



Q2 AND HY1 2020 RESULTS

Amsterdam, 18 August 2020

AGENDA

- COVID-19
- Business review
- Operational update
- Outlook
- 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.



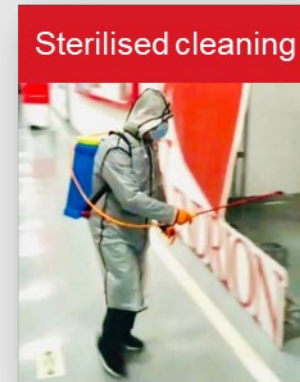
COVID-19

COVID-19 PRIORITIES

- Keep our employees and their families healthy and safe
- Safeguard the Group's continuity so that when the situation stabilises, our prospects are better than ever

COVID-19 MEASURES

- Working from home for employees for whom this is possible
- Strict separation between production shifts
- Professional cleaning and disinfecting of relevant surfaces between shifts
- Maximising social distance between colleagues
- Canteens closed
- Temperature screening
- Mandatory use of face masks
- Return to the office after the holidays only possible with a 'negative' COVID-19 test or after having worked from home for a 14-day period
- Global, weekly COVID-19 call, and other frequent communication



KENDRION EMPLOYEES COVID-19 CASES

18 August 2020

- Fatalities: 0
- Current hospitalisations: 1
- Current active cases: 2
- Recovered cases: 7
- Number of secondary infections: 0

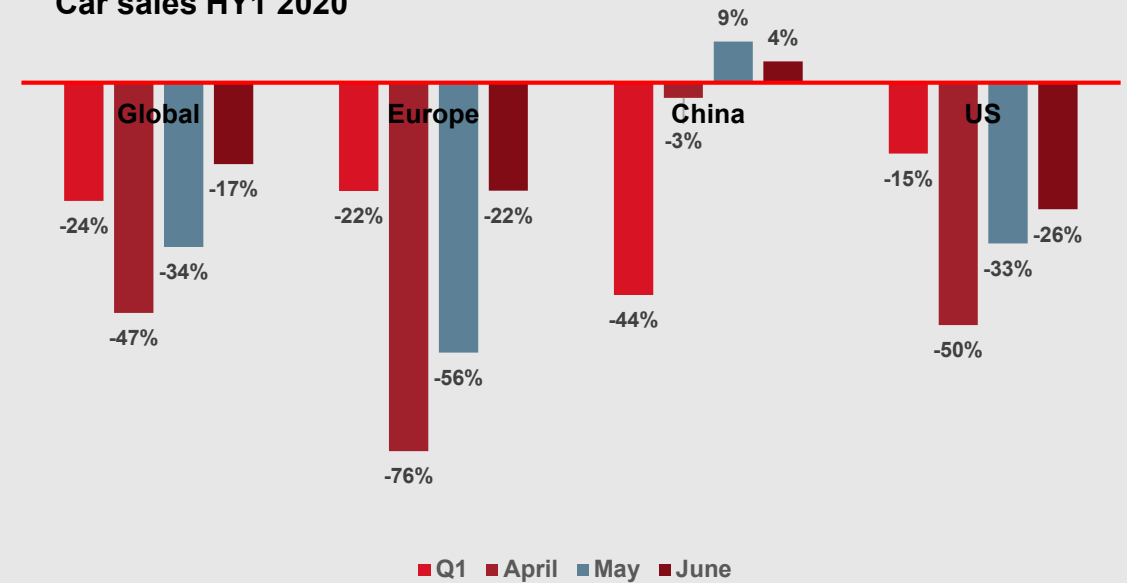
GLOBAL PASSENGER CAR PRODUCTION AND SALES

Automotive

Car production HY1 2020

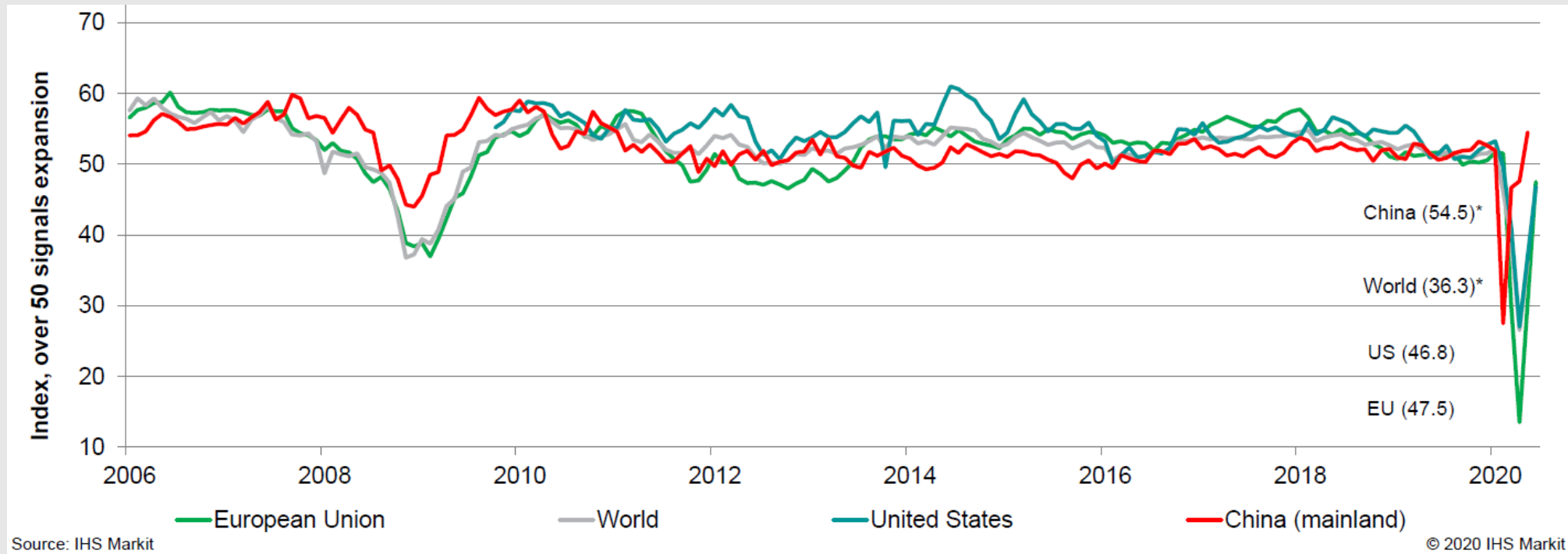
	HY1 2020	HY1 2019	% change YOY
Global	31.0	45.1	-31.3%
Europe	6.8	11.3	-39.8%
China	9.3	11.5	-19.1%
North America	5.1	8.5	-40.0%
Japan / Korea	5.1	6.7	-23.9%
Rest of the world	4.7	7.1	-33.8%

Car sales HY1 2020



Source: IHS Markit

GLOBAL PURCHASING MANAGER INDEX





Business review

GROUP FINANCIAL OVERVIEW

Q2 and HY1 2020

Normalised (in EUR million)	Q2 2020	Q2 2019	delta
Revenue	85.1	109.0	-22%
EBITDA	8.1	12.7	-36%
EBITA	1.7	6.7	-75%
Net profit before amortisation	1.1	4.4	-75%
EBITDA as a % of revenue	9.5%	11.7%	
EBITA as a % of revenue	2.0%	6.1%	

Normalised in Q2 2020: EUR 0.5 million (EUR 0.4 million after tax) restructuring costs

Normalised in Q2 2019: EUR 1.6 million (EUR 1.2 million after tax) claim settlement, EUR 2.0 million positive release currency translation reserve, EUR 0.3 million income tax expense related to tax audit

Normalised (in EUR million)	HY1 2020	HY1 2019	delta
Revenue	194.7	217.3	-10%
EBITDA	21.8	25.4	-14%
EBITA	9.0	13.4	-33%
Net profit before amortisation	5.8	9.1	-36%
EBITDA as a % of revenue	11.2%	11.7%	
EBITA as a % of revenue	4.6%	6.2%	

Normalised in HY1 2020: EUR 1.1 million (EUR 0.8 million after tax) restructuring costs, EUR 0.5 million (EUR 0.4 million after tax) acquisition costs

Normalised in HY1 2019: EUR 1.6 million (EUR 1.2 million after tax) claim settlement, EUR 2.0 million positive release currency translation reserve and EUR 0.3 million income tax expense related to tax audit.

-
- Organic revenue decrease of 34% due to COVID-19
 - Significant 310bp increase in added value margin due to increased industrial revenue share
 - Total cost reduction of EUR 8.9 million (23%) on an organic basis
 - EUR 0.5 million adjusted one-off operating costs in Q2 for restructuring and realisation of synergies in Industrial Brakes

-
- Organic revenue decrease of 23%
 - Increased added value margin with 180bp
 - Total cost reduction of EUR 12 million on an organic basis
 - 2,428 FTE as per the end of HY1 2020, including 274 FTE in INTORQ (HY1 2019: 2,473)
 - EUR 1.6 million adjusted one off operating costs in HY1 2020 (HY1 2019: EUR 1.6 million)

GROUP FINANCIAL OVERVIEW

Cash flow and financial position

Free cash flow

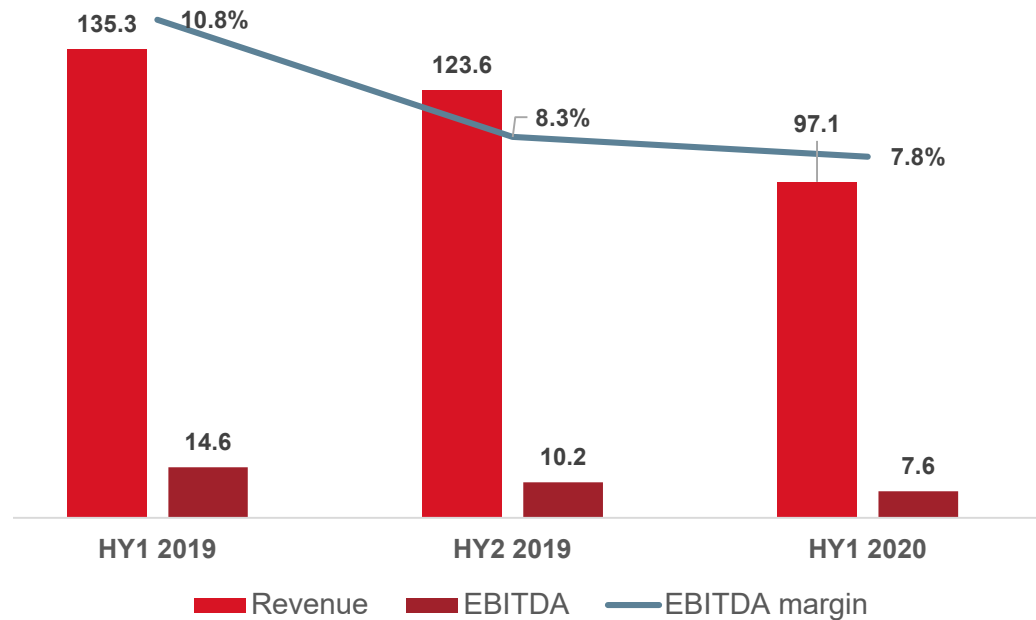
- Normalised free cash flow of -/- EUR 0.2 million in first half year (HY1 2019 -/- EUR 2.7 million)
- Strong cash conversion in Q2 2020 with EUR 4.7 million normalised free cash flow
- Total capital investments of EUR 9.8 million, 23% below depreciation (HY1 2019: EUR 10.2 million)
- Working capital EUR 61 million, reduction 24% on an organic basis compared to HY1 2019

Financial position

- Solvency of 43.3% at the end of HY1 (HY1 2019: 46.9%)
- Leverage ratio of 2.6 against financial covenant of 3.5
- Net debt reduced to EUR 130.5 million at the end of HY1, from EUR 131.8 at the end of Q1
- Total availability in cash and available credit lines of EUR 54.4 million as per 30 June 2020
- Agreement on key terms with lenders substantially increases buffer within financial covenant until Q3 2021

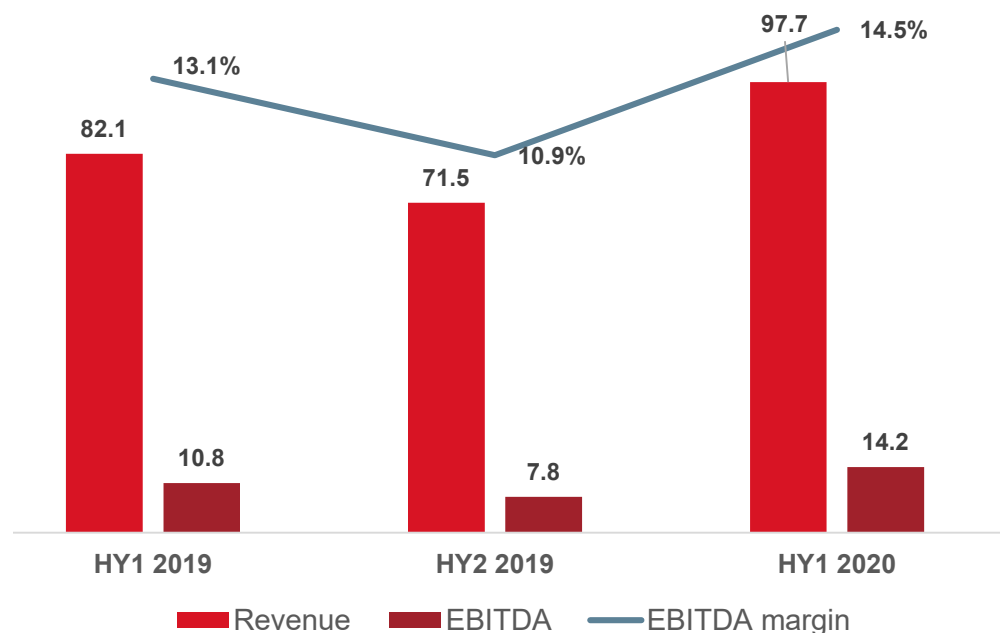
AUTOMOTIVE

HY1 2020



- Global car production down 31% in the first half year due to COVID-19
- Automotive revenue sharply lower in April and May with strong recovery in June, albeit still below pre-COVID-19 levels
- V-shaped recovery in China in Q2 with 29% year-on-year growth
- Demonstrated financial resilience as EUR 38.2 million lower revenue resulted in EUR 7.0 million EBITDA impact
- Total costs EUR 8.6 million lower than HY1 2019, of which around EUR 4 million contribution from government supported measures
- Capital investments slightly above depreciation, mainly related to new production lines and capitalised R&D

INDUSTRIAL HY1 2020

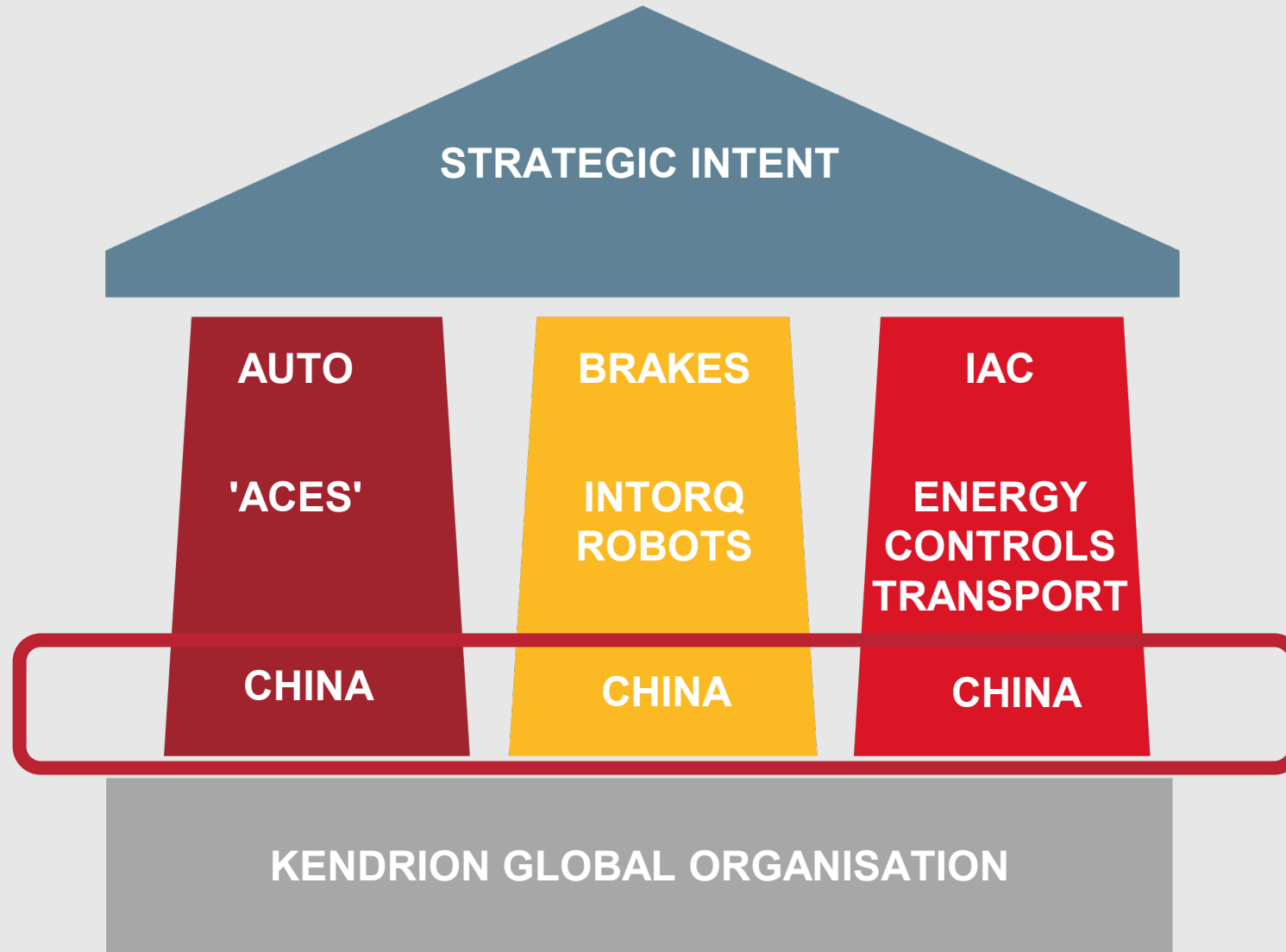


- Industrial revenue increased 19%
- Organically (excluding INTORQ) industrial revenue decreased 14%
- Limited impact COVID-19 on Industrial Brakes in HY1 and strong contribution from INTORQ, especially in China
- Industrial Actuators and Controls were more affected, with textile, machinery and aviation segments lower, and infrastructure and medical segments stable
- Increase in profitability to 14.5% EBITDA margin (HY1 2019: 13.1%)
- Cost reduction of EUR 3.4 million on compared to HY1 2019 on an organic basis, driven by lower staff costs
- Investments significant below depreciation and mainly related to production equipment, tooling and new building in India



Operational update

KENDRION STRATEGIC HOUSE





AUTOMOTIVE

- In Europe and in the US, passenger car purchases came to an almost complete standstill in April and May, significantly affecting Automotive revenue
- Effective, laser focused and relentless cost control
- Continuous investment in ‘smart’ products for automotive, with emphasis on Autonomous, Connected Electrified and Shared vehicles (ACES)
- New nominations for active suspension valve
- Significant interest in sensor cleaning and Kendrion’s Acoustic, Vehicle Alerting System (AVAS) products
- Capital investments prioritised for revenue generating projects
- New Global Head of Automotive R&D started per 1 July 2020



INDUSTRIAL BRAKES

- Q2 COVID-19 effect on Industrial Brakes limited: revenue ahead of original budget
- Tailwind from strong orders in the wind power segment in China, driven by Government subsidies for clean energy
- INTORQ integration mostly complete
- Realisation of the targeted EUR 2.0 million run rate for cost synergies as per the end of 2020 is on track



INDUSTRIAL ACTUATORS AND CONTROLS

- Q2 COVID-19 impact mixed: revenue decreased in textile machinery and aviation, medical segment and infrastructure being more stable
- Greater than normal backlog as a result of COVID-19 related supply chain interruptions
- The IMS and ICS integration progressing well

CHINA



- Strong second quarter on the back of a ‘V-shaped’ recovery
- Current volumes of passenger cars sold back at pre-pandemic levels
- China now well over 10% of Group revenue
- Strong pipeline in Automotive Group, Industrial Brakes and Industrial Actuators and Controls
- Continuous investment in production equipment, our local workforce and supply chain
- China based R&D team-training is fully virtual



PROGRESS ON SUSTAINABILITY

Natural capital – waste management

- 10% reduction of waste total compared to 2018
- Distribution hazardous and non-hazardous remains unchanged
 - 8% hazardous
 - 92% non-hazardous
- Hazardous waste and non-hazardous waste top-3 remains unchanged
 - Hazardous: cooling fluid, old oil, packaging of hazardous substances
 - Non-hazardous: iron and steel, commercial waste, cardboard
- Overall recycling rate increased from 80% to 82%

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



Outlook

OUTLOOK

- The global economy is severely impacted by the effects of the COVID-19 pandemic
- Kendrion expects this to continue for the remainder of 2020 and possibly into 2021
- Medium to long-term, we continue to see growth opportunities in our focus areas of Automotive, Industrial Brakes and China
- Our product pipeline is healthy and the work on future projects is continuing
- Kendrion has shown resilience, making full use of available cost saving and cash preserving instruments
- The medium and long-term outlook is unchanged and remains good for both the Automotive Group and the industrial activities

CAPITAL MARKETS DAY

- 10 September 2020, 11:00 am (CET)
- Comprehensive strategic update
- New medium term financial targets



Questions & Answers

KENDRION

A large white truck with a yellow stripe is driving on a road. The sun is setting in the background, creating a warm, golden glow. The truck is moving from left to right, and the wheels are blurred, suggesting motion. The sky is filled with dark, dramatic clouds.

THANK YOU

PRECISION. SAFETY. MOTION.