

Communication trends after Drupa influencing print production and the print market



Drupa 2016: Reflection of print market shifts

KBA Koenig & Bauer Group

- Drupa 2016 reflected the developments on the print market
- Over 1,800 exhibitors and 260,000 visitors from 56 countries confirmed Drupa as the industry's leading trade show for print
- Many exhibitors focused on growth markets, like digital, packaging and industrial functional printing
- Publication printing has lost its former dominance
- 3D printing and printed electronics attracted new visitors
- Digital printing has made progress in terms of performance and quality, and has now found its way into packaging printing
- Offset, flexo and gravure presses are still in demand
- Business model, job structure and cost-efficiency determine the suitable print process, not the most exciting Drupa show







Photos: Messe Düsseldorf/ctillmann

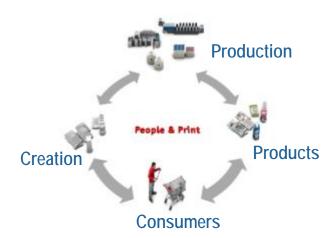
Digitalisation, new processes and Industry 4.0



Further key Drupa topics from KBA's perspective

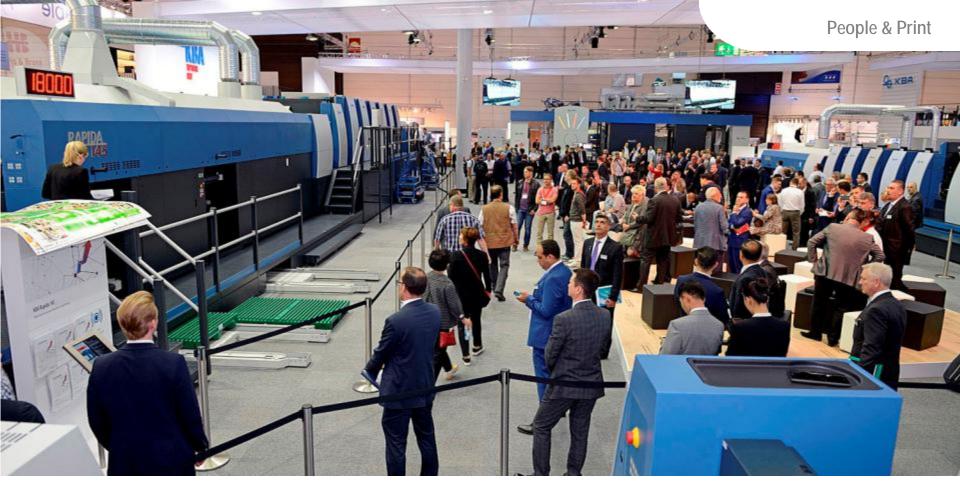
Digitalisation of print's value-added chain (Web2Print)

- Linking Print and Online via QR and AR codes
- Data-based business models as part of the digital transformation (Industry 4.0/ KBA 4.0.)
 - Digital networking of supplier and user
 - Benchmark analyses and Predictive Maintenance
 - Entry into the self-operating printing plant
- LED-UV printing for more quality and shorter lead times
- Inline and offline finishing with cold foil
- New Rapida RSP rotary screen press for luxury finishing
- Fast post-press with new Rapida RDC rotary die-cutter
- Migration-free flexo printing with water-based inks









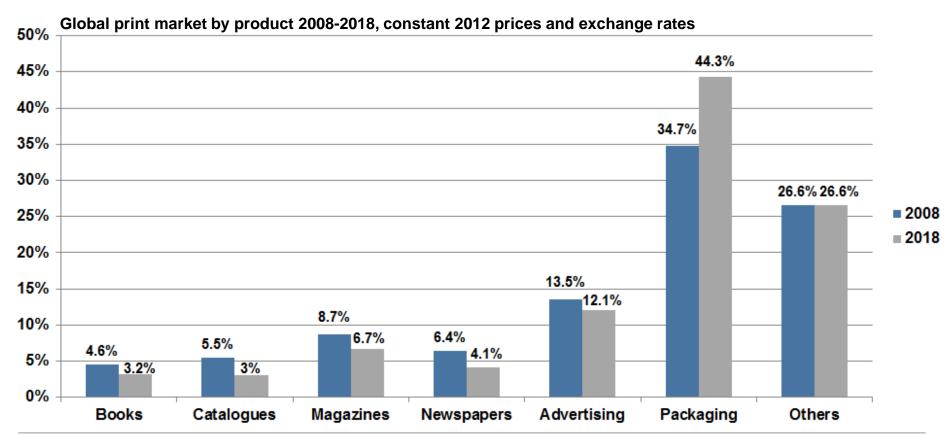
Developments on the print market



The market for print is changing



- Internet is reducing print and advertising volumes in the magazine and catalogue sectors
- Trend towards reading devices is responsible for the decline in book printing
- Packaging, film and label printing are traditional growth markets
- Packaging market is only marginally affected by the internet

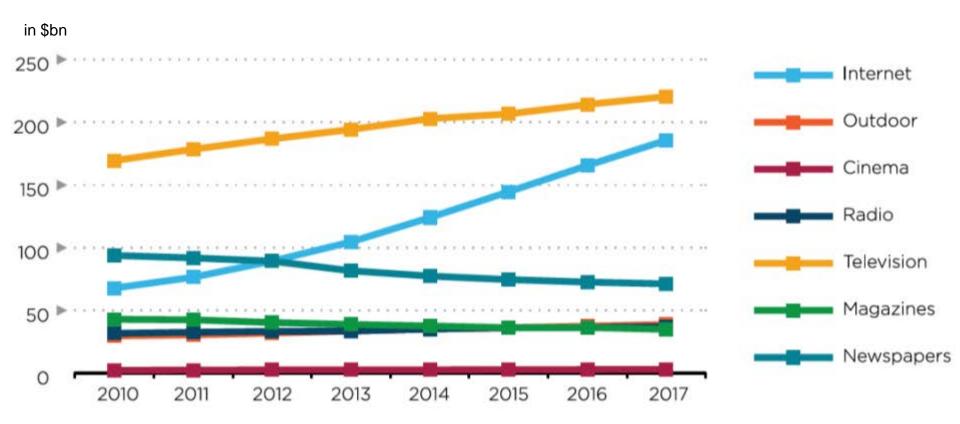


[©] KBA PRINTPROGRESS Trnava 2016 Source: Smithers PIRA, The Future of Global Printing to 2018

Global advertising expenditures 2010-2017



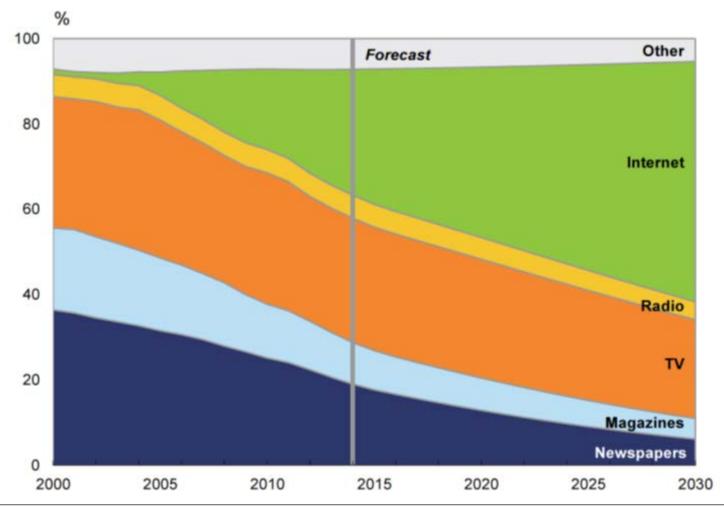
- Electronic media's share of the advertising pie will increase further
- Print advertising revenue will consolidate at a lower level than in the past
- The consolidation trend continues in the print industry
- It remains to be seen which influence saturation tendencies and legal requirements will have on online advertising



Forecast: ad expenditures in Western Europe until 2030



- Forecast is optimistic due to the rise in use of ad blockers
- Doubt concerning the effects of online advertising is growing
- Most publishers finance their online activities with print



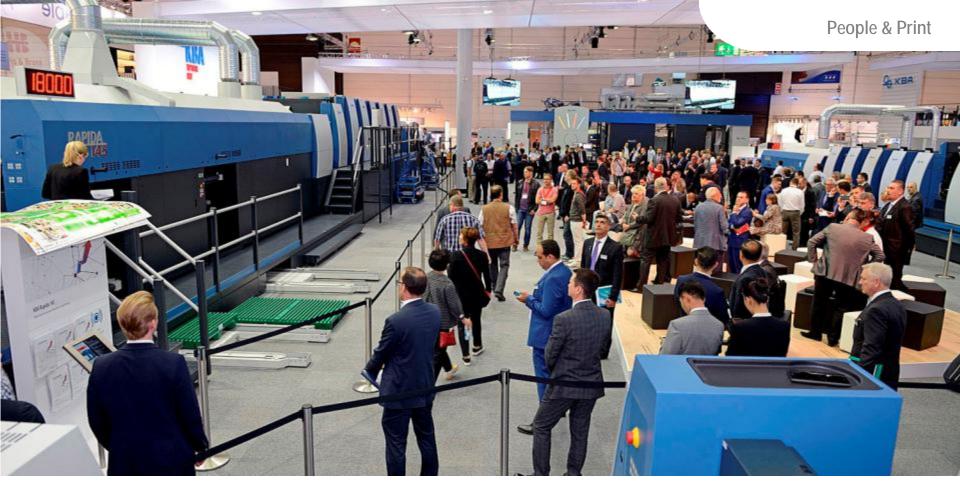
The ad sector is beginning to rethink





"We are seduced by digital media and it's not necessarily because it's more effective. I feel it's because it's new. (...) Print is still powerful."

-Pablo Del Campo, Creative Director Saatchi & Saatchi



Growth market packaging



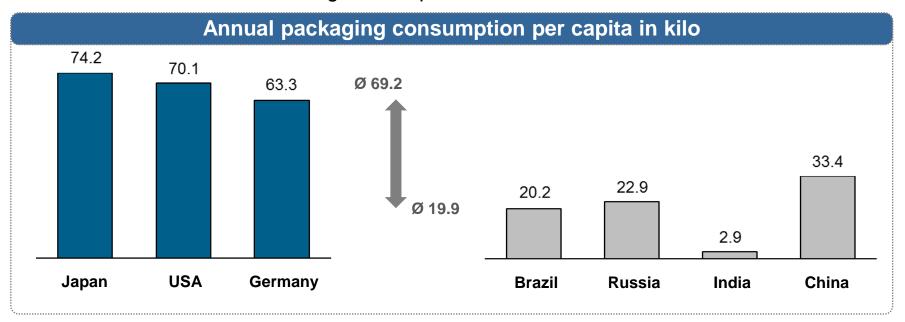
Packaging is a growth market



Mid-term growth & growth drivers

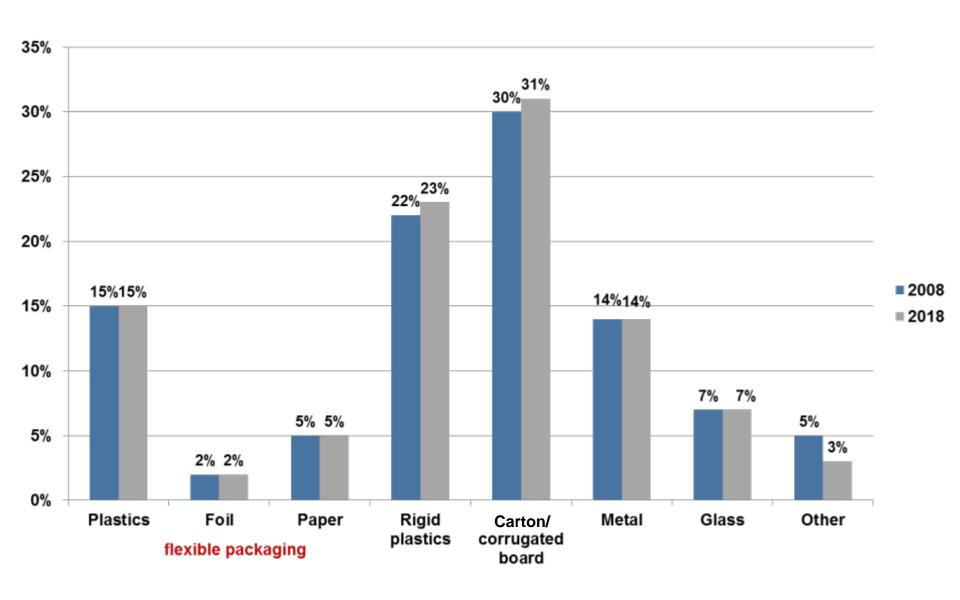
Global packaging volume CAGR +4%

- Packaging in all its great diversity is a growth market
- Packaging market grows faster than global market BIP and world population
- Sophisticated packaging and increasing legal regulations are additional drivers
- 80% of growth expected from Asia



Carton/corrugated board and plastics dominate





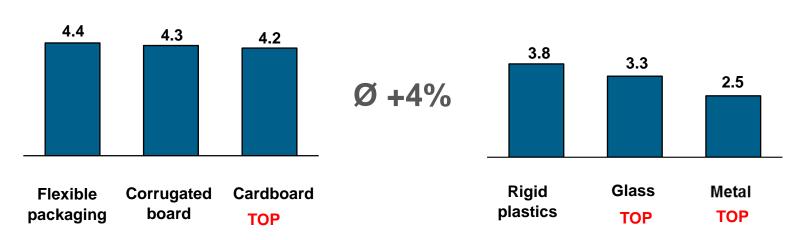
KBA strategy: growth in packaging markets

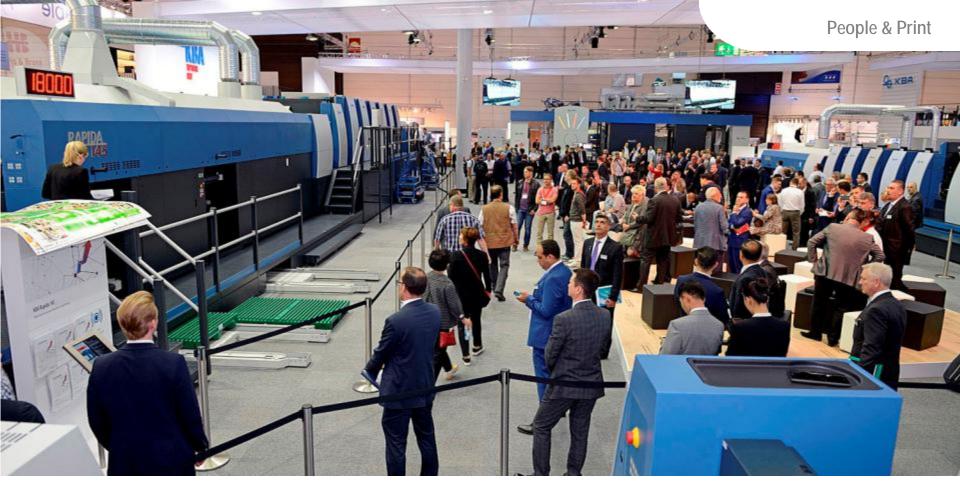


Greatest potential in film, corrugated and board

- KBA is active in all 6 packaging markets, and is the leader in some
- Film, corrugated, board: highest growth rates, largest market volume
- The alliances with HP in digital corrugated printing and with XEROX in digital folding carton printing fit to our strategy
- As well as the expansion of our portfolio with print finishing

CAGR growth rates 2015-2017 in %





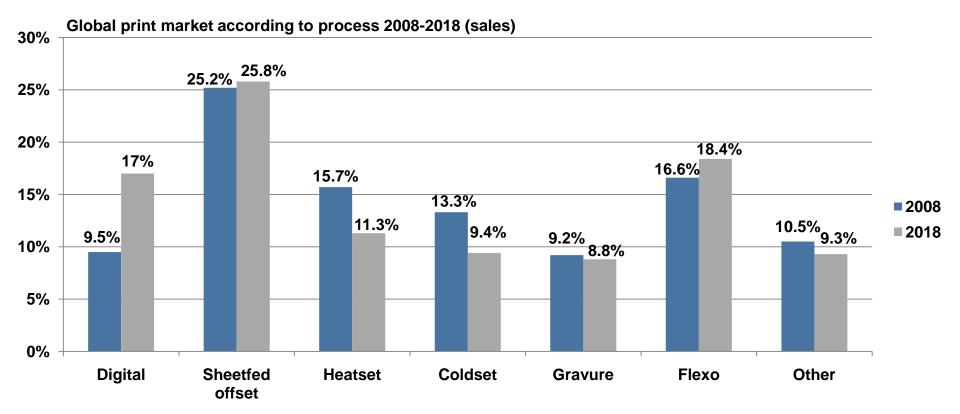
Growth market digital printing



Digital printing growing at an above-average rate



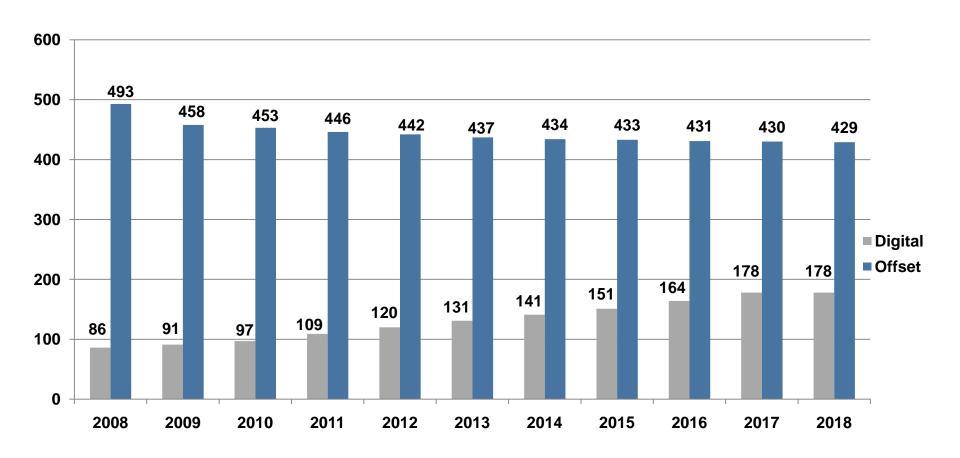
- Until now digital was mainly used for books, mailings, flyers, displays and labels
- Drupa 2016: Exhibitors address digital folding carton and corrugated printing
- High-volume inkjet is increasing in industrial printing (decor, laminates, corrugated)
- Today still less than 10% of all print products are printed digitally
- Even the personalisation of print products is advancing much slower than expected
- Offset remains the dominating print process with a share of over 60% of the total print volume

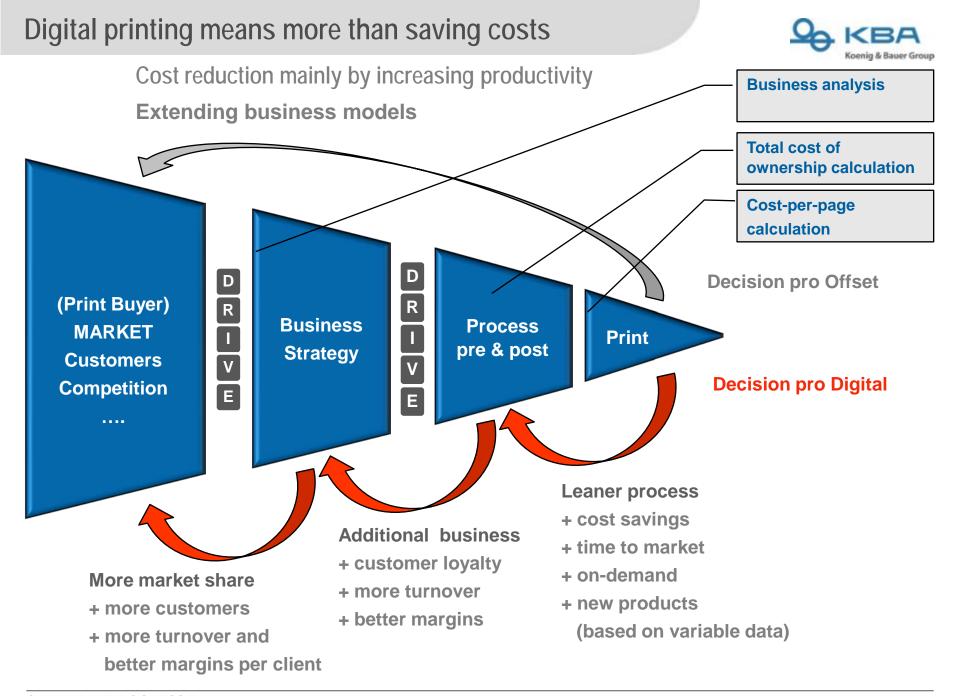


Trends in global print volume offset/digital



(in \$bn)





Example: Digital packaging and functional printing



KBA RotaJET platform

- RotaJET L-Series (77-138 cm)
 RotaJET VL-Series (168 and 225 cm)
- Focus on new industrial applications, e.g. decor

Alliance with Hewlett Packard

- HP and KBA-Digital & Web collaborate on inkjet press for corrugated packaging
- Market launch of HP T1100S PageWide Web Press in 12/2015, built by KBA
- 2 presses have been delivered and 6 ordered

Partnership with XEROX

- KBA-Sheetfed and Xerox join forces for the VariJET 106 digital sheetfed press for folding carton
- Concept presentation at Drupa 2016.
 Market launch planned for 2017



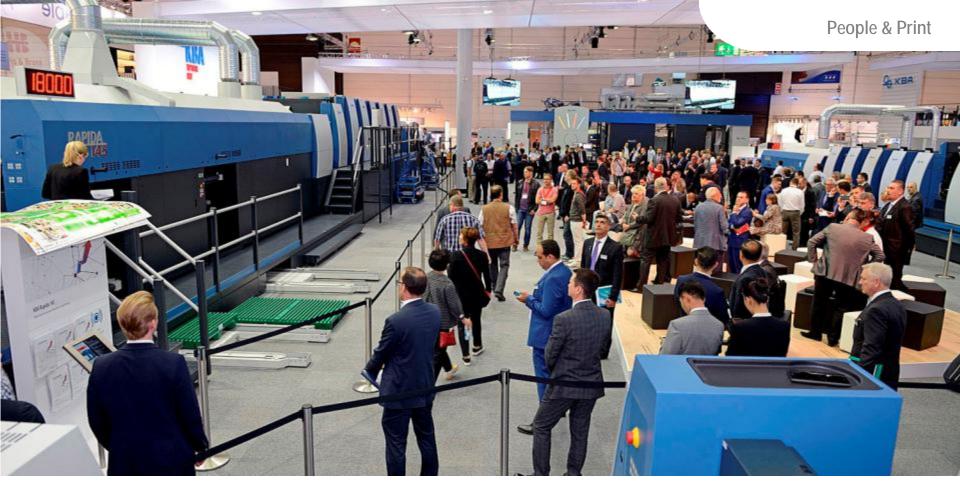
KBA RotaJET VL for decor printing



HP T1100S for the corrugated market



KBA VariJET 106 for folding carton

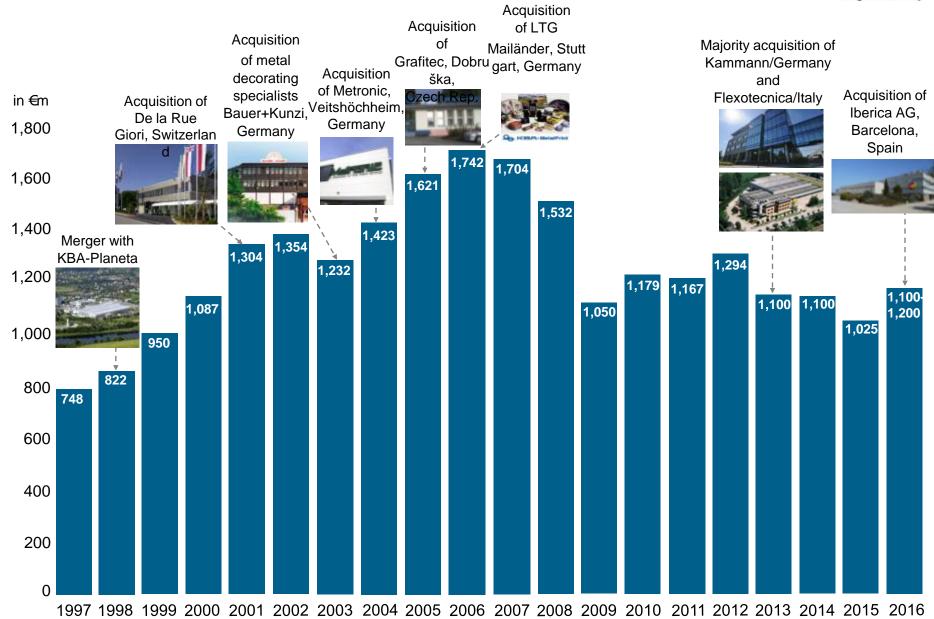


KBA invests in growth markets



KBA Group: organic growth and acquisitions





Strong footing in packaging market





Does KBA come to mind when looking at these products?





Examples from KBA customers

Outlook: Print will still be alive and kicking in 2050



Strong industry

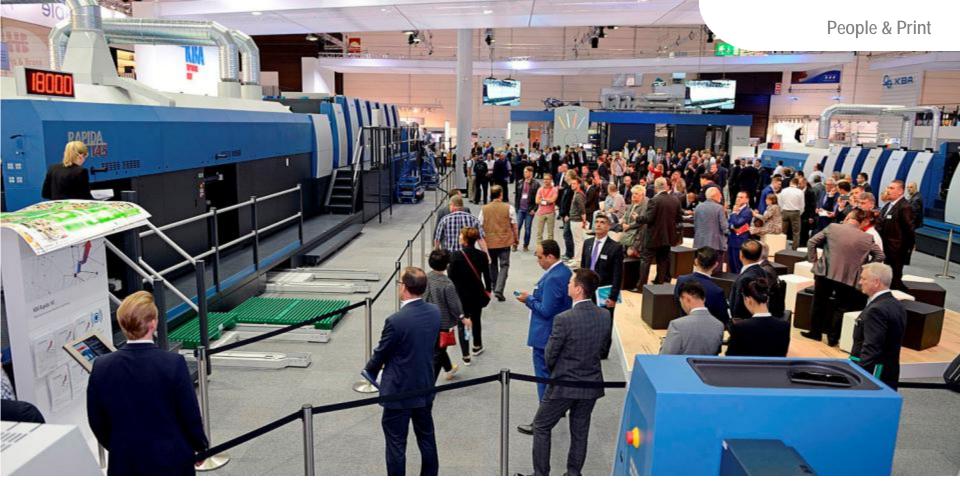
- Print is more than only newspapers or magazines
- Print industry: global revenue of US\$700bn per year
- Car industry: worldwide revenue of US\$500bn per year
- Music industry: annual revenue below US\$100bn

Print is powerful

- Print influences 53% of all consumer purchase decisions
- Print advertising more sustainable than TV and online advertising
- Print accompanies us throughout the day from the morning to bedtime

Print is effective

- People read 10-30% faster on paper
- 23% of advertising spending for print, reaching 33% effectiveness
- Print convinces and binds through variety in form, function and feel



Thank you!

