



First half year and Q2 results 2019

Cathrin Nylander, Acting CEO
and CFO






11 July, 2019

Cathrin Nylander, Kitron's acting CEO comments

- Continued strong topline growth with revenue increasing 29,0% second quarter and 26.9% year to date
- US acquisition and Norway and Lithuania contributed to the strong revenue growth
- EBIT margin at 6.6% second quarter with continued margin improvements in Norway and Sweden
- Order backlog stabilized at a high level. Strong growth of 44% compared to last year with contributions from offshore/maritime and defence/aerospace sectors.
- Increase in working capital YoY related to higher (revenue) growth and the raw material constraint situation
- The raw material constraint has started to ease and improved working capital efficiency is expected going forward

Continued strong growth and profitability

- **Revenue**
 - Continued strong growth 29.0 % yoy
 - Organic growth 19%
 - Strong value growth within the industry, defence/aerospace and offshore/marine segment
- **Operating Margin/EBIT**
 - Operating margin at 6.6% (6.8%)
- **EPS**
 - EPS 0.20 (0.20) NOK
 - Agio effects on non-cash net income
- **Order Backlog**
 - Order backlog still at a high level

NOK Million		Q2 2019 vs Q2 2018
Revenue		29,0 %
860,2		
EBIT		25,3 %
56,4		
Order Backlog		44,0 %
1 453,3		
Operating cash flow		25,3 %
53,5		
Net working capital		54,7 %
932,8		

Continued strong growth and profitability

■ Revenue

- Continued strong growth 26.9 %
 - Organic growth 19%
- Strong value growth within the industry, defence/aerospace and offshore/marine segment

■ Operating Margin/EBIT






- Operating margin at 6.4% (6.4%)

■ Operating cash flow

- Improved as a result of the stabilized working capital

■ EPS

- EPS 0.41 (0.35) NOK
- Agio effects on non-cash net income

NOK Million		2019 vs 2018
Revenue 1 673,0		26,9 %
EBIT 107,7		28,5 %
Order Backlog 1 453,3		44,0 %
Operating cash flow 78,8		238,2 %
Net working capital 932,8		56,6 %

Major new orders:

Important agreements in the second quarter

Kitron signs contract with Efore Group

- In April, Efore Group selected Kitron as manufacturing partner for some of its EMS production
- Potential value of approximately NOK 25 million in the first year of full production
- Production will take place at Kitron's plants in Lithuania

Kongsberg award orders to Kitron

- In April, Kitron received orders with a value of more than NOK 50 million under a long-term manufacturing agreement with Kongsberg Defence & Aerospace announced 26 October 2018
- Deliveries planned from the second half of 2019 to 2020
- Production will take place at Kitron's plant in Norway

Major new orders:

Important agreements in the second quarter

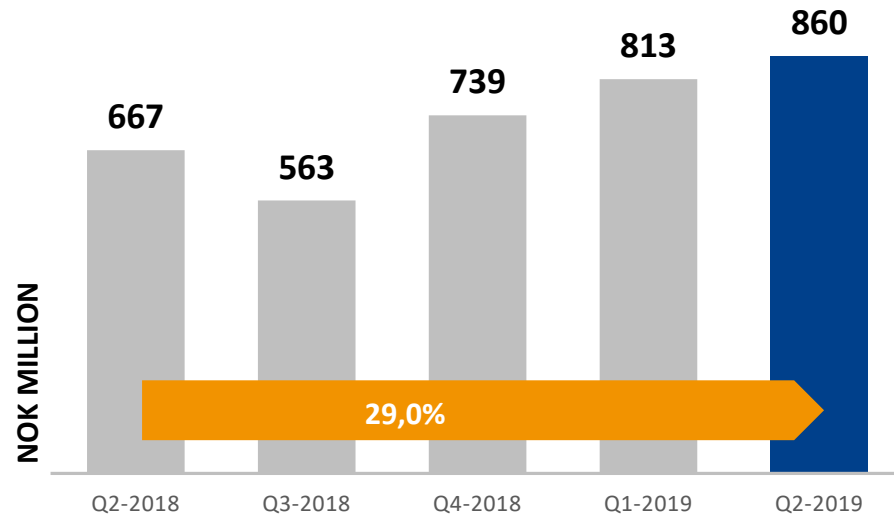
Harris Awards Block Buy Contract to Kitron for F-35 Work

- In May, Kitron received a contract from Harris for production of Integrated Backplane Assembly (IBA) for the F-35
- The contract covers an economic order quantity buy for production lots 12 through 14
- The potential value of the contract is 18 million USD
- The IBA is an advanced and complex high-level assemble, and deliveries start this year and continue through 2021



Financial statements **First quarter and Q1 2019**

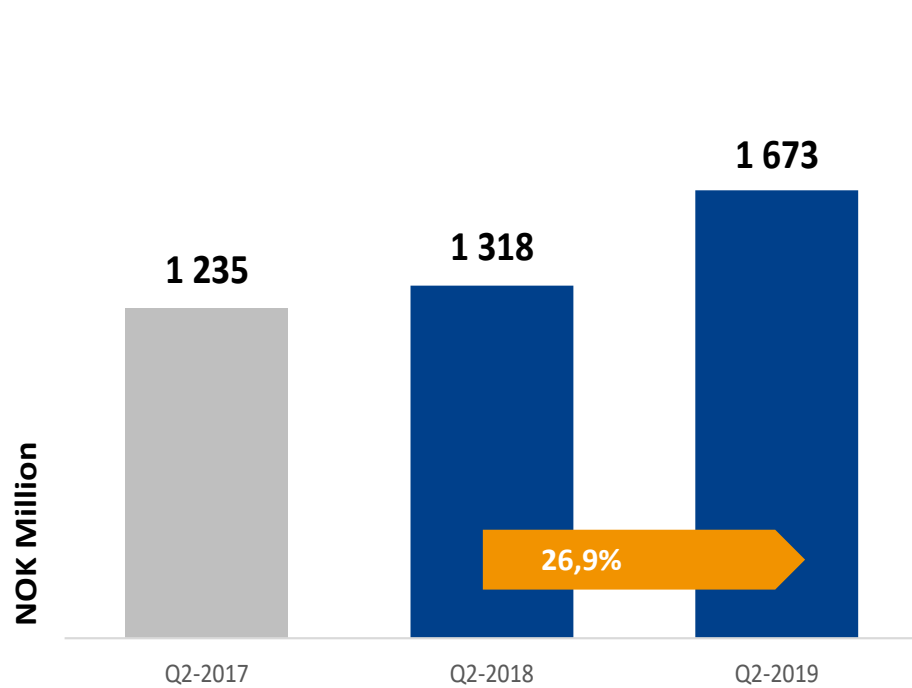
Strong revenue growth of 29%



	Q2 2019 vs Q2 2018	Share of total revenue
Industry	15,4 %	39,1 %
Defence/Aerospace	53,5 %	21,0 %
Medical devices	6,4 %	16,6 %
Energy/Telecoms	9,7 %	14,4 %
Offshore/Marine	634,6 %	8,9 %











Revenue **First half year:**

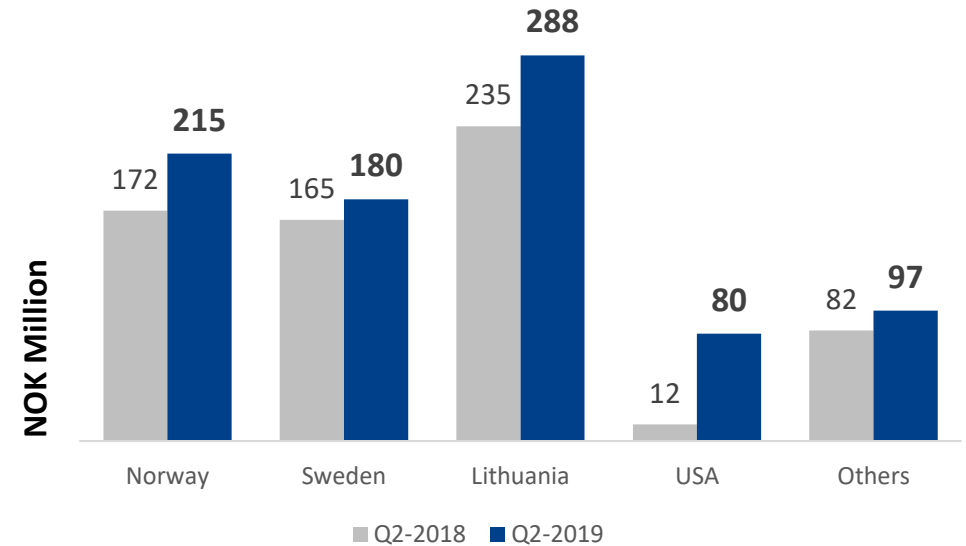
Strong revenue growth of 26,9%



	2019 vs 2018	Share of total revenue
Industry	14,4 %	40,7 %
Defence/Aerospace	30,3 %	19,3 %
Medical devices	12,9 %	16,5 %
Energy/Telecoms	29,6 %	16,4 %
Offshore/Marine	525,4 %	7,1 %











Continued (strong) growth from several regions

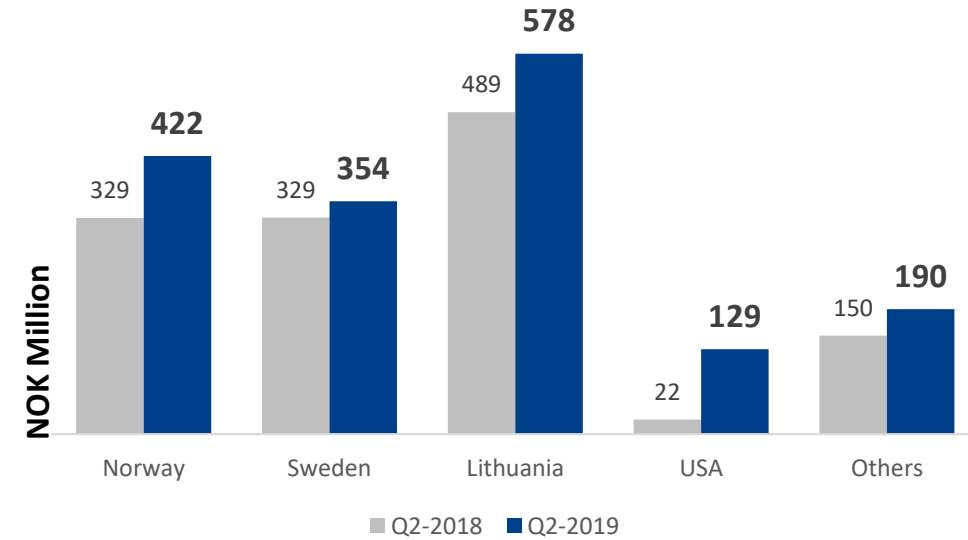
	Q2 2019 vs Q2 2018	Share of total revenue
Norway	24,8 % 	24,9 % 
Sweden	9,4 % 	21,0 % 
Lithuania	22,5 % 	33,5 % 
USA	542,4 % 	9,3 % 
Others	17,9 % 	11,3 % 



Before group entities and eliminations

Continued (strong) growth from several regions

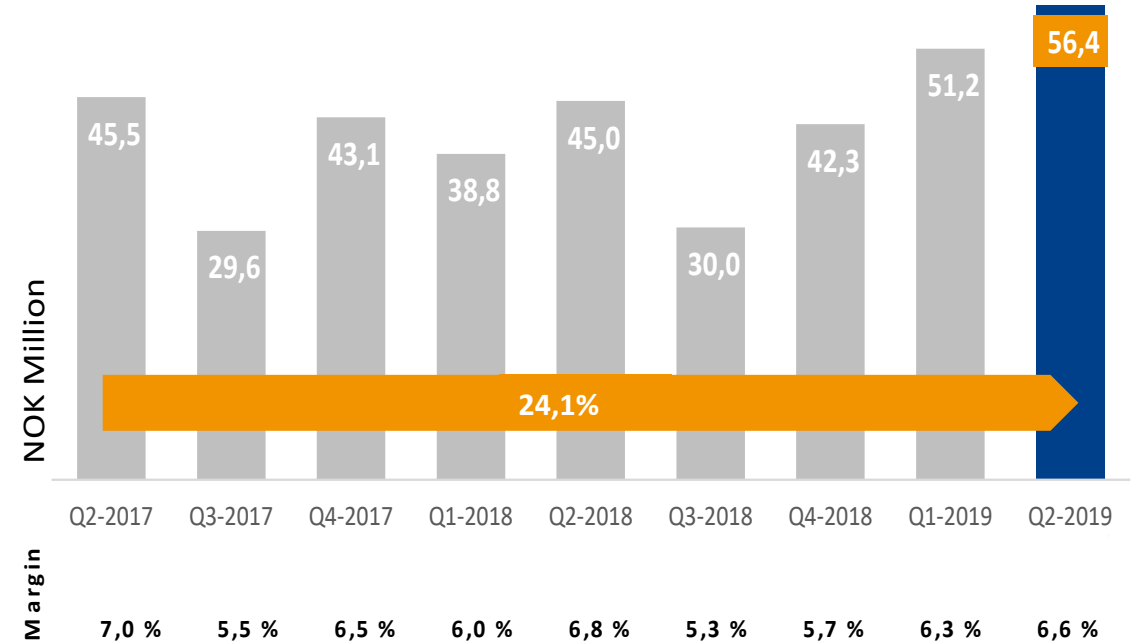
	2019 vs 2018	Share of total revenue
Norway	28,5 % 	25,2 % 
Sweden	7,6 % 	21,1 % 
Lithuania	18,2 % 	34,5 % 
USA	482,4 % 	7,7 % 
Others	27,1 % 	11,4 % 



Before group entities and eliminations

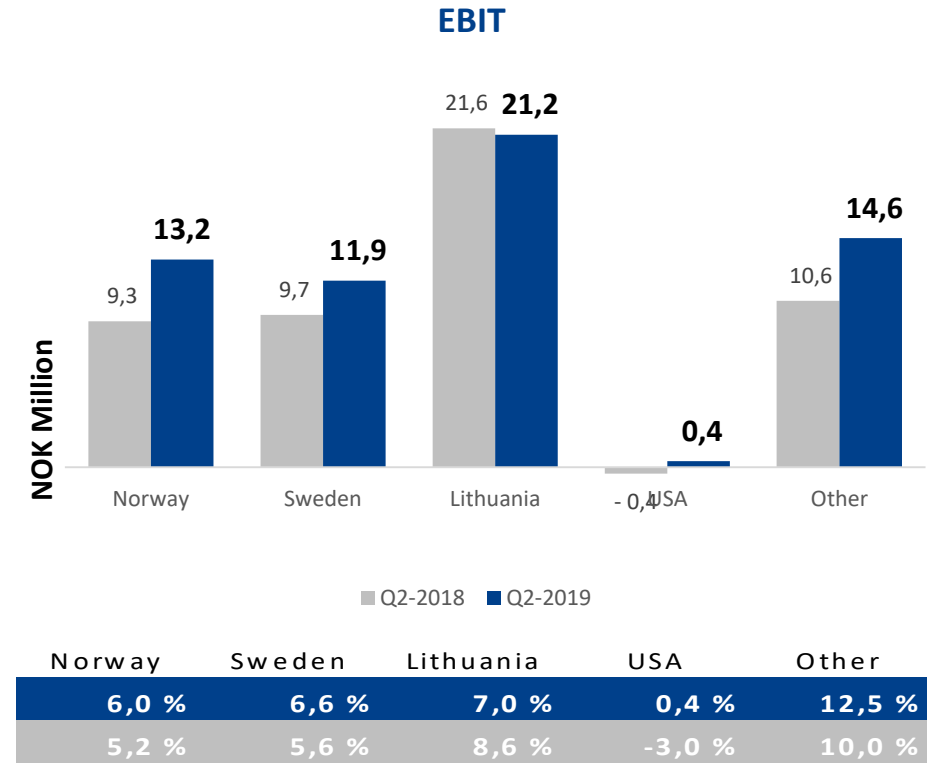
Another quarter with improved profits

- All time high
- Strong EBIT at 56,4 million, an increase of 25,0 per cent compared to last year
- EBIT margin was 6.6% (6.8%).



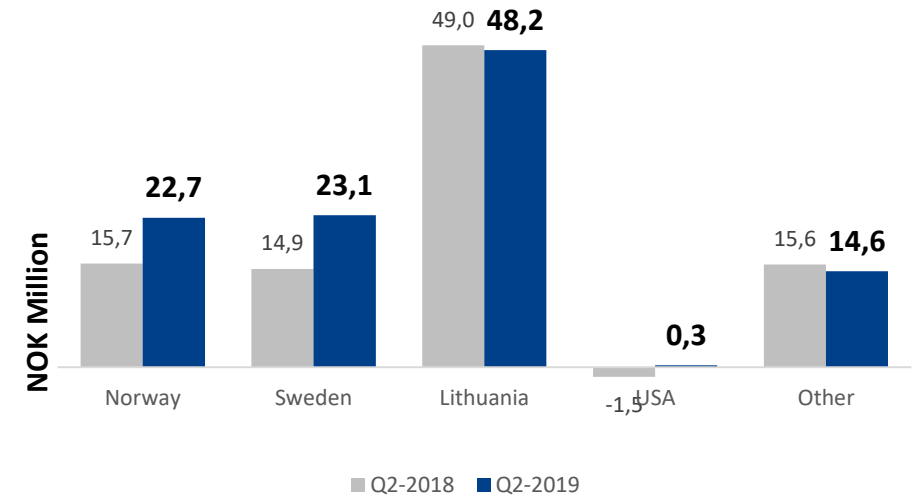
Strong margin improvement in Norway and Sweden

- Another quarter with profitability improvements in Norway and Sweden
- Norway for the first time reaching a month at/with the targeted 7% margin this quarter
- Lithuania ramp-up affects margins
- China shows strong profitability
- US margins turn positive this quarter
 - Kitron Technologies profit at expected margins



Strong margin improvement in Norway and Sweden

- Profitability improvements in Norway and Sweden
 - Value and margin
- Lithuania ramp-up affects margins
- China show strong profitability
- US margins turn positive
 - Kitron Technologies profit at expected target



Norway	Sweden	Lithuania	USA	Other
5,3 %	6,5 %	8,0 %	0,2 %	11,2 %
4,7 %	4,5 %	9,5 %	-6,7 %	3,7 %

Working capital

■ Cash flow

- Cash flow from operations 53,5 (42,7)
- Working capital stabilized

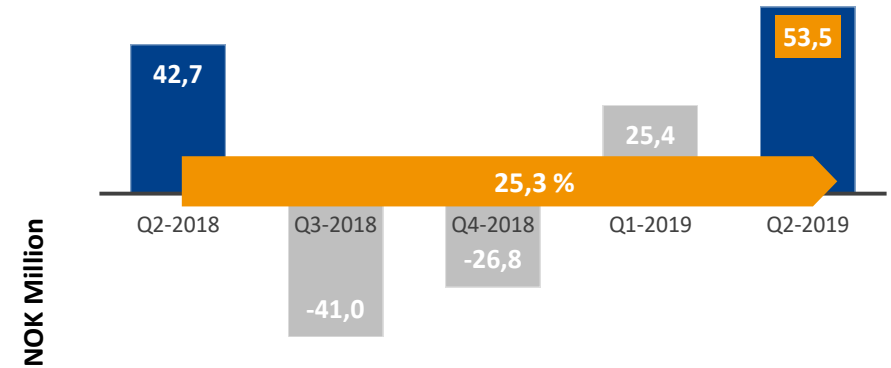
■ Financial gearing

- NIBD / EBITDA 2.9 (1.3)
 - exclusive IFRS16 NIBD/EBITDA 2.6

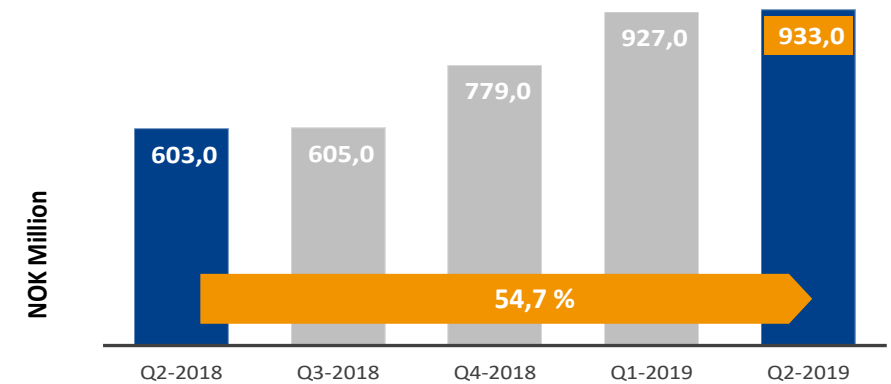
■ Working capital

- NOWC* 27.4% (21.6%)
- Cash conversion cycle* 101 (75)
- ROOC* 16.7% (21.3%)
 - exclusive IFRS16 ROOC% 17.7%

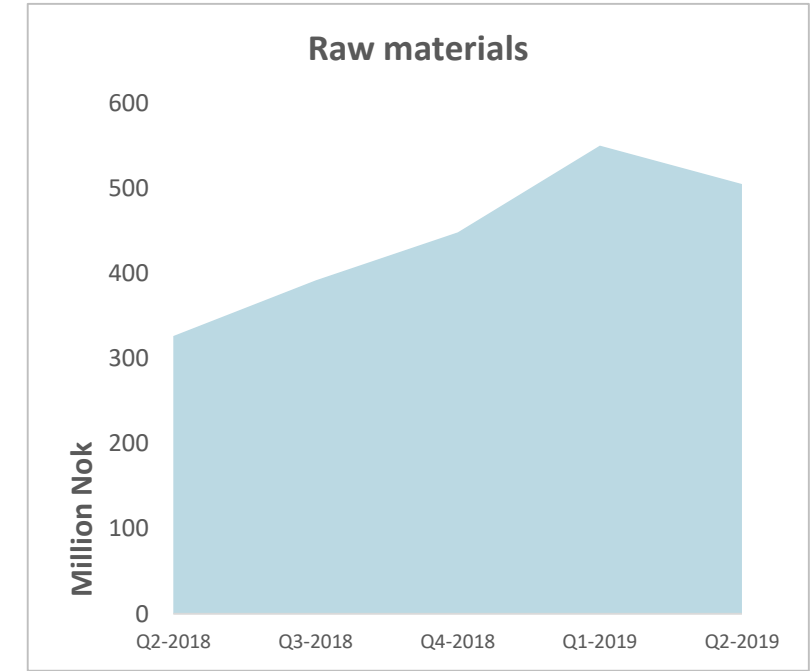
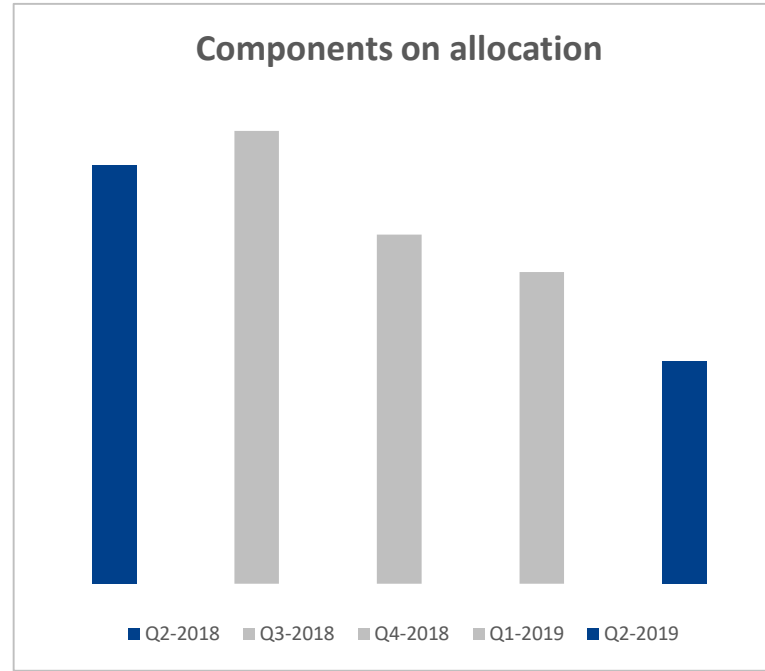
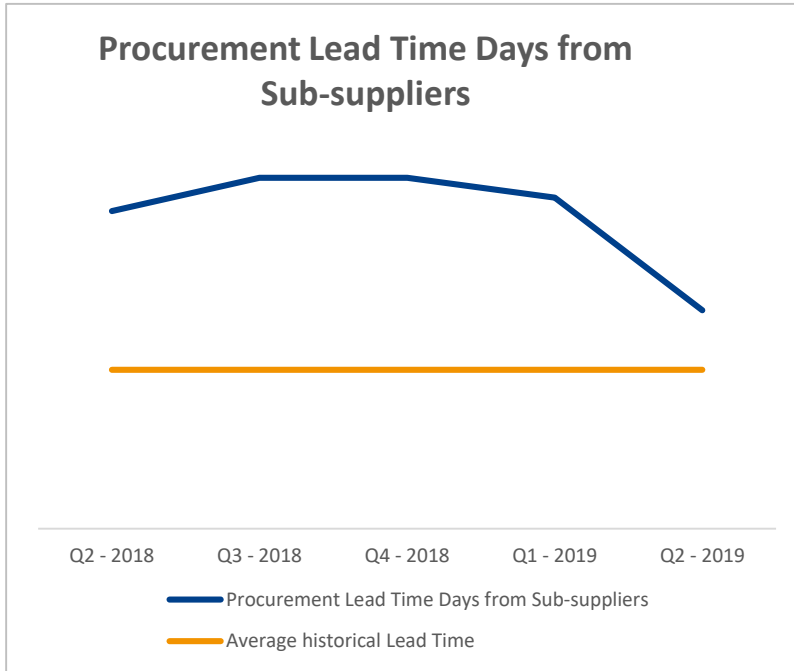
Operating cash flow



Net working capital



Working capital – improvements expected



- Supplier shortage/constraints has started to ease and lead times have come down
- Allocation of components are reduced by half compared to peak in Q3-2018
- Raw materials in inventory have peaked in value, further reductions are expected



Market development

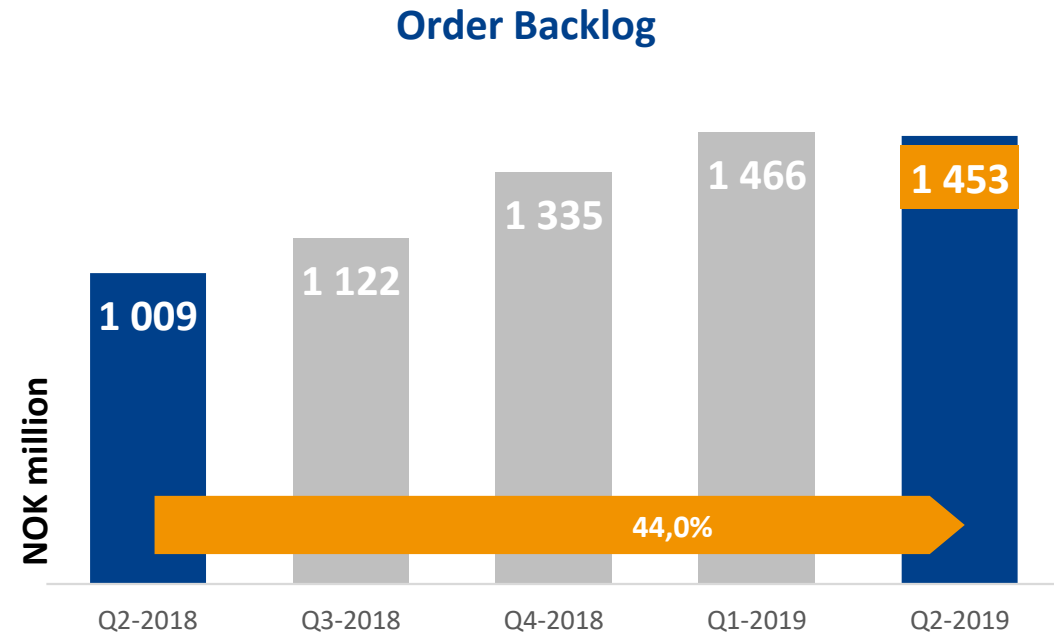
Market development: Backlog stabilizing at a high level

Order backlog still strong with a growing Industry sector and strong growth for the Defence/Aerospace and Offshore/Marine segment as expected

Seasonal effects to Industry backlog

Comparable:

- MNOK 1 453 (1 009) +44,0%
 - Defence: 674,6 +87,8%
 - Medical: 174,4 +24,1%
 - Industry: 361,1 +10,2%
 - Energy/Telecom: 132,4 -14,3%
 - Offshore: 110,7 +313,7%
- Organic growth 28%





Outlook

Outlook

- For 2019, Kitron expects revenue to grow between NOK 3 200 and NOK 3 400 million.
- Earnings in value are above previous outlook, however EBIT margin is expected to be between 5.9 and 6.3 per cent. Stronger growth than expected due to ramp-up of customers temporarily drive inefficiency in existing facilities. Start-up of Polish facility also expected to affect margins. We expect the margin challenges to be resolved as we move into 2020.
- Growth is primarily driven by the acquisition of the EMS division of API Technologies Corp. and growth for customers in the Defence/Aerospace, Industry and Offshore/ Marine sectors.



Thank you!