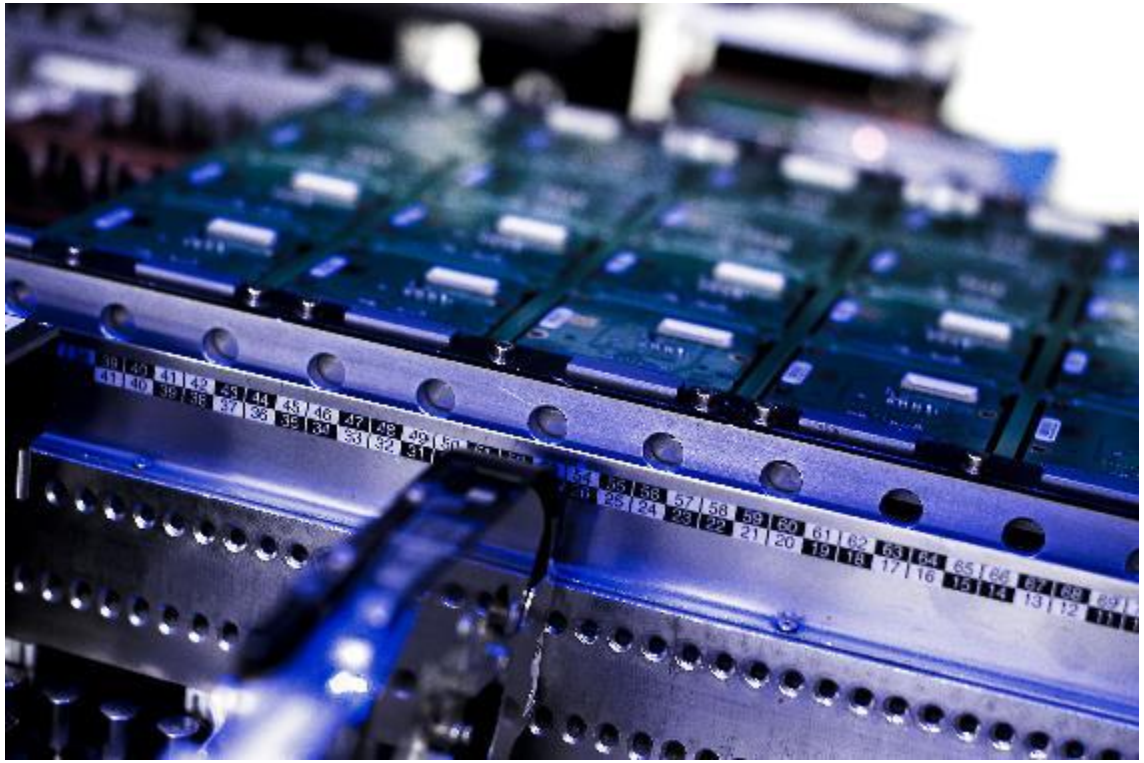
2022 Q2 Presentation

Kitron Group | 2022-07-12

Highlights

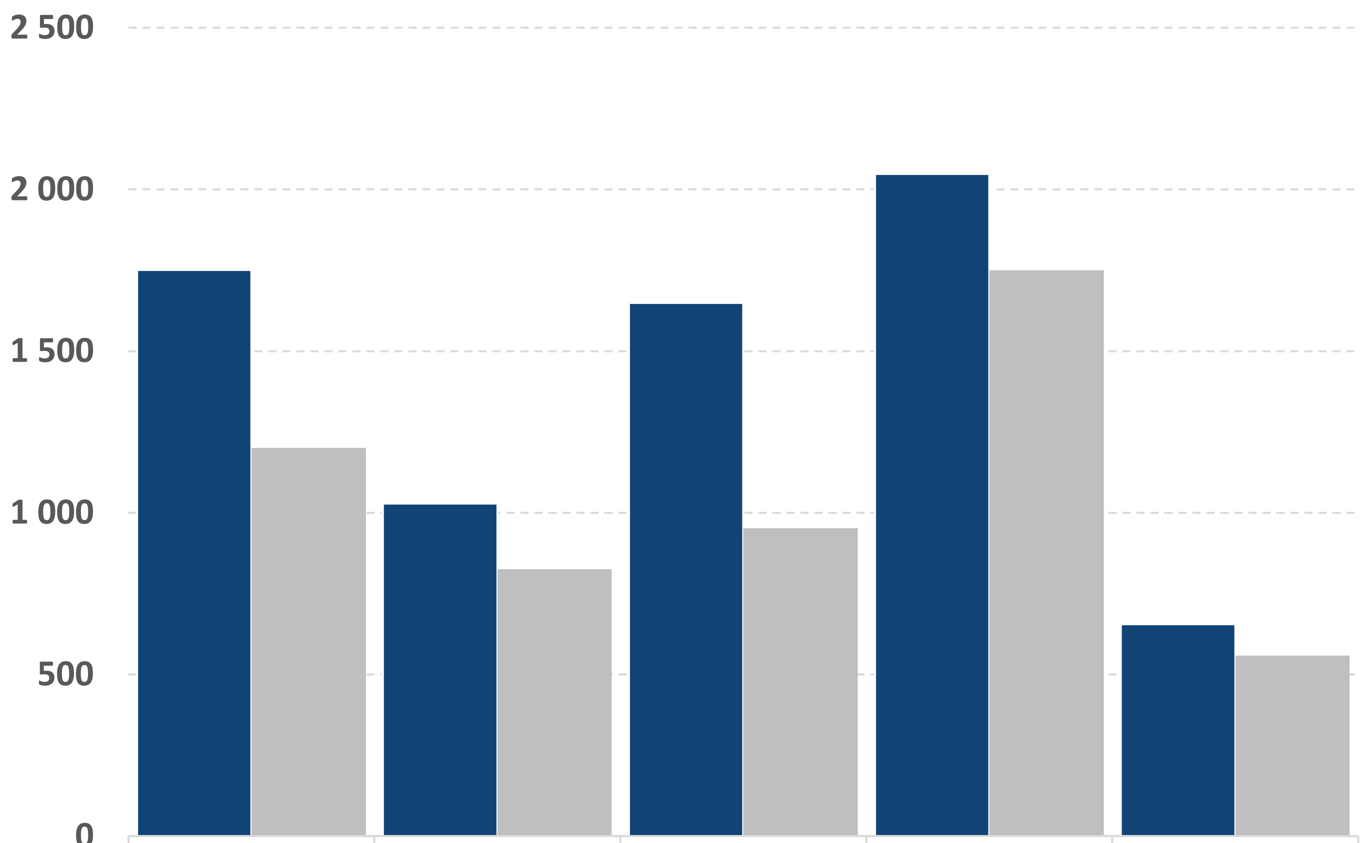
- Revenue of 1.580 BNOK (0.994 BNOK 2Q 2021)
  - Growth of 59%, Growth L-F-L 28%, Organic 2%
- EBIT 100.2 MNOK (73.1 MNOK in 2Q 2021)
  - EBIT Margin at 6.3% (7.3%)
- Demand R12 increased to 7.1 BNOK from 5.3 BNOK
  - Growth of 80% Growth L-F-L 33%, Organic 22%
- Cash flow 21,7 MNOK (109,3 MNOK in Q2 2021)



Market and operations

- Demand continues to be very strong in all market sectors.
- Demand R12 increased to 7.1 BNOK from 5.3 BNOK
- The highest growth driven by demand for:
  - Electrification with power grid technology, e-mobility solutions and energy storage
  - Sustainable energy, heating and ventilation solutions for residential and professional markets
  - Industrial communication, automation
  - Sensor technology.

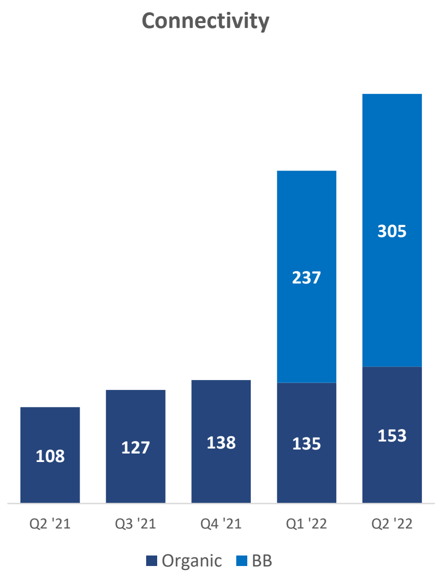
12 Month forward looking customer demand (MNOK)

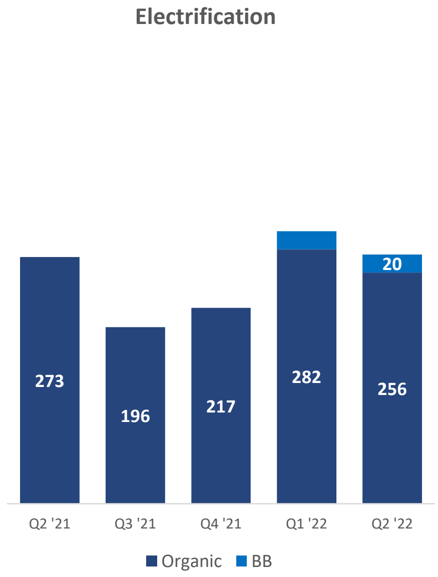


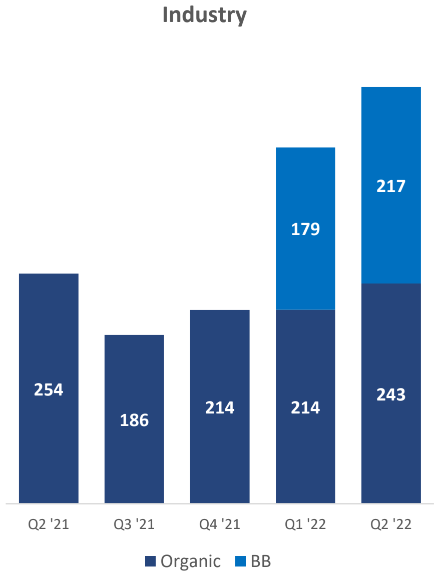
	Connectivity	Defense & Aerospace	Electrification	Industry	Medical
R12 2022-06	1 751	1 029	1 649	2 048	656
R12 2021-06	1 200	825	952	1 750	559
Growth%	46%	25%	73%	17%	17%

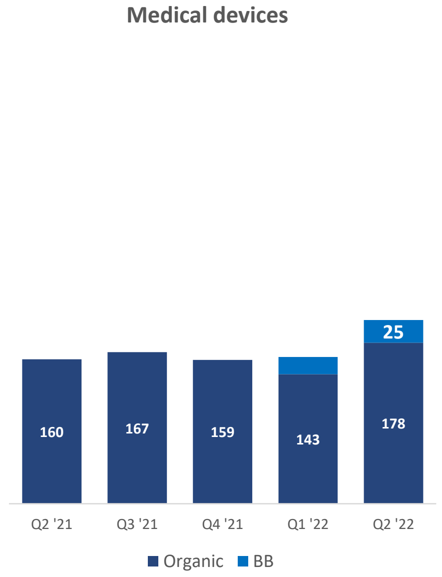
Kitron Your ambition. Our passion.

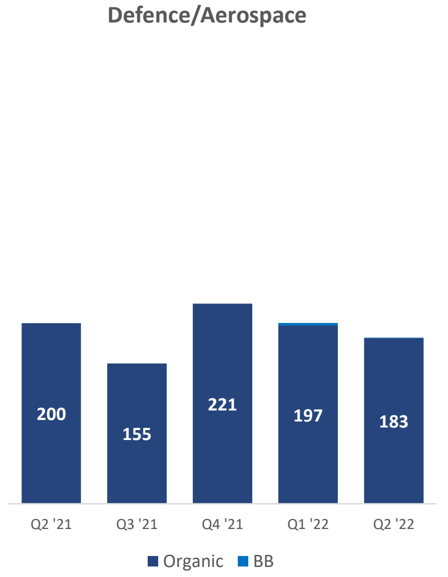
Revenues











- Strong growth in Connectivity and Industry
- Sector development dependent on component availability

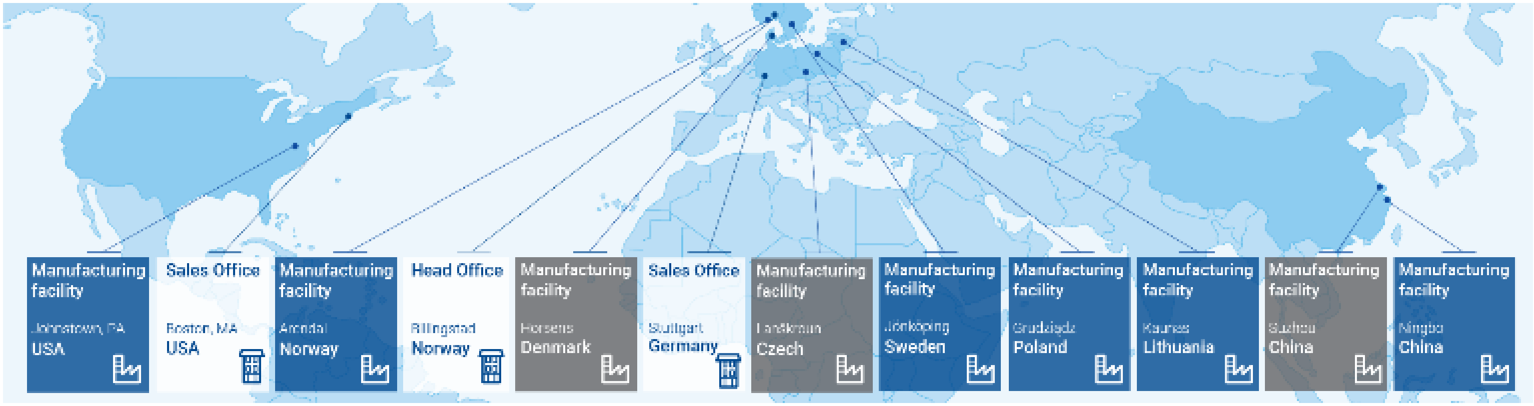
Business sectors

- Revenue grew 11% from Q1 2022 and EBIT 28%.
- EBIT margin increased from 5.5% to 6.3%.
- Overall business sector growth and improved profits

Revenue Business Sectors	Q2 2022	Q2 2021	Change	Q-Q growth	Full year 2021	BB Q2 2022
Nordics	620,8	486,1	134,7	27,7 %	1 819,0	168,0
CEE	477,9	343,1	134,8	39,3 %	1 297,8	92,2
Rest of the world	527,5	186,5	341,0	182,9 %	696,3	321,0
Group and eliminations	-46,2	-21,8	-24,4	112,0 %	-101,4	-13,8
Revenue	**1 580,0**	**993,9**	**586,1**	**59,0 %**	**3 711,7**	**567,4**

EBIT Business Sectors	Q2 2022	Q2 2021	Change	Q-Q growth	Full year 2021	BB Q2 2022
Nordics	28,9	35,9	-6,9	-19,4 %	134,7	13,6
CEE	38,0	27,3	10,7	39,3 %	96,7	6,9
Rest of the world	44,3	10,4	33,9	326,2 %	37,7	24,3
Group and eliminations	-11,0	-0,5	-10,5	2100,0 %	-28,3	-6,5
EBIT	**100,3**	**73,1**	**27,2**	**37,3 %**	**240,8**	**38,3**

FTE Business Sectors	Q2 2022	Q2 2021	Change	Q-Q growth	Full year 2021	BB Q2 2022
Nordics	743	552	191	35 %	169	169
CEE	1127	937	190	20 %	197	197
Rest of the world	942	319	623	195 %	597	597
EBIT	**2812**	**1808**	**1004**	**56 %**	**963**	**963**



Cash flow and working capital

- Q2 Cash flow operating activities at 21.7 MNOK (109.3 MNOK)
- YTD Cash flow operating activities at -85.2 MNOK (187.6 MNOK)
- Net working capital at 1790 MNOK and an increase of 80 MNOK in the quarter.

Cash Flow	Q2 2022	Q2 2021	Change	30.06.2022	30.06.2021
Profit before tax	82,5	63,2	19,3	136,9	115,5
Depreciations	42,5	24,4	18,1	80,7	49,2
Change in inventory, accounts receivable, contract assets and accounts payable	-80,9	1,8	-82,7	-242,5	30,1
Change in net other current assets and other operating related items	-76,8	-22,4	-54,4	-45,9	-41,4
Change in factoring debt	54,4	42,3	12,1	-14,4	34,2
Net cash flow from operating activities	**21,7**	**109,3**	**-87,6**	**-85,2**	**187,6**
Investments	-33,2	-5,7	-27,5	-46,3	-10,7
Acquisition			**0,0**	**-872,0**	
Net cash flow from investing activities	**-33,2**	**-5,7**	**-27,5**	**-918,3**	**-10,7**
Net cash flow from financing activities	**2,8**	**-81,7**	**84,5**	**719,6**	**-113,9**

Net working capital	30.06.2022	30.06.2021	Change	31.12.2021	BB 30.06.2022
Inventory	1 674,9	614,8	1 060,1	880,3	546,3
Contract assets	572,7	422,6	150,1	400,6	97,4
Trade receivables	1 363,0	838,6	524,4	864,6	315,3
Trade payables	1 820,4	842,3	978,1	917,8	583,9
Net working capital	**1 790,2**	**1 033,7**	**756,5**	**1 227,7**	**375,1**

Ratios

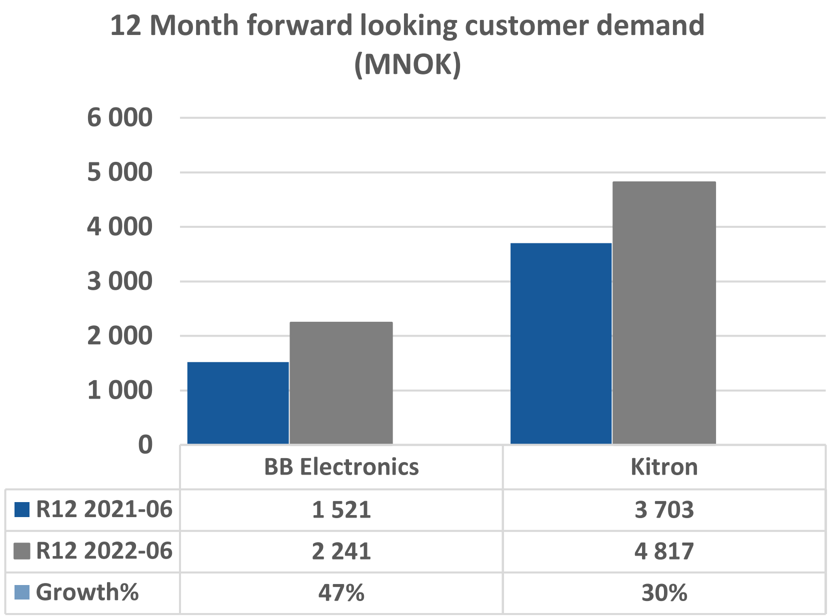
- Positive development on CCC and NWC % sales compared to last three quarters.
- Net gearing / NIBD development vs last year due to acquisition related transactions
- Earnings per share improvement, above last year for quarter and accumulated.

Ratios	30.06.2022	30.06.2021	Change	31.12.2021
R3 NWC % sales	26,9 %	25,8 %	1,1 %	31,7 %
R3 ROOC % sales	15,1 %	19,1 %	-4,0 %	12,3 %
R3 Cash Cycle conversion	104	96	8	126
Net gearing	1,31	0,80	0,51	0,47
NIBD/EBITDA	3,6	1,7	1,9	1,7
Equity percent	24,3 %	31,4 %	-7,1 %	37,1 %
Earnings per share	0,34	0,27	0,07	0,78

Outlook

Demand and Order backlog

- Demand R12 increased to 7.1 BNOK from 4.0 BNOK
  - Growth of 80%
  - Growth L-F-L 33%
  - Organic 22%

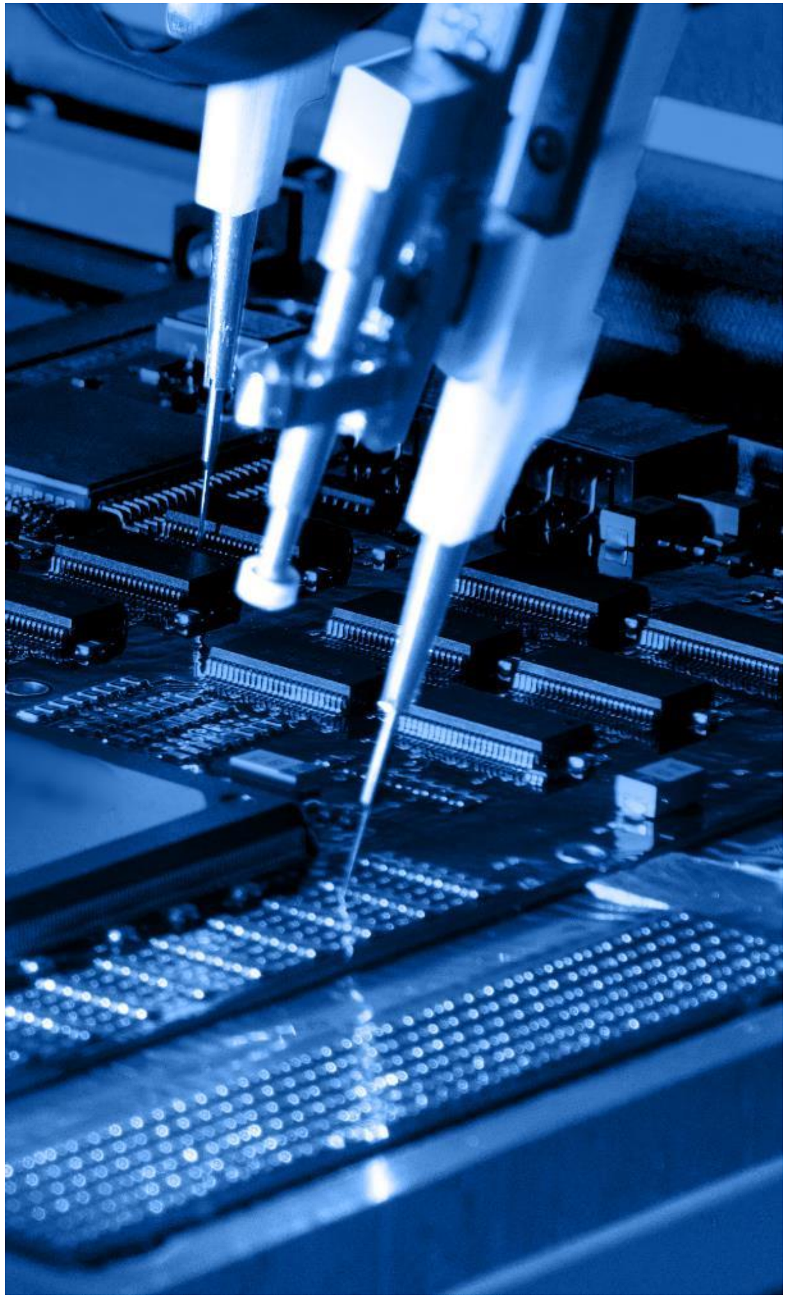


- Order backlog increased to 4.9 BNOK from 2.3 BNOK
  - Growth of 113% Growth L-F-L 59%, Organic 70%

Order backlog	30.06.2022	30.06.2021	Change	31.12.2021	BB 30.06.2022
Connectivity	917,0	241,2	675,8	303,5	546,7
Electrification	1 586,5	678,0	908,5	1 024,4	37,6
Industry	1 176,3	360,0	816,3	473,8	363,5
Medical Devices	360,5	279,8	80,7	264,1	25,0
Defence & Aerospace	838,8	734,4	104,4	761,2	2,7
Net working capital	**4 879,1**	**2 293,4**	**2 585,7**	**2 827,0**	**975,5**

Outlook

- For 2022, Kitron has previously indicated a revenue outlook of between NOK 5 200 and 5 800 million and operating profit (EBIT) between NOK 330 million and 430 million.
- Entering the second half of 2022, Kitron sees strong demand from customers and continued ease of supply chain constraints.
  Profitability is improving compared to the first quarter, when rapid cost increases challenged the company.
- Kitron therefore raises its revenue outlook to between NOK 5 700 and 6 100 million.
  Operating profit is expected to be between NOK 330 million and NOK 400 million.



Key take-ways

- Customers communicate growth in 2022 and the outlook for 2023.
- Order backlog and the 12 Month forward looking customer demand supports strong continued growth.
- In addition, new programs are being introduced to solidify and increase opportunities within strategic market sectors.
- Revenue outlook increased.

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