

Heidelberg goes digital!

Subscription Economy – Outcome based business Model for Heidelberger
Druckmaschinen AG



Service Community Event

Maximilian Schnippering - Subscription Business

2nd April 2019



Heidelberg.

Facts and Figures.



85%
Export share



3,5%



World wide 
~11.600
employees



Sales 

€
€ €
2,4bn

At 
250 
Locations
 in
170
Countries

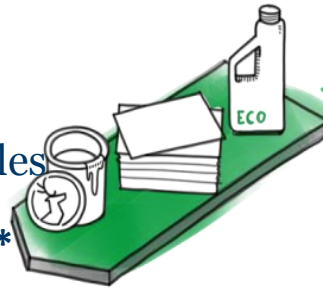


Our **Challenge**

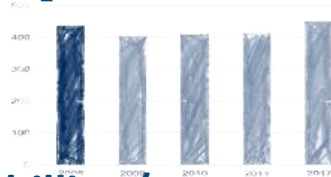
Printing Industry.

Stable market with attractive growth areas.

Consumables
€8 billion*



Global print production volume
around



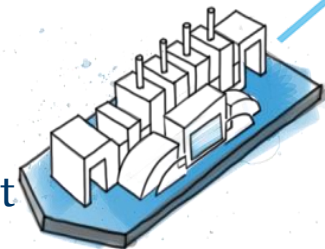
€400 billion/year



Services
€1.3 billion*



Sheetfed offset
€2.4 billion*



Digital
€2.5 billion*

* Accessible market for Heidelberger Druckmaschinen, excluding postpress

The market is alive. Customer productivity is on the rise



From
small
Craftsman
services

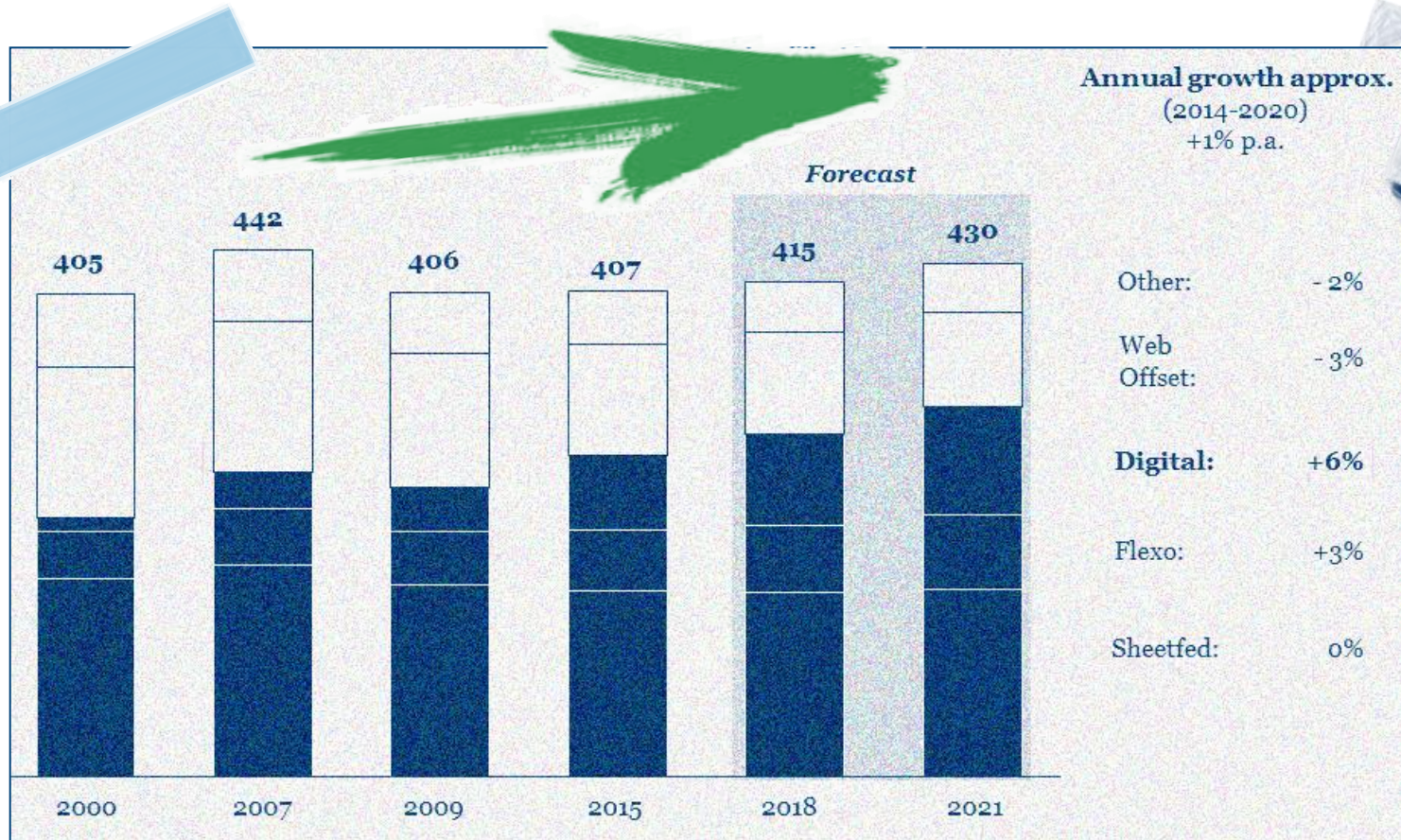


... **towards** industrial enterprises

Healthy Fundamentals. PPV is still growing

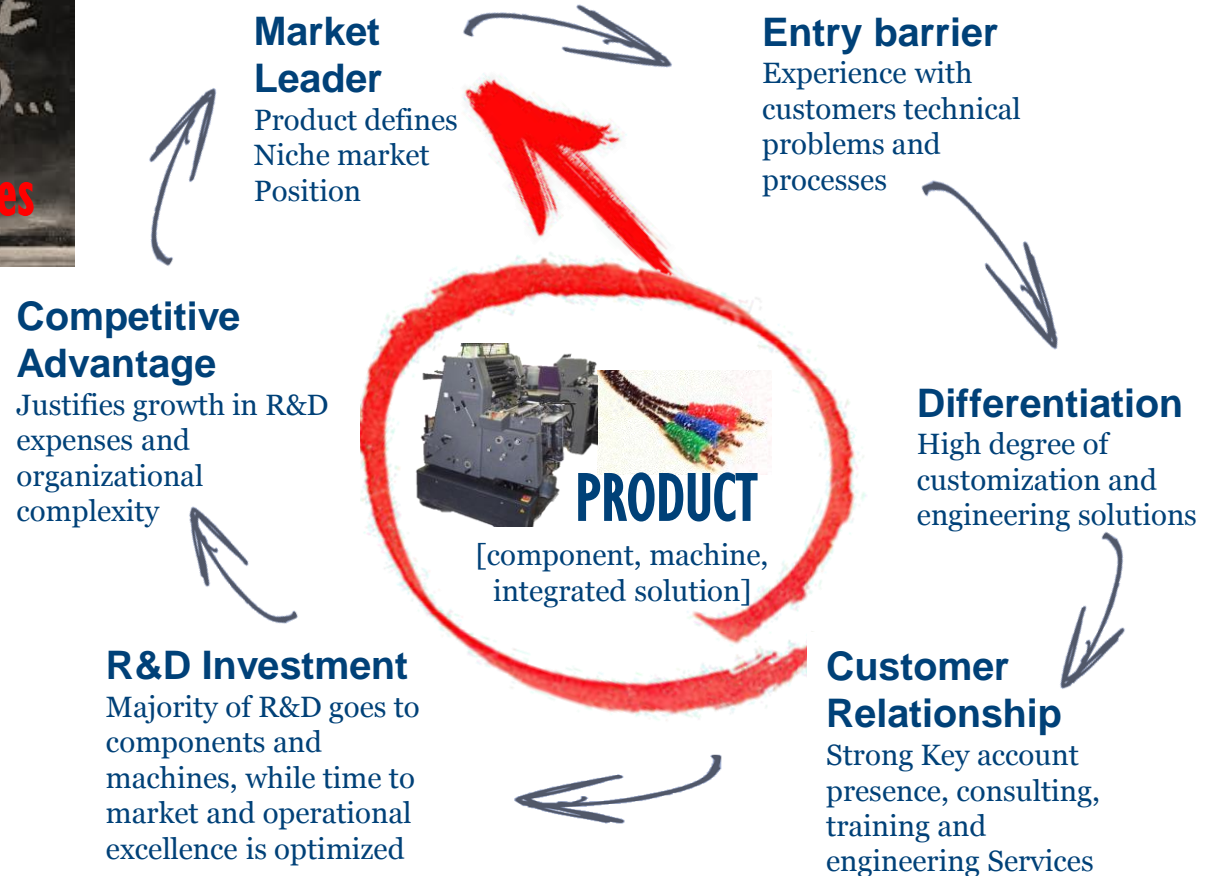


Development Print Production Volume (PPV) per technology [Bill. EUR]

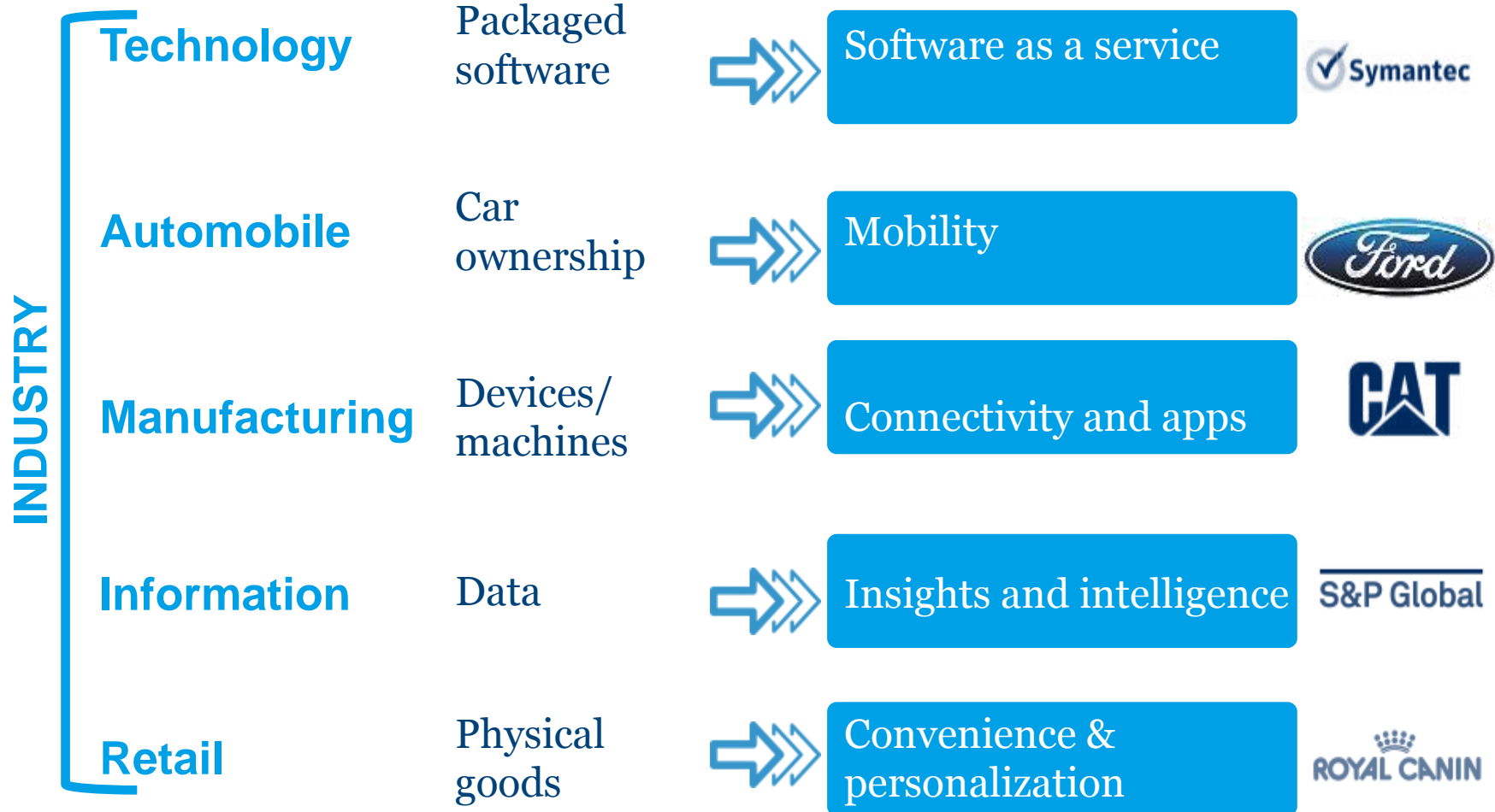


Source: Heidelberg estimate – July 2016, industry statistics, PIRA, Jakkoo Pöyry, Primir (GAMIS), Global Insight
Digital: Only Digital Production Devices are taken into consideration ----- *Base Year 2009

A product centric organization aims to create user specialists through super sophisticated engineering



Digital Technology is creating massive disruption across every industry



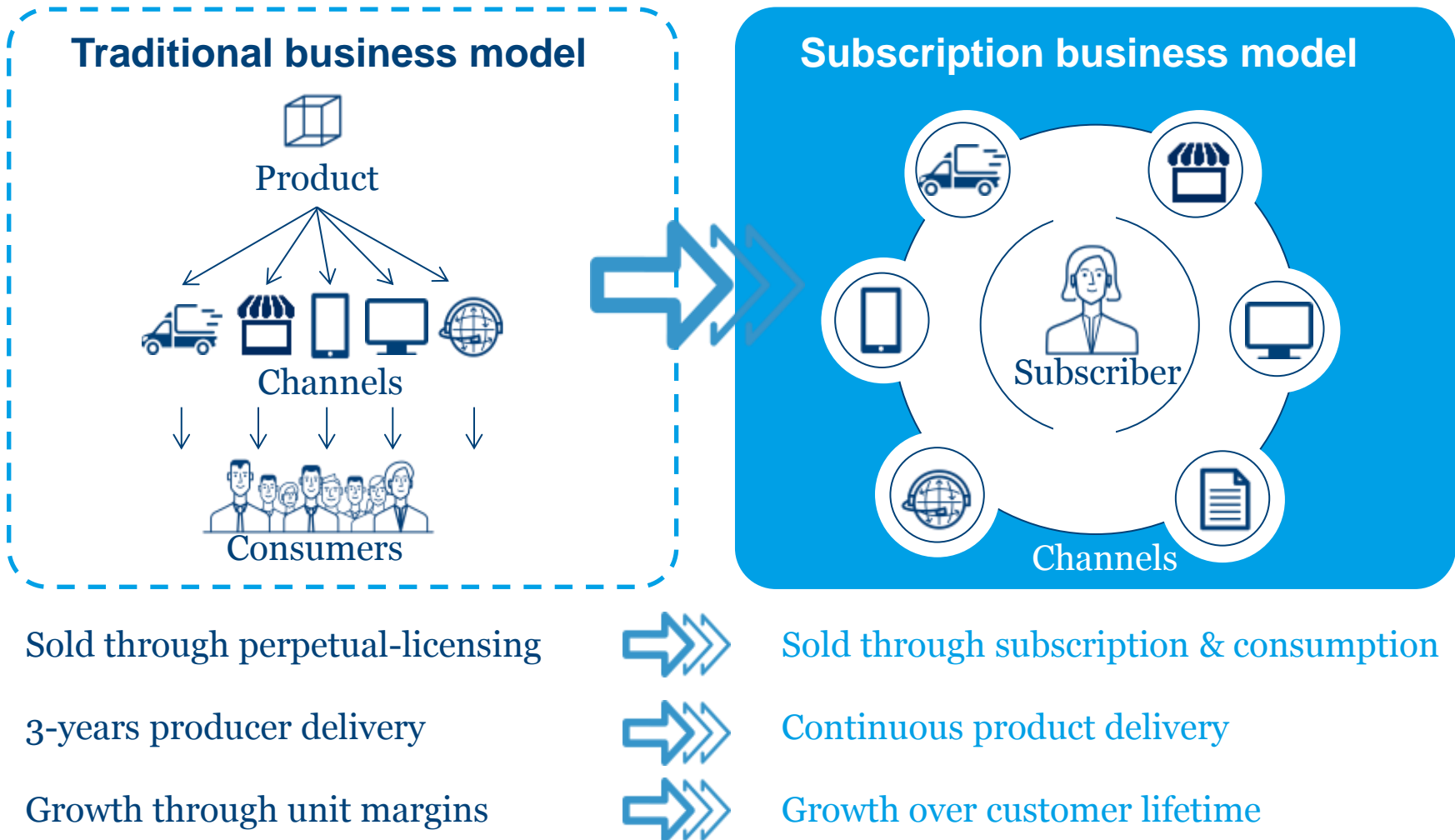
77%

of firms that reported themselves as being in a mature phase of digital transformation reported an increase of at least 10% in their YoY revenue growth rate“

Forester, the ROI of digital business transformation

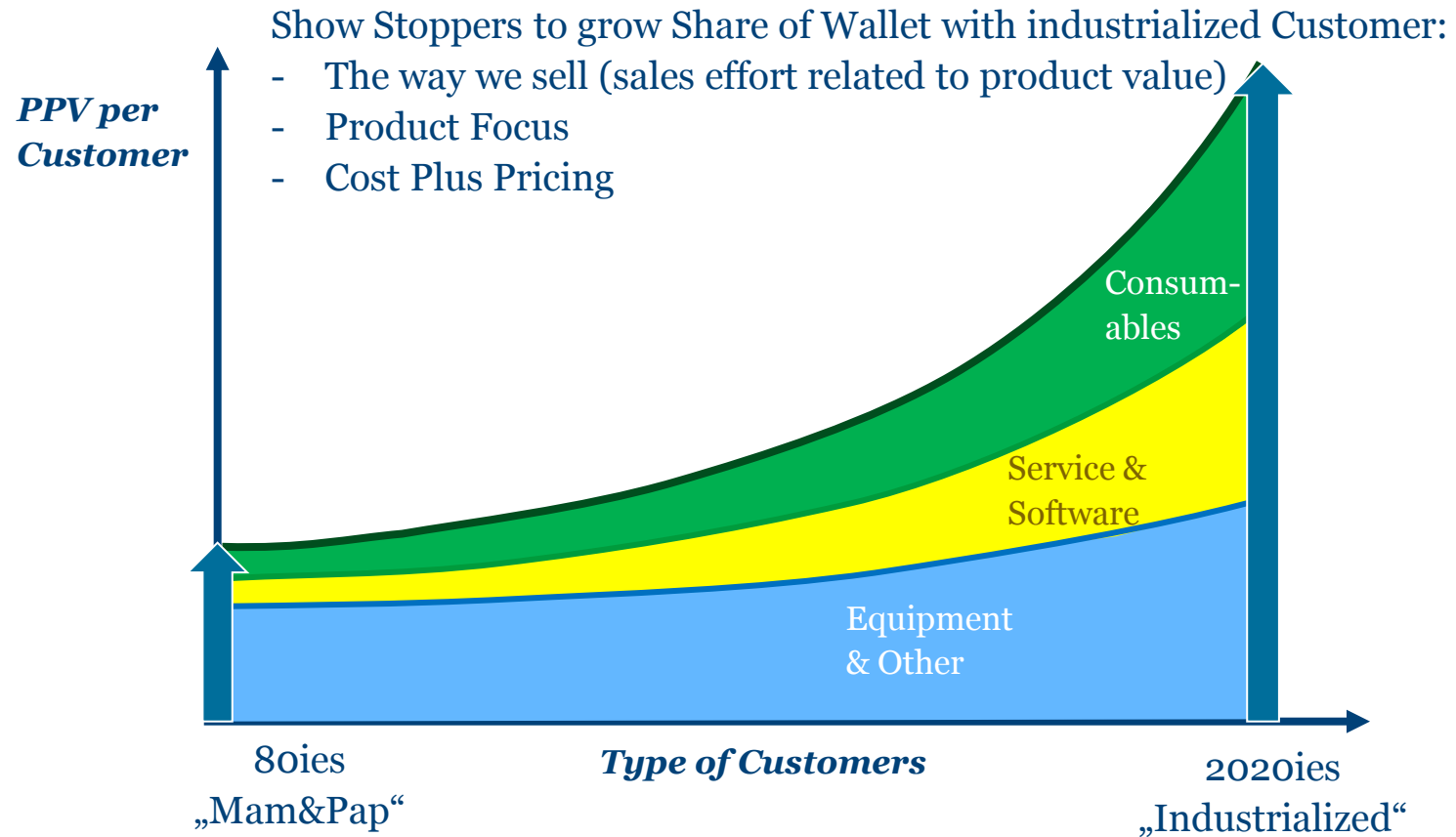
— Outcome Based Business-Model-for Heidelberg | Max-Schnippering —

Gartner predicts that by 2020, 80% of software vendors will move to a subscription model





To grow Share of Wallet with industrialized customers in a product centric model, transactions related cost will explode and prices will erode



*qualitative



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





Heidelberg Subscription: Combining Heidelberg product portfolio in order to drive productivity.



- **Pay-per-use** business model
- **Customer pays for output** instead of input factors. As subscriber our customers are free to focus on sales, product innovation and investment in digitization of their customer's interface.
- **Recurring revenue (5-year plan):** Monthly fix base fee + impression charge
- **No investment in equipment,** Ownership stays with HEIDELBERG
- With a subscription contract, our customers get **added value benefits.** And make their profits independently of savings in material costs.
- **Our solution aims to jointly increase productivity**



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**

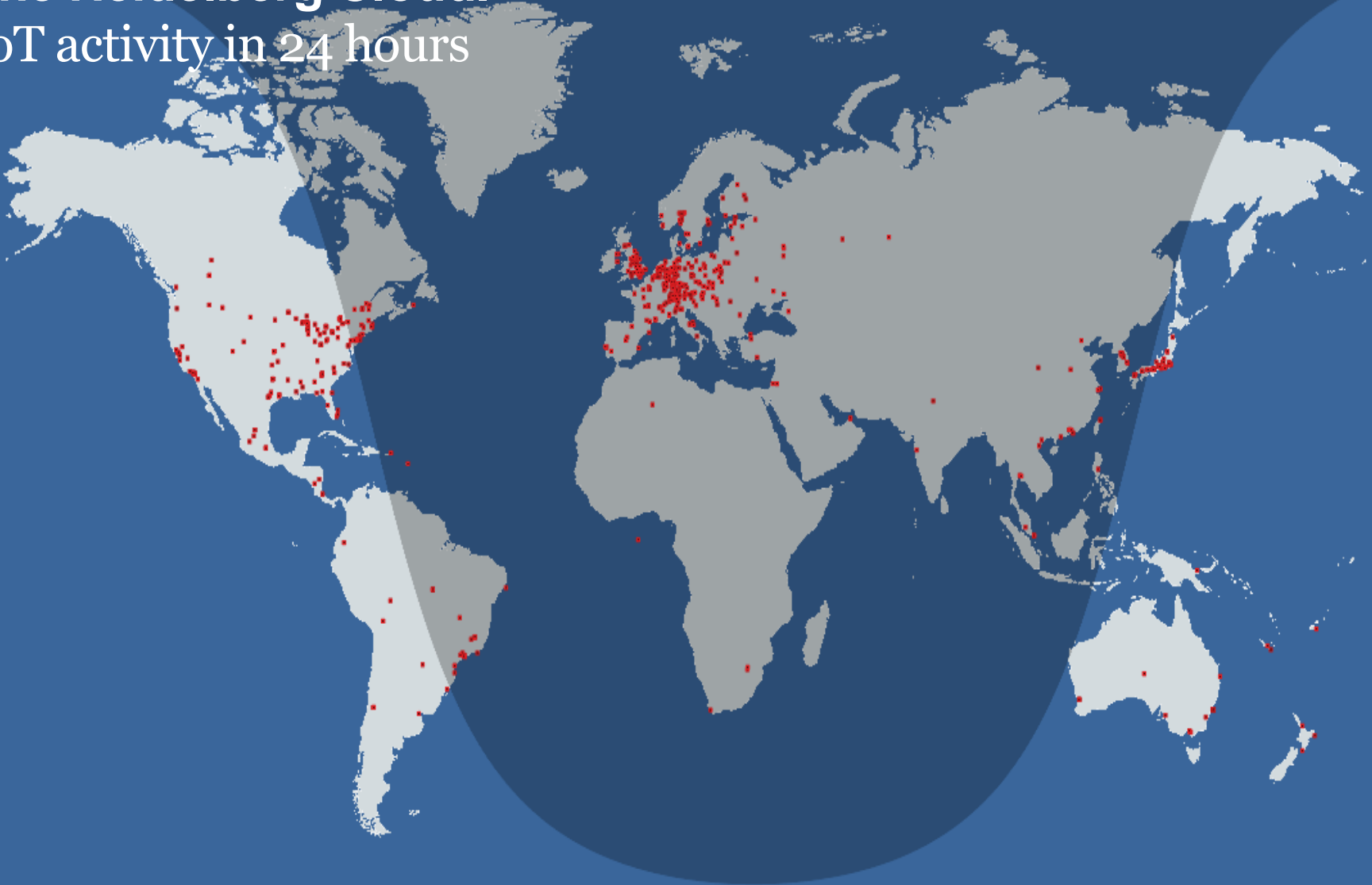


“pay per print”



The Heidelberg Cloud.

IoT activity in 24 hours





The Heidelberg Cloud. IoT as key – databased Services

10.000+ machines
28.000 Prinect modules
connected

(96% of all new machines
– FY18)

250T service notification p.a.



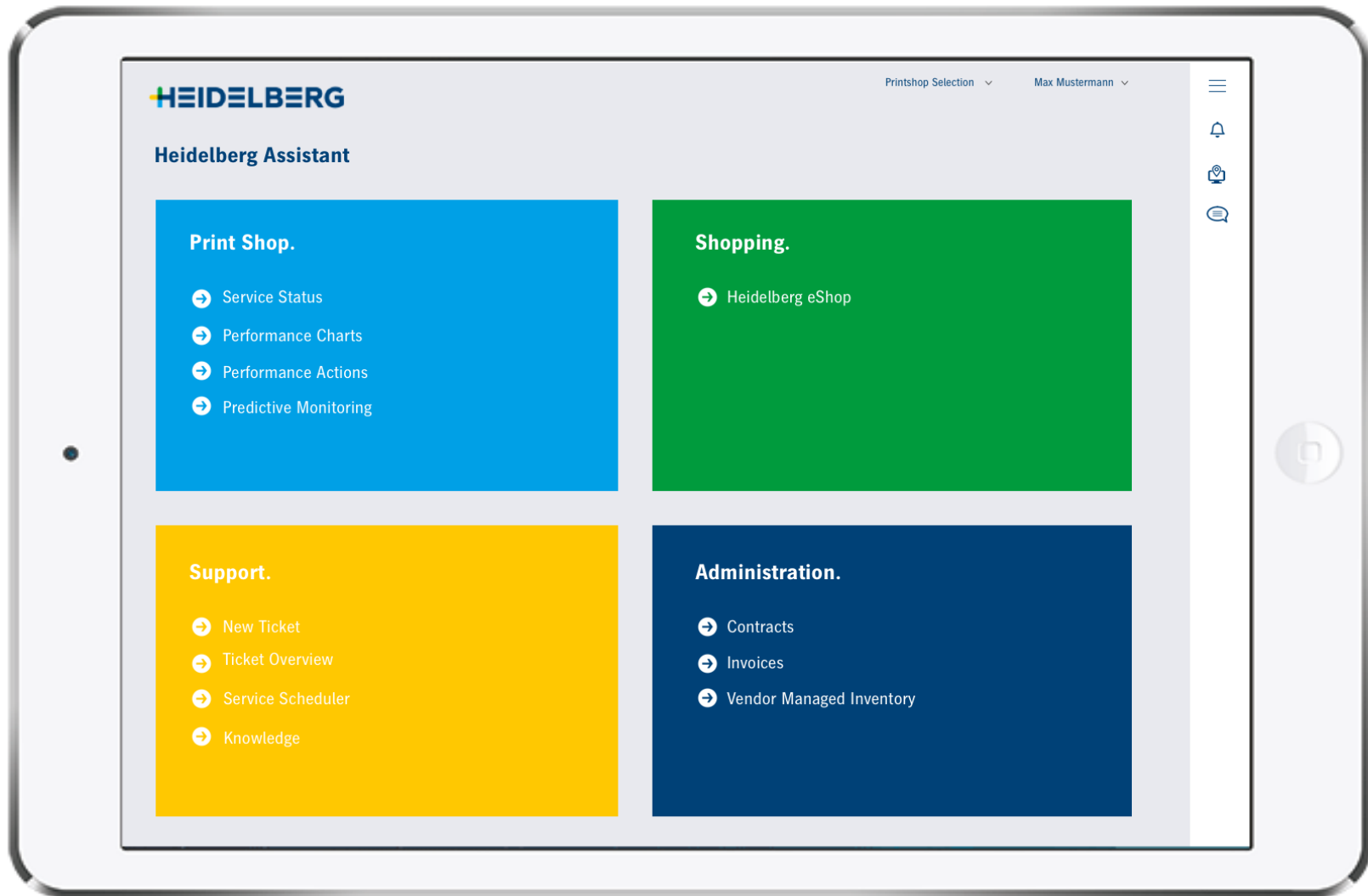
Big Data Services

- Predictive Monitoring
- Performance Services

Real-time Services

- eCall®
- Heidelberg Assistant

HD Assistant – central communication platform as part of our subscription offering



Vendor Managed Inventory



The image shows a tablet displaying the Heidelberg Vendor Managed Inventory (VMI) interface. The interface includes a header with the Heidelberg logo, user information (Printshop Selection, Max Mustermann), and a sidebar with navigation icons. The main content area features a search bar, a 'Printshop Selection' dropdown, and a 'Stock Taking' button. Below these is a table with columns for Product Name, Product ID, Category, Last Movement, Unit, In Stock, Reorder Point, Order quantity, Next Delivery, and Status. The table lists seven products, with the first one (Saphira Wash 562 25l) having a 'Reorder required' status (orange exclamation mark icon). A legend at the bottom indicates that a green checkmark means 'Status ok' and an orange exclamation mark means 'Reorder required'.

Product Name	Product ID	Category	Last Movement	Unit	In Stock	Reorder Point	Order quantity	Next Delivery	Status
+ Saphira Wash 562 25l	CN.F210001	Chemistry	10.03.2018	Can	2	2	4	04.10.2019	!
+ Druckbestäubungspuder S 5/22 1kg	CN.F310005	Chemistry	10.03.2018	Stück	5	0			✓
+ Saphira Fount 554 AR Pure 25Kg	CN.F110083	Chemistry	10.03.2018	Can	83	0			✓
+ Saphira Isopropylalkohol, 25L	CN.F510003	Chemistry	10.03.2018	Can	3	0	10	20.10.2019	✓
+ Saphira Water Fix 25L	CN.F210055	Chemistry	10.03.2018	Can	55	0			✓
+ Saphira Roller Protection Liquid 1L	CN.F220090/02	Chemistry	10.03.2018	Stück	2	0			✓
+ Saphira Dry Ink Cleaner 5L	CN.F220081	Chemie	10.03.2018	Stück	81	0			✓

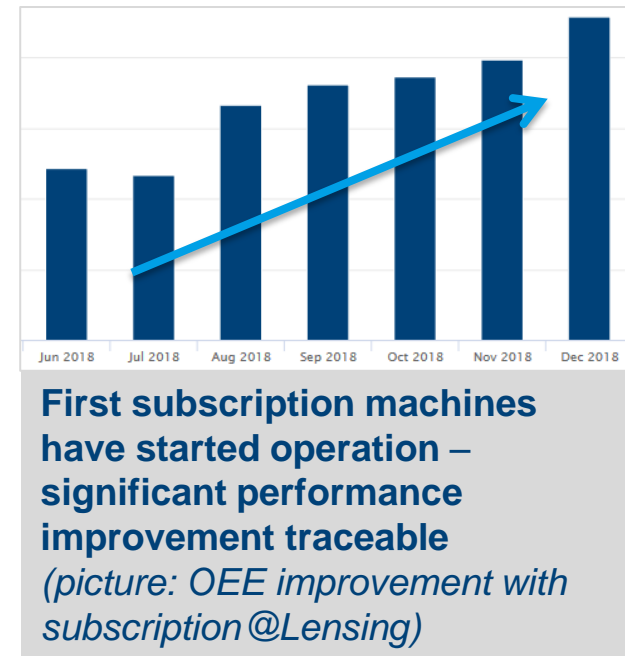
✓ Status ok ! Reorder required



Successful.

Introduction of Heidelberg Subscription.

- **26 machines with subscription contract*** (Feb of 2018)
 - Geographical focus: Europe, USA, Canada
 - Relevant for all customer segments:
commercial 19 machines | Packaging 6 machines | Label (SF) 1 machine
 - Major share of contracts with XL106 machines
- **9 machines with subscription in production** – 3 more will start operation in January
- **Target: 30 customers** until end of FY19 are realistic; Target FY20: 100 Subscription contracts confirmed
- **5 year-contracts with recurring revenue** incl. Equipment (partly incl. CtP) + consumables + service + software + consulting
(configured based on status quo / potential analysis)



*not all signed contracts have been booked as order intake so far (to be followed in 4th quarter)

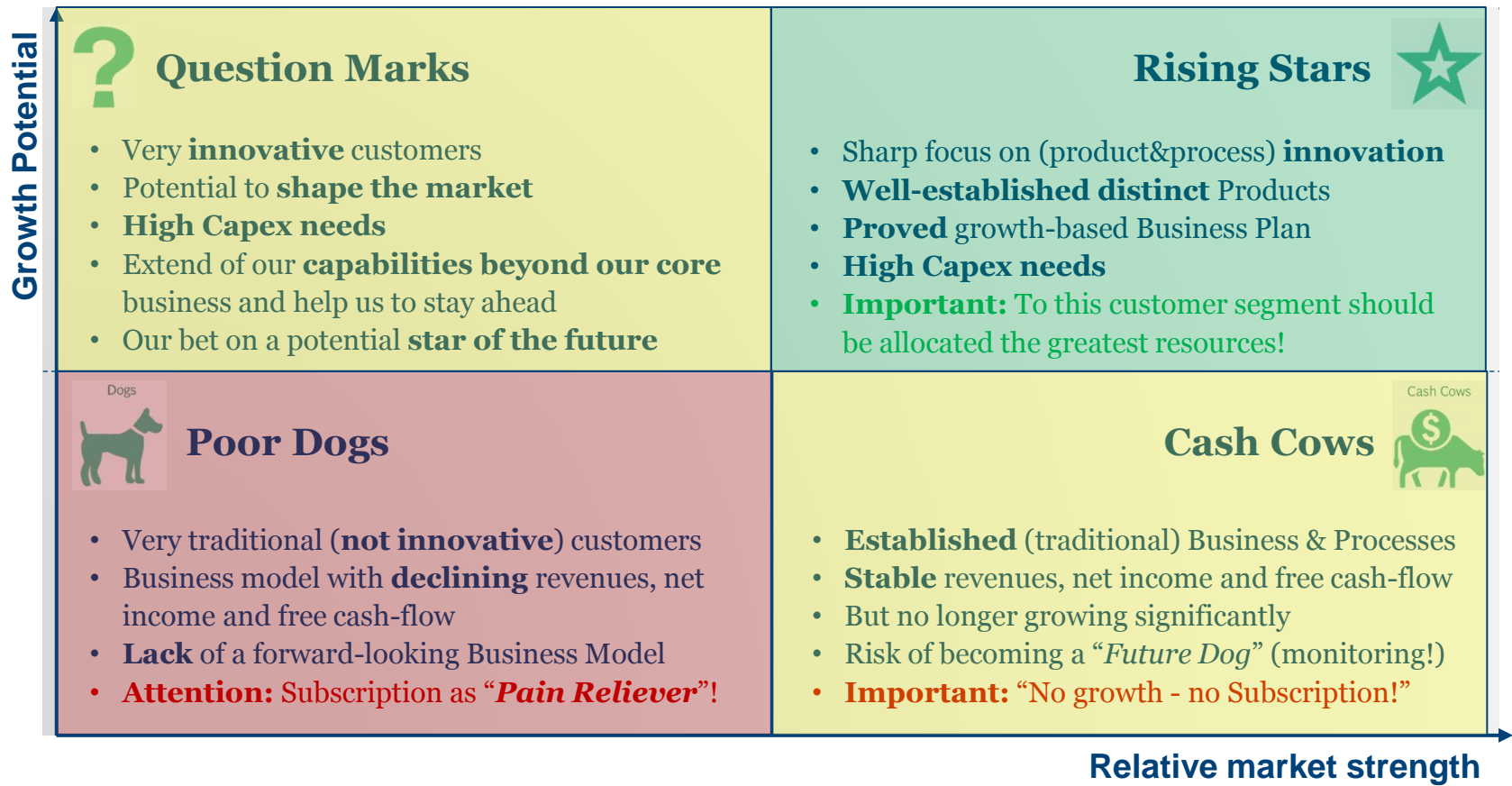
The Opportunity Management Process.

Customer Audit Sheet (financial part).



Customer Portfolio (BCG-Matrix).

Showing potentials.





First Customers are more than satisfied. The Feedback is exceeding our expectations.

Klampfer, Austria

“I wasn’t sure what it was about, but then it became clear quickly, that this was exactly what we were seeking and wanted”

“With Heidelberg professionals onsite to optimize our productivity we are able to pay increased attention to our customers”

Daniela Klampfer, CEO



Lensing Druck, Germany



Weil es um Ihre Zeit geht!



Heidelberg Subscription Modell

“We are impressed how quickly Heidelberg has increased performance – we highly recommend Subscription”

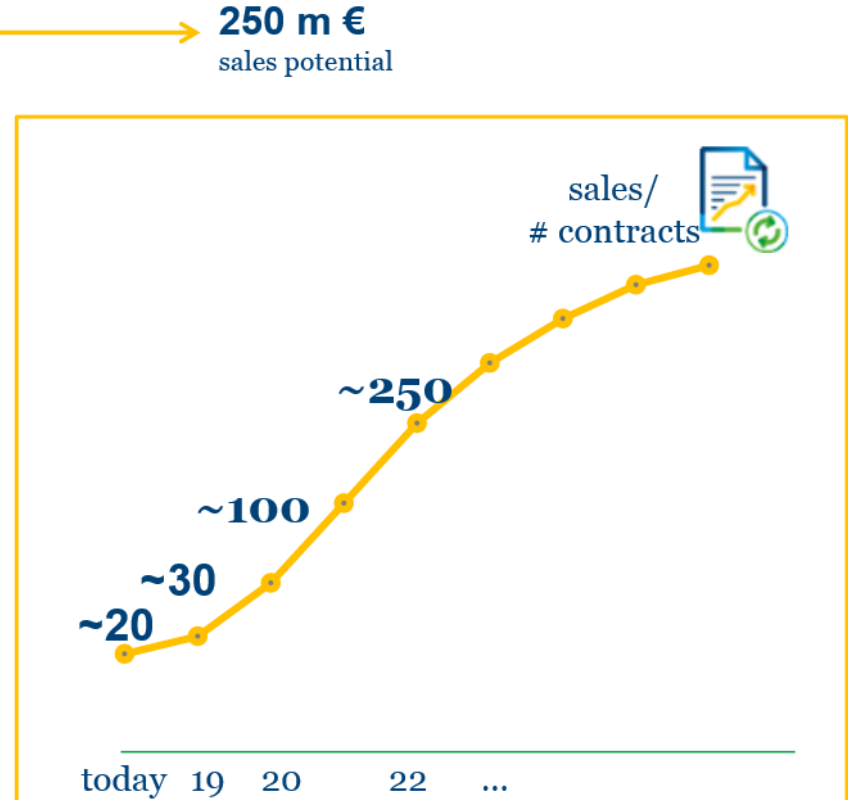
Robert Dembinski, Managing Director

Strategic goals.

Our digital transformation has high earnings potential.

Subscription involves above-average profitability

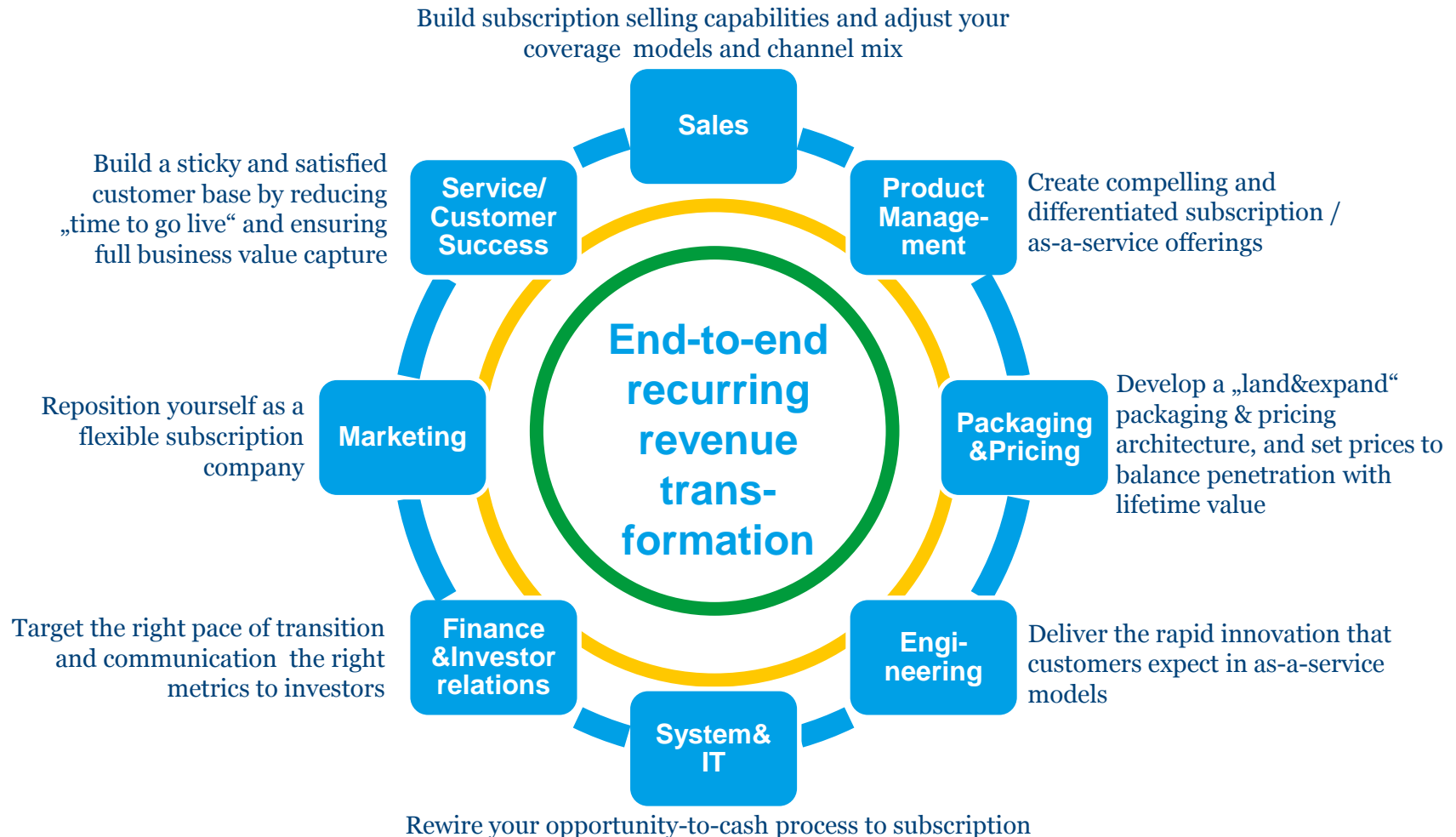
- Strong sales lever through higher sales of consumables
- Market share of consumables and purchasing power will be expanded
- Average recurring revenue per contract of approx. 1 m € p.a.
- Additional turnover of up to 70% through consumables and services in contrast to „sole“ machine sale



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



Moving to recurring revenues is a holistic corporate transformation that touches the entire organization





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.**



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**

