Accelleron

ZKB Swiss Equities Conference 2023

Accelleron introduction

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Management team presenting today

Daniel Bischofberger
Chief Executive Officer

Adrian Grossenbacher
Chief Financial Officer

01

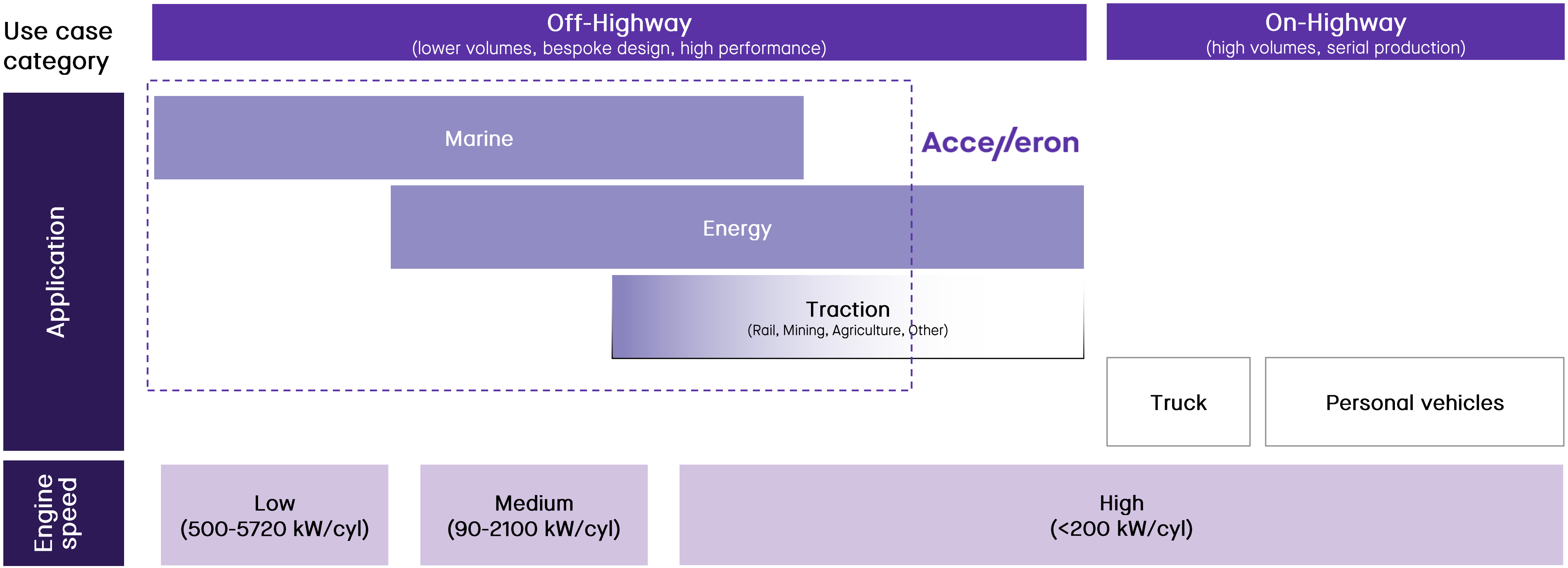
Introducing Accelleron

A global leader in high power turbochargers for mission-critical applications

- #1 position across segments
- Industry leading technology offering
- Preferred partner to both OEMs[1] and operators
- >180k turbocharger installed base
- >100 service stations globally
- ~75% recurring service-driven revenues
- Strong cash conversion

Source: Company information, third party analysis and Audited Combined Carve-out Financial Statements
1. OEMs stand for Original Equipment Manufacturers

We are positioned in critical applications and the sustaining segment of the turbocharger market



Source: Third party and Company analysis

02

Highlights 2023

H1 2023 Highlights
Strong Performance

+17.1%

Strong revenue growth

- Revenues at $449 Mio.
- 20.3% growth on constant currency basis.
- Strong contribution from merchant marine business.
- Continued strong demand for gas compression installations in United States.

24.1%

Operational EBITA up by 12%

- Margin down by 120 bps y-o-y.
- Impacted by standalone costs, supply chain challenges and product mix.
- Higher material, labor and energy costs largely compensated by price increases.

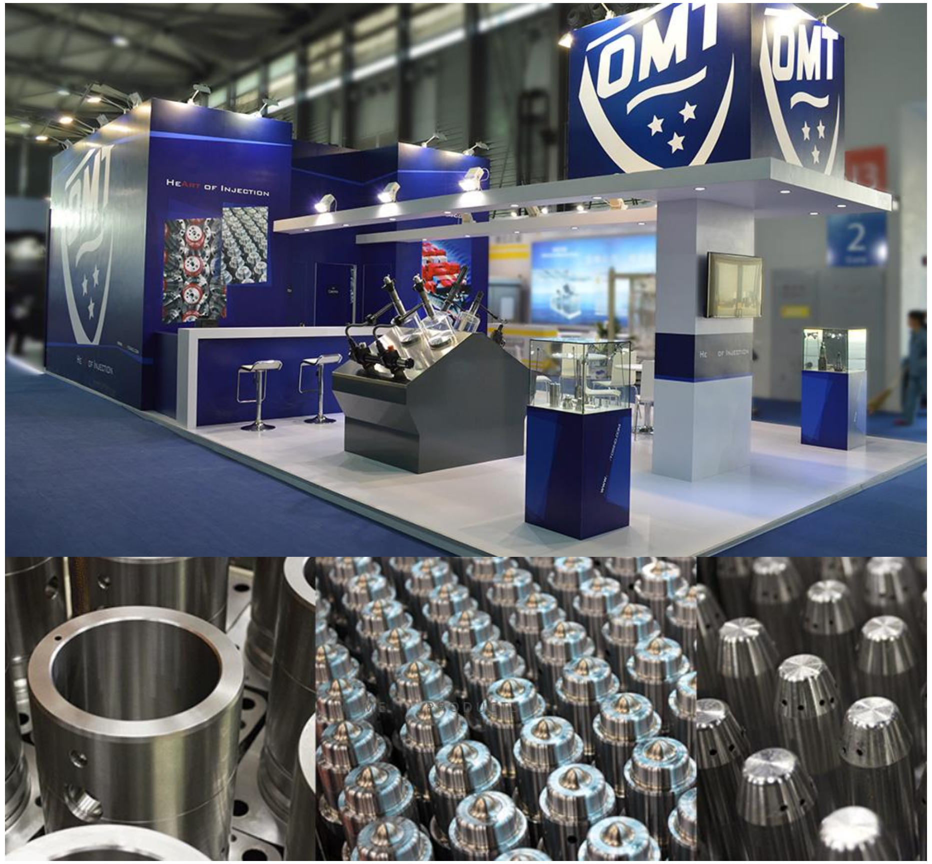
17.5%

FCF conversion impacted by growth and supply chain

- Free cash flow conversion in H1 at low level.
- Net-working capital increase linked to high volume growth.
- Supply chain challenges further impacted inventories and cash conversion.
- Adjusted for the impact of one-off separation cost on net profit and cashflow around 55%

Acquisition of OMT (Officine Meccaniche Torino)

High precision fuel injection equipment for medium and low speed engines

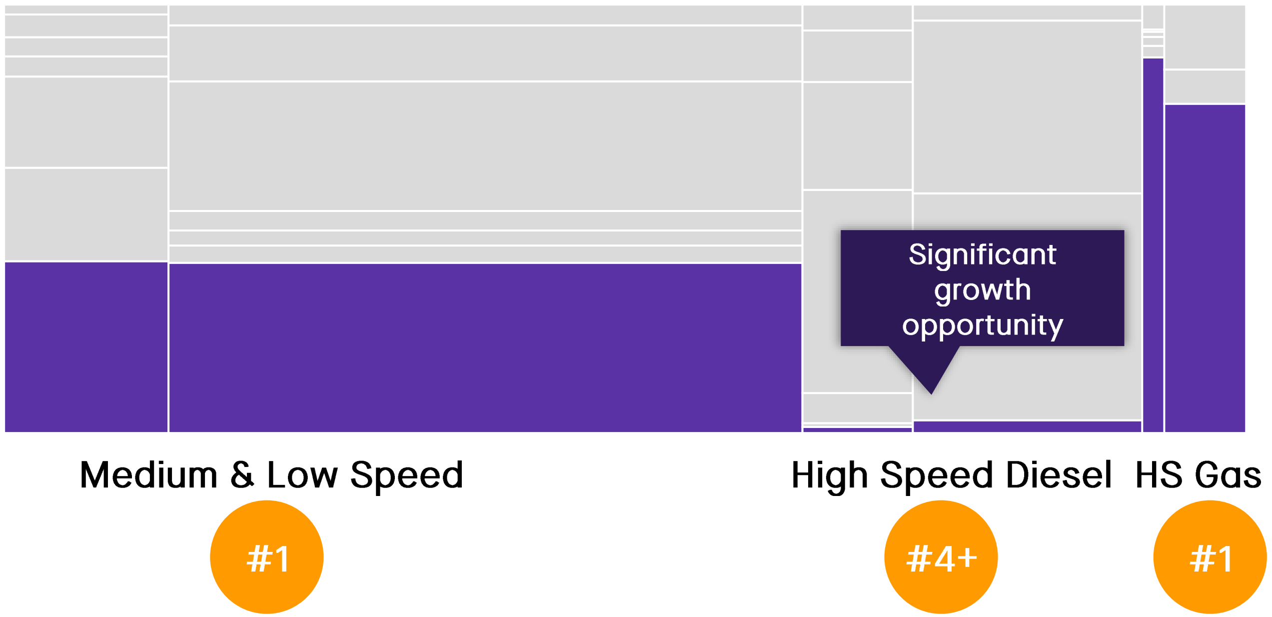


- **Founded in 1930 with 250 Employees** mainly in Torino, Italy
- **2022 Revenues EUR 52 million, EBIT Margin above 20%**
- Price in **high two-digit EUR million range, Transaction** closed **on July 20, 2023**
- **Similar** engine builder (OEM) **customer base** as Accelleron and **>70% of revenues originate from aftermarket**
- Demand for fuel injection **to outgrow the engine market** as dual fuel engines will be becoming standard and require more injectors per engine
- **New CEO:** Klaus Heim (former CEO of WinGD), started Sep 1st
- Priorities include the investment in **a new test facility for green fuels** and **expansion of production and R&D capacity** to support growth **and energy transition**

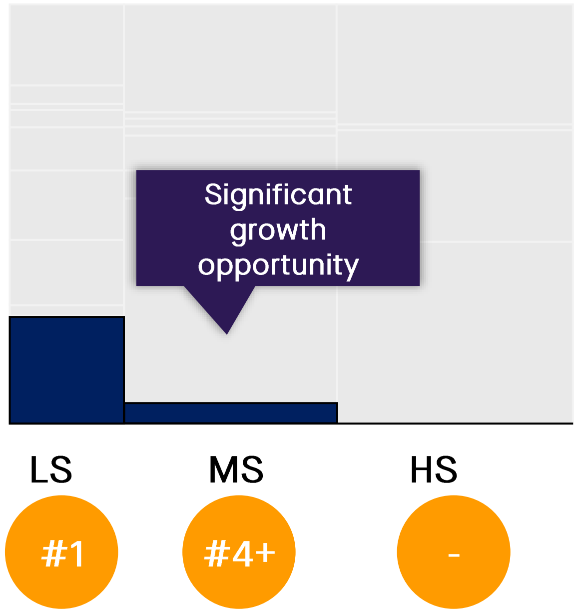
Providing Accelleron with further growth potential

OMT plays in the same markets as Accelleron

Turbocharging ~2 bn USD



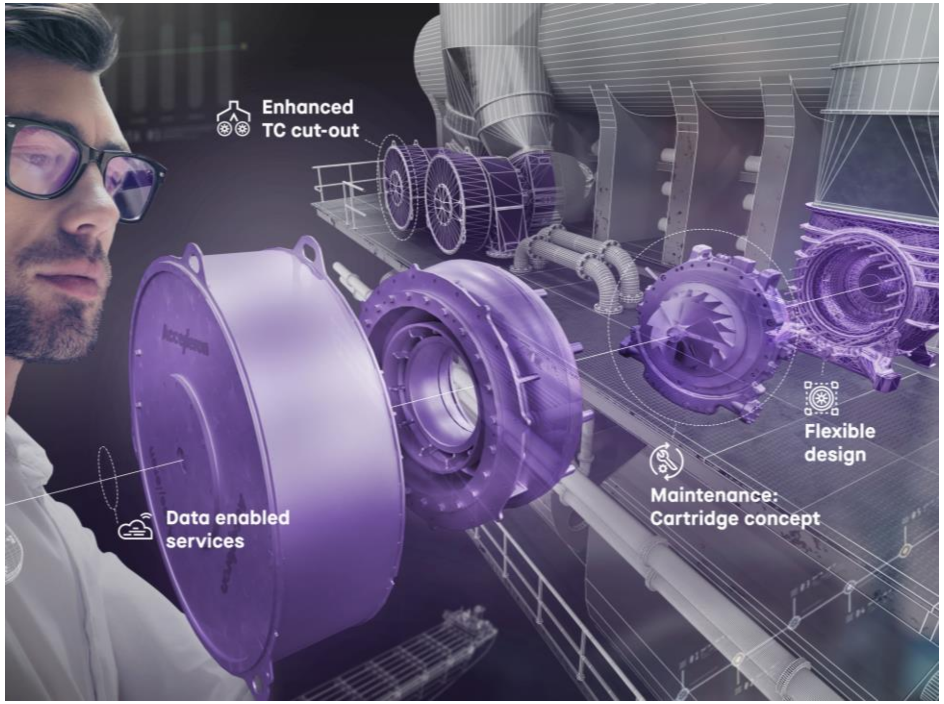
Fuel Injection Medium and Low Speed: ~0.5 bn USD



Objective: Expand leadership position in low-speed and penetrate medium-speed supported by development activities for new fuels

Next Generation Low Speed Axial Turbocharger

Accelleron X300-L launched in June 2023



Turbocharging re-imagined

- More than the usual evolutionary improvement
- Focus on flexibility to help customers address uncertainty about different pathways to maritime decarbonization

Key benefits

- **Flexible design:** Modular setup facilitates adaptation to new fuels & engine developments
- **Flexible operations:** Flexible turbocharger cut-out optimizes fuel consumption across the full load range
- **Flexible service:** Cartridge concept improves service duration and increases flexibility on service location (port stay instead of dry docking): ideal for turbochargers under service agreement
- **Digital ready:** Ready for data enabled service models

Exceeding needs of today and preparing for a future of heightened uncertainty on an accelerated timeline to decarbonization

First Sustainability Report

Accelerating Sustainability in Marine & Energy

- **Decarbonization of target industries** will support the growth of the company.
- Sustainability report **inspired by the standards of the Global Reporting Initiative** (GRI).
- Ambition to **fulfill the Science Based Target initiative** (SBTi) standards in the future.
- Set target to reduce CO2 emissions **Scope 1 & Scope 2** by 70% compared to 2022 levels by 2030
- Ambition to reduce CO2 emission **Scope 3** in line with Paris Agreement with targets to be set in 2024
- Prioritizing work safety and providing a secure environment for our employees.

International Maritime Organization (IMO)

Decision on New Decarbonization Objectives

- New CO_2 target: Net zero until 2050 (previously 50% reduction)
- Checkpoints 2030: >20% reduction, 2040 >70%
- Objective to have >5% of energy used in Marine based on zero emission sources by 2030
- Global Fuel standards and GHG Pricing to be agreed by 2025, entry into force by 2027
- Well-to-wake reflected

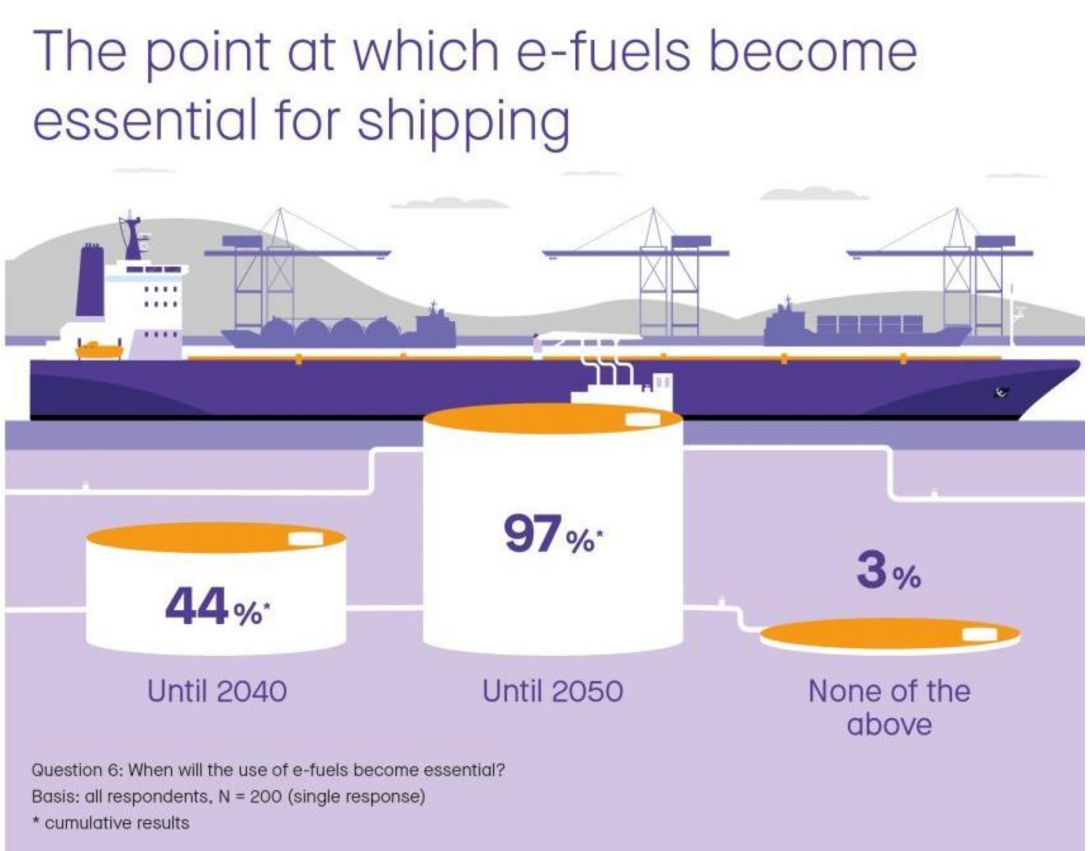
?

- Clear E-Fuel target is missing, risk of over-reliance on non-scalable biofuels
- Real impact will depend on stringency of regulatory implementation in key geographies

Roadmap provides unique opportunity for Accelleron to strengthen support of OEMs and ship operators with turbochargers, fuel injection, digital solutions, upgrades and service offerings.

Decarbonization of Marine industry

End-user Survey result



- E-fuels are expected to play a niche role at least until 2030, large majority agrees on e-fuels becoming essential by 2040 or 2050
- Availability of e-fuels expected to stay poor until 2030
- Fuel production will require important investments (and therefore incentives)
- 60% of shipping industry decision makers consider retrofitting existing ships to run on alternative fuels as best medium-term strategy
- 47% of surveyed companies already have investments plans in vessels running on green fuels

Survey of 200 senior maritime executives and technical specialists in different European countries, representative for global shipping

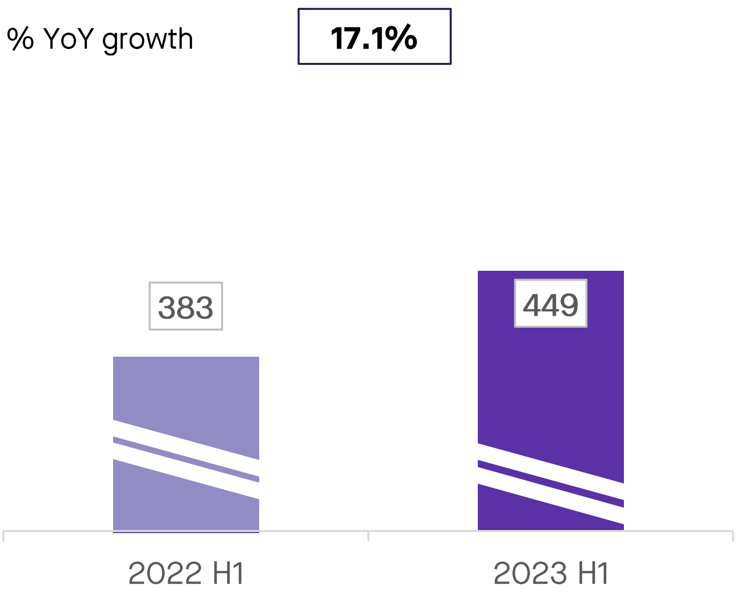
03

HY financials 2023 and outlook

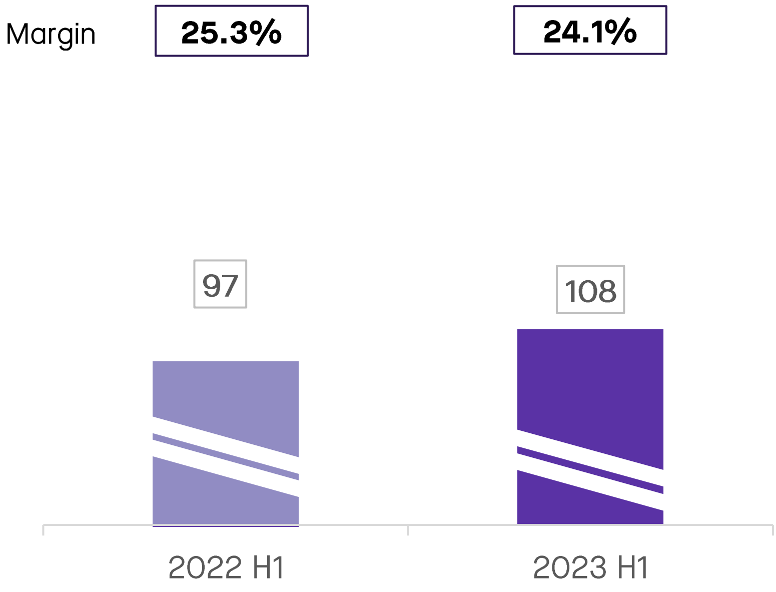
Group Performance

Strong revenues momentum and attractive margin

Revenues and growth
$ m



Op. EBITA & margin
$ m



Highlights

Revenues

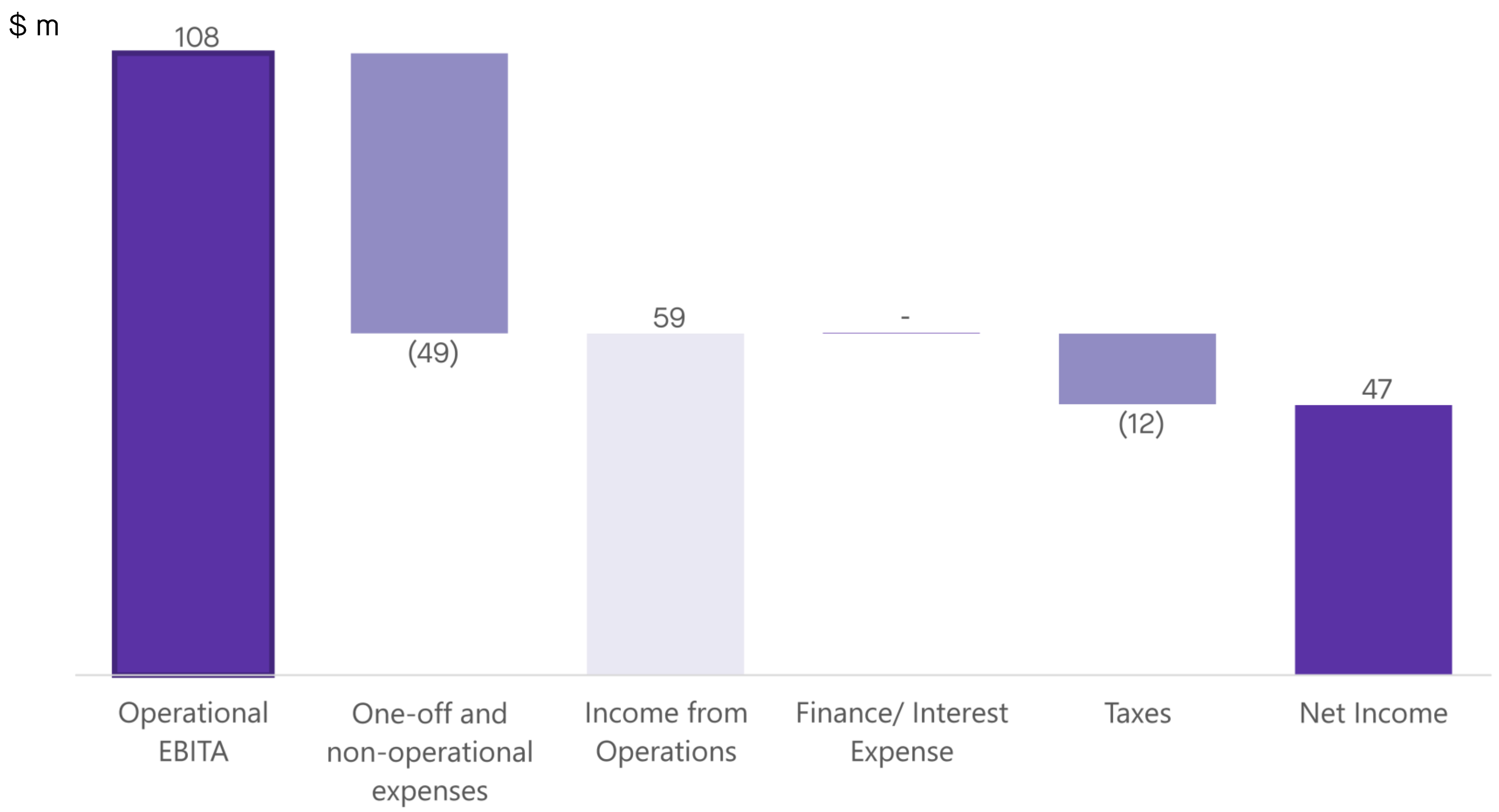
- Overall positive market momentum continued.
- Strong demand across most of the relevant industries, especially global merchant marine and gas compression in United States.
- Price increases also contributed to revenue growth +17.1% (or +20.3% on a constant currency basis).

Op. EBITA

- Attractive margin of 24.1% delivered despite additional expenses resulting from standalone setup.
- Ongoing cost inflation largely offset by price increases and continued productivity initiatives.

Op. EBITA to Net Income Bridge

Separation delivered according to plan, however impacting net profit



Key observations

One-off and non-operational costs

- Separation and build up of standalone functions and systems.
- Great progress made with practically full independence from ABB reached in July 2023.
- Clearly >95% of TSA with former mother company discontinued
- Majority of one-off cost guided for 2023 expensed in H1, full year guidance remaining at 70-80MUSD

Income tax expense

- Income tax rate decreased to 20.7% compared to 21.4% in H1 2022 mainly due to change in jurisdictional profit mix

Free Cash Flow Conversion

Supply chain and growth affect cash flow conversion

Free cash flow and conversion over net income

$ m	2022 H1	2023 H1
Net income	**67**	**47**
Depreciation & amortization (D&A)	12	13
Change in net working capital and other[1]	(41)	(39)
Net cash provided by operating activities	**38**	**21**
Capital expenditure	(16)	(13)
Other[1]	12	0
Net cash (used in) investing activities	**(3)**	**(13)**
Total free cash flow	**26**	**8**
% conversion over net income	39%	17%

Note: Non-U.S. GAAP financial metric, as defined within the Accelleron Performance measures (accelleron-industries.com) on the Accelleron website. Numbers might not add up due to rounding.

1 For detailed breakdown, please refer to the "Statements of cash flows".

Highlights

- Free cash flow conversion in H1 returns to lower levels (17.5%).
- Excluding expenses and cash-out for one-off separation cost, cash conversion would be around 55%.
- Net-working capital increase linked to high volume growth absorbing capital and supply chain challenges.
- Inventories remaining high with limited room to optimize within 2023.

Financial Guidance 2023

Assuming normalized business environment

	2023	Mid-term[1]
Revenues growth at constant currency[2]	13% (organic) 15% incl. OMT	2-4%
Operational EBITA margin[3]	Lower end of mid-term guidance	23-26%
Free cash flow conversion[3]	60-70%	90-100%
Net leverage[3]	Slightly above 1.0 at FY 2023	0.5-1.5x
Dividend policy	Constant to slightly growing	• If net leverage[3] ≥ 1.0x: 50-70% of reported net income[4] • If net leverage[3] < 1.0x: Up to 100% of reported net income[4]

Source: Company information, Audited Combined Carve-out Financial Statements, Unaudited Condensed Combined Interim Carve-out Financial Statements

1. Referring to mid-term period of 4-5 years
2. Adjusted for M&A
3. Non-U.S. GAAP financial metric, as defined https://accelleron-industries.com/investors/performance-measures
4. Barring unforeseen events. The ability to pay dividends remains subject to the availability of sufficient distributable reserves, as well as certain other legal and contractual restrictions applicable

Accelleron growth corridor

Boom or new normal?

Historically steady growth

- In line with GDP growth levels (3-4% CAGR) from 2000 to 2020, however with booms (marine from 2007 to 2011) and subsequent longer periods of stagnation, or even heavy declines
- Product business highly volatile (fluctuations up to +/-20% y-o-y)
- Service business less volatile compared to product business, but still (+/-5% y-o-y)

2020-2023 steep recovery

- Three years of accelerated organic growth (2021: 5%, 2022: 12%, 2023E: 13%)
- Recovery from Covid-19 impact in Service
- Shipbuilding picking up
- Heavy investment in gas infrastructure caused by Russian war against Ukraine
- While smaller (High Speed) power plants experience strong demand, orders for larger (Medium Speed) power plants remain on low levels

Medium-term outlook

- Stringent implementation of recent IMO regulations can further push ship newbuilding – however value chain facing capacity constraints
- Service will stay largely in line with fleet growth – however, normalized charter rates might impact customer's service spending short to mid term
- Positive trend for HS balancing and back-up power (e.g. datacenters).
- Demand for new MS power plants subdued due to political uncertainties
- Gas compression investment will normalize at certain point

We confirm mid-term organic growth corridor of 2-4%
Service to support profitability in product business downturns

Thank you!

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