

70  
YEARS



# Q1/23 ANALYST & INVESTOR PRESENTATION

MAY 15, 2023

# CHERRY MANAGEMENT BOARD



Oliver Kaltner - CEO



Mathias Dähn - CFO



Udo Streller - COO

Mathias Dähn has extensive management experience in finance functions such as auditing and controlling and has held CFO positions at various listed companies, most recently at Northern Data AG, a technology company focusing on high-performance computing infrastructure and cloud technology.

*"We are delighted to welcome Mathias Daehn as CFO at an important time for Cherry SE. Mathias has a strong track-record of financial leadership in listed businesses, including the establishment of best practice finance departments, extensive engagement with the capital markets, and managing rigorous compliance and reporting frameworks. Working in partnership with Oliver Kaltner and the rest of the strong leadership team at Cherry we are confident Mathias will quickly establish reliable and firm foundations for future profitable growth."* **Marcel Stolk, Chairman of the Supervisory Board**

# CEO UPDATE

MARKET CHALLENGES	MANAGEMENT ACTIONS	2023 – A TRANSITION YEAR	PRODUCT SEGMENTS
INTER- NATIONALIZATION	M & A	PEOPLE & CULTURE	<b>CHERRY</b> 

Confidence in the investment is  
the sum of confidence in the management, the business plan,  
and its implementation.

# CURRENT BUSINESS SITUATION AND MARKET ENVIRONMENT

## Managing future growth in challenging environment

### MARKETS AND ECONOMIC ENVIRONMENT in Q1/2023

- ❖ Unchanged macroeconomic environment
- ❖ High channel inventory levels with discounted sales campaigns by competitors

### MAIN CHERRY HIGHLIGHTS IN Q1/2023

- ❖ **Overall business performance above own expectations**
  - ❖ Gaming Devices up 20.6% yoy
  - ❖ Office Peripherals up 13.7% yoy
- ❖ **Optimization of inventory, cost structure & product portfolio**
  - ❖ International sales steering implemented
  - ❖ Implementation of "Gaming Goes Global" project
  - ❖ Alignment of Gaming Devices and Office Peripherals portfolio
  - ❖ Finalization of OEM-strategy in Components
  - ❖ Controlled reduction of excess inventories of switches

### MOST RECENT DEVELOPMENTS IN Q1/2023

#### PROFESSIONAL



**CHERRY UM Product Series Launch** – USB microphones with shock mount for streaming, content creation, and use at hybrid workplaces

#### GAMING



**GAMING GOES GLOBAL** – International kick-off in Q2/23



# ACQUISITION OF XTRFY – GAMING GOES GLOBAL

Two well-renowned brands within the gaming industry join forces



## KEY FACTS OF THE XTRFY GAMING AB ACQUISITION

- € 7m. revenue in FY 22 w/ profitability similar to Cherry SE
- Enterprise value represents 1x revenue FY22E and 7x EBITDA FY22E
- Mid single-digit €m. purchase price, thereof ca. 1/3 treasury shares
- Excellent cultural fit with management team / increase in diversity

## KEY FACTS OF GAMING GOES GLOBAL

- One joint premium brand to the customer with new style guide
- Integration of Xtrfy products into Cherry sales channels in Q2/23
- Digital first sales approach w/ FR, DE, UK, US market launch in Q2/23
- Total of 30 national markets to be covered by Cherry

# CHERRY AT A GLANCE – FINANCIAL HIGHLIGHTS Q1/23

Overall development of business activities according to plan



€ 28.7m

Revenue down 13.0% from Q1/22



-4.6%

EBITDA margin (adj.)



440

Employees (HC)  
down 10.2% from Dec. 31, 2022



€ -17.8m

Operating cash flow Q1/23



€ 20.4m

Net cash  
Cash on bank € 65.9m



M&A

Ongoing negotiations  
with potential targets



Global market leader



Innovation and quality  
leadership



Brand recognition



Blue chip customer  
base



Global multichannel  
sales



Scalable production  
base



Solid financial profile

# KEY FINANCIAL INDICATORS Q1/23

in € million/ As indicated	Q1/23	Q1/22	Δ
<b>Revenue</b>	<b>28.7</b>	<b>33.0</b>	<b>-13.0%</b>
Gross profit margin	23.0%	29.9%	-6.9pp.
EBITDA margin	-9,8%	11.9%	-21.7pp.
<b>(adj.) EBITDA</b>	<b>-1,3</b>	<b>4,4</b>	<b>-129.5%</b>
<b>(adj.) EBITDA margin</b>	<b>-4.6%</b>	<b>13.4%</b>	<b>-18.0pp.</b>
EBIT	-6.6	0.0	n.a.
Group result	-5.3	-0.3	n.a.

## 🔥 Group revenue currently driven by

- Lower sales in Digital Health and Components compared to Q1/22, as expected
- Overachievement of internal sales expectations in Q1/23 with strong performance in Peripherals with 13% growth yoy

## 🔥 Gross profit margin impacted by

- Lower Group sales, product mix effects and higher material costs
- Demand-related underutilization of switch production capacity

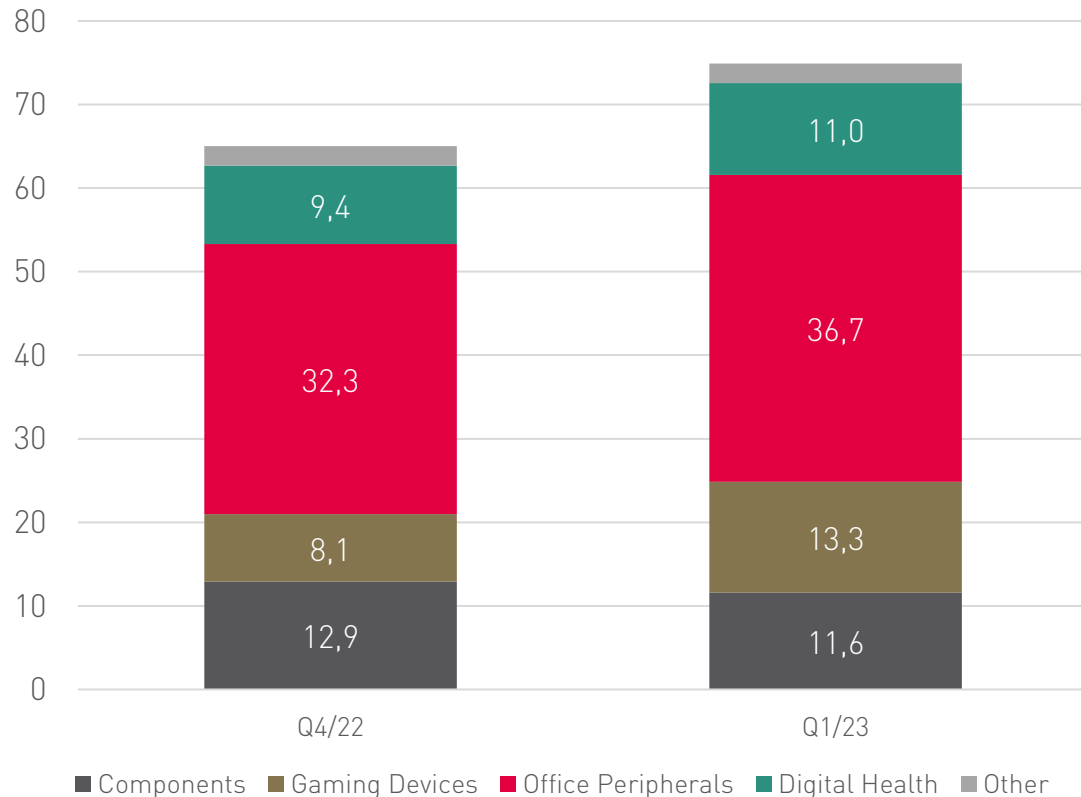
## 🔥 EBITDA margin (adj.) driven by

- Market development costs for entering the e-Commerce sales channels and expansion of Gaming Device business ("Gaming Goes Global")
- Adjustments mainly for changes in CEO und CFO positions

# INVENTORIES SUPPORT TARGETED REVENUE GROWTH IN Q2/H2

Controlled devices/peripherals build up, reduction of excess components according to plan

## STRUCTURE OF INVENTORIES



- Buildup as precondition for further internationalization, e-Commerce, and Gaming Goes Global
- Healthy inventory structure
- Only 15% of inventories attributable to Components business, switch inventory reduced by 10% in Q1/23
- Additional inventory from initial Xtrfy consolidation (3.1€m)

	Q4/22	Q1/23	Δ
Components	12.9	11.6	-10.3%
Gaming Devices	8.1	13.3	64.8%
Office Peripherals	32.3	36.7	13.5%
Digital Health	9.4	11.0	17.0%
<b>Total</b>	<b>65.0</b>	<b>74.9</b>	<b>15.2%</b>



# CASH FLOW 2022

Cash flow primarily impacted by inventory build-up for e-Commerce and Gaming Goes Global

in €m/ as indicated	Q1/23	Q1/22
Net result	-5.3	-0.3
Depreciation, amortization, impairment (+) on fixed assets	3.7	3.9
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-5.6	-2.5
Increase (+) / decrease (-) in trade liabilities and other liabilities	-8.3	-2,7
Other	-2.3	-1.1
<b>Operating Cash Flow</b>	<b>-17.8</b>	<b>-2.7</b>
<b>Investing Cash Flow</b>	<b>-8.2</b>	<b>-2.0</b>
<b>Financing Cash Flow</b>	<b>-1.2</b>	<b>-1.0</b>
<b>Free Cash flow</b>	<b>-26.0</b>	<b>-4.7</b>
Cash and cash equivalents at beginning of period	92.8	109.7
Cash and cash equivalents at end of period	65.9	104.2

## Operating cash flow impacted by

- Q1/23 net results
- Inventory build-up for e-Commerce and Gaming Goes Global
- Increase in finished goods inventories to support targeted revenue growth in Q2/H2
- Decrease of trade liabilities, pertaining to goods & services delivered in Q4/22

## Investing cash flow

- Initial purchase price for Xtrfy Gaming (5.7m€)

## Financing cash flow

- Acquisition of treasury shares (1.2m€) as part of the share buy back program

# OUTLOOK FISCAL YEAR 2023 CONFIRMED – A TRANSITION YEAR

Low visibility remains in 2023 – focus on mid-term target of above 20% (adj.) EBITDA margin

IN €M/  
AS INDICATED

FY 2022

FORECAST FY 2023

Group revenue

132.5

135-165

EBITDA margin  
(adj.)

11.5%

10-14%








## GAMING

Double-digit revenue growth and a slightly higher (adj.) EBITDA margin (2022: - 0.7%)








## PROFESSIONAL

Single-digit revenue growth and a slightly lower EBITDA adj. margin (2022: 17.0%), mainly due to higher Sales & Marketing costs

### CURRENT FORECAST BASED ON:

-  Macro factors remain challenging in 2023 with high inflation, interest rates
-  Improved supply chain and no further lock-downs in China
-  Still high inventory levels at customers and distributors
-  Secular market trends sustainable (i.e. hybrid workplaces, health digitalization, gaming and e-sports)
-  Cherry starts in Q2 with internationalization project “Gaming Goes Global”
-  Expansion of c-commerce activities in the US market
-  E-health terminals and Pin-Pads strong in H2 as regulatory constraints will cease

### Profitability 2023 will be impacted by:

-  Shift in product mix – low switch sales assumed
-  Low capacity-utilization in switch production
-  2<sup>nd</sup> ULP assembly machine will start in April
-  Strong cost / OPEX management
-  Higher Sales & Marketing costs from e-commerce
-  Moderate material price increases
-  Moderate pay-rise from trade union negotiations



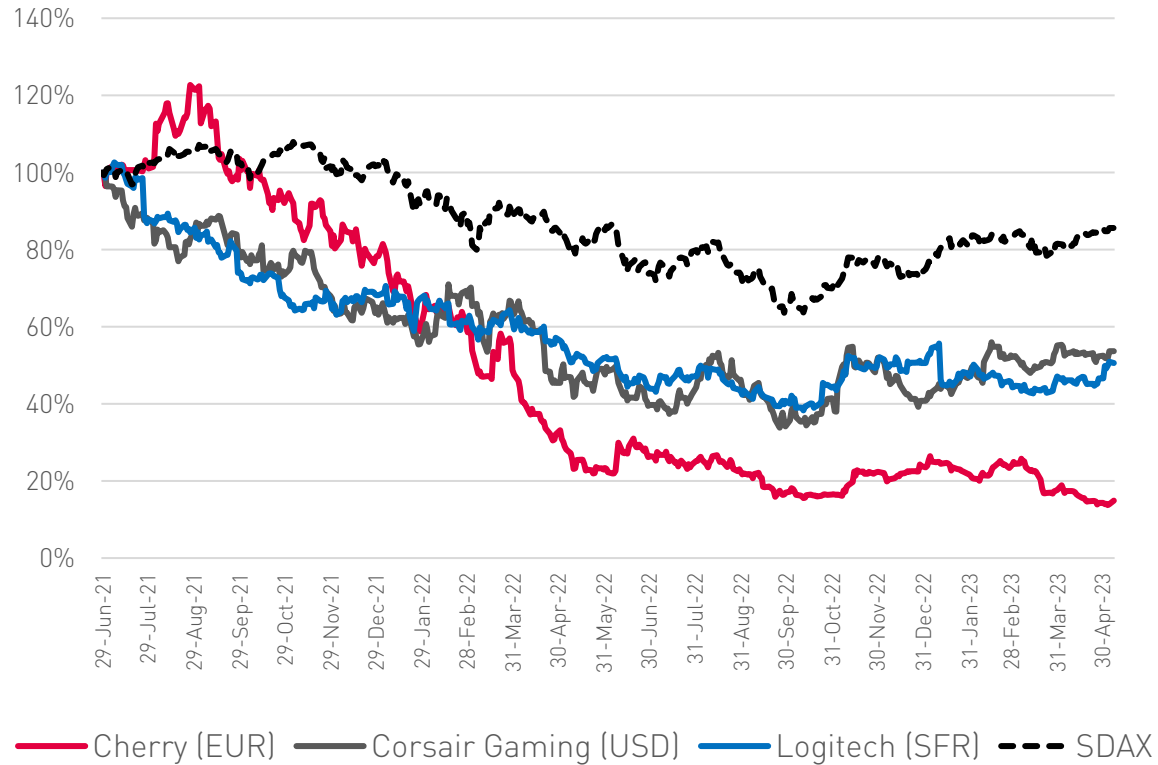
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# APPENDIX

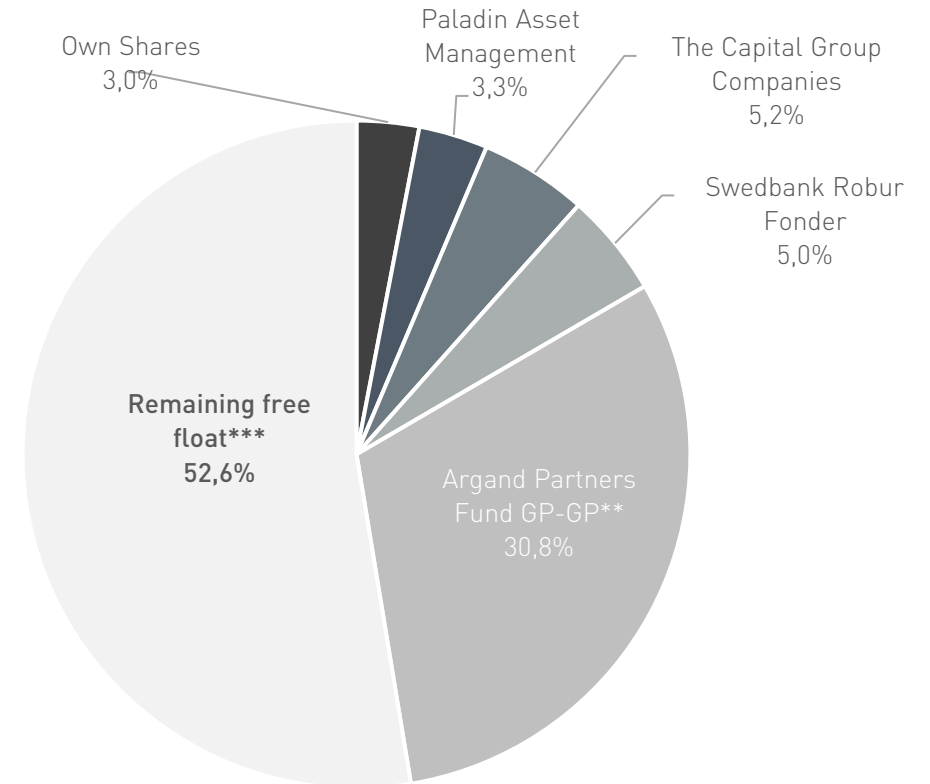


# RELATIVE SHARE PERFORMANCE & CURRENT SHAREHOLDER STRUCTURE

RELATIVE SHARE PERFORMANCE



SHAREHOLDER STRUCTURE\*



\* Information is based on voting rights notifications pursuant to Art. 40, Para. 1 of the German Securities Trading Act (WpHG).

\*\* Based on internal investor reporting to Cherry, not subject to disclosure.

\*\*\* Includes 0.3% held directly and indirectly by the members of the Management Board.

# CHERRY SHARE BUY BACK 2022

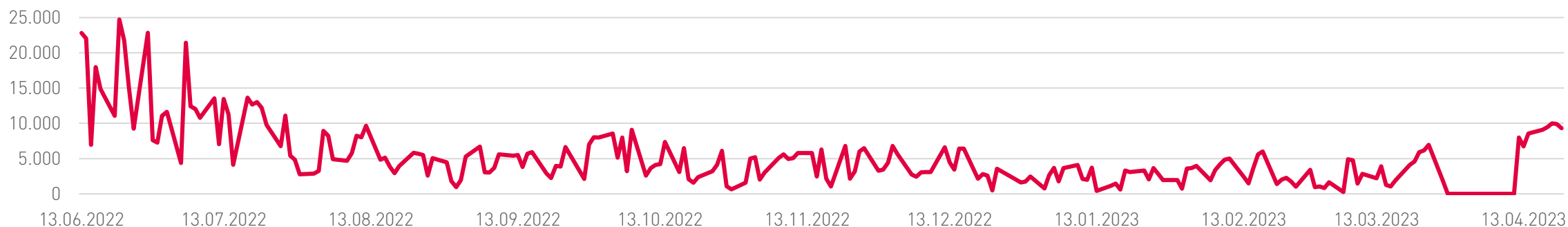
## OVERVIEW

- The Management Board has resolved on June 9, 2022, with the consent of the Supervisory Board, to launch a share buyback program using the AGM authorization of June 23, 2021.
- Within the framework of the Share Buyback Program 2022, up to a total of 2,000,000 shares (corresponding to up to 8.2 % of the existing share capital of the Company) may be repurchased
- from June 13, 2022, to June 30, 2023,
- at a total purchase price (excluding incidental acquisition costs) of a maximum of EUR 25.0 million
- up to a price cap of EUR 14.00 per share.

## STATUS AS OF MARCH 31, 2023

Period	No. of shares purchased	Average price (in€)	Purchased volume (in€)
Q2/22	215,318	9.0457	1,947,711
Q3/22	434,894	7.5458	3,281,642
Q4/22	256,905	6.1301	1,574,849
Q1/23	170,843	7.1235	1,217,002
<b>Cumulated</b>	<b>1,077,960</b>	<b>7.4411</b>	<b>8,021,205</b>

## DAILY NO. OF SHARES REPURCHASED





# FINANCIAL CALENDAR 2023

DATE	EVENT
January 5/6	ODDO Forum
February 8	Hamburger Investorentag (HIT)
March 2	Metzler Small- and MicroCap Days
March 10	ODDO TMT
March 30	Annual report / consolidated financial statements FY 2022
May 15	Interim report for Q1 2023
May 15	Equity Forum
May 17	Annual General Meeting
June 16	Warburg Highlights
August 14	Half-year report 2023
September 4/5	Equity Forum
September 18/19/20	Berenberg Flagship German Corporate Conference
November 15	Interim report for Q3/9M 2023
November 16	Münchner Kapitalmarkt Konferenz

# FORWARD LOOKING STATEMENTS

## Disclaimer

This presentation contains forward-looking statements. These statements are based on the current views, expectations and assumptions of the management of Cherry AG and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those described herein due to factors affecting Cherry AG such as, among other things, changes in the general economic and competitive environment, capital market risks, currency exchange rate fluctuations and competition from other companies, and changes in international and national laws and regulations, in particular with respect to tax laws and regulations. Cherry AG does not assume any obligation to update any forward-looking statements.

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## Market & Industry Data

This presentation also contains estimates and other statistical data made by independent parties and by the Company relating to the Company's industry, the Company's business and the market for the Company's products and its future growth. This data involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. In addition, projections, assumptions, and estimates of the Company's future performance and the future performance of the market for its products are necessarily subject to a high degree of uncertainty and risk.

## General remark

Figures may not add up due to rounding.

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# THANK YOU FOR YOUR ATTENTION

Cherry SE  
Dr. Kai Holtmann | Head of Investor Relations

Rosental 7 c/o Mindspace | 80331 Munich, Germany

Postal address  
Cherrystrasse 2 | D-91275 Auerbach, Germany

E-Mail [kai.holtmann@cherry.de](mailto:kai.holtmann@cherry.de)  
Tel. +49 175 1971503  
Fax +49 9643 20 61 900  
Internet <https://ir.cherry.de>

