



Heidelberg goes digital!

Heidelberger Druckmaschinen AG | First Quarter Results FY 2019/2020

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First Quarter FY 2019/2020.

Good order intake at the beginning of Q2.






- Demand for contract and subscription offerings continues to develop positively - Expansion of the share of recurring revenues.
- First quarter marked by cyclical reluctance to invest.
- Seasonal increase in net working capital weighs on free cash flow.
- Measures to increase liquidity and to secure profitability initiated.



Modular access to the subscription model.

Significant expansion of contract business.

- Customer demand remains good. Recurring revenues, incl. subscription contracts and digital business, were up by ~10% to approx. € 80m.
- In the medium term, recurring revenue – mainly from contract and subscription offers – should increase to around 1/3 of total revenue.

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



First Quarter FY 2019/2020. **China – ongoing growth.**

- China: largest single market for our industry.
- Good demand at Print China, order intake +45 % yoy.
- Market share growth in China to >45 %.
- High factory load in China causes temporary high NWC. Number of sold printing units in China +25% yoy. Ramp up of local sourcing continues.



First Quarter FY 2019/2020.

Measures taken to improve earnings and liquidity.

Liquidity potential:

- Investments ~ € 20m
- NWC ~ € 50m
- Portfolio optimization ~ € 30m

Σ ~ € 100m





Key Figures Q1 FY 2019/2020.

- Despite considerably higher demand in China **order intake** reflects investment postponements due to worsened economic conditions in WE; **Order backlog** increased slightly (FYE19: € 654m) to € 730m.
- **Sales** - 7 % yoy due to the worsened economic conditions and corresponding investment postponements.
Primarily new machinery business in segment HDT affected.
- **EBITDA margin** excl. restructuring result of 2.8 % below previous year due to the lower volume and a less favorable product mix. Positive effects from 1st-time application of IFRS 16 amounted to approx. € 5 m.
- **Net result after taxes** at € -31 million.
- **Free cash flow** negative due to higher NWC, investments in digital projects, building up of new business models and a smaller M&A deal from the software sector.
- Due to seasonal influences and as a result of the 1st-time application of IFRS 16 **Leverage** rose to 2.1.

1st time IFRS 16*

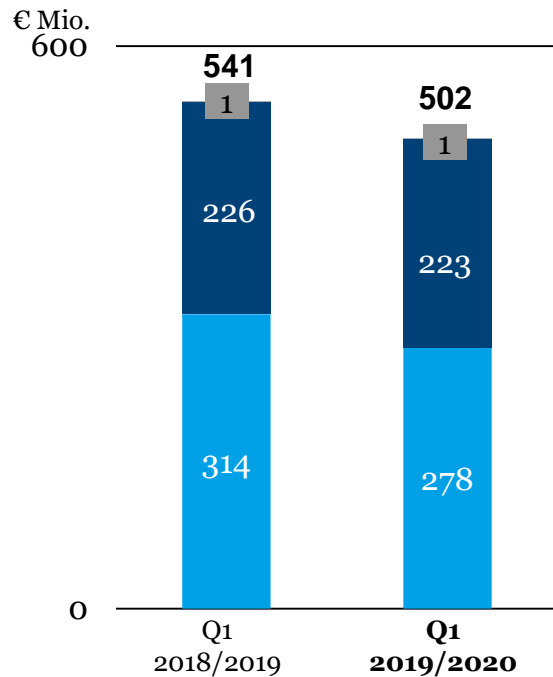
	FY 18/19*	FY 19/20	Δ pY
Order intake	665	615	-50
Sales	541	502	-39
EBITDA excl. restructuring result	20	14	-6
EBIT excl. restructuring result	2	-10	-12
Restructuring result	0	-3	-3
Financial result	-16	-13	+3
Net result before taxes	-14	-26	-12
Net result after taxes	-15	-31	-16
Free cash flow	-45	-83	-38
Leverage	1,4	2,1	

*The previous year's figures were not adjusted.

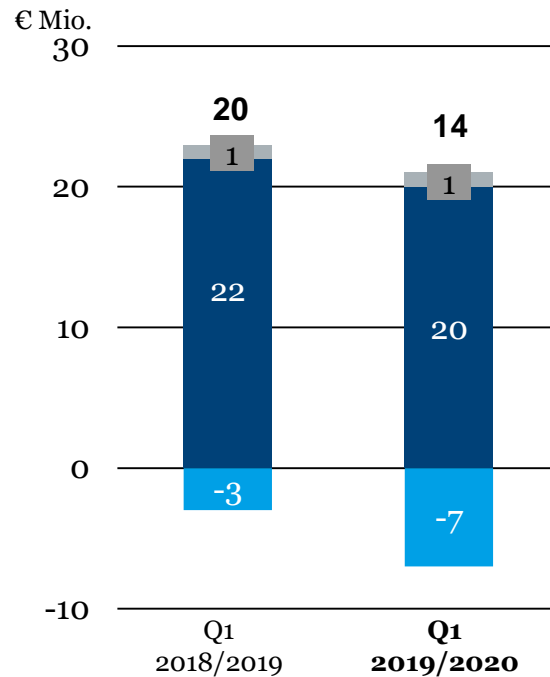
Key Financial Highlights.

Sales and EBITDA by segment in Q1 19/20.

Sales by segment



EBITDA* by segment



- Heidelberg Digital Technology:**

Sales have been restraint due to the worsened economic conditions. Lower sales, a less favorable product mix, and lower capitalization of development costs reduced margin and earnings.

- Heidelberg Lifecycle Solutions:**

Sales and earnings were marginally below the level of the same quarter of the previous year. EBITDA* margin at 9.2 % (previous year: 9.4%).



Heidelberg Digital Technology



Heidelberg Lifecycle Solutions



HD Financial Services

Key Financial Highlights.

Decrease in equity due to decline of discount rate for domestic pensions.

> Assets

Figures in mEUR

	FY 2019 30-06-2018	FY 2019 31-03-2019	FY 2020 30-06-2019
Fixed assets	824	846	896
Current assets	1.337	1.395	1.354
thereof inventories	692	685	777
thereof trade receivables	295	360	283
thereof receivables from customer financing	62	60	58
thereof cash and cash equivalents	204	215	151
Deferred tax assets, prepaid expenses, other	94	88	98
thereof deferred tax assets	68	76	73
thereof prepaid expenses	27	12	25
Total assets	2.256	2.329	2.350

> Equity and liabilities

Figures in mEUR

	FY 2019 30-06-2018	FY 2019 31-03-2019	FY 2020 30-06-2019
Equity	332	399	295
Provisions	846	880	921
thereof provisions for pensions	523	582	651
Other liabilities	1.011	962	1.051
thereof trade payables	234	245	221
thereof financial liabilities	481	465	542
Deferred tax liabilities, deferred income	67	88	84
thereof deferred tax liabilities	4	5	4
thereof deferred income	62	83	79
Total equity and liabilities	2.256	2.329	2.350
Equity ratio	15%	17%	13%
Net debt	278	250	391

- **Fixed assets** increased mainly due to the 1st-time application of IFRS 16.
- **Equity** decreased due to decline of discount rate for domestic pensions from 2.0 to 1.5 percent – equity ratio stood at 13 %.
- Due to the expected rise in deliveries and sales in the 2nd half of FY and the series launch of the digital portfolio, **inventories** exceeded the level as of the end of the 2018/2019 financial year.
- Consequently, **net working capital (NWC)** also rose to € 710m as of June 30, 2019 (June 30, 2018: € 606m; March 31, 2019: € 684m).
- **Net debt** rose to € 391m (incl. € 55 million from IFRS 16).

Net Working Capital.

NWC and FCF program launched for active cash management.

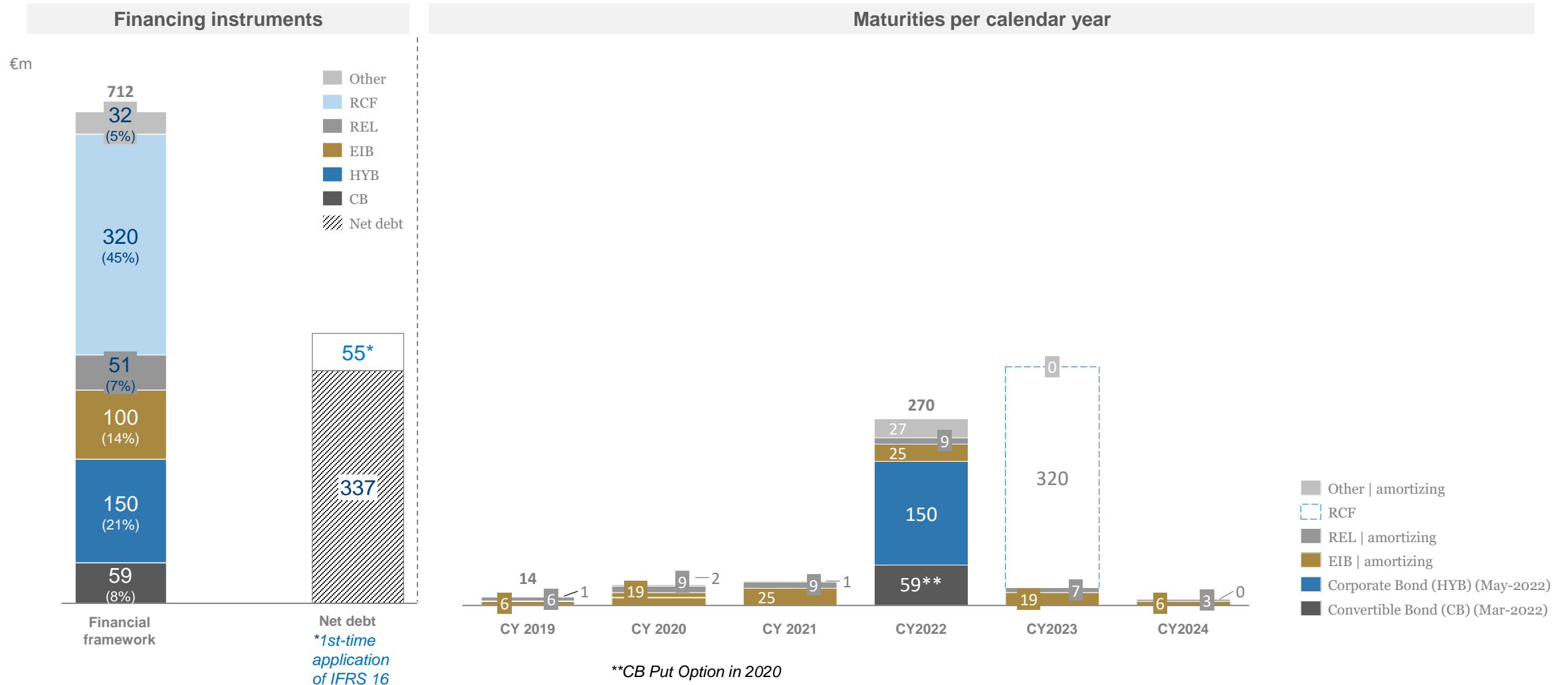


- Net working capital **sustainably reduced to below 30 percent** of sales.
- Temporary increase of NWC (Q1 € 710m) for higher sales volume in HY2. Ramp-up of digital business and higher volume in Chinese factory burden NWC.
- Measures for further reduction initiated:
 - Optimize lead times and inventory levels
 - Improve receivables management
- Reduction of tied-up capital by around €50 m envisaged.



Our financial framework as of June, 30 2019.

Stable financial framework and sufficient liquidity resources (incl. IFRS 16).



Outlook Financial Year 19/20.



- Sales on previous years' level
- **EBITDA-Margin** w/o restructuring result **between 6.5 – 7 %**
(including IFRS 16 adjustments)
- **Balanced Net result**

Backup



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

Free cash flow.

Investments in the digital future of Heidelberg.

(1) Cash flow slightly negative

(2) Net Working Capital rose due to the expected rise in deliveries and sales in the 2nd half of FY and the series launch of the digital portfolio.

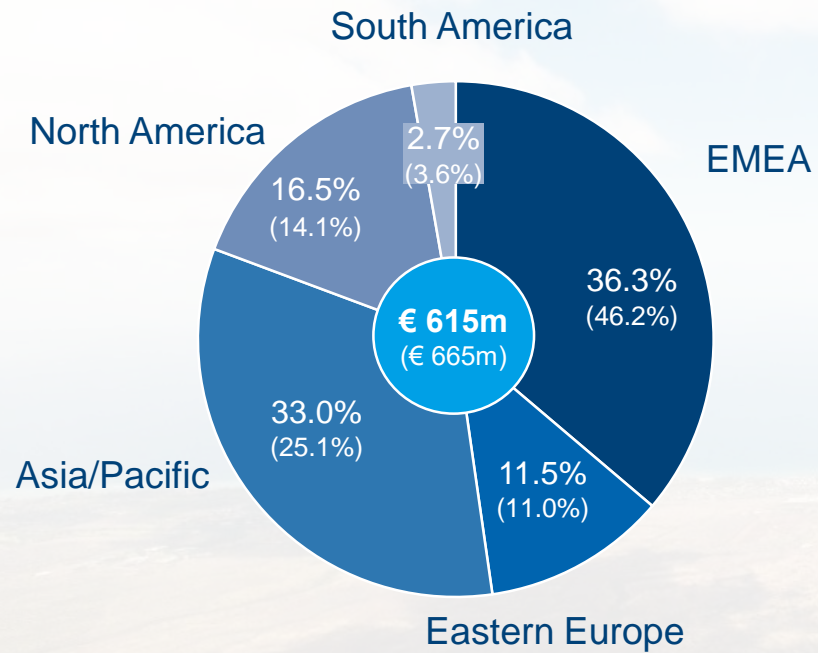
(3) As planned, **investments** at the (high) level of the previous year, especially for:

- **Digital projects**
- **Ramp up of new business models**
- **Smaller M&A deal from the software sector**

	Q1 18/19	Q1 19/20	ΔpY
Net result after taxes	-15	-31	-16
(1) Cash flow	3	-4	-7
Other operating changes	-35	-62	-27
(2) thereof Net Working Capital	10	-30	-40
Cash flow and other operating changes	-32	-66	-34
(3) Cash used in investing activities	-12	-17	-5
Free cash flow	-45	-83	-38

Order intake – regional split. Strong China and weakening EMEA.

Regional order intake Q1 2019/20 (Q1 2018/19)



Financial calendar 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



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