

PRESS RELEASE

2019 first half-year results

Bobst Group reports slower start compared to first half of 2018

- Sales down 3% compared to H1 2018.
- Operating result (EBIT) decreased to CHF 14.8 million from CHF 35.2 million in 2018.
- Net result was CHF 7.4 million compared with CHF 24.9 million in 2018.
- Order entries decreased by 15% and backlog by 9% compared to previous year.
- Guidance for 2019 operating result (EBIT) margin reduced to lower than 5% from 6-7%.

Mex, July 24, 2019 – Bobst Group recorded first half-year sales of CHF 736.8 million for the first six months of 2019, compared to the high CHF 762.5 million in the first half of 2018. The operating result (EBIT) decreased to CHF 14.8 million compared to CHF 35.2 million in 2018. The net result reached CHF 7.4 million, down from CHF 24.9 million in previous year.

The Group is facing signs of a slowdown and an increased pressure on prices. Order entries decreased by 15% and the order backlog is 9% lower than in previous year. The 2019 full year profit guidance is therefore reduced. The Group expects to achieve an operating result (EBIT) margin of less than 5% for the full year 2019 (compared to 6-7% as announced in March of this year).

During the first half of 2019, consolidated sales amounted to CHF 736.8 million, representing a decrease of CHF 25.7 million, or -3.4%, compared with the same period in 2018. Volume and price variances had a negative impact of CHF 15.0 million, or -2.0%.

The exchange rates had an overall negative impact on sales of CHF 10.7 million. The evolution due to the conversion of foreign currencies for consolidation accounts for CHF -6.7 million, or -0.9%, and the transactional impact on sales volume from our Swiss operations accounts for CHF -4.0 million, or -0.5%.

Sales by BU	30 June 2019 (In million CHF)	30 June 2018 (In million CHF)	Δ %
BU Sheet-fed	377.5	391.0	-3.5
BU Web-fed	115.6	134.1	-13.8
BU Services	243.6	237.1	+2.7
Other	0.1	0.3	-66.6
Total	736.8	762.5	-3.4

The reduction of consolidated sales was mainly driven by lower order intake compared to the first six months of 2018.

The operating result (EBIT) reached CHF 14.8 million compared with CHF 35.2 million for the same period in 2018. Slightly lower sales compared to the high level achieved in the same period of 2018, an unfavorable product mix, the increased pressure on prices in order to defend market shares, as well as foreseen increased costs associated with the digital initiatives launched by the Group have led to the reduction of the operating result (EBIT).

The operating result (EBIT) for Business Unit Sheet-fed decreased from a high CHF 29.7 million in the first half of 2018 to CHF 12.1 million in the first half of 2019. Lower sales in the first half of the year, a quite unfavorable product mix, pressure on prices and a lower utilization of the industrial capacities due to lower orders and the planned reduction of inventories led to this drop in operating result (EBIT). Business Unit Web-fed continues to have an unfavorable product mix and high pressure on margins. The quality campaigns launched in 2018 are progressing as planned and should bring the expected improvements. The operating result (EBIT) was CHF -21.4 million in the first half of 2019 compared to CHF -20.2 million in the first six months of 2018. Business Unit Services had to absorb the run rate effect of the significant increase in field service technicians and technical support people which was accelerated in 2018 according with the Group's strategy. The training costs have a negative impact on the Business Unit's operating result (EBIT), which was CHF 25.3 million in H1 2019 compared with CHF 27.4 million in the same period in 2018. All three Business Units have higher costs due to the ramp-up of the Group's digital activities (Mouvent, BBS, IoT) which have been launched since 2017.

EBIT by BU	30 June 2019 (In million CHF)	30 June 2018 (In million CHF)	Δ (In million CHF)
BU Sheet-fed	+12.1	+29.7	-17.6
BU Web-fed	-21.4	-20.2	-1.2
BU Services	+25.3	+27.4	-2.1
Other	-1.2	-1.7	+0.5
Total	+14.8	+35.2	-20.4

Net result reached CHF 7.4 million, compared to CHF 24.9 million in 2018. The decrease in net result is mainly due to lower operating result (EBIT) but also due to losses, on which no deferred tax assets are recognized since year end 2018. In the 2018 half-year results deferred tax assets on losses incurred in Germany and China were still recognized. Higher financial expenses for the set-up of a revolving credit facility and unfavorable foreign currency impacts were compensated by an exceptionally high result from associates in the first six months of 2019.

Net debt increased to CHF 117.1 million from CHF 20.7 million at the end of 2018. This is mainly due to the ongoing capital expenditure, dividends paid and the usual increase of work in progress for machines to be invoiced in the second half of the year. The consolidated shareholders' equity reached 36.5% of the total balance sheet, compared to 33.4% at the end of 2018.

BUSINESS ACTIVITY AND OUTLOOK BY BUSINESS UNIT

Business Unit Sheet-fed

Total bookings are satisfactory in the first half of the year, though 13% below exceptionally strong first six months in 2018, particularly for corrugated equipment. Orders are below previous year in both corrugated board and folding carton activities.

Thanks to the strong backlog at the end of 2018, machines have been shipped early in the year allowing sales to reach a similar level as in the first half of 2018. Americas are ahead of the previous year, but all the other regions are below the high levels reached in the first six months of 2018.

The outlook for the full year is positive. Some signs of slowdown are clearly visible in certain areas, where the project portfolio is reducing.

Business Unit Web-fed

Business activities in terms of bookings and turnover are lower than previous year due to a slow start in the mature markets and in China. The current threat of a trade war and brand owners' sustainability roadmaps generate uncertainties and postponements of investments. In the emerging markets, the demand remains at a good level. We expect the second half-year to be better than the first one and to close the year at a similar turnover level as the previous year.

At the open house in Firenze Italy, held in April together with REVO partners and Mouvent, the Business Unit launched revolutionary innovations such as Digiflexo closed loop and ink-on-demand. These new features, which bring improved time to market, color control and food safety, are raising strong interest from the markets.

In the second half-year the Business Unit will be present at the LabelExpo Europe exhibition in Brussels with the world premiere for hybrid printing solutions. At the K 2019 exhibition in Düsseldorf, the Business Unit will present package solutions for sustainable and recyclable packaging. At the open house planned in San Giorgio in October, the new coating Competence Center will be officially inaugurated.

Business Unit Services

First half-year sales for the Business Unit Services are slightly above the same period in 2018. Sales increased versus last year in all regions except in Africa and Middle East. The growth has been done mainly with our contracts (maintenance plus, connected services), and associated parts revenue.

The Business Unit Services expects to see normal business development for the second half of 2019, if no major changes in the world economy or exchange rates occur. The Business Unit Services will pursue its digital and business transformation while continuing to hire and train new services technicians to increase competencies on the needed markets. The focus for the second half of 2019 will therefore be to further develop our distribution network worldwide, support web-fed services while improving the overall spare parts availability and to continue to work on customer satisfaction.

OUTLOOK FOR THE SECOND HALF OF 2019

Uncertainty has increased in our relevant markets due to the geopolitical instabilities and the trade war between the US and China. In addition to these negative factors our industry is also impacted by the increased awareness of consumers and brand owners, that more sustainable packaging solutions must be found. This will bring new opportunities for Bobst Group in the mid to long term, but it slows down the current investments of our customers. Accelerated consolidation in our industry and new entrants are leading to more severe competition and price pressure that affects both machine Business Units.

At current exchange rates the Group expects 2019 full year sales on a similar level as in the previous year (2018 CHF 1 635 million). The guidance for the 2019 full year operating result (EBIT) margin, which was in the range of 6-7%, is lowered to less than 5%. The reduction in operating result (EBIT) margin is mainly due to increased price pressure in order to defend market share, a lower utilization of the industrial capacities due to lower orders, and the planned reduction of inventories.

The Group continues to invest in quality upgrades, to further improve its capabilities in growing markets and in various digitalization initiatives such as the launch of a range of digital printing products, Bobst Business System (BBS) and Internet of Things (IoT).



Bobst Group is evaluating the divestment of land and buildings in France and in the US. Bobst Lyon is investing in the expansion and modernization of its current site in Bron and consequently the Villeurbanne site will become available for sale. Discussions are taking place with interested parties and authorities with the aim to conclude the transaction in the next 12-18 months and an agreement to sell was signed on 22 July. Bobst North America is evaluating the sale of excess land which is not used for operations. Discussions are taking place with interested parties and authorities with the aim to conclude the transaction in the next 12 months. If successful, combined proceeds from these two divestments will have an impact of around CHF 30-35 million on operating result (EBIT) and of around CHF 20-25 million on net result.

The long-term financial targets of at least 8% operating result (EBIT) and a minimum 20% return on capital employed (ROCE) remain unchanged.



About BOBST

We are one of the world's leading suppliers of substrate processing, printing and converting equipment and services for the label, flexible packaging, folding carton and corrugated industries.

Founded in 1890 by Joseph Bobst in Lausanne, Switzerland, BOBST has a presence in more than 50 countries, runs 14 production facilities in 8 countries and employs more than 5 600 people around the world. The firm recorded a consolidated turnover of CHF 1 635 million for the year ended December 31, 2018.

Half-year report as at 30 June 2019

The half-year report as at 30 June 2019 is available at <http://investors.bobst.com/publications>.

Today's teleconference

A teleconference for financial analysts and the media will take place today, at 10.30 CET.

The taped recording of the conference will be available shortly after the call until close of business on Thursday, 25 July 2019. The telephone number to access this service is:

- International number: +44 207 9911 888
followed by the access code: 797816

From Thursday, 25 July 2019 at 09.00 CET onwards, the recording will be available on our website <http://investors.bobst.com/publications>.

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Forthcoming Releases

8 November 2019 Conference for financial analysts and the media in Zurich

2 March 2020 Publication of the 2019 financial statements
Conference for financial analysts and the media in Mex

7 April 2020 Annual General Meeting at 5.00 p.m. in Mex

Security symbols

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Bloomberg: BOBNN SW

Reuters: BOBNN.S

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