

PEOPLE MAKE MACHINES SMART.

Heidelberger Druckmaschinen AG – Investor presentation

Tania von der Goltz, CFO | Maximilian Beyer, Head of IR | May 15, 2024.



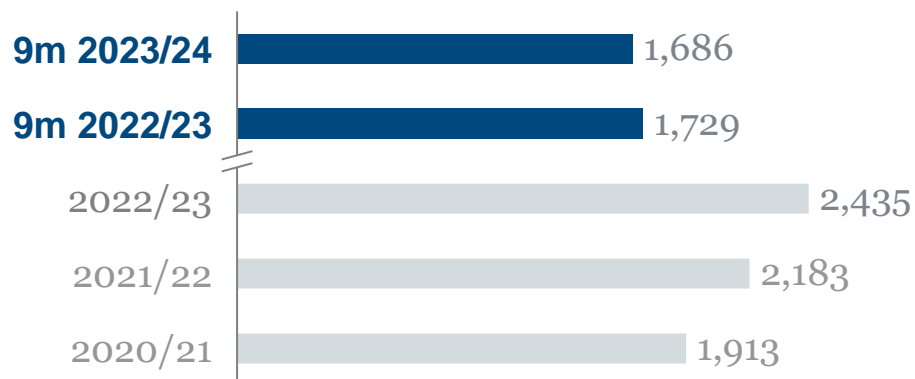
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Heidelberg. Company at a glance.

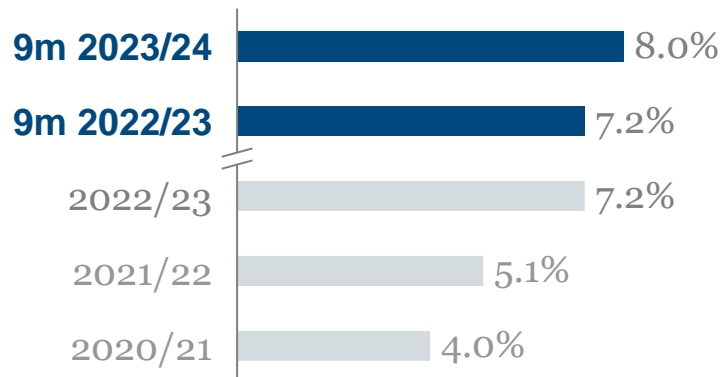
Net sales

in million €



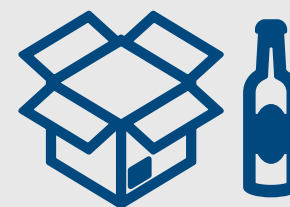
Adjusted EBITDA margin

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

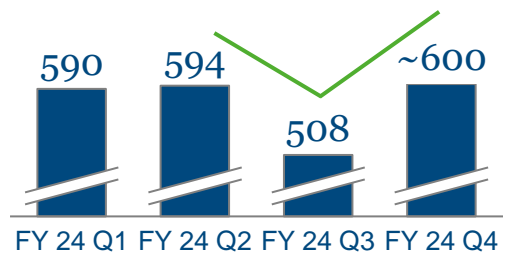


83% of shares free float, 17% anchor investors

Preliminary figures FY2023/2024.

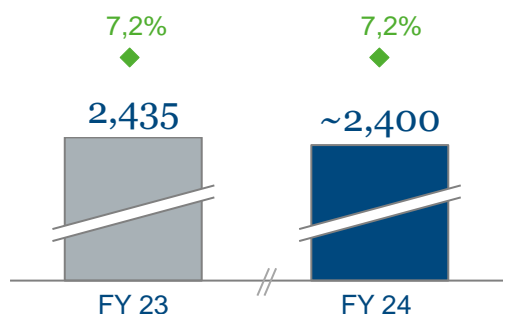
Guidance achieved despite significant headwinds – FCF turns into positive.

Quarterly order intake FY 24
(in m€)



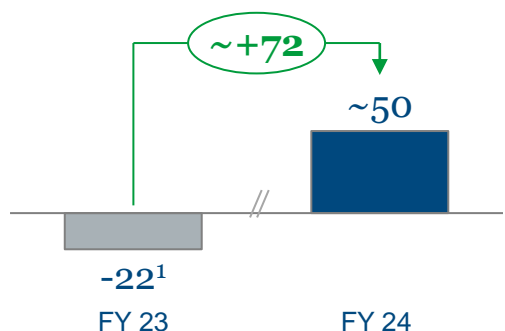
Orders received picking up again ahead of drupa at fiscal year-end – strong business in Asia-Pacific driven by Packaging customers.

Net Sales (in m€)
& EBITDA-margin (in %) FY 24 vs FY 23



Guidance achieved despite headwinds: Net Sales & adj. EBITDA-margin on a stable level vs. prior year – value creation program compensated for cost increases and lower volumes.

Free Cashflow (in m€)
FY 24 vs FY 23



Important milestone: Free Cashflow turns positive being on the highest level for more than ten years on an adjusted basis.

¹FY 23 adjusted for nonrecurring items relating to asset disposals

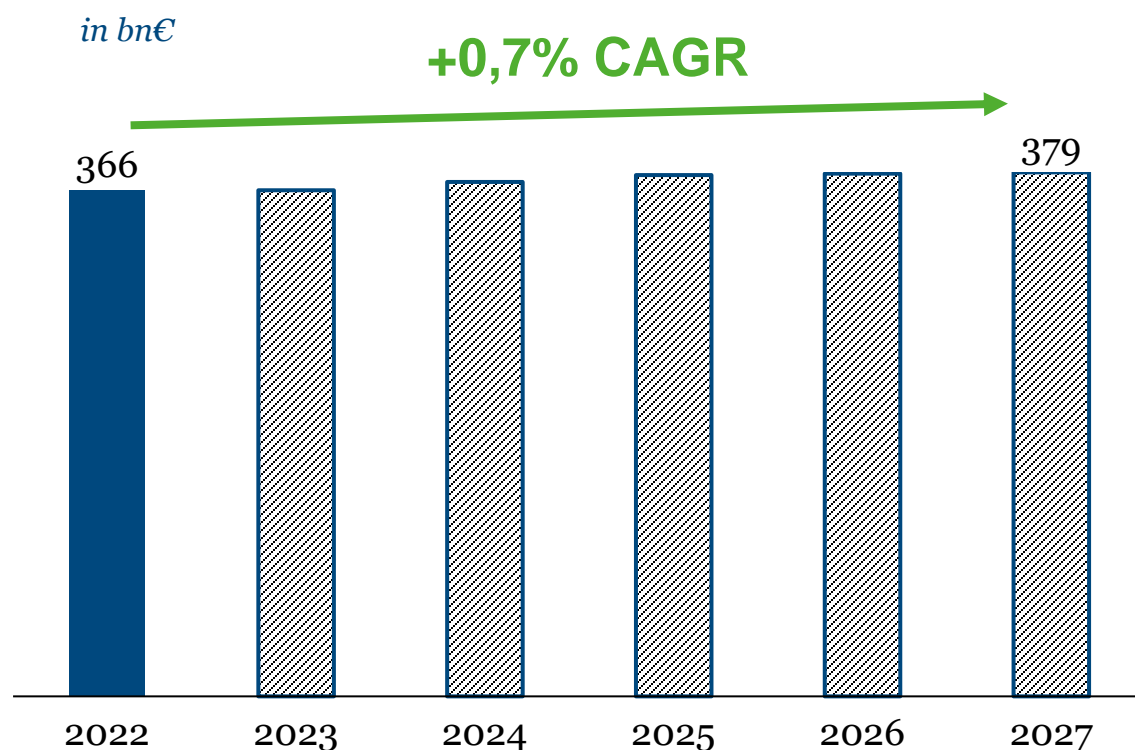


- 1** HEIDELBERG at a glance
- 2 Core business printing
- 3 Technology Solutions
- 4 Value Creation Program
- 5 Financials & Outlook

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



*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.

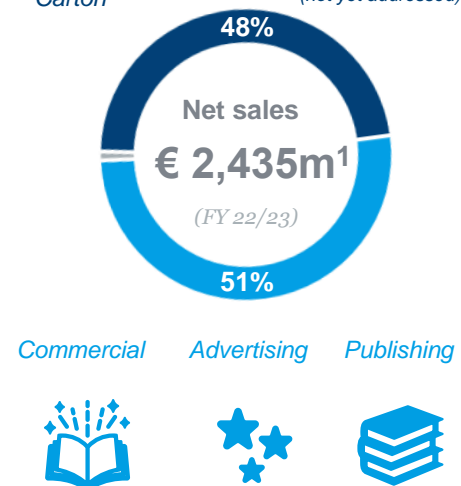
Low production costs for very long runs is the key to success!



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.

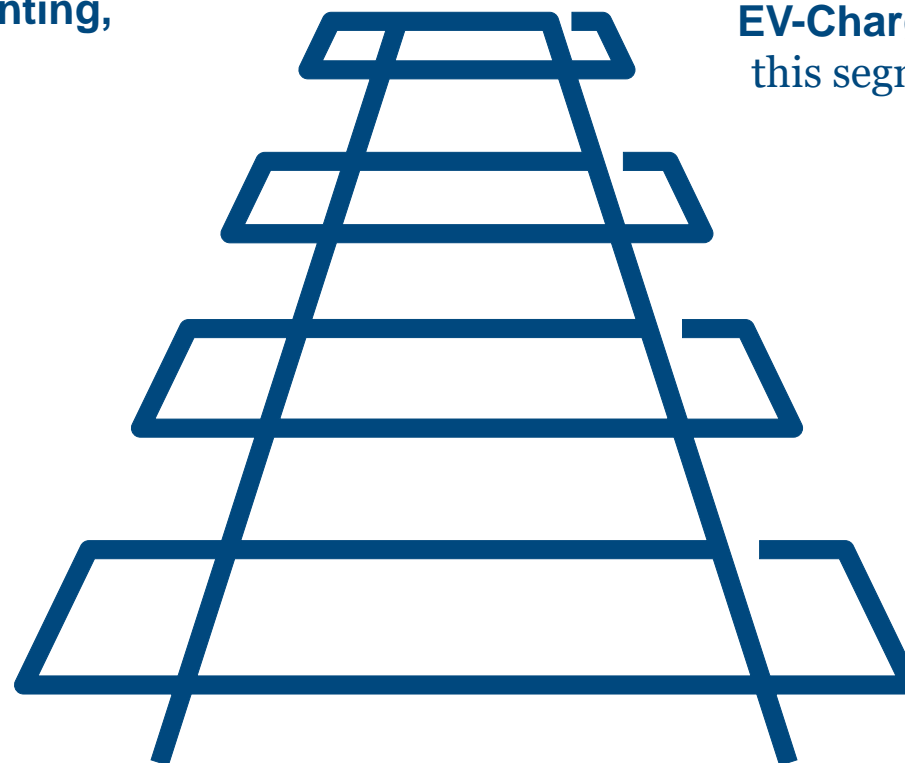
Shaping the printing market

Explore new adjacent business areas

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.



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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Packaging printing. A steadily growing opportunity.

End-markets addressed by our customers (selection)

Pharmaceuticals

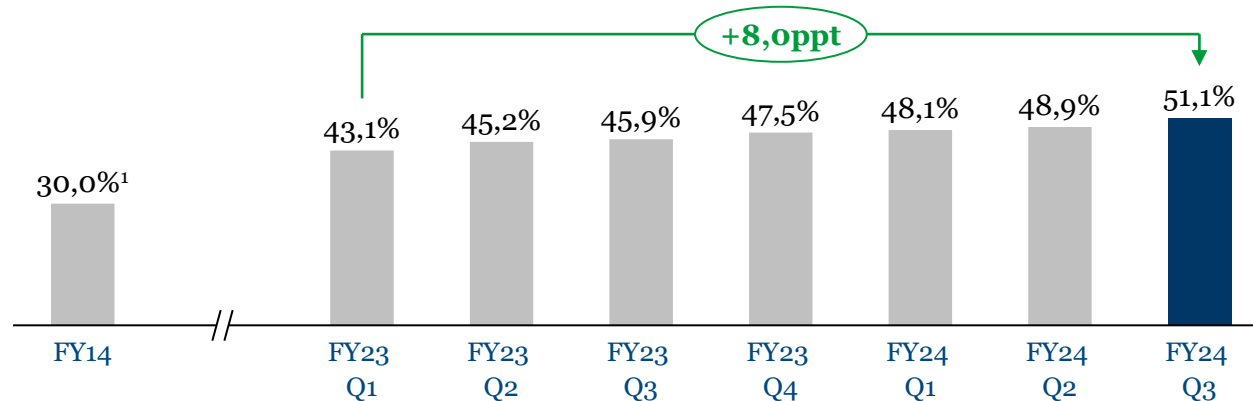
Food/Beverages

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.

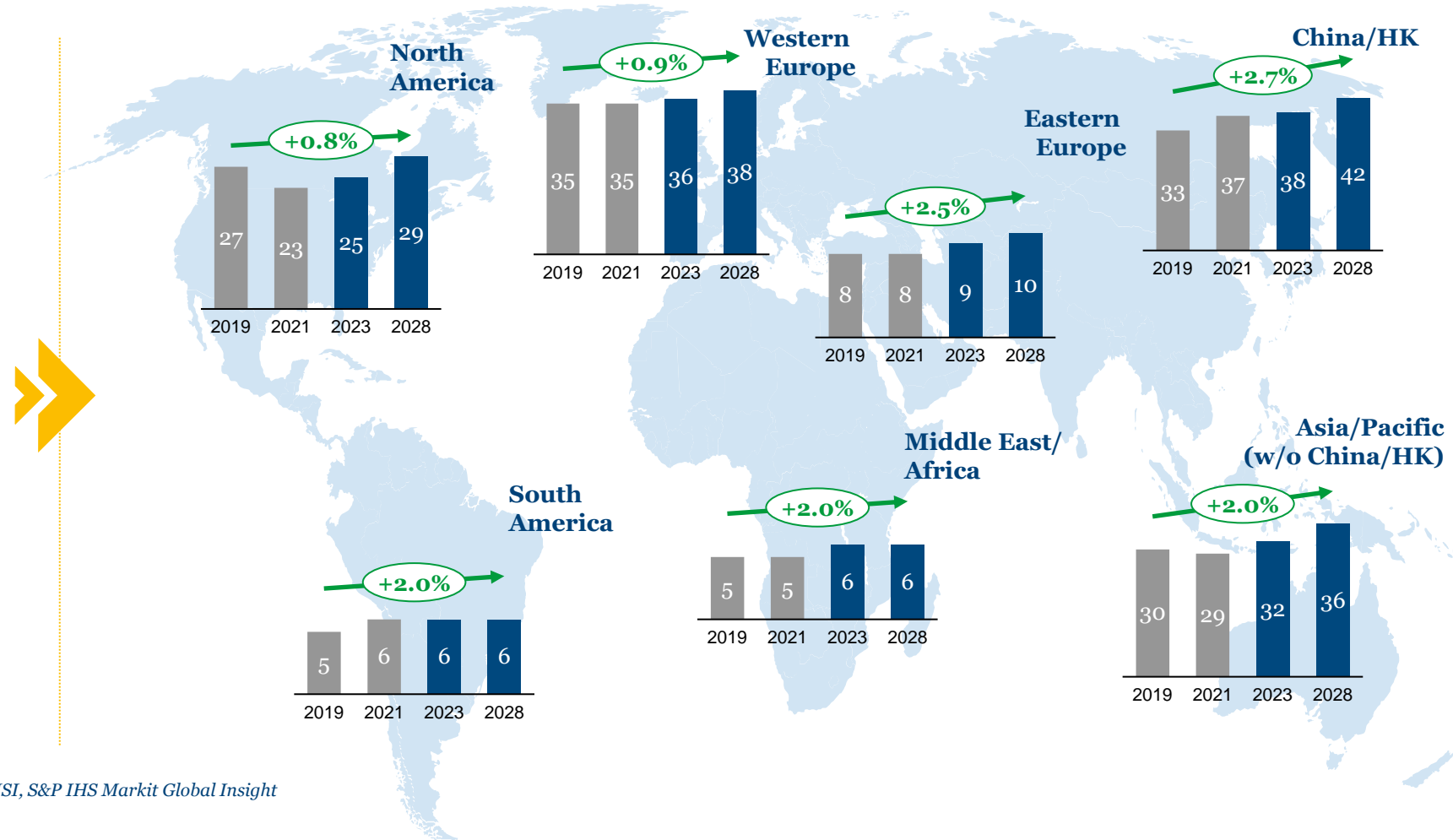
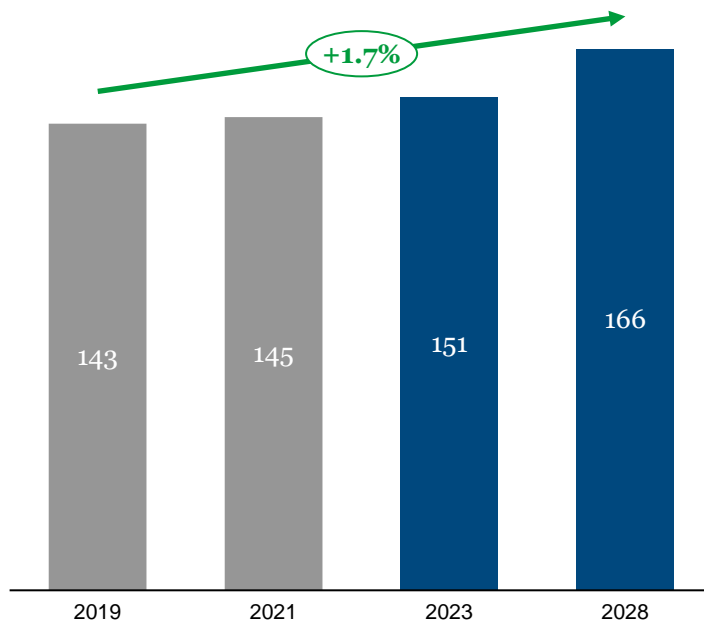
HEIDELBERG in a leading position.

Asia-Pacific region with sound growth prospects in Packaging and Labels.

Packaging & Labels Print Production Volume (PPV) by regions

In bn EUR

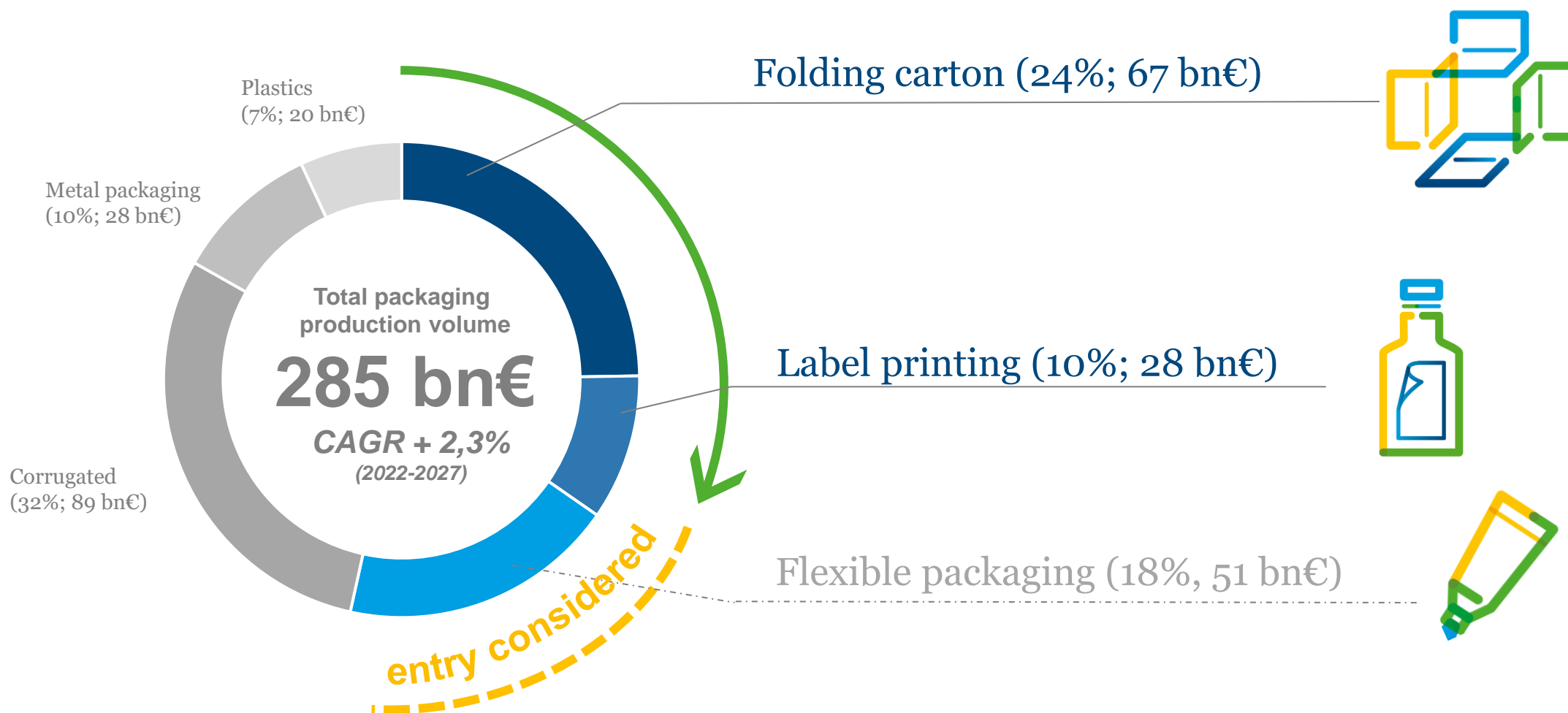
Total PPV



Source: Heidelberg estimate – October 2023, industry statistics, PIRA, RISI, S&P IHS Markit Global Insight
 Note: Numbers might not add up due to rounding

Packaging printing.

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



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

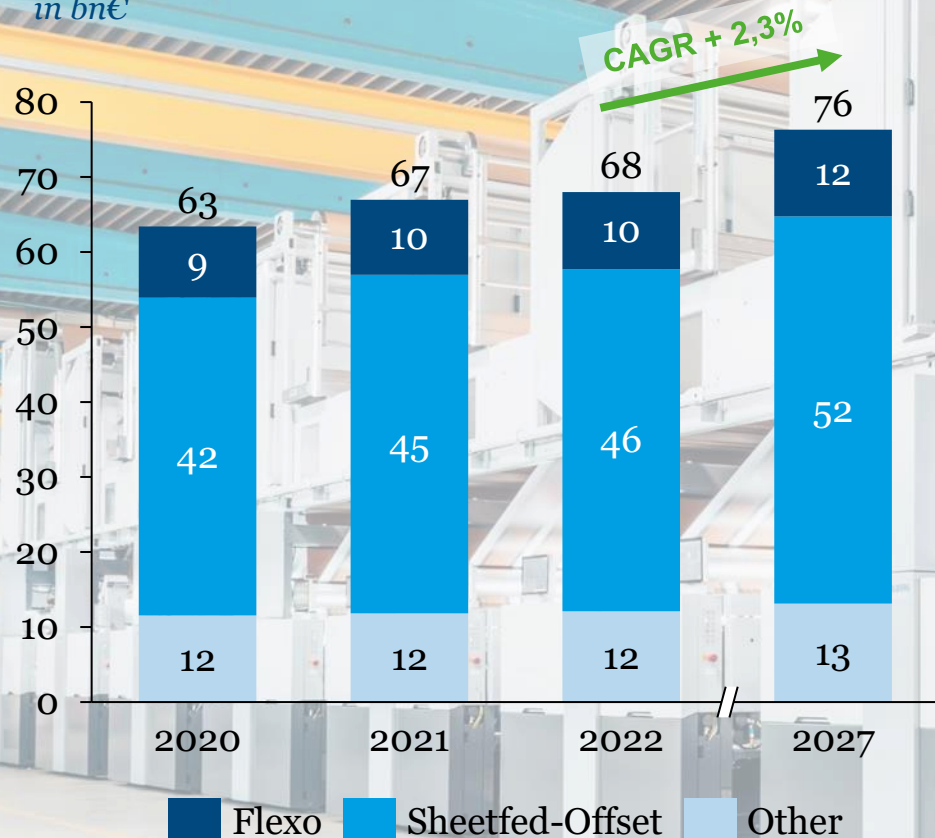


Folding carton.

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**

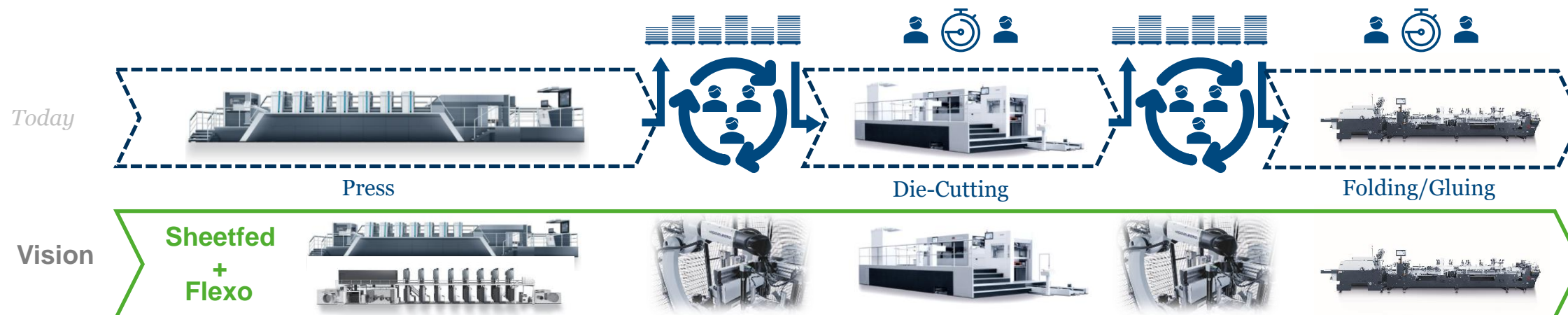
Source: Heidelberg estimate – October 2022, industry statistics, PIRA, RISI, Global Insight




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

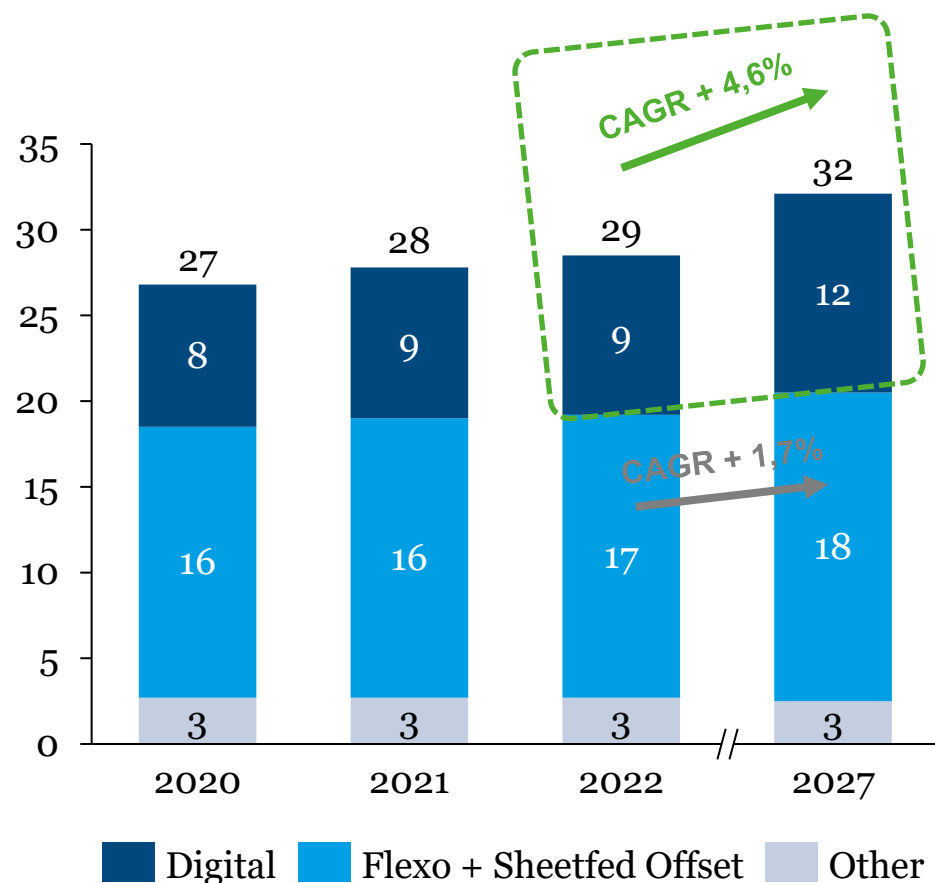
-  Consistent and continuous **data flow** alongside each production step
-  Reduce significant **make-ready times** in post press phase
-  Robotic solutions to simplify **material flow** and to counter **personnel intensity and labor shortages**

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:

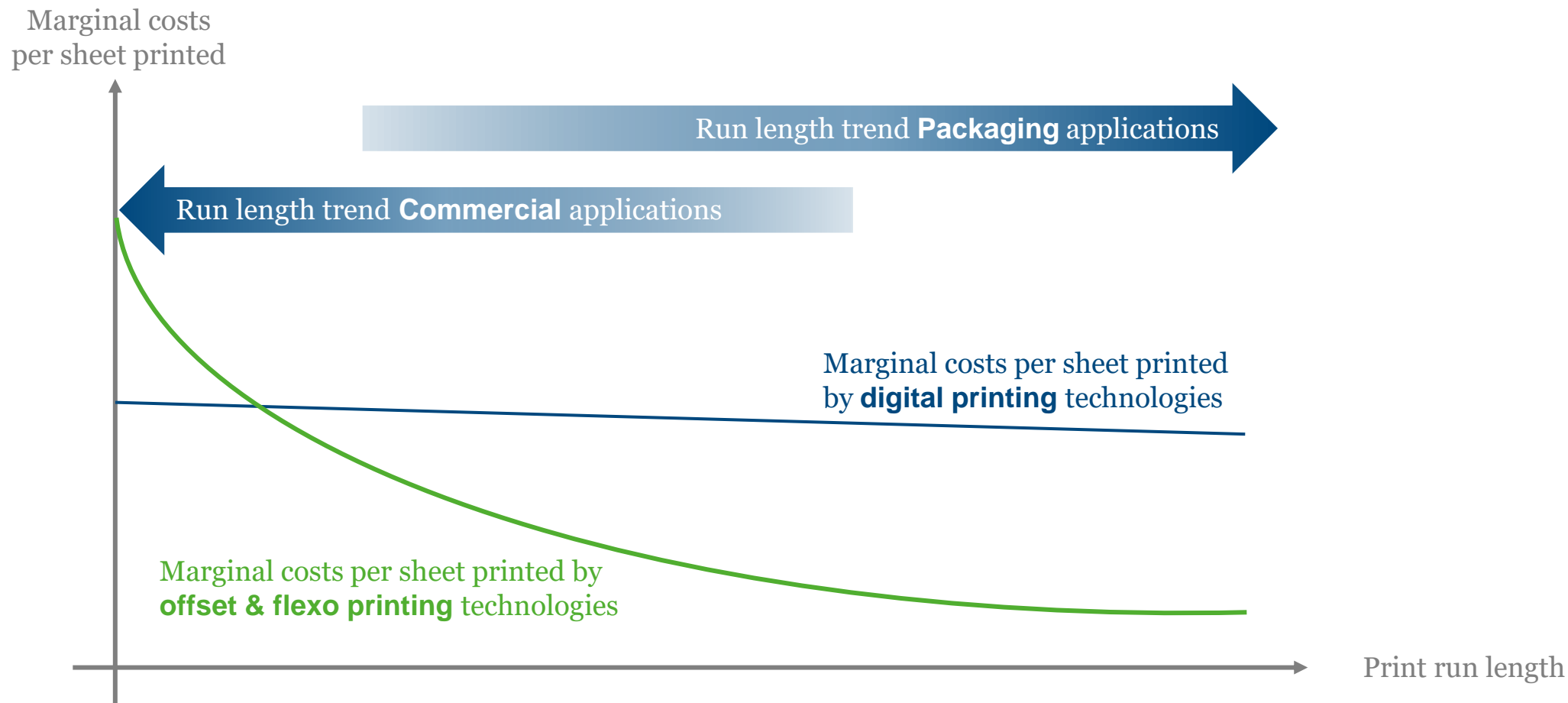
- Significant reduction in costs per printed unit
- High market entry barriers for new competitors
- Recurring (captive) revenue from proprietary ink



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

Print Solutions.

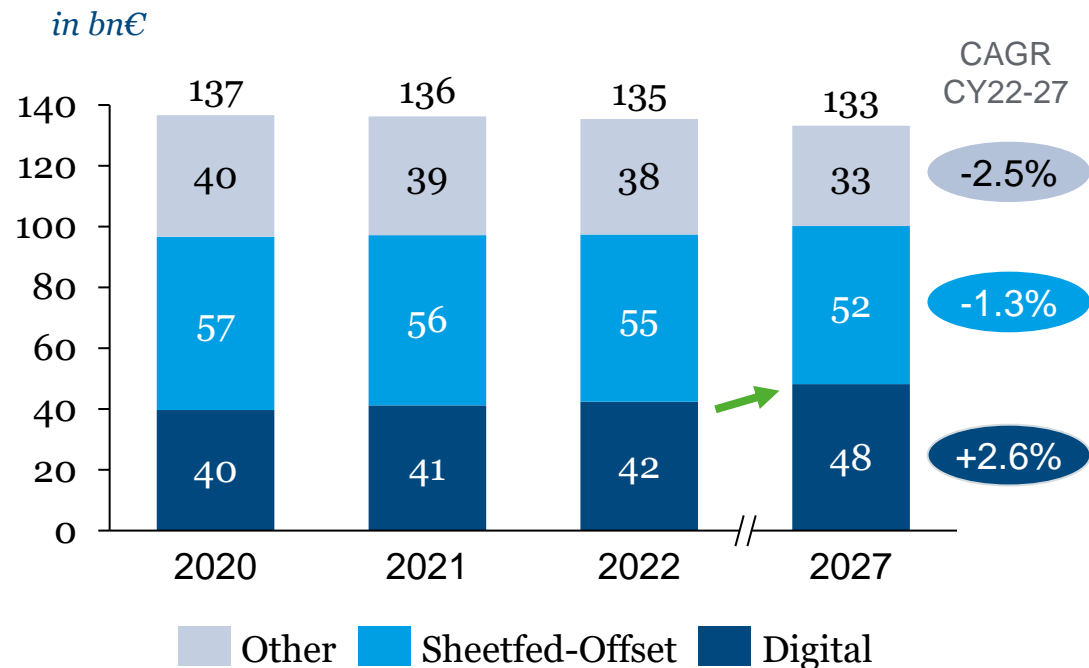
Print run length is the main influencing factor for the technology used.



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)

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

#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

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



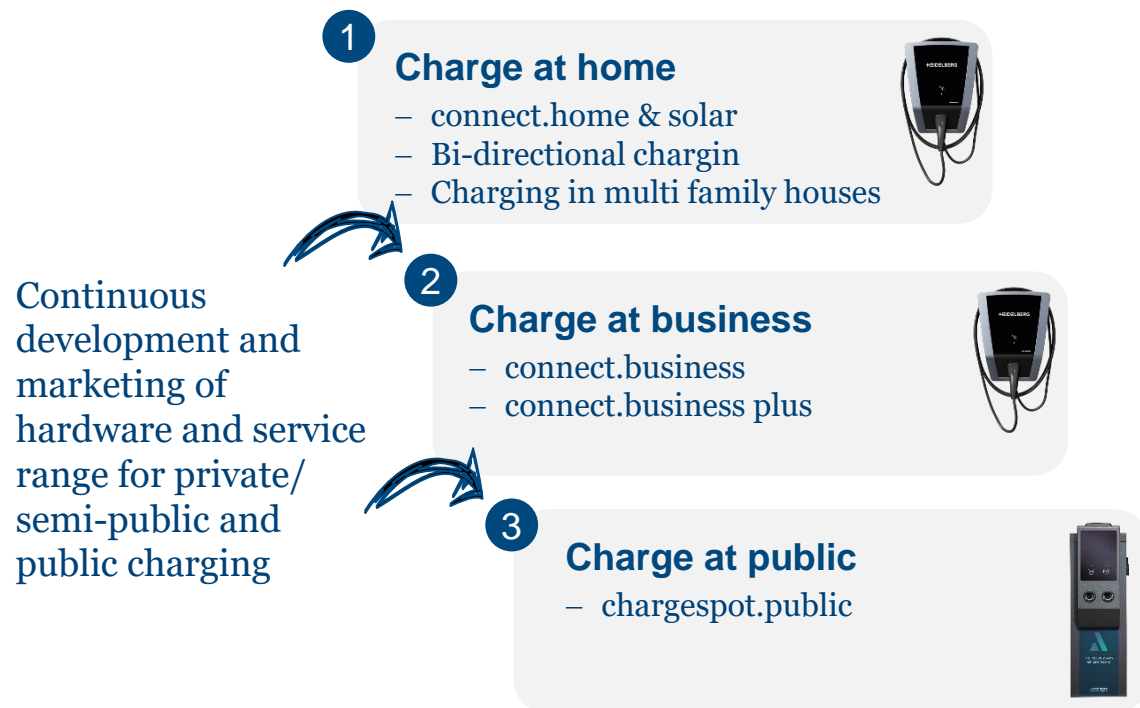
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E-Mobility: Strategy.

Focus on portfolio and regional market expansion.

Expansion of product portfolio

Entry into new regional markets



- Home market
- Regional expansion

European expansion started in Jan 23, leveraging HDM AG's Pan-European coverage



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Value Creation Program.

Our commitment to improve HEIDELBERG's performance & competitiveness.

I Early response to market headwinds and freeing up resources for dual track strategy

II Short-term stabilization, medium-term optimization, long-term sustainability

III Holistic program covering topline, all cost categories, structures and geographies

IV Program established as high-performance implementation and execution engine, aggregating and accelerating all improvement initiatives across HEIDELBERG

V Significant EBIT and Free Cashflow improvement

WHY

HOW

WHAT

// The Value Creation Program strategically positions HEIDELBERG to navigate short-term challenges and strengthen long-term profitability.

Value Creation Program.

Delivering significant impact in this FY and beyond.



Short-term
(FY23/24)



Securing to meet capital market **guidance** and **compensate for headwinds**



Medium-term
(FY24/25-FY25/26)



Creating an internal financing pool to **fund execution of structural and long-term initiatives**



Long-term
(FY26/27+)



Initiatives to **optimize structures** and processes, focus on securing **sustainable future competitiveness**



// Short- and medium terms measures will stabilize profitability and finance structural adjustments in the long-term.

Value Creation Program.

Holistic approach to stabilize and improve HEIDELBERG's profitability.

Topline

- More **comprehensive service offering** and increased **service coverage**
- **Product offering** tailored to **emerging markets**
- **Optimized pricing** for existing product portfolio, to counteract inflation

Operations

- **Design-to-value** for core products and components
- Production **network optimization**
- **Optimization of General & Administrative** cost base

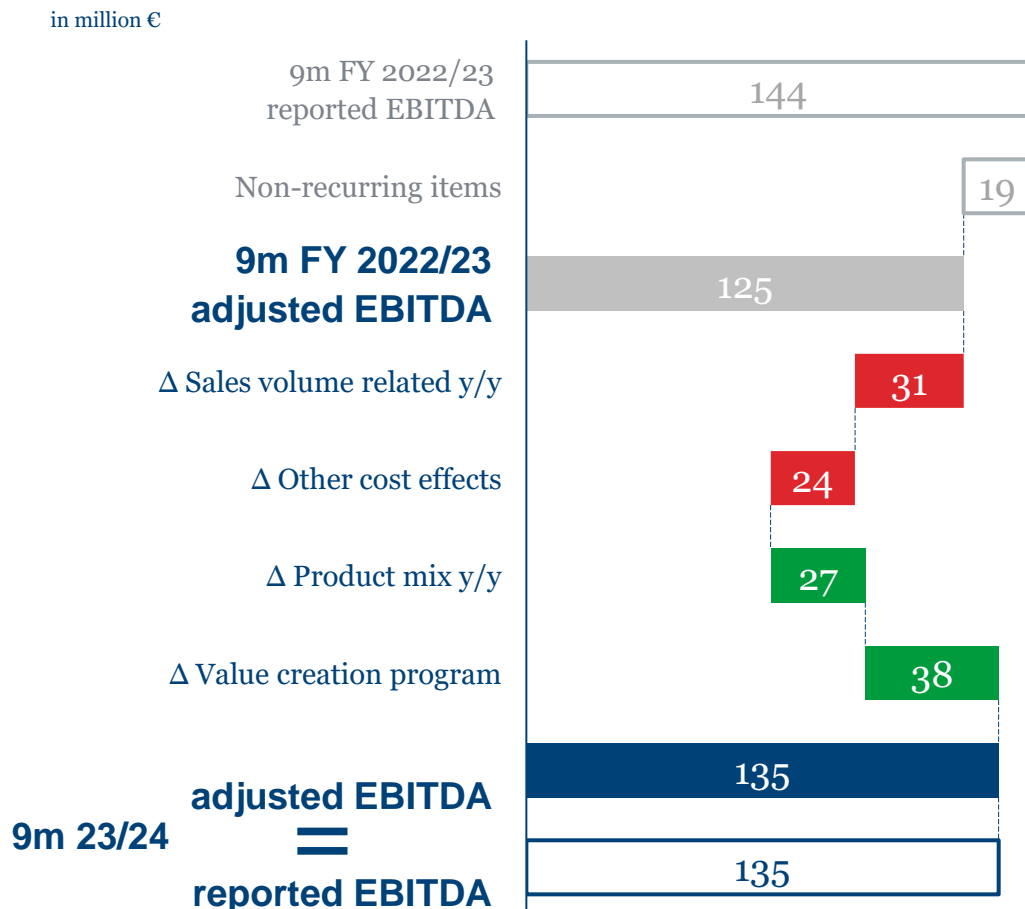
Cross-divisional execution

- **Steering, tracking, safeguarding** of impact by Value Delivery Office
- **End-to-end optimization** of net working capital (Cash and Financing optimization)
- **Performance steering by consolidated margin** (P&L responsibility)

// The program's holistic approach and its emphasis on stringent implementation form the strategic foundations for sustainable success.

EBITDA-bridge (9m FY2023/24).

Value Creation Program safeguarded a sound Y/Y EBITDA development.



Key takeaways:

Adjusted for non-recurring item in Q1 FY 2022/23 (Disposal of property in St. Gallen of € 11.8m) and Q3 FY 2022/23 (MK JV contribution of € 7m).

- Decrease in **sales volume** after nine months, weaker capacity utilization.
- General inflation, tariff increase and trade fair costs.¹
- + Stronger business in **Asia-Pacific** region.
- + **Value creation program:** Production efficiency, pricing and other short-term measures.

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

¹ FY 22/23 included the provision of an inflation compensation bonus, partially reflected in Gross Margin and S&GA, R&D and Other. This year, the negotiated tariff increase is almost replacing last years effect.



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On track to achieve full-year targets.

Guidance confirmed – targets safeguarded by value creation program.

	FY 2022/23 9m	FY 2023/24 9m	Δ y/y	FY 2023/24 guidance
Net Sales	€ 1,729m	€ 1.686m	-2.5%	~ € 2,435m <i>(Previous year)</i>
Adj. EBITDA <i>(in % of Net sales)</i>	7.2%	8.0%	+80bps	~ 7.2% <i>(Previous year)</i>

Key takeaways for 9m FY 2023/24:



Confidence for full year targets, strong fourth quarter expected.



Inflation headwinds and weaker capacity utilization, but value creation program will continue to support margins.

Highlights.

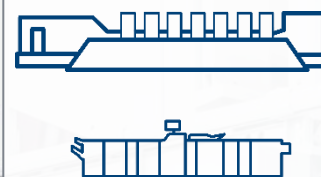
Why is an investment in HEIDELBERG attractive?

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

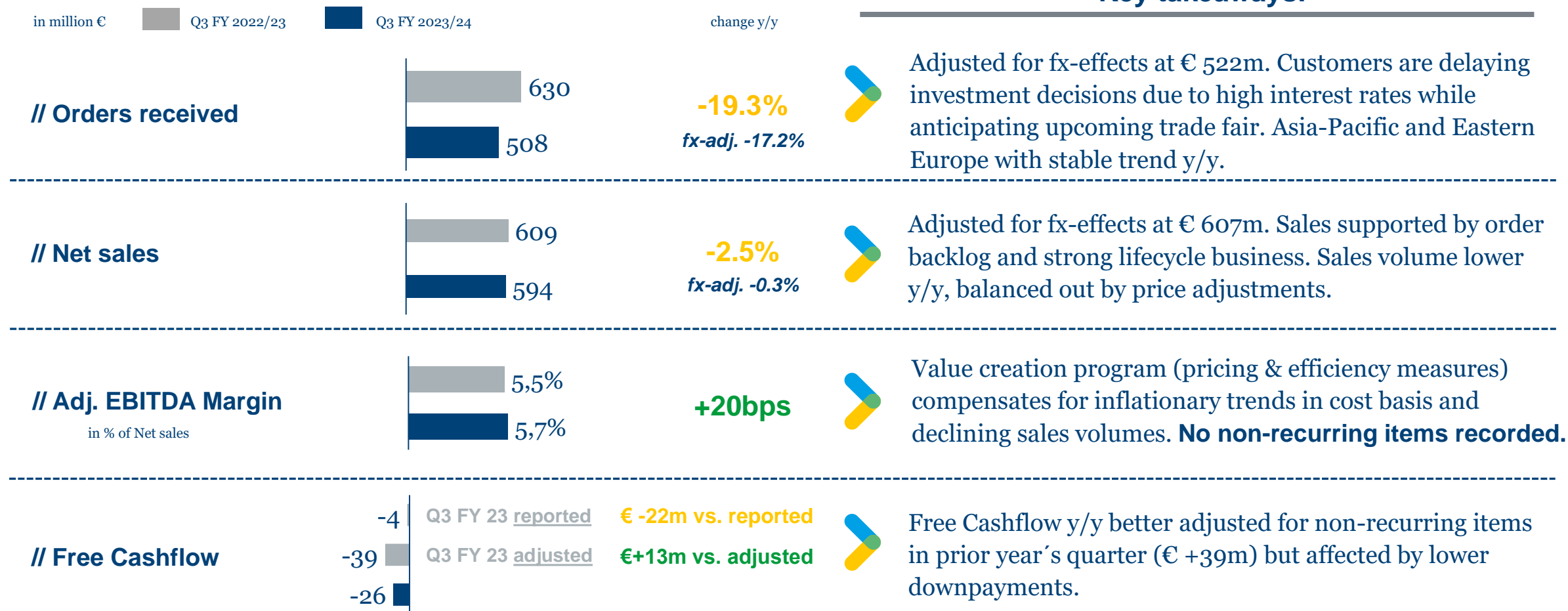
HEIDELBERG has a long-standing tradition of being a valuable and trustworthy partner for our customers.

Backup

Key performance indicators (Q3 FY 2023/24).

Softening demand after strong H1 and ahead of trade fair.

Key takeaways:



Segment split (9m FY2023/24).

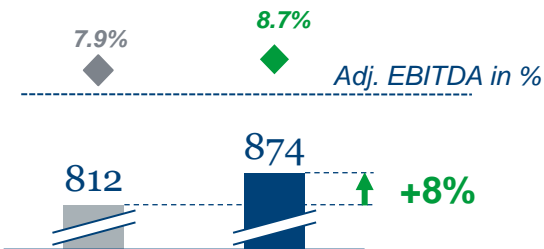
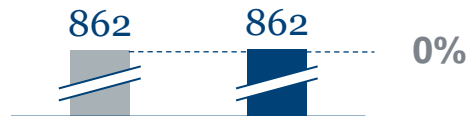
Packaging trending somewhat weaker after strong investment behavior in H1.

in million € 9m FY 2022/23 9m FY 2023/24

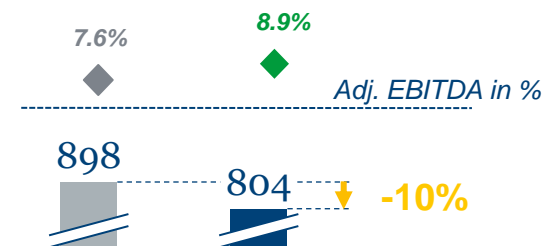
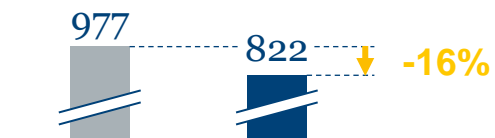
Orders received

Net sales / adj. EBITDA in %

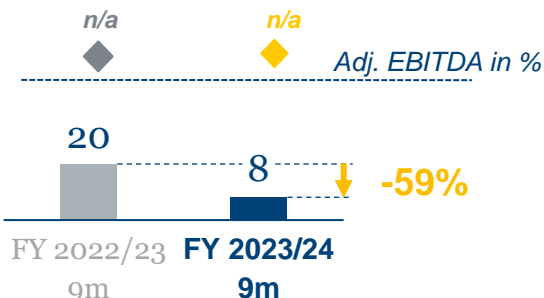
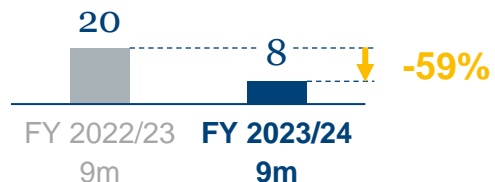
Packaging Solutions



Print Solutions



Technology Solutions



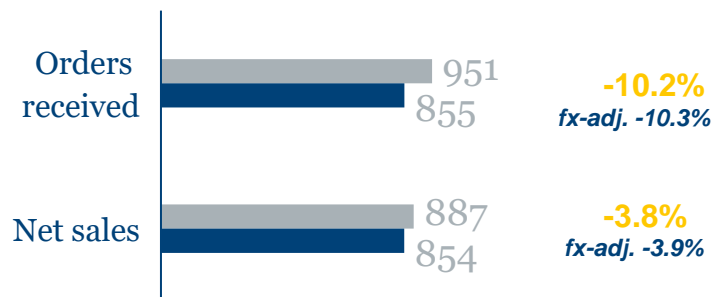
Key takeaways:

- Orders received on prior year's level, but Q3 with weakening trend after strong H1, which outperformed the market.
- Adj. EBITDA higher y/y, mainly due to higher Net sales.
- Orders received stable q/q, but below solid prior year.
- Adjusted EBITDA slightly improved, also due to strong Lifecycle business.
- Market development still restrained, first signs of slight improvement.
- Negative EBITDA driven by R&D & sales activities.

Regions (9m FY2023/24).

Solid growth in Asia-Pacific, EMEA & North America trending weaker.

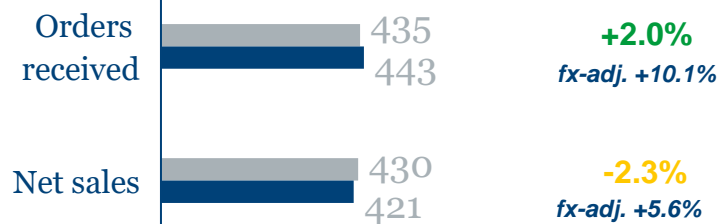
in €millions 9m FY 2022/23 9m FY 2023/24 change y/y



Key takeaways:

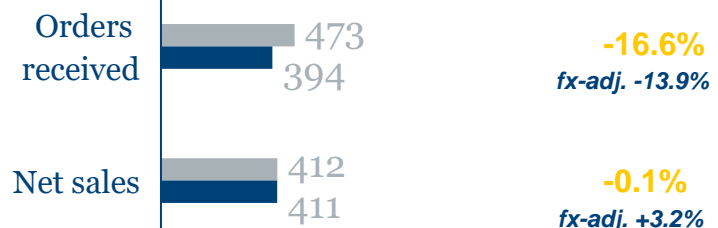
➤ Strong **Orders received** development in EE was overshadowed by weaker trend in EMEA, especially in Italy.

➤ **Net sales** almost at prior year's level – negatively affected by Technology Solutions segment, which is reported in EMEA.



➤ **Orders received** trending stronger, China still with a favorable trend. FX-effects with a strongly negative impact.

➤ **Net sales**, with a significant FX-headwind of € -34m. Solid order book offers upside in subsequent quarters.

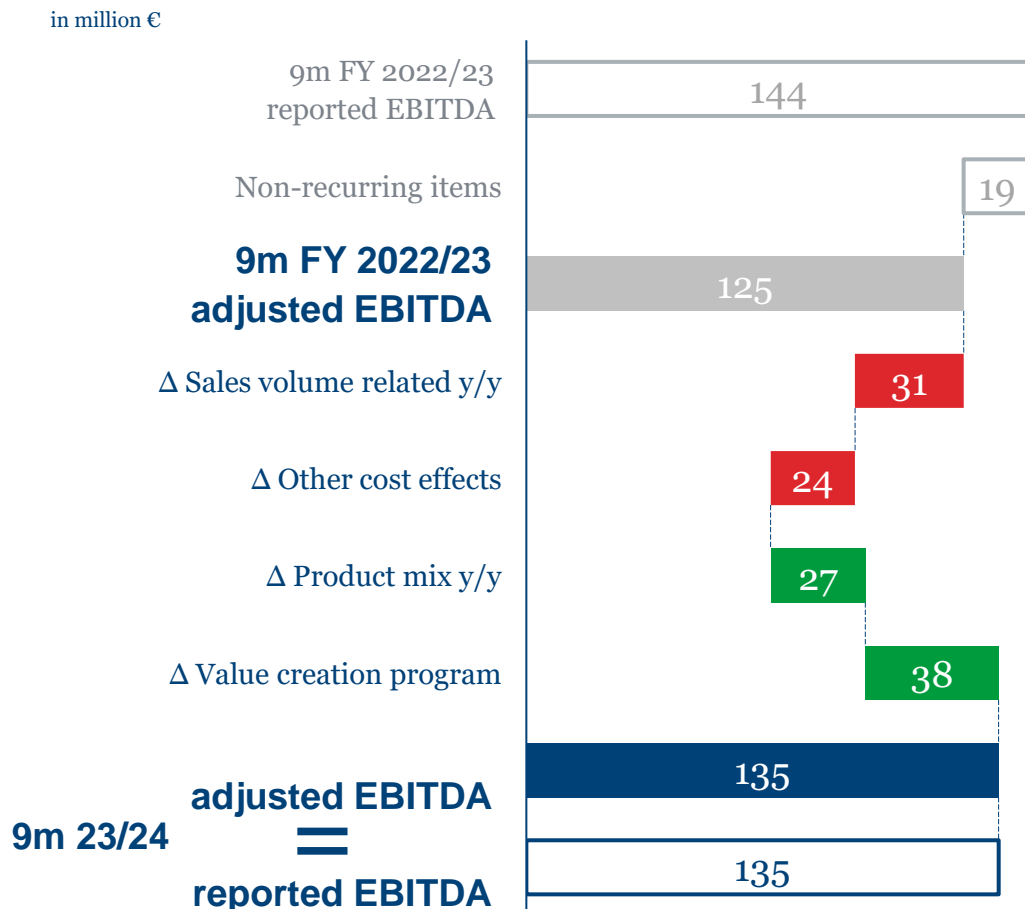


➤ **Orders received** showed weakening trend in Q3 after strong prior year. South America slightly above prior year.

➤ **Net sales** slightly below previous year supported by a solid service business. Packaging Solutions with y/y gains.

EBITDA-bridge (9m FY2023/24).

Value Creation Program safeguarded a sound Y/Y EBITDA development.



Key takeaways:

Adjusted for non-recurring item in Q1 FY 2022/23 (Disposal of property in St. Gallen of € 11.8m) and Q3 FY 2022/23 (MK JV contribution of € 7m).

- Decrease in **sales volume** after nine months, weaker capacity utilization.
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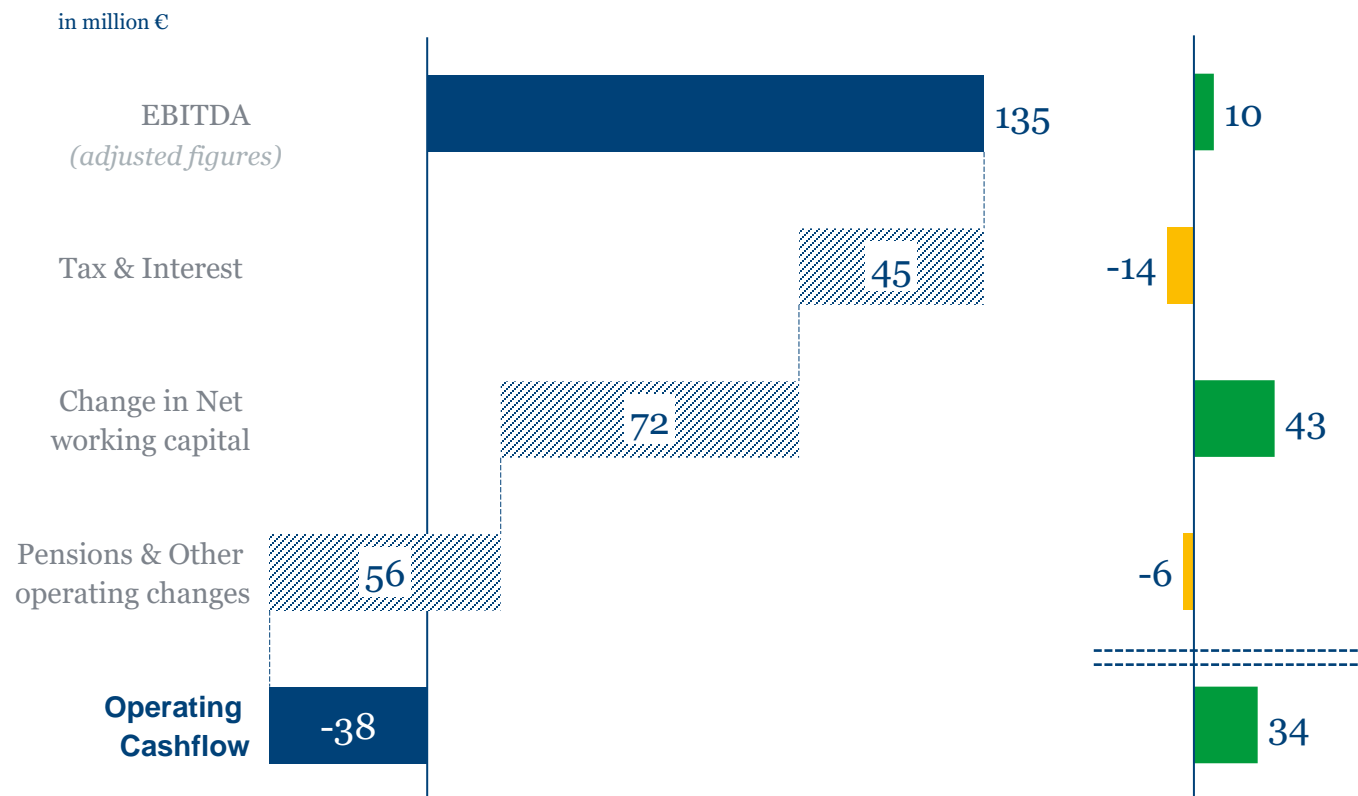
Operating Cashflow (9m FY2023/24).

Strong improvement due to higher profitability and better NWC management.

Adj. EBITDA to Operating Cashflow 9m FY 2023/24

Change y/y

Comments on y/y changes:



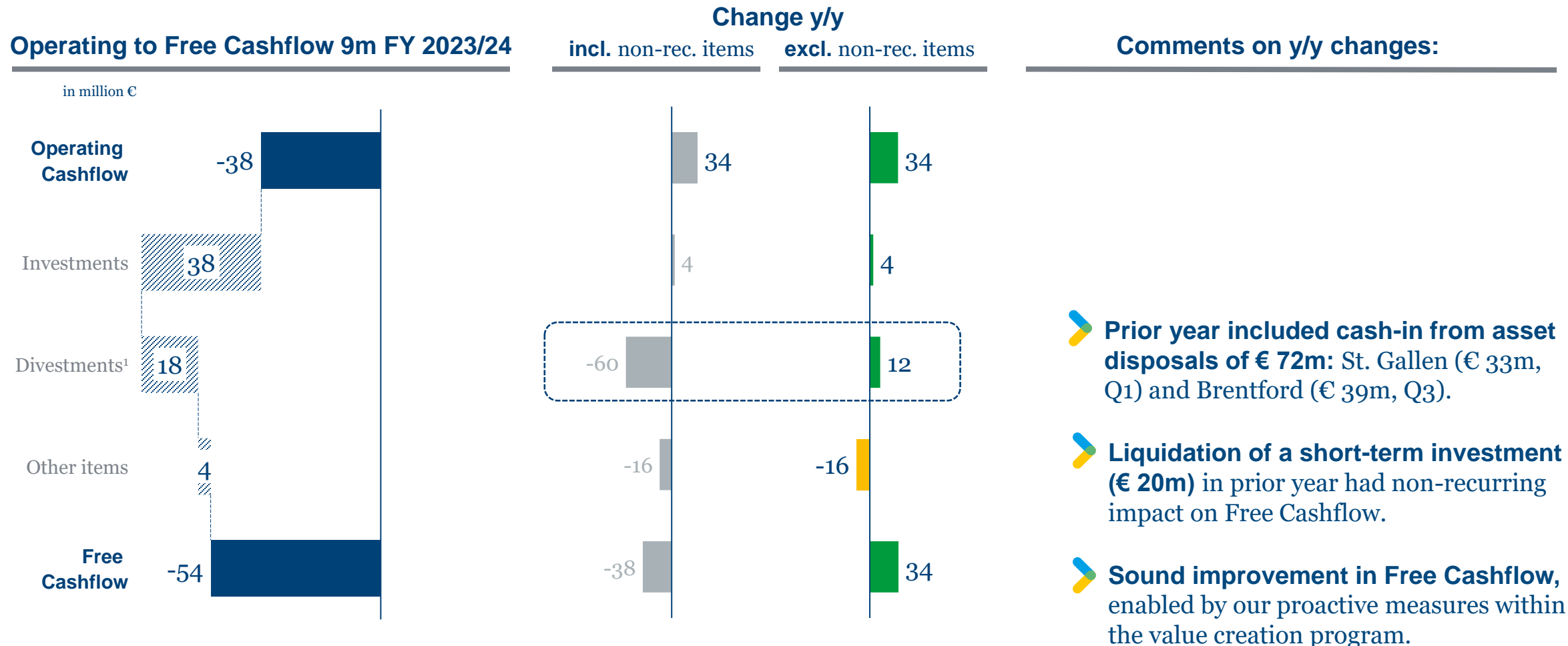
➤ **Improvement in operational profitability** (adjusted EBITDA) after nine months **strengthens Operating Cashflow.**

➤ **Y/Y more efficient management of NWC position**, despite down payments trending lower in line with orders received.

➤ **Operating Cashflow** strongly improved despite significant headwinds. NWC expected to reduce until year **turning Cashflow into positive at year-end.**

Free Cashflow (9m FY2023/24).

Strong improvement after 9m on an adjusted basis – positive FCF expected.

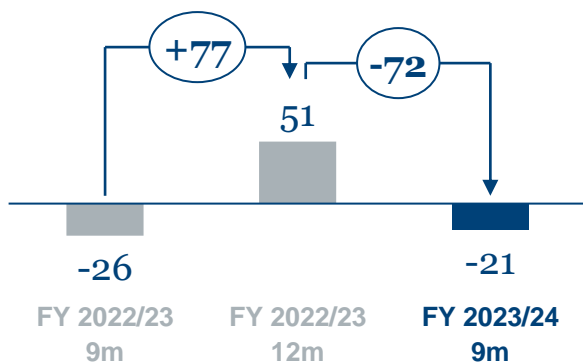


Balance Sheet (9m FY2023/24).

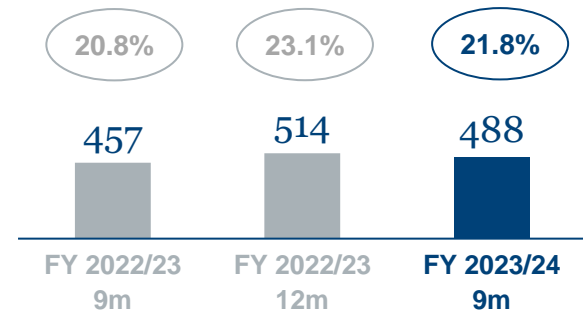
Slight decrease in equity due to sequentially higher pension provision.

in million € 9m FY 2022/23 9m FY 2023/24

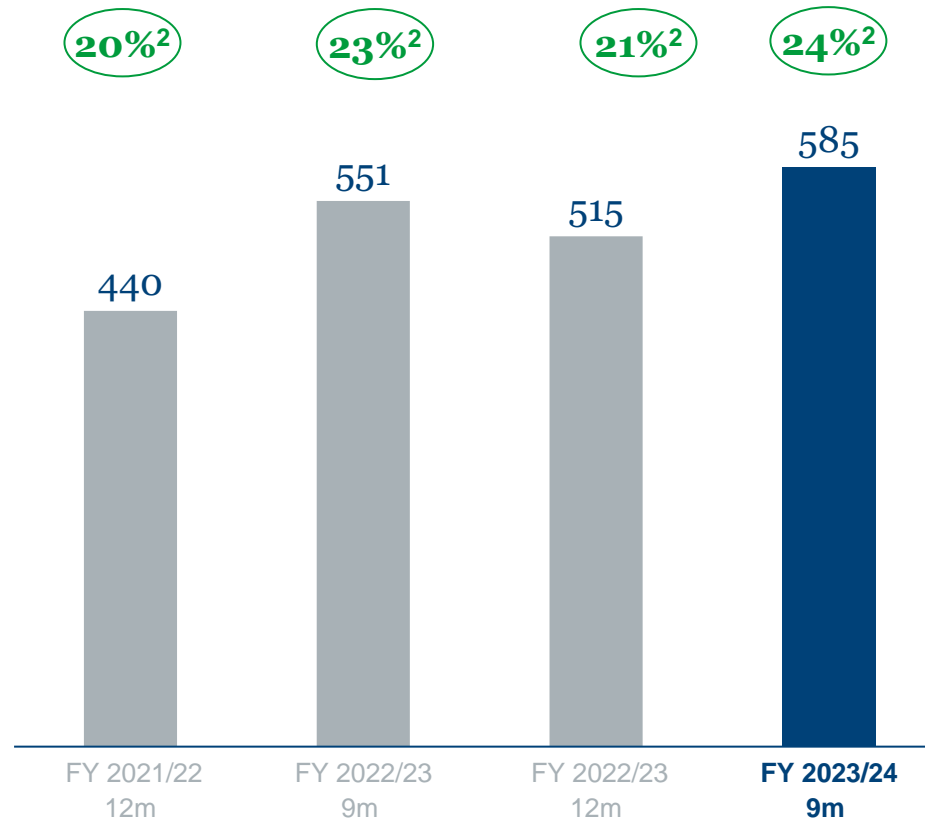
Net financial position¹



Equity and equity ratio



Net Working Capital



Key takeaways:

- **Net financial position** decreased due to negative FCF (€ -54m) and a non-cash increase in lease liabilities (€ -16m).
- Slight **Equity** reduction acc. decrease in pension discount rate in Germany from 3.7% (YE FY 22/23) to 3.1% (Q3 FY 23/24) and the associated increase in pension provisions (€-52m).
- **NWC** build up due to lower advances. Inventories and receivables improved y/y.