



Krones Q3 2022

Conference Call November 04, 2022

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Kronos continues profitable growth despite continuing global challenges and raised sales guidance for 2022

Summary Q1 – Q3 2022

After two very strong quarters in 2022 with approx. €1.6 billion each, order intake in Q3 with €1.5 billion nearly at same level.

Customers' demand results in increased **order intake** in 9 months 2022 by 44% to €4.6 billion. The strong market development still continues.

Revenue growth in 9 months 2022 by 15.2% to €3.0 billion, which is also 5.3% above pre Covid-19 level of 2019.

Free cash flow with +€132 million again over previous year (+€108 million). **ROCE** increased from 9.1% to 12.4% in 9 months 2022 and is at the upper part of the 2022 target range (10% to 12%).

With first impacts of price increases, which compensated the rising material costs plus performance improvements **EBITDA margin** after 9 months of 8.9% 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, Kronos **raised guidance for revenue growth** in 2022 to 10% to 12% (previous 5% to 8%)

Kronos **continues to confirm** targets for EBITDA margin and ROCE for 2022, with a good chance to finalize these target figures at the **upper part of the range.**

With the actual margin development Kronos is fully in line to reach midterm profitability target of 10% to 13% by 2025 at the latest.



Krones highlights

Q1 – Q3 2022

Order intake

+44.1%

€4.60 billion

Revenue

+15.2%

€3,044 million

EBITDA margin

8.9%

(PY 8.0%)

Free cash flow

+€132 million

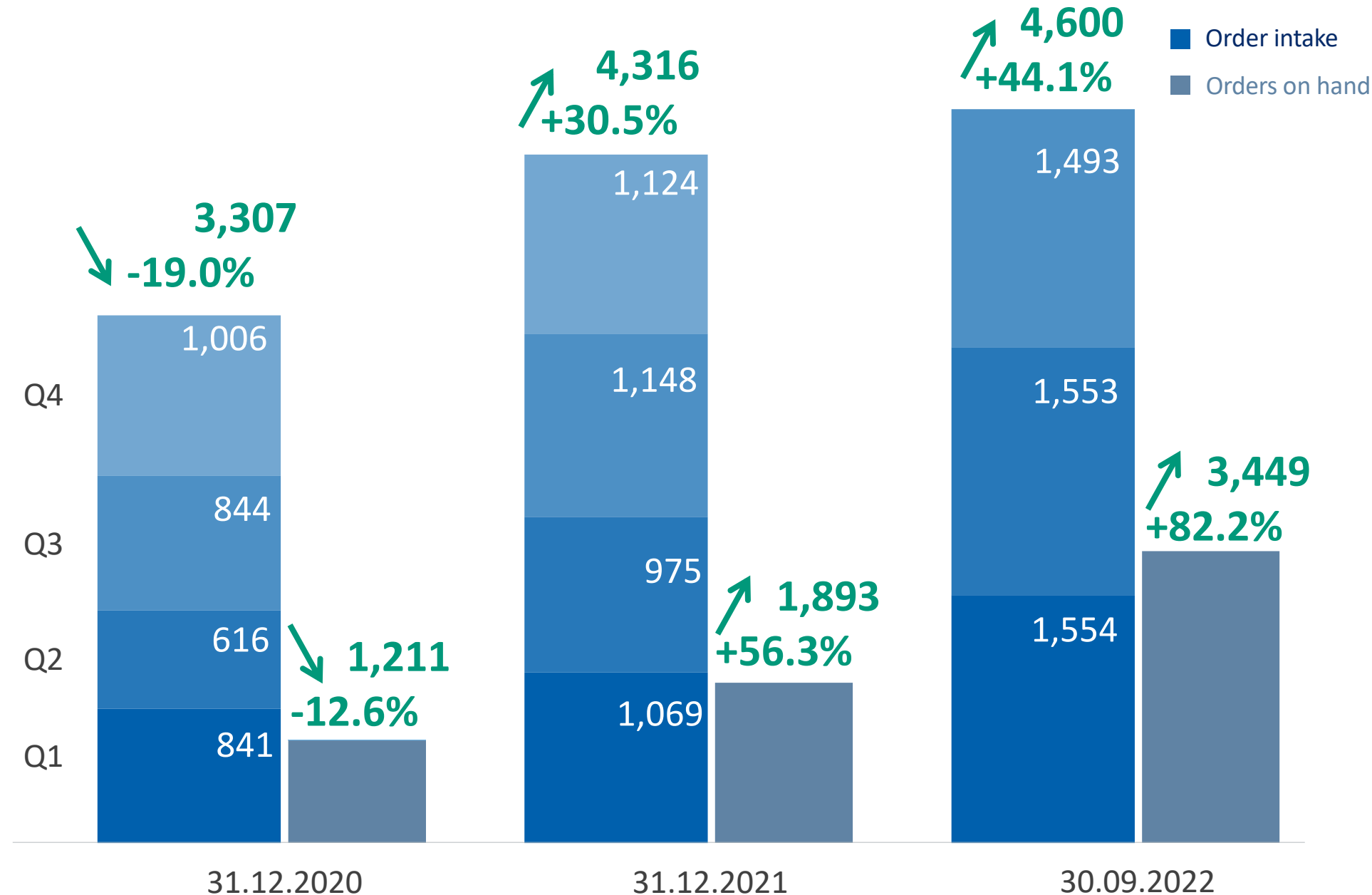
(PY +€108 million)



Q3 Order intake and orders on hand (€ million)

**Market demand still very high.
Order intake and orders on hand
on all time high**

- After two very strong quarters in 2022 the **order intake** in Q3 2022 was again nearly at €1.5 billion and results in 44% growth 9 months yoy. After 9 months in 2022 (€4.6 bn) order intake already was significantly higher than full year 2021 (€4.3bn)
- We expect a good order intake situation also in Q4
- Further growing **orders on hand** at 30.09.2022 was 82% above the high amount at year end 2021 (€1.9 bn; +56%). Delivery times are > 70 weeks at the moment



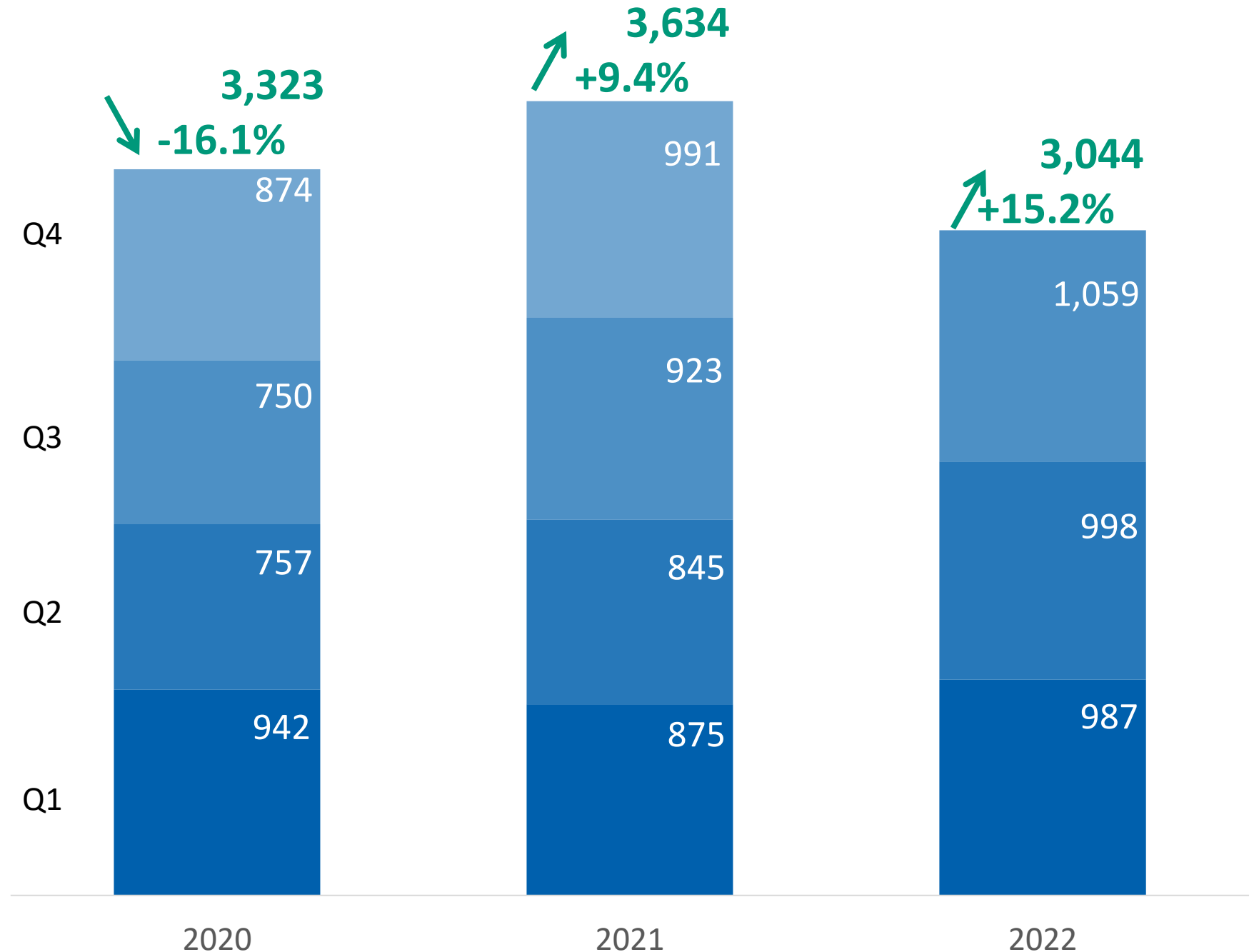


Revenue development by quarter (€ million)

Strong sales growth in third quarter (+15%); guidance for full year increased to 10-12%

- Revenue was increased in 9 months 2022 by 15.2% compared to prior year
- In Q3 revenue increased by 14.7% vs. Q3 2021
- Due to longer lead times, the enforced price increase of August 2021 is not yet fully reflected in the sales of Q3
- Revenue was also above the pre Covid-19 level of 9 months 2019 (+5.3%)

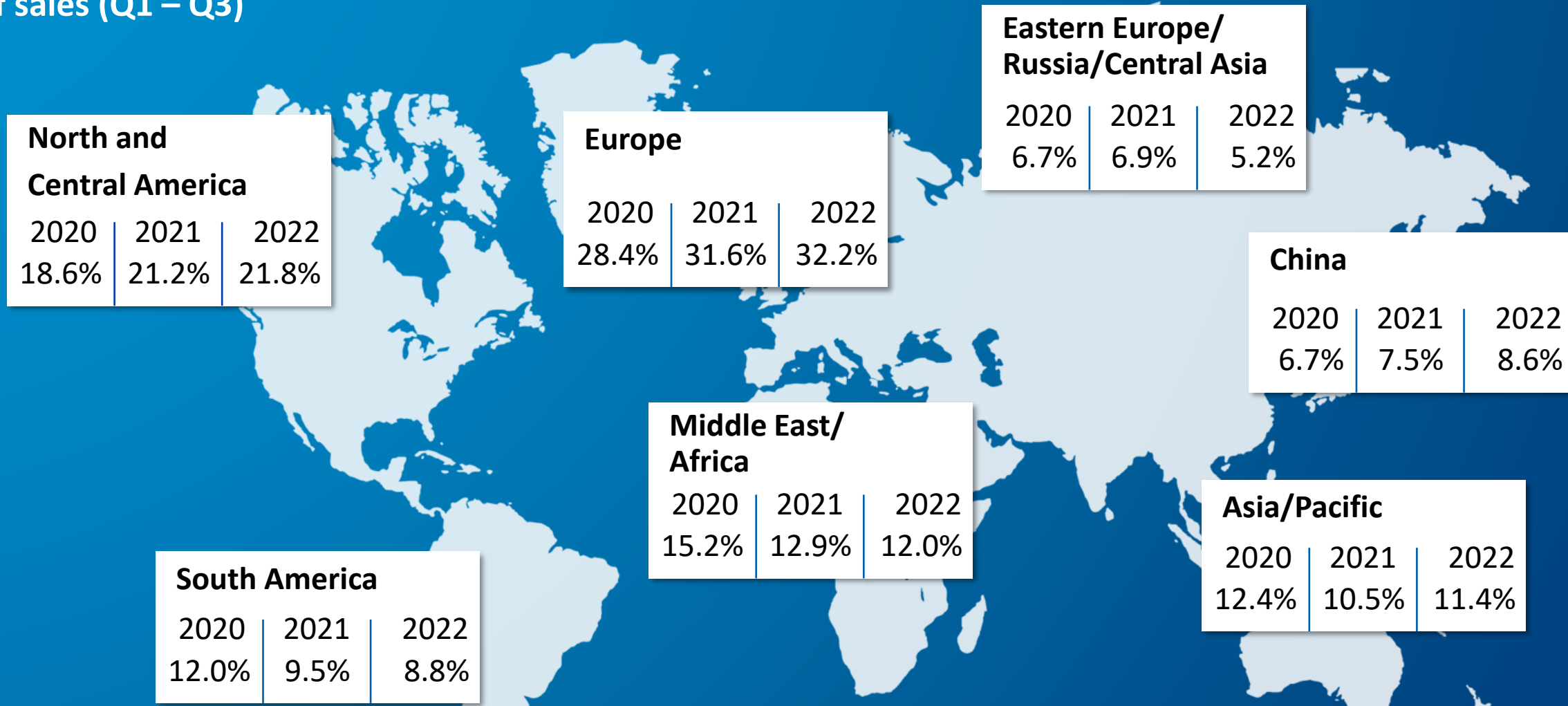
The limited factor for further growth in revenue are still the actual supply chain shortages.





Revenue split reflects the world-wide business activity of Krones, with a regained strength in industrial countries

Share of sales (Q1 – Q3)

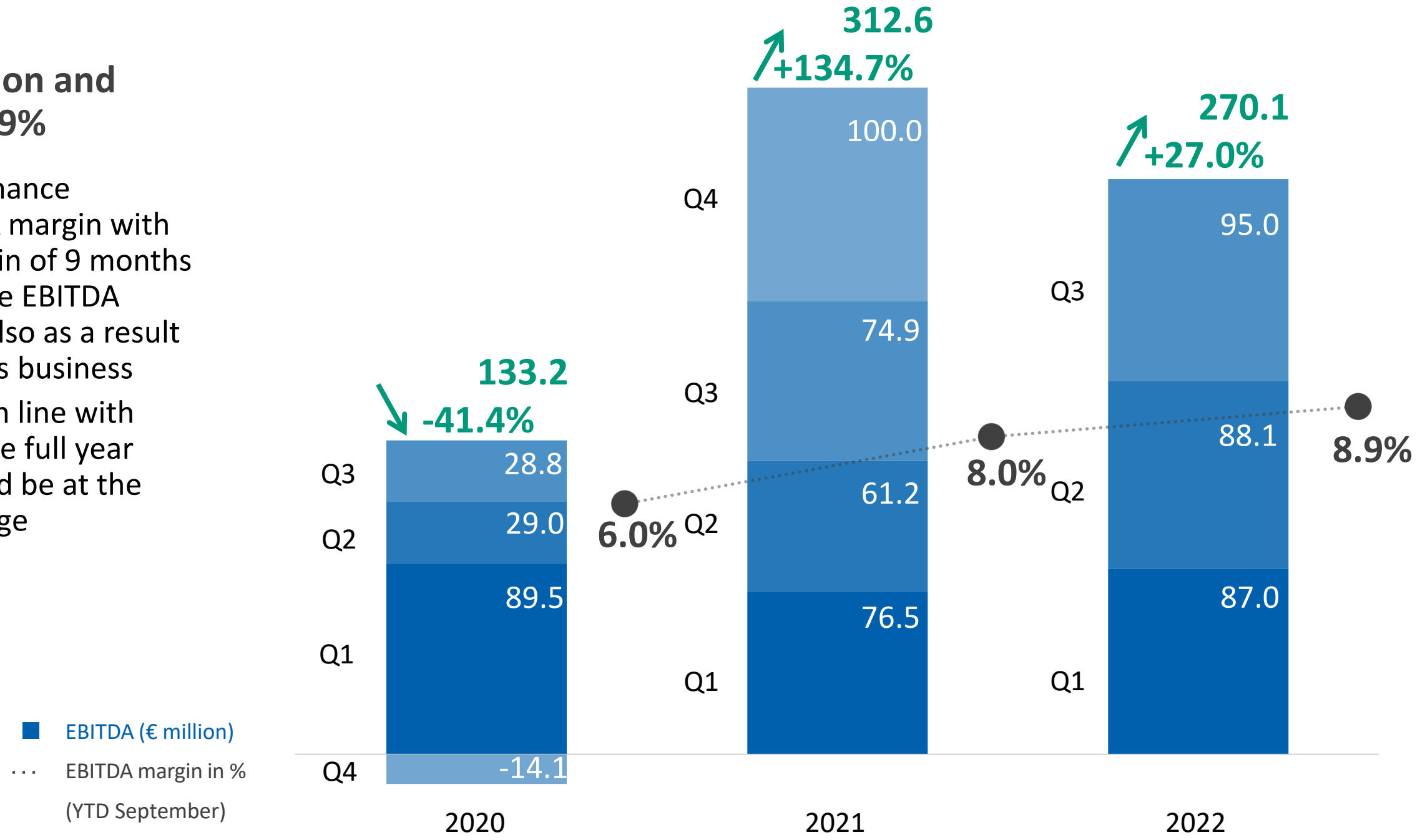




EBITDA and EBITDA margin strongly improved (€ million and %)

EBITDA at €270 million and EBITDA margin at 8.9%

- As a result of performance optimizations EBITDA margin with 8.9% above the margin of 9 months 2021 (8.0%). In Q3 the EBITDA margin was at 9.0% also as a result of stronger after-sales business
- 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

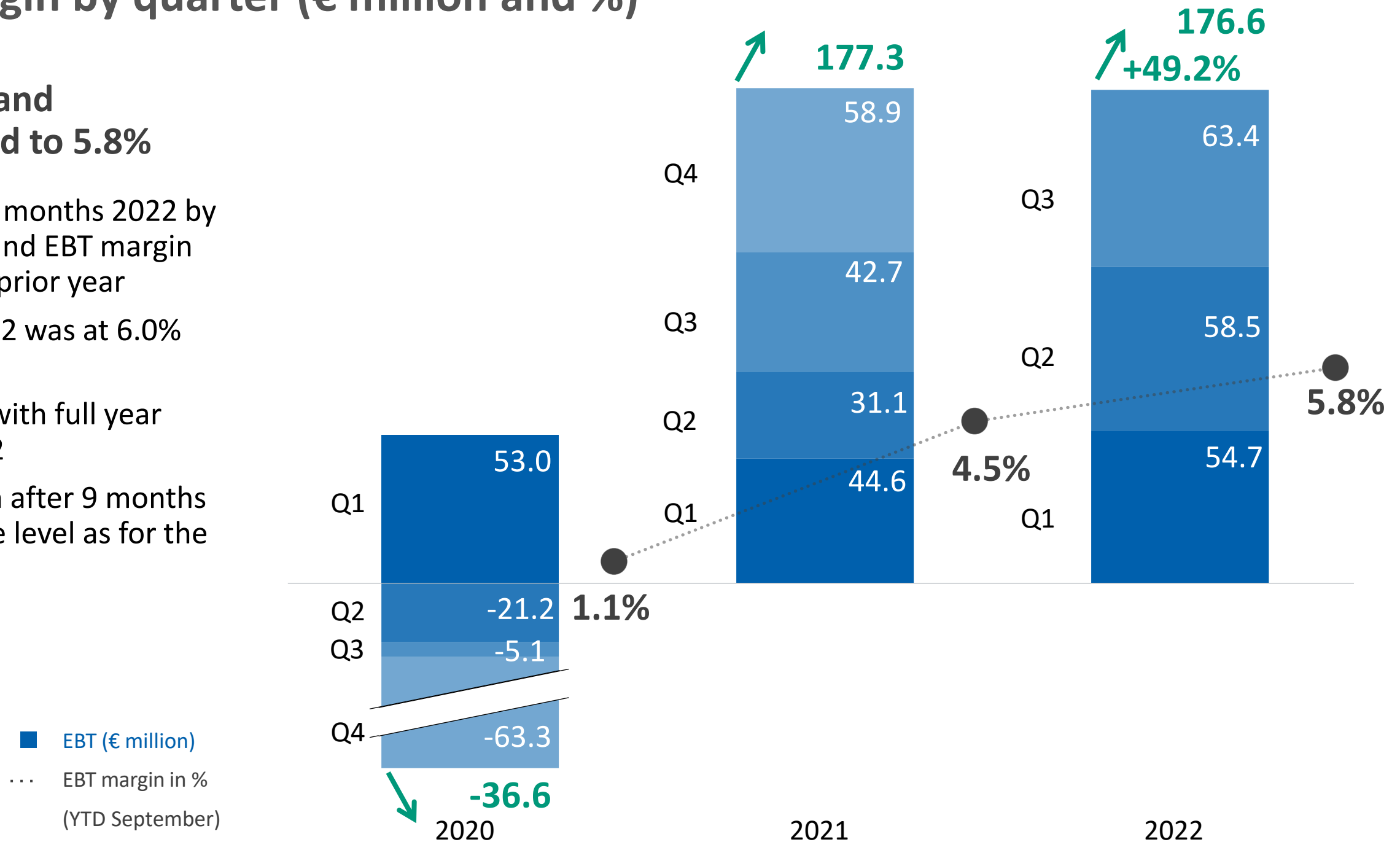




EBT and EBT margin by quarter (€ million and %)

EBT at €177 million and EBT margin increased to 5.8%

- EBT increased after 9 months 2022 by 49% to €177 million and EBT margin was at 5.8% vs. 4.5% prior year
- EBT margin in Q3 2022 was at 6.0% vs. 4.6% prior year
- EBT margin is in line with full year expectations for 2022
- EBT with €177 million after 9 months in 2022 is at the same level as for the full year 2021

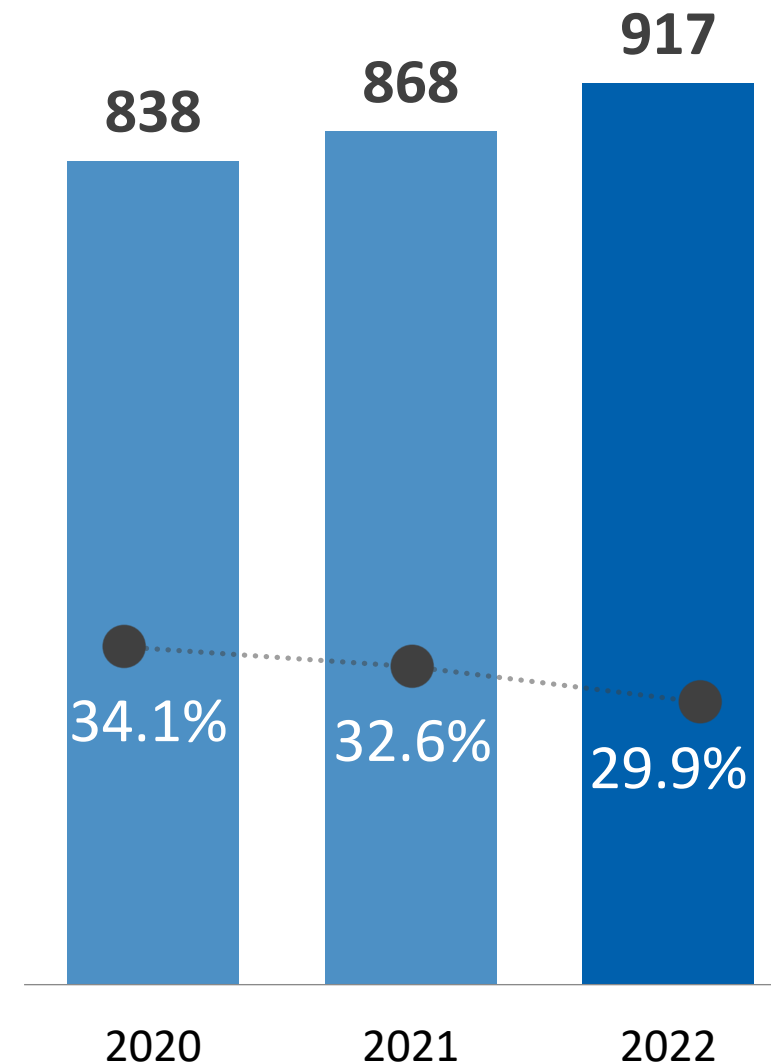




Personnel and material expenses Q1 - Q3 (€ million and %)

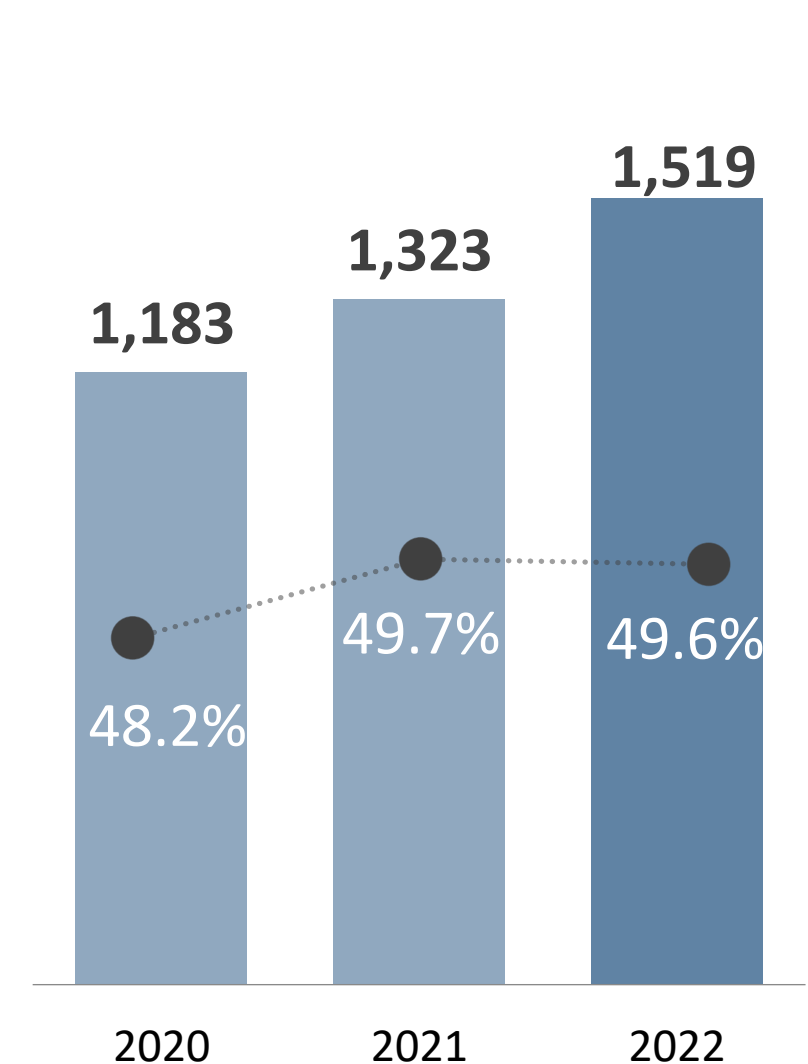
- **Personnel cost ratio** with 29.9% clearly better than last year (32.6%) and further decreased vs. 1st HY 2022 (30.6%). Positive effects from the fully implemented structural measures are completely in the P&L this year
- Despite increasing material costs and higher new equipment business (with higher material ratio) the **material cost ratio** overall was stable at 49.6% (vs. 1st HY 2021 with 49.2%), and also stable vs. 1st HY 2022 (49.2%)

Personnel cost Q1 - Q3 (€ million)



--- Personnel expenses to total performance (%)

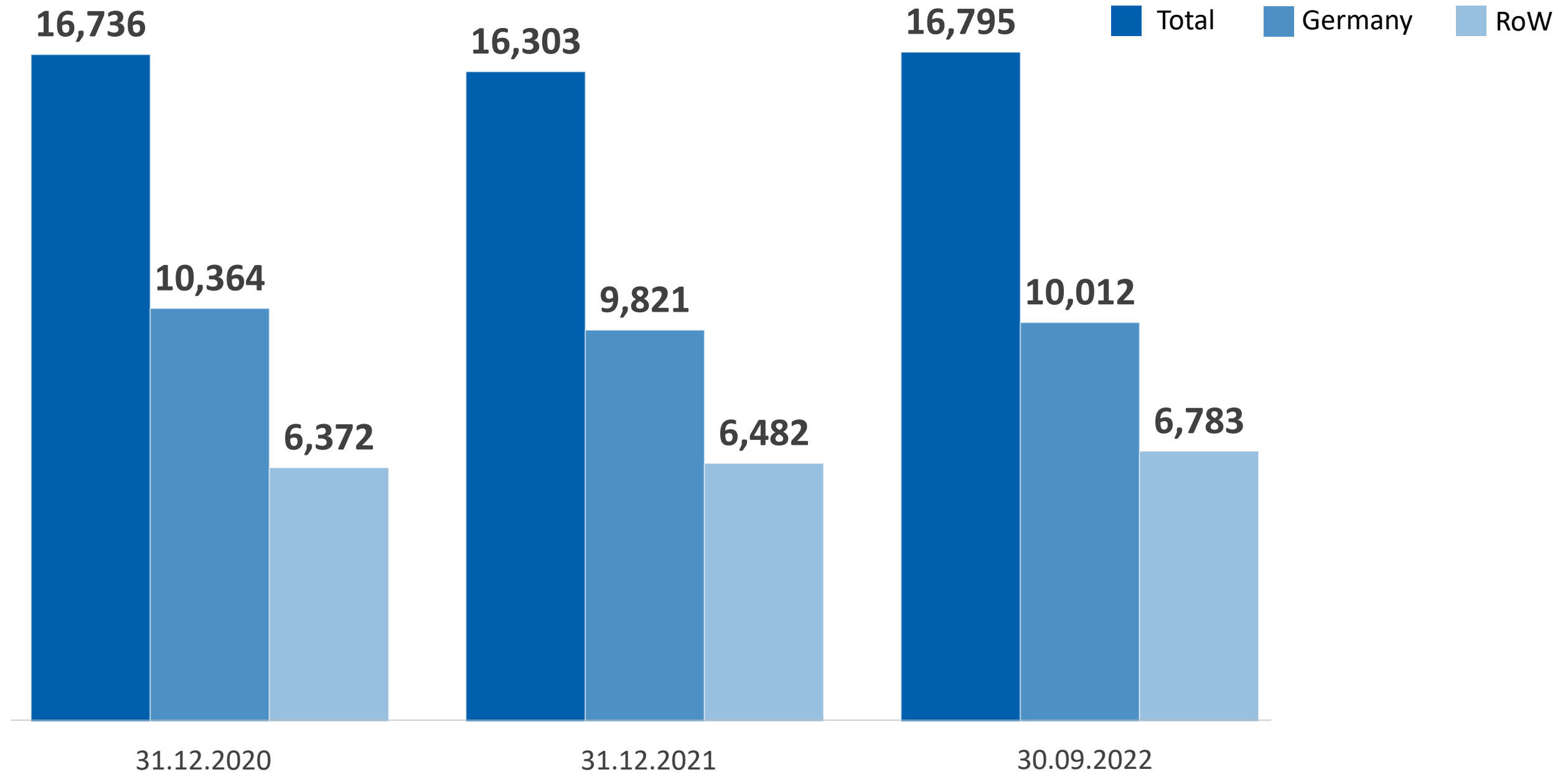
Material cost Q1 - Q3 (€ million)



--- Material expenses to total performance (%)



Kronos employees worldwide – slight growth in Germany after prior years capacity adjustment programs and a further growth in the rest of the world



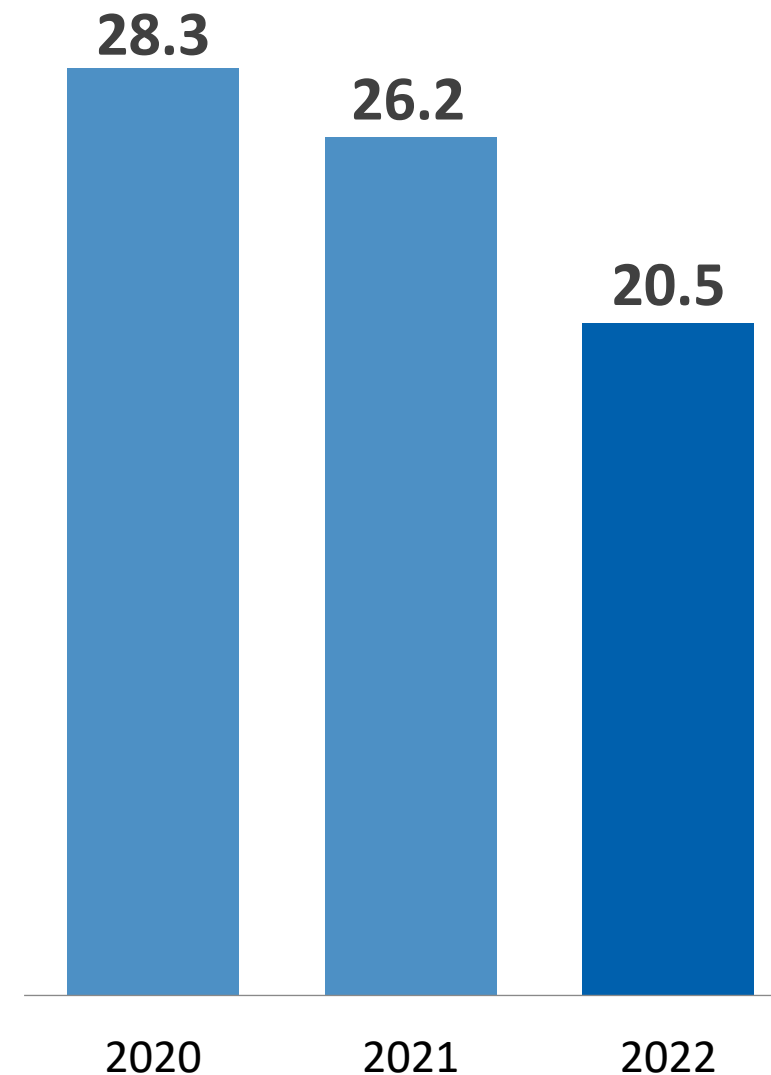


Working Capital Q1 – Q3 (in %)

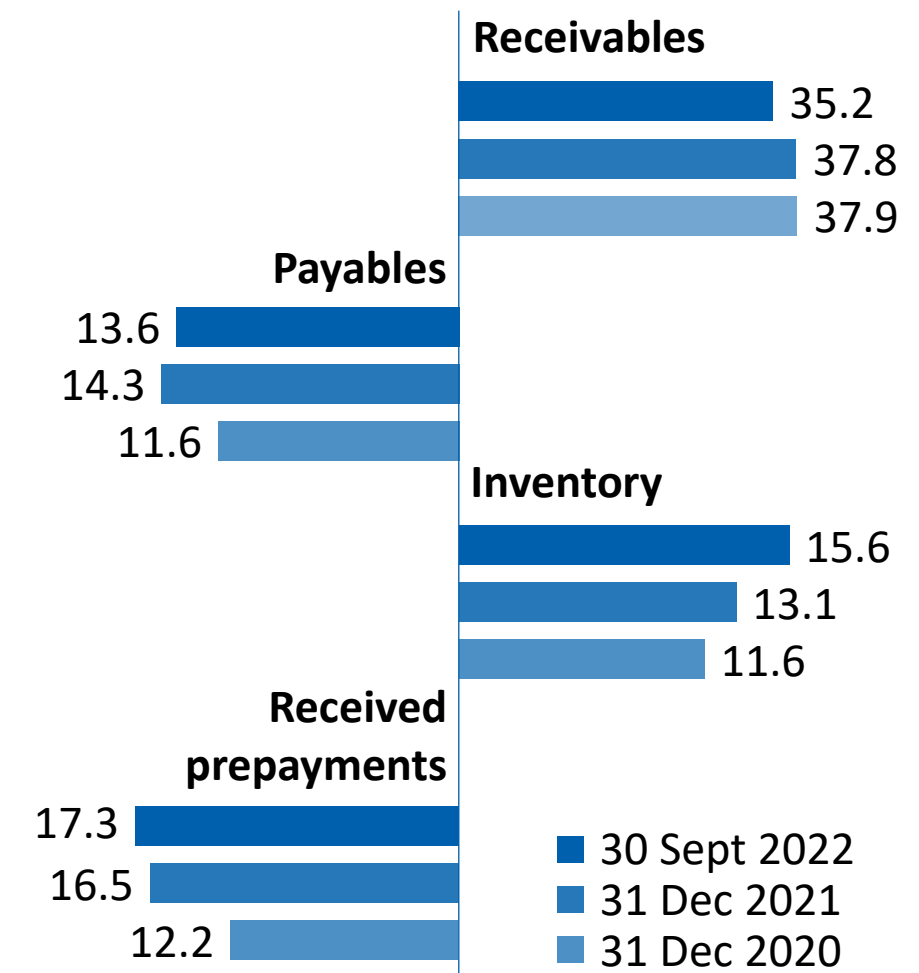
Strong decrease in Working Capital with 20.5% vs. 26.2% prior year

- Based on higher business activities (sales +15%), **receivables** decreased 2.6%. The **payables** decreased by 0.7% as a result of stronger supplier position
- The significant increase in **inventory** (+2.5%) results mainly from efforts to strengthen supply chain (safety stock)
- **Prepayments** show a positive impact on Working Capital by +0.8%; a little lower than 1st HY (19.8%) as a result of further increasing business activity
- Nevertheless average **working capital ratio** at 9 months 2022 was with 4.3% significant lower than year-end 2021 (24.8%)

Working Capital of revenue Q1 – Q3 (% , average over four quarters)



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

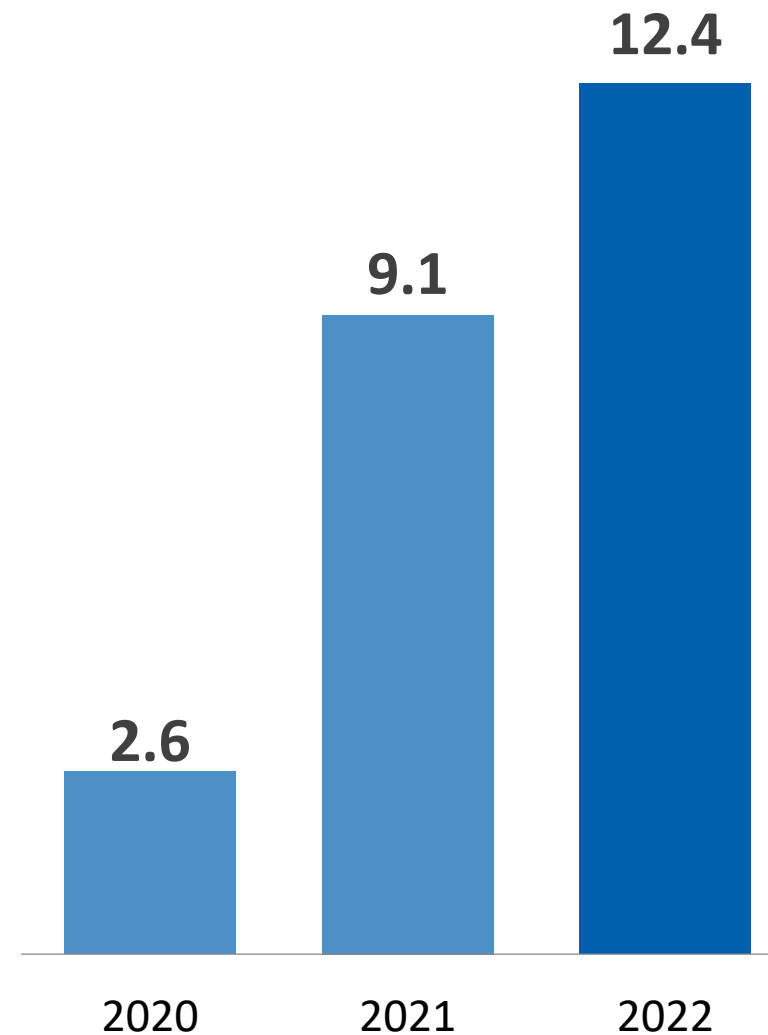




ROCE

- ROCE, as the new third target figure, is with 12.4% in line with expectations for FY 2022 and also slightly above our target range (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 Q1 - Q3 2020 - 2022* in %



* ROCE without one-offs and goodwill and financial assets

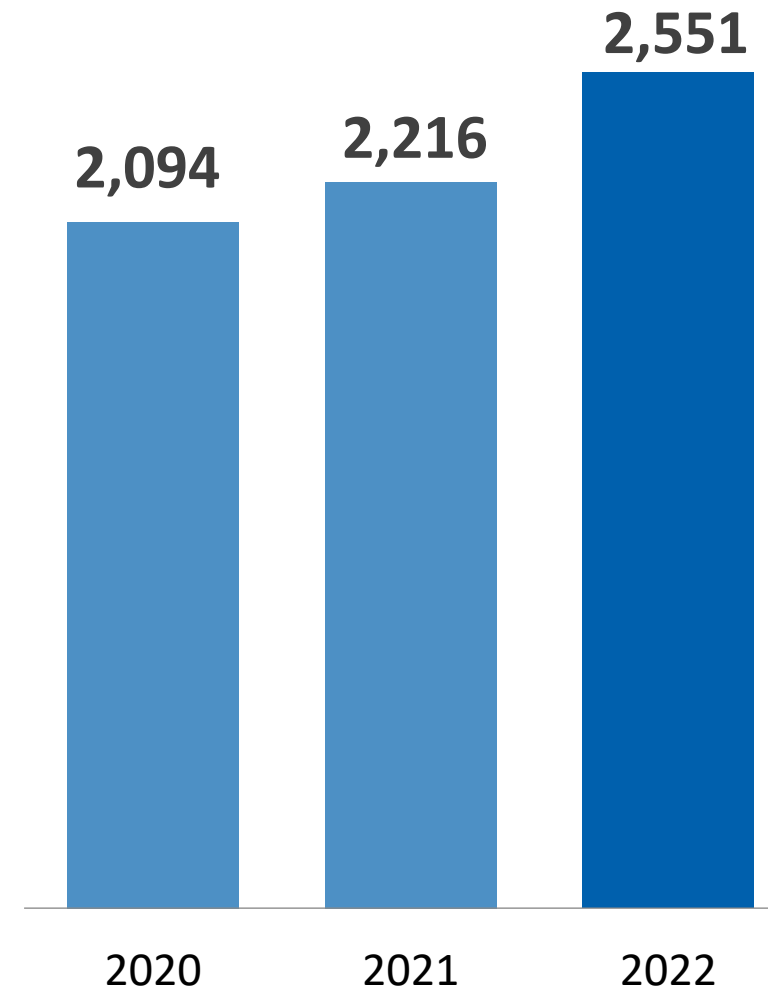


Revenue and EBITDA per segment

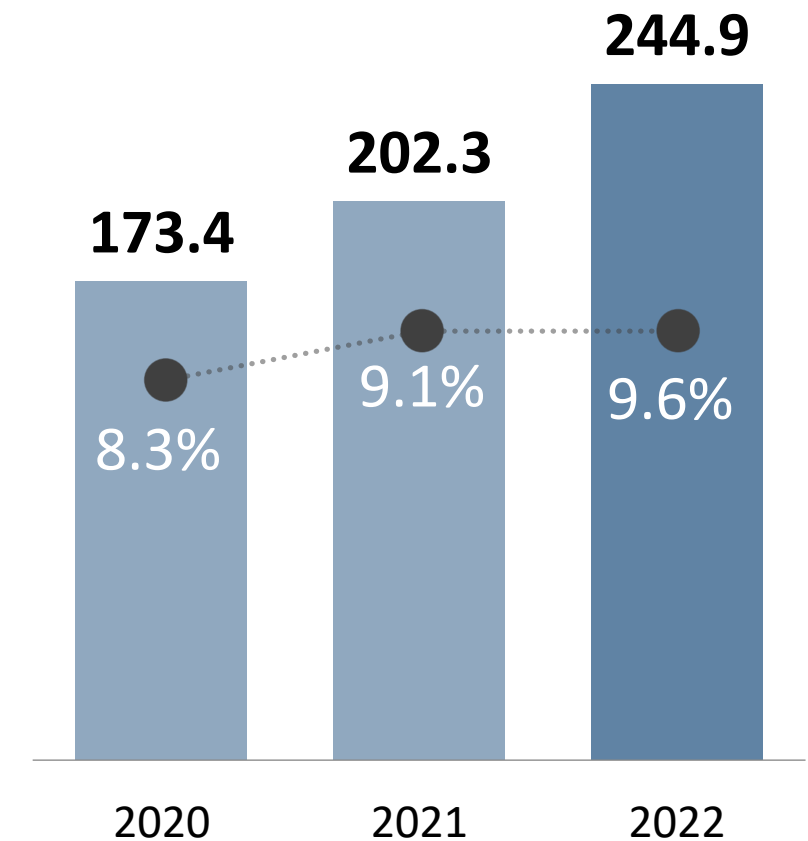
Filling and Packaging Technology

- Increase in **revenue** are at group level (+15%) – driven primarily by new equipment sales
- Positive effects from structural measures plus increasing efficiency in production cycles result in **EBITDA margin** of 9.6% which is above prior year (9.1%)
- The margin is also above 2020 were the product mix (new machines vs. after-sales business) was influenced by Covid-19
- Guidance for revenue growth in 2022 was raised to 8% to 10% (prev. 5% to 7%)
- Regarding EBITDA margin we are fully in line with our 2022 guidance (9% to 10%)

Revenue development Q1 - Q3
(€ million)



Segment EBITDA (€ million) and
EBITDA margin (%) Q1 - Q3



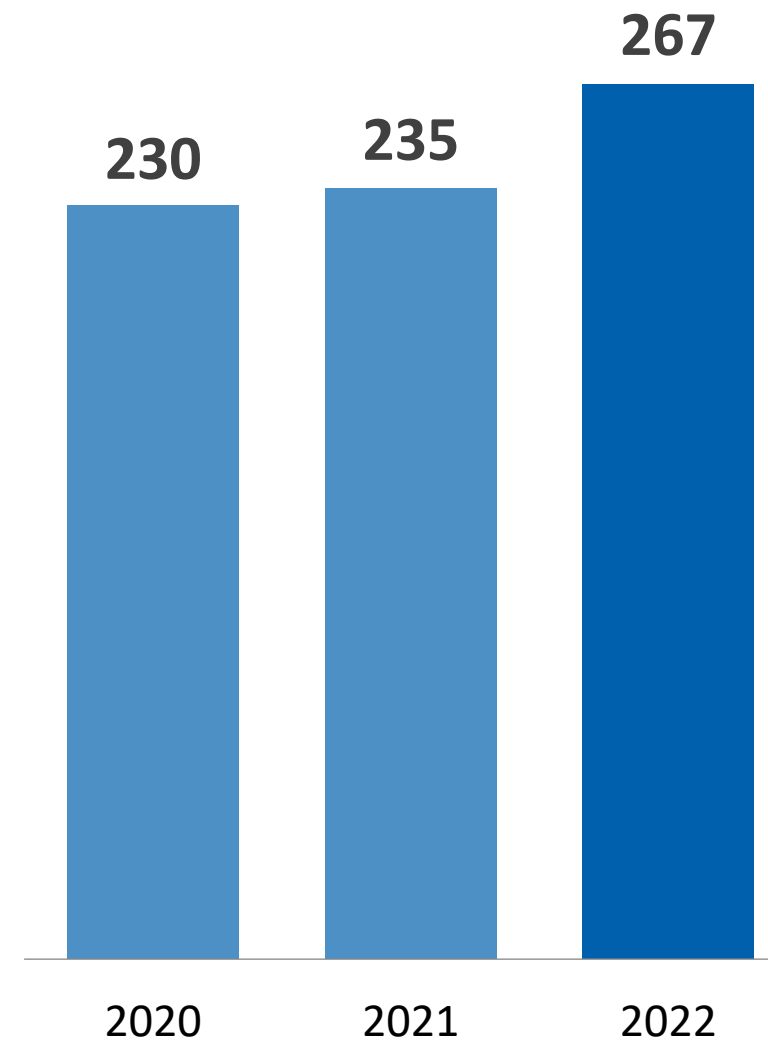


Revenue and EBITDA per segment

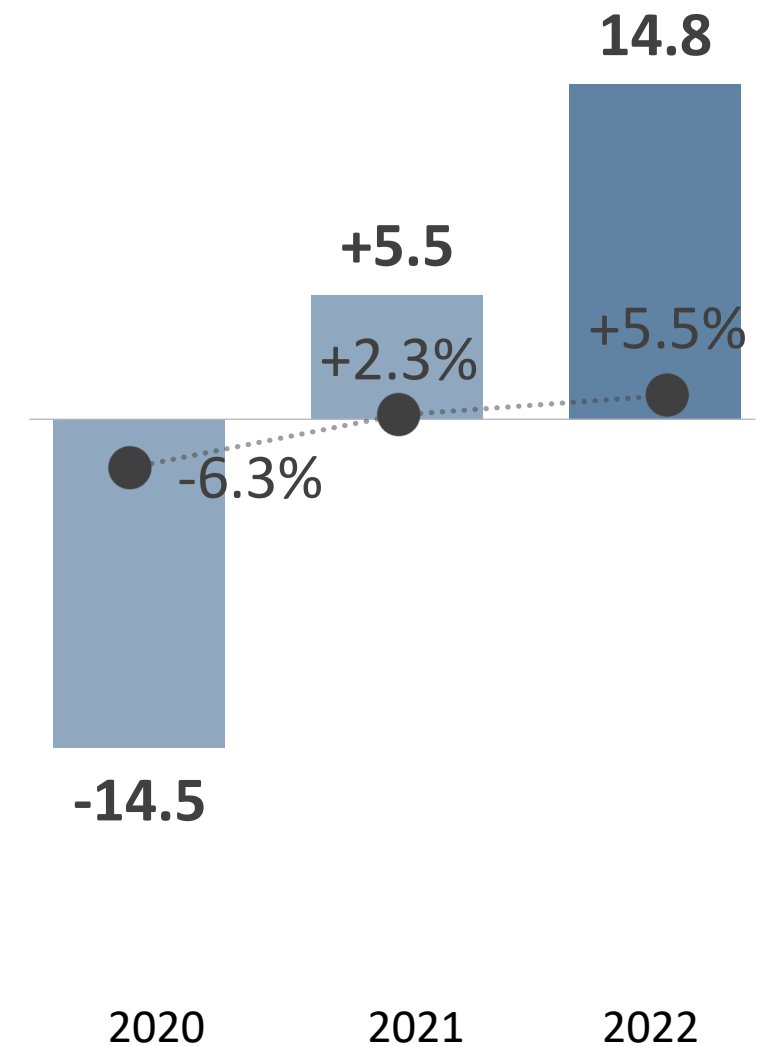
Process Technology

- **Revenues** increased vs. prior year by 13.5%; strong growth in Q4 expected
- Guidance for revenue growth in 2022 was raised to 20% to 25% (prev. 10% to 15%)
- The effects from structural measures and customized processes result in a further positive **EBITDA margin** of 5.5%
- 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 Q1 - Q3
(€ million)



Segment EBITDA (€ million) and
EBITDA margin (%) Q1 - Q3



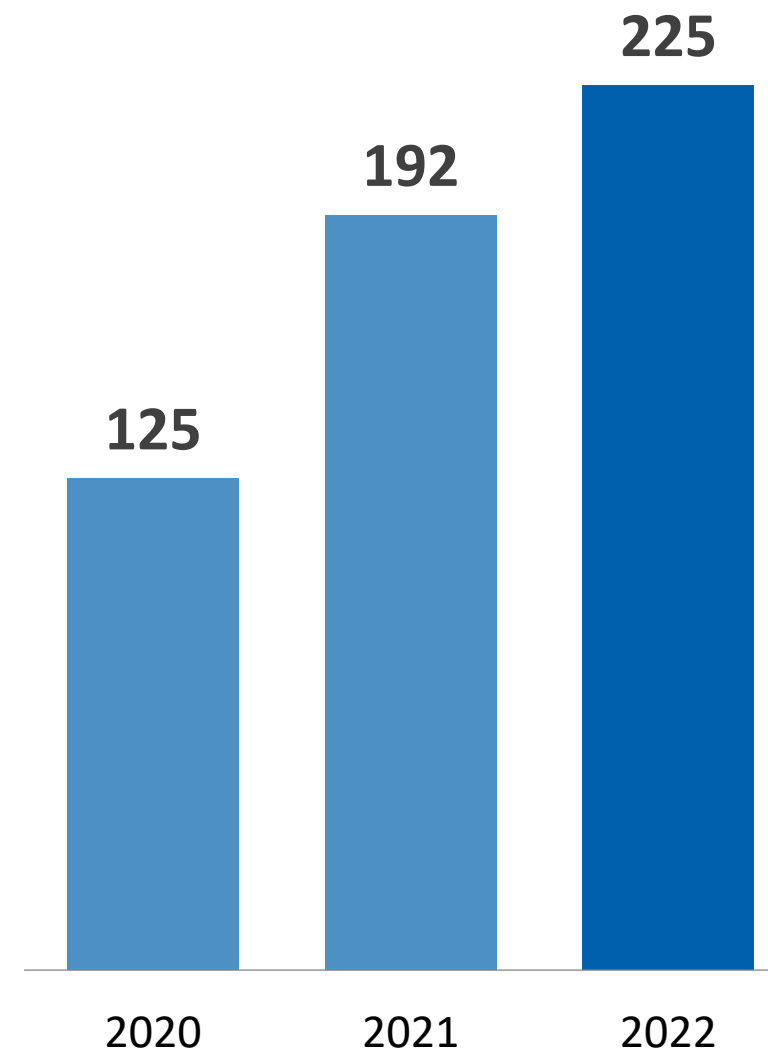


Revenue and EBITDA per segment

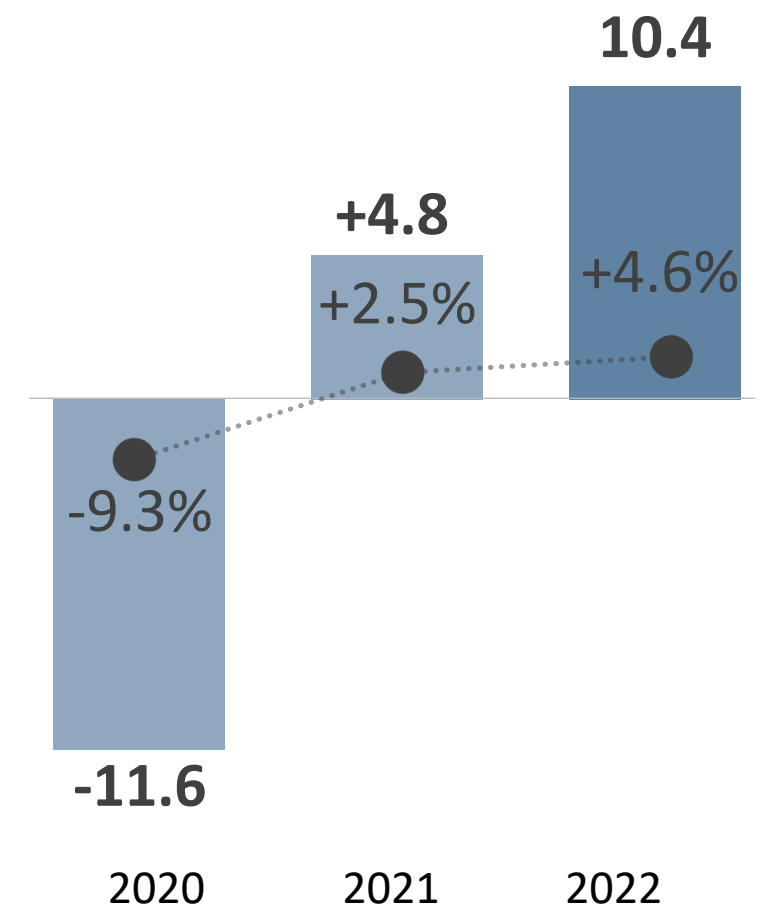
Intralogistics

- After a strong recovery in revenue in 2021 (+54%) based on high negative influences in 2020 by Covid-19, the **revenue** growth in 9 months 2022 has realized on a normal level of 17.7%
- Guidance for revenue growth in 2022 was raised to 13% to 16% (prev. 8% to 13%)
- EBITDA margin at the lower end of the full year target (4% to 6%) based on seasonal effects. Further margin development is expected in Q4
- This new segment represents the business with intralogistics solutions of Kronos for the beverage industry as well for other industries

Revenue development Q1 - Q3
(€ million)



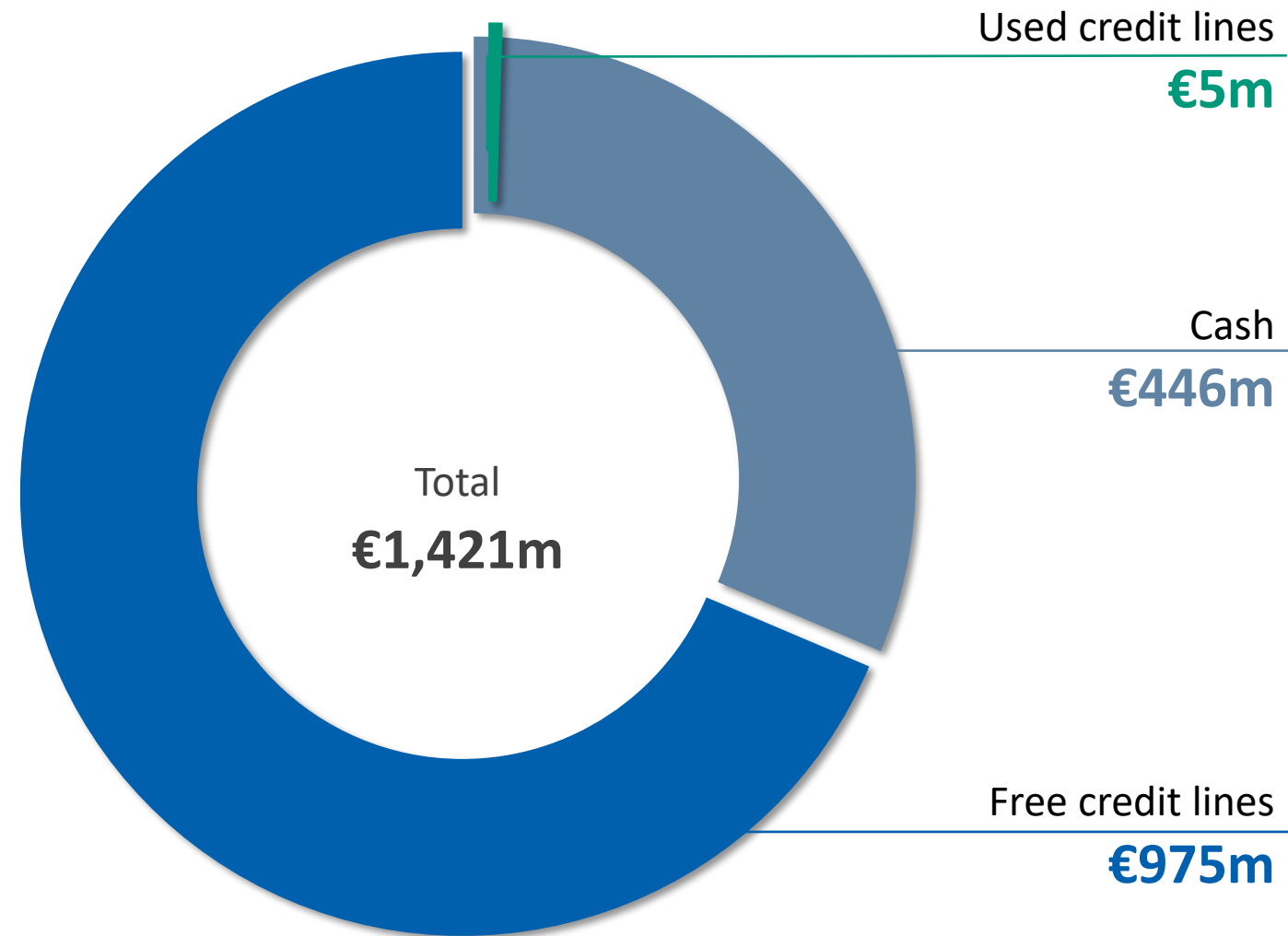
Segment EBITDA (€ million) and
EBITDA margin (%) Q1 - Q3



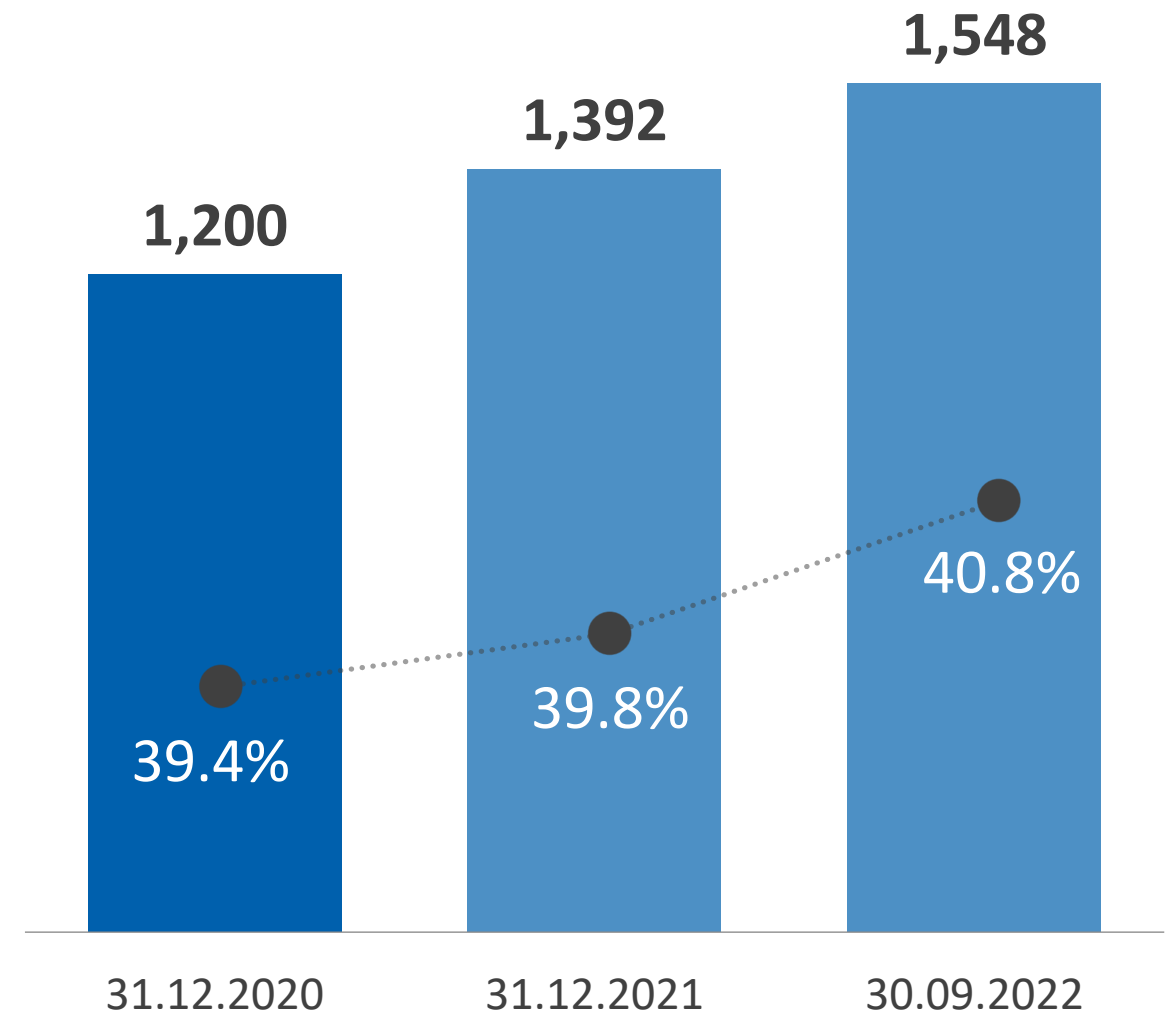


Krones financially very strong; resilient capital position of Krones to withstand volatile world economy developments

Liquidity reserves Q1 – Q3 2022 ~ €1.4bn



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





Free cash flow Q1 – Q3

Further improvements in cashflows

- Operating activities** with €210 million in 2022 (vs. €182 million prior year) were influenced by stronger EBT but lower non-cash changes. The working capital increased by €73 million in first 9 months 2022 (vs. decrease of €7 million 2021). In 2022 mainly tax payments are in other assets and liabilities; whereas in 2021 higher payments for employee program was included
- Investing activities with** €85 million 16% above prior year (€73 million); in line with sales growth of 15%
- Financing activities** include mainly dividend payment (€ 44 million) and payments for leasing

(€ million)	2022	2021
Earnings before taxes (EBT)	176.6	118.4
+/- Other non-cash changes	+147.8	+192.7
+/- Change in Working Capital	-73.2	+7.0
+/- Other assets and liabilities	-41.5	-135.7
Cash flow from operating activities	209.7	182.4
+/- Capex	-84.8	-73.4
+/- M&A-Activities	0.0	0.0
+/- Other	+7.4	-1.5
Free cash flow	132.3	+107.5
+/- Financing activities/Others	-69.7	-35.9
Net change in cash	+62.6	+71.6
Cash at the end of period	446.0	288.6

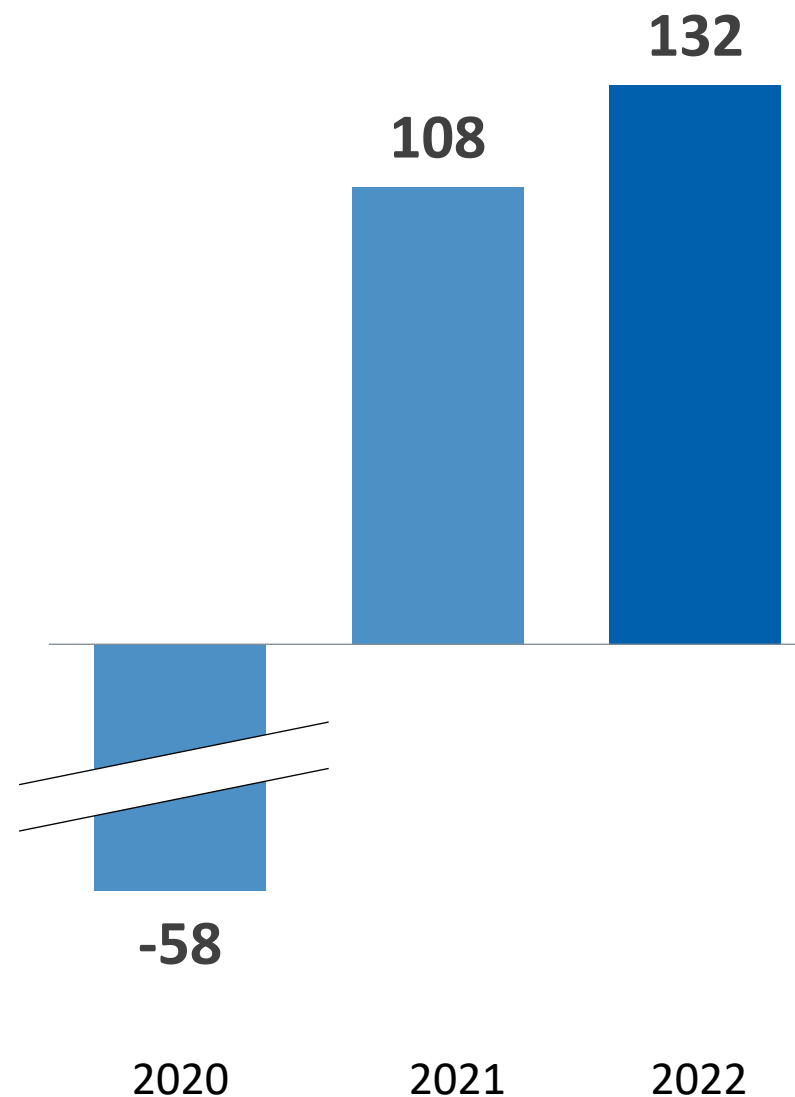


Cashflow and cash conversion rate

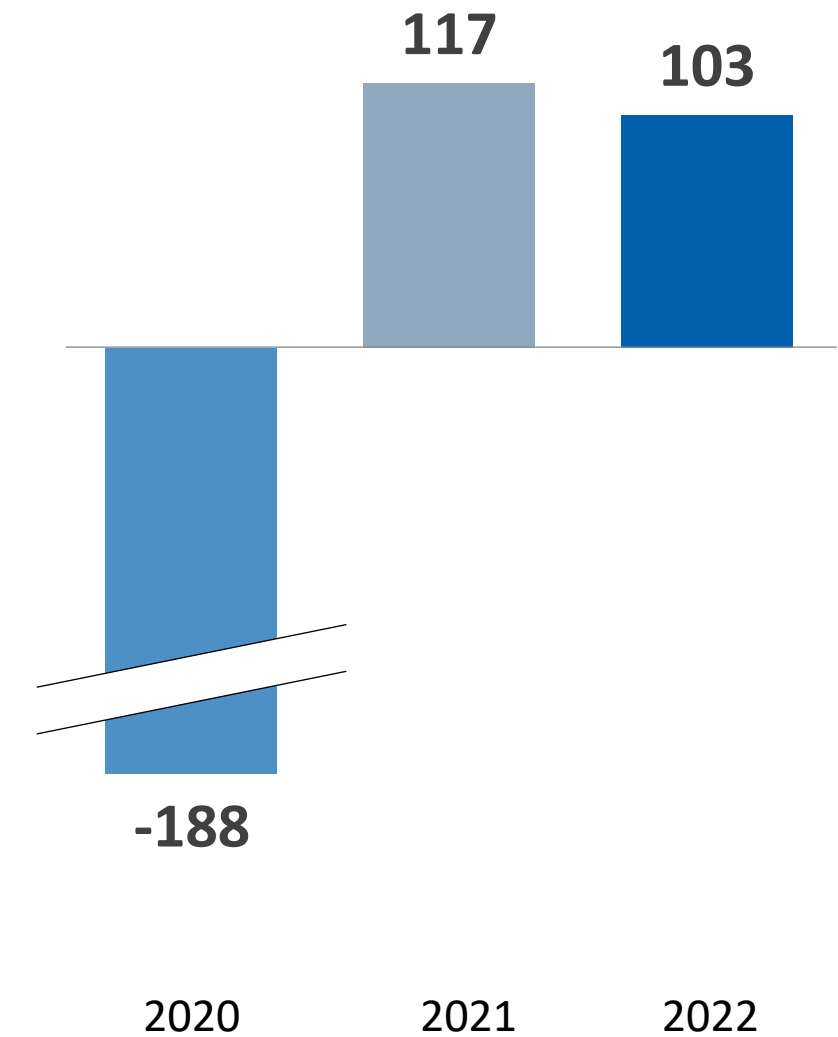
Free cashflow increased by 23% vs. prior year

- **Cash conversion rate** in 2022 at 103%; small decrease vs. prior year based on strong growth in net income (+40%)
- Still high discipline in **investments**; Investments in relation of sales after 9 months 2022 at 2.8%; same % as prior year

Free cashflow Q1 - Q3
(without M&A) in € million



Cash conversion rate Q1 - Q3
(FCF/net income* in %)



* Net income before one-offs

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 exchange rate volatilities and remaining pandemic uncertainties create a challenging business environment for 2022.

Revenue growth

10% – 12%

EBITDA margin

8% – 9%

ROCE

10% – 12%

(Guidance increase October 19, 2022 from 5% - 8%)

Key assumptions:

1. No further escalation of Russia-Ukraine conflict
2. No major Covid-19 shutdowns



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 2022 not expected
6. Guidance for 2022 strongly confirmed; revenue guidance increased

Questions and Answers





Thank you
for your attention!



Financial calendar 2023

- February 23, 2023** Conference Call Group
Preliminary figures for the period
from 1 January to December 31, 2022
- May 5, 2023** Conference Call Group
Quarterly statement for the period
from 1 January to March 31, 2023
- August 1, 2023** Conference Call Group
Quarterly statement for the period
from 1 January to June 30, 2023
- November 3, 2023** Conference Call Group
Quarterly statement for the period
from 1 January to September 30, 2023



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