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## Heidelberg initiates next stage of Group's reorganization - target EBITDA margin of no less than 8 percent to be achieved by financial year 2015/2016

Heidelberg (ots) -

- Target result for financial year 2013/2014 achieved with net profit of EUR 4 million
- Strategic reorientation supported by new anchor investor
- Acquisitions in growth areas - digital, services and consumables
- New business models for product areas with weak margins
- Further consolidation of site structure
- Outlook: Further earnings improvements planned in financial year 2014/2015 - target EBITDA margin of no less than 8 percent in financial year 2015/2016

Following five years of losses, Heidelberger Druckmaschinen AG (Heidelberg) has achieved its key goal of making an annual profit. The net profit for financial year 2013/2014 (April 1, 2013 to March 31, 2014) was EUR 4 million (previous year: EUR -117 million). The next step is to secure the Group's sustained profitability in the years ahead by expanding growth segments, implementing portfolio measures and introducing structural cost projects. The aim is to achieve an EBITDA margin of no less than 8 percent by financial year 2015/2016.

"In returning to profitability, we have reached a first important milestone," said Heidelberg CEO Gerold Linzbach. "We are now starting the next stage of the Group's reorganization so as to achieve a sustained increase in corporate value. This involves making acquisitions in growth segments, scaling down areas of business with weak margins, and cutting structural costs in order to further improve profitability," he added.

Strategic reorientation supported by new anchor investor

Heidelberg is further developing its digital portfolio with the planned complete takeover of the Gallus Holding AG. In fall this year, Heidelberg and Gallus will be unveiling a new digital printing system for the label market based on Fujifilm technology. Ferdinand Rüesch will also become a new strategic anchor investor of the company by acquiring around 9 percent of Heidelberg shares in return for the Gallus stake. At the same time, Heidelberg is strengthening its capital structure, which will support the company's strategic reorientation.

"Our aim in acquiring Gallus is to achieve fast and profitable growth in the digital label sector. What's more, a strategic investor with experience in this sector will ensure the stability of both the shareholder and capital structures," said Linzbach.

Acquisitions in growth areas - digital, services and consumables

Heidelberg sees particularly good opportunities for growth in the expansion of its activities involving services and consumables, which benefit from strong margins. Following the successful takeover of a coating manufacturer, discussions on a further acquisition are currently under way.

As part of the collaboration with Fujifilm, an OEM agreement to supply platesetters (CtP) has also been concluded. Fujifilm will market Heidelberg platesetters under its own name in future, while Heidelberg has taken over some European sales activities for Fujifilm printing plates. As regards services, the marketing of new service products has gotten off to a successful start. The portfolio now also includes consulting, which extends beyond simply providing technical services and is intended to achieve a concrete, measurable improvement in customer results.

New business models for product segments with weak margins

The portfolio analysis conducted last year showed that the only way to achieve economic success in some product areas is to switch to new business models. Over the next six months, the company is therefore planning to take decisions on discontinuing some operations or radically altering the vertical range of manufacture, in some cases with the involvement of partners.

Further consolidation of site structure Ongoing projects to boost efficiency have already led to a streamlining of structures at the Group's key sites in Heidelberg and Wiesloch/Walldorf. By the end of financial year 2014/2015, there are plans to integrate the administrative headquarters into the Wiesloch/Walldorf production site. This will involve the relocation of the Management Board

and some 500 employees. This step will further improve the harnessing of synergies between the two sites and lead to annual savings in operating costs in the low single-digit million euro range. It will also create the world's largest demonstration print shop for both packaging and commercial printing, where customers will get a live insight into the interplay of printing technology, future-focused service concepts and consumables.

"The Heidelberg corporate culture is entering a new era. The key focus when taking decisions will be on both our customers' results and our own. We are bringing key functions and operational areas into closer proximity and are gearing our activities more toward the market and our customers. This will make Heidelberg leaner and more profitable. The measures we are planning in the current financial year will lay the foundation for achieving an EBITDA margin of no less than 8 percent by financial year 2015/2016," concluded Linzbach.

Target result for financial year 2013/2014 achieved with net profit of EUR 4 million

Although factors such as exchange rate movements resulted in a decline in Group sales from the previous year's figure of EUR 2.735 billion to EUR 2.434 billion (EUR 2.536 billion after adjustment for exchange rate movements) in reporting year 2013/2014, all result-related KPIs were far better than in the previous financial year. For example, EBITDA excluding special items rose to EUR 143 million in the financial year just closed (previous year: EUR 80 million). This led to an improvement in the EBITDA margin from about 3 percent to approx. 6 percent. Within twelve months, the result of operating activities (EBIT) excluding special items climbed from EUR -3 million in the previous year to EUR 72 million. Special items in the reporting period amounted to EUR -10 million (previous year: EUR -65 million) and the financial result was EUR -60 million (previous year: EUR -59 million). This led to a net profit for the year of EUR 4 million (previous year: EUR -117 million).

Positive cash flow and free cash flow - further reduction in net debt, with leverage < 2

The cash flow and free cash flow were both positive in the reporting year. Reducing the company's capital commitment has compensated for payments for the Focus efficiency program totaling some EUR 95 million and enabled a positive free cash flow of EUR 22 million to be achieved (previous year: EUR -18 million). This reduced the net debt at the end of the financial year to EUR 238 million (previous year: EUR 261 million).

"Not only have we achieved all our results targets, but our asset and net working capital management program has also brought further successes in terms of cash flow and free cash flow and thus reducing our net debt," said Heidelberg CFO Dirk Kaliebe. "At the end of the financial year, we thus achieved our goal of reducing the leverage (net financial debt divided by EBITDA) to less than two for the first time in many years," he added.

During the reporting year, the company's financing structure was further optimized and appropriately diversified - with regard to both financing sources and maturity profile. Heidelberg currently has total credit facilities of about EUR 790 million at its disposal until financial year 2017/2018.

"Our stable financing framework and the stronger capital structure due to the new anchor investor give us the freedom to carry out our planned strategic measures promptly," stressed Kaliebe.

Outlook: Plans to improve result in financial year 2014/2015 - target EBITDA margin of no less than 8 percent in financial year 2015/2016

Heidelberg is expecting to match the sales achieved in the reporting year in the current financial year 2014/2015. As in the previous year, sales are once again expected to be higher in the second half of the financial year than in the first.

Having succeeded, as forecast, in achieving a positive annual result in reporting year 2013/2014, the declared goal for financial year 2014/2015 is to further improve the company's profitability in order to get closer to the medium-term objective of an operating margin of no less than 8 percent in terms of EBITDA and improve the result after taxes in spite of the higher level of interest expense for financial liabilities. The extent of the improvement in the current financial year 2014/2015 will essentially depend on the realizability and timing of the portfolio optimization measures that represent the strategic focus from this year onward. Provided the initiatives to improve the margin and optimize the portfolio are successfully implemented in the current financial year, the company expects to be able to achieve a margin of no less than 8 percent EBITDA on sales by financial year 2015/2016. The planned earnings improvements, combined with the measures to reduce or efficiently use the tied-up capital, should strengthen the capital structure and keep the net financial debt at a low level. This will create the conditions required to optimize the financial result as targeted.

As of March 31, 2014, the Heidelberg Group had a global workforce of 12,539 plus 502 trainees (previous year: 13,694 plus 521 trainees).

Images and further company information are available in the press portal of Heidelberger Druckmaschinen AG at [www.heidelberg.com](http://www.heidelberg.com).

The 2013/2014 annual report can be accessed at 7 a.m. CET on June 11, 2014 at [www.heidelberg.com](http://www.heidelberg.com).

Other dates: The Heidelberg Annual General Meeting will take place on July 24, 2014.

The figures for the first quarter of financial year 2014/2015 are due to be published on August 13, 2014.

Important note: This press release contains forward-looking statements based on assumptions and estimations by the Management Board of Heidelberger Druckmaschinen Aktiengesellschaft. Even though the Management Board is of the opinion that those assumptions and estimations are realistic, the actual future development and results may deviate substantially from

these forward-looking statements due to various factors, such as changes in the macro-economic situation, in the exchange rates, in the interest rates and in the print media industry. Heidelberger Druckmaschinen Aktiengesellschaft gives no warranty and does not assume liability for any damages in case the future development and the projected results do not correspond with the forward-looking statements contained in this press release.

For further information, please contact:

Heidelberger Druckmaschinen AG

Corporate Public Relations

Thomas Fichtl

Phone +49 (0)6221 92-5900

Fax: +49 (0)6221 92-5088

E-mail: [thomas.fichtl@heidelberg.com](mailto:thomas.fichtl@heidelberg.com)

Investor Relations

Robin Karpp

Phone: +49 (0)6221- 92 6020

Fax: +49 (0)6221- 92 5189

E-mail: [robin.karpp@heidelberg.com](mailto:robin.karpp@heidelberg.com)

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