

KONGSBERG AUTOMOTIVE

Q3 2022 EARNINGS CALL

NOVEMBER 8, 2022



KONGSBERG
AUTOMOTIVE

FORWARD-LOOKING STATEMENTS AND NON-IFRS MEASURES

FORWARD-LOOKING STATEMENTS

This presentation contains certain “forward-looking statements”. These statements are based on management’s current expectations and are subject to risks, uncertainty and changes in circumstances, which may cause actual results, performance, financial condition or achievements to differ materially from anticipated results, performance, financial condition or achievements. All statements contained herein that are not clearly historical in nature are forward-looking and the words “anticipate,” “believe,” “expect,” “estimate,” “plan,” and similar expressions are generally intended to identify forward-looking statements. We have no intention and are under no obligation to update or alter (and expressly disclaim any such intention or obligation to do so) our forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by law. The forward-looking statements in this presentation include statements addressing our future financial condition and operating results. Examples of factors that could cause actual results to differ materially from those described in the forward-looking statements include, among others, business, economic, competitive and regulatory risks, such as conditions affecting demand for products, particularly in the automotive industries; competition and pricing pressure; fluctuations in foreign currency exchange rates and commodity prices; natural disasters and political, economic and military instability in countries in which we operate; developments in the credit markets; future goodwill impairment; compliance with current and future environmental and other laws and regulations; and the possible effects on us of changes in tax laws, tax treaties and other legislation. More detailed information about these and other factors is set forth in the 2021 Kongsberg Automotive Annual Report and the Kongsberg Automotive Quarterly Reports.

NON-IFRS MEASURES

Where we have used non-IFRS financial measures, reconciliations to the most comparable IFRS measure are provided, along with a disclosure on the usefulness of the non-IFRS measure, in this presentation.



AGENDA

EXECUTIVE SUMMARY

MARKET UPDATE

FINANCIAL UPDATE

SHIFT GEAR UPDATE

SUBSEQUENT EVENTS & OUTLOOK

Q&A

TODAY'S PRESENTERS



JOERG BUCHHEIM

CEO // Zurich (Switzerland)



FRANK HEFFTER

CFO // Zurich (Switzerland)



EXECUTIVE SUMMARY

REVENUE IMPROVED. DELEVERAGE ALLOWS FURTHER GROWTH

Comparisons are to 2021 results restated to exclude discontinued operations

€246.0M REVENUES	€12.9M ADJ. EBIT	2.0x LEVERAGE RATIO ^{1,2}
Increase of 27.6% vs. Q3 2021	Increase by MEUR 4.8 vs. Q3 2021	Improved from 3.1x in Q3 2021
€128.8M NEW BUSINESS ³	€-1.5M FREE CASH FLOW	€132.6M NIBD ⁴
Decrease from MEUR 198.9 in Q3 2021	Decrease from the positive FCF of €16.7m in Q3 2021	Improved from MEUR 287.1 as of 30/09/2021

¹ Includes IFRS 16; excluding IFRS 16, leverage ratio is equal to 1.2x in Q3 2022 compared to 2.4x in Q3 2021

² NIBD / Adjusted EBITDA (LTM)

³ Lifetime revenue of business wins during the quarter

⁴ Net Interest Bearing Debt

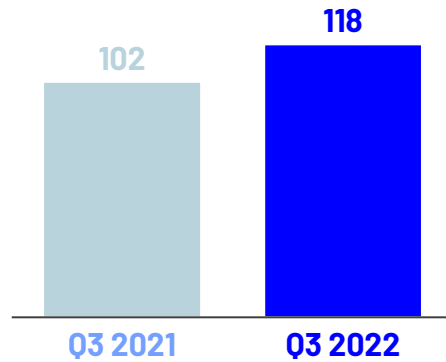


AT A GLANCE

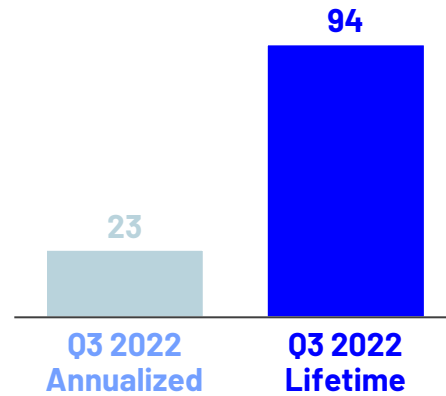
BUSINESS SEGMENTS UPDATE

POWERTRAIN & CHASSIS

REVENUES, MEUR

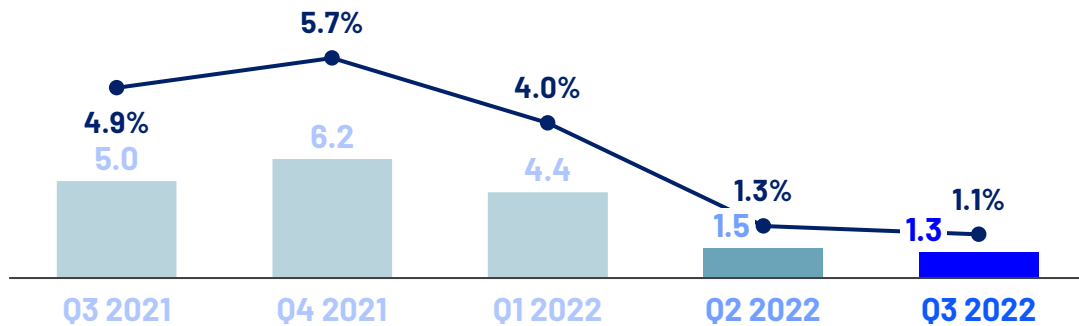


NEW BUSINESS WINS



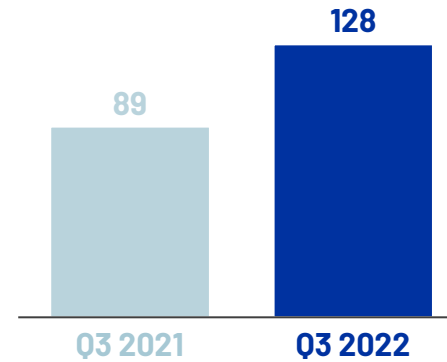
ADJUSTED EBIT¹, MEUR

ADJUSTED EBIT MARGIN, %

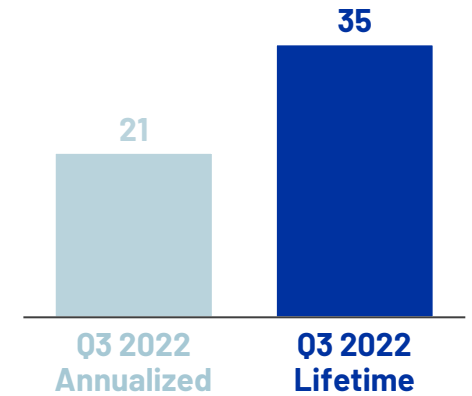


SPECIALTY PRODUCTS

REVENUES, MEUR

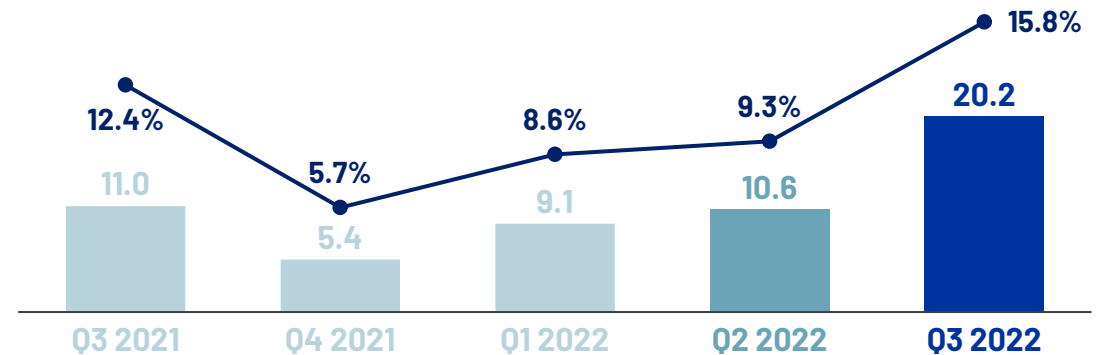


NEW BUSINESS WINS



ADJUSTED EBIT¹, MEUR

ADJUSTED EBIT MARGIN, %



An aerial photograph of a road curving through a dense forest, overlaid with a semi-transparent blue geometric shape that points towards the right. The background is a solid dark blue.

EXECUTIVE SUMMARY

MARKET UPDATE

FINANCIAL UPDATE

SHIFT GEAR UPDATE

SUBSEQUENT EVENTS & OUTLOOK

Q&A

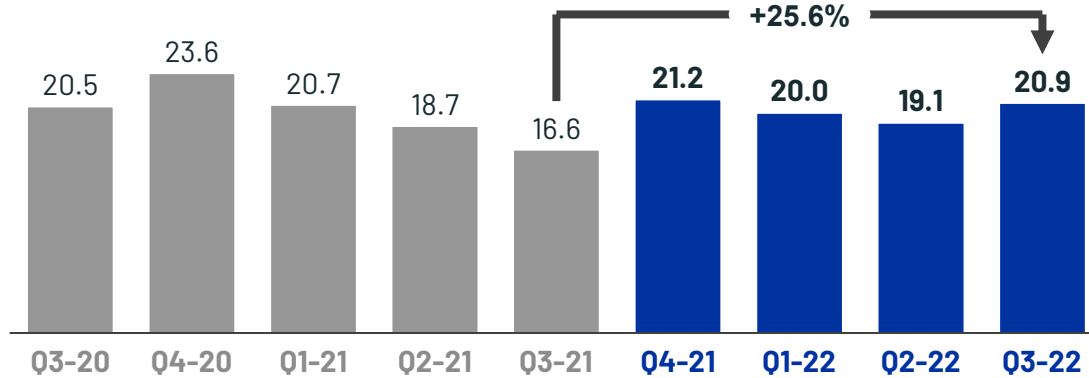


MARKET TRENDS

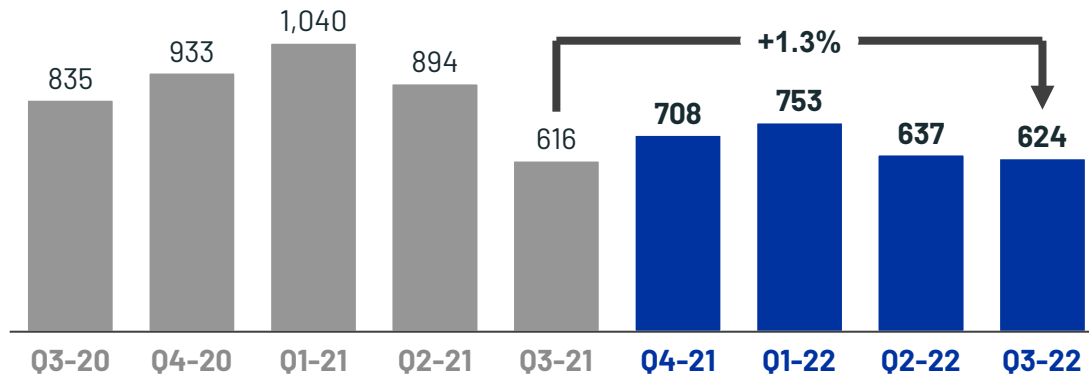
HIGHER ACTIVITY OBSERVED FOR PASSENGER CARS

MARKET DEVELOPMENT

GLOBAL PASSENGER CAR PRODUCTION, million units



GLOBAL TRUCK PRODUCTION, thousand units



REGION	Q3-22 vs. Q3-21	2022 vs. 2021
China	+24.6%	+3.8%
APAC w/o China	+25.5%	+7.7%
Europe	+22.4%	-0.6%
North America	+25.3%	+11.7%
South America	+34.8%	+7.3%
Rest of World	+47.4%	+18.7%
Total	+25.6%	+5.7%
Total (excl. China)	+26.1%	+6.6%

China	-26.9%	-45.4%
APAC w/o China	+13.2%	+11.7%
Europe	+20.1%	-0.2%
North America	+17.0%	+7.0%
South America	+8.4%	+2.4%
Rest of World	+6.6%	+22.9%
Total	+1.3%	-17.0%
Total (excl. China)	+15.5%	+6.2%

CHALLENGING GLOBAL MARKET SITUATION

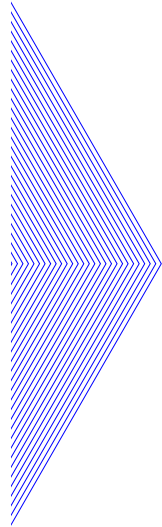
HIGHER ENERGY PRICES ADDING TO INCREASED RAW MATERIAL PRICES

CURRENT TRIGGERS FOR DISRUPTION

ENERGY PRICES/INFLATION

SEMICONDUCTOR SHORTAGE

COVID-19

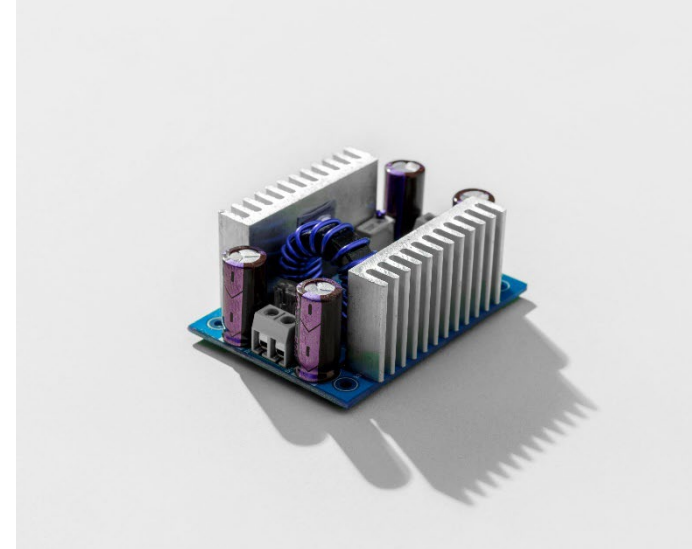


MACROECONOMIC FACTORS AFFECTING GLOBAL MARKET ENVIRONMENT

Increasing energy prices in Europe affecting direct cost. Many raw material prices have flattened out and are falling.

Semiconductor shortage on decline, but still impacting production at many OEMs.






Supply chain still affected by COVID-19 lockdowns in China, port congestions and bad weather.







MACROECONOMIC UNCERTAINTY

STILL POSITIVE DEVELOPMENT FOR COMMERCIAL VEHICLES

REVENUE GROWTH VS MARKET GROWTH*

	KA	MARKET
PASSENGER VEHICLES	 -7.3%	 +25.6%
COMMERCIAL VEHICLES	 +14.4%	 +3.8%
OTHER (ONLY KA)	 +40.7%	

NORTH AMERICA		
	KA	Market
PASSENGER VEHICLES	 +30.4%	 +25.3%
EUROPE		
	KA	Market
COMMERCIAL VEHICLES	 +25.2%	 +18.0%

OUTPERFORMANCE IN KEY MARKETS

- > **Lower revenues in passenger cars in Asia as expected** due to one customer changing product line. This was communicated to KA a long time ago, and KA has therefore increased sales efforts towards other customers. This will impact positively in Q4 and onwards.
- > The **European truck market has increased 30% YoY**. Volvo and Scania, some of KA's biggest customers, have increased their market share and sales this year.
- > **Strong growth within commercial vehicles**, where KA also outperformed the market.
- > **Europe is KA's biggest region within CV** and was the region with the strongest growth.
- > The **substantial increase in "other"** is due to a general recovery in the market from Q3 2021.

* Change in revenue at constant currencies, and changes to vehicle production levels for selected regions and markets, from Q3 2022 to Q3 2021. The split across vehicle types does not correspond to our business unit segments – see p. 7 and 8 in the quarterly report for details.

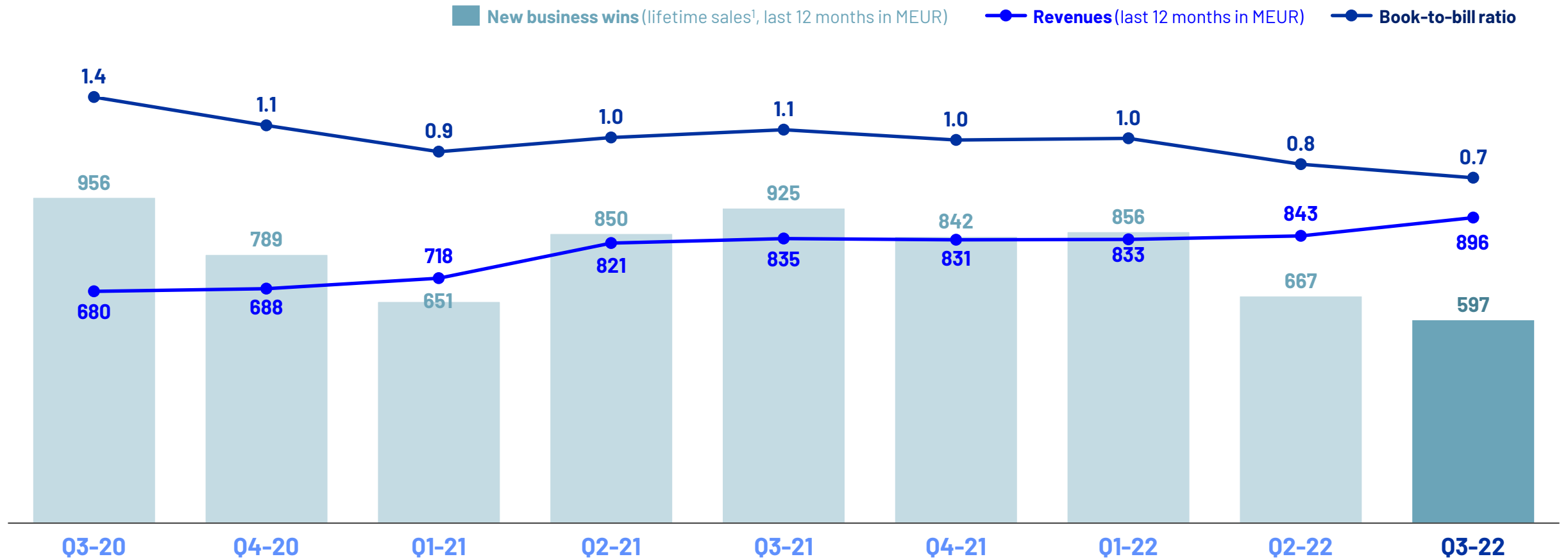


BOOK-TO-BILL

SALE TO BRP IMPACTING ORDER BOOK.

CUSTOMERS HAVE BEEN CAUTIOUS DUE TO THE MACROECONOMIC UNCERTAINTY

BOOK-TO-BILL PERFORMANCE, MEUR



1. Lifetime sales assumptions are based on IHS and LMC production estimates at the time of the booking



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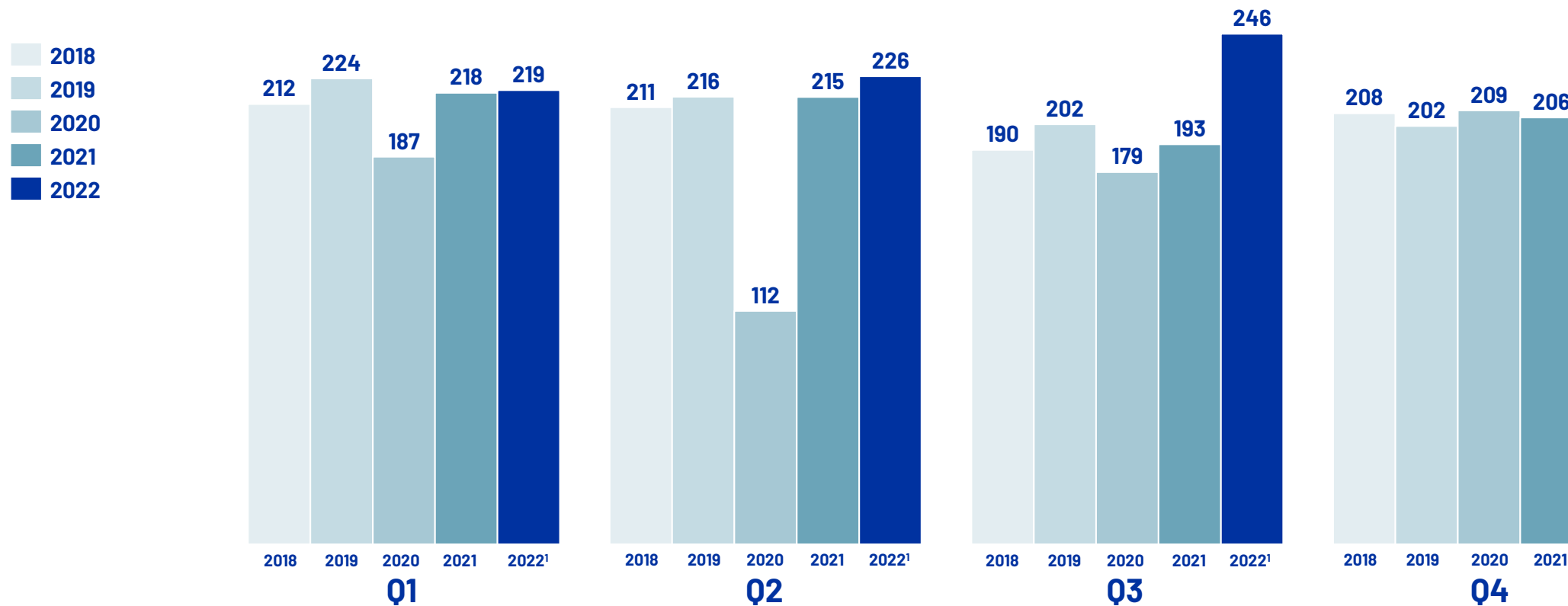
Q&A



REVENUES

ALL-TIME HIGH REVENUES IN Q3

QUARTERLY REVENUES (continuing operations), MEUR



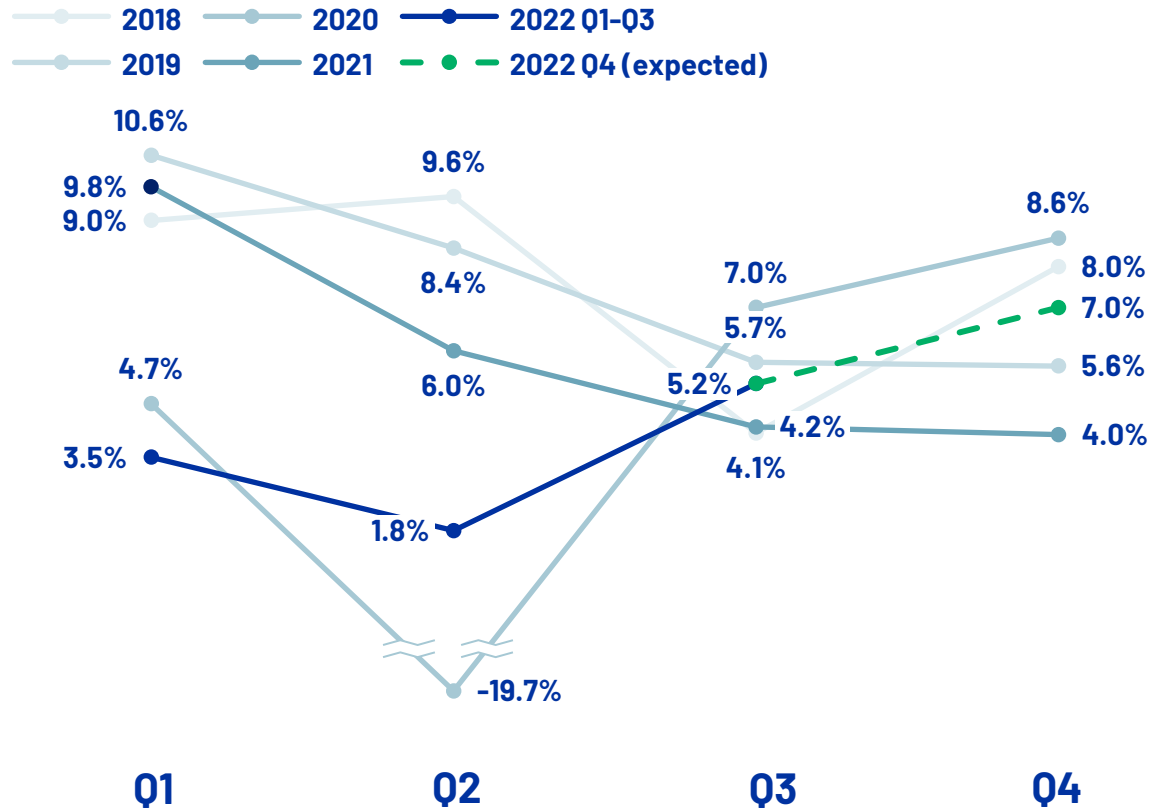
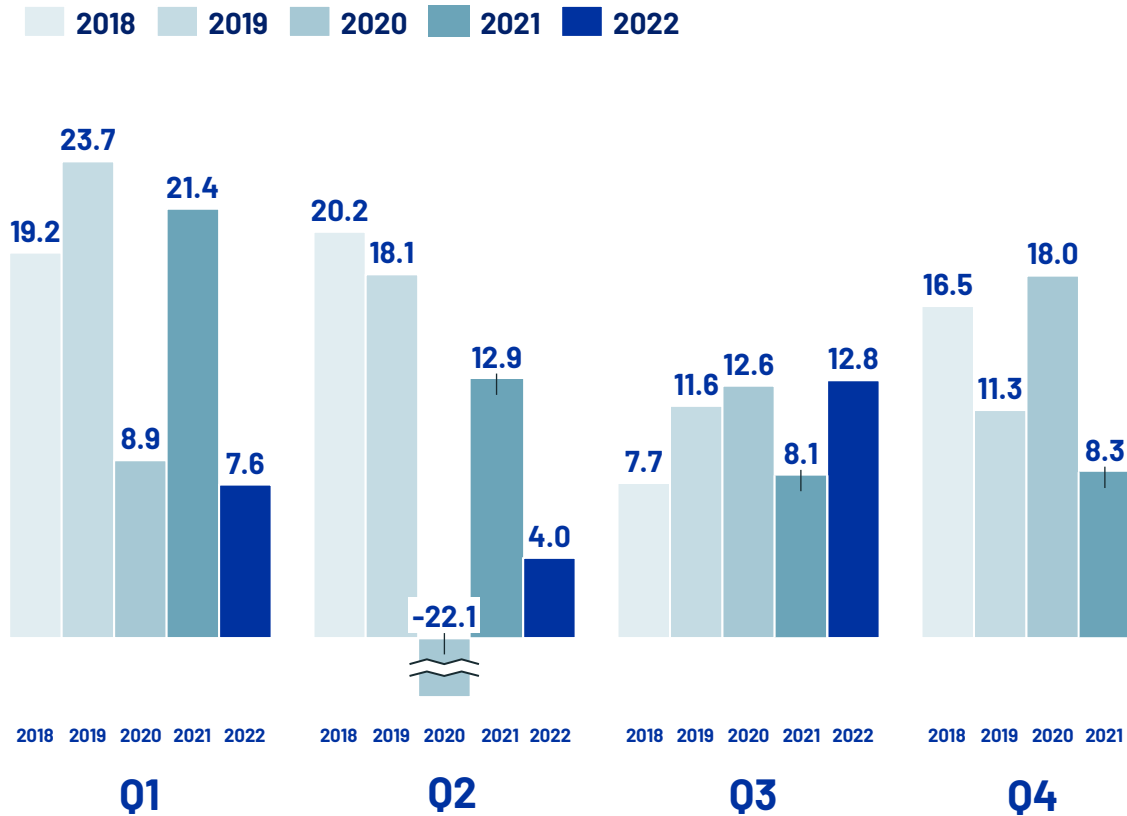
¹ Quarterly revenues in 2022 include significant positive translation effects. On the current currency basis, quarterly revenues are as follows:

- Q1 2022: MEUR 209 (positive translation effects of MEUR 10.3)
- Q2 2022: MEUR 213 (positive translation effects of MEUR 13.2)
- Q3 2022: MEUR 226 (positive translation effects of MEUR 19.7)



ADJUSTED EBIT EARNINGS IN ACCORDANCE WITH GUIDANCE

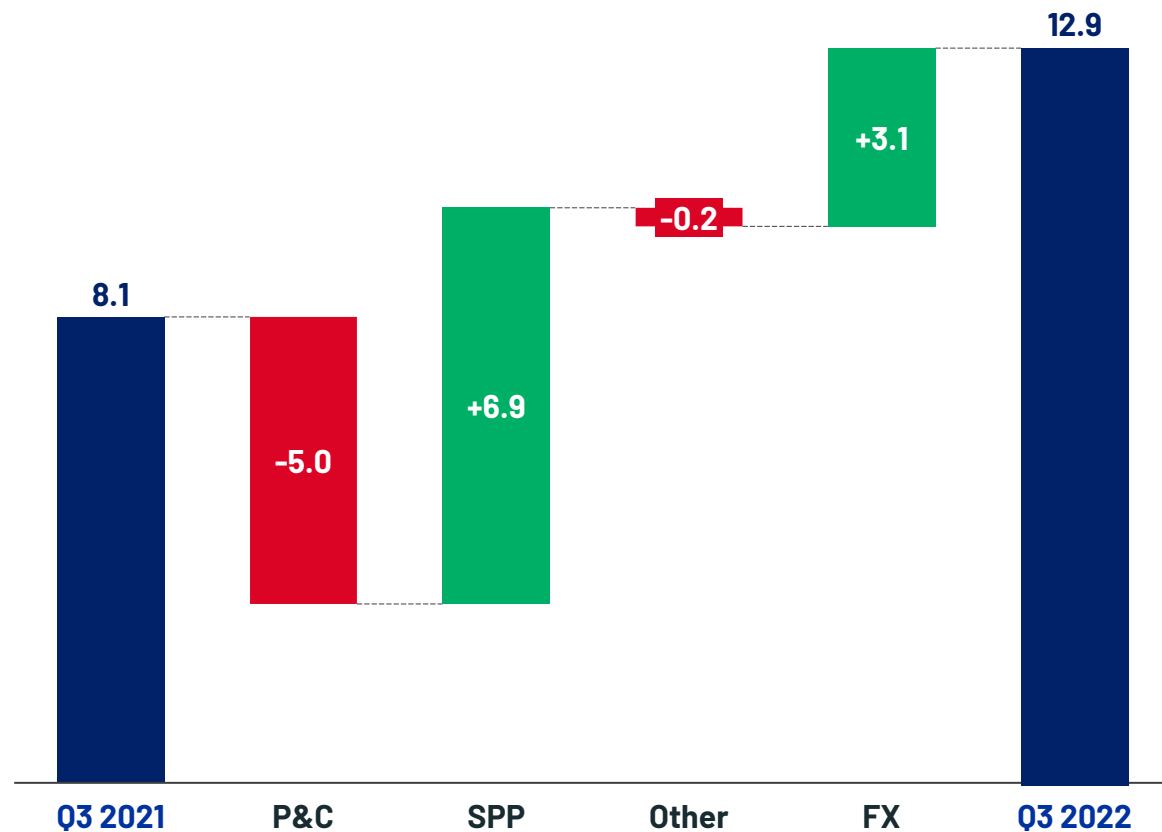
QUARTERLY ADJ. EBIT (continuing operations), MEUR and % of revenues



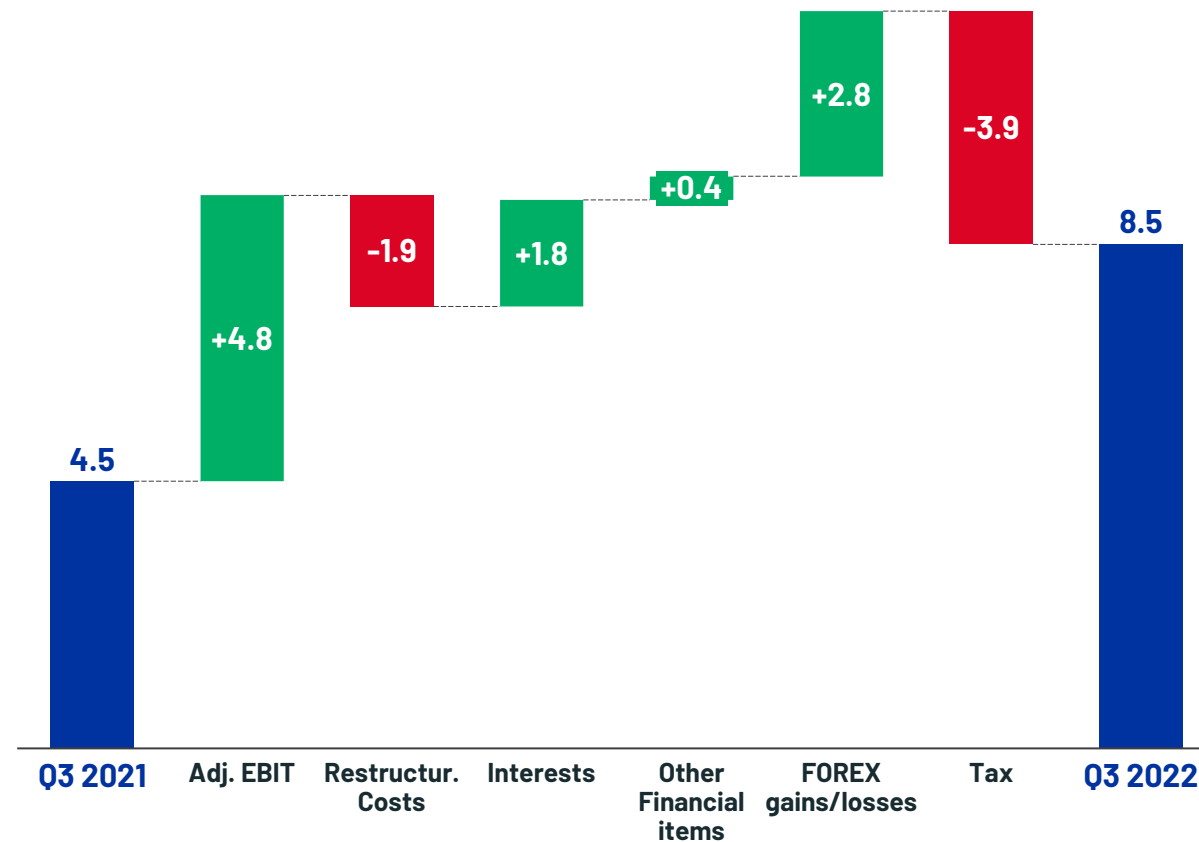
Q3 2022 EARNINGS

ADJUSTED EBIT AND NET PROFIT INCREASED, DESPITE HIGHER COSTS

ADJUSTED EBIT (continuing operations), MEUR



NET INCOME DEVELOPMENT (continuing operations), MEUR



NET FINANCIAL ITEMS

CONTINUING OPERATIONS

FOREX GAINS/LOSSES

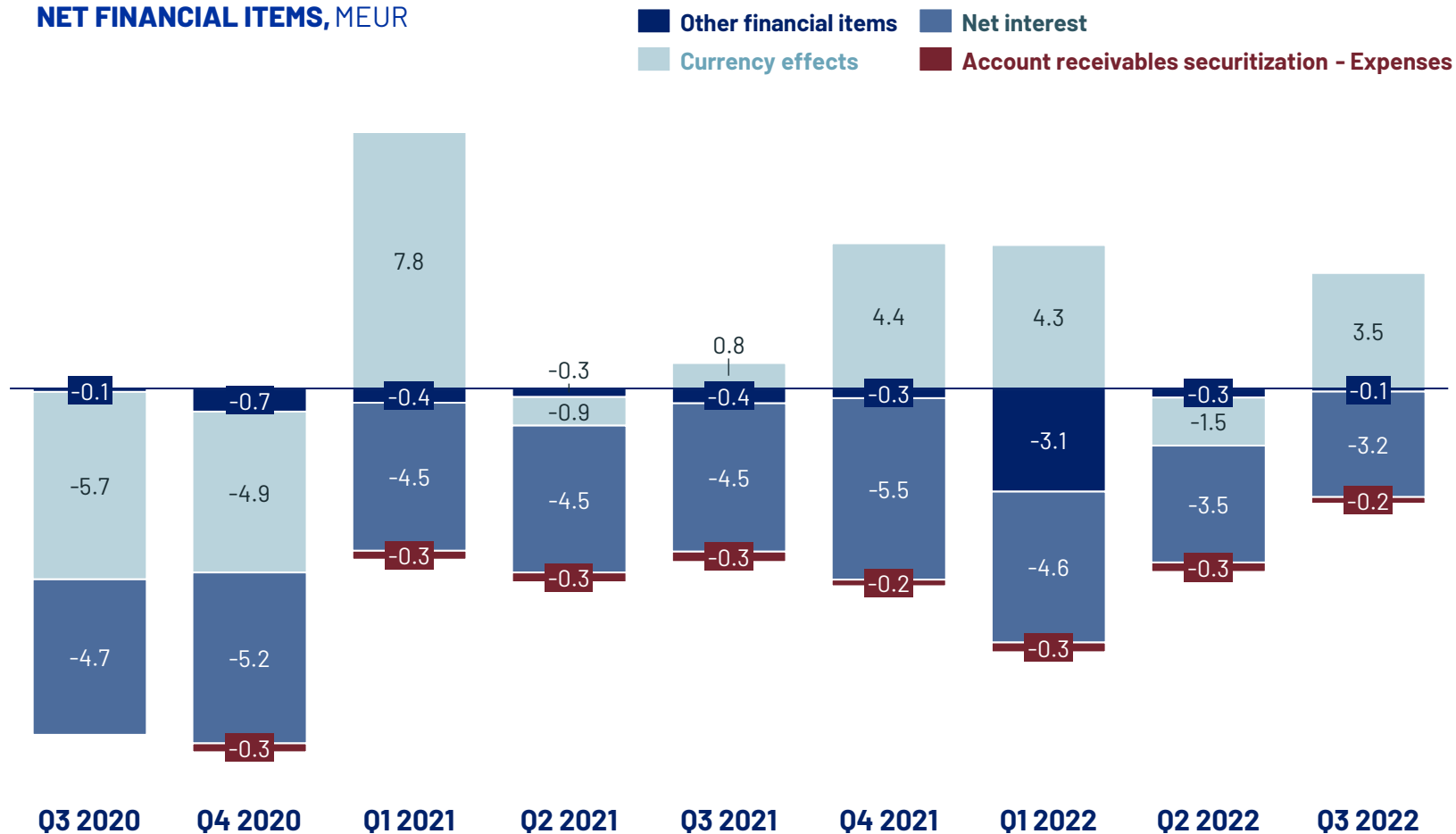
The foreign exchange effects in Q3 2022 are made up of:

- > **realized foreign exchange gain of MEUR 1.6**
- > **unrealized foreign exchange gain of MEUR 1.9**

INTEREST

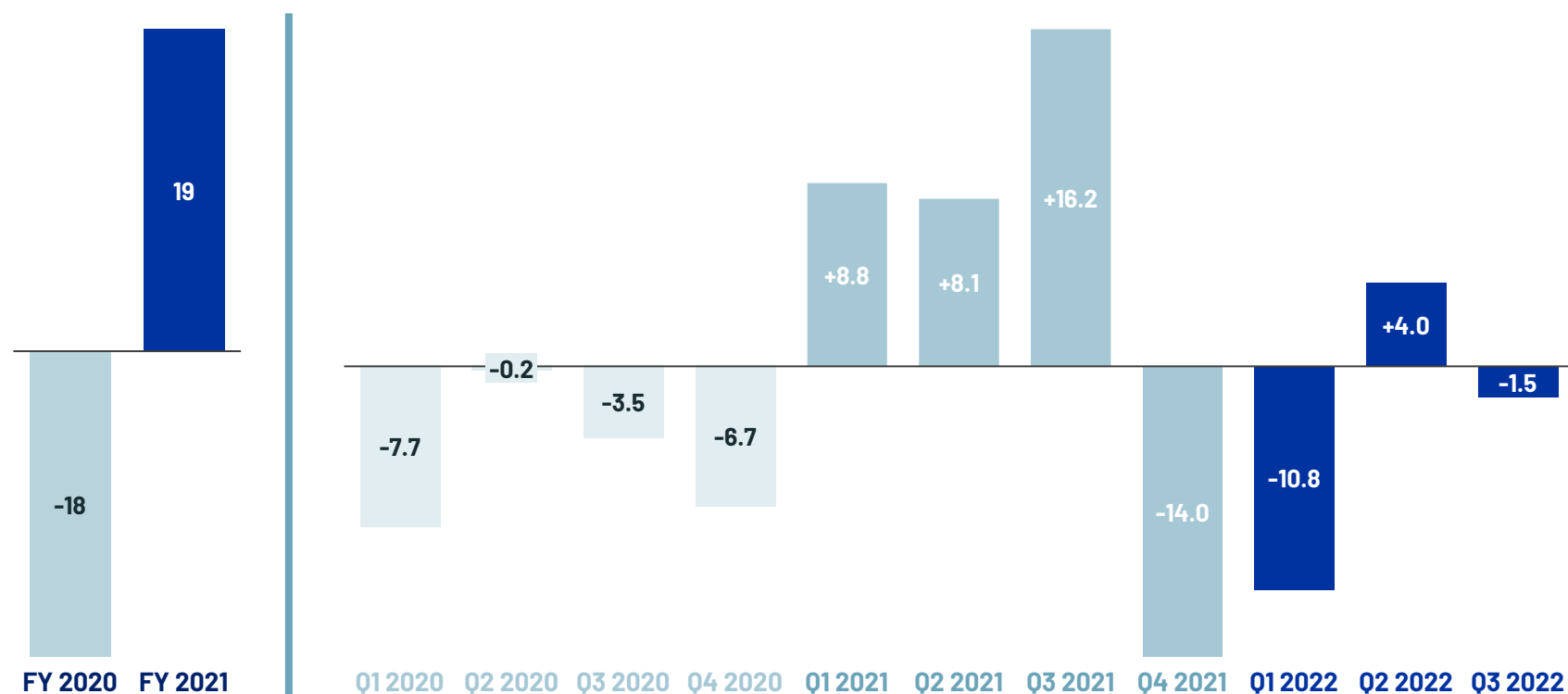
The main elements were the accrued interest for the bond of MEUR 2.7 and IFRS16 interest of MEUR 0.9

NET FINANCIAL ITEMS, MEUR



FREE CASH FLOW

FREE CASH FLOW¹ (continuing operations), MEUR



Q3 2022 FCF DETAILS

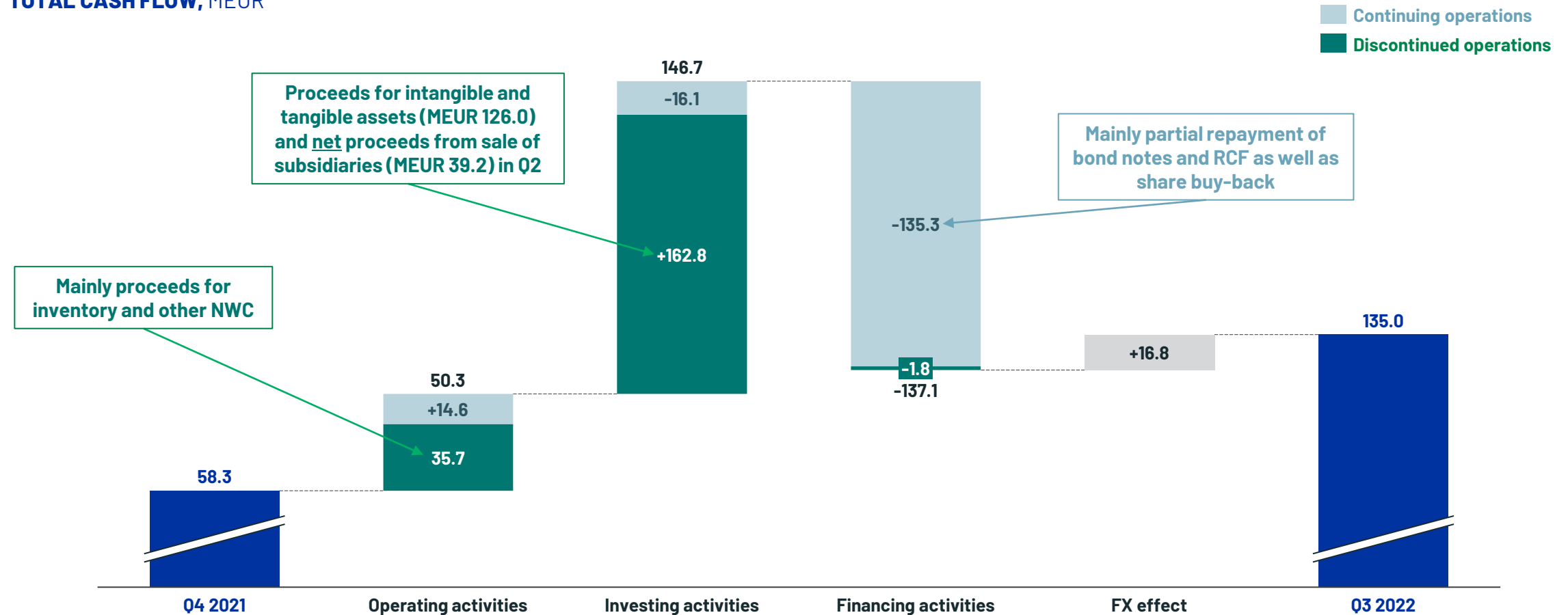
Operating activities	+7.5
Therein: NWC increase (continued only)	-8.9
Investing activities	-7.0
Financing activities	-18.2
Therein:	
Payments of interests and lease liabilities	-3.1
Payment of interests on bond	-5.0
Share buy-back	-9.9
Currency and translation effects on cash flow	+7.0
Total	-10.7
excluding share buy-back and others	+9.2
FCF	-1.5

1. Free Cash Flow is measured based on sum of cash flow from operating activities, investing activities, financial activities and currency effects on cash (together described as Change in cash), excluding net draw-down/repayment of debt and proceeds received from capital increase/purchase of treasury shares.

TOTAL CASH FLOW YTD Q3 2022

CONTINUING AND DISCONTINUED OPERATIONS

TOTAL CASH FLOW, MEUR

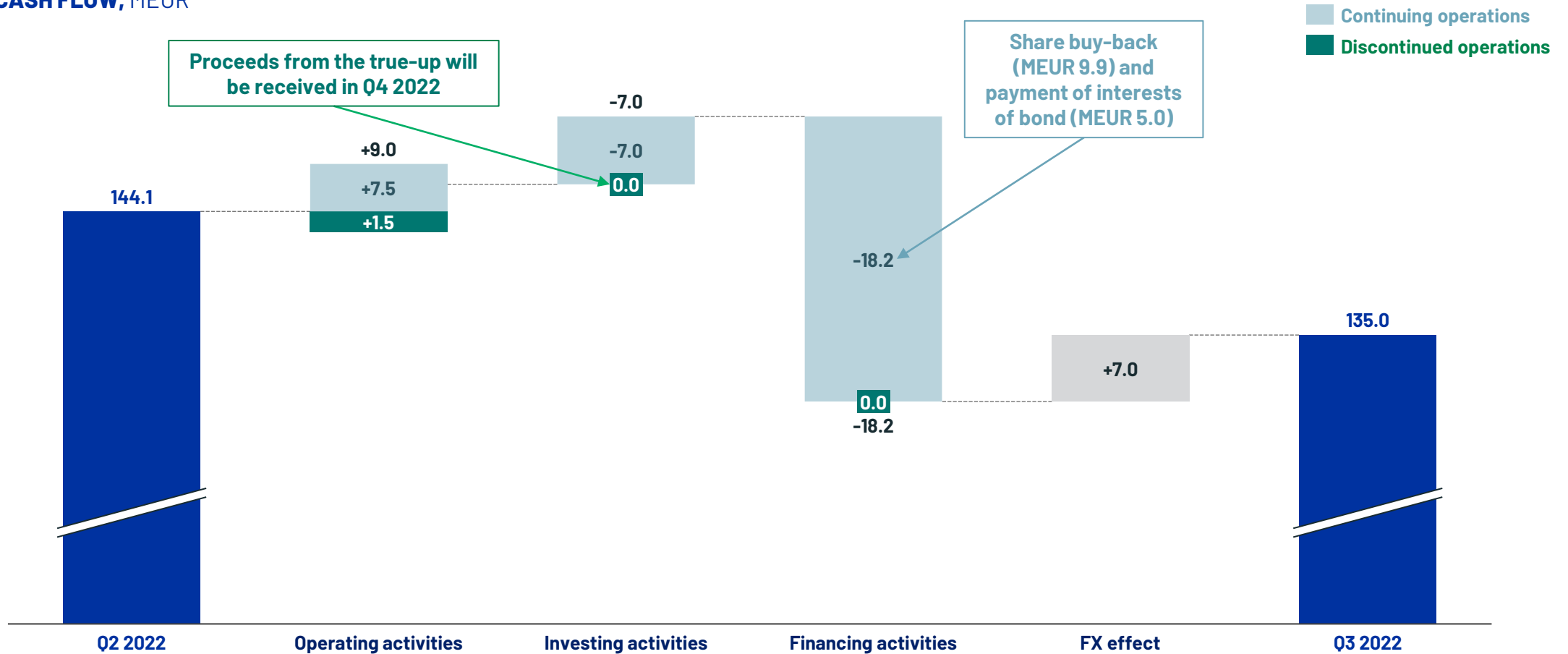


TOTAL CASH FLOW QTD Q3 2022

CASH FLOW INCLUDING SHARE AND BOND BUY-BACK

CONTINUING AND DISCONTINUED OPERATIONS

TOTAL CASH FLOW, MEUR

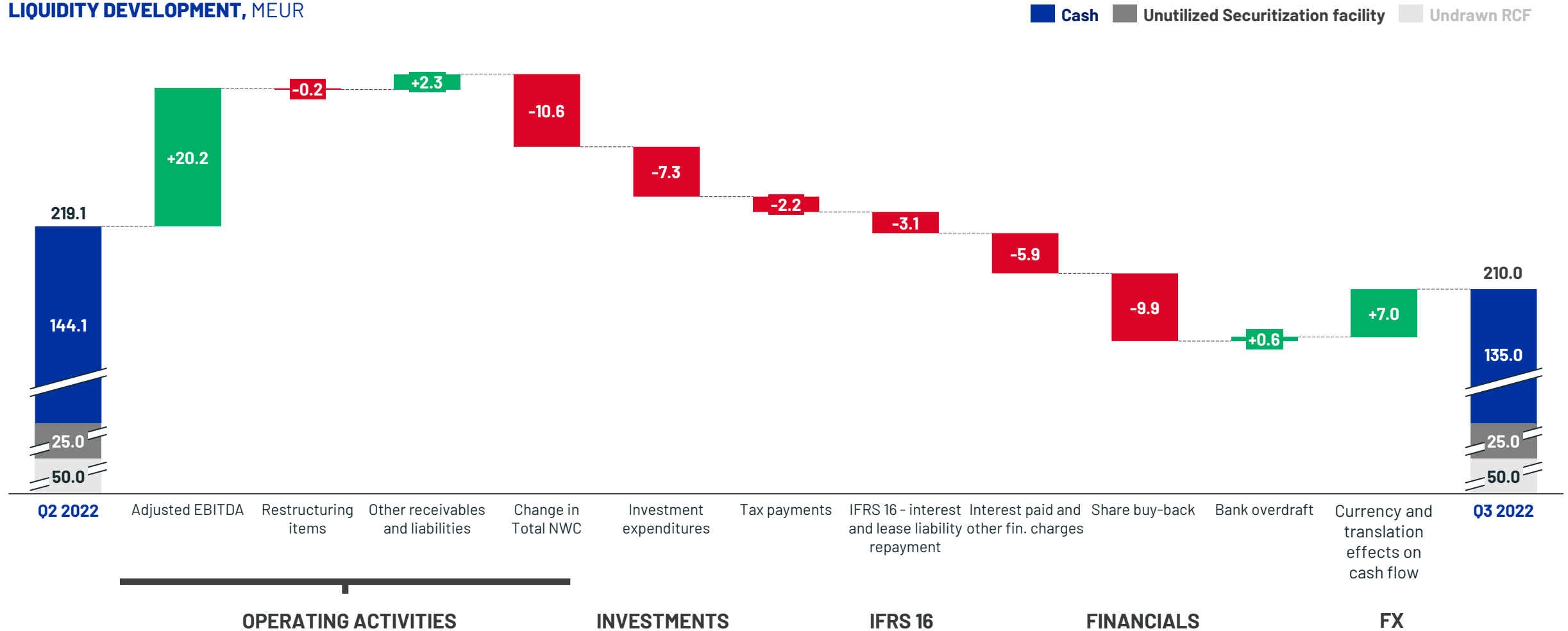


LIQUIDITY DEVELOPMENT

SOLID LIQUIDITY ENABLES FURTHER GROWTH

CONTINUING AND DISCONTINUED OPERATIONS

LIQUIDITY DEVELOPMENT, MEUR

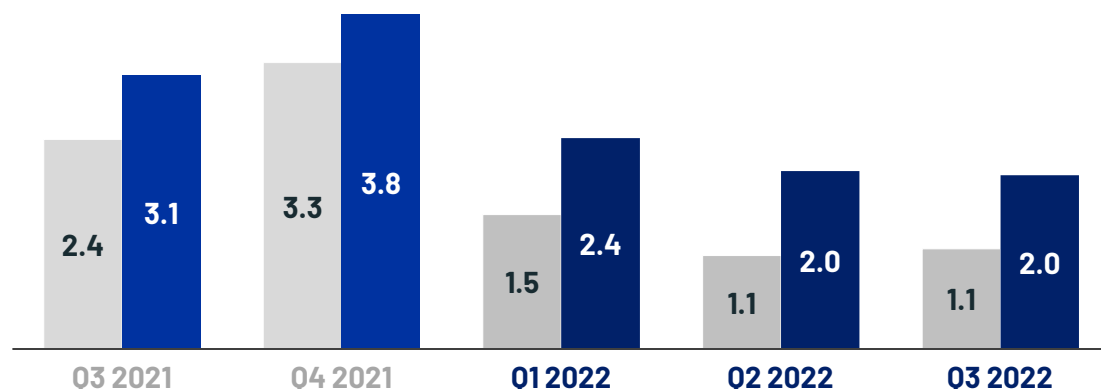


FINANCIAL RATIOS

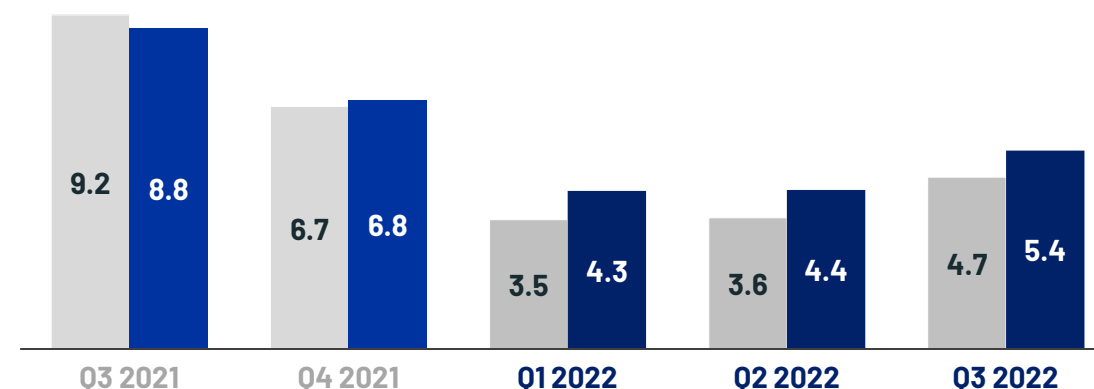
CONTINUING AND DISCONTINUED OPERATIONS

Excluding IFRS16
Incl. IFRS 16 effect

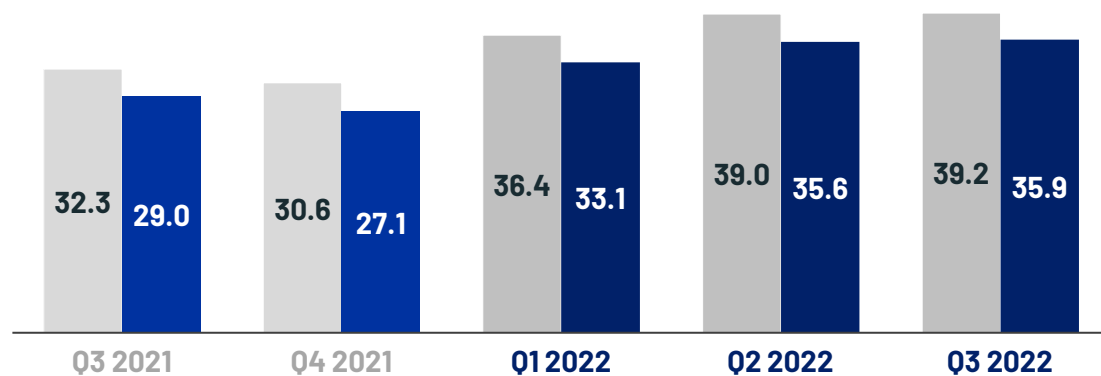
ADJUSTED GEARING RATIO^{1,2}, NIBD³/ADJUSTED EBITDA, LTM



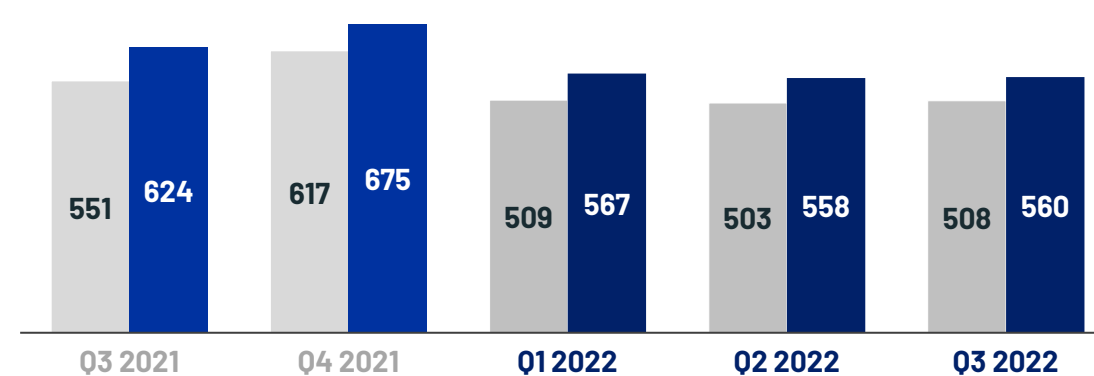
ADJUSTED ROCE², %, LTM



EQUITY RATIO, %



CAPITAL EMPLOYED³, MEUR



1. Adjusted EBITDA refers to continuing operation only

2. Excluding restructuring costs

3. Net interest-bearing debt

3. Capital employed at quarter end; as the indices are calculated based on the figures from last 12 months, they are impacted by the capital increases in Q2 and Q3 2020





EXECUTIVE SUMMARY

MARKET SUMMARY

GROUP FINANCIAL UPDATE

SHIFT GEAR UPDATE

SUBSEQUENT EVENTS & OUTLOOK

Q&A



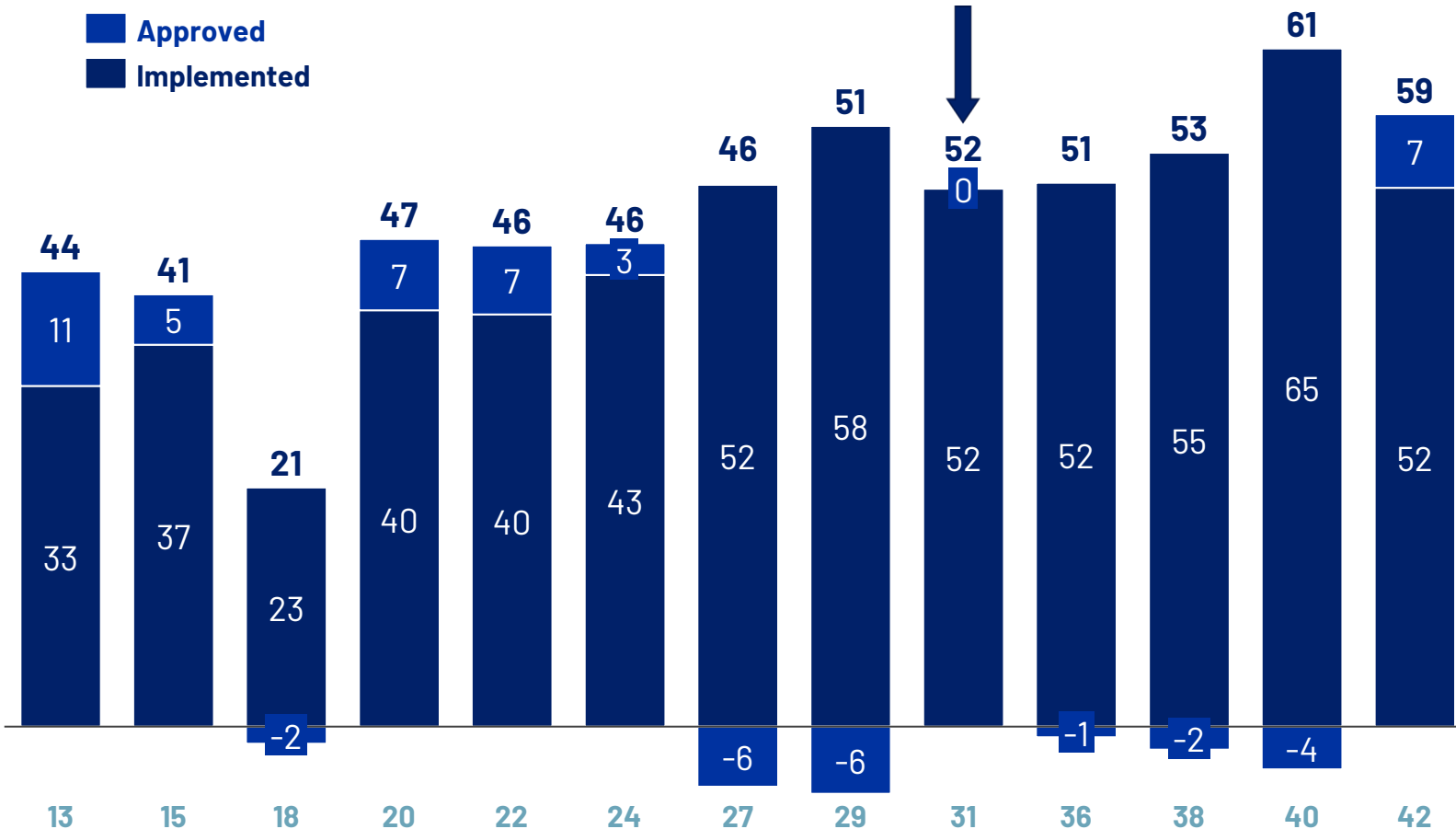


INCREASING CONTRIBUTION FROM PERFORMANCE IMPROVEMENT MEASURES



GEAR I
PERFORMANCE
IMPROVEMENT

FY 2022 MEASURE IMPACT DEVELOPMENT BY CALENDAR WEEK, MEUR

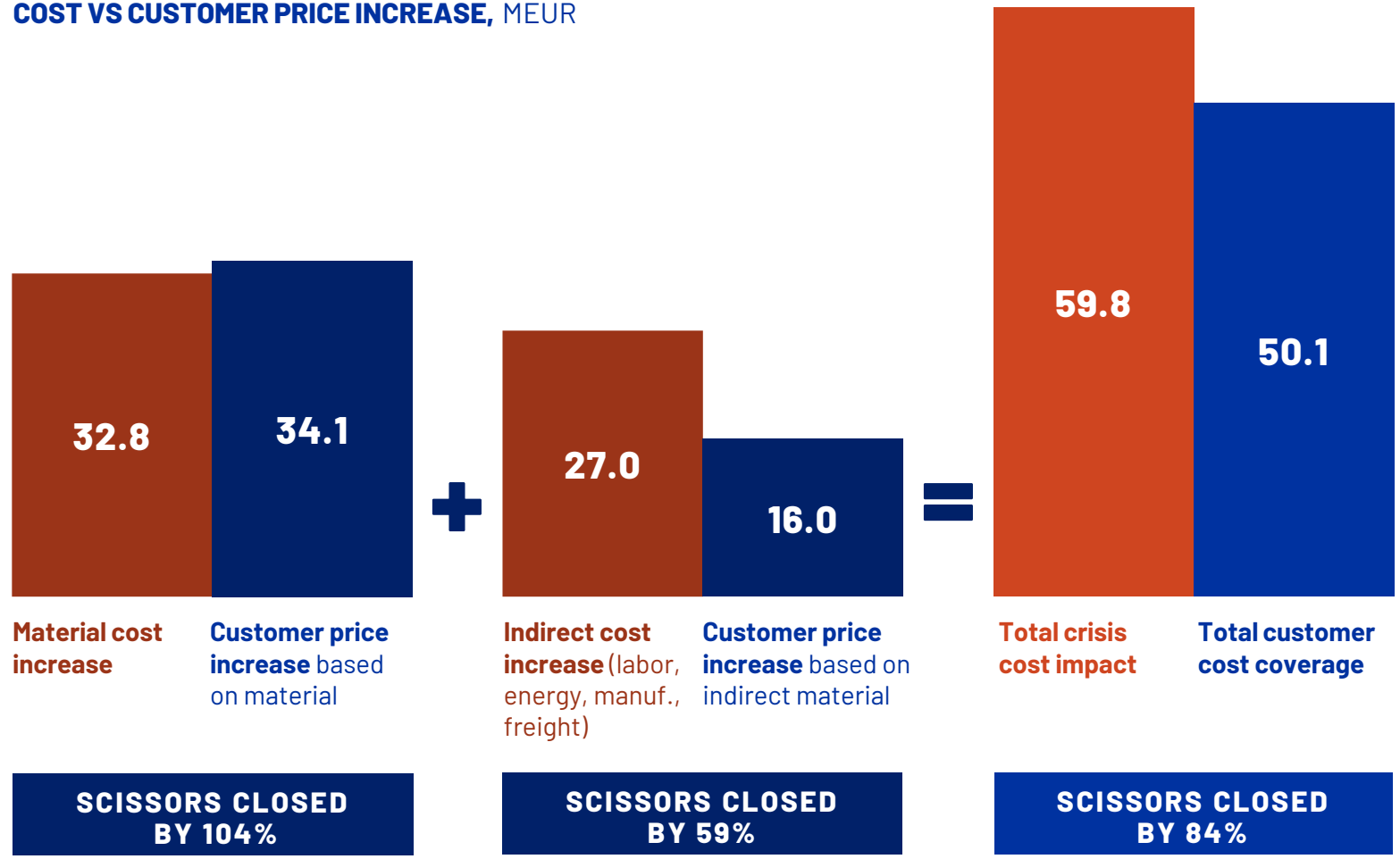


- > Performance improvements **offsetting majority of the supply chain, inflation, and volumes effects**
- > **MEUR 46 contribution YTD September, expected FY benefits of MEUR 59 in 2022**
- > Improvements include **commercial excellence, operational efficiency** improvements and **overhead cost reductions**
- > KA successfully achieved **fair price increases and cost sharing** with our major customers and partners

COST INCREASE GAP CLOSED BY 84%

ESTIMATE FY 2022

COST VS CUSTOMER PRICE INCREASE, MEUR



ESTIMATED ACHIEVEMENT:

- > Total recovery of cost increases/ variances through successful claims to customers **84%**

NEXT STEP:

- > Negotiate terms & conditions with customers and suppliers to normalize logistics and bring back manufacturing planning stability to pre-crisis efficiency levels



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AT A GLANCE

DIVESTMENTS AND DISCONTINUED OPERATIONS

SHIFT GEAR

GEAR II  **PORTFOLIO TRANSFORMATION**
REDUCE DEPENDENCY

SALE AGREED:
CANADA 
CUSTOMIZED PLANT FOR BRP POWERSPORTS

SIGNED ON
AUGUST 9, 2022

- > On **October 3, 2022**, KA **successfully completed the sale** of a part of the Shawinigan operations (a part of the Off-Highway business unit) to BRP (Bombardier Recreational Products Inc.) through a subsidiary for an enterprise value of MCAD 136.0. KA received the initial purchase price proceeds of MCAD 128.3, subject to further adjustments. Based on the initial purchase price proceeds, the gain after tax on this sale transaction amounts to MCAD 46.6 (MEUR 36.2).
- > The **Shawinigan plant** produces sensors, actuators, power steering and other parts for **powersports applications**, largely dedicated to one single client, BRP.
- > **The transaction allows BRP to vertically integrate. KA will focus the freed-up resources on scaling up** within Specialty Products (off-highway markets), such as **agriculture, construction, material handling and further new markets.**

SIZE OF BUSINESS

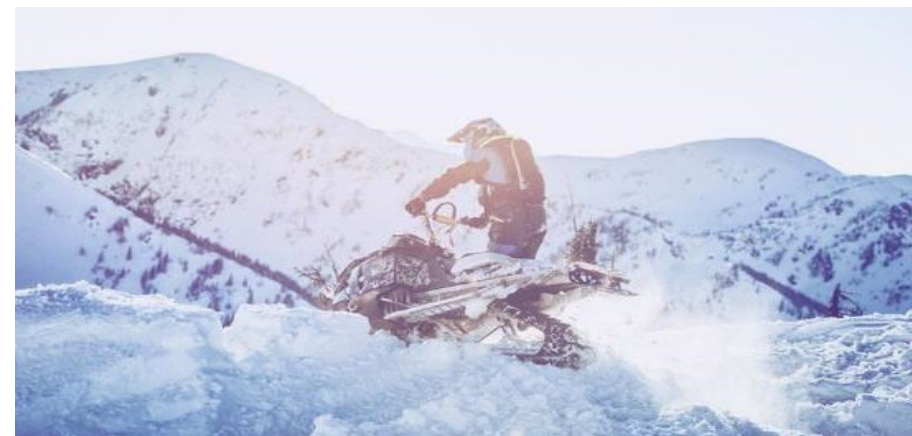
FULL YEAR FORECAST RESULTS

€~74M
UNIT REVENUE
(FY22 EST)

€9M
ADJ. EBIT
(FY22 EST)

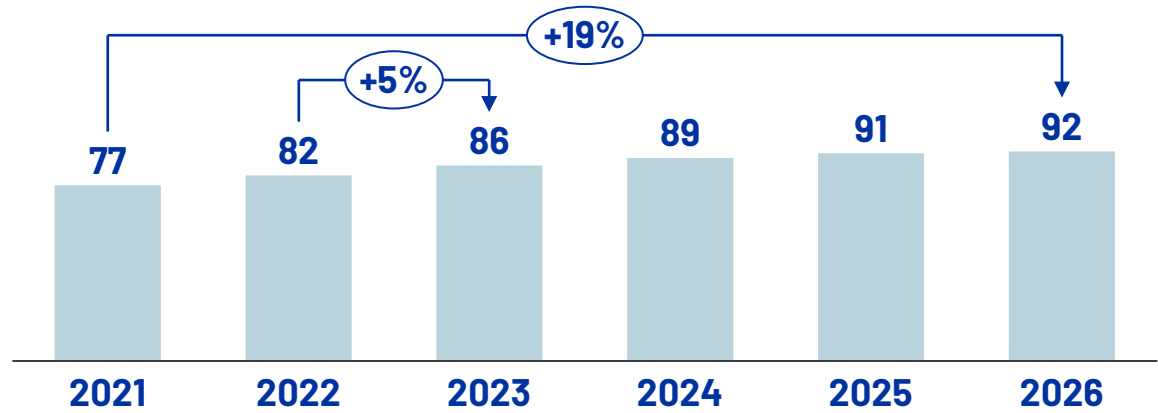
IMPACT OF DIVESTMENT

€104M
TRANSACTION VALUE

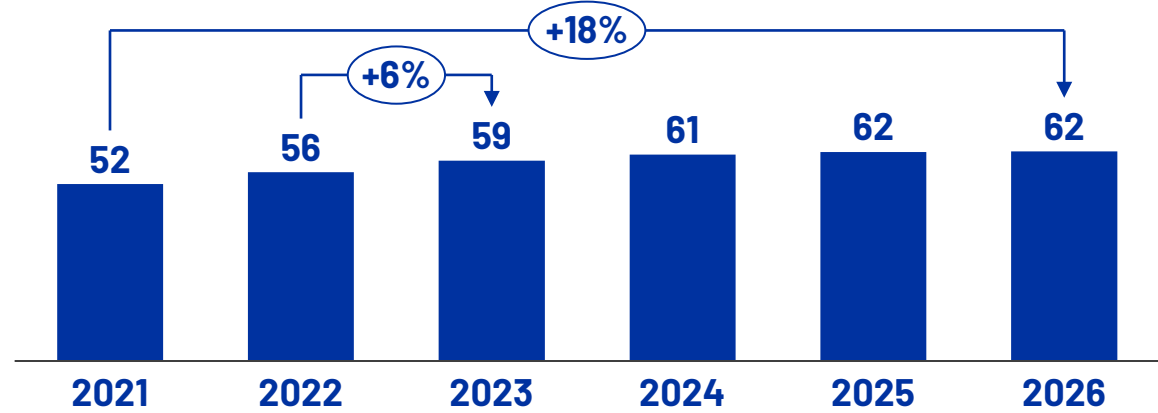


MARKET FORECASTS

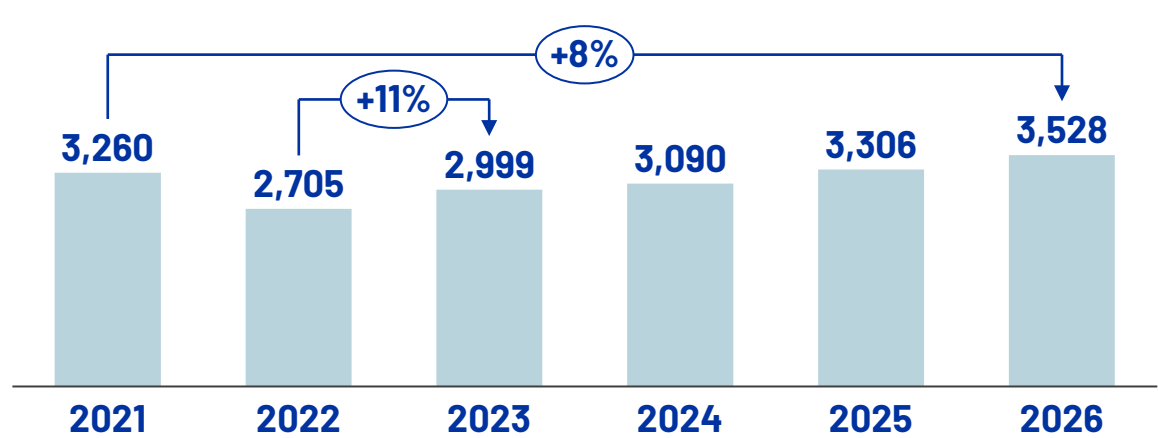
GLOBAL PASSENGER CAR PRODUCTION, sales in million units, including China



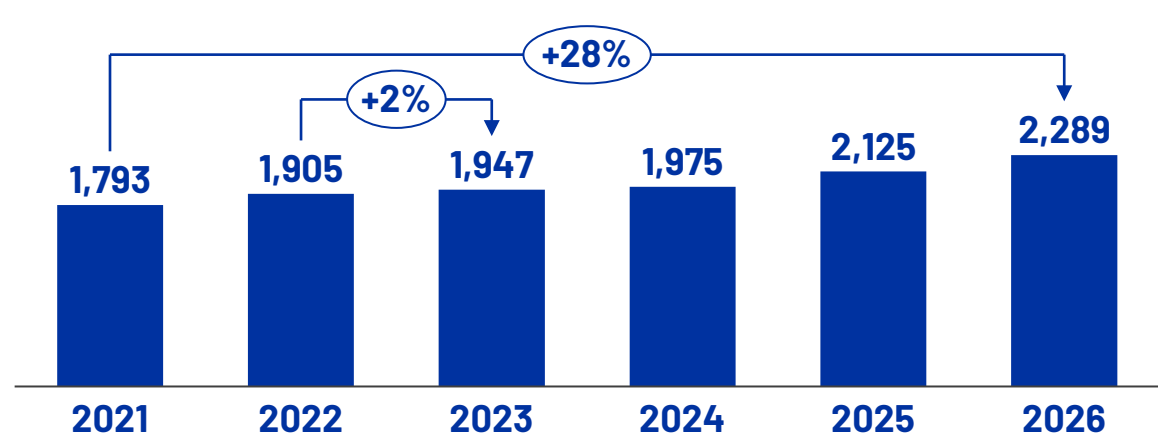
GLOBAL PASSENGER CAR PRODUCTION, sales in million units, excluding China



GLOBAL TRUCK PRODUCTION, sales in thousand units, including China



GLOBAL TRUCK PRODUCTION, sales in thousand units, excluding China



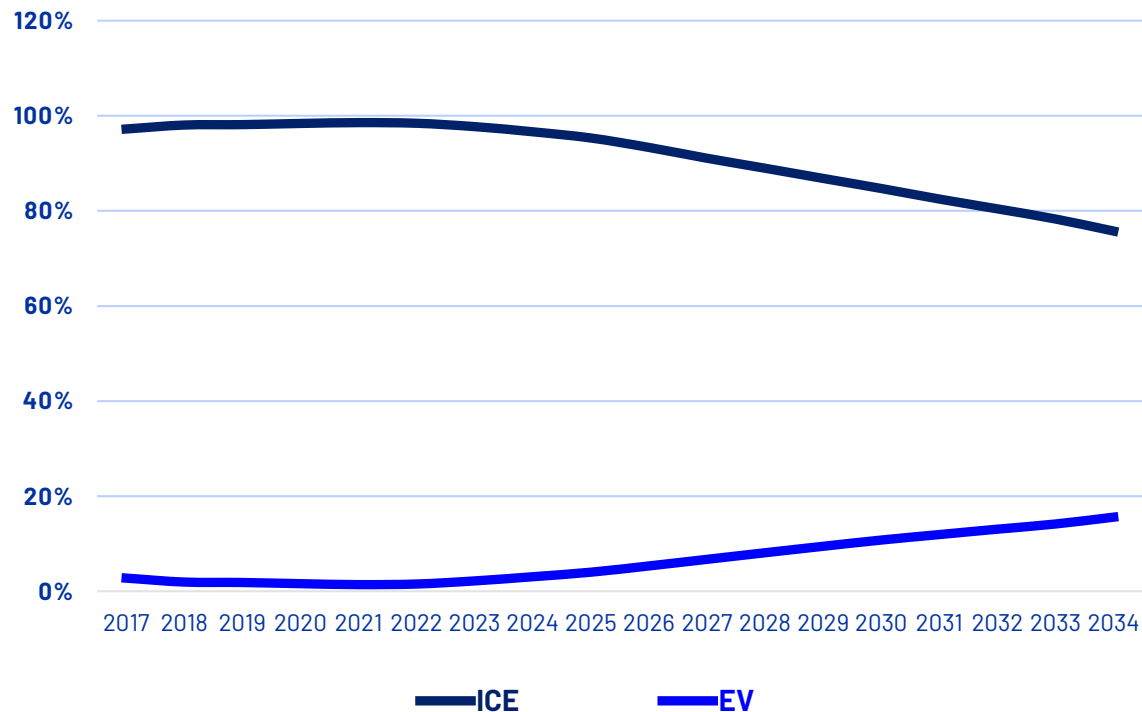
Source: IHS Light Vehicle Production Base (September 2022); LMC Global Commercial Vehicle Forecast (Q3 2022)

ICE VS EV MARKET SHARE DEVELOPMENT

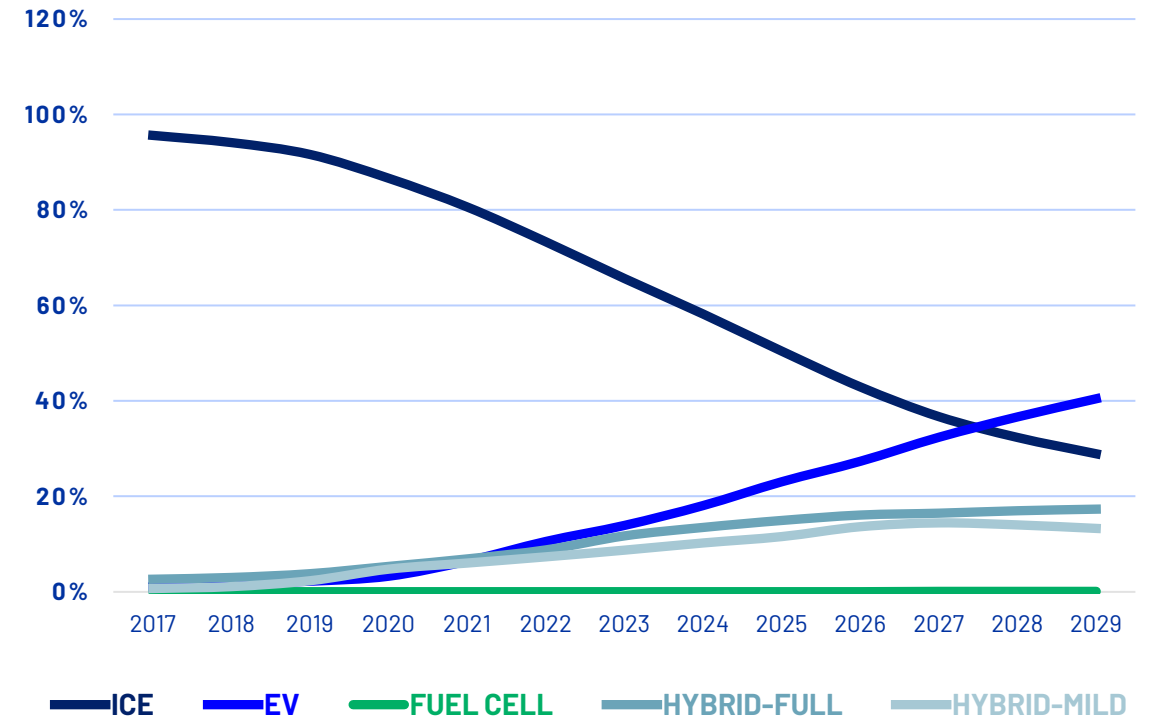
ICE STILL VERY IMPORTANT, AND A GROWTH MARKET IN CERTAIN REGIONS



COMMERCIAL VEHICLES



PASSENGER CARS



EXPECT TO FURTHER OUTPACE THE MARKET IN REVENUE GROWTH AND IN TRANSITION SPEED TOWARDS ELECTRIC VEHICLES

SEGMENT GROWTH RATES 2022-2026

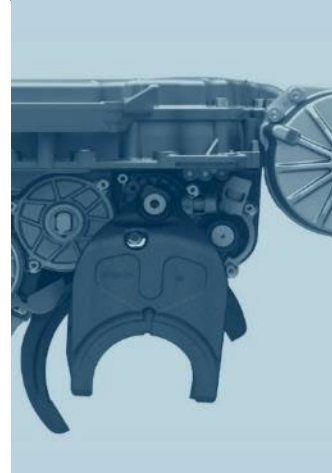
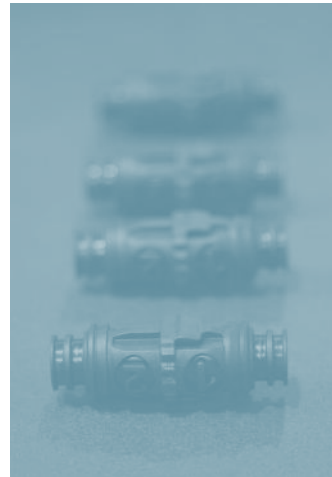
P&C	SPP
7% - 9%	10% - 12%

CAGR

SEGMENT/UNIT PROFITABILITY 2022-2026

ONH	DRL	SPP
6% - >8%	3% - 5%	14% - 16%

ADJUSTED EBIT MARGIN



SPP GROWTH TOWARDS EV 2022-2026

78% - 141%

CAGR

P&C GROWTH TOWARDS EV 2022-2026

19%

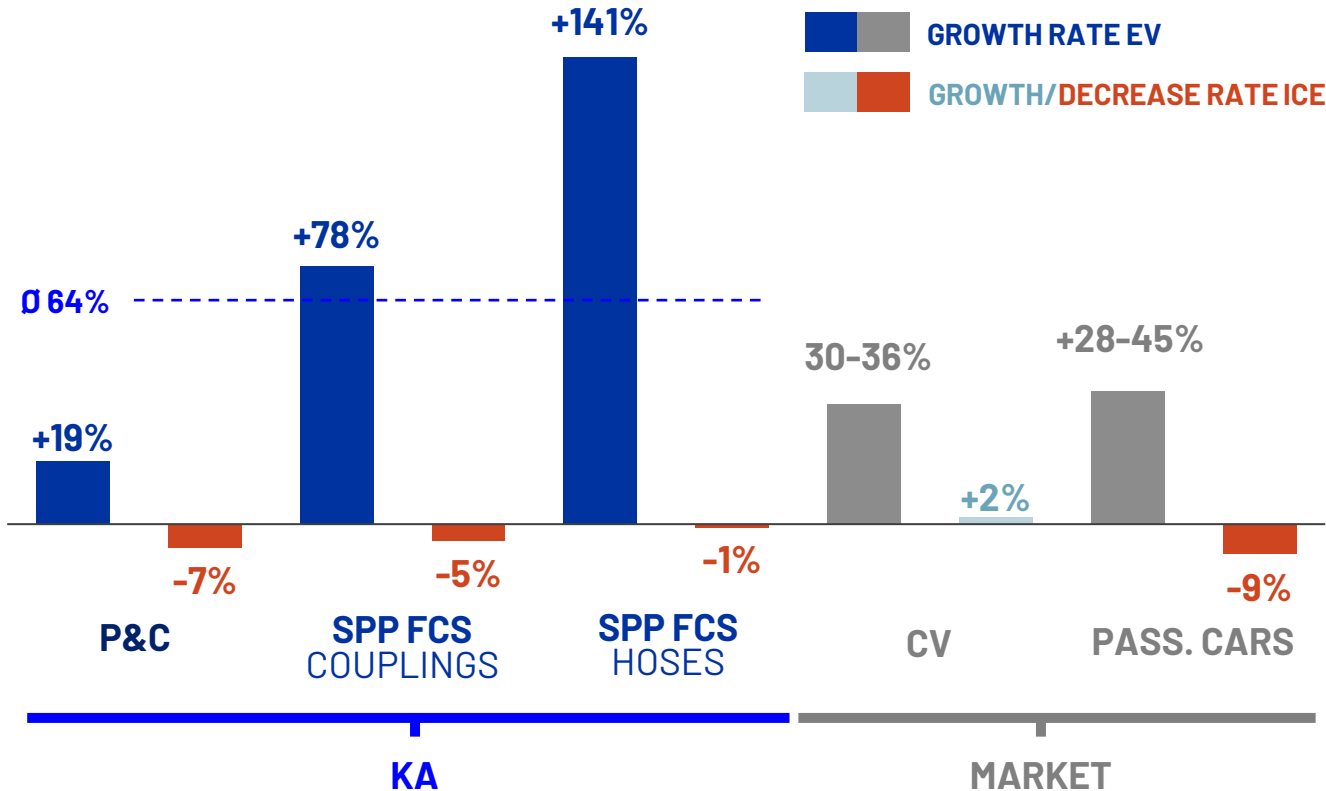
CAGR



SALES CAGR FOR ICE AND EV FOR 2022-2026

KA WILL GROW MORE THAN THE MARKET TOWARDS EV WITHIN CV AND PASSENGER CARS

2022-2026 CAGR FOR EV AND ICE IN P&C AND SPP



- > On average, **KA will grow more than the market towards EV** within commercial vehicles and passenger cars.
- > At the same time KA is working on **downsizing focus and products within the ICE** segment
- > **P&C plans for a 19% growth within EV**, while targeting an annual decrease within ICE of 7%
- > The **Flow Control Systems** business unit, looks for a **growth of 78%** (couplings) **to 141%** (hoses), while exiting ICE of 1 to 5% annually.

Note that SPP is coming from low levels.

OUTLOOK 2022

TOP LINE GUIDANCE REITERATED, EBIT GUIDANCE SLIGHTLY ADJUSTED



GLOBAL SITUATION

We have seen a drop or stabilization for many raw material prices the last quarter, but as prices have dropped, **the global inflation has led to accelerating electricity, labor, and rental costs.** All having an effect on KA's profitability, to some extent.

KA SITUATION

- > Despite the challenging macro environment, we have a **healthy order book**, and experience **increased interest for our most profitable products**
- > **The volatile ordering behavior** of our customers and the related cost effects remain the biggest challenge for Q4
- > Around **40% of KA's direct costs** are from countries which do not experience the same inflation levels as we see in mainly EU

GUIDANCE SLIGHTLY ADJUSTED

- > Despite the challenging macro environment, we stick to our top line guidance from Q2 but lower our EBIT assumptions slightly with MEUR 3.
 - » **Revenue between MEUR 870 and 905**
 - » **Adjusted EBIT between MEUR 35 and 41 from 38 and 45**
- > We have based these targets on the latest automotive industry production forecasts combined with internal modelling

NOTE REGARDING GUIDANCE: A prolonged or worsening geopolitical situation could result in further lasting consequences for production, supply chains and demand which are not currently reflected in our forecasts. In addition, the ongoing COVID-19 pandemic and the related supply situation could give rise to further negative effects. Depending on the severity of these disruptions, this may result in lower sales and earnings than currently expected for KA Group.



DELIVER AS PROMISED ON THE CMD 2021



DE-LEVERAGING

- > Bond Call MEUR 75
- > Cost 2.5% of call
- > Potential reduction in leverage (NIBD/EBITDA) from 2.8 to 0.7

Generate flexibility



CASH RETURN TO SHAREHOLDERS

- > 10% of the Market Cap in share buybacks
- > We will continue to look for opportunities to buy back shares when the stock is undervalued

Continuing our commitment



LIQUIDITY TO INVEST

- > CAPEX to fuel organic growth and innovation
- > Accelerate productivity improvement measures
- > Investments into environmental footprint
- > M&A

Stay flexible with room for maneuver



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