

Kontron AG

Austria - IT Services



HAUCK
AUFHÄUSER
INVESTMENT BANKING

Buy (old: Buy)

Price target: EUR 27.00 (old: EUR 27.00)

Price:	EUR 16.52	Next result:	Q4'22 29.03.23
Bloomberg:	KTN GR	Market cap:	EUR 1,051.2 m
Reuters:	KTN.DE	Enterprise Value:	EUR 1,027.2 m

09-January-23

Tim Wunderlich, CFA
Analyst

tim.wunderlich@ha-ib.de
Tel.: +49 40 4143885 81

Introducing the new Kontron; chg.

Kontron finalised the divestment of its IT Services business to VINCI SA at the end of 2022 for € 392.2m in cash. **The initial cash inflow amounted to € 255m**, which should be followed by a further € 77m to be paid in March / April 2023, once the corporate accounts have been audited. The € 60m from the escrow account will be paid out to Kontron at the end of 2023 (2/3 or € 40m) and mid-2024 (1/3 or € 20).

The deal did not go entirely as planned: the Moldovan subsidiary was not sold to VINCI, as the district court did not sign off on the transaction in time. This should explain the gap between the expected price (€ 400m) and the realized price (€ 392m). Kontron is in negotiations with three parties interested in acquiring Moldova (*one of them should still be VINCI SA*) and expects to divest the subsidiary within the next three months. **Moldova should be worth c. € 5-10m**, in our view.

With the cash inflow, **we expect Kontron to hold € 462m of gross cash and € 49m of net cash** at the end of 2022, which is set to rise by a further € 117m in 2023 due to the cash inflow from the second and third tranches. In our view, **the cash should be earmarked** for (I) a special dividend of € 1.00 per share or c. € 65m (6% yield) to be paid at the 2023 AGM; (II) a share buyback of up to 10%, which would cost up to € 105m at the current share price; (III) M&A deals. The latter is seen as a **potential re-rating catalyst** given management's record of value-accretive M&A (e.g. the „old“ Kontron, S&T, Kapsch Transportation). **A bolt-on deal could happen already in Q1**, in our view.

The successful divestment marks the beginning of the „new Kontron“: a company focused on IoT, 5G, and software (*Susietec*), with a more stringent corporate set-up (*40 subsidiaries, down from 80 at the peak*) and less exposure to higher-risk jurisdictions (*Belarus closed down, Russia reduced in size, Moldova to be divested*). **We expect newsflow to remain positive** as (I) **Q4 should have been strong**, supported by improving supply chains, which allowed Kontron to reduce the backlog overhang by c. € 25m in Q4 (eHAIB); (II) **Kontron should issue a guidance** for FY'23E in the course of January, providing more transparency on what to expect from the new Kontron in the new year.

Action: we adjust the model to account for the divestment of IT Services. Our 2023E estimates should be seen as conservative, already accounting for macro weakness. Note that 2022E net income reflects an estimated € 150m book gain from the divestment. **Reiterate BUY with an unchanged PT of € 27.00 (DCF)** as the divestment is value neutral but a positive for sentiment and in light of the tightened focus.

Y/E 31.12 (EUR m)	2018	2019	2020	2021	2022E	2023E	2024E
Sales	990.9	1,122.9	1,254.8	1,005.0*	1,083.0	1,126.3	1,295.3
Sales growth	12 %	13 %	12 %	-20 %	8 %	4 %	15 %
EBITDA	90.5	111.7	130.0	88.0	94.8	105.3	138.6
EBIT	61.5	61.8	68.6	35.0	40.4	50.2	82.7
Net income	45.0	49.1	55.6	48.0	179.2	39.0	69.0
Net debt	-52.7	91.5	104.1	116.0	-49.0	-160.1	-195.0
EPS pro forma	0.68	0.74	0.84	0.44	0.46	0.61	1.08
CPS	0.32	0.88	1.67	0.83	-0.71	0.93	0.93
DPS	0.16	0.00	0.30	0.35	1.00	0.60	0.60
Dividend yield	1.0 %	0.0 %	1.8 %	2.1 %	6.1 %	3.6 %	3.6 %
Gross profit margin	36.0 %	37.2 %	37.2 %	36.7 %	37.6 %	38.2 %	38.8 %
EBITDA margin	9.1 %	9.9 %	10.4 %	8.8 %	8.8 %	9.3 %	10.7 %
EBIT margin	6.2 %	5.5 %	5.5 %	3.5 %	3.7 %	4.5 %	6.4 %
ROCE	11.9 %	8.8 %	9.9 %	4.0 %	4.6 %	5.8 %	9.5 %
EV/sales	1.1	1.1	1.0	1.2	0.9	0.8	0.7
EV/EBITDA	11.6	10.9	9.4	14.0	10.8	8.7	6.4
EV/EBIT	17.1	19.6	17.8	35.2	25.5	18.2	10.7
PER	24.3	22.2	19.6	37.6	36.0	26.9	15.2
Adjusted FCF yield	6.2 %	6.9 %	7.8 %	4.1 %	5.2 %	7.2 %	10.8 %

Source: Company data, HAIB Close price as of: 06.01.2023. * Adjusted for IT Services divestment

Please refer to important disclosures at the end of the report



Source: Company data, Hauck Aufhäuser Investment Banking

High/low 52 weeks: 17.88 / 11.46

Price/Book Ratio: 2.5

Relative performance (TecDAX):

3 months -0.4 %

6 months 11.1 %

12 months 32.5 %

Changes in estimates

		Sales	EBIT	EPS
2022	old:	1,430.0	70.9	0.89
	Δ	-24.3%	-43.1%	-48.5%
2023	old:	1,558.7	95.1	1.17
	Δ	-27.7%	-47.2%	-47.3%
2024	old:	1,667.8	125.9	1.39
	Δ	-22.3%	-34.3%	-22.0%

Key share data:

Number of shares: (in m pcs) 63.6

Authorised capital: (in € m) 12.1

Book value per share: (in €) 6.6

Ø trading volume: (12 months) 155,000

Major shareholders:

Free Float 55.2 %

Ennoconn 27.6 %

Management 6.5 %

Amiral Gestion 5.4 %

Naneva BV 5.3 %

Company description:

Leading IoT solutions provider targeting industrial, medical, avionics, smart energy, and other applications

Financials

Profit and loss (EUR m)	2018	2019	2020	2021	2022E	2023E	2024E
Net sales	990.9	1,122.9	1,254.8	1,005.0	1,083.0	1,126.3	1,295.3
Sales growth	12.3 %	13.3 %	11.7 %	-19.9 %	7.8 %	4.0 %	15.0 %
Increase/decrease in finished goods and work-in-process	15.1	15.5	17.6	14.5	11.9	11.8	13.0
Total sales	1,006.0	1,138.4	1,272.4	1,019.5	1,094.9	1,138.1	1,308.2
Other operating income	7.5	8.0	8.8	13.5	16.2	5.6	6.5
Material expenses	644.3	715.4	799.0	645.0	683.4	702.8	800.5
Personnel expenses	194.6	245.2	273.3	238.0	255.6	259.1	291.4
Other operating expenses	84.0	74.2	78.8	62.0	77.4	76.6	84.2
Total operating expenses	915.4	1,026.7	1,142.4	931.5	1,000.2	1,032.8	1,169.6
EBITDA	90.5	111.7	130.0	88.0	94.8	105.3	138.6
Depreciation	29.0	25.9	30.9	29.6	30.9	31.6	32.4
EBITA	61.5	85.8	99.1	58.4	63.9	73.7	106.2
Amortisation of goodwill	n/a	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	n/a	24.0	30.5	23.4	23.5	23.5	23.5
Impairment charges	n/a	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	61.5	61.8	68.6	35.0	40.4	50.2	82.7
Interest income	1.0	1.3	1.6	1.6	1.6	2.3	2.3
Interest expenses	6.2	9.0	9.3	7.6	9.5	8.1	6.6
Other financial result	0.0	0.0	-0.2	0.0	0.0	0.0	0.0
Financial result	-5.2	-7.7	-7.9	-6.0	-7.9	-5.8	-4.2
Recurring pretax income from continuing operations	56.3	54.1	60.7	29.0	32.5	44.4	78.5
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	56.3	54.1	60.7	29.0	32.5	44.4	78.5
Taxes	7.9	4.6	6.1	0.0	3.2	5.3	9.4
Net income from continuing operations	48.5	49.5	54.6	29.0	29.2	39.0	69.0
Result from discontinued operations (net of tax)	0.0	0.0	0.0	-19.0	-150.0	0.0	0.0
Net income	48.5	49.5	54.6	48.0	179.2	39.0	69.0
Minority interest	3.5	0.4	-1.0	0.0	0.0	0.0	0.0
Net profit (reported)	45.0	49.1	55.6	48.0	179.2	39.0	69.0
Average number of shares	66.1	66.1	65.0	65.0	63.6	63.6	63.6
EPS reported	0.68	0.74	0.86	0.74	2.82	0.61	1.08

Profit and loss (common size)	2018	2019	2020	2021	2022E	2023E	2024E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	1.5 %	1.4 %	1.4 %	1.4 %	1.1 %	1.1 %	1.0 %
Total sales	101.5 %	101.4 %	101.4 %	101.4 %	101.1 %	101.1 %	101.0 %
Other operating income	0.8 %	0.7 %	0.7 %	1.3 %	1.5 %	0.5 %	0.5 %
Material expenses	65.0 %	63.7 %	63.7 %	64.2 %	63.1 %	62.4 %	61.8 %
Personnel expenses	19.6 %	21.8 %	21.8 %	23.7 %	23.6 %	23.0 %	22.5 %
Other operating expenses	8.5 %	6.6 %	6.3 %	6.2 %	7.2 %	6.8 %	6.5 %
Total operating expenses	92.4 %	91.4 %	91.0 %	92.7 %	92.4 %	91.7 %	90.3 %
EBITDA	9.1 %	9.9 %	10.4 %	8.8 %	8.8 %	9.3 %	10.7 %
Depreciation	2.9 %	2.3 %	2.5 %	2.9 %	2.9 %	2.8 %	2.5 %
EBITA	6.2 %	7.6 %	7.9 %	5.8 %	5.9 %	6.5 %	8.2 %
Amortisation of goodwill	n/a	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	n/a	2.1 %	2.4 %	2.3 %	2.2 %	2.1 %	1.8 %
Impairment charges	n/a	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	6.2 %	5.5 %	5.5 %	3.5 %	3.7 %	4.5 %	6.4 %
Interest income	0.1 %	0.1 %	0.1 %	0.2 %	0.1 %	0.2 %	0.2 %
Interest expenses	0.6 %	0.8 %	0.7 %	0.8 %	0.9 %	0.7 %	0.5 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	5.7 %	4.8 %	4.8 %	2.9 %	3.0 %	3.9 %	6.1 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	5.7 %	4.8 %	4.8 %	2.9 %	3.0 %	3.9 %	6.1 %
Tax rate	14.0 %	8.4 %	10.0 %	0.0 %	10.0 %	12.0 %	12.0 %
Net income from continuing operations	4.9 %	4.4 %	4.4 %	2.9 %	2.7 %	3.5 %	5.3 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	-1.9 %	-13.9 %	0.0 %	0.0 %
Net income	4.9 %	4.4 %	4.4 %	4.8 %	16.5 %	3.5 %	5.3 %
Minority interest	0.4 %	0.0 %	neg.	0.0 %	0.0 %	0.0 %	0.0 %
Net profit (reported)	4.5 %	4.4 %	4.4 %	4.8 %	16.5 %	3.5 %	5.3 %

Source: Company data, Hauck Aufhäuser Investment Banking

Balance sheet (EUR m)	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	207.6	294.9	302.3	312.5	87.9	57.4	48.3
Property, plant and equipment	37.1	99.8	135.1	132.5	110.5	88.6	69.7
Financial assets	0.3	22.8	22.1	32.5	32.5	32.5	32.5
FIXED ASSETS	244.9	417.5	459.5	477.5	230.8	178.5	150.6
Inventories	130.8	146.8	159.9	187.3	240.7	234.7	259.1
Accounts receivable	202.7	212.2	204.5	232.5	204.7	212.9	244.9
Other current assets	68.0	102.6	104.2	118.1	121.0	124.0	127.1
Liquid assets	171.8	312.3	281.9	296.5	461.5	455.1	470.0
Deferred taxes	29.8	34.4	36.6	40.2	40.2	40.2	40.2
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	603.0	808.2	787.1	874.6	1,068.1	1,066.9	1,141.2
TOTAL ASSETS	847.9	1,225.7	1,246.6	1,352.1	1,298.9	1,245.4	1,291.8
SHAREHOLDERS EQUITY	356.0	372.7	404.0	418.6	422.3	477.2	505.6
MINORITY INTEREST	11.3	12.4	5.4	4.7	4.7	0.0	0.0
Long-term debt	79.4	341.0	343.2	340.2	340.2	270.0	260.0
Provisions for pensions and similar obligations	14.6	30.0	26.8	25.1	25.1	25.1	25.1
Other provisions	28.0	54.4	40.5	31.4	31.4	31.4	31.4
Non-current liabilities	122.0	425.4	410.5	396.7	396.7	326.5	316.5
short-term liabilities to banks	39.6	62.8	42.8	72.3	72.3	25.0	15.0
Accounts payable	177.0	205.0	210.0	270.0	207.7	216.0	248.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	129.4	134.2	160.6	176.7	182.0	187.5	193.1
Deferred taxes	12.6	13.4	13.3	13.2	13.2	13.2	13.2
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	358.6	415.3	426.6	532.2	475.2	441.7	469.7
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	847.9	1,225.7	1,246.6	1,352.1	1,298.9	1,245.4	1,291.8

Balance sheet (common size)	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	24.5 %	24.1 %	24.2 %	23.1 %	6.8 %	4.6 %	3.7 %
Property, plant and equipment	4.4 %	8.1 %	10.8 %	9.8 %	8.5 %	7.1 %	5.4 %
Financial assets	0.0 %	1.9 %	1.8 %	2.4 %	2.5 %	2.6 %	2.5 %
FIXED ASSETS	28.9 %	34.1 %	36.9 %	35.3 %	17.8 %	14.3 %	11.7 %
Inventories	15.4 %	12.0 %	12.8 %	13.9 %	18.5 %	18.8 %	20.1 %
Accounts receivable	23.9 %	17.3 %	16.4 %	17.2 %	15.8 %	17.1 %	19.0 %
Other current assets	8.0 %	8.4 %	8.4 %	8.7 %	9.3 %	10.0 %	9.8 %
Liquid assets	20.3 %	25.5 %	22.6 %	21.9 %	35.5 %	36.5 %	36.4 %
Deferred taxes	3.5 %	2.8 %	2.9 %	3.0 %	3.1 %	3.2 %	3.1 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	71.1 %	65.9 %	63.1 %	64.7 %	82.2 %	85.7 %	88.3 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	42.0 %	30.4 %	32.4 %	31.0 %	32.5 %	38.3 %	39.1 %
MINORITY INTEREST	1.3 %	1.0 %	0.4 %	0.3 %	0.4 %	0.0 %	0.0 %
Long-term debt	9.4 %	27.8 %	27.5 %	25.2 %	26.2 %	21.7 %	20.1 %
Provisions for pensions and similar obligations	1.7 %	2.4 %	2.2 %	1.9 %	1.9 %	2.0 %	1.9 %
Other provisions	3.3 %	4.4 %	3.2 %	2.3 %	2.4 %	2.5 %	2.4 %
Non-current liabilities	14.4 %	34.7 %	32.9 %	29.3 %	30.5 %	26.2 %	24.5 %
short-term liabilities to banks	4.7 %	5.1 %	3.4 %	5.3 %	5.6 %	2.0 %	1.2 %
Accounts payable	20.9 %	16.7 %	16.8 %	20.0 %	16.0 %	17.3 %	19.2 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	15.3 %	10.9 %	12.9 %	13.1 %	14.0 %	15.1 %	14.9 %
Deferred taxes	1.5 %	1.1 %	1.1 %	1.0 %	1.0 %	1.1 %	1.0 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	42.3 %	33.9 %	34.2 %	39.4 %	36.6 %	35.5 %	36.4 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow statement (EUR m)	2018	2019	2020	2021	2022E	2023E	2024E
Net profit/loss	48.5	49.5	54.6	48.0	179.2	39.0	69.0
Depreciation of fixed assets (incl. leases)	29.9	49.9	30.9	63.6	30.9	31.6	32.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	30.5	0.0	23.5	23.5	23.5
Others	-17.7	3.7	-8.5	-1.8	-150.0	0.0	0.0
Cash flow from operations before changes in w/c	60.7	103.1	107.5	109.8	83.6	94.1	124.9
Increase/decrease in inventory	-4.1	-16.0	-13.1	-27.5	-53.3	6.0	-24.4
Increase/decrease in accounts receivable	-23.1	-30.0	41.4	-28.1	27.8	-8.2	-31.9
Increase/decrease in accounts payable	2.1	49.7	5.0	60.0	-62.3	8.3	32.4
Increase/decrease in other working capital positions	0.0	-23.5	0.0	-19.9	0.0	0.0	0.0
Increase/decrease in working capital	-25.1	-19.8	33.3	-15.5	-87.8	6.1	-23.9
Cash flow from operating activities	35.5	83.4	140.8	94.3	-4.2	100.3	101.0
CAPEX	25.1	27.1	33.9	47.0	42.2	42.8	47.9
Payments for acquisitions	39.6	27.2	41.0	13.9	20.5	0.0	0.0
Financial investments	-0.5	4.3	3.6	8.2	0.0	0.0	0.0
Income from asset disposals	1.1	2.9	1.3	2.8	255.0	117.3	20.0
Cash flow from investing activities	-63.1	-55.7	-77.2	-66.3	192.3	74.5	-27.9
Cash flow before financing	-27.6	27.7	63.6	28.0	188.1	174.8	73.1
Increase/decrease in debt position	1.2	128.1	-40.9	28.8	0.0	-117.5	-20.0
Purchase of own shares	0.0	14.6	12.2	20.6	0.0	0.0	0.0
Capital measures	2.2	0.0	1.4	0.0	0.0	0.0	0.0
Dividends paid	8.3	10.6	0.0	19.2	23.1	63.6	38.2
Others	-15.9	-19.1	-14.1	-9.3	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.3	1.1	-8.1	4.3	0.0	0.0	0.0
Cash flow from financing activities	-20.9	83.8	-65.8	-20.2	-23.1	-181.1	-58.2
Increase/decrease in liquid assets	-48.2	112.6	-10.2	12.0	165.0	-6.3	14.9
Liquid assets at end of period	171.8	312.3	281.9	296.5	461.5	455.1	470.0

Source: Company data, Hauck Aufhäuser Investment Banking

Regional split (EUR m)	2018	2019	2020	2021	2022E	2023E	2024E
Domestic	98.4	102.2	106.7	80.4	86.6	90.1	103.6
yoy change	-9.1 %	3.8 %	4.4 %	-24.6 %	7.8 %	4.0 %	15.0 %
Rest of Europe	300.0	336.9	373.9	294.5	328.1	341.3	392.5
yoy change	23.6 %	12.3 %	11.0 %	-21.3 %	11.4 %	4.0 %	15.0 %
NAFTA	133.2	152.7	178.2	147.7	148.4	154.3	177.5
yoy change	0.8 %	14.7 %	16.7 %	-17.1 %	0.4 %	4.0 %	15.0 %
Asia Pacific	n/a	n/a	n/a	n/a	n/a	n/a	n/a
yoy change	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Rest of world	459.4	531.1	596.0	482.4	519.8	540.6	621.7
yoy change	15.2 %	15.6 %	12.2 %	-19.1 %	7.8 %	4.0 %	15.0 %
TTL	990.9	1,122.9	1,254.8	1,005.0	1,083.0	1,126.3	1,295.3
yoy change	12.3 %	13.3 %	11.7 %	-19.9 %	7.8 %	4.0 %	15.0 %

Source: Company data, Hauck Aufhäuser Investment Banking

Key ratios (EUR m)	2018	2019	2020	2021	2022E	2023E	2024E
P&L growth analysis							
Sales growth	12.3 %	13.3 %	11.7 %	-19.9 %	7.8 %	4.0 %	15.0 %
EBITDA growth	33.0 %	23.4 %	43.6 %	-21.2 %	-27.1 %	19.7 %	46.3 %
EBIT growth	47.3 %	0.4 %	11.5 %	-43.3 %	-41.1 %	43.4 %	104.9 %
EPS growth	58.9 %	9.2 %	25.7 %	-0.6 %	229.2 %	-16.9 %	-61.5 %
Efficiency							
Total operating costs / sales	92.4 %	91.4 %	91.0 %	92.7 %	92.4 %	91.7 %	90.3 %
Sales per employee	254.1	259.8	242.1	190.5	215.2	219.9	320.6
EBITDA per employee	23.2	25.9	25.1	16.7	18.8	20.6	34.3
Balance sheet analysis							
Avg. working capital / sales	14.0 %	13.8 %	12.4 %	15.1 %	18.1 %	16.9 %	19.0 %
Inventory turnover (sales/inventory)	7.6	7.7	7.8	5.4	4.5	4.8	5.0
Trade debtors in days of sales	74.6	69.0	59.5	84.5	69.0	69.0	69.0
A/P turnover [(A/P*365)/sales]	65.2	66.6	61.1	98.1	70.0	70.0	70.0
Cash conversion cycle (days)	48.5	39.2	36.6	37.7	86.6	78.7	73.9
Cash flow analysis							
Free cash flow	10.4	56.3	106.9	47.3	-46.4	57.5	53.1
Free cash flow/sales	1.1 %	5.0 %	8.5 %	4.7 %	-4.3 %	5.1 %	4.1 %
FCF / net profit	23.2 %	114.6 %	192.2 %	98.6 %	neg.	147.2 %	76.9 %
Capex / depre	82.3 %	62.9 %	61.2 %	86.7 %	77.6 %	77.7 %	85.7 %
Capex / maintenance capex	n/a	74.6 %	114.5 %	89.0 %	58.4 %	60.0 %	68.0 %
Capex / sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Security							
Net debt	-52.7	91.5	104.1	116.0	-49.0	-160.1	-195.0
Net Debt/EBITDA	0.0	0.8	0.8	1.3	0.0	0.0	0.0
Net debt / equity	neg.	0.2	0.3	0.3	neg.	neg.	neg.
Interest cover	10.0	6.9	7.4	4.6	4.3	6.2	12.6
Dividend payout ratio	23.5 %	0.0 %	35.7 %	48.2 %	35.5 %	97.8 %	55.3 %
Asset utilisation							
Capital employed turnover	1.9	1.3	1.5	1.1	1.2	1.4	1.5
Operating assets turnover	5.1	4.4	4.3	3.6	3.1	3.5	4.0
Plant turnover	26.7	11.3	9.3	7.6	9.8	12.7	18.6
Inventory turnover (sales/inventory)	7.6	7.7	7.8	5.4	4.5	4.8	5.0
Returns							
ROCE	11.9 %	8.8 %	9.9 %	4.0 %	4.6 %	5.8 %	9.5 %
ROE	12.6 %	13.2 %	13.8 %	11.5 %	42.4 %	8.2 %	13.7 %
Other							
Interest paid / avg. debt	5.3 %	3.4 %	3.7 %	1.9 %	2.4 %	2.3 %	1.9 %
No. employees (average)	3900	4322	5184	5275	5034	5123	4040
Number of shares	66.1	66.1	65.0	65.0	63.6	63.6	63.6
DPS	0.2	0.0	0.3	0.4	1.0	0.6	0.6
EPS reported	0.68	0.74	0.86	0.74	2.82	0.61	1.08
Valuation ratios							
P/BV	3.1	2.9	2.7	2.6	2.5	2.2	2.1
EV/sales	1.1	1.1	1.0	1.2	0.9	0.8	0.7
EV/EBITDA	11.6	10.9	9.4	14.0	10.8	8.7	6.4
EV/EBITA	17.1	14.1	12.3	21.1	16.1	12.4	8.3
EV/EBIT	17.1	19.6	17.8	35.2	25.5	18.2	10.7
EV/FCF	101.0	21.6	11.4	26.1	-22.1	15.9	16.6
Adjusted FCF yield	6.2 %	6.9 %	7.8 %	4.1 %	5.2 %	7.2 %	10.8 %
Dividend yield	1.0 %	0.0 %	1.8 %	2.1 %	6.1 %	3.6 %	3.6 %

Source: Company data, Hauck Aufhäuser Investment Banking

Disclosures regarding research publications of Hauck Aufhäuser Lampe Privatbank AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under the Temporary Permission Regime for EEA firms, subject to the FCA requirements on research recommendation disclosures

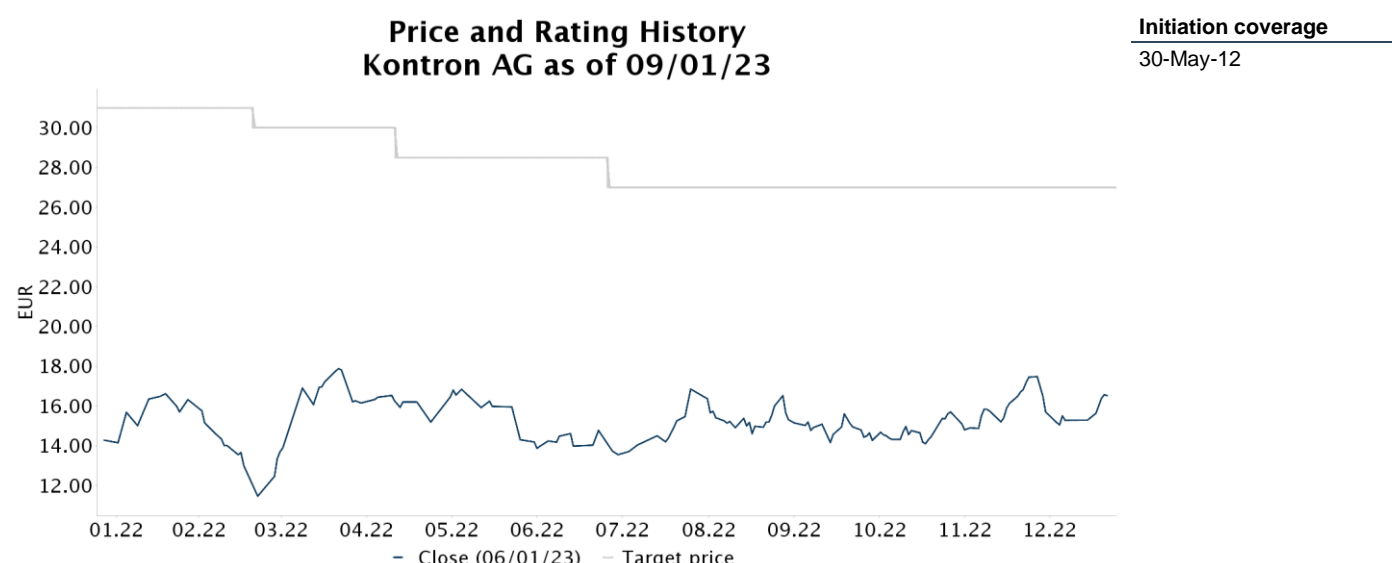
It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. Further to this, under the FCA’s rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if Hauck Aufhäuser Lampe Privatbank AG

- (1) or any other person belonging to the same group with that person (as part of a consortium) within the past twelve months, acquired the financial instruments of the analysed company,
- (2) or any other person belonging to the same group with that person has entered into an agreement on the production of the research report with the analysed company,
- (3) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement,
- (4) holds a) 5% or more of the share capital of the analysed company, or b) the analysed company holds 5% or more of the share capital of Hauck Aufhäuser Lampe Privatbank AG or its affiliate(s),
- (5) holds a net short (a) or a net long (b) position of 0.5% of the outstanding share capital of the analysed company or derivatives thereof,
- (6) or any other person belonging to the same group with that person is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analysed company such as, for example, exercising mandates in the interest of the analysed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
Kontron AG	

Historical target price and rating changes for Kontron AG in the last 12 months



Company	Date	Analyst	Rating	Target price	Close
Kontron AG	11.08.2022	Wunderlich, CFA, Tim	Buy	EUR 27,00	EUR 16,85
	28.07.2022	Wunderlich, CFA, Tim	Buy	EUR 27,00	EUR 14,04
	13.07.2022	Wunderlich, CFA, Tim	Buy	EUR 27,00	EUR 13,73
	17.05.2022	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 16,80
	28.04.2022	Wunderlich, CFA, Tim	Buy	EUR 28,50	EUR 15,93

05.04.2022	Wunderlich, CFA, Tim	Buy	EUR 30,00	EUR 17,77
22.03.2022	Wunderlich, CFA, Tim	Buy	EUR 30,00	EUR 13,90
09.03.2022	Wunderlich, CFA, Tim	Buy	EUR 30,00	EUR 11,46
15.02.2022	Wunderlich, CFA, Tim	Buy	EUR 31,00	EUR 16,32
01.02.2022	Wunderlich, CFA, Tim	Buy	EUR 31,00	EUR 16,48
26.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31,00	EUR 15,01
18.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31,00	EUR 14,66
11.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31,00	EUR 14,47
10.01.2022	Wunderlich, CFA, Tim	Buy	EUR 31,00	EUR 14,47

Hauck Aufhäuser Investment Banking distribution of ratings and in proportion to investment banking services

Buy	75.29 %	96.77 %
Sell	5.29 %	0.00 %
Hold	19.41 %	3.23 %

Date of publication creation: 09/01/2023 08:10 AM

Date of publication dissemination: 09/01/2023 08:11 AM

1. General Information/Liabilities

This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by Hauck Aufhäuser Lampe Privatbank AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of Hauck Aufhäuser Lampe Privatbank AG. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck Aufhäuser Lampe Privatbank AG. All rights reserved.

Under no circumstances shall Hauck Aufhäuser Lampe Privatbank AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities

This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analysed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organisational Requirements

Hauck Aufhäuser Lampe Privatbank AG took internal organisational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of Hauck Aufhäuser Lampe Privatbank AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update

The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

Hauck Aufhäuser Lampe Privatbank AG uses the following three-step rating system for the analysed companies:

Buy: Sustainable upside potential of more than 10% within 12 months
Sell: Sustainable downside potential of more than 10% within 12 months.
Hold: Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of Hauck Aufhäuser Lampe Privatbank AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analysed in this document was solely made by Hauck Aufhäuser Lampe Privatbank AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of Hauck Aufhäuser Lampe Privatbank AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Major Sources of Information

Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. Hauck Aufhäuser Lampe Privatbank AG has checked the information for plausibility but not for accuracy or completeness.

6. Competent Supervisory Authority

Hauck Aufhäuser Lampe Privatbank AG are under supervision of the BaFin – German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M.

This document is distributed in the UK under the Temporary Permission Regime for EEA firms and in compliance with the applicable FCA requirements.

7. Specific Comments for Recipients Outside of Germany

This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

8. Miscellaneous

According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:

<https://www.hal-privatbank.com/en/investmentbank/investment-banking>

Disclosures for U.S. persons only

This research report is a product of HAUCK AUFHÄUSER LAMPE PRIVATBANK AG, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by HAUCK AUFHÄUSER LAMPE PRIVATBANK AG, only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, HAUCK AUFHÄUSER LAMPE PRIVATBANK AG, has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Contacts: Hauck Aufhäuser Investment Banking

HAIB Research

Hauck Aufhäuser Investment Banking
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 (0) 40 414 3885 91
Fax: +49 (0) 40 414 3885 71
E-Mail: research@ha-ib.de
www.ha-research.de

Tim Wunderlich, CFA
Head of Transactional Research
Tel.: +49 40 414 3885 81
E-Mail: tim.wunderlich@ha-ib.de

Marie-Thérèse Grübner
Head of Research
Tel.: +49 40 450 6342 3097
E-Mail: marie-therese.gruebner@ha-ib.de

Christian Sandherr
Head of Equity Advisory
Tel.: +49 40 414 3885 79
E-Mail: christian.sandherr@ha-ib.de

Alexander Galitsa
Analyst
Tel.: +49 40 414 3885 83
E-Mail: alexander.galitsa@ha-ib.de

Christian Glowa
Analyst
Tel.: +49 40 414 3885 95
E-Mail: christian.glowa@ha-ib.de

Christian Salis
Analyst
Tel.: +49 40 414 3885 96
E-Mail: christian.salis@ha-ib.de

Frederik Jarchow
Analyst
Tel.: +49 40 414 3885 76
E-Mail: frederik.jarchow@ha-ib.de

Jonah Emerson
Analyst
Tel.: +49 40 450 6342 3098
E-Mail: jonah.emerson@ha-ib.de

Jorge González Sadornil
Analyst
Tel.: +49 40 414 3885 84
E-Mail: jorge.gonzalez@ha-ib.de

Nicole Winkler
Analyst
Tel.: +49 40 414 3885 97
E-Mail: nicole.winkler@ha-ib.de

Philipp Sennewald
Analyst
Tel.: +49 40 450 6342 3091
E-Mail: philipp.sennewald@ha-ib.de

Simon Jouck
Analyst
Tel.: +49 40 450 6342 3093
E-Mail: simon.jouck@ha-ib.de

Simon Keller
Analyst
Tel.: +49 40 414 388 573
E-Mail: simon.keller@ha-ib.de

HAIB Sales

Alexander Lachmann
Equity Sales
Tel.: +41 43 497 30 23
E-Mail: alexander.lachmann@ha-ib.de

Carlos Becke
Equity Sales
Tel.: +44 203 84 107 97
E-Mail: carlos.becke@ha-ib.de

Christian Bybjerg
Equity Sales
Tel.: +49 414 3885 74
E-Mail: christian.bybjerg@ha-ib.de

Hugues Madelin
Equity Sales
Tel.: +33 1 78 41 40 62
E-Mail: hugues.madelin@ha-ib.de

Imogen Voorspuy
Equity Sales
Tel.: +44 203 84 107 98
E-Mail: imogen.voorspuy@ha-ib.de

James Bonsor
Equity Sales
Tel.: +44 203 84 107 96
E-Mail: james.bonsor@ha-ib.de

Markus Scharhag
Equity Sales
Tel.: +49 89 23 93 2813
E-Mail: markus.scharhag@ha-ib.de

Vincent Bischoff
Equity Sales
Tel.: +49 40 414 38 85 88
E-Mail: vincent.bischoff@ha-ib.de

HAIB Trading

Hauck Aufhäuser Investment Banking
Privatbank AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 40 414 3885 78
Fax: +49 40 414 3885 71
E-Mail: info@hal-privatbank.com
www.hal-privatbank.com

Fin Schaffer
Trading
Tel.: +49 40 414 38 85 98
E-Mail: fin.schaffer@hal-privatbank.com

Nils Carstens
Trading
Tel.: +49 40 414 38 85 85
E-Mail: nils.carstens@ha-ib.de

Tom Warlich
Middle-Office
Tel.: +49 40 414 3885 78
E-Mail: tom.warlich@hal-privatbank.com

Martin Aruschanjan
Middle-Office
Tel.: +49 40 450 6342 35 87
E-Mail: martin.aruschanjan@hal-privatbank.com