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Corporate News Report

Krones confirms group targets for 2017

- Order intake increased 10.0% to €2,696.8 million in the first three quarters and revenue grew 5.4% to €2,508.9 million. Adjusted for acquisitions, the increase was 5.9% and 3.1%, respectively.
- The EBT increased to €168.0 million for the first three quarters and the EBT margin was 6.7% (previous year: 6.9%).
- From July to September 2017, order intake improved 7.9%. Special items and seasonal factors affected Krones' third-quarter results. Revenue was down 10.5% and the EBT margin declined from 6.9% to 6.4%.
- Krones expects a strong fourth quarter and confirms its targets for 2017. The company expects 4% revenue growth and an EBT margin of 7.0%, excluding effects from acquisitions.

Krones, the world's leading manufacturer of filling and packaging technology, has affirmed its targets for the group for 2017 despite a slightly weaker third quarter. Special items and seasonal factors affected the company's third-quarter results. Quarterly revenue was down 10.5% year-on-year to €733.7 million because the summer revenue slump was as expected especially pronounced this year. The decrease in revenue was also partly due to invoice timing since some projects were completed ahead of schedule, in the first half of 2017. The relatively low revenue figure is also reflected in third-quarter earnings. In the period from July to September 2017, earnings before taxes (EBT) were down 16.5% year-on-year, from €56.3 million to €47.0 million. It should be borne in mind that the drinktec trade fair, the world's largest trade fair for the international beverage and packaging industry, took place in September. The costs associated with it resulted in a charge to EBT in the third quarter in the mid-single-digit millions of euros. That also brought our EBT margin down from 6.9% in the previous year to 6.4%. Order intake was very strong in the third quarter. The contract value of new orders rose 7.9% year-on-year to €17.5 million.

Revenue and order intake increased in the first three quarters of 2017

Krones' revenue in the first nine months of 2017 increased 5.4% year-on-year, from €2,380.1 million to €2,508.9 million. Adjusted for acquisitions, revenue growth came to 3.1%. Revenue growth was stronger than average in the Western Europe, Asia-Pacific, North and Central America, and South America/Mexico sales regions.

Krones' order intake in the first three quarters of 2017 improved 10.0% year-on-year to €2,696.8 million. Adjusted for acquisitions, the increase was 5.9%. Krones' broad international diversification enabled the company to offset temporary declines in ordering volumes in China and North America.

The orders growth was especially strong in Western Europe. Orders on hand at the end of September 2017 were up 14.2% year-on year, from €1,167.0 million to €1,332.6 million.

At 6.7%, the EBT margin is down from the previous year

Earnings before taxes (EBT) increased slightly in the period from January to September 2017, by 2.7% to €68.0 million. As usual, prices provided no support. While earnings improved in the company's core segment, machines and lines for product filling and decoration, and in its smallest segment, machines and lines for the compact class, the process technology segment slipped into the red. At the group level, Krones' EBT margin for the first three quarters of 2017 was down from 6.9% in the previous year to 6.7%. After taxes, consolidated net income was €14.6 million for the period from January to September (previous year: €14.3 million). That corresponds to earnings per share of €3.68 (previous year: €3.65).

The ratio of average working capital for the past four quarters to sales revenue was up slightly in the first nine months of 2017, from 26.3% in the previous year to 26.5%. The return on capital employed (ROCE) decreased to 14.6% (previous year: 15.5%).

Krones confirms group targets for 2017

Krones is expecting a strong fourth quarter of 2017 with a high EBT. Therefore, the company has affirmed its targets for the group for 2017 despite a slightly weaker third quarter. Based on the current macroeconomic prospects and developments in the markets relevant to Krones, the company expects revenue to grow by 4% in 2017. The EBT margin should be stable at 7.0% this year. For its third financial performance target, working capital to revenue, the company is forecasting 27% for the current financial year. Acquisitions are not included in these forecasts.

Krones has published the Quarterly Statement online at <https://www.krones.com/en/company/investor-relations/reports.php>

Key figures for Q1–Q3		1 Jan – 30 Sep 2017	1 Jan – 30 Sep 2016	Change %
Revenue	€million	2,508.9	2,380.1	+5.4
Order intake	€million	2,696.8	2,452.5	+10.0
Orders on hand at 30 September	€million	1,332.6	1,167.0	+14.2
EBITDA	€million	233.7	224.2	+4.2
EBIT	€million	163.1	158.4	+3.0
EBT	€million	168.0	163.6	+2.7
EBT margin	%	6.7	6.9	-0.2 PP*
Net income	€million	114.6	114.3	+0.3
Earnings per share	€	3.68	3.65	+0.8
Capital expenditure for PP&E and intangible assets	€million	74.8	58.2	+€16.6 million
Free cash flow	€million	-242.0	-197.0	-€45.0 million
Net cash and cash equivalents at 30 September**	€million	77.9	121.8	-€43.9 million
Working capital to revenue***	%	26.5	26.3	+0.2 PP
ROCE	%	14.6	15.5	-0.9 PP
Employees at 30 September				
Worldwide		15,174	14,132	+1,042
Germany		10,295	9,959	+336
Outside Germany		4,879	4,173	+706
* PP = Percentage points ** Cash and cash equivalents less debt *** Average of last 4 quarters				

Key figures for Q3		1 Jul – 30 Sep 2017	1 Jul – 30 Sep 2016	Change %
Revenue	€million	733.7	819.8	-10.5
Order intake	€million	917.5	850.1	+7.9
EBITDA	€million	69.3	77.0	-10.0
EBIT	€million	46.0	55.1	-16.5
EBT	€million	47.0	56.3	-16.5
EBT margin	%	6.4	6.9	-0.5 PP
Net income	€million	32.2	39.9	-19.3
Earnings per share	€	1.04	1.27	-18.1

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