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Heidelberg forges ahead with realignment - Consistent implementation of package of measures also delivers stability in Covid-19 crisis

Heidelberg (ots) -

- Comprehensive transformation to secure the future underway
 - Clear focus on core business and profitability
 - Agreement on reduction in force by about 1,600 jobs
 - Stable financial framework with sufficient liquidity
- Heidelberg provides comprehensive support for customers in times of crisis
- Preliminary results for 2019/2020 financial year confirmed Outlook for current financial year is hampered by the current uncertain environment
 - Marked decrease in sales expected due to Covid-19
 - Margin at least level with prior year
 - Rapid recovery of print volume in Chinese market

Heidelberger Druckmaschinen AG (Heidelberg) is making rapid progress with the transformation initiated in November last year to increase profitability, competitiveness, and safeguard the future: Following the financial stabilization through the retransfer of EUR380 million from the trust assets of Heidelberg Pension Trust e.V. in March 2020 and the decision to divest from loss-making activities by the end of 2020, significant structural measures are now being implemented. The company has already agreed with the works council on socially responsible solutions for the reduction of around 1,600 jobs worldwide. In June, a new operating model was launched which, with fewer management levels, leaner processes and a significantly improved customer focus, enables more efficient management of the profitable core business. Overall, the action package is designed to improve Heidelberg's profitability by EUR 100 million. Heidelberg also believes that the program will strengthen its position in the ongoing difficult market environment caused by the Covid-19 pandemic.

"2019 was the year of clarity and consequences for us. Even before the Covid-19 crisis, we launched the most comprehensive restructuring program in our recent company history to strengthen Heidelberg's profitable core. Now we are doing everything in our power to further stabilize our financial base and become sustainably profitable in the medium term. We are pressing ahead with the implementation of this program in order to make Heidelberg a better company. We have already reached important milestones. Particularly in times of crisis, this also helps us to be a strong partner for our customers' side and to actively support them," said Rainer Hundsdörfer, CEO of Heidelberg.

Heidelberg's **strategy is clearly focused** on boosting profitability, and consequently on the markets and market segments which are profitable and in which the company holds a leading global position. Incoming orders in the Asia/Pacific region thus increased in total to EUR 683 million despite Covid-19-related shortfalls in the fourth quarter (prior year: EUR 658 million). Much of this is due to orders from China, where Heidelberg already has a large presence to take advantage of growth opportunities with an 850-strong workforce. This figure will increase in the future to over 1,000 employees. As the world's largest packaging printer supplier, Heidelberg is also ideally placed to tap into the potential of major growth markets such as China in that segment. By now, Heidelberg makes some 50 percent of its revenues from offset machines in this sector.

Future-oriented technology in the shape of digital solutions is ensured by Heidelberg's Smart Print Shop, which systematically enhances process digitization to close automation gaps, advance digital process integration as well as exploit the potential in digital data and artificial intelligence.

"We have clearly set our sights on profitability. That is our strategic roadmap and the path we will consistently stick to going forward. This will put us in a position to benefit substantially when markets recover," said CFO Marcus A. Wassenberg.

Digital offerings, services and interfaces already enable Heidelberg to provide comprehensive support for its customers in the Covid-19 pandemic. Heidelberg has launched a dedicated program to support customers: Tagged **#We4You**, Heidelberg is offering digital solutions that enable customers to keep doing business successfully through the current crisis. The packaging printing industry in particular is regarded as systemically relevant during the crisis and had to cope with increasing print volumes during this period. This is where Heidelberg helps to ensure smooth and reliable production. Additionally, Heidelberg keeps customers up to speed on key market developments with its PMI Climate Report.

Preliminary results for 2019/2020 financial year confirmed

The economic impact of the Covid-19 pandemic had a major impact on the figures and results in the 2019/2020 financial year. **Net sales** in the 2019/2020 financial year (April 1, 2019 to March 31, 2020) were about 6 percent down on the prior year, at some EUR 2.349 billion (prior year: EUR 2.49 billion). The shortfall in the final quarter notably related to the key US and Chinese markets, where Heidelberg had recorded strong sales growth in the first nine months of the previous financial year. Across all markets, **incoming orders** were on a par with the prior year in the first nine months and showed a marked decrease in the final quarter of the financial year just completed. Incoming orders for the full financial year were down to EUR 2.362 billion (prior year:

EUR 2.559 billion).

EBITDA excluding restructuring result came to EUR 102 million, compared with EUR 180 million in the prior year. The decrease mainly relates to volume, product mix and one-time effects. The **EBITDA margin** amounted to 4.3 percent (prior year: 7.2 percent). Due to restructuring expenses, the **net result after taxes** was well into negative figures, with a loss of EUR - 343 million (prior year: profit of EUR 21 million). As expected in connection with the realignment, the **restructuring result** came to EUR - 275 million. **Free cash flow** increased, largely because of the approximately EUR 324 million cash inflow from the trust assets, to EUR 225 million (prior year: EUR -93 million).

During the financial year just ended, Heidelberg significantly reduced **net debt** to EUR 43 million with an approximately EUR 380 million retransfer to the company of trust assets from Heidelberg Pension-Trust e. V. at financial year-end, making the company more stable today than it has been for years. Also **leverage** - the ratio of net debt to EBITDA excluding restructuring result - was at a low 0.4. This paves the way for the company to harness its own power in securing its status as a reliable partner to its customers, even in the current historic global economic crisis.

Outlook for current financial year is hampered by the current uncertain environment; rapid recovery of print volume in Chinese market

Heidelberg expects **sales** in the 2020/2021 financial year to be significantly down on the prior year (EUR 2,349 million). The anticipated fall in sales due to the Covid-19 pandemic will also have a marked negative impact on the EBITDA margin due to lower volumes. However, earnings are expected to be improved by savings from the package of measures, accounting measures as well as temporary relief from more flexible working hours and short-time working. The overall target is to deliver an **EBITDA margin excluding restructuring result** that is at least level with the prior year, despite the lower sales. Based on the sales forecast, Heidelberg is expecting a significantly improved, but once again clearly negative **result after taxes** for financial year 2020/2021 compared to the previous year. In the medium to long term, Heidelberg believes that the comprehensive package of measures will help to sustainably improve the company's future profitability and its financing power for future growth.

In the current operating environment dominated by the Covid-19 pandemic, it is not yet possible to be more precise as to onward market and industry developments. There are, however, a number of positive signs. The unique digital connectivity of its installed machine base gives Heidelberg excellent visibility with regard to printers' capacity utilization as a reliable indicator of economic activity in each market. As this data clearly shows, business in China - Heidelberg's biggest single market - is picking up again and has already surpassed the prior-year level. Other markets are likewise already showing initial signs of recovery in print volumes, thus giving cause for cautious optimism looking ahead to the second half of the financial year. There nevertheless remains considerable uncertainty with regard to the economic environment.

The virtual Annual General Meeting of Heidelberger Druckmaschinen AG will be held on **July 23, 2020**.

For image material and additional details about the company, please visit the Press Lounge of Heidelberger Druckmaschinen AG at www.heidelberg.com.

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For additional information:

Corporate Communications
Thomas Fichtl
Telefon: +49 6222 82- 67123
Telefax: +49 6222 82- 67129
E-Mail: Thomas.Fichtl@heidelberg.com

Investor Relations
Robin Karpp
Tel: +49 (0)6222 82-67120
Fax: +49 (0)6222 82-99 67120
E-Mail: robin.karpp@heidelberg.com

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