



kontron

Q3 EARNINGS CALL

3 November 2022



HIGH- AND LOWLIGHTS Q3-2022



HIGHLIGHTS

- › Q3-2022:
 - › Plus 10.6% in Revenues vs. Q3-2021 (YTD +9.6%)
 - › Plus 6.7% in adj. Net Income vs. Q3-2021 (YTD +14.5%)
- › 7th quarter in a row of strong order entry
 - › EUR 319m order entry in Q3-2022 vs EUR 262m shipments
- › SPA signed with Vinci to sell IT Services for appr. EUR 400m (est.)

LOWLIGHTS

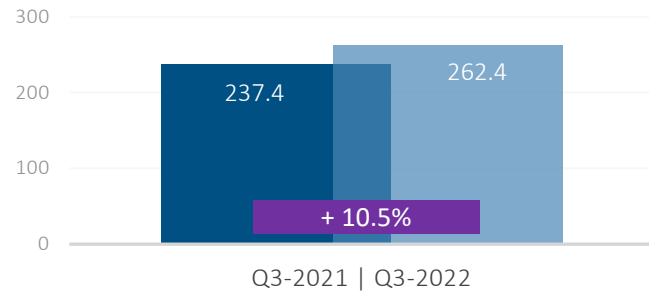
- › Chip shortage impact:
 - › EUR 124m of not delivered orders as of 30 September 2022
 - › Operating CF burdened by EUR 74m increased inventory, but Operating CF in Q3 positive again (turning point)
- › North America increased in revenues – still weak in margin
- › Impacts of Russia YTD 2023
 - › EUR 24m (-43%) reduction in Revenues

KPI Q3-2022 GOOD OVERALL PERFORMANCE



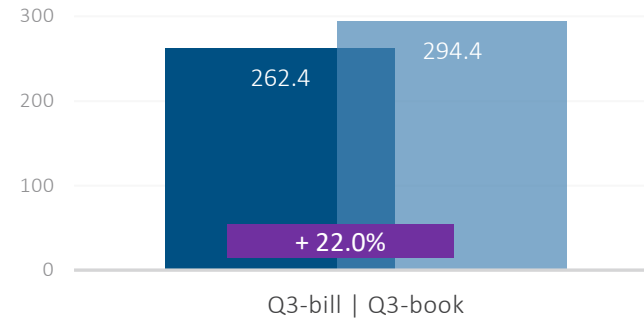
REVENUE (CONT. OPERATION)

(in EUR m)



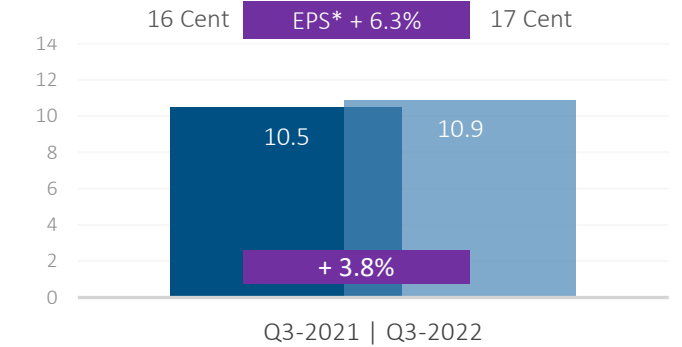
ORDER ENTRY (CONT. OPERATION) BOOK TO BILL

(in EUR m)



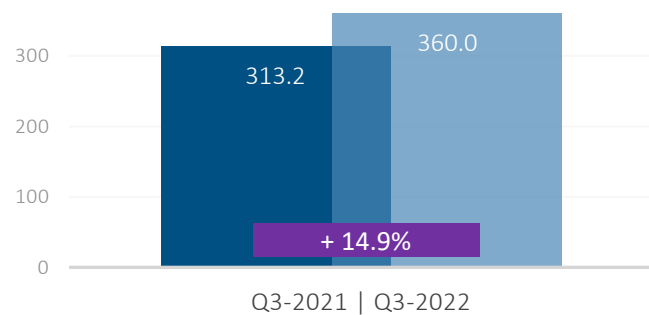
ADJUSTED NET INCOME AFTER NCI

(in EUR m)



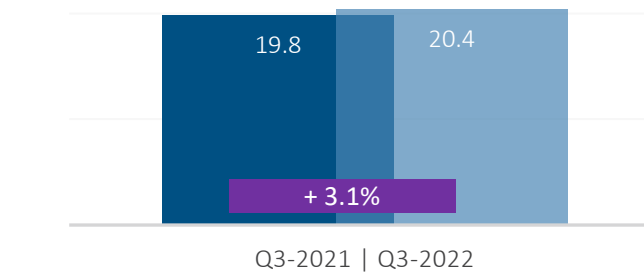
TOTAL REVENUE (CONT + DISCONT. OPERATION)

(in EUR m)



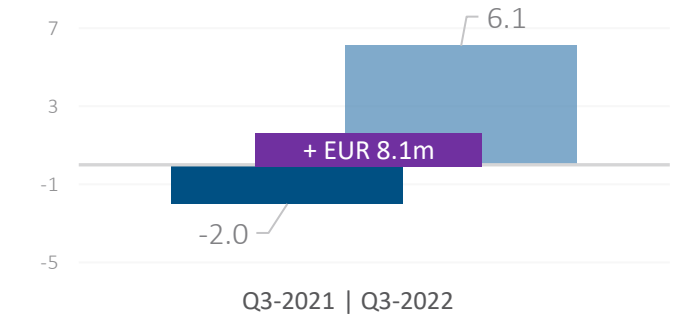
EBITDA (CONT. OPERATION)

(in EUR m)



OPERATING CASH FLOW

(in EUR m)



Improvement in all parameters, op. cash flow in Q3 positive (turnaround)

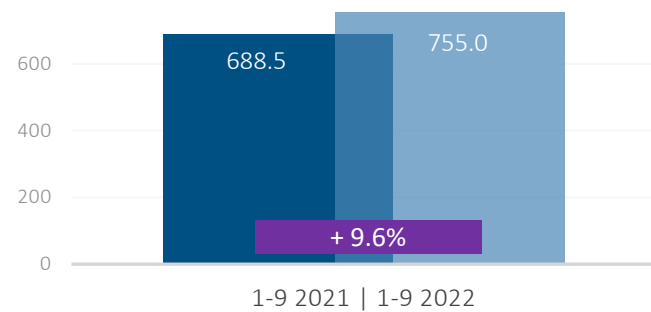
*Adjusted EPS/share

KPI 1-9 2022 GOOD OVERALL PERFORMANCE



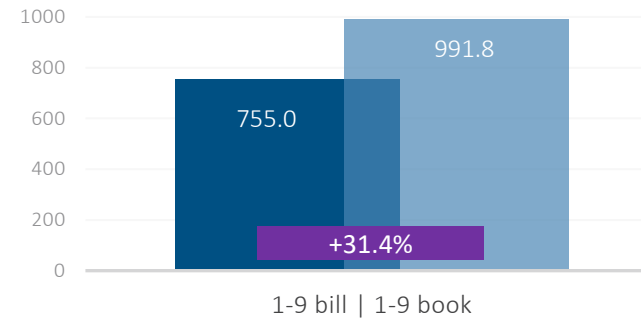
REVENUE (CONT.OPERATION)

(in EUR m)



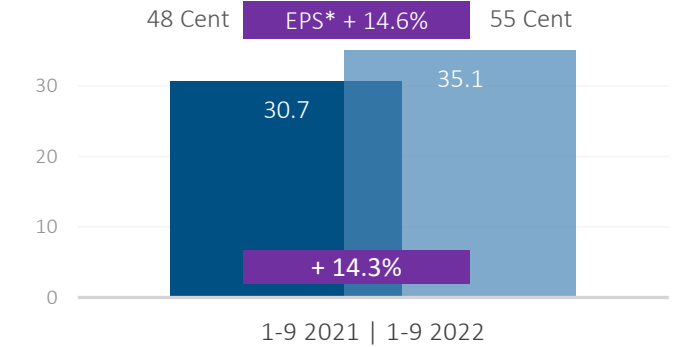
ORDER ENTRY (CONT.OPERATION) BOOK TO BILL

(in EUR m)



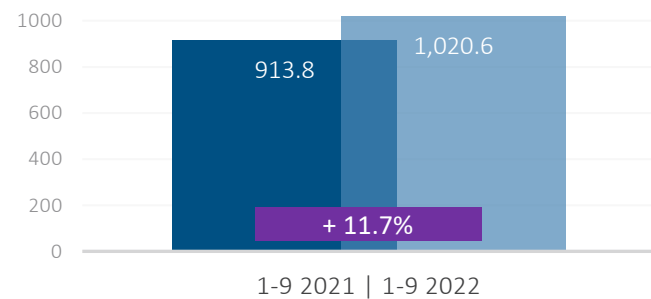
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(in EUR m)



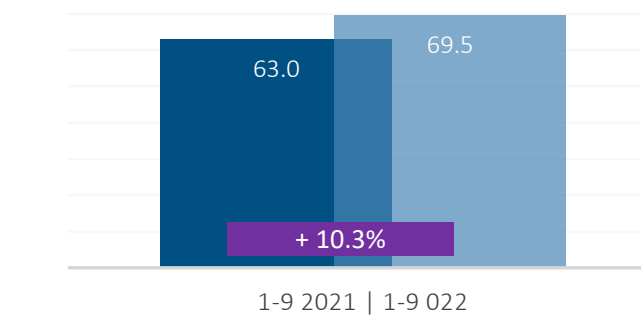
TOTAL REVENUE (CONT. + DISCONT. OPERATION)

(in EUR m)



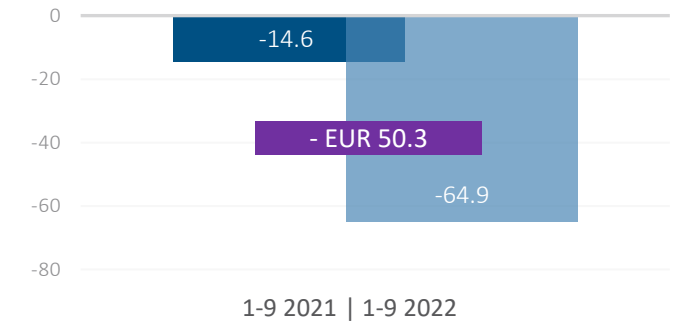
EBITDA (CONT.OPERATION)

(in EUR m)



OPERATING CASH FLOW

(in EUR m)



Double digit growth in revenues and profit – H1 cash flow burdened by chip crisis but Q3 positive

*Adjusted EPS/share

KONTRON GROUP BALANCE SHEET

Mio. EUR	30.09.2022	31.12.2021		30.09.2022	31.12.2021
NON-CURRENT ASSETS	447,4	519,0	CAPITAL AND RESERVES	442,8	423,3
Fixed Assets	409,9	478,8	Equity	442,8	423,3
as of Property, plant and equipment	100,6	132,5	as of Treasury shares	0,0	-46,8
as of Goodwill	181,4	208,3	NON-CURRENT LIABILITIES	268,7	348,2
Other Assets	37,5	40,2	Long-term loans and borrowings	196,2	238,4
CURRENT ASSETS	851,7	833,2	Other Non-Current Liabilities	72,5	109,8
Inventories	242,7	187,3	CURRENT LIABILITIES	587,7	580,7
Trade receivables	164,5	232,5	Trade payables	196,2	270,0
Contract Assets from Customers	30,9	32,8	Contract Liabilities from Customers	67,2	85,0
Cash and cash equivalents	118,7	296,5	Short-term loans and borrowings	117,0	72,3
Other receivables and prepayments	75,4	83,9	Other Current Liabilities	97,6	153,4
assets classified as held for sales	219,5	0,0	liabilities classified as held for sale	109,7	
Total Assets	1.299,2	1.352,1	Total Liabilities & Equity	1.299,2	1.352,1
			Equity Ratio	34,1%	31,3%
Total Cash (Cont.+ Disc. Operations)	162,3	296,5	Total Net Cash/Net Debt*	-157,2	-14,2
			Working Capital excluding IFRS 15**	251,4	149,9

EUR 74m Inventory (thereof 16.5m prepayments) built up to cover chip shortage | Equity Ratio improved

* 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)

STATUS FOCUS: DIVESTMENT OF IT SERVICES



10 August 2022 Kontron signed SPA to sell most of its IT service businesses

- › Buyer Vinci, a listed French construction/energy group (revenues: EUR 43.2bn with 218,000 employees)
- › IT Services sold: DE, CH, PL, HR, CZ, SK, RS, MD, MK, ALB, CG
- › Kontron will keep IT Services in AT, HU, RO

Purchase price of ~ EUR 400m expected upon Closing of transaction

- › Thereof, EUR 260m at Closing (Dec), EUR 80m after audit (Mar/Apr 23), EUR 60m in escrow (EUR 40m/20m until Dec 23/Jun 24)

Closing is on track and conditions precedent almost completed

- › Closing expected for end of Dec 2022
- › Cash payment in 2022 -> already on 2022 balance sheet, no more discontinued operations in 2023
- › Competition authority approvals process on track (RS, MK done; EU, MN, ALB in progress)
- › All other closing conditions completed (except for 1 internal share transfer by Kontron)

No showstoppers for Closing – payment/cash expected end of December 2022



KPI – BEFORE AND AFTER FOCUS



in EUR m	S&T AG 2021	The new Kontron 2023*	Comment
Company name	S&T AG	Kontron AG	Changed at AGM May 2022, S&T related to IT biz, Kontron to IoT products
Revenues	1,342	> 1,200	2023 after divesting EUR 395m IT service, 40m Russia
GM in %	36%	> 40%	Change in product mix, will further increase margin after 2023
Net profit	48.3 (3.6%)	> 60 (5%)	Will increase 2023 vs 2021 despite divested IT services
Employees	6,206 (Dec. 21)	4,343	Minus 1,640 „Focus“, minus 380 Russia, before M&A
Revenue / FTE	216 TEUR	276 TEUR	
Equity ratio	32%	> 45%	Increased cash and less total assets
Entities (as of operative)	80	58 (32)	Less complex structure
Exposure CIS region	7% CIS	< 3%	Not material anymore, East European activities within EU drastically reduced

*Mgmt. estimates

ADDITIONAL DISCLOSURE IN Q3



IN TEUR	EBIT ADJUSTMENTS
8,474	STATED EBIT
-2374	Side cost divestment IT services
-155	FX losses
-782	PPVs paid due to chip crisis and not recovered
-1,544	Losses leaving Russia
-4,855	ONE TIME PROFIT EFFECTS → Adjusted EBIT 13,329

IN TEUR	OP. CASH FLOW ADJUSTMENTS
6,144	STATED OP. CASH FLOW
7,543	Increase in A/R factored from 30.6.2022 to 30.09.2022
-601	ADJUSTED OP. CASH FLOW

ORGANIC GROWTH		
in TEUR	Q3/21	Q3/22
Stated revenues	237,351	262,382
Divestment (Russia, MD)		11,212
FX adjustment		-10,027
ORGANIC GROWTH		11.1%

GEOGRAPHICAL SPLIT Q3/22		
(in %)	Revenue	EBITDA
Europe	76.5%	89.5%
North America	13.3%	4.2%
Asia	7.0%	10.4%
RUS/BY/MD	3.2%	-4.1%

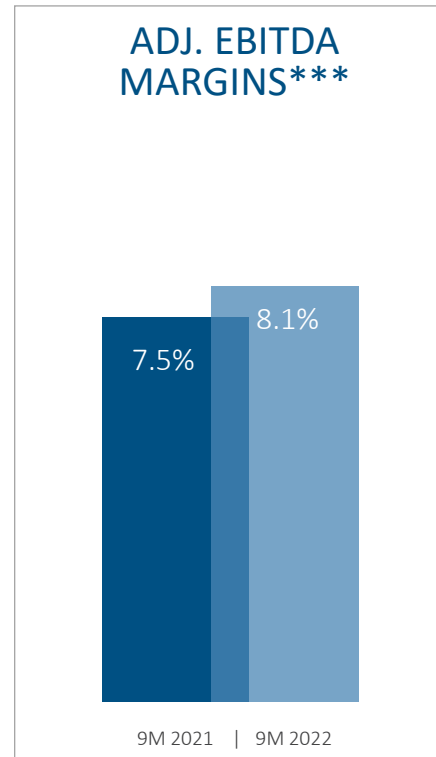
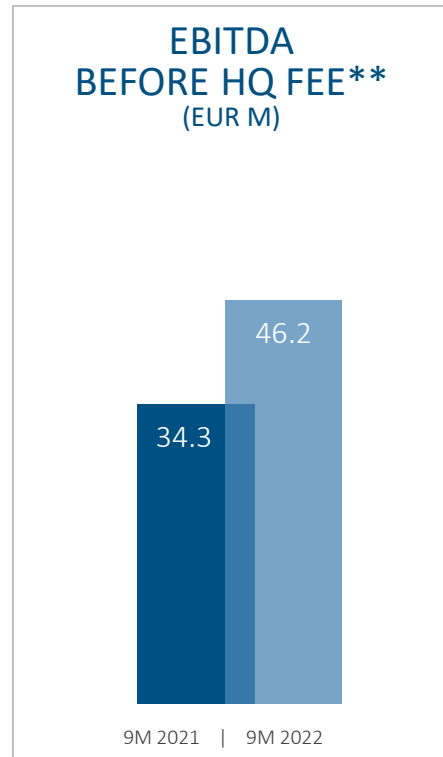
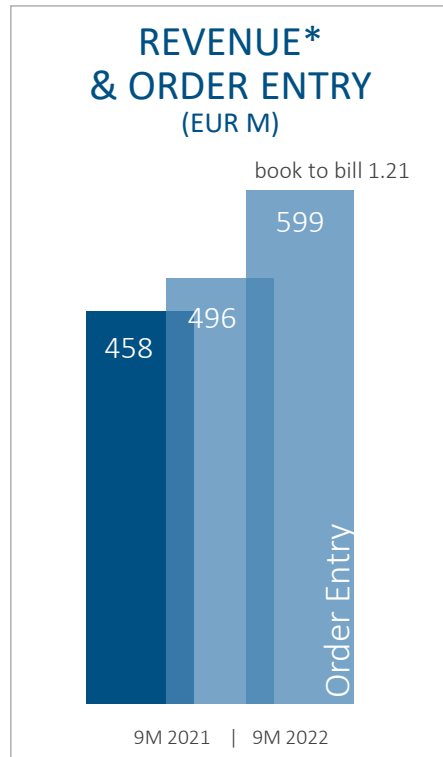
CONTINUED and DISCONTINUED OPERATION					
REVENUES	IN TEUR	CASH	IN TEUR	INVENTORY	IN TEUR
Q2 Total	331,012	Jun Total	167,608	Jun Total	246,162
Q3 Cont.	262,382	Sep Cont.	118,717	Sep Cont.	242,724
Q3 Discon.	97,604	Sep Discon.	43,581	Sep Discon.	18,141
Q3 Total	359,986	Sep Total	162,298	Sep Total	260,865
			Jun prepaid		13,923
			Sep prepaid		16,479

NEW BUSINESS MODEL (2023) – 8 DIVISIONS IN 3 SEGMENTS



* incl. I/C revenues ; ** before HQ-fee distribution

EUROPE (NEW SEGMENT STARTS 2023)

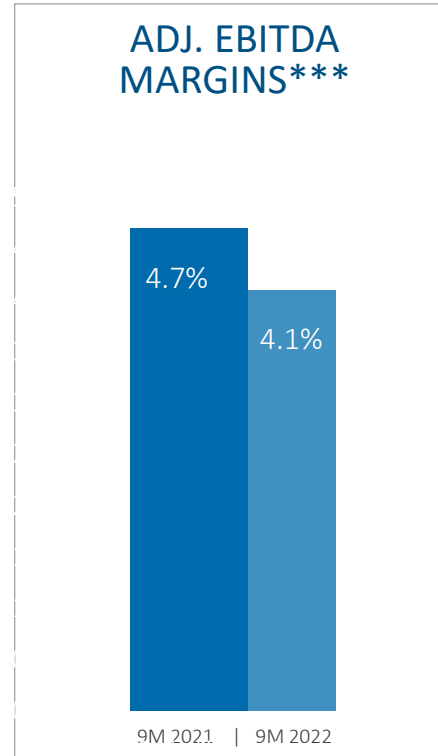
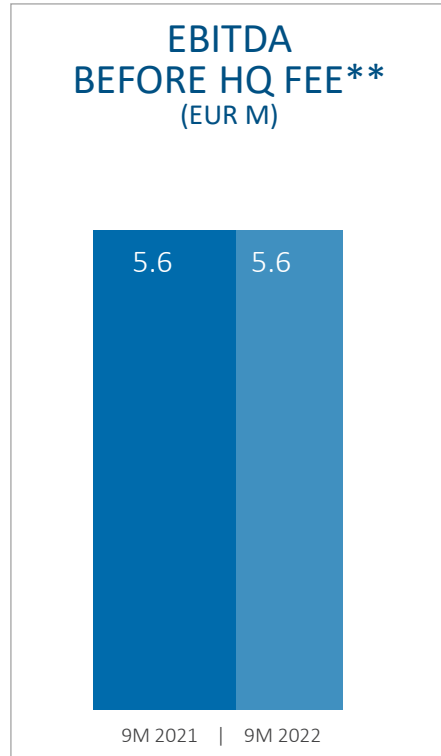
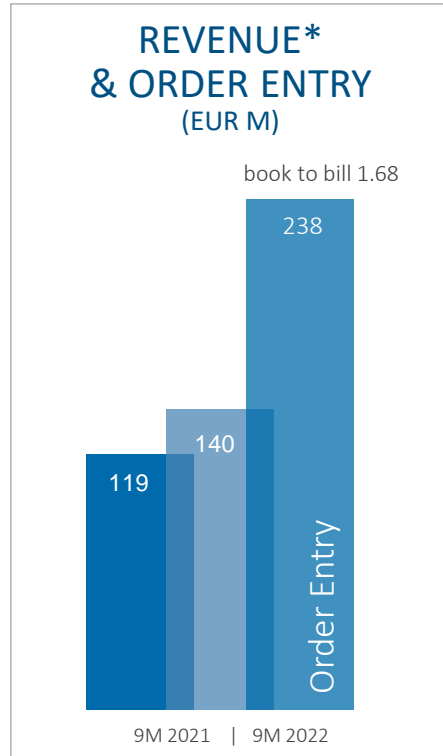


- › Biggest segment - contains the divisions: Industrial, ODM, Services, Communications
- › #1 Industrial IOT supplier in Europe
- › 8.3% revenue growth in 2022, mainly ind. division
- › 34.9% ebitda growth in 2022, mainly ind. division
- › EUR 79m overdue orders: 67M industrial, 12M ODM
- › 5G IIoT communication gaining speed
- › Main customers: Dräger, Kuka, ABB, Thales, DARS, Railway Slovenia

“ Europe ” growth driven by industrial Division and strong order intake, 5G connectivity in early phase

- 3rd Party revenue
- ** EBITDA before charged management fees from Kontron AG
- *** HQ-fee adjusted EBITDA in % of external revenue

GLOBAL (NEW SEGMENT STARTS 2023)

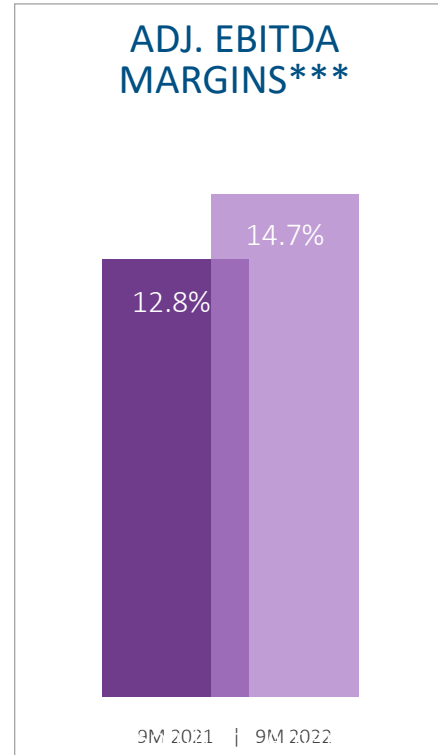
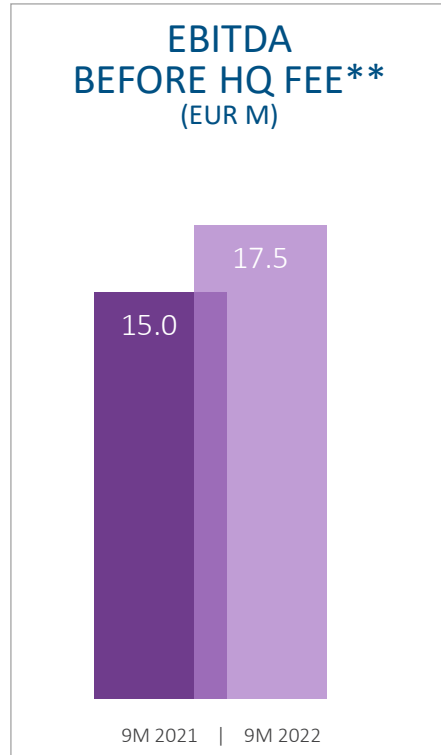
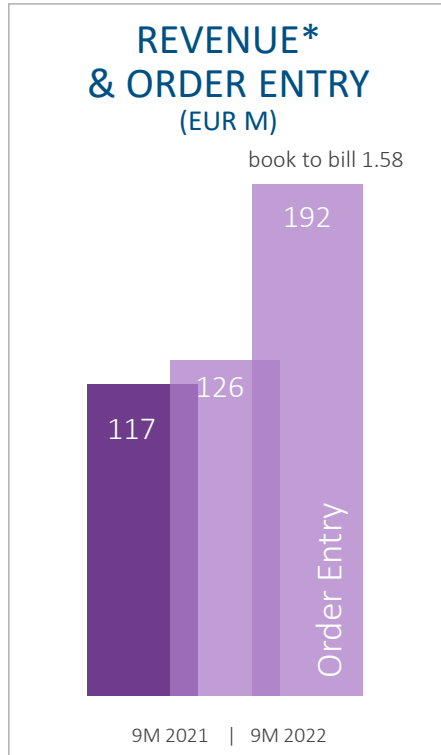


- › Region: CN + USA, midterm 35% of Rev (now 20%, incl. M&A)
- › Asia strong, USA only 1,8% EBITDA
- › Strong order entry indicates future growth
- › EUR 40m overdue orders in USA (highest share)
- › “being” local strategy: local management and engineering
- › GM below Europe -> export European Software
- › Target 2025 EUR 500m @ 10% EBITDA
- › Major customers: GE HC, Rockwell, Medtronic, Caterpillar, Air China, CRCC

Push regional expansion to USA + CN to utilize R&D

* 3rd Party revenue
 ** EBITDA before charged management fees from Kontron AG
 *** HQ-fee adjusted EBITDA in % of external revenue

SOFTWARE AND SOLUTIONS (NEW SEGMENT STARTS 2023)



- › Fastest growing and highest profit segment
- › Target EUR 210m revenues @ 17% EBITDA with 800 employees
- › Most M&A investments in this segment
- › Currently only Europe, go global next
- › more 24/7 service agreements and less product sales
- › Major design wins in 2022: Dt. Bahn, SNCF, CZ

Hi speed trains booming, Software licenses pull even more revenues from Industrial IOT Division

* 3rd Party revenue

** EBITDA before charged management fees from Kontron AG

*** HQ-fee adjusted EBITDA in % of external revenue

M&A PIPELINE

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

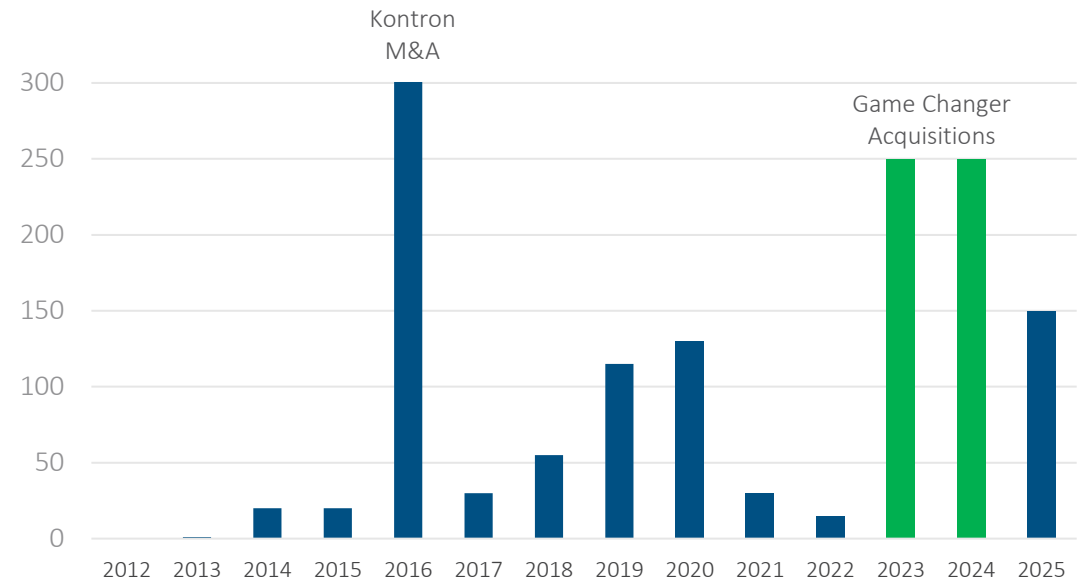
Kontron M&A pipeline

- › Based on est. EUR 400m Focus proceeds game changer acquisitions
- › Pipeline of 4 companies > EUR 1,000m revenues
- › First transaction in H1/2023
- › Regional focus: Go global (USA, China) and European union

Divestments 2022

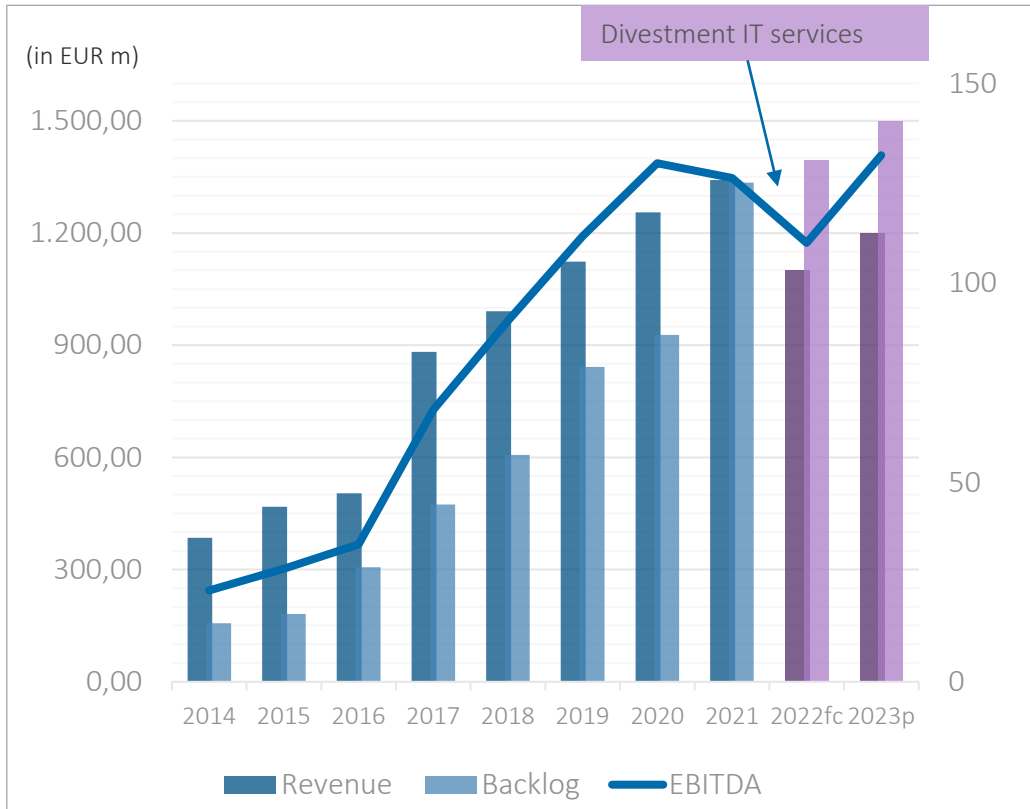
- › Russia, Belarus, Focus

M&A VOLUME (in EUR m)



First transaction H1/2023, Kontron intends to acquire min. EUR 250m in 2023 and 500m in 2023/2024

FORECAST „THE NEW KONTRON“



GUIDANCE 2022

	continued	disc. operations
Revenue	EUR 1,100m	EUR 395m
EBITDA	EUR 111m	EUR 39m
Net profit	EUR 56m	

AGENDA 2025

	S&T 2021act	New Kontron 2022fc	New Kontron 2025p
Revenue	EUR 1,342m	EUR 1,100m	EUR 2,000m
EBITDA	EUR 126.3m	EUR 110m*	EUR 260m
Net Profit	EUR 48.3m	EUR 56m*	EUR 120m

* operative, no divestment profits incl.

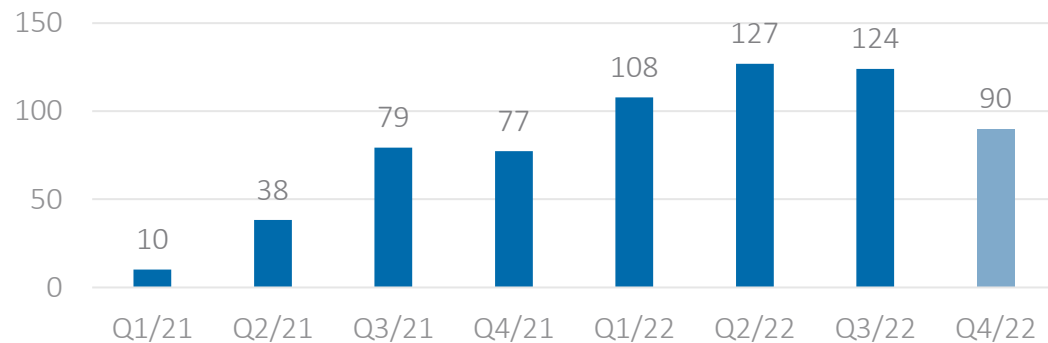
Vision 2030 – transformation to IoT aaS/SLAs will boost EBITDA above 15%

CHALLENGES IN 2022



OVERDUE SHIPMENTS

(in EUR m)



- › Chip shortage impact:
 - › EUR 124m of not delivered delayed but not lost orders
- › Business Impact: Industrial EUR 67m, America EUR 40m, ODM EUR 12m
- › We increased inventory by EUR 74m in 2022 for
 - › EUR 16.5m prepayments on allocated chips
 - › emergency stock and not shippable semi-finished products
- › Price increases cover most related costs = low profit impact
- › Outlook: we will tackle these problems in H1/2023, Inventory will be back to normal end of 2023

RUSSIA

- 2020 We decided to stop investments in Russia and CIS countries
- Q2/2022 We divested entities in Russia
- Q3/2022 We will divest Belarus and Moldova
- FY 2022 14 CIS companies reduced to 2
Russian Engineers transferred to Europe or replaced in Europe
- CIS Impacts
 - Russian Revenues reduced by EUR 40m (est.) – Q3 11m
 - Russian profit reduced by EUR 6m (est.) – Q3 1.5m loss

SUMMARY



ACHIEVEMENTS

- › Organic Revenue total growth of 11.1% in 2022
- › Strong order intake EUR 991m vs 755 shipped (book-bill 1.22)
- › Strong Improvement Net Income (+14.3%)
- › Signing Divestment of IT Services



TARGETS

- › Guidance 2022:
 - › Revenue > EUR 1,100m
 - › Net income EUR 56m
- › EUR 2,000m IIoT Revenues at > 13% EBITDA in 2025
- › Reduce overdue shipments of EUR 124m



RISKS

- › Chip shortage
- › War in Ukraine (limited risk for Kontron)
- › Address right technology trends



OPPORTUNITIES

- › Sufficient cash for “game changer” acquisitions
- › Technology leader to grow in America + China
- › 5G connectivity for machines

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