



kontron

Q2 EARNINGS CALL

DI Hannes Niederhauser, CEO

August 4th, 2022



HIGH- AND LOWLIGHTS Q2-2022



HIGHLIGHTS

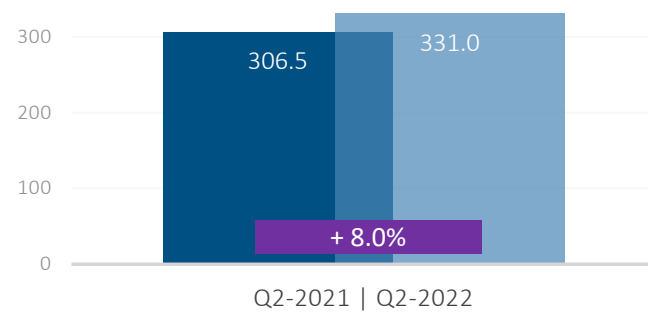
- › Q2-2022:
 - › Plus 8.0% in Revenues vs. Q2-2021
 - › Plus 23.0% in Net Income vs. Q2-2021
- › Strong order entry proceeding for the 6th quarter
 - › Book to bill of 1.22 – EUR 405 Mio. order entry in Q2-2022
- › Russia: major divestments started
- › 35 cent dividend paid for 2021 - 2.5% dividend yield

LOWLIGHTS

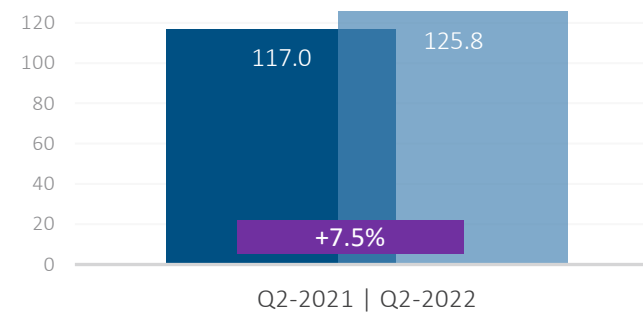
- › Chip shortage impact:
 - › EUR 127 Mio. of not delivered orders as of 30.06.2022
 - › Operating CF burdened by EUR 59 Mio. increased inventory
- › North America increased in revenues – still weak in margin
- › Impacts of Russian deconsolidation in Q2 (RT Soft)
 - › EUR 6.1 Mio. (-43%) reduction in Revenues

KPI'S Q2-2022 GOOD RESULTS IN ALL PARAMETERS

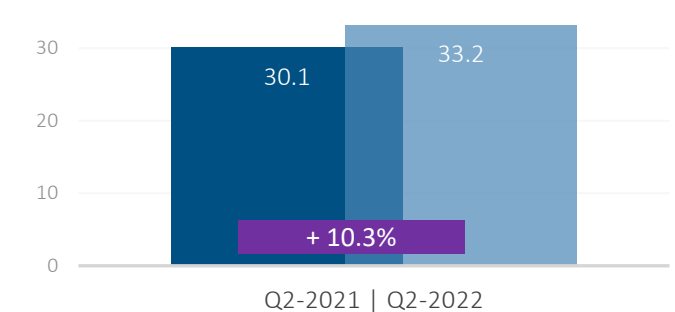
▼
REVENUE
(in EUR Mio.)



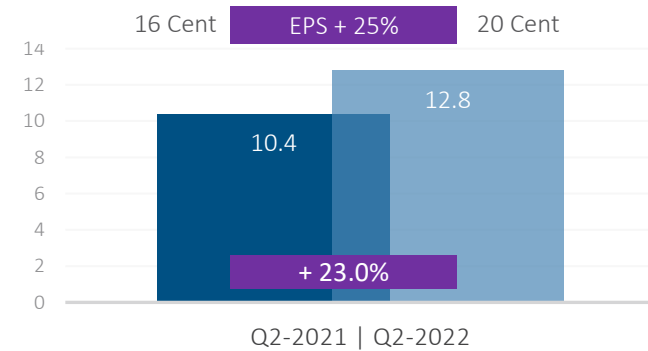
GROSS PROFIT
(in EUR Mio.)



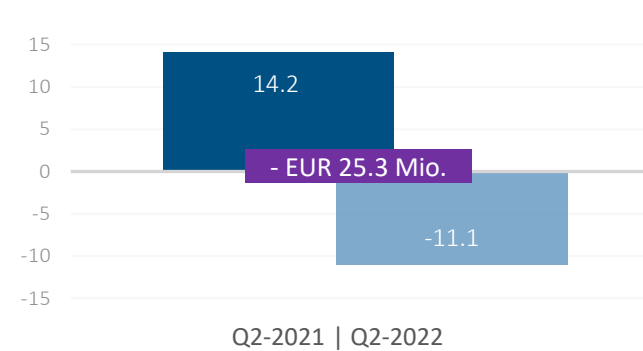
EBITDA
(in EUR Mio.)



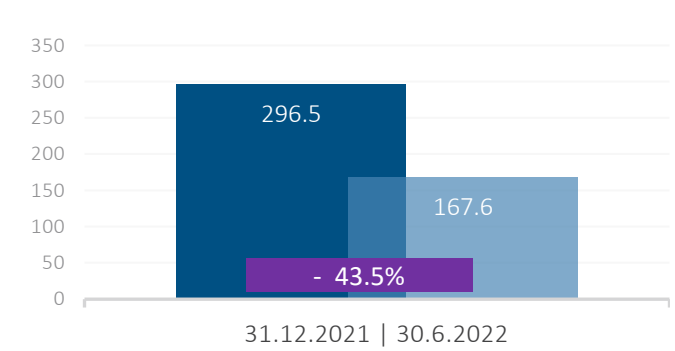
NET INCOME AFTER NCI
(in EUR Mio.)



OPERATING CASH FLOW
(in EUR Mio.)



CASH AND CASH EQUIVALENTS
(in EUR Mio.)

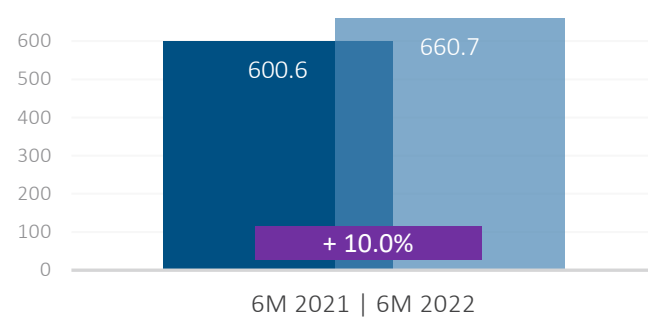


Strong improvement in EPS (+25%) and Net Income (+23.0%)

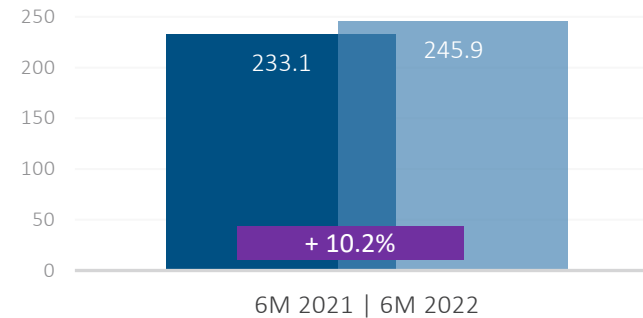
KPI'S HY1-2022 GOOD RESULTS IN ALL PARAMETERS



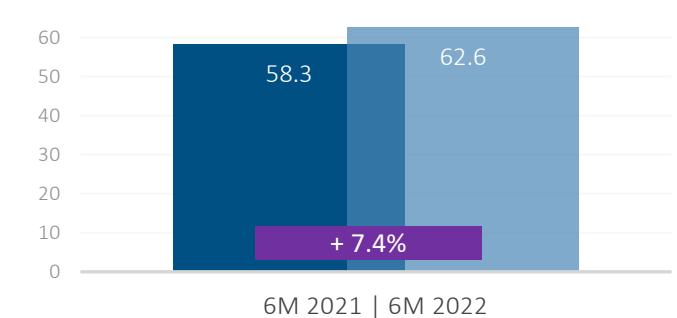
▼
REVENUE
(in EUR Mio.)



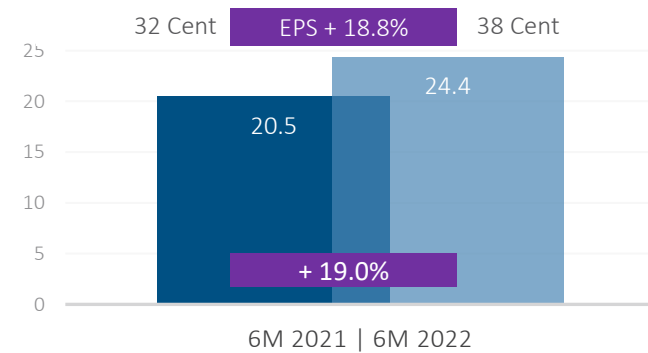
GROSS PROFIT
(in EUR Mio.)



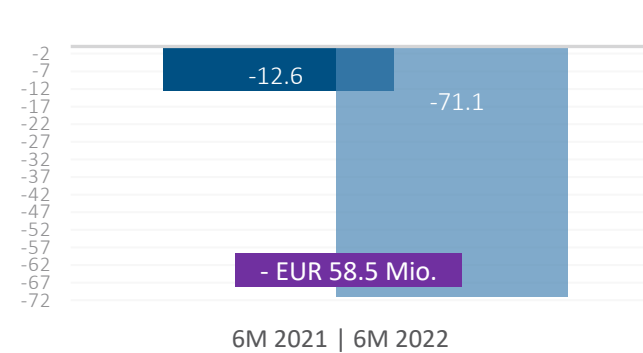
EBITDA
(in EUR Mio.)



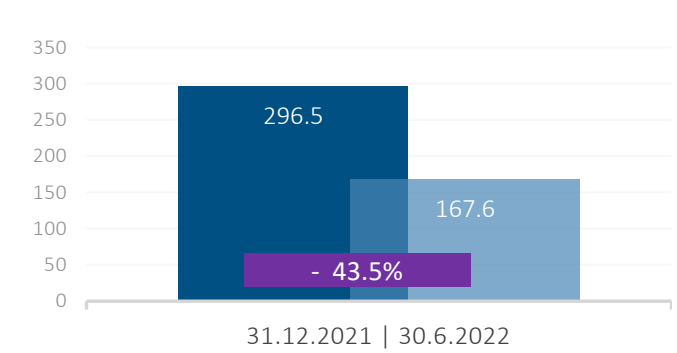
NET INCOME AFTER NCI
(in EUR Mio.)



OPERATING CASH FLOW
(in EUR Mio.)



CASH AND CASH EQUIVALENTS
(in EUR Mio.)



10% growth after H1 | We reiterate our FY 2022 guidance of EUR 1.5 Bn. revenues @ EUR 150 Mio. EBITDA

KONTRON GROUP BALANCE SHEET



Mio. EUR	30/06/2022	31/12/2021
NON-CURRENT ASSETS	511,0	519,0
Fixed Assets	469,8	478,8
as of Property, plant and equipment	124,7	132,5
as of Goodwill	209,4	208,3
Other Assets	41,2	40,2
CURRENT ASSETS	752,8	833,2
Inventories	246,2	187,3
Trade receivables	216,4	232,5
Contract Assets from Customers	35,1	32,8
Cash and cash equivalents	167,6	296,5
Other receivables and prepayments	87,5	83,9
Total Assets	1.263,8	1.352,1

	30/06/2022	31/12/2021
CAPITAL AND RESERVES	432,5	423,3
Equity	432,5	423,3
as of Treasury shares	0,0	-46,8
NON-CURRENT LIABILITIES	326,0	348,2
Long-term loans and borrowings	231,6	238,4
Other Non-Current Liabilities	94,4	109,8
CURRENT LIABILITIES	505,4	580,7
Trade payables	215,7	270,0
Contract Liabilities from Customers	87,8	85,0
Short-term loans and borrowings	70,2	72,3
Other Current Liabilities	131,6	153,4
Total Liabilities & Equity	1.263,8	1.352,1

> Equity Ratio	34,2%	31,3%
> Net Cash/Net Debt*	-134,2	-14,2
> Working Capital excluding IFRS 15**	246,8	149,9

EUR 59 Mio. Inventory build 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)

APPENDIX

ADDITIONAL DISCLOSURES IN Q2

IN TEUR EBIT ADJUSTMENTS

17,664	STATED EBIT
- 345	Additional cost for intensified auditing
1.634	FX profits
-685	Settlement on a legal claim in AT
90	Electricity subsidy in SLO
-643	PPVs paid due to chip crisis and not recovered
449	ONE TIME PROFIT EFFECTS
5,633	R&D Capitalization
-3,587	R&D Amortization
2,046	IMPACT R&D CAPITALIZATION
-2,165	PPA Amortization
17,334	ADJUSTED EBIT BEFORE PPA

IN TEUR OP. CASH FLOW ADJUSTMENTS

-11,074	STATED OP. CASH FLOW
11.477	Decrease in A/R factored from 31.3.2022 to 30.06.2022
403	ADJUSTED OP. CASH FLOW

ORGANIC GROWTH

in TEUR	Q2/21	Q2/22
Stated revenues	306,490	331,012
Divestment (RT Soft, PSB, MD)		9,341
FX adjustment		-2,661
ORGANIC GROWTH		10.2%

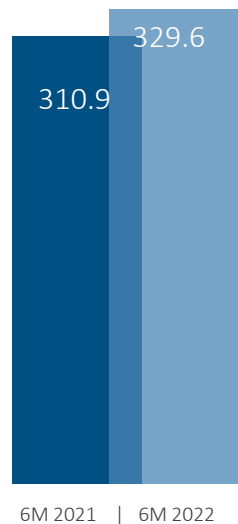
GEOGRAPHICAL SPLIT Q2/22

(in %)	Revenue	EBITDA
Europe	84.2%	102.5%
North America	9.8%	1.4%
Asia	4.9%	3.3%
RUS/BY/MD	2.9%	-7.2%

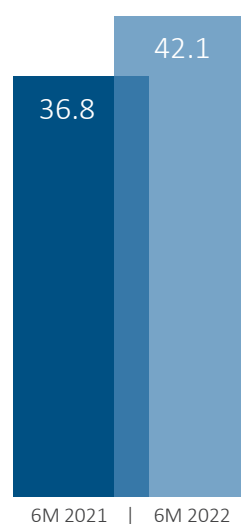
IOT SOLUTIONS EUROPE



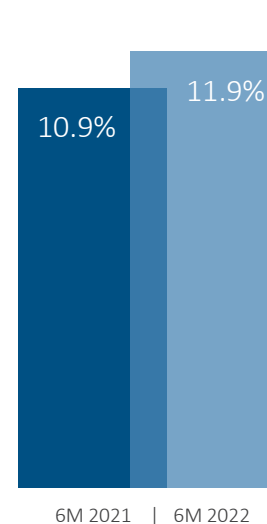
REVENUE* (MEUR)



EBITDA (MEUR) BEFORE HQ FEE**



ADJ. EBITDA MARGINS***



- › Highest EBITDA contributor to the group in 2022
- › Revenues delayed by chip increases (EUR 79 Mio. overdue orders not shipped as of 30/6/2022)
- › EBITDA margin increased to 11.9% by better control on chip crisis
- › very strong order intake of EUR 226 Mio. versus EUR 166 Mio. = book to bill 1.36 in Q2
- › 5G IIoT communication gaining speed (eg FRMCS in railway)
- › Strong growth due to growing IIoT market (15% p.a.)

“IoT Solutions Europe” growth driven by 5G technology and strong market / order growth

* 3rd Party revenue including intercompany revenue in Mio. EUR

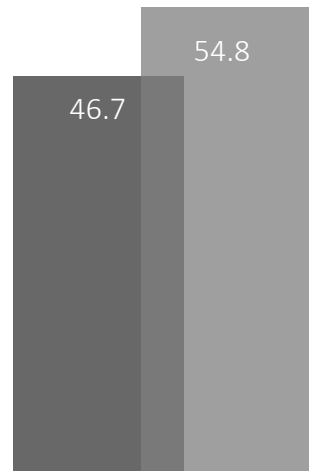
** EBITDA before charged management fees from Kontron AG (part of IT Services Segment); EBITDA after management fees: MEUR 34.0 (6M 21), MEUR 39.1 (6M 22)

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

IOT SOLUTIONS AMERICA

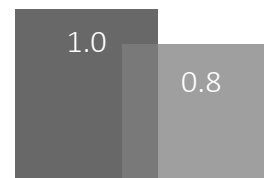


REVENUE* (MEUR)



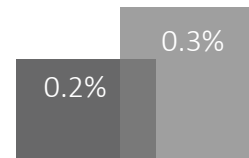
6M 2021 | 6M 2022

EBITDA (MEUR) BEFORE HQ FEE**



6M 2021 | 6M 2022

ADJ. EBITDA MARGINS***



6M 2021 | 6M 2022

Still major problems:

- › Q2 did grow 24% vs Q1
- › Q2 bookings strong – book to bill 1.23
- › 2% weak gross margins prevent better profit margins (product mix)
- › Still EUR 38 Mio. delayed shipments (chip shortage)
- › Avionics is recovering (strong orders) and will be a major growth driver in 2023 again
- › FC 2022 EUR 135 Mio. @ 5% EBITDA
- › Mid term: 12% adjusted EBITDA Margin

Order entry and growth recovering, back to 5% EBITDA in 2022 and double digit in 2023

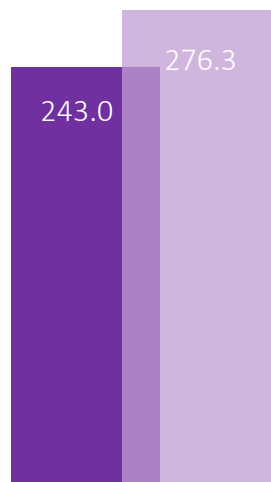
* 3rd Party revenue including intercompany revenue in Mio. EUR

** EBITDA before charged management fees from Kontron AG (part of IT Services Segment); EBITDA after management fees: MEUR 0.08 (6M 21), MEUR 0.1 (6M 22)

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

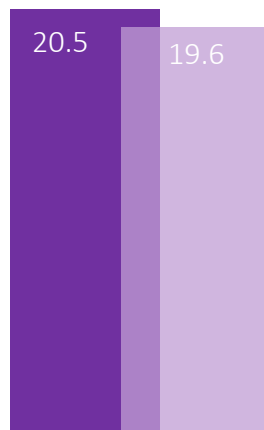
IT SERVICES

REVENUE* (MEUR)



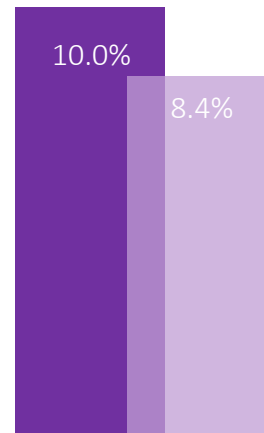
6M 2021 | 6M 2022

EBITDA (MEUR) BEFORE HQ FEE**



6M 2021 | 6M 2022

ADJ. EBITDA MARGINS***



6M 2021 | 6M 2022

- › Regional target DACH + CEE in European Union
- › IT Services East Europe accounts for 71% and DACH for 29% of total IT services
- › Strong organic growth of 13% in H1 2022, profit margins down as we shipped more Hardware in H1 to cover supply chain risks
- › IT Services DACH: focus on Germany, EE nearshoring; 2021 EUR 75 Mio. grows to FC 2023 > EUR 100 Mio.
- › Ongoing advanced negotiations to decide on divestment of IT service division

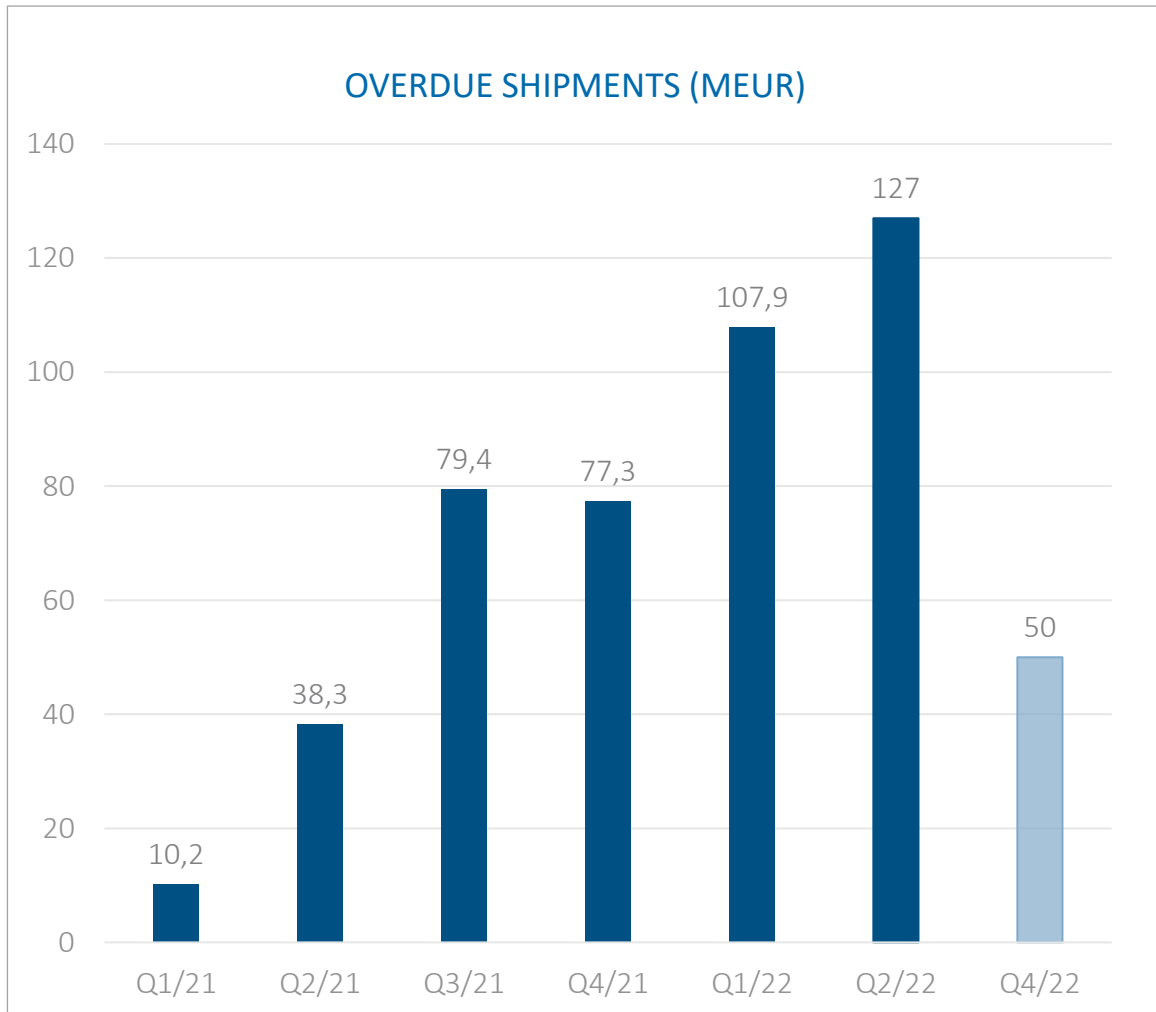
IT services less hit by chip shortage

* 3rd Party revenue including intercompany revenue in Mio. EUR

** EBITDA before charged management fees from Kontron AG (part of IT Services Segment); EBITDA after management fees: MEUR 24.2 (6M 21), MEUR 23.3 (6M 22)

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

UPDATE GLOBAL CHIP SHORTAGE



- › Chip shortage impact:
 - › EUR 127 Mio. of not delivered orders in Q2 2022
 - › Our revenues are delayed but not lost (hard to replace)
- › Business Impact:
 - › KEU EUR 66.5 Mio., KNA EUR 38.0 Mio., rest EUR 22.7 Mio.
 - › Software and Transportation divisions not impacted
 - › Mainly KEU, KNA and ODM impacted
- › We did redesign products to replace critical chips
- › We increased inventory by EUR 59 Mio. in 2022 for
 - › emergency stock of critical chips
 - › not shippable semi-finished products
- › In Q2/22 we paid EUR 9.3 Mio. higher prices to chip brokers and passed on to customers EUR 8.7 Mio. – impact on EBITDA EUR 0.6 Mio.
- › Outlook:
 - › We will solve most problems in 2022 but higher chip prices
 - › Inventory (and op. CF) will be closer to normal end of 2022

WAR UKRAINE

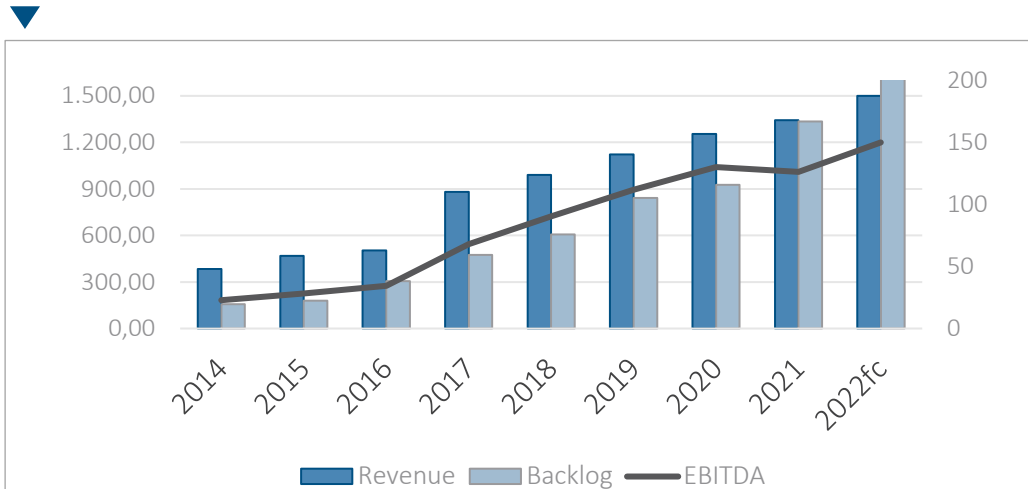
IMPACTS AND STRATEGY



- › 2020 we decided to stop investments in Russia and CIS countries
- › Q2/2022 we divested several investments in Russia (RT Soft SE, RT Soft SWD, RT Soft EC, RT Soft Project)
 - › EUR 4 Mio. provision formed as of 2.3 Mio. used
- › Q3/2022 we will step out of Belarus and Moldova
- › Q4/2022 further divestments in Russia – 14 CIS companies reduced to 2
- › Russian Engineers already transferred to Europe or replaced in Europe
- › CIS Impacts on Kontron Q2/2022
 - › EUR 4 Mio. provisions accrued for divestment losses (2.3 Mio. used in Q2/2022)
 - › Russian Revenues reduced by EUR 6.1 Mio. (43%)
 - › Total 2022 impact will exceed EUR 30 Mio. but is included in guidance

Russia/CIS share in 2021 (Rev 6% - EBITDA 4%) is minor, as of today no need to adjust our current Guidance 2022

SHORT AND MIDTERM GOALS | VISION 2030




GUIDANCE 2022

Revenues: EUR 1,500 Mio. – EBITDA EUR 150 Mio.

AGENDA 25	2018act	2022fc	2018*	2025p*
Revenue	990 Mio.	1500 Mio.	541 Mio.	2000 Mio.
EBITDA	91 Mio.	150 Mio.	64 Mio.	260 Mio.

* without IT services

VISION 2030



Digitalization




SMART
Technology.



Transformation IOT
Divest IT services



M&A



Brand Awareness

Based on the actual order backlog we confirm our targets for 2022

SUMMARY



ACHIEVEMENTS

- › Organic Revenue growth of 10% in Q2 2022
- › Strong order intake – book-bill 1.22 in Q2
- › Strong Improvement Net Income (+23.0) and EPS (+25%)



TARGETS

- › Guidance 2022:
 - › Revenue > EUR 1.5 Bn.
 - › EBITDA ~ EUR 150 Mio.
- › EUR 2 Bn. IIoT Revenues at > 13% EBITDA in 2025
- › Reduce overdue shipments of EUR 127 Mio.



RISKS

- › Chip shortage
- › Ukrainian war (limited risk)
- › Address right technology trends



OPPORTUNITIES

- › Project “Focus”: leading player in the growing IIoT market
- › Significant funds to grow in America + China
- › 5G connectivity for machines

APPENDIX KONTRON KEY FIGURES



▼ In Mio. EUR	2017	2018	2019	2020	2021	H1 2022
Revenues	882.0	990.9	1,122.9	1,254.8	1,342.0	660.7
Gross Profit	315.0	346.5	407.5	455.8	490.2	245.9
Gross Margin	35.7%	35.0%	36.3%	36.3%	36,5%	37.2%
EBITDA	68.1	90.5	111.7	130.0	126.3	62.6
EBITDA Margin	7.7%	9.1%	9.9%	10.4%	9.4%	9.5%
EBIT before PPA amortization	47.9	67.3	67.2	81.7	75.8	36.7
Net Income after NCI	29.4	48.5	49.1	55.6	48.3	24.4
EBITDA Interest Coverage Ratio*	9.8	14.5	12.4	14.0	12.6	11,84
Net Cash **	101.8	52.7	29.5	20.3	-14.2	-134.2
Working Capital ***	121.5	156.4	153.9	154.3	14.9	246.8
Equity Ratio	41.2%	43.3%	31.4%	32.8%	31.3%	34.2%
Operating Cash flow	44.9	35.5	83.4	140.8	95.3	-71.1
Employees	3,849	4,248	4,934	6,067	6,206	5,991

* Definition EBITDA Interest Coverage Ratio: EBITDA divided by interest expenses (excl. interest expenses related to leasing liabilities according to IFRS 16)

** 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)

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