



# Krones Q3 2023

Conference Call November 03, 2023

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Christoph Klenk, CEO

Uta Anders, CFO

# Krones reports strong figures for 9 months 2023 and fully confirms targets for 2023; All key figures are in the expected ranges



**Order intake** in the first 9 months at €4.1bn as a result of strong markets. In Q3 2023 order intake is €1.3bn and therefore 4.3% above Q2 2023.

**Order backlog** with a book-to-bill ratio of 1.2x increased again to €4.1bn or 18% above the previous year (31.12.2022) and 19% above 30.09.2022. This leads to a stable capacity utilization until 2025.

Based on customer feedbacks a further investment development in sustainable and digitalized solutions is expected also midterm.

**Revenue** growth in first 9 months 2023 by 14.5% yoy to €3.5bn. Supply chain shortages have been the restricted factor for higher productivity.

**Free cash flow** was influenced by high working capital and therefore on a negative level (-€166 million). For Q4 a positive development is expected and for FY 2024 a positive free cash flow is anticipated.

**ROCE** increased from 12.4% to 17.5% after 9 months and is also above the 2023 target range (15% to 17%).

**EBITDA** significantly increased by 23% in 9 months 2023. **EBITDA margin** of 9.5% was strongly above prior year's margin of 8.9%.

EBITDA margin is in the range of the full year target of 2023 (9% to 10%).

**EBT** increased with 33% also significantly, and the **EBT margin** increased from 5.8% to 6.8%.

With the actual **revenue growth**, Krones is fully in line with the **increased target\*** for 2023 to a range of **11% to 13%** (prev. 8% to 11%).

Krones **confirms EBITDA margin target** of **9% to 10%**.

For the third key figure, the **ROCE**, Krones anticipates and so **confirms** a range of **15% to 17%** in 2023.

With these targets Krones is fully on track to reach midterm EBITDA margin target of 10% to 13% by 2025 at the latest.

# Krones highlights Q1 – Q3 2023



**€4.11** billion

**Order intake**

(PY +€4.60 billion)

**+14.5%**

**Revenue**

€3,486 million

**9.5%**

**EBITDA margin**

(PY 8.9%)

**-€166** million

**Free cash flow**

w/o M&A

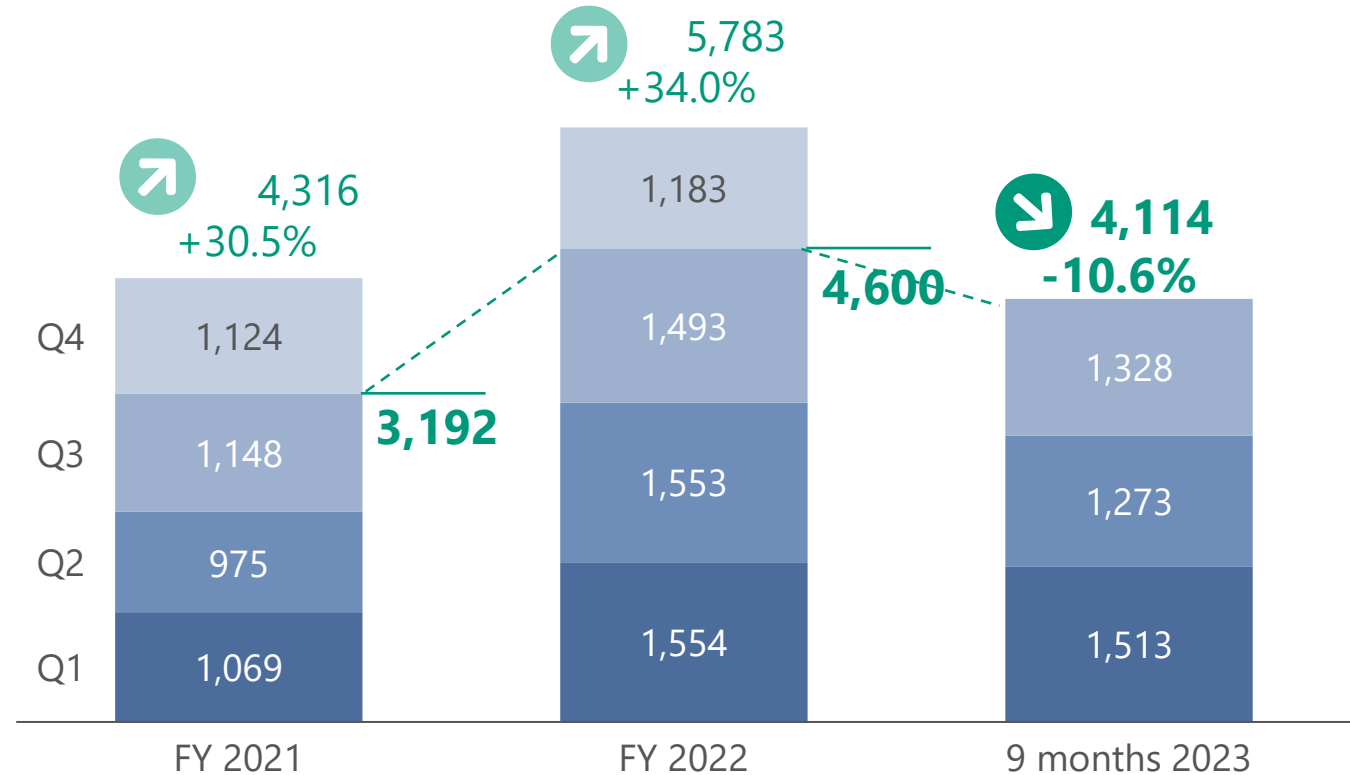
(PY +€132 million)

# Order intake (€ million)



- **Market demand still very high**
- Q3 **order intake** of €1.33bn above the level of the "new order level" per quarter (€1.2 - €1.3bn p.q.) and 4.3% above Q2 2023
- Order intake in 2022 was influenced by **extraordinary effects** (post-pandemic catch-up)

Order intake (€ million)

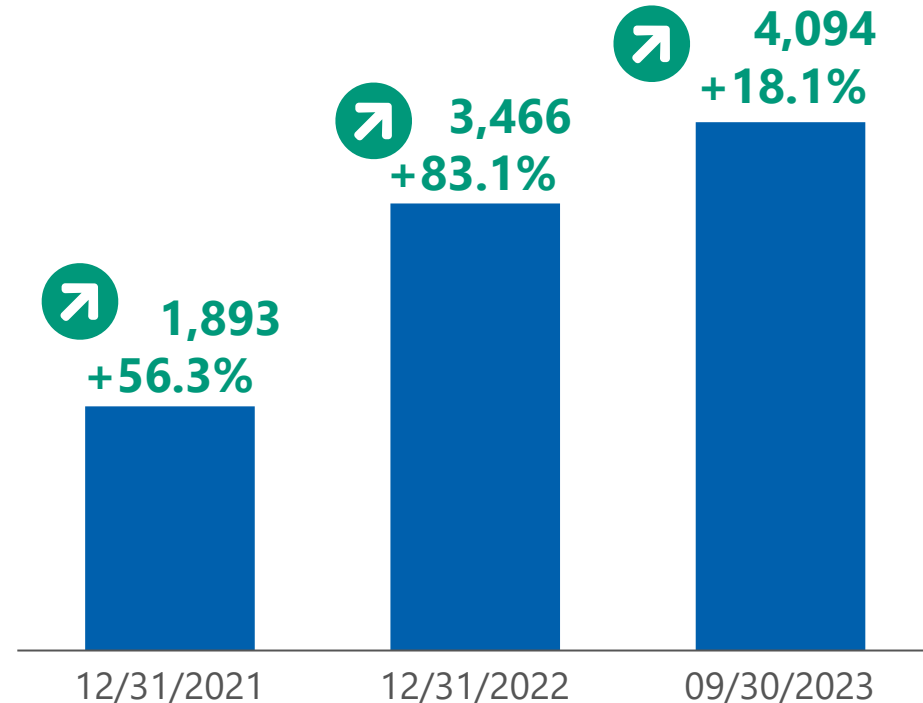


**High order intake confirms Krones consistent customer orientation** and its resilient business

## Orders on hand (€ million)

- **Order backlog** at 30.9.2023 is at €4.1bn with a range until 2025
- With a **book-to-bill ratio** of 1.2x the orders on hand at 30.09.2023 were 18.1% above the very high level at year end 2022 (€3.5bn; +83.1%) and 18.7% above 30.09.2022 (€3.4bn).
- **Delivery times** are >75 weeks at the moment

### Orders on hand (€ million)



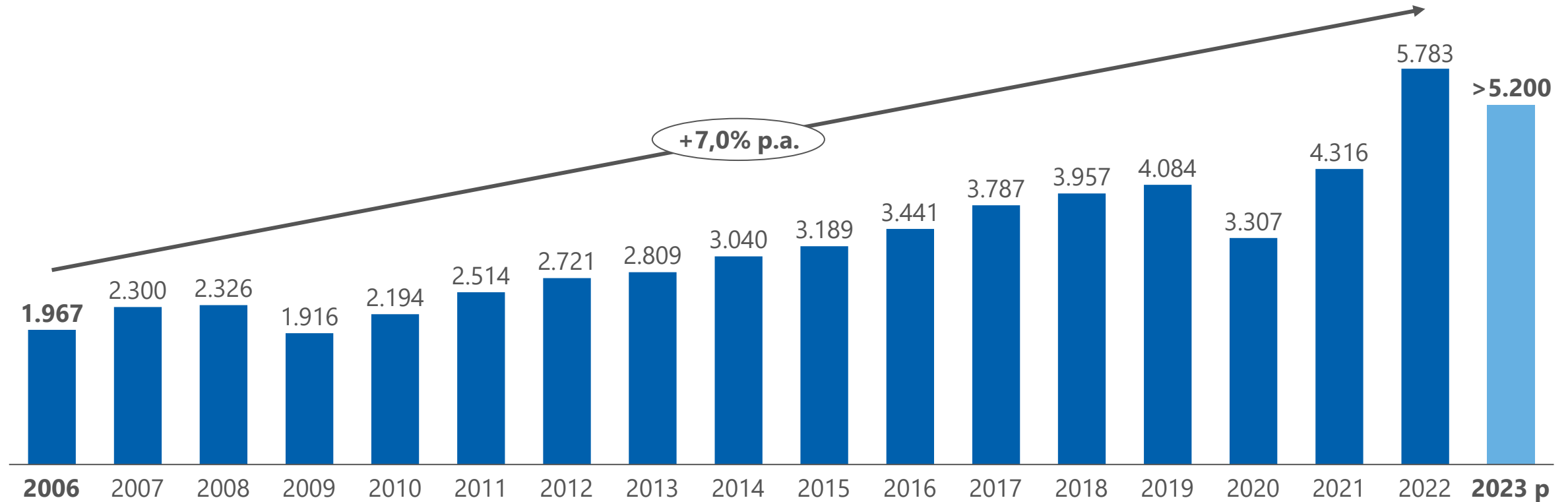
**High utilisation is ensured until 2025** given strong level of orders on hand

**This offers Krones a high degree of planning security** in a potentially challenging global economic situation



# Development of order intake [EURm]

2006 – 2023p\*



**After strong growth in 2022, we expect for 2023 a development within the new order intake level of €1.2 – 1.3bn per quarter**

# Main growth drivers for the global beverage industry



**Growing world population** from current 8bn people to >9bn in 2040 and almost 10bn in 2050<sup>1</sup>



**Increasing share of people living in urban areas** from current 55% to 65% in 2040 and almost 70% in 2050; mainly affecting cities in the Global South<sup>2</sup>



**Rising middle class** with >110 million people joining in 2024, thereof 90 million people in Asia<sup>3</sup>



**Continuing Sustainability focus** among our costumers

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**The global beverage consumption is projected to grow by 2.7% p.a. until 2027<sup>4</sup>** supported by the above growth drivers

# Sustainability rating success



## Krones has received the EcoVadis gold medal



- With the gold medal Krones belongs to the best 5 percent of companies rated from EcoVadis in our sector worldwide.
- Currently more than 90 international customers are tracking Krones' Scorecard via EcoVadis.

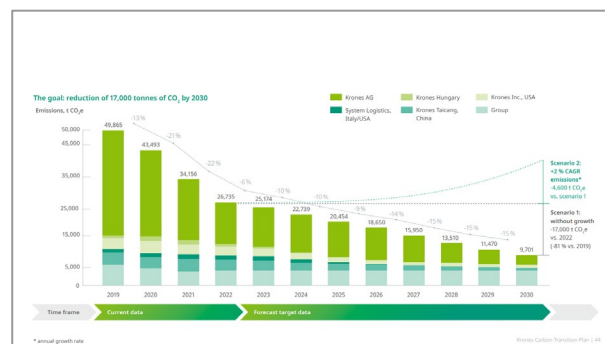
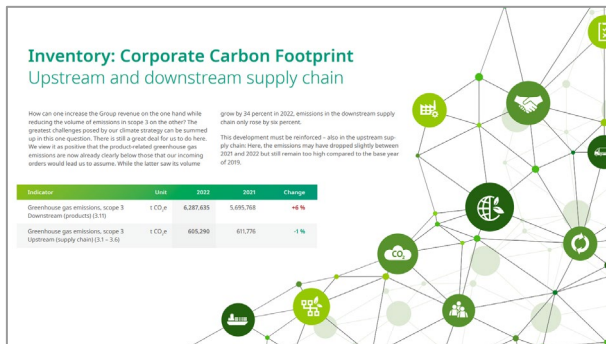
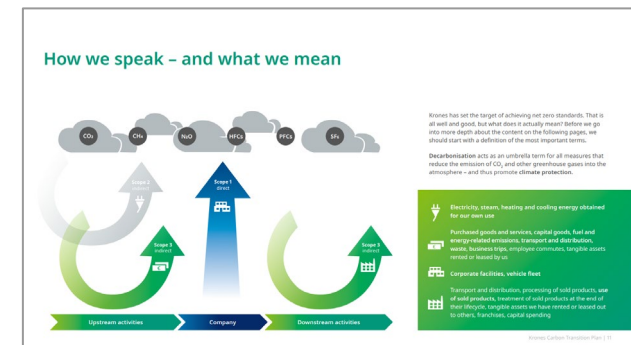
**The gold medal reflects our high commitment and growing performance regarding Sustainability.**



# Carbon Transition Plan published



## Krones published a 76-page strong Carbon Transition Plan to show progress and plan for climate action

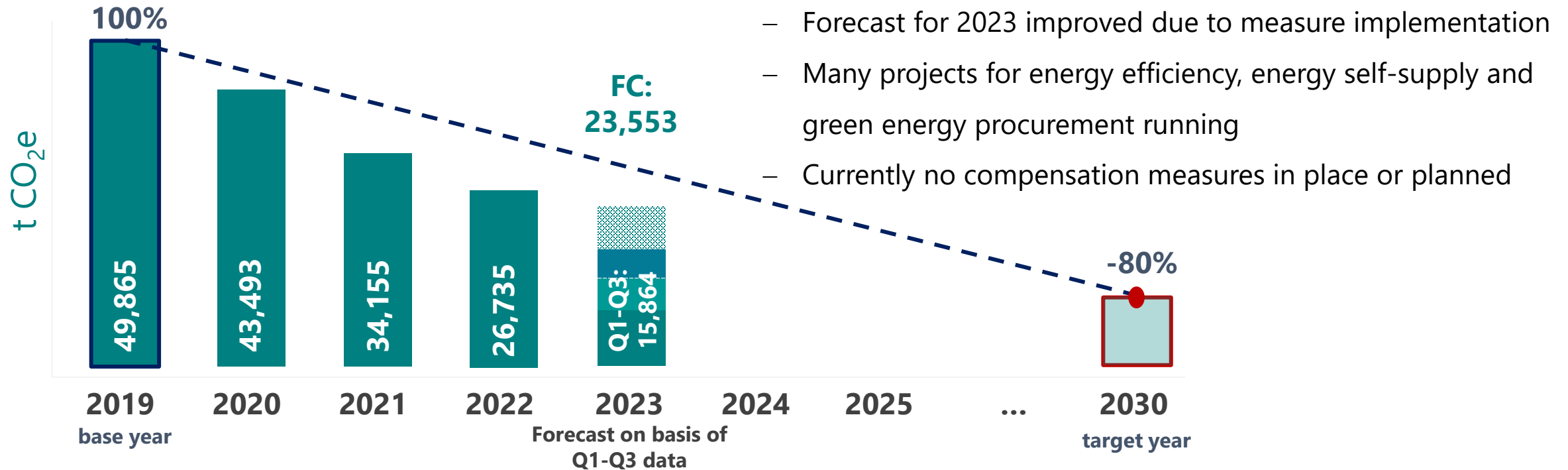


## With the Transition Plan we anticipate requirements of CSRD, CDP, TCFD and other standards / ratings.

# Focus on carbon emissions (Scope 1+2)



## Reducing our on-site emissions according to our climate target

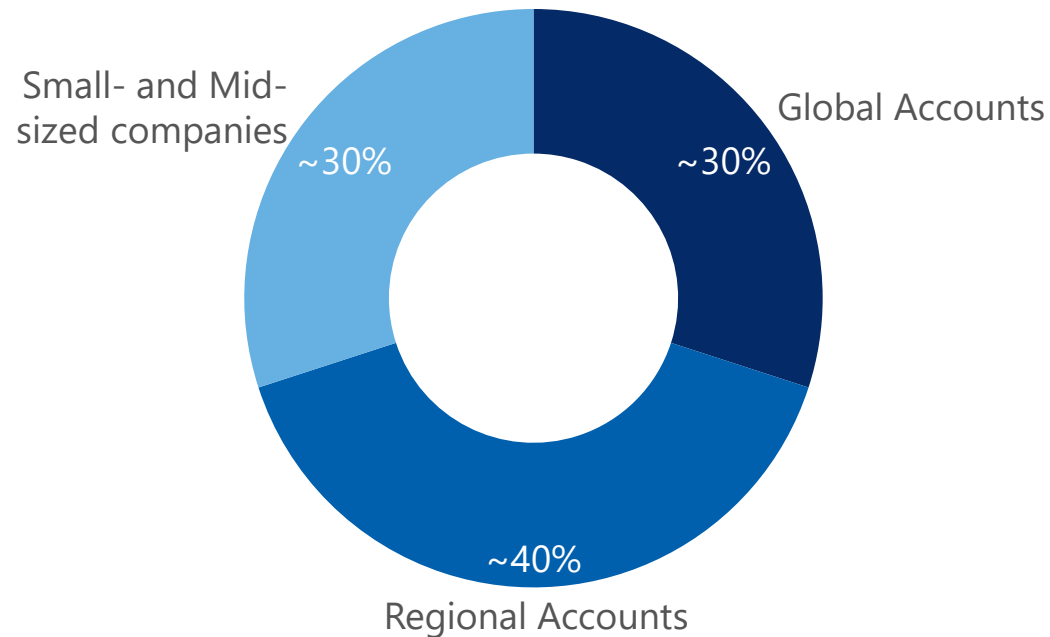


**By achieving our forecast value for 2023 we would reach a reduction of 53% from our base year 2019.**

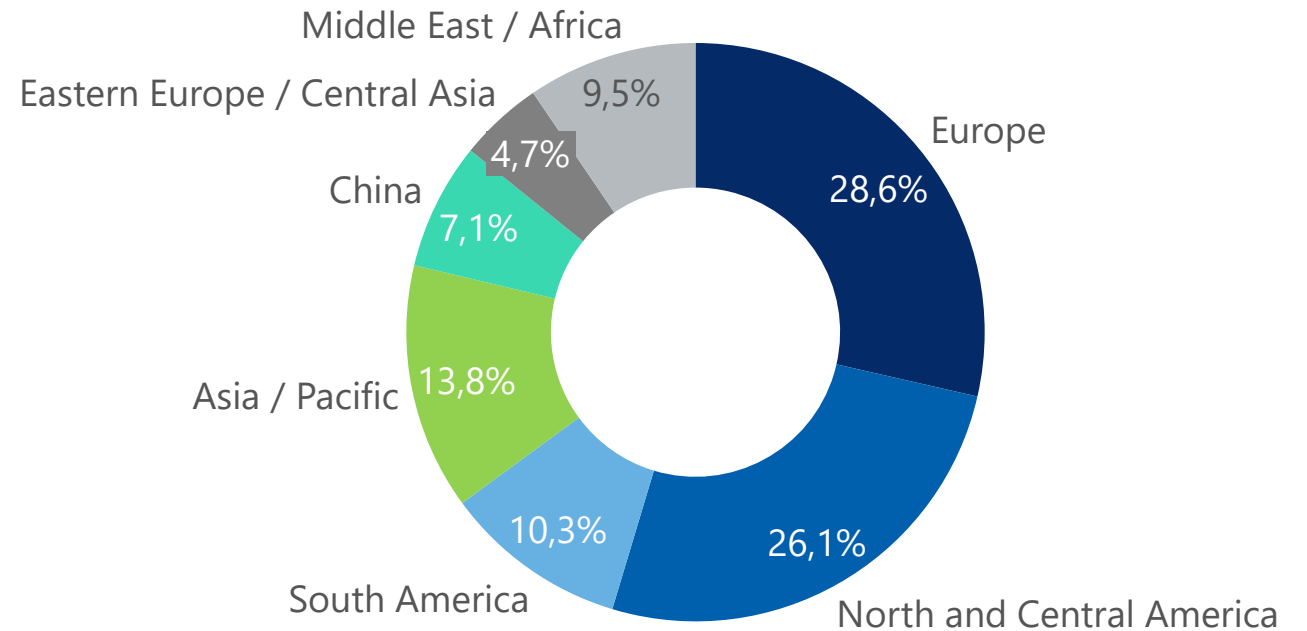
# Well diversified revenue generation



## Revenue split per customer segment, 2023



## Revenue split per region, 2023

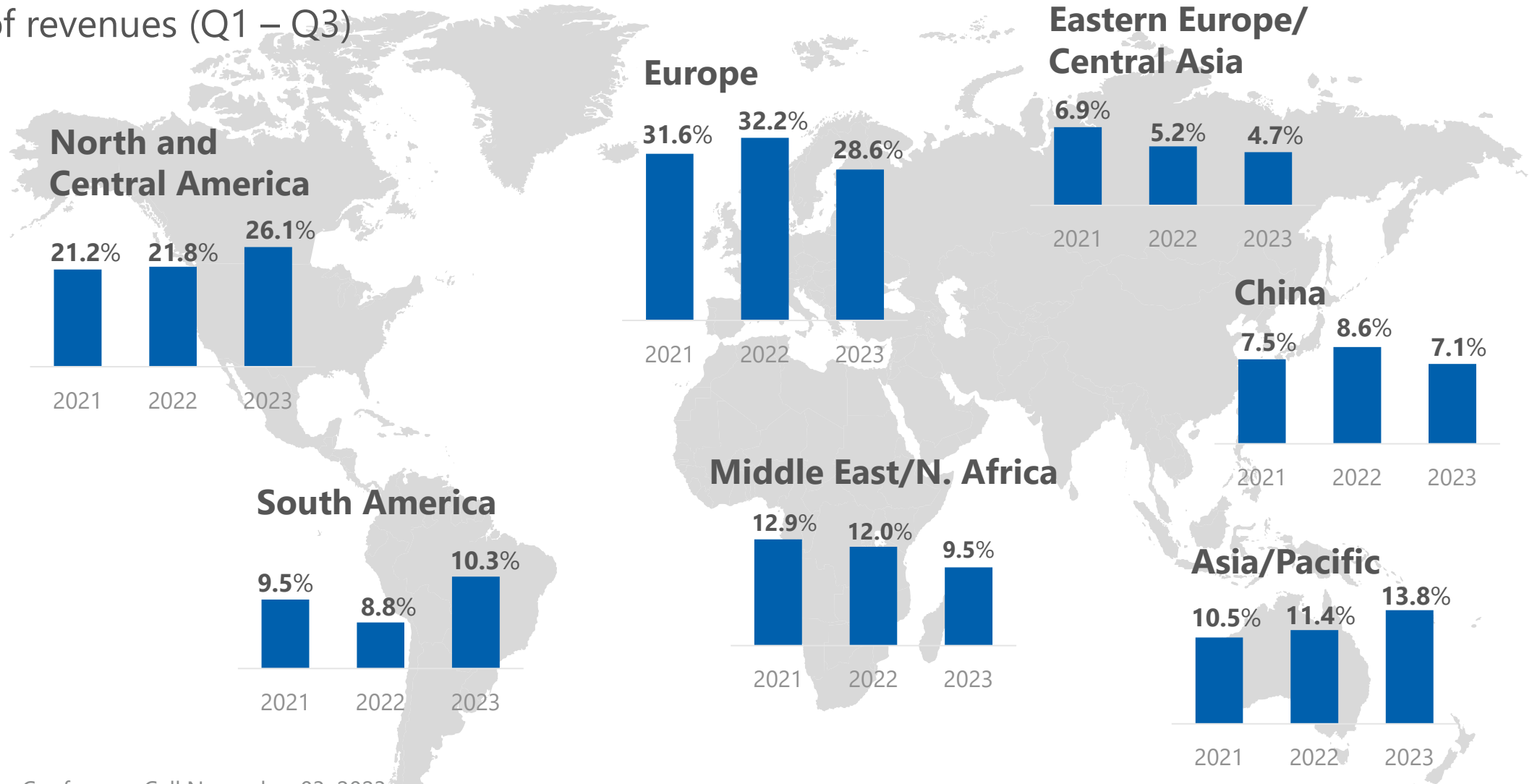


**Revenues are well balanced** across customer segments and regions  
**Krones is market leader** in all regions

# Strong growth in North America and in APAC outperforming other regions Altogether the revenue split shows a strong resilience



Share of revenues (Q1 – Q3)



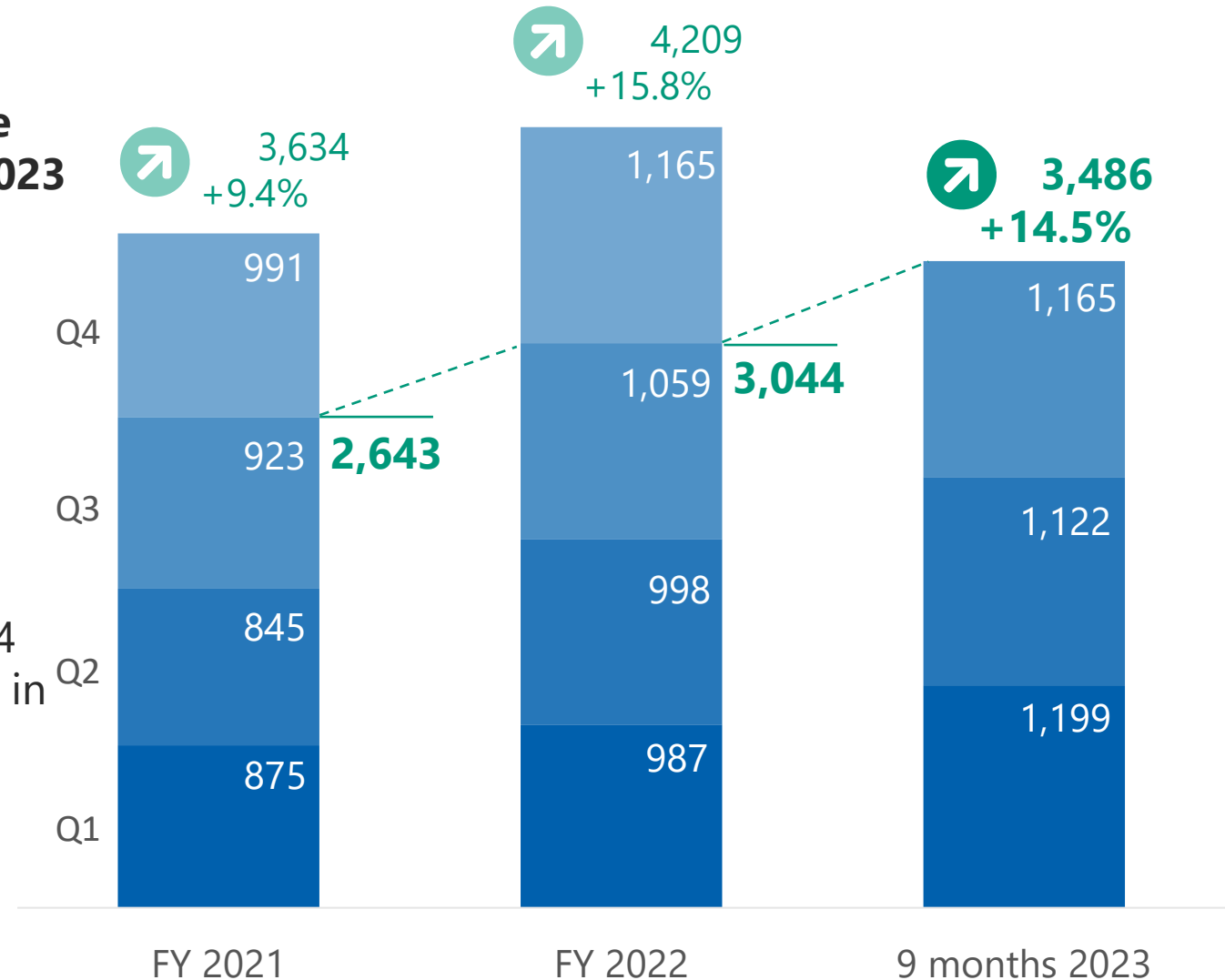
# Revenue development by quarter (€ million)



## Further strong revenue growth after 9 months 2023 (14.5%); Updated revenue guidance\* confirmed with 11%–13% in 2023

– Despite supply chain shortages for electronic devices the revenue in Q3 2023 increased by 10.0% compared to Q3 2022 and after 9 months by 14.5%

The actual limiting factor for the production processes are still supply chain shortages. While further improvements are visible in Q4 2023, the effects in revenues will be realized in 2024



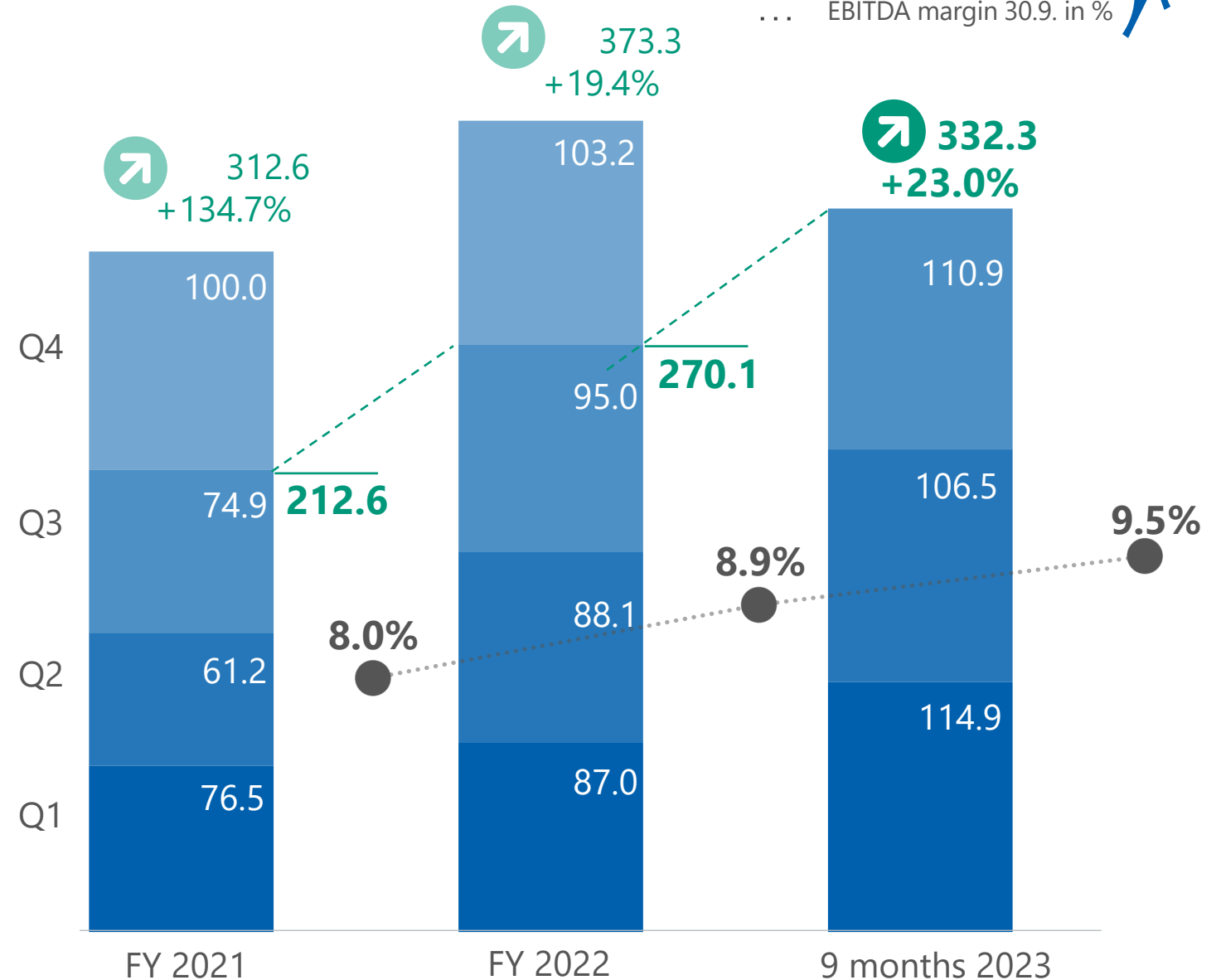
\*as published on 17 of July 2023

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



## EBITDA at €332 million (+23%) with EBITDA margin at 9.5%

- Under challenging conditions EBITDA was significantly increased by 23% and therefore more strongly than the revenue (14.5%)
- EBITDA margin after 9 months was increased from 8.9% to 9.5% and is fully in line with our margin outlook for the full year (9% to 10%)
- With the current targets Krones is fully on track to reach the midterm profitability target of 10% to 13% by 2025 at the latest



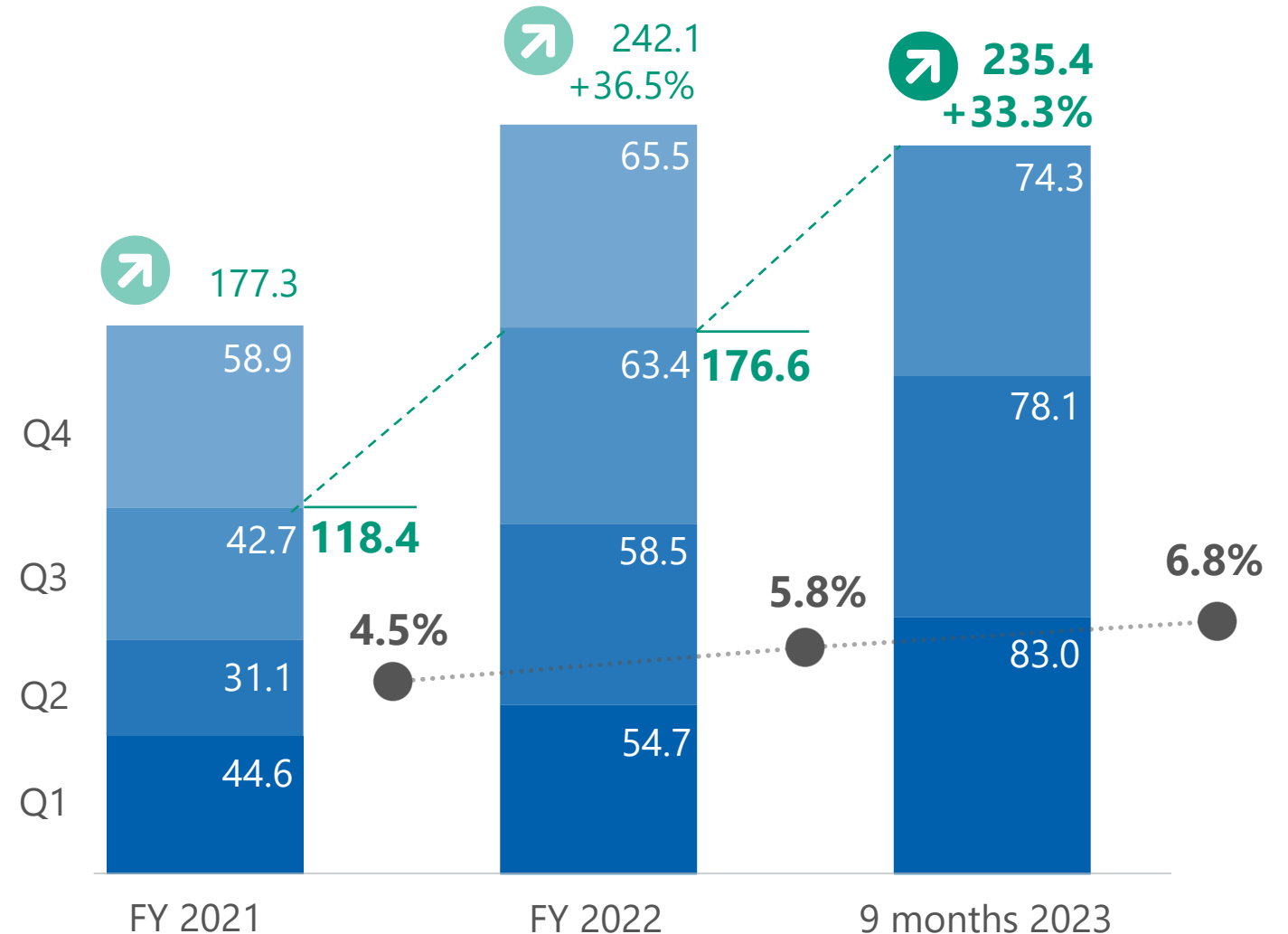
# EBT and EBT margin by quarter (€ million and %)



## EBT at €235 million(+33%) with EBT margin strongly increased to 6.8%

- EBT also increased significantly and is after 9 months with €235m nearly at the same level as after full year 2022 (€242m)
- Financial income includes - besides positive interest effects - income from adjustments of contingent purchase price payments
- Equivalent to valuation adjustments of intangible assets, which are posted in depreciations, there is no effect on EBT
- EBT margin is in line with full year expectations for 2023

■ EBT (€ million)  
 ... EBT margin 30.9. in %



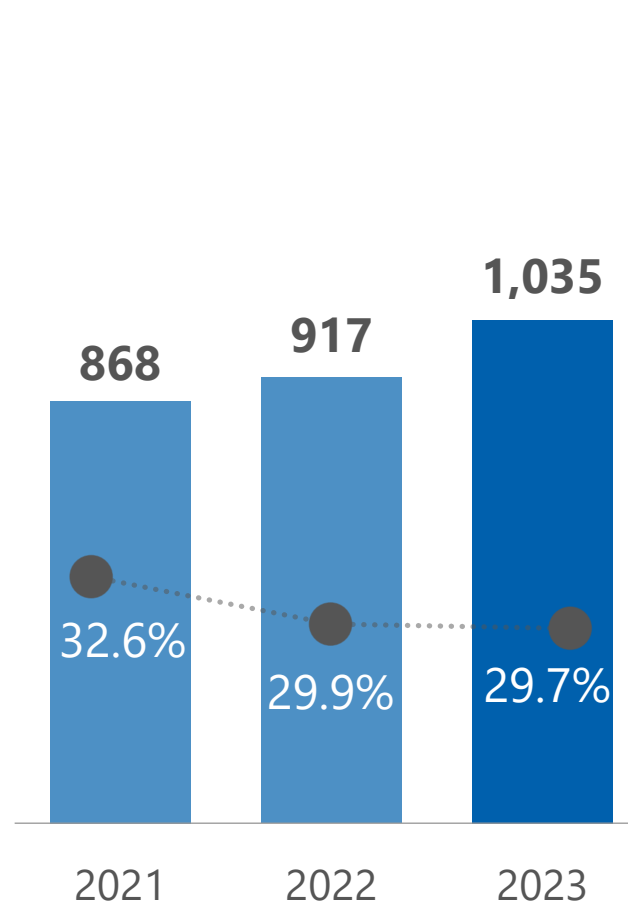
# Personnel and material expenses Q1 – Q3 (€ million and %)



- **Personnel cost ratio** stabilized with 29.7% nearly on same level as last year (29.9%) and on the level of full year 2022 (29.8%).
- Because of higher growth in new equipment business (which is more material intensive than IOS business) the **material cost ratio** increased to 50.6% and so 1% above prior year (49.6%)

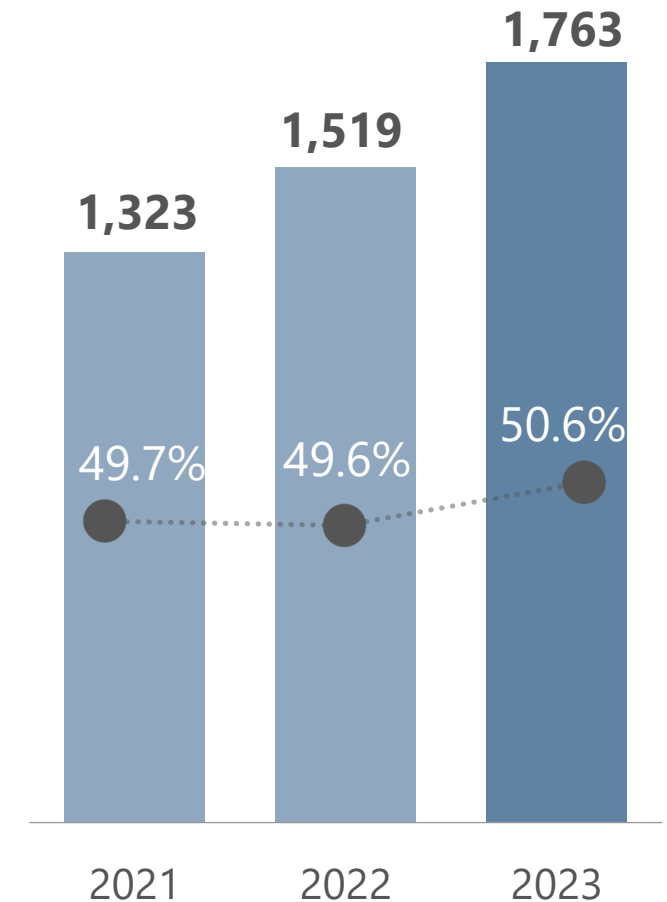
Further cost increases in both cost categories are and will be compensated by the implemented price increases (August 2021 and April 2022)

Personnel costs Q1 - Q3 (€ million)



Personnel expenses to total performance (%)

Material costs Q1 – Q3 (€ million)

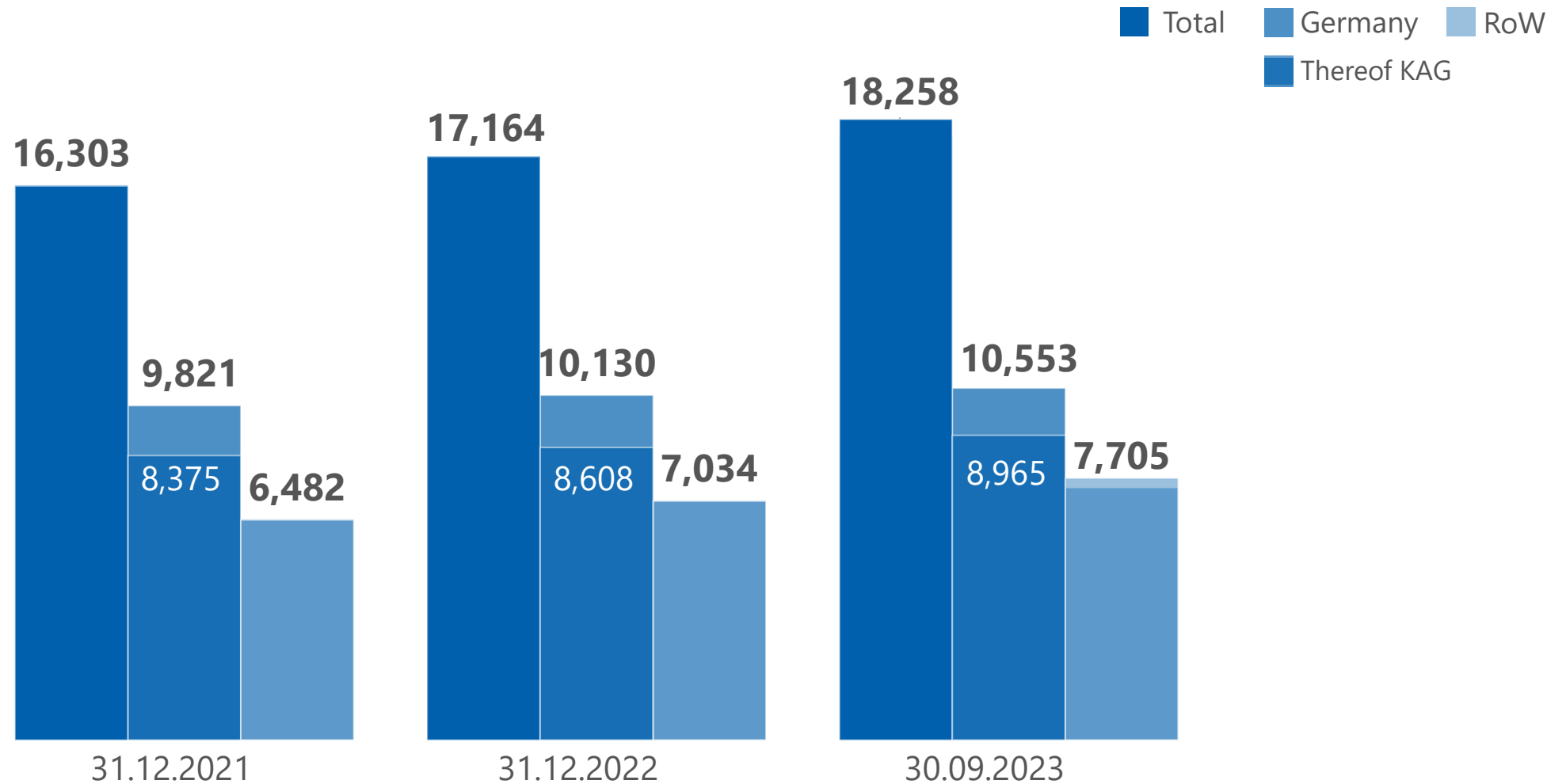


Material expenses to total performance (%)



## Krones employees worldwide –

Growth in Germany in 9 months 2023 also includes hiring of temporary workers; a further growth in the RoW mainly related to services and digitalization and M&A (Ampco Pumps)



# Revenue and EBITDA per segment (1/3)

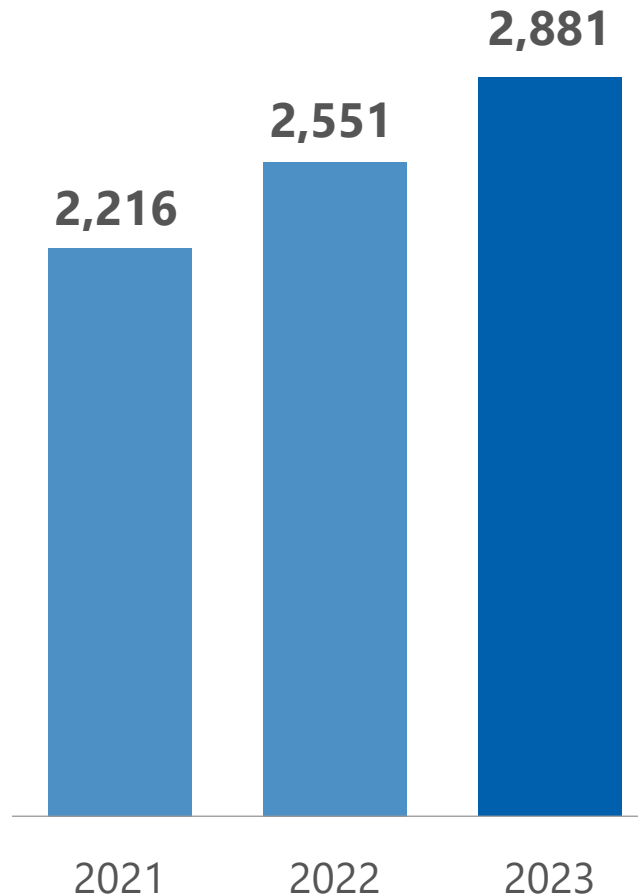


## Filling and Packaging Technology

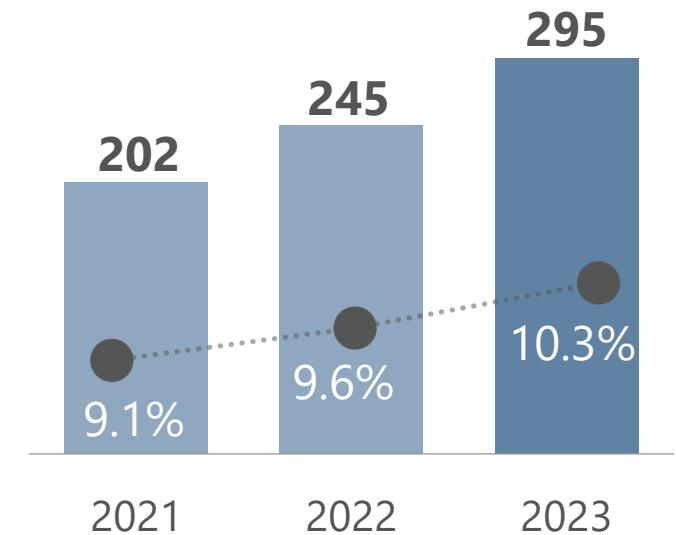
- Increase in **revenue** (+12.9%) is slightly below group level but in the range of our new revenue target\* for 2023 (10% to 12%; prev. 7% to 9%). Revenue growth is driven primarily by new equipment revenues
- Despite the difficult manufacturing conditions, based on bottlenecks mainly for electronic components, the **EBITDA margin** was increased from 9.6% to 10.3%. Higher material costs were covered by the previous price increases.
- EBITDA margin is fully in line with expectations (target 2023: 9%-11%)

\*as published on 17 of July 2023

Revenue development Q1 – Q3  
(€ million)



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



# Revenue and EBITDA per segment (2/3)

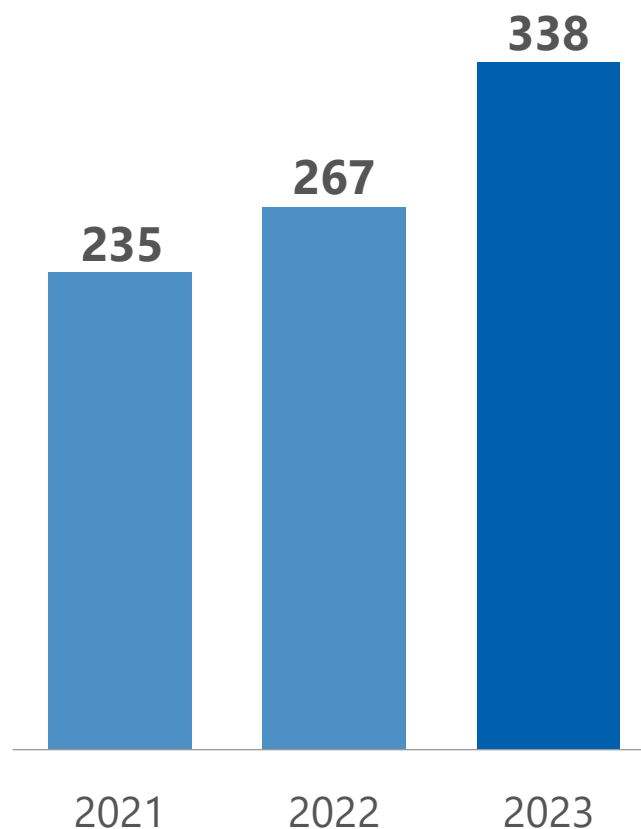


## Process Technology

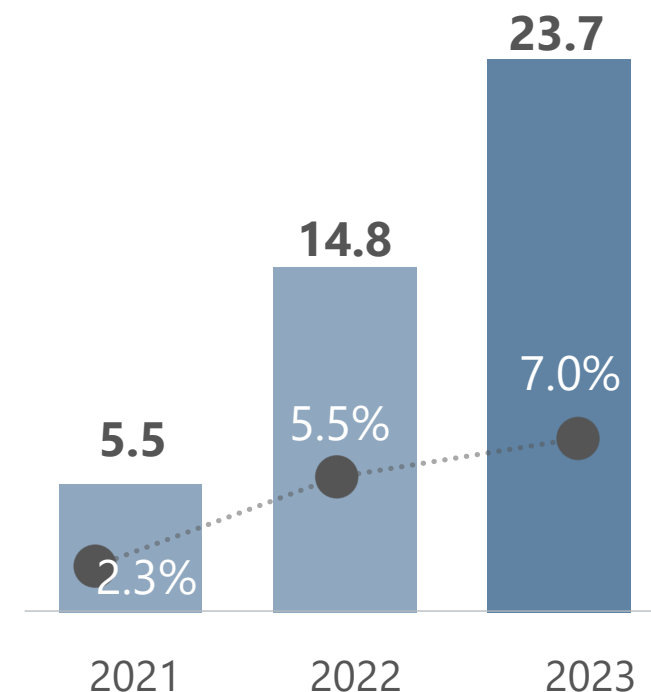
- **Revenues** increased by 27% and confirms the updated growth target\* for full year 2023 (20% to 25%; prev. 15% to 20%)
- **EBITDA margin** with 7.0% reflects the positive development of the last quarters and is at the upper end of the margin target (6% to 7%)
- **Acquisition** of Ampco Pumps, US, (in June 2023) has just minor effects on the 9 months figures but will support the further margin development

\*as published on 17 of July 2023

Revenue development Q1 – Q3  
(€ million)



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



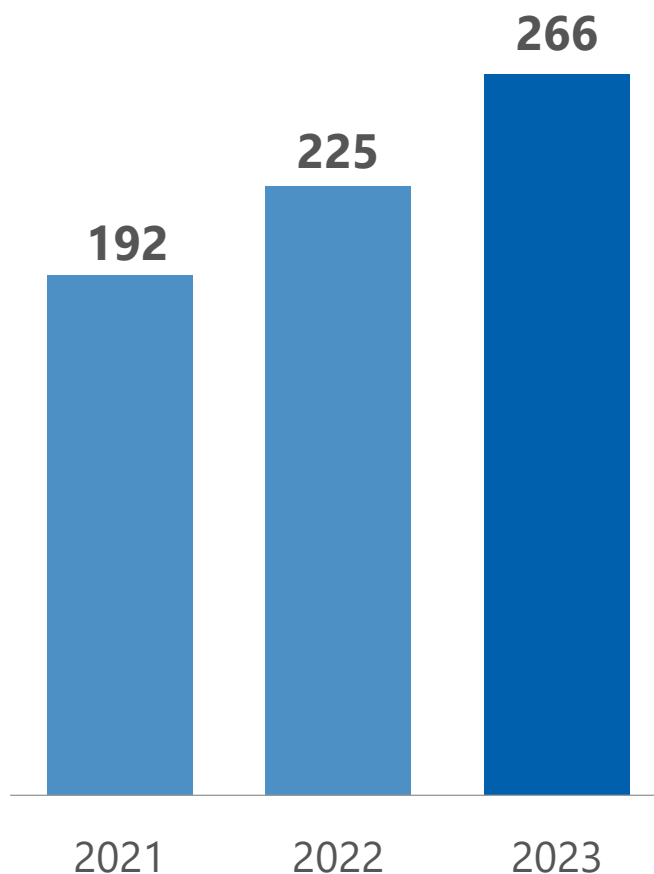
# Revenue and EBITDA per segment (3/3)



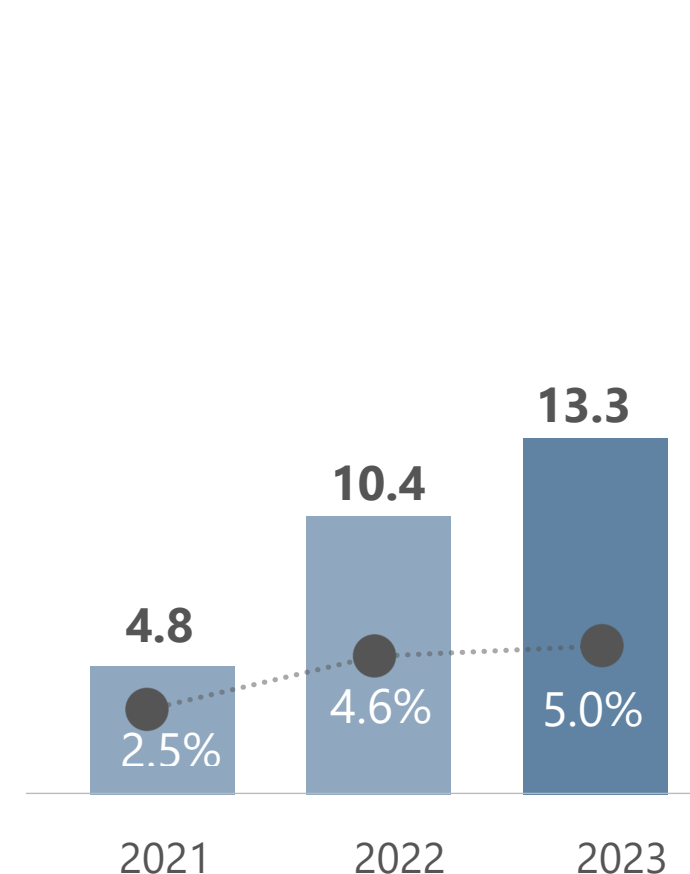
## Intralogistics

- As predicted seasonal effects impact Intralogistics
- After strong growth within first 6 months (+30,8%), the growth rate in **revenues** after 9 months was at 18% and is in line with full year growth target of 10% to 15%
- **EBITDA margin** of 5.0% after 9 months in 2023 is below the full year target (6% to 7%) but a stronger margin development in Q4 is expected

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

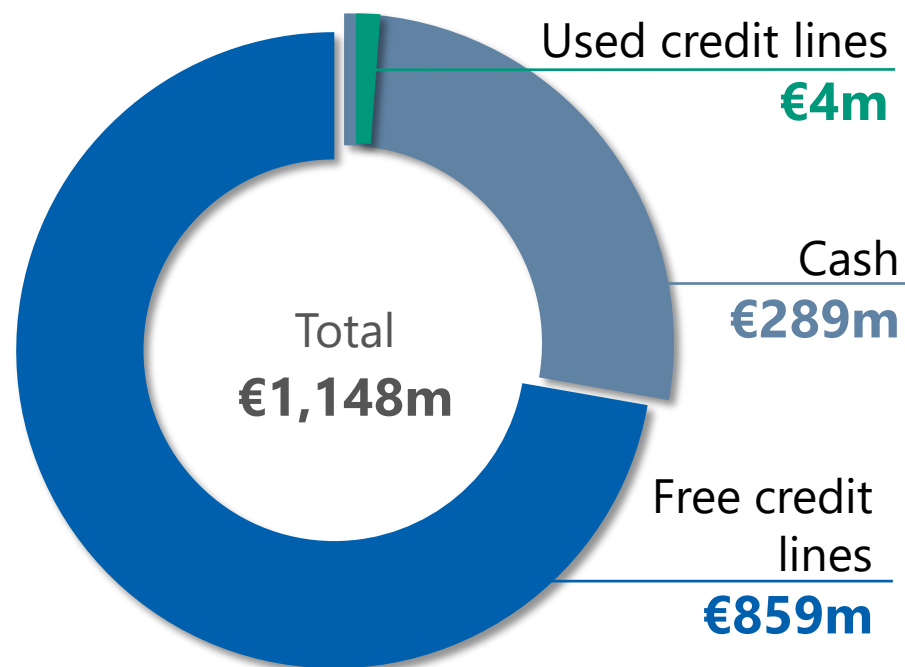


– With €284m net cash and €859m free credit lines Krones has a very strong **financial position** with €1.1bn liquidity reserves

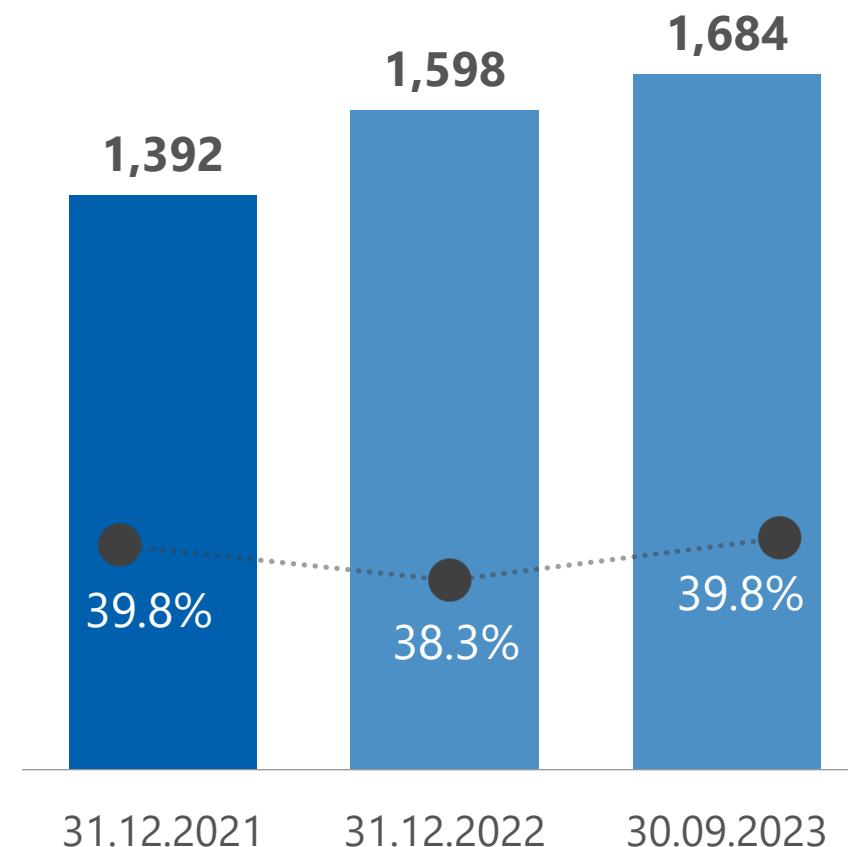
– Despite payment of €55m for dividends, **Equity** increased by more than €80m or 5.4%

– As a result **equity ratio** increased to 39.8%

Liquidity reserves  
30.09.2023



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



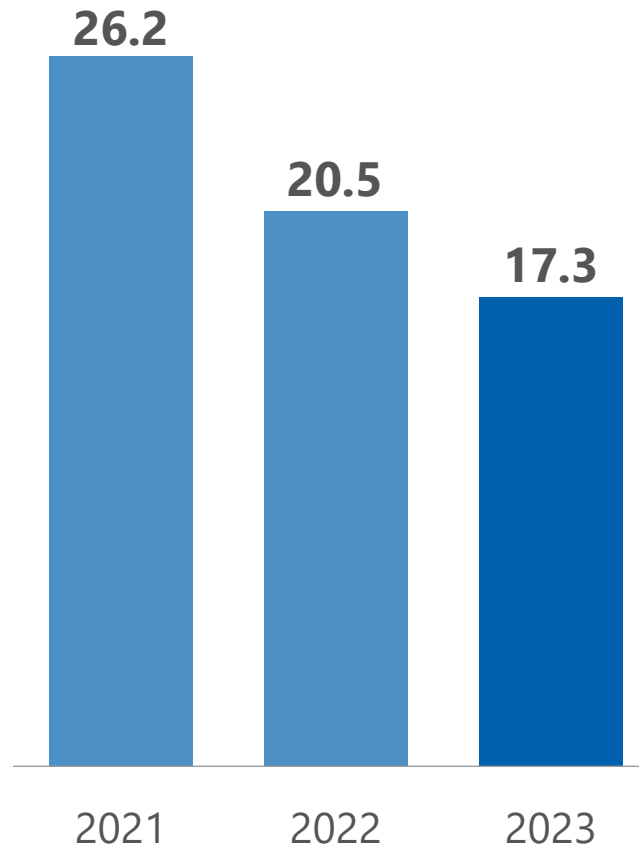
# Working Capital (in %)



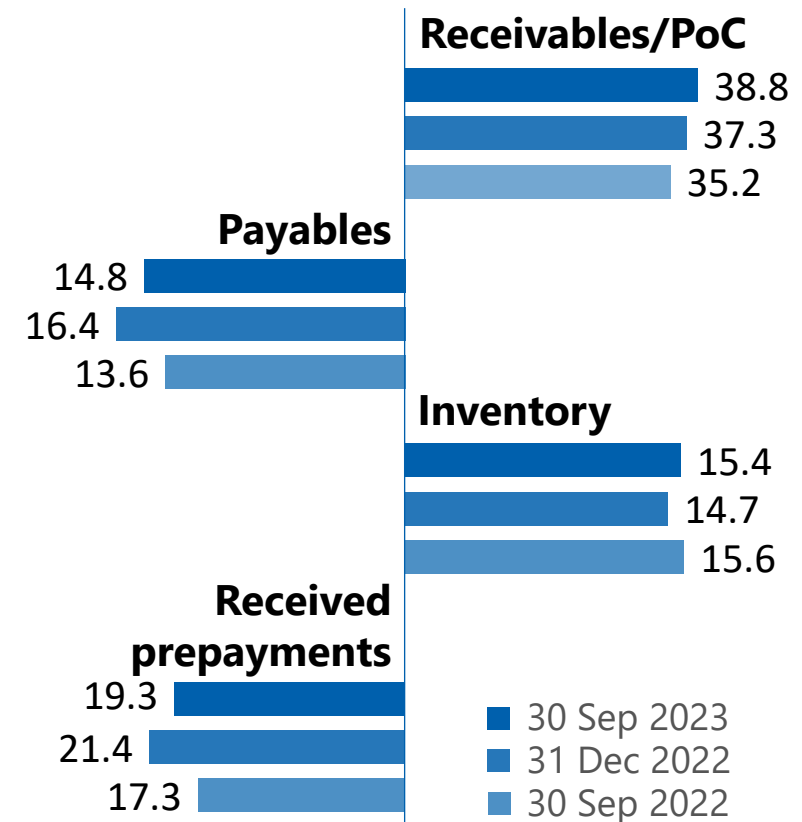
## Further decrease in Working Capital with 17.3% vs. 20.5%

- Relating to the revenues of the last 12 months the **receivables/POC** increased by 1.5%. In Euro amount the increase (+15%) reflects the higher business activity (revenue growth+14.5%)
- **Payables** were stable in Euro amount since beginning of the year, but decreased by -1.6% in percentage of revenues
- Further increase in **inventory** (+0.7% to revenues) results mainly from efforts to strengthen supply chain (safety stock) and higher paid prepayments
- **Prepayments** were also rather stable relating to the beginning of the year, but show an impact on Working Capital by -2.1%

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



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



# Free cash flow Q1 – Q3



## Current cash flows situation must be seen in relation to the extraordinary strong 2022

- Despite a positive development in the earnings and non-cash situation the **operating cash flow** (-€105m) was impacted by the strong increase of working capital (€344m). The other assets and liabilities include mainly tax payments and other movements
- **Investing activities** with €88m slightly above prior year (€85m) and with an investment ratio of 2.5% as expected
- Free cash flow additionally impacted by **M&A payments** of €115m
- **Financing activities** include payments for dividend, leasing and cash effects for F/X

(€ million)	2023	2022
<b>Earnings before taxes (EBT)</b>	<b>235.3</b>	<b>176.6</b>
+/- Other non-cash changes	+121.8	+147.8
+/- Change in Working Capital	-343.7	-73.2
+/- Other assets and liabilities	-118.8	-63.2
<b>Cash flow from operating activities</b>	<b>-105.4</b>	<b>+188.0</b>
+/- Capex	-87.7	-84.8
+/- Other	+27.0	+29.1
<b>Free cash flow w/o M&amp;A</b>	<b>-166.1</b>	<b>+132.3</b>
+/- M&A-Activities	-114.5	0.0
<b>Free cash flow reported</b>	<b>-280.6</b>	<b>+132.3</b>
+/- Financing activities/Others	-105.1	-69.7
Net change in cash	-385.7	+62.6
<b>Cash at the end of period</b>	<b>288.8</b>	<b>446.0</b>

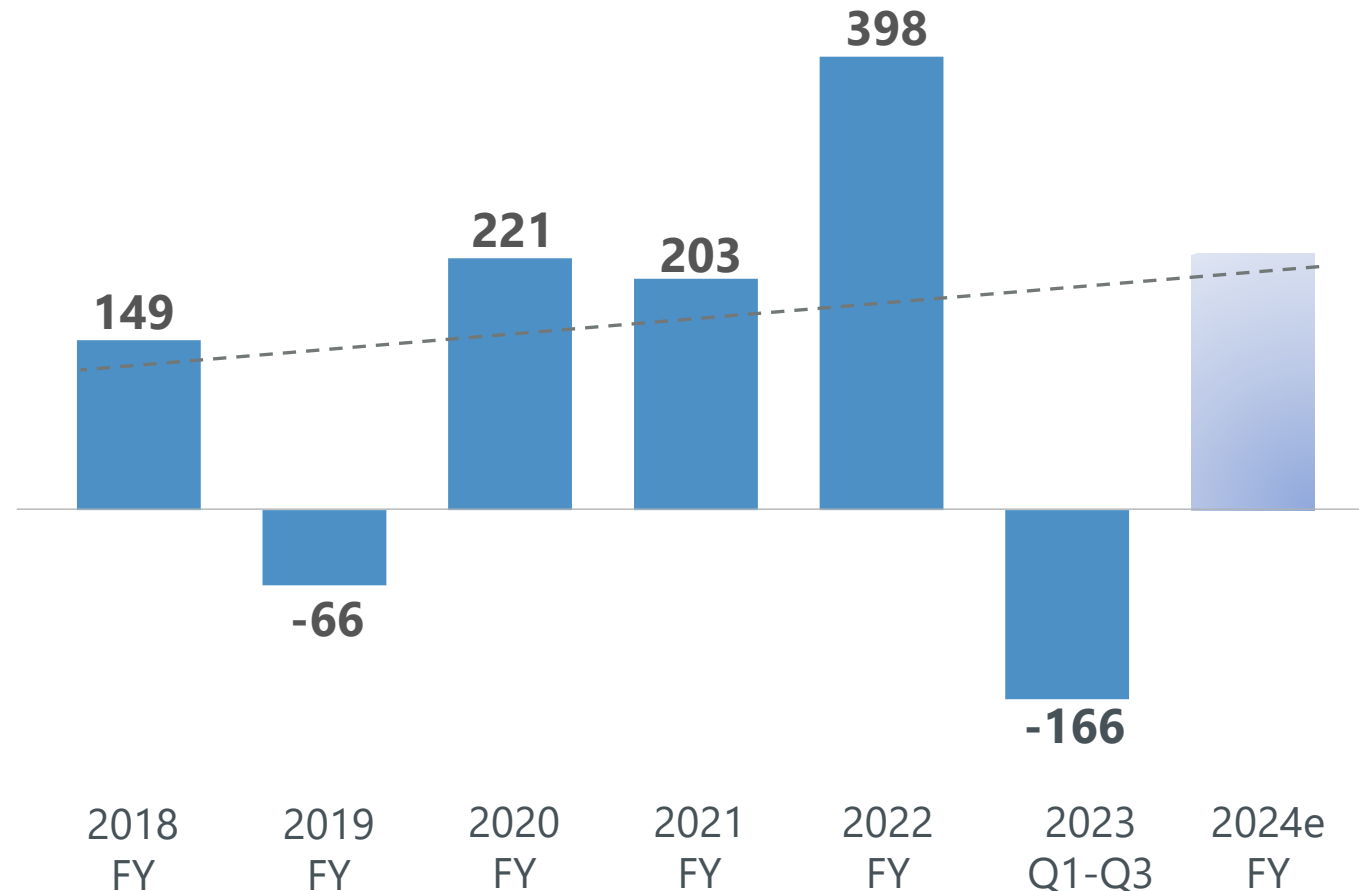
# Free cash flow



## Free cash flow and cash conversion rates of 9 months 2023 and FY 2022 must be considered together

- Free cash flow in 2023 is influenced by a further rising Working Capital based on stronger operative activities
- As consequence of the negative free cash flow, also the **cash conversion rate** after 9 months 2023 (-95%) was negative. In 2022 it was on an extraordinarily high level (213%)
- **Both free cash flow and the cash conversion rate at 9 months 2023 must be seen in the context of the extraordinarily high values of 2022**
- **For the Q4 2023 a positive Free cash flow is expected and in 2024 a significant increase to a normal level is planned**

Free cash flow (without M&A) in € million



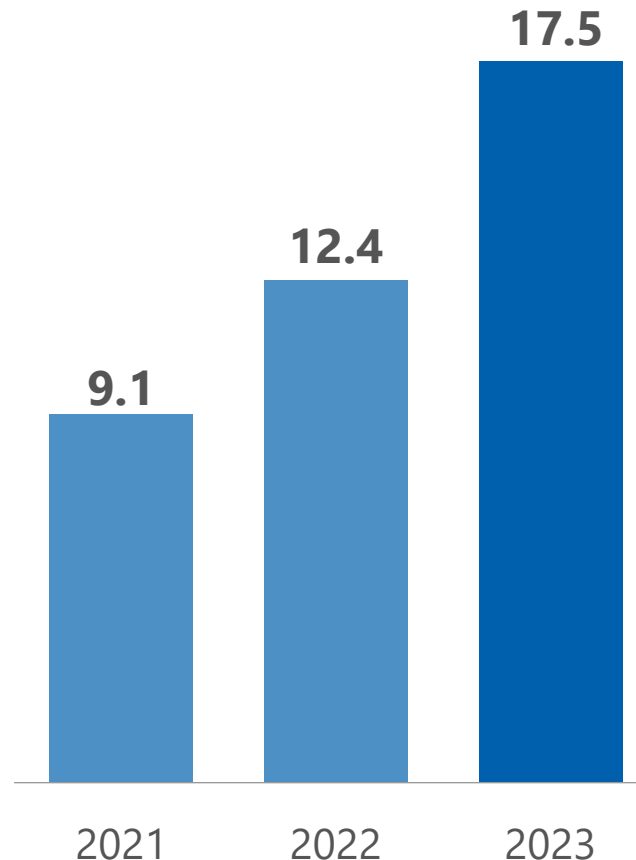


# ROCE



- **ROCE**, as the third target figure, is at 17.5% slightly above the expectations for FY 2023 (15% to 17%) and also better than the 14.1% of full year 2022
- The positive development of the last years is mainly based on higher earnings
- This increase in earnings will compensate the further growth in the working capital and the fixed assets developments

**ROCE** Q1 – Q3 2021 – 2023\* in %



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



# Outlook 2023

# Krones Outlook 2023 –

an increasing growth target and strong confirmation of profitability



**New target\* confirmed:**

**11% – 13%**

**Revenue growth**

**(prev. 8% – 11%)**

**Confirmed:**

**9% – 10%**

**EBITDA margin**

**Confirmed:**

**15% – 17%**

**ROCE**

## **Key assumptions:**

1. No further escalation of Russia-Ukraine conflict and in Middle East
2. No geopolitical escalations, e.g. China/Taiwan

**There are various unpredictable factors that could affect the company's business processes and production. These include geopolitical risks in Europe, the Middle East and other parts of the world, as well as high inflation and interest rates in many countries. Material shortages and problems in global supply chains also remain a source of uncertainty.**

## Key take aways



1. Despite strong revenue growth in 2023 order backlog has further increased and with >€4bn an excellent base for 2024 and 2025
2. Strong improvement in profitability, due to efficiency improvement measures and strong service business in all regions
3. After an excellent free cash flow generation in 2022, the free cash flow in 2023 is influenced by rising working capital as a result of increasing business activities
4. Actual improvements in supply chain situation of electronic components will have positive effects on the performance for 2024
5. Based on customer feedbacks, a further investment in sustainable and digitalized solutions is expected also midterm
6. With the confirmed guidance 2023 we remain fully on track to reach mid-term targets



# Questions and Answers



**Thank you**  
for your attention!

# Financial calendar 2023/2024



**February 22, 2024** Conference Call Group  
Preliminary figures for the period  
from 1 January to December 31, 2023

**May 3, 2024** Conference Call Group  
Quarterly statement for the period  
from 1 January to March 31, 2024

**June 4, 2024** Annual General Meeting in Regensburg

**July 31, 2024** Conference Call Group  
Quarterly statement for the period  
from 1 January to June 30, 2024

**November 5, 2024** Conference Call Group  
Quarterly statement for the period  
from 1 January to September 30, 2024



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TOMORROW**

