

kontron

Explore the Kontron Group

We are a fast-moving multinational technology leader.



Earnings Call FY 2022

March 29, 2023



High- and Lowlights FY 2022

Transformation update

Highlights

- › **Divestment of IT Services**
 - › IoT focus + clean legal structure
 - › EUR 232m net profit
- › **EUR 438m** of cash Dec 22 + EUR 138m of cash payable by Vinci
- › Strong backlog of ~**EUR 1.45bn** and 2022 book-to-bill ratio of 1.28



Lowlights

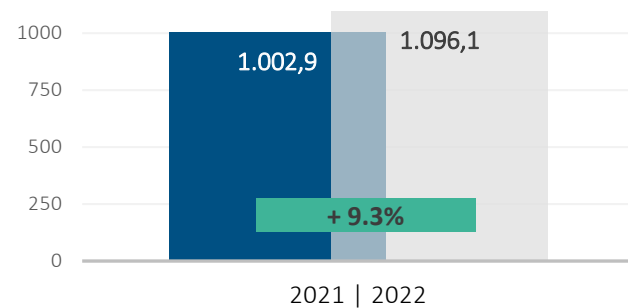
- › **Chip shortage:** EUR 96m of delayed but not lost orders – reduced from Q3 at EUR 124m
- › **EUR 120m** Cash drain until Q3 – disruptive supply chain but EUR 100m reversed in Q4
- › **Russian war: 2022** business in region already reduced by EUR 45m

KPI's FY2022: Continued Operating Result Adjusted

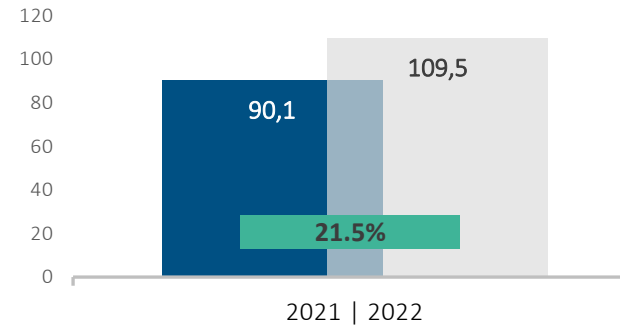


Healthy start into new area with positive momentum in CO

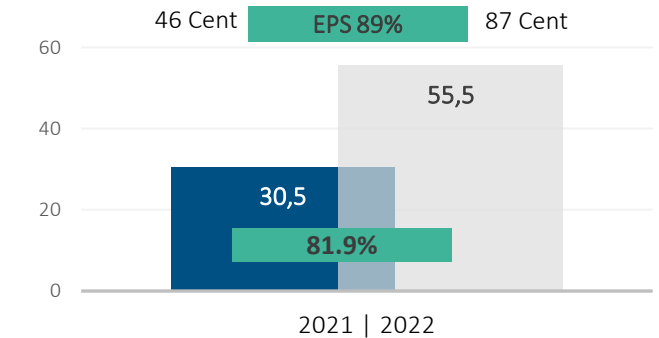
Revenue
(in EUR m)



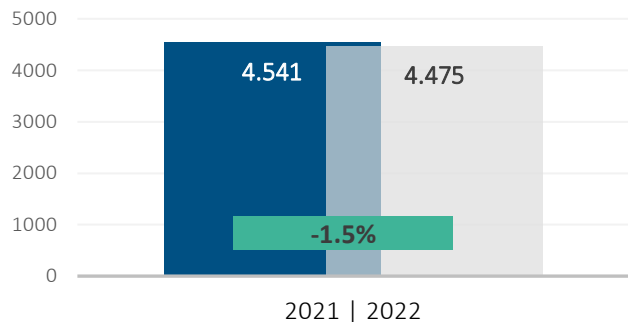
EBITDA
(in EUR m)



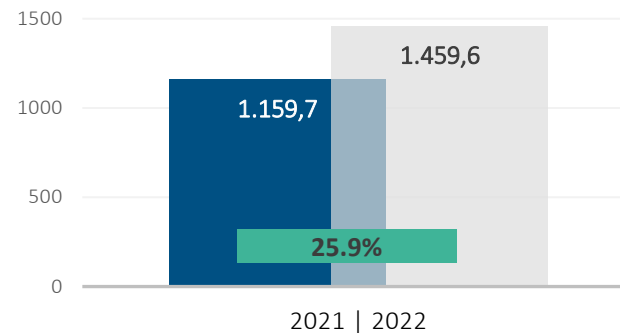
Operating Net Income after NCI
(in EUR m)



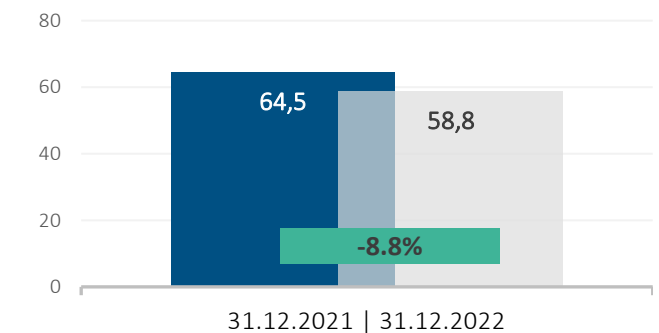
Employees
(In FTEs)



Order Entry – Book-to-bill: 1.28x
(in EUR m)



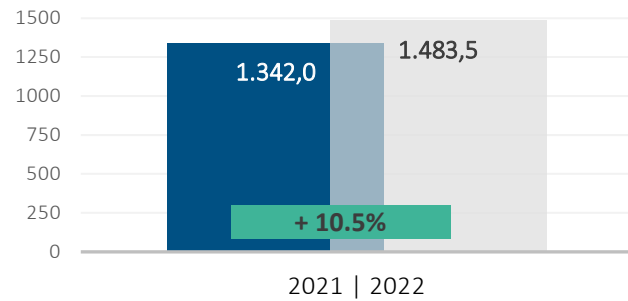
Operating Cash Flow
(in EUR m)



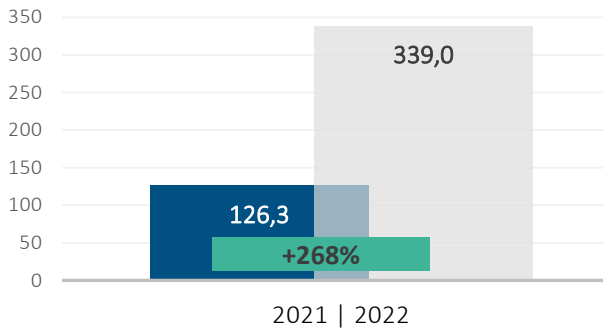
KPI's FY2022: Reported

Includes extraordinary effects for “Focus” & “New Kontron”

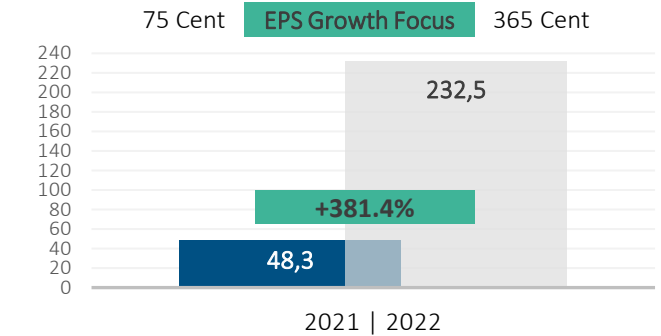
Revenue
(in EUR m)



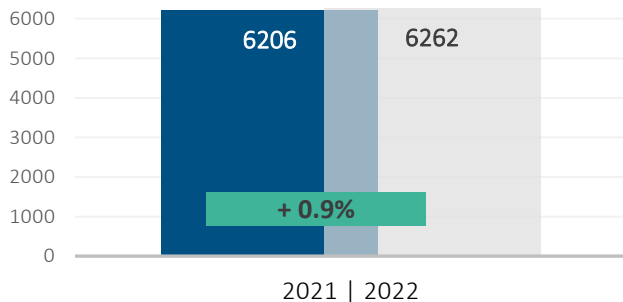
EBITDA
(in EUR m)



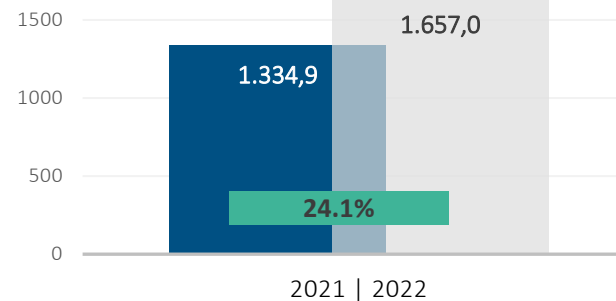
Net Income after NCI
(in EUR m)



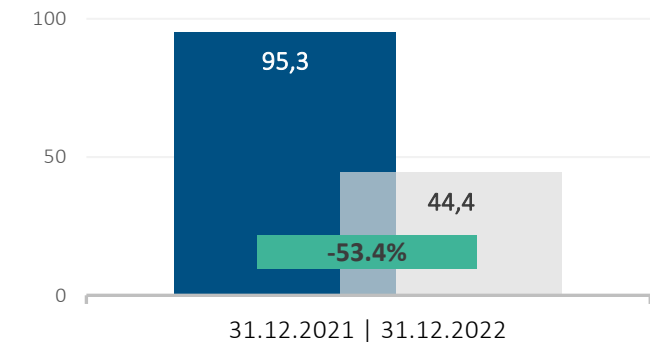
Employees
(In FTEs)



Order Entry – Book-to-bill: 1.21x
(in EUR m)



Operating Cash flow incl. Negative impact DCO
(in EUR m)



Kontron Group Balance Sheet

Equity and liquidity very strong

Mio. EUR	31.12.2022	31.12.2021
NON-CURRENT ASSETS	415,1	519,0
Fixed Assets	379,0	478,8
as of Property, plant and equipment	95,6	132,5
as of Goodwill	189,4	208,3
Other Assets	36,1	40,2
CURRENT ASSETS	1029,8	833,2
Inventories	192,6	187,3
Trade receivables	148,1	214,1
Contract Assets from Customers	54,2	51,3
Cash and cash equivalents	437,8	296,5
Other receivables and prepayments	190,8	83,9
assets classified as held for sales	6,3	0,0
Total Assets	1445,0	1352,2

	31.12.2022	31.12.2021
CAPITAL AND RESERVES	635,7	423,3
Equity	442,8	423,3
as of Treasury shares	0,0	-46,8
NON-CURRENT LIABILITIES	268,7	348,2
Long-term loans and borrowings	193,8	238,4
Other Non-Current Liabilities	74,9	109,8
CURRENT LIABILITIES	587,7	580,7
Trade payables	226,3	270,0
Contract Liabilities from Customers	71,0	85,0
Short-term loans and borrowings	125,7	72,3
Other Current Liabilities	159,9	153,4
liabilities classified as held for sale	4,8	
Total Liabilities & Equity	1445,0	1352,1

Equity Ratio	44,0%	31,3%
Total Net Cash/(Net Debt)*	118,3	(14)
Working Capital excluding IFRS 15**	114,4	149,9

- Very strong cash position: EUR 438m cash and EUR 138m purchasing price Vinci yet to be paid (~EUR 80m in Q1/2023)
- Continued Operations inventory reduced in Q4/2022 by ~EUR 50m → Strong operating Cash Flow of EUR 109.3m in Q4/2022

Results FY 2022 Continued Operation



Details to adjustments

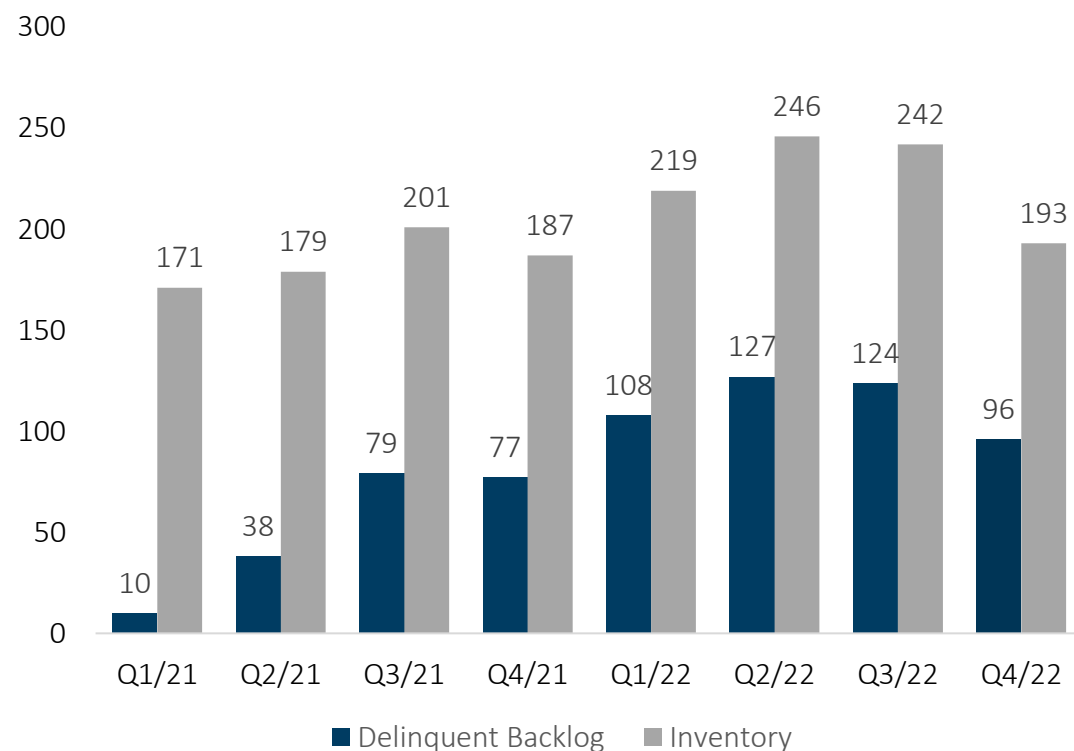
New Kontron	Reported Result		Extraordinary Effects		Adj. Operative Result		Comment
	2021	2022	2021	2022	2021	2022	
In EUR m	2021	2022	2021	2022	2021	2022	Extraordinary Effects
Revenues	1,003	1,096			1,003	1,096	
Gross Margin	358	370		24	358	394	Obsolete inventory: in total EUR 20m dedicated to old business/Focus; EUR 4m dedicated to Russia
Other Income	36	43			36	43	
Staff Costs	-238	-259			-238	-259	
Other Costs	-67	-84		15	-67	-68	EUR 7m Russian penalties, A/R; EUR 7m Costs based on "New" Kontron; EUR 1m other side effects
EBITDA	90	70		40	90	110	
D&A	-50	-72		26	-50	-46	EUR 26m intangibles dedicated to old business/Russia (noncash)
Financial Result	-8	-9		3	-8	-6	Divestment Belarus, Russia, Ukraine
Taxes	-2	-2		-1	-2	-3	Def. Taxes DTL on intangibles written-off (noncash)
Minorities	-1	1			-1	1	
Discontinued Operations	19	245					
Net Result	48	233		145	30	56	

Additional Disclosures

FY 2022

Delinquent Backlog and Inventory Development

(In EUR m)



In TEUR OP. CASH FLOW ADJUSTMENTS

44,443	STATED OP. CASH FLOW
-4,903	Increase in A/R factored in 2022
39,540	ADJUSTED OP. CASH FLOW

ORGANIC GROWTH





In TEUR	FY21	FY22
Stated revenues	1,002,935	1,096,095
Divestment (RUS/UA/BY/MD)		44,803
ORGANIC GROWTH		13.8%

GEOGRAPHICAL SPLIT FY22

(In %)	Revenue	EBITDA
Europe	77.1%	95.4%
North America	11.8%	4.4%
Asia	6.7%	8.1%
RUS/UA/BY/MD	4.5%	-7.9%

The New Kontron

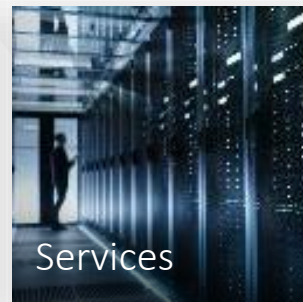
Before and after IT divestment

	s&t	kontron	
	S&T AG 2021	New Kontron 2023	Comment
Revenues (EUR m)	1,342	~1,200	Reflects divestment of EUR 387m in IT service and EUR 40m in Russia
Order backlog	1,334 (1160 CO)	1,460 (Dec-22)	IT divestment already replaced by new IoT orders
Design win pipeline	3,367 (Dec-21)	3,407 (Dec-22)	Strong IoT design win pipeline
Gross margin (%)	36%	> 40%	Change in product mix, will increase margins starting 2023
Net profit (EUR m)	48.3 (3.6%)	> 66 (5,5%)	Will increase in 2023 despite divested IT services
Employees (#)	6,206	4,475	Decline driven by project "Focus" and departure from Russia
Entities (as of operative)	78 (78)	48 (32)	Much less complex structure with no relevant minorities
Exposure CIS region	7% CIS	3%	Not material anymore, further reduction in 2023
Equity ratio	32%	44%	
Cash & cash equivalents (EUR m)	296	438 + 138 (Dec-22)	Important in current interest rate increases
Peer group	 	 	
Strategy	The new Kontron is focused on global IoT technology leadership, higher margins (7% net), but not IT and East Europe		

The New Kontron

7 divisions in 3 segments

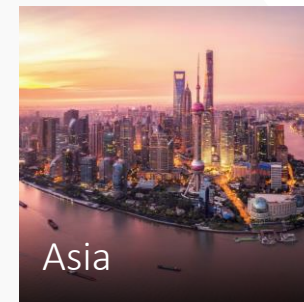
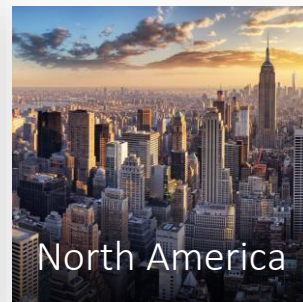
Europe



Revenue* FC 23
€ 810m

Targets
EBITDA** 11%
GM 40%
Growth p.a.: 12%

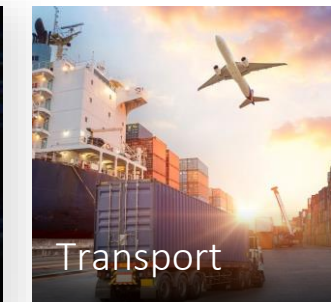
Global



Revenue* FC 23
€ 260m

Targets
EBITDA** 8%
GM 30%
Growth p.a.: 12%

Software + Solutions



Revenue* FC 23
€ 230m

Targets
EBITDA** 15%
GM 60%
Growth p.a.: 12%

The New Kontron

Bigger acquisitions planned

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

- › EUR 700m liquidity → go for major acquisitions
- › Pipeline of 4 gamechangers > EUR 1,100m rev. and several others
- › First transaction in H1/2023 likely

M&A targets

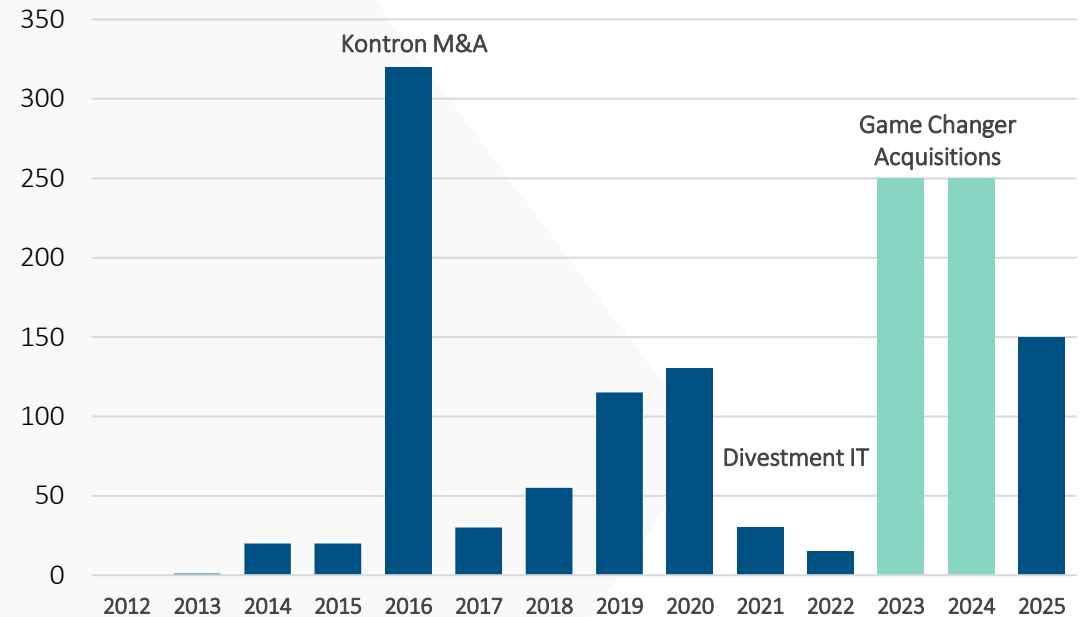
- › SW/solutions segment and go global (USA, China)

Divestments 2022

- › Russia, Belarus, Ukraine, IT Services/Focus

M&A Volume

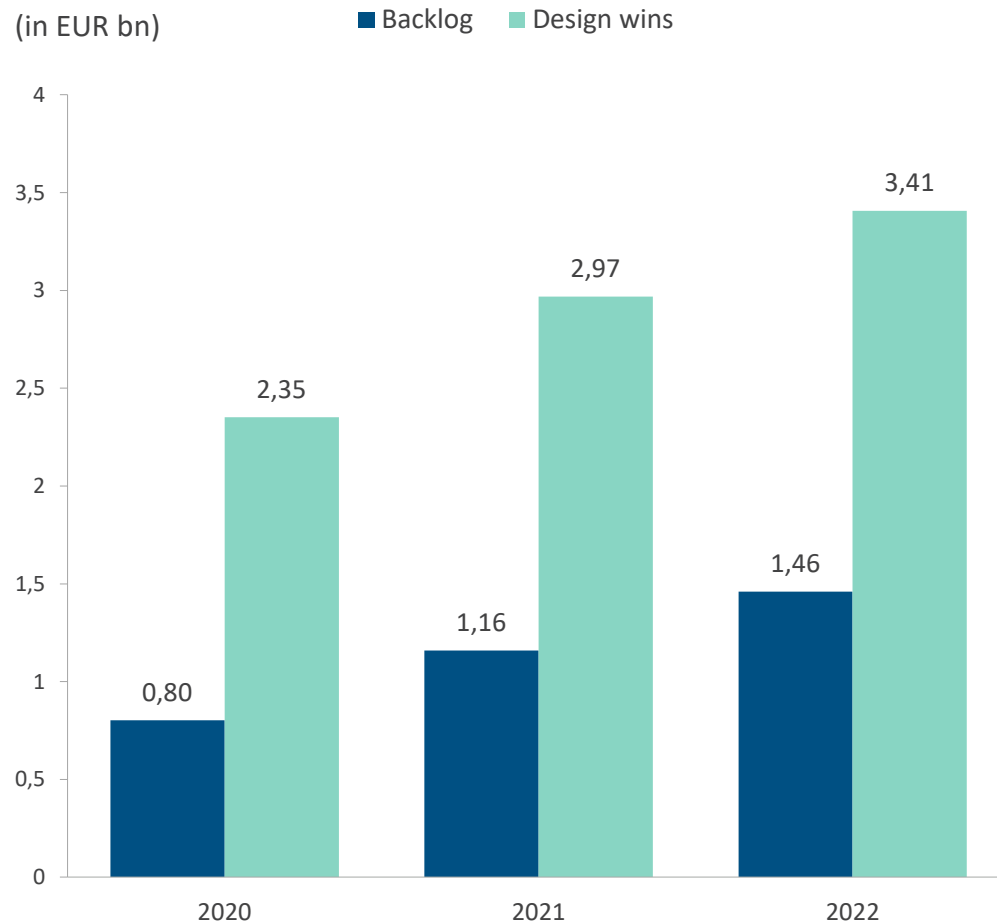
(in EUR m)



➤ First transaction H1/2023, Kontron intends to acquire min. EUR 250m in 2023 and another EUR 250m in 2024 (chance > 50%)

The New Kontron

Backlog and Design wins Continued Operations



Top 10 Customers 2022

	Country	Volume EUR
Czech railway provider	CZ	24.7 Mio.
Multinational telecom provider	UK	16.5 Mio.
Medical respiratory machines	GER	16.5 Mio.
UK railway provider	UK	13.1 Mio.
Global leader in medical equipment	USA	11.8 Mio.
Chemical glass company	USA	10.2 Mio.
French railway provider	FR	10.1 Mio.
Automation manufacturer	GER	8.0 Mio.
Machine manufacturer	GER	8.0 Mio.
Medical manufacturer	GER	7.1 Mio.

Top 10 customers account for 12% of revenues > 3,000 customers in total

The New Kontron

Cash Usage

Status liquidity Dec. 2022

- › EUR 437.8m cash on hand
- › EUR 138m ST receivables from Vinci (80m in Q1)
- › EUR 120m available lines
- › EUR 125.7m ST debt

Liquidity amounts to EUR 700m

Cash usage for acquisitions and operations

- › Reduce factoring ST/debt by min. EUR 50m
- › Saves EUR 2m interest p.a.
- › Spend min. EUR 300m in acquisitions

Cash generation

Operat. CF	2022	2022	2021	2021
EUR m	Total	Cont. Op.	Total	Cont. Op.
Total	44.4	58.8	95.3	64.5

We expect operat. CF of min. EUR 70m in 2023

Shareholder participation

- › EUR 63m: Propose dividend of 1EUR/share in May
- › Rule: Spend 50% of net earnings in Dividend or SBB
- › 2023: SBB EUR 10m started, increase depending on share price

2023 spend min. EUR 75m, 2024 est. min. EUR 35m

The New Kontron

Strategies

Short-term 2023

- › Rebrand & Reposition: “Kontron” as an IoT leader
- › 10-10-10 company: 10% growth, 10% EBIT, 10% op CF
- › More efficiency
 - › Organization: low overhead, slim HQ, less companies
 - › Focus on high margin biz – further reduce noncore biz
- › Profit improvement measures
 - › Reduce offices + travelling (home office, virtual meetings)
 - › CRP (complete 100m cash recovery - 60m done)
 - › Profit and tax optimization of new structure
- › ESG & sustainable “green technologies”



Mid-term „Agenda 2025“

- › Segment “Global”
 - › Sales channel for Europe products with strong local engineering
 - › 30% revenues outside Europe in CN/USA
- › Segment “Software & Solutions”
 - › 20% Organic and acquisitional growth
 - › Benefit from strong engineering backbone in Europe
 - › Main segment by 2026
- › Segment “Europe”
 - › Basic technology for SW/Solutions
- › IoT as a service
 - › Lease solutions rather than sell products = higher margins



The New Kontron

Products and Technologies

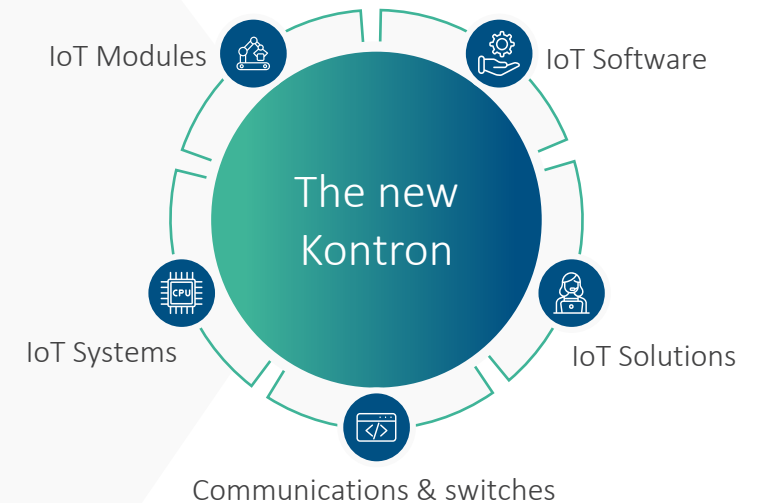
Basic technologies

- › 5G
 - › Connectivity is key for IoT
 - 5G will be main media
 - › TSN: real time for 5G
 - key know how of Kontron
 - › Communication systems
- › susietec®
 - › Programming language to connect devices
 - › Strong in industrial → expand
- › Ecosystem
 - › Cooperating with Intel, Microsoft, FoxConn, Mediatek (5G)
- › Build up OT services to offer SLAs (run IoT grids)

Vertical technologies

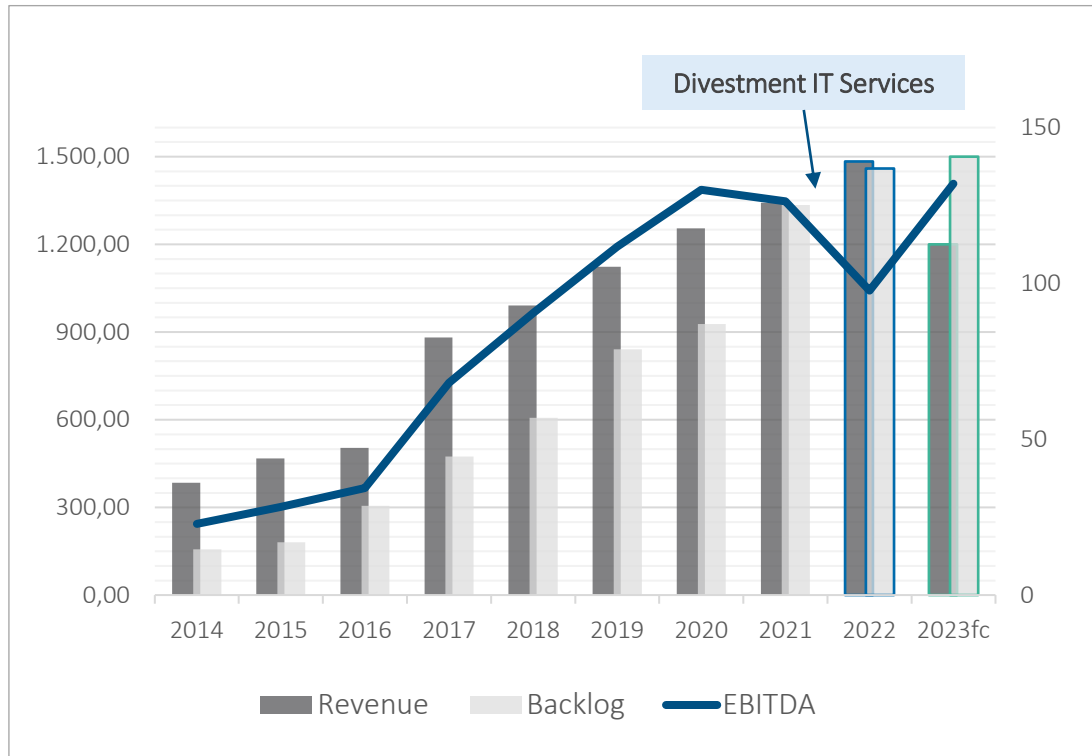
- › Smart factories
- › Smart trains and airplanes
- › Intelligent traffic control
- › Smart energy

- › Set and participate in standards
 - › ETCS, IATA, ITAR, Med, PICMG



The New Kontron

Guidance 2023 increased by 10% to EUR 66m



Guidance 2023 & Outlook 2025		
	2023E	2025E
Revenue	EUR 1,200m	EUR 2,000m
EBITDA	11%	13%
Net Profit	66m	140m

Vision 2030: Transformation to IoTaaS / SLAs will boost Net Earnings close to 10%



Achievements 2022

- › Divestment of IT Services = Focus on IIoT solutions
- › Strong order intake EUR 1,396m (book-bill 1.28)
- › EUR 109m of operat. CF in Q4
- › EUR 55m of net income vs. EUR 48m (2021- incl. sold biz)



Targets

- › Guidance 2023:
 - › Revenue ~EUR 1,200m
 - › Increased guidance net income EUR 66m
- › EUR 2,000m IIoT revenues at > 13% EBITDA in 2025
- › Reduce overdue shipments of EUR 96m in 2023
- › Dividend of EUR 1/share to be paid out in 2023



Risks

- › Chip shortage (improvement on the way)
- › War in Ukraine (measures taken)
- › Address right technology trends



Opportunities

- › Sufficient cash for “game changer” acquisitions
- › Technology leader to grow in America + China
- › One of only a handful of European Technology players
- › 5G connectivity for machines

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Q&A Session - FY 2022 Earnings Call

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