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### **Cherry plans initial public offering**

- Cherry is a global innovation and quality leader in the manufacture of premium mechanical gaming switches, gaming peripherals, office and industry peripherals and in the production of high-quality peripherals for healthcare and security applications
- Cherry is the global leader in the manufacture of premium mechanical keyboard switches with an established number one global market position in this segment
- Accelerated revenue growth: EUR 130.2 million in 2020 and EUR 37.7 million in Q1 2021, a growth of 36% vs. Q1 2020
- Track record of increasing and strong profitability, with an Adjusted EBITDA Margin of 29% in Q1 2021
- Cherry believes it is well positioned to capitalize on multiple underlying megatrends including the booming eSports and global gaming markets, the trends of work and learning from home (home office/remote education), the increasing importance of cybersecurity as well as the digitalization of the German healthcare system and projects 30% - 40% organic revenue growth for 2021
- Planned IPO consists of a new share issue by the Company in an expected volume of approximately EUR 140 million primarily to accelerate growth and a secondary placement of existing shares
- Listing of shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange is expected to be completed prior to the summer break

**Munich, 07 June 2021.** Cherry AG (the “Company” and together with its consolidated subsidiaries “Cherry”), a global innovation and quality leader in the manufacture of premium mechanical gaming switches and peripherals for gaming, office and industry as well as healthcare and security applications, is planning an initial public offering (“IPO”) and listing of its shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

The offering will consist of new shares from a capital increase in an expected volume of approximately EUR 140 million and existing shares from a secondary placement. The targeted free float is expected to allow for a liquid trading market in the Company's shares. With the proceeds from the initial public offering, the Company intends to (i) fuel organic growth, in particular to advance and expand its position as a global innovation leader, to develop new, innovative market-leading products across all of its business areas, to expand its premium and leading brand presence and to deepen its global market penetration in accordance with its strategy, (ii) drive inorganic growth through selective acquisitions, and (iii) repay certain outstanding debt in connection with a refinancing of existing debt in the context of the IPO.

Rolf Unterberger, CEO of Cherry: “Cherry is the worldwide leading manufacturer of switches for the premium gaming mechanical keyboard market. We are at an exciting growth stage and are looking forward to this next chapter in Cherry's development. We believe Cherry is synonymous with the highest quality, especially for our loyal gaming and professional end-users, and we are confident of retaining this position in the coming years thanks to our constant commitment to innovation, quality and customer focus.”

Bernd Wagner, CFO of Cherry, adds: “We are confident of delivering organic revenue growth of between 30-40% in 2021 and target a strong double-digit organic growth rate in the mid-term as we continue our rollout of exciting premium products. We have continuously been able to expand our EBITDA and EBIT margins, putting profitable growth at the front and center of our business strategy.”

### **Established Global Market and Brand Position**

Since its foundation in 1953 in Illinois, United States, Cherry is known for producing innovative and premium quality products. In 1967 Cherry relocated its facilities to Germany and since that time has continued to build its brand and market position globally. Today Cherry is the most experienced manufacturer of keyboard switches and computer keyboards and is headquartered in Auerbach, Germany, exporting its “made in Germany” high quality switches worldwide.

Cherry is the leading global manufacturer of mechanical key switches in the medium, high and premium priced mechanical keyboards, with a market share of approximately 42% in 2020 in terms of total switch units sold in 2020 (in its assessment, based on TechNavio volume-based data for the global mechanical gaming keyboard market).

Cherry has a particularly strong brand presence in Asia. For example, in a recent consumer survey in China (March 2021), consumers were willing to pay a higher premium for a mechanical keyboard with Cherry switches than for any other competitor mechanical switch brand included in the survey, and the second highest premium in South Korea.

Cherry was also the preferred brand for gaming keyboard switches among “switch knowledgeable” respondents of the Newzoo Switch Preference Survey (April 2020), with 36% of total respondents of the survey (carried out in selected regional markets) preferring Cherry switches.

With its Office & Industry Peripherals business unit, Cherry has a leading market share in its German home B2B market, with an estimated market share of 24% per GfK Market intelligence POS tracking in 2020 (in terms of volume).

With its Healthcare & Security Peripherals business unit Cherry is one of only two qualified peripheral providers for the German secure healthcare telematics system, excellently positioned to benefit from the ongoing digitalization of the German healthcare system.

### **Cherry as a Quality and Innovation Leader**

Cherry is active in two business areas, **Gaming** and **Professional**. In the Gaming business area, Cherry is active through its Gaming Switches and its Gaming Peripherals business units, and in the Professional business area through its Office & Industry Peripherals and its Healthcare & Security Peripherals business units.

Cherry believes that it distinguishes itself through innovative and high-quality product offerings across its four business units.

The largest business unit (40% of revenue in 2020), **Gaming Switches**, sells branded mechanical switches to third-party customers including Corsair, Logitech, Alienware by Dell and Omen by HP. Cherry’s switch customers co-brand their keyboards, furthering Cherry’s brand recognition worldwide. In 1983, Cherry invented the first mechanical switch for keyboards and is, in its own assessment based on the number of units sold in 2020, still today the number one manufacturer of mechanical key switches worldwide. Mechanical switches are physical switches underneath each key of a mechanical keyboard that register when a key is pressed down. Selected Cherry switches feature a patented gold crosspoint contact for increased reliability, enabling guaranteed response times of less than one millisecond and a durability of up to 100 million strokes, thus making keyboards with

such Cherry switches especially attractive for gaming and e-sports enthusiasts. With the recent Cherry innovation of ultra-low profile mechanical switches that find their way into state-of-the-art high-end customer laptop keyboards (e.g. “Alienware” by Dell), Cherry furthermore aims to extend the market scope for its switches by venturing into the gaming laptop and premium office laptop markets that have been traditionally dominated by alternative technologies like rubberdome or membrane.

The **Gaming Peripherals** business unit, accounting for 16% of revenue in 2020, features various PC gaming peripherals (mostly keyboards, but also mice and headsets) that are tailor-made for the needs of gamers, including e-sports professionals. Cherry’s own manufactured gaming peripherals primarily address the rapidly growing gaming peripheral markets in Asia, so far with a focus on China and South Korea. The large Chinese gaming peripherals market is expected to keep growing at an estimated 14% CAGR from 2020 through 2025 to reach a total of EUR 2,526 million, according to TechNavio, and, according to the same research company, also the market for mechanical gaming keyboards (Cherry's key product in this business unit) in China is expected to grow at a 2020-2025 CAGR of 16%, to reach EUR 521 million by 2025 (conversion of TechNavio's USD figures into EUR by the Company).

The business unit **Office & Industry Peripherals** generated 31% of revenue in 2020 and targets professionals working in the office or from home. It includes the manufacturing of keyboards, mice and keyboard/mice combos, each coming with multiple features for office end-users. Those peripherals are sold online and through distributors to B2B end-use customers, including several major blue-chip corporates. This business unit currently primarily addresses customers in Cherry's home market Germany, but also has established positions in France and the UK and is also present in the United States. Cherry is increasingly targeting new client segments via direct selling efforts such as the “creator” segment, heavy typers in jobs such as journalism and programming who increasingly demand reliable and finger-friendly keyboards to work with. Also, the recent increase in trends towards working and learning from home has driven Cherry’s Office & Industry Peripherals business.

### **Profiting from Digitalization and Cyber Security Tailwinds**

The **Healthcare & Security Peripherals** business unit (13% of revenue in 2020) is prepared to profit from strong future growth. Cherry focuses on the development of innovative manipulation-protected and extensive functionality peripherals such as encrypted key transmission keyboards, keyboards with integrated smartcard readers and input/output user terminals. Being just one of two peripheral providers with certified products for the German secure healthcare telematics infrastructure, Cherry profits from its market position and the chance to expand with its product offering into various other geographic markets once they ramp up their healthcare telematics system and requirements. The acquisition of the highly profitable German hygienic and washable keyboard and mice manufacturer Active Key earlier this year shows Cherry's commitment to further enhance its innovation pipeline by seizing suitable acquisition opportunities.

### **Impressive financial profile with high margins and attractive cash conversion**

Cherry has a successful history of delivering accelerated revenue growth with high margins and an attractive cash conversion, based on financial information of Cherry group's former parent company, Cherry Holding GmbH, which until April 2021 held the operating business of Cherry:\*

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\* See also note on “**FINANCIAL AND OTHER INFORMATION**” below.

In fiscal year 2020, revenue was EUR 130.2 million and Adjusted EBITDA was EUR 37.1 million. Gross profit margin, Adjusted EBITDA Margin and Adjusted EBIT Margin were consistently expanded since fiscal year 2018 and Cash Conversion Rate ranged between attractive 93% and 113% during fiscal years 2018 to 2020.

Between fiscal year 2018 and fiscal year 2020, revenues grew at a CAGR of 14.1%, while in the three-month period ended March 31, 2021, revenue was EUR 37.7 million, representing an increase of 35.6% in comparison with the corresponding period in 2020.

In fiscal years 2018 to 2020, Adjusted EBITDA Margin was consistently improved from 20.9% in fiscal year 2018, to 25.9% in fiscal year 2019 and 28.5% in fiscal year 2020, representing an improvement of 760 basis points in the three-year period. The ability to regularly increase prices through premium positioning is among the reasons why gross profit margin was consistently improved in the three fiscal years 2018 to 2020, from 35.3% in fiscal year 2018, over 37.8% in fiscal year 2019 to 39.0% in fiscal year 2020. Adjusted EBIT Margin increased from 13.7% in fiscal year 2018, over 17.7% in fiscal year 2019 to 20.6% in fiscal year 2020.

The business has generated significant cash flows, with Free Cash Flow from EUR 10.4 million in fiscal year 2018 to EUR 16.4 million in fiscal year 2020. Cash Conversion Rate has ranged between 93% and 113% during the past three fiscal years: 112.1% in fiscal year 2018, 101.7% in fiscal year 2019 and 93.7% in fiscal year 2020.

### **Strategy and Outlook**

Cherry intends to continue to leverage and benefit from its leading market positions and attractive underlying markets and drive growth through continued innovation. Cherry strives to create additional value for its customers and wants to expand its global reach by penetrating further regional markets to reach additional end-users of its products. Cherry aims to improve its brand recognition by a combination of organic growth measures as well as inorganic growth.

Cherry's organic growth is fueled by its focus on innovative products and technologies, backed by continued quality leadership, and coupled with geographic expansion.

Cherry plans to achieve inorganic growth through a focused and disciplined acquisition strategy that complements its product portfolio and further strengthens Cherry's global presence.

For fiscal year 2021, Management expects that organic revenue shall be in the range of 30% to 40% higher than revenue for fiscal year 2020. In the medium term, Management targets a strong double-digit revenue organic growth rate per annum and a further improvement of margins.

### **Recent Corporate History**

The Company was founded in April 2019 and later used as an acquisition vehicle. It became the parent company of Cherry with effect as of September 30, 2020, when it (at the time Cherry AcquiCo GmbH) acquired the former parent company of Cherry group, Cherry Holding GmbH, which was merged into the Company in April 2021.

Additional details on the planned IPO will be announced with the publication of a securities prospectus.

Hauck & Aufhäuser will act as Sole Global Coordinator and Joint Bookrunner together with ABN AMRO (in cooperation with ODDO BHF SCA) and M.M.Warburg as Joint Bookrunners for the IPO.

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## ADVERTISEMENT

*This announcement is an advertisement for the purposes of the Prospectus Regulation EU 2017/1129 and legislation in connection therewith. It is not a prospectus. The public offering and listing of the shares of Cherry AG on the regulated market of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) is subject to the publication of a prospectus. The prospectus is expected to be approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – "BaFin") in accordance with the Prospectus Regulation regime. However, the approval of the prospectus by BaFin should not be understood as an endorsement of the shares of Cherry AG. Investors should purchase shares solely on the basis of the prospectus relating to the shares and should read the prospectus before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in the shares. Copies of the prospectus will, following approval of BaFin, be available free of charge from Cherry AG, Einsteinstraße 174, 81677 Munich, Germany, or on Cherry AG's website (<https://www.cherry.de/>).*

**FORWARD-LOOKING STATEMENTS**

*This announcement contains statements related to our future business and financial performance and future events or developments involving Cherry AG that may constitute forward-looking statements. These statements may be identified by words such as “expect,” “look forward to,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “project” or words of similar meaning. These forward-looking statements include all matters that are not historical facts. Such statements are based on the current expectations and certain assumptions of Cherry AG’s management and are subject to a number of risks, uncertainties and other factors, many of which are beyond Cherry AG’s control. Should one or more of these risks or uncertainties materialize or should underlying expectations including future events occur at a later date or not at all or assumptions prove incorrect, actual results, performance or achievements of Cherry AG may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Cherry AG neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.*

**FINANCIAL AND OTHER INFORMATION**

*The information contained in this announcement does not purport to be comprehensive and has not been subject to any independent audit or review. Certain of the financial information as of and for the fiscal years 2018, 2019 and 2020 has been taken or derived from audited financial statements. The financial information as of and for the three-month period ended March 31, 2021 is unaudited. Information taken or derived from unaudited financial information should be read in conjunction with the relevant audited financial statements, including the notes thereto.*

***Financial information presented in this announcement as of and for the fiscal year 2020, 2019 and 2018 and as of and for the three-months periods ended March 31, 2020 and 2021 has not been taken from the consolidated financial statements of the Company or from the Company’s accounting records or internal management reporting system for such periods, or has been calculated based on figures from such sources, but taken from the consolidated financial statements of Cherry Holding GmbH or from the Company’s accounting records or internal management reporting system, or has been calculated based on figures from such sources. Cherry Holding GmbH was the former parent company of Cherry group, which was merged into the Company in April 2021. Such consolidated financial information therefore does not constitute, and can substantially differ from, historical financial information of the Company. You are cautioned not to place undue reliance on any such historical financial information included in this announcement.***

*This announcement also contains some “non-IFRS financial measures”, including Adjusted EBIT, Adjusted EBITDA, Adjusted EBIT Margin, Adjusted EBITDA Margin, Free Cash Flow and Cash Conversion Rate. These non-IFRS financial measures are not defined by IFRS or any other internationally accepted accounting principles, and may not be comparable to similarly titled measures presented by other companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS. You are cautioned not to place undue reliance on any non-IFRS financial measures and ratios included herein.*

*Adjusted EBIT is calculated as EBIT (operating result/earnings before interest, taxes and income taxes) adjusted for the following either non-recurring items or non-operating items: (i) Staff expenses (incl. share-based staff expenses) / (income); (ii) expenses in connection with capital market transactions; (iii) expenses in connection with M&A Transactions; (iv) expenses in connection with natural disaster and pandemic, and (v) other one-off cost (the items (i) through (v), the “Adjustment Items”).*

*Adjusted EBITDA is calculated as EBIT plus depreciation and amortization and adjusted for the Adjustment Items.*

*Adjusted EBIT Margin and Adjusted EBITDA Margin are calculated by dividing Adjusted EBIT and Adjusted EBITDA by revenue, as applicable.*

*Free Cash Flow is calculated as cash flows from operating activities less cash flows from investing activities.*

*Cash Conversion Rate is calculated as Free Cash Flow divided by consolidated profit/loss, expressed as a percentage.*

*Certain figures, including financial and market data, have been rounded and the relevant sums may not add up to 100% due to rounding.*