



# Krones Q1 2022

Conference Call 06 May 2022

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## Despite several challenges Krones had a very good start in 2022

### Summary Q1 2022

Customers' demand remain very high and results in increased **order intake** in Q1 2022 by 45.4% to €1.6 billion as an absolutely all time high. Strong market development still sustainable.

**Revenue** in Q1 2022 of €987 million up by 12.9% to prior-year figure, and also slightly above pre Covid-19 level.

**Free Cash Flow** with +€77 million again over previous year (+€30 million). **ROCE** also increased from 9.3% to 11.7% in Q1 2022 and so fully in line for the 2022 target (10% to 12%).

Moderate increase in **EBITDA margin** of 8.8% vs. prior year margin of 8.7%. EBITDA margin is in line with the full year target (8% to 9%). Material cost increases can be compensated by price increases and performance optimizations.

Despite various global challenges, Krones **confirms the full year targets for 2022**. Krones plans a growth in sales of **5% to 8%** for 2022. We expect an EBITDA margin of 8% to 9% in 2022 which is fully in line with our plans to reach our midterm profitability target of 10% to 13% by 2025 at the latest.



## Krones highlights

Q1 2022

### Order intake

**+45.4%**

€1.55 billion

### Revenue

**+12.9%**

€987 million

### EBITDA margin

**8.8%**

(PY 8.7%)

### Free cash flow

**+€77 million**

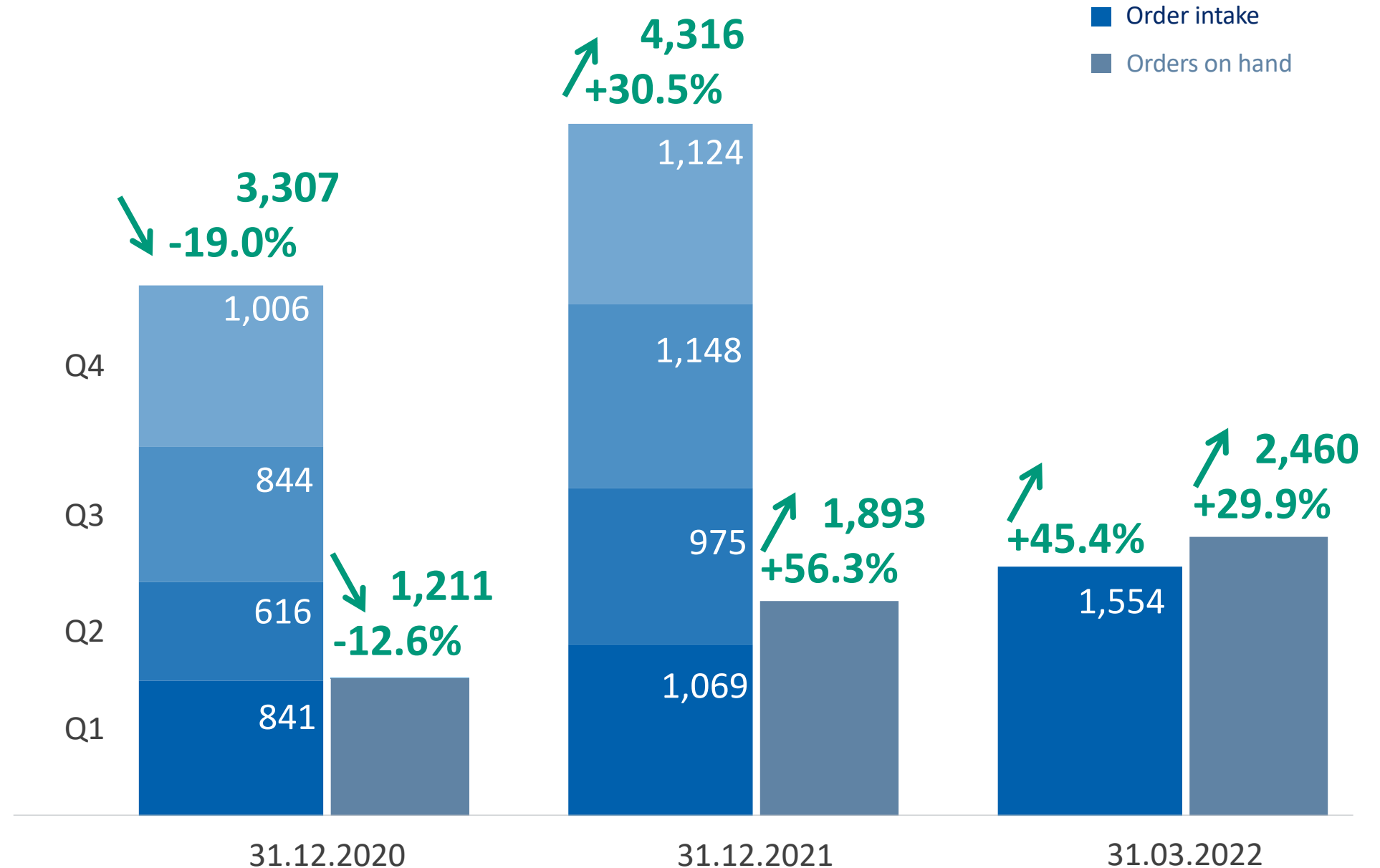
(PY +€30 million)



## Q1 Order intake and orders on hand (€ million)

### Very strong growth in Q1 2022 reflects the actual market strength

- After a record order intake 2021 the **order intake** in Q1 2022 again increased significantly by another 45.4% yoy. Highest order intake ever has no pull forward effects of the price increase as of 1 April 2022
- Orders on hand** at 31.03.2022 was 30% above the high amount at year end 2021 (1.9bn; +56%). With this order backlog, Krones capacities would be fully utilized for the next quarters, whereas the supply chain challenges seem to remain a limited factor.



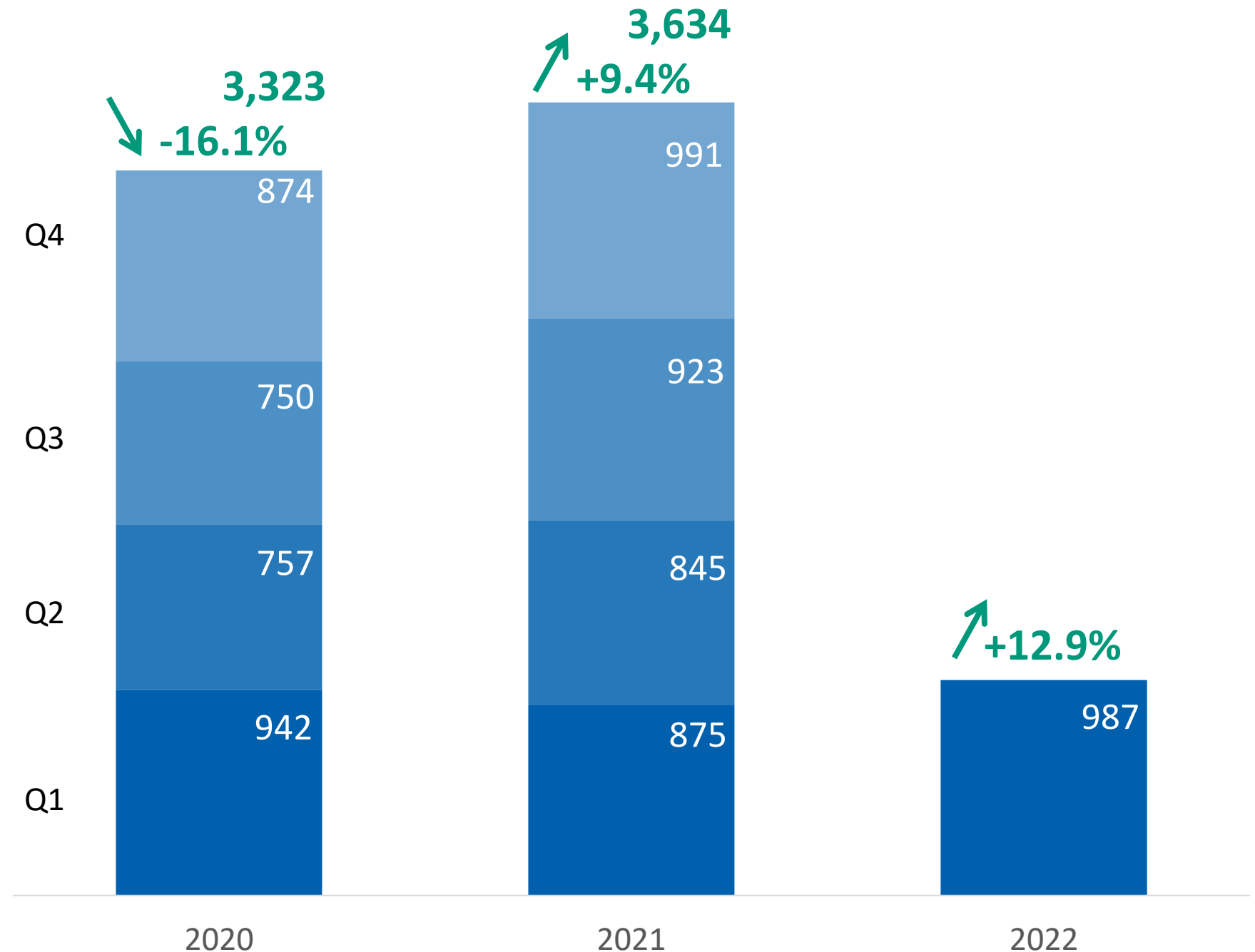


## Revenue development by quarter (€ million)

### Revenue growth at Krones fully in line with target expectations

- Revenue was increased in Q1 2022 by 12.9% compared to Q1 prior year and includes a significantly higher growth in new equipment business compared to after-sales business
- Revenue was also above the pre Covid-19 level of Q1 2020 (+4.8%)

The revenue reflects the good capacity utilisation management of Krones despite significant supply chain shortages.





# Revenue split reflects the world-wide business activity of Krones with a stabilisation of the strong position in industrial countries

## Share of sales (Q1)

North and Central America		
2020	2021	2022
16.8%	20.6%	20.8%

Europe		
2020	2021	2022
32.9%	33.5%	32.7%

Eastern Europe/ Russia/Central Asia		
2020	2021	2022
9.7%	7.3%	6.3%

China		
2020	2021	2022
4.9%	6.0%	10.2%

Middle East/ Africa		
2020	2021	2022
12.3%	14.2%	12.3%

South America		
2020	2021	2022
11.8%	9.3%	7.3%

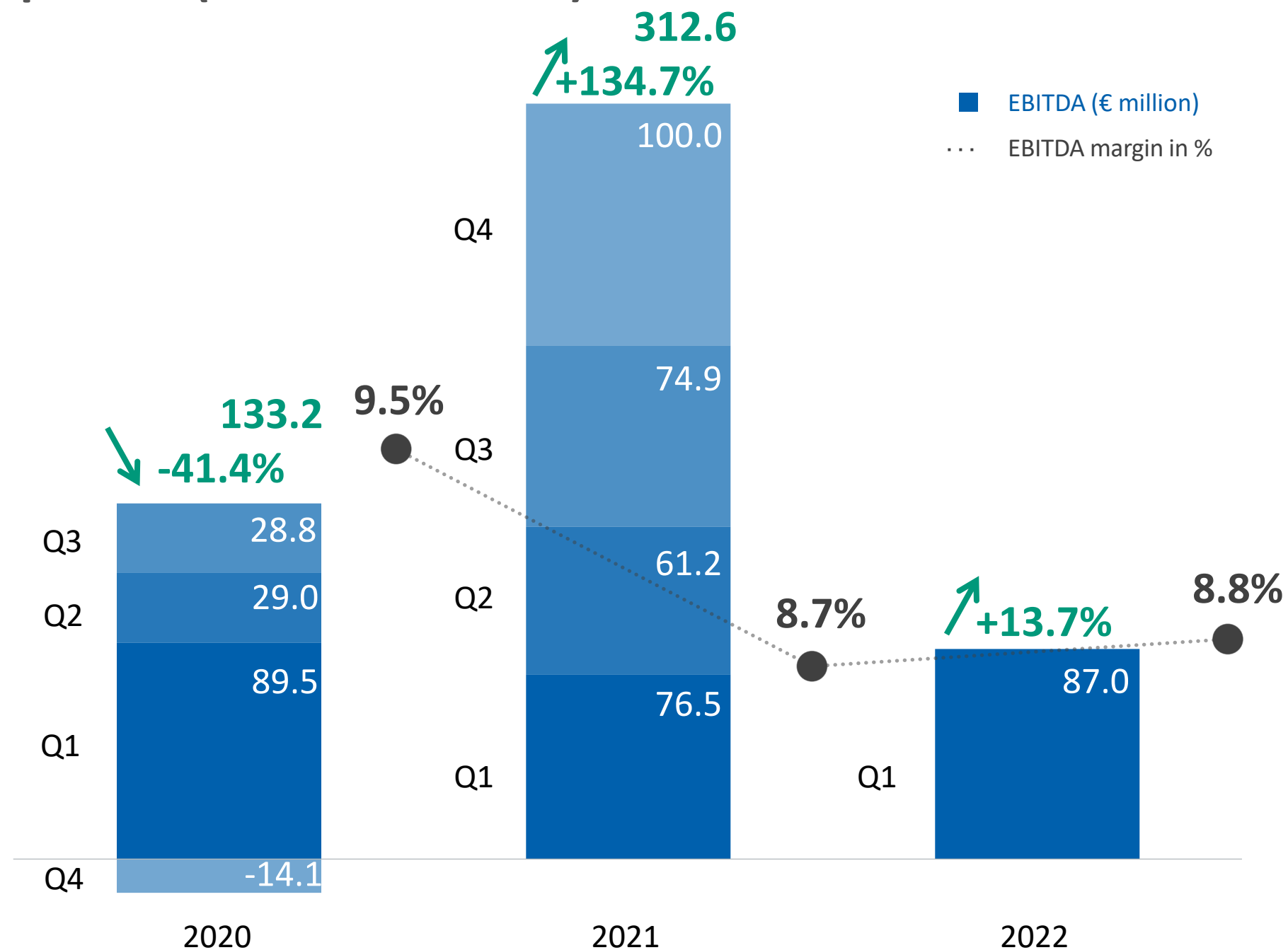
Asia/Pacific		
2020	2021	2022
11.6%	9.1%	10.4%



## EBITDA and EBITDA margin by quarter (€ million and %)

### EBITDA at €87 million and EBITDA margin at 8.8%

- EBITDA margin slightly above the margin of Q1 2021. Prior year margin was positively influenced by a product mix of more after-sales business and a lower share of new equipment business
- The global economic circumstances from the Ukraine crisis and the regional Covid-19 effects have not influenced the earnings situation significantly.
- EBITDA margin fully in line with our margin outlook for the full year (8% to 9%).

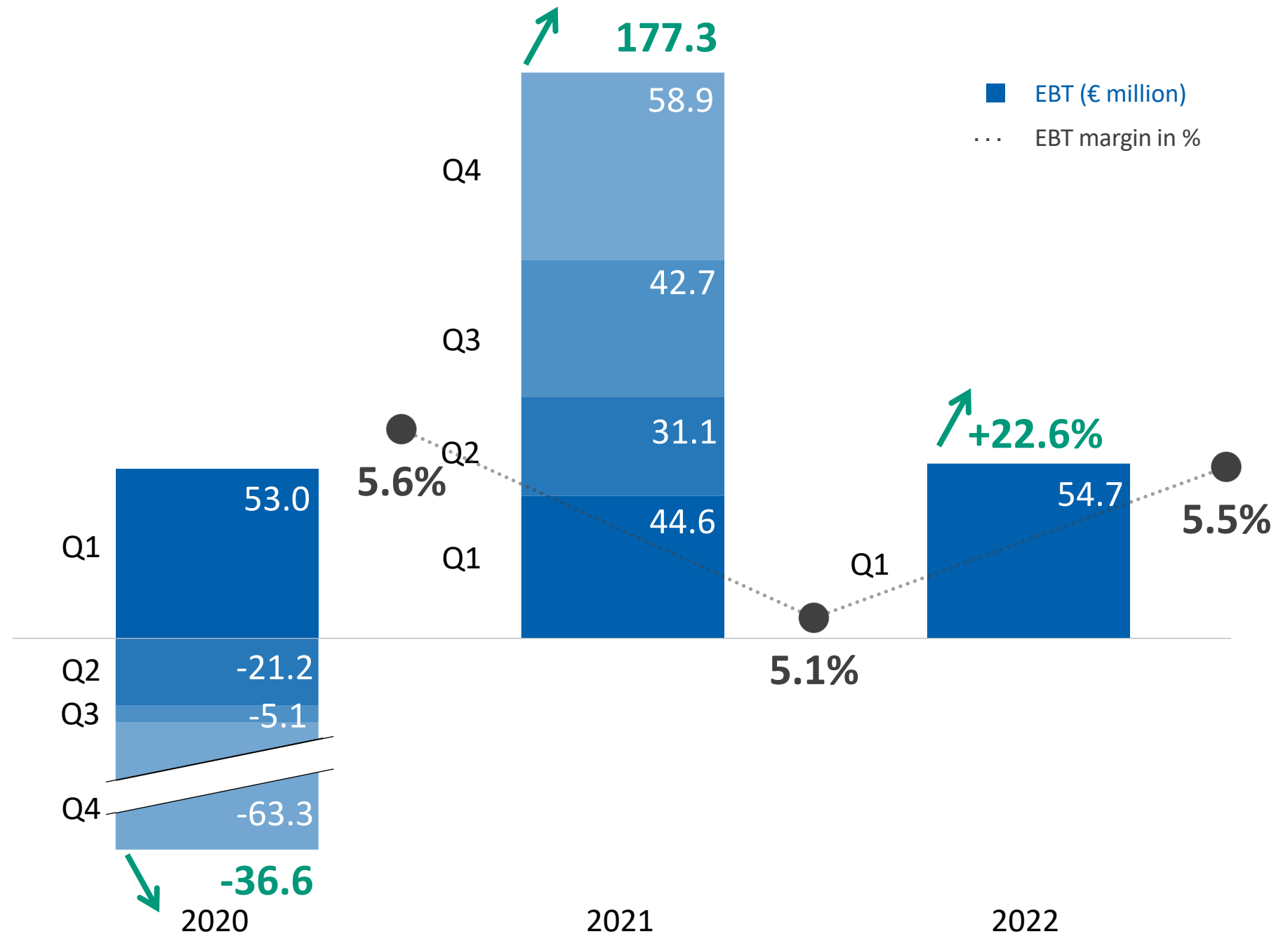




## EBT and EBT margin by quarter (€ million and %)

### EBT at €54,7 million and EBT margin increased to 5.5%

- EBT increased to Q1 2021 by 23% to €54,7 million and EBT-margin at 5.5% vs. 5.1% in Q1 prior year
- EBT margin in Q1 2022 in line with full year expectations for 2022
- Q1 2022 margin just slightly below pre Covid-19 margin of Q1 2020, despite global supply chain disruptions and still negative Covid-19 impacts around the world



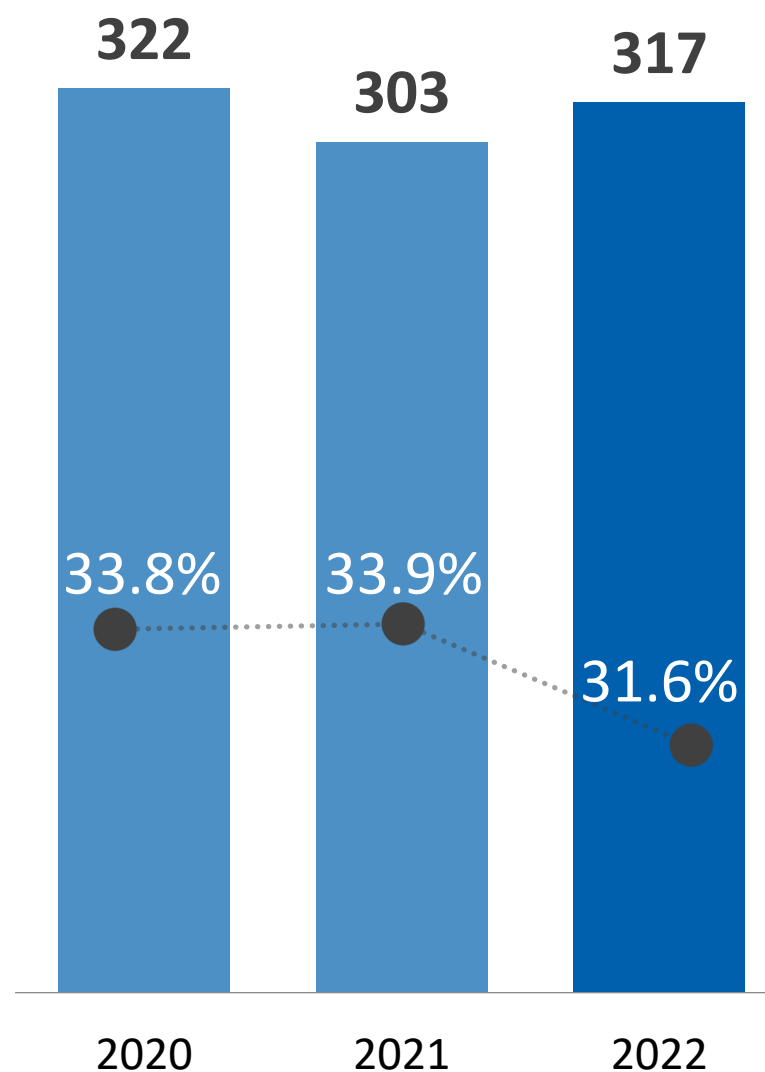




## Personnel and material expenses Q1 (€ million and %)

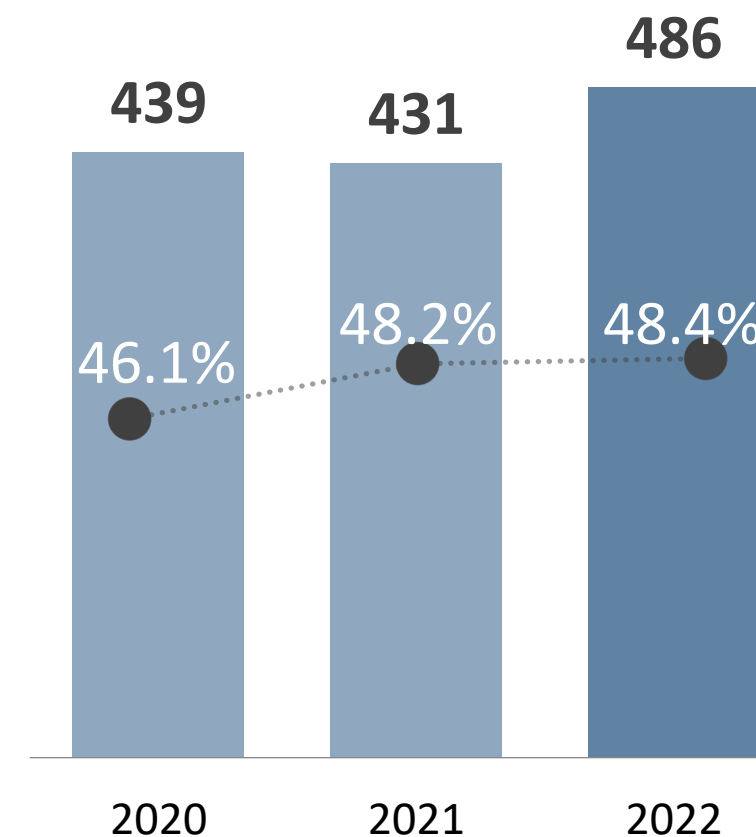
- **Personnel cost ratio** with 31.6% clearly better than last year. Positive effects from the fully implemented structural measures are completely in the P&L of Q1
- Despite increasing material costs and higher machine business (with higher material ratio) the **material cost ratio** overall was stable at 48.4% (vs. Q1 2021). Selling price increases and cost reductions compensated dynamic cost increases on the material side. Nevertheless the material costs are significantly higher than pre Covid-19 level of Q1 2020 (46.1%)

Personnel cost Q1 (€ million)



--- Personnel expenses to total performance (%)

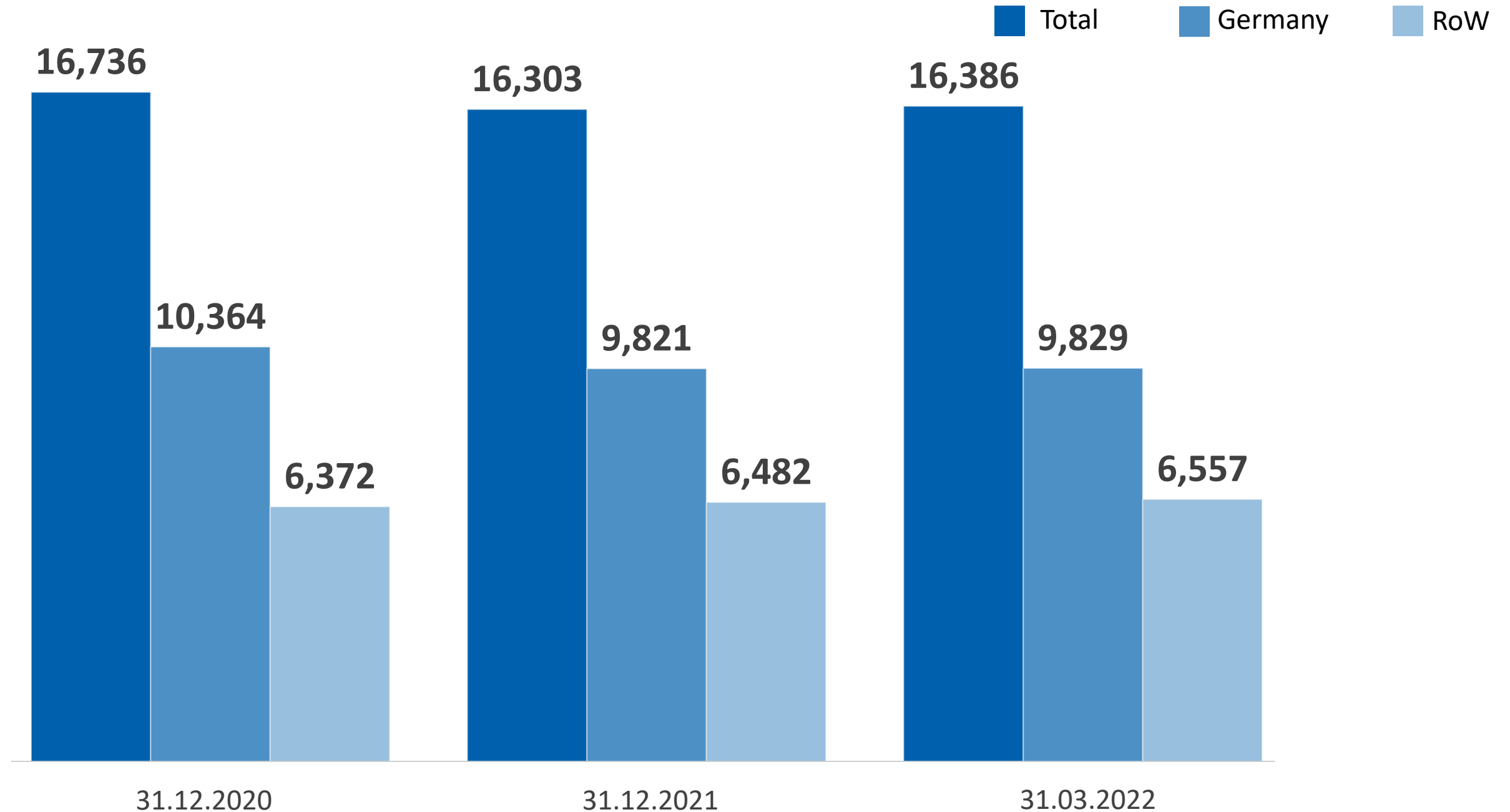
Material cost Q1 (€ million)



--- Material expenses to total performance (%)



# Krones employees worldwide – stable employee situation in German after prior years capacity adjustment programs



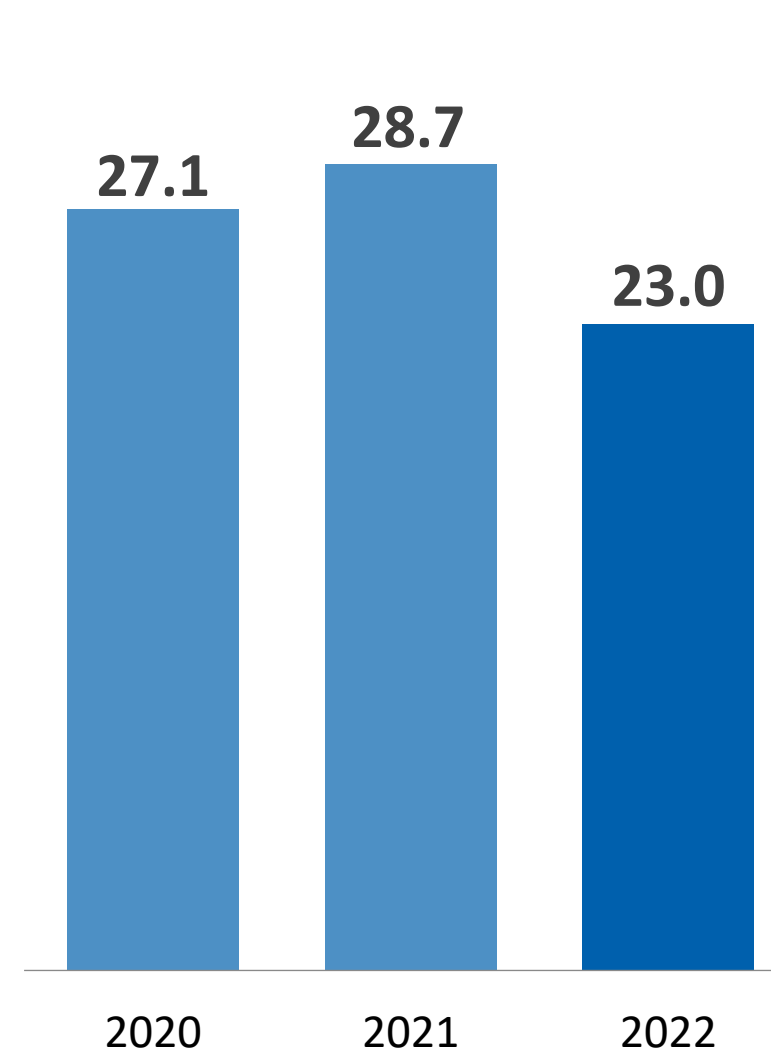


## Working Capital Q1 (in %)

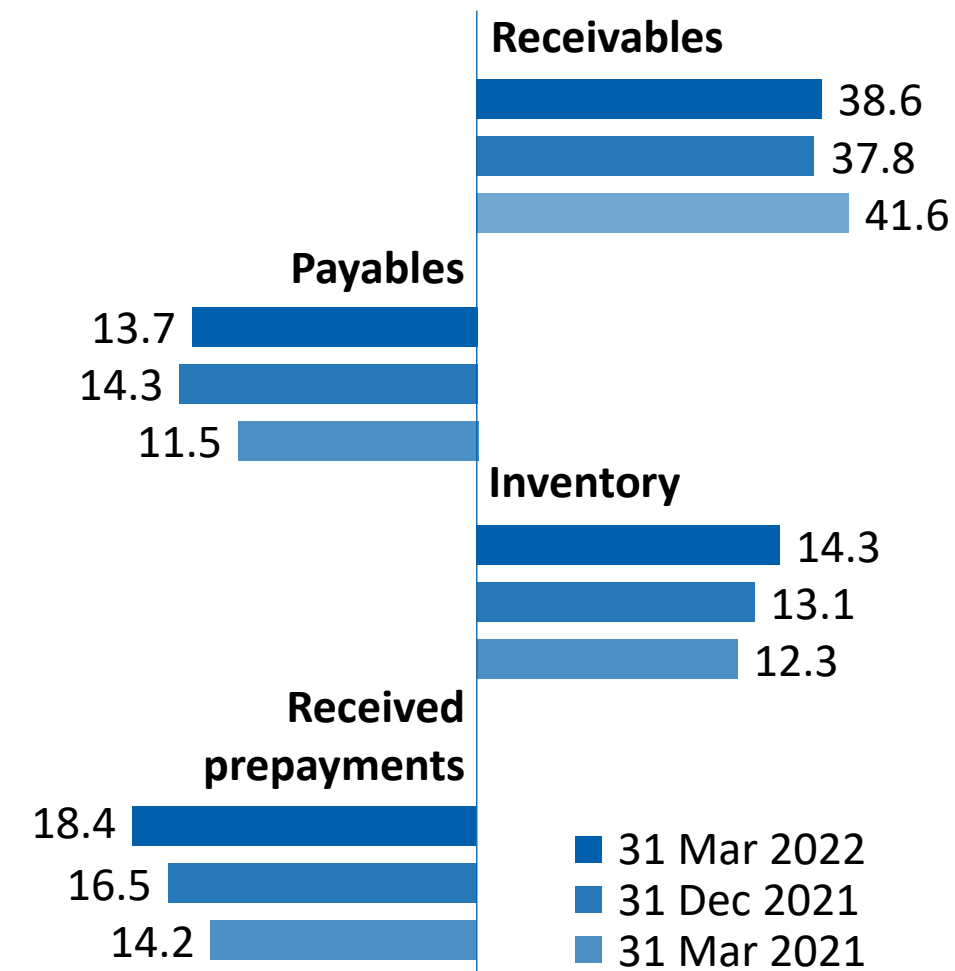
### Strong decrease in Working Capital in % of sales with 23.0% vs. Q1 prior year and Q1 2020

- Based on higher business activities, **receivables** increased just by 0.8%. The **payables** decreased by 0.6% as a result of stronger supplier position
- The increase in **inventory** (+1.2%) results mainly from efforts to strengthen supply chain (safety stock)
- As a result of strong order intake (+45.4%) **prepayments** (1.9%) show the biggest positive impact on Working Capital
- Nevertheless **working capital ratio at Q1 2022 was lower than year-end 2021 (24.8%) and significantly below the years before**

Working Capital of revenue Q1  
(%, average over four quarters)



Part of Working Capital in %  
of revenue (last 12 months)

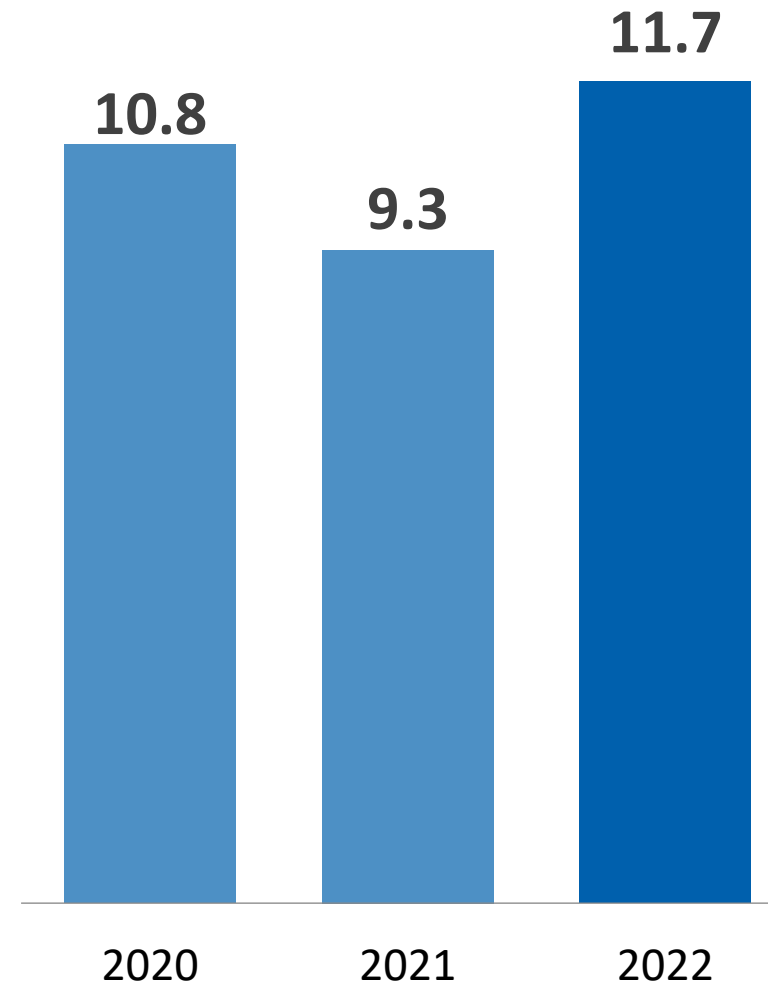




## ROCE

- ROCE, as the new third target figure is with 11.7% also fully in line with expectations for FY 2022 (10% to 12%)
- The increase in 2022 vs. 2021 based on higher earnings and better working capital, whereas the increase vs. 2020 results from a positive working capital development
- As a result ROCE ratio in Q1 2022 is higher than Q1 prior year and also higher than Q1 2020 (pre Covid-19)

ROCE Q1 2020 – 2022\* in %



\* ROCE without one-offs and goodwill and financial assets

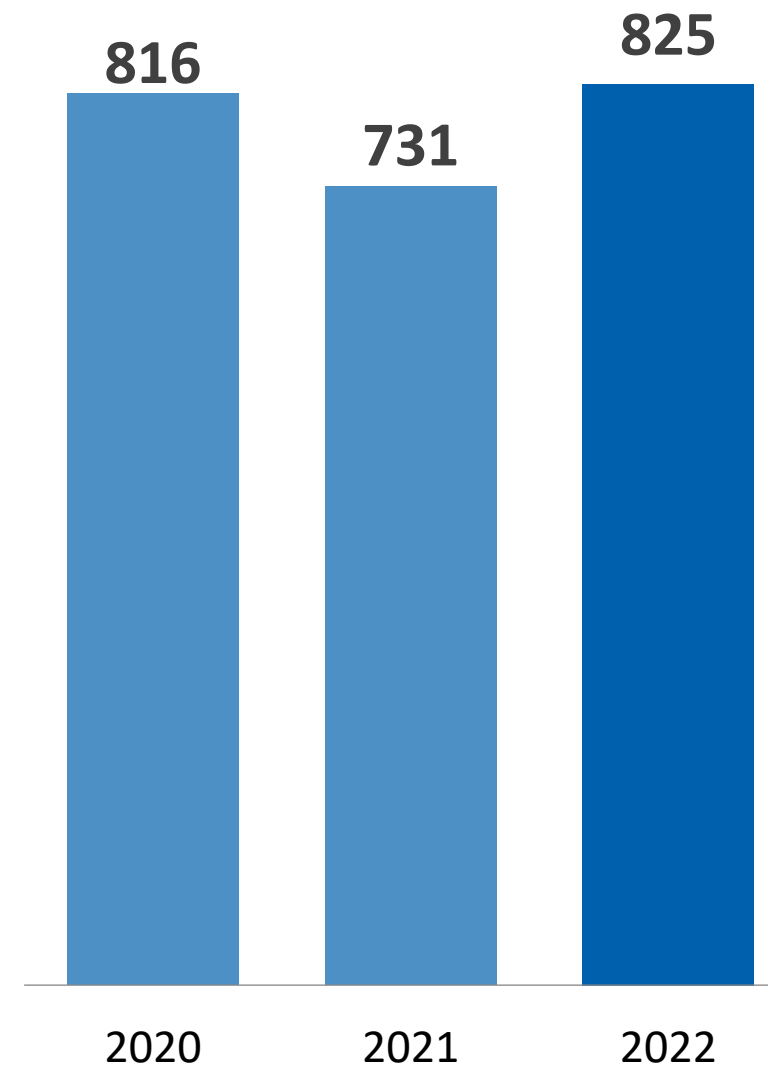


## Revenue and EBITDA per segment

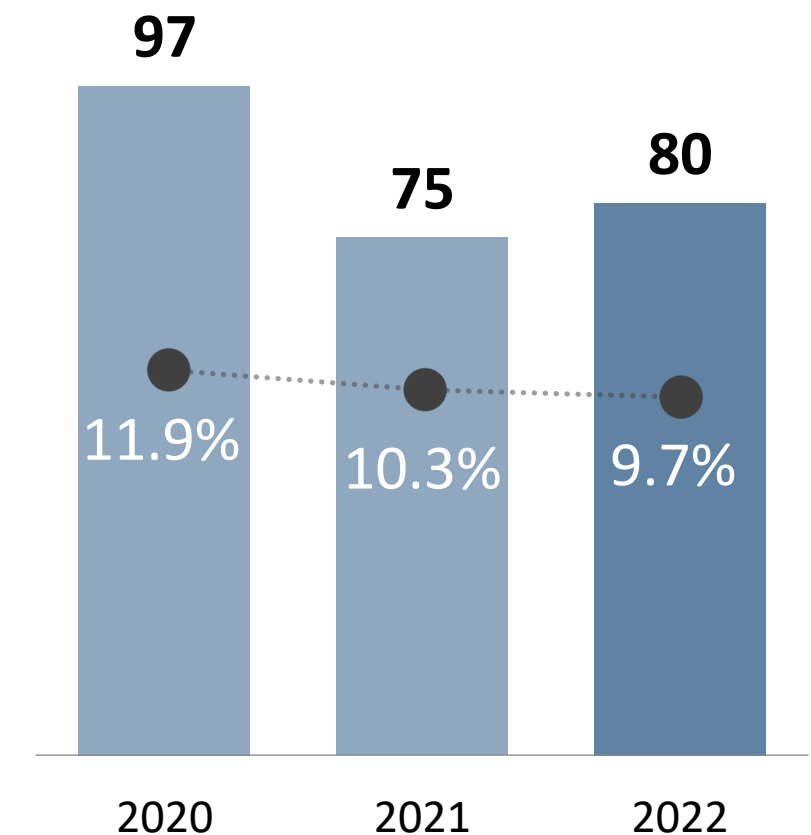
### Filling and Packaging technology

- Increase in **revenue** nearly on group level (+13%) – driven primarily by new equipment sales
- Positive effects from structural measures plus price increases starting August 2021 enabled Krones to limit the impact of higher material costs and results in **EBITDA margin** of 9.7%
- Nevertheless the margin decreased vs. Q1 2021 based on a normalisation of the product mix (new machines vs. after-sales business)
- Regarding EBITDA margin we are fully in line with our 2022 guidance (9% to 10%)
- Core segment was just renamed with no changes in content

Revenue development Q1  
(€ million)



Segment EBITDA (€ million) and  
EBITDA margin (%) Q1



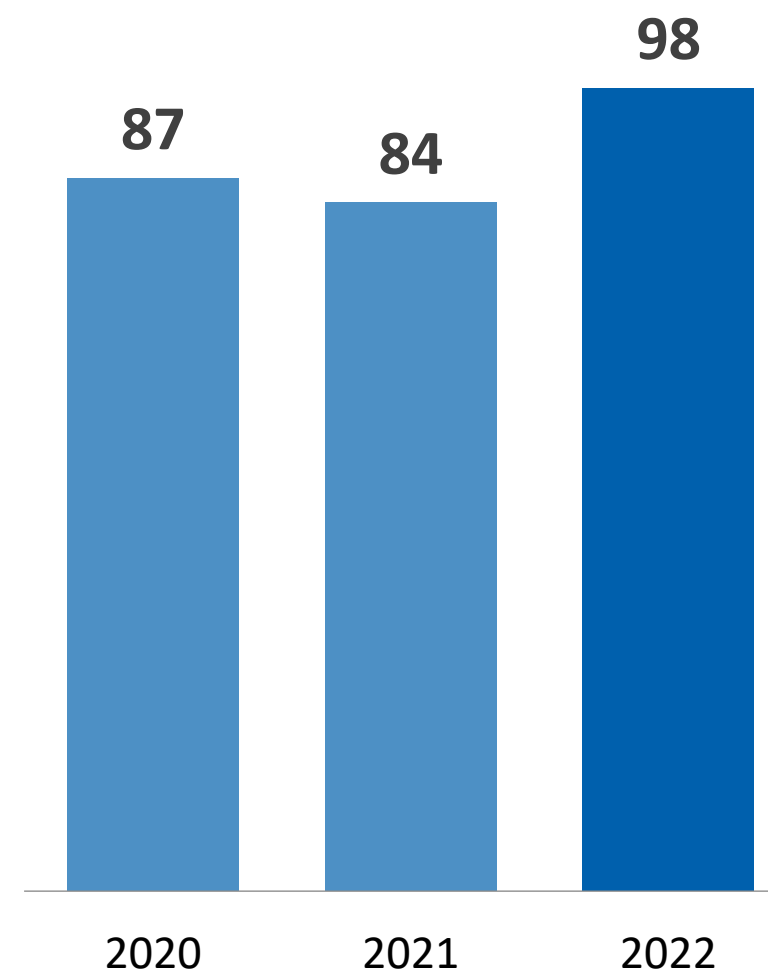


## Revenue and EBITDA per segment

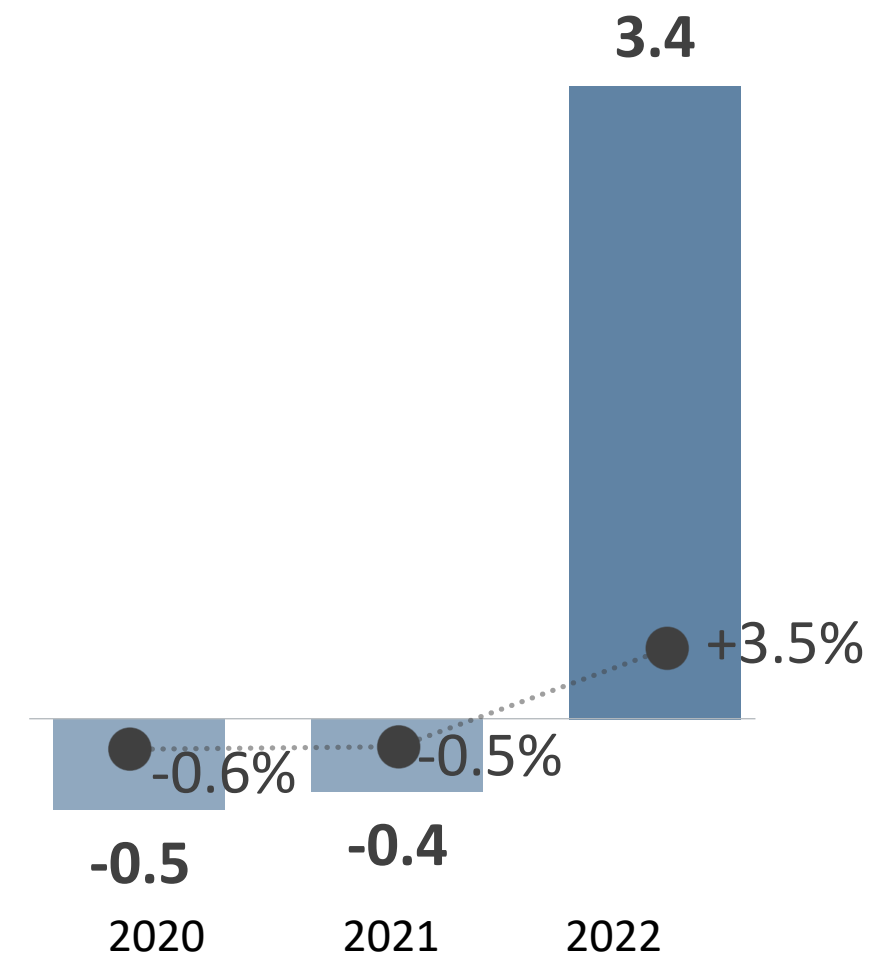
### Process technology

- **Revenues** has increased vs. prior year by 16.2%
- Positive **EBITDA margin** in Process technology of 3.5% mainly based on effects from structural measures and customized processes
- EBITDA margin below full year target (5% to 7%) based on seasonal effects, which are normal in this project business environment
- This new segment represents the business with products and services for producing and processing of beer, soft drinks and sensitive products like dairy products, fruit juices and plant based products

Revenue development Q1  
(€ million)



Segment EBITDA (€ million) and  
EBITDA margin (%) Q1



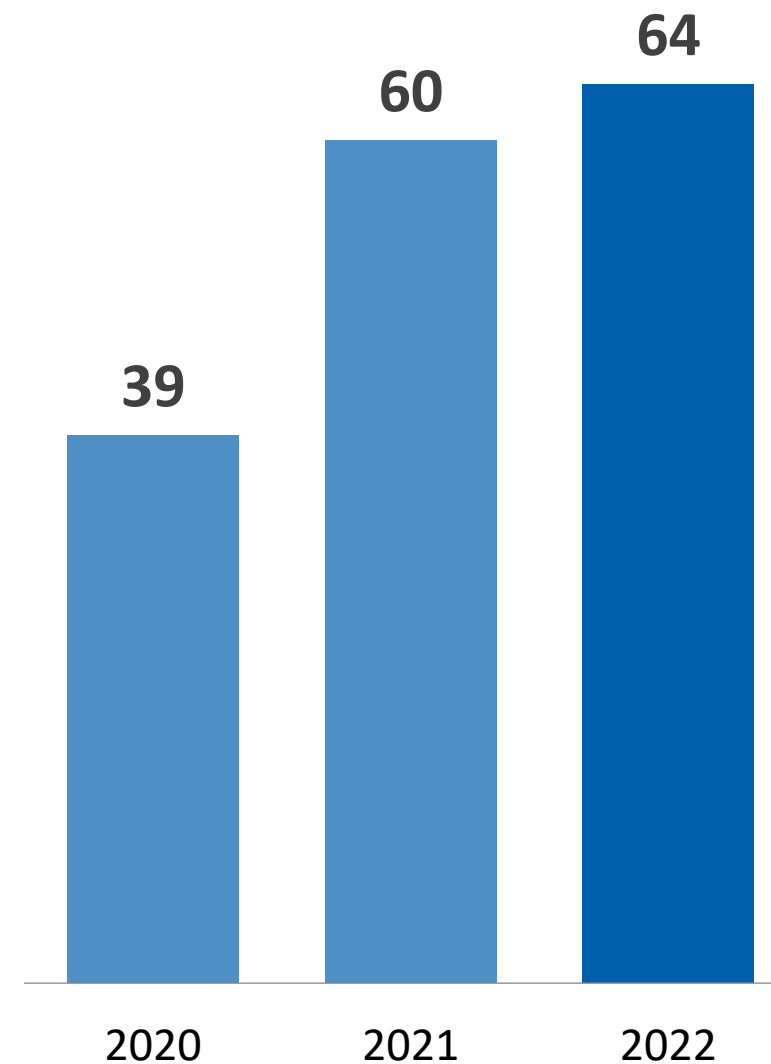


## Revenue and EBITDA per segment

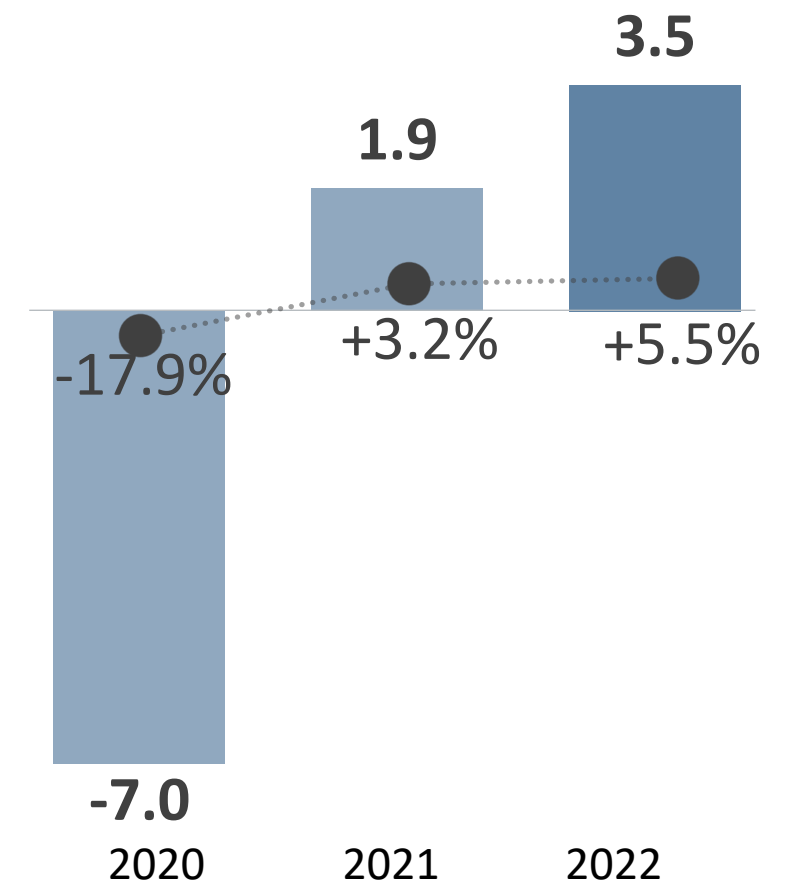
### Intralogistics

- Increase in **revenue** +6.7% in Q1 2022 vs. prior year, after a strong revenue recovery in Q1 2021 (+53%) vs. the revenue of Q1 2020 which was strongly influenced by Covid-19
- This strong top line and the full utilisation results in **EBITDA margin** of +5.5%
- Also the EBITDA margin of this new segment is in line with the full year guidance (4% to 6%)
- This new segment represents the business with intralogistics solutions of Krones for the beverage industry as well for other industries

Revenue development Q1  
(€ million)



Segment EBITDA (€ million) and  
EBITDA margin (%) Q1

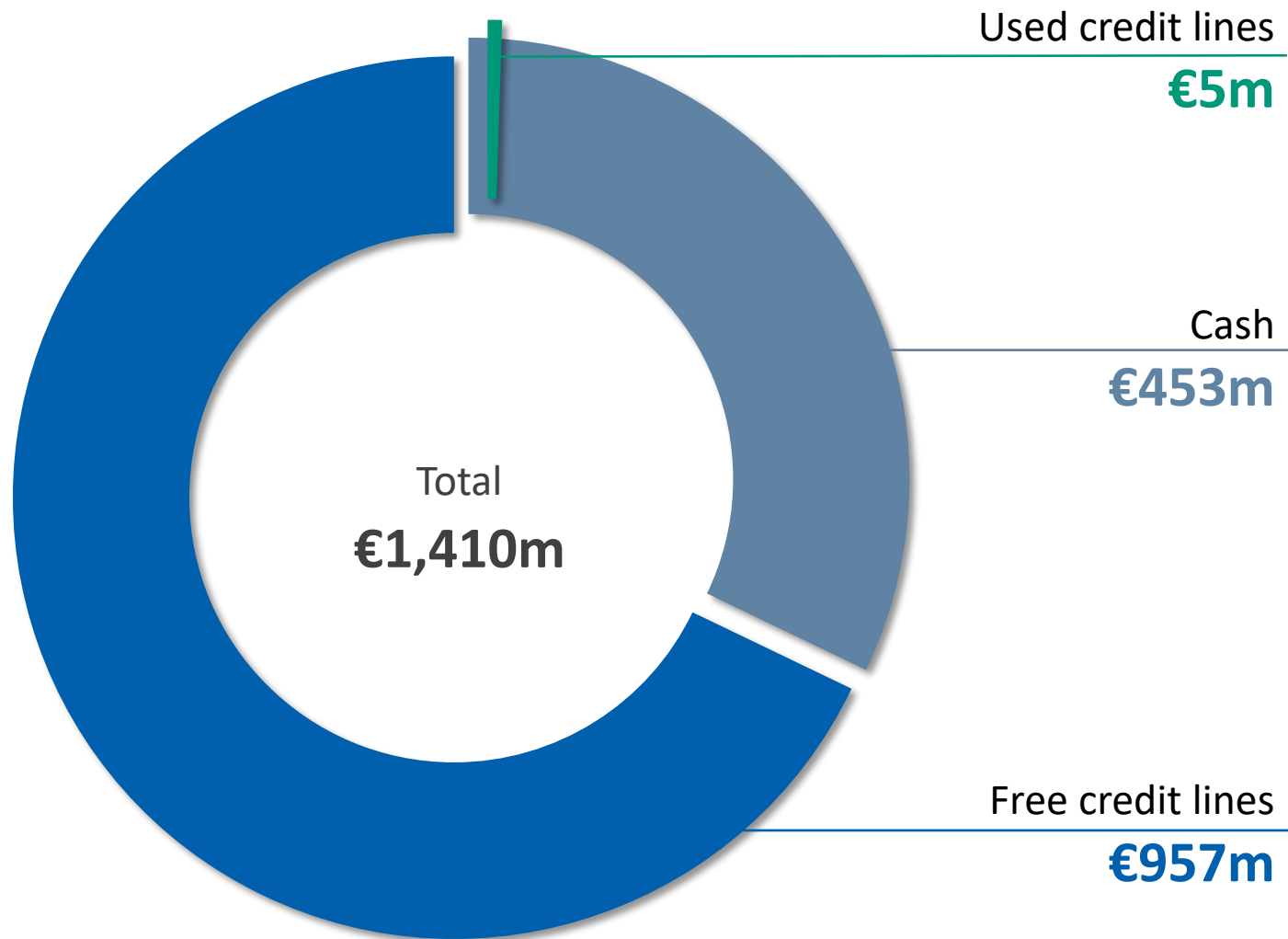




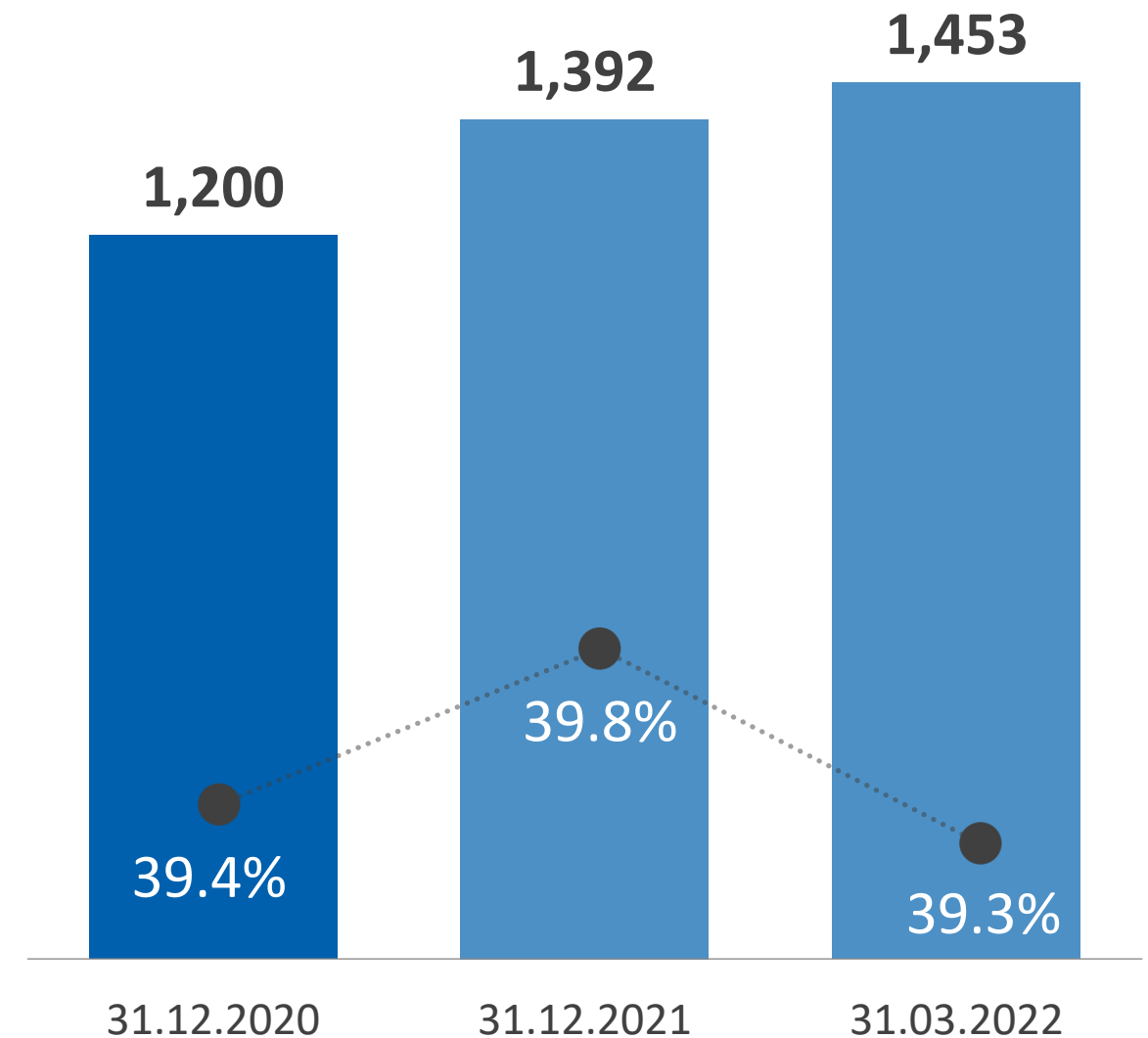
# Krones financially very strong with highest net cash in history

## Net cash, free credit lines and high equity ratio in Q1 2022

Liquidity reserves Q1 2022 > €1.4bn



Equity (€ million) and equity ratio (in %)







## Free cash flow Q1

### Free cash flow with €77 million more than doubled vs. Q1 prior year (€ 30 million)

- **Operating activities** with €108 million (vs. €48 million prior year) were influenced by stronger EBT and lower reduced Working capital. In 2021 higher payments for employee program was included
- **Investing activities with** €26 million slightly above prior year (€21 million)
- **Financing activities** include mainly payments for leasing, whereas the prior year was influenced by proceeds from new bank liabilities

(€ million)	2022	2021
<b>Earnings before taxes (EBT)</b>	<b>54.7</b>	<b>44.6</b>
+/- Other non-cash changes	+95.9	+127.4
+/- Change in Working Capital	-48.7	-65.0
+/- Other assets and liabilities	+6.3	-59.5
<b>Cash flow from operating activities</b>	<b>108.2</b>	<b>47.5</b>
+/- Capex	-26.0	-20.7
+/- M&A-Activities	0.0	0.0
+/- Other	-4.8	+3.5
<b>Free cash flow</b>	<b>77.4</b>	<b>30.3</b>
+/- Financing activities/Others	-8.1	+41.8
Net change in cash	69.3	+72.1
<b>Cash at the end of period</b>	<b>452.7</b>	<b>289.1</b>

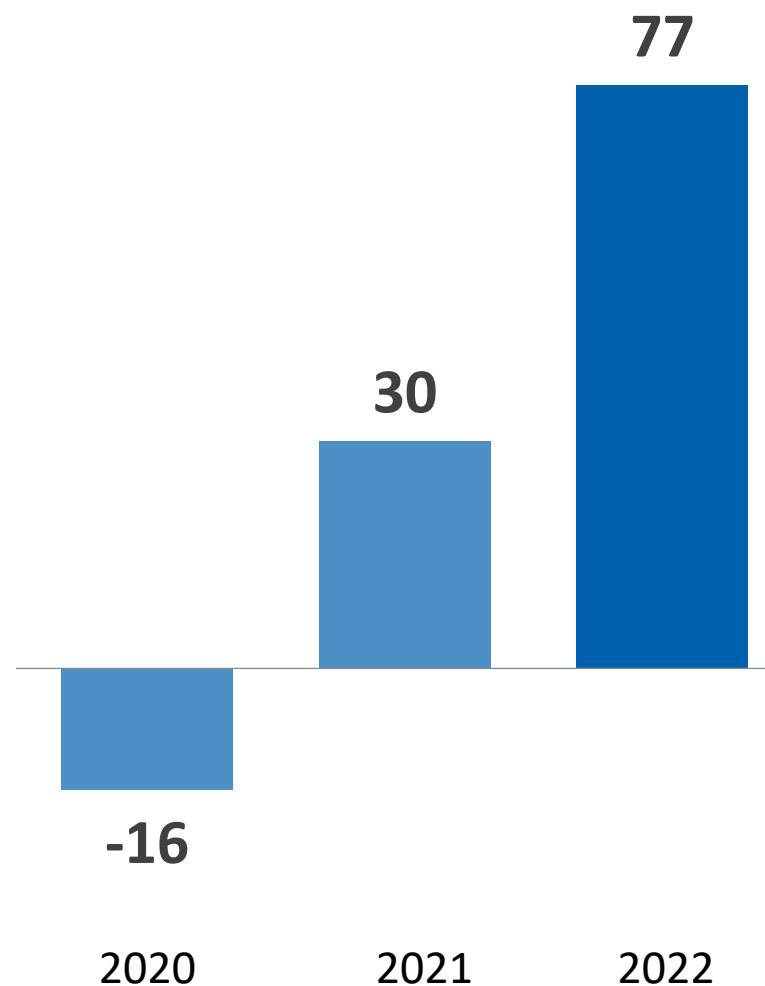


## Cashflow and cash conversion rate

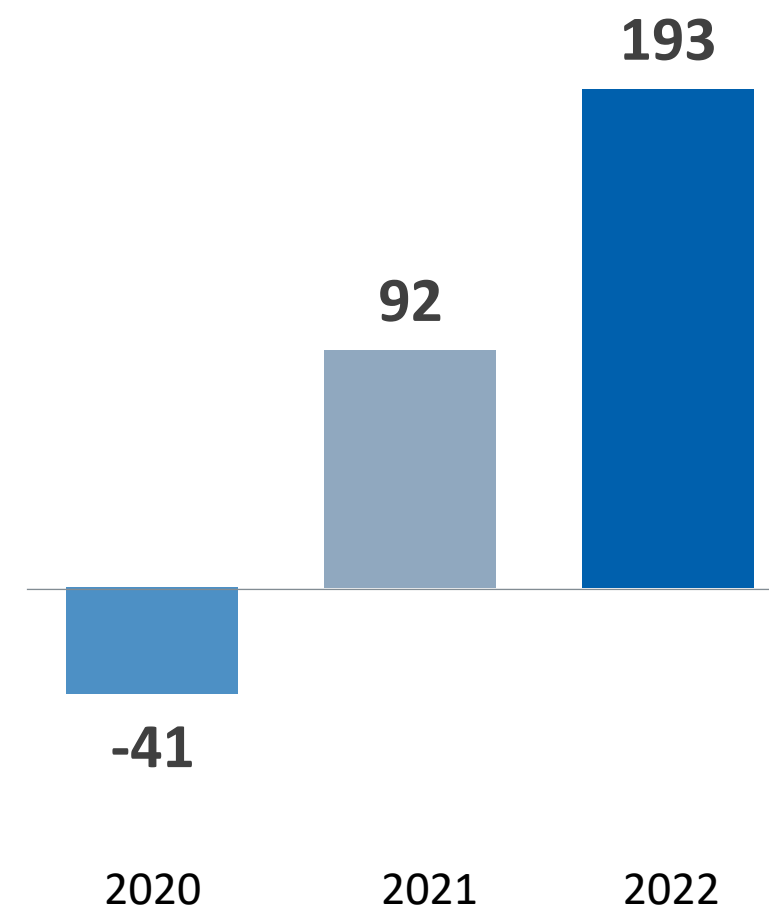
**Free cashflow increased and again on a high level, therefore cash conversion rate significantly improving**

- Cash conversion rate doubled in 2022 based on strong increase in free cashflow
- Still high discipline in investments

Free cashflow Q1 (without M&A)  
in € million



Cash conversion rate Q1  
(FCF/net income\* in %)



\* Net income before one-offs



## Ukraine – Russia conflict; from an economic view a minor direct impact on Krones business

- Krones revenue impact with Russia, Ukraine and Belarus traditionally around 1 – 1.5% of total group revenue
- No production of Krones is located in Ukraine or Russia
- Direct impact on procurement is very low, because no materials or products obtained from there
- Running projects in Ukraine and Russia will be finished. Actual no further contracts accepted from these countries
- Theoretical default risks for outstanding customer contracts is very low (single-digit million euro amount)



## Additional Challenge: Covid-19 shutdown Shanghai/China

Supply from and into China under stress; indirect impact on our suppliers in Europe unclear

### Direct impact Krones

- Partial lockdown of our Taicang plant
- Deliveries to our plant and from our plant delayed
- No critical suppliers in China; no significant single source suppliers
- Volumes rerouted to other plants/suppliers; activating second sources in Europe

### Indirect impact Krones

- Impacts on our suppliers difficult to assess
- Some important suppliers already published early warning letters to Krones (and to other customers)
- Sea freight capacities and sea container availability seem to be the biggest issues short term

The overall impact on Krones, on the economy of China as well as on the world economy depends on the future decisions in China regarding their Covid-19 strategy.

# Outlook 2022





## Krones Outlook 2022 – a strong confirmation despite challenging times

Global supply chain shortages and interruptions, strong inflation in many countries, political risks in Europe and other parts of the world as well as remaining pandemic uncertainties create a challenging business environment for 2022.

**Revenue growth**

**5% – 8%**

**EBITDA margin**

**8% – 9%**

**ROCE**

**10% – 12%**

**Key assumptions:**

1. No further escalation of Russia-Ukraine conflict (e.g. no stop on gas deliveries from Russia to Europe/Germany)
2. Current Covid-19 shutdowns in China limited to weeks, not months



## Key take aways

1. Record order intake and order backlog – good base for 2022 and 2023
2. Revenues recovering and capacity utilization improving
3. Strong improvement in profitability, due to efficiency improvement measures and strong service business in all regions
4. Excellent free cash flow generation
5. Global supply chain situation very challenging – improvements in second half 2022 questionable
6. Guidance for 2022 confirmed despite the actual turbulences in the world

# Questions and Answers







**Thank you**  
for your attention!



## Financial calendar 2022

**May 31, 2022**

Annual General Meeting

**August 2, 2022**

Conference Call Group  
Quarterly statement for the period  
from 1 January to June 30, 2022

**September 15, 2022** Capital Market Day at drinktec 2022 in Munich

**November 4, 2022**

Conference Call Group  
Quarterly statement for the period  
from 1 January to September 30, 2022



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