

# kontron

## Explore the Kontron Group

We are a fast-moving multinational technology leader.



**IR Presentation**

April, 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®

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

# High- and Lowlights FY 2022

Transformation update

## Highlights

- › **Divestment of IT Services**
  - › IoT focus + clean legal structure
  - › EUR 232m net profit
- › **EUR 438m** of cash Dec 22 + EUR 138m of cash payable by Vinci
- › Strong backlog of ~**EUR 1.45bn** and 2022 book-to-bill ratio of 1.28



## Lowlights

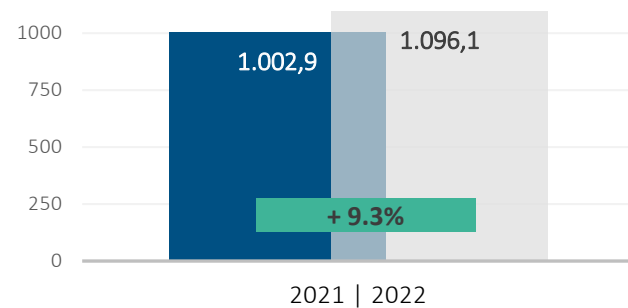
- › **Chip shortage:** EUR 96m of delayed but not lost orders – reduced from Q3 at EUR 124m
- › **EUR 120m** Cash drain until Q3 – disruptive supply chain but EUR 100m reversed in Q4
- › **Russian war: 2022** business in region already reduced by EUR 45m

# KPI's FY2022: Continued Operating Result Adjusted

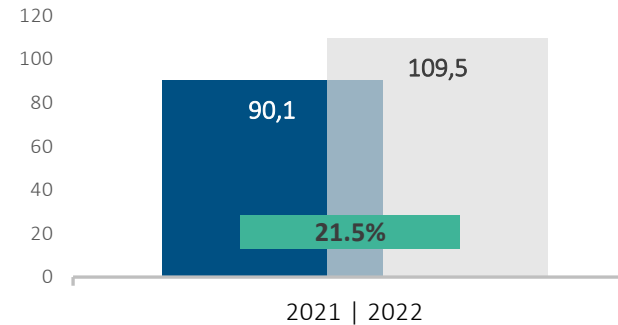


Healthy start into new area with positive momentum in CO

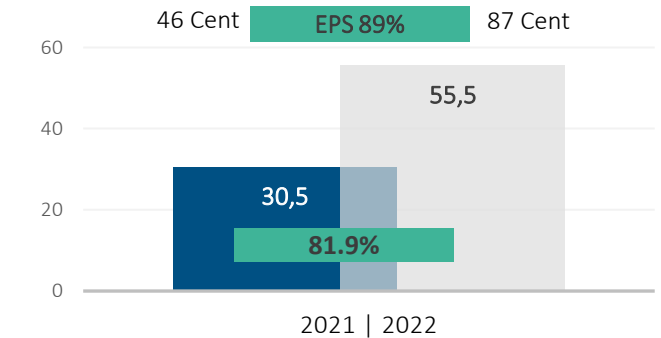
Revenue  
(in EUR m)



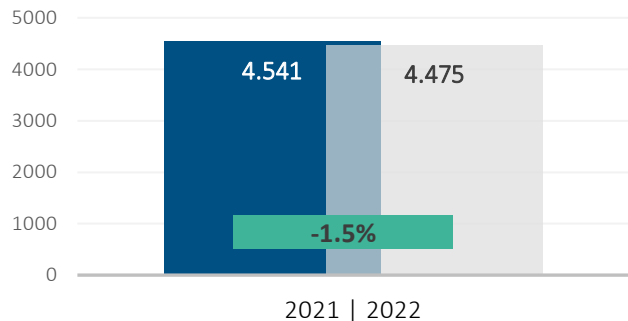
EBITDA  
(in EUR m)



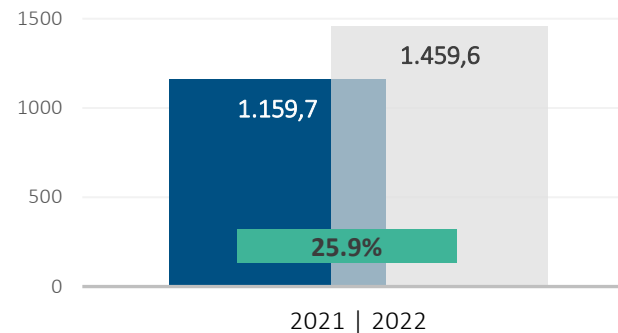
Operating Net Income after NCI  
(in EUR m)



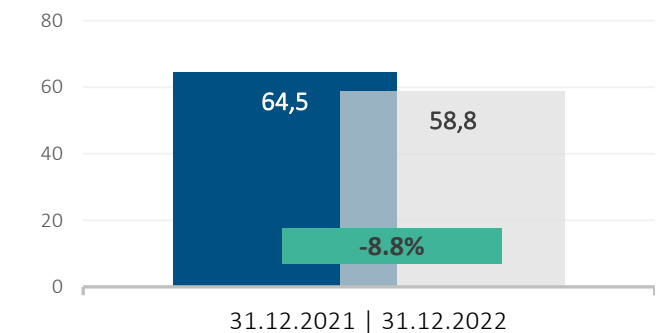
Employees  
(In FTEs)



Order Entry – Book-to-bill: 1.28x  
(in EUR m)



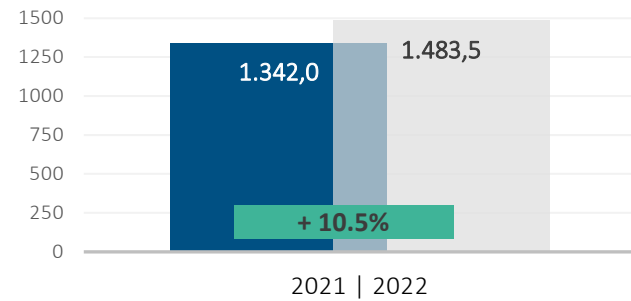
Operating Cash Flow  
(in EUR m)



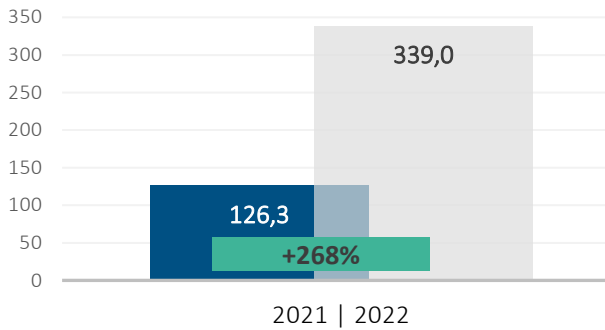
# KPI's FY2022: Reported

Includes extraordinary effects for “Focus” & “New Kontron”

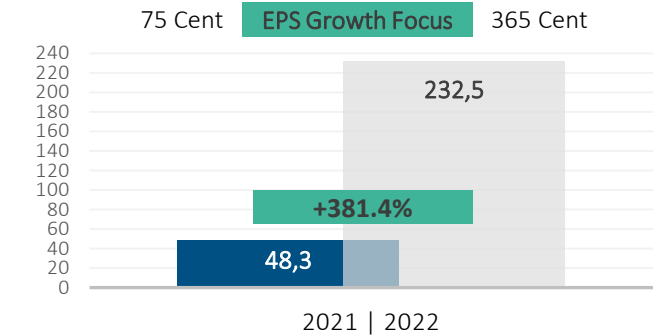
**Revenue**  
(in EUR m)



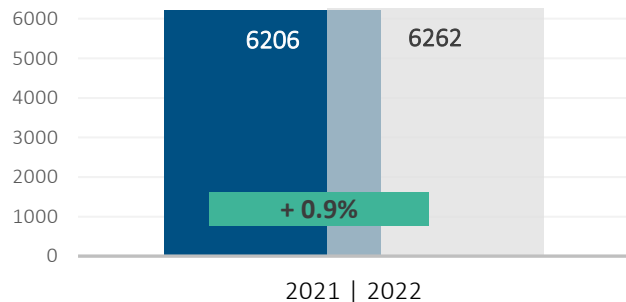
**EBITDA**  
(in EUR m)



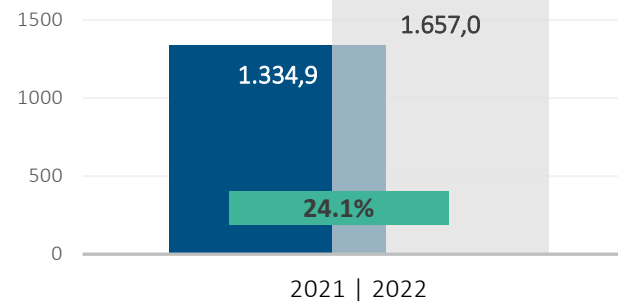
**Net Income after NCI**  
(in EUR m)



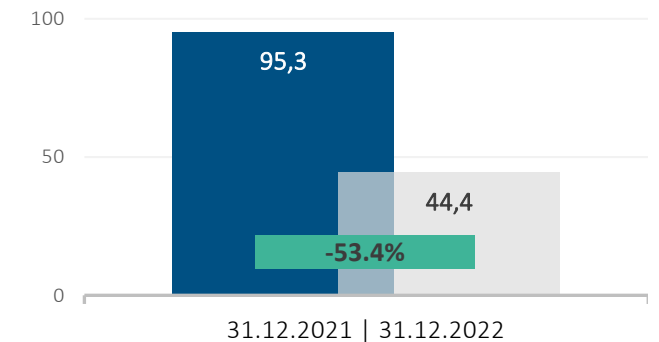
**Employees**  
(In FTEs)



**Order Entry – Book-to-bill: 1.21x**  
(in EUR m)



**Operating Cash flow incl. Negative impact DCO**  
(in EUR m)



# Kontron Group Balance Sheet

Equity and liquidity very strong

Mio. EUR	31.12.2022	31.12.2021
<b>NON-CURRENT ASSETS</b>	<b>415,1</b>	<b>519,0</b>
Fixed Assets	379,0	478,8
as of Property, plant and equipment	95,6	132,5
as of Goodwill	189,4	208,3
Other Assets	36,1	40,2
<b>CURRENT ASSETS</b>	<b>1029,8</b>	<b>833,2</b>
Inventories	192,6	187,3
Trade receivables	148,1	214,1
Contract Assets from Customers	54,2	51,3
Cash and cash equivalents	437,8	296,5
Other receivables and prepayments	190,8	83,9
assets classified as held for sales	6,3	0,0
<b>Total Assets</b>	<b>1445,0</b>	<b>1352,2</b>

	31.12.2022	31.12.2021
<b>CAPITAL AND RESERVES</b>	<b>635,7</b>	<b>423,3</b>
Equity	442,8	423,3
as of Treasury shares	0,0	-46,8
<b>NON-CURRENT LIABILITIES</b>	<b>268,7</b>	<b>348,2</b>
Long-term loans and borrowings	193,8	238,4
Other Non-Current Liabilities	74,9	109,8
<b>CURRENT LIABILITIES</b>	<b>587,7</b>	<b>580,7</b>
Trade payables	226,3	270,0
Contract Liabilities from Customers	71,0	85,0
Short-term loans and borrowings	125,7	72,3
Other Current Liabilities	159,9	153,4
liabilities classified as held for sale	4,8	
<b>Total Liabilities &amp; Equity</b>	<b>1445,0</b>	<b>1352,1</b>

<b>Equity Ratio</b>	<b>44,0%</b>	<b>31,3%</b>
<b>Total Net Cash/(Net Debt)*</b>	<b>118,3</b>	<b>(14)</b>
<b>Working Capital excluding IFRS 15**</b>	<b>114,4</b>	<b>149,9</b>

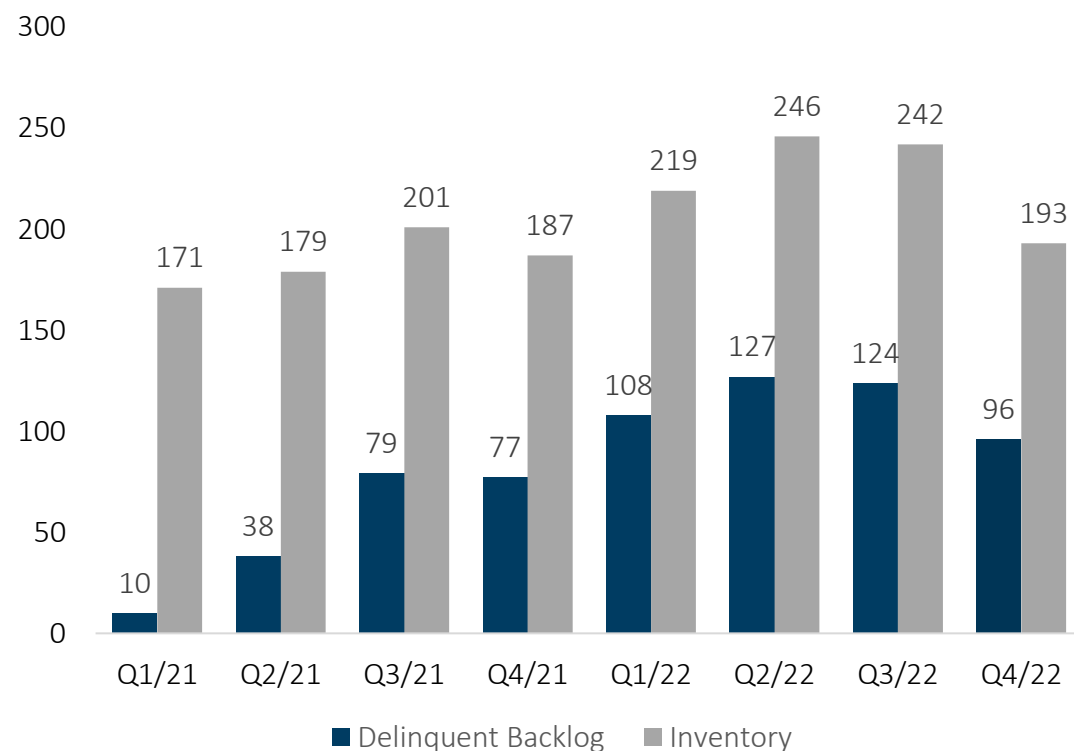
- Very strong cash position: EUR 438m cash and EUR 138m purchasing price Vinci yet to be paid (~EUR 80m in Q1/2023)
- Continued Operations inventory reduced in Q4/2022 by ~EUR 50m → Strong operating Cash Flow of EUR 109.3m in Q4/2022

# Additional Disclosures

FY 2022

## Delinquent Backlog and Inventory Development

(In EUR m)







In TEUR	Op. Cash Flow Adjustments
44,443	<b>Stated Operative Cash flow</b>
-4,903	Increase in A/R factored in 2022
39,540	<b>Adjusted Op. Cash Flow</b>

Organic Growth	FY21	FY22
In TEUR		
Stated revenues	1,002,935	1,096,095
Divestment (RUS/UA/BY/MD)		44,803
<b>Organic Growth</b>		<b>13.8%</b>

Geographical Split FY FY22	Revenue	EBITDA
(In %)		
Europe	77.1%	95.4%
North America	11.8%	4.4%
Asia	6.7%	8.1%
RUS/UA/BY/MD	4.5%	-7.9%

# The New Kontron

## Before and after IT divestment

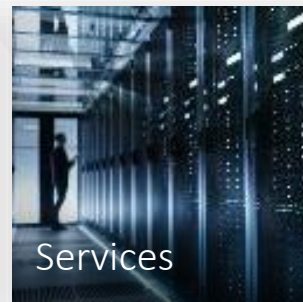
	<b>s&amp;t</b>	<b>kontron</b>	
	<b>S&amp;T AG 2021</b>	<b>New Kontron 2023</b>	<b>Comment</b>
Revenues (EUR m)	1,342	~1,200	Reflects divestment of EUR 387m in IT service and EUR 40m in Russia
Order backlog	1,334 (1160 CO)	1,460 (Dec-22)	IT divestment already replaced by new IoT orders
Design win pipeline	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		



# The New Kontron

7 divisions in 3 segments

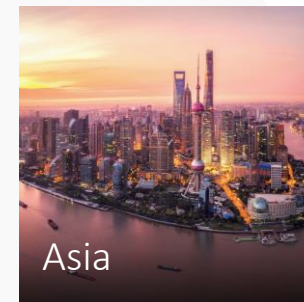
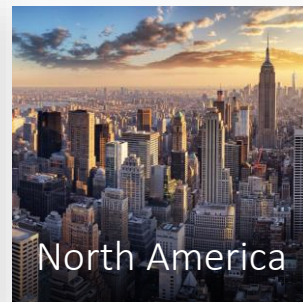
## Europe



Revenue\* FC 23  
€ 810m

**Targets**  
EBITDA\*\* 11%  
GM 40%  
Growth p.a.: 12%

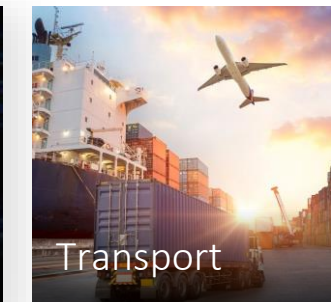
## Global



Revenue\* FC 23  
€ 260m

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

## Software + Solutions



Revenue\* FC 23  
€ 230m

**Targets**  
EBITDA\*\* 15%  
GM 60%  
Growth p.a.: 12%

# 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

- › EUR 700m liquidity → go for major acquisitions
- › Pipeline of 4 gamechangers > EUR 1,100m rev. and several others
- › First transaction in H1/2023 likely

### M&A targets

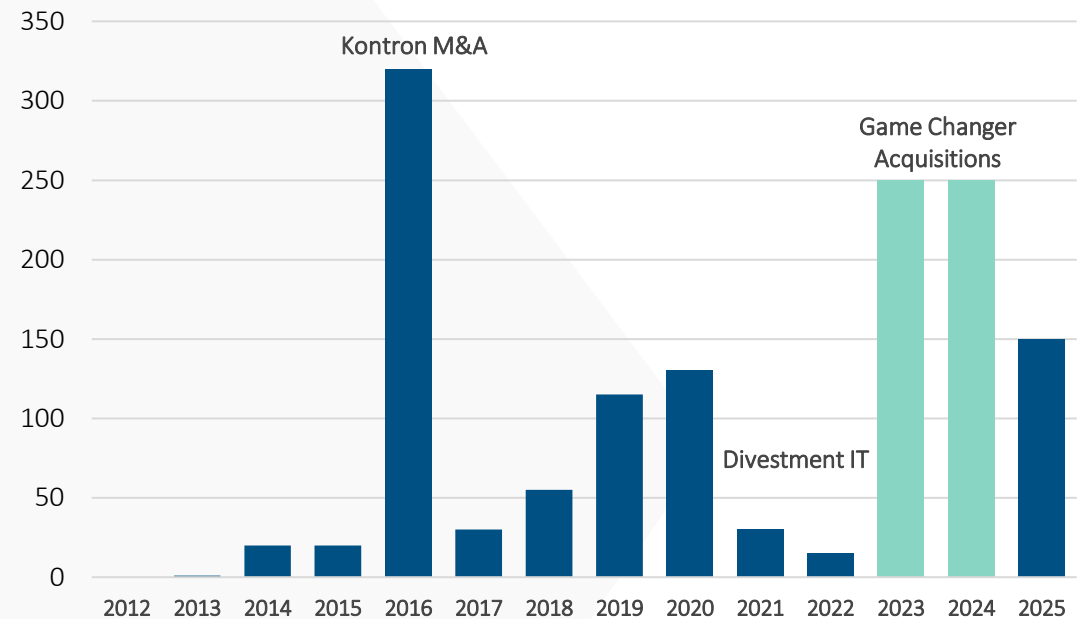
- › SW/solutions segment and go global (USA, China)

### Divestments 2022

- › Russia, Belarus, Ukraine, IT Services/Focus

## M&A Volume

(in EUR m)



➤ First transaction H1/2023, Kontron intends to acquire min. EUR 250m in 2023 and another EUR 250m in 2024 (chance > 50%)

# 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

# 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%	

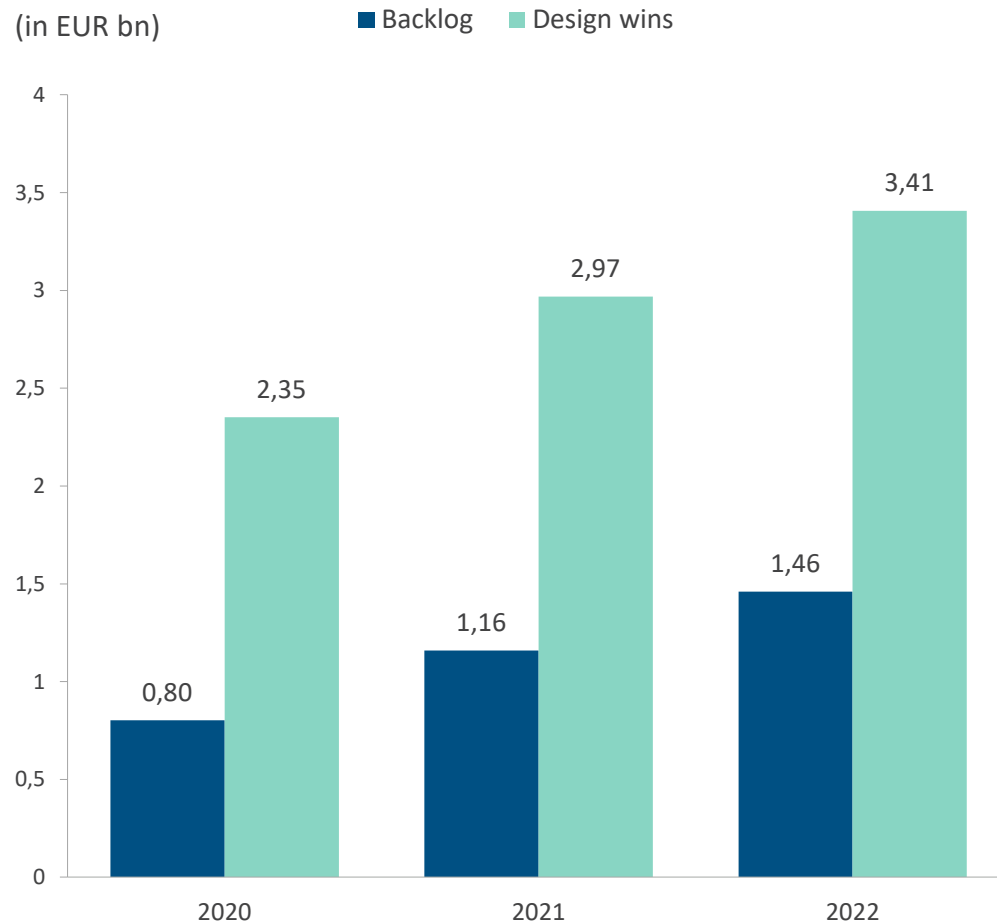
\* Also not Industrial IoT revenues

## 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

# The New Kontron

## Backlog and Design wins Continued Operations



### Top 10 Customers 2022

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

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

# The New Kontron

## Cash Usage

### Status liquidity Dec. 2022

- › EUR 437.8m cash on hand
- › EUR 138m ST receivables from Vinci (80m in Q1)
- › EUR 120m available lines
- › EUR 125.7m ST debt

Liquidity amounts to EUR 700m

### Cash usage for acquisitions and operations

- › Reduce factoring ST/debt by min. EUR 50m
- › Saves EUR 2m interest p.a.
- › Spend min. EUR 300m in acquisitions

### Cash generation

Operat. CF	2022	2022	2021	2021
EUR m	Total	Cont. Op.	Total	Cont. Op.
Total	44.4	58.8	95.3	64.5

We expect operat. CF of min. EUR 70m in 2023

### 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 est. min. EUR 35m

# 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

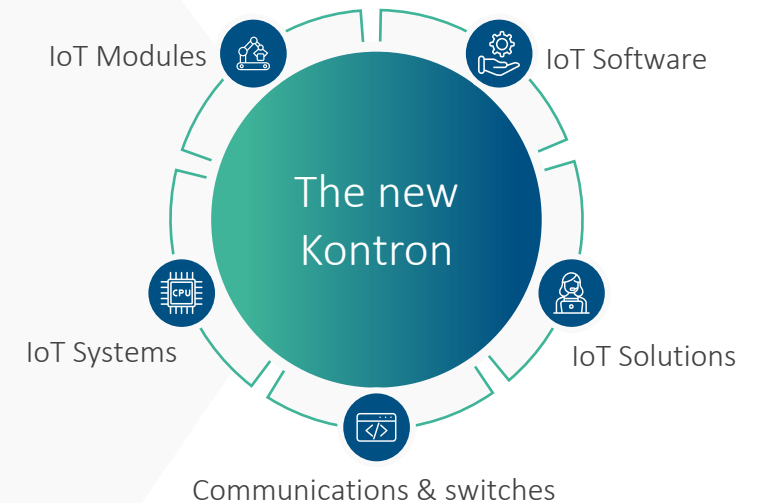
## Products and Technologies

### 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 trains and airplanes
- › Intelligent traffic control
- › Smart energy
  
- › Set and participate in standards
  - › ETCS, IATA, ITAR, Med, PICMG

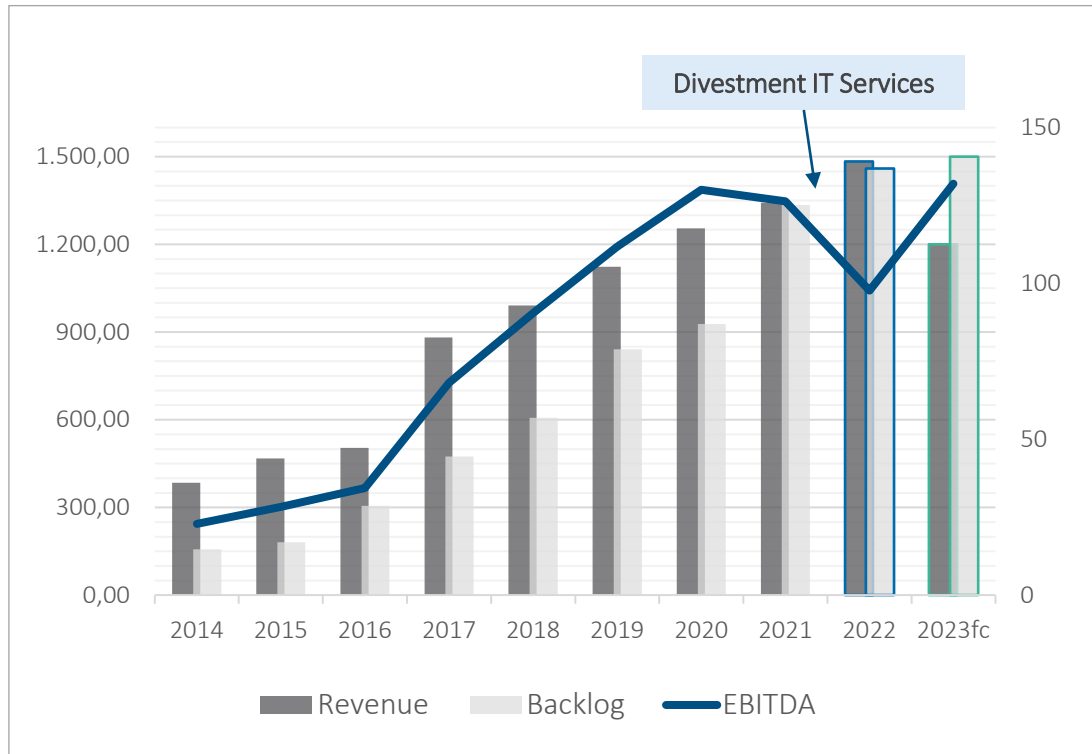




# The New Kontron



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



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

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



## Achievements 2022

- › Divestment of IT Services = Focus on IIoT solutions
- › Strong order intake EUR 1,396m (book-bill 1.28)
- › EUR 109m of operat. CF in Q4
- › EUR 55m of net income vs. EUR 48m (2021- incl. sold biz)



## Targets

- › Guidance 2023:
  - › Revenue ~EUR 1,200m
  - › Increased guidance net income EUR 66m
- › EUR 2,000m IIoT revenues at > 13% EBITDA in 2025
- › Reduce overdue shipments of EUR 96m in 2023
- › Dividend of EUR 1/share to be paid out in 2023



## Risks



- › Chip shortage (improvement on the way)
- › War in Ukraine (measures taken)
- › Address right technology trends



## Opportunities

- › Sufficient cash for “game changer” acquisitions
- › Technology leader to grow in America + China
- › One of only a handful of European Technology players
- › 5G connectivity for machines

## Achievements 2021

- › 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

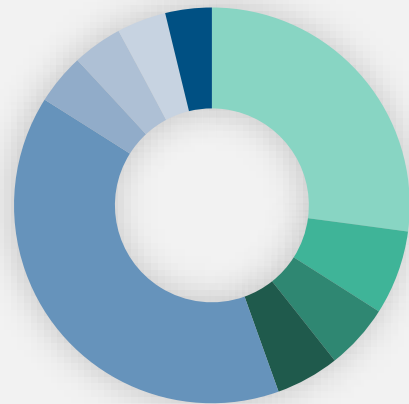
- › Carbon Disclosure Project experience ✓
- › EU Taxonomy requirements expected to be extended
- › Implementation of scope I and II to be achieved until 2023
- › Kontron's Green Products – communicating our products better



# Appendix

## The Kontron Share - SDAX® member

### Shareholder Structure



- Ennoconn 27.64%
- Kontron Management - 7.02%
- Amiral Gestion - 5.44%
- Naneva B.V (PPF Holdings B.V.) - 5.29%
- Freefloat 54,6% includes as follows**
- 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 31.00
Hauck & Aufhäuser	Buy: EUR 29.50
Jefferies	Buy: EUR 24.00
Kepler	Buy: EUR 24.00
Pareto Securities	Buy: EUR 28.00
Stifel	Buy: EUR 25.50
Warburg Research	Buy: EUR 24.00

**Median Target Share Price** EUR 25.50

2 additional analysts will take on coverage of Kontron

# 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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