

A photograph of two offshore wind turbines in a stormy sea. The sky is overcast with grey clouds, and the sun is visible through a break in the clouds, creating a bright glow. Large, white-capped waves are crashing against the turbines, with significant spray and foam. The water is dark and turbulent. The overall scene conveys a sense of power and resilience in a harsh environment.

Q2 AND HALF YEAR RESULTS 2023

Amsterdam, 23 August 2023

AGENDA

1. Business review
2. Strategic and operational update
3. Outlook
4. 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.



1. Business review

KEY FIGURES

Q2 and HY1 2023

	Q2 2023	Q2 2022	delta
Revenue	136.9	126.9	8%
Normalized EBITDA ¹	14.0	13.7	2%
Normalized EBITA ¹	8.2	7.9	4%
Normalized profit before amortization ¹	4.4	5.3	-17%
Net profit	3.7	3.7	0%
Normalized EBITDA as a % of revenue	10.2%	10.8%	

	HY1 2023	HY1 2022	delta
Revenue	273.7	256.8	7%
Normalized EBITDA ¹	29.7	30.5	-3%
Normalized EBITA ¹	18.1	19.3	-6%
Normalized profit before amortization ¹	10.0	12.9	-22%
Net profit	8.6	8.8	-2%
Normalized EBITDA as a % of revenue	10.9%	11.9%	
Normalized EBITA as a % of revenue	6.6%	7.5%	
Return on invested capital ¹	14.1%	14.7%	
Free cash flow	-12.5	-7.6	
Net debt	160.9	145.6	

- Q2 revenue increased 9% at constant rates of exchange
- Sales price increases contributed with 6% to Q2 revenue
- Inflationary margin dilution and sales mix effects put pressure on added value margin
- 2% increase in normalized EBITDA in Q2 with slight increase in added value and slightly lower operating costs
- EUR 0.1 million net operating costs normalized from the Q2 results
- Increased Euribor rates and unfavorable currency results drove EUR 2.2 million higher interest expenses in Q2
- EUR 5.8 million negative free cash flow in Q2, including EUR 2.5 million payments related to tax audit settlement and restructuring costs
- Net debt increase of EUR 13.1 million, mainly due to cash portion of the dividend and free cash flow
- Leverage ratio of 2.8 per 30 June 2023, up from 2.6 at the end of Q1

¹) Non-IFRS measures adjusted for items generated outside the normal course of business. Invested capital excludes goodwill and intangibles arising from acquisitions.

INDUSTRIAL ACTIVITIES

	IAC		IB		Industrial	
	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22
Revenue	33.2	30.2	36.0	36.0	69.2	66.1
Revenue growth	10%	17%	0%	15%	5%	16%
Currency translation	-1%	1%	-2%	3%	-1%	2%
Acquisitions		12%				6%
Organic growth at constant FX	11%	4%	2%	12%	6%	8%

	IAC		IB		Industrial	
	HY1 23	HY1 22	HY1 23	HY1 22	HY1 23	HY1 22
Revenue	66.3	62.4	74.8	73.7	141.1	136.1
Normalized EBITDA ¹					23.3	24.4
Normalized EBITDA as a % of revenue					16.5%	17.9%
Revenue growth	6%	25%	1%	19%	4%	22%
Currency translation	-1%	1%	-2%	2%	-1%	2%
Acquisitions		12%				6%
Organic growth at constant FX	7%	12%	3%	19%	5%	14%
Total assets					277.6	276.3
FTE					1.272	1.328

- 6% revenue growth in Q2 at constant rates of exchange
- Price increases contributed 4% to Q2 revenue
- Continued strong momentum in IAC driven by medical, aviation and control technology segments
- Weakening of industrial production in Germany and China affects IB revenue
- First six months EBITDA affected by wage inflation and capacity extensions in IB
- Investments of EUR 4.4 million (HY1 2022: EUR 2.8 million) exceed depreciation by EUR 0.4 million

1) Non-IFRS measures adjusted for items generated outside the normal course of business. Invested capital excludes goodwill and intangibles arising from acquisitions.

AUTOMOTIVE ACTIVITIES

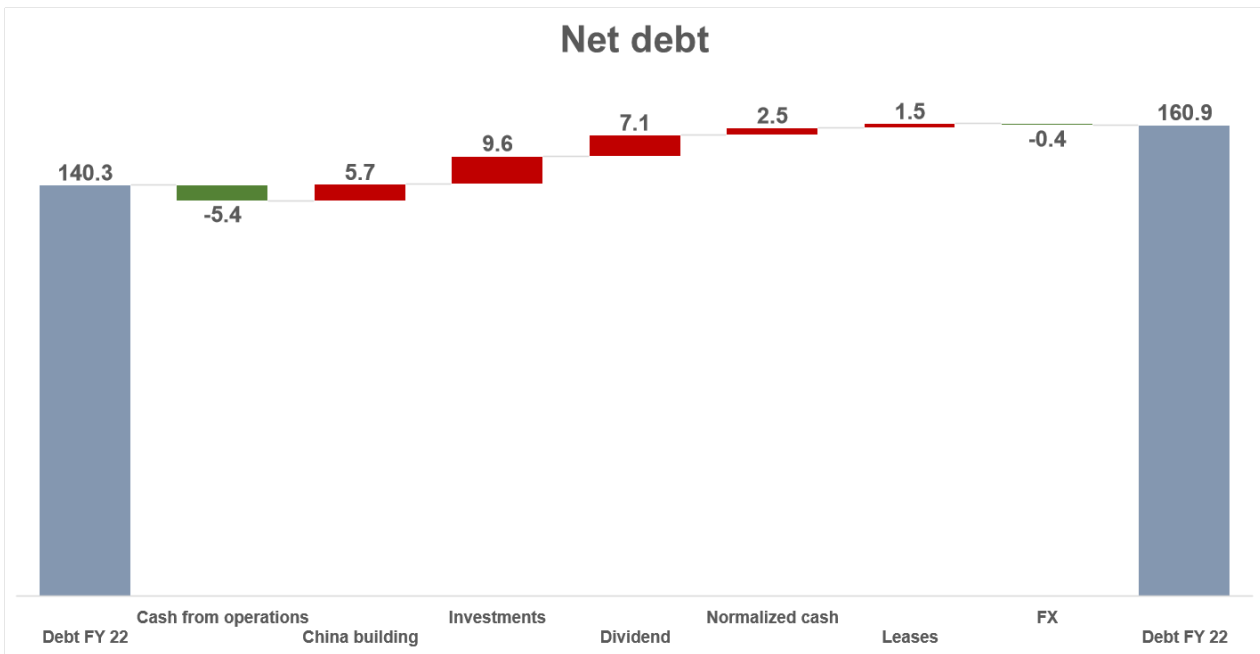
	Core ¹		E ¹		Automotive	
	Q2 23	Q2 22	Q2 23	Q2 22	Q2 23	Q2 22
Revenue	49.2	46.6	18.5	14.2	67.7	60.8
Revenue growth	6%		30%		11%	-3%
Currency translation	-1%				-1%	2%
Organic growth at constant FX	7%		30%		12%	-5%

	Core ¹		E ¹		Automotive	
	HY1 23	HY1 22	HY1 23	HY1 22	HY1 23	HY1 22
Revenue	98.1	91.5	34.5	29.2	132.6	120.7
Normalized EBITDA ¹					6.4	6.1
Normalized EBITDA as a % of revenue					4.8%	5.0%
Revenue growth	7%		18%		10%	-2%
Currency translation						2%
Organic growth at constant FX	7%		18%		10%	-4%
Total assets					213.3	257.5
FTE					1.380	1.419

- 12% organic revenue increase in Q2 driven by increased global car production
- Price increases contributed with 6% to Q2 revenues
- 30% revenue growth in Q2 in Automotive E was driven by existing suspension and sound business
- 7% revenue growth in Q2 in Automotive Core on the back of sales price increases
- Normalized EBITDA up 5% compared with HY1 2022 and 68% compared to HY2 2022 driven by volume growth in combination with flat operating costs
- Investments of EUR 10.9 million (HY1 2022: EUR 13.2 million), including EUR 5.7 million for China building (HY1 2022: EUR 5.3 million)

1) Non-IFRS measures adjusted for items generated outside the normal course of business. Invested capital excludes goodwill and intangibles arising from acquisitions.

CASH FLOW AND NET DEBT



- EUR 5.4 million normalized net cash from operating activities in the first six months (HY1 2022: EUR 8.9 million)
- EUR 2.5 million cash payments in HY1 relate to settlement of long standing tax audit dispute and restructuring payments
- Investments of EUR 15.4 million in HY1, including EUR 5.7 million related to the China building
- Total working capital increases in line with revenue
- Leverage ratio of 2.8 at the end of Q2, compared to 2.6 at the end of Q1 2023
- Lower investments and positive seasonality on working capital expected to drive down net debt in HY2
- Good liquidity position with EUR 48 million availability in cash and undrawn facilities



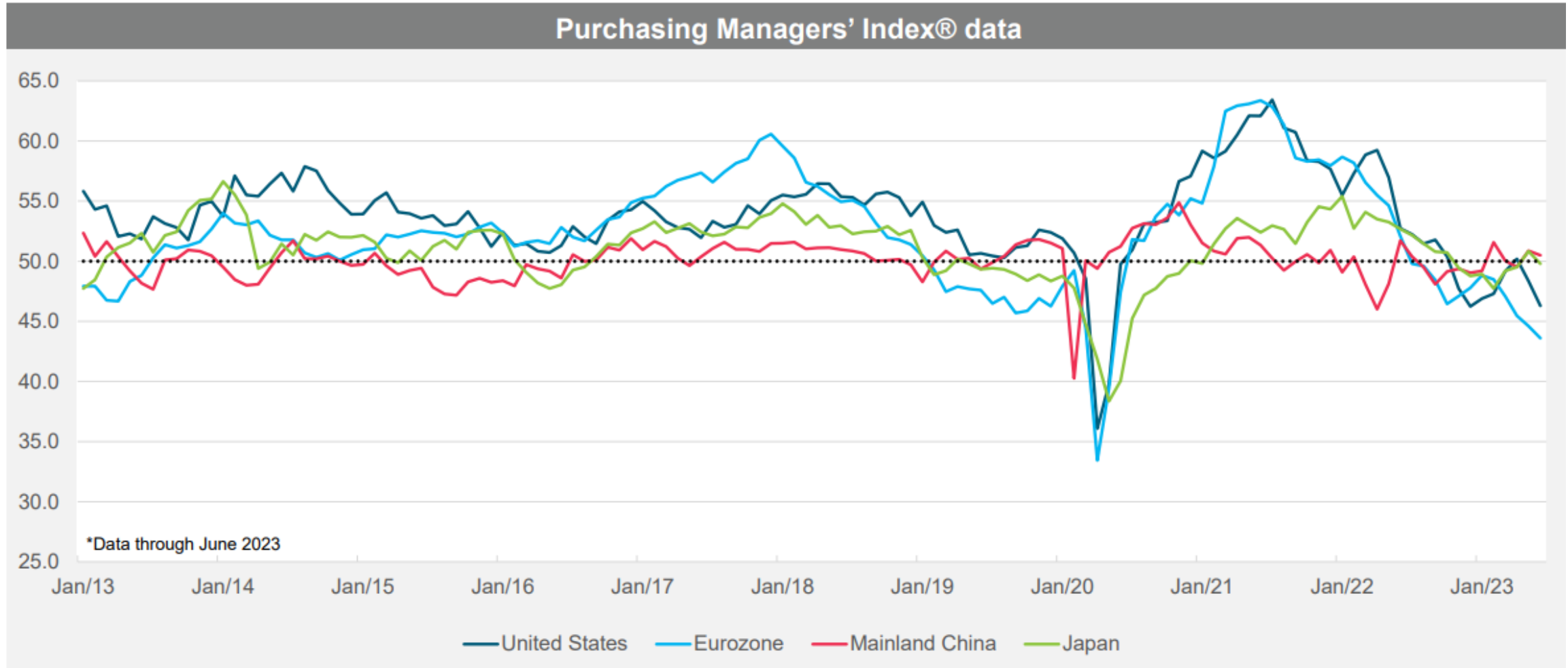
2. Strategic and operational update

Connect...

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GLOBAL PURCHASING MANAGERS' INDEX

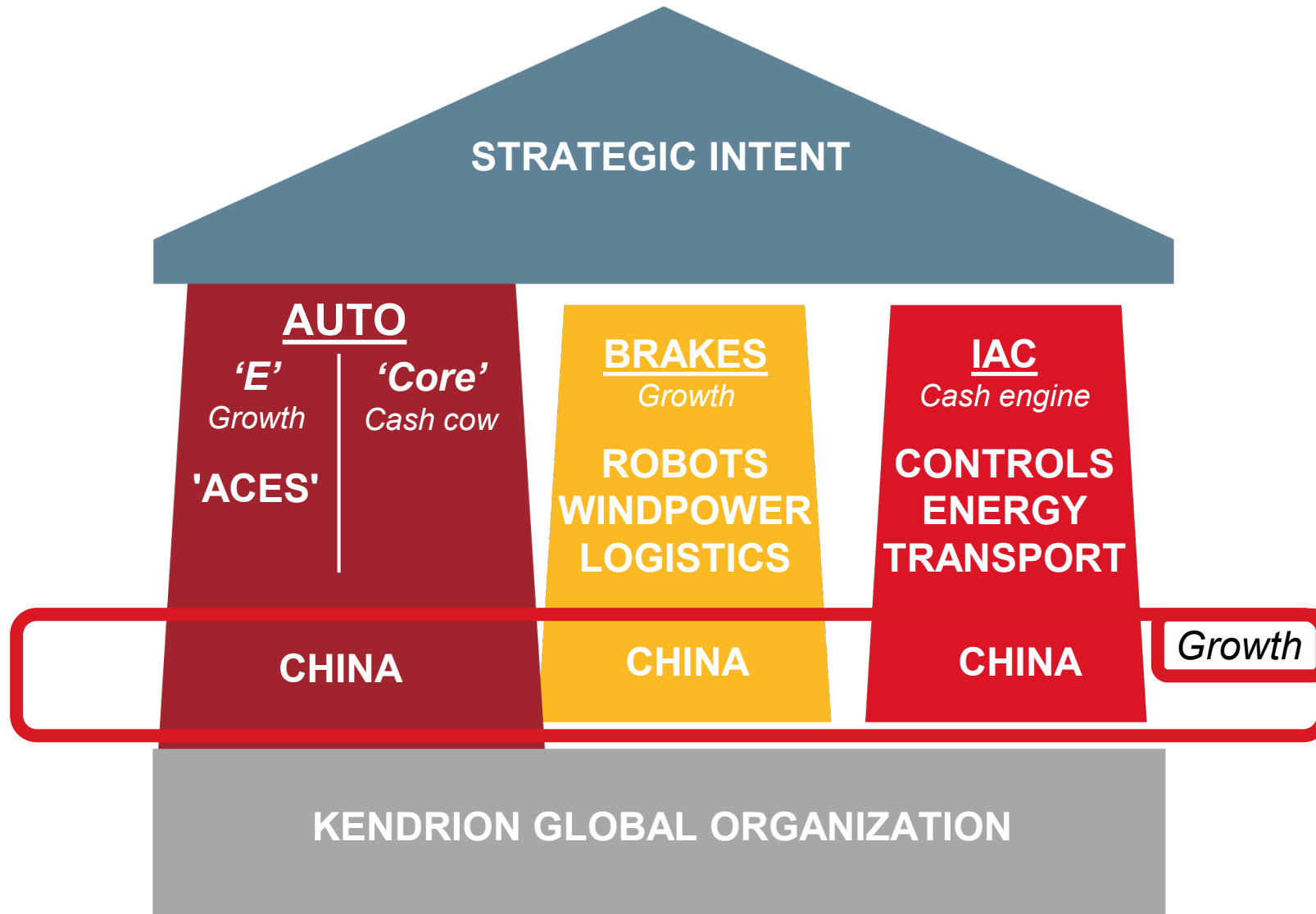


CURRENT ECONOMIC CLIMATE

- Eurozone economy is slow
 - Expected to grow by 0.5% in 2023, with the risk of a recession still present
 - Business activity in Germany fell to its lowest level this year, with a score of 48.3 (above 50 represents growth) in the S&P Global flash composite purchasing managers' index
- China is struggling
 - GDP grew by just 0.8% between the first and second quarter of 2023
 - Exports are low
 - Risk of deflation
- US is doing better
 - GDP growth forecast was revised upwards to 0.9% in 2023 due to consumer spending as the steady engine of growth
 - Uncertainties and vulnerabilities remain unusually high, because of the growing impact of high interest rates and persistent inflation

KENDRION STRATEGIC HOUSE

More focus on clean energy

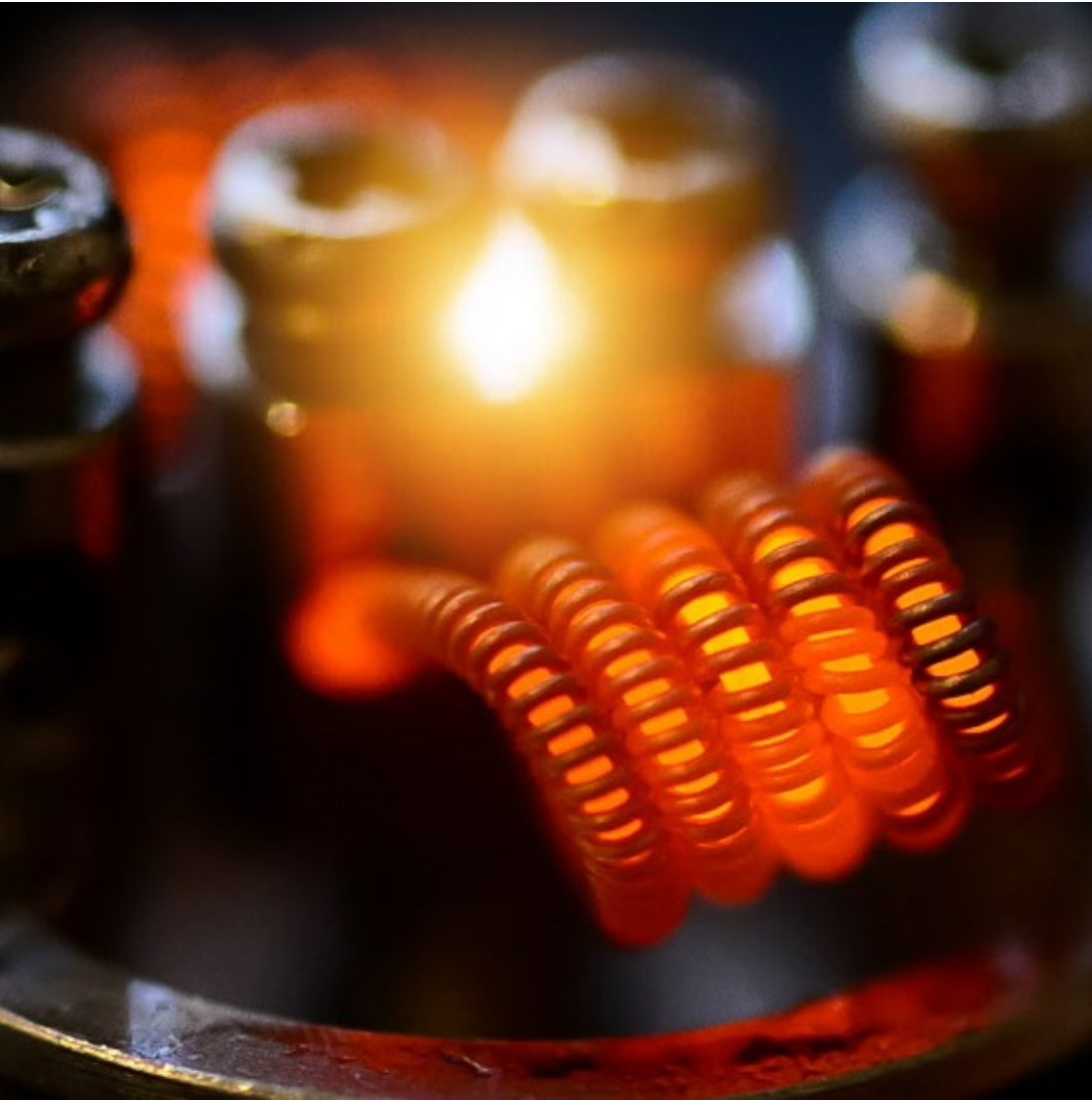


INDUSTRIAL BRAKES



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- HY1 revenue has increased by 3% as the market slowed during HY1
 - Demand from key customers is weak – IB market position is intact
 - Several cost cutting measures have been implemented to protect profitability and cash generation
 - Sustained success with current and new clients, driven by our comprehensive product lineup and the widespread shift to clean energy

INDUSTRIAL ACTUATORS AND CONTROLS



-
- HY1 revenues in line with expectations, with volumes slightly up, despite weakness in textile machinery
 - Markets trending up: aircraft products, electrical distribution, beverage dispensing valves, laser shutters, inductive heating systems
 - Stable gross margins; successfully passing on of raw material price increases
 - Semiconductor supply easing up, backlog reducing to normal levels
 - Solid order book and continued interest in new products such as industrial locks, inductive heating, and valve products



IAC OPPORTUNITIES



Motorized lock

- Focus on industrial washing machines, refrigerators, household appliances
- Significant high volume opportunity
- Revenue ramping up now



Inductive heating

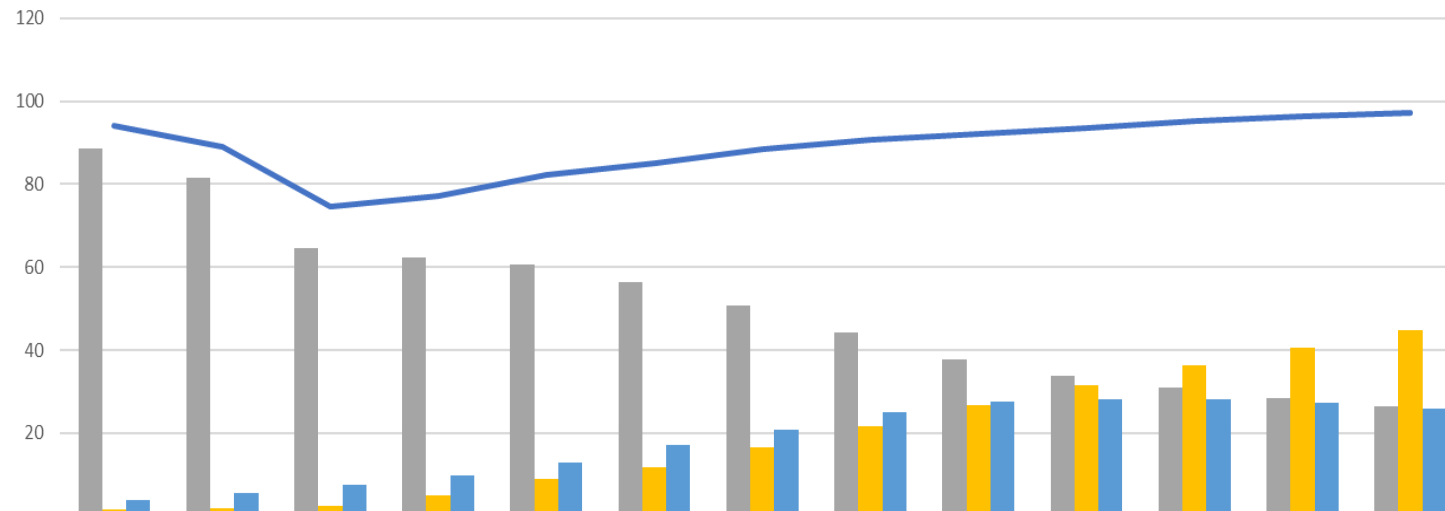
- First type of machine (5kW solution), demand is increasing
- Currently developing a 20kW solution for bakery applications
- Revenue will ramp up in 2024



GLOBAL ENGINE PRODUCTION

Electric cars growth continues

Annual Engine production based on engine type (IHS market 2023-03)



	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
ICE	89	82	65	62	61	56	51	44	38	34	31	28	26
BEV/Fuel Cell	2	2	2	5	9	12	17	22	27	31	36	41	45
PHEV	4	5	8	10	13	17	21	25	28	28	28	27	26
Total	94	89	75	77	82	85	88	91	92	94	95	96	97

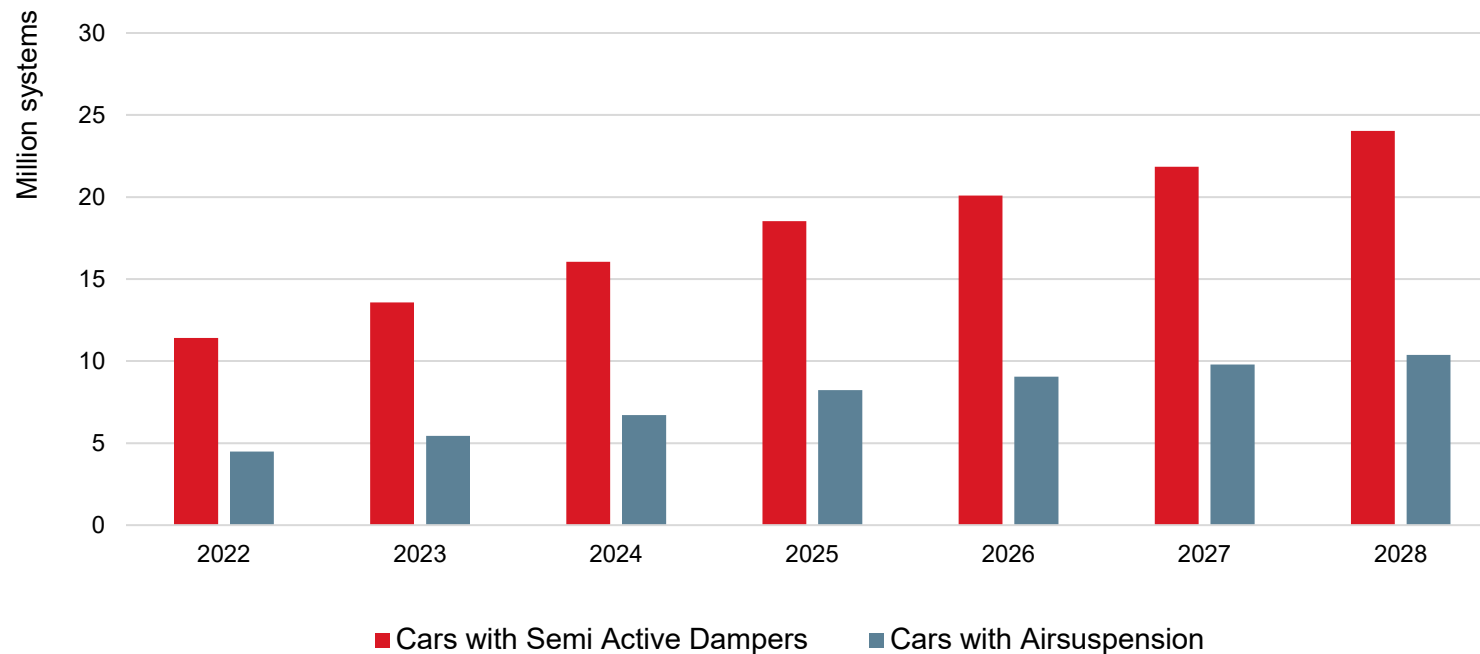
■ ICE ■ BEV/Fuel Cell ■ PHEV — Total

- Total overall automotive market is still growing:
CAGR 2023-2028: +2,3%
- Growth is mainly in BEV and PHEV
 - BEV: +25,2%
 - PHEV: +10,5%
 - ICE: -11,3%
- In 2028, there will be more BEV than ICE vehicles



GLOBAL ACTIVE SUSPENSION PRODUCTION

Market development



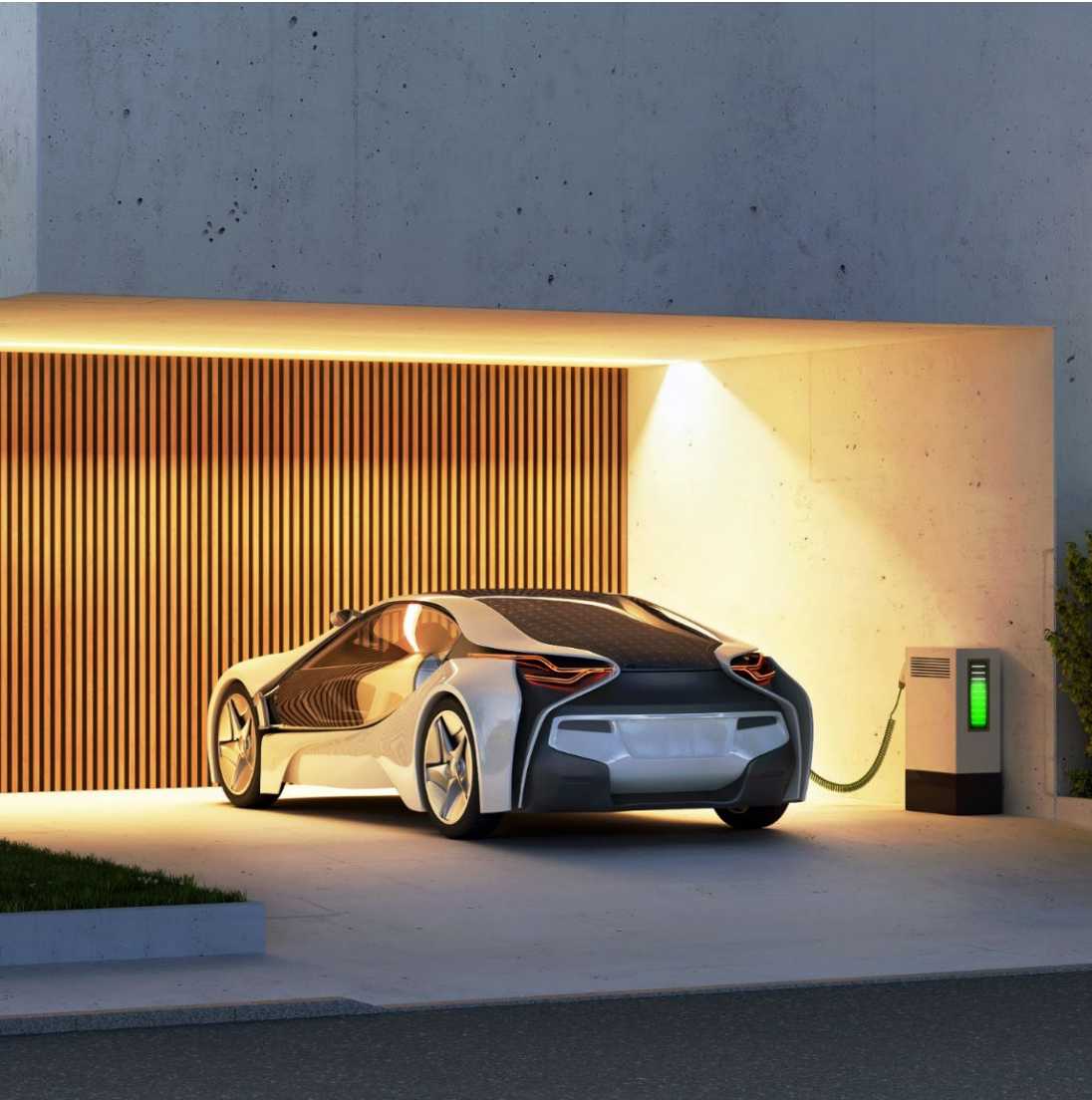
Semi active damper market:

- CAGR 2022-2028: +13%

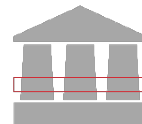
Air suspension market:

- CAGR 2022-2028: +15%

AUTOMOTIVE E



-
- Pro-forma 'E' revenue growth of 17% to EUR 34.4 million
 - Significant interest in the market for our Active Suspension, Sound and Smart Actuation
 - New nomination received for our Air Suspension Valve platform in China
 - Preparations for 7 new production introductions (SOP) in China are progressing well
 - Changed our Segment Sensor Cleaning into a broader segment called Smart Actuation

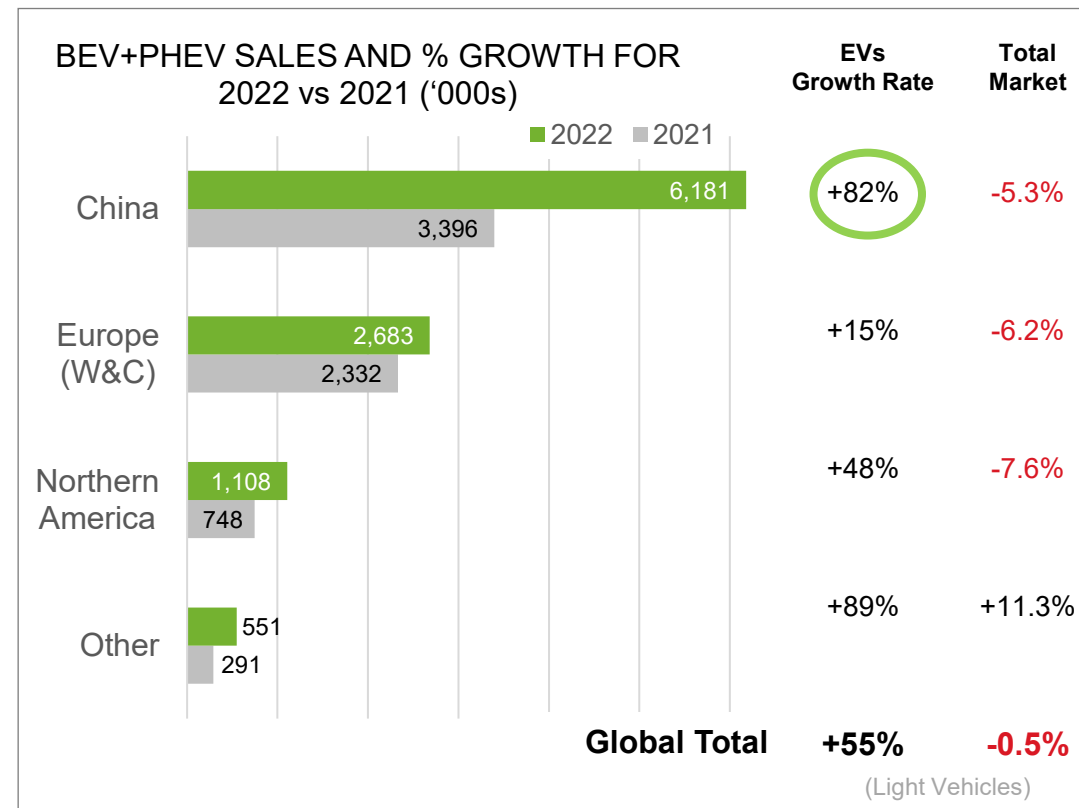


CHINA, THE LARGEST EV MARKET

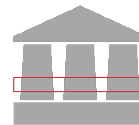
China is the **#1 large** global market

3 major EV market regions	2022 EV penetration rate per sales	2022 EV global market share
China	27%	59%
Europe	21%	25%
US	7%	11%

China is the **#1 fast growing** region



Source: EV volumes–Global EV Sales for 2022 by Roland Irle



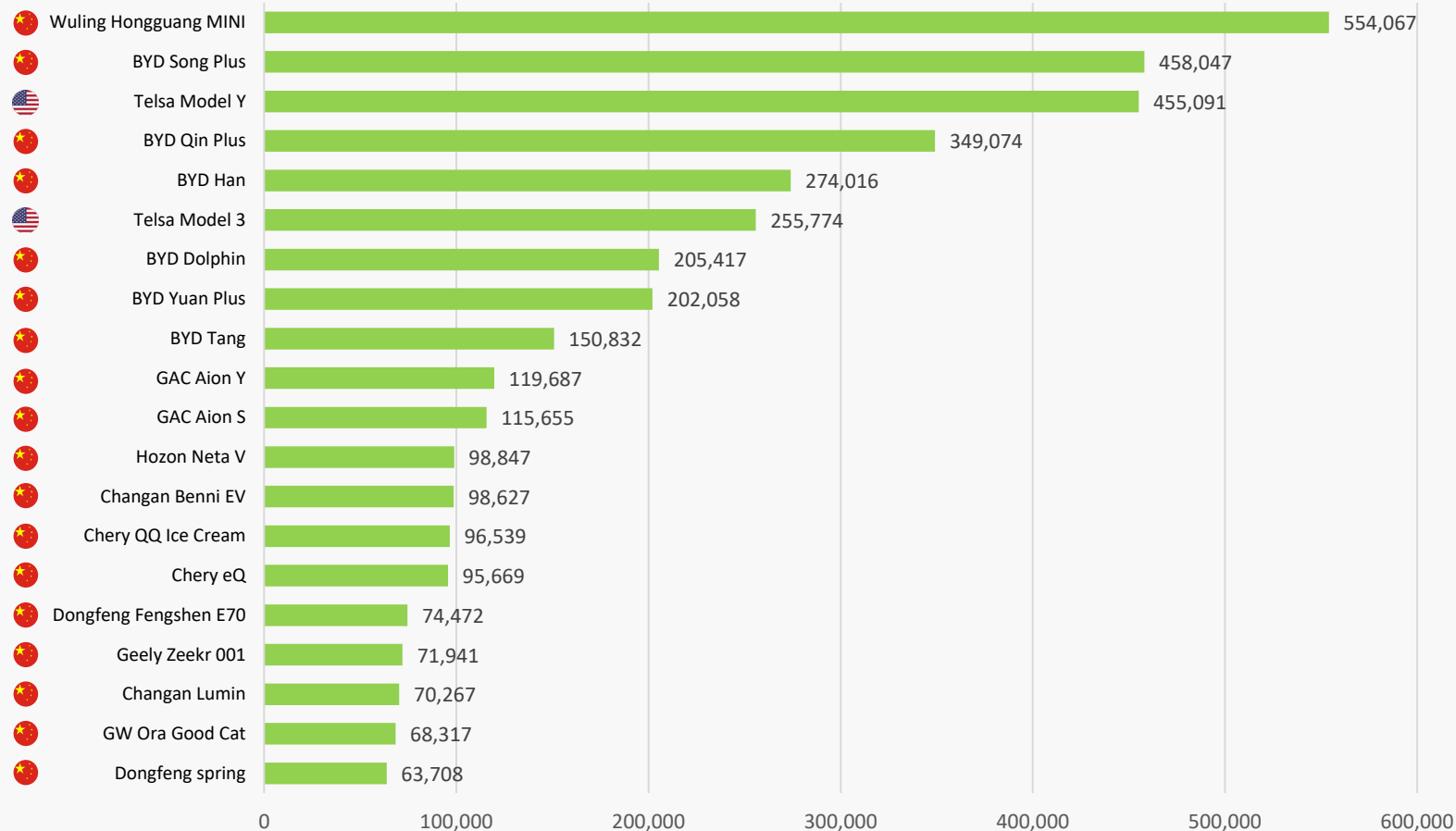
LOCAL BRANDS DOMINATE THE CHINA MARKET

- **82%** of sales volume of top 20 models comes from China brands

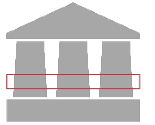


- **18** of top 20 models are from China brands

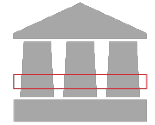
Top 20 BEV+PHEV Models—sales volume of 2022



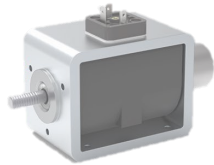
GRAND OPENING ON 24 MAY



OPERATIONAL STATUS FACTORY S.I.P.



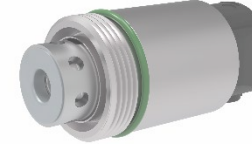
IAC



IB



Automotive



Production transfer

100%

100%

100%

R&D Localization

95%

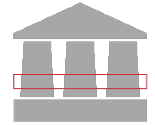
70%

60%

- IE
- Testing
- Design

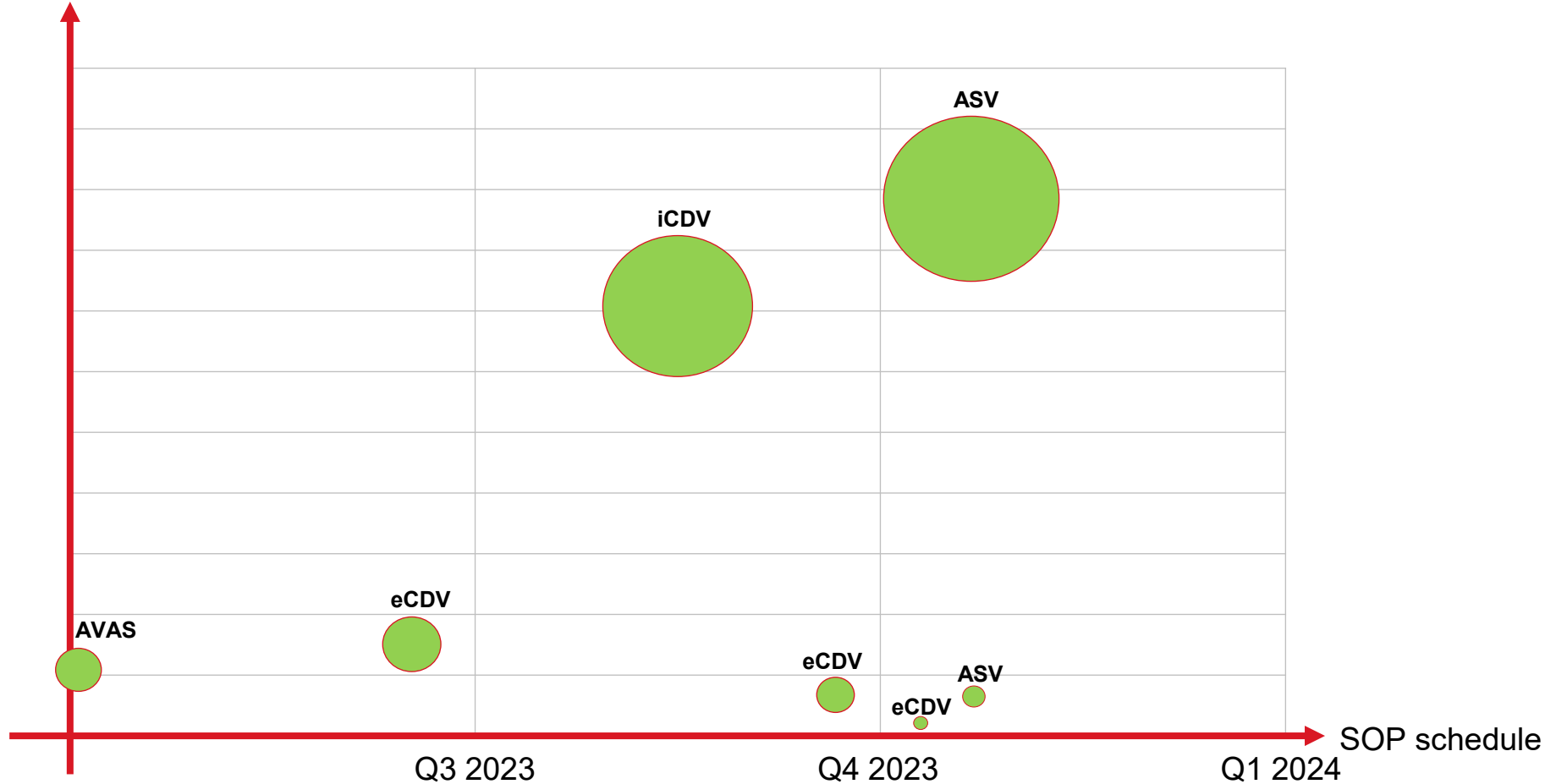
- IE
- Testing
- Design

- IE
- Testing
- Application support



CHINA-BASED AUTOMOTIVE E PROJECTS

Business potential in 2024
EUR million





3. Outlook



OUTLOOK

- We are experiencing a reduction in economic activity especially in Germany and in China
- We are taking short term cost-reduction measures to protect our profitability and cashflow
 - Implementing short-time work in one of our German-based facilities
 - Reducing discretionary expenses and investments that are not directly related to revenue generation
- Broad-based energy transition towards electrification is continuing
- Our longer-term business fundamentals remain unchanged and positive





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

KENDRION



PRECISION. SAFETY. MOTION.