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Restructuring of Heidelberg Group continues - further improvement in result in first quarter of financial year 2014/2015

Heidelberg (ots) -

- Adjustments to postpress portfolio
- Positive operating result (EBITDA) of EUR 6 million in first quarter despite predicted decrease in sales
- Outlook: EBITDA margin of at least 8 percent in financial year 2015/2016 getting closer

As already announced, Heidelberger Druckmaschinen AG (Heidelberg) is systematically pressing ahead with restructuring the Group. The strategic focus announced at the beginning of the financial year was to streamline the postpress portfolio. This is expected to yield an annual improvement in the result of some EUR 30 million, most of this from financial year 2015/2016 onward. In operational terms, the first quarter of financial year 2014/2015 (April 1 to June 30, 2014) went as expected. The operating result (EBITDA) was up on the previous year and moved back into positive figures, even though sales in the reporting period fell as anticipated. Thanks to a higher order backlog at the end of the first quarter, the company is expecting an increase in sales in the following quarters.

"Measures aimed at boosting efficiency have enabled us to achieve an operating profit even in light of the persistently volatile market environment. Realigning our portfolio will help us to further improve our profitability," said Heidelberg CEO Gerold Linzbach.

While being around 14 percent down on the figure for the same quarter of the previous year (EUR 504 million), Group sales in the first quarter were in line with expectations at EUR 435 million. This development can be explained by the strong year-end rally in the preceding quarter, renewed negative exchange rate effects, and a slackening of business in the Asia/Pacific region. In the other regions, sales matched the previous year's level.

Group restructuring leads to continuing improvements in financial result

Both EBITDA and EBIT in the first quarter were once again up on the same quarter of the previous year. EBITDA excluding special items was positive at EUR 6 million, following a negative figure in the previous year (EUR -2 million). At EUR -11 million, the result of operating activities (EBIT) excluding special items was also better than the previous year's figure of EUR -20 million. The operating result has therefore been continuously improving for just under two years now. There were no special items in the quarter under review. Due to lower financial income and the refinancing in the previous year, the financial result for the first quarter was EUR -17 million (previous year: EUR -12 million). Nevertheless, income before taxes improved from EUR -33 million to around EUR -28 million. Overall, the net result for the first quarter was in line with expectations at EUR -34 million (previous year: EUR -38 million).

Primarily due to the net loss for the quarter and payments totaling EUR 12 million for the Focus efficiency program, the free cash flow after the first quarter was negative at EUR -66 million (previous year: EUR 0 million). Accordingly, the net debt rose to EUR 297 million (previous year: EUR 258 million) but remains at a low level. This enabled us to maintain the leverage (ratio of net debt to EBITDA excluding special items for the last four quarters) at our target value of 2.

"In addition to continuously improving the operating result over the past two years, we have also succeeded in getting the debt back down to a low level," said Heidelberg CFO Dirk Kaliebe. "At the same time, we placed our financing on a stable footing, which lays the financial foundation for restructuring the company," he added.

Portfolio repositioning progresses

As already announced, the Group is systematically removing low-margin products from its portfolio. At the beginning of August, for example, the company announced the strategic realignment of its Postpress Commercial and Postpress Packaging business areas. This will involve discontinuing production capacities, developing and manufacturing products and solutions through OEM partners in future, and/or outsourcing activities to partners. A total of around 650 employees worldwide will be affected. The Group expects these measures to yield an annual improvement in the result of some EUR 30 million, most of this from financial year 2015/2016 onward.

Outlook: EBITDA margin of at least 8 percent in financial year 2015/2016 getting closer

The actual development of sales and the result in financial year 2014/2015 will depend to a great extent on implementation of the portfolio optimization measures initiated. Heidelberg currently expects that sales in financial year 2014/2015 will match those in the previous financial year. As in the previous year, sales are once again likely 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 financial year 2013/2014, the declared goal for financial year 2014/2015 is to further improve the company's operating profitability so as to get closer to the medium-term target of an operating margin in terms of EBITDA of at least 8 percent and improve the net result, despite the higher interest payments for financial liabilities. Provided the initiatives to improve margins and optimize the portfolio are successfully implemented in the current financial year, the company expects to be able to achieve an EBITDA margin of at least 8 percent of sales by financial year 2015/2016.

As at June 30, 2014, the Heidelberg Group had a global workforce of 12,454, excluding 493 trainees (previous year: 13,162, excluding 507 trainees).

Images and further company information are available in the press portal of Heidelberger Druckmaschinen AG at www.heidelberg.com.

The Q1 interim financial report 2014/2015 can be accessed at www.heidelberg.com.

Other dates:

The figures for the second quarter of financial year 2014/2015 are due to be published on November 12, 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.

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