

Corporate news release

29. April 2019

Krones continues growth in first quarter of 2019

- Revenue up 10.3% year-on-year to €983.5 million. Adjusted for acquisitions and currency effects, the growth is 5.9%.
- Order intake improved by 5.0% to €1,041.6 million. Excluding acquisitions, the increase was 4.1%.
- Earnings before taxes (EBT) went down 8.4% to €51.5 million in the first quarter of 2019. The EBT margin comes to 5.2% (previous year: 6.3%).
- The Executive Board has confirmed the targets for 2019. Krones expects 3% revenue growth and an EBT margin of 6%.

Krones, the world's leading manufacturer of filling and packaging technology, recorded stable growth in the first quarter of 2019 despite the increasingly difficult overall economic environment. Revenue from January to March 2019 showed a year-on-year increase of 10.3%, from €891.7 million to €983.5 million. Adjusted for acquisitions and currency effects, the growth was 5.9%. Because of the lead time between quotation and order, the price increases on Krones machinery in effect since May 2018 did not significantly affect first quarter revenue.

So far the uncertain general economic situation has less impacted investment confidence within the international food and beverage industry. At €1,041.6 million, order intake from January to March 2019 exceeded the already high prior-year figure of €992.4 million by 5.0%. Adjusted for acquisitions, the increase was 4.1%. Krones had orders on hand totalling €1,319.2 million at the end of the first quarter of 2019 (previous year: €1,340.8 million).

Profitability affected by high costs

The company's profitability decreased in the first quarter of 2019 compared with the previous year. This reflects the ongoing high material and personnel costs. Besides the increase in workforce and the increasing salary levels another factor in the disproportionately increase in personnel expenses is the establishment of the plant in Hungary. Material costs continue to be at a high level. As expected, the price increases for Krones products did not have a significant impact on earnings in the first quarter. In total, earnings before taxes (EBT) were down 8.4% year-on-year, from €56.2 million to €51.5 million in the first quarter of 2019. This corresponds to an EBT margin of 5.2% (previous year: 6.3%).

Consolidated net income went down in the first quarter of 2019 by 6.2% to €36.3 million (previous year: €38.7 million). This made for earnings per share of €1.15 (previous year: €1.23).

Significant improvement in working capital to revenue ratio

Krones reduced average working capital over the past four quarters as a percentage of revenue to 26.4% in the first quarter (previous year: 28.2%). Free cash flow went down to –€136.6 million (previous year: –€14.1 million). Krones having a negative free cash flow at the beginning of the year is a seasonal effect and is nothing out of the ordinary for the company's business. With net cash of €70.9 million and an equity ratio of 42.9% at the end of the first quarter of 2019, Krones continues to have an exceptionally stable and solid financial and capital structure.

Krones confirms forecast for 2019

Based on the prevailing macroeconomic outlook and the current expected development of the markets relevant to Krones, the company expects consolidated revenue growth of 3% in 2019.

The company expects a further increase in material procurement prices in 2019; the same applies to labour costs. Krones' price increases on all bottling and packaging equipment and for process technology with effect from 1 May 2018 are likely to have a slight positive effect on earnings in the 2019 financial year. Overall, Krones forecasts an EBT margin of around 6% for 2019. For its third performance target, working capital to revenue, Krones expects a figure of 26%. Above all due to the focus on increases in the price level, in the current economic and geopolitical climate, Krones sees the attainment of its targets for 2019 subject to greater uncertainties than in the past.

Krones continues to pursue ambitious targets for the medium term. Given the fragile state of the economic and geopolitical environment, however, forecasts in this regard are subject to large uncertainties. For this reason, the company states ranges for each of the medium-term targets. Depending on the overall economic situation and developments in Krones' markets, the Executive Board expects an annual average revenue growth of 3% to 5% excluding acquisition effects, an EBT margin of 6% to 8% and working capital at 22% to 24% of revenue.

Krones has published the complete quarterly statement online at <https://www.krones.com/en/company/investors.php>

Key figures Q1 2019		1 Jan – 31 Mar 2019	1 Jan – 31 Mar 2018	Change
Revenue	€ million	983.5	891.7	+ 10.3%
Order intake	€ million	1,041.6	992.4	+ 5.0%
Orders on hand at 31 March	€ million	1,319.2	1.340.8	– 1.6%
EBITDA	€ million	86.0	78.9	+ 9.0%
EBITDA margin	%	8.7	8.9	– 0.2 PP*
EBIT	€ million	51.8	55.5	– 6.7%
EBT	€ million	51.5	56.2	– 8.4%
EBT margin	%	5.2	6.3	– 1.1 PP*
Consolidated net income	€ million	36.3	38.7	– 6.2%
Earnings per share	€	1.15	1.23	– 6.5%
Capital expenditure for PP&E and intangible assets	€ million	46.6	27.4	+ €19.2 million
Free cash flow	€ million	– 136.6	– 14.1	– €122.5 million
Net cash and cash equivalents at 31 March**	€ million	70.9	143.8	– €72.9 million
Working capital to revenue***	%	26.4	28.2	– 1.8 PP*
ROCE	%	13.2	15.3	– 2.1 PP*
Employees at 31 March				
Worldwide		16,695	15,461	+ 1,234
Germany		10,835	10,394	+ 441
Outside Germany		5,860	5,067	+ 793
* PP = percentage points ** Cash and cash equivalents less debt *** Average of last 4 quarters				

Contact:

Olaf Scholz

Head of Investor Relations, Krones AG

Phone: +49 9401 70-1169

E-mail: olaf.scholz@krones.com