



Heidelberg goes digital!

Heidelberger Druckmaschinen AG | Second Quarter Results FY 2019/2020

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First 6m FY 2019/2020.

Solid Q2 – market uncertainties persist.

- High volatility of business over the quarters, regional differences and still high dependence on economic fluctuations.
- Improvements in key operating figures: order intake, sales revenue and profitability.
- Overall solid half-year performance against the backdrop of the difficult general conditions.





First 6m FY 2019/2020. Q2 business drivers.

- **Technology leadership** through digitization drives investment particularly in the USA and China.
- **Digital business models, contract business** and **e-commerce** contribute positively.
- **Subscription business** accounts for more than **10% of order backlog** – further increasing.
- **Medium-term goal** is to generate around **1/3 of total sales** from **recurring business**.
- Thus making Heidelberg much more **independent of economic fluctuations in the future**.
- **Outlook** for FY 2019/20 **unchanged**





Looking ahead.

Economic risks and investments in digital transformation burden earnings margin.

- Ongoing **declining trend in Germany and parts of Europe** due to the economic slowdown and Brexit. Therefore German government, IMF and VDMA **significantly lowered their forecasts for 2019 for Germany and Europe** and also **highlighted major risks for 2020**.
- Investments in **digital transformation** put **pressure on earnings margin**.





Our conclusion. Pressing ahead with digital transformation.

- **Optimize production footprint**
- **Review of product portfolio for profitability and divestment of non-core parts**
- **Continue to streamline organizational and management structure**

 **Focus on cost efficiency and profitability**





New CFO.
Marcus A. Wassenberg.



“Based on my expertise and history, I see my greatest strengths primarily in the area of digital transformation and the long-term stable financing required for it.”





To transform the company means to focus.
Sustainable and substantial improvement of profitability.

- **Stable business volume but insufficient profitability**
- **Significant upfront expenditures in digital transformation**
- **Considerable structural costs due to broad portfolio and not yet efficient organizational structure**
- **Excellent product portfolio and profitable core business**



To strengthen profitability we must think about cooperations, more focus and reorganisation of the structure





Key Figures 6m FY 2019/2020.

- Despite considerably higher demand in China **order intake** reflects investment postponements due to worsened economic conditions in WE; **Order backlog** increased (FYE19: € 654m) to € 756m.
- **Sales** slightly up yoy – shortfall in Q1 compensated, mainly due to good business in North America and Asia/Pacific.
- **EBITDA margin** excl. restructuring result increased to 6.2 % (previous year: 5.6%). Depreciation increased due to IFRS 16 by € 8m.
- **Net result after taxes** improved from € -31m in Q1 to € -16m, thanks to the Q2 result of € 14m.
- **Free cash flow** negative due to higher NWC, investments in digital projects, building up of new business models and a smaller M&A deal from the software sector.
- Due to seasonal influences **Leverage** rose to 2.1.

	6m FY 18/19	6m FY 19/20	ΔpY
Order intake	1,306	1,263	-43
Sales	1,114	1,124	+10
EBITDA excl. restructuring result	62	69	+7
EBIT excl. restructuring result	27	22	-5
Restructuring result	-5	-5	
Financial result	-28	-23	+5
Net result before taxes	-5	-6	-1
Net result after taxes	-6	-16	-10
Free cash flow	-86	-100	-14
Leverage	1,8	2,1	

1st time IFRS 16*

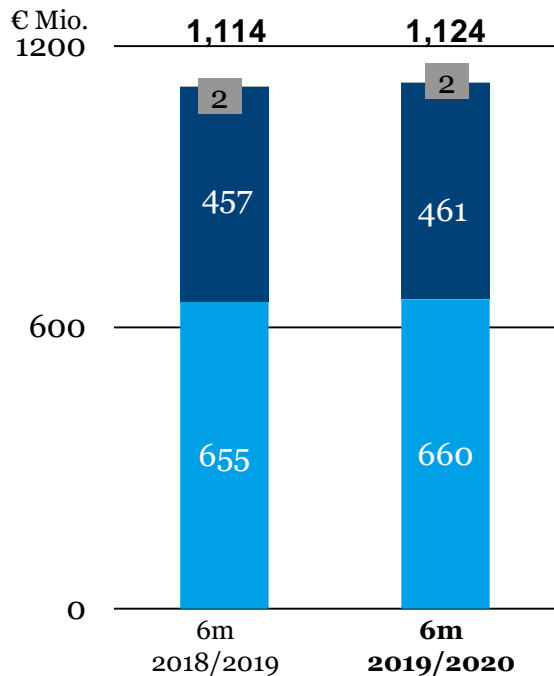
*The previous year's figures were not adjusted.



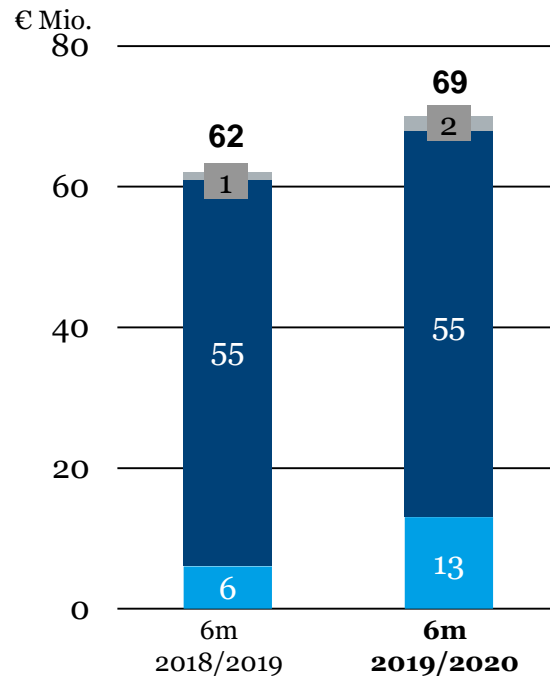
Key Financial Highlights.

Sales and EBITDA by segment in 6m FY 19/20.

Sales by segment



EBITDA* by segment



- **Heidelberg Digital Technology:**

Sales slightly higher after 6m than previous years figure. In Q2 sales were up from € 341m to € 383m (yoy) , for which the business unit sheetfed made a significant contribution. EBITDA* after 6m improves with higher volume and IFRS 16 effect.

- **Heidelberg Lifecycle Solutions:**

Sales and earnings were stable after 6m on the level of the previous years figures. EBITDA* margin at 11.9 % after 9.2% in Q1 (6m previous year: 12.0%).



Heidelberg Digital Technology



Heidelberg Lifecycle Solutions



HD Financial Services



Key Financial Highlights.

Decrease in equity due to decline of discount rate for domestic pensions.

> Assets	FY 2019	FY 2019	FY 2020	> Equity and liabilities	FY 2019	FY 2019	FY 2020
Figures in mEUR	30-09-2018	31-03-2019	30-09-2019	Figures in mEUR	30-09-2018	31-03-2019	30-09-2019
Fixed assets	830	846	896	Equity	373	399	244
Current assets	1.271	1.395	1.378	Provisions	757	819	939
thereof inventories	727	685	785	thereof provisions for pensions	490	582	727
thereof trade receivables	276	360	288	Other liabilities	1.051	1.094	1.170
thereof receivables from customer financing	58	60	56	thereof financial liabilities	445	465	586
thereof cash and cash equivalents	125	215	170	thereof contractual liabilities	200	187	195
Deferred tax assets, prepaid expenses, other	89	88	95	thereof trade payables	223	245	204
thereof deferred tax assets	67	76	75	Deferred tax liabilities, deferred income	9	16	17
thereof prepaid expenses	22	12	20	thereof deferred tax liabilities	4	5	4
Total assets	2.190	2.329	2.370	Total equity and liabilities	2.190	2.329	2.370
				Equity ratio	17%	17%	10%
				Net debt	320	250	416

- **Fixed assets** increased mainly due to the 1st-time application of IFRS 16.
- **Equity** decreased due to decline of discount rate for domestic pensions from 2.0 percent as of 31. March 2019 to 1.1 percent – equity ratio stood at 10 %.
- **Inventories** rise with the expected sales increase in the 2nd half of the FY.
- Consequently, **net working capital (NWC)** also rose to € 744m as of September 30, 2019 (September 30, 2019 : € 636m; March 31, 2019: € 684m).
- **Net debt** rose to € 416m (incl. ~ € 59 million from the first-time application of IFRS 16).

Backup





IFRS 16.

Significant effects of the first time application for Heidelberg.

What is IFRS 16?

- On-balance accounting for all lease contracts with the lessee

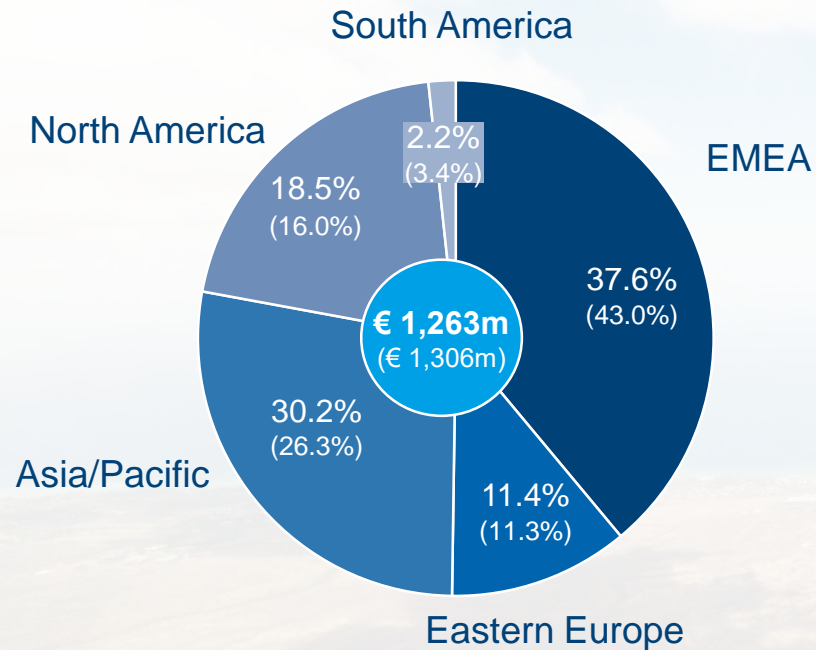
Significant effects of the application for Heidelberg from FY 19/20 onwards

- Balance sheet extension due to additional lease assets and lease liabilities
- Increase in EBITDA excluding restructuring result (around € 15 m)/EBIT excluding restructuring result (around € 2 m), while the interest/financial result (around € 2 m) is burdened simultaneously
- Net result before taxes essentially unchanged
- Improvement in free cash flow (around € 15 m) due to the recognition of repayments as a cash outflow from financing activities

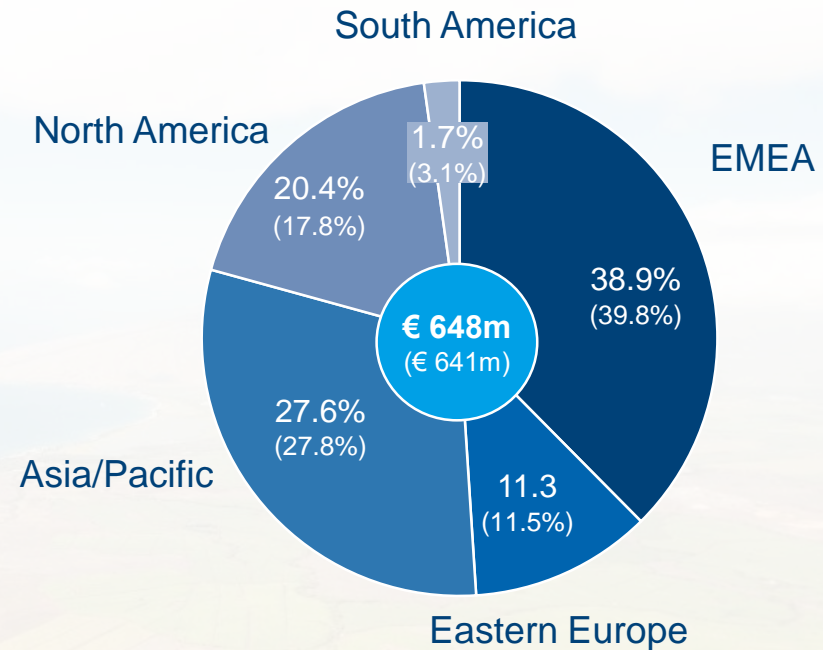
Order intake – regional split.

Strong China and weakening EMEA.

Regional order intake 6m 2019/20 (6m 2018/19)



Regional order intake Q2 2019/20 (Q2 2018/19)





Key Figures Q2 FY 2019/2020.

1st time IFRS 16*

	Q2 FY 18/19*	Q2 FY 19/20	Δ pY
Order intake	641	648	+7
Sales	573	622	+49
EBITDA excl. restructuring result	43	55	+12
EBIT excl. restructuring result	26	32	+6
Restructuring result	-6	-1	+5
Financial result	-12	-10	+2
Net result before taxes	8	20	+12
Net result after taxes	8	14	+6
Free cash flow	-42	-16	+26
Leverage	1,8	2,1	

*The previous year's figures were not adjusted.



Free cash flow.

Investments in the digital future of Heidelberg.

(1) Change in **Cash used in operating activities** mainly results from NWC rise; € 8m increase due to first-time IFRS 16 application.

(2) **Net Working Capital** rose due to the expected increase in sales in the 2nd half of FY and the series launch of the digital portfolio.

(3) As planned, **investments** at the level of the previous year, especially for:

- **Digital projects**
- **Ramp up of new business models**
- **Smaller M&A deal from the software sector**

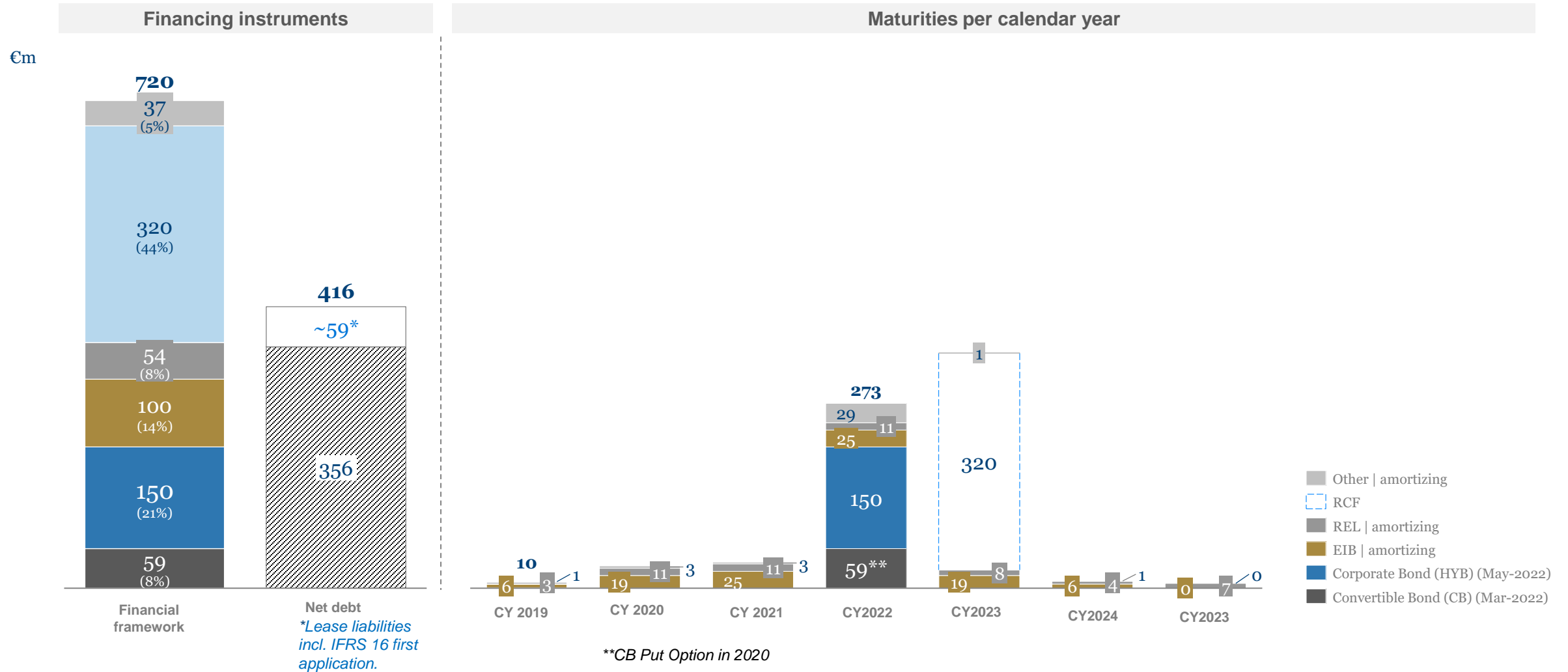
In the previous year, an inflow of around € 10m from a cash investment has had a positive effect.

	6m 18/19	6m 19/20	Δ pY
Net result after taxes	-6	-16	-10
1 Cash used in/ generated by operating activities	-49	-61	-12
2 Of which Net Working Capital	-23	-56	-33
3 Cash used in investing activities	-38	-39	-1
Free cash flow	-86	-100	-14



Our financial framework as of September, 30 2019.

Stable financial framework and sufficient liquidity resources (incl. IFRS 16).





Financial calendar 2019/2020.

- | | | |
|--------------------------|---|--|
| February 11, 2020 | ➔ | Publication of Third Quarter Figures 2019/ 2020 |
| June 9, 2020 | ➔ | Press Conference, Annual Analysts' and Investors' Conference |
| July 23, 2020 | ➔ | Annual General Meeting |

Subject to change





Disclaimer

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