

# kontron

Explore the Kontron Group

We are a fast-moving multinational technology leader.



## Investor Presentation

February 2024



# Who we are

Leader of Smart Industrial IoT Solutions

8,000

Employees

1.9bn

Revenue (EUR)\*

100m

Net Result (EUR)\*

>10%

Organic growth p.a.\*

Member of SDAX®

Member of TecDAX®

Candidate for MDAX®

HQ in Austria; listed in Germany

\*Management estimates for 2024 and organic growth mid-term guidance.



› **Focused on the large, diverse and growing Industrial IoT market (IIoT) + GreenTec**

› **Fully integrated technology platform**

Integrated (SW+HW) solutions for smart factories, transportation, data connectivity, medical and smart energy

› **Driven by customers success, blue-chip customers**

Highly diversified customer base, top 10 customers account for approx. 12% of revenues, >4,500 customers in total

› **Leading provider of disruptive IoT connectivity technology**

Real time 5G/6G connectivity, susietec® toolset, Kontron operating system, 3,600 engineers

# The IoT Market

## Key Metrics

64 billion

connected IoT devices by 2025 worldwide (from 29 billion in 2022)

\$ 148.6 billion

Industrial IoT revenue with a 11.4% CAGR from 2022

31% growth

machines connected to the Internet by 2025

21% adoption

of 5G across mobile internet connections by 2025



## Focus Industries



Smart Factories



Transportation



Smart Energy



Medical

High entry barriers: single source customization – real time software – expensive customer products with low volume

# Kontron acquires Katek - details



18 January 2024	Kontron signed an agreement to buy 8,587,138 shares (= approx. 59.4%) of KATEK SE conditional to antitrust approvals – closing/consolidation expected early March 2024
Price	EUR 128.8m (EUR 15 per share), no capital increase for financing expected
Management	Katek CEO Koppitz resigned, departing Feb 29th, to be replaced by Kontron CEO Hannes Niederhauser Katek CFO Fues will remain and move to Kontron executive board
April	Kontron will release after closing a mandatory tender offer to acquire 100% of Katek at EUR 15 per share and delist Katek Optional Kontron share offer for KATEK shareholders; pending Bafin approval

# KATEK: International company with German headquarter

Strong Footprint as First Mover with Green Technologies



eMobility, Renewables/Solar,  
Aerospace & Defense, Electronics



>1,500 customers  
(e.g. Porsche, Viessmann, Bosch)

EUR >750m (2023E)  
Revenues



# KATEK



HQ Munich, Germany  
Footprint in Europe,  
North America and Asia

EUR 38m (2023E) adj. EBITDA  
EUR 26.8m (1-9M 2023) opCF



>3,200 employees

# Investment Rationale: Complementary solutions

Transform pioneering Green Technologies with leading IoT software



# KATEK

# kontrol


## Pioneering Green technologies

- › Power electronics (inverters) for solar energy storage systems
- › Charging solutions for electric vehicles



## Leading IoT Software technology provider

- › Internet access with Firewall security
- › Remote control and grids
- › Remote maintenance

- 
- › Upgrade GreenTec products
  - › Increase Gross Margin > 5%
  - › Increase profitability > 5%
  - › 10m of cost reductions

# Integration strategy: Increase Katek Gross Margin from 31% to 40% in 2025



Focus on GreenTec (GM > 45%)

## Emobility charger EUR 500m contract by major OEMs

1. Add Kontron Software
2. Charger = IoT, implement KontronOS, remote maintenance, security
3. Charge with sunlight or reduced electricity supplier cost

## Solar inverters

1. #1 in Germany, add smart balcony systems + battery storage
2. Kontron Software to connect with smart grid

## Reduce/improve low margin business

1. Phasing out of low margin manufacturing,
2. Add engineering to EMS = ODM

# We did it already

## Case Study: Acquisition of old Kontron in 2016

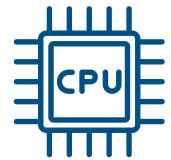


in EUR m	Kontron before acquisition 2016	Kontron after acquisition 2017	Comment
Revenues	360	380	
Gross Margin (in %)	22%	35%	+13% margin increase adding Software to K-Hardware
Opex	100m	90m	Synergies, no firing wave
EBITDA Margin (in %)	-10%	11%	Mainly margin increase



# We did it already

## Case Study: Acquisition of old Kontron in 2016



Old Kontron:  
Embedded hardware



- IoT + Industry 4.0 solutions
- Software integration
- Higher margin business
- New business developed: Security, IoT, smart factories



>2x

Revenues



3x

Employees



>160%

Gross Margin



>3x

Net profit

>10 M&A deals since 2016 \*\*\* Successfull integrator \*\*\* Turning around companies

# Kontron financials – after KATEK acquisition



Agenda 2025 will be achieved

in EUR m	Kontron 2023E	Kontron (incl. Katek) 2024E	Comment
Revenues	1,200	1,900	Agenda 2025 within reach
Gross Margin (in %)	39%	37%	Phase out low margin business to achieve > 40% in 2025
Net profit	>72m	100	39% net profit growth (2024) after 28% in 2023
Employees	Approx. 4,700	Approx. 8,000	Increasing manpower & engineering strength
Equity ratio	39%	37%	2025: Back to 40%
Cash	292 (9/23)	255	Assumptions: no additional share buy backs; Already in place: EUR 130m non-utilized lines
Net cash	>70	-95	<0.75x EBITDA expected, will improve in view of planned inventory reduction

# Kontron 2024 structure (incl. KATEK consolidation starts March 2024)

10 new divisions in 3 segments



## Europe

## Global

## Software & Solutions

**update**

Industrial  
620m

Telecom  
190m

**update**

North America  
210m

Software  
80m

Transport  
200m

OT Services  
230m

**new**

ODM  
200m

Asia  
100m

**update**

Aerospace  
140m

**new**

GreenTec  
280m

Rev FC 24  
**€ 1,240m**

EBITDA**	9%
GM	35%

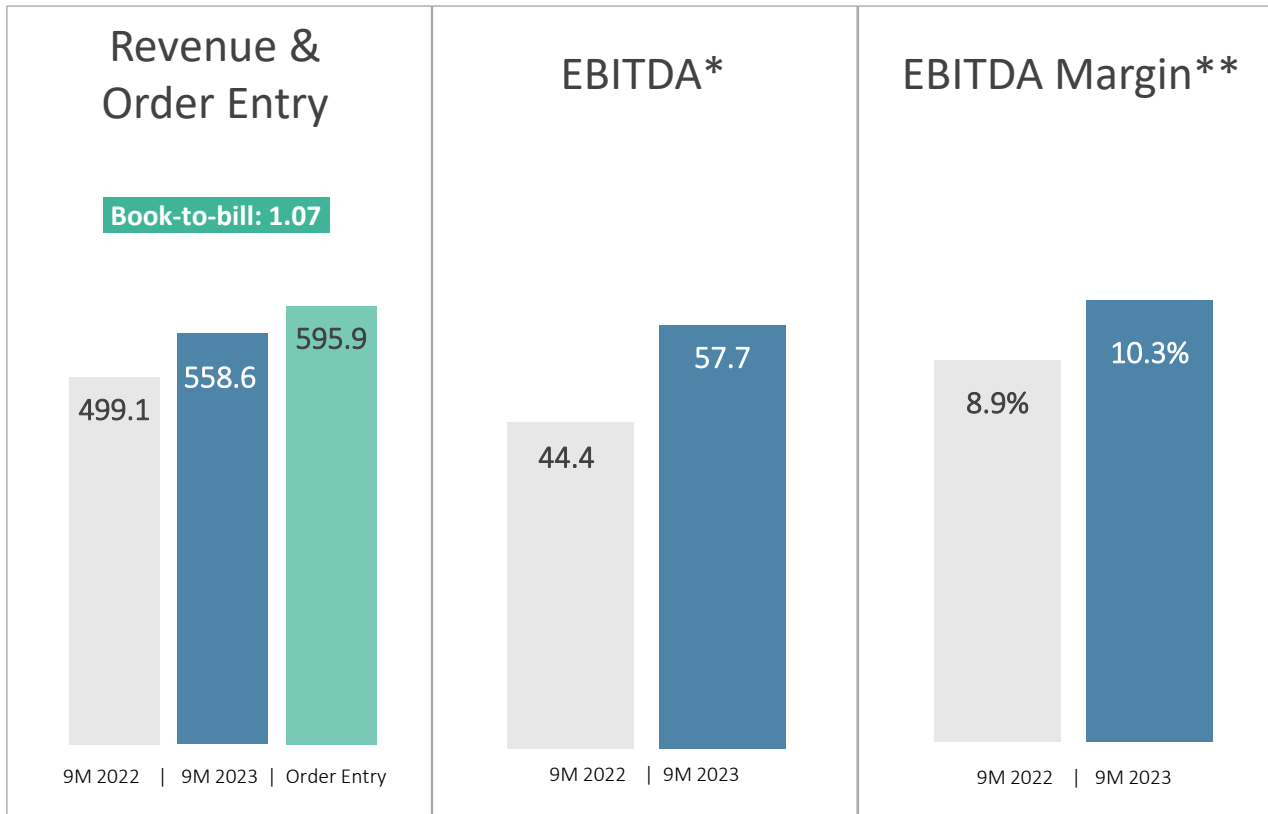
Rev FC24  
**€ 310m**

EBITDA**	8%
GM	30%

Rev FC24  
**€ 700m**

EBITDA**	15%
GM	50%

# Europe: Biggest segment



## Industrial

- › Shows strong growth driven by smart factories and defense

## Communications

- › Growth potential in Communications/5G, driver in 2025

## IoT services

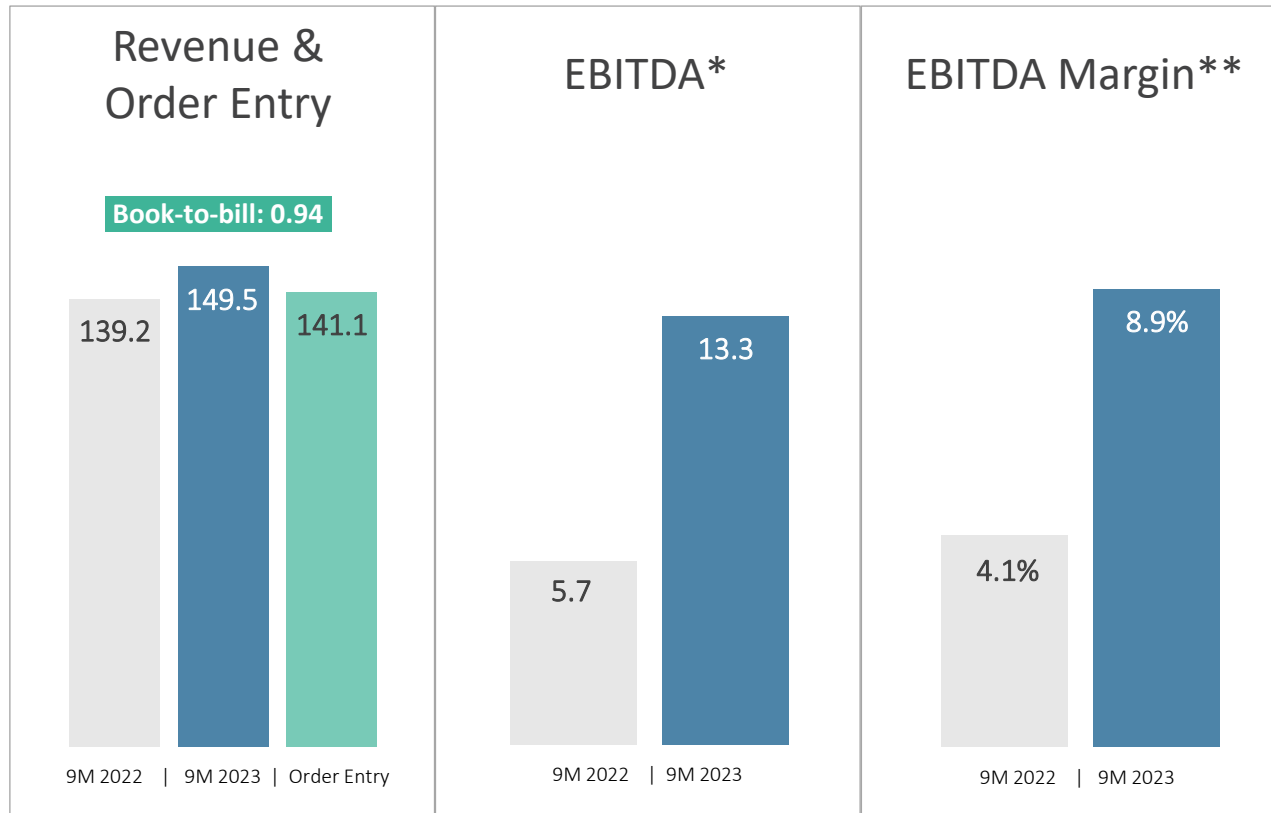
- › EBITDA margin burdened by transformation into IoT service unit

## Segment trend

- › Our backbone: Basic technologies for the segments “Global” and “Software + Solutions”
- › EBITDA margin burdened by IT service transformation, to achieve 12% after completion in 2024, good progress in 2023
- › 3,266 FTEs, thereof 1,905 engineers

➤ Target is to increase EBITDA margin in 2025 to 12%

# Global: Back to normal profitability



## North America

- › Solid growth, avionics recovery, strong defense
- › Ongoing price increases base for improved numbers
- › Weaker USD burdens numbers slightly

## Asia

- › Business stable but macroeconomics slightly weaker

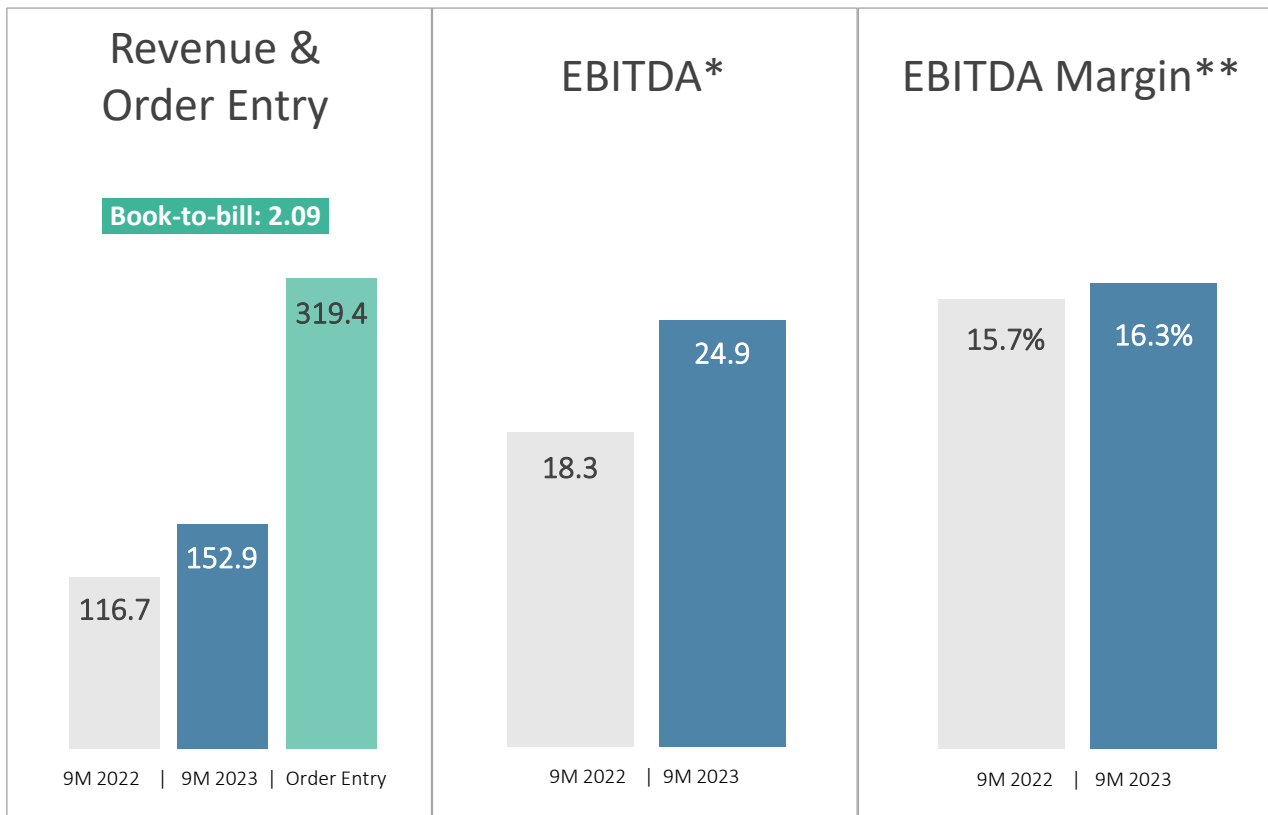
## Segment trend

- › Acts as a sales channel to sell European technology
- › Local engineering for customization
- › Process to build sales + support channel for the complete Kontron technology portfolio
- › 467 FTEs, thereof 186 engineers

➤ Today 20% of revenues in North America + Asia; target 30% midterm driven by superior technology

\* EBITDA before Intercompany HQ fees (part of Europe Segment)  
 \*\* EBITDA before HQ fee in % of external revenue

# Software & Solutions: Fast growing



## Transportation (high-speed trains)

- › High-speed trains are driven by political support, high resilience against macroeconomic influences
- › Market leader in Europe for GSM-R

## Software (susietec®)

- › susietec® is driven by connectivity
- › Target is to include susietec® into all sold hardware
- › Expand susietec® to America by Bsquare acquisition

## Segment trend

- › Margin trend growing y-o-y, quarterly seasonal deviations due to duration of solutions projects
- › Licenses drive also basic technology sales
- › Highest amount of recurring revenues and SLAs
- › 1,007 FTEs, thereof 728 engineers

➤ Will be the biggest segment by 2025

# Strongest brainpower in the industry



## susietec® IoT software framework

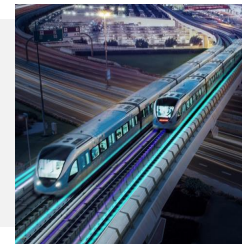
Extending susietec® portfolio by Bsquare SquareOne  
Release of **KontronOS** (highest security standard)  
EUR 100m pure software revenues



**Excellent pool of engineers supported by lean organization**

## Mission-critical control systems for high-speed trains

- › European Train Control System Level 3 Approval
- › New standard FRMCS will accelerate migration and requires 5G



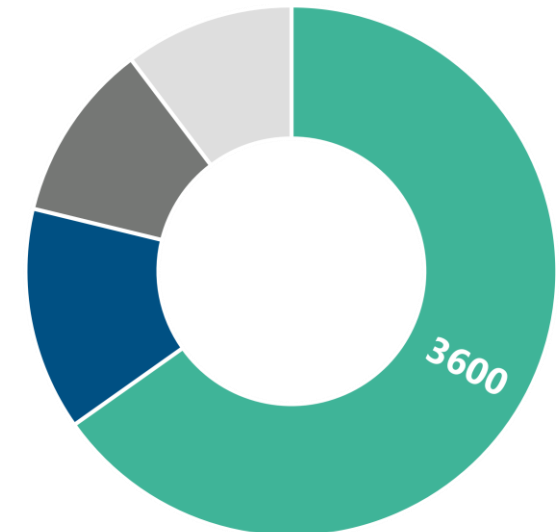
## Artificial Intelligence

- › HAILO chips for customized scalable applications
- › video surveillance, defect detection, robotics
- › EUR 29m in design wins



## Green Technologies

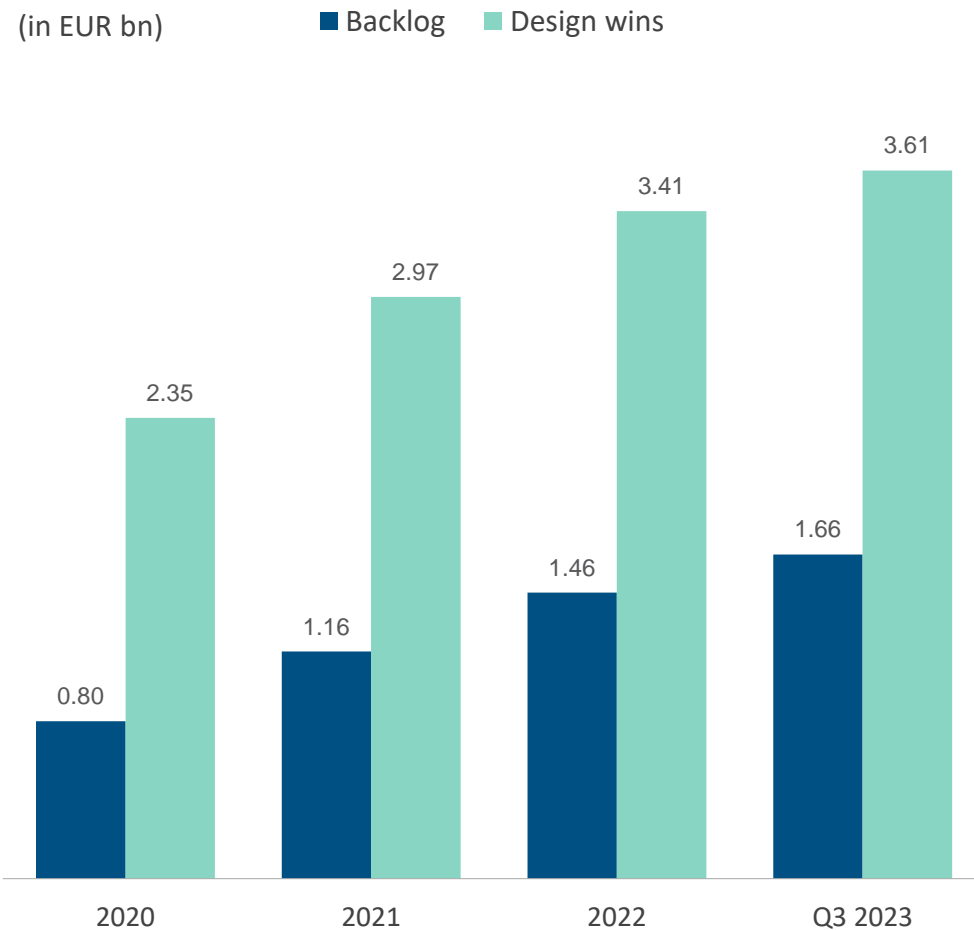
- › IoT connected solar systems (smart home)
- › Smart emobility changers conncted to the grid



- Engineers
- Production & Logistics
- Sales
- Admin

# Backlog and Design Wins

Development since 2020



## Top Design Wins in 9M 2023

	Country	Volume EUR
Railway	FR	150m
Avionics	US	90m
Medical	DE	60m
Railway/Security	FR	60m
Telecommunication	AT	50m
Medical	DE	50m
Defense	US	42m
Railway	SK	40m
Industrial	US	35m
Defense	US	34m



# Our competition Outlook

Selected competitors in Industrial IoT	Revenue (in USD m)	Region
Curtiss Wright*	2,600	North America
<b>Kontron</b>	<b>2,400**</b>	<b>Europe</b>
Advantech	2,200	Asia
Beckhoff	1,600	Europe
ABB B&R	1,100	Europe
Mercury*	1,000	North America
Adlink	380	Asia
Seco	215	Europe
Eurotech	100	Europe
% as of total market (USD 148bn)	7%	

\* Also not Industrial IoT revenues

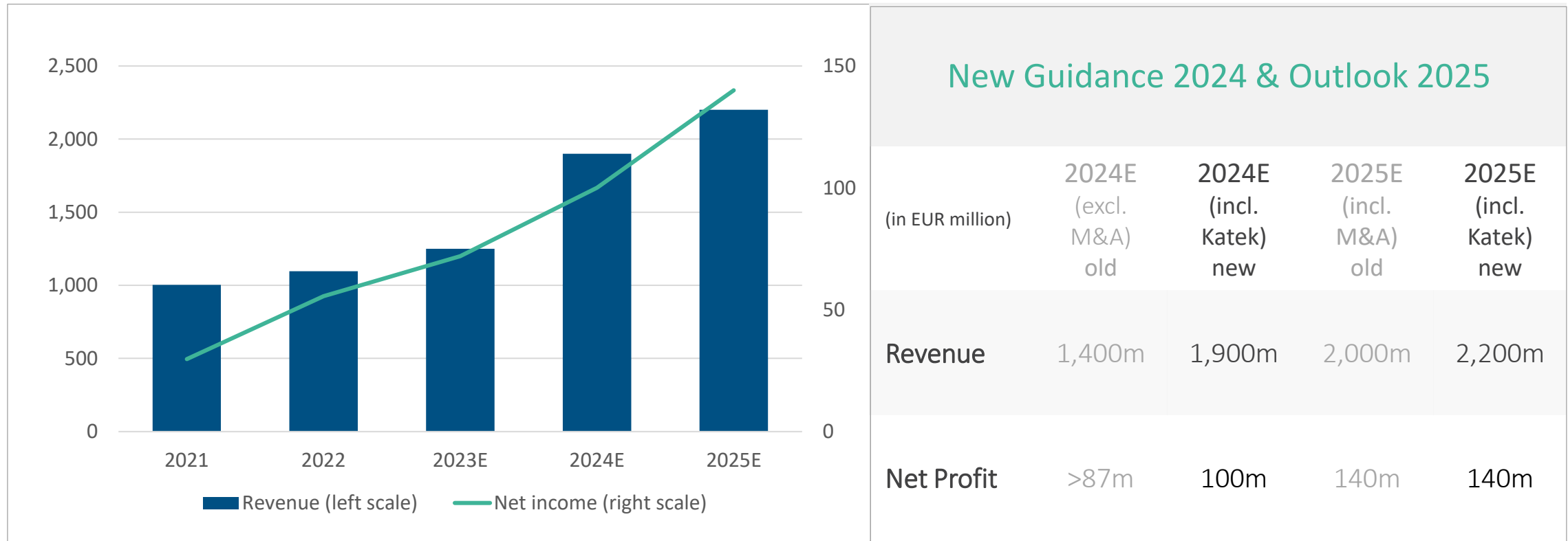
\*\* FY25 revenue guidance of EUR 2,200m

## Our distinctive competitive advantages

- › Unmatched **R&D scale**
  - › >3,600 FTEs, annual budget of EUR 200m
- › **Cost efficient** solutions
  - › (EUR 45k p.a.) in-house engineering resources in CEE
- › **Differentiated technology** platform
  - › Purpose-built solutions for high-value low-volume use cases
- › Deep and **established relationships in the ecosystem**
  - › Intel, ARM, FoxConn, Microsoft, Siemens, GE, Nvidia, Hailo

# Kontron Guidance for 2024

Net profit of EUR >87m and revenues of EUR 1,400m expected for 2024



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

# Why invest in Kontron?



## Profitable long-term growth



- › Excellent position to profit from the megatrends digitalization, AI and sustainability via IoT products
- › Expand high-margin high-growth software business
- › Utilize European technology worldwide
- › Highly diversified, global and long-term customer base in a niche market with high entry barriers
- › Track record of value-accretive M&A

## Engineering excellence



- › Unmatched R&D power of 3,600 engineers and annual investment of EUR 200m
- › Cost efficient in-house engineering resources in CEE (average salary: 45k p.a.) as an attractive Western employer
- › Increasing share of software in the portfolio: proprietary IoT toolset susietec®
- › Customized IoT solutions for Smart Factories, Medical, Defense, 5G Connectivity, Avionics, Transportation, Smart Energy

## Strong financial position



- › Cash conversion rate target of 75%
- › Solid tax shield in Austria for the next 2 years
- › Favorable low debt profile in high interest environment
- › High cash position after sale of majority of IT Services business for EUR 392m in December 2022

## Attractive shareholder return



- › Strong cash generating business
- › 50% of net income distributed as a dividend and/or to use for share buybacks
- › Record dividend of EUR 1 per share paid out in 2023

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# **kontron**

**Explore the Kontron Group**

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## **APPENDIX**

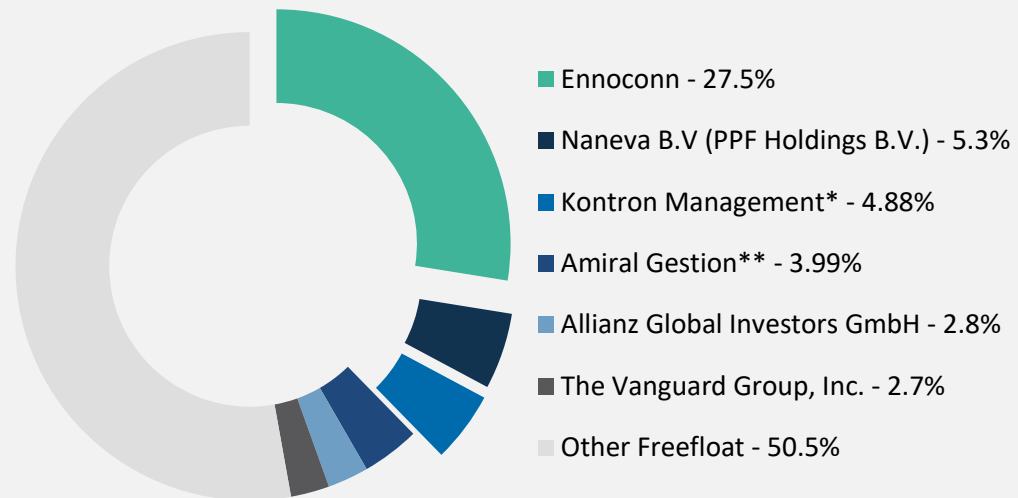
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# The Kontron Share

SDAX® & TecDAX® member and candidate for MDAX®



## Shareholder Structure



**Target: Increase strategic shareholder base**

## Coverage\*\*\*

Alster Research	Buy: EUR 32.00
Erste Group	Buy: EUR 26.50
Hauck & Aufhäuser	Buy: EUR 30.00
Jefferies	Buy: EUR 29.00
Kepler Cheuvreux	Buy: EUR 25.00
Pareto Securities	Buy: EUR 28.00
Stifel	Buy: EUR 27.00
Warburg Research	Buy: EUR 26.00

**Median Target Share Price** **EUR 27.50**

**1 additional analyst will take on coverage of Kontron**

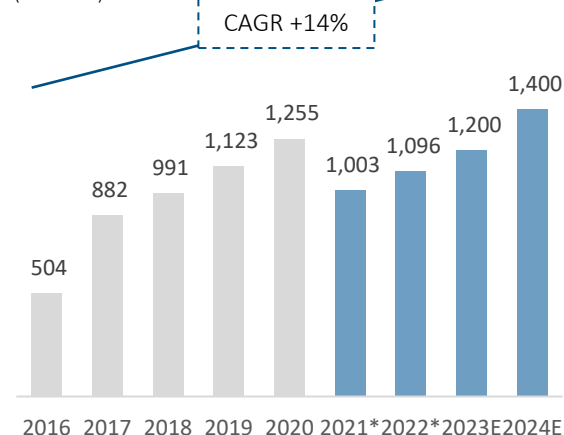
# Kontron Key Figures

Strong growth in profitability, while P/E ratio historically down

in EUR mn	2016	2017	2018	2019	2020	2021*	2022*	2023E	2024E
Revenues	503.7	882	990.9	1,122.9	1,254.8	1,002.9	1,096.1	1,200	1,400
EBITDA Margin (in %)	6.8%	7.7%	9.1%	9.9%	10.4%	9.0%	10.0%	>11%	>11%
Net Income after NCI	20.4	29.4	48.5	49.1	55.6	29.7	55.5	>72	>87
Share price (weighted average in EUR)	8.3	14.3	21.0	20.0	20.2	19.6	15.3	19.5	n.a.
P/E ratio	26.4	41.8	22.6	28.4	22.4	19.6	4.2	19.1	15.8**

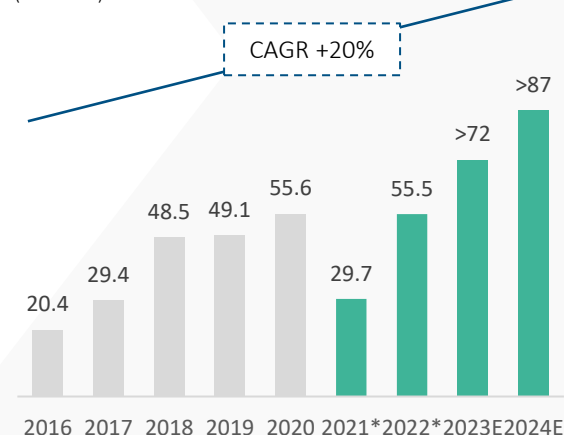
Revenues

(in EUR m)

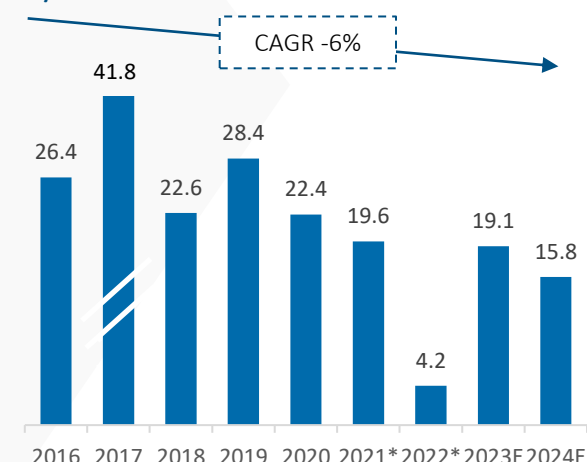


Net income after NCI

(in EUR m)



P/E ratio



\* Continuing operations - adjusted for sale of IT service business

\*\* Based on closing price 31.12.2023: EUR 21.5

# Kontron Group Balance Sheet

Equity and liquidity very strong



in m EUR	9/30/2023	12/31/2022
<b>NON-CURRENT ASSETS</b>	<b>447.5</b>	<b>412.1</b>
Fixed Assets	415.9	379.0
as of Property, plant and equipment	104.0	95.5
as of Goodwill	199.8	189.4
Other Assets	31.5	33.1
<b>CURRENT ASSETS</b>	<b>889.2</b>	<b>1,028.8</b>
Inventories	250.0	192.6
Trade receivables	167.3	148.1
Contract Assets from Customers	57.7	54.2
Cash and cash equivalents	292.3	437.8
Other receivables and prepayments	121.7	189.7
assets classified as held for sales	0.0	6.3
<b>Total Assets</b>	<b>1,336.6</b>	<b>1,440.9</b>

in m EUR	9/30/2023	12/31/2022
<b>EQUITY</b>	<b>617.6</b>	<b>635.7</b>
accumulated results	439.7	449.6
as of Treasury shares	-9.6	0.0
<b>NON-CURRENT LIABILITIES</b>	<b>138.6</b>	<b>252.6</b>
Long-term loans and borrowings	64.1	193.8
Other Non-Current Liabilities	74.5	58.9
<b>CURRENT LIABILITIES</b>	<b>580.4</b>	<b>552.6</b>
Trade payables	228.2	226.3
Contract Liabilities from Customers	73.9	78.5
Short-term loans and borrowings	155.6	125.7
Other Current Liabilities	122.7	117.3
liabilities classified as held for sale	0.0	4.8
<b>Total Liabilities &amp; Equity</b>	<b>1,336.6</b>	<b>1,440.9</b>

<b>Equity Ratio</b>	<b>46.2%</b>	<b>44.1%</b>
<b>Total Net Cash/(Net Debt)*</b>	<b>72.7</b>	<b>118.3</b>
<b>Working Capital excluding IFRS 15**</b>	<b>189.1</b>	<b>114.4</b>
<b>Working Capital excluding IFRS 15** (31.9.2022):</b>	<b>211.0</b>	



Strong cash position: EUR 292m cash + EUR 59m open payment from Vinci  
(despite EUR 73m dividend + SBB and EUR 108m debt paid)

\* 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)



# Update on ESG

## Achievements

- › MSCI: BBB (stable since 2021)
- › EcoVadis: rated above industry average
- › Sustainalytics: 20.2 (medium\* risk)
- › UN Global Compact joined and 9 SDGs identified we support
- › Education
  - Kontron Leadership Academy (focus on female employees)
  - Data Security Training Focus
- › Employee Survey – conducted among approx. 5,000 employees



## Outlook & Targets

- › Increasing interest of sustainable investors to be met
- › Customers and Investors – CO<sub>2</sub> disclosure requests more often

Making our data easily accessible and transparent to our diverse stakeholder groups will become increasingly important

- › Carbon Disclosure Project experience ✓
- › EU Taxonomy requirements expected to be extended
- › Implementation of scope I and II to be achieved until 2023
- › Kontron’s Green Products – communicating our products better

Preparation scope I and II  
 Reporting expansion (incl. EU Taxonomy) ✓  
 ESG-Goal extension ✓  
 ESG-Risk assessment ✓  
 Update material analysis ✓

Evaluation ESG-Goals  
 Implementation stage launched  
 Enhanced reporting according to EU Taxonomy and ESG standards

Implementation finalized  
 Continuous improvement process

Continuous stakeholder dialogue ✓

2021

2022

2023

\*Sustainalytics’ low risk rating starts at <20