



Capital Markets Presentation

Kitron Group, 13 December 2022

AGENDA

- Kitron in brief
- Markets and growth
- Opportunities in defence industry
- Future capacity
- Long-term financial targets
- Sustainability, ESG and EU taxonomy
- Summary, Q&A and wrap up



Peter Nilsson
President & CEO



Cathrin Nylander
CFO



H.P. Thomassen
VP North America
MD Norway

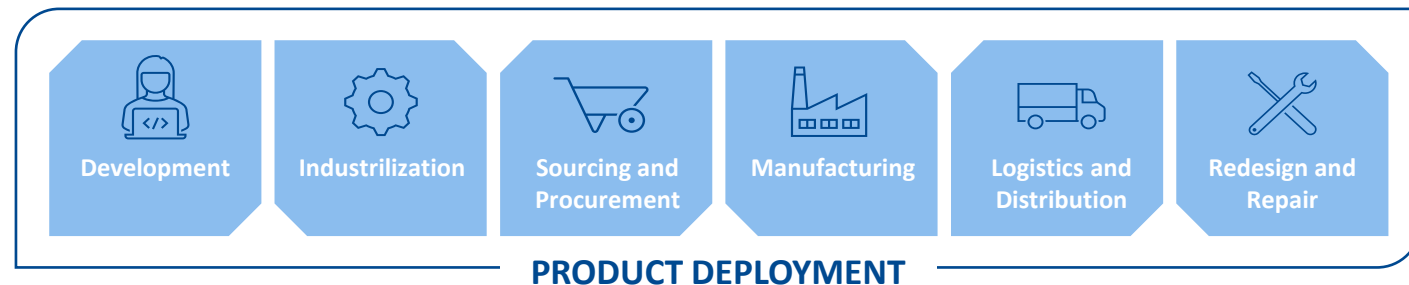


Kristoffer Asklöv
COO

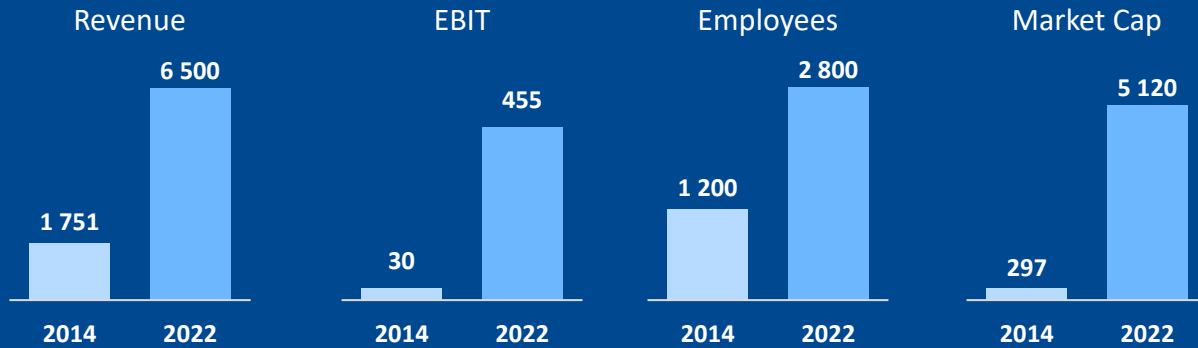


Core business and operations

- Our business: Industrial partner with focus on electronics.
- Operations: Manufacturing services of electronics and related products
- Modern, highly competitive facilities globally
- Continuous equipment investments of 2-3% of sales
- Global footprint of more than 100 000 m²
- 2800 employees spread over 10 locations
- Corporate headquarters in Billingstad, Norway



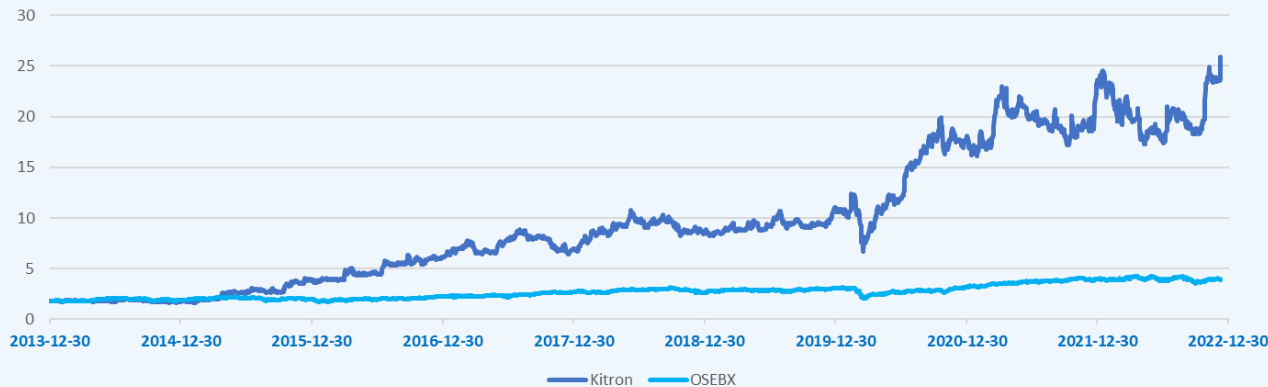
DEVELOPMENT 2014 – 2022*



* 2022 Revenue and EBIT based on mid-point of outlook updated 2022-12-08

SHARE PRICE

- Share price up from NOK 1.70 to ~ 26 since 2014
- Dividend every year since 2014, contributing to total shareholder return of over 1500%.
- Dividend policy: Annual dividend of 20 to 60 per cent of the company's consolidated net profit before non-recurring items.



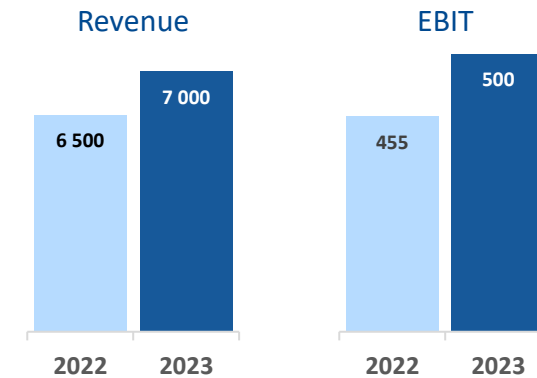
Long-term growth and value creation

FULL YEAR 2022 OUTLOOK

- Record revenues
- Strong order backlog
- EBIT margin and capital efficiency improving
- Substantial contribution from acquisition of BB Electronics

2023 OUTLOOK

- Strong demand
- EBIT margin and capital efficiency improving



2023 outlook: Revenue between NOK 6 700 and 7 300 million.
Operating profit (EBIT) between NOK 450 million and 550 million.
2022 Revenue and EBIT based on mid-point of outlook updated 2022-12-08

Proven track record

Recap of last strategic period's accomplishments

REVENUE GROWTH

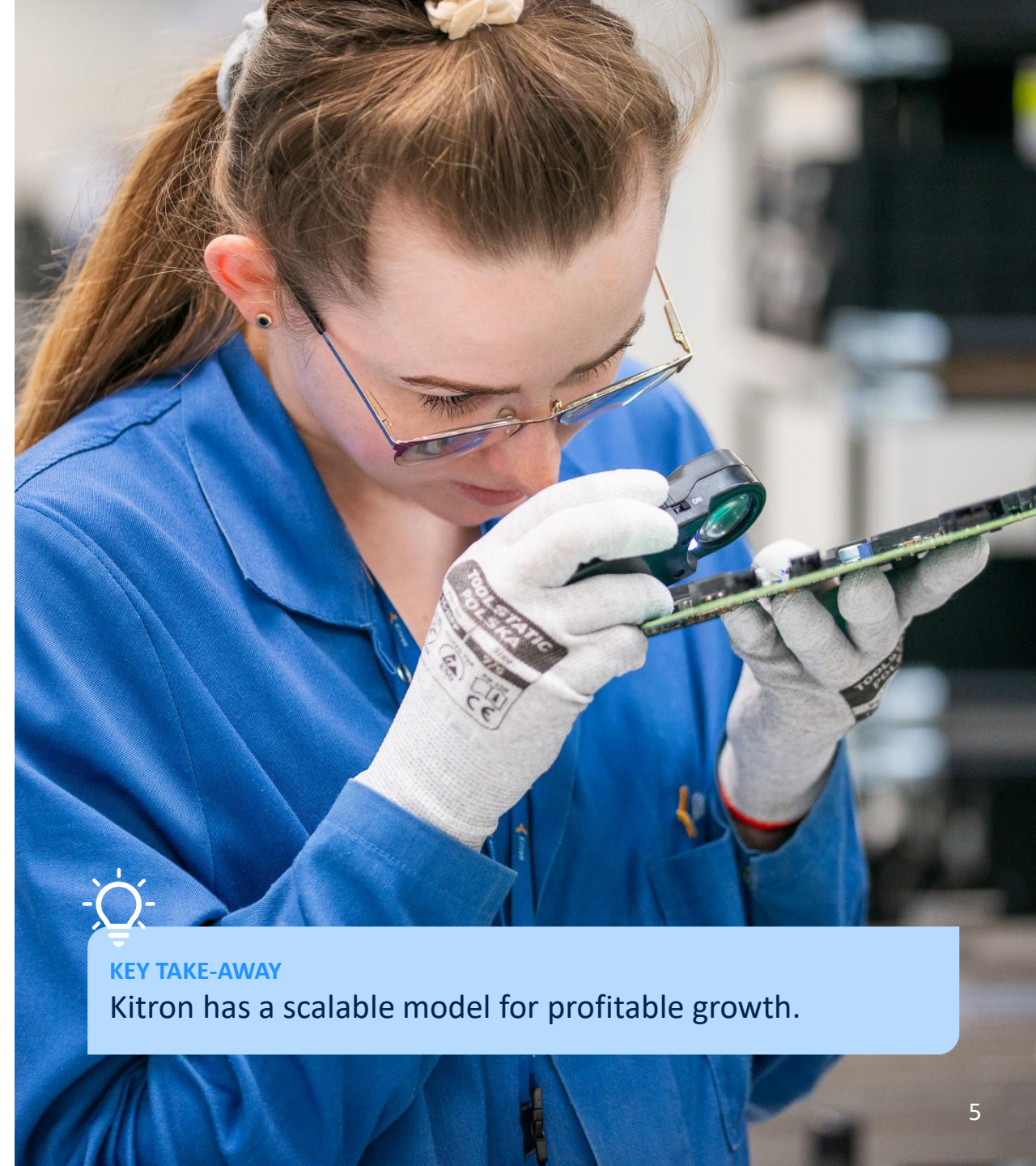
- CAGR > 10% (ex. M&A)
- Customer development
- From 4 to 9 factories globally

PROFITABILITY – EBIT MARGIN IMPROVED

- World-class operations management
- Proven economies of scale concept
- OPEX reduced from 35% to 22%

CAPACITY EXPANSION

- 2 international acquisitions
- Greenfield Poland, multiple site upgrades
- NOK 0.5 billion invested in new equipment and capabilities



KEY TAKE-AWAY

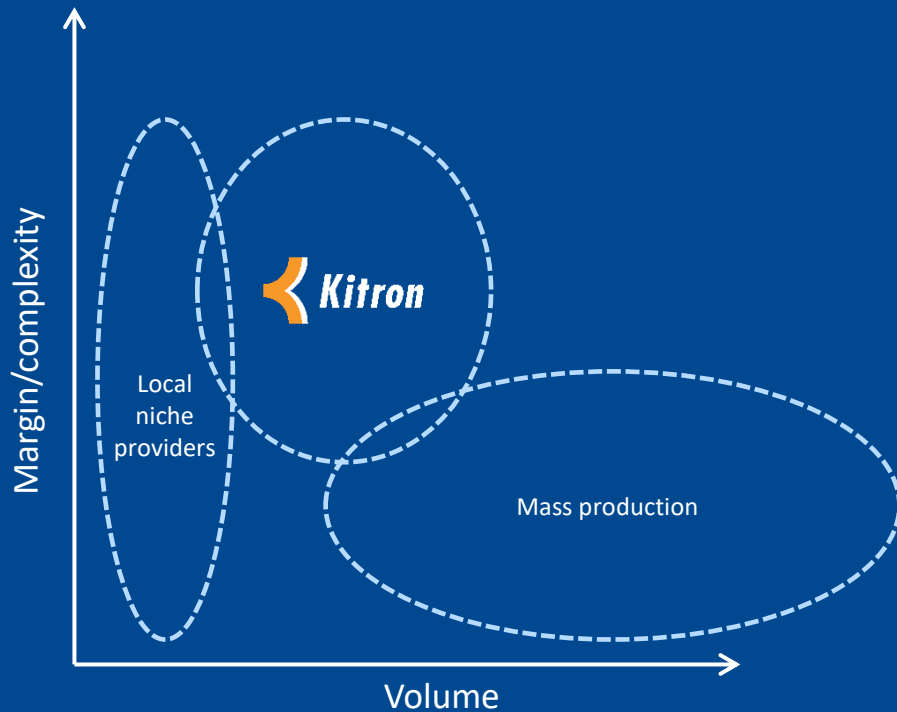
Kitron has a scalable model for profitable growth.

Markets and growth

Kitron Group, 13 December 2022

Customers and positioning

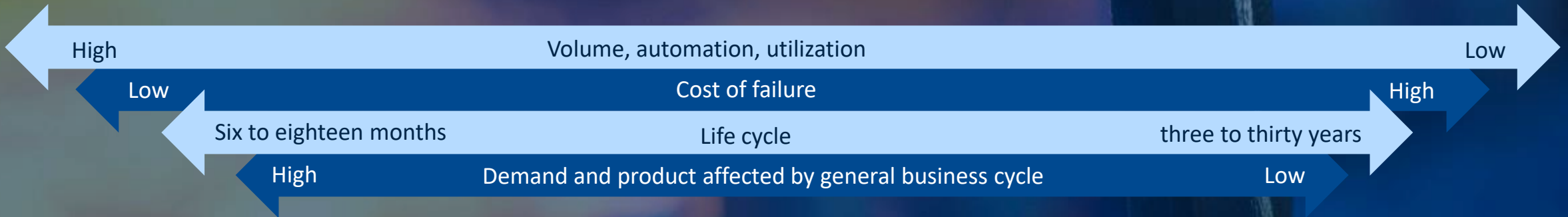
- Long-term, repeat business
- Customers often market leaders
- Often high-complexity products
- Regionalized supply chains and manufacturing



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.



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

- Strong NPI capability
- Time-to-market critical
- Rapid scale to volume
- Dependable supply
- Regional supply chain

INDUSTRY

- Complex products in high volume
- Cost competitiveness drives high automation
- High volumes and rapid increases drive flexibility

MEDICAL DEVICES

- Vertical integration
- Quality reputation critical
- Re-design to protect margins and delivery capability critical
- Long life-cycle drives price pressure

DEFENCE/AEROSPACE

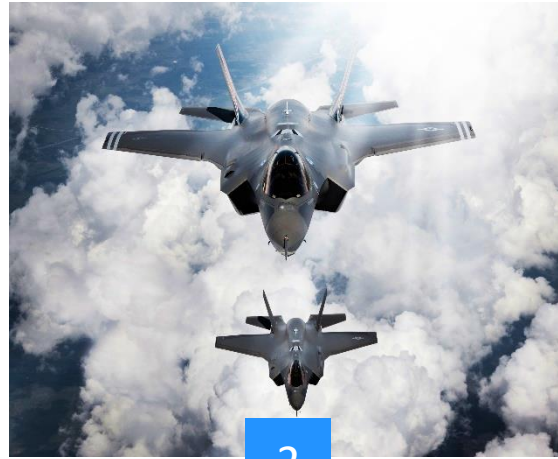
- Vertical integration
- High complexity, long life-cycle, end-of-life management
- High entry barriers, cyber, aviation, security clearances

Strategies to build a recession resistant long-term plan



1

Establish exposure to global markets enabling diversified business cycles



2

Build a strong base of defence, aerospace and security customers with long-term recurring annual sales



3

Secure medical device customers where product demand comes from public investment with recurring investments



4

Target business-to-business in segments driven by global megatrends



KEY TAKE-AWAY

Kitron is well positioned, with multiple market sectors, several non-cyclical and others with growth driven by megatrends, making the company more resistant in a recession scenario.

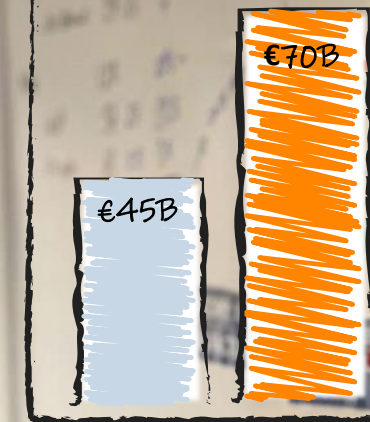


KEY TAKE-AWAY

Kitron operates in growing market segments.

European EMS market expected to grow 8% CAGR, reaching \$70 billion by 2028 – no meaningful barrier to Kitron's growth.

EMS Market Europe



Growth strategy in market sectors

CONNECTIVITY: 15% CAGR

- **Focus:** IOT, Sensors, Optical networks, Intelligent asset tracking
- Drive for high utilization, high automation – economies of scale
- Take advantage of application know-how and rapid time-to-market

ELECTRIFICATION: 15% CAGR

- **Focus:** E-Mobility, energy storage, transportation, load balancing
- Manage emerging tech and build high-level assemblies
- Deliver on scale, technology and time-to-market

INDUSTRY: 10% CAGR

- **Focus:** Industrial automation, robotics, infrastructure, sustainable energy
- Manage cost competitiveness, use purchasing strength, effective automation and rapid demand-change flexibility

MEDICAL DEVICES: 5% CAGR

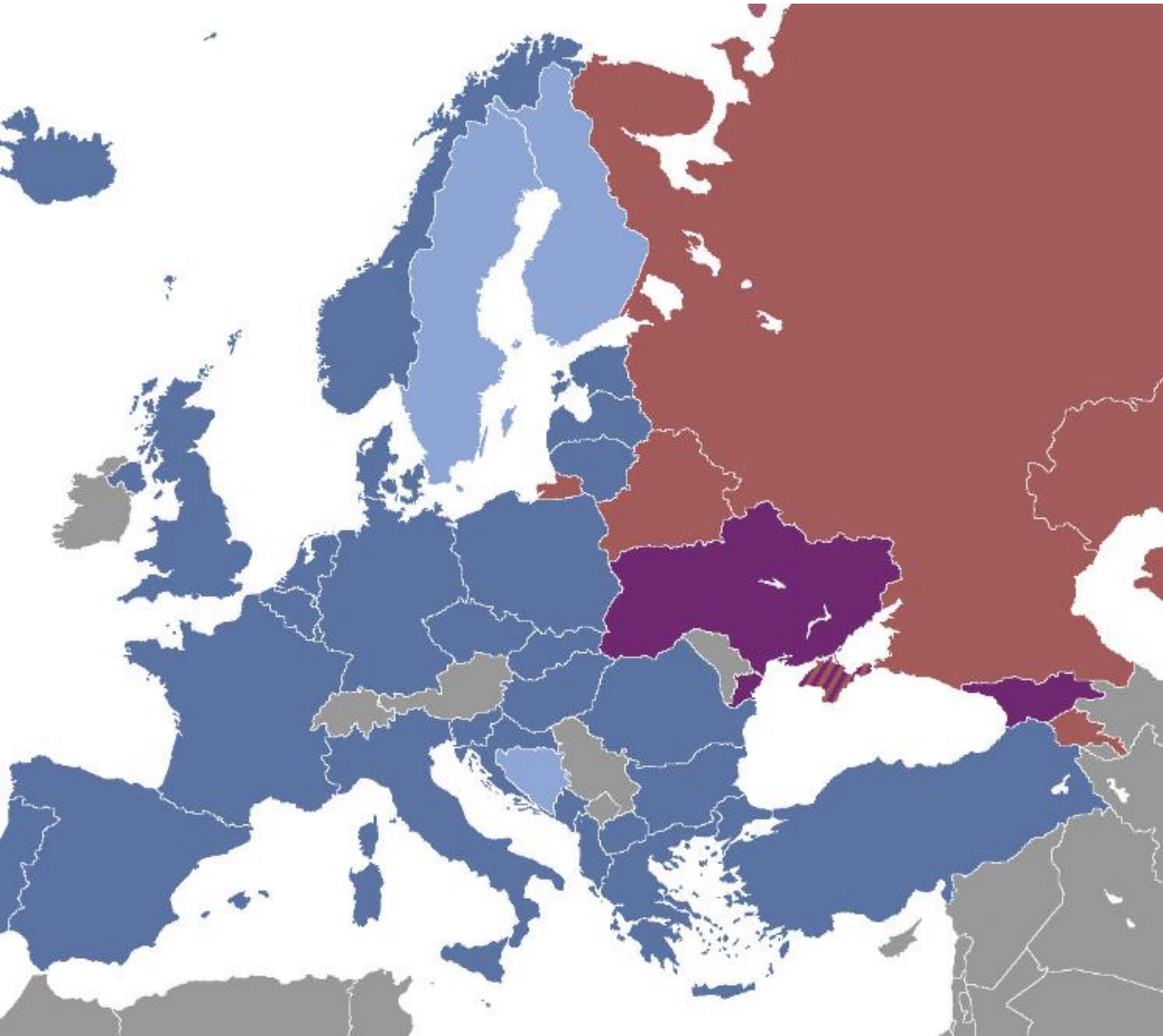
- **Focus:** Ventilators, cardiovascular diagnostics, digital morphology
- Position as strategic partner for innovation and product management

DEFENCE/AEROSPACE: 10% CAGR

- **Focus:** Surveillance, communication, infrastructure, training and more
- Take advantage of market entry barriers
- Capitalize on long-term relationships, NATO defence spend and localization of manufacturing

Opportunities in the defence industry

Kitron Group, 13 December 2022



What is driving demand in the defence sector?

- Positioning of US military assets abroad
- Security situation in Europe
- NATO countries defence spend
- US foreign military sales program
- Growth from leveraging existing relations supplemented by new technology companies entering the defence sector



KEY TAKE-AWAY

Industrial cooperations - drive localization of manufacturing. Kitron is well-positioned to support fulfillment of offset obligations.



What does it take to deliver to the defence industry?

- Long-term strategy and commitment
- Robust and verifiable processes
- Cost control - internal and downstream to supplier base, capable to deliver certified cost and pricing data
- Contract risk management to support range from time and materials projects to long-term firm fixed price indefinite quantity contracts
- Quality systems with complete process traceability
- Export compliance, cyber security, personnel security clearance, facility clearance for classified

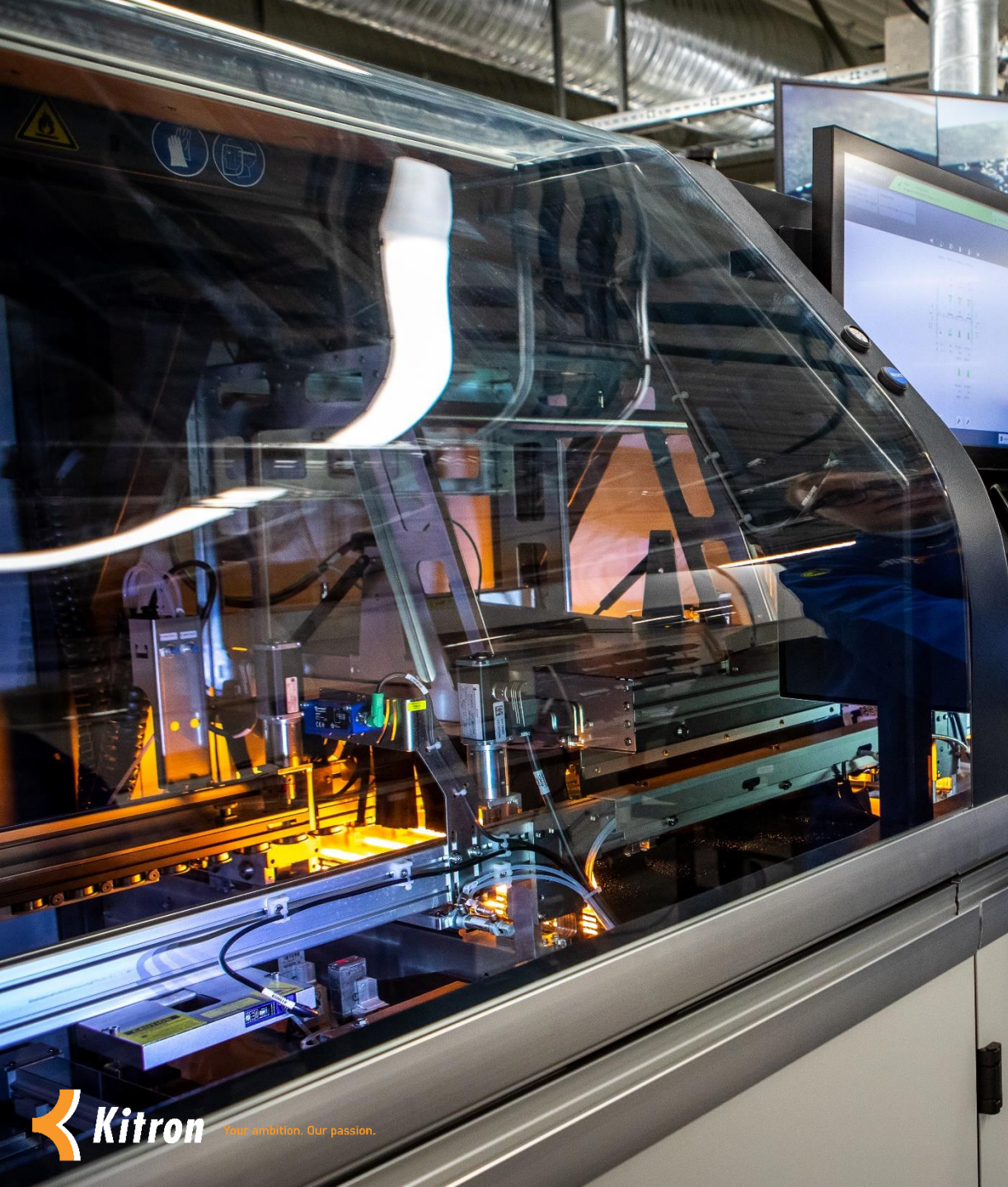


KEY TAKE-AWAY

Entry barriers are high. Program qualification is long. Kitron has proven capabilities towards multiple global defence customers.

Future capacity

Kitron Group, 13 December 2022



Improving competitiveness and margins

- Focus on economies of scale
- Enable real-time visibility
- Process automation
- Continuous improvement
- Best in class training and onboarding



KEY TAKE-AWAY

Kitron has demonstrated tremendous economies of scale when fully utilizing flexibility and capacity.

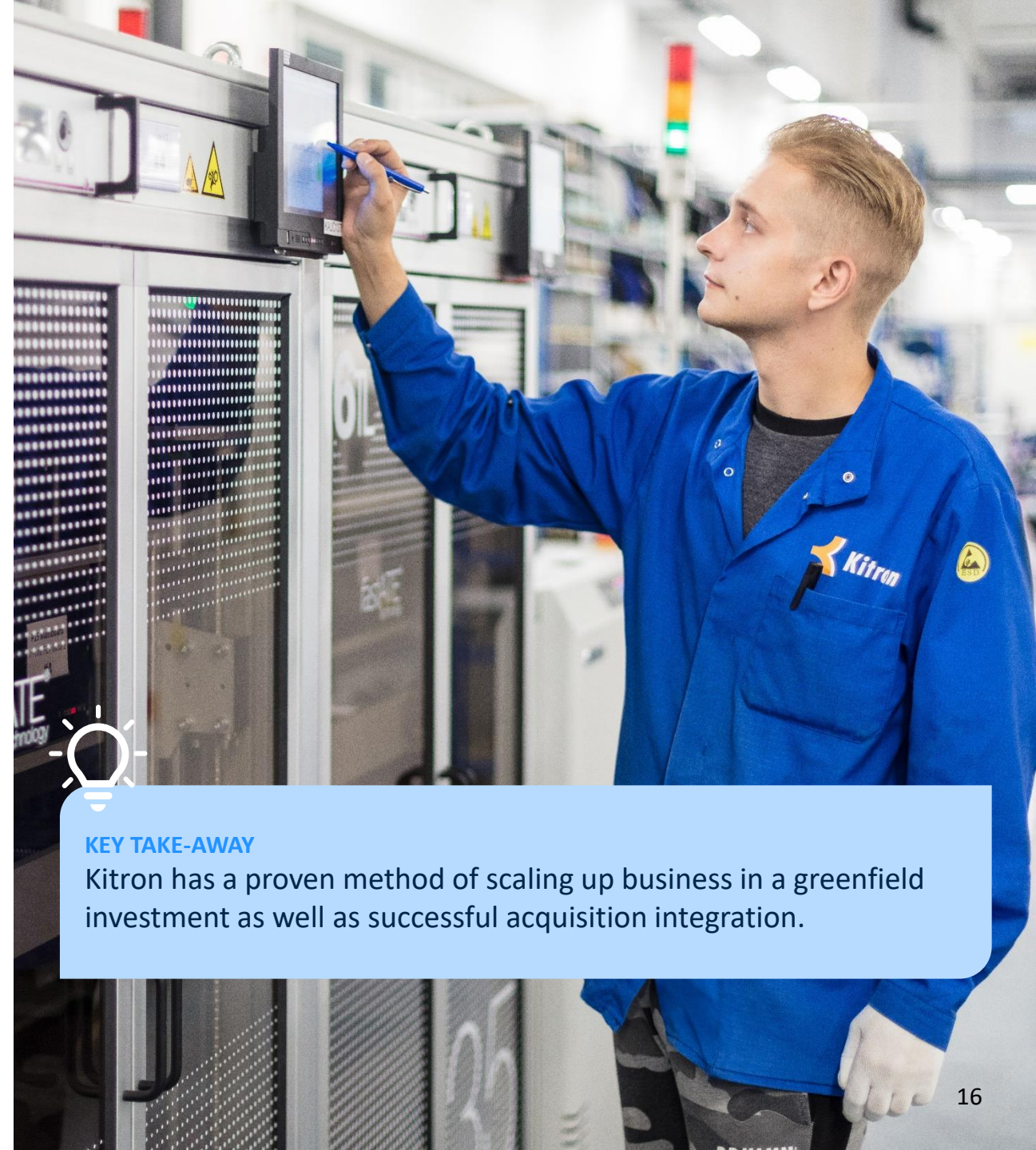
Strategies to manage acquisitions and greenfield investments

GREENFIELD (financed through existing 2-3% capex)
Capacity-driven, **existing** growth opportunities

- Region
- Access to labor pool
- Growth strategy

ACQUISITIONS (Debt financing and/or equity)
Driven by long-term **new** growth opportunities

- Regions
- Customers
- Value-accretive to Kitron

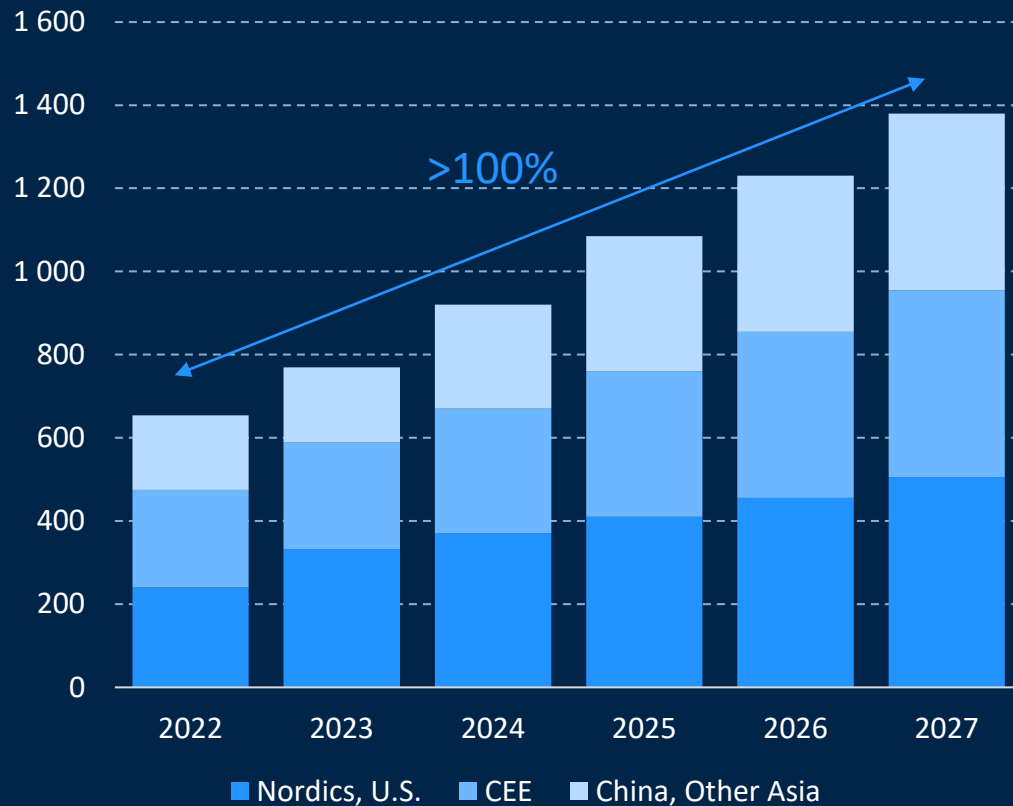


KEY TAKE-AWAY

Kitron has a proven method of scaling up business in a greenfield investment as well as successful acquisition integration.

Footprint and capacity expansion

Year end capacity by production region (€M)



2022

- >30 fully automated production lines for electronics
- Multiple lines for automated high-level assembly of end-customer-products
- Automation center established in India.

2023

- Investments will increase capacity 15%
- > 6 high speed, high capacity fully automated production lines for electronics
- New projects investigated:
 - Production automation and test for battery packs
 - Full automation of very high-volume assembly of sensor and connectivity device



KEY TAKE-AWAY

Capacity increase driven by organic growth and targeted acquisitions.

Long-term financial targets

Kitron Group, 13 December 2022

We raise our ambition to 10 billion in 2027

2015-2020

- In 2015, we set the 2020 target at NOK 3 billion
- Revenue in 2020 almost NOK 1 billion over organic target of NOK 3 billion

2027

- Organic ambition:
 - Revenue: more than NOK 10 billion ~ €1 Billion
 - EBIT margin > 8%
- Annual organic growth 2021–2027: 10%
- Potential M&A adds upside



KEY TAKE-AWAY

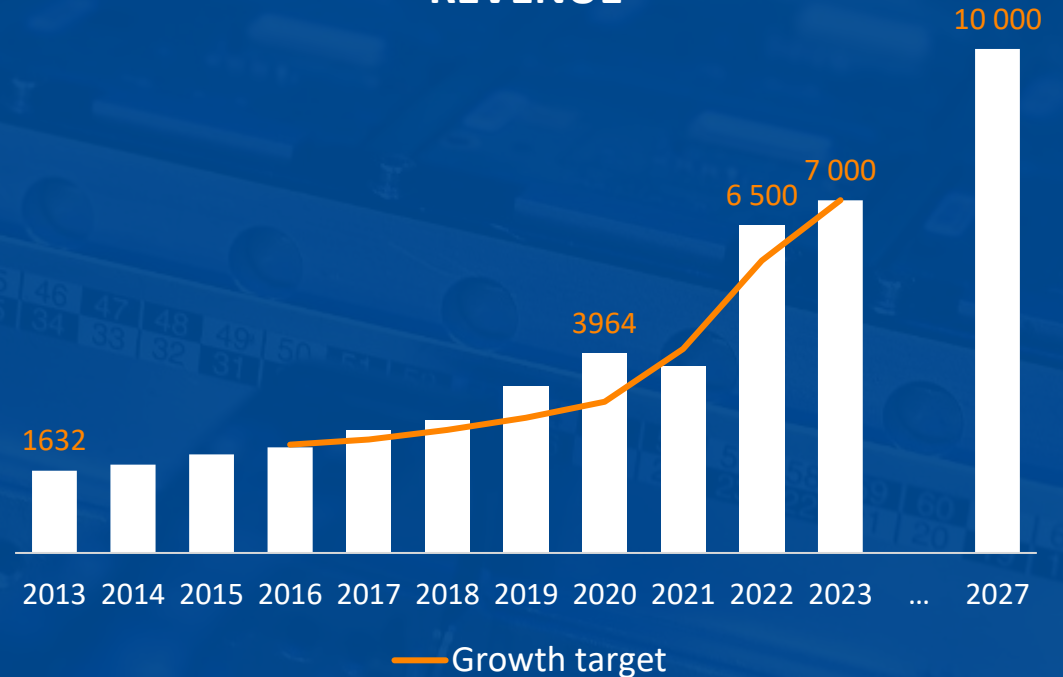
Kitron is in a growth market supported by strong megatrends.



2022 GUIDANCE

Revenue: NOK 6 450 to
6 550 million
EBIT: 440M to 470M

REVENUE





Five long term financial targets

REVENUE: ~10% ORGANIC CAGR

- Financed through cash flow

PROFITABILITY: > 8% EBIT MARGIN

- Driven by growth, scale and efficiency

ROOC: > 25%

- Assets and liabilities are well balanced in our business model

CASH FLOW: 80% OF EBITDA

- Limited by growth

NIBD / EBITDA: < 2.5

- Solid performance and conservative balance sheet



KEY TAKE-AWAY

Our long-term financial targets secure profitable growth and an efficient balance sheet and allow for expansions, dividends and M&A.

Sustainability

ESG TARGET

100%

Sustainable energy supply
Current status: 66%

EU TAXONOMY TARGET

>20%

Sales aligned with taxonomy
Current status: 18%

WE SUPPORT

UN GLOBAL COMPACT

5 GENDER EQUALITY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

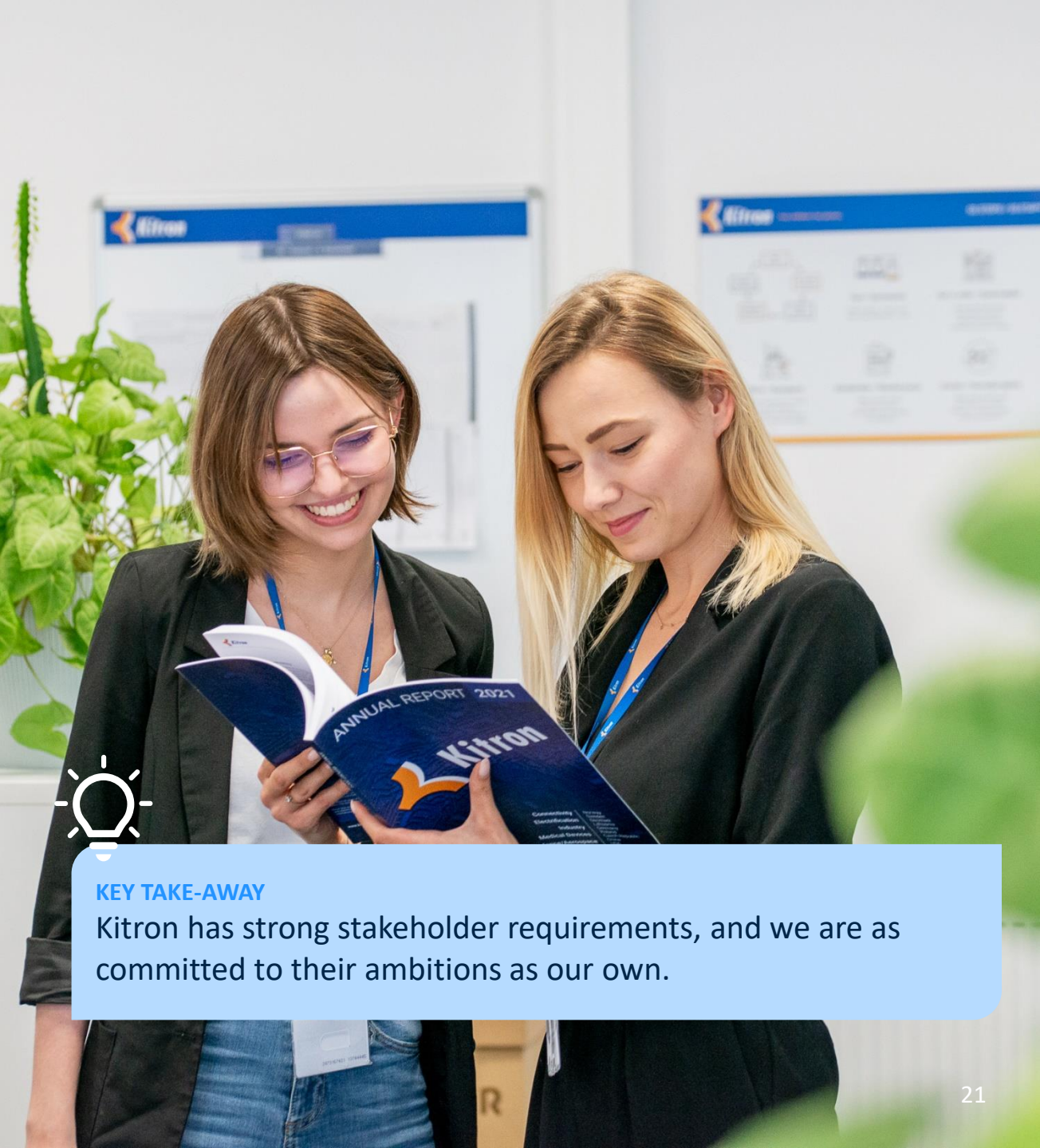
wbcsd

SILVER 2021 ecovadis Sustainability Rating

SUSTAINALYTICS ESG GLOBAL 50 TOP RATED

ESG100 POSITION GREEN | 2022

OBX® ESG index



KEY TAKE-AWAY
Kitron has strong stakeholder requirements, and we are as committed to their ambitions as our own.

Key take-aways

- Market sector segmentation: Focus on high growth sectors **Electrification** and **Connectivity** with 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 superior performance to customers and shareholders



2023 GUIDANCE
Revenue: NOK
6 700 to 7 300 million
EBIT: 450M to 550M



2027 TARGETS
Revenue:
> NOK 10 000 million
ROOC: >25%
EBIT Margin: > 8%

Note: 2023 guidance preliminary





Q&A

Kitron Group, 13 December 2022

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