

04.08.2021 – 07:12 Uhr

Heidelberg starts new financial year with high order volume and improved operating profitability

Heidelberg (ots) -

- Broad market recovery and successes from transformation strategy
- Marked uptick in growth areas – successful trade show in China and strong expansion in e-mobility sector
- Q1 sales up by around a third and incoming orders by nearly 90 percent
- Notable improvement in operating profitability – EBITDA of € 15 million
- Outlook for FY 2021/22: Increased sales of at least € 2 billion, improved EBITDA margin of 6 to 7 percent, and slightly positive net result after taxes
- Sustainably high potential for result and free cash flow through lowering of break-even point to around € 1.9 billion in FY 2022/23

Heidelberger Druckmaschinen AG (Heidelberg) has made a positive start to financial year 2021/22 (April 1, 2021 to March 31, 2022). Thanks to a broad market recovery in virtually all regions and growing successes from the Group's transformation strategy, the company has been able to deliver the promised improvements in sales and operating profitability in the first quarter. For example, sales for the quarter increased by around a third compared with the equivalent period of the previous year, from € 330 million to € 441 million. EBITDA, which was influenced in the equivalent quarter of the previous year by high earnings of € 73 million from the reorganization of retirement provision and the widespread use of short-time working, improved substantially on an operational level to € 15 million. [1] Thus, despite clearly reduced sales, the figure for the period under review even exceeded the pre-crisis level recorded in FY 2019/20 (€ 11 million).

"As demonstrated by our encouraging initial quarter of financial year 2021/22, Heidelberg is really delivering! Buoyed by the global economic recovery and the notable improvement in operating profitability, we are also very optimistic about meeting the targets announced for the year as a whole," reports Heidelberg CEO Rainer Hundsdörfer.

Positive trend in growth areas continues – significant uptick in demand in China and further dynamic expansion in e-mobility sector

Confidence regarding financial year 2020/21 as a whole is being fueled by a broad market recovery that, along with orders from the successful trade show in China, has led to incoming orders of € 652 million – an increase of some 89 percent compared with the equivalent quarter of the previous year. Given the marked uptick in demand – especially for innovative new products such as the Speedmaster CX 104 universal press – Heidelberg is convinced it can continue building on the company's market-leading position in China, the world's number one growth market.

Based on solid economic development, Heidelberg is expecting the profitable upward trend to continue in **subsequent years**, too. This is down to the company's implementation of realignment measures, the focus on its profitable core business, and the expansion of growth areas. Cost savings of some € 140 million are predicted during financial year 2021/22 as a whole. Total savings exceeding € 170 million are then expected to take full effect in FY 2022/23, along with a lasting reduction in the Group's operating **break-even point**, measured in terms of EBIT, to around € 1.9 billion. The potential for sustained **growth and increases in value** is based primarily on opportunities in packaging printing, digital business models, business in China, and new technology applications. For example, Heidelberg Wallbox capacities in the e-mobility sector will once again be doubled this year to meet the dynamic growth in customer demand. A start was already made on this in the quarter under review, with the third production line being taken into operation. The planned international expansion also means this positive development is likely to continue. Despite the sums being invested in this expansion, the company's e-mobility business is already turning a profit.

"The enormous efforts we have made to transform the company are now bearing fruit. Thanks to the expected improvements in our operating result, the significant free cash flow potential, and a historically low level of debt, we are very confident in financial terms, too, that we can realize our huge opportunities for the future. It's many years since Heidelberg was last in this situation," adds the company's CFO Marcus A. Wassenberg.

Notable improvement in first-quarter operating results

Thanks to the broad market recovery in virtually all sectors, Heidelberg recorded **sales** of around € 441 million for the first quarter of FY 2021/22, which was far better than in the equivalent period of the previous year (€ 330 million). Higher confidence and, correspondingly, a greater readiness to invest have seen **incoming orders** climb by close to 90 percent (compared with the equivalent period of the previous year), from € 346 million to € 652 million. This has increased the **order backlog** to € 840 million, which creates a good basis for achieving the targets for the year as a whole.

EBITDA amounted to € 15 million (equivalent quarter of previous year: € 40 million) and the EBITDA margin was 3.5 percent. There was a significant improvement in the quality of earnings compared with the corresponding period of the previous year. In the first quarter of that year, earnings of some € 73 million from restructuring the occupational retirement provision and the extensive use of short-time working had a very positive impact. This year, the increased sales volume and savings from the company's transformation were clearly beneficial. For example, the company even improved on EBITDA as recorded in the corresponding quarter of financial year 2019/20, i.e. prior to the coronavirus pandemic (€ 11 million, including the effects of restructuring), despite a lower sales figure than in that year. EBIT amounted to € -4 million (equivalent quarter of previous year: € 20 million). The far lower debt had a significant positive effect on the **financial result** (€ -8 million compared with € -13 million in the previous year). This led to an overall **net result after taxes** of € -14 million (equivalent quarter of previous year: € 5 million).

Positive development of free cash flow continues

In the period under review, a clear improvement in net working capital and an inflow of funds in the mid-tens of millions of euros from selling a piece of land in Wiesloch led to a significant improvement in the **free cash flow**, from € -63 million to € 29 million. The company succeeded in reducing its **net financial debt** as at the end of June 2021 to the historically low level of € 41 million (previous year: € 122 million). **Leverage** (net financial debt to EBITDA ratio) was 1.7. The Group's **equity ratio** fell to around 4 percent, in particular due to the reduction in the actuarial interest rate for the valuation of pension obligations in Germany and the negative net result after taxes. However, the equity ratio for the parent company, Heidelberger Druckmaschinen AG, remains at a solid level of around 28 percent.

Growing optimism regarding positive development for year as a whole

In view of the clearly positive development of orders and the encouraging operating result trends in the first quarter – and despite the continuing uncertainties regarding the COVID-19 pandemic – Heidelberg is standing by its targets for financial year 2021/22. The company is anticipating an increase in sales to at least € 2 billion (previous year: € 1,913 million). Based on current projects focusing on its profitable core business, Heidelberg is also expecting further earnings from asset management in financial year 2021/22. Since the level and timing of the gains on disposal from the planned transactions cannot yet be evaluated with sufficient certainty, an EBITDA margin of between 6 and 7 percent is still expected, which is up on the previous year's level (previous year: around 5 percent, including the effects of restructuring). To better reflect the focus on relevant customer requirements, profitability, and potential in line with the new operating model that was introduced as part of the company's realignment, Heidelberg has been using a new segment structure for its reporting since April 1, 2021. The new Print Solutions and Packaging Solutions segments are set to generate moderate margin growth thanks to the encouraging market dynamics and the market initiatives that have been introduced. The new Technology Solutions segment will still make a slightly negative contribution to the result due to investments in the growth of the business areas in this segment.

Following significant losses in previous years, Heidelberg is expecting a slightly positive net result after taxes in FY 2021/22 – despite the fact that sales are still predicted to be significantly below pre-crisis levels. Leverage is set to remain at the low level of financial year 2020/21.

As for the operating break-even point measured in terms of EBIT, which was between € 2.1 billion and € 2.2 billion prior to the pandemic, a lasting reduction to around € 1.9 billion is expected by financial year 2022/23.

The report for the first quarter of FY 2021/22, 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 also on Twitter:

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

On Twitter under the name: @Heidelberg_IR

[1] Heidelberg has been including the effects of restructuring in the EBIT and EBITDA KPIs since April 1, 2021. The figures for the previous year have been adjusted accordingly.

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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