

Heidelberg on track to meet medium-term targets

Heidelberg: aiming for growth in 2018/19

Heidelberg made significant progress with the Groups targeted digital transformation in financial year 2017/2018 (April 1, 2017 to March 31, 2018). By the beginning of June, several customers had already opted for the new subscription model that offers Heidelberg products and services as part of a usage-based all-in contract running over several years.

The total of over 30 contracts being targeted for the new financial year 2018/2019 looks set to generate business worth some Euro 150 million over the standard five-year term of these models. However, as the number of contracts concluded is just starting to pick up, this will only be reflected in the company's figures to any significant extent from financial year 2019/2020 onward, when it will also help stabilize Group sales. In addition, the series production of digital presses



Rainer Hundsdörfer, Chief Executive Officer and Chief Human Resources Officer Heidelberg

for packaging and label printing (Primefire and Labelfire), which also started in financial year 2017/2018, will have an increasingly positive impact on sales. The aim for the coming years is to deliver at least one digital press per month to customers. As the number of systems installed increases, stable, recurring sales of consumables will also continue growing and exceed machine-only business. Further positive impetus is anticipated from additional sales of consumables, increased levels of e-commerce business thanks primarily to our newly founded Heidelberg Digital Unit, and the ramp-up of Digital Platforms.

The recently agreed sale of the research and development building in Heidelberg marks the successful conclusion of the planned infrastructure projects at the Heidelberg and Wiesloch-Walldorf sites. Another important step as part of efforts to improve operational performance - among other things by reducing process and structural costs under the „Operational Excellence“ initiative - has thus been completed.

Heidelberg can thus confirm the medium-term targets communicated in the summer of 2017. These include an increase in Group sales to around Euro 3 billion, an operating result (EBITDA) of Euro 250 to 300 million, and a net result after taxes of over Euro 100 million.

„As announced at the last Annual Accounts Press Conference, Heidelberg is well on the way to achieving its goal of once again becoming the lighthouse of the industry. Our digital transformation will continue systematically in financial year 2018/2019. Both our new subscription model and the new digital presses remain in high demand. Given that this will have a substantial impact on our sales and result from 2019/2020 onward, we can confirm our medium-term targets,“ commented CEO Rainer Hundsdörfer. Based on the audited figures from the annual financial statements, Heidelberg has achieved the targets it set itself with Group sales of Euro 2,420 million. The difference compared with the previous year's figure of Euro 2,524 million is mainly the result of nega-

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tive currency effects and the deliberate avoidance of risky remarketed equipment business amounting in total to over Euro 100 million. Despite the negative currency effects in the period under review, incoming orders were at a very encouraging level for a post-drupa year at Euro 2,588 million (previous year: Euro 2,593 million). The demand in the final quarter of the year was substantially up on the figure for the same quarter of the previous year - Euro 676 million compared with Euro 604 million - among other things due to the full order volume of subscription contracts now being taken into account. This contributed to a significant increase in the order backlog at the end of the financial year and also to a visible improvement in sales in the first quarter compared with the previous year.

EBITDA excluding the effects of restructuring totaled Euro 172 million in the reporting period (previous year: Euro 179 million). This meant the resulting EBITDA margin of 7.1 percent (previous year: 7.1 percent) was within the expected range. At around Euro-16 million, the effects of restructuring in financial year 2017/2018 were similar to the previous year's level of Euro-18 million. Lower interest costs resulted in a further significant improvement in the financial result to Euro-48 million (previous year: Euro-56 million). The pre-tax result increased to Euro 39 million in the reporting year (previous year: Euro 34 million). Driven by the US tax reform, the net result after taxes was negatively impacted by deferred tax expenses of some Euro 25 million reported by the US tax group. The non-cash write-down of deferred tax assets reflects the cut in the US federal corporate income tax. The net result after taxes was therefore Euro 14 million in the financial year 2017/2018 after Euro 36 million in the previous year. Adjusted for this effect, the net result after taxes would have risen moderately as forecast.

Cash flow was clearly positive and on a par with the previous year's level at Euro 104 million. Due to acquisitions and investments associated with the construction of the new innovation center in Wiesloch, as expected, the free cash flow was slightly negative

at Euro-8 million (previous year: Euro 24 million). The net financial debt fell to Euro 236 million in the reporting period (March 31, 2017: Euro 252 million) and leverage at 1.4 remained well below the target value of 2.

„Our growth initiatives are accompanied by a new financing framework that also enables us to further accelerate the digital transformation through targeted acquisitions,“ said CFO Dirk Kaliebe. „In the future, too, we will make a point of leveraging the resulting growth potential with acquisitions throughout the entire value-added chain,“ he added.

Based on the progress in the targeted digital transformation, the Company is forecasting moderate sales growth for 2018/2019. The solid order backlog at the beginning of the financial year supports this forecast. The first half of the year is again expected to be impacted by negative currency effects, first and foremost on account of the US dollar/euro exchange rate and out of Asia as well. As in previous years, Heidelberg is currently intensively examining several options for external growth, but the probability of such transactions cannot be reliably quantified at this time.

The moderate growth in sales, combined with efficiency enhancement measures, including initial savings from the recently initiated operational excellence program, should allow an EBITDA margin excluding restructuring result in the range of 7 to 7.5 percent in the 2018/2019 financial year. The additional staff costs resulting from the new collective bargaining agreement have been taken into account.

As a result of the forthcoming transformation activities and the optimization of processes and structures in the context of operational excellence, Heidelberg is assuming restructuring expenses of around Euro 20 million in the new financial year.

Interest expenses are to be reduced to around Euro 20 million in the medium term as a result of the ongoing optimization of our credit facilities. However, the anticipated positive effects will initially be outweighed by the negative impact of the planned early partial repayment of the existing high-yield bond (8 percent) in 2018/2019.

However, this move will reduce interest expenses in subsequent years.

In the financial year 2018/2019, while Heidelberg is also forecasting higher tax expenses at foreign Group subsidiaries, the company still expects a moderate increase in earnings after taxes compared to the previous year (including a non-recurring tax effect in 2017/2018), which is set to rise further in subsequent years.

Industry's first digital corrugated workflow ecosystem boosts productivity and flexibility

HP Inc. announced the HP One Package workflow suite for PageWide Industrial corrugated presses, the industry's first ecosystem for digital corrugated printing. HP One Package offers software and solutions from HP and partners to help converters maximize the flexibility of digital production. HP One Package workflow streamlines submission and preparation of orders, allowing converters to take advantage of an array of digital value-added possibilities, including solutions for brands' consumer engagement and piracy protection using variable data, imagery and unique ID serialization. One Package's production management and automation software also enhances operational performance and optimizes the supply chain. The suite supports a range of industry third-party workflow solutions, including MIS and pre-press, HP's powerful print servers, color management tools, and PrintOS cloud-based management applications.

HP One Package complements HP's growing portfolio of corrugated digital presses, including the HP PageWide C500 press for post-print and HP PageWide T1190 for pre-print.

„HP is revolutionizing corrugated printing with digital flexibility, offering high-volume productivity, food-safe inks, and now a sophisticated and integrated workflow solution to drive corrugated jobs from order to fulfillment,“ said Eric Wiesner, General Manager, PageWide Industrial division, HP Inc. „Whether converters adopt a strategy for digital pre-print or digital post-print, HP One Package provides an in-

egrated set of solutions for end-to-end productivity.”

HP One Package allows converters to unlock the potential of digital print, while integrating HP digital presses into existing production and business workflows. In addition to HP's own workflow components, HP selects and qualifies partners and integrates these products. HP One Package workflow suite includes:

High-performance print servers -featuring high RIP power for demanding post-print and pre-print production. HP Production Prime Print Server is provided on the HP PageWide C500 Press, and HP Production Elite Print Server for the HP PageWide T400S and T1100 series presses. Production Elite also supports high-volume, short-run batch processing of multi-lane jobs.

HP One Package Elite - Automation software for high-volume digital pre-print, providing advanced, on-the-fly layout and corrugator preparation. This software is built upon HP PrintOS Site Flow, HP's leading cloud-based production management solution.

HP PrintOS - HP's open, cloud-based print software platform created for converters to transform the management of IT, production and business, including interaction with brands. HP PrintOS Box simplifies print file receipt, content validation and routing to production. PrintOS Site Flow efficiently manages hundreds of thousands of jobs per day, from web order submission to shipment.

HP Packaging Color Studio - Color management tools and services to meet brand color standards and optimize color results in multiple color modes. HP customers may receive training and color management consulting from HP's workflow partner ColorGATE.

HP SmartStream Designer, HP Mosaic, and HP SmartStream Composer - Variable data printing (VDP) tools to enable sophisticated, high-value jobs for brands. HP SmartStream Designer and HP Mosaic offer unlimited variable data, imagery, and color for high-value brand campaigns. 1 HP SmartStream Composer provides accelerated composition for high volume applications.

HP Link Technology - Embedded marks and codes enable tracking and trac-

ing for brand protection, supply chain efficiency and customer engagement. With unique serialized marks, every package or display can have a unique digital identity.

HP's One Package integrates leading workflow solutions from HP's SmartStream partner ecosystem. Partner solutions now available include ColorGATE, Erhardt+Leimer, Esko, Kiwiplan, PXI Digital (Box It Now), and Witron.

Packaging design workflow management, file creation and pre-press automation solutions from Esko.

MIS connectivity - Automated file submission and control. HP offers application program interfaces (APIs) and software development kits (SDKs), in addition to integration with leading vendors, Kiwiplan and WITRON.

Web2package -a PrintOS-integrated web-to-print portal solution from workflow partner PXI Digital Solutions (Box It Now), enabling converters to reach more end-users, accelerating the design and ordering process.

Corrugator control - Enabling efficient processing of digital pre-printed rolls with integrated solutions from Erhardt+Leimer.

PCMC launches enhanced anti-bounce functionality for Fusion presses

Paper Converting Machine Company (PCMC), part of Barry-Wehmiller, is pleased to announce the launch of SteadyPrint, a new anti-bounce feature that is now part of the Fusion series of flexographic presses. SteadyPrint helps to mitigate the challenges of bounce and further enhance the Fusions ability to produce high-quality output through a wide speed range.

„Printers have historically faced challenges with printing certain bounce-causing attributes of brand images,” shared Dave Wall, PCMC's Printing, Coating and Laminating Value Stream Leader. „Through a complete review of mechanical and controls design, the team has developed a design package that will help to mitigate those challenges.”

SteadyPrint enhances the design of mechanical elements to minimize the effects of forces experienced during

printing. The technology monitors and reduces bounce in real time, reduces press vibration and noise, and allows printing through speed ranges without changing impression.

„PCMC always takes the time to listen to and learn from the industry and our customers,” said Rodney Penning, PCMC's Printing, Coating and Laminating Sales Director. „This new technology is something that our customers were telling us was a need. We're excited to be able to offer this addition to our presses.”

SteadyPrint will be a standard feature on all Fusion presses moving forward. Customers can view this technology in person during Impact, an event hosted by PCMC at its Green Bay headquarters on August 22, 2018.

Zeikon: Triple tour dates

This June, Zeikon is taking its successful Zeikon Café programme on the road in Australia and New Zealand. Three dates have been announced for Sydney, Melbourne and Auckland and they will continue Zeikon's Learn. Connect. Discover. theme. The roadshow will enable both brand owners and converters to explore the digital printing solutions and listen to customer experiences including those of Dr Adrian Steele from the UK's Mercian Labels. It will bring together digital print and packaging experts focusing on topics such as conventional vs digital, where to implement digital and how to sell digital. Attendees will also be able to understand the benefits of a complete printing oriented environment.

The three one-day events will take place in: Sydney: June 18, Melbourne: June 20 and Auckland: June 22.

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