

Corporate news release

21 February 2019

Krones achieved growth target for 2018 financial year

- Revenue increased by 4.4% to €3.85 billion. Krones thus attained its 4% growth target. Order intake up 4.5% to €3.96 billion.
- Krones substantially improves free cash flow to €120.7 million.
- EBT margin of 5.3% in 2018 due to rising material and labour costs together with reorganisation and acquisition expenses of € 42 million.
- Revenue expected to grow by 3% in 2019 and the EBT margin expected to increase to approximately 6%.

Krones, the world's leading manufacturer of filling and packaging technology, continued to grow in 2018. Revenue increased by 4.4%, from €3,691.4 million to €3,854.0 million. The company thus attained the revised forecast of 4% revenue growth announced in autumn 2018. Adjusted for currency and acquisition effects, revenue in 2018 rose by around 5%.

Despite the high prior-year figure, Krones' order intake increased by 4.5% in 2018, from €3,786.8 million to €3,957.3 million. At the end of 2018 the company had orders on hand totalling €1,261.1 million. This was a further growth of 1.7% on the very high prior-year figure.

Krones' earnings were significantly impacted by higher material and labour costs in 2018. The 5.3% EBT margin includes approximately €42 million in expenses for reorganisation and in connection with acquisitions. Without these expenses in 2018, the EBT margin would have been 6.4%. The largest part of these expenses are one-off costs relating to the set-up of the production site in Hungary. In total, earnings before taxes (EBT) in 2018 were down by €54.5 million year-on-year to €204.3 million.

Krones was able to significantly reduce working capital between October and December 2018. This had a positive impact on free cash flow, which significantly improved in 2018 by €271.4 million compared with the prior year, to €120.7 million (previous year: minus €150.7 million). The ratio of average working capital to revenue over the past four quarters developed better than expected, holding stable at 27.3% in 2018. Net cash, meaning cash and cash equivalents less bank debt, went up to €215.1 million at the 2018 reporting date (previous year: €157.4 million). Due to the increase in total assets, the company's equity ratio decreased slightly to 43.2% (previous year: 43.8%). Overall, Krones continues to possess a very robust financial and capital structure.

All stated figures are preliminary and are subject to change in the course of auditing by the independent auditors.

Outlook

Based on the actual macroeconomic outlook and the current expected development of the markets relevant to Krones, the company expects revenue growth of 3% in 2019.

In order to achieve its medium-term corporate targets, Krones will continue in 2019 to work towards a future-oriented global structure. The company does not expect any noticeable relief in material prices in 2019; the same applies for labour costs. Krones' price increases on all bottling and packaging equipment and for process technology with effect from 1 May 2018 are likely to have a slight positive effect on earnings in the 2019 financial year. Overall, Krones expects an EBT margin of approximately 6% for 2019.

Mainly due to the focus to increase the price level, Krones sees in the current economic and geopolitical climate, the achievement of its targets for 2019 subject to greater uncertainties than previously.

For its third performance target, working capital to revenue, Krones expects a figure of 26%.

Krones publishes its Annual Report for 2018 on 21 March 2019.

Figures for 2018		2018	2017	Change
Revenue	€ million	3,854.0	3,691.4	+ 4.4%
Order intake	€ million	3,957.3	3,786.8	+ 4.5%
Orders on hand at 31 December	€ million	1,261.1	1,240.1	+ 1.7%
EBITDA	€ million	305.9	340.2	– 10.1%
EBITDA margin	%	7.9	9.2	– 1.3 PP*
EBIT	€ million	203.2	245.5	– 17.2%
EBT	€ million	204.3	258.8	– 21.1%
EBT margin	%	5.3	7.0	– 1.7 PP*
Consolidated net income	€ million	150.6	187.1	– 19.5%
Earnings per share	€	4.78	5.97	– 20.0%
Capital expenditure for PP&E and intangible assets	€ million	179.1	133.5	+ €45.6 million
Free cash flow	€ million	120.7	– 150.7	+ €271.4 million
Net cash and cash equivalents** at 31 December	€ million	215.1	157.4	+ €57.7 million
Working capital to revenue ***	%	27.3	27.3	± 0 PP*
ROCE	%	12.8	16.6	– 3.8 PP*
Employees at 31 December				
Worldwide		16,545	15,299	+ 1,246
Germany		10,887	10,366	+ 521
Outside Germany		5,658	4,933	+ 725

* Percentage points **Cash and cash equivalents less debt ***Average of last 4 quarters

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