

# Heidelberg goes digital



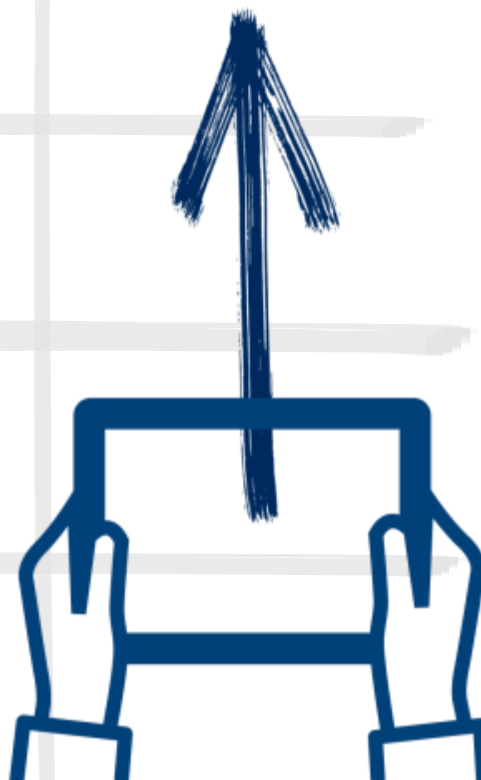
R. Hundsdörfer, CEO | R. Karpp, Head of IR | December 2017



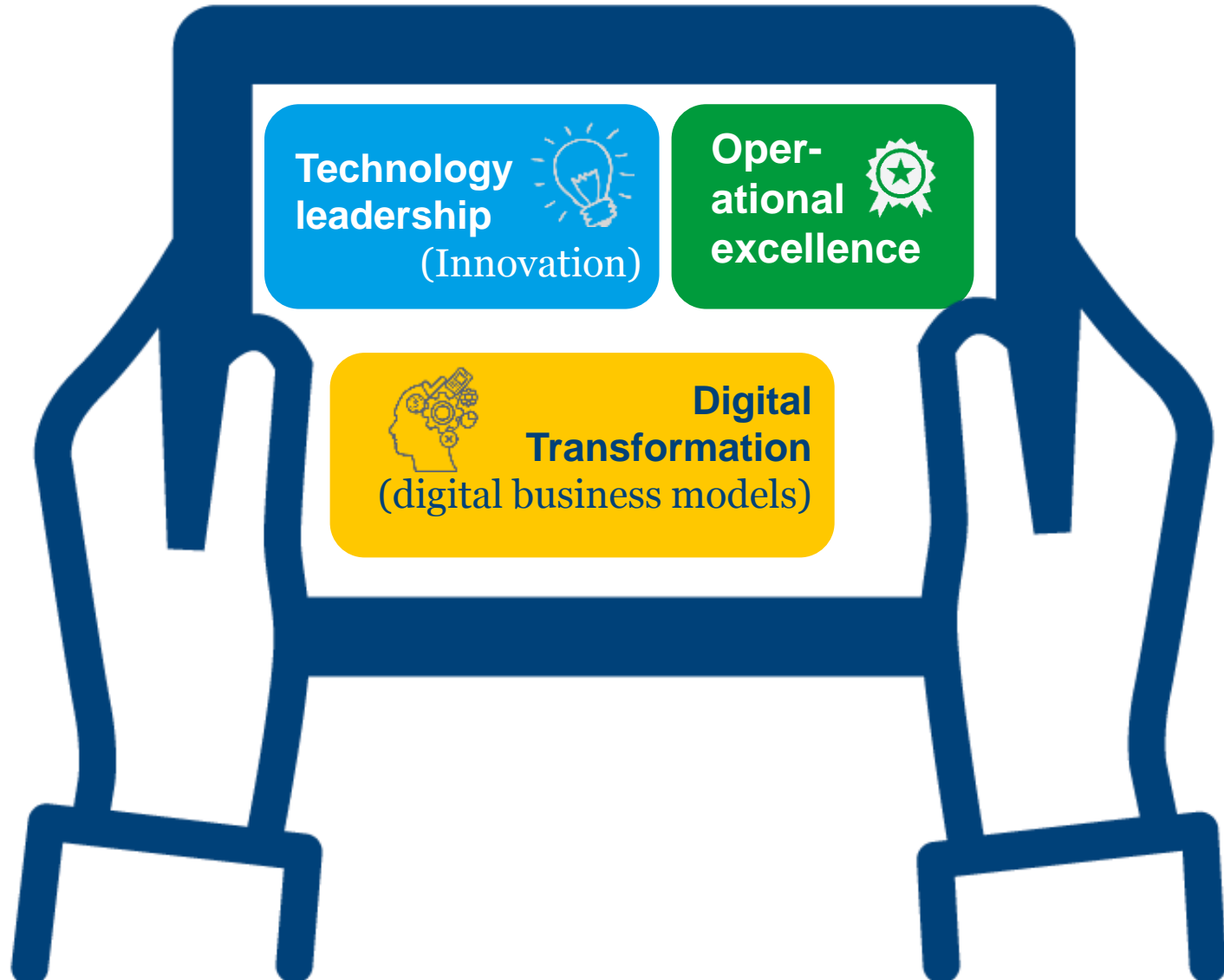
**Current situation.** Turnaround achieved – tapping growth potentials with higher profitability.



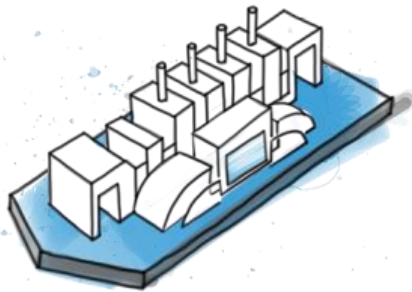
	FY 2011/2012	FY 2015/2016	FY 2016/2017	Future
<b>Sales</b>	€ 2,596 million	€ 2,512 million	€ 2,524 million	
<b>EBITDA</b>	€ 90 million	€ 189 million (PSG one-time effect of € 19 million)	€ 179 million (drupa costs € 10 million)	
<b>Result of operating activities</b>	€ 3 million	€ 116 million	€ 108 million	
<b>Net result</b>	€ -230 million	€ 28 million	€ 36 million	



# 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**



**Digital  
packaging &  
label print as well as  
consumables**



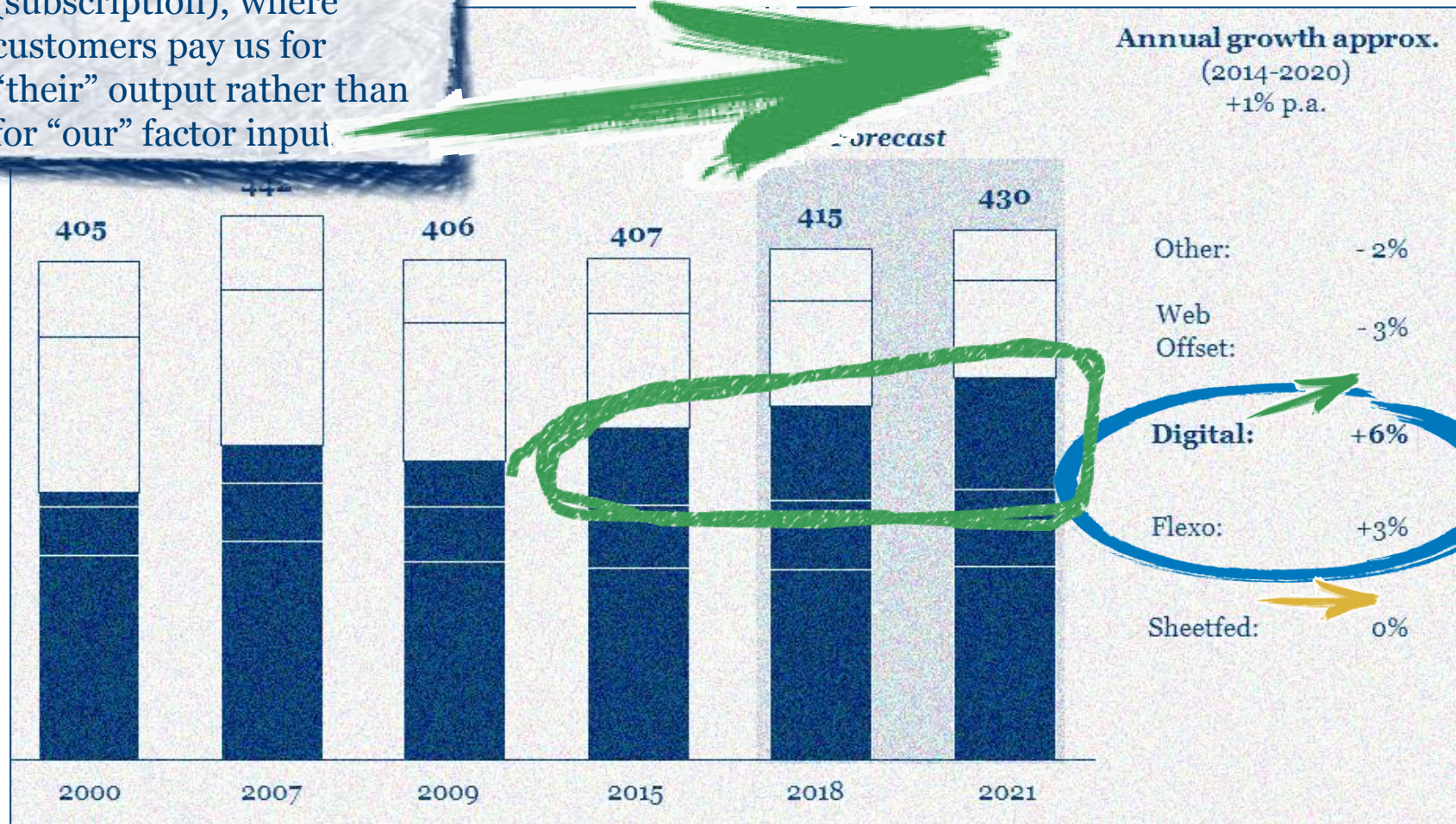


# Our new approach. Connecting our business to the growing Print Production Volume



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.



### 🔑 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 label & packaging

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



Technology  
leadership  
(Innovation)

#1

**Growth opportunities:** approx.

€ 200 million sales potential in 5 years



- **Pioneer in digitization**

- Already **more than 300 Push-to-Stop systems** sold
  - highest efficiency and productivity in offset printing
- Global benchmark in **autonomous printing**

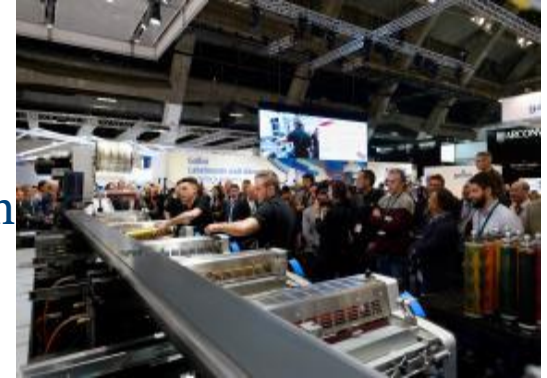


- **#1 in industrial digital print**

- **2<sup>nd</sup> Primefire 106** will be supplied to German customer (personalization of packaging) end of the year
- **Serial production starts** beginning of CY 2018, as planned
- Planned production capacity **booked out for 2 years**



- **Growing demand for digital labels and packaging**
  - Numerous orders for the new digital Gallus Labelfire at successful trade fair Labelexpo 2017
  - Customers were also impressed by the convention new Gallus Labelmaster press platform; first series of 20 machines sold out
- **Personalization as a megatrend**
  - Digital printing solutions at InPrint 2017 in Munich
  - From the rim to the speedometer bezel: Omnifire 250 and 1000 produce custom designs
  - Digital printing supporting business models for digitization





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



**Customer**  
decides  
about input  
factors

**Big data:**  
**Workflow**  
decides about  
input factors

**Subscription**  
model:  
**Heidelberg**  
decides about  
input factors

Transactional business  
model:

**“pay per unit”**

HD Assistant / e-shop:  
customer subscribes to  
platform

**“Amazon of the  
printing industry”**

Performance contracts for  
defined customer groups:  
Impression charge model

**“Customers pay for  
their output rather than  
for their input”**

 **Digital  
Transformation**  
(digital business models)

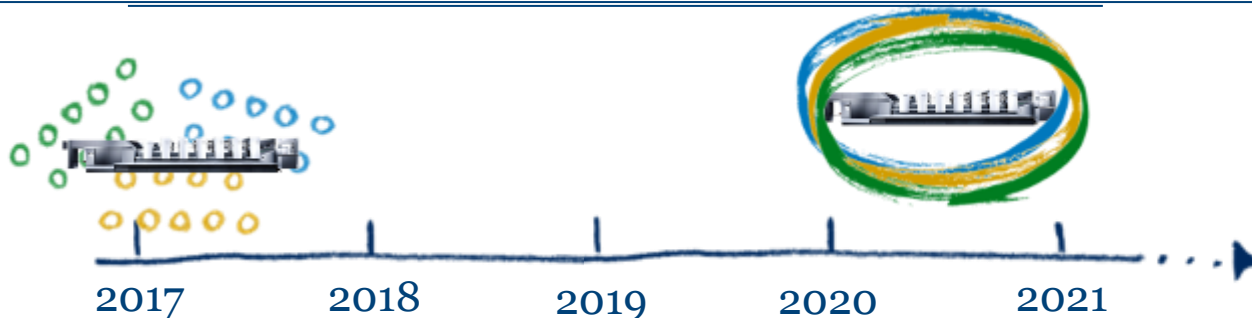
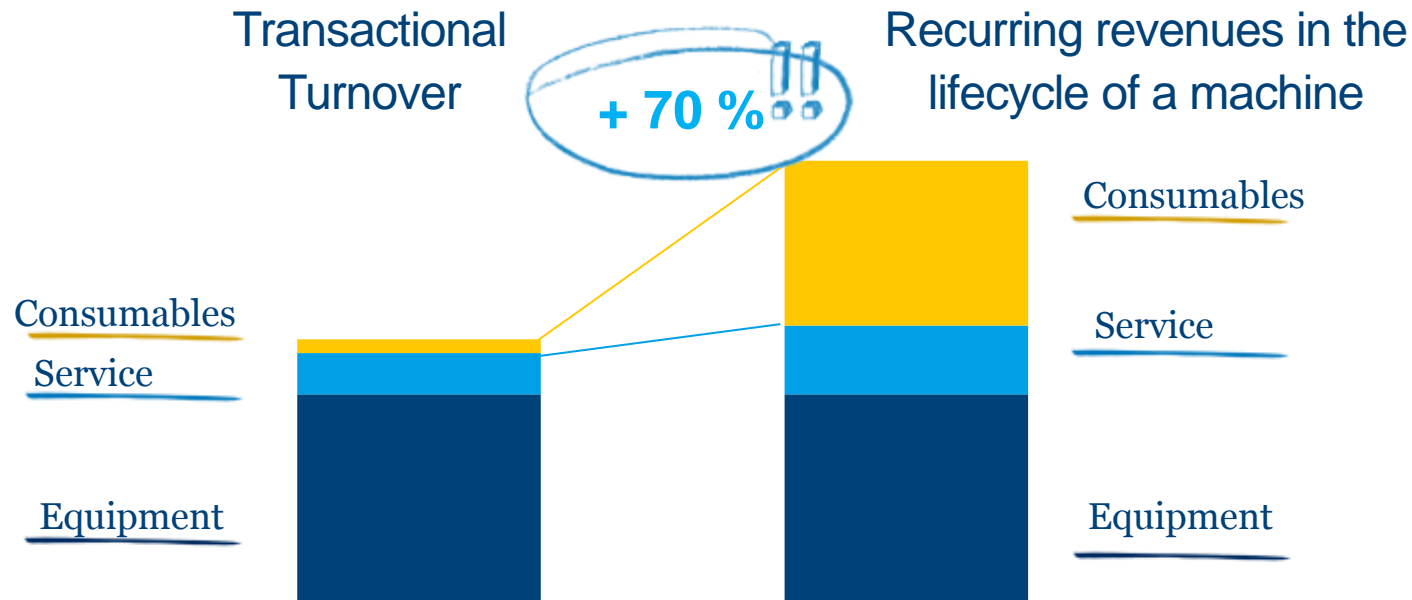
**#2**

**Growth opportunities:** approx. € 250 million  
sales potential in 5 years

# Growth through digital transformation.



## Comparison Lifetime-Value over 5 years

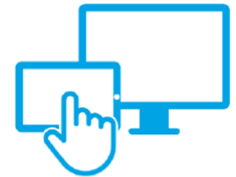


# Growth through digital transformation.

## Digital platforms.



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



IT-Solutions

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

3D Printer  
by „bigrep“



Industry Cloud



Smart Factory

 **Digital Transformation**  
(digital business models)

# #3

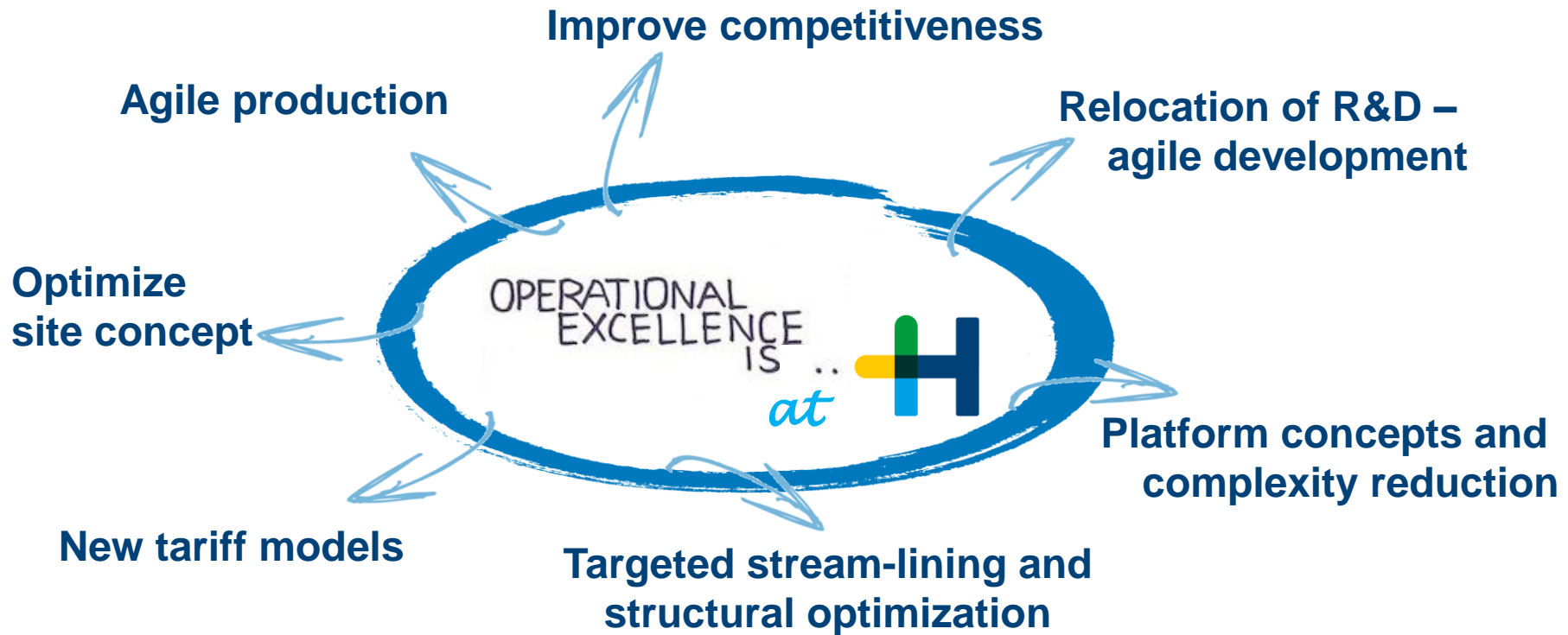
**Growth opportunities:** approx. € 50 million  
sales potential in 5 years



- Start of pilot phase of **new business model** (Subscription-model)
- Start of **Heidelberg Assistant** in pilot markets
- Start of **e-mobility applications**
- Start of **strategic production partnership** for large-scale 3D printer



# Increased profitability by operational excellence



Oper-  
ational  
excellence 

#4

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

# Update operational excellence



- On track to reach **€ 50m cost savings** in 5 years
- Already presented **efficiency measures**, e.g. Logistics, R&D, are in good progress
- **Transformation project** started in Oct. 2017
- **New management organization** will be launched on 1 April 2018





# Sustainable and profitable growth



## Sales

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

## Profitability

EBITDA  
improvement of  
approx. **€ 100  
million** in 5 years

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



# Targets set. Outlook.



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



# BACKUP



# Key figures 6m 2017/18



- **Order intake** down yoy due to drupa base effect in 2016 and FX
- **Sales** slightly down – FX adjusted (€18m) on prior years level
- **EBITDA** excl. restructuring result considerably improved by €15m; **EBITDA margin** at 5.7%

- Financial result benefits from reduced financing costs
- **Net result** before and **after taxes** significantly improved
- As a result of acquisitions and property purchases, R&D building, **Free Cashflow** was negative

- **Equity** increased mainly due to conversion of bonds and higher pension discount rate
- **Net debt** reduced to € 259m
- **Leverage** with 1.3 still below target level of <2x

	6m 16/17	6m 17/18	Δ pY
Order intake	1,408	1,234	-12%
<b>Sales</b>	1,072	<b>1,054</b>	-2%
<b>EBITDA</b> excl. restr. result	45	<b>60</b>	+15
<b>EBIT</b> excl. restr. result	11	<b>27</b>	+16
Restructuring result	-6	-1	
Financial result	-29	-24	+5
Net result before taxes	-24	2	+26
<b>Net result after taxes</b>	-28	<b>0</b>	+28
<b>Free cash flow</b>	0	<b>-32</b>	-32
	09/30/16	09/30/17	
<b>Equity</b>	126	381	
<b>Net debt</b>	276	259	
<b>Leverage</b>	1.8	1.3	

# Key figures Q2m 2017/18



- **Order intake** in line with prior year
- **Sales** slightly down – FX adjusted (€15m) on prior years level
- **EBITDA** excl. restructuring improved by €2m;  
**EBITDA margin** at 8.2%
- Financial result benefits from reduced financing costs
- **Net result** before and **after taxes** significantly improved
- As a result of acquisitions and property purchases,  
**Free Cashflow** was negative

	Q2 16/17	Q2 17/18	Δ pY
Order intake	604	605	
<b>Sales</b>	586	<b>559</b>	-27
<b>EBITDA</b> excl. restr. result	44	<b>46</b>	+2
<b>EBIT</b> excl. restr. result	27	<b>30</b>	+3
Restructuring result	-3	-1	
Financial result	-13	-11	+2
Net result before taxes	11	17	+6
<b>Net result after taxes</b>	9	<b>16</b>	+7
<b>Free cash flow</b>	-7	<b>-19</b>	-12
	09/30/16	09/30/17	
<b>Equity</b>	126	381	
<b>Net debt</b>	276	259	
<b>Leverage</b>	1.8	1.3	

- **Equity** increased mainly due to conversion of bonds
- **Net debt** reduced to € 259m
- **Leverage** with 1.3 still below target level of <2x

# Balance Sheet



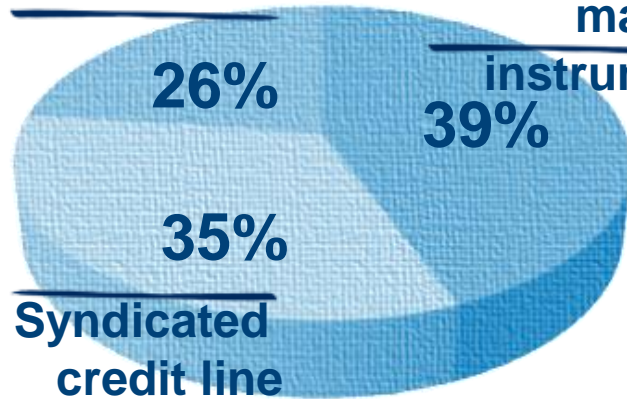
> Assets	FY 2017	FY 2017	FY 2018	> Equity and liabilities	FY 2017	FY 2017	FY 2018
Figures in mEUR	30-09-2016	31-03-2017	30-09-2017	Figures in mEUR	30-09-2016	31-03-2017	30-09-2017
<b>Fixed assets</b>	<b>728</b>	<b>741</b>	<b>788</b>	<b>Equity</b>	<b>126</b>	<b>340</b>	<b>381</b>
<b>Current assets</b>	<b>1.293</b>	<b>1.365</b>	<b>1.288</b>	<b>Provisions</b>	<b>1.029</b>	<b>898</b>	<b>833</b>
thereof inventories	698	581	675	thereof provisions for pensions	676	488	476
thereof trade receivables	278	375	276	<b>Other Liabilities</b>	<b>914</b>	<b>905</b>	<b>905</b>
thereof receivables from customer financing	57	58	55	thereof trade payables	199	190	207
thereof liquid assets	145	218	176	thereof financial liabilities	421	470	435
<b>Def tax assets, prepaid expenses, other</b>	<b>114</b>	<b>113</b>	<b>106</b>	<b>Def. tax liabilities, deferred income</b>	<b>66</b>	<b>75</b>	<b>63</b>
thereof deferred tax assets	90	99	84	thereof deferred tax liabilities	2	5	3
thereof deferred income	23	14	22	thereof deferred income	64	70	61
<b>Total assets</b>	<b>2.135</b>	<b>2.219</b>	<b>2.182</b>	<b>Total equity and liabilities</b>	<b>2.135</b>	<b>2.219</b>	<b>2.182</b>
				Equity ratio	6%	15%	17%
				Net debt	276	252	259

# Financial framework



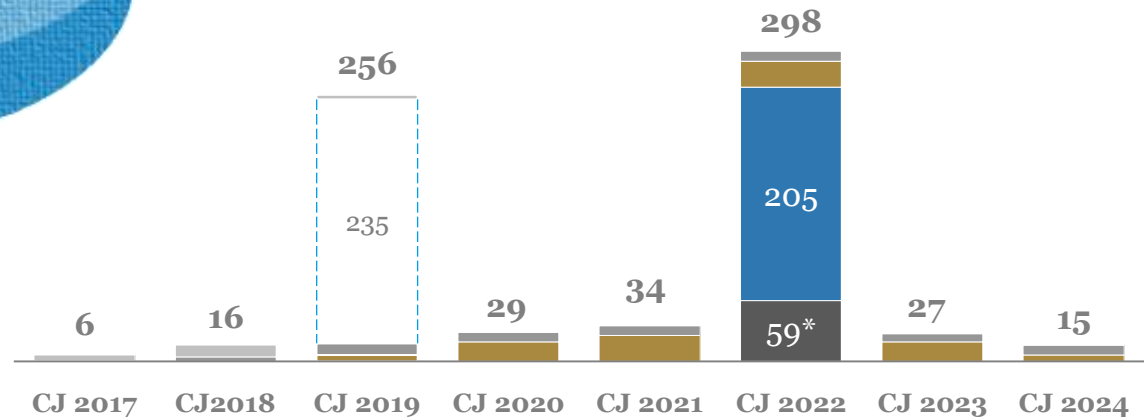
Other instruments & promotional loans

Capital markets instruments



## Maturity profile

- Other instruments
- RCFA (Jun-2019)
- REL | amortizing
- EIB | amortizing
- BondHYB (Mai-2022)
- Convertible Bond (Mrz-2022)

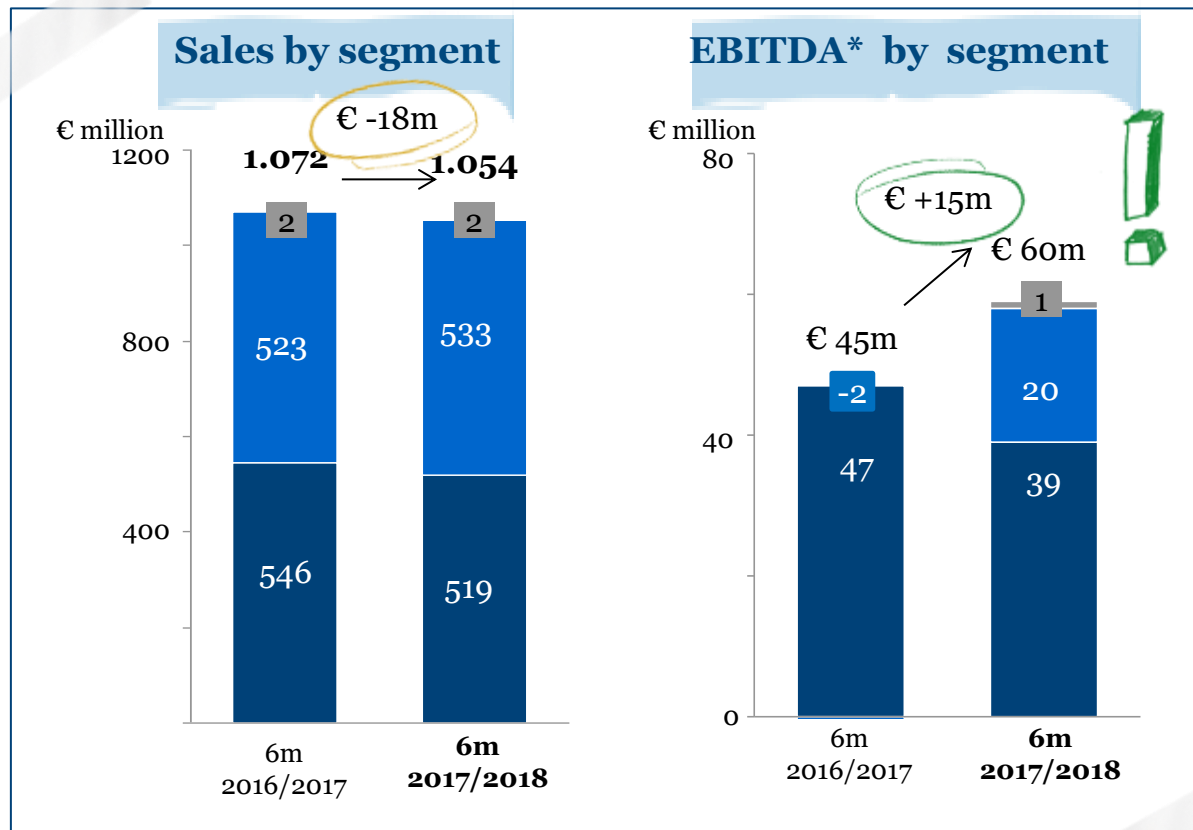


\* CB Put  
Option  
in 2020

# Sales and EBITDA by segment in 6m FY2017/18



- **Heidelberg Digital Technology:** sales volume slightly up and efficiency measures contributed to an improved result
- **Heidelberg Digital Business & Services** was negatively impacted by weaker remarketed equipment and consumables sales

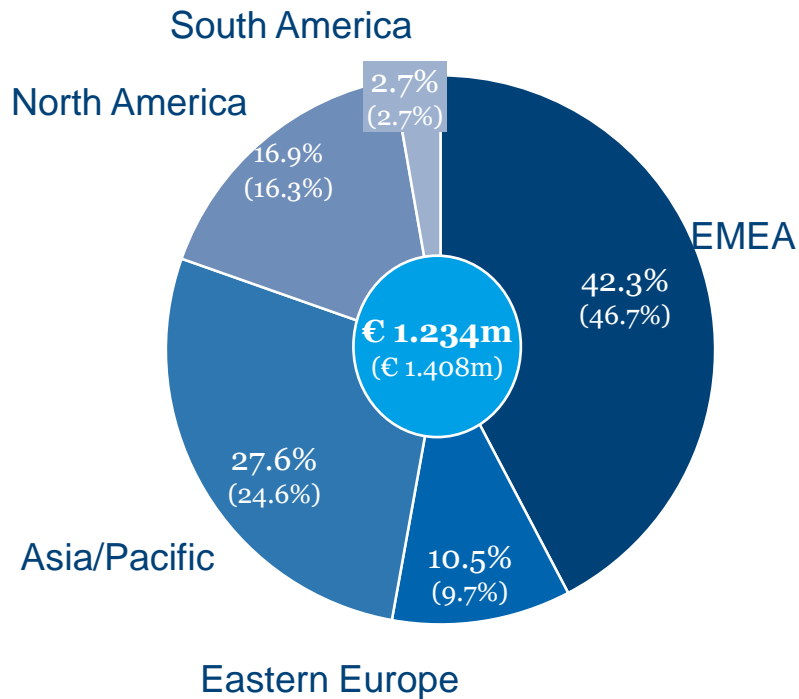




# Order intake – regional split



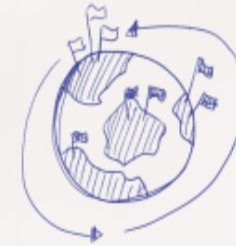
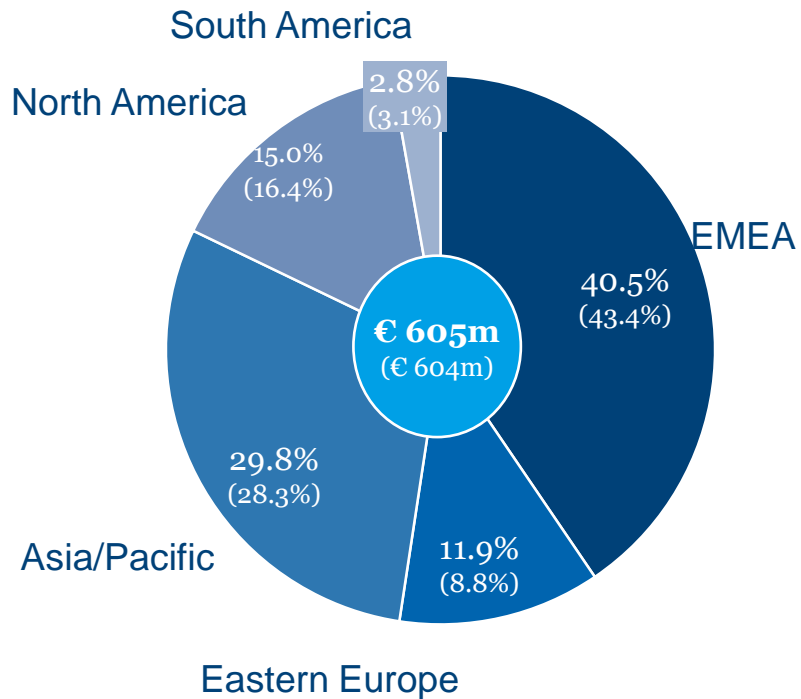
Order intake HY 2017/18  
(HY 2016/17)



# Order intake – regional split



Order intake Q2 2017/18  
(Q2 2016/17)



# Financial Calendar



Release of the figures for the  
third quarter 2017/2018

**February 8, 2018**



Figures FY2017/2018

**June 12, 2018**

AGM FY 2017/2018

**July 25, 2018**

*# simply smart*





# 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.