

# KONGSBERG AUTOMOTIVE

Q4 2023

MARCH 12, 2024



# **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.

## TODAY'S PRESENTERS



**LINDA NYQUIST-EVENRUD**  
CEO & PRESIDENT



**FRANK HEFFTER**  
CFO

## AGENDA

**EXECUTIVE SUMMARY**  
**MARKET UPDATE**  
**FINANCIAL UPDATE**  
**EXTENDED SECTION**  
**Q&A**

# EXECUTIVE SUMMARY



## EXECUTIVE SUMMARY – Q4 2023

REVENUES AND EARNINGS IN LINE WITH ANNUAL PERFORMANCE

**€211.0M**  
REVENUES

Decrease of 2.1% vs. Q4 2022

**€5.0M**  
ADJ. EBIT

Decrease by MEUR 6.0 vs. Q4 2022

**€412.8M**  
NEW BUSINESS<sup>1</sup>

Increase from MEUR 224.3  
in Q4 2022

**€4.5M**  
FREE CASH FLOW

Decrease from the FCF of MEUR  
84.5 in Q4 2022

### REVENUES

- At constant currencies revenues amounted to MEUR 220.0 in Q4 2023, an increase of MEUR 4.7. The above market growth in the commercial vehicle segment especially in China and Europe was partially offset by the declining revenues in the passenger car markets in all regions, mainly in China.

### ADJUSTED EBIT

- The earnings from the positive development in the Commercial vehicle markets in China and Europe could not fully compensate the missing fall through from the declining revenues in the passenger car markets, especially in China.
- In Q4 2022 KA benefitted from higher one-time customer reimbursements and retroactive price increases than this year' quarter.

### FREE CASH FLOW

- Q4 2022 included proceeds received from the sale of tangible and intangible assets to BRP (MEUR 62.9) as well as for inventory and other NWC items (MEUR 19.1).

### NEW BUSINESS WINS

- Significant increase especially due to substantial contracts being awarded to P&C.

<sup>1</sup> Lifetime revenue of business wins during the quarter

## EXECUTIVE SUMMARY – FY 2023

DELIVERED ON FULL YEAR GUIDANCE WITH ALL-TIME HIGH NEW BUSINESS WINS

**€884.9M**  
REVENUES

Decrease of 2.3% vs. 2022

**€23.7M**  
ADJ. EBIT

Decreased by MEUR 11.9 vs. 2022

**€-34.9M**  
FREE CASH FLOW

Decrease from the FCF of  
MEUR 76.5 in 2022

**1.8X**  
LEVERAGE RATIO<sup>1,2</sup>

Up from 0.8x in Q4 2022

**€100.2M**  
NIBD<sup>4</sup>

Deteriorated from MEUR 54.7 as of  
31/12/2022

**€989.4M**  
NEW BUSINESS<sup>3</sup>

Increase from MEUR 760.2  
in 2022

### REVENUES

- Excluding revenues of MEUR 88.1 divested to BRP in 2022, annual revenues grew by 12.9% at constant currency rates.

### ADJUSTED EBIT

- Supported by price increases, partially offset by the increase of warranty expenses and significantly declining performance in the passenger car market.
- In 2022, adjusted EBIT from the divested business to BRP amounted to MEUR 14.5. Excluding those earnings in 2022, adjusted EBIT increased by MEUR 2.6.

### FREE CASH FLOW

- Free cash flow in 2022 included MEUR 82.0 related to the divestiture of the Powersports business to BRP.

### NEW BUSINESS WINS

- Significant increase of MEUR 229.2 especially due to significant contracts in the commercial vehicle market being awarded to P&C.

<sup>1</sup> Includes IFRS 16; excluding IFRS 16, leverage ratio is equal to 0.6x in 2023 compared to (0.3)x in 2022

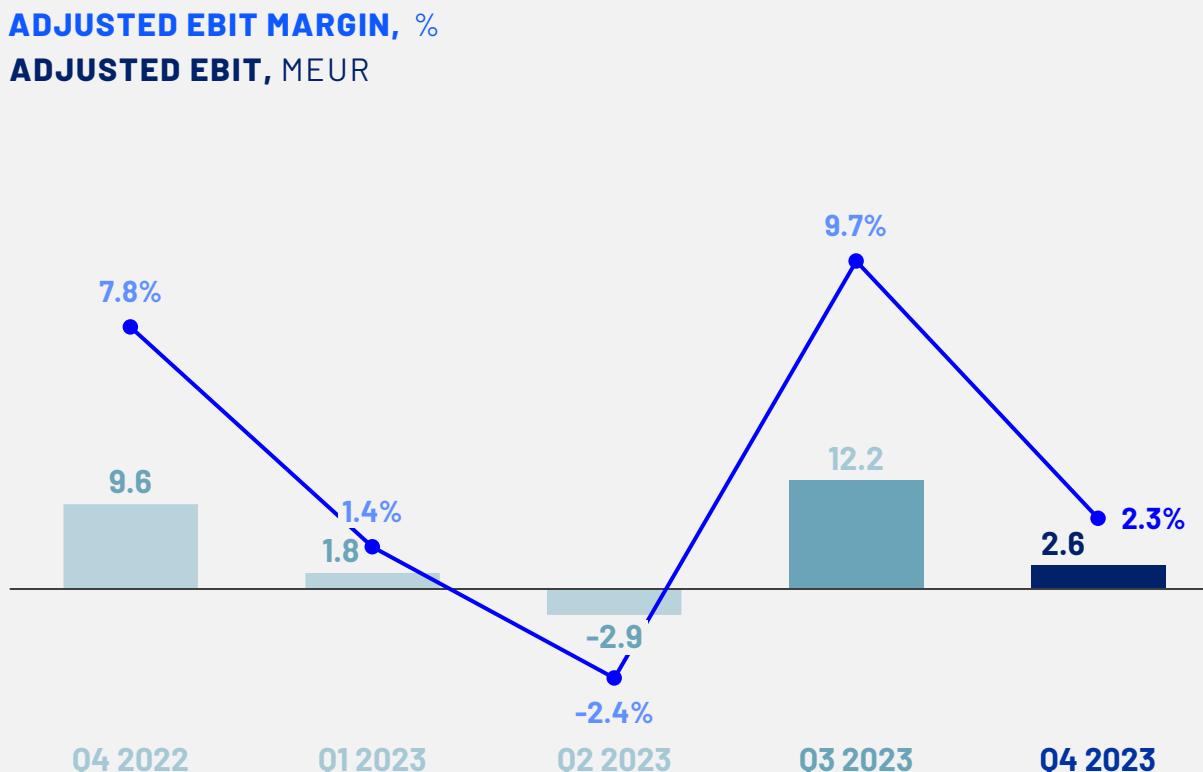
<sup>2</sup> NIBD / Adjusted EBITDA (LTM)

<sup>3</sup> Lifetime revenue of business wins during the quarter

<sup>4</sup> Net Interest-Bearing Debt

# POWERTRAIN & CHASSIS

## BUSINESS SEGMENT UPDATE



### Q4 2023

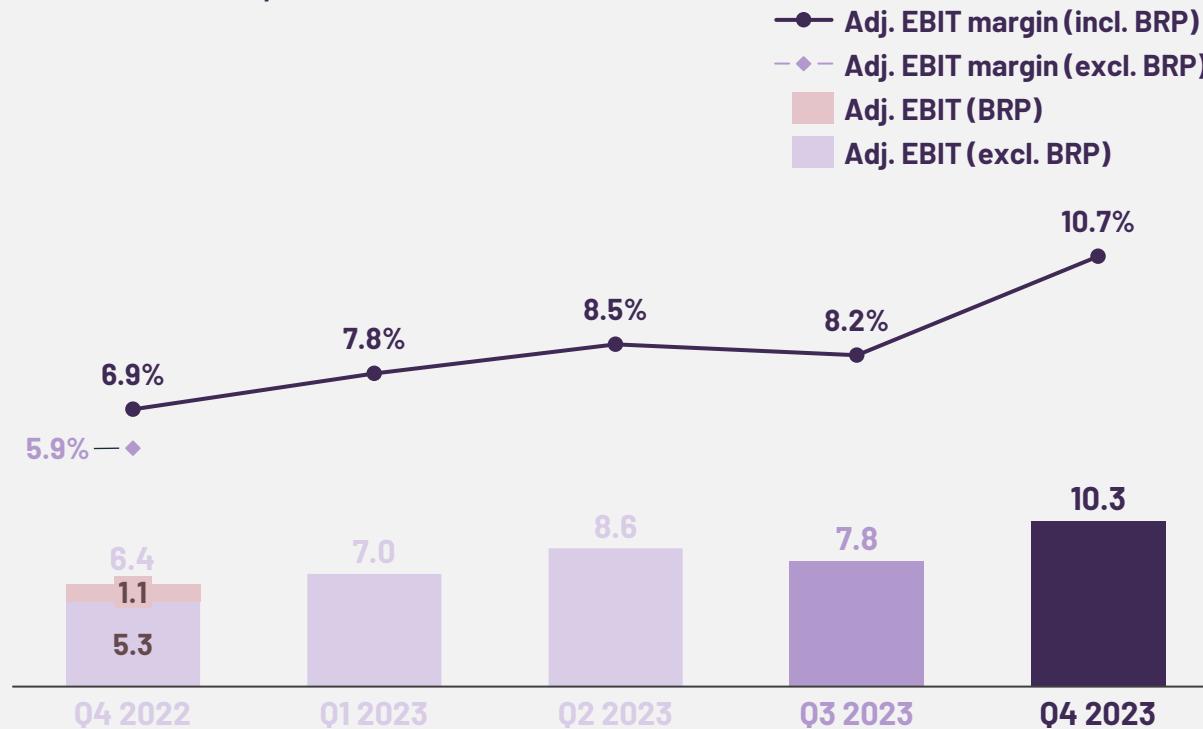
- Significantly growing sales in the commercial vehicles market by 67.1% in Asia and 18.2% in Europe (at constant currency rates) with relatively low margins.
- Substantially declining sales in passenger car markets in all key regions (Europe:  $\downarrow 21.6\%$ ; Americas:  $\downarrow 8.9\%$ ; Asia:  $\downarrow 41.7\%$ ) resulting in erosion of segment's margin (especially in Asia).
- In Q3 2023, one-time net effects of MEUR 4.0 positively contributed to the adj. EBIT, mainly related to retroactive price increases, one-time reimbursements from customers, release of provisions for customer claims, and others.

# SPECIALTY PRODUCTS

## BUSINESS SEGMENT UPDATE

### ADJUSTED EBIT MARGIN, %

### ADJUSTED EBIT, MEUR



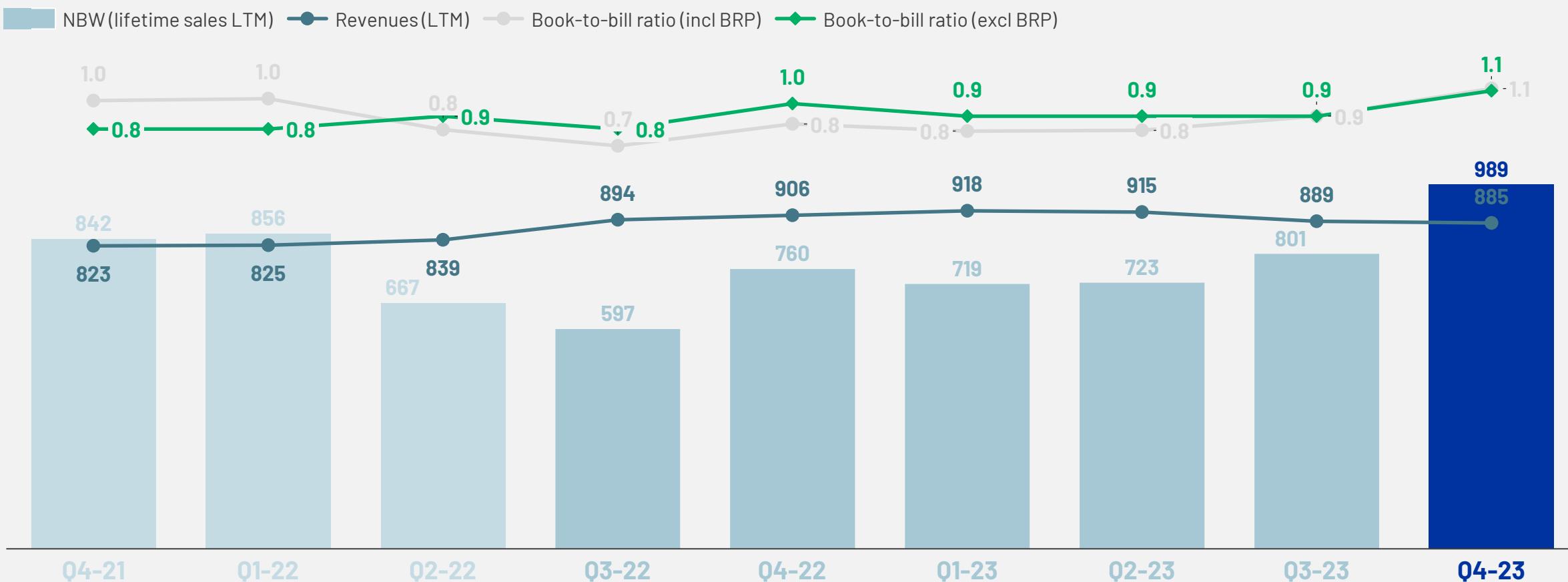
### Q4 2023

Growth Quarter over Quarter was mainly attributable to:

- Price recovery of up to MEUR 1.4.
- Positive inventory valuation effects.
- Positive operational variances of MEUR 2.1.
- Lost earnings related to the business divested to BRP (Q4 2022 at MEUR 1.1).

**BOOK-TO-BILL**

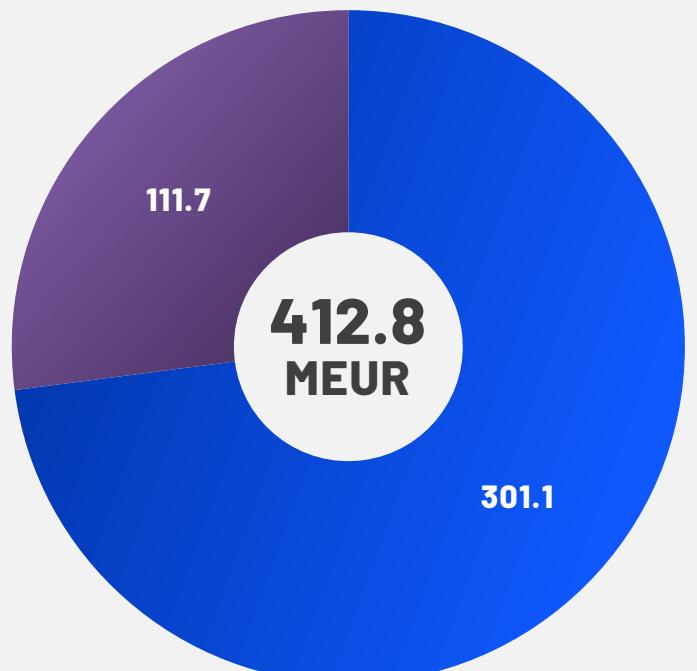
BOOK-TO-BILL RATIO ABOVE 1 AS GUIDED  
SECURING FUTURE GROWTH

**BOOK-TO-BILL PERFORMANCE, MEUR**

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

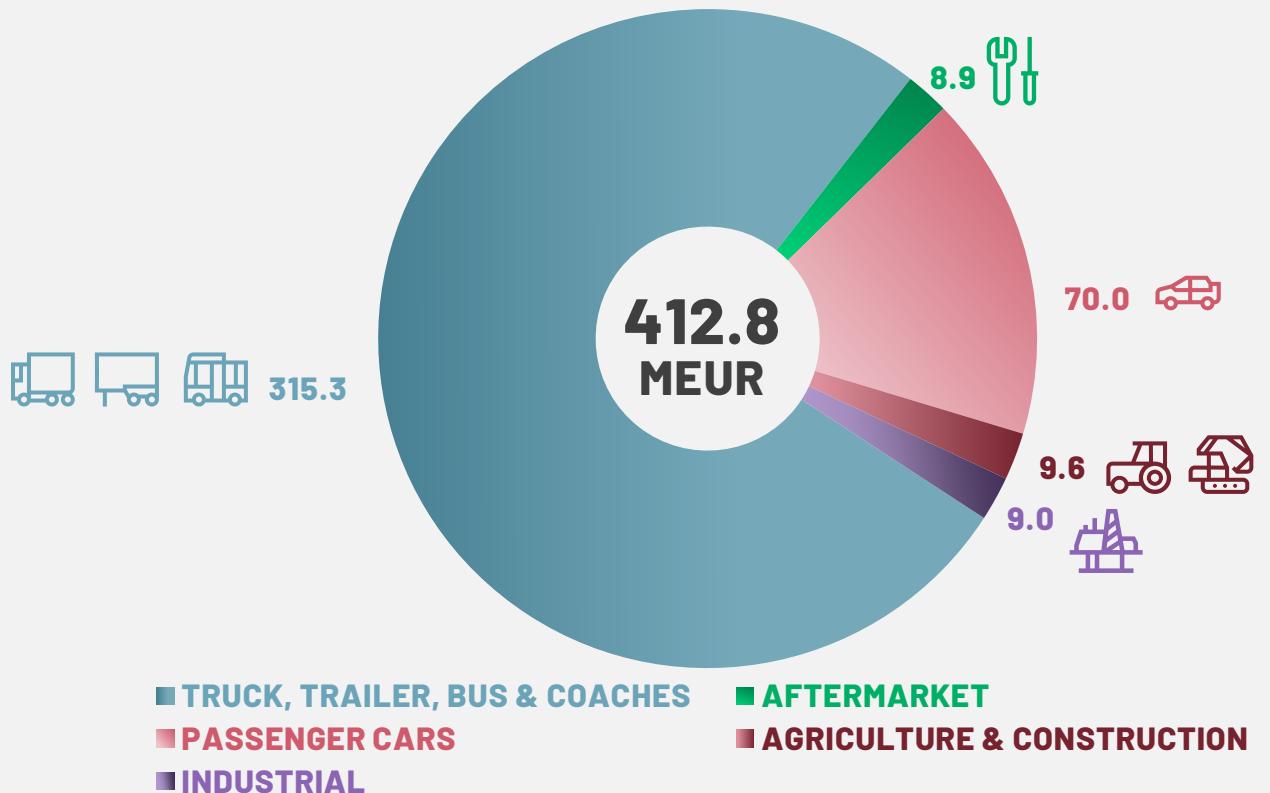
## NEW BUSINESS WINS - Q4 2023 LIFETIME REVENUES, MEUR

PER BUSINESS SEGMENT



■ POWERTRAIN & CHASSIS  
■ SPECIALTY PRODUCTS

PER AREA

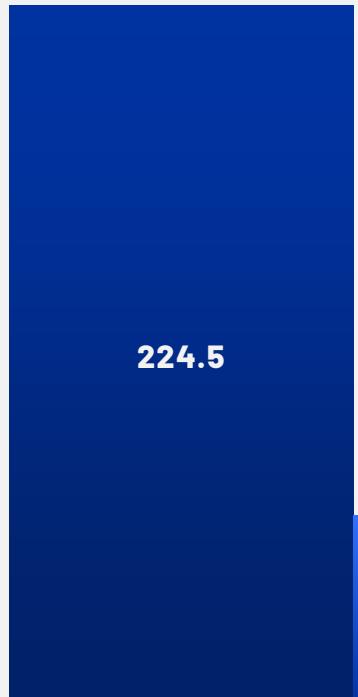


# NEW BUSINESS WINS - Q4 2023

## PRODUCT RANGES OVERVIEW



GEAR SHIFT SYSTEMS



HOSES AND HOSE ASSEMBLIES



AIR COUPLINGS



CLUTCH ACTUATION SYSTEMS



HEAD RESTRAINTS



SHIFT BY WIRE

OTHER  
12.3

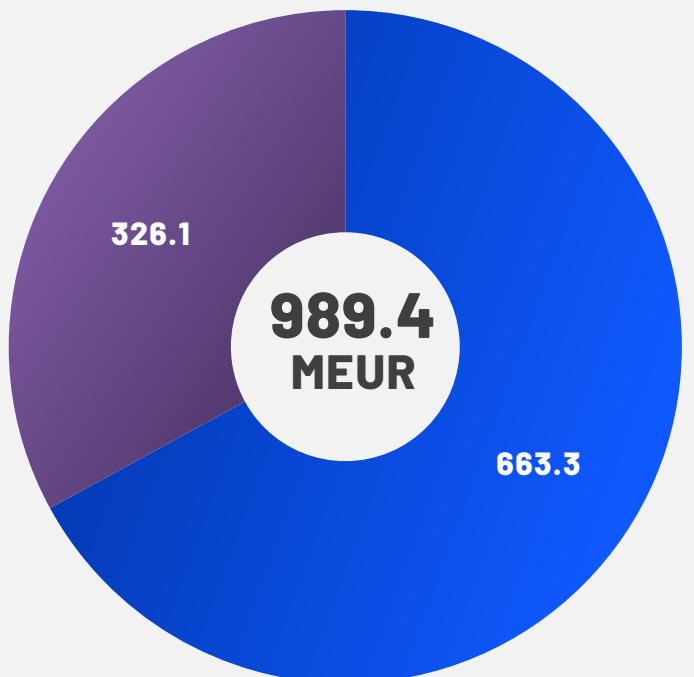
LIFETIME REVENUES, MEUR

19.8 15.1

The product images are illustrative.

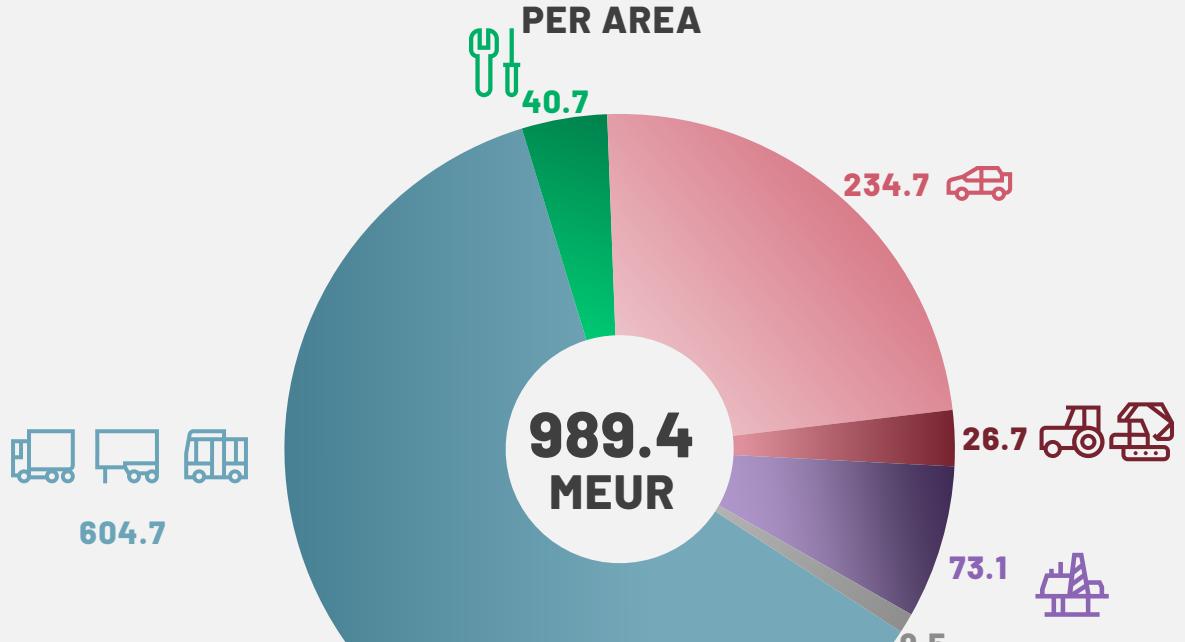
## NEW BUSINESS WINS - FY 2023 LIFETIME REVENUES, MEUR

PER BUSINESS SEGMENT



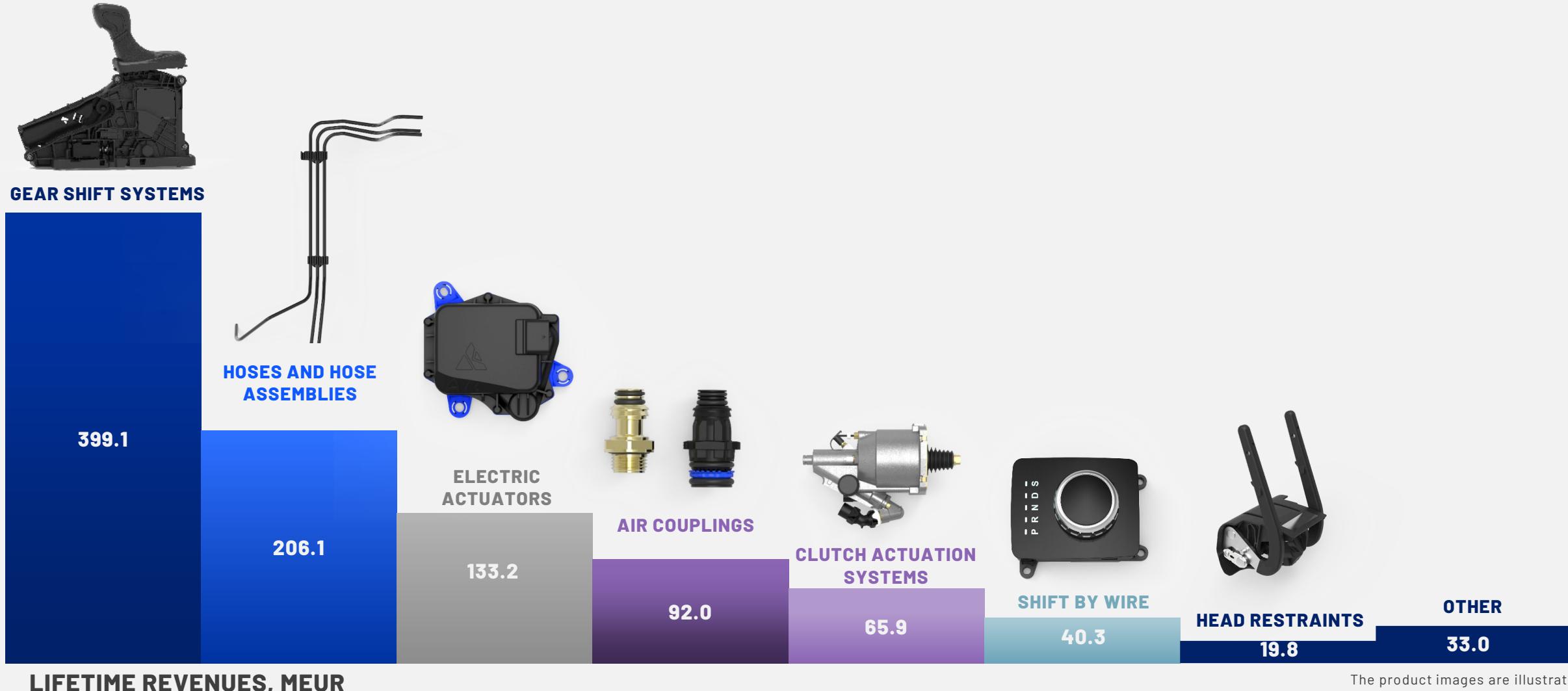
■ POWERTRAIN & CHASSIS  
■ SPECIALTY PRODUCTS

PER AREA

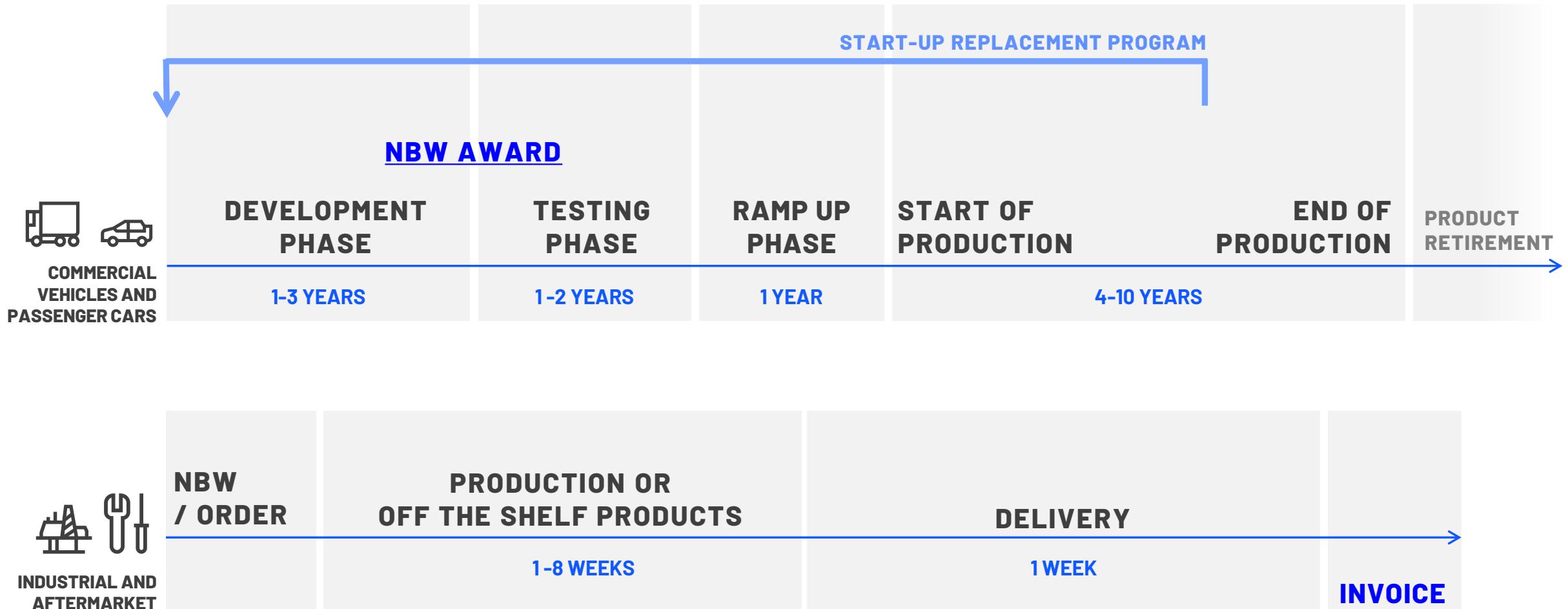


■ TRUCK, TRAILER, BUS & COACHES  
■ PASSENGER CARS  
■ INDUSTRIAL  
■ AFTERMARKET  
■ AGRICULTURE & CONSTRUCTION  
■ NEW GROWTH MARKETS

# NEW BUSINESS WINS - FY 2023 PRODUCT RANGES OVERVIEW



## NEW BUSINESS WINS LIFECYCLE



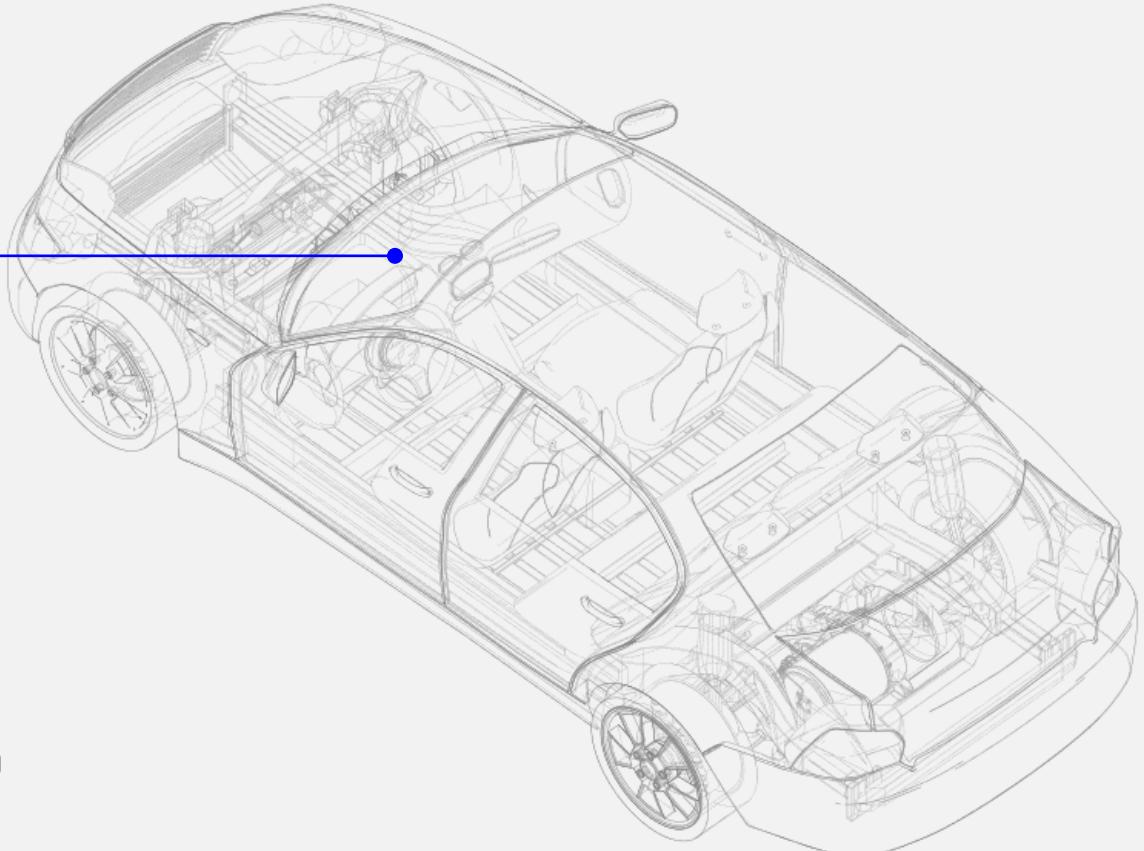
# NEW BUSINESS WIN ON ELECTRIC ROTARY ACTUATOR

OVER **MEUR 22** IN ESTIMATED LIFETIME REVENUE

**ANNOUNCED ON MARCH 11, 2024**



—



- COMPACT AND LIGHT
- ROBUST WITH MODULAR DESIGN
- PREMIUM PERFORMANCE
- HIGH POSITION ACCURACY
- CAN BE SUPPLIED WITH OR W/O KA-DEVELOPED CONTROL LOGICS

## KA'S COST OPTIMIZATION MEASURES

**Long term-viability and profitability of the company is KA's top priority**

- On October 23, 2023, KA announced measures to **optimize costs, right size the company and enhance competitiveness**
- Around 150 positions were affected, 40 are replaced in best cost locations
- KA continues to **evaluate its global footprint**
  - KA **closed** its Dortmund, Germany office effective January 2024
  - KA **closed** its Tokyo, Japan office effective February 2024
- KA will realize **saving of MEUR 17** during 2024

### EFFECTIVE MEASURES



OPTIMIZE COST



RIGHT-SIZING THE COMPANY



OPTIMIZE THE GLOBAL PRESENCE



WORKFORCE REDUCTION

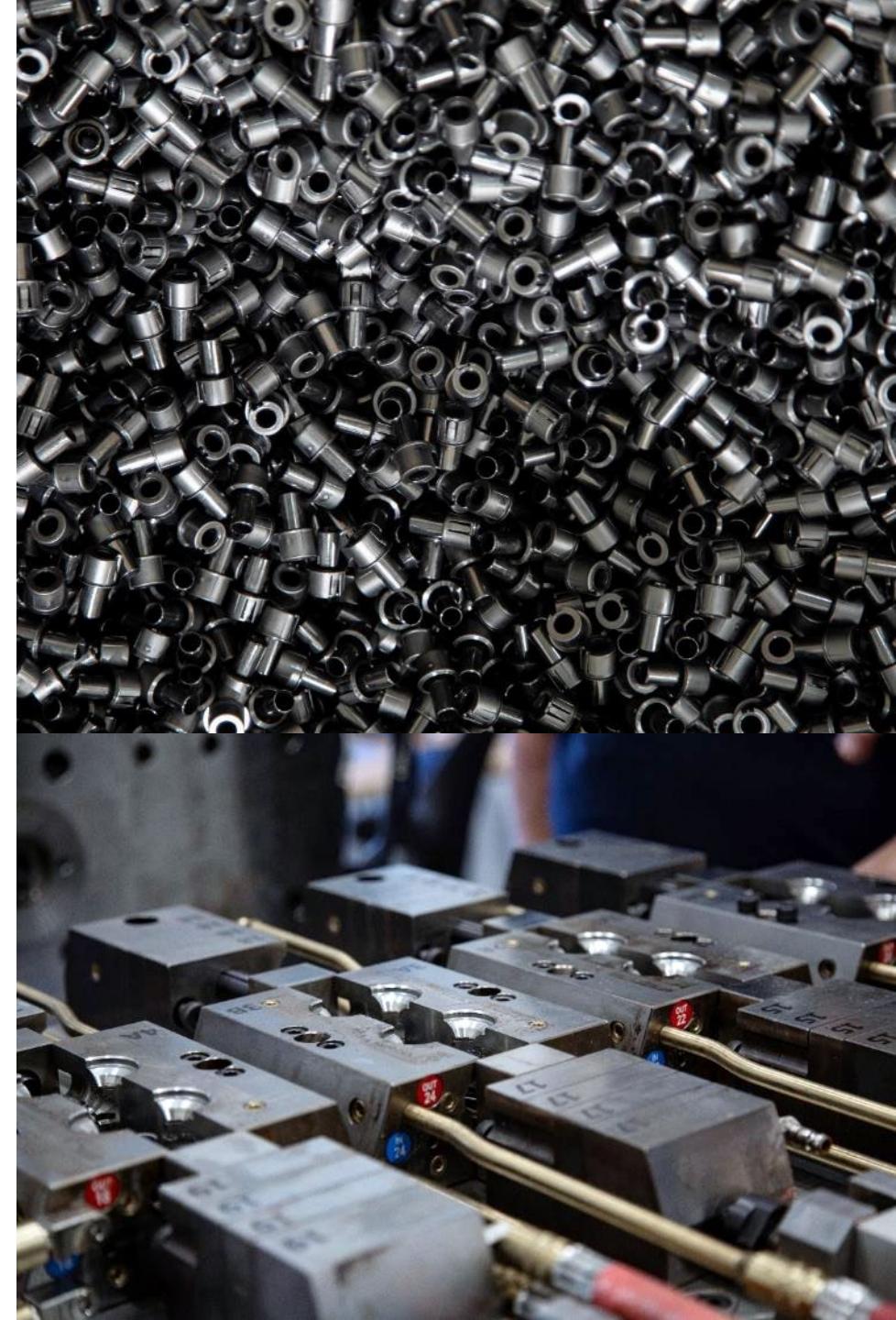


EXPLORE ALL OPPORTUNITIES

## ACQUISITION OF SKRIVERFORM



- On November 8, 2023, KA signed an agreement to purchase **100% of the share capital of Skriverform AS**
- Skriverform **is based in Norway** and designs and manufactures tools for **injection molding (IM)**
- The acquisition is motivated by KA's desire to achieve **vertical integration** and gain a better control of **our supply chain**
- With this acquisition, KA's will **streamline operations** and **optimize efficiency** benefiting KA's bottom line, and the company's customers
- **12 highly skilled employees** who are experts on IM have joined KA



# MARKET UPDATE

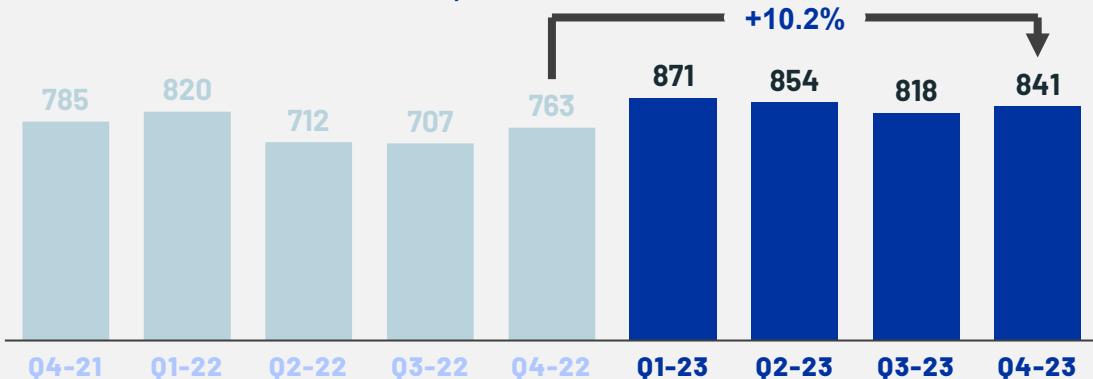


# MARKET TRENDS

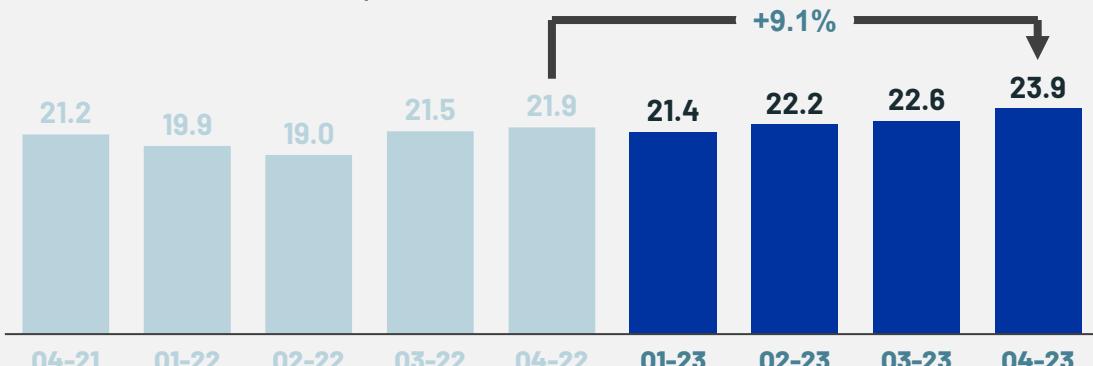
## STRONG GROWTH IN THE CHINESE COMMERCIAL VEHICLE MARKET

### MARKET DEVELOPMENT

#### GLOBAL COMMERCIAL VEHICLES PRODUCTION, thousand units



#### GLOBAL PASSENGER CAR PRODUCTION, million units



### REGION

#### Δ Q4-23 vs. Q4-22

#### Δ 2023 vs. 2022

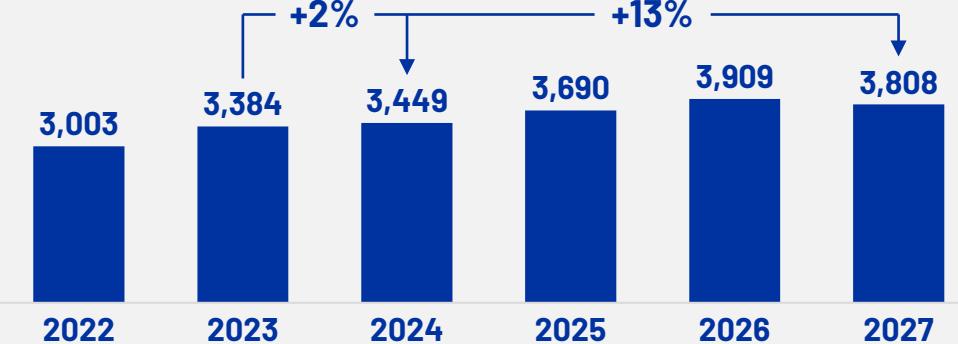
Region	Δ Q4-23 vs. Q4-22	Δ 2023 vs. 2022
China	+54.8%	+37.6%
APAC w/o China	-2.4%	+2.5%
Europe	-0.4%	+12.8%
North America	+2.9%	+8.4%
South America	-34.8%	-36.7%
Rest of World	-17.0%	+10.0%
<b>Total</b>	<b>+10.2%</b>	<b>+12.7%</b>
<b>Total (excl. China)</b>	<b>-3.5%</b>	<b>+3.4%</b>
China	+18.8%	+9.4%
APAC w/o China	+2.6%	+8.5%
Europe	+6.6%	+12.6%
North America	+5.1%	+9.5%
South America	-4.0%	+3.1%
Rest of World	+11.2%	+2.1%
<b>Total</b>	<b>+9.1%</b>	<b>+9.4%</b>
<b>Total (excl. China)</b>	<b>+4.3%</b>	<b>+9.3%</b>

# MARKET FORECASTS

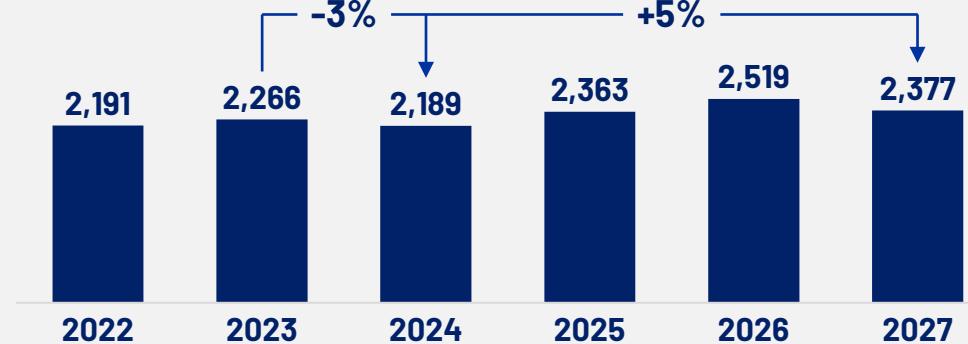
## GROWTH IN THE COMMERCIAL VEHICLE MARKET DEPENDS ON CHINA

### GLOBAL COMMERCIAL VEHICLES PRODUCTION, thousand units

#### INCLUDING CHINA



#### EXCLUDING CHINA

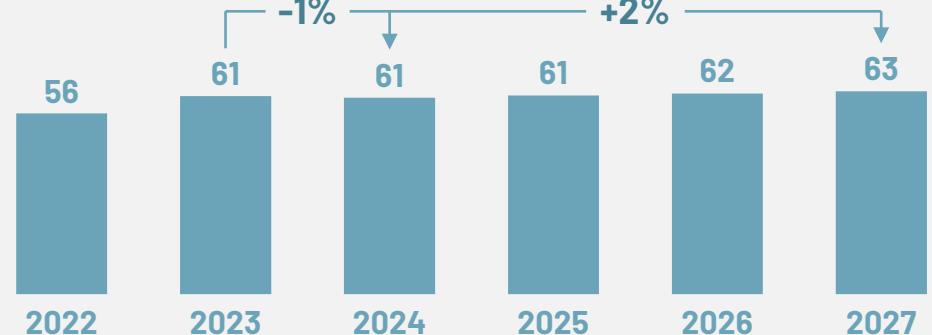


### GLOBAL PASSENGER CAR PRODUCTION, million units

#### INCLUDING CHINA



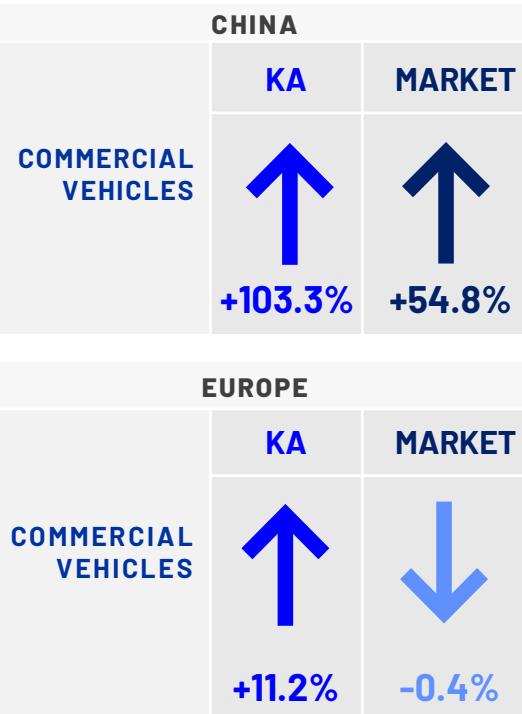
#### EXCLUDING CHINA



# MACROECONOMIC STABILIZATION

## POSITIVE DEVELOPMENT FOR KA WITHIN COMMERCIAL VEHICLES IN KEY REGIONS

### REVENUE GROWTH VS MARKET GROWTH IN Q4 23 vs. Q4 22<sup>1</sup>



### OUTPERFORMANCE IN KEY MARKETS

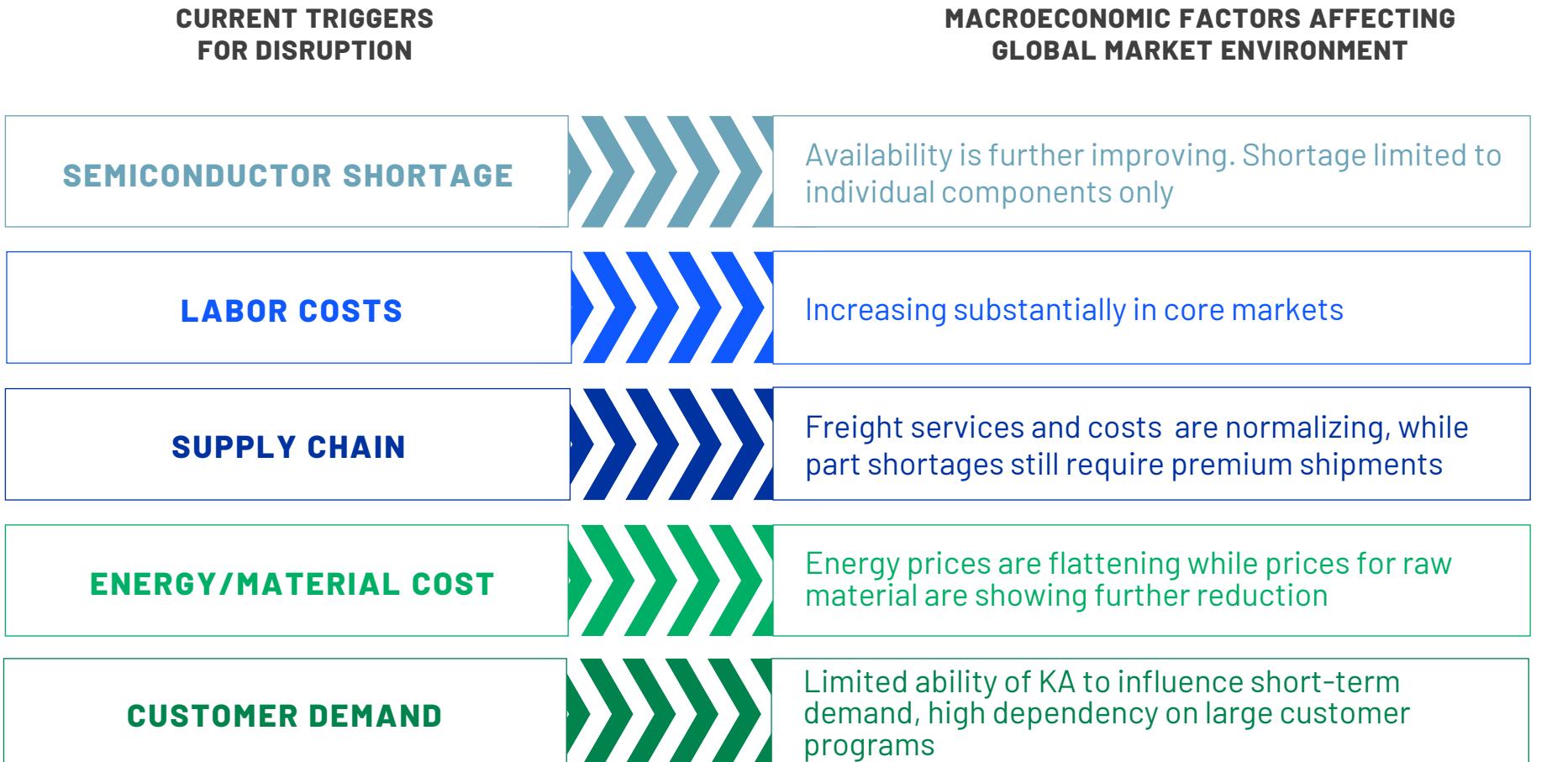
- KA's total revenues from the commercial vehicle market outperformed the market.
  - » Revenues from the commercial vehicle market in China have doubled compared to Q4 2022 (in the second consecutive QtQ comparison), due to the increased sales to one of the biggest customers
  - » KA significantly outperformed the commercial vehicle market in Europe with an increase of 11.2% QtQ, despite the declining market
  - » In the Americas, KA's sales in Q4 slightly increased while the market's production output declined
- KA's passenger vehicle revenues declined in Q4 2023 while the market grew.
  - » This was mainly due to shrinking revenues in the Chinese passenger car market to two main customers
  - » The decrease in the Chinese market could not be fully offset by the increased revenues in the European passenger car market.

<sup>1</sup>Change in revenues at constant currencies and changes to vehicle production levels for selected regions and markets from Q4 2022 to Q4 2023. The split across vehicle types does not correspond to our business unit segments – see p. 7 and 8 in the quarterly report for details.

<sup>2</sup>excluding revenues divested to BRP of MEUR 3.3 in Q4 2022

## DEVELOPMENT OF THE GLOBAL MARKET SITUATION

LABOR COSTS REMAIN AN ISSUE, SUPPLY MARKET IS GRADUALLY IMPROVING



# FINANCIAL UPDATE

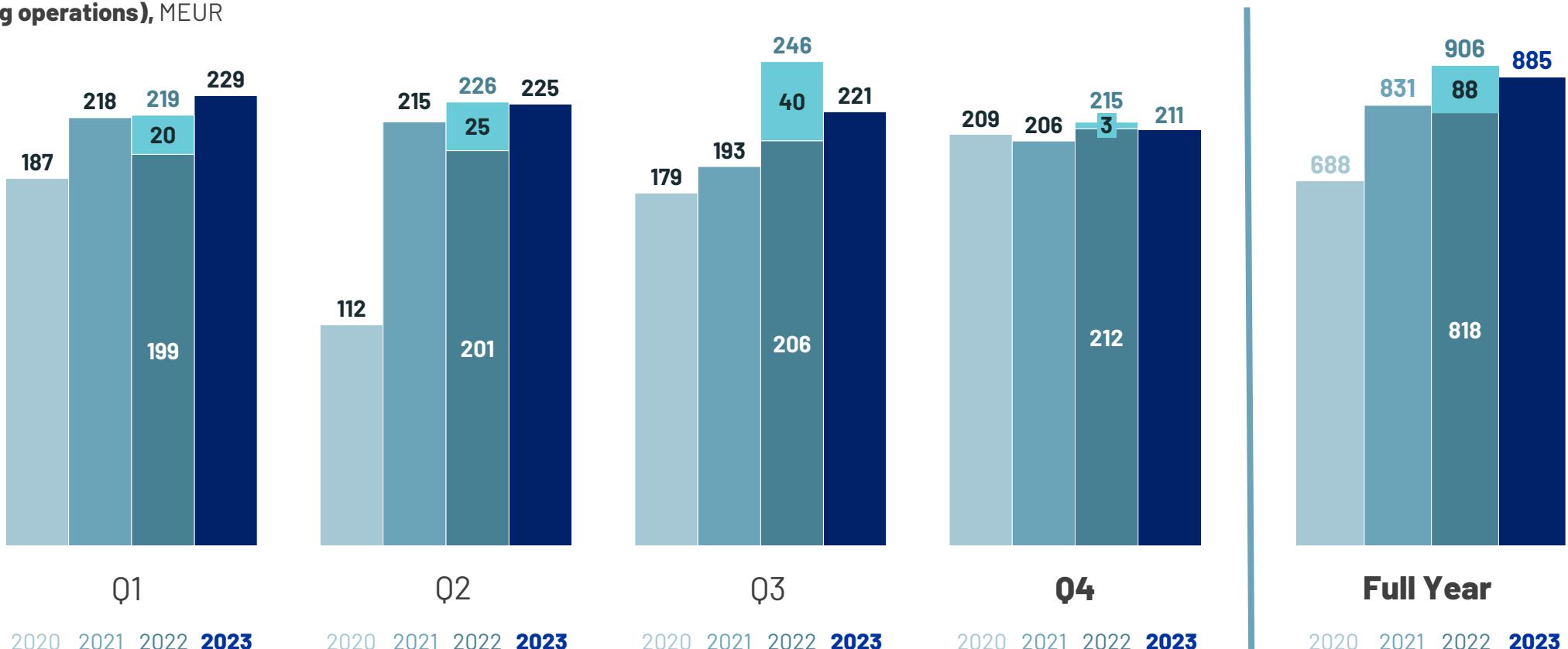


# REVENUES

## SOLID UNDERLYING REVENUE GROWTH

### REVENUES (continuing operations), MEUR

2020  
 2021  
 2022 excl. BRP  
 2022 BRP  
 2023

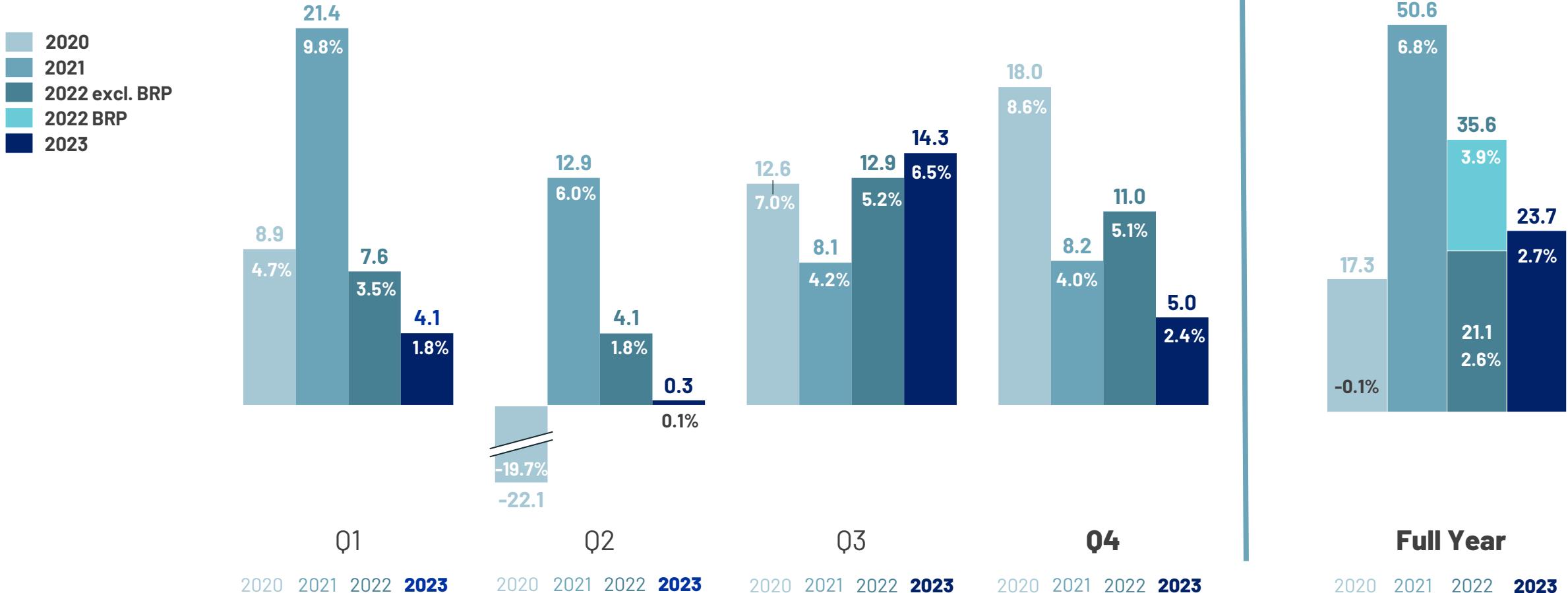


Quarterly revenues in 2023 include significant negative translation effects. On the current currency basis, quarterly revenues are as follows:

- Q1 2023: MEUR 226 (negative translation effects of MEUR 3)
- Q2 2023: MEUR 235 (negative translation effects of MEUR 11)
- Q3 2023: MEUR 236 (negative translation effects of MEUR 15)
- Q4 2023: MEUR 185 (negative translation effects of MEUR 9)

**ADJUSTED EBIT**

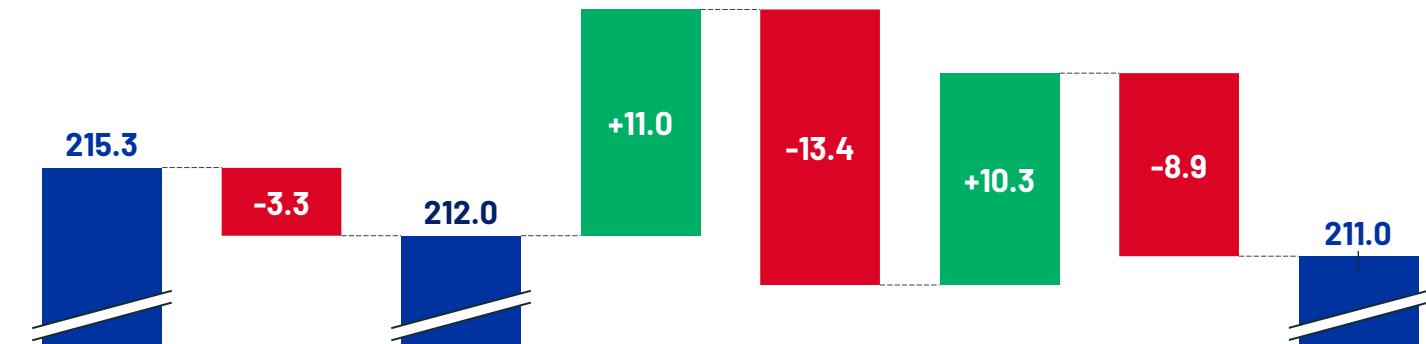
## POSITIVE EARNINGS REPRESENT UNDERLYING INCREASE

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

# ADJUSTED EBIT BRIDGE

FAVOURABLE PERFORMANCE IN COMMERCIAL VEHICLES MARKET  
PARTIALLY OFFSET BY DECLINING PASSENGER CAR MARKET

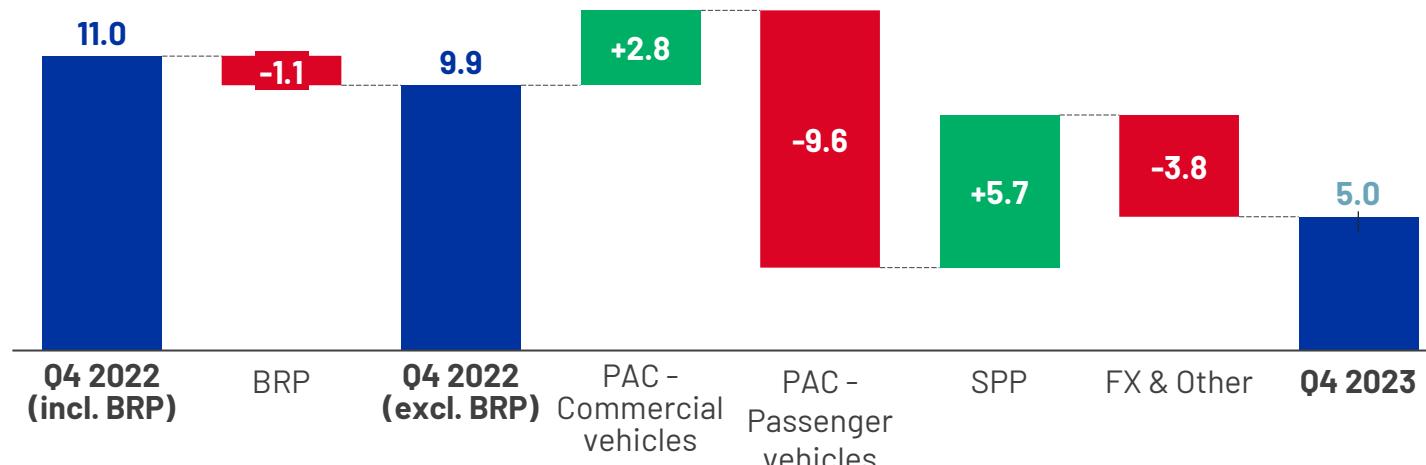
## REVENUES, MEUR



## P&C

- Sales and adjusted EBIT in the commercial vehicles market significantly increased at constant currency by MEUR 11.0 and MEUR 2.8, respectively, especially in Europe and Asia.
- Sales and adjusted EBIT in the passenger car market substantially decreased at constant currency by MEUR 13.4 and MEUR 9.6, respectively. This decrease in profitability was mainly driven by the loss of projects in the Chinese passenger car market.

## ADJUSTED EBIT (continuing operations), MEUR



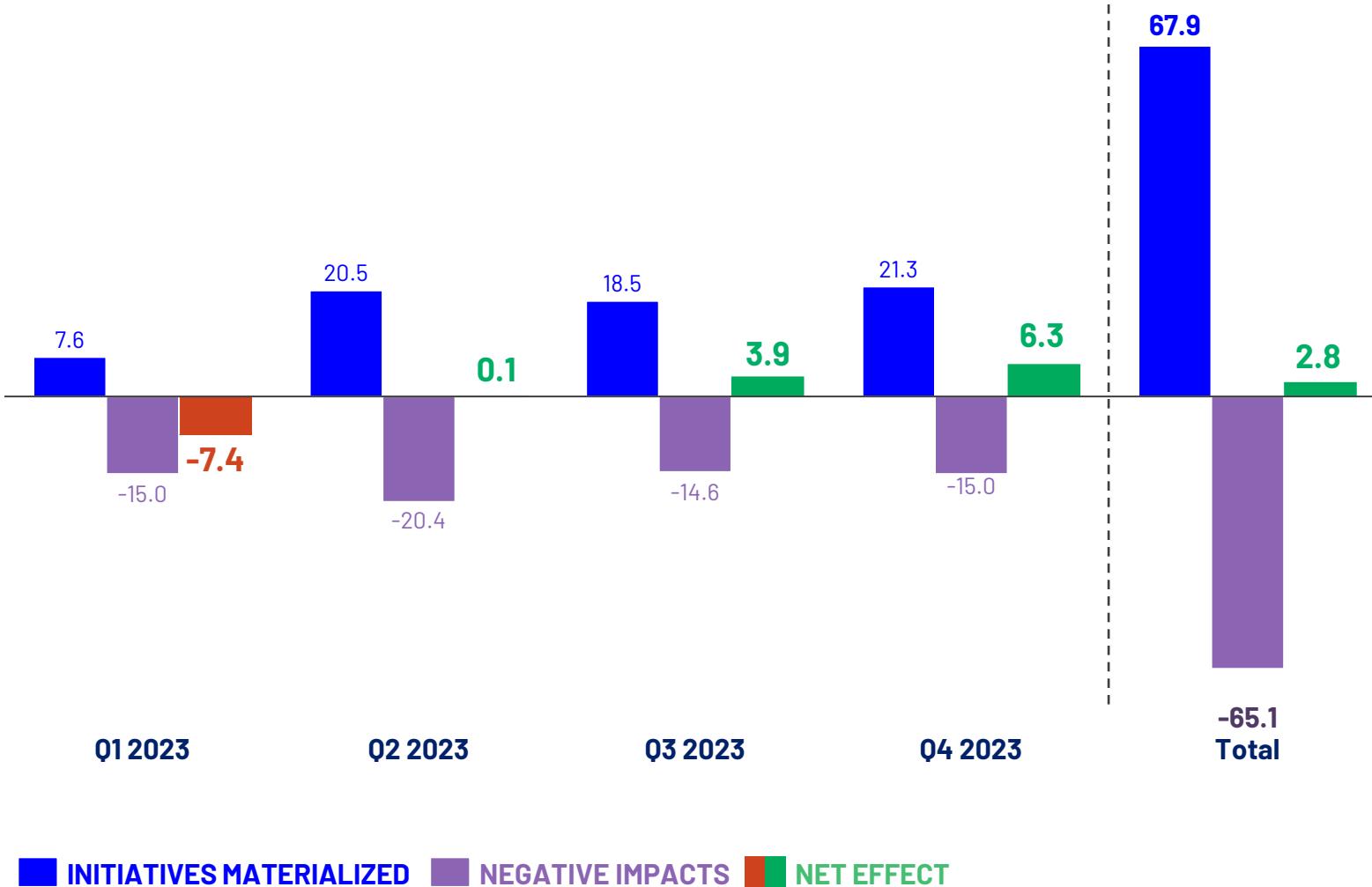
## SPP

- Sales and adj. EBIT of FCS grew at constant currency by MEUR 3.6 and MEUR 5.3, respectively, mainly due to favorable product mix in the couplings business
- Excluding the sales from the business divested to BRP (MEUR 3.3 with adj. EBIT of MEUR 1.1), OFH sales and adj. EBIT grew by MEUR 6.7 and MEUR 0.4 at constant currency.

# SHIFT GEAR I

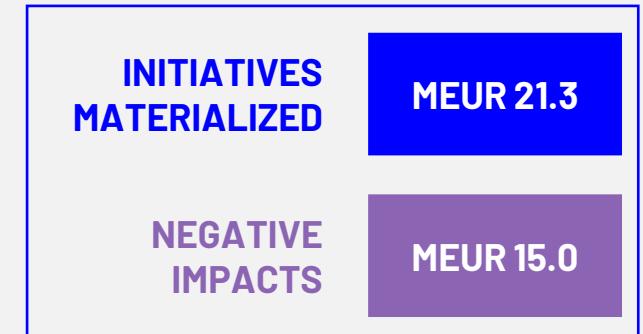
## > PERFORMANCE IMPROVEMENT

### FULL-YEAR 2023 RESULTS, MEUR



- Overall, Q4 result has delivered a net positive effect of MEUR 6.3
- Major positive contributions from ComX and Operational Improvements
- Around 50% of the negative Q4 impacts are related to Material Cost and Labor Inflation
- UAW strike in the US further negatively impacted Q4
- Additional warranty accruals were more than offset by positive inventory impacts

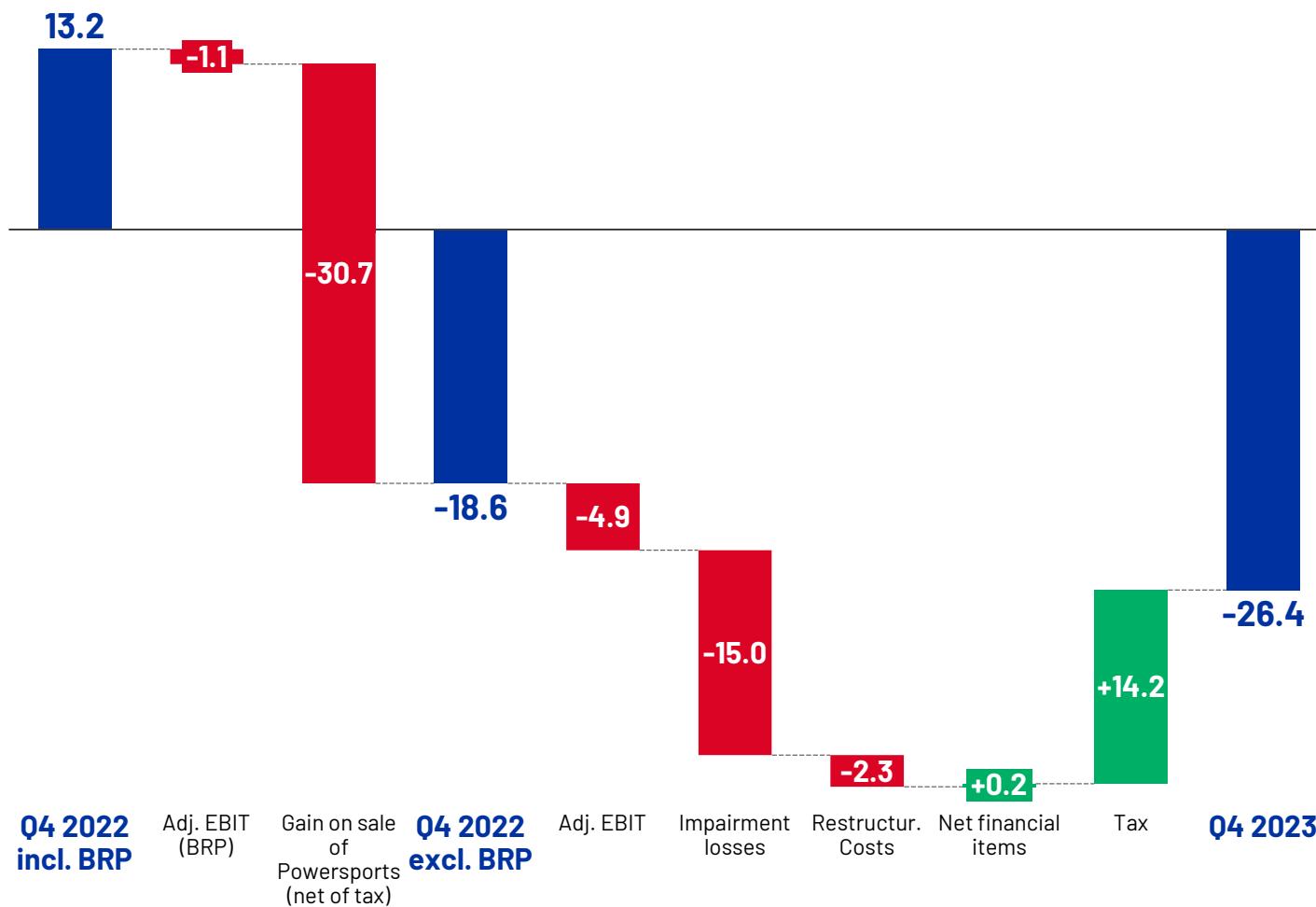
### Q4 2023 RESULTS:



# NET INCOME BRIDGE

## IMPAIRMENT AFFECTS THE QUARTERLY NET RESULTS

### NET INCOME, MEUR



### IMPAIRMENT LOSSES (NON-CASH ITEM)

- It reflects the BoD decision to commence the wind down process of the Driveline (passenger car) business worldwide.

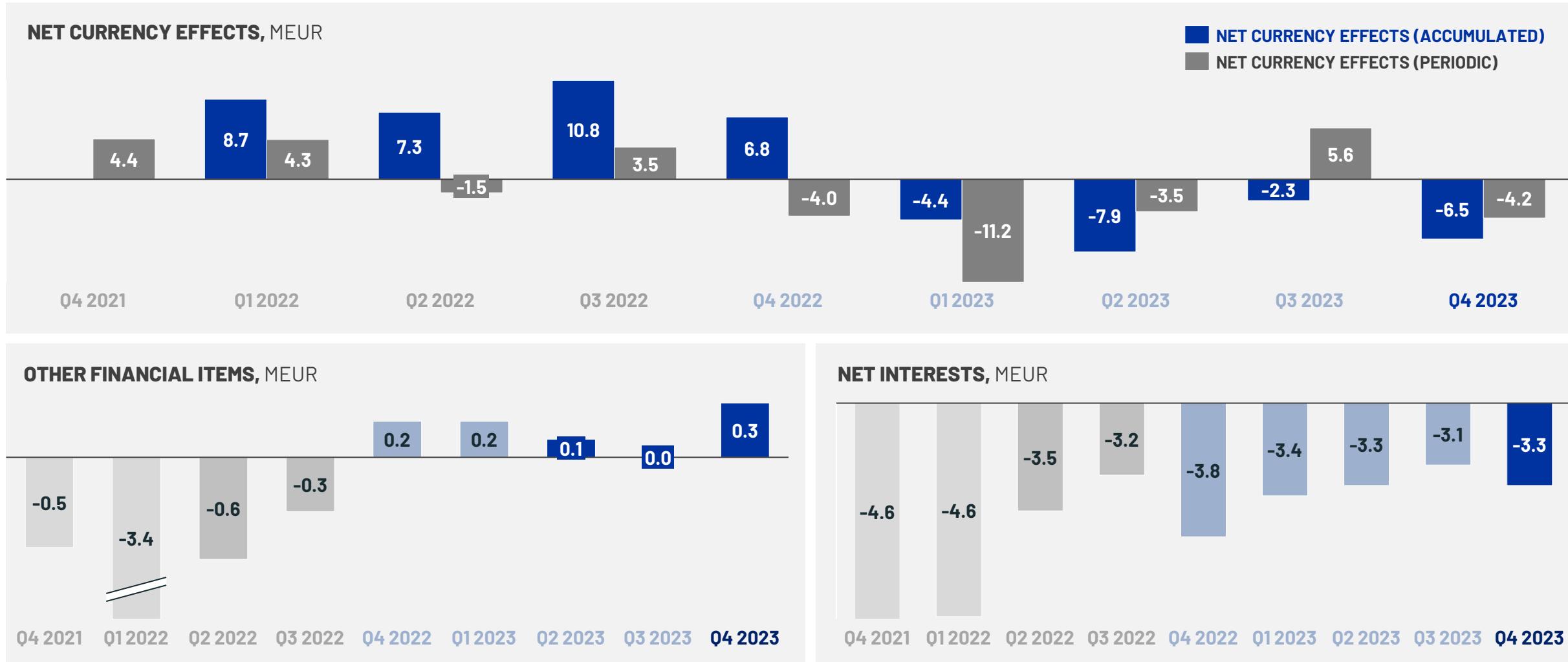
### RESTRUCTURING COSTS

- Change in restructuring costs is mainly related to provisions for severance payments and other restructuring costs related to the cost optimization program initiated in 2023.
- In Q4 2022 consultancy fees were incurred in relation to the Company's transformation program.

### TAX

- The decrease in income tax expense in Q4 2023 compared to Q4 2022, excluding taxes on the gain on the sale to BRP, is mainly due to a significant decrease of deferred tax expense.

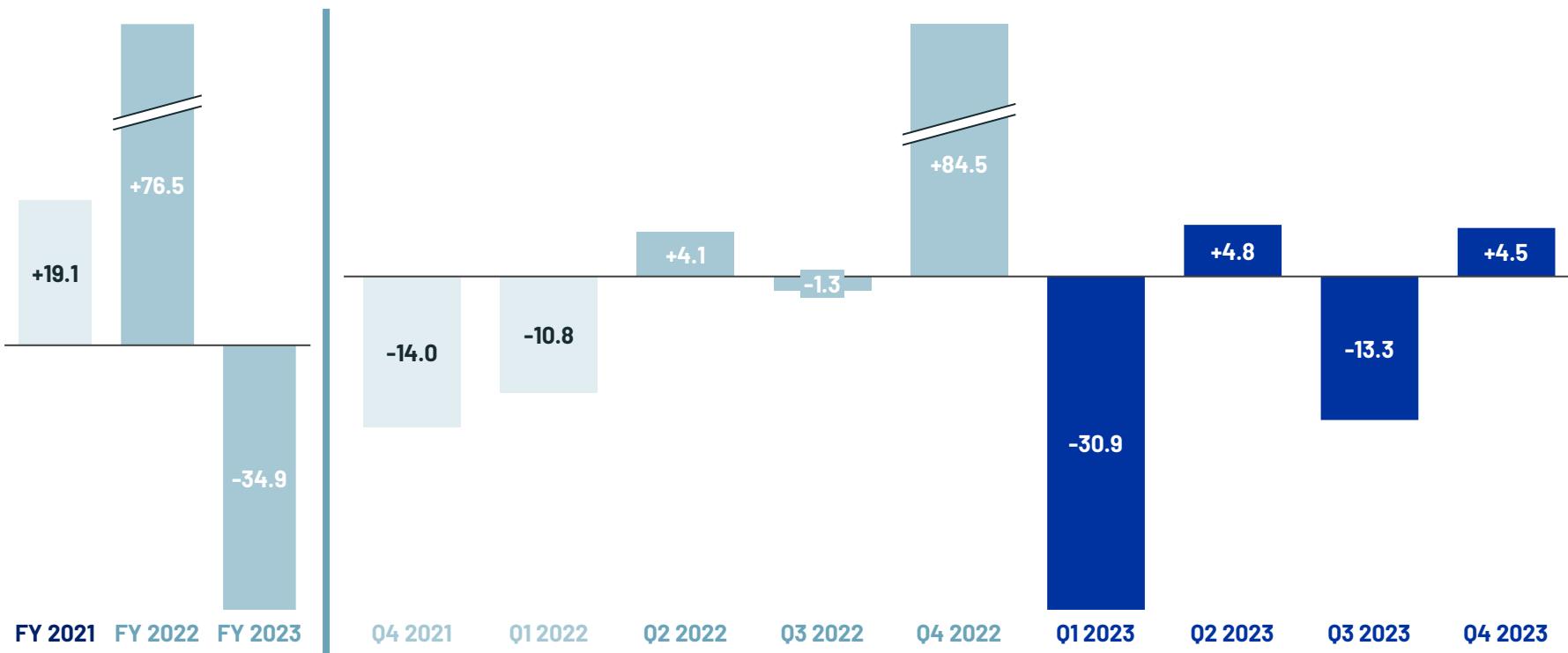
# NET FINANCIAL ITEMS



# FREE CASH FLOW

## INCREASE IN FREE CASH FLOW DUE TO IMPROVED NWC MANAGEMENT

### FREE CASH FLOW<sup>1</sup>, MEUR



### Q4 2023 FCF DETAILS

Operating activities	+19.8
Investing activities	-10.7
Financing activities	-5.7
Currency and translation effects on cash flow	-0.3
<b>Total</b>	<b>+3.1</b>
excluding repurchase of own shares	+1.4
<b>FCF</b>	<b>+4.5</b>

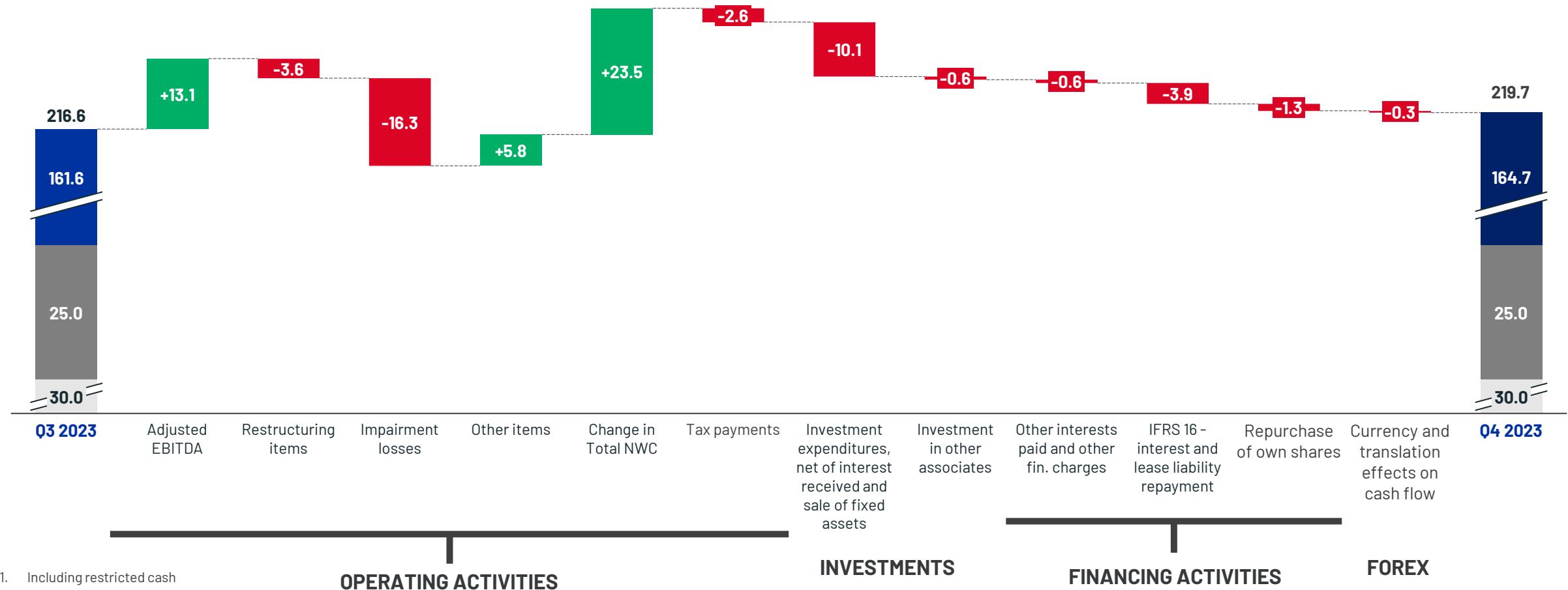
1. Free Cash Flow is measured based on sum of cash flow from operating activities, investing activities, financial activities and currency effects on cash (together described as change in cash), excluding net draw-down/repayment of debt, proceeds received from capital increase and purchase of treasury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



# Q4 2023 LIQUIDITY DEVELOPMENT

## LIQUIDITY DEVELOPMENT<sup>1</sup>, MEUR

CASH  UNUTILIZED SECURITIZATION FACILITY  UNDRAWN RCF

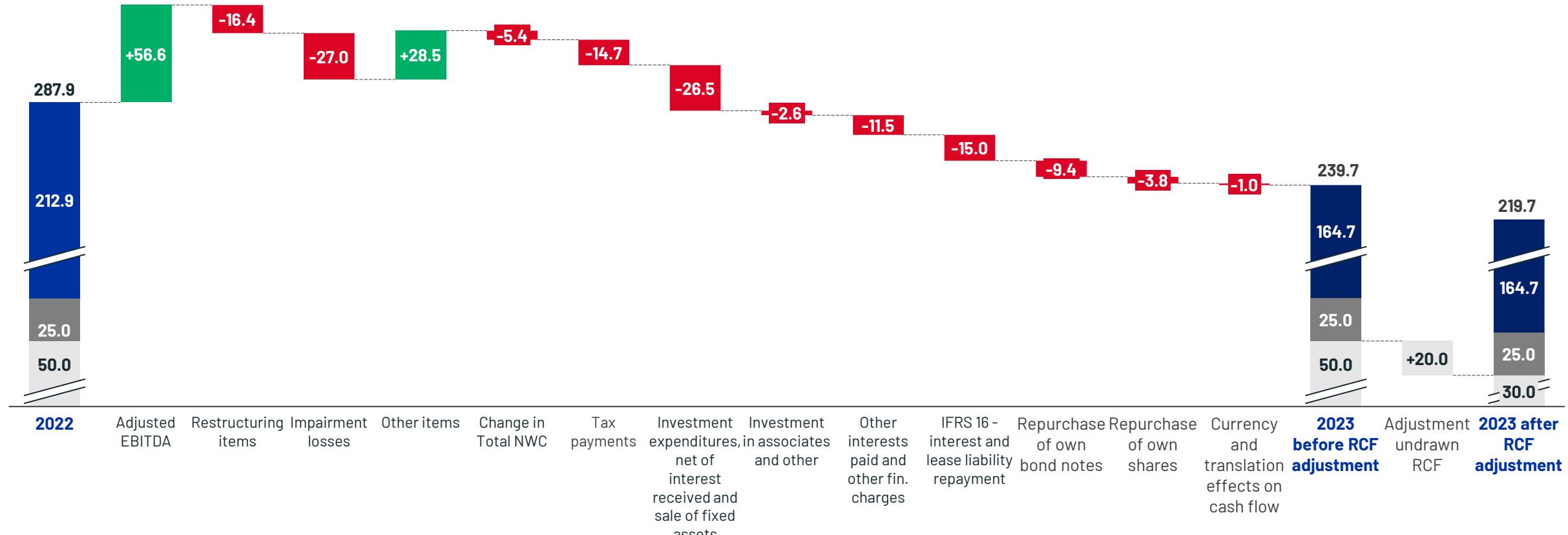


1. Including restricted cash

# FY 2023 - LIQUIDITY DEVELOPMENT

## LIQUIDITY DEVELOPMENT<sup>1</sup>, MEUR

█ CASH █ UNUTILIZED SECURITIZATION FACILITY █ UNDRAWN RCF



1. Including restricted cash

OPERATING ACTIVITIES

INVESTMENTS

FINANCING ACTIVITIES

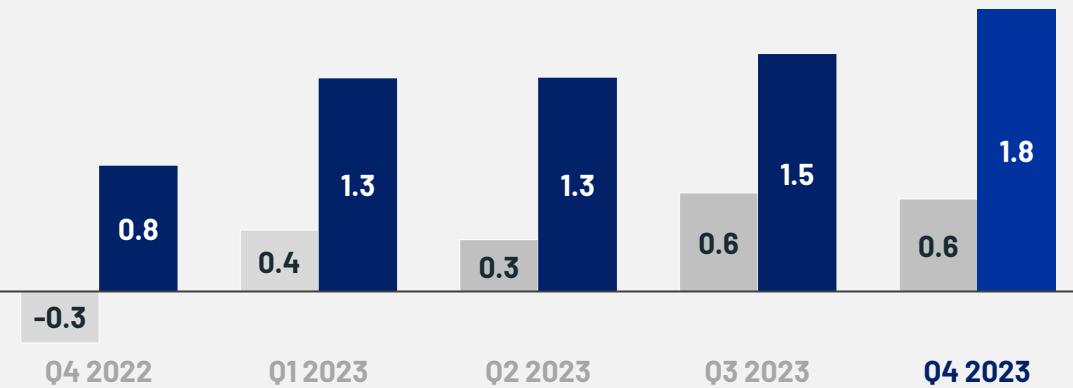
FOREX

# FINANCIAL RATIOS

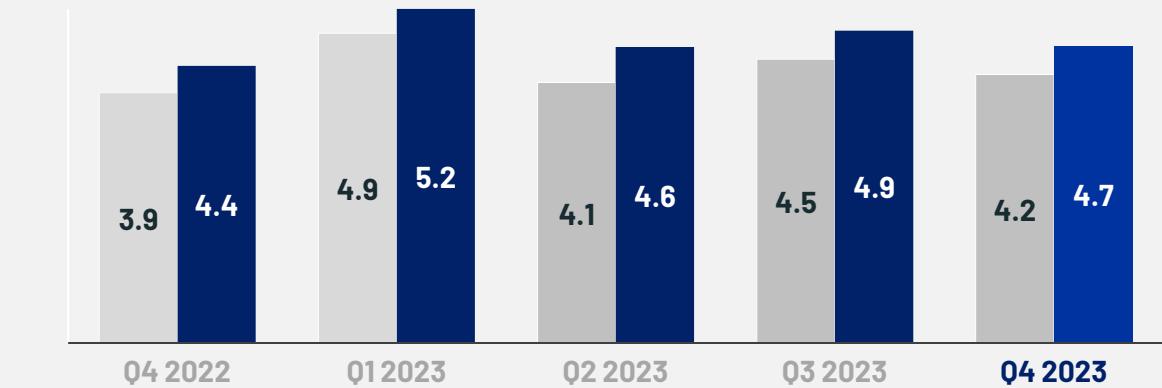
## CONTINUING AND DISCONTINUED OPERATIONS

EXCLUDING IFRS16  
 INCL. IFRS 16 EFFECT

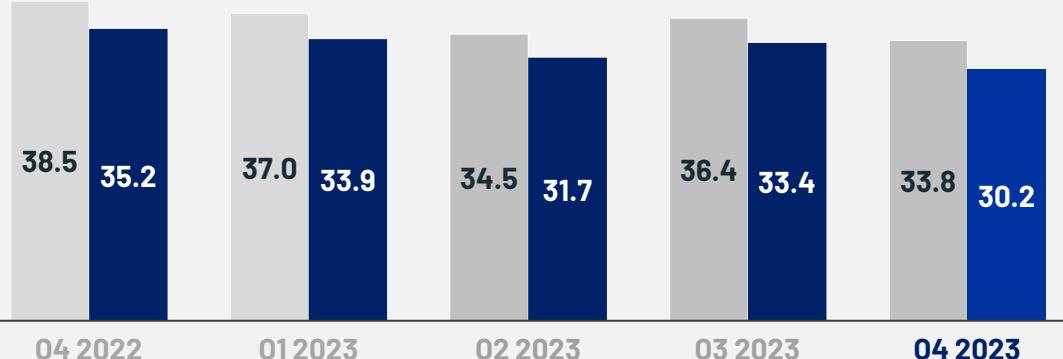
### ADJUSTED GEARING RATIO<sup>1,2</sup>, NIBD<sup>3</sup>/ADJUSTED EBITDA, LTM



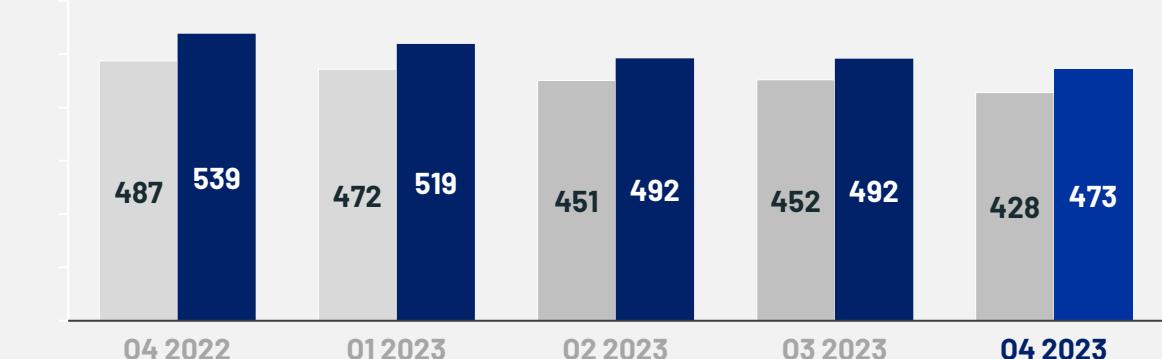
### ADJUSTED ROCE<sup>2</sup>, %, LTM



### EQUITY RATIO, %



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



1. Adjusted EBITDA refers to continuing operation only

2. Excluding restructuring costs

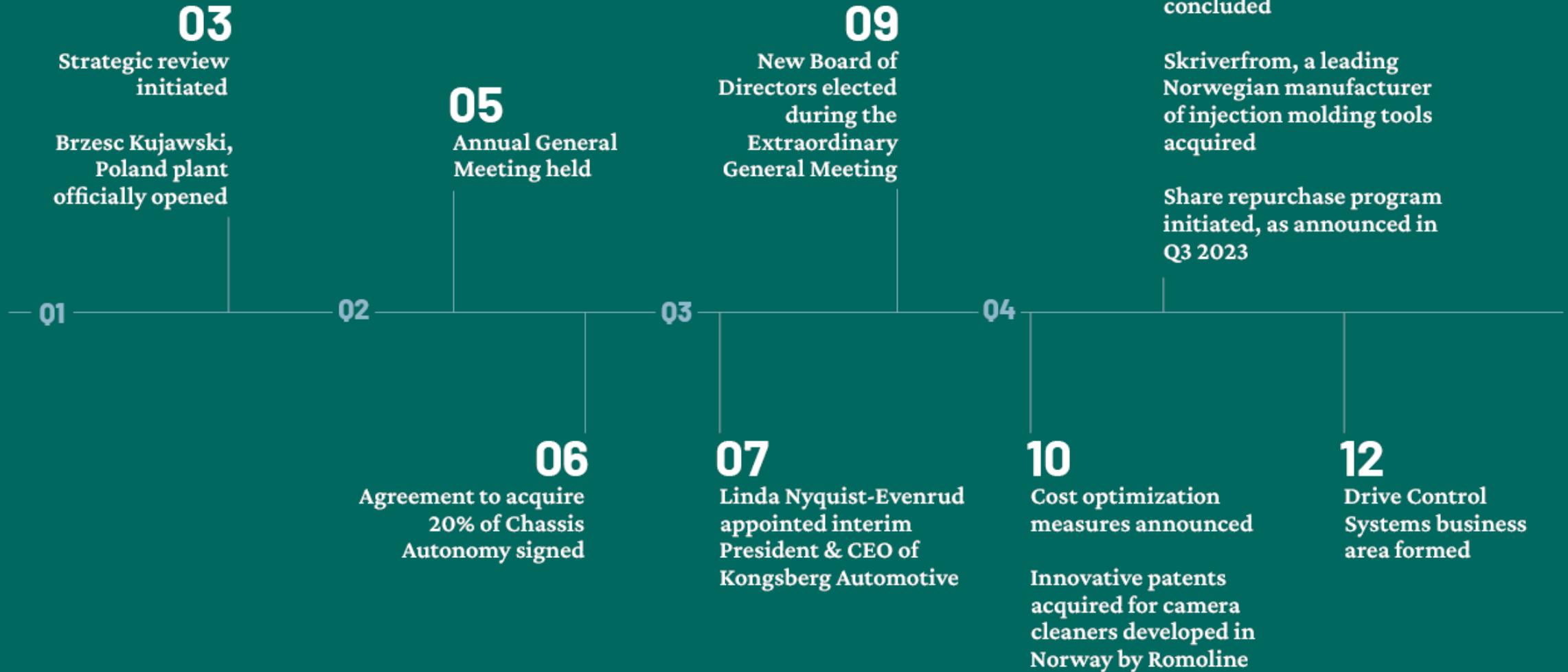
3. Capital employed at quarter end; as the indices are calculated based on the figures from last 12 months

3. Net interest-bearing debt

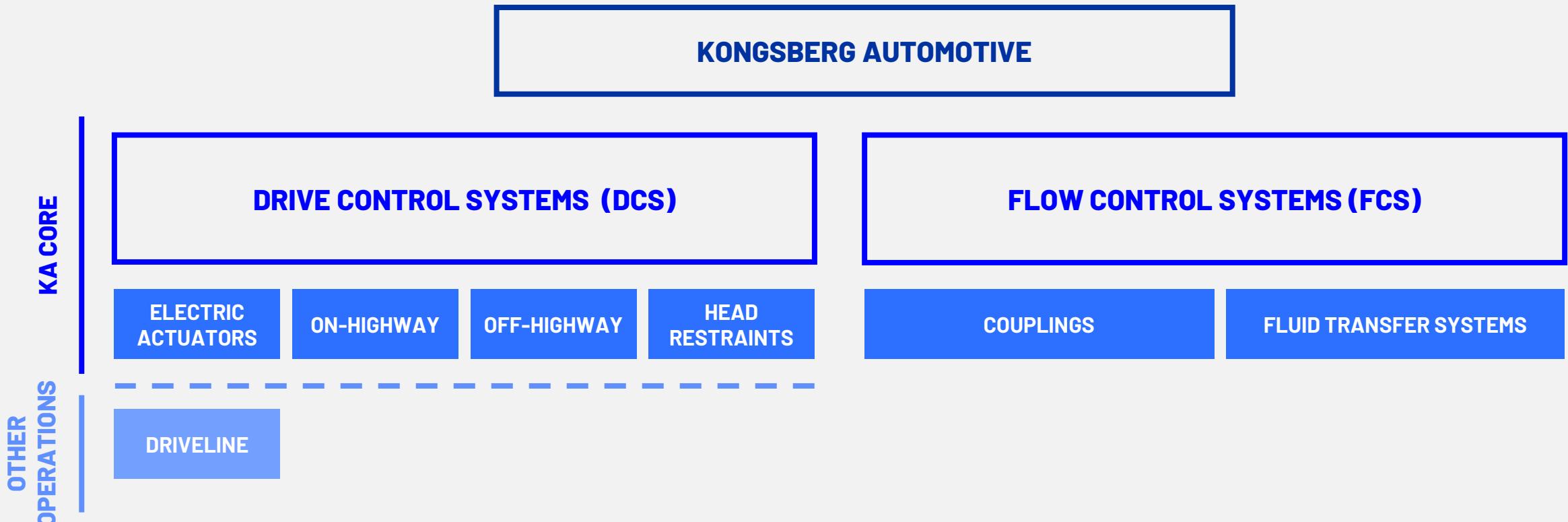
# EXTENDED SECTION

- > 2023 IN SUMMARY
- > COMPANY STRUCTURE
- > REFINANCE
- > GUIDANCE AND ON THE  
AGENDA FOR 2024

## 2023 IN SUMMARY



## NEW COMPANY STRUCTURE FOCUSING ON CORE BUSINESS



= BUSINESS AREA

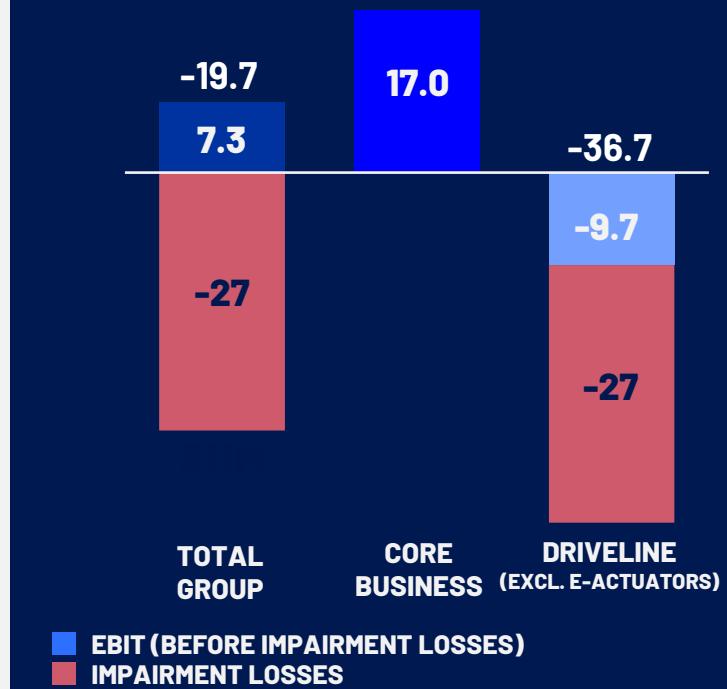
= PROFIT CENTERS

## FOCUSING ON OUR CORE BUSINESS

### REVENUE SPLIT 2023, MEUR



### EBIT 2023, MEUR



### EXPECTED MARKET DEVELOPMENT



## REFINANCING

### CONSIDERATIONS AND TIMELINE FOR REFINANCING

#### CONSIDERATIONS

- Reduce Main Facility to base requirements  
MEUR 100 – 140
- Flexibility through RCF (and ARS/Factoring)  
~20–30% of Main Facility
- Main Facility – dual track Nordic Bond / Bank Loan
- Tenure: 3-5 years
- Target: Annual interest costs equal or lower  
than today
- KA intends to mandate the following investment  
banks: Danske Bank and ABG Sundal Collier as  
global coordinator for the bond, and UBS AG  
for the bank loan

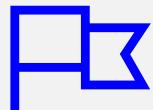
#### TIMELINE

- Preparation until May
- Go to market either pre or post  
summer break
- Refinancing concluded in 2024

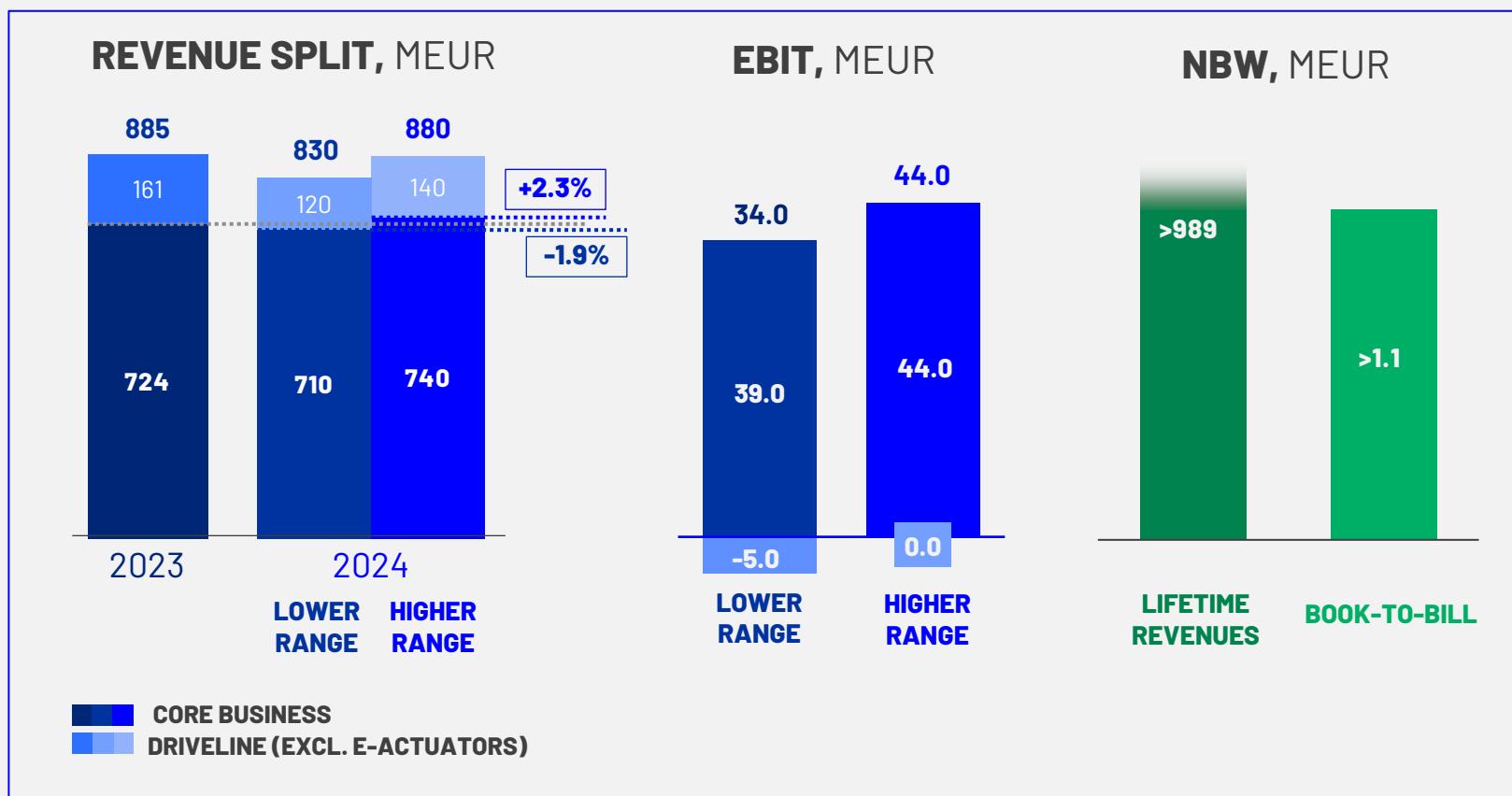
**A year of consolidation –  
no further share buy back**

# GUIDANCE AND ON THE AGENDA FOR 2024

## - IMPROVE PROFITABILITY AND REGAIN POSITIVE FREE CASH FLOW



### GUIDANCE FOR 2024



### ON THE AGENDA FOR 2024

- Assess manufacturing footprint
- Further cost optimization
- Develop product portfolio
- Policy deployment
- Refinance
- Capital Markets Day, May 13
- Continuous work on shareholder structure

Q&A





**KONGSBERG**  
AUTOMOTIVE

MOBILITY SOLUTIONS FOR THE FUTURE