



# Krones First Half Year 2022

Conference Call August 02, 2022

---

Christoph Klenk, CEO

Norbert Broger, CFO



# Despite continuing global challenges Krones had a very strong 1st half-year and confirms to achieve its full year targets 2022

## Summary 1st HY 2022

After an absolutely all time high in Q1 2022 (€1.6 billion), order intake in Q2 at same level.

Customers' demand results in increased **order intake** in HY1 2022 by 52.0% to €3.1 billion. The strong market development still continues.

**Revenue** growth in HY1 2022 by 15.4% to nearly €2 billion, which is 5% above pre Covid-19 level of 2019.

**Free cash flow** with +€68 million again over previous year (+€35 million). **ROCE** increased from 8.3% to 11.8% in HY1 2022 and is in the upper range of the 2022 target (10% to 12%).

With price increases, which compensated the rising material costs plus performance optimizations **EBITDA margin** of 8.8% was strong above prior year margin of 8.0%. EBITDA margin is also in the upper range of the full year target (8% to 9%).

Despite various global challenges, Krones continues to **confirm the full year targets for 2022**, with a good chance to finalize all three target figures at the **upper part of the range**. With actual margin development Krones is fully in line to reach midterm profitability target of 10% to 13% by 2025 at the latest.



## Krones highlights

1st HY 2022

Order intake

**+52.0%**

€3.11 billion

Revenue

**+15.4%**

€1.985 million

EBITDA margin

**8.8%**

(PY 8.0%)

Free cash flow

**+€68 million**

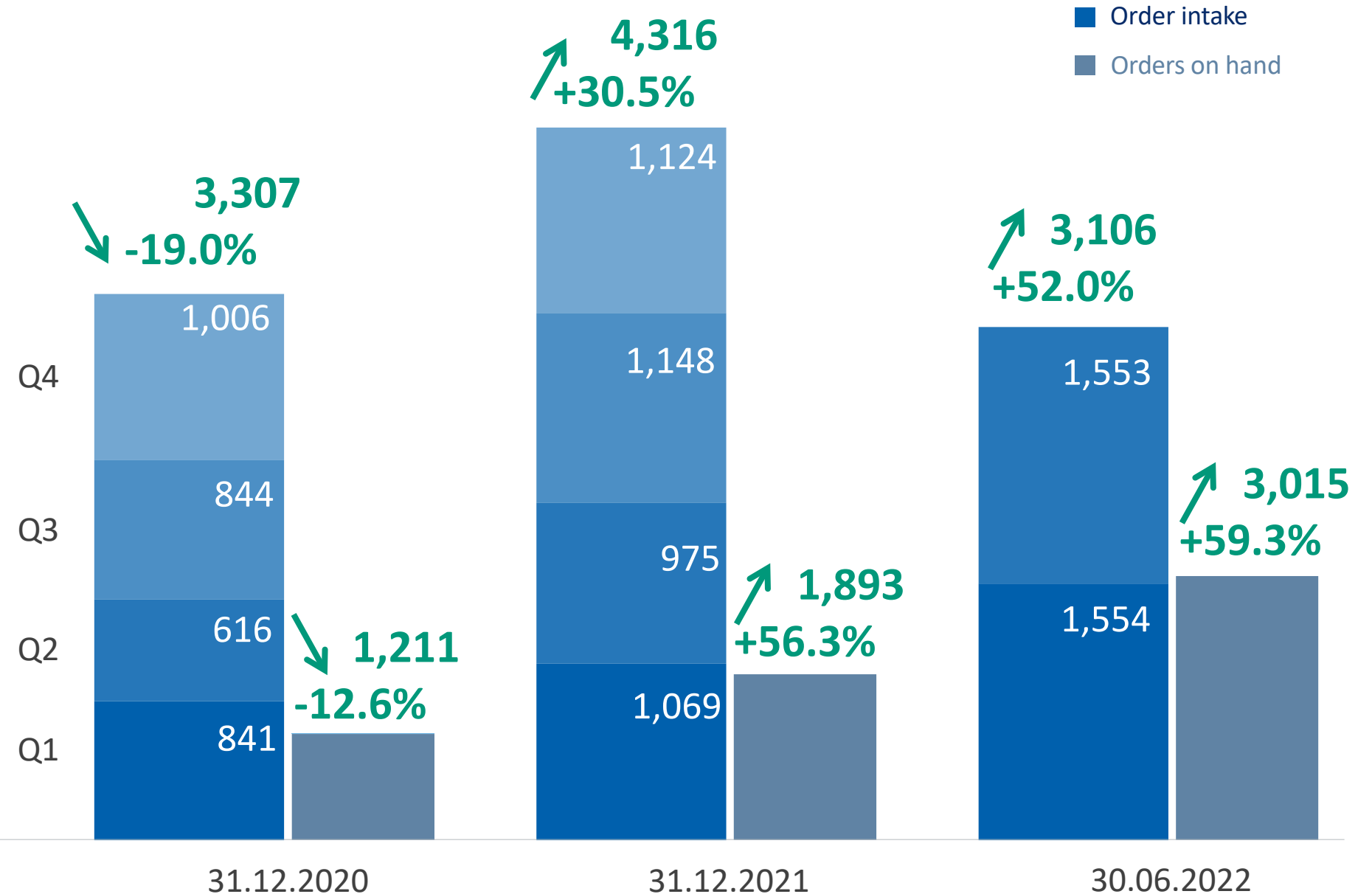
(PY +€35 million)



## 1st HY Order intake and orders on hand (€ million)

### The uninterrupted high market strength result in a very strong order intake in 1st half-year 2022

- After several strong quarters and a record in Q1 2022 the **order intake** in Q2 2022 was again nearly at €1.6 billion and results in 52% growth yoy and €3.1 billion in 1st HY 2022. The last price increases do not slow down the strong market development
- We expect a good order intake situation also in Q3
- Further growing **orders on hand** at 30.06.2022 was 59% above the high amount at year end 2021 (€1.9 billion; +56%). Delivery times are > 60 weeks at the moment



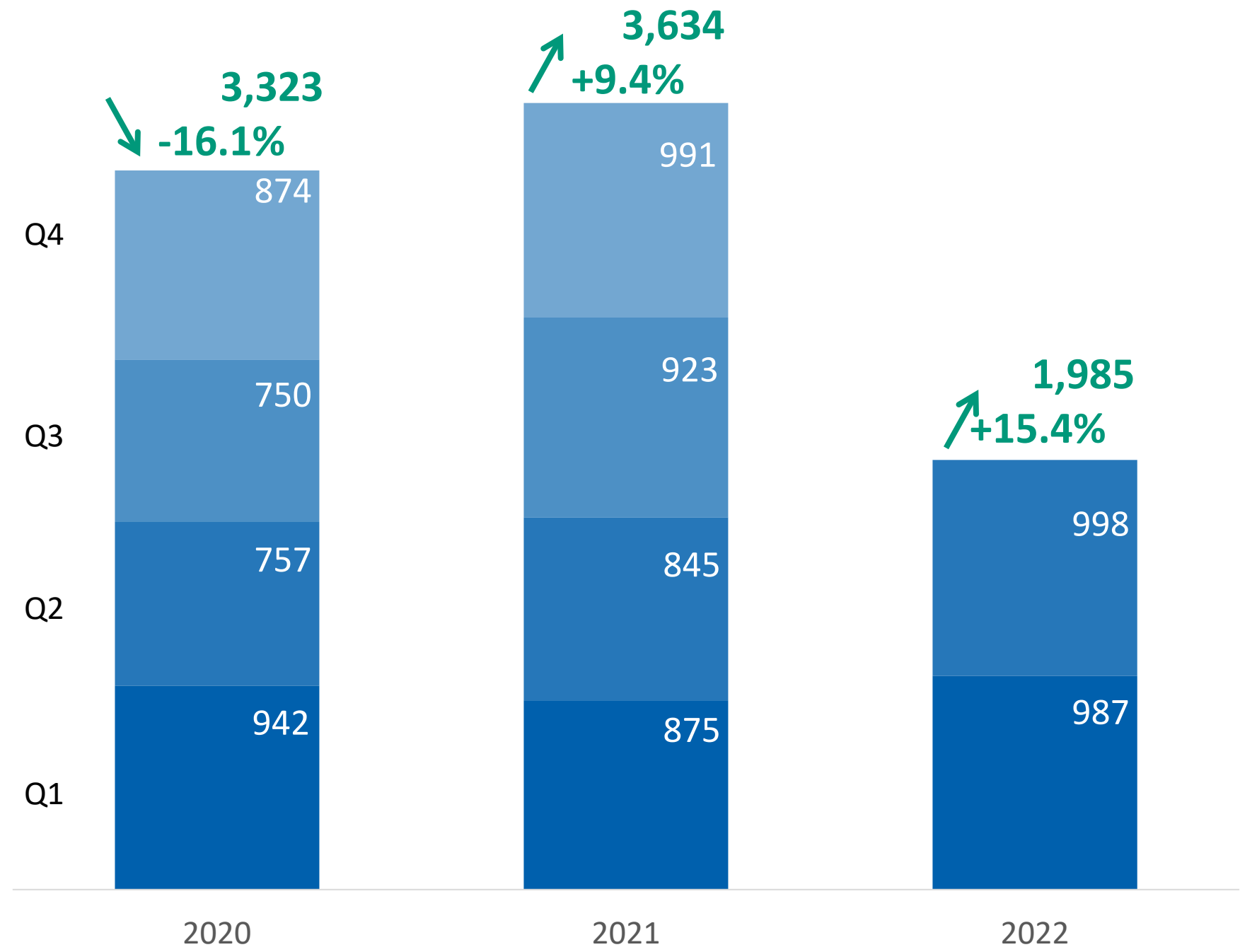


## Revenue development by quarter (€ million)

**With actual revenue growth the expectations are at least at the upper range of the full year target**

- Revenue was increased in 1st HY 2022 by 15.4% compared to prior year, with a growth in Q2 of 18% yoy
- Based on a strong 2nd HY 2021 (€1.9 billion) the growth rates for the further quarters will be lower
- Revenue was also above the pre Covid-19 level of 1st HY 2019 (+5.0%)

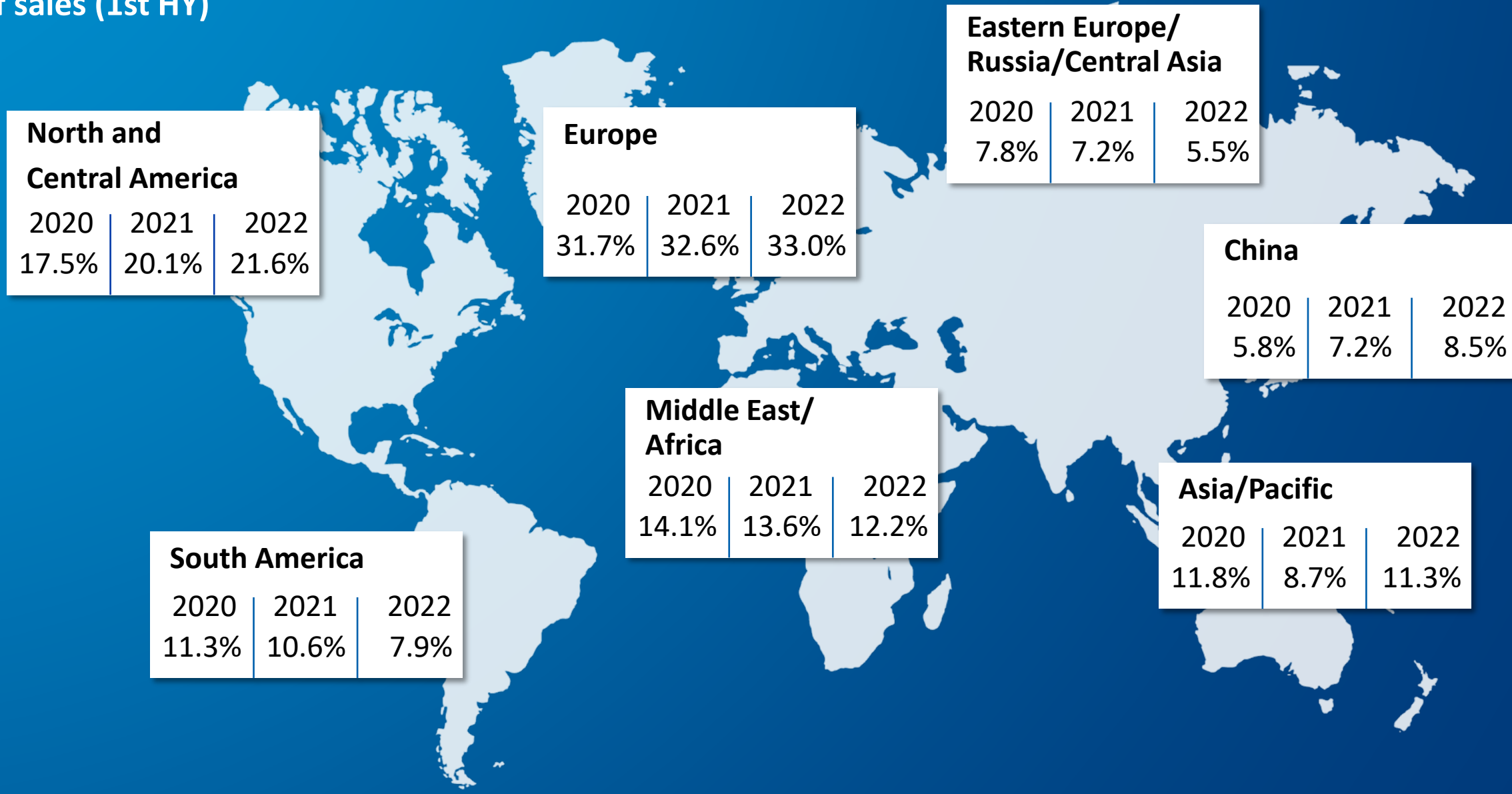
The limited factor for further growth in revenue are still the actual supply chain shortages.





# Revenue split reflects the world-wide business activity of Krones with a strong position in industrial countries and a further growing US-business

## Share of sales (1st HY)

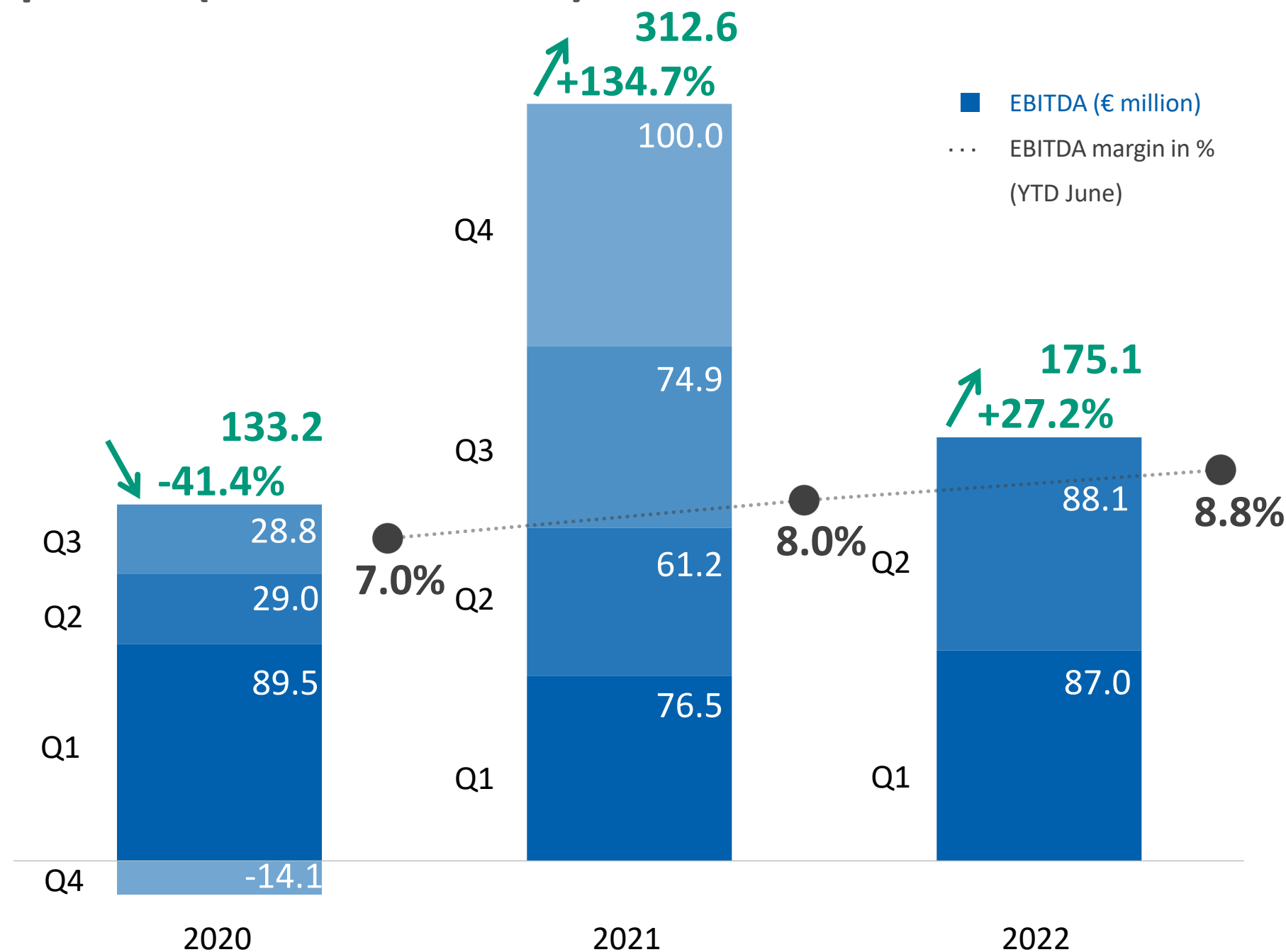




## EBITDA and EBITDA margin by quarter (€ million and %)

### EBITDA at €175 million and EBITDA margin at 8.8%

- As a result of performance optimizations EBITDA margin with 8.8% above the margin of 1st HY 2021 (8.0%). Cost increases are compensated by price increase
- EBITDA margin fully in line with margin outlook for the full year (8% to 9%) and should be at the upper part of the range

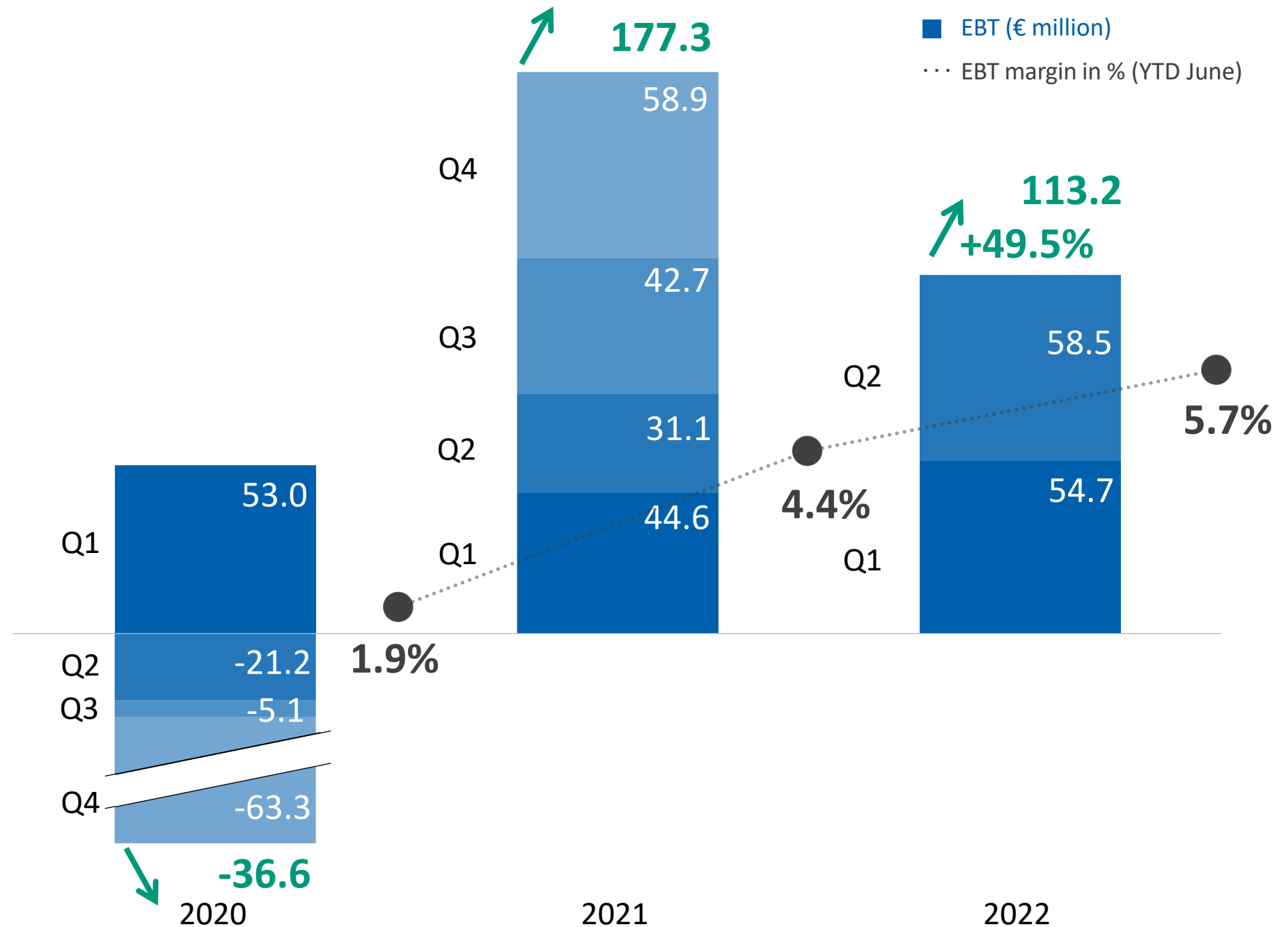




## EBT and EBT margin by quarter (€ million and %)

### EBT at €113.2 million and EBT margin increased to 5.7%

- EBT increased to 1st HY 2022 by 50% to €113.2 million and EBT margin was at 5.7% vs. 4.4% in 1st HY prior year
- EBT margin is in line with full year expectations for 2022
- The EBT with €113.2 million is after two quarters in 2022 nearly at the same level as after three quarters in 2021 (€118 million)



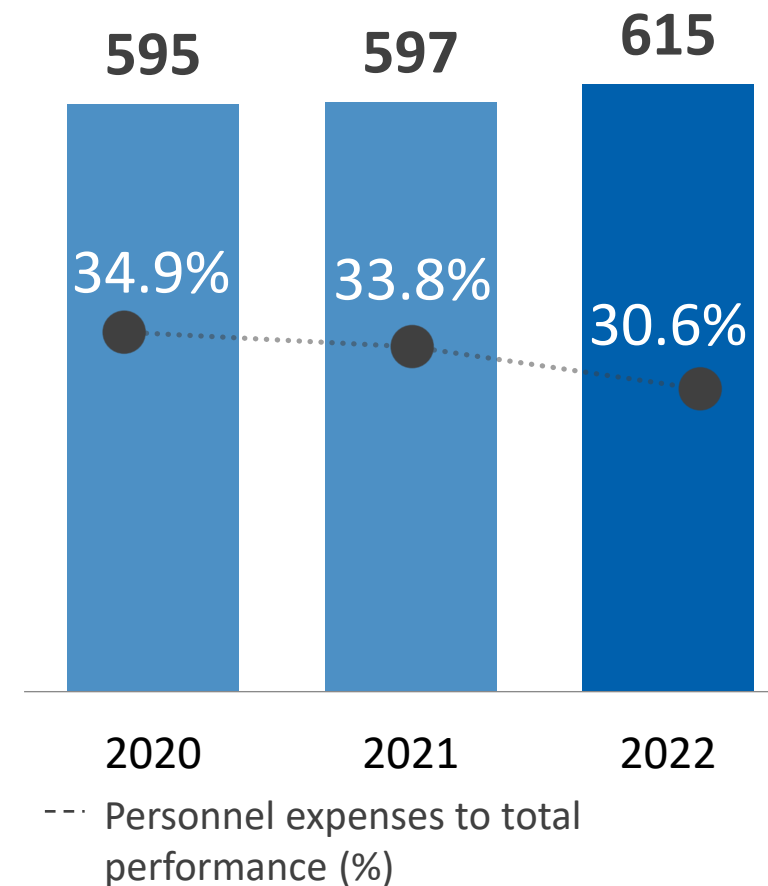




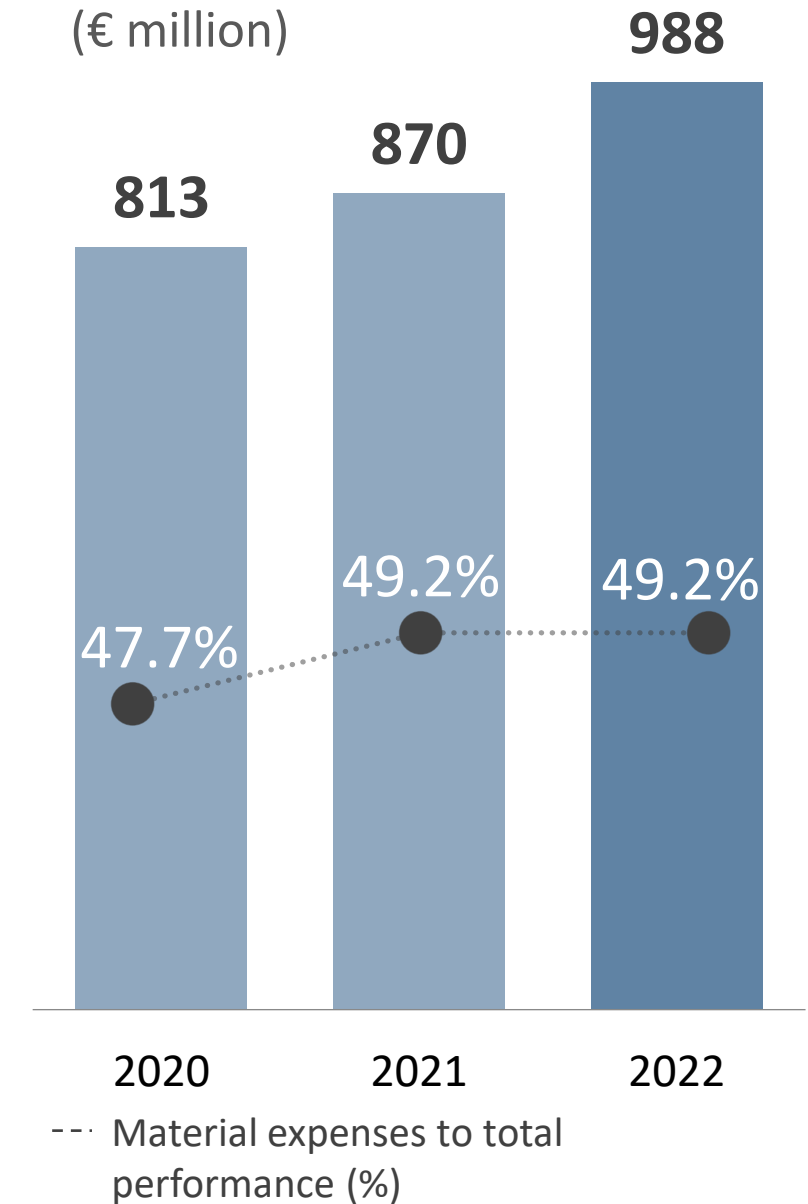
## Personnel and material expenses 1st HY (€ million and %)

- **Personnel cost ratio** with 30.6% clearly better than last year and further decreased vs. Q1 2022 (31.6%). Positive effects from the fully implemented structural measures are completely in the P&L of 1st HY this year
- Despite increasing material costs and higher new equipment business (with higher material ratio) the **material cost ratio** overall was stable at 49.2% (vs. 1st HY 2021), but slightly increasing vs. Q1 2022 (48.4%)
- Selling price increases and cost reductions compensated dynamic cost increases on the material side. Nevertheless the material costs are significantly higher than at 1st HY 2020 (47.7%)

Personnel cost 1st HY  
(€ million)

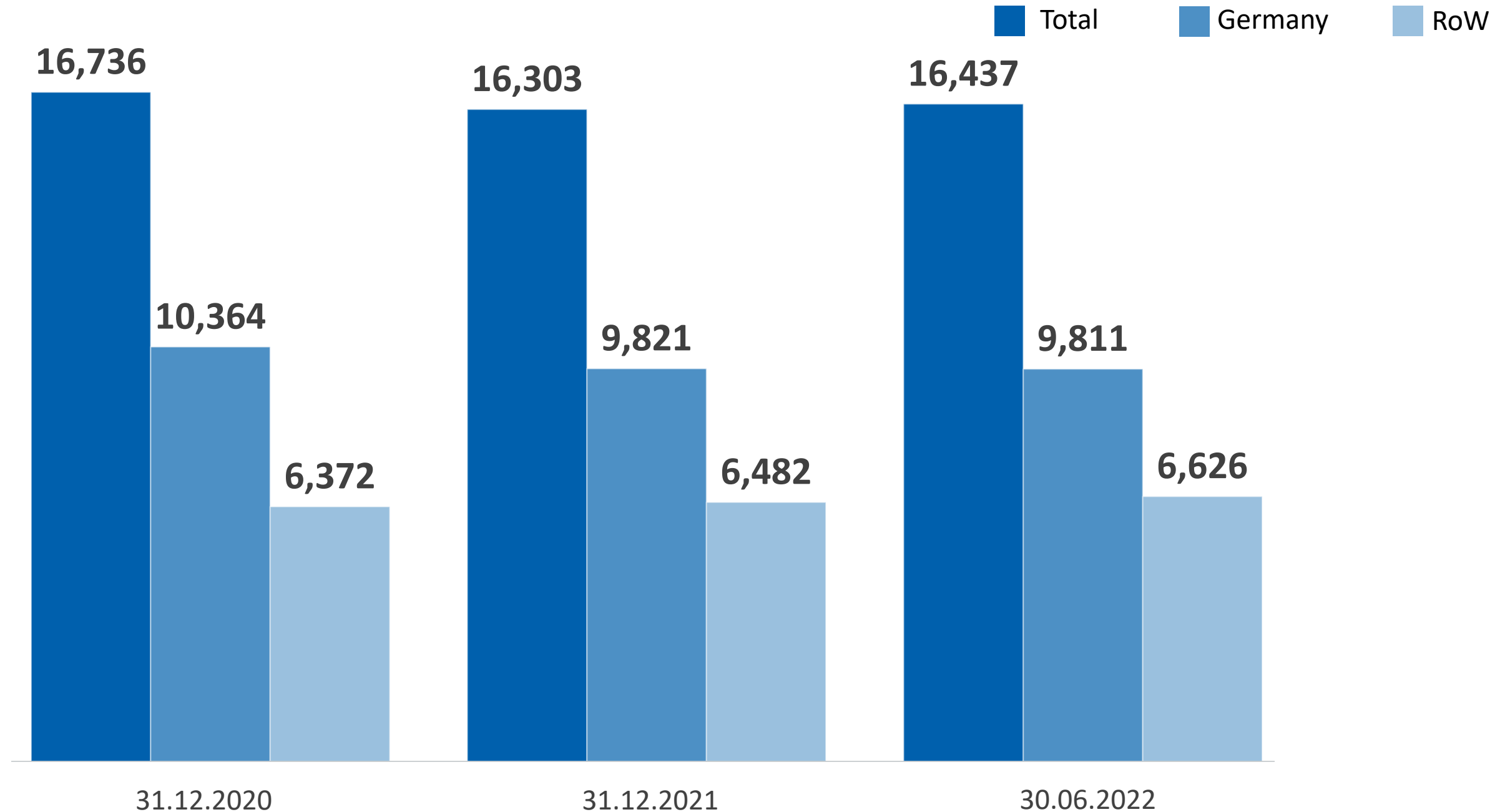


Material cost 1st HY  
(€ million)





## Krones employees worldwide – stable situation in Germany after prior years capacity adjustment programs and a slight growth in the rest of the world



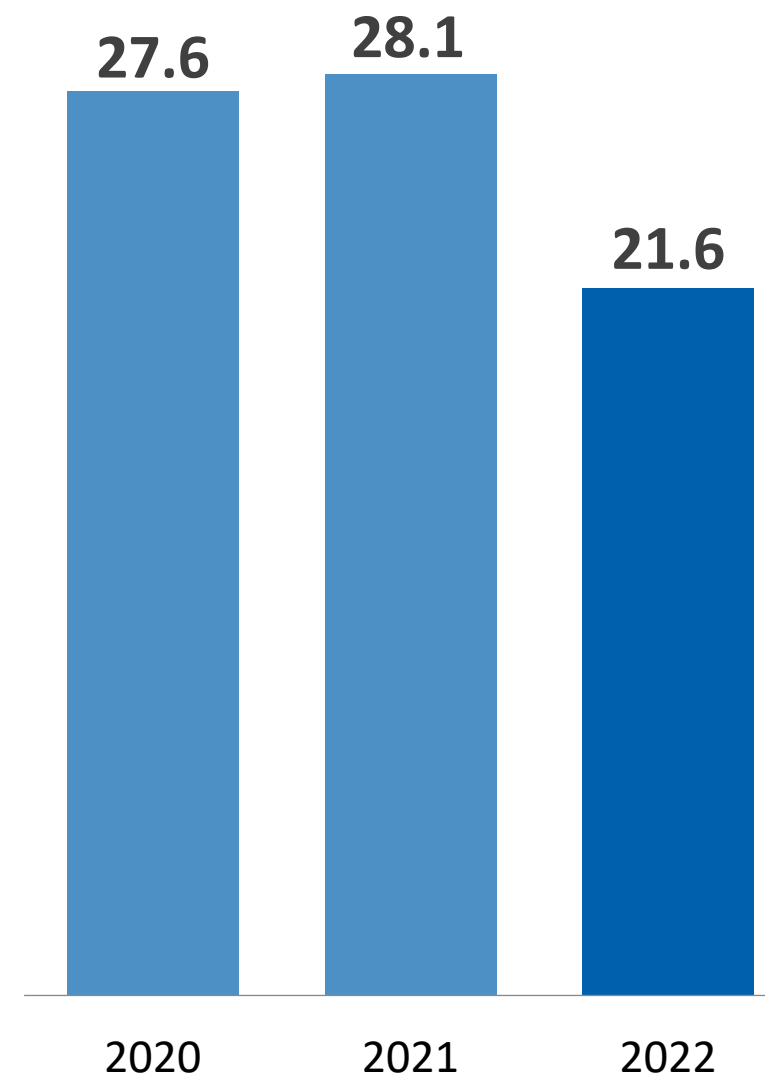


## Working Capital 1st HY (in %)

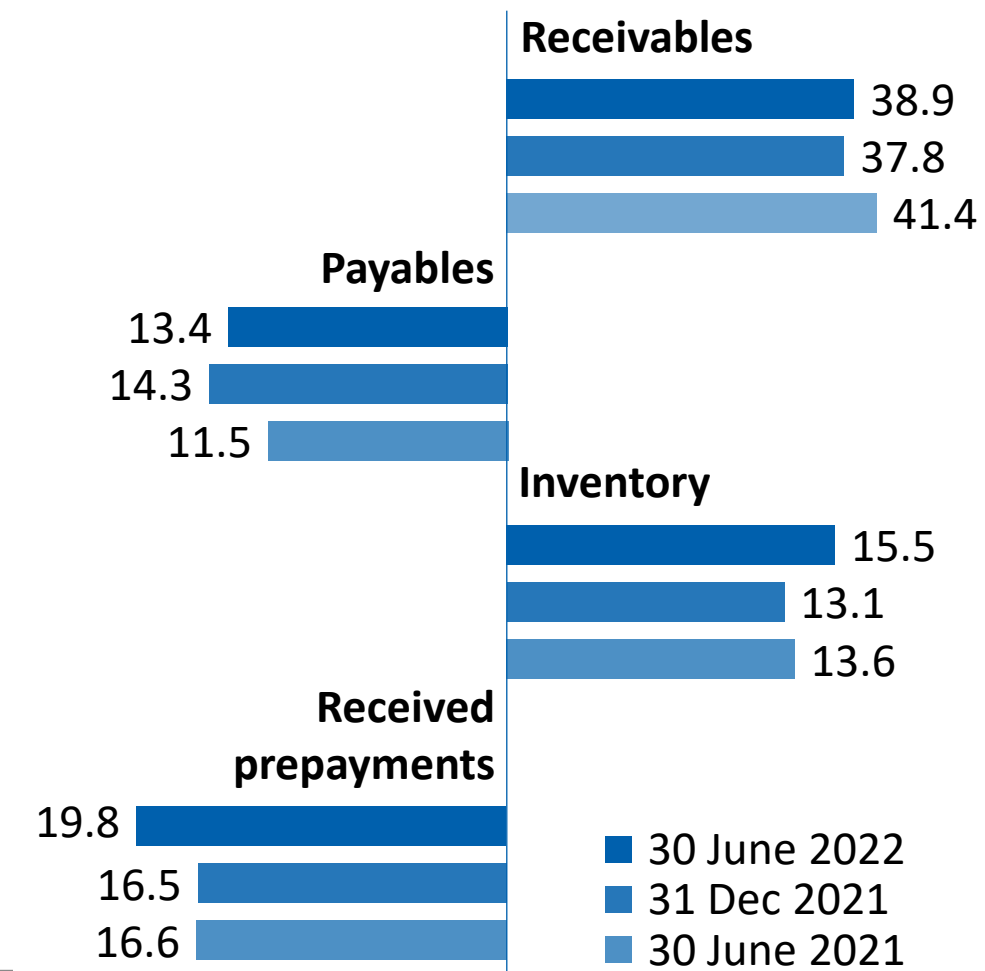
### Strong decrease in Working Capital in % of sales with 21.6% vs. prior year and 1st HY 2020

- Based on higher business activities, **receivables** increased just by 1.1%. The **payables** decreased by 0.9% as a result of stronger supplier position
- The significant increase in **inventory** (+2.4%) results mainly from efforts to strengthen supply chain (safety stock)
- As a result of strong order intake (+52.0%) **prepayments** show the biggest positive impact on Working Capital by +3.3%
- Nevertheless average **working capital ratio** at 1st HY 2022 was 3.2% significant lower than year-end 2021 (24.8%)

Working Capital of revenue 1st HY  
(%, average over four quarters)



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

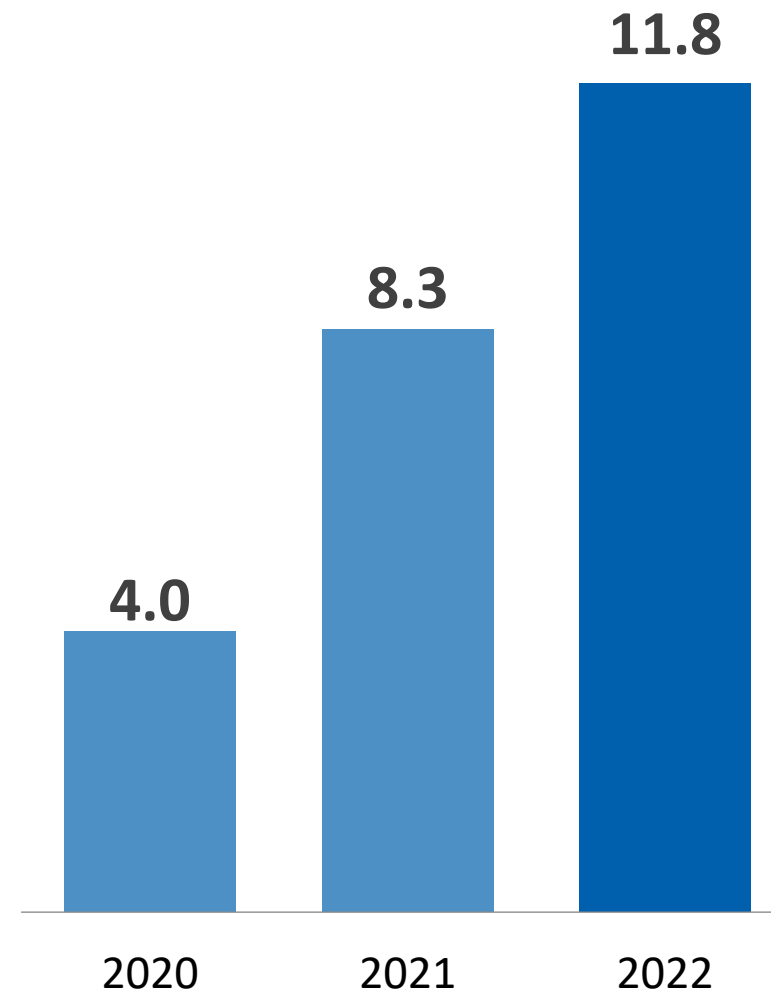




## ROCE

- ROCE, as the new third target figure is with 11.8% in line with expectations for FY 2022 and also at the upper range of the target (10% to 12%)
- The positive development of the last years mainly based on higher earnings but also on better working capital, whereas the fixed assets are nearly stable during the last years
- For the full year a ROCE at the upper part of the target range is expected

ROCE 1st HY 2020 – 2022\* in %



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

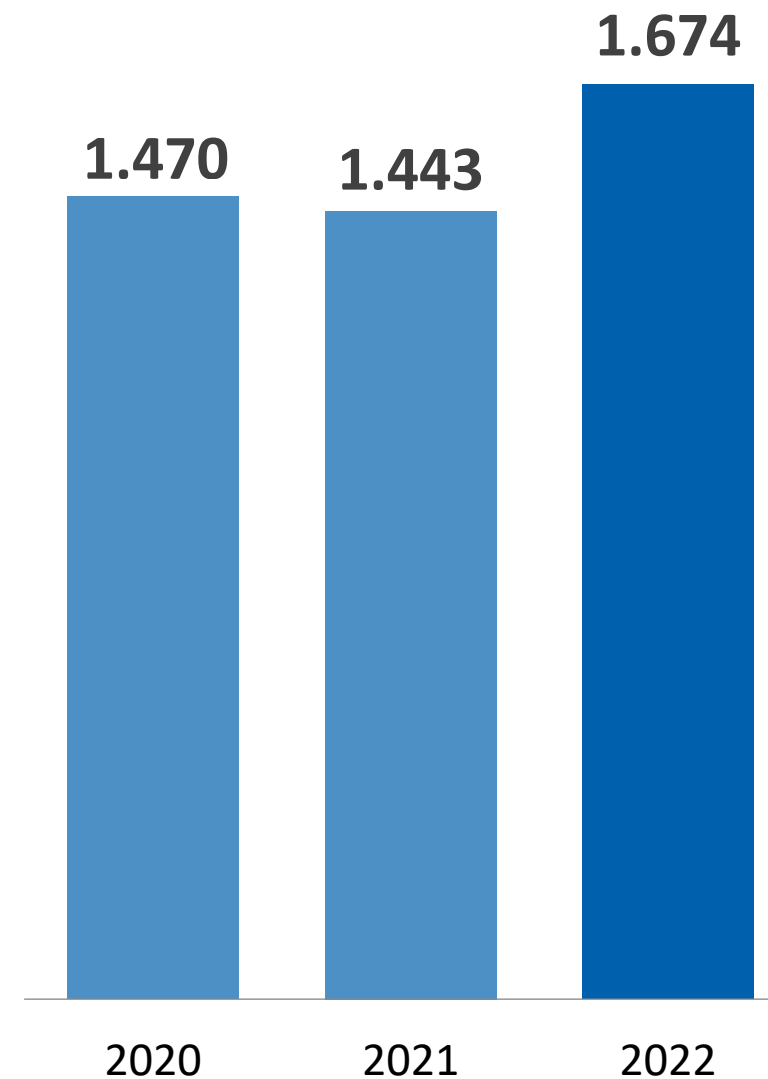


## Revenue and EBITDA per segment

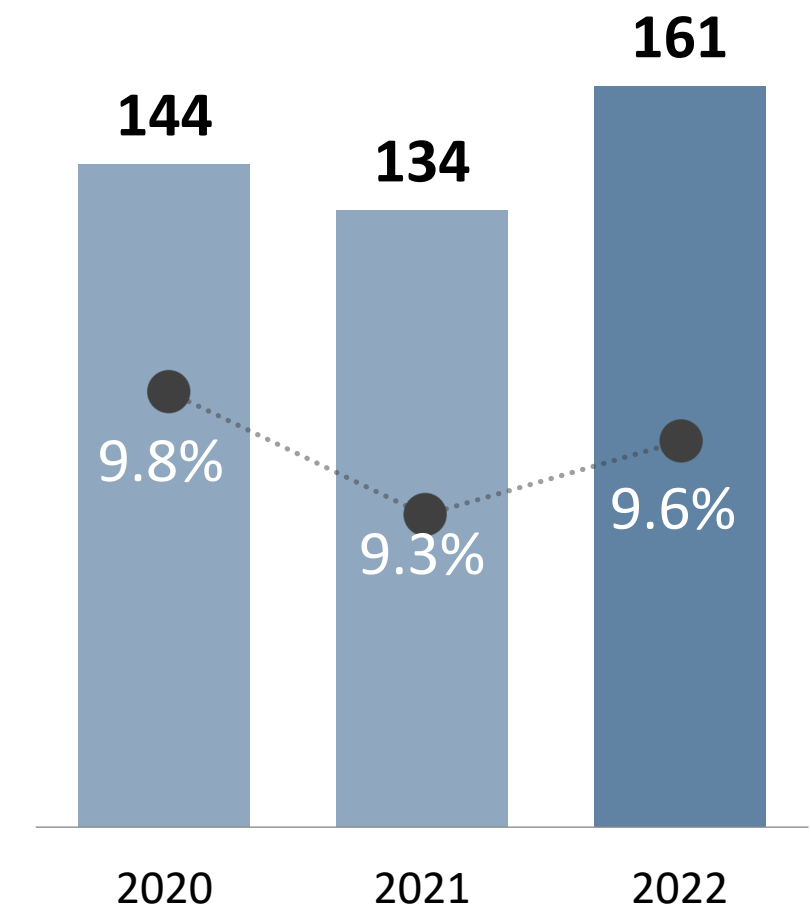
### Filling and Packaging technology

- Increase in **revenue** are at group level (+16%) – driven primarily by new equipment sales
- Positive effects from structural measures plus price increases to compensate material cost increase the result in **EBITDA margin** of 9.6% which is above prior year (9.3%)
- Nevertheless the margin is below 2020 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 1st HY  
(€ million)



Segment EBITDA (€ million) and  
EBITDA margin (%) 1st HY



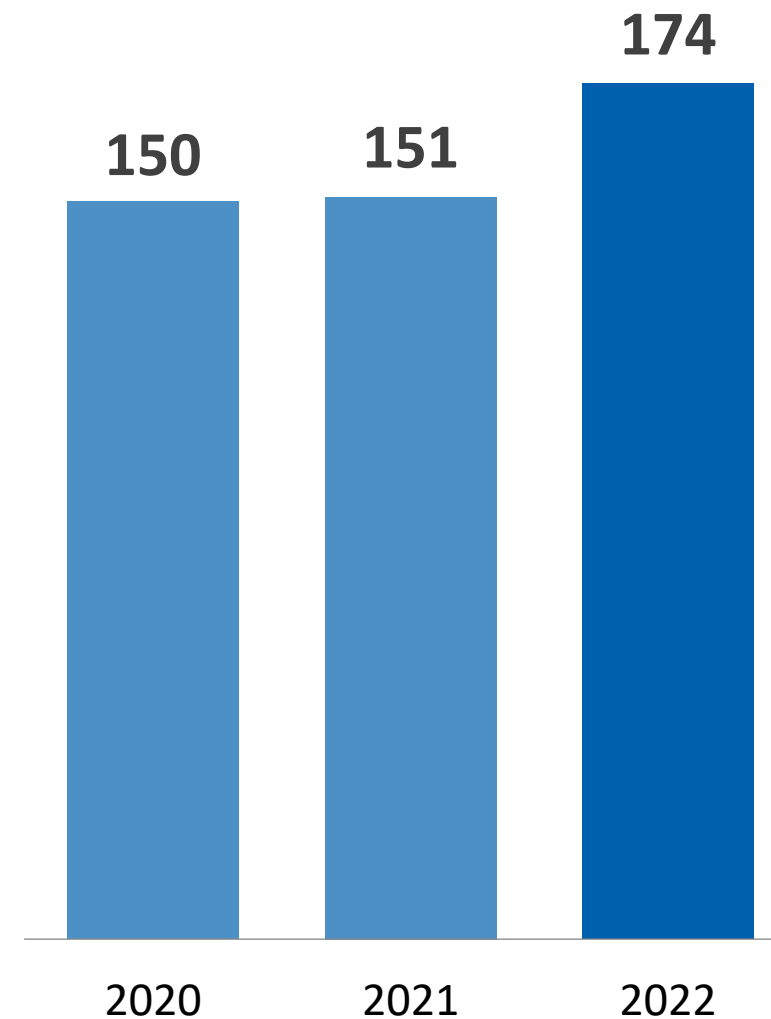


## Revenue and EBITDA per segment

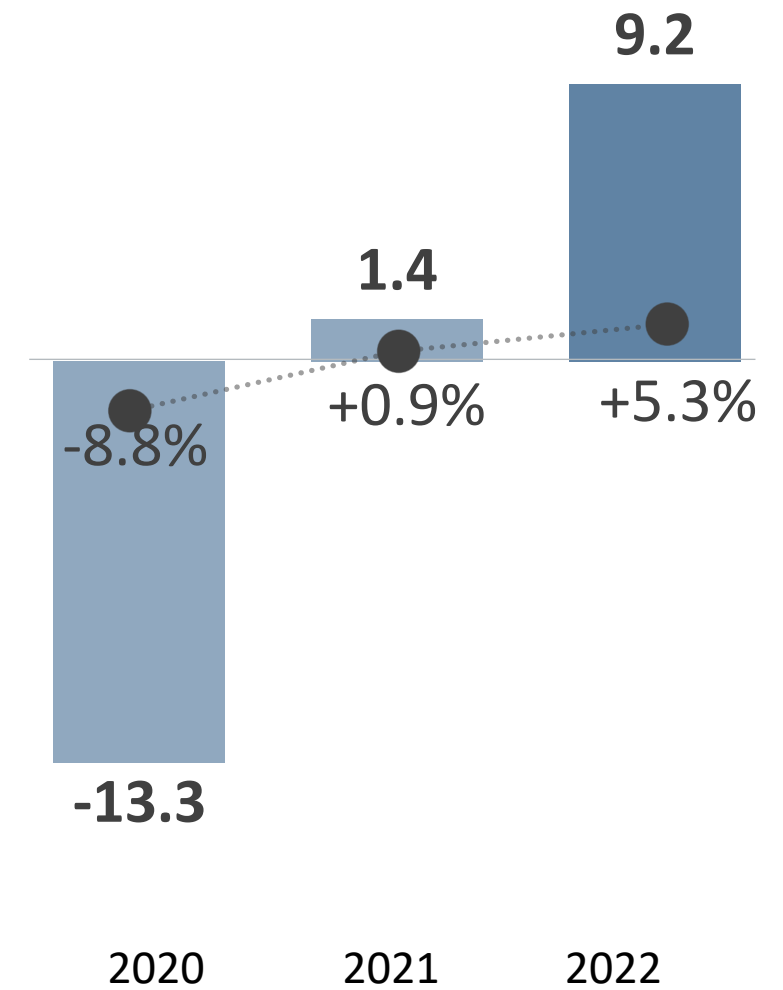
### Process technology

- **Revenues** has increased vs. prior year by 15.5% and so fully on group level
- The effects from structural measures and customized processes result in a further positive **EBITDA margin** of 5.3%. In Q2 of 2022 (7.6%) seasonal effects from Q1 2022 (3.5%) were balanced out
- EBITDA margin is in line with full year target (5% to 7%)
- 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 1st HY  
(€ million)



Segment EBITDA (€ million) and  
EBITDA margin (%) 1st HY



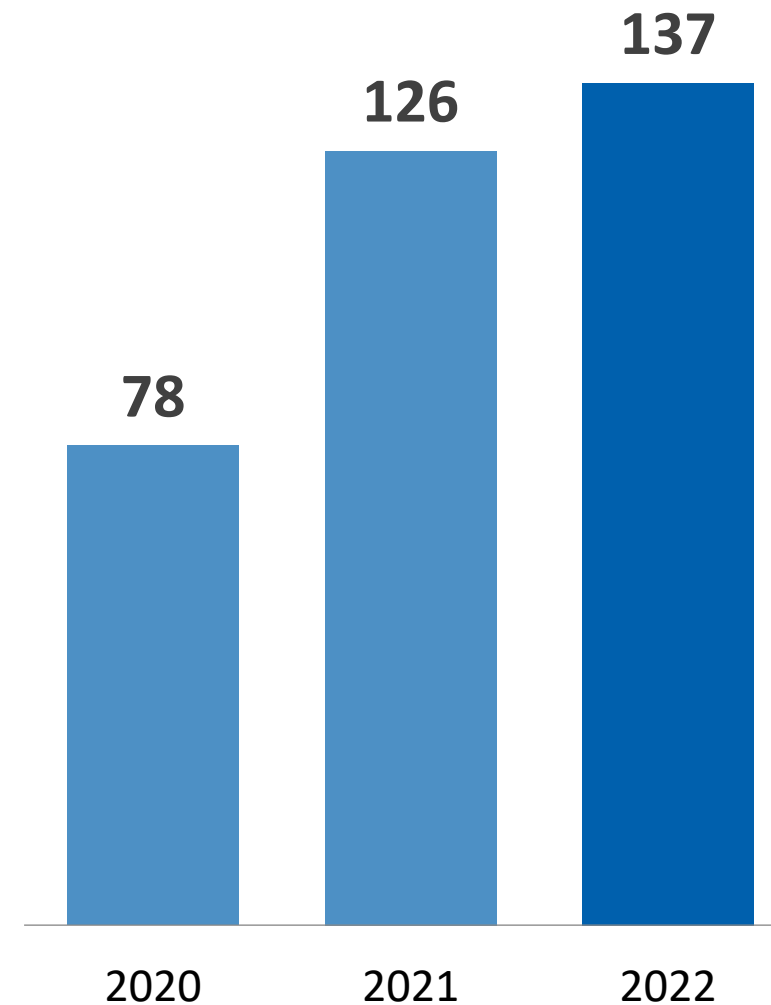


## Revenue and EBITDA per segment

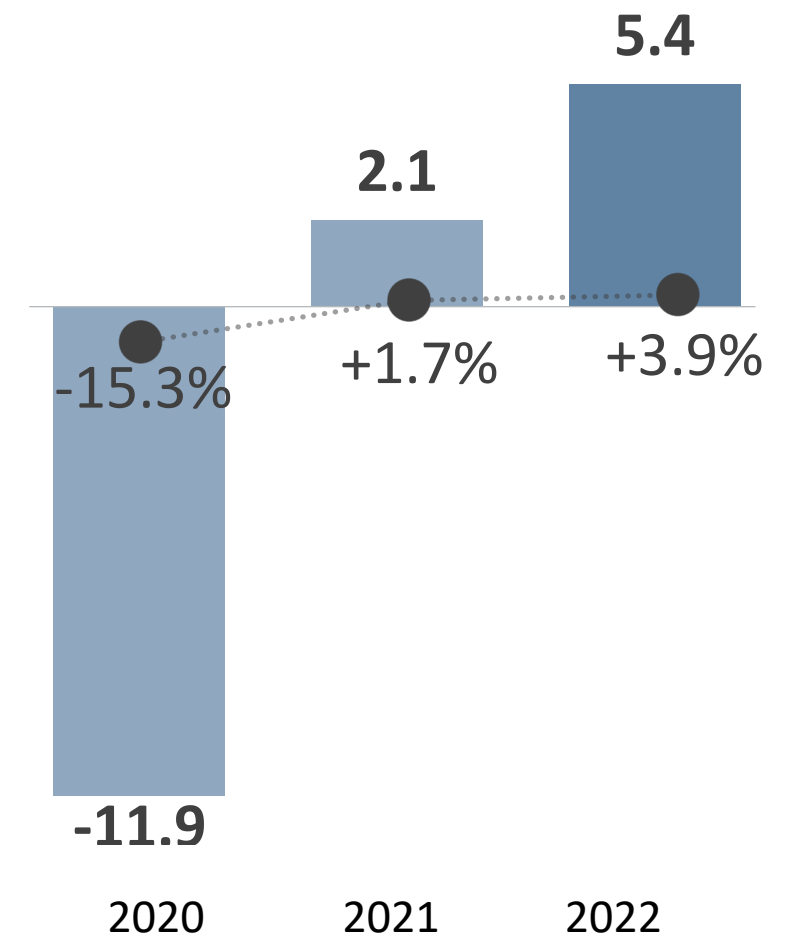
### Intralogistics

- After a strong recovery in revenue in 2021 (+62%) based on high negative influences in 2020 by Covid-19, the **revenue** growth in 1st HY 2022 has realized on a normal level of 8.3%
- EBITDA margin at the lower end of the full year target (4% to 6%) based on seasonal effects. Further margin development is expected until year-end
- This new segment represents the business with intralogistics solutions of Krones for the beverage industry as well for other industries

Revenue development 1st HY  
(€ million)



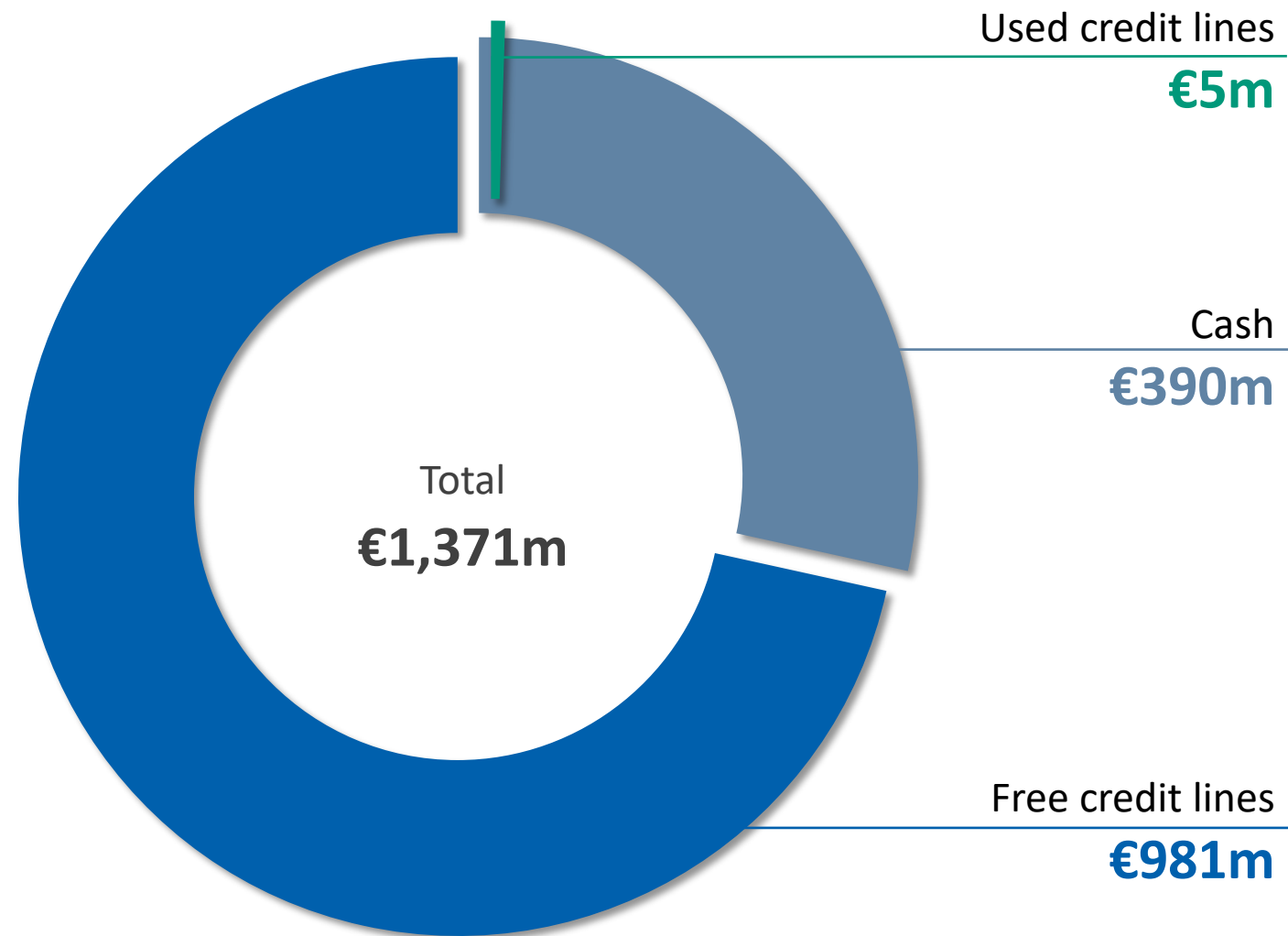
Segment EBITDA (€ million) and  
EBITDA margin (%) 1st HY



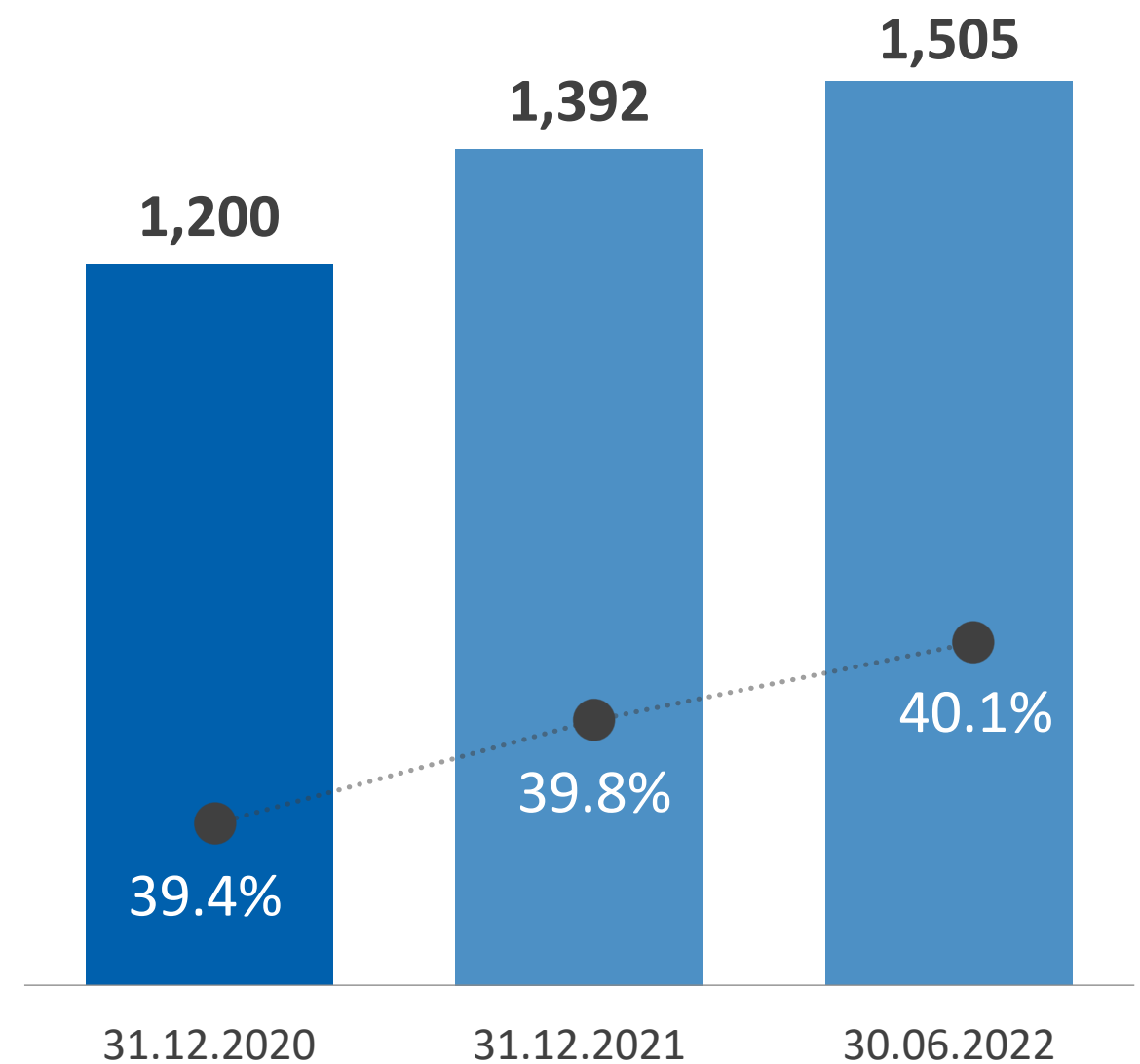


# Krones financially very strong net cash despite dividend payment of €44 million in Q2

Liquidity reserves 1st HY 2022 ~ €1.4bn



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







## Free cash flow 1st HY

### Free cash flow with €68 million nearly doubled vs. prior year (€35 million)

- **Operating activities** with €122 million in 2022 (vs. €72 million prior year) were influenced by stronger EBT but lower non-cash changes. The working capital increased by €97 million in first six months 2022 (vs. €44 million 2021). In 2022 nearly no change in other assets and liabilities; whereas in 2021 higher payments for employee program was included
- **Investing activities with** €55 million 22% above prior year (€45 million)
- **Financing activities** include mainly dividend payment (€ 44 million) and payments for leasing

(€ million)	2022	2021
<b>Earnings before taxes (EBT)</b>	<b>113.2</b>	<b>75.7</b>
+/- Other non-cash changes	+109.2	+156.0
+/- Change in Working Capital	-97.4	-43.6
+/- Other assets and liabilities	-2.8	-116.1
<b>Cash flow from operating activities</b>	<b>+122.2</b>	<b>+72.0</b>
+/- Capex	-55.4	-45.1
+/- M&A-Activities	0.0	0.0
+/- Other	+1.6	+8.5
<b>Free cash flow</b>	<b>+68.4</b>	<b>+35.4</b>
+/- Financing activities/Others	-61.4	-33.9
Net change in cash	+7.0	+1.5
<b>Cash at the end of period</b>	<b>390.4</b>	<b>218.5</b>

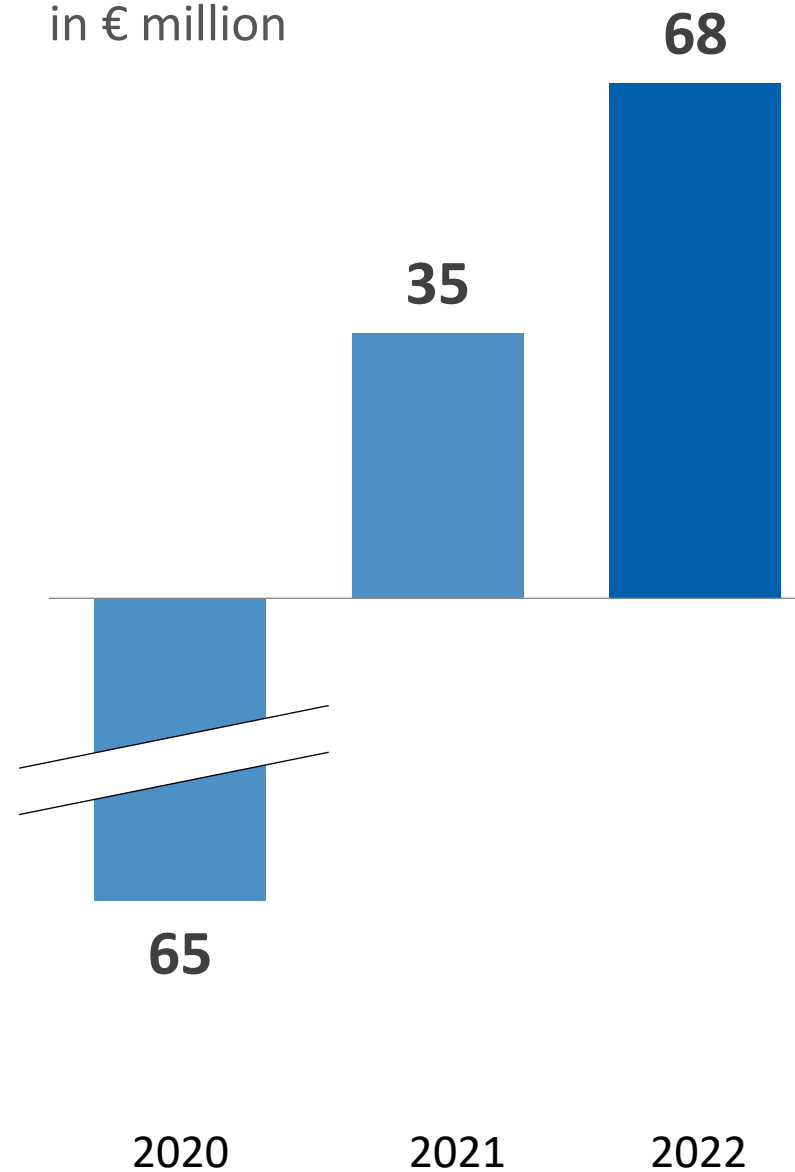


## Cashflow and cash conversion rate

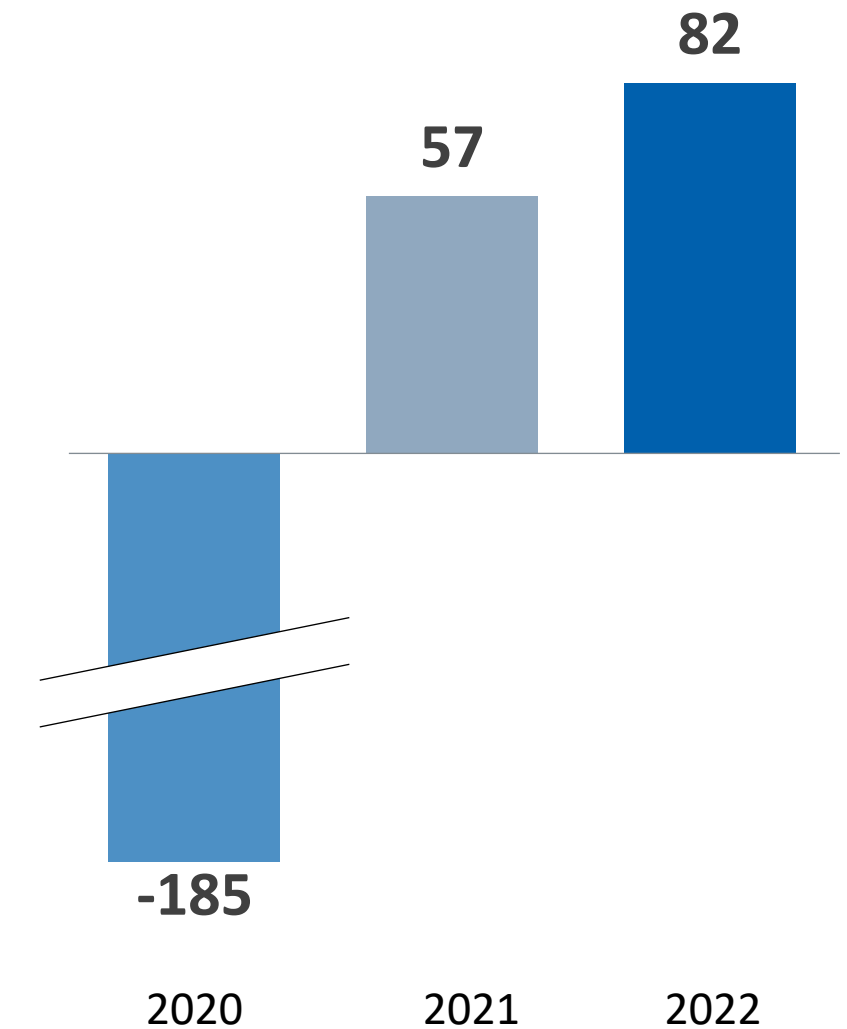
### Free cashflow increased and therefore cash conversion rate also improving

- Cash conversion rate increased from 57% to 82% in the first six months 2022 based on strong increase in free cashflow
- Still high discipline in investments

Free cashflow 1st HY (without M&A)  
in € million



Cash conversion rate 1st HY  
(FCF/net income\* in %)



\* Net income before one-offs



Impact of potential energy-/gas  
shortage on Kroner?



# Global Krones network

**21**  
Production sites

**46**  
Engineering sites

**63**  
Further subsidiaries and representative offices





# What does a possible gas shortage mean for Krones?

## Customers



- 15% of order intake is in markets heavily dependent on Russian gas
- Decision pending as to whether Krones customers are included in protected areas of the gas emergency plan (tends not to be)
- Gas shortage as a possible opportunity for Krones (?):
  - Increased demand for overhauls as customers take advantage of production downtime
  - Customers switch to energy/heat efficient solutions for their lines (enviro, Brewnomics)



Situation involves risks but also opportunities in the medium term

## Krones Sites



- All sites use gas for heating and production (approx. 20% of energy demand)
- German sites use gas in the range of ~54,000 MWh p.a.

Thereof:

- 20% process heat in the production
- 30% Building heating
- 50% Transformation into electricity (combined heat and power plants - BHKW)



Shutdown in winter seems avoidable at present



# 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
2. No major Covid-19 shutdowns in China



## Key take aways

1. Record order intake and order backlog – excellent base for 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 not expected
6. Guidance for 2022 strongly confirmed



# Questions and Answers





**Thank you**  
for your attention!



## Financial calendar 2022

**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



**Olaf Scholz**  
**Head of Investor Relations**

KRONES AG  
Böhmerwaldstrasse 5  
93073 Neutraubling  
Germany

Mail [Olaf.Scholz@krones.com](mailto:Olaf.Scholz@krones.com)

Phone +49 9401 70-1169



## Disclaimer

This investor presentation contains forward-looking statements that are based on current estimates, forecasts and assumptions made by Krones AG management to the best of its knowledge and other information currently available to Krones AG.

The forward-looking statements of this presentation are by their very nature subject to various known and unknown risks, uncertainties and other factors, the non-occurrence or occurrence of which could cause material differences in future results of operations, financial situation, development or performance of Krones AG. Factors that could cause such differences include but are not limited to changes in political, business, economic and competitive environment, effects of future legal and legislative issues, fiscal, and other regulatory measures, foreign exchange rate fluctuations, interest rates, the availability of financing, developments in raw material and personnel costs, launches of competing products or services, poor acceptance of new products or services, and changes in business strategy.

Krones AG does not intend and does not assume any liability whatsoever to publicly update or revise any forward-looking statements or other information contained in this presentation as a result of new information, future events or otherwise. No representation or warranty, express or implied, is made by Krones AG and/or its management with respect to the fairness, completeness, correctness, reasonableness, or accuracy of any information, facts, expectations or opinions contained herein. Neither Krones AG nor any of its affiliates, representatives or advisors shall have any liability whatsoever (in negligence or otherwise) for any losses or damages arising from any use of this presentation or its content or otherwise arising in connection with the statements given herein.