

PEOPLE MAKE MACHINES SMART.

Heidelberger Druckmaschinen AG – Investor presentation



Disclaimer

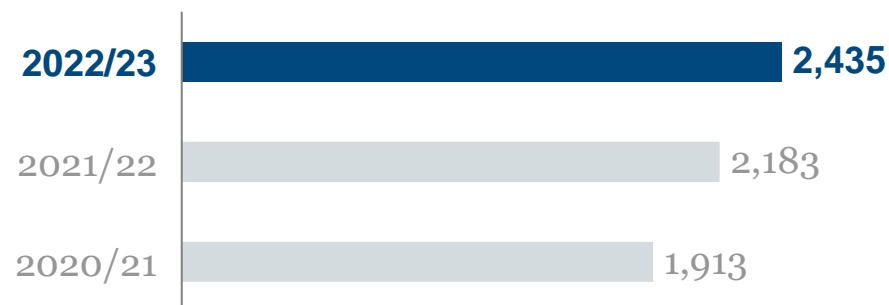
This release contains forward-looking statements based on assumptions and estimations by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the Management Board is of the opinion that those assumptions and estimations are realistic, the actual future development and results 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.

Heidelberg.

Company at a glance.

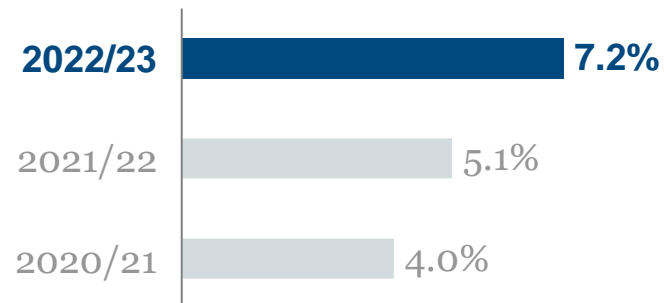
Net sales

in million €



Adjusted EBITDA margin

in % of sales



Market shaper in two major print segments

Packaging



Commercial



Leveraging our technology strength in new markets



~9,500 employees in 170 countries



Shares listed on the SDAX



83% of shares free float, 17% anchor investors



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HEIDELBERG at a glance

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Core business printing

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Technology Solutions

4

ESG commitment

5

Financials & Outlook

Print remains an important economic factor.

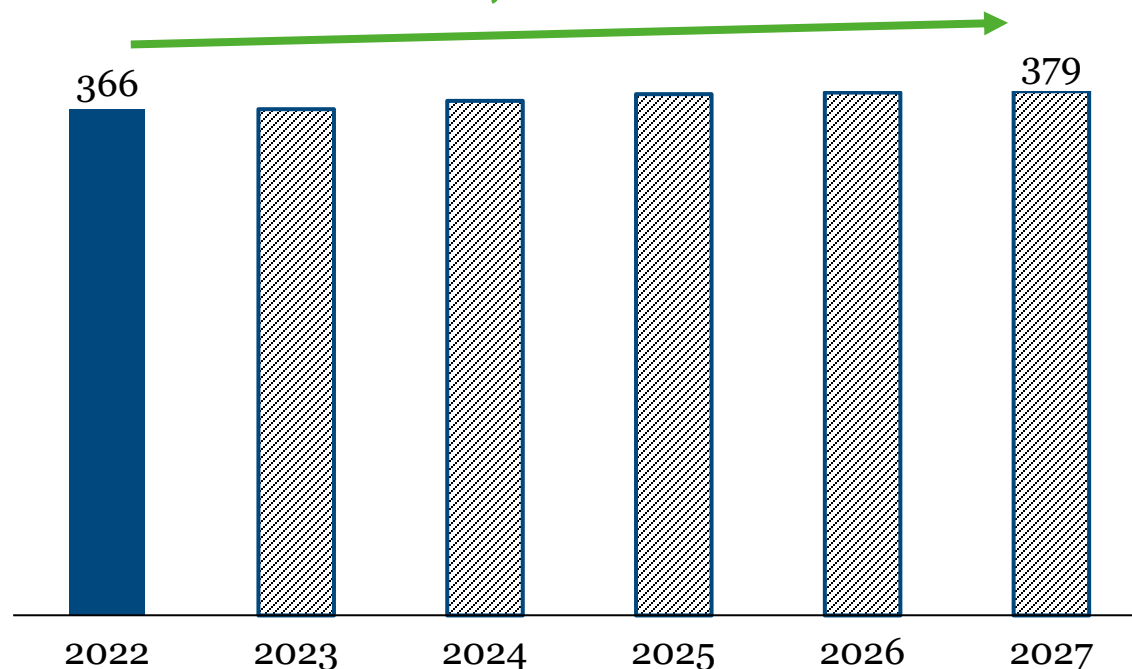
Global print production volume is slightly growing.

Print production volume refers to total value of printed goods as charged by printing companies to clients

Global print production volume

in bn€

+0,7% CAGR

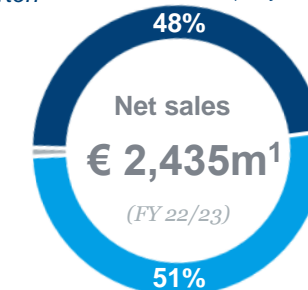


*Print production volume refers to total value of printed goods as charged by printing companies to clients.
Source: Heidelberg estimate – October 2022, industry statistics, PIRA, RISI, Global Insight

Packaging Solutions

The packaging printing market will **outgrow the overall printing market**, accounting for half of it by 2027.

Low production costs for very long runs is the key to success!



Print Solutions

The commercial printing market is **developing broadly stable** - with digital gradually gaining share.

Optimized cost-per-print for short and flexible runs as a success factor!



¹Technology Solutions accounts for 1% of net sales

What drives our markets?

HEIDELBERG's growth opportunities arise from underlying trends.

Overall trend

How does HEIDELBERG benefit from it?

Macro trends

Demographic trends

A growing and ageing population will consume more packaged products, especially for food and medicines.

Change in lifestyle

Growth of single households and urbanization is driving an increased demand for convenience packaging and smaller packaging sizes.

Sustainability

Fiber-based packaging is replacing polymers due to environmental awareness and legislation, enabled by paper technology advancements.

Shortage of skilled labor

HEIDELBERG offers highly automated and integrated printing workflow technology that reduces human intervention.

Shorter print runs (commercial)

Digital printing is gaining market share as it benefits from the trend towards smaller print runs in the commercial printing sector.

Industry specific

Dual track.

We continue to evolve printing business and explore new business areas.



Shaping the printing market



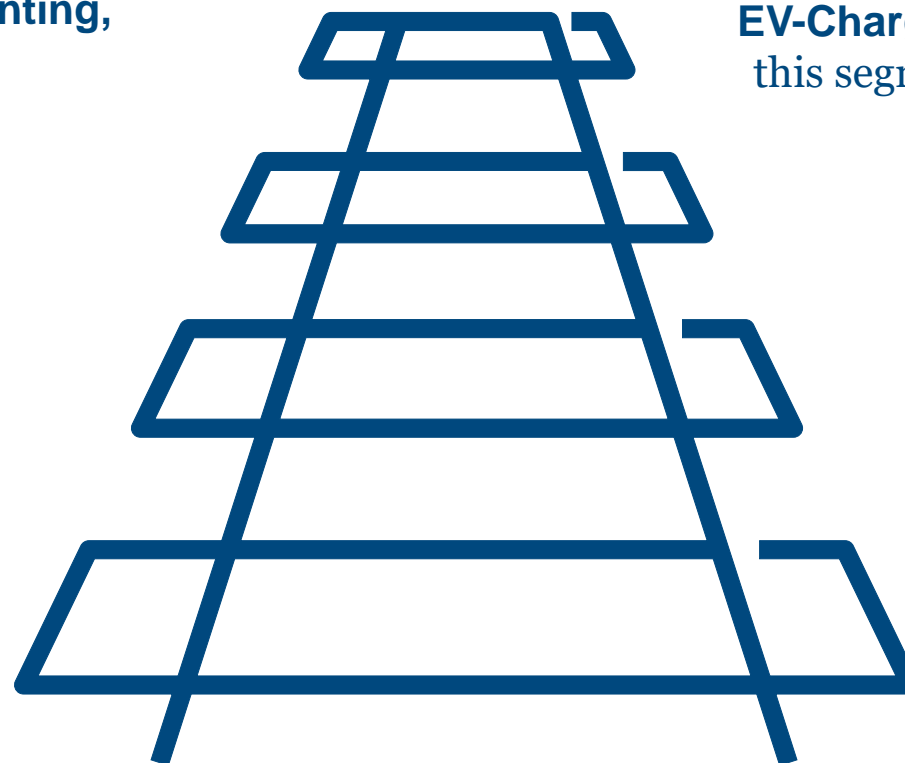
Address growing **packaging printing**, volume also in **new markets** – **productive workflows** are key.



Focus on **digital printing** in the commercial segment.



Expand the share of recurring revenues, also through lifecycle business.



Explore new adjacent business areas



EV-Charging business, as the first step in this segment, benefitted from **technology synergies to the core business**.



New business fields must:



- address **megatrends**
- have a critical **market size**
- and **fit HEIDELBERG's capabilities**.



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Financials & Outlook

Packaging printing. A steadily growing opportunity.

End-markets addressed by our customers (selection)

Pharmaceuticals

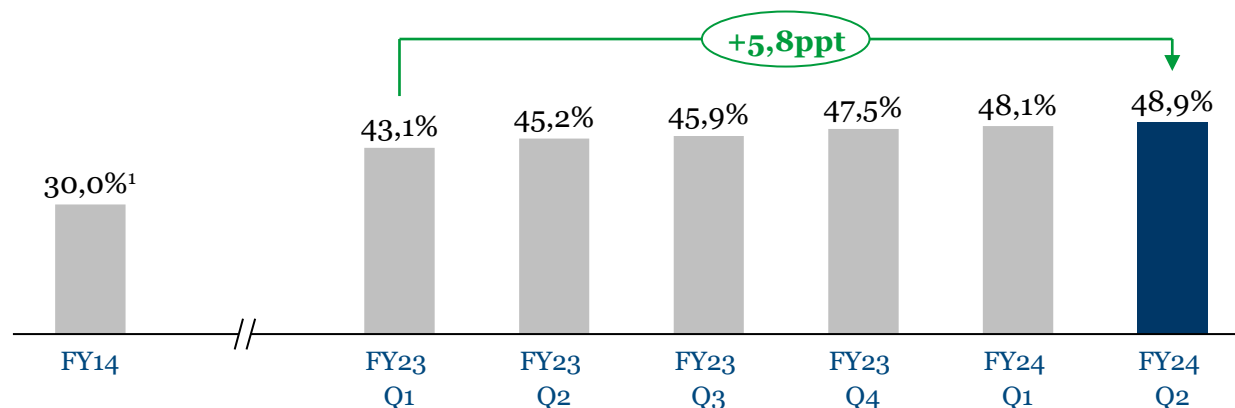
Food/Beverages

Consumer Goods



Packaging Solutions segment's share of total sales

Rolling average of the last four quarters



What makes us unique?

Clear market leader in core technologies



HEIDELBERG is the market leader in offset printing, the most dominant technology in folding carton production.

Focus on productive workflows



Packaging printing is all about producing high volumes at low unit costs, so productivity is key.

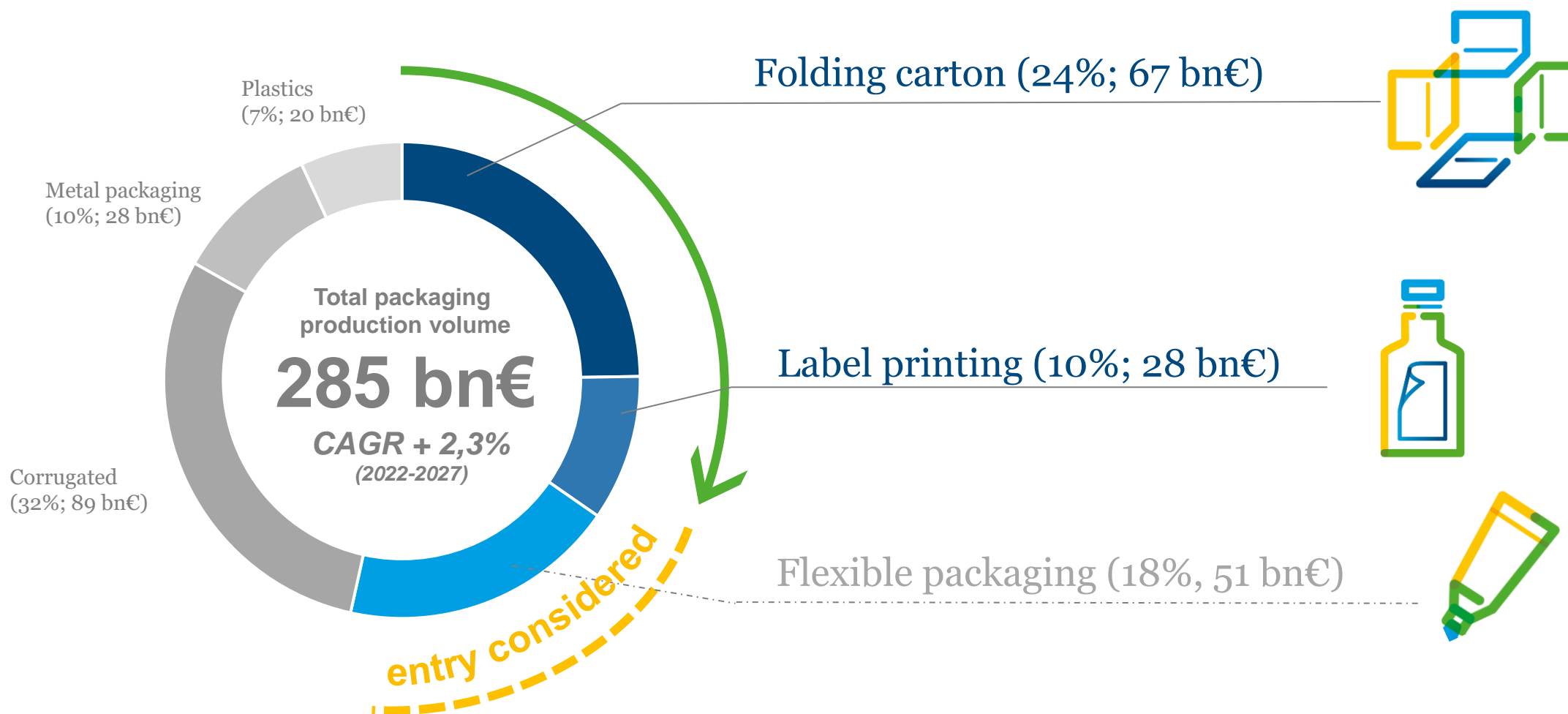
Strong position in growing Asian markets



45 percent of global packaging sales will take place in Asia by 2030, where HEIDELBERG has a strong position.

Packaging printing.

HEIDELBERG currently serves one-third of the global packaging market.



Source: Heidelberg estimate – October 2022, industry statistics, PIRA, RISI, Global Insight

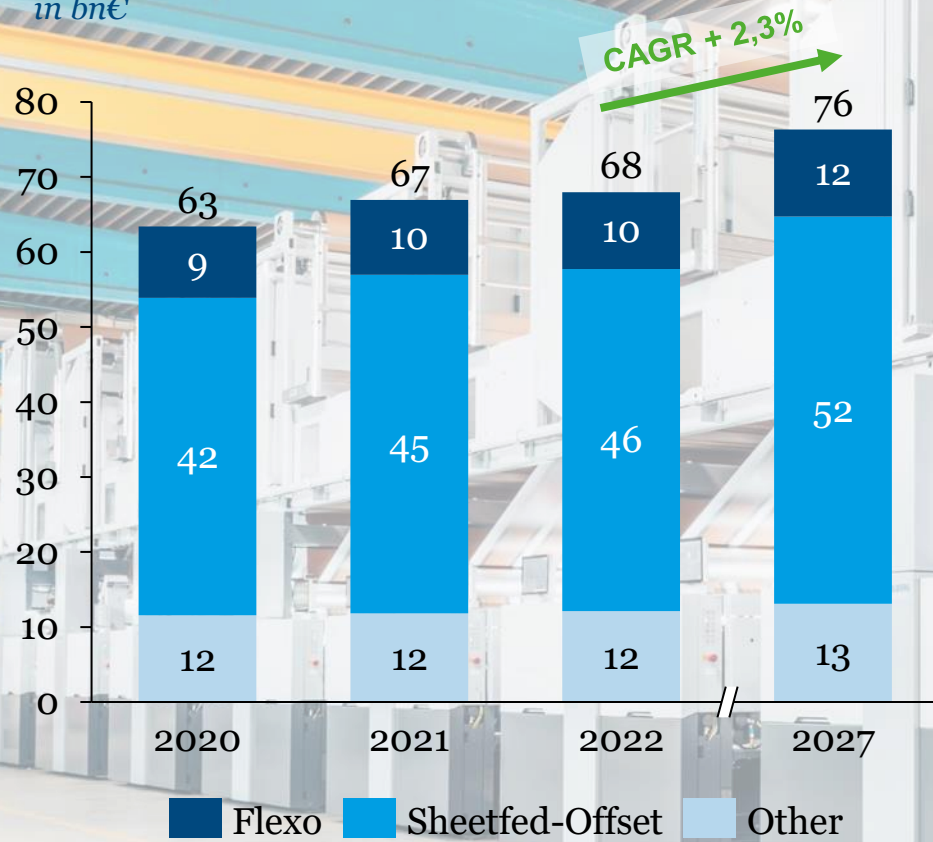


Folding carton.

HEIDELBERG is the market leader in a structurally growing market.

Production volume folding carton by technology

in bn€



#1 Evolution of our current **market position**

- HEIDELBERG is the **market leader** in the most important printing technology (sheetfed offset)
- Latest sheetfed equipment offers **>10% productivity increase** due to higher printing speed (USP)

#2 **Expand portfolio** for new customer/market segments

- Boardmaster (flexographic printing) fills portfolio gap for high-volume packaging producers
- New product can also be adapted for new markets

#3 Address bottlenecks **beyond the printing machine**

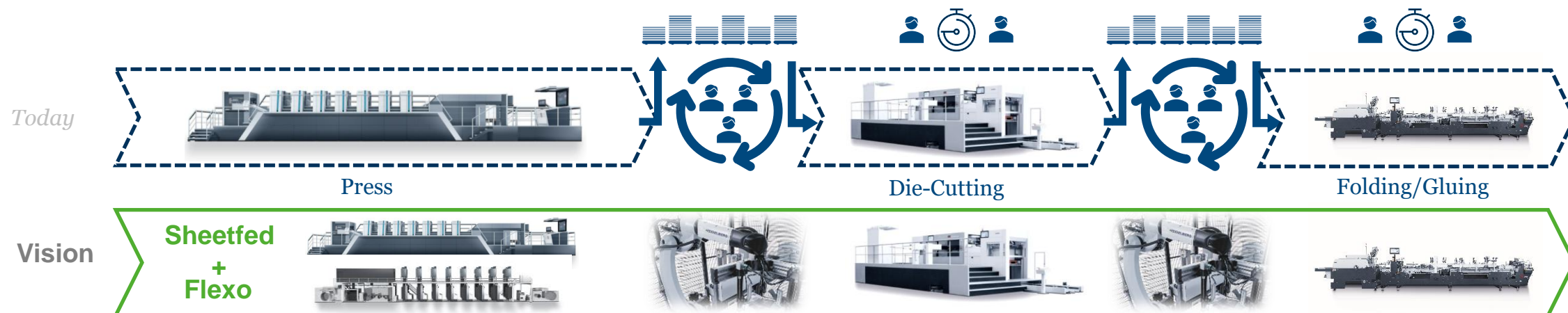
Source: Heidelberg estimate – October 2022, industry statistics, PIRA, RISI, Global Insight

Folding carton – we shape the industry.

It's all about the most efficient and smartest workflow.

Today's focus: press efficiency

Extended future focus: automate & digitize E2E workflow



- Reduce make-ready times and operator related processes
- Scale flexo print technology
- Reduce energy cons. & waste



Consistent and continuous **data flow** alongside each production step



Reduce significant **make-ready times** in post press phase



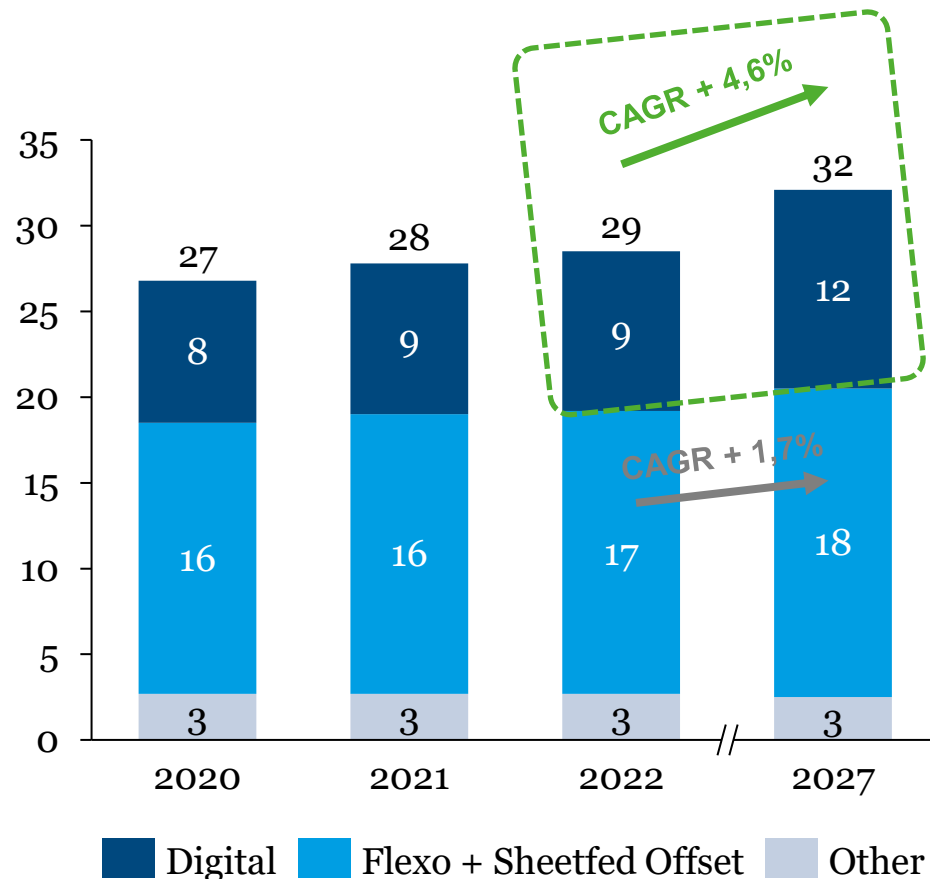
Robotic solutions to simplify **material flow** and to counter **personnel intensity and labor shortages**

Label printing – digital technology with very good growth prospects. HEIDELBERG launched its first fully digital machine.



Production volume label printing by technology*

in bn€



Gallus One – successful market launch:

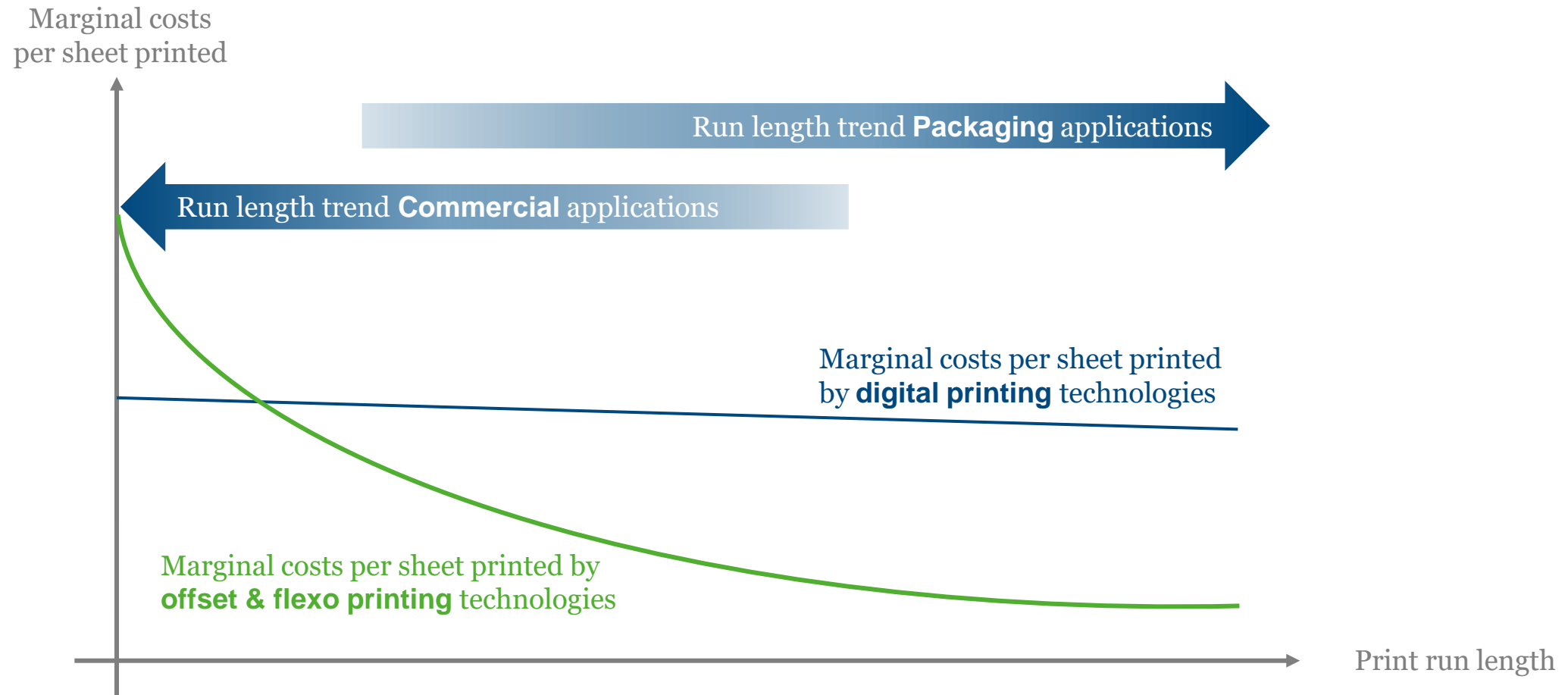
- Significant reduction in costs per printed unit
- High market entry barriers for new competitors
- Recurring (captive) revenue from proprietary ink



Source: Heidelberg estimate – October 2022, industry statistics, PIRA, RISI, Global Insight

Print Solutions.

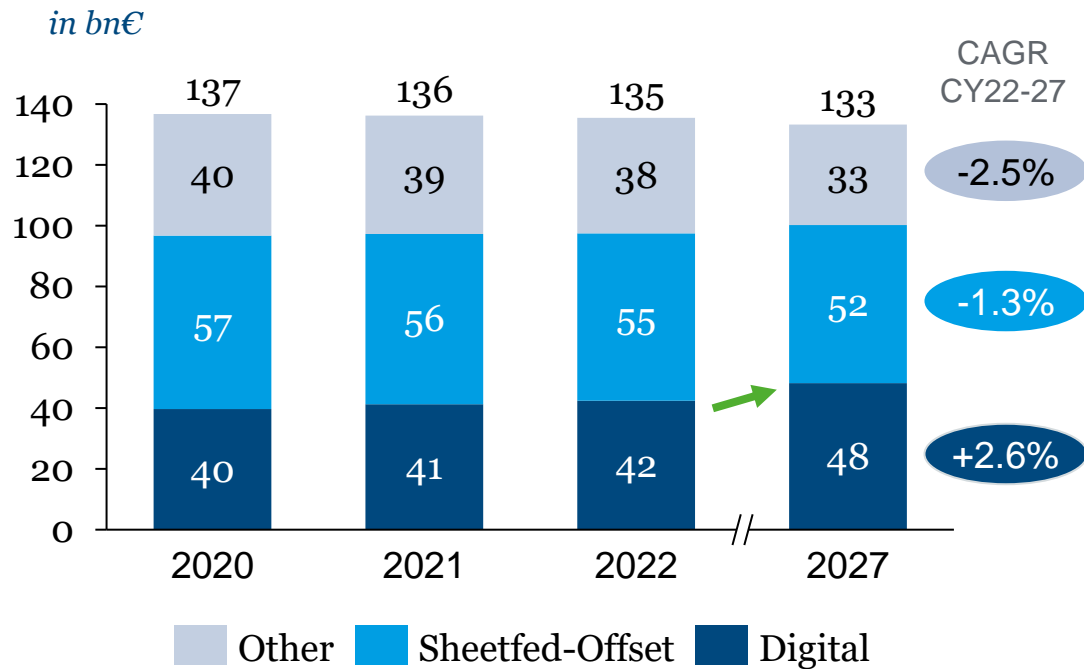
Print run length is the main influencing factor for the technology used.



Print Solutions.

HEIDELBERG is investigating entry into new markets.

Print Production Volume Commercial by technology



- **General trend** in Commercial is **towards digital printing** improving **cost-per-print** for small production batches.
- Small batches **satisfy market demand** for **flexible** and **customized prints** (e.g. marketing leaflets)

#1 Use **strong market position** in sheetfed offset

- Sheetfed offset remains dominant printing technology in commercial (2022: ~41% | 2027e: ~39%)
- Defend and expand market position in sheetfed offset



#2 Leverage **existing capabilities** in digital printing

- HEIDELBERG masters digital printing for labels
- Declared goal is to expand our own digital printing presence in this market

Source: Smithers & Pira, The Future of Print to 2030; internal calculations

Recurring sales.

HEIDELBERG has the largest installed base in the printing industry.

>10,000

addressable
machines¹

~250

Service locations
worldwide

24h

delivery in all key
markets

~2000

technical support
employees



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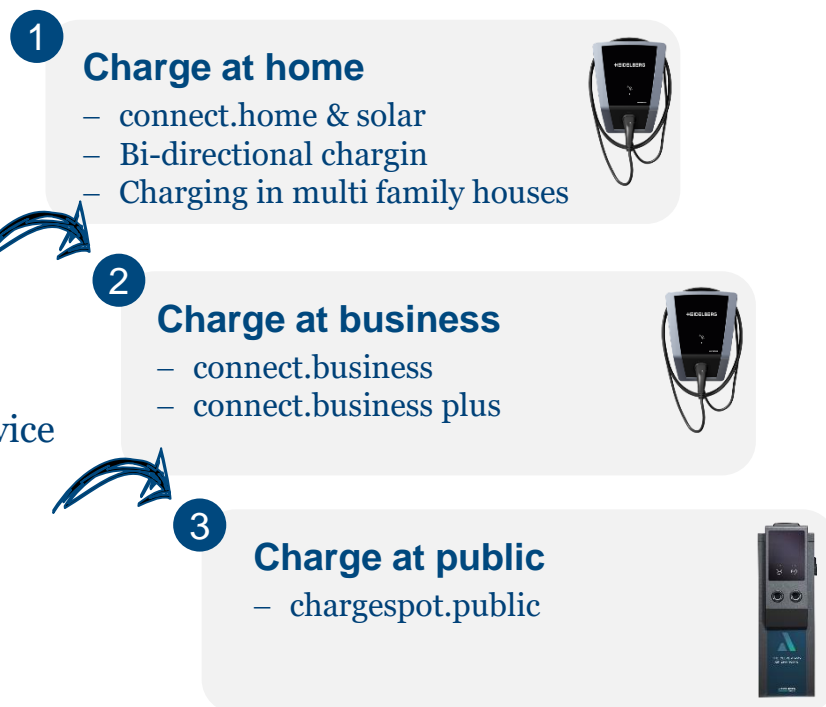
Financials & Outlook

E-Mobility: Strategy.

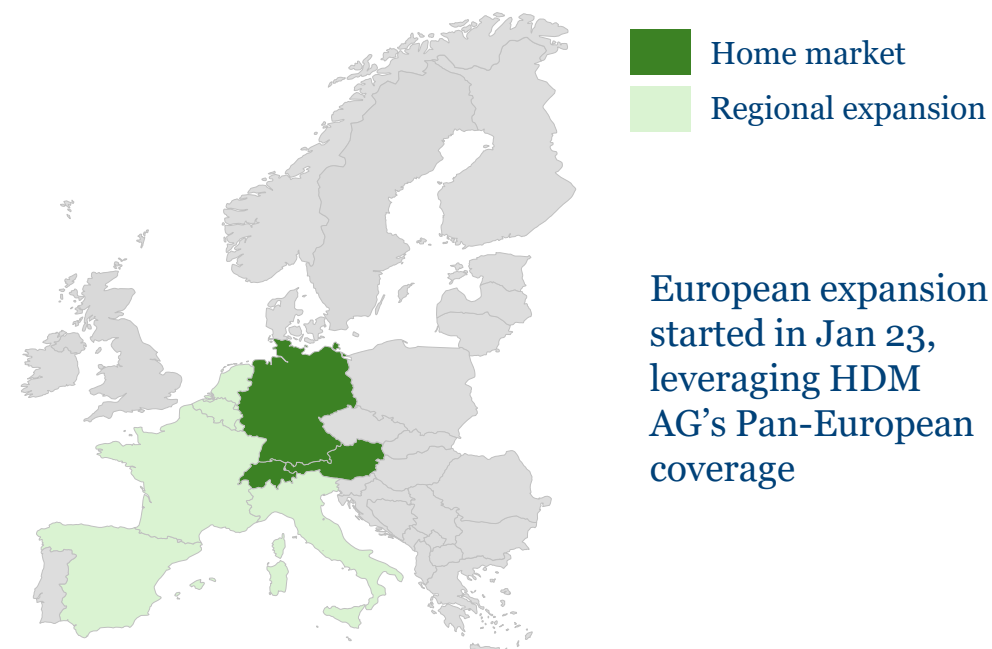
Focus on portfolio and regional market expansion.

Expansion of product portfolio

Continuous development and marketing of hardware and service range for private/semi-public and public charging



Entry into new regional markets





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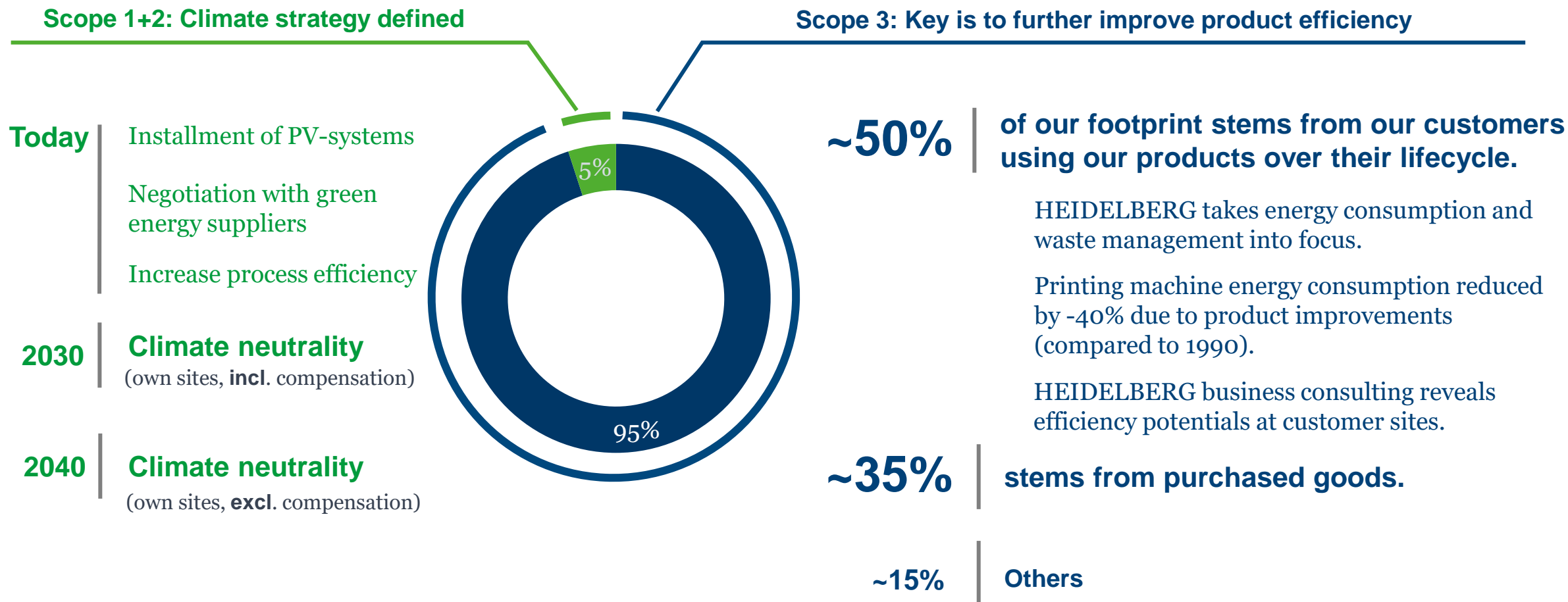
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Financials & Outlook

Our commitment for a more sustainable future.

Scope 3 offers the biggest lever to tackle on for climate protection.





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Financials & Outlook

Outlook.

On track to achieve all full-year targets, seasonally weaker H2 expected.

	FY 2022/23 6m	FY 2023/24 6m	Δ y/y	FY 2023/24 guidance	Key takeaways for H2 FY 2023/24:
Net Sales	€ 1,120m	€ 1,092m	-2.5%	~ € 2,435m <i>(Previous year)</i>	 Secure a solid order trend, further price adjustments envisaged.
Adj. EBITDA <i>(in % of Net sales)</i>	8.2%	9.2%	+100 bps	~ 7.2% <i>(Previous year)</i>	 Seasonally weaker H2 expected, increase in personnel costs will weigh in profitability.

Highlights.

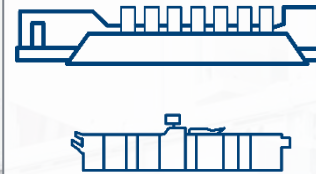
Why is an investment in HEIDELBERG attractive?

Packaging: A growing market



HEIDELBERG has significantly increased its packaging capabilities over the past years, accounting for 50% of sales.

Pioneer in printing technology



As the market leader in core printing technology and an emerging player in new segments, HEIDELBERG is well positioned for the future.

Global diversified footprint



One of HEIDELBERG's USP is its global service and sales footprint, providing direct access to customers in key markets.

Value creation programme



HEIDELBERG has initiated a comprehensive value creation program for sustainable improvement in profitability and cash generation.

>170
years




HEIDELBERG has a long-standing tradition of being a valuable and trustworthy partner for our customers.

Backup

Orders received stable, growth in adjusted EBITDA-margin. HEIDELBERG well on track at half year mark FY 2023/24.

Orders received	Net sales	Adj. EBITDA in % Net sales ¹
€ 1,184m <i>Fx adj. € 1,221m</i> (PY 6m: € 1,229m)	€ 1,092m <i>Fx adj. € 1,124m</i> (PY 6m: € 1,120m)	9.2 % (PY 6m: 8.2%)

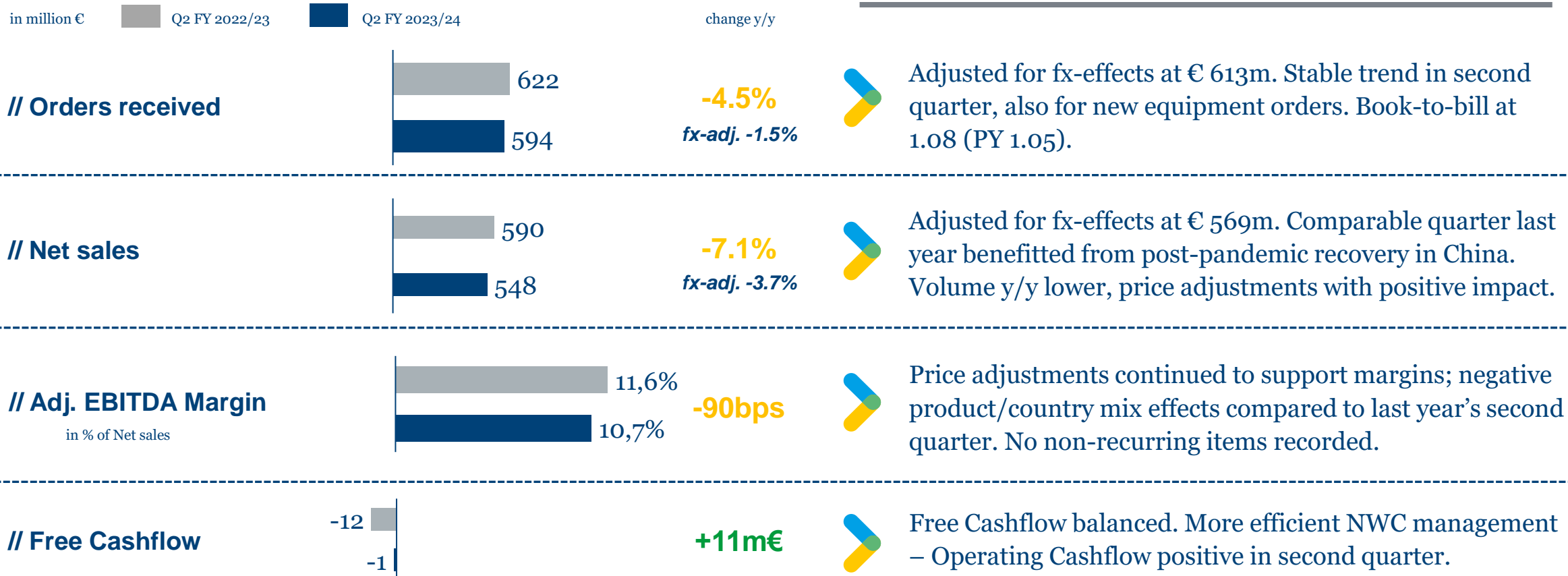
// Key developments half year FY 2023/24:

- 
Stable order development: HEIDELBERG is weathering a tense overall economic situation and a weak performance in the engineering sector.
- 
Solid y/y growth in the strategically important segment **Packaging Solutions** – Print Solutions muter given the current economic environment.
- 
Confidence for full year targets, guidance reiterated: Solid half-year results pave the way for the full year.

Q2 FY 2023/24 key performance indicators.

Topline also affected by negative fx-effects, Free Cashflow improved.

// Key takeaways:



Segment split (6m).

Packaging Solutions continued growth in Orders received and Net sales.

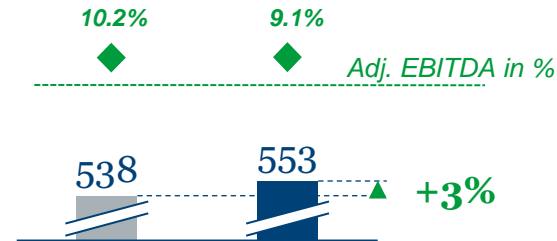
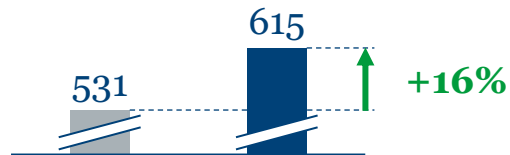
in million € 6m FY 2022/23 6m FY 2023/24

// Orders received

// Net sales

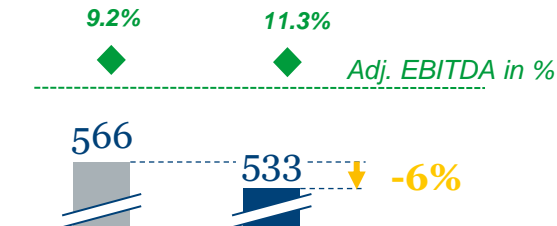
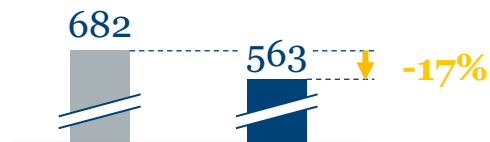
// Key takeaways:

Packaging Solutions



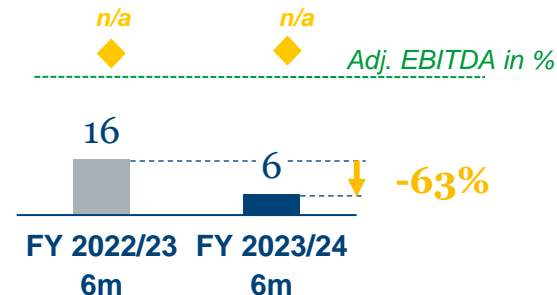
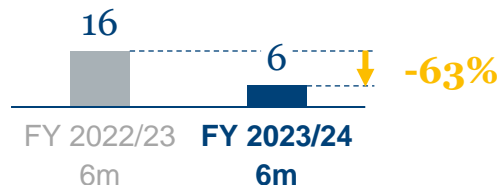
- Strong y/y growth in Orders received, driven by Asia/Pacific, Eastern Europe and EMEA.
- Adj. EBITDA margin affected by higher resource allocation (e.g., R&D).

Print Solutions



- Weaker investment sentiment due to macro topics.
- Printing volume stable: aftersales business continues to be strong.

Technology Solutions

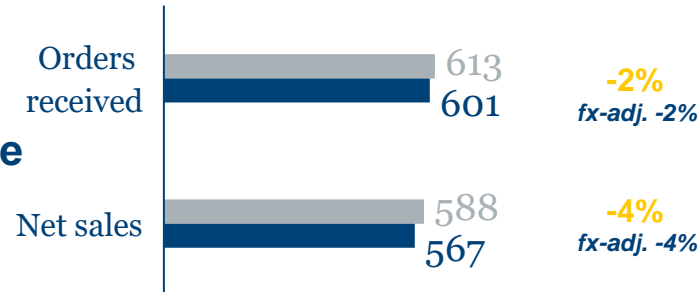


- Market development still restrained, first signs of slight improvement.
- Focus on new products and market expansion weighs on EBITDA.

Regions (6m).

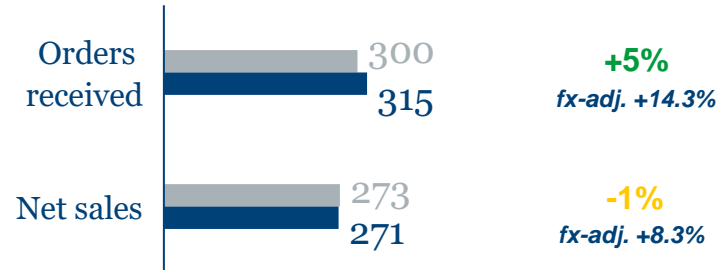
Asia-Pacific with year-over-year growth.

in €millions 6m FY 2022/23 6m FY 2023/24 change y/y

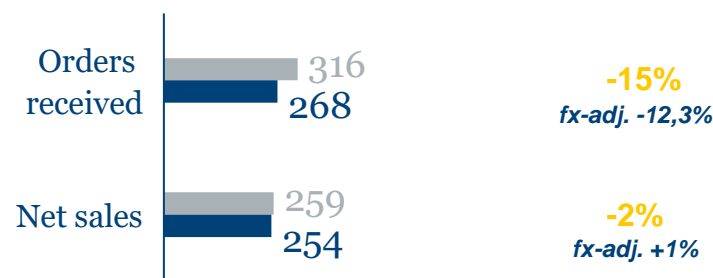


// Key takeaways:

- **Orders received** slightly down as expected after a strong prior year, strong momentum in packaging in EMEA and EE.
- **Net sales** slightly below previous year due to weakness in Technology Solutions segment.



- **Orders received** with y/y growth, due to favorable trade fair in China. AP ex China with better momentum in second quarter.
- **Net sales** impacted by a strong negative currency effects; solid order book offers upside in subsequent quarters.



- **Orders received** weaker after strong previous year, fx-advantage for Japanese manufacturers.
- **Net sales** supported by solid service business. Packaging Solutions with y/y gains.

EBITDA-bridge (6m).

Positive product and country mix effects and successful price adjustments.

in million €

6m FY 2022/23
reported EBITDA

104

Non-recurring items

12

**6m FY 2022/23
adjusted EBITDA**

92

Δ Sales volume related y/y

9

Δ Gross margin improvement y/y

31

Δ S&GA ,R&D, Others y/y

13

adjusted EBITDA

101

6m 23/24

=

reported EBITDA

101

// Key takeaways:



Adjusted for non-recurring item in Q1 FY 2022/23 (Disposal of property in St. Gallen of € 11.8m).



Slight decrease in sales volume after six months.



Positive product & country mix effects, improved capacity utilization at the Chinese plant; increased COGS countered by price adjustments.



General inflation and tariff increase, trade fair costs and increase in provisions had a negative impact.

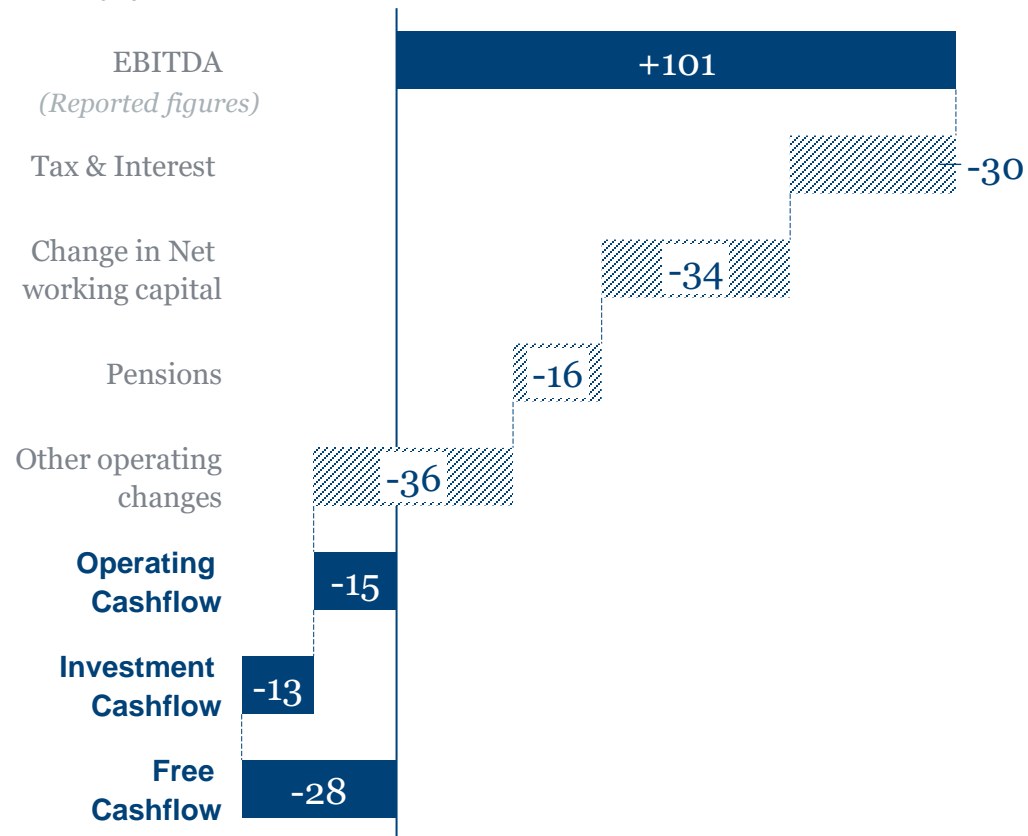
No non-recurring items recorded in FY 2023/24.

Free Cashflow (6m).

More effective NWC management improved Operating Cashflow.

EBITDA to Free Cashflow 6m FY 2023/24

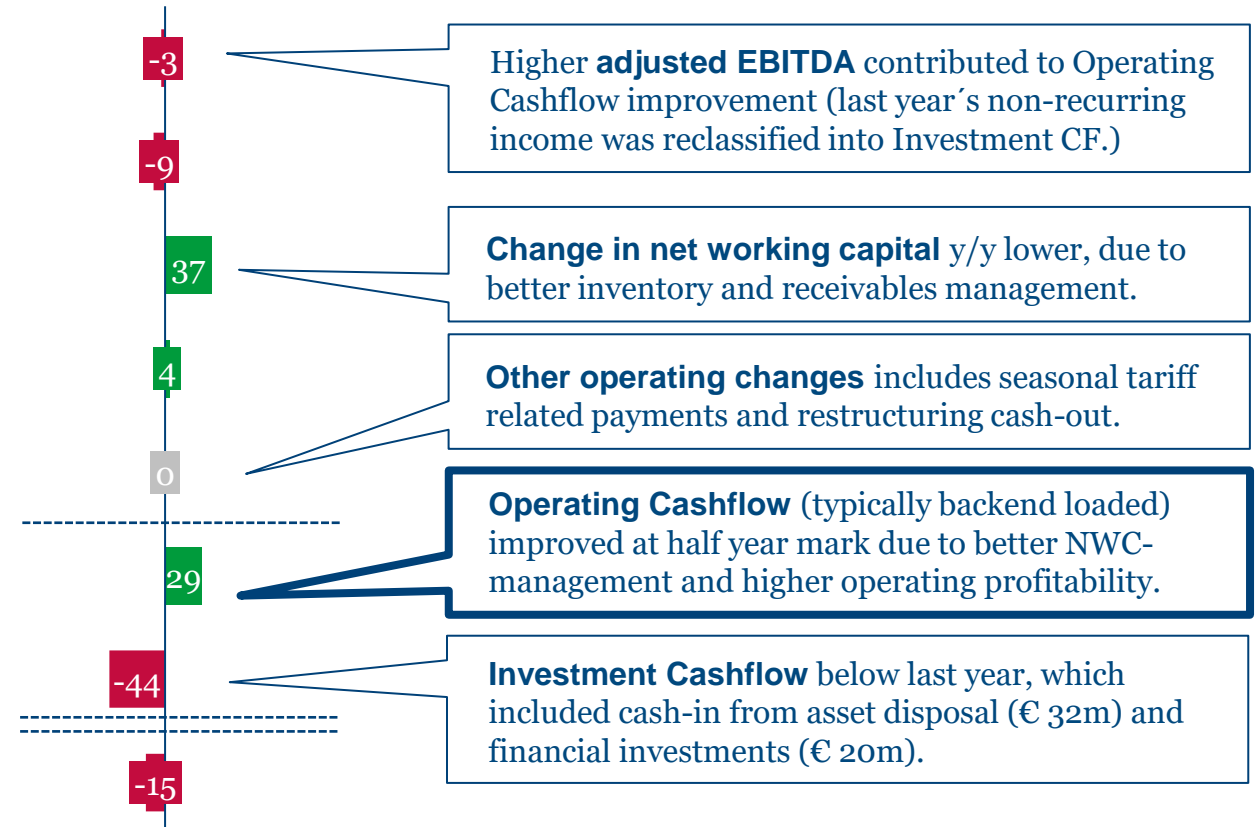
in million €



(Reported figures)

Change y/y

// Comments on y/y changes:



Higher **adjusted EBITDA** contributed to Operating Cashflow improvement (last year's non-recurring income was reclassified into Investment CF.)

Change in net working capital y/y lower, due to better inventory and receivables management.

Other operating changes includes seasonal tariff related payments and restructuring cash-out.

Operating Cashflow (typically backend loaded) improved at half year mark due to better NWC-management and higher operating profitability.

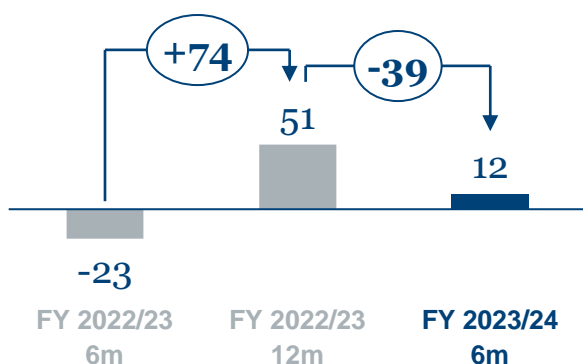
Investment Cashflow below last year, which included cash-in from asset disposal (€ 32m) and financial investments (€ 20m).

Balance Sheet (6m).

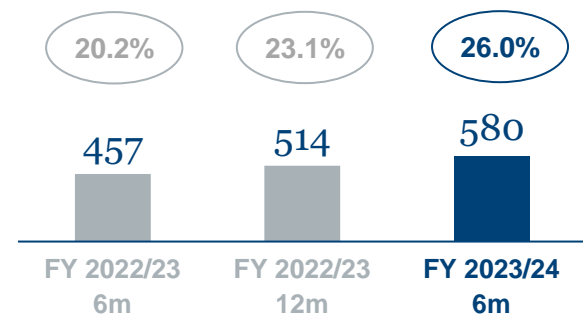
Long-term financing secured, positive net financial position.

in million € 6m FY 2022/23 6m FY 2023/24

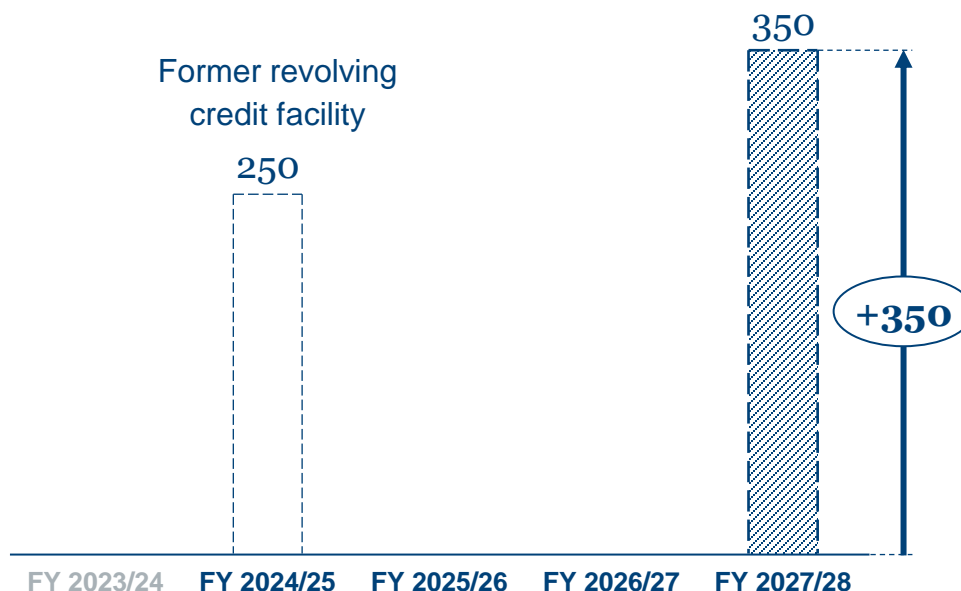
// Net financial position¹



// Equity and equity ratio



// Maturity profile



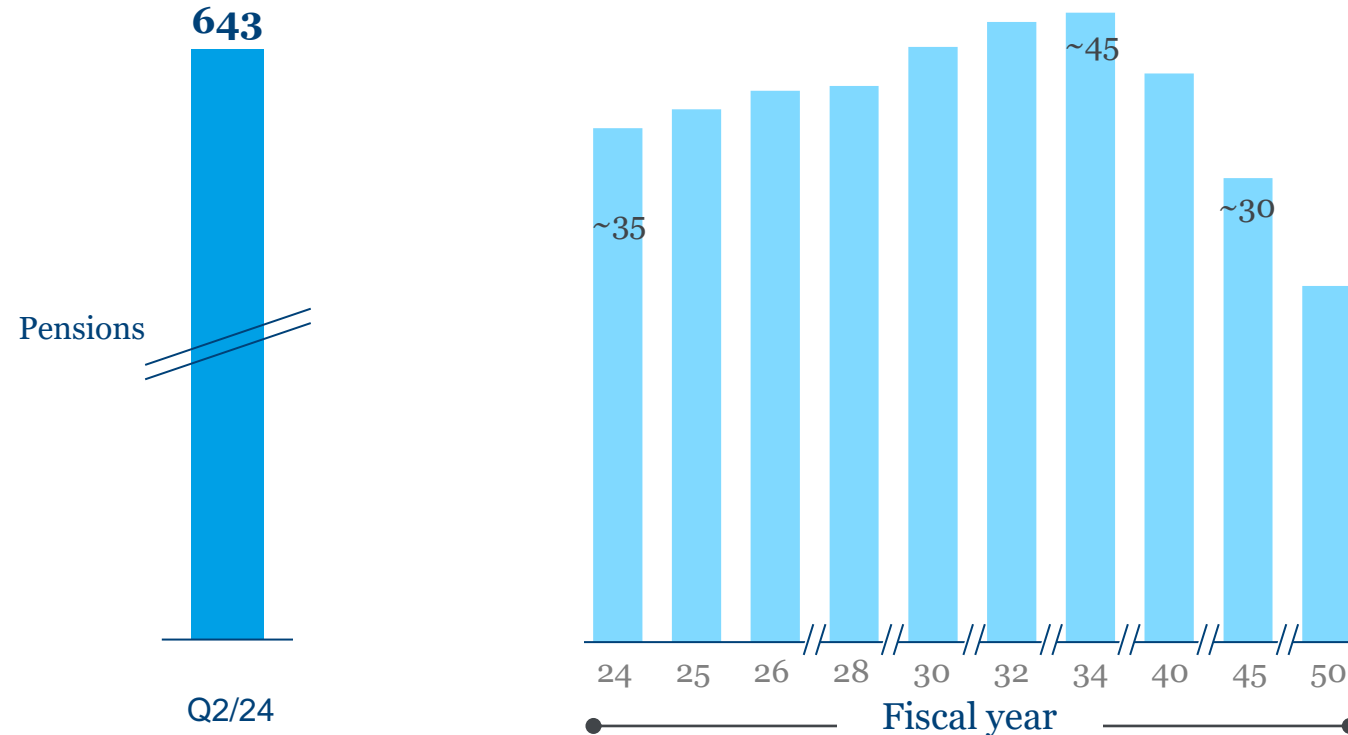
// Key takeaways:

- Net financial position** remains positive, slightly decreased compared to year-end due to seasonally negative FCF. Last year, non-recurring FCF-items of € 50m had a positive impact.
- Equity (ratio)** increased, positive net income and decreased pension provision, as discount rate jumped to 4.2% (+50 bp compared to FY 22/23 year-end).
- Successful refinancing:** syndicated credit line increased to € 350m (before € 250m), maturity extended to July 2027.

Pension obligations. Cash-Out profile.

// Repayment profile

(annual pension payments HDM Germany in million €)



* Estimated pension payments of German entities

// Comments



- Based on HDM's demographics, **pension payments will gradually increase by €10M** to ~€40M p.a. in FY32-35 and decrease thereafter
- Thus, annual cash-out** for pensions (incl. interest and repayment component) ranges around **3-4% p.a.** relative to total obligations
- Hence, **financing costs are comparably low**