



CAPITAL MARKETS 2021

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AGENDA

Kitron in Brief
Markets & Growth
Long Term Financial Targets
Growth and Profitability
Summary, Q&A and Wrap up



Peter Nilsson
President & CEO



Cathrin Nylander
CFO



Israel Losada
Salvador
COO /CSO



CEO Peter Nilsson

KITRON IN BRIEF

Kitron Group | 2021-03-17

Kitron at a glance

Core Business



Kitron is a leading Scandinavian **Electronics Manufacturing Services (EMS)** company, with global operations, delivering improved flexibility, cost efficiency, and innovation power through the value chain. We serve our customers with world class manufacturing services. Kitron was established in 1962.

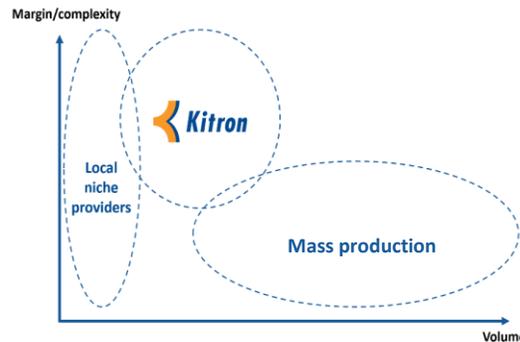
Customers



Kitron's **customers** are often market leaders in their business. Our partnerships generally date back a decade or more. Sales is strongly characterized by repeat business continuously renewed by new product generations.

Positioning

- Kitron targets the sweet spot between mass-production and customized low volume.
- Products tend to be high in complexity
- We focus on regionalized supply chains and manufacturing



Operations

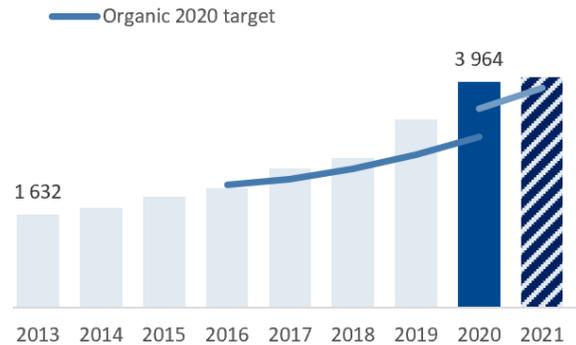


- Modern highly competitive facilities globally
- Continuous equipment investments of 2-3% of sales
- Manufacturing area more than 60 000 m²
- 1800 Employees globally
- Head office in Billingstad, Norway

Financials in brief

Revenue 2020

- 2020 is another record year.
- Sales driven by Medical/Corona pandemic and growth on electrification.
- For 2021 outlook, 500M is coming from new customers won in 2019-2020.

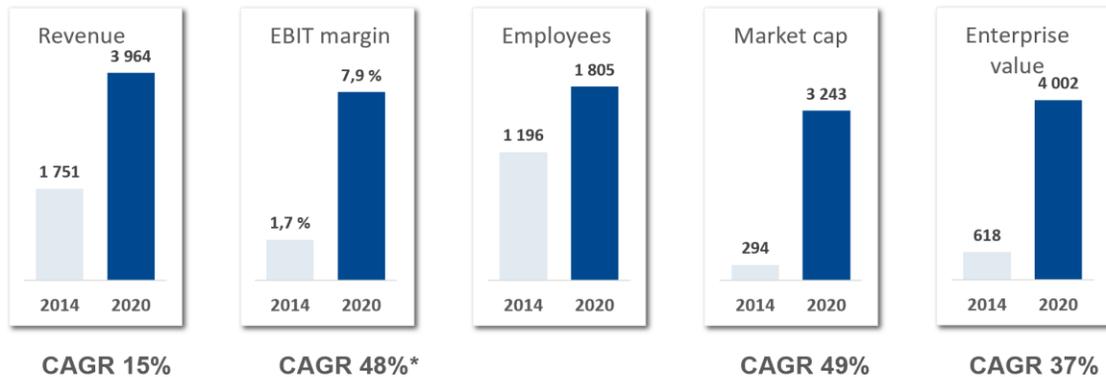


2020 Results

- Revenue growth 20% +
- EBIT margin 7.9% (6.1%)
- Full year 2020 EPS: 1.19 +61%
- Outlook fueled by electrification and connectivity
- Proposed DPS NOK 0.70

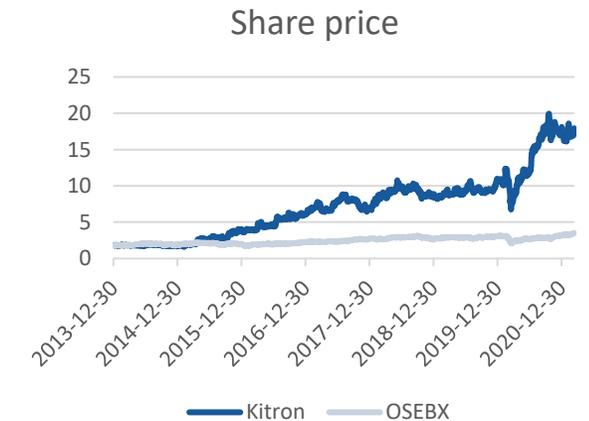
NOK Million		2020 vs 2019
Revenue	3 963.9	↑ 20.1 %
EBIT	312.6	↑ 55.1 %
Order Backlog	2 005.5	↑ 6.5 %
Operating cash flow	237.0	↑ 21.4 %
Net working capital	1 063.1	↑ 12.9 %

Development 2014 - 2020



Shareholder value

- Kitron was listed 1997 on the Oslo exchange.
- Kitron has a strong commitment to dividends.
- Kitron's dividend policy is to pay out an annual dividend of at least 50 % of the company's consolidated net profit before non-recurring items.



Kitron is listed on Euronext Oslo (ticker: KIT)

Sustainability

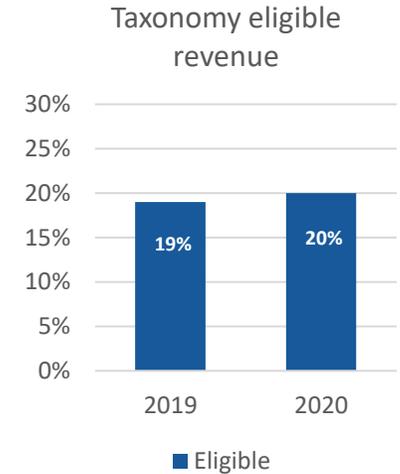
Kitron's approach to ESG

- Kitron's approach to Sustainability and corporate responsibility is guided by our Ethical Code of conduct, our commitment to the UN Global Compact and contribution towards the UN Sustainability goals.



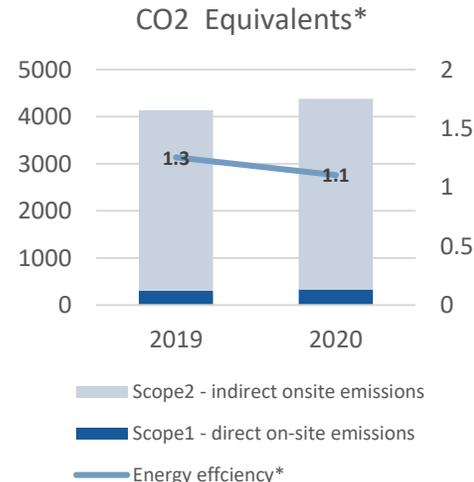
Taxonomy

- 20% eligible revenue
- Based on customer end products
- Primarily:
 - Sensors within connectivity
 - Power management and Power distribution within Electrification.



Global environment

- Kitron works systematically to minimize adverse impact to the environment:
- Energy efficient equipment and buildings
- Responsible sourcing of energy
- ISO 14000 environmental certifications



Working environment

Manifested in our values,

- Our working environment is to be characterized by openness, communication and respect for the individual
- Diversity and gender balance is seen as a strength
- Fair employment practices following local norms, laws and collective bargaining agreements

Employee Engagement 2020: **72%** of Kitron employees say Kitron is a "great place to work"

Gender Equality 2020: **-10%** Reduction of pay gap between men and women.

Workplace 2020: **3.3%** absence due to sick leave

* Market based calculation
 **Energy efficiency = Tons CO2 Equivalents / MNOK Revenue

Kitron's culture drives performance

Vision

- **Your ambition. Our passion:**
- Speaks to Kitron's commitment to customer success, employee development as well as interests of other stakeholders.
- We help others shine by delivering outstanding:
 - Products
 - Opportunities
 - Results

Leadership values

- Our culture is based on three values:
 - **Commitment.** We keep our promises. We know our numbers. We are committed to being the best we can be.
 - **Innovation.** We shall always look for a better way to do things. Change is a constant which fosters creativity.
 - **Engagement.** Kitron promotes an inclusive and supportive environment. Continuous development of new skills is encouraged. Pride in what we do and being part of a great team is critical to satisfaction at work.

Organizational structure

- Our organization is based on a highly decentralized organization, responsible for P&L and balance sheet, supported by strong common base:
 - **Common systems and a digital toolbox.**
 - **Strong group functions for:** IS/IT, Supply chain, Sales, Technology, Operational excellence and Finance providing leading edge support.
 - **Policies and procedures.** We identify best practice and create synergies in finding a common way of working.

Incentive plans

- Our teams are highly incentivized to perform and deliver YoY operational and financial improvements.
 - **Short term incentive** based on achieving annual targets on revenue, profits, growth and operational excellence.
 - **Long term incentive** achieving targets on shareholder value, i.e., share price and dividends over a three-year period.



MARKET OVERVIEW

CEO Peter Nilsson

Kitron Group | 2021-03-17

European Market - Trends

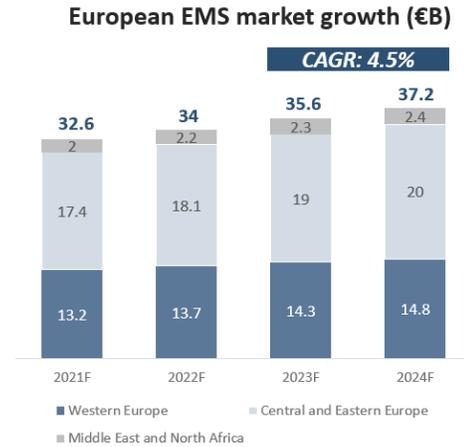
The European EMS competitive landscape

- A few big players, long tail of small, local firms. Total sales ~€35B
- Ongoing consolidation:
 - Within Europe
 - Chinese entrants
- Strong demand for Cyber security, contingency planning and sustainability are creating entry barriers planning, Sustainability



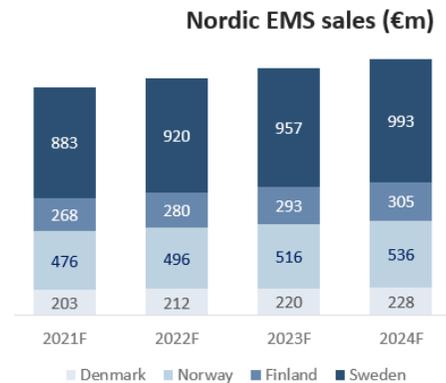
European Market – regionalization of supply chains

- Supply chains are being regionalized. The drivers are:
 - Time-to-market: Design complexity requires proximity to manufacturing
 - Time-to-customer: Agility, Leadtime, flexibility
 - Trade barriers, Intellectual property, cyber concerns, technological sovereignty and geo-political risks



Nordic growth

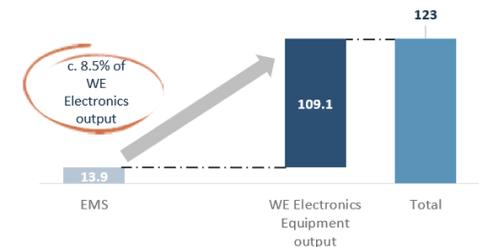
- The Nordic EMS market expected to grow to > €2B
- Industrial sector has overtaken communication as the driver in the Nordics. It is also forecasted to grow the most.
- Companies are mainly focused on high level assembly and vertical integration of complex products



European growth

- Price pressure on OEM's will drive further outsourcing
- Further economic growth in developing countries will drive increase in technology consumption
- Growth in infrastructures cloud computing, wireless communication, smart homes and cities
- Investments and support from governments to green energy

Western European electronic equipment output 2020 (€B)





GROWTH STRATEGY

CEO Peter Nilsson

Kitron Group | 2021-03-17

Five strategies to fuel growth



M2M IOT, Sensors, Wireless, Networking

- Expand customer base
- Drive for high utilization
- Capitalize on know-how and agility



Battery tech and Power grid transmission, Power management

- Grow existing / diversify customer base
- Extend lead and manage emerging tech
- Capitalize on scale and technology



Automation, Transportation, Recycling, Infrastructure

- Expand customer base
- Extend lead on technology capability
- Capitalize on know-how and reputation



Communication, Avionics, Surveillance, Control systems

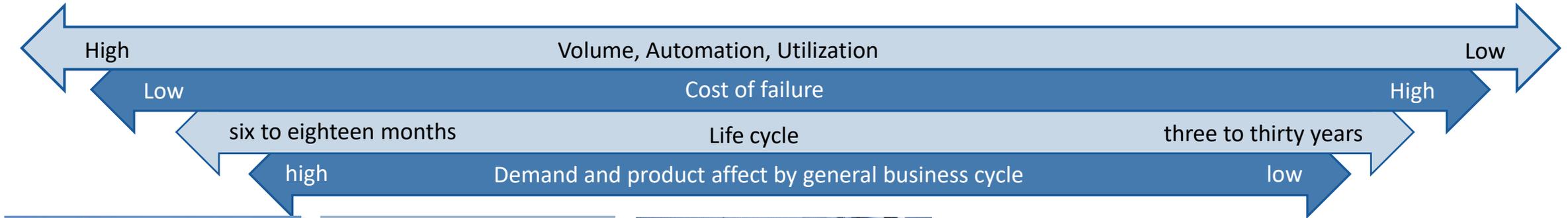
- Drive high quality execution
- Take advantage of market entry barriers
- Leverage on know-how and EOL management



Diagnostics, Life support, Hospital, Home and Personal care

- Position as strategic partner for innovation and product management
- Capitalize on application and flexibility

General distinguishing features by market sector



Connectivity

- High speed throughput
- Short life-cycles
- Time-to-market critical
- Highly competitive supply in initial win stage



Electrification

- Short life-cycle on consumer
- Long life-cycle on infrastructure
- Dependable supply and strong NPI Capability wins



Industry

- Fragmented customer base
- Flexibility and agility
- Win business in competition with customer internal production



Medical Devices

- High degree of vertical integration
- Quality reputation critical
- Re-design to protect margins and delivery capability critical
- Long life-cycle drives price pressure



Defense/Aerospace

- High degree of vertical integration
- High complexity, Long life-cycle, end-of-life mgmt.
- High entry barriers, Cyber, Aviation, security clearances.

Market sector overview and 2025 targets



Connectivity

CAGR target growth	15%
Share of total 2021	12%
Share of total 2025	14%



Electrification

CAGR target growth	15%
Share of total 2021	25%
Share of total 2025	29%



Industry

CAGR target growth	11%
Share of total 2021	22%
Share of total 2025	23%



Medical Devices

CAGR target growth	6%
Share of total 2021	14%
Share of total 2025	12%



Defense/Aerospace

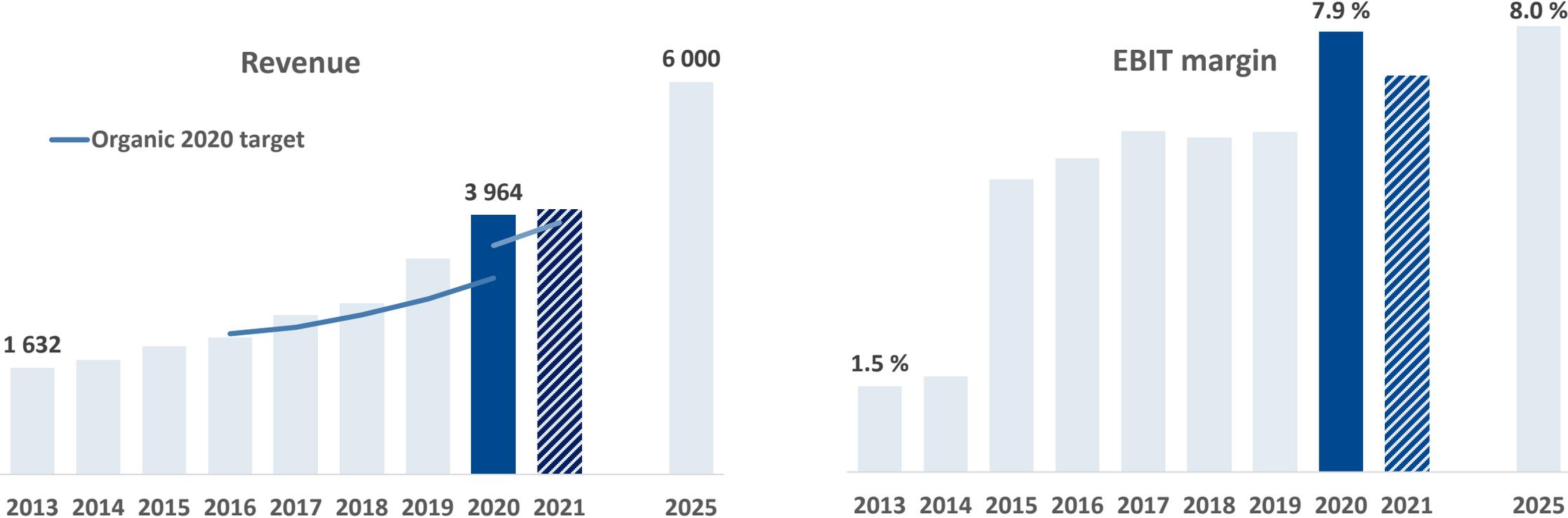
CAGR target growth	5%
Share of total 2021	27%
Share of total 2025	22%

Existing programs expected to grow by 1 000 MNOK by 2025

New program acquisitions expected to generate an additional 1 000 MNOK

Margin improvement 2025 target upped to 8%

2020 margin affected by economies of scale and exceptional utilization



2025 Target	
Revenue MNOK 6 000	EBIT margin 8%



LONG TERM FINANCIAL TARGETS

CFO Cathrin Nylander

Kitron Group | 2021-03-17

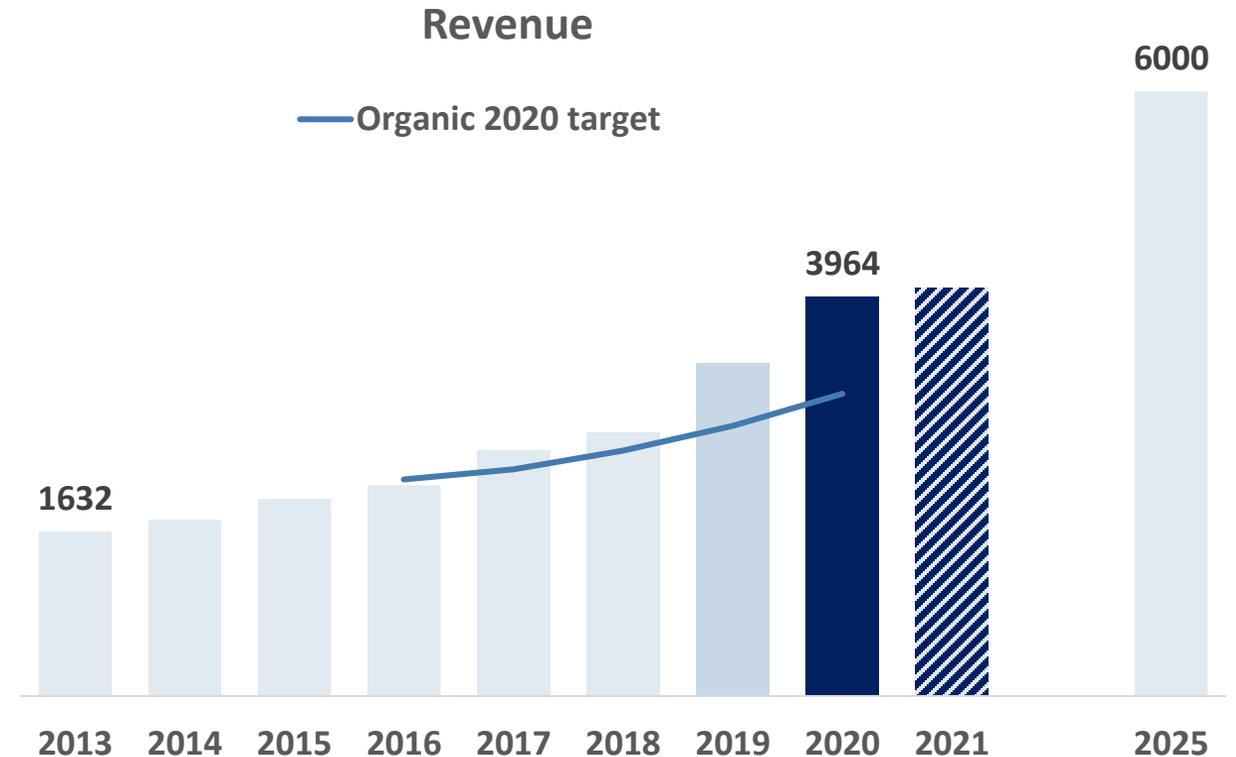
Increased ambition to 6 billion in 2025

2020

- Revenue in 2020 almost 1 billion NOK over organic target 3 billion

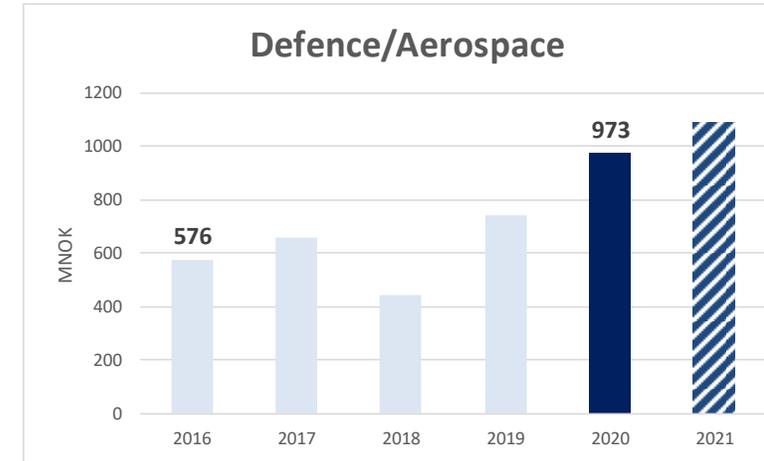
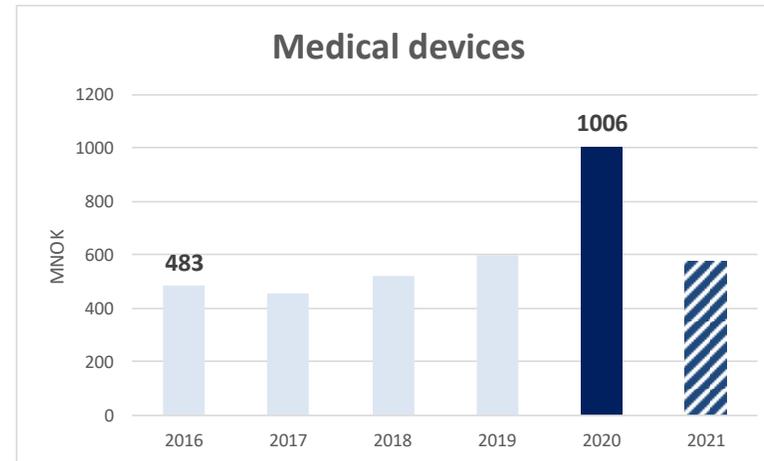
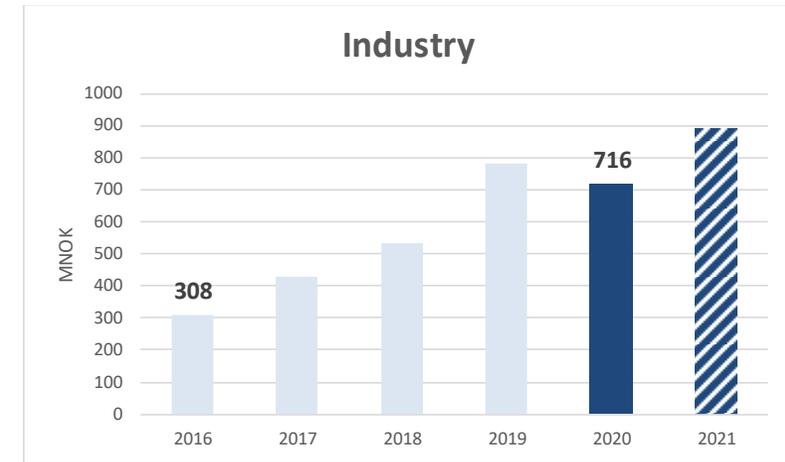
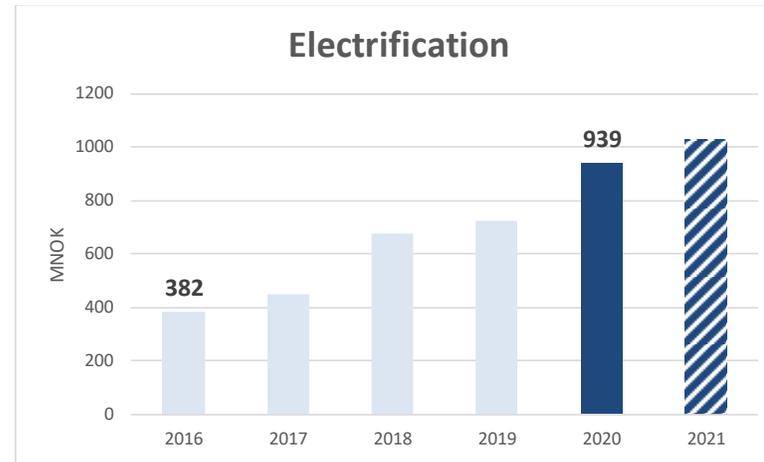
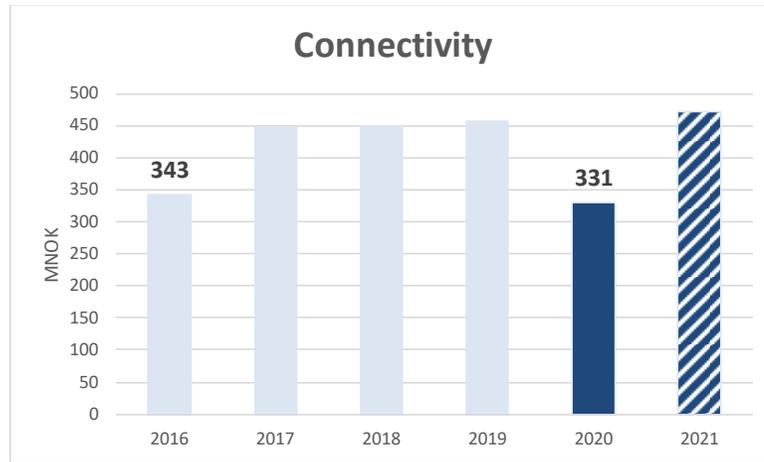
2025

- Organic ambition: NOK 6 billion
- Annual organic trend growth 2021–2025: approximately 10%
- M&A adds potential upside
- Assuming no major macro or currency changes



2021 guidance	
Revenue NOK 3 900 to 4 200 million	EBIT margin 6.8 to 7.4%

New sector development



	CAGR	Share of revenue
	2016-2020	2020
Connectivity*	-1 %	8 %
Electrification	25 %	24 %
Industry	24 %	18 %
Medical devices	20 %	25 %
Defence/ Aerospace	14 %	25 %
Kitron	17 %	100 %

* CAGR adjusted for disengaged customer 20%

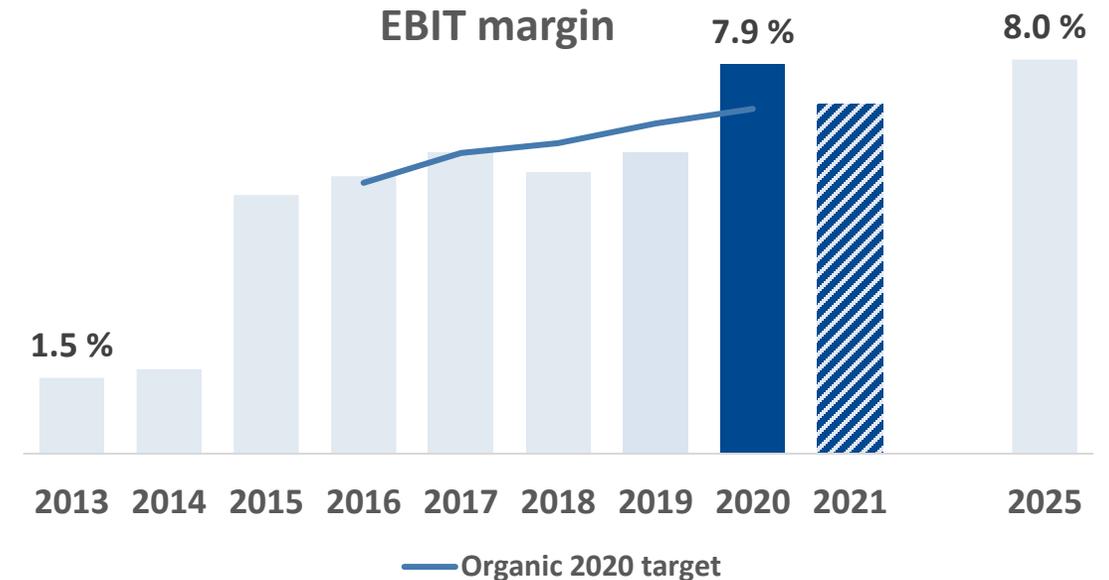
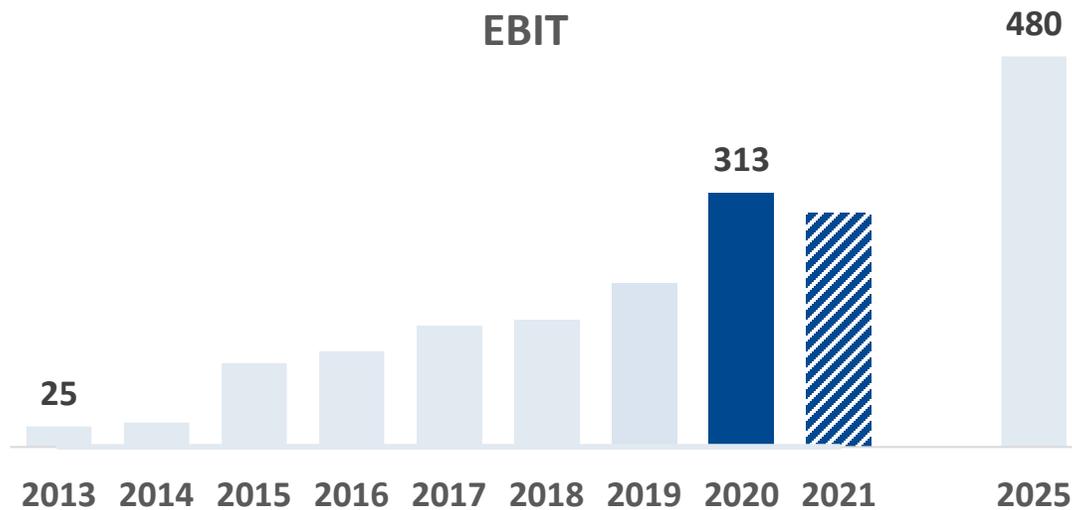
Margin improvement - 2025 target upped to 8%

2020

- 2020 margin affected by economies of scale and exceptional utilization due to temporary high volumes in medical devices

2025

- Target 8%
- Acquired businesses or start-ups may temporarily be below margin ambition



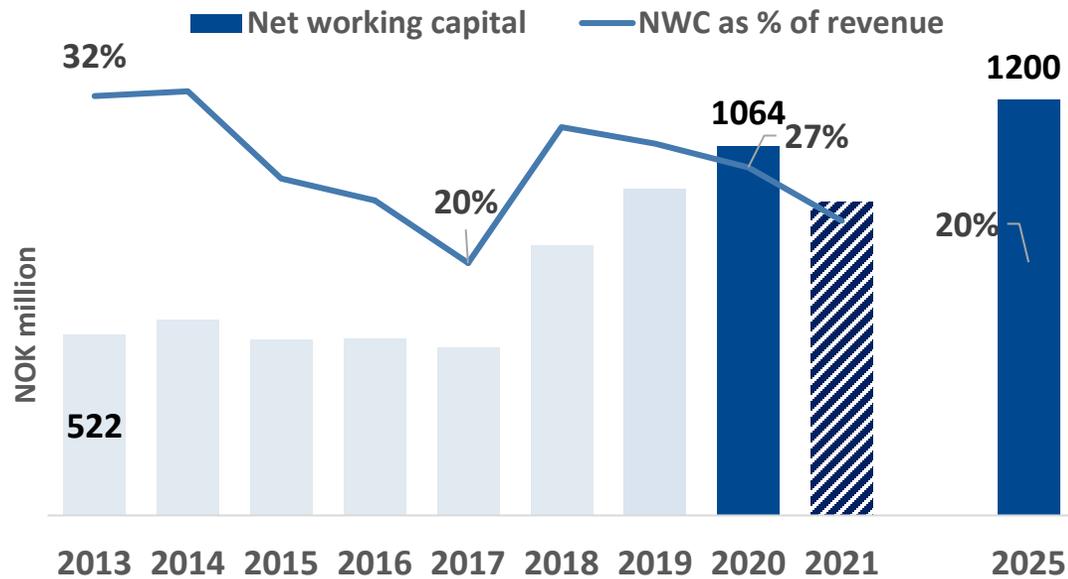
2021 guidance

Revenue NOK 3 900 to 4 200 million

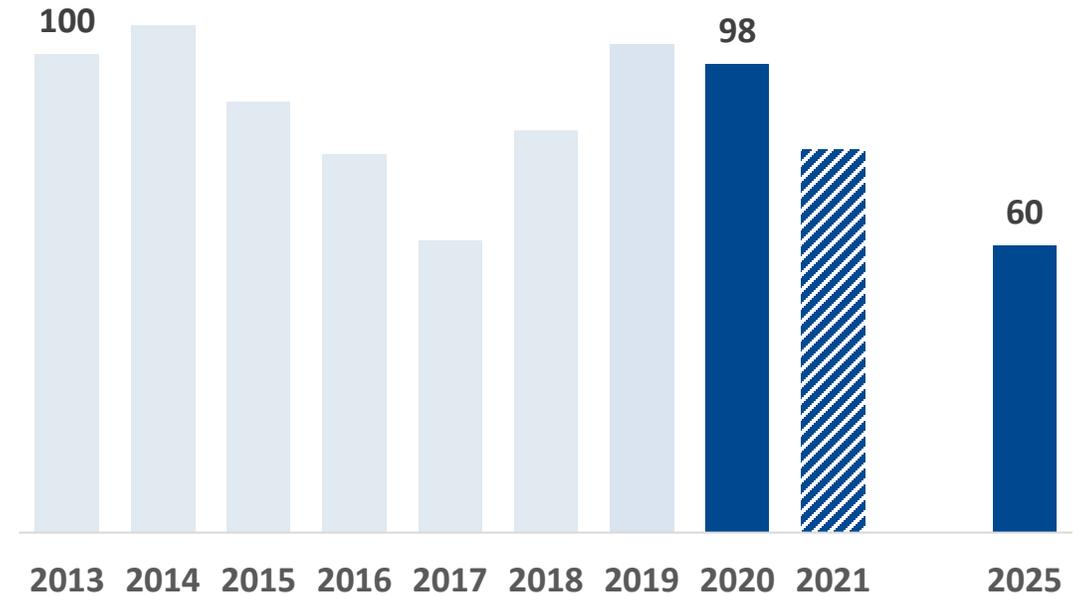
EBIT margin 6.8% to 7.4%

Capital efficiency: Ambitions maintained

Net working capital



Cash conversion cycle



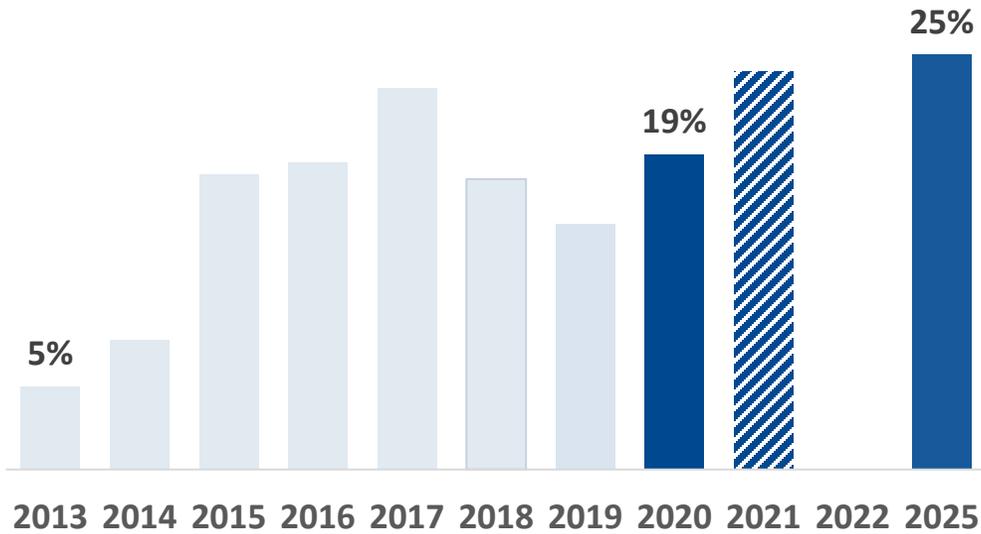
- Target NWC 20% of revenue
- Strong growth the last years in aerospace/defence with longer cycles will over time be re-balanced

- Cash conversion cycle key metric, target 60 days
- DIO currently drives CCC

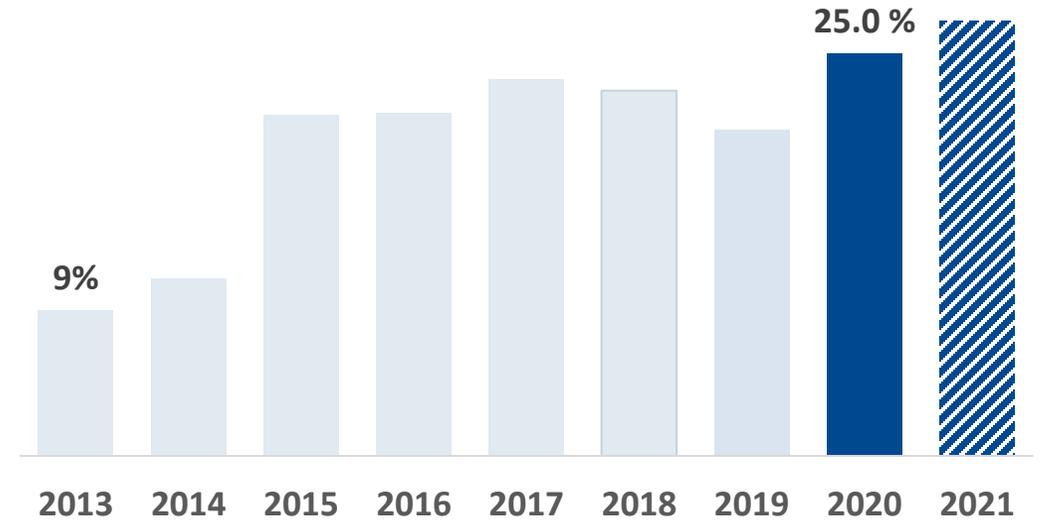
Improving return on capital

- Exceptional results in 2020
- Capital efficiency improvements affected by growth
- ROOC% Long-term target 20-25%

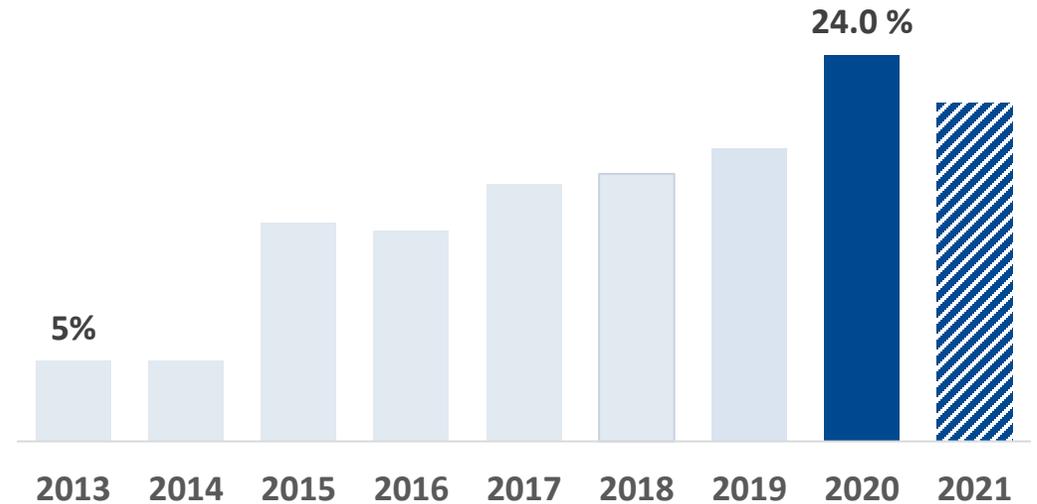
Return on operating capital



Return on capital employed

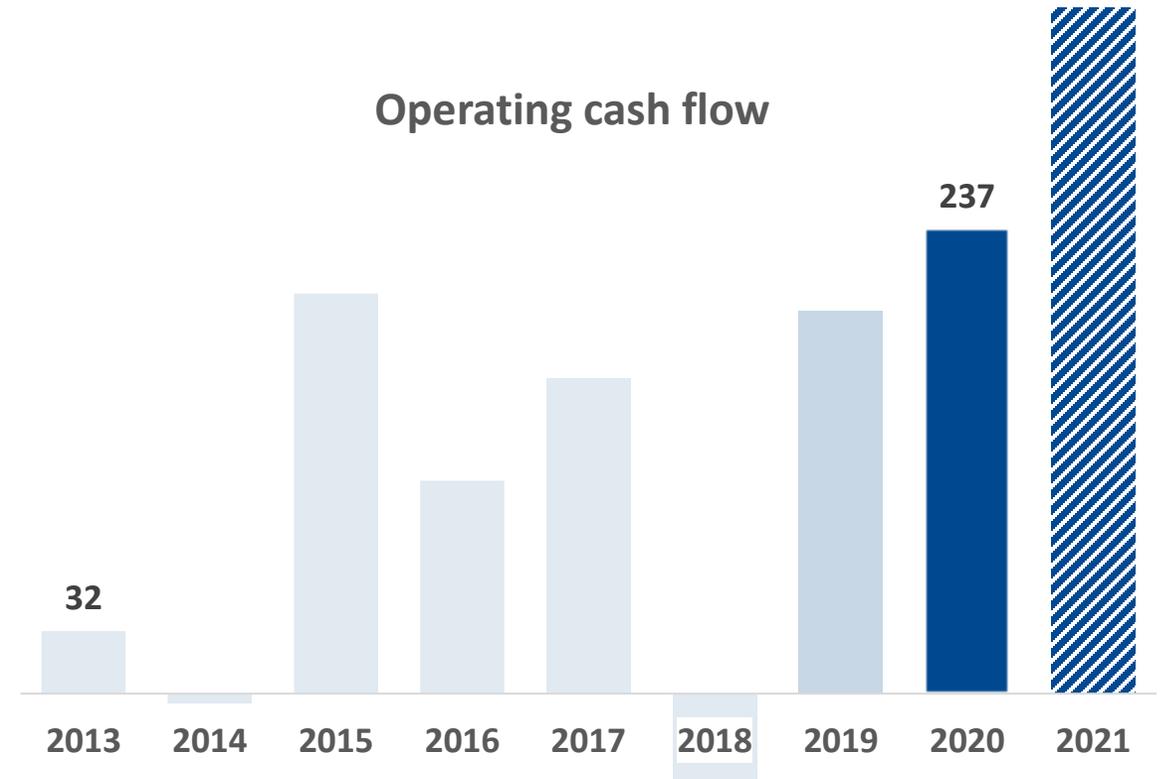


Return on equity



Cash flow strengthening, normal capex

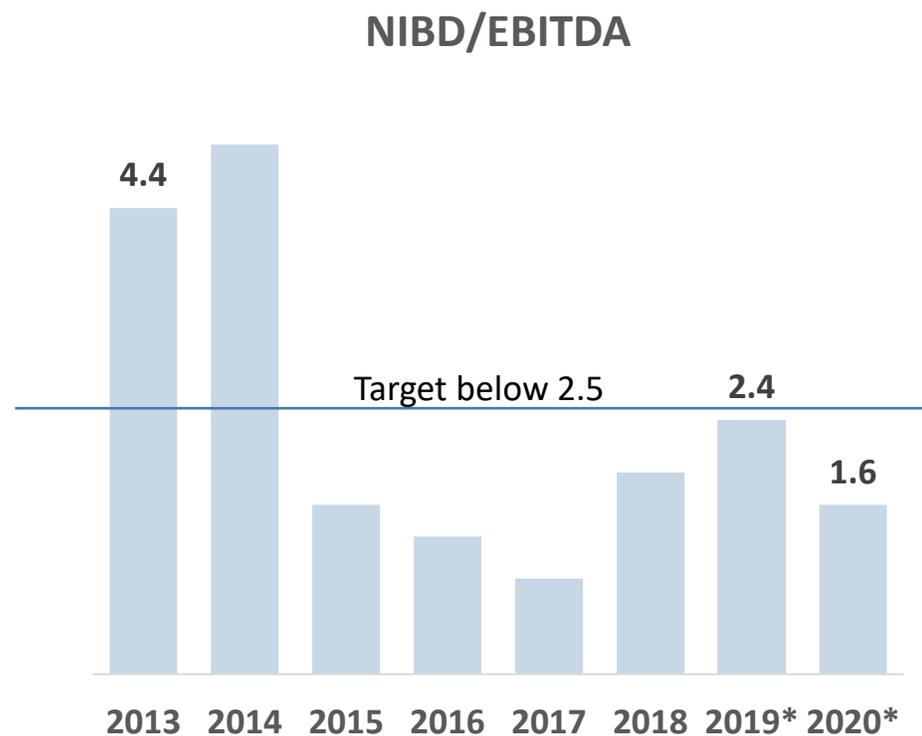
- Strong underlying operating cash flow trend
- Component shortages in 2018 – going into 2019. Component shortages also in 2021 but on a different level.
- Normal capex expected to be approximately ~2% of revenue.



Capex (MNOK)	Normal	29	67	76	43	35	56	59	60	~85
	Poland							51		
	US acquisition							138		

Solid financial platform

- Net interest-bearing debt NOK 758 million
 - NOK 635 million excl. IFRS 16
- NIBD/EBITDA 1.8
 - 1.6 excl. IFRS16
- Net gearing 0.86
 - 0.7 excl. IFRS16
- Equity ratio 33.4% (30.8%)
- ROE 24.1% (18.2%)
- Covenants on Equity % and NIBD/EBITDA



	2019	2020
Cash and cash Equivalents	204	153
Long term debt to credit institutions	166	105
<i>Lease liability IFRS 16</i>	116	102
Long term debt - Financial leasing	50	60
Long term financing	332	268
Debt to credit institutions	323	234
Factoring debt	249	271
<i>Lease liability IFRS 16</i>	18	20
Short term part of long term debt	67	117
Short term financing	657	643
Interest bearing debt	989	911
Net interest bearing debt	785	758
Net interest bearing debt excl IFRS	651	635

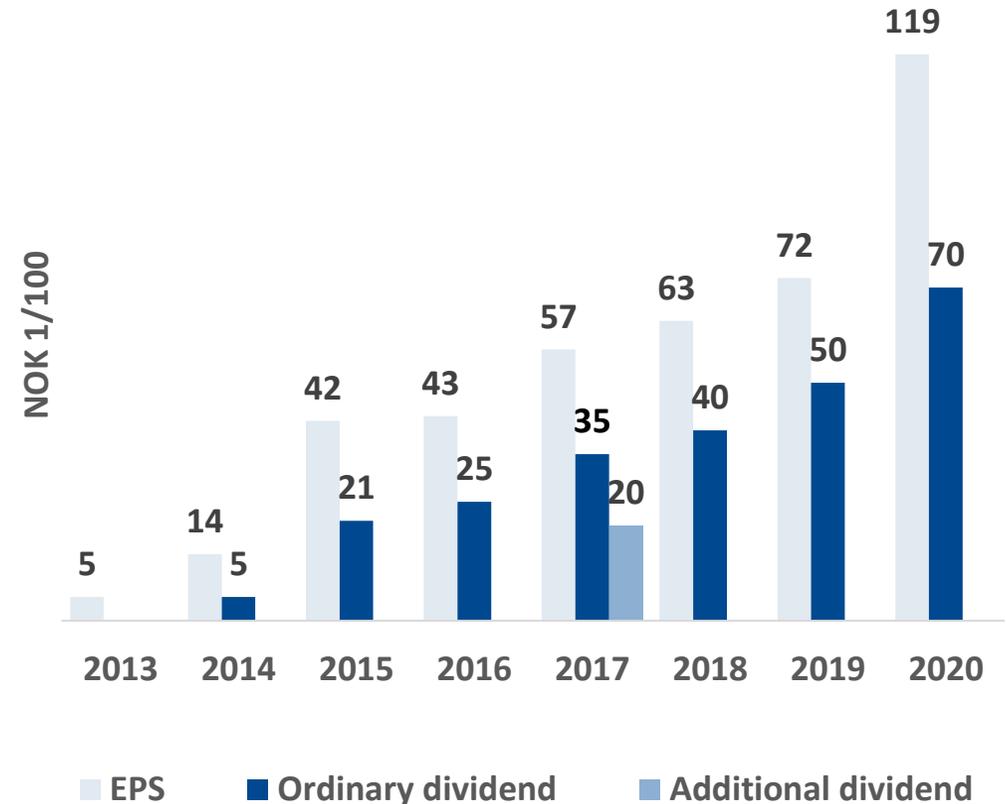
Net interest-bearing debt divided by earnings before interest, taxes, depreciation and amortization.

Strong dividend history

- Strong commitment to dividends
- Proposed for 2020:
 - Ordinary dividend NOK 0.70 per share.
 - To be payable in two equal tranches, one in May and
 - one in October.

“Kitron’s dividend policy is to pay out an annual dividend of at least 50 % of the company’s consolidated net profit before non-recurring items. When deciding on the annual dividend the company will take into account the company’s financial position, investment plans as well as the needed financial flexibility to provide for sustainable growth.”

Earnings and dividends





DRIVING COMPETITIVENESS AND EFFICIENCY



MANUFACTURING

GOOD

All sites up and running



LOGISTICS

MODERATE

Delays and price increase



SUPPLY CHAIN

RISKY

Supply shortages related to demand increase



ON TIME SUPPLY

GOOD

Keeping delivery dates



TECHNICAL SERVICES

GOOD

Design, test development and electronics engineering services available



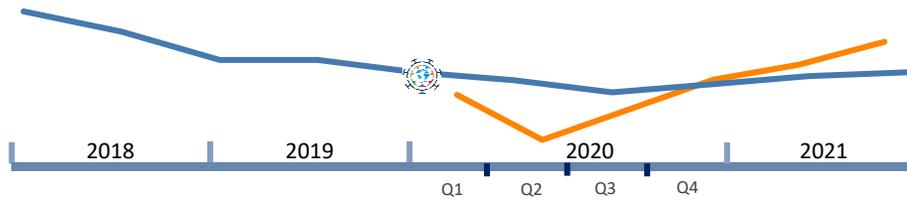
TRAVELLING & PHYSICAL MEETINGS

MODERATE - CANCELLED

Government restrictions to travelling. Preventive measures.

Semiconductors' shortages

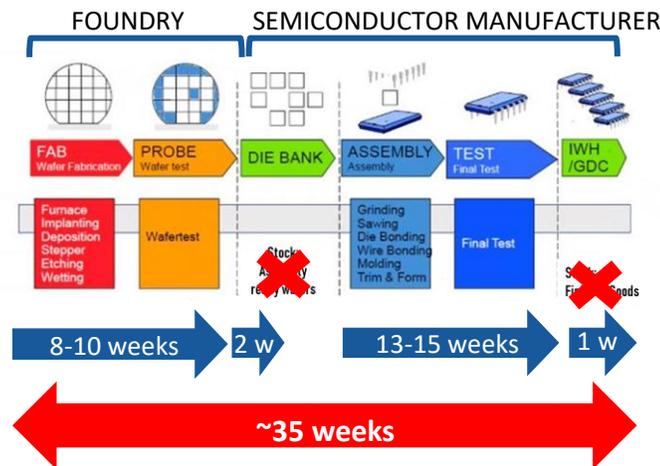
Semiconductors – Demand increase



- Big drop during Q1 and Q2
- Towards the end of Q2, market fear decreased, and demand shot up
- Semi conductor suppliers are struggling to catch up

Semiconductors – Lead time increases

- Q3-Q4 - demand exceeded forecast – Emptied manufacturer stock
- Q4-Q1- Foundries are overcommitted – Empty Die Bank
- New orders face full manufacturing lead time



Integrated circuits - Foundries

- Most semiconductor manufacturers are fabless. They buy their wafers from Pure Play Foundries
- Very few large players in the Pure Play Foundry market
- **Everybody must go to the same source for wafers**

~90% world capacity

- TSMC (Taiwan) – 50%
- Samsung (South Korea) – 19%
- Global Foundries (USA) – 8-9%
- UMC (Taiwan) – 6-7%
- SMIC (China) – 4-5%

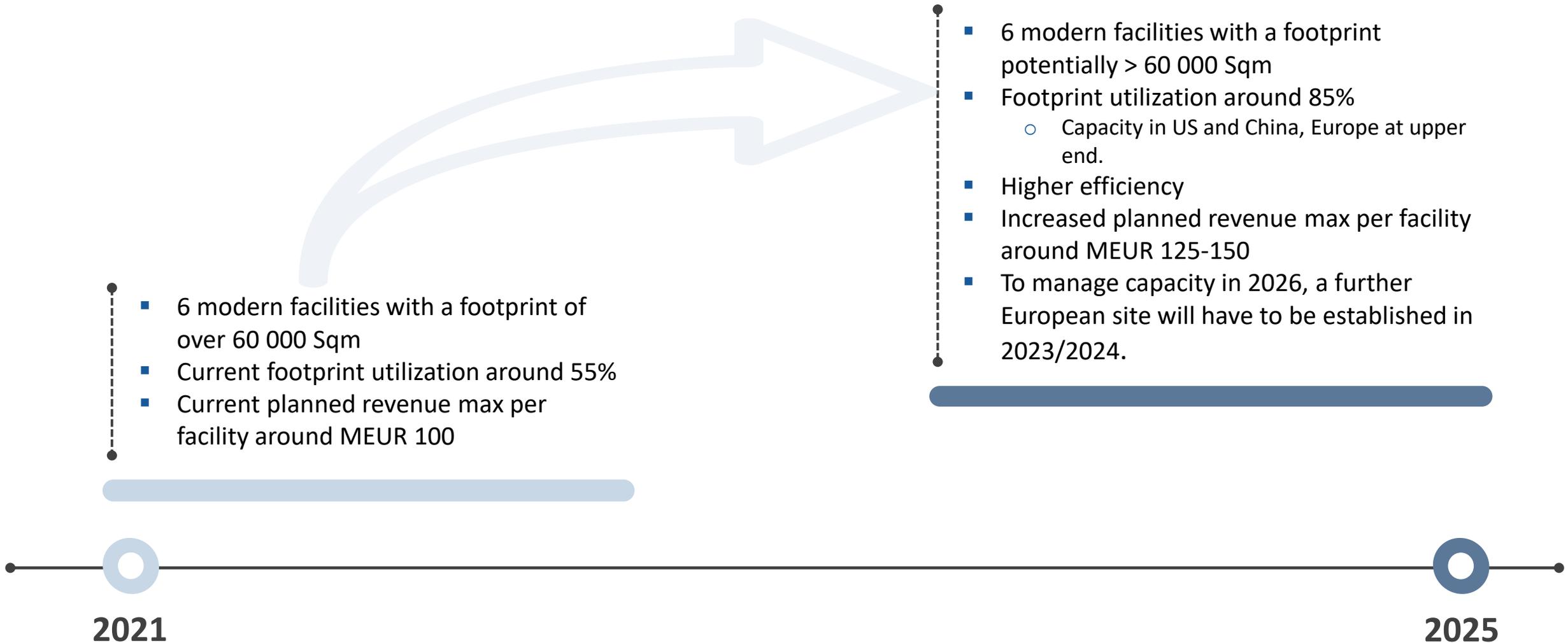
Semiconductors - Mitigation

- Shortages made worse by a Panic Effect
- Book to build ratios between 1.6 and 2.1
- Situation is expected to improve for some components by Q4 2021. For others, it will continue well into 2022
- Initiated proactive measures with customers as early as Q3 last year – ahead in the queue
- That combined with long term partnership with distributors and manufacturers ensure on time deliveries to customers

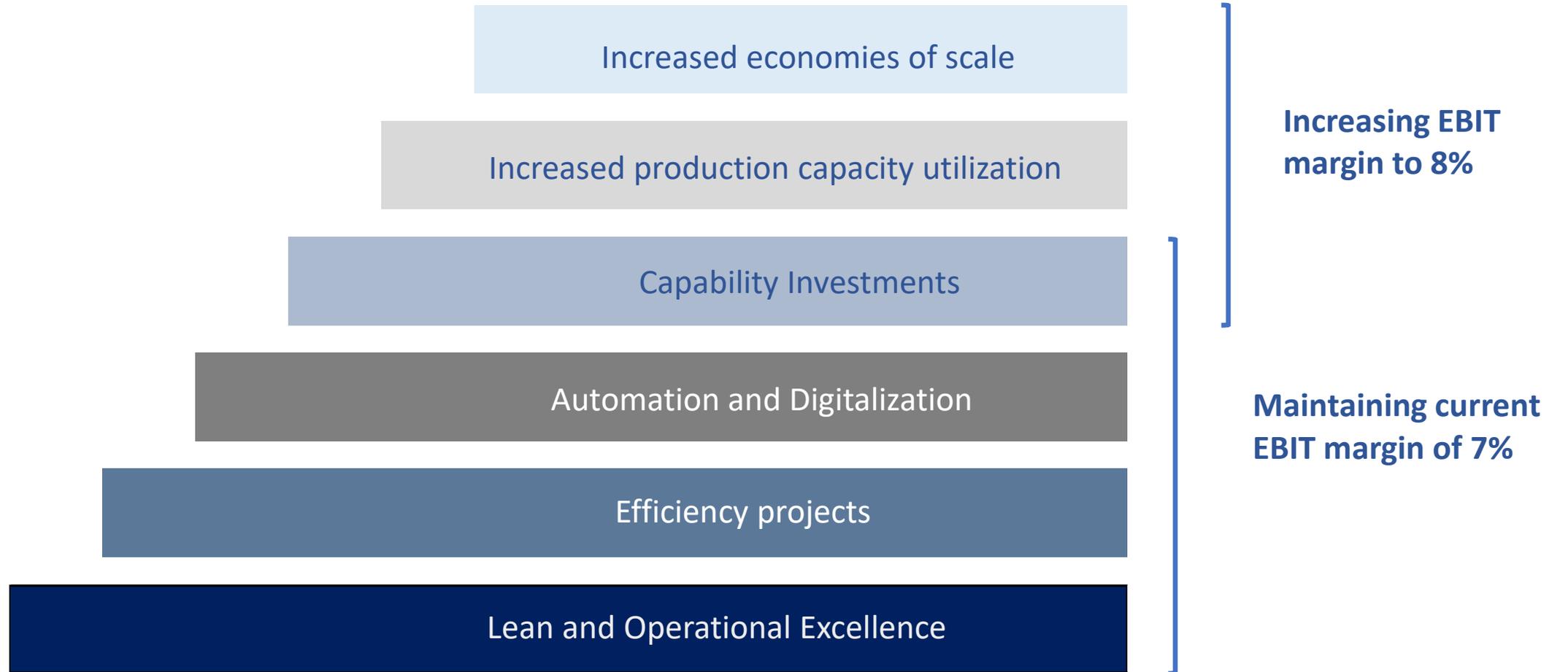
Supporting long term goals



Operational foundation for continued growth



Profitability expansion





SUMMARY

Key take-aways

- New market sector segmentation: Focus on high growth sectors **Electrification** and **Connectivity CAGR 15%**
- Overall achieve 10% growth each year with 5% CAGR on existing customer base and adding an additional 5% on new program acquisition.
- Focus on existing **capacity utilization** and maximizing **economies of scale**
- Continue delivering a superior performance to customers and shareholders

2021 guidance

Revenue NOK 3 900 to 4 200 million

ROOC 20-25%

Margin 6.8% to 7.4%

2025 Targets

Revenue NOK 6 000 million

ROOC 20-25%

EBIT margin 8%



Q & A



Appendix

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