RENK

RENK Group AG — Investor Relations

Transcript — H1 2026 Quarterly Results and Conference Call

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Intro

Operator: Welcome to the RENK Group H1 2026 Conference Call. Please note the call will be recorded. During today's call, webcast participants will be in a listen-only mode while we conduct the question-and-answer session. Further instructions will follow at the time of Q&A. I would now like to turn the call over to Maximilian König, Senior Investor Relations Manager. Please go ahead.

Maximilian König (IR): Thank you very much, operator, good morning and welcome everyone to our H1 2026 results conference call. With me today are our CEO, Dr. Alexander Sagel; and our CFO, Anja Mänz-Siebje. Alexander and Anja will guide you through today's presentation. Afterwards, we will open the floor for your questions. Let me now hand over to Alexander. Alexander, please go ahead.

Presentation

Alexander Sagel (CEO): Max, thank you very much. Ladies and gentlemen, also from my side a very warm welcome, and many thanks for joining today's H1 2026 conference call. For the sake of time, let me start directly by going into the presentation. However, please allow me just some very quick personal remarks upfront: the last 6-7 months were very successful for RENK in regards to financial performance, credibility, technological milestones and major steps forward towards strategy execution. We are fully on track to deliver our 2026 guidance and to position us — as always communicated — in the upper half of the adjusted EBIT range. Having said this, let`s move now to Slide 1, showing a selection of highlights for the second quarter.

Slide 1

Alexander Sagel (CEO): The strong order intake is clearly one of these highlights and therefore let me start directly with a quick review of some of the larger key order intakes during Q2. First, we extended our framework agreement with Rheinmetall on the Lynx program including transmissions and final drives worth up to 270 million EUR and including further options in the range of 63 million EUR. Furthermore, RENK America was awarded the follow-on Thor IV frame contract by the US Army — up to 691 million USD over five years and also including further upside options. In Q2, we already booked around 120 million EUR as order intake according to contract terms. In addition — and staying in the domain land for a moment — we saw further orders for engines from an international customer, more spare parts orders in our lead plant here in Augsburg, and the very first Patria TRACKX series orders, which were further supported by a recent collaboration agreement between Finland, Norway and Latvia during the NATO summit in Ankara. Last but certainly not least, also our Navy business showed strong order momentum with orders from various international frigate programmes — for example FREMM in Italy or MILGEM in Turkey, to only name a few. In total, we enjoyed a record H1 order intake of roughly 1.2bn EUR, clearly demonstrating continued strong & international demand for our products & technologies. For your information: approx. 13% of the Order Intake from H1 comes from the German customer. Also during Q2, we proudly celebrated the 4,000th Leopard 2 transmission going into production. Needless to say that the Leopard 2 is one of the most relevant MBT platforms worldwide and RENK is a proud sole-source supplier for this program in over 20 countries and over 40 years. A very important highlight of the second quarter was certainly the Eurosatory in June. Together with Patria we presented our concept of a heavy tracked UGV, where the digitalization of our transmission is the core enabler for future unmanned mobility. The strong interest from various customers, MODs and the media was not only very impressive, but also underlining the leading role of RENK in this new product segment in combination with our today's strong market position. One milestone I am personally very proud of — the signing of David Brown Defence, where we are doing nothing less than building the global leader in naval power transmissions with unique access to the Five Eyes markets and so far — at least for us — uncovered new product segments & technologies. Or - in different words - consequently executing our M&A strategy. Ladies and gentlemen, let's move now to Slide 2, which summarizes the Group performance for H1.

Slide 2

Alexander Sagel (CEO): As you can see in the orange boxes at the top, all relevant KPIs are showing a quite positive development. Starting with the order intake. As mentioned before, a very strong H1 performance with a book-to-bill ratio of 1.9x, where the approx. 1.2bn EUR order intake is almost on a similar level as 2025 after nine months. On the revenue side, growth is fully in line with our fixed order backlog and customer delivery schedules. Please let me remind you at this point of our well-known “Israel effect”. In the first two quarters of 2025 we had approx. 20-25 Mio EUR of revenues per quarter related to Israel. For 2026 the deliveries were and are scheduled — according to our customers' contracts — to start at the end of Q2 and peaking during H2. For your information, the deliveries have started as planned. Adjusted EBIT grew strongly by around 10% year-on-year, once again clearly outpacing revenue growth, and the margin continued to expand to 15.4%, driven by the operating impact of our modular production line and groupwide performance measures. Finally, our defence business is slightly up to now 75%, while our high aftermarket share remained stable with a strong aftermarket performance in Q2. For your information – we are currently in the process to finalize our Aftermarket Strategy 2035. From today's perspective we are confident to secure a stable aftermarket share of approx. 35-40% by 2030, despite a significant increase of new business. Beyond 2030 we do see further substantial growth potential of in total up to 2bn EUR of revenues per year towards 2035.

Slide 3

Alexander Sagel (CEO): Ladies and gentlemen, before we are going into a more detailed discussion of our business performance, please allow me to briefly put a couple of recent & important events during H1 into our RENK perspective. The bigger picture is straightforward — NATO and relevant member countries are clearly on the move, committed to increasing defence spendings and defined capability requirements, and growing into a new role of responsibility or so-called burden sharing. The NATO summit in Ankara confirmed the 5% total defence spending target from last year, and the focus has shifted from debate to implementation - with faster execution and faster delivery expectations. The United States will further increase defence spending, and the same is true for countries like, for example, Germany and UK, which are planning to invest more than 900 bn EUR during the next four years.

Equally important is the so-called capability mix the alliance had defined already during last year's summit in The Hague, including — besides air defense, long-range precision strike, ISR & space — the so-called "conventional mass", which covers land and sea platforms, ammunition, drones and unmanned platforms. Nothing more, but also nothing less was confirmed in Ankara. From a strategic perspective, it is important to understand that armored land and sea platforms continue to play a key & important role in the future combat readiness of the alliance. Germany, for example, already awarded during the last twelve months contracts for armored land platforms of more than 18 bnEUR, while the procurement authorizations (PAs) are with more than 44 bnEUR still on a very high level. From a RENK perspective, it is important to understand that the current budgets and capability mix are fully in line with our scenarios and mid-term targets for 2030 and beyond. Let's move now to Slide 4.

Slide 4

Alexander Sagel (CEO): As you all know, defense is the core of our business and the main driving force behind our group performance. Defense-related order intake grew strongly to roughly €1 billion in H1, plus 48% compared to last year — driven by strong and ongoing demand across our international core markets. On the revenue side, defense grew to around

€488 million, or plus 6% vs. H1 2025. Normalizing the H1 2026 defense revenue for the before-mentioned Israel effect, the underlying growth would be higher in the mid-teens.

Slide 5

Alexander Sagel (CEO): Ladies & gentlemen, please allow me to have a quick view on our divisions, starting with VMS on page 5. More details will come later from Anja. VMS is once again our clear and absolute growth engine. Revenue grew by around 8% in H1 2026, fully in line with customer contracts and delivery schedules. Order intake showed a new record H1 of €970 million, which is plus 43% year-on-year and related to a book-to-bill ratio of 2.3x. The modular assembly line in Augsburg is up and running, showing a good performance and supporting strong margin improvements.

Slide 6

Alexander Sagel (CEO): Moving now quickly to our Marine & Industry division. Regarding revenues, 2026 started slow during Q1, but showed a significantly better performance during Q2, including a partial recovery of customer-induced delays from Q1. The Navy business is clearly THE driver of the M&I performance, while the industrial part remains under cyclical market pressure. As a result, H1 revenues came in 6% below last year's performance. Regarding order intake, we do see a similar picture — strong Q2 performance compared to Q1, but overall with 164 Mio EUR for H1 at a lower level compared to H1 2025.

Slide 7

Alexander Sagel (CEO): Last but not least, a few words on Slide Bearings. Revenues came in slightly below prior year, reflecting ongoing headwinds from weak industrial end markets and lower aftermarket business in H1 2026.

Slide 8

Alexander Sagel (CEO): Ladies and gentlemen, let's move now to the last slide of my introduction — our Total Order Backlog. Despite a strong revenue conversion, our fixed order backlog further increased to now 2.8 billion EUR, driven by a strong Q2 order intake, and finally leading to a Total Order Backlog of 7.4bn EUR, which is roughly 5.3 times our LTM revenues. Also important to note, that approx. 75% of our Total Order Backlog is widely spread across our international customer base, while Germany contributes with approx. 24%. This geographic diversification truly is — besides our strong aftermarket business — a very important USP of RENK. Having said this, I would like now to hand over to Anja for a deeper look into our Q2 financials. Anja, over to you!

Slide 9

Anja Mänz-Siebje (CFO): Thank you, Alexander, and a warm welcome from my side as well. The first half of 2026 combined record order momentum with further progress in profitability. Group order intake reached almost €1.2 billion, book-to-bill improved to 1.9x, and fixed order backlog increased to around €2.8 billion. Revenue grew more moderately, reflecting strong execution in VMS and lower volumes in Marine & Industry and Slide Bearings. Adjusted EBIT increased by 10.1%, clearly ahead of revenue, and the margin improved to 15.4%. This was driven by higher output and better capacity utilization in VMS. Reported earnings, however, were affected by higher M&A- and transformation-related expenses. At divisional level, VMS delivered strong growth across orders, revenue and earnings. M&I remained below the prior year for the half, but improved materially in the second quarter. Slide Bearings continued to face pressure from weak industrial demand, lower utilization and product mix. Free cash flow increased to approximately €42 million, while net working capital remained broadly stable and leverage stayed at 1.5x. Overall, the first half confirms strong demand, improving operating leverage and significantly stronger cash generation.

Slide 10

Anja Mänz-Siebje (CFO): Let's start with our Group performance in the first half of 2026. Order intake increased by 29.7% year over year, from €921 million to a record high €1,195 million. The second quarter was particularly strong, with order intake increasing by 64% to €613 million. As Alexander described already in more detail, this development was mainly driven by VMS and continued high demand for land-based defence mobility solutions. Revenue increased moderately by 2.7%, from €620 million to €637 million. In the second quarter, revenue grew by 2% to €354 million. Higher output and continued execution in VMS more than compensated for lower first-half revenue in Marine & Industry and Slide Bearings. As a result, our book-to-bill ratio improved from 1.5x to a very strong 1.9x for the first half. The second-quarter ratio stood at 1.7x, demonstrating that order intake continued to clearly exceed revenue conversion. This strong demand environment translated into further growth in our fixed order backlog. Compared with year-end 2025, fixed backlog increased by 25.9%, from approximately €2.3 billion to approximately €2.8 billion. This provides us with a high degree of visibility for the coming periods. The key takeaway is that RENK continued to strengthen its future business base. Demand remains very strong, backlog reached a new level, and we are progressively translating this demand into higher revenue through the ongoing production ramp-up.

Slide 11

Anja Mänz-Siebje (CFO): Moving on to profitability and leverage. Adjusted gross profit increased by 7.8%, from €171 million in the first half of 2025 to €184 million in the first half of 2026. The adjusted gross profit margin improved from 27.6% to 28.9%. This development was primarily supported by higher output and positive scale effects in VMS, which more than offset the volume and mix-related pressures in Marine & Industry and Slide Bearings. The second quarter confirms the same pattern. Adjusted gross profit increased by 8% to €100 million, while the margin improved from 26.7% to 28.3%. Adjusted EBIT increased even more strongly, by 10.1%, from €89 million to €98 million. As a result, the adjusted EBIT margin expanded by one percentage point, from 14.4% to 15.4%. In the second quarter, adjusted EBIT increased by 10% to €56 million, with the margin improving from 14.6% to 15.8%. This is an important point, because earnings growth again clearly outpaced revenue growth. It demonstrates the operating leverage within the Group and, in particular, the benefits from the continued production ramp-up and higher capacity utilization in VMS. On the balance sheet, net debt increased moderately by €16 million, or 4.1%, from €391 million at year-end to €407 million at the end of June 2026. At the same time, leverage remained stable at 1.5x last twelve-month adjusted EBITDA. This development also needs to be seen in the context of the €58 million dividend payment during the first half. In summary, RENK continued to deliver profitable growth and margin expansion, while maintaining stable leverage and a disciplined financial position.

Slide 12

Anja Mänz-Siebje (CFO): Let us turn to VMS, where business momentum strengthened further during the first half. Its role as our growth engine was already highlighted by Alexander. The division secured €970 million of new orders, an increase of 42.6% compared with the prior-year period. Almost half of this amount was booked in the second quarter, when order intake rose by 73% to €492 million. This reflects the sustained pace of customer demand for land-based defence applications and further enhances the division's already strong revenue visibility. Revenue reached €419 million, up 7.6% year over year. Second-quarter revenue increased by 5% to €227 million. The progress reflects tangible improvements in production throughput, including the modular setup in Augsburg, together with a strong contribution from our operations in Muskegon. The quality of this growth is particularly visible in earnings. Adjusted EBIT rose by 20.5% to €80 million, considerably faster than revenue, and the adjusted EBIT margin increased from 17.1% to 19.2%. In the second quarter, the margin reached 19.9%, supported by higher volumes, improved utilization and the resulting fixed-cost absorption. The widening gap between revenue growth and earnings growth illustrates how the ongoing industrial ramp-up is translating into stronger operating leverage. VMS combined exceptional order momentum with higher output and a further step-up in profitability.

Slide 13

Anja Mänz-Siebje (CFO): Turning next to M & I, the first-half figures show a mixed picture, with a noticeably stronger second quarter. New orders totalled €164 million, 9.9% below the prior-year level of €183 million. The quarterly development, however, moved in the positive direction: second-quarter order intake reached €94 million, up 57% year over year. This rebound was supported by the naval and aftermarket businesses and materially reduced the shortfall recorded after the first quarter. Revenue for the six-month period amounted to €165 million, compared with €176 million a year earlier. The decline narrowed to only 3% in the second quarter, when revenue reached €100 million. Some planned deliveries were not finalized within the reporting period and will therefore contribute in later quarters. Adjusted EBIT came in at €16 million, versus €19 million in the first half of 2025. The margin was 9.9%, compared with 10.7% in the prior-year period. Lower first-half volumes limited fixed-cost absorption and consequently weighed on earnings. The second-quarter performance provides a more encouraging indication of the underlying trajectory. Adjusted EBIT increased by 5% to €12 million, while the margin advanced from 11.1% to 11.9%. This improvement reflects a stronger business mix and the contribution from the higher-margin naval activities. Overall, the first-half comparison remains below last year, but the direction of travel improved materially during the second quarter. The recovery in order intake and profitability supports the view that naval business remains fundamentally sound, while the remaining revenue gap is predominantly linked to delivery phasing.

Slide 14

Anja Mänz-Siebje (CFO): Slide Bearings continued to face weaker industrial headwinds during the first half, with limited top-line movement but a more pronounced impact on earnings. Order intake amounted to €64 million, compared with €66 million in the prior-year period. The second quarter was stable at €30 million, indicating that demand did not deteriorate fundamentally, although the division has yet to see a meaningful recovery in its industrial end markets. Revenue came in at €60 million, 4.4% below the previous year. Second-quarter revenue declined by 7% to €30 million. Overall, the top line remained comparatively resilient despite the lack of broader market growth. The earnings effect was more substantial. Adjusted EBIT decreased from €10 million to €8 million in the first half, resulting in a margin of 12.5%, compared with 16.6% a year earlier. In the second quarter, adjusted EBIT was €3 million and the margin stood at 11.7%. This difference between the relatively moderate revenue decline and the above average reduction in earnings reflects lower factory utilization and a less supportive product mix. With fewer volumes passing through the existing cost base, the division was unable to maintain the exceptionally strong profitability recorded in the prior year. In essence, Slide Bearings preserved a broadly stable business base, but the current industrial environment constrained both operating leverage and mix. A more visible improvement in profitability will therefore depend on a recovery in volumes and a normalization of the product mix.

Slide 15

Anja Mänz-Siebje (CFO): Now let me move on to our bridge from reported operating profit to the underlying earnings performance of the Group. Operating profit was broadly stable at €58.0 million, compared with €59.3 million in the first half of last year. Purchase price allocation effects were also virtually unchanged at €21.9 million. The main year-over-year movement therefore came from the remaining adjustments, which increased from €7.8 million to €18.2 million. Around €10 million related to M&A activities, primarily related to the acquisition of David Brown Defence. The balance mainly reflects the implementation of Group-wide process standards, system improvements and severance-related expenses. After accounting for these items, adjusted EBIT reached €98.2 million, up from €89.2 million in the prior-year period. Adjusted EBITDA increased by a similar rate to €115.4 million. The important distinction here is between the reported result and the underlying operating development. Reported operating profit absorbed a higher level of transaction and transformation expenditure, whereas the adjusted figures reflect the clear earnings improvement generated by the business.

Slide 16

Anja Mänz-Siebje (CFO): Looking at net working capital, the overall position was virtually unchanged over the first six months. Net working capital closed June 2026 at €344 million, compared with €345 million at year-end. Relative to last twelve-month revenue, the ratio edged down from 25.2% to 24.9%, despite the continued expansion of production activity. The composition, however, shifted meaningfully. Inventories rose by €71 million to €507 million as we increased work in progress and secured materials for the planned output ramp-up for the second half-year, particularly within VMS Augsburg. This build is therefore closely linked to scheduled customer deliveries and the conversion of our order book. This increase in inventory was offset by favourable movements related to the remaining components, mainly driven by cut-off effects. Customer receivables declined by €44 million to €331 million, while prepayments received increased by €25 million to €347 million. Trade payables also provided a modest contribution, rising to €147 million. Taken together, these developments kept the Group’s net working capital broadly flat while enabling a higher level of operational activity. Going forward, our priority remains to control the elevated inventory position and to turn it into deliveries, revenue and cash as planned.

Slide 17

Anja Mänz-Siebje (CFO): The first-half cash flow bridge shows a marked improvement in cash generation compared with the prior-year period. Adjusted EBITDA provided a starting point of €115.4 million. From this amount, €18.2 million of adjustments were deducted, reflecting the transaction- and transformation-related items covered on the previous slide. Working capital contributed approximately €6 million to cash flow. This positive overall effect resulted from lower receivables and higher customer prepayments, which more than compensated for the continued increase in inventories required for the production ramp-up. Cash outflows also included €17.1 million of capital expenditure and €20.5 million of tax payments. After other cash flow effects, unlevered free cash flow amounted to €54.0 million. Following the interest result of around €12 million, reported free cash flow reached €41.9 million. Compared with €11.5 million in the first half of last year, this represents a substantial step-up. The improvement was supported by stronger working-capital performance, although part of the development reflects payment patterns and reporting-date effects.

On a last-twelve-month basis, the cash conversion rate reached 65.9%. It is also worth noting that, on a standalone Q2 basis, cash conversion rate reached an outstanding 130.1%. This demonstrates that the Group generated meaningful cash while continuing to fund higher output, inventory requirements and future profitable growth. Overall, the first-half bridge shows that RENK’s earnings were converted into significantly stronger free cash flow.

Slide 18

Anja Mänz-Siebje (CFO): Let me briefly cover the refinancing we successfully completed after the reporting date. We replaced our previous financing structure with a new unsecured syndicated financing package of €1.05 billion. The package consists of a €450 million term loan, a €225 million revolving credit facility and €375 million of syndicated guarantee lines, with a five-year maturity and two one-year extension options. Additional bilateral guarantee lines of €80 million were also agreed. The refinancing was strongly supported by our international banking consortium, with commitments clearly exceeding the required volume. We see this as a strong sign of confidence in RENK’s strategic positioning, business development and future growth path. Economically, the new structure comes with significantly improved credit margins and is expected to reduce annual financing costs by around €7 million. This compares with one-off costs of around €4.5 million for the new financing and around €1 million for the unwind of existing interest-rate hedges. Equally important, the new financing is unsecured. The previous collateral package and restrictive conditions for raising additional financing have been removed. This gives us materially more flexibility for future profitable growth steps, investments and potential acquisitions. In summary, thanks to the trust that our banking partners place in RENK we prolonged our robust capital structure, lowered financing costs and gained more strategic flexibility. That said, I would like to hand back to Alexander again who will proceed with our Outlook.

Slide 19

Alexander Sagel (CEO): Thank you, Anja. Ladies and gentlemen, let me now come back with a few concluding comments from my side and moving straight to slide 20.

Slide 20

Alexander Sagel (CEO): Starting first with our guidance for 2026. To make it short & crisp: we confirm our 2026 guidance with revenues above €1.5 billion and adjusted EBIT between €255 and €285 million, and we are clearly targeting the upper half of the adjusted EBIT range. The main operational levers are unchanged and should be familiar to you from Q1 — full focus on operational execution, performance & delivery, while in parallel moving straight forward with our capacity expansion. In terms of phasing, we always communicated that 2026 will be very backend-loaded, with a stronger H2 — and this is still the case. And you know it: more than 90% of our planned 2026 revenue is already covered by our fixed order backlog. Let me continue now with a quick view on our order intake situation for 2026 and moving on to the next page.

Slide 21

Alexander Sagel (CEO): Regarding order intake, we are looking at a very attractive pipeline for the rest of the year. After roughly 1.2bn EUR during H1 2026, we are on track towards our full-year target to secure approximately 2 billion EUR of order intake in 2026. The H2 pipeline is geographically diversified and very tangible. On the naval side, we do expect further frigates and destroyers during Q3 and Q4. For our land business, we do see more significant orders for various armoured platforms. You find a selection on the right-hand side of this page. Regarding Q3, and driven by the timing of the specific projects, we do expect order intake on a lower level compared to Q1 and Q2, and also lower than expected for Q4, thus moving us in a range between 300 to 400 million EUR.

Slide 22

Alexander Sagel (CEO): Please allow me a few words regarding our operations and follow me to the next page, page 22. To sum it up: we are absolutely focused on executing our capacity ramp-up plan in Germany for land transmissions, and especially Q2 and Q3 2026 are marking very important milestones on our way to almost triple our capacity towards 2030. Just to give you some quick impressions and starting with our lead plant in Augsburg, where new fully automated and quite massive CNC machining centres are getting installed and already running in three shifts / 5 days. Regarding our modular assembly line concept, we are currently in the process to further roll out this very successful approach from our final assembly shop into the sub-assembly and spare part operations, followed by the MRO operations during Q4/2026 and Q1/2027. Also very important and related to David Brown Defence — we started machining of the first Type 26 frigate main gear here in Augsburg in order to prepare for future operational synergies regarding Type 26 deliveries and overall capex spending. Leaving now Augsburg and going to Rheine, where we are step-by-step converting a former 100% industrial site into a defence operation by — for example — the installation of further CNC machining centres. Not new, but important to mention again — we are executing our capacity expansion for converting order backlog into future profitable growth in a very disciplined way with limited capex needs: 3% on average until 2030, and below 5% for 2026.

Slide 23

Alexander Sagel (CEO): Let's move to Slide 23 and some quick words on David Brown Defence — or in short DBD. As already said in the beginning of this call, the acquisition of DBD is the consequent execution of our M&A strategy. With transmissions for large surface combatants and submarines, including the Type 26 programme, DBD is providing us with unique market access to the so-called “Five Eyes nations” including the US, UK, Canada and Australia. RENK will be the only navy transmission system supplier serving all those markets, thus expanding our global leadership in the naval domain. Regarding the domain land, David Brown contributes with transmission systems and powerpack integrations for tracked and wheeled armoured vehicles — like the Challenger 2 and 3 or the Boxer MIV. While I will not run you through all the numbers on that slide — we did it during our call on July 3 — let me emphasize that the preparations for the PMI phase have already started even before the signing on July 3. Closing is targeted for Q4 2026. After closing, David Brown will be integrated into the M&I division. Our integration is structured in different phases — first with a clear focus on improving operations, realizing operational synergies and safeguarding deliveries, followed by leveraging new growth opportunities from a joint market access, supported by new technologies and product segments like unmanned / less-crewed surface vessels.

Slide 24

Alexander Sagel (CEO): Ladies and gentlemen, we are close to the end of our today's presentation, so let's move on to slide 24 and very briefly look at the key takeaways of today's call. If I had to summarise H1 in one sentence: stellar order intake from strong demand for land and sea platforms, solid cash conversion, clear margin improvements and a confirmation of our FY 2026 guidance, with an clear and unchanged target to land in the upper half of the adjusted EBIT range

Slide 25

Alexander Sagel (CEO): Last but not least — briefly on our financial calendar. Our capital markets activities continue to be very busy, and we are very much looking forward to meeting many of you in the coming weeks and months — at roadshows, conferences, and bilaterals. Some of the key dates are shown on this slide.Thank you very much for your attention. We are now looking forward to your questions.

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Q&A

Operator: Ladies and gentlemen, we will now begin our Q&A session. [Operator Instructions] Our first question comes from Chloé Lemarié with Jefferies. Please unmute your line and ask your question.

Chloé Lemarié (Jefferies): Yes. Good morning. Thank you for taking my question. So I'll have two. The first one is on the guidance assumption for margin in H2, because obviously you had a pretty good momentum in H1 without the benefit of the sales to Israel or not much. So any thought on where the margin could get to in H2 would be – would be great. The second one is on the 2027 draft budget for Germany. There's a pretty significant drop in the procurement authorization on armored vehicles. I just wanted to see what your thoughts were there in terms of the demand and how it can be impacted, for instance, by the Arminius contract and the timing of the signing there. Thank you.

Alexander Sagel (CEO): Okay. This is so many questions. In fact, you are doing the trick because to put 10 questions in 1 question, to be honest, but happy to answer. I will try my very best. If not, please ask again if I miss something. I'm getting older. First on the VMS margin, I will not comment on the H2 because H2 is H1 plus H2. I will just comment on the full year expectation. The full year expectation on VMS is clearly well above the 21%. This is the first answer, I hope. Regarding Germany procurement authorization budgets increase, I think it's very important to overhaul armored land platforms, and this is independent. If you look on procurement authorizations or if you look on the EP14 development are key and are vital. Full stop. The procurement authorization, for example, the – are currently at €44 billion up to the end of next decade. There were reviews, but again, I get it and I think this is really important. There is so much money considered in the EP14 in the next two or three years in the EP14 and the normal German national budget. And it's the same for the procurement authorization. I think, at least according to our RENK growth scenario and capacity expansion scenario, we have not expected and seen any surprises, to be honest. You just asked about the Boxer program. Well, the Boxer program, I think we have it still in our order intake. We reduced a little bit the amount. But to be honest, I do not believe that this order will come this year to RENK. Why? I think the parliamentary approval of the Boxer program are meaningless, will take place maybe in December. But happily, we even have this or we even have this capability to compensate this potential shift of the Boxer order intake from 2026 into 2027 by other international customers. So underlining our approx €2 million target on the order intake side. Overall – and I think I said it in the beginning, what you have seen on the Ankara NATO summit, the capabilities who were discussed and basically confirmed on what was decided in The Hague, there is no surprise. It was always that there needs to be a lot of air defense, there needs to be a lot of long range precision strikes. There will be a lot and tons of ISR projects running on. And of course, space is key. And there will be a lot of drones because the key is besides all these air defense and long range missiles, conventional mass is key in order to increase future combat readiness of NATO. And this includes armored land platforms, wheeled and tracked, manned, unmanned. And we are looking on the perspective beyond 2030. So clearly, I don't know if I'd manage everything, but feel free to ask.

Chloé Lemarié (Jefferies): No. Absolutely. Sorry for the three questions, but that was great. Thank you.

Alexander Sagel (CEO): You're welcome.

Operator: Thank you. Our next question comes from Sebastian Growe with BNP Paribas. Please unmute your line and ask your question.

Sebastian Growe (BNP Paribas): Hi. Good morning. Hi, Anja. Hi, Alex. Thanks for taking my questions. I hope you can hear me well and that you're all well. I have two follow-ups to Chloé's questions. I hope we can count them as half a question so that I have one more. The first one is on the orders part, on Arminius. Sorry for bothering at this point again there, or labeling it again. I was wondering whether there has been any change in the discussions with the customer for the number of vehicles under the firm order tranche. I think you had put out prior 1,800 units. And on the VMS margin, the segment is running 200 basis points above prior year and that without Israel really. So the question is, is there anything to highlight from a mix perspective, i.e., transmissions as opposed to suspensions? Anything that might not be sustainable? And can you also please remind us where you stand with regard to adding another shift in Augsburg? So these were the half questions. Can we start there and then I have one other on Slide Bearings, if I may.

Alexander Sagel (CEO): Sebastian, again , unfair. But anyway, I'd love to answer your questions. You should stop this rule off the two questions, by the way, because anyway, everyone is putting everything inside. But on the order intake of Arminius, well, I think there is a vital discussion about the timing of the fixed orders for the Arminius project. There is a discussion, ongoing discussion, and we had it before. Sebastian, regarding the total quantities who will be covered in the Arminius contracts while on the other side. Additional elements or volumes of the Arminius project might be procured and contracted under existing frame contracts. Like for example, the [indiscernible] (00:55:41) or the Skyranger. I think at the very end, I think the total number from my perspective, if we would add the demand for the Boxer during the first phase now up to 2030, has not significantly changed, and I'm always talking about 1,700, 1,800. The big question is, to be honest, how much of the 1,700 to 1,800 will go into a fixed Arminius contract and how many of them will be awarded and contracted through existing frame contract from other platforms. Looking on RENK, as I just said, we have still a certain order intake assumed for 2026 and as you have seen this before in our order intake chart, but we are not relaxed but confident that we can compensate this through other international programs.

Regarding the VMS margin, as I just answered for Chloe and of – we see about the 21%, I think the first half year was quite successful. And this is coming from one part from Augsburg, from the really good performing modular production line. I think the second part is also that we had good Q2 order intake in regards to aftermarket business. And I think overall, the performance of the rest of the VMS group was as expected. So I think these are the main contributors for our half year one contribution. And of course, H2 will be very much backend loaded on the revenue side. So there will be additional impacts on the cost coverage. Let's see. But I'm very, very optimistic that we will be above the 21%. And this is absolutely anyway our target.

Sebastian Growe (BNP Paribas): Me too, the question was more like this business seems to be doing 2022 and higher eventually. And then that is basically where I'm coming from. So to rather think about.

Alexander Sagel (CEO): I'm not excluding this, Sebastian. I'm not excluding this option. Put it in this way.

Sebastian Growe (BNP Paribas): Okay. Sounds good. On the shift question, I'm not sure...

Alexander Sagel (CEO): What's the shift question, because I cannot read my handwriting.

Sebastian Growe (BNP Paribas): The question was simply, I think you're still operating on one shift only... Right. Right.

Alexander Sagel (CEO): Yeah. Yes, absolutely. We will try if the entire – we will run the entire year 2026 in a single shift mode, which gives you an idea about the performance increases we have realized.

Sebastian Growe (BNP Paribas): Okay. Sounds encouraging. Sorry, I go back in the line. Thank you.

Alexander Sagel (CEO): It's okay. Thank you, Sebastian.

Operator: Thank you. Our next question comes from Christophe Menard with Deutsche Bank. [Operator Instructions] Christophe, your line is now open. [Operator Instructions] We will move on to the next question for

now. Your next question comes from Sven Sauer with Kepler Cheuvreux.

Sven Sauer (Kepler Cheuvreux): Yes, hello. Thank you for taking my questions. The first one is on the Patria tracked UGV. You mentioned in the beginning that there was already an order received. I was wondering if you could give some more information on who ordered this, how many units and when will it be delivered? And the second question – sorry, again – is on the order intake for 2026. You mentioned that the Arminius project will likely slip into 2027. This – my understanding is that the F-127 will also slip into 2027. Those are just two of the orders that you list on this slide. To get to the €2 billion, we would have the Leopard 2 or the [indiscernible] (01:00:05) also slip into 2027, how confident are you to really reach the €2 billion order intake?

Alexander Sagel (CEO): Yeah, Sven, hi. Good question. I will start directly to answering your second question. In our scenarios, and as I just said, I mean, the Arminius are most likely do not expect that. We gathered the F-127 seven. I think this is a very complicated, complex contract which needs to be negotiated, despite maybe a personal view on the question if these kind of massive 12,000 tonne destroyers are really needed in the future. But this is a separate thing. We are quite optimistic and positive that we can even and could even compensate these two shifts of the Boxer and F-127. For example, the F-127 could be and will be partially compensated from the F-128 the four to [indiscernible] (01:01:08). And I think also on the land side. So even considering a shift of the Arminius programs and even a most realistic likely shift of F-127 seven, we do confirm our approximately €2 billion order intake target. And the second – and the first question, sorry, the first question on the track side, the very positive the first customer is not unexpected, Finland, and we are in the range of a high double digit number of units. It's a kind of pre-series order. Deliveries will start at the end of Q2 2027. By the way, the number of potential customers in the interest are stockpiling. In the meantime, we also talk about opportunities and for this reason we are very focused to two projects and to deliver the very first HSWL O76 transmission for the tracks as soon as possible because there is strong interest from Ukraine, by the way.

Sven Sauer (Kepler Cheuvreux): All right. That's great to hear. Thank you.

Alexander Sagel (CEO): You're welcome.

Operator: Thank you. We going back to Christophe Menard with Deutsche Bank. [Operator Instructions]

Christophe Menard (Deutsche Bank): Yes. Good morning. Can you hear me?

Alexander Sagel (CEO): Perfect. Good. Yeah.

Christophe Menard (Deutsche Bank): Okay. Perfect. Yeah. No, it's – I had an issue earlier. Two questions on my side, and I may have missed it, but is there any update on the advanced repowering opportunity? I was thinking we could have news in recent weeks. And on the service strategy or the aftermarket strategy, I understand that's – I mean, you've not come to a conclusion yet in your assessment, but when could we expect a view and on what occasion could you do this? Will you need to host the specific CMD or is it through an earnings release? Thank you.

Alexander Sagel (CEO): I will answer the way I can answer, and I will not answer where I cannot answer because it's simply driven by the customer. So I start directly with the repowering of M1A2. I would put it in the following words. We have prepared quite some R&D budget in order to start development of a very competitive power pack, which could be applied in the M1A2 until a timeframe to going into service production 2028. I cannot tell you more because I cannot simply. But as you could hear maybe, we are very positive, super positive on this, but don't quote me. Regarding the aftermarket 2035 strategy, to be honest, we are almost 85%, 90% done. And the numbers I indicated in my introduction, so to have the €1 billion somewhere at 2030 so stabilizing our today's aftermarket share despite increasing – significantly increasing new business and the potential to grow on an annual revenue level of up to €2 billion. If you look from 10 years from now is these numbers to be honest are the extract of our aftermarket strategy. But there is of course, there are many, many more details behind. And also, if you talk about the main strategic actions and measures, how to realize it. And to be honest, we do not have yet – and I will talk to my communication boss, defined how to roll out this really in order to inform you all we could do. And I just think again in the year and maybe a separate call with our key analysts to give a 30-minute introduction into the result of the aftermarket strategy. To be honest, I don't have an answer on this, but we will find an answer on this.

Christophe Menard (Deutsche Bank): Thank you very much.

Alexander Sagel (CEO): You're welcome, Christophe.

Operator: Your next question comes from George McWhirter with Berenberg. [Operator Instructions]

George McWhirter (Berenberg): Good morning. Thank you very much for the questions. Two please as well from my side. Firstly, on the German budget again, has there been any change in your expectation on the Leopard 2 or Puma orders linked to the budget outlook in the next 10 or so years? And the next question is on the M&I business. You mentioned delivery delays have been catched up in Q2 versus Q1, but there's still some to go. So how much is there left to go in the delivery delay catch-up? Thank you.

Alexander Sagel (CEO): Hi, George. Fair questions. Regarding the German budget and specifically looking on the, Leopard and the many battle tanks, well, we have in our forecast additional 75 Leopard tanks from Germany. I'm not talking about the international one, but just saying on Germany, we have another batch of 75. But that's it, I mean, at least until the beginning of the 2030s, as we always communicated in the – in this two-phase approach from the German procurement strategy, for the second phase, there is this opportunity for the next gen main battle tank former called bridge solution where we are, by the way, developing the powertrain. And we just started, by the way, today at 8:00, the first engine plus the new Leopard upgraded transmission for this bridge solution. So we are moving forward in the development. And then beyond 2030, I could expect another 100 up to 200 for Germany. How many could be ordered from international customers? We have in scenario, but we are just focusing on Germany.

What should not be underestimated are the number of family vehicles, right, recovery – I mean, family vehicles based on the Leopard 2 chassis. From a RENK perspective, we don't care if we supply it to an MBT or if we supply to a family vehicle. It's almost the same transmission or the new one anyway. And here, we do expect quite some numbers in the range between 300 to 500 in the next five to six years. And we do expect in the beginning of next year quite some decent orders coming from this family of vehicles. Regarding – so this was the first question. Regarding M&A catch-up, I mean, as you know, we had about – I think it was approximately in the €10 million range we had. And customer induced delays, you know, the story about these guys and what was the reason. We could partially recover them during Q2 but partially will go anyway into Q3 and Q4 because this simply depends on the prioritization, what the customer is doing. So if he is taking out the transmission and executing this or if he's not executing the transmission because he had shifted his own building plan for whatever reasons. So from this approximately €10 million, I would say 50%, 60%, we did recover during Q2 and the rest will come in the second half.

George McWhirter (Berenberg): That's very helpful. Thank you. Sorry. Just to get back on the first question...

Alexander Sagel (CEO): Thanks George.

George McWhirter (Berenberg): Just to get back on my first question, if I could. On the Puma, has there been any change in the Puma quantities that you expect?

Alexander Sagel (CEO): No. I mean, I think for the next – I mean, we have – I mean the industry has now the charge to produce 200+ Pumas, including Fahrschule Pumas for driver lessons, whatever Pumas, as soon as possible. And we, as I'm always saying, from our production capacity, we got the order intake for these 200-plus in Q1 2026. We could start shipment if required at the end of this year, but we have it in our business plan somewhere starting 2027, 2028 because our customers simply need time to build up their capacity and they are doing this. I could imagine a third batch on this Puma. But this third batch, I do not see any decision towards the next 24 months, to be honest.

George McWhirter (Berenberg): Very helpful. Thank you.

Alexander Sagel (CEO): Thank you very much.

Operator: Thank you. Your next question comes from Benjamin Heelan with Bank of America. [Operator Instructions] Benjamin, your line is open. [Operator Instructions] We will come back to you at a later time. The next question comes from David Perry with JPMorgan. [Operator Instructions].

David H. Perry (JP Morgan): Hi, Alexander and Anja. Hope you're both well. I have to confess George has basically asked the question I was going to ask. Can I just maybe ask in a slightly different way, maybe then a bit more philosophically. I think you're still comfortable with your medium term guidance through to 2030. I just wonder it's been a quite an eventful year. A lot of things have happened and a lot of new technologies and stuff, and guidance and government plans are always adjusted because that's the world. In terms of the €3 billion of sales, do you see the composition maybe slightly differently to how you saw it 12 months ago or broadly the same? Do you think it's going to be more unmanned in there or do you think it's slightly different in some of the platform numbers or some of the international sales versus German? Just wondered if you want to speak to that, if you can. Thanks.

Alexander Sagel (CEO): Yeah. David, hi. I hope you are doing also well. Regarding our medium-term targets, I would like to start first if you talk about the composition, if we look on what we have shown today on our total backlog, and this gives an indication. Our composition, our – I mean, the relevance of Germany, Germany is relevant, but it has a limited relevance in the range 20% to 24%. So what we see, we see a strong international business. And this international business is, to be honest, driving us in the next four to five years. If you look back on our discussions, what we had during the last year, especially for the H1 call, and I think we showed a chart about our estimates on potential order intakes coming from the German programs if you look until 2035. And I think we had a lot of discussions because we were considered – we are conservative. And we had – we had all potential between €1 billion or €2 billion, nothing more. If you are asking me how do I feel about realizing our 2030 targets, giving the discussions in Germany and new tech versus old tech where I have a clear, absolute clear opinion, and I think you guys know all this. And I do not see that this target is in – from any perspective under danger. We have a strong international business and a really international business, including in Asia-Pacific for all the domains, on the land domain, on the sea domain, Germany will be an important contributor to our – to our midterm target, but it will not be the finally decisive move if we can realize it or if we cannot realize it. And 2030, if you look about the composition, I'm very sure that 99% of our land business will be still manned. I mean, the activities, what we have presented very successfully and also surprisingly from my point of view on the Eurosatory, the heavy tracked UGV, this is something what will – it takes time, we will, as communicated 12 months from the Eurosatory, we will have a driving prototype who is driving and shooting, remote controlled and autonomy. We are here moving forward with Patria in a very closed and combined approach. But nevertheless, I do not expect that we will see a major share of our 2030 business coming from unmanned. Beyond 2030, if you look, for example, towards 2035, the line is different. I'm 100% sure we will see a significant portion of our conventional platforms being unmanned. And by the way, independent, if we're doing this with Patria or if we're doing this with any other client, because our key competence is providing key asset for these kind of tracked vehicles in this wide range for autonomy and unmanned capabilities, our digitalized transmissions. If you talk about 2035 – and to be honest, we communicated, I think, during the H – to the 2025 call, we are working not only on defining our aftermarket strategy. I also communicated we are working very hard to develop our picture of our business towards 2035. We are doing this and we are hopefully very soon ready to share it with you guys, because in 2035, as I said, we will have more unmanned, but we also will have, as I indicated in my introduction of aftermarket, significant amount of more aftermarket in our business. So for 2030, I do not see any major relevant impact. We are more than confirming our 2030 midterm targets and taking everything into account what I said before on the development of the budgets , on the permanent discussions old versus new, etcetera. Does this help you, David?

David H. Perry (JP Morgan): Thank you. Yeah, it's very clear, as always. Thank you.

Alexander Sagel (CEO): You are welcome.

Operator: Thank you. We're going back to Benjamin Heelan with Bank of America. [Operator Instructions.

Benjamin Heelan (BofA): Hi. Can you hear me?

Alexander Sagel (CEO): Yes. Perfect, Ben.

Benjamin Heelan (BofA): Amazing. Thank you. Apologies about that. And I wanted to come back to questions on Arminius and just a broader question in terms of why do you think things continue to be debated and discussed the setup of this contract. It feels that, you know, every quarter for the last couple of quarters, the contract has been pushed to the right and pushed to the right. And initially, it was because of debates around the contracting. And now you're highlighting in the call that some of those vehicles could be procured under the existing arrangement. So can you just help us understand, you know, high level why do you think these things continue to move, why the goalposts in terms of, you know, the structure of the contract continue to move? Thank you.

Alexander Sagel (CEO): I will try to do so because I'm only a poor T minus one systems supplier. And of course, I am not a platform supplier. But anyway, I have an opinion. And I think we discussed this also during the last calls. I think, first of all, we should not underestimate the complexity of this contract, because independently, if you talk about 1,700 or 1,800 Boxer, we talk about at least six or seven different platforms. So you always have the same drive module, but you have a different mission module. And then you have some easy – easier emission models like concepts or phases where you have a turret on the Boxer or you have more complicated and challenging platforms like the Skyranger, for example, where you need to develop a totally new and quite unique capability on this fast-moving incoming mobile air defense system. And I think this complexity is putting quite some load on the BAAINBw on the German procurement, but it's also putting a lot of load on the [indiscernible] (01:18:45) with primes who needs to orchestrate the supply base, who needs to orchestrate their own calculation and to discuss it with the BAAINBw. And to be honest, I think from my knowledge as of today, there are still no BAFO submitted to the BAAINBw, best and final offer. So for this reason, I think to consider that the Boxer a meaningless contract will be discussed very late during 2026, and the German Parliament is an absolute assumption. And I think from my point of view, there is no question about the demand for the Boxer, but there is the question about how fast industry can deliver these Boxers. And I think this is one part from outside in perspective why the discussions between the primes and the German procurement agency are taking long. Because I think there's also a kind of acceleration component included in this negotiation. So – but overall, the demand and the commitment I think is absolutely clear. The budget is there. However, it takes time. And the only reason why, for example, the German procurement organization is discussing and evaluating options to use simply existing frame contracts for the Skyranger module, to extend it is maybe there is a time pressure, so better contract some of these volumes from the 1,700 to 1,800 as soon as possible instead of waiting maybe until the final Arminius contract is fully negotiated. This sounds complex. I think everything is still complex. But this is my opinion.

Benjamin Heelan (BofA): That's great. Thank you. Can I just follow up? I guess putting – I mean, I think what a lot of people do is they look at what happened with the German draft budget and the delays around Boxer and infer something around, you know, warfare is changing and is the need for those vehicles really there or are those vehicles just needed to do a lot of different things to what we thought they were going to do 9 to 12 months ago, given, you know, loitering munitions and everything that you're seeing in the Middle East and in Ukraine? Do you have any views around that?

Alexander Sagel (CEO): Yeah. Of course. I mean, first of all – and I tried to explain this in the introduction. Maybe it's perceived different, especially in the media. But again, the capability requirement mix from NATO has not changed since the last summit in the Hague. So nothing is new that we need drones. Nothing is new that we need more kamikaze loitering munition. Nothing has changed that we need a hell of air defense systems, and that we need much more – much more capabilities and quantities on long range precision strike. But also nothing has changed from the perspective of having a strong conventional mass at the very end to provide the needed capabilities to defend NATO territory. So in fact, there is no change and there's also, to be honest, not a change. Do we need more modern warfare or what about the old stuff? You need both. And again, there is no new insight. And by the way, if you look on Iran, I think Iran war is the best example that you cannot end in war, and You cannot win a war, and you cannot make a decisive move just by drones, just by airstrikes, and just by long range smart missile attacks. This is not working. And for this reason, I'm saying the only way to stop this war sit at the table to find the agreement on the Strait of Hormuz and better go home, to be honest. But there will be no decisive move forward. No one will send troops then. So for this reason, what I'm saying is we need to have modern warfare. RENK is positioned now and coming through RENK. In the conventional platforms, we are making our market and driving the market with our unmanned platforms idea. So I'm very calm and relaxed, to honest.

Benjamin Heelan (BofA): Very clear. Thank you for the comments. Thank you.

Alexander Sagel (CEO): You're welcome.

Operator: Your next question comes from Joe Orchard with Rothschild & Co Redburn. Please unmute your line and ask your question.

Joe Orchard (Rothschild & Co Redburn): Hi there. Good morning. Thank you very much for taking my questions. The first one would just be really around how concerned – or how concerned are you about the recent performance and the outlook for the non-defense parts of the business? So a slight variance, but also the non-defense portion of M&I as well. And then second question would be on M&A. And following that, David Brown Defence acquisition, are you still actively looking for more opportunities or should we expect a bit of a pause on that front while you integrate that business into your existing operations? Thank you.

Alexander Sagel (CEO): Hi, Joe. Very good questions. I will start maybe with the M&A part of the piece. If you look back in the history of RENK, I think we are quite active and our entire international footprint, France, UK, US was realized by merger and acquisition, which is good because then we have immediately a strong local supply chain. David Brown was from our point of view and is an absolute strategic asset. And I think the defense investment plan is fully supporting this and especially if you look on market excellence by the so-called Five Eyes and what is the background of this Five Eyes for us? We have US, we have UK, we have Canada, we have Australia. It's a unique position, to be honest. But I can confirm that we are not tired in looking for further targets. We have a clear approach regarding our M&A strategy. We are looking for further market consolidation, which is on the land side, and on the transmission side, very limited possible, to be honest. So it's more on the Navy side. We have a strong fuel on our – on our aftermarket business to develop our aftermarket business and maybe even develop our business model or change or extend our today's business model in the aftermarket side by M&A. And of course, looking on new technologies which are part of our today's core mobility and where we can gain additional value and benefits by extending the number of platforms and customer base and value proposition. So to answer this, in short, yes, we are active, we are looking – we are talking with targets, because I do believe in the next two or three years are really important. It's a really important time to drive this consolidation. Regarding our industry business, I start with our transmission segment. As I'm always saying, we are absolutely not targeting to sell our industry business. Why? I mean, we have, in some areas key competencies which might be relevant beyond 2030 and even today relevant if you talk about physical where we are providing transmission – high speed transmissions. But it's not our core business, but anyway, we need the capacities we have today in order to ramp up our land business. The reason why we are staying in this average 3% of CapEx until 2030 is pretty much also impacted by the fact that we are using industrial sites, we are converting them into defense sites like our wonderful plant in Rheine, for example. And for this reason, we don't need to build new plants. So we need the capacities from the industry business in order to ramp up the land business. And we are not giving up this business. We need to be more focused on cost performance, on product cost, because we have technologies who might be relevant in the next decade. For the Slide Bearing, please allow me one very, I mean, unsatisfying sentence. No comment at this time.

Joe Orchard (Rothschild & Co Redburn): Okay. That's super helpful. Thank you very much.

Outro

Operator: Thank you. This was the final question for today. This concludes the Q&A session. And I will now hand back to Maximilian König for closing remarks.

Maximilian König (IR): Thank you very much for your questions and for taking the time to join us today. Should you have any follow-up questions, the entire RENK IR team will be happy to assist. We look forward to speaking with you again soon. Have a great day, enjoy your summer.

Operator: This concludes...