

Press Release

Koenig & Bauer publishes its Q1 report 2020

Revenue and earnings impacted by coronavirus pandemic

- Solid order intake of €271.5m
- Pandemic-related revenue decline by 25.3% to €172.4m
- EBIT of –€34.9m hit by low revenue, cost savings from short-time work effective from Q2
- Order backlog of €632.8m at an average level
- Equity ratio of 32.3%
- Corona crisis management currently has the highest priority to master today's challenges and to be prepared for the period after the coronavirus pandemic

Würzburg, 7 May 2020

Whereas Koenig & Bauer was able to achieve a sound group order intake of €271.5m in the first quarter of 2020, the coronavirus pandemic, which has been spreading rapidly since January, has already had a considerable impact on revenue and earnings. With group revenue 25.3% lower than in the prior year at €172.4m, EBIT was –€34.9m. Restrictions especially in travelling initially imposed in China and then gradually in many parts of the world are having a significant impact on order and project processing for the delivery, assembly and installation of the machines at our international customers. The effects are also being felt in the services area. At –€36.6m, group net earnings in the first quarter of 2020 translate into earnings per share of –€2.22.

Despite the significant drop in trade receivables and increased customer prepayments, substantially higher inventories as a result of pandemic-related delivery delays had a major impact on cash flows from operating activities of –€15m (2019: –€30.6m). Free cash flow improved from –€51.2m in the previous year to –€31.3m. The equity ratio stood at 32.3% at the end of March 2020.

President and CEO Claus Bolza-Schünemann: "The economic consequences of the corona crisis pose major challenges for our group. Our broad product portfolio with a significant share of revenue in system relevant packaging printing, the robust, increasingly digital service business and our sound balance sheet with a high equity ratio limit the risk potential. With the corona crisis management established in March, we are working to actively counter this extraordinary situation. The health and safety of our employees, customers and suppliers is our top priority. Our action plan focuses on reliable customer support, cost and investment discipline and securing liquidity. Short-time working has been in place at different locations since 1 April 2020 due to capacity utilisation."

Segment performance

In the Sheetfed segment, primarily increased orders in large format as well as pleasing sales of folder gluer systems contributed to the solid order intake of €160.1m (2019: €174.2m). For reasons related to delivery and the pandemic, revenue of €68.2m was well below the prior-year figure of €113.7m. With a book-to-bill ratio of 2.35, order backlog increased from €250.5m to €275.3m. EBIT of –€18.6m was below the prior-year figure (–€3m) as a result of the substantial drop in revenue.

KOENIG & BAUER

Despite declining service business with web offset presses, order intake at Digital & Web of €43.6m was significantly higher than the prior-year figure of €31.9m. In addition to increased orders in flexible packaging printing, follow-up orders received in corrugated board and digital decor printing were the main reason for this growth. Mainly as a result of corona-related restrictions at the Italian subsidiary Flexotecnica, revenue of €28.1m was lower than in the previous year (€32.4m). Order backlog decreased from €85.4m to €81.6m. The low revenue level had a significant impact on the EBIT of –€5.5m (2019: –€5.4m).

Lower orders in security, coding and glass direct printing contributed to the decline in order intake in the Special segment from €80.4m to €73.5m. New business in metal decorating was stable compared with the prior-year quarter. Revenue decreased to €81.4m (2019: €93.6m). Order backlog at the end of March was €279.6m compared with €332.3m at the same time last year. After a segment profit of €2.1m in the prior year, EBIT of –€7.6m was reported in the first quarter of 2020.

Guidance for 2020

CFO Dr Stephen Kimmich: “Given the uncertainty regarding future developments and the serious concern about a deep global recession, many of our customers are reluctant to make new investments, even though packaging printers for food, beverages and pharmaceuticals as well as for online retailing are currently operating at particularly high capacity utilisation. Considering the high volatility and the tremendous uncertainty about the severity and duration of the coronavirus pandemic as well as the success of health and economic policies, the impact on revenue and earnings in the 2020 financial year cannot yet be quantified. Because of the drastic effects that are already apparent, our planning for 2020 is no longer achievable. Accordingly, corona crisis management currently has the highest priority so that we can master the challenges that lie ahead and be prepared for the period after the Covid-19 pandemic. In addition to the Performance 2024 efficiency programme, the strategic focus on packaging printing and digital services is to be stepped up again afterwards.”

Photo 1:

Remote maintenance and modern communication channels are becoming increasingly important in the current environment

Photo 2:

At the Koenig & Bauer Duran subsidiary, order intake for folder gluers developed particularly well

KOENIG & BAUER

Press contact:

Koenig & Bauer AG
Investor Relations
Dr Bernd Heusinger
T +49 931 909-4835
M bernd.heusinger@koenig-bauer.com

About Koenig & Bauer

The Koenig & Bauer group is a customer-centric partner to the international printing and converting industry with annual revenue of over €1.2bn and 5,700 employees. The group is the global market and technology leader in security printing and in growing packaging printing markets. Throughout its 202-year history, it has been driven by innovation and technological progress. Systematically oriented to meeting customer requirements, its high-tech printing presses and systems permit highly efficient printing, finishing and postpress processing. Its services cover a wide range of customer-oriented offerings including networked printing.

For more information, visit www.koenig-bauer.com

Disclaimer:

The projections contained in this press release were founded on data available at the time of issue. While management believes them to be accurate, the impact of external factors beyond its control, such as changes in the economy, exchange rates and in our industry, may give rise to a different outcome from that projected. The outlook contains no meaningful portfolio effects and influences relating to legal and official matters. It also depends on ongoing earnings growth and the absence of disruptive temporary market changes. Koenig & Bauer therefore accepts no liability for transactions based upon these projections.

KOENIG & BAUER

Koenig & Bauer group	31.03.2019 in €m	31.03.2020 in €m	Change
Revenue	230.7	172.4	- 25.3%
Sheetfed	113.7	68.2	- 40.0%
Digital & Web	32.4	28.1	- 13.3%
Special	93.6	81.4	- 13.0%
Reconciliation	-9.0	-5.3	
Order intake	276.4	271.5	- 1.8%
Sheetfed	174.2	160.1	- 8.1%
Digital & Web	31.9	43.6	+ 36.7%
Special	80.4	73.5	- 8.6%
Reconciliation	-10.1	-5.7	
Order backlog	656.6	632.8	- 3.6%
Sheetfed	250.5	275.3	+ 9.9%
Digital & Web	85.4	81.6	- 4.4%
Special	332.3	279.6	- 15.9%
Reconciliation	-11.6	-3.7	
EBIT	-2.8	-34.9	
Sheetfed	-3.0	-18.6	
Digital & Web	-5.4	-5.5	
Special	2.1	-7.6	
Reconciliation	3.5	-3.2	
Earnings before taxes (EBT)	-4.1	-36.2	
Net loss	-4.9	-36.6	
Earnings per share in €	-0.30	-2.22	
Cash flows from operating activities	-30.6	-15.0	
Balance sheet total (prior year: 31.12.)	1,343.1	1,331.0	
Equity (prior year: 31.12.)	460.4	429.3	
Employees thereof apprentices/trainees	5,706 270	5,749 285	