

RENK
Trusted Partner

Q3 2024 Investor & Analyst Presentation

13 November 2024

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Experienced management team with strong track record

Today's speakers



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CEO



**Anja
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CFO



**Dr. Alexander
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COO

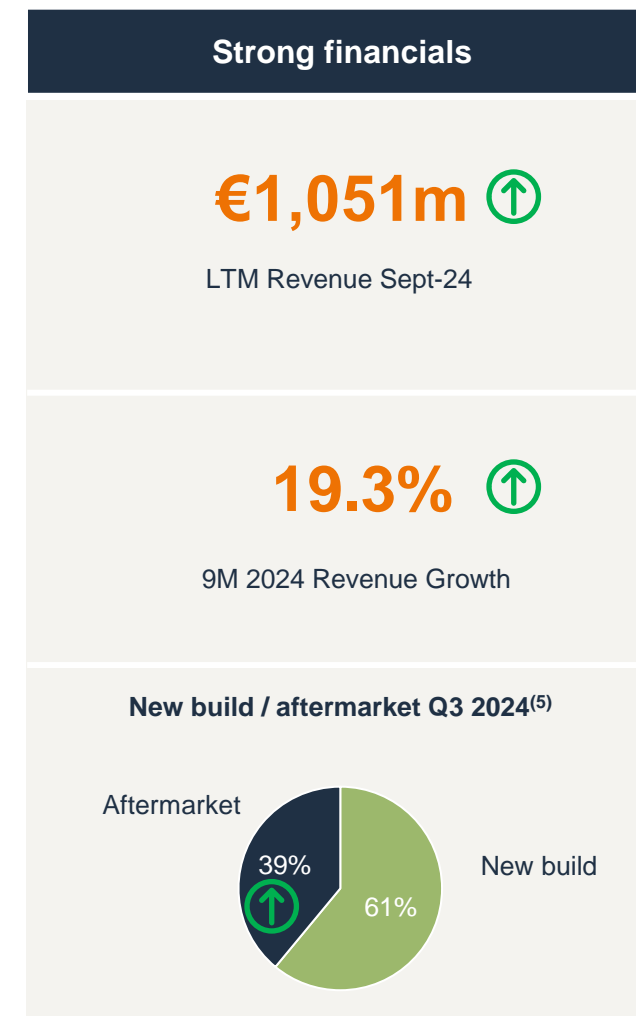
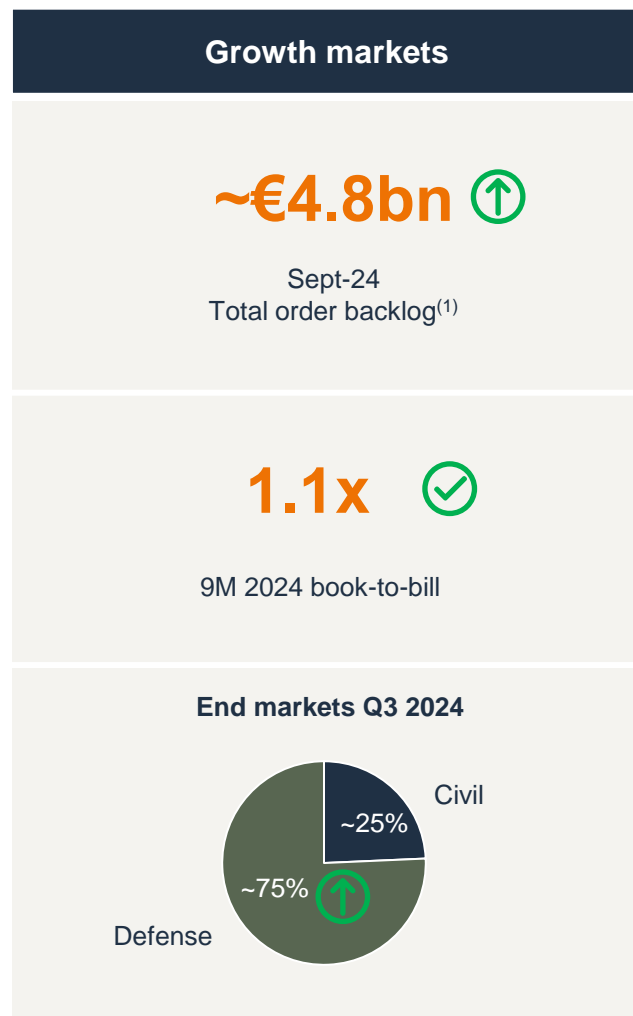
RENK

1. RENK introduction

2. Update on Q3-24 performance

3. Summary and outlook

RENK – Leading provider of drive technologies with high aftermarket share



RENK

1. RENK introduction

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Executive summary
Q3 2024: Strong VMS
revenue growth,
performance
improvement on track

Strong order intake/pipeline

- 9M book-to-bill 1.1x, strong Q4 order intake expected
- Market growth: €9bn order pipeline beyond soft backlog

Record Q3 revenue level

- Revenue growth accelerated further in the VMS segment, especially driven by the Augsburg plant
- M&I activity level remains high
- Slide Bearings on sustainable growth path

Vehicle Mobility Solutions (VMS)

- Revenue growth accelerated further in Augsburg
- Daily output rates improved in Muskegon
- Supply chain challenges resolved successfully

Profitability at a strong level

- Strong adj. EBIT contribution from M&I, Slide Bearings and VMS Augsburg
- Clear path to profitability improvement for RENK America

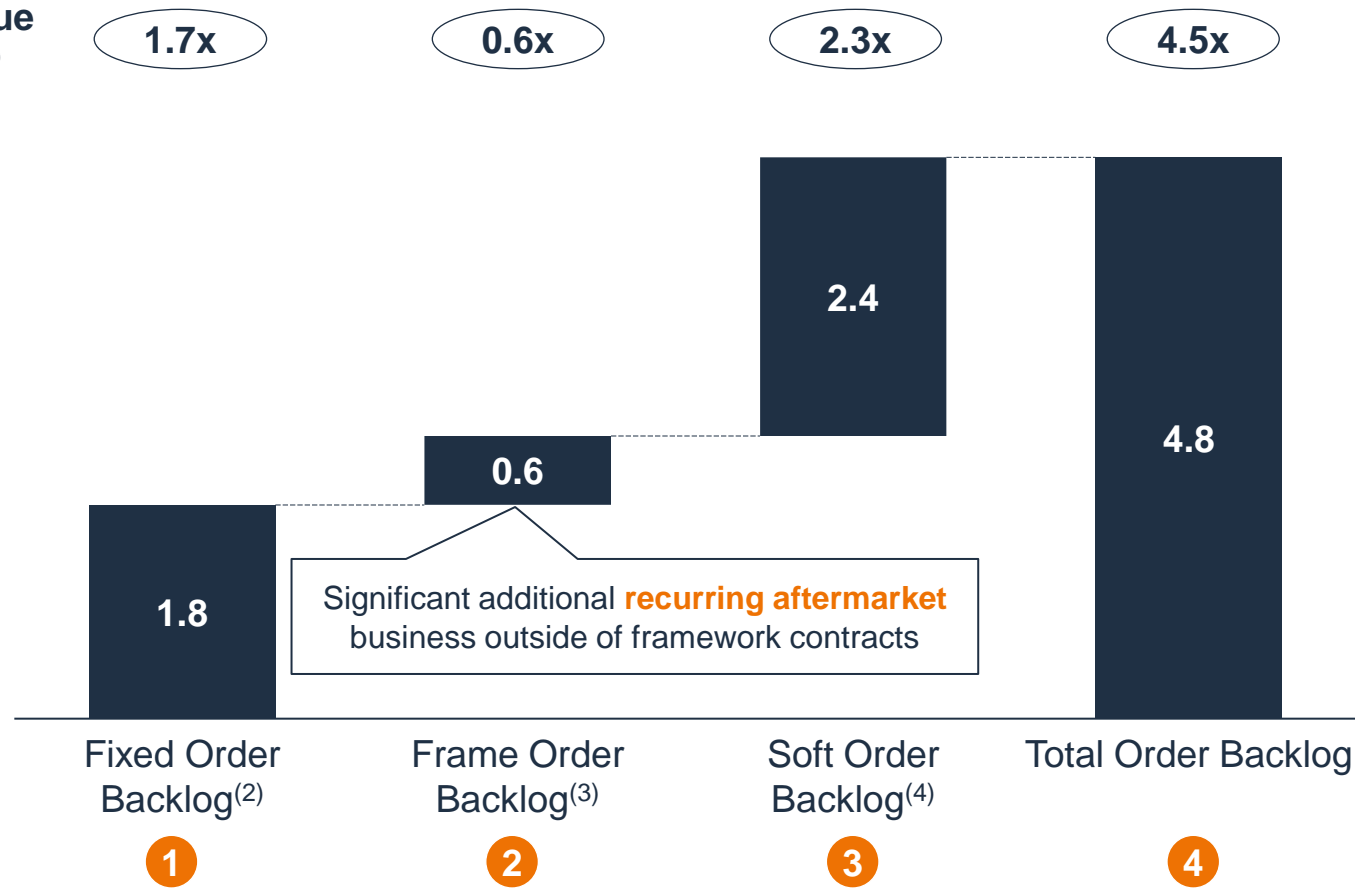
Narrowed guidance confirmed

- Revenue guidance: ~€1,100m
- Adj. EBIT: €175m - €190m

Total order backlog at >4x annual revenues – strong market demand beyond total order backlog

Total order backlog (Sep-24), €bn

LTM revenue coverage⁽¹⁾



Commentary

- 1 **Fixed order backlog:** Increased by €34m vs. Dec-2023. Order pipeline remains encouraging
- 2 **Frame order backlog:** Stable at €0.6bn, mainly comprising aftermarket business
- 3 **Soft order backlog:** Highly visible sole source projects and successor business until September 2028 – increase driven by firming up of future business
- 4 **Total order backlog** of ~€4.8bn and ~4.5x revenue coverage as of Sep-24

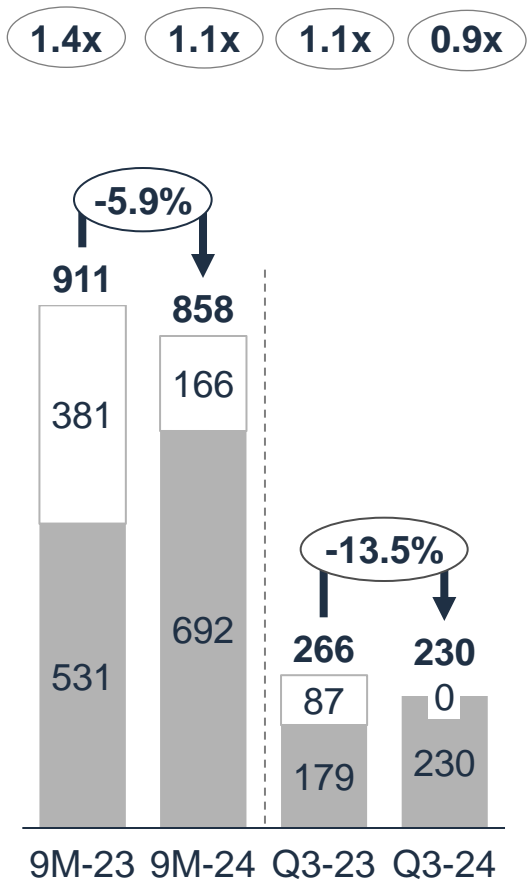
We see a large volume of profitable business opportunities for the coming years, beyond the projects that we have included in our soft and total order backlog.

Intake of large orders should pick up in Q4 2024 already.

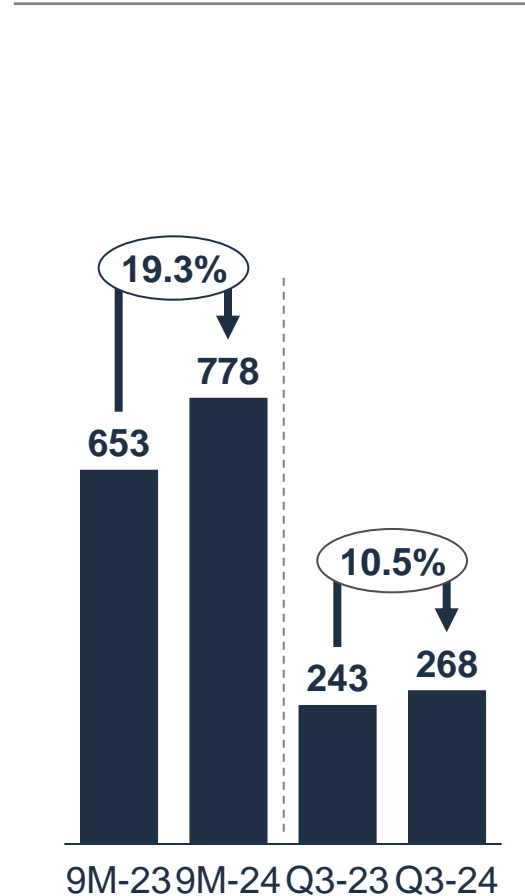
Strong revenue growth driven by the VMS segment and aftermarket

○ YoY growth ○ Book-to-bill ratio⁽¹⁾
 □ Large order(s)

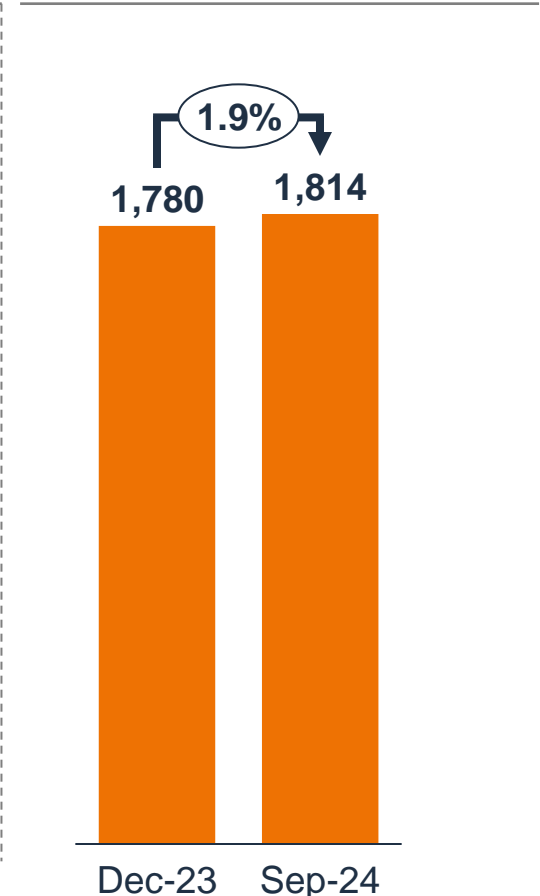
Order intake, €m



Revenue, €m



Fixed order backlog⁽²⁾, €m



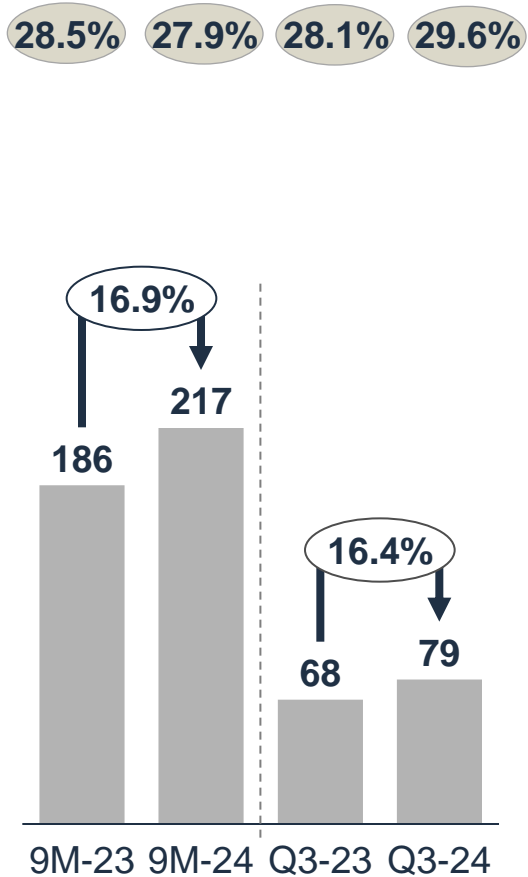
Commentary (Q3)

- Q3 order intake at a healthy level despite absence of large order wins in the quarter
- Book-to-bill at 1.1x in 9M 2024
- Q4-to-date order intake and order pipeline for Q4 encouraging
- Significant revenue growth of 10.5% YoY, driven by strong growth in the VMS segment, thanks to growing aftermarket and new equipment revenues
- Slight increase of fixed order backlog vs. Q4 2023 due to order wins and conversion of frame orders

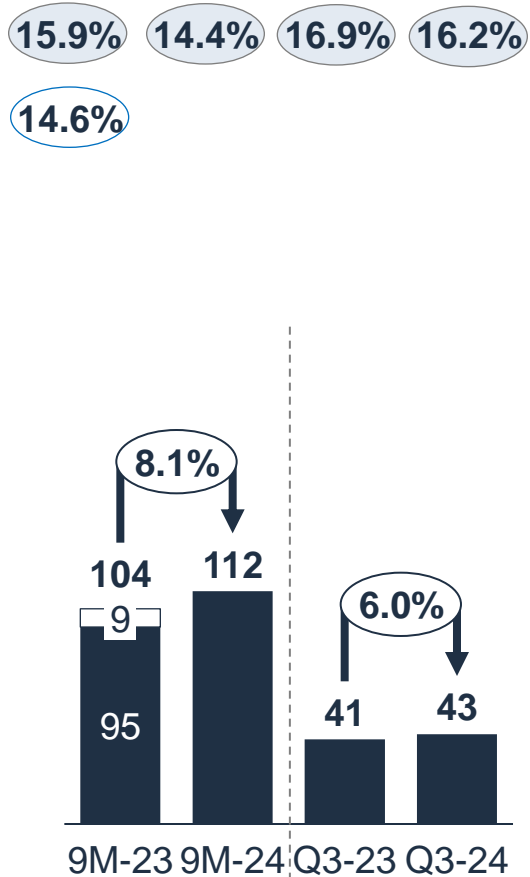
Solid adj. EBIT, further improvement expected in Q4

- YoY growth
- Adj. gross profit margin
- Adj. EBIT margin
- Net debt / LTM Adj. EBITDA⁽⁴⁾
- Adj. EBIT margin without one-time warranty provision

Adj. gross profit⁽¹⁾, €m



Adj. EBIT⁽²⁾, €m



Net debt⁽³⁾, €m



Commentary (Q3)

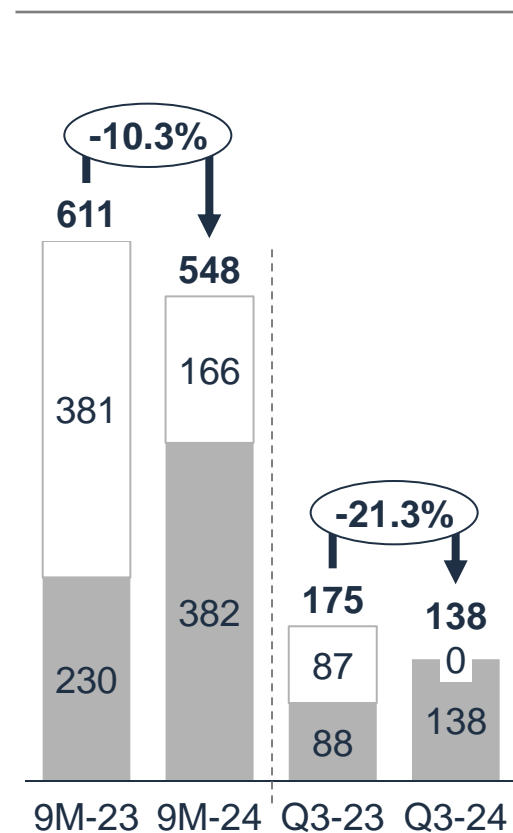
- Translation of strong revenue growth into considerable increase in adj. gross profit:
 - Solid volume growth, higher operating leverage and successful efficiency improvements especially in Augsburg
 - Mix (Navy, aftermarket) improvement
- Considerably higher adj. EBIT in Q3 (+6% YoY) excluding effects from R&D increase (€1.7m YoY increase in Q3, €7.6m YoY increase in 9M)
- Leverage ratio stable compared to Q4 2023 despite dividend payment in Q3 and refinancing-related cash outflows in Q2
- Free Cash Flow positive in Q3 despite QinetiQ-transaction related cash outflow

VMS: Accelerated revenue growth, aftermarket share increased further

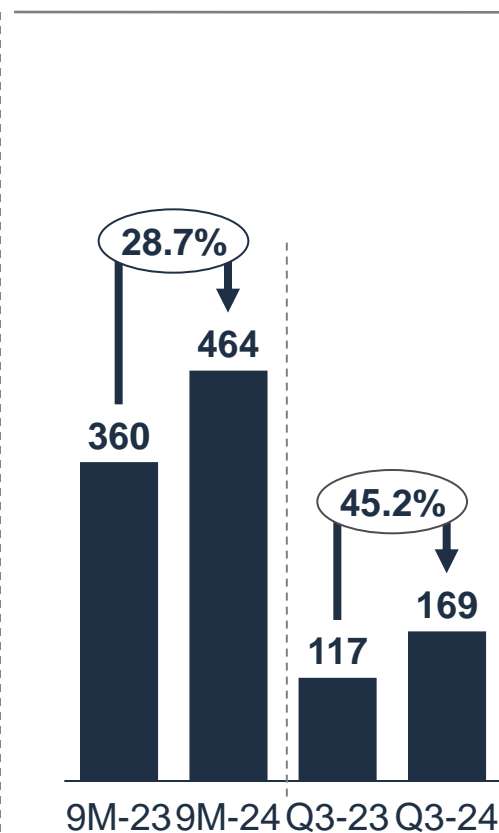
- YoY growth
- Adj. EBIT margin without one-time warranty provision
- Large order(s)

Segment financials, €m

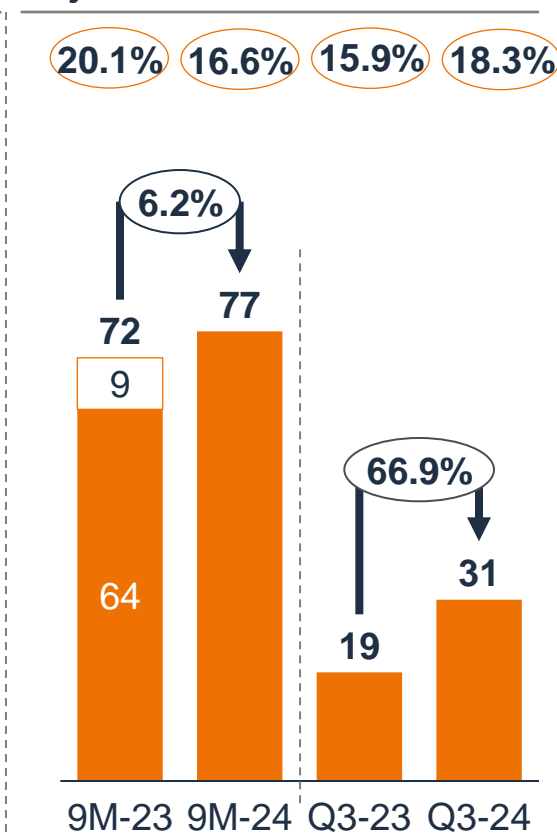
Order intake



Revenue



Adj. EBIT⁽¹⁾



Commentary (Q3)

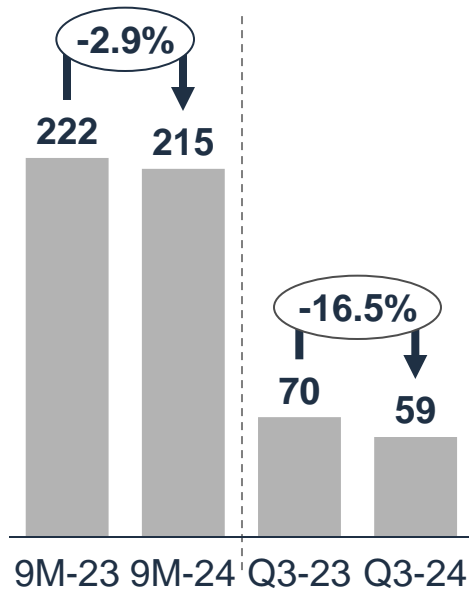
- Strong base order level in Q3 2024, total order intake impacted by lower amount of large order wins during the quarter (€87m US/Thor order in Q3 2023)
- Significant Q3 revenue growth of 45.2% YoY due to operational improvement and higher output and above-proportional aftermarket growth
- Margins improved significantly on operating leverage and operational improvement
- Measures to take the operating model of RENK America to translate into higher profitability in coming quarters
- Adj. EBIT comparison in Q3 impacted by higher R&D expenses (€1.3m YoY increase in Q3 2024)

M&I: Activity and margin levels remain high with improved mix

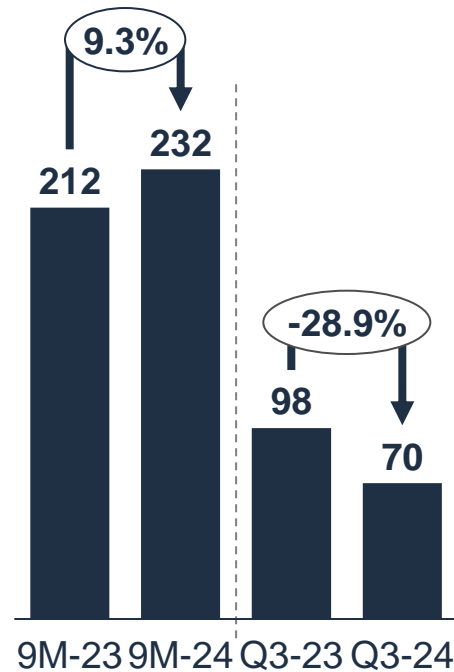
○ YoY growth ○ Adj. EBIT margin

Segment financials, €m

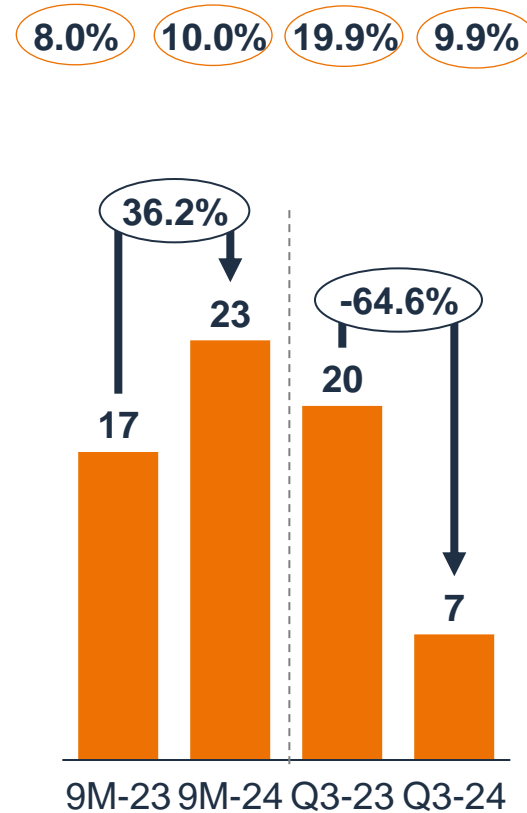
Order intake



Revenue



Adj. EBIT⁽¹⁾



Commentary (Q3)

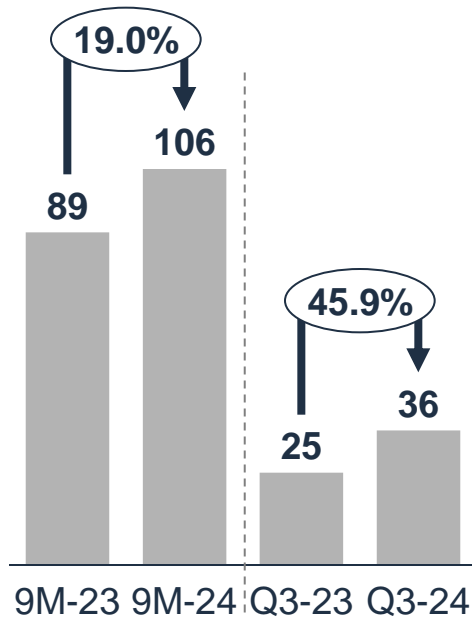
- Q3 revenue level remains high, albeit significantly below the very high prior year Q3
- 9M revenue growth rate indicates healthy growth trajectory
- Share of (higher-margin) military and aftermarket business increased notably
- Q3 adj. EBIT margin remained at a good level close to 10% and puts us on track to reach our FY targets

Slide Bearings: On a sustainable growth path

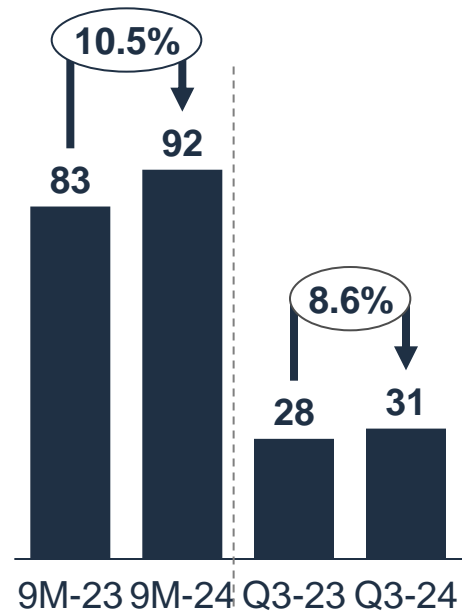
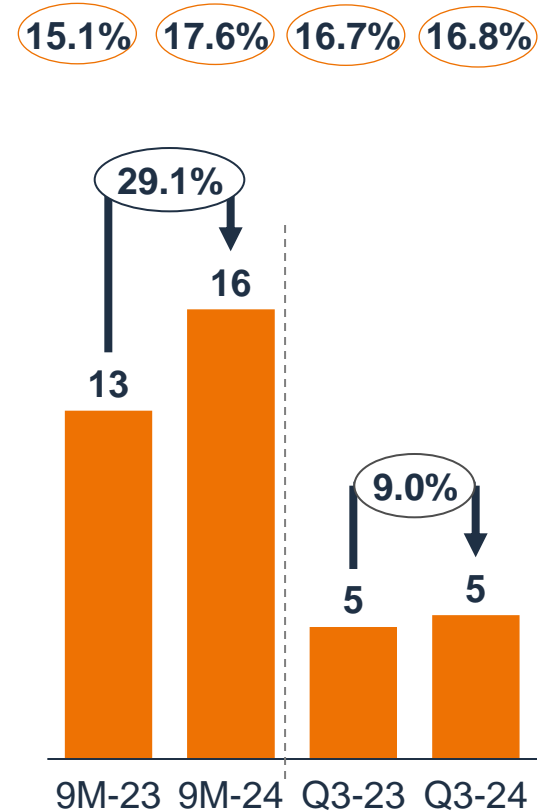
○ YoY growth ○ Adj. EBIT margin

Segment financials, €m

Order intake



Revenue

Adj. EBIT⁽¹⁾

Commentary (Q3)

- Order intake with strong growth and book-to-bill at 1.2x
- Revenue growth following the sustainable growth path of high-single digit (%) to low double-digit (%) growth as seen in previous quarters
- Strong demand for e-bearings (electrification trend) as well as for bearings for maritime applications
- Profitability remains at a high level with a slight improvement YoY due to improved new equipment margins as well as a higher share of aftermarket business

Adjustments mainly related to PPA, refinancing costs and RAMup

For the period, €m

	9M-23	9M-24	Q3-23	Q3-24
Operating profit	57.0	58.3	25.1	22.7
PPA depreciation and amortization as well as income / losses from PPA asset disposals ¹	35.1	33.1	11.7	10.9
Operating profit before PPA depreciation and amortization as well as income / losses from PPA asset disposals	92.1	91.4	36.9	33.6
Capital Markets Readiness Costs	1.6	1.6 ²	1.3	0.0
M&A activity related costs	2.0	1.0	0.9	0.5
Inflation compensation premium	2.5	-	1.0	-
Severance Provision	1.3	0.6	0.0	0.6
Other adjustments	4.3	17.8	0.8	8.7 ³
Adj. EBIT	104.0	112.4	40.9	43.4
Depreciation, amortization and impairment losses (excluding PPA depreciation and amortization)	23.2	23.9	8.0	8.2
Adj. EBITDA	127.2	136.2	49.0	51.6

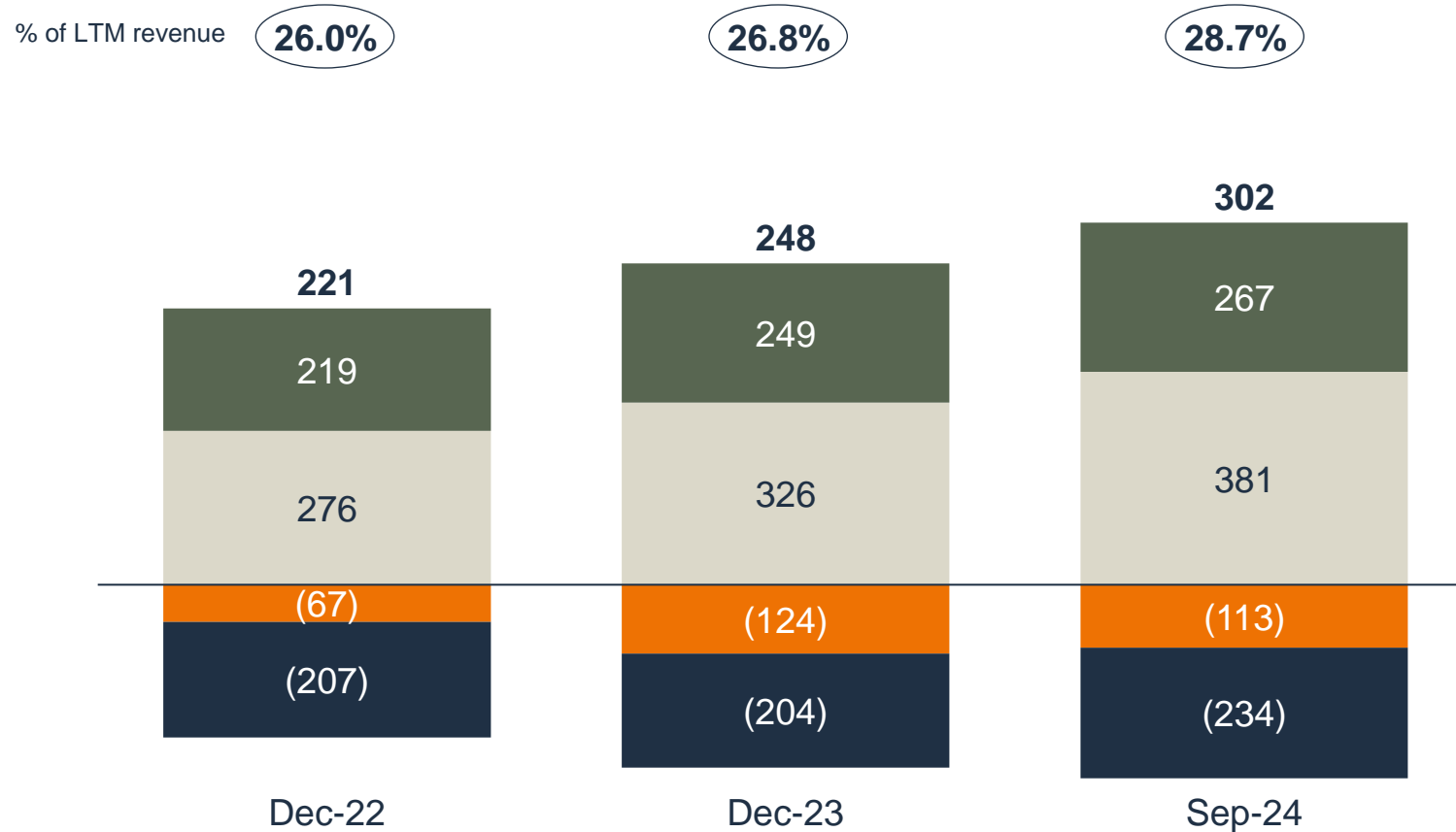
Commentary

- Adjustments are mainly attributable to effects of purchase price allocation, which mainly relate to depreciation and amortization of revalued non-current assets
- Cost incurred in the context of achieving capital market readiness as listing on Frankfurt Stock Exchange was completed during Q1 2024
- Other adjustments mainly include RAMup, a program to enhance the operating model of RENK America, consultancy and advisory expenses as well as costs related to refinancing

NWC ratio expected to decline in the mid-term

Net working capital, €m

■ Customer receivables⁽¹⁾
■ Inventories
■ Trade payables
 ■ Prepayments received⁽²⁾



Commentary

- NWC as a percentage of sales increased by 190bps
 - Customer receivables and inventories increased considerably reflecting underlying business growth and project ramp-up
 - Prepayments increased, but did not fully compensate the increase of inventories
 - Advance payments expected to support cash performance in Q4 2024
 - Reduction of NWC ratio targeted until year-end (~25%) and in the mid-term (~20%)

Slightly positive cash flow in Q3 despite one-off capex

Key cash flow items, €m

	9M-23	9M-24	Q3-23	Q3-24
Adj. EBITDA ⁽¹⁾	127.2	136.2	49.0	51.6
Adjustments ⁽²⁾	(11.8)	(21.0)	(4.1)	(9.8)
Income taxes paid	(22.3) ¹	(18.4)	(6.3)	(8.6)
Change in net working capital ⁽³⁾	(27.9)	(53.3)	(51.7)	(22.1) ²
Capex ⁽⁴⁾	(14.8)	(25.6)	(5.0)	(12.8) ³
Other ⁽⁵⁾	(29.5)	20.1	(11.3)	13.6
Unlevered free cash flow	20.8	38.1	(29.4)	12.0
Interest received	0.0	1.3	0	0.3
Interest payments	(27.3)	(43.6) ⁵	(13.9)	(9.0) ⁴
Free cash flow	(6.5)	(4.2)	(43.3)	3.3
Acquisitions less cash ⁽⁶⁾	34.3	-	0	-
Change in cash & cash equivalents (post M&A)	27.8	(4.2)	(43.3)	3.3

Commentary

- ¹ Q1 2023 tax payments include an aperiodic real estate tax payment (€2.8m)
- ² Cash outflow for net working capital reflecting higher revenue level
- ³ Capex in Q3 2024 amounted to 3.3% of sales, but well below 3% excluding (one-time) capex for intangible assets acquired from QinietiQ
- ⁴ Interest payments back at normal level after elevated payments in Q2 due to different payment dates between the previously existing bond and the new SSFA significant interest payments in Q2 2024
- ⁵ Including €7.5m prepayment penalties due to the refinancing of the long-term debt (corporate bond) in H1 2024

RENK

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We reiterate our guidance (narrowed to the upper end with Q2 results in August)

	2023A	2024 Guidance	Medium-term target
Revenue / growth 	€926m	~€1,100m	~15% CAGR
Adj. EBIT⁽¹⁾ 	€150m	~€175m-190m	~€300m

Priorities and key challenges for Q4 2024

Output increase VTA Augsburg

- Further acceleration of output revenue growth, especially at VMS Augsburg

RENK America

- Stabilize RENK America on higher performance level: Supply chain, operating model, leadership structures

Growth & technology roadmap

- Expand innovation pipeline, e.g. hybridization solutions and advanced mobility technology
- RENK Italia founded to capture market potential

NWC optimisation

- While NWC is required to facilitate execution of the strong and growing backlog, we are implementing measures to reduce the structural NWC level

Order intake

- Strong (€9bn) order pipeline across all regions beyond the projects recognized in our soft backlog

Continued investor interaction

- Conferences/NDRs: London, Paris, Toronto, Frankfurt, New York City

FINANCIAL CALENDAR Nov 2024 – H1 2025

November 2024:

- Virtual Roadshow Toronto
- Roadshow Paris
- Deutsche Börse Eigenkapitalforum, Frankfurt

December 2024:

- Berenberg European Conference 2024, Pennyhill / London
- Goldman Sachs Industrials & Autos Conference, London
- Investor Site Visits, Augsburg

January 2025:

- ODDO BHF Forum, Lyon
- Commerzbank German Investment Seminar, New York City
- Unicredit/KeplerCheuvreux German Corporate Conference, Frankfurt

March 2025:

- FY 2024 Results (26 March)

May 2025:

- Q1 2025 Quarterly Statement (14 May)

June 2025:

- Annual General Meeting (4 June, virtual)

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Q&A Session

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APPENDIX

Income statement

For the period, €m

	Q3 2023	Q3 2024
Revenue	652.7	778.3
Cost of sales	(504.1)	(597.2)
Gross profit	148.6	181.1
Other operating income	9.1	3.1
Net allowances on financial assets	(0.2)	0.3
Distribution expenses	(41.5)	(45.5)
General and administrative expenses	(49.2)	(72.4)
Other operating expenses	(9.8)	(8.4)
Operating profit after PPA	57.0	58.3
Interest expense	(30.2)*	(33.9)
Other financial result	0.9*	0.4
Financial result	(29.3)*	(33.5)
Profit before tax	27.7*	24.8
Income taxes	(8.8)*	(17.8)
Profit after tax	18.9*	7.0

Note: Due to commercial rounding of amounts on the basis of € million, minor deviations may occur on addition

Balance sheet – Total assets

As of, €m

	Dec 31, 2023	Sep 30, 2024
Intangible assets	383.9	360.1
Property, plant and equipment	319.0	316.4
Other and financial investments	9.4	5.1
Deferred tax assets	18.2	23.1
Other non-current financial assets	0.4	0.0
Other non-current receivables	4.8	13.9
Non-current assets	735.7	718.6
Inventories	326.2	381.0
Trade receivables	163.3	151.6
Contract assets	96.6	123.9
Current income tax receivables	8.6	9.0
Other current financial assets	24.4	7.2
Other current receivables	15.6	20.2
Cash and cash equivalents	102.2	70.3
Current assets	736.9	763.2
Total	1,472.6	1,481.7

Note: Due to commercial rounding of amounts on the basis of € million, minor deviations may occur on addition

Balance sheet – Total equity and liabilities

As of, €m

	Dec 31, 2023	Sep 30, 2024
Share capital (subscribed capital in previous year)	100.0	100.0
Capital reserves	223.8	227.6
Retained earnings	57.6	35.5
Cumulative other comprehensive income	22.5	24.9
Equity attributable to shareholders of RENK Group AG	403.8	388.0
Equity attributable to non-controlling interests	0.1	0.1
of which non-controlling interests in consolidated net income for the year	0.0	0.0
Equity	403.9	388.1
Non-current financial liabilities	527.5	530.1
Pension provisions	2.0	2.5
Deferred tax liabilities	73.0	75.7
Contract liabilities, non-current	44.1	51.8
Other non-current provisions	11.0	11.3
Other non-current financial liabilities	3.8	5.4
Other non-current liabilities	0.0	0.0
Non-current liabilities and provisions	661.3	676.9
Current financial liabilities	18.6	6.2
Income tax liabilities	13.2	16.7
Trade payables	123.6	112.6
Contract liabilities, current	171.8	190.9
Other current provisions	40.3	44.0
Other current financial liabilities	1.3	1.5
Other current liabilities	38.5	44.9
Current liabilities and provisions	407.4	416.8
Total	1,472.6	1,481.7

Cash flow statement

For the period, €m

	Q3 2023	Q3 2024
Cash and cash equivalents at beginning of reporting period	158.7	102.2
Profit / loss before tax (including income attributable to non-controlling interests)	27.7*	24.8
Income tax payments	(22.3)	(18.4)
Depreciation, amortization and impairment losses on intangible assets and property, plant and equipment	58.3	57.0
Change in provisions for pension obligations	(3.4)	0.5
Result from asset disposal	(0.1)	(0.0)
Other non-cash expenses and income ¹⁾	(1.8)	(0.0)
Change in inventories, other assets, liabilities and other provisions	(52.1)	(33.7)
Financial result (including dividends) ²⁾	29.3*	33.5
Cash flow from operating activities	35.6	63.7
Purchase of property, plant and equipment and intangible assets	(14.8)	(25.6)
Proceeds from the disposal of property, plant and equipment and intangible assets	0.1	0.2
Acquisition of subsidiaries net of cash	(34.3)	–
Cash flows from loans receivables and restricted cash	(1.1)	5.2
Interest received ³⁾	–	0.0
Cash flow from investing activities	(50.1)	(18.9)
Dividend RENK Group AG	–	(30.0)
Payment from the redemption of bonds	–	(520.0)
Proceeds from the raising of loan liabilities	–	514.8
Equity contributions	–	2.8
Change in cash-pool liabilities	0.2	(2.6)
Repayment of IC loans	(50.0)	–
Lease payments	(2.3)	(2.1)
Interest paid ³⁾	(27.3)	(43.6)
Cash flow from financing activities	(79.4)	(80.6)
Effect of exchange rate changes on cash and cash equivalents	0.1	2.9
Change in cash and cash equivalents due to changes in the scope of consolidation	4.9	1.0
Change in cash and cash equivalents	(88.9)	(31.9)
Cash and cash equivalents at end of reporting period	69.7	70.3
Restricted cash	6.7	1.2
Gross liquidity at end of reporting period	76.5	71.6
Financial liabilities (net of cash-pool liabilities)	(535.7)*	(536.3)
Net liquidity at end of reporting period	(459.2)*	(464.7)

Endnotes (1/3)

p.4

- (1) Total order backlog comprised of fixed order backlog, frame order backlog and soft order backlog; Fixed order backlog represents with respect to binding customer contracts and purchase orders concluded and/or received the portion of the associated transaction price for which the amount of revenue has not yet been recognized in accordance with IFRS; Frame order backlog includes signed frame contracts or prolongation character of linked frame contracts with fixed annual volumes or volume estimates based on customer information or historical call offs over the entire contract duration, booked for the period of the frame contract term; Soft order backlog includes estimated volumes of sole source projects and successor business until 2028 based on public information and customer information, booked for the period October 24 to September 28
- (2) Refers to systems / subsystems, such as transmissions for tracked military vehicles, gearboxes for large naval surface combatants and slide e-bearings, that are critical for the mechanical operation of military vehicles & vessels. Based on being "positioned on 75% of NATO & Allied tracked vehicles" and "RENK provides mission-critical mechanical systems and subsystems at various stages in the lifecycle" (as per Renaissance market study based on 2022)
- (3) Includes any product with RENK's presence on tracked military vehicles by number of installed base globally (2022A), excluding platforms of Russian and Chinese origin in-service outside of Russia and China and Embargo Countries (as per Renaissance market study)
- (4) Based on 2023A revenues, reconciliation to reported figures: EMEA includes Germany, other EU Countries, other European Countries and Africa; Americas includes Americas; APAC includes Asia and Australia and Oceania
- (5) Q3 2024 revenue split; New build refers to new product sales; aftermarket refers to depot MRO (maintenance, repair, overhaul) and upgrades of products and platforms, incl. spare parts and other aftermarket services; replacement of installed RENK products in defense applications is considered as aftermarket and in civil applications as new build

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- (1) Defined as total order backlog as of Sept-24 / LTM revenue for the period ended September 30, 2024. Total order backlog comprised of fixed order backlog, frame order backlog and soft order backlog
- (2) Fixed order backlog represents with respect to binding customer contracts and purchase orders concluded and/or received the portion of the associated transaction price for which the amount of revenue has not yet been recognized in accordance with IFRS
- (3) Frame order backlog includes signed frame contracts with fixed annual volumes or volume estimates based on customer information or historical call offs over the entire contract duration, booked for the period of the frame contract term. The numbers as of September 30 include a contract with the character of a binding follow-up contract with the amount of €0.3bn
- (4) Soft order backlog includes estimated volumes of sole source projects and successor business until 2028 based on public information and customer information, booked for the period October 24 to September 28

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- (1) Book-to-bill ratio defined as order intake / revenue
- (2) Fixed order backlog represents with respect to binding customer contracts and purchase orders concluded and/or received the portion of the associated transaction price for which the amount of revenue has not yet been recognized in accordance with IFRS

Endnotes (2/3)

p.9

(1) Adjusted gross profit is defined as gross profit before PPA depreciation and certain items which management considers to be exceptional or non-recurring in nature. Adj. Gross Profit margin is defined as adjusted gross profit divided by revenue.

(2) Adj. EBIT is defined as operating profit before the PPA depreciation and amortization as well as income / losses from PPA asset disposals and adjusted for certain items which management considers to be exceptional or non-recurring in nature. Adj. EBIT margin are defined as adj. EBIT divided by revenue.

(3) Net debt is defined as the sum of bank debt (previous year: senior secured notes) and lease liabilities less cash and cash equivalents based on the carrying amounts in the IFRS financial statements

(4) LTM Adj. EBITDA is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment, the PPA depreciation and amortization as well as income / losses from PPA asset disposals and adjusted for certain items which management considers to be exceptional or non-recurring in nature. For a detailed breakdown of EBIT adjustments, please refer to the page "Adjustments to operating profit" (p.13)

p.10

(1) Adj. EBIT is defined as operating profit before the PPA depreciation and amortization as well as income / losses from PPA asset disposals and adjusted for certain items which management considers to be exceptional or non-recurring in nature. Adj. EBIT margin is defined as adj. EBIT divided by revenue. For a detailed breakdown of EBIT adjustments, please refer to the page "Adjustments to operating profit".

p.11

(1) Adj. EBIT is defined as operating profit before the PPA depreciation and amortization as well as income / losses from PPA asset disposals and adjusted for certain items which management considers to be exceptional or non-recurring in nature. Adj. EBIT margin is defined as adj. EBIT divided by revenue. For a detailed breakdown of EBIT adjustments, please refer to the page "Adjustments to operating profit"

p.12

(1) Adj. EBIT is defined as operating profit before the PPA depreciation and amortization as well as income / losses from PPA asset disposals and adjusted for certain items which management considers to be exceptional or non-recurring in nature. Adj. EBIT margin is defined as adj. EBIT divided by revenue. For a detailed breakdown of EBIT adjustments, please refer to the page "Adjustments to operating profit"

p.14

(1) Comprises contract assets and trade receivables excluding customer prepayment receivables

(2) Comprises contract liabilities excluding liabilities from customer prepayment receivables

p.15

(1) Adj. EBITDA is defined as operating profit before depreciation, amortization and impairment losses on intangible assets and property, plant and equipment, the PPA depreciation and amortization as well as income / losses from PPA asset disposals and adjusted for certain items which management considers to be exceptional or non-recurring in nature

(2) For a detailed breakdown of EBIT adjustments, please refer to the page "Adjustments to operating profit" (p.13)

(3) Includes change in inventories, trade receivables and contract assets, and changes in trade payables and contract liabilities

(4) Capex defined as payments to acquire property, plant and equipment and intangible assets

(5) Other reconciliation items include changes in provisions, other receivables and liabilities, unless as these are not attributable to the NWC, as well as other cash and non-cash expenses and income of minor importance.

(6) Previous year's value before final purchase price adjustment

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(1) Adj. EBIT is defined as operating profit before the PPA depreciation and amortization as well as income / losses from PPA asset disposals and adjusted for certain items which management considers to be exceptional or non-recurring in nature. Adj. EBIT margin is defined as adj. EBIT divided by revenue.

Endnotes (3/3)

p.23

* The figures have been adjusted. For explanations of the changes for the first nine months of financial year 2023, see 3rd quarter report section 1 General principles (IAS 8)

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(1) Previous year's value before final purchase price adjustment

(2) Financial result including dividend

(3) The disclosure for interest was made on a net basis in the previous year

* The figures have been adjusted. For explanations of the changes for the first nine months of financial year 2023, see 3rd quarter report section 1 General principles (IAS 8)