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## WARBURG HIGHLIGHTS

June 15, 2023

# CHERRY MISSION

CHERRY continually strives to learn and create value. We provide responsibly developed hardware, software & cloud-services, enabling efficient, creative design in the digital world.



# VISION & STRATEGIC FOCUS

## VISION

We enable people to advance into and scale the **digital world** to maximize performance, creativity, and interaction across the digital value chain.

## STRATEGIC FOCUS

- Combination of **profitable organic** & **strategic non-organic** growth
- Leverage **digitization** of German **healthcare sector** to introduce platform-based **SaaS business model** with recurring revenues
- **Expand and internationalize** CHERRY's **premium market position** in gaming with the rapid global spread of e-sports activities and the global "work-from-anywhere" trend
- Keep the CHERRY business model "asset-light"

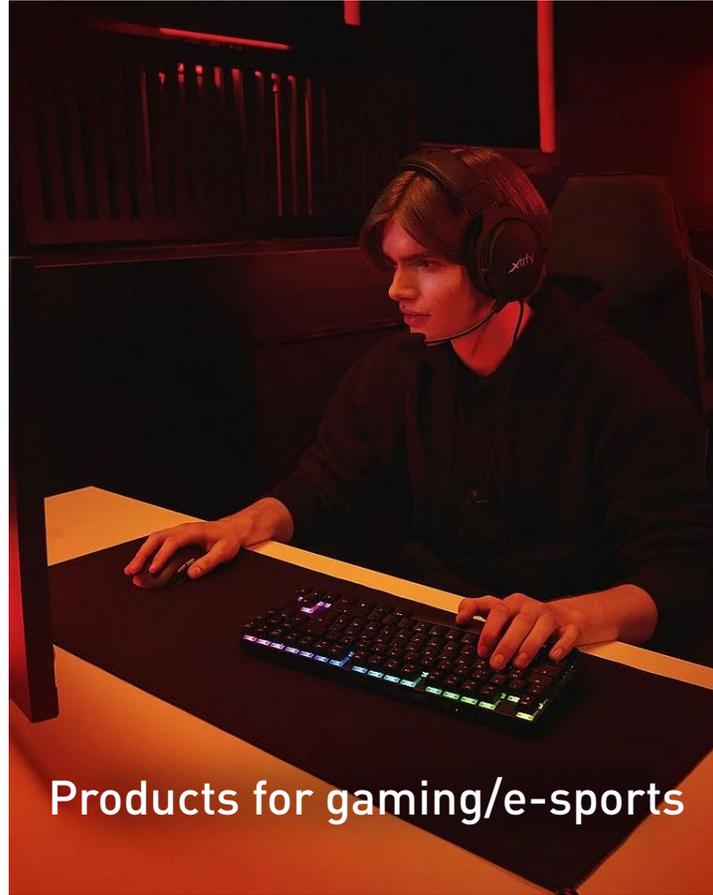


# CHERRY LEGACY

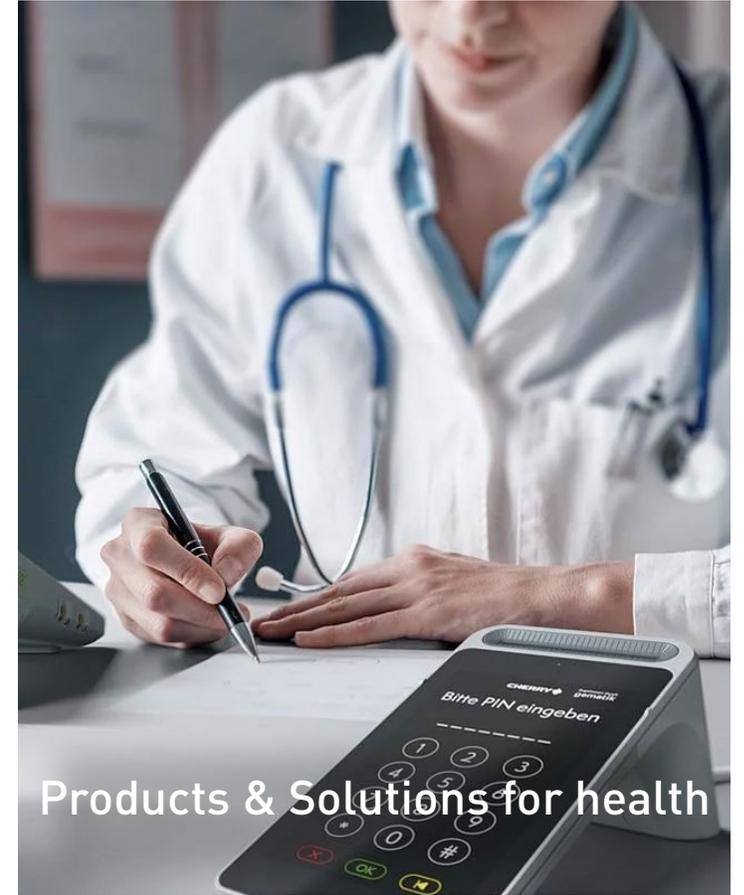
TOUCH IT. FEEL IT. LOVE IT.



Products for business

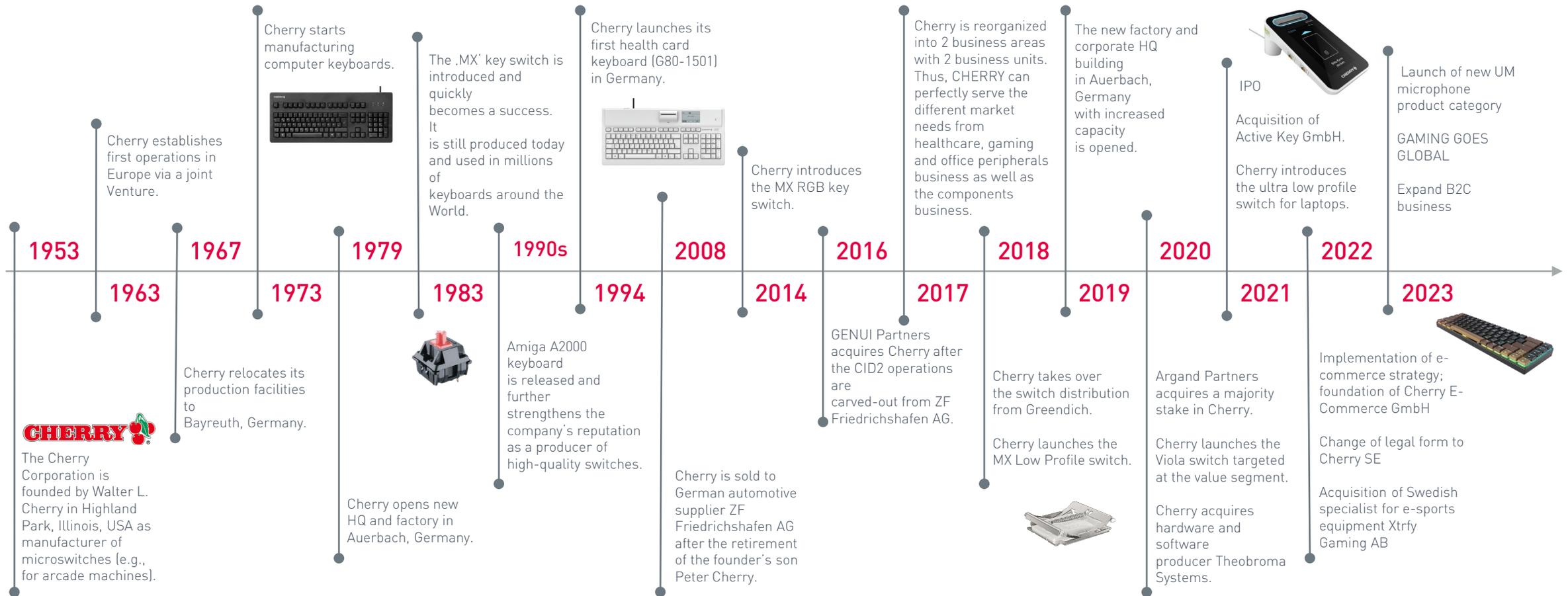


Products for gaming/e-sports



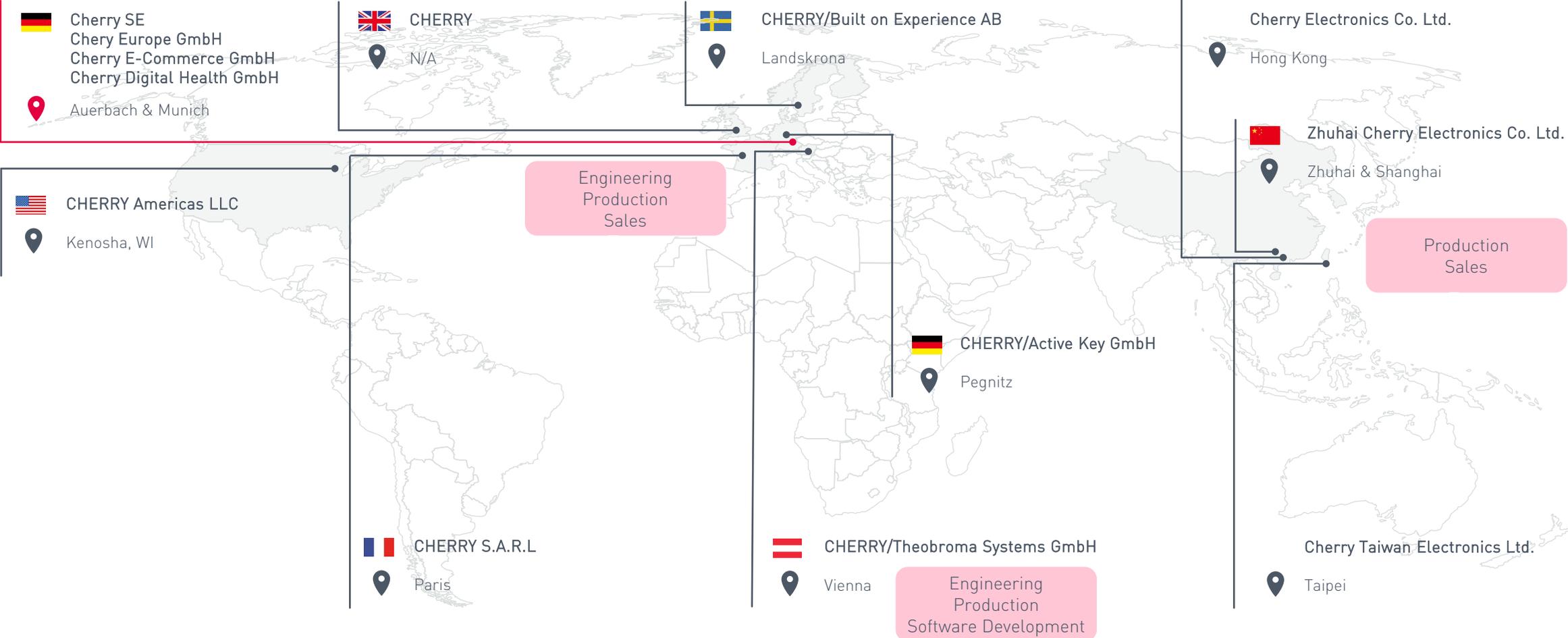
Products & Solutions for health

# CHERRY LEGACY – 70 YEARS OF RELEVANCE & TRANSFORMATION



# CHERRY GLOBAL FOOTPRINT

With satellite hubs and highly automated production



# INTRODUCTION OF OUR BUSINESS AND STRATEGIC OUTLOOK

Innovative and high-quality products that are specially developed for specific customer needs

GAMING

PROFESSIONAL

Switch business

Peripherals for gaming/e-sports & office use

Health & security

## Components

Keyboard Switches / Notebook Switches



## Gaming Devices

Keyboards / Mice / Headsets



## Peripherals

Keyboards / Mice / Microphones



## Digital Health & Solutions

E-health terminals / encryption & disinfection devices



Successful positioning of business activities in core markets along major global trends.



70 YEARS

CHERRY

# INNOVATION AND TRANSFORMATION

Business development on the foundation of mega trends and the CHERRY Legacy



## Gaming / e-sports

- > 3bn. Gamers worldwide
- Individualization trend
- Mindset with Start-up-Logic



## Work-from-anywhere

- > 2/3 Germans prefer hybrid workplaces
- Up to 80k daily keystrokes for Creators
- Enormous sales potential via e-commerce



## Healthcare digitization

- > 70% market share in new HW sales
- E-health PIN pad required in future
- Scalability via cloud-based SaaS-offering

# STRATEGIC OUTLOOK

1. 2023 – A TRANSITION YEAR	2. DIGITAL TRANSFORMATION	3. SUBSCRIPTION BASED RECURRING REVENUES	4. INTERNATIONALIZATION
5. OEM	6. M & A	7. PEOPLE & CULTURE	

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

# 1. 2023 – A TRANSITION YEAR (1/2)

CHERRY HAS UNDERGONE SEVERAL CHANGES IN ITS OWNERSHIP STRUCTURE IN RECENT YEARS.

- Change from one private equity partner to another.
- IPO in the summer of 2021.
- Subsequent change in legal form to an SE.



Ongoing changeover from manual, partly personnel-based individual solutions in the planning and process organization



To change and strive for improvement is living part of the DNA of the Cherry organization in a dynamic world.

# 1. 2023 – A TRANSITION YEAR (2/2)

CAPITAL MARKET READY: ESTABLISHED PROCESSES, WORKSTREAMS AND CULTURE AS "C3RY".

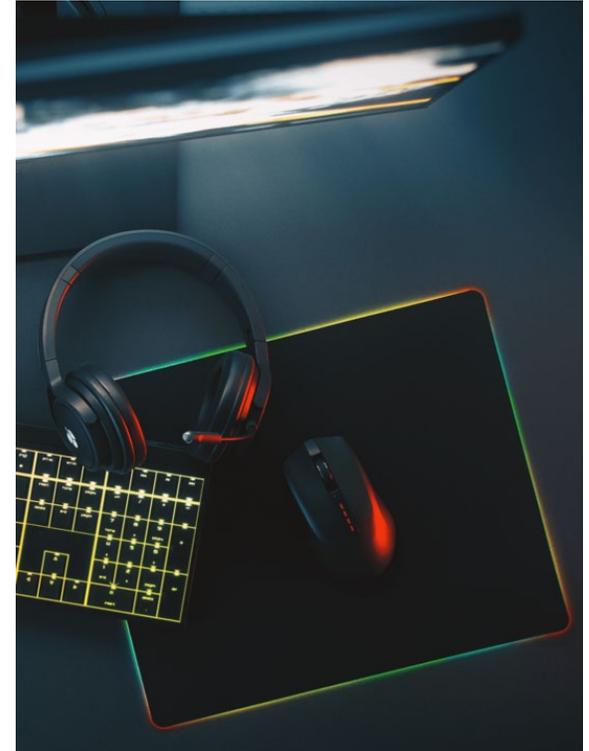
- optimization fundamental processes:
  - Market analysis and assessment
  - Sales planning and control
  - Production planning and control
  - Finance, accounting and controlling

SIGNIFICANTLY INCREASED SPEED OF A TECH COMPANY IN THE ORGANIZATION.

- Improved operational processes by consistently converting international sales to Salesforce.
- Seamless interaction between Sales-Supply and Chain-Finance based on a new system.



Achieving greater overall resilience and precision in our business and economic processes



It is our clear conviction that CHERRY has great potential to leverage its hardware base. We see a combination of profitable, organic, and strategic non-organic growth in our medium-term planning.

## 2. CHERRY'S FUTURE IS DIGITAL

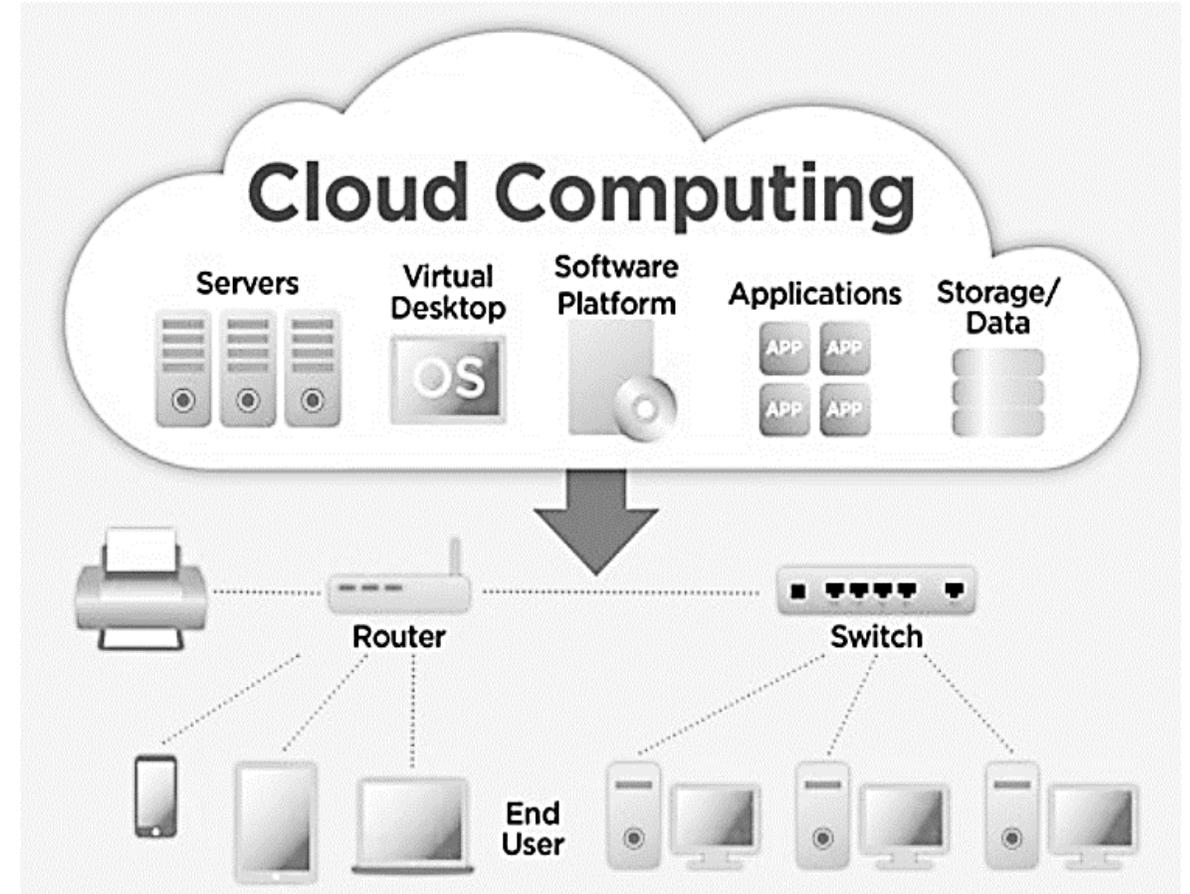
### KEY PARAMETERS IN DIGITAL TRANSFORMATION ERA

A reversed development process:

- Hardware remains an important part of the triad with software and cloud services.
- Vice versa, cloud services determine the hardware requirements.

Recurring revenue models become a dominating business model mostly based on “subscription”.

- These developments have been manifested for years.
- Consequently, CHERRY is evolving from a hardware into a hardware, software and cloud services company.



# 3. SUBSCRIPTION BASED RECURRING REVENUE

About the attractiveness AND RELEVANCE of business models with recurring revenues

## THE SUBSCRIPTION MODEL: A RELEVANT BUSINESS MODEL FOR CHERRY WITH RECURRING SALES

### BENEFITS & ASPECTS TO CONSIDER

- The **recurring component** of these business models consists accordingly in the **regular renewal** or **extension** of the subscription.
- The **installed base** (hardware and software base) is defined by the number of **users** or **subscribers**.
- The **attractiveness** of such a business model depends very much on the strength of the so-called "**lock-in**" **effect**. Opt out instead of opt in.
- Nevertheless, **subscription models** can also be attractive if they either contain a **differentiated offer** or are integrated into an **automated system**.

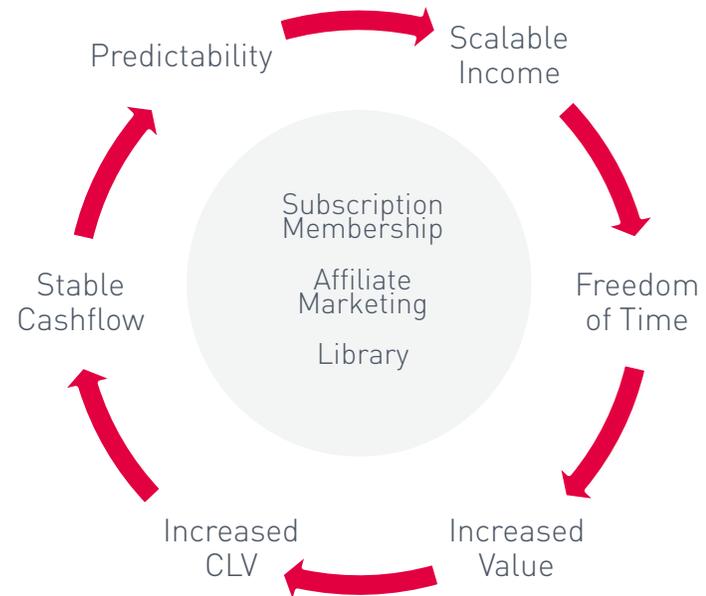
Subscription models for our software solutions are particularly attractive for our Digital Health & Solutions business.



### 3. SUBSCRIPTION BASED RECURRING REVENUE

SOME OF THESE PROPERTIES ARE PARTICULARLY RELEVANT REGARDING POTENTIAL FUTURE VALUE CREATION OF CHERRY

- Low working capital requirements
- ROI on the installed basis
- Low capital intensity
- Positive network effects
- Stable and easy-to-predict earnings
- Building a valuable and value-enhancing user community



# 3. RECURRING REVENUES FOR CHERRY

A closer look at the individual characteristics



## Increased Customer Lifetime Value

- One-time purchases require additional marketing effort and expense to re-acquire customers multiple times.
- In a recurring model, customers are more likely to engage with you for a longer period shifting the focus to customer retention.



## Negative working capital

- Sales are typically converted to cash much more quickly than is the case with traditional business models.
- This results in comparatively higher cash flow levels.



## Low capital intensity

- Software companies can usually deploy a new product update more or less at the push of a button.
- This creates new premium offers quickly and easily.



## Positive network effects

- Business models with service offers and service contracts usually benefit from positive (local) network effects.
- This is a competitive advantage that - if properly managed - can be considered very sustainable.



## Stability in cyclical sectors

- High proportions of recurring sales increase the stability of sales and earnings.
- More predictability of cash flows.

# 4. INTERNATIONALIZATION: E-COMMERCE AS STRONG DRIVER



## 4. INTERNATIONALIZATION ON TRACK

### Country Expansion, Multi-channel approach and Partnerships

#### Direct business on 3 continents with 30 countries covered

##### Country Expansion and deepening sales lines

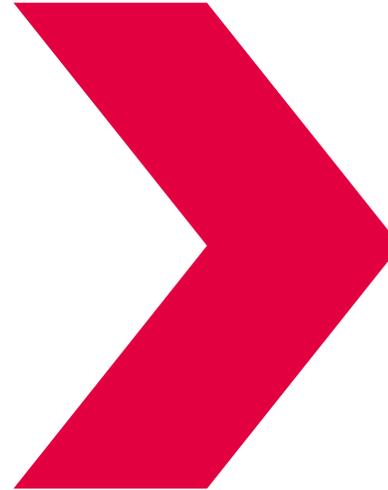
- deepening our sales lines in the major markets besides German-speaking markets, the United States and China
- broadening our sales lines in Central Europe with focus on France and the UK, Benelux, the Nordic countries, Italy, and Spain,
- as well as Korea and other Asian countries.

##### Multi-channel approach in a B2B and B2C company

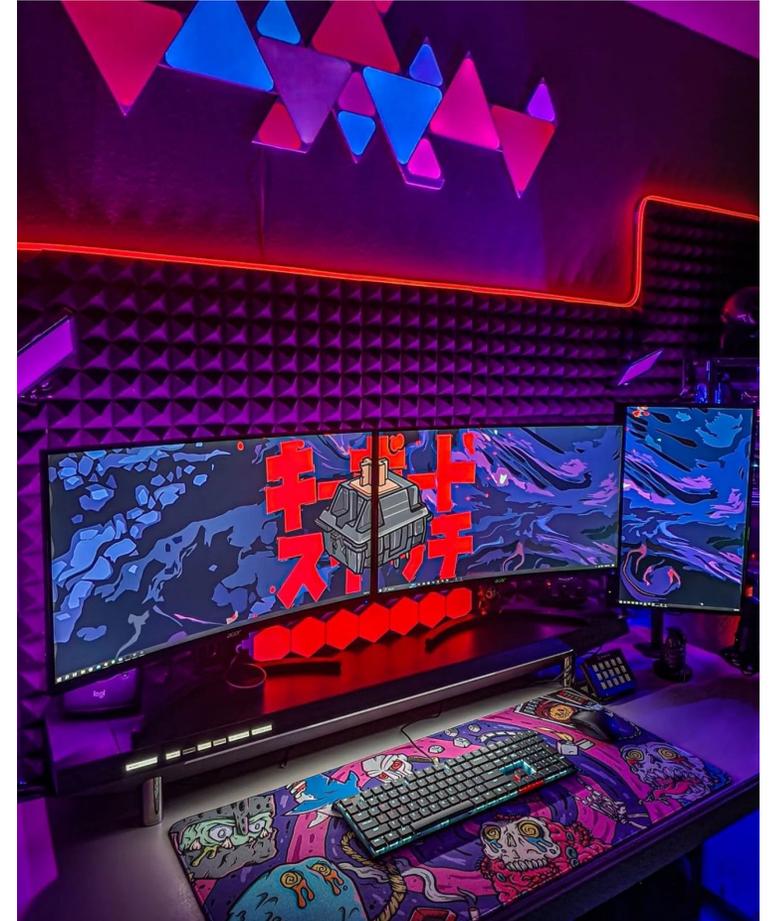
- further strengthening multi-channel sales and targeted additions to our product portfolio.

##### B2B – Direct Partnerships & Distribution Partnerships

- B2C – Direct Retail & e-Commerce & Distribution Partnerships & Sub-Distribution Partnerships.



These global markets promise strong demand for our high-quality products in the peripherals and gaming business.



## 4. INTERNATIONALIZATION

Global direct business and converged B2C and B2B e-commerce

### E-Commerce – Relevance in B2B

#### Expectations on B2B customer experience

- B2B customers today expect the customer experience that they also know from their private lives.
- The promise of “anytime and anywhere” familiar from B2C retail should now also be kept in B2B trade.

#### “Global B2B Pulse” study by McKinsey & Company shows:

- around 2/3 of shoppers in companies want digital options for customer care or digital self-service.

### E-Commerce – Relevance in B2C

#### Long term growth potential

- In our B2C business, we see our e-commerce activities accounting for more than 25% of our sales in the activated sales channels in the long term.



At CHERRY, we are investing in the successive expansion of our e-commerce activities. Platforms such as amazon in the USA and Europe are supplemented by online social media platforms such as TikTok, JD and others in China and Asia.

## 4. XTRFY ACQUISITION IN LIGHT OF “GAMING GOES GLOBAL”

### 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:  
Two well-renowned brands within the gaming industry join forces
- **Digital first sales approach** w/ FR, DE, UK, US market launch in Q2/23
- Total of **30 national markets** to be covered by Cherry



### KEY FACTS OF THE XTRFY GAMING AB ACQUISITION

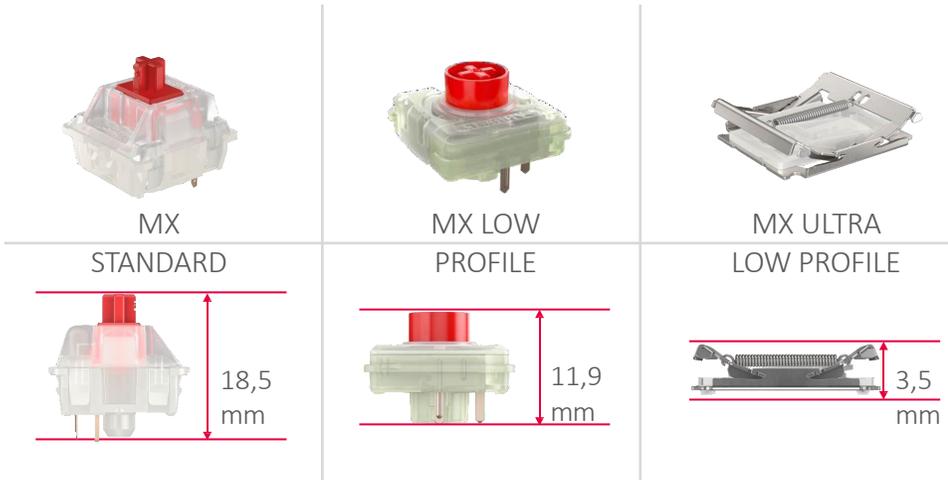
- **€ 7m. revenue in FY 22** w/ profitability similar to Cherry SE
- Enterprise value represents 1x revenue FY22E and 7x EBITDA FY22E
- Mid single-digit €m. purchase price, thereof ca. 1/3 treasury shares
- Excellent cultural fit with management team / increase in diversity



# 5. COMPONENTS – SWITCHES GOES OEM

From indirect business to direct business

Quality leader for Mechanical Switches



Disadvantages of our current indirect business model as an order taking fulfilling company for the so-called ODMs/ODRs:

- CHERRY is only a supplier, not a top premium brand
- CHERRY can be found on the feature and price lists of the ODMs.
- ODMs decide whether CHERRY is relevant or not.
- No direct access to market trends and developments.
- No strategic product planning.
- Constant price dumping.
- OEMs don't know anything about CHERRY's innovations like MX2 / ULP.

Exclusive and patented switch design

Maximum precision and perfect function

Highly precise and extremely reliable gold crosspoint contact system

Special choice of materials

It is our goal to position CHERRY as a global OEM partner for innovative components and keyboards.

# 5. COMPONENTS – THE 180-DEGREE REVERSAL OF CHERRY

*Indirect business until 2022*



Supplier Base  
ODM / ODR



Black Box  
OEM

*Direct business from 2023*



1st Tier Partner



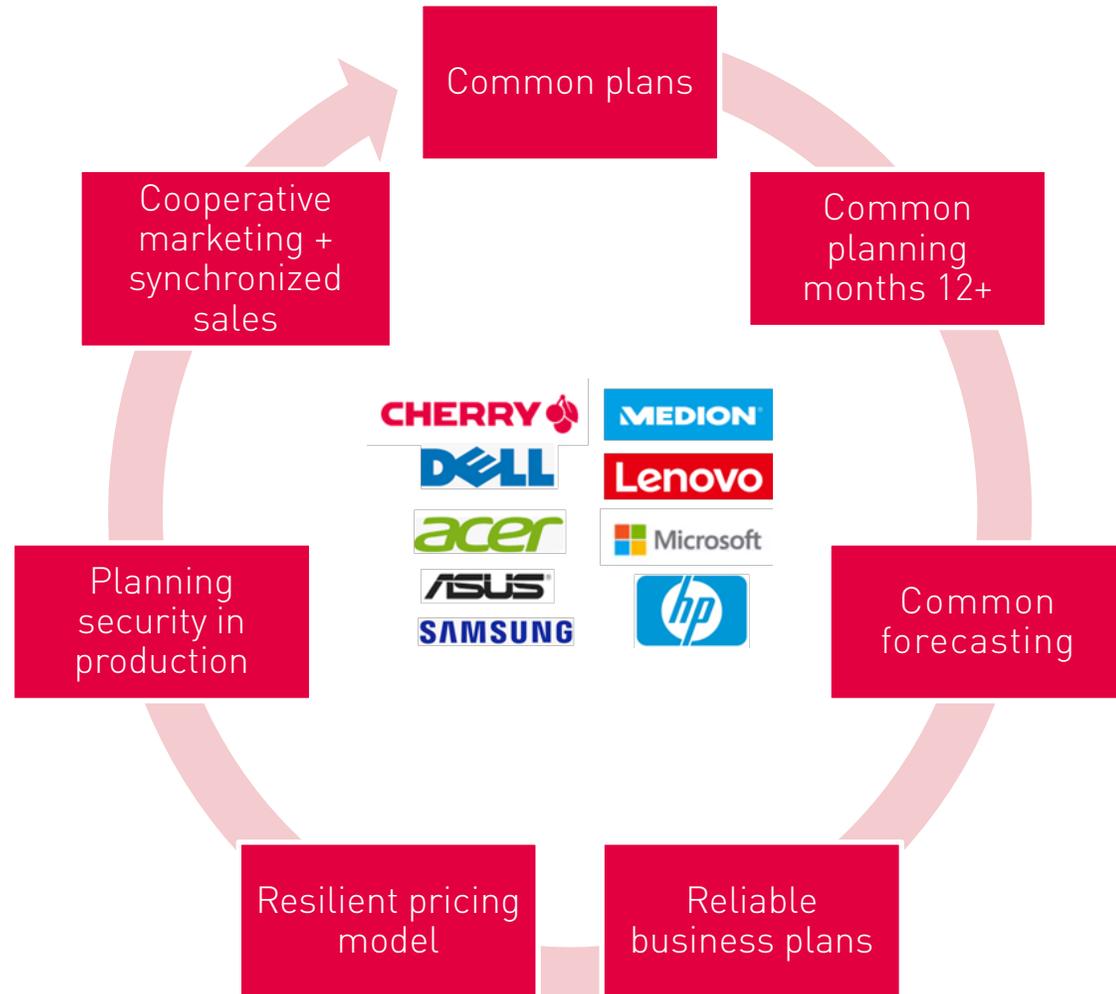
2nd Tier Partner  
ODM / ODR

Becoming a **global OEM partner**

for innovative components and keyboards means nothing less than the 180-degree reversal of CHERRY's previous business model in the "Components" segment.

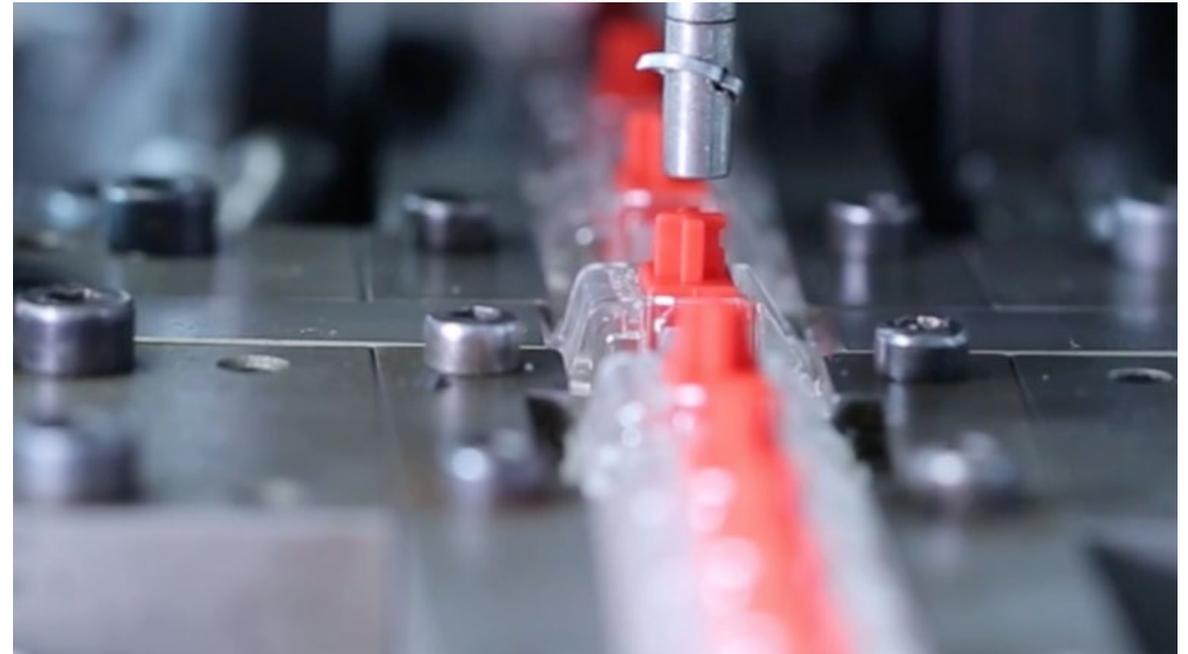
# 5. COMPONENTS – SWITCHES GOES OEM

From indirect business to direct business



## Our extra opportunity

OEM brands are trying to reduce their dependence on China for sourcing and production and are looking for production sites in Europe.



## 6. M&A ACTIVITIES

One principle in our M&A activities is that the assets must directly create content, technology and value

### THE MEDICAL SECTOR IS FACING MAJOR UPHEAVALS WORLDWIDE

- The internal and external systems are in the process of being **converted into digital solutions** in both B2B and B2C.
- Same time, the medical sector is based on **very high standards** of security, data management and the handling of sensitive patient data.
- For this reason, the **competitive entry hurdles** can be described as "very high".

### CHERRY IS HERE IN A VERY GOOD POSITION:

- We meet the **relevant requirements** in the certification of products and services, hygiene requirements and ensuring the compliant use of data.
- We have a **significant market share** and a **high installed basis**.
- The CHERRY "Digital Health & Solutions" business unit is **well suited to be quickly developed further via M&A transactions**
  - to add software and other cloud-based Software-as-a-Service offers to the established basis of e-health terminals and certified PIN pads.



With M&A transactions, we can expand our market presence at an early stage in order to make the business model **highly scalable**.

## 6. M&A ACTIVITIES

Expanding our market presence at an early stage in order to make the business model highly scalable

### Requirements of the addressable targets

Market-ready and sales-relevant digital products and services

Strong IP portfolio

Secured development pipeline

Top class founder team

Top class development team

High integration potential of the business model, the teams and the developments

Direct sales activation

Resilient deal pipeline



## 6. M&A ACTIVITIES

Make a vision of the future concretely realizable.

### CHERRY IS AN EXPERIENCED M&A COMPANY.

The acquisitions of Active Key and Theobroma in the "Digital Health" business unit and XTRFY in the "Gaming Devices" business unit have made the following aspects verifiable:

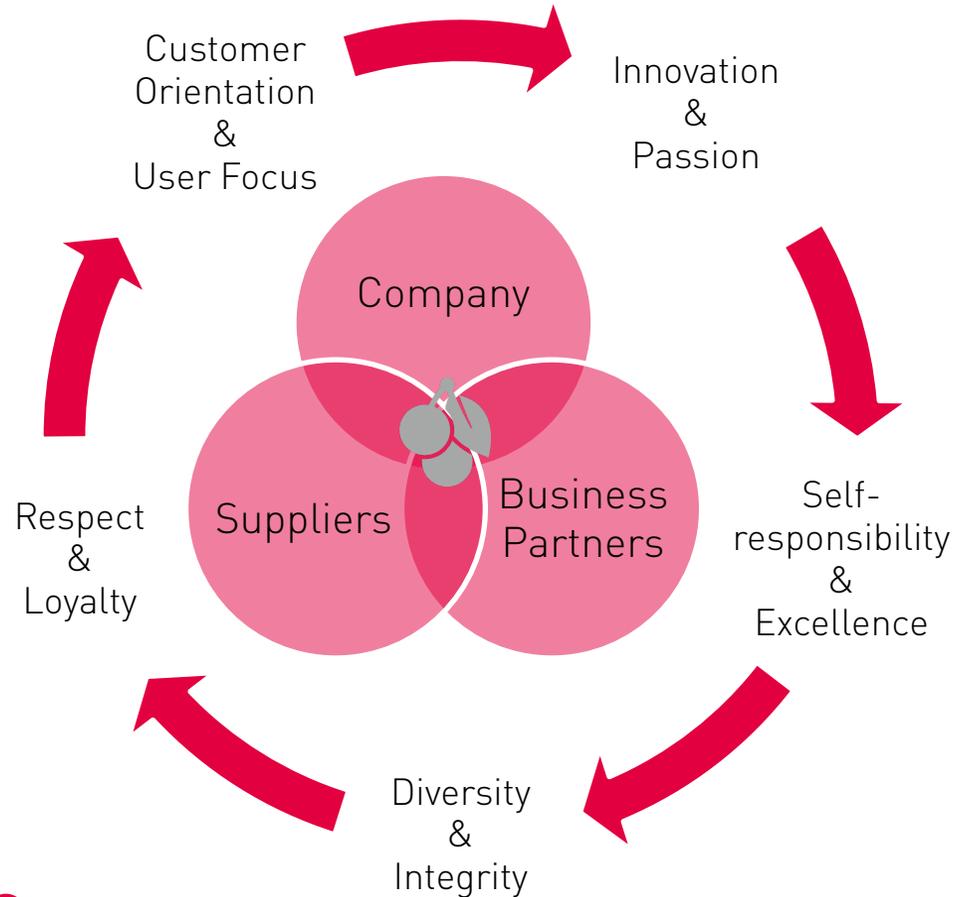
- Cherry is an attractive takeover company for other companies.
- We integrate these assets into our business, with technical, workflow and cultural processes almost seamlessly.
- We are leaving the brand essence of these companies with the aim of further developing the CHERRY platforms in full.
- We ensure that integrated companies meet the corporate objectives immediately after acquisition.
- We avoid sales or profit losses in the ramp-up phase.



# 7. PEOPLE & CULTURE

Introduction of a new work culture

## CHERRY AS A VALUE-BASED EMPLOYER AT THE VERGE OF CULTURAL TRANSITION



## CHERRY AIMS TO CREATE A MODERN FRAMEWORK AS A FUTURE ORIENTED COMPANY AND FORERUNNER

Social trends.	Culture.	Individuality.	Corporate Responsibility.	Working environment.
Hybrid Work.	Satellite Hubs.	Teampay.	Respect.	Communication.
Dialogue.	Campus Spirit.	Transparency.	Leadership.	Trust.
Information Flow.	Agility	Sustainability	Diversity.	Motivation.

# 7. PEOPLE & CULTURE

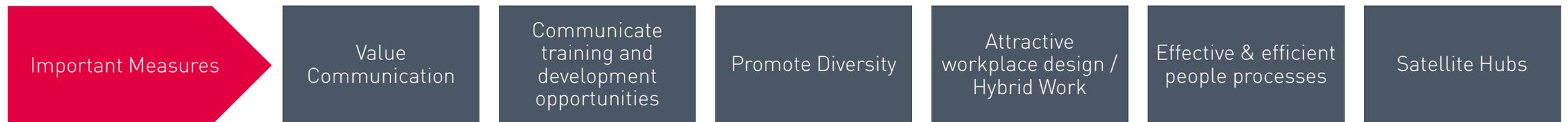
New role for HR: Cultural development of CHERRY as an employer

HR'S REMIT IS CHANGING AS PART OF CHERRY'S FUTURE STRATEGY.

HR therefore becomes "People & Culture".

People & Culture as...

- **Shaper** of the transformation towards being a listed pioneer TECH Company with an attractive & positive culture
- **Ambassador** of the company culture
- **Driver & Explainer** of the necessary organizational changes



# 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



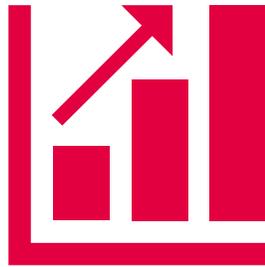
Scalable production  
base



Solid financial profile

# OUTLOOK 2023

Current fiscal year as transition and consolidation year



## Revenue

€ 135 to 165 mn.



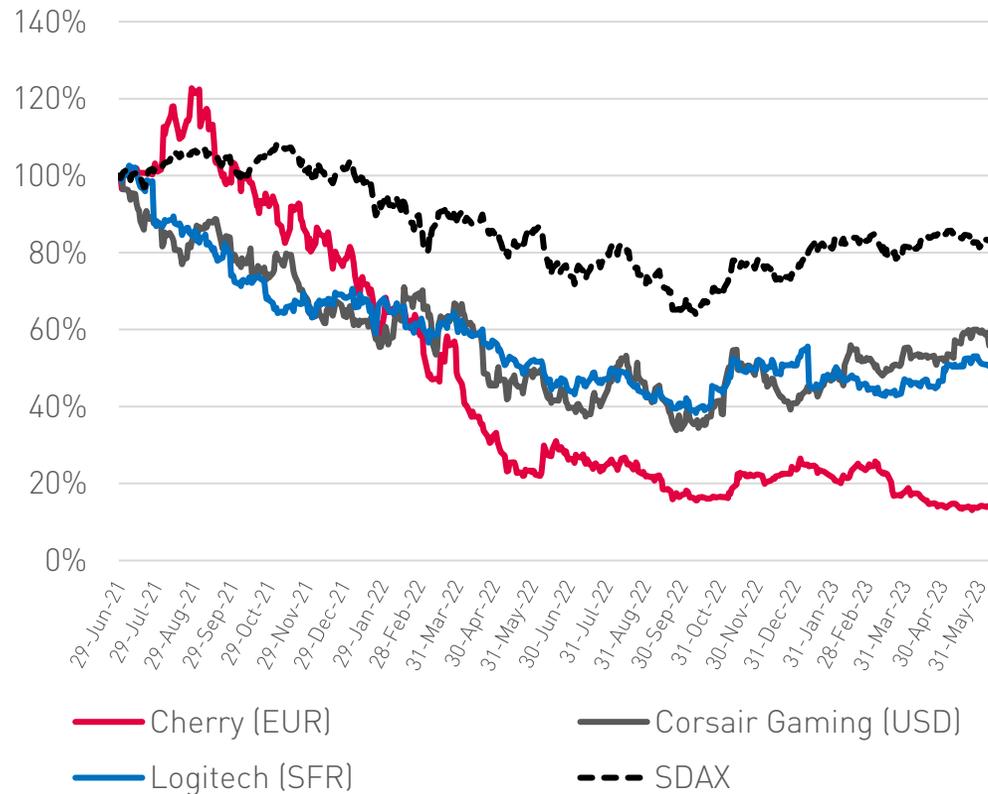
## EBITDA margin

10% to 14%  
(adjusted)

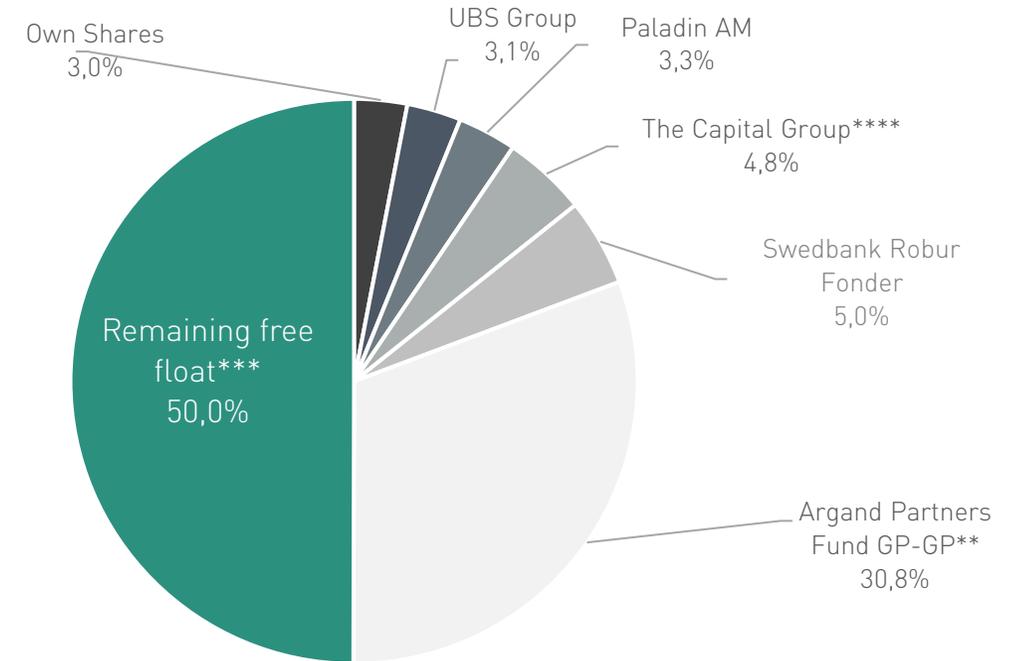
- **GAMING**  
Double-digit revenue growth and a slightly higher (adj.) EBITDA margin (2022: - 0.7%)
- **PROFESSIONAL**  
Single-digit revenue growth and a slightly lower EBITDA adj. margin (2022: 17.0%), mainly due to higher Sales & Marketing costs
- **Medium-term outlook: Return to an adjusted EBITDA margin at Group level of over 20%**

# 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.

\*\*\*\* Includes 0.3% Rights to recall lent shares of Common Stocks.

# CHERRY SHARE BUY BACK 2022

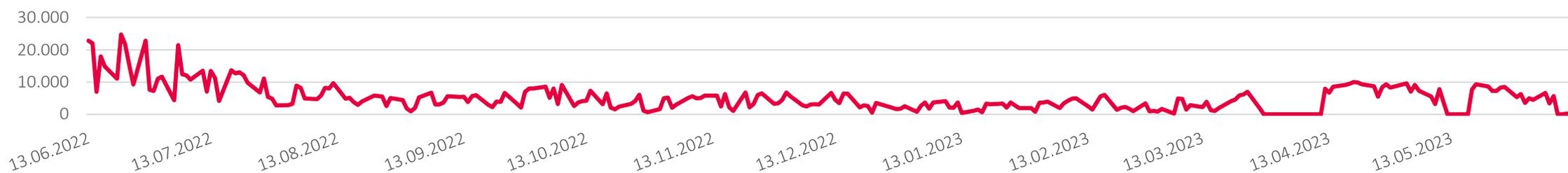
## OVERVIEW

- 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	Münchener 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.

The information contained in this presentation is for background purposes only and does not purport to be full or complete. No reliance may be placed, for any purpose, on the information contained in this announcement or its accuracy or completeness. The information in this presentation is subject to change.

## 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

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