

## Announces first “game-changer” acquisition in 2023

*Kontron has announced to acquire the Cellular Automotive Module Unit from Telit Cinterion. The target is active in software solutions for IoT applications and realized revenues of EUR 100m in 2022. The purchase price is EUR 24.5m, which translates into a revenue multiple of 0.25x, so the transaction is clearly not on the expensive side at first glance. This is obviously the first “game changer” transaction that are supposed to sum up to EUR 250m acquired revenues in both 2023 and 2024, financed by the proceeds of the IT Service disposal last year. We have a buy rating on the share, TP EUR 28.*

### More thoughts on the transaction:

- The automotive sector was not particularly in focus for Kontron so far. Until now, the company’s activities centered on high-speed trains, medical devices and aviation.
- The existing US activities were not as profitable as other regions in the Kontron group until now, as it struggled with lackluster demand in the field of aviation.
- Nothing was said on earnings numbers of the Cellular Automotive Module Unit or on a target profitability. With view to the attractive revenue multiple, we think it is fair to assume that the company is not very profitable at the moment.
- In that regard, the company appears like a typical Kontron acquisition that will require a certain amount of restructuring / integration efforts.
- Kontron has not done any acquisition in 2022 and once again proved to be a patient acquirer that usually does not overpay.
- Closing is announced to be in August, which is unusually quick, so there don’t seem to be any antitrust concerns.

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