



**kontron**

# INVESTORS UPDATE Q3

November 2022



# HIGH- AND LOWLIGHTS Q3-2022



## HIGHLIGHTS

- › Q3-2022:
  - › Plus 10.5% in Revenues vs. Q3-2021 (YTD +9.6%)
  - › Plus 6.3% in adj. EPS vs. Q3-2021 (YTD +14.6%)
- › 7<sup>th</sup> quarter in a row of strong order entry
  - › EUR 294m order entry in Q3-2022 vs EUR 262m shipments
- › SPA signed with Vinci to sell IT Services for appr. EUR 400m (est.)

## LOWLIGHTS

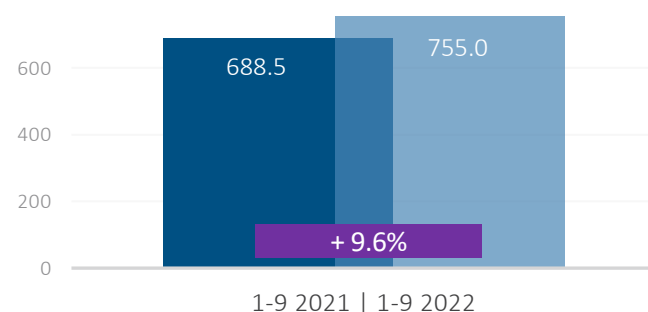
- › Chip shortage impact:
  - › EUR 124m of not delivered orders as of 30 September 2022
  - › Operating CF burdened by EUR 74m increased inventory, but Operating CF in Q3 positive again (turning point)
- › North America increased in revenues – still weak in margin
- › Impacts of Russia YTD 2023
  - › EUR 24m (-43%) reduction in revenues

# KPI 1-9 2022

## GOOD OVERALL PERFORMANCE

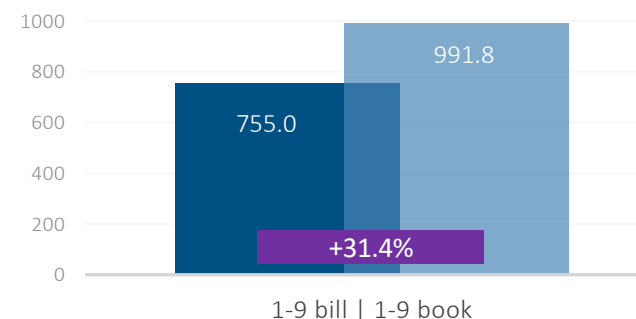
### REVENUE (CONT.OPERATION)

(in EUR m)



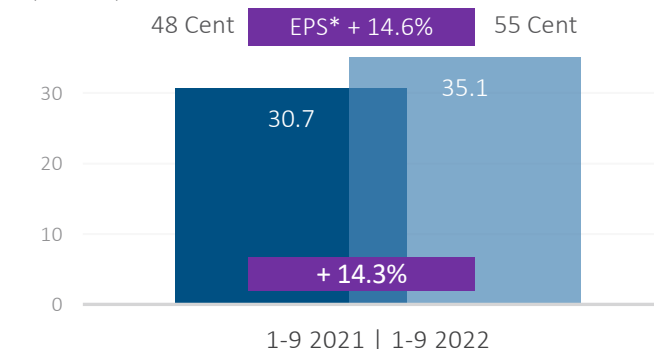
### ORDER ENTRY (CONT.OPERATION) BOOK TO BILL

(in EUR m)



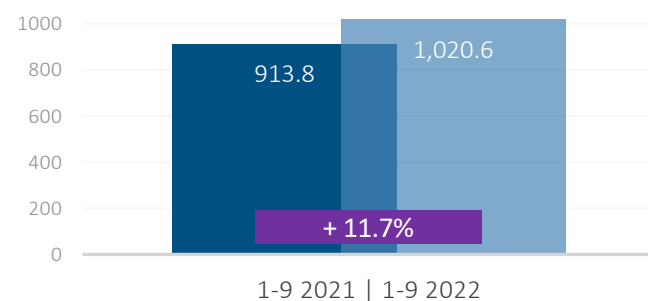
### ADJUSTED NET INCOME AFTER NCI

(in EUR m)



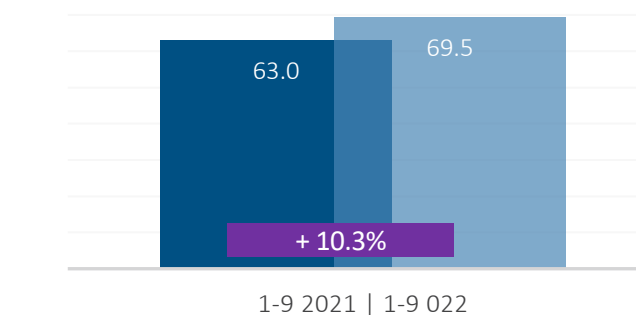
### TOTAL REVENUE (CONT. + DISCONT. OPERATION)

(in EUR m)



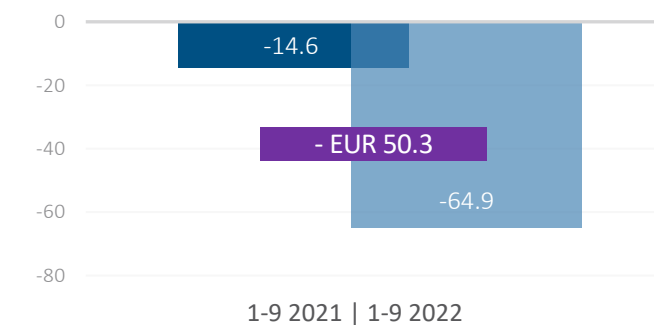
### EBITDA (CONT.OPERATION)

(in EUR m)



### OPERATING CASH FLOW

(in EUR m)



Double digit growth in revenues and profit – H1 cash flow burdened by chip crisis but Q3 positive

# KONTRON GROUP BALANCE SHEET

Mio. EUR	30.09.2022	31.12.2021
<b>NON-CURRENT ASSETS</b>	<b>447,4</b>	<b>519,0</b>
Fixed Assets	409,9	478,8
as of Property, plant and equipment	100,6	132,5
as of Goodwill	181,4	208,3
Other Assets	37,5	40,2
<b>CURRENT ASSETS</b>	<b>851,7</b>	<b>833,2</b>
Inventories	242,7	187,3
Trade receivables	164,5	232,5
Contract Assets from Customers	30,9	32,8
Cash and cash equivalents	118,7	296,5
Other receivables and prepayments	75,4	83,9
assets classified as held for sales	219,5	0,0
<b>Total Assets</b>	<b>1.299,2</b>	<b>1.352,1</b>

Total Cash (Cont.+ Disc. Operations)	162,3	296,5
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	30.09.2022	31.12.2021
<b>CAPITAL AND RESERVES</b>	<b>442,8</b>	<b>423,3</b>
Equity	442,8	423,3
as of Treasury shares	0,0	-46,8
<b>NON-CURRENT LIABILITIES</b>	<b>268,7</b>	<b>348,2</b>
Long-term loans and borrowings	196,2	238,4
Other Non-Current Liabilities	72,5	109,8
<b>CURRENT LIABILITIES</b>	<b>587,7</b>	<b>580,7</b>
Trade payables	196,2	270,0
Contract Liabilities from Customers	67,2	85,0
Short-term loans and borrowings	117,0	72,3
Other Current Liabilities	97,6	153,4
liabilities classified as held for sale	109,7	
<b>Total Liabilities &amp; Equity</b>	<b>1.299,2</b>	<b>1.352,1</b>

Equity Ratio	34,1%	31,3%
Total Net Cash/ Net Debt*	-157,2	-14,2
Working Capital excluding IFRS 15**	251,4	149,9

**EUR 74m increased Inventory (thereof 16.5m prepayments) built 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)

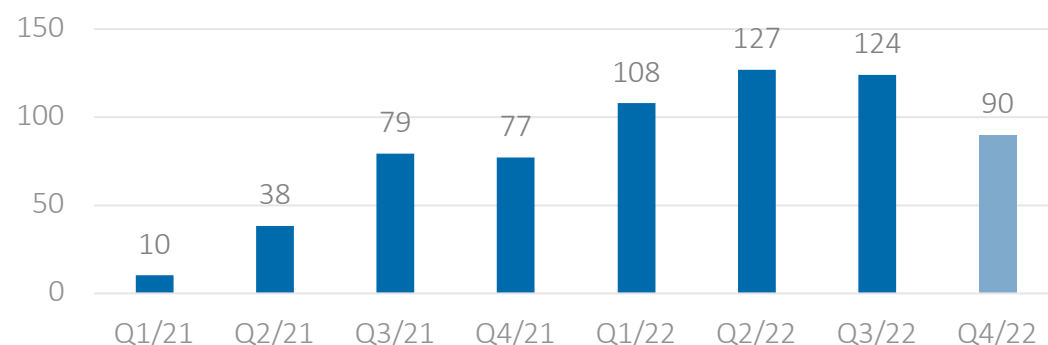
\*\* Definition Working Capital: Inventories plus trade receivables less trade payables (excl. IFRS 15 contract assets and liabilities)

# CHALLENGES IN 2022



## OVERDUE SHIPMENTS

(in EUR m)



- › Chip shortage impact:
  - › EUR 124m of not delivered delayed but not lost orders
- › Business Impact: Industrial EUR 67m, America EUR 40m, ODM EUR 12m
- › We increased inventory by EUR 74m in 2022 for
  - › EUR 16.5m prepayments on allocated chips
  - › emergency stock and not shippable semi-finished products
- › Price increases cover most related costs = low profit impact
- › Outlook: we will tackle these problems in H1/2023, Inventory will be back to normal end of 2023

## RUSSIA

2020	We decided to stop investments in Russia and CIS countries
Q2/2022	We divested entities in Russia
Q4/2022	We will divest Belarus and Moldova
FY 2022	14 CIS companies reduced to 2 Russian Engineers transferred to Europe or replaced in Europe
CIS Impacts	<ul style="list-style-type: none"> <li>- Russian Revenues reduced by EUR 40m (est.) – Q3 11m</li> <li>- Russian profit reduced by EUR 6m (est.) – Q3 1.5m loss</li> </ul>

## STATUS FOCUS: DIVESTMENT OF IT SERVICES

10 August 2022 Kontron signed SPA to sell most of its IT service businesses

- › Buyer Vinci, a listed French construction/energy group (revenues: EUR 43.2bn with 218,000 employees)
- › IT Services sold: DE, CH, PL, HR, CZ, SK, RS, MD, MK, ALB, CG
- › Kontron will keep IT Services in AT, HU, RO

Purchase price of ~ EUR 400m expected upon Closing of transaction

- › Thereof, EUR 260m at Closing (Dec), EUR 80m after audit (Mar/Apr 23), EUR 60m in escrow (EUR 40m/20m until Dec 23/Jun 24)

Closing is on track and conditions precedent almost completed

- › Closing expected for end of Dec 2022
- › Cash payment in 2022 -> already on 2022 balance sheet, no more discontinued operations in 2023
- › Competition authority approvals process on track (RS, MK done; EU, MN, ALB in progress)
- › All other closing conditions completed (except for 1 internal share transfer by Kontron)

**No showstoppers for Closing – payment/cash expected end of December 2022**

# KPI – BEFORE AND AFTER FOCUS



in EUR m	S&T AG 2021	The new Kontron 2023*	Comment
Company name	S&T AG	Kontron AG	Changed at AGM May 2022, S&T related to IT biz, Kontron to IoT products
Revenues	1,342	> 1,200	2023 after divesting EUR 395m IT service, 40m Russia
GM in %	36%	> 40%	Change in product mix, will further increase margin after 2023
Net profit	48.3 (3.6%)	> 60 (5%)	Will increase 2023 vs 2021 despite divested IT services
Employees	6,206 (Dec. 21)	4,343	Minus 1,640 „Focus“, minus 380 Russia, before M&A
Revenue / FTE	216 TEUR	276 TEUR	
Equity ratio	32%	> 45%	Increased cash and less total assets
Entities (as of operative)	80	58 (32)	Less complex structure
Exposure CIS region	7% CIS	< 3%	Not material anymore, East European activities within EU drastically reduced

\*Mgtm. estimates



# NEW BUSINESS MODEL (2023) – 8 DIVISIONS IN 3 SEGMENTS





# M&A PIPELINE

## 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

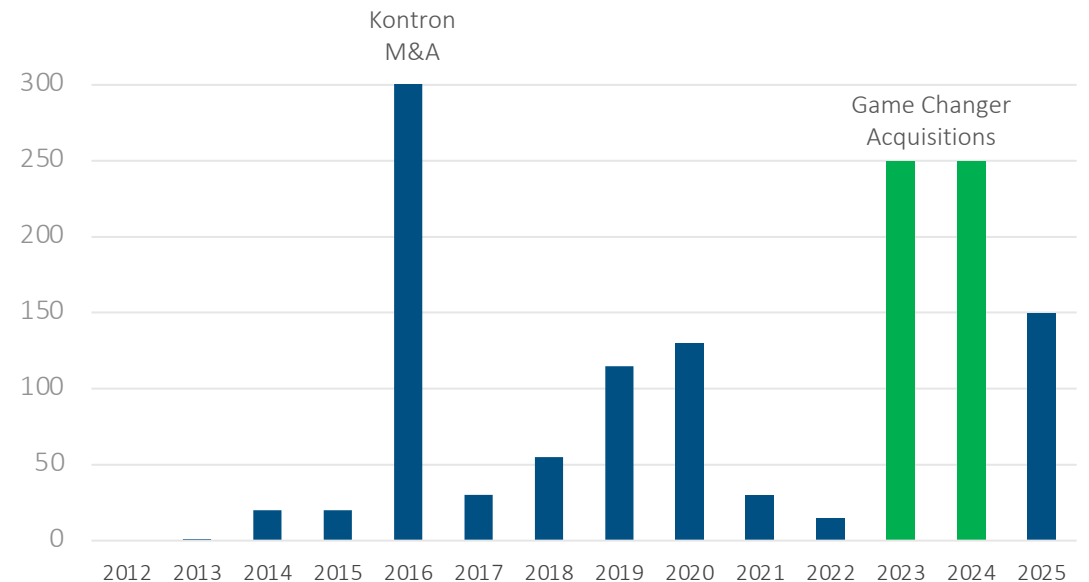
- › Based on Focus proceeds game changer acquisitions
- › Pipeline of 4 companies > EUR 1,000m revenues
- › First transaction in H1/2023
- › Regional focus: Go global (USA, China) and European union

## Divestments 2022

- › Russia, Belarus, Focus

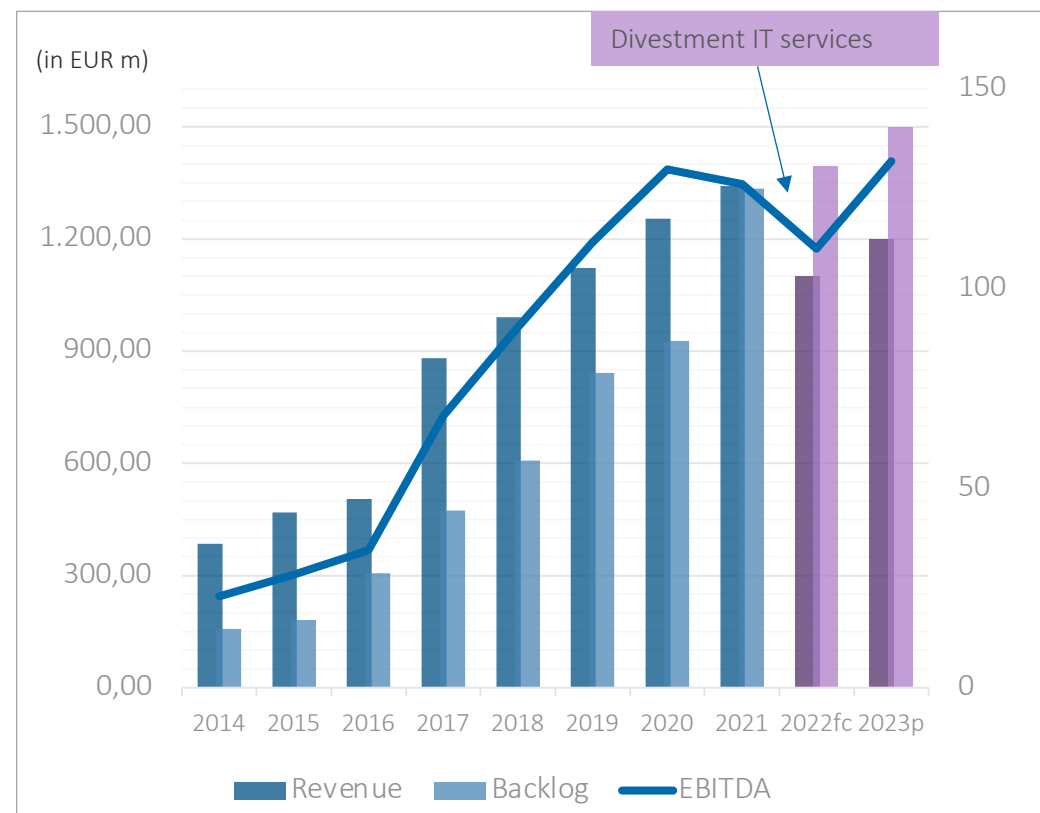
## M&A VOLUME

(in EUR m)



First transaction H1/2023, Kontron intends to acquire min. EUR 250m in 2023 and 500m in 2023/2024

# FORECAST „THE NEW KONTRON“



## GUIDANCE 2022

	continued	disc. operations
Revenue	EUR 1,100m	EUR 395m
EBITDA	EUR 111m	EUR 39m
Net profit	EUR 56m	

## AGENDA 2025

	S&T 2021act	New Kontron 2022fc	New Kontron 2025p
Revenue	EUR 1,342m	EUR 1,100m	EUR 2,000m
EBITDA	EUR 126.3m	EUR 110m*	EUR 260m
Net Profit	EUR 48.3m	EUR 56m*	EUR 120m

\* operative, no divestment profits incl.

Vision 2030 – transformation to IoT aaS/SLAs will boost EBITDA above 15%

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