

Ulrich Hermann, CDO



Digital Business Models



Growth through digital transformation.

Digital business models.



Heidelberg goes digital.

Big Data provides the basis for digital revenue models.



Data as a strategic asset

More than 10.000 Heidelberg machines
and 15.000 Prinect modules connected.

Combined with central analytical and
predictive logic.

**Transactional
business
model**

“pay per unit”

Ecommerce

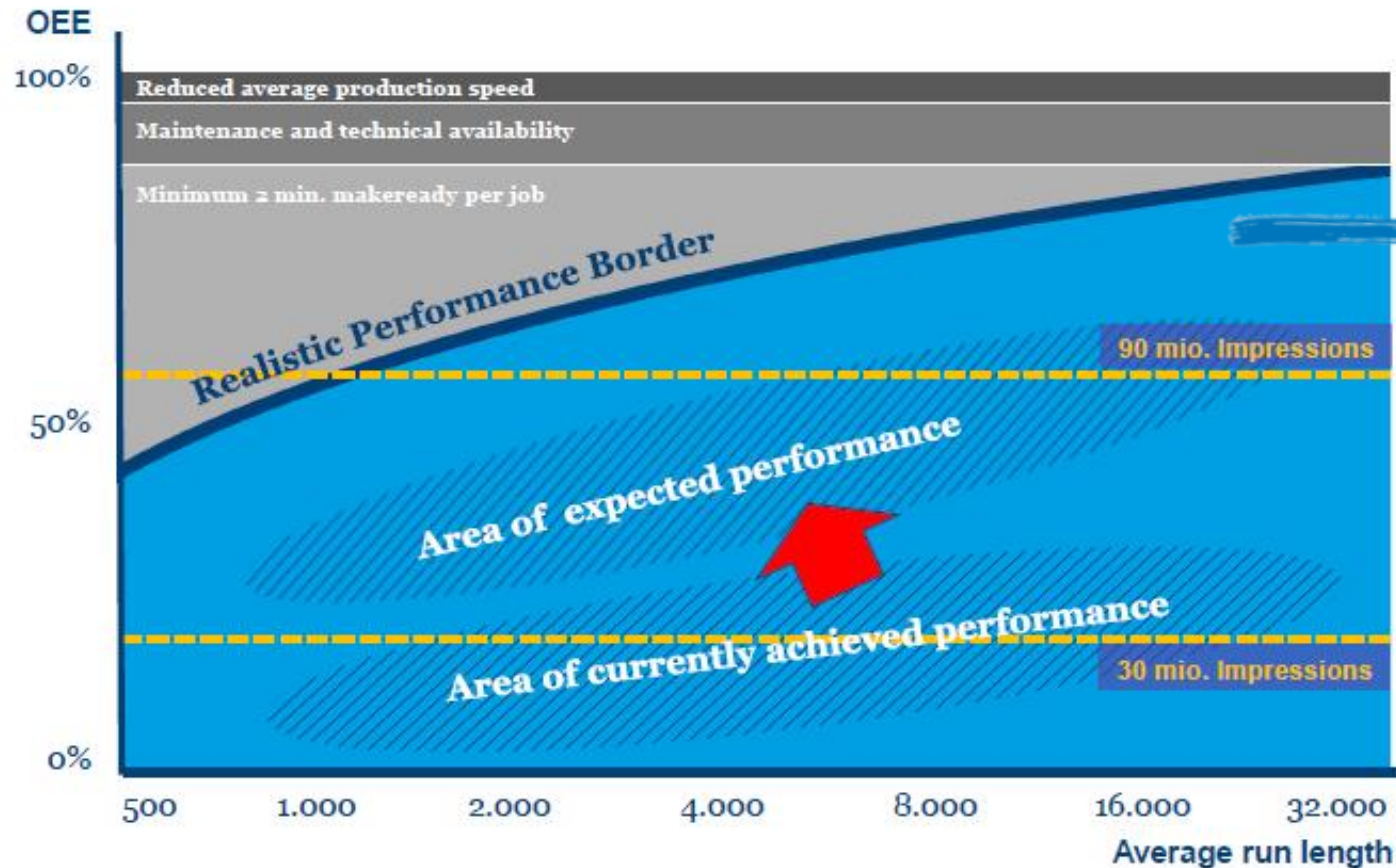
“Heidelberg
ecosystem”

**Subscription
model**



“pay per print”

Customer are expected to triple productivity.
with improving OEE over the next decade.



What will happen?

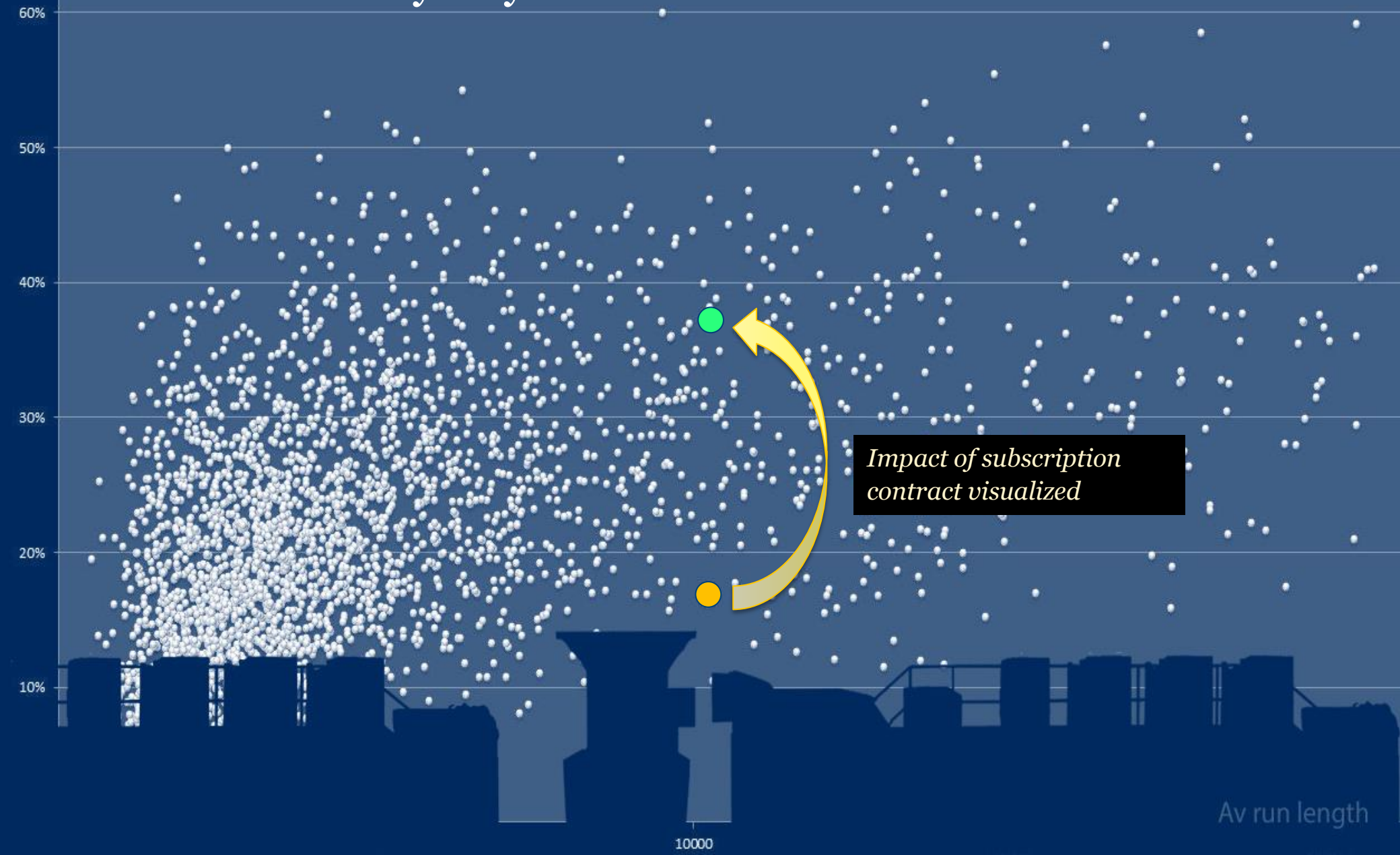
Increased utilization of installed equipment leads to declining number of printing units

What can we do?

OEE

Real data of ~ 3.000 machines by
 $F(x)=OEE(\text{run length})$ – Jan 2018

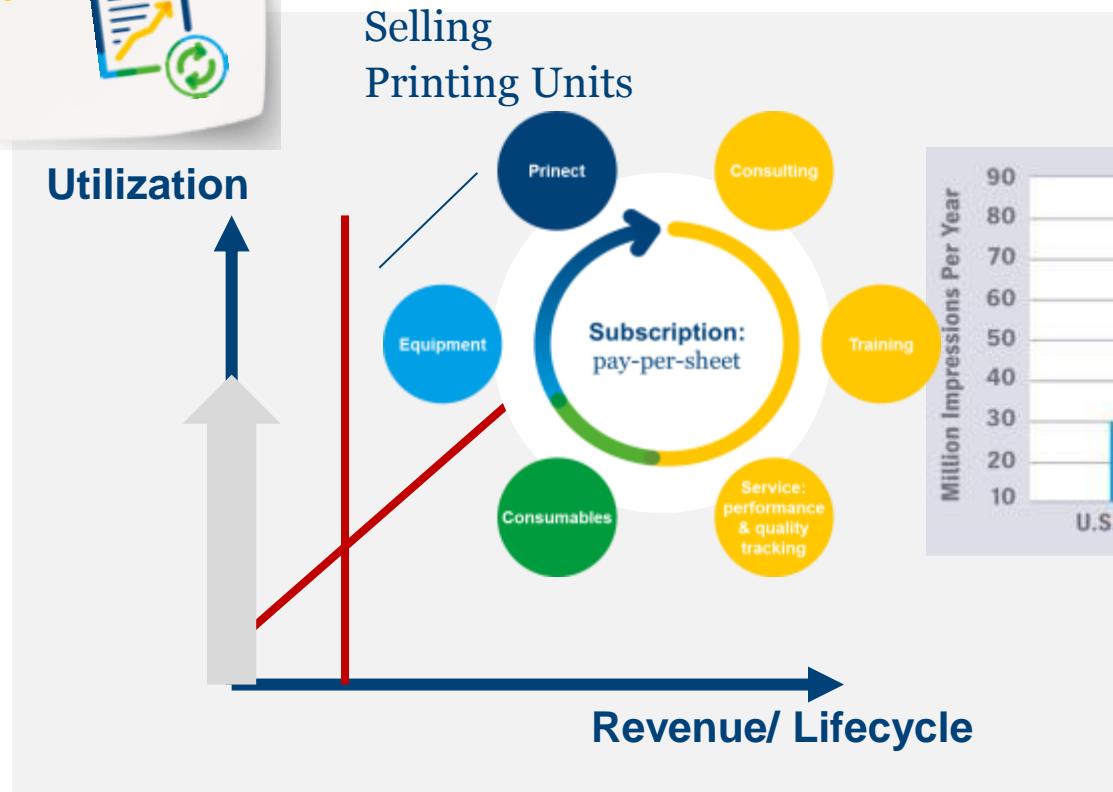
The Sheetfed Milky Way



Revenue will grow.
If we make us depend on the utilization of printing units.



User experience to drive utilization. **Utilization** to drive revenue.

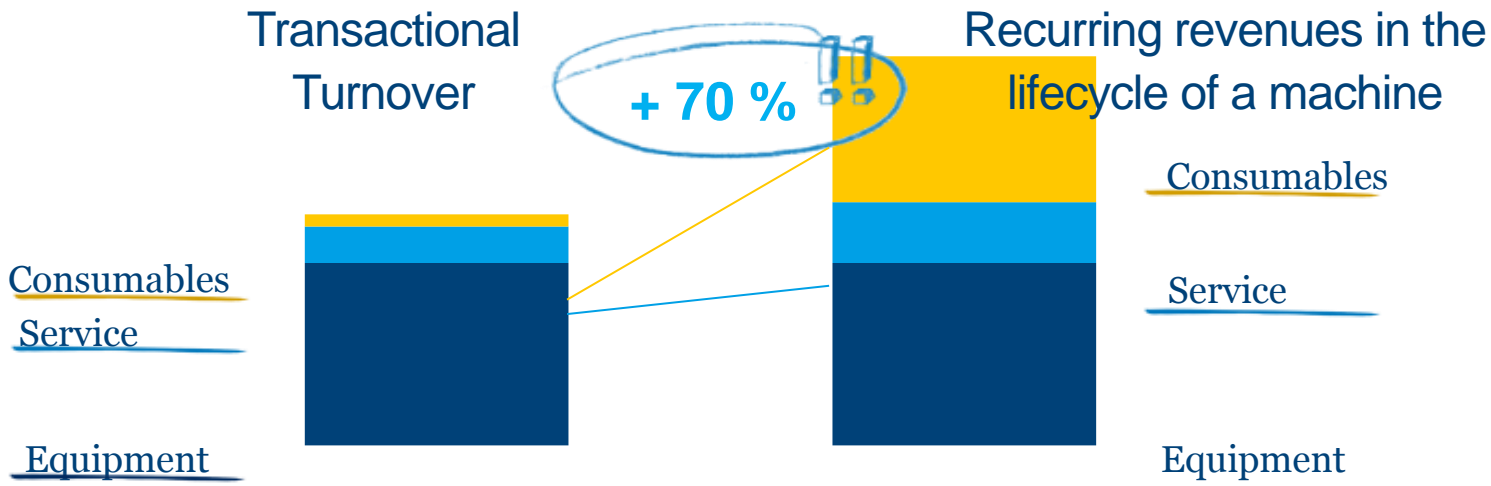


Growth through digital transformation.

Recurring revenues in the lifecycle of machines.



Comparison Lifetime-Value over 5 years

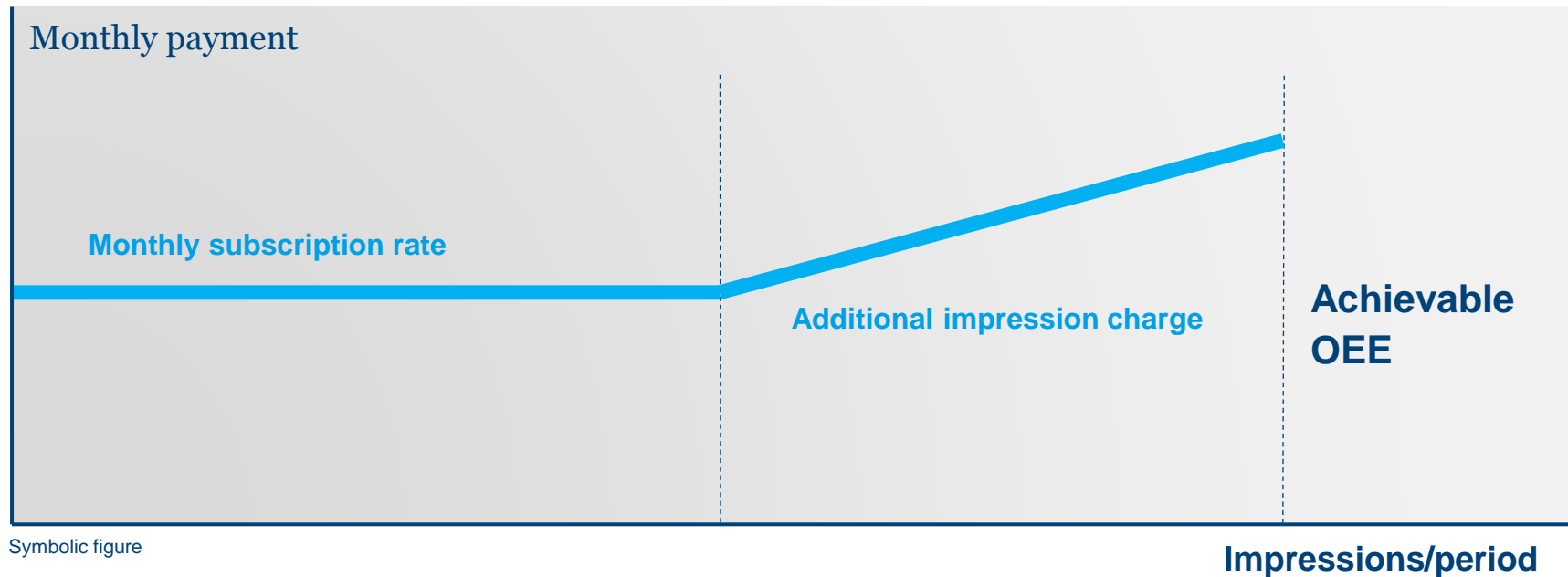


1. **Growing Order intake**: Subscription allows immediate substantial **increase in consumables share**
2. **Stable sales**: **Full compensation** of short-term decline in revenue from deferred revenue during transition phase
3. **Growing profit – stable cash flow**: High lock-in of customers provide **higher margins** and sustainable future **profitable growth**



Calculation model.

Pay a fixed price for output.





Calculation model.

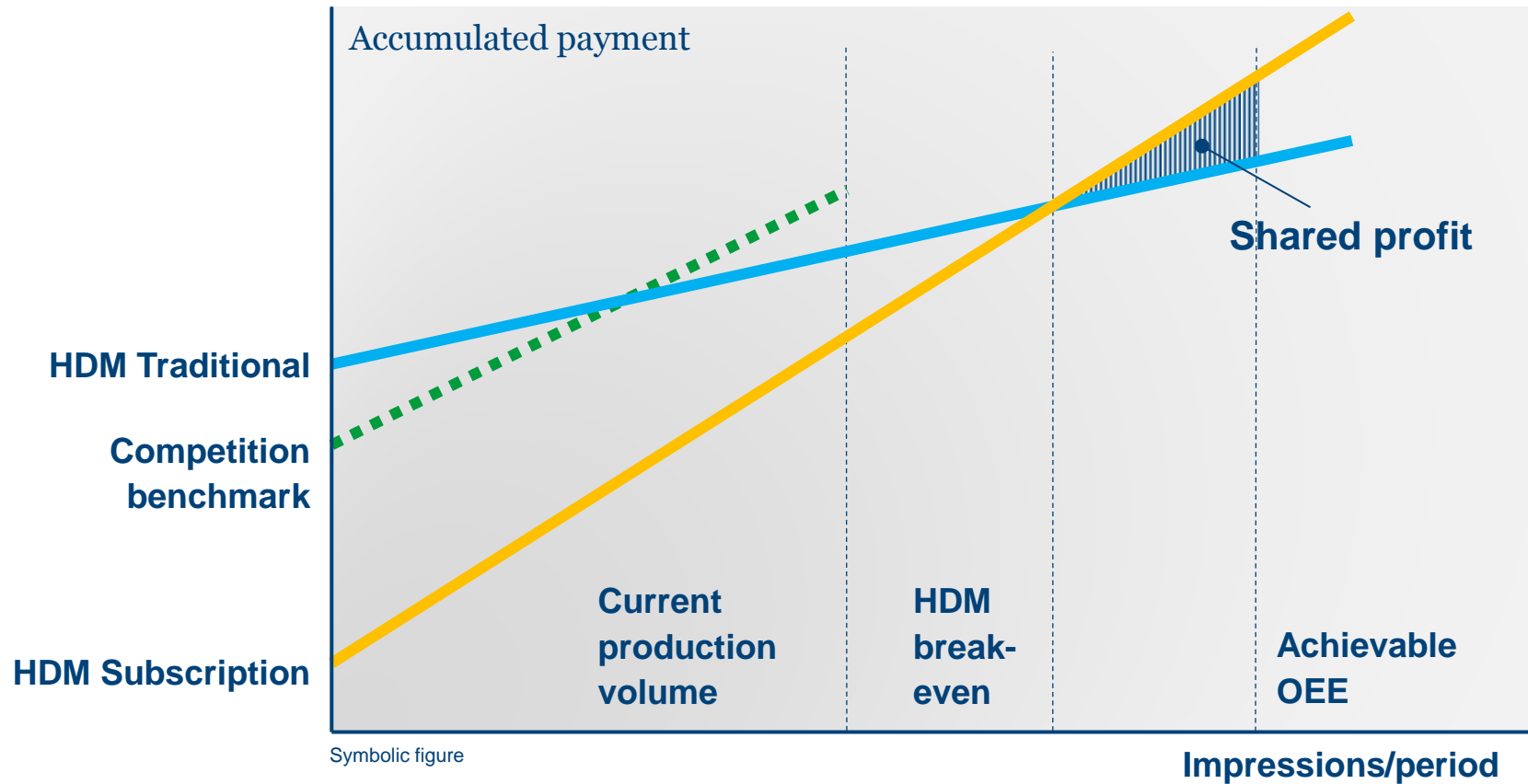
Pay a fixed price for output.

Contractual services	Payments	Due date
<ul style="list-style-type: none">• Machine(s)• Software licenses• Consumables• Service	Non-refundable subscription payment	One-time, after signing the subscription contract
	Monthly subscription rate	Each calendar month in advance
	Impression charge	After receipt of a respective invoice



Calculation model.

Shared profit interest.





Specific customer case calculation.

Replacement of a ten year old Speedmaster SX 102 with a Speedmaster XL 106.

Current cost structure 32 million impressions per year		28 million impressions per year 2.3 million impressions per month		44 million impressions per year 3.7 million impressions per month	
2016	SX 102-8-P	Annual cost	Euro	Annual cost	Euro
Consumables	EUR 351,450	Subscription payment	840,000	Subscription payment	840,000
Service	EUR 110,550	Charge / impression	0.03	Charge/ impression	0.03
Equipment	EUR 530,000			Impression charge	400,000
				Charge/ impression	0.025
Total	EUR 992,000	Total	840,000	Total	1,240,000
Total / impression	EUR 0.031	Total / impression	0.03	Total / impression	0.028



What's in it for our customer: **Heidelberg Subscription.**

- **No investment in machinery**
- **No transactional cost**
- **Financing?**

We and our partners take care of it on their behalf!



- **Customers shape the limits – flexibly**
- **Less waste sheets**
- **Continuous training of staff**



The customer gets the freedom to

- **build and maintain more profitable relationships with their customers**
- **focus even stronger on the development of their best business ideas and value propositions**
- **acquire additional print volume**

Successful. Launch of Subscription model.



- **Robust pipeline** - >100 opportunities identified, represent >600m € value
- Interest growing **every day**
- **Goal: 30 customers** by end of FY19 more than realistic
- Average **5 years contract**
- Average **>1 million € recurring revenue per machine per year**; above-average margin
- **Global rollout:** Specialist Subscription teams established in all regions



Heidelberg and WEIG implement new digital business model for folding carton printing

Moritz Weig, Managing Proprietor WEIG Packaging

Customer Perspective



**Smart
Print Shop**

**Digital
Packaging**

Subscription



HEIDELBERG



WEIG

driven by care.

The Heidelberg Subscription Model – a new level of partnership.

Moritz J. Weig
Managing Proprietor

Heidelberg Capital Market Conference
Frankfurt 10th April 2018

RECYCLING

KARTON

PACKAGING

AND MORE.



YAGUARETE

Moritz J. Weig

Third generation member
of the owner family.

Managing Proprietor
together with my brother Xaver Weig.

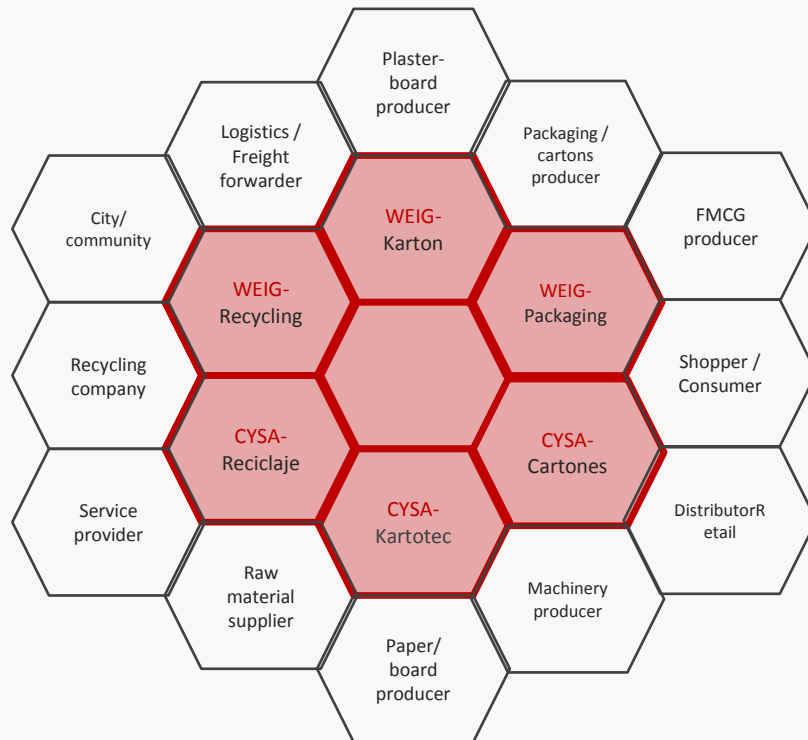
Various functions in
trade associations as well as
commercial and social organizations.

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www.weig.de



Owner-managed group of companies with *paper focus*.



**WEIG is an owner managed,
internationally operating group of
companies**

driving a network of

own

- **packaging companies**
- **paper, resp. board mills**
- **recycling services**
- **external partners.**

Our market focus is on the

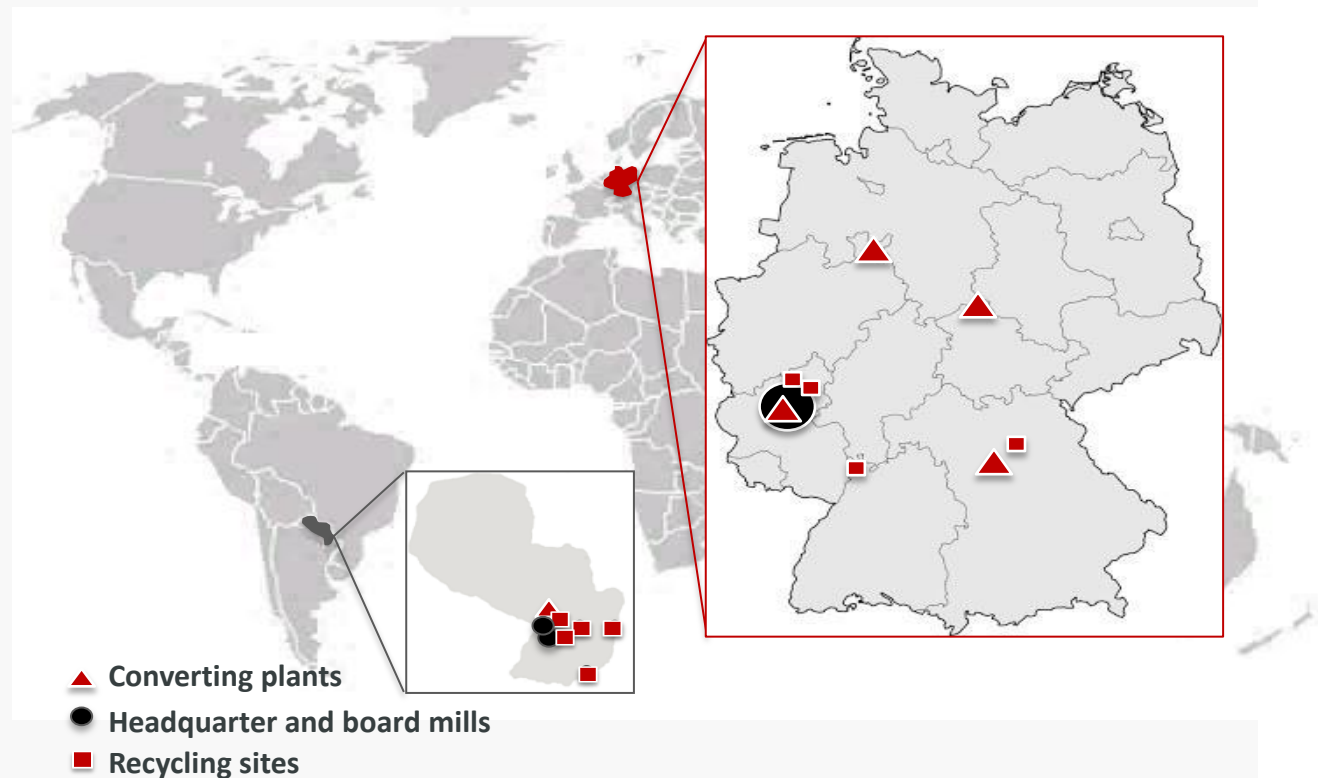
- **FMCG producers**
- **as well as**
- **Gypsum Panel Industry.**

Locations and key figures of the *company group*.

Revenue: **500 Mio. €**
non-consolidated

Employees: **1.500**
worldwide

5 Converting plants
2 Board mills
10 Recycling- and trading sites



Integrated supply chain offering *security*.



WEIG integrates succeeding value chain levels. Our market- and production know how provides security in

- **Converting (WEIG-Packaging)**
 - Cartons for FMCG
 - Corrugated Boxes
- **Board production (WEIG-Karton)**
 - Recycled cartonboard for cartons
 - Technical paper for gypsum panels
- **Raw materials (WEIG-Recycling)**
 - Paper for recovery
 - Other recycable fractions

Exercised circular economy demonstrating *product stewardship*.



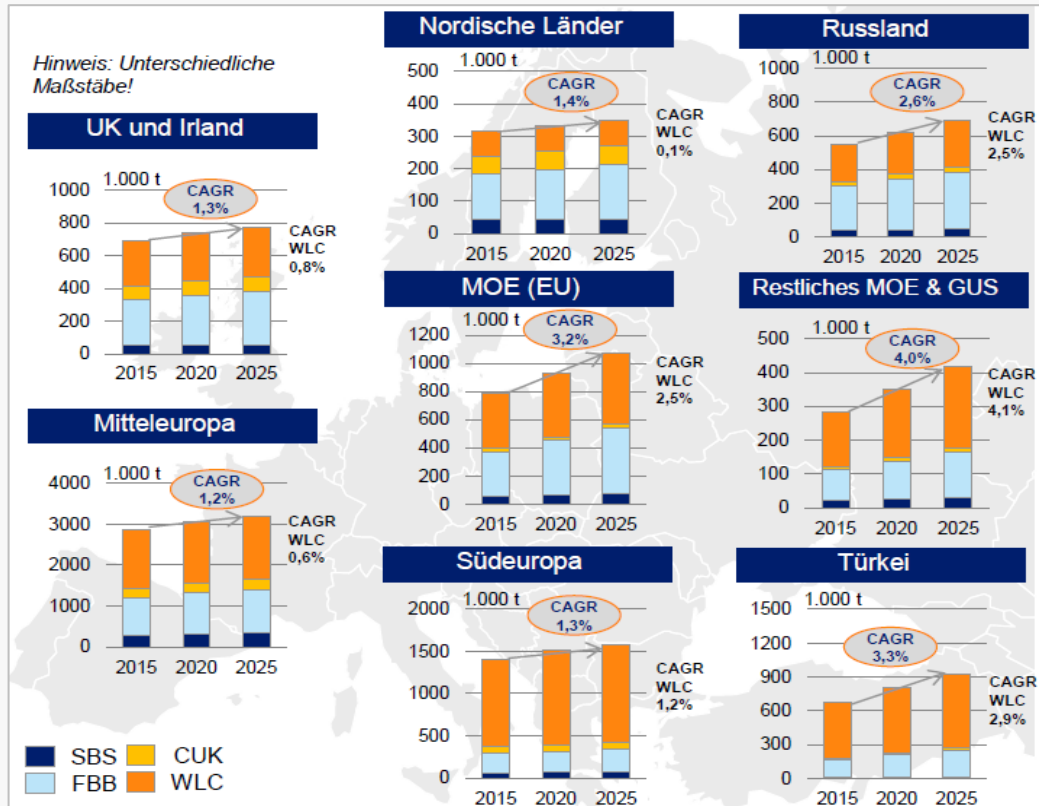
WEIG closes the value circle by cooperating with brand producers, the retail and communities.

The retail provides impulses via

- **WEIG-Recycling** on the input-side as well as via
- **WEIG-Packaging** at the end of our value chain.

By reusing paper-based packaging from the retail and recovered paper from private households we meet the aims of paper product stewardship.

Cartons and other paper based packaging - markets of *the future*.



Cartons, with its recognized sustainability advantages, enjoy a longterm positive growth trend.

- Worldwide: paper and board packaging counts for 31% of all packaging (by weight)
- Europa: 6 Mio. tons of cartons being produced, creating 12 Bn. €
- Germany: 46% of packaging are made from paper and board (by weight)
- Continuous growth rates - even in mature markets (+1,5% cagr)

Sources: b+p, ECMA, GADV, Pöyry

Operational Excellence is key for **success**.



Cartons and cartonboard are in continuous competition with other packaging and packaging materials. Operational excellence is essential along the complete value chain.

Requirements, which need to be jointly addressed by producers and suppliers, based on data provided along the complete value chain, are:

- Improving quality levels
- Reducing setup times
- Increasing printing speed

Vertical integration supports customer focus and efficiency gains.

Digital transformation enables *success*.



The availability of data within a network of industrial and service partners and the possibility to use these data in a predictive way, are essential for WEIG to achieve a new level of customer orientation.

- Machinery provider (**Heidelberg**)
- Board supplier (**WEIG-Karton**)
- Consumables supplier
- Carton converter (**WEIG-Packaging**)

The usage of data from material suppliers and machinery setup information will allow system-driven adjustments to maximise flexibility, quality and output.

The Heidelberg subscription model a big change towards *customer focus*.



The new business model enables WEIG to shift from production focus to customer focus.

Whereas Heidelberg is taking care on our production performance by using our manufacturing data, WEIG can concentrate on taking care of its customers -

by providing improved and new services, which again will help all participants of the complete FMCG supply chain to cope better with the constantly changing market challenges.

The Heidelberg subscription model a tool for *our benefit*.



From our customer point of view WEIG will benefit from the Heidelberg subscription model.

- Investment paid per use
- Joint efficiency aims supported by IoT-Technology
- Printing press, consumables and services - all from one supply
- Reduced working capital
- Colour management for constant quality and minimized down time.

Looking forward
to get ***started.***



The partners Heidelberg and WEIG are eager to get started. There is unlimited commitment and support from both parties to make this new level of partnership a success.

Installation of Equipment: April 2018
Start-up: June 2018

Dirk Kaliebe

Growth financing



Smart
Print Shop

Digital
Packaging

Subscription



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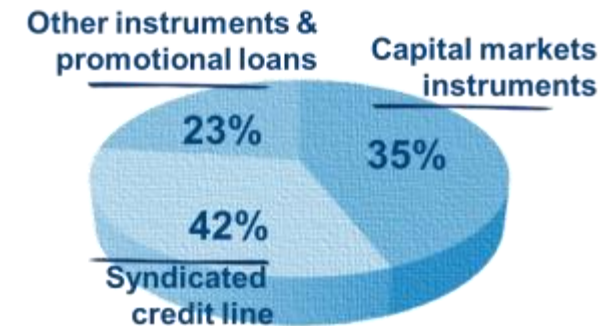


General financing strategy.



☛ Diversification of financial instruments – three-pillars

- Revolving credit facility
- Capital market instruments
- Special financing

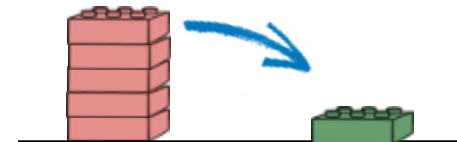


☛ Diversification of maturities



☛ Net debt reduction in line with profitability

- Leverage with 1.3 well below target level of <2x

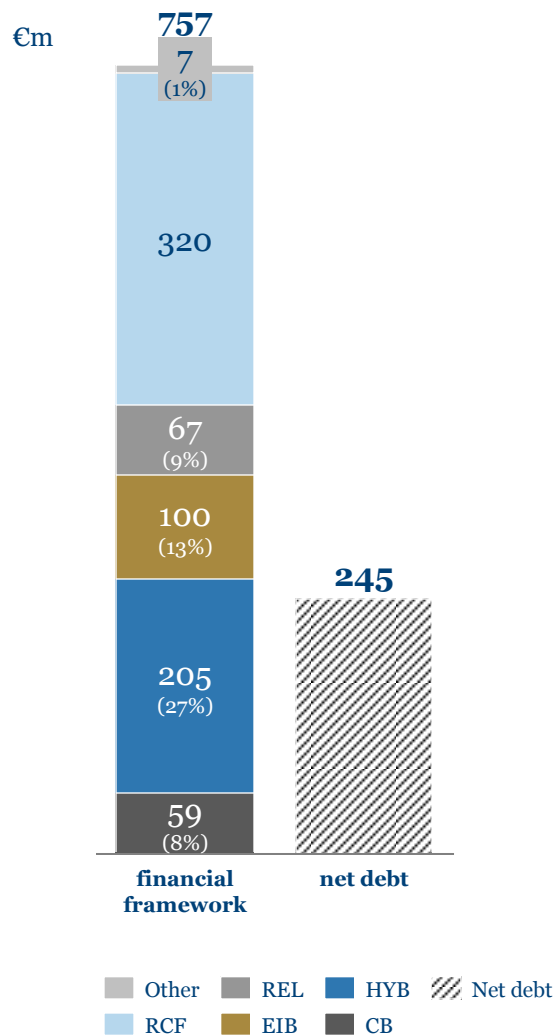


☛ Long-term base financing of net debt

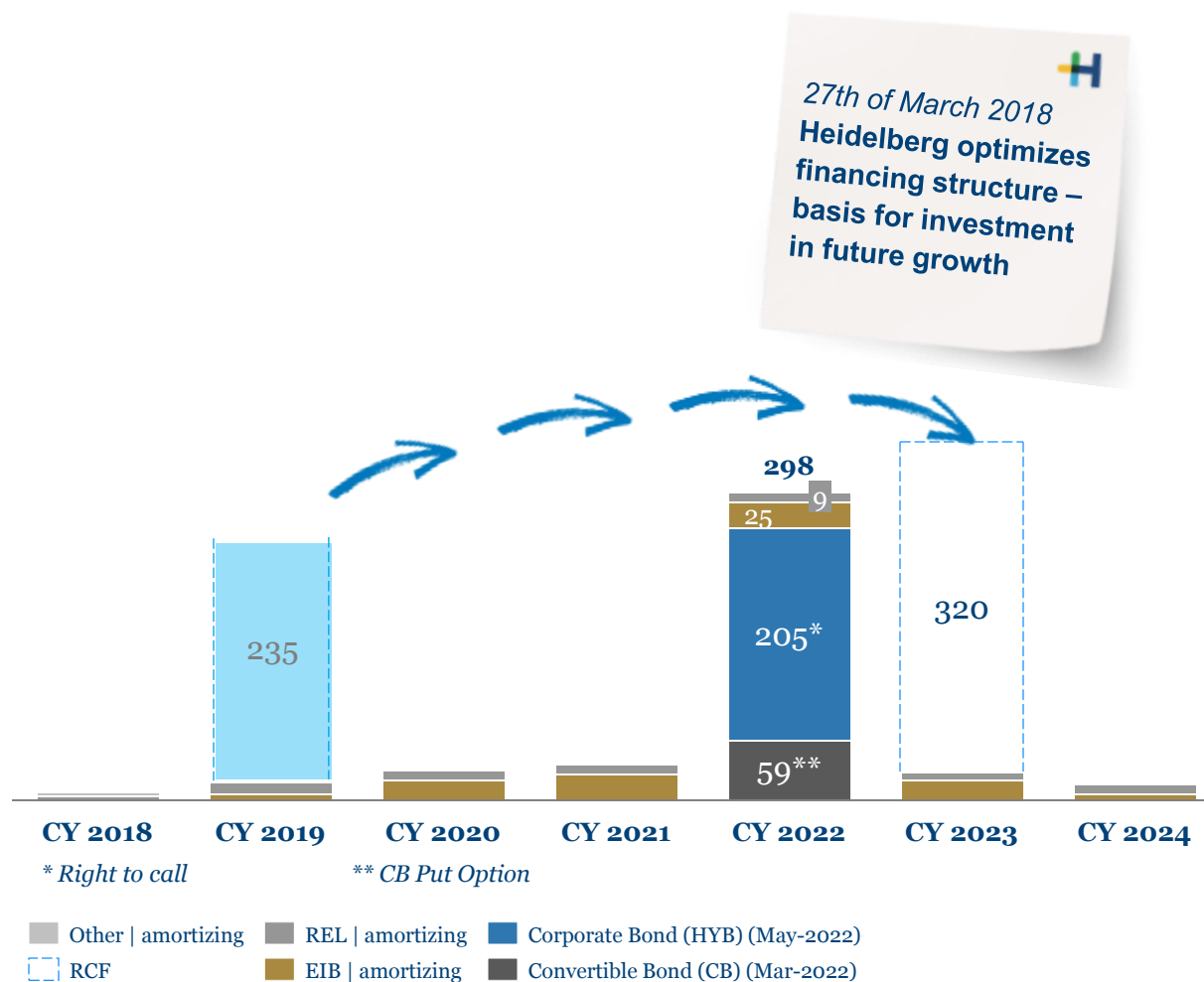
Financial framework & maturity profile



financial instruments



maturity profile per calendar year



Financing strategy.

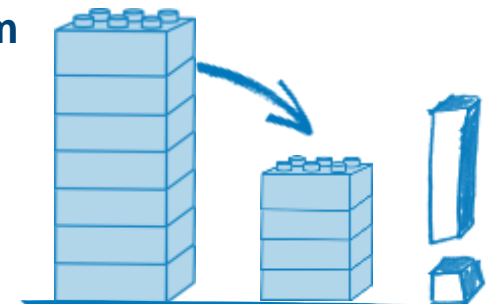
Basis for investment in future growth.

🔑 Growth financing

- European Investment Bank (EIB) for R&D ✓
- Syndicated credit facility (RCFA) for ✓
 - investments in new business models ✓
 - smaller M&A projects ✓
 - investments in **industrial digital printing** for label & packaging ✓
 - operational payments ✓
- Acquisition of PSG, FUJIFILM Consumables EMEA and Docufy ✓
- Investments in **relocation of R&D center** ✓

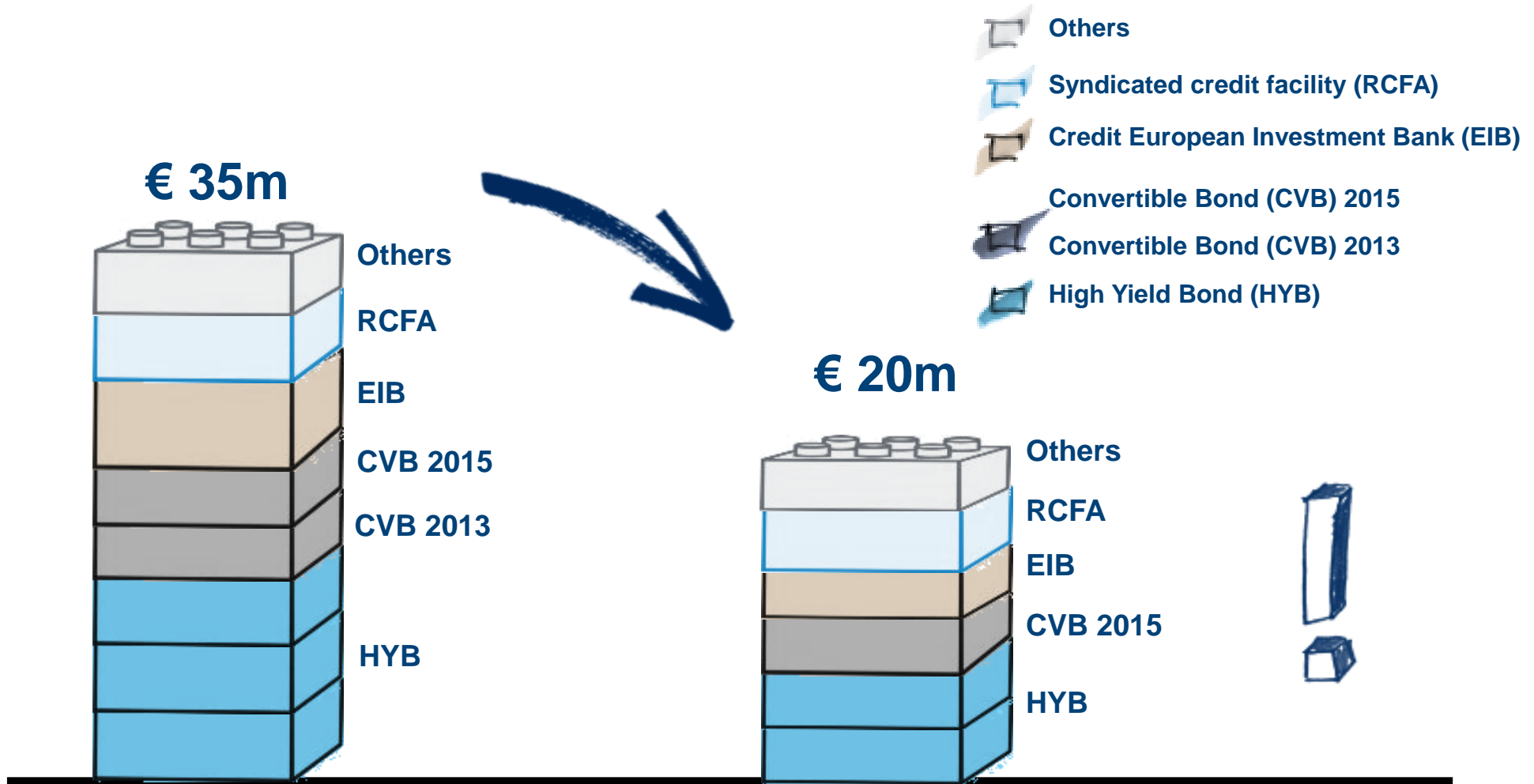
🔑 Aim to considerably reduce financing costs from € 35m to € 20m in the medium term

- Refinancing of expensive financial instruments



Interest costs.

To be reduced to around €20 million in the medium term.



Financial Calendar



Figures FY2017/2018

June 12, 2018



AGM FY 2017/2018

July 25, 2018

Release of the figures for the
first quarter 2018/2019

August 07, 2018

Release of the figures for the
second quarter 2018/2019

November 08, 2018

simply smart





Important notice

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