



Heidelberg goes digital!

Heidelberger Druckmaschinen AG | Analysts' and Investors' Conference

Rainer Hundsdörfer (CEO) | Dirk Kaliebe (CFO), Frankfurt | June 6, 2019





1. Financial figures & Outlook | Dirk Kaliebe, CFO



2. Strategy & Conclusions | Rainer Hundsdörfer, CEO



Key Financial Highlights.

Sales and earnings targets achieved for financial year 2018/19.

- Total **order intake** slightly below prior year, increase in HDLS / decline in HDT; Order backlog at € 654 m, above prior year (€ 604 m).
- **Sales** around 3 % up on the previous year, especially for sheetfed offset and digital printing machines.
- **EBITDA margin** excluding restructuring result of 7.2 % within the projected range.
- **Net result after taxes** increased to € 21 million.
- **Free cash flow** negative as expected due to investments in digital projects, building up of new business models and the new Innovation Center.
- **Leverage** remains clearly below target of 2 at 1.4.

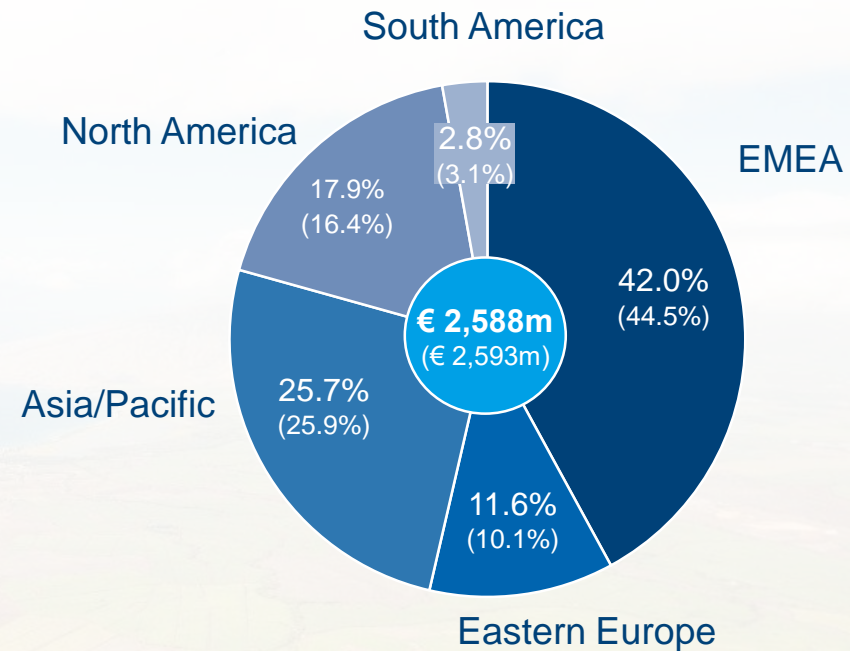
	FY 17/18	FY 18/19	ΔpY
Order intake	2,588	2,559	-29
Sales	2,420	2,490	+70
EBITDA excl. restructuring result	172	180	+8
EBIT excl. restructuring result	103	101	-2
Restructuring result	-16	-20	-4
Financial result	-48	-49	-1
Net result before taxes	39	32	-7
Net result after taxes	14	21	+7
Free cash flow	-8	-93	-85
Leverage	1,4	1,4	

Order intake. Stable despite weakening dynamics.

Change in global GDP in%



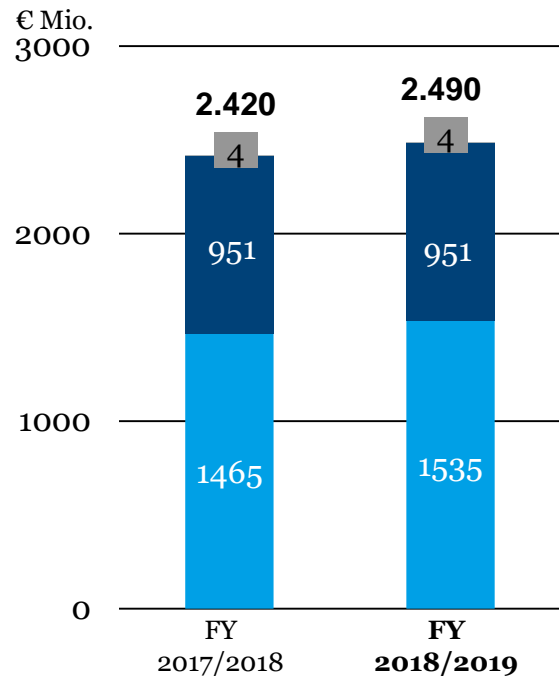
Regional order intake FY 2018/19 (FY 2017/18)



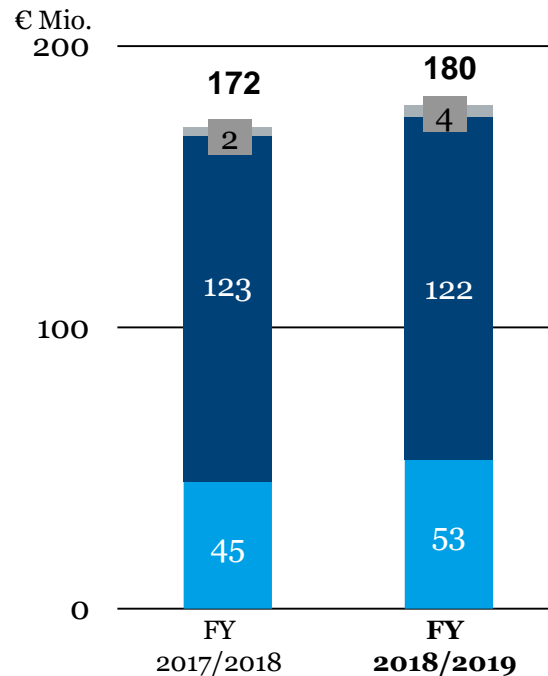
Key Financial Highlights.

Sales and EBITDA by segment in FY 18/19.

Sales by segment



EBITDA* by segment



- Heidelberg Digital Technology:**

Sales significantly increased, especially in sheet-fed offset and digital printing machines. Order momentum weakened at the end of the year. EBITDA* margin increased to 3.5% (previous year: 3.1%).

- Heidelberg Lifecycle Solutions:**

Sales stable at previous year's level. Order intake rises 4.4 %. EBITDA* margin at 12.8 % in the target corridor.



Heidelberg Digital Technology



Heidelberg Lifecycle Solutions



HD Financial Services

Key Financial Highlights.

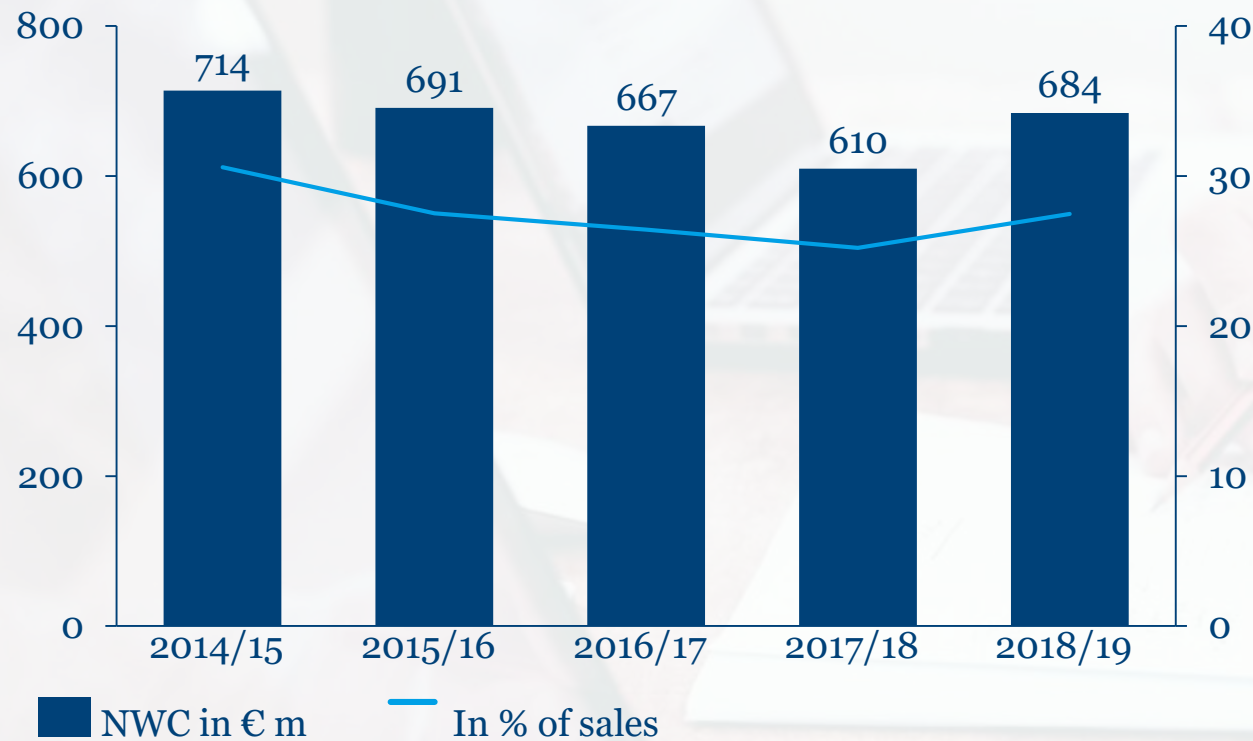
Increase in equity ratio.

> Assets	FY 2018	FY 2019	> Equity and liabilities	FY 2018	FY 2019
Figures in mEUR	31-03-2018	31-03-2019	Figures in mEUR	31-03-2018	31-03-2019
Fixed assets	810	846	Equity	341	399
Current assets	1.367	1.395	Provisions	878	880
thereof inventories	622	685	thereof provisions for pensions	523	582
thereof trade receivables	370	360	Other liabilities	968	962
thereof receivables from customer financing	66	60	thereof trade payables	237	245
thereof cash and cash equivalents	202	215	thereof financial liabilities	438	465
Deferred tax assets, prepaid expenses, other	78	88	Deferred tax liabilities, deferred income	69	88
thereof deferred tax assets	66	76	thereof deferred tax liabilities	6	5
thereof deferred income	12	12	thereof deferred income	63	83
Total assets	2.256	2.329	Total equity and liabilities	2.256	2.329
			Equity ratio	15%	17%
			Net debt	236	250

- **Fixed assets** increased due to investments in the Innovation Center and the ramp-up of the subscription model.
- **Equity** increased by approx. € 68m, although the reduction in the discount rate for domestic pensions from 2.1 to 2.0 had a negative effect.
- **Net debt** of € 250m is at the level of the previous year.
- **Net Working Capital** (NWC) was at € 684m, or 27.5% of sales, and increased due to the serial production start of the digital portfolio.

Net Working Capital.

Active cash management.



- Net working capital **sustainably reduced to below 30 percent** of sales
- Measures for further reduction initiated
- Temporary increase of inventories due to the **series start-up of the digital portfolio** and **shift of product lines** to Shanghai

Free cash flow.

Investments in the digital future of Heidelberg.

- **(1) Cash flow** on same level as in previous year
- **(2) Net Working Capital** increased due to the planned series start-up of the digital portfolio, but at 27.5% of sales still on a good level
- **(3) As planned, investments** at the (high) level of the previous year, especially for:
 - Digital projects
 - Ramp up of new business models
 - New Innovation Center

	FY 17/18	FY 18/19	ΔpY
Net result after taxes	14	21	7
1 Cash flow	104	105	1
Other operating changes	-16	-116	-100
2 thereof Net Working Capital	24	-62	-86
Cash flow and other operating changes	88	-11	-99
Cash used in investing activities	-95	-82	13
3 thereof Investments	-129	-125	4
Free cash flow	-8	-93	-85

Financing the future.

Investment in the new innovation center.

Operational Excellence

Holistic site concept:

- Sale of Headquarters, relocation of administration and showroom (1000 FTE) from Heidelberg to Wiesloch
- Conversion of the Innovation Center and relocation in December 2018 (another 1000 FTE) from Heidelberg to Wiesloch

Future savings through:

- Optimization of processes
- Lowering structural costs by around € 10m p.a.



"This is an important contribution to the improvement of the operational performance among others by the reduction of process and structural costs within the framework of our "Operational Excellence" initiative. "



Financing the future.

The Think-Tank of the digital future of Heidelberg.

Operational Excellence

Holistic site concept:

- **Sale of the research and development building (FEZ) in Heidelberg** to the municipal housing association GGH and acquisition of easements of underground parking spaces in the FEZ.
- With the buyback of the **Print Media Academy** in Heidelberg together with the Digital Campus in Wiesloch, the **Think-Tank of the digital future** for Heidelberg is being created, with **working spaces** in which New Work can be realized.

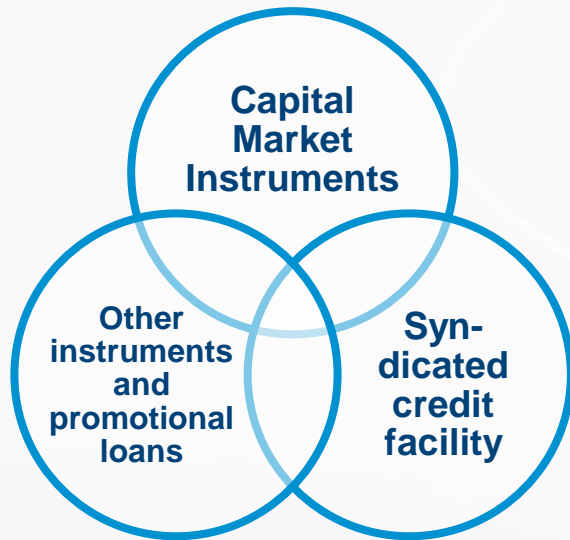


All in all, we were able to achieve an attractive overall economic solution for the real estate structure of Heidelberg in the region."



Financing the future.

Heidelberg's digital future is balanced on three pillars.

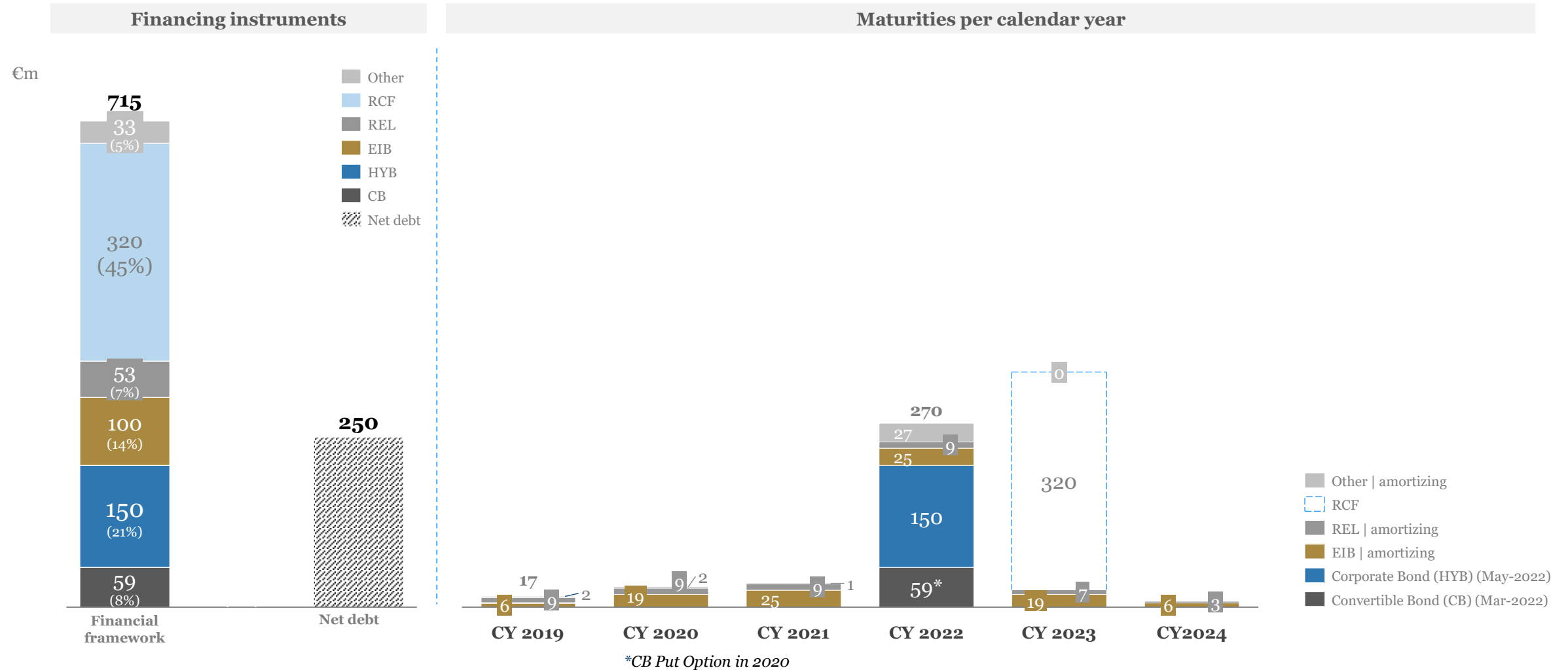


- **Our financing strategy:** Appropriate diversification of the overall credit framework in terms of instruments and maturities
- **Our 3 Pillars:** Capital Market Instruments (~ 21%) Syndicated credit facility (~ 45%) and other instruments and promotional loans (~ 34%)
- They are **balanced** and **cover the net financial debt** in the **long term**



Our financial framework.

Sources and maturities further optimized.



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 (around € 52 m)
- 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



Outlook Financial Year 19/20.

Stable development expected.

- Increasing economic risks and weakening order dynamic**
Economic slowdown and uncertainties on world markets due to trade disputes lead to volatile business with regional differences
- More conservative ramp-up of Digital Printing**
Reluctance to invest in new technologies due to economic uncertainties
- Decline in trading business with consumables**
Pressure on volume and margins in transactional consumables business
- + Overall robust core business expected**
Increasing demand in China (good print fair) and solid business in US; EMEA weaker (Germany, UK)
- + Digital business models ramp-up**
Further increase in Subscription and recurring contract business, continued ramp-up of digital print portfolio
- + Operational Excellence**
Efficiency enhancement projects continued



- **Sales on previous years' level**
- **EBITDA-Margin** w/o restructuring result **between 7.5 – 8 %** (including IFRS 16 adjustments)
- **Net result on previous years' level**



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Heidelberg goes digital.

Profitable growth and improvement of efficiency.

- **Core business:** stable ✓
- **Subscription:** growing and independent of economic cycles ✓
- **Digital printing:** conservative ramp-up ✓
- **New Ventures:** potential ✓
- **Operational Excellence:** increase of efficiency ✓



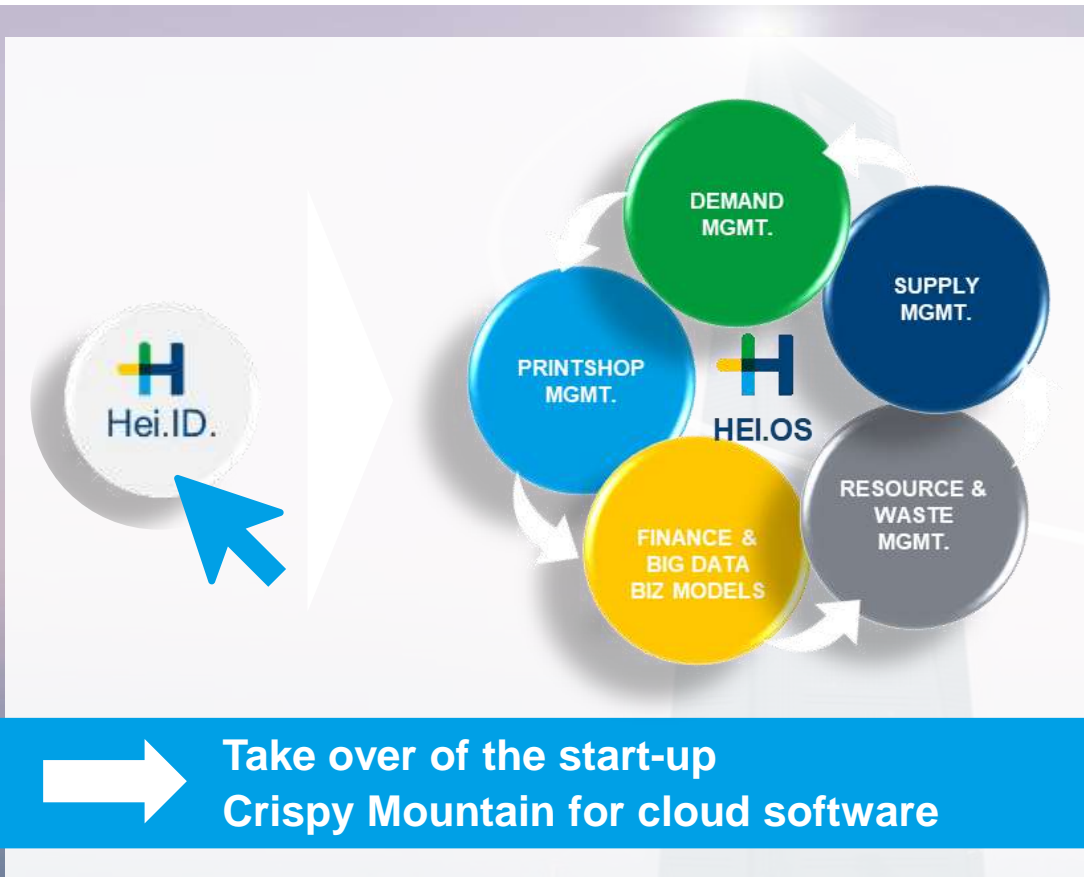
Our Vision: We build the digital eco system for the print media industry.

Digital eco system Hei.OS.

Digital market place for services around the printing industry.




Focus on implementation of digital transformation.
We build the digital eco system for the print media industry.



Modular access to the subscription model.

Significant expansion of contract business.

	Free Subscription	Software Subscription	Service contracts	Lifecycle contracts	complete Subscription
Heidelberg ID 	✓	✓	✓	✓	✓
Software 		✓	✓	✓	✓
Service 			✓	✓	✓
Consumables 				<div>✓</div> <div>Pay per piece</div>	<div>✓</div> <div>Pay per outcome</div>
Equipment 				<div>✓</div> <div>Customer doesn't own equipment</div>	<div>✓</div> <div>Customer owns equipment</div>

Customer demand for usage-dependent business models is growing. **Subscription modell successfully implemented.**

"I was not sure what exactly we were talking about, but then it quickly became clear that this is exactly what we were looking for."

"With local Heidelberg professionals helping us increase our productivity, we can focus more on our customers."

Daniela Klampfer, CEO



The subscription model creates value. Improved performance at the customer.

SX52-5+L Performance

	start 30.11.18	actual 31.03.19	difference to starting target %
running speed	11689 Bg/h	12457 Bg/h	7%
make ready waste	317 Bg	306 Bg	-3%
netproductivity	2909 Bg/h	3128 Bg/h	8%
OEE 10'000	30%	33%	10%

Prints: 1,115,689 + 157,356
Target: 958,333 ~ 16%



XL106-6+P+L Performance

	start 31.10.18	actual 31.03.19	difference to starting target %
running speed	12969 Bg/h	13559 Bg/h	5%
make ready time	43 min	22 min	-48%
make ready waste	401 Bg	272 Bg	-32%
netproductivity	2715 Bg/h	3555 Bg/h	31%

Prints: 2,102,034 + 435,367
Target: 1,666,667 ~ 26%



daily savings:
~90,000 sheets per month

The subscription model means stability.

Significant expansion of recurring revenues.

- Around 8 % of the order backlog are already subscription contracts
- Currently total volume of ~1.2 billion printed sheets under contract, produced by the customer
- In Germany, due to the subscription business, the consumption of consumables increased by approx. 10 %
- In the medium term, ~1/3 of the group turnover and ~2/3 of the lifecycle business turnover should be sustainably generated through contract business
- Higher average profitability expected in the subscription business than in the transactional business
- Externalization of the machine component from the contracts starts this fiscal year



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FUTURE

HDU (Heidelberg Digital Unit) now also in China. eCommerce expansion in the growing Chinese market.

Create New Assets

From China for China.
HDU China – create
growth
opportunities
for customers.

Create New Business Models

1

Create digital Omni-Channel Customer Journey connecting all touch points

2

Measure performance and optimize marketing investments

3

Develop new integrated platforms – eCommerce, Apps, market place...

1

Integrate and analyze machine and customer data

2

Implement new offers supporting customers in increasing their productivity

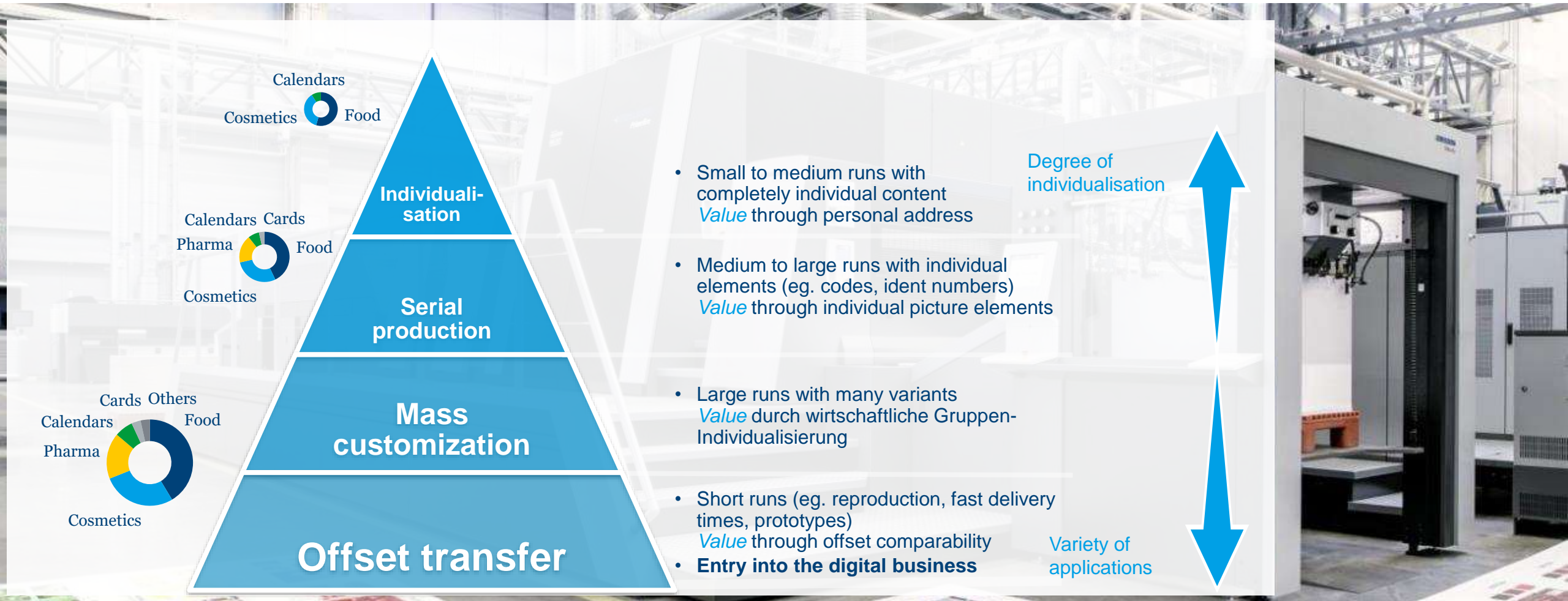
3

Create the PMI ECO system integrating all relevant partners



The market for small and individual runs is growing.

Industrial digital presses are the technological future.



Cloud-based web-to-pack platform started.

Eco system for digital packaging printing realized with Primefire.

Packaging Printer

- Access to short run packaging orders
- Get print ready files from the platform

Print Buyer

- Choose from hundreds of boxes
- Change the box to demanded size
- Create personal box designs
- Print boxes in unmatched quality

Packaging Designer

- Packaging design toolkit
- Print production on Heidelberg industrial digital printing system **Primefire 106**

www.boxuni.com

Expansion of digital business models through artificial intelligence (AI).

AI at Heidelberg as part of the digital transformation.

Heidelberg Smart Printshop

AI uses the installed base data pool to identify patterns, identify potentials, and generate optimal settings.

The **goal** are optimized basic settings (default values) that have been adjusted autonomously without human influence and increase the efficiency of the respective print production.



Technology with disruption potential.

Breakthrough in industrial printing of organic electronics.

- Heidelberg ist shareholder of the **Innovation Lab, Heidelberg**
- Entry into **industrial mass production** of printed organic electronics **by Heidelberg**
- **Mass suitable and cheap**
- **Printed organic electronics:**
Print sensors capture data and enable new digital business models
- First business case:
dental medical technology
- **Further prototypes in test phase**
in the fields of automotive, healthcare, smart home, logistics, ...



Charging technology in series.

Original equipment manufacturer for e-mobility start-up.

- **e.GO** Mobile AG uses **Heidelberg** charging technology
- The **basis** is Heidelberg Wallbox Home Eco
- **Series deliveries** begins CY 2019
- Wallbox also available through **online shops** - high customer interest and excellent feedback



Operational Excellence.

Efficiency enhancement projects will continue.

Agile production

Platform concepts and reduction of complexity

Improve competitiveness



Wiesloch-Walldorf

Optimize site concept

- Wiesloch site is further consolidated and developed towards a high-tech campus

Targeted streamlining and structure optimization

- Targeted early retirement programs analogous to demographic development
- Manufacturing Footprint
 - Labour agreement in Amstetten
 - Co-operation in China with MK
- Adaptation of sales structures to new business models
- Expansion of shared services

1

Früher:
Werksverwaltung
Heute: Hauptverwaltung

2

World-Logistic-Center (WLC)

3

Früher: Halle 10
Heute: Innovationszentrum

4

Früher: Halle 43/44
Zukünftig: Technologie-Campus

Our goal.

Profitable growth and improvement of efficiency.

- **Core business:** stable ✓
- **Subscription:** growing and independent of economic cycles ✓
- **Digital printing:** conservative ramp-up ✓
- **New Ventures:** potential ✓
- **Operational Excellence:** increase of efficiency ✓

Our roadmap.

We build the digital eco system for the print media industry.



Backup



Financial calendar 2019/2020.

June 6, 2019	➔	Press Conference, Annual Analysts' and Investors' Conference
July 25, 2019	➔	Annual General Meeting
August 6, 2019	➔	Publication of First Quarter Figures 2019 / 2020
November 6, 2019	➔	Publication of Half-Year Figures 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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