10.11.2020 – 07:00 Uhr

Successful implementation of transformation strengthens Heidelberg in times of COVID-19

Heidelberg (ots) -

- **At EUR 97 million for the first half-year, EBITDA excluding restructuring result significantly up on previous year (EUR 69 million)**
- **Signs of recovery for sales and incoming orders**
- **Corporate bond repaid early - interest payments reduced by EUR 12 million p.a.**
- **Package of measures sustainably lowers cost base**
- **Forecast for financial year 2020/2021 unchanged**

Forecast for financial year 2020/2021 unchangedBy systematically and swiftly implementing its transformation, Heidelberger Druckmaschinen AG (Heidelberg) has further strengthened its position in the first half of the 2020/2021 financial year (April 1 to September 30, 2020). With a number of measures adopted as part of the transformation program launched this March to boost profitability, enhance competitiveness, and secure the company's future, Heidelberg has been able to more than compensate for the negative effect on earnings caused by a significant drop in sales due to the COVID-19 pandemic.

For example, Heidelberg once again achieved a positive **EBITDA excluding restructuring result** in the second quarter of the current financial year, recording EUR 97 million in the first six months - a significant increase from the previous year (EUR 69 million). The EBITDA margin for the half-year was 12 percent, compared with 6.2 percent in the same period of the previous year. At the same time, the **net financial debt** was successfully reduced from EUR 416 million in the previous year to EUR 157 million.

In terms of **sales and incoming orders**, the gap compared to the previous year shrank in the second quarter of the current financial year. While sales after the first quarter were at -34 percent, this figure was only -24 percent in the period from July to September; incoming orders, meanwhile, improved from -44 percent to -20 percent. There was a positive development in demand in a number of markets, above all in the key single market China, where, compared with the previous year, the level of incoming orders increased from around -50 percent in the first quarter to around -8 percent in the second. This trend and the planned additional steps to optimize the company's assets and portfolio and reduce staff costs provide reason to be optimistic that Heidelberg will reach its announced targets in the year as a whole and continue to achieve sustainably profitable growth in the years that follow.

"Our transformation is proving successful. We are delivering on our promise. By the end of the half-year, we had drastically reduced our debt and made significant improvements regarding our liquidity and results- despite the huge challenges our organization has faced owing to the COVID-19 pandemic. Besides enhancing our financial stability, we are strategically positioning ourselves to meet our customers' needs with an innovative, needs-based product and service portfolio, with our aim being to further boost incoming orders and sales. We will continue to benefit from this when the markets recover, as demonstrated by China," says Rainer Hundsdörfer, CEO of Heidelberg.

Corporate bond repaid early on September 9 as announced - interest payments reduced by EUR 12 million p.a.

Heidelberg has also delivered on its promise to pay back the corporate bond. For example, the outstanding sum of EUR 150 million for the corporate bond that was originally due to expire in 2022 (coupon of 8 percent p.a.) was repaid in cash on September 9. This eases the burden on the financial result by approximately EUR 12 million a year due to lower interest payments.

Package of measures sustainably lowers cost base

By implementing its transformation program, Heidelberg aims to achieve both short-term and sustainable savings of around EUR 80 million regarding material and staff costs in the current financial year. For instance, the organization has already been streamlined by taking socially acceptable measures such as establishing transfer companies. Of the announced reduction of around 1,600 jobs worldwide by 2023, just under 1,000 will be realized in the current financial year. Moreover, over 90 percent of the savings targets defined for the 2022/2023 financial year, which overall amount to approximately EUR 140 million, have already been anchored in the transformation program with sustainable measures. In particular, this is because the further implementation of job cuts over the next two financial years has already been specified in detail.

"The great speed at which we are putting our transformation into action and our significantly improved liquidity are making us substantially stronger, particularly in the current situation surrounding the pandemic. In our opinion, however, it is also vital that we fundamentally realign Heidelberg today so we can achieve profitability faster and on a more sustainable basis in the future. Our program doesn't just deliver in the short term. Indeed, we are already banking on the defined measures having substantial effects in the years ahead," says CFO Marcus A. Wassenberg.

First half of the 2020/2021 year - the financial figures in detail

In the second quarter, demand in important sales regions for Heidelberg, which had slumped over the previous months due to COVID-19, began to shown initial signs of recovery. This particularly applies to the key Chinese market, where in some cases orders are once again being generated that are close to pre-crisis levels. At EUR 805 million, **netsales** in the first half of 2020/2021 (April 1 to September 30, 2020) were still approximately 28 percent below the level recorded for the same period in the previous year (EUR1,124 million). **Incoming orders** dropped by 32 percent to EUR 864 million (previous year: EUR 1,263 million). The decline recorded in the second quarter was just under 20 percent, following a drop of 44 percent in the first quarter. On September 30, the **order backlog** was EUR 627 million and thus still down on the previous year, but up by EUR 22 million on the figure recorded at the end of the previous quarter (EUR 605 million).

In a twelve-month comparison, the **EBITDA excluding restructuring result** improved from EUR69 million to EUR 97 million, despite lower sales. The intensive use of short-time working models went some way toward compensating for the shortfall in profit contributions and the costs of under-utilization in the short term. The costs saved by launching the transformation program in the first half-year amounted to approximately EUR 45 million. In addition, earnings of EUR 73 million from the reorganization of the pension plans for the company's employees in Germany and the sale of the Belgian subsidiary CERM (approx. EUR 8 million) had a positive impact on profitability. At EUR 57 million, **EBIT excluding restructuring result** was thus also well above the previous year (EUR 22 million). Expenses for transformation measures led to a restructuring result of EUR -30 million (previous year: EUR -5 million). Despite higher financing expenditures after valuation adjustments, in the first half-year Heidelberg managed to record an improved **net result after taxes** of EUR -9 million, up from EUR -16 million in the previous year.

Free cash flow improved by EUR 48 million

Due to the conversion of securities into cash and cash equivalents and the inflow of funds from the sale of CERM and from net working capital, **free cash flow** improved significantly from EUR -100 million to EUR -52 million. Following the comprehensive debt relief measures, **net financial debt** is at EUR 157 million and thus significantly below the comparable value for the previous year (EUR 416 million). As a result of this, **leverage** (the ratio of net financial debt to EBITDA excluding restructuring result) remains low at 1.2 (previous year: 2.1). Owing to the further reduction in actuarial interest rates for the assessment of pension obligations in Germany, equity and the equity ratio of 5.3 percent remain at an unsatisfactory level for Heidelberg.

Outlook for full financial year 2020/2021 unchanged

Heidelberg is standing by its forecast for the financial year 2020/2021 as a whole. Sales, for example, are expected to be far below the previous year's level (EUR 2,349 million) due to pressures brought about by the COVID-19 pandemic. This will also have a significant negative effect on the EBITDA margin. However, savings from the package of measures, various accounting measures, and temporary relief in the form of more flexible working hours are expected to improve the result. Overall, despite the downturn in sales, the company is continuing to aim for an EBITDA margin excluding restructuring result that at least matches the previous year's figure. Based on the sales forecast, Heidelberg still anticipates that the net result after taxes for financial year 2020/2021 will be significantly better than in the previous year, but once again clearly in the negative range.

Precise forecasts for the ongoing development of the markets and the industry continue to be significantly hampered by the impact of the COVID-19 pandemic and by the renewed worsening of the situation in many markets at present.

The half-year report, image material, and further information about the company are available in the Investor Relations and Press Lounge of Heidelberger Druckmaschinen AG at www.heidelberg.com.

Heidelberg IR now on Twitter:

Link to the IR Twitter channel: https://twitter.com/Heidelberg_IR

On Twitter under the name: @Heidelberg_IR

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.

Further information:

Corporate Communications
Thomas Fichtl
Phone: +49 6222 82-67123
Fax: +49 6222 82-67129
E-mail: Thomas.Fichtl@heidelberg.com

Investor Relations
Robin Karpp
Phone: +49 6222 82-67120
Fax: +49 6222 82-99 67120

E-mail: robin.karpp@heidelberg.com