

Press release

Koenig & Bauer gears up for the future

Further group development defies the tense global economic situation

- Continued focus on packaging as a growth market
- Clear commitment to the current portfolio strategy
- Research and development budgets remain unaffected

Würzburg, 29.09.2020

To reinforce the company's position as the leading supplier of press and post-press solutions for packaging, industrial and security printing applications, and to boost the earning power of the Koenig & Bauer Group, the management board has been working intensively on developing and expanding the "Performance 2024" efficiency programme over the past months. There are also plans to realise annual cost saving effects which will then amount to more than €100 million and continue increasing until 2024, while maintaining and, in fact, accelerating all innovation, process and product developments. The non-recurring costs in the mid two-digit million Euro range this makes necessary will be recorded in the group results for the business year 2020 as expenditure realised as a provision.

The principal market segments addressed by Koenig & Bauer, such as the structurally expanding areas of packaging and industrial printing, remain fundamentally intact. This is clearly demonstrated by the good levels of capacity utilisation currently reported by printers of packaging for food products, beverages, and pharmaceuticals, as well as the booming online trade. Even so, customers are postponing new investments due to all the uncertainty brought by the Covid-19 pandemic.

The primary objective of the four-year, multi-pronged programme is to strengthen the company's competitiveness for the long term. A range of measures aims to ensure further development of the product range in accordance with market needs, to continue with the digitalisation of processes, and, at the same time, achieve reductions in manufacturing costs. Koenig & Bauer continues to focus on end-to-end system solutions and optimisation of the total cost of ownership (TCO) for the customer. The investments in digital print and direct post-printing on corrugated board are being pursued with vigour, as is the joint venture with the Durst Group; so too are new developments for security printing in the pipeline. Koenig & Bauer stands by its current product portfolio and will continue to work on consistently expanding it. The further digitalisation of the services it offers is another area at which particular attention is being directed.

Alongside increased efficiency, the Performance programme also aims to scale group activities, as the global economic situation, the still widely applicable travel restrictions, and worsening Covid-19

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developments suggest there will only be moderate turnover growth in the next few years, and a short-term return to pre-crisis levels is not anticipated.

The supervisory board was closely involved in the evaluation process and approved the programme after detailed deliberation and extensive discussions during the board meeting held on 28 September 2020.

As supervisory board chairman Prof. Dr.-Ing. Raimund Klinkner explains: “Alongside the strategic ongoing development of the Koenig & Bauer Group, the supervisory board has taken a very close look at the plans that the management board tabled on the basis of its broad expertise and commitment to increasing the earning power and overall performance of the group, and we have contributed our own experience and know-how to the evaluation process. The Performance 2024 programme is laying the foundations for a profitable development of the company, which builds up on interesting future opportunities for new markets and technologies.”

The effects of the short- and medium-term measures will bear fruit in the period from 2021 to 2024, whereas a continued negative impact on business results is expected in the third and fourth quarters of 2020 due to the Covid-19 pandemic, which is worsening internationally. In addition, the planned introduction of a new internal guideline in relation to turnover reporting in the Sheetfed segment in 2020 will result in a one-time balance sheet deferral amounting to approx. €40–60 million in turnover and €9–12 million in EBIT to 2021.

Upon conclusion of the programme, turnover at the Koenig & Bauer Group is expected to reach around €1.3 billion. On the earnings side, the management board hopes that implementation of the approved cost and structural adaptations will help maintain a return on sales totalling at least 7% over the medium term, while reducing working capital requirements to an average level of 25% of annual turnover.

The programme adopted provides for the following:

- Supply chain reorganisation effected by changes group-wide structures, purchasing arrangements and production processes within the framework of one organisation, as well as innovative approaches to part and component optimization
- Adjustments to cost and personnel structures, and improvements in productivity based on process streamlining and standardization
- Increased effectiveness and efficiency in development and design by implementing measures targeting product, process and organisational optimisation, such as design-to-cost projects
- Continuation and acceleration of the development of new products and solutions for the fields of sheetfed and webfed packaging printing by means of conventional and digital printing technologies, hollow container decoration, post-press and banknote production
- Reduced administration costs by continued pooling of specific tasks as shared services, as well as changes to sales and service structures
- Optimisation of the production and assembly factories, including internal pooling within the group, and the relocation and realignment of production and assembly facilities.

In addition to the effects of the measures already being implemented, such as cutting back on overtime and subcontracted labour, a hiring freeze and short-time working, the group-wide measures approved today will affect between 700 and 900 jobs in the short and medium term. The changes will be discussed and negotiated with employee representatives and social partners over the coming months. Along with implementing the necessary measures in a socially acceptable manner, the

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objective is to achieve a return to the planned level of group growth in the medium term by taking innovative approaches.

“Today, we have made far-reaching decisions for Koenig & Bauer, made necessary by negative global economic developments in tandem with ever-changing customer needs and demands. They are also associated with painful cuts for the workforce. These difficult and challenging steps were not easy to take, but they are imperative to safeguarding the long-term future of our 203-year-old company,” as President and CEO Claus Bolza-Schünemann explains.

Photo 1:

The board members responsible for the "Performance 2024" efficiency programme explain to employees the measures that will enable the company to continue to develop even in a tense global economic situation. (from left to right: Michael Ulverich, COO, Claus Bolza-Schünemann, CEO, Dr. Andreas Pleßke, Segment Board Member)

Photo 2:

Koenig & Bauer's portfolio strategy has proved a success and will be continued - eg with the Rapida 106 X - the new performance benchmark in industrial printing

Photo 3:

In the technology and customer centres, the product portfolio is being systematically enhanced to address new markets and create future prospects

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About Koenig & Bauer

Koenig & Bauer is the oldest printing press manufacturer in the world with the broadest product range in the industry. For more than 200 years, the company has been supporting printers with innovative technology, tailor-made processes and a wide array of services. The portfolio ranges from banknotes, via board, film, metal and glass packaging, through to book, display, coding, magazine, advertising and newspaper printing. Sheetfed and webfed offset and flexo printing, waterless offset, intaglio, simultaneous perfecting and screen printing or digital inkjet – Koenig & Bauer is at home in virtually all printing processes and is the market leader in many of them. In the financial year 2019, the approximately 5,800 highly qualified employees worldwide generated annual sales of more than EUR 1.2 billion.

Further information can be found at www.koenig-bauer.com