



Realignment of Heidelberg

Profitability – Competitiveness – Future-proofing

Investor Relations, March 18, 2020
Heidelberger Druckmaschinen AG



Realignment. Agenda.



1. **Starting Point**
2. **Goals**
3. **Strategy**
4. **Implementation**
5. **Outlook**



At a glance.

Stabilization – Focus – Implementation.



Stabilization through debt reduction.



Focus on the profitable core business.



Consistent implementation to increase profitability.



Starting Point.

Overall performance makes action necessary.

Unprofitable products

- Activities below desired profitability levels, loss making products in the portfolio
- Demand for new products significantly below expectations
- Particularly relevant for Primefire 106 and large format machines

Inefficiencies and cost structure

- Insufficient performance of operational business
- Management structure not yet adjusted to size of business, inefficient decision making structures
- Headcount in support functions too large

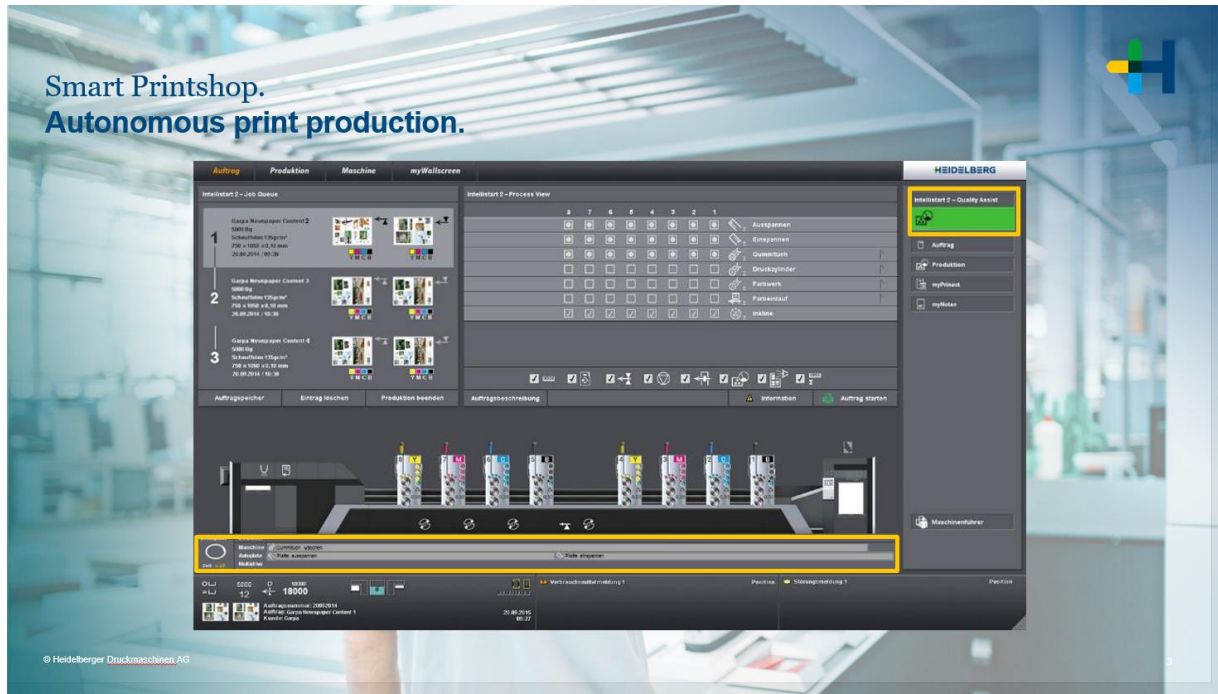
Insufficient implementation

- Programs to increase performance could not completely close EBITDA gap so far
- Lack of a holistic approach for numerous activities

We must act now!



Starting Point. Heidelberg has a strong core business.



Goals.

Action package for future-proofing.

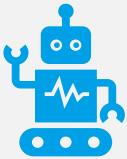
Goals



Financial **resilience**



Sustainable **profitability**



Technology leadership in core business with emphasis on digitalization



Measures



Stabilization: Debt reduction and improving liquidity.



Focus: On core business and competitive cost structure.

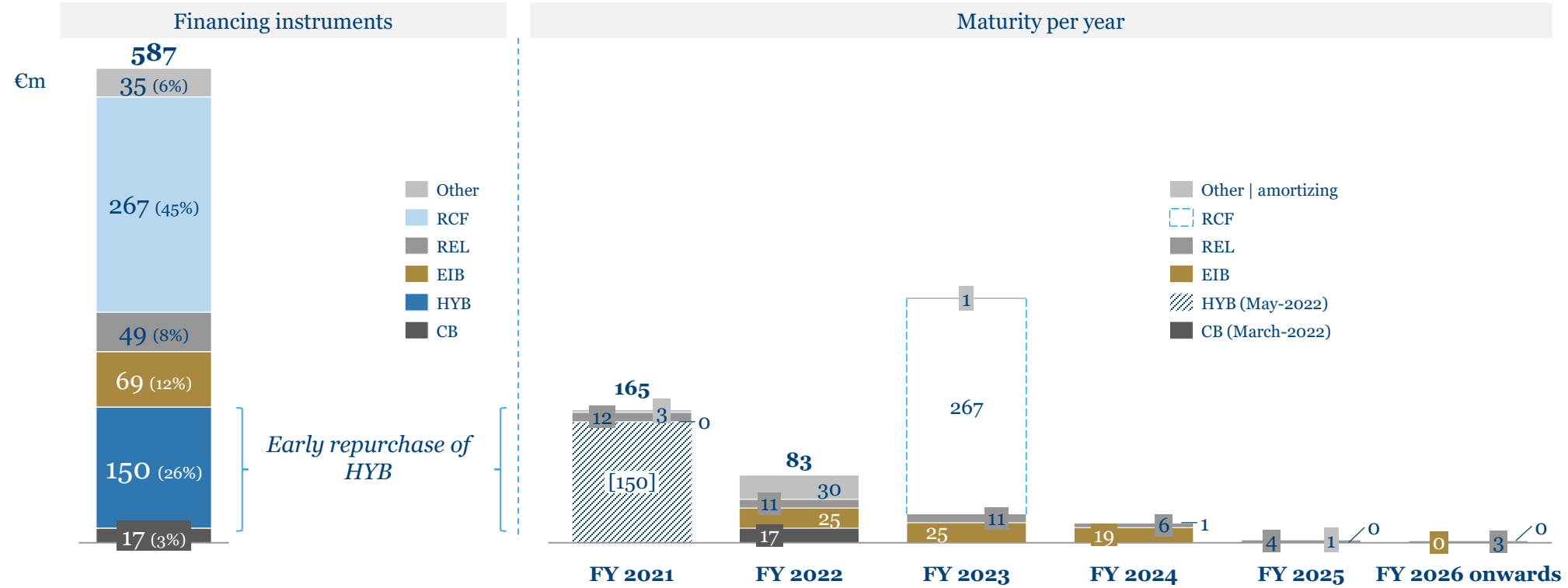


Implementation: Consistent implementation of measures. Focus on profitability and digitalization.

Focus on the profitable core business and systematic streamlining of the cost base are geared to delivering a €100 million improvement in EBITDA.

Stabilization.

Heidelberg eliminates net debt almost completely.



Remark: Pro Forma figures as of 03/31/2020. 'REL' includes loans for infrastructure projects (e.g. Hall 10, WLC und PMA).



- **Repayment of debt** through repurchase of high-yield bond and repayment of other liabilities
- **Reduction of risk** from economic downturns or negative market developments
- **Increased resilience and ability to react** through increased financial independence

Stabilization.

Debt reduction and financing of realignment.

Trust assets from Heidelberg Pension-Trust e. V. (March 2020)
approximately €390 million



Return transfer to HDM

~ €375 million

For debt reduction and realignment
of the company



Remaining assets

~ €15 million

Safeguarding pension entitlements not covered
by PSVaG and as a buffer in case of delays

- ✓ **Increased financial stability of Heidelberg** – more stable basis to cover pension entitlements from current income through a substantial reduction in cash interest

- ✓ **Reduction of assets held in trust** to the extent required beyond the legal safeguarding of pension claims

Stabilization.

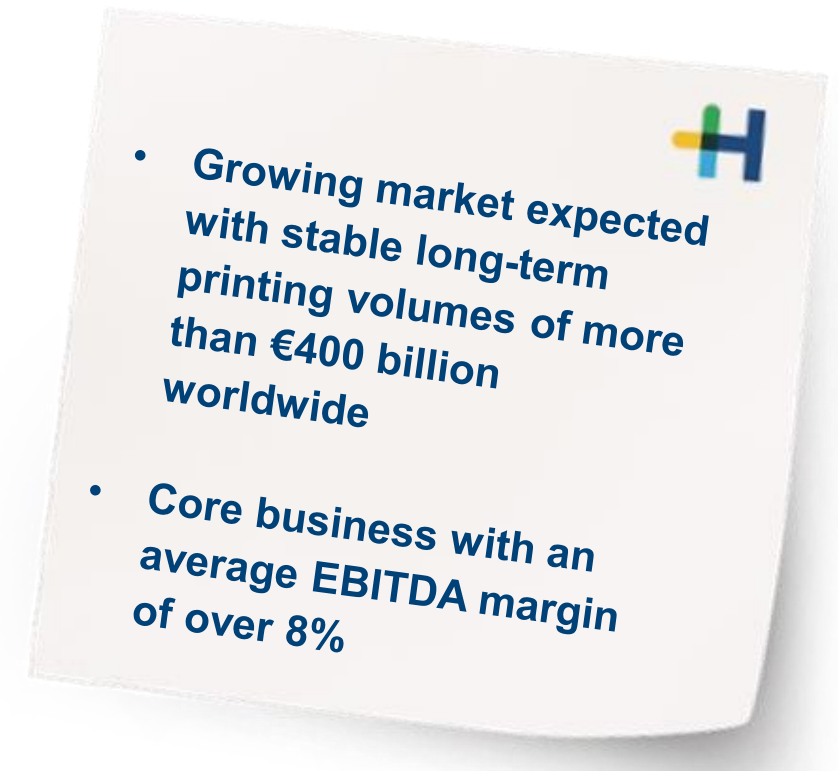
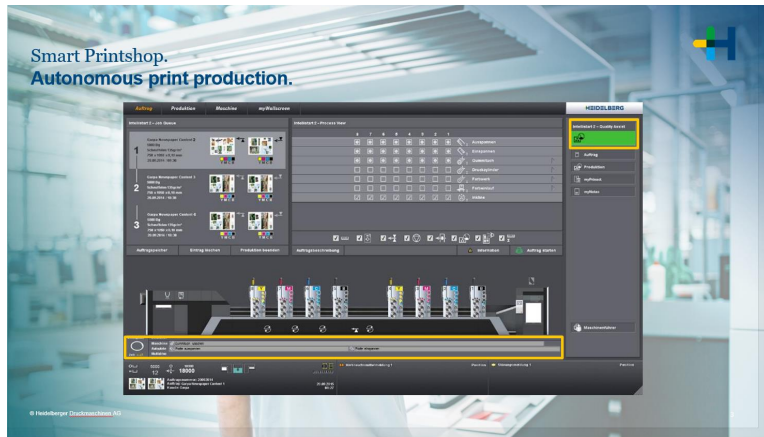
Increased liquidity and safeguarding financial stability.



- **€375 million** from liquidity reserves at Heidelberg Pension-Trust e.V. are available to **increase liquidity and safeguard financial stability.**
- **Net debt to be almost completely eliminated**, avoidance of substantial interest payments compensates missing revenues from pension assets.
- Reduction of assets held in trust to the **extent required beyond the legal safeguarding of pension claims.** Sufficient funds remain in the trust for that purpose.
- The measure consequently **has no negative impact on existing and future** pension entitlements.
- **Consistent implementation** of the idea of a **split coverage of entitlements** that are not covered by the statutory pension plan.

Focus.

Stabilization of our profitable core business.



- Consistent **focus** on the **strong, profitable core business**
- **Strengthening of strong market position** in these areas by reducing debt and adjusting portfolio and headcount
- Increased resilience of the **operational business**



Focus.

Discontinuation of unprofitable business areas.

→ Production of unprofitable products to be discontinued.

Primefire 106

- **Initial losses** due to **slow market development**
- Costly **research and development** efforts continue to be **necessary**
- **Volumes** for the industrial digital packaging market **continue to be low**
- **High cost** for **consumables**

Very-large format printing

- Increasingly **becoming a niche market** with high **price sensitivity**
- **Long-term loss situation** also due to high development costs, negative contribution margin
- **Packaging printing mainly via core product XL106**

Avoidance of some €50m loss a year



Focus.

Sustainable adjustment of production and structural costs.

- Realignment of Heidelberg accompanied by sustained **adjustment of production and structural costs.**
- Following the reduction of the Management Board to two members, further adjustments are planned also in the senior and middle management in all areas. A total of up to **2,000 jobs worldwide** will be affected – implementation will be made in the **most socially responsible** way possible.
- Subject to the negotiations with the employee representatives, **necessary one-off expenses** and impairments in the **financial year 2019/2020** will amount to **around €300 million.**

Sustainable cost reduction of some €50m envisaged

Focus.

Financial effects of realignment.



Ceasing unprofitable products
€50 million



Significant reduction of costs for production and structural costs
€50 million



Improvement in operating profit (EBITDA)
€100 million

Implementation.

Consistent implementation of measures.



Focus on **implementation, commitment** and close **involvement of all parties**



Set-up of a **professional project management office** headed by **Marcus A. Wassenberg** to steer and manage the implementation of the program



Close monitoring of implementation by the Steering Committee – consisting of representatives of the Supervisory Board, employees and the trust; monitoring of the appropriate use of funds transferred back from Heidelberg Pension-Trust e.V.

Outlook.

We are committed to consistent implementation of the strategy.



Significant
**strengthening of
financial stability**
creates conditions
for structural
realignment and
investments in
innovation.

Clear focus on
**profitable core
business** to put
Heidelberg back on
track for success.

**Innovative
solutions and
products**
accelerate
digitalization of the
printing industry
and increase
customers' success.

Outlook. Looking ahead.



Leading technological role with focus on integrated solutions offering and the subscription model enable return to sustainable growth.



Focus of investments on "end-to-end" digitalization of customer value creation: integrated system solutions for machines, software, consumables and performance services.



Cross-industry, IoT-based platform on which all customer-supplier relationships can be processed automatically to significantly improve the productivity of printing companies.

Disclaimer



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