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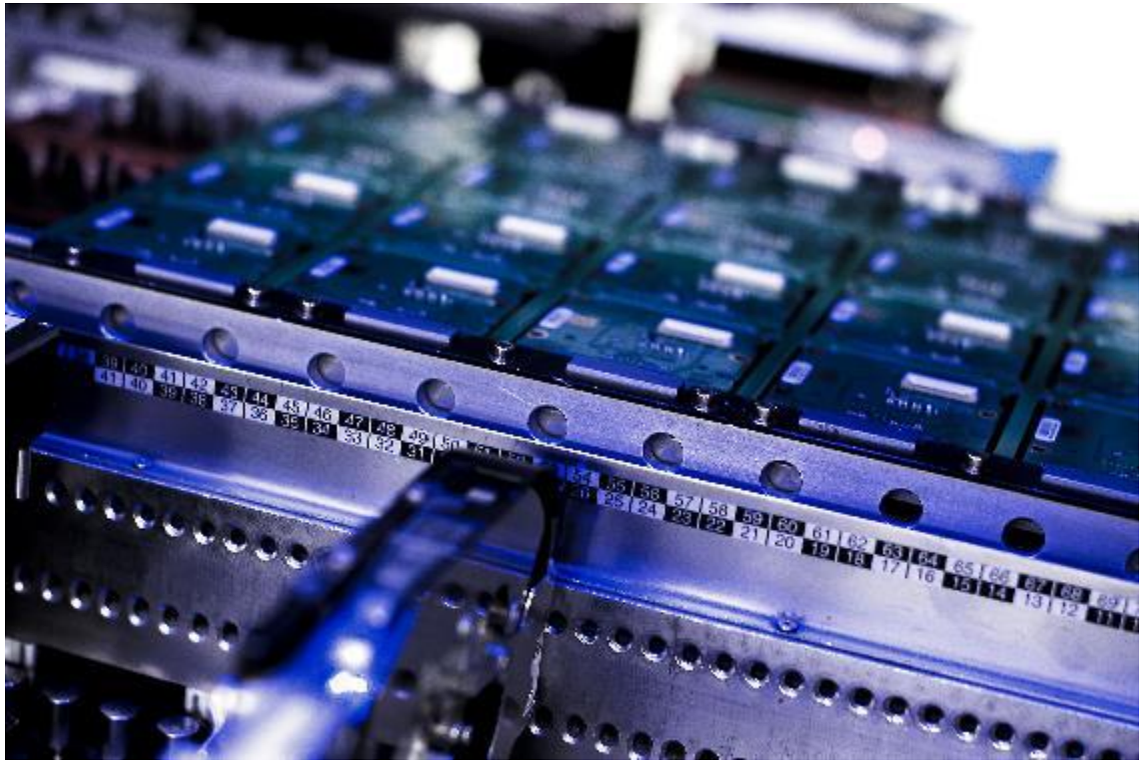
2022 Q3 Presentation

Kitron Group | 2022-10-26

Third quarter 2022 Highlights

- Revenue of 1 664 MNOK (831 MNOK Q3 2021)
  - Growth of 100%, Organic growth 28%
- EBIT 116 MNOK (50 MNOK in Q3 2021)
  - EBIT Margin at 7.0% (6.0%)
- Cash flow 139 MNOK (-70 MNOK in Q3 2021)
- Order backlog 4 847 MNOK (2 568 MNOK in Q3 2021)
  - Growth of 89%, Organic growth 60%
- Strong Outlook for Q4 and FY2022
  - Outlook revised

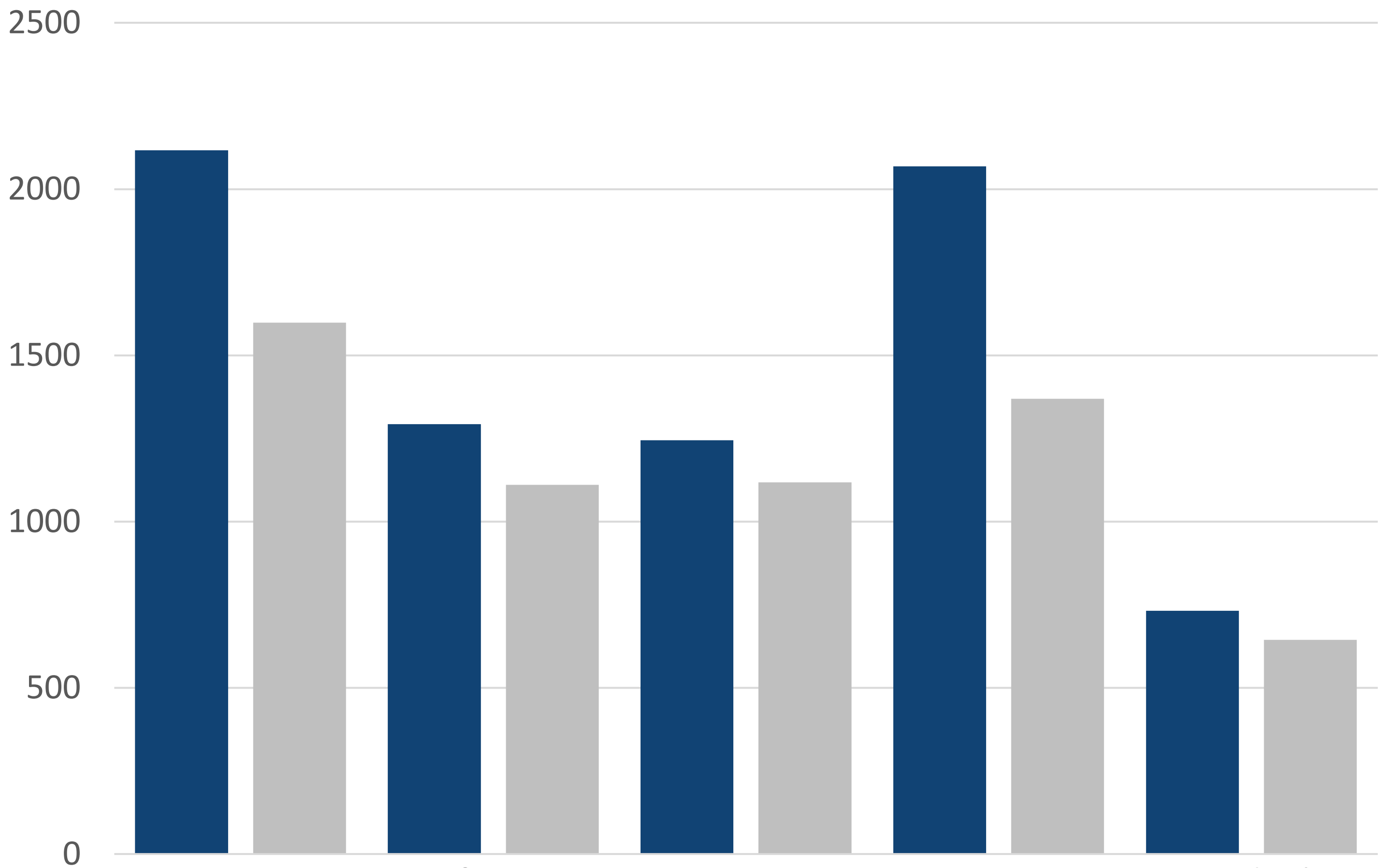


Market and operations

- Demand continues to be very strong in all market sectors
- Demand R12[1] increased to 7.5 BNOK from 5.8 BNOK
    - Close to 30% growth

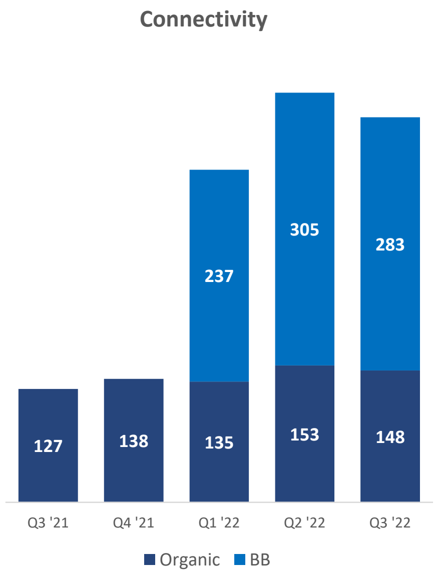
[1] Customer demand - future looking Rolling 12 month

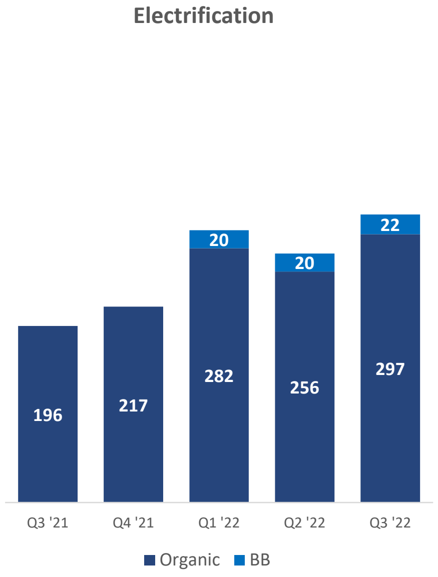
12 Month forward looking demand (MNOK)

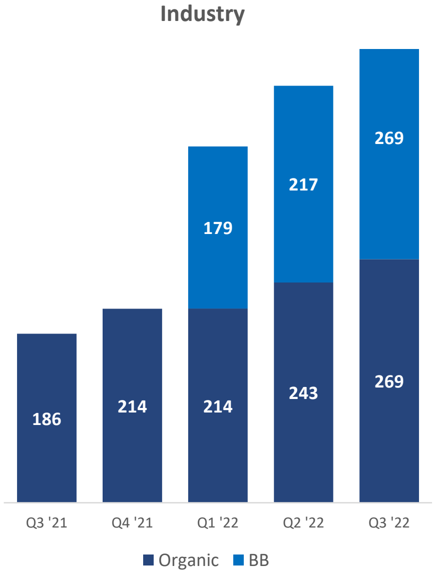


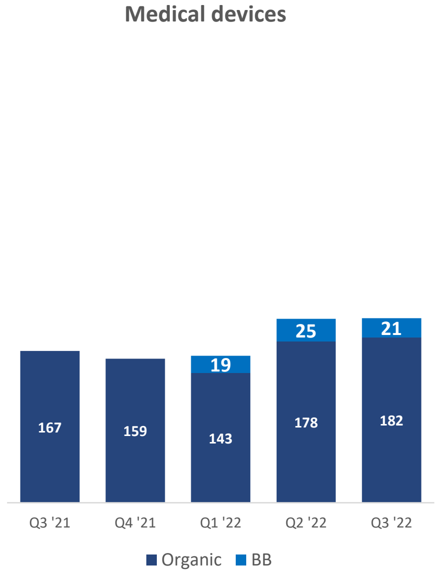
	Connectivity	Defence & Aerospace	Electrification	Industry	Medical Devices
R12 2022-09	2116	1293	1245	2068	732
R12 2021-09	1598	1111	1118	1369	644

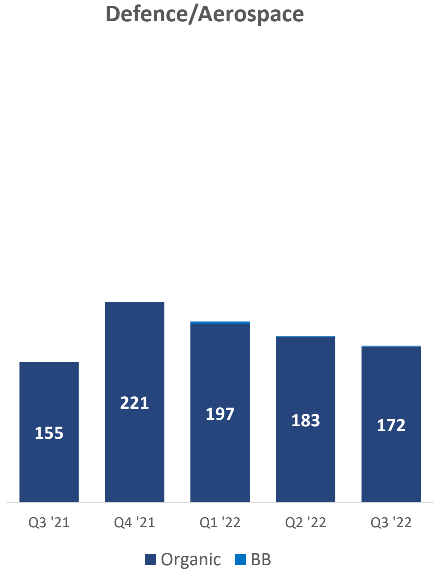
Revenues











- Continued strong growth in Connectivity and Industry
- Easing of supply chain within Electrification and Industry
- Sector development dependent on component availability

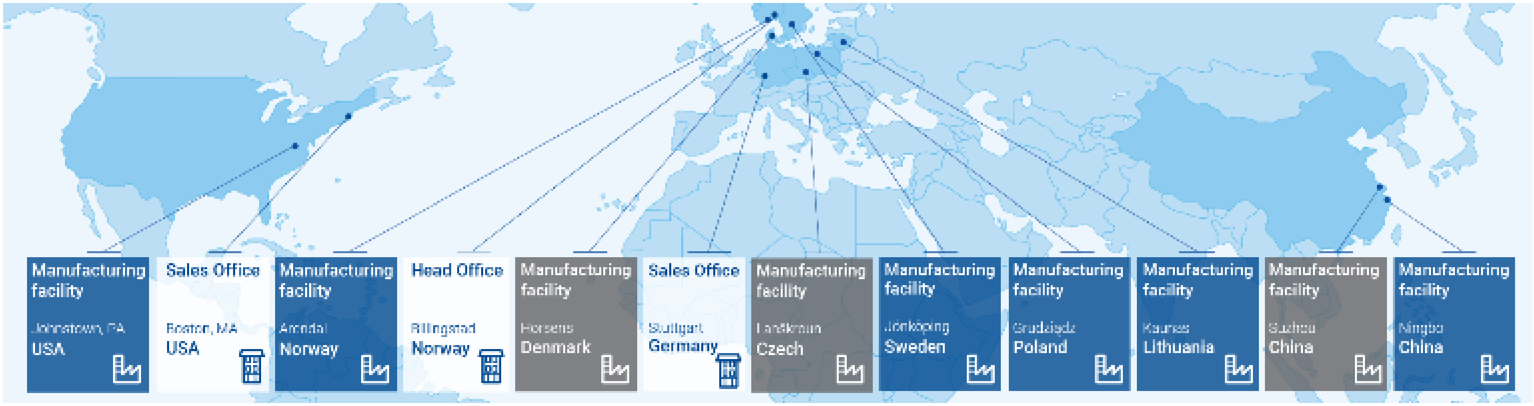
Business sectors

- Growth and improved profits across business sectors
- EBIT margin increased from 6.0% to 7.0%

Revenue Business Sectors	Q3 2022	Q3 2021	Change	Q-Q growth	Full year 2021	BB Q3 2022
Nordics	591,9	390,2	201,7	51,7 %	1 300,1	138,1
CEE	533,2	271,1	262,1	96,7 %	980,8	106,2
Rest of the world	582,4	195,1	387,3	198,5 %	549,5	358,7
Group and eliminations	-43,2	-25,1	-18,1	72,2 %	-67,7	-6,5
Revenue	**1 664,4**	**831,4**	**833,0**	**100,2 %**	**2 762,8**	**596,5**

EBIT Business Sectors	Q3 2022	Q3 2021	Change	Q-Q growth	Full year 2021	BB Q3 2022
Nordics	45,0	25,1	19,9	79,2 %	90,9	12,4
CEE	35,4	13,5	21,9	162,1 %	77,2	6,5
Rest of the world	51,4	11,7	39,7	339,3 %	25,9	41,4
Group and eliminations	-15,4	-0,2	-15,2	7608,0 %	-5,4	-6,4
EBIT	**116,3**	**50,1**	**66,2**	**132,2 %**	**188,6**	**53,9**

FTE	Q3 2022	Q3 2021	Change	Q-Q growth	Full year 2021	BB Q3 2022
Nordics	717	552	165	29,9 %	555	169
CEE	1 132	895	237	26,5 %	838	182
Rest of the world	937	317	620	195,6 %	356	623
FTE	**2 786**	**1 764**	**1 022**	**57,9 %**	**1749**	**974**



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Cash flow and working capital

- Q3 Cash flow from operating activities at 139 MNOK (-70 MNOK)
- YTD Cash flow operating activities at 54 MNOK (117 MNOK)
- Net working capital at 1 774 MNOK and a decrease of 16 MNOK in the quarter

Cash Flow	Q3 2022	Q3 2021	Change	30.09.2022	30.09.2021
Profit before tax	103,9	40,9	63,0	240,7	156,4
Depreciations	42,6	25,7	16,9	123,3	74,9
Change in inventory, accounts receivable, contract assets and accounts payable	12,7	-123,8	136,5	-229,8	-93,7
Change in net other current assets and other operating related items	-19,9	-35,1	15,2	-65,8	-76,5
Change in factoring debt	-0,2	22,1	-22,3	-14,6	56,3
Net cash flow from operating activities	**139,0**	**-70,2**	**209,2**	**53,8**	**117,3**
Investments	-14,9	-10,8	-4,1	-61,1	-21,5
Acquisition			**0,0**	**-872,0**	
Net cash flow from investing activities	**-14,9**	**-10,8**	**-4,1**	**-933,1**	**-21,5**
Net cash flow from financing activities	**73,5**	**21,5**	**52,0**	**793,1**	**-92,4**

Net working capital	Q3 2022	Q3 2021	Change	31.12.202	BB 30.09.2022
Inventory	1 826,0	824,2	1 001,8	880,3	544,2
Contract assets	632,1	421,4	210,7	400,6	117,4
Trade receivables	1 388,0	840,5	547,5	864,6	339,0
Trade payables	2 068,7	928,6	1 140,1	917,8	681,0
Net working capital	**1 777,4**	**1 157,5**	**619,9**	**1 227,7**	**319,6**

Ratios

- Positive development on NWC % sales, ROOC%, CCC
- Net gearing / NIBD at 3.1, 2.99 excl. IFRS
- Earnings per share improvement, above last year for quarter and accumulated

Ratios	30.09.2022	30.09.2021	Change	31.12.2021
R3 NWC % sales	25,8 %	31,8 %	-6,0 %	31,7 %
R3 ROOC % sales	19,8 %	12,8 %	7,0 %	12,3 %
R3 Cash Cycle conversion	102	124	-22	126
Net gearing	1,13	0,90	0,23	0,47
NIBD/EBITDA	3,1	2,2	0,9	1,7
Equity percent	24,7 %	30,2 %	-5,5 %	37,1 %
Earnings per share quarter	0,38	0,11	0,27	
Earnings per share ytd	0,94	0,62	0,32	0,78

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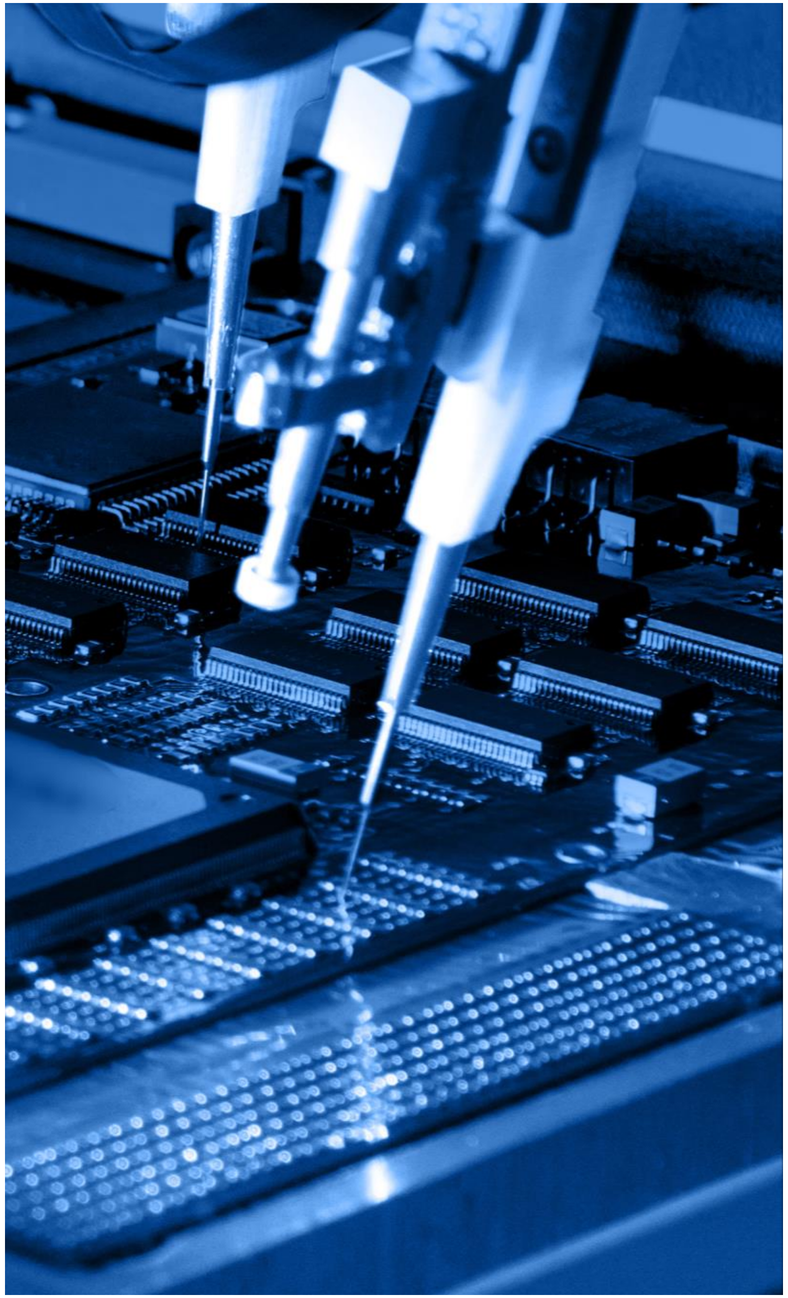
Outlook

Outlook full-year 2022

- As we entered the second half of 2022, we updated the revenue outlook to between NOK 5 700 and 6 100 million
  with an operating profit expected to be between NOK 330 million and NOK 400 million
- Fortunately, we continue to see strong demand from customers and continued ease of supply constraints, leading us to ramp up new programs in Q4 2022 earlier than expected
- We therefore revise the revenue outlook to between NOK 6 200 and 6 400 million with an operating profit (EBIT) between NOK 390 million and 430 million.



Key take-ways

- Outlook for 2022 is increased to between NOK 6 200 and 6 400 million with an operating profit (EBIT) between NOK 390 million and 430 million
- Most customers communicate growth in 2023 and strong outlook for the following years
- Our order backlog supports strong continued growth
- Lead times are decreasing for most component categories, leading to continued ease of supply constraints
- Capital Markets day on December 13, where we will present:
  - 2023 Outlook and target range
  - New five-year ambitions through 2027 and the strategy to take us there

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Q&A

Appendix: Definition of alternative performance measures

Order backlog
All firm orders and 4 months of committed customers forecast at revenue value as at balance sheet date.

Foreign exchange effects
Group consolidation restated with exchange rates as comparable period the previous year. Change in volume or balance calculated with the same exchange rates for the both periods are defined as underlying growth. Change based on the change in exchange rates are defined as foreign exchange effects. The sum of underlying growth and foreign exchange effects represent the total change between the periods.

EBITDA
Operating profit (EBIT) + Depreciation and Impairments

EBIT
Operating profit

EBIT margin (%)
Operating profit (EBIT) / Revenue

Net working capital
Inventory + Accounts Receivable – Accounts Payable

Operating capital
Other intangible assets + Tangible fixed assets + Net working capital

Return on operating capital (ROOC) %
Annualised Operating profit (EBIT) / Operating Capital

Return on operating capital (ROOC) R3 %
(Last 3 months Operating profit (EBIT))*4 /(Last 3 months Operating Capital /3)

Return on capital employed (ROCE)
EBIT/(Total assets - short term debt)

Return on equity
Net Income/Equity

Direct Cost
Cost of material + Direct wages (subset of personnel expenses only to include personnel directly involved in production)

Days of Inventory Outstanding
360/ (Annualised Direct Costs/Inventory)

Days of Inventory Outstanding R3
360/ ((Last 3 months Direct Costs *4) /(Last 3 months Inventory/3))

Days of Receivables Outstanding
360/ (Annualised Revenue/Trade Receivables)

Days of Receivables Outstanding R3
360/ ((Last 3 months Revenue*4)/(Last 3 months Trade Receivables/3))

Days of Payables outstanding
360/ ((Annualised Cost of Material + Annualised other operational expenses) /Trade Payables)

Days of Payables Outstanding (R3)
360/ (((Last 3 months (Cost of Material + other operational expenses)*4) /(Last 3 months Trade Payables)/3))

Cash conversion cycle (CCC)
Days of inventory outstanding + Days of receivables outstanding – Days of payables outstanding

Cash conversion cycle (CCC) R3
Days of inventory outstanding (R3) + Days of receivables outstanding (R3) – Days of payables outstanding (R3)

Net Interest-bearing debt
- Cash and cash equivalents + Loans (Non- current liabilities) + Loans (Current liabilities)

Interest-bearing debt
Loans (Non- current liabilities) + Loans (Current liabilities)

Net gearing
Net Interest-bearing debt / Equity

Free Cash flow
Net Cash Flow from operating activities – Cash flows from acquisition of tangible fixed assets – Cash flows from acquisition of other intangible assets

Equity ratio
Total Equity / Total Assets

EPS
Earnings Per Share