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Successful realignment reflected in strong incoming orders at drupa, creating basis for further growth in year as a whole

Heidelberg (ots) -

- Successful realignment: Customers invest in industrial print production and digitization
- Business development in first quarter of 2016/2017 shaped by drupa industry trade show:
 - + Incoming orders of EUR 804 million boost order backlog by 67 percent
 - + Net sales (EUR 486 million) and operating result (EBITDA EUR 1 million) below that of previous year - restrained investment activity ahead of drupa and trade show costs impact quarterly result (net result after taxes EUR -37 million)
- Positive free cash flow of EUR 6 million
- Year-end and medium-term targets in reach

As expected, the first quarter of financial year 2016/2017 (April 1, 2016 to June 30, 2016) at Heidelberger Druckmaschinen AG (Heidelberg) was shaped by the industry trade show drupa, which took place in late May/early June. Under its "Simply Smart" motto, Heidelberg took the industry's digitization and thus the company's strategic realignment to the next level. The new products and solutions resulted in a high demand for all the company's offerings related to industrial print production and digitization. Accordingly, incoming orders rose to EUR 804 million as at June 30. Compared to the previous quarter, the order backlog, which is a measure of the Group's future operational development, increased by 67 percent from EUR 460 million to EUR 768 million. This strong demand is a solid basis for achieving the targets for the year as a whole.

"Thanks to a good showing at drupa, Heidelberg has made a solid start to the new financial year. The high level of incoming orders at the trade show is particularly strong evidence of this," said Heidelberg CEO Gerold Linzbach. "Our innovations have set new standards for industrial printing in the digitized era. The high level of acceptance on the market gives us a very optimistic outlook for the future."

Business development in first quarter of 2016/2017 shaped by drupa industry trade show

As expected, the usual restrained investment activity ahead of the trade show saw net sales in the first quarter drop in comparison to the previous year to EUR 486 million (previous year: EUR 563 million). The loss of profit contributions due to this drop, drupa costs of approximately EUR 10 million, and higher personnel costs due to collective wage agreements all had a negative impact on the result in the period under review, as anticipated. Consequently, EBITDA excluding special items was EUR 1 million (previous year: EUR 46 million). The previous year's figure also included a positive non-recurring effect of EUR 19 million from the initial consolidation of Printing Systems Group (PSG). At EUR -3 million, special items were only low (previous year: EUR -15 million) and the negative financial result was slightly higher than the previous year's level due to the early repayment of the 2011 corporate bond. At the end of the quarter, Heidelberg had a net result after taxes of EUR -37 million (previous year: EUR -4 million).

Positive free cash flow of EUR 6 million in first quarter

Despite payments for portfolio optimization and the necessary accumulation of inventories for drupa orders, free cash flow improved in the quarter under review from EUR -35 million in the previous year to a positive figure of EUR 6 million. Compared to the end of financial year 2015/2016, shareholder's equity dropped to EUR 167 million, primarily due to the lower actuarial interest rate used to value pension obligations. Consequently, the equity ratio on the balance sheet date was 8 percent, compared to 13 percent in the previous quarter. The net debt was at a low level of EUR 263 million (March 31, 2016: EUR 281 million) and the leverage continued to be below the target value of 2 at 1.8.

"We want to grow this year, too, and achieve a moderate increase in net profit after taxes," said Dirk Kaliebe, CFO. "The balanced financing framework also gives us the freedom to further strengthen the business model through targeted acquisitions."

Successful realignment: Customers invest in industrial print production and digitization

The feedback from customers about the repositioning of Heidelberg was extremely positive. Heidelberg used drupa to unveil its "Fire" digital printing portfolio, which attracted a great deal of attention among visitors to the show and recorded sales success across all product categories. In industrial digital printing, Heidelberg joined forces with Fujifilm to set a new benchmark for packaging printing with the world premiere of the Heidelberg Primefire 106. The success of the launch was underlined by the numerous sales concluded with companies in Europe, the United States, Brazil, China, and Japan. Heidelberg sold the 1000th Versafire - its solution for digital commercial printing - at drupa. The number of these digital systems sold at the trade show alone matched the total for the whole of financial year 2014/2015. In the label market, which is enjoying strong growth, the Gallus

Labelfire digital press attracted a great deal of interest from visitors. Further sales concluded during the show confirmed the success of the digital label printing solutions. Thanks to the Fire family, the company has established its position on the market as a digital print supplier.

Through the concept of autonomous printing, Heidelberg is also leveraging the opportunities presented by digitization and sparking a paradigm shift in industrial print production with sheetfed offset presses. The investments made by customers confirm the industry shift towards greater automation and productivity, and towards software-based integration. The flagship press - the Speedmaster XL 106 - turned out to be the most sold machine at the show. Long perfectors and models for the packaging market, which is continuing to grow, were in particular demand. The backbone for new service portfolios is the Heidelberg cloud, which records and analyzes data from over 10,000 networked machines and 15,000 Prinect software linkups. On this basis, for example, Heidelberg offers its customers preventive service programs to improve machine availability and boost the productivity of the entire print shop.

"Our showing at drupa confirmed that we're on the right track with our strategic realignment based on the growth segments of digital and services. We're focusing on the right areas to achieve our future objectives," summed up Linzbach.

Year-end and medium-term targets in reach Thanks to strong incoming orders and the increase in the order backlog, Heidelberg has its sights set firmly on its year-end targets for 2016/2017. Consequently, it is still forecasting a growth in sales of up to 4 percent. Despite the inputs associated with the accelerated expansion of digital and service business, the EBITDA margin before special items is expected to remain at the level of the previous year. At the same time, the company is looking to improve the financial result by reducing the interest burden. With this, Heidelberg is aiming for a moderate increase in its net result after taxes against the previous year. In the medium term, the successful reorganization of Heidelberg is set to enable growth in Group sales of up to 4 percent per year, taking the total to some EUR 3 billion. This includes a high profitability level with an EBITDA margin in the range of 7 to 10 percent.

The interim report for the first quarter of financial year 2016/2017, image material, and additional information about the company are available in the Press Lounge of Heidelberger Druckmaschinen AG at www.heidelberg.com.

Next date on company calendar:

The figures for the first half of financial year 2016/2017 are due to be published on November 9, 2016.

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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