



Data drive future growth

ANALYSTS' AND INVESTORS' CONFERENCE

Rainer Hundsdörfer (CEO) | Dirk Kaliebe (CFO), Frankfurt | June 12, 2018



1. Strategy

2. Financial figures Outlook

3. Summary





Operational targets 17/18
achieved



Mid term targets 2022
confirmed



500 m € additional turnover
(recurring business)

Transformation at all levels:

- **technology**
- **organization**
- **culture**

Data as fuel for growth



11,000

Heidelberg machines
connected

25,000

Software modules
are generating ...

10.2 bn

data sets per
machine

400

Push-to-Stop
systems sold



The Heidelberg Cloud:

Unique data treasure as basis for new
business models

Technology leadership in digital printing expanded



→ **200 m €**
sales potential

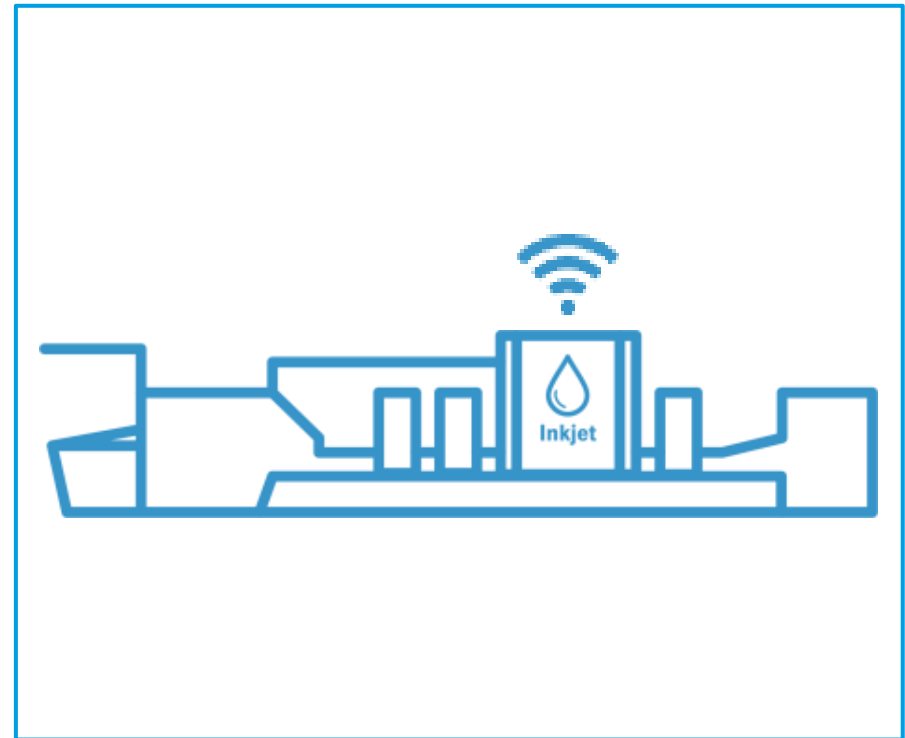
Growth target of 200 m € in sales in industrial digital packaging printing confirmed

Primefire

- serial production has started
- First machines already installed
- Approx. 2/3 of needed installed base booked by customers
- One delivery per month

Labelfire

- Serial production running
- 15 units already installed



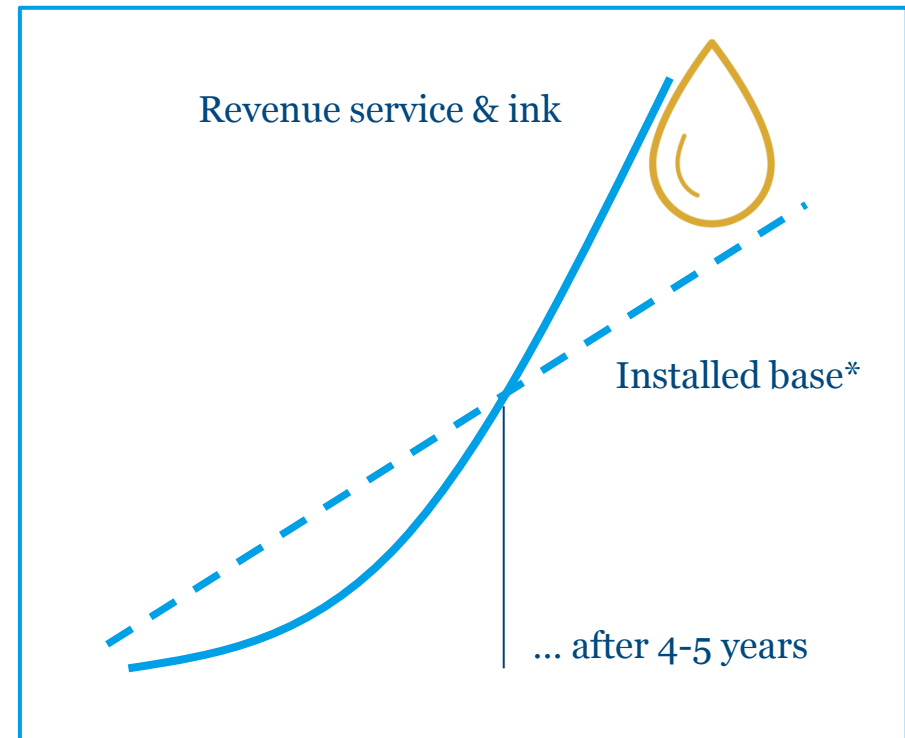
Technology leadership leads in medium term to rising profitability



→ 200 m €
sales potential

The ink is the gold of digital printing

- Approx. 10 % of target revenue will be generated in FY 19.
- After 4 to 5 years the installed base will generate more revenue with ink than with new equipment.
- Start of serial ramp up marks transition from investment to earnings phase.
- Important contribution to group's target of ~10 % EBITDA margin!



*revenue graph digital printing: schematic illustration

Digital transformation: Heidelberg revolutionizes the industry



250 m €
sales potential

Pay-per-use model is successful!

- 17 subscription contracts already signed
- 600 potential customers identified
- targets:
 - 30 contracts until end of FY 18/19
 - Sales potential ~150 m € over 5 years



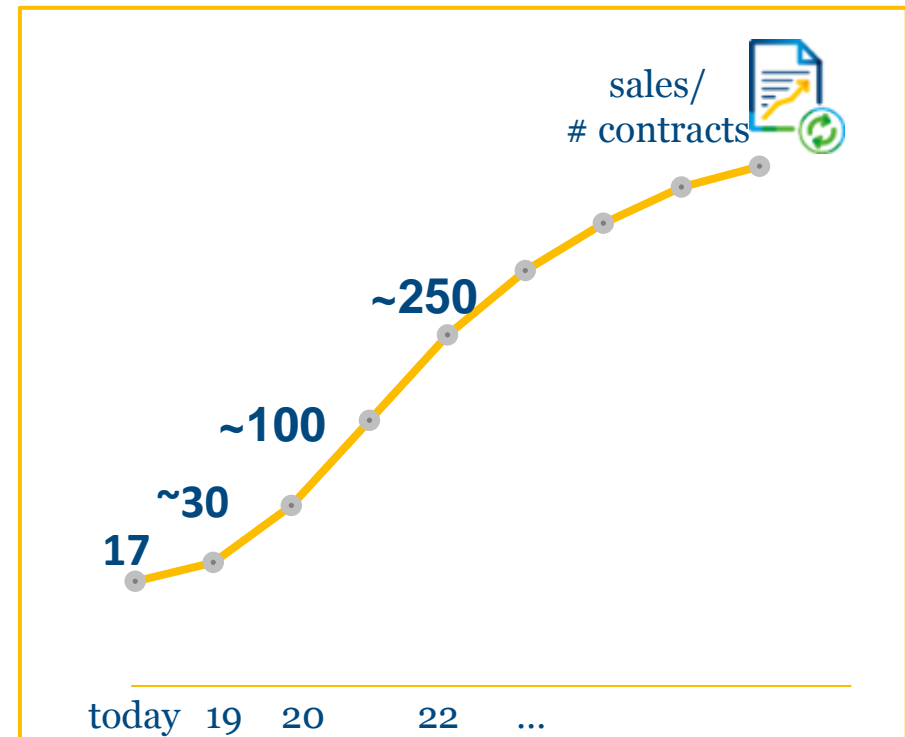
Digital transformation has high earnings potential



250 m €
sales potential

Subscription involves above-average profitability

- Strong sales lever through higher sales of consumables
- Market share of consumables and purchasing power will be expanded
- Average recurring revenue per contract of approx. 1 m € p.a.
- Additional turnover of up to 70% through consumables and services in contrast to „sole“ machine sale



Annualized revenue curve subscription (schematic illustration): Contract comprises entire system of machine, software, consumables and services. .

Digital transformation also leads to growth outside the printing industry



→ **50 m €**
sales potential

50 m € sales through utilization of already existing technologies:

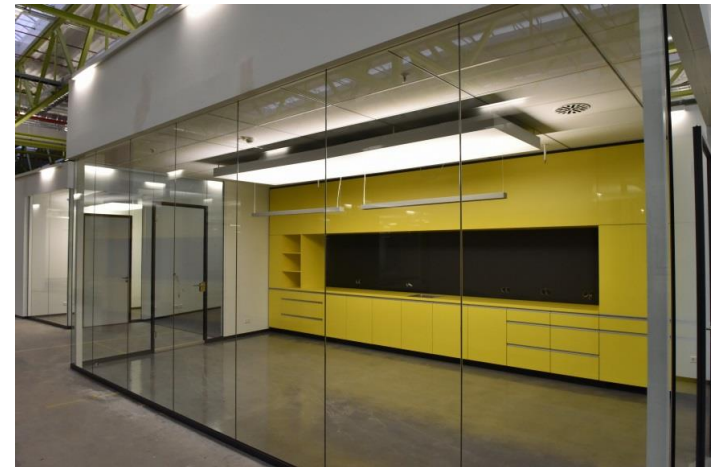
- Offering of new digital platforms
- Integration of innovative DOCUFY software products
- Entry into the megatrend e-mobility



Cultural change continues: R&D moves into the factory



- **communicative**
- **innovative**
- **agile**



Cultural change: we create room for creativity and entrepreneurship



**flexible
offices**

**networking
& communication**

**regional connection &
attractive environment**

Cultural change: external Internet expertise completes our product know-how



possibilities

**Competence center
for digital marketing & e-commerce**
Triplification of sales planned



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Targets achieved. Third year with positive net result after taxes.

	FY 16/17	FY 17/18	Δ pY
Order intake	2,593	2,588	
Sales	2,524	2,420	-4%
EBITDA			
w/o restructuring result	179	172	-7
EBIT w/o restructuring result	108	103	-5
Restructuring result	-18	-16	
Financial result	-56	-48	-8
Earnings before taxes	34	39	+5
Earnings after taxes	36	14	
Free Cash flow	24	-8	-32
Leverage	1.4	1.4	

- **Order intake** despite negative FX effects on high level of previous year; order backlog with 604 m€ substantially above PY (497 m€)
- **Sales** FX adjusted nearly on PY (72 m€ neg. FX) and targeted reduction of used machine business (34 m€)
- **EBITDA Margin** w/o restructuring result at 7.1% on PY level
- One-time burden of US tax reform affects **Earnings after taxes**
- **Leverage** with 1.4 still significantly below target of 2

Balance sheet: Stable capital structure and efficient use of capital



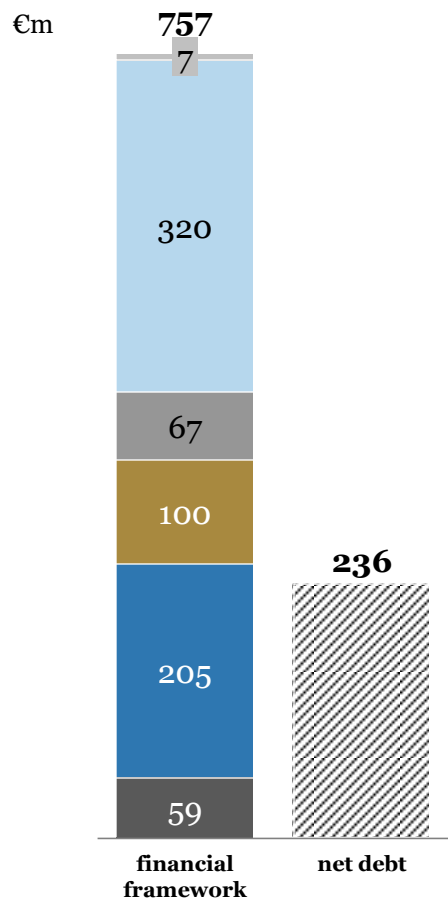
> Assets	FY 2017	FY 2018	> Equity and liabilities	FY 2017	FY 2018
Figures in mEUR	31-03-2017	31-03-2018	Figures in mEUR	31-03-2017	31-03-2018
Fixed assets	741	810	Equity	340	341
Current assets	1.365	1.367	Provisions	898	878
thereof inventories	581	622	thereof provisions for pensions	488	523
thereof trade receivables	375	370	Other Liabilities	905	968
thereof receivables from customer financing	58	66	thereof trade payables	190	237
thereof liquid assets	218	202	thereof financial liabilities	470	438
Def tax assets, prepaid expenses, other	113	78	Def. tax liabilities, deferred income	75	69
thereof deferred tax assets	99	66	thereof deferred tax liabilities	5	6
thereof deferred income	14	12	thereof deferred income	70	63
Total assets	2.219	2.256	Total equity and liabilities	2.219	2.256
			Equity ratio	15%	15%
			Net debt	252	236

- Net working capital (NWC) on yearly average reduced to below 30% of sales.
- Comfortable **cash position**.
- **Loss carryforwards** for which no deferred tax assets have been recognized of approx. € 1.3 bn
- **Domestic pension discount rate** of 2.1% applied (PY 2.4%)

From restructuring to growth financing

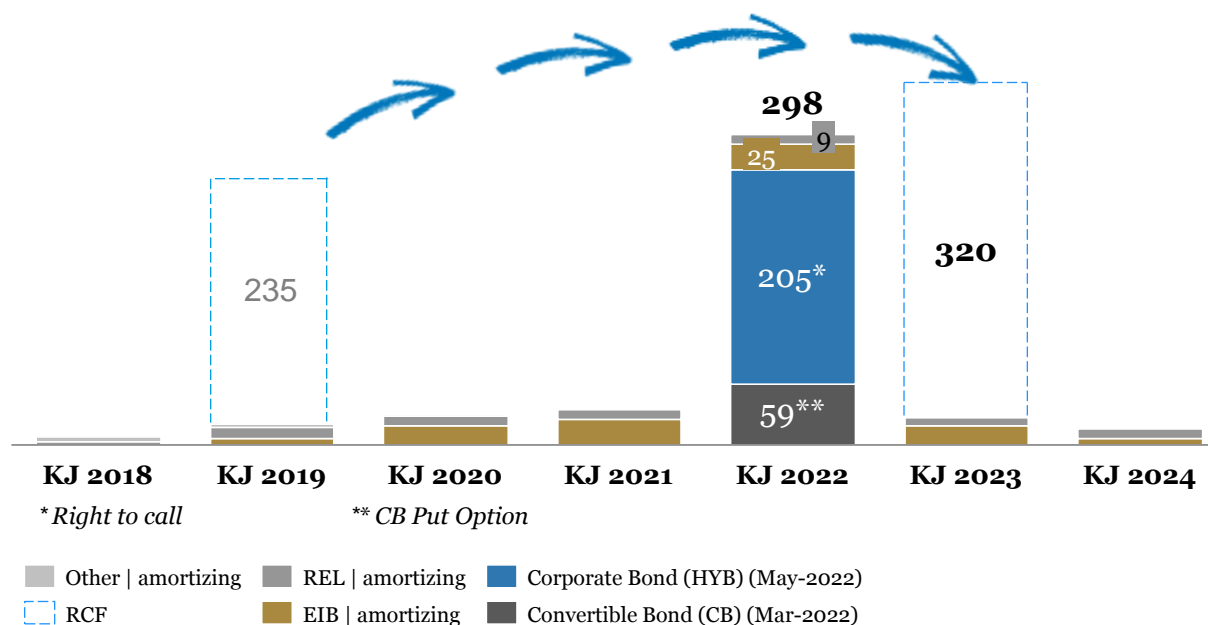


Financial instruments



Maturity profile per calendar year

- Financing of future growth secured in the long term
- Scope for premature redemption of part of the existing 8% High Yield Bond
- Interest costs are to be reduced to approx. € 20 million and thus almost halved

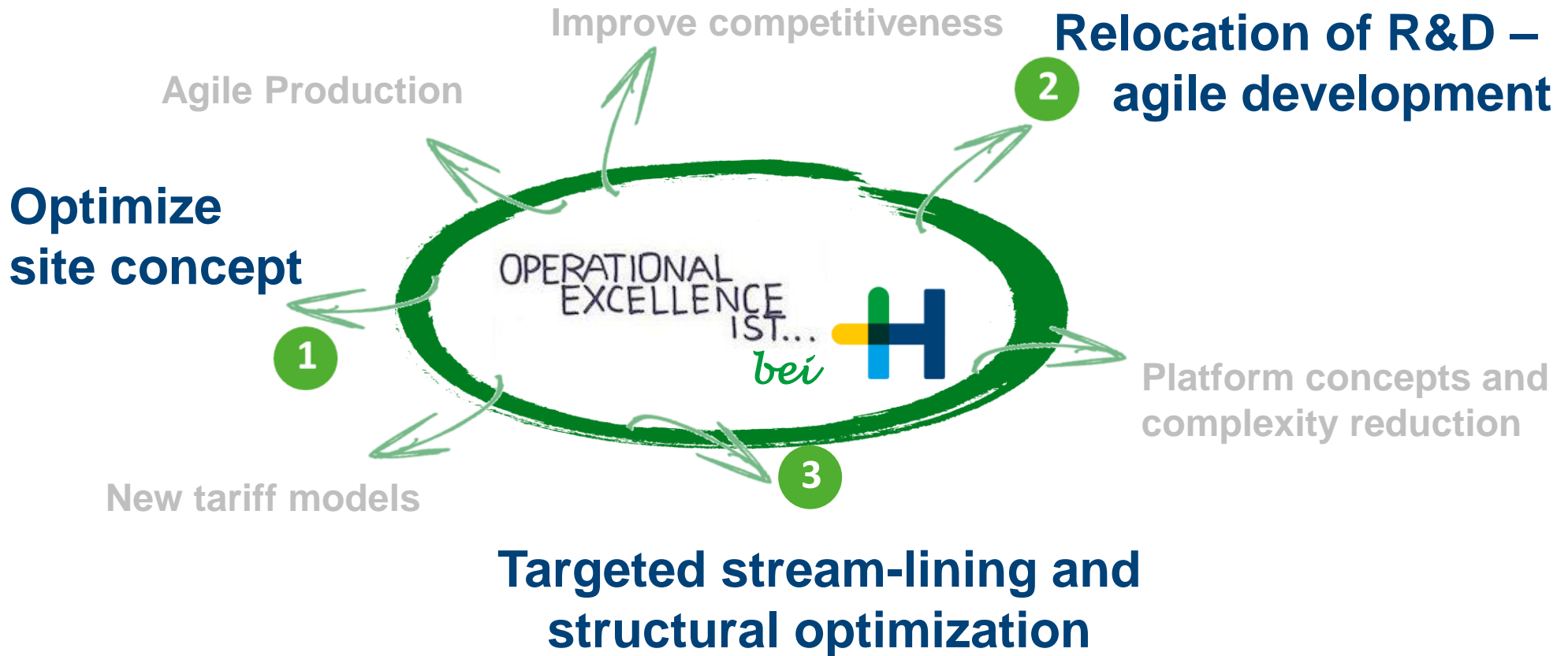


Remark: Other financial liabilities and Finance Leases are not included. The position „REL“ includes financing for infrastructure projects.

Operational Excellence: on track – cultural change & sustainable reduction of structural cost



→ 50 m€ efficiency potential



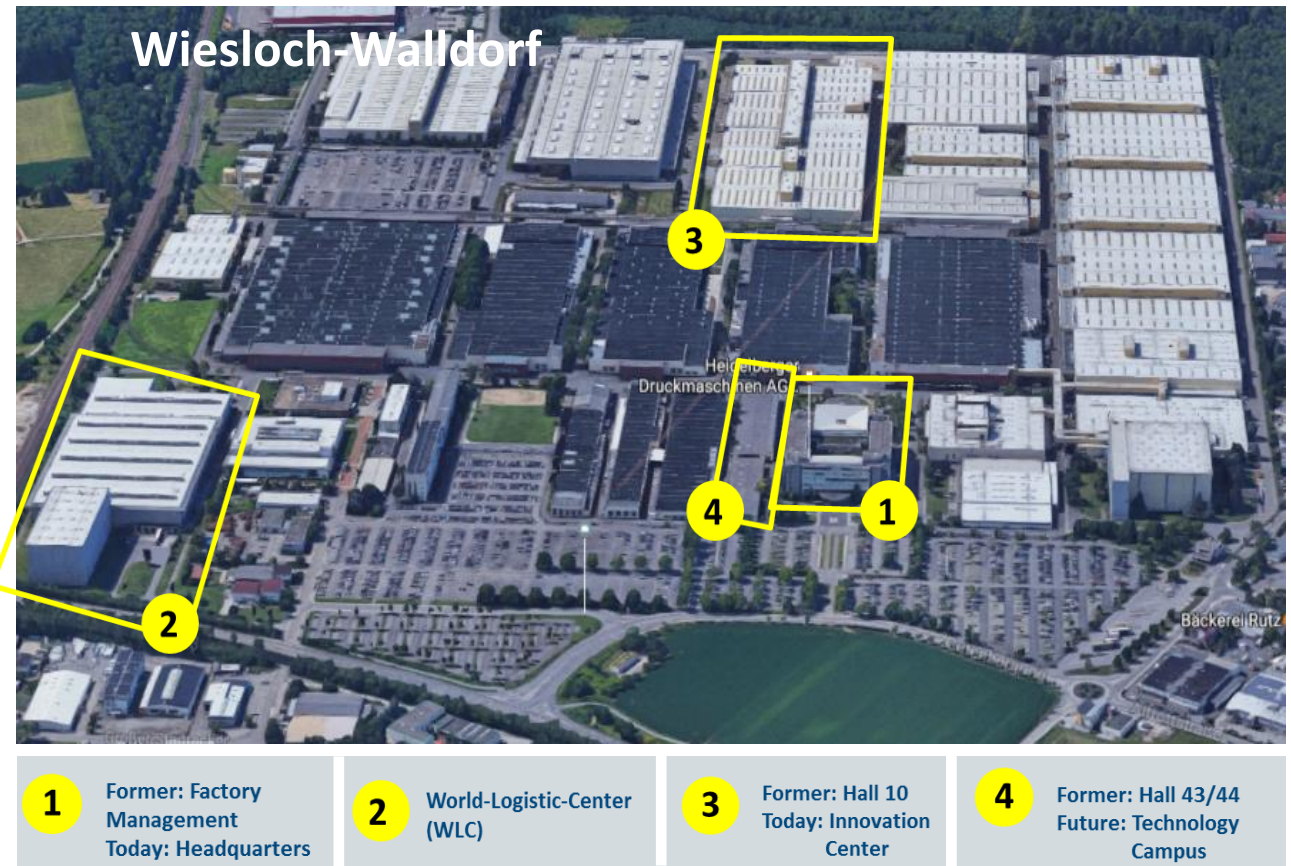
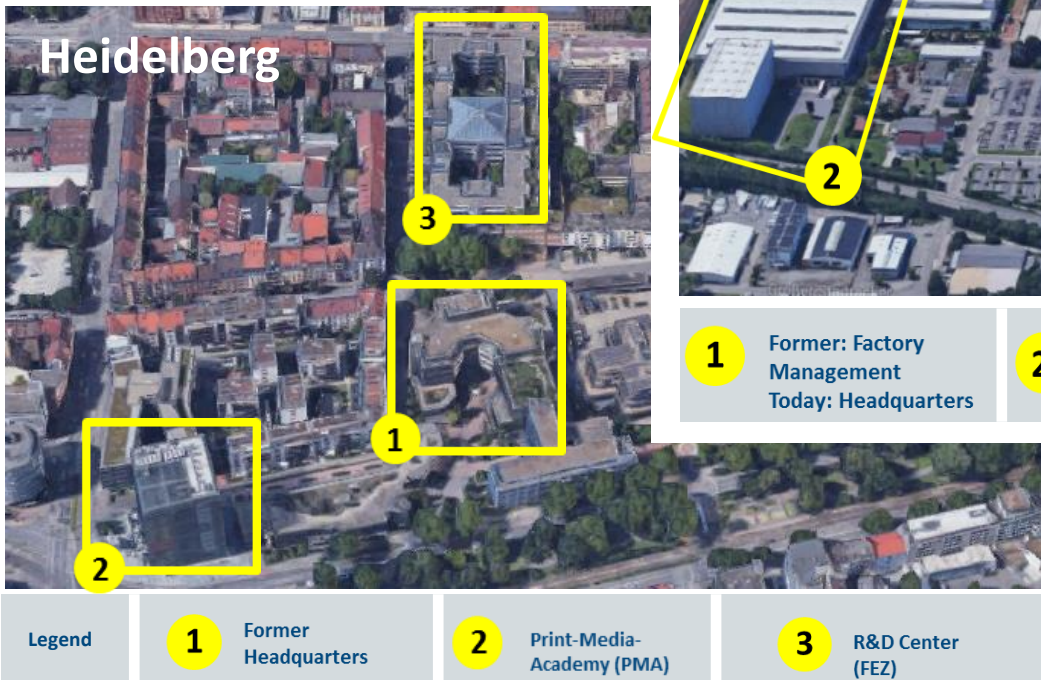
Operational Excellence: Overall economic concept implemented



Culture change: sale HQ and move headquarters showroom (1000 FTE) from Heidelberg to Wiesloch

Operational Excellence

- WLC & PMA as buyback
- Conversion of the innovation center and relocation / utilization FEZ (further 1000 FTE)



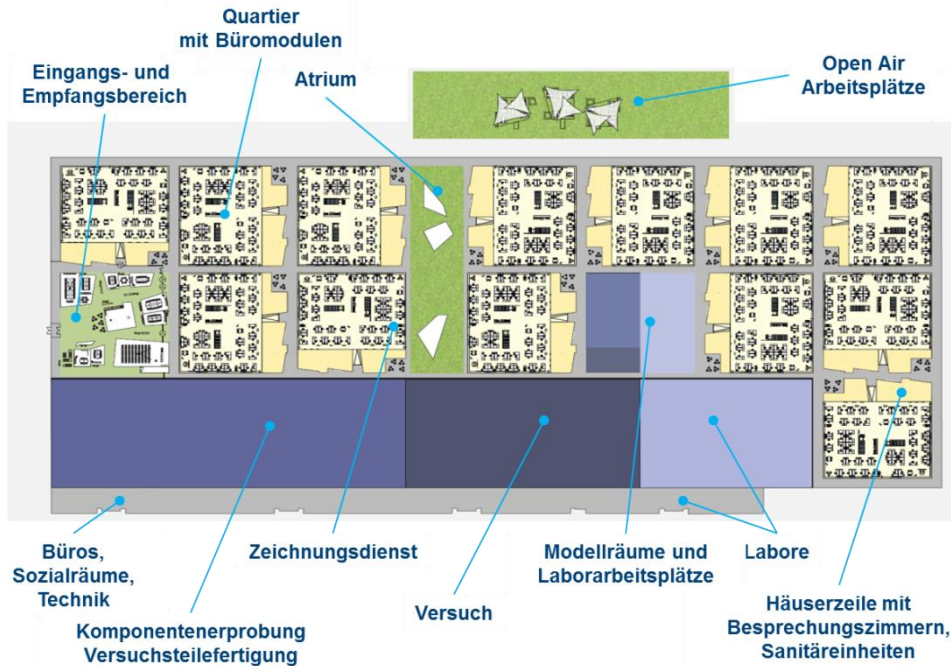
Technology Campus

- PMA lighthouse "HD goes Digital"
- Hall 43 and 44 to the technology campus
- Other options in Wiesloch ...

Operational Excellence: Unique innovation center for 1000 employees



All below one roof



The new Innovation Center is designed for communication, for official meetings as well as for personal exchanges or informal networking.

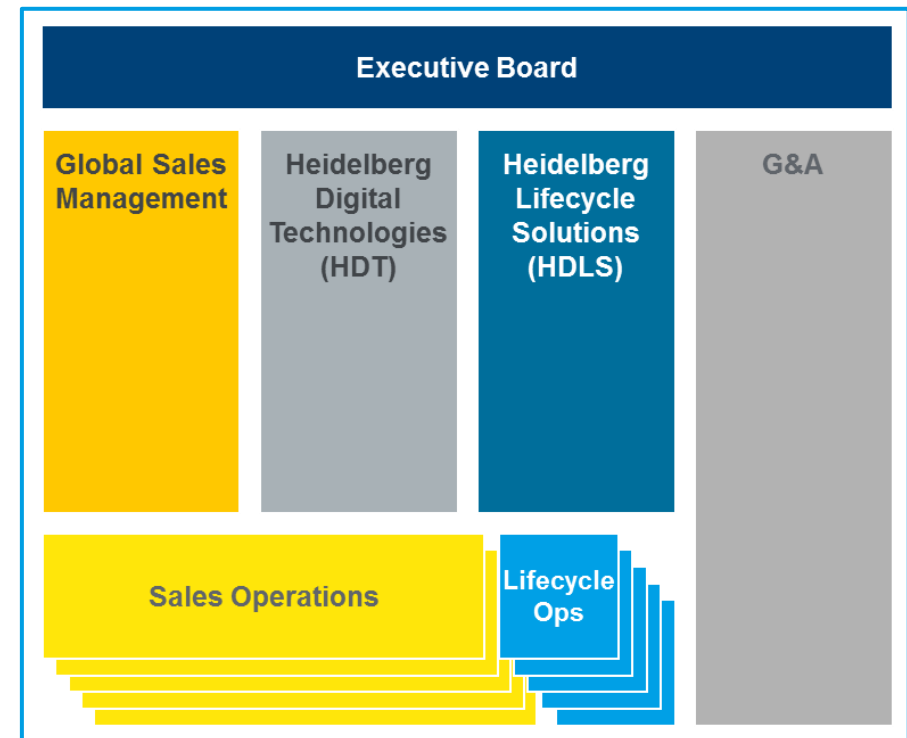


Operational Excellence: New leadership organization implemented



The new management organization is leaner, more efficient and customer-oriented:

- Segment-specific offers and **global sales and service coordination**
- **Reduction of management levels** with reduced number of interfaces
- **Global G & A functions** and global shared services
- Three consolidated segments with **functional structure**



Outlook Financial Year 18/19: Positive effects of new strategy are becoming increasingly visible



- + Series production Digital machines**
will have a positive impact on sales development
- + Digital business models:**
First revenues from recurring contract business
- + Increased sales of consumables and e-commerce** as well as ramp-up of **Digital Platforms**
- High collective agreement**
Burden on personnel costs due to tariff and working hours increase
- Write-down of capitalized R & D expenses**
Start of the amortization phase of capitalized development costs for digital printing portfolio
- Rising tax expenses abroad**
through further improved earnings situation at foreign Group subsidiaries



- **Moderate sales growth**
- **EBITDA-Margin** w/o restructuring result **between 7 – 7.5 %**
- **Moderate improvement of net result**
(including one-time tax burden 2017/2018)

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Sights still set on medium-term targets



+ € 200m sales

+ € 300m sales

+ € 50m efficiency



Group targets until 2022:

- Sales volume of up to € 3bn
- EBITDA between € 250 – 300m
- Net result > € 100m

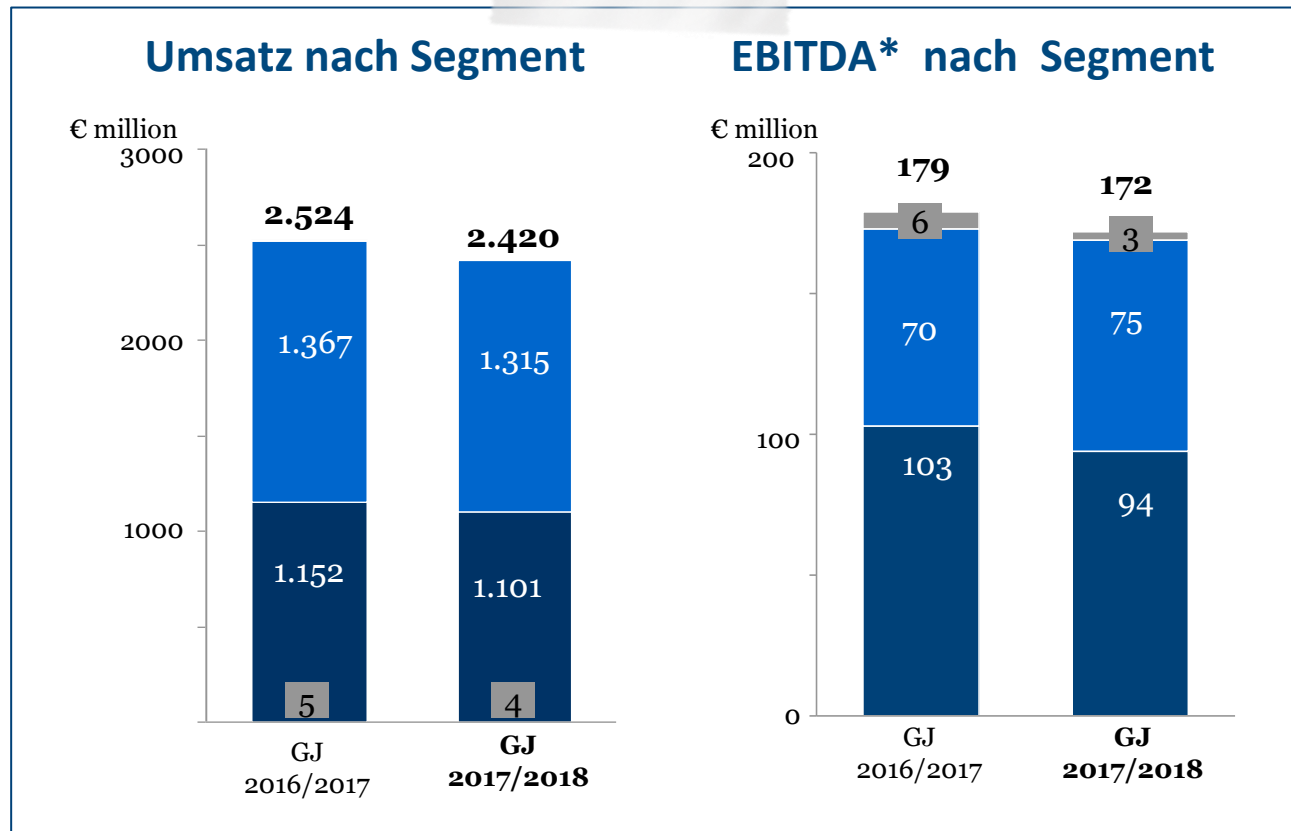
Backup

Restatement of figures. New segment structure reflects new leadership organization.



		RESTATED	
Net sales		FY 2018	FY 2018
		until 31-03-2018	starting 01-04-2018
Figures in mEUR		ACT	ACT
until 31-03-2018	starting 01-04-2018	2.420	2.420
Digital Technology (HDT)	Digital Technology (HDT)	1.316	1.465
BU Sheetfed	BU Sheetfed		
BU Postpress	BU Postpress		
BU Label	BU Label		
	BU Digital Print		
Digital Business & Services (HDB)	Lifecycle Solutions (HDLS)	1.099	951
BU Consumables	BU Lifecycle Business Management		
BU Service			
BU Digital Print			
BU Digital Solutions	BU Software Solutions		
	BU Heidelberg Platforms		
BU Remarketed			
Heidelberg Financial Services (HDF)	Financial Services (HDF)	4	4

Sales and EBITDA by segment in FY2017/18



*EBITDA excl. restr. result



Heidelberg Digital Technology



Heidelberg Digital Business & Services



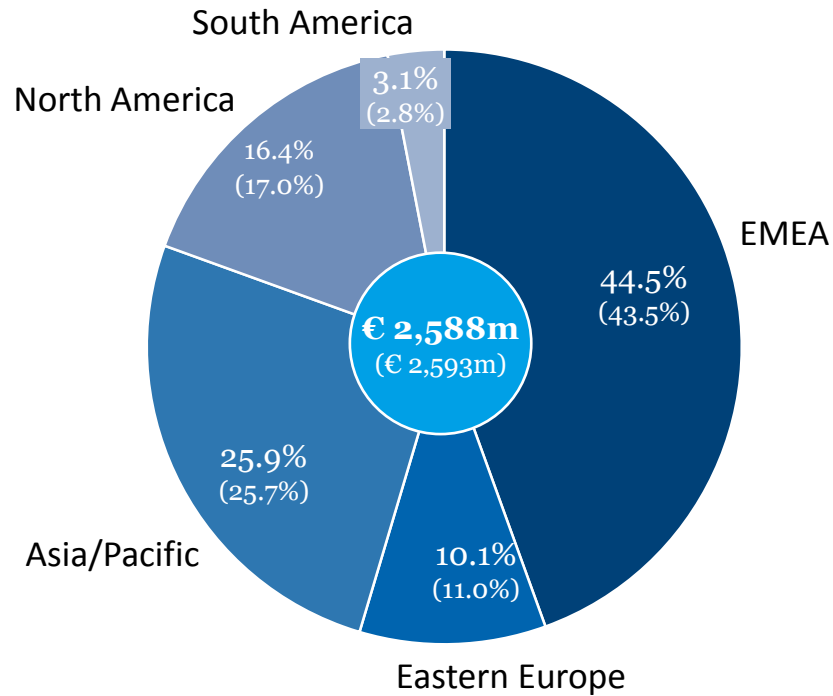
HD Financial Services

Order intake by region in FY 17/18



Order intake in FY 2017/18 (FY 2016/17)

mn €



Key figures Q4 FY 17/18

	Q4 16/17	Q4 17/18
Order intake	604	676
Sales	845	763
EBITDA	85	67
w/o restructuring result		
EBIT w/o restructuring result	65	50
Restructuring result	-10	-15
Financial result	-14	-12
Earnings before taxes	42	22
Earnings after taxes	46	24
Free Cash flow	35	12
	03/31/17	03/31/18
Equity	340	341
Net debt	252	236
Leverage	1,4	1,4

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