



RENK
Trusted Partner

FY 2023 Press Presentation

27 March, 2024

Management team (from 1 April 2024)

● Years industry experience



**Susanne
Wiegand**

CEO



**Christian
Schulz**

CFO



**Dr. Alexander
Sagel**

Board Member

RENK

1. RENK introduction

2. FY-23 performance

3. Summary and outlook

RENK introduction

RENK's mission – empowering a secure and sustainable future



Empowering security

Empowering Forces

Enabling a sustainable future



Defense super-cycle

Energy transition



RENK 2023 group performance at a glance



926m€

Revenue

16.2%

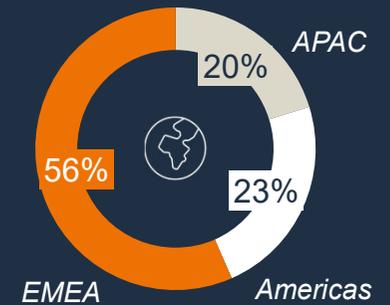
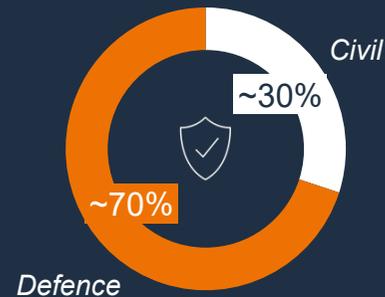
Adj. EBIT margin²

4.6bn€

Total order backlog³

+9%

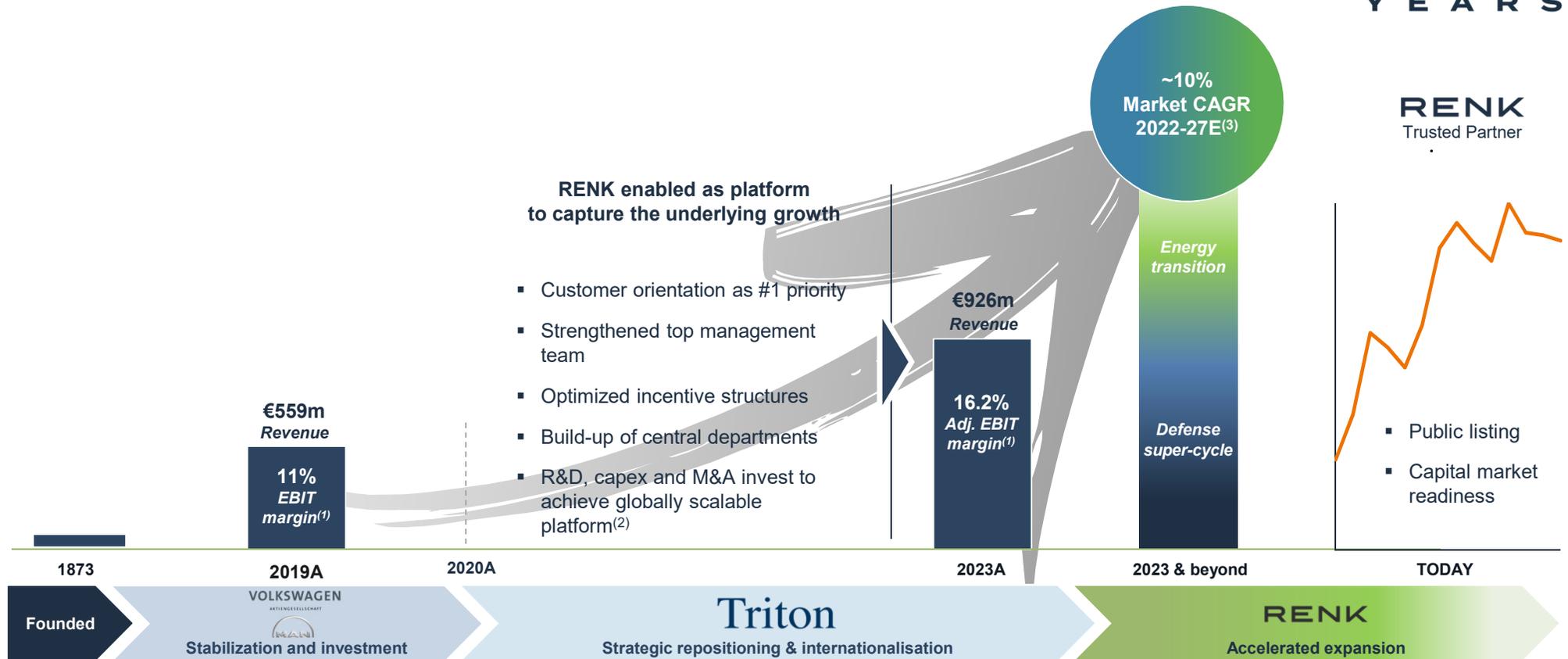
Revenue growth
year-on-year



Successful transformation of RENK into a global growth platform

150
YEARS

RENK
Trusted Partner



RENK

1. RENK introduction

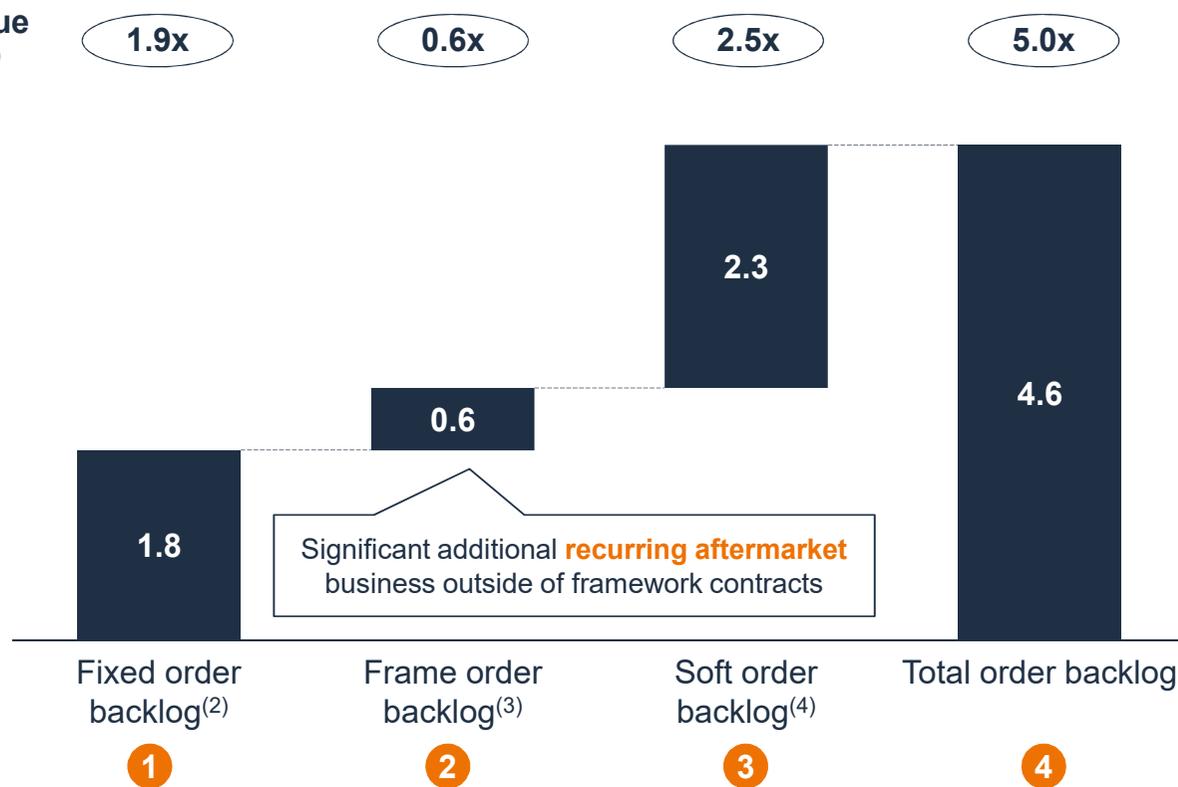
2. FY-23 performance

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Business highlights: Strong defense momentum boosting total order backlog

Total order backlog (Dec-23), €bn

LTM revenue coverage⁽¹⁾



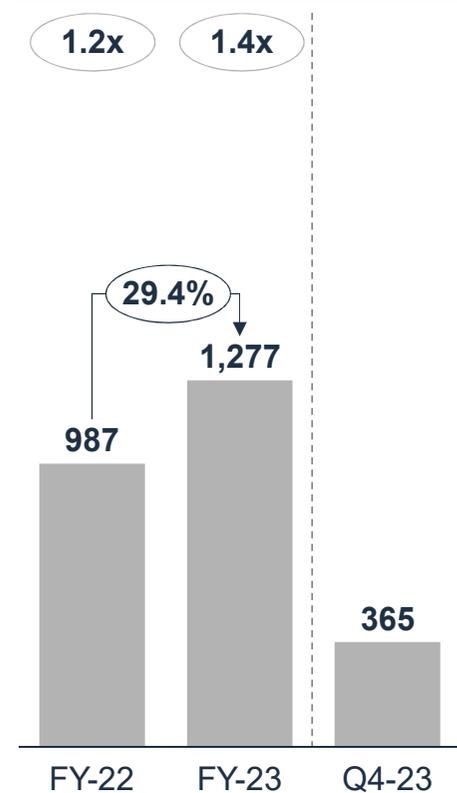
Commentary

- 1 Fixed order backlog:** Orders turned into revenue since Sep-23 compensated by newly contracted order inflow, such as the RSY testing rigs for the US Navy (€45m) as well as the Leopard II A7V transmissions for Norway (€30m) in VMS and an order from the Dutch Navy (€27m) in M&I
- 2 Frame order backlog:** Aftermarket and new business converted by signed frame contracts
- 3 Soft order backlog:** Highly visible sole source projects and successor business until 2027 – increase driven by concretization of upcoming business
- 4 Total order backlog** of ~€4.6bn and ~5.0x revenue coverage as of Dec-23

FY-23 Group performance at a glance

○ YoY growth ○ Book-to-bill ratio⁽¹⁾

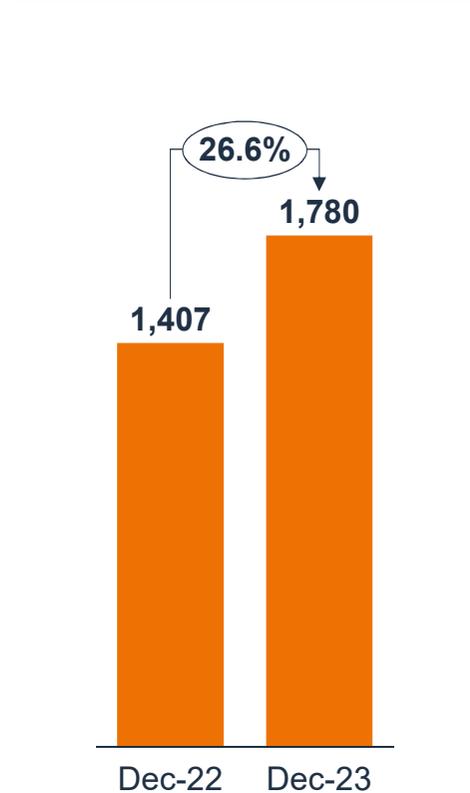
Order intake, €m



Revenue, €m



Fixed order backlog⁽²⁾, €m



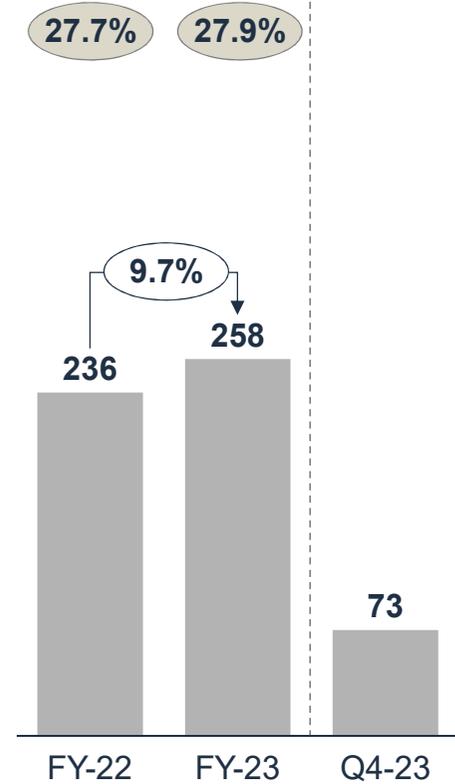
Commentary

- Increase in order intake to 1.4x revenue driven by significant order wins across regions and segments, with an increase of 32.7% YoY in VMS and 28.5% YoY in M&I (especially in Navy)
- Considerable revenue growth of 9.0% YoY across all segments
- Fixed order backlog increased substantially as of Dec-23 compared to Dec-22 with 26.6% YoY, underlining continued strong demand

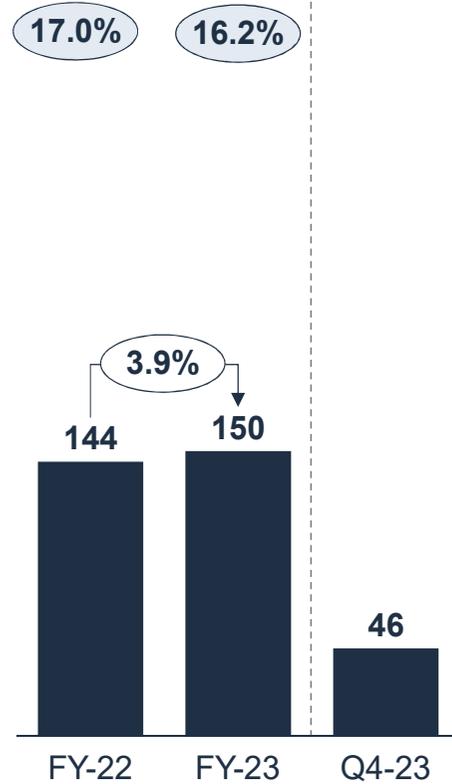
FY-23 Group performance at a glance (cont'd)

- YoY growth
- Adj. gross profit margin
- Adj. EBIT margin
- Net debt / LTM Adj. EBITDA⁽³⁾

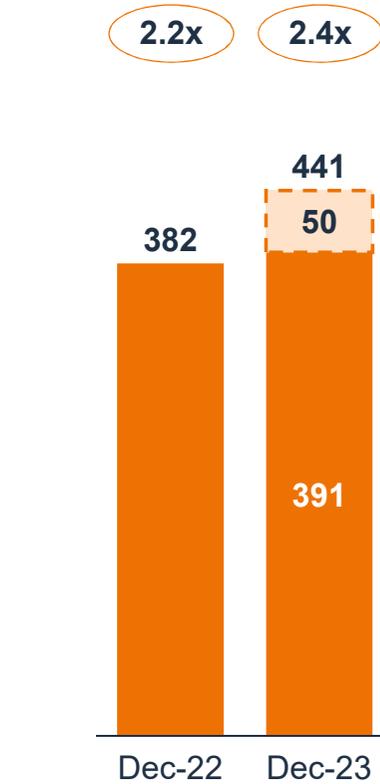
Adj. gross profit, €m



Adj. EBIT⁽¹⁾, €m



Net debt⁽²⁾, €m



Thereof €50m impact from repayment of shareholder loan in Q3-23

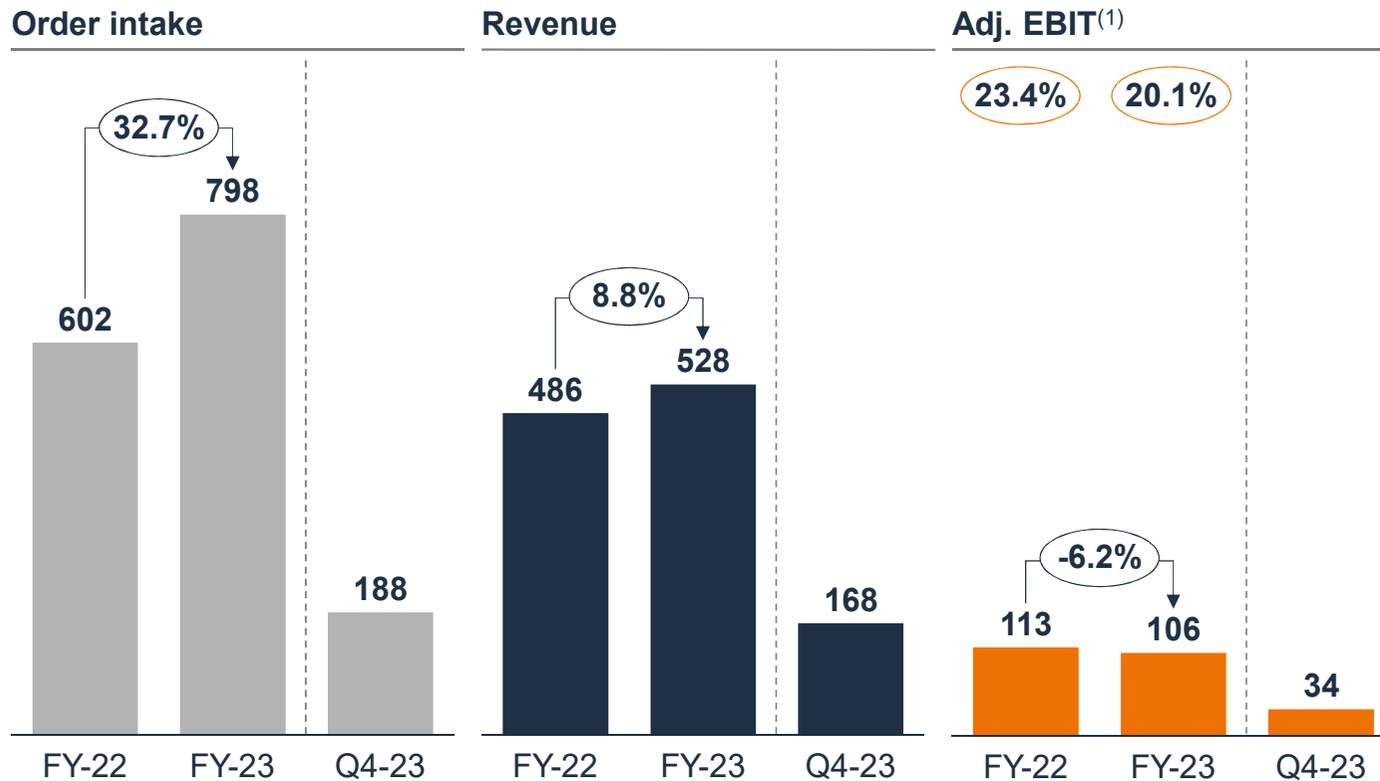
Commentary

- Translation of strong revenue growth into considerable increase in adj. gross profit and adj. gross profit margin
 - Mainly driven by solid volume growth, higher operating leverage & ongoing efficiency improvements across all segments
 - Achieved despite VMS revenue growth held back by supply chain challenges esp. in H1-2023
- Further increase in adj. EBIT reaching €150m in FY-23, as increased overhead costs from our inorganic growth and the strengthening of central functions were more than compensated by higher gross profit
- Increase in net debt and leverage ratio driven by decrease in cash position mainly resulting from repayment of shareholder loan in Q3-23 (€50m)
- As a result of our solid financials, S&P Global has upgraded RENK GmbH to 'B+'

Focus on Vehicle Mobility Solutions segment

○ YoY growth ○ Adj. EBIT margin

Segment financials, €m



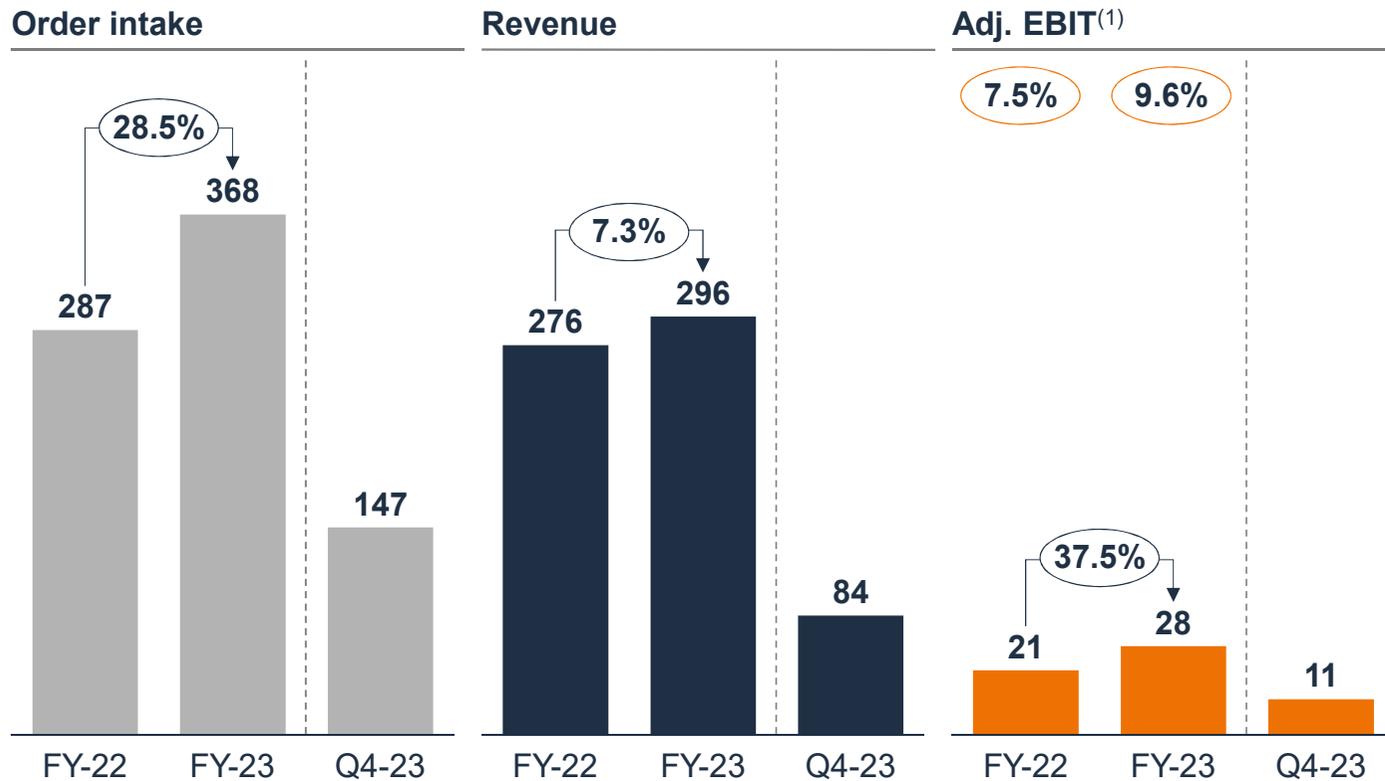
Commentary

- Substantial increase in order intake by 32.7% YoY especially driven by growth in North America
- Considerable increase in revenue of 8.8% YoY
 - Around 54% resulting from acquisition of General Kinetics (GK) in Jan-23
 - Increased organic revenue output anticipated for upcoming months with corresponding build-up of work-in-progress inventory in Q3-23 after significant progress in resolving supply chain bottlenecks
- Positive mix effect resulting in increase in adj. gross profit margin more than compensated by costs incurred for ongoing debottlenecking of production in VMS segment, resulting in moderate decrease in adj. EBIT

Focus on Marine & Industry segment

○ YoY growth ○ Adj. EBIT margin

Segment financials, €m



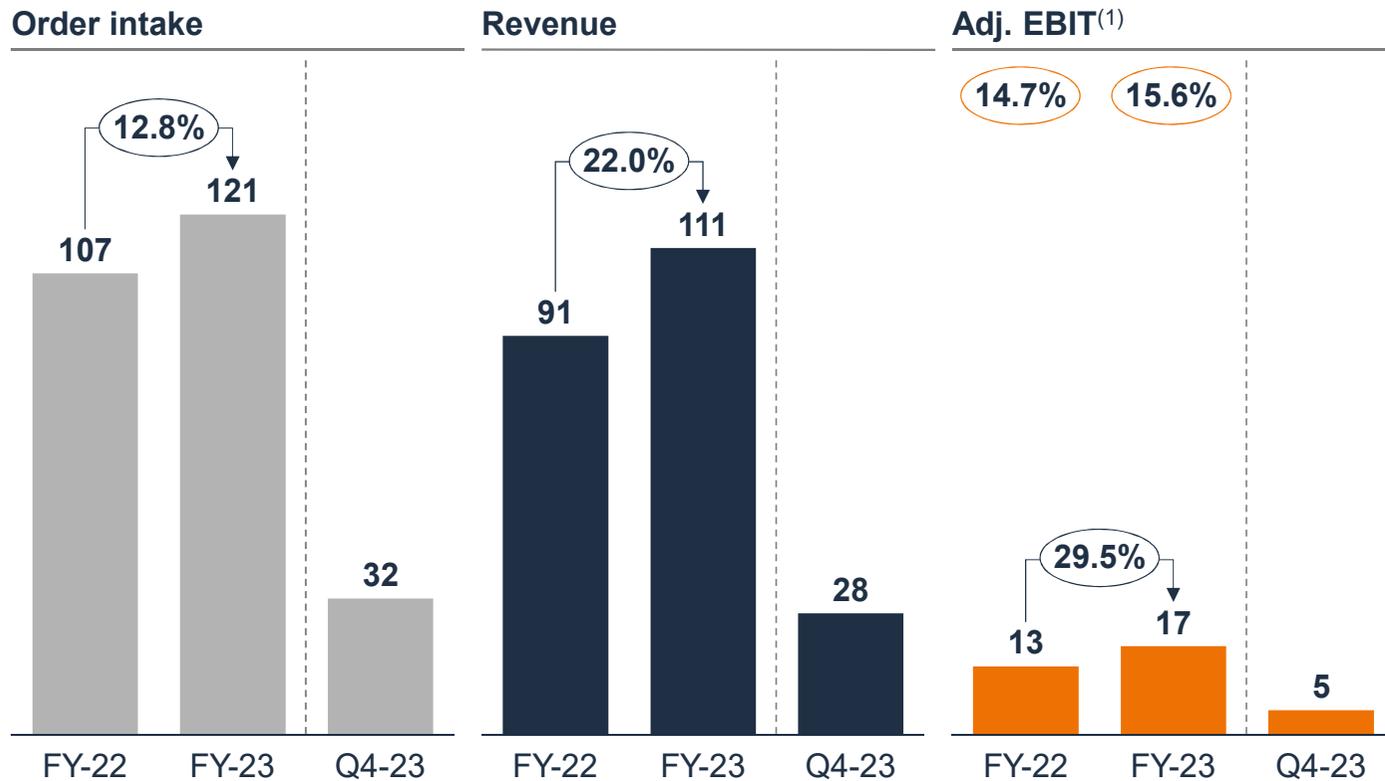
Commentary

- Order intake overall developed favorably, exceeding prior year figures, underlining strong demand, especially driven by Navy
- Considerable revenue growth of 7.3% YoY driven mainly by substantial growth in industry (new business and aftersales)
- Navy revenues down as expected (weak order intake in 2019 and 2021), significant recent order intake indicates trend change; on the back of record order intake on the Navy side, continued positive segment momentum is expected
- After contraction of adj. EBIT and adj. EBIT margin in H1-23, strong recovery in Q3-23 as adj. EBIT increasing by 37.5% YoY while adj. EBIT margin also increased by 2.1 p.p.

Focus on Slide Bearings segment

○ YoY growth ○ Adj. EBIT margin

Segment financials, €m



Commentary

- Order intake continues to grow YoY mainly driven by marine horizontal bearings and special client applications
- Continued, significant increase in revenue and adj. EBIT driven by e-bearings and marine horizontal bearings
- Further margin expansion driven by slightly higher share of aftersales business
- As of November 1, Mathias Rusch has been appointed as new CEO of the Slide Bearings segment

Executive summary
FY 2023**Order intake**

All-time high order intake of €1.3bn (1.4x revenue), driven by wins across regions & segments. Total order backlog of €4.6bn in Dec-23

Marine & Industry

M&I achieved significant earnings growth in FY-23 with growth in order intake, revenue, and profitability. Further profitably Navy growth expected in FY-24

VMS

High-single digit topline growth with an EBIT adj. margin above 20% despite supply chain challenges, especially during H1 2023

Refinancing

New five-year term loan (€525m) and €450m multi-currency guarantee facility, €75m (currently unused) revolving credit facility. Shareholder loan settled in Q3-23, HY bond repaid in Feb-24

Dividend policy

Dividend proposal for 2023: €0,30, ~40% of the total adjusted net income (€76.4m)

Dividend policy for future years: 40-50% of adjusted net income

RENK

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Guidance

	2023A	2024 Guidance	Medium-term target
Revenue / growth	<p>€926m </p>	<p>Guidance confirmed!</p> <p>~€1,000-1,100m</p>	<p>~10% CAGR</p>
Adj. EBIT ⁽¹⁾ margin	<p>16.2% </p>	<p>Guidance confirmed!</p> <p>~16-18%</p>	<p>~19-20%</p>

Key highlights
FY Q1 2024

Public Listing

Successful listing on Frankfurt Stock Exchange with ~27% free float and solid share price performance (outperforming country indices and peers)

Moody's rating upgrade

Moody's has upgraded RENK GmbH to 'Ba3' with positive outlook, driven by robust credit metrics and a conservative, balanced financial policy

Refinancing completed

New five-year term loan (€525m) and €450m multi-currency guarantee facility, €75m (currently unused) revolving credit facility. HY bond repaid in Feb-24. Term-loan interest rate partly hedged in Feb-24

Strengthening of Operations

Dr. Emmerich Schiller joined as new MD Production and Supply Chain on 1 February 2024; Dr. Alexander Sagel will join as new board member of RENK Group AG as of April 1

Order intake

Order pipeline remains strong with solid base orders (including aftermarket packages) as well as promising large-scale orders that could be awarded during 2024

RENK

Q & A SESSION

Question & Answers?



APPENDIX

Endnotes (1/2)

p.1

(1) 25 years industry experience including >20 years in defense

(2) 25 years industry experience including >18 years in defense

p.4

(1) Refers to systems / subsystems, such as transmissions for tracked military vehicles, gearboxes and 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)

(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. EBIT margin and adj. EBIT margin are defined as EBIT or adj. EBIT, as applicable, divided by revenue

(3) As of December 2023. 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 2027 based on public information and customer information, booked for the period Jan 24 to Dec 27

(4) Based on 2022A revenue split, defence and civil are defined by end market product application

(5) Based on 2022A revenues, reconciliation to reported figures: EMEA includes Germany, other EU Countries, other European Countries and Africa; Americas includes North and South America; APAC includes Asia and Australia and Oceania

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(1) 2019A EBIT displays EBIT unadjusted based on the as-if consolidated income statement information for the former RENK AG for the twelve-month period ended 31 December 2019; 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. EBIT margin and adj. EBIT margin are defined as EBIT or adj. EBIT, as applicable, divided by revenue. For a detailed breakdown of EBIT adjustments, please refer to the page "Adjustments to operating profit"

(2) Refers to 2020-2023 cumulative capex and R&D investments as well as acquisition costs related to General Kinetics (signed and closed in 2023) and L3 Magnet-Motor GmbH and the Combat Propulsion Systems from L3Harris. R&D investments refer to business-sponsored ("self-funded") research and development (R&D) costs expensed as incurred; does not include customer-sponsored R&D costs incurred pursuant to contractual arrangements; capex defined as payments to acquire property, plant and equipment and intangible assets

(3) Market CAGR of ~10% calculated as a blended rate by weighting 2022-27 CAGRs of total addressable market for defense (12.9% as per Renaissance market study) and civil (4.7% as per Roland Berger market study) with the defense / civil revenue split of around 70% / 30% in 2023A. Global defense addressable market defined as total armored vehicle and naval addressable markets, incl. new build, upgrade and overhaul, as of 2022A, based on RENK product portfolio used in defense applications, excluding platforms of Chinese origin in-service outside of China and Embargo Countries (as per Renaissance market study); global addressable civil market defined as total annual spend in commercial marine & industrial applications (incl. gearboxes, couplings, slide bearings and test systems) including new build and aftermarket comprising service, spare parts and software updates, based on 2022A (as per Roland Berger market study)

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(1) Defined as total order backlog as of Dec-23 / LTM revenue for the period ended December 31, 2023. 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 31.12 include a contract with the character of a binding follow-up contract with the amount of €0.2bn

(4) Soft order backlog includes estimated volumes of sole source projects and successor business until 2027 based on public information and customer information, booked for the period Jan 24 to Dec 27

Endnotes (2/2)

p.8

(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

p.9

(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 are defined as adj. EBIT divided by revenue.

(2) Net debt includes senior secured notes, and lease liabilities less cash and cash equivalents based on the carrying amounts in the IFRS financial statements

(3) 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.

p.10

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p.11

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p.12

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p.15

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