

kontron

Explore the Kontron Group

We are a fast-moving multinational technology leader.



Investor Presentation

November 2023



Who we are

Pure-Play Leader of
Smart Industrial IoT Solutions

4,740

Employees

1.2bn

Revenue (EUR)*

>72m

Net Result (EUR)*

>10%

Organic growth p.a.*

Member of SDAX®

Member of TecDAX®

HQ in Austria; listed in Germany

*Management estimates for 2023 and
organic growth mid-term guidance.

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

› **Fully integrated technology platform**

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

› **Driven by customers success, blue-chip customers**

Highly diversified customer base, top 10 customers account for approx. 12% of revenues, >3,000 customers in total

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

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

The IoT Market

Key Metrics

64 billion

connected IoT devices by 2025 worldwide (from 29 billion in 2022)

\$ 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



Traffic



Smart Energy



Medical

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

The New Kontron

7 divisions in 3 segments in 2023

Europe



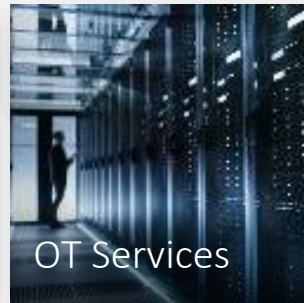
Industrial

Industrial,
Medical and
Defense



Telecom

Adding 5G
connectivity to
IoT products



OT Services

IT converted to
Service contracts
for IoT

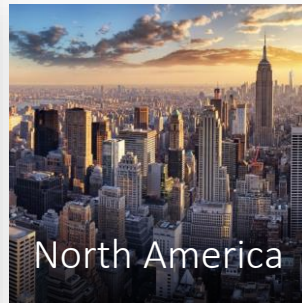
Revenue* FC 2023

€ 810m

Targets

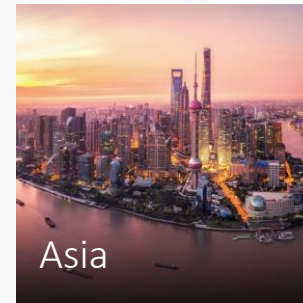
EBITDA**	12%
GM	40%
Growth p.a.:	10%

Global



North America

Sales channel for
Europe products;
Avionics



Asia

Sales channel for
Europe products

Revenue* FC 2023

€ 260m

Targets

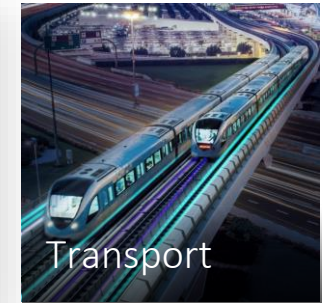
EBITDA**	8%
GM	30%
Growth p.a.:	12%

Software & Solutions



Software

susietec® &
customized IoT
software



Transport

Data for high-
speed trains in
Europe & China

Revenue* FC 2023

€ 230m

Targets

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

Results Highlights

- › **Strong improvement in profitability YTD 2023 vs 2022**
EBITDA +40%; Net Income* +118%
- › **Solid revenue growth of 14%**
Organic growth of 12.4% YTD
- › **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



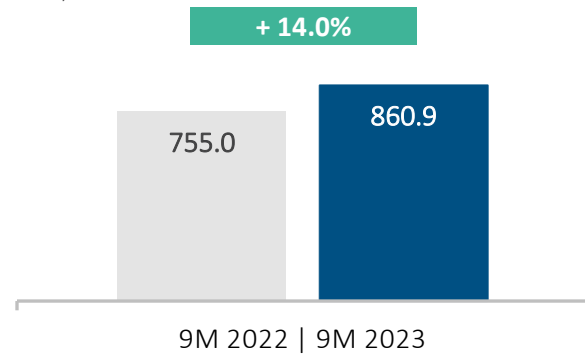
Company Highlights

- › **Net income guidance raised**
to EUR >72m (Jan: EUR >60m)
- › **5 M&A acquisitions YTD**
Recently Hartmann + Altimate + Bsquare to strengthen “Software + Solutions” segment (closing expected for all acquisitions by YE)
- › **80m EUR Share Buyback programs in 2023**
SBB 1 done: EUR 10m (540 k shares)
SBB 2 ongoing: EUR 70m (4m shares)
EUR 10.5m (550k shares done)

KPIs 1-9M 2023

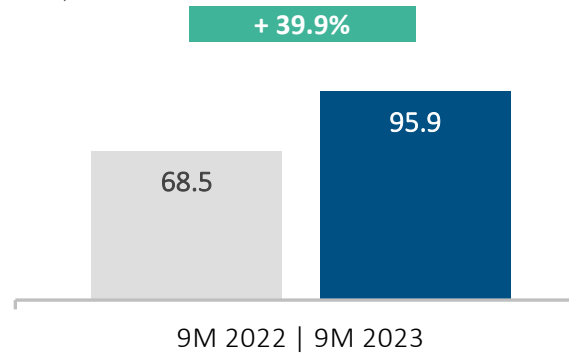
Revenue

(in EUR m)



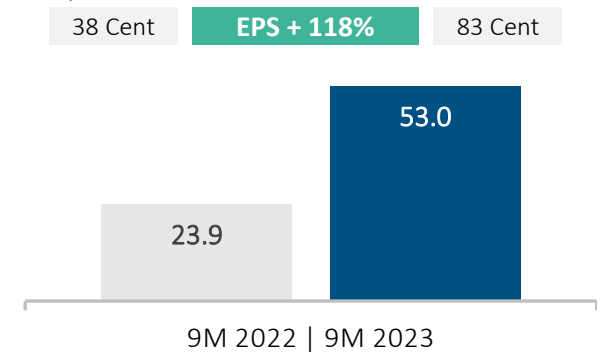
EBITDA

(in EUR m)



Operating Net Income after NCI*

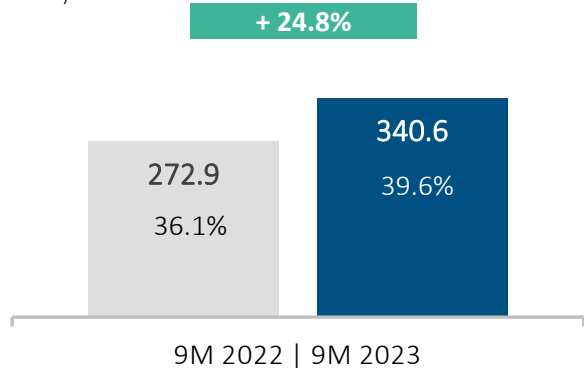
(in EUR m)



* 2022 adj for DCO/sold IT

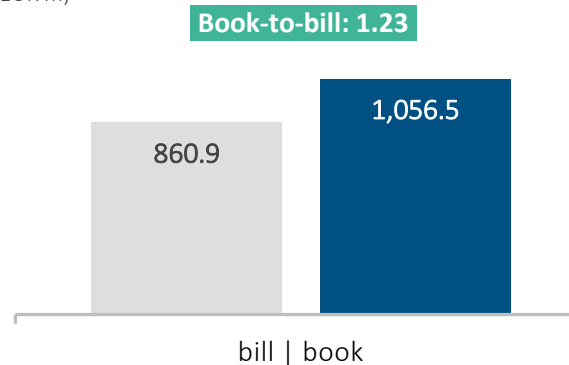
Gross Margin

(in EUR m)



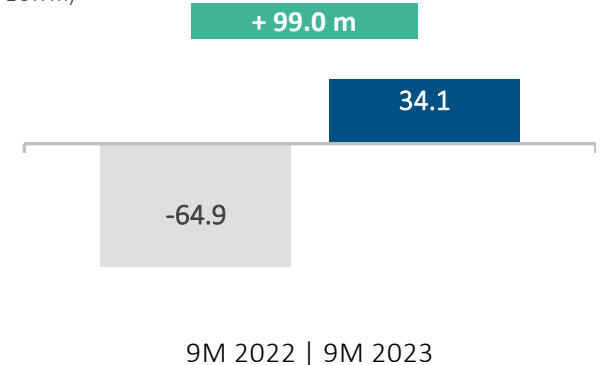
Order Entry vs. Revenues

(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	

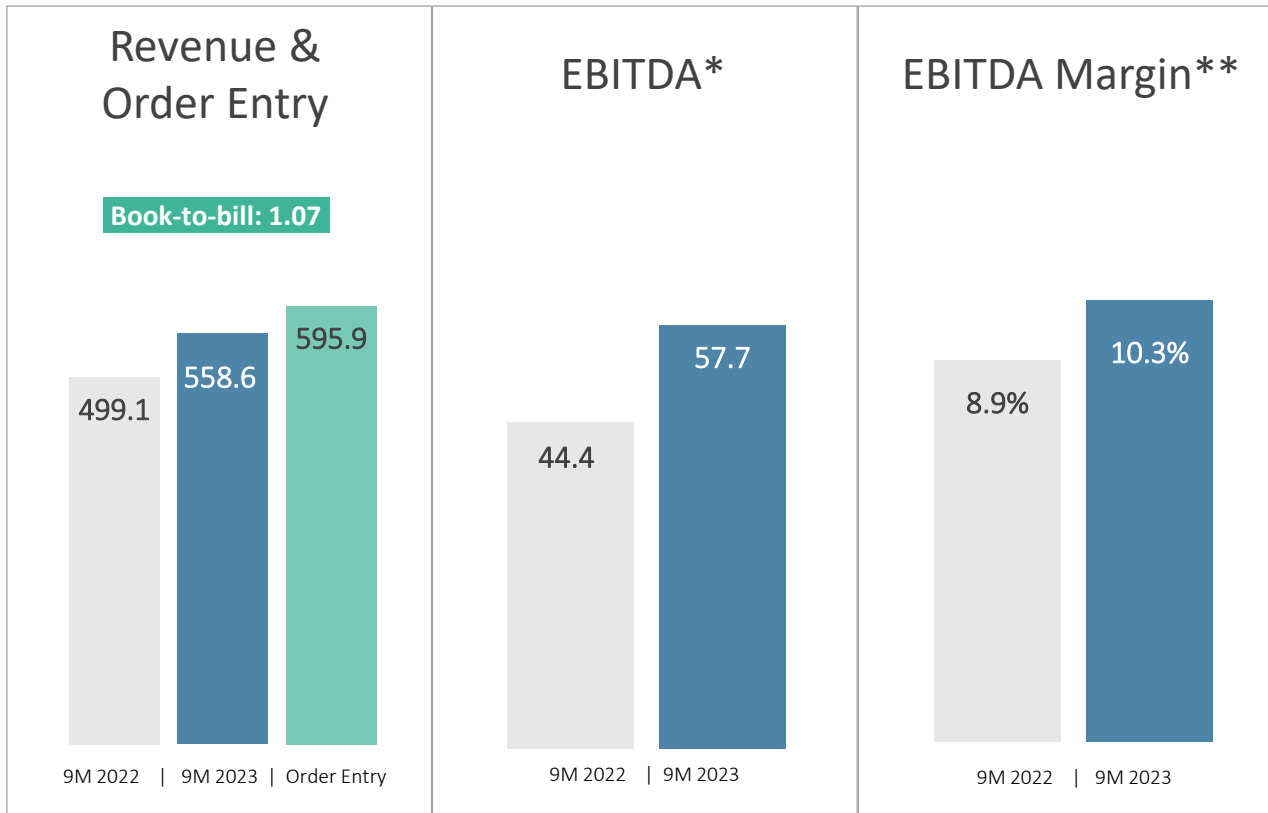


Strong cash position: EUR 292m cash + EUR 59m open payment from Vinci
(despite EUR 73m dividend + SBB and EUR 108m debt paid)

* 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)

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

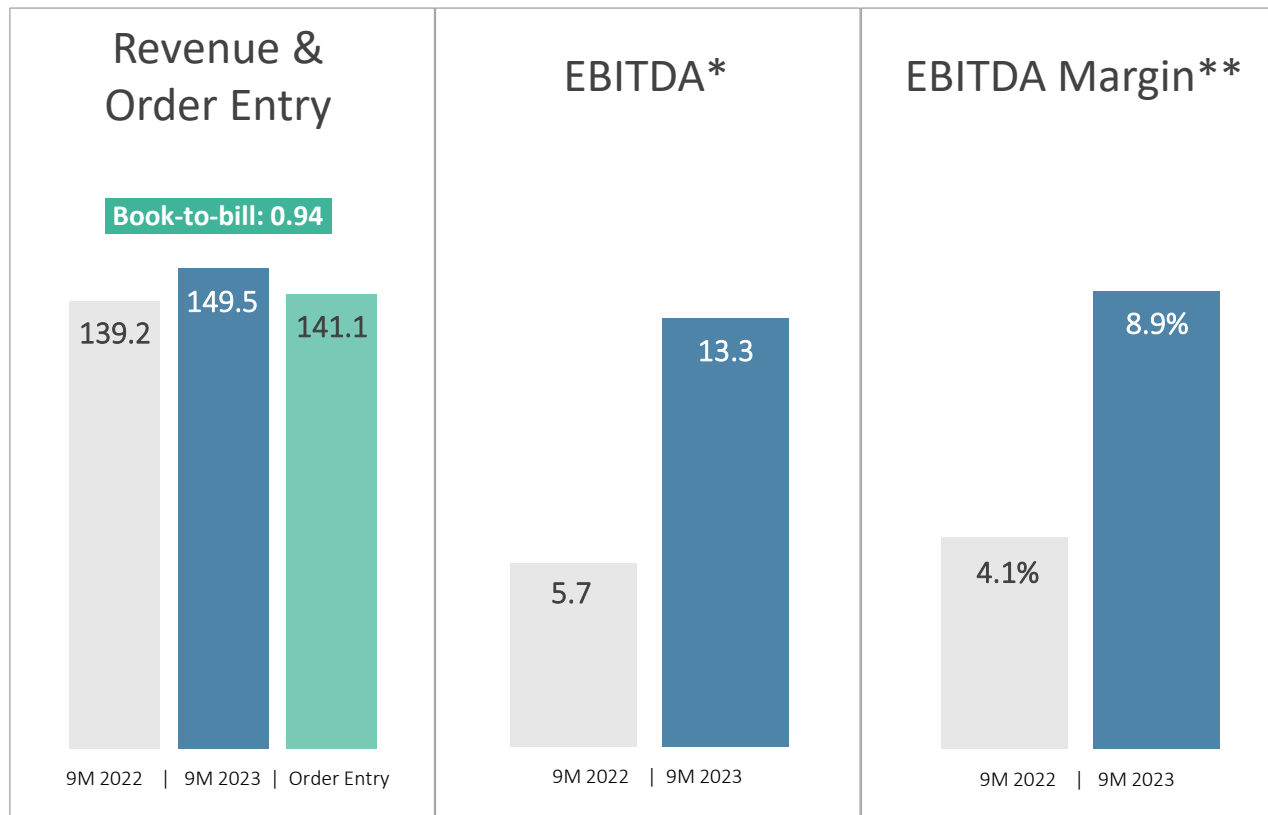
Segment trend

- › 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

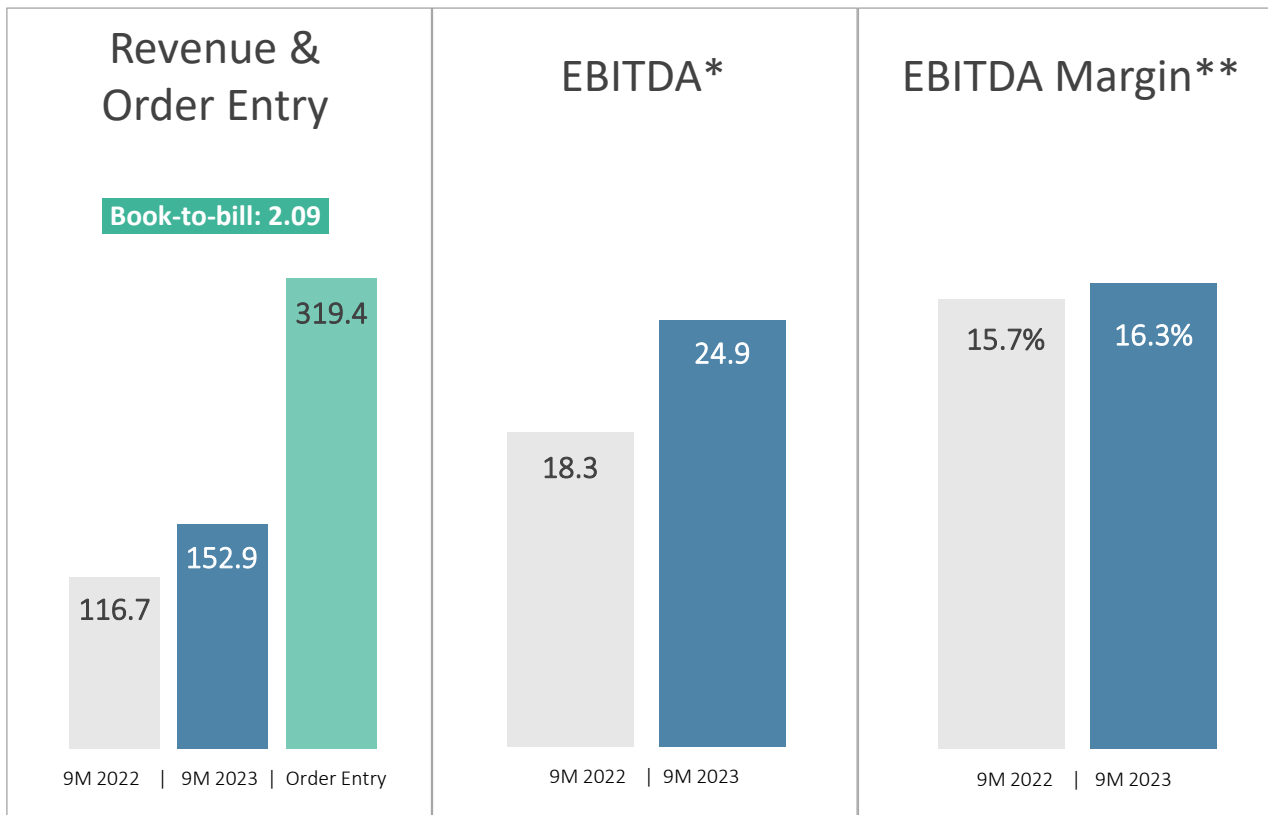
- › Acts as a sales channel to sell European technology
- › Local engineering for customization
- › Process to build sales + support channel for the complete Kontron technology portfolio
- › 467 FTEs, thereof 186 engineers

➤ 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

- › Margin trend growing y-o-y, quarterly seasonal deviations due to duration of solutions projects
- › 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

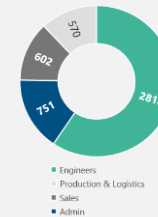
susietec® IoT software framework

- › 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

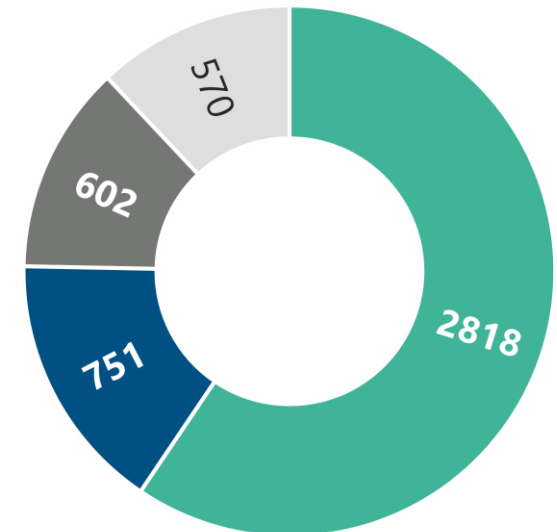


Artificial Intelligence

- › 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

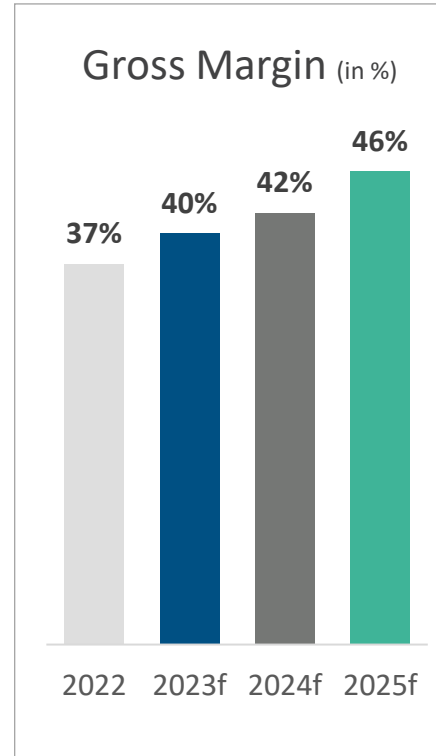
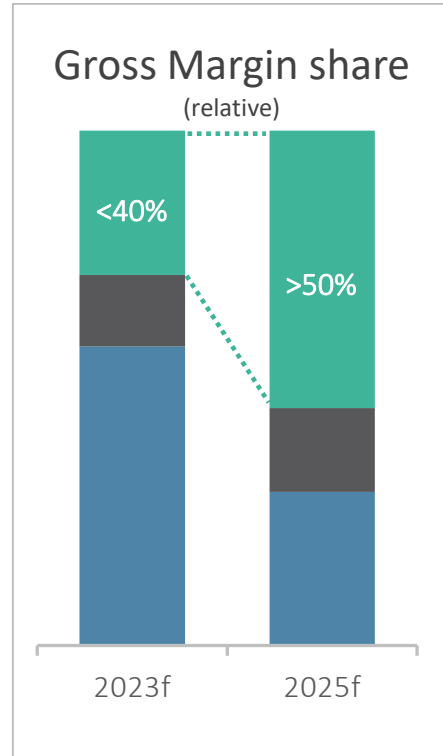
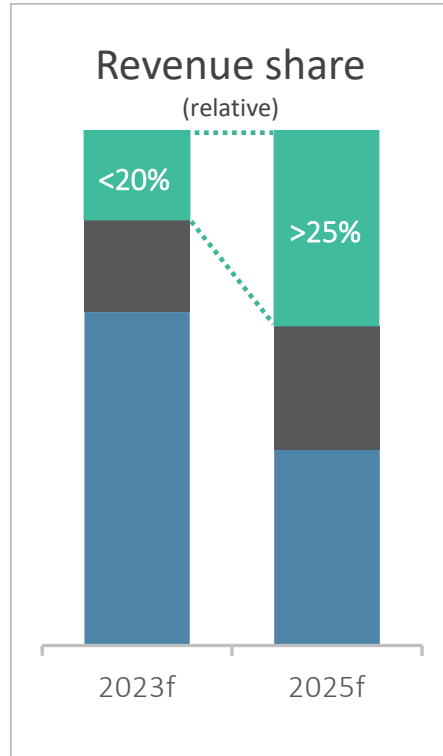


Excellent pool of engineers supported by lean organization



- Engineers
- Production & Logistics
- Sales
- Admin

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



Focus on “Software + Solutions”

- › By 2025 biggest segment in Kontron
- › More than 50% in recurring service revenues
- › Up the value chain in existing markets
- › New division “Aerospace + Defense” in 2024

Segment trend

- › Upgrade markets we cover today by “Software + Solutions” (first targets are public transport, defense, avionics)
- › Most acquisitions in “Software + Solutions”
- › Use strong R&D resources of 2,500 R&D engineers to develop SW solutions for existing markets (smart factories, medical , etc)
- › Go global (USA, CN) to utilize our leading technology

■ Europe
 ■ Global
 ■ Software + Solutions

➤ Most M&A activities in “Software + Solutions”, up the value chain for existing markets

Our competition

Selected competitors in Industrial IoT	Revenue (in USD m)	Region
Curtiss Wright*	2,600	North America
Advantech	2,200	Asia
Beckhoff	1,600	Europe
Kontron	1,200	Europe
ABB B&R	1,100	Europe
Mercury*	1,000	North America
Adlink	380	Asia
Seco	215	Europe
Eurotech	100	Europe
% as of total market (USD 148bn)	7%	

* Also not Industrial IoT revenues

Our distinctive competitive advantages

- › Unmatched **R&D scale**
 - › 3,200 FTEs, annual budget of 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

M&A strategy

Replace sold IT segment by strategic IoT acquisitions

M&A is a core competence of Kontron

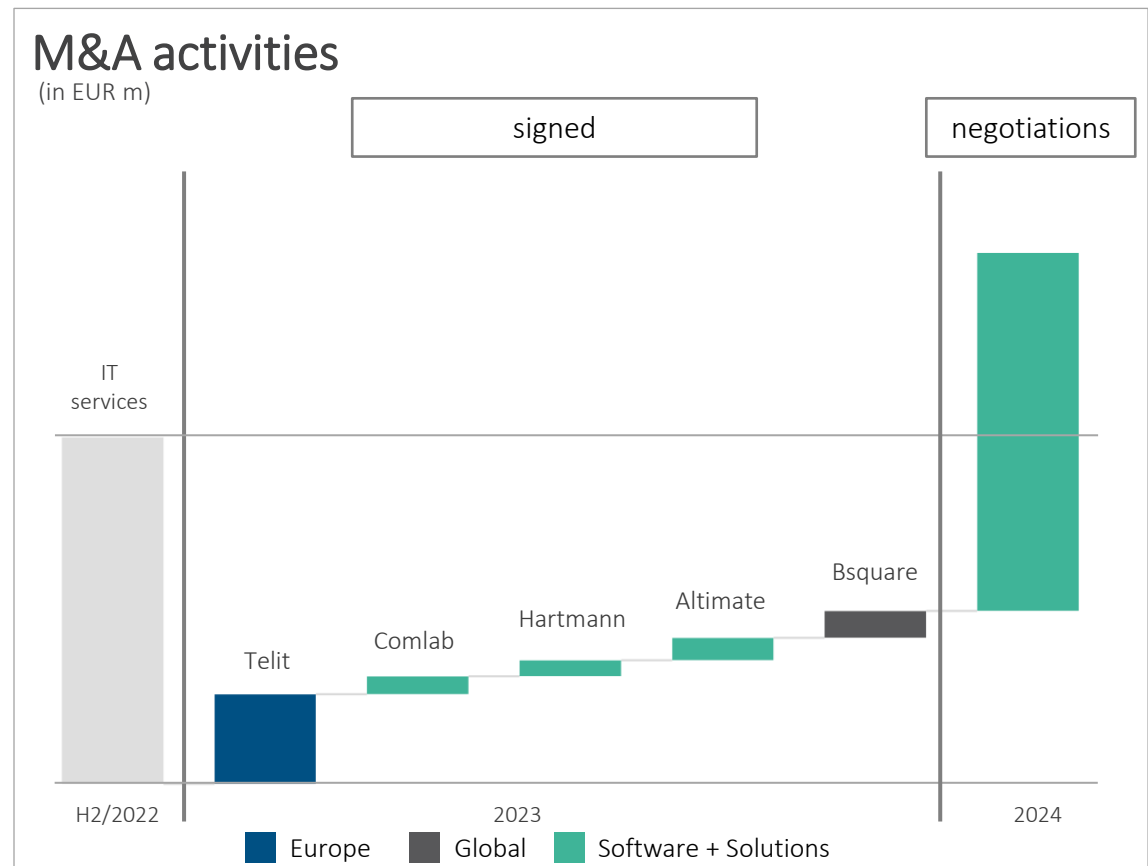
- › Replace EUR 387m of sold IT business with IoT acquisitions
- › Target: High synergies with Kontron → 12% EBITDA within 2 years
- › Complementary IoT technologies to improve portfolio
- › Finance by existing cash and cash flow – not shares

5 relevant 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

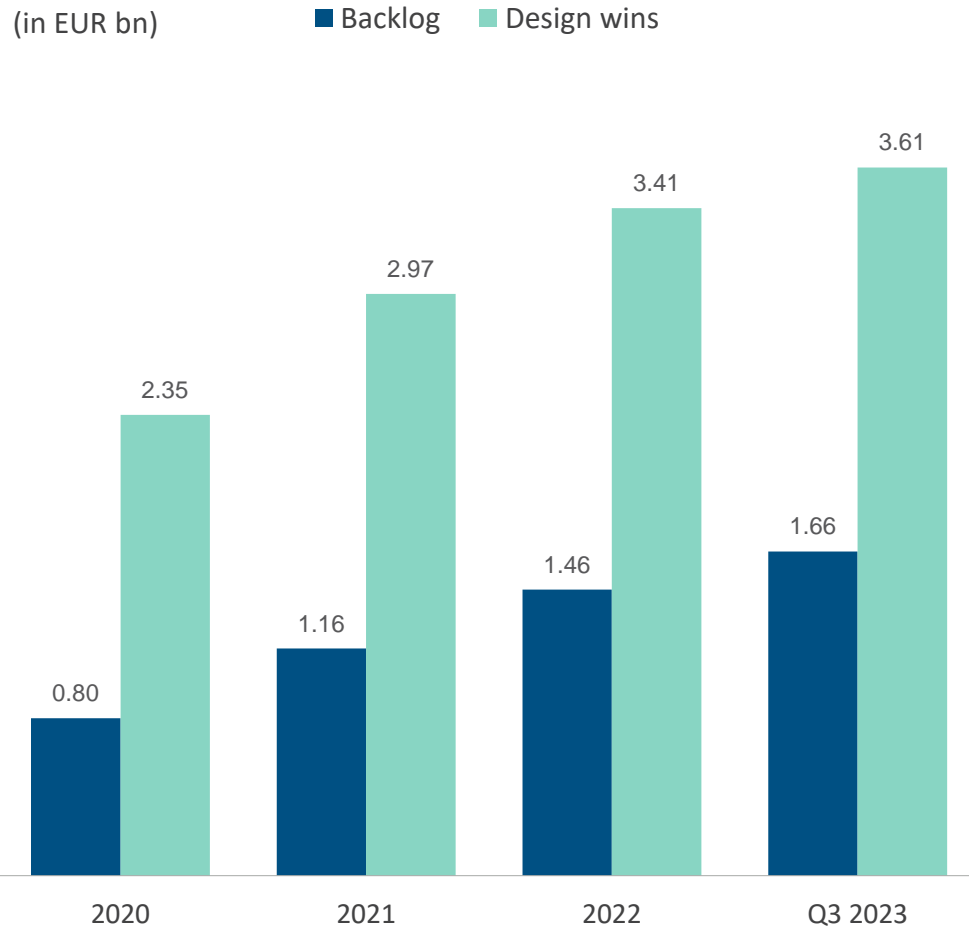
- › Currently 3 acquisition projects



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

The New Kontron

Backlog and Design wins

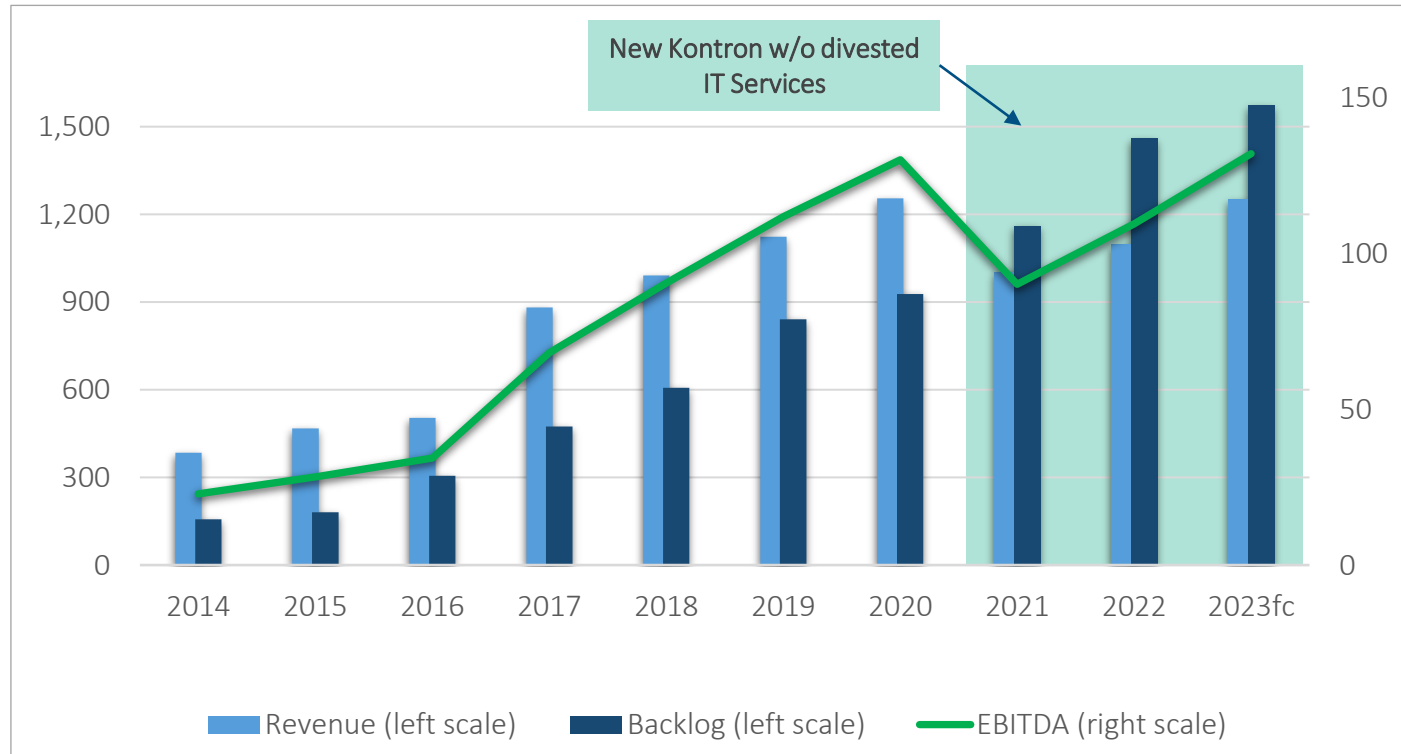


Top Design Wins in 9M 2023

	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%

Why invest in Kontron?

Profitable long-term growth



- › Excellent position to profit from the megatrends digitalization, AI and sustainability via IoT products
- › Expand high-margin high-growth software business
- › Utilize European technology worldwide
- › Highly diversified, global and long-term customer base in a niche market with high entry barriers
- › Track record of value-accretive M&A

Engineering excellence



- › Unmatched R&D power of 3,200 engineers and annual investment of approx. 14% of revenues
- › Cost efficient in-house engineering resources in CEE (average salary: 45k p.a.) as an attractive Western employer
- › Increasing share of software in portfolio: proprietary IoT toolset susietec®
- › Customized IoT solutions for Industrial, Medical, Defense, 5G Connectivity, Avionics, Transportation, Electricity sectors

Strong financial position



- › Cash conversion rate target of 75%
- › Solid tax shield in Austria for the next 2 years
- › Favorable low debt profile in high interest environment
- › High cash position after sale of majority of IT Services business for EUR 392m in December 2023
- › Active partner and minority shareholder Ennoconn

Attractive shareholder return



- › Strong cash generating business
- › 50% of net income distributed as a dividend and/or to use for share buybacks
- › Record dividend of EUR 1 per share paid out in 2023

Disclaimer

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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Explore the Kontron Group

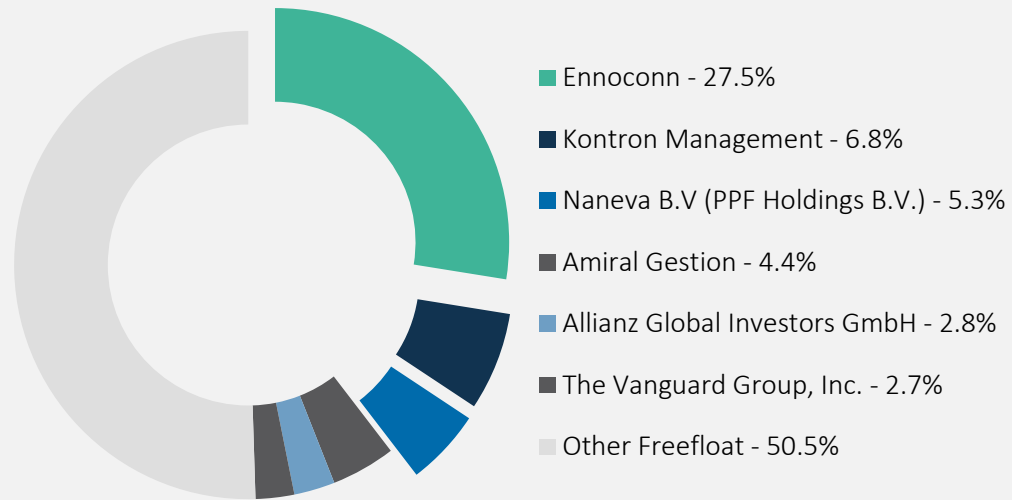
We are a fast-moving multinational technology leader.

APPENDIX

The Kontron Share

SDAX® & TecDAX® member

Shareholder Structure*



Target: Increase strategic shareholder base

Coverage**

Alster Research	Buy: EUR 32.00
Erste Group	Buy: EUR 25.00
Hauck & Aufhäuser	Buy: EUR 30.00
Jefferies	Buy: EUR 29.00
Kepler Cheuvreux	Buy: EUR 25.00
Pareto Securities	Buy: EUR 28.00
Stifel	Buy: EUR 27.00
Warburg Research	Buy: EUR 26.00

Median Target Share Price **EUR 27.50**

1 additional analyst will take on coverage of Kontron

*Share ID as of 30.06.2023

**Analysts' recommendations as of 06.11.2023

Achievements

- › MSCI: BBB (stable since 2021)
- › EcoVadis: rated above industry average
- › Sustainalytics: 20.2 (medium* risk)
- › UN Global Compact joined and 9 SDGs 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 – CO₂ 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

Preparation scope I and II
 Reporting expansion (incl. EU Taxonomy) ✓
 ESG-Goal extension ✓
 ESG-Risk assessment ✓
 Update material analysis ✓

Evaluation ESG-Goals
 Implementation stage launched
 Enhanced reporting according to EU Taxonomy and ESG standards

Implementation finalized
 Continuous improvement process

2021

Continuous stakeholder dialogue ✓

2022

2023

*Sustainalytics’ low risk rating starts at <20