



---

36. MKK – MÜNCHNER KAPITALMARKT KONFERENZ

November 16, 2023

# MARKET RELEVANCE BASED ON 70 YEARS LEGACY

Business development on the foundation of global mega trends



## Gaming / eSports

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



## Work-from-anywhere

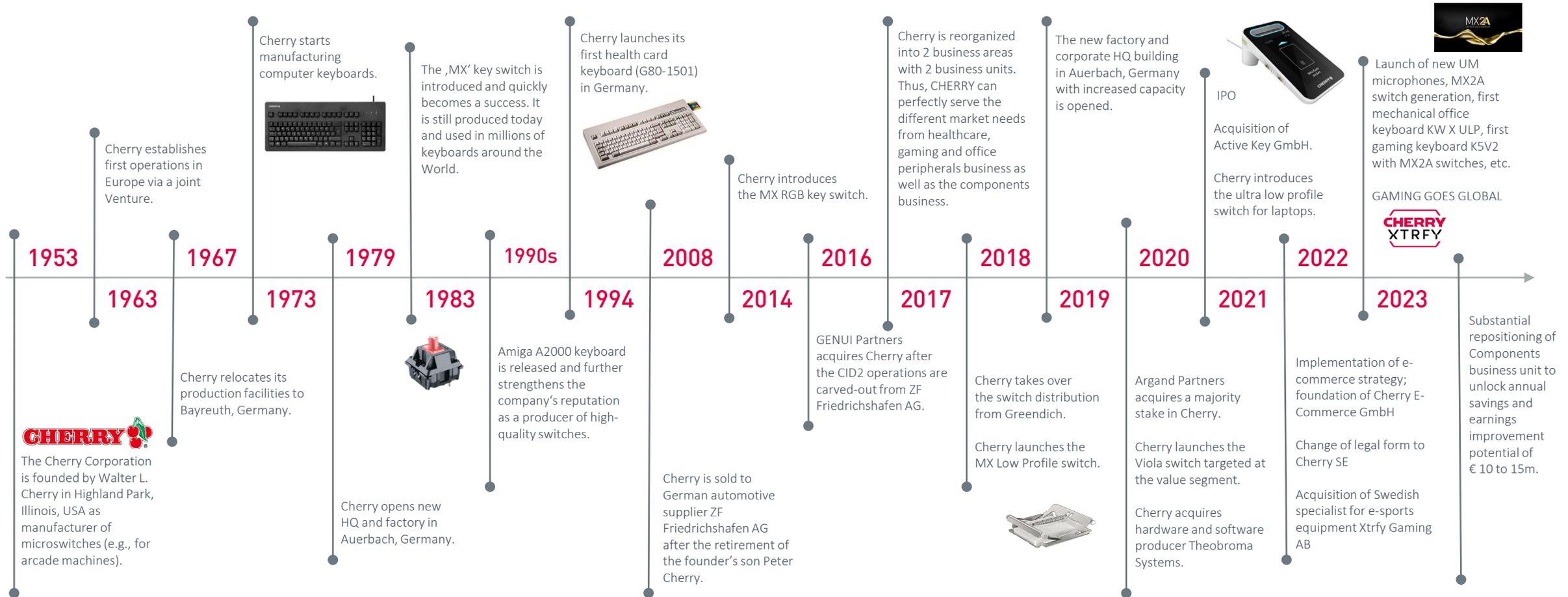
- > 2/3 Germans prefer hybrid workplaces
- Up to 80k daily keystrokes for Creators
- Enormous sales potential via eCommerce



## Digital Healthcare

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

# CHERRY – 70 YEARS OF RELEVANCE, TRANSFORMATION & INNOVATION



# VISION & MISSION

## VISION

WE ENABLE PEOPLE TO JOIN THE DIGITAL WORLD

WIR SCHAFFEN DEN ZUGANG ZUR DIGITALEN WELT

## MISSION

Solution-driven and customer focused, CHERRY continually strives to learn and create. We are inspired to provide responsibly developed products. Hardware, software & cloud-services, enabling efficient and reliable participation in the digital world.

Durch Inspiration und Innovation schafft CHERRY kundenorientierte Lösungen. Wir entwickeln effektive, benutzerorientierte und marktführende Produkte, Hardware, Software & Cloud-Services, zur Teilnahme an der digitalen Welt.

# CHERRY MANAGEMENT BOARD



Oliver Kaltner - CEO

Experienced CEO with proven track record in IT, digital, consumer electronics and branded companies, both in large corporations and small/mid caps and start-ups.



Mathias Dähn - CFO

Extensive management experience in finance functions such as auditing and controlling and CFO positions at various listed companies.



Udo Streller - COO

> 20 years of management experience in operational excellence, including constructing and managing factories, R&D, product management, supply chain management procurement.

# STRATEGIC FOCUS 2023

## 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** with the rapid global spread of **eSports** activities and the global **“work-from-anywhere”** trend
- Keep the CHERRY business model **“asset-light”** and regain above-average **profitability**



## CORE TARGETS

- Operational Excellence
- Steering, not Controlling

# INTRODUCTION OF OUR BUSINESS AND STRATEGIC OUTLOOK - B2B2C

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

GAMING

PROFESSIONAL

Switch business

Peripherals for gaming and (hybrid) office

Health & security

## Components

Keyboard Switches / Notebook Switches



## Gaming Devices

Keyboards / Mice / Headsets



## Peripherals

Keyboards / Mice / Microphones



## Digital Health & Solutions

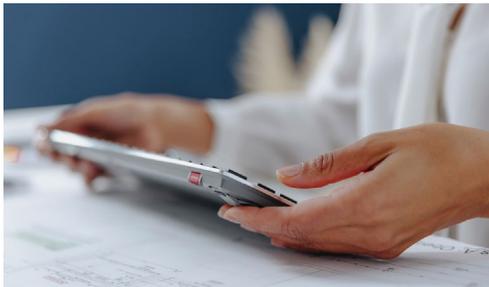
E-health terminals / encryption & disinfection devices



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

# CHERRY LEGACY

TOUCH IT. FEEL IT. LOVE IT.



Gaming Devices  
Keyboards / Mice / Headsets

GERMAN DESIGN AWARD SPECIAL 2022

CHERRY XTRFY

GERMAN DESIGN AWARD WINNER 2022

redot winner 2022

Peripherals  
Keyboards / Mice / Microphones

GERMAN DESIGN AWARD SPECIAL 2023

GERMAN DESIGN AWARD WINNER 2022

CHERRY

High-end peripherals for Gaming/  
eSports, Creators and (hybrid) Office

# INTERNATIONALIZATION ON TRACK

Country expansion, multi-channel approach and various partnerships leverage strong growth potential

## Direct business on 3 continents with 30 countries covered

- Country expansion and deepening sales lines in the major markets outside of 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 as a B2B and B2C company

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

## B2B – Direct Partnerships & Distribution Partnerships

## B2C – Direct Retail & eCommerce & Distribution Partnerships & Sub-Distribution Partnerships.



At CHERRY, we are investing in the successive expansion of our eCommerce 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.

# INTERNATIONALIZATION: E-COMMERCE AS STRONG DRIVER

Increasing global brand awareness of end consumers through a variety of online platforms and market-places



# RECENT PRODUCT RELEASE HIGHLIGHTS – PORTFOLIO OPTIMIZATION

New product innovations in peripherals serve as ambassadors for latest CHERRY switch technology



## CHERRY KW 7100 MINI BT keyboard – ready for use anywhere

- Multi-device function without a dongle, featuring our precise CHERRY SX scissor mechanism
- Comes with a carrying case made of environmentally friendly recycled plastic

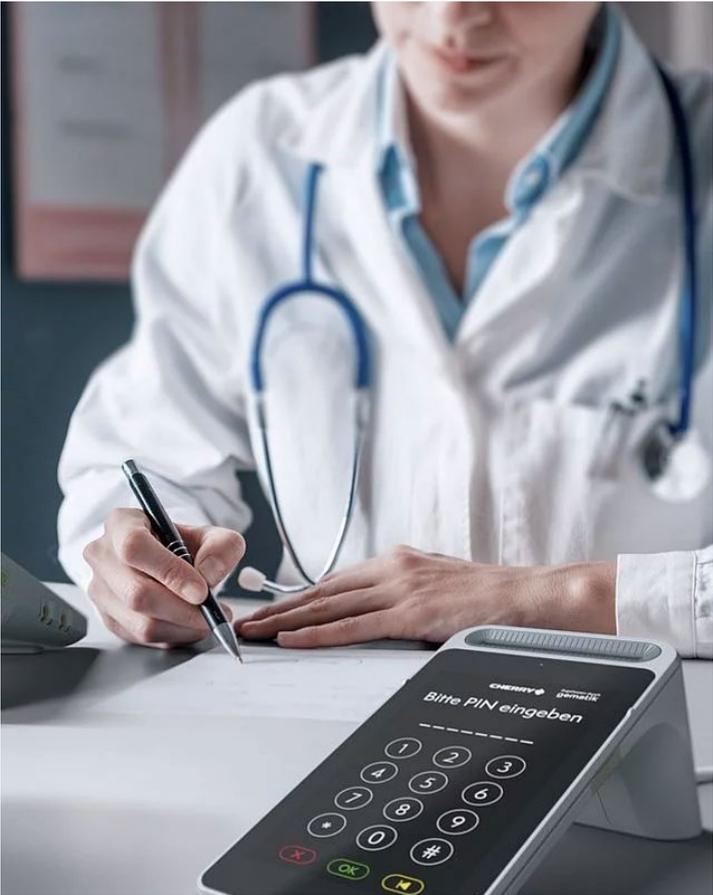


## CHERRY XTRFY K5V2 - first gaming keyboard with CHERRY MX2A

- Global market introduction of one of the most customizable 65% mechanical gaming keyboards in the world in August at Gamescom 2023 (ETA: Q1 2024).
- Based on the popular K5 keyboard, it will feature hot-swappable CHERRY MX2A Red switches, pre-lubed PCB-mounted stabilizers as well as double layers of sound-dampening foam and super-scan technology for instant response.

# CHERRY LEGACY

TOUCH IT. FEEL IT. LOVE IT.



Digital Health & Solutions  
E-health terminals /  
encryption & disinfection devices

theobroma SYSTEMS  
A CHERRY COMPANY

ACTIVE KEY  
A CHERRY COMPANY

CHERRY

Driver & enabler for  
healthcare digitalization

# 5 PILLAR STRATEGY OF CHERRY DIGITAL HEALTH & SOLUTIONS

Expanding portfolio, revenue sources, and geographic footprint – enabling digital transformation by M&A



## Transformation towards platform of HW, SW & Cloud Services

### Core Services TI 2.0

- Cloud-based access services for TI in Germany
- HW as a Service
- License model
- Recurring revenues

### Value added services IT

- Extended SW-based services in Healthcare
- Expansion of geographic footprint

### New business

- Business development in telemedicine, patient/asset tracking, ambient assisted living, security, etc.
- Inorganic growth via selective M&A

### Specialized peripherals

- Expanding Active Key business activities on international scale
- Cross- and upselling
- Optimization of product portfolio

### Smart IoT modules

- Expanding Theobroma business activities on international scale
- Cross- and upselling

*“Cherry is ideally positioned for growing momentum in the digitalization of healthcare systems and security applications” Oliver Kaltner, CEO of Cherry SE*

# CHERRY AT THE SWEET SPOT OF FUTURE DIGITAL HEALTHCARE MARKET

Digitization of German healthcare system unlocks potential for additional recurring revenues via SaaS

## Momentum of digitization of the German healthcare system is picking – driven by TI key applications

- Increasing political direction from the German Federal Minister of Health to introduce e-prescriptions across the board from July
- E-prescription is set to be made mandatory from 2024 and thus established as a fully digital standard in the provision of medicines
- Digitization of the German healthcare market will be significantly expedited in future and new digital health applications will be brought closer to the point of care
- The move will create a huge demand for diverse cloud-based application software combined with certified hardware in future

## Cherry Digital Health preparing to expand business model

- Expand market share of > 70% in new eHealth terminal sales
- Capitalize on technical advancements of current devices, driven by
  - Roll-out of additional applications
  - Deployment to new user groups
  - Synergies with connector replacement efforts
  - Strong partnerships. i.e.       

## Future-proof expansion of the value chain



# CHERRY LEGACY

TOUCH IT. FEEL IT. LOVE IT.



Components  
Keyboard Switches / Notebook Switches

MX CHERRY

World leading switch technology

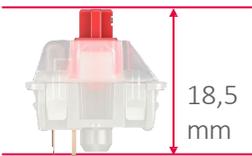
# INVENTOR & INNOVATION LEADER FOR MECHANICAL SWITCHES

The CHERRY legacy: the first snap-action switches were produced in 1953

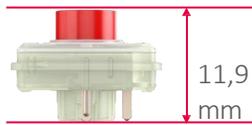
## Driving innovator for mechanical switches for 70 years



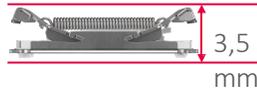
MX1



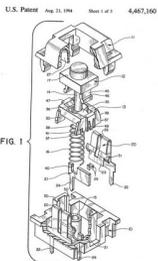
MX LOW PROFILE



MX ULP



U.S. Patent 1984

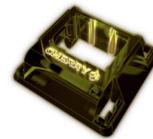


Maximum precision, durability and perfect function

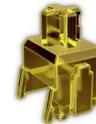
Highly precise and extremely reliable gold crosspoint contact system

Special choice of materials and environment-friendly packaging

## MX2A – the new Gold Standard for mechanical keyboards



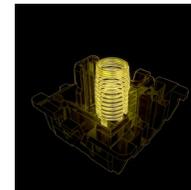
MX2A



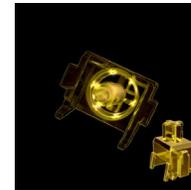
Improved smoothness, ping, and stem wobble by the next gold standard MX2



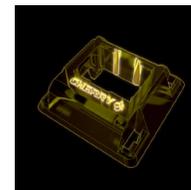
Ring Lubrication on Socket Dome: The Silent Revolution



Updated Spring Geometry: Precision in Every Press



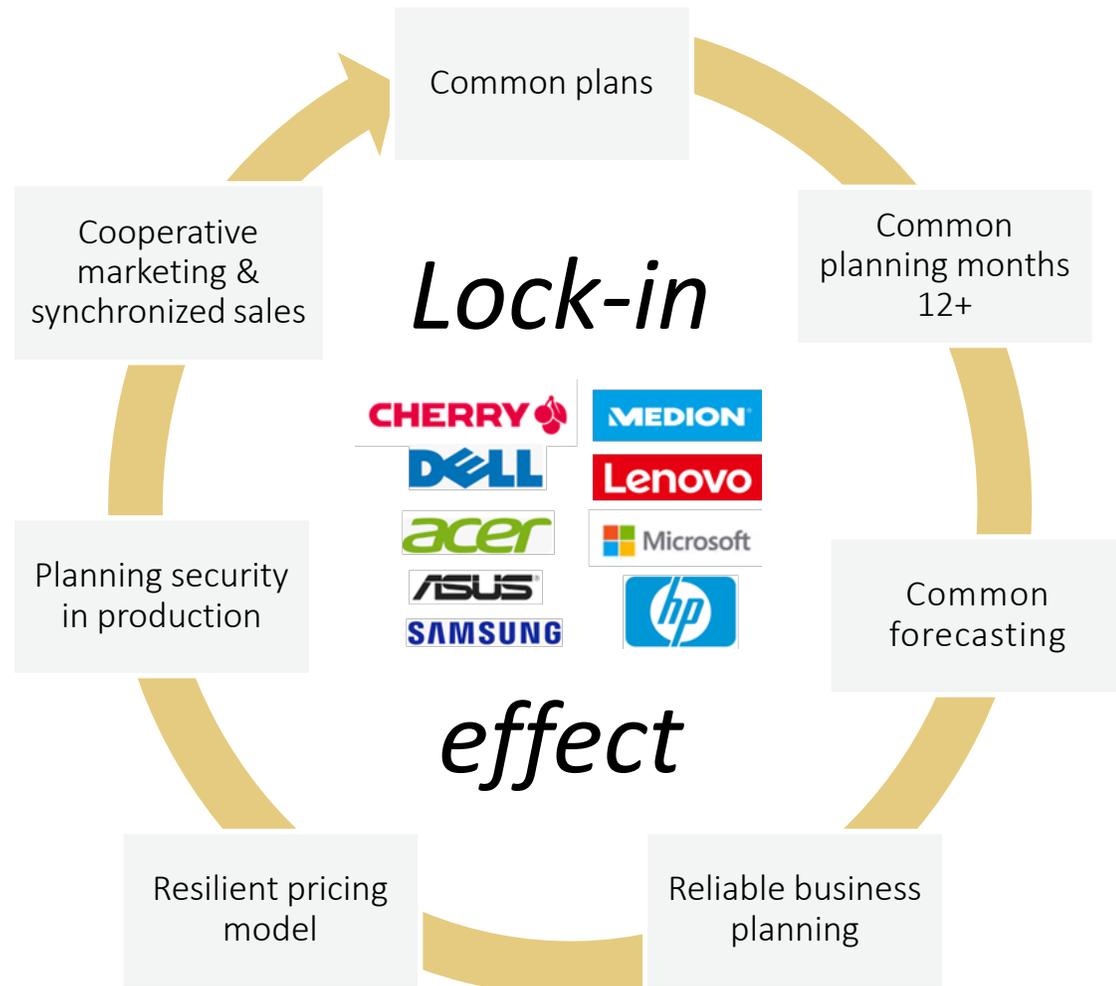
Updated Stem Geometry: Stability Meets Precision



Socket Dome Geometry: Elegance Meets Efficiency

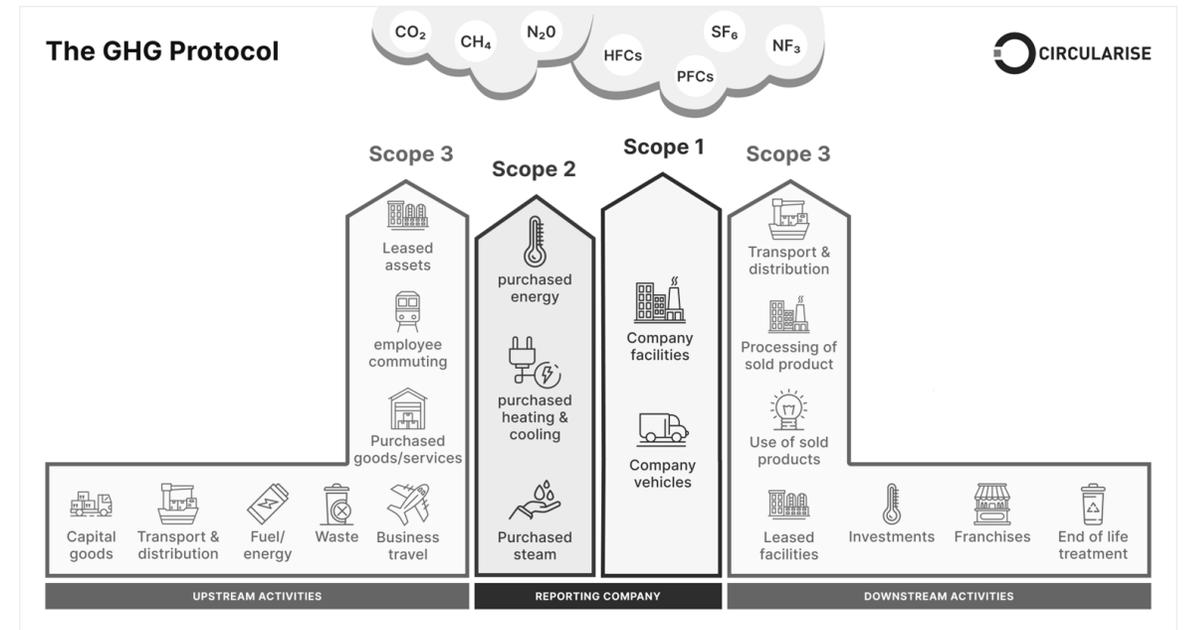
# COMPONENTS – SWITCHES GOES OEM AND MULTI-COUNTRY-PRODUCTION

From indirect business to direct business



## Cherry's extra opportunity

OEM brands are trying to reduce their dependence on China for sourcing and production and are looking for production sites in Europe to reduce Scope 3 emissions



# OVERVIEW REALIGNMENT OF COMPONENTS BUSINESS UNIT

Market relevance, innovation leadership, product quality, volume solutions, price expertise and profitability

## Location Auerbach, Germany (Cherry owned)

- Development and production of MX2 switches for use in own products in international markets
- Development and production of ULP switches in the international market
- Innovation developments for the MX and ULP product lines

## Location Zhuhai, Germany (Cherry owned)

- Production of office and gaming hardware for the international market
- Development and production of office and gaming hardware especially for the Chinese and other Asian markets
- Control and quality assurance of MX2 switch production for use in Cherry partner products in international markets in cooperation with a new external production partner
- Product innovation and engineering competence for innovative gaming products in China with local development teams and start-ups

## Collaboration partner in China

- Production of MX2 switches for use in CHERRY partner products in the international market (expected to commence in H2/24 and to provide potential for profitable growth again)

## Global innovation centers for gaming



# 2023 – A YEAR IN STRATEGIC & OPERATIONAL TRANSITION

Managing the growth – turning an established manufacturer into a platform-oriented Tech Company

Current optimization focus is on fundamental business processes, i.e.

- Market analysis and assessment
- Sales planning and control
- Production planning and control
- Finance, accounting and controlling
- Seamless interaction between Sales / Supply Chain / Finance
- Repositioning of Components business



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

*“To change and strive for improvement is living part of the DNA of the Cherry culture in a dynamic world.” Oliver Kaltner, CEO of Cherry SE*

# OVERALL MIXED BUSINESS PERFORMANCE IN Q3/23 – FORECAST SPECIFIED

Significant operational loss from Components expected to be largely compensated by other BUs in FY 2023

## MAIN CHERRY HIGHLIGHTS IN Q3

- Peripherals for Office and Gaming continues to outperform market
- Components and Digital Health & Solutions facing soft demand
- Operational Excellence gaining traction with Components repositioning
  - Substantial realignment of keyboard switch business to strengthen international competitiveness and increase profitability
  - Unlocking annual savings and earnings improvement potential of around EUR 10 to 15 million by optimizing the entire value chain

## MAIN FOCUS in Q4: ensuring a strong final quarter in all areas, i.e.

- Continued internationalization of Gaming and Office Peripherals
- Sales focus on Digital Health & Solutions to increase the installed base prior to the introduction of new software services
- Secure projected revenue and thereby inventory reduction
- Loss-making of Components business unit to be cut by swift restructuring, making way for sustainable profitable growth

## Latest developments in Q3/23



**CHERRY KW 7100 MINI BT keyboard** – multi-device function without a dongle, featuring our precise CHERRY SX scissor mechanism, comes with a carrying case made of recycled plastic – market launch in September.



**New TD SYNnex partner agreement** – keyboards, mice, desktop sets, headsets, microphones and accessories. "Our sales partners can rely on the outstanding quality, strong design and great sustainability of Cherry products."



**2023 Digital X Award for "Sustainability & Responsibility"** - published by the Bundesverband mittelständische Wirtschaft e.V. (BVMW) in cooperation with Deutsche Telekom, rewarding sustainability strategy.

# CHERRY AT A GLANCE – FINANCIAL HIGHLIGHTS 9M/23

Profitability burden of switch business partially compensated by continued growth of peripherals business



€ 88.6m

Revenue with mixed growth momentum  
(-9.6% from 9M/22)



2.2%

EBITDA margin (adj.)  
mainly due to production idle capacity costs  
and negative product mix effects



451

Employees (FTE)  
down 0.7% from Q4/22



€ -31.8m

Operating CF mainly due to increase in  
NWC and net loss  
(€ -31m from 9M/22)



€ 0.8m

Net debt  
(Cash at bank € 44.4m)



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 9M/23

Overall business performance in Q3/23 beyond own expectations with mixed dynamics

in € million/ As indicated	Q3/23	Q3/22	Δ	9M/23	9M/22	Δ
<b>Revenue</b>	<b>27.3</b>	<b>32.1</b>	-15.1%	<b>88.6</b>	<b>98.0</b>	-9.6%
Gross profit margin	16.2%	32.5%	-16.3pp.	25.9%	31.9%	-6.0pp.
EBITDA margin	-17.0%	10.9%	-27.9pp.	-3.5%	11.9%	-15.4pp.
(adj.) EBITDA	-1.3	4.2	-130.0%	1.9	13.6	-85.8%
<b>(adj.) EBITDA margin</b>	<b>-4.6%</b>	<b>13.0%</b>	-17.6pp.	<b>2.2%</b>	<b>13.9%</b>	-11.7pp.
EBIT	-8.3	-0.2	5440.0%	-14.0	0.2	-8856.3%
Group net loss	-7.7	-0.1	9525.0%	-12.7	-0.7	1740.6%

- **Group revenue with mixed dynamics mainly driven by**

- Solid growth in office (+8.0%) and gaming (+14.4%) peripherals business, thereby further increasing our market share
- Declining Components business (-51.9%) has shown insufficient competitive strength for MX1 switch generation under given market conditions
- Digital Health & Solutions business (-32.8%) impacted by customers' reluctance to purchase e-health terminals in Q3/23

- **Gross profit margin mainly impacted by**

- Negative product mix effects as well as idle capacity costs in production and € 2.8m write-down on inventories of CHERRY MX1 switches.
- **EBITDA margin (adj.) mainly driven by**
- Reduced gross profit
- Unplanned operating loss from Components business unit

# OUTLOOK FY 2023 SPECIFIED

Current fiscal year as a year of transition, consolidation, and realignment



## Revenue

Around € 140m  
(previously € 135 to 165m)



## (adj.) EBITDA margin

Around 10%  
(previously 10% to 14%)

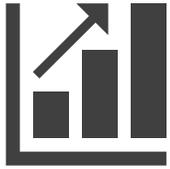
- € 10m unplanned EBITDA burden from Components business unit will be largely offset by successful peripherals business for office and gaming
- € 20m total restructuring costs expected, of which
  - € 11m provisions for job cuts and other external costs (cash effective FY 24)
  - € 9m mainly non-cash impairments of property, plant & equipment and inventories (€ 2.8m MX1 in Q3/23)

Key mid-term targets	Range (in % of Group revenue)
Inventories	25% to 30%
Research & Development expense ratio	3% to 4.5%
Selling & Marketing expense ratio	10% to 12.5%

Mid-term Outlook:
<ul style="list-style-type: none"> <li>• Unlocking € 10 to 15m annual savings and earnings improvement potential</li> <li>• Return to an (adj.) EBITDA margin at Group level of over 20%</li> </ul>

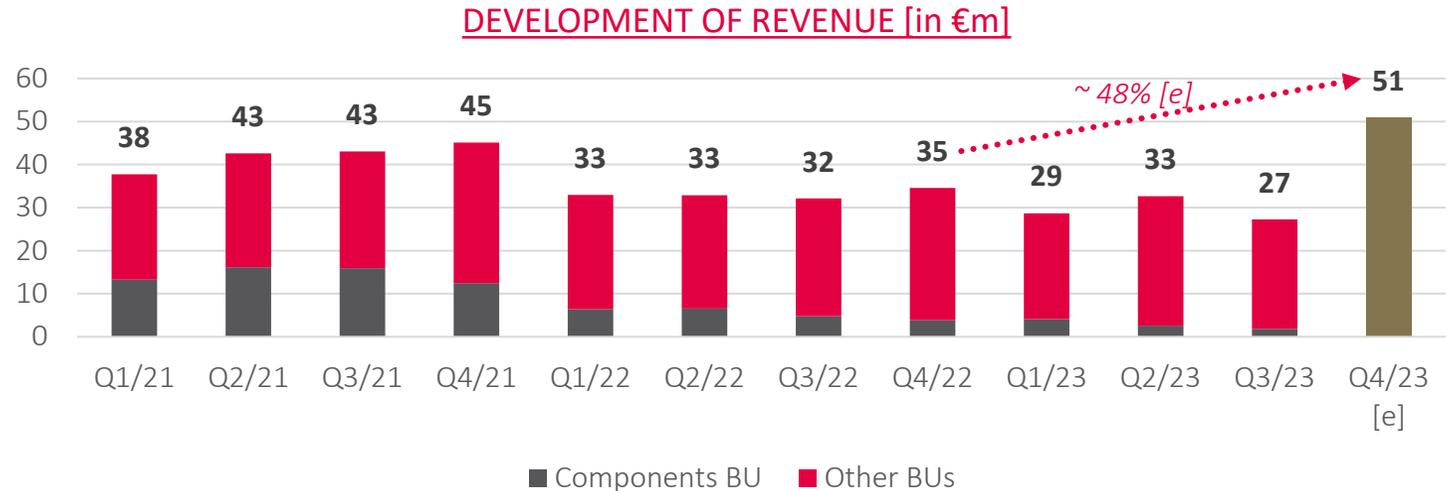
# MAIN DRIVERS FOR Q4/23

Strong growth momentum expected in peripherals business supported by seasonality effects



## Revenue Outlook FY 23

Around € 140m.



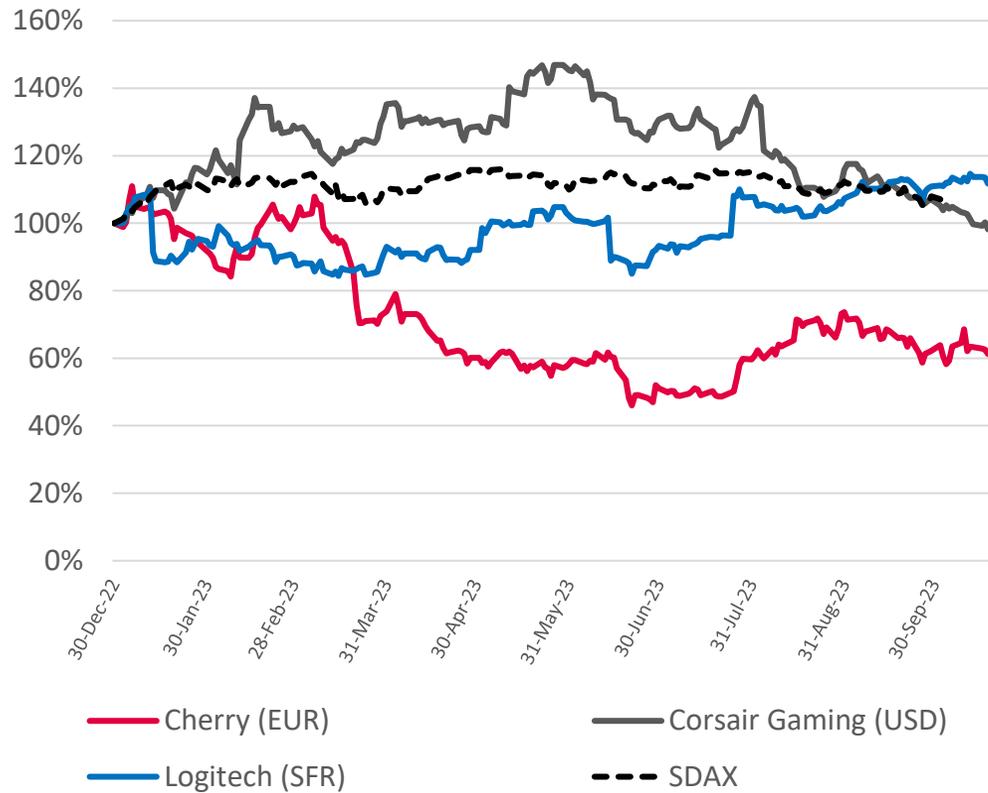
- Significant positive swing in Gaming Devices business in China following changeover of Chinese distributor in Q4/22
- Continued internationalization of Gaming Devices and Office Peripherals business to further penetrate European and US markets
- Seasonal peaks in demand in both B2C and B2B due to various sales events, i.e. "Black Friday", "Cyber Monday", and holiday season
- Various product launches and updates and increasing collaboration with influencers, e-sports organizations, etc.
- Moderate assumptions regarding sales of e-health terminals

# APPENDIX

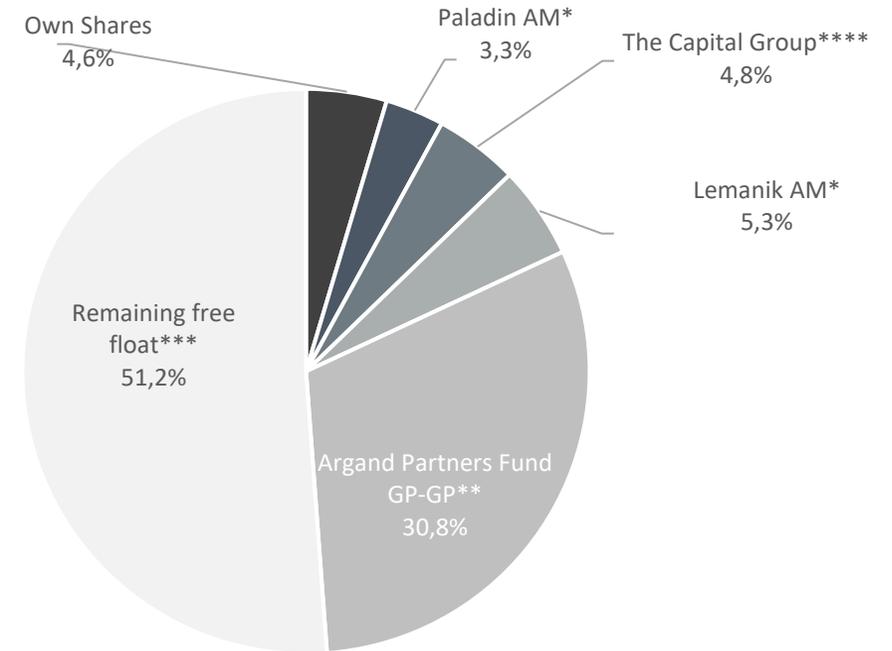


# RELATIVE SHARE PERFORMANCE & CURRENT SHAREHOLDER STRUCTURE

## 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.

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

# FINANCIAL CALENDAR 2024\*

DATE	EVENT
January 11/12	ODDO BHF FORUM
February 7	HIT (Montega)
March 28	Consolidated Financial Statements FY 2023 / Annual Report 2023
May 8	Interim Report Q1 2024
May 13-15	German Spring Conference (Equity Forum)
June 14	AGM (virtual)
August 14	Half-year Report 2024
September 2/3	German Fall Conference (Equity Forum)
November 14	Interim Report Q3/9M 2024
November 18/19	Winter 1on1-Summit (Equity Forum)

\* Expected dates, subject to change.

# 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 SE 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 SE 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 SE 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.

---

# 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  
Web <https://ir.cherry.de>

