



kontron

Quarterly Statement Q1 2023

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KONTRON GROUP OVERVIEW

KEY FIGURES

IN EUR MIO.	Q1 2023 CONTINUING OPERATIONS	Q1 2022 CONTINUING OPERATIONS
Revenues	277.7	247.0
EBITDA	29.6	23.7
Result after non-controlling interests	16.6	10.0
Earnings per share (in EUR Cent) ¹⁾²⁾	26 Cent	18 Cent
Operating cash flow ²⁾	5.2	-60.0
Operating cash flow from continuing operations	4.4	-44.7

1) Earnings per share undiluted

2) Including discontinued operations

IN EUR MIO.	31.03.2023	31.12.2022
Cash and cash equivalents	438.4	437.8
Net Cash (+) / Net debt (-) ³⁾	185.1	118.3
Equity	645.8	635.7
Equity ratio	47.3%	44.1%
Backlog	1,572.5	1,459.6
Project-pipeline	3,368.9	3,407.2
Employees ⁴⁾	4,499	4,475

3) Cash and cash equivalents less non-current and current financial liabilities

4) Number of employees on full time equivalent basis without employees on parental leave, trainees and apprentices



THE NEW KONTRON IS WELL ON TRACK

The first quarter of the new Kontron is behind us. In financial year 2022, we left 12 years of IT legacy and the company name “S&T AG” behind us. On December 29, 2022, that part of the Group was sold to the French company VINCI Energies S.A., and the remaining divisions saw the birth of the “new Kontron”.

Kontron is now focused on the Internet of Things, a thriving market that is growing at over 15% per year. Kontron is one of the world's three largest providers in this fragmented market. We have set out to achieve higher net profits and higher growth, comparable to our competitors in this market.

And, the new Kontron is fully on track in the first quarter of 2023. This is confirmed by 14% organic growth, record order intake and a 66% increase in net income. In detail, revenue climbed from EUR 247.0 million in the previous year to EUR 277.7 million and net income from continuing operations after non-controlling interests from EUR 10.0 million to EUR 16.6 million in the first quarter of the current financial year. The decisive factor was the gross margin, which we were able to increase to 38.7% (PY: 36.2%) and, as a result, the increase in the net margin, which was increased from 3.9% to 6.0% of revenue. Order intake in the first quarter was EUR 390.7 million, compared with revenues of EUR 277.7 million, indicating a book-to-bill ratio of 141%, the eighth record quarter in a row.

The sale of the IT segment not only had a positive impact on our margins, but also on our liquidity. As of March 31 2023, following payment of the first tranches of the purchase price, our cash balance was EUR 438.4 million, with a further EUR 59 million still outstanding. Moreover, we were able to generate positive operating cash flow of EUR 5.2 million in the seasonally weak first quarter (PY: EUR -60 million). This result confirms continuation of the strong cash flow trend from the fourth quarter of 2022. A good liquidity balance is crucial in the current uncertain times, which include high interest rates. We will invest some of the existing liquidity directly in our growth – we are certain that we will be able to complete one or two significant acquisitions in 2023 – and we have also planned a record dividend and the continuation of our share buyback program.

The supply chain difficulties from 2022 have recovered noticeably. The volume of overdue orders has fallen from a peak of EUR 127 million at the end of June 2022 to currently EUR 88 million, and as a result, inventory has fallen by EUR 13.4 million in the same period.

We expect 2023 to be a very good year for Kontron. The order backlog of the new Kontron increased in the past five quarters by EUR 413 million to EUR 1,573 million. This means that all planned revenues for 2023 – the target is EUR 1,200 million – have already been covered. However, the aim of the new Kontron is not just to grow revenue, but above all to increase profitability. At the end of March 2023, we raised our net income guidance to EUR 66 million, with an EBITDA margin of 11%. This represents an increase of more than 20% compared to the previous year.

With the planned acquisitions, we are well on track for our target of EUR 2,000 million in revenue in 2025 – at the same time as significantly increasing profitability.



Hannes Niederhauser, CEO

NOTES TO THE COURSE OF BUSINESS

Strong organic growth, increased operating cash flow and high liquidity

In the first quarter of the current financial year 2023, the Kontron Group was able to significantly increase its revenue to EUR 277.7 million (PY: EUR 247.0 million), driven by strong organic growth. Delivery delays caused by the chip crisis were further reduced in the first quarter of financial year 2023 and dropped to around EUR 88 million.

Profitability rose significantly in the past quarter. Overall, an EBITDA of EUR 29.6 million was achieved in the first three months of the current financial year (Q1 2022: EUR 23.7 million). EBITDA therefore rose by around 24.9% and the gross margin increased to 38.7% (PY: 36.2%). Group net income attributable to Kontron shareholders (after minority interests) went up by almost 45.7% to EUR 16.9 million (Q1 2022: EUR 11.6 million), increasing earnings per share (undiluted) from 18 cents in the first quarter of 2022 to 26 cents in the first three months of the current financial year.

Strong results in all business segments

Due to the concentration of the Kontron Group's business activities on the IoT market in the wake of the sale of the majority of the "IT Services" business completed in December 2022, the presentation of the Kontron Group's business segments has been reorganised from financial year 2023 in accordance with the new configuration. From the first quarter of 2023, the group of companies will be reported and managed in the three segments "Europe", "Global" and "Software + Solutions."

About the three segments of the Kontron Group:

"Europe": This segment covers all activities of the Kontron Group relating to development of secure solutions for machine networks by means of a combined portfolio consisting of hardware, middleware and services in Europe. The focus of the business segment is on the products (proprietary technologies) and solutions developed by the Kontron Group for industrial automation, medical technology, connectivity and communications solutions and smart energy markets. In addition, the remaining IT services business is reported in this segment. In the first quarter of 2023, revenues of EUR 179.4 million were achieved in the "Europe" segment (Q1 2022: EUR 166.0 million), which corresponds to a growth in revenue of 8.0%. EBITDA before HQ allocations increased from EUR 16.0 million to EUR 16.4 million and includes income and expenses that were not allocated to discontinued operation for reasons of simplification.

"Global": The "Global" segment presents the former "IoT Solutions America" segment, which included solutions in the vertical markets of transport and aviation as well as connectivity and communications in the North America region. In addition, this segment includes the integrated Kontron Group's business outside Europe, particularly in Asia. Revenues in this segment amounted to EUR 49.6 million in the first quarter of 2023 (Q1 2022: EUR 38.4 million), which corresponds to growth of around 29.4%. As a result, EBITDA before HQ allocations in this segment improved greatly from EUR 0.8 million to EUR 4.0 million.

"Software + Solutions": In this segment, the Kontron Group presents its activities relating to the development and sale of software solutions and related products. The solutions, such as the susietec® IoT (Internet of Things) toolset developed specifically by Kontron, are used in various vertical markets. In particular, the solutions support industrial automation and are used in the public transport sector. In the "Software + Solutions" segment, revenues of EUR 48.7 million were achieved in the first quarter of 2023 (Q1 2022: EUR 42.6 million), which corresponds to a growth in revenue of 14.2%. EBITDA before HQ allocations increased significantly from EUR 6.9 million to EUR 9.2 million.

IN EUR MIO.	EUROPE		GLOBAL		SOFTWARE + SOLUTIONS		KONTRON GROUP	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Total revenues	208.7	186.8	63.9	49.9	54.6	48.6	327.2	285.3
Internal revenues	-29.3	-20.8	-14.3	-11.5	-5.9	-5.9	-49.6	-38.3
Revenues	179.4	166.0	49.6	38.4	48.7	42.6	277.7	247.0
EBITDA before HQ-Charging*)	16.4	16.0	4.0	0.8	9.2	6.9	29.6	23.7

*) Segment "Europe" including Headquarter-charges

Strong financial position, significantly improved operating cash flow

The net assets and liquidity position at the end of the first quarter remains stable. Equity increased from EUR 635.7 million as of December 31, 2022 to EUR 645.8 million, although a total of 287,544 treasury shares were acquired in the first quarter of 2023 under share buyback program I 2023, which reduced equity by EUR 5.4 million. The equity ratio rose further to 47.3% as of the quarterly reporting date (December 31, 2022: 44.1%). Cash and cash equivalents amounted to EUR 438.4 million (December 31, 2022: EUR 437.8 million). Operating cash flow in the first quarter of the current financial year was positive and amounted to EUR 5.2 million. It was thus EUR 65.2 million, and therefore very significantly, above the previous year's figure of minus EUR 60.0 million. The number of employees as of March 31, 2023 stood at 4,499 (December 31, 2022: 4,475).

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CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT IN TEUR	Q1 2023	Q1 2022*
Revenues	277,671	247,019
Capitalised development costs	4,629	5,506
Other income	6,722	11,587
Expenses for materials and other services purchased	-170,342	-157,721
Personnel expenses	-70,387	-61,928
Depreciation and amortisation	-9,035	-11,663
Other operating expenses	-18,671	-20,763
Result from operations	20,587	12,037
Finance income	3,114	242
Finance expenses	-3,493	-2,175
Financial result	-379	-1,933
Earnings before taxes	20,208	10,104
Income taxes	-3,622	-559
Profit/loss from continuing operations	16,586	9,545
Profit/loss from discontinued operations	6	1,629
Net income	16,592	11,174
Results from the period attributable to owners of non-controlling interests	7	-417
Results from the period attributable to owners of interests in parent company	16,585	11,591
Earnings per share from continuing operations (undiluted)	0.26	0.16
Earnings per share from continuing operations (diluted)	0.25	0.15
Earnings per share attributable to owners of interests in parent company (undiluted)	0.26	0.18
Earnings per share attributable to owners of interests in parent company (diluted)	0.25	0.18
Average number of shares in circulation (in thousands undiluted)	63,625	63,631
Average number of shares in circulation (in thousands diluted)	66,125	64,631

*) Adjustment due to application of IFRS 5 – see Annual Report 2022

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	Q1 2023	Q1 2022
Net income	16,592	11,174
Items that will not be reclassified to profit or loss		
Remeasurement according to IAS 19		
Gains(+)/losses(-) from remeasurement	38	0
	38	0
Items that may be subsequently reclassified to profit or loss		
Unrealised gains/losses from currency translation	-1,672	-1,471
	-1,672	-1,471
Other comprehensive income	-1,634	-1,471
Comprehensive income	14,958	9,703
of which attributable to		
Results from the period attributable to owners of non-controlling interests	60	-831
Results from the period attributable to owners of interests in parent company	14,898	10,534

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CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	31.03.2023	31.12.2022
NON-CURRENT ASSETS		
Property, plant and equipment	97,757	95,477
Intangible assets	73,494	72,424
Goodwill	188,368	189,412
Financial assets non-current	13,253	11,714
Contract assets non-current	1,084	1,061
Other non-current assets	8,362	8,960
Deferred tax assets	30,859	33,050
	413,177	412,098
CURRENT ASSETS		
Inventories	213,396	192,633
Trade receivables	143,976	148,085
Contract assets current	46,969	54,227
Financial assets current	55,583	134,326
Other receivables and assets current	49,062	55,421
Cash and cash equivalents	438,415	437,760
Assets classified as held for sale	6,019	6,310
	953,420	1,028,762
Total assets	1,366,597	1,440,860
EQUITY AND LIABILITIES IN TEUR		
EQUITY		
Subscribed capital	63,631	63,631
Capital reserves	123,153	122,582
Accumulated results	466,201	449,616
Other reserves	-3,681	-1,994
Treasury shares	-5,365	0
Equity attributable to owners of interests in parent company	643,939	633,835
Non-controlling interests	1,891	1,831
	645,830	635,666
NON-CURRENT LIABILITIES		
Financing liabilities non-current	191,794	193,768
Other financial liabilities non-current	31,659	27,714
Contract liabilities	9,342	5,532
Other liabilities non-current	1	1
Deferred tax liabilities	5,704	5,725
Provisions non-current	19,952	19,886
	258,452	252,626
CURRENT LIABILITIES		
Financing liabilities current	61,571	125,703
Trade payables	204,661	226,336
Contract liabilities	79,627	78,493
Other financial liabilities current	28,417	24,979
Provisions current	25,124	26,950
Other liabilities current	58,494	65,348
Liabilities classified as held for sale	4,421	4,759
	462,315	552,568
Total equity and liabilities	1,366,597	1,440,860

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT IN TEUR

Q1 2023

Q1 2022

	Q1 2023	Q1 2022
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING AND DISCONTINUED OPERATIONS		
Earnings before tax from continuing and discontinued operations	20,251	12,306
Depreciation and amortisation	9,035	14,659
Interest expenses	3,541	2,708
Interest and other income from the disposal of financial assets	-3,119	-266
Increase/decrease of provisions	-1,186	2,439
Gains/losses from the disposal of non-current non-financial assets	-40	14
Changes in inventories	-23,174	-30,020
Changes in trade receivable and contract assets	8,960	15,681
Changes in other receivables and assets	5,082	-11,951
Changes in trade payable and contract liabilities	-8,419	-49,755
Changes in other liabilities	-2,167	-3,616
Other non-cash income and expenses	-2,434	-9,331
Cash and cash equivalents from operations	6,330	-57,132
Income taxes paid	-1,106	-2,847
Net cash flows from operating activities	5,224	-59,979
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current non-financial assets	-7,160	-8,493
Proceeds from sale of non-current non-financial assets	179	1,206
Disposal/purchase of financial instruments	-333	7,313
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	0	-2,070
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed	2,161	0
Proceeds (net) from disposal of discontinued operations	74,413	0
Interest income	2,246	146
Net cash flows from investing activities	71,506	-1,898
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in financing liabilities and financial liabilities	558	95
Decrease in financing liabilities and financial liabilities	-17,738	-13,440
Interests paid	-2,323	-1,557
Acquisition of non-controlling interests	0	31
Payments for acquisition of treasury shares	-5,365	0
Net cash flows from financial activities	-24,868	-14,871
Changes in exchange rates	-285	-1,948
Changes in financial funds	51,577	-78,696
Financial funds as of the beginning of the period	366,996	267,934
Financial funds as of the end of the period	418,573	189,238
Overdrafts	18,548	30,252
Restricted cash	3,510	4,781
Total cash and cash equivalents from continuing and discontinued operations	440,631	224,271

FINANCIAL CALENDAR

2023

04.05.2023	Q1-quarterly statement 2023 (Earnings-Call Q1 2023)
12.05.2023	Stifel German Corporate Conference
22.05.2023	Annual General Meeting
31.05.2023	Dividend payment day
03.08.2023	Half-year report 2023 (Earnings-Call Q2 2023)
03.11.2023	Q3-quarterly statement (Earnings-Call Q3 2023)
27.11.2023	Equity forum (27.11. - 29.11.2023)

Further details available under

https://ir.kontron.com/Financial_calendar.en.html

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