Kongsberg Automotive ends a challenging 2023 with flat revenues, positive free cash flow, and strong order intake

Zurich, March 12, 2024: Kongsberg Automotive ASA (Kongsberg Automotive) has published its results for the fourth quarter of 2023. The results show a flat revenue development, positive adjusted EBIT in line with expectations, and positive free cash flow.

"It was my honor to have been appointed as the interim President & CEO of KA in July 2023, and to have officially assumed the role as the company's President & CEO from January 2024. I have been a proud member of the automotive industry for the last two decades, 16 years of which I have spent in KA. Before my appointment, I successfully led the Flow Control Systems business unit as the Executive Vice President.

Revenues in Q4 were fairly stable compared to Q4 last year, while both adjusted EBIT and free cash flow came in positively in the quarter. For the fiscal year 2023, we are clearly not satisfied with our financial performance, even though we are showing underlying growth, and have turned every stone with the aim of regaining profitability and positive cash flow in 2024.

We have also implemented substantial cost reduction initiatives, while continuing to assess parts of our operational set-up.

The operational improvements throughout the company have positioned us well to mitigate the impact of the disruptions in the supply chain, raw material and energy cost, inflation, and declining volumes within our Driveline business. KA launched a cost optimization program in the second half of 2023, which will contribute to the lowering of our overhead cost in 2024.

Our performance over the past year makes me confident that we are growing in the right direction, and I expect that all operational measures we have taken in 2023 and 2024 will improve the profitability of KA considerably in 2024," says President & CEO Linda Nyquist-Evenrud.

Summary of the fourth quarter 2023

- Revenues MEUR 211 (MEUR 215)
- Adjusted EBIT MEUR 5 (MEUR 11)
- Net result after tax MEUR -26 (MEUR 13)
- New business wins over MEUR 412 lifetime and MEUR 82 annualized revenues. (MEUR 224 and MEUR 73)
- Free cash flow MEUR 4 (MEUR 85*)

Summary of the full year 2023

- Revenue MEUR 885 (MEUR 906), representing a 12.9% underlying increase**
- Adjusted EBIT MEUR 24 (MEUR 36) in line with latest guidance, representing a 12.1% underlying increase***
- Net result after tax MEUR -59 (MEUR 21)
- New business wins MEUR 989 lifetime and MEUR 297 annualized revenues (MEUR 760 and MEUR 247)
- Free cash flow MEUR -35 (MEUR 77*)

*Including proceeds of MEUR 82 from divestments to BRP
**On constant currencies and without the revenues divested to BRP in 2022
***On constant currencies and without the adjusted EBIT divested to BRP in 2022

Underlying revenue growth

Looking back at 2023, KA is coming off another year in which the company faced a challenging market environment. Despite the headwinds, KA continued to deliver on its revised guidance. However, impairments in the Driveline business led to significant after-tax loss and an overall unsatisfactory result.

Group revenues from continuing operations amounted to MEUR 884.9 in 2023, a decrease of 2.3% compared to last year, but this includes negative currency translation effects of MEUR 38.0. Excluding revenues from operations divested to BRP of MEUR 88.1 in 2022, year-on-year growth at constant currency rates was 12.9%.

Our revenue growth in the commercial vehicles area was above market for the third year in a row. This was mainly driven by the significant outperformance in revenues in the European truck market.

Adjusted EBIT amounted to MEUR 23.7 in 2023 compared to MEUR 35.6 in 2022. Excluding adjusted EBIT of MEUR 14.5 from the Powersports business divested to BRP in 2022, current year's adjusted EBIT increased by MEUR 2.6. The earnings from the positive development in the commercial vehicle markets in China and Europe were partially offset by the missing fall through from the declining revenues in the passenger car markets especially in China and increase of warranty expenses.

Positioned for higher EBIT

Over the course of 2023, KA has won MEUR 989.4 in lifetime revenues (MEUR 760.2) and MEUR 296.9 in annualized revenues (MEUR 246.9). KA has taken a concrete step forward during 2023, as annualized business wins have increased by 20% year-on-year, which also led to a positive book-to-bill ratio of 1.1. The main contributors have been Fluid Transfer Systems' tubes and hoses and the On-Highway business unit accounting for 70% of the achieved bookings. As per our stated strategic goals, more than 80% of our business wins came from the non-passenger car segments, primarily truck and bus and industrial segments.

KA also launched a comprehensive cost optimization program in the second half of 2023, which will contribute to the lowering of overhead costs in 2024.

Focusing on core business. Carving out Driveline to demonstrate underlying growth

KA has in 2023 carried out a strategic review of the company with the aim of maximizing shareholder values. Parts of the outcome of the process illuminate a deteriorating outlook for most of our Driveline business. This has led to a final impairment of the assets associated with the business unit. Whilst KA will continue to serve its existing customers in Driveline, the business unit will no longer be defined as core business and will be reported on separately under "other operations". This will ensure displaying the underlying positive development of the core business of KA.

KA believes that this reporting format will give its shareholders a better and more precise picture of the company's profitability, growth opportunities and development going forward.

With the ambition of regaining profitability and positive cash flow, KA has decided to change its focus from adjusted EBIT to EBIT. This is to ensure better focus and more transparency. Guidance for 2024 will therefore be given on EBIT.

Acquisitions enabling long-term value

In 2023, KA acquired innovative patents from Romoline for camera cleaners, developed in Norway. KA also signed an agreement to purchase 100% of the share capital of Skriverform AS, a company that designs and manufactures tools for injection molding (IM). Additionally, KA acquired 20% of Chassis Autonomy, a company providing solutions for the autonomous driving industry. The KA and Chassis Autonomy collaboration will allow KA to empower customers to incorporate fail-operational steer-by-wire solutions in their vehicles today, preparing them for autonomous driving (L3-5) for road and farming vehicles.

For 2024, KA has the following expectations:

- Revenue MEUR 830-880 of which
  - Core business is expected to be between MEUR 710 and MEUR 740, representing up to 2-3% percent growth.
  - Driveline without e-Actuators is expected to decline from MEUR 161 in 2023 to MEUR 120-140 in 2024.
- EBIT MEUR 34-44 of which
  - Core business is expected to deliver MEUR 39 to MEUR 44.
  - Driveline is expected to deliver between MEUR -5 and MEUR 0.
- New business wins are expected to exceed 2023 book-to-bill ratio of 1.1 and lifetime revenues of MEUR 989.4.

Based on market data, such as IHS and LMC, KA expects to outperform the markets in 2024.

KA has also initiated the process of refinancing the outstanding bond which matures in July 2025, and the RCF with maturity early the same year. The company expects to conclude the refinancing process in 2024.

Based on the result for the full year the Board does not recommend any dividend payments.

Overall, the expectations are based on existing framework agreements, current new product pipeline, the latest automotive industry production forecasts, and are highly dependent on the market developing as predicted. For further risks please see page 36-38 in the Annual Report 2023.

Earnings presentation – conference call

The company will hold an earnings conference call at 09:00 CET on March 12, 2024. Conference call registration is available at the company's webpage or the following link: http://channel.royalcast.com/landingpage/hegnarmedia/20240312_2/

The earnings release and presentation will be published on www.newsweb.no and on KA's website www.kongsbergautomotive.com

The recording of the presentation will be made available on the company`s website shortly after the presentation.

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All the financial information regarding 2022 in this press release refers to the continuing operations of the company, as the divestments of Interior Comfort Systems and Light Duty Cables businesses completed last year were accounted for separately in the 2022 financial statements as discontinued operations.

This information is considered to be inside information pursuant to the EU Market Abuse Regulation and is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act. This stock exchange announcement was published by Investor Relations at Kongsberg Automotive ASA, and the contact person(s) mentioned above on March 12, 2024, at 07:00 CET.

About Kongsberg Automotive ASA
Kongsberg Automotive provides cutting-edge technology to the global vehicle industry. We drive the global transition to sustainable mobility by putting engineering, sustainability, and innovation into practice. Our product portfolio includes driver and motion control systems, fluid assemblies, and industrial driver interface products. Find more information at: kongsbergautomotive.com