



Krones Q1 2023

Conference Call May 05, 2023

Christoph Klenk, CEO

Uta Anders, CFO

Krones starts with a very strong first quarter in the year 2023. All key factors are in expected ranges to reach the 2023 guidance



Order intake in first quarter 2023 still on a very high level and with €1.51 billion just slightly below the all-time high of Q1 2022 (€1.55 billion).

Order backlog is 9% above prior year (31.12.2022) and 54% above 31.03.2022. This leads to a workload till 2024 and above.

The order pipeline is still very good and the strong market development continues.

Revenue growth in first quarter 2023 by 21.4% yoy to €1.2 billion and so above the actual target range (8% to 11%). Revenue of Q1 2023 is at slightly above Q4 2022.

Free cash flow was slightly negative (-€21 million) and has to be seen in relation with extraordinary strong values of 2022.

ROCE increased from 11.7% to 17.8% in Q1 2023 and is also above the 2023 target range (15% to 17%).

In Q1 impacts of price increases (August 2021) are included, which compensated the rising material costs plus performance improvements.

EBITDA increased by 32% in Q1. **EBITDA margin** of 9.6% was strong above prior year margin of 8.8%.

EBITDA margin is in the range of the full year target of 2023 (9% to 10%).

Despite various global challenges, Krones plans a **growth in revenues** in 2023 in a range from **8% to 11%**.

Krones expects further profitable growth in 2023 and so an **EBITDA margin target** from **9% to 10%**.

For the third key figure, the **ROCE**, Krones anticipates a range from **15% to 17%** in 2023.

With the targets Krones is fully in line to reach midterm profitability target of 10% to 13% by 2025 at the latest.

Krones highlights Q1



+€1,51 billion

Order intake

(PY +€1,55 billion)

+21.4%

Revenue

€1,199 million

9.6%

EBITDA margin

(PY 8.8%)

-€21 million

Free cash flow

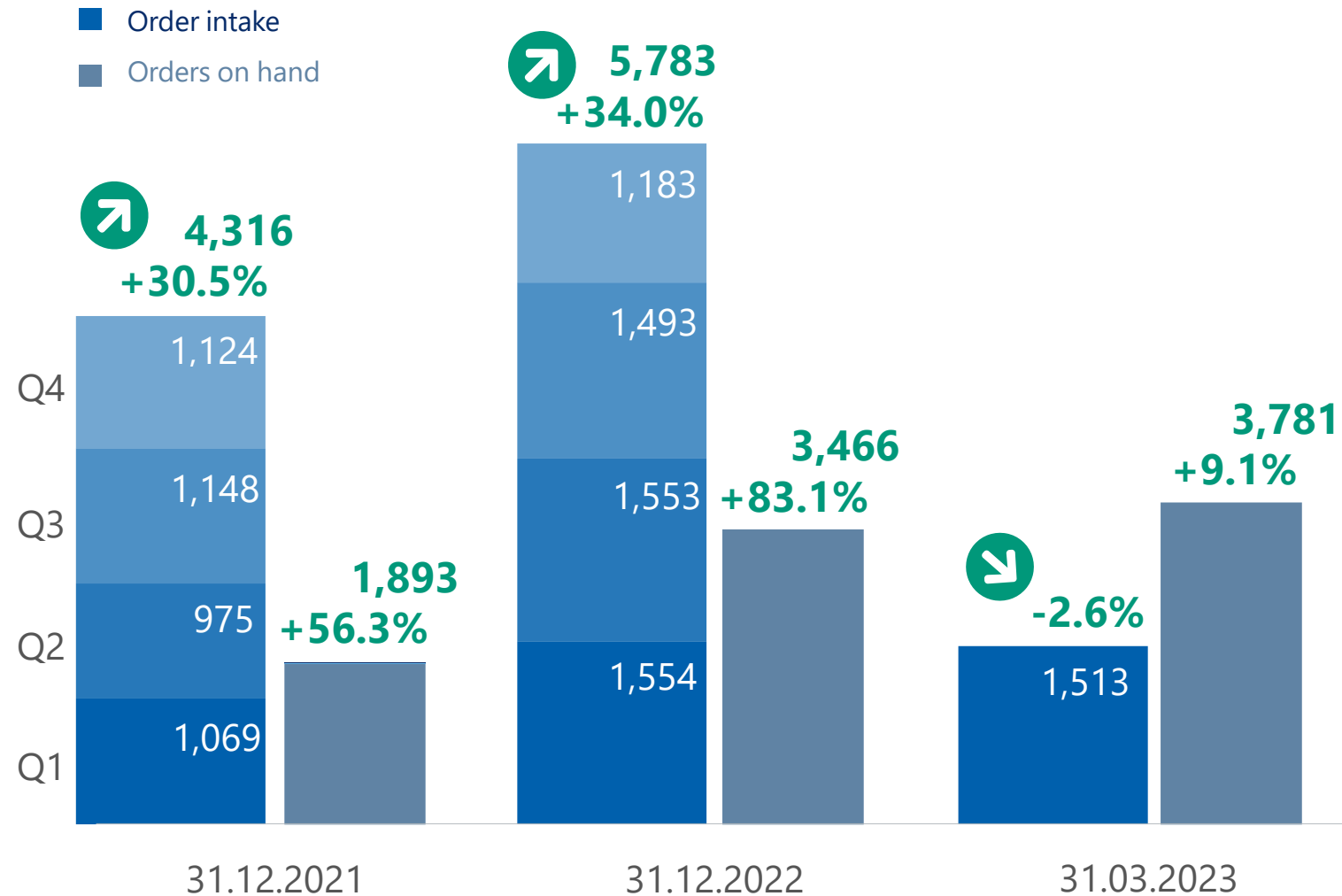
(PY +€77 million)

Order intake and orders on hand (€ million)







Market demand still very high. Strong order intake in Q1 2023 and orders on hand on all time high

- In first 3 months 2023 the order intake was with €1.51 billion slightly below (-2.6%) the very strong amount of prior year
- The demand in the market is still pretty strong and we see also for the full year a good order intake situation, but below the unusual amount of FY 2022
- With a book-to-bill ratio of 1.3x the orders on hand at 31.03.2023 was 9.1% above the very high amount at year end 2022 (€3.5 billion; +83.1%) and 53.7% above 31.03.2022 (€2.5 billion). Delivery times are >75 weeks at the moment



Customer expectations our top priority – Product Overview




Bottling and Packaging	
Line type	Global Position
PET lines 	1
Glass lines 	1
Can lines 	1
Aseptic Lines 	1 or* 2
Lifecycle	1

* depending on regions


Process Technology

- Aseptic solutions: gaining market share
- Energy saving solutions: Pipeline growing
- Components: Pump business acquired (Ampco)



Intralogistics

- Project volume: Asia growing (India)
- Sortemate: New Order Execution System Order pipeline growing

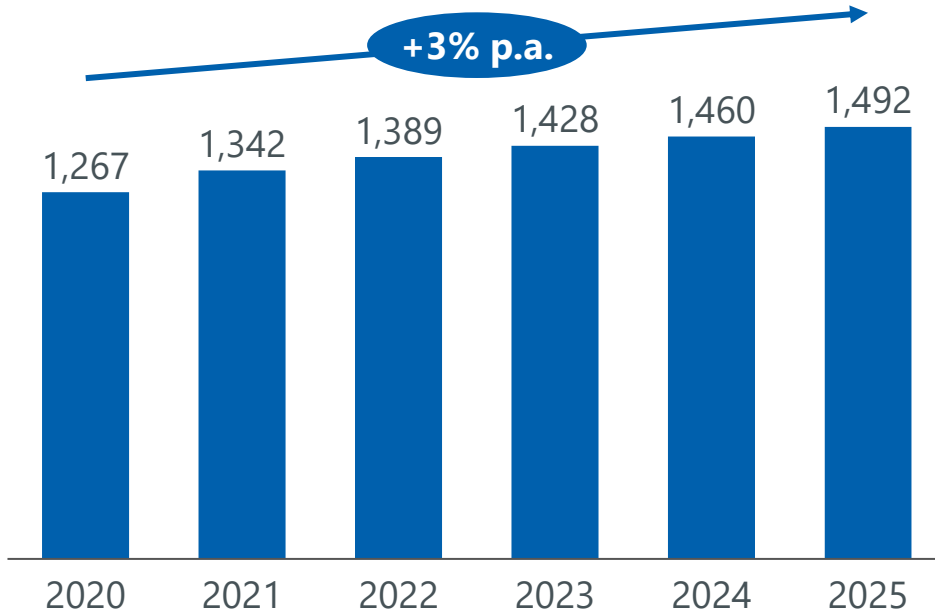


Krones markets provide continuous and sustainable growth



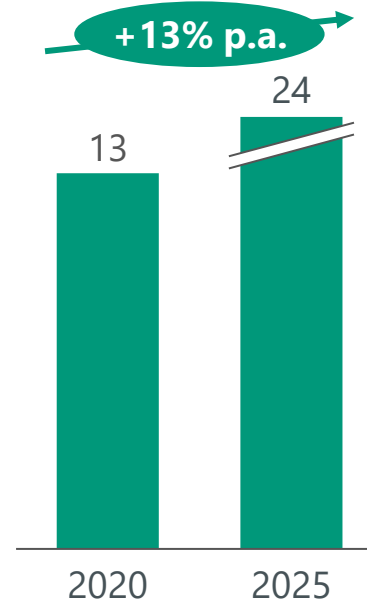
Beverage Consumption

Global volume, bn liters¹



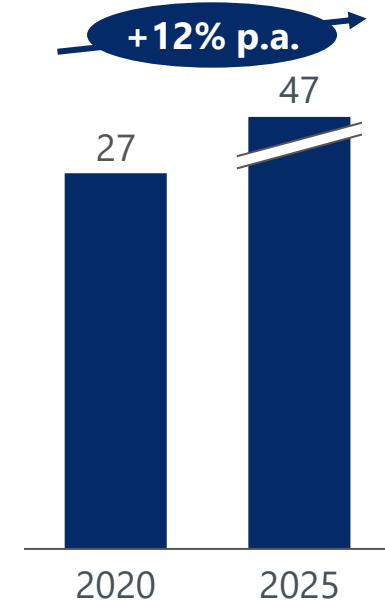
Alternative Proteins

Global consumption, bn tons²



Intralogistics

Warehouse Automation market, bn €³



Bottling and Packaging





Processing

Intralogistics

Sources: 1. Global Data 2. BCG, 2021 3. BNP Paribas, 2022 (own extrapolation)

Steering sustainability transformation and performance

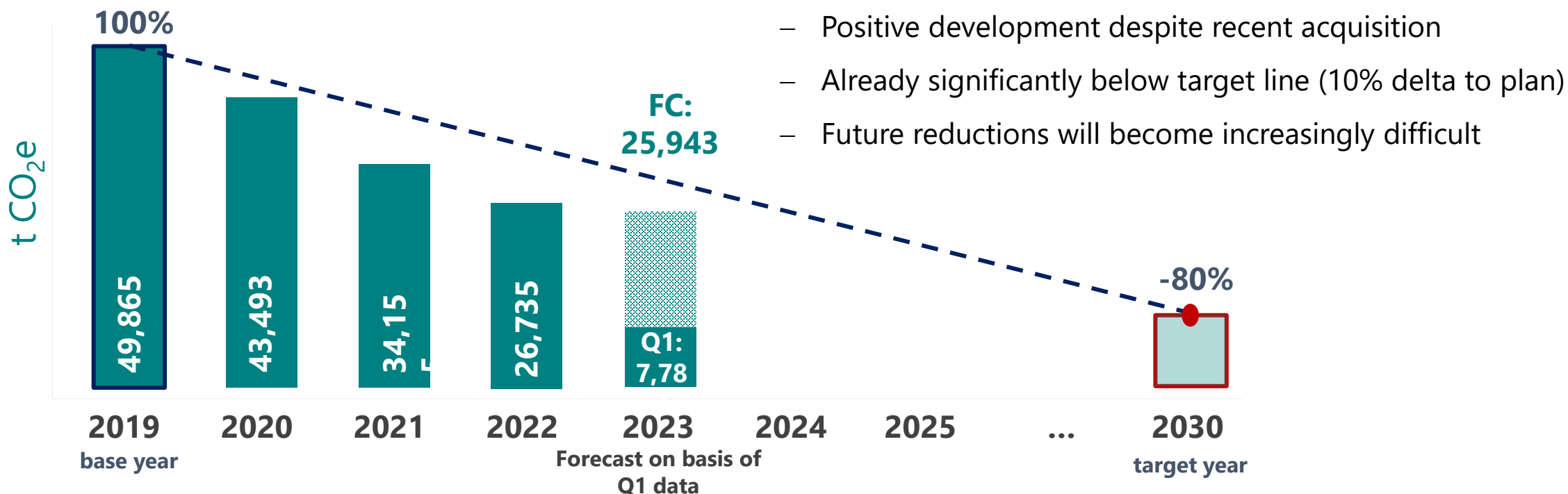


Challenges	 ESG performance	 Climate Change	 Plastic Littering	 Feeding the World
Solutions	Sustainable Value Chain	Energy and Media	Circular Economy	Sustainable Food
Next Steps	<ul style="list-style-type: none"> – Pursuing a Net Zero Emissions Target – Assessing suppliers by their sustainability performance – Implementing transformation matrices for each material topic to reach Sustainability Goals 2030 	<ul style="list-style-type: none"> – Future Line concepts with growing order perspective – Green Consulting activities with additional manpower – Focus on projects for energy and media savings 	<ul style="list-style-type: none"> – Strengthen Recycling solutions – Handling of additional plastics volume (e.g., HDPE, LDPE) – Carve out of the existing recycling business for strong growth 	<ul style="list-style-type: none"> – Focusing on plant-based drinks and food – Enhancing technology to reduce losses within the production process – Pushing forward aseptic filling
Commitments	- 80% CO₂ reduction at Operations Scope 1 & 2	-25% CO₂ reduction Scope 3	>50% of plastics volume recycled by Krones	Market leader in plant-based drinks and aseptics

Focus on carbon emissions (Scope 1+2)



Continue reducing our on-site emissions according to our climate target



By achieving our forecast value for 2023 we would reach a reduction of 48% from our base year 2019.

External recognition for Sustainability Performance



Krones has recently been listed as “Europe’s Climate Leaders 2023”

For the third time, Financial Times and Statista have evaluated the climate strategies and carbon reduction performance of companies in Europe. Krones is one of 500 companies identified as “Climate Leader” based on scientific criteria.

Climate change [+ Add to myFT](#)

Europe’s Climate Leaders 2023: interactive listing

For the continent’s carbon emitters, the heat is on — but some are doing better than others in reducing their footprint

Krones	Germany	Engineering & manufacturing	63.7	15.8%	5.4	19,584	43.4%	No	B	Targets set, 1.5°C
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<https://www.ft.com/climate-leaders-europe-2023>



Revenue per region reflects a strong growth in 1st quarter in North and South America and in APAC; all in all the revenue split remains well balanced



Share of sales (Q1)

North and Central America

2021	2022	2023
20.6%	20.8%	24.5%

Europe

2021	2022	2023
33.5%	32.7%	30.9%

**Eastern Europe/
Russia/Central Asia**

2021	2022	2023
7.3%	6.3%	5.5%

China

2021	2022	2023
6.0%	10.2%	6.0%

**Middle East/
Africa**

2021	2022	2023
14.2%	12.3%	9.7%

South America

2021	2022	2023
9.3%	7.3%	10.3%

Asia/Pacific

2021	2022	2023
9.1%	10.4%	13.1%

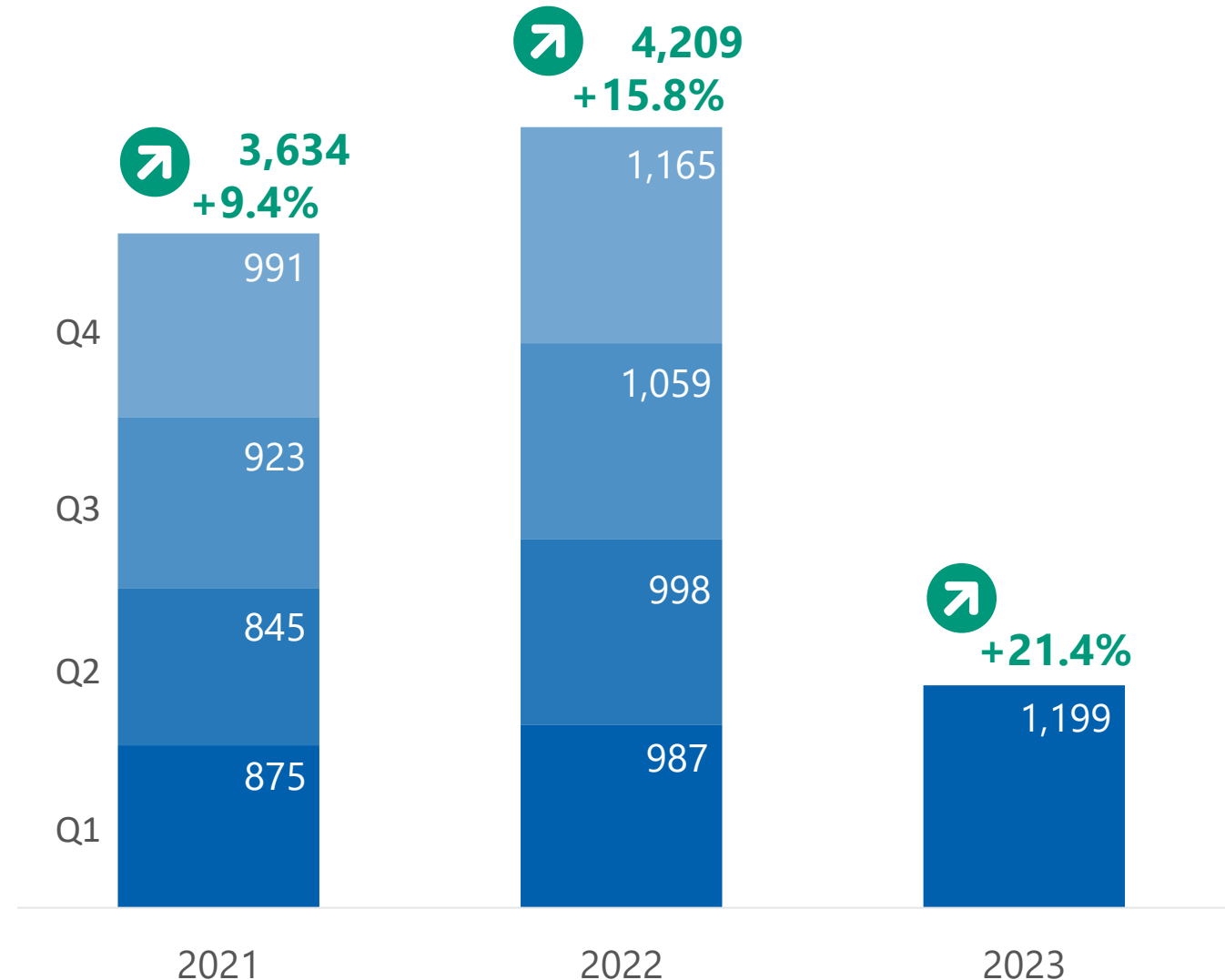
Revenue development by quarter (€ million)



Strong sales growth in Q1 2023 (+21.4%) above the target for full year 8%–11%

- Revenue in Q1 2023 with €1,199 million is the highest revenue achieved in a quarter
- Revenue in Q1 2023 was increased by 21.4% compared to prior year and slightly above (+2,9%) revenues of Q4 2022 (€1,165 million)
- Due to longer lead times, the enforced price increase of August 2021 (6% for all bottling and packaging equipment and for process technology) is reflected in the sales of Q1 2023

The limited factor for the production processes are still the actual supply chain shortages. An improvement seems realistic in the 2 HY 2023

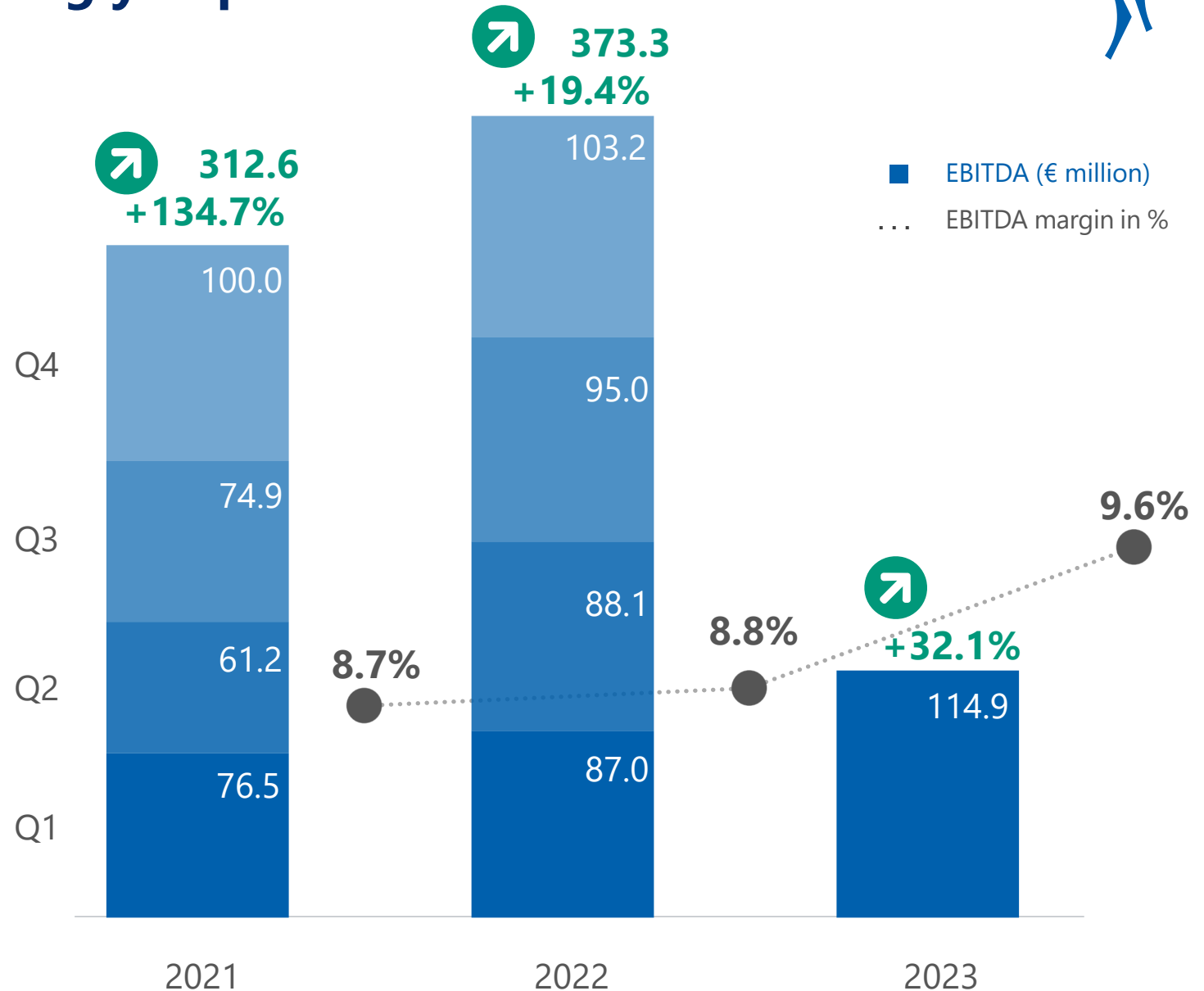


EBITDA and EBITDA margin strongly improved (€ million and %)



EBITDA at €115 million (+32%) and a EBITDA margin at 9.6%

- As a result of performance optimizations EBITDA increased by 32.1% so more than revenue increase (21.4%)
- EBITDA margin increased from 8.8% to 9.6% and fully in line with our margin outlook for the full year (9% to 10%)
- With the actual targets (9% to 10%) Krones is fully in line to reach midterm profitability target of 10% to 13% by 2025 at the latest



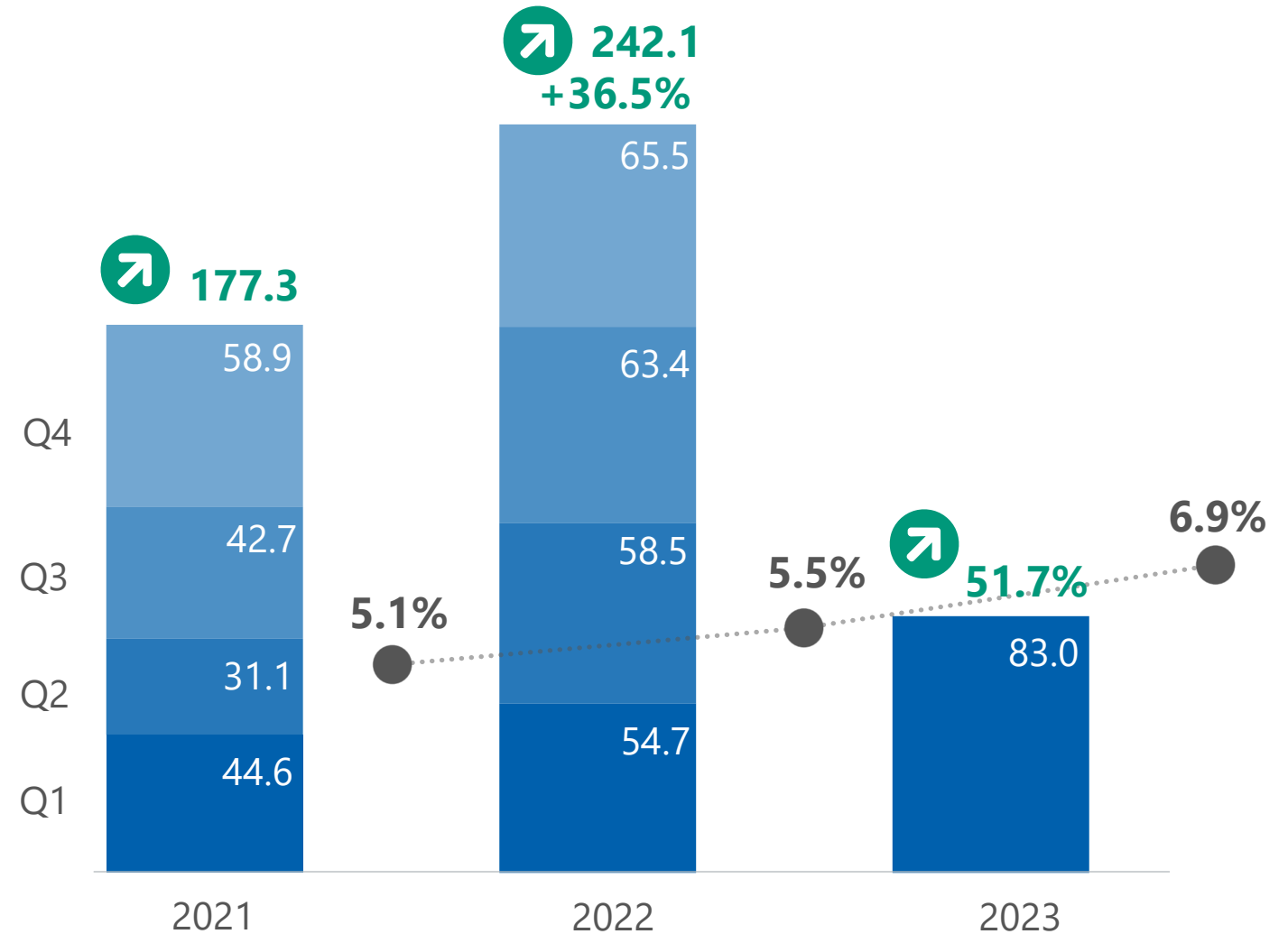
EBT and EBT margin by quarter (€ million and %)



EBT at €83 million(+52%) and EBT margin strongly increased to 6.9%

- EBT also increased very strong with 51.7% in Q1 2023 and with a margin of 6.9%, which is far above prior year (Q1 2022: 5.5%)
- EBT also influenced by a good financial income, which includes positive interests effects
- EBT margin is in line with full year expectations for 2023

■ EBT (€ million)
 ... EBT margin in %



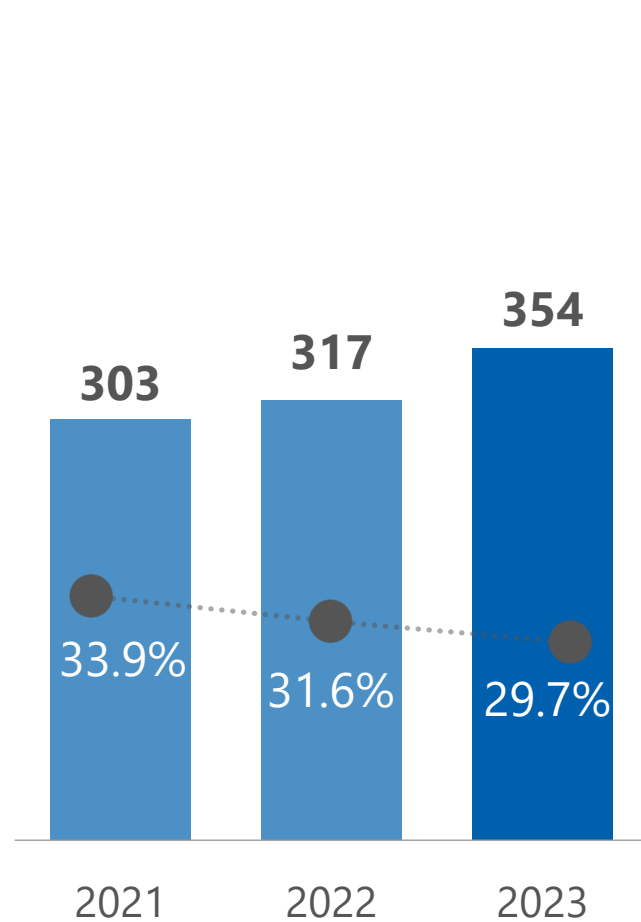
Personnel and material expenses Q1 (€ million and %)



- **Personnel cost** ratio with 29.7% clearly better than last year (31.6%) but on the level of full year 2022 (29.8%). Positive effects from the fully implemented structural measures were already completely in the P&L in 2022
- Despite increasing **material costs** and higher new equipment business (with higher material ratio) the material cost ratio overall was at 49.5% (vs. Q1 2022 with 48.4%). The ratio was stable vs. full year 2022 ratio (49.7%)

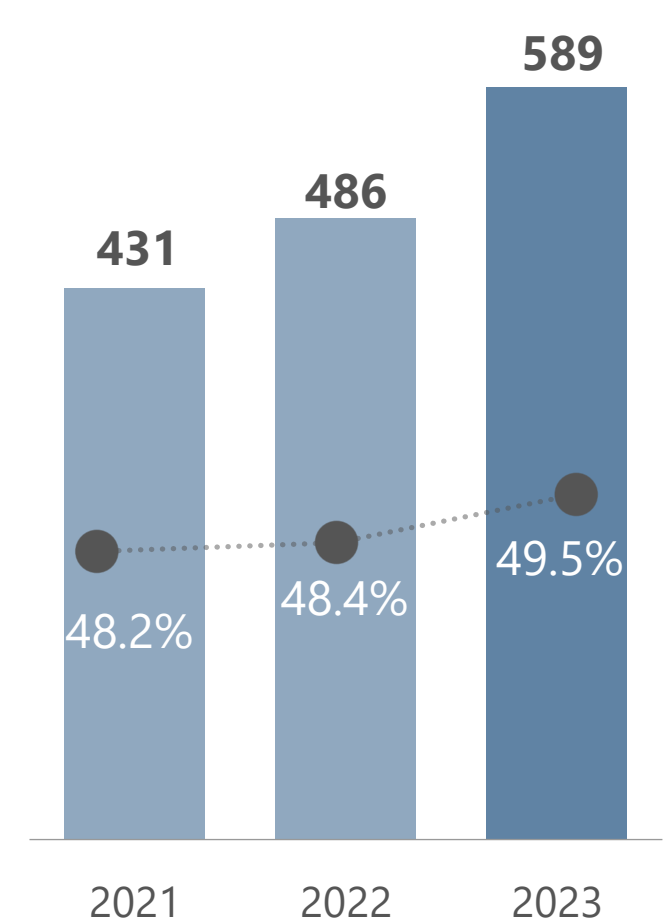
Further cost increases in both cost categories are and will be compensated by the implemented price increases (August 2021 and April 2022)

Personnel cost Q1 (€ million)



- Personnel expenses to total performance (%)

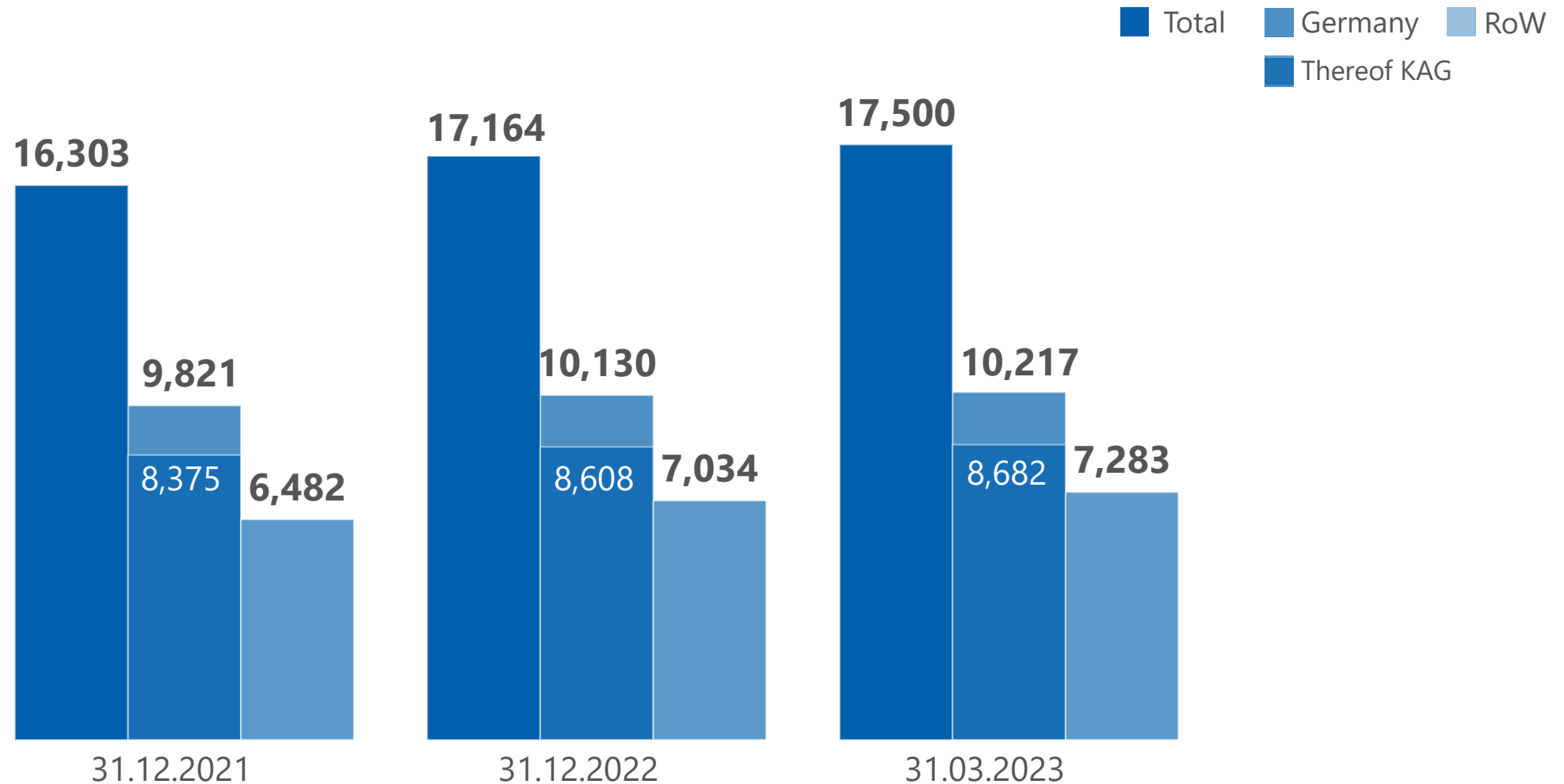
Material cost Q1 (€ million)



- Material expenses to total performance (%)

Krones employees worldwide –

slight growth in Germany (mainly at KAG) in Q1 2023 after prior years capacity adjustment programs and a further growth in the rest of the world



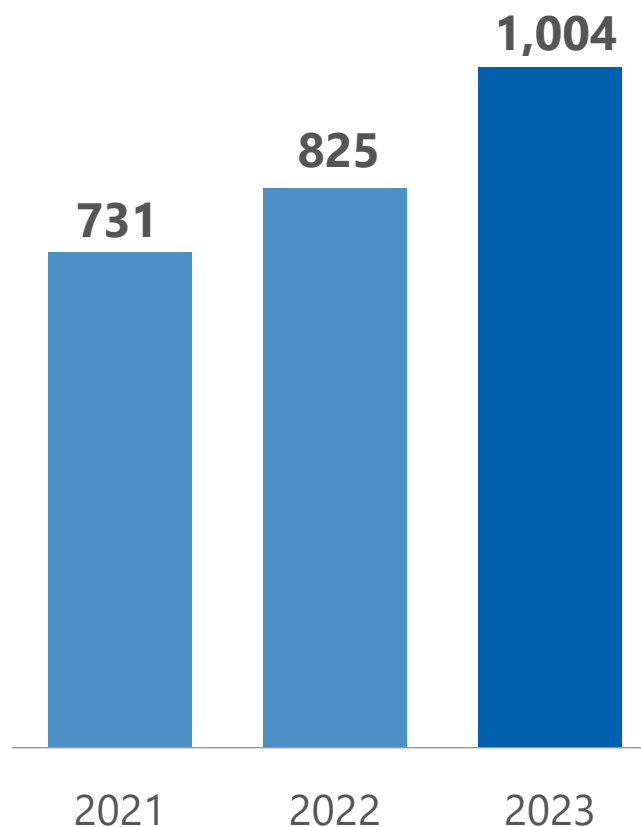
Revenue and EBITDA per segment



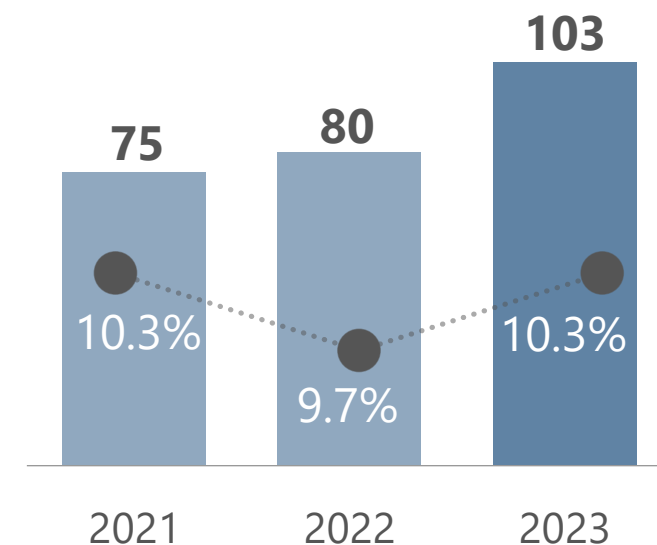
Filling and Packaging Technology

- Increase in **revenue** (+21.7%) are nearly at group level and also above the target for 2023 (7% to 9%). Revenue growth is driven primarily by new equipment sales
- Positive effects from structural measures plus increasing efficiency in production cycles result in **EBITDA margin** of 10.3% which is above prior year (9.7%)
- Price increase of August 2021 enabled Krones to limit the impact of higher material costs
- EBITDA margin is full in line with expectations (target 2023: 9%-11%)

Revenue development Q1
(€ million)



Segment EBITDA (€ million) and
EBITDA margin (%) Q1



Revenue and EBITDA per segment

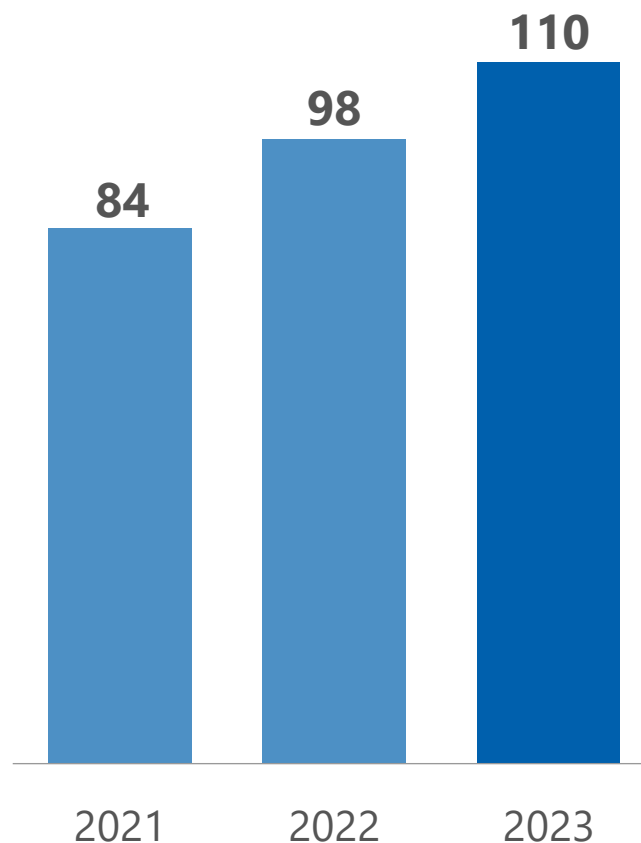


Process Technology

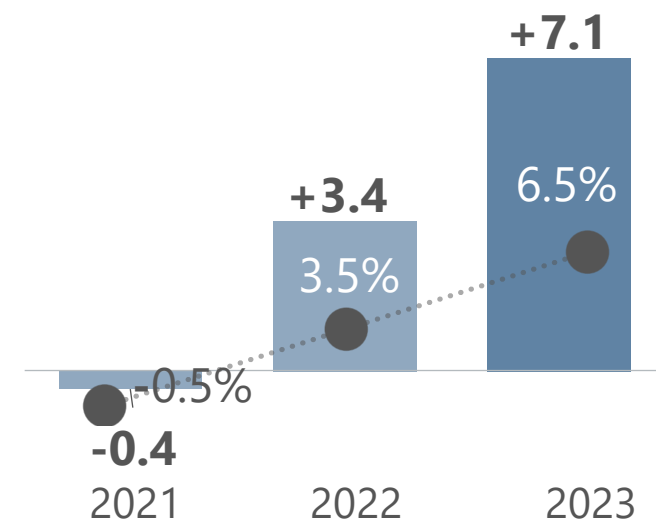
- **Revenues** increased vs. prior year by 12% and regarding seasonal effects fully inline with the guidance revenue growth in 2022 (15% to 20%)
- **EBITDA margin** with 6.5% is in line with full year target (6% to 7%)

This segment represents the business with products and services for producing and processing of beer, soft drinks and sensitive products like dairy products, fruit juices and plant based products

Revenue development Q1
(€ million)



Segment EBITDA (€ million) and EBITDA margin (%) Q1



Revenue and EBITDA per segment

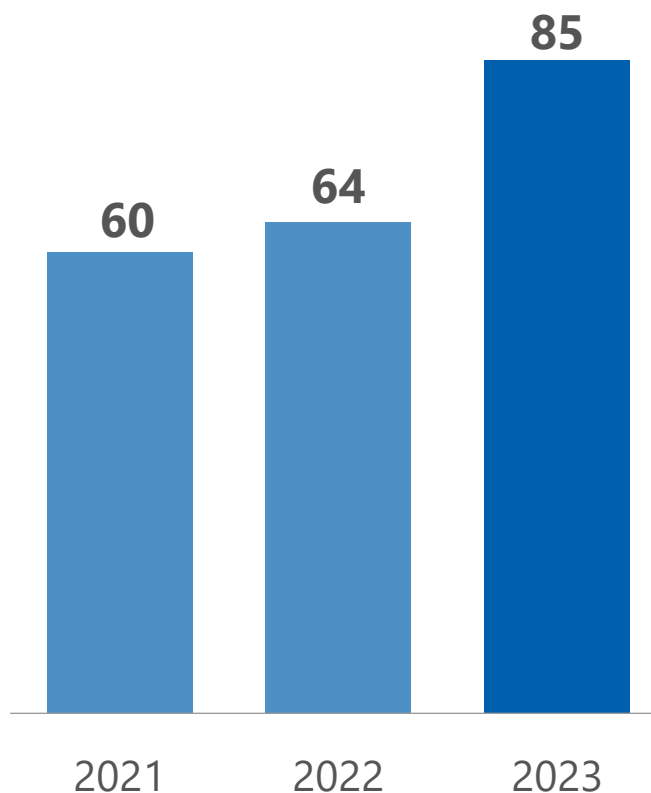


Intralogistics

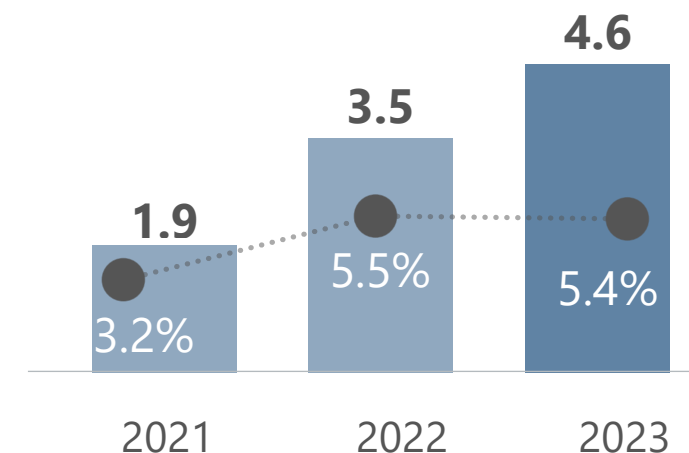
- **Revenues** in the intralogistics segment are influenced by seasonal effects. The growth in Q1 2023 of 33,3% yoy, results mainly from a base effect. Segment revenues are still in line with growth target of 10% to 15%
- **EBITDA margin** with 5.4% in Q1 2023 below the full year target (6% to 7%) but in the HY 2 stronger margin development is predicted

This segment represents the business with intralogistics solutions of Krones for the beverage industry as well for other industries

Revenue development Q1
(€ million)



Segment EBITDA (€ million) and
EBITDA margin (%) Q1

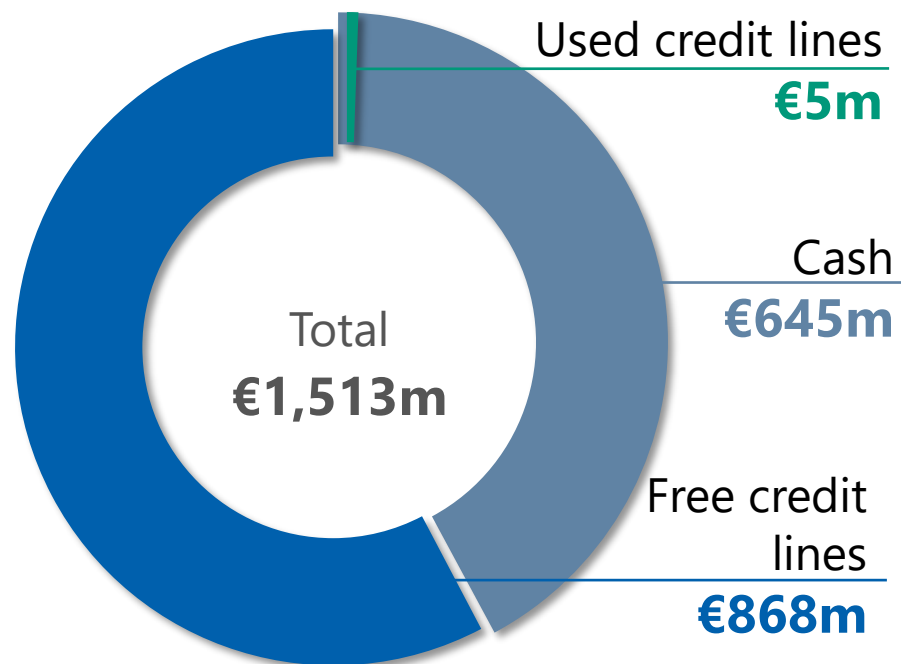


Krones financially very strong; resilient capital position of Krones to withstand volatile world economy developments

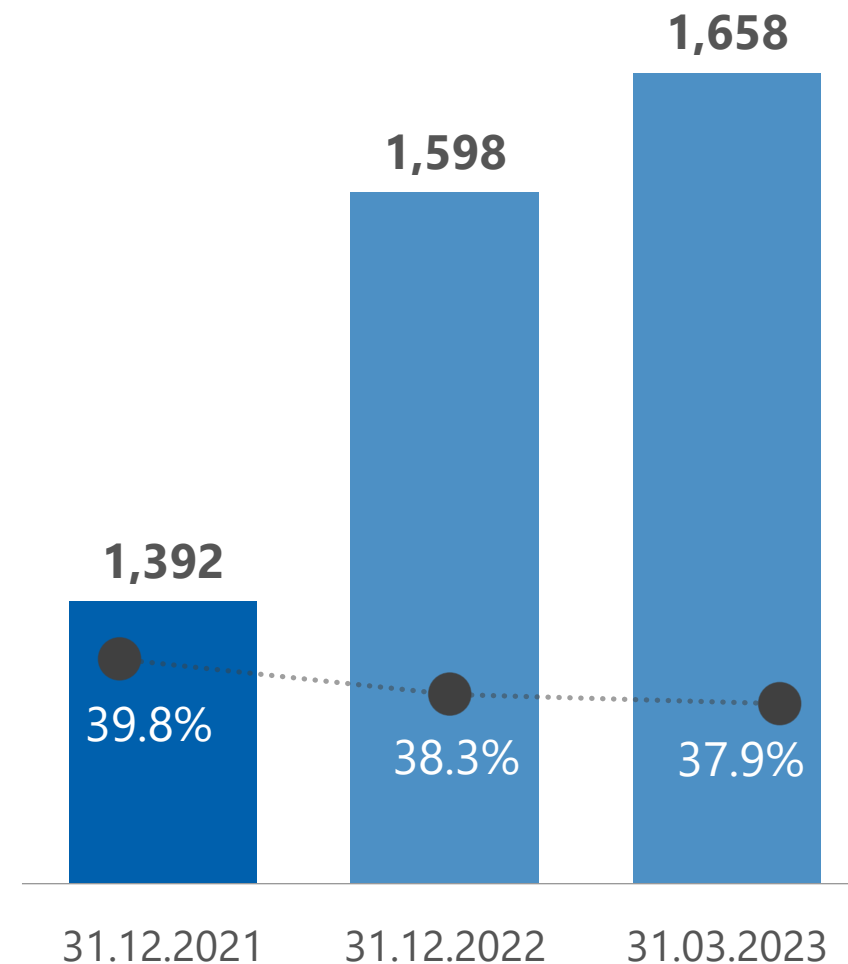


- Strong cash position of €645 million and also free credit lines of approx. €870 million reflects the extremely strong **financial position** of Krones
- **Equity** increased by €60 million or 3.8% within 1 quarter
- Despite the increased business activity in Q1 2023 (+21.4% in revenues) the balance sheet amount increased just by 4.9%
- As a result **equity ratio** decreased from 38.3% to 37.9% in the actual quarter, but is still very strong

Liquidity reserves
Q1 2023 ~ €1.5bn



Equity (€ million) and equity ratio (in %)



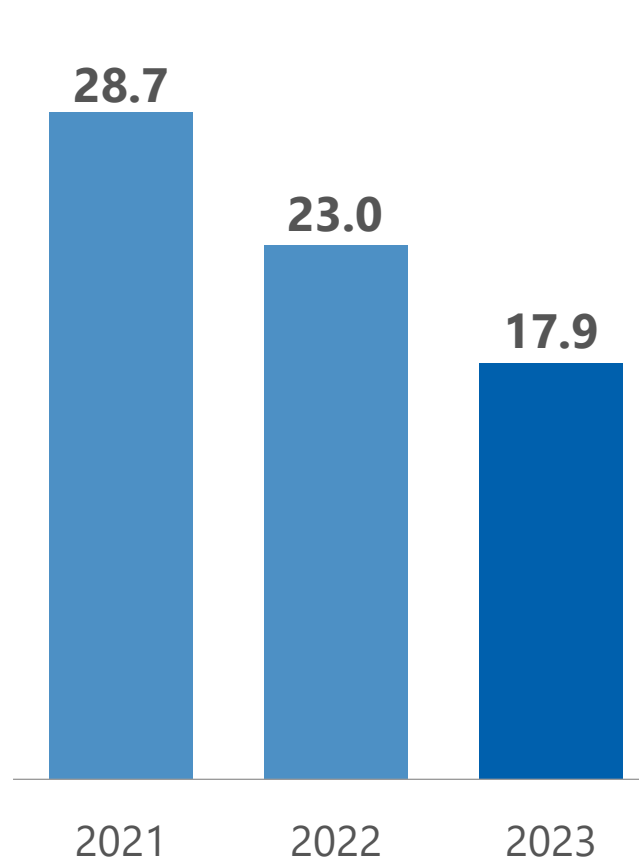
Working Capital Q1 (in %)



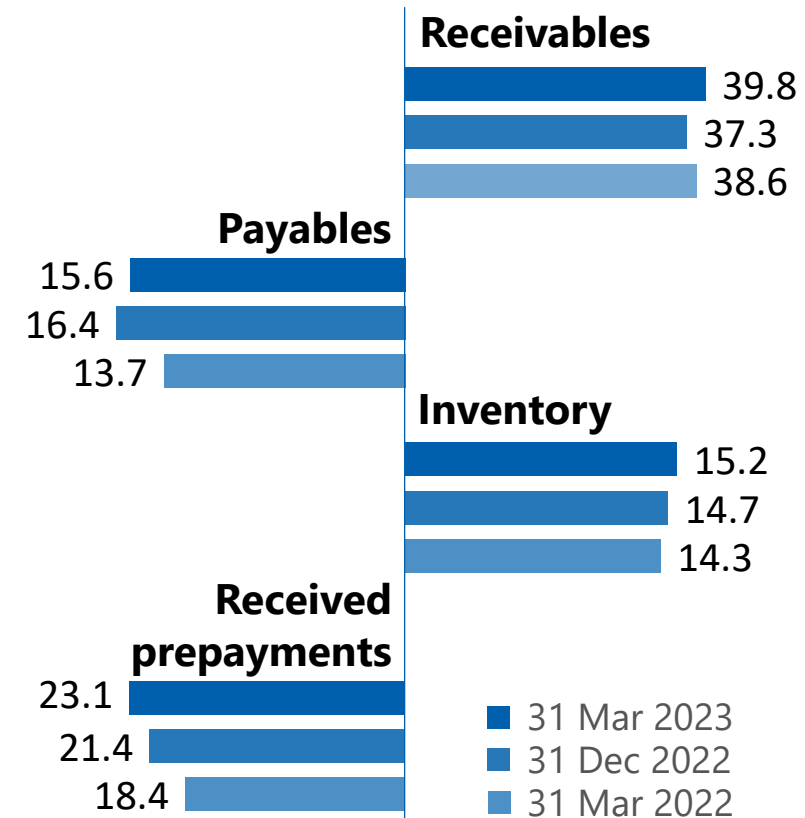
Further strong decrease in Working Capital with 17.9% vs. 23.0% Q1 2022

- As a result of higher business activities (revenues +21.4%), **receivables** increased by +2.5% in Q1. The **payables** were stable in Euro amount but decrease by -0.8% relating to revenues
- The increase in **inventory** (+0.5%) results mainly from efforts to strengthen supply chain (safety stock) and higher paid prepayments
- Based on further strong order intake the received **prepayments** show a positive impact on Working Capital in Q1 by +1.7% vs. prior year 2022
- The average **working capital ratio** of Q1 2023 was with 17.9% lower than average at year-end 2022 (19.0%) and primarily influenced by the strong prepayments

Working Capital of revenue Q1 (% , average over four quarters)



Part of Working Capital in % of revenue (last 12 months)



Free cash flow Q1



Cash flows of Q1 2023 must be seen in relation of extraordinary strong 2022

- **Operating activities** with €14 million in Q1 2023 (vs. €101 million Q1 prior year) were influenced by stronger EBT but also by nearly stable non-cash changes. The working capital increased by €122 million Q1 2023 has a significant effect. The other assets and liabilities include mainly tax payments and other cash relevant movements
- **Investing activities with** €35 million 35% above prior year (€26 million) includes seasonal fluctuations and catch-up effects from prior year
- **Financing activities** include mainly payments for leasing

(€ million)	2023	2022
Earnings before taxes (EBT)	83.0	54.7
+/- Other non-cash changes	+88.7	+95.9
+/- Change in Working Capital	-121.8	-48.7
+/- Other assets and liabilities	-36.2	-0.6
Cash flow from operating activities	13.7	101.3
+/- Capex	-35.2	-26.0
+/- M&A-Activities	0.0	0.0
+/- Other	+0.5	+2.1
Free cash flow	-21.0	+77.4
+/- Financing activities/Others	-8.8	-8.1
Net change in cash	-29.8	+69.3
Cash at the end of period	644.7	452.7

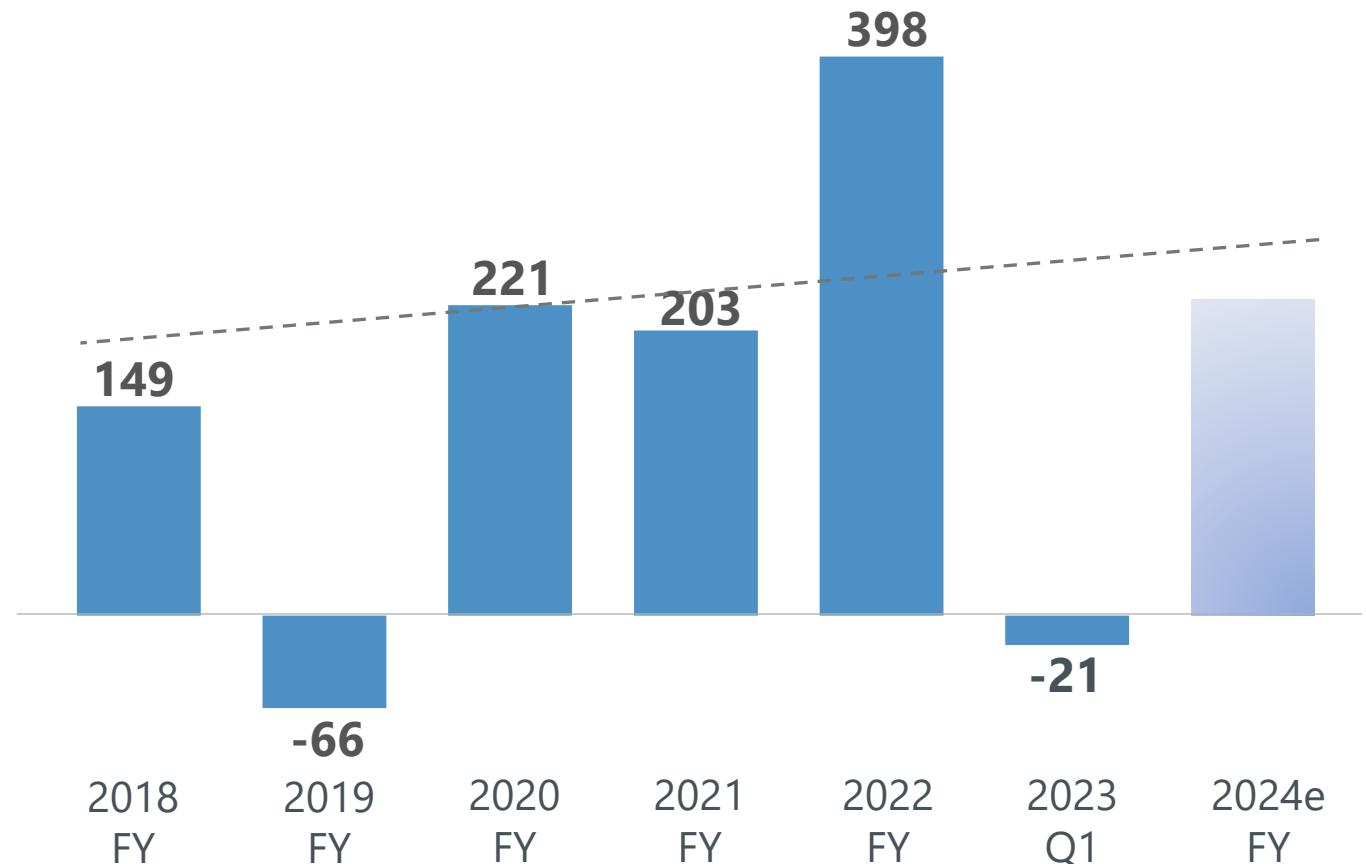
Free cash flow



Free cash flow and cash conversion rates of Q1 2023 and FY 2022 must be considered together

- Free cash flow in 2023 is influenced by a rising Working Capital based on stronger operative activities
- Based on a negative Free cash flow, also the **Cash conversion rate** in Q1 2023 was slightly negative (-33%). In 2022 it was at extraordinary high lever (213%)
- **Both, Free cash flow and the cash conversion rate at Q1 2023 must be considered in the context of the extraordinary high values of 2022.**
- **In 2024 a significant increase to a normal level is planned for the Free cash flow**

Free cash flow (without M&A) in € million

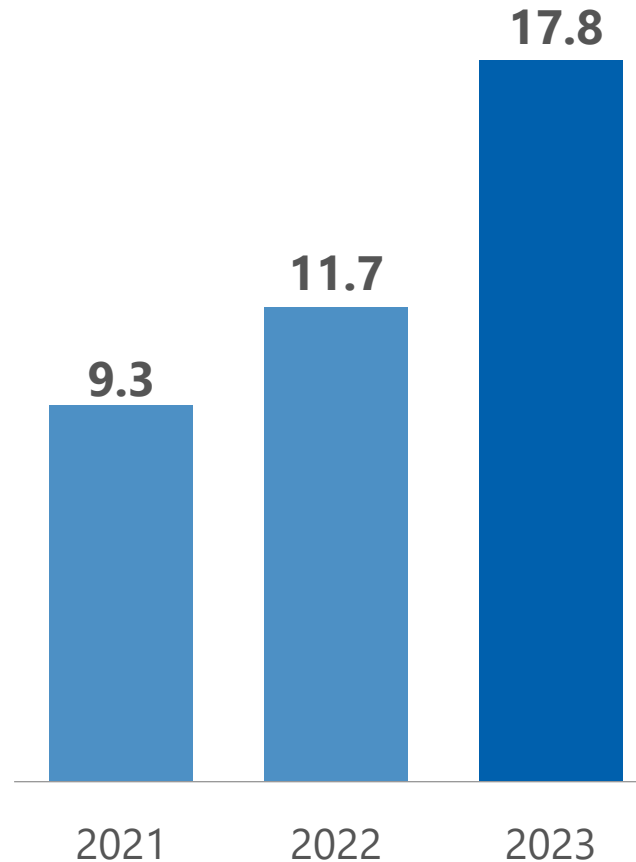


ROCE



- **ROCE**, as the third target figure, is with 17.8% slightly better than expectations for FY 2023 (15% to 17%) and also better than 14.1% of full year 2022
- The positive development of the last years mainly based on higher earnings
- This earnings increases will compensate the further in the working capital and the fixed assets developments
- Actual figures are full in line with expected target of 2023 (15% to 17%) and in line to reach midterm target of more than 20% by 2025

ROCE Q1 2021 – 2023* in %



* ROCE without one-offs and goodwill and financial assets



Outlook 2023

Krones Outlook 2023 – a strong confirmation in still challenging times



8% – 11%

Revenue growth

9% – 10%

EBITDA margin

15% – 17%

ROCE

Key assumptions:

1. No further escalation of Russia-Ukraine conflict
2. No geopolitical escalations, e.g. China/Taiwan

Global supply chain shortages and interruptions, strong inflation in many countries, political risks in Europe and other parts of the world as well as exchange rate volatilities and remaining pandemic uncertainties create a challenging business environment for 2023.

Krones Outlook 2023 – Segment targets



	Filling and Packaging Technology	Process Technology	Intralogistics
Revenue growth	7% – 9%	15% – 20%	10% – 15%
EBITDA margin	9% – 11%	6% – 7%	6% – 7%

Key take aways



1. Very high order intake and order backlog – excellent base for 2023 and 2024 and relevant price increases are imposed
2. Strong improvement in profitability, due to efficiency improvement measures and strong service business in all regions
3. After an excellent free cash flow generation in 2022, the free cash flow in 2023 is influenced by rising working capital
4. Global supply chain situation very challenging – improvements before mid 2023 not expected
5. Guidance for 2023 includes a further development to reach mid-term targets



Questions and Answers



Thank you
for your attention!

Financial calendar 2023/2024



August 1, 2023	Conference Call Group Quarterly statement for the period from 1 January to June 30, 2023
November 3, 2023	Conference Call Group Quarterly statement for the period from 1 January to September 30, 2023
February 22, 2024	Conference Call Group Preliminary figures for the period from 1 January to December 31, 2023
May 3, 2024	Conference Call Group Quarterly statement for the period from 1 January to March 31, 2024
July 31, 2024	Conference Call Group Quarterly statement for the period from 1 January to June 30, 2024
November 5, 2024	Conference Call Group Quarterly statement for the period from 1 January to September 30, 2024



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