

Buy (old: Buy)

ESG Rating: BBB

06-May-24

Price target: EUR 30.00 (old: EUR 30.00)

Tim Wunderlich, CFA
Analyst

Price: EUR 19.32 Next result: H1'24: 07.08.24
Bloomberg: KTN GR Market cap: EUR 1,220.5 m
Reuters: KTN.DE Enterprise Value: EUR 1,111.5 m

tim.wunderlich@ha-ib.de
Tel.: +49 40 4143885 81

Q1 in-line, KATEK integration on track, guidance confirmed

Q1 results were broadly in-line with expectations (see next page). **Q1 sales rose by 28% yoy to € 356m**. KATEK contributed € 54m to group sales during its one-month consolidation. Other targets acquired in 2023 added a combined c. € 30m to Q1 group sales. This would suggest that Kontron's organic growth was negative. However, **management is scaling back low-margin IT Services**, which reduced revenues by c. € 30m in total over the past two years (no info available for Q1'24 vs Q1'23). Looking at end-markets, demand was strong in transportation (€ 200m sales in 2024E), Industrial IoT (€ 670m sales) and Defence / Aerospace (€ 140m+ sales). **The book-to-bill remained slightly above 1.0x in the quarter.**

Q1 EBITDA increased by 20% yoy to € 35.4m. KATEK contributed € 5.3m to Q1 EBITDA but Kontron incurred € 3.8m one-offs for M&A and the restructuring of IT Services. The latter has been finalised, the former should lead to a further – and final – € 1m one-off in Q2. Note also that Q1 other income came in at only € 0.6m vs. € 6.7m in Q1'23, which suggests that the underlying profitability was stronger than meets the eye.

The entire € 3.8m one-off expenses were booked in segment Europe, which is why segment EBITDA declined by 17% yoy to € 13.1m. **The EBITDA margin of segment Software + Solutions was a highlight, expanding by 1.4pp yoy to 19.5%**. Segment margins benefit from the strong growth and profitability in transportation, where Kontron has pricing power on the back of a 60% market share in Europe. Defence is another high-margin vertical, as product availability trumps pricing.

Q1 net income was basically flat yoy, on the back of higher D&A, which reflects PPA from M&A. Also, the financial result deteriorated due to KATEK's high-interest debt. Management has already refinanced KATEK's debt and factoring at more favourable conditions and expects the full benefit to become visible in H2'24E.

The take-over and integration of KATEK remain on track. The tender offer will end in mid-May and KATEK should be delisted by late May. Management expects KATEK to contribute € 13m in net income in FY'24E (Q1'24: € 0.6m for March alone) as € 10m of cost savings will take effect by mid-2024. An additional € 32m of EBITDA uplift should be realised by FY'25E courtesy of technology synergies i.e. adding software to KATEK's hardware. **The FY'24E guidance was confirmed**; we will incorporate KATEK into our model once the tender offer is done. **Confirm Buy with a € 30.00 PT based on DCF. -continued-**

Y/E 31.12 (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Sales	1,254.8	1,002.9	1,063.7	1,225.9	1,395.3	1,546.0	1,703.7
Sales growth	12 %	-20 %	6 %	15 %	14 %	11 %	10 %
EBITDA	130.0	90.1	70.0	126.0	143.7	163.1	181.4
EBIT (inc revaluation net)	68.6	40.1	-2.0	86.5	96.8	116.1	134.4
Net income	55.6	48.3	232.5	77.7	85.5	103.0	115.5
Net debt	104.1	116.0	-65.6	-56.0	-136.5	-164.8	-214.1
EPS pro forma	0.84	0.45	-0.19	1.19	1.35	1.63	1.83
CPS	1.39	0.91	0.13	1.35	1.68	1.33	1.68
DPS	0.30	0.35	1.00	0.50	0.60	0.60	0.60
Dividend yield	1.4 %	1.7 %	6.6 %	2.6 %	3.1 %	3.1 %	3.1 %
Gross profit margin	37.2 %	37.1 %	36.1 %	39.3 %	39.1 %	39.2 %	39.3 %
EBITDA margin	10.4 %	9.0 %	6.6 %	10.3 %	10.3 %	10.6 %	10.7 %
EBIT margin	5.5 %	4.0 %	-0.2 %	7.1 %	6.9 %	7.5 %	7.9 %
ROCE	7.9 %	4.6 %	-0.2 %	8.7 %	10.0 %	11.3 %	12.3 %
EV/EBITDA	11.8	16.8	13.2	9.3	7.7	6.6	5.7
EV/EBIT	22.4	37.7	-457.7	13.6	11.5	9.3	7.7
PER	25.2	46.0	-79.0	16.0	14.3	11.9	10.6
Adjusted FCF yield	5.0 %	3.6 %	4.3 %	8.4 %	9.0 %	11.0 %	12.8 %

Source: Company data, Hauck Aufhäuser Investment Banking Close price as of: 03.05.2024



Source: Company data, HAIB

High/low 52 weeks: 23.20 / 17.46
Price/Book Ratio: 1.9
Relative performance (TecDAX):
3 months -7.2 %
6 months -14.2 %
12 months 10.5 %

Changes in estimates

		Sales	EBIT	EPS
2024	old:	1,395.3	96.8	1.35
	Δ	-	-	-
2025	old:	1,546.0	116.1	1.63
	Δ	-	-	-
2026	old:	1,703.7	134.4	1.83
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs) 63.2
Authorised capital: (in € m) 12.1
Book value per share: (in €) 10.3
Ø trading volume: (12 months) 155,000

Major shareholders:

Free Float 55.2 %
Ennoconn 27.6 %
Management 6.5 %
Amiral Gestion 5.4 %
Naneva BV 5.3 %

Company description:

Leading IoT solutions provider targeting industrial, medical, avionics, smart energy, and other applications

Company guidance 2024E:

€ 1,900m+ sales, € 100m net income, both incl. KATEK

EUR	Q1 2024	Q1 2024 est	Q1 2024 consensus	Q1 2023	yoy	Q4 2023	qoq
Sales	356	347	354	277.7	28.2%	365.0	-2.4%
EBITDA	35.4	29.6	32.3	29.6	19.6%	30.1	17.6%
EBITDA margin	10.0%	8.5%	9.1%	10.7%	- 0.7 pp	8.3%	+ 1.7 pp
Net Profit	16.3	15.9	15.9	16.6	-1.7%	24.7	-33.9%
Net margin	4.6%	4.6%	4.5%	6.0%	- 1.4 pp	6.8%	- 2.2 pp
EPS	0.26	0.25	0.25	0.26	-0.8%	0.39	-33.9%

Source: Company data, HAIB

Company in a Nutshell

- Kontron is one of the world's leading manufacturers of IoT-enabled embedded solutions and IoT connectivity software
- Its rugged embedded solutions act as the electronic 'brain' of a machine (e.g. an industrial robot) and provide software functionality such as data analytics and security
- Focus industries are Transportation, Smart Factories, Smart Energy and Medical

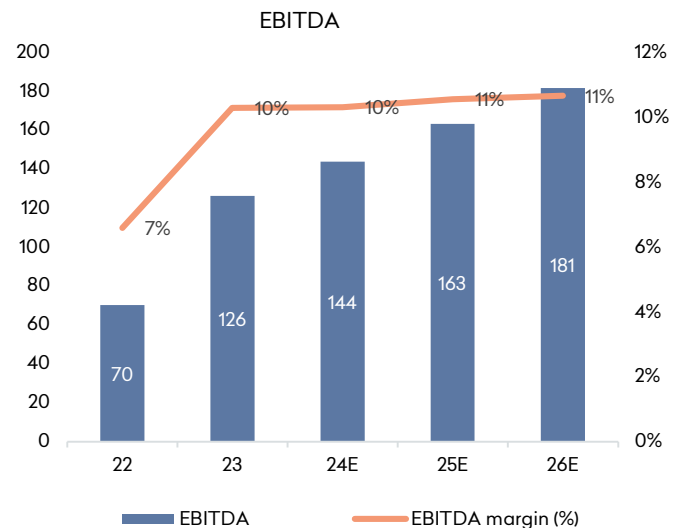
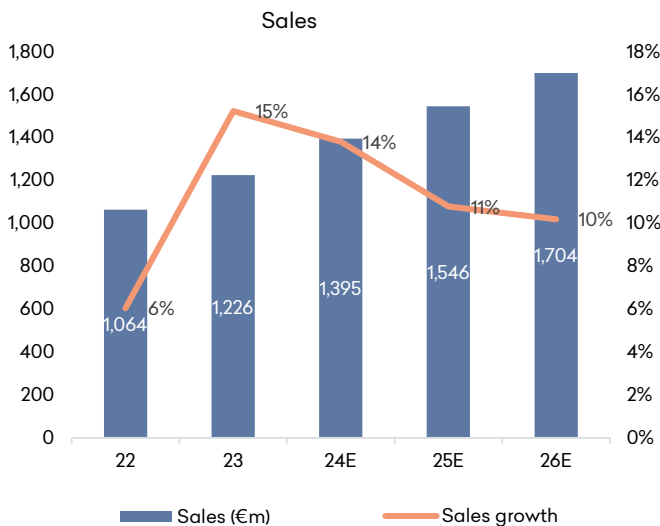
Upcoming Catalysts

- The smooth integration of KATEK coupled with the realisation of cost and technology synergies should trigger a re-rating. **Management should be well on track to achieve this.** As the capital market is still sceptical, there is potential for a positive surprise

Investment Case

- With the take-over of KATEK, Kontron has a **tight focus on the attractive and growing markets** of Industrial IoT and GreenTec.
- The company offers a **fully integrated technology platform**, which comprises hardware and software solutions for smart factories, transportation, data connectivity, medical and smart energy
- **Its diverse client base comprises >4,500 accounts in total**, with the top 10 customers explaining approx. 12% of sales
- **Differentiation is based on extensive software know-how**, which is backed by one of the largest engineering forces in the industry (3,600 engineers)
- **Strong lock-in effects:** Kontron is frequently the single source supplier of bespoke solutions for its clients. Once Kontron's solution is embedded into a customer's product, a design-out is virtually impossible. Kontron is also in the pole position to win follow-on projects, which results in long-standing customer relationships
- **Buy with a DCF-based € 30.00 PT**, backed by 10%+ ROCEs, 15% EPS CAGR through FY'26E and 11% FCF Yield ('25E)

Key Performance Indicators



Source: Company data, Hauck Aufhäuser Investment Banking

Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow summary	2022	2023	2024E	2025E	2026E
Operating cash flow	44.4	116.9	143.7	121.9	143.5
Capex	40.5	46.3	51.6	55.7	56.2
FCF	4.0	70.6	92.1	66.2	87.3
FCF per share	0.1	1.1	1.5	1.0	1.4
FCF yield	4.3 %	8.4 %	9.0 %	11.0 %	12.8 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0

Source: Company data, Hauck Aufhäuser Investment Banking

Key ratios summary	2022	2023	2024E	2025E	2026E
EPS growth	392.0 %	-66.3 %	10.0 %	20.5 %	12.2 %
Capital Turnover	1.0	1.3	1.4	1.5	1.5
Avg. working capital / sales	10.8 %	13.8 %	11.3 %	12.1 %	12.1 %
Cash conversion cycle (days)	33.1	42.4	36.4	40.7	40.6
FCF / Net profit	neg.	93.8 %	107.8 %	64.3 %	75.6 %
Interest cover	0.0	5.4	18.4	21.0	24.3

Source: Company data, Hauck Aufhäuser Investment Banking

Financials

Profit and loss (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Net sales	1,254.8	1,002.9	1,063.7	1,225.9	1,395.3	1,546.0	1,703.7
Sales growth	11.7 %	-20.1 %	6.1 %	15.3 %	13.8 %	10.8 %	10.2 %
Increase/decrease in finished goods and work-in-process	17.6	21.2	23.4	24.7	14.0	15.5	17.0
Total sales	1,272.4	1,024.2	1,087.1	1,250.7	1,409.3	1,561.5	1,720.7
Other operating income	8.8	14.6	19.7	15.4	7.0	7.7	8.5
Material expenses	799.0	644.7	694.2	759.7	858.1	950.0	1,045.2
Personnel expenses	273.3	237.6	258.8	291.8	319.5	352.5	388.4
Other operating expenses	78.8	66.5	83.8	88.5	94.9	103.6	114.1
Total operating expenses	1,142.4	934.1	1,017.1	1,124.6	1,265.5	1,398.4	1,539.3
EBITDA	130.0	90.1	70.0	126.0	143.7	163.1	181.4
Depreciation	30.9	50.0	72.0	39.5	27.4	27.5	27.5
EBITA	99.1	40.1	-2.0	86.5	116.3	135.6	153.9
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	30.5	0.0	0.0	0.0	19.5	19.5	19.5
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	68.6	40.1	-2.0	86.5	96.8	116.1	134.4
Interest income	1.6	1.4	1.4	8.9	5.6	6.4	7.0
Interest expenses	9.3	9.0	10.0	16.1	5.2	5.5	5.5
Other financial result	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-7.9	-7.6	-8.6	-7.3	0.3	0.9	1.5
Recurring pretax income from continuing operations	60.7	32.4	-10.7	79.2	97.2	117.0	135.9
Extraordinary income/loss	0.0	0.0	0.0	n/a	0.0	0.0	0.0
Earnings before taxes	60.7	32.4	-10.7	79.2	97.2	117.0	135.9
Taxes	6.1	2.0	2.2	3.5	11.7	14.0	20.4
Net income from continuing operations	54.6	30.5	-12.8	75.7	85.5	103.0	115.5
Result from discontinued operations (net of tax)	0.0	-18.5	-244.7	-2.4	0.0	0.0	0.0
Net income	54.6	49.0	231.9	78.1	85.5	103.0	115.5
Minority interest	-1.0	0.7	-0.6	0.4	0.0	0.0	0.0
Net profit (reported)	55.6	48.3	232.5	77.7	85.5	103.0	115.5
Average number of shares	65.0	65.0	63.6	63.2	63.2	63.2	63.2
EPS reported	0.86	0.74	3.65	1.23	1.35	1.63	1.83

Profit and loss (common size)	2020	2021	2022	2023	2024E	2025E	2026E
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	1.4 %	2.1 %	2.2 %	2.0 %	1.0 %	1.0 %	1.0 %
Total sales	101.4 %	102.1 %	102.2 %	102.0 %	101.0 %	101.0 %	101.0 %
Other operating income	0.7 %	1.5 %	1.8 %	1.3 %	0.5 %	0.5 %	0.5 %
Material expenses	63.7 %	64.3 %	65.3 %	62.0 %	61.5 %	61.5 %	61.4 %
Personnel expenses	21.8 %	23.7 %	24.3 %	23.8 %	22.9 %	22.8 %	22.8 %
Other operating expenses	6.3 %	6.6 %	7.9 %	7.2 %	6.8 %	6.7 %	6.7 %
Total operating expenses	91.0 %	93.1 %	95.6 %	91.7 %	90.7 %	90.5 %	90.4 %
EBITDA	10.4 %	9.0 %	6.6 %	10.3 %	10.3 %	10.6 %	10.7 %
Depreciation	2.5 %	5.0 %	6.8 %	3.2 %	2.0 %	1.8 %	1.6 %
EBITA	7.9 %	4.0 %	neg.	7.1 %	8.3 %	8.8 %	9.0 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	2.4 %	0.0 %	0.0 %	0.0 %	1.4 %	1.3 %	1.1 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	5.5 %	4.0 %	neg.	7.1 %	6.9 %	7.5 %	7.9 %
Interest income	0.1 %	0.1 %	0.1 %	0.7 %	0.4 %	0.4 %	0.4 %
Interest expenses	0.7 %	0.9 %	0.9 %	1.3 %	0.4 %	0.4 %	0.3 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	neg.	neg.	neg.	neg.	0.0 %	0.1 %	0.1 %
Recurring pretax income from continuing operations	4.8 %	3.2 %	neg.	6.5 %	7.0 %	7.6 %	8.0 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	n/a	0.0 %	0.0 %	0.0 %
Earnings before taxes	4.8 %	3.2 %	neg.	6.5 %	7.0 %	7.6 %	8.0 %
Tax rate	10.0 %	6.1 %	-20.5 %	4.5 %	12.0 %	12.0 %	15.0 %
Net income from continuing operations	4.4 %	3.0 %	neg.	6.2 %	6.1 %	6.7 %	6.8 %
Income from discontinued operations (net of tax)	0.0 %	-1.8 %	-23.0 %	-0.2 %	0.0 %	0.0 %	0.0 %
Net income	4.4 %	4.9 %	21.8 %	6.4 %	6.1 %	6.7 %	6.8 %
Minority interest	neg.	0.1 %	neg.	0.0 %	0.0 %	0.0 %	0.0 %
Net profit (reported)	4.4 %	4.8 %	21.9 %	6.3 %	6.1 %	6.7 %	6.8 %

Source: Company data, Hauck Aufhäuser Investment Banking

Balance sheet (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Intangible assets	302.3	312.5	261.8	319.0	315.4	319.1	323.5
Property, plant and equipment	135.1	132.5	95.5	110.4	98.7	103.7	108.6
Financial assets	22.1	32.5	146.0	32.1	32.1	32.1	32.1
FIXED ASSETS	459.5	477.5	503.4	461.6	446.3	455.0	464.2
Inventories	159.9	187.3	192.6	229.1	258.4	297.3	327.6
Accounts receivable	204.5	214.1	148.1	213.6	188.5	208.8	230.1
Other current assets	104.2	136.5	126.0	91.1	93.4	95.7	98.1
Liquid assets	281.9	296.5	437.8	332.2	412.8	441.1	490.4
Deferred taxes	36.6	40.2	33.1	43.1	43.1	43.1	43.1
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	787.1	874.6	937.5	909.1	996.1	1,086.0	1,189.4
TOTAL ASSETS	1,246.6	1,352.1	1,440.9	1,370.7	1,442.4	1,541.0	1,653.6
SHAREHOLDERS EQUITY	404.0	418.6	633.8	602.0	653.6	716.4	791.5
MINORITY INTEREST	5.4	4.7	1.8	2.0	2.0	2.0	2.0
Long-term debt	343.2	340.2	246.5	125.4	125.4	125.4	125.4
Provisions for pensions and similar obligations	26.8	25.1	19.9	27.5	27.5	27.5	27.5
Other provisions	40.5	31.4	27.0	33.3	33.3	33.3	33.3
Non-current liabilities	410.5	396.7	293.3	186.2	186.2	186.2	186.2
short-term liabilities to banks	42.8	72.3	125.7	150.9	150.9	150.9	150.9
Accounts payable	210.0	270.0	226.3	273.1	288.6	319.8	352.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	160.6	176.7	154.1	151.2	155.7	160.4	165.2
Deferred taxes	13.3	13.2	5.7	5.3	5.3	5.3	5.3
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	426.6	532.2	511.9	580.5	600.6	636.4	673.9
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,246.6	1,352.1	1,440.9	1,370.7	1,442.4	1,541.0	1,653.6

Balance sheet (common size)	2020	2021	2022	2023	2024E	2025E	2026E
Intangible assets	24.2 %	23.1 %	18.2 %	23.3 %	21.9 %	20.7 %	19.6 %
Property, plant and equipment	10.8 %	9.8 %	6.6 %	8.1 %	6.8 %	6.7 %	6.6 %
Financial assets	1.8 %	2.4 %	10.1 %	2.3 %	2.2 %	2.1 %	1.9 %
FIXED ASSETS	36.9 %	35.3 %	34.9 %	33.7 %	30.9 %	29.5 %	28.1 %
Inventories	12.8 %	13.9 %	13.4 %	16.7 %	17.9 %	19.3 %	19.8 %
Accounts receivable	16.4 %	15.8 %	10.3 %	15.6 %	13.1 %	13.6 %	13.9 %
Other current assets	8.4 %	10.1 %	8.7 %	6.6 %	6.5 %	6.2 %	5.9 %
Liquid assets	22.6 %	21.9 %	30.4 %	24.2 %	28.6 %	28.6 %	29.7 %
Deferred taxes	2.9 %	3.0 %	2.3 %	3.1 %	3.0 %	2.8 %	2.6 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	63.1 %	64.7 %	65.1 %	66.3 %	69.1 %	70.5 %	71.9 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	32.4 %	31.0 %	44.0 %	43.9 %	45.3 %	46.5 %	47.9 %
MINORITY INTEREST	0.4 %	0.3 %	0.1 %	0.1 %	0.1 %	0.1 %	0.1 %
Long-term debt	27.5 %	25.2 %	17.1 %	9.1 %	8.7 %	8.1 %	7.6 %
Provisions for pensions and similar obligations	2.2 %	1.9 %	1.4 %	2.0 %	1.9 %	1.8 %	1.7 %
Other provisions	3.2 %	2.3 %	1.9 %	2.4 %	2.3 %	2.2 %	2.0 %
Non-current liabilities	32.9 %	29.3 %	20.4 %	13.6 %	12.9 %	12.1 %	11.3 %
short-term liabilities to banks	3.4 %	5.3 %	8.7 %	11.0 %	10.5 %	9.8 %	9.1 %
Accounts payable	16.8 %	20.0 %	15.7 %	19.9 %	20.0 %	20.8 %	21.3 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	12.9 %	13.1 %	10.7 %	11.0 %	10.8 %	10.4 %	10.0 %
Deferred taxes	1.1 %	1.0 %	0.4 %	0.4 %	0.4 %	0.3 %	0.3 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	34.2 %	39.4 %	35.5 %	42.4 %	41.6 %	41.3 %	40.8 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck Aufhäuser Investment Banking

Cash flow statement (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	54.6	49.0	-2.0	78.1	85.5	103.0	115.5
Depreciation of fixed assets (incl. leases)	30.9	63.6	72.0	39.5	27.4	27.5	27.5
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	30.5	0.0	0.0	0.0	19.5	19.5	19.5
Others	-8.5	-20.3	-42.6	13.1	0.0	0.0	0.0
Cash flow from operations before changes in w/c	107.5	92.3	27.4	130.8	132.4	150.0	162.5
Increase/decrease in inventory	-13.1	-27.5	-5.3	-15.0	-29.3	-38.9	-30.3
Increase/decrease in accounts receivable	41.4	-9.6	66.0	-17.4	25.1	-20.4	-21.3
Increase/decrease in accounts payable	5.0	60.0	-43.6	18.5	15.6	31.2	32.6
Increase/decrease in other working capital positions	0.0	-19.9	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	33.3	3.0	17.1	-13.9	11.3	-28.1	-19.0
Cash flow from operating activities	140.8	95.3	44.4	116.9	143.7	121.9	143.5
CAPEX	33.9	47.0	40.5	46.3	51.6	55.7	56.2
Payments for acquisitions	41.0	13.9	20.5	53.3	0.0	0.0	0.0
Financial investments	3.6	8.2	-13.0	-2.8	0.0	0.0	0.0
Income from asset disposals	1.3	2.8	191.7	122.5	20.0	0.0	0.0
Cash flow from investing activities	-77.2	-66.3	143.7	25.7	-31.6	-55.7	-56.2
Cash flow before financing	63.6	29.0	188.1	142.6	112.1	66.2	87.3
Increase/decrease in debt position	-40.9	28.8	-56.7	-73.5	0.0	0.0	0.0
Purchase of own shares	12.2	20.6	0.0	45.5	0.0	0.0	0.0
Capital measures	1.4	0.0	0.0	5.8	0.0	0.0	0.0
Dividends paid	0.0	19.2	22.3	63.4	31.6	37.9	37.9
Others	-14.1	-9.3	-11.8	-13.6	0.0	0.0	0.0
Effects of exchange rate changes on cash	-8.1	4.3	0.4	-3.1	0.0	0.0	0.0
Cash flow from financing activities	-65.8	-20.2	-90.8	-190.2	-31.6	-37.9	-37.9
Increase/decrease in liquid assets	-10.2	13.0	97.7	-50.8	80.5	28.3	49.4
Liquid assets at end of period	281.9	296.5	437.8	332.2	412.8	441.1	490.4

Quarterly results (EUR m)	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	FY 2024E
Sales	247.0	245.6	262.4	308.7	277.7	283.2	300.0	365.0	356.0	1,395.3
Sales growth	n/a	n/a	n/a	n/a	12 %	15 %	14 %	18 %	28 %	14 %
Gross profit	94.8	98.5	97.3	102.3	112.0	120.2	124.3	134.4	152.1	551.1
Gross profit margin	37.5 %	39.2 %	36.2 %	32.5 %	39.7 %	41.7 %	40.6 %	36.0 %	42.1 %	39.1 %
EBITDA	23.7	24.8	20.0	1.5	29.6	31.3	35.0	30.1	35.4	143.7
EBITDA margin	9.6 %	10.1 %	7.6 %	0.5 %	10.7 %	11.1 %	11.7 %	8.3 %	9.9 %	10.3 %
EBIT (inc revaluation net)	12.0	12.5	8.1	-34.7	20.6	22.2	25.0	18.6	22.0	96.8
EBIT margin	4.9 %	5.1 %	3.1 %	-11.2 %	7.4 %	7.8 %	8.3 %	5.1 %	6.2 %	6.9 %
EPS reported	0.18	0.20	0.13	3.14	0.26	0.30	0.30	0.37	0.26	1.35

Source: Company data, Hauck Aufhäuser Investment Banking

Key ratios (EUR m)	2020	2021	2022	2023	2024E	2025E	2026E
P&L growth analysis							
Sales growth	11.7 %	-20.1 %	6.1 %	15.3 %	13.8 %	10.8 %	10.2 %
EBITDA growth	n/a	-30.7 %	-22.3 %	80.0 %	14.0 %	13.5 %	11.2 %
EBIT growth	n/a	-41.6 %	-105.0 %	-	12.0 %	19.9 %	15.8 %
EPS growth	n/a	-13.2 %	392.0 %	-66.3 %	10.0 %	20.5 %	12.2 %
Efficiency							
Total operating costs / sales	91.0 %	93.1 %	95.6 %	91.7 %	90.7 %	90.5 %	90.4 %
Sales per employee	413.6	189.1	236.0	263.3	267.9	270.3	283.7
EBITDA per employee	42.9	17.0	15.5	27.1	27.6	28.5	30.2
Balance sheet analysis							
Avg. working capital / sales	n/a	14.2 %	11.6 %	11.6 %	11.7 %	11.1 %	11.5 %
Inventory turnover (sales/inventory)	7.8	5.4	5.5	5.4	5.4	5.2	5.2
Trade debtors in days of sales	59.5	77.9	50.8	63.6	49.3	49.3	49.3
A/P turnover [(A/P*365)/sales]	61.1	98.3	77.7	81.3	75.5	75.5	75.5
Cash conversion cycle (days)	36.6	31.1	33.1	42.4	36.4	40.7	40.6
Cash flow analysis							
Free cash flow	106.9	48.3	4.0	70.6	92.1	66.2	87.3
Free cash flow/sales	8.5 %	4.8 %	0.4 %	5.8 %	6.6 %	4.3 %	5.1 %
FCF / net profit	192.2 %	100.1 %	1.7 %	90.8 %	107.8 %	64.3 %	75.6 %
Capex / deprn	61.2 %	86.7 %	38.2 %	110.0 %	110.0 %	118.5 %	119.6 %
Capex / maintenance capex	71.6 %	n/a	66.2 %	83.4 %	81.8 %	86.4 %	86.1 %
Capex / sales	3.0 %	5.5 %	2.6 %	3.5 %	3.7 %	3.6 %	3.3 %
Security							
Net debt	104.1	116.0	-65.6	-56.0	-136.5	-164.8	-214.1
Net Debt/EBITDA	0.8	1.3	0.0	0.0	0.0	0.0	0.0
Net debt / equity	0.3	0.3	neg.	neg.	neg.	neg.	neg.
Interest cover	7.4	4.5	0.0	5.4	18.4	21.0	24.3
Dividend payout ratio	35.7 %	47.9 %	27.4 %	40.6 %	44.3 %	36.8 %	32.8 %
Asset utilisation							
Capital employed turnover	1.5	1.1	1.0	1.3	1.4	1.5	1.5
Operating assets turnover	4.3	3.8	5.1	4.4	5.4	5.3	5.4
Plant turnover	9.3	7.6	11.1	11.1	14.1	14.9	15.7
Inventory turnover (sales/inventory)	7.8	5.4	5.5	5.4	5.4	5.2	5.2
Returns							
ROCE	7.9 %	4.6 %	-0.2 %	8.7 %	10.0 %	11.3 %	12.3 %
ROE	13.8 %	11.5 %	36.7 %	12.9 %	13.1 %	14.4 %	14.6 %
Other							
Interest paid / avg. debt	2.4 %	2.3 %	2.6 %	5.0 %	1.9 %	2.0 %	2.0 %
No. employees (average)	3034	5304	4508	4657	5209	5720	6005
Number of shares	65.0	65.0	63.6	63.2	63.2	63.2	63.2
DPS	0.3	0.4	1.0	0.5	0.6	0.6	0.6
EPS reported	0.86	0.74	3.65	1.23	1.35	1.63	1.83
Valuation ratios							
P/BV	3.5	3.3	1.5	2.0	1.9	1.7	1.5
EV/sales	1.2	1.5	0.9	1.0	0.8	0.7	0.6
EV/EBITDA	11.8	16.8	13.2	9.3	7.7	6.6	5.7
EV/EBITA	15.5	37.7	-457.7	13.6	9.6	8.0	6.7
EV/EBIT	22.4	37.7	-457.7	13.6	11.5	9.3	7.7
EV/FCF	14.4	31.3	233.4	16.7	12.1	16.4	11.8
Adjusted FCF yield	5.0 %	3.6 %	4.3 %	8.4 %	9.0 %	11.0 %	12.8 %
Dividend yield	1.4 %	1.7 %	6.6 %	2.6 %	3.1 %	3.1 %	3.1 %

Source: Company data, Hauck Aufhäuser Investment Banking

Disclosures regarding research publications of Hauck Aufhäuser Lampe Privatbank AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK through Hauck Aufhäuser IB Ltd., subject to the FCA requirements on research recommendation disclosures

Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if Hauck Aufhäuser Lampe Privatbank AG

- (1) or any other person belonging to the same group with that person (as part of a consortium) within the past twelve months, acquired the financial instruments of the analysed company,
- (2) or any other person belonging to the same group with that person has entered into an agreement on the production of the research report with the analysed company,
- (3) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement,
- (4) holds a) 5% or more of the share capital of the analysed company, or b) the analysed company holds 5% or more of the share capital of Hauck Aufhäuser Lampe Privatbank AG or its affiliate(s),
- (5) holds a net short (a) or a net long (b) position of 0.5% of the outstanding share capital of the analysed company or derivatives thereof,
- (6) or any other person belonging to the same group with that person is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analysed company such as, for example, exercising mandates in the interest of the analysed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
Kontron AG	

Historical target price and rating changes for Kontron AG in the last 12 months



Kontron AG	05.04.2024	Wunderlich, Tim	Buy	EUR 30,00	EUR 19,00
	12.01.2024	Wunderlich, Tim	Buy	EUR 30,00	EUR 21,26
	06.12.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 21,46
	17.11.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 21,76
	06.11.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 20,56
	03.11.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 20,26
	30.10.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 19,07
	12.10.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 19,50
	25.09.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 17,69
	29.08.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 20,56
	04.08.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 20,46
	03.08.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 20,78
	01.08.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 19,51
	04.07.2023	Wunderlich, Tim	Buy	EUR 30,00	EUR 19,55
	06.06.2023	Wunderlich, Tim	Buy	EUR 29,50	EUR 18,90

Hauck Aufhäuser Investment Banking distribution of ratings and in proportion to investment banking services

Buy	72.63 %	84.38 %
Sell	3.68 %	0.00 %
Hold	23.68 %	15.63 %

Date of publication creation: 06/05/2024 08:05 AM

Date of publication dissemination: 06/05/2024 08:16 AM

1. General Information/Liabilities

This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by Hauck Aufhäuser Lampe Privatbank AG, distributed in the UK through Hauck Aufhäuser IB Ltd., exclusively to selected recipients (in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries). A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of Hauck Aufhäuser Lampe Privatbank AG. Reproduction of this document, in whole or in part, is not permitted without prior permission Hauck Aufhäuser Lampe Privatbank AG. All rights reserved.

Under no circumstances shall Hauck Aufhäuser Lampe Privatbank AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities

This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analysed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organisational Requirements

Hauck Aufhäuser Lampe Privatbank AG took internal organisational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of Hauck Aufhäuser Lampe Privatbank AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update

The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

Hauck Aufhäuser Lampe Privatbank AG uses the following three-step rating system for the analysed companies:

Buy: Sustainable upside potential of more than 10% within 12 months

Sell: Sustainable downside potential of more than 10% within 12 months.

Hold: Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of Hauck Aufhäuser Lampe Privatbank AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analysed in this document was solely made by Hauck Aufhäuser Lampe Privatbank AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of Hauck Aufhäuser Lampe Privatbank AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Major Sources of Information

Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. Hauck Aufhäuser Lampe Privatbank AG has checked the information for plausibility but not for accuracy or completeness.

6. Competent Supervisory Authority

Hauck Aufhäuser Lampe Privatbank AG are under supervision of the BaFin – German Federal Financial Supervisory Authority Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M.

This document is distributed in the UK through Hauck Aufhäuser IB Ltd. and in compliance with the applicable FCA requirements.

7. Specific Comments for Recipients Outside of Germany

This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

8. Miscellaneous

According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under:

<https://www.hal-privatbank.com/en/investmentbank/investment-banking>

Disclosures for U.S. persons only

This research report is a product of HAUCK AUFHÄUSER LAMPE PRIVATBANK AG, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by HAUCK AUFHÄUSER LAMPE PRIVATBANK AG, only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, HAUCK AUFHÄUSER LAMPE PRIVATBANK AG, has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Contacts: Hauck Aufhäuser Investment Banking

HAIB Research

Hauck Aufhäuser Investment Banking
Mittelweg 16/17
20148 Hamburg
Germany

Hauck Aufhäuser Investment Banking
Goetheplatz 9-11
60313 Frankfurt am Main
Germany

Tel.: +49 (0) 40 414 3885 97
Fax: +49 (0) 40 414 3885 71
E-Mail: research@ha-ib.de
www.ha-research.de

Tim Wunderlich, CFA
Head of Transactional Research
Tel.: +49 40 414 3885 81
E-Mail: tim.wunderlich@ha-ib.de

Marie-Thérèse Grübner
Head of Research
Tel.: +49 40 450 6342 3097
E-Mail: marie-therese.gruebner@ha-ib.de

Alexander Galitsa
Analyst
Tel.: +49 40 414 3885 83
E-Mail: alexander.galitsa@ha-ib.de

Christian Glowa
Analyst
Tel.: +49 40 414 3885 95
E-Mail: christian.glowa@ha-ib.de

Christian Salis
Analyst
Tel.: +49 40 414 3885 96
E-Mail: christian.salis@ha-ib.de

Cornelis Kik
Analyst
Tel.: +49 40 450 6342 3096
E-Mail: cornelis.kik@ha-ib.de

Finn Kemper
Analyst
Tel.: +49 40 450 6342 3098
E-Mail: finn.kemper@ha-ib.de

Jorge González Sadornil
Analyst
Tel.: +49 40 414 3885 84
E-Mail: jorge.gonzalez@ha-ib.de

Simon Jouck
Analyst
Tel.: +49 40 450 6342 3093
E-Mail: simon.jouck@ha-ib.de

Simon Keller, CFA
Analyst
Tel.: +49 40 414 388 573
E-Mail: simon.keller@ha-ib.de

HAIB Sales

Alexander Lachmann
Equity Sales
Tel.: +41 43 497 30 23
E-Mail: alexander.lachmann@ha-ib.de

Carlos Becke
Equity Sales
Tel.: +44 203 84 107 97
E-Mail: carlos.becke@ha-ib.de

Carsten Kinder
Head of Equities
Tel.: +41 43 497 3024
E-Mail: carsten.kinder@ha-ib.de

Christian Bybjerg
Equity Sales
Tel.: +49 414 3885 74
E-Mail: christian.bybjerg@ha-ib.de

Florian Kurz
Equity Sales
Tel.: +49 69 84 2161 1793
E-Mail: florian.kurz@ha-ib.de

Hugues Madelin
Equity Sales
Tel.: +33 1 426 850 12
E-Mail: hugues.madelin@ha-ib.de

Imogen Voorspuy
Equity Sales
Tel.: +44 203 84 107 98
E-Mail: imogen.voorspuy@ha-ib.de

Markus Scharhag
Equity Sales
Tel.: +49 89 23 93 2813
E-Mail: markus.scharhag@ha-ib.de

Vincent Bischoff
Equity Sales
Tel.: +49 40 414 38 85 88
E-Mail: vincent.bischoff@ha-ib.de

HAIB Trading

Hauck Aufhäuser Investment Banking
Privatbank AG
Mittelweg 16/17
20148 Hamburg
Germany

Tel.: +49 40 414 3885 78
Fax: +49 40 414 3885 71
E-Mail: info@hal-privatbank.com
www.hal-privatbank.com

Fin Schaffer
Trading
Tel.: +49 40 414 38 85 98
E-Mail: fin.schaffer@ha-ib.de

Nils Carstens
Trading
Tel.: +49 40 414 38 85 85
E-Mail: nils.carstens@ha-ib.de

Carolin Heidrich
Middle-Office
Tel.: +49 40 414 3885 87
E-Mail: carolin.heidrich@hal-privatbank.com

Tom Warlich
Middle-Office
Tel.: +49 40 414 3885 78
E-Mail: tom.warlich@hal-privatbank.com