

Heidelberger Druckmaschinen AG



Investors' and Analysts' Annual Conference FY 2016/2017

R. Hundsdörfer, CEO | D. Kaliebe, CFO | Frankfurt | June 8, 2017



Heidelberg goes digital!

My personal objective:



>> **Heidelberg** will once
again become the (high-
growth and profitable)
lighthouse of the
industry! <<

Heidelberg goes digital. Analysis, strategy, targets.



1. What has the new Heidelberg management done so far?

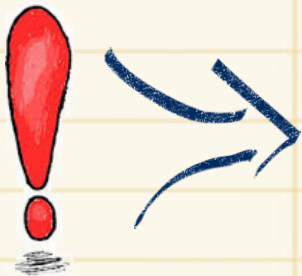
→ What are the **conclusions** from this?

2. Which **consequences** have been drawn?

⌘ We have defined the **success factors** for the future

⌘ Initial **strategic measures** have already been implemented

3. We have defined targets against which we expect to be measured and we stand for credibility and transparency in reaching those targets





1. Strategy

R. Hundsdörfer

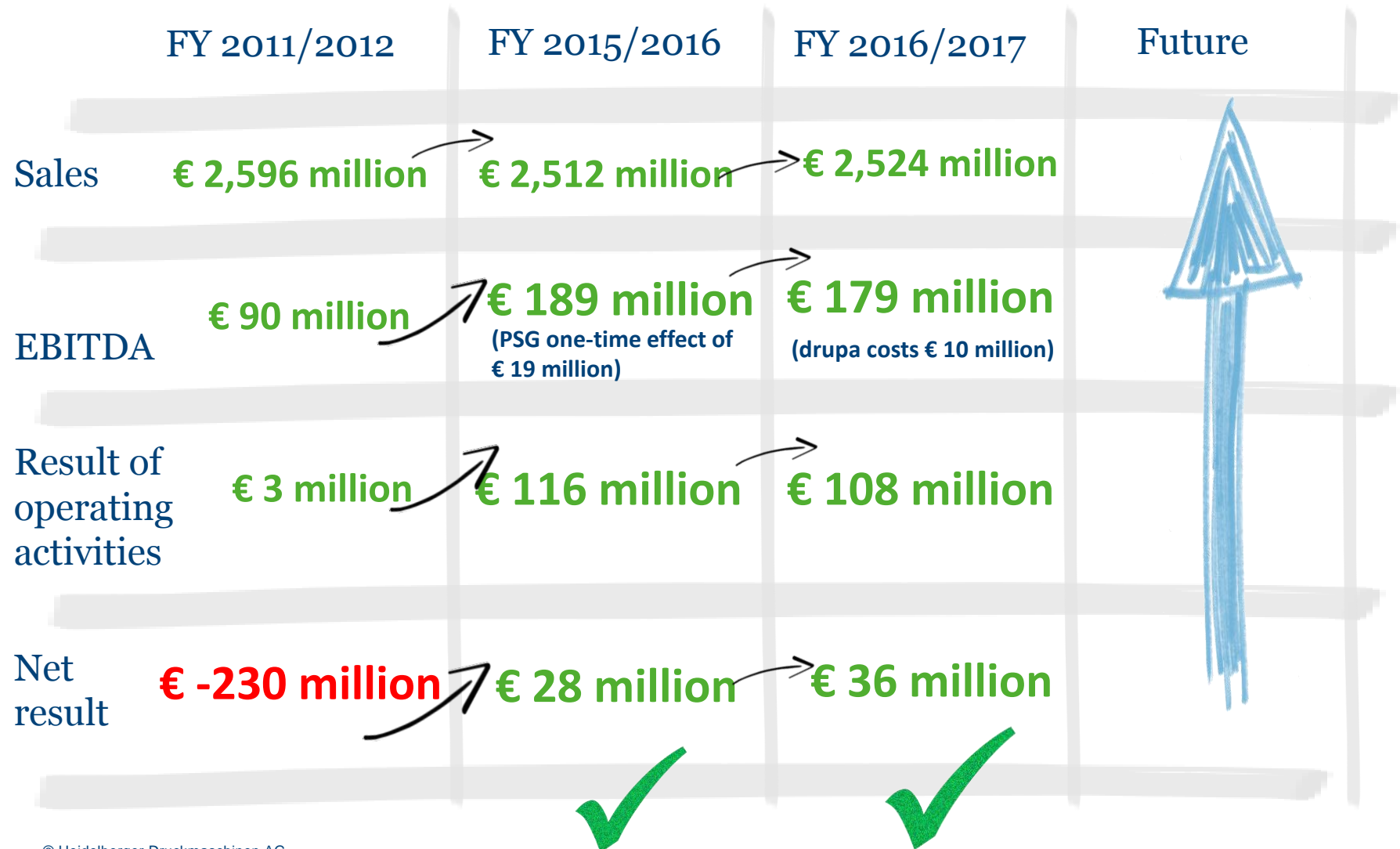
2. Financials / Outlook

Dirk Kaliebe

3. Summary

R. Hundsdörfer

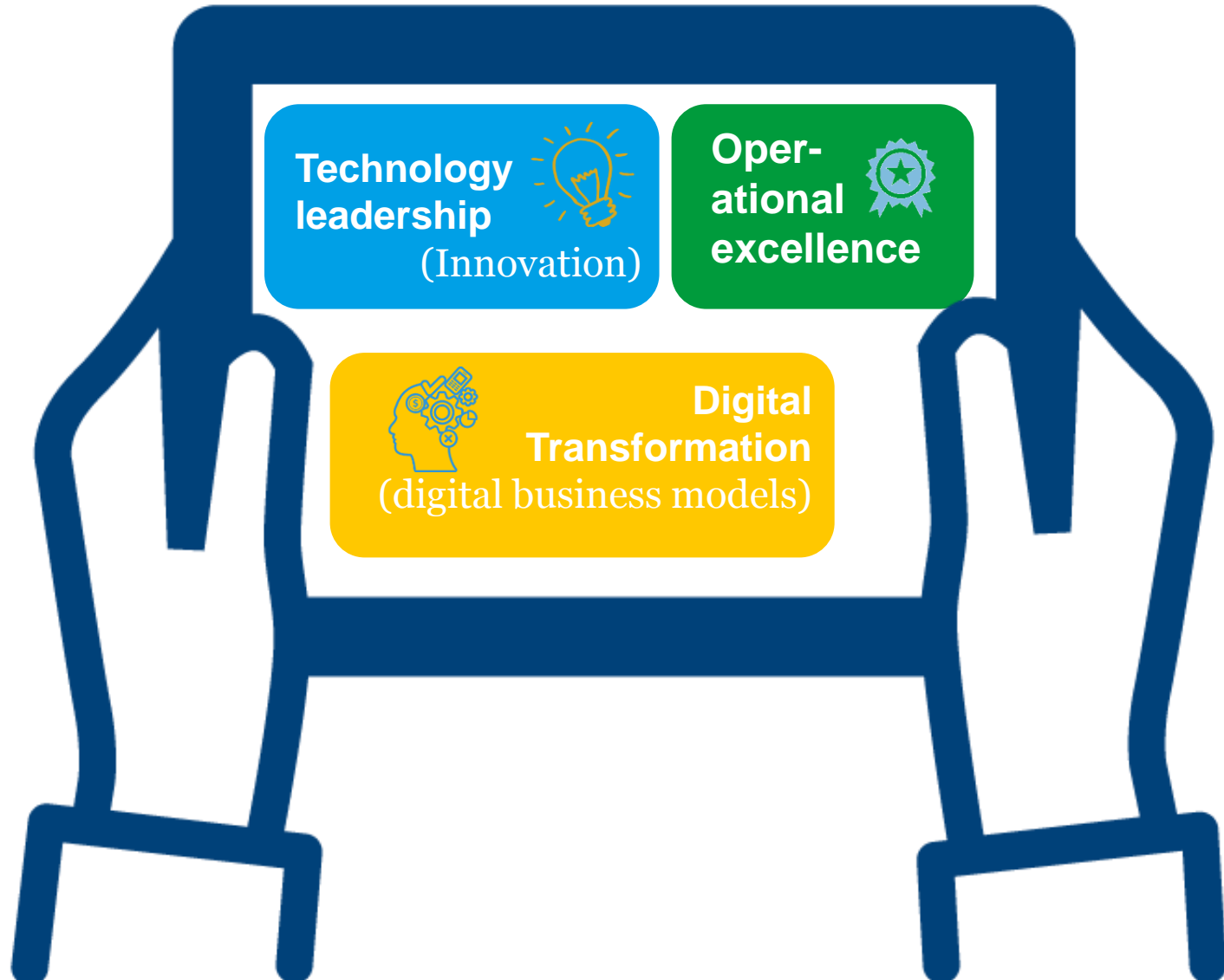
Current situation. Turnaround achieved – tapping growth potentials with higher profitability.



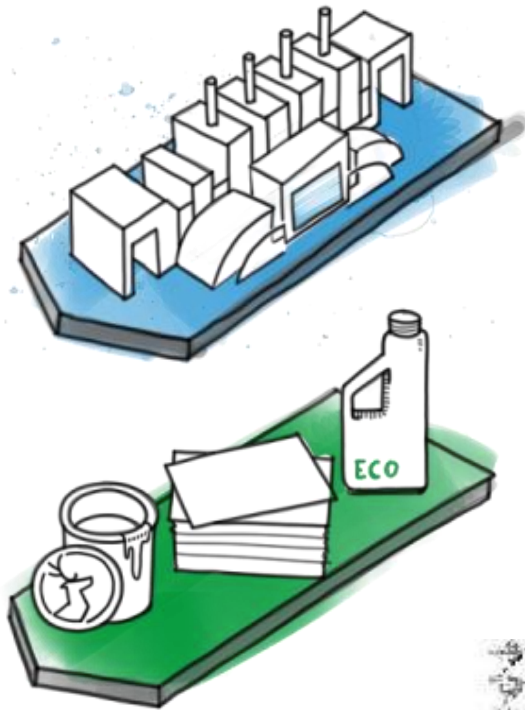
Our culture. Driving force behind industry's digitization.



Our roadmap is clear. Heidelberg will become the lighthouse of the industry again.



Our potentials. Value-based business models for equipment, service and consumables



Sheetfed offset

€2.4 billion*



Market share

>40%

Digital

€2.5 billion*



Market share

<5%

Consumables

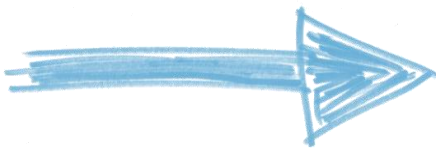
€8 billion*



Market share

~5%

Increase market share using unique positioning in Sheetfed



Our strategy, business models and organization need to be challenged:

Position towards growth segments and grow market share with the right strategy, timing and organization.

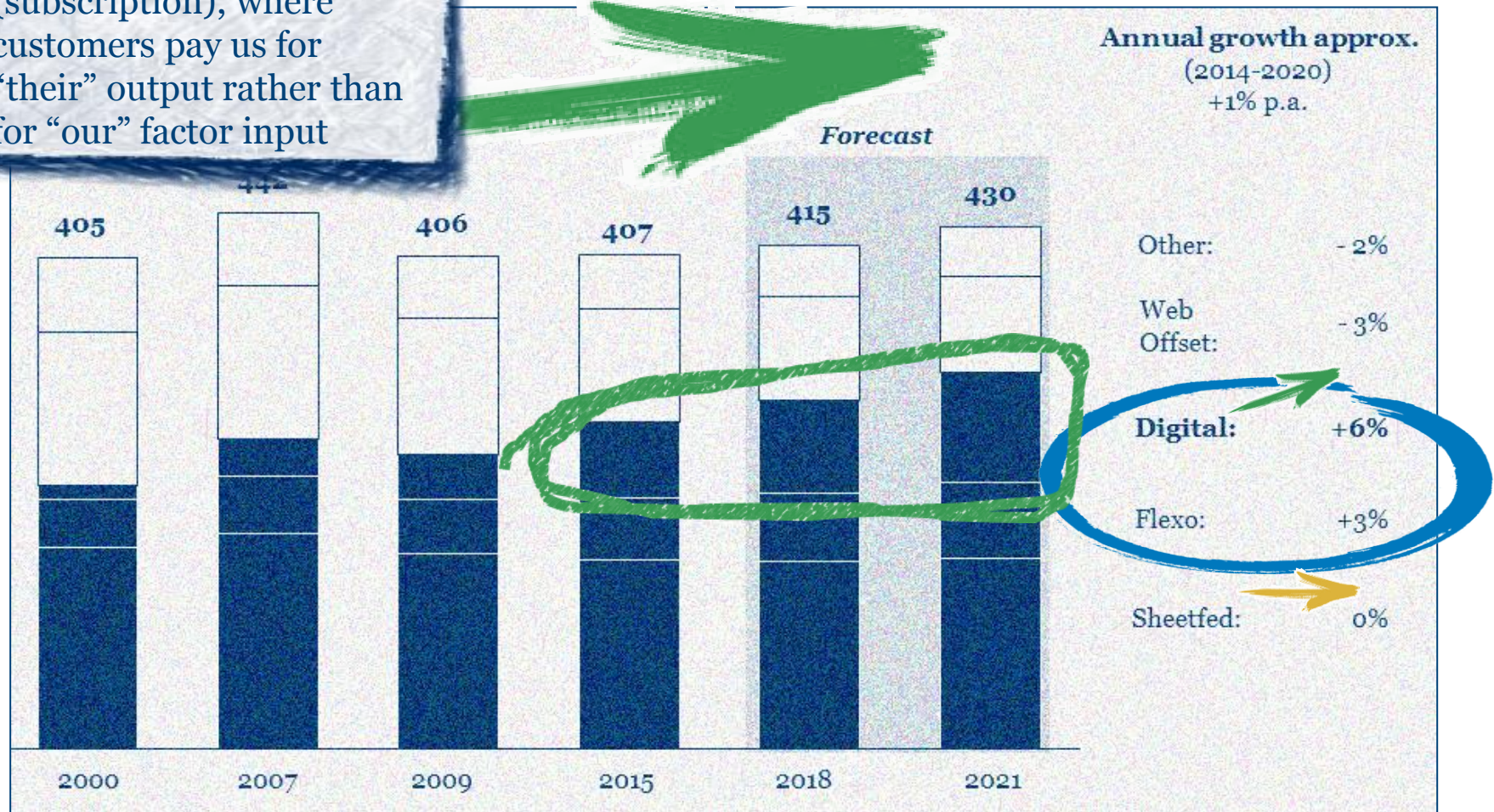


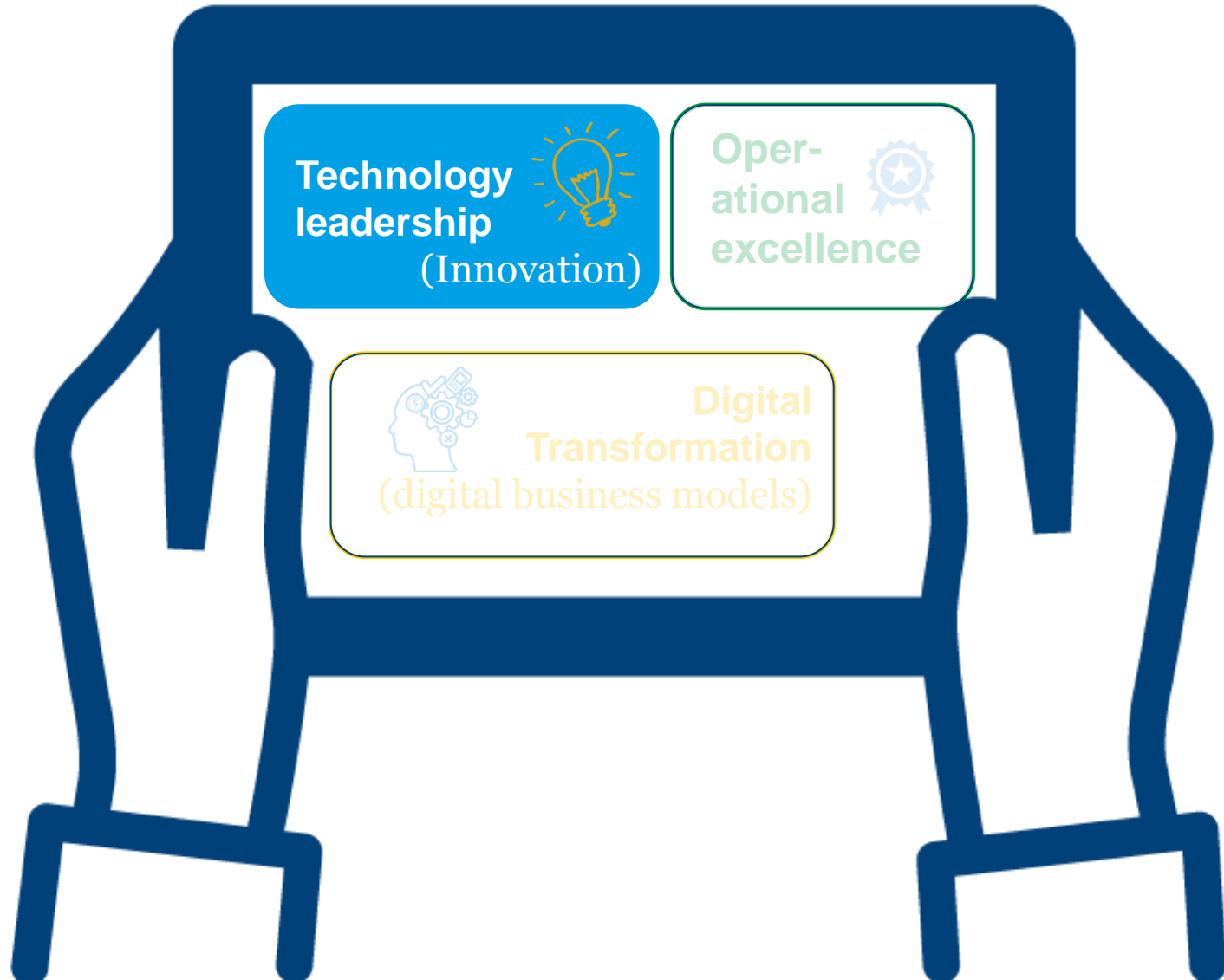
Our new approach. Connecting our business to the growing Print Production Volume



Change to
life cycle contracts
(subscription), where
customers pay us for
“their” output rather than
for “our” factor input

Development Print Production Volume (PPV) per technology [Bill. EUR]





Growth through technology leadership.

Product innovation to improve customer result.



*Unique: B1 format
in digital printing*
→ Important for
packaging printers

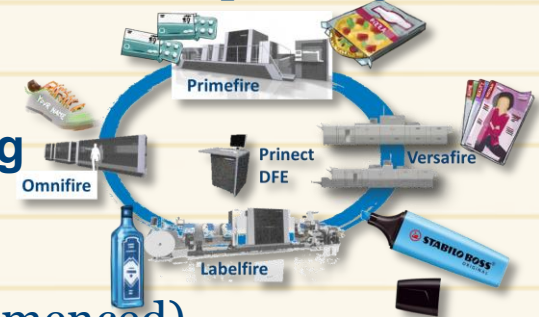
Pioneer in digitization

- Simply smart / Push-to-stop
- Digitization of print shops for highest efficiency and lowest printing costs through autonomous printing



Pioneer in industrial digital printing for packaging

- Labelfire (series production commenced)
- Primefire (we are the first on the market)

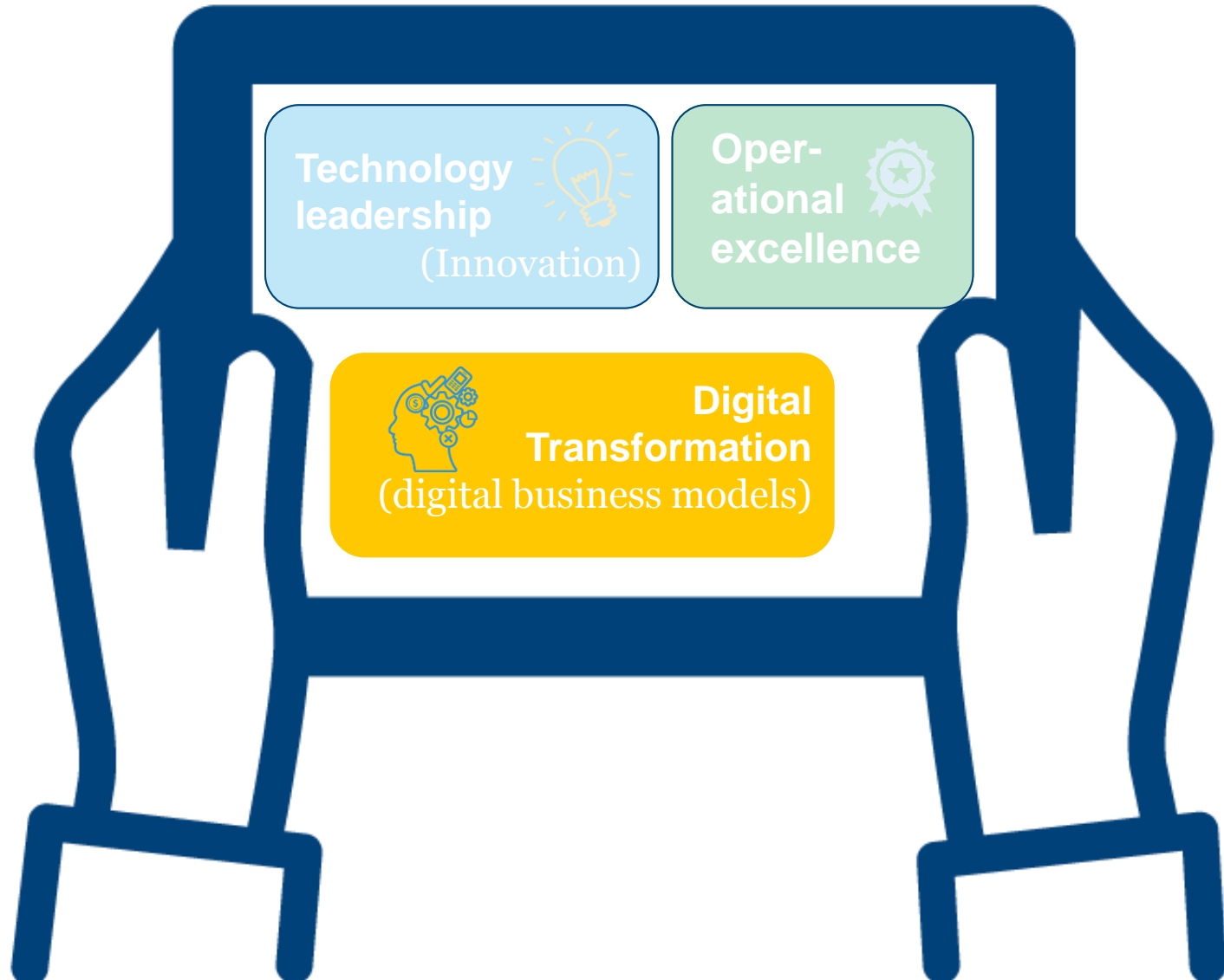


#1

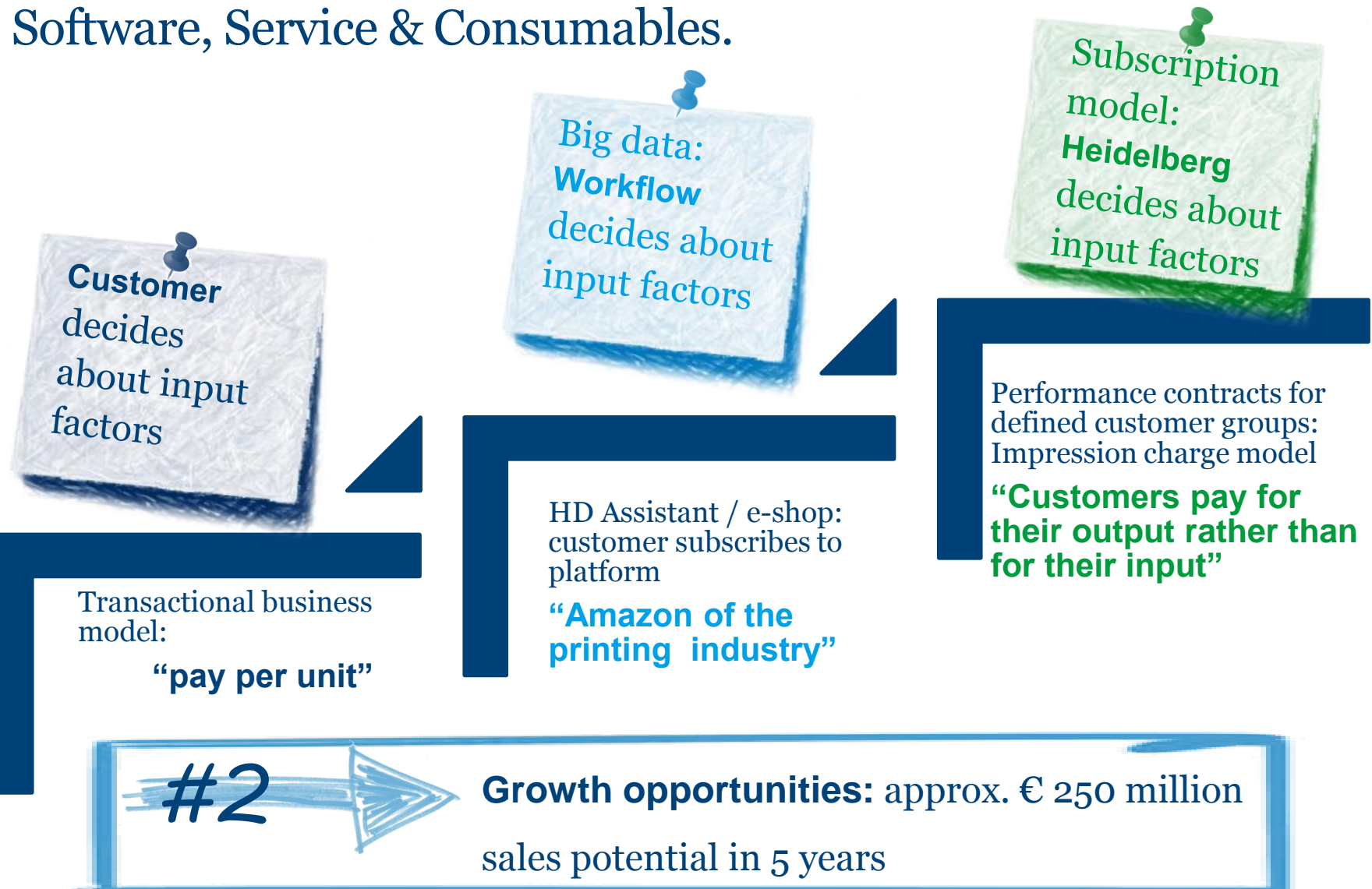


Growth opportunities: approx.
€ 200 million sales potential in 5 years



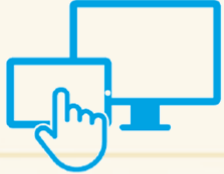


Growth through digital transformation. Business model innovation towards customer value – Equipment, Software, Service & Consumables.



Growth through digital transformation.

Digital platforms.



IT-Solutions

- 🔑 Digital Platforms offers IT solutions for designing, producing, and servicing industrial customers' innovative high-tech products



Industry Cloud

- 🔑 Focus on customer segments such as automotive, mechanical engineering, medical technology, and high-tech industrial



Smart Factory



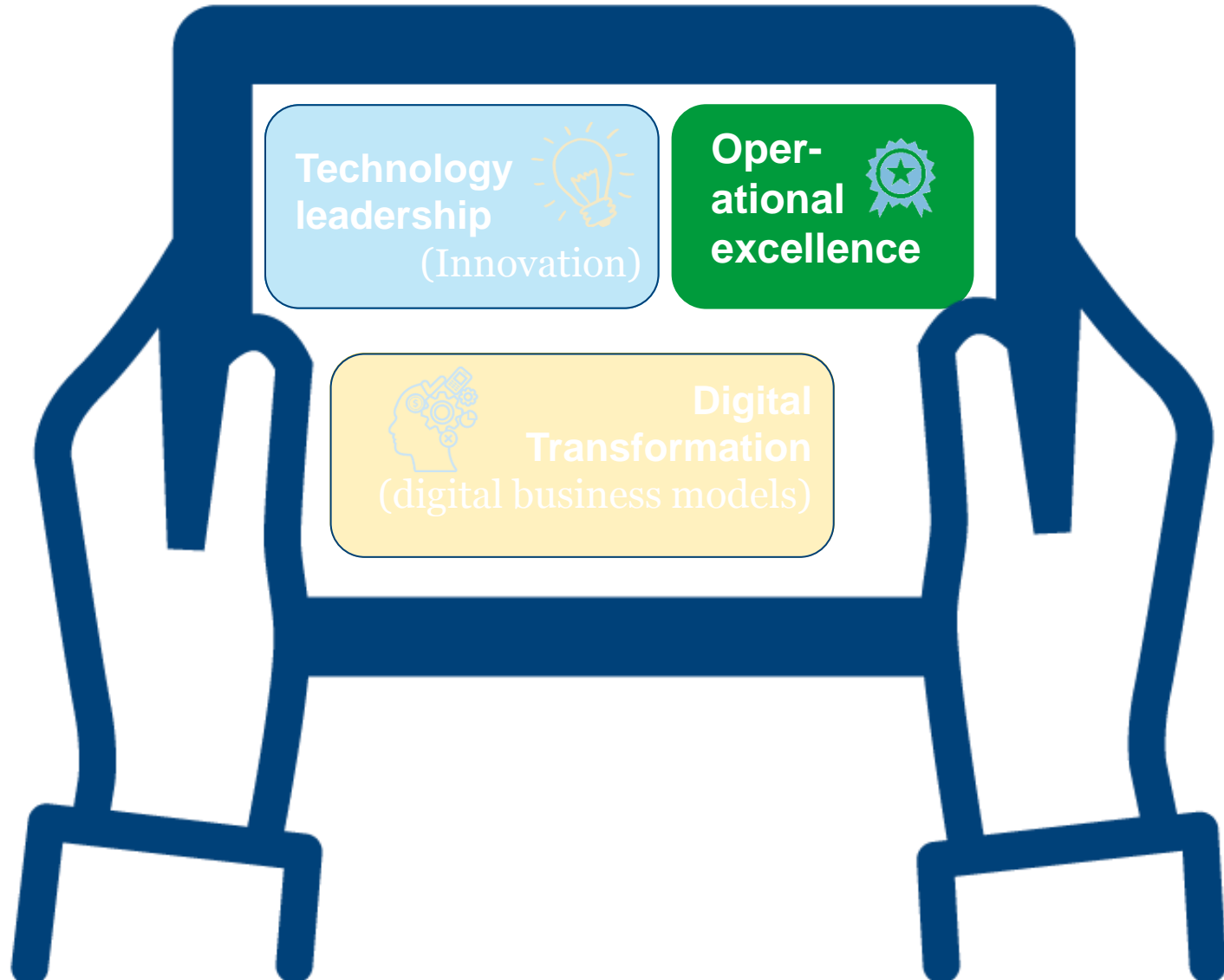
3D Printer
by „bigrep“



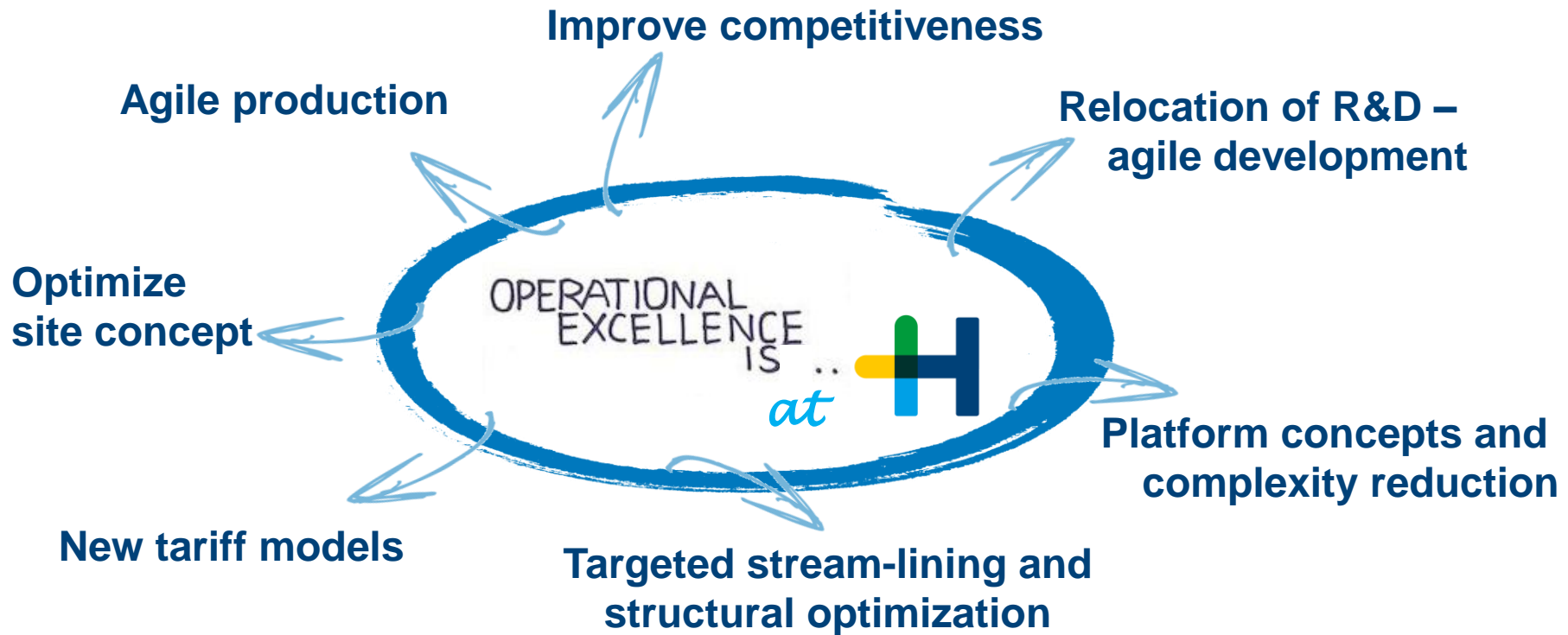
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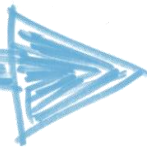
Growth opportunities: approx. € 50 million
sales potential in 5 years



Increased profitability by operational excellence



#4



Reduction of process-related and structural costs by approx. € 50 million in 5 years

Our objectives. Short-, mid- and long-term.



Long-term

- Define, develop, strengthen integrated digital business models – **Become a digital company!**



Mid-term

- **Bring to market** new (digital) technologies & business concepts
- **Become turn-key provider & sell also offset performance** (machinery – consumables – service)
- **Foster subscription model** in order to create additional profitable business



Short-term

- Ramp-up digital product portfolio
- Define activities and implement measures to **achieve objectives**

Objectives for 2022. Profitable growth.



Sales

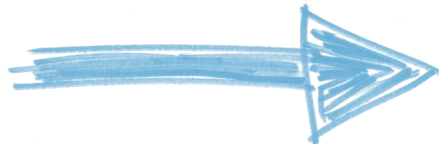
Additional sales
volume of approx. €
500 million in 5 years

- Digital print portfolio (€ +200 million)
- Digital business model (equipment– consumables – service: € +250 million)
- Digital platforms (€ +50 million)

Profitability

EBITDA improvement
of approx. € 100
million in 5 years

- Digital business model / Volume growth (€ +50 million)
- Cost efficiency (operational excellence: € +50 million)



Group targets by 2022:

- Sales volume of up to € 3 billion
- EBITDA between € 250 and 300 million
- Net profit > € 100 million



1. Strategy

R. Hundsdörfer

2. Financials / Outlook **Dirk Kaliebe**

3. Summary

R. Hundsdörfer

Targets met. Successful strategic reorientation.



Guidance FY 16/17

Result FY 16/17

Sales



- Growth up to 4%

- + 0.5%



Improvement of profitability



- EBITDA-Margin on previous year's level (FY16: 7.5%)
- Net profit: moderate growth (FY16: € 28m)

- EBITDA-Margin ~ 7.1%

- Net profit € 36m



Improvement of financing structure



- Leverage < 2
- Reduction of interest costs

- Leverage at 1.4
- Solid financing structure with rolling maturities beyond CY 2022
- Financial result improved from -65m € to -56m €



Key Figures FY 2016/17



- **Order intake** increase by 4%
- **Sales** only slightly up yoy
- **EBITDA** increased on like-for-like basis (previous year's figure included € 19m PSG badwill); **EBITDA margin** at 7.1%
- EBIT before special items
- Special items
- Financial result
- Net result before taxes
- Sustainable profitability: **Net result** improved by €8m to €36m
- **Free Cashflow** clearly positive and considerably improved (incl. net cash investment of approx. € 30m)
- **Net debt** reduced to € 252m
- **Leverage** with 1.4 still below target level of <2x

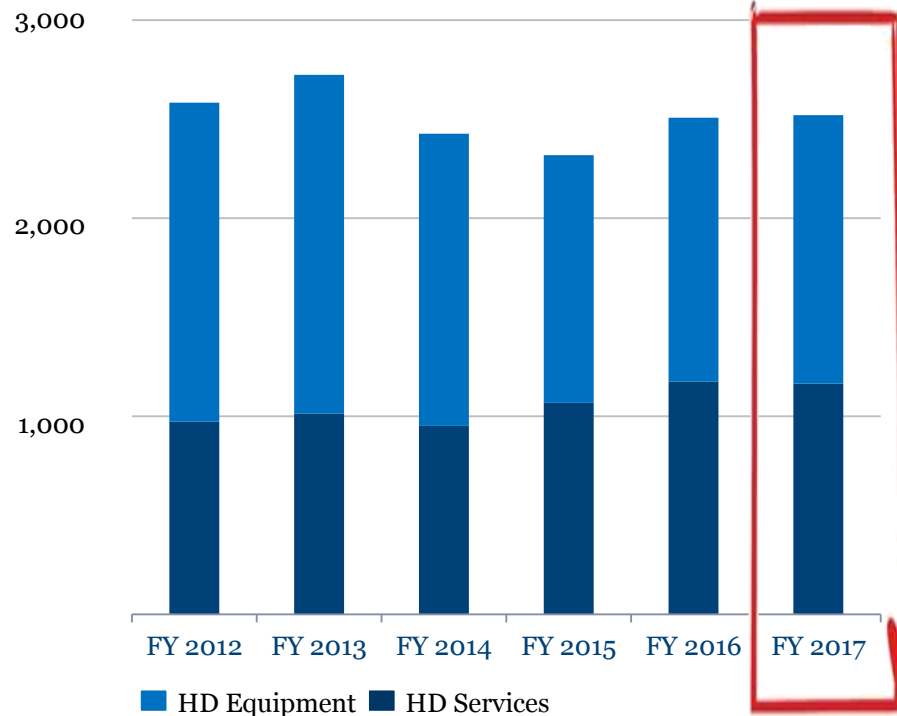
	FY 2016	FY 2017	Δ pY
Order intake	2,492	2,593	+4.0%
Sales	2,512	2,524	+0.5%
EBITDA	189	179	-10
EBIT before special items	116	108	-8
Special items	-21	-18	3
Financial result	-65	-56	9
Net result before taxes	31	34	3
Sustainable profitability: Net result	28	36	8
Free Cashflow	-32	24	56
Net debt	281	252	-29
Leverage	1.5	1.4	

Stable sales volume. Increase in EMEA and North America compensate weaknesses in China and Brazil.

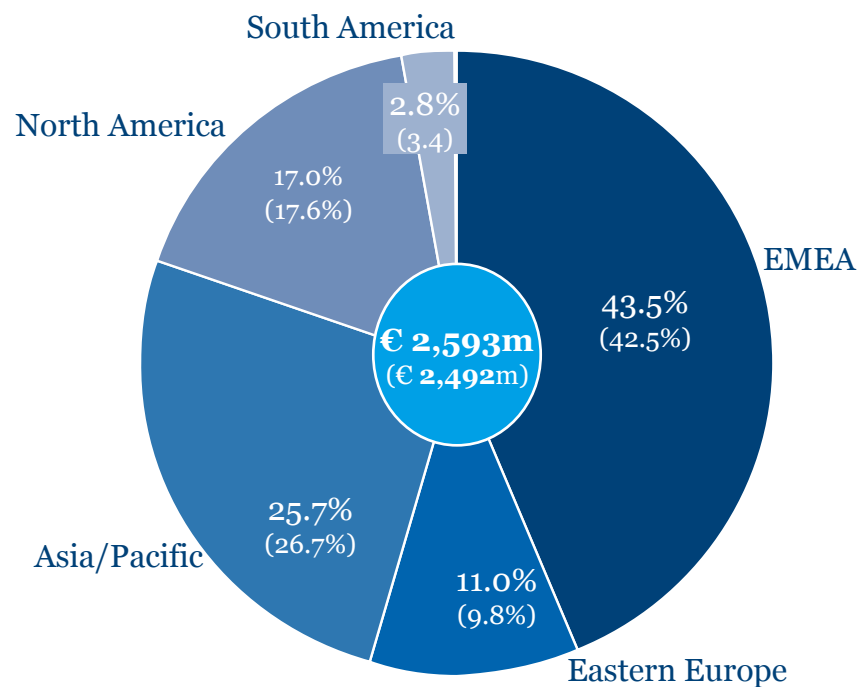


Sales

in € million



Order intake FY 2017 (FY 2016)



Target profitability in HDS and HDE achieved.

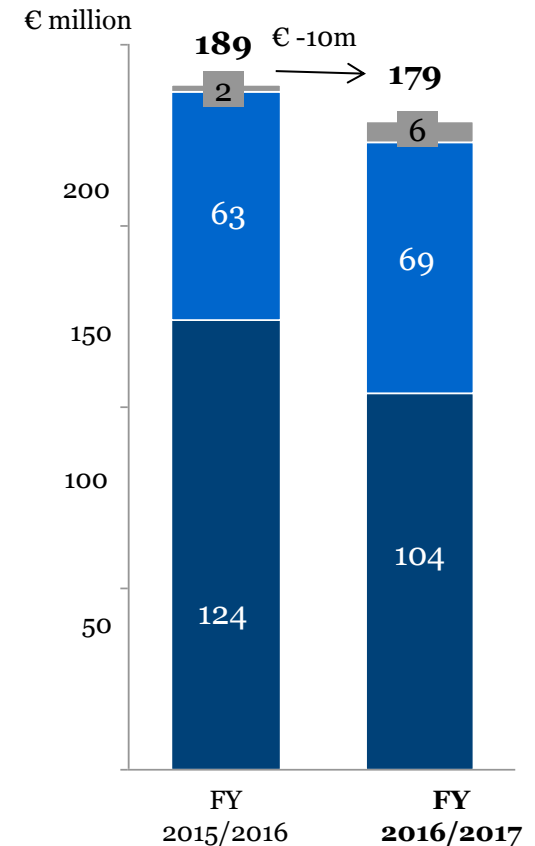
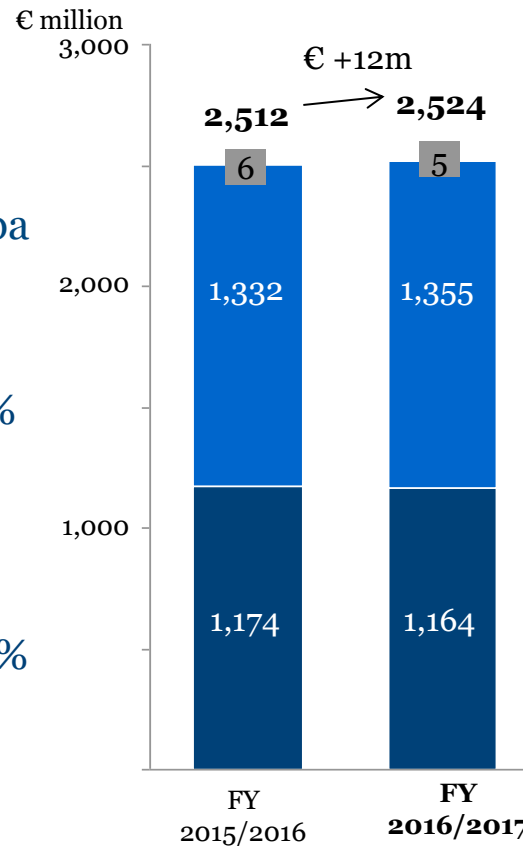


Sales by segment

EBITDA by segment

Comment

- Stable sales volume on group level – slight volume increase in HDE thanks in part to drupa
- HD Equipment** achieved EBITDA margin of approx. 5% (target: 4-6%)
- HD Services** achieved a EBITDA margin of approx. 9% (target: 9-11%)



■ HD Equipment ■ HD Services ■ HD Financial Services

Solid balance sheet. Equity ratio improved from 13% to 15%



> Assets	FY 2016	FY 2017	> Equity and liabilities	FY 2016	FY 2017
	31-03-2016	31-03-2017		31-03-2016	31-03-2017
Figures in mEUR			Figures in mEUR		
Fixed assets	724	741	Equity	287	340
Current assets	1.372	1.365	Provisions	930	898
thereof inventories	607	581	thereof provisions for pensions	534	488
thereof trade receivables	361	375	Other Liabilities	916	905
thereof receivables from customer financing	65	58	thereof trade payables	179	190
thereof liquid assets (incl. marketable sec. afs)	215	218	thereof financial liabilities	496	470
Def tax assets, prepaid expenses, other	107	113	Def. tax liabilities, deferred income	69	75
thereof deferred tax assets	85	99	thereof deferred tax liabilities	3	5
thereof deferred income	16	14	thereof deferred income	66	70
Total assets	2.202	2.219	Total equity and liabilities	2.202	2.219



- (1) **Net working capital (NWC)** with € 667m below previous year's level.
- (2) Comfortable **cash position** for M&A and investments
- (3) **Def tax assets** incl. approx. 70m€ in US. Currently discussed tax reform in the US poses potential risk for one-time write-downs but also higher earnings potential for future business. In total, tax loss carryforwards for which no deferred tax assets were recognized amount to € 1.3 bn.
- (4) **Equity** at € 340m (equity ratio c. 15%) by FYE 2017.
- (5) **Net debt** at € 252m. Leverage (Net Debt to EBITDA) continues to be below 2.0x.

Optimized financial framework. Diversification of instruments and maturities.



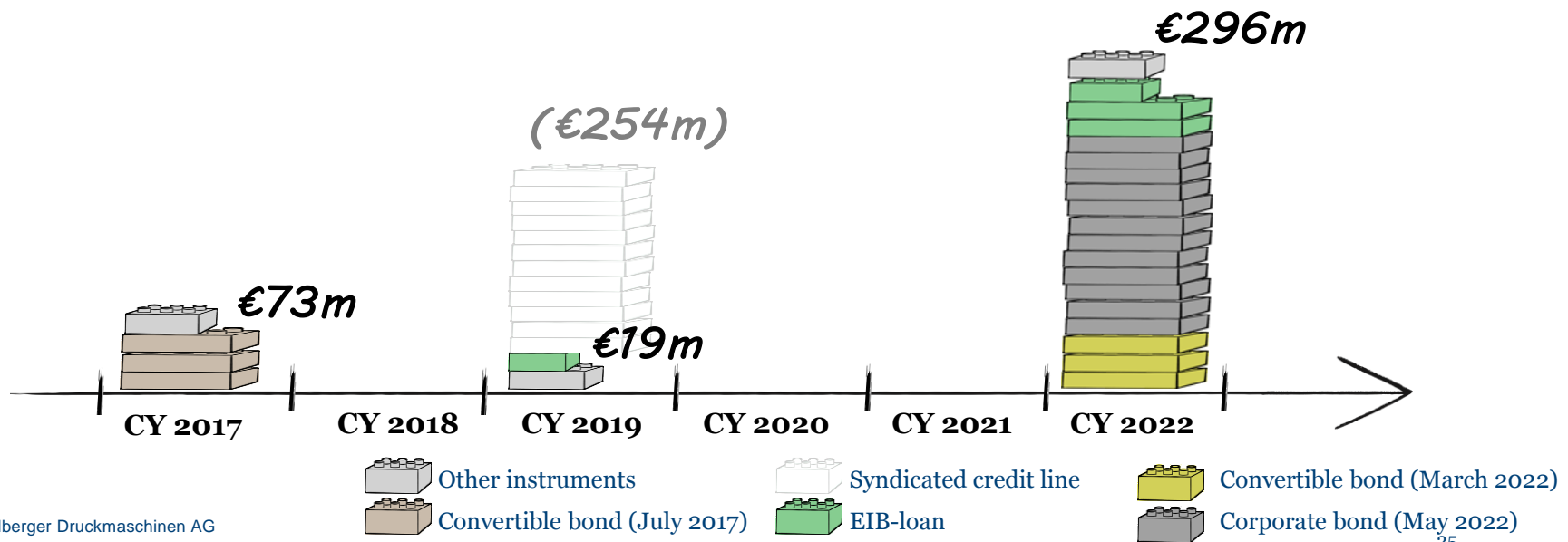
Task #1:

Reduction of framework
from € 1.4 billion to
€ 700 million



Task #2:

Diversification of
maturities and
financing instruments

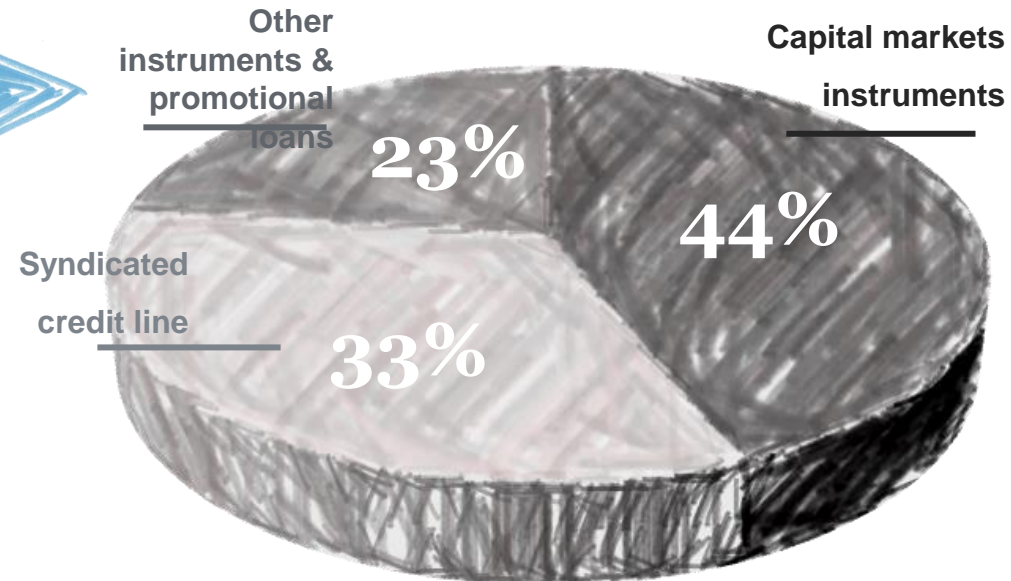
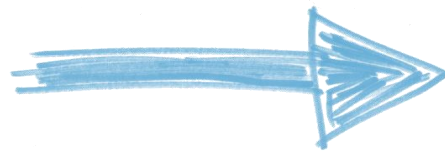
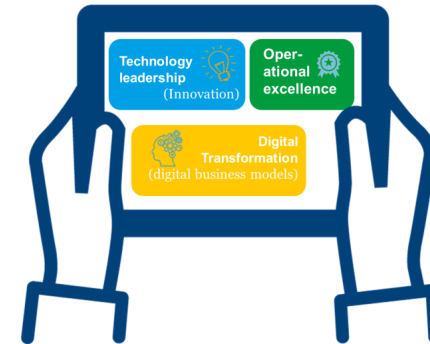


New financial framework. Solid foundation for targeted investments, growth and further optimization of the capital structure



Task #3 (ongoing):

Reduction of cash interest payments for debt



Net cash interest

FY16: €54 Mio

FY17: €34 Mio

FY22^e: €~20 Mio

Targeted investments. Supporting strategy and improving operational profitability

Mergers & Acquisitions:

Leverage <2 allows targeted external growth in strategically important areas as Consumables (know-how) and Digital & Software (Digital platforms)



Where
do we
invest our
money?

Structural optimization:

Improvement of operational performance by e.g. reduction of process and structural costs incl. Real Estate



Chemicals
& coatings



Docufy



R&D
building



World
Logistics
Center



Turnover c. € 30 million

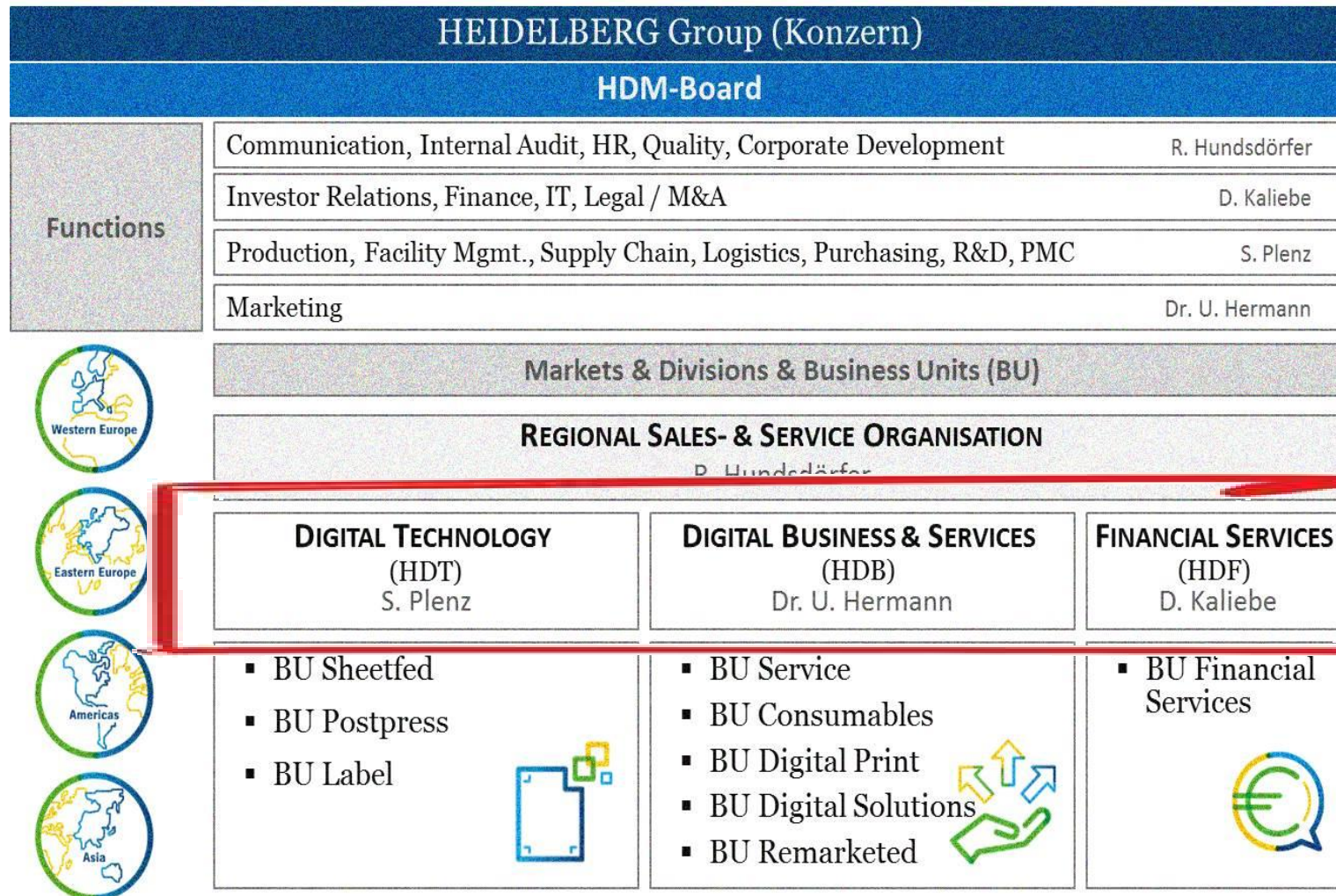


Achieve operational excellence!

Efficiency. Infrastructure projects at Wiesloch-Walldorf site.



New Matrix Organization. Heidelberg goes digital.



Re-segmentation. New segments HDT & HDB



Net sales

Figures in mEUR

RESTATED
FY **2017** FY **2017**
until starting
31-03-2017 01-04-2017

until 31-03-2017

starting 01-04-2017

Heidelberg Equipment (HDE)

Heidelberg Digital Technology (HDT)

2.524

2.524

1.355

1.367

BA Sheetfed

BU Sheetfed

BA Digital Print Solutions

BU Postpress

BA Gallus

BU Label

Heidelberg Services (HDS)

Heidelberg Digital Business & Services (HDB)

1.164

1.152

BA Consumables

BU Consumables

BA Service

BU Service

BU Digital Print

BU Digital Solutions

BA Remarketed Equipment

BU Remarketed Equipment

BA Postpress

Heidelberg Financial Services (HDF)

Heidelberg Financial Services (HDF)

5

5

...will place priority on development, production and supply of digital technologies and products.

will place priority on devise and market new business models.

Targets set. Outlook.



Outlook

	FY 2016/17	FY 2017/18	5-years target
Sales	€ 2,524m	on previous year's level +€ 500m	up to € 3 billion
EBITDA-Margin	7.1 % HDT ~ 5% HDB ~ 9%	7 – 7.5% HDT 5-7% HDB 8-10% +€ 100m	Up to 10% HDT 6-9% HDB 8-11%
Net result	€ 36m	moderate increase	Σ > € 100m
Leverage	1.4	below 2	below 2

Sales

€ 2,524m

on previous year's level

up to € 3 billion

+€ 500m

EBITDA-Margin

7.1 %

7 – 7.5%

Up to 10%

+€ 100m

HDT ~ 5%

HDT 5-7%

HDT 6-9%

HDB ~ 9%

HDB 8-10%

HDB 8-11%

Net result

€ 36m

moderate increase

Σ > € 100m

Leverage

1.4

below 2

below 2



1. Strategy

R. Hundsdörfer

2. Financials / Outlook

Dirk Kaliebe

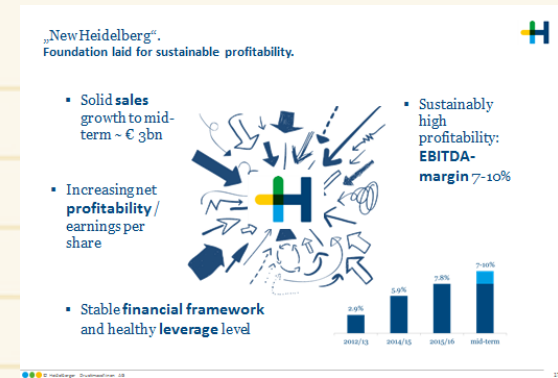
3. Summary

R. Hundsdörfer

Turnaround implemented. Target profitable growth.

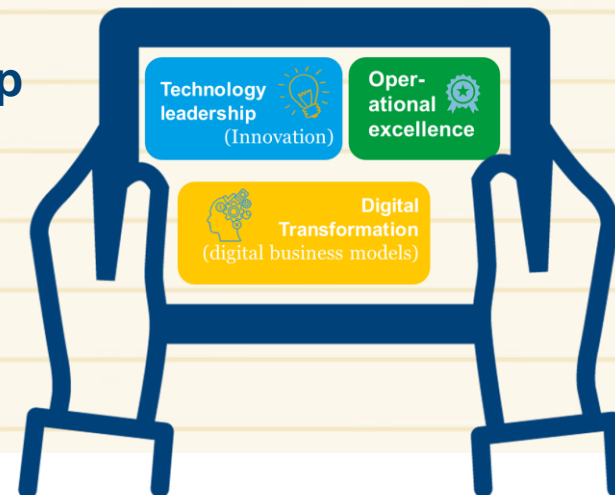


1. In 2016/17, Heidelberg has realized its promised goal of generating sustained profitability



2. Growth, which is currently still missing, as well as the next level of profitability will be achieved through rigorous focus on

- Technological Leadership
- Digital Transformation
- Operational Excellence



Our roadmap is clear. Heidelberg will become the lighthouse of the industry again.



1. In the financial year 2017/18, we will make the necessary fundamental decisions and initiate actions accordingly, **first important steps** have already been implemented.
2. **From 2018/19**, this will already be reflected in our **key operating figures**.
3. Until **FY 2021/22** we want to **improve the operating result by approx. € 100 million**.

>>Thus **Heidelberg** will once again become the (high-growth and profitable) **lighthouse** of our industry!<<



Thank you for
your attention!

Heidelberg goes digital!





Important notice

This release contains forward-looking statements based on assumptions and estimations by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the Management Board is of the opinion that those assumptions and estimations are realistic, the actual future development and results may deviate substantially from these forward-looking statements due to various factors, such as changes in the macro-economic situation, in the exchange rates, in the interest rates and in the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft gives no warranty and does not assume liability for any damages in case the future development and the projected results do not correspond with the forward-looking statements contained in this presentation.