













Q3 results 2021

Peter Nilsson, CEO
Cathrin Nylander, CFO

Kitron Group | 2021-10-21

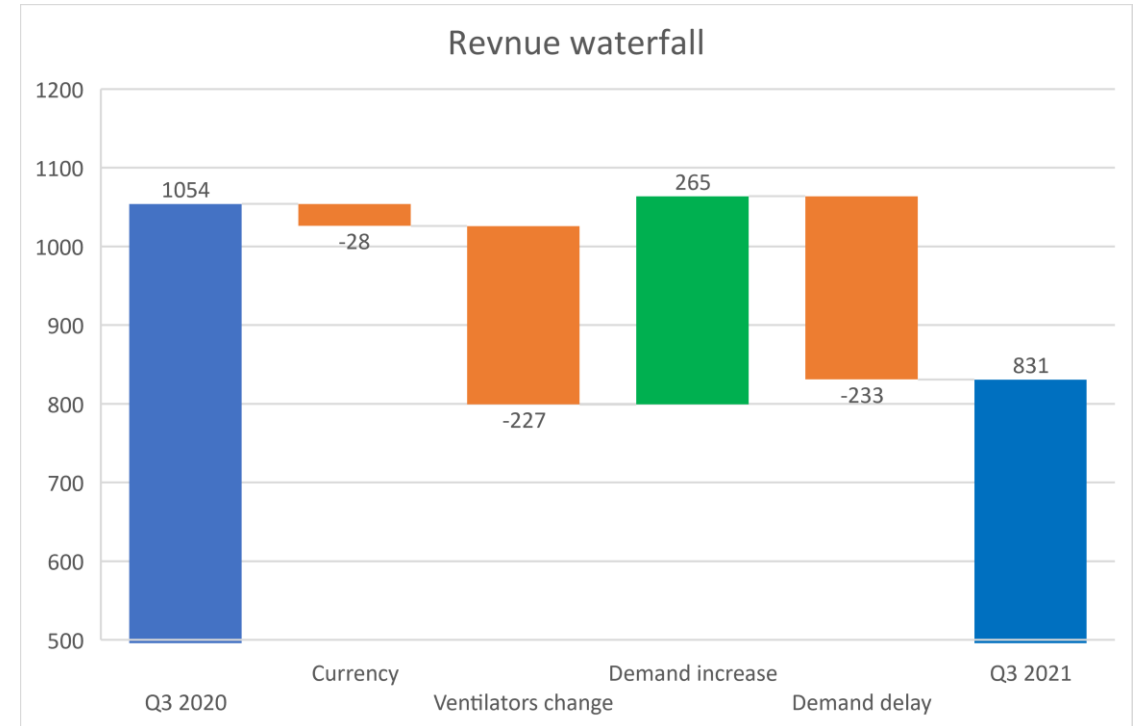
Very strong demand, revenue constrained by component supply

NOK Million		Q3 2021 vs Q3 2020
Revenue 831.4		-21.1 %
EBIT 50.1		-44.7 %
Order Backlog 2 568.1		37.8 %
Operating cash flow -70.2		
Net working capital 1 157.5		2.1 %

NOK Million		2021 vs 2020
Revenue 2 762.8		-7.0 %
EBIT 188.6		-20.4 %
Order Backlog 2 568.1		37.8 %
Operating cash flow 117.3		12.0 %
Net working capital 1 157.5		2.1 %

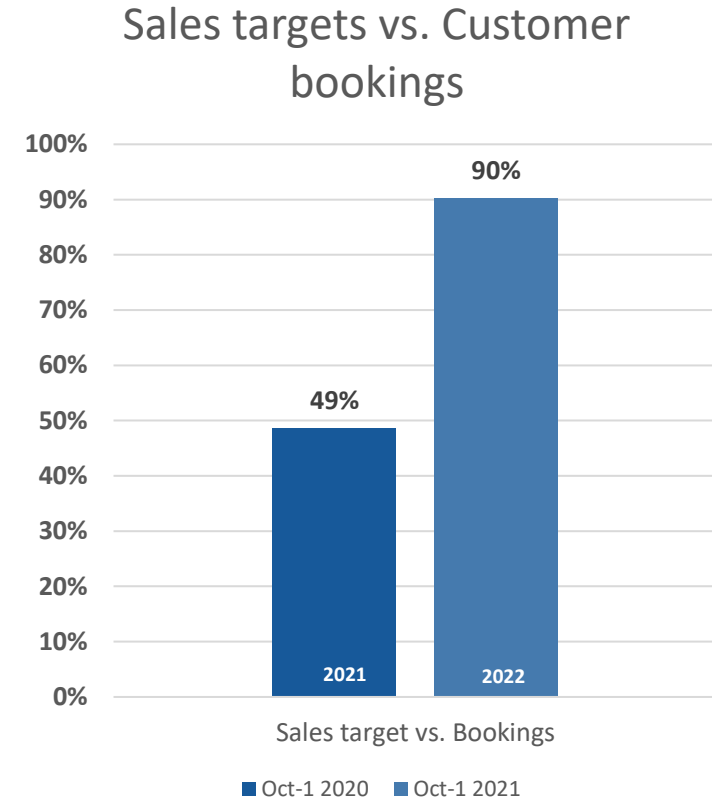
Highlights and important events

- Strong demand overshadowed by challenging supply situation
- EBIT margin 6.0% (8.6%)
- EPS NOK 0.11 (0.37), EPS YTD: 0.63 (0.93)
- Order backlog growth 38%: strong growth in all sectors due to increased demand.
- Cash flow MNOK -70 (MNOK -3)
- Second part of ordinary dividend for 2020 to be paid out



Activities and actions to mitigate supply chain constraints

- Customer behavior is changing, and future demand is being secured on a longer horizon.
 - Last year, in October 2020, less than half of expected output for 2021 was actively being ordered or forecasted by customers.
 - This year, in October 2021 more than 90% of expected output for 2022 is already on order with suppliers.
 - In addition, several customers have secured critical parts for the full year of 2022 and 2023.
 - Customers are redesigning and/or approving alternate parts where possible.
- Kitron targets continued diversification of market sub-sectors.
 - Target more growth in market sectors less affected by supply chain constraints.
 - Increase share of High-level assembly.



Strategic outlook

- Demand continues to be very strong
- Although supply constraints are projected to continue into next year, many constraints should taper off and supply will normalize. We continue to monitor the situation carefully and take proactive measures to minimize impact to sales.
- We see strong, long term, customer demand, and well identified strategic program acquisitions to support our strategic trajectory.
- We maintain our long-term growth targets.

2020

2021

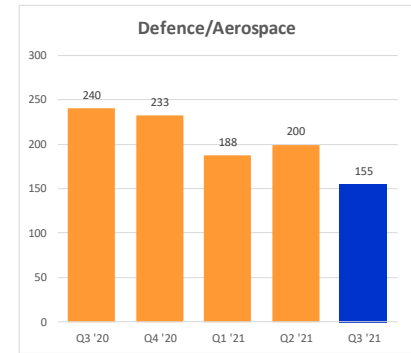
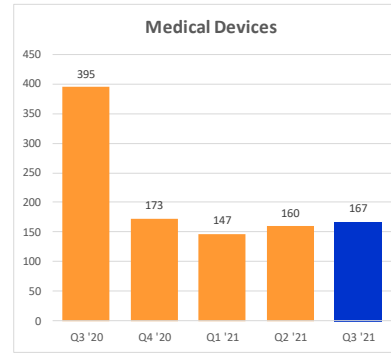
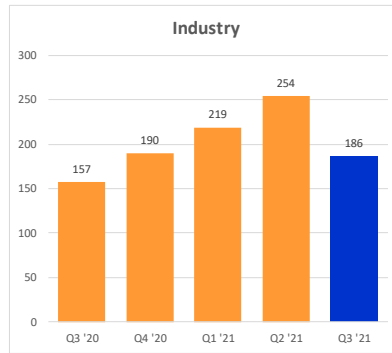
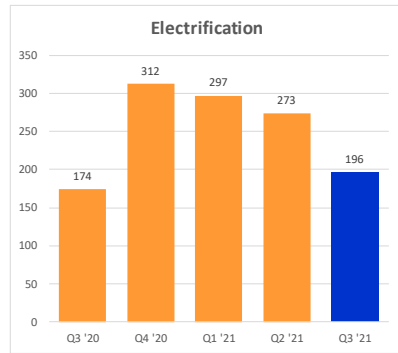
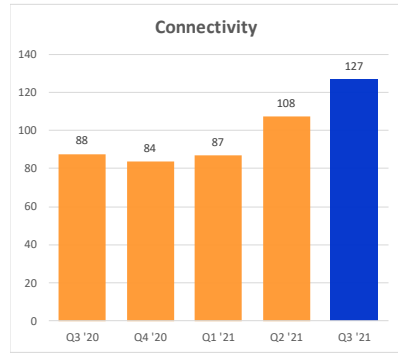
2020

2021



Financial results

Mixed sector development

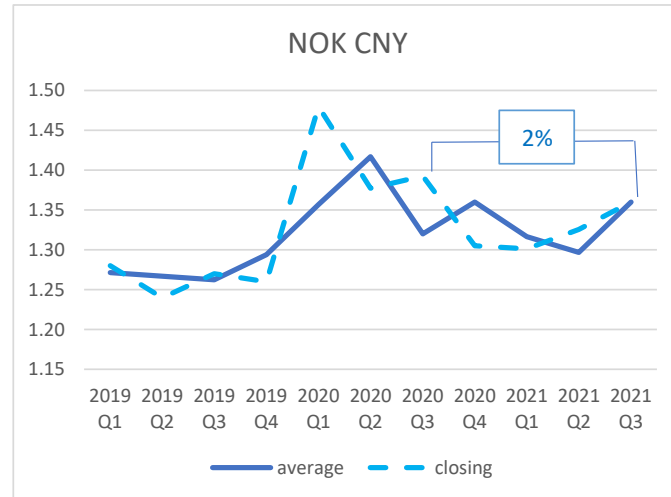
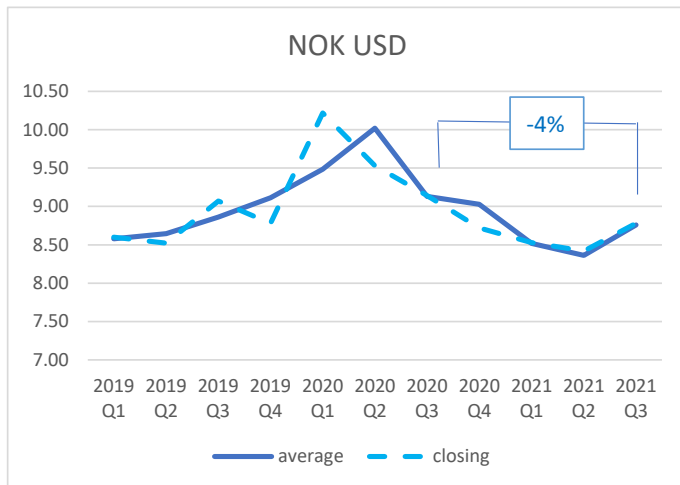
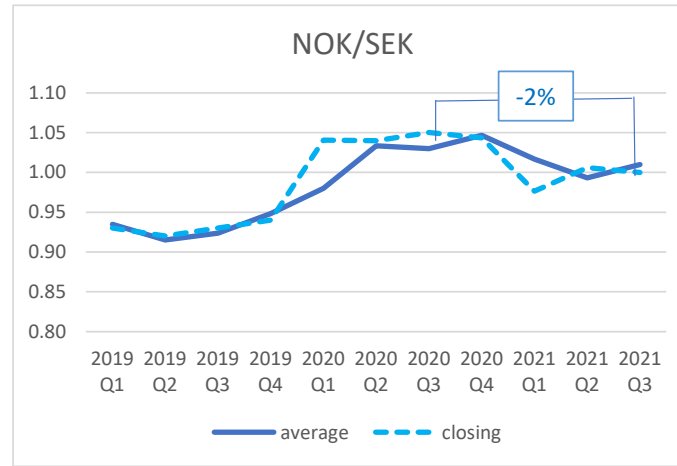
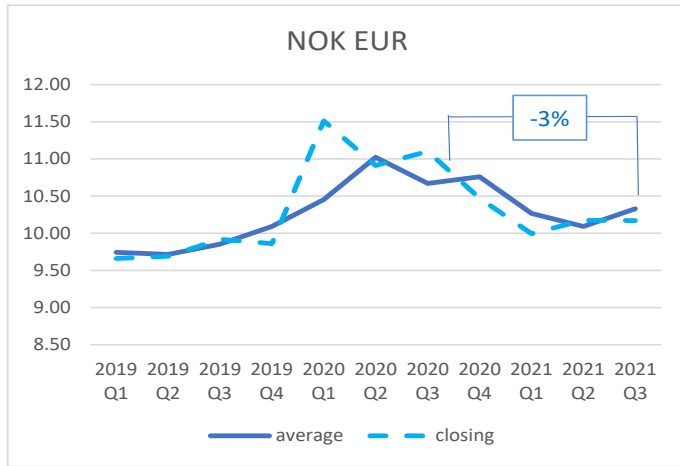


	Q3 2021 vs Q3 2020	Share of total revenue
Connectivity 126.8	44.6 %	15.3 %
Electrification 195.7	12.6 %	23.5 %
Industry 186.4	18.5 %	22.4 %
Medical Devices 167.4	-57.6 %	20.1 %
Defence & Aerospace 155.0	-35.5 %	18.6 %

	Q3 2021 vs Q3 2020	Share of total revenue
Norway 215.0	-5.9 %	25.9 %
Sweden 175.2	-17.7 %	21.1 %
CEE 271.1	-7.3 %	32.6 %
Others 195.2	-52.4 %	23.5 %

Before group entities and eliminations

Currency development and selling currencies



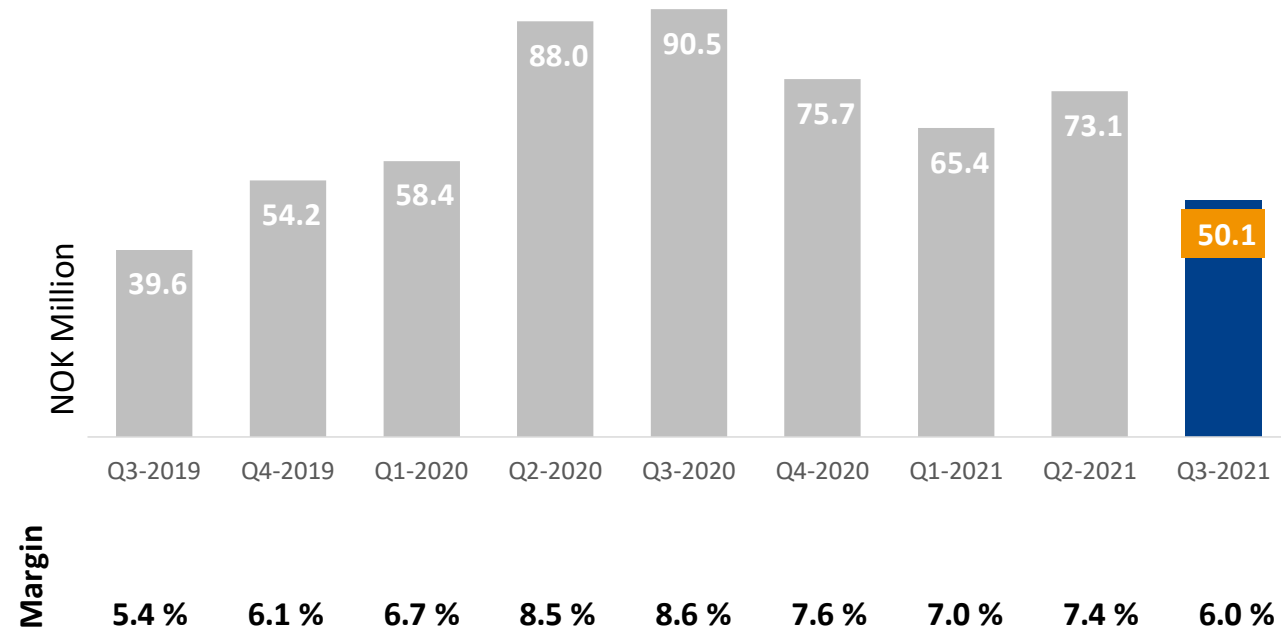
- Currency development has a minor but negative affect on growth in Q3
- Re-calculating the selling currencies shows a total ~-2% currency effect.

Share of total
Currency rate changes vs LY

Selling currencies					Mix
EUR	USD	CNY	SEK	NOK	
27 %	39 %	5 %	17 %	12 %	~ -2%
-3 %	-4 %	2 %	-2 %		

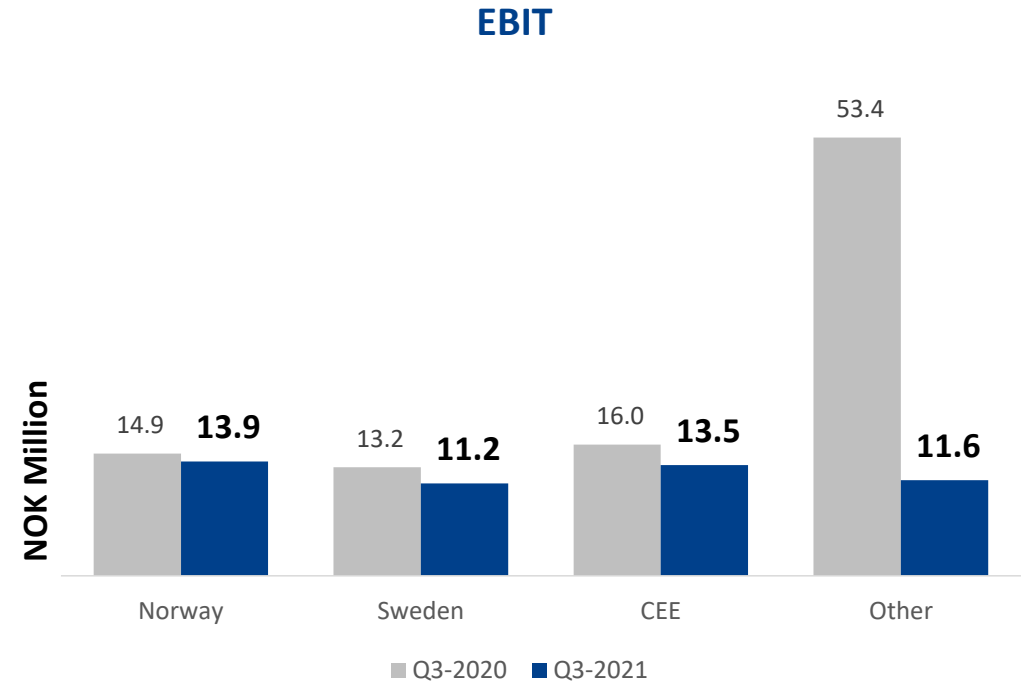
EBIT affected by seasonality and material supply constraints

- EBIT affected by seasonality and material supply situation causing revenue delays and inefficiencies
- Economies of scale and exceptional utilization of overhead Q2/Q3 2020



Q3 EBIT by country: Mixed margin trends

- Norway and Sweden at stable margin levels compared to last year, in spite of lower volumes.
- CEE (Lithuania and Poland) ended at lower profits and profitability levels.
 - Revenue and margins affected by revenue delays
- Others (China and US) in total below strategic levels.
 - China at solid margin levels and US affected by lower activity but improving



	Norway	Sweden	CEE	Other
Q3 2021	6.5 %	6.4 %	5.0 %	6.0 %
Q3 2020	6.5 %	6.2 %	5.5 %	13.0 %

Balance sheet: Capital build up due to material supply delays

■ Working capital ratios

- NOWC* 31.8% (25.1%)
- Cash conversion cycle* 124 (96)
- ROOC* 12.8% (22.4%)

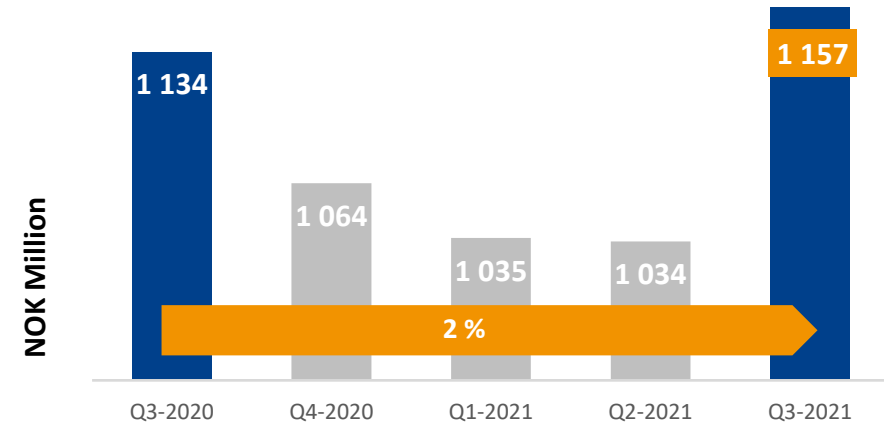
■ Cash flow

- Q3 Cash flow from operations MNOK -70 (MNOK -3)

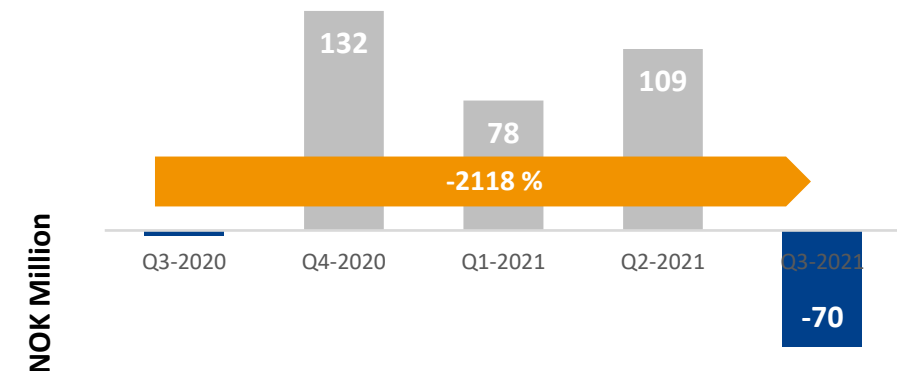
■ Financial gearing

- NIBD/EBITDA 2.2 (1.9)
 - exclusive IFRS16 NIBD/EBITDA 2.0

Net working capital



Operating cash flow















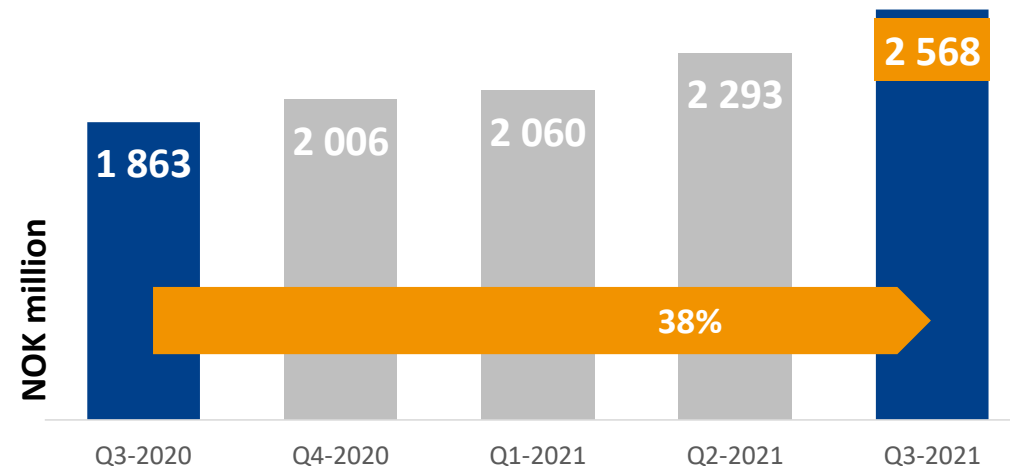
Market development

Strong order backlog

- Growth 38 %

	Q3 2021 vs Q3 2020	Share of total revenue
Connectivity 230.2	132.4 % 	14.7 % 
Electrification 774.6	51.9 % 	49.6 % 
Industry 373.0	6.7 % 	23.9 % 
Medical Devices 298.5	24.6 % 	19.1 % 
Defence & Aerospace 891.7	51.9 % 	57.0 % 

Order Backlog





Outlook

Outlook

- Total demand is very strong and the order backlog at a record level. However, in the very short term, supply shortages has somewhat limited Kitron's ability to turn demand into revenues, and the outlook for 2021 is adjusted to reflect this.
- For 2021, Kitron has previously indicated a revenue outlook of between NOK 3 900 and 4.200 million and an EBIT margin between 6.8 and 7.4 per cent.
- Due to the constraints in the supply chain and the resulting delays of revenue, the revenue for 2021 is now expected to be between 3 700 and 3 900 million. EBIT margin is expected to be between 6.8 and 7.1 per cent.
- Growth is expected within the Connectivity, Electrification and Industry sectors, whereas there will be a decline within the Medical devices and Defence/Aerospace sectors.
- The board emphasizes that every assessment of future conditions necessarily involves an element of uncertainty

Key take-aways

- Solid quarter despite challenges in the supply chain.
- Order backlog and 2022 demand outlook supports continued growth.
- We see strong long term customer demand and well identified strategic program acquisitions to sufficiently to follow our strategic trajectory.



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