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Krones records strong growth in first three quarters of 2023 and significantly improves profitability

After a successful first half of the year, the third quarter of 2023 also went well for Krones. Although the overall economic outlook has clouded over, the company's international customers in the food and beverage industry continue to show high levels of market activity and willingness to invest. This reflects the fact that demand for packaged beverages is robust to economic cycles and continues to grow at a steady rate.

- Demand for Krones' products and services remains strong. In the third quarter of 2023, order intake improved by 4.3% on the previous quarter to €1,327.7 million.
- Order backlog exceeds the €4 billion mark for the first time and, at €4.09 billion, ensures capacity utilisation in plant and project business through to 2025.
- Krones' revenue developed well between January and September, despite the tight supply of electrical components, rising by 14.5% to €3,485.6 million.
- The company significantly improved profitability in a challenging environment in the first three quarters of 2023. Earnings before interest, taxes, depreciation and amortisation (EBITDA) went up by 23.0% to €332.3 million. The EBITDA margin rose to 9.5% (previous year: 8.9%).
- Krones confirms its full-year guidance for 2023. The Executive Board expects revenue growth of 11% to 13%. In addition, the company aims to further improve profitability and forecasts an EBITDA margin of 9% to 10% in 2023. For return on capital employed (ROCE), Krones expects an increase to between 15% and 17%.

Order intake picks up in third quarter compared to previous quarter, order backlog exceeds €4 billion mark

Third-quarter order intake improved by 4.3% on the previous quarter to €1,327.7 million (Q3 2022: 1,493.3 million). Krones received €4,113.6 million in new orders in the first nine months of 2023 (previous year: €4,599.7 million). The sustained strong demand for Krones products and services is also reflected in the order backlog. Despite higher output, the contract value of orders exceeded the €4 billion mark for the first time in the third quarter of 2023. At the end of September 2023, the order backlog stood at €4,094.4 million, up 18.7% on the already very high prior-year figure (€3,449.0 million). This comfortable order backlog ensures production capacity utilisation in plant and project business through to 2025.

Revenue raises by 14.5% in the first nine months of 2023

Production conditions remained challenging in the third quarter due to the tight situation regarding the procurement of electrical components. Thanks to the high flexibility and creativity of its workforce, however, Krones was able to continue its stable growth. Revenue from July to September 2023 was up 10.0% year on year, rising to €1,164.7 million. Over the first three quarters of 2023, revenue thus grew by 14.5%, from €3,043.7 million a year earlier to €3,485.6 million.

Krones significantly improves profitability

Despite difficult conditions overall, Krones significantly improved profitability in the third quarter compared to the previous year. As in the first half of the year, this is largely due to the flexibility of the company and the workforce. Rising material and labour costs were also offset by the implemented price increases. EBITDA (earnings before interest, taxes, depreciation and amortisation) increased by 16.7% to €110.9 million between July and September 2023. The EBITDA margin consequently improved to 9.5% (Q3 2022: 9.0%). Krones' EBT (earnings before taxes) of €74.3 million in the third quarter was 17.2% higher than in the previous year. Consolidated net income climbed 20.4% to €54.3 million. This results in earnings per share of €1.72 (previous year: €1.43).

In the first nine months of 2023, EBITDA increased by 23.0% year on year, from €270.1 million to €332.3 million. The EBITDA margin rose from 8.9% to 9.5% in the period from January to September. As a result of higher financial income, EBT improved even more strongly than EBITDA, increasing by 33.3 % to €235.4 million. The EBT margin rose accordingly from 5.8% to 6.8%. Consolidated net income for the first three quarters of 2023 came to €175.7 million, 36.9% higher than in the previous year (€128.3 million). Earnings per share increased from €4.06 to €5.56.

Strong improvement in ROCE, free cash flow as expected

Mainly due to the higher business volume and the associated increase in working capital, Krones' free cash flow adjusted for M&A activities amounted to –€166.1 million as expected in the first nine months (previous year: +€132.3 million). Krones acquired a 90% stake in Ampco Pumps, USA, in the second quarter. Including the cash outflow for this acquisition, free cash flow in the first nine months was –€280.6 million.

Krones' ROCE (return on capital employed) improved significantly. Mainly due to the higher earnings before interest and taxes (EBIT), ROCE climbed to 17.0% in the period January to September 2023 (previous year: 12.4%). The company's net cash, meaning cash and cash equivalents less bank debt, stood at €284.8 million at the end of September 2023. In addition, Krones had around €860 million in unused lines of credit as of 30 September.



Krones confirms full-year guidance for 2023

Demand for the company's products and services remains strong. At the same time, business conditions remain challenging for Krones due to various unpredictable factors that could affect the company's business processes and production.

Krones is highly confident of meeting the full-year financial targets for 2023. The company forecasts revenue growth of 11% to 13% this year. In addition, Krones aims to further improve profitability and plans an EBITDA margin of 9% to 10% for the group in 2023 (2022: 8.9%). For the third performance target, ROCE (return on capital employed), Krones expects an increase to between 15% and 17% (2022: 14.1%).

Krones has published the full quarterly statement as of 30 September 2023 online at:

https://www.krones.com/media/downloads/Q3_2023_e.pdf

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