

**PARAGON®**



**paragon GmbH & Co. KGaA**  
**Investor/Analyst Presentation**

Equity Forum | May 13, 2019

# Agenda

— Highlights

— Business Overview

— Financials

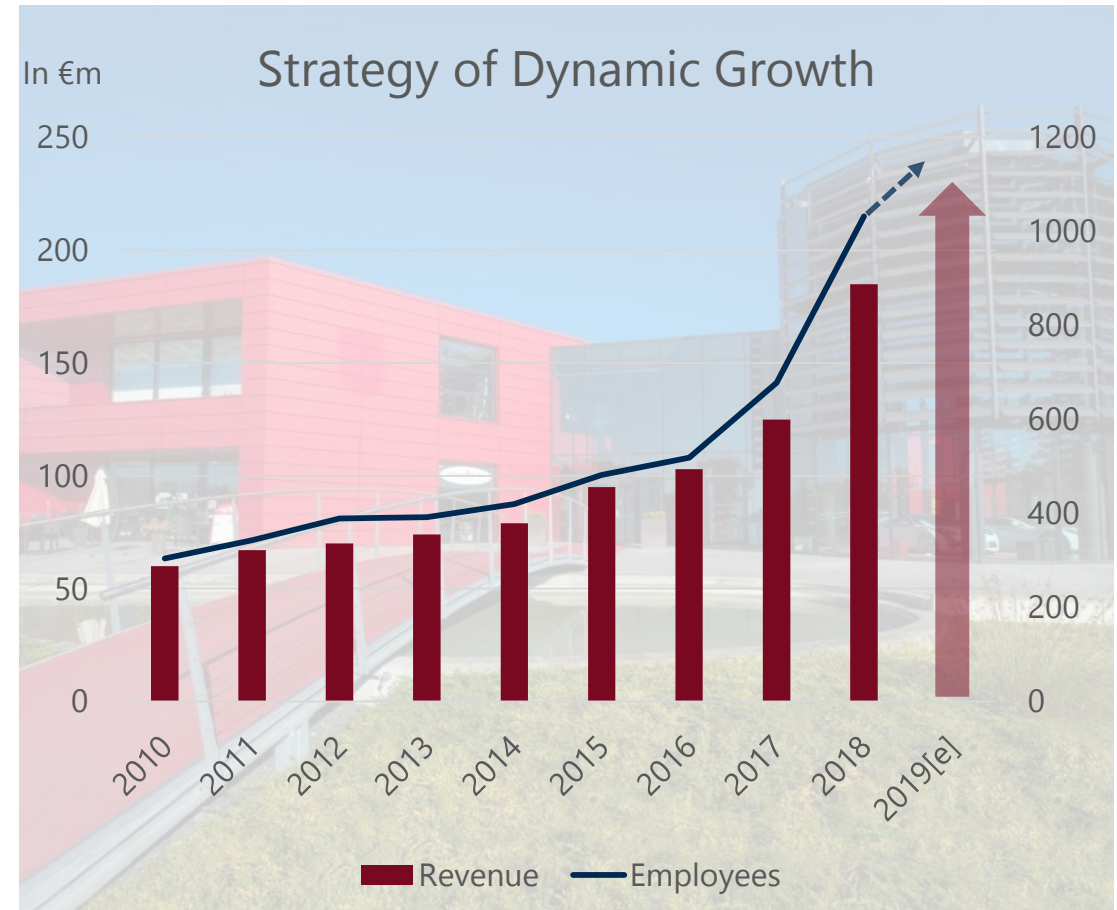
— Appendix

Highlights

**paragon – Tier1 to the Automotive Industry**



- Established in Delbrück by Klaus Dieter Frers
- Nov. 29: IPO at Frankfurt Stock Exchange (market cap: € 26.4m)
- Oct. 13: IPO of Voltabox AG (Electromobility); (market cap: € 506.4m) / 60 % shareholder paragon
- 12 locations (Germany, USA, China)
- > 1,100 employees
- Market leader with > 300 different electronic and electromechanical products + systems
- Serving more than 30 customers, thereof more than 25 automotive OEMs incl. blue chips like Audi, Porsche, Daimler, VW and BMW and 5 e-mobility customers
- Fast growing / Highly profitable / Highly visible



Highlights

**Current Forecast**

paragon GmbH & Co. KGaA

Group revenue
EBIT margin
Investments
<i>thereof: IAS 38</i>

**Results**  
FY 2018

Group revenue	€ 187.4m
EBIT margin	7.9%
Investments	€ 48.8m
<i>thereof: IAS 38</i>	€ 15.1m

**Forecast**  
FY 2019

Group revenue	€ 230 – 240m
EBIT margin	8%
Investments	€ 40.0m
<i>thereof: IAS 38</i>	€ 18m

Voltabox AG

60 % equity interest

Group revenue
EBIT margin
Investments
<i>thereof: IAS 38</i>

**Results**  
FY 2018

Group revenue	€ 66.9m
EBIT margin	2.1%
Investments	€ 13.6m
<i>thereof: IAS 38</i>	€ 2.9m

**Forecast**  
FY 2019

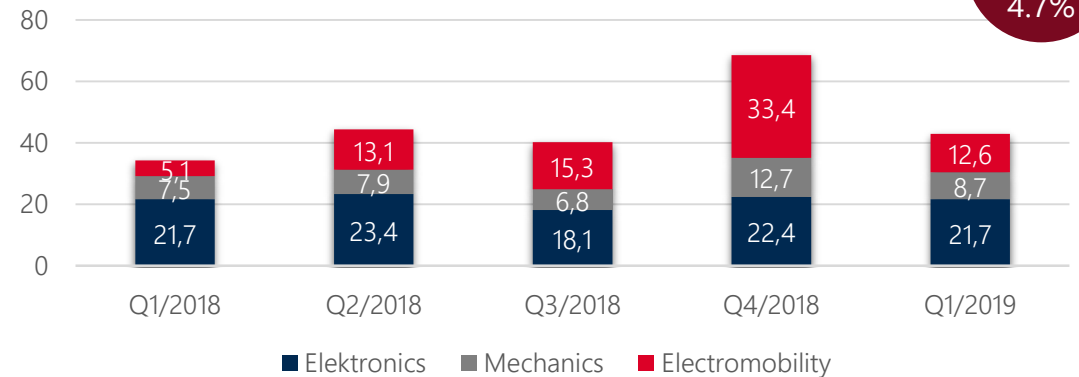
Group revenue	€ 105 – 115m
EBIT margin	8 – 9%
Investments	€ 14m
<i>thereof: IAS 38</i>	€ 8m

## Financial highlights from Q1 2019

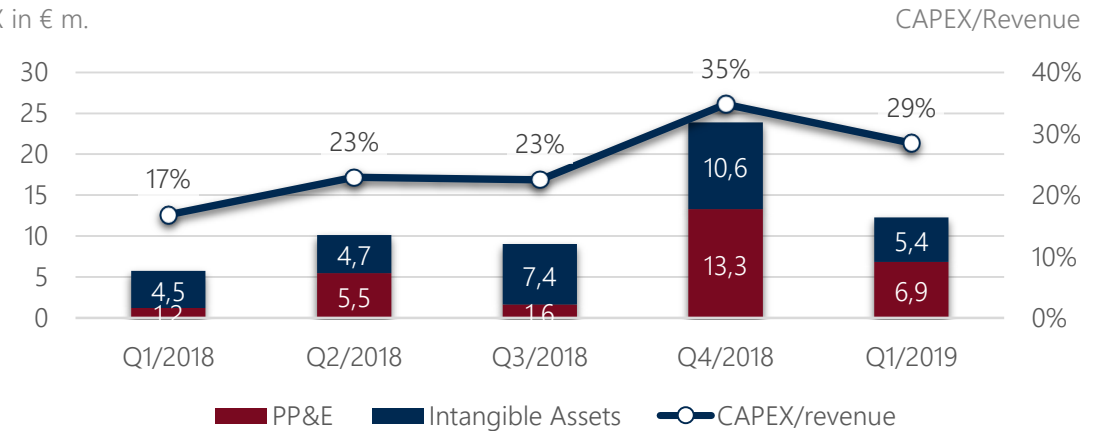
- Sustainable revenue growth +25.4% to € 43.0m
- Electromobility + 148.8%
- Body Kinematics + 15.6%
- Product/Customer Mix provides growth despite declining global car sales in Q1
- No significant influence from current headwinds in automotive sector (Diesel issue, WLTP, Tariff war China <> USA, ...)
- Group EBIT up 26.3%; EBIT margin stable at 4.7%
- CAPEX\* € 12.3m / free liquidity\* € 24.4m
- Forecast confirmed for FY 2019: Revenue from € 230-240m; EBIT margin at 8%)

EBIT margin: 4.7%

Revenue in € m.



CAPEX in € m.



\* Excl. proceeds of CHF 35m bond issue in April.

## **German Financial Reporting Enforcement Panel audit (FREP)**

- \_ FREP complained 9 findings in 2017 financial statements of Voltabox AG
- \_ Forced corrections mainly related to accounting of IPO-related costs according to IFRS, foreign currency translation, and deferred taxes
- \_ Non-recurring items – on the balance sheet only
- \_ No change in HGB statement
- \_ No influence on cash flow and/or taxes
- \_ No consequences on future financial statements
- \_ Adjustments already considered and explained in 2018 financial statements of Voltabox AG and paragon GmbH & Co. KGaA

## **German Financial Reporting Enforcement Panel audit (FREP)**

- \_ We have been obligated to publish the FREP findings without any comments
  - \_ Voltabox and paragon have waived to appeal against FREP
- Concentration on current great chances in the market of automotive and electromobility

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## The paragon Principle – Growth Strategy

### *Mission Statement*

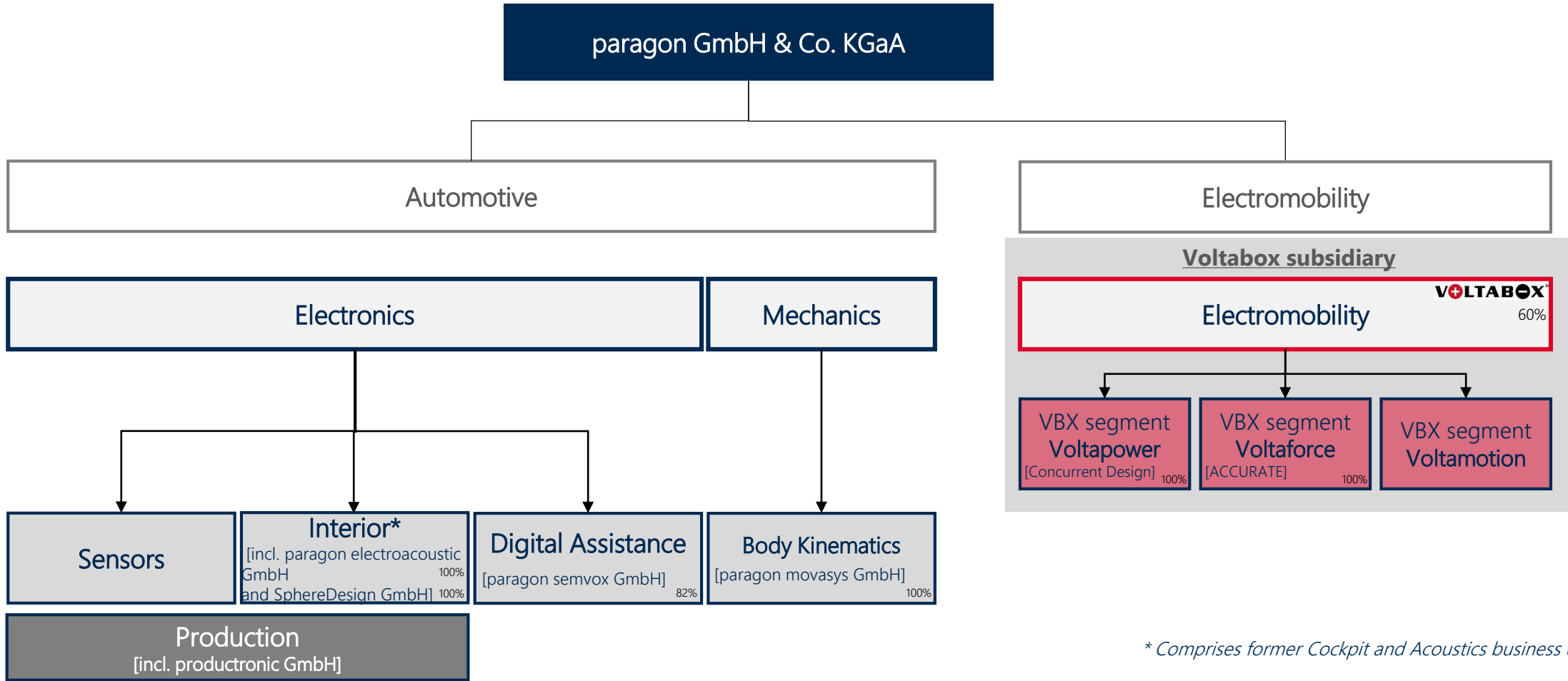
Early occupation of  
**high-margin** and  
**fast growing**  
**premium market** segments  
with  
**enabling technology**  
for existing **megatrends!**

- Active product development
- Interdisciplinary team of experts (electronics, mechanics, chemistry, production technology)
- Excellence in mass production (high degree of automation)
- Unique product portfolio and market position

Business Overview

# Current Group Structure

Markets  
Segments  
Business Units

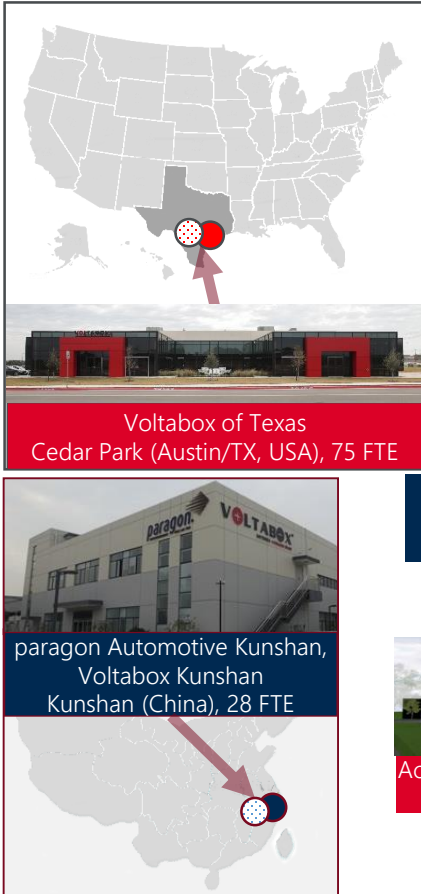


\* Comprises former Cockpit and Acoustics business units.

Business Overview

**Group locations**

- 1,147 Group employees\* (as of Mar. 31, 2019)
- Thereof 282 FTE in R&D (25% of total staff)



Voltabox of Texas  
Cedar Park (Austin/TX, USA), 75 FTE

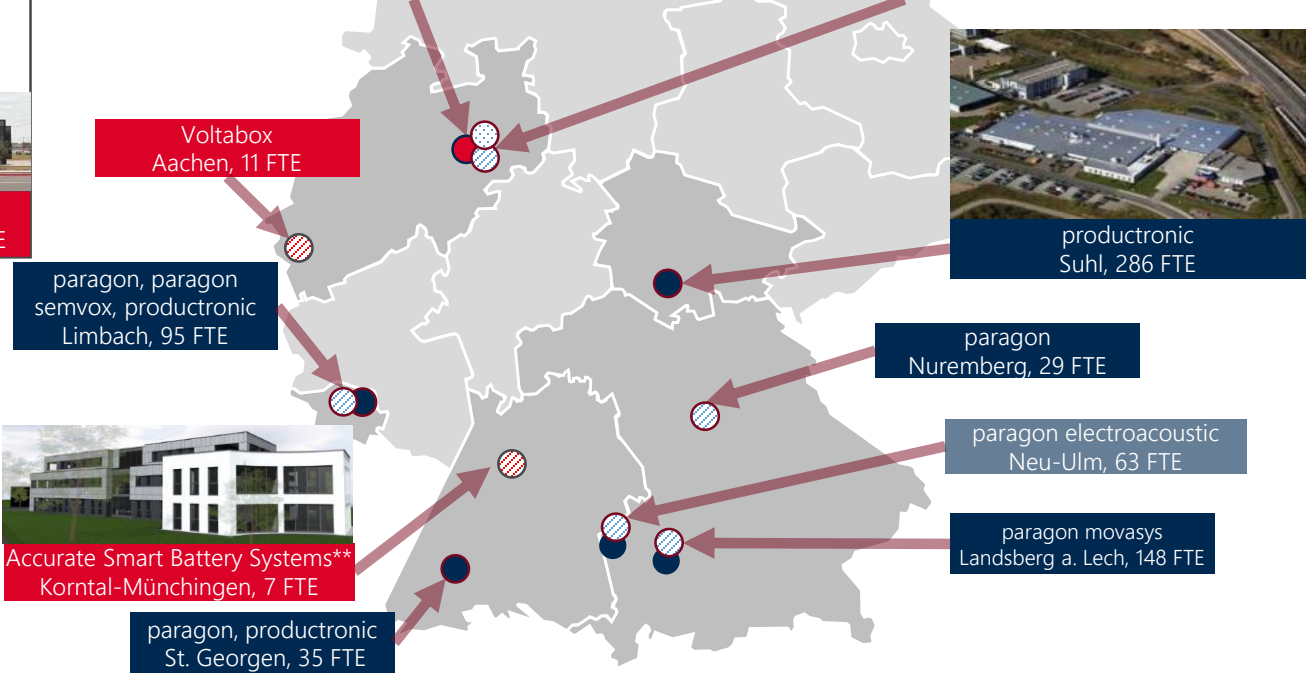


paragon Automotive Kunshan,  
Voltabox Kunshan  
Kunshan (China), 28 FTE



paragon, paragon movasys  
Delbrück, 192 FTE

Voltabox  
Delbrück, 178 FTE



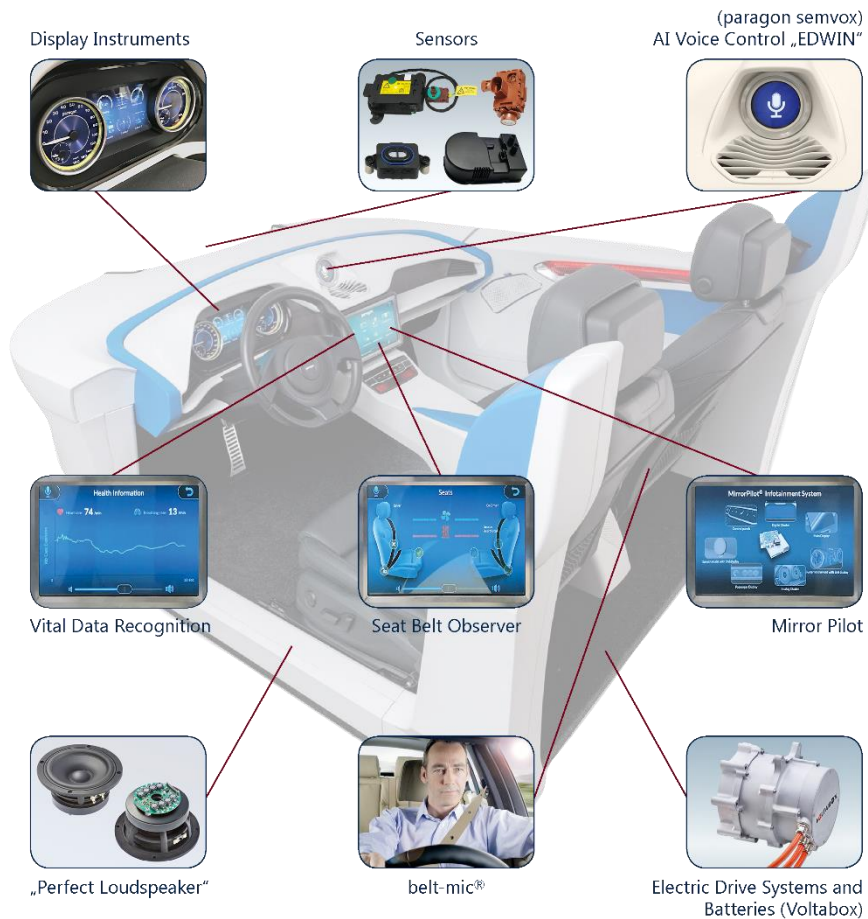
- Administration and sales
- Production
- R&D

\* Incl. 90 temporary workers.  
\*\* In the process of merger with Voltabox AG.

# Current portfolio positioning

Segments	Electronics			Mechanics	E-Mobility
Business Units	Sensors	Interior	Digital Assistance	Body Kinematics	<b>V+LTABOX</b>
Key products	AQS®, AQI®, DUSTDETECT	Analog luxury instruments, MirrorPilot®, Speech control & hands-free microphones, belt-mic®, ICC, (3D+ In-car-audio)	semvox.AI technology (ODP S3)	Active mobile aerodynamic systems	High performance battery systems, battery modules, starter batteries
Key customers	Audi, BMW, VW	Porsche, Daimler, Audi, VW	Porsche, Audi	Daimler, Audi, Porsche, Rolls Royce	Triathlon Batterien, Kiepe Electric, Komatsu Mining, BMW Motorcycles
Growth potential					
Competitive strength					
Market entry barriers	Patents & mass production	Quality, OEM relations, Know-how, mass production	Know-how	Quality & OEM relations	Modularity & specialization
Main markets	Automotive				Public transportation Industrial

## Most Recent Innovations...



### Extract from R&D activities

#### Sensors Business Unit: (paragon)

- DUSTPROTECT
- DUSTDETECT
- Vital Data Recognition / Seat Belt Observer

#### Interior Business Unit: (paragon)

- Outside Sound (AVAS)
- Perfect loudspeaker
- Active Noise Cancellation – „ANC“

#### Body Kinematics Business Unit: (paragon)

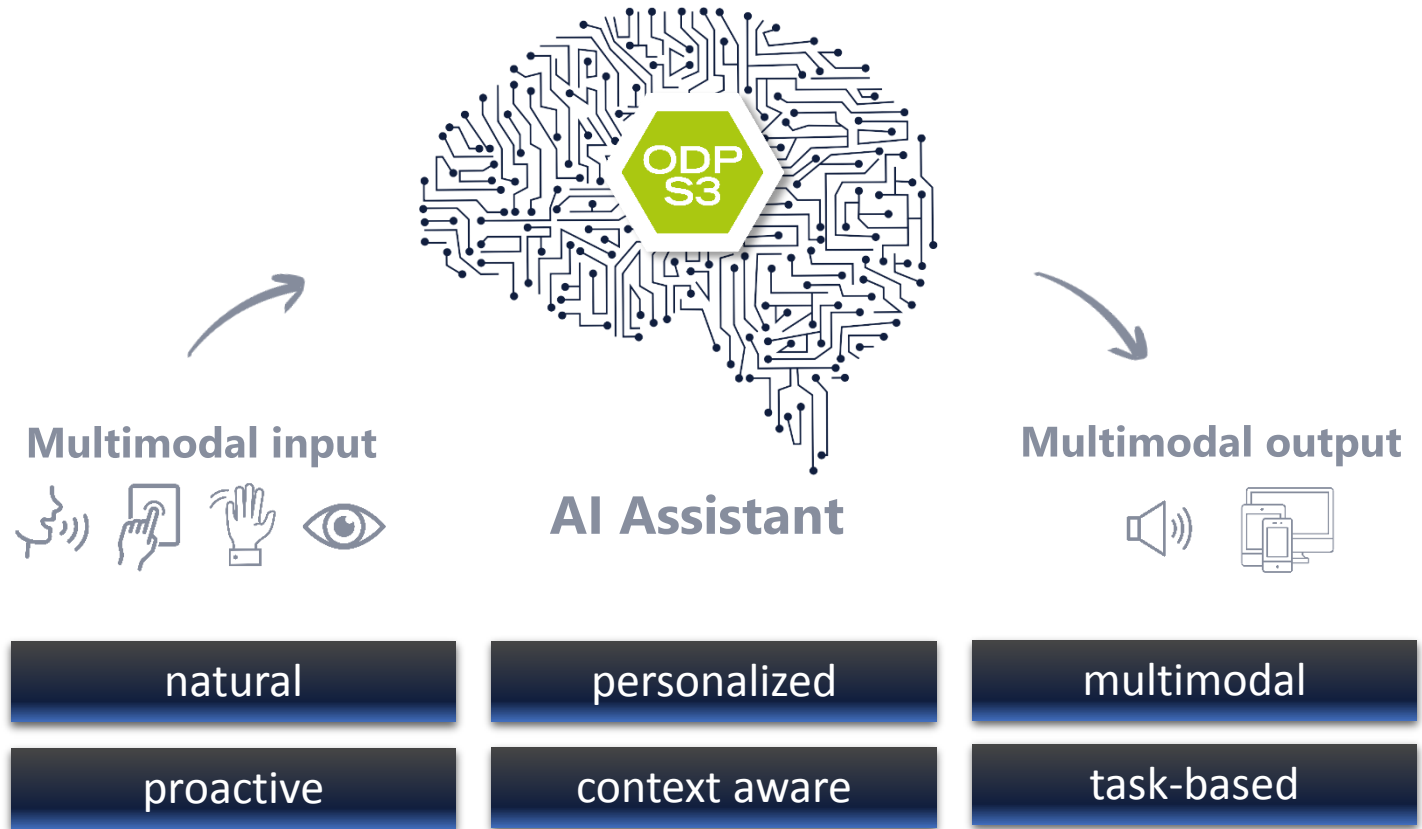
- Compact Modular Spoiler Drive with Double Worm Gear Unit

#### Electromobility Business Unit: (Voltabox)

- Modular standard containers for use in buses & trucks (incl. LTO)
- New generation of battery system for forklifts
- New modular kit for mass applications
- Software-as-a-service (recurring revenues)

# ODP S3 - The Leading Software Platform for AI Assistants

- ODP S3 has been selected as the core technology for voice-enabling the infotainment units of VW group
- More than 15 million cars to be equipped with paragon semvox technology within the next 5 years
- geni:OS, the new generation of ODP S3, will be launched in Q2/2019
- New product family EDWIN provides the first combined hardware and software solution for in-car AI assistants



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## Key Data First Quarter 2019 (I)

Material input ratio

**58.1%**

(Q1/2018: 57.8%)

- > Higher revenue share of Voltabox and paragon movasys

Personnel expense ratio

**31.8%**

(Q1/2018: 29.6%)

- > Increase of personnel in the course of FY2018

EBITDA margin

**17.6%**

(Q1/2018: 14.0%)

- > Disproportionately low OPEX growth

EBIT margin

**4.7%**

(Q1/2018: 4.7%)

- > Increase of depreciation

Further profitable growth expected  
in FY 2019!



## Key Data First Quarter 2019 (II)

### Equity Ratio

49.8%

(Dec. 31, 2018: 49.1%)

Slight increase due to increased profit carried forward

### Operating Cashflow

Stable at € -8.5m

(Q1/2018: € -8.1m)

Increase in inventories for production ramp up

### Free liquidity\*

€ 24.4m

(Dec. 31, 2018: € 48.9m)

Increased business activities

*\* Defined as cash and cash equivalents + unused credit lines.  
Excl. proceeds of CHF 35m bond issue in April.*

## Key Data First Quarter 2019 (III)

- \_ Increase in depreciation/amortization of noncurrent fixed assets as planned
- \_ Decrease of trade receivables (while strong increase in previous year due to Voltabox)
- \_ Inventory build-up to enable rapid delivery to the intralogistics market in the electromobility segment
- \_ Decrease of trade payables (while increase in previous year)
- \_ One-time increase in cash flow from investing activities in Q1/2018 through M&A by Voltabox (Concurrent Design € 2.6m)



\* Operating cash flow – CAPEX.

# Keyfacts for Revenues 2019e








## paragon Automotive

Automotive Industry Megatrends	paragon Solutions	Sales Trend
Digitalization	Digital Assistance	↑ ↑
Urbanization / CO2-Reduction	Air Quality, External Sound, Body-Kinematics	↗
Comfort	Acoustics, Instrumentation, Connectivity	↗

# Keyfacts for Revenues 2019e

## paragon Electromobility

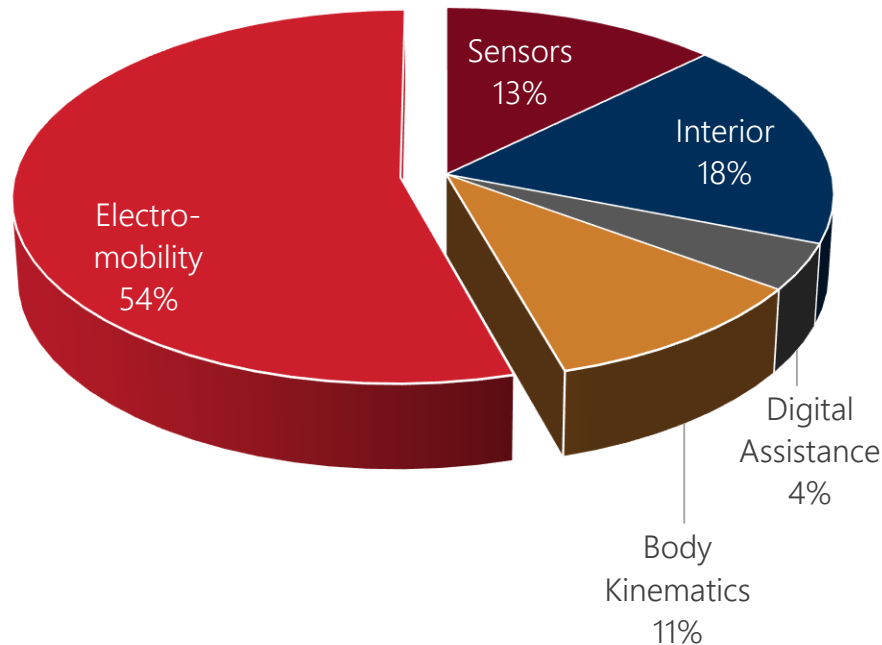
**V+LTABOX®** Megatrend Electrification: ↑↑

	Intralogistics	→		Agriculture / Construction	↑
-	Direct sales	↑↑		Mining	↗
-	Triathlon share	↓		Port / Rail	↑
	Bus industry	↗		Electric Vehicles	↑
	Mass markets (Starter batteries, Pedelecs, ...)	↑↑			

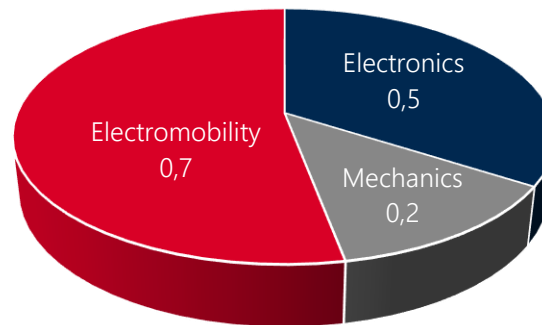
**Financials**

**60-months cumulative order backlog (weighted)\***

60-months cumulative order backlog (weighted)\* (€2.1bn) as of Dec. 31, 2018 by segments/units



60-months cumulative orders on hand\* as of Dec. 31, 2018 (in €bn)



– Approx. €2.1bn total 60-months cumulative order backlog (weighted)\* (Dec. 31, 2017: €2.0bn)

- Estimated order backlog is weighted according to the expected lifetime and the probability of occurrence
- Serves as base for planning
- Evaluation system in place since IPO in FY 2000

– Thereof approx. € 1.1bn attributable to Voltabox (Dec. 31, 2017: € 1.0bn)

\* Including framework agreements.

## Financial Calendar\* 2019

– Jan. 10/11,	ODDO BHF FORUM, Lyon
– Jan. 31,	Bankhaus Lampe German Corporate Conference, London
– Feb. 19/20,	ODDO BHF German Conference, Frankfurt am Main
– Apr. 1,	Annual report 2018
– Apr. 3-5,	Bankhaus Lampe German Conference, Baden-Baden
– Apr. 11,	Solventis Aktienforum, Frankfurt am Main
– May 13,	Interim release as of March 31 – First quarter
– May 13/14,	Equity Forum Spring Conference, Frankfurt am Main
– May 15,	Annual general meeting paragon GmbH & Co. KGaA, Delbrück
– May 16,	Annual general meeting Voltabox AG, Delbrück
– Aug. 22,	Interim report as of June 30 – Half year
– Sep. 2/3,	Equity Forum Fall Conference, Frankfurt am Main
– Nov. 14,	Interim release as of September 30 – 9 months
– Nov. 25-27	Eigenkapitalforum, Frankfurt am Main
– Dec. 10/11	Münchner Kapitalmarktkonferenz, Munich

*\* Expected dates for paragon GmbH & Co. KGaA and Voltabox AG.*

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## Appendix – Financials in Detail

# Key Earnings Data (IAS)

In € million / as indicated	FY 2018	FY 2017*	Change
Revenue	187.4	124.8	50.1%
EBITDA	30.3	14.8	104.5%
EBITDA margin (in %)	16.2	11.9	n/a
EBIT	14.8	5.4	173.9%
EBIT margin (in %)	7.9	4.3	n/a
Group result	3.4	-4.0	n/a
Earnings per share (€)	0.52	-0.30	n/a

\* As amended in the Consolidated Financial Statements 2018.



## Key Data Net Assets and Financial Position (IAS)

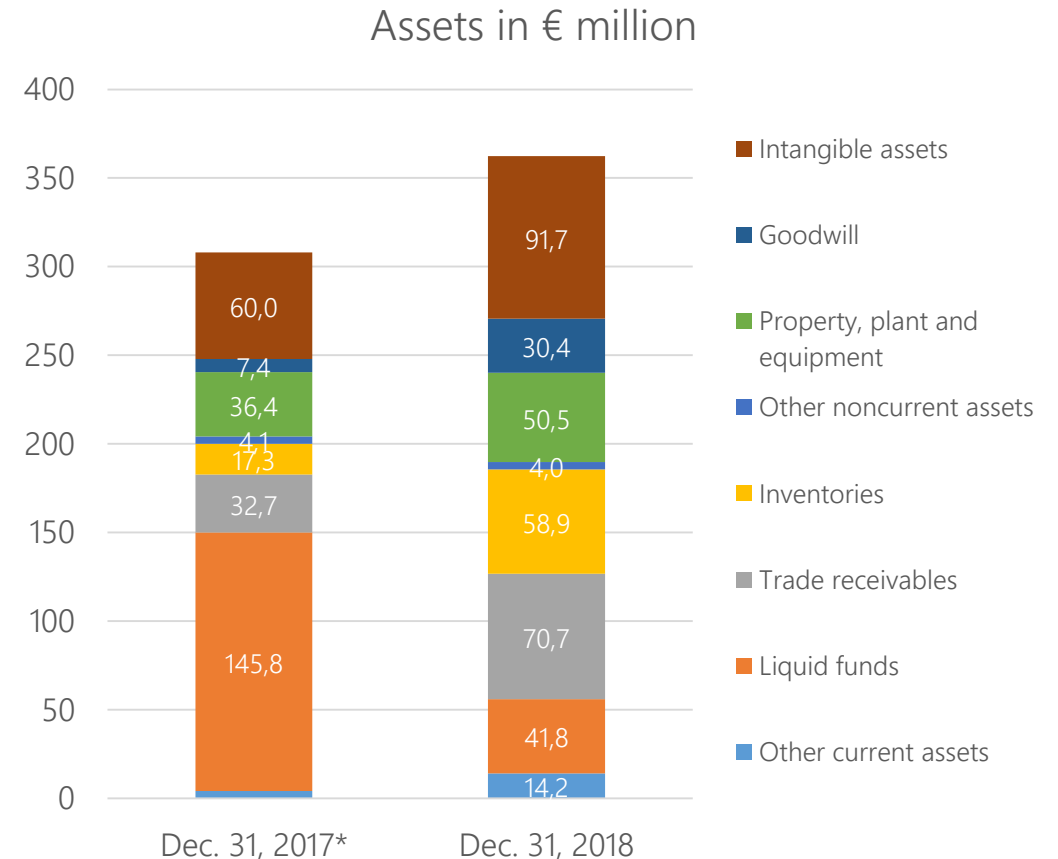
In € million / as indicated	FY 2018	FY 2017*	Change
Total assets	362.3	308.0	17.6%
Equity	177.8	176.0	1.0%
Equity ratio (in %)	49.1	57.1	n/a
Free liquidity	48.9	166.8	-70.7%
Interest bearing liabilities	110.6	86.3	28.1%
Net Debt**	61.7	-80.5	n/a
Operating cashflow	-53.5	-10.0	436.5%

\* As amended in the Consolidated Financial Statements 2018.

\*\* Defined as: interest bearing liabilities – free liquidity.

# Key Developments of Assets

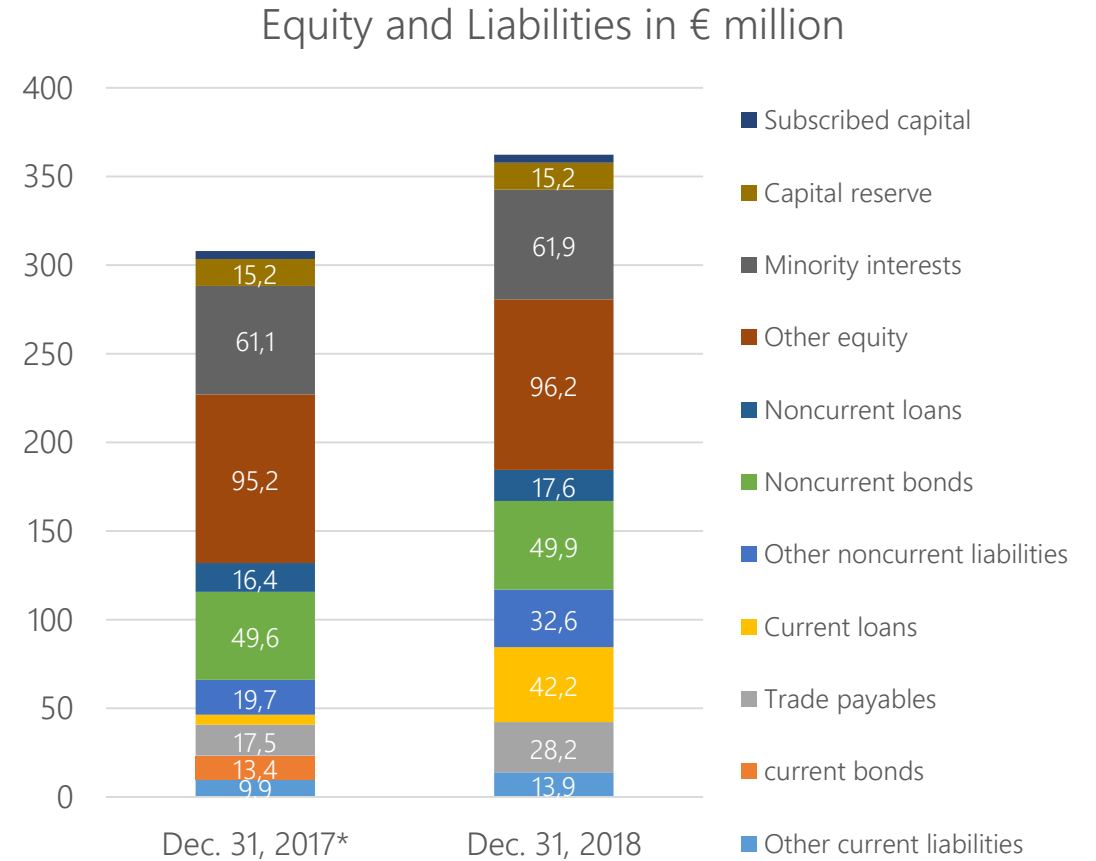
- **Increase of noncurrent assets by € 68.8m**
  - Intangible assets € +31.7m – capitalized development expenses and extended scope of consolidation
  - Goodwill € +23.0m – Acquisition of SemVox and LPG by paragon and of Concurrent Design and ACCURATE Smart Battery Systems by Voltabox
  - Property, plant and equipment € +14.1m – extended scope of consolidation
- **Decrease of current assets by € 14.5m**
  - Inventories € +41.6m – mainly Voltabox and extended scope of consolidation
  - Trade receivables € +38.0m – mainly sales financing support of Voltabox customer Triathlon
  - Other assets € +9.9m – mainly Voltabox effect
  - Liquid funds € -104.0m – mainly M&A and Voltabox extension of payment terms with largest customer in 2H2018



\* As amended in the Consolidated Financial Statements 2018.

# Key Developments of Equity and Liabilities

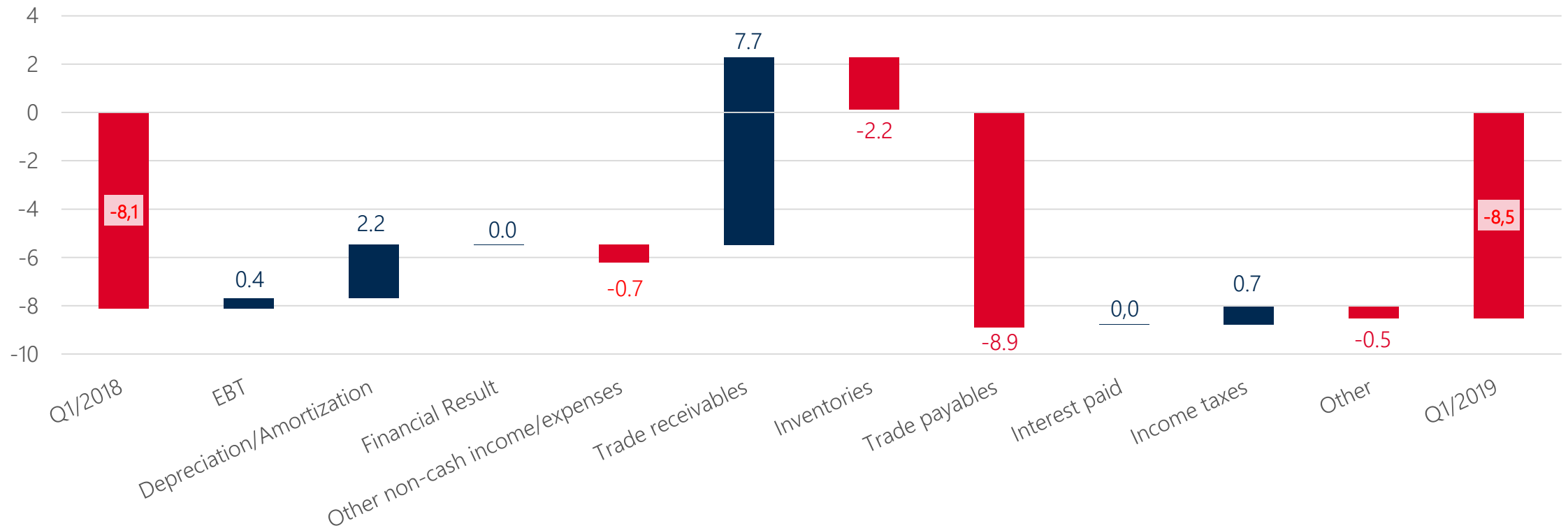
- Increase of noncurrent provisions and liabilities by € 14.5m
  - Increase of deferred taxes by € 9.8m
- Increase of current provisions and liabilities by € 38.0m
  - Increase of current loans by € 36.5m
  - Increase of trade payables by € 10.7m
  - Decrease of current bonds by € 13.4m
- Increase of equity by € 1.8m
  - Equity ratio at 49.1% (Dec. 31, 2017: 57.1%)\*  
(against the backdrop of increased balance sheet total)



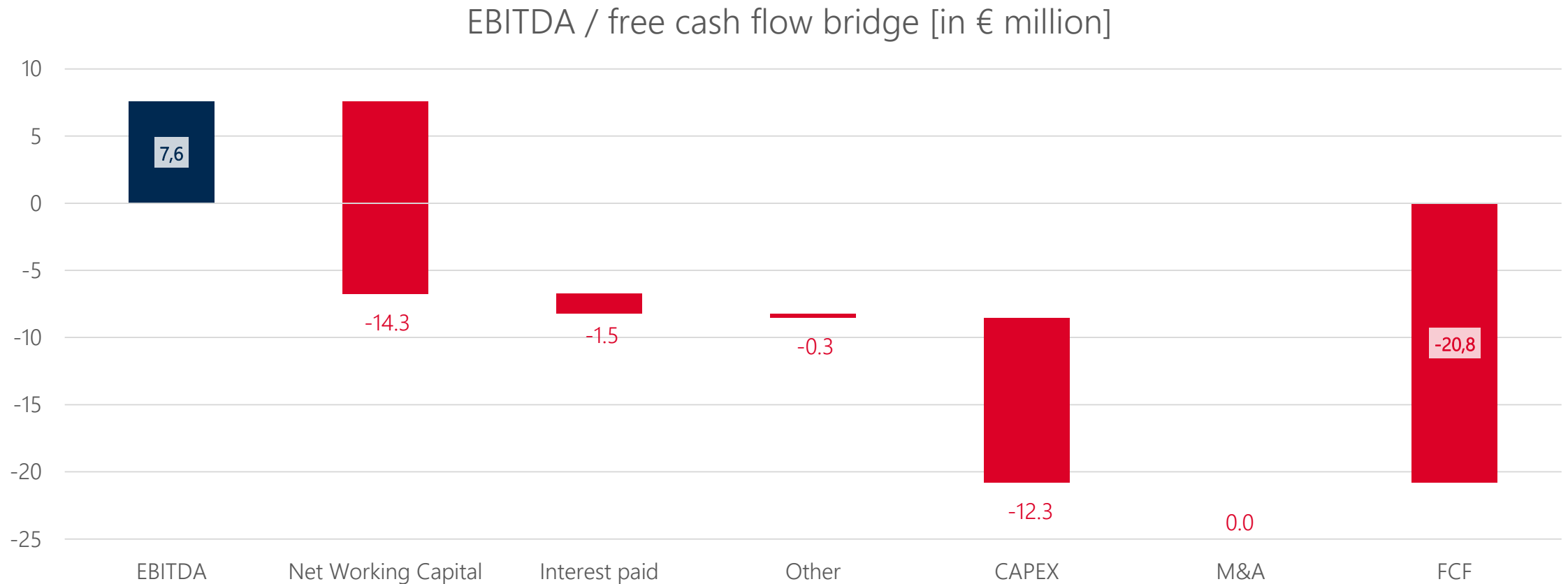
\* As amended in the Consolidated Financial Statements 2018.

# Development of operating cash flow (y-o-y)

Operating cash flow - bridge [in € million]

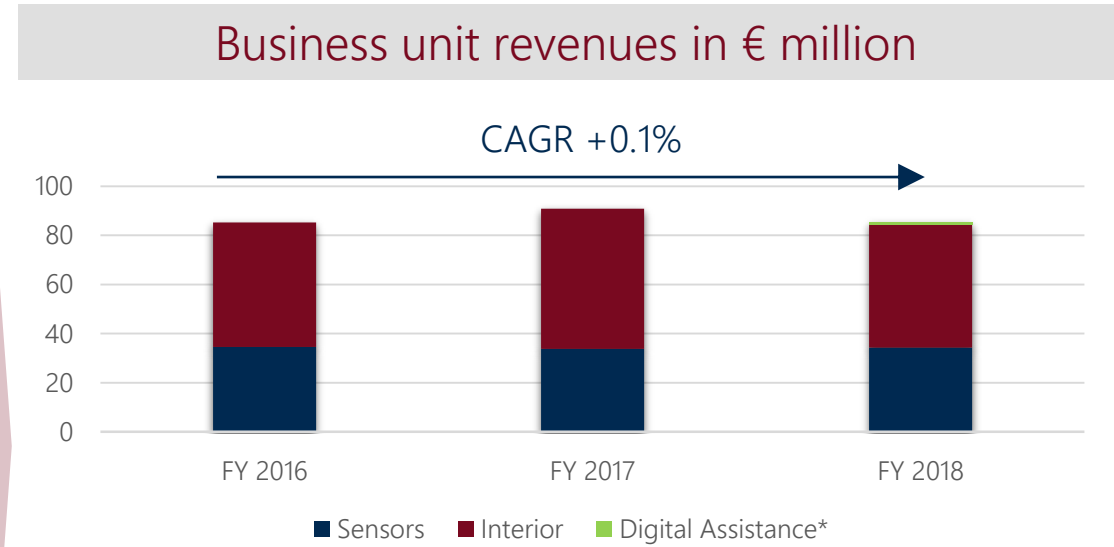


# Key cash flow developments in Q1/2019



# Electronics: high growth potentials

		Products ahead of market launch
Sensors	<p><b>Air quality</b></p> <ul style="list-style-type: none"> <li>- Air quality sensor AQS®</li> <li>- Air improvement system AQI®/IONAIR</li> <li>- A/C-purifier AQC©</li> <li>- CO<sub>2</sub> sensor</li> <li>- Particle sensor DUSTDETECT©</li> </ul>	<ul style="list-style-type: none"> <li>Particle filter DUSTPROTECT</li> <li>Contactless capturing of vital data</li> </ul>
Interior	<p><b>Connectivity</b></p> <ul style="list-style-type: none"> <li>- Display instrumentation</li> <li>- Camera and monitor systems</li> <li>- Charging trays / Cradles</li> <li>- Connectivity solutions / Media interfaces</li> <li>- Controls and stepper motors</li> </ul>	<ul style="list-style-type: none"> <li>Mirror Pilot</li> <li>Wireless charging 15W</li> </ul>
	<p><b>Acoustics</b></p> <ul style="list-style-type: none"> <li>- Hands-free microphones</li> <li>- Noise measurement microphones</li> <li>- belt-mic® seat belt microphone</li> <li>- Vehicle sound systems (incl. ANC)</li> <li>- Perfect speaker</li> </ul>	<ul style="list-style-type: none"> <li>3D+ sound system</li> <li>Active road noise cancelling</li> </ul>
Digital Assistance	<p><b>Speech assistants</b></p> <ul style="list-style-type: none"> <li>- Technologies and solutions for voice control (proactive assistants)</li> <li>- Hard- and software in the field of virtual assistance systems</li> </ul>	<ul style="list-style-type: none"> <li>High-end in-car voice control (AI software)</li> <li>Cloud-based smart assistance speaker</li> </ul>



\* Initial consolidation 4Q2018.

# Mechanics: world market leader in active aerodynamics

Body Kinematics



## Movable body components

- Active aerodynamics
- Actuators for rear spoilers



## Movable interior comfort

- Rear folding tables for Mercedes S-Class et al.

### Products ahead of market launch

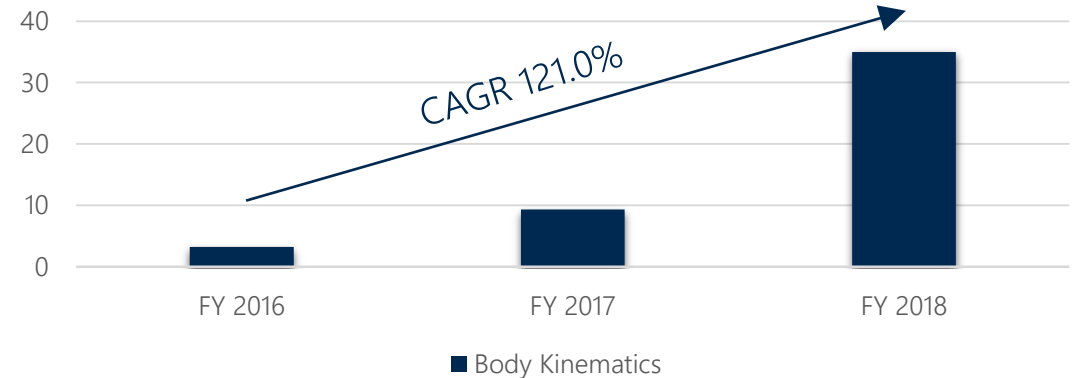
Plug and play spoiler systems

Organic winglet

Sound design of spoiler drives

Innovative door and trunk components

### 3<sup>rd</sup> party business unit revenues in € million



### TOP customers (as of Dec. 31, 2018)




# E-Mobility: leading market positions in fast growing niches

- 

**Public transportation**  
\_ Trolley buses
- 

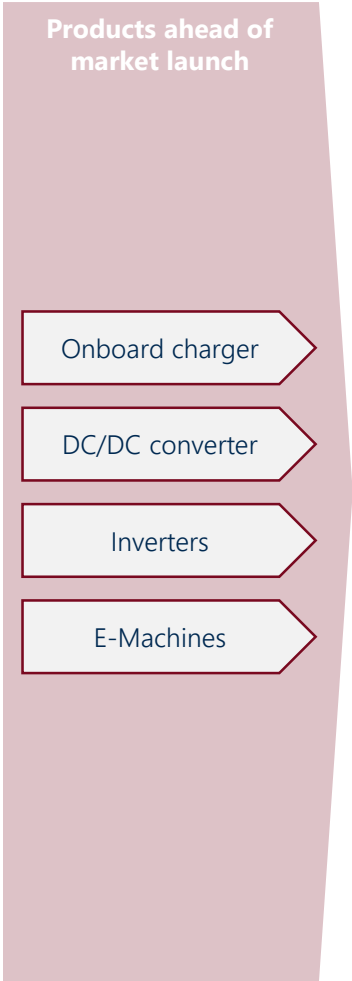
**Intralogistics**  
\_ Forklifts & Automated Guided Vehicles (AGVs)
- 

**Underground mining**  
\_ Battery Hauler & Big Bertha
- 

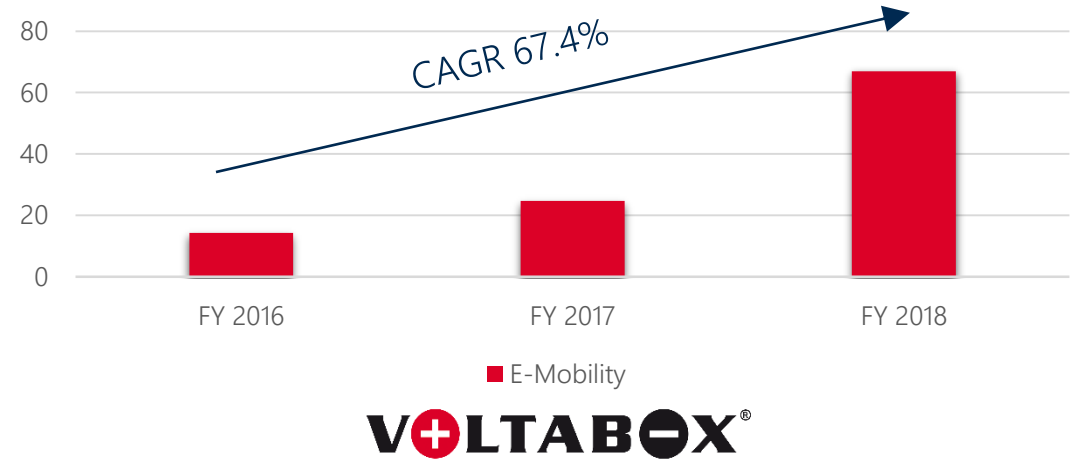
**Agriculture & construction**  
\_ Schäffer front wheel loader
- 

**Starter batteries**  
\_ BMW motorcycles (HP4)
- 

**Selected mass markets**  
\_ Pedelecs & E-bikes



3<sup>rd</sup> party business unit revenues in € million



TOP customers (as of Dec. 31, 2018)

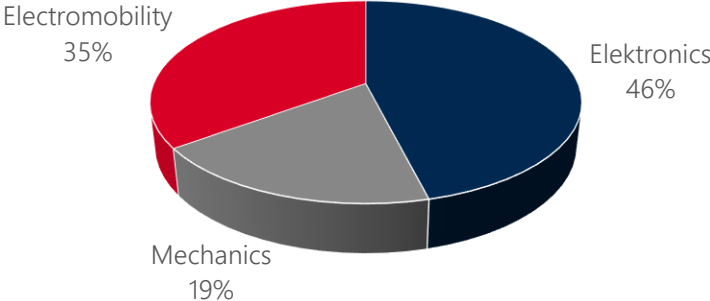




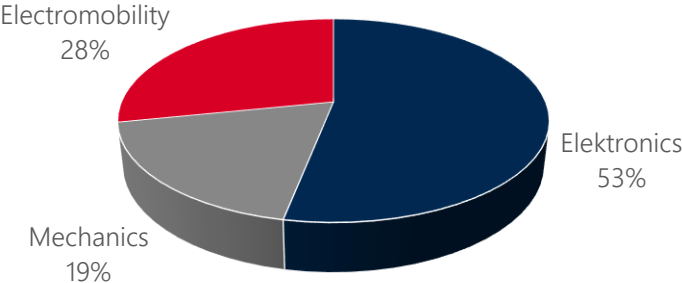
Appendix – Financials in Detail

**Broadening of Portfolio and Customer Base**

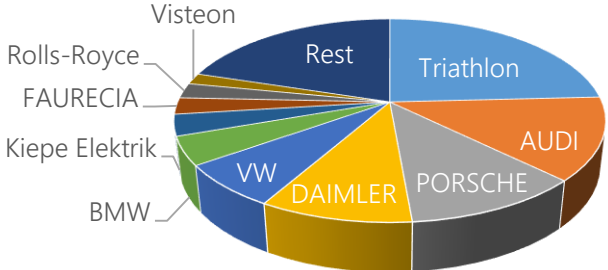
FY 2018



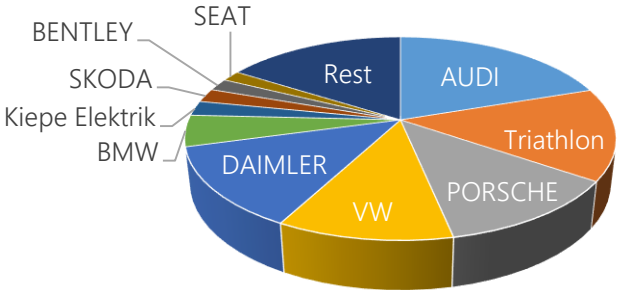
FY 2017



FY 2018



FY 2017



# Overview M&A activities



**HS Genion GmbH (Landsberg am Lech) / purchase price € 15.2m (paid in Q4/17) / initial consolidation Dec. 2017**

- Previously largest competitor > rise to world market leader in body kinematics – facilitates shift to a system provider



**Concurrent Design, Inc. (Austin, TX, USA) / purchase price € 2.6m (paid in Q1/18) / initial consolidation Apr. 2018**

- Engineering service provider with highly-skilled staff – facilitates development of complex battery systems



**ACCURATE SMART BATTERY SYSTEMS GmbH (Korntal-Münchingen) / purchase price € 6.2m (paid in Q3/18) / initial consolidation Sep. 2018**

- Manufacturer of Li-Ion battery packs for several mass market applications (i.e. pedelecs) – facilitates horizontal diversification



**SemVox GmbH (Saarbrücken) (82%) / purchase price € 16.4m\* (paid in Q3/18) / initial consolidation Oct. 2018**

- Leading B2B supplier of technologies for intelligent and e.g. voice-operated digital assistance solutions on basis of Artificial Intelligence and Machine Learning esp. for Automotive applications – enables OEMs to develop their own digital assistants



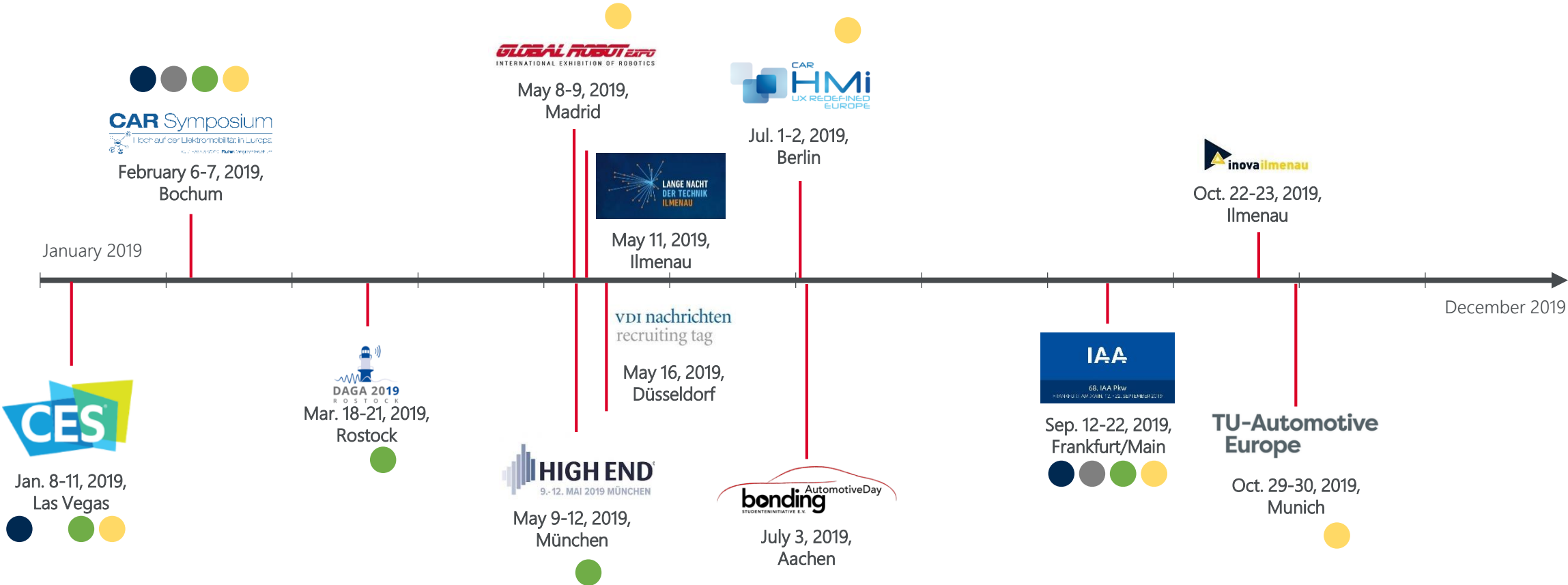
**LPG Lautsprecher-Produktions-Gesellschaft mbH (Neu-Ulm) / purchase price € 3.0m (paid in Q4/18) / initial consolidation Nov. 2018**

- Manufacturer of high end speaker systems – facilitates Interior business unit expansion for comprehensive acoustics solutions and digital sound systems (incl. external sound speakers)

\* Excl. dormant equity holding of € 3.5m.

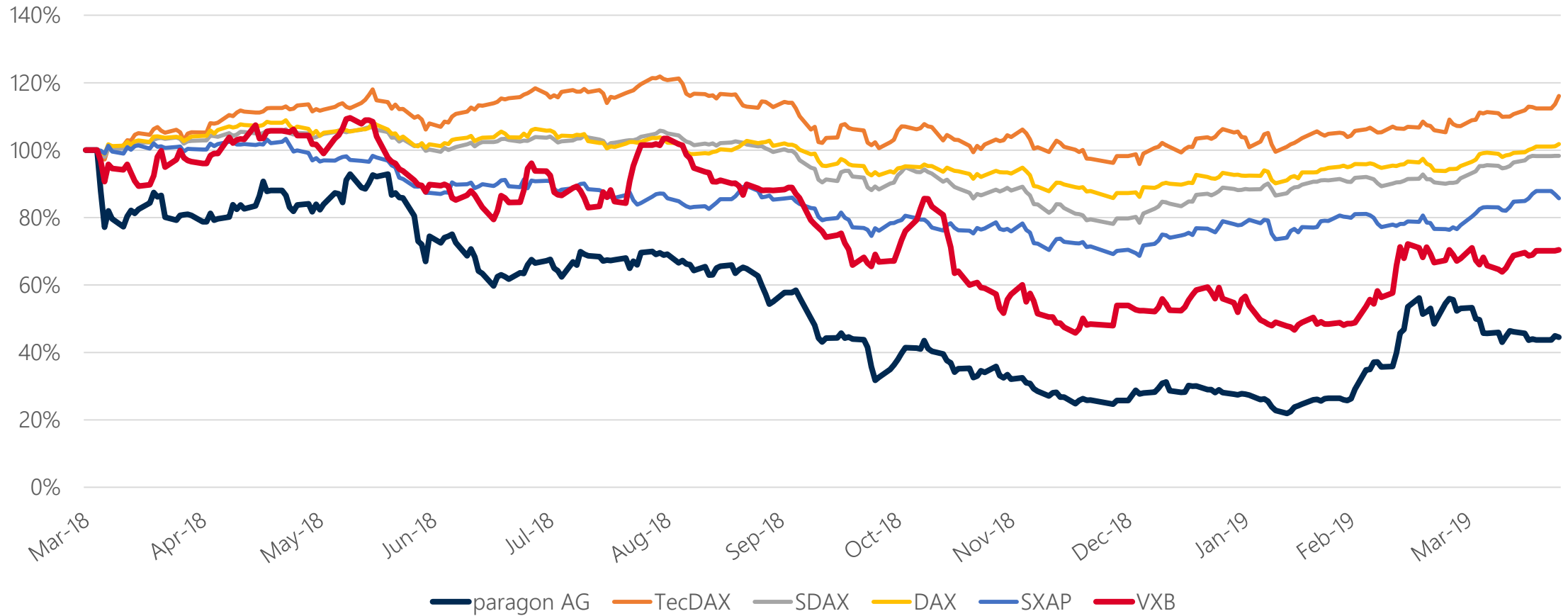
Appendix – Business Overview

**paragon at Fairs and Conferences in 2019**



- Business Unit Sensors
- Business Unit Body Kinematics
- Business Unit Interior
- Business Unit Digital Assistance

# Share performance in 2018



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