



Q4 AND FULL-YEAR RESULTS 2019

18 FEBRUARY 2020

AGENDA

1. Business review
2. Strategic and operational update
3. Outlook
4. Q&A

Cautionary Note Regarding Forward Looking Statements

Certain statements contained in this presentation constitute forward-looking statements. These statements may include, without limitation, statements concerning future results of operations, the Company's share of new and existing markets, general industry and macro-economic trends and the Company's performance relative thereto and statements preceded by, followed by or including the words "believes", "expects", "anticipates", "will", "may", "could", "should", "intends", "estimate", "plan", "goal", "target", "aim" or similar expressions. These forward-looking statements rely on a number of assumptions concerning future events and are subject to uncertainties and other factors, many of which are outside the Company's control that could cause actual results to differ materially from such statements.

A photograph of a woman with long blonde hair and a young girl with brown hair, both smiling and looking out a window. They appear to be on a train or bus, with red handrails visible. The scene is brightly lit by sunlight coming through the window.

1. Business review

Q4 AND FULL-YEAR RESULTS 2019

Key figures

Normalised (in EUR million)	Q4 2019	Q4 2018	delta
Revenue	92.3	101.9	-9%
EBITDA	7.2	9.9	-28%
EBITA	1.2	4.2	-72%
Net profit	(0.3)	2.2	-113%
EBITDA as a % of revenue	7.8%	9.8%	
EBITA as a % of revenue	1.3%	4.2%	
Return on invested capital (12 months rolling)			
Normalised items (after tax)	2.7	4.0	

Normalised (in EUR million)	FY 2019	FY 2018	delta
Revenue	412.4	448.6	-8%
EBITDA	43.4	58.5	-26%
EBITA	19.4	35.4	-45%
Net profit	10.6	22.6	-53%
EBITDA as a % of revenue	10.5%	13.0%	
EBITA as a % of revenue	4.7%	7.9%	
Return on invested capital (12 months rolling)	7.1%	12.4%	
Normalised items (after tax)	2.7	8.8	

- Revenue down 10% at constant exchange rates
- Profitability affected by lower revenues and inventory reduction
- Staff costs decreased by 7%, total costs decreased by 4%
- EUR 5.0 million cost-saving programme implemented in Q4
- EUR 3.4 million adjusted one-off operating costs in Q4, including EUR 1.2 million of INTORQ transaction costs and EUR 2.2 million restructuring costs

- 9% revenue decrease at constant exchange rates for the year
- EUR 6.1 million (5%) lower staff costs, more than offsetting wage inflation and EUR 0.7 million currency translation effects
- Stable added value margin at 47.3%
- 6% reduction in FTE as of 31 December 2019
- EUR 5.7 million adjusted one-off operating costs in FY 2019 (2018: EUR 8.8 million)

Q4 AND FULL-YEAR RESULTS 2019

Cash flow and financial position

Record free cash flow

- Record free cash flow of EUR 25.5 million in 2019 (2018: EUR 10.5 million)
- Normalised working capital as a percentage of revenue decreased by 0.9% to 10.6%
- Improved performance at all components of working capital in Automotive and Industrial
- Investments EUR 4.0 million below depreciation, due to strict capex control and high investment level previous years

Strong financial position

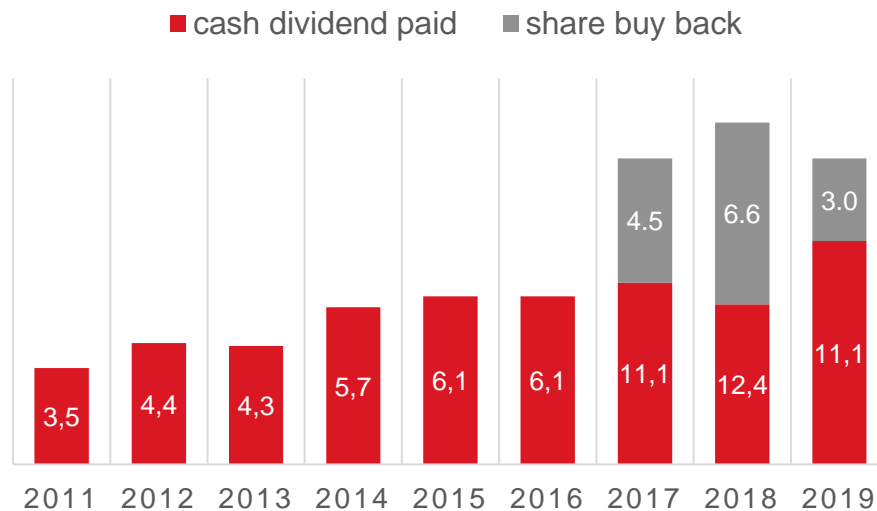
- Year-end solvency of 56.8% and leverage ratio of 0.8 (excluding IFRS 16)
- Net debt reduction of EUR 33.1 million to EUR 47.4 million, fueled by EUR 30.5 million net proceeds equity offering
- Pro forma net debt including INTORQ is EUR 127.4 million, pro forma availability under credit lines about EUR 65 million

Q4 AND FULL-YEAR RESULTS 2019

Dividend and cash return

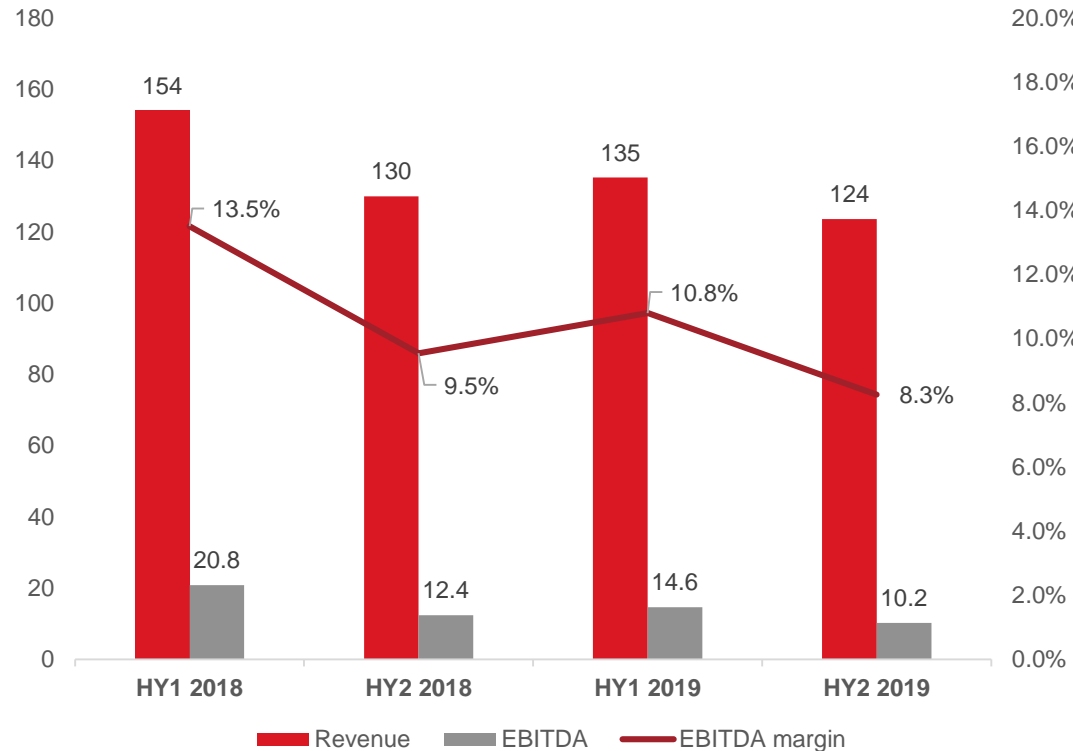
	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual
Dividend per share	0.78	0.78	0.87	0.87	0.25
Dividend yield*	3.2%	2.9%	2.2%	4.2%	1.2%
Pay-out %	61%	53%	50%	52%	35%
Total dividend (x million EUR)	10.2	10.3	11.7	11.7	3.7

- Kendrion strives to distribute annual dividend between 35% and 50% of net profit, giving consideration to maintaining a healthy financial position
- Dividend proposal 0.25 per share (35% pay-out of normalised net profit)



AUTOMOTIVE

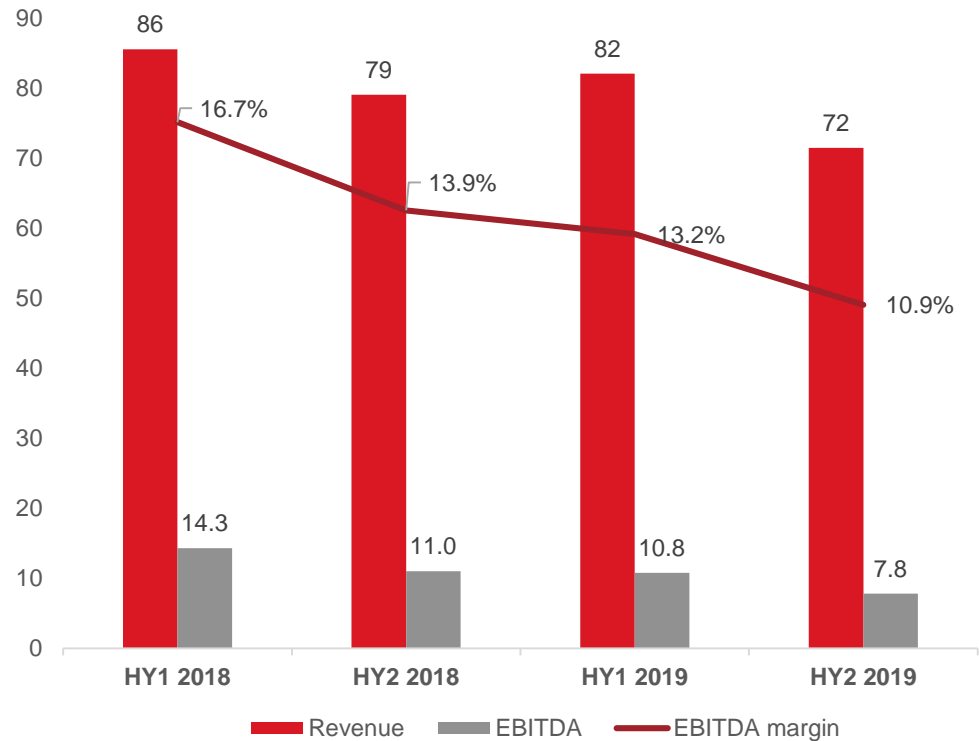
FY 2019



- Global car production down 6% in 2019
- Revenue decrease of 9% in 2019, 5% in HY2
- Decrease of staff costs EUR 5.6 million (8%), EUR 2.8 million in HY2
- EUR 3.0 million annual cost savings implemented in Q4
- 2019 investments 6% above depreciation mainly related to new projects

INDUSTRIAL

FY 2019



- German industrial production down 7% in 2019
- Revenue decrease of 7% in 2019, 10% in HY2
- Staff costs decrease of EUR 0.7 million, EUR 1.1 million in HY2
- EUR 2.0 million saving program implemented in Q4
- Investments substantially below depreciation, due to high investments in previous years



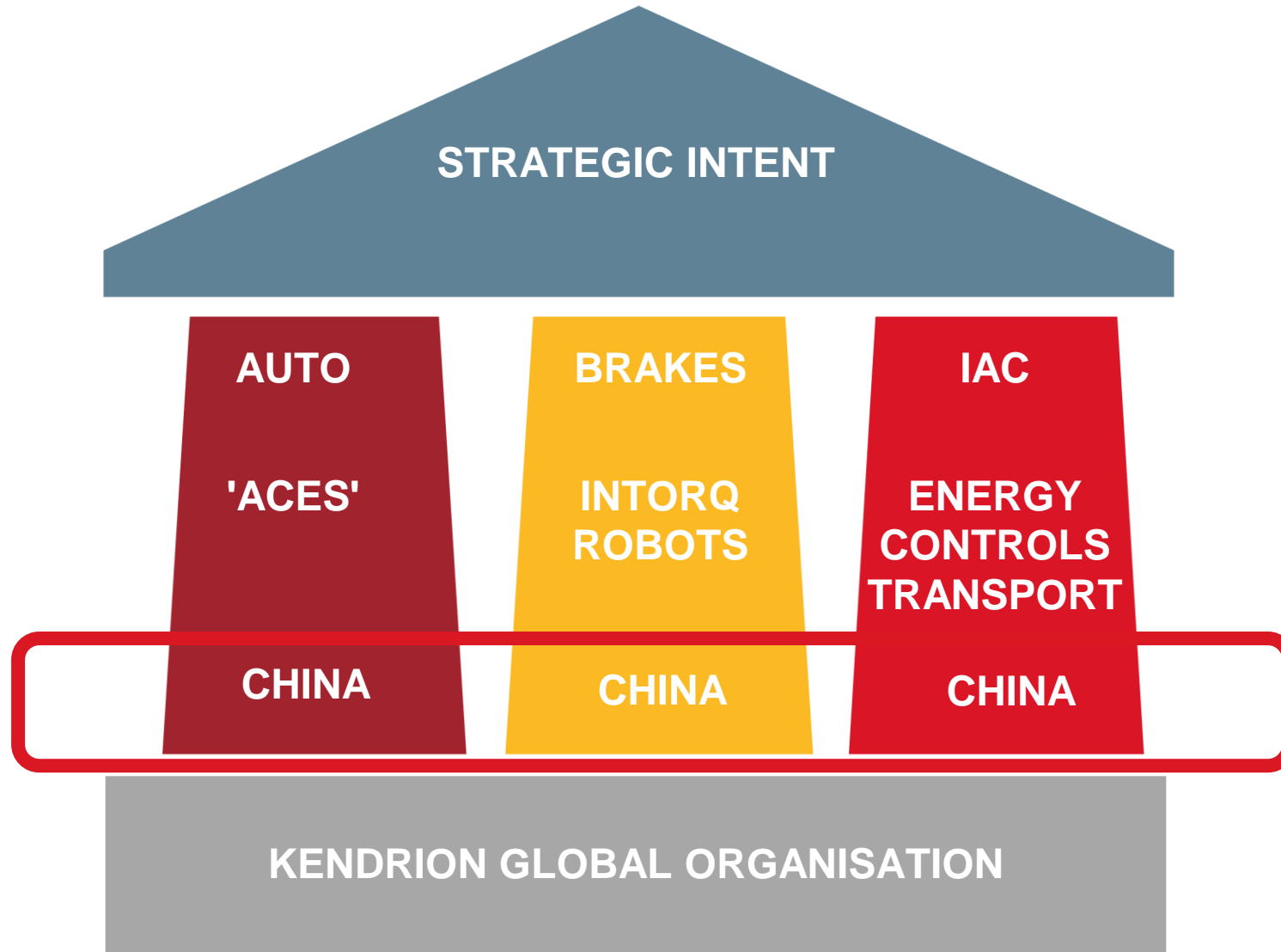
2. Strategic and operational update

Connect

56265145155
23231646548

85%
DATA

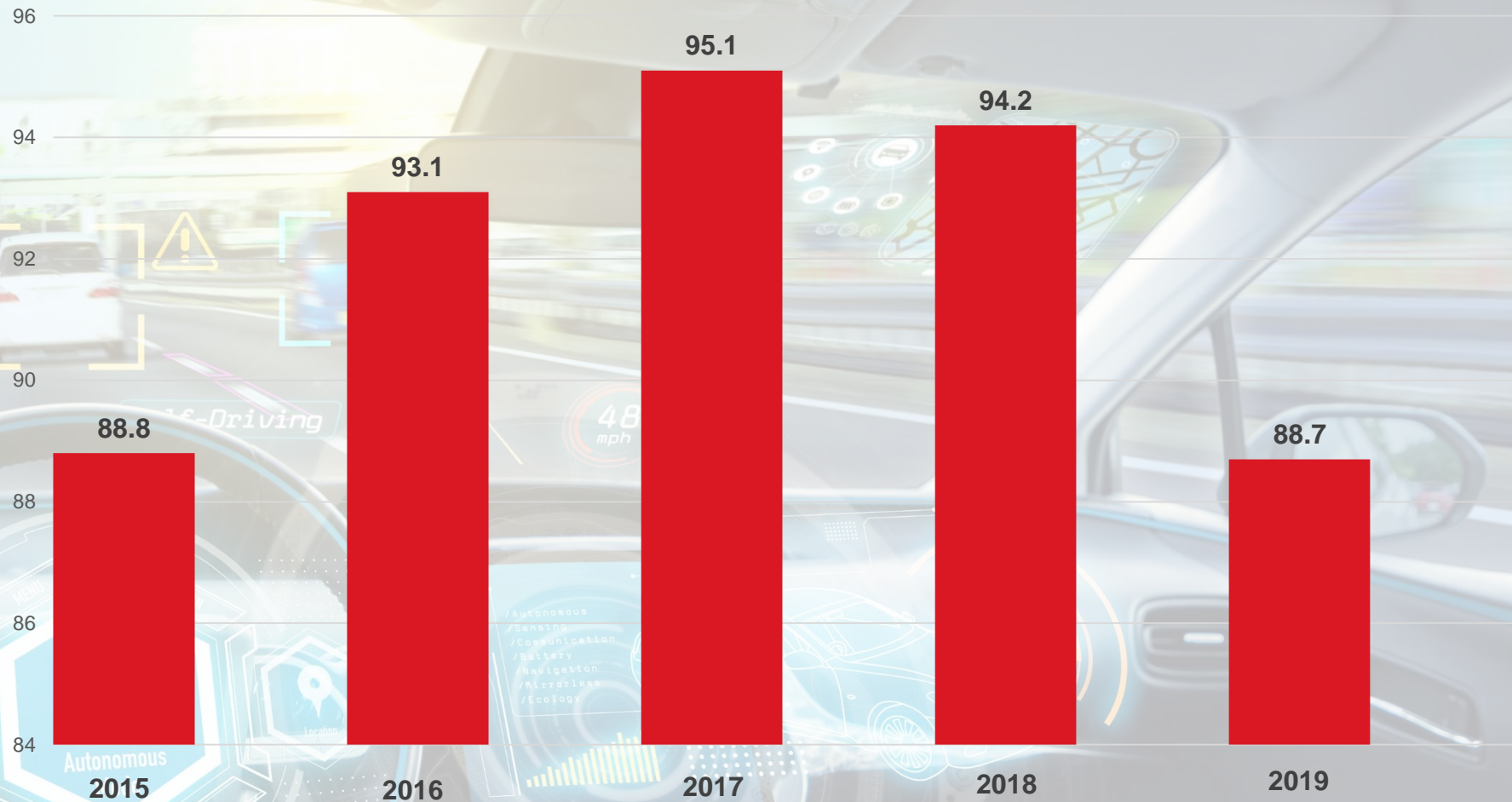
KENDRION STRATEGIC HOUSE



GLOBAL VEHICLE PRODUCTION Automotive



(in million)

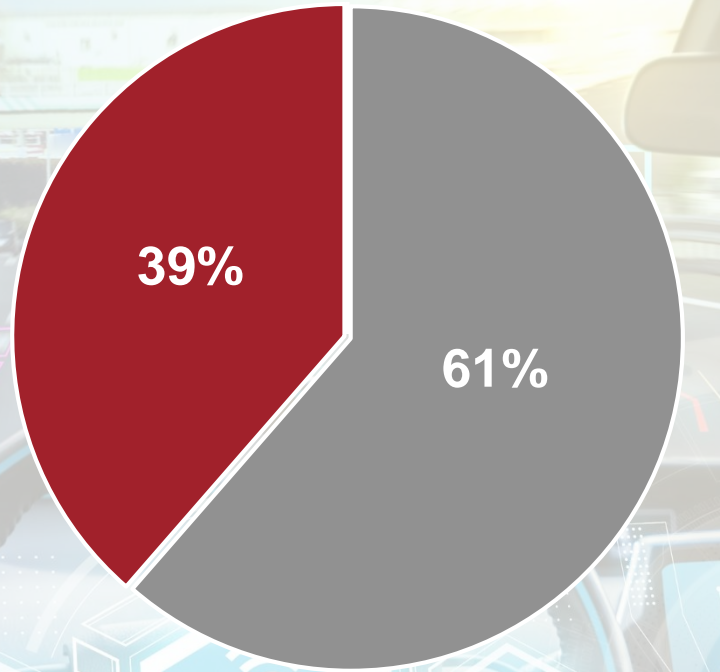




NOMINATIONS

Automotive

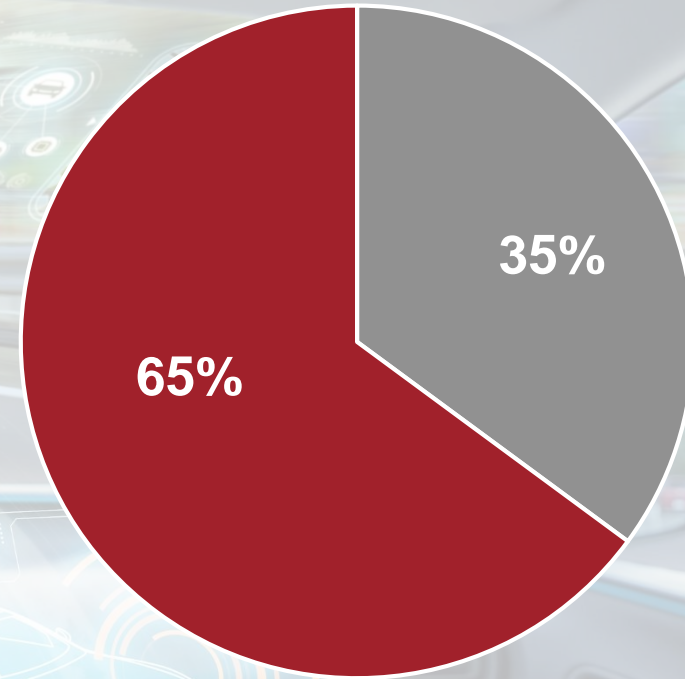
2018
100% = EUR 340 million



■ Independent ■ ICE technology

book-to-bill 1.20

2019
100% = EUR 320 million



■ Independent ■ ICE technology

book-to-bill 1.25



LIGHTHOUSE PLATFORMS

Automotive

Smart actuation

Combination of modular valve systems and electronic control units, aligned with future car computer architecture

- Development is proceeding as planned
- Nomination in OEM platform for battery cooling platform

AVAS sound system

Supporting the legal sound requirements for electrical cars

- Our AVAS platforms integrate the latest generation of microcontrollers based on a new Kendrion software architecture
- First customers are testing our new 'sound creator tool', which enables customisation of our standard hardware platform by custom sound patterns

Clutch for hybrid off-highway vehicles

Convergence of mechanical electromagnetic clutches and software controlled actuation

- Several OEMs and Tier 1's are testing under mass production conditions

Active damping actuation platform

Enabling customers to develop next generation of suspension systems

- On track delivering A and B samples several lead customers
- Continuous segment growth expected for the coming decade



INTORQ AT A GLANCE

Brakes

Key statistics

- 2018-2019 revenue: EUR 57 million (April year-end)
- Employees: ~300
- Units per year: ~1 million
- Global network: 63 sales partners in 49 countries

Presence

- Aerzen (HQ, Germany)
- Shanghai (China)
- Atlanta (USA)
- Pune (India)



Application areas

- Geared & servomotors
- Electric forklifts
- Wind power
- Cranes & hoists
- Elevators & escalators

Main products

Spring-applied brakes



Electromagnetic brakes and clutches



COMPELLING STRATEGIC RATIONALE

Brakes



Strong strategic fit

- Substantial strengthening of our position in industrial brakes
- Further expansion of our footprint in the Chinese growth market
- INTORQ's strength in spring-applied brake technology complementary to Kendrion's leading position in permanent magnet brake technology
- Geographical expansion: Europe, China, USA and India
- Shared market segments include electric motors, wind power and elevators
- Complimentary markets include geared motors, forklifts, cranes and hoists

Substantial synergy potential

- Optimised operational efficiencies with integration of selected manufacturing sites, expected to result in substantial cost synergies
- Improved market position and product range with potential for cross-sell due to complementary customer base and market segments

Value creation

- Value creative transaction with double digit EPS accretion expected from year 1*

* Excluding amortisation of purchase price allocation



INTEGRATION PROGRESS

Brakes

- BU Manager, Andreas Laschet, started as of 1 January 2020
- Deal completed on 8 January 2020

**Deal closed
on 8 January**

- Integration kick-off on 15 January 2020
 - Nine workstreams consisting of combined teams
 - Weekly reporting
 - Bi-weekly Steering Committee

Integration has started

- Joint MT to be announced shortly: effective as of 1 April 2020

**Combined BU
Industrial Brakes
(effective 1 April 2020)**

- Substantial run-rate cost synergy potential of more than EUR 2 million per year expected to be implemented during 2020

**> EUR 2 million annual
cost synergies**

COMMERCIAL TRACTION

Brakes



Servo slim line for collaborative robots

- Mass production started in 2019
- Several nominated customers in Japan, China, USA and Europe
- Excellent pipeline

Spring-applied products

- Several new products launched late 2019

Markets



Leading position across major markets segments; short-term pressure related to machine building slowdown



Excellent traction and growth opportunity in wind power



Significant traction in several segments: forklift trucks, lawn mowers, servomotors and wind power



- Focused on standard motor application with standard brakes BFK458 (modular system)
- New Pune factory to be opened on 11 March 2020

INDUSTRIAL ACTUATORS AND CONTROLS



ICS/IMS

- Combination of Industrial Control Systems and Industrial Magnetic Systems
- Effective as of 1 January 2020
- Focus on profitability in four distinct verticals

Key market segments



Machinery



Transportation



Energy distribution



Fluid control

COVID - 19

China



- At this moment no Kendrion employees diagnosed
- Both Kendrion factories are operational
 - Suzhou per 11 February 2020
 - Shanghai per 10 February 2020
- Kendrion traveling to and from China and Hong Kong stopped
- Impact on supply chain limited so far, but potentially severe
- Situation monitored on a daily basis

Sterilised cleaning**Separated lunch****Body temperature check**

COMMERCIAL TRACTION

China



Business review



Germany + China Strengths

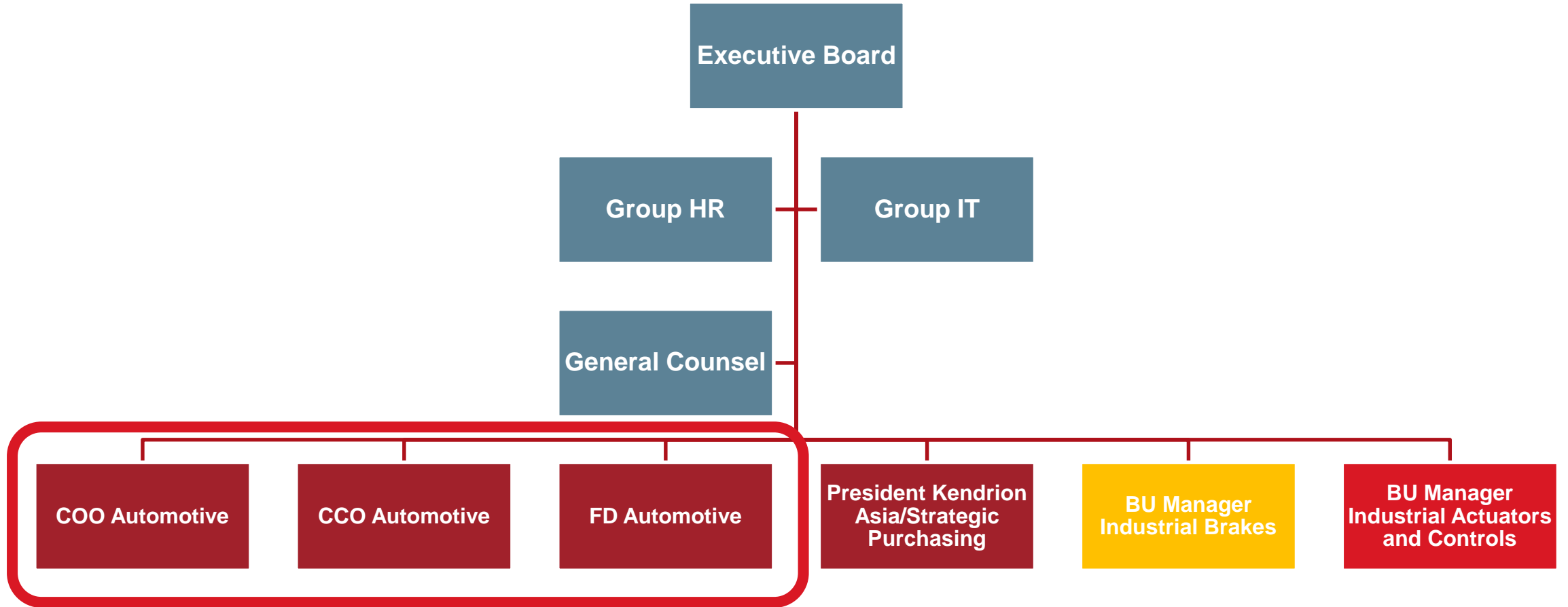


- Year-on-year growth of 29% despite difficult market
- Successful ramp of park lock production for local key automotive car player
- Lifetime nominations 2019 significantly higher than size of business
- Permanent magnet brake project awarded for innovative bus brake system, first industrial brake application for automotive
- Strong growth from in permanent magnet brakes from wind power application
- Nomination pipeline to support substantial growth over the coming years
- Significant investment in quantity and quality of local team, local supply chain and production and quality assurance



LEAN AND AGILE ORGANISATION

Kendrion Management Team as of 1 January 2020





PROGRESSING ON CSR

Target framework 2019-2023

- Completed the five-year CSR roadmap and started with implementation
- 2.5% absolute energy reduction in 2019
- 8.5% decrease in absolute CO₂ emission
- Established a health task force to further reduce illness rate from current level of 2.9%

Natural Capital

15%
Relative reduction
of energy
consumption



15%
Relative reduction
of CO₂ emission



Implementation of the waste management hierarchy
in global waste management practices

Social and Human Capital

Recurring annual improvement of health & safety figures
number of accidents per 1,000 FTE, lost time injury rate per 1,000 FTE, group-wide illness rate

The establishment of a Global Diversity Committee,
responsible for advancing diversity

The implementation of a global company culture campaign

Rewarding 10 community investment initiatives per year
through Together@Kendrion

Responsible Business Conduct

Maintain a responsible product portfolio
Products that Keep you Safe, Products that Reduce Climate Impact and Products that Improve Health

Sustainable sourcing
Sourcing only from approved suppliers and conducting at least 25 implementation audits annually

Continuous improvement and strengthening of the Global Legal Compliance and Governance Framework
to secure responsible business conduct

A man wearing a black cap and sunglasses is looking out of the window of a red truck. The scene is set against a bright sunset sky with a lens flare effect. The truck's side mirror is visible in the foreground.

3. Outlook

OUTLOOK

- The overall sentiment regarding the global economic outlook remains uncertain for 2020
- Looking ahead we do see our markets stabilising albeit still at a lower level than in early 2019
- The effects of the COVID-19 corona virus on our business are limited to date. However, its impact on the global economy is uncertain and has the potential to be severe
- The long-term outlook is unchanged and remains good for both the Automotive Group and the Industrial activities

LONG-TERM TARGETS 2023

- ROI* 2023: > 20.0%
- EBITDA 2023: > 15%
- Dividend policy: 35 – 50% of net profit
- Strategic and financial update of the enlarged Kendrion, including INTORQ, on 18 August 2020
- Includes updated medium-term financial targets, fully reflecting the INTORQ acquisition



4. Questions & Answers

KENDRION



PRECISION. SAFETY. MOTION.