In addition, the new revenue recognition guideline mentioned above had a negative effect of €6.3m on EBIT. A positive effect arose from the one-off income of €4.8m from the sale of a real estate asset in Frankenthal. On balance, an EBIT of –€61.3m is reported for Q3. However, EBIT adjusted for one-offs improved substantially from –€34.9m in Q1 and –€10.2m in Q2 to –€2.2m in Q3. Despite the lower effects from short-time working compared with Q2, the adjusted EBIT almost reached the break-even threshold in Q3. In cumulative terms, EBIT for the first three quarters of 2020 came to –€102.2m (2019: €5.2m), group net earnings to –€109m (2019: €1m) and earnings per share to –€6.62 (2019: €0.05).

At €20.8m and €26.9m, respectively, cash flows from operating activities and free cash flowwere in distinctly positive territory in Q3, improving significantly over the same quarter of the previous year (–€27.7m and –€39m, respectively). Despite a higher increase in inventories, this positive performance was underpinned by lower receivables and other assets as well as higher customer prepayments.

### Segment performance

The Sheetfed segment achieved a robust order intake of €128.6m in Q3 (Q3 2019: €132m). Despite the substantial gains with large-format sheetfed offset presses and folder gluers, order intake in the first three quarters declined by 9.9% over the previous year’s figure of €462.6m to €416.6m particularly as a result of lower orders for medium- and half-format presses. The revenue shift of €52.5m to 2021 as a result of the new revenue recognition guideline was the main reason for the decline in Q3 revenue from €151.1m to €81.6m. In cumulative terms, revenue for the first nine months came to €287.1m, falling short of the previous year (€410m) by 30%. With the book-to-bill ratio coming to 1.45, order backlog rose from €242.5m to €312.9m. The revenue effect and the provisions recognised for the Performance 2024 programme resulted in EBIT of –€31.7m in Q3 (2019: –€1.5m). At –€49.1m in the first three quarters, it was significantly lower than the previous year’s figure of –€2.8m.

Driven by sales successes with RotaJET presses and HP machines, the Digital & Web segment achieved encouraging order intake of €34.1m in Q3 (Q3 2019: €18.1m). Order intake in the first three quarters came to €90.8m, down from €108m in the previous year, due to lower orders in the web offset press business and for flexible packaging printing. At €36m in Q3 and €87.6m in the first nine months, revenue was below the previous year’s figures of €40.9m and €105.4m, respectively, for pandemic-related reasons. The order backlog contracted from €88.4m to €69.3m. EBIT, which was primarily burdened by the provision for the Performance 2024 programme, came to –€9.2m in Q3 and –€21.3m in the first three quarters (previous year: –€4.3m and –€15.1m, respectively).

Order intake in the Special segment of €82.8m in Q3 and €233.5m in the first nine months was below the previous year’s figures of €131.4m and €306.7m, respectively. The decline in order intake reflects lower orders for security printing, marking and coding as well as glass decorating. On the other hand, there was an order increase in metal decorating. Revenue of €87.3m was achieved in Q3 (2019: €107.8m). The revenue generated in the first nine months decreased to €247.4m (2019: €312.7m). The order backlog reached €273.7m at the end of September after €339.5m in the previous year. EBIT came to –€25.6m in Q3 and –€35.9m in the first three quarters (previous year: €6.6m and €12.9m, respectively) chiefly as a result of the provisions recognised for the Performance 2024 programme.

### Outlook

President and CEO Claus Bolza-Schünemann: “In addition to boosting efficiency and scaling the group to the moderate growth expected in the next few years to group revenue of around €1.3bn after the completion of the four-year programme, it aims to strengthen our competitiveness in the long term. By continuing and accelerating all innovation processes, product and process developments, annual cost savings of over €100m should increasingly be achieved until 2024. After implementing the approved cost and structural adjustments, we are still aiming for a return on sales (based on EBIT) of at least 7% in the medium-term. In Q4 2020, the worsening international course of the Covid-19 pandemic is expected to have a negative impact on business performance. For the financial year 2020, we expect group revenue to reach a figure of between €900m and €950m and a negative EBIT before special items in the mid double-digit million range.“

#### Photo:

In addition to new developments for security printing, investments in direct corrugated board and digital printing as well as the joint venture with the Durst Group are being advanced as part of the Performance 2024 programme

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About Koenig & Bauer  
The Koenig & Bauer group is a customer-centric partner to the international printing industry. The group is the global market and technology leader in security printing and in growing packaging printing markets. Throughout its 203-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.

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

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 | 30.09.2019 in €m | 30.09.2020 in €m | Change |
| Revenue **Sheetfed Digital & Web** Special Reconciliation | **798.2** 410.0 105.4 312.7 -29.9 | **602.6** 287.1 87.6 247.4 -19.5 | **- 24.5%** - 30.0% - 16.9% - 20.9% |
| Order intake **Sheetfed Digital & Web** Special Reconciliation | **843.0** 462.6 108.0 306.7 -34.3 | **712.8** 416.6 90.8 233.5 -28.1 | **- 15.4%** - 9.9% - 15.9% - 23.9% |
| Order backlog **Sheetfed Digital & Web** Special Reconciliation | **655.7** 242.5 88.4 339.5 -14.7 | **643.9** 312.9 69.3 273.7 -12.0 | **- 1.8%** + 29.0% - 21.6% - 19.4% |
| EBIT **Sheetfed Digital & Web** Special Reconciliation | **5.2** -2.8 -15.1 12.9 10.2 | **-102.2** -49.1 -21.3 -35.9 4.1 |  |
| Earnings before taxes (EBT) | **1.2** | **-105.9** |  |
| Net profit/loss | **1.0** | **-109.0** |  |
| Earnings per share in € | **0.05** | **-6.62** |  |
| Cash flows from operating activities | **-124.2** | **-47.8** |  |
| Balance sheet total  (prior year: 31.12.) | **1,343.1** | **1,304.4** |  |
| Equity (prior year: 31.12.) | **460.4** | **340.7** |  |
| Employees on 30 September thereof apprentices/students | **5,816** 344 | **5,635** 339 |  |