



**KRONES**  
**January – September 2019**

Conference Call October 30, 2019



## Q3 2019 Key takeaways

### **Confirming our FY2019 guidance**

Sales growth of 3% and EBT margin of 3%

### **Business on track**

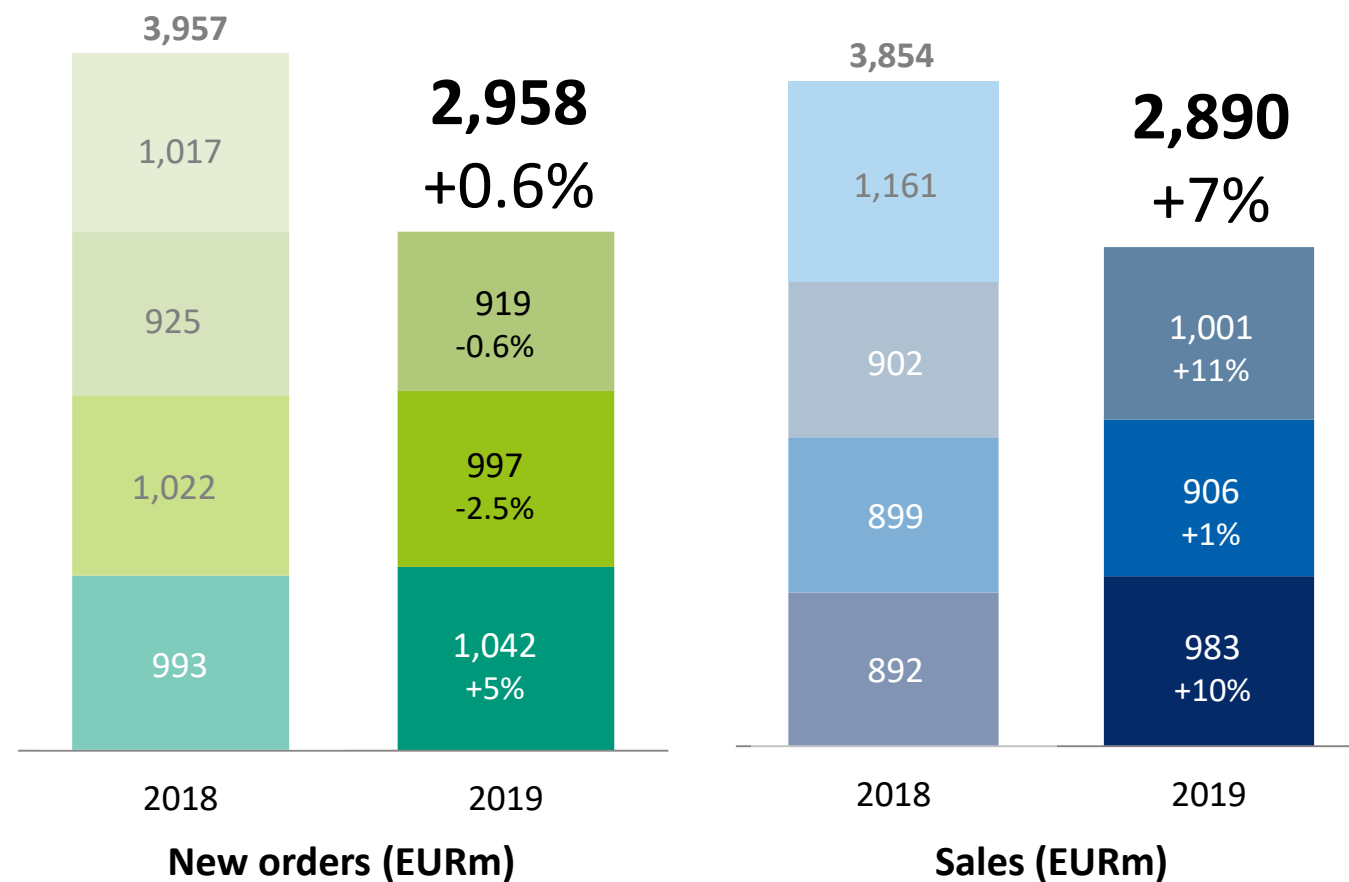
9M sales growth up 7%, order intake slightly above last year

### **Profit improvement measures in place**

First measures implemented, structural measures in execution



## Strong top-line development in Q3 2019, thus reconfirming top-line guidance of 3% growth



- Consumer markets are fundamentally stable, despite economic and political uncertainties
- Public discussions from early this year do not have sustainable impact on PET-market
- Due to strong third quarter, 9M 2019 revenue is up 7%
- 9M 2019 orders are slightly above last year's level
- Geographical order and revenue split remain stable

**We confirm sales growth of 3% for the full year.**

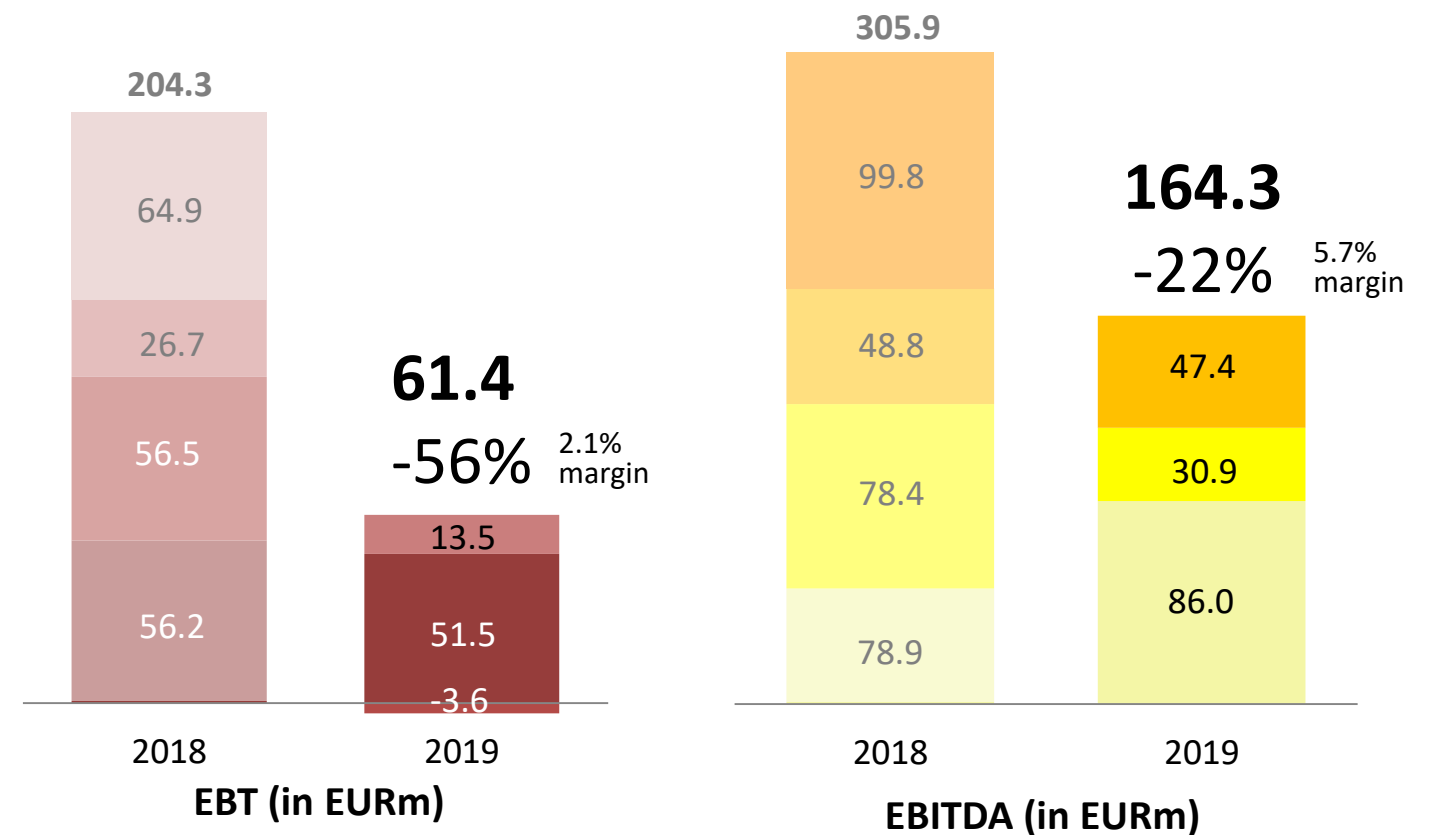
**Order intake for Q4 is expected to be on comparable level as Q4 2018.**



## On track to reach EBT margin of around 3% for full year

- Public discussions about PET from early this year lead to partially low utilization as well as postponed investment decisions
- Pricing development positive, but below expectations
- Material cost savings not on the level of previous year due to strong supplier position

**We confirm an EBT margin of around 3% for the full year, as we expect a strong Q4 and already see effects of our short-term measures. To improve further, we also developed medium-term measures.**





## SHORT-TERM MEASURES successfully implemented

### PUBLIC DEBATE ON PET

- Postponement of investment decisions
- Low utilization of blowmoulding and labelling
- Debate was de-emotionalized -> markets have stabilized
- Stronger focus on Glass and Can
- For after sales business stronger supply out of China for APAC and China

### PRICE PRESSURE

- Pricing development positive for KRONES, but below expectations
- Firm position on pricing
- Pricing transformation program established

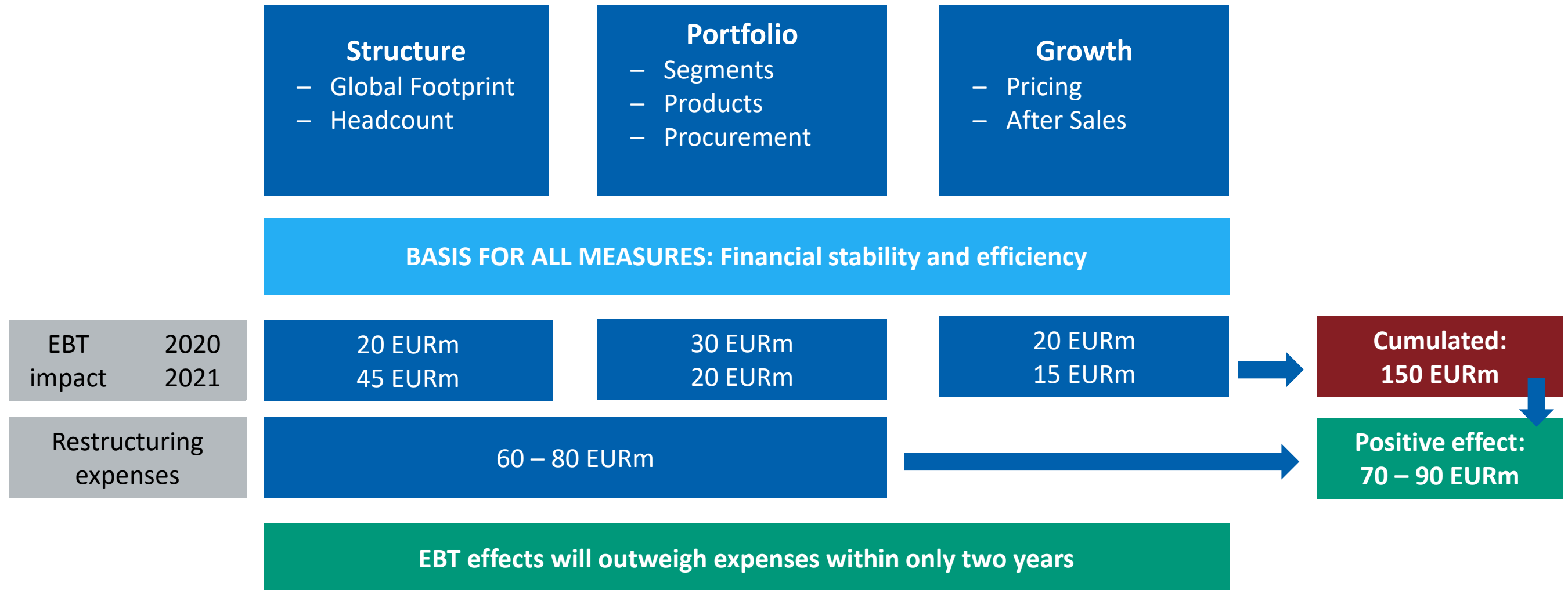
### COST STRUCTURE

- Material cost savings not on the level of previous years
- Planned production change to emerging markets delayed
- Contracts successfully renegotiated with major suppliers including fixed terms for 2020
- Volume sourced from BCC doubled
- First production lines started in Hungary

**3% EBT margin for FY2019 confirmed – measures will lead to further positive effects in 2020**



## MID-TERM MEASURES with substantial EBT impact developed and under execution





## BASIS FOR ALL MEASURES: Stronger focus on Free Cash Flow

Q1 – Q3 (EURm)	2019	2018
Earnings before taxes	61.4	139.4
+/- Changes in working capital	-321.1	-141.0
Cash flow from operating activities	-122.0	-50.2
+/- Capex	-138.3	-89.6
+/- M&A activities	-34.9	-9.5
Free cash flow	-294.5	-140.0
Cash at the end of the period	177.0	212.9

### Working Capital

We will further reduce our working capital by modifying contractual governance to managing receivables

### Investment

After years of strong investments to extend our market leadership, investment will return to average levels. In future, strong focus on cash generating businesses

### M&A

Portfolio extension mainly completed, no further bigger M&A transactions planned



## STRUCTURE – Massive reduction of German footprint in execution, leading to lower costs

- **600.000 production hours** – or 15% of all production hours – will be shifted from Germany to BCC (Hungary and China) by end of 2020
- **200.000 engineering hours** will be shifted from Germany to Hungary, China, CZ and India
- Hungary will be in full operation end of Q2 2020 with **steady state savings of 20 EURm** p.a. run rate/steady rate
- China is in full operation with **steady savings of 2 EURm** p.a. run rate
- **Workforce in emerging markets** has increased by 60% since 2017 and will further increase from 24% to **more than 35%** (related to total workforce)
- New Process Technology set-ups in US, China and India will lead to **profit contribution in 2020**



## STRUCTURE – Hungary plant in full operation by end of Q2 2020, shows positive effects already



- **In full operation by end of Q2 2020**
- **Capacity of 36.000 hours per month** (current utilization of 8.000 hours per month)
- **450 employees hired**, another 50 will be hired until Q2 2020
- **Steady state savings of 20 EURm p.a. (run rate/steady state)**
- **Impact 2020: 8 – 10 EURm**





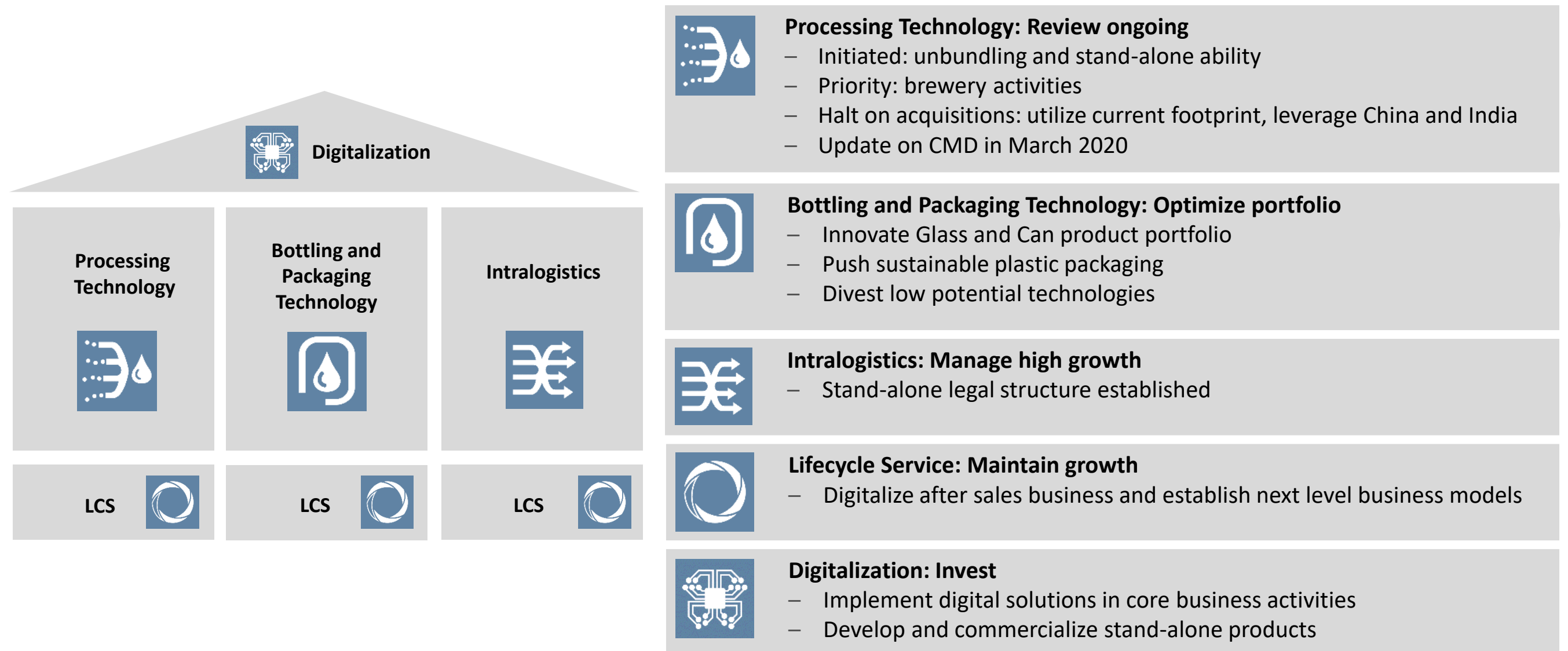
## STRUCTURE – Substantial headcount reduction in Germany will lead to lower personnel cost

Employee development		
	2019	2020
Own Germany	-200 FTE	-300 FTE
Temps Germany	-50 FTE	-100 FTE
Own RoW		-200 FTE
	<b>-250 FTE</b> ✓	<b>-600 FTE</b>

- Personnel cost **savings of 45 EURm** for the next two years due to further reduction of workforce by 600 FTE worldwide
- Organizational efficiency program ongoing to further eliminate redundancies, streamline processes and optimize setup
- Savings from Hungary in previous slides







## PORTFOLIO – Portfolio optimization in KRONES House ongoing





## PORTFOLIO – Procurement: Savings potential in total spend over next 3 years

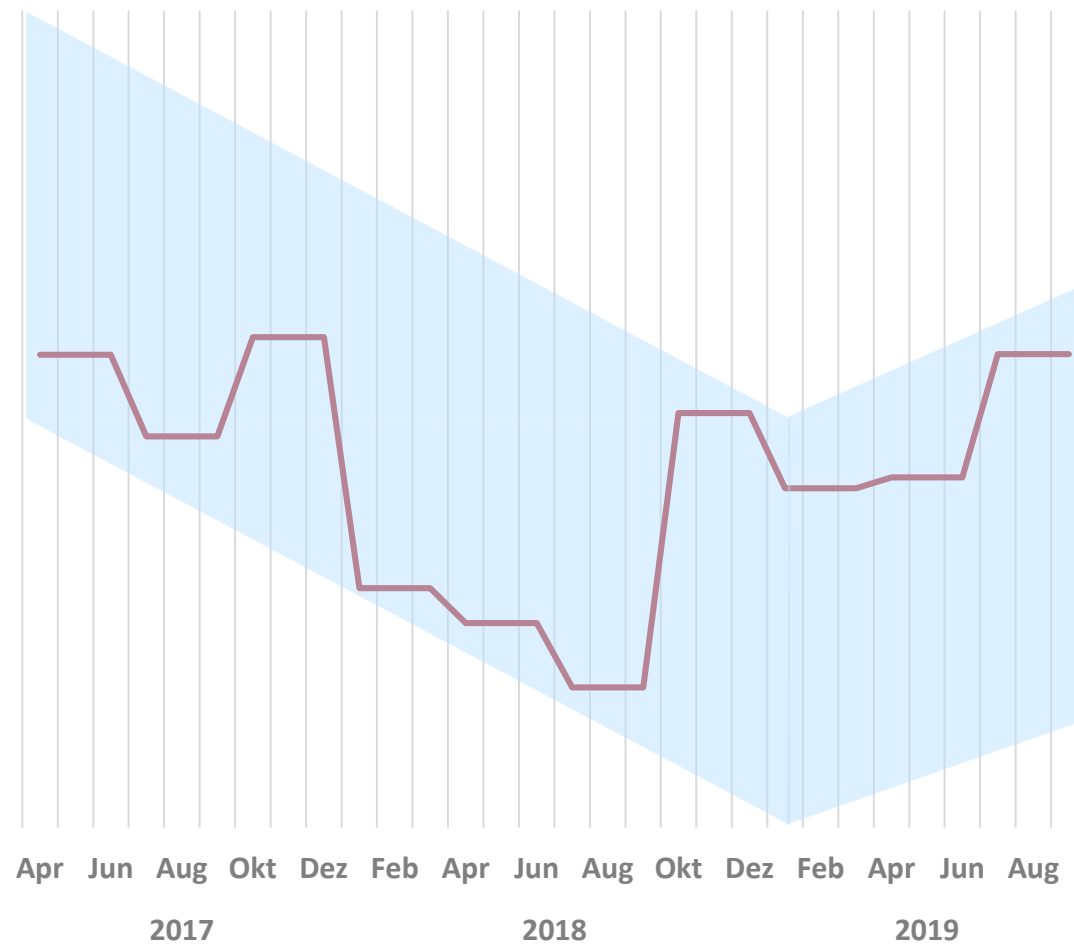
	BASIC LEVERS	ADVANCED LEVERS		FAR REACHING LEVERS
		Category Management	BCC & Make-or-Buy	
<b>Current Status</b>	Ongoing optimization of current spend structure 	Major categories addressed 	Tangible deliverables achieved 	To be launched 
<b>KRONES Actions</b>	<ul style="list-style-type: none"> <li>– Maintain best practice negotiation practices</li> </ul>	<ul style="list-style-type: none"> <li>– Conduct systematic review covering 80% of total spend</li> <li>– Implement cross-functional teaming</li> </ul>	<ul style="list-style-type: none"> <li>– Plan &amp; seize all opportunities</li> <li>– Address sizeable volume</li> <li>– Include further countries (beyond China, Hungary etc.)</li> </ul>	<ul style="list-style-type: none"> <li>– Bundled needs and consolidated supplier base</li> <li>– Systematically push for standardization of needs</li> </ul>
<b>Cumulated savings over next 3 years</b>	20 – 30 EURm	20 – 30 EURm	30 – 40 EURm	



## GROWTH – Pricing turnaround supports the basis for future business success

### KRONES price development

(Index BPE, quarterly average)



### Status today

- Turnaround achieved
- Positive Q3, but also challenging Q4 ahead
- Price level 2019 still below target

### Outlook

- Keep Pricing as key priority despite reduced volume

**Price improvement of 1 PP for 2020  
for 30% of total portfolio  
EBT impact: 10 – 15 EURm**  
(based on stable economic outlook)



## GROWTH – Vast after sales potential through large installed machine base

2019 installed machinery base at our customers' production facilities<sup>1</sup>

**> 42.000 machines**

**Current Capture Rate<sup>2</sup>**

**~ 60%**

Capture target

**Every installed machine**

→ a 1% increase of Capture Rate<sup>3</sup> leads to ~ 12 EURm highly profitable after sales revenue

<sup>1</sup> Calculation based on past sales & machine lifetimes

<sup>2</sup> Internal Calculation

<sup>3</sup> Nominal increase



## KRONES targets 2019

Revenue growth

3%

EBT margin

~ 3%\*

Working capital

26%

\*No restructuring costs and costs for portfolio optimization included





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## Financial Calendar 2020

February 20, 2020	Conference Call Preliminary Figures 2019
March 19, 2020	Annual Report 2019
April 29, 2020	Conference Call Group Q1 2020 and Quarterly Statement as per March 31
May 18, 2020	Annual General Meeting
July 30, 2020	Conference Call Group Q2 2020 and Interim Report as per June 30
October 29, 2020	Conference Call Group Q3 2020 and Quarterly Statement as per September 30



Olaf Scholz  
Head of Investor Relations

KRONES AG  
Böhmerwaldstrasse 5  
93073 Neutraubling  
Germany

Phone +49 9401 70-1169

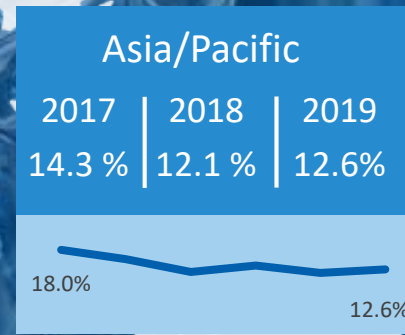
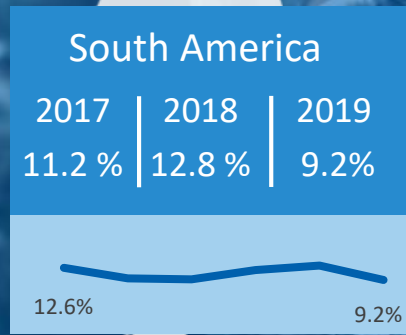
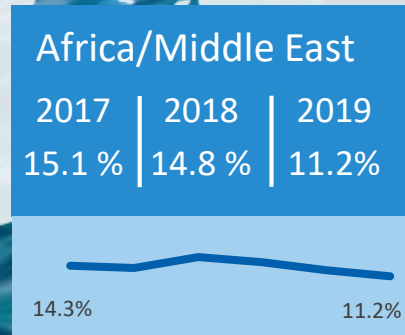
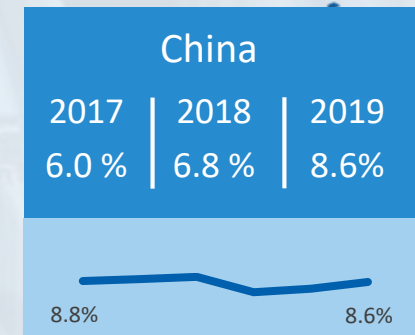
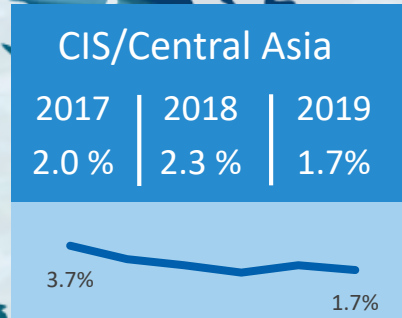
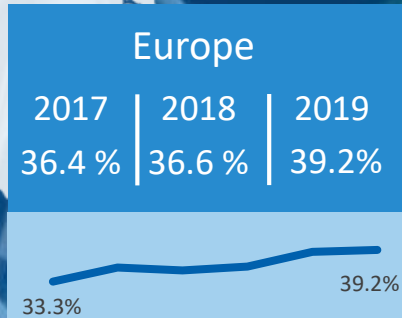
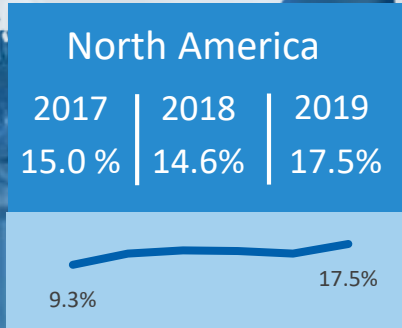
The background of the slide is a dark blue field filled with a complex network of glowing blue nodes and connecting lines, creating a sense of digital connectivity and data flow.

## Appendix



# KRONES' revenue split remains constant

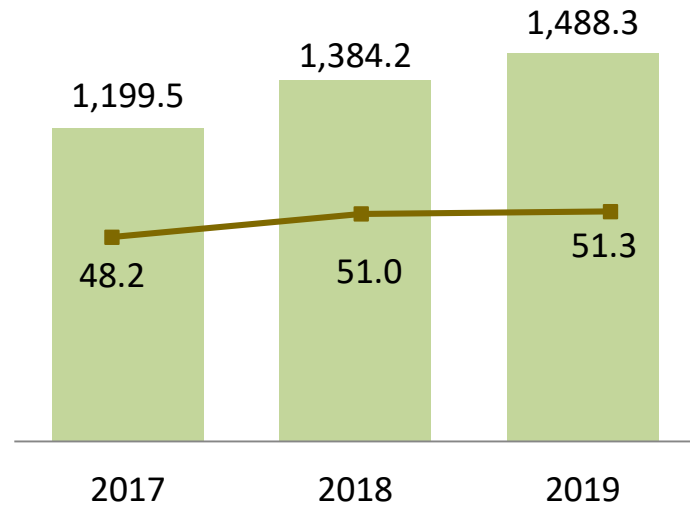
Share of revenue (Q1 – Q3)



■ Trend covering the last six years (full year)

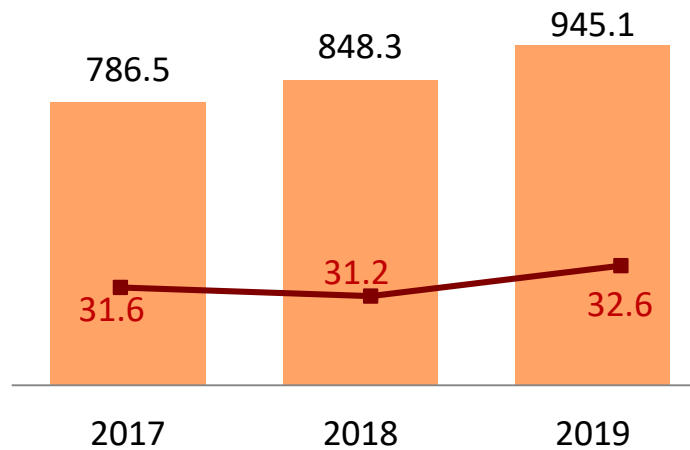
## Material and personnel cost

Material cost Q1 – Q3 (EURm)

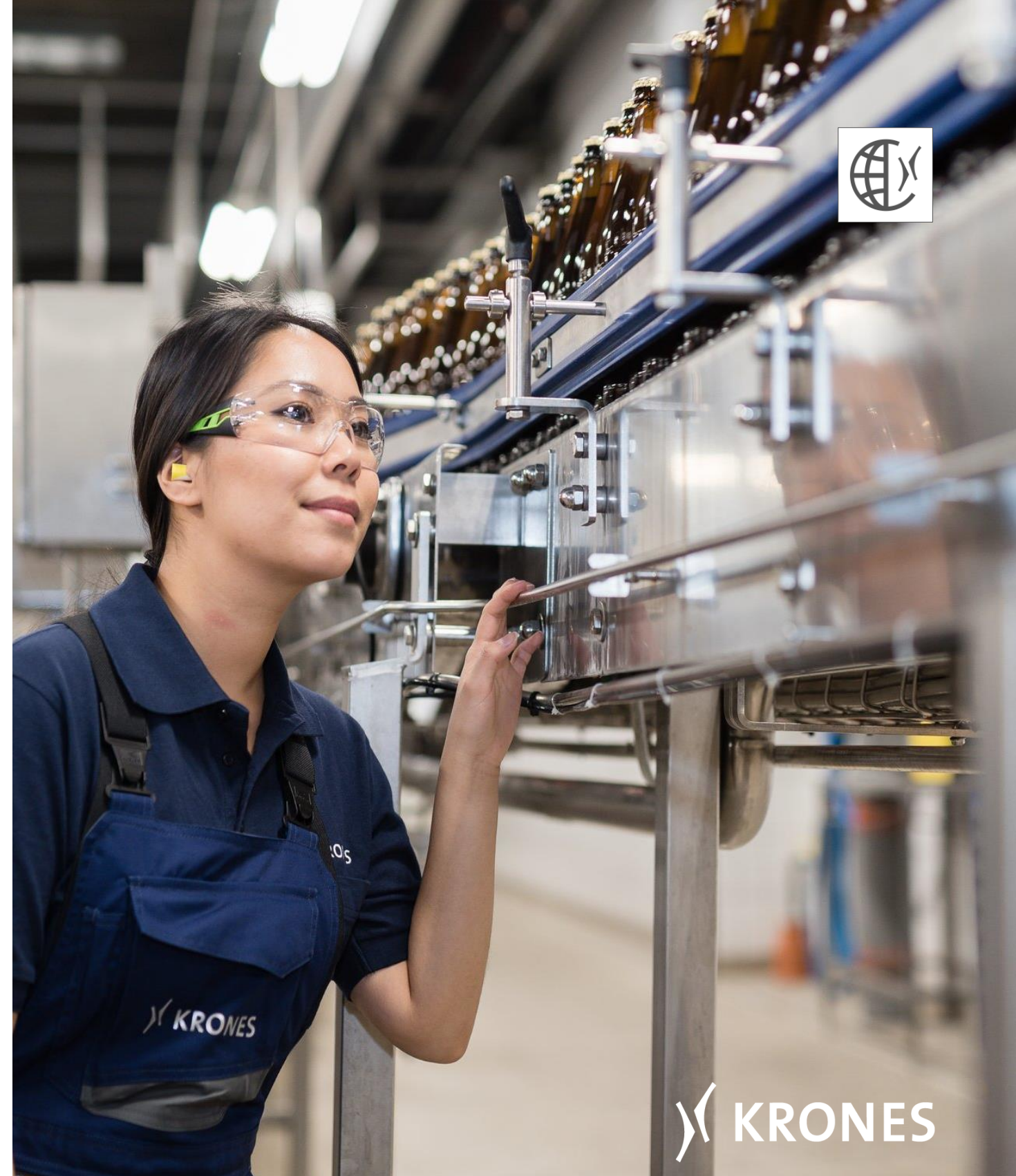


— Material cost to total performance (%)

Personnel cost Q1 – Q3 (EURm)



— Personnel cost to total performance (%)





## Development sales and EBT per segment Q1 – Q3

Segment	Sales (EURm) Q1-Q3	EBT (EURm) Q1-Q3	Targets 2019
<b>Product filling and decoration</b>	<p>Growth</p> <p>+1%      +6%      +6%</p> <p>2,140      2,271      2,418</p>	<p>EBT margin</p> <p>8.2%      6.2%      3.2%</p> <p>174.8      140.9      76.7</p>	<p><b>Growth</b> ~ 3 %</p> <p><b>EBT margin</b> ~ 3 %</p>
<b>Beverage production/ Process technology</b>	<p>Growth</p> <p>+46%      +14%      +12%</p> <p>369      421      472</p>	<p>EBT margin</p> <p>-1.8%      -0.4%      -3.2%</p> <p>-6.8      -1.5      -15.3</p>	<p><b>Growth</b> ~ 5 %</p> <p><b>EBT margin</b> ~ 1 %</p>
	2017      2018      2019	2017      2018      2019	



## BASIS FOR ALL MEASURES: stronger focus on Free Cash Flow

Q1 – Q3 (EURm)	2019	2018
Earnings before taxes	61.4	139.4
+/- Other non-cash changes	+102.0	+49.3
+/- Changes in working capital	-321.1	-141.0
+/- Changes in other assets and liabilities	+35.7	-97.9
Cash flow from operating activities	-122.0	-50.2
+/- Capex	-138.3	-89.6
+/- M&A activities	-34.9	-9.5
+/- Other	+0.7	+9.3
Free cash flow	-294.5	-140.0
+/- Financing activities	+248.9	+168.7
+/- Others	+3.8	+2.2
Net change in cash	-41.8	+30.9
Cash at the end of the period	177.0	212.9

### Working Capital

We will further reduce our working capital by modifying contractual governance to managing receivables

### Investment

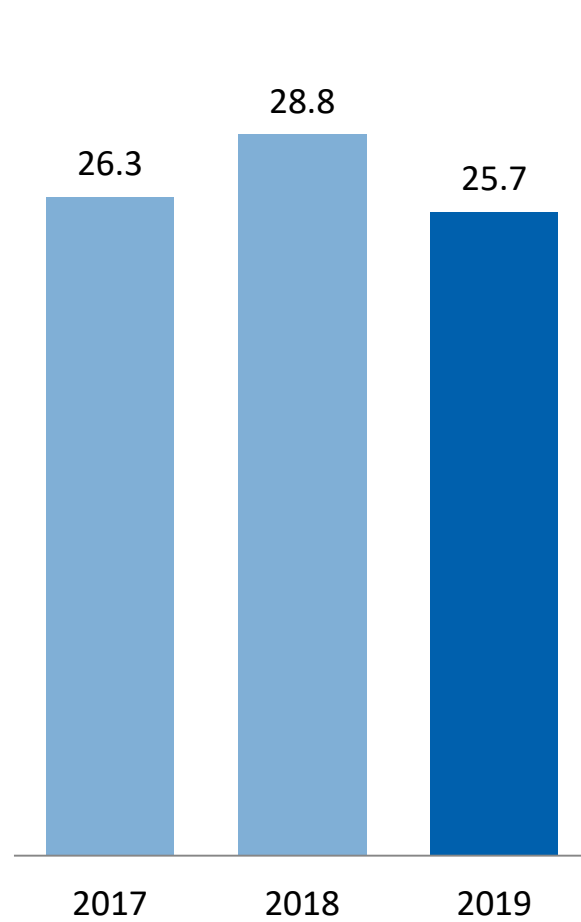
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### M&A

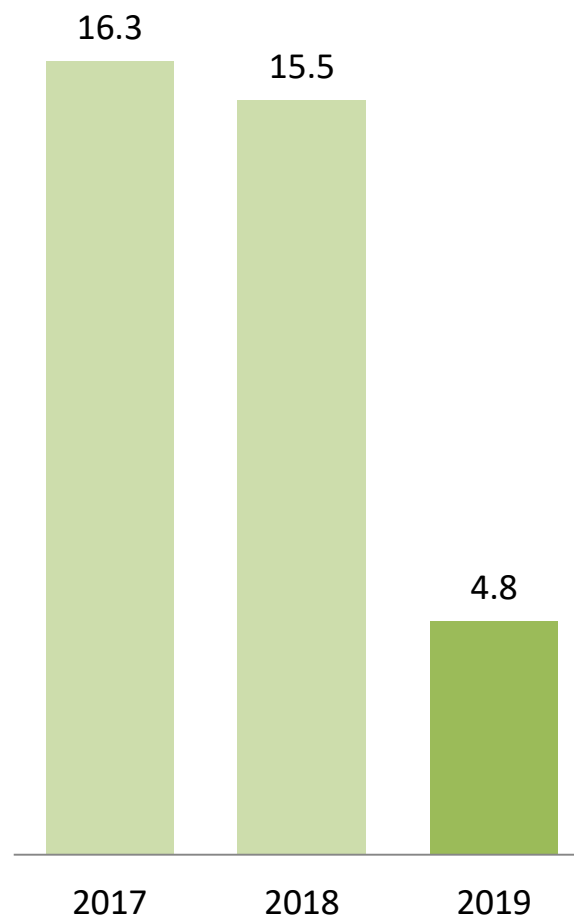
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## Working capital ratio reduced

Working capital\* in % of revenue (Q1-Q3)



ROCE\* in % (Q1-Q3)



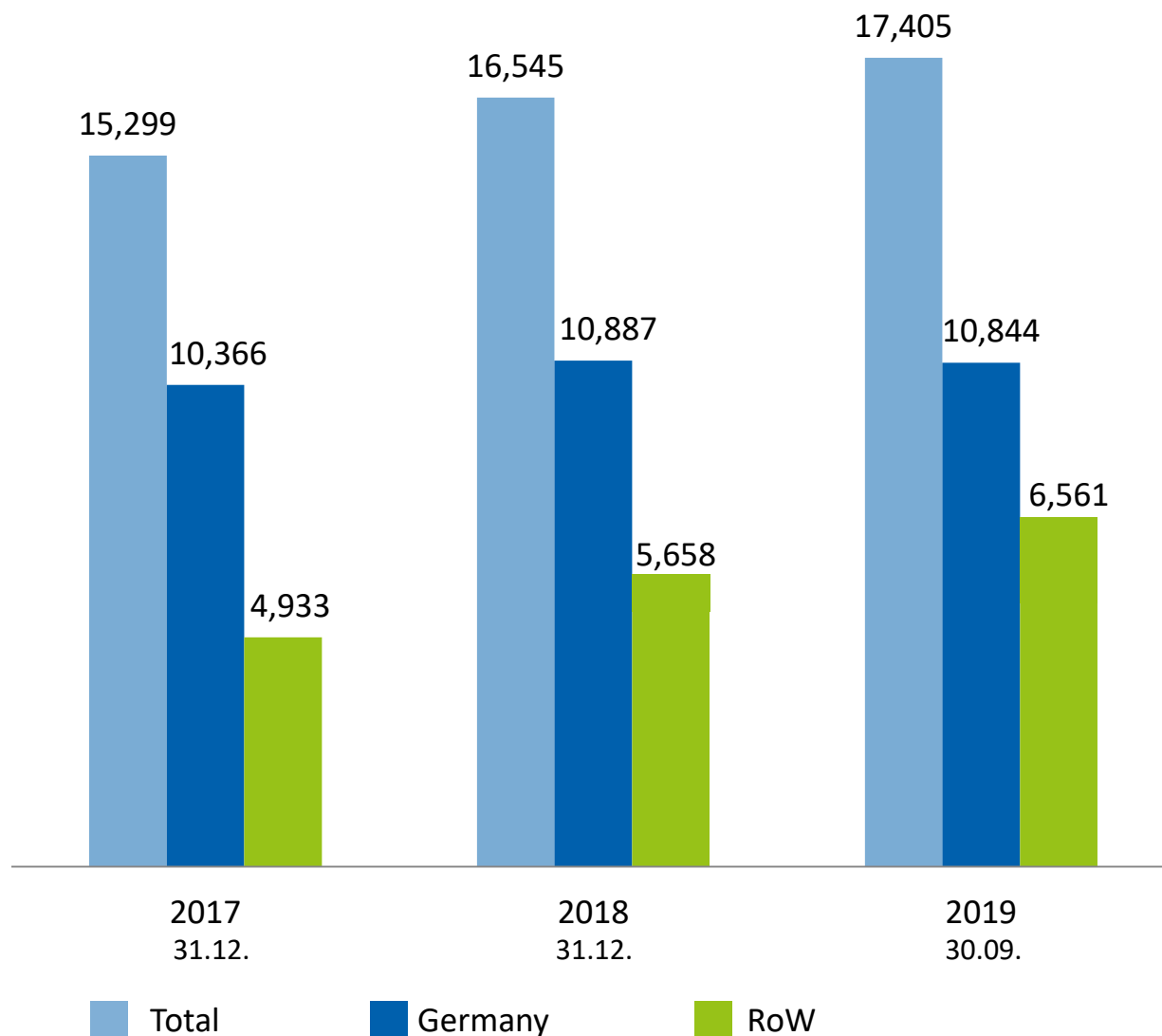
\*LTM (Last twelve months)





## KRONES continues to grow its workforce in emerging markets

KRONES employees worldwide



KRONES employee development in emerging markets

Year	South America	Africa	Asia	CIS/East Europe	China	Total
31.12.2017	581	393	734	172	608	2,488
31.12.2018	637	452	830	213	716	2,848
30.09.2019	788	690	885	940	799	4,102

Essential topics in employee development\*

<b>MHT</b>	125	GER	LCS business
<b>Milkron</b>	70	GER	Processing Technology
<b>Syskron</b>	30	GER	Digitalization
<b>Sprinkman</b>	117	USA	Processing Technology
<b>Automata</b>	120	SA	LCS business
<b>IPS Dubai</b>	253	MEA	LCS business
<b>Pakistan</b>	40	APAC	LCS business
<b>Hungary</b>	450	Eastern world	Global Footprint
<b>China</b>	100	APAC	Global Footprint

\*30.09.2018 – 30.09.2019





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