

70 YEARS



Q3/23 ANALYST & INVESTOR PRESENTATION

NOV 15, 2023

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.

OVERVIEW REALIGNMENT OF COMPONENTS BUSINESS UNIT

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

Location Auerbach

- 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

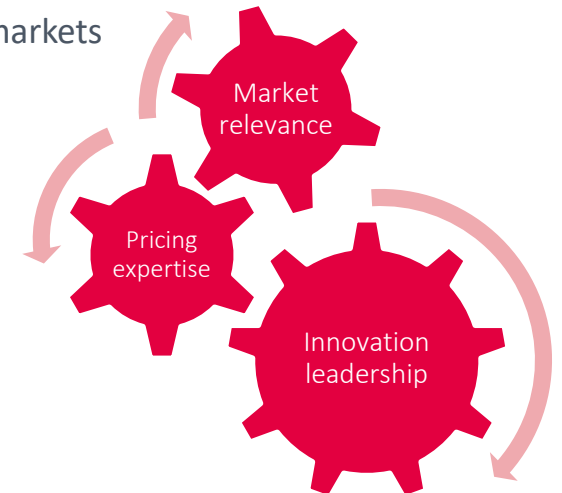
Location Zhuhai

- 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



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
Revenue	27.3	32.1	-15.1%	88.6	98.0	-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%
(adj.) EBITDA margin	-4.6%	13.0%	-17.6pp.	2.2%	13.9%	-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**

- Double digit growth in office (+32.8%) and gaming (+32.4%) peripherals business, thereby further increasing our market share
- Declining Components business (-48.2%) has shown insufficient competitive strength for MX1 switch generation under given market conditions
- Digital Health & Solutions business (-23.5%) impacted by customers' reluctance to purchase e-health terminals in Q3/23

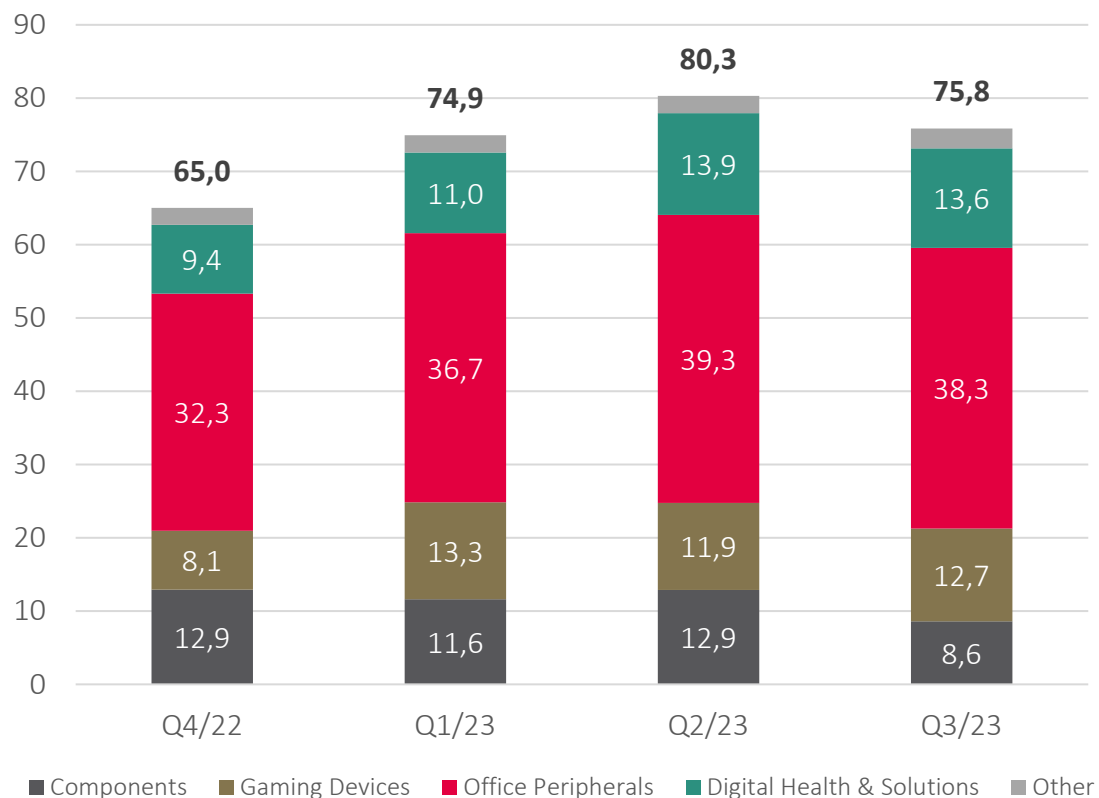
- **Gross profit margin mainly impacted by**

- 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

INVENTORY STRUCTURE SAFEGUARDS NEW PRODUCT CYCLES

Inventory level has peaked in Q2/23, mid-term inventory target range 25% to 30% of FY sales

STRUCTURE OF INVENTORIES [in €m]



- Impairment of € 2.8m for discontinued MX1 switches included, while MX2 switch production launched for market introduction in Q3/23
- Gaming Devices level slightly increased for further international roll out
- Peripherals level already decreased from Q2/23 peak in light of strong growth dynamics – inflow of goods reduced significantly in Q3/23
- Year-end inventory level expected to be significantly decreased with cash effect of around € 30m until Q1/24

	Q2/23	Q3/23	Δ
Components	12.9	8.6	-33.2%
Gaming Devices	11.9	12.7	6.5%
Office Peripherals*	39.3	38.3	-2.5%
Digital Health & Solutions*	13.9	13.6	-2.0%
Other	2.4	2.7	14.0%
Total	80.3	75.8	-5.6%

* Security business inventories have been initially reported in Digital Health & Solutions in Q2/23 (previously: Office Peripherals).

CASH FLOW 9M/23 WITH SEQUENTIAL QUARTERLY IMPROVEMENT IN 2023

Cash flow primarily impacted by increase in net working capital and net loss for the period

in €m/ as indicated	9M/23	9M/22
Net result	-12.7	-0.7
Depreciation, amortization, impairment (+) on fixed assets	11.1	11.5
Increase (-) / decrease (+) in inventories, trade receivables and other assets	-11.9	-22.0
Increase (+) / decrease (-) in trade liabilities and other liabilities	-12.7	8.7
Other	-5.6	1.7
Operating Cash Flow	-31.8	-0.8
Investing Cash Flow	-10.1	-9.3
Financing Cash Flow	-6.5	-8.6
Free Cash flow	-41.9	-10.1
Cash and cash equivalents at beginning of period	92.8	109.7
Cash and cash equivalents at end of period	44.4	91.3

- Operating cash flow mainly impacted by
 - Increase in NWC by € 15.8m and net loss by € 12m
 - Higher increase in inventories by € 10.8m and trade receivables by € 5.2m as well as reduction in trade liabilities by € 11.4m
- Operating cash flow in Q3/23 (-€ 5.2m) vs. Q2/23 (€ -8.7m) vs. Q1/23 (€ -17.8m)
- Investing cash flow
 - Investments in property, plant and equipment down by € 2.0m
 - Investments in intangible assets up by € 0.8m
 - Initial purchase price for Xtrfy Gaming in Q1/23 (€ 3.5m)
- Financing cash flow
 - Mainly driven by acquisition of treasury shares in H1/23 (€ 2.5m) as part of the share buy back program 2022, which were € 2.8m lower than in the previous year

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">• Unlocking € 10 to 15m annual savings and earnings improvement potential• Return to an (adj.) EBITDA margin at Group level of over 20%

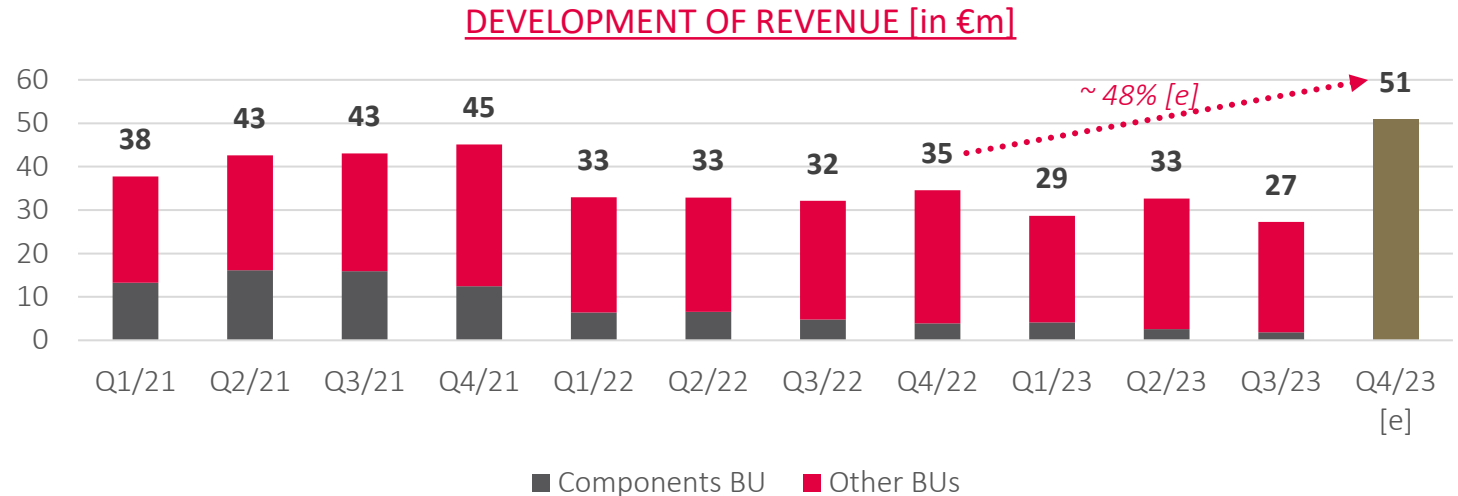
MAIN DRIVERS FOR Q4/23

Strong growth momentum expected in peripherals business supported by seasonality effects



Revenue Outlook FY 23

Around € 140m.



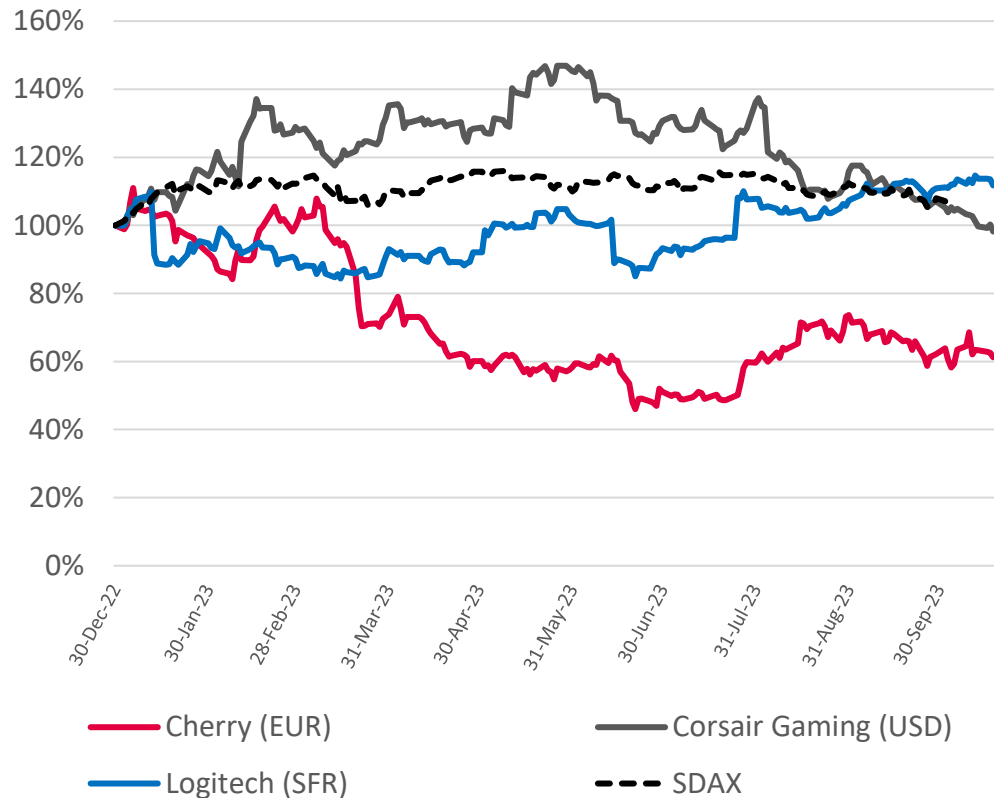
- Significant positive swing in Gaming Devices business in China following changeover of Chinese distributor in Q4/22
- Continued internationalization of Gaming Devices and Office Peripherals business to further penetrate European and US markets
- Seasonal peaks in demand in both B2C and B2B due to various 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

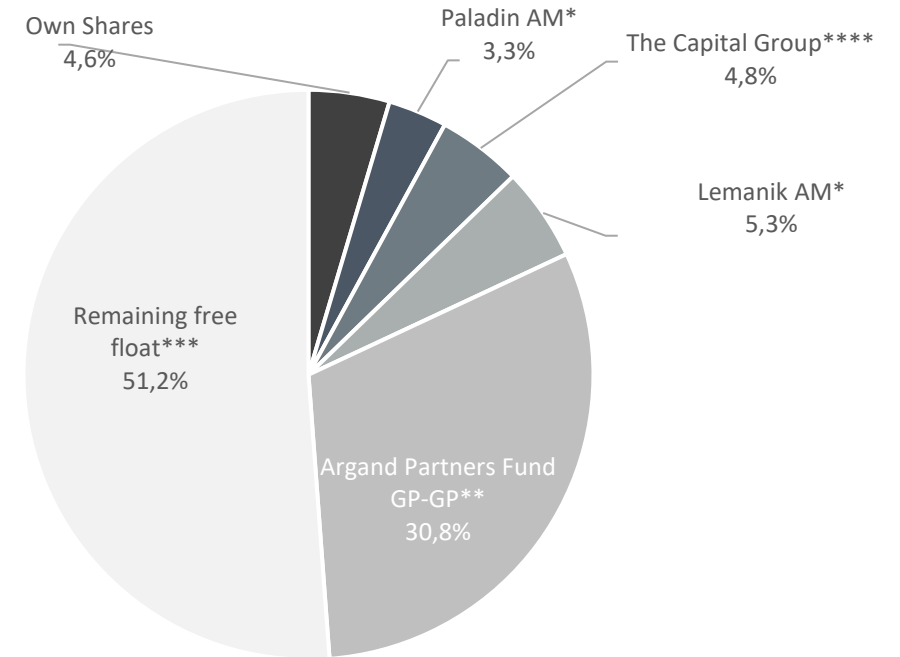


RELATIVE SHARE PERFORMANCE & CURRENT SHAREHOLDER STRUCTURE

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
Tel. +49 175 1971503
Fax +49 9643 20 61 900
Internet <https://ir.cherry.de>

