

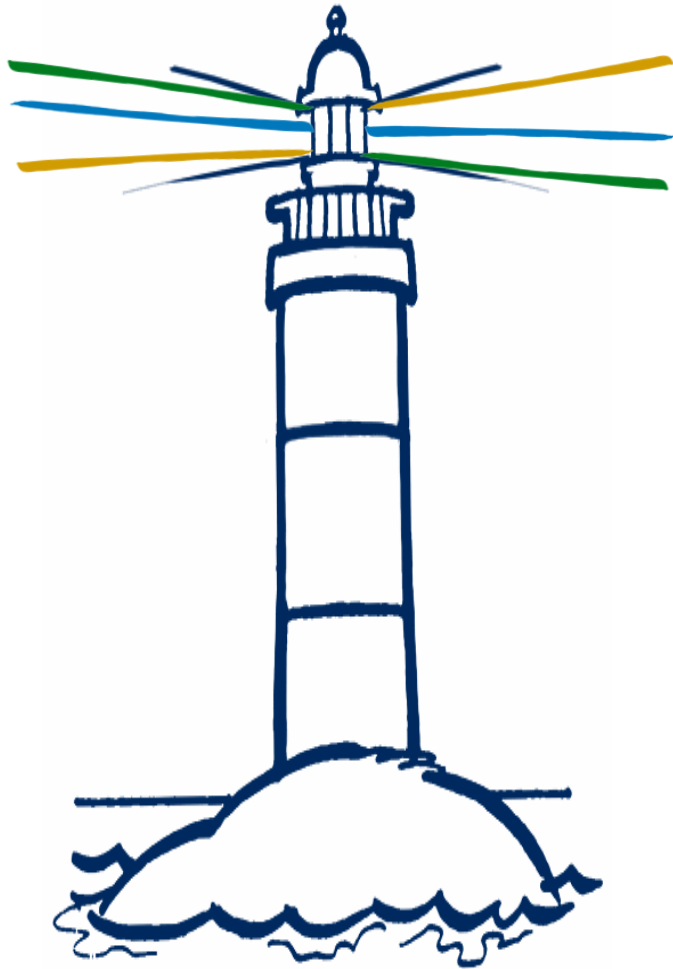
Heidelberg goes digital!

Subscription Economy - New business Model for Heidelberg Druckmaschinen



Dr. David Schmedding, Head of Customer Segment Management
Bled, 14th November 2018





We will ...

- ... become a **digital pioneer** within and outside our industry - a **Lighthouse**
- ... accompany our customers **to a digital future**
- ... **grow** by developing our **Lifecycle** business with **Consumables and Services**
- ... build **new Business Models** such as **subscription**
- ... focus on **sales excellence** by adding value for our **customers**.



Heidelberg Group.

Facts and figures.

Sales

→ € 2.5 billion

Sales and service structure

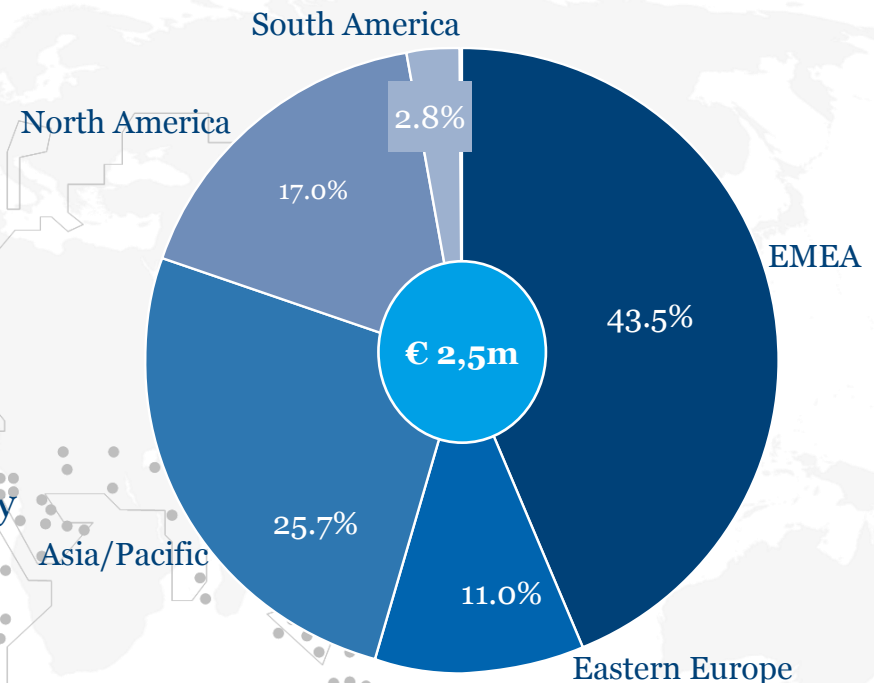
→ 250 sales and service units, 170 countries

Our staff

→ 11,500 Heidelberg employees worldwide

Logistics

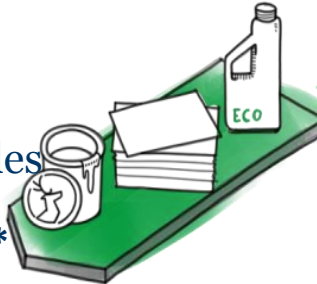
→ Biggest supplier in the print media industry
with 250 locations in 170 countries



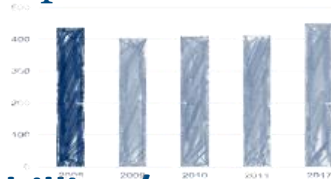
Printing Industry.

Stable market worth billions with attractive growth areas.

Consumables
€8 billion*



Global print production volume around



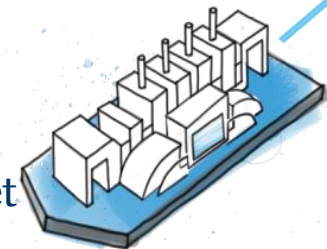
€400 billion/year



Services
€1.3 billion*



Sheetfed offset
€2.4 billion*



Digital
€2.5 billion*

* Accessible market for Heidelberger Druckmaschinen, excluding postpress



New Heidelberg.

Successful strategic reorientation.

Technology
leadership

(Innovation)



- Strong brand & broadest installed base worldwide
- Pioneer in industry's digitization



Digital
Transformation

(digital business models)

- Pay per use models (subscription) foster growth
- Transformation towards recurring revenues

Oper-
ational
excellence



- Increased profitability through reduction of process-related and structural costs
- Optimization and reduction of complexity

Market
Potential



- 45% Press Share
- 10% Consumables Share
- => **Huge potential for Heidelberg AND its partners**

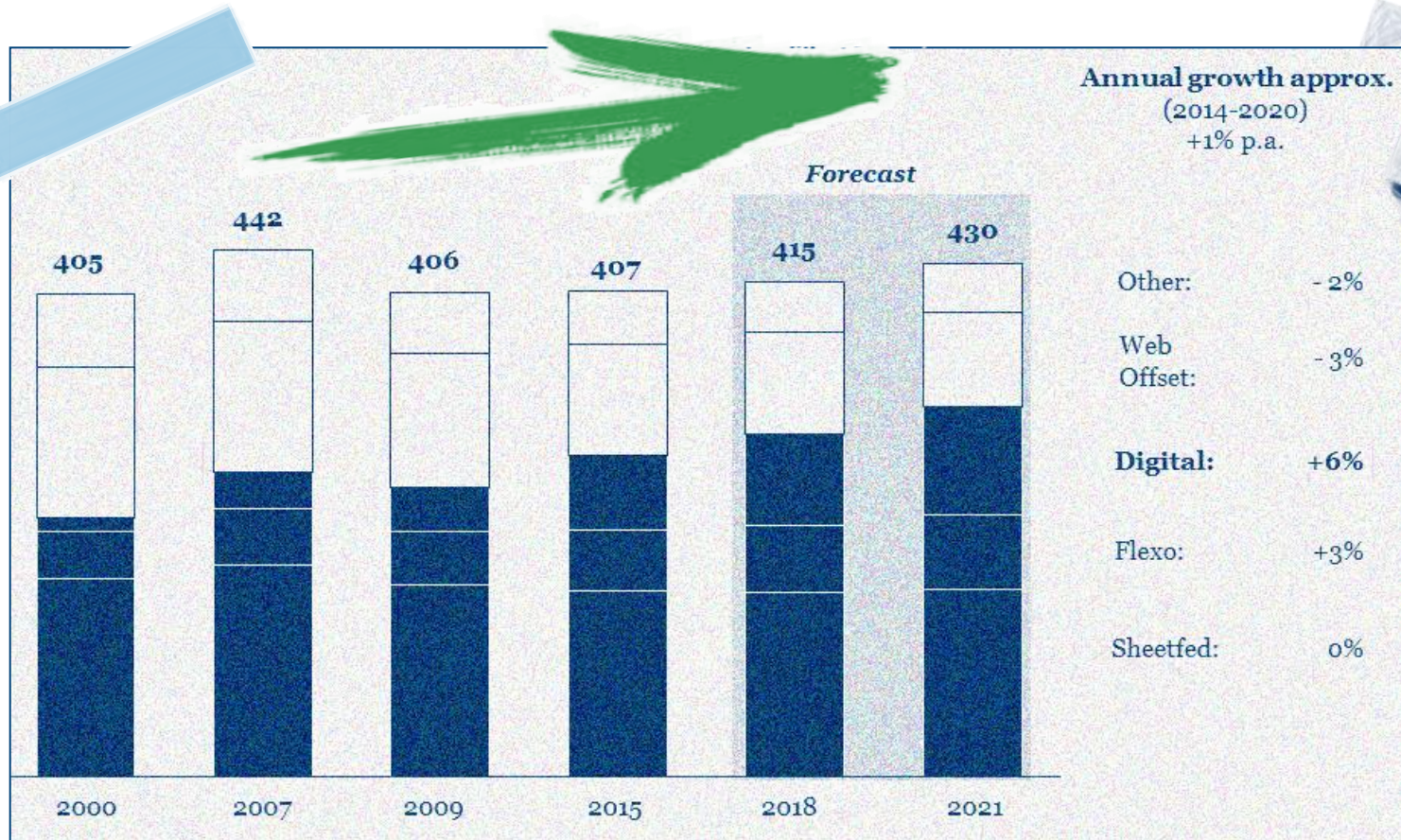


Our **Challenge**

Healthy Fundamentals. PPV is still growing

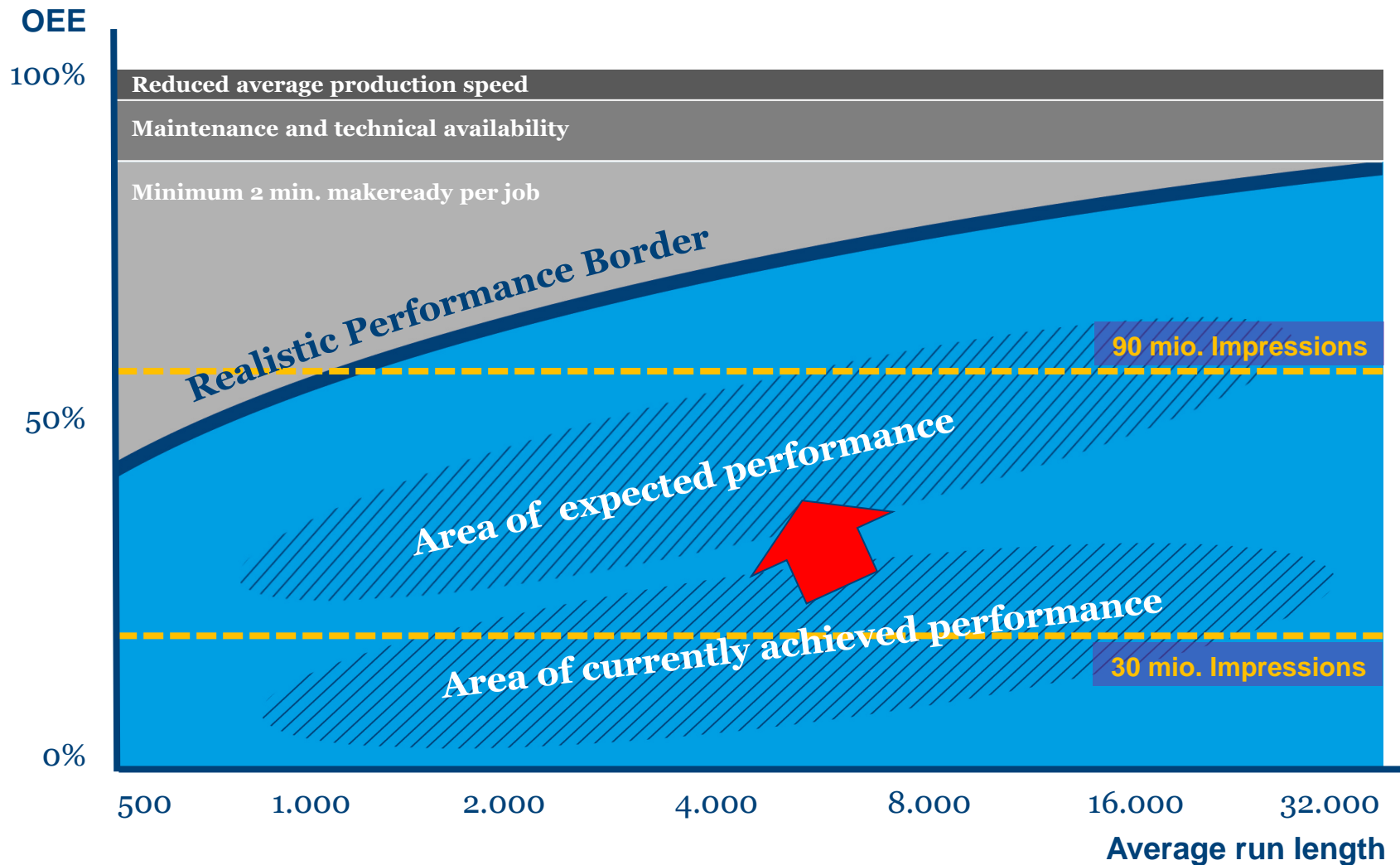


Development Print Production Volume (PPV) per technology [Bill. EUR]



Source: Heidelberg estimate – July 2016, industry statistics, PIRA, Jakkoo Pöyry, Primir (GAMIS), Global Insight
Digital: Only Digital Production Devices are taken into consideration ----- *Base Year 2009

Competitive Customers. Expected to triple Productivity with improving OEE over the next decade



Fighting. For Market Share





Going **Digital**



Heidelberg goes digital.

Big Data provides the basis for digital revenue models.



Data as a strategic asset

More than 10.000 Heidelberg machines
and 15.000 Prinect modules connected.

Combined with central analytical and
predictive logic.

Transactional
business
model

“pay per unit”

Ecommerce

“Heidelberg
ecosystem”

Subscription
model



“pay per print”

Our world
is changing.



New
business
models

Digitization

And so is
our industry.

New
challenges

New
solutions &
opportunities

Many challenges
for your business.

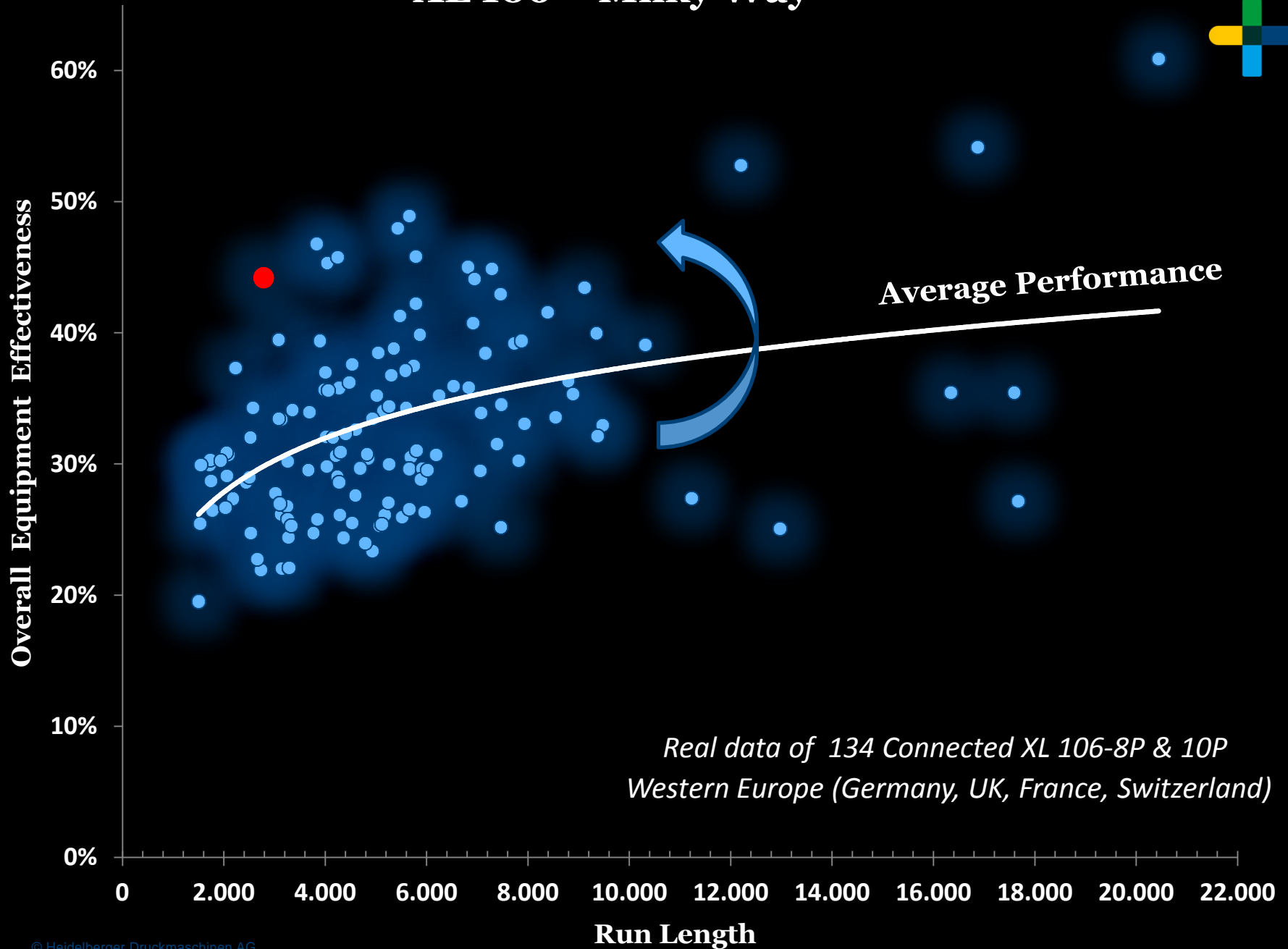


Touchpoints

**Productivity
& utilization
of assets**

**Overall
Equipment
Effectiveness**

XL 106 – Milky Way





The Heidelberg portfolio to increase performance.
All services are harmonized and from a single source.



Heidelberg Subscription: Lifecycle-oriented business modell, combining the Heidelberg product portfolio in one carefree package



- **Pay-per-use** business model
- **Customer pays for output** instead of input factors
- **Recurring revenue:**
Monthly fix base fee + impression charge
- Focus on customers with ambitious growth targets
- **5-year Subscription plan** includes:
equipment + service + consumables + software
- **No investment in equipment,**
Ownership stays with HEIDELBERG
- **Partnership aims to jointly increase productivity**

Our new value proposition – Advantages for our customers: **Heidelberg Subscription.**



The investment does not show on the balance sheet: switching to a **“pay-per-use”** model (subscription).

With a subscription contract, our customers get **added value benefits**. And make their profits independently of savings in material costs.

As subscriber, they are **free to focus** on sales, product innovation and investment in digitization of their customer's interface.

With our customized solution system (Equipment, Software, Services, Consumables) we will **increase their productivity**.



Core element of subscription is our consultancy service: Onsite & remote consulting to increase performance.

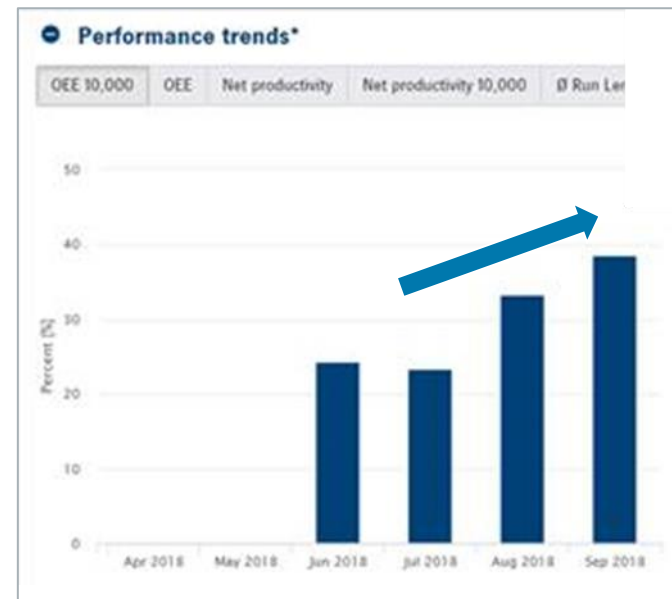
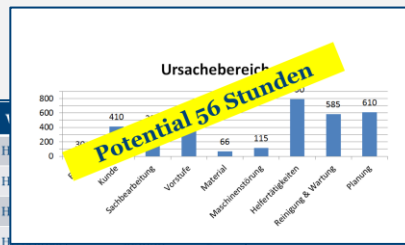
Onsite consulting („Performance +“)

Termin	Thema	Erledigt
Fr. 6.4.18	Aufbauplanung (Varianten erarbeiten und bewerten)	✓
03.-04.07.18	Führungsworkshop (Vision u. Handlungsfelder erarbeiten; KVP-Kultur implementieren)	✓
25. – 26.09.18	Flächenkonzept: Analyse Ist-Layout + Materialflussanalyse	✓
09. – 10.10.18	Flächenkonzept: Sollkonzept (Grobplanung mit der Führung)	✓
06. – 07.11.18	Rüstworkshop XI 106 (Teil1)	



Remote consulting („Monthly Calls“) (monthly performance analysis and definition of joint measures)

Thema	Aufgabe, Maßnahme, Festlegung
Drucksaal	Infoboard
Drucksaal	Magnetschilder
Drucksaal	Prozess Ausriessen definieren
Drucksaal	Konzept Bereitstellungsflächen erstellen



Successful.

Introduction of Heidelberg Subscription.

- **20 machines with subscription contract**
(Sept 2018)
 - Geographical focus: Europe, USA, Canada
 - Relevant for all customer segments:
commercial 14 machines | Packaging 5 machines |
Label (SF) 1 machine
- **5 year-contracts with recurring revenue incl.**
Equipment (partly incl. CtP) + consumables +
service + software + consulting (configured
based on status quo / potential analysis)
- Long list of potential customers: more than **600**
potential customer identified
- Annual printing volume under contract: already
~ 1 billion impressions



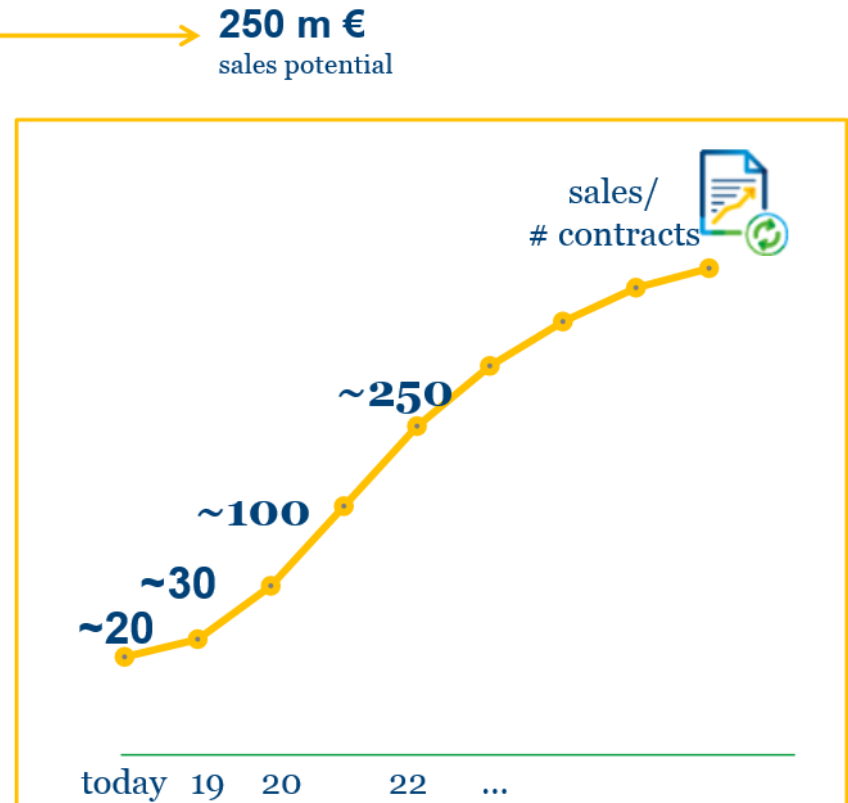
Heidelberg and WEIG
implementing the new digital business
modell Subscription for folding carton
printing

Strategic goals.

Our digital transformation has high earnings potential.

Subscription involves above-average profitability

- Strong sales lever through higher sales of consumables
- Market share of consumables and purchasing power will be expanded
- Average recurring revenue per contract of approx. 1 m € p.a.
- Additional turnover of up to 70% through consumables and services in contrast to „sole“ machine sale



Annualized revenue curve subscription (schematic illustration):
Contract comprises entire system of machine, software, consumables and services. .

Subscription video



Video

