

KENDRION N.V.
P R E S S R E L E A S E
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Kendrion posts stable performance of continuing operations

- Q3 2024 revenue from continuing operations was EUR 72.7 million, slightly up from EUR 72.1 million in Q3 2023.
- Normalized EBITDA from continued operations of EUR 8.9 million (Q3 2023: EUR 9.1 million)
- Net profit from continuing operations in Q3 2024 was EUR 1.9 million (Q3 2023: EUR 1.6 million).
- One-off transaction related net costs of EUR 7.4 million in relation to the sale of the automotive business in Europe and the United States as announced on 1 October 2024.
- Net debt decreased to EUR 101.1 million at the end of Q3, compared with EUR 160.2 million at the end of Q3 2023.

Key figures

Reported (in EUR million)	Q3 2024	Q3 2023	delta	YTD 2024	YTD 2023	delta
Revenue	72.7	72.1	1%	225.5	238.5	-5%
EBITDA	8.8	8.4	5%	27.1	32.8	-17%
EBITA	4.7	5.0	-6%	15.4	22.6	-32%
Net profit from continuing operations	1.9	1.6	19%	7.1	11.5	-38%
Net profit from discontinued operations	(9.0)	0.8	NM	(10.0)	(0.5)	NM
Net profit	(7.1)	2.4	NM	(2.9)	11.0	NM
EBITDA as a % of revenue	12.1%	11.7%		12.0%	13.8%	
EBITA as a % of revenue	6.5%	6.9%		6.8%	9.5%	

Normalized (in EUR million) ¹	Q3 2024	Q3 2023	delta	YTD 2024	YTD 2023	delta
Revenue	72.7	72.1	1%	225.5	238.5	-5%
EBITDA	8.9	9.1	-2%	27.6	33.5	-18%
EBITA	4.8	5.7	-16%	15.9	23.3	-32%
Net profit from continuing operations	2.0	2.1	-5%	7.5	12.1	-38%
Net profit from discontinued operations	(1.7)	0.9	NM	1.1	(0.3)	NM
Net profit before amortization	2.6	2.7	-4%	9.3	13.9	-33%
EBITDA as a % of revenue	12.2%	12.6%		12.2%	14.0%	
EBITA as a % of revenue	6.6%	7.9%		7.1%	9.8%	
Return on invested capital ² (12 months rolling)				14.2%	13.3%	

¹ Results from continuing operations normalized for costs and benefits outside the ordinary course of operations

Q3 2024: EUR 0.1 mio (EUR 0.1 mio after tax) restructuring costs; Q3 2023: EUR 0.7 mio (EUR 0.5 mio after tax) restructuring costs and one-off consulting costs.

YTD 2024: EUR 0.5 mio (EUR 0.4 mio after tax) restructuring costs; YTD 2023: EUR 0.7 mio (EUR 0.5 mio after tax) restructuring costs and EUR 0.1 mio net finance costs related to tax audits.

² Invested capital excluding intangibles arising from acquisitions. YTD 2023 including Automotive

Joep van Beurden, Kendrion CEO:

"I am pleased with the sale of our automotive business in Europe and the U.S. to Solero Technologies LLC. As of 1 October, we have begun implementing plans to right-size our organization and enhance our added-value margin. Annual operating costs are expected to decrease by approximately EUR 9 million, with full savings expected to be realized by 1 January 2025. Moving forward, we are now exclusively focused on Industrial opportunities in Europe, China, and the U.S., investing in selected Industrial market segments that can deliver a profitability of at least 15% EBITDA.

Despite the ongoing slow economic conditions, our continued operations—comprising Industrial Brakes, Industrial Actuators and Controls and our retained automotive business in Europe and China—saw slight improvements in both revenue and profitability in Q3 2024 compared to Q3 2023. Our strong project pipeline in China has helped offset the challenges facing the European economy, particularly in the automotive and machine-building sectors.

As we transition to a pure-play Industrial company, we are prioritizing profitability over growth. I am confident that we can achieve our new financial targets: an EBITDA of 15 - 18% from 2025 and an ROI of 23 - 27% by 2027. Additionally, we are committed to paying out annual dividends of at least 50% of normalized net profit starting in 2025."

Progress on strategy

Kendrion is a pure-play Industrial company and a global leader in innovative actuator solutions, focusing on the transition towards electrification, cleaner energy, and other key segments. Kendrion prioritizes profitability over growth, investing in selected Industrial market segments that support a profitability of at least 15% EBITDA. The company operates through two distinct Business Groups: Industrial Brakes (IB) and Industrial Actuators and Controls (IAC). We seek opportunities where we can differentiate our product, leveraging our deep expertise in valves, actuators, brakes and control technology. Specifically, in IB, we are capitalizing on the expanding market for electromotors and electrified solutions in sectors such as intralogistics, medical and collaborative robots, and wind power. The IAC portfolio includes inductive heating systems, Industrial locks and beverage dispensing valves. Since the sale of the automotive business to Solero Technologies, the remaining automotive activities, including the automotive electronics business and China Automotive, have been integrated into IAC.

Kendrion is on track with rightsizing its organization. By the end of the year, the company expects to reduce costs by EUR 13.5 million compared to the FY 2023 cost base. This includes EUR 7.0 million from the discontinuation of Automotive Sound R&D, EUR 2.0 million in operating costs from the retained automotive business, and EUR 4.5 million in central costs. The central cost savings will offset dyssynergies resulting from the automotive sale. The rightsizing includes reducing approximately 70 FTEs and transitioning from bespoke Automotive IT systems to 'off the shelf' solutions with significantly lower implementation and running costs. The results of discontinued operations include EUR 6.4 million in restructuring provisions and EUR 3.8 million in impairments and provisions related to existing IT systems.

Financial review

Revenue

Q3 2024

In the third quarter of this year, the revenue from continued operations totaled EUR 72.7 million, a 1% increase from Q3 2024 (EUR 72.1 million). Currency translation had no material impact on revenue in the third quarter.

The Industrial Brakes (IB) Group achieved 7% revenue growth from a low comparable, rising from EUR 28.2 million in Q3 2023 to EUR 30.3 million in Q3 2024, driven by growth in China and stable performance in Europe. Revenue in Industrial Actuators and Controls (IAC) decreased by 6%, from EUR 31.5 million in Q3 2023 to EUR 29.5 million in Q3 2024. Strong performance in the food & beverage and infrastructure segments only partially offset the downturn in the general machine building market. Revenue in the retained Automotive segment increased by 4% on a like-for-like basis to EUR 12.9 million (Q3 2023: EUR 12.4, driven by ramping up of new projects in China.

First nine months of 2024

For the first three quarters of 2024, revenue from continuing operations totaled EUR 225.5 million, down 5% from EUR 238.5 million in the same period last year. Currency translation had no material impact on revenue over this period.

Due to low trading activity in key markets, IB revenue declined by 14% to EUR 88.7 million (YTD 2023: 103.0 million). IAC revenue totaled EUR 94.0 million, a decrease of 4% compared to EUR 97.8 million for the same period last year. The retained Automotive segment posted revenue of EUR 42.8 million, up 14% on a like-for-like-basis from EUR 37.7 million in 2023, driven by strong growth in China.

Results

Q3 2024

The normalized operating result before depreciation and amortization (EBITDA) from continuing operations was EUR 8.9 million, compared with EUR 9.1 million in Q3 2023. The added value margin declined by 90 basis points due to a changed sales mix. Staff costs were reduced by 4% through cost-saving measures in IB, while higher operating expenses, totaling EUR 1.5 million, included a EUR 0.6 million restatement of Q3 2023 costs.

Depreciation charges rose to EUR 4.1 million from EUR 3.4 million in Q3 2023, resulting in a normalized EBITA of EUR 4.8 million (Q3 2023: EUR 5.7 million) and a normalized EBITA margin of 6.6%, down from 7.9% in the same period last year.

First nine months of 2024

Normalized EBITDA from continuing operations dropped by 18% to EUR 27.6 million from EUR 33.5 million in the same period in 2023, with a normalized EBITDA margin of 12.2% (YTD 2023: 14.0%).

Depreciation charges increased to EUR 11.7 million (YTD 2023: EUR 10.2 million) leading to a normalized EBITA of EUR 15.9 million (YTD 2023: EUR 23.3 million), and a normalized EBITA margin of 7.1% (YTD 2023: 9.8%). Net finance costs from continuing operations amounted to EUR 4.2 million (YTD 2023: EUR 4.9 million). Income tax expenses amounted to EUR 1.7 million (YTD 2023: EUR 3.8 million), reflecting an effective tax rate of 19.1% (YTD 2023: 25.1%).

Results from discontinued operations

The third-quarter result from discontinued operations was a loss of EUR 9.0 million (Q3 2023: EUR 0.8 million profit). This includes a EUR 1.7 million loss from automotive operations and a EUR 7.3 million loss related to transaction costs. The transaction related costs encompass net-of-tax restructuring charges, IT provision and impairments, an impairment of R&D Sound assets, and the recycling of positive currency translation results to the income statement.

The YTD 2024 result from discontinued operations shows a loss of EUR 10.0 million (YTD 2023: a loss of EUR 0.5).

Revenue of the discontinued operations was EUR 48.1 million in Q3 2024, down 8% from EUR 52.4 million in Q3 2023. The YTD revenue from discontinued operations totaled EUR 156.9 million (YTD 2023: EUR 159.7 million).

Financial position

The total net debt decreased to EUR 101.1 million, from EUR 160.2 million at the end of Q3 2023, primarily due to the sale of Automotive to Solero. We expect to receive an additional EUR 11.5 million after the finalization of the Romanian subsidiary's legal transfer and the final settlement of the working capital adjustment. The leverage ratio at the end of Q3 was 2.5, compared to 2.9 at the end of Q3 2023, well below the financial covenant of 3.25, reflecting our strengthened balance sheet following the divestment of the automotive business. We continue to focus on reducing uncommitted investments and minimizing cash absorbed in working capital.

As of 30 September 2024, Kendrion had EUR 75.8 million available in cash and unused credit lines, fully reflecting an agreed reduction of credit facilities with EUR 27.5 million after the Automotive transaction.

Number of employees

The total number of FTEs at the end of Q3 2024 was 1,832, down from 2,527 in the previous quarter and 2,624 at the end of Q3 2023. The decline in FTE is due to the sale of the automotive business sale, while FTEs in the Industrial business remained stable. Following the legal closing of the Romanian subsidiary, the discontinuation of Automotive Sound R&D and organizational rightsizing, the number of FTEs is expected to decrease by an additional 244. Excluding these 244 FTEs, the pro forma total number at the end of Q3 will be 1,588, consisting of 866 direct and 722 indirect employees.

Outlook

We expect the economic environment for HY1 2025 to be similar to the current conditions: stability in the U.S. economy, a persistently challenging trading landscape in Europe —particularly in Germany —and subdued economic activity in China relative to historical levels. Lowered interest rates in Europe and the U.S. are widely anticipated to positively influence the economic environment over the longer term, and Kendrion's strategic repositioning will enable it to leverage an economic rebound when it occurs.

In the fourth quarter, Kendrion will implement its planned cost-saving measures and work to improve its added value margin. With a successful strategic shift to focus on Industrial operations, Kendrion is confident in achieving its new financial targets: an EBITDA of 15-18% from 2025, an ROI of 23-27% by 2027 and annual dividend payments of at least 50% of normalized net profit starting next year.

Over the long term, we expect that as a focused Industrial company, we can harness substantial organic growth opportunities driven by the global shift toward cleaner energy and other emerging markets.

Analysts' call Q3 2024 results

Kendrion CEO Joep van Beurden and CFO Jeroen Hemmen will present the interim results on Tuesday 12 November 2024, at 11:00 a.m. CET via an analysts' webcast.

Profile of Kendrion N.V.

Kendrion develops, manufactures, and markets high-quality electromagnetic systems and components for a broad range of Industrial applications. For more than a century, we have been engineering precision parts for the world's leading innovators in Industrial applications, passenger cars, and commercial vehicles. As a leading technology pioneer, Kendrion invents, designs, and manufactures complex components and customized systems, as well as local solutions on demand.

We are committed to the engineering challenges of tomorrow, and taking responsibility for how we source, manufacture and conduct business is embedded into our culture of innovation. Headquartered in the Netherlands and listed on the Amsterdam stock exchange, Kendrion's expertise extends across Europe, the Americas, and Asia. Created with passion and engineered with precision.

Amsterdam, 12 November 2024

The Executive Board

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Annexes

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

Annex 1 – Consolidated statement of comprehensive income *

(EUR million)	Q3 2024	Q3 2023	period ended 2024	period ended 2023	full year 2023
Revenue	72.7	72.1	225.5	238.5	309.0
Other income	0.0	0.0	0.1	0.0	0.1
Total revenue and other income	72.7	72.1	225.6	238.5	309.1
Changes in inventories of finished goods and work in progress	(1.7)	1.4	(3.0)	0.4	0.3
Raw materials and subcontracted work	36.3	33.7	113.7	116.7	151.4
Staff costs	23.4	24.3	70.5	73.5	97.8
Depreciation and amortization	4.9	4.2	14.1	12.6	17.3
Other operating expenses	5.9	4.3	17.3	15.1	20.1
Result before net finance costs	3.9	4.2	13.0	20.2	22.2
Finance income	0.1	0.0	0.1	0.1	0.2
Finance expense	(1.5)	(1.5)	(4.3)	(5.0)	(6.3)
Profit before income tax	2.5	2.7	8.8	15.3	16.1
Income tax expense	(0.6)	(1.1)	(1.7)	(3.8)	(4.3)
Profit from continuing operations	1.9	1.6	7.1	11.5	11.8
Result of discontinued operations (net of income tax)	(9.0)	0.8	(10.0)	(0.5)	(1.9)
Profit for the period	(7.1)	2.4	(2.9)	11.0	9.9
Basic earnings per share (EUR), based on weighted average	(0.46)	0.16	(0.19)	0.73	0.65
Diluted earnings per share (EUR), based on weighted average	(0.45)	0.16	(0.19)	0.72	0.64

* Not adjusted for non-recurring items

Annex 2 – Consolidated statement of financial position

(EUR million)	30 Sept. 2024	30 Sept. 2023	31 Dec. 2023
Assets			
Non-current assets			
Property, plant and equipment	94.0	134.4	134.5
Intangible assets	112.7	125.8	125.8
Other investments, including derivatives	3.8	0.4	0.5
Deferred tax assets	20.4	20.3	20.1
Contract costs	-	0.2	0.6
Total non-current assets	230.9	281.1	281.5
Current assets			
Inventories	61.6	91.0	87.4
Current tax assets	2.9	4.5	5.7
Trade and other receivables	53.1	77.4	65.2
Cash and cash equivalents	73.2	27.5	20.6
Assets classified as held for sale	16.4	1.9	1.9
Total current assets	207.2	202.3	180.8
Total assets	438.1	483.4	462.3
Equity and liabilities			
Equity			
Share capital	31.0	30.6	30.6
Share premium	37.1	37.3	37.3
Reserves	93.1	97.3	94.2
Retained earnings	(2.9)	11.0	9.9
Total equity	158.3	176.2	172.0
Liabilities			
Loans and borrowings	163.5	174.8	153.2
Employee benefits	6.1	9.9	8.7
Deferred tax liabilities	15.9	17.2	19.0
Provisions	0.6	0.7	0.7
Total non-current liabilities	186.1	202.6	181.6
Bank overdraft	7.8	6.6	7.1
Loans and borrowings	3.0	6.3	5.3
Provisions	6.8	0.3	-
Current tax liabilities	6.4	9.5	7.4
Contract liabilities	0.0	4.4	4.4
Trade and other payables	63.3	77.5	84.5
Liabilities classified as held for sale	6.4	-	-
Total current liabilities	93.7	104.6	108.7
Total liabilities	279.8	307.2	290.3
Total equity and liabilities	438.1	483.4	462.3

Annex 3 – Financial calendar 2025

Publication of Q4 and FY 2024 results	Friday, 28 February 2025	07.30 a.m.
Analyst's meeting	Friday, 28 February 2025	11.00 a.m.
Publication Annual Integrated Report 2024	Friday, 28 February 2025	03.00 p.m.
Annual General Meeting of Shareholders	Monday, 14 April 2025	02.00 p.m.
Publication Q1 2025 results	Tuesday, 13 May 2025	07.30 a.m.
Analysts' call Tuesday	Tuesday, 13 May 2025	11.00 a.m.
Publication Q2 and HY1 2025 results	Wednesday, 27 August 2025	07.30 a.m.
Analysts' meeting	Wednesday, 27 August 2025	11.00 a.m.
Publication Q3 2025 results	Tuesday, 11 November 2025	07.30 a.m.
Analysts' call	Tuesday, 11 November 2025	11.00 a.m.