



# Acquisition of BB Electronics

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**Peter Nilsson**  
President & CEO from 2014

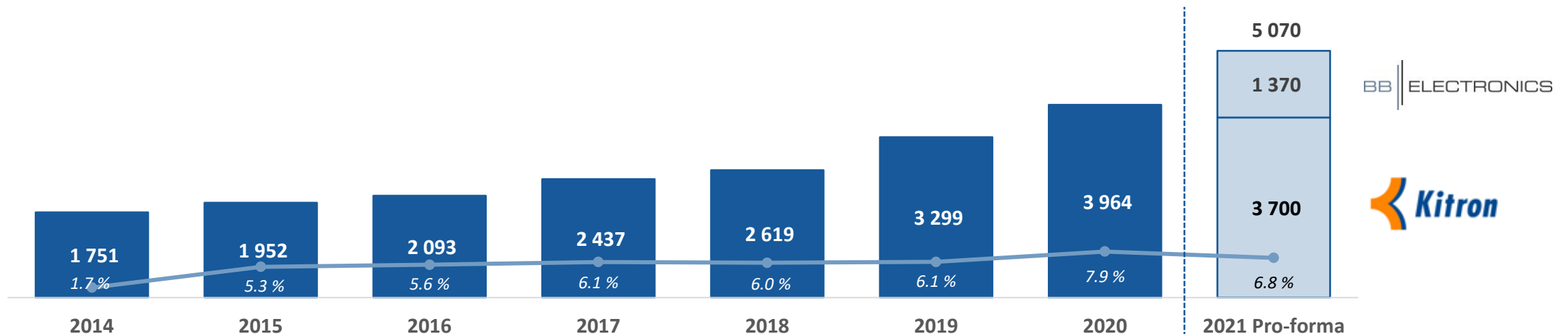


**Cathrin Nylander**  
CFO from 2013

# Acquisition of BB Electronics

- Kitron ASA has on 20 December 2021 entered into an agreement to acquire BB Electronics A/S (“BB”) for DKK 600 million on a debt- and cash free (“Enterprise Value”) basis
  - Will add 3 new production facilities and DKK 1,000m of revenues with a 6.6 % EBIT margin
- The acquisition is estimated to be clearly accretive to EPS on 2021 (pro-forma) and 2022, and adds significant shareholder value
- With BB, Kitron establishes a strong market position in Denmark in addition to strengthening its international presence in China, and the Czech Republic

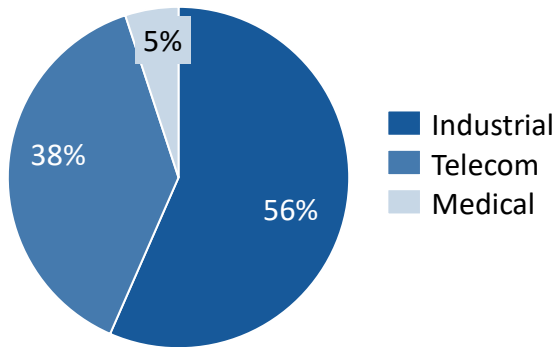
Kitron group revenues (NOKm) and EBIT margin<sup>1</sup>



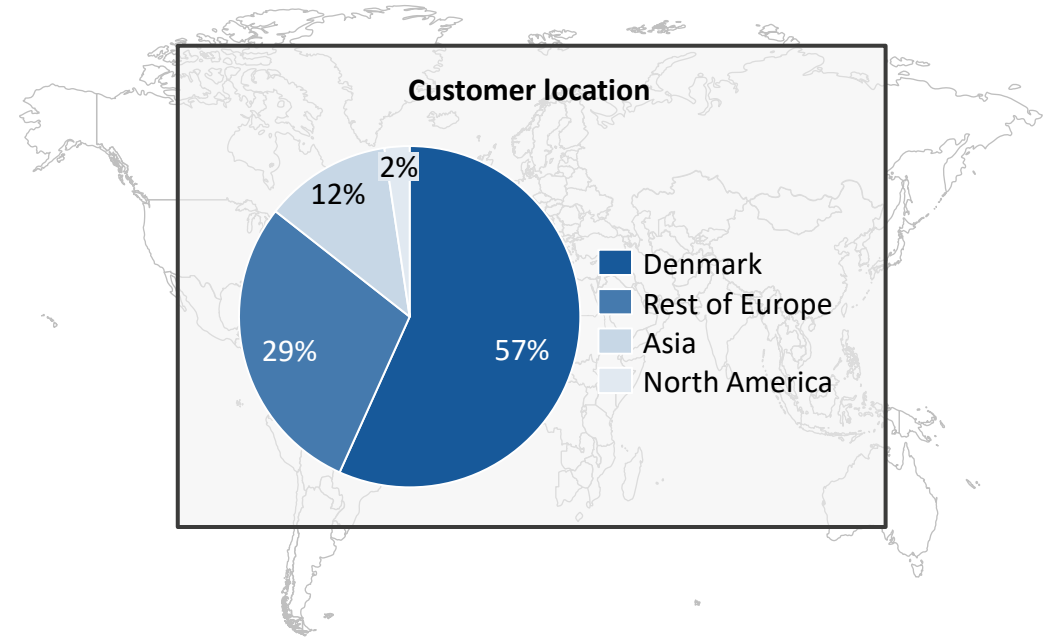
# BB is a full service EMS provider with a global reach

## Company overview

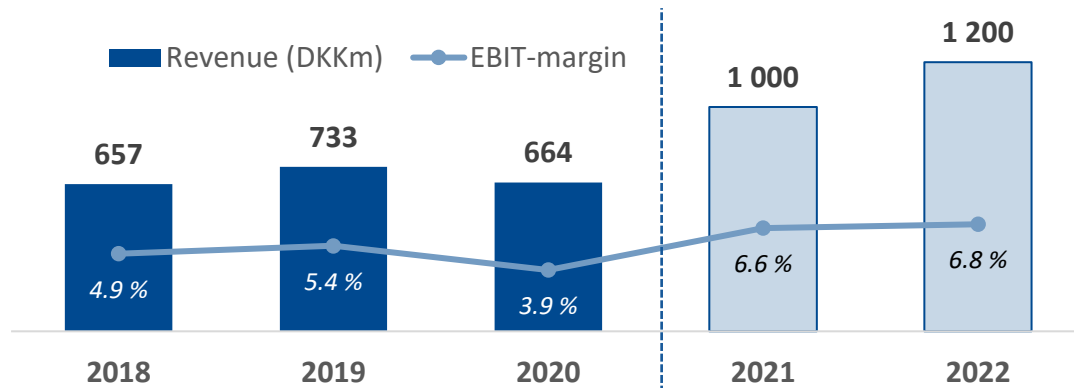
- EMS company with HQ in Demark, founded in 1975
- Production facilities in Denmark, the Czech republic and China
- Key market sectors serviced (2021 revenues):




## International presence



## Key financials<sup>1</sup> in DKKm

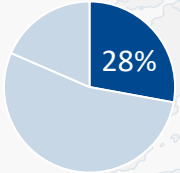


# Adding 3 new production facilities to Kitron


**Danish site**  
Horsens 

- ✓ Located in close proximity to many of BB's local customers
- ✓ Highly automated production ensures low cost and competitive production
- ✓ Established in 1975 and currently 120 FTEs

Revenue share

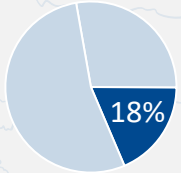



Site	Revenue Share
Danish site (Horsens)	28%
Czech site (Lanškroun)	18%
Chinese site (Suzhou)	54%

**Czech site**  
Lanškroun 

- ✓ Low cost production
- ✓ Proximity to European end-customers
- ✓ Located within the EU
- ✓ Established in 2019 and currently 126 FTEs

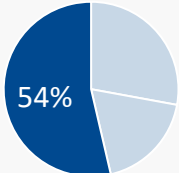
Revenue share



**Chinese site**  
Suzhou 

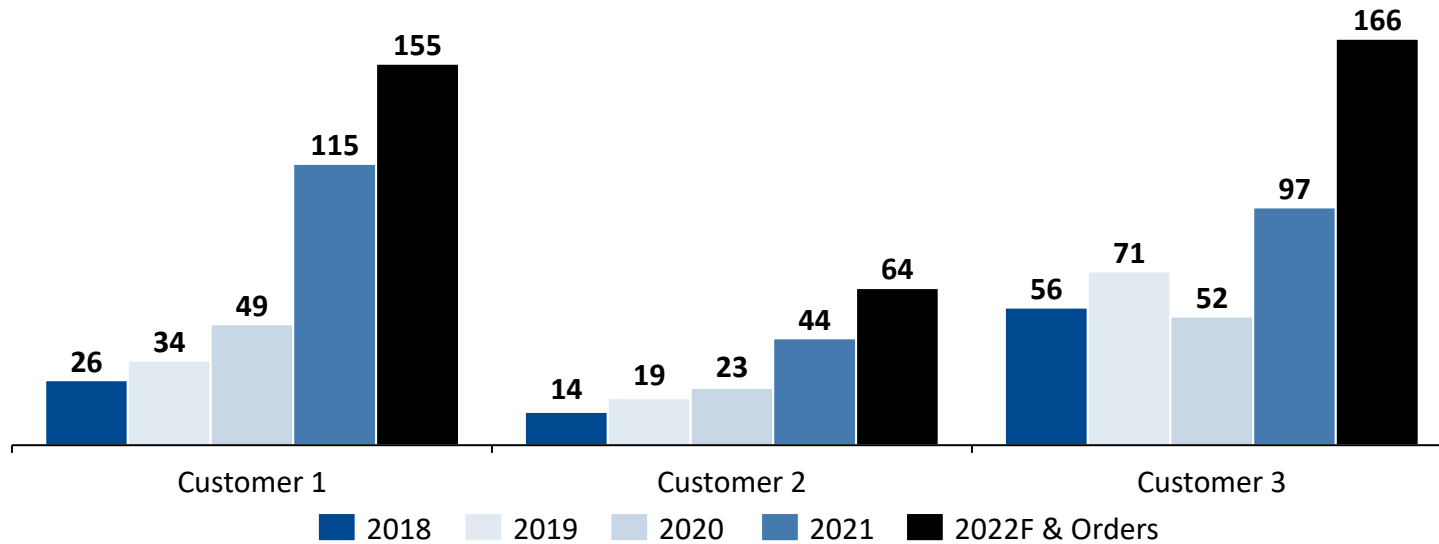
- ✓ Low cost production
- ✓ Proximity to Asian end-customers
- ✓ Opportunity for high production volumes
- ✓ Established in 2004 and currently 494 FTEs

Revenue share

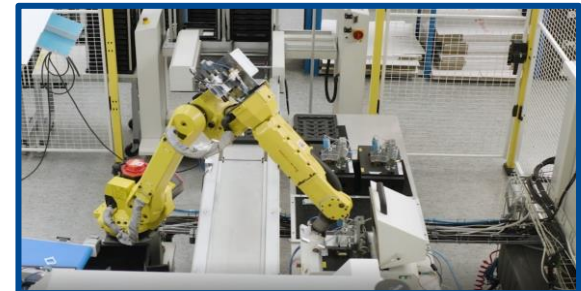


# BB adds strong capabilities within efficient automated production

Customer cases: Revenue development for selected customers with automated production (DKKm)



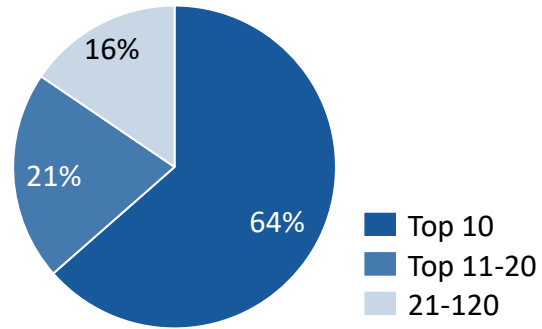
*A strategic robotic manufacturing partner through investments in automation technology and competencies*



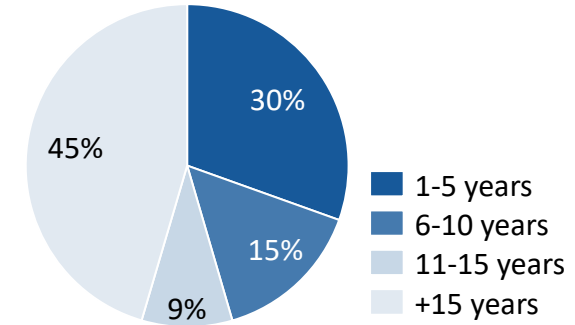


# A diversified and loyal customer base with no known overlap with Kitron

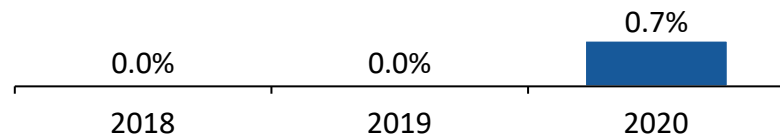
## BB customer concentration



## BB customer tenure<sup>1</sup>



## BB customer churn<sup>2</sup>



## BB overlap with Kitron

No known overlap on customers

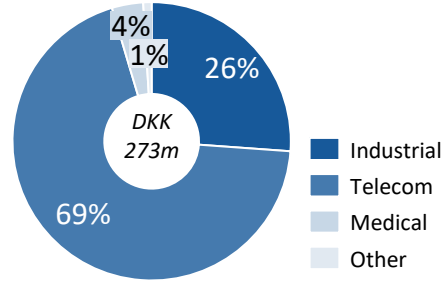
All customers is expected to be new for Kitron

# Detailed revenue mix 2021 for BB

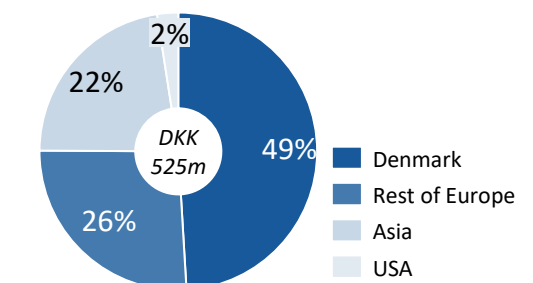
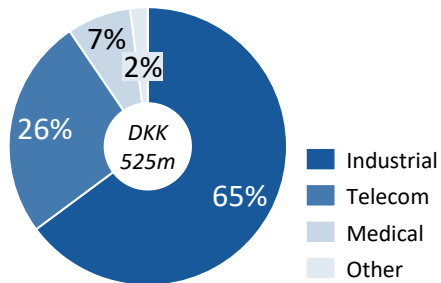
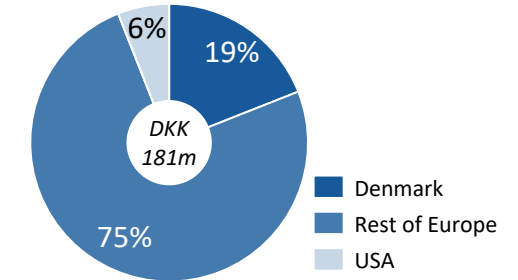
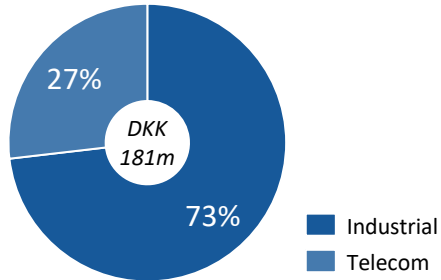
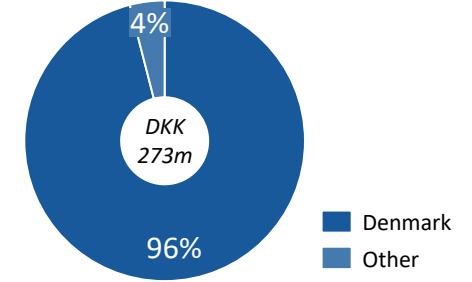
## Production facility



## Market sectors



## Customer location



# Strategic rationale for the acquisition

## 1 Regional expansion

- Establishes presence and gateway in Denmark, an additional Nordic country
- Strengthens presence in CEE with a site in Czech Republic
- Provides a pathway to establishment in India
- Increases footprint and added capacity and capabilities in China

## 3 Strategic aspects

- Profitable contribution to Kitron's growth strategy from day 1
- Highly skilled BB management will be valuable for Kitron
- BB's CEO to join Kitron's group management
- Solid customer base with long-term relations
- Automated facility highly competitive in a high-cost region

## 2 Opportunities for long-term synergies

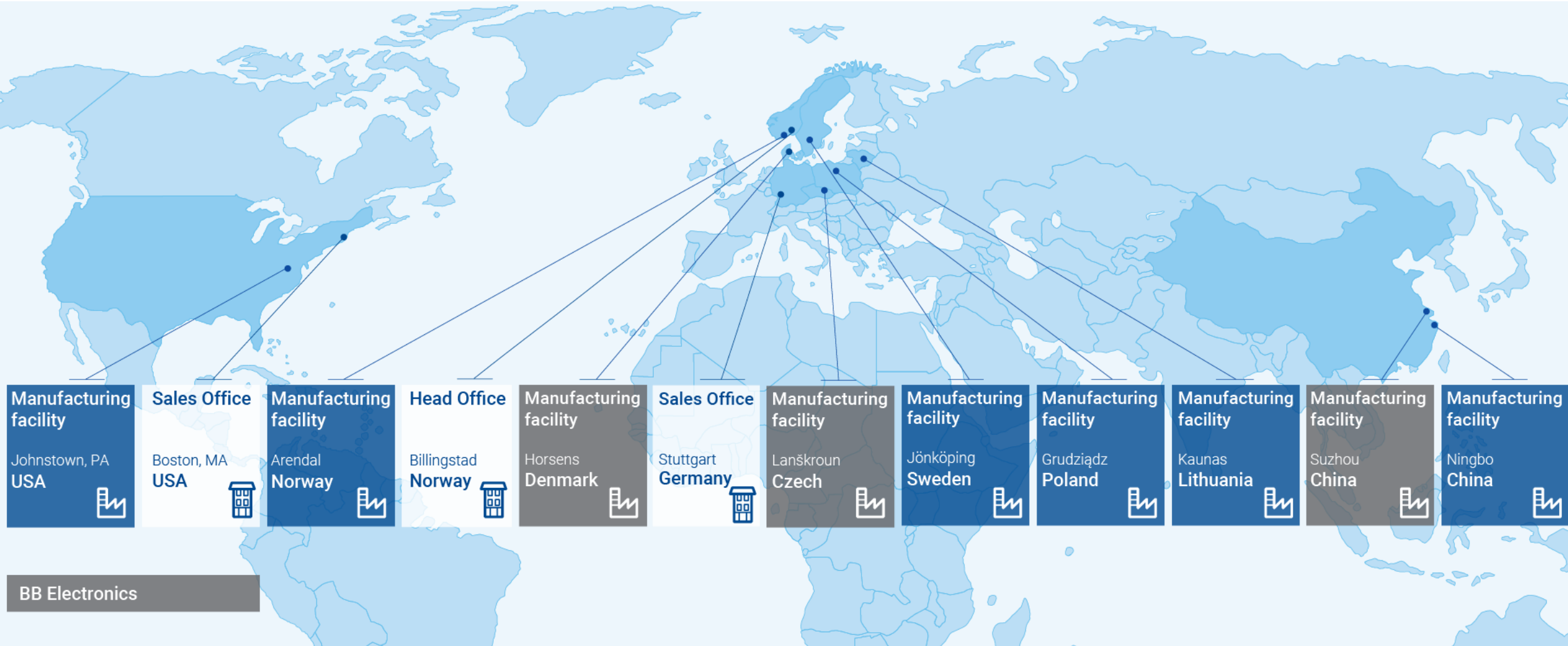
- Improves leverage on material cost
- Accelerates Kitron's production automation
- Provides new opportunities with a broader and improved offering to the customers
- Cross-sell and up-sell opportunities
- Provides U.S. operations for existing BB customers

## 4 Other strengths

- Solid double-digit growth and foundation for further development
- Loyal and satisfied customer base and attractive segments
- Strong order backlog and diversified customer concentration

- **Adds significant size with strong underlying growth and margin**
- **Quality company with strong capabilities, limited integration risk**
- **Kitron and BB complement each other and see significant mutual benefits**

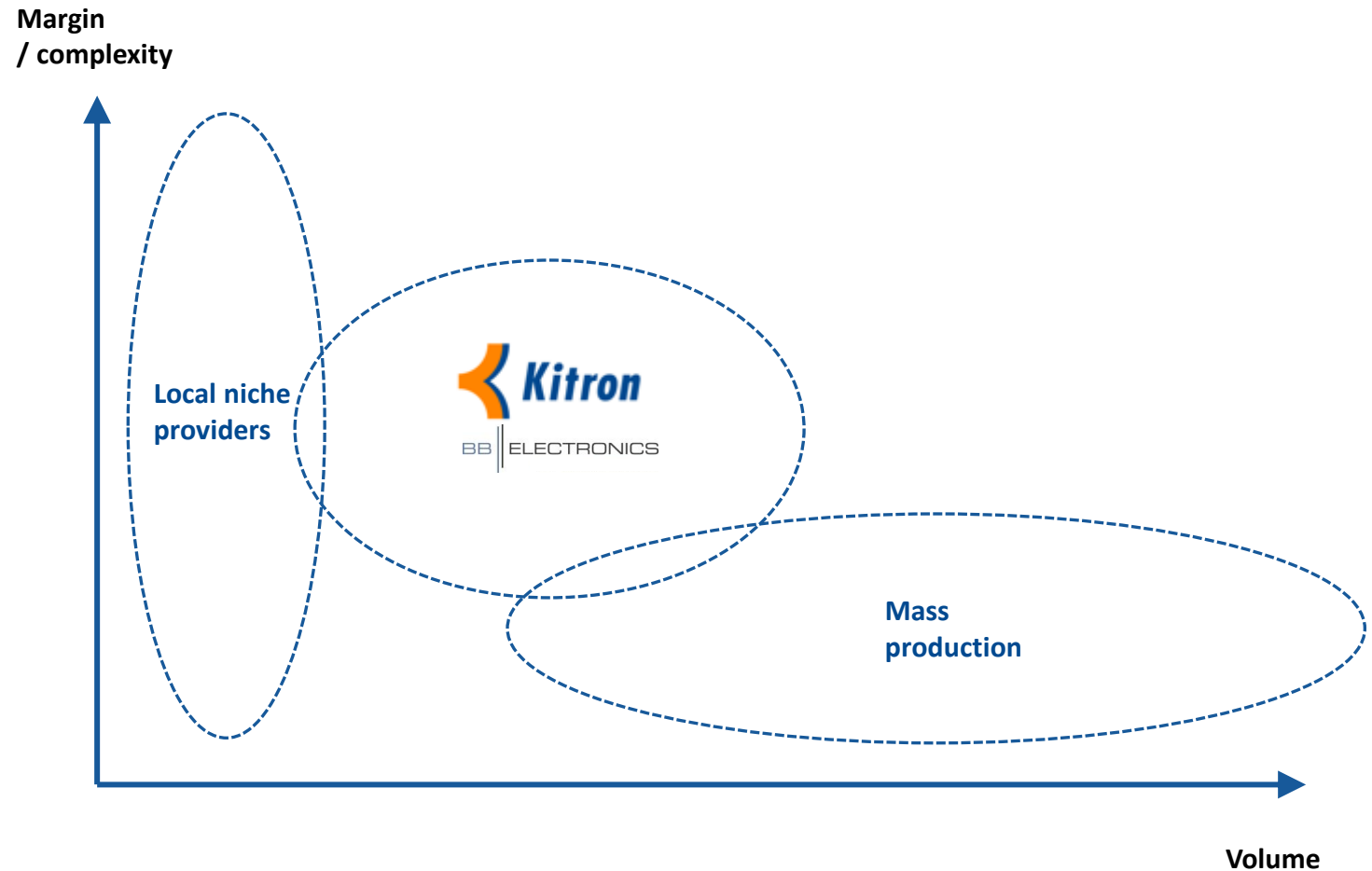
# Kitron Group's new global footprint



# In line with Kitron's strategic 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
- BB in line with this strategy

## Positioning versus EMS competitors



# Transaction details

- Kitron has on 20 December signed an SPA to acquire 100% of the shares in BB Electronics
- The transaction will be completed January 2022
- BB Electronics valued at an Enterprise Value of DKK 600m
  - The purchase price corresponds to an EV/EBIT 2021 of 9.1x and EV/EBIT 2022 of 7.3x
  - Estimated EBIT of DKK 65.8m for 2021 and DKK 82m 2022
  - BB had net debt of DKK 54.2m as of 30 September 2021, and as of the same period Kitron had net debt of NOK 791m.
- In addition, Kitron has identified DKK 10m of yearly synergies
- Kitron has established a term loan facility with DNB Bank ASA, has available revolving credit facilities and received binding offers for debt financing of the acquisition. Kitron expects to enter into agreements for relevant debt financing of the acquisition in due course prior to closing and may also consider equity financing in relation to funding of the acquisition
- There are no financing conditions for the acquisition

# Key takeaways

- Clearly accretive transaction, and adds significant shareholder value
  - High quality company with strong growth and margins
  - EV/EBIT 2021 of 9.1x and EV/EBIT 2022 of 7.3x
  - Adding new attractive geographies
- In line with Kitron's long term strategy for growth, sustainable margins and accretive M&A



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 %

$(\text{Last 3 months Operating profit (EBIT)}) * 4 / (\text{Last 3 months Operating Capital} / 3)$

## Direct Cost

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

## Days of Inventory Outstanding

$360 / (\text{Annualised Direct Costs} / \text{Inventory})$

## Days of Inventory Outstanding R3

$360 / ((\text{Last 3 months Direct Costs} * 4) / (\text{Last 3 months Inventory} / 3))$

## Days of Receivables Outstanding

$360 / (\text{Annualised Revenue} / \text{Trade Receivables})$

## Days of Receivables Outstanding R3

$360 / (((\text{Last 3 months Revenue} * 4) / (\text{Last 3 months Trade Receivables} / 3))$

## Days of Payables outstanding

$360 / ((\text{Annualised Cost of Material} + \text{Annualised other operational expenses}) / \text{Trade Payables})$

## Days of Payables Outstanding (R3)

$360 / (((\text{Last 3 months (Cost of Material} + \text{other operational expenses}) * 4) / (\text{Last 3 months Trade Payables} / 3))$

## 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



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