KENDRION N.V.

PRESS RELEASE

9 May 2023

Kendrion posts record revenues in more stable market environment

- **Q1 2023 revenue up 5% to a record EUR 136.8 million compared to EUR 129.9 million in Q1 2022 driven by all three Business Groups**
- **Normalized Q1 2023 EBITDA of EUR 15.7 million, 7% lower than in Q1 2022 (EUR 16.8 million)**
- **Abandoning of zero-COVID policy triggered reduced economic activity in China in Q1 2023**
- **New manufacturing facility in Suzhou Industrial Park, China, to be officially opened in May 2023 with production expected to start shortly after**
- **Stable financial position with a leverage ratio of 2.6 (Q1 2022: 2.4)**
- **Maturity date EUR 102.5 million credit facility extended by one year until 28 April 2026**

Key figures

Reported (in EUR million)	Q1 2023	Q1 2022	delta
Revenue	136.8	129.9	5%
EBITDA	15.6	14.7	6%
EBITA	9.8	9.3	5%
Net profit	4.9	5.1	-4%
EBITDA as a % of revenue	11.4%	11.3%	
EBITA as a % of revenue	7.2%	7.2%	
Return on invested capital[1] (12 months rolling)	-13.1%	12.9%	

Normalized (in EUR million)[2]	Q1 2023	Q1 2022	delta
Revenue	136.8	129.9	5%
EBITDA	15.7	16.8	-7%
EBITA	9.9	11.4	-13%
Net profit before amortization	5.6	7.6	-26%
EBITDA as a % of revenue	11.5%	12.9%	
EBITA as a % of revenue	7.2%	8.8%	
Return on invested capital[1] (12 months rolling)	14.5%	15.9%	

[1] *Invested capital excluding intangibles arising from acquisitions.*

[2] *Normalized in Q1 2023: EUR 0.1 million restructuring costs and EUR 0.1 million net finance costs (EUR 0.1 million after tax).*
Normalized in Q1 2022: EUR 2.1 million (EUR 1.6 million after tax) restructuring costs and income.

- The quarterly results are not audited -

Joep van Beurden, Kendrion CEO:

"We have delivered solid results with further growth and record revenues in a market environment that was more stable than in the past years. The volatility in the Automotive order patterns reduced, and a feared recession did not materialize. The economic activity level in China was reduced in Q1 2023 triggered by a sharp rise in COVID infections as the country abandoned its zero-COVID policy, temporarily lowering our revenue there. Inflation remained stubbornly high, putting pressure on our added value margin. Our normalized EBITDA was a healthy EUR 15.7 million.

We grew our Automotive revenue by 8% relative to Q1 2022 and saw more stability in the Automotive market than in the past few years. The new Automotive Core and E set up, which came into effect at the end of last year, is proving successful. In Automotive Core, with inflation persistently high, we have increased our sales prices, which we expect will result in improving added value margins in Q2 and the second half of 2023. In Automotive E we won a sizeable additional suspension order for China. Our Industrial business grew with 3%, somewhat below expectation, mostly caused by a slower market in China, and compared to a strong Q1 2022. We expect to officially open our new facility in Suzhou's Industrial Park in May 2023, and to ramp up production early July 2023, as scheduled.

Going forward, the world and the global economic environment remain highly unpredictable. A recession later in the year remains a possibility. For Q2 2023 and beyond we will continue to focus on protecting our value-added margin, especially in Automotive Core, on disciplined investment in the growth opportunities in Automotive E and on commissioning our new factory in Suzhou.

Longer-term, with most of our revenue coming from clean energy applications, we are well positioned to benefit from the accelerating global energy transition and continue to grow both our revenue and profitability. We reiterate our medium-term financial targets: 5% organic growth between 2019 and 2025, an EBITDA of at least 15% in 2025 and an ROI of at least 25% in 2025."

Progress on strategy

Kendrion is a global, innovative company, focused on actuator products that support the transition towards electrification and clean energy. Kendrion operates through three Business Groups: Industrial Brakes (IB), Industrial Actuators and Controls (IAC), and Automotive, which comprises Automotive Core and Automotive E. Automotive E is responsible for products relevant to electric vehicles with profitable growth and innovation as its main goals. Automotive Core handles our combustion engine-related business with cash and cashflow as its KPIs.

We see significant growth opportunities for our products that help advance the global transition towards electrification and clean energy. We have a balanced product portfolio and are not overly dependent on any specific vertical or market segment. Our products range from brakes for wind power, robotics, and automated warehouses to inductive heating technology, circuit breakers for electricity distribution stations and sound actuators for electrical vehicles. The broad push towards electrification has determined our product development and strategic decisions over the past couple of years and will continue to do so in all our Business Groups.

The construction of our 28,000 m² manufacturing facility in Suzhou's renowned Industrial Park was completed in the first quarter of 2023. Following some operational tests, we expect to transfer the production of our two current facilities in Suzhou and Shanghai to the new facility shortly to be fully operational in Q3 this year. In addition, we expect to start production of six new Automotive E projects at our new facility in China during 2023.

Financial review

Revenue

Our revenue in the first three months of the year came in at EUR 136.8 million, up 5% from our record level of EUR 129.9 million in the first quarter of 2022. Currency translation did not materially affect first quarter revenue. Higher average sales prices added 3.5% to the first quarter revenue, as inflation continued to affect our supply chain.

All Business Groups contributed to the revenue growth. Revenue in IB increased by 3% to EUR 38.9 million, IAC revenue came in at EUR 33.1 million, an increase of 2%. Revenues in Automotive grew by 8% as global car production recovered somewhat. First quarter revenue in Automotive E was EUR 15.9 million, which is 7% up compared to Q1 2022 on a pro forma basis, while revenue in Automotive Core increased by 9% to EUR 48.9 million. Half of the revenue growth in Automotive Core was driven by higher average sales prices. Sales price increases are expected to continue to positively affect Automotive revenue in the remainder of the year. Economic activity in China saw a slowdown in the first quarter due to a sharp rise in COVID infections as the country abandoned its zero-COVID policy, impacting revenue in all Business Groups.

Results

Normalized operating result before depreciation and amortization (EBITDA) ended at EUR 15.7 million, 7% below the comparably strong first quarter of the previous year (EUR 16.8 million). First quarter EBITDA was impacted by temporary high costs for external engineering services for several new projects in Automotive E and one-off wage inflation payments. Staff costs in the first quarter included a one-off inflation compensation payment that is part of the wage increase agreement in Germany between the Trade Unions and the Employers association. This one-off payment increased wage costs by EUR 1.3 million in Q1. As a result, the total staff and other operating expenses increased by 4.4%, which could partially be compensated by the higher sales volumes. Margin dilution caused by passing on material price inflation, as well as less direct engineering revenues in Automotive, affected added value as a percentage of revenue. The added value margin ended at 46.4% compared to 49.0% in the first quarter of 2022. Depreciation charges increased by EUR 0.4 million to EUR 5.8 million in the first quarter of 2023, leading to a normalized EBITA of EUR 9.9 million compared to EUR 11.4 million in the same period last year.

The effective tax rate on normalized income in Q1 2023 was 26.6% (Q1 2022: 27.3%). Normalized net finance costs were EUR 2.2 million, compared to EUR 1.0 million a year earlier. Negative realized and unrealized currency results affected the net finance costs with EUR 0.4 million and the remainder was caused by the increased Euribor, and the higher average debt level compared to Q1 2022. Normalized net profit before amortization charges arising from acquisitions amounted to EUR 5.6 million (Q1 2022: EUR 7.6 million).

EUR 0.2 million (EUR 0.1 million net of tax) costs were normalized in Q1 2023 relating to a small additional provision for the Automotive restructure and interest costs relating to a tax agreement. Normalized net costs in Q1 of last year amounted to EUR 2.1 million. Reported net profit for the year amounted to EUR 4.9 million, down slightly from EUR 5.1 million a year earlier.

Financial Position

Total net debt including IFRS 16 lease liabilities amounted to EUR 147.7 million, up from EUR 137.0 million at the end of last year. The debt increase was mainly driven by typical seasonal effects and higher activity level compared to Q4 2022. The leverage ratio based on total net debt divided by 12 months rolling EBITDA was 2.6 (Q1 2022: 2.4), well below the financial covenant of 3.25.

Capital investments increased significantly to EUR 10.4 million, compared to EUR 7.4 million in the first quarter of 2022 and ahead of the depreciation level of EUR 5.8 million. EUR 4.3 million related to the finalization of the construction of the new production facility in Suzhou, China.

In the first quarter of the year, Kendrion and the lenders ING Bank and HSBC have agreed to use the extension option in the credit facility, which effectively extends the maturity date of the EUR 102.5 million facility by one year until April 2026. Other terms remained unchanged.

Number of employees

At the end of the first three months of this year, the total number of full-time employees (FTE) was 2.713, compared to 2.753 at year end 2022 and 2.716 at the end of Q1 2022. Direct labor increased with 14 FTE, while indirect labor decreased with 17 FTE. The lower indirect FTE is fully attributable to 53 FTE fewer indirect FTE in Automotive, partially offset by FTE increases in Industrial.

Outlook

We expect the economic climate to be unpredictable for the foreseeable future. In China, following the temporary slowdown of the economy as COVID measures were relaxed, we are now returning to normal activity levels. Moreover, the ramp-up of new production lines in our new factory in Suzhou will further support our growth in China. Bringing our new factory up to speed will therefore be one of the key priorities for this year.

We remain positive that our strong position in the growth markets of Industrial Brakes, and selected segments of Industrial Actuators and Controls, Automotive and China will help deliver our medium-term financial targets of on average 5% organic growth per year between 2019 and 2025, an EBITDA of at least 15% in 2025 and an ROI of at least 25% in 2025.

Analysts' call

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the Q1 2023 results today, 9 May 2023, at 11:00 a.m. CET via an analysts' conference call.

About Kendrion N.V.

Kendrion designs, manufactures and delivers intelligent actuators that help advance the global push towards electrification and sustainable energy. Today, these compact and connected actuators can be found in wind power, robots, factory automation, electric vehicles, energy distribution and industrial heating processes, where they support our OEM customers around the world to transition to safer and cleaner forms of energy.

As a technology pioneer and innovator, building on a foundation of over 100 years of experience, we are driven by a desire to explore creative solutions for the engineering challenges of tomorrow. We take broad responsibility for how we source, manufacture, and conduct business. Sustainable business practices are integrated in our processes and embedded in our culture. Rooted in Germany, headquartered in the Netherlands, and listed on the Amsterdam stock exchange, our footprint extends across Europe to the Americas and Asia.

Amsterdam, 9 May 2023

The Executive Board

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This press release contains information within the meaning of article 7(1) of the EU Market Abuse Regulation

Annexes

1. **Consolidated statement of comprehensive income**
2. **Consolidated statement of financial position**
3. **Financial calendar 2023 and 2024**

Annex 1 – Consolidated statement of comprehensive income *

(EUR million)	**Q1 2023**	**Q1 2022**	**full year 2022**
Revenue	136.8	129.9	519.3
Other income	0.0	0.5	0.5
Total revenue and other income	**136.8**	**130.4**	**519.8**
Changes in inventories of finished goods and work in progress	(3.6)	(0.8)	1.8
Raw materials and subcontracted work	75.3	66.6	268.7
Staff costs	39.0	39.6	153.6
Depreciation and amortization	6.6	6.6	28.0
Impairments of fixed assets	0.0	0.1	58.7
Other operating expenses	10.5	10.2	43.6
Result before net finance costs	**9.0**	**8.1**	**(34.6)**
Finance income	0.0	0.0	0.0
Finance expense	(2.3)	(1.0)	(5.1)
Profit before income tax	**6.7**	**7.1**	**(39.7)**
Income tax expense	(1.8)	(2.0)	(6.6)
Profit for the period	**4.9**	**5.1**	**(46.3)**
Basic earnings per share (EUR), based on weighted average	0.33	0.35	(3.09)
Basic earnings per share (EUR), based on weighted average (diluted)	0.32	0.35	(3.05)

** Not adjusted for non-recurring items*

Annex 2 – Consolidated statement of financial position

(EUR million)	31 March 2023	31 March 2022	31 Dec. 2022
Assets			
Non-current assets			
Property, plant and equipment	135.6	123.8	131.6
Intangible assets	125.6	183.4	126.5
Other investments, including derivatives	0.4	0.4	0.4
Deferred tax assets	19.9	18.7	19.7
Contract costs	0.3	0.4	0.3
Total non-current assets	**281.8**	**326.7**	**278.5**
Current assets			
Inventories	92.1	87.7	85.1
Current tax assets	2.8	2.8	2.8
Trade and other receivables	80.1	77.3	70.5
Cash and cash equivalents	34.6	13.9	37.8
Assets classified as held for sale	1.9	-	1.9
Total current assets	**211.5**	**181.7**	**198.1**
Total assets	**493.3**	**508.4**	**476.6**
Equity and liabilities			
Equity			
Share capital	30.2	29.9	30.2
Share premium	38.4	45.8	38.4
Reserves	105.5	149.6	152.7
Retained earnings	4.9	5.1	(46.3)
Total equity	**179.0**	**230.4**	**175.0**
Liabilities			
Loans and borrowings	164.0	140.6	166.6
Employee benefits	10.4	13.8	10.7
Deferred tax liabilities	17.5	17.4	17.5
Provisions	0.7	0.9	0.7
Total non-current liabilities	**192.6**	**172.7**	**195.5**
Bank overdraft	9.0	4.0	3.1
Loans and borrowings	9.3	6.3	8.4
Provisions	0.9	2.9	1.3
Current tax liabilities	11.9	7.8	10.3
Contract liabilities	4.6	4.5	4.7
Trade and other payables	86.0	79.8	78.3
Total current liabilities	**121.7**	**105.3**	**106.1**
Total liabilities	**314.3**	**278.0**	**301.6**
Total equity and liabilities	**493.3**	**508.4**	**476.6**

Annex 3 – Financial calendar 2023 and 2024

2023

Publication Q2 and HY1 2023 results	Wednesday, 23 August 2023	07.30 a.m.
Analysts' meeting	Wednesday, 23 August 2023	11.00 a.m.
Publication Q3 2023 results	Tuesday, 7 November 2023	07.30 a.m.
Analysts' call	Tuesday, 7 November 2023	11.00 a.m.

2024

Publication Q4 and FY 2023 results	Wednesday, 28 February 2024	07.30 a.m.
Analysts' meeting	Wednesday, 28 February 2024	11.00 a.m.
Annual General Meeting	Monday, 15 April 2024	02.00 p.m.
Publication Q1 2024 results	Tuesday, 7 May 2024	07.30 a.m.
Analysts' meeting	Tuesday, 7 May 2024	11.00 a.m.
Publication Q2 and HY1 2024 results	Wednesday, 21 August 2024	07.30 a.m.
Analysts' meeting	Wednesday, 21 August 2024	11.00 a.m.
Publication Q3 2024 results	Tuesday, 12 November 2024	07.30 a.m.
Analysts' call	Tuesday, 12 November 2024	11.00 a.m.