

Corporate News Release

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Krones publishes preliminary figures for third quarter and provides guidance for full year 2020

- Due to corona, revenue in the third quarter of 2020 fell 25.0% year-on-year to €750.4 million. Revenue from January to September was down 15.3% to €2,449.0 million (previous year: €2,889.7 million).
- Order intake picked up in third quarter of 2020. At €843.6 million, the contract value of orders was around 37% or €227.4 million higher than in the second quarter. Order intake in the first nine months was down 22.2% overall to €2,300.9 million.
- Systematic cost savings reduced the impact of the revenue shortfall on earnings. Earnings before interest, taxes, depreciation and amortisation (EBITDA), at €147.3 million in the first nine months of 2020, were 10.3% below the previous year's €164.3 million. The EBITDA margin increased to 6.0% (previous year: 5.7%).
- Krones has provided guidance for the 2020 financial year. The Executive Board expects revenue of about €3.3 billion (2019: €3,959 million), representing a decrease of approximately 17%, and an EBITDA margin of 5.5% to 6.0% (2019: 5.7%).

The preliminary figures for the third quarter of 2020 show that the economic consequences of the Covid-19 pandemic are having a major impact on Krones' business. A low order intake due to corona, especially in the second quarter, resulted in poor production capacity utilisation between July and September. Revenue in the third quarter of 2020 fell 25.0% year-on-year to €750.4 million. The Executive Board anticipates that revenue will be higher in the fourth quarter than in the third quarter. Revenue in the first nine months of 2020 went down by 15.3% to €2,449.0 million (previous year: €2,889.7 million).

The many general economic uncertainties are also affecting investment confidence among Krones' customers. On the positive side, order intake picked up significantly in the third quarter compared with the second quarter. Krones received €843.6 million in new orders between July and September. This was 8.2% down on a year earlier but about 37% or €227.4 million more than in the second quarter of 2020. Order intake in the first nine months of 2020 was down 22.2% overall, from €2,957.9 million to €2,300.9 million.

Krones able to limit decrease in earnings with cost savings

Structural measures adopted by Krones had a positive impact on earnings in the first three quarters of 2020. Material and labour costs in particular were significantly lower than in the previous year. Due to the revenue shortfall, earnings before interest, taxes, depreciation and amortisation (EBITDA) for the first nine months were down 10.3% year-on-year to €147.3 million. As a result of systematic cost savings, the EBITDA margin improved to 6.0% (previous year: 5.7%). Earnings before taxes (EBT) fell more sharply than EBITDA, from €61.4 million to €26.7 million. This was mainly due to goodwill impairments of €13.6 million recognised by Krones in the second quarter of 2020. Consolidated net income in the first nine months of 2020 was €17.4 million (previous year: €40.3 million).

In the third quarter of 2020, EBITDA went down to €28.8 million due to the sharp drop in revenue (previous year: €47.4 million). Lower material and labour costs prevented an even larger drop in earnings. The EBITDA margin was 3.8% (previous year: 4.7%). EBT fell from €13.5 million in the previous year to –€5.1 million. Consolidated net income came to –€4.1 million (previous year: €7.0 million).

Free cash flow significantly higher than in previous year

Krones substantially improved cash flow from operating activities and free cash flow in the first three quarters. This was mainly because the company built up significantly less working capital than in the previous year and, as planned, incurred lower capital expenditure. In total over the first three quarters, free cash flow increased by €236.1 million year-on-year to –€58.4 million. Mainly because of the lower revenue, average working capital over the past four quarters as a percentage of revenue fell to 28.3% in the first nine months of 2020 (previous year: 25.8%).

Krones provides guidance for full year 2020

Global uncertainties due to the Covid-19 pandemic meant that it has not previously been possible for Krones to provide reliable forecasts for the 2020 financial year. Based on the preliminary figures for the first three quarters of 2020 and the current economic environment, the company is now providing guidance for 2020 at group level for the main financial performance indicators.

For the Krones Group in the full year 2020, the Executive Board expects revenue of about €3.3 billion (2019: €3,959 million), representing a decrease of approximately 17%, and an EBITDA margin of 5.5% to 6.0% (2019: 5.7%). This guidance does not include any one-off expenditure for impairments and structural measures for capacity adjustment.

If further countries and regions impose lockdowns, partial lockdowns or travel restrictions, this could negatively impact the completion of orders and order intake and consequently have a negative influence on Krones' financial performance.

Krones publishes its quarterly statement for the third quarter of 2020 online on 12 November 2020 at <https://www.krones.com/en/company/investors.php>.

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