

# COMPANY PRESENTATION

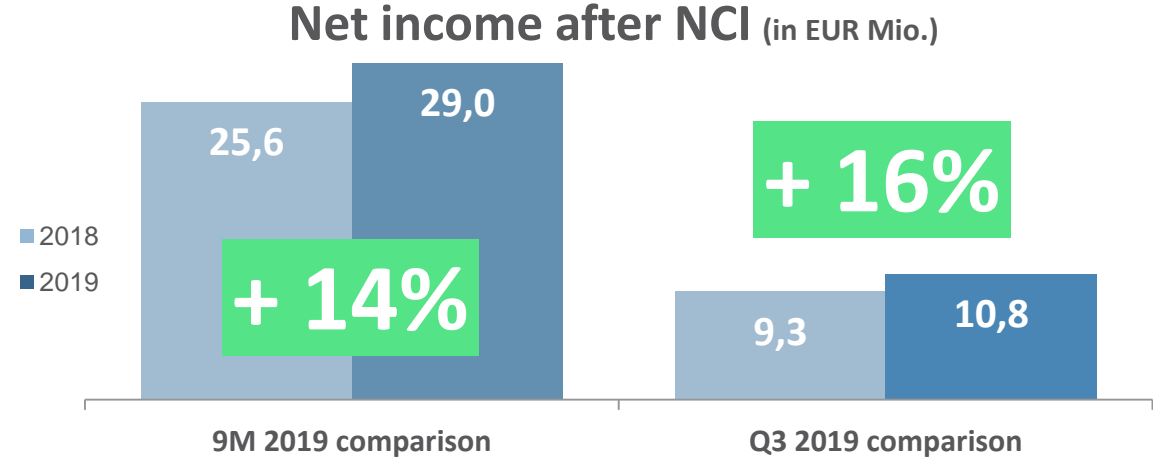
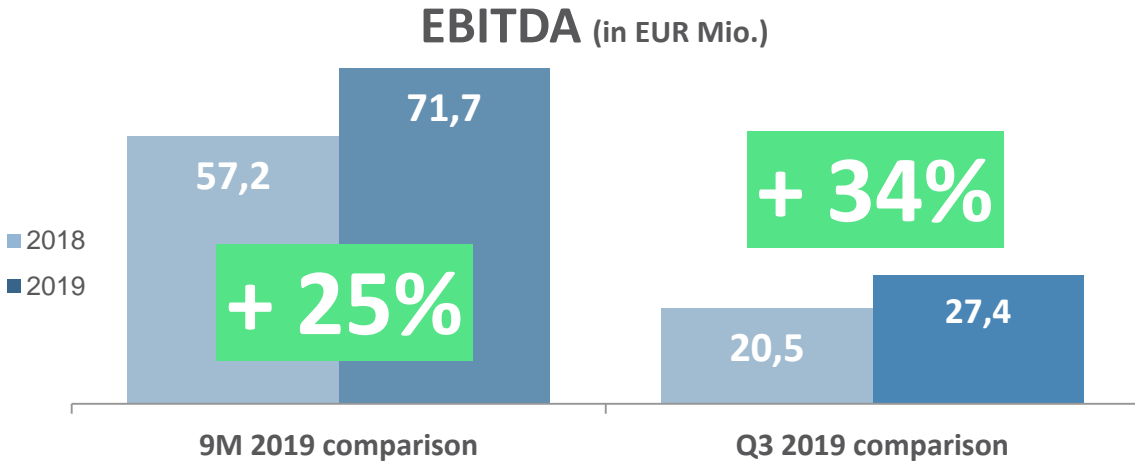
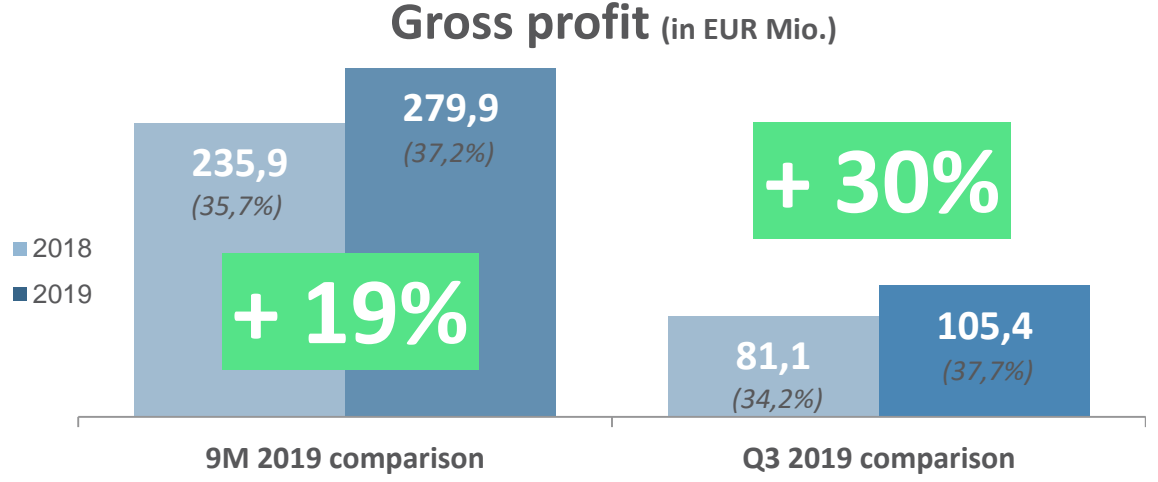
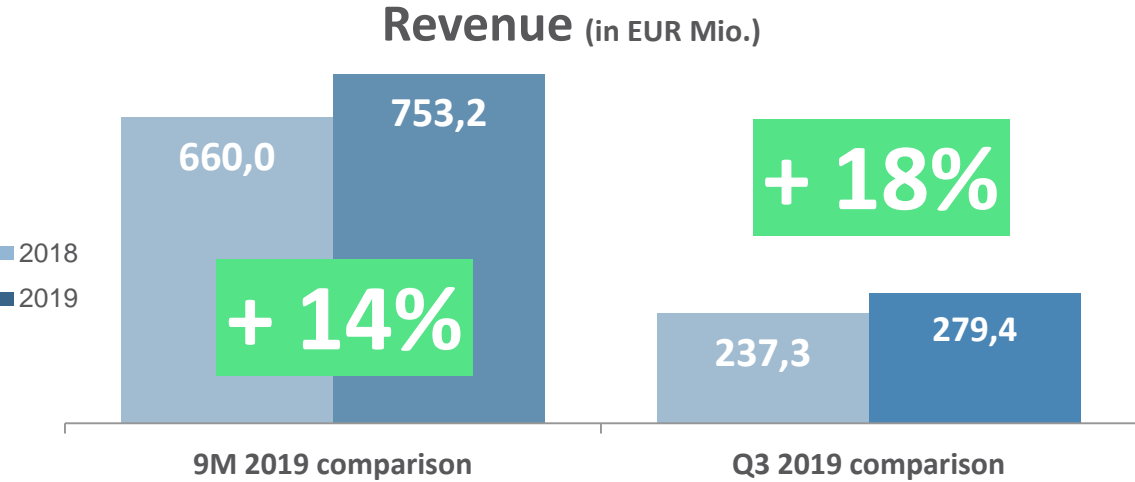
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Q3 2019 Results | November 2019

Hannes Niederhauser, CEO  
Richard Neuwirth, CFO

# S&T GROUP FIGURES: GOOD RESULTS IN ALL PARAMETERS



# S&T HIGHLIGHTS



## Profit Focus

- ▶ Revenue 9M 2019 (9M 2018): +14,1%      EUR 753,2 Mio. (EUR 660,0 Mio.)
- ▶ EBITDA 9M 2019 (9M 2018): +25,3%      EUR 71,7 Mio. (EUR 57,2 Mio.)
- ▶ Net income after NCI 9M 2019 (9M 2018): +13,5%      EUR 29,0 Mio. (EUR 25,6 Mio.)



## Leading IoT alliance

- ▶ Manufacturing cooperation and IoT cooperation with Foxconn in progress
- ▶ Alliance with Microsoft and Intel for Industry 4.0 Cloud Solutions
- ▶ IoT software framework SUSiEtec expanded by AIS acquisition



## Finance Growth

- ▶ Cash and cash equivalents of EUR 261,0 Mio. at hand
- ▶ Liquidity available to finance organic and an-organic growth
- ▶ Working Capital Optimization progressing well through PEC program

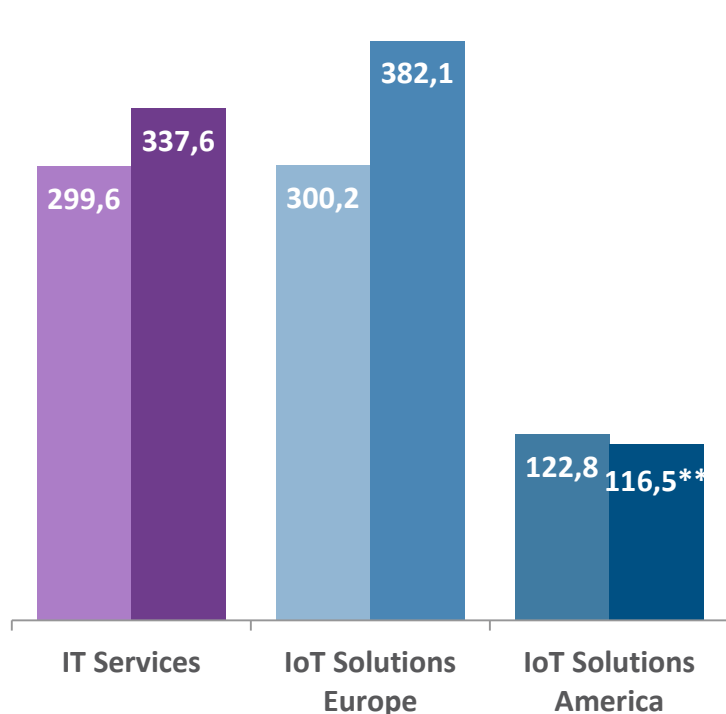


## Shareholder Focus

- ▶ TecDAX® listed since Sept. 2016 , SDAX® listed since Sept. 2018
- ▶ Continuous dividend increase: 2014 - 2018: 7ct; 8ct; 10ct; 13ct; 16ct
- ▶ 2019: up to EUR 30 Mio. share buyback, EUR 13 Mio executed so far

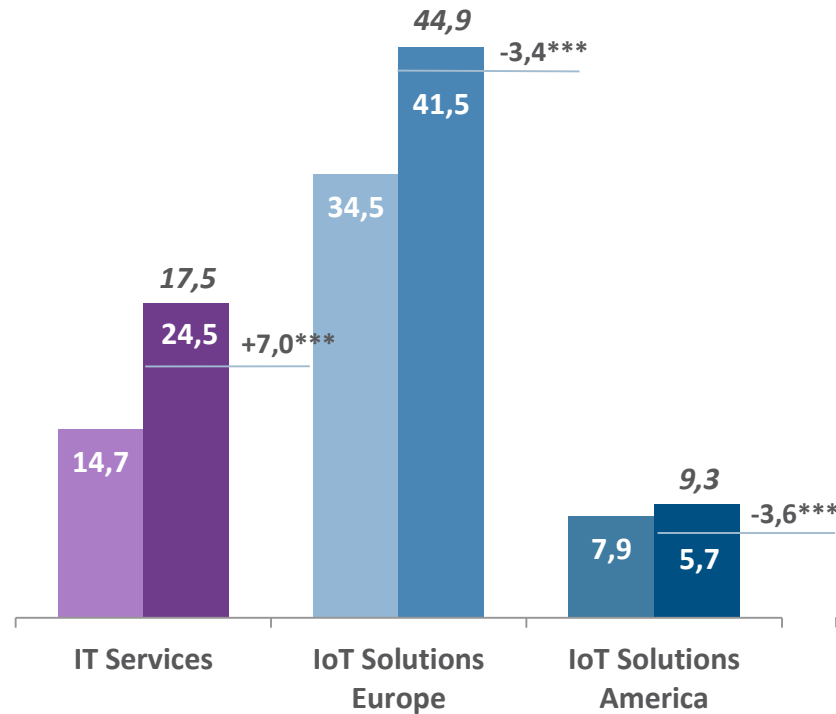
# “IOT SOLUTIONS EUROPE” SEGMENT DRIVES PROFITABILITY

Revenue 9M 2018 vs 9M 2019\*



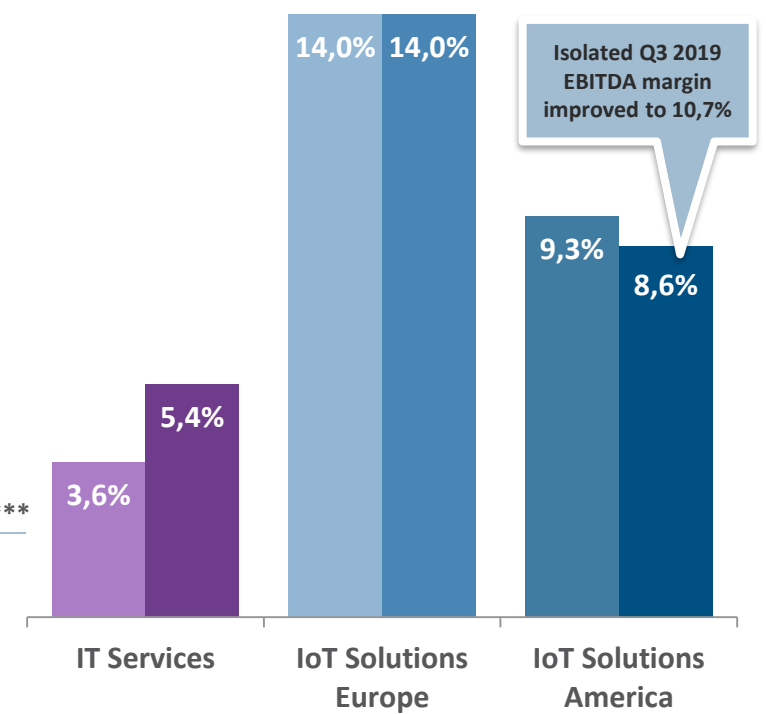
LEFT: 9M 2018 | RIGHT: 9M 2019

EBITDA 9M 2018 vs 9M 2019



LEFT: 9M 2018 | RIGHT: 9M 2019

Adjusted EBITDA margins 9M\*\*\*\*



LEFT: 9M 2018 | RIGHT: 9M 2019

IOT Europe growth on high margins, EE countries stronger, upswing in USA ongoing

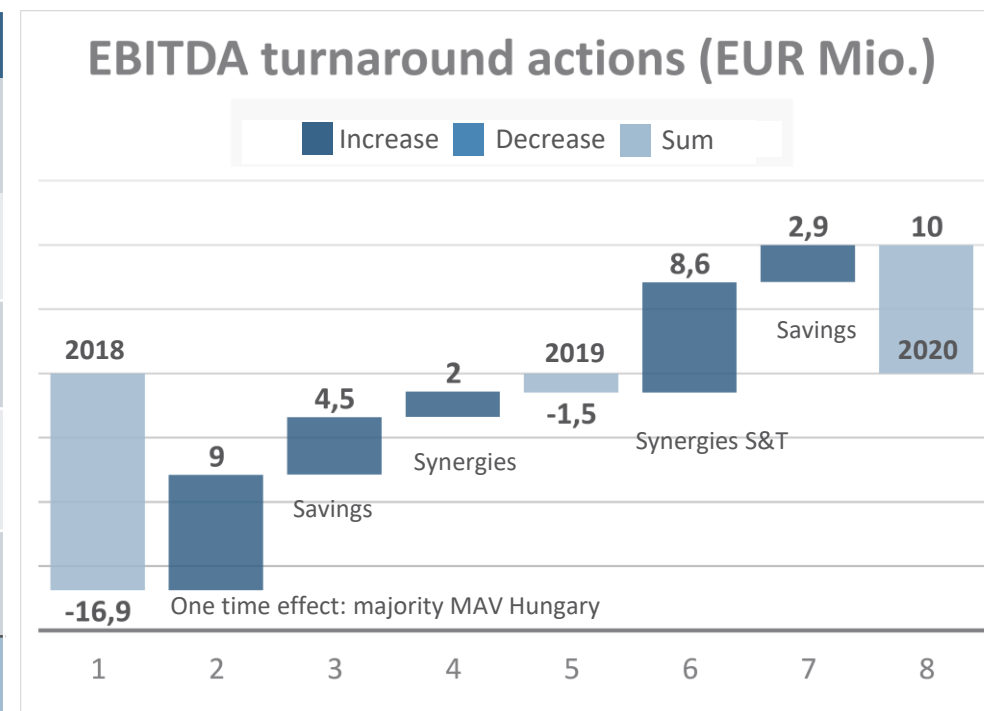
\*3rd party revenues including IC | \*\* USD FX effect ~ EUR 2,2 Mio. | \*\*\* Difference based on charged management fees to S&T AG (part of IT Services Segment)

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

# KAPSCH M&A: TURNAROUND FASTER THAN EXPECTED



Status	Turnaround measures	2019	2020	2021
Revenues / Growth	Revenues: 2019: stop EUR 20 Mio. unprofitable biz, 2021: 10% growth	-	-	4,8 Mo.
Sales Synergies	Sales channel synergies	1,0 Mio.	3,2 Mio.	-
Synergies Technology	Use Kapsch Software in Kontron		1,2 Mio.	2,3 Mio.
Synergies Engineering	Insource engineers to cost efficient S&T	2,0 Mio.	4,2 Mio.	-
Cost savings	Reduce 70 FTE, space, better GM	3,5 Mio.	2,9 Mio.	- 2,5 Mio.
<b>Improvement</b>	<b>Total improvement per year</b>	<b>+6,5 Mio.</b>	<b>+11,5 Mio.</b>	<b>+4,6 Mio.</b>



- ▶ Turnaround of Kapsch goes faster and better than expected
- ▶ EUR 100 Mio. profitable biz remains (2018: EUR124 Mio.), 470 employees reduce to < 400
- ▶ Q3 2019 was profitable, FY 2019 incl. restructuring charges: EUR 1,5 Mio. (before 4,9 Mio) of loss
- ▶ For 2020 we expect ~ 10% of EBITDA, 2021: 12% of EBITDA and 10% growth

Kapsch forecast	2018*	2019**	2020	2021
Revenues	124	~50	100	110
EBITDA	-16,9	-1,5	10	13,6

\*FY: 4/2018 – 3/2019; \*\*consolidated in S&T

# STATUS PEC PROGRAM (PROFITABILITY | EFFICIENCY | CASHFLOW)



## Profitability

**GOAL: INCREASE EBITDA MARGIN  
MID TERM BY 2%**

- ▶ Better ROI: Global roll out of new technologies: **ITP program initiated for 2020, 2020 separate P&L reporting**
- ▶ Intensify Manufacturing cooperation with Foxconn and further benefit from their supply chain power: **Implemented, visible in Q4, US tariffs addressed**
- ▶ Achieve savings of **EUR 20 Mio. pa.** within 12 months: **Measures identified – visible in H1 2020 like for like**

## Efficiency

**GOAL: OPTIMIZATION AND EFFICIENCY  
GAINS ACROSS THE GROUP**

- ▶ Reduce/merge number of legal entities  
**Status: Minus 8 legal entities in 2019, 2020 further reduction of 16 entities**
- ▶ Process improvements measured by extensive reporting. **Status: Reporting partially established, ITP, Divisions, working capital → fully running 2020**
- ▶ General tax optimization: **Status: Implemented and visible as of today**

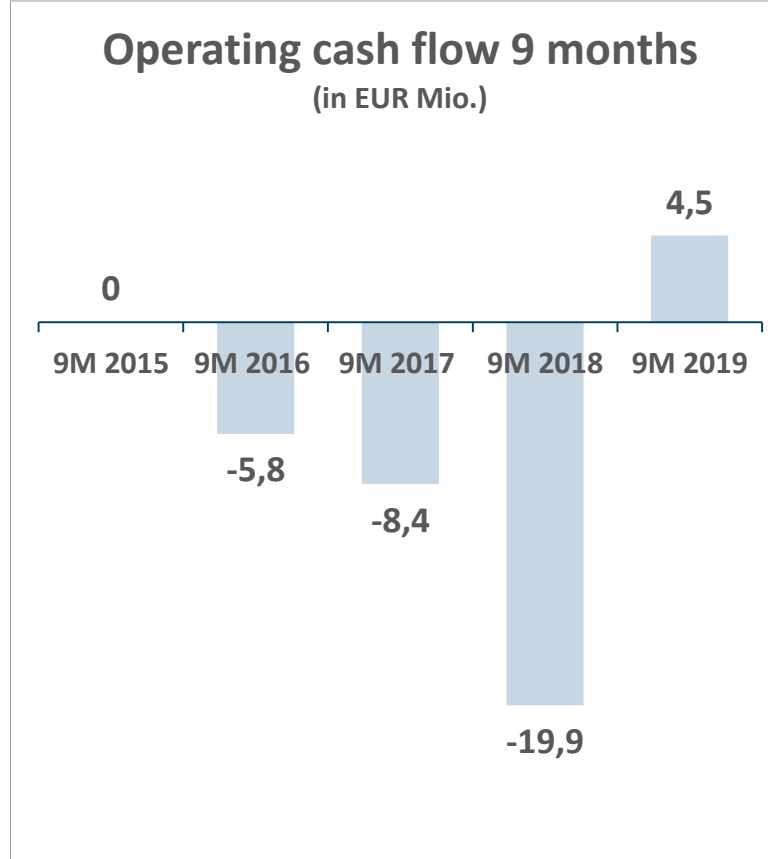
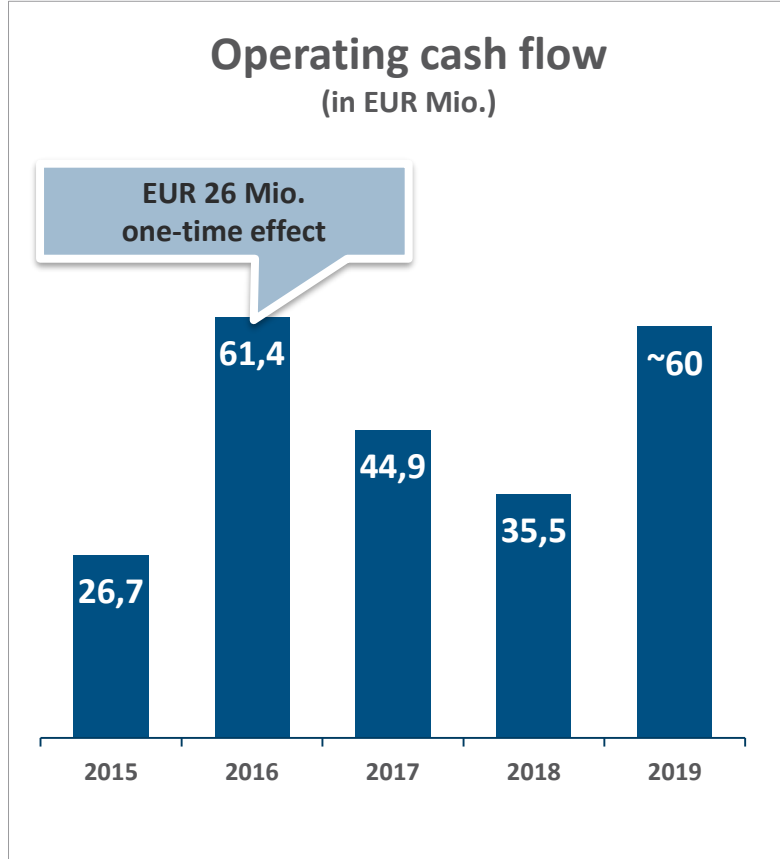
## Cashflow

**GOAL: GENERATE EUR 60 MIO. CASH  
ACROSS THE GROUP**

- ▶ Reduction in inventory and working capital  
**Status: despite revenue growth inventory reduced by EUR 7,5 Mio., additional reduction of EUR > 20 Mio. in Q4**
- ▶ Adjustment of supplier contracts (VMI)  
**Status: Renegotiations partially completed, first improvements in Q4 2019 (EUR 10 Mio. working capital reduction)**
- ▶ Strict Accounts Receivable management  
**Status: Q3 A/R outstanding improved from 83 to 77 days**

Gain 2% EBITDA margin by 2023, reduce working capital from 22% (6M 2019) to 15% (12M 2020)

# STATUS PEC PROGRAM (PROFITABILITY | EFFICIENCY | CASHFLOW)



in EUR Mio.	Q2 2019	Q3 2019
Revenues	248,7	279,4
Inventory	95 days (167 Mio.)	84 days (161 Mio.)
A/R gross	83 days (228 Mio.)	77 days (237 Mio.)
in EUR Mio.	Dec. 31, 2018	Sep. 30, 2019
Factoring	55,8 Mio.	50,3 Mio.

PEC program: Significant improvements in operating cash flow in Q3 2019

## ONE-TIME EFFECTS ON PROFIT IN Q3 2019



in TEUR	One time effects	in TEUR	R&D capitalization Q3	in TEUR	PPA
+1.649	Release purchase price consideration	+4.193	Capitalization R&D in Q3*	1.394	Q3 2018 Amortization
-396	Restructuring – close Fremont office	-3.882	Amortization of R&D in Q3	2.084	Q3 2019 Amortization
-103	FX losses	<b>+311</b>	<b>Impact R&amp;D Capitalization</b>	<b>+690</b>	<b>Increase in PPA Amort.</b>
-312	Expenses on stock options				
-289	Side costs from M&A				
<b>+549</b>	<b>Total impact on Q3 results</b>				

No major impacts of one time effects on Q3 results

\* Only 13,6% of R&D&E cost capitalized



# S&T GROUP BALANCE SHEET



Mio. EUR	30.09.2019	31.12.2018		30.09.2019	31.12.2018
<b>NON-CURRENT ASSETS</b>	<b>447,3</b>	<b>292,5</b>	<b>CAPITAL AND RESERVES</b>	<b>370,1</b>	<b>367,3</b>
Fixed Assets	407,6	262,7	Equity	370,1	367,3
Other Assets	39,8	29,8	<b>NON-CURRENT LIABILITIES</b>	<b>340,1</b>	<b>131,9</b>
<b>CURRENT ASSETS</b>	<b>711,7</b>	<b>555,5</b>	Long-term loans and borrowings	225,0	79,4
Inventories	160,7	130,8	Other Non-Current Liabilities	115,2	52,4
Trade accounts receivable	186,8	202,7	<b>CURRENT LIABILITIES</b>	<b>448,8</b>	<b>348,8</b>
Contract Assets from Customers	24,0	4,4	Trade accounts payable	146,1	177,0
Cash and cash equivalents	261,0	171,8	Contract Liabilities from Customers	67,5	37,5
Other receivables and prepayments	79,2	46,0	Short-term loans and borrowings	85,0	39,6
			Other Current Liabilities	150,4	94,7
<b>Total Assets</b>	<b>1.159,1</b>	<b>847,9</b>	<b>Total Liabilities &amp; Equity</b>	<b>1.159,1</b>	<b>847,9</b>
			▶ Equity Ratio	31,9%	43,3%
			▶ Net Cash *	-105,4	44,6
			▶ Working Capital **	225,4	160,8

## PEC Program to increase balance sheet ratios

\*From 2019 onwards new calculation of net cash based on IFRS 16: Cash and cash equivalents less non-current and current financial liabilities (incl. liabilities from leasing) \*\* WC= Inventories + AR (trade) + Contract Assets – AP (trade)

# ACQUISITION STRATEGY - AGENDA 2023: 2 BN OF REVENUES



- ▶ M&A focus on restructuring cases with low multiples and technology/synergy potential
- ▶ EUR 200 Mio. and 30 Mio. in shares (buy back) for M&A → add EUR 100 Mio revenues p.a.
- ▶ EUR 100 Mio for organic growth → add EUR 100 Mio revenues p.a.

## Acquisition targets:

### No. 1: “Volume companies” – 2019: Kapsch

- ▶ Buy synergetic loss companies at reasonable prices (multiples <6)
- ▶ Turnaround by synergies, savings and reduction of unprofitable biz
- ▶ Increase GM from 25% to 40% and 10% EBITDA under S&T ownership

### No. 2: “Technology Pearls” – 2019: Kapsch + AIS

- ▶ Complement our technology with focus on Software at reasonable prices (e.g. AIS)
- ▶ Increase GM constantly by replacing low margin HW biz by SW enabled IoT biz
- ▶ Target opportunities at reasonable prices



Dedicated acquisition department installed at S&T responsible for:

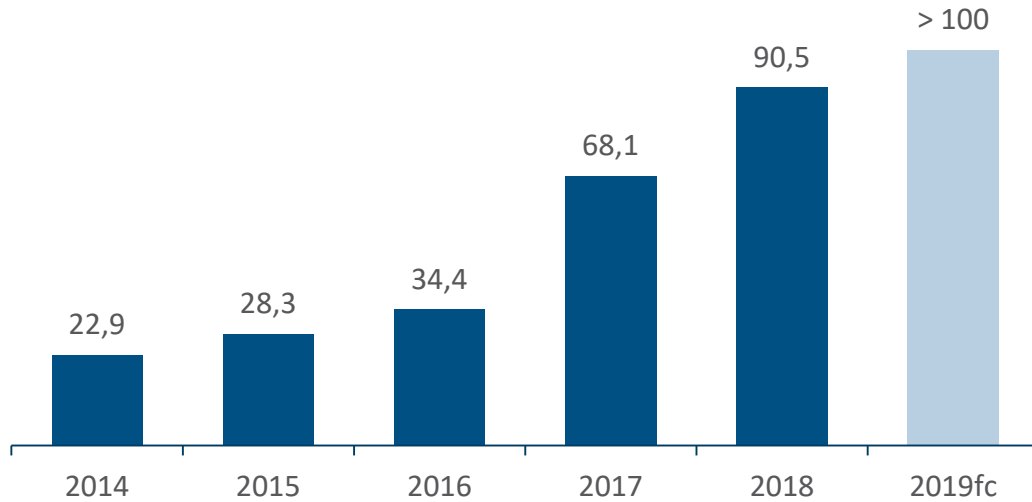
- ▶ Due diligence
- ▶ Technology synergies
- ▶ 1 year integration phase

Agenda 2023: Achieve 2 Bn. of revenues without major capital increases, focus on cash generation (PEC program)

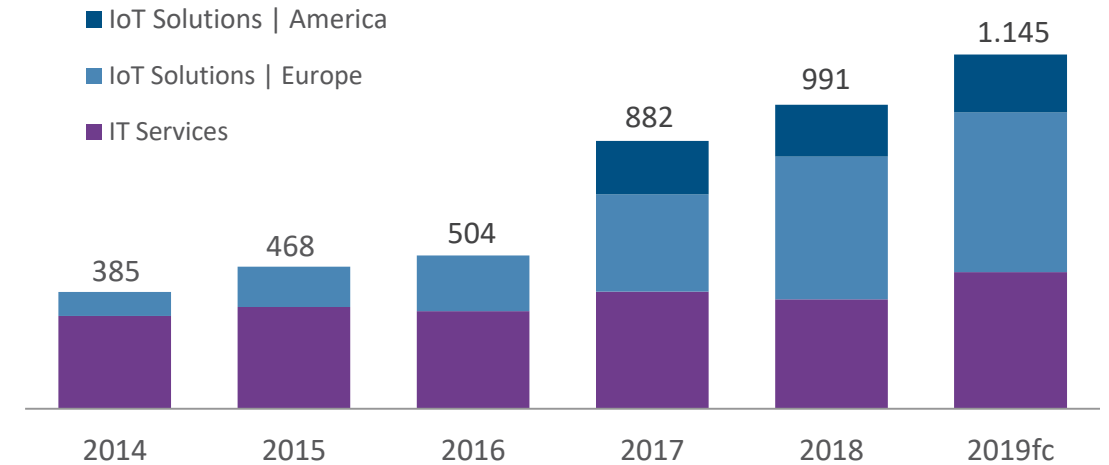
# S&T'S GROWTH PATH CONTINUES: EUR 2 BN. IN 2023



**EBITDA**  
(in EUR Mio.)



**Revenue**  
(in EUR Mio.)




Backlog EUR Mio.	12/13	12/14	12/15	12/16	12/17	12/18	09/19
Project Pipeline	308	644	701	1.002	1.105	1.632	<b>1.988</b>
Scheduled Orders	97	157	181	306	474	607	<b>815</b>

<b>GM</b>	33,0 %	33,9 %	33,5%	35,7 %	35,0%	<b>37,2%*</b>
<b>EBITDA</b>	5,9%	6,0%	6,8%	7,7%	9,1%	<b>9,5%*</b>


2019: Approx. EUR 1,145 Bn. revenues and more than EUR 100 Mio. EBITDA | PEC Program to boost EBITDA margin mid term to 12%

# SUMMARY

**Achievements**

- ▶ PEC in Q3: EUR 16 Mio. operating cash flow and 37,7% gross margin
- ▶ 9M 2019: Revenue growth of 14% and EBITDA growth of 25%
- ▶ 9M 2019: Project pipeline 22% up to EUR 1,99 Bn




**Targets**

- ▶ 2 Bn. revenues in 2023
- ▶ Ongoing GM Improvement to 40% and EBITDA to > 10%
- ▶ MDAX membership



**Risks**

- ▶ Big players enter our niches in Industry 4.0
- ▶ US-Dollar development
- ▶ Address right technology trends



**Opportunities**

- ▶ PEC Program boosts CF and EBITDA
- ▶ Growth areas America + China
- ▶ Leading technologies in the high growing IIoT market

# DISCLAIMER

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## Q&A SESSION



Thank you for your attention



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