

kontron

Explore the Kontron Group

We are a fast-moving multinational technology leader.



Investor Presentation

February 2024



Who we are

Leader of Smart Industrial IoT
Solutions

8,000

Employees

1.9bn

Revenue (EUR)*

100m

Net Result (EUR)*

>10%

Organic growth p.a.*

Member of SDAX®

Member of TecDAX®

HQ in Austria; listed in Germany

*Management estimates for 2024 and
organic growth mid-term guidance.

kontron

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

› **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, >4,500 customers in total

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

Real time 5G/6G connectivity, susietec® toolset, Kontron operating system, 3,600 engineers

The IoT Market

Key Metrics

64 billion

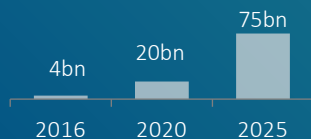
connected IoT devices by 2025 worldwide (from 29 billion in 2022)

\$ 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



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

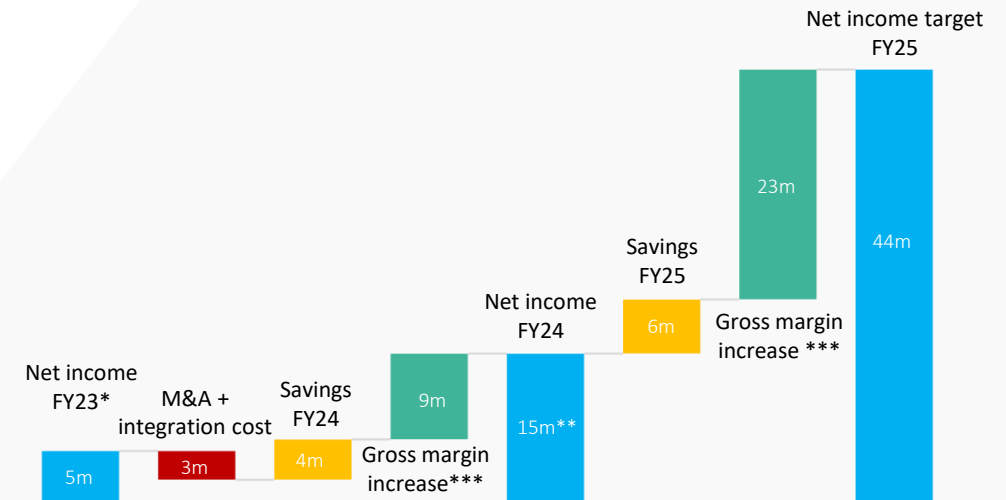
Katek integration



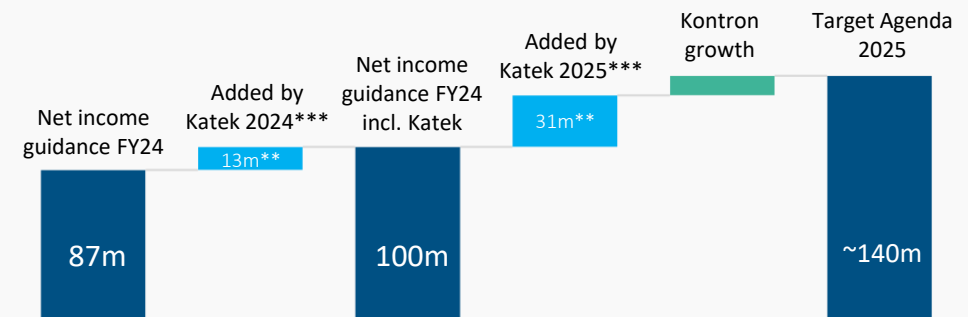
Jan 18	Signing: 60% in Katek for EUR 129m
March	Expected closing & consolidation
March	EUR 125m acquisition loan
April	EUR 15/share tender offer launched
May	Tender offer completed & delisting
Q2 2024	Integration completed
Q4 2024	New product line incl. software
2025	Group Gross Margin of 40%
2025/26	Potentially Squeeze out

➔ Katek is a game changer for increasing profit and revenues by 40% until 2025

Road to Net Income improvement Katek



Road to Net income improvement Kontron



* Katek consensus ** Minorities remaining *** Based on Kontron technology

KATEK: International company with German headquarter

Strong Footprint as First Mover with Green Technologies



eMobility, Renewables/Solar,
Aerospace & Defense, Electronics



>1,500 customers
(e.g. Porsche, Viessmann, Bosch)

EUR >750m (2023E)
Revenues



KATEK



HQ Munich, Germany
Footprint in Europe,
North America and Asia

EUR 38m (2023E) adj. EBITDA
EUR 26.8m (1-9M 2023) opCF



>3,200 employees

Investment Rationale: Complementary solutions

Transform pioneering Green Technologies with leading IoT software



KATEK

KONTRON


Pioneering Green technologies

- › Power electronics (inverters) for solar energy storage systems
- › Charging solutions for electric vehicles



Leading IoT Software technology provider

- › Internet access with Firewall security
- › Remote control and grids
- › Remote maintenance

- 
- › Upgrade GreenTec products
 - › Increase Gross Margin > 5%
 - › Increase profitability > 5%
 - › 10m of cost reductions

Katek integration: Focus on Margin improvement



1. Solar inverters

Q4: release premium line:
add KontronOS = smart home

- Security firewall
- Grid mgmt with utilities
- Remote maintenance

-> Solar system amortizes in 5yrs, premium line in ~1 yr

2. eMobility

Q4: release premium line:
add KontronOS = smart home

- Security firewall
- Bidirectional charger, car as a smart home battery
- Smart charging - when prices are low
- Grid mgmt. with utilities

3. Avionics

- Include in existing avionics business

4. ODM

- Katek brand remains
- Convert from EMS to ODM (incl. R&D design)
- Either improve EBIT or divest

FY 2024: EUR 370m (50%) of Katek revenues but 90% of net income

=> 5% EBITDA margin improvement until FY2025

Kontron financials – after KATEK acquisition

Road to Agenda 2025



in EUR m	Kontron 2023E	Kontron (incl. Katek) 2024E	Comment
Revenues	1,200	1,900	Agenda 2025 within reach
Gross Margin (in %)	39%	37%	Phase out low margin business to achieve > 40% in 2025
Net profit	>72m	100	39% net profit growth (2024) after 28% in 2023
Employees	Approx. 4,700	Approx. 8,000	Increasing manpower & engineering strength
Equity ratio	39%	37%	2025: Back to 40%
Cash	292 (9/23)	255	Assumptions: no additional share buy backs; Already in place: EUR 130m non-utilized lines
Net cash	>70	-95	<0.75x EBITDA expected, will improve in view of planned inventory reduction

Kontron 2024 structure (incl. KATEK current outlook)

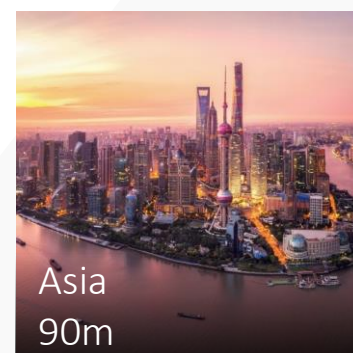
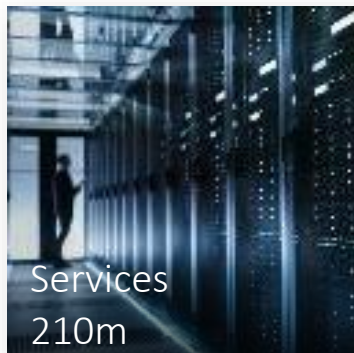
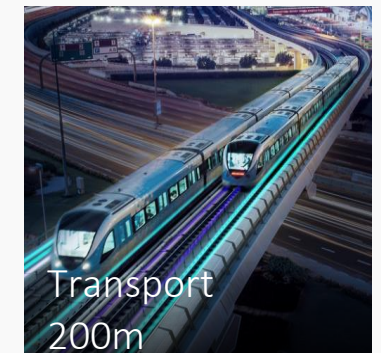
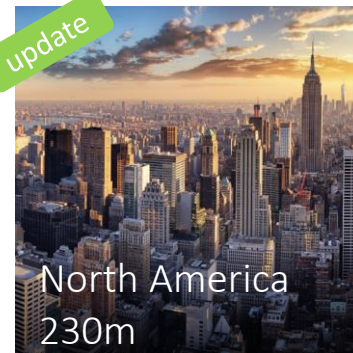
10 new divisions in 3 segments



Europe

Global

Software & Solutions



Rev FC 24*

EBITDA** 10%
GM 35%

€ 1,350m

Rev FC24*

EBITDA** 8%
GM 30%

€ 320m

Rev FC24*

EBITDA** 15%
GM 50%

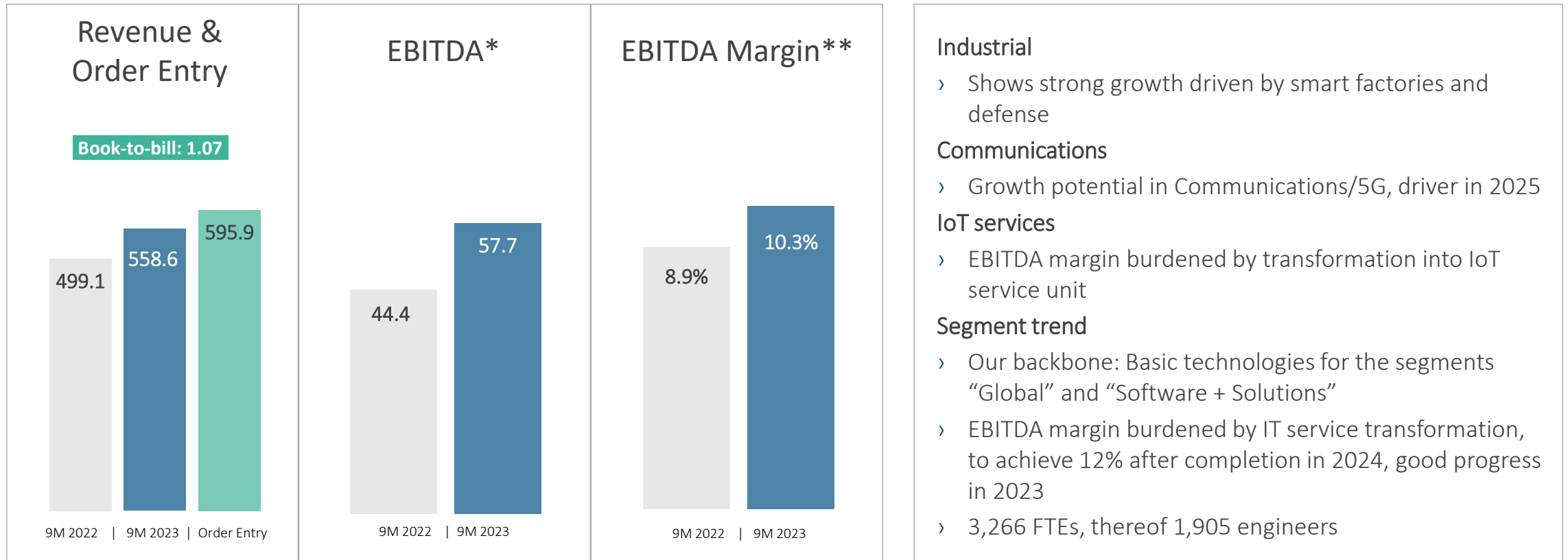
€ 750m

* incl. EUR 1,900m external and EUR 520m IC revenues

** Margin on external revenues

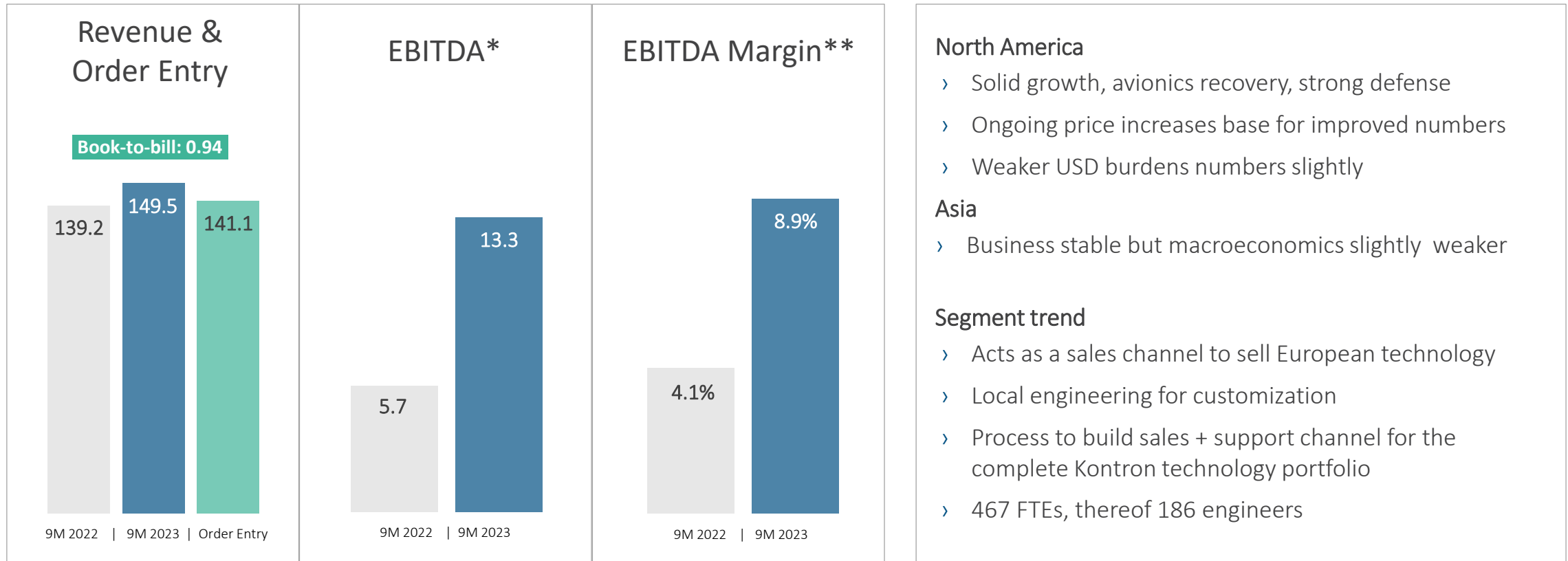
Source: HQ forecast in % of external revenue

Europe: Biggest segment (before Katek)



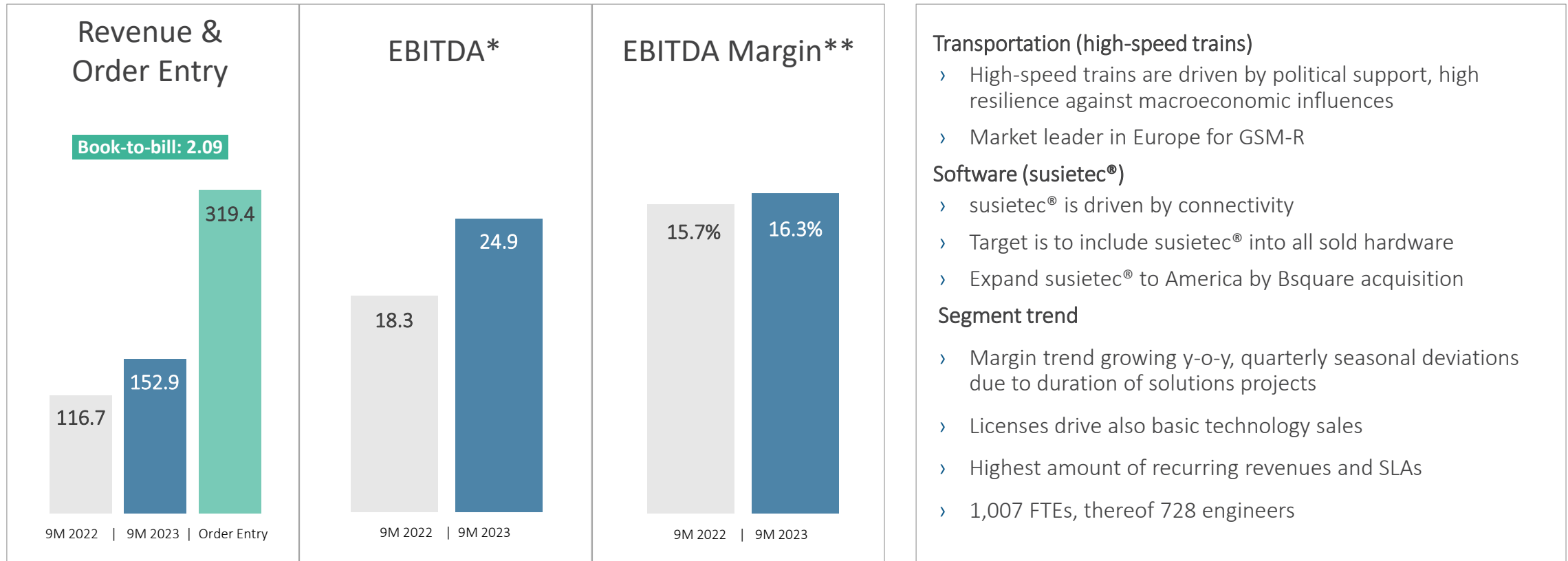
➤ Target is to increase EBITDA margin in 2025 to 12%

Global: Back to normal profitability (before Katek)



➤ Today 20% of revenues in North America + Asia; target 30% midterm driven by superior technology

Software & Solutions: Fast growing (before Katek)



 Will be the biggest segment by 2025

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
- › video surveillance, defect detection, robotics
- › EUR 29m in design wins

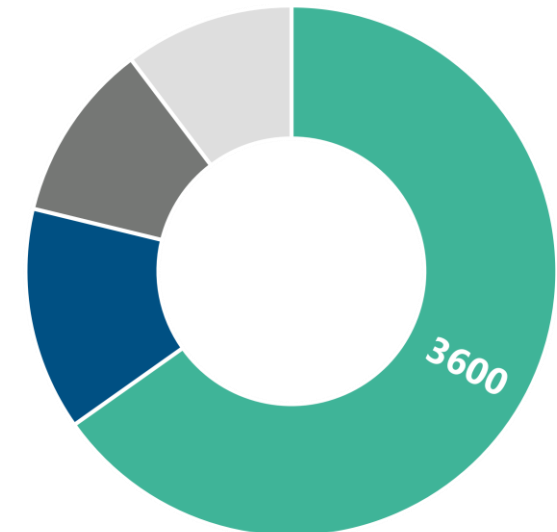


Green Technologies

- › IoT: Solar systems connected to the grid (smart home)
- › IoT: Smart eMobility changers connected to the grid



Excellent pool of engineers
supported by lean organization

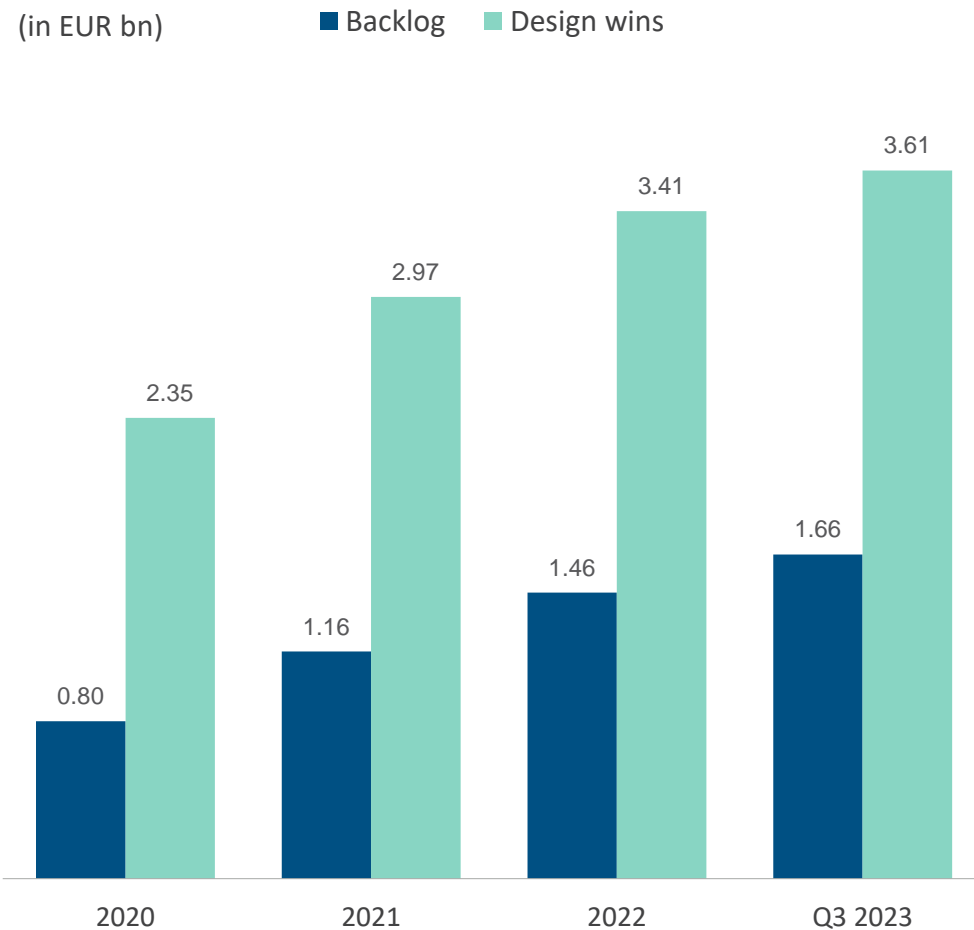


- Engineers
- Production & Logistics
- Sales
- Admin

Backlog and Design Wins (before Katek)



Development since 2020



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

Kontron leads the IoT competition



Leap forward

Our distinctive competitive advantages

› Unmatched **R&D scale**

- › >3,600 FTEs, annual budget of EUR 200m

› **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, Nvidia, Hailo

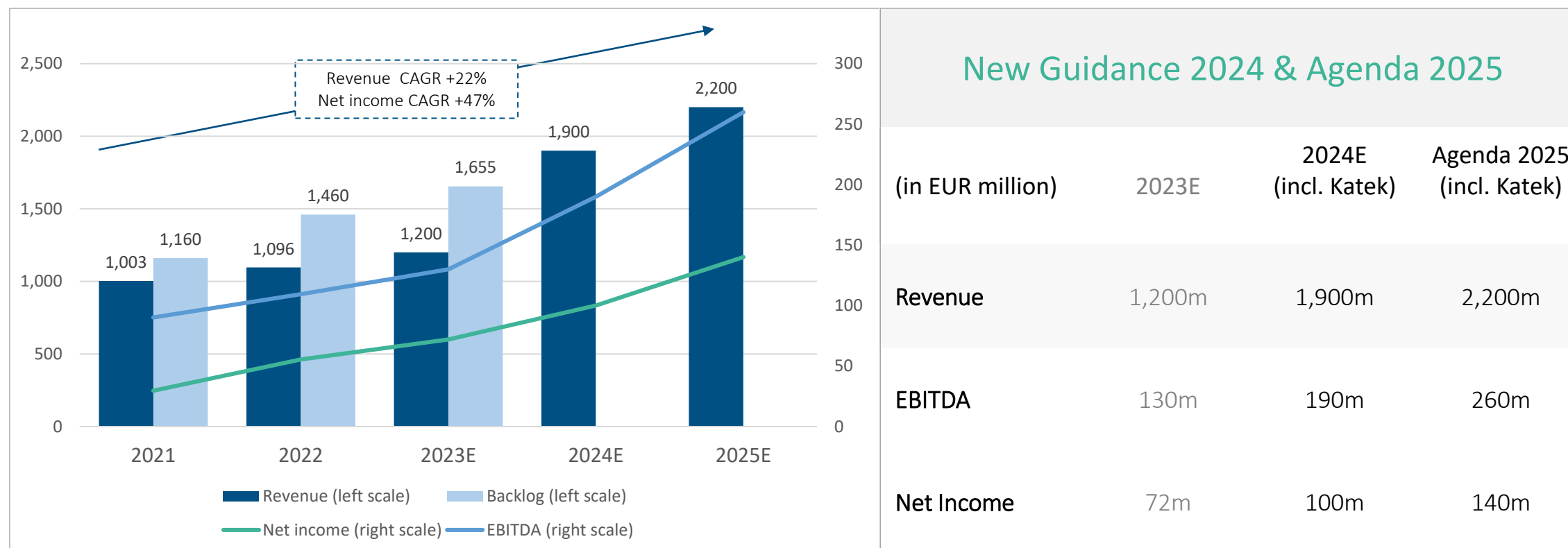
Selected competitors in Industrial IoT	Revenue (in USD m)	Region
Curtiss Wright*	2,600	North America
Kontron**	2,400	Europe
Advantech	2,200	Asia
Beckhoff	1,600	Europe
ABB B&R	1,100	Europe
Mercury*	1,000	North America
Adlink	380	Asia
Seco	215	Europe
Eurotech	100	Europe
% as of total market (USD 148bn)	7%	

* Also not Industrial IoT revenues

** FY25 revenue guidance of EUR 2,200m

Focus on IOT – a fast growing business

2024: 39% net profit growth to EUR 100m

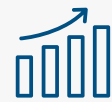


➤ Fast growing net income +29% (2023E), +39% (2024E), +40% (2025E)

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

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 2022

Engineering excellence



- › Unmatched R&D power of 3,600 engineers and annual investment of EUR 200m
- › Cost efficient in-house engineering resources in CEE (average salary: 45k p.a.) as an attractive Western employer
- › Increasing share of software in the portfolio: proprietary IoT toolset susietec®
- › Customized IoT solutions for Smart Factories, Medical, Defense, 5G Connectivity, Avionics, Transportation, Smart Energy

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
- › PE ratio reduced from 19.6 (2021) to 13.7 (2024E)*

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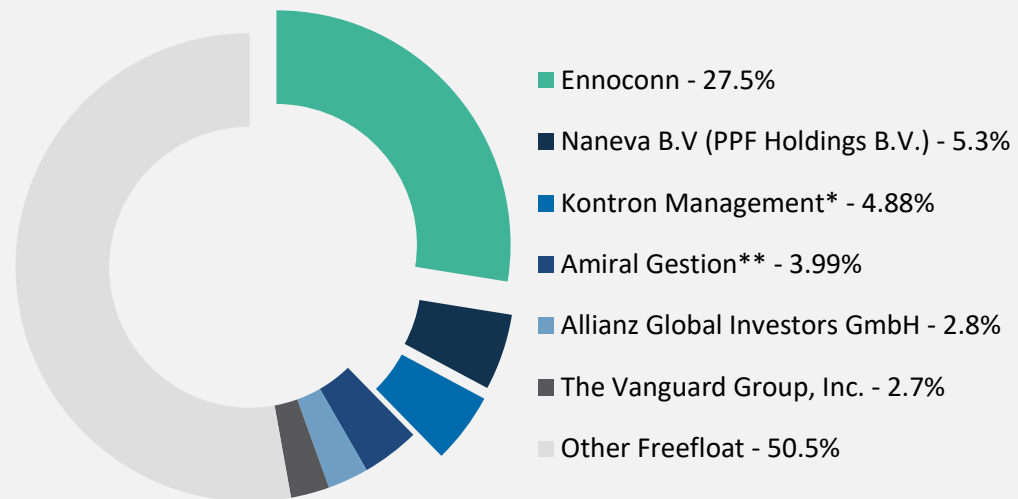
APPENDIX

The Kontron Share



SDAX® & TecDAX® member and candidate for MDAX®

Shareholder Structure



Target: Increase strategic shareholder base

Coverage***

Alster Research	Buy: EUR 32.00
Erste Group	Buy: EUR 26.50
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

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)

Update on ESG

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

Continuous stakeholder dialogue ✓

2021

2022

2023