Krones First Half Year 2023

Conference Call August 01, 2023

Christoph Klenk, CEO
Uta Anders, CFO

Krones reports a strong first half year 2023. Revenue guidance raised to 11% to 13%; All key factors are in the expected ranges

Order intake with €2.7bn in first 6 months 2023 just 10% below the all-time high of HY1 2022 (€3.1bn).

Order backlog with a book-to-bill ratio of 1.2x increased again and is 13% above the previous year (31.12.2022) and 30% above 30.06.2022. This leads to a workload till 2024 and beyond.

Based on customer feedbacks a further investment development in sustainable and digitalized solutions is expected also midterm

Revenue growth in first 6 months 2023 by 16.9% yoy to €2.3 billion. Supply chain shortages are still the restricted factor for higher productivity.

Free cash flow was negatively influenced by high working capital and so on a negative level (-€131 million). For HY2 a positive development is expected.

ROCE increased from 11.8% to 17.8% in HY1 2023 and is also above the 2023 target range (15% to 17%).

In HY1 impacts of price increases (August 2021) are included, which compensated the rising material costs plus performance improvements.

EBITDA increased by 26% in HY1. **EBITDA margin** of 9.5% 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%).

Krones has **increased target in revenue growth** for 2023 to a range of **11% to 13%** (prev. 8% to 11%).

Krones **confirms EBITDA margin target** of **9% to 10%.**

For the third key figure, the **ROCE,** Krones anticipates and so **confirms** a range of **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 1st HY 2023

€2,79 billion

Order intake

(PY +€3,11 billion)

+16.9%

Revenue

€2,321 million

9.5%

EBITDA margin

(PY 8.8%)

-€131 million

Free cash flow
w/o M&A

(PY +€68 million)

Order intake and orders on hand (€ million)

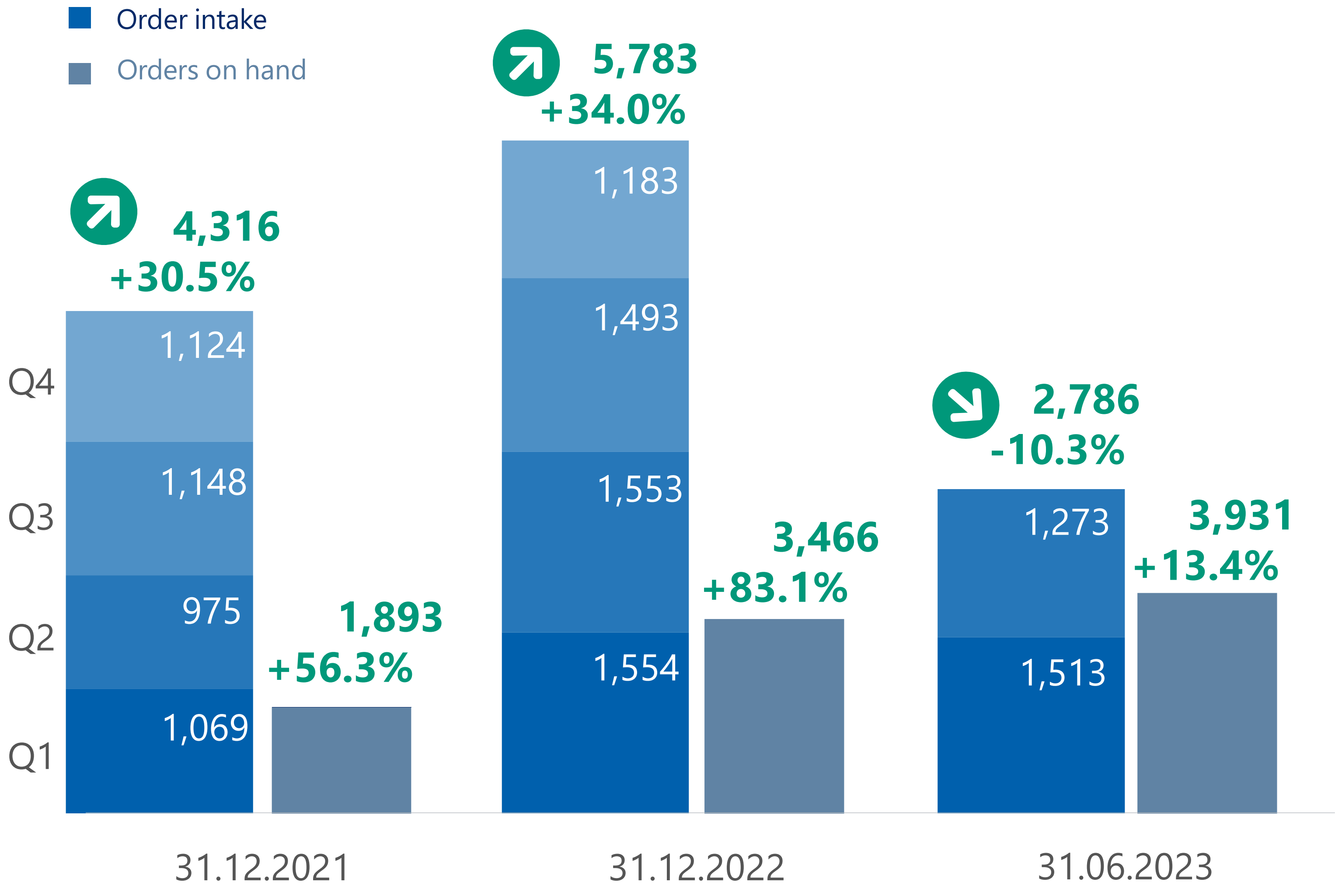
Market demand still very high. Strong order intake in HY1 2023 and orders on hand increased again

– In the first 6 months 2023 the order intake was at €2.79 billion, i.e., only 10.3% below the very strong level of the previous year

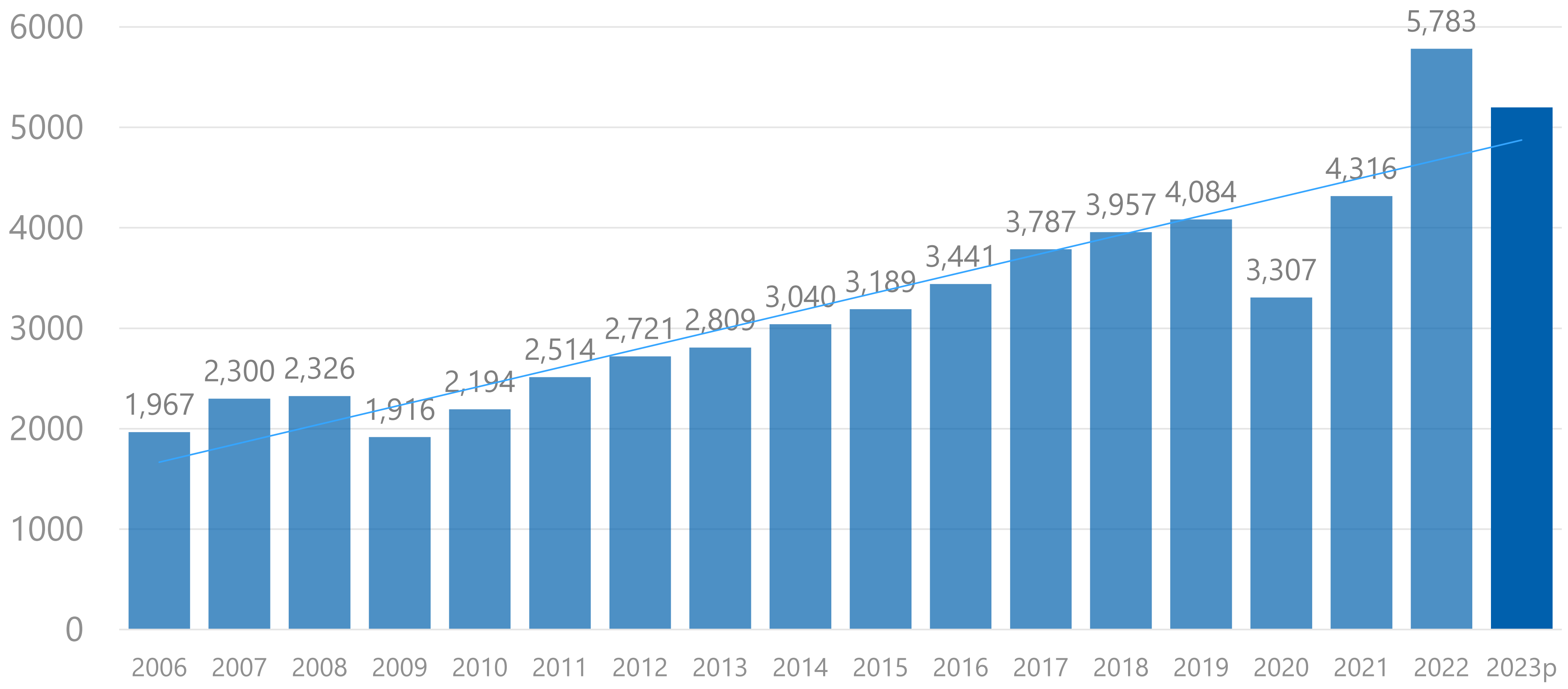
– In Q2 the order intake was at 1.27 billion on the level of the "new normal" per quarter (€1.2 - €1.3bn p.q.)

– With a book-to-bill ratio of 1.2x the orders on hand at 30.06.2023 were 13.4% above the very high amount at year end 2022 (€3.5 billion; +83.1%) and 30.4% above 30.06.2022 (€3.0 billion).

– Delivery times are >75 weeks at the moment



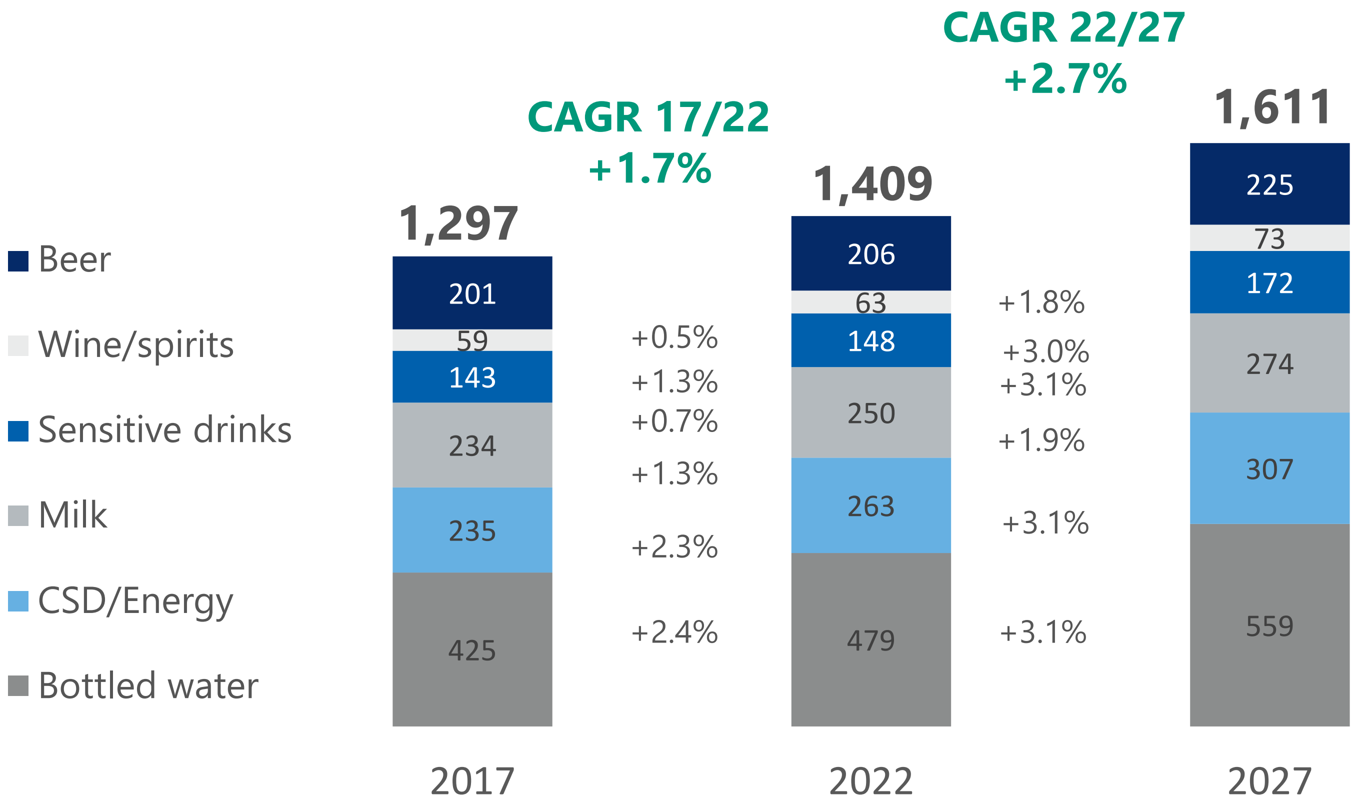
Development of order intake [EURm]
2006 – 2023p*



After strong growth 2022, we expect a development within in the new normal (1.2 – 1.3bn per quarter)

General Global Beverage Consumption and Growth Drivers

Development of global beverage consumption
Volume in billion liters, CAGRs in %



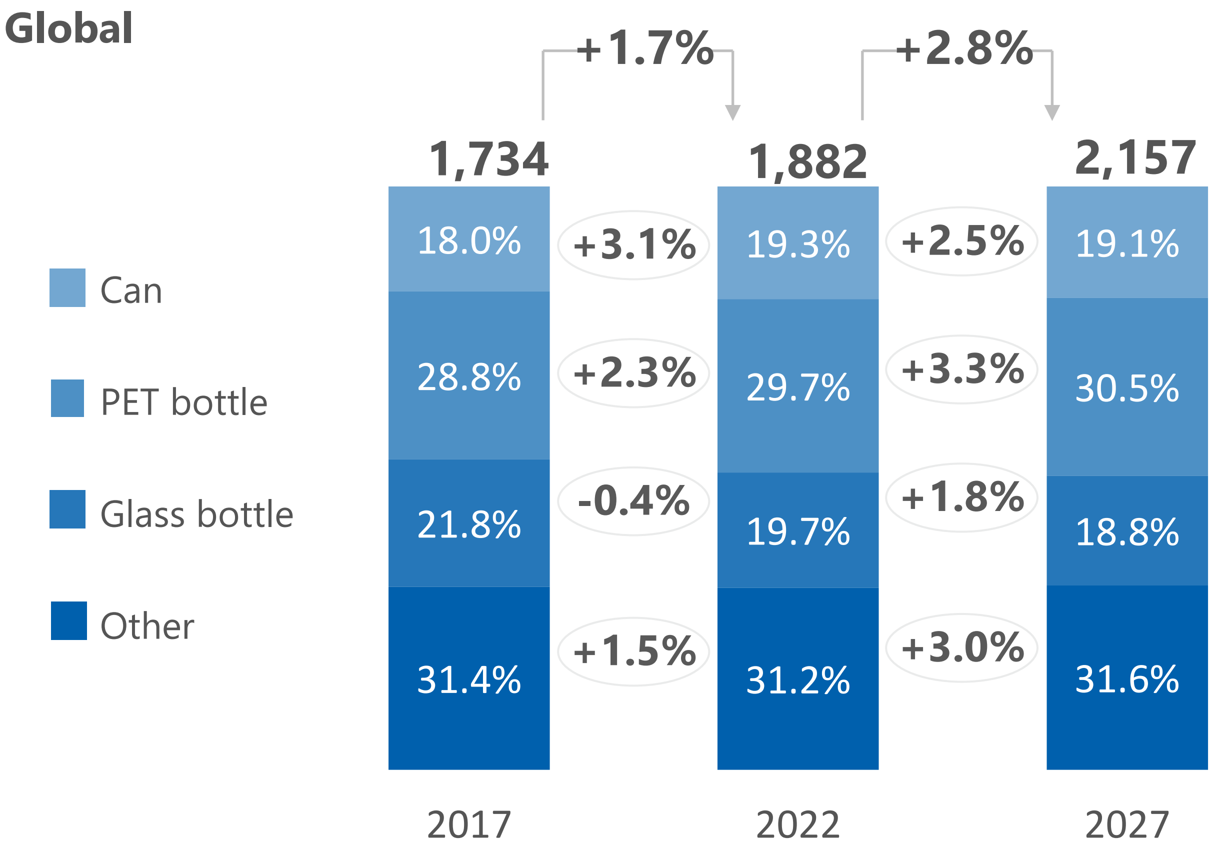
Source: Global Data/ State: 11th July 2023

The average growth in global beverage consumption is projected at 2.7% per year until 2027.

Beverage Packaging Development: Top Pack Types

Volume in bn units and %-share by pack type; CAGR* in %

- **EU proposal**: mandatory share of returnable packaging in EU
- Trend to **recycled PET** in the beverage industry, e.g. South Korea and India are opening their markets for food-grade recycling

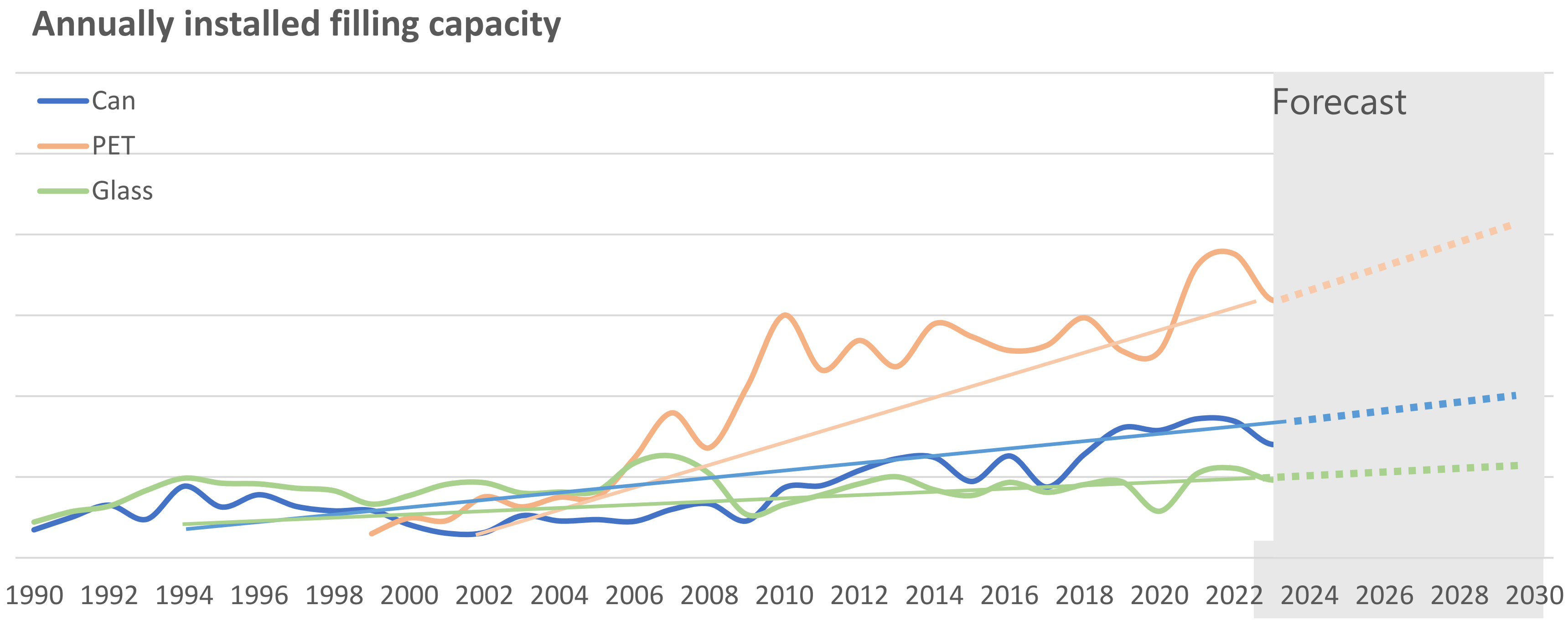


In the beverage packaging industry PET bottles are in the top position concerning growth rate.

Source: Global Data/State: 21st July 2023 | Beverages = Soft Drinks, Beer, Spirits, Wines, FABs, Liquid Dairy | Base: Top 50 Countries | CAGR* = Compound Annual Growth Rate

Forecast Monitor

Summary global



Recycling and reuse are equally beneficial to reduce the CO_2 footprint of beverage packaging.

Sources: Krones BI, Krones Installed Base, Lost Order, Statistische Modellierung in Minitab (https://www.minitab.com/)

Customer interviews 2023
Key messages

Business development, market trends and challenges

– Overall positive business climate in the beverage industry: stability and further (moderate) growth expected
– Focus: sustainable packing solutions & new healthy and/or premium products
– Challenges: regulatory demands, market volatility and lack of specialists/operators, long leadtimes

Investment pattern and climate

– Based on customers feedback a further investment in sustainable and digitalized solutions is expected midterm
– Ongoing investments esp. in concepts for alternative energy, digitalization, automatization & storage/logistics

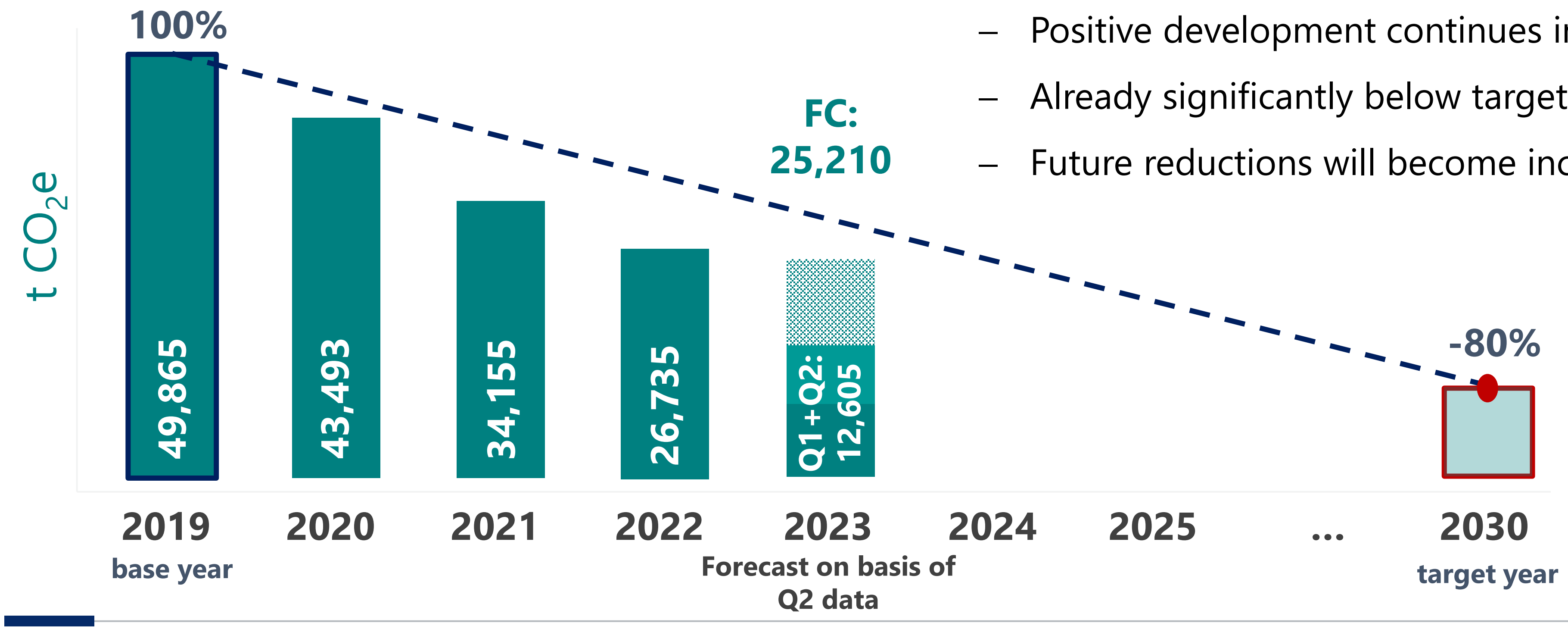
In a overall positive business climate the beverage industry focuses on sustainability and digitalization.

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	– Pursuing a **Net Zero Emissions Target** – **Assessing suppliers** by their sustainability performance – **Implementing transformation matrices** for each material topic to reach Sustainability Goals 2030	– **Future Line concepts** with growing order perspective – **Green Consulting** activities with additional manpower – **Focus on projects** for energy and media savings	– **Strengthen recycling solutions** – Handling of **additional plastics volume** (e.g. HDPE, LDPE) – **Carve out** of the existing **recycling business** for strong growth	– **Focusing on plant-based drinks and food** – **Enhancing technology** to reduce losses within the production process – **Pushing forward aseptic filling**
Commit-ments	**- 80% CO_2 reduction** at Operations Scope 1 & 2	**-25% CO_2 reduction** Scope 3	**>50% of plastics volume recycled** by Krones	**Major supplier** in plant-based drinks and aseptics

Focus on carbon emissions (Scope 1+2)

Reducing our on-site emissions according to our climate target



- Positive development continues in Q2
- Already significantly below target line (10% delta to plan)
- Future reductions will become increasingly difficult

By achieving our forecast value for 2023 we would reach a reduction of 49% from our base year 2019.

Krones joins forces regarding sustainability

Krones is now part of the econsense Forum for Sustainable Development of German Business

Econsense is a cross-sectoral network comprising 49 of the German economy's leading global players. It provides us with a platform for exchanging and transferring practical knowledge in the fields of sustainability reporting, climate, supply chains and sustainable finance.

econsense

Forum for Sustainable Development of German Business

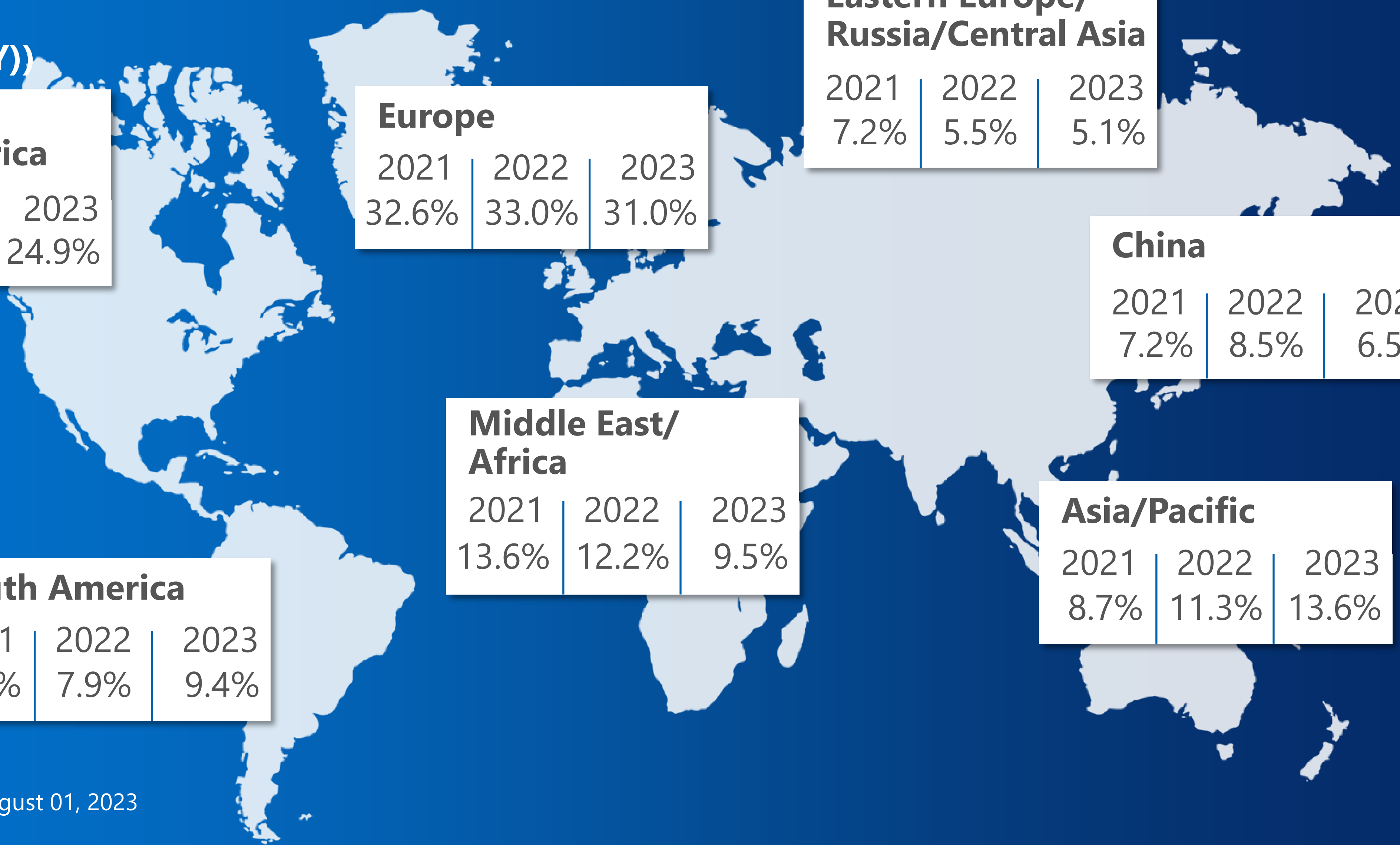
NOMINEE

German Sustainability Award

Krones nominated for the German Sustainability Award: An independent jury of experts has identified Krones as a "pioneer of transformation" in the mechanical engineering sector, along with 11 other mechanical engineering companies in Germany.

Revenue per region reflects a strong growth in1st HY in North and South America and in APAC; the revenue split shows a strong resilience

Share of sales (1st HY))



North and Central America

2021	2022	2023
20.1%	21.6%	24.9%

Europe

2021	2022	2023
32.6%	33.0%	31.0%

Eastern Europe/ Russia/Central Asia

2021	2022	2023
7.2%	5.5%	5.1%

China

2021	2022	2023
7.2%	8.5%	6.5%

Middle East/ Africa

2021	2022	2023
13.6%	12.2%	9.5%

South America

2021	2022	2023
10.6%	7.9%	9.4%

Asia/Pacific

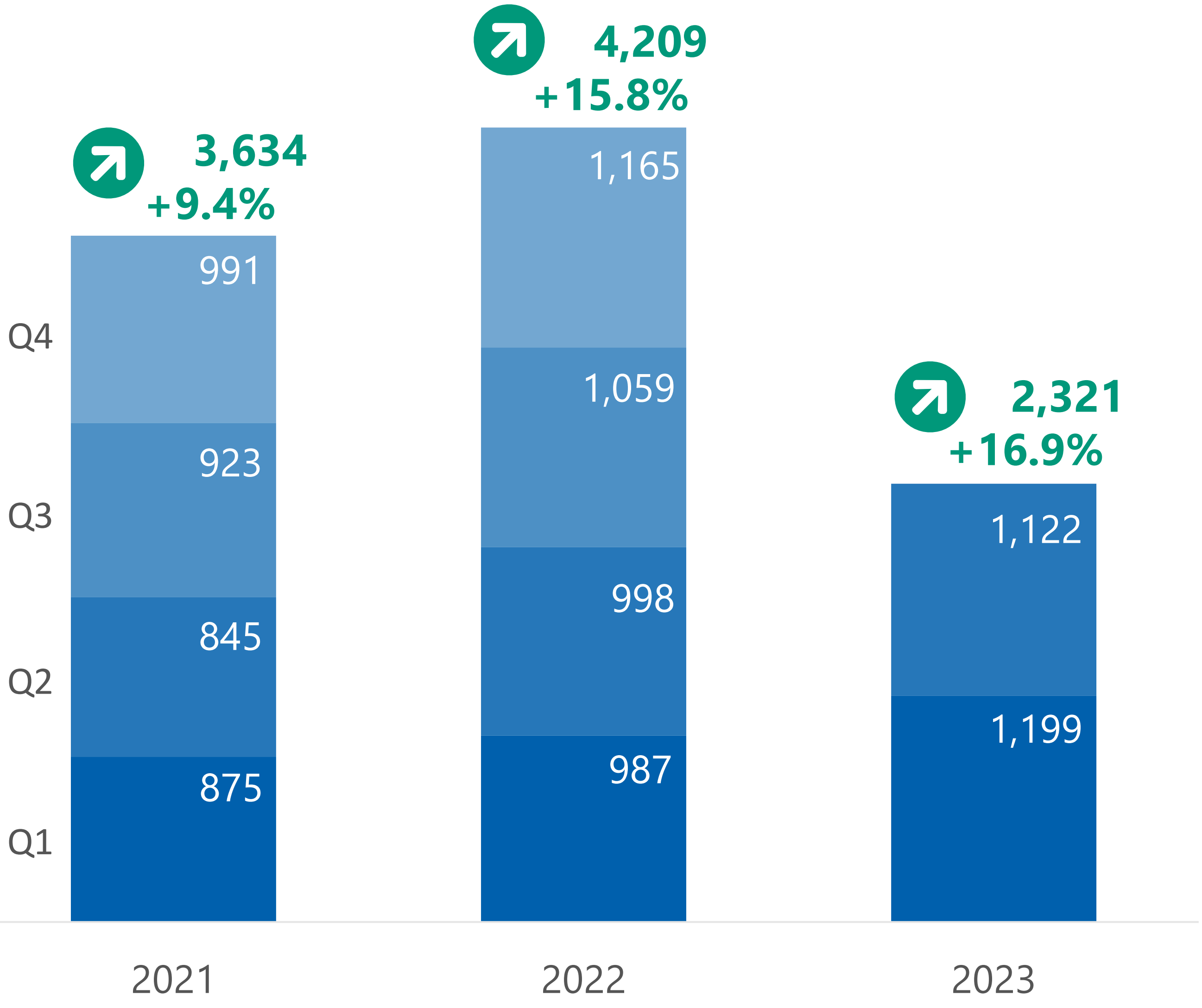
2021	2022	2023
8.7%	11.3%	13.6%

Revenue development by quarter (€ million)

Strong sales growth in HY1 2023 (16.9%); Sales guidance raised to 11%–13%

- Despite supply chain shortages for electronic devices the revenue in HY1 2023 with €2.3 billion increased by 16.9%
- Revenue in Q2 2023 slightly below Q1 because of seasonal lower performance (less working days) in Q2
- 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 HY1 2023

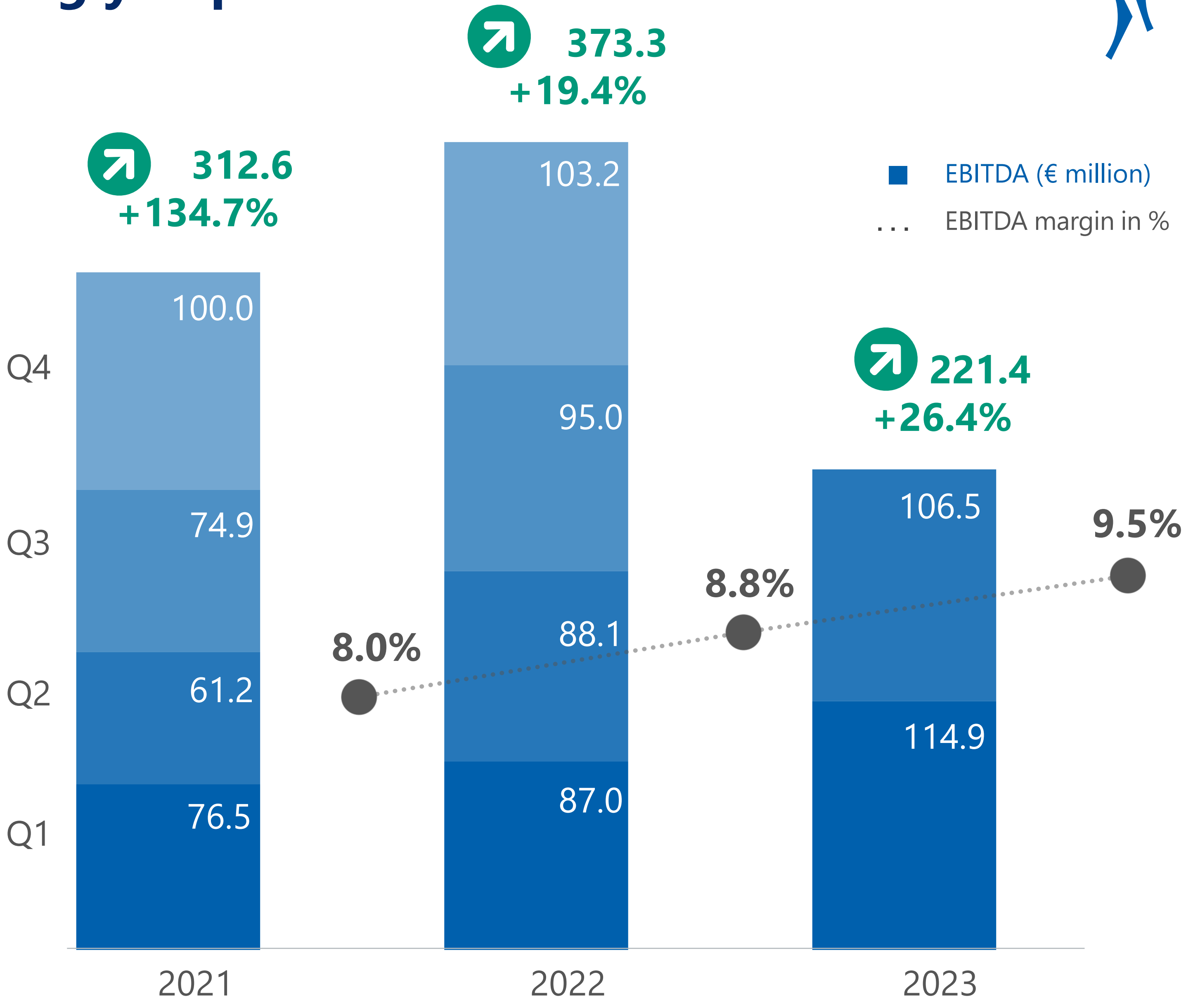
The limiting factor for the production processes are still supply chain shortages. An improvement seems realistic during the 2. HY 2023



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

EBITDA at €221 million (+26%) and a EBITDA margin at 9.5%

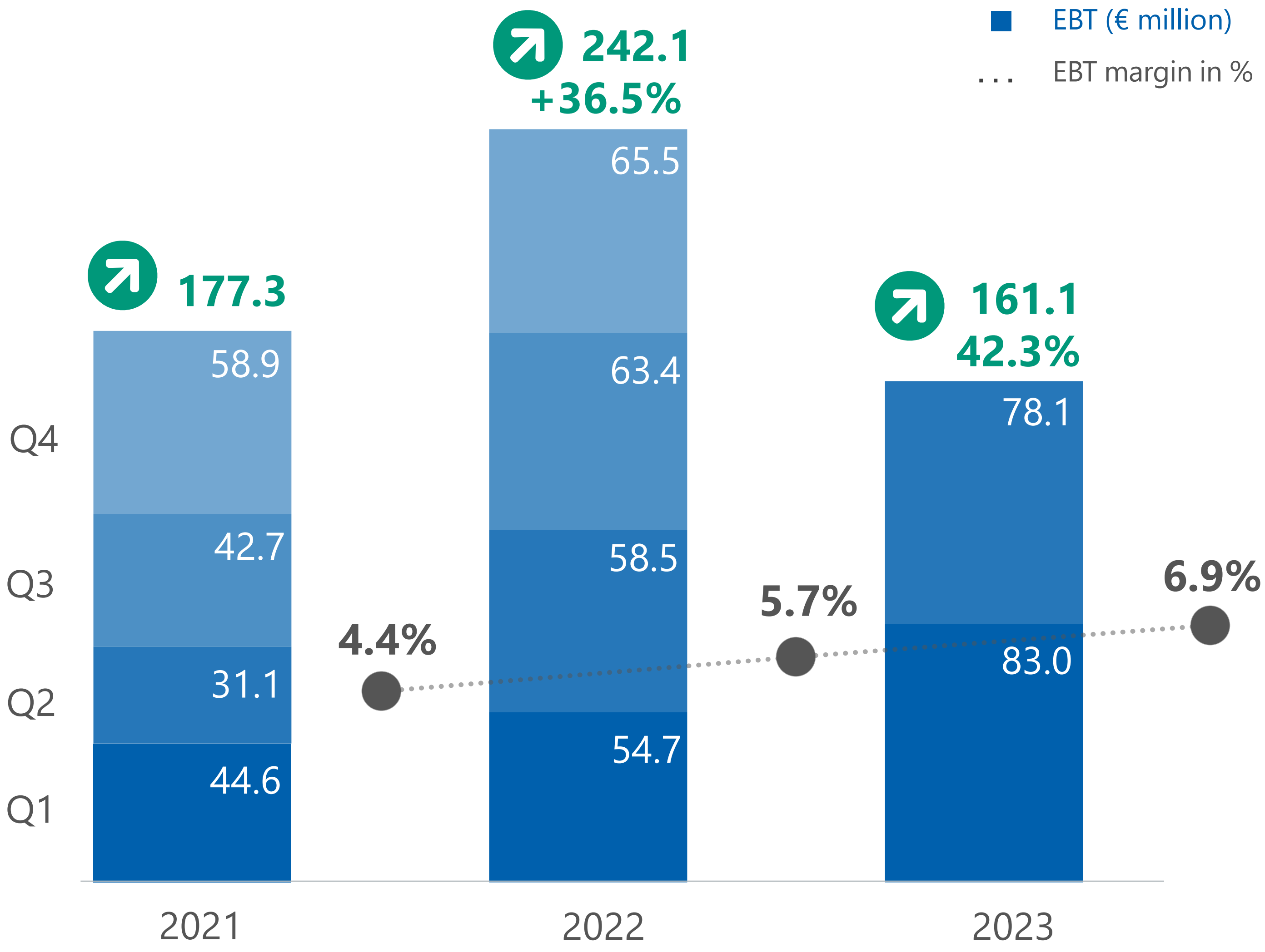
- As a result of performance optimizations, EBITDA increased by 26.4% and therefore more strongly than the revenue (16.9%)
- EBITDA margin increased in the first 6 months from 8.8% to 9.5% and is fully in line with our margin outlook for the full year (9% to 10%); in Q2 the EBITDA margin was at 9.5% slightly below Q1 2023 (9.6%)
- With the current targets (9% to 10%) Krones is fully in line to reach the midterm profitability target of 10% to 13% by 2025 at the latest



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

EBT at €161 million(+42%) and EBT margin strongly increased to 6.9%

- EBT also increased very strongly with 42.3% in HY1 2023 and with a margin of 6.9%, which is far above the previous year (HY1 2022: 5.7%)
- Financial income includes - besides positive interest effects - income from adjustments of contingent purchase price payments
- Equivalent to valuation adjustments of intangible assets, which are posted in depreciations, there is no effect on EBT
- EBT margin is in line with full year expectations for 2023

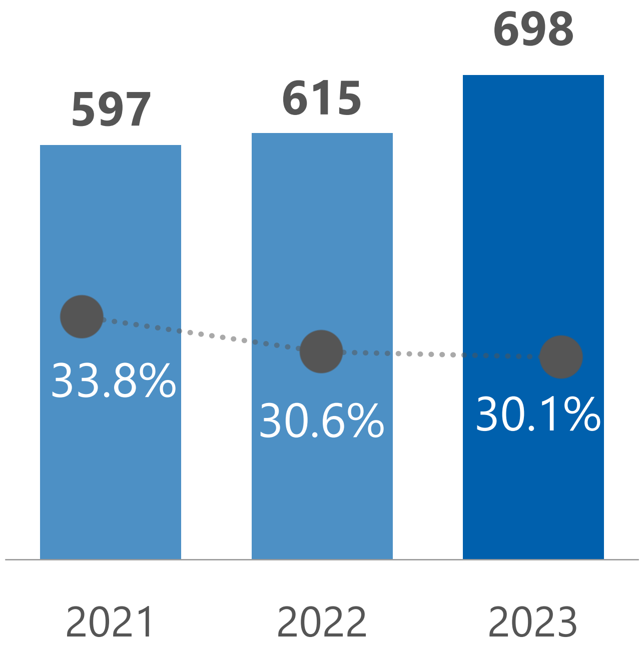


Personnel and material expenses 1st HY (€ million and %)

- **Personnel cost** ratio with 30.1% slightly better than last year (30.6%) 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 stabilized at 49.4% (vs. HY1 2022 with 49.2%). The ratio was slightly below full year 2022 ratio (49.7%)

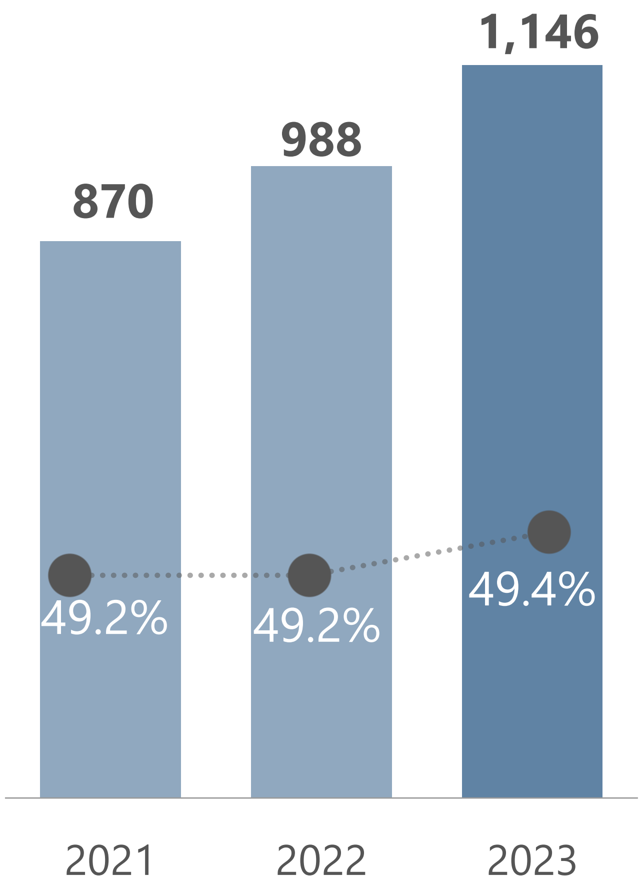
Further cost increases in both cost categories are and will be compensated by the implemented price increases (August 2021 and April 2022)

Personnel cost 1st HY (€ million)



- Personnel expenses to total performance (%)

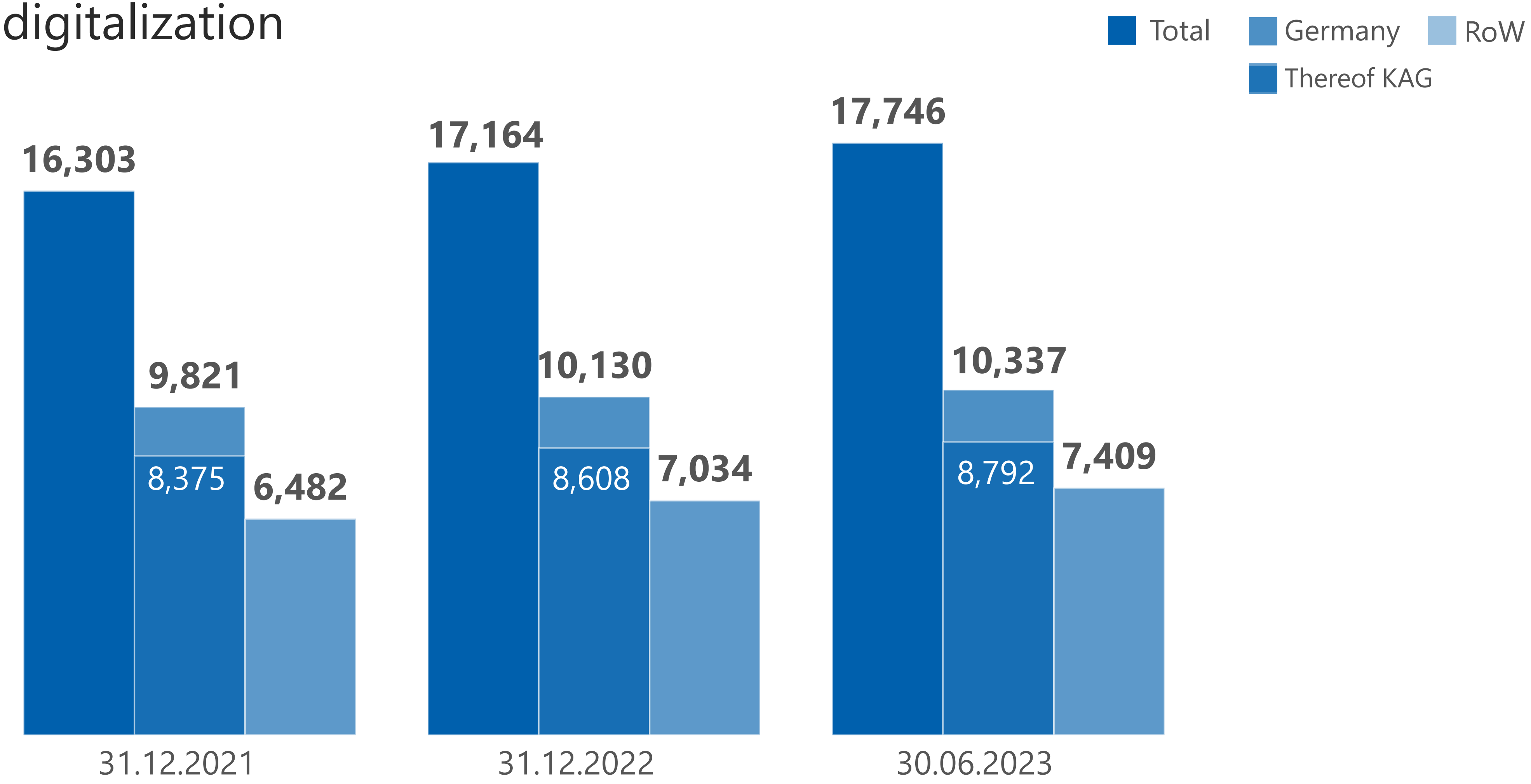
Material cost 1st HY (€ million)



- Material expenses to total performance (%)

Krones employees worldwide –

growth in Germany (mainly at KAG) in HY1 2023 also includes hiring of temporary workers; a further growth in the rest of the world mainly for services and digitalization



Revenue and EBITDA per segment

Filling and Packaging Technology

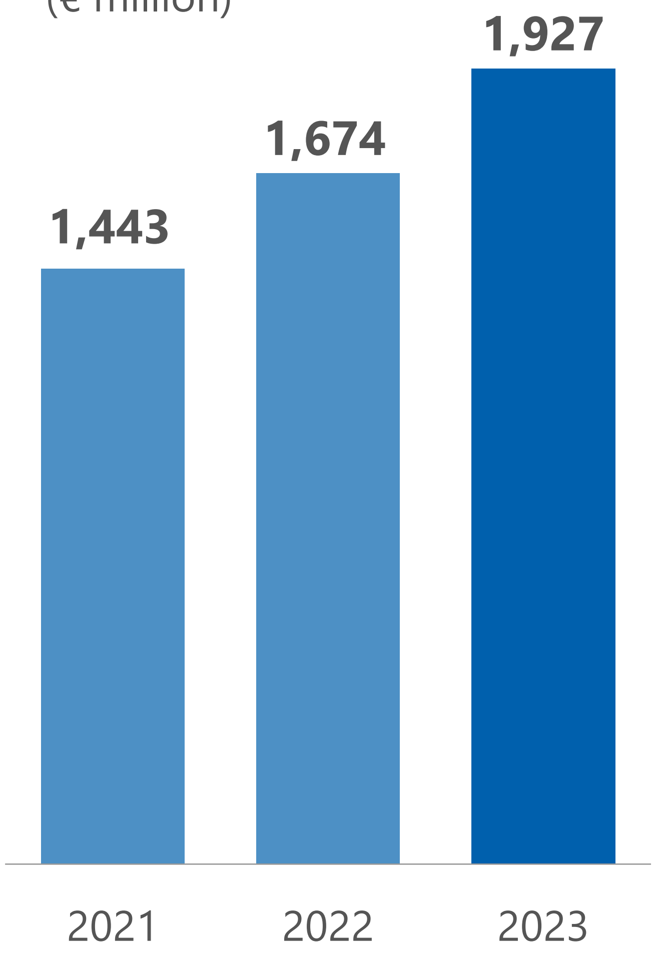
– Increase in **revenue** (+15.1%) are slightly below group level; revenue target for 2023 was also increased to 10% to 12% (prev. 7% to 9%). Revenue growth is driven primarily by new equipment sales

– Beside supply bottlenecks mainly for electronic components, a flexible production process enabled Krones to realize an **EBITDA margin** of 10.2% which is above prior year (9.6%)

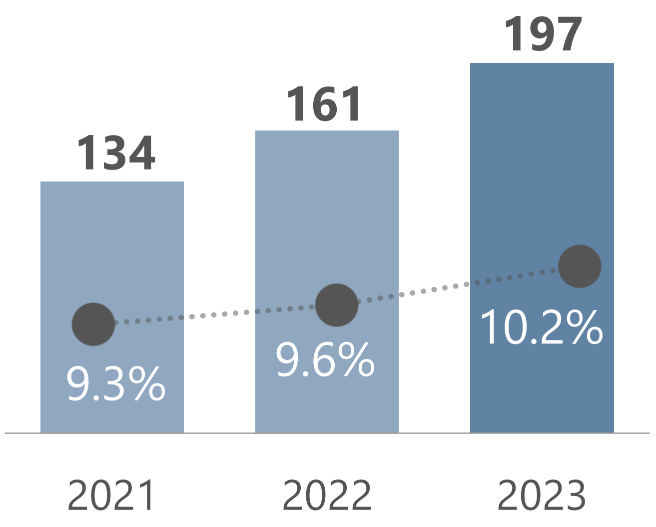
– Price increase in August 2021 limits the impact of higher material costs

– EBITDA margin is full in line with expectations (target 2023: 9%-11%)

Revenue development 1st HY (€ million)



Segment EBITDA (€ million) **and EBITDA margin** (%) 1st HY

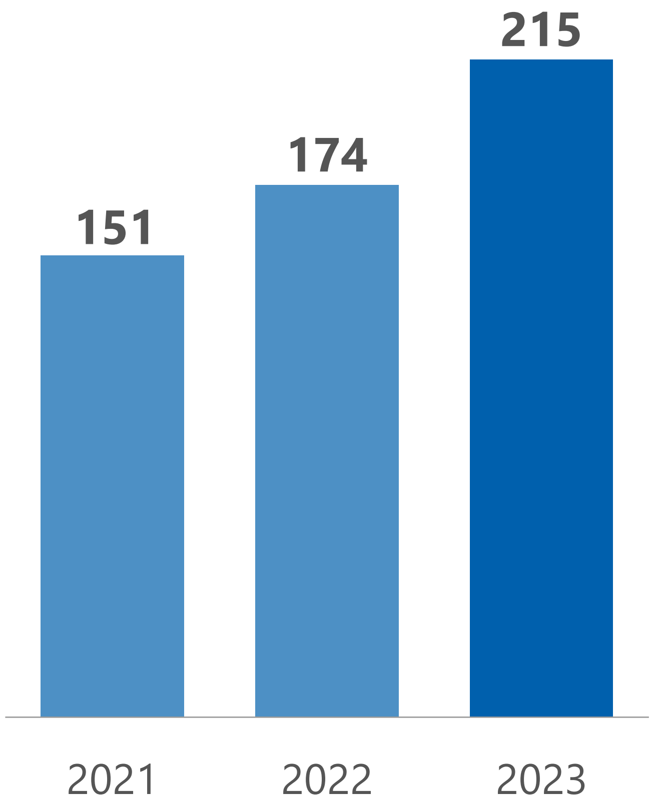


Revenue and EBITDA per segment

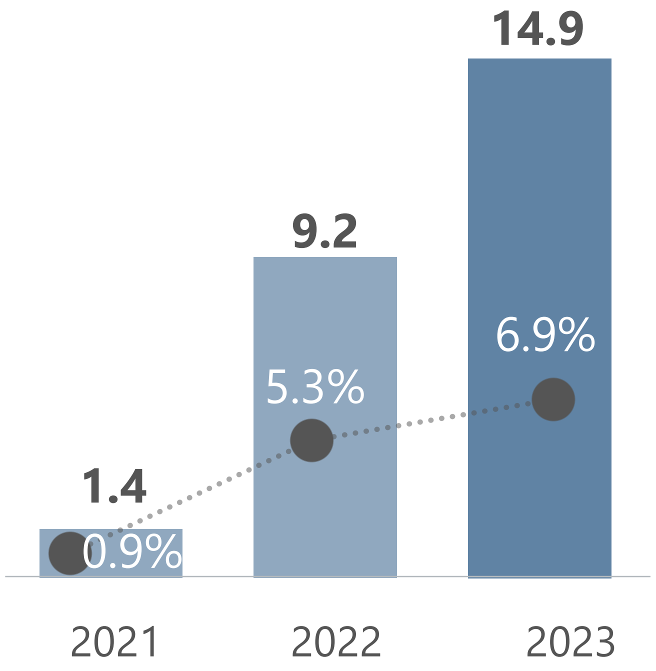
Process Technology

- **Revenues** increased vs. prior year in the 2nd quarter by 39% whereas seasonal effects quite normal in the business. After 6 months revenue increased by 23%. Revenue target for 2023 was also increased to 20% to 25% (prev. 15% to 20%)
- **EBITDA margin** with 6.9% reflects the positive development of the last quarters and is in line with full year target (6% to 7%)
- **Acquisition** of Ampco Pumps, US, with almost no effects in HY 1 2023, but will support the further margin development

Revenue development 1st HY (€ million)



Segment EBITDA (€ million) **and EBITDA margin** (%) 1st HY

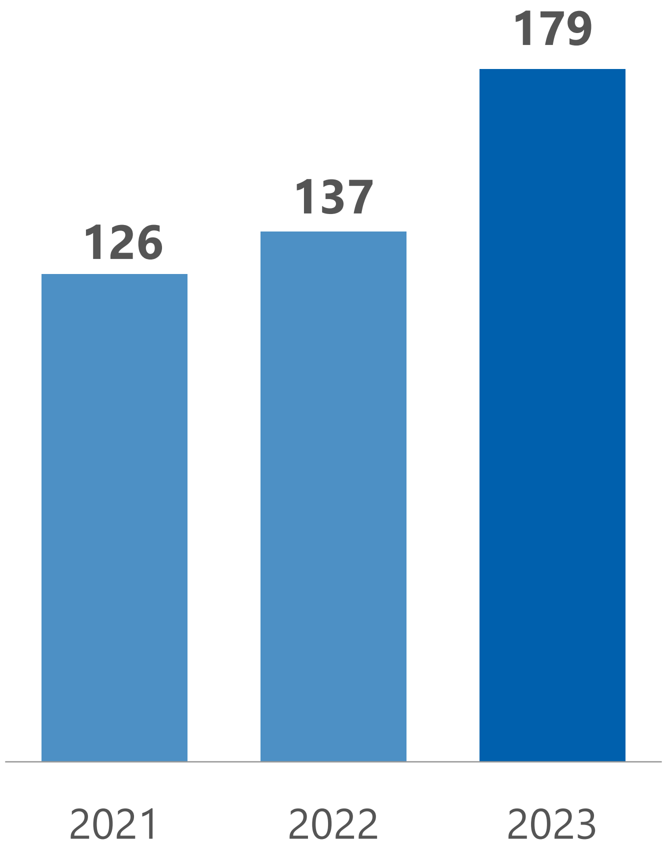


Revenue and EBITDA per segment

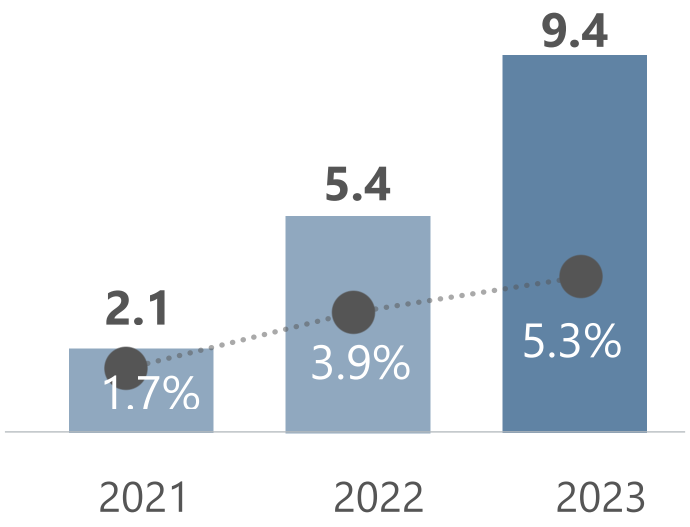
Intralogistics

- **Revenues** in the intralogistics segment are strongly influenced by seasonal effects. The growth in Q2 2023 of 28.6% and 30.8% after 6 months also results from a base effect. Segment revenues are still in line with growth target of 10% to 15%
- **EBITDA margin** with 5.3% in HY1 2023 below the full year target (6% to 7%) but in the HY2 2023 stronger margin development is predicted

Revenue development 1st HY (€ million)



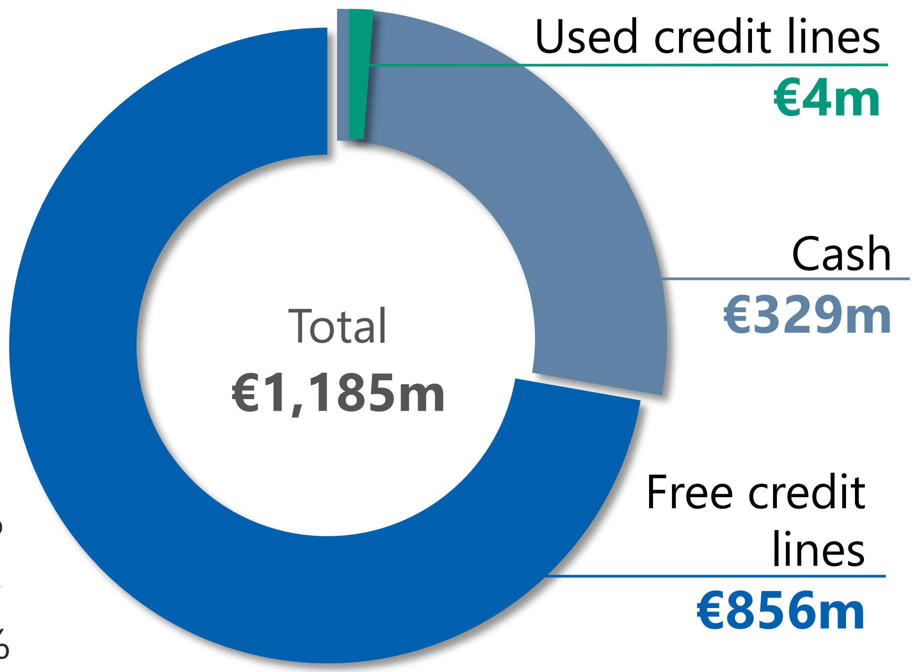
Segment EBITDA (€ million) **and EBITDA margin** (%) 1st HY



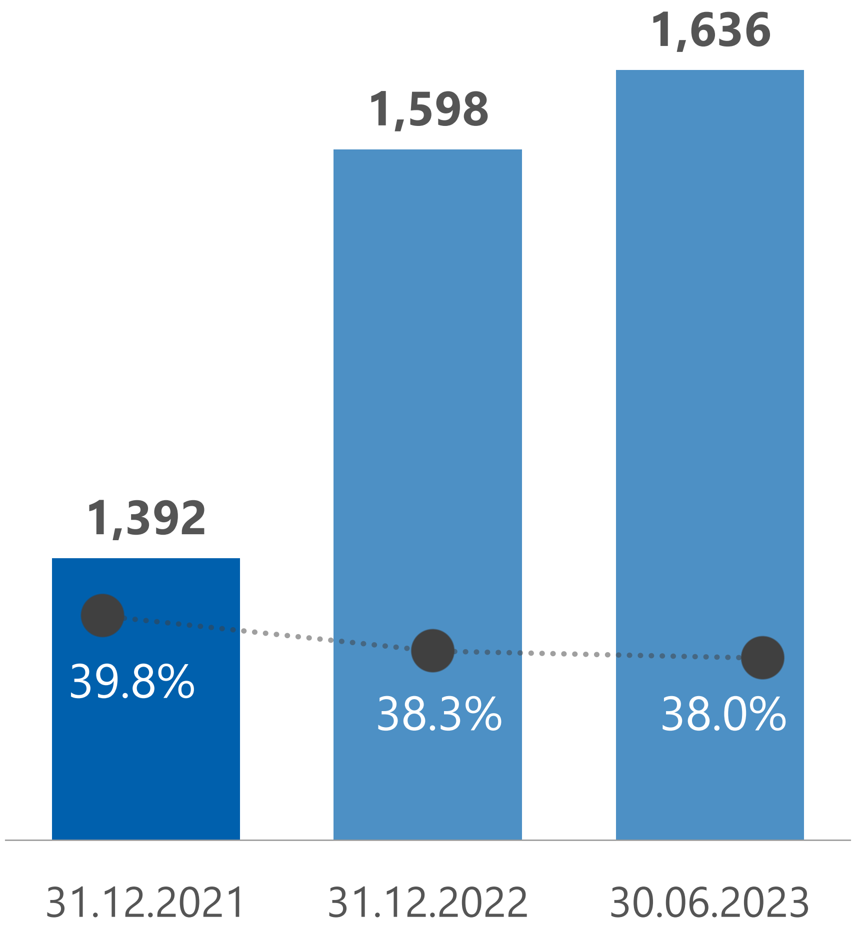
Krones financially very strong; resilient capital position of Krones to withstand volatile world economy developments

- A good cash position of €329 million and also free credit lines of approx. €860 million reflects the extremely strong **financial position** of Krones with €1.2bn reserves
- Despite payment of €55m for dividends, **Equity** increased by €40 million or 2.4%
- Despite the increased business activity in HY1 2023 (+16.9% in revenues), the balance sheet amount increased by only 3.3%
- As a result **equity ratio** slightly decreased from 38.3% to 38.0% and is still very strong

Liquidity reserves
1st HY 2023 ~ €1.2bn



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

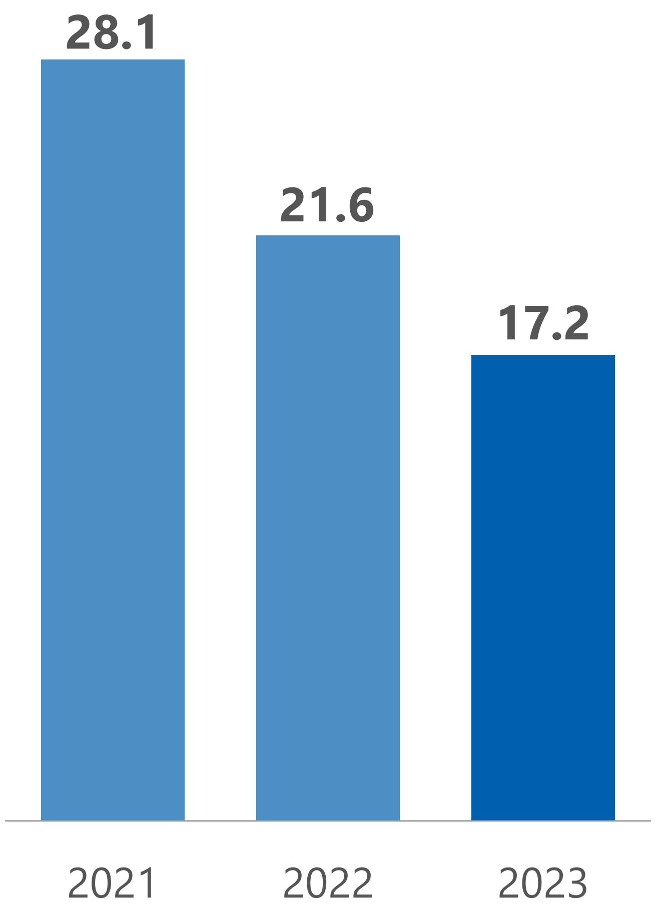


Working Capital 1st HY (in %)

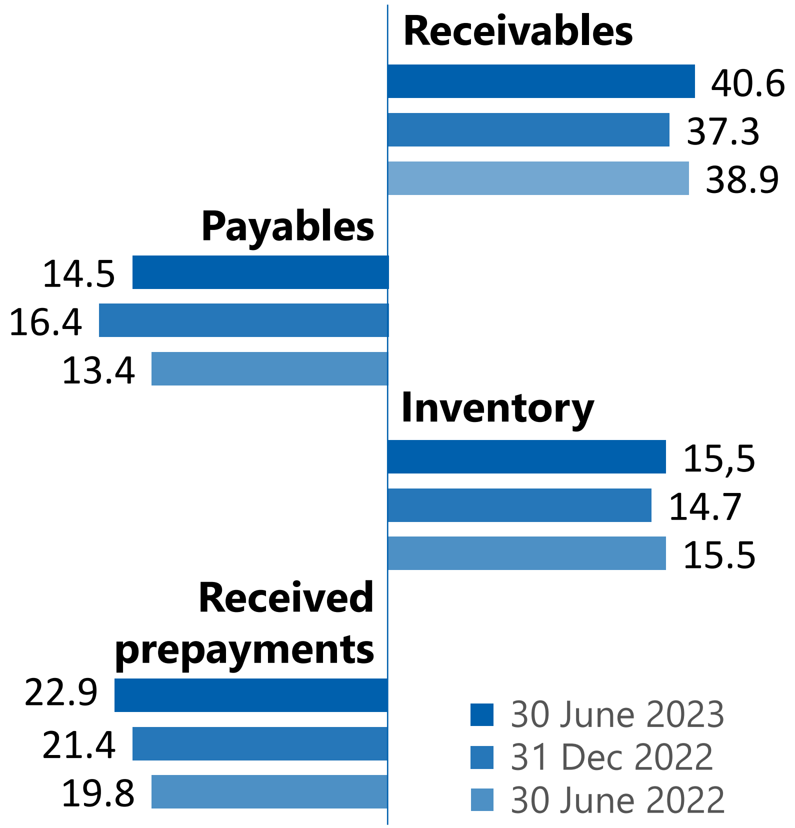
Further decrease in Working Capital with 17.2% vs. 21.6% HY1 2022

- As a result of higher business activities (revenues +16.9%), **receivables** increased by +3.3% relating to revenue in HY1. The **payables** decreased slightly in Euro amount but decreased by -2.0% relating to revenues
- Further increase in **inventory** (+0.8%) 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 HY1 by +1.5% vs. prior year 2022
- The average **working capital ratio** of HY1 2023 was with 17.2% lower than average at year-end 2022 (19.0%) and primarily influenced by the strong prepayments

Working Capital of revenue 1st HY
(%, average over four quarters)



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



Free cash flow 1st HY

Cash flows of HY1 2023 must be seen in relation of extraordinary strong 2022

- **Operating activities** decreased to -€85m in HY1 2023 (vs. +€101m prior year). Despite stable earnings and non-cash situation, the increase of working capital in Euro by €257million has a significant effect. The other assets and liabilities include mainly tax payments and other movements
- **Investing activities** with €59m slightly above prior year (€55m) and with an investment ratio of 2.6% as expected
- Free cash flow additionally charged by **M&A payments** of €115m
- **Financing activities** include mainly payments for dividend and leasing, as well as cash effects for F/X

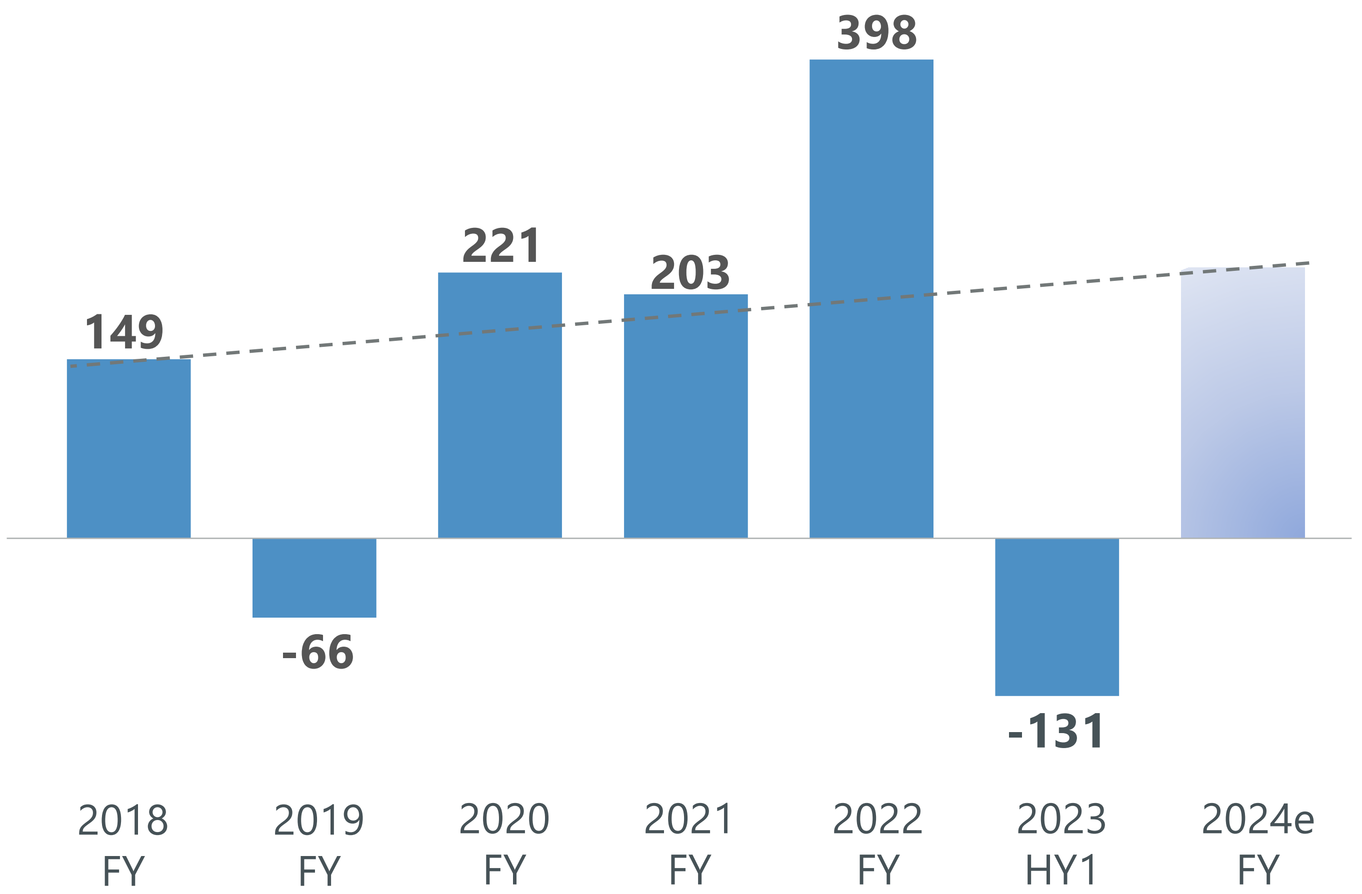
(€ million)	2023	2022
Earnings before taxes (EBT)	**161.1**	**113.2**
+/– Other non-cash changes	+65.2	+109.2
+/– Change in Working Capital	-256.8	-97.4
+/– Other assets and liabilities	-54.1	-24.1
Cash flow from operating activities	**-84.6**	**+100.9**
+/– Capex	-59.4	-55.4
+/– Other	+12.8	+22.9
Free cash flow w/o M&A	**-131.2**	**+68.4**
+/– M&A-Activities	-114.5	0.0
Free cash flow reported	**-245.7**	**+68.4**
+/– Financing activities/Others	-99.8	-61.4
Net change in cash	-345.5	+7.0
Cash at the end of period	**329.0**	**390.4**

Free cash flow

Free cash flow and cash conversion rates of HY1 2023 and FY 2022 must be considered together

- Free cash flow in 2023 is influenced by a further rising Working Capital based on stronger operative activities
- Based on a negative Free cash flow, also the **Cash conversion rate** in HY1 2023 (-108%) was negative. In 2022 it was on an extra-ordinarily high level (213%)
- **Both free cash flow and the cash conversion rate at HY1 2023 must be considered in the context of the extraordinarily high values of 2022.**
- **For the HY2 2023 a positive Free cash flow is expected and in 2024 a significant increase to a normal level is planned**

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

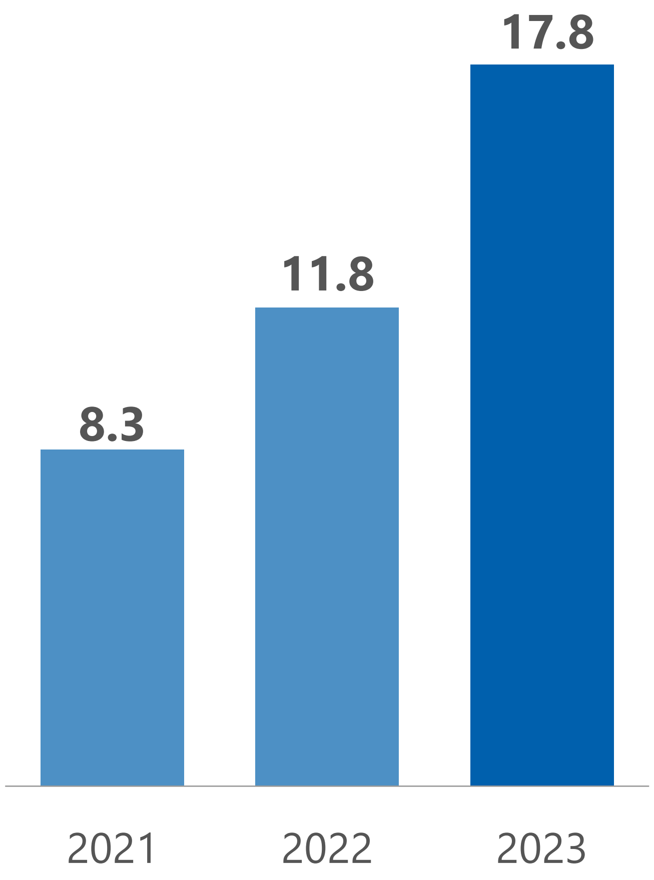


ROCE

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

* ROCE without one-offs and goodwill and financial assets

ROCE 1st HY 2021 – 2023* in %



Outlook 2023

Krones Outlook 2023 –
an increasing growth target and strong confirmation of profitability

New target:	Confirmed:	Confirmed:
11% – 13%	**9% – 10%**	**15% – 17%**
Revenue growth (prev. 8% – 11%)	**EBITDA margin**	**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	New target: **10% – 12%** (prev. 7% – 9%)	New target: **20% – 25%** (prev. 15% – 20%)	Confirmed: **10% – 15%**
EBITDA margin	Confirmed: **9% – 11%**	Confirmed: **6% – 7%**	Confirmed: **6% – 7%**

Key take aways

1. Based on customer feedbacks, a further investment in sustainable and digitalized solutions is expected also midterm
2. Despite strong revenue growth in 2023 order backlog has further increased – an excellent base for 2023 and 2024
3. Supply chain situation is very challenging, mainly in electronic components – improvements during second half year 2023 are expected
4. Strong improvement in profitability, due to efficiency improvement measures and strong service business in all regions
5. After an excellent free cash flow generation in 2022, the free cash flow in 2023 is influenced by rising working capital as a result of increasing business activities
6. Guidance for 2023 represents a reasonable step to reach mid-term targets

Questions and Answers

Thank you
for your attention!

Financial calendar 2023/2024

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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