

kontron

Explore the Kontron Group

We are a fast-moving multinational technology leader.



Earnings Call Q3 2023

November 3rd, 2023



Results Highlights

- › **Strong improvement in profitability**
Q3/23 vs Q3/22
EBITDA +74%; net income* +250%
- › **Solid revenue growth of 14.4%**
- › **Strong order intake in Q3**
Stable book-to-bill ratio of 1.19
Backlog of EUR 1.7bn
- › **EUR 292m of liquidity**
+EUR 59m payable by Vinci



Company Highlights

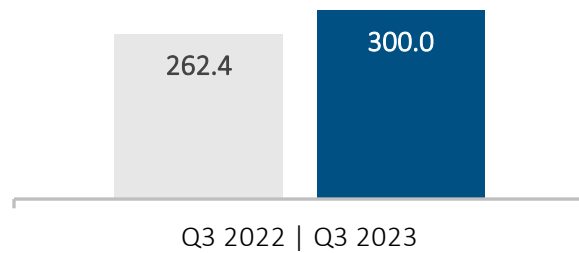
- › **Net income guidance raised**
to EUR >72m (before: EUR >66m)
- › **3 M&A transactions in progress**
Hartmann + Altimate + Bsquare to strengthen “Software + Solutions” segment
- › **“Share Buyback Programm II 2023”**
Up to 4 million shares (6.26% of current share capital) with a maximum amount of EUR 70m

KPIs Q3 2023

Revenue

(in EUR m)

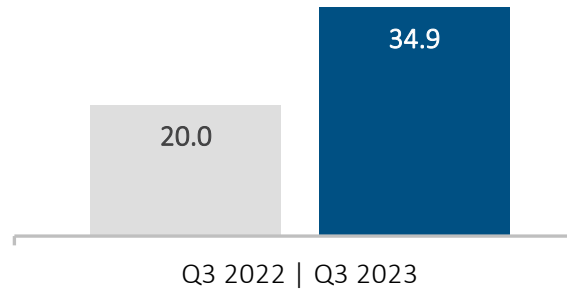
+ 14.4 %



EBITDA

(in EUR m)

+ 74.4%



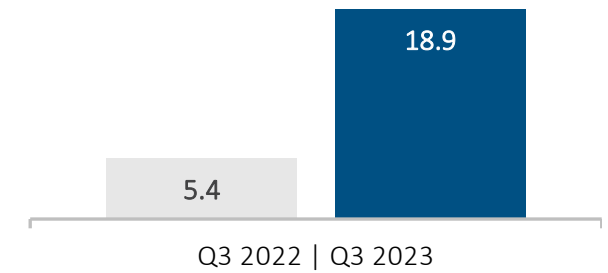
Operating Net Income after NCI*

(in EUR m)

8 Cent

EPS + 275%

30 Cent

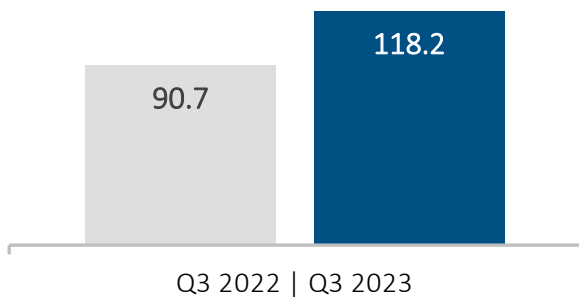


* 2022 adj. for DCO/sold IT

Gross Margin

(in EUR m)

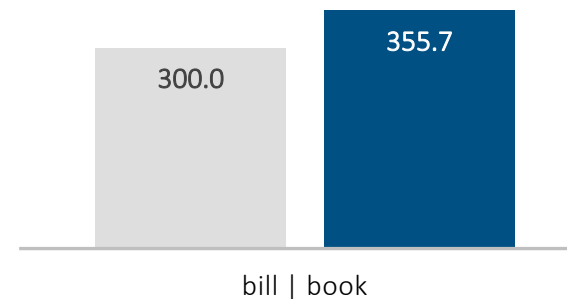
+ 30.3%



Order Entry vs. Revenues

(in EUR m)

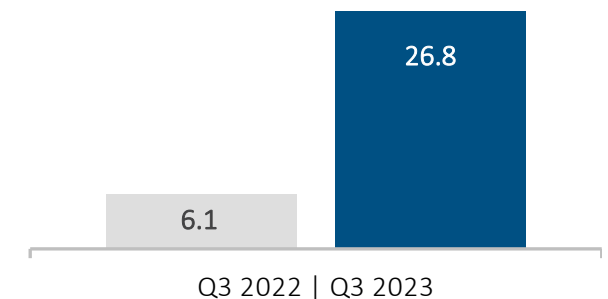
Book-to-bill: 1.19



Operating Cash Flow

(in EUR m)

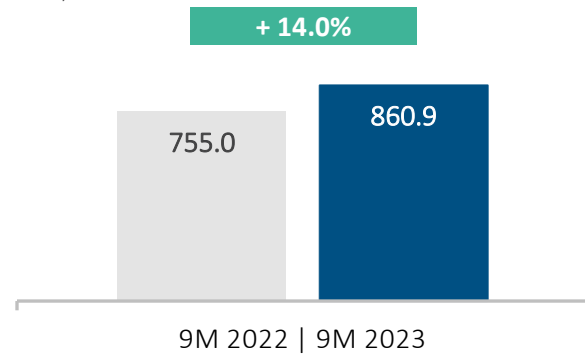
+ 20.7m



KPIs 1-9M 2023

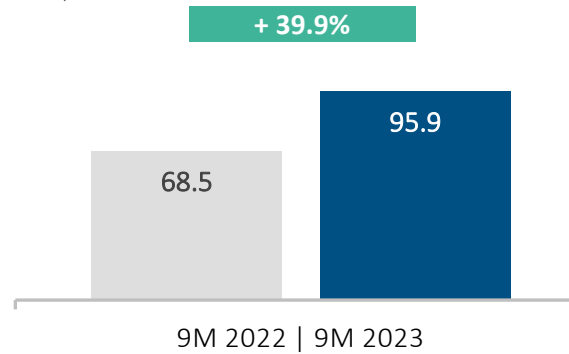
Revenue

(in EUR m)



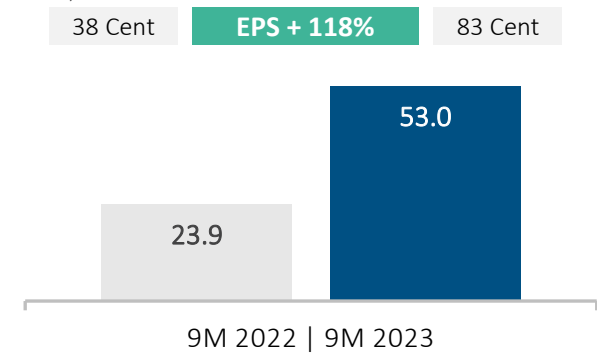
EBITDA

(in EUR m)



Operating Net Income after NCI*

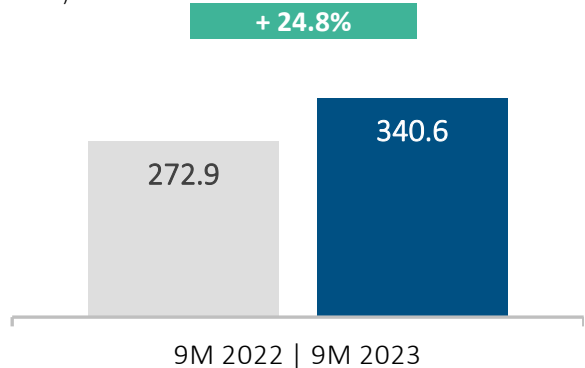
(in EUR m)



* 2022 adj for DCO/sold IT

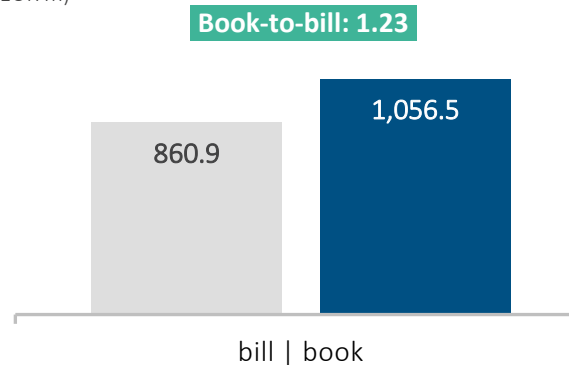
Gross Margin

(in EUR m)



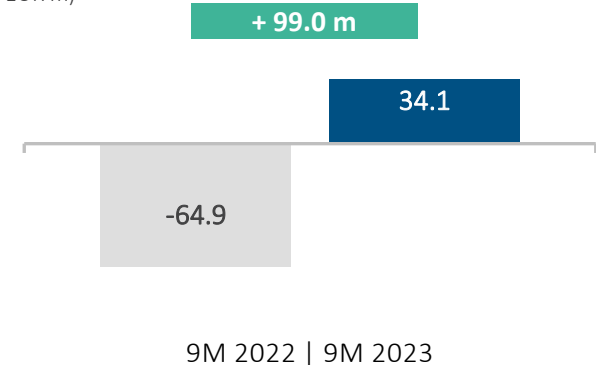
Order Entry vs. Revenues

(in EUR m)



Operating Cash Flow

(in EUR m)



Kontron Group Balance Sheet

Equity and liquidity very strong

in m EUR	9/30/2023	12/31/2022
NON-CURRENT ASSETS	447.5	412.1
Fixed Assets	415.9	379.0
as of Property, plant and equipment	104.0	95.5
as of Goodwill	199.8	189.4
Other Assets	31.5	33.1
CURRENT ASSETS	889.2	1,028.8
Inventories	250.0	192.6
Trade receivables	167.3	148.1
Contract Assets from Customers	57.7	54.2
Cash and cash equivalents	292.3	437.8
Other receivables and prepayments	121.7	189.7
assets classified as held for sales	0.0	6.3
Total Assets	1,336.6	1,440.9

in m EUR	9/30/2023	12/31/2022
EQUITY	617.6	635.7
accumulated results	439.7	449.6
as of Treasury shares	-9.6	0.0
NON-CURRENT LIABILITIES	138.6	252.6
Long-term loans and borrowings	64.1	193.8
Other Non-Current Liabilities	74.5	58.9
CURRENT LIABILITIES	580.4	552.6
Trade payables	228.2	226.3
Contract Liabilities from Customers	73.9	78.5
Short-term loans and borrowings	155.6	125.7
Other Current Liabilities	122.7	117.3
liabilities classified as held for sale	0.0	4.8
Total Liabilities & Equity	1,336.6	1,440.9

Equity Ratio	46.2%	44.1%
Total Net Cash/(Net Debt)*	72.7	118.3
Working Capital excluding IFRS 15**	189.1	114.4
Working Capital excluding IFRS 15** (31.9.2022):	211.0	



Strong cash position: EUR 292m cash + EUR 59m open payment from Vinci
(despite EUR 73m dividend + SBB and EUR 108m debt paid)

* Definition Net Cash: Cash and cash equivalents less non-current and current financing liabilities (excl. liabilities from leasing according to IFRS 16)

** Definition Working Capital: Inventories plus trade receivables less trade payables (excl. IFRS 15 contract assets and liabilities)

Additional disclosures Q3

Liquidity amounts to approx. EUR 501 m

- › EUR 292m cash on hand by September 2023
- › EUR 59m current receivables from Vinci
- › EUR 150m non-utilized lines

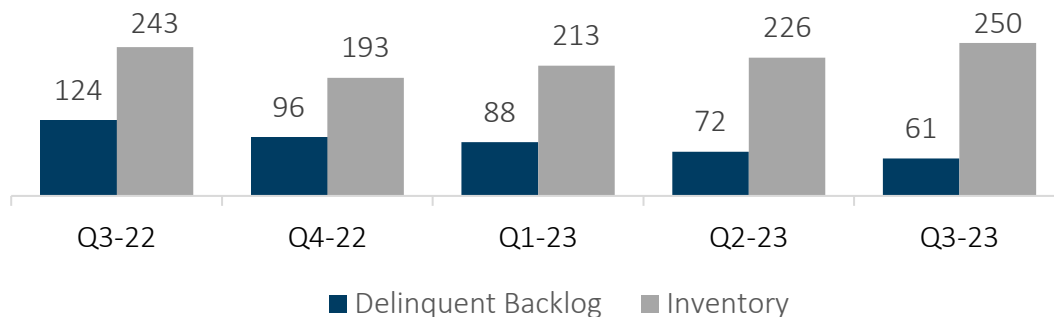
EUR 320m potential cash usage (next 12 months)

- › EUR 30m open payments for acquisitions 2023 net
- › Up to EUR 200m for potential acquisitions 2024
- › EUR 20m further debt reduction
- › EUR 70m share buyback

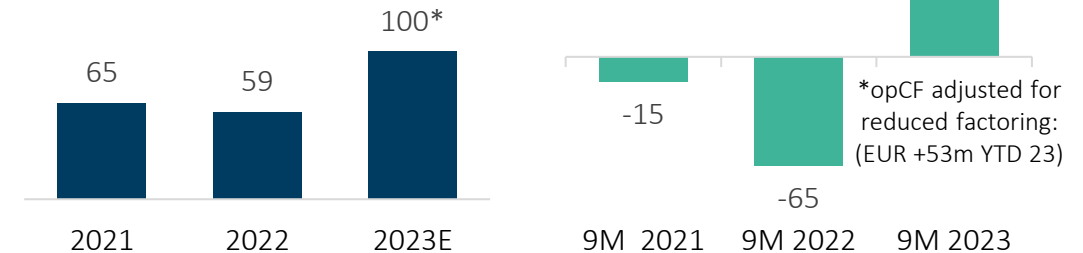
Refinancing of EUR 124m SSD due in April 24

Delinquent Backlog and Inventory trend

(in EUR m)



Cash generation (op. CF)



ORGANIC GROWTH

In TEUR	Q3 2022	Q3 2023
Stated revenues	262.382	300.038
Divestments (RUS/UA/BY/CZ+)	-6,036	
Acquisitions (Arce/Comlab)		-7,428
Acquisition (Telit)		-22,018

ORGANIC GROWTH

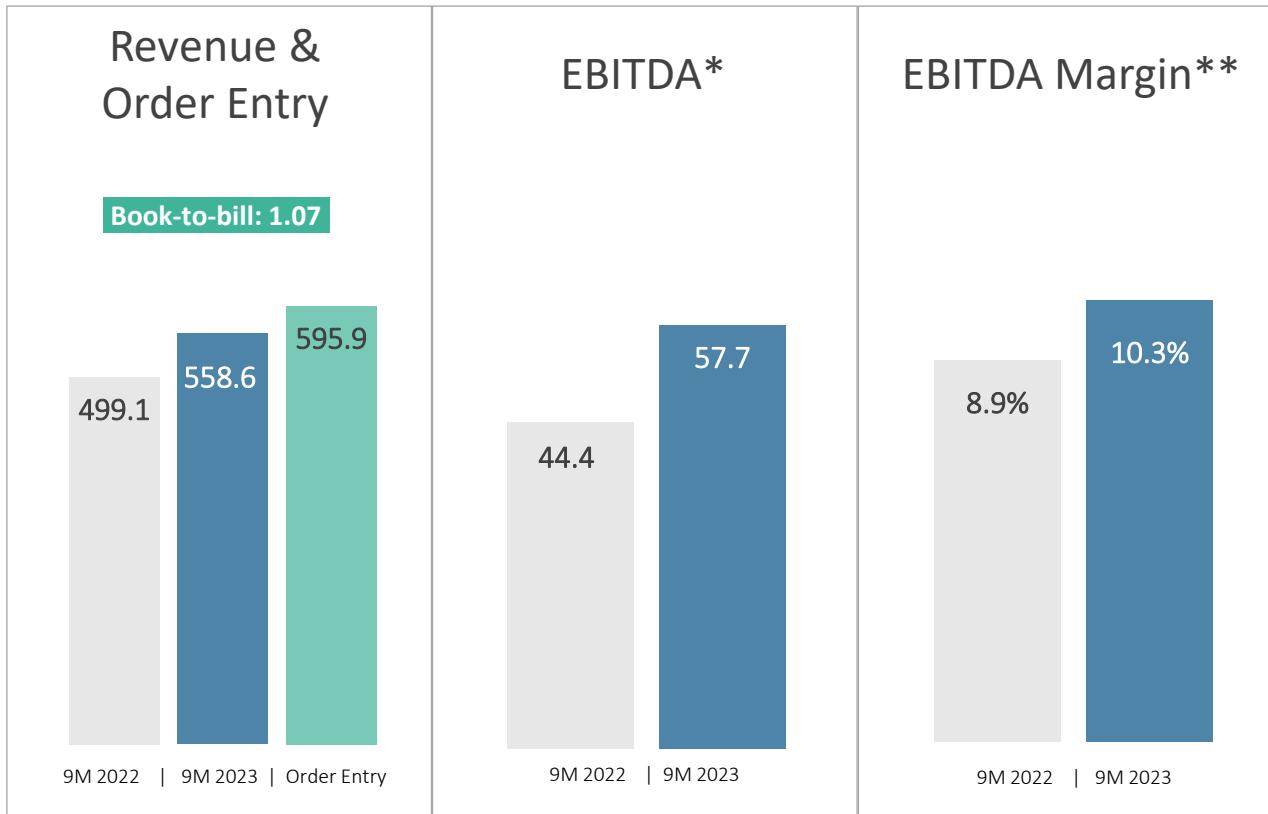
5.6%*

* 8.1% considering cancellation of low margin component business

GEOGRAPHICAL SPLIT Q3 2023

(In %)	Revenue	EBITDA
Europe	81.5%	84.3%
North America	12.9%	9.6%
Asia	5.7%	6.1%

Europe: Biggest segment



Industrial

- › Shows strong growth driven by smart factories and defense

Communications

- › Growth potential in Communications/5G, driver in 2025

IoT services

- › EBITDA margin burdened by transformation into IoT service unit

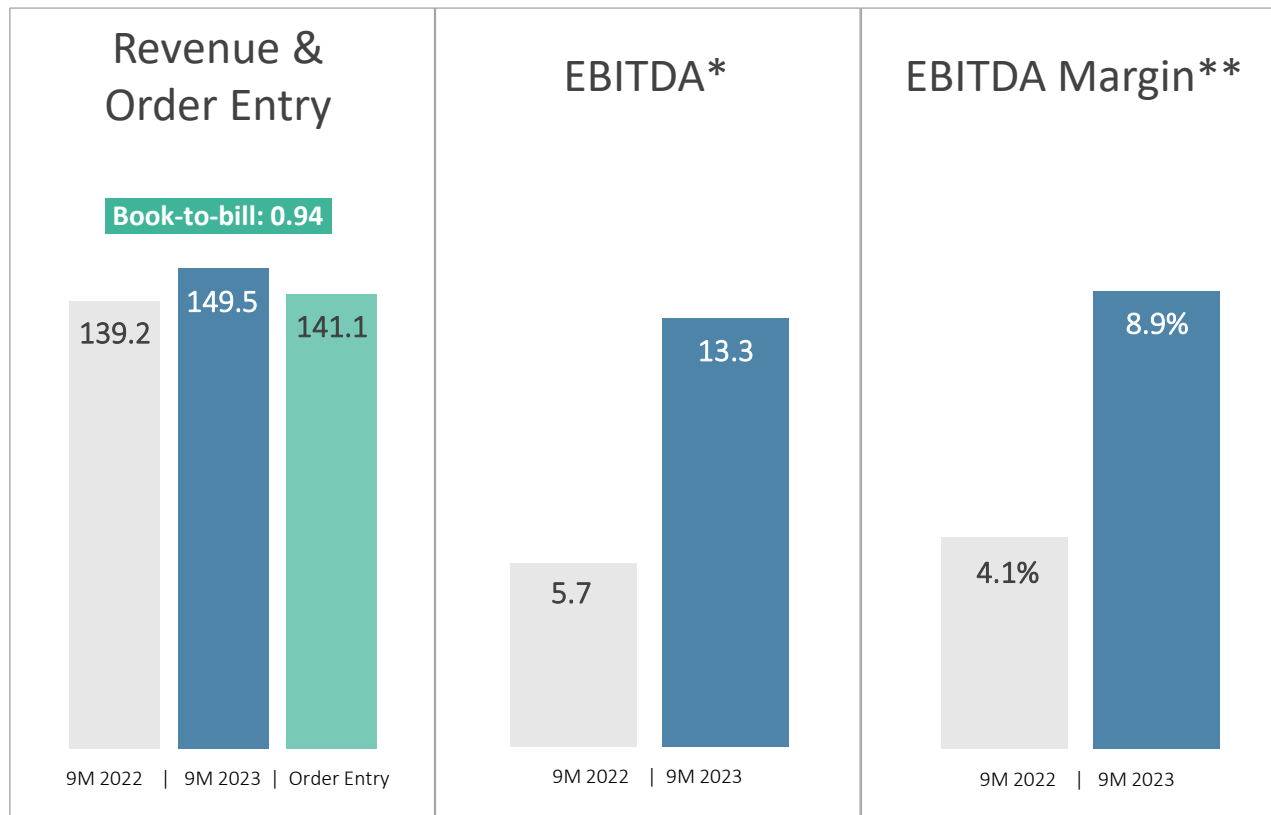
Segment trend

- › Our backbone: Basic technologies for the segments “Global” and “Software + Solutions”
- › EBITDA margin burdened by IT service transformation, to achieve 12% after completion in 2024, good progress in 2023
- › 3,266 FTEs, thereof 1,905 engineers

➤ 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

- › Solid growth, avionics recovery, strong defense
- › Ongoing price increases base for improved numbers
- › Weaker USD burdens numbers slightly

Asia

- › Business stable but macroeconomics slightly weaker

Segment trend

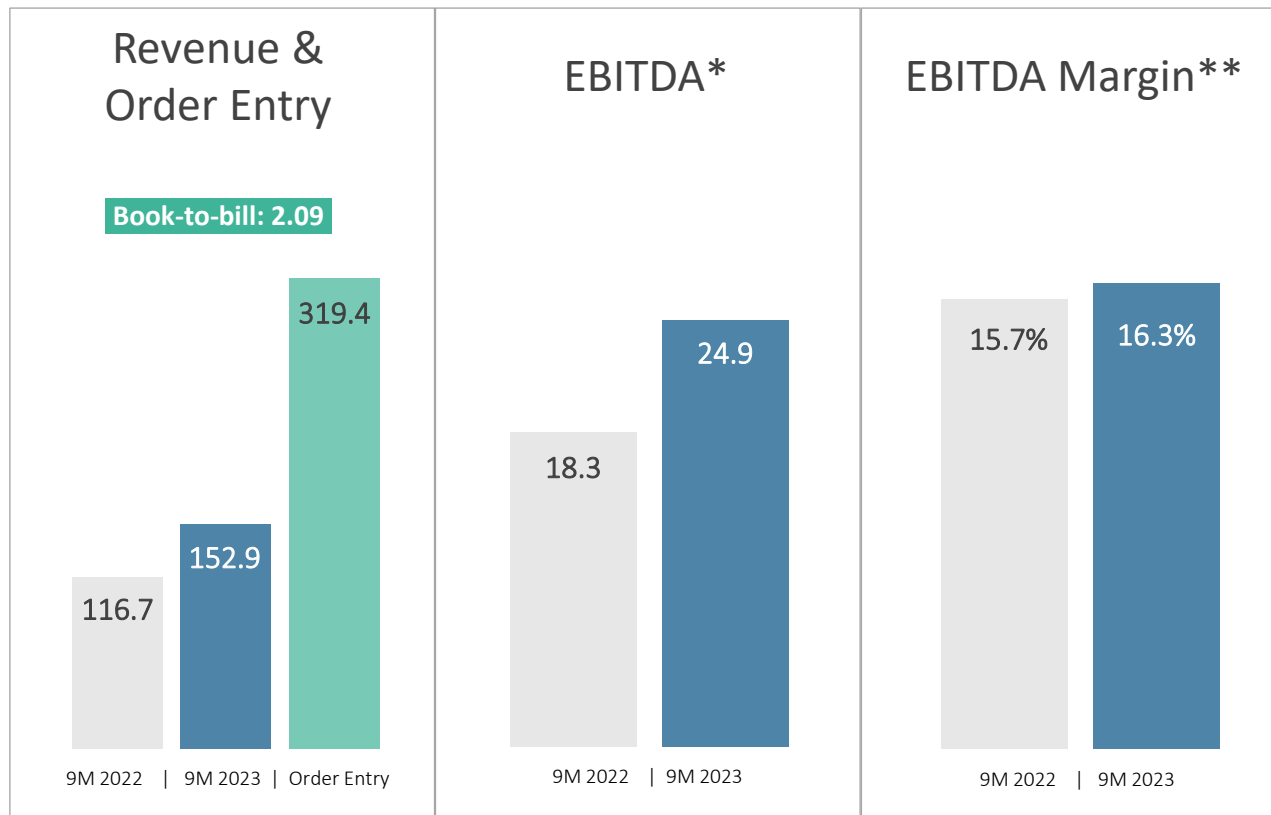
- › Acts as a sales channel to sell European technology
- › Local engineering for customization
- › Process to build sales + support channel for the complete Kontron technology portfolio
- › 467 FTEs, thereof 186 engineers

➤ Today 20% of revenues in North America + Asia; target 30% midterm driven by superior technology

* 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, high resilience against macroeconomic influences
- › Market leader in Europe for GSM-R

Software (susietec®)

- › susietec® is driven by connectivity
- › Target is to include susietec® into all sold hardware
- › Expand susietec® to America by Bsquare acquisition

Segment trend

- › Licenses drive also basic technology sales
- › Highest amount of recurring revenues and SLAs
- › 1,007 FTEs, thereof 728 engineers

➤ Will be the biggest segment by 2025

* EBITDA before Intercompany HQ fees (part of Europe Segment)
** EBITDA before HQ fee in % of external revenue

Macro trends driving IoT business in the mid-term

5G	<ul style="list-style-type: none">• Lower investment & lifecycle costs• Intelligent modules offer security• Shift from GSM-R/4G/Wi-Fi to 5G• 5G private networks for factories	Smart Factories	<ul style="list-style-type: none">• Nearshoring/factories coming back• Robots increase automation budget• Connected IoT production machines
Auto- nomous Driving	<ul style="list-style-type: none">• Unmanned trains, construction machines, harvesters save cost• Increase security of traffic	Aerospace and defense	<ul style="list-style-type: none">• Recovery of travel• Technological shift to orbit• NATO goal: 2% GDP defense budget• Perception shift in Europe
Medical	<ul style="list-style-type: none">• Aging population• Pressure on healthcare systems• Ambitious projects (e.g., US “Moonshot” for curing cancer)	High- speed trains	<ul style="list-style-type: none">• EU “Green deal”: expand high-speed tracks from 11,000 to 33,000km• Technological shift from GSM-R to FRMC and from FRMC to 5G
Global- ization	<ul style="list-style-type: none">• China and USA show higher growth than Europe but compete with each other• Kontron may serve both markets with leading technology	Artificial Intelligence	<ul style="list-style-type: none">• High computational requirements of running complex AI models• Taking over human tasks like defect detection

■ Europe ■ Global ■ Software + Solutions

Strongest brainpower in the industry

susietec® IoT software framework

- › Extending susietec® portfolio by Bsquare SquareOne
- › Release of **KontronOS** (highest security standard)
- › EUR 100m pure software revenues



Mission-critical control systems for high-speed trains

- › European Train Control System Level 3 Approval
- › New standard FRMCS will accelerate migration and requires 5G

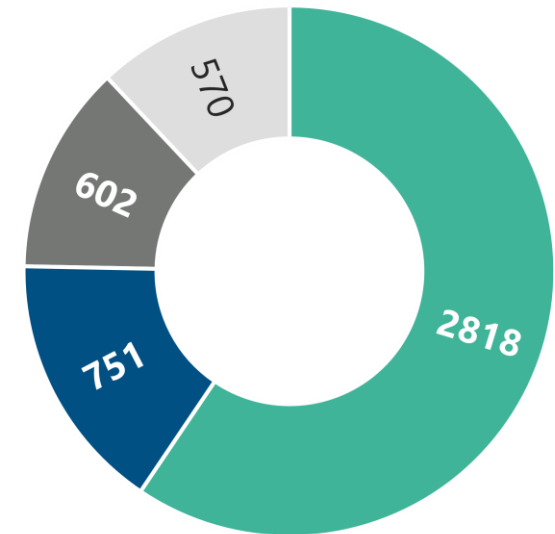


Artificial Intelligence

- › HAILO chips for customized scalable applications
- › NVIDIA full stack standard solutions
- › Full stack industrial applications: video surveillance, defect detection, response time edge cloud, robotics
- › EUR 29m in design wins



Excellent pool of engineers supported by lean organization



- Engineers
- Production & Logistics
- Sales
- Admin

M&A strategy

Replace sold IT segment by strategic IoT acquisitions

M&A is a core competence of Kontron

- › Replace EUR 387m of sold IT business with 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

5 IoT technology acquisitions signed in 2023

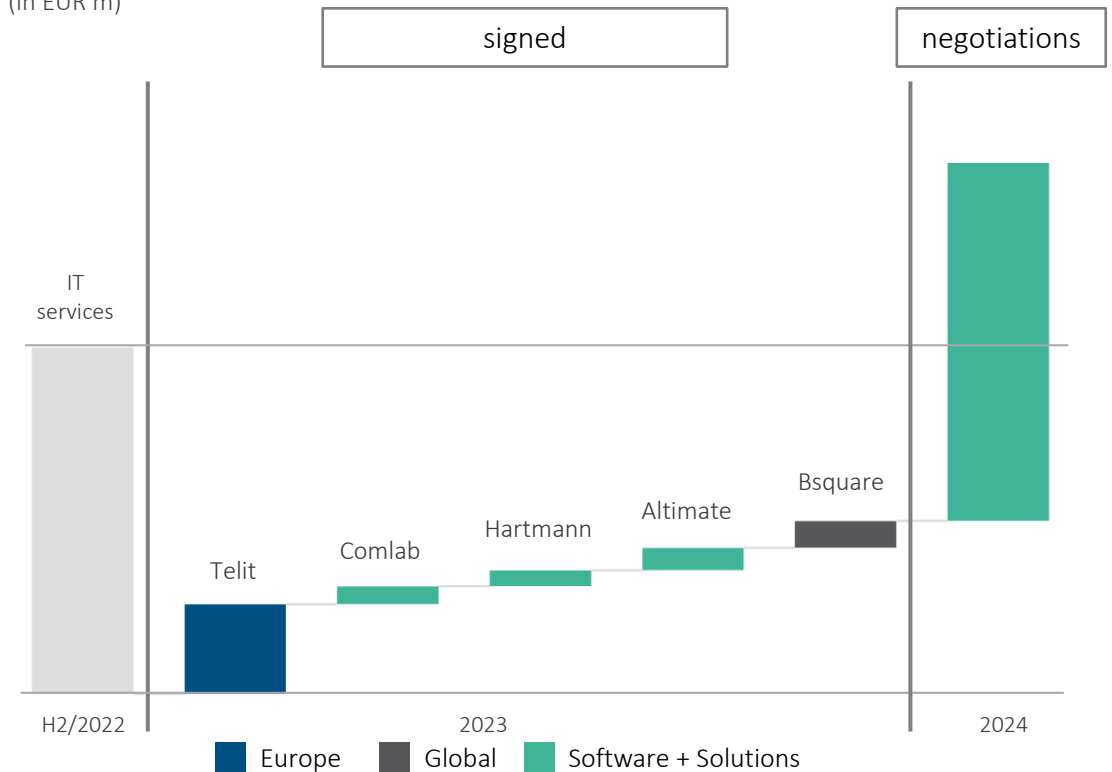
- › Carve out Telit (DE): 5G modules for data connection of IOT
- › Comlab (CH): Data repeaters and communication for trains
- › Hartmann (CH): VPX systems for the Defense market
- › Altime (RO): Public transport solutions
- › Bsquare (USA): Software for IOT connections

Kontron M&A pipeline for 2024

- › Currently 3 acquisition projects

M&A activities

(in EUR m)



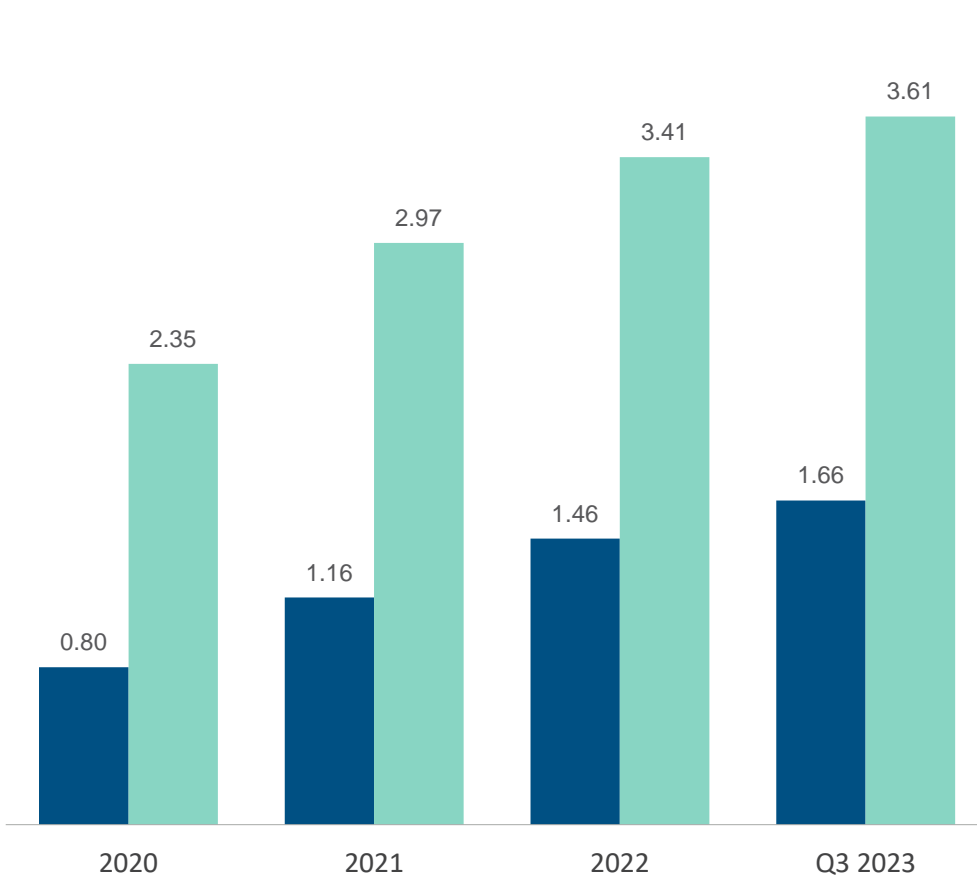
➤ We will replace our sold IT services by high growth IoT technology

The New Kontron

Backlog and Design wins

(in EUR bn)

■ Backlog ■ Design wins



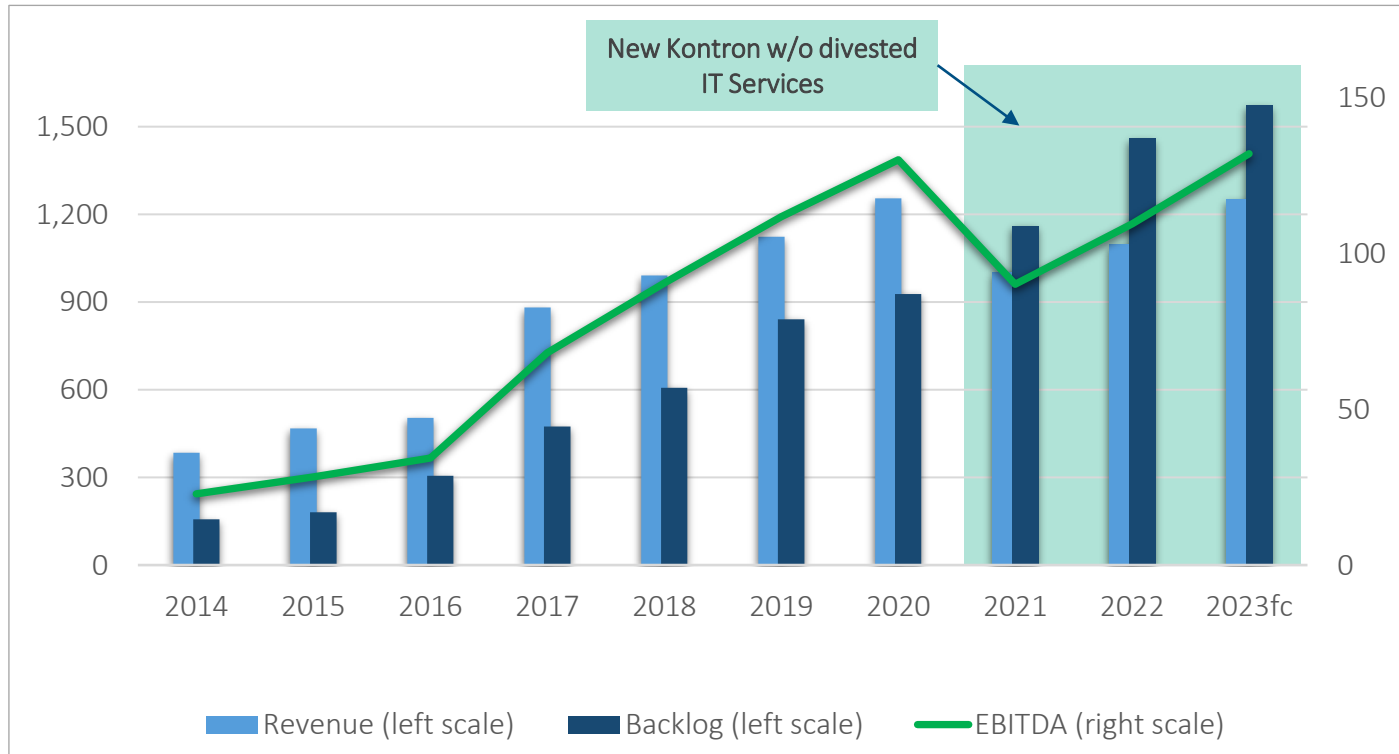
Top Design Wins in 9M 2023

	Country	Volume EUR
Railway	FR	150m
Avionics	US	90m
Medical	DE	60m
Railway/Security	FR	60m
Telecommunication	AT	50m
Medical	DE	50m
Defense	US	42m
Railway	SK	40m
Industrial	US	35m
Defense	US	34m

The New Kontron



Net profit guidance increased to EUR >72m (before: EUR >66m)



New Guidance 2023 & Outlook 2025			
(in EUR million)	2023E old	2023E new	2025E*
Revenue	1,200m	1,200m	2,000m
EBITDA margin (in %)	11%	>11%	13%
Net Profit	>66m	>72m	140m

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



Achievements Q3-23

- › Strong order intake of EUR 356m (book-bill 1.19x)
- › Significantly improved net income of EUR 18.9m Q3-23) vs. EUR 5.4m (Q3-22)
- › Three M&A transactions signed



Targets

- › FY2023 Guidance increased:
 - › Net income EUR >72m (before: EUR >66m)
 - › Revenue EUR 1,200m
- › EUR 2,000m at EUR 140m net income in 2025
- › Further M&A transactions planned in 2024



Risks

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



Opportunities

- › Sufficient cash for acquisitions
- › One of only a few European technology players
- › 5G connectivity for machines
- › Artificial intelligence applications

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Q&A Session – Q3 2023 Earnings Call

November 3rd, 2023

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