

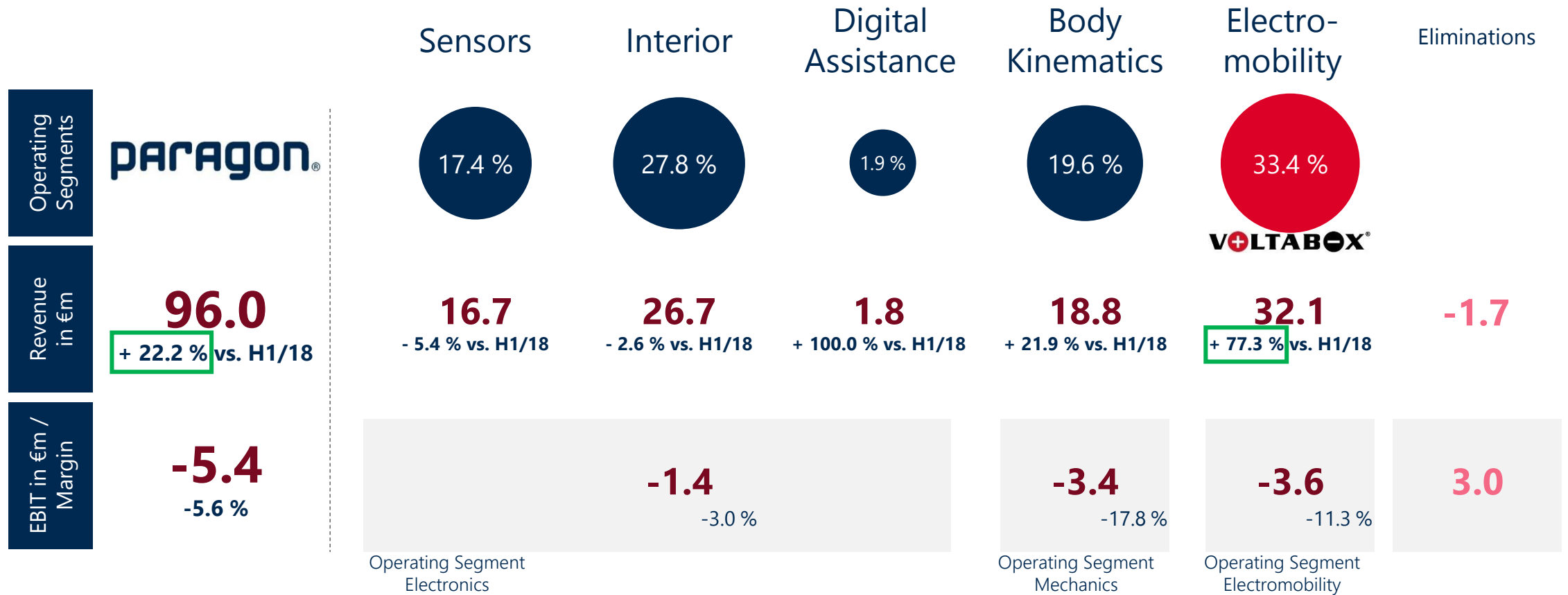


PARAGON®

**paragon GmbH & Co. KGaA**  
**6M/2019 Results**

August 23, 2019

# Revenue and Profitability of Business Units



## **Agenda**

**\_ Latest Developments & Current Situation**

**\_ Financials**

**\_ Outlook**

## Summary of Major Events in H1/2019

### **PARAGON®** Automotive

- Conservative planning > good Q1/2019
- Q2: OEM-customer market share declines even more sharply
- Effects on Sensors business unit and Acoustics division
- Cockpit division and Body Kinematics business unit above plan
- Expectations 2019e at € 130m (previously: € 115m to € 135m)
- No sales problem as with other competitors
- Unfavorable product mix > weaker profitability

### **V+LTABOX®** USA

- US sales sluggish Intralogistics > new regional US sales offices
- Plan: compensation through high-margin major order (5G)
- New market for Voltabox: stationary back-up batteries for 5G network
- First order USD 22m postponed to 2020 in particular due to last minute customer requirements
- Loss in the USA in the first half year cannot be fully offset
- US sales expectation € 16m lower than planned

### **V+LTABOX®** EU

- 2<sup>nd</sup> half of year 2019: Conversion of a supplier to the latest cell technology
- New cell generation with significant margin improvement
- Delivery stoppage for 2 to 3 months
- 3 to 4 months of interruption in sub-areas of production
- Sales shift at least € 12m into the year 2020
- € 8m sales waived due to lack of margin
- Material usage rate too high due to short-term procurement campaigns

# New Market for Voltabox: 5G Mobile Transmission



With the 5G technology the basis is created for...

Smart Cities



Autonomous Driving



Smart Factories and Industrial Internet of Things (IIoT)



Smart Homes and Smart Buildings



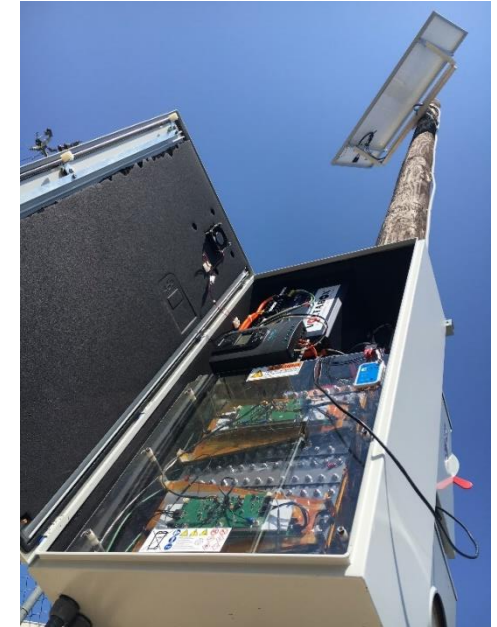
# Construction of Infrastructure for the New 5G Technology

- In densely populated areas (large cities), transmission cells with a **maximum centre distance of 300m** are typically required. Here around **3,000 to 5,000 5G transmission towers** are **required**. In rural areas the distances are larger, max. 1km.
- In comparison, the number of required 5G transmitters is **10 times higher** than with the current 3G or LTE technology. Studies concerning the necessary German 5G network construction show a **demand of 750,000 to 1.2 million 5G mobile transmission towers**.
- Each transmitter needs a back-up battery to bridge power network failures. Compared to conventional lead-acid batteries, **Voltabox** lithium-ion batteries are **lighter, smaller, more durable and maintenance-free**.



# Large Initial Order for Voltabox Back-up Systems

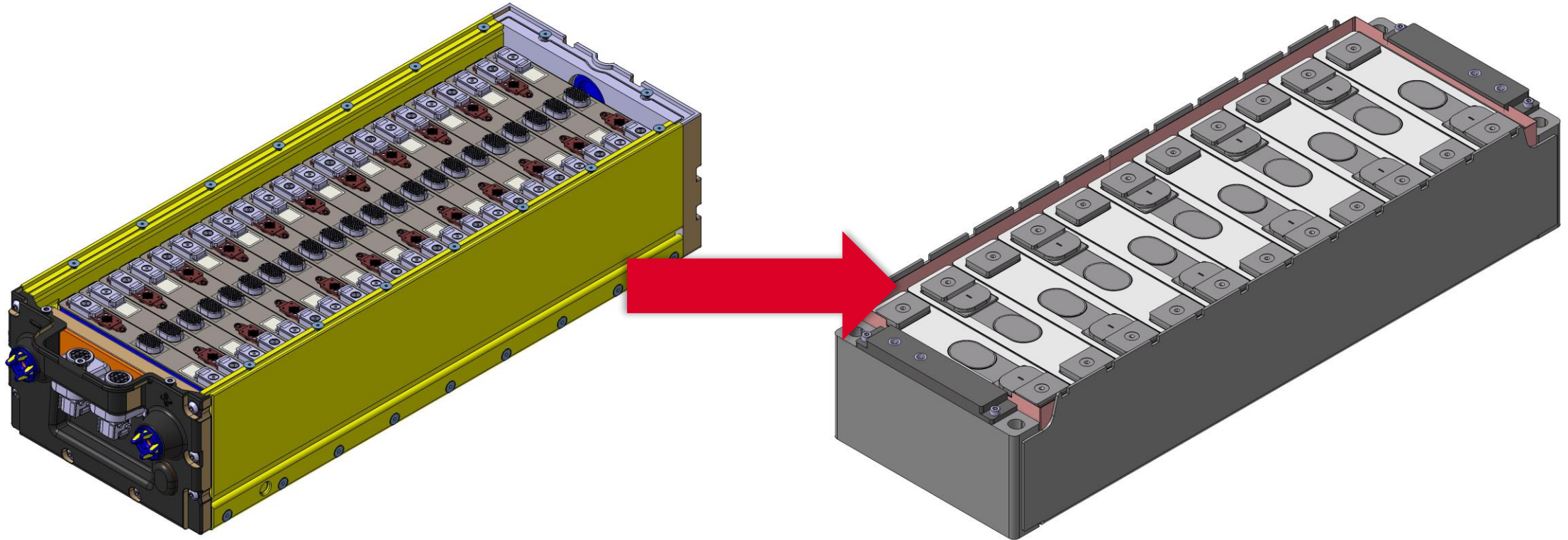
- \_ Client: located in Austin, active in 5 federal states
  - \_ Alpha Prototype: June 18, 2019 (1 piece)
  - \_ Beta Prototype: July 2019 (5 pieces)
- \_ Volume First Order: 2.200 pieces
- \_ New customer requirements in 08/2019:
  - \_ 44 hrs durability instead of 33 hrs
  - \_ 1,500 cycles instead of 3,600 cycles
  
- \_ Technically not challenging
- \_ Impact on battery size and management
- \_ New validation necessary >> Time delay



Images: Prototype installations of the Voltabox systems in Austin/TX



# Change of Technology: Single Size vs. Double Size Cells

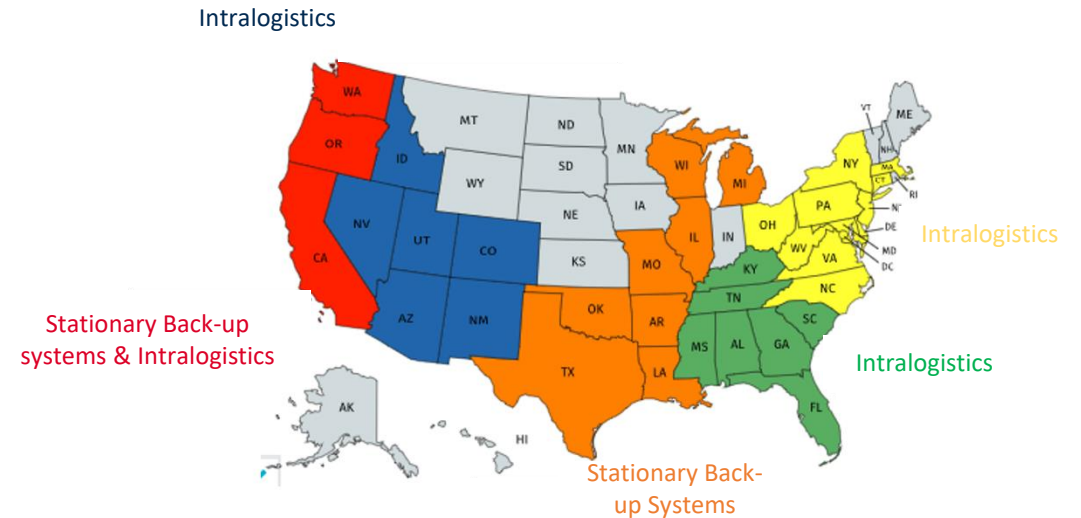


Currently alternative cells in the approval process to increase security against delivery stops



# Voltabox & New Markets: Securing the Targets for 2020

- Implementation of the market approach strategy for the North American Intralogistics market is underway.
- Five sales experts with partly extensive track records have been installed and trained.
- Extension of the field of sales activities due to the planned market entry into the telecommunications industry (equipment of 5G mobile transmission towers) with stationary backup battery systems.
- Currently: Advanced process of further identifications of prospects and market opportunities in the relevant regions and hubs

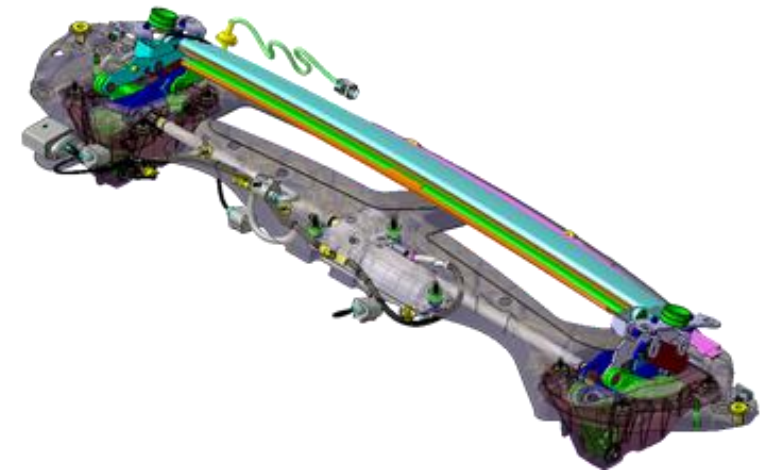


**Thomas Marc Becker (39): New CFO Voltabox USA**

Graduate business economist and industrial engineer with professional background gained at Continental Automotive Systems in China and USA, most recently Head of Finance/IT in Santa Teresa (Texas, USA)

## Ramp-up Problems with the Porsche 992 Project

- \_ Order won by HS Genion GmbH (11/2017 acquired by paragon)
- \_ Critical Porsche spoiler concept for a premium sports car, rejected by paragon in quotation phase
- \_ High accuracy requirements mainly for set parts on which paragon has little influence
- \_ Subsequent changes (new visible surfaces, acoustic requirements) by OEM led to bottlenecks and considerable additional expenditure
- \_ Massive support from Delbrück for Landsberg am Lech site
- \_ Number of units increased by >30 %
  - >> Threshift operation already at ramp-up



## **Agenda**

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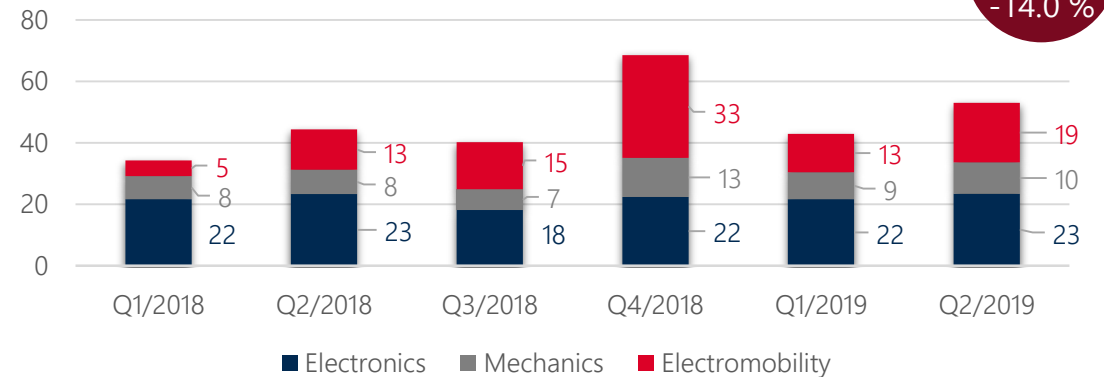
**\_ Outlook**

# Clear Growth despite Sales Postponements, Focus on Earnings

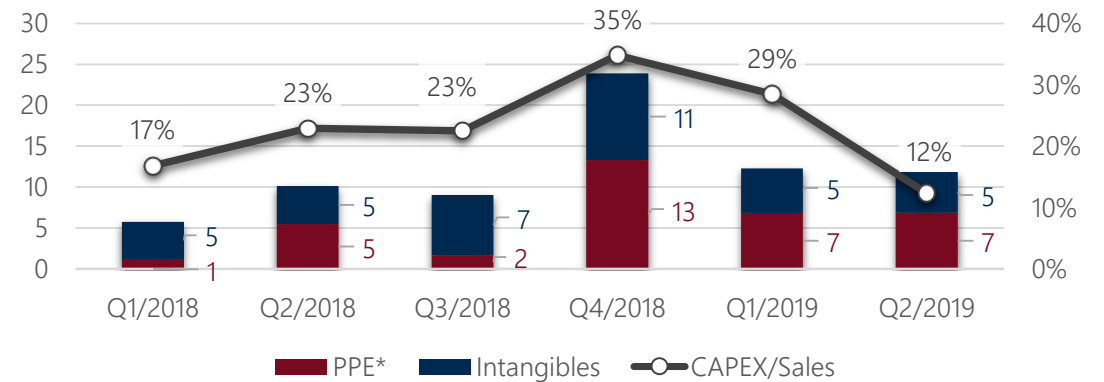
- Revenue growth about 22.2 % to € 96.0m
- Electromobility operating segment + 77.3 %
- Mechanics operating segment + 21.9 %
- Robust automotive business in light of noticeable problems of competitors
- Voltabox business model remains attractive - sales only postponed
- EBIT at € -5.4m; EBIT margin at -5.6 %
- CAPEX\* € 24.1m / Net debt € 110.6m
- Forecast 2019: Revenue between € 200m and € 210m, EBIT margin between -1 and -2 %

EBIT margin: -14.0 %

Revenue in €m

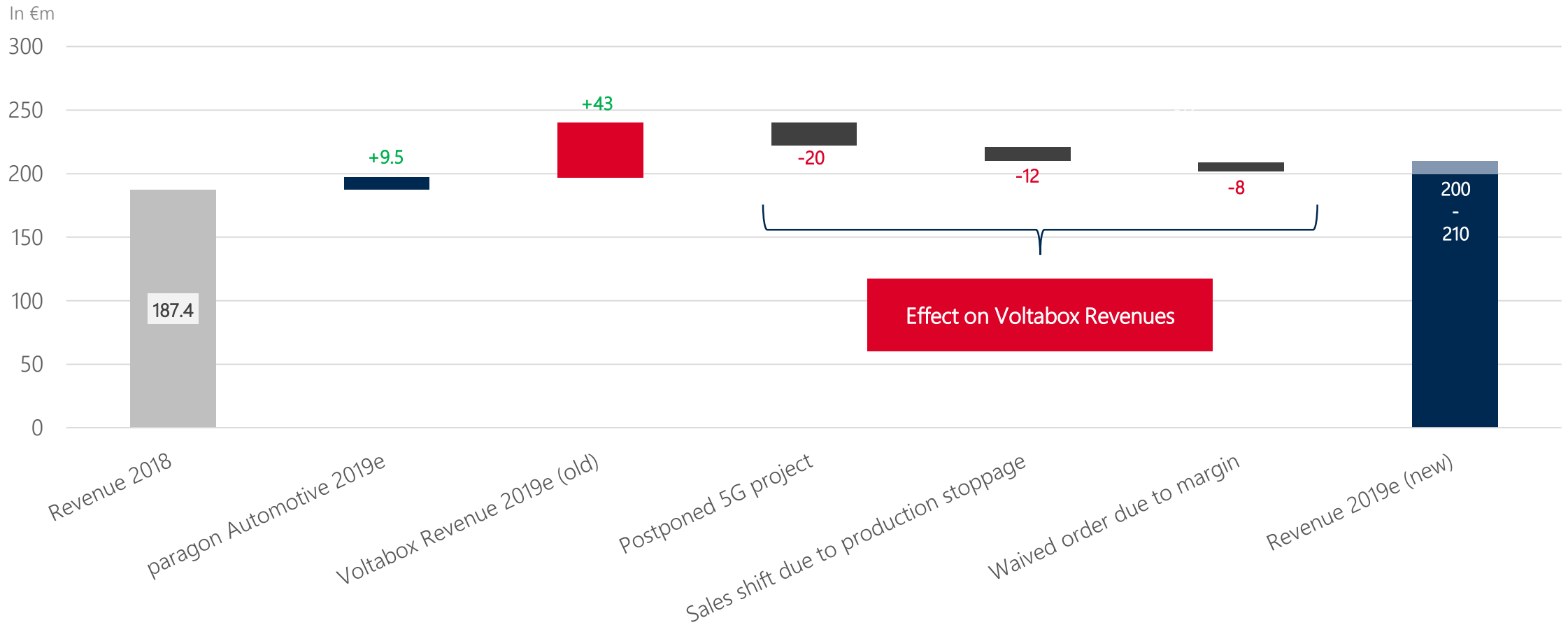


CAPEX in €m

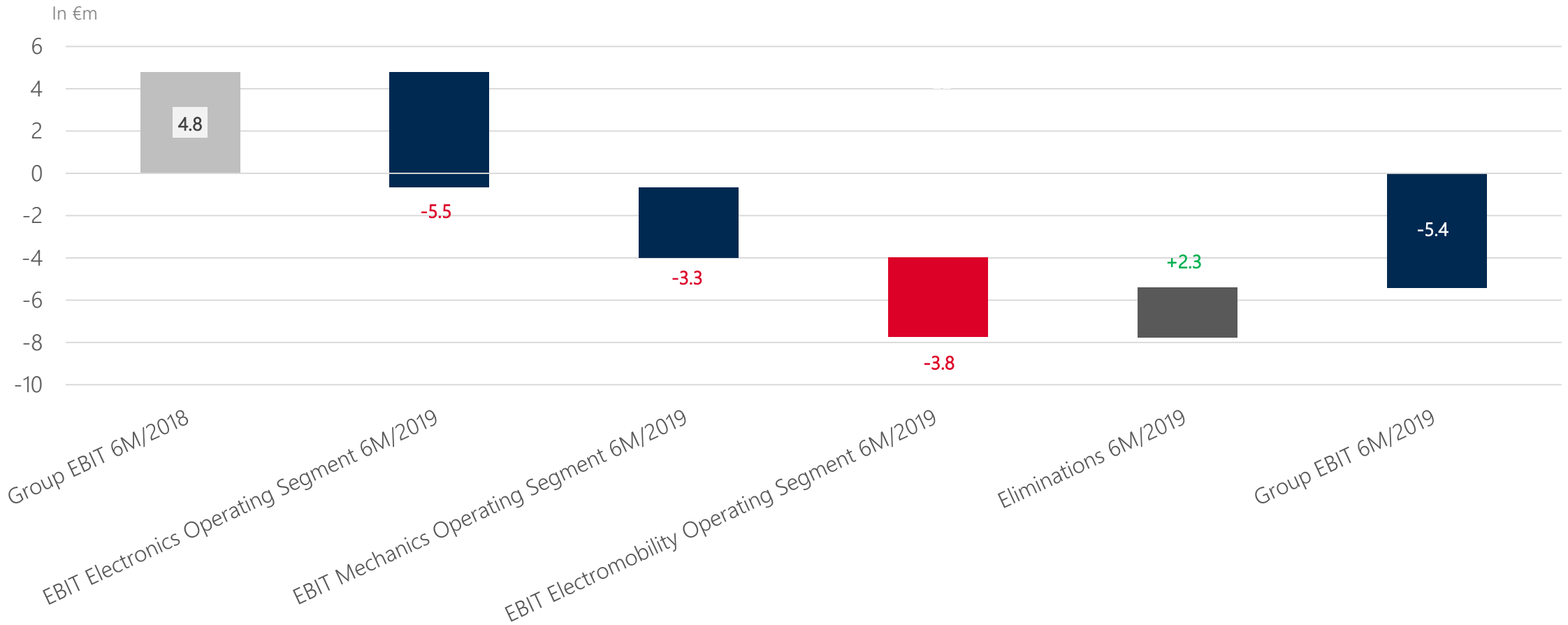


\* Property, Plant and Equipment.

# Effects of Revenue Postponements on Original Forecast



# Comparison of EBIT 6M/2018 vs. 6M/2019



## Key Figures in 6M/2019

### Total operating performance

€ 111.3m

(6M/2018: € 89.8m)

Output remains high – including other operating income of € 3.4m

### Material input ratio

62.9 %

(6M/2018: 55.5 %)

Short-term, expensive orders, especially for old cell-technology

### Personnel expense ratio

32.3 %

(6M/2018: 29.5 %)

Increase in personnel in the second half of 2018 due to business expansion and M&A

# Cash Flow Statement 6M/2019

- \_ Increase in depreciation of fixed assets according to plan
- \_ Increase in trade receivables - but significantly less than in the same period last year
- \_ Significant decrease in non-cash expenses
- \_ Significant increase in inventories due to supply of materials for the 2<sup>nd</sup> half of the year
- \_ 60 percent of the planned CAPEX investments for the year as a whole realized

**Free Cash Flow\*:**  
 € -50.9m  
 (6M/2018: € -43.5)

€ -26.8m  
 (6M/2018: € -27.6m)  
 Cash Flow from Operating Activities

€ -24.1m  
 (6M/2018: € -15.9m)  
 Cash Flow from Investment Activities

€ 19.1m  
 (6M/2018: € -2.3m)  
 Cash Flow from Financing Activities

\* Operating Cash Flow – CAPEX.



## Key Data Net Assets (IAS)

In €m / as indicated	June 30, 2019	Dec. 31, 2018	Change
Assets Total	380.8	362.3	5.1 %
Equity	168.4	177.8	-5.3 %
Equity Ratio (in %)	44.2	49.1	n/a
Available Liquidity	31.5	48.9	-35.6 %
Interest bearing liabilities	142.0	110.6	28.4 %
Net debt*	110.6	61.7	n/a
Net Debt*/EBITDA	20.0	5.6	257.1 %

\* Defined as: Interest bearing liabilities – Available liquidity.

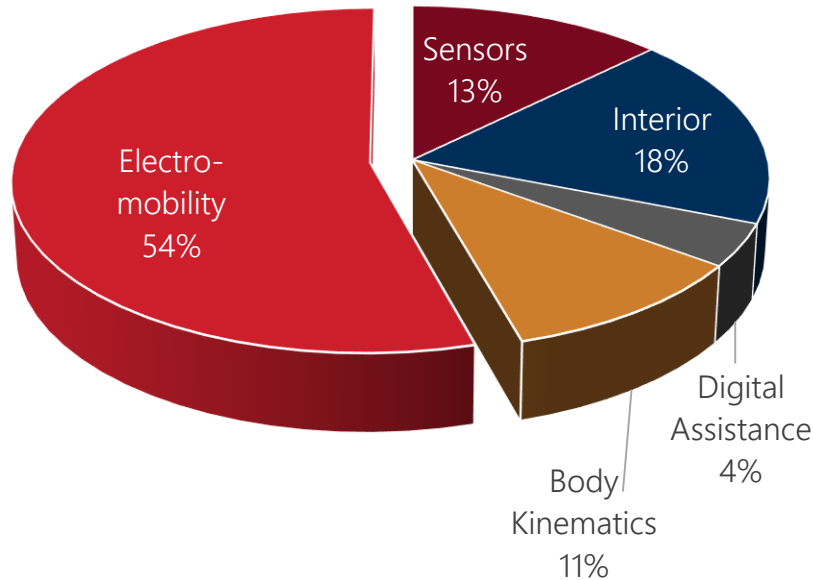
## **Agenda**

- \_ Latest Developments & Current Situation**
- \_ Financials**
- \_ Outlook**

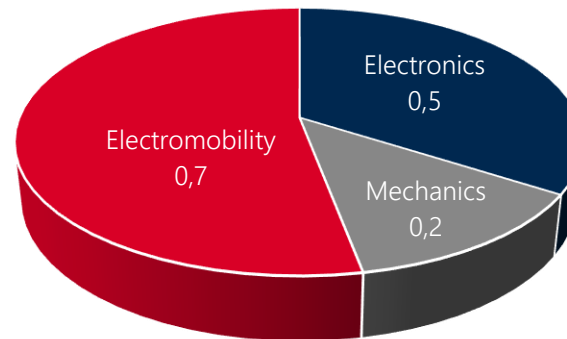
**Outlook**

# 60-Months Cumulative Order Backlog (Weighted)\*

60-months cumulative order backlog  
(weighted)\*  
(€2.1bn) as of June 30, 2019  
by segments/units



60-months cumulative orders on  
hand\*  
as of June 30, 2019 (in €bn)



- Approx. €2.1bn total 60-months cumulative order backlog (weighted)\* (Dec. 31, 2018: €2.1bn)
- 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, 2018: € 1.1bn)

*\* Including framework agreements.*

# Tendency Free Cash Flow

	FCF 2018	FCF – First six months 2019	FCF – 2nd half year 2019	FCF Trend FY2019e vs. FY2018
<b>Voltabox AG</b>	€ -68,4m	€ -24,1m	Slightly positive result	Significantly improved, double-digit negative result
<b>paragon GmbH &amp; Co. KGaA</b>	€ -102,3m	€ -50,9m	Slightly positive result	Significantly improved, mid double-digit negative result

# Example: Technology Leader in the Field of AI Assistants

Positioning paragon semvox against its competitors



USPs compared to main competitors

Technology	Embedded	Proactivity	Context	Multimodality	Adaptation	Full data control	B2B
ODP S3	✓	✓	✓	✓	✓	✓	✓
Google	✗	✓	✓	✗	✓	✗	✗
Microsoft Cortana	✗	✓	✓	✗	✗	✗	✓
IBM Watson	✗	✓	✓	✗	✓	✗	✓
amazon alexa	✗	✗	✓	✗	✗	✗	✓
Apple Hey Siri	✗	✗	✓	✗	✓	✗	✗

Utilization of positive drivers of advancing digitalization

# Example: Technology Leader in the Field of AI Assistants

- Automotive
- Industry 4.0, Logistics & Robotics
- Medical Devices & Technology
- Chatbots/e-Commerce
- Consumer Electronics

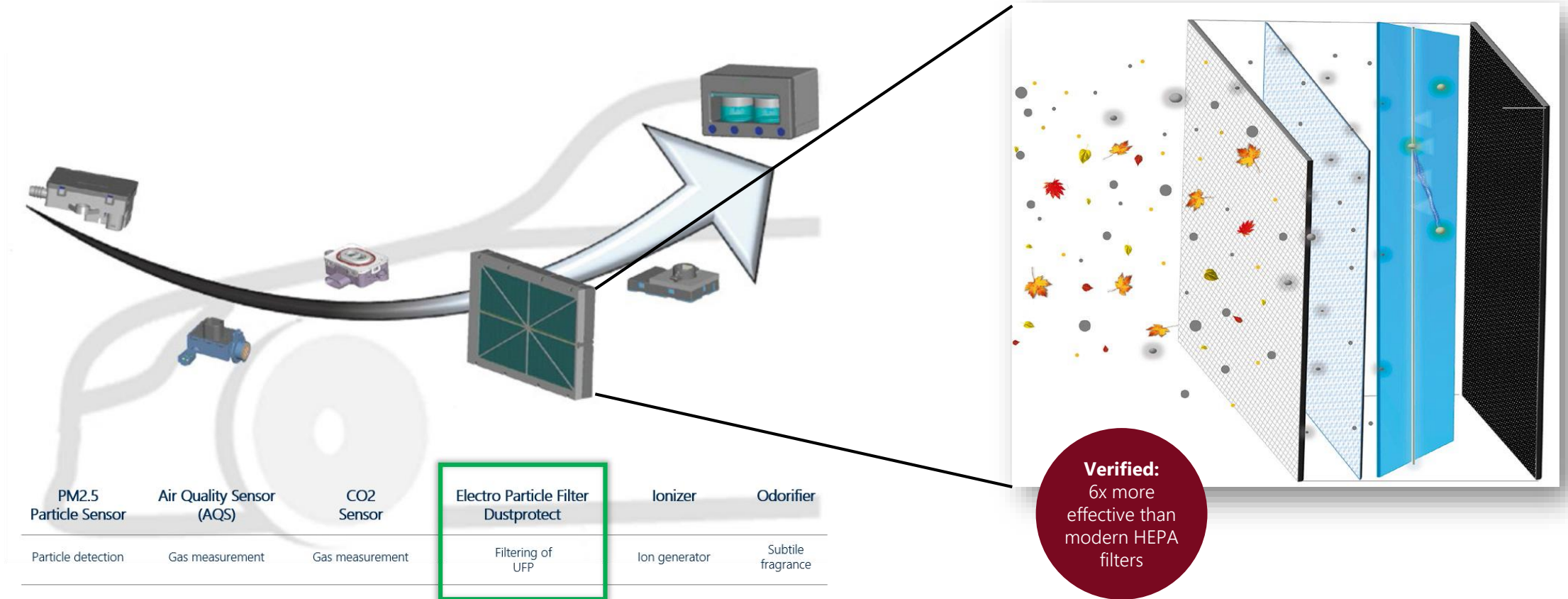
CUSTOMERS	PRODUCTS	PROJECTS
<b>&gt;120</b> customers use the paragon semvox technology in PoCs, products and applications.	<b>&gt;17</b> million products and applications will be equipped with paragon semvox technology over the next 5 years.	<b>&gt;400</b> projects have been realized in recent years based on the products of paragon semvox GmbH.



Volkswagen



# Example: Integrated Air Quality Management



## Summary: The Right Levers Are Gripped!

2019/2020

Business model of paragon Group absolutely intact

Equity ratio remains high (paragon Group: 44.2 %; Voltabox Group: 77.7 %)

Adequate liquidity position, robust financial foundation - focus on reducing net working capital

Focus of Voltabox on high-yield, high-cash core themes and balanced, qualitative growth - Adjustment of cost structures to changed targets

Focus on challenges also at paragon through concentrated implementation of proactive measures to improve earnings side

Expansion of leading market position through high-margin new products that serve megatrends in the respective markets

Current measures and investments in 2019 secure significantly lower fixed costs and high profitability in 2020 - Prevention of increasingly volatile markets

Medium-term outlook intact



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