

## WEBINAR: Q4 AND FULL-YEAR RESULTS 2021

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**Q4 AND FULL-YEAR RESULTS 2021**

**25 FEBRUARY 2022**

## AGENDA

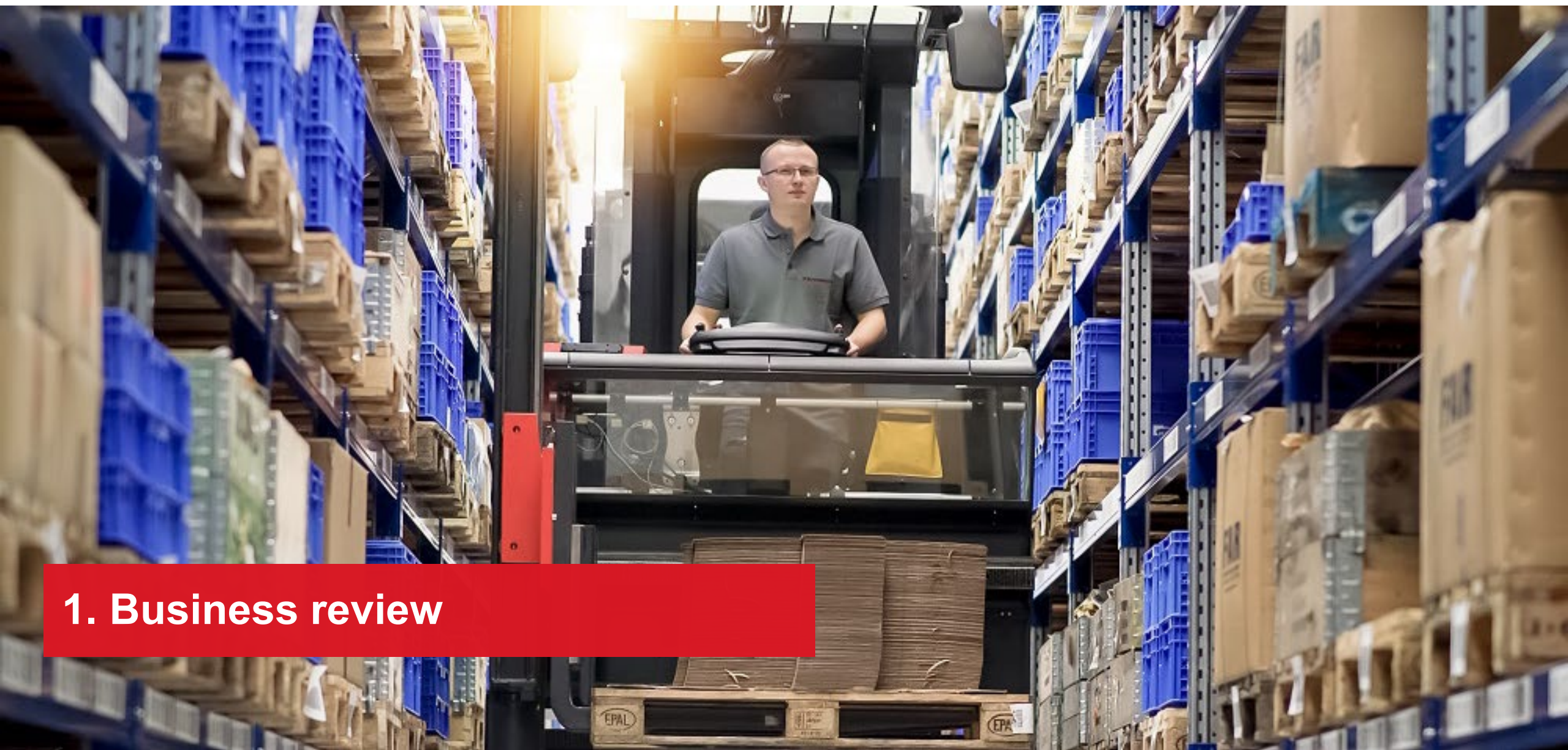
1. COVID-19
2. Business review
3. Strategic and operational update
4. Outlook
5. Q&A

## **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain statements contained in this presentation constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the Company's share of new and existing markets, general industry and macro-economic trends and the Company's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside the Company's control that could cause actual results to differ materially from such statements.

## COVID-19 PRIORITIES

- Keep our employees and their families healthy and safe: COVID-19 prevention measures continue to be in place
- Safeguard the Group's continuity



**1. Business review**

## KEY FIGURES

Normalized (in EUR million)	Q4 2021	Q4 2020	delta
Revenue	115,8	103,1	12%
EBITDA	11,5	11,4	1%
EBITA	5,8	4,9	19%
Net profit before amortization	4,1	2,9	41%
EBITDA as a % of revenue	10,0%	11,1%	
EBITA as a % of revenue	5,1%	4,8%	

Normalized (in EUR million)	FY 2021	FY 2020	delta
Revenue	463,6	396,4	17%
EBITDA	55,8	44,6	25%
EBITA	31,9	18,9	69%
Net profit before amortization	20,6	11,7	76%
EBITDA as a % of revenue	12,0%	11,3%	
EBITA as a % of revenue	6,9%	4,8%	
Return on invested capital <sup>1</sup> (12 months rolling)	15,6%	10,8%	

<sup>1</sup> Invested capital excluding intangibles arising from acquisitions.

- Organic revenue growth of 9% in Q4
  - Industrial reported strongest quarter of the year, representing 54% of Group revenue in Q4
  - Added value margin improvement of 70 basis points, despite increasing raw material prices
  - One off charges in Q4 include EUR 3.3 million equipment impairment in Automotive
  - Total FTE of 2,728 - including 216 temps – 272 above last year
- 
- Organic revenue growth of 16% and Industrial 10% above pre-pandemic level
  - Relatively stable added value margin of 48.3% (2020: 48,5%) despite sharply increasing raw material prices
  - Organic operating cost increase of EUR 21.6 million (15%) and EUR 19.7 million including depreciation (11%), driven by abolishing short time work measures from previous year and increased activity level
  - Improved return on invested capital driven by 69% increased operating result (EBITA)

## CASH FLOW AND FINANCIAL POSITION

### Free cash flow

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- Normalized free cash flow of EUR 3.5 million, affected by high investments, buffer stocks and growth in activity level
- Working capital as a percentage of revenue of 13.8% (2020: 10.4%), affected by Industrial increased revenue share and buffer stocks
- Capital expenditure of EUR 28.9 million (2020: EUR 16.5 million), including EUR 5.9 million for construction of new facility in China

### Financial position

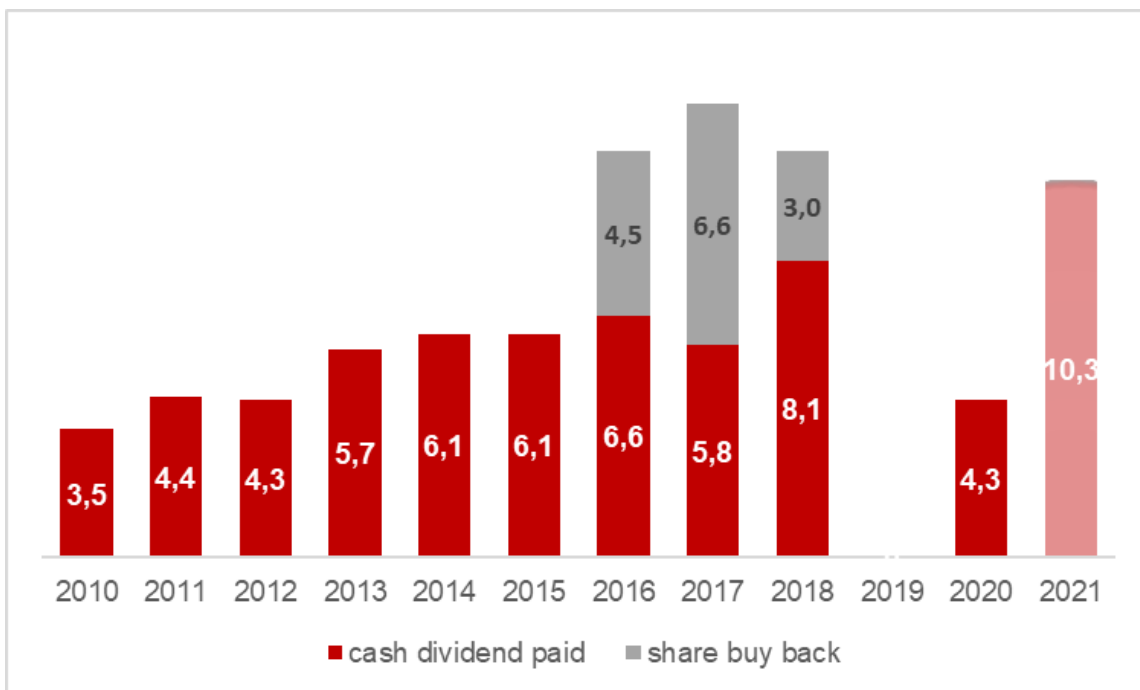
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- Leverage ratio reduced to 2.3 (Q3 2021: 2.4)
- Net debt reduced from EUR 10.6 million to EUR 130.6 million in Q4. Increase of EUR 27.4 million compared to previous year, affected by the acquisition of 3T
- Liquidity position remains strong with EUR 58 million availability in cash and undrawn credit facility



## DIVIDEND AND CASH RETURN

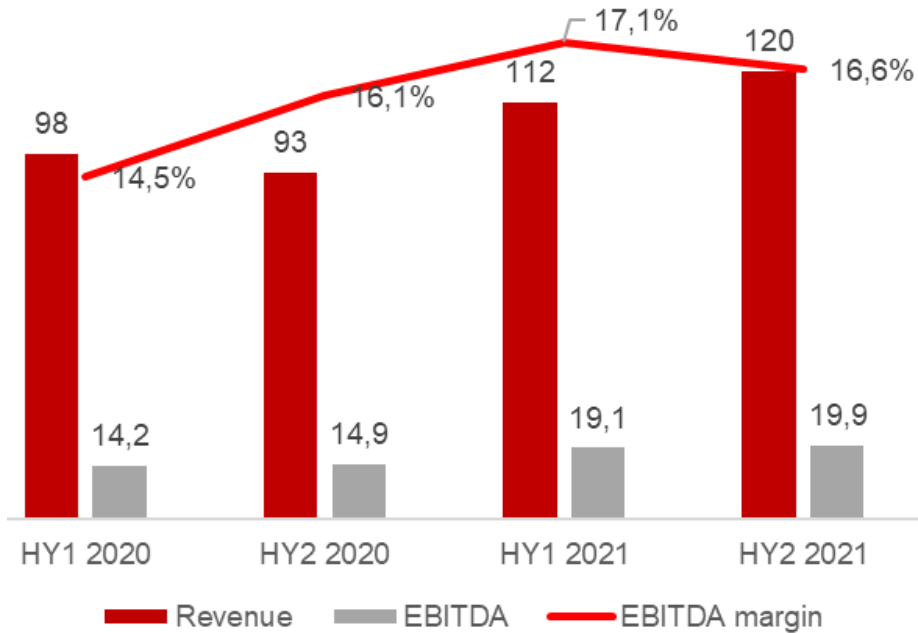
	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Actual	actual	proposed
Dividend per share	0,78	0,87	0,87	-	0,40	0,69
Pay-out	53%	50%	52%	-	50%	50%
Total dividend	10,2	11,7	11,7	-	5,9	10,3



- Kendrion strives to distribute annual dividend between 35% and 50% of normalized net profit before amortization, giving consideration to maintaining a healthy financial position
- Proposed dividend of EUR 0.69 per share (50% pay-out of normalized net profit)
- Dividend payable in cash or in ordinary shares charged to the share premium reserve at the option of the shareholder

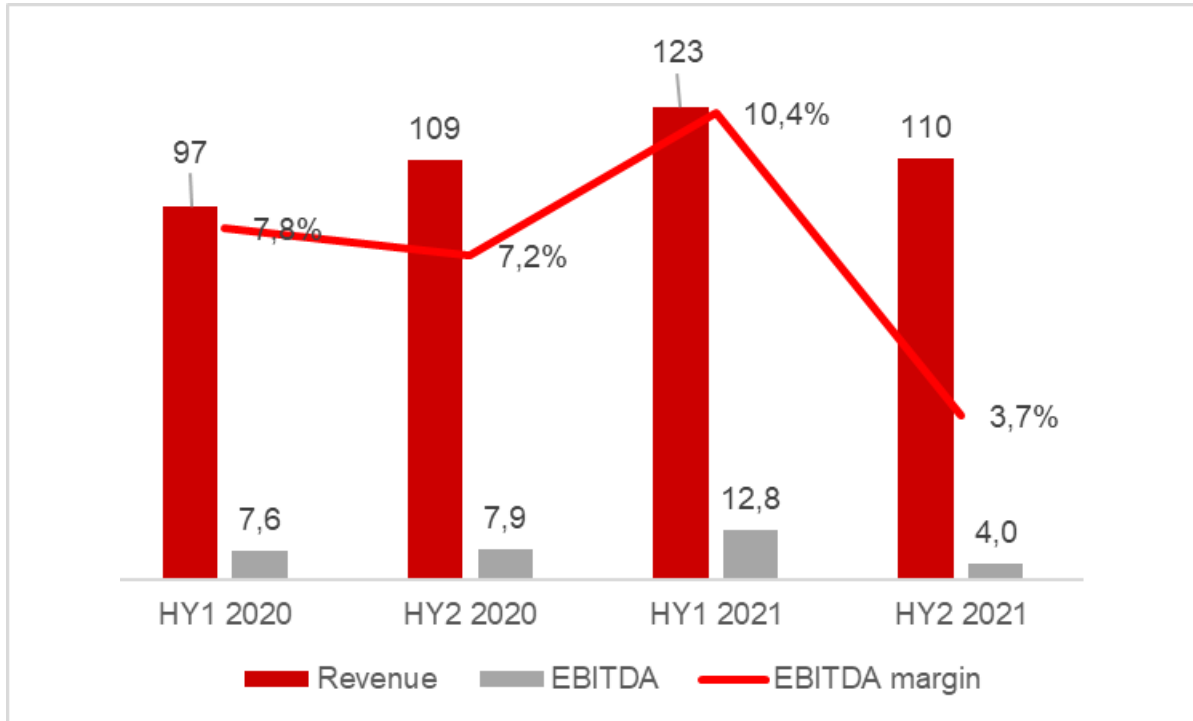
\* 2021 proposed (100% cash assumed for illustrative purposes)

## INDUSTRIAL



- Industrial Brakes recorded 21% revenue increase driven by recovery of demand and ongoing trend towards electrification and automation of industrial processes
- Industrial Actuators and Controls organic revenue up 16%
- 3T added EUR 3.4 million revenue and good profitability (19% EBITDA margin)
- Added value slightly decreased as raw material prices are passed on with material surcharges with some delay (mainly in IB)
- EBITDA increase of 34% in 2021, and 34% in HY2

## AUTOMOTIVE

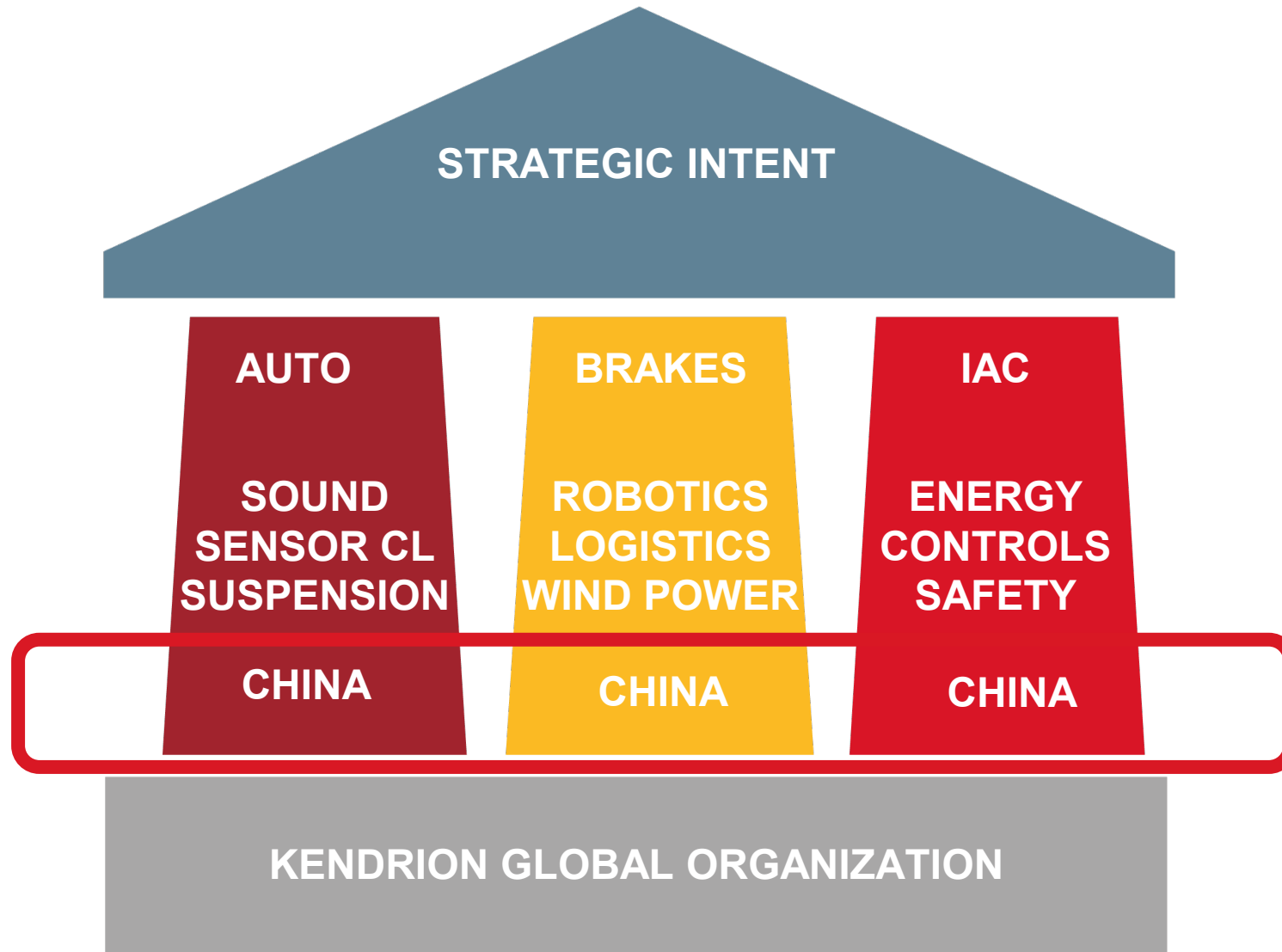


- Revenue indirectly affected by semi-conductor shortages in the Automotive industry
- Organic revenue growth of 13% in 2021, compared to 2% growth in global car production
- EBITDA margin reduction in HY2 driven by higher fixed operating expenses caused by abolishment of temporary pandemic related cost measures in 2020
- Slight increase in added value margin, despite significantly increasing raw material prices
- Commercial traction continues to be strong with EUR 305 million new business nominations, book-to-bill of 1.3



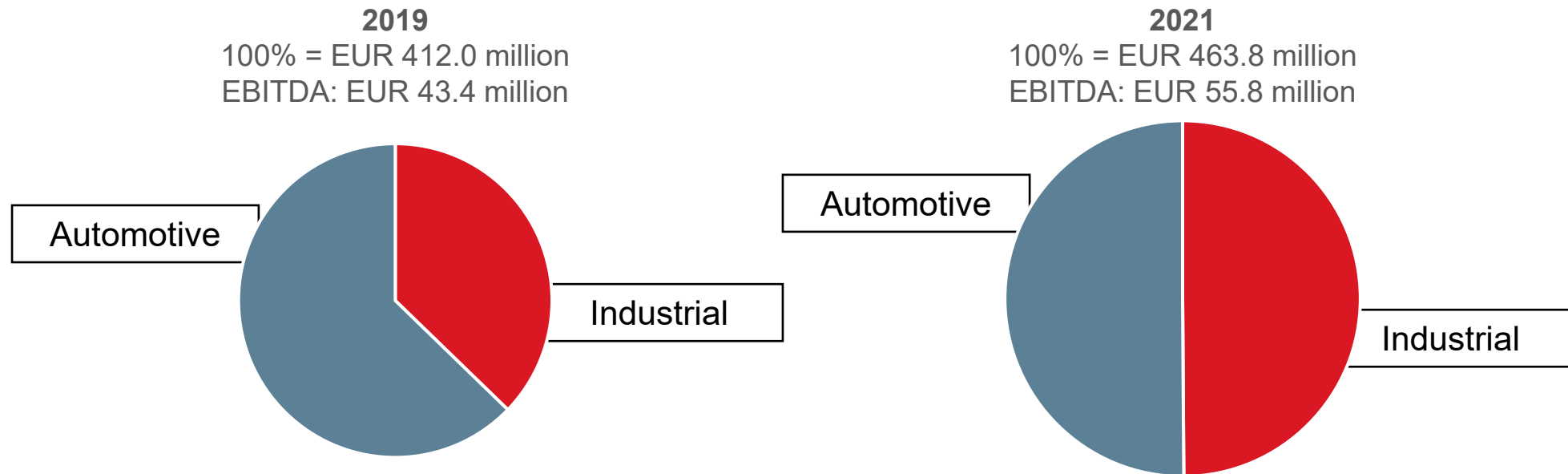
**2. Strategic and operational update**

# KENDRION STRATEGIC HOUSE



## KENDRION IS TRANSFORMING

Timing		Investment EUR million
Q3 2019	Acquisition of INTORQ	77.7
Q3 2021	Acquisition of 3T	23.3
Q4 2021	Started construction of 28,000 m2 manufacturing facility in Suzhou, China	20.0 (estimate)
<b>TOTAL</b>		<b>121.0</b>





## ACHIEVEMENTS IAC

FY 2021

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### Actuators

- Rotary solenoids production ramp-up for US and EU logistics market
- First samples for standard rotary lock for industrial washing machines delivered to European customers
- Start of series production for Newton CFiVe drink dispensing valves in Mishawaka

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### Controls

- Development of 20 kW inductive heating system started
- Record year for controls for inductive heating
- Integration of 3T – business alignment ongoing

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### Markets



Growth in all markets served especially in automation, machinery and appliances



Further stabilization of profitability in existing markets, medical market opportunity to be investigated



Significant ramp-up of production of beverage maker valves, 20% revenue growth in Q4

## 3T: INTEGRATION ON TRACK



# 3T

### 3T

- Organization embedded in IAC
- Significant enhancement of IAC's control technology portfolio
- Substantial cross selling opportunities, including 3T insourcing from IAC
- First Automotive S&E engineers have been recruited in Enschede
- Development office at High Tech Campus in Eindhoven to open on 1 July 2022

### Key market segments



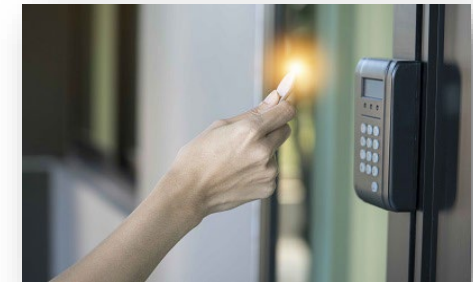
High complex machinery



Testing and measurement



Medical technology



Security & safety





## ACHIEVEMENTS IB

FY 2021



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### Key messages

- Substantial volume growth
- Smooth transition of UK service business to Villingen
- Despite a difficult supply chain, key customers delivered in time

### Products

- Continued success with newly introduced brake portfolio focused on robotics and logistic market segments
- Vision 2030 – product portfolio project initiated – to define direction and growth strategy

### Key initiatives

- Project to further expand manufacturing capabilities in Suzhou

# COMMERCIAL TRACTION

## IB



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### Momentum continues

- Clear focus on global growth markets: logistics, robotics, wind power
- Several leading customers added
- Confirmation of long-term partnership with top 2 customers
- Investing in IT to transform IB into a more digital enabled organization

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### Global growth markets



Robotics & automation



Industrial trucks



Wind power plants



AGVs

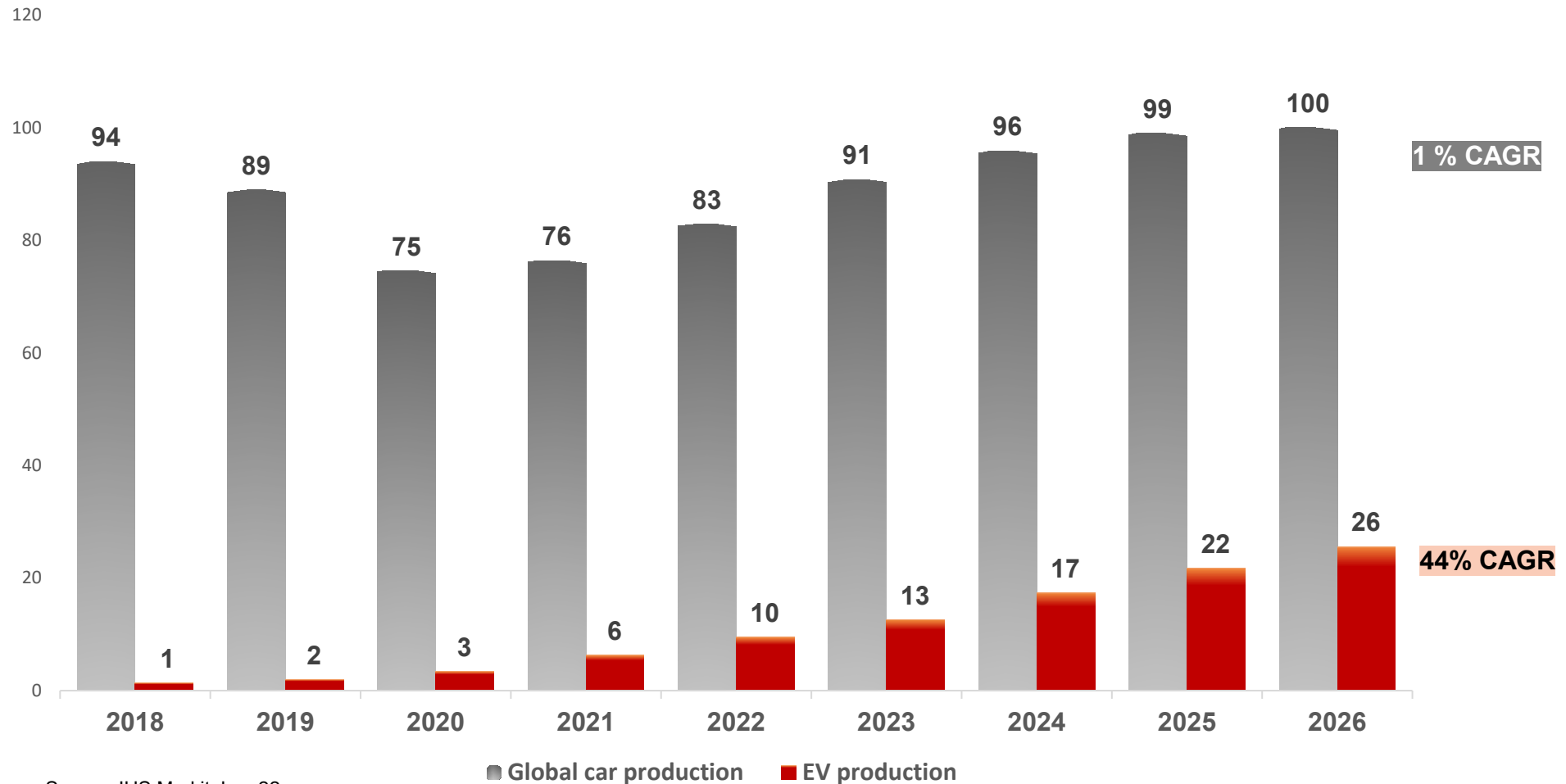


Medical



# GLOBAL PASSENGER CAR PRODUCTION

Million units



Source: IHS Markit Jan. 22

## ENTERING A NEW AUTOMOTIVE ERA

### ACES adoption accelerates further



#### Major OEMs accelerate ACES shift

- Mercedes Benz shows Vision EQXX at CES: a concept car with range of 1,000 km (*The Verge*)
- Ford to spend up to \$200 million reorganizing for shift to electric cars (*Bloomberg*)
- GM aiming at mass production of new BEV models using brand new ULTIUM platform (*GM.com*)
- Launch of electrical SUV's and pick-up trucks in US by Ford, GM and others (*Forbes*)

#### Consumer electronics companies enter the Automotive market

- Sony unveils the Vision S car at CES 2022 (*Sony.com*)
- Foxconn sets sights on building EVs in Europe, India, Latin America (*Autonews Europe*)
- Apple is rumored to work on a car codenamed project Titan (*AutoEvolution*)

#### Software and electronics content in all vehicles keeps increasing significantly

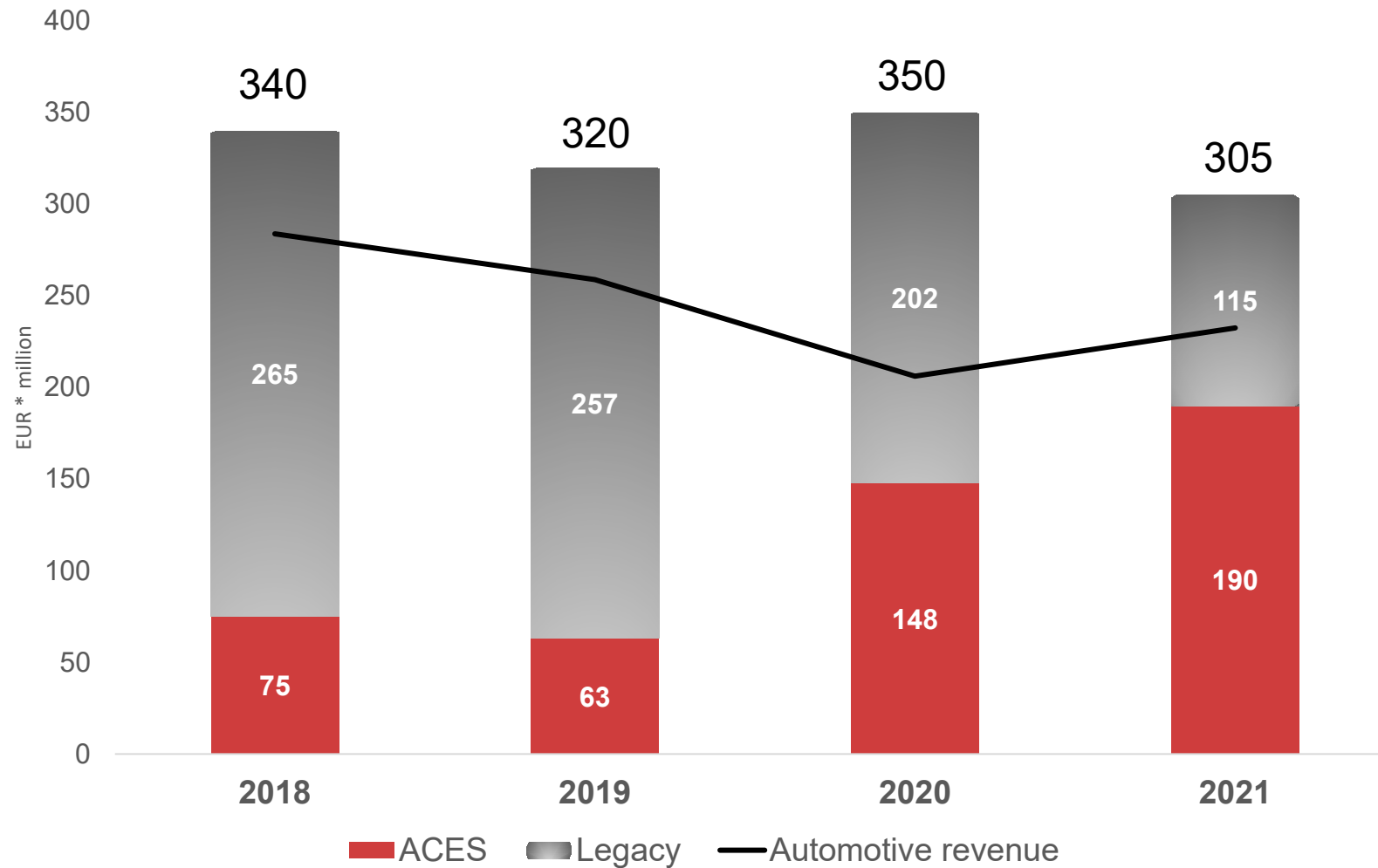
- VW established new subsidiary CARIAD to enable software defined vehicles (*Volkswagenag.com*)
- Software upgradability and over-the-air updates treated as critical features of future cars (*JDPower.com*)





## AUTOMOTIVE NOMINATIONS

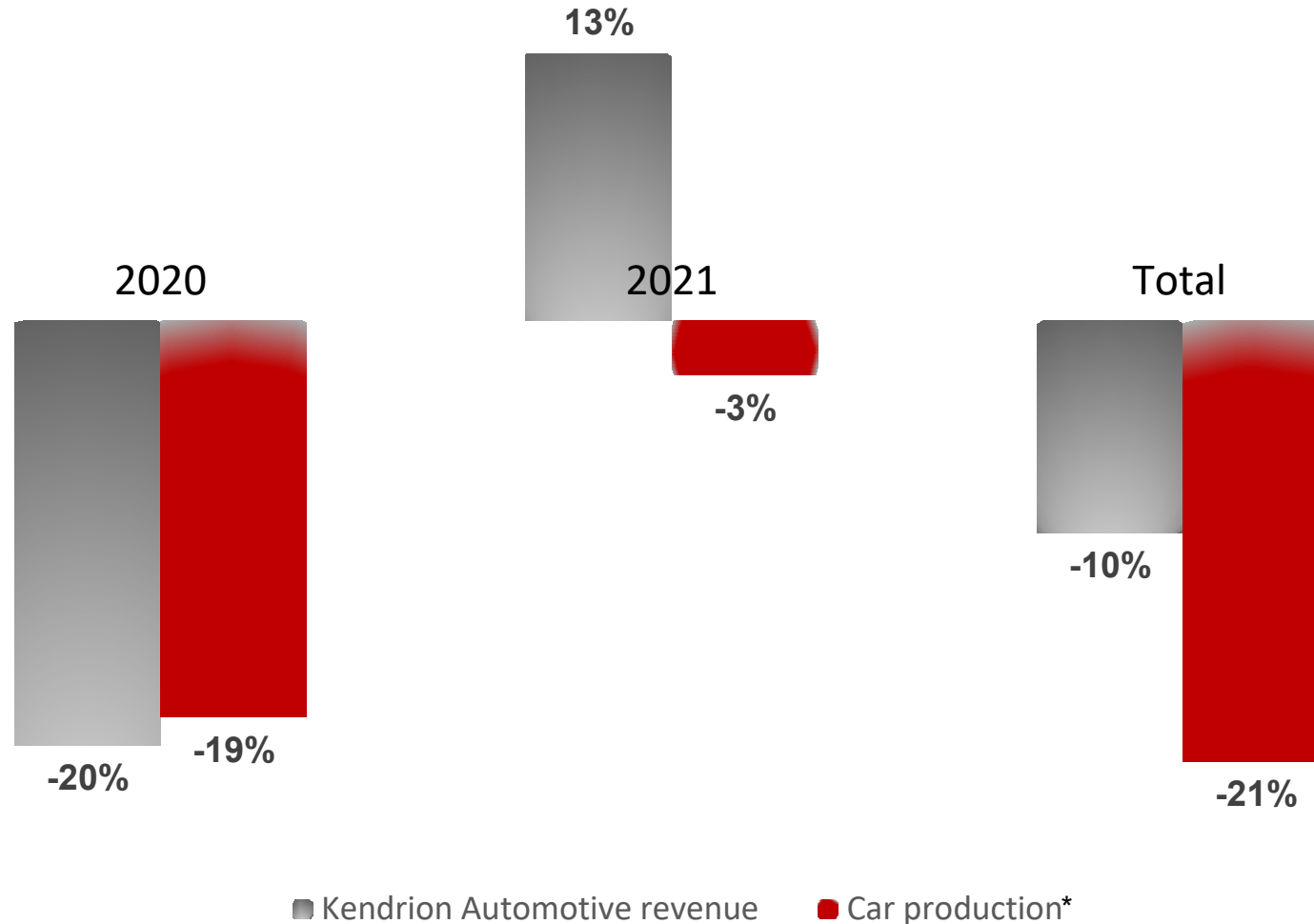
**EUR 1.25bn business wins since 2018: average book-to-bill of 1.3\***



\* Adjusted for net effect of cancellations and extensions of legacy revenue

# AUTOMOTIVE REVENUE VS GLOBAL CAR MARKET

**new business wins start to generate revenue**



\* Car production weighed for Kendrion's regional revenue mix

# COMMERCIAL TRACTION AUTOMOTIVE

## FY 2021



### AVAS Sound Phantone® product line: record nomination level

- EUR 120 million lifetime revenue added through Phantone product line
- Production expansion expected by end of 2022 in China
- Maturing software based on Autosar® and supporting ASPICE/FuSi
- Launch of ground-breaking Sound Designer tool, 2 OEM's signed up

### Suspension: growing momentum

- New strategic collaborations: 3 Tier 1's signed eCDV contracts
- Successful expansion into China market with first OEM nominations
- Strong demand continued despite global supply shortage
- Globally strong interest in next generation iCDV product

### Sensor Cleaning: strategic collaboration

- Strategic collaboration with Tier 1 Kautex providing full one-stop shop
- High interest from OEM's as well as Robo-taxi Ventures
- Kendrion/Kautex to offer technically leading platform with unique KPI's



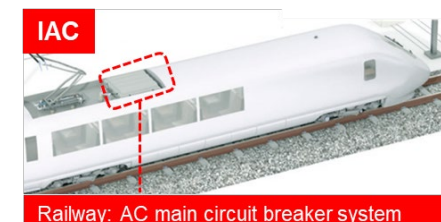
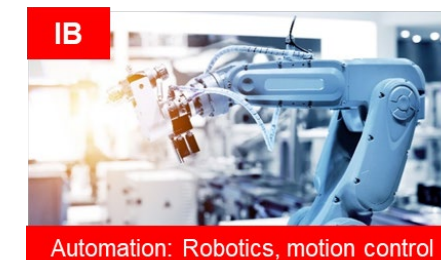


# COMMERCIAL TRACTION CHINA

## New business development

- Nominations continue to be higher than size of the business
- Significant opportunity driven by China government's 14<sup>th</sup> 5-year plan, emphasizing energy transition

Automotive    Green energy    Electric vehicle  
 Biotech    5G    Environment  
 Robotics    Medical  
 Protection







## PLANNED NEW FACTORY IN SIP, SUZHOU CHINA



- 30 years land-use-right acquired at Suzhou Industrial Park  
Phase I: 27,248 m<sup>2</sup>  
Phase II: 16,105 m<sup>2</sup>
- Automatic warehouse designed will enhance overall efficiency  
5,500 pallets  
3,345 boxes spaces
- Official construction since 1 December 2021
- Completed pile construction at end 2021
- Expect to complete basement construction in March 2022

# VIEW OF THE KENDRION PLOT TAKEN BY DRONE

## 15 February 2022



# SUSTAINABLE PRODUCT CONTRIBUTIONS



INDUSTRIAL BRAKES  
INDUSTRIAL ACTUATORS AND CONTROLS  
AUTOMOTIVE

Products that keep you safe • Products that keep you healthy • Products that reduce climate impact

RESPONSIBLE PRODUCT PORTFOLIO

PRODUCTS THAT KEEP YOU SAFE      PRODUCTS THAT KEEP YOU HEALTHY      PRODUCTS THAT REDUCE CLIMATE IMPACT

ENVIRONMENTALLY SUSTAINABLE ECONOMIC ACTIVITIES

WINDPOWER AND AUTOMATED WAREHOUSES      INDUCTIVE HEATING AND ENERGY DISTRIBUTION      ELECTRIC VEHICLES



# PROGRESSING ON SUSTAINABILITY

## Target framework 2019-2023

### 2019-2023 TARGET FRAMEWORK

Relative reduction of energy consumption



TARGET 2023  
**15%**

2021 ACTUAL

**↓8%**

Relative reduction of CO<sub>2</sub> emission



TARGET 2023  
**15%**

2021 ACTUAL

**↓17.9%**

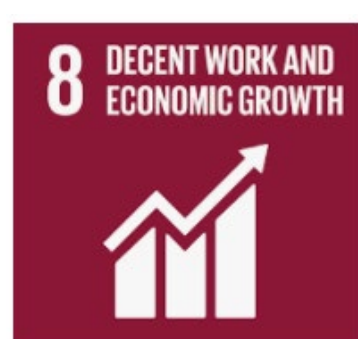
### REALIZED IN 2021

- Enhanced focus on the development of sustainable products and expansion of relevant capabilities
- Reduction relative CO<sub>2</sub> emissions from energy by production plants by 54% compared to 2015
- Completed review on decarbonization strategies and mitigation plans

### Waste management

#### REALIZED

- 5.5% reduction total waste
- Recycling rate increased from 82% to 83%
- Distribution hazardous waste (9%) and non-hazardous waste (91%)





### 3. Outlook

## OUTLOOK 2022

- Expect current economic environment to continue in first half of 2022
- Potentially more stable supply chain in the second half
- Substantial and sustained opportunity for growth with products that help advance the global push towards electrification and clean energy
- Positive business fundamentals, with our main objective: delivery of sustainable profitable growth



## LONG-TERM TARGETS

### Revenue

Average organic growth at least 5%  
per year \*

### EBITDA margin

At least 15% in 2025

### ROIC

At least 25% in 2025

### Dividend

Between 35% - 50% of normalized  
net profit

\* Invested capital excluding goodwill and intangibles arising from acquisitions



## 4. Questions & Answers



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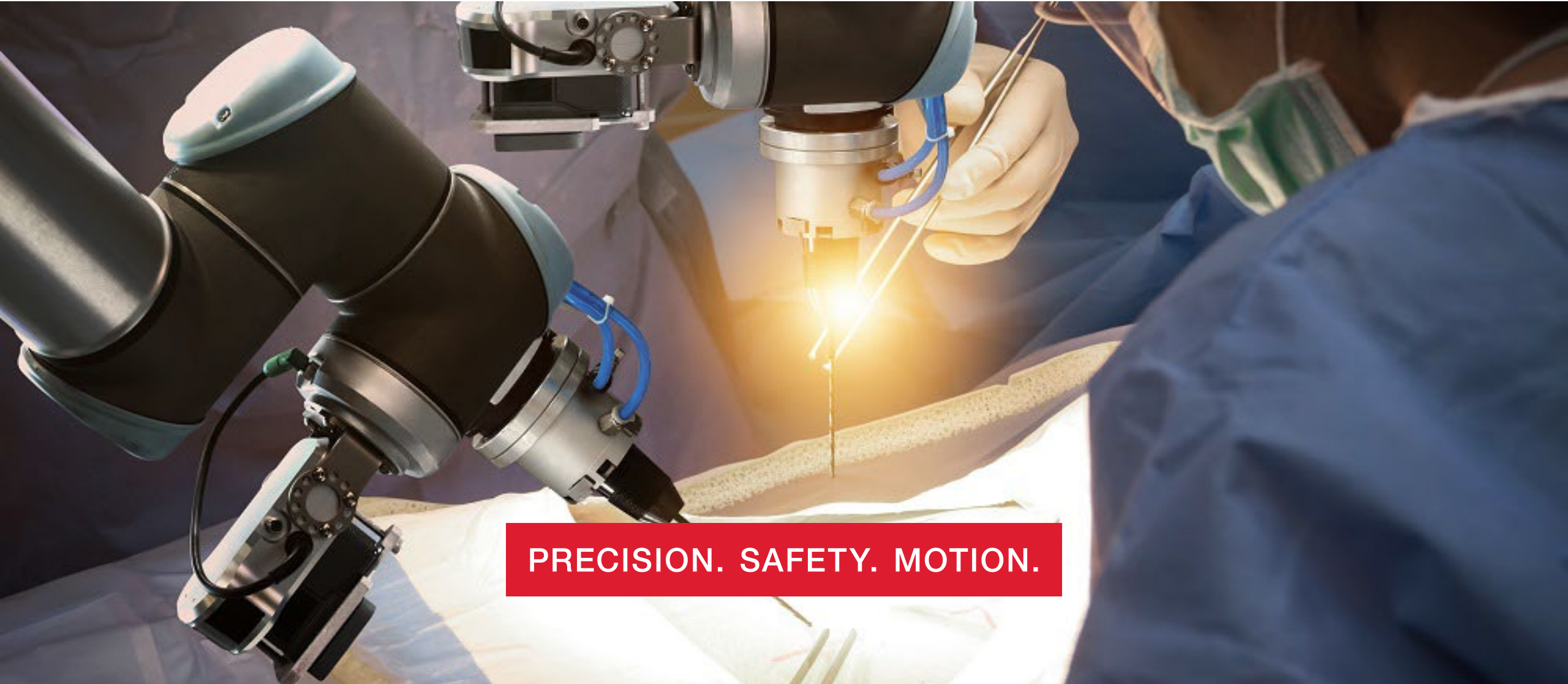
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# KENDRION

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PRECISION. SAFETY. MOTION.