

kontron

The Power of IoT

Q3 2024 Results

November 6th 2024



Kontron: Q3 Results & Company Highlights

Results Highlights

- › **Strong improvement in EBITDA** from EUR 34.9m to EUR 59.4m
- › **Solid revenue growth by 44.9% and 6.2% organically**
- › **Solid increase of profitability to EUR 24.4m despite one-off effects**
- › **Very strong order intake in Q3**
Book-to-bill ratio of 1.21 in Q3 |
Backlog of ~EUR 2.1bn



Q3-24

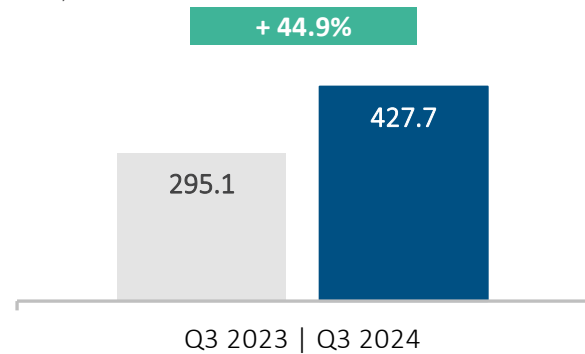
Company Highlights

- › **Strong improvement in GM to 44.7% / leap in technologies**
New products in 24 on market:
K-OS, K-Grid, NIS2 compatible
- › **Integration of Katek**
Efficiency enhancement & cost reduction almost completed
- › **Share Buyback Program | 2024 completed**

KPIs Q3 2024

Revenues

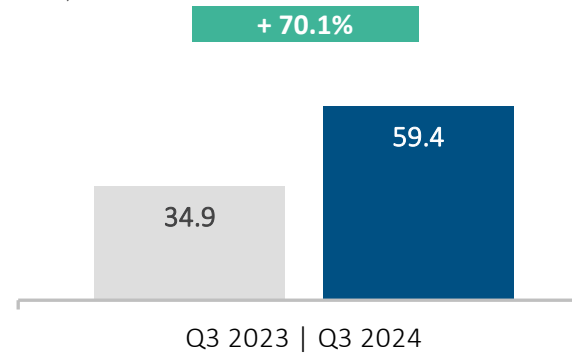
(in EUR m)



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

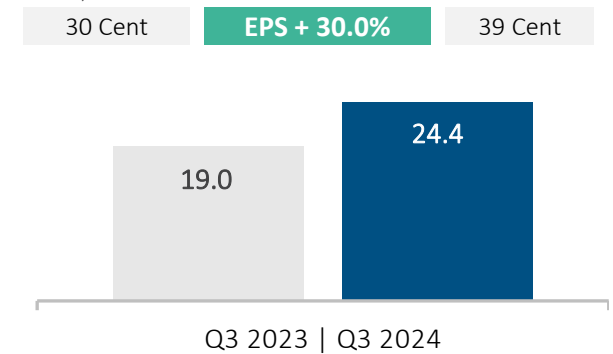
EBITDA

(in EUR m)



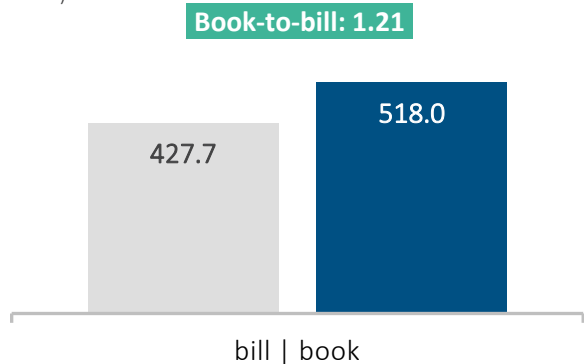
Net Result after NCI

(in EUR m)



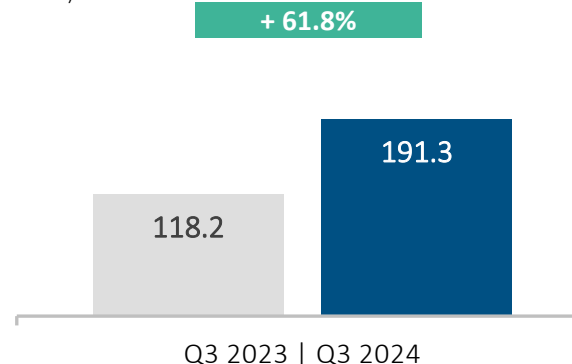
Order Entry vs. Revenues

(in EUR m)



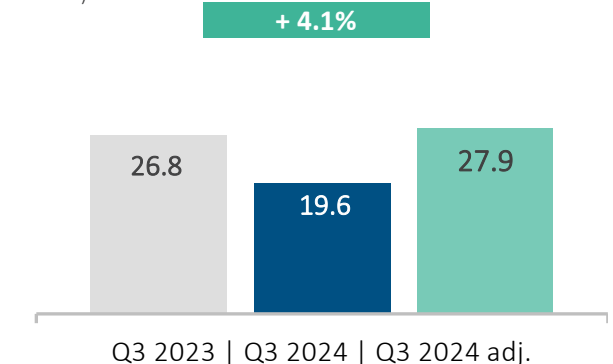
Gross Profit

(in EUR m)



Operating Cash Flow*

(in EUR m)

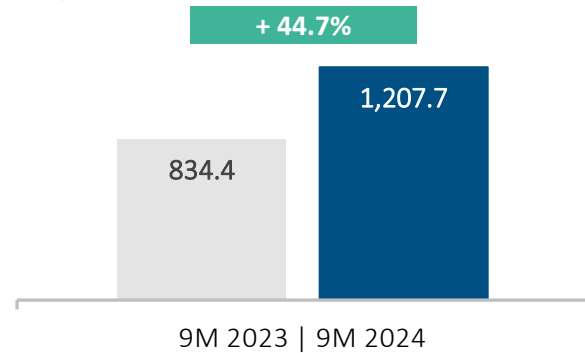


* adjusted for the reduced factoring

KPIs 9M 2024

Revenues

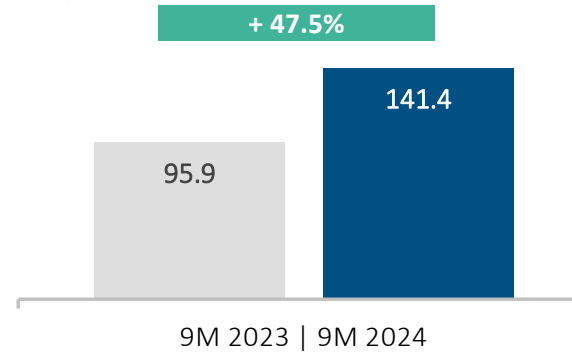
(in EUR m)



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

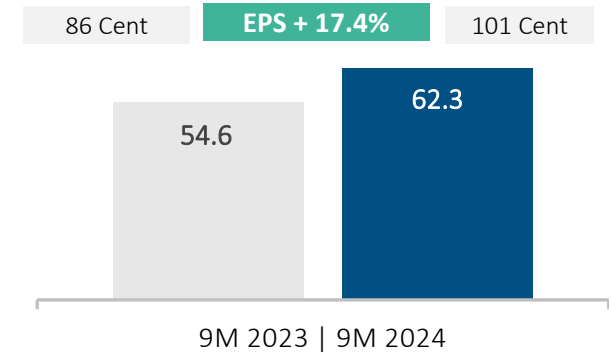
EBITDA

(in EUR m)



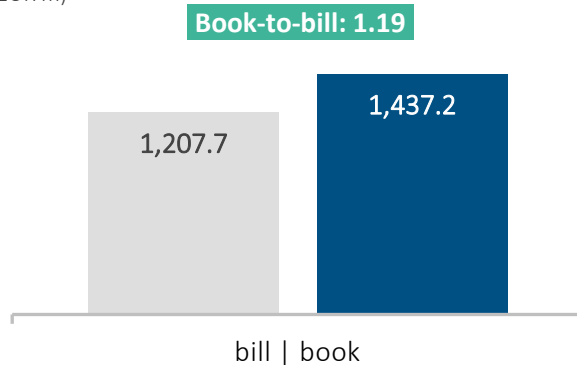
Net Result after NCI

(in EUR m)



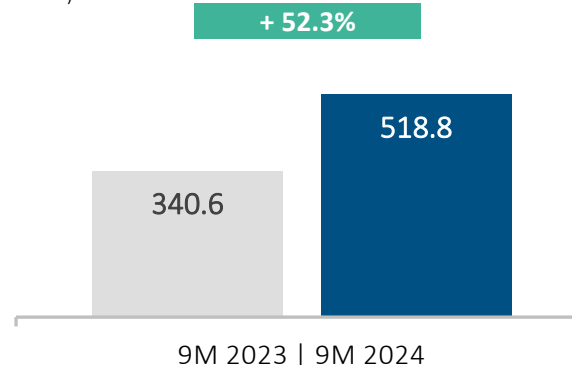
Order Entry vs. Revenues

(in EUR m)



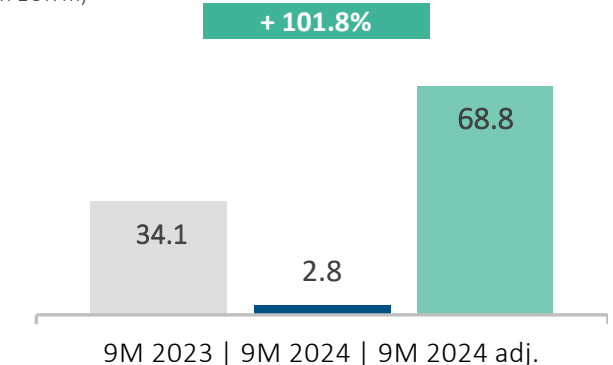
Gross Profit

(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	30.09.2024	31.12.2023
NON-CURRENT ASSETS	708,3	492,5
Tangible assets	217,6	110,4
Intangible assets	148,4	102,4
Goodwill	262,7	216,6
Other assets	79,6	63,0
CURRENT ASSETS	1.031,7	878,2
Inventories	435,1	229,1
Trade receivables	255,7	213,6
Contract assets from customers	60,4	38,1
Cash and cash equivalents	212,1	332,2
Other receivables and prepayments	68,4	65,2
Total assets	1.740,0	1.370,7

in EUR m	30.09.2024	31.12.2023
EQUITY	616,2	604,0
Accumulated results	494,3	462,8
as of treasury shares	-50,1	-43,0
NON-CURRENT LIABILITIES	466,9	136,1
Long-term loans and borrowings	323,4	60,1
Other liabilities and provisions	143,4	76,0
CURRENT LIABILITIES	656,9	630,6
Trade payables	272,7	273,1
Contract liabilities from customers	93,2	69,6
Short-term loans and borrowings	106,4	150,9
Other liabilities and provisions	184,6	137,0
Total liabilities & equity	1.740,0	1.370,7

Equity ratio	35,4%	44,1%
Total net cash/(net debt)*	-217,8	121,2
Working capital**	418,1	169,6

 Healthy balance sheet – no further cash outflows and significant cash improvement expected in Q4

* 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

Q3 2024

Katek share in Q3 results In EUR m	Kontron Q3/24	Katek share Q3/24
Reported revenues	427.7	120.7
Gross margin (in %)	44.7%	40.1%
EBITDA	59.4	14.3

Depreciation + Amortisation	H1/23	Q1/24	Q2/24	Q3/24	2025
Kontron	18.1	13.4	20.2	22.8	78
Katek new PPA amortisation			2.2	2.6	

Organic growth	Q3-2024	Q3-2023
Reported revenues	427.7	295.1
Acquired companies in Q3-2024	-125.8	
Divestments of Q3-2023		-10.8
Organic growth = 6.2%	301.9	284.3

Net income	Q3-2024
Income (reported)	24.4
PPA amortization	2.6
Divestment Telealarm	-4.8
Restructuring costs	2.4
Net income (adjusted)	24.6

Op. cash flow	Q3	extraordinary Effects
Op Cashflow (reported)	19.6	
Reduction Factoring	8.3	Repaid factoring A/R
Op. Cashflow (adjusted)	27.9	

Massive design win volume increases to EUR 6.22bn

Backlog rose to EUR 2.06bn 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

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

05.12.2023

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

10.10.2023

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

13.03.2024

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

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

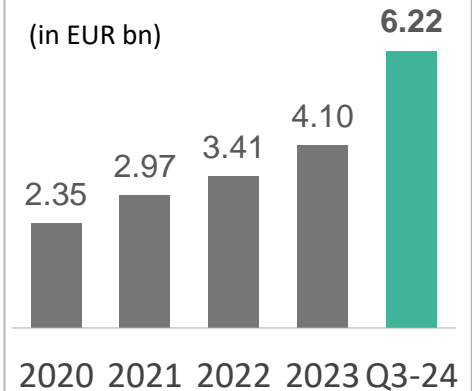
07.02.2024

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

23.10.2023

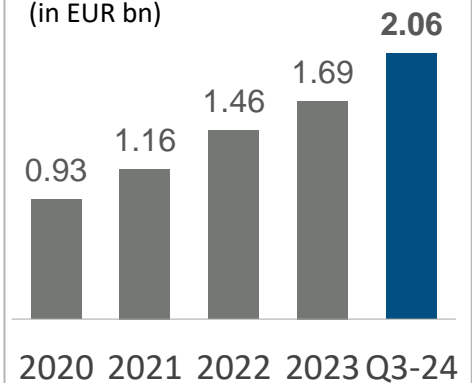
Design Wins

(in EUR bn)

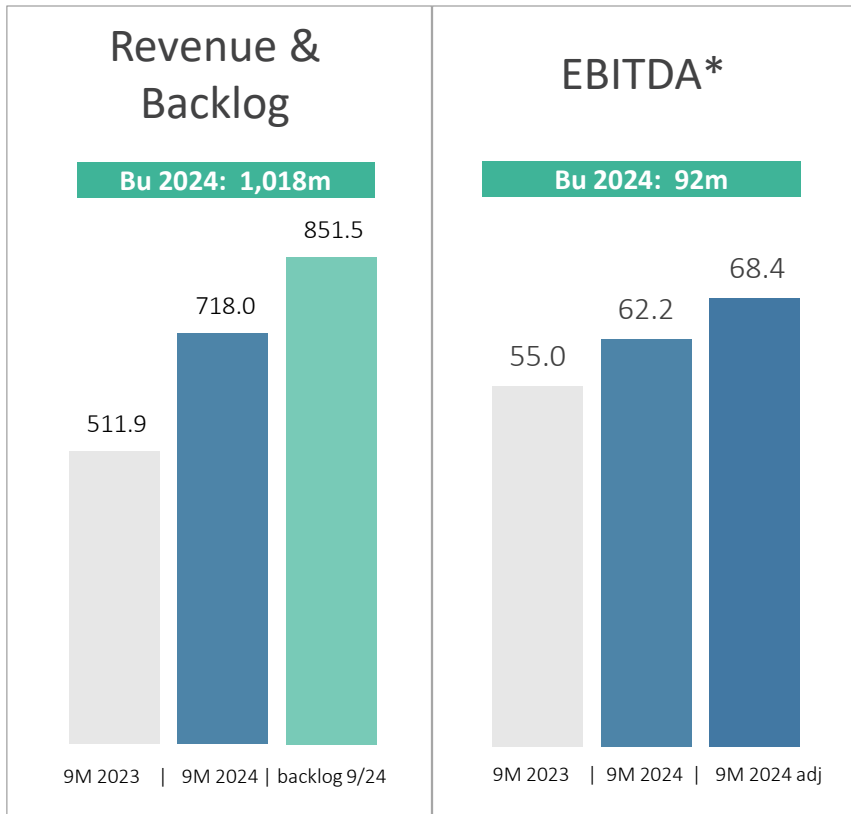


Backlog

(in EUR bn)



Europe: Strong growth in industrial IoT technology



Segment trend

- › Common IoT products
- › Represents 44% of group EBITDA (9M 2024)
- › Growth driven by smart factories and reshoring to Europe
- › Long term healthy customer relations over decades

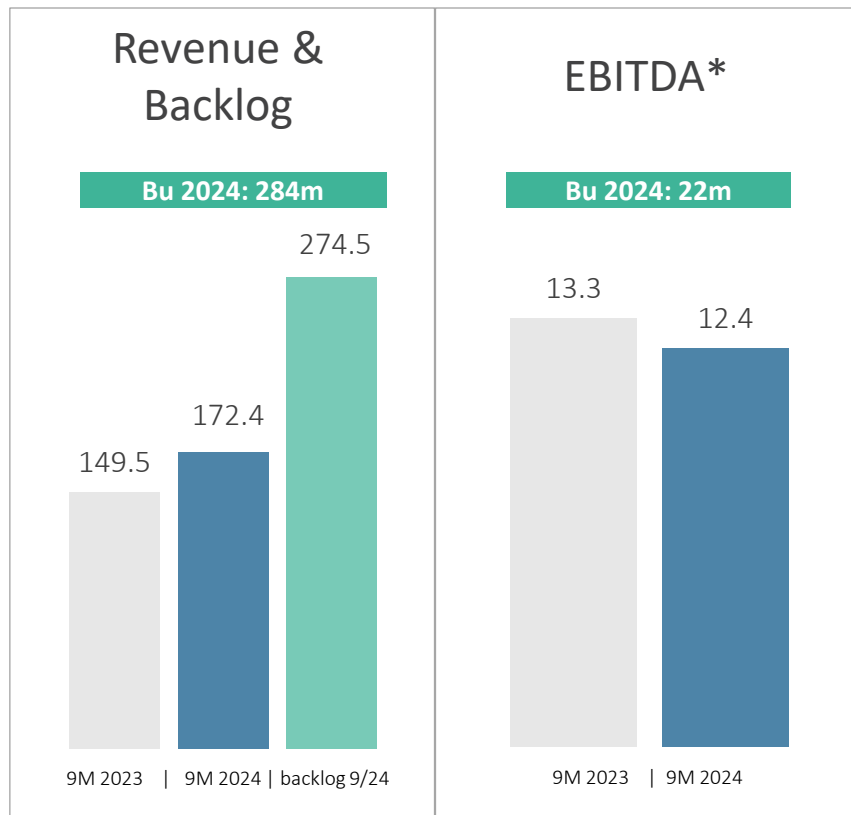
Q3 topics

- › Burdened by restructuring Katek
- › Qualcomm cooperation on 5G and ARM edge devices (huge potential)
- › IT service transformation HU + RO completed
- › New ODM capabilities offer huge outsourcing projects
- › Katek MST merged into KEU to raise synergies

➤ Cash cow for Kontron Group

Global: Back to normal profitability

Sales channel to sell European technology



Segment trend

- › Equal 14% of Kontron's revenues (9% of EBITDA), incl. defense 20%
- › Expand to 25% (33%) in the next 4 years
- › Sales/Support channel for the complete Kontron technology portfolio
- › Competence center for aerospace and defense in USA

Q3 in North America

- › Benefit from strength in defense + aerospace
- › 10 times 20m customer program proceeding
- › New: official system integration partner of Microsoft

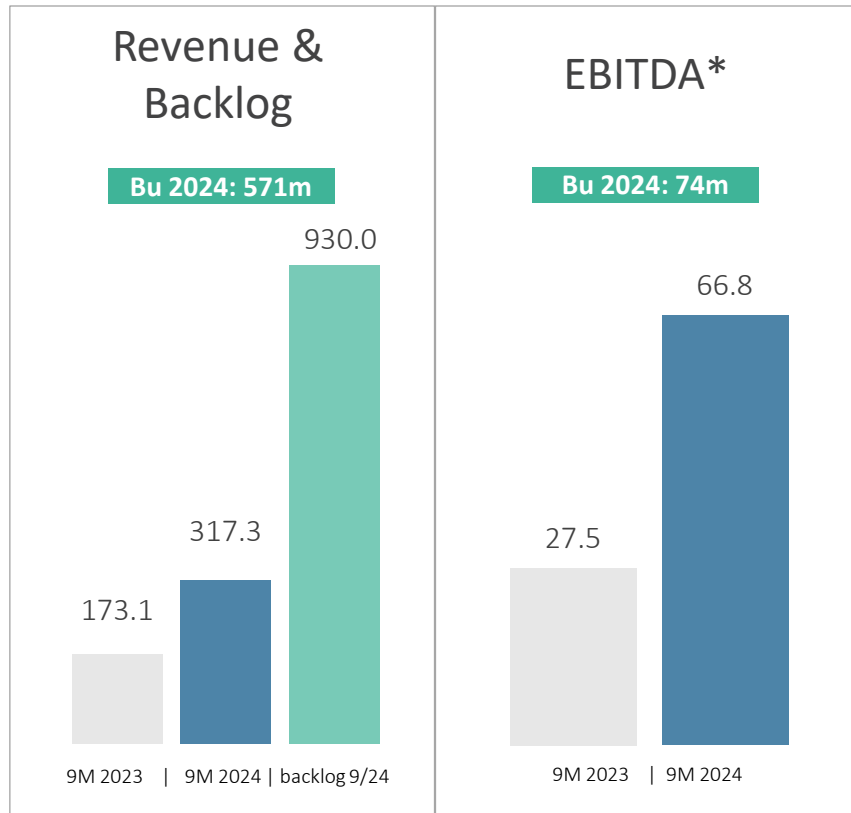
Q3 in Asia

- › China EBITDA burdened by "buy Chinese" strategy
- › High potential in avionics and high-speed trains (Air China, CR)
- › Expansion to Southeast Asia via Foxconn (Nera group in Singapore)

➤ America performs great in defense (segment Software + Solutions)

Software + Solutions: Fast growing

Biggest EBITDA contributor 2024, just started in 2020



Segment trend

- › Offer unique IoT technology for special vertical markets (low competition)
- › 47% of group EBITDA and > 50% of recurring revenues and SLAs (up to 15 years)
- › Significant Software share -> GM 60%, Technology leader

K-OS and IoT Software (susietec®)

- › KontronOS and KontronGrid to become the de facto standard 30m licenses in 2028
- › Spread in avionics, WBX, ARM based volume IoT equipment

Transportation (high-speed trains)

- › > 20% of EBITDA, book-bill > 200%, only supplier for FRMCS, market leader in Europe

Defense and aerospace

- › 25% of EBITDA, huge design wins in the pipeline

New segment GreenTec

- › Q3: strong growth and EUR 4m profits in chargers SOP for major carmakers
- › Shrinking solar biz due to market environment, costs adjusted accordingly

➤ **Most profitable and strongest growth segment, generated 47% of Group EBITDA in 9M 2024**

Update on Katek integration

Business Integration

Achievements KPIs

- ✓ EUR 200m of low margin EMS biz terminated
- ✓ Gross margin up to 40.1% in 2024 vs 32.5% in 2023
- ✓ 11.8% of EBITDA in Q3

Achievements products

- ✓ Won major WBX charger contracts in 2024 > EUR 300m
- ✓ Unique IoT charger: reduce electricity cost 50%, double battery life
- ✓ Transfer VPX defense technology to NexTek/USA (ITAR registered)

Achievements Electronic manufacturing

- ✓ Locations MST, Leipzig and DÜS focused on “internal products”
- ✓ Improvement of margin, EUR 200m of low margin biz stopped
- ✓ First engineering contracts started with EMS customers

Next steps 2025

- ✓ Implement HEMS software, K-OS and K-Grid to solar products
- ✓ Bidirectional charging, smart connected battery, virtual storage

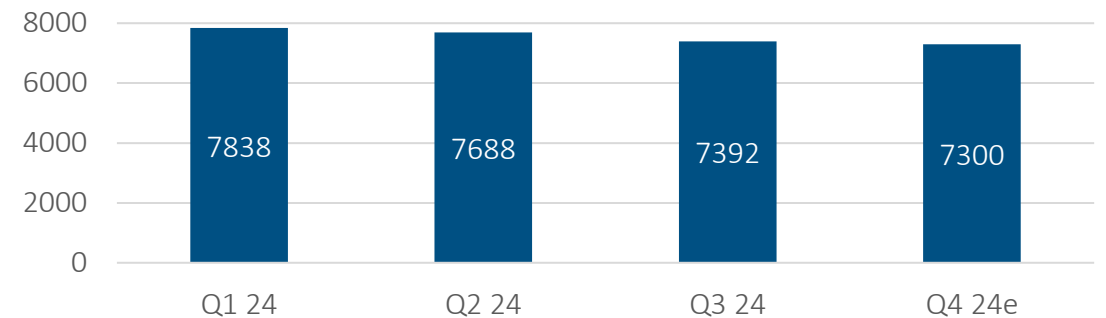
Integration completed in 2024

Efficiency Improvements

Achievements

- ✓ 446 FTEs reduced ytd 2024
- ✓ EUR 6.2m termination and M&A costs absorbed Q1-Q3
- ✓ Financing structure replaced (EUR 2m savings)
- ✓ Admin changes: delisting, insurances combined, mgmt. combined

FTE development Kontron



Remaining measures

- › Further 90 FTE reductions in Q4 (~EUR 1.4m restructuring costs)
- › 10k sqm office space reductions

Measures will result in EUR 20m savings in 2025

Unique segment IoT solutions for special applications



	High-speed trains	Defense & Aerospace	Charger for eCars	Solar + Energy mgmt
Market	EU: increase 11k -> 30k km of high speed lines by 2030 Driven by climate targets	Global increase in defense budgets	EU permits only eCars 2035, Recently less subsidies in Germany	After hype in 2023 market is in a crisis 2024 -> will recover H2/2025
Position of Kontron	> 50% market share in EU, support by UIC regulation	Leading ITAR Technology supplier for defense companies,	Preferred technology for car makers to bundle with eCars	White label solar inverter supplier, Top 5 in Germany
Competitors	Nokia, Huawei	Mercury, Curtiss-Wright	Not yet	Chinese players, Fronius, Kostal
Technology USP	Only supplier compliant to new 2026 standard FRMCS	VPX parallell multiprocessor, encrypted Switch fabric 6.25 Gb/s data connectivity NIST - IEC 62443 registered	Unique smart IoT connected wallboxes matched to the car -> Decrease cost, longer battery life	Smart IoT connected solar inverters in preparation
KPIs (2024e)	EUR 150m biz @ > 20% EBITDA	EUR 140m biz @ > 25% EBITDA	EUR 100m biz @ ~15% EBITDA, >60% growth p.a., EUR 350m orders in 2024	EUR 80m biz @ 5% of loss
Next steps	Only supplier for FRMCS edge devices	Xfer to USA	2026 EU market leader in residential market, bidirectional	Release HEMS, make Foxconn batteries smart

Our special IoT solutions face low competition based on unique technology.
In 2024, the segment „Software + Solutions“ accounts for ~50% of total EBITDA

Mega technology drivers

Kontron has >3,000 experienced engineers = #1 brainpower in IoT

Mega technologies for IoT end devices

K-OS Software for IoT devices



- › Current IoT networks do not comply to NIS2 requirements
- › Kontron OS offers security, remote control, remote maintenance to protect edge devices and the grid
- › Install 30 million licenses, main OS for machines
- › Expand by K-Grid and K-security

Artificial Intelligence

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



Partnerships for IoT grids + end devices

Qualcomm



- › Joint development for 5G/6G/FRMCS radio modems
- › Design of IoT edge devices based on connected ARM chips
- › Use of AI functionality in embedded devices
- › IoT Software support toolset

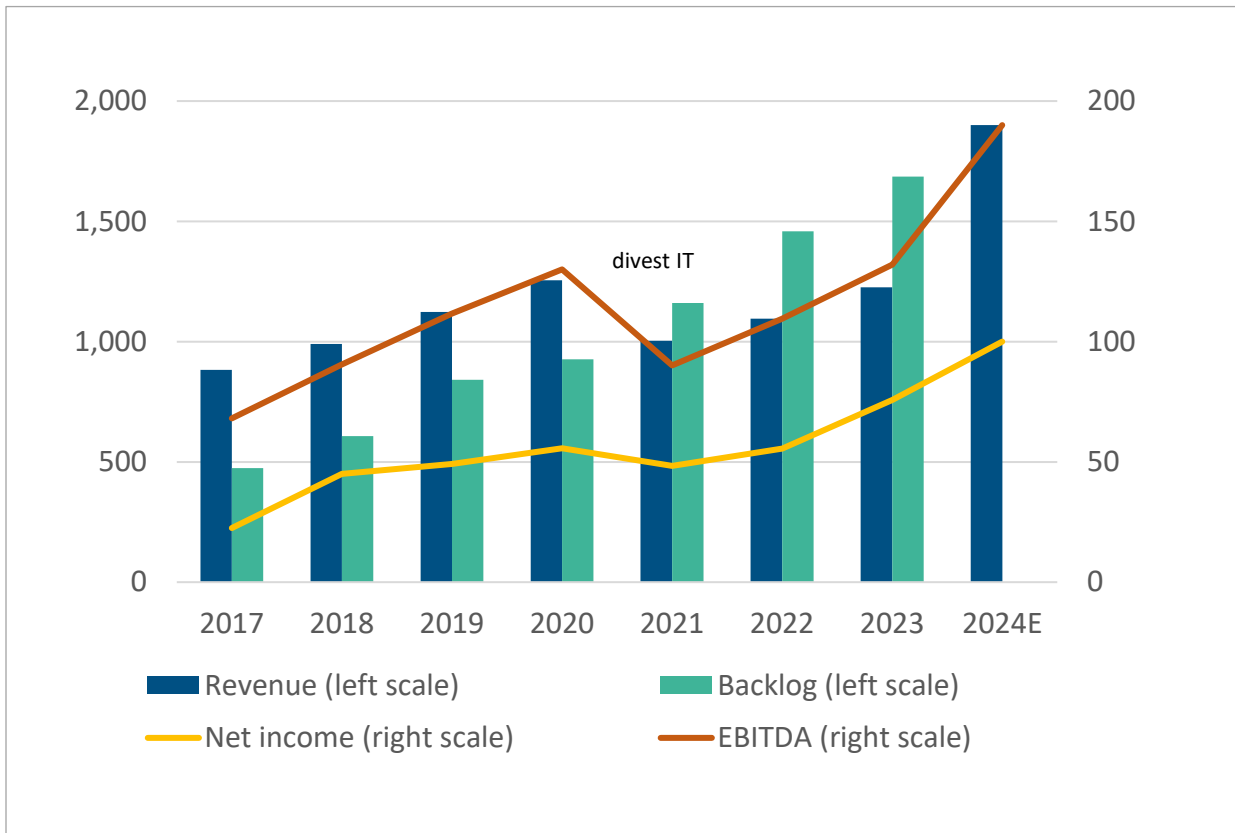
Foxconn



- › Design Smart connected batteries
- › Cooperation in smart connected chargers
- › Implement K-OS in Foxconn products and factories
- › Marketing cooperation for CN, SEA and EU

History and 2024 forecast

Continuous strong growth – another leap in 2024 expected



(in EUR million)	Guidance 2024	Y-o-y growth
Revenue	1,800	~50%
EBITDA	190	50%
Net Income*	100	33%

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The Power of IoT

Q&A

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