

# Kongsberg Automotive Investor Presentation

*February / March 2020*

### **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 2019 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.

# Today's Presenter

## Henning Jensen, President and Chief Executive Officer



### Professional experience

**Kongsberg Automotive**  
*President and Chief Executive Officer*  
June 2016 - Present

**Kistefos AS**  
*Chief Executive Officer*  
2011 - 2015

**RHI AG**  
*Chief Executive Officer, Chief Financial Officer and Chairman*  
2010 – 2011

**Tyco Electronics**  
*SVP, Divisional Head (Automotive), Chief Financial Officer (Electronic Components) and other senior level management positions*  
2001 – 2009

**General Motors**  
*Managerial and executive positions*  
1995 – 2001

### Education

**Hochschule St. Gallen (Switzerland)**  
*Doctoral Studies*

**University of San Francisco (USA)**  
*BA & MBA*

# Kongsberg Automotive at a glance (1/2)

## Overview

- Headquartered in Zurich, Switzerland and listed on the Oslo Stock Exchange
- 3 segments: Interior, Powertrain & Chassis, Specialty Products
  - Interior: interior comfort systems and light duty cables
  - Powertrain & Chassis: gearshift systems and vehicle dynamics applications
  - Specialty Products: air couplings, FTS and off-highway applications
- We estimate that approximately one out of five LD or HD vehicles contain our products globally
- Diverse customer and end-market exposure with strong market positions

## Selected KPIs

**Revenue**  
(2017A / 2018A / 2019A)

**€1,057 m / €1,123 m / €1,161 m**

**Adjusted EBIT**  
(2017A / 2018A / 2019A)

**€50 m / €75 m / €71 m**

**Revenue growth / Adj. EBIT growth**  
(2017A-2018A & 2018A-2019A)

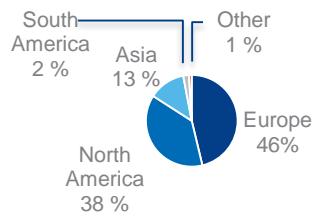
**6% / 49% & 3% / -5%**

**Booked business / Revenue**  
(avg. 2017A, 2018A, 2019A)

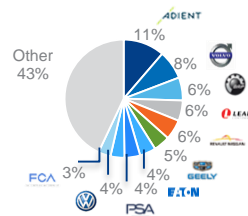
**1.3x**

## 2019A revenue breakdown

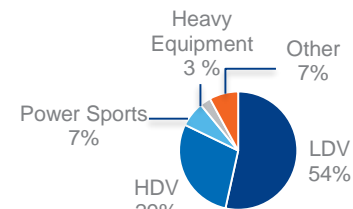
### By geography



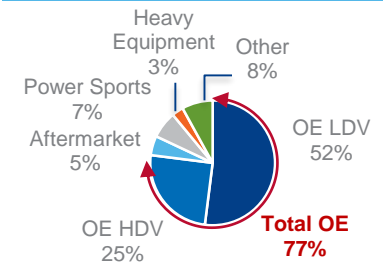
### By customer



### By end-market









### By channel



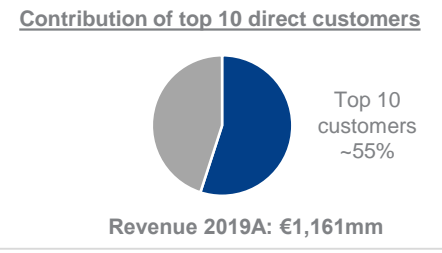
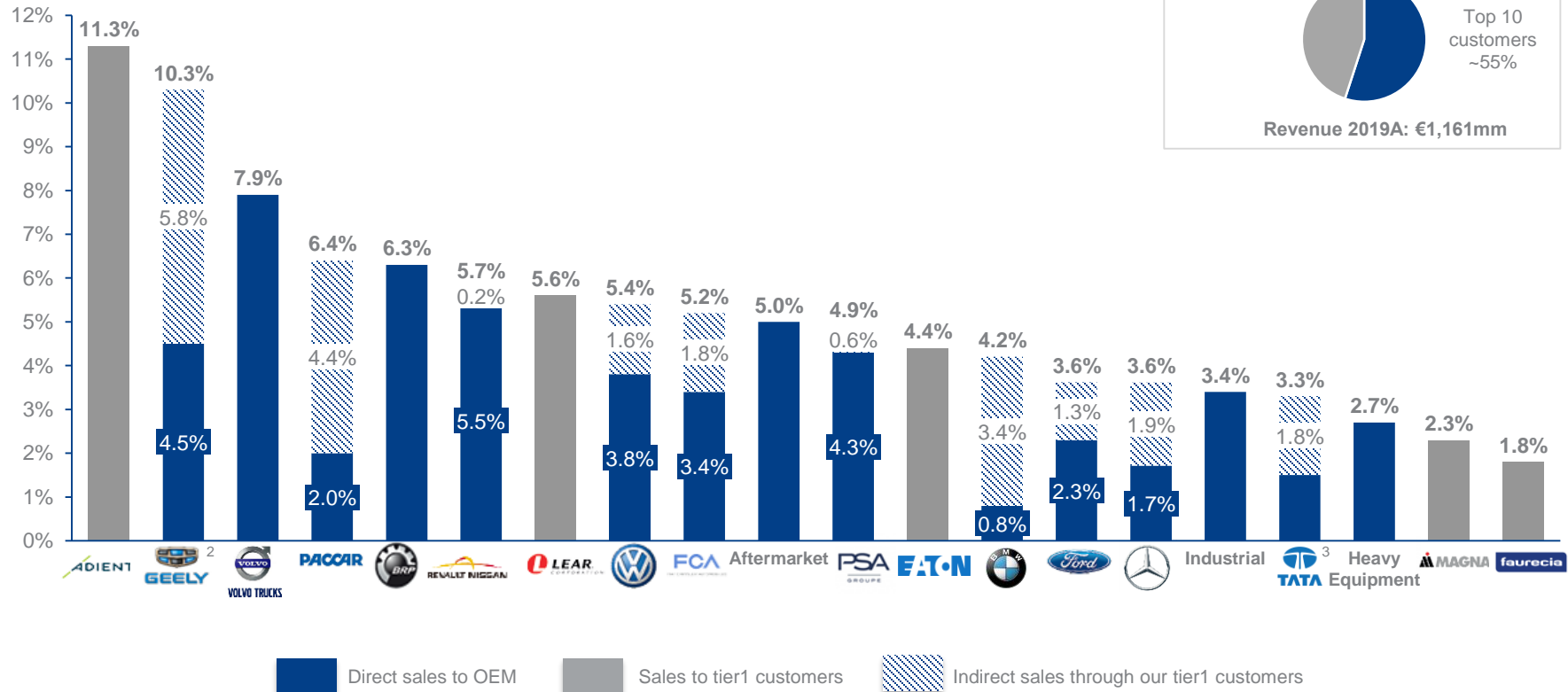
**Total revenue 2019A: €1,161 m**

# Kongsberg Automotive at a glance (2/2)

	Interior		Powertrain & Chassis Products		Specialty Products		
	Light Duty Cables	Interior Comfort Systems	Transmission Control	Vehicle Dynamics	Air Couplings	FTS	Off Highway
Revenue % 2019A	5%	21%	36%	4%	9%	11%	14%
Market position	Fragmented market with no dominant player	#1 / #2 in integrated comfort systems	Strong position in actuation systems		#1 / #2 (Europe)	#1 in PTFE hoses	Top 3 in pedals and electronic controls
% LDV/HDV/ Non-Auto/ Aftermarket	98% / 2% / 0% / 0%		55% / 34% / 1% / 10%		15% / 34% / 48% / 3%		
Key customers							
Key competitors							
Kongsberg Automotive Value Proposition	<ul style="list-style-type: none"> <li>➤ Broadest capabilities in the market</li> <li>➤ Strong underlying addressable market growth driven by trend towards premiumisation, comfort and convenience</li> <li>➤ Trickle down from premium segment into volume segments</li> <li>➤ Strong customer relationships</li> <li>➤ Sophisticated cable design and high quality</li> <li>➤ One-stop shop for systems</li> </ul>		<ul style="list-style-type: none"> <li>➤ Strong product development capabilities in a market moving from mechanical to electronically controlled automated actuation</li> <li>➤ Well positioned on truck and LV actuators</li> <li>➤ High design flexibility through standardized modules, adaptable to OEM preferences</li> <li>➤ Significant business booked in US and China</li> <li>➤ Complete shifter systems</li> <li>➤ Long design and manufacturing expertise</li> </ul>		<ul style="list-style-type: none"> <li>➤ Deep vertical integration and full capability in-house, hereunder strong electronic engineering capabilities</li> <li>➤ Strong growth driven by innovative products and capturing market share: couplings (HDV, aftermarket), FTS (LDV, HDV, industrial), off-highway (power sports, construction, agriculture)</li> <li>➤ Growth potential in North America and Asia</li> <li>➤ OEM advancement through better TCO</li> <li>➤ Bringing automotive scale and efficiency to industrial customers</li> <li>➤ Market leader in niche markets</li> </ul>		

# Kongsberg Automotive benefits from a well diversified customer base<sup>1</sup>

Share of KA's Total Revenue



**Our broad customer base prevents any dominant single customer dependency**

<sup>1</sup> This graphical overview represents approximately 78% of our total end customer revenues.

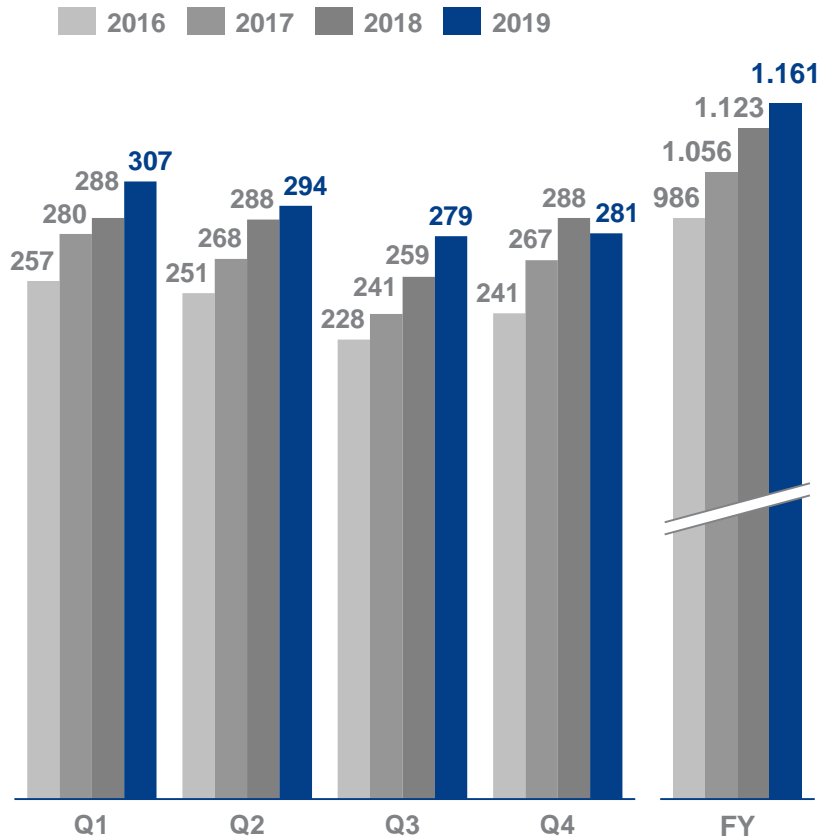
<sup>2</sup> The Volvo passenger car brand is included in the Geely Group.

<sup>3</sup> The Land Rover passenger car is included in the Tata Motors Group.

# Revenues and Adjusted EBIT

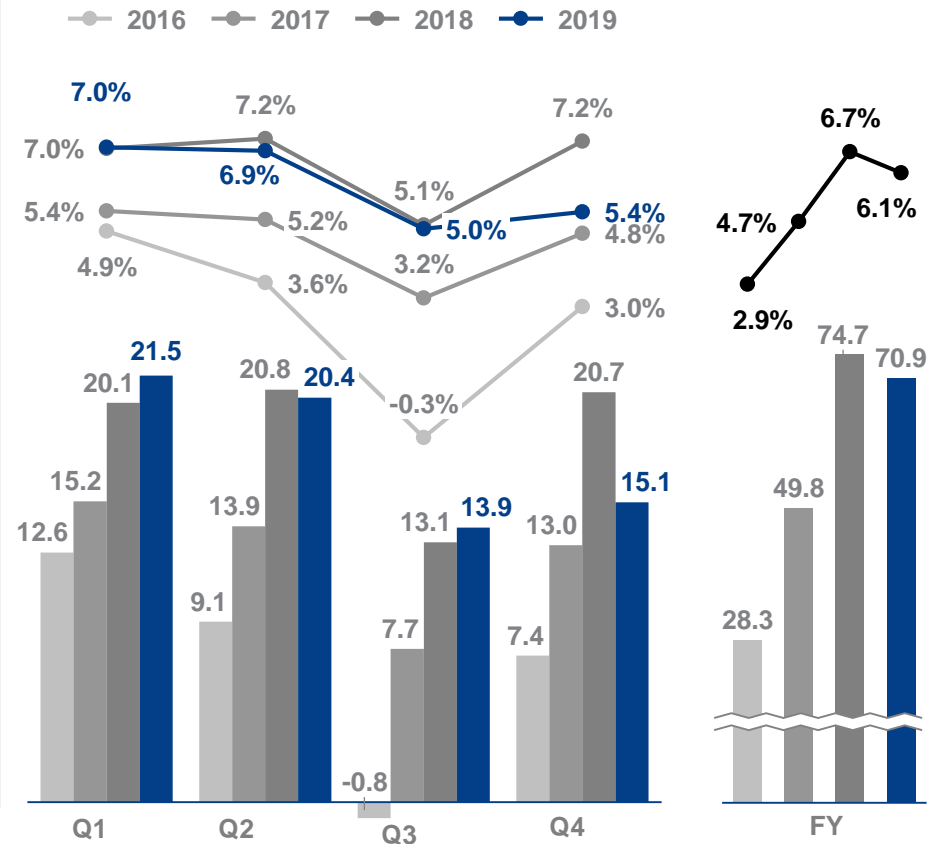
Q4 2019 revenue and adjusted EBIT figures were impacted by lower volumes

## Revenues MEUR



Revenues including HRAR

## Adjusted EBIT MEUR and percent

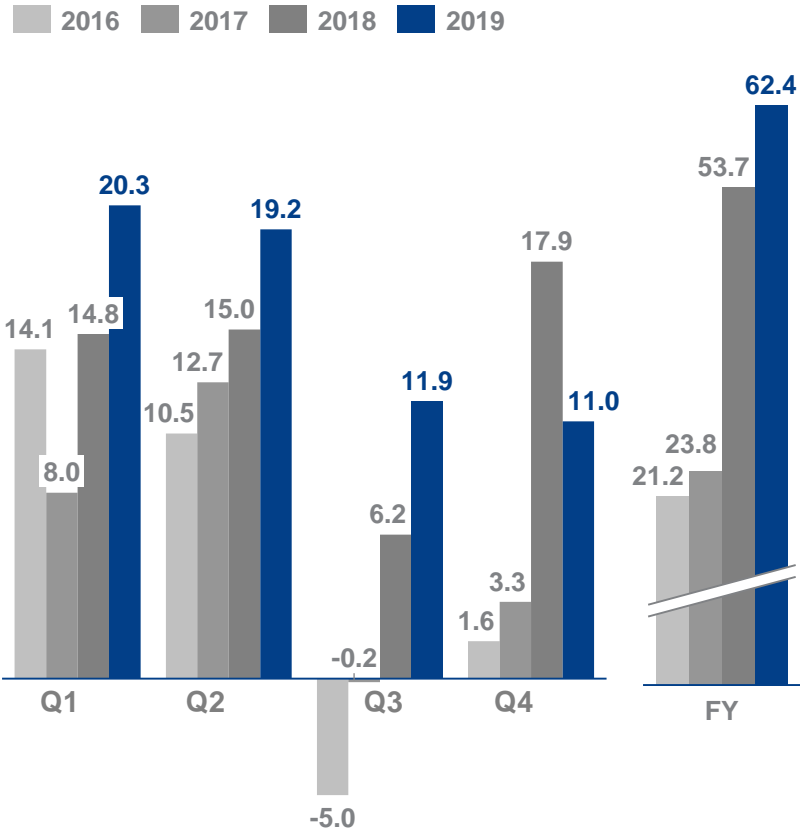


EBIT adjusted for restructuring - see details in the quarterly report.

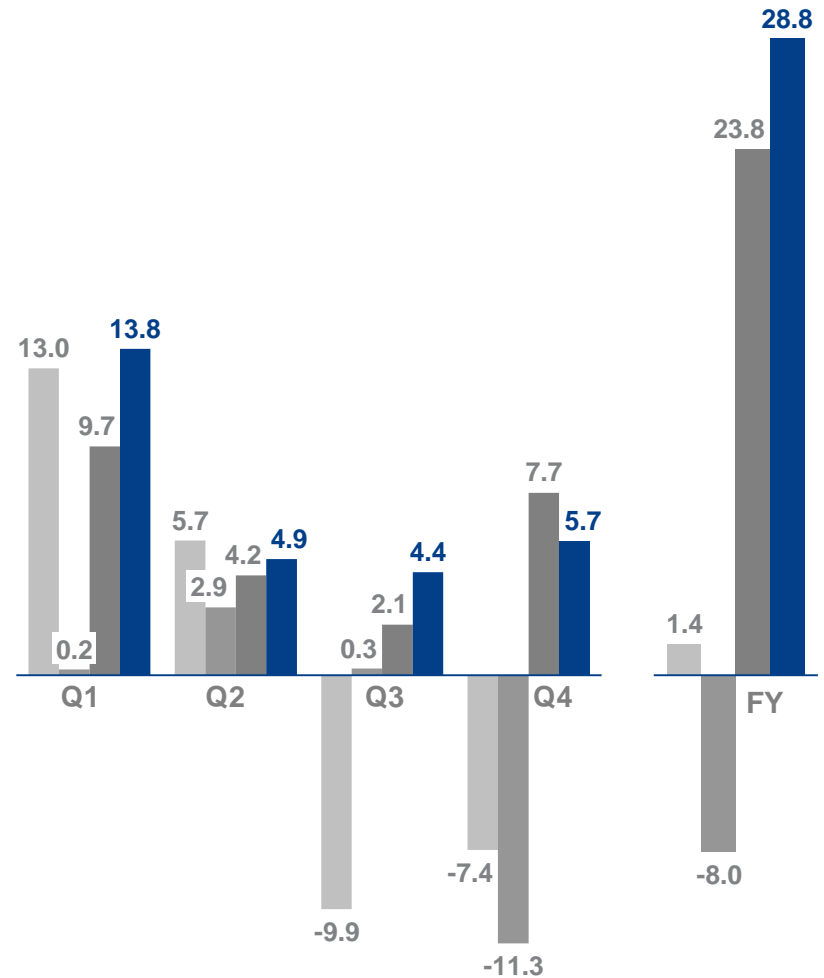
# EBIT and Net Income

Full-year growth is driven by higher revenues & lower restructuring costs

**EBIT**  
MEUR



**Net Income**  
MEUR

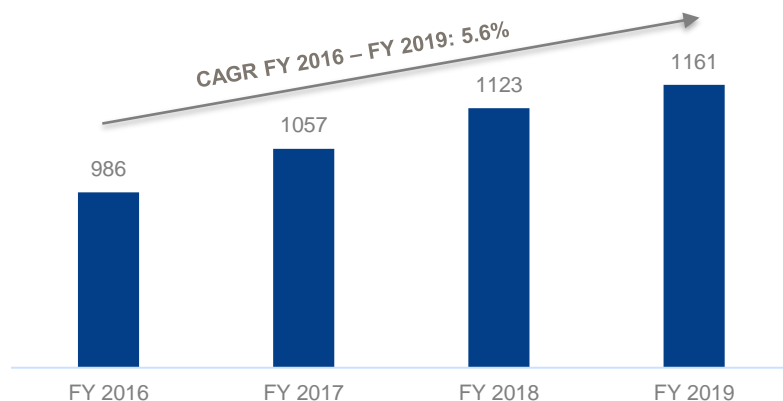




# Historical financials overview

The growth in top-line and profitability is a result of the changes initiated in 2016

## Revenue performance (€m)

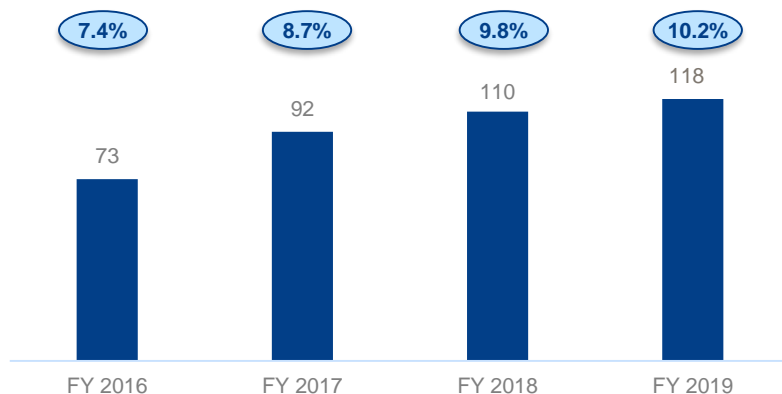


## Key financials (€m)

### P&L

€m	FY 2016*	FY 2017*	FY 2018*	FY 2019
<b>Revenue</b>	<b>986</b>	<b>1,057</b>	<b>1,123</b>	<b>1,161</b>
% growth	(3.0%)	7.2%	6.2%	3.4%
<b>Adj. EBITDA</b>	<b>73</b>	<b>92</b>	<b>110</b>	<b>118</b>
% margin	7.4%	8.7%	9.8%	10.2%
<b>Adj. EBIT</b>	<b>28</b>	<b>50</b>	<b>75</b>	<b>71</b>
% margin	2.9%	4.7%	6.7%	6.1%
<b>Capex</b>	<b>(51)</b>	<b>(53)</b>	<b>(68)</b>	<b>(65)</b>
% of revenue	(5.2%)	(5.0%)	(6.1%)	(5.6%)
<b>Adj. EBITDA - Capex</b>	<b>22</b>	<b>40</b>	<b>42</b>	<b>53</b>

## Adj. EBITDA performance (€m)



% EBITDA margin (%)

Revenues including HRAR

\*Excluding IFRS 16 effects

# Financial review

## 2019 Actuals

Bridging FY 2018 to FY 2019, the following accounted for the main deviations (MEUR):

Revenue growth of +38. Expected Adj. EBIT Effect: +7

The following items had effect on Adj. EBIT:

- Stronger growth in lower margin segments and other mix effects: (6)
- Fixed cost absorption effect due to lower revenues than planned: (5)
- Increase in Mexican labor rates: (3)
- Increase in raw material prices and tariffs: (3)
- FX effects: (2)
- Effect from implementing IFRS 16: +3
- Note that the IFRS16 implementation negatively affects net income by (1)
- Launch issues with a new program in the P&C segment: (3)
- Total cost savings net of price erosion and economics: +8

**Macro effects: (12)**

**Accounting effects: +3**

**Operational effects: +5**

MEUR

**Sales**

**EBIT adj.**

*% of sales*

Restructuring & One Off cost

EBIT

*% of sales*

Financial Items

Profits Before Taxes

Taxes

*% of PBT*

**Net Income**

**EPS (NOK)**

### Actual Figures

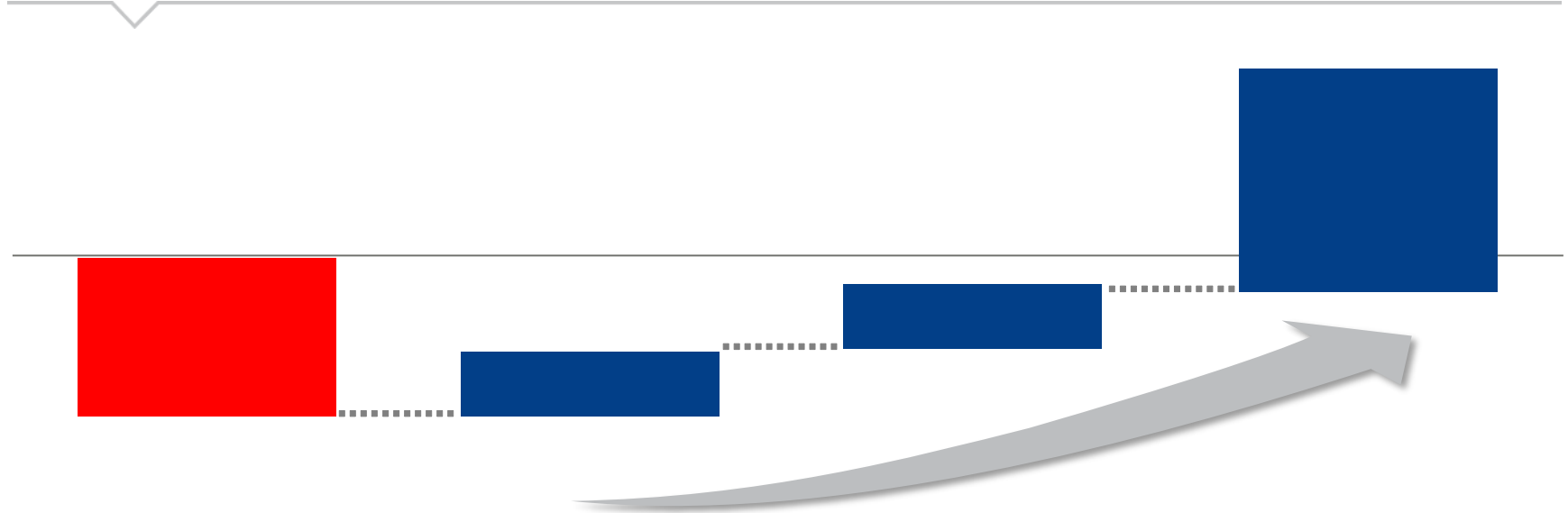
	2017	2018	2019
<b>Sales</b>	<b>1.057</b>	<b>1.123</b>	<b>1.161</b>
<b>EBIT adj.</b>	<b>50</b>	<b>75</b>	<b>71</b>
<i>% of sales</i>	<b>4,7%</b>	<b>6,7%</b>	<b>6,1%</b>
Restructuring & One Off cost	-26	-21	-8
EBIT	24	54	62
<i>% of sales</i>	<b>2,2%</b>	<b>4,8%</b>	<b>5,4%</b>
Financial Items	-17	-15	-19
Profits Before Taxes	6	39	44
Taxes	-14	-15	-15
<i>% of PBT</i>	<b>-225%</b>	<b>-38%</b>	<b>-34%</b>
<b>Net Income</b>	<b>-8</b>	<b>24</b>	<b>29</b>
<b>EPS (NOK)</b>	<b>-0,19</b>	<b>0,53</b>	<b>0,64</b>

### In FY 2019 we delivered in a challenging macro environment:

- Top line growth of 3%, (2% on a constant currency basis), despite declines in our main end-markets,
- Adj. EBIT decline of 5%,
- EBIT growth of ~ 15%,
- Net income growth of ~20%, and
- A high number of NBW in all our segments (MEUR 330 annualized / 1,527 expected life-time revenues)

# Main areas of KA's growth potential

In spite of current market headwinds we are still well positioned for future growth



## Underlying market decline

- Weighted growth rates in our end markets:
  - LDV, HDV, power sports, heavy equipment and industrial

## Premiumization

- Content increase for premium and mass market vehicles hereunder adoption of comfort technologies

## OEM outsourcing

- OEMs reducing in-house manufacturing and development

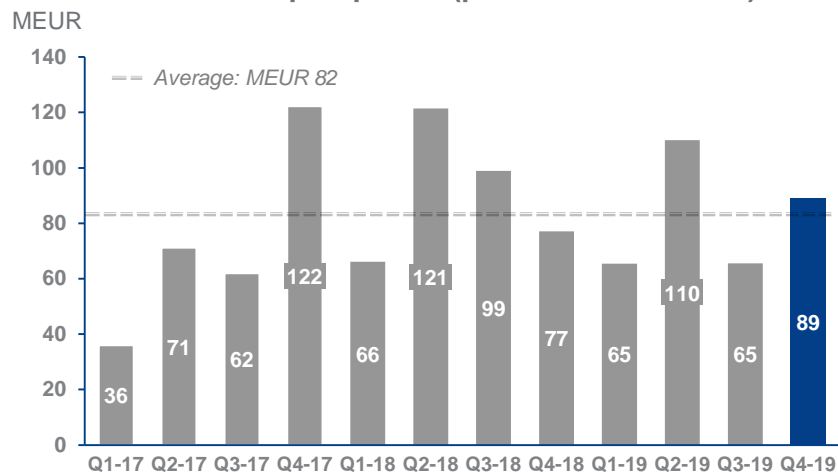
## Market share gain

- Focus on white spots
  - China
  - Markets where we are under-represented

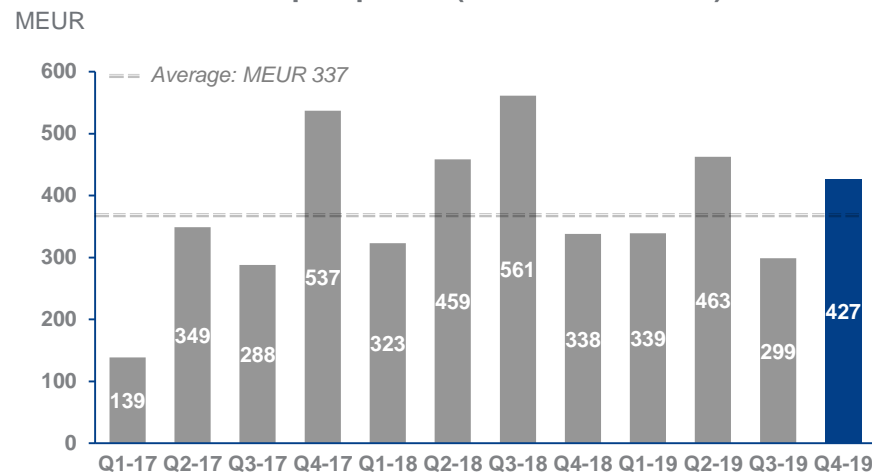
# New business wins – KA Group

Strong bookings in a challenging market environment

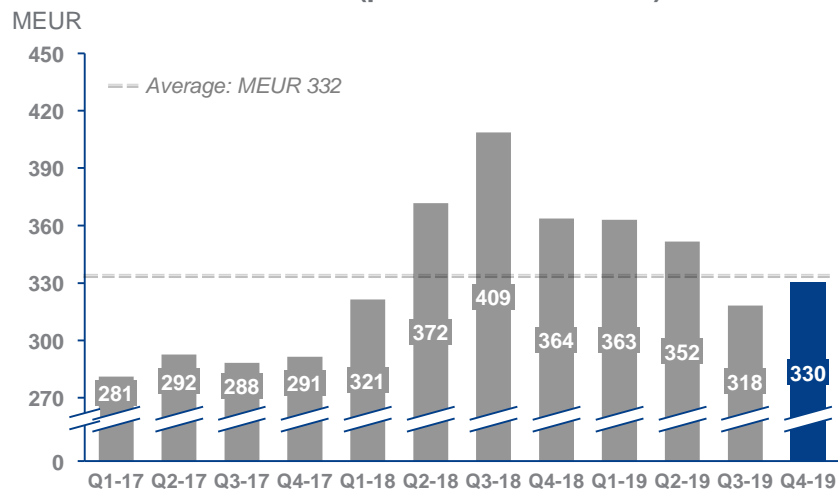
**New business wins per quarter (per annum revenues)**



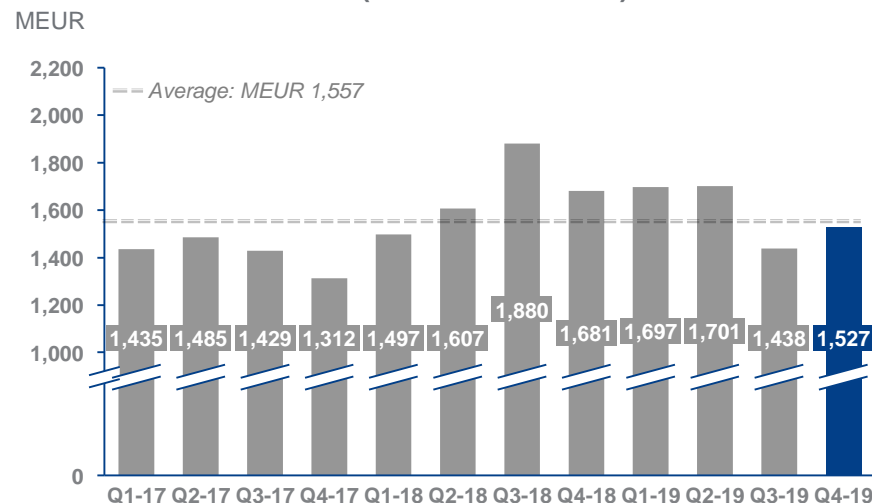
**New business wins per quarter (lifetime revenues\*)**



**New business wins LTM (per annum revenues)**



**New business wins LTM (lifetime revenues\*)**

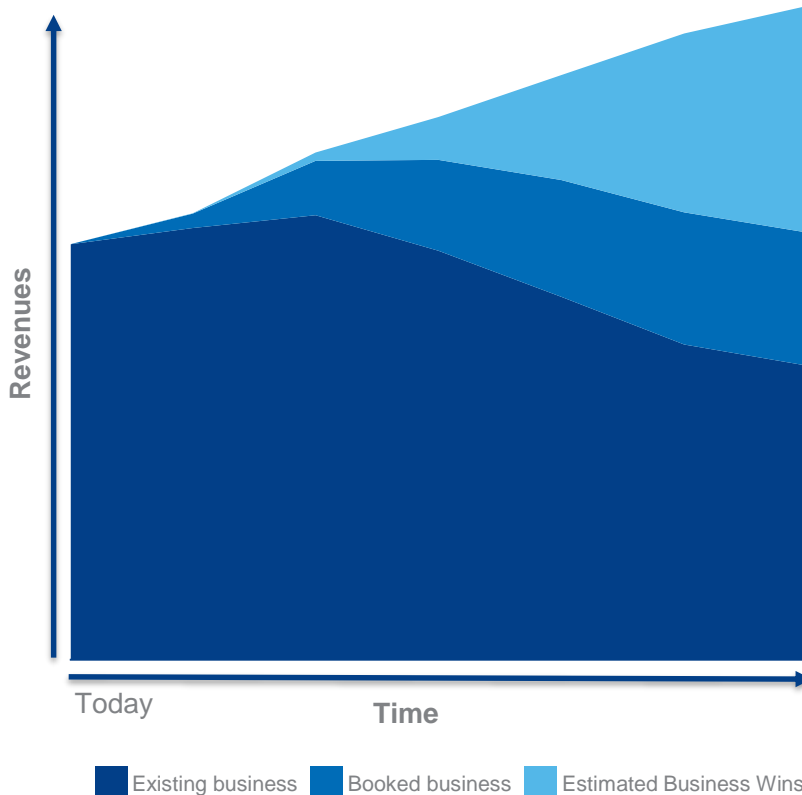


\*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.

# Revenue projections (1/2)

A high level of our revenue projections are supported by existing and booked programs

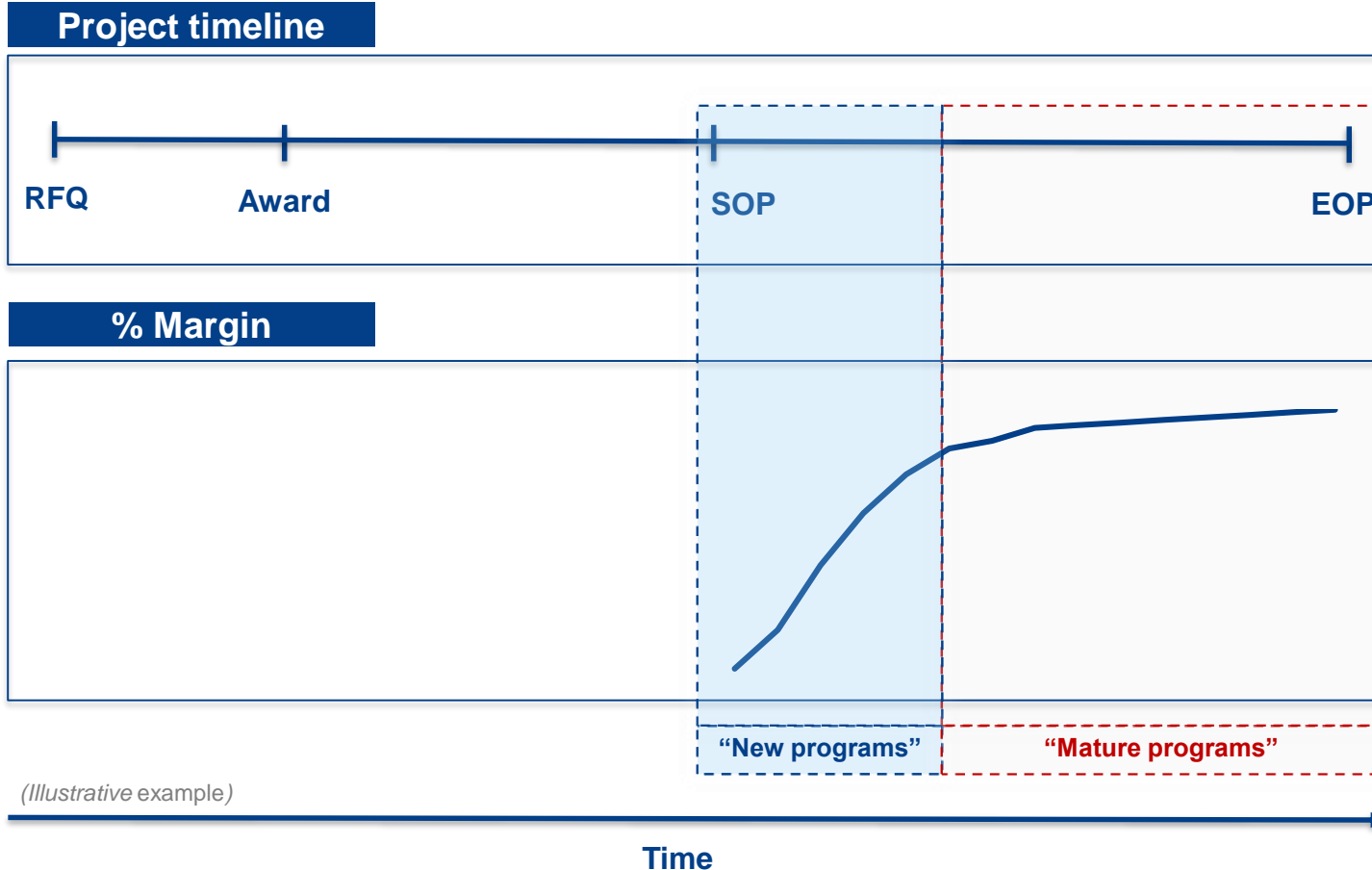
## KA Group revenue projections – illustrative example by product status



- The product/model cycles in the automotive industry vary from three to ten years, primarily depending on the end-market. For KA, the average length of a program is somewhere between five to seven years.
- Reported new business wins turn into serial revenues with delay of up to two to three years, depending on the customer nomination process and development requirement.
- Given the existing and booked programs, the revenue is, to a large extent, «set» well ahead in the future, but still depends on market development of end-customers products.
- Our revenue projection for the outer years includes business not yet booked, which we will compete for. However, such non-booked projected revenues are discounted with a success factor.

# How our business works (2/2)

Illustrative example of the margin progression through the program life-cycle

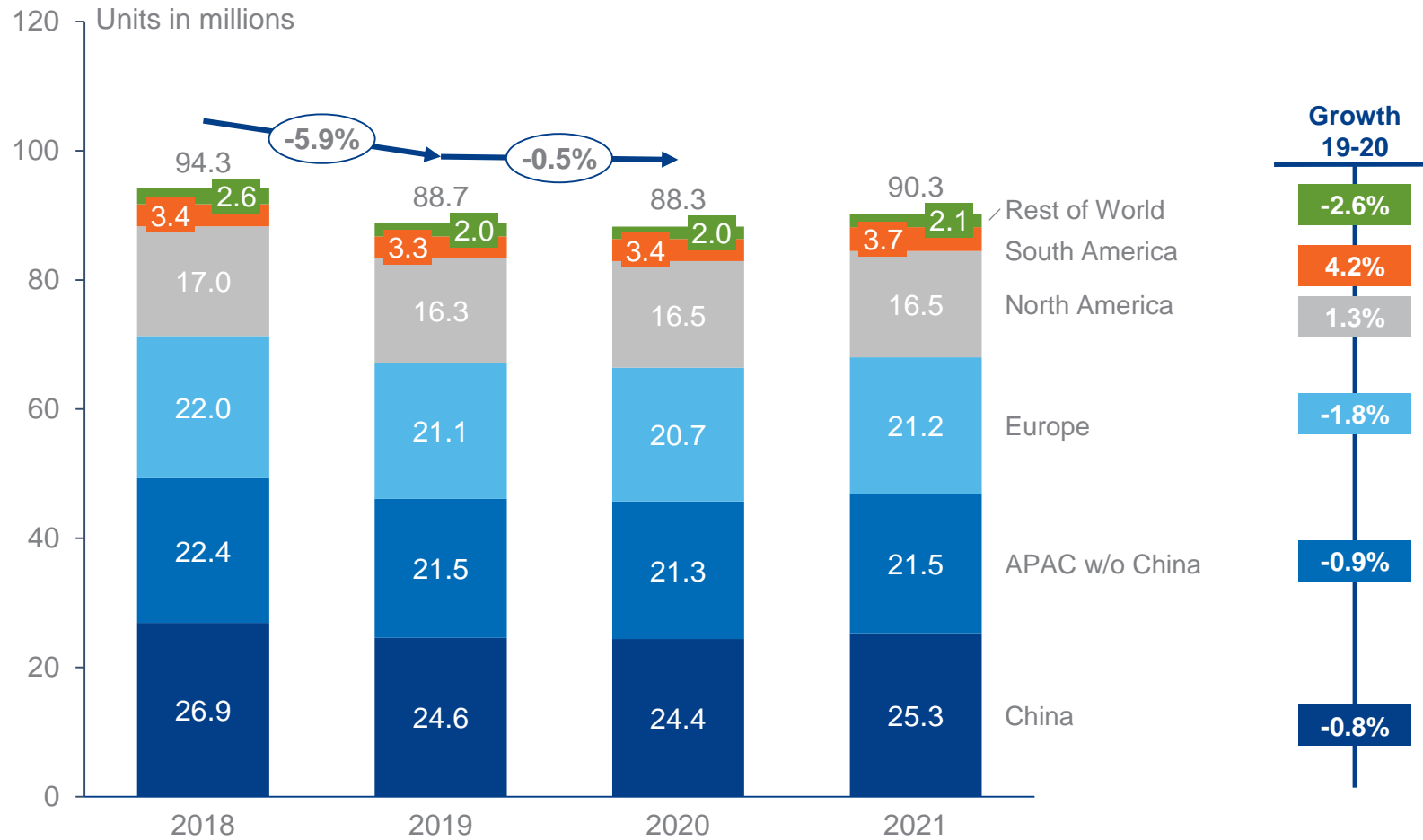


(Illustrative example)

RFQ = Request for Quotation  
 SOP = Start of Production  
 EOP = End of Production

# Passenger car production volumes

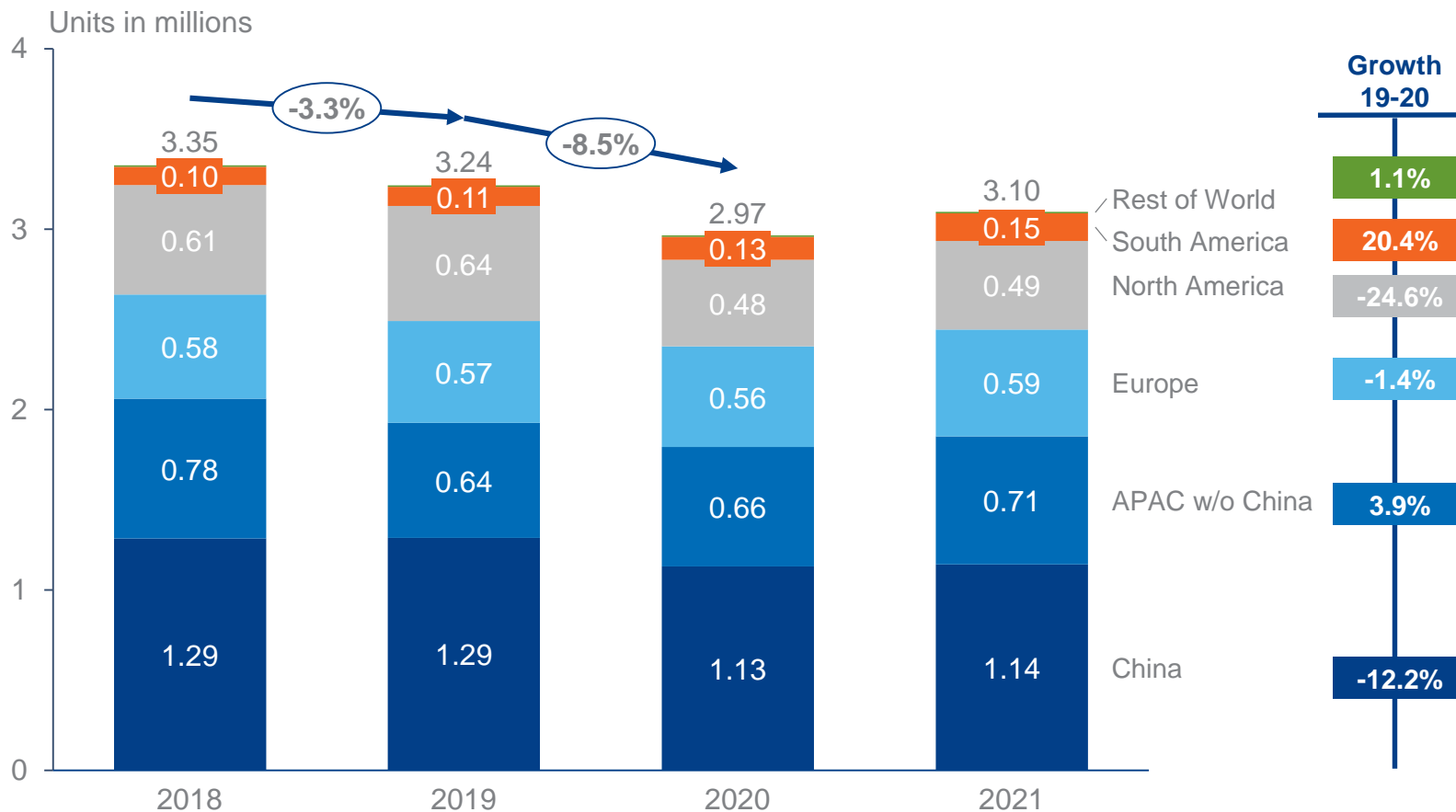
The global passenger car production is forecasted to decrease only slightly in 2020



Due to the negative current market dynamics, these forecast fluctuate significantly.

# Truck production volumes

The global truck production is forecasted to decrease strongly in 2020



Due to the negative current market dynamics, these forecast fluctuate significantly.



# Kongsberg Automotive

## Key investment highlights & 2019 performance

- Kongsberg Automotive – a truly global mid-sized automotive supplier with a diversified customer base
- Diversified revenue base with ~75% from OE-automotive (LD&HD) and ~25% from non-automotive markets including aftermarket
- Strong market positions in our segments with leadership positions in attractive niche markets
- Strong and improving financial performance driven by the improvement program initiated in 2016
- In FY 2019, Kongsberg Automotive
  - Achieved above-market revenue growth, maintained an adjusted EBIT margin greater than 6% and increased Net Income.
    - The main drivers were a very challenging macro environment that was more than offset by the reduction in restructuring costs.
  - Had significant negative cash flow due to high investments and increases in working capital mainly driven by new business wins.

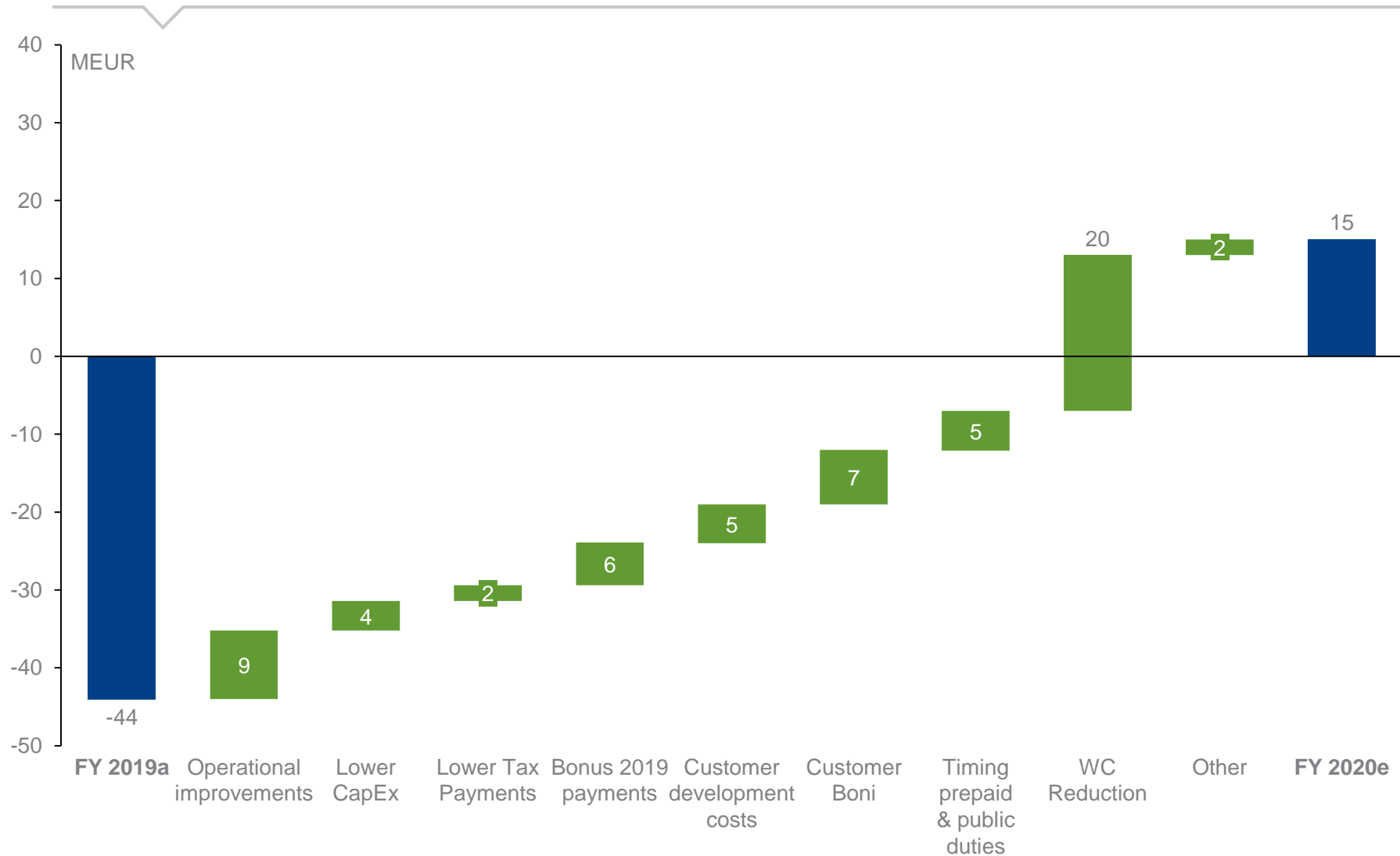
# Kongsberg Automotive

## 2020 Outlook

- For 2020, we forecast declines in most of our end markets, and consequently we expect our revenues to come in at levels similar to those of 2019 as we see us performing slightly better than our end markets.
  - Based on our current orders, we expect Q1 2020 revenues to be around MEUR 275-280.
    - The Corona virus outbreak will have an impact, especially in the first quarter of 2020. However, at this stage it is still too early to quantify the implications on our business for FY 2020.
    - We have included MEUR 5-8 of Corona effects in our Q1 Outlook.
- Our main focus areas in 2020 will be to:
  - Manage our operations well in what we predict will be a year of somewhat “bumpy” end markets.
  - Focus on cash flow performance with the goal of delivering positive cash flows exceeding MEUR 15 for FY 2020, assuming flat YoY revenues.
    - From a seasonality standpoint, Q1 is still challenging as we predict negative Q1 2020 cash flows of around MEUR 23 due primarily to working capital seasonality and bi-annual interest payments.
    - This implies a Q2-Q4 positive cash flow of around MEUR 38 driven by concrete initiatives, mostly within working capital and CapEx.
  - Drive one or more strategic decisions especially in the form of portfolio trimming as we focus on our end market activities of the future.

# Total Cash Flow\*

## FY 2020 improvements



\*Total Cash Flow = Cash flow from operating activities ± cash flow from investments ± cash flow from financing excluding net draw down of RCF

# Backup Slides

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# Key financial policies and governance

<b>Leverage targets</b>	<ul style="list-style-type: none"> <li>▪ Leverage target: 1.5x net debt / EBITDA</li> <li>▪ Further deleveraging</li> <li>▪ Target equity ratio<sup>1</sup> of 35%</li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>▪ Minimum operational cash on balance sheet: €20m</li> </ul>
<b>Investments</b>	<ul style="list-style-type: none"> <li>▪ Select investments in key product / niche areas based on strict return performance</li> </ul>
<b>Dividend policy</b>	<ul style="list-style-type: none"> <li>▪ Reinvestment of proceeds and debt reduction to maintain future prospects and achieve leverage targets take priority over dividends / share buy-backs</li> </ul>
<b>Liabilities and risk management</b>	<ul style="list-style-type: none"> <li>▪ Benefits from natural hedging with relatively limited revenue / cost exposure</li> <li>▪ Currently no use of derivatives</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>▪ Adhere to strict compliance standards</li> </ul>
<b>M&amp;A policy</b>	<ul style="list-style-type: none"> <li>▪ No urgency to do M&amp;A; we will only engage in opportunistic M&amp;A activities             <ul style="list-style-type: none"> <li>▪ No transaction will take place if not accretive to the Company</li> </ul> </li> <li>▪ Criteria for potential M&amp;A targets:             <ul style="list-style-type: none"> <li>▪ Technology based</li> <li>▪ Enabling stronger vertical integration and synergies</li> </ul> </li> <li>▪ We will continue our portfolio pruning process</li> </ul>

<sup>1</sup>Defined as Equity / total Assets

# Corporate Responsibility

We commit to operate in an economically, socially & environmentally responsible manner

## Guiding Principles



### Leadership & Talent

We aim to develop our employees in an inclusive culture that respects diversity and exemplifies our values.



### Human Rights & Labor Practices

We advance initiatives which respect human rights and fair labor practices within our organization and throughout our supply chain.



### Supply-chain Management

We implement practices that consider and support responsible and sustainable sourcing.



### Environmental Performance

We commit to minimizing the use of natural resources and hazardous materials in the development and manufacture of our products.



### Integrity & Ethics

We require all employees to comply with applicable laws and observe the highest standards of business and personal ethics in the conduct of duties and responsibilities.



### Community Engagement

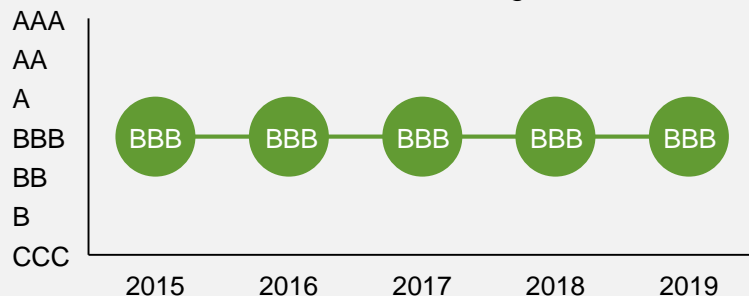
We contribute our time and financial support to the communities where we work and live.

**For Kongsberg Automotive, Corporate Responsibility means to manage our operations so that we achieve an overall positive impact on society**

# Corporate Responsibility

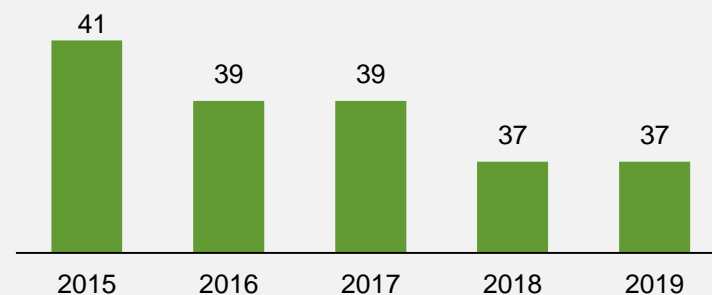
## Highlights and Key Figures

### MSCI ESG Rating



The MSCI ESG “BBB” rating was confirmed in Jan. 2020.  
 Only 29% of auto suppliers rated by MSCI have a better rating.  
 57% have a worse ESG rating than Kongsberg.

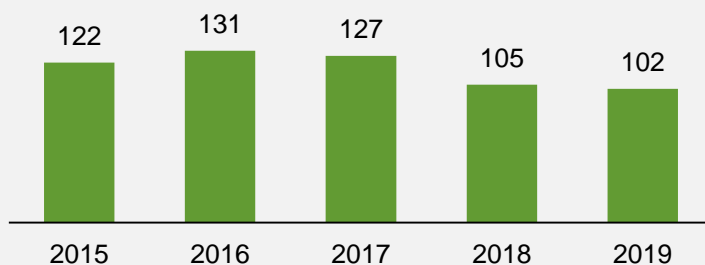
### CO<sub>2</sub> Emission Intensity\*



Despite the increase in production output, the CO<sub>2</sub> Emission intensity remained flat YoY.

\*) tonnes CO<sub>2</sub> per 1,000,000 EUR of product revenues

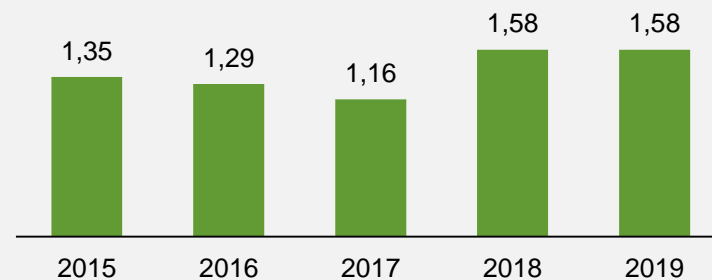
### Energy Intensity\*



Group energy intensity in 2019 decreased by 2.8% to 102 kilowatt-hours per 1K Euro of total product revenues.

\*) kilowatt-hours per 1,000 Euro of product revenues

### Waste Index\*



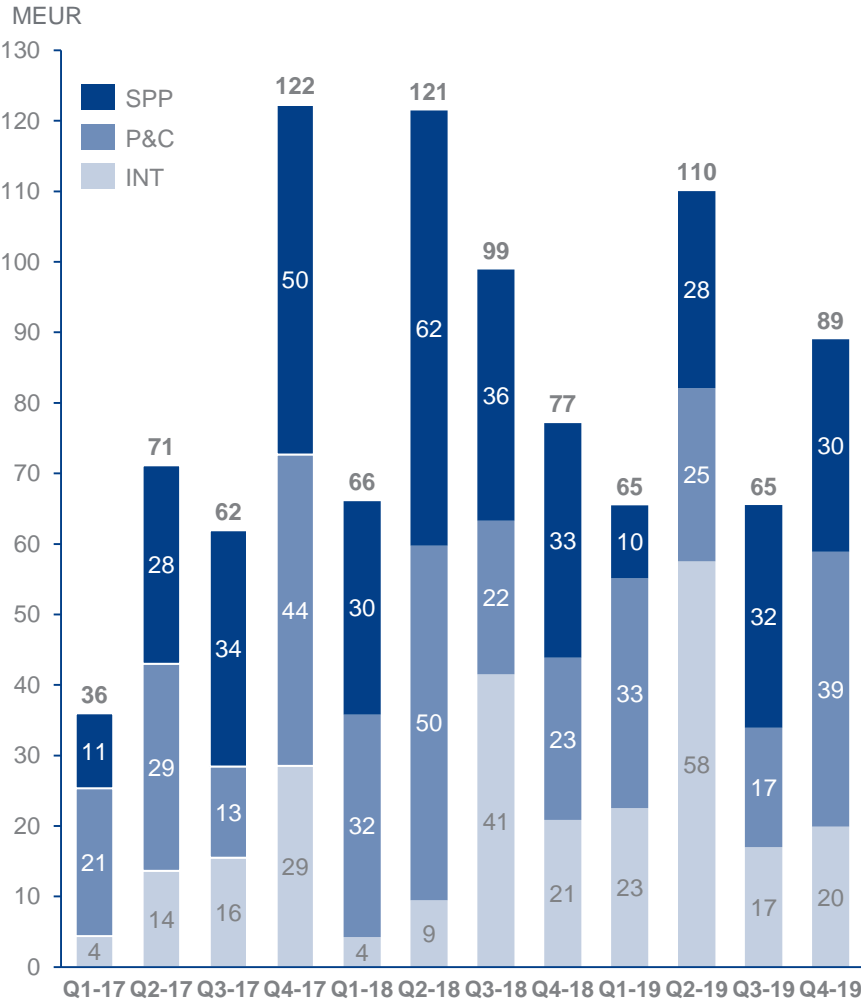
KA's waste index remained stable at 1.58 kg/1000€ in 2019 due to plant-restructuring and production transfers.

\*) kg per 1,000 Euro of product revenues

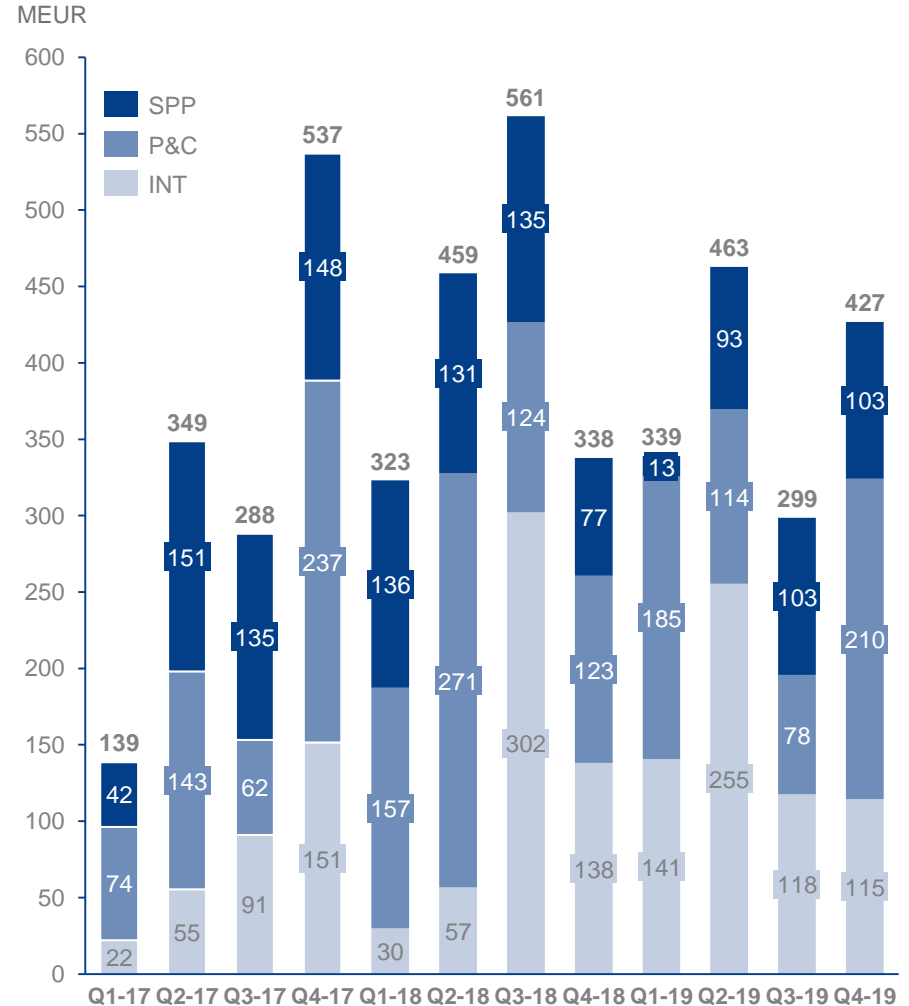
# New business wins by segment

New business wins secure future growth development in all segments

**New business wins per quarter (per annum revenues)**



**New business wins per quarter (lifetime revenues\*)**



\*Lifetime revenue assumptions are based on IHS and LMC production estimates at the time of the booking.



# Interior Segment

Revenue 2019A:  
€304mm



Description	% of Interior revenue	Products	End-markets
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**Interior Comfort Systems**

- Exclusively focused on LDV market
- Core Interior Comfort Systems – strong market growth
  - Technology leader in integration of the various seat functionalities
  - Ability to offer full models or individual products

81%



**Light Duty Cables**

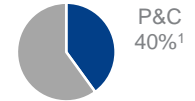
- Exclusively focused on LDV market
- Cables represent core competence
  - Strong product technology and knowledge base
  - Traditional LDC applications moving towards actuators
  - Uses actuator designs from other business units, thus offering competitive benefits vs other pure LDC players



19%

<sup>1</sup> % 2019 revenue

# Powertrain & Chassis Segment

Revenue 2019A:  
€461mm










Description	% of P&C revenue	Products	End-markets
<p><b>Transmission control</b></p> <ul style="list-style-type: none"> <li>➤ Technology shift from mechanically based systems towards electronically controlled actuation systems</li> <li>➤ Product range include:                             <ul style="list-style-type: none"> <li>– AMT Actuators and PRND Actuators</li> <li>– Clutch Actuation Modules</li> <li>– Shift-By-Wire Shifters and Manual Gear Shifters</li> <li>– Shift Cables</li> </ul> </li> <li>➤ Focus:                             <ul style="list-style-type: none"> <li>– Profitable growth for new technology</li> <li>– Maintain share in conventional mechanical systems</li> </ul> </li> <li>➤ Well positioned on both HDV and LDV actuators</li> </ul>	<p>90%</p>	 <p>ATrAct™ Gear Control Unit</p>  <p>Gear shift cables</p>  <p>AT Shifter</p>  <p>Shift by Wire</p>	  
<p><b>Vehicle dynamics</b></p> <ul style="list-style-type: none"> <li>➤ Product range consists of 3 technologies                             <ul style="list-style-type: none"> <li>– Chassis Stabilizer</li> <li>– V-Stays</li> <li>– Cabin Anti-roll Bar</li> </ul> </li> <li>➤ Well positioned in the market</li> <li>➤ No ICE exposure</li> </ul>	<p>10%</p>	 <p>Cabin Anti-roll Bar</p>  <p>V-stays</p>	

<sup>1</sup> % 2019 revenues

# Specialty Products segment

Revenue 2019A:  
€396mm



Description	% of SP revenue	Products	End-markets
<p><b>Air Couplings</b></p> <ul style="list-style-type: none"> <li>➤ Focused on air brake applications for HDVs</li> <li>➤ Technology leader with growing market share                             <ul style="list-style-type: none"> <li>– Premium priced products</li> <li>– Savings to OEMs through simplified processes</li> <li>– Potential for growth in NA and Asia</li> </ul> </li> </ul>	26%	 <p>Raufoss ABC™ Couplings System</p>	
<p><b>Fluid Transfer Systems</b></p> <ul style="list-style-type: none"> <li>➤ Specialty hoses for harsh applications</li> <li>➤ Market and technology leader in PTFE hoses</li> <li>➤ Growing market with strong competition in assemblies</li> <li>➤ Focus on product differentiation and scale benefits</li> <li>➤ Fragmented market in assemblies' segment</li> </ul>	33%	 <p>Twin Turbo Drain Twin Turbo Feed</p>	  
<p><b>Off Highway</b></p> <ul style="list-style-type: none"> <li>➤ Target: become largest supplier of steering system products for the Power Sports, Agriculture, and Construction markets</li> <li>➤ Steering columns, displays, pedals and hand controls</li> <li>➤ Supplier of HMI and custom electronic products</li> </ul>	41%	 <p>Pedal Box    Tilt &amp; Telescope Columns    KAntrak 1700</p>	

<sup>1</sup> % 2019 revenues

# Glossary

Term	Meaning
AMT	Automated Manual Transmission
EV	Electric Vehicle
FTS	Fluid Transfer System
HDV	Heavy Duty Vehicle
HMI	Human Machine Interface
HR / AR	Headrest / Armrest
ICE	Internal Combustion Engine
LDC	Light Duty Cable
LDV	Light Duty Vehicle
OE	Original Equipment
OEM	Original Equipment Manufacturer
PRND	Park Reverse Neutral Drive