

Investor Presentation

April 2021
Steffen Munz

Safety and Reliability
for **Rail** and **DC-POWER**

Forward-looking statements

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Figures may not add up due to rounding.

All figures without exceptional items and like-for-like for prior year.

SCHALTBAU Group is well-positioned as key supplier in the railway industry, entering new attractive markets of battery-powered DC applications



SCHALTBAU GROUP



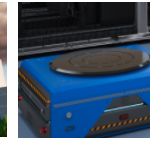
>90-years of experience in safety-critical rail-specific components & systems



One of the leading global suppliers in rail industry



Innovation leader in electromechanical devices



Well-positioned in new growth markets of battery-powered DC applications

2020 Key financials (estimates)

Revenue
€502 M
(~5% CAGR since 2018)

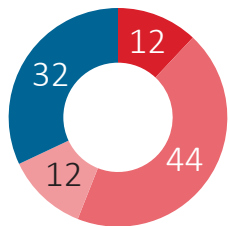
EBITDA
€43 M
(margin ~8,5%)

EBIT
€21,7 M
(margin ~4%)

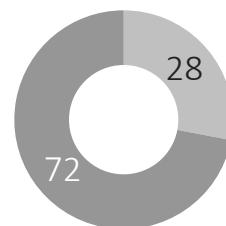
R&D
€36 M
(~7% of revenue)

Aftersales (Rail)
~€60 M
~12% of revenue

Exposure to the railway / DC sector (in % of 2020 revenue)



■ Rail Infrastructure
■ Rolling Stock/Bus
■ Aftersales (Rail)
■ Components/DC-Applications



■ End-User
■ OEM

Global footprint with high local content

60
Countries worldwide
representation

14
Production sites
worldwide
(4 sites in Germany)

~2,900
Employees
worldwide

A leading supplier in the attractive railway industry, with upside potential – growth opportunities in battery-powered DC applications

Key Investment Highlights

- | | |
|---|---|
| Attractive markets | <ul style="list-style-type: none">• Railway industry with steady, secular and robust growth (~GDP growth rates)• Entering attractive growth markets of New Energy & New Industry (CAGR 12%¹), and e-Mobility (CAGR 31%²) |
| Market leading position | <ul style="list-style-type: none">• Leading supplier of safety-critical rail-components and systems (infrastructure and rolling stock)• High market entry barriers (highly regulated, slowly changing)• Well-established brands: Pintsch – Bode – Schaltbau |
| Leading-edge technology | <ul style="list-style-type: none">• Outstanding technological expertise for safety and reliability for the railway industry• Transferring key technologies into DC applications of New Industry, New Energy, and e-Mobility• Global production (best-cost-countries), high level of local content |
| Resilient business model | <ul style="list-style-type: none">• Diversified business model (geographical and customers)• Attractive aftermarket business, with growth potential due to large installed based (from 12% to ~20% of revenue) |
| Solid finance profile with upside potential | <ul style="list-style-type: none">• Back on a profitable growth path• Above market revenue growth rate (CAGR 8%)• Upside potential in profitability (target: high-single digit), ROCE (target: mid-teens) and cash conversion• Growth financing in place |
| Strong management team | <ul style="list-style-type: none">• Highly experienced senior management team, committed to create value through implementing lean principles• Senior management is co-invested in the company (“skin in the game”) |

(1) Charging ahead: Electric-vehicle infrastructure demand: <https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/charging-ahead-electric-vehicle-infrastructure-demand>;

(2) Energy Storage Market Report: https://www.energy.gov/sites/prod/files/2020/12/f81/Energy%20Storage%20Market%20Report%202020_0.pdf, p.6; 3 UNIFE World Rail Market Study forecast 2020-2025, p.136

Rail sector is our core business

Need for environmental-friendly and modern mass-transportation ensures stable demand in the Rail sector



Our systems and service-offerings ensure safety and reliability in Rail Infrastructure, Rolling Stock

Rail Infrastructure (systems)



Rail Infrastructure (components)



Rolling Stock/Bus



Refurbishment/After-sales



Modern battery technologies boost our Components and DC-Applications business

Increasing use of **batteries**
in many different applications



Our Components and DC-Applications
ensure safety and reliability
in all new applications utilizing
advanced battery technologies

e-Mobility
(Stationary Charging)



e-Mobility
(Automotive)



New Energy & New Industry (Generation,
Storage, Distribution and Industry)



DC-Rail components



Entering attractive markets for components and DC-applications in New Energy, New Industry, and e-Mobility, with significant growth potential

Markets	Growth drivers	Size and growth rates of markets	Targeted revenue share						
e-Mobility (Stationary Charging)	<ul style="list-style-type: none">• Use of e-Mobility in public transportation and logistics• High-power charging	Total energy demand e-Mobility (China, EU, US) in billion KWh ¹ <table><tr><th>Year</th><th>Value</th></tr><tr><td>2020</td><td>18</td></tr><tr><td>2030</td><td>271</td></tr></table>	Year	Value	2020	18	2030	271	(2026, in % of sales) ~10%
Year	Value								
2020	18								
2030	271								
e-Mobility (Automotive)	<ul style="list-style-type: none">• Policies pushing auto-market into lower emissions	Number of electric vehicles on the road (China, EU, US) in M. ¹ <table><tr><th>Year</th><th>Value</th></tr><tr><td>2020</td><td>8</td></tr><tr><td>2030</td><td>120</td></tr></table>	Year	Value	2020	8	2030	120	~20%
Year	Value								
2020	8								
2030	120								
New Energy & New Industry (Generation, Storage, Distribution and Industry)	<ul style="list-style-type: none">• Switch to renewable energies,• Climate commitments decarbonization,• use of battery technologies in stationary applications	Annual stationary and transportation energy storage market (global) in GWh ² <table><tr><th>Year</th><th>Value</th></tr><tr><td>2020</td><td>800</td></tr><tr><td>2030</td><td>2,500</td></tr></table>	Year	Value	2020	800	2030	2,500	~15%
Year	Value								
2020	800								
2030	2,500								
DC-Rail components	<ul style="list-style-type: none">• Public transportation business stays stable	Market volumes in rail supply industry in € Bn ³ <table><tr><th>Year</th><th>Value</th></tr><tr><td>2019</td><td>177</td></tr><tr><td>2025</td><td>204</td></tr></table>	Year	Value	2019	177	2025	204	~55%
Year	Value								
2019	177								
2025	204								

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Entering attractive markets for DC-applications in New Energy, New Industry, and e-Mobility, with significant growth potential

Targeted revenue share

(2026, in % of sales)

e-Mobility
(Stationary Charging)

~10%

e-Mobility
(Automotive)

~20%

New Energy & New Industry
(Generation, Storage,
Distribution and Industry)

~15%

DC-Rail components

~55%



E-Bus



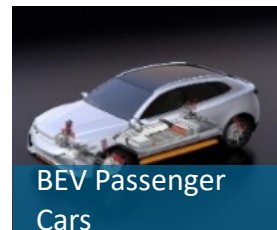
Fast Charger



Mobile charger



Depot Charger



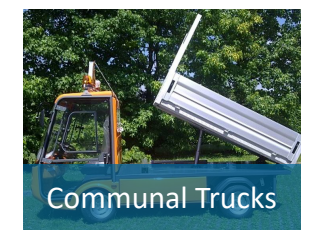
BEV Passenger
Cars



E-Commercial
Vehicles



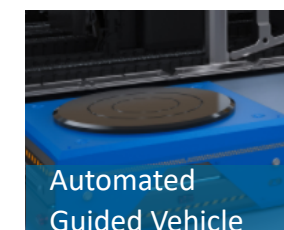
E-Trucks



Communal Trucks



Material
Handling



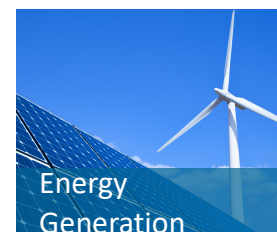
Automated
Guided Vehicle



Battery Test
Systems



E-Motor Test
Systems



Energy
Generation



Energy Storage



Industrial DC-Grid

SCHALTBAU focuses on four key strategic directions in the mid-term to create sustainable value, disciplined capital allocation

Four strategic directions

1

Sustainable **performance improvement**
(profitability, return on capital, and cash generation)

2

Profitable growth in the core business:
Rail infrastructure and rolling stock/bus

3

Growing the aftermarket business, utilizing the installed base
in aftersales and growth in modernizations/refurbishments

4

Development of **new DC applications in New Energy, New Industry, and e-Mobility**, entering high-growth markets

Exemplary Details

- Ambitious target setting, specific teams and monitoring based on **Full Potential Plans**
- Rigorous implementation via **Policy Deployment**
- Disciplined **capital allocation**
- **Management incentives aligned** with performance improvements

Selective **tuck-in acquisitions** to improve cost position and complete product portfolio

Infrastructure:

- **completing and digitalization of portfolio**, benefitting from the infrastructure program „Digitale Schiene Deutschland“¹
- **International expansion** based on digital product portfolio

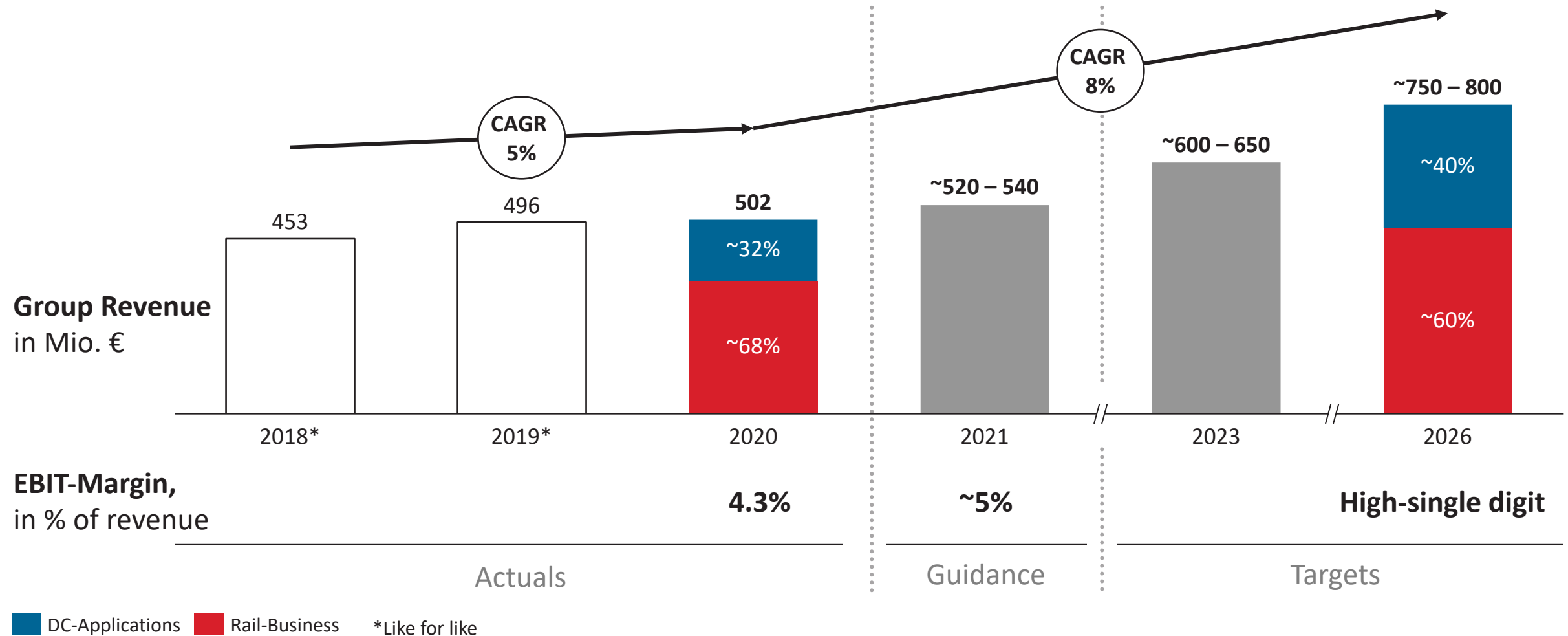
Rolling stock:

- **Relocate production** to Best Cost Countries
 - **Market launch:** Boarding Management Unit
 - **Expanding aftersales, service, refurbishment**
-
- **New factory:** IATF 16949-compliant series production in NEXt-factory (Velden 2), combined with highly efficient logistics and integration of Velden 1 and Munich HQ (synergies)
 - **Identify new fields for components and applications** by transferring the know how in DC charging/power electronics from SBRS

¹ Program by German Federal Transport Ministry and Deutsche Bahn which aims to equip the entire German rail network with ETCS [European Train Control System] and digital signaling)

Mid-/long-term outlook: Above market growth rates, with improving profitability, ROCE and cash generation

Group Revenue and EBIT margin, 2018-2026



Key Takeaways

- 1** SCHALTBAU is a leading supplier of safety-critical components and systems in the rail sector – attractive industry, characterized by resilient end-markets, with long-term growth trends and high entry barriers
- 2** Entering attractive growth markets of New Energy & New Industry (CAGR 12%¹), and e-Mobility (CAGR 31%²) by transferring core technologies, backed by mega-trends towards renewable energy, decarbonization, and e-Mobility
- 3** Mid-/long-term outlook: Above market growth rates (CAGR 8%), with improving profitability (target: high-single digit), ROCE (target: mid-teens) and cash conversion
- 4** ESG is at the core of the company – targeting a best-in-class ESG rating over the next years
- 5** Strong management team, committed to create value through implementing lean principles – management is co-invested in the company (“skin in the game”)

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