

# kontron

The Power of IoT



## Investor Presentation

August 2024



# Who we are

Leader of Smart Industrial IoT Solutions

7,200	1.9bn	190m
Employees*	Revenue (EUR)*	R&D Spending (EUR)*

190m	100m	>10%
EBITDA(EUR)*	Net Result (EUR)*	Organic growth*

Member of SDAX®  
Member of TecDAX®

HQ in Austria; listed in Germany

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

## Focused on large and growing B2B-IoT market

Number of connected IoT devices grows globally by 30%

## Fully integrated technology platform

Integrated (SW+HW) solutions

## Driven by customers success, blue-chip customers

>4,500 customers in total

## Leading provider of disruptive IoT technologies

Real time 5G/6G connectivity, susietec® toolset, KontronOS, Kontron Grid

# The IoT Market

## Key Metrics

64 billion

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

\$ 254 billion

Industrial IoT revenues in FY23; expected 13% CAGR (2024-2028)

31% growth

machines connected to the Internet by 2025

21% adoption

of 5G across mobile internet connections by 2025



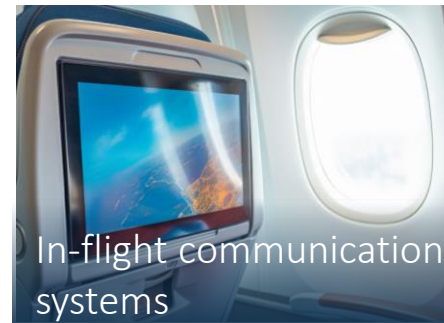
At the heart of many disruptive industries



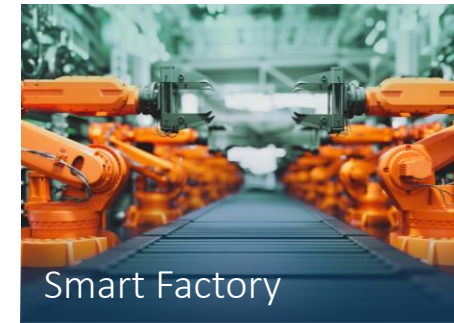
High-Speed trains



Autonomous Driving



In-flight communication systems



Smart Factory



Smart Solar & GreenTec

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



# Kontron: Q2 Results & Company Highlights

## Results Highlights

- › **Strong improvement in EBITDA** from EUR 31.3m to EUR 46.5m
- › **Solid revenue growth by 52.9% and 6.1% organically**
- › **Solid increase of profitability to EUR 21.6m despite one-off effects**
- › **Very strong order intake in Q2**  
Book-to-bill ratio of 1.29 in Q2 |  
Backlog of ~EUR 2bn



## Q2-24

## Company Highlights

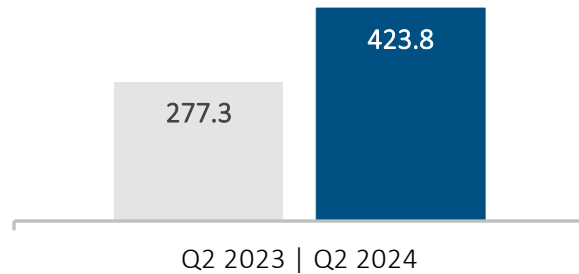
- › **Strong improvement in GM to 42.5% / leap in technologies**  
Many new products in 2024:  
K-OS, K-Grid, NIS2 compatibility
- › **Public tender offer and delisting for Katek completed**  
87.3% shareholding in Katek
- › **Integration of Katek advanced**  
Efficiency enhancement & streamlining has started
- › **Share Buyback Program | 2024 started July**

# KPIs Q2 2024

## Revenue

(in EUR m)

+ 52.9%

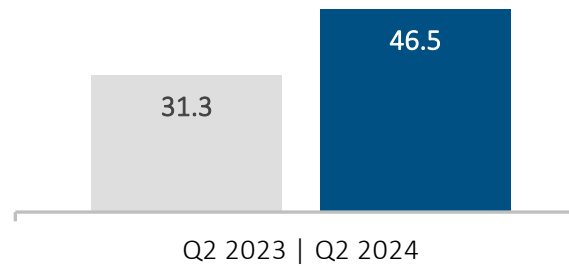


Adjustment of H1 23 revenues due to changed assessment of principal/agent status

## EBITDA

(in EUR m)

+ 48.6%



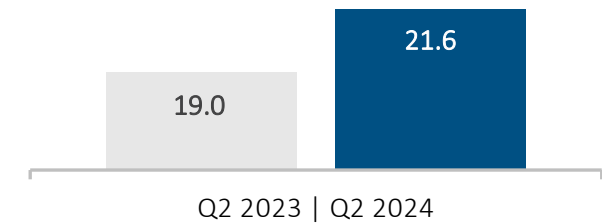
## Operating Net Income after NCI

(in EUR m)

30 Cent

EPS + 16.7%

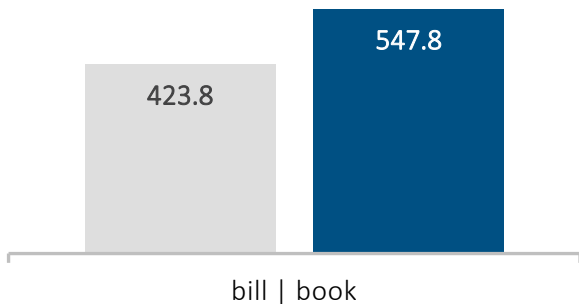
35 Cent



## Order Entry vs. Revenues

(in EUR m)

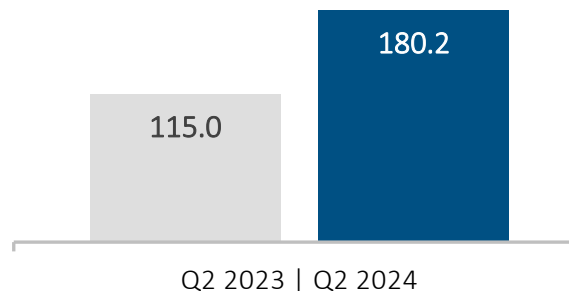
Book-to-bill: 1.29



## Gross Profit

(in EUR m)

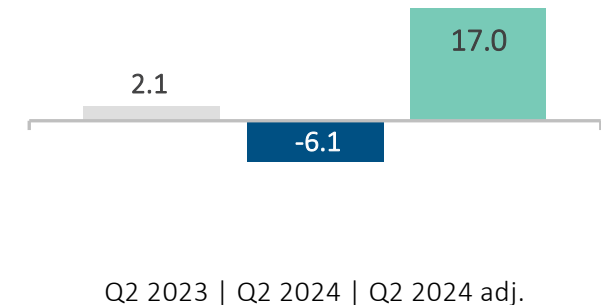
+ 56.7%



## Operating Cash Flow\*

(in EUR m)

+ 8x

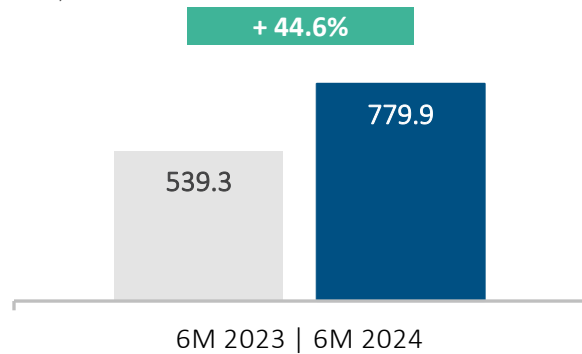


\* adjusted for the reduced factoring

# KPIs 6M 2024

## Revenue

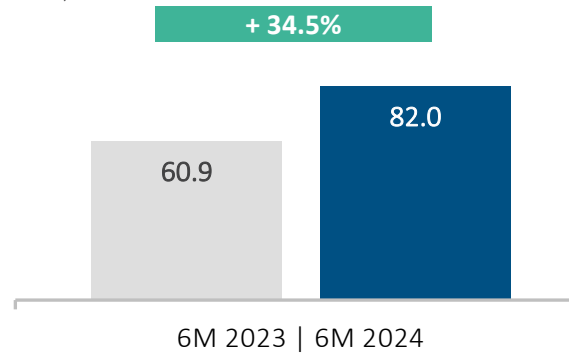
(in EUR m)



Adjustment of H1 23 revenues due to changed assessment of principal/agent status

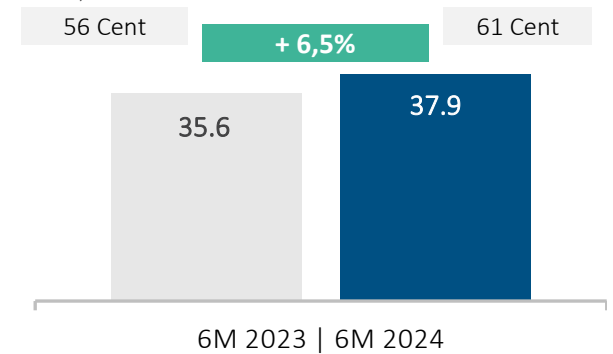
## EBITDA

(in EUR m)



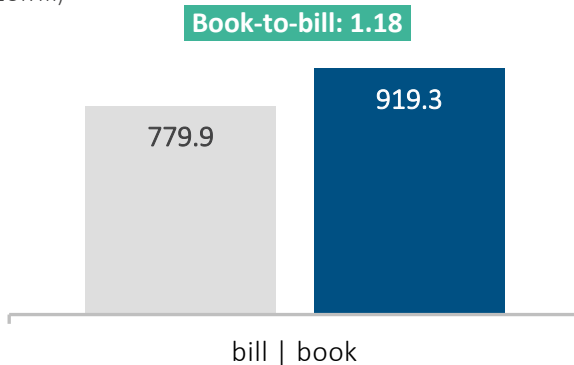
## Net Result after NCI

(in EUR m)



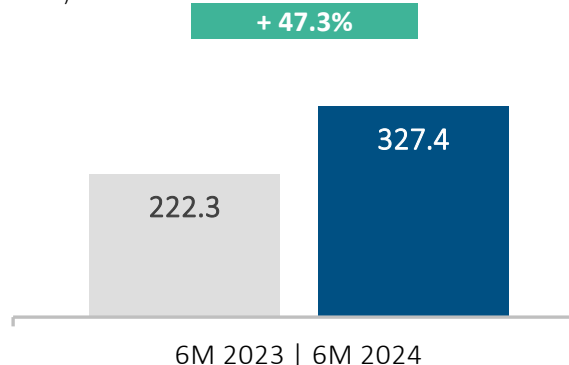
## Order Entry vs. Revenues

(in EUR m)



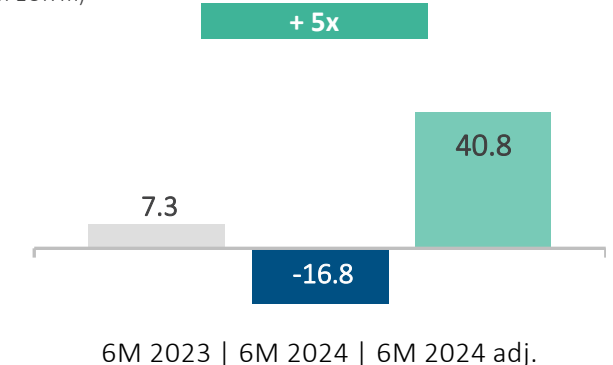
## Gross Margin

(in EUR m)



## Operating Cash Flow\*

(in EUR m)



\* adjusted for the reduced factoring and a deferral effect for 2023

# Kontron Group Balance Sheet

Equity and liquidity very strong

in EUR m	30.06.2024	31.12.2023
<b>NON-CURRENT ASSETS</b>	<b>748,1</b>	<b>492,5</b>
Tangible assets	224,1	110,4
Intangible assets	165,8	102,4
Goodwill	270,4	216,6
Other assets	87,8	63,0
<b>CURRENT ASSETS</b>	<b>1.055,0</b>	<b>878,2</b>
Inventories	450,0	229,1
Trade receivables	240,4	213,6
Contract assets from customers	57,1	38,1
Cash and cash equivalents	227,7	332,2
Other receivables and prepayments	79,8	65,2
Assets classified as held for sales	0,0	0,0
<b>Total assets</b>	<b>1.803,1</b>	<b>1.370,7</b>

in EUR m	30.06.2024	31.12.2023
<b>EQUITY</b>	<b>607,6</b>	<b>604,0</b>
Accumulated results	469,9	462,8
as of treasury shares	-41,9	-43,0
<b>NON-CURRENT LIABILITIES</b>	<b>506,9</b>	<b>136,1</b>
Long-term loans and borrowings	352,7	60,1
Other liabilities and provisions	154,2	76,0
<b>CURRENT LIABILITIES</b>	<b>688,6</b>	<b>630,6</b>
Trade payables	287,9	273,1
Contract liabilities from customers	90,9	69,6
Short-term loans and borrowings	84,8	150,9
Other liabilities and provisions	225,0	137,0
Liabilities classified as held for sale	0,0	0,0
<b>Total liabilities &amp; equity</b>	<b>1.803,1</b>	<b>1.370,7</b>

Equity ratio	<b>33,7%</b>	<b>44,1%</b>
Total net cash/(net debt)*	<b>-209,8</b>	<b>121,2</b>
Working capital**	<b>402,5</b>	<b>169,6</b>

 Healthy balance sheet outlook after cash outflows for integration of Katek and dividend payment

\* 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)

# Additional disclosures

## Q2 2024

Katek share in Q2 results In EUR m	Kontron Q2/24	Katek share Q2/24
Reported revenues	423.8	133.6
Gross margin (in %)	42.5%	36.8%
EBITDA	45.6	10.6

Depreciation + Amortisation	H1/23	Q1/24	Q2/24	H2/24	2025
Kontron	18.1	13.4	20.2	40	72
Add. new PPA amortisation Katek			2.2	3	

Organic growth Q2 - 2024	Q2-2024	Q2-2023
Reported revenues	423.8	283.2
Acquired companies in Q2-2024	-145.7	
Divestments of Q2-2023		-21.2
Organic growth = 6.1%	278.1	262.0

	Result	Net income - extraordinary Effects
income (reported)	21.6	
Adjustment	2.2	PPA amortization from Katek acquisition
Net income (adjusted)	23.8	

	Result	Op. cash flow - extraordinary Effects
Op Cashflow(reported)	-6.0	
Reduction Factoring	23.1	Repaid factoring A/R
Op. Cashflow (adjusted)	17.0	



# Massive Design win volume increases to EUR 6bn

Backlog rose to EUR 1.97bn driven by great order intake

Kontron announces new order for satellite communication

24.07.2024

Q3

E-mobility picks up speed: Another major order for intelligent wallboxes goes into production

03.07.2024

Q3

Kontron AG: Major order for smart wallboxes

21.05.2024

Q2

Kontron wins a EUR 34 Mio. contract for a GSM-R system in the Czech Republic

13.03.2024

Contract wins - Kontron signs 3 major railway contracts worth exceeding EUR 100m

07.02.2024

Kontron signs a contract over EUR 30m for optical network solutions

05.12.2023

Kontron: Another design win of over EUR 50 million from a heavy machinery manufacturer – Design win volume increases to EUR 3.7 billion

23.11.2023

Kontron AG: Kontron announces two design wins in the field of energy management amounting to a total of EUR 25 million

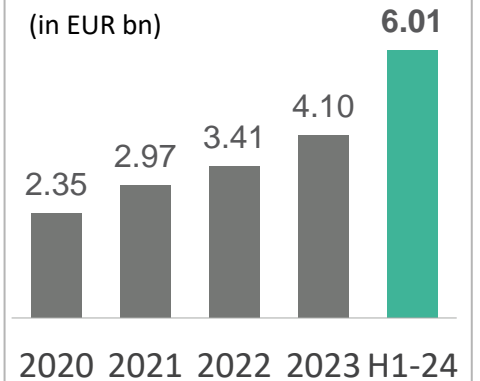
23.10.2023

Kontron AG: Strong growth in the avionics market - Kontron announces two design wins amounting to a total volume of EUR 100m

10.10.2023

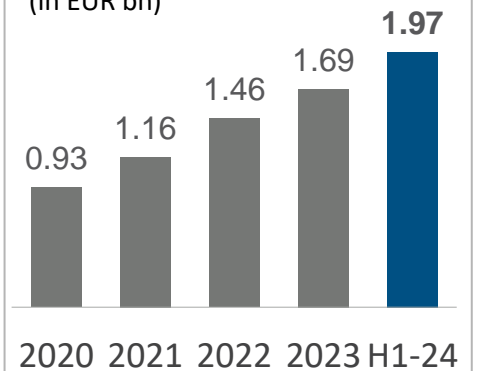
## Design Wins

(in EUR bn)

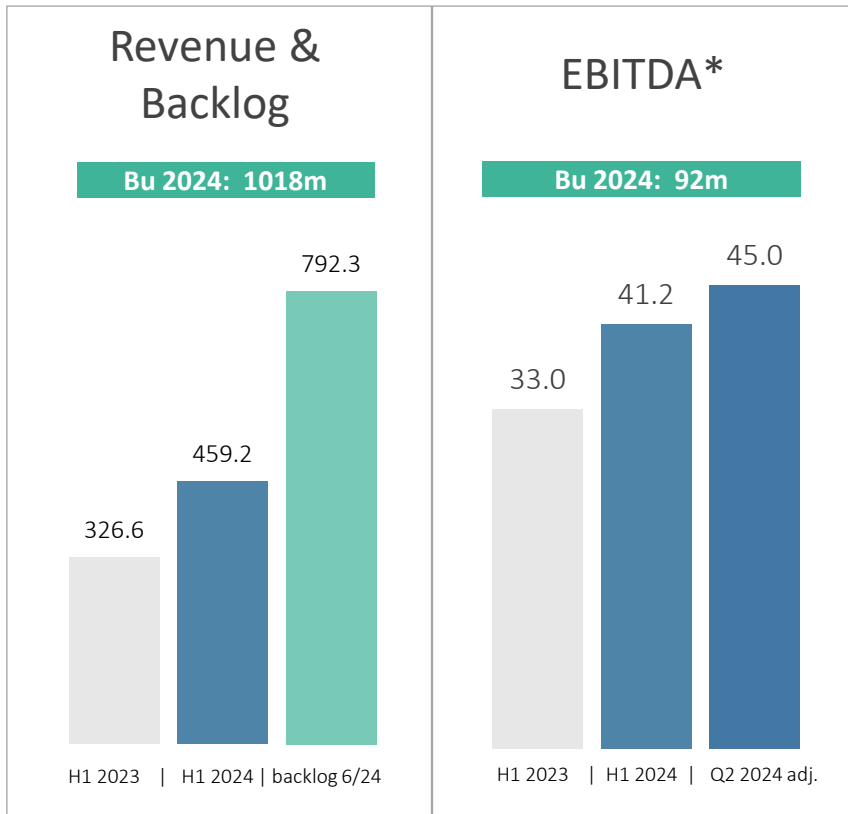


## Backlog

(in EUR bn)



# Europe: Strong growth in industrial IoT technology



## Segment trend

- › Represent 49% of group EBITDA
- › Long term healthy customer relations over decades
- › biggest division Industrial very profitable
- › Restructuring in electronics and IT services

## Industrial

- › Represents 65% of Europe @ 10.6% EBITDA
- › Growth driven by smart factories and reshoring to Europe

## Communications

- › Stable but high potential in 5G/MPN, main media for IoT in 2026

## IT services

- › Not a strategic focus, EBITDA burdened by one-time restructuring costs

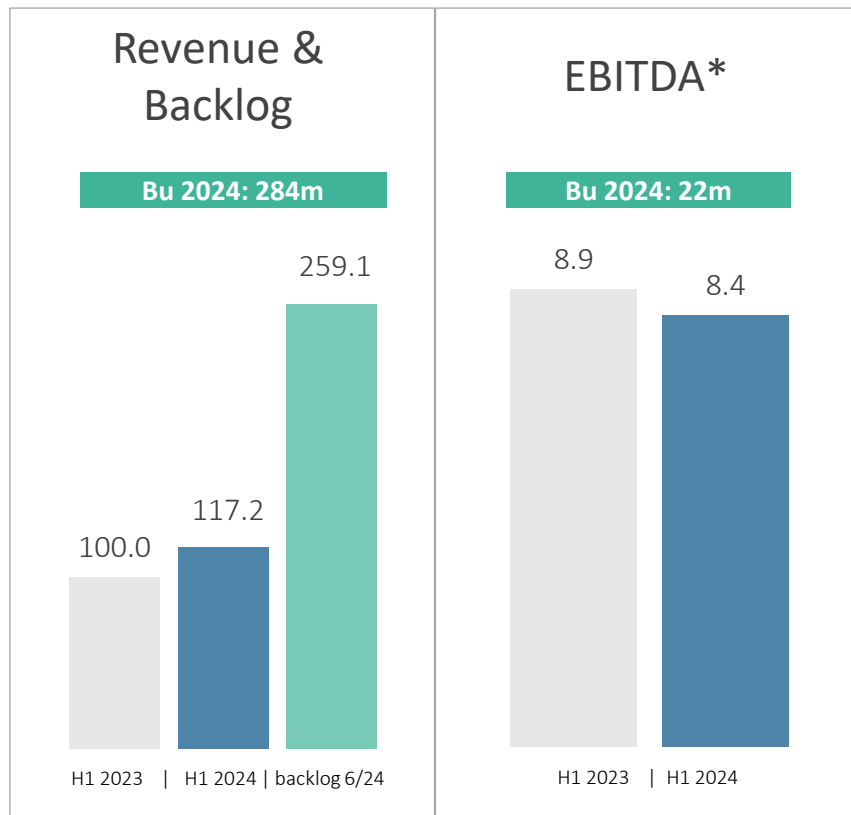
## Electronics

- › Adjust to reduced demand in recession, cost adjusted to break-even

 Cash cow for Kontron Group

# Global: Back to normal profitability

## Sales channel to sell European technology & customizing



### Segment trend

- › Represents 15% of Kontron's revenues and 11% of the EBITDA
- › Expand to 25% in the next 4 years
- › Strategy: sales/support channel for the complete Kontron technology portfolio
- › Competence center for aerospace and defense in USA

### North America

- › Benefit from strength in defense + aerospace, will boost in H2/24 and 2025
- › 10 times 20m customer program
- › Software penetration just started, only non-Chinese 5G module supplier
- › Tight cooperation with technology partners Intel, Microsoft, Qualcomm

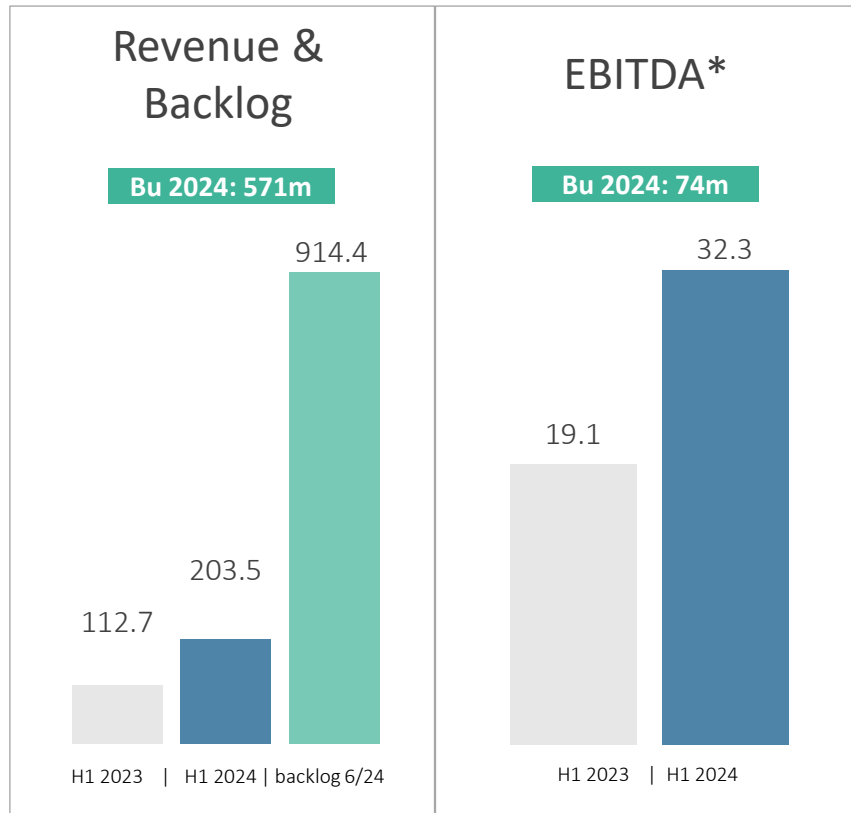
### Asia

- › Slightly burdened by China slowing down
- › Hi potential and good profits in avionics and hi speed trains (Air China, CR)
- › Mid term expansion to South East Asia

**➤ America performs well in solutions segment in defense**

# Software + Solutions: Fast growing

Strongest growing segment with strongest margin



## Segment trend

- › 40% of group EBITDA and > 50% of recurring revenues and SLAs (up to 15 years)
- › Significant Software share -> GM up to 60%, Technology leader

## Software (susietec®)

- › KontronOS and KontronGrid to become the defacto standard (windows for machines)
- › 30 Mio licences installed by 2028 –Adamos +Thingworks stopped, WISE-PaaS behind
- › Focus on NIS2/security, spread in avionics, WBX, ARM based volume IoT equipment

## Transportation (high-speed trains)

- › many design wins , book-bill > 200%, #1 supplier for FRMCS, leader in GSM-R

## Defense and aerospace

- › Strong order entry will boost 2025, unique in NIS2/NIST security

## New segment GreenTec

- › Install K-OS on all chargers + inverters, HEM Software will be released Q1/2025

➤ most profitable and strongest growth segment, generated 50% of Group EBITDA in Q1 2024

# Update on Katek integration

## Product Upgrades

### e-mobility charger

- ✓ Won major contracts in 2024 > EUR 300m – more to follow
- ✓ unique IoT technology: reduce electricity cost 50%, double battery lifetime
- ✓ NexGen 2025: bidirectional, HEMS Software, NIS2 security

### Photovoltaic

- ✓ revenues shrinks by 40% in 2024 due to weak market
- ✓ NexGen 2025: e-car charge, HEMS control, optimize efficiency, NIS2 security
- ✓ Invest in anticyclic expansion -> win market shares

### Electronic manufacturing

- ✓ Utilize EUR 70m internally for Kontron local products “made in Germany”
- ✓ Withdraw from low margin biz, add engineering to achieve 10% EBITDA

### Defense

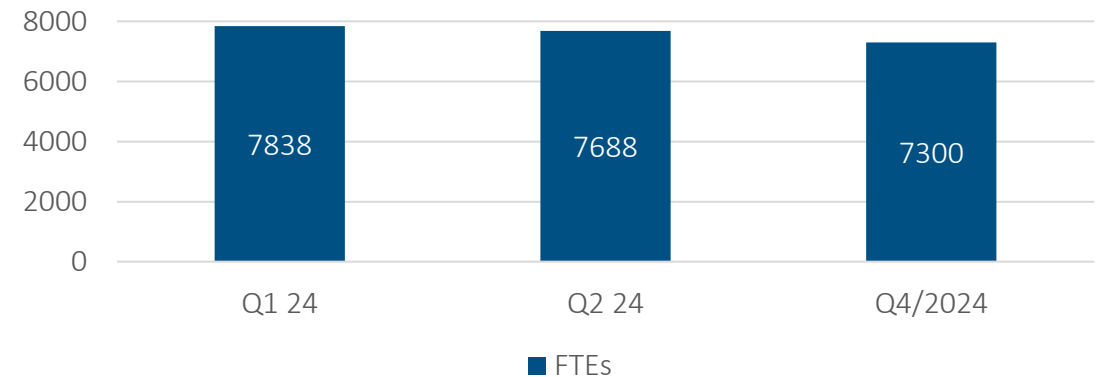
- ✓ Transfer Kontron VPX defense technology to NexTek/USA (ITAR registered),
- ✓ NIS 2 - IEC 62443 registered

## Efficiency Improvements

### Cost cuttings

- › Reduce headcount by 500 employees in 2024
  - 150 FTEs reduced in Q2, 100 in progress, rest to complete in H2/2024
  - EUR 2,9m termination costs (for 200 FTE) paid in Q2, plus EUR 3m cost included in FC 2024
  - EUR 20m cost savings in 2025

### FTE development Kontron



### Other cost reductions

- › Save EUR 2m financing cost implemented in Q2, full effect in Q4/2024
- › EUR 4m admin cost reduction implemented – full effect H2/2024 listing, insurance, office space, audit ..

# Kontron market positioning

## Background

- › Kontron IoT products are part of many vertical markets – Kontron is not dependent on local markets (like screw manufacturers)
- › Kontron with 4,500 customers in various end markets has low dependency to end markets
- › Kontron offers intelligence and IoT connectivity for the products of its customers – they have expertise in vertical markets

Status endmarkets	
Railway (GSMR,FRMCS): market strong, many orders	-> Strong growth, Very few competitors, 50% market share
Aerospace and defense: market strong, many orders	-> Kontron grows driven by connectivity + security, leader in VPX
Industrial: stable, low investments but trend “back to Europe”	-> 10% growth in this area in sync with IoT market
Communication: stable	-> MPN and 5G will drive in 2025/2026
Photovoltaic: shrinking, market under pressure	x Kontron loses revenues
e-mobility: market weak, many orders	-> Strong growth, unique product (single source)
EMS: market weak, Kontron stops low margin biz	x Kontron streamlining of revenues

 Stable organic growth of 10% as a mix of strong and bad markets



# Kontron evolving as global leading IoT company

## Kontron's History

### The history

- 2012 S&T had been an IT integration company
- 2012 – 2021: build up “professional IoT biz” as 2<sup>nd</sup> segment achieving 61% of profits in 2022
- 2016 acquisition of Kontron to strengthen IoT
- 2019 acquisition of Kapsch carrier – start of new segment IoT solutions

### The conversion to IOT 2022-2024

- 2022 divestment of IT services – closed 12/2022
- 2022 Rebrand to “Kontron – the power of IoT”
- 2023 strengthen IoT capabilities acquiring small entities in 5G, trains, defense, embedded Software
- 2024 acquisition of Katek to complement IoT biz
- 2024 open: finalize integration of Katek – conversion of products to IoT connectivity
- 2024 open: finalize conversion of remaining IT biz to IoT, divestments

 Kontron is a well on track as major player in professional IoT. Target 2024: surpass Advantech as global #1

# IoT growth accelerated and driven by mega trends

Double revenues within 4 years

## Mega drivers for IoT end devices

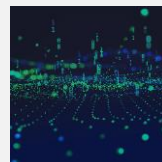
### Security for IoT devices



- › Current IoT networks do not comply to NIS2 requirements
- › Kontron OS offers unique and global leading security features to protect edge devices and the grid
- › Install 30 million licenses mid term “Windows for machines”

### Artificial Intelligence

- › 75% of needed AI data are generated by IoT devices
- › AI will not work without connected IoT devices
- › update IoT for higher bandwidth eg FRMCS



## Smart solutions for vertical markets

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

- ✓ European Train Control System Level 3
- ✓ New standard FRMCS will boost biz and enable AI

### GreenTec with IoT software

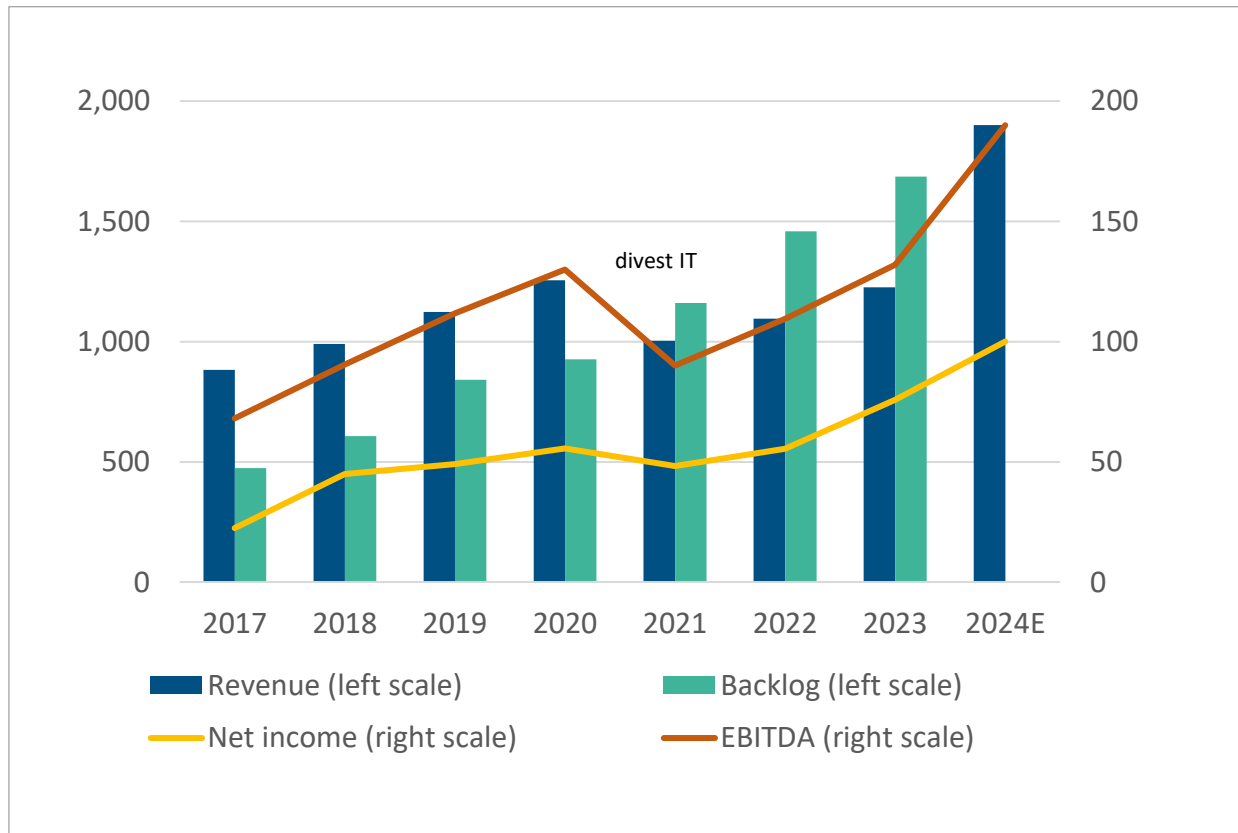
- ✓ Smart Solar inverter connected to IoT grid, HEM Software
- ✓ Smart e-mobility charger connected to IoT, HEM Software

### Aerospace and defense

- ✓ VPX – mission critical standard for defense, NIS2
- ✓ K-OS installed in 4,000 planes

# History and 2024 forecast

Continuous strong growth – another leap in 2024 expected



(in EUR million)	Guidance 2024	Y-o-y growth
Revenue	~ 1,900	~ 50%
EBITDA	190	50%
Net Income*	100	33%

\* Adjusted for non cash PPA amortization of intangible assets

# Why invest in Kontron?

## Profitable long-term growth



- › Present in several high growth markets – disruptive technologies
- › Margin improvement of GreenTec products by IoT software
- › Utilise European technology and security worldwide
- › Highly diversified, global and long-term customer base in a niche market with high entry barriers

## Engineering excellence



- › Unmatched R&D power of 3,000 engineers and annual spending of EUR 190m
- › Cost-efficient in-house engineering resources in CEE (average salary: 51k p.a.) as an attractive Western employer

## Strong financial position



- › Cash conversion rate target of 75%
- › Solid tax shield in Austria
- › Low debt profile in high-interest environment
- › <0.75x Net debt/EBITDA expected, will improve in view of planned inventory reduction

## Attractive shareholder return



- › Strong cash-generating business
- › 50% of net income distributed to shareholders
- › Dividend in 2024 of EUR 0.50 per share
- › Upside potential: PE ratio of 13.7 (2024E)\*

# **kontron**

The Power of IoT

**Q&A**

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# Disclaimer

This document includes 'forward-looking statements'. Forward-looking statements are all statements, which do not describe facts of the past, but containing the words "believe", "estimate", "expect", "anticipate", "assume", "plan", "intend", "could", and words of similar meaning. These forward-looking statements are subject to inherent risks and uncertainties since they relate to future events and are based on current assumptions and estimates of Kontron AG, which might not occur at all or occur not as assumed. They therefore do not constitute a guarantee for the occurrence of future results or performances of Kontron AG. The actual financial position and the actual results of Kontron AG, as well as the overall economic development and the regulatory environment may differ materially from the expectations, which are assumed explicitly or implicitly in the forward-looking statements and do not comply to them. Analysts and investors, and any other person or entity that may need to take decisions or prepare or release opinions about the shares / securities issued by Kontron AG are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this document. Past performance cannot be relied upon as a guide to future performance.

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The Power of IoT

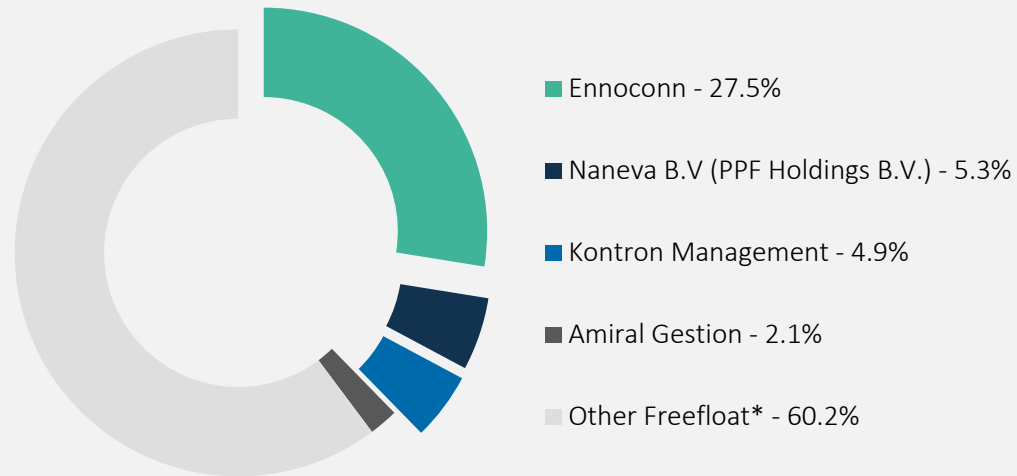
**APPENDIX**

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# The Kontron Share

SDAX® & TecDAX® member

## Shareholder Structure



**Target: Increase strategic shareholder base**

## Coverage\*\*

Erste Group	Buy: EUR 26.50
Hauck & Aufhäuser	Buy: EUR 36.50
Jefferies	Buy: EUR 29.00
Kepler Cheuvreux	Buy: EUR 25.00
mwb research (prev. Alster)	Buy: EUR 35.00
Pareto Securities	Buy: EUR 31.00
Warburg	Buy: EUR 28.00

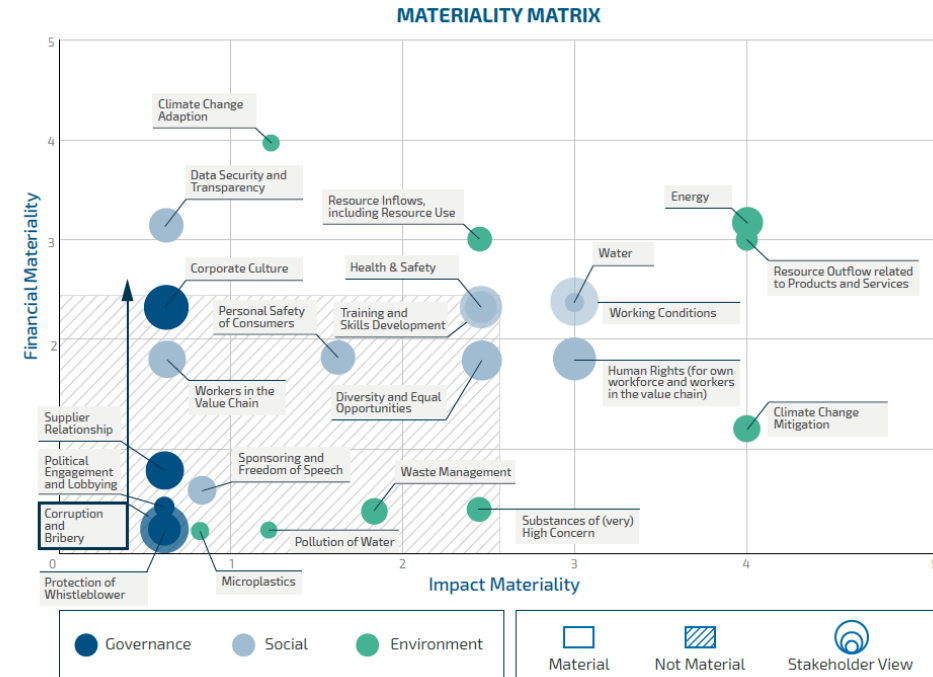
**Average Target Share Price** **EUR 30.10**

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

# Update on ESG: Achievements

## Recognition of Kontron's ESG efforts

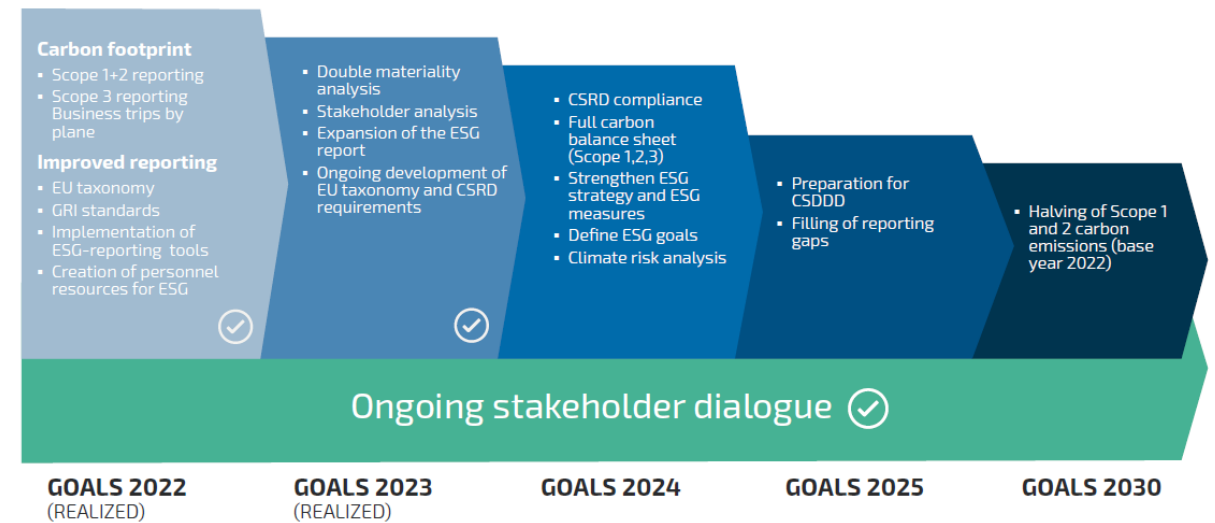
- › MSCI: A (previously BBB)
- › EcoVadis: 50 - rated above industry average
- › Sustainalytics: 17.9 (low risk)
- › Moody's: 38 – improvement by 4 points since 2022
- › ISS ESG: C- (stable)



- › Double Materiality Analysis (CSRD requirement) was completed – 10 material topics identified
- › Education
  - Kontron Sustainable Leadership Academy 2024 (focus on female employees)
  - Data Security Training Focus
- › Employee Survey – conducted among approx. 4,700 employees

# Update on ESG: Outlook & Targets

- › Corporate Carbon Footprint (Full disclosure on Scope I, II, III)
- › Climate Risk Analysis
- › EU Taxonomy alignment
- › CSRD compliance – Sustainability Statement 2024 (ESRS) based on Double Materiality Analysis
- › Kontron’s Green Products – communicating our products better (product carbon footprint)
- › Kontron’s Green Products – Connecting sustainable Energy and ESG for higher performance
- › GreenTec – Upgrading GreenTec with IoT
- › CSDDD preparation
- › Compliance targets – update of policies (Supplier Code of Conduct, Code of Conduct, etc), increase in number of participants and participation rate of compliance trainings, integration of acquired companies



# Competitive landscape

FY 2023 results

## Leap forward in 2024

Selected competitors in Industrial IoT	Revenue (in USD m)	Region
Curtiss Wright*	2,845	North America
<b>Kontron</b>	<b>2,100</b>	<b>Europe</b>
Advantech	2,000	Asia
Beckhoff**	1,600	Europe
ABB B&R	1,100	Europe
Mercury*	1,000	North America
Adlink	370	Asia
Seco	230	Europe
Eurotech	100	Europe
% as of total market (USD 254bn)	4%	

\* Also not Industrial IoT revenues

\*\* FY22 revenues

## Our distinctive competitive advantages

- › Unmatched R&D scale: EUR 190m annual investments
- › Cost efficient solutions: EUR 51k p.a. average salary
- › Differentiated technology platform for high-value low-volume use cases
- › Tech Alliance with Foxconn, Ennoconn, Sharp, ARM