

kontron

The Power of IoT

Q2 2024 Results

August 7th 2024



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

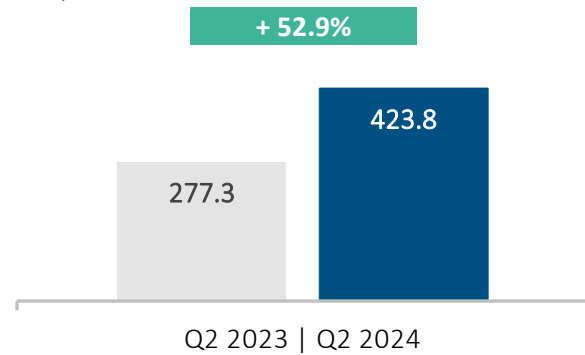
Company Highlights

- › **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 I 2024 started July**

KPIs Q2 2024

Revenue

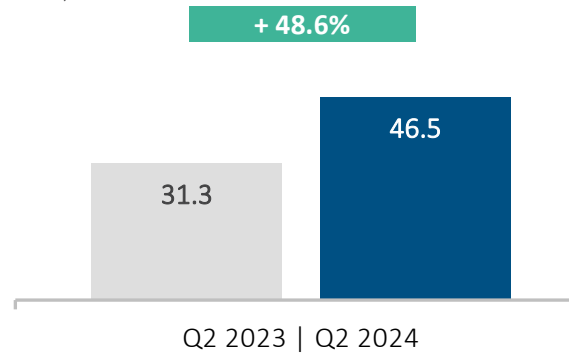
(in EUR m)



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

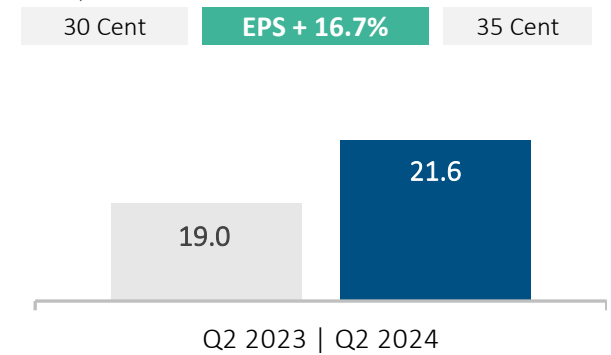
EBITDA

(in EUR m)



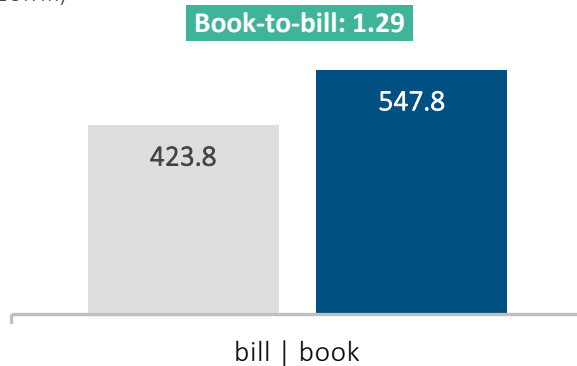
Operating Net Income after NCI

(in EUR m)



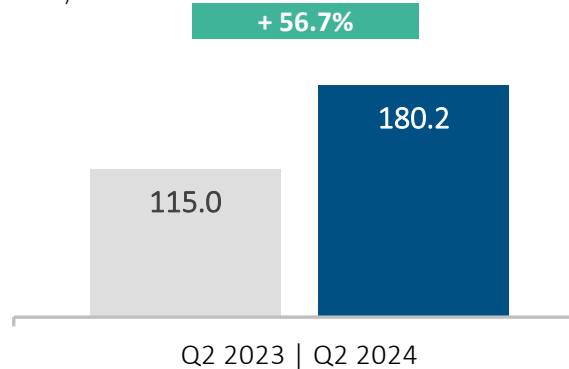
Order Entry vs. Revenues

(in EUR m)



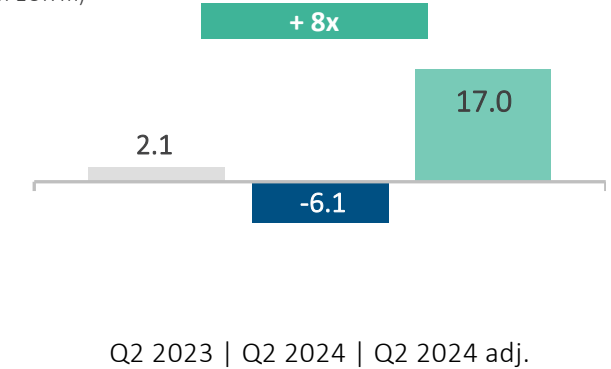
Gross Profit

(in EUR m)



Operating Cash Flow*

(in EUR m)

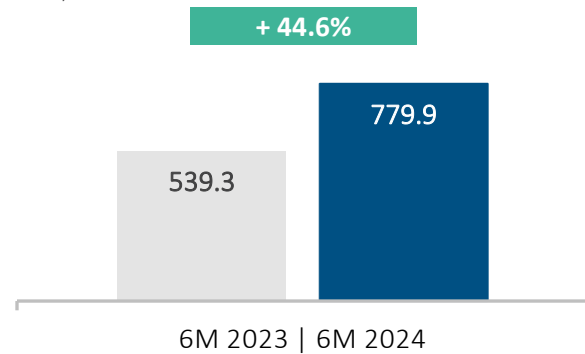


* adjusted for the reduced factoring

KPIs 6M 2024

Revenue

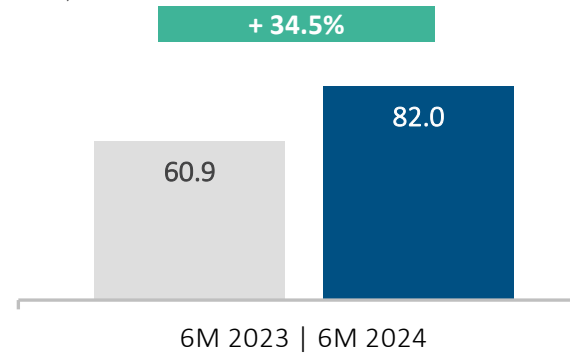
(in EUR m)



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

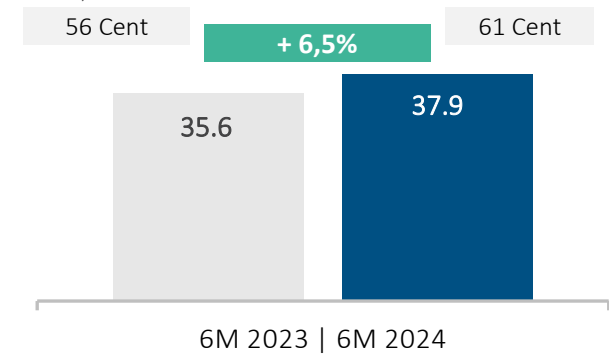
EBITDA

(in EUR m)



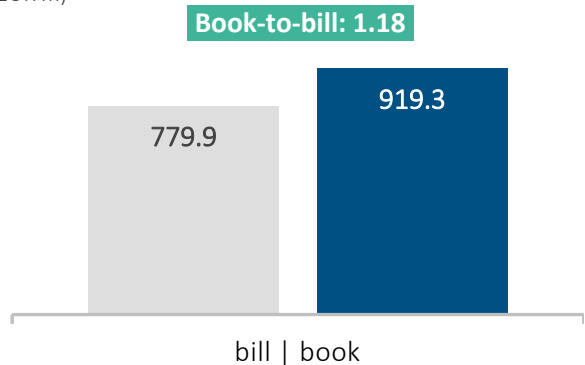
Net Result after NCI

(in EUR m)



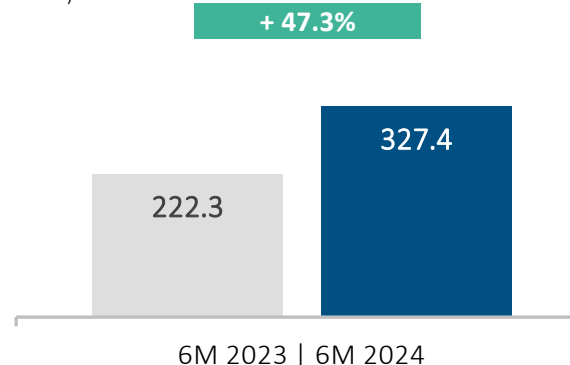
Order Entry vs. Revenues

(in EUR m)



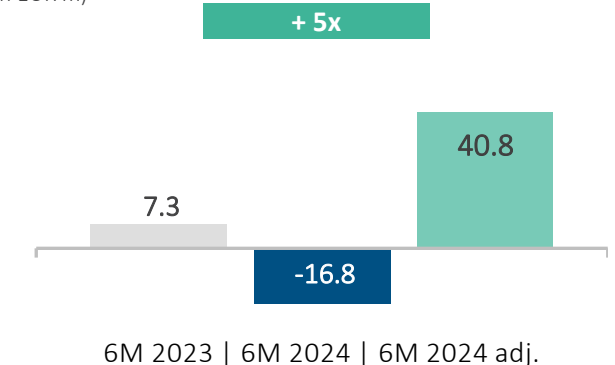
Gross Margin

(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
NON-CURRENT ASSETS	748,1	492,5
Tangible assets	224,1	110,4
Intangible assets	165,8	102,4
Goodwill	270,4	216,6
Other assets	87,8	63,0
CURRENT ASSETS	1.055,0	878,2
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
Total assets	1.803,1	1.370,7

in EUR m	30.06.2024	31.12.2023
EQUITY	607,6	604,0
Accumulated results	469,9	462,8
as of treasury shares	-41,9	-43,0
NON-CURRENT LIABILITIES	506,9	136,1
Long-term loans and borrowings	352,7	60,1
Other liabilities and provisions	154,2	76,0
CURRENT LIABILITIES	688,6	630,6
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
Total liabilities & equity	1.803,1	1.370,7

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

 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

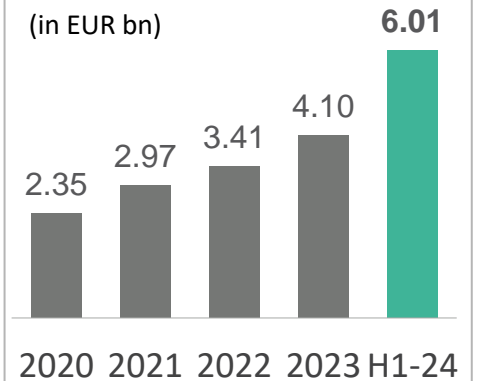
23.10.2023

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

10.10.2023

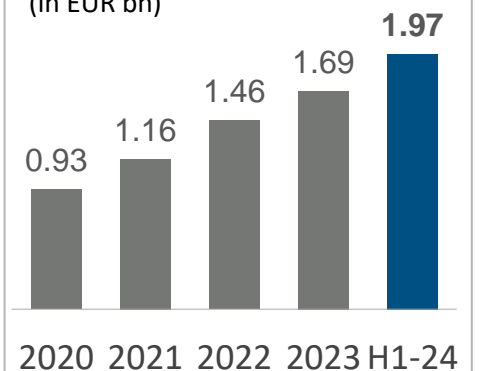
Design Wins

(in EUR bn)

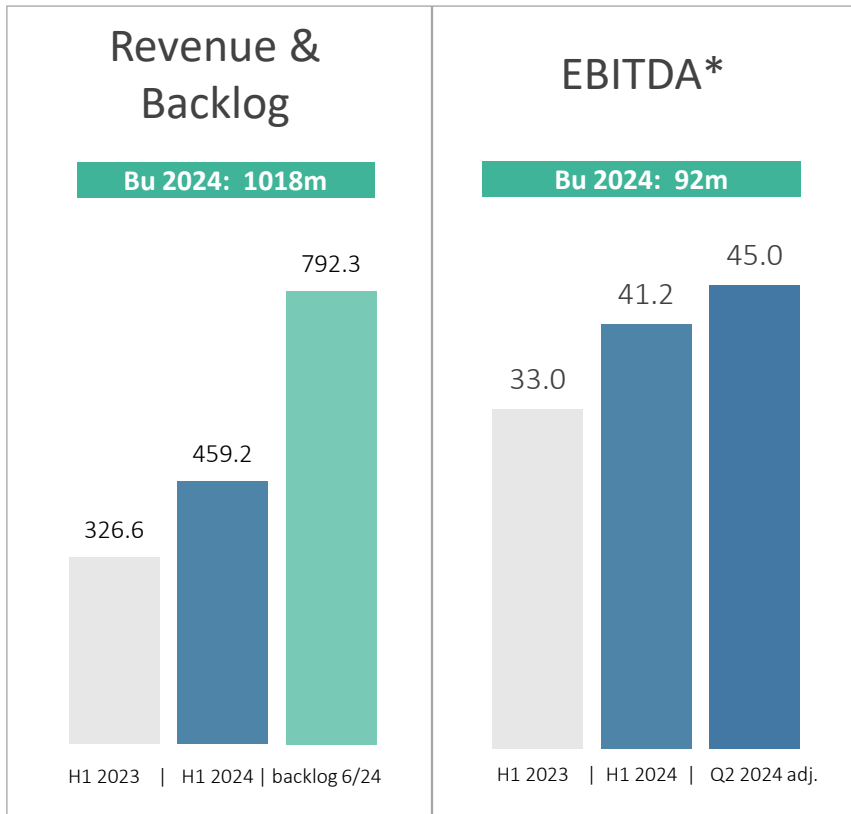


Backlog

(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

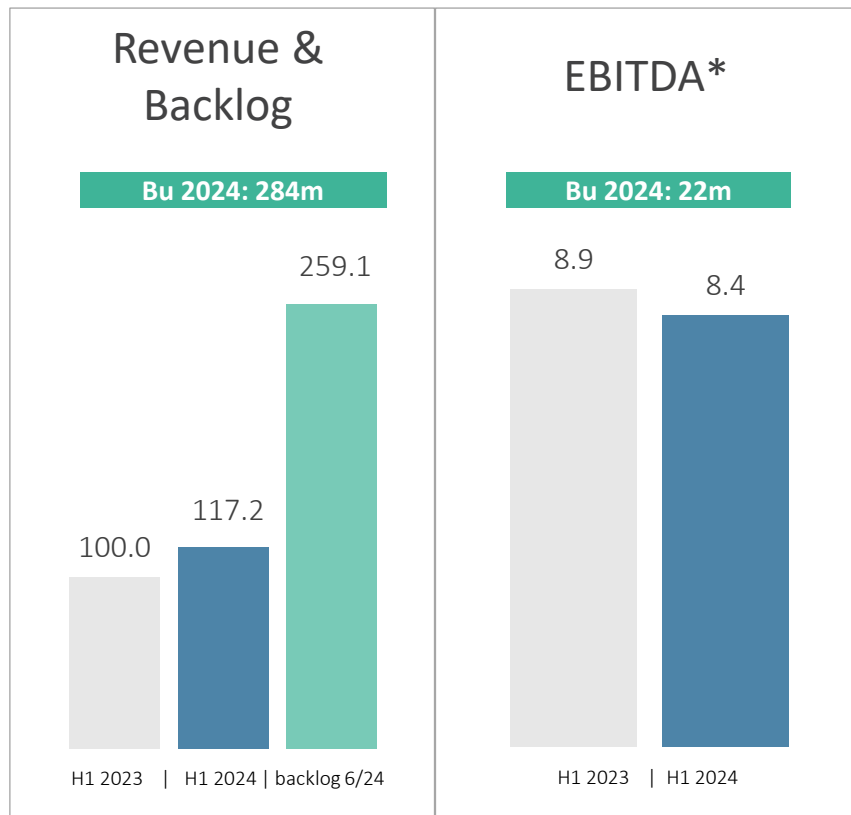
Electronics

- › 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

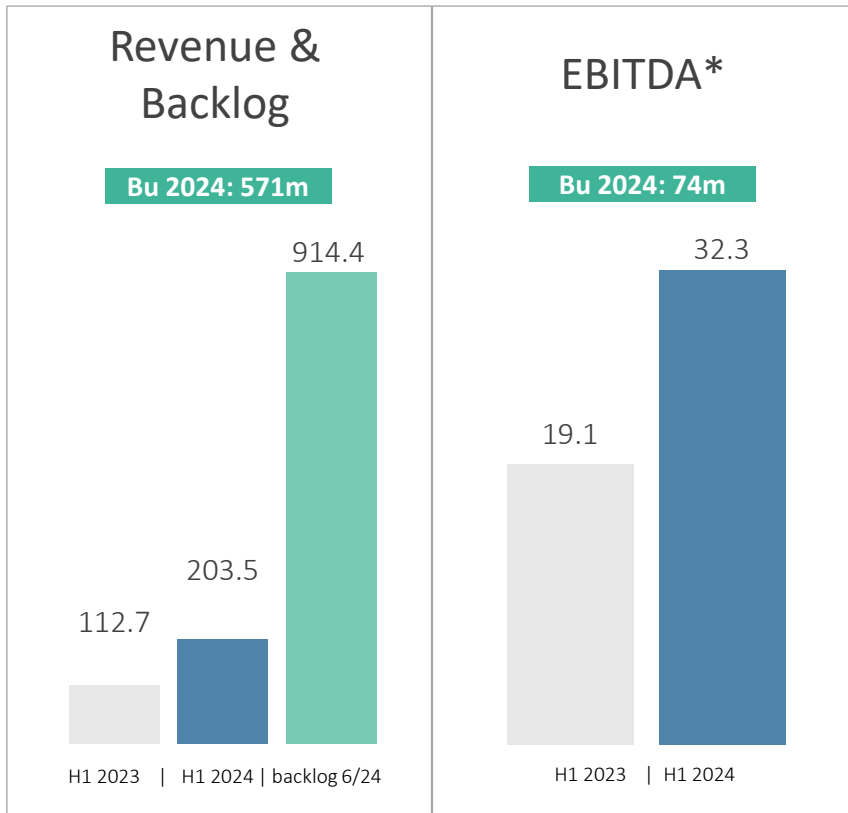
Asia

- › 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

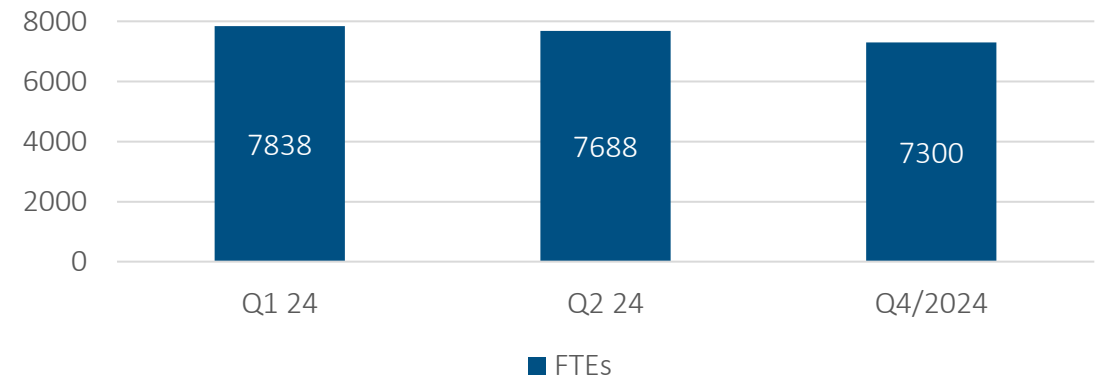
- ✓ Transfer Kontron VPX defense technology to NexTek/USA (ITAR registered),
- ✓ NIS 2 - IEC 62443 registered

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 2nd 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

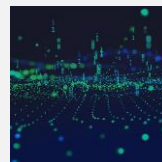
Security for IoT devices



- › 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

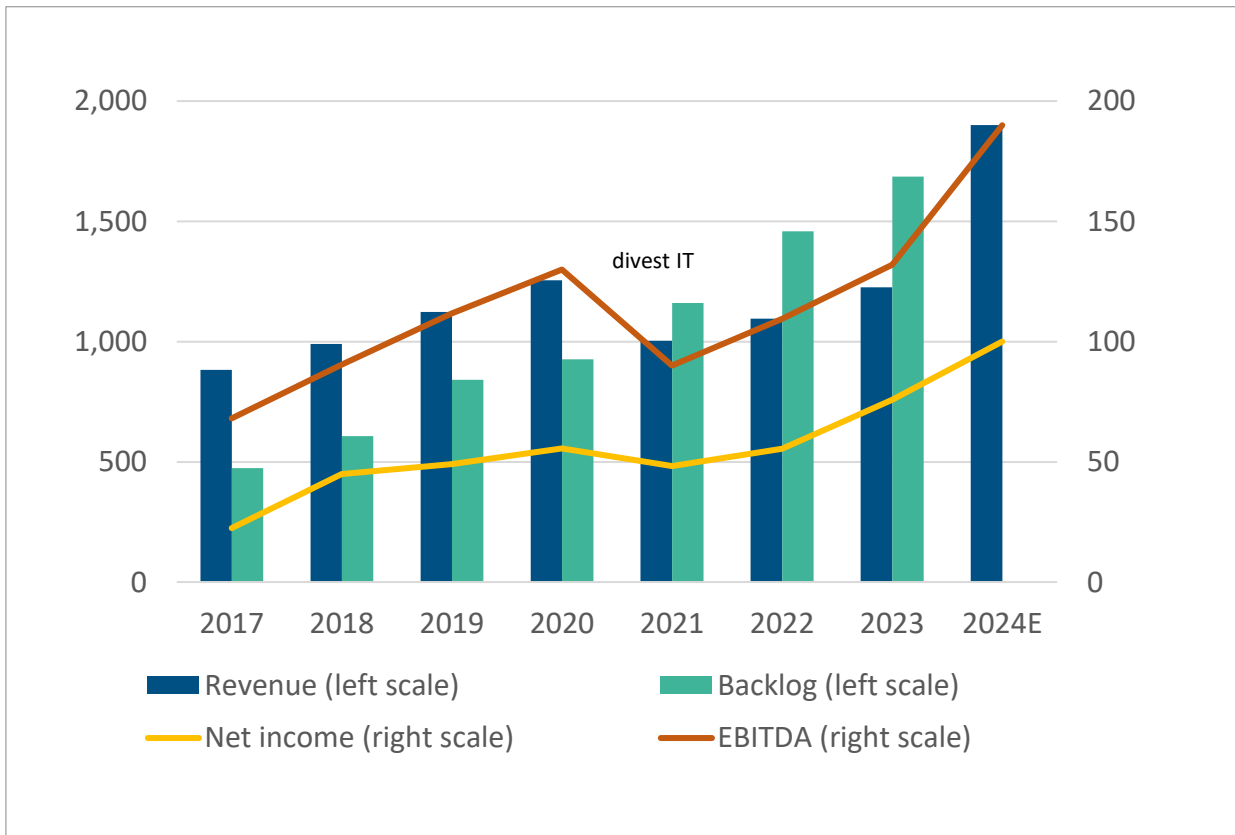
- ✓ Smart Solar inverter connected to IoT grid, HEM Software
- ✓ Smart e-mobility charger connected to IoT, HEM Software

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

kontron

The Power of IoT

Q&A

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