

# kontron

Explore the Kontron Group

We are a fast-moving multinational technology leader.



## IR Presentation

July 2023



# Who we are

Pure-Play Leader of  
Smart Industrial IoT Solutions

4,475

Employees (2022)

1.2bn

2023E Revenue (EUR)\*

66m

2023E Net result (EUR)\*

> 10%

Organic growth p.a.\*

Member of SDAX®

Member of TecDAX®

HQ in Austria; listed in Germany

› **Focused on the large, diverse and growing Industrial IoT market (IIoT)**

› **Fully integrated technology platform addressing high-growth end markets**

Integrated (SW+HW) solutions for smart factories, transportation, data connectivity, medical and smart energy

› **Custom-built solutions for high-growth Industrial IoT end markets**

Industrial, Communications, Medical, Smart Energy and Transportation

› **Driven by customers success, leading disruptive technologies, blue-chip customers**

› **Leading provider of disruptive IoT connectivity technology**

Real time 5G/6G connectivity, susietec® toolset, over 3,200 SW/HW engineers

# The New Kontron

7 divisions in 3 segments

## Europe



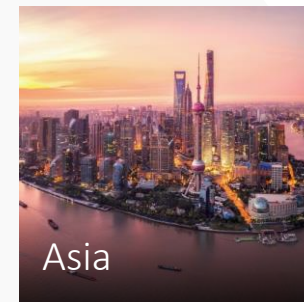
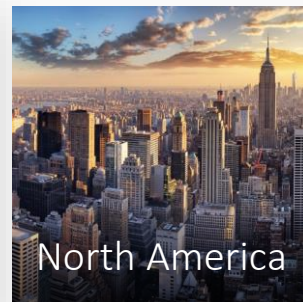
Revenue\* FC 2023

€ 810m

### Targets

EBITDA**	11%
GM	40%
Growth p.a.:	10%

## Global



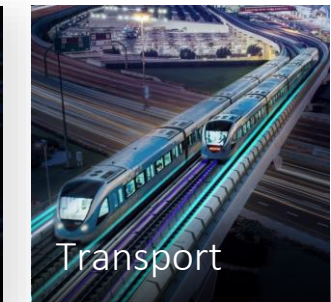
Revenue\* FC 2023

€ 260m

### Targets

EBITDA**	8%
GM	30%
Growth p.a.:	12%

## Software & Solutions



Revenue\* FC 2023

€ 230m

### Targets

EBITDA**	15%
GM	60%
Growth p.a.:	16%

# The IoT Market

## Key Metrics

29 billion

connected devices by 2022  
with 64 billion IoT devices  
worldwide by 2025

\$ 148.6 billion

Industrial IoT revenue with  
a 11.4% CAGR from 2022

31% growth

machines connected  
to the Internet by 2025

21% adoption

of 5G across mobile internet  
connections by 2025



## Focus Industries



Smart Factories



Transportation



Smart Energy



Medical

High entry barriers: single source customization – real time Software – expensive customer products with low volume

## Highlights

- › **Increase in net profitability**  
EUR 16.6m (6% margin)
- › **Positive operat. cash flow**  
EUR 5.2m (Q1-23) vs. EUR -60m (Q1-22)
- › **EUR 438m of liquidity**  
+EUR 59m payable by Vinci;  
EUR 83m debt reduced in Q1-23
- › **EUR 1.57bn backlog**  
Q1 book-to-bill ratio of 1.41



## Q1 2023

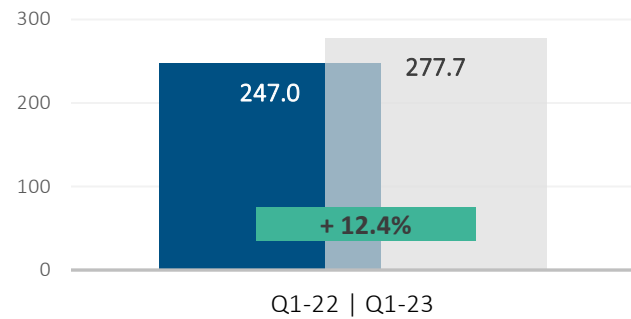
## Lowlights

- › **Chip shortage:** EUR 88m of overdue orders (down EUR 39m from peak)
- › **Inventory/cash drain back to normal:** EUR -57m op. cash flow 1-9/2022; Oct2022 - Mar2023 strong recovery of +EUR 106m
- › **Share price did not follow results:** -5.4% since release of FY2022

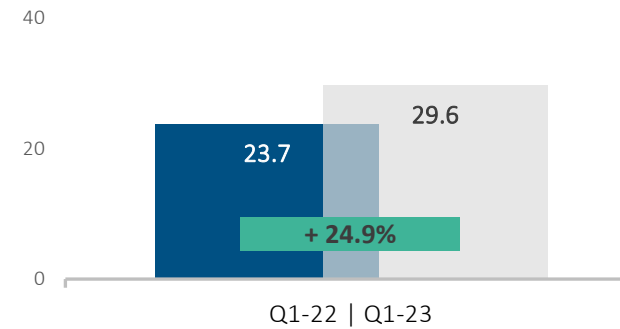
# Healthy start into 2023 for the New Kontron



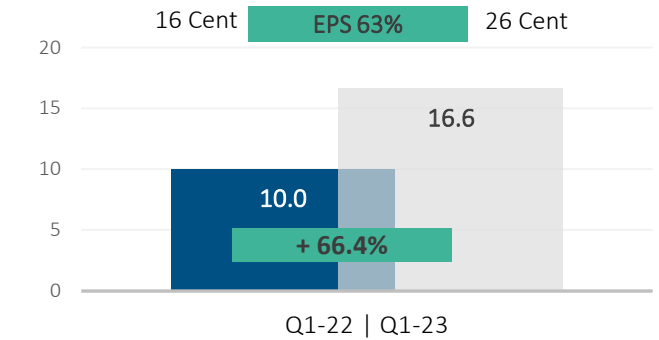
Revenue  
(in EUR m)



EBITDA  
(in EUR m)

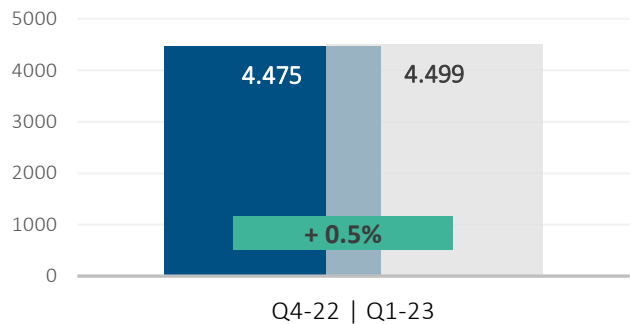


Operating Net Income after NCI\*  
(in EUR m)

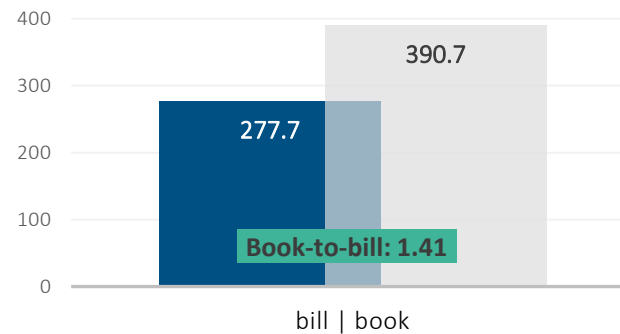


\* 2022 adj for DCO/sold IT

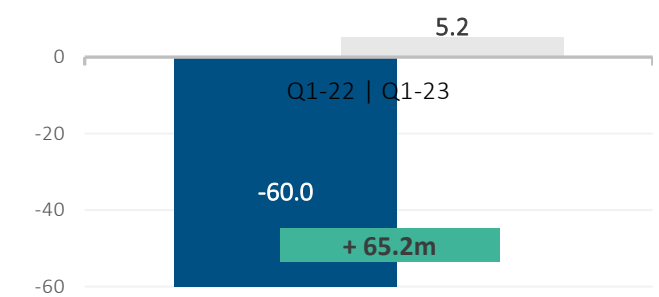
Employees  
(In FTEs)



Order Entry vs. Revenues; Total Backlog EUR 1,570m  
(in EUR m)



Operating cash flow  
(in EUR m)



# Kontron Group Balance Sheet as of 31.03.2023



Equity and liquidity very strong

Mio. EUR	31.03.2023	31.12.2022
<b>NON-CURRENT ASSETS</b>	<b>413,2</b>	<b>412,1</b>
Fixed Assets	382,3	379,1
as of Property, plant and equipment	97,8	95,5
as of Goodwill	188,4	189,4
Other Assets	30,9	33,1
<b>CURRENT ASSETS</b>	<b>953,4</b>	<b>1028,8</b>
Inventories	213,4	192,6
Trade receivables	144,0	148,1
Contract Assets from Customers	47,0	54,2
Cash and cash equivalents	438,4	437,8
Other receivables and prepayments	104,6	189,8
assets classified as held for sales	6,0	6,3
<b>Total Assets</b>	<b>1366,6</b>	<b>1440,9</b>

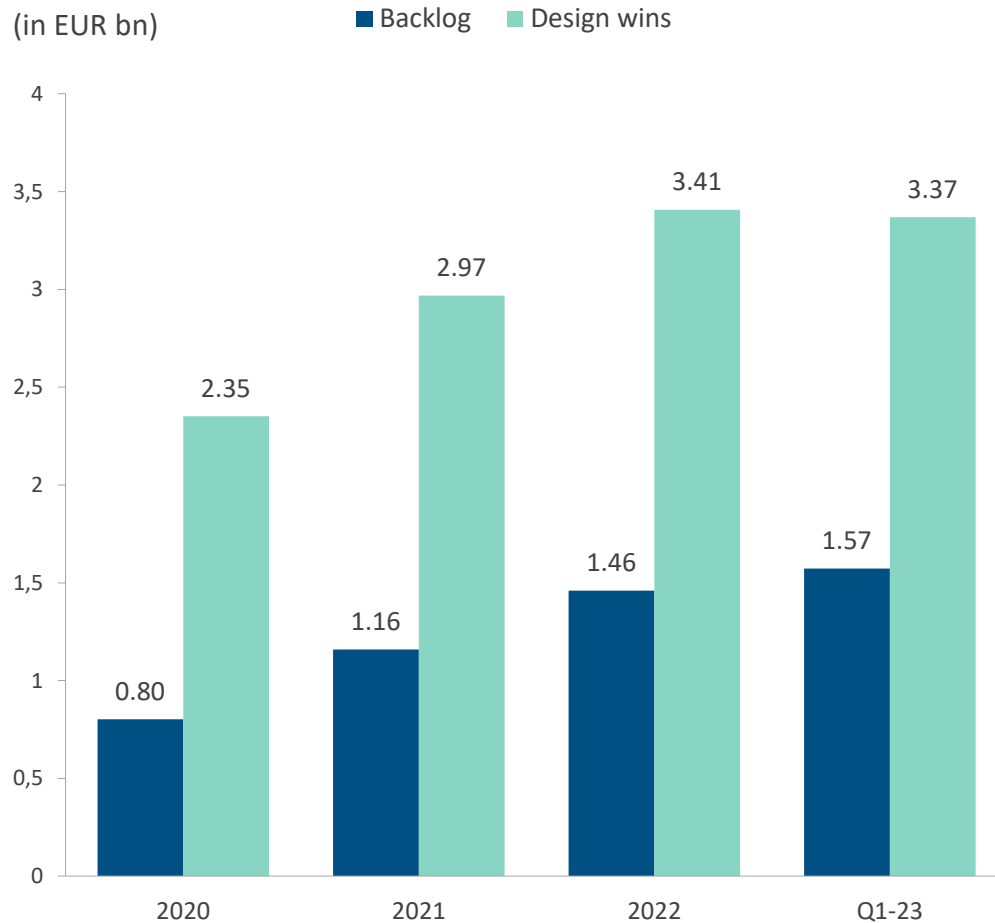
	31.03.2023	31.12.2022
<b>EQUITY</b>	<b>645,8</b>	<b>635,7</b>
accumulated results	446,2	449,6
as of Treasury shares	-5,4	0,0
<b>NON-CURRENT LIABILITIES</b>	<b>258,5</b>	<b>268,7</b>
Long-term loans and borrowings	191,8	193,8
Other Non-Current Liabilities	66,7	74,9
<b>CURRENT LIABILITIES</b>	<b>462,3</b>	<b>552,6</b>
Trade payables	204,7	226,3
Contract Liabilities from Customers	79,6	78,5
Short-term loans and borrowings	61,6	125,7
Other Current Liabilities	116,4	117,3
liabilities classified as held for sale		4,8
<b>Total Liabilities &amp; Equity</b>	<b>1366,6</b>	<b>1440,9</b>

<b>Equity Ratio</b>	<b>47,3%</b>	<b>44,0%</b>
<b>Total Net Cash/(Net Debt)*</b>	<b>185,0</b>	<b>118,3</b>
<b>Working Capital excluding IFRS 15**</b>	<b>122,7</b>	<b>114,4</b>

- Very strong cash position: EUR 438m cash + EUR 59m open purchasing price from Vinci
- In Q1 EUR 66.1m of financial debt and EUR 16.9m of factoring repaid

# The New Kontron

## Backlog and Design wins



### Top 10 Customers 2022

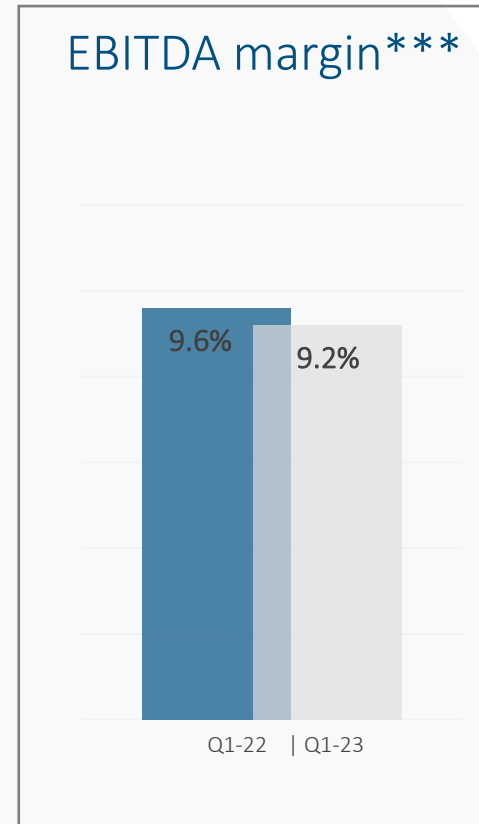
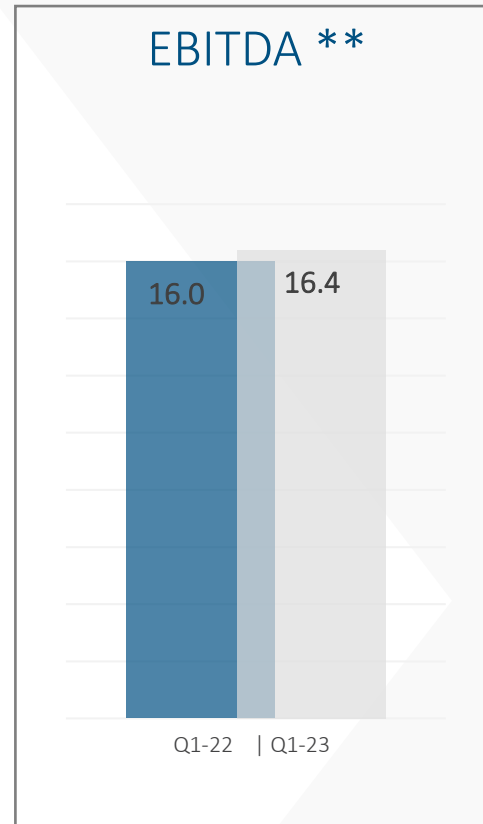
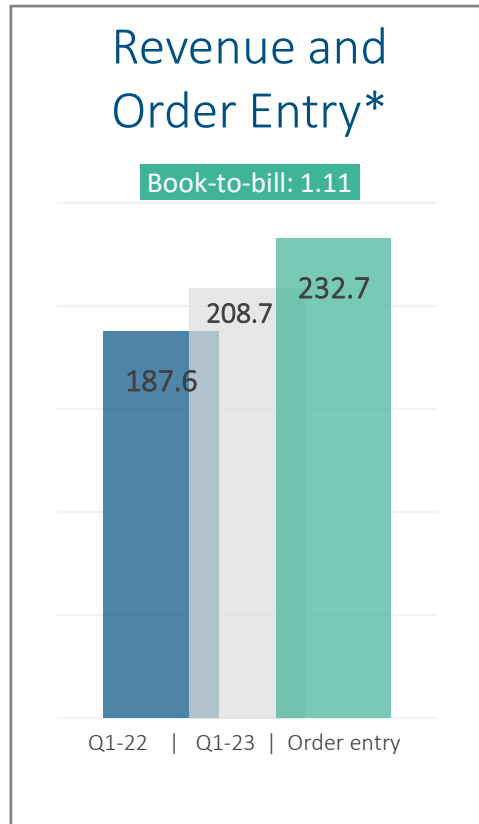
	Country	Volume EUR
Czech railway provider	CZ	24.7m
Multinational telecom provider	UK	16.5m
Medical respiratory machines	GER	16.5m
UK railway provider	UK	13.1m
Global leader in medical equipment	USA	11.8m
Chemical glass company	USA	10.2m
French railway provider	FR	10.1m
Automation manufacturer	GER	8.0m
Machine manufacturer	GER	8.0m
Medical manufacturer	GER	7.1m

Top 10 customers account for 12% of revenues > 3,000 customers in total



# Europe

## Segment overview Q1 2023



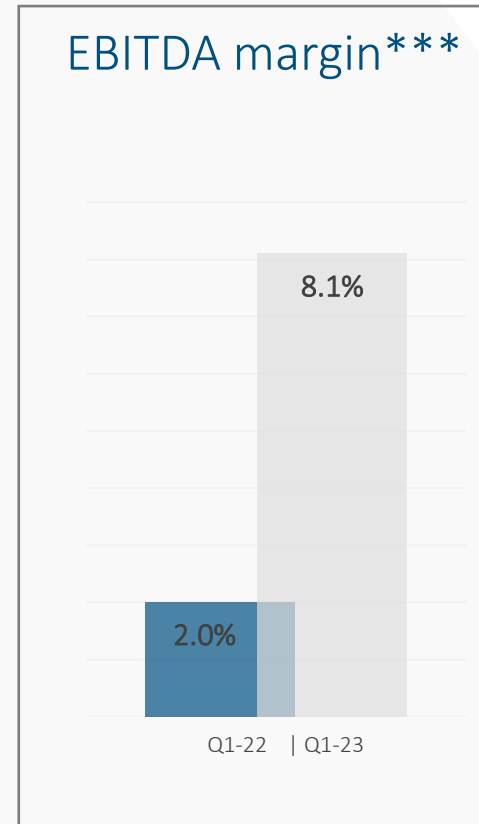
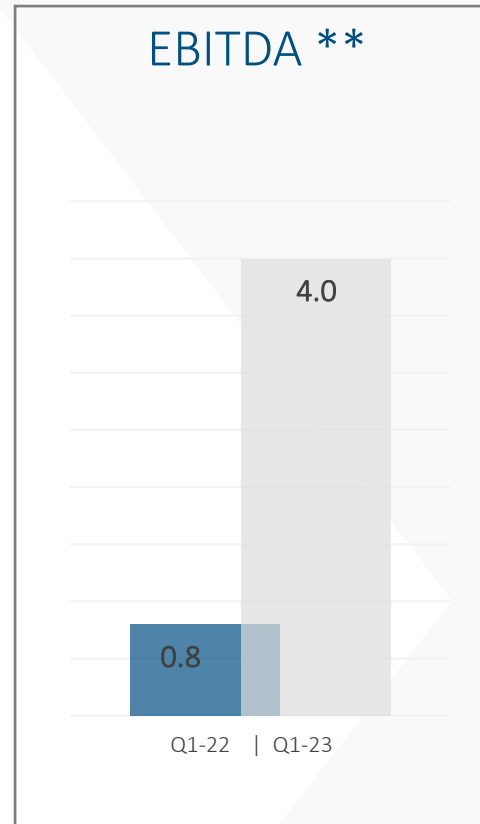
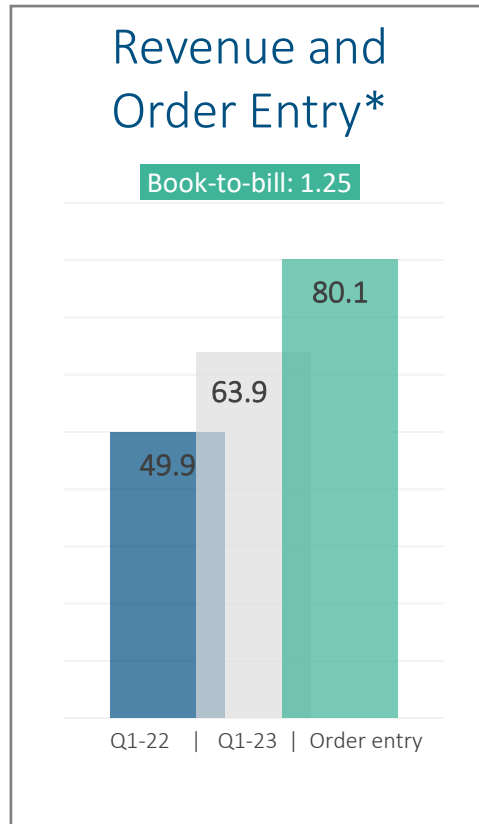
- › Split in Divisions (by size)
  - › Industrial
  - › Communications
  - › OT services
- › Our backbone: Design basic technologies for Global and Software/Solutions
- › 3,148 heads as of 1,614 engineers
- › Hit most by supply chain disruptions and delinquent backlog (EUR 55m)
- › Industrial strong driven by smart factories
- › Communications/5G not yet strong
- › OT Services: weak based on transformation process

(In EUR m)

➤ Target is to increase EBITDA in 2025 to 12%

# Global

## Segment overview Q1 2023



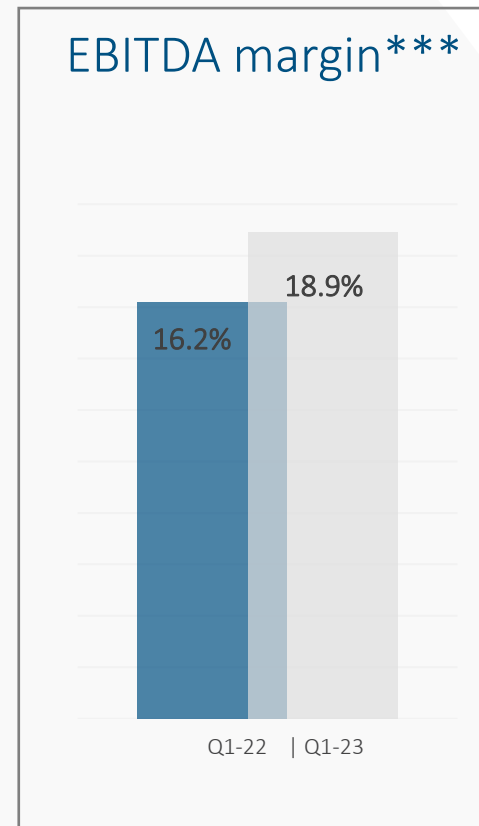
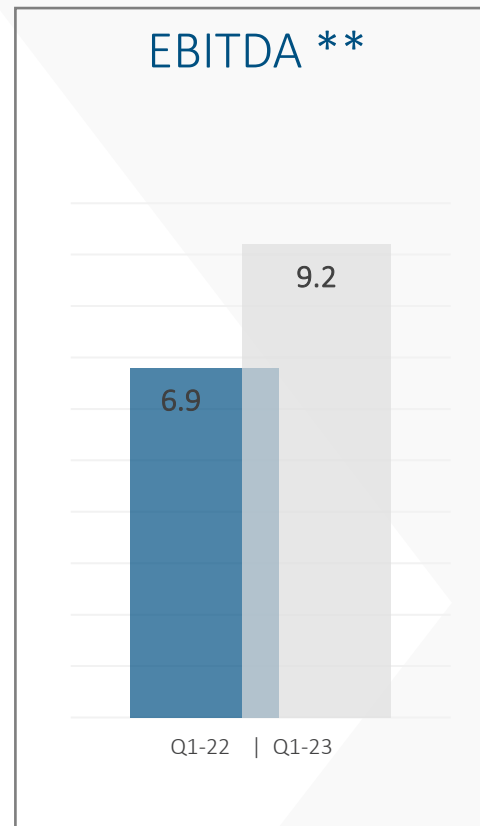
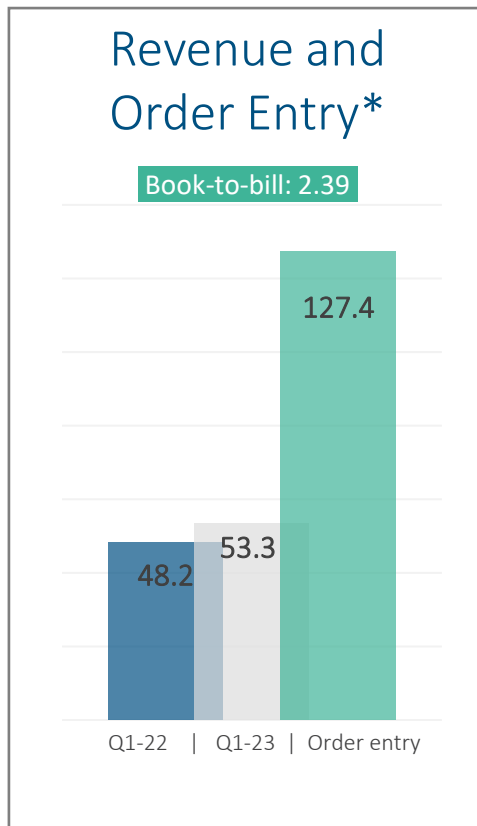
- › Split in Regions (by size)
  - › USA
  - › China
- › Acts as a sales channel to sell European basic technology and SW
- › Locally engineering for customization and avionics
- › USA did grow 48% vs Q1-2021 (change in mgmt. and strategy)
- › Strong book-to-bill driven by USA
- › 454 heads as of 184 engineers
- › Hit most by supply chain disruptions and delinquent backlog (EUR 32m)
- › USA: strong growth, avionics recovery
- › Asia: steady growth

(In EUR m)

➤ Today 20% of revenues in USA + China; target 30%

# Software + Solutions

## Segment overview Q1 2023



- › Split in Divisions (by size)
  - › Transportation (hi-speed trains)
  - › Software (susietec®)
- › Our backbone: Design basic technologies for global and Software/Solutions
- › 897 heads as of 679 engineers
- › Not hit by supply chain disruptions
- › Highest amount of recurring revenues and SLAs
- › Hi-speed trains driven by political support
  - › SK contract 40m won in March
  - › 50% market share in Europe for GSM-R
- › susietec® driven by connectivity
- › Licenses drive also basic technology sales

(In EUR m)

➤ Will be biggest segment by 2026

# The New Kontron

## Strategies

### Short-term 2023

- › Rebrand & Reposition: “Kontron” as an IoT leader
- › 10-10-10 company: 10% growth, 10% EBIT, 10% op CF
- › More efficiency
  - › Organization: low overhead, slim HQ, less companies
  - › Focus on high margin biz – further reduce noncore biz
- › Profit improvement measures
  - › Reduce offices + travelling (home office, virtual meetings)
  - › CRP (complete 100m cash recovery - 60m done)
  - › Profit and tax optimization of new structure
- › ESG & sustainable “green technologies”



### Mid-term „Agenda 2025“

- › Segment “Global”
  - › Sales channel for Europe products with strong local engineering
  - › 30% revenues outside Europe in CN/USA
- › Segment “Software & Solutions”
  - › 20% Organic and acquisitional growth
  - › Benefit from strong engineering backbone in Europe
  - › Main segment by 2026
- › Segment “Europe”
  - › Basic technology for SW/Solutions
- › IoT as a service
  - › Lease solutions rather than sell products = higher margins



# The New Kontron

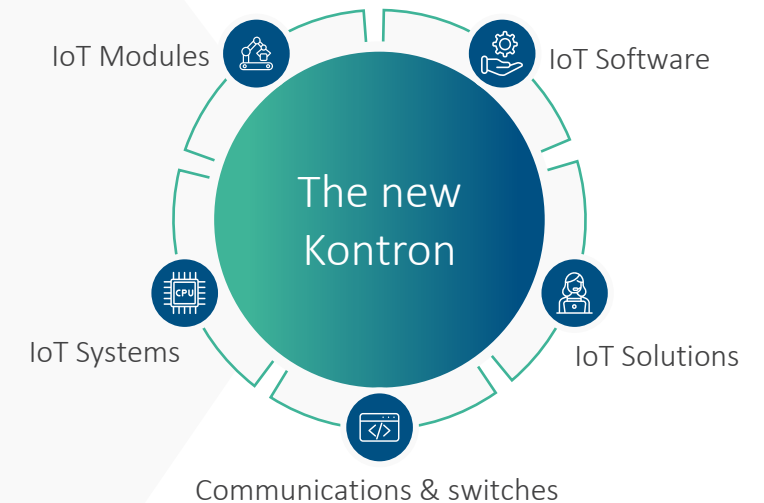
## Products and Technologies

### Basic technologies

- › 5G
  - › Connectivity is key for IoT
    - 5G will be main media
  - › TSN: real time for 5G
    - key know how of Kontron
  - › Communication systems
- › susietec®
  - › Programming language to connect devices
  - › Strong in industrial → expand
- › Ecosystem
  - › Cooperating with Intel, Microsoft, FoxConn, Mediatek (5G)
- › Build up OT services to offer SLAs (run IoT grids)

### Vertical technologies

- › Smart factories
- › Smart transportation
- › Intelligent traffic control
- › Smart energy
  
- › Set and participate in standards
  - › ETCS, IATA, ITAR, Med, PICMG



# The New Kontron

## Bigger acquisitions planned

### M&A is a core competence of Kontron

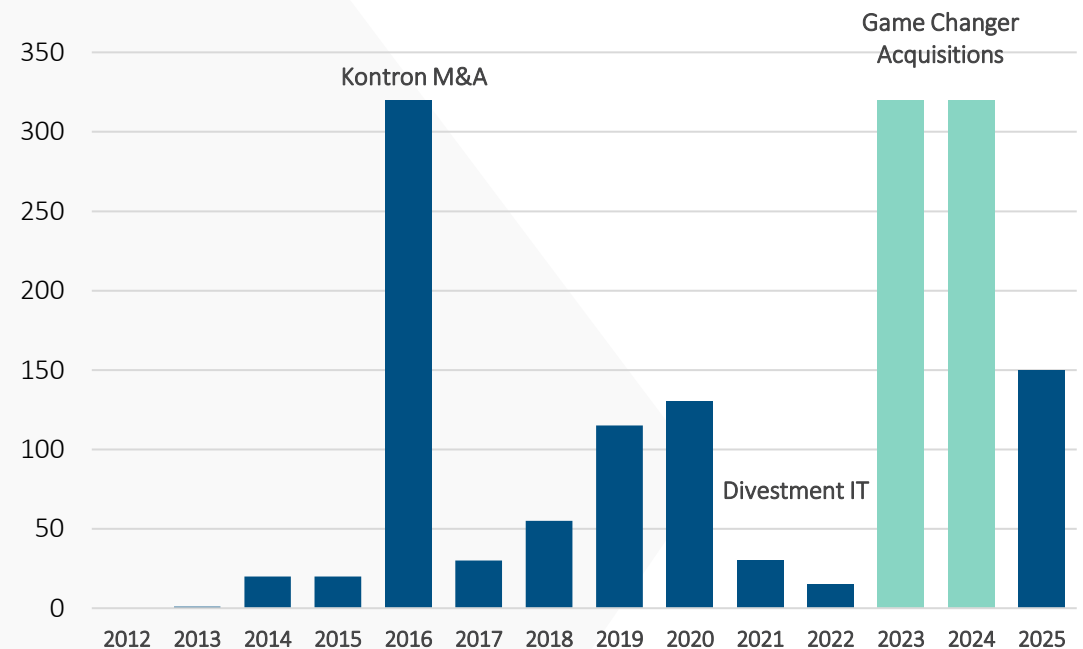
- › Half of growth by M&A (10% /year), half organic
- › Target: Restructuring situations at no profit = low prices
- › High synergies with Kontron = achieve >10% EBITDA within 2 years

### Kontron M&A pipeline

- › Currently 7 offers/LOIs running (av. size > EUR 100m revenue)
- › As of 5 for Software + Solutions, 1 for Europe, 1 for Global
- › As of 4 of them we have been working on > 1 year
- › As of 5 of them we expect a go/no go decision in the next 3 months
- › Only 1 target in structured process
- › Target is to close 2 in 2023 (min. EUR 250m and up to EUR 700m in revenues)

### M&A Volume

(in EUR m)



We are negotiating hard to get the best price for Kontron, this takes time, but we are almost there

# The New Kontron

## Cash Usage 2023

### Liquidity on hand March 2022

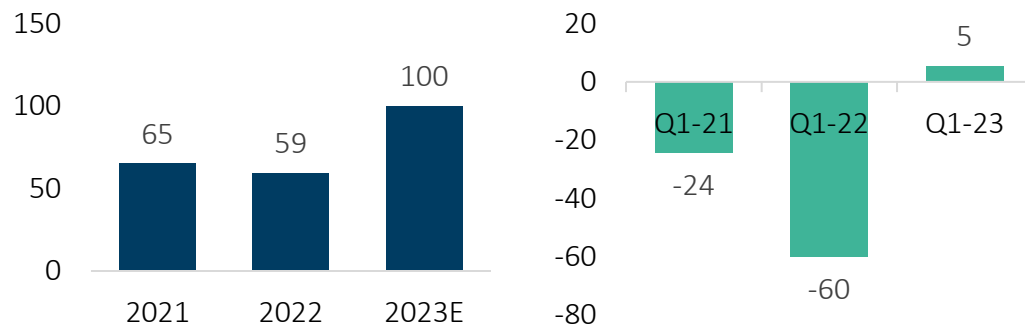
- › EUR 438.4m cash on hand
- › EUR 59m ST receivables from Vinci
- › EUR 180m non utilized lines
- › EUR 61.6 ST debt

➤ Liquidity amounts to EUR 700m

### Cash usage for acquisitions and operations

- › Q1 factoring reduced by 16.9m, ST debt by EUR 66.1m
- › Target Q2-Q4/23: reduce further EUR 20m debt
- › Spend min. EUR 300m in acquisitions

### Cash generation (op. CF)



### Shareholder participation

- › EUR 63m: Propose dividend of 1EUR/share in May
- › Rule: Spend 50% of net earnings in Dividend or SBB
- › 2023: SBB EUR 10m started, increase depending on share price

➤ 2023 spend min. EUR 75m (up to EUR 150m)  
➤ 2024 min. EUR 35m

# Kontron offers differentiated IIoT solutions



## Our competitive landscape

Selected competitors in Industrial IoT	Revenue (in USD m)	Region
Mercury*	3,800	North America
Curtiss Wright*	2,500	North America
Advantech	1,900	Asia
Kontron*	1,342	Europe
Beckhoff	1,200	Europe
ABB B&R	705	Europe
Adlink	350	Asia
Seco	116	Europe
Eurotech	63	Europe
% as of total market (USD 148bn)	9%	



\* Also not Industrial IoT revenues

## Our distinctive competitive advantages

- › Unmatched **R&D scale**
  - › 3,200 FTEs, budget EUR 170m
- › **Cost efficient** solutions
  - › (EUR 45k p.a.) in-house engineering resources in CEE
- › **Differentiated technology** platform
  - › Purpose-built solutions for high-value low-volume use cases
- › Deep and **established relationships in the ecosystem**
  - › Intel, ARM, FoxConn, Microsoft, Siemens, GE



## Achievements

- › MSCI Rating increased 
- › UN Global Compact joined and 9 SDG's identified we support  

- › Education ✓  
 Kontron Leadership Academy (focus on female employees)  
 Data Security Training Focus
- › Employee Survey – conducted among approx. 5,000 employees

## Outlook & Targets

- › Increasing interest of sustainable investors to be met
- › Customers and Investors – CO<sub>2</sub> disclosure requests more often

Making our data easily accessible and transparent to our diverse stakeholder groups will become increasingly important

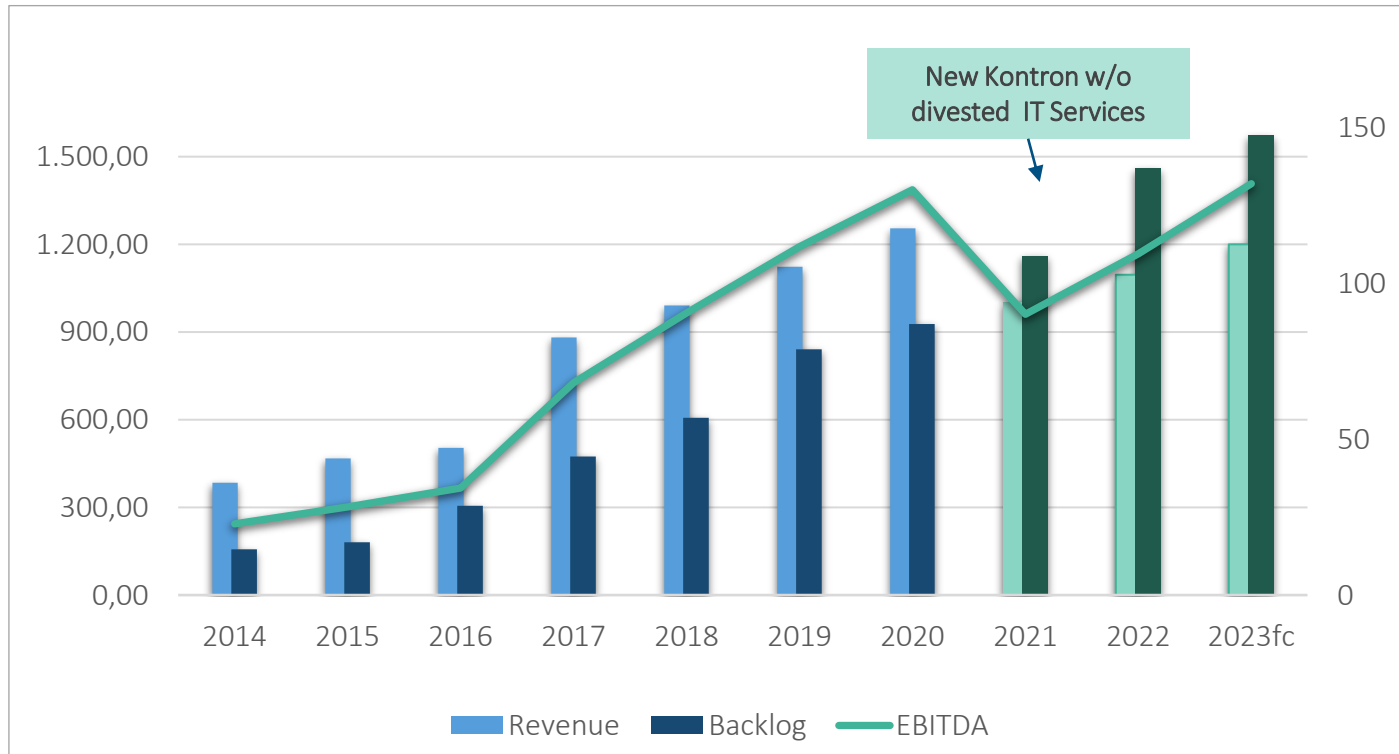
- › Carbon Disclosure Project experience ✓
- › EU Taxonomy requirements expected to be extended
- › Implementation of scope I and II to be achieved until 2023
- › Kontron's Green Products – communicating our products better



# The New Kontron



Guidance 2023 increased by 10% to EUR 66m – we expect no extraordinary effects



Guidance 2023 & Outlook 2025		
In Mio. EUR	2023E	2025E
Revenue	1,200m	2,000m*
EBITDA	11%	13%
Net Profit	66m	140m

\* Incl. M&A

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



## Achievements Q1-23

- › Strong order intake of EUR 391m (book-to-bill 1.41)
- › Refocus on IIoT completed “the new Kontron”
- › Significant improved net income of EUR 16.6m (Q1-23) vs 10.0m (Q1-22)



## Targets

- › Guidance 2023:
  - › Revenue ~EUR 1,200m
  - › Net income EUR 66m
- › EUR 2,000m IIoT revenues at > 13% EBITDA in 2025
- › Complete major acquisitions in 2023



## Risks

- › Chip shortage (improvement on the way)
- › Economical climate
- › Address right technology trends



## Opportunities

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

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This document includes 'forward-looking statements'. Forward-looking statements are all statements, which do not describe facts of the past, but containing the words "believe", "estimate", "expect", "anticipate", "assume", "plan", "intend", "could", and words of similar meaning. These forward-looking statements are subject to inherent risks and uncertainties since they relate to future events and are based on current assumptions and estimates of Kontron AG, which might not occur at all or occur not as assumed. They therefore do not constitute a guarantee for the occurrence of future results or performances of Kontron AG. The actual financial position and the actual results of Kontron AG, as well as the overall economic development and the regulatory environment may differ materially from the expectations, which are assumed explicitly or implicitly in the forward-looking statements and do not comply to them. Analysts and investors, and any other person or entity that may need to take decisions or prepare or release opinions about the shares / securities issued by Kontron AG are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this document. Past performance cannot be relied upon as a guide to future performance.

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# **kontron**

**Explore the Kontron Group**

We are a fast-moving multinational technology leader.

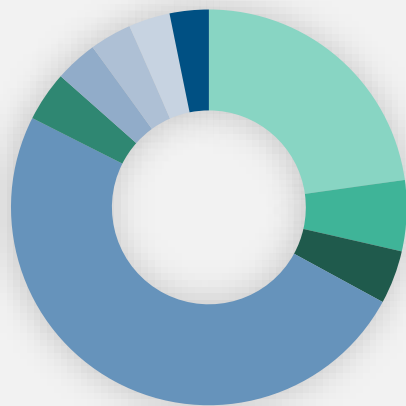
## **APPENDIX**

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# The Kontron Share -

SDAX® & TecDAX® member

## Shareholder Structure



- Ennoconn 27.64%
- Kontron Management - 7.02%
- Naneva B.V (PPF Holdings B.V.) - 5.29%
- Freefloat 60,05% includes as follows
- Amiral Gestion - 4.95%
- BNP Paribas Asset Management - 4.22%
- Ninety One SA (Pty) Ltd - 4.15%
- Allianz Global Investors GmbH - 4.10%
- Ameriprise Financial, Inc. - 3.87%

**Target: Increase strategic shareholder base**

## Coverage





AlsterResearch	Buy: EUR 32.00
Erste	Buy: EUR 24.50
Hauck & Aufhäuser	Buy: EUR 30.00
Jefferies	Buy: EUR 27.00
Kepler	Buy: EUR 25.00
Pareto Securities	Buy: EUR 28.00
Stifel	Buy: EUR 25.50
Warburg Research	Buy: EUR 26.00

**Median Target Share Price** **EUR 26.50**

**1 additional analyst will take on coverage of Kontron**

# The New Kontron

## Before and after IT divestment

	<b>s&amp;t</b>	<b>kontron</b>	
	<b>S&amp;T AG 2021</b>	<b>New Kontron 2023</b>	<b>Comment</b>
Revenues (EUR m)	1,342	~1,200	Reflects divestment of EUR 387m in IT service and EUR 40m in Russia
Order backlog	1,334 (1160 CO)	1,460 (Dec-22)	IT divestment already replaced by new IoT orders
Design win pipeline	3,367 (Dec-21)	3,407 (Dec-22)	Strong IoT design win pipeline
Gross margin (%)	36%	> 40%	Change in product mix, will increase margins starting 2023
Net profit (EUR m)	48.3 (3.6%)	66 (5,5%)	Will increase in 2023 despite divested IT services
Employees (#)	6,206	4,475	Decline driven by project "Focus" and departure from Russia
Entities (as of operative)	78 (78)	48 (32)	Much less complex structure with no relevant minorities
Exposure CIS region	7% CIS	3%	Not material anymore, further reduction in 2023
Equity ratio	32%	44%	
Cash & cash equivalents (EUR m)	296	438 + 138 (Dec-22)	Important in current interest rate increases
Peer group	 	 	
Strategy	The new Kontron is focused on global IoT technology leadership, higher margins (7% net), but not IT and East Europe		