



# 2024 Q2 Presentation

# CEO comments

- **Robust Profitability:** Kitron has demonstrated robust profitability, particularly in the Defense & Aerospace sector, where scale continues to drive profits.
- **Signs of market turnaround:** Despite initial setbacks, there are promising signs of recovery in several key markets, including Asia and Europe.
- **Continued Growth in Key Markets:** New MNOK 500 million defence order, strategic focus new sales, strong development on Defense, Connectivity, AI, potential turn around on green technologies, and investment in industrial base positions Kitron for sustained growth.
- **Restructuring Program Nears Completion:** The restructuring efforts have been effective, with expected cost-saving benefits largely materializing in the quarter. Final savings are expected when full integration of IT systems is achieved in the third quarter.



# Second quarter sector trends

## Sector trends 2024-Q2

### Connectivity:

- Sector decline 19% (+6% vs LQ)
- Continued quarter-on-quarter growth vs. Q1 and in outlook.
- Growth on products supporting infrastructure investments and fleet management or tracking equipment.

**Connectivity**  
Expect slow growth returning to the sector in mid 2024

### Electrification:

- Sector decline 26% (-8% vs LQ)
- Greentech products suffer from reduced consumer spending on big-ticket items
- Strong growth on network grid infrastructure.

**Electrification**  
Expect strength returning to the sector in early 2025

### Industry:

- Sector decline 38% (-16% VS LQ)
- Industrial activity is cooling off due to a combination of economic slowdown, reduced consumer demand, and overstocked supply chains.
- Strong growth is observed in infrastructure supporting advanced chip design.

**Industry**  
Expect strength returning to the sector in mid 2025

### Medical Devices:

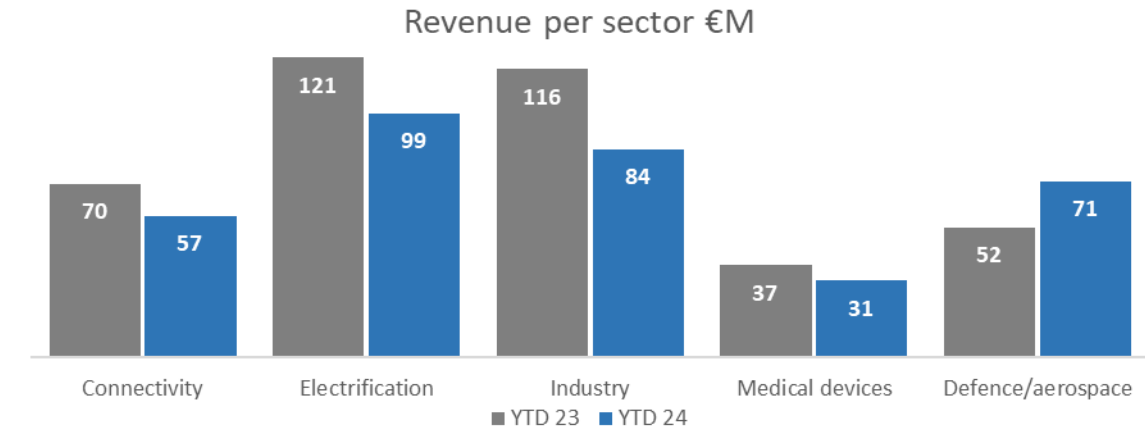
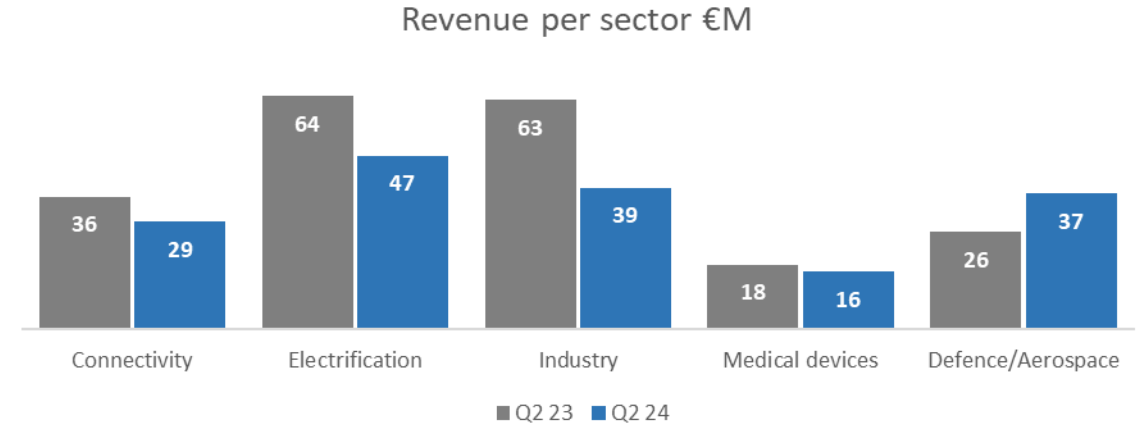
- Sector decline 12% (+1% VS LQ)
- Demand stabilizing
- Continued demand increase for in vitro diagnostics.

**Medical Devices**  
Expect strength returning to the sector in 2025 with new product generations

### Defence/Aerospace:

- The sector shows a growth of 40% (+9% vs LQ)
- There is increased demand for defense and security products as defense spending rises amid global security concerns, regional conflicts, and heightened government investment in defense and aerospace capabilities.

**Defense/Aerospace**  
Continued double digit growth over next several years



# Order backlog

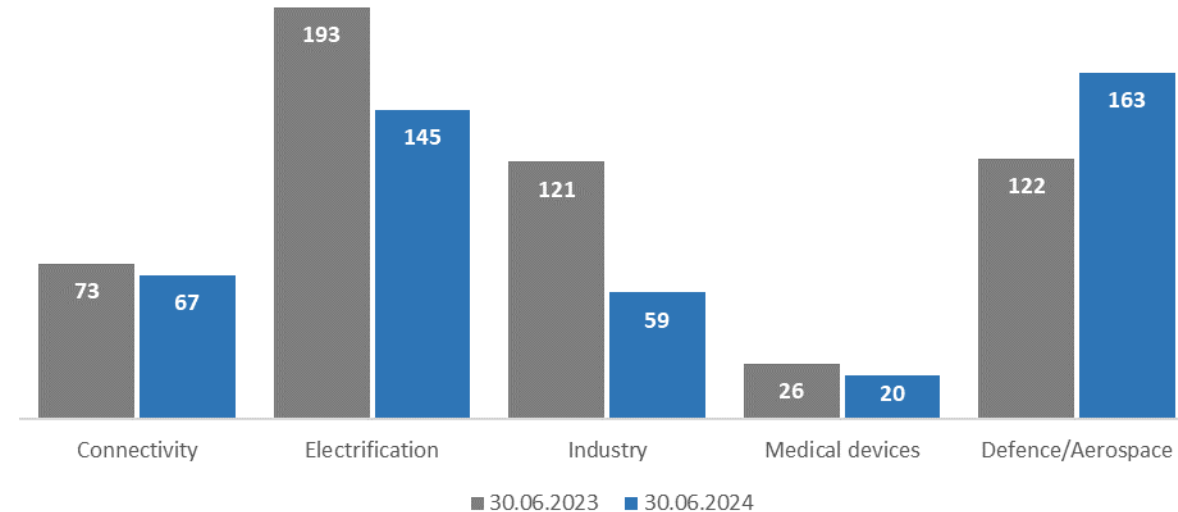
## Order Backlog

- Order backlog: 454.5 €M, -15% (534.9 €M) year-over year. Sequentially the order backlog is increased with 10M€ or 2% compared to the previous quarter.
- The Defence/Aerospace sector remains robust due to increased defense spending driven by global security concerns, regional conflicts, and higher government investment in defense and aerospace capabilities.
- The Connectivity sector continues to demonstrate quarter-on-quarter improvement.
- Other sectors exhibit shorter customer order horizons, reflecting current market sentiment, reduced lead times, and ongoing de-stocking of customer inventory.

## Forward demand

- Rolling six-month outlook 323 €M
- This contains all customer demand, firm demand and forecast

Order backlog €M



The Order backlog features all firm customer orders and the first 4 months of customer forecast. Historically, the Order backlog has been a good representation of the next 5-6 months of sales.

# Second quarter 2024 Highlights

- **Revenue:** 167.6 -18.8% (206.3)
- **EBIT:** 15.0, -21.9% (19.2)
- **EBIT margin:** 8.9% (9.3%)
- **ROOC:** 22.3% (28.2%)
- **Cash Cycle Conversion days:** 112 (84)
- **Operating Cash flow** 18.8 (12.7)
- **NIBD:** 122.9 (142.5)
- **NIBD/EBITDA** 1.6 (1.8)
- **Net Gearing:** 0.7 (0.9)
- **Equity %:** 33.9% (27.0%)
- **Order Backlog:** 454.5, -15% (534.9)
- **Net Income** 10.4 (15.7)
- **EPS (EUR):** 0.05, -35% (0.08)

\*Performance measures expressed in €M



# First half year 2024 Highlights

- **Revenue:** 341.5 -14.0% (396.9)
- **EBIT:** 25.5, -30.1% (36.5)
- **EBIT margin:** 7.5% (9.2%)
- **EBIT and EBIT % adj for non-recurring items in Q1 24:**
  - 30.3 and 8.9%
- **Operating Cash flow** 27.3 (23.2)
- **Net Income** 16.9 (29.0)
- **EPS (EUR):** 0.09, -44% (0.15)

\*Performance measures expressed in €M



# Business sectors

- Nordics & North America show 15% growth, increased profits and profit margins at 9.3%
- For CEE and Asia; volume reductions of around 40%, compared to last year profit margins at 8.9% and 11.9% respectively.
- Restructuring charge of 4.8 MEUR in Q1 2024
- No of employees 2 547 and reduced with 729 compared to last year
  - Nordics +9%
  - China -36%
  - CEE -36%



Revenue Business Sectors	Q2 2024	Q2 2023	Change	30.06.2024	30.06.2023	31.12.2023
Nordics & North America	94.1	81.7	12.4	186.1	160.8	325.0
CEE	50.7	84.9	-34.2	112.6	155.4	304.8
Asia	24.8	43.2	-18.4	47.4	88.1	157.4
Group and eliminations	-1.9	-3.5	1.6	-4.6	-7.4	-12.0
<b>Revenue</b>	<b>167.6</b>	<b>206.3</b>	<b>-38.7</b>	<b>341.5</b>	<b>396.9</b>	<b>775.2</b>

EBIT Business Sectors	Q2 2024	Q2 2023	Change	30.06.2024	30.06.2023	31.12.2023
Nordics & North America	8.7	7.0	1.7	16.8	14.3	27.3
CEE	4.7	9.0	-4.4	9.9	16.2	29.2
Asia	2.9	5.7	-2.8	4.9	10.3	19.8
Group and eliminations*	-1.3	-2.5	1.3	-6.0	-4.3	-5.6
<b>EBIT</b>	<b>15.0</b>	<b>19.2</b>	<b>-4.2</b>	<b>25.5</b>	<b>36.4</b>	<b>70.7</b>

FTE Business Sectors	Q2 2024	Q2 2023	Change	Full year 2023
Nordics & North America	1 088	997	91	994
CEE	955	1 488	-533	1 376
Asia	504	791	-287	631
<b>FTE</b>	<b>2 547</b>	<b>3 276</b>	<b>-729</b>	<b>3 001</b>

# Cash flow and working capital

- Q2 Cash flow from operating activities at 18.8 €M (12.7 €M).
- Dividend paid in the quarter of MEUR 12.8 (8.7)
- Net working capital at 188.0 €M (189.4 €M), down 1 % from last year, down 5% from last quarter.

						€M
Cash Flow	Q2 2024	Q2 2023	Change	30.06.2024	30.06.2023	31.12.2023
Profit before tax	12.4	19.2	-6.8	21.2	35.6	64.7
Depreciations	4.6	4.3	0.3	9.3	8.4	17.6
Change in inventory, accounts receivable, contract assets and accounts payable	9.0	-5.7	14.7	5.9	-5.7	-10.2
Change in net other current assets and other operating related items	-7.3	-5.1	-2.2	-9.0	-15.1	-13.2
<b>Net cash flow from operating activities</b>	<b>18.8</b>	<b>12.7</b>	<b>6.1</b>	<b>27.3</b>	<b>23.2</b>	<b>59.0</b>
<b>Net cash flow from investing activities</b>	<b>-2.1</b>	<b>-3.6</b>	<b>1.5</b>	<b>-4.7</b>	<b>-7.0</b>	<b>-16.3</b>
<b>Net cash flow from financing activities</b>	<b>-23.4</b>	<b>-14.9</b>	<b>-8.5</b>	<b>-21.2</b>	<b>-21.0</b>	<b>-29.5</b>

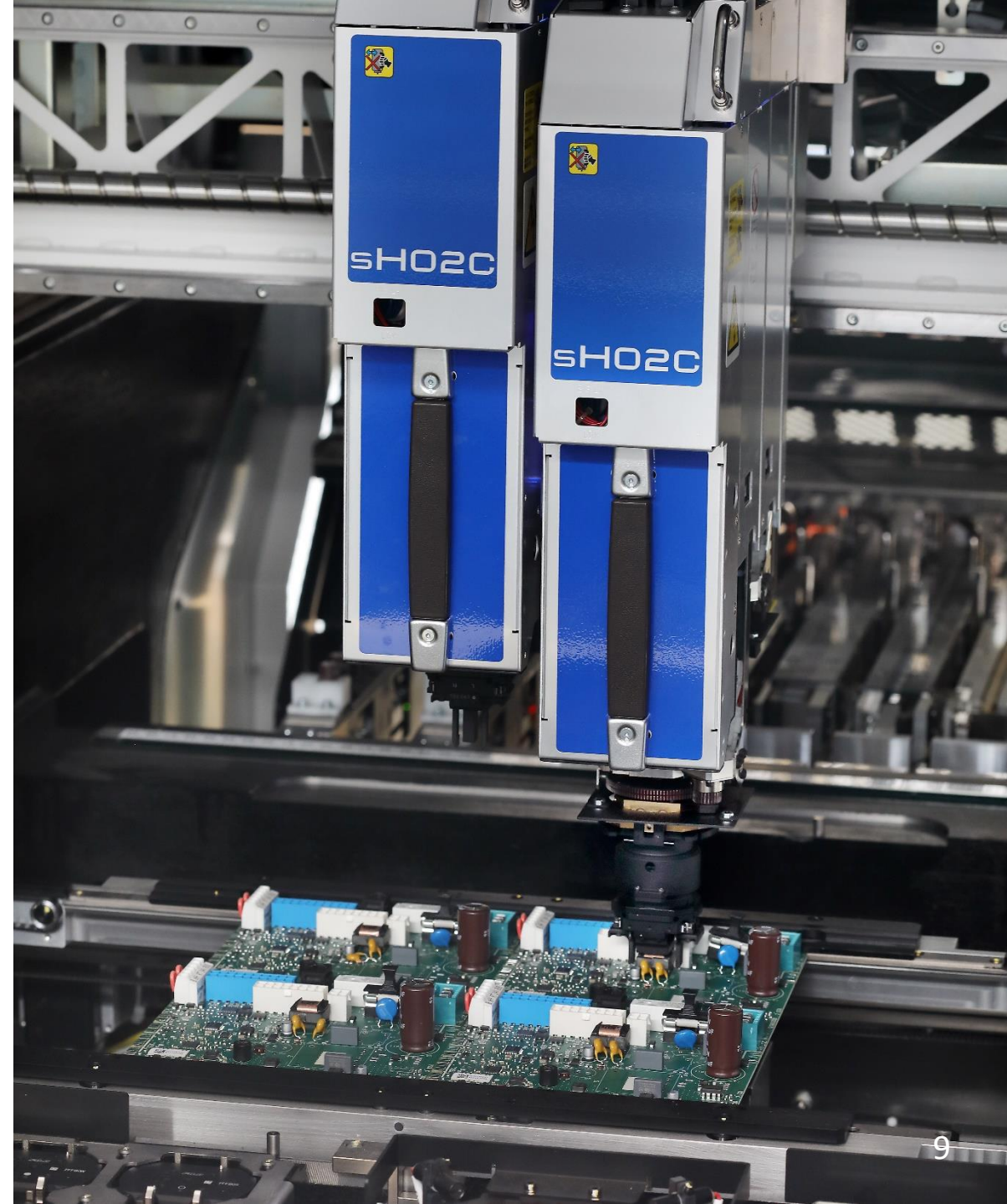
				€M
Net working capital	30.06.2024	30.06.2023	Change	31.12.2023
Inventory	148.6	183.1	-34.5	166.4
Contract assets	72.5	66.9	5.6	77.9
Trade receivables	126.0	154.1	-28.1	131.3
Trade payables	159.0	214.9	-55.9	181.9
<b>Net working capital</b>	<b>188.0</b>	<b>189.4</b>	<b>-1.1</b>	<b>193.7</b>



# Ratios

- Stable debt position
- Net gearing and NIBD/EBITDA 0.7 and 1.6

Ratios	30.06.2024	30.06.2023	Change	31.12.2023
R3 NWC % sales	28.4 %	22.3 %	6.1 %	24.4 %
R3 ROOC % sales	22.3 %	28.2 %	-5.9 %	26.9 %
R3 Cash Cycle Conversion	112	84	28	95
Net Interest bearing debt €M	122.8	142.5	-19.7	129.4
Net gearing	0.66	0.91	-0.25	0.71
NIBD/EBITDA	1.6	1.8	-0.2	1.5
Equity percent	33.9 %	27.0 %	6.9 %	31.6 %
Earnings per share quarter €	0.05	0.08	-0.03	0.06
Earnings per share ytd €	0.09	0.15	-0.07	0.26



# Outlook full-year 2024

For the full year, we anticipate revenues to be between 660 and 710 EUR million, with an operating profit (EBIT) of 53 to 60 EUR million, including 5 EUR million in restructuring costs incurred in the first quarter.



# Key take-ways

- Robust Profitability: Particularly in the Defense & Aerospace sector, where scale continues to drive profits.
- Signs of market turnaround: Promising signs of recovery in several key markets, including Asia and Europe.
- Kitron positioned for sustained growth with growth in Key Markets:
  - New MNOK 500 million defence order
  - Strategic focus new sales
  - Strong development on Defense, Connectivity and AI
  - Potential turn around on green technologies, and investments in industrial base positions.
  - New production facility to be built in Norway to secure future capacity.
- The restructuring efforts have been effective:
  - Expected cost-saving benefits largely materializing in the quarter.
  - Final savings are expected when full integration of IT systems is achieved in the third quarter.
- Remain committed to strategic target in line with operating margins of 9%.





2024 Q2

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