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Acce/eron

# Accelleron introduction

Octavian Seminar

January 2023

# Management team presenting today



Daniel Bischofberger  
Chief Executive Officer



Michael Daiber  
Head of Strategy and IR

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



#1 position across segments



Industry leading technology offering



Preferred partner to both OEMs<sup>1</sup> and operators



>180k turbocharger installed base



>100 service stations globally



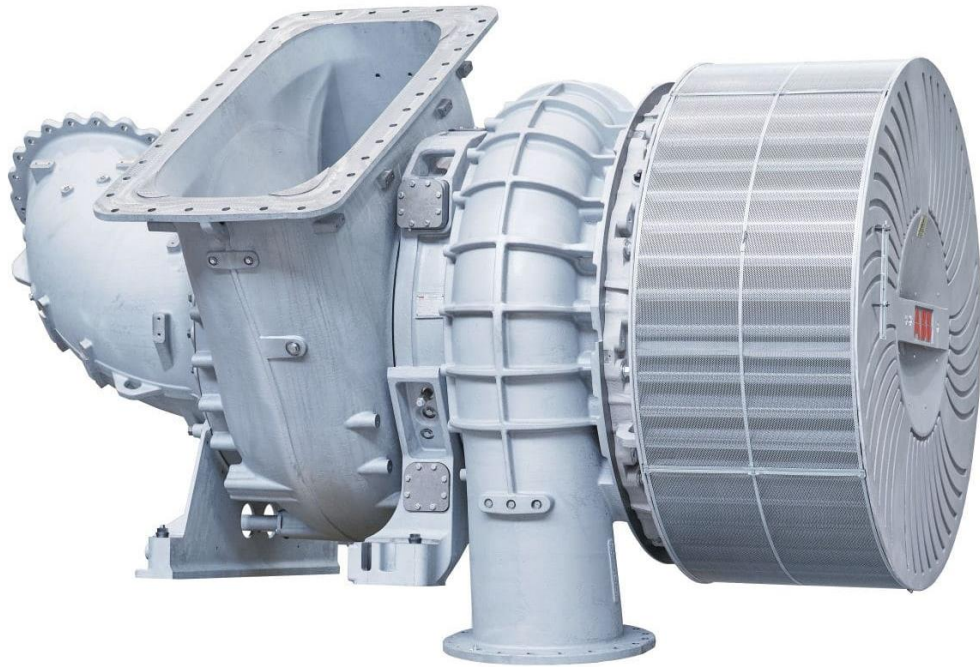
~75% recurring service-driven revenues



Strong cash conversion

1. OEMs stand for Original Equipment Manufacturers

# Best-in-class technology enabling leading product and service offering



## Efficiency

- ✓ **Efficiency** up to **2% above peers**
- ✓ **25% higher power density<sup>1</sup>**
- ✓ Industry leading emission reductions
- ✓ Predictive maintenance & remote monitoring / diagnostics

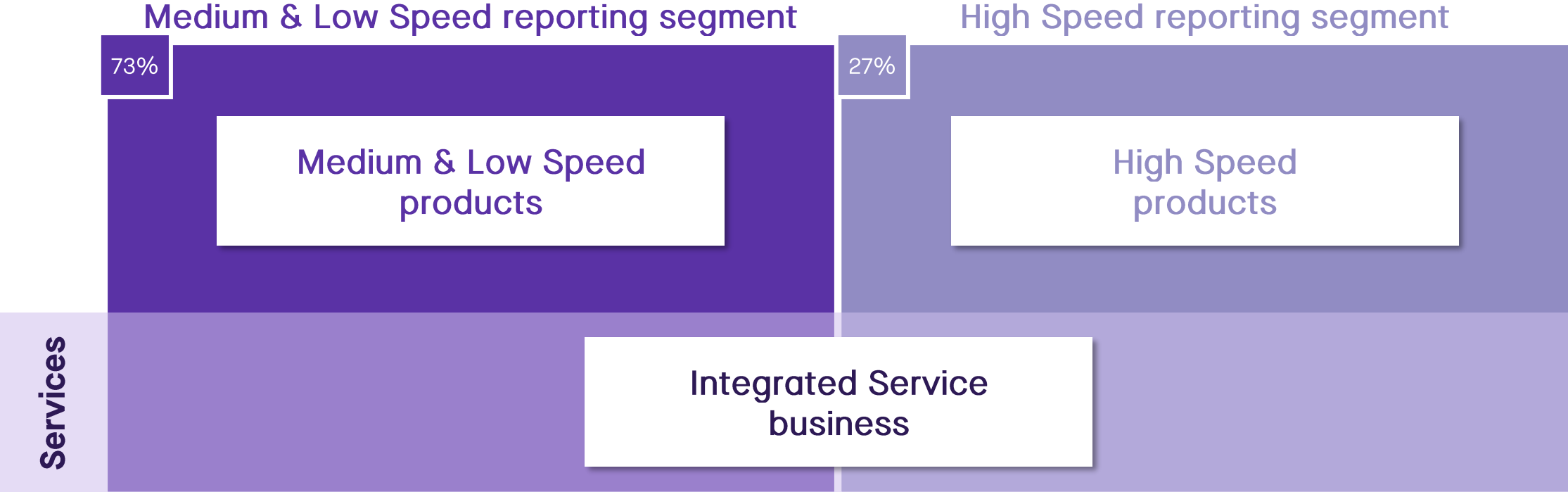
## Skills & capabilities

- ✓ ~2,300<sup>2</sup> people with clear goals
- ✓ ~185 R&D employees
- ✓ >500 service engineers
- ✓ 80 training hours per annum per engineer
- ✓ ~7% R&D as % of revenues<sup>3</sup>
- ✓ **119 patent families**

Source: Company information and Audited Combined Carve-out Financial Statements

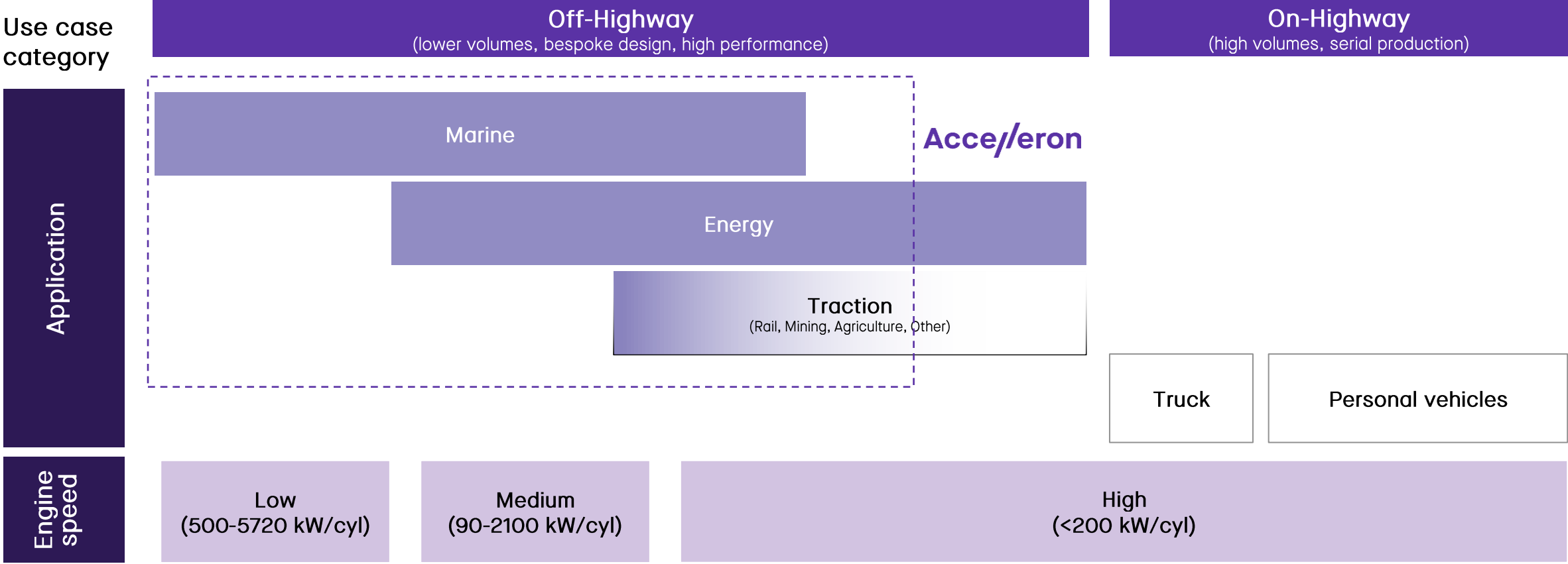
1. Power density refers to power per unit of volume (e.g. W/m<sup>3</sup>)
2. Includes externals
3. Based on 2021

We are organized into two reporting segments with three operating divisions working hand in hand

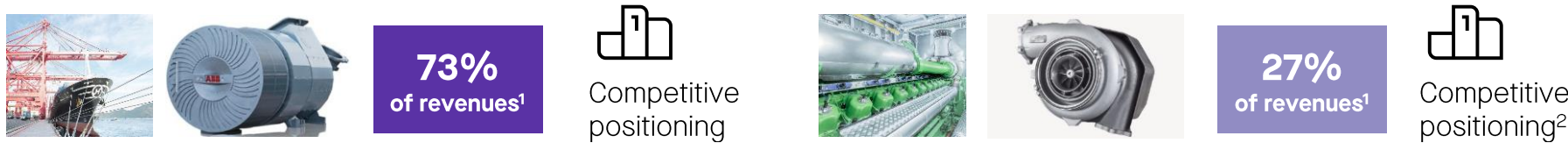














Service business is intrinsically linked with our product businesses' value chain

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



# Accelleron has focused applications with market leading positions



	Medium & Low Speed	High Speed
Industry <sup>3</sup>	 Marine  Energy  Rail	 Energy  Off-highway
Average useful life of a TC	20 – 30 years	~15 years
Differentiation	Highly customized	Small series production
Key competitors include	   	  

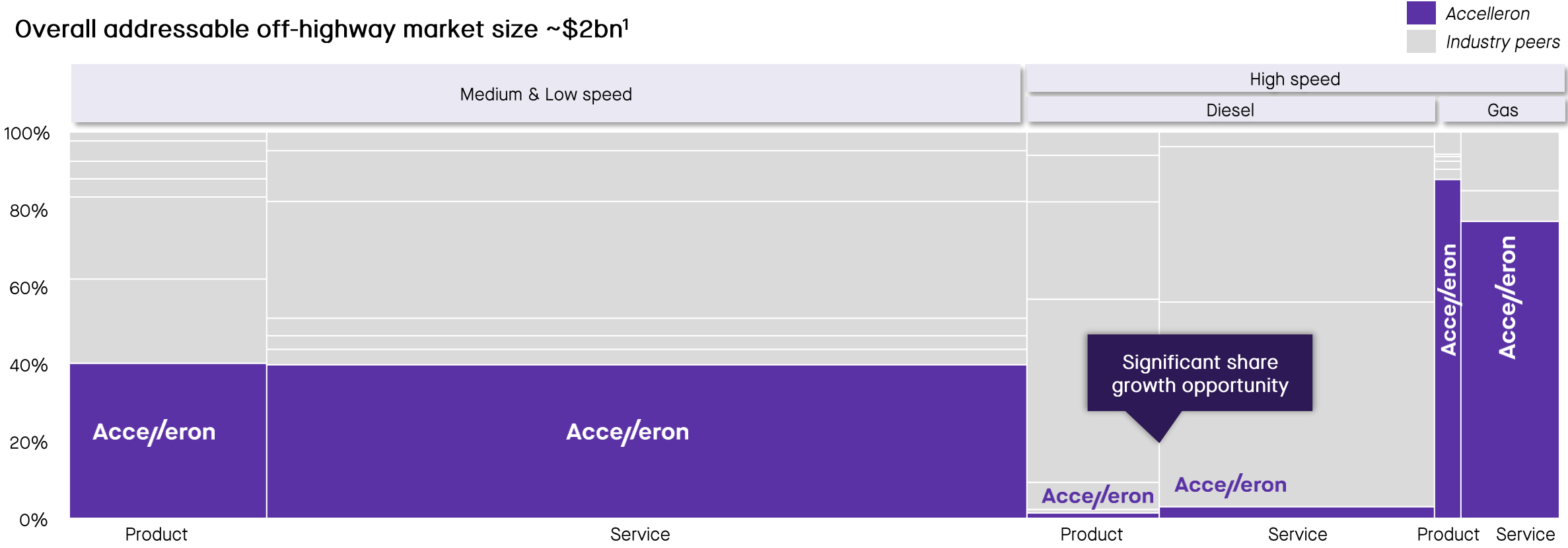
Source: Company information, Company internal estimates, third party analysis and Audited Combined Carve-out Financial Statements

1. Based on 2021 revenues
2. Position in High Speed Gas Engines segment only, excluding High Speed Diesel Engines
3. Main focus industries in black



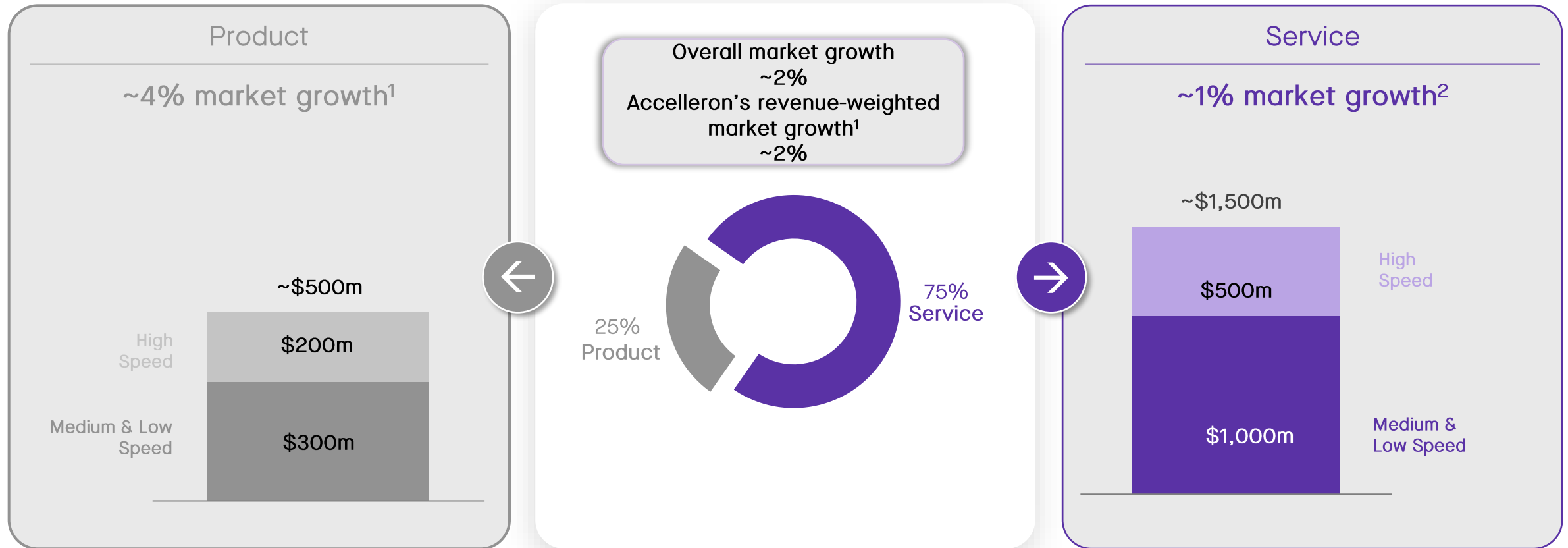
# Strong share in key products and services, with High Speed providing growth opportunities

Overall addressable off-highway market size ~\$2bn<sup>1</sup>



# Product led growth is expected across our markets

Addressable Off-Highway Market:  
~\$2bn<sup>1</sup> in 2020



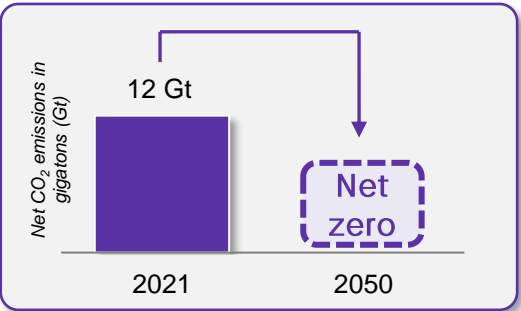
Source: Company internal estimates and third party analysis and Audited Combined Carve-out Financial Statements

Note: Traction not included in addressable market size

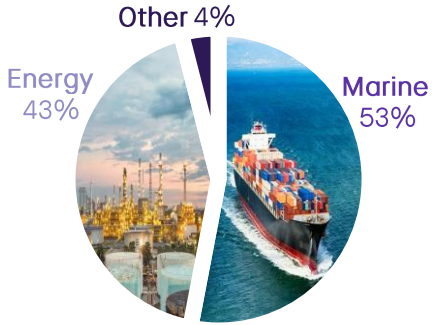
1. Excluding rail
2. FY20 – FY26E CAGR, excludes inflation and FX impact

# The world requires massive emission reductions and industry megatrends are creating significant opportunities for Accelleron

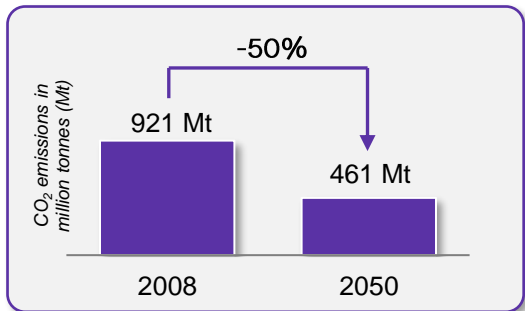
Energy emissions reduction required by 2050<sup>1</sup>



Accelleron revenues by core end-markets



Marine emissions reduction required by 2050<sup>2</sup>



Now Future

## Decarbonization

If maritime industry was a country, it would be the world's 6<sup>th</sup> largest CO<sub>2</sub> polluter

- **Trends:** synthetic fuels, fossil fuel decarbonization, bio fuels, blends, increased efficiency
- **Power:** grid balancing for intermittent renewables
- **Heavy-duty:** carbon neutral fuels where batteries are not a solution

1% reduction in maritime industry fuel use is equivalent to:


1. ~\$2bn of annual savings
2. CO<sub>2</sub> reduction from taking ~2 million cars off the road

Source: Company information, BloombergNEF and International Maritime Organization  
 1. Based on net zero 2050 emission targets outlined in Paris agreement  
 2. Based on IMO targets



# The energy transition provides us with multiple opportunities


## 1 ICE upgrades / retrofits



We reduce emissions across our end markets and expect to do so for many years to come

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## 2 Transition fuels



We are a leader in transition fuels and enable gradual decarbonization of installed products through blending with green fuels

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## 3 Future technology



Accelleron products already today are ready to run with future green fuels (incl. High Hydrogen Blend, 100% Hydrogen, Biogas etc.)

# Levers to grow our products business

Leverage higher markets growth, driven by energy transition

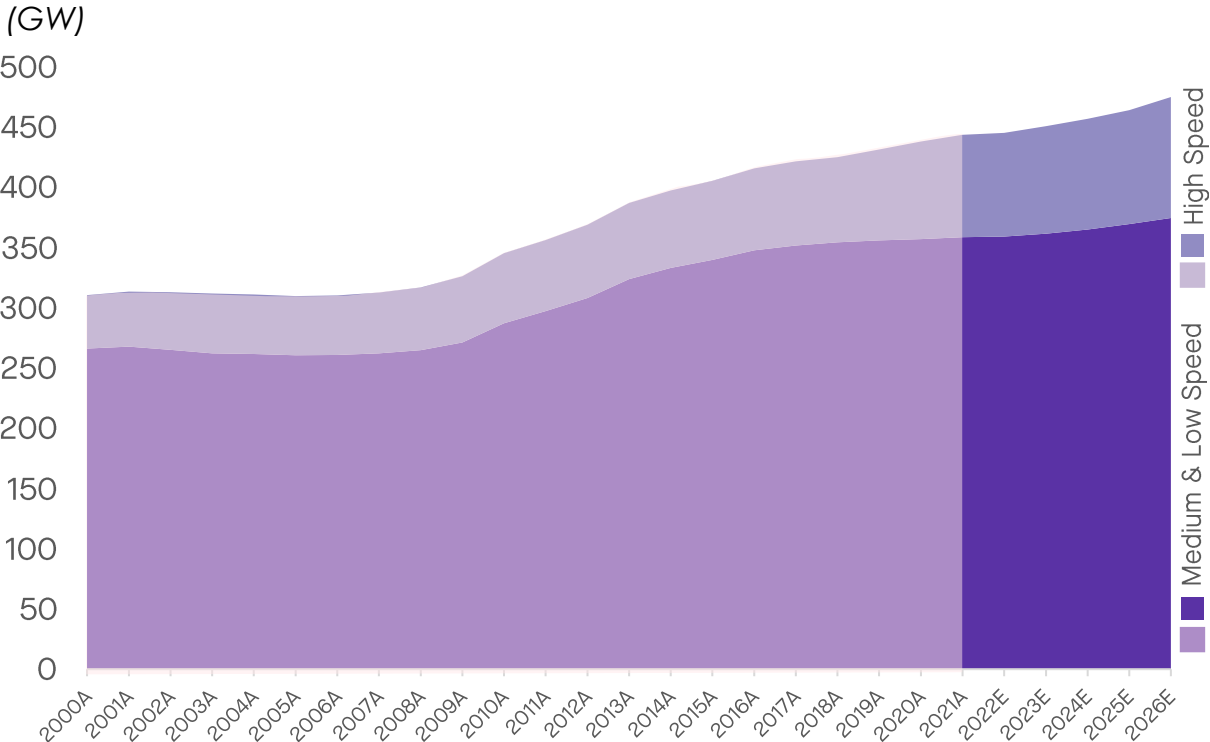
Expand share in core markets with superior technology

Penetrate non-core markets with evolving tech requirements

Market leader in core markets and energy transition fuels

# Continuously growing installed base securing service business with further potential for growth

## Development of Accelleron charged power



- Assumed lifetime<sup>1</sup>:
  - Medium & Low Speed: **~25 years**
  - High Speed: **~15 years**

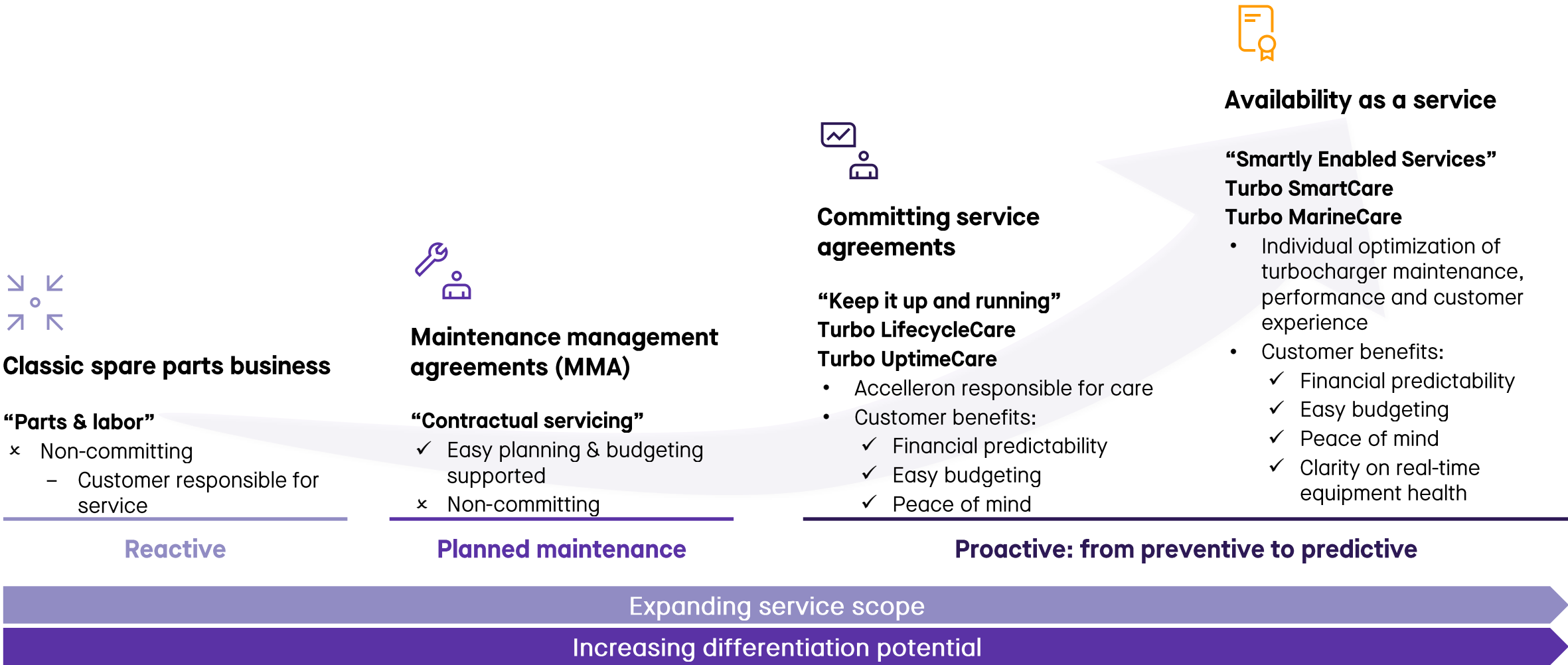
- Continuous **growth of charged power**
- Accelleron - charged power in GW is expected to grow with a **~1% CAGR<sup>2</sup>**

- Accelleron Service revenues expected to outperform the market**, benefiting from growth in service agreements

Source: Company information  
 1. Average turbocharger age by the end of 2021: High Speed = 6-7 years; Medium & Low Speed = 11-12 years  
 2. 2020 – 2026E



# Accelleron’s service evolution from a classic spare parts business to a smartly enabled, “availability as a service” model



## Classic spare parts business

### “Parts & labor”

- × Non-committing
  - Customer responsible for service

Reactive



## Maintenance management agreements (MMA)

### “Contractual servicing”

- ✓ Easy planning & budgeting supported
- × Non-committing

Planned maintenance



## Committing service agreements

### “Keep it up and running”

#### Turbo LifecycleCare Turbo UptimeCare

- Accelleron responsible for care
- Customer benefits:
  - ✓ Financial predictability
  - ✓ Easy budgeting
  - ✓ Peace of mind

Proactive: from preventive to predictive



## Availability as a service

### “Smartly Enabled Services”

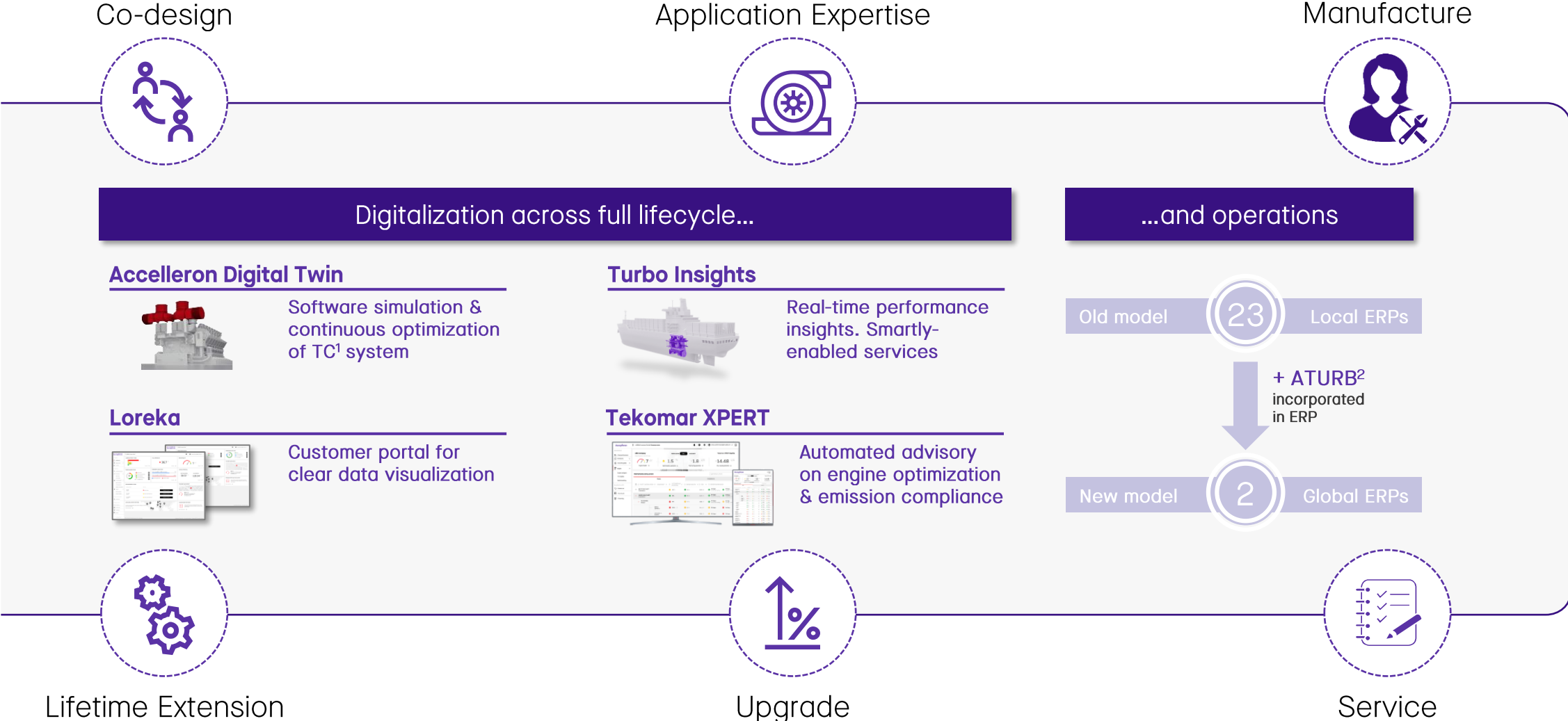
#### Turbo SmartCare Turbo MarineCare

- Individual optimization of turbocharger maintenance, performance and customer experience
- Customer benefits:
  - ✓ Financial predictability
  - ✓ Easy budgeting
  - ✓ Peace of mind
  - ✓ Clarity on real-time equipment health

Expanding service scope

Increasing differentiation potential

# Our value proposition: support customers through entire product lifecycle with digitalization encompassing every step



Co-design

Application Expertise

Manufacture



Digitalization across full lifecycle...

...and operations

**Accelleron Digital Twin**



Software simulation & continuous optimization of TC<sup>1</sup> system

**Turbo Insights**



Real-time performance insights. Smartly-enabled services

**Loreka**

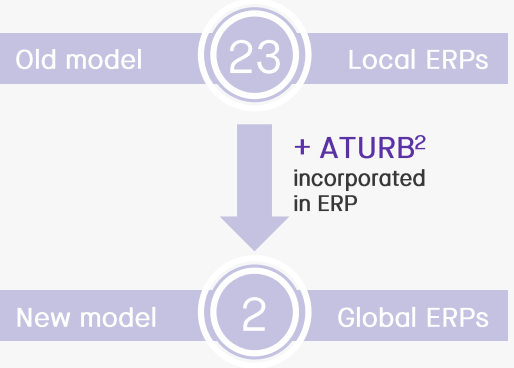


Customer portal for clear data visualization

**Tekomar XPERT**



Automated advisory on engine optimization & emission compliance



Lifetime Extension

Upgrade

Service

Source: Company information

- 1. TC = turbocharger
- 2. Integrated portal for efficient resource planning and TC servicing



Market leading global service business with highly attractive customer value proposition



Steadily  
growing  
installed base



Exclusive  
“full cover”  
service model




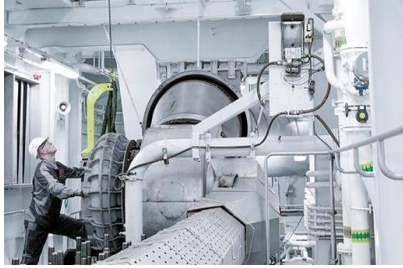



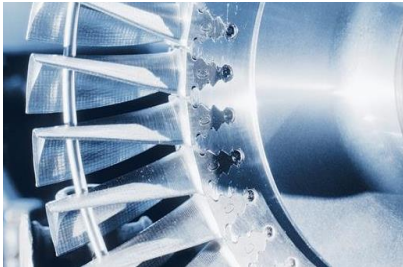
High customer  
loyalty with  
frequent  
engagement



Recurring revenues demonstrating resilience & predictability

# Financial outlook

Updated November 14<sup>th</sup> 2022

	 <p>2022 organic revenues growth<sup>2,3</sup> <b>~8%</b></p>	 <p>2022E operational net income<sup>3,4</sup> <b>~\$150m</b></p>	 <p>Net leverage<sup>3</sup> at spin-off <b>~0.7x</b></p>		
<b>Mid-term targets<sup>1</sup></b>	<p>Organic revenues growth<sup>2,3</sup> <b>2-4% CAGR</b></p>	<p>Operational EBITA margin<sup>3</sup> <b>23-26%</b></p>	<p>Free cash flow conversion<sup>3</sup> <b>90-100%</b></p>	<p>Dividend policy <b>If net leverage<sup>3</sup> ≥ 1.0x: 50-70% of reported net income, otherwise up to 100%<sup>5</sup></b></p>	<p>Target net leverage<sup>3</sup> <b>0.5-1.5x</b></p>
	 <p>2022 operational EBITA margin<sup>3</sup> <b>~24.5%</b></p>	 <p>2022 free cash flow conversion<sup>3</sup> <b>60-70%</b></p>	 <p>2022 dividend <b>~\$75m</b></p>		

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. At constant currency and adjusted for M&A

3. Non-U.S. GAAP financial metric
4. Non-recurring guidance target
5. 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

# In summary: Why to invest in Accelleron

## Accelleron's competitive strength

- Market leader
- Global service footprint
- Cutting edge technology
- Operational excellence
- Attractive financial profile with resilient margins and strong cash flow

## Future-proof positioning

- Resilient end markets
- Core enabler of decarbonization
- Leader in fuel transition
- At the forefront of innovation

## Our growth strategy

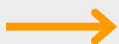
- Increase segment share in our core markets
- Expand business offering into adjacent areas
- Further grow lifetime service offering
- Increase digital scope and facilitate customer energy transition

# Appendix

# Our proprietary global service network is continually optimized to changing market demands

2000

45 countries  
75 locations



2022

53 countries  
109 locations

## We regularly assess suitability of sites based on:

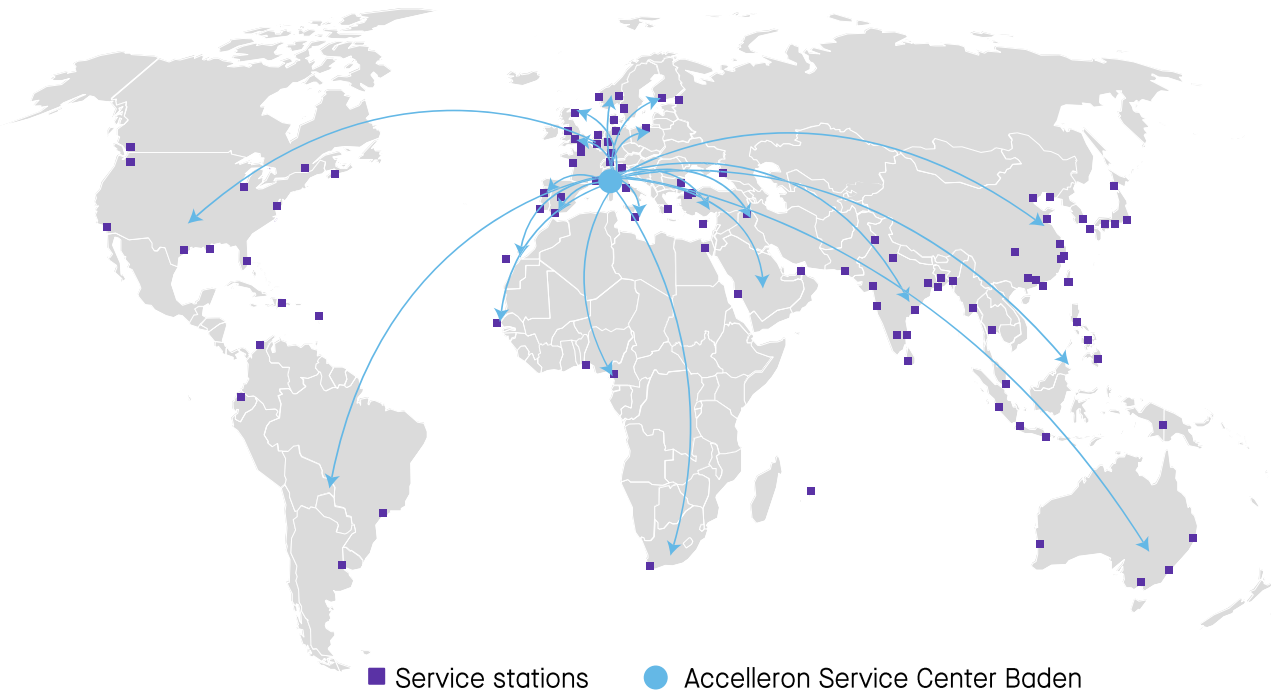
- ✓ Customer proximity
- ✓ Business opportunities
- ✓ Changing markets



>500 highly trained service engineers



>200 dedicated service sales experts



# Sustainability is at the core of our strategy and operations



## We aim to improve the Environmental impact of...

### ...our own operations:

- ✓ **Scope 1 & 2 CO<sub>2</sub> emissions reduced by 50%** since 2019. **Further 60% reduction planned by 2030**
- ✓ **New test facilities to operate with alternative green fuels from 2022** (e.g. H<sub>2</sub>)<sup>1</sup>
- ✓ **Transition 80% of test center operations to green fuels by 2030**

### ...our customers' operations:

- ✓ **Improving customers' efficiency** by reducing their fuel consumption and combustion engine size
- ✓ **Enabling longer usage of customer assets** via prioritizing repairs and upgrades over replacements
- ✓ **Helping our customers to decarbonize further** by leading the transition to green fuels



## We take Social responsibility for...

### ...our employees:

- ✓ **Global development opportunities for local talent** at one worldwide standard (e.g. >80h of training per year for service engineers)
- ✓ **Worker safety:** LTIFR<sup>2</sup> of 0.45<sup>3</sup> in 2021, plan to achieve 0.2 by 2024
- ✓ **Diversity:** 2021/22 Female share of 15% across senior leadership<sup>4</sup>, >20% across new hires. Employees from 80 nationalities in 50 countries

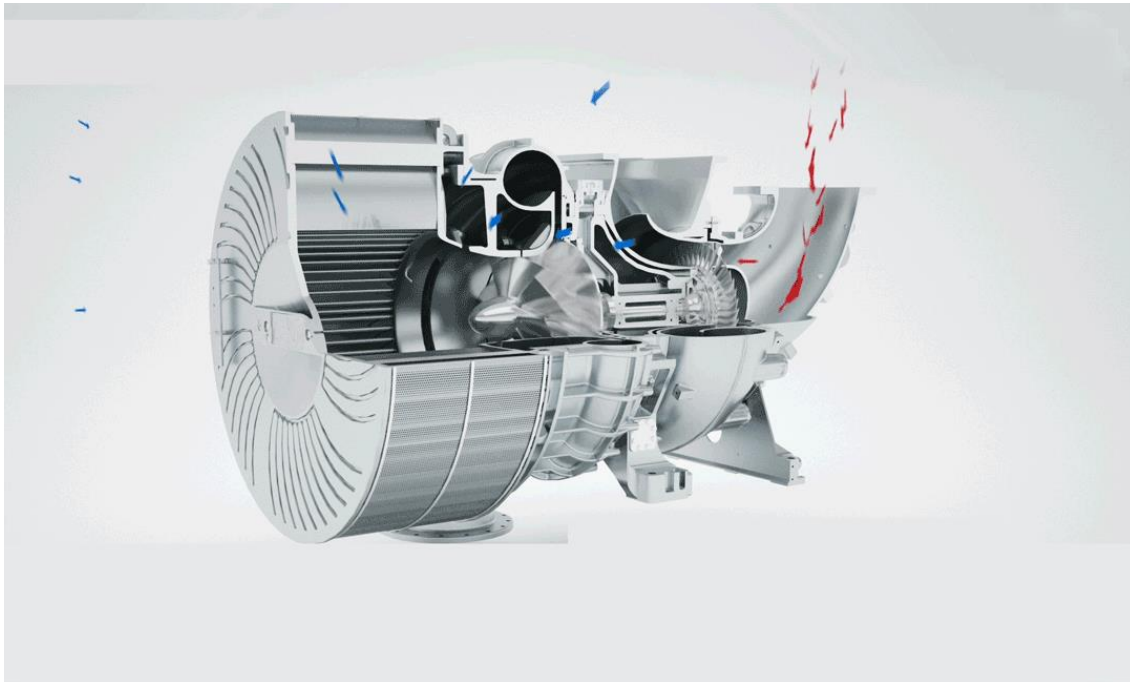
### ... our external stakeholders:

- ✓ Ethical and social **supplier due diligence**
- ✓ **Support local communities** in which we are active, e.g. China, UK, Ecuador, Philippines and India

**Executive compensation will be linked to environmental and social targets;  
Support of UN Sustainable Development Goals, to be laid-out in dedicated Sustainability Report**

# Turbocharging technology helps end users achieve key decarbonization and financial KPIs

## How does a turbocharger improve engine performance?



## Adding a turbocharger to an engine helps to...

... increase power by up to 300%

... lower fuel consumption and CO<sub>2</sub> emissions by up to 10%

... reduce NO<sub>x</sub> emissions by up to 60%

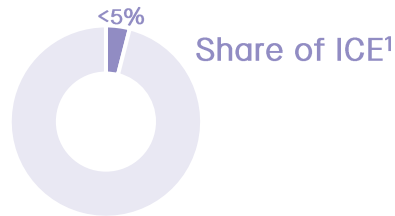
... save OpEx of up to ~\$3m<sup>1</sup> per annum, being multiple times of the initial outlay

Source: Company information

1. For a large container vessel; calculated as 250t of fuel per day at \$500/t for 250 days of operation per annum and assuming 10% fuel savings. Upside potential from carbon credits

# Trends in core market segments support the growth trajectory

## Energy



Energy transition increases turbocharger applications

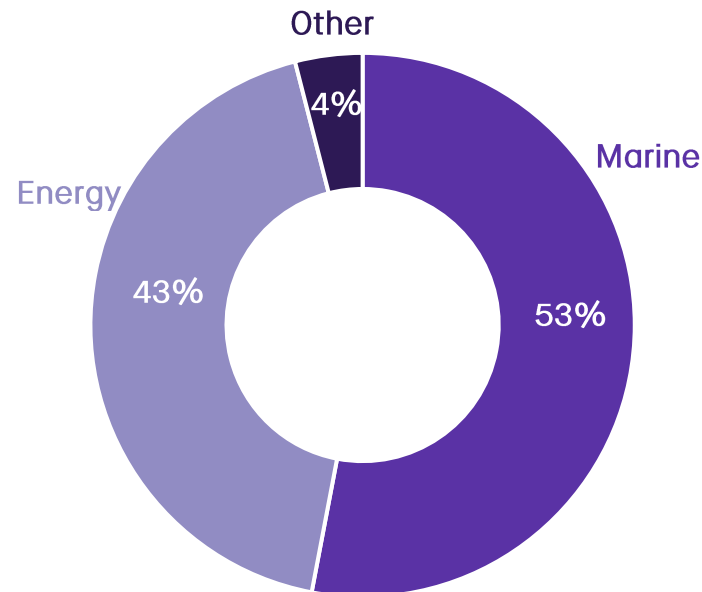
Grid balancing from ICE critical with

- Accelerating shift to renewables
- Overall electrification trend

Back-up power ever more important for critical infrastructure (inc. data centers)

Continuous demand for baseload in emerging markets

## Accelleron's revenue by core market segments



## Marine



Segment growth increases turbocharger applications

Strong investment in shipping supported by global trade

Stricter CO<sub>2</sub> emission regulations for propulsion systems create new technology opportunity

New propulsion systems and alternative fuels emerging



# Pressure is rising to decarbonize Accelleron's core segments...

## Corporations are committing to net zero carbon

Significant cargo users				
				
Utilities				
				

Accelleron can help customers to achieve their net zero goals through:

- ✓ Superior power density
- ✓ Fuel efficiency and flexibility
- ✓ Engine performance advisory

## Accelleron is the partner of choice...

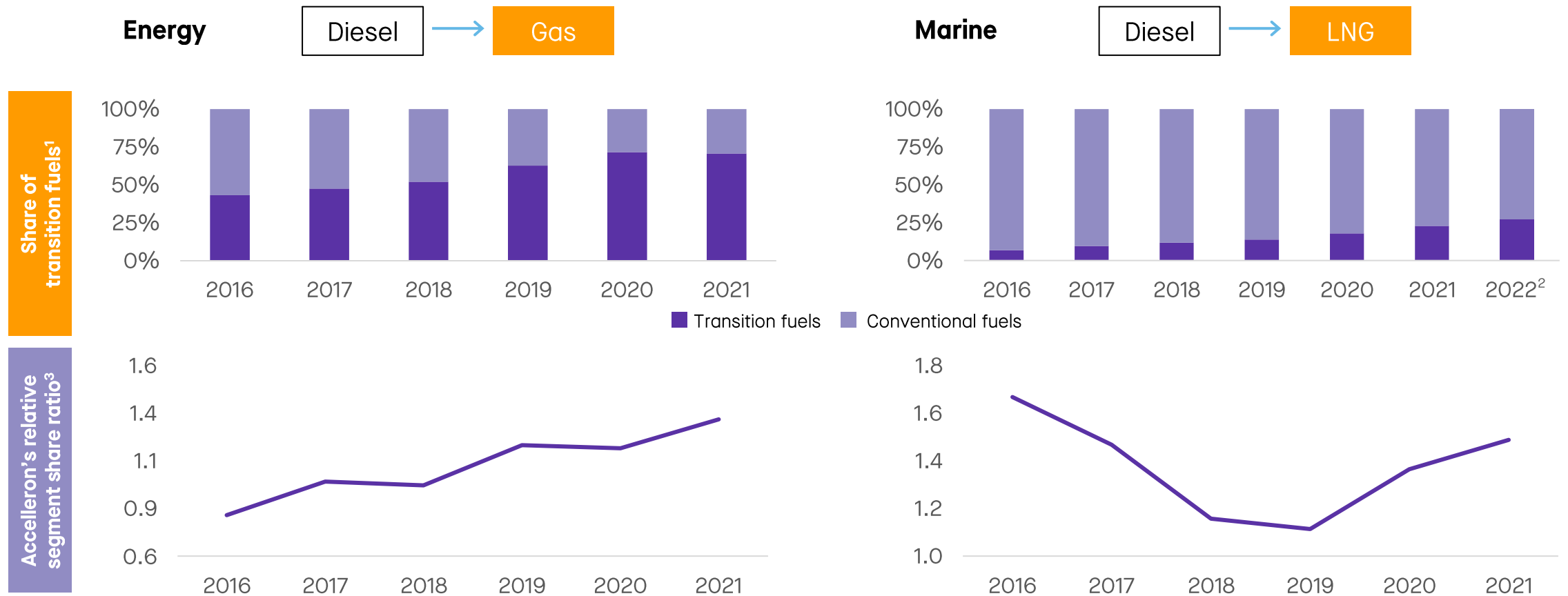
... for the world's first carbon neutral liner vessel coming into operation by 2023 and running on green Methanol

... on 1<sup>st</sup> major container vessel series running on green Methanol for Auxiliary engines

... on 1<sup>st</sup> newbuild Methanol-fueled Wärtsilä engines for an Offshore Wind Installation Vessel



... and we are the partner of choice for low carbon fuels to enable this decarbonization



**A segment share ratio of above 1.0 indicates Accelleron's share in transition fuel engines is greater than its share in the broader market**

Source: Third party analysis and Company information

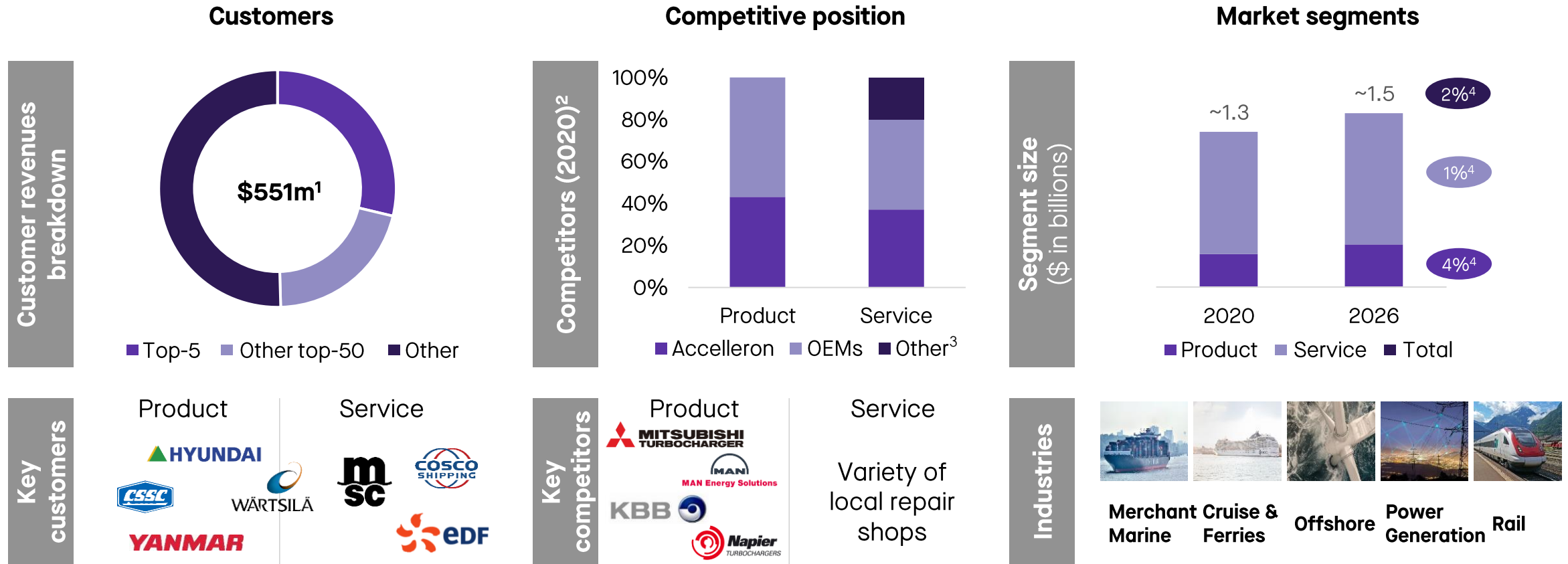
1. Based on produced engines output

2. 2022 based on Low Speed only

3. Accelleron segment share in transition fuels / total Accelleron segment share

# Division Medium & Low Speed

Customer overview, competitive position and market segments

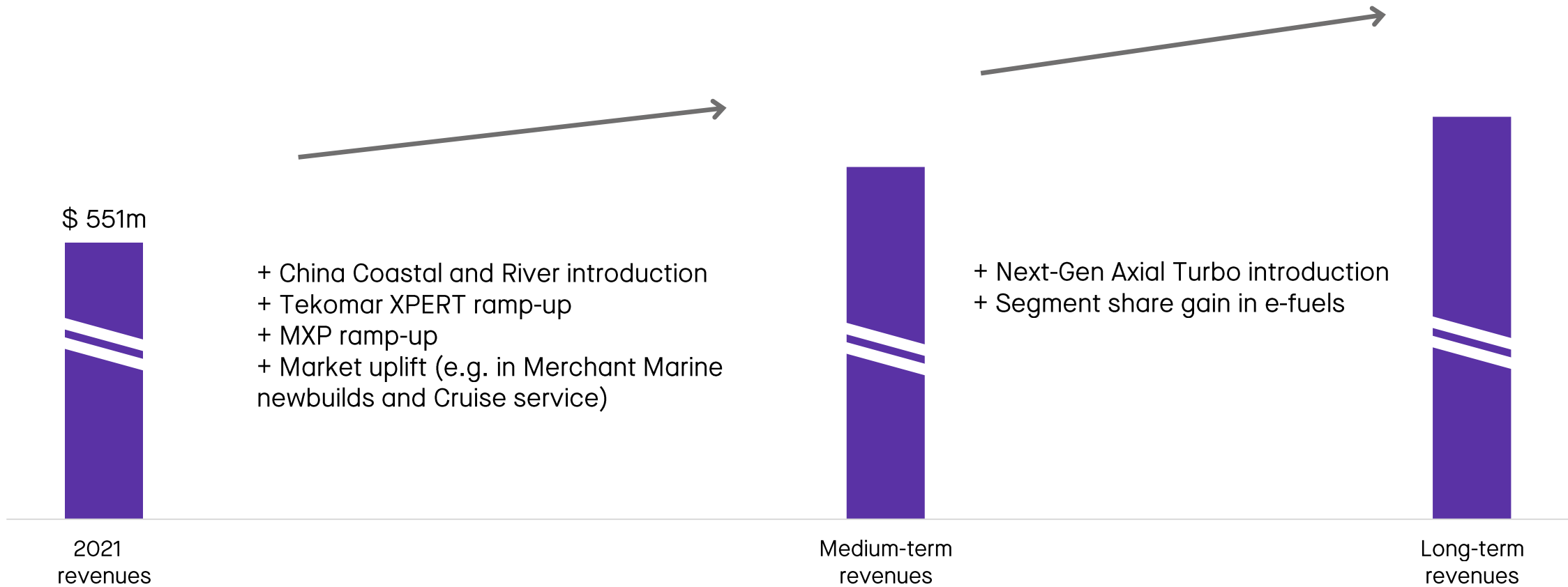


Source: Company information, Company internal estimates, third party analysis and Audited Combined Carve-out Financial Statements

Note: Figures include rail

- 2021 revenues; includes 3rd party service and rail
- Based on 2020 revenues
- Includes 3rd party service providers and internal servicing
- Expected FY20 - FY26 market CAGR

# Vision for Medium & Low Speed: Changing industry landscape leading to significant growth opportunity



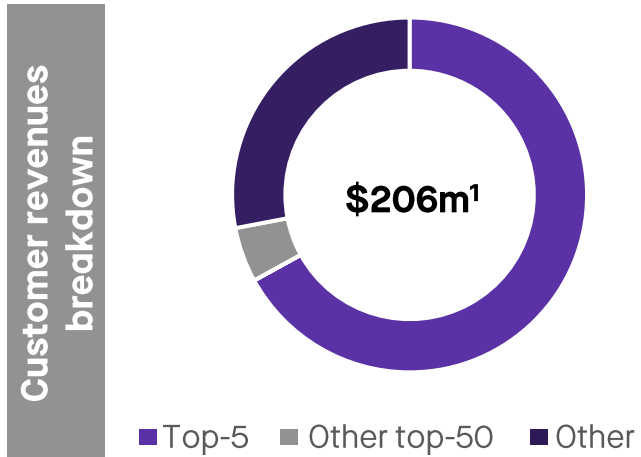
Source: Company information and Audited Combined Carve-out Financial Statements  
Note: Medium-term refers to a 4-5 year horizon. Long-term refers to a 5-year+ horizon  
Revenues provided include product and service revenues



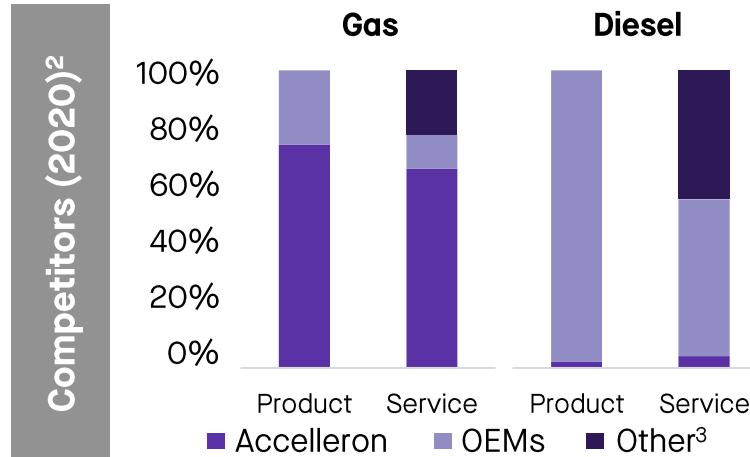
# Division High Speed

## Customer overview, competitive position and market segments

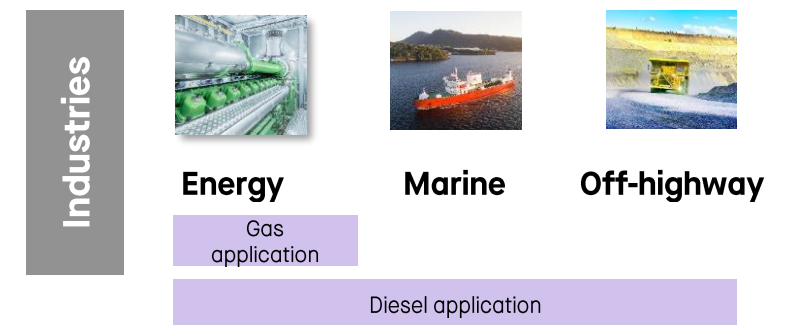
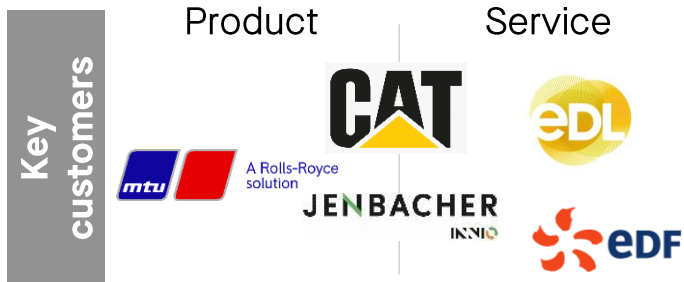
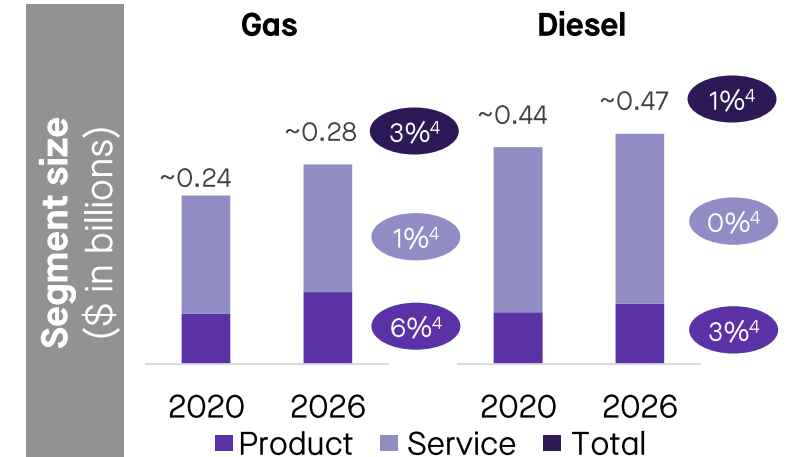
### Customers



### Competitive position



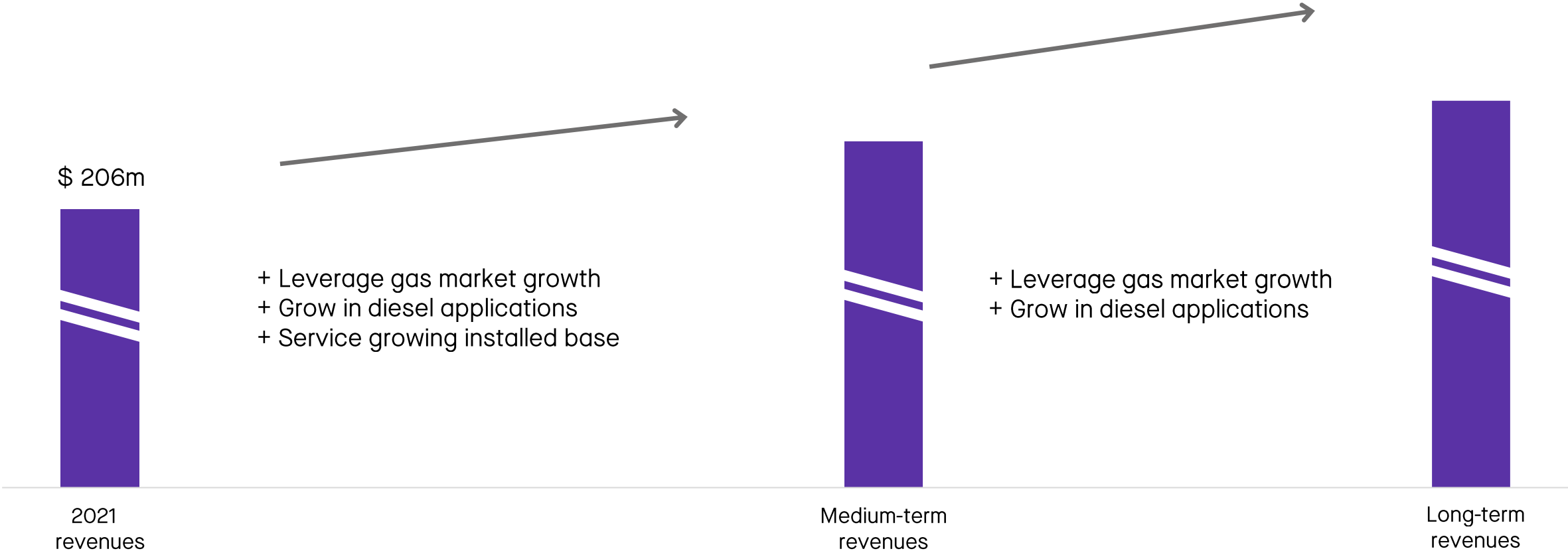
### Market segments



Source: Company information, Company internal estimates, third party analysis and Audited Combined Carve-out Financial Statements

1. 2021 revenues
2. Based on 2020 revenues
3. Includes 3rd party service providers
4. Expected FY20 - FY26 market CAGR

# Vision for High Speed: We expect to excel in the market with outsized growth through our initiatives



Source: Company information and Audited Combined Carve-out Financial Statements  
Note: Medium-term refers to a 4-5 year horizon. Long-term refers to a 5-year+ horizon  
Revenues provided include product and service revenues



# Accelleron provides the best lifecycle support to its customers

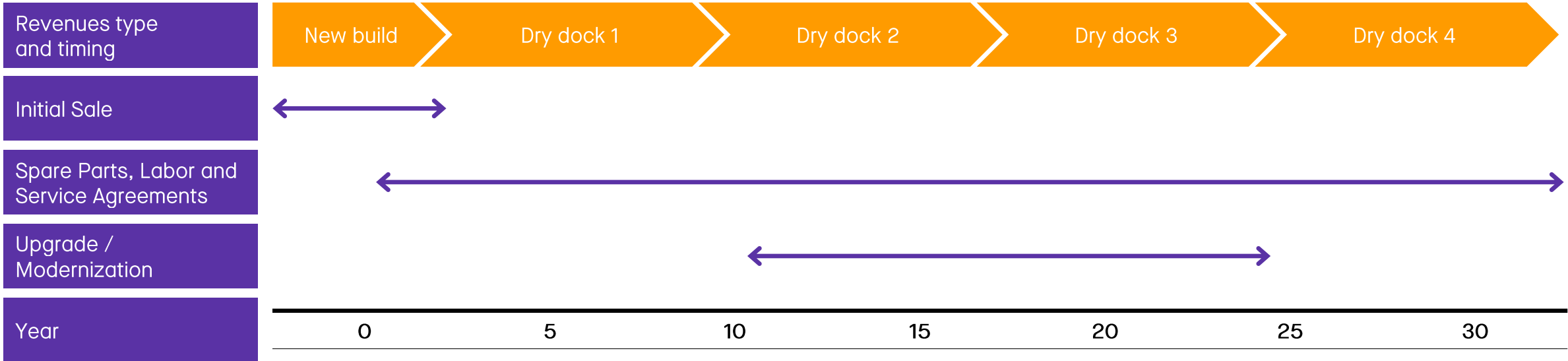


There are many opportunities to generate revenues streams with a Turbocharger, from inception, to routine maintenance and upgrades / modifications



New service business models enabled by digitalization provide further opportunities to entrench Accelleron with the end users and engine builders

## Illustrative Revenues Model of Marine Turbocharger



# Developing the upgrade business to support decarbonization

## Key upgrade benefits



Reduce engine and TC<sup>1</sup> component wear



Reduce fuel consumption, lower emissions



Remove load limitation, more power output

## Tangible real-world benefits - ferry vessel case study<sup>2</sup>



Investment cost of \$ 800,000 per vessel



Expected annual fuel savings of \$ 200,000



1,400 tons CO<sub>2</sub> reduction per year, equivalent to >22,000 trees planted every year



Return on investment in less than four years

Source: Company information

1. TC = turbocharger
2. Calculations are based on a normalized fuel price environment
3. CII stands for Carbon Intensity Indicator regulation framework
4. EEXI stands for Energy Efficiency Existing Ships regulation

## Regulatory impact

- Regulatory and social pressure towards decarbonization in shipping industry (CII<sup>3</sup>, EEXI<sup>4</sup>) is continuously increasing
- The need for upgrades in the marine industry is increasing, Accelleron is well positioned:
  - Cooperation with OEMs
  - Capability to provide complete solution directly to end user, including certification

Accelleron works with OEMs to provide comprehensive upgrade packages



Thermodynamic components



Entire turbocharger



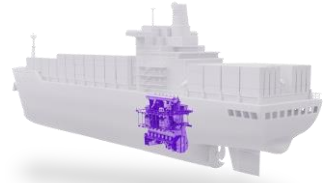
Retrofit of non-Accelleron TC



# Digital is at the core of our offering

## Smartly-enabled engine, advisory and turbocharging services

### Turbo Insights



Operating data



Individually optimized maintenance, performance and customer experience

- ✓ Real-time insights on TC<sup>1</sup> performance
- ✓ Provides engine data for lifecycle of a TC
- ✓ Data visualization – Loreka<sup>2</sup> customer portal
- ✓ Standard on all new low speed TCs

### Tekomar Xpert



Accelleron knowledge and expertise



Automated advisory on engine optimization

- ✓ Engine optimization (e.g. 2% fuel savings)
- ✓ Emission predictions & compliance
- ✓ Easy upgrade from standard Turbo Insights
- ✓ 100% subscription model

## Digital twin-enabled simulation & modelling

### Accelleron's Digital Twin



Data driven processes and tools



Software simulation of engine & turbocharger system

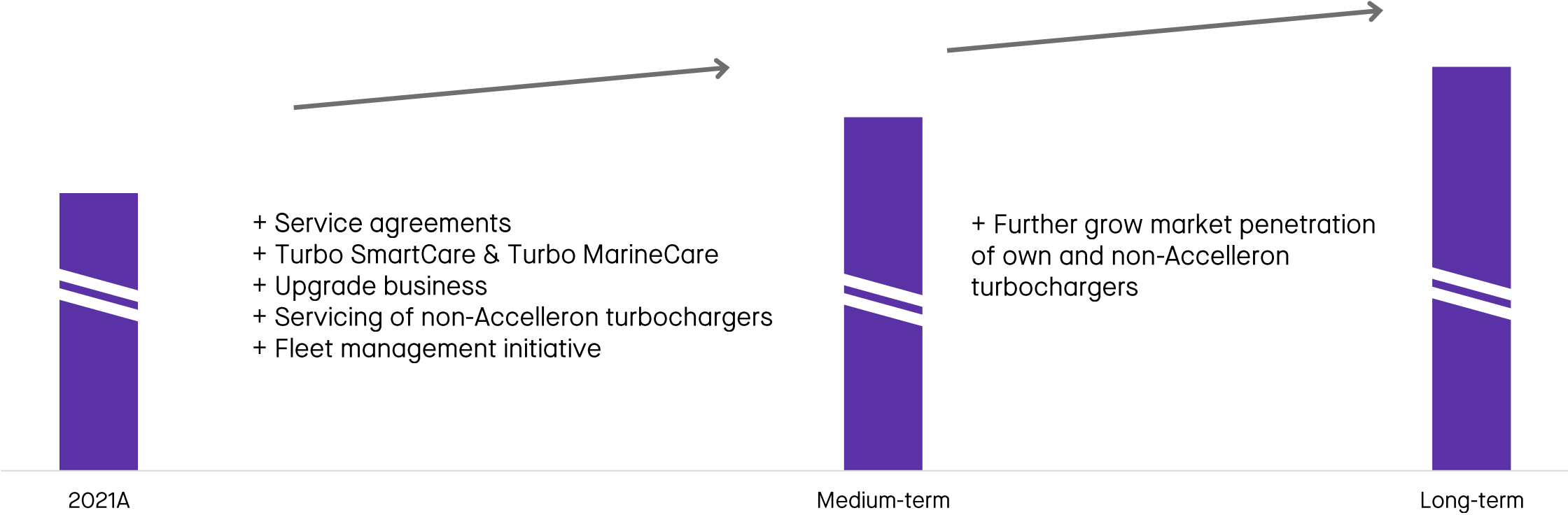
- ✓ Real time in field & test analysis of TC
- ✓ Simulation of engine and TC systems
- ✓ Artificial intelligence & physical modelling
- ✓ Condition-based & predictive maintenance

Source: Company information

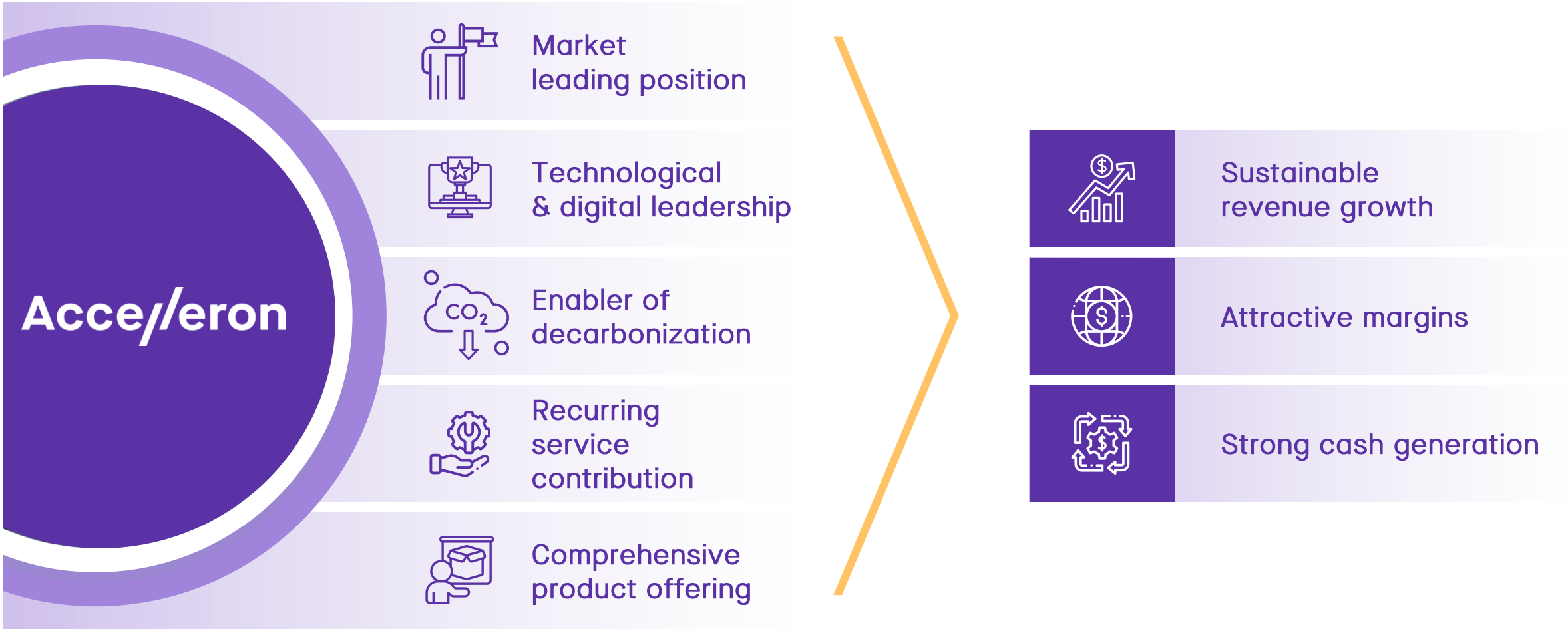
1. TC = turbocharger

2. LOREKA is a customer portal tool covering TC service + Tekomar XPERT enabling enhanced customer experience

# Vision for Service: Steady growth through continually optimized best-in-class service offering



# Compelling investment proposition translating into attractive financial profile

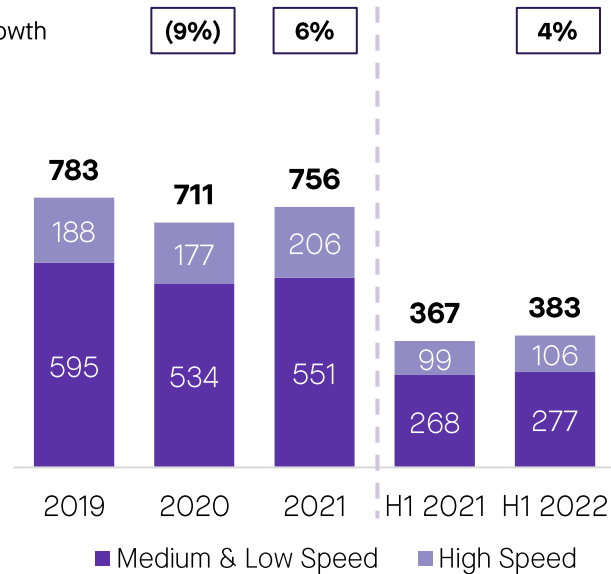


# Attractive financial profile with resilient margins and strong cash flow

## Revenues and growth

\$ m

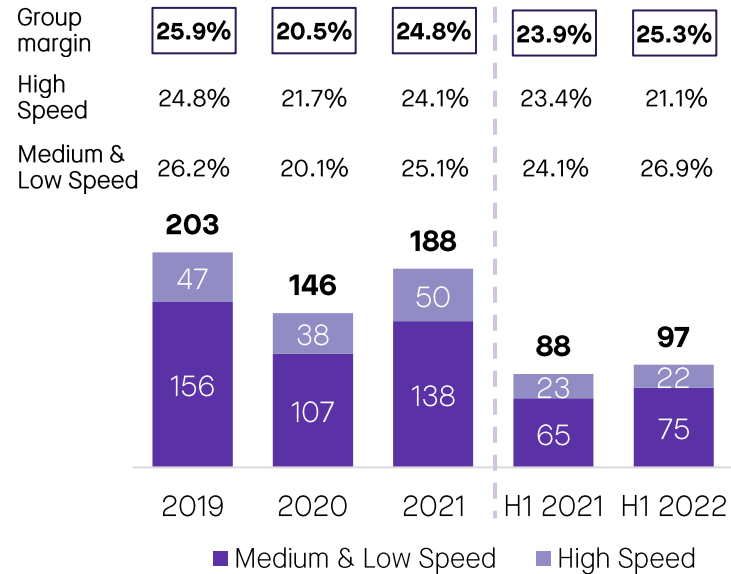
% YoY growth



- Limited decline in 2020 thanks to resilient and service-driven business model
- +6% YoY growth in 2021 as a result of continuing recovery from COVID-19 impact
- Strong YoY growth in H1 2022 driven by increased demand and favourable pricing (+11% on a constant currency basis)

## Operational EBIT and margin<sup>1</sup>

\$ m

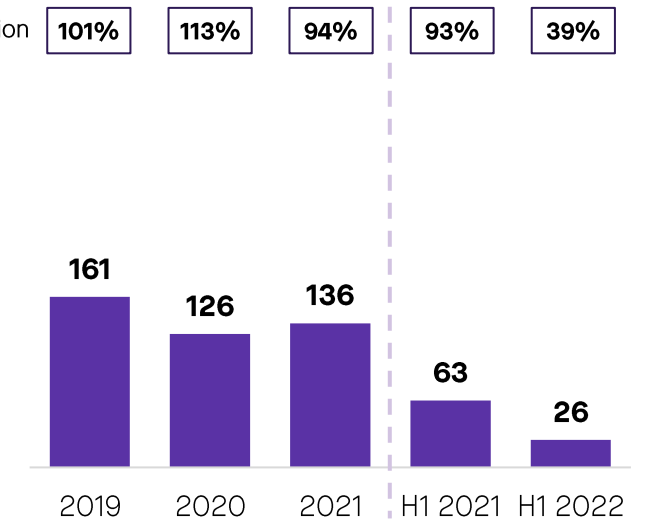


- Robust margin recovery in 2021 in both segments also on the back of swift implementation of cost measures
- Further expansion in H1 2022 as a result of operating leverage and higher share of services in Medium & Low Speed

## Free cash flow and conversion<sup>2,3</sup>

\$ m

Conversion over net income



- Average FCF conversion of around 100% in the last 3 years
- Impact in H1 2022 of inventory build up due to unplanned longer lead times within supply chain

Source: Company information, Audited Combined Carve-out Financial Statements, Unaudited Condensed Combined Interim Carve-out Financial Statements  
Note: Numbers might not add up due to rounding

1. Equivalent to operational EBITA margin, as there has been no acquisition-related amortization in 2019, 2020, 2021, H1 2021 and H1 2022
2. Non-U.S. GAAP financial metric.
3. Excluding 'Changes in financing receivables'

# Coherent financial framework to deliver attractive total shareholder return

