

kontron

Explore the Kontron Group

We are a fast-moving multinational technology leader.



Earnings Call Q2 2023

August 3rd, 2023



Results Highlights

- › **Gross margin rose to 40.6%**
(Q2 2022: 37.8%)
- › **EUR 326m of liquidity**
+EUR 59m payable by Vinci;
Approx. EUR 100m debt reduction
in H1 2023
- › **EUR 1.6bn backlog**
Q2 book-to-bill ratio of 1.1
- › **Chip shortage:** Further reduction
to EUR 72m of overdue orders
(down EUR 55m from peak)



Q2-23

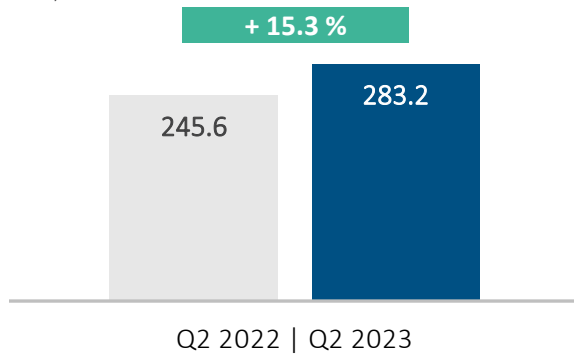
Company Highlights

- › **Record dividend of EUR 1 per share paid:** Based on strong FY 2022 results and sale of IT service
- › **2 M&A transactions**
Telit + Comlab, yearly revenues of approx. EUR 120m
- › **Kontron listed in TecDAX:**
As of 9 May 2023, Kontron is once again listed in the TecDAX
- › **Sale of IT service “Focus” completed** (Moldavia sold in June)

KPIs Q2 2023

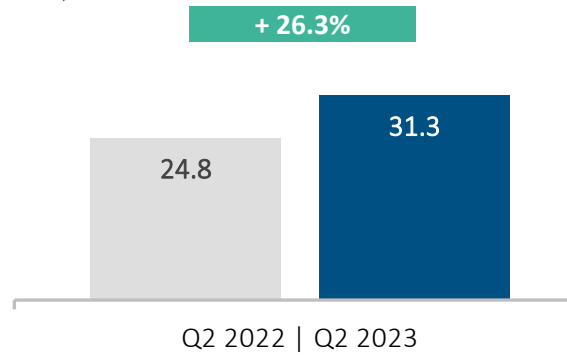
Revenue

(in EUR m)



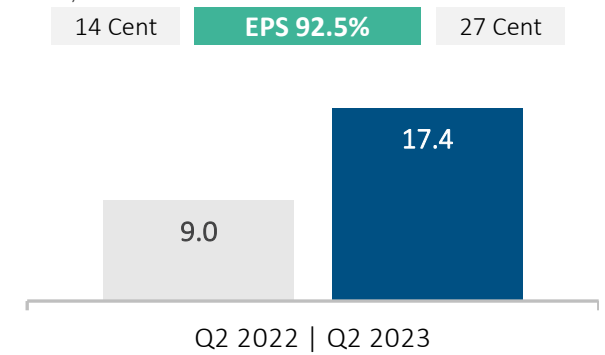
EBITDA

(in EUR m)



Operating Net Income after NCI*

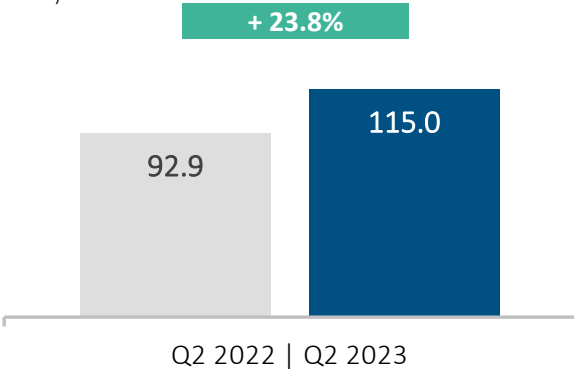
(in EUR m)



* 2022 adj for DCO/sold IT

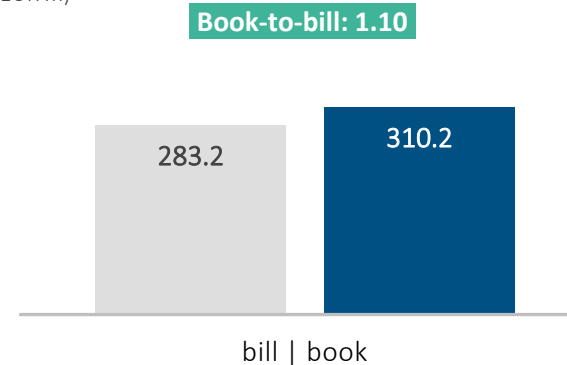
Gross Margin

(in EUR m)



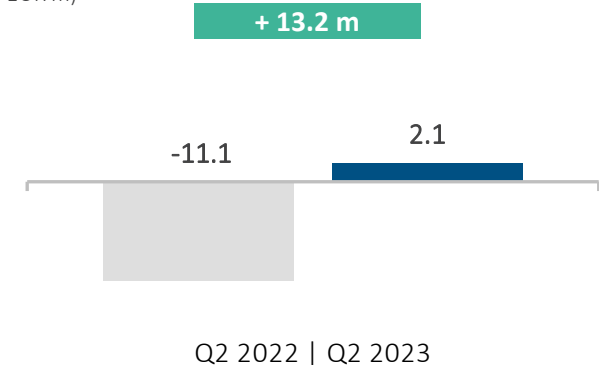
Order Entry vs. Revenues

(in EUR m)



Operating Cash Flow

(in EUR m)

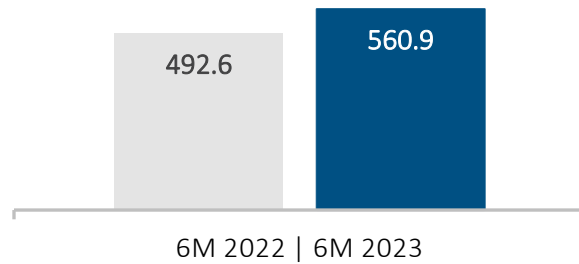


KPIs 6M 2023

Revenue

(in EUR m)

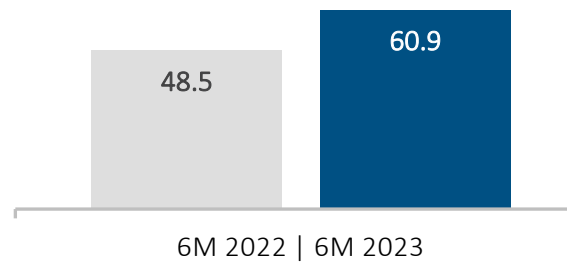
+ 13.9%



EBITDA

(in EUR m)

+ 25.7%



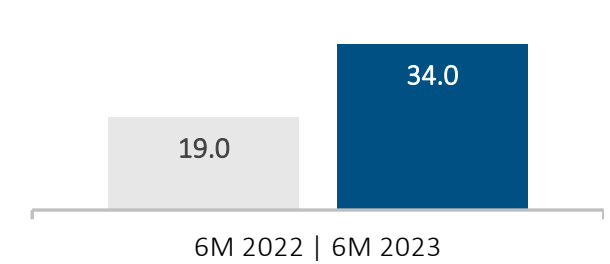
Operating Net Income after NCI*

(in EUR m)

30 Cent

EPS 79.6%

54 Cent

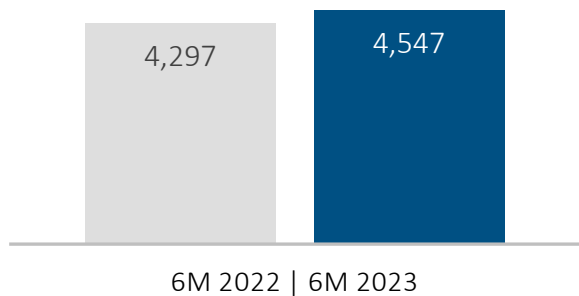


* 2022 adj for DCO/sold IT

Employees

(In FTEs)

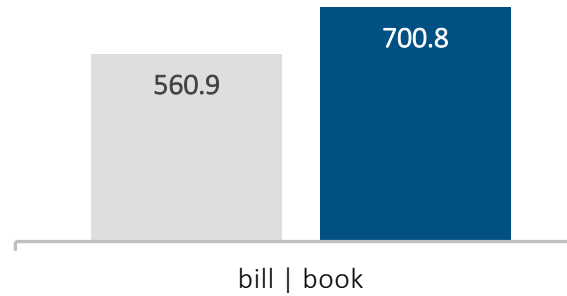
+ 5.8%



Order Entry vs. Revenues

(in EUR m)

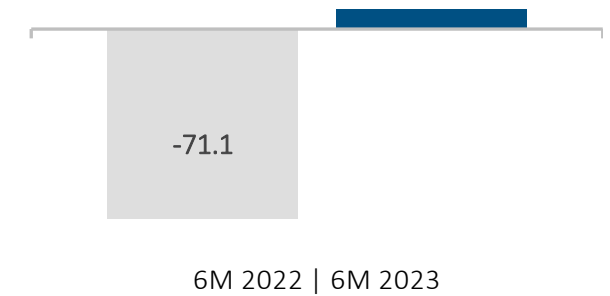
Book-to-bill: 1.25



Operating Cash Flow

(in EUR m)

+ 78.4 m

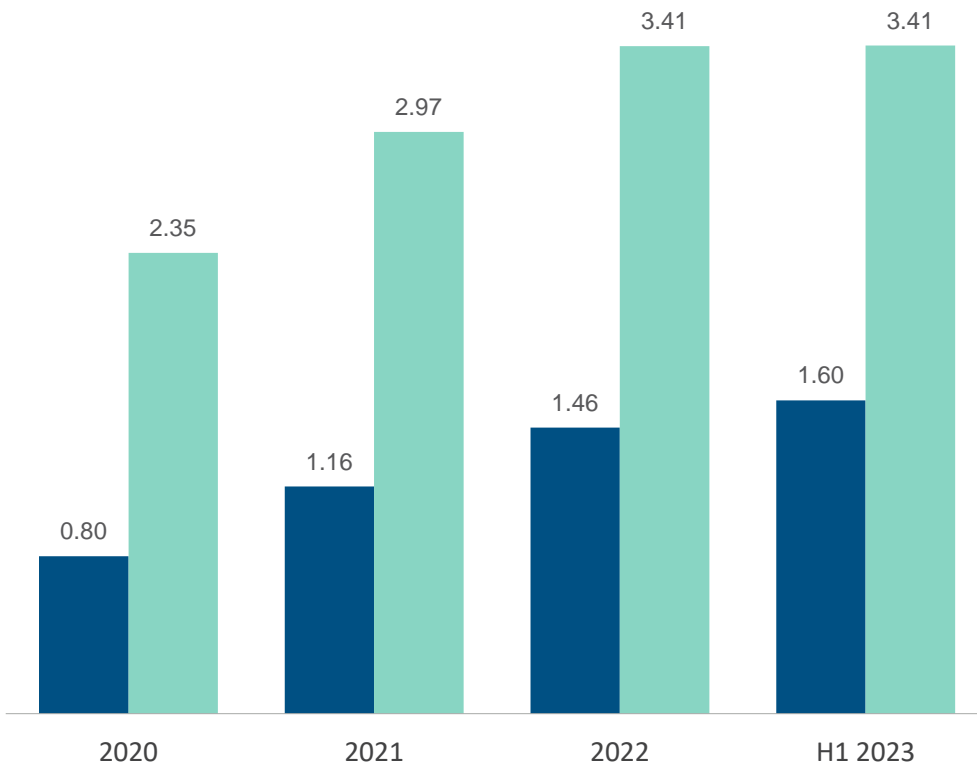


The New Kontron

Backlog and Design wins

(in EUR bn)

■ Backlog ■ Design wins



Top Design Wins in 6M 2023

	Country	Volume EUR
Railway	FR	150m
Medical	DE	60m
Telecommunication	AT	50m
Medical	DE	50m
Defense	US	42m
Railway	SK	40m
Industrial	US	35m
Defense	US	34m

Kontron Group Balance Sheet

Equity and liquidity very strong



in m EUR	6/30/2023	12/31/2022
NON-CURRENT ASSETS	420.7	412.1
Fixed Assets	388.4	379.0
as of Property, plant and equipment	101.3	95.5
as of Goodwill	188.1	189.4
Other Assets	32.3	33.1
CURRENT ASSETS	846.0	1,028.8
Inventories	225.9	192.6
Trade receivables	131.4	148.1
Contract Assets from Customers	50.4	54.2
Cash and cash equivalents	326.0	437.8
Other receivables and prepayments	112.3	189.7
assets classified as held for sales	0.0	6.3
Total Assets	1,266.7	1,440.9

in m EUR	6/30/2023	12/31/2022
EQUITY	597.8	635.7
accumulated results	420.7	449.6
as of Treasury shares	-9.2	0.0
NON-CURRENT LIABILITIES	135.8	252.6
Long-term loans and borrowings	65.7	193.8
Other Non-Current Liabilities	70.1	58.9
CURRENT LIABILITIES	533.0	552.6
Trade payables	192.5	226.3
Contract Liabilities from Customers	78.0	78.5
Short-term loans and borrowings	154.6	125.7
Other Current Liabilities	108.0	117.3
liabilities classified as held for sale	0.0	4.8
Total Liabilities & Equity	1,266.7	1,440.9

Equity Ratio	47.2%	44.1%
Total Net Cash/(Net Debt)*	105.7	118.3
Working Capital excluding IFRS 15**	164.8	114.4

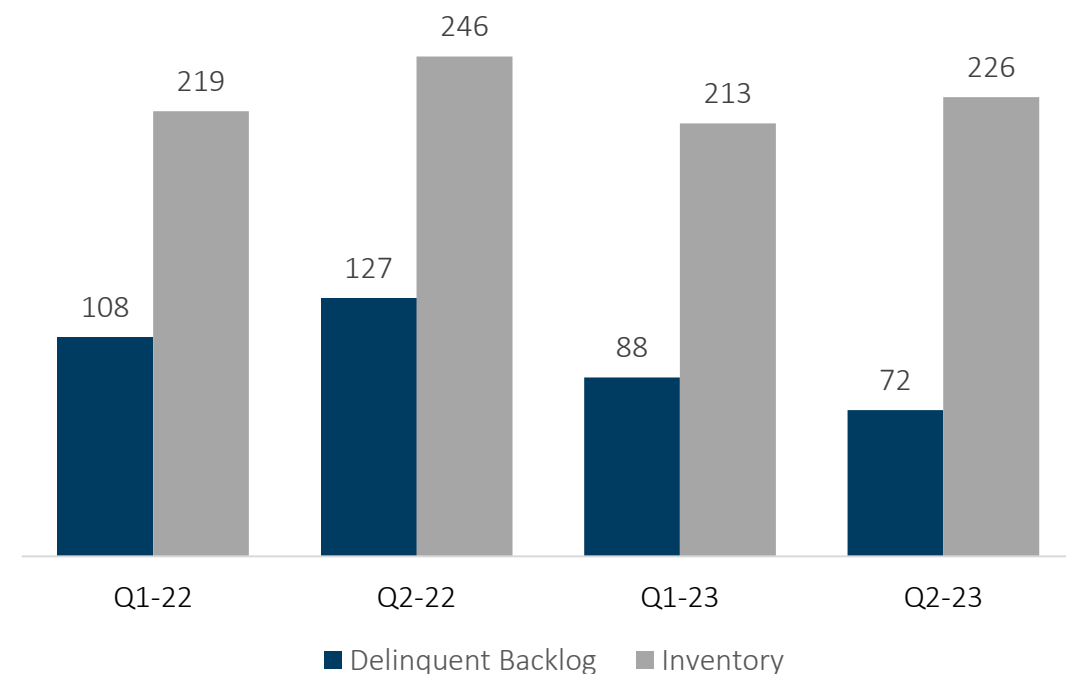
- Very strong cash position: EUR 326m cash + EUR 59m open purchasing price from Vinci
- In Q2 EUR 26m of reduction in debt

Additional Disclosures

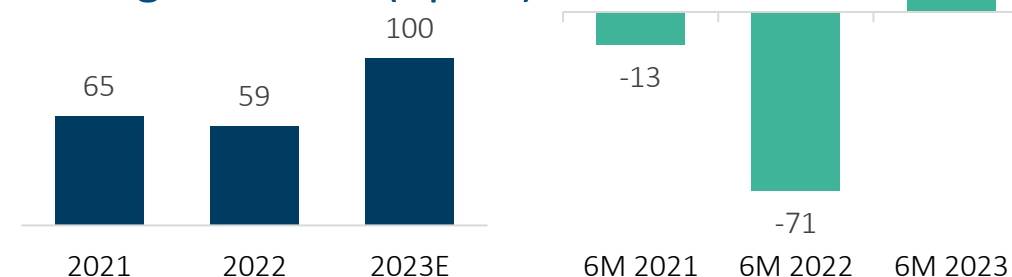
Q2-2023

Delinquent Backlog and Inventory Development

(In EUR m)



Cash generation (op CF)



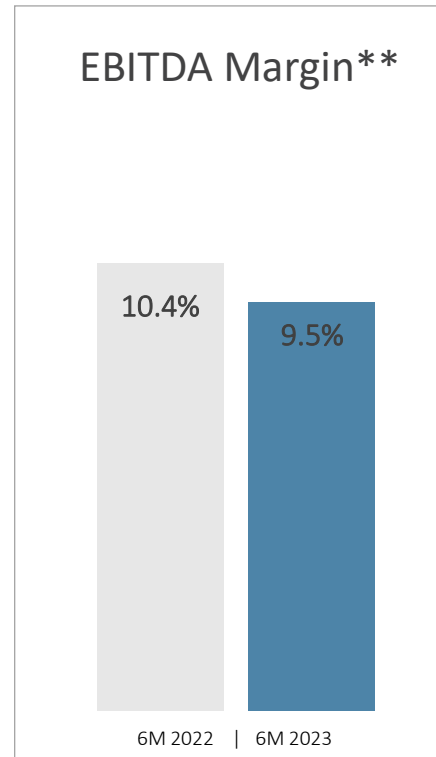
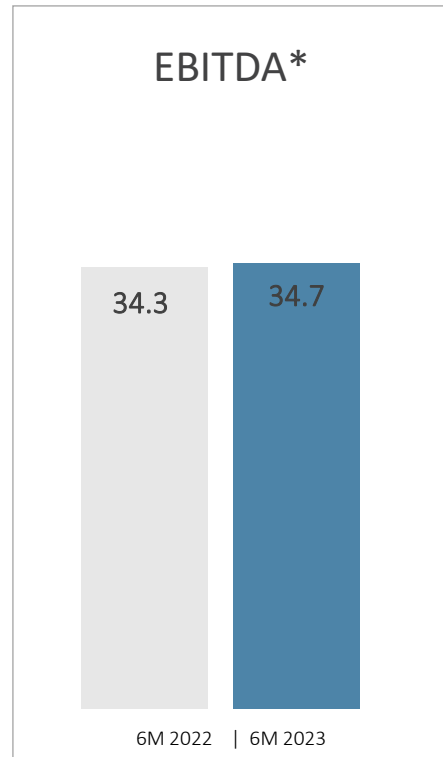
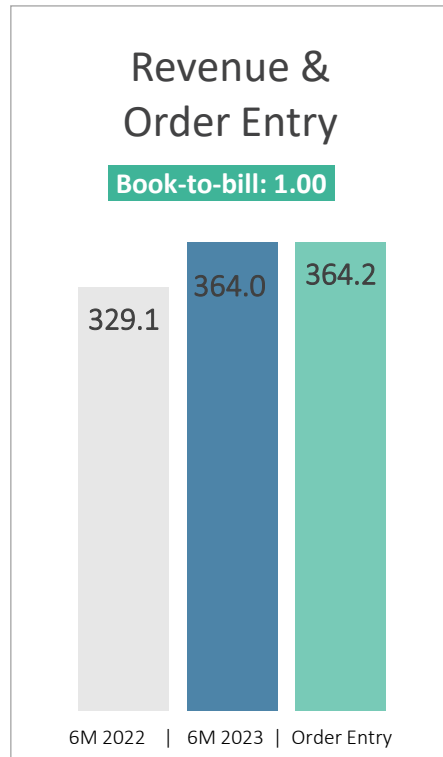
ORGANIC GROWTH

In TEUR	Q2 2022	Q2 2023
Stated revenues	245,574	283,219
Divestments (RUS/UA/BY/CZ+)	-3,455	
Acquisitions (Lucom/Arce)		-4,304
ORGANIC GROWTH		15.2%

GEOGRAPHICAL SPLIT Q2 2023

(In %)	Revenue	EBITDA
Europe	81.0%	82.6%
North America	13.0%	11.3%
Asia	6.0%	6.1%

Europe: Biggest segment



Industrial

- › Shows strong growth driven by smart factories

Communications

- › Growth potential in Communications/5G

OT services

- › Services burden “Europe” by transformation process

Segment trend

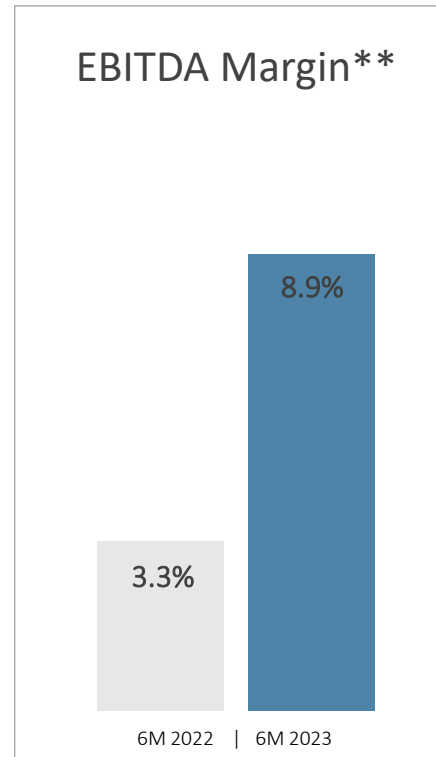
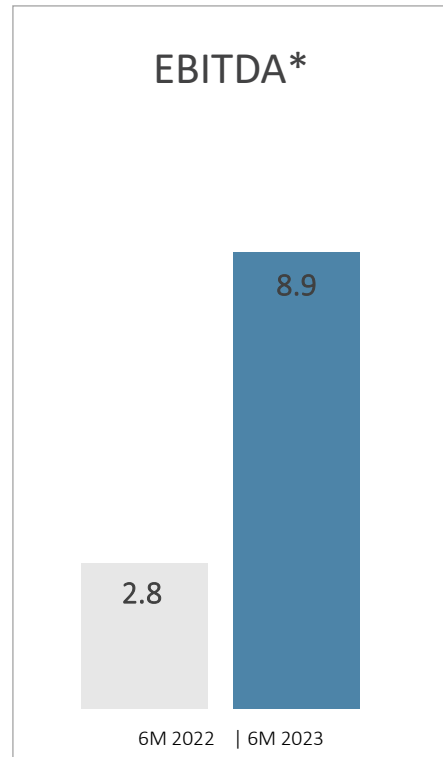
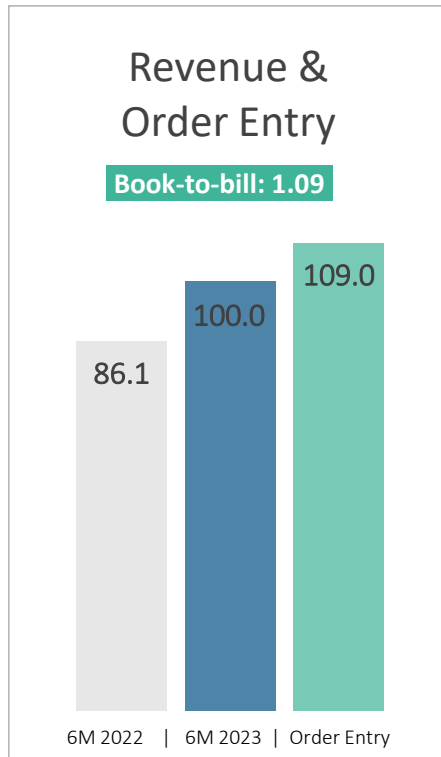
- › Our backbone: Basic technologies for the segments “Global” and “Software + Solutions”
- › 3,186 FTEs, thereof 1,619 engineers
- › EBITDA margin burdened by OT services transformation, achieve 12% after completion in 2024

➤ Target is to increase EBITDA margin in 2025 to 12%

* EBITDA before Intercompany HQ fees (part of Europe Segment)

** EBITDA before HQ fee in % of external revenue

Global: Back to normal profitability



North America

- › Strong growth, avionics recovery
- › Change in management and strategy shows in strong numbers

Asia

- › Steady growth

Segment trend

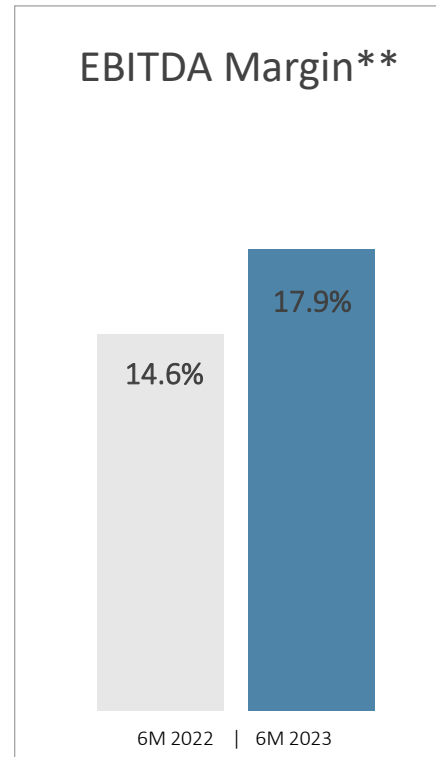
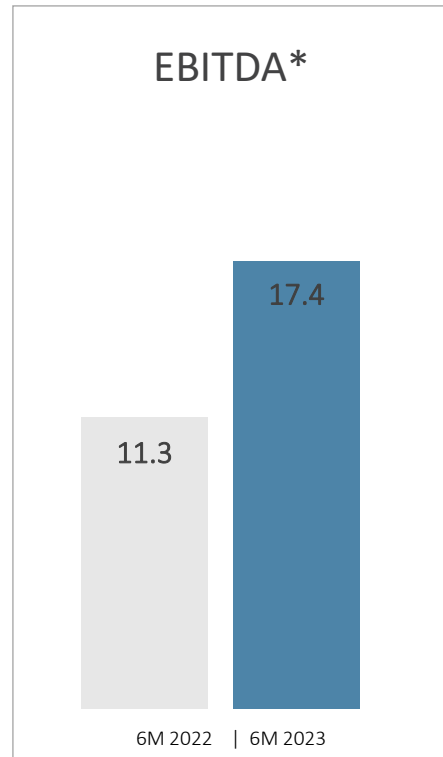
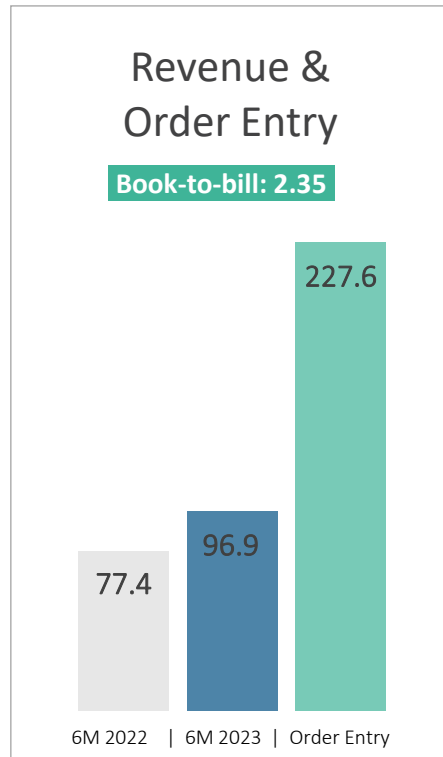
- › Acts as a sales channel to sell European basic technology and Software
- › Local engineering for customization and avionics
- › 459 FTEs, thereof 184 engineers
- › Process to build sales + support channel for the complete Kontron technology portfolio

➤ Today 20% of revenues in North America + Asia; target 30%

* EBITDA before Intercompany HQ fees (part of Europe Segment)

** EBITDA before HQ fee in % of external revenue

Software & Solutions: Fast growing



Transportation (high-speed trains)

- › High-speed trains are driven by political support
- › Contract with Romanian Railways won
- › 50% market share in Europe for GSM-R

Software (susietec®)

- › Susietec® is driven by connectivity
- › Target is to include susietec® into all sold hardware

Segment trend

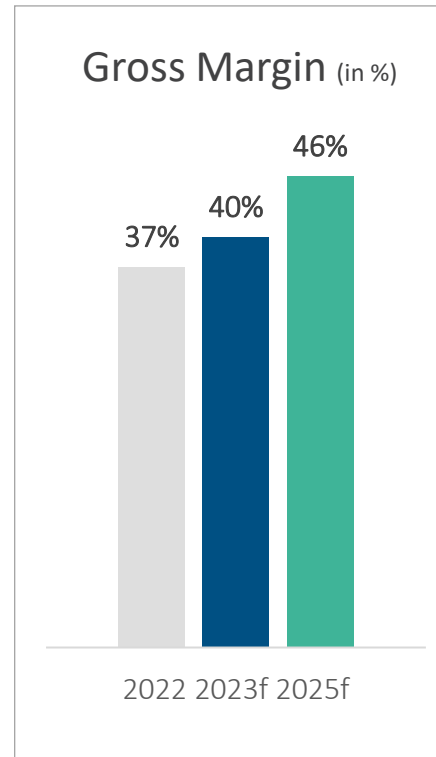
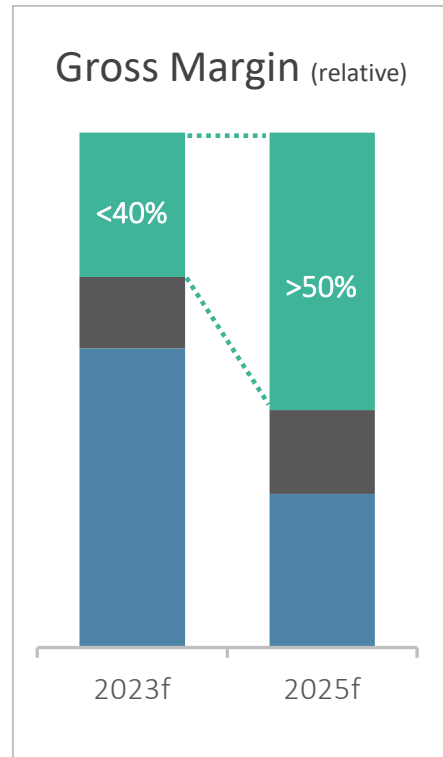
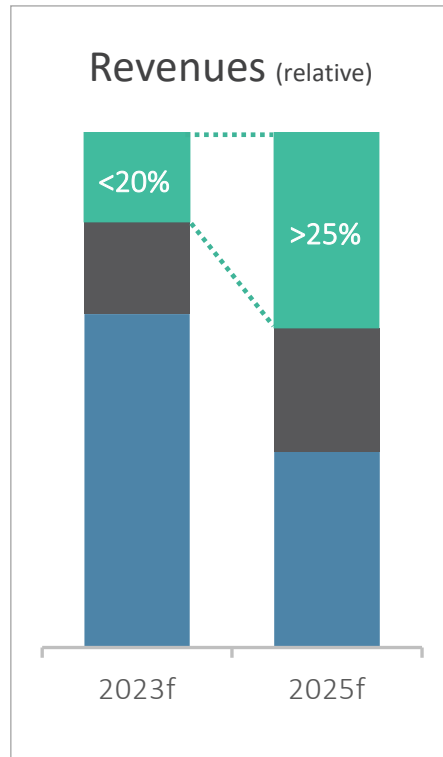
- › Licenses drive also basic technology sales
- › 903 FTEs, thereof 673 engineers
- › Highest amount of recurring revenues and SLAs

➤ Will be the biggest segment by 2025

* EBITDA before Intercompany HQ fees (part of Europe Segment)

** EBITDA before HQ fee in % of external revenue

Margin improvement strategy (MIS): Focus on “Software + Solutions” segment



Focus on “Software + Solutions”

- › By 2025 biggest segment in Kontron
- › By 2027 more than 50% of total revenues
- › More than 50% in recurring service revenues
- › Up the value chain in markets, we cover today: public transport, smart traffic, smart energy

Segment trend

- › Most acquisitions in “Software + Solutions”
- › Internal new solutions in areas we cover today (e.g. defense, smart factories, security)
- › Utilize strong R&D resources of 2,800 engineers, thereof 1,900 in “Software + Solutions”
- › Go global (USA, CN) to utilize our leading technology

■ Europe
 ■ Global
 ■ Software + Solutions

➤ Allocate all resources to “Software + Solutions”

M&A strategy

replace sold IT segment by strategic IOT acquisitions

M&A is a core competence of Kontron

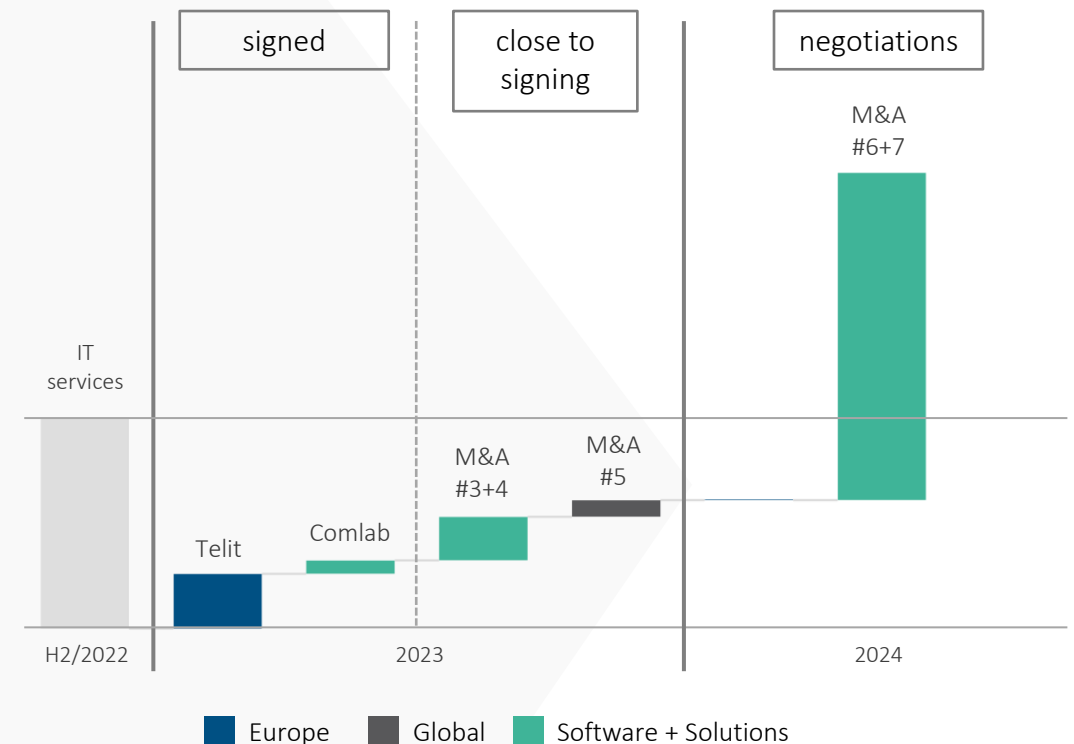
- › Replace EUR 387m sold IT business by IoT acquisitions
- › Target: high synergies with Kontron = >12% EBITDA within 2 years
- › Complementary IoT technologies to improve portfolio
- › Finance by existing cash and cash flow – not shares

Kontron M&A pipeline

- › H1 2023 Telit and Comlab done; EUR 120m yearly revenues
- › Currently 5 offers/LOIs running at probability > 50%
- › Total revenues: EUR >700m
- › Thereof 4 for “Software + Solutions”, 1 for “Global”
- › Thereof 3 we expect a go/no go decision in the next 3 months

M&A revenues H2/2022 – H2/2024

(in EUR m)



➤ We will replace more than EUR 387m IT revenues before June 2024 = base for EUR 2bn revenues in 2025

M&A deals: Telit Cinterion & Comlab AG

Two IoT business-relevant deals successfully completed in Q2

Telit Cinterion (DE)

- › Purchase of Telit's 5G automotive module unit
- › Integrated into Kontron Europe GmbH
- › Reported in the "Europe" segment
- › Markets: Globally, mainly Germany

Benefits + synergies

- › 5G technology and products
- › Proprietary software technology for the automotive sector
- › Software/4G/5G solutions

Metrics

- › Purchasing price: EUR 24.5 million
- › 2022 revenues ~EUR 100 million
- › 105 FTEs
- › Low impact in 2023
- › Outlook 2024:
 - › Revenues: EUR 100 million
 - › 5% EBITDA (midterm 10%)



Comlab AG (CH)

- › Data communication for railways
- › Integrated into Kontron Transportation
- › Reported in the "Software + Solutions" segment
- › Markets: Mainly Switzerland, Germany, and China

Benefits + synergies

- › Kontron enters the important Swiss railway market
- › Enhance Kontron Railway portfolio for mission-critical networks for amplifying and repeating signals

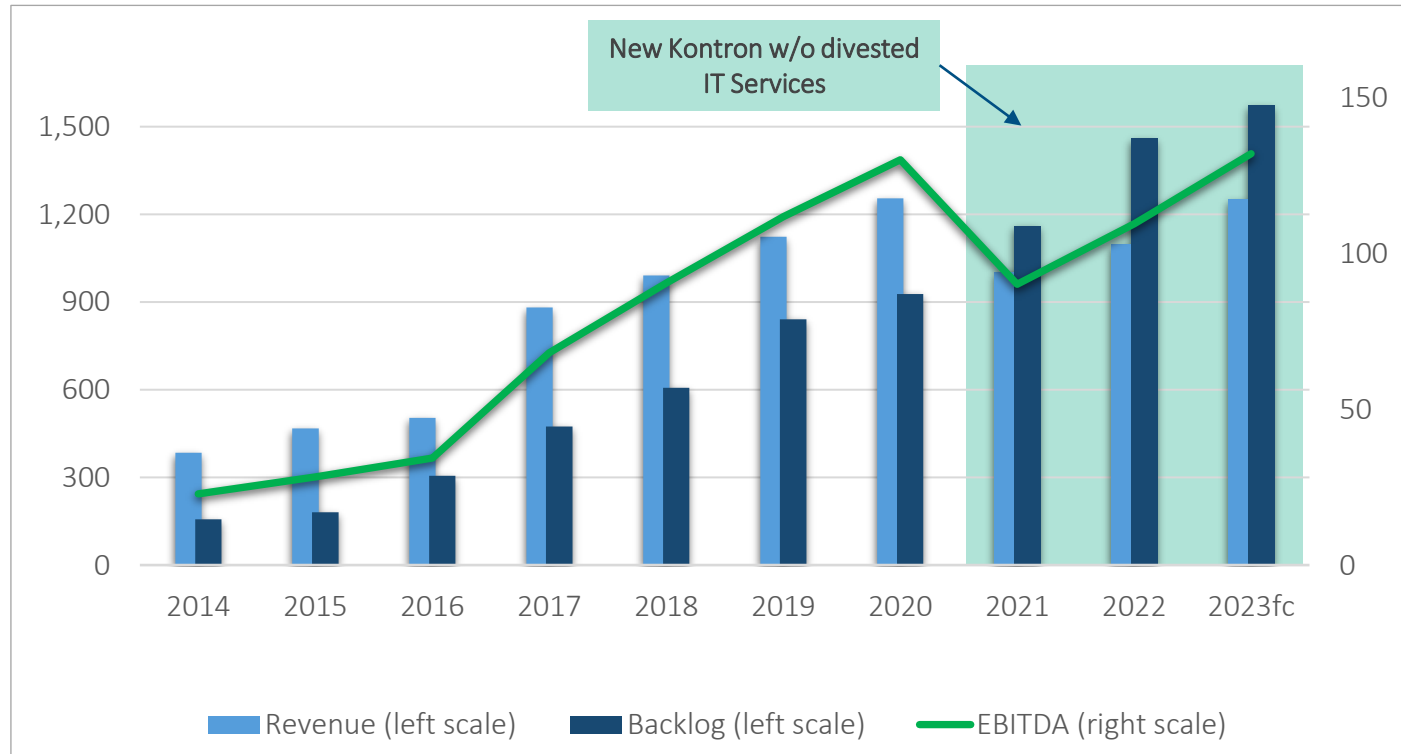
Metrics

- › Purchasing price: mid-single-digit million
- › 2022 revenues ~EUR 20 million
- › 110 FTEs
- › Low impact in 2023
- › Outlook 2024:
 - › Revenues: EUR 25 million
 - › 5% EBITDA (midterm 15%)



The New Kontron

Confident in guidance 2023 – better operational performance



Guidance 2023 & Outlook 2025		
(in EUR million)	2023E	2025E
Revenue	1,200m	2,000m*
EBITDA margin (in %)	11%	13%
Net Profit	>66m	140m

Vision 2030: Transformation to IoTaaS / SLAs will boost Net Earnings close to 10%



Achievements Q2-23

- › Two successful M&A transactions
- › Strong order intake of EUR 310m (book-bill 1.1)
- › Significant improved net income of EUR 17.5m Q2-23) vs EUR 8.9m (Q2-22)



Targets

- › FY2023 Guidance:
 - › Revenue EUR 1,200m
 - › Net income EUR > 66m
- › EUR 2,000m IIoT revenues at > 13% EBITDA in 2025
- › Further M&A transactions in 2023



Risks

- › Economical climate
- › Political instability
- › External risks are greater than minor internal risks



Opportunities

- › Sufficient cash for “game changer” acquisitions
- › One of only a handful of European Technology players
- › 5G connectivity for machines

kontron

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Q&A Session – Q2 2023 Earnings Call

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