THEON INTERNATIONAL
Advanced Optronics

H1 2024 Results

10 September 2024

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AGENDA

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Overview & Key Highlights

Christian Hadjiminas, Chief Executive Officer

H1 2024 OVERVIEW

Another solid set of results, with strong financial performance coupled with tangible progresses in delivering on strategy

Strong H1 performance underpinned by unprecedented growth and industry leading profitability

Healthy order book with high visible pipeline of contracts to be awarded across different regions

Delivering on strategy across M&A, product innovation and geographic expansion

CONTINUED STRONG FINANCIAL PERFORMANCE

Revenue visibility, strong growth and profitability, and solid balance sheet

€77.0 m Order intake[1]

0.5x book-to-bill ratio

€427.0 m Soft order backlog

1.3x revenue guidance for FY24[2]

€152.4 m Revenue

160.7% growth y-o-y

€36.9 m Adj. EBIT

24.2% margin

€53.3 m Net cash[3]

(0.6)x leverage (LTM)

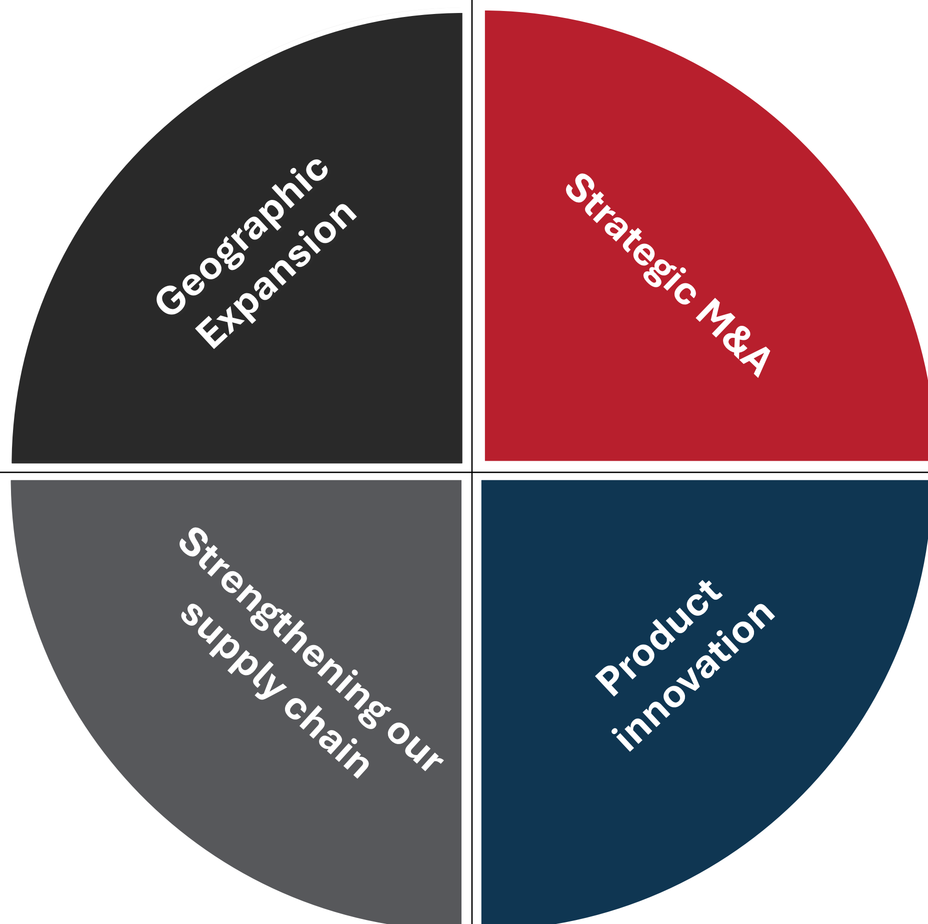
€14.4 m Dividend paid

40% of Net Income of FY23

Notes:
[1] Including Soft orders
[2] Based on bottom of guidance range
[3] Including €40 million term deposit as part of other receivables

DELIVERING AGAINST OUR STRATEGY FOR GROWTH

Substantial progress across M&A, product innovation, supply chain and geographic expansion



Geographic Expansion

- ✓ New service center in Denmark
- ✓ Production facility in South Korea

Strategic M&A

- ✓ Harder Digital acquisition
- ✓ Active discussions with identified targets

Strengthening our supply chain

- ✓ Built-up strategic inventory
- ⟳ Working on long-term commercial agreements with key suppliers

Product innovation

- ✓ A.R.M.E.D. (Augmented Reality Modular Ecosystem of Devices)
- ✓ Targeted investment in Platform-based optronics

Acquisition of Harder Digital

Christian Hadjiminas, Chief Executive Officer

COMPANY OVERVIEW

Harder Digital is a European Image Intensifier Tube (IIT) manufacturer

Established in 1999 with HQ in Woltersdorf, Germany and presence in Serbia and Latvia

Approx. 200 employees

Vertically integrated IIT manufacturer providing customized solutions and components

Global customer base across more than 30 countries

ITAR-free tubes

HARDER. digital

Key products

Gen II IIT	Gen III IIT	Custom IIT	Detectors

STRATEGIC RATIONALE

Theon delivers on its growth strategy with this acquisition, as well as expanding its technological capabilities and insourcing critical supply chain components

Insourcing a critical component of the Night Vision value chain, enhancing operational security and flexibility

Access to niche technologies supporting the development of new products through additional in-house R&D capabilities

Reinforce IIT procurement and navigate the delicate supply-demand balance in the Night Vision industry

Strengthen presence and add manufacturing footprint in Germany and the Baltic region, key markets for Theon

ACQUISITION FINANCIALS AND STRUCTURE

Acquisition of 60% controlling stake through cash capital increase, expected to bring significant synergies

Valuation	• Enterprise Value of €35 m, incl. €12 m of debt • Mid-single digit EV / EBITDA 2026 • Targeting €17 m sales with 10% EBITDA in 2024, and expect tripling sales with mid-twenties EBITDA margin by 2028
Structure	• Acquisition of 60% controlling stake • Cash capital increase of €34 m • Closing expected during Q4 2024, subject to regulatory approvals
Financing	• Expected to be fully financed with available cash • Cash to be deployed over a two-year period
Financial impact on Theon	• EPS accretive from first year after acquisition • Synergies to be created from system integration, operational efficiency and improved data analytics

Market & Business Update

Philippe Mennicken, Business Development Director

MARKET ENVIRONMENT

Increased global conflicts driving higher defense spending and rapid military technology advancements

Geopolitical situation

- Ongoing war in Ukraine with an unpredictable outcome and shifting battlefield dynamics
- Gaza conflict with a continued risk of escalating into a broader regional conflict
- Rising tensions between China, Taiwan, and neighboring allied nations
- Upcoming presidential elections in the United States have uncertain outcome in global tensions and defence spending

Defence budgets

- Peer conflict threat driving increased defence spending and faster growth
- Germany's commitment to spending 2% of its national GDP on defence
- 23 NATO countries to reach target of 2% of GDP for defence by end of 2024
- Expected additional increases of the defence budget including the US and Asian countries

Sources:
Renaissance Strategic Advisors and Theon analysis

NIGHT VISION MODERNISATION

Ensuring operational superiority through enhanced equipment, training, and interoperability amidst growing demand and global conflict impact

Use of advanced sensors for dismounted infantry is a key focus of modernization programs; target to equip combat units with a **1:1 ratio** of night vision goggles to soldiers, as well as 24h targeting equipment while providing intensified training for effective nighttime operations

The drone-dominated battlefield in the Ukraine war is pushing troops to conduct more operations at night, utilizing the cover of darkness. As a result, **Spending on night vision equipment** is thus **likely to be sustained and increased** in the near-medium term despite budget restrictions and other priorities

Interoperability amongst allied forces will be increasingly important; contracts like OCCAR demonstrate interest in large order volumes of NVGs by multiple nations seeking common systems

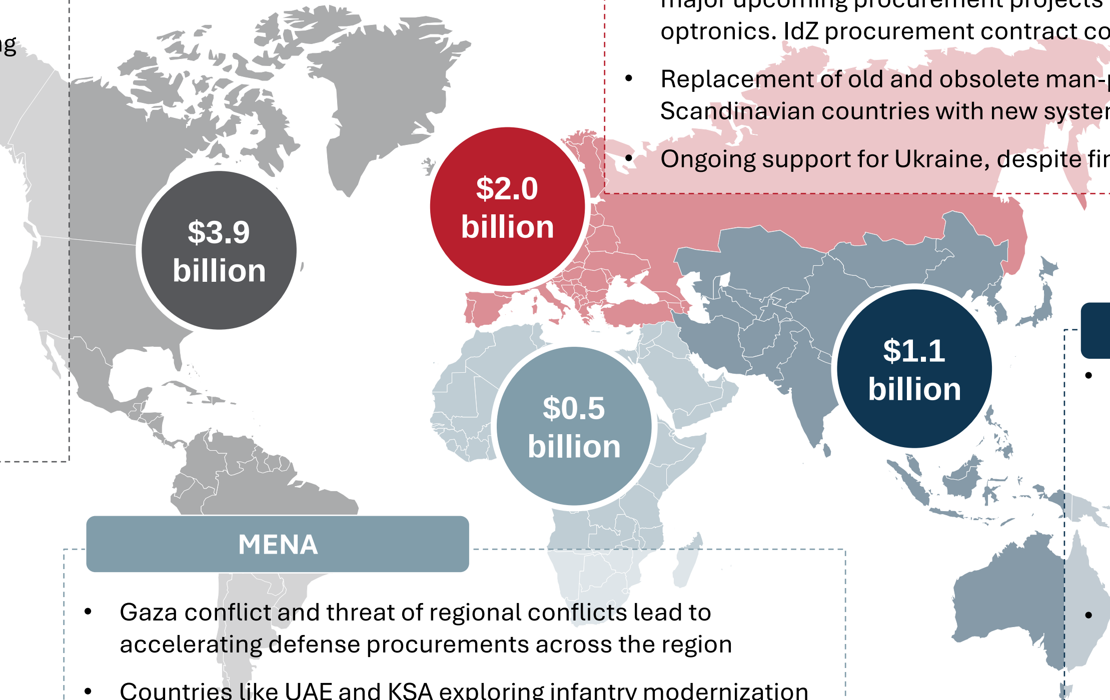
The dismounted night vision (NV) market is valued at $1.1 billion in 2024, confirming last year's estimation, and is projected to grow by 23.1%, reaching $1.4 billion in 2025.

The market is anticipated to expand further to $1.5 billion annually, reflecting a **CAGR of 10.2% from 2024 to 2027**

Sources:
Renaissance Strategic Advisors and Theon analysis

GLOBAL MOMENTUM PROVIDES VISIBILITY

North America, Europe and APAC are the largest contributors as users seek to re-orient to combat near peer threats, and recap key capability – MENA steadier but remains high. Total addressable NV market sums up to $7.5 billion in 2024-2029 period



Americas

- Significant, sustained investment by the U.S. driving North American defense spending
- Ongoing and accelerated preparations for large night vision procurements by U.S. Army, expected to begin in 2025-2026
- Increasing adoption of Fire Control Systems on various weapon platforms as an opportunity for Theon

Europe

- Continued procurement of man-portable optronics equipment in many European countries in line with forecasts
- Strong business potential in Germany despite budget concerns, with major upcoming procurement projects for helmet- and weapon-mounted optronics. IdZ procurement contract conclusion expected by year-end
- Replacement of old and obsolete man-portable optronics equipment in Scandinavian countries with new systems starting in 2025
- Ongoing support for Ukraine, despite financing concerns

MENA

- Gaza conflict and threat of regional conflicts lead to accelerating defense procurements across the region
- Countries like UAE and KSA exploring infantry modernization programs with a focus on increased sensor use and interconnected battlefield operations
- KSA moving to equip its Land forces with man portable night vision and thermal equipment to be produced in country in the context of 2030 vision
- Large orders anticipated from the Middle East

APAC

- Notable increases in military budgets across the APAC region in response to heightened regional tensions and China's growing assertiveness, with Japan announcing a record defense budget for 2025
- Several large Night Vision programs launching in 2025, focused on enhancing nighttime battle readiness
- Multi-year procurement initiatives, creating opportunities to scale up manpower alongside equipment acquisition

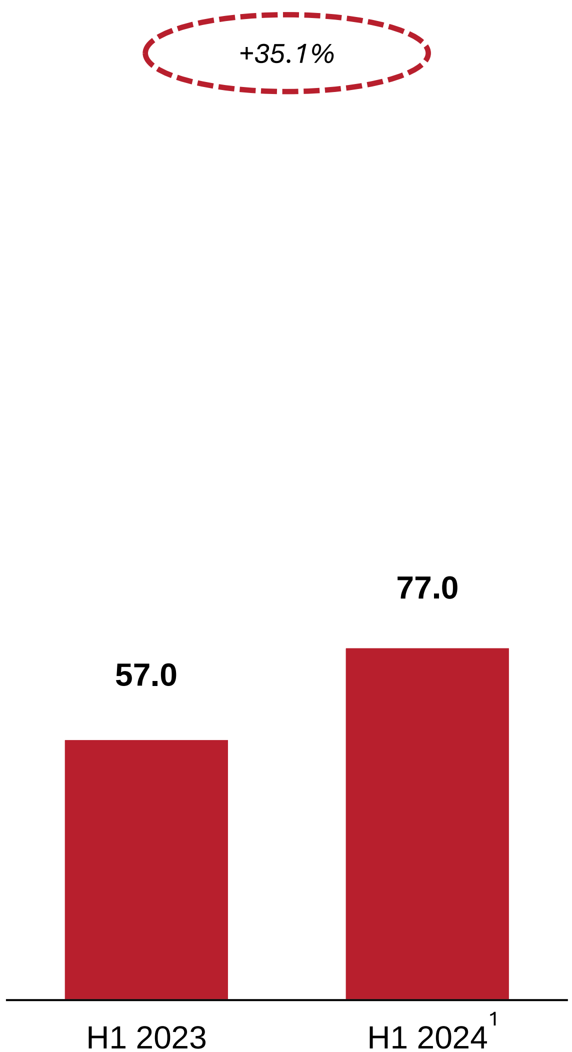
Sources:
Renaissance Strategic Advisors and Theon analysis

H1 2024 Results & Outlook

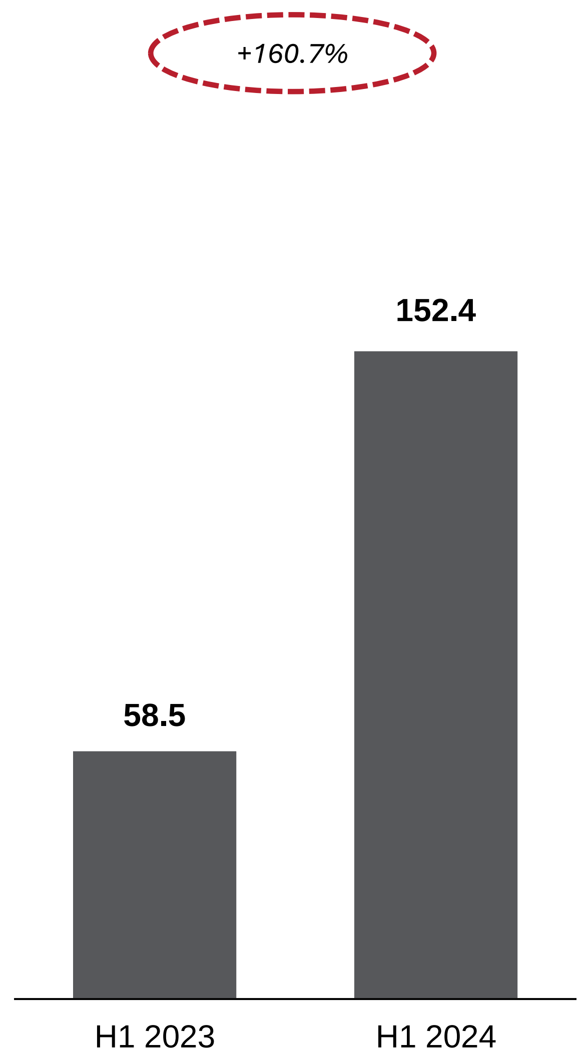
Dimitris Parthenis, Chief Financial Officer

>160% REVENUE GROWTH LEADS TO RECORD RESULTS

Order intake (€ m)



Revenue (€ m)



Commentary

- Increased order intake, which is expected to accelerate in H2, in line with traditional weighting and the pending demand in the market
- Strong revenue growth driven both by new contracts and deployment of existing contracts
- Smooth delivery of 2024 guidance
- ~46% of bottom range of FY 2024 guidance is already delivered vs ~27% in H1 2023
- Well positioned to address any year-end ad-hoc demand that might appear as per historical pattern

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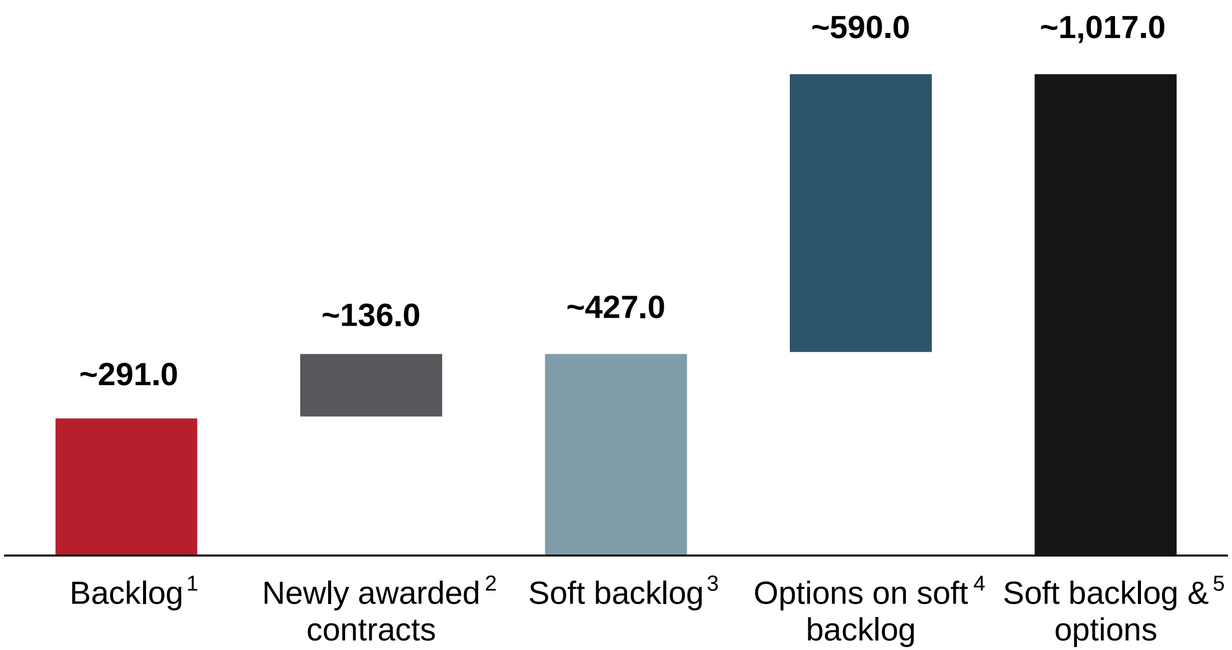
Notes:

[1] Including Soft orders

SOFT BACKLOG PROVIDES VISIBILITY

Soft backlog and options (€ m)



Commentary

- Approx. 40% of the Soft backlog is expected to be invoiced in 2024, 50% in 2025 and 10% from 2026 onwards
- Options on Soft backlog increased and are substantiated by the customers' needs

Notes:

[1] Backlog is defined as the value of the order book at the respective reporting date by keeping record of customer orders starting from the opening stock and taking into account revenue and adjustments for the respective reporting period, and ending with the final stock

[2] Awarded contracts resulting in expected incoming order intake volume, subject to contract finalization and ratification by national parliaments in certain cases

[3] Soft backlog is defined as the sum of the backlog as of 30 June 2024 (as set forth in footnote [1]) plus the newly awarded contracts (as set forth in footnote [2])

[4] Company estimates for ~€590m of potential options on newly awarded contracts as described in footnote [2]; Options to be exercised at further discretion of the customer

[5] Total of backlog (as set forth in footnote [1]) plus newly awarded contracts (as set forth in footnote [2]) plus potential options on newly awarded contracts (as set forth in footnote [4])

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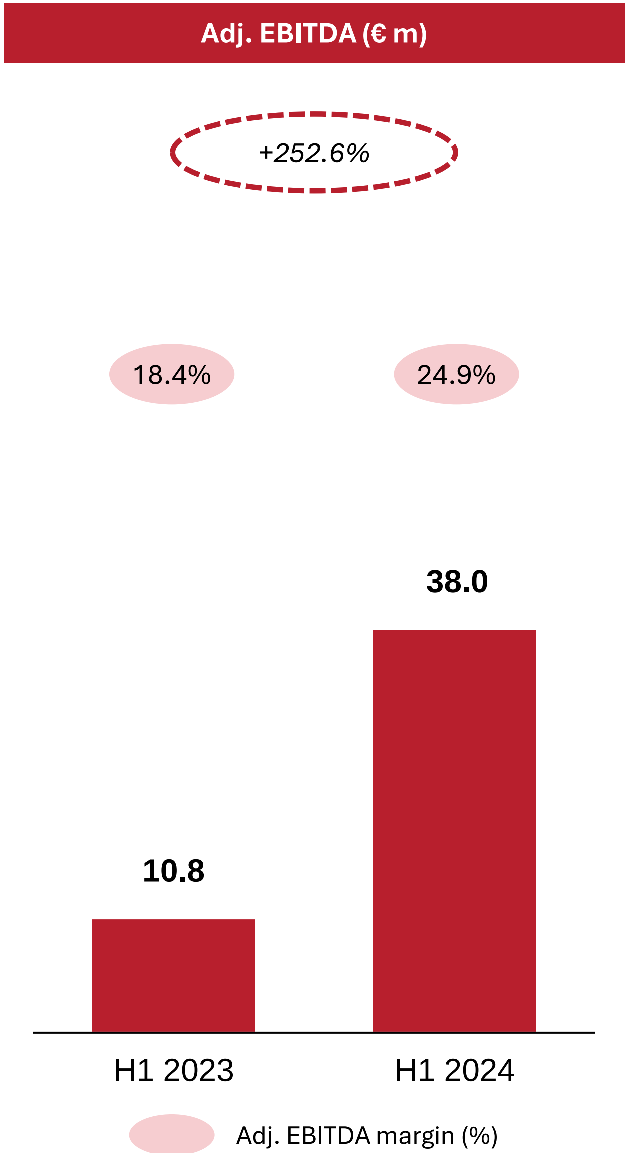
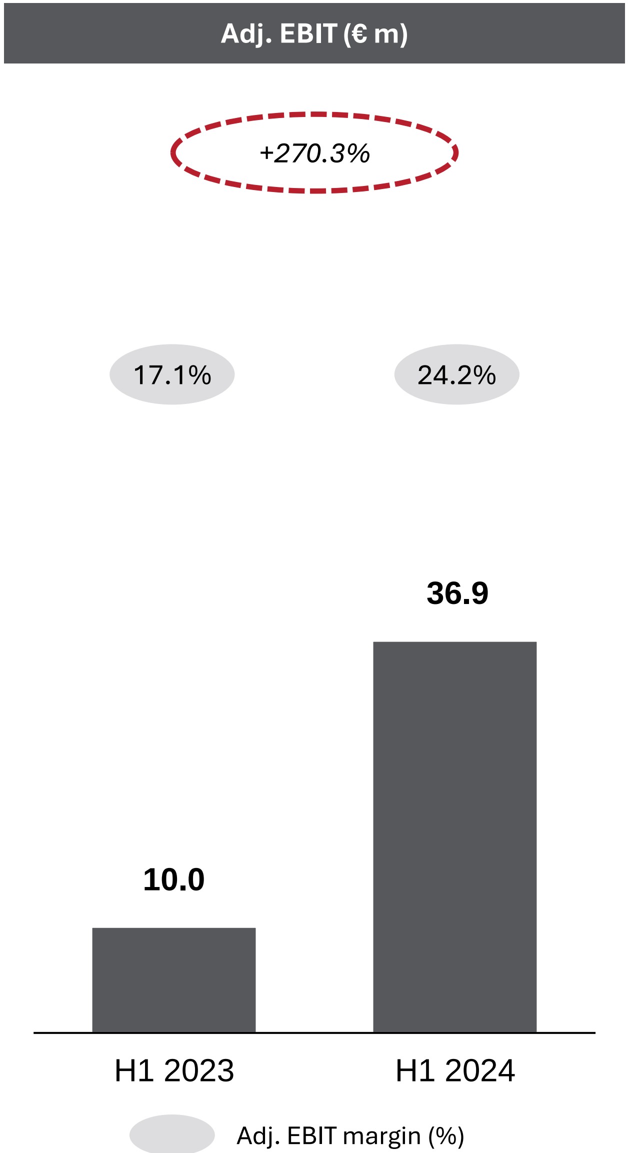
STRONG PROFITABILITY – HIGHER MARGINS COMPARED TO LAST YEAR



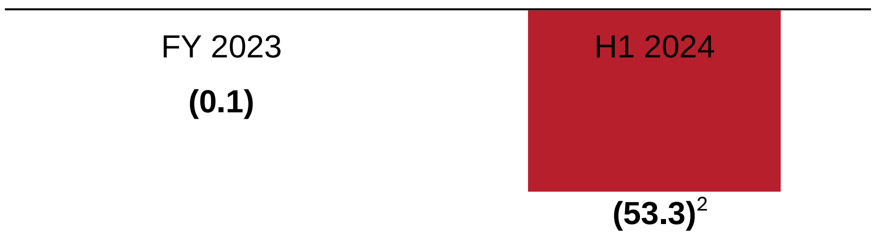


Commentary

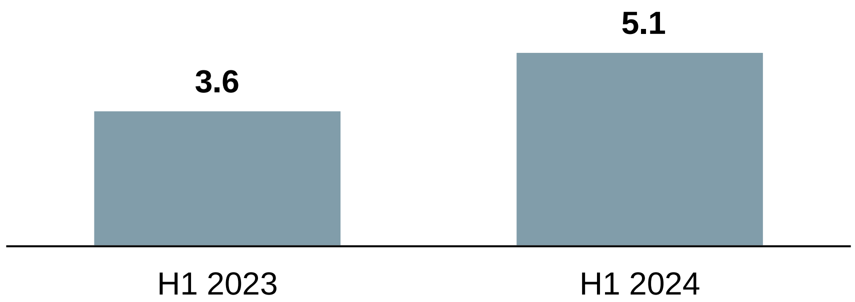
- Strong H1 performance, with material step-up in profitability vs last year
- Margins in line with guidance
- Growth and increased volumes resulting in improved gross margin (+3 p.p. vs H1 2023) and higher absorption of fixed administrative costs
- Asset-light business model resulting in low D&A
- One-off adjustments of €577 k in H1

SOLID BALANCE SHEET

Net debt / (cash) (€ m)



Capital expenditure (€ m)



Commentary

- Net cash position fuelled by IPO cash proceeds, ready to be deployed for future investments
- Bank debt of €60.7 m (incl. leases)
  - ~60% of which is L-T Debt
- Capex of €5.1 m (3.3% of revenues), in line with full year guidance of €10-12 m
- Trade working capital increased from €67.9 m H1 2023 to €133.3 m in H1 2024, in line with strong business growth and allowing to address the pending demand foreseen in the market
- Strong cash conversion rate[1] in H1 2024 of 87% vs 67% in H1 2023, driven by EBITDA growth and normalised capital expenditure as % of revenue

Notes:
[1] Defined as (Adjusted EBITDA – Capex)/ Adjusted EBITDA
[2] Including €40 million term deposit as part of other receivables

OUTLOOK – GUIDANCE CONFIRMED

	2024 target	Medium term target
Revenue	€330-350 m	Growth in line with addressable market
EBIT margin	Mid-twenties	Mid-twenties
Capex	€10 m	Capex as % of revenue in line with historical levels excluding Athens facility expansion
Dividend payout	40% Dividend payout of 2023 approved by AGM	30-40%

Q&A