



# Capital Markets Presentation

Kitron Group, 13 December 2023

# AGENDA

- Kitron in brief
- Markets, positioning and growth strategy
- European EMS market landscape
- Defence sector outlook
- Sales & Strategic expansion
- Long-term financial targets
- Sustainability
- Summary, Q&A and wrap up



**Peter Nilsson**  
President & CEO



**Cathrin Nylander**  
CFO



**Mindaugas Sestokas**  
VP CEE



**H.P. Thomassen**  
VP Nordics & North  
America.



**Kristoffer Asklöv**  
COO



# Kitron in brief

Kitron Group, 13 December 2023

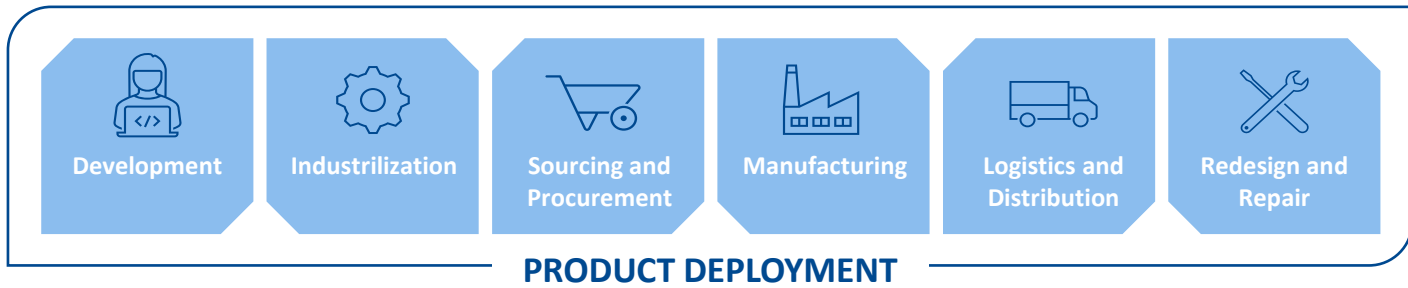


**Peter Nilsson**  
President & CEO

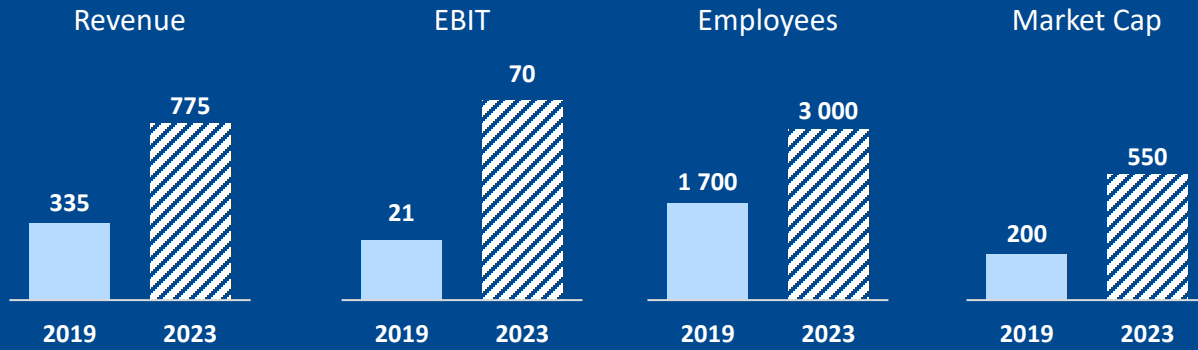


# Core business and operations

- 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 105 000 m<sup>2</sup>
- Over 3000 employees spread over 12 locations
- Corporate headquarters in Billingstad, Norway



## DEVELOPMENT 2019 – 2023\*



\* 2023 Revenue and EBIT based on mid-point of outlook as of Q3 2023

## SHARE PRICE

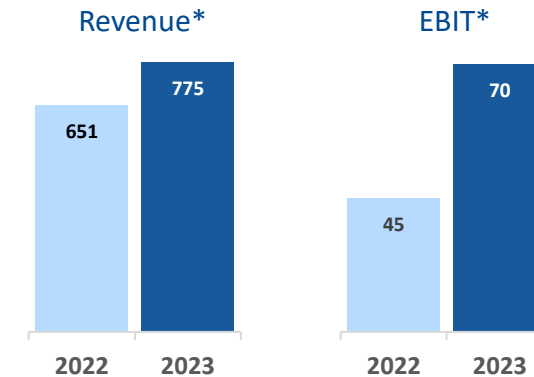
- Share price up from NOK 8.70 to ~ 33 since 2019
- Dividend every year contributing to total shareholder return of over 300%.
- Dividend policy: Annual dividend of 20 to 60 per cent of the company's consolidated net profit before non-recurring items.



# Long-term growth and value creation

## FULL YEAR 2023 OUTLOOK

- Record revenues
- Strong EBIT margin and capital efficiency improving
- Outlook maintained



2023 outlook: Revenue between EUR 750 and EUR 800 million. Operating profit (EBIT) between EUR 65 million and EUR 75 million.

\* 2023 Revenue and EBIT based on mid-point of outlook at Q3 2023

# Proven track record

## REVENUE GROWTH

- Annual growth 10% (ex. M&A)
- Customer development
- From 4 to 10 factories globally

## PROFITABILITY – EBIT MARGIN IMPROVED

- World-class operations management
- Proven economies of scale concept
- OPEX reduced from 35% to 21%

## CAPACITY EXPANSION

- 2 international acquisitions
- Greenfield Poland and Malaysia, multiple site upgrades
- More than EUR 50 million invested in new equipment and capabilities



### KEY TAKE-AWAY

Kitron has a scalable model for profitable growth.

# Our ambition for 2027: EUR 1 Billion, 9% margin

## 2027

- With organic growth achieve:
  - Revenue: €1 Billion
  - EBIT margin 9%
- Potential M&A adds upside



### KEY TAKE-AWAY

Kitron is in growth markets supported by strong megatrends.





# Markets, positioning and growth strategy

Kitron Group, 13 December 2023

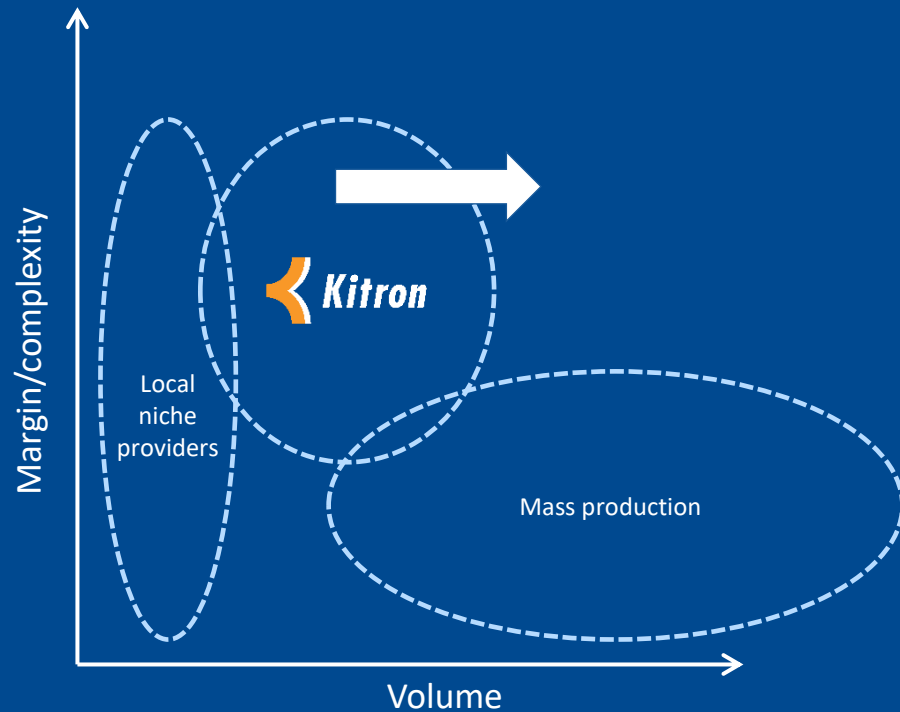


**Peter Nilsson**  
President & CEO



# Customers and positioning

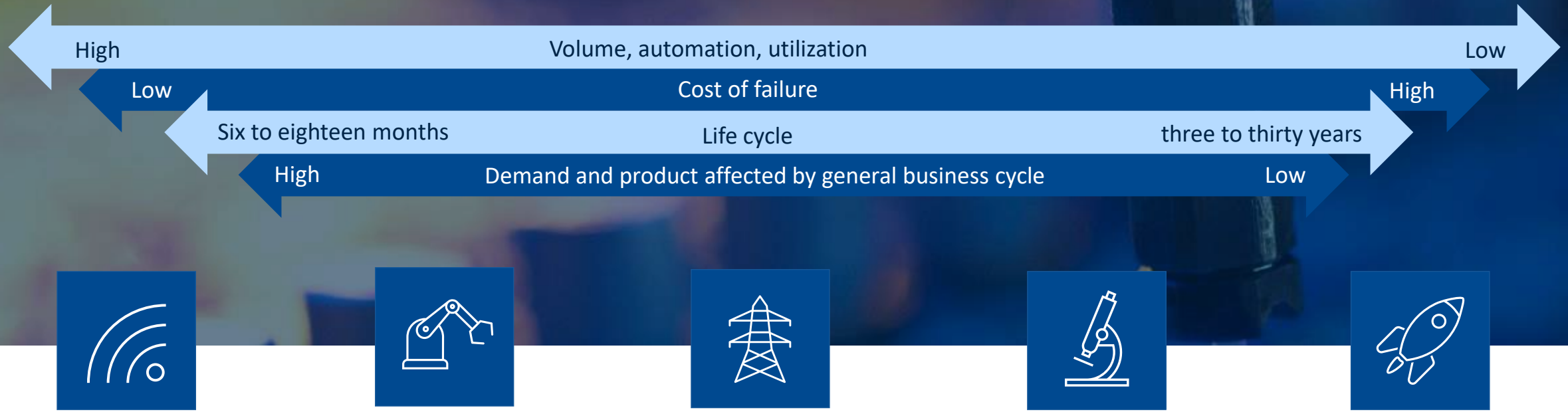
- Long-term, repeat business
- Customers often market leaders
- Often high-complexity products
- Regionalized supply chains and manufacturing



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 features by market sector



## CONNECTIVITY

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

## INDUSTRY

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

## ELECTRIFICATION

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

## 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

# Growth strategy in market sectors

## CONNECTIVITY: Medium-term 5%-10% annual growth

- **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: Medium-term 7%-15% annual growth

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

## INDUSTRY: Medium-term 7%-15% annual growth

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

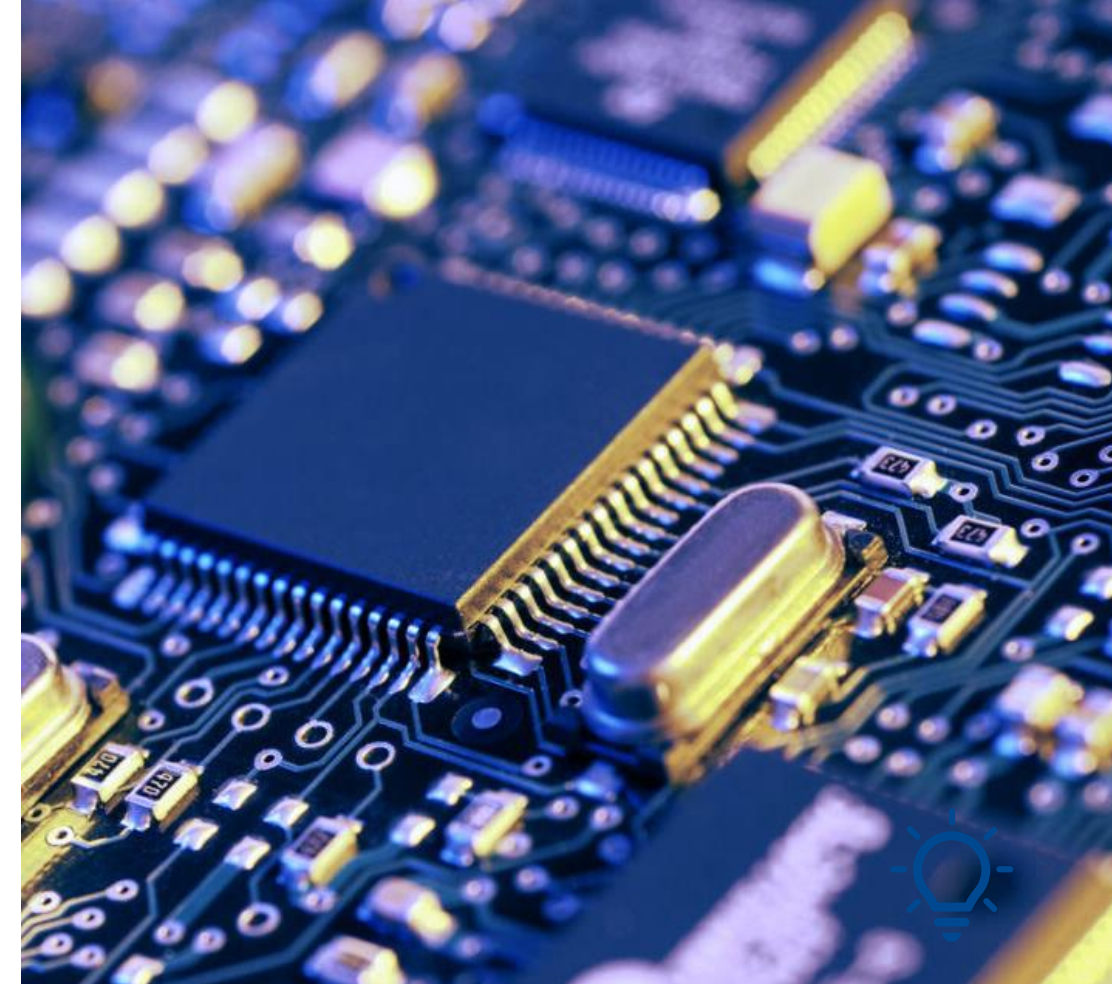
## MEDICAL DEVICES: Medium-term 0-5% annual growth

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

## DEFENCE/AEROSPACE: Medium-term 20-30% annual growth

- **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

<sup>1</sup> Medium-term = 2025-2027



### KEY TAKE-AWAY

Kitron operates in growing market segments.  
European EMS market expected to grow 7% CAGR, reaching \$70 billion by 2028 – no meaningful barrier to Kitron's growth.

# 2024 EMS market sentiment

- **Global EMS Growth:** Digital transformation drives expansion; high inventory levels may suppress early demand.
- **Asia:** Manufacturing dominance persists; export and local demand growth is tempered by China's domestic challenges.
- **Europe:** IoT and Greentech demand rises yet dampened by slow stock turnover due to economic caution.
- **Nordics & U.S.:** Defense and aerospace sectors surge, bolstered by security needs and stable demand. Multiple production transfers to solve short term capacity restrictions.
- **Connectivity:** IoT and 5G expansion fuel sector growth, with possible inventory-induced delays in immediate uptake.
- **Industry:** CEE sees gradual industrial automation growth amidst reevaluations of capital expenditures.
- **Electrification:** EV and energy storage solutions growth, paced by consumer spending trends. Fixed grid infrastructure developments show strong growth.
- **Medical Devices:** Consistent growth trajectory, driven by telehealth and pandemic-induced technological adoption.
- **Defence/Aerospace:** Increased spending on geopolitical tensions predicts sector resilience.

## KEY TAKE-AWAY

Quarterly Projection: Q1 and Q2 sees short term capacity restrictions and inventory adjustments; Q3 and Q4 likely to rebound as market conditions improve and load is rebalanced between sites and regions.

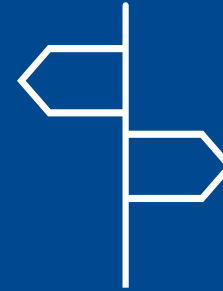


# Outlook 2024

- Growth is expected to continue strong on sectors advanced Electrification - power grid solutions, Defence/Aerospace and security. These sectors show solid growth for the year.
- Tepid demand for first half of year in Europe and China with significant stock re-balancing, contributes to conservative outlook for 2024.
- Customers have noted a cautious approach to demand in the first quarter, with a more optimistic outlook for steady improvement toward end of the second quarter.

## For 2024,

- Kitron expects revenues between EUR 700 and 800 million.
- Operating profit (EBIT) is expected to be between EUR 60 and EUR 74 million.



**2024 GUIDANCE**  
**Revenue: EUR**  
700 to 800 million  
**EBIT: 60M to 74M**

- **Soft outlook in Europe and China in start of 2024**
- **Growth on power grid solutions**
- **Growth on defence and security**
- **Strong performance in Nordic and U.S. Kitron sites**

# European EMS Market Landscape

Kitron Group, 13 December 2023



**Mindaugas Sestokas**  
VP CEE

# European EMS Market Landscape

## Geopolitical and Sustainability trends drives regionalization

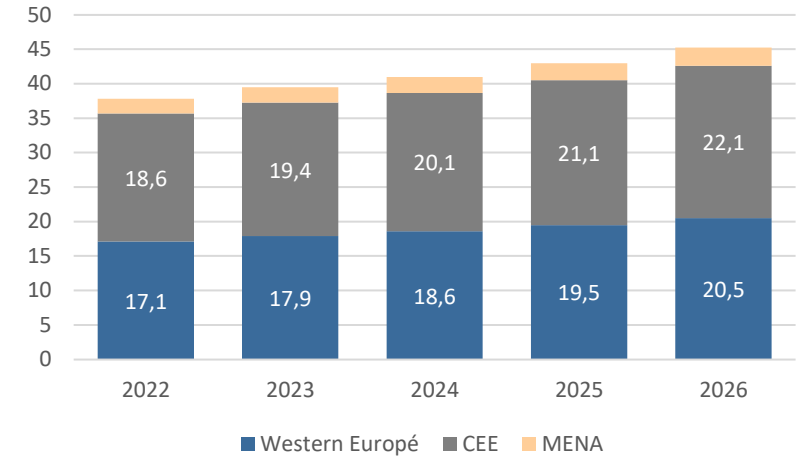
- Regionalization is being accelerated by geopolitical shifts and a push for sustainability, with a focus on reducing carbon emissions and addressing trade, cyber security, and intellectual property concerns.
- Opportunities lie in diversifying production and increasing outsourcing from OEM/ODM, especially in Germany.
- Defense budgets in regions like Poland are on the rise, presenting further opportunities for market penetration and revenue growth.
- Kitron is well positioned to tap into the growing European EMS market, forecasted to reach €45 billion by 2026.



### KEY TAKE-AWAY

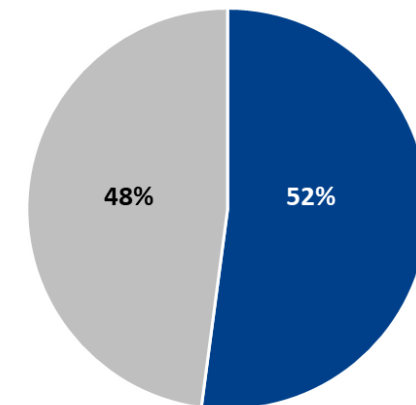
Geopolitical and sustainability trends, cost and capacity concerns are prompting regionalization, emphasizing quicker market access. Kitron is set to capitalize on the robust growth.

European EMS growth (€B)



Source: Reed Electronics Research: The EMEA Electronic Manufacturing Services Industry 2021-2026

EMS revenues 2022





■ Central and Eastern Europe  
■ Western Europe


# CEE regional focus

CEE region manufacturing facilities will focus on Electrification, Connectivity & Industry customers.



Lithuania Kaunas 	
<b>Sector focus:</b>	
<ul style="list-style-type: none"> <li>▪ Connectivity</li> <li>▪ Electrification</li> <li>▪ Industry</li> <li>▪ Medical Devices</li> <li>▪ Defence/Aerospace</li> </ul>	
Key facts	
FTEs	700
Production lines	6
Area (m <sup>2</sup> )	13 300
<b>Certified:</b>	
<ul style="list-style-type: none"> <li>▪ <i>Enviromental</i></li> <li>▪ <i>Medical</i></li> <li>▪ <i>Transportation</i></li> </ul>	

Poland Grudziądz 	
<b>Sector focus:</b>	
<ul style="list-style-type: none"> <li>▪ Connectivity</li> <li>▪ Electrification</li> <li>▪ Industry</li> <li>▪ Medical Devices</li> </ul>	
Key facts	
FTEs	400
Production lines	5
Area (m <sup>2</sup> )	8 200
<b>Certified:</b>	
<ul style="list-style-type: none"> <li>▪ <i>Enviromental</i></li> <li>▪ <i>Medical</i></li> </ul>	

Czech Lanškroun 	
<b>Sector focus:</b>	
<ul style="list-style-type: none"> <li>▪ Connectivity</li> <li>▪ Industry</li> <li>▪ Electrification</li> </ul>	
Key facts	
FTEs	250
Production lines	3
Area (m <sup>2</sup> )	10 000
<b>Certified:</b>	
<ul style="list-style-type: none"> <li>▪ <i>Enviromental</i></li> <li>▪ <i>Medical</i></li> </ul>	

**Organizational resilience | Harmonization & Best practice | Global scalability and flexibility**



# Kitron in CEE

## Central and Eastern Europe (CEE) Growth Projections

- Forecasting €300 million in revenue in 2023, more than a 55% growth.
- The electrification sector is a strong driver.
- Customer base expansion is catalyzing growth.
- Notable development across all locations, with Poland demonstrating remarkable progress.

## Future Growth Outlook for CEE region

- Setting a goal of surpassing €430 million by 2027.
- Capacity is on track to reach nearly €400 million.
- A 4,000 sqm facility expansion in the Czech Republic by end of 2023, bringing the total to 10,000 sqm.
- Secured 83,000 sqm land for further expansion in Poland, with plans unfolding from 2025 onwards.
- Focusing on growing sectors and investing in talent, productivity, and automation to drive growth.



### KEY TAKE-AWAY



**The CEE region:** Aiming for a €430 million turnover by 2027, the region is poised for ~10% annual growth and is actively seeking to secure over €50 million in new business annually.

# Defence sector outlook

Kitron Group, 13 December 2023



**H.P. Thomassen**  
VP Nordics and North  
America

# Evolving Dynamics in the Defense Sector

- The security landscape is experiencing increasing challenges.
- NATO's engagement, including new commitments from member countries, is strengthening in response to conflicts such as the situation in Ukraine.
- With Finland and Sweden's prospective NATO membership, there's a strategic shift in the Nordic defense posture.
- Collaboration in defense procurement is intensifying within the Nordic region and the broader EU, signaling more unified defense strategies.
- The US is accelerating its foreign military sales, indicating a quicker pace in defense-related transactions.



## KEY TAKE-AWAY

Expect sustained growth in defense demand, driven by strategic alliances and increased global security initiatives.

# Kitron's Strategic Defense Sector Positioning

- Kitron demonstrates a **robust, long-standing commitment** to the defense sector, guided by a strategic vision that aligns with industry growth.
- The company has nurtured **strong, sustainable partnerships** with leading defense OEMs.
- Management protocols are meticulously designed to be **fully compliant with intricate defense contracting requirements**.
- Kitron prioritizes **stringent security measures**, with a comprehensive cybersecurity framework that meets rigorous regulatory demands.
- A strategic geographic expansion of factory locations enables Kitron to efficiently serve leading OEMs across the transatlantic sphere.
- Proactively scaling up production capabilities and infrastructure, Kitron is set to accommodate and drive further sector growth.

## KEY TAKE-AWAY

Entry barriers into the defense industry remain high. Contracting processes are complex and cumbersome. Kitron's advanced capabilities and strategic market presence position it for robust growth within the defense industry.



## Kitron's Defense Sector Growth Forecasts

- Kitron is set to expand its defense sector presence, capitalizing on existing relationships and seizing new opportunities with OEMs across Europe and the US.
- The company's defense-focused plants are projected to see a revenue boost by 50% in 2024.
- Future outlooks suggest a sustained growth for the next decade.
- The value of Request for Quotation (RFQ) opportunities is on a steady climb, mirroring the rate of revenue increase and indicating consistent year-over-year growth.



### KEY TAKE-AWAY

Amid escalating security concerns and NATO's expansion, including Sweden and Finland's integration, Kitron is positioned for strong, sustained growth in the defense sector.



# Sales & Strategic expansion

Kitron Group, 13 December 2023



Kristoffer Asklöv  
COO

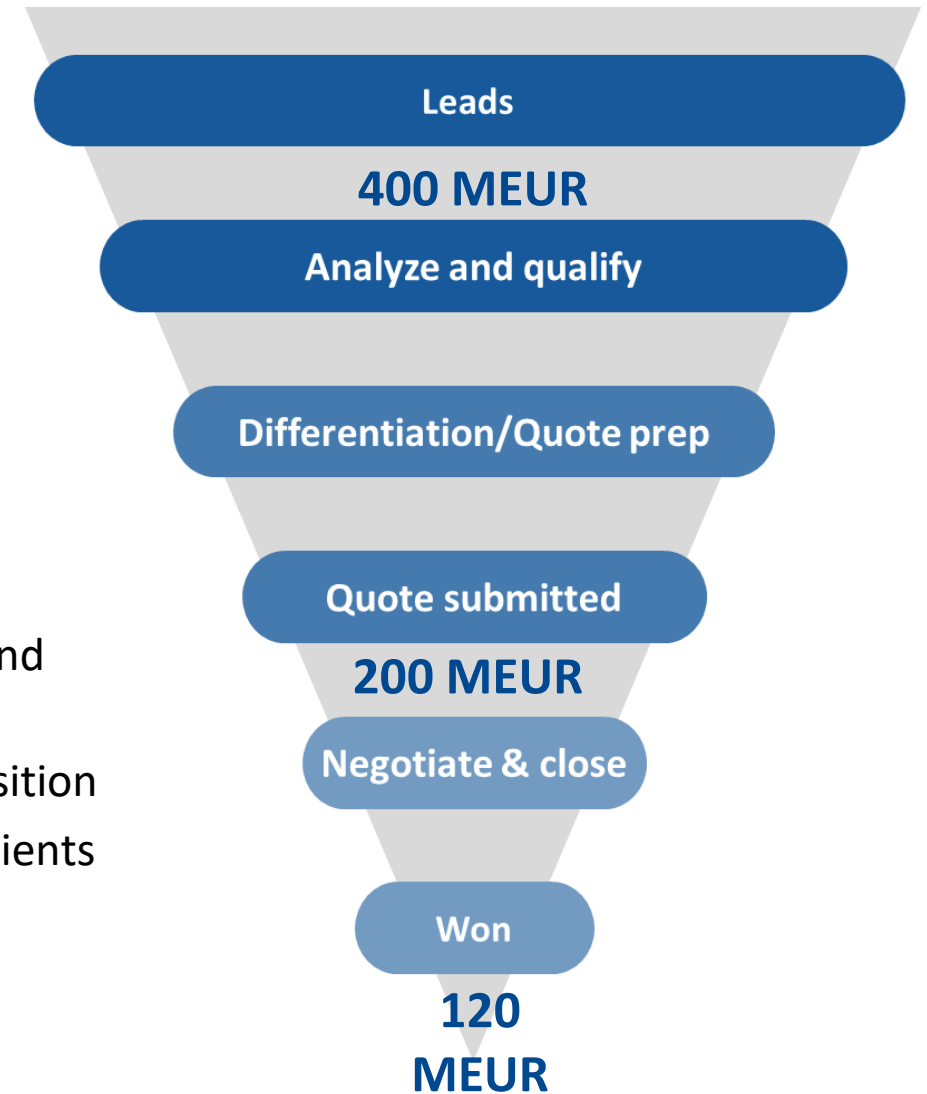
# Kitron sales funnel - New & existing customers

## Robust Sales Potential Across Diverse Market Conditions:

- Innovative product offerings tailored for our existing customer base
- Expansion into new customer segments and untapped markets
- Strategic outsourcing to enhance efficiency and cost-effectiveness
- Seamless transfers and adaptations to evolving market demands

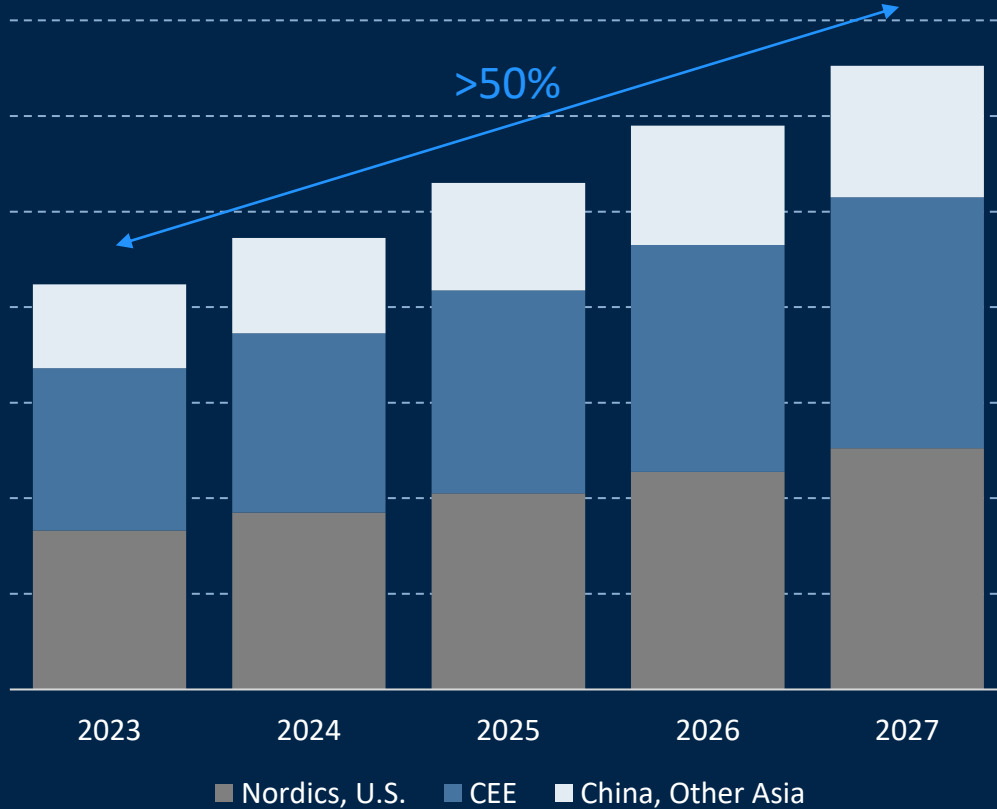
## Robust Sales Pipeline and Strategic Market Penetration

- A well-distributed sales funnel demonstrating strong market reach
- Targeted hit-rate reflecting competitive edge in the market
- Emphasis on cultivating new business opportunities with both new and established clientele
- Penetration into high growth segments through new customer acquisition
- Dedicated efforts in retaining and expanding business with existing clients



# Strategic expansion and capacity enhancement

Year end capacity by production region (€M)



## KEY TAKE-AWAY

Kitron's strategic growth is marked by efficient capacity expansion and robust organizational scaling.



## Footprint - Global scalability and flexibility

- Expanding current manufacturing facilities.
- Developing a new site in Malaysia.
- Land in Poland acquired for potential extension.

## People - Organizational resilience

- BB organization is merging into “One Kitron”.
- Harmonization, Standardization & Digitalization
- Our shared service center in India is expanding.

## Machines - Harmonization & Best practice

- Highlight operational efficiency and capacity utilization.
- Accelerate digitalization and process automation.
- Drive economy of scale and regional resilience through standardized equipment investments.



# Strategic Initiatives for Expansion

## Greenfield Projects:

- Targeting capacity expansion through existing growth avenues.
- Investment anchored by CAPEX 2-3%.
- Focused on regional access and labor market engagement.
- Aligned with strategic growth objectives.

## Acquisitions:

- Seeking long-term growth through strategic acquisitions.
- Leveraged through debt and equity financing.
- Criteria: regional presence, customer base expansion, and value addition to Kitron.

## Malaysia Expansion:

- Initiating a new facility in Malaysia to enhance service to the Asian market. Integration of support and services from Kitron China to streamline operations.
- The facility is designed for scalability beyond the initial 3000m<sup>2</sup>.
- Production set to commence in Q1 2024.



### KEY TAKE-AWAY

Kitron is strategically expanding with greenfield investments and targeted acquisitions to enhance global market presence and operational capacity.

# Long term financial targets

Kitron Group, 13 December 2023



**Cathrin Nylander**  
CFO



**Peter Nilsson**  
President & CEO

# Financial ambitions for 2027

## 2027

- Targeting a revenue milestone of €1 billion driven by organic growth.
- Aiming for an EBIT margin of 9%.
- Projecting an annual organic growth rate of 10%
- Anticipating additional growth potential from strategic mergers and acquisitions.



### KEY TAKE-AWAY

Kitron is strategically positioned for robust growth, leveraging market trends and mergers and acquisitions to achieve its financial ambitions by 2027.

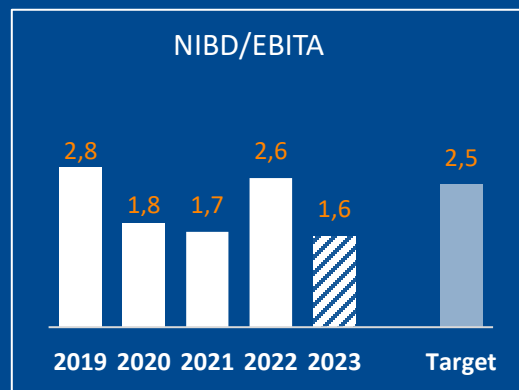
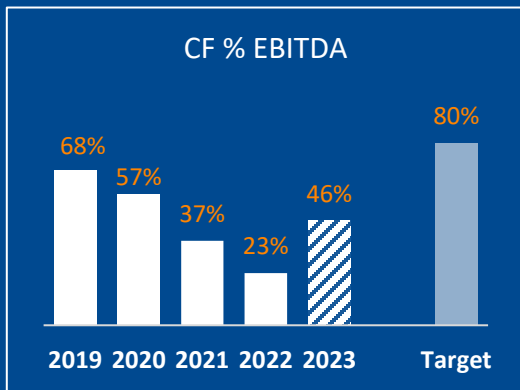
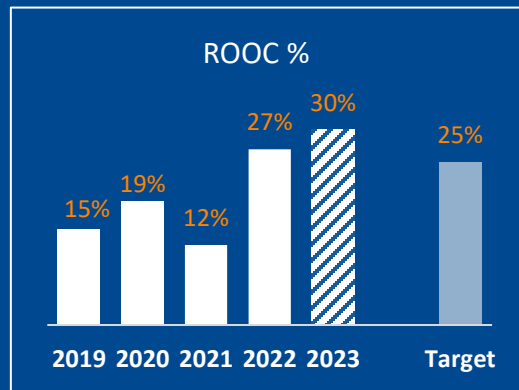
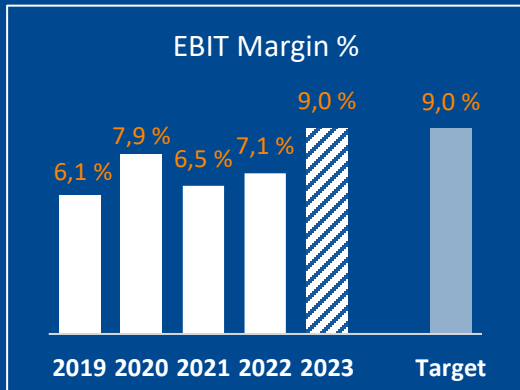
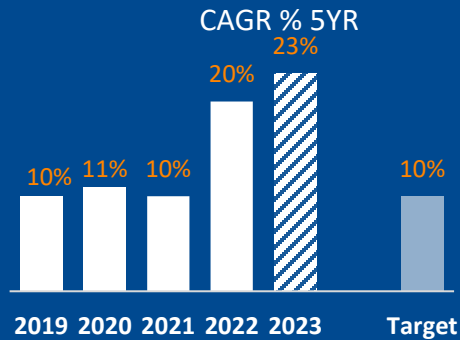


### 2024 GUIDANCE

Revenue: EUR  
700 to 800 million  
EBIT: 60M to 74M



## FIVE FINANCIAL GOALS DEVELOPMENT 2019 – 2023\*



## Setting the course for sustainable financial success

### REVENUE: ~10% ORGANIC GROWTH

- Targeting 10% yearly revenue growth organically.

### PROFITABILITY: 9% EBIT MARGIN

- 9% EBIT margin, leveraging growth and efficiency.

### ROOC: > 25%

- ROOC above 25%, indicating a strong business model.

### CASH FLOW: 80% OF EBITDA

- Cash from operations projected at 80% of EBITDA, driving reinvestment.

### NIBD / EBITDA: < 2.5

- NIBD to EBITDA ratio maintained below 2.5 for financial health.

#### KEY TAKE-AWAY

The company's financial goals promote enduring profitability and a robust balance sheet for strategic growth and shareholder value.



# Sustainability

## ENVIRONMENTAL TARGET

100%

Sustainable energy supply  
Current status: 83%

## EU TAXONOMY TARGET

>20%

Sales aligned with taxonomy  
Current status: 33 %

## SOCIAL TARGET

>40%

Women across all levels  
Current status: 53 %



### KEY TAKE-AWAY

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

# Key take-aways

- High growth on sectors ***Electrification-fixed infrastructure*** and ***Defence /Aerospace*** for 2024
- Tempered demand for first half of year in Europe and China contributes to a **conservative outlook for 2024**
- Over mid to long term Kitron's ambition is to achieve more than 10% organic growth each year from market sectors and product applications supported by strong megatrends.
- Focus on ***capacity utilization*** and maximizing ***economies of scale*** ensuring ***competitiveness and profitability***
- Continue delivering superior performance to customers and shareholders



**2024 GUIDANCE**  
Revenue: EUR  
700 to 800 million  
EBIT: 60M to 74M



**2027 TARGETS**  
Revenue:  
> EUR 1000 million  
ROOC: >25%  
EBIT Margin: 9%





# Q&A

Kitron Group, 13 December 2023

# 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