



PARAGON

paragon GmbH & Co. KGaA
Baader Investment Conference

September 23, 2022

Agenda

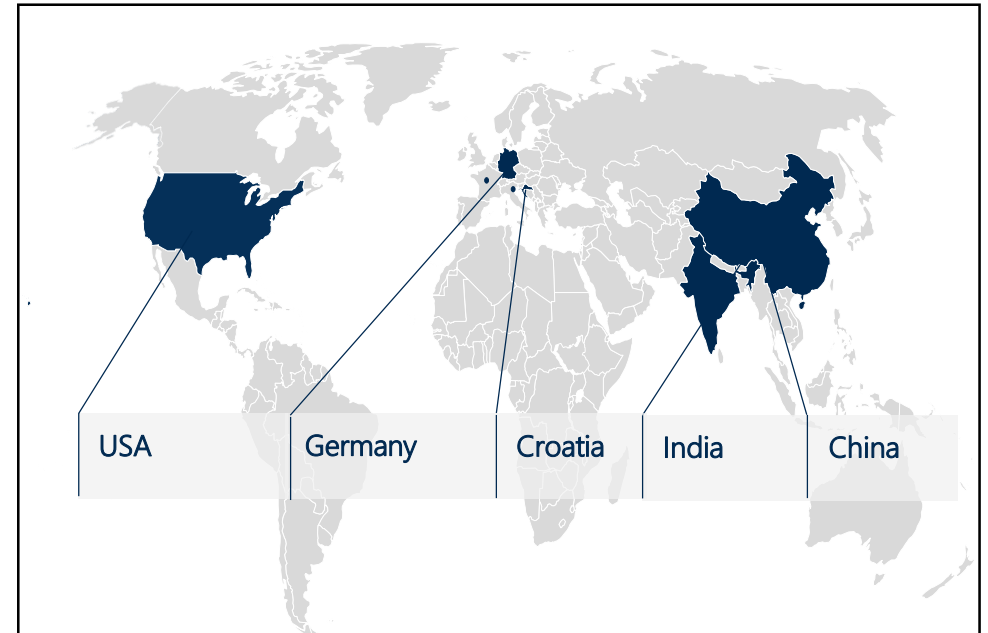
1. Robust Business Model
2. Financial Results
3. Bonds
4. Business Update
5. Outlook

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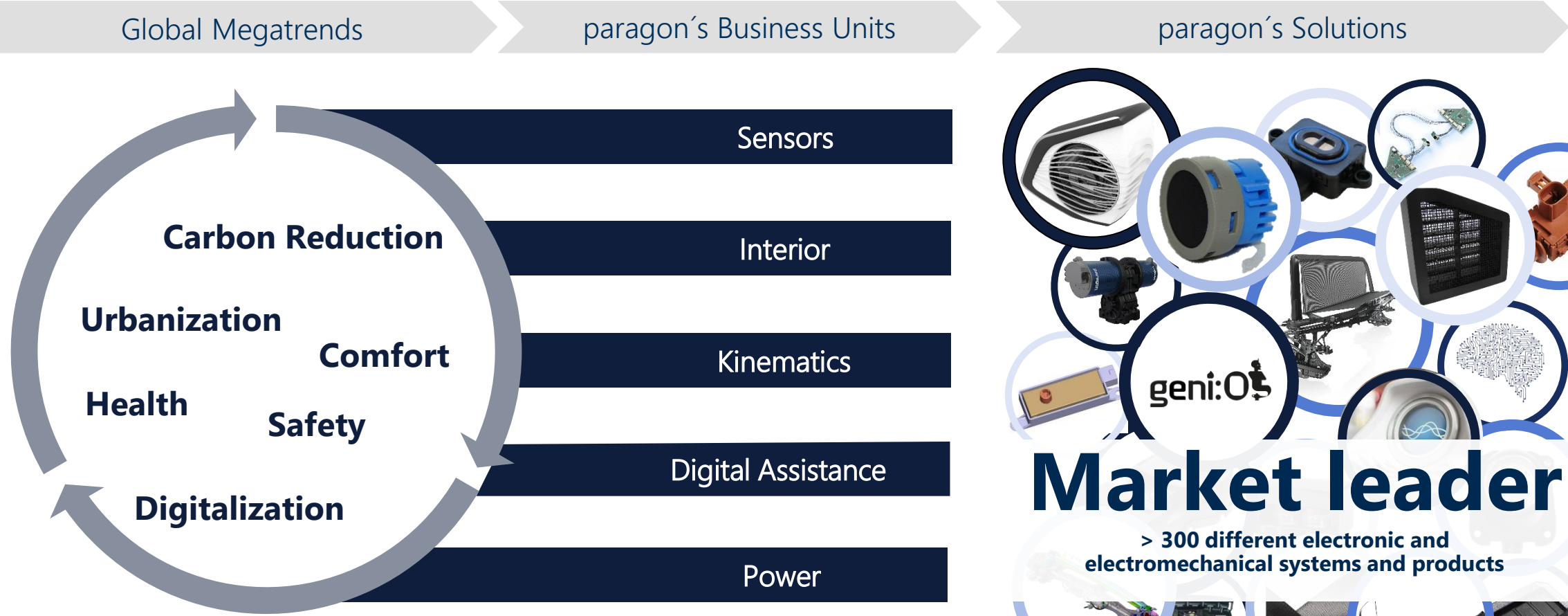
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Technology Provider for more than Three Decades

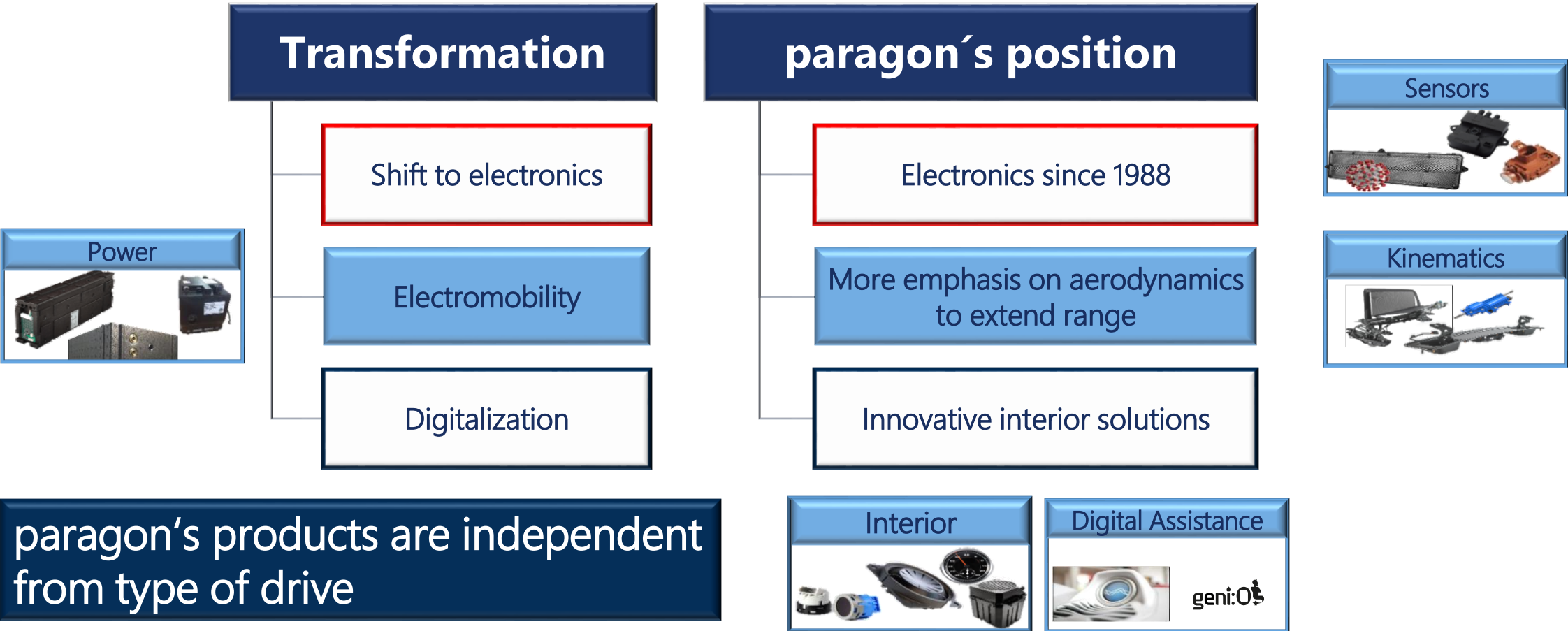
- Year of foundation: 1988
- Corporate form: GmbH & Co. KGaA (limited partnership)
- General Partner: paragon GmbH (unlimited liability)
- Management: Klaus Dieter Frers, founder and CEO
Dr. Martin Esser, CFO
- Stock exchange: Listed in Frankfurt/Main since 2000
ISIN DE0005558696
- Shareholders: Klaus Dieter Frers 49.3 %
Freefloat 50.7%



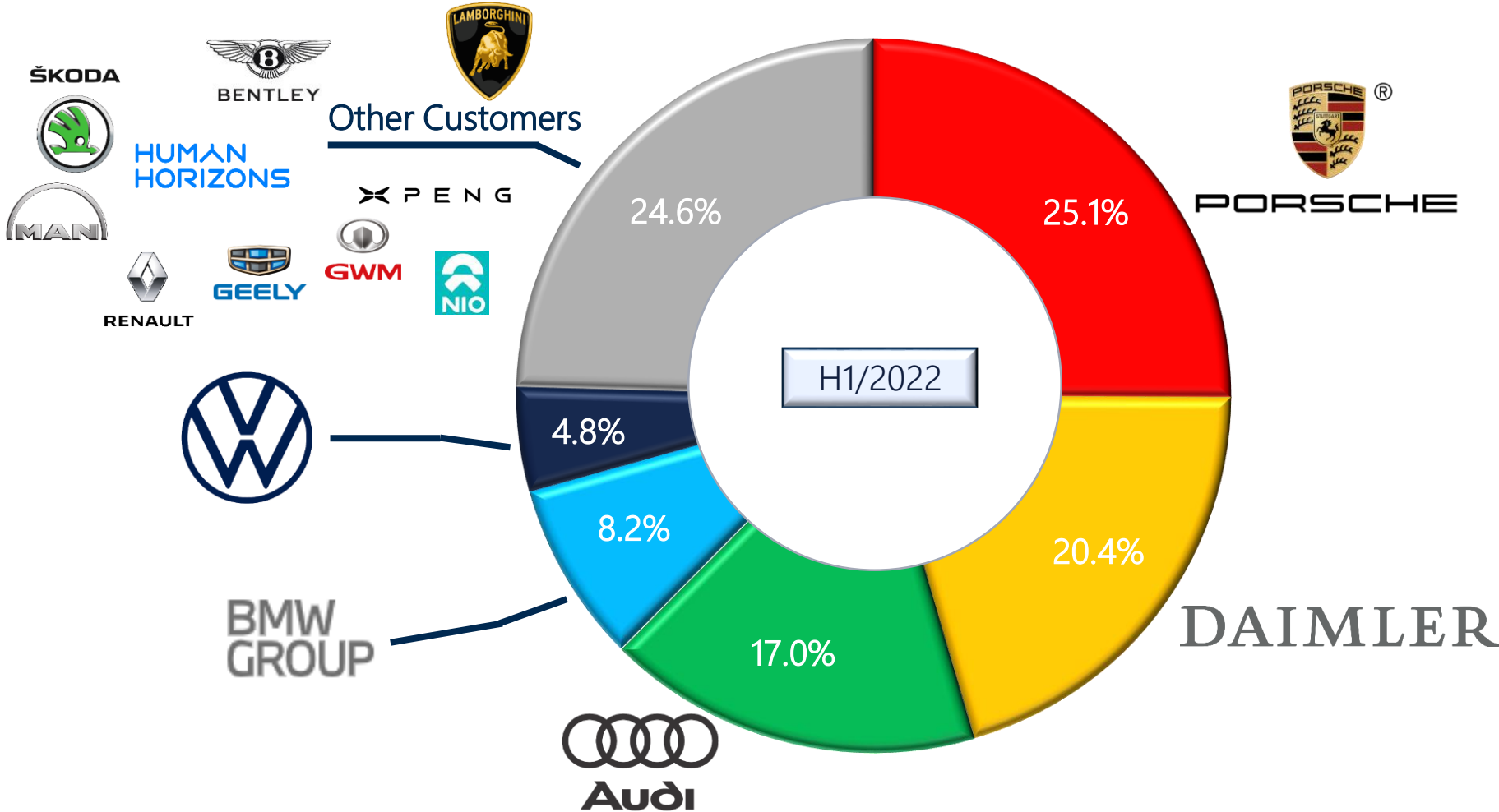
paragon addresses Global Megatrends



The Future of the Automotive Industry



paragon's Premium Automotive Customers H1/2022



paragon's Business Model proves as Robust

H1/2022

- Revenues up to EUR 86.4m (H1/2021: EUR 75.7m)
- **H1 growth rate +14.1% (IHS: market in 2022 +0.7%)**
- Q2/2022 +22.5% compared with Q2/2021
- Growth drivers were adaptive spoilers and instruments
- Operational EBITDA EUR 12.0m burdened by noncash effects (EUR 3.1m)
- Minor influence of Corona-lockdowns, Ukraine-war, chip shortages und supply chain issues
- **Higher costs of material, logistics and energy mostly compensated due to improvements along the value chain**
- Orders received in H1/2022: EUR 100m
- **Booked business until Dec 2026 up 17% to EUR 630m**

H2/2022

- **paragon's customers globally successful**
- **paragon's product portfolio in sweet spot**
- Order releases remain strong
- Sourcing of material secured
- Measures improving profitability show effect
- Outlook positive – including 2023
- **Upgrade of revenue target to EUR 170m (was EUR 165m)**
- Operational EBITDA margin expected at 15+%

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P&L Development

Income Statement in EURm	2021	Q1 2022	Q2 2022	H1 2022
Revenues	146.9	41.7	44.7	86.4
Other own work capitalized	7.4	2.7	2.2	4.9
Change of finished goods	0.4	0.7	2.9	3.6
Other operating income	4.8	1	0.9	1.9
Total operating performance	159.5	46.1	50.7	96.8
Costs of materials	-72.9	-22.8	-23.8	-46.6
Personnel expenses	-44.6	-12.4	-13.4	-25.8
Other operating expenses	-22	-5.9	-9.6	-15.5
EBITDA	20	5	3.9	8.9
Depreciation & amortization	-19.2	-4.1	-3.6	-7.7
EBIT	0.8	0.9	0.3	1.2

Revenues increased by 14.1% to EUR 86.4m in the first six months

EBITDA of EUR 8.9m despite noncash one time effects:

Sale of Aachen-activities in first quarter 2022 (book loss of EUR 0.45m)

Unrealized currency losses due to weaker EUR to CHF (book loss EUR 0.9m)

Sale of vacant production hall (book loss EUR 1.75m)

Operational EBITDA at EUR 12.0m (13.9%)

Headwinds in H1/2022

General wage and salary development:

paragon adjusted wage and salaries in H1/2022 to reflect higher cost of living

On the other hand paragon was able to achieve efficiency increases in direct and indirect area next to higher revenues

As a result:

Average headcount increased only by 4.5% (from 889 in H1 2021 to 929 in H1 2022) compared revenue increase of 14.1% => This enabled paragon to overcome this headwind

Electricity and heating costs:

paragon's energy costs increased in accordance with the market by 67% in H1/2022 compared to H1/2021

Of course paragon initiated activities to reduce the energy consumption

However, more important is that paragon does not maintain an energy intensive production. Total energy costs increased therefore "only" from 0.5% to 0.8% of total revenues

Supply chain issues:

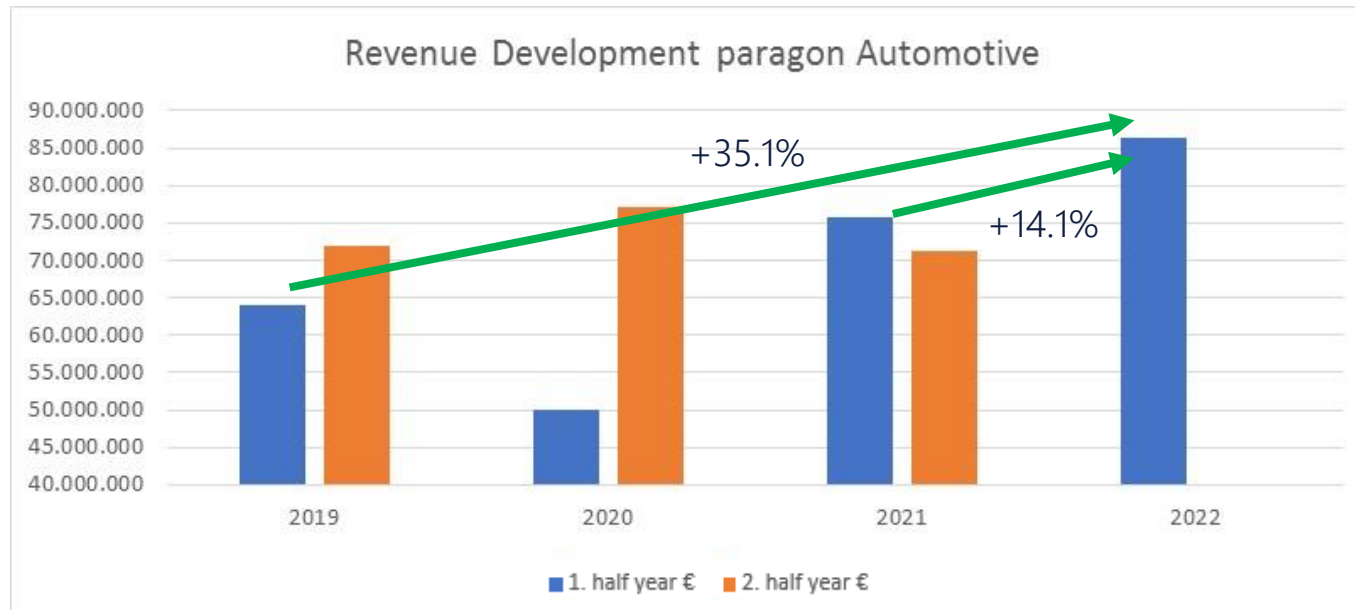
paragon is also confronted with recent supply chain challenges

The purchasing department was able to get all necessary components (esp. chips) delivered on time to ensure deliveries to our automotive customers

paragon increased for various components the safety stock (see also next page).

Due to generally higher transportation costs logistic costs increased in H1/2022 from 1.9% of total revenues to 3.1% => expected to be at 2.5% in 2022

Revenue increase by 35.1% compared to pre-Corona year 2019



Revenues increased to EUR 86.4m in the first six months 2022

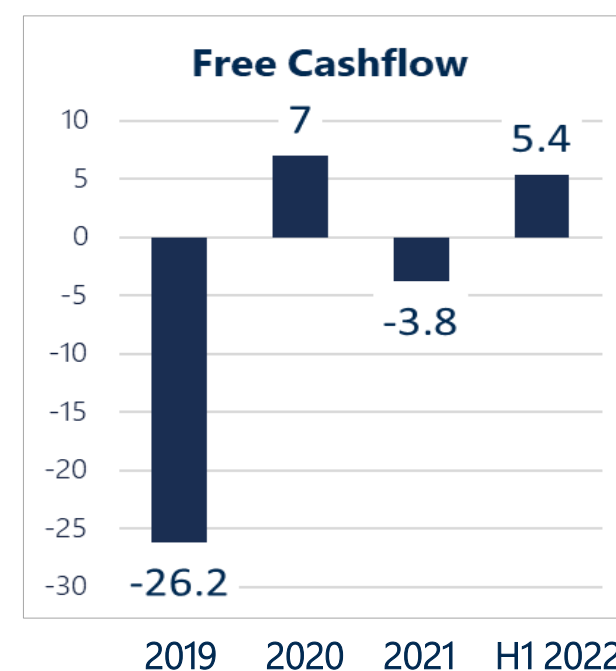
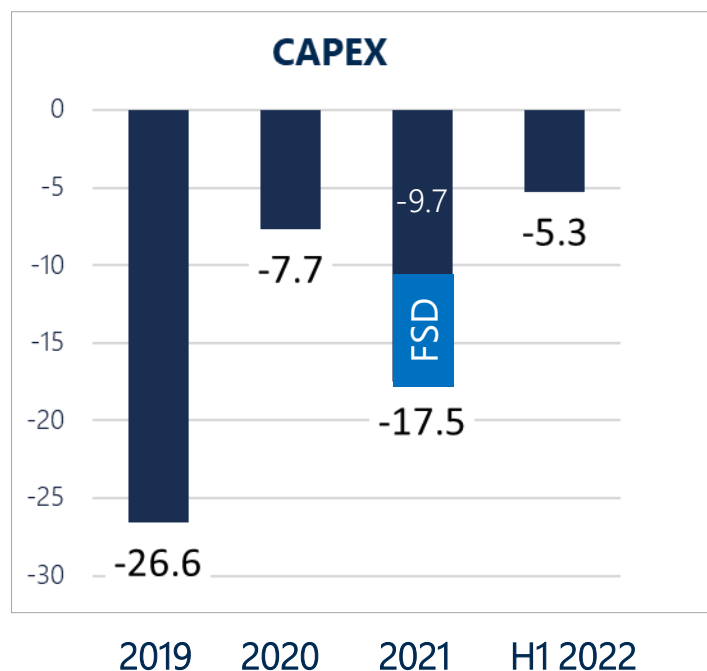
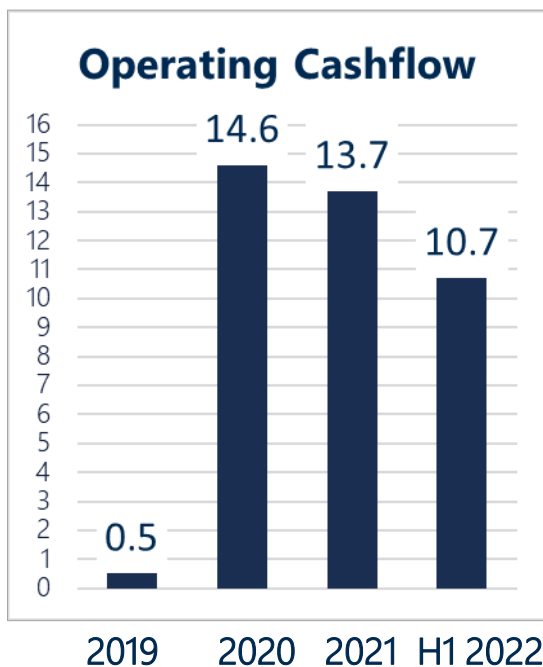
- ⇒ Increase of 14.1% compared to H1 2021
- ⇒ Increase in Q2/2022 of 22.5% compared to Q2/2021
- ⇒ Increase of 35.1% compared to H1/2019

Organic growth in all business units despite challenging headwinds in the last 2 years

Robust business model due to innovative products and solid customer base

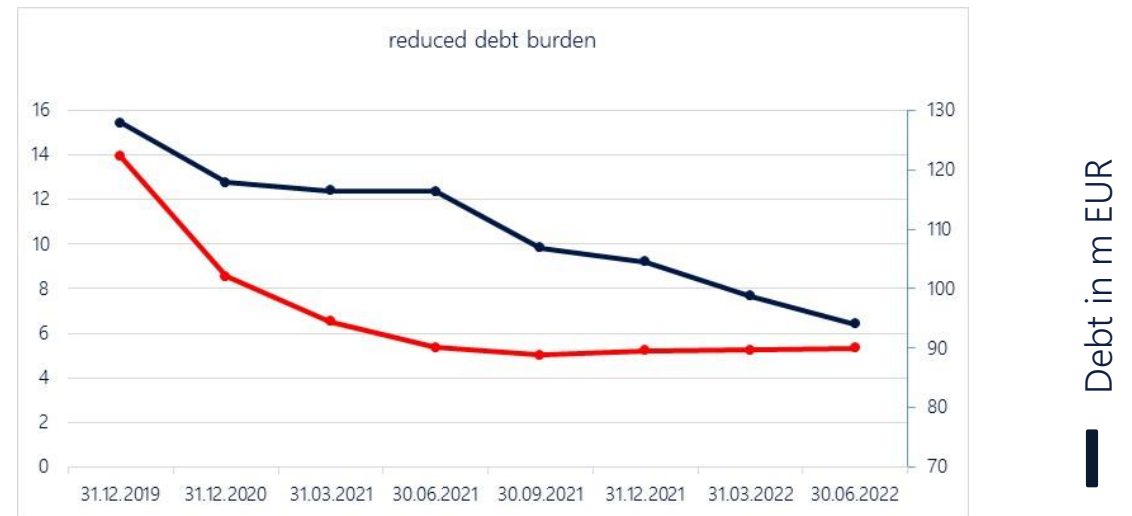
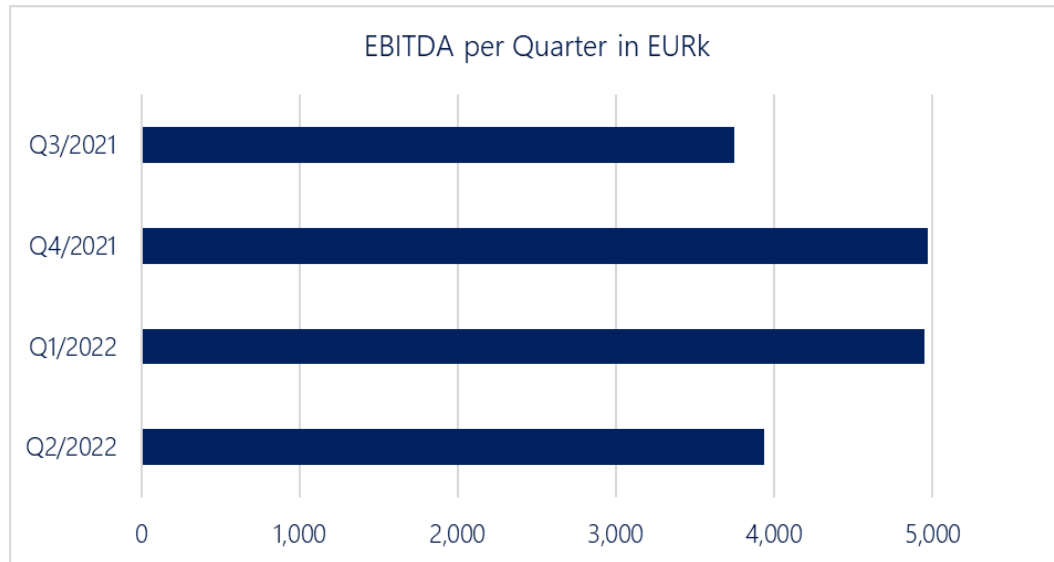
2022: Cost Reductions and Efficiency Increases show Effect

Free cashflow impacted by increase in inventories (EUR 2.5m)



Free Cash Flow not suffering from one-time effects

Actual Gearing at 5.3



paragon-Automotive achieved EUR 17.6m EBITDA in the last 12 months

Total liabilities to banks and bondholders have been reduced from EUR 127.9 by EUR 33.8m to EUR 94.1m from Dec. 2019 to June 2022

Increased profitability and reduced debt improve **gearing** (debt to EBITDA) since December 2019 from 13.9 to 5.3 at the end of June 2022 - paragon is committed to further deleveraging step-by-step

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Bond Report

Prolongation of EUR-bond

- Prolongation as alternative to sale of subsidiary
- 2020/2021 was not suitable for achieving adequate prices on M&A-market
- 99.9% vote for prolongation until July 2027 reached
- Terms and conditions improved for the bondholders - Planning certainty achieved for paragon
- Next repayment of EUR 5.0m due on April 23, 2023

CHF-bond already repaid by 40%

- Bondholder meeting on September 27, 2022
- Proposal for prolongation by 5 years as non-binding condition of EUR-bondholders
- Uncertain result of voting due to high quorum of 66%
- Final repayment of CHF 21m due on April 23, 2023
- Alternative plans for repayment/refinancing are progressing
- Information to the market in fall 2022 only as paragon is bound to MAR

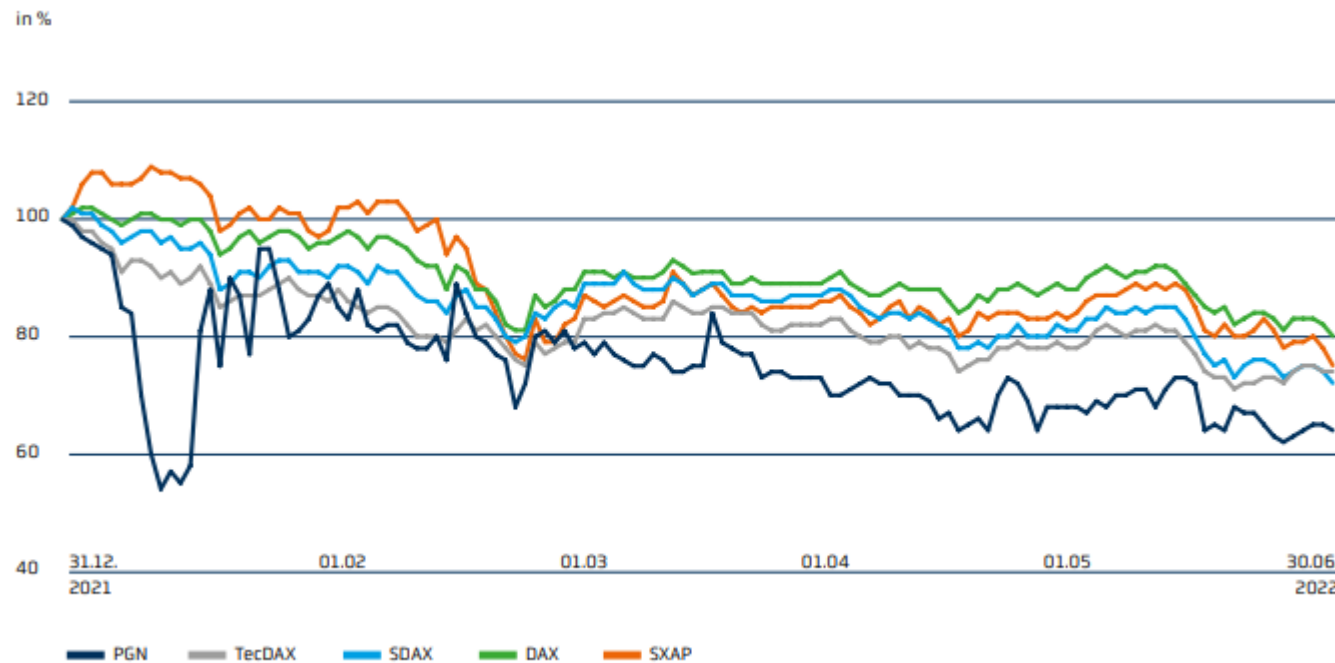
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Share Performance

Capital Market

- Bear market (Dax 40: -20%)
- Rising inflation rate
- Spread of the Omicron Covid-variant
- War against Ukraine



paragon's shareprice
+22%
 since release of H1-report

Actual Research Reports show High Upside Potential

EDISON

paragon

Refocused automotive growth strategy

paragon has spent much of the pandemic refocusing on its core automotive activities and addressing the issue of bond refinancing. Both are now largely complete and management's revised growth strategy targets ambitious financial targets over the next few years, with a positive start already made. As much of its product portfolio is fuel type agnostic, paragon is well positioned to address the evolving connectivity, digitalisation and electrification requirements of electric vehicles (EVs). We believe the strong growth outlook merits a higher FY23e P/E ratio than the current 3.6x, which we feel reflects concern over the refinancing of the outstanding CHF21m bond due in April 2023.

Year end	Revenue (€m)	PBT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/20**	127.2	(5.0)	0.79	0.00	5.1	0.0
12/21**	146.9	1.2	0.27	0.00	14.8	0.0
12/22e	165.9	2.3	0.37	0.00	10.8	0.0
12/23e	182.8	6.9	1.11	0.00	3.6	0.0

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Restated following the disposal of Voltabox, excluded from FY20 and FY21 as discontinued.

Streamlined to focus on growing core automotive

The newly streamlined paragon looks set to continue to grow strongly despite ongoing supply chain problems in the automotive industry generally, which has disrupted output at most car manufacturers. The innovative solutions philosophy for the premium end of the market has insulated paragon from the worst disruption and new products have led to a burgeoning order book. With €830m of future revenues booked at 1 May 2022 and €100m of the backlog due for delivery in 2022, 99% of forecast FY22 sales are covered. Under its strategy, management is planning for CAGR revenue growth of 12–15% and an EBITDA margin of 20% by FY20 as new

Target: EUR 19.6/share

Restoring estimates/outlook

Automobiles and parts

9 August 2022

Price €4.00

Market cap €18m

Adjusted net debt (€m) at 31 March 2022 98.8 (excludes lease liabilities €11.3m)

Shares in issue 4.5m

Free float 50.7%

Code PGN

Primary exchange Frankfurt Xetra

Secondary exchange N/A

Share price performance

%	1m	3m	12m
Abs	(5.8)	(19.3)	(60.8)
Rel (local)	(10.4)	(19.4)	(54.9)

52-week high/low €11.15 €3.65

Business description

Based in Dettrüch, Germany, paragon designs and supplies automotive electronics and solutions, selling directly to OEMs, including sensors, interior, digital assistance, body kinematics and power. Production facilities are in Germany, Croatia and China.

Next events

H122 results 22 August 2022

Analyst

Andy Chambers +44 (0)20 3077 5700
andy@edisonresearch.com
<https://www.edisonresearch.com>
[Edison profile page](#)

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Baader Europe

07 Jun 2022
Auto Parts
Germany

paragon Group

German automotive group with a Chinese focus

PROS

- A robust business model, backed by strong relationships with German premium manufacturers
- Increasing internationalisation, notably in China, i.e. the market with the strongest growth in demand for cars
- Virtually no impact of the supply chain crisis, owing to chip storage (which protects against supply bottlenecks) and a diversified product portfolio (risk spreading)

CONS

- Even though paragon is an 84% single source supplier, the appeal of the auto supply industry is undermined by the fact that investors perceive it as a commoditised market

Target: EUR 15.2/share

Opinion Buy

Upside (%) 211

Price (€) 4.9

Target Price (€) 15.2

Bloomberg Code PGN GY

Market Cap (€M) 33.1

Enterprise Value (€M) 112

Momentum UNFAVORABLE

Fundamental Strength 0/10

Sustainability 3/10

Analyst: Zeineb Rourou
EquitySales@baaderbank.de

Frankfurt +49 69 1388 1357
 London +44 20 7054 7100
 Munich +49 89 5150 1850

KEY DATA

	12/20A	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	-3.72	-13.4	8.84	4.17	3.12
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-16.9	7.84	4.50	3.18	2.13
Adjusted EPS (€)	-2.68	-0.66	0.55	1.17	1.57
Growth in EPS (%)	n/a	n/a	n/a	112	33.0
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€M)	145	147	165	185	206
EBITDA/R margin (%)	-7.23	13.0	15.1	16.5	17.7
Attributable net profit (€M)	-27.8	-11.4	1.13	6.57	11.2
ROE (after tax) (%)	-84.5	-138	4.50	11.5	13.9
Gearing (%)	1,018	3,703	205	07.8	40.5

Frers family that not only control the fully liable partnership but also 49% of the listed shares

GmbH & Co. KGaA): shareholders depend on the decisions of the

Plausibility Check of paragon's Corporate Planning

Review of paragon's five-year plan by well-known consulting company Dr. Wieselhuber & Partner

Key messages:

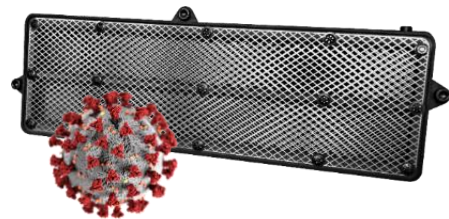
- The expected growth rate is 20% p.a. - EBITDA is increasing from 13.7% in 2021 to 20% in 2026
- **Based on higher revenues and improved profitability paragon is able to reduce the debt level and increase the equity ratio**
- "We consider the annual revenue planning presented to be plausible and achievable."
- "The planned increase in sales revenue is mainly based on secured orders in the short term and on defined projects in the long term.
- The **fixed cost degression set in the planning appears equally achievable** in the context of the value creation structure and the investments included in the planning.

"We also consider the annual **balance sheet and cash flow statement derived from the earnings planning to be plausible and achievable.**"

Promising H1/2022

Breakthrough:

First two Nominations for **electronic virus filter DUSTPROTECT** (total EUR 63m) from premium OEM

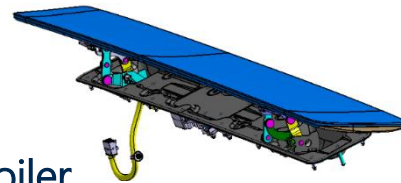


EUR 40+m order for AI-based voice assistant



New orders:

High volume spoiler nominations in Chinese market



New development project:

Wireless Charging



New development project:

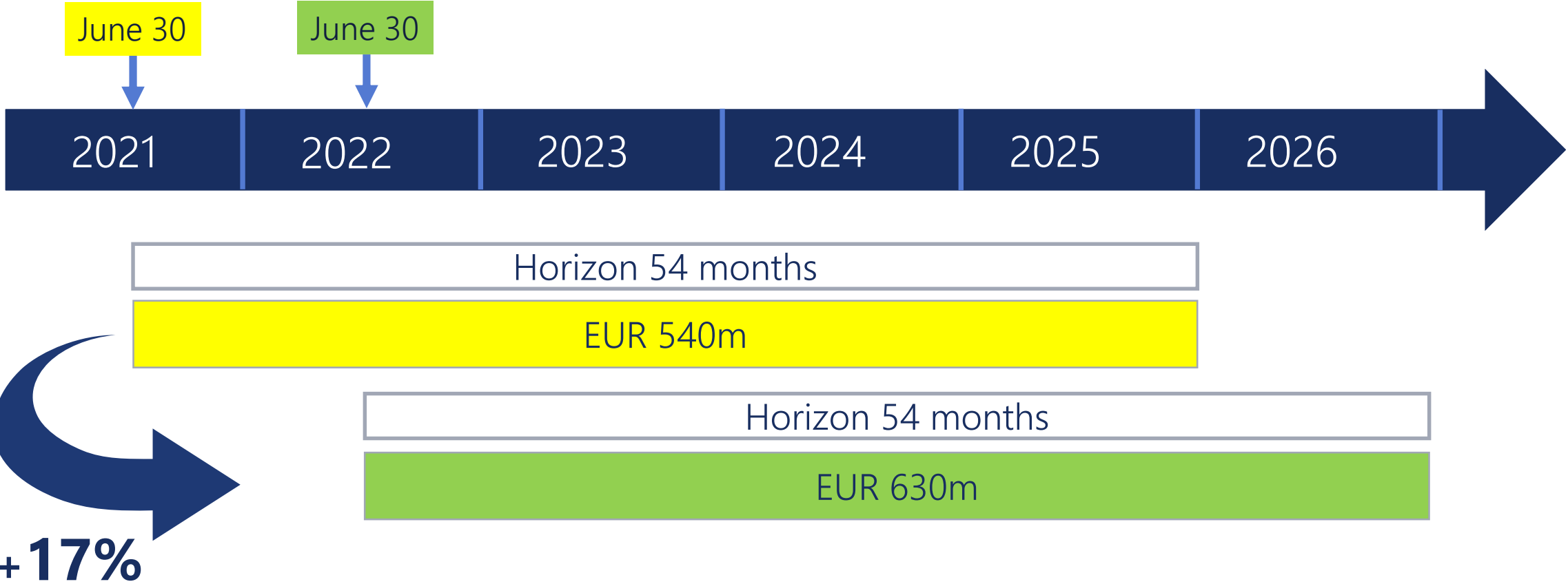
Silicon SMT sensor element for AQS Next Generation



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Booked Business



paragon stays Decoupled from Overall Market

- **Revenues up 14.1%** vs. market +0.7%
- High level of order releases for H2/2022 and 2023
- Revenue **Forecast 2022 upgraded to EUR 170m** (expected growth rate of 15.7% compared to 2021)
- Strong order income in H1/2022 – **Booked Business EUR 630m** until Dec 2026 increased by 17%
- Customer and product portfolio focussed on today's and tomorrow's sweet spots **Range extension, well-being in the cabin and battery solutions**
- **No dependancy on type of drive** but beneficiary of transformation
- paragon outperforming the automotive sector since years
- Analysts foresee **Upside potential for paragon's share by factor 3...4**

Financial Calendar

September 27, 2022

CHF-bondholder meeting

November 22, 2022

Consolidated Interim Report first nine months 2022

November 28-30, 2022

Equity Forum, Frankfurt a. M.

Thank you for your attention.

Please do not hesitate to directly contact Dr. Martin Esser or Klaus Frers in case of further questions.

Founder and CEO

Klaus Dieter Frers

klaus.frers@paragon.ag

+49 5250 9762-100

Chief Financial Officer

Dr. Martin Esser

martin.esser@paragon.ag

+49 5250 9762-200



PARAGON®

paragon GmbH & Co. KGaA
Bösendamm 11
33129 Delbrück
Tel.: +49 (0) 5250 9762 - 0
E-Mail: info@paragon.ag