



kontron

Quarterly Statement

Q3 2023

01

KONTRON GROUP OVERVIEW

Key figures

IN EUR MIO.	9M 2023 CONTINUING OPERATIONS	9M 2022 CONTINUING OPERATIONS
Revenues	860.9	755.0
EBITDA	95.9	68.5
Result after non-controlling interests	52.8	24.3
Earnings per share (in EUR Cent) ¹⁾²⁾	86 Cent	51 Cent
Operating cash flow ²⁾	34.1	-64.9
Operating cash flow from continuing operations	33.8	-38.4

1) Earnings per share undiluted

2) Including discontinued operations

IN EUR MIO.	30.09.2023	31.12.2022
Cash and cash equivalents	292.3	437.8
Net Cash (+) / Net debt (-) ³⁾	72.7	118.3
Equity	617.6	635.7
Equity ratio	46.2%	44.1%
Backlog	1,655.1	1,459.6
Project-pipeline	3,614.6	3,407.2
Employees ⁴⁾	4,740	4,475

3) Cash and cash equivalents less non-current and current financial liabilities

4) Number of employees on full time equivalent basis without employees on parental leave, trainees and apprentices



The new Kontron — strategic realignment is a resounding success

A year ago, we completely restructured our company. We sold our IT service activities - amounting to a third of our entire business - to Vinci. The new focus is on the Internet of Things with our own products combined with higher growth, better margins and a concentration on the essentials. The change has been signified by the new company name with the new Kontron logo. Today, three financial quarters after the changes, it is clear that the new strategy has been completely successful. After nine months, the Group result stand at EUR 54.8 million; in the same period of 2022 - but including the sold IT service business - there was still EUR 32.3 million on the books.

While we were a hidden IoT champion in the past, but not fully focused because of our IT service activities, the new Kontron brand is now a top IoT provider. At trade fairs, our stands are overcrowded. Kontron is invited to bid for all projects and tenders. Major technology providers such as Intel, Qualcomm, and Nvidia are strengthening their work together with us.

The success proves us right. During the financial year 2023, we were already able to increase the guidance for our annual target twice. Connected machines and devices offer high growth and profit potential, and as a specialist, we are right in the middle of it. Our market is growing significantly and is not affected by the recession. Artificial intelligence, the next mega topic already in the starting blocks, will further increase our growth.

Kontron will continue on this course. With around 3,000 engineers, Kontron has the strongest “brain power” compared to our competitors. We are using this strength to further expand our technological advantage. Starting in 2023, we have been combining high-tech and high-margin business areas in the new “Software+Solutions” segment. In two years, this segment will be our largest, with EBITDA margins of 15 to 20%. Today, it is already the most important segment.

Although, following the sale to Vinci, we spent EUR 108 million on loan and overdraft repayments as well as around EUR 73 million on dividends and share buybacks, we can report almost EUR 300 million in cash and cash equivalents in Q3. We have already made five strategic acquisitions in 2023 to expand our range of technologies. Further acquisitions are in the pipeline to completely make up for the sold IT service business by the end of 2024. A new share buyback program of EUR 70 million has also been launched. We see this as a good opportunity while markets are under pressure.

Despite fears of recession, we also recorded a strong order intake of EUR 356 million in the third quarter, compared with revenue of EUR 300 million, which increased the order backlog to EUR 1,655 million. That is EUR 195 million more than at the beginning of the year. This means that all planned revenues and growth for 2024 are already covered. Based on this extremely positive development, we are once again raising our outlook for net income for 2023 from EUR >66 million to EUR >72 million. This represents an increase of more than 30% compared to the previous year.



Hannes Niederhauser, CEO

NOTES TO THE COURSE OF BUSINESS

Strong organic growth, strong operating cash flow and a high level of liquidity

The first nine months of 2023 as a pure IoT provider were characterised by strong organic growth for the Kontron Group. Delivery delays caused by the chip crisis have been further reduced and now amount to just around EUR 61 million. There was also an easing on the cost side as a result of improvements in chip availability.

Revenue in Q3 increased by 14.4% to EUR 300.0 million (Q3 2022: EUR 262.4 million). The gross margin improved significantly to 39.4% (Q3 2022: 34.6%). EBITDA grew very strongly by 74.4% to EUR 34.9 million (Q3 2022: EUR 20.0 million).

In the first nine months, revenue increased by a total of 14.0% to EUR 860.9 million compared to the same period of the previous year (1-9M 2022: EUR 755.0 million). The gross margin improved from 36.2% in the same period to 39.6% in the first nine months of 2023. EBITDA jumped by 39.9% to EUR 95.9 million (1-9M 2022: EUR 68.5 million), which corresponds to an EBITDA margin of 11.1%.

The financial result was negative EUR 5.5 million (1-9M 2022: negative EUR 5.9 million). As a result of the significantly better pre-tax result, income tax expenses increased from EUR 3.0 million in the first nine months of 2022 to EUR 9.3 million in the reporting period.

Consolidated net income attributable to Kontron shareholders from continuing operations for the first nine months of 2023 amounted to EUR 52.8 million compared to EUR 24.3 million in the same period of 2022. Earnings per share (undiluted, including discontinued operations) increased significantly to 86 cents in the past nine-month period (1-9M 2022: 51 cents).

Continued strong results in all business segments

Since the beginning of 2023, the Kontron Group has been managed using the following three segments:

- › **“Europe”**: This segment covers all activities of the Kontron Group relating to the development of secure solutions for networked machines by means of a combined portfolio consisting of hardware, middleware and services in Europe. The focus of the business segment is on the products (proprietary technologies) and solutions developed by the Kontron Group for industrial automation, medical technology, connectivity and communications solutions and smart energy markets. In addition, the remaining IT services business in Austria, Hungary and Romania for servicing and supporting the IoT business is reported in this segment.

In Q3 of 2023, revenue in the “Europe” segment increased by 14.5% to EUR 194.6 million (Q3 2022: EUR 170.0 million). At 35.7%, the gross margin was significantly higher than in the previous year (Q3 2022: 30.9%), driven by the improvement in supply chains and the optimisation of processes. EBITDA before headquarter costs increased sharply to EUR 23.0 million (Q3 2022: EUR 10.1 million).

In the first nine months of 2023, revenue in the “Europe” segment rose by 11.9% to EUR 558.6 million (1-9M 2022: EUR 499.1 million). The gross margin improved from 32.2% to 35.4%. EBITDA before headquarter costs increased by 29.7% to EUR 57.7 million (1-9M 2022: EUR 44.4 million).

Since August 1, 2023 the Cellular Automotive Module Unit von Telit Cinterion has been consolidated in the “Europe” segment.

- › **“Global”**: The “Global” segment encompasses the previous “IoT Solutions America” segment and the Kontron Group's business in Asia.

In Q3 of 2023, revenue in this segment went down by 6.8% to EUR 49.4 million (Q3 2022: EUR 53.1 million), while at the same time the gross margin improved from 25.8% in the previous year to 32.5% in the reporting period. This improvement is based on several successful price adjustments in the US. EBITDA before headquarter costs in this segment increased by 54.5% to EUR 4.5 million (Q3 2022: EUR 2.9 million), which was due to the easing of price developments for product components and the successful restructuring program in North America.

In the first nine months of 2023, revenue in the “Global” segment increased by 7.4% to EUR 149.5 million (1-9M 2022: EUR 139.2 million). The gross margin climbed from 25.7% in the previous year to 31.2% in the reporting period. EBITDA before headquarter costs increased by 133.0% to EUR 13.3 million (1-9M 2022: EUR 5.7 million).

- › **“Software + Solutions”:** In this segment, the Kontron Group presents its software solutions for automation and solutions for high-speed trains.

The “Software + Solutions” segment recorded an increase in revenue of 42.3% to EUR 56.0 million in Q3 of 2023 (Q3 2022: EUR 39.3 million). The good order situation was responsible for the increased earnings. The gross margin in the third quarter of 2023 was 58.5% (Q3 2022: 62.1%). EBITDA before headquarter costs amounted to EUR 7.5 million in the third quarter of 2023 (Q3 2022: EUR 7.0 million), which represents an increase of 6.6%.

For the first nine months of 2023, this segment recorded an increase in revenue of 31.0% to EUR 152.9 million (1-9M 2022: EUR 116.7 million). The gross margin in the reporting period was 62.8% (1-9M 2022: 65.5%). EBITDA before headquarter costs in this segment amounted to EUR 24.9 million in the first nine months (1-9M 2022: EUR 18.3 million), which corresponds to growth of around 16.3%.

On August 28, 2023, Kontron announced the acquisition of Hartmann and W-IE-NE-R, a group of computer systems manufacturers for the avionics and defense sectors based in Germany and the United States. On September 18, 2023, the acquisition of Altimate SA, a Romanian company offering urban and interregional mobility solutions, was announced. On October 11, 2023, Kontron announced the planned acquisition of the NASDAQ-listed company Bsquare Corporation, a US specialist in the development and use of software technologies for manufacturers and operators of connected devices. The acquisitions of the companies are expected to be completed by the end of 2023.

Since July 1, 2023 the Comlab AG has been consolidated in the “Software + Solutions” segment.

IN EUR MIO.	EUROPE		GLOBAL		SOFTWARE + SOLUTIONS		KONTRON GROUP	
	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2022
Total revenues	651.6	576.3	190.2	176.1	172.9	134.5	1,014.8	887.0
Internal revenues	-93.0	-77.3	-40.7	-36.9	-20.1	-17.8	-153.8	-132.0
Revenues	558.6	499.1	149.5	139.2	152.9	116.7	860.9	755.0
EBITDA before HQ-Charging*)	57.7	44.4	13.3	5.7	24.9	18.3	95.9	68.5

*) Segment "Europe" including Headquarter-charges not allocated

IN EUR MIO.	EUROPE		GLOBAL		SOFTWARE + SOLUTIONS		KONTRON GROUP	
	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2022
Total revenues	226.7	198.3	63.2	66.0	64.0	46.1	353.9	310.5
Internal revenues	-32.1	-28.3	-13.7	-13.0	-8.1	-6.8	-53.9	-48.1
Revenues	194.6	170.0	49.4	53.1	56.0	39.3	300.0	262.4
EBITDA before HQ-Charging*)	23.0	10.1	4.5	2.9	7.5	7.0	34.9	20.0

*) Segment "Europe" including Headquarter-charges not allocated

High liquidity

Kontron Group's net assets and liquidity situation was once again very robust in the third quarter. As of September 30, 2023, the balance sheet total amounted to EUR 1,336.6 million (December 31, 2022: EUR 1,440.9 million | June 30, 2023: EUR 1,266.7 million). Cash and cash equivalents amounted to a total of EUR 292.3 million as of September 30, 2023, compared to EUR 437.8 million as of December 31, 2022 and EUR 326.0 million as of June 30, 2023. The reduction compared to December 31, 2022 is primarily due to the dividend payment of EUR 64 million as well as the M&A transactions that have already been completed and the repayment of financial liabilities and overdrafts of EUR 108 million. In addition, a total of 539,430 treasury shares were purchased for EUR 9.9 million as part of the "Share Buyback Program I 2023". On September 27, 2023, a further buyback program for treasury shares ("Share Buyback Program II 2023") was announced. The volume amounts to up to 4,000,000 shares (approx. 6.26% of the current share capital) with an upper price limit of EUR 23.00. The maximum total amount is EUR 70 million. Equity amounted to EUR 617.6 million as of September 30, 2023 (December 31, 2022: EUR 635.7 million | June 30, 2023: EUR 597.8 million). The equity ratio as of September 30, 2023 was 46.2% (December 31, 2022: 44.1% | June 30, 2023: 47.2%). The Kontron Group's net cash position amounted to EUR 72.7 million as of September 30, 2023 (December 31, 2022: EUR 118.3 million | June 30, 2023: EUR 105.7 million).

In the first nine months, Kontron generated an operating cash flow of EUR 34.1 million. At EUR 26.8 million, the third quarter was the strongest quarter in the reporting year so far and was able to continue the positive development of the first half of the year. In the same period of the previous year, operating cash flow amounted to just EUR 6.1 million, which represents a fourfold increase. By comparison, there was still a very high negative operating cash flow of EUR 64.9 million in the first nine months of 2022. The positive trend has been driven by strong operational development and the easing of supply chains. Cash flow from investing activities increased from minus EUR 33.4 million in the previous year to plus EUR 16.4 million in the reporting period largely due to purchase price payments from Vinci. Cash flow from financing activities was minus EUR 145.2 million in the first nine months of 2023, compared to minus EUR 77.6 million in the same period of the previous year. This development is due to the payment of the record dividend and the significant reduction in financial liabilities.

The number of employees (not including apprentices and staff on parental leave or training courses) rose from 4,343 employees as of September 30, 2022 to 4,740 as of September 30, 2023. At the end of 2022, the number of employees was 4,475.

Earnings outlook increased

Based on this very positive development, Kontron is raising its earnings outlook to EUR >72 million. This represents an increase of more than 30% compared to the previous year. The outlook for 2025 remains unchanged ambitious.

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CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT IN TEUR	9M 2023	9M 2022*	Q3 2023	Q3 2022*
Revenues	860,928	754,975	300,038	262,382
Capitalised development costs	15,945	17,584	6,081	6,545
Other income	11,448	16,982	3,699	1,456
Expenses for materials and other services purchased	-520,359	-482,035	-181,800	-171,642
Personnel expenses	-213,009	-187,849	-73,269	-62,362
Depreciation and amortisation	-28,009	-35,823	-9,895	-11,905
Other operating expenses	-59,100	-51,145	-19,828	-16,361
Result from operations	67,844	32,689	25,026	8,113
Finance income	6,581	768	2,110	331
Finance expenses	-12,118	-6,635	-4,868	-2,149
Financial result	-5,537	-5,867	-2,758	-1,818
Earnings before taxes	62,307	26,822	22,268	6,295
Income taxes	-9,314	-2,970	-3,356	-884
Profit/loss from continuing operations	52,993	23,852	18,912	5,411
Profit/loss from discontinued operations	1,780	8,448	187	3,075
Net income	54,773	32,300	19,099	8,486
Results from the period attributable to owners of non-controlling interests	192	-426	108	137
Results from the period attributable to owners of interests in parent company	54,581	32,726	18,991	8,349
Earnings per share from continuing operations (undiluted)	0.83	0.38	0.30	0.08
Earnings per share from continuing operations (diluted)	0.80	0.38	0.29	0.08
Earnings per share attributable to owners of interests in parent company (undiluted)	0.86	0.51	0.30	0.13
Earnings per share attributable to owners of interests in parent company (diluted)	0.83	0.51	0.29	0.13
Average number of shares in circulation (in thousands undiluted)	63,284	63,631	63,104	63,631
Average number of shares in circulation (in thousands diluted)	65,784	64,631	65,604	64,631

*) Adjustment due to application of IFRS 5 – see Annual Report 2022

STATEMENT OF OTHER COMPREHENSIVE INCOME

STATEMENT OF OTHER COMPREHENSIVE INCOME IN TEUR	9M 2023	9M 2022	Q3 2023	Q3 2022
Net income	54,773	32,300	19,099	8,486
Items that will not be reclassified to profit or loss				
Remeasurement according to IAS 19				
Gains(+)/losses(-) from remeasurement	56	0	9	0
Results from remeasurement of financial instruments at fair value through other comprehensive income	0	-2	0	0
	56	-2	9	0
Items that may be subsequently reclassified to profit or loss				
Unrealised gains/losses from currency translation	-3,145	12,603	430	3,307
Net loss on debt instruments at fair value through other comprehensive income	-18	-47	-18	-1
	-3,163	12,556	412	3,306
Other comprehensive income	-3,107	12,554	421	3,306
Comprehensive income	51,666	44,854	19,520	11,792
of which attributable to				
Results from the period attributable to owners of non-controlling interests	299	1,168	118	232
Results from the period attributable to owners of interests in parent company	51,367	43,686	19,402	11,560

CONSOLIDATED BALANCE SHEET

ASSETS IN TEUR	30.09.2023	31.12.2022
NON-CURRENT ASSETS		
Property, plant and equipment	104,023	95,477
Intangible assets	89,520	72,424
Goodwill	199,801	189,412
Financial assets non-current	12,988	11,714
Contract assets non-current	1,057	1,061
Other non-current assets	8,529	8,960
Deferred tax assets	31,533	33,050
	447,451	412,098
CURRENT ASSETS		
Inventories	249,998	192,633
Trade receivables	167,339	148,085
Contract assets current	57,750	54,227
Financial assets current	68,324	134,326
Other receivables and assets current	53,409	55,421
Cash and cash equivalents	292,345	437,760
Assets classified as held for sale	0	6,310
	889,165	1,028,762
Total assets	1,336,616	1,440,860
EQUITY AND LIABILITIES IN TEUR		
EQUITY		
Subscribed capital	63,861	63,631
Capital reserves	127,088	122,582
Accumulated results	439,709	449,616
Other reserves	-5,208	-1,994
Treasury shares	-9,649	0
Equity attributable to owners of interests in parent company	615,801	633,835
Non-controlling interests	1,812	1,831
	617,613	635,666
NON-CURRENT LIABILITIES		
Financing liabilities non-current	64,086	193,768
Other financial liabilities non-current	37,381	27,714
Contract liabilities	5,629	5,532
Other liabilities non-current	0	1
Deferred tax liabilities	5,546	5,725
Provisions non-current	25,966	19,886
	138,608	252,626
CURRENT LIABILITIES		
Financing liabilities current	155,588	125,703
Trade payables	228,211	226,336
Contract liabilities	73,858	78,493
Other financial liabilities current	28,145	24,979
Provisions current	28,335	26,950
Other liabilities current	66,258	65,348
Liabilities classified as held for sale	0	4,759
	580,395	552,568
Total equity and liabilities	1,336,616	1,440,860

CONSOLIDATED CASH FLOW STATEMENT

CONSOLIDATED CASH FLOW STATEMENT IN TEUR

	9M 2023	9M 2022	Q3 2023	Q3 2022
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING AND DISCONTINUED OPERATIONS				
Earnings before tax from continuing and discontinued operations	64,160	38,467	22,455	10,852
Depreciation and amortisation	28,009	42,934	9,895	12,794
Interest expenses	12,214	7,739	4,867	2,407
Interest and other income from the disposal of financial assets	-7,623	-897	-2,454	-359
Increase/decrease of provisions	-3,986	-3,791	-1,220	-3,660
Gains/losses from the disposal of non-current non-financial assets	-88	433	-129	72
Changes in inventories	-41,448	-72,242	-5,477	-13,812
Changes in trade receivable and contract assets	3,211	3,935	-14,383	-9,688
Changes in other receivables and assets	5,701	-13,467	5,067	-4,826
Changes in trade payable and contract liabilities	-16,154	-35,976	6,534	14,945
Changes in other liabilities	-2,586	-14,390	519	-2,861
Other non-cash income and expenses	317	-9,653	2,329	1,933
Gain on disposal of discontinued operations	-1,725	0	-451	0
Cash and cash equivalents from operations	40,002	-56,908	27,552	7,797
Income taxes paid	-5,902	-8,001	-754	-1,653
Net cash flows from operating activities	34,100	-64,909	26,798	6,144
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of non-current non-financial assets	-26,268	-28,608	-9,488	-11,464
Prepayments for the acquisition of subsidiaries	-11,640	0	-11,640	0
Proceeds from sale of non-current non-financial assets	851	2,101	829	49
Disposal/purchase of financial instruments	-186	7,162	325	-3,625
Payments to acquire subsidiaries less cash assumed and plus current account liabilities assumed	-25,337	-13,678	-25,337	-5,378
Proceeds /Payments from disposal/sale of subsidiaries less cash disposed and plus current account liabilities disposed	2,161	-966	0	0
Proceeds (net) from disposal of discontinued operations	70,570	0	-450	0
Interest income	6,256	547	1,992	247
Net cash flows from investing activities	16,407	-33,442	-43,769	-20,171
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in financing liabilities and financial liabilities	1,500	95	820	0
Decrease in financing liabilities and financial liabilities	-67,398	-46,191	-13,838	-15,628
Interests paid	-9,793	-6,080	-3,124	-1,662
Acquisition of non-controlling interests	-100	-3,155	-100	-1,500
Dividends to owners of interests in parent company	-63,398	-22,271	0	0
Payments for acquisition of treasury shares	-9,906	0	-659	0
Capital increase (less transaction costs)	3,884	0	283	0
Net cash flows from financial activities	-145,211	-77,602	-16,618	-18,790
Changes in exchange rates	-2,559	4,149	-933	-15
Changes in financial funds	-97,263	-171,804	-34,522	-32,832
Financial funds as of the beginning of the period	366,996	267,934	304,255	128,962
Financial funds as of the end of the period	269,733	96,130	269,733	96,130
Overdrafts	19,173	60,995	19,173	60,995
Restricted cash	3,439	5,173	3,439	5,173
Total cash and cash equivalents from continuing and discontinued operations	292,345	162,298	292,345	162,298

FINANCIAL CALENDAR

2023



03.11.2023	Q3-quarterly statement (Earnings-Call Q3 2023)
08.11.2023	Extraordinary General Meeting
27.11.2023	Equity forum (27.11. - 29.11.2023)

Further details available under
https://ir.kontron.com/Finacial_calendar.en.html

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