

KATEK

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Quarterly Statement Q3 As at 30 September 2023



At a Glance

Group key figures (EUR k)

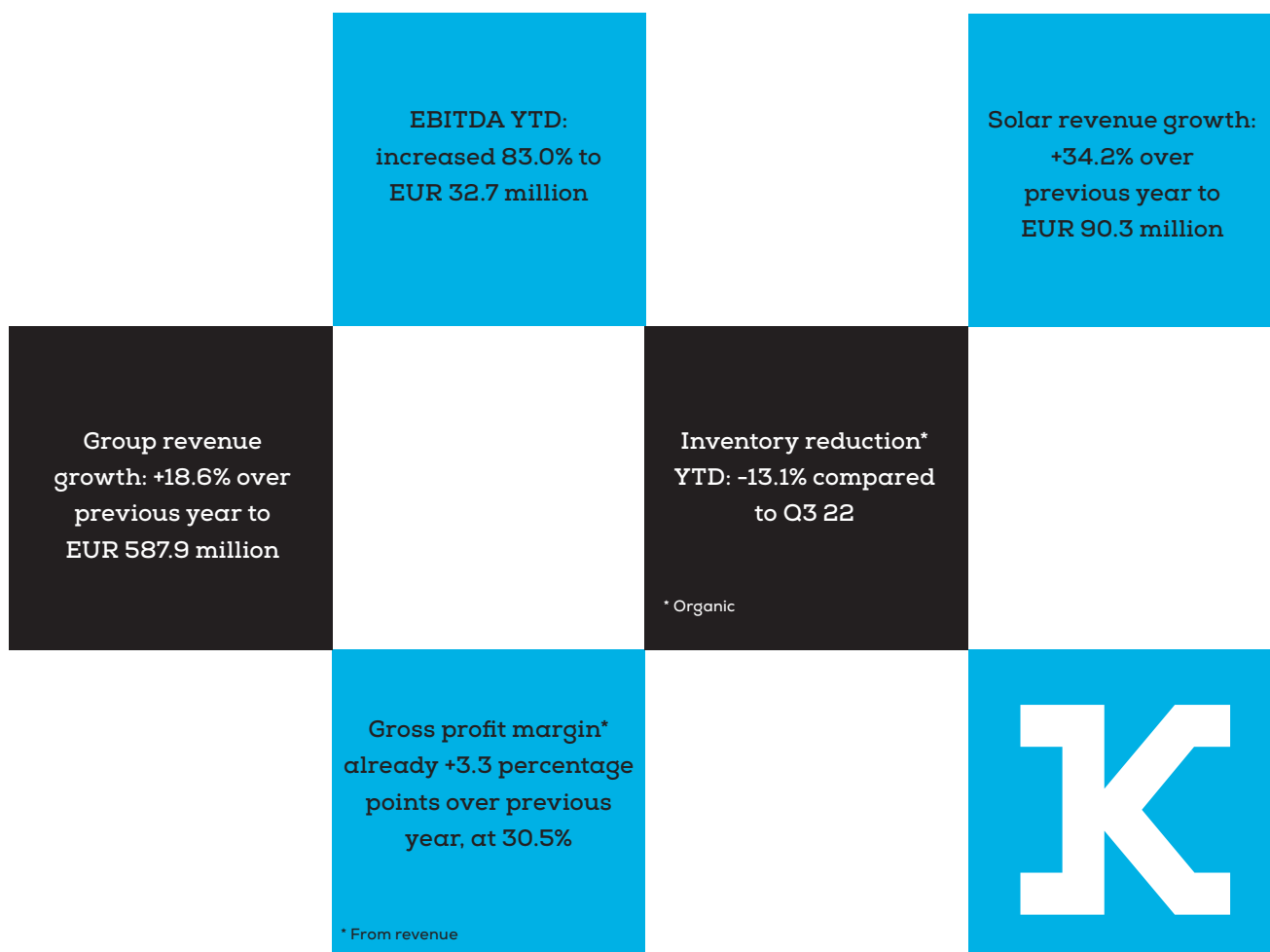
	YTD Sep/2023	YTD Sep/2022	Change
Revenue	587,864	495,732	18.6%
Gross profit	179,219	134,531	33.2%
EBITDA	32,743	17,889 **	83.0%
Marge EBITDA*	5.5%	3.5%	+2.0%-points
EBIT	12,920	1,663 **	>100%
Marge EBIT*	2.2%	0.3%	+1.9%-points
EBITDA adj.	27,962	26,898 **	4.0%
Net profit or loss of the Group	3,546	- 4,980	>100%
	30 Sep 2023	31 Dec 2022	Change
Total Assets	545,858	502,097	8.7%
Equity	168,909	164,963	2.4%
Equity ratio	30.9%	32.9%	- 2.0%-points

* in % of total operating performance

** Change in the presentation of the currency translation as of 31 december, 2022, for more details please refer to the Annual Report 2022. Numbers as of 30 september 2022 before the adjustment amounted to:

EBITDA: EUR 12,190k, EBIT: EUR -4,036k, EBITDA adj.: EUR 21,200k

KATEK Highlights



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3rd Quarter 2023

Report of the Management Board

"Phase Two" of the KATEK Strategy begins: Turning Size into Sustainable Profitability

Dear Shareholders,

Several times we have reported that 2023 is one of the "years of efficiency" for KATEK and what we associate with this term. The figures in this 3rd quarter 2023 report reflect the significant progress we have made in this regard: The growth in sales achieved so far this year (+18.6% compared to the same period the previous year) underscores KATEK's position as one of the leading electronics partners in European industry. At the same time, gross margin (based on revenue) improved by more than 30% in recent months, we were able to significantly increase our operating result and once again achieve a positive operating cash flow. This puts us exactly within our strategy corridor, and in some cases above it.

The successful development of our operational business forms a solid basis for turning a confident eye toward the challenges of the coming years. To this extent, we would like to use this quarterly report also to provide an update on the strategic development of our Group.

Operational Business Development

The operational business saw a very positive development in the 3rd quarter of 2023. In terms of revenue, the KATEK Group is at EUR 587.9 million, barely 19% above the same period the previous year. Both segments once again contribute to this, though the stronger impetus is coming again from the Systems & Products segment (with nearly +21% year-over-year [YoY]). The solar division was again able to make a disproportionately large contribution to this development, at 34%. The Electronics segment – recently bolstered by acquisitions in North America – is also contributing to our successful business development with growth of around 16%.

EBITDA has now increased to EUR 32.7 million, or by 83.0%, in comparison to the previous year. Part of this is due to our successful operational business development: In the last months, gross margin once again improved significantly due to systematic material cost negotiations once the material crisis abated as well as pricing for customers, and has now exceeded 30% (based on revenue), 3.3 percentage points higher than the same period the previous year. At the same time, the accounting of our acquisition of the U.S. company Nextek, Inc. also contributes to our positive development. The accounting treatment of the acquisition is based on a preliminary purchase price allocation. The net assets of the acquired company, which result from the valuation of assets and liabilities at fair value, are higher than the purchase price. This difference between net assets and purchase price is recognized as other income. This positive effect from an acquisition is evidence of KATEK's value-enhancing M&A policy. And thus for the repeated, successful selection and realization of acquisition targets where the purchase price negotiated by KATEK is significantly below the value of the companies to be recognized in the balance sheet.

Adjusted EBITDA amounts to EUR 28.0 million. The adjustments mainly include the other income from the preliminary purchase price allocation described above in the amount of EUR 7.7 million as well as other one-off expenses to a lesser extent.*

The Working Capital Management Program continued unabated: The reduction in inventories by 13.1% compared to the previous year (adjusted for M&A effects) is making a material contribution to a strong Q3 2023 YoY operating cash flow of EUR 26.8 million.

* In addition to the effect mentioned above, the adjustments with a total balance of EUR 4.8 million include further expenses in connection with M&A/PMI projects, restructuring projects and other one-off effects. The expenses in connection with the materials crisis now only account for a mid-six-figure amount.



Strategic Development of the KATEK Group

Based on the gratifying development of our operational business described above, it is time to examine the level we have reached within the context of our strategy and consider the next steps:

When summarizing our Group's development to date, it can be said that the first phase of the development of the KATEK Group—creating a significant player in the electronics market—is now complete. KATEK's thoroughly successful growth strategy has put us in the Top 2 in Germany and in the Top 5 in Europe—and has turned KATEK into the most prominent brand in our industry. We are able to service our customers local for local on three continents, whether Europe, Asia or North America. We also cover the entire creation of value, from (co) development to the building of complete end products. At the same time, we have grown the seminal Systems & Products segment and have our own products and IP on the market in select areas such as solar inverters, charging solutions and medical alert systems.

The landscape since the founding of the KATEK Group almost five years ago has also shifted. Capital and financial markets are turning their focus now more than ever on profitable, resilient businesses that also will withstand any future crises on their own. Growth is rewarded yet only makes long-term sense under these changed circumstances when those businesses or parts of them grow that have already proven themselves profitable.

Now, our strategic "Phase Two" begins, where we sustainably convert the economies of scale we have achieved into above-average profitability. It has always been part of our strategy to leverage our strong rapport with customers, fixed cost degression and buying power in order to transform KATEK's size into high profitability. The time for that has now come. With revenue expecting to reach at least three quarters of a billion in 2023 and a broad easing of the material crisis, the conditions for accomplishing this are all set. The focus of the Management team now is to boost our economies of scale and turn them

into profitability and cash flow, with management structures, incentive program and operational focus reflecting this accordingly. For example, as before the material crisis of the last two years, we will again achieve a reduction in material costs of at least two percent per year. We will also focus on improving operational efficiency in all areas, including increased automation/robotization, greater value creation targeted on the most efficient locations, the use of AI—as with our proprietary BI system PCM (Predictive Cost Management)—and increased revenue share from the Systems & Products segment from just under a quarter today to a third and more in the coming years. This will also be supported by the production of ghostONE—scheduled to start in Leipzig and Malaysia in 2024—for major European OEMs in the area of eCharging.

In the next few years, KATEK will continue to strive for above-market growth and focus clearly on organic growth. Acquisitions for expansion will be highly selective and predominantly geared toward the Systems & Products segment as well as to facilitate outsourcing. This will set the stage for continued strong revenue growth but with the goal of an even higher earnings growth.

Outlook

In the overall view of all relevant factors, more immediately on the basis of order backlogs, high operational utilization and the currently successful implementation of price and cost measures, we fully confirm the forecast provided in the 2022 consolidated financial statements.

Operational performance is in line with strategic outlook. This combination is gratifying and allows us to look forward to the end of the year and the coming quarters with great confidence.

Munich, November 2023

KATEK SE



Rainer Koppitz
CEO



Dr. Johannes Fues
CFO




Rainer Koppitz
CEO KATEK SE




Dr. Johannes Fues
CFO KATEK SE

Consolidated Statement of Comprehensive Income

EUR k	01 Jul 2023 – 30 Sep 2023	01 Jul 2022 – 30 Sep 2022 adjusted**	01 Jan 2023 – 30 Sep 2023	01 Jan 2022 – 30 Sep 2022 adjusted**
Revenue	197,476	179,851	587,864	495,732
Changes in inventories of finished goods/ work in progress	-174	7,478	4,199	10,753
Own work capitalized	3,186	1,656	8,373	4,225
Total operating performance	200,488	188,985	600,436	510,710
Cost of materials	-136,183	-143,537	-421,217	-376,179
Gross profit	64,305	45,448	179,219	134,531
Other operating income	8,302	1,144 **	9,697	2,517 **
Personnel expenses	-38,108	-28,498	-110,763	-84,832
Other operating expenses	-15,920	-12,215 **	-45,410	-34,328 **
EBITDA	18,580	5,879 **	32,743	17,889 **
Depreciation and amortisation	-7,133	-5,583	-19,824	-16,226
Earnings before interest and taxes (EBIT)	11,446	296 **	12,920	1,663 **
Finance income	78	16	122	60
Finance costs	-3,118	-1,142	-8,268	-2,715
Exchange differences	-1,263	-2,571 **	55	-5,999 **
Earnings before income taxes	7,143	-3,400	4,829	-6,990
Income taxes	-1,898	978	-1,283	2,010
Net profit or loss of the Group	5,245	-2,422	3,546	-4,980
thereof attributable to non-controlling interests	-24	-134	-268	-429
thereof attributable to shareholders of KATEK SE	5,269	-2,288	3,814	-4,551
Number of shares (weighted average)	14,445,687	13,241,880	14,445,687	13,241,880
Earnings per share (EUR), basic and diluted	0.36	-0.18	0.26	-0.34

* Due to rounding, sums may differ from the exact result of adding the individual figures.

** Change in the presentation of the currency translation as of 31 december, 2022, for more details please refer to the Annual Report 2022. Numbers as of 30 september 2022 before the adjustment amounted to:

Other operating income: EUR 749k and EUR 6,053k YTD, Other operating expenses: EUR -16,572k and EUR -43,562k YTD, EBITDA: EUR 1,127k and EUR 12,190k YTD, EBIT: EUR -4,456k and EUR -4,036k YTD, Exchange differences: EUR 2,181k and EUR -300k YTD

Consolidated Statement of Comprehensive Income

EUR k	01 Jul 2023 – 30 Sep 2023	01 Jul 2022 – 30 Sep 2022	01 Jan 2023 – 30 Sep 2023	01 Jan 2022 – 30 Sep 2022
Net profit or loss of the Group	5,245	- 2,422	3,546	- 4,980
Other comprehensive income				
Items that may be subsequently recycled through profit or loss				
Exchange differences arising from currency translation during the financial year	275	243	368	320
	275	243	368	320
Items that may not subsequently recycled through profit or loss				
Changes in actuarial gains/losses from pensions	133	- 1,076	20	54
Deferred taxes from changes in actuarial gains/losses from pensions provisions	- 36	291	- 5	- 16
	97	- 785	14	38
Other comprehensive income after tax	372	- 542	382	358
Total comprehensive income	5,617	- 2,964	3,928	- 4,623
thereof attributable to non-controlling interests	- 24	- 134	- 268	- 428
thereof attributable to shareholders of KATEK SE	5,640	- 2,830	4,196	- 4,193

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Financial Position

Aktiva

EUR k	30 Sep 2023	31 Dec 2022
Non-current assets		
Property, plant and equipment	111,033	102,081
Goodwill	15,226	15,226
Other intangible assets	31,358	20,392
Financial assets	1,824	1,824
Employee benefits	239	489
Other financial assets	496	304
Deferred tax assets	11,940	13,503
Total non-current assets	172,116	153,820
Current assets		
Inventories	253,708	261,918
Trade receivables	54,038	43,603
Other financial assets	11,479	12,887
Income tax receivables	1,313	1,094
Other assets and prepaid expenses	15,881	6,149
Cash and cash equivalents	37,324	22,628
Total current assets	373,742	348,278
Total Assets	545,858	502,097

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Financial Position

Passiva

EUR k	30 Sep 2023	31 Dec 2022
Equity		
Share capital	14,446	14,446
Share premium	129,733	129,733
Revenue reserves	23,680	19,466
Equity attributable to owners of the company	167,858	163,644
Non-controlling interests	1,051	1,319
Total equity	168,909	164,963
Non-current liabilities		
Non-current loans	78,520	2,543
provisions for pensions and similar obligations	2,090	1,995
Other provisions	858	738
Other financial liabilities	71,173	68,167
Other liabilities	1,268	1,089
Deferred tax liabilities	2,216	1,360
Total non-current liabilities	156,124	75,892
Current liabilities		
Current loans	17,810	66,275
Other provisions	3,832	3,498
Trade payables	121,204	123,709
Contract liabilities	17,101	19,580
Other financial liabilities	31,258	23,373
Income tax liabilities	404	2,887
Other liabilities and deferred income	29,215	21,920
Total current liabilities	220,824	261,242
Total liabilities	376,949	337,134
Total equity and liabilities	545,858	502,097

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Cash Flows

EUR k	01 Jan 2023 - 30 Sep 2023	01 Jan 2022 - 30 Sep 2022
Cash flows from operating activities		
Net profit or loss of the Group	3,546	- 4,980
+/- Income tax expense/income	1,283	- 2,010
+/- Finance expense/income	8,146	2,512
+ Amortization of intangible assets and financial assets, depreciation of property, plant and equipment	19,824	16,226
+/- Other non-cash effective expenses/income	- 8,272	- 1,315
+/- Loss/gain on disposal of non-current assets	- 102	165
+/- Increase/decrease of provisions	777	2,420
+/- Increase/decrease in inventories, trade receivables and other assets	12,896	- 65,416
+/- Increase/decrease in trade payables and other liabilities	- 8,543	40,873
+/- Cash inflow/outflow from operating activities	29,555	- 11,525
+ Interest received	119	37
+/- Income tax reimbursements/payments	- 2,863	- 2,124
Cash flow from operating activities	26,811	- 13,612
Cash flows from investing activities		
EUR k		
+ Cash received from the disposal of intangible assets	0	1
- Cash paid for intangible assets	- 7,860	- 5,030
+ Cash received from the disposal of property, plant and equipment	302	282
- Cash paid for property, plant and equipment	- 19,587	- 13,515
- Cash outflow for the purchase of long-term financial assets	- 153	0
- Cash paid for additions to the consolidated group less cash and cash equivalents acquired	- 9,246	- 14,662
Cash flow from investing activities	- 36,545	- 32,923
Cash flows from financing activities		

Consolidated Statement of Cash Flows

EUR k	01 Jan 2023 - 30 Sep 2023	01 Jan 2022 - 30 Sep 2022
+ Cash received from borrowing	67,961	15,720
- Cash repayment of loans and lease liabilities	- 20,943	- 14,869
+ Cash received from subsidies/grants	127	31
- Cash paid for interest	- 8,733	- 2,489
Cash flow from financing activities	38,412	- 1,607
-/+ Net decrease/increase in cash and cash equivalents	28,679	- 48,142
Cash and cash equivalents at the beginning of the reporting period	- 2,760	33,909
Changes in cash and cash equivalents due to exchange rates and changes in valuation	- 51	- 545
Cash and cash equivalents at the end of the reporting period	25,867	- 14,778
thereof: Cash at banks and on hand	37,324	13,906
thereof: Liabilities to banks	11,457	28,684

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Changes in Equity

EUR k	Share capital	Share premium	Retained reserves			Equity attributable to owners of the company	Non-controlling interests	Total
			Reserve for actuarial gains/losses	Foreign currency translation reserve (OCI)	Other			
01 Jan 2023	14,446	129,733	1,097	214	18,154	163,644	1,319	164,963
Net profit or loss of the Group	0	0	0	0	3,831	3,831	-268	3,563
Other comprehensive income	0	0	14	368	0	382	0	382
Total comprehensive income	0	0	14	368	3,831	4,213	-268	3,946
30 Sep 2023	14,446	129,733	1,112	582	21,985	167,857	1,051	168,909

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Consolidated Statement of Changes in Equity

	EUR k	Share capital	Share premium	Retained reserves			Equity attributable to owners of the company	Non-controlling interests	Total
				Reserve for actuarial gains/losses	Foreign currency translation reserve (OCI)	Other			
01 Jan 2022		13,242	111,784	41	160	24,797	150,023	1,777	151,799
Net profit or loss of the Group		0	0	0	0	-4,551	-4,551	-429	-4,980
Other comprehensive income		0	0	38	322	0	360	1	360
Gesamtergebnis		0	0	38	322	-4,551	-4,192	-428	-4,621
30 Sep 2022		13,242	111,784	79	481	20,246	145,831	1,347	147,178

* Due to rounding, sums may differ from the exact result of adding the individual figures.

Segment Reporting

Background to segmentation

The segment disclosures are based on the internal management reporting of two reportable segments. The summary below describes the businesses in each of the Group's reportable segments.

- [Electronics](#)
- [Systems & Products](#)

The Electronics segment comprises the activities of the Group in the development of hardware and software, prototyping and the manufacture of high-quality electronics for industrial customers. This segment constitutes the origins of the current KATEK Group.

The Systems & Products segment comprises the same value-added activities, but, in contrast to the Electronics segment, it possesses a number of additional features that together create particular value-added (high-value electronics). Firstly, the activities of this segment are targeted towards markets that display particularly strong growth and opportunities due to an underlying megatrend. KATEK has aligned its R&D activities towards these target markets. Nowadays KATEK offers its own systems and products in these fields which therefore display higher value-added and integrate the Group's own intellectual property. They include products and services related to smart EV charging, medical alert systems and solar/renewable energy.

The Others segment includes activities in the field of fabless prototyping, but only to a small extent. The content of this segment does not have any relationship to the operating activities of the other segments.

The KATEK Group is in the process of continuously reviewing and optimizing its management systems. Currently, only gross profit and sales revenue are reported to the management for the purpose of managing the segments.

For this reason, only these two performance indicators are currently included in the segment reporting published in the next section. In particular, segment assets, segment liabilities and investments are not presented.

Segment Reporting

Information on Reportable Segments

EUR k	Segment revenue		External revenue		Intersegment Revenue	
	01 Jan 2023 - 30 Sep 2023	01 Jan 2022 - 30 Sep 2022	01 Jan 2023 - 30 Sep 2023	01 Jan 2022 - 30 Sep 2022	01 Jan 2023 - 30 Sep 2023	01 Jan 2022 - 30 Sep 2022
Electronics	488,316	419,348	451,677	381,973	36,639	37,375
Systems & Products	134,102	112,704	134,102	112,704	0	0
Total reportable segments	622,419	532,052	585,779	494,677	36,639	37,375
All other segments	2,644	1,383	2,085	1,055	559	328
Reconciliation to Consolidated Financial Statements	- 37,198	- 37,703	0	0	- 37,198	- 37,703
KATEK Group	587,864	495,732	587,864	495,732	0	0

EUR k	Gross Profit	
	01 Jan 2023 - 30 Sep 2023	01 Jan 2022 - 30 Sep 2022
Electronics	135,405	103,623
Systems & Products	45,852	32,475
Total reportable segments	181,257	136,099
All other segments	695	372
Reconciliation to Consolidated Financial Statements	- 2,733	- 1,939
KATEK Group	179,219	134,531

The reconciliation to the consolidated financial statements presents those matters that are not directly related to the business segments or the other segments. Among other items, these include the consolidation of business transactions between the segments and certain reconciliation items, such as the costs incurred by the parent company of the Group that cannot be allocated to the segments.

Significant Events and Transactions

Effective 07 July 2023, KATEK SE, Munich, acquired the U.S. company Nextek, Inc., Madison, Alabama. This acquisition is included as a bargain purchase in the consolidated financial statements of KATEK as of 30 September 2023 on the basis of a preliminary purchase price allocation.

Subsequent Events

There have been no reportable events after the reporting date that have had a material impact on the net assets, financial position and results of operations of the KATEK Group.

Imprint

This is a translation of KATEK Group's interim report. Only the German version is legally binding. No warranty is made as to the accuracy of the translation and the company assumes no liability with respect thereto. The company cannot be held responsible for any misunderstanding or misinterpretation arising from this translation.

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