

The background of the slide is a light blue color with a white, intricate pattern of circuit board traces and components, including various symbols like resistors, capacitors, and integrated circuits.

## First three quarters and Q3 results 2019

Peter Nilsson, CEO  
Cathrin Nylander, CFO

24 October, 2019

# Peter Nilsson, Kitron's CEO comments

- Strong revenue growth increasing 31 % in Q3 and 28% year to date with particularly strong growth within Defence/Aerospace and Offshore/Marine market sectors.
- EBIT margin at 5.4% with margin improvements in Norway and Sweden
- Strong order backlog, with strong contribution from the Defence/Aerospace and Offshore/Marine sectors
- Working capital stabilized and the improvement in component availability is expected to affect the working capital positively
- US flooding – production has been removed to a temporary site after flooding in July
- Increased capacity with new Kitron facility in Grudziądz, Poland. Production will ramp in Q4

# Strong revenue growth and order backlog

- **Revenue**

- Continued strong growth 31.0 %
  - Organic growth 21%

- **Operating Margin/EBIT**






- Operating margin at 5.4% (5.3%)

- **EPS** 0.14 (0.12) NOK

- **Cash flow** 19 (-41) MNOK






- **Order Backlog**

- Organic growth 27%

NOK Million		Q3 2019 vs Q3 2018
<b>Revenue</b> 737,5		31,0 %
<b>EBIT</b> 39,6		31,9 %
<b>Order Backlog</b> 1 572,4		40,1 %
<b>Operating cash flow</b> 19,2		146,8 %
<b>Net working capital</b> 886,7		46,6 %

# Continued strong growth and profitability

- **Revenue**
  - Continued strong growth 28 %
    - Organic growth 20%
  
- **Operating Margin/EBIT**
  - Operating margin at 6.1% (6.0%)
  
- **EPS** 0.55 (0.47) NOK
  
- **Cash flow** 98 (-18) MNOK
  
- **Order Backlog growth**
  - Organic growth 27%

NOK Million		2019 vs 2018
<b>Revenue</b> 2 410,6		28,2 %
<b>EBIT</b> 147,3		29,4 %
<b>Order Backlog</b> 1 572,4		40,1 %
<b>Operating cash flow</b> 98,0		653,7 %
<b>Net working capital</b> 886,7		46,6 %

# Flooding in the US

- The facility of Kitron Technologies in Windber, Pennsylvania, was damaged by flooding in July
- Production has been moved to a temporary site.
- This has led to some inefficiencies in production and increase in net working capital
- Minor effects on customers
- No significant financial impact is expected

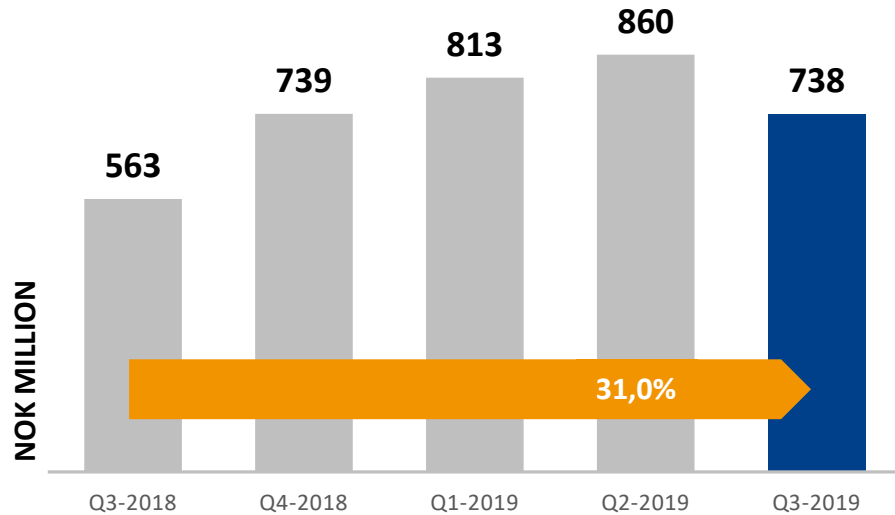
# New factory in Poland

- Finalized construction of Kitron's new factory in Grudziądz, Poland
- 8,000 square meter facility
- Production is ramping up in the fourth quarter
- Contributes to growth in the number of employees during the quarter



**Financial statements** **First three quarter and Q3 2019**

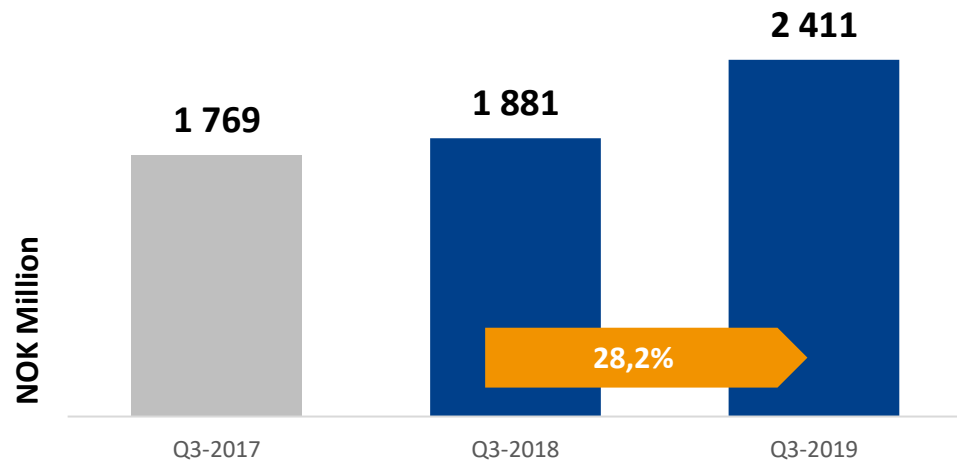
# Strong revenue growth in Defence/Aerospace and Offshore/marine



	Q3 2019 vs Q3 2018	Share of total revenue
<b>Industry</b>	12,3 %	36,7 %
<b>Defence/Aerospace</b>	96,4 %	23,0 %
<b>Medical devices</b>	4,8 %	18,9 %
<b>Energy/Telecoms</b>	25,0 %	15,5 %
<b>Offshore/Marine</b>	306,6 %	5,9 %













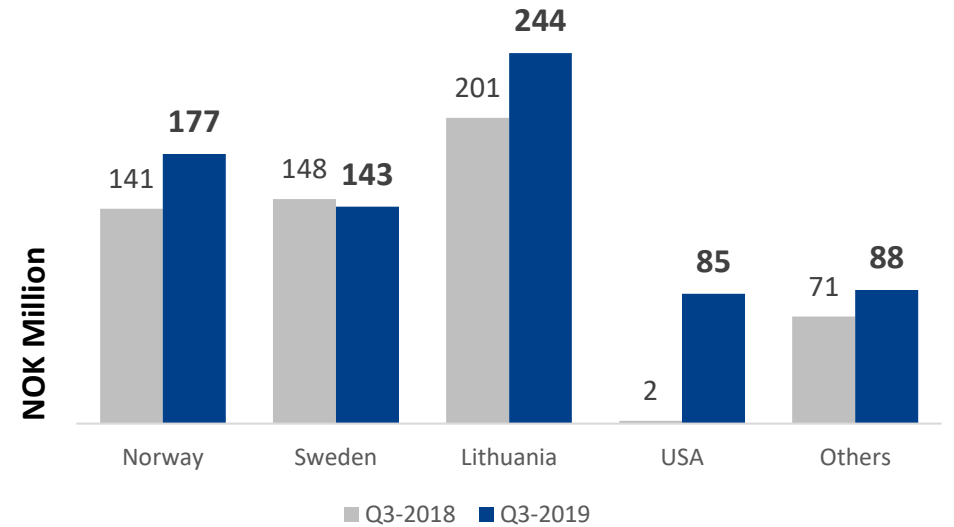
# Strong revenue growth in all sectors



	2019 vs 2018	Share of total revenue
Industry	13,8 %	39,5 %
Defence/Aerospace	47,4 %	20,3 %
Medical devices	10,0 %	17,3 %
Energy/Telecoms	28,2 %	16,2 %
Offshore/Marine	447,3 %	6,7 %











# Continued strong growth from several regions

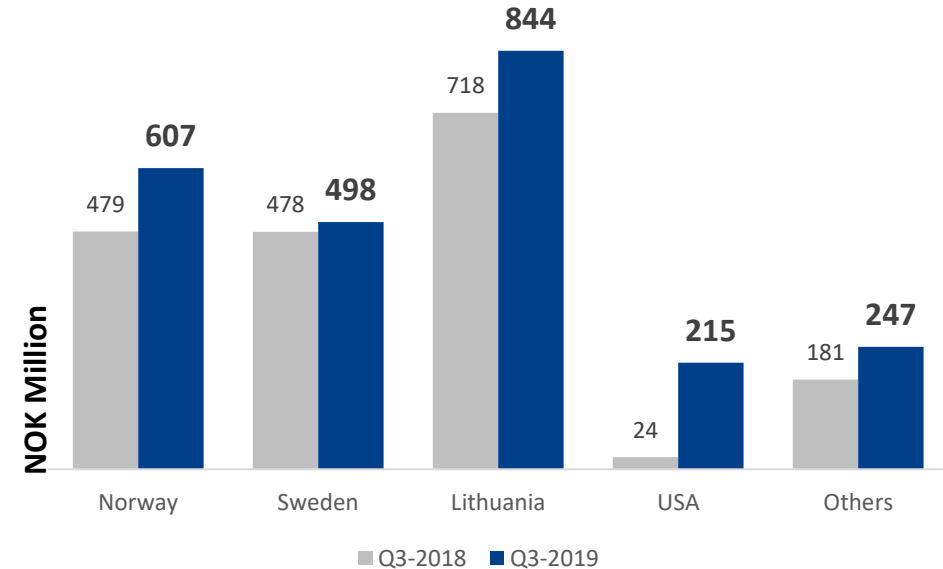
	Q3 2019 vs Q3 2018	Share of total revenue
<b>Norway</b>	25,4 % 	24,0 % 
<b>Sweden</b>	-3,3 % 	19,4 % 
<b>Lithuania</b>	21,1 % 	33,1 % 
<b>USA</b>	4394,7 % 	11,6 % 
<b>Others</b>	24,8 % 	11,9 % 



Before group entities and eliminations

# Continued strong growth from several regions

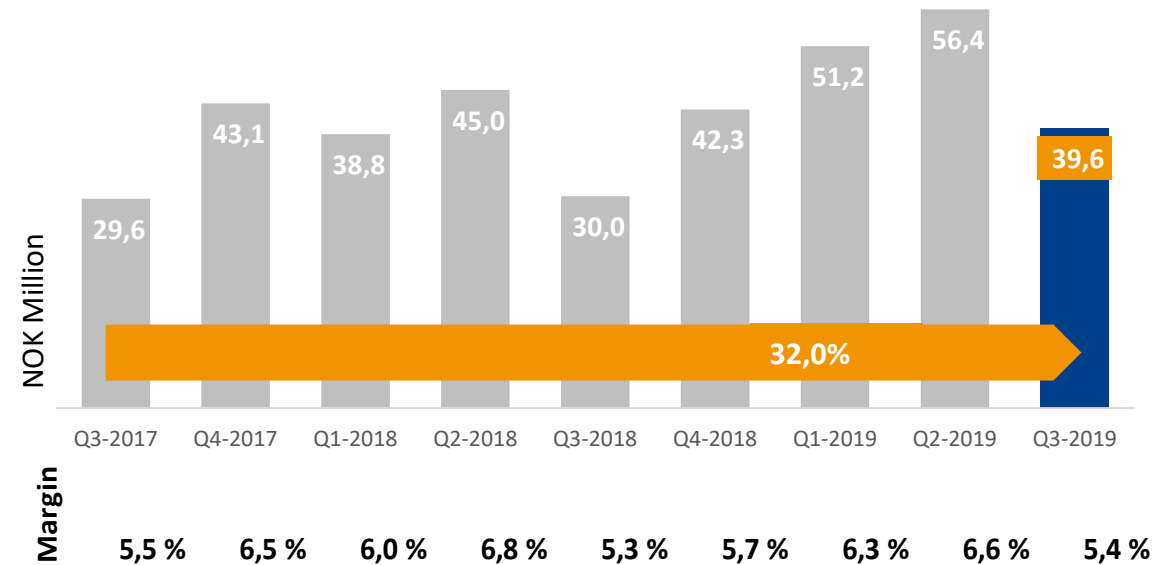
	2019 vs 2018	Share of total revenue
<b>Norway</b>	26,8 % 	25,2 % 
<b>Sweden</b>	4,1 % 	20,7 % 
<b>Lithuania</b>	17,5 % 	35,0 % 
<b>USA</b>	779,9 % 	8,9 % 
<b>Others</b>	36,4 % 	10,2 % 



Before group entities and eliminations

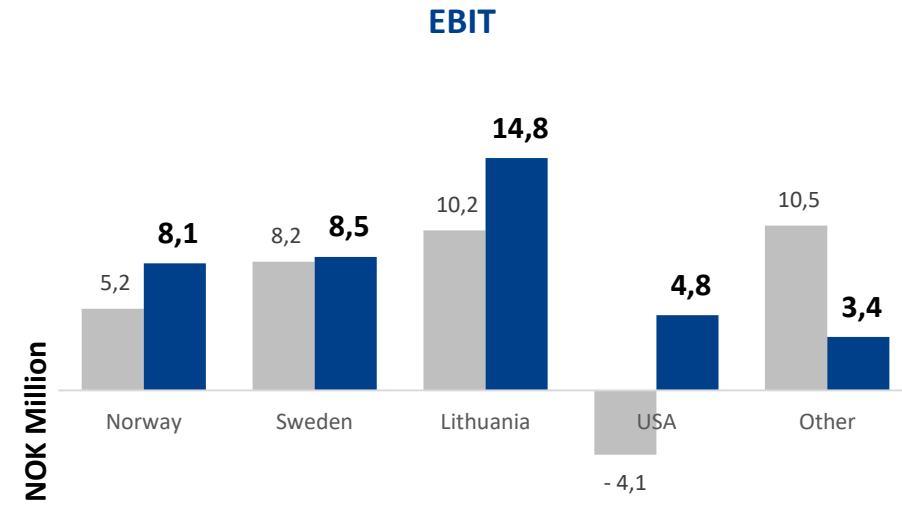
# Improved profits

- Strong EBIT at 39,6 million, an increase of 32 per cent compared to last year
- Q3 is affected by seasonality
- EBIT margin was 5.4% (5.3%)
- Ramp-ups of new customer programs due to strong growth temporarily result in lower efficiencies in existing facilities
- Start-up of Polish facility affects margins negatively short-term



# Margin improvements in Norway, Sweden, Lithuania

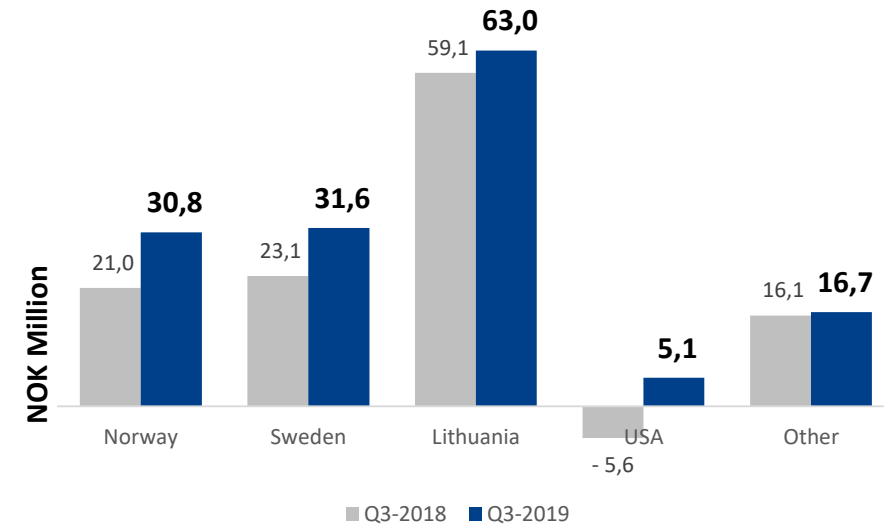
- Another quarter with continued profitability improvements in Norway, Sweden, Lithuania
- US margins turn positive this quarter
  - Kitron Technologies profit at expected margins in spite of flooding.
- Other
  - China is performing well
  - Poland startup costs included



	Norway	Sweden	Lithuania	USA	Other
Q3-2018	3,7 %	5,6 %	5,1 %	-215,8 %	14,9 %
Q3-2019	4,6 %	6,0 %	6,1 %	5,6 %	3,9 %

# Margin improvement in Norway and Sweden

- Continued profitability improvements in Norway, Sweden
- Lithuania, lower margins due to ramp-up affects
- US margins turn positive
  - Kitron Technologies profit at expected target
- Other
  - China is performing well
  - Poland startup costs included



	Norway	Sweden	Lithuania	USA	Other
Q3-2019	5,1 %	6,3 %	7,5 %	2,4 %	6,8 %
Q3-2018	4,4 %	4,8 %	8,2 %	-23,0 %	8,9 %

# Working capital

## ■ Cash flow

- Q3 Cash flow from operations 19,2 (-41,0)
- YTD Cash flow from operations 98,0 (-17,7)

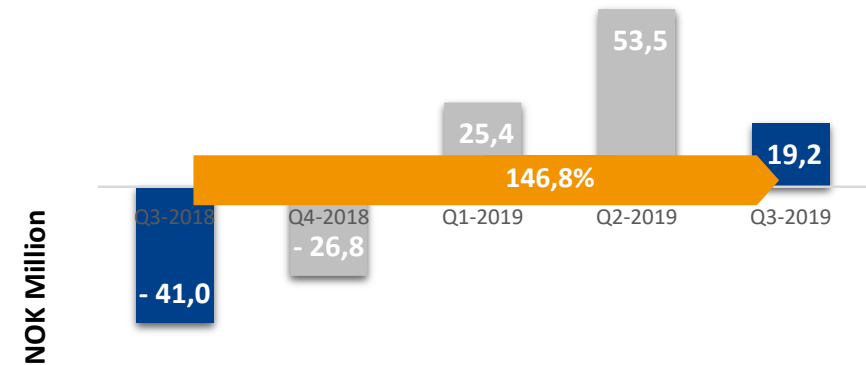
## ■ Financial gearing

- NIBD / EBITDA 3.0 (1.5)
  - exclusive IFRS16 NIBD/EBITDA 2.6

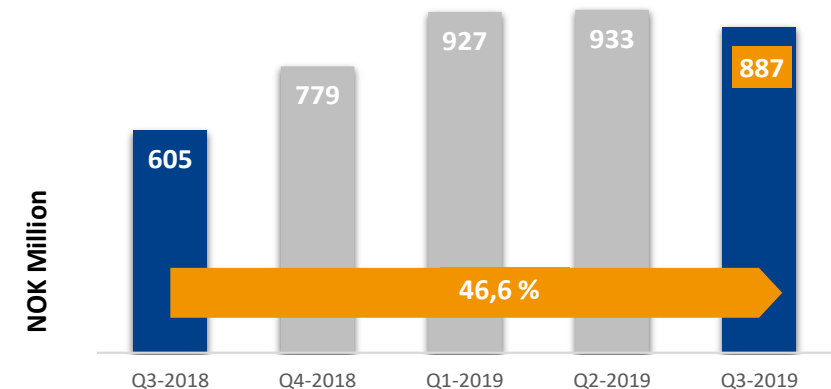
## ■ Working capital

- NOWC\* 29.4% (25,1%)
- Cash conversion cycle\* 116 (94)
- ROOC\* 12.2% (14.4%)
  - exclusive IFRS16 ROOC% 13.1%

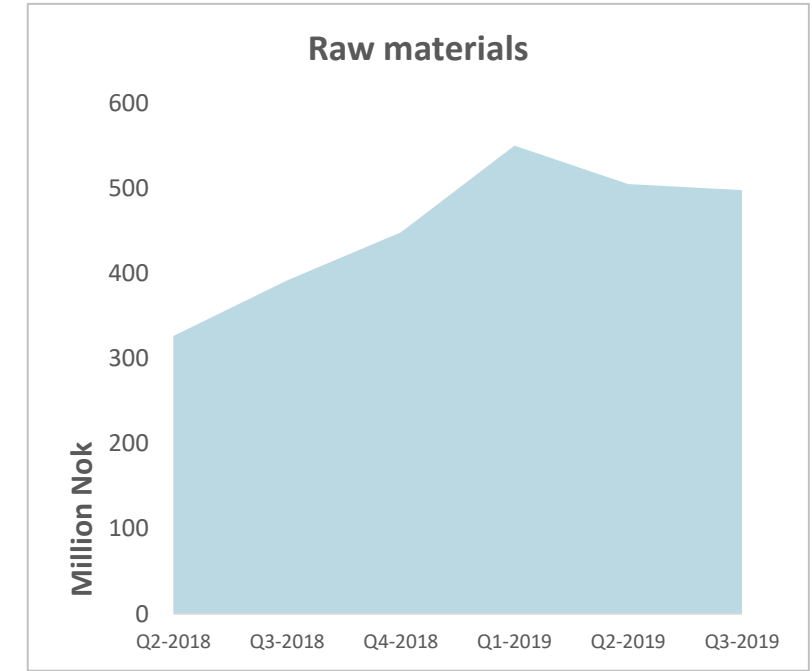
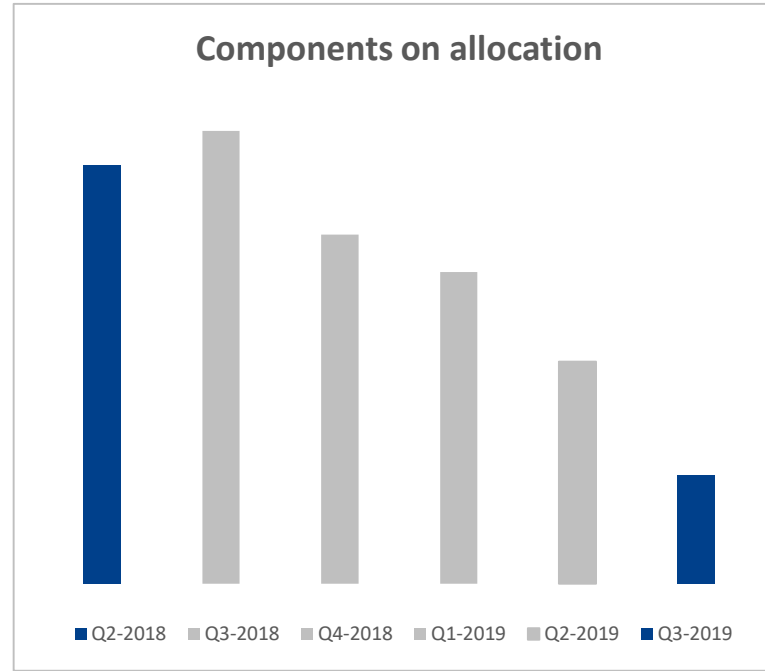
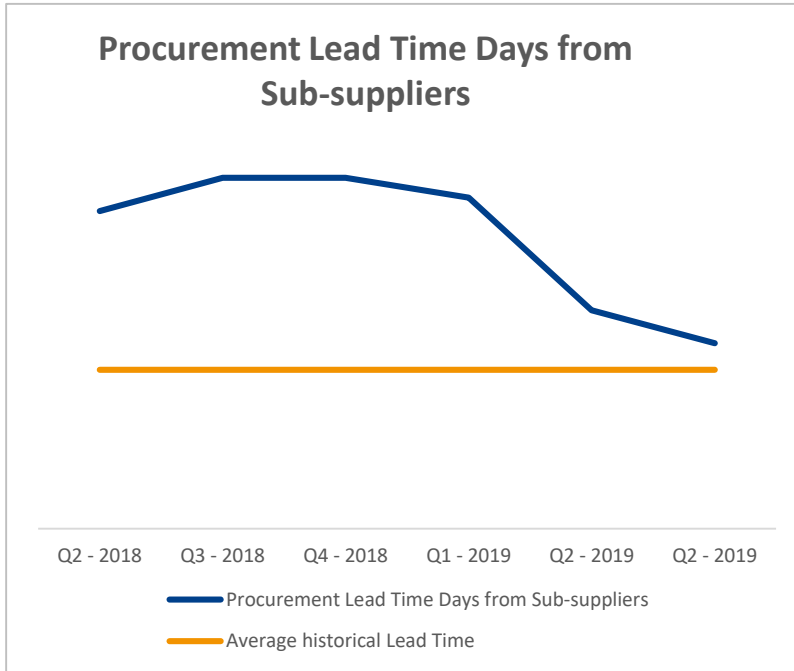
Operating cash flow



Net working capital



# Working capital – improvements expected



- Supplier shortage/constraints has started to ease and lead times have come down
- Allocation of components are substantially reduced compared to peak in Q3-2018
- Raw materials in inventory have peaked in value, further reductions are expected





# Market development

## Market development:

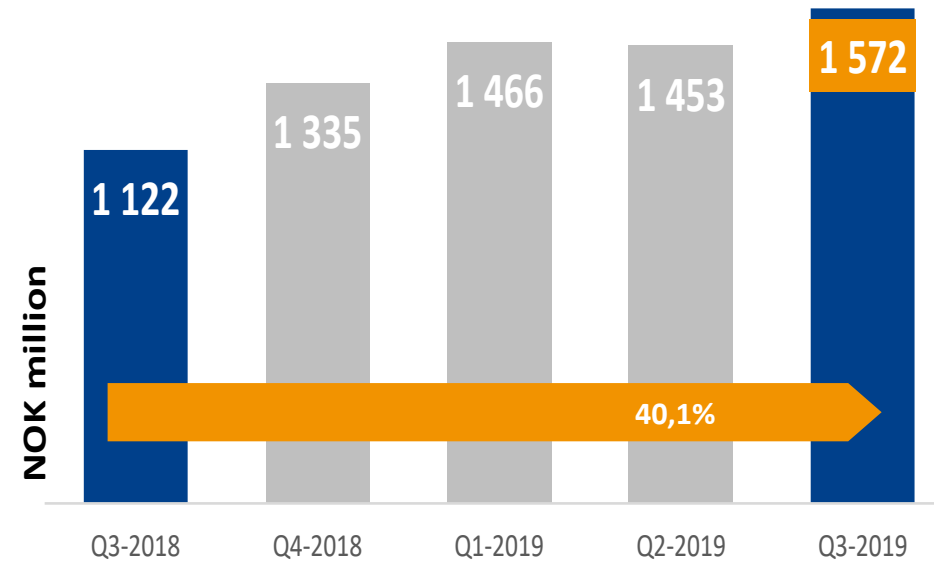
# Strong order backlog

Particularly strong order growth in the Defence/Aerospace and Offshore/Marine sectors

## Comparable:

- MNOK 1 572 (1 122) +40,1%
  - Defence: 657,6 +72,1%
  - Medical: 207,1 +35,7%
  - Industry: 399,6 +1,2%
  - Energy/Telecom: 174,7 +14,0%
  - Offshore: 133,4 +242,1%
- Organic growth 27%

## Order Backlog





# Outlook

# Outlook

- For 2019, Kitron expects revenue to grow between NOK 3 200 and NOK 3 400 million.
- Earnings in value are above previous outlook, however EBIT margin is expected to be between 5.9 and 6.3 per cent. Ramp-ups of new customer programs due to strong growth temporarily result in lower efficiencies in existing facilities. Start-up of Polish facility also expected to affect margins. We expect the margin challenges to be resolved as we move into 2020.
- Growth is primarily driven by the acquisition of the EMS division of API Technologies Corp. and growth for customers in the Defence/Aerospace, Industry and Offshore/ Marine sectors.

The background is a light blue color with a white, intricate circuit board pattern. The pattern consists of various lines, circles, and rectangular shapes, resembling a complex electronic circuit. The lines are thin and white, creating a dense, interconnected network across the entire surface. The overall effect is a clean, modern, and technical aesthetic.

**Thank you!**