



**KONGSBERG  
AUTOMOTIVE**  
Q4 2021 EARNINGS CALL

MARCH 15, 2022



# **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 2020 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

FINANCIAL HIGHLIGHTS & NBW

MARKET SUMMARY

SEGMENT HIGHLIGHTS

GROUP FINANCIAL UPDATE

OUTLOOK

Q&A

## TODAY'S PRESENTERS



**JOERG BUCHHEIM**

*CEO // Zurich (Switzerland)*



**FRANK HEFFTER**

*CFO // Zurich (Switzerland)*

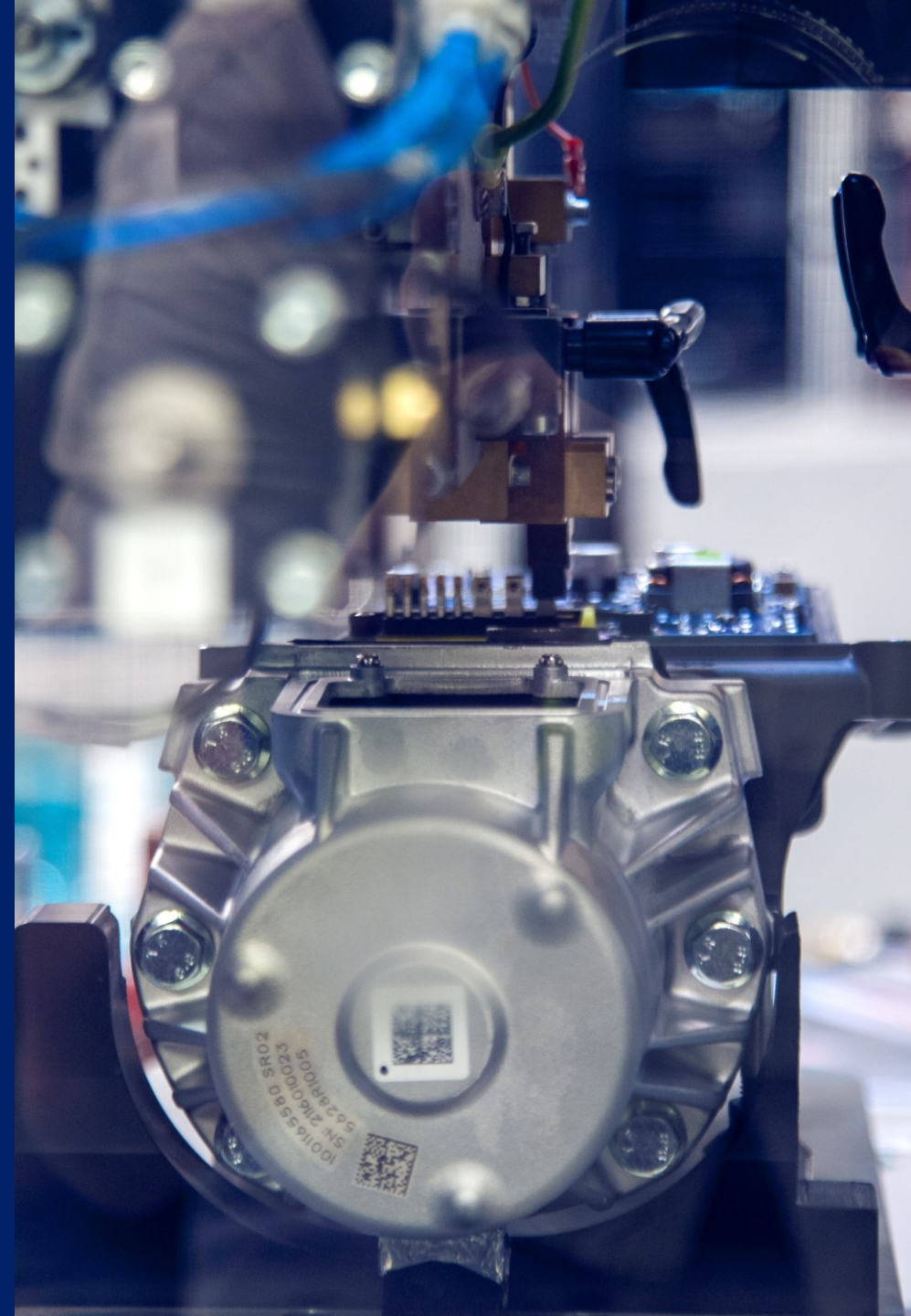


## EXECUTIVE SUMMARY

### STRONG REVENUES, ADJUSTED EBIT IN LINE WITH GUIDANCE

Comparisons are to 2020 results restated to exclude discontinued operations

	REVENUES	ADJ. EBIT
<b>Q4 2021</b>	<b>€205.7M</b> <small>Reduced by 1.6% vs. Q4 2020</small>	<b>€8.3M</b> <small>Impacted by cost of raw materials, semiconductors and freight</small>
<b>FY 2021</b>	<b>€831.4M</b> <small>Increase of 21% vs. 2020, and EUR 31m above guidance*</small>	<b>€50.7M</b> <small>Increase of 216% compared to FY 2020* and in line with guidance</small>



## EXECUTIVE SUMMARY

### CASH FLOW SIGNIFICANTLY IMPROVED FROM 2020

Comparisons are to 2020 results restated to exclude discontinued operations

	NEW BUSINESS	FREE CASH FLOW
<b>Q4 2021</b>	<b>€61M</b>  Lifetime revenue of business wins during the quarter	<b>€-14M</b>  Focus on securing supply chain led to increased inventory, reduced payables
<b>FY 2021</b>	<b>BOOK-TO-BILL</b>  <b>1.0</b>  Compared to 1.1 in FY 2020	<b>€19.1M</b>  Increase of EUR 37.2m compared to 2020* and in line with guidance



# AT A GLANCE

## BUSINESS ACTIVITY UPDATE

### BUSINESS PERFORMANCE



- > Revenue development varied widely across segments and geographies, with outperformance in important areas
- > In passenger vehicles, we outperformed especially in China, while underperforming in Europe and North America
- > In commercial vehicles, we outperformed in all geographies, with a smaller decline than market overall in China

### SUPPLY CHAIN SITUATION



- > Shift Gear has partly offset impact of supply chain situation, but both revenue and earnings were reduced
- > Revenue impact was greatest in P&C, with growth in Specialty Products helping to offset the reduction
- > Earnings were reduced by increased costs of resin, brass and steel, and semiconductors – as well as increased associated freight costs

### SHIFT GEAR



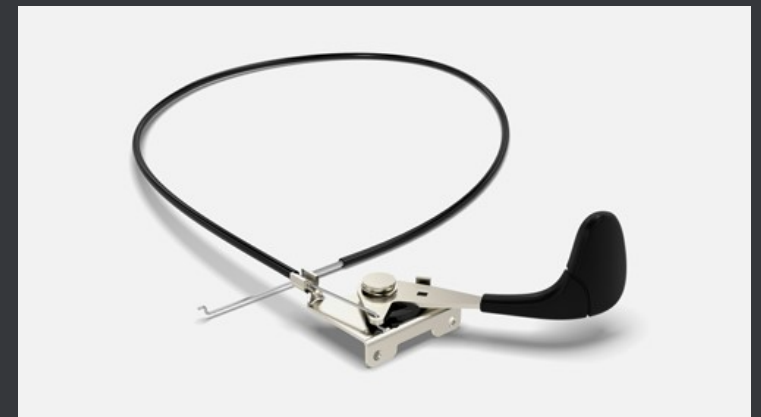
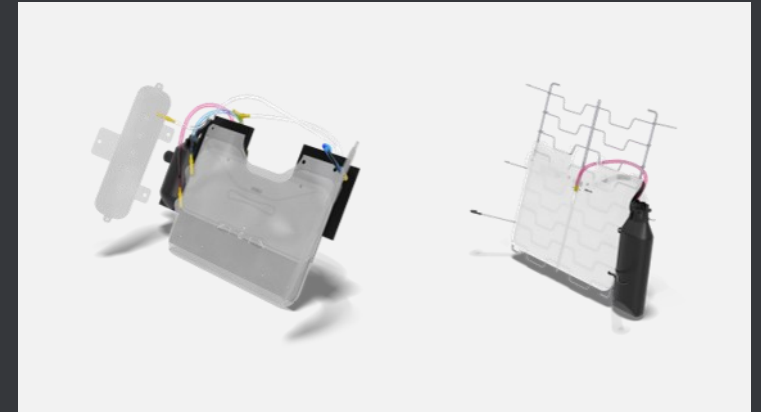
- > Executing on the Shift Gear portfolio transformation to ensure KA is a top-3 supplier in all its product areas
- > Leverage our strengths of engineering, innovation and relationships to exploit significant growth opportunities
- > Divestment of Interior Comfort Systems and Light-Duty Cables means these units are reported separately as discontinued operation



## EXECUTIVE SUMMARY

### DISCONTINUED OPERATIONS

- Discontinued operation showed a Revenue growth of 18,8%
- The adjusted EBIT amounted to EUR -6,8 million in 2021 versus EUR -5,7 million for the full year 2020
- Cash Flow for the full year was EUR -46,3 million in 2021 versus EUR -18,9 million in 2020



EXECUTIVE SUMMARY

# **FINANCIAL HIGHLIGHTS & NEW BUSINESS WINS**

MARKET SUMMARY

SEGMENT HIGHLIGHTS

GROUP FINANCIAL UPDATE

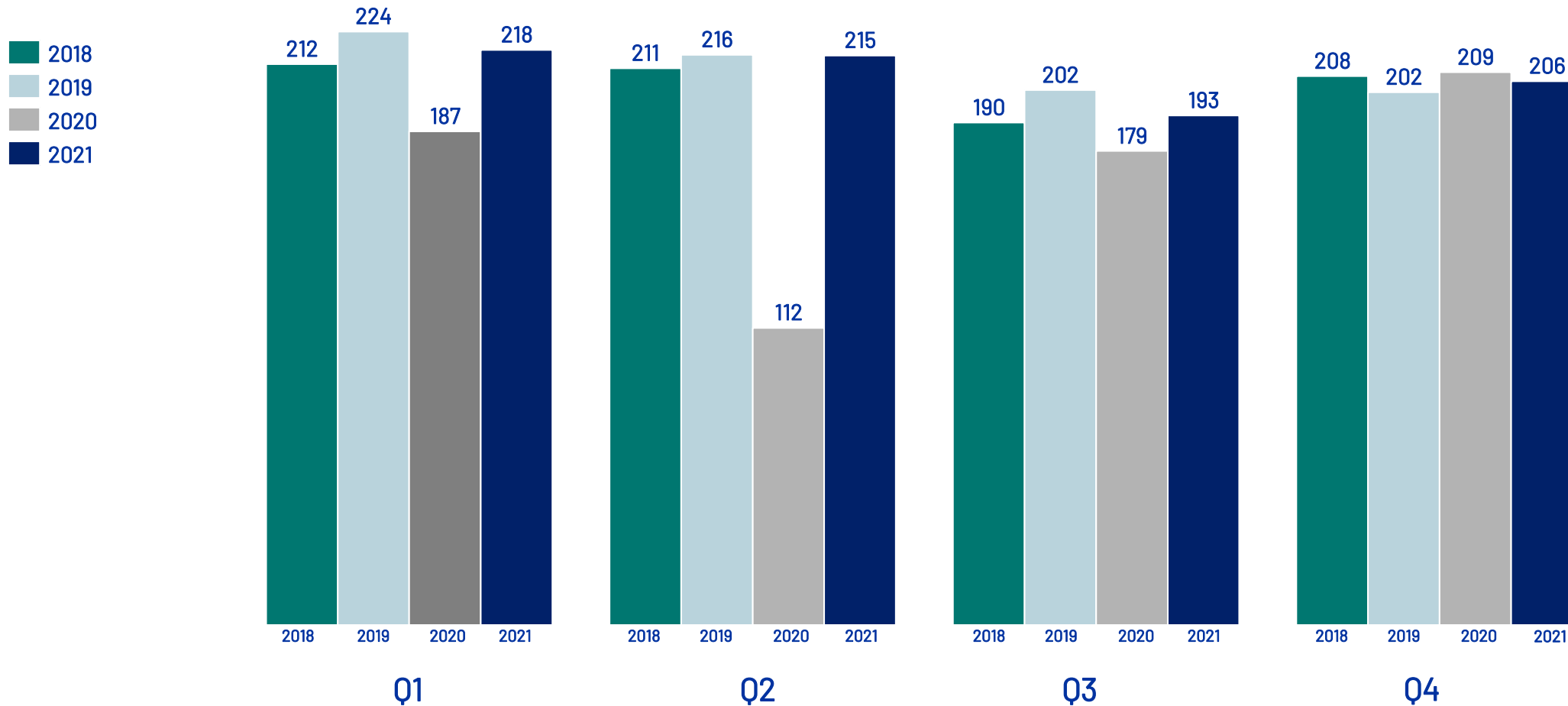
Q&A





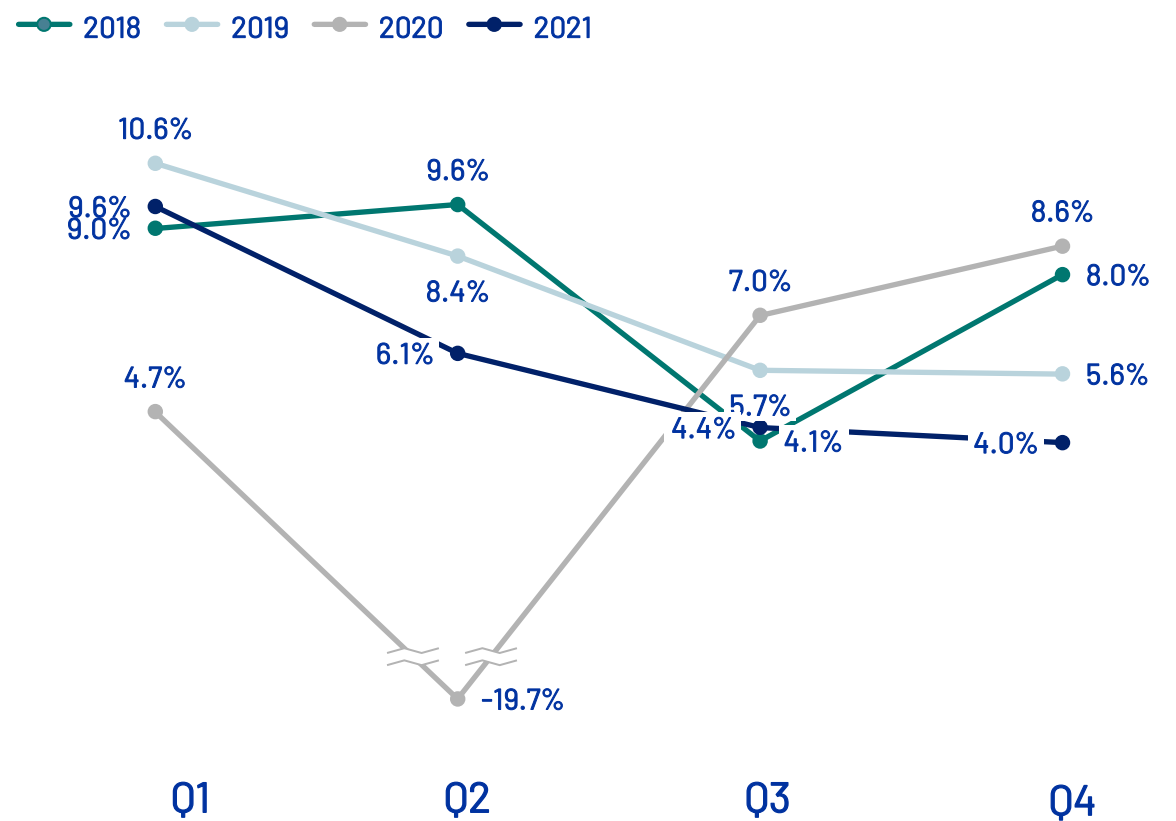
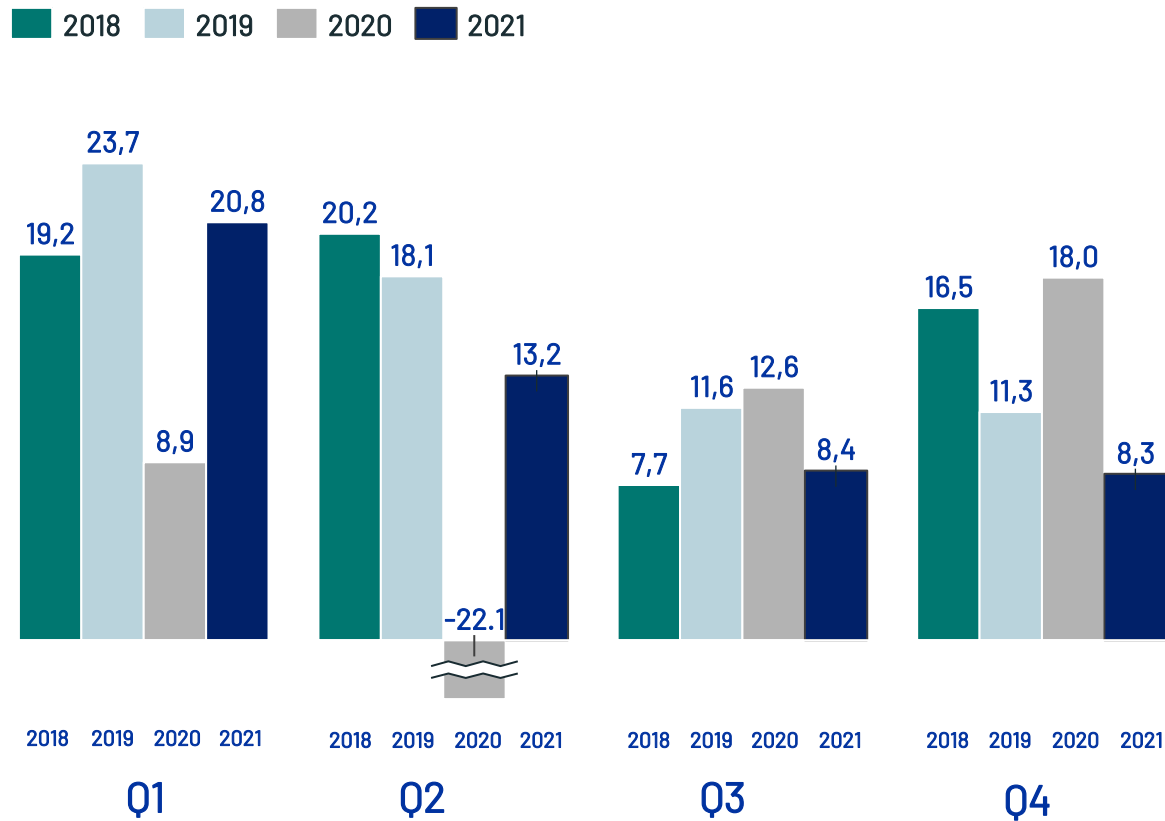
## REVENUES: SOLID Q4 IN COMPARISON WITH THE LAST FOUR YEARS

QUARTERLY REVENUES (continuing operation), MEUR



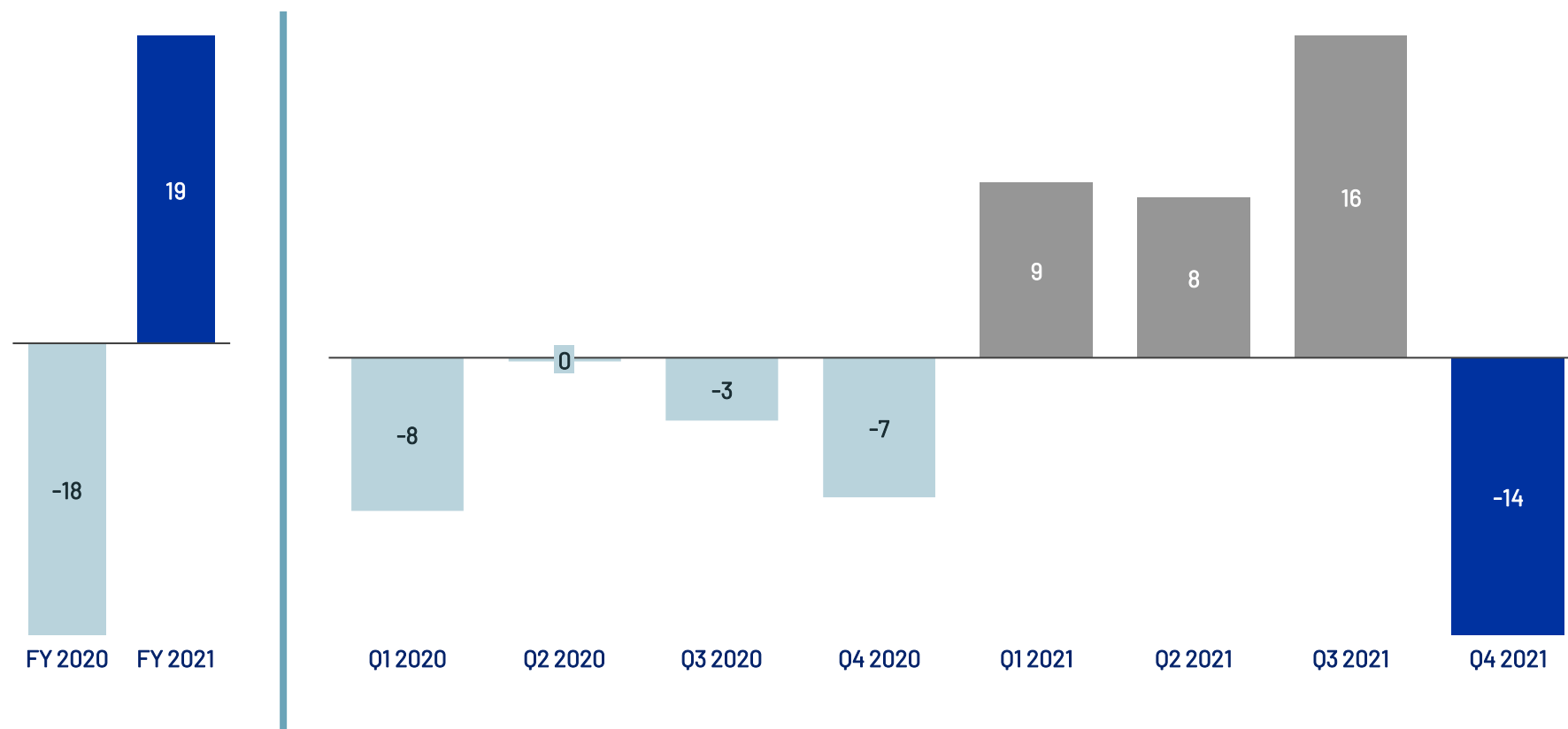
# ADJUSTED EBIT: Q4 2021 EARNINGS SEVERELY IMPACTED BY THE EXTRA COSTS RELATED TO THE SEMICONDUCTOR AND RAW MATERIAL CRISIS

QUARTERLY ADJ. EBIT (continuing operation), MEUR AND % OF REVENUES



## FREE CASH FLOW: STRICT SPEND CONTROL COULD NOT COMPENSATE SEMICONDUCTOR AND RAW MATERIAL SITUATION

FREE CASH FLOW<sup>1</sup>(continuing operation), MEUR



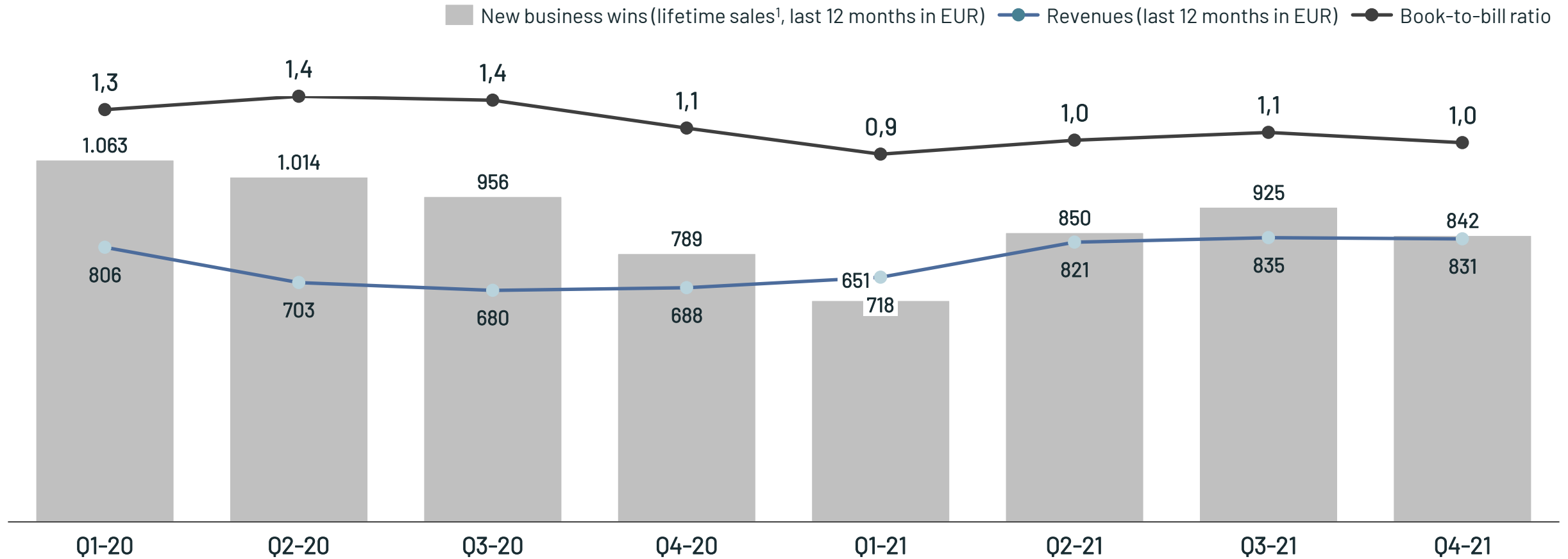
### Q4 2021 FCF DETAILS

Operating activities	-10
Therein: Overall NWC increase	-18
Investing activities	-10
Financing activities	+15
Therein:	-5
Payments of interests and lease liabilities	+20
Draw of RCF	
Currency and translation effects on cash flow	+11
<b>Total</b>	<b>+6</b>
excluding RCF	-20
<b>FCF</b>	<b>-14</b>

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.

## BOOK-TO-BILL PERFORMANCE (CONTINUING OPERATION): FAVORABLE BUSINESS VOLUMES SUSTAINED IN Q4 2021

### 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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# **MARKET SUMMARY**

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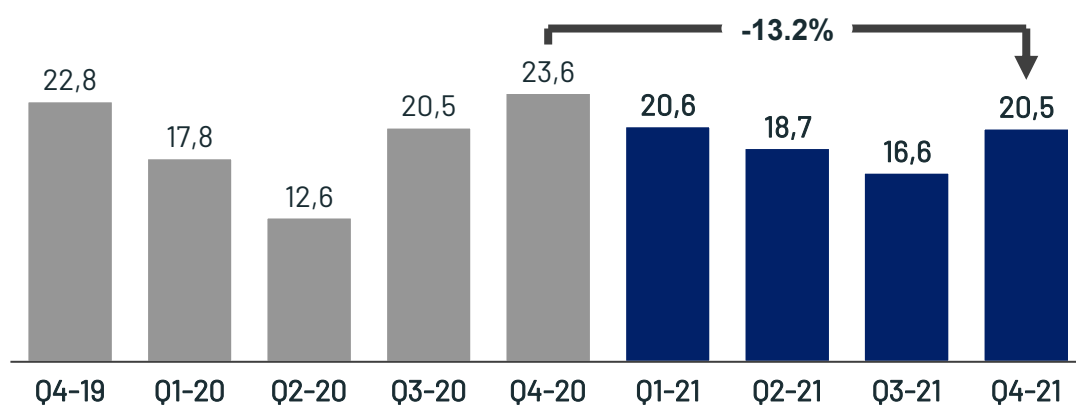


# MARKET TRENDS

## LOWER ACTIVITY OBSERVED IN ALL MARKETS

### MARKET DEVELOPMENT

GLOBAL PASSENGER CAR PRODUCTION, in million units

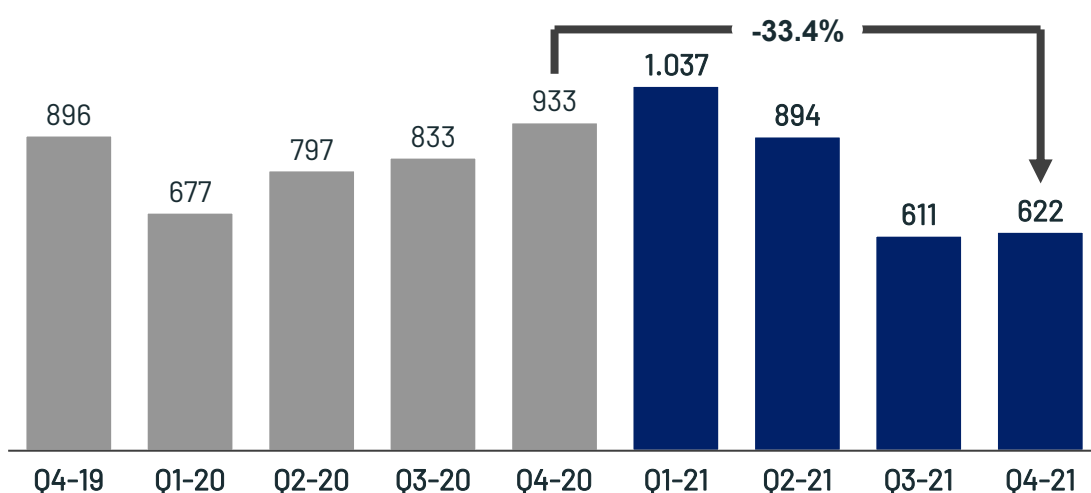


### REGION

### Q4-21 vs. Q4-20 2021 vs. 2020 YTD

China	-5.6%	+4.0%
APAC w/o China	-12.5%	+6.6%
Europe	-25.8%	-5.0%
North America	-14.7%	+0.1%
South America	-7.8%	+16.1%
Rest of World	-3.5%	+11.2%
<b>Total</b>	<b>-13.2%</b>	<b>+2.4%</b>
<b>Total(excl. China)</b>	<b>-17.0%</b>	<b>+1.7%</b>

GLOBAL TRUCK PRODUCTION, in thousand units



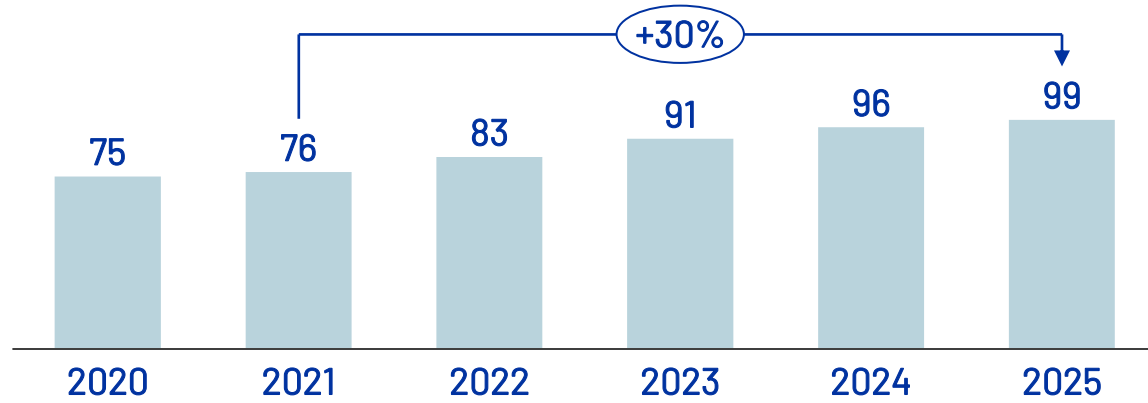
China	-59.1%	-21.0%
APAC w/o China	-7.4%	+23.4%
Europe	-4.7%	+11.6%
North America	-2.3%	+12.7%
South America	+24.3%	+74.6%
Rest of World	-19.8%	-3.2%
<b>Total</b>	<b>-33.4%</b>	<b>-2.4%</b>
<b>Total(excl. China)</b>	<b>-3.4%</b>	<b>+22.0%</b>

Source: IHS Light Vehicle Production Base (January 2022); LMC Global Commercial Vehicle Forecast (Q4 2021)

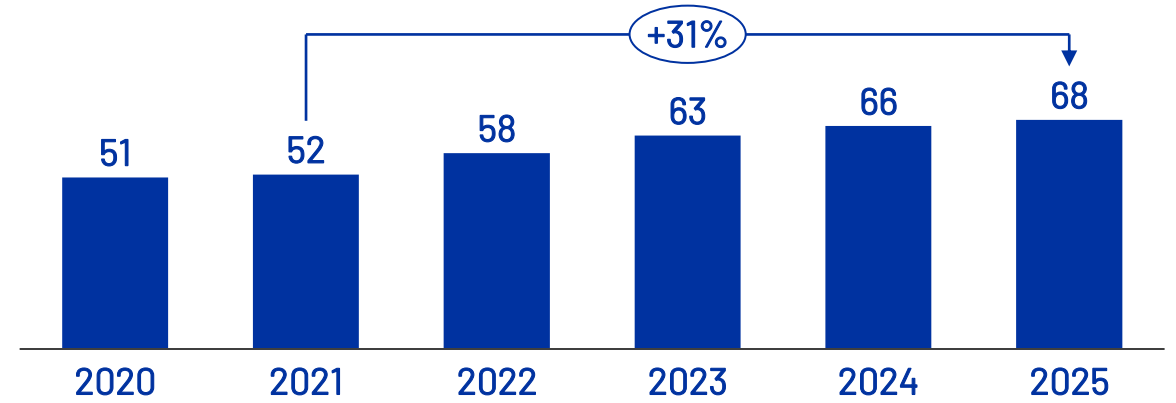


# MARKET FORECASTS - OUTLOOK

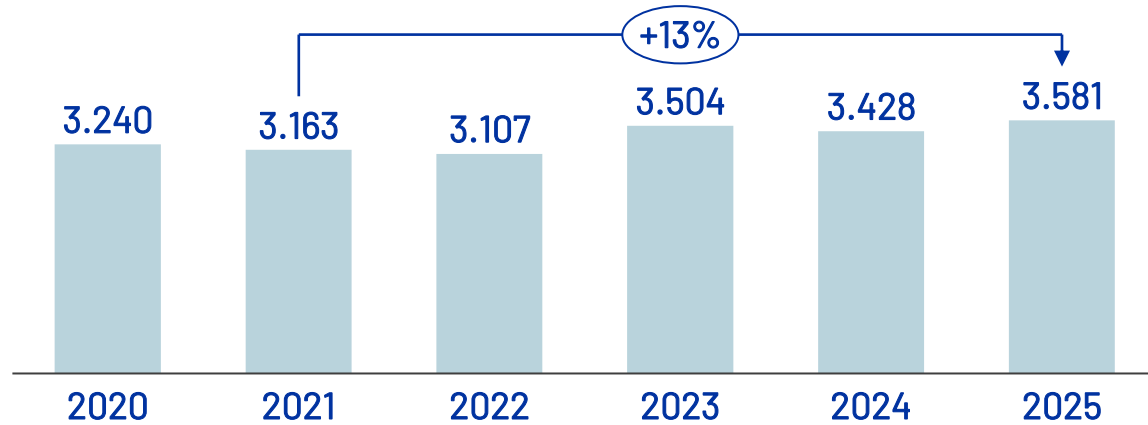
GLOBAL PASSENGER CAR PRODUCTION, SALES IN MILLION UNITS, INCLUDING CHINA



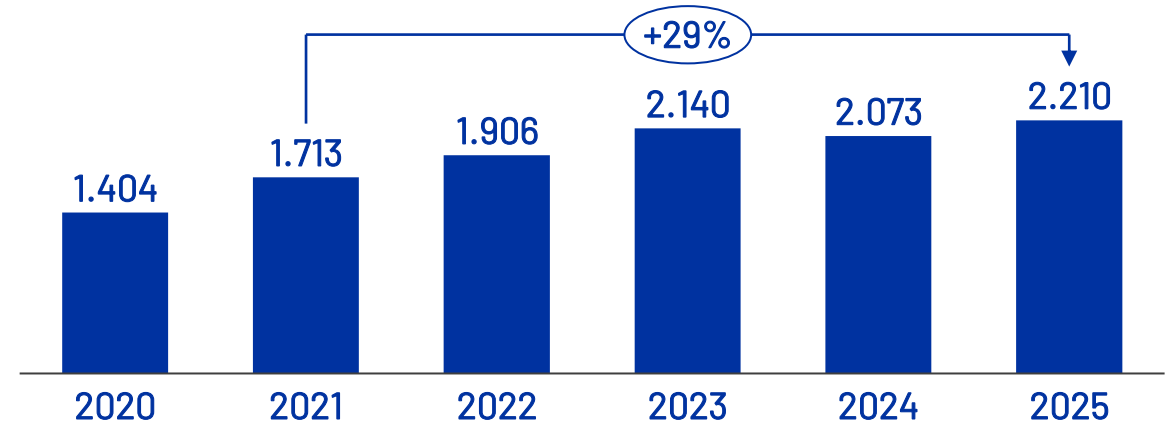
GLOBAL PASSENGER CAR PRODUCTION, SALES IN MILLION UNITS, EXCLUDING CHINA



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 2021); LMC Global Commercial Vehicle Forecast (Q3 2021)



An aerial photograph of a road curving through a dense forest, overlaid with a semi-transparent blue diamond shape. The text is positioned on the left side of the image.

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# **SEGMENT HIGHLIGHTS**

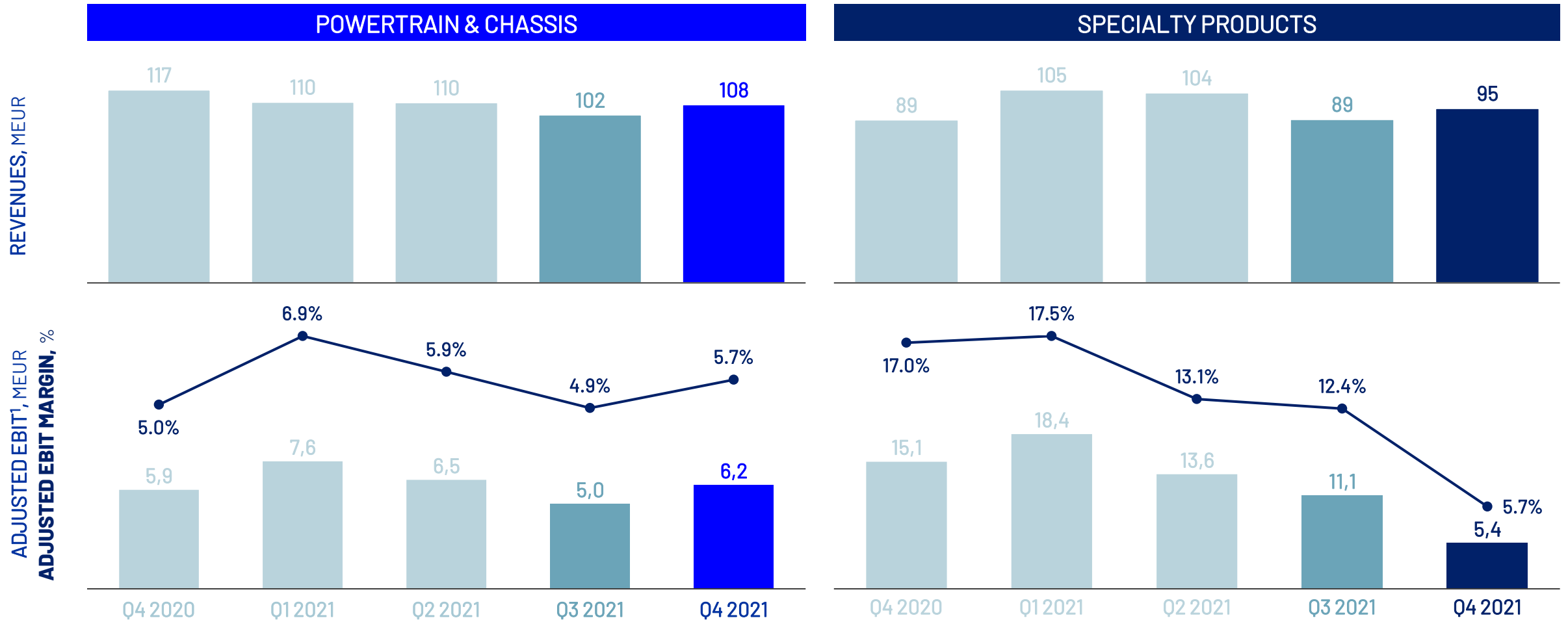
GROUP FINANCIAL UPDATE

Q&A





## SEGMENT FINANCIALS: SEGMENTS DIFFERENTLY IMPACTED BY SEMICONDUCTOR AND RAW MATERIALS SITUATION

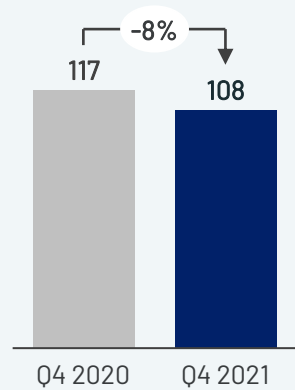


# SEGMENT HIGHLIGHTS

## POWERTRAIN & CHASSIS

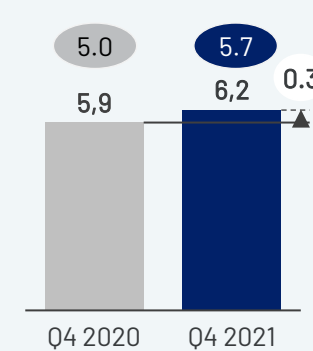
Adj. EBIT margin (%)

### REVENUES, MEUR



Revenues in Powertrain & Chassis decreased by MEUR 9.0 (-7.7%) to MEUR 108.3 in the fourth quarter 2021 compared to the same quarter in 2020, despite positive currency translation effects of MEUR 4.6. On a constant currency basis, revenues in Q4 2021 decreased by MEUR 13.6 in total compared to Q4 2020, which was mainly driven by decrease in the European passenger car market (MEUR 11.8). However, revenues in the Chinese passenger car end markets grew by MEUR 4.3. Revenues in the commercial vehicles end market declined by MEUR 3.1 and MEUR 2.1 in China and the United States, respectively.

### ADJ. EBIT, MEUR

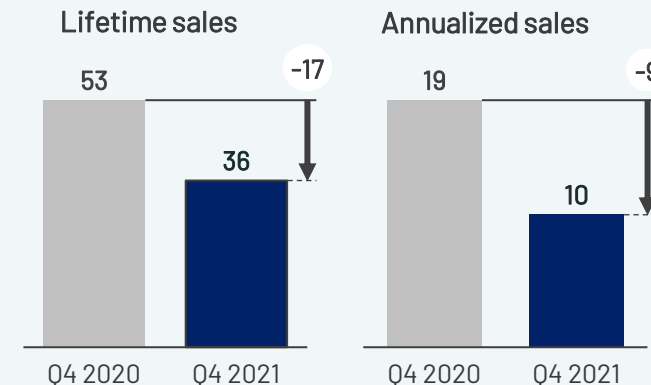


Despite the reduced sales volume, adjusted EBIT was MEUR 6.2 in the fourth quarter 2021, a slight increase of MEUR 0.3 compared to the adjusted EBIT in Q4 last year. On the one hand, the negative impact of the material shortages of electronic components, resin, and steel was mitigated by the improvement programs. On the other hand, the increasing passenger car business in China and the commercial car business in America as well as successful implementation of the Shift Gear measures contributed to the increased profitability in Q4 2021.

### OPERATIONS

P&C Operations in Q4 were dramatically impacted by supplier delivery & material cost premiums due to global commercial conditions. Cost increases in raw materials, freight and utilities were largely overcome by rapid sales price surcharges and successful implementation of cost reduction measures across all P&C plants. Customer schedule disruptions, due to their own e-components challenges and supplier delivery issues further complicated production planning. We have been able to harvest benefits in all regions from intense focus on our Cost Improvement Programs.

### NEW BUSINESS WINS, MEUR

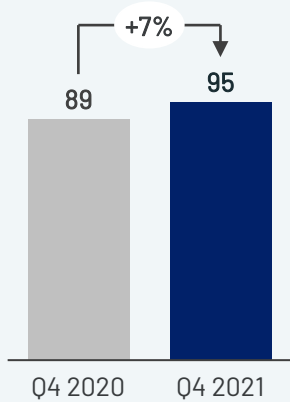


Within the quarter, Powertrain & Chassis was awarded a significant contract to supply Gear Shift Systems to a Chinese automobile manufacturer (MEUR 21.4 in expected lifetime revenues and MEUR 3.0 in expected annualized revenues) with start of production in Q3 2022.

# SEGMENT HIGHLIGHTS SPECIALTY PRODUCTS

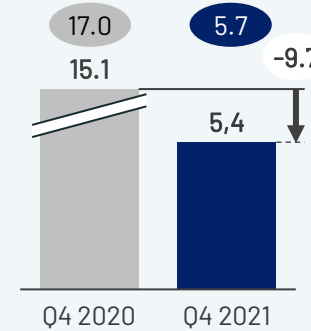
Adj. EBIT margin (%)

## REVENUES, MEUR



Excluding the cable-related part of the Off-Highway business which is included in discontinued operation, revenues in Specialty Products increased by MEUR 6.4 (+7.2%) to MEUR 95.2 compared to the fourth quarter of 2020, including positive currency translation effects of MEUR 4.6. All business units contributed to the revenue increase.

## ADJ. EBIT, MEUR

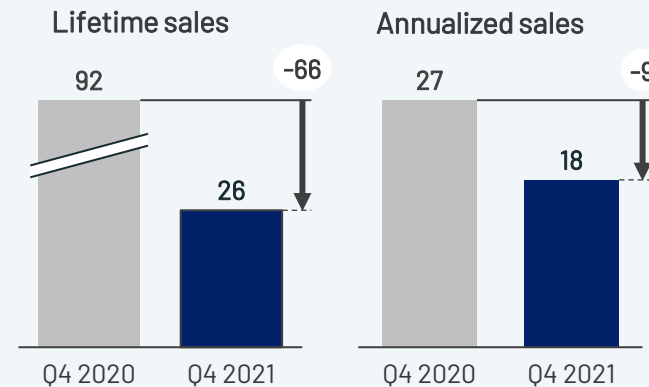


Adjusted EBIT was MEUR 5.4 in the fourth quarter of 2021, a decrease of MEUR 9.7 compared to the same quarter of last year. Despite higher revenues in Q4 2021, adjusted EBIT declined mainly due to the disproportional increase in costs related to impacts of the electronic components supply chain crisis and higher raw material cost.

## OPERATIONS

Plant operations remained stable and performed at pre-pandemic levels, however many customers, impacted by semi-conductors crisis, have moved demand in short time. Capacity expansion in facilities of FTS in Mexico and Poland has commenced. Material availability for certain products has remained challenging and will continue into 2022.

## NEW BUSINESS WINS, MEUR



During the fourth quarter 2021, total business wins amounted to MEUR 25.6 of lifetime revenues (MEUR 18.2 in annualized revenues).

Within the quarter, Couplings was awarded a contract with a major German OEM that totals MEUR 0.9 in expected annualized revenues and MEUR 3.1 in expected lifetime revenues.



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# **GROUP FINANCIAL UPDATE**

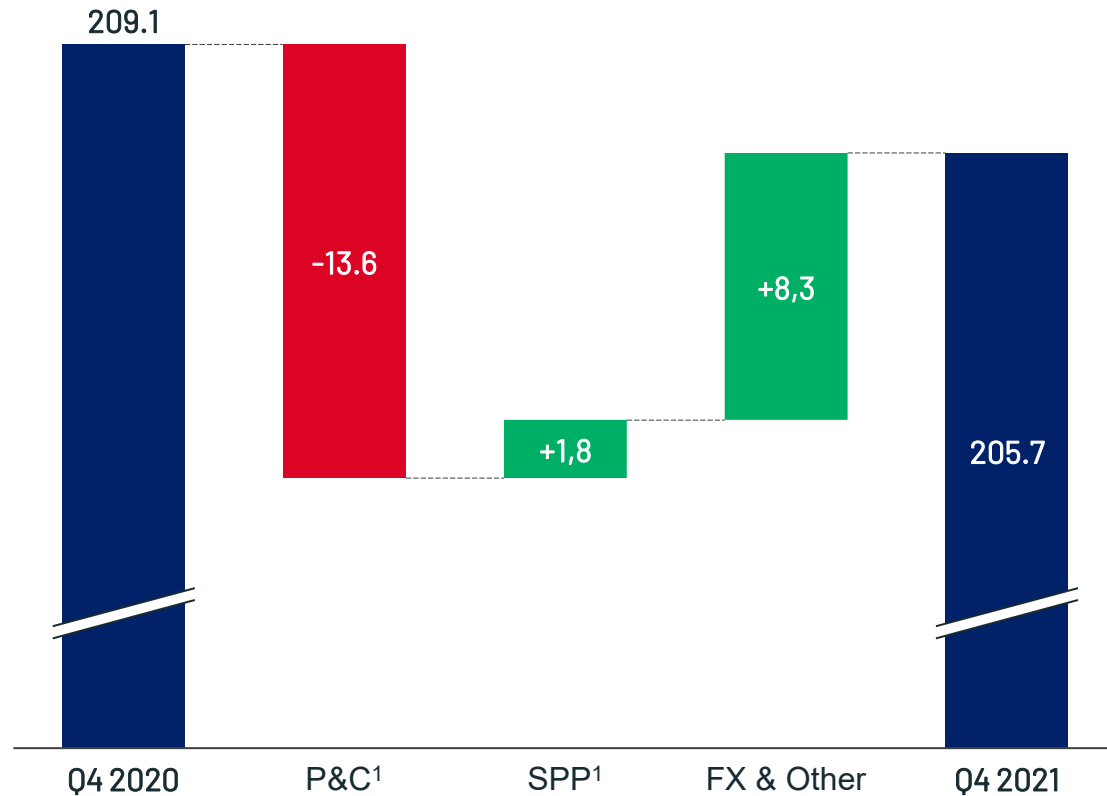
OUTLOOK

Q&A

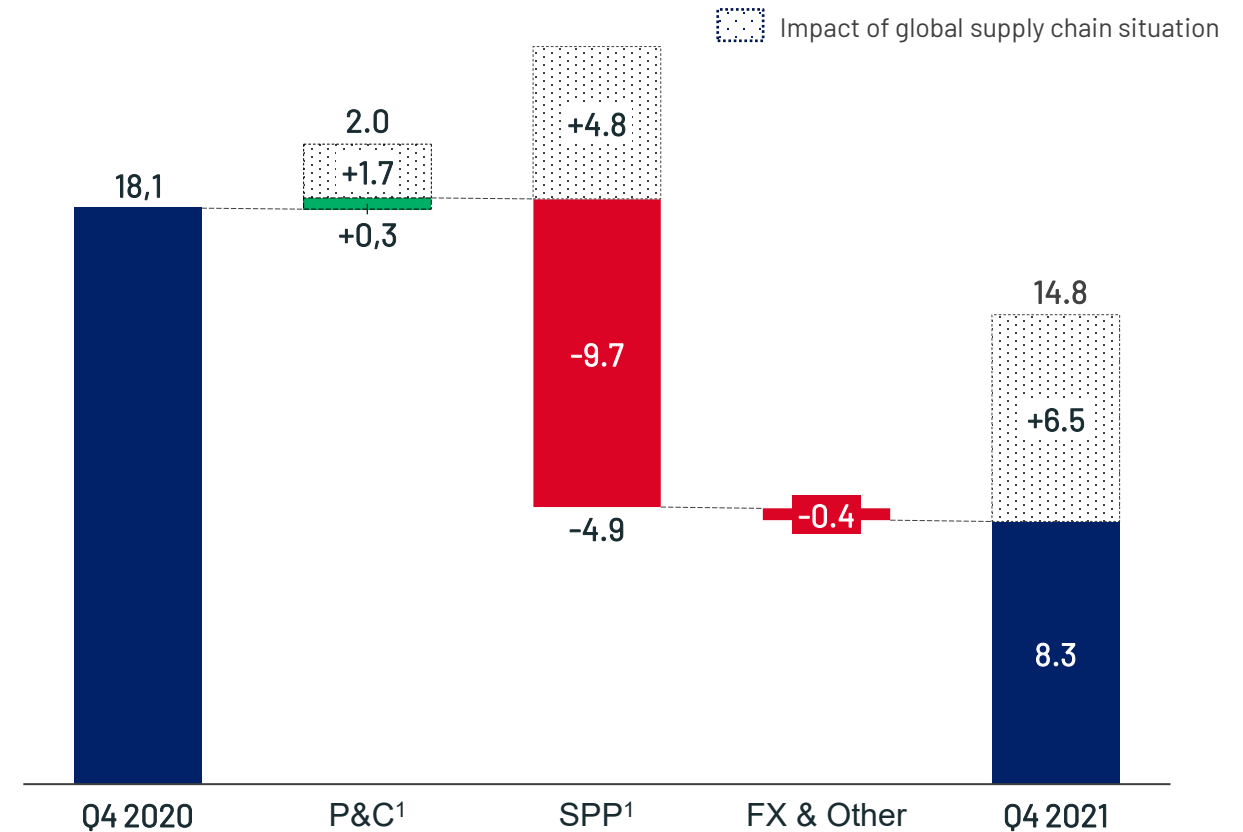


## Q4 2021 REVENUES AND ADJ. EBIT: SHORTFALLS IN P&C REVENUES COMPENSATED BY STRICT COST CONTROL; SPP IMPACTED BY SUPPLY CHAIN CRISIS

REVENUES (continuing operations), MEUR



ADJ. EBIT (continuing operations), MEUR



1. Variances excluding FX translation effects

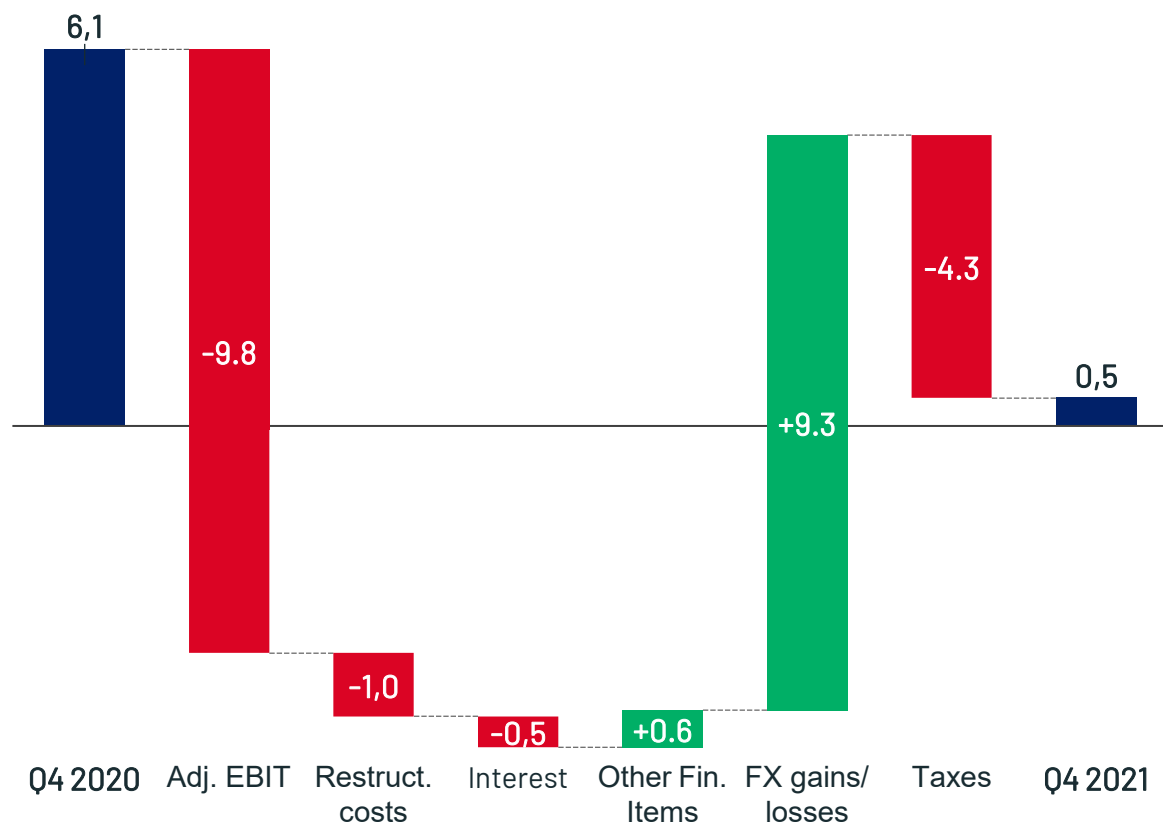
The impact of supply chain crisis on adj. EBIT shown here does not include the shortfall in revenues



## Q4 2020 VS Q4 2021

### NET INCOME DEVELOPMENT

#### NET INCOME DEVELOPMENT (continuing operation), MEUR



#### ADJUSTED EBIT

- » Adj. EBIT lower by MEUR 9.8 compared to Q4 2020 due to the significant disruptions in the supply chain throughout the automotive sector.

#### RESTRUCTURING COSTS

- » Restructuring costs include consultancy fees in relation to the Company's portfolio transformation.

#### INTEREST

- » The interest expenses in Q4 2021 were slightly higher than in Q4 2020 (MEUR 5.6 in Q4 2021 vs. MEUR 5.1 in Q4 2020).

#### FOREX GAINS/LOSSES

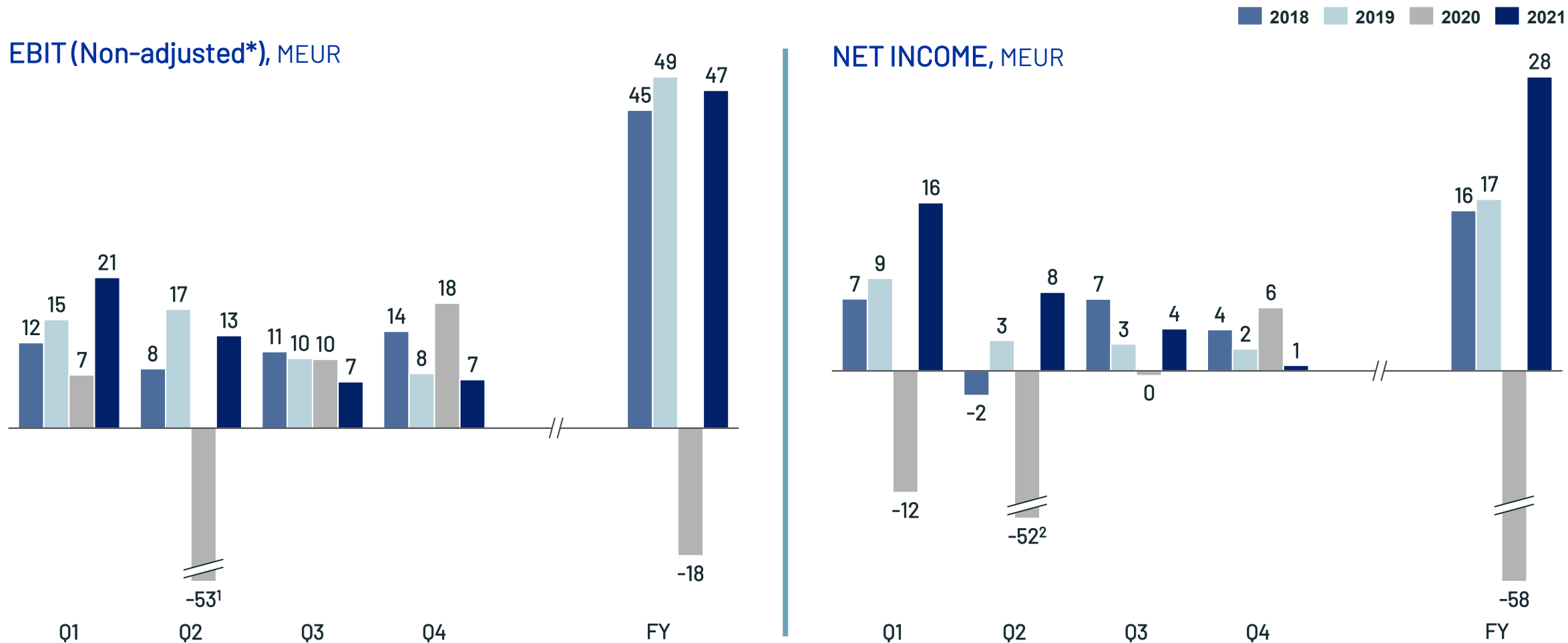
- » Foreign currency gains were MEUR 4.4 in Q4 2021 compared to the losses of MEUR 4.9 in Q4 2020.

#### TAXES

- » Tax expenses in Q4 2021 amounted to MEUR 4.8 compared to MEUR 0.5 in Q4 2020. The tax rate for full year 2021 amounts to 25%, whereas the tax rate last year was impacted by non-deductible items like goodwill impairment.



## EBIT & NET INCOME (CONTINUING OPERATION)

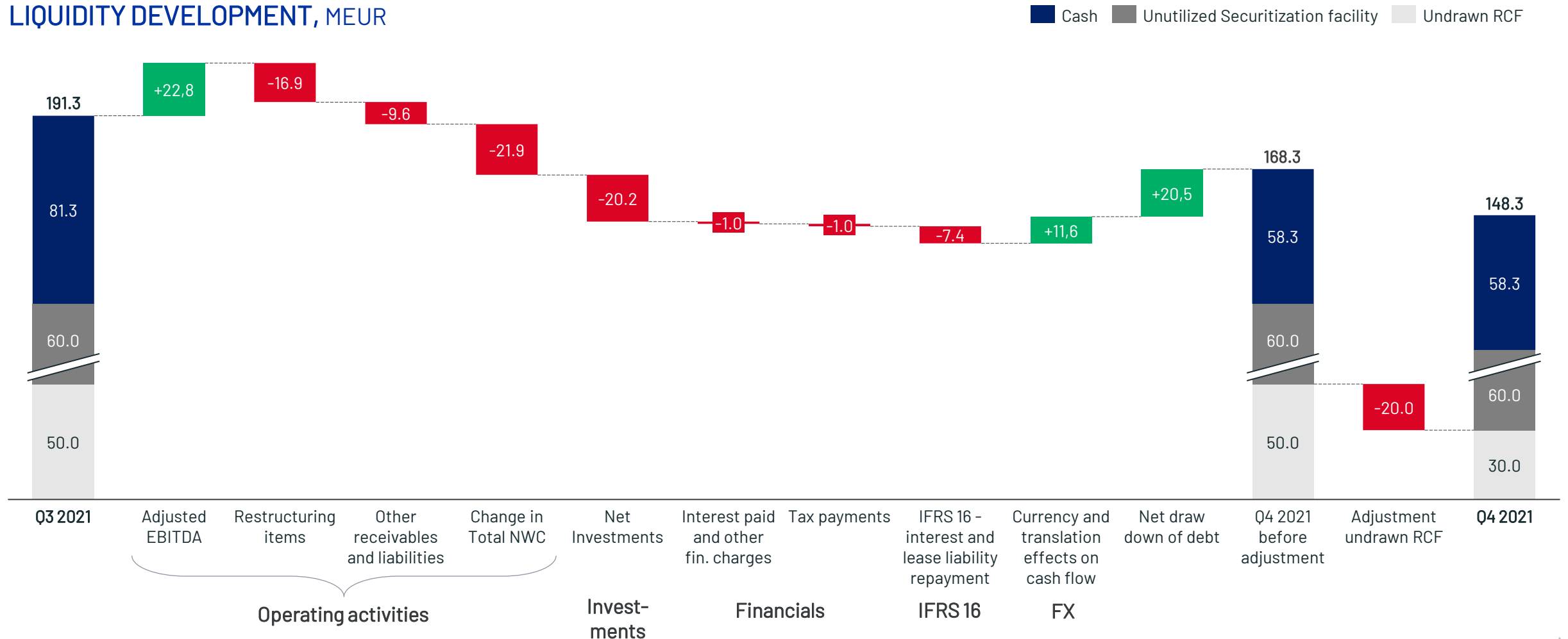


\* Adjusted EBIT is EBIT before restructuring costs.



# LIQUIDITY DEVELOPMENT FOR THE WHOLE GROUP

## LIQUIDITY DEVELOPMENT, MEUR





## NET FINANCIAL ITEMS (CONTINUING OPERATION)

### FOREX GAINS/LOSSES

The foreign exchange effects in Q4 2021 are made up of:

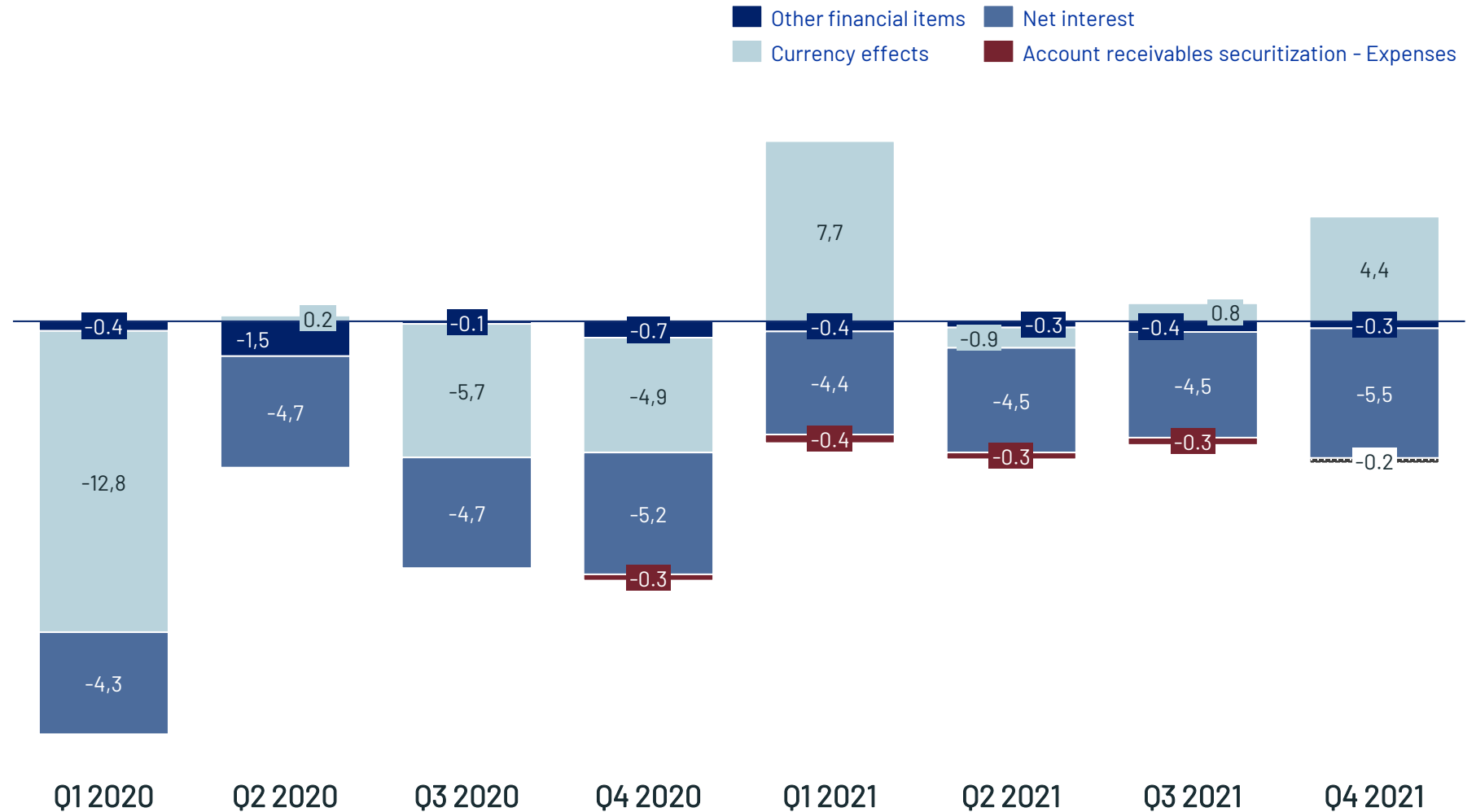
- > realized foreign exchange loss of MEUR 3.2
- > unrealized foreign exchange gain of MEUR 7.6

### INTEREST

The main elements were the IFRS16 interest of MEUR 1.8 and accrued interest for the bond and RCF of MEUR 3.7

### ACCOUNT RECEIVABLES SECURITIZATION – EXPENSES

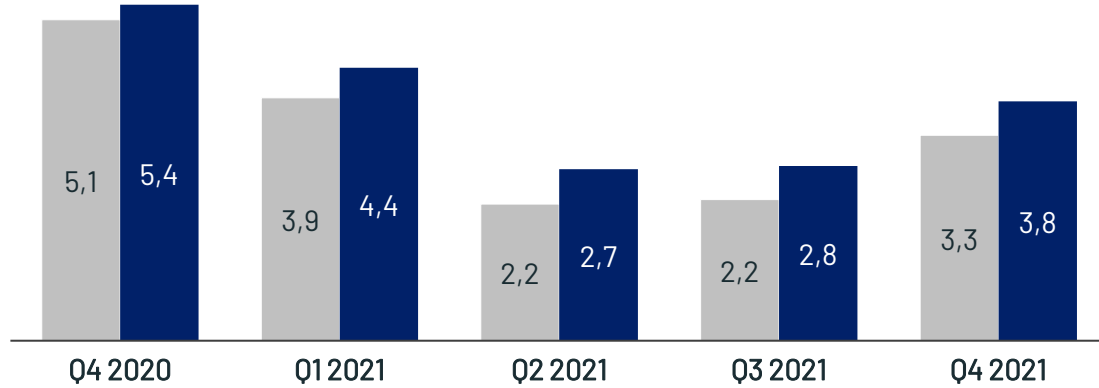
This position includes expenses related to AR Securitization such as Commitment fees, Administrator fees, Servicing fees



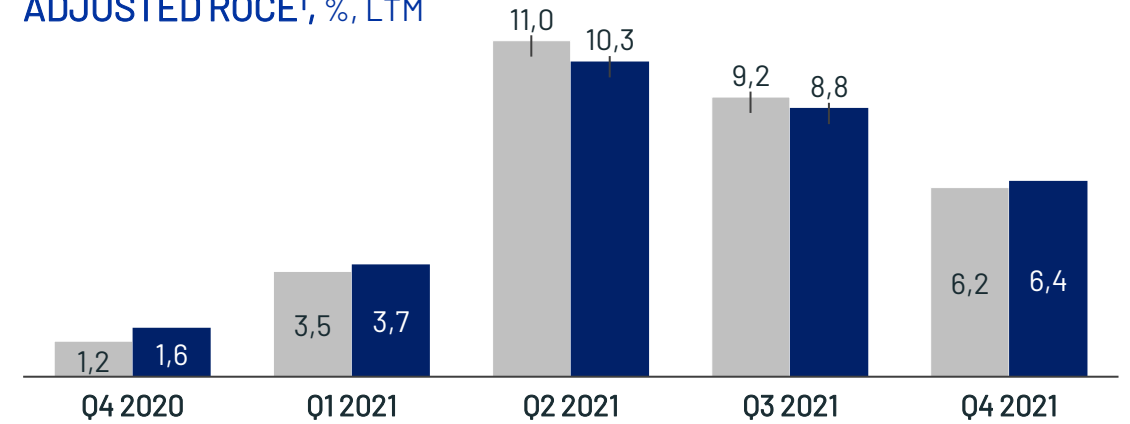
## FINANCIAL RATIOS (WHOLE GROUP)

Excluding IFRS16  
Incl. IFRS 16 effect

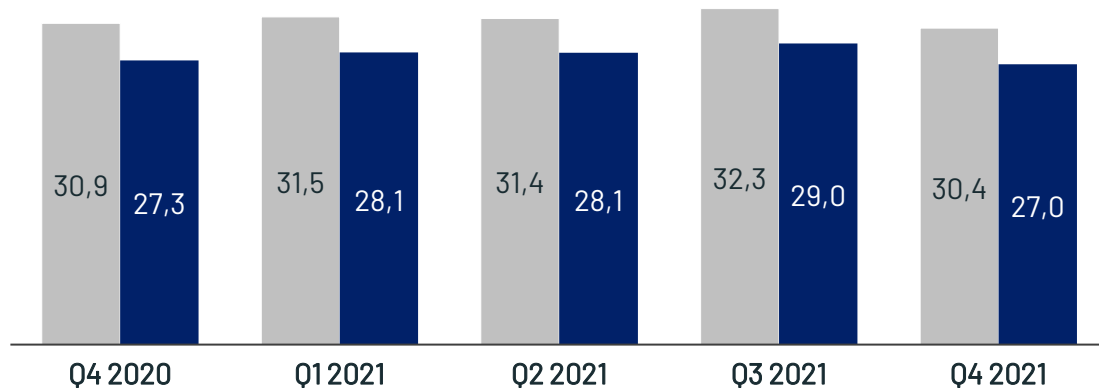
ADJUSTED GEARING RATIO<sup>1</sup>, NIBD<sup>2</sup>/EBITDA, LTM



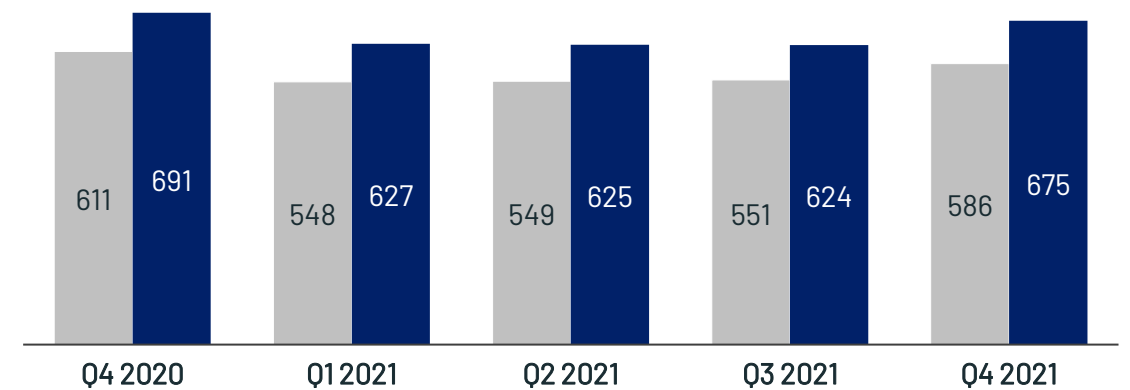
ADJUSTED ROCE<sup>1</sup>, %, LTM



EQUITY RATIO<sup>4</sup>, %



CAPITAL EMPLOYED<sup>3</sup>, MEUR



1. Excluding restructuring costs and impairment losses in Q2 2020

2. Net interest-bearing debt

3. Capital employed at quarter end

4. 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



An aerial photograph of a mining operation, showing various pits, roads, and tracks. The image is overlaid with a large, semi-transparent blue arrow pointing from left to right. The text is positioned on the left side of the page, within the dark blue background.

EXECUTIVE SUMMARY  
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SEGMENT HIGHLIGHTS  
GROUP FINANCIAL UPDATE

# **OUTLOOK**

Q&A



# AT A GLANCE

## POST-DIVESTMENT BUSINESS SEGMENTS

### POWERTRAIN & CHASSIS

- > Powertrain & Chassis is a global Tier 1 supplier of driver control and driveline products to the passenger and commercial vehicle automotive markets

### SPECIALTY PRODUCTS

- > The Specialty Products segment designs and manufactures products for both the automotive and commercial vehicle markets, as well as for power sports, construction, agriculture, outdoor power equipment and power electronics applications.

#### DRIVELINE

- > **Shifters and actuators for passenger and commercial vehicles**
- > Product mix includes some BEV-relevant technologies
- > KA is among the top 10 suppliers in the segment

#### ON-HIGHWAY

- > **Vehicle dynamics, clutch and gear actuators for passenger and commercial vehicles**
- > Product mix includes both BEV and ICE-relevant technologies
- > KA is a top supplier in the segment

#### OFF-HIGHWAY

- > **Operator control systems for a variety of applications**
- > Low exposure to automotive sector, focused on niche applications
- > KA is a top supplier in the segment

#### FTS

- > **Fluid handling systems for a wide variety of vehicles**
- > Product mix includes both BEV and ICE-relevant technologies
- > KA is a top supplier in the segment

#### COUPLINGS

- > **Couplings systems for compressed-air circuits**
- > Product mix includes both BEV and ICE-relevant technologies
- > KA is a top supplier in the segment



## SHIFT GEAR PROGRAM

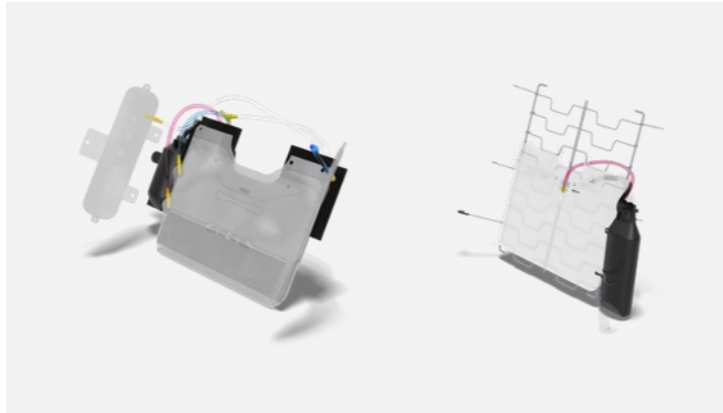
PORTFOLIO TRANSFORMATION IS UNDERWAY

### SHIFT GEAR



- > We will continue our portfolio transformation using the structured innovation process outlined at our capital markets day in December 2021
- > We will consider divestments or investments according to their fit with the strategy of being second-to-none in the business areas where we operate

### INTERIOR COMFORT SYSTEMS



- > Sale agreed of Interior Comfort Systems (ICS) business unit to Lear Corporation, closed after the balance sheet date
- > Lear Corporation, a market leader in the seating business, can better compete in this capex-intensive business with "all in" intelligent seat system solutions

### LIGHT-DUTY CABLES



- > Sale agreed of Light Duty Cable (LDC) business unit to Suprajit, expected to close in late Q1 or early Q2 2022
- > Suprajit's economies of scale in this area will be further enhanced by adding the LDC unit's facilities, employees and engineering capabilities



## OUTLOOK 2022

### WE WILL CONTINUE TO EXECUTE ON OUR SHIFT GEAR PROGRAM

#### WAR IN UKRAINE

- KA does not have facilities, customers or suppliers in either Russia or the Ukraine, and as such **the direct impact is limited**.
- The potential indirect effects are impossible to quantify at this point, but include:
  - Interruptions at our customers' plants reducing their need for our products
  - Reduced availability or higher cost of components, raw materials or logistics
  - Higher energy or labor costs

#### USE OF PROCEEDS FROM DIVESTMENTS

- The partial redemption of MEUR 75 of our bonds due 2025 will save MEUR 3.75 annualized interest costs
- We have already repaid the Revolving Credit Facility drawn during Q4 2021
- We reiterate our intention for a share buyback subject to obtaining more clarity on the impact of the Ukraine crisis and completing the LDC Divesture.

#### NO GUIDANCE AT THIS TIME

- Due to the geopolitical and economic uncertainty, **KA will not issue a FY 2022 guidance at this time**.
- Absent this uncertainty, we would have **expected further revenue growth in 2022 with a similar or slightly lower** adjusted EBIT than in 2021, depending on the availability and cost of supply
- KA will closely monitor the development of the situation, and **publish guidance as soon as this can be done in a clear and reliable manner**



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