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Q3 2024 Investor & Analyst Presentation

13 November 2024

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Experienced management team with strong track record

Susanne Wiegand

CEO

Anja Mänz-Siebje

CFO

Dr. Alexander Sagel

COO

Designated CEO as of 1 Feb 2025

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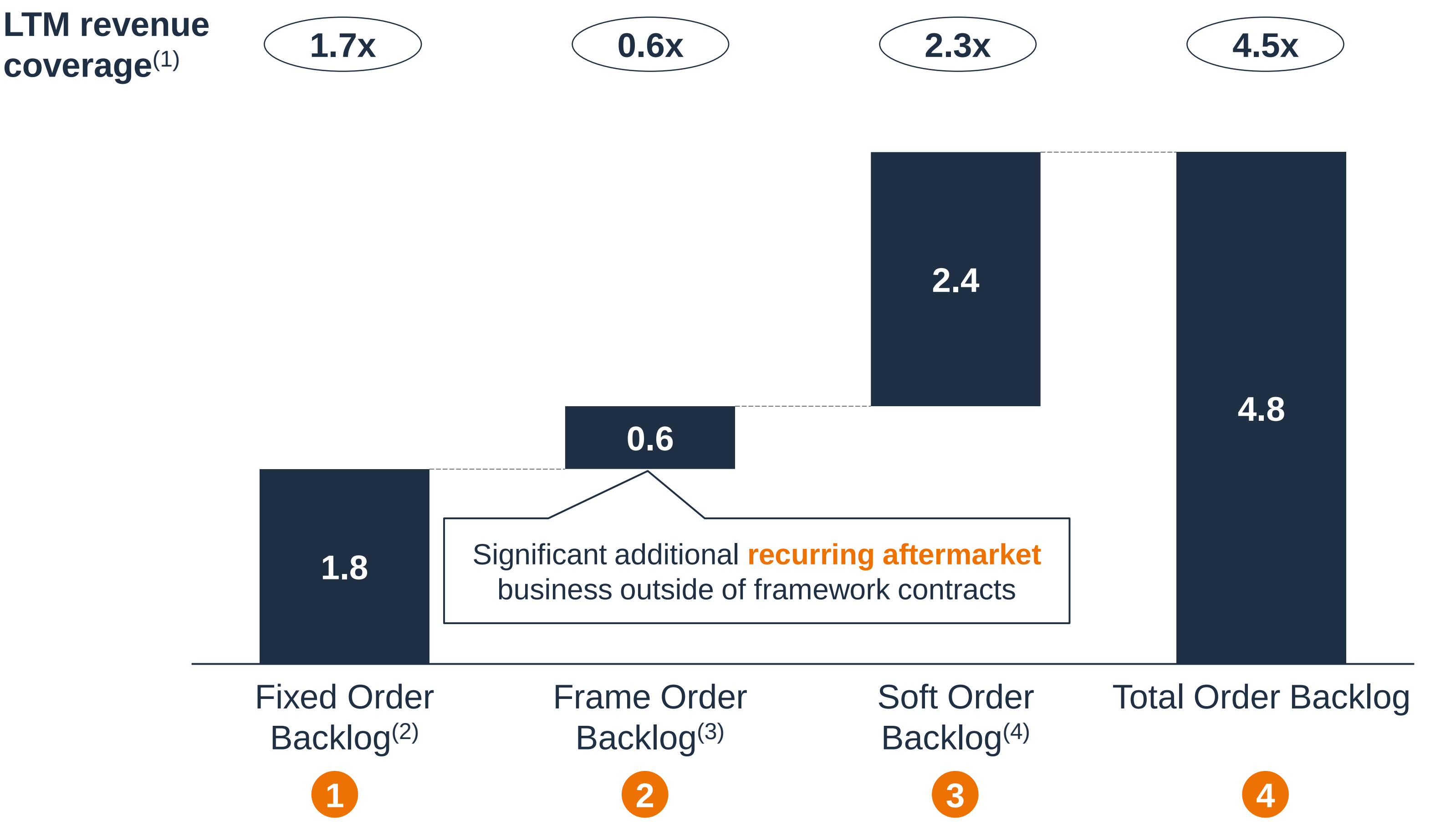
1. Update on Q3-24 performance
2. Summary and outlook

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

Total order backlog (Sep-24), €bn



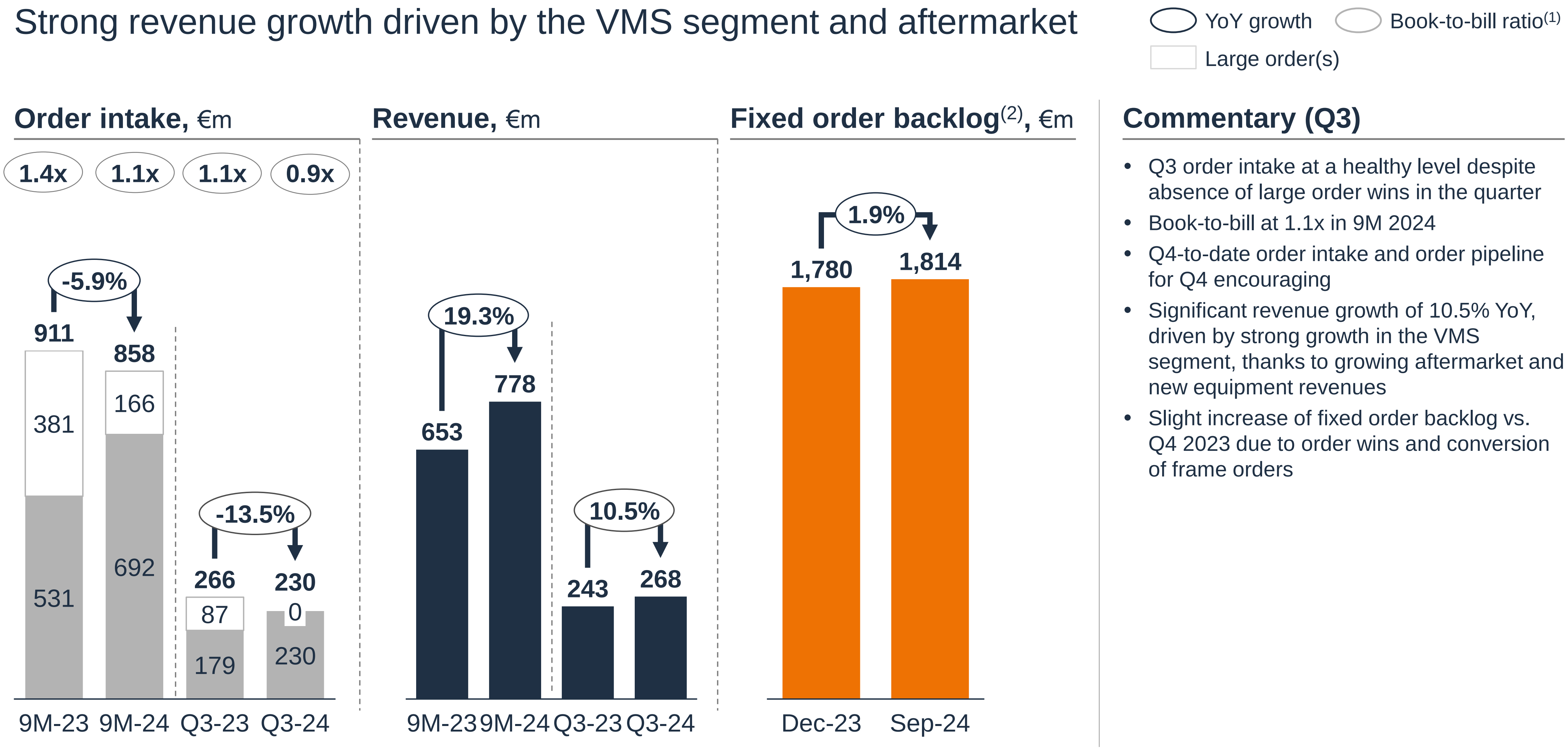
Commentary

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



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

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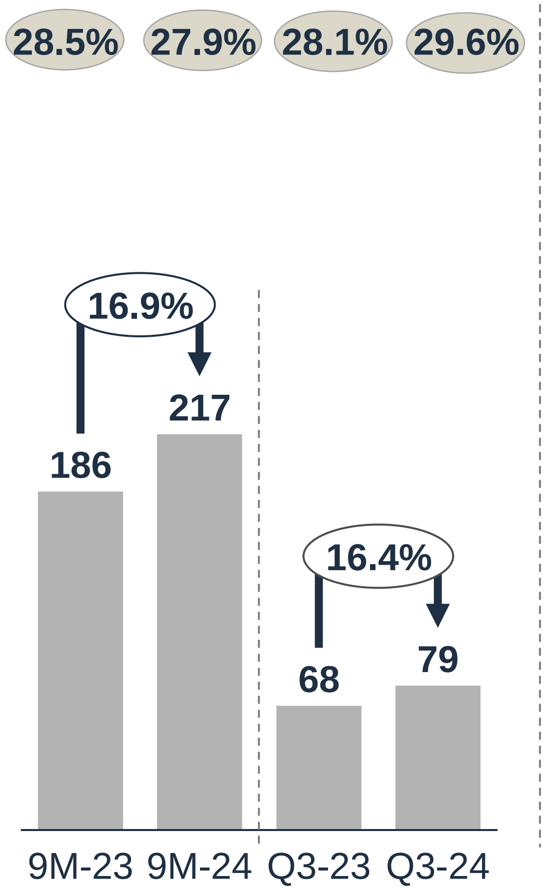
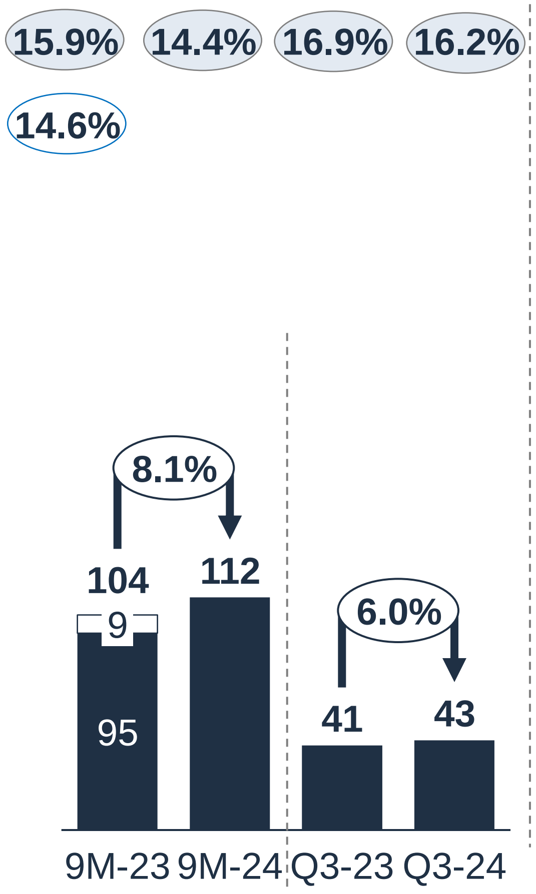
Solid adj. EBIT, further improvement expected in Q4

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

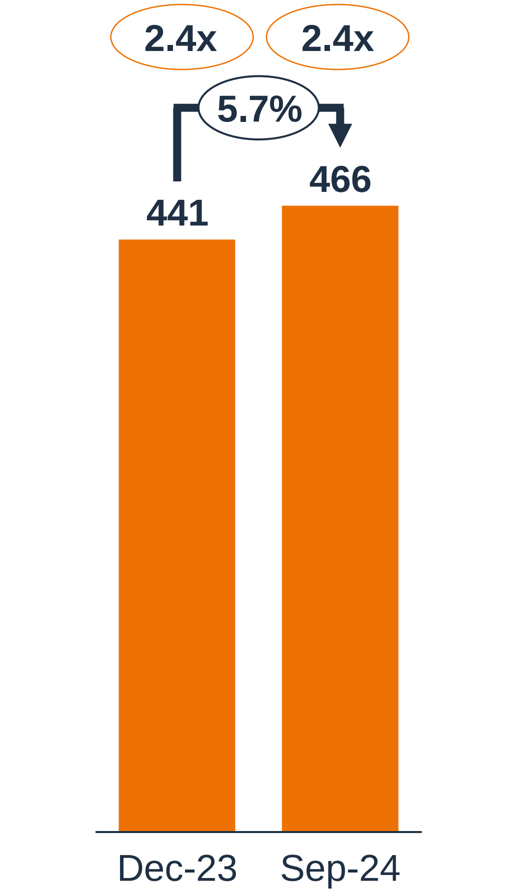
Adj. gross profit[1], €m



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

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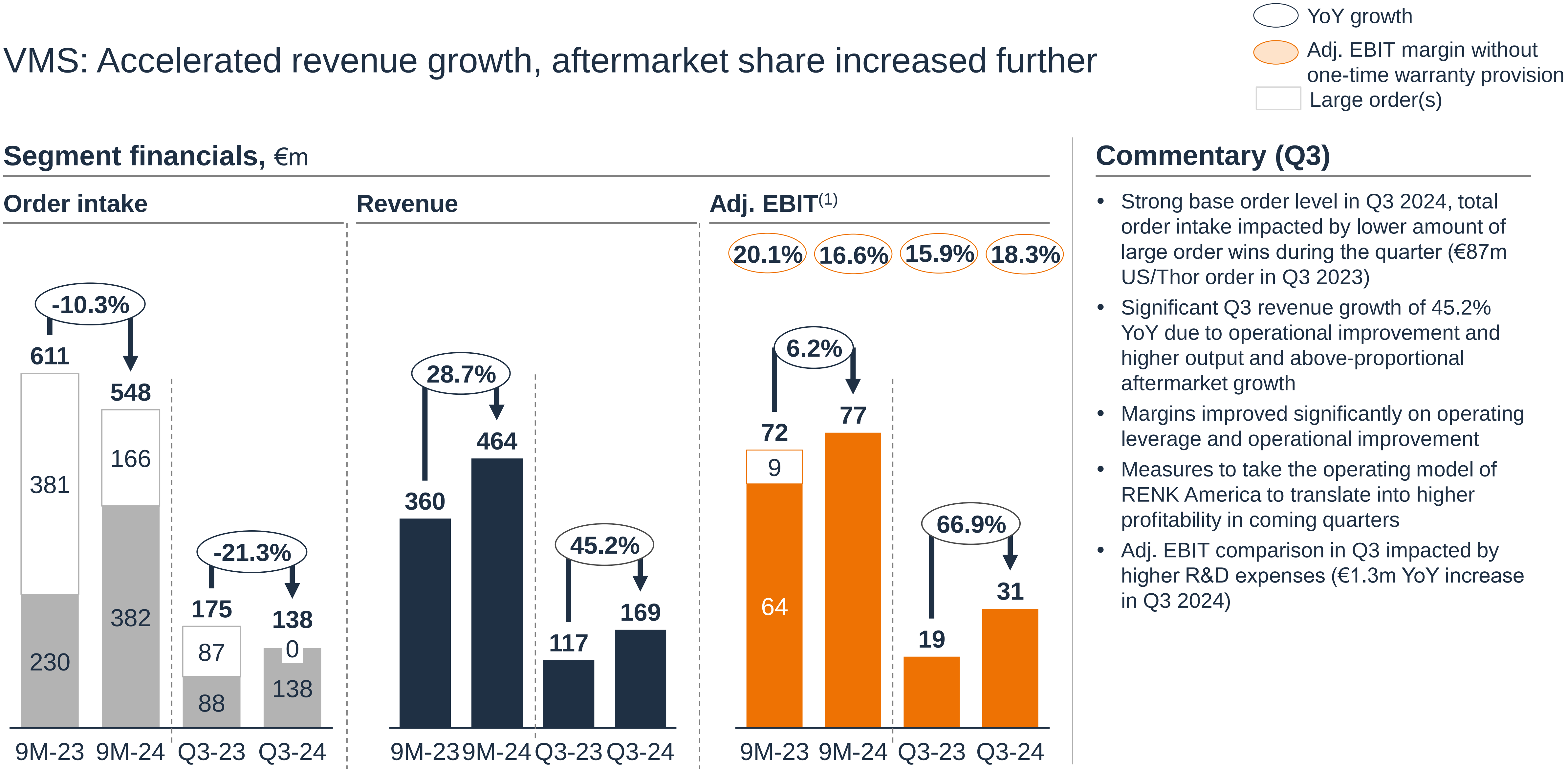
VMS: Accelerated revenue growth, aftermarket share increased further

Segment financials, €m



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)

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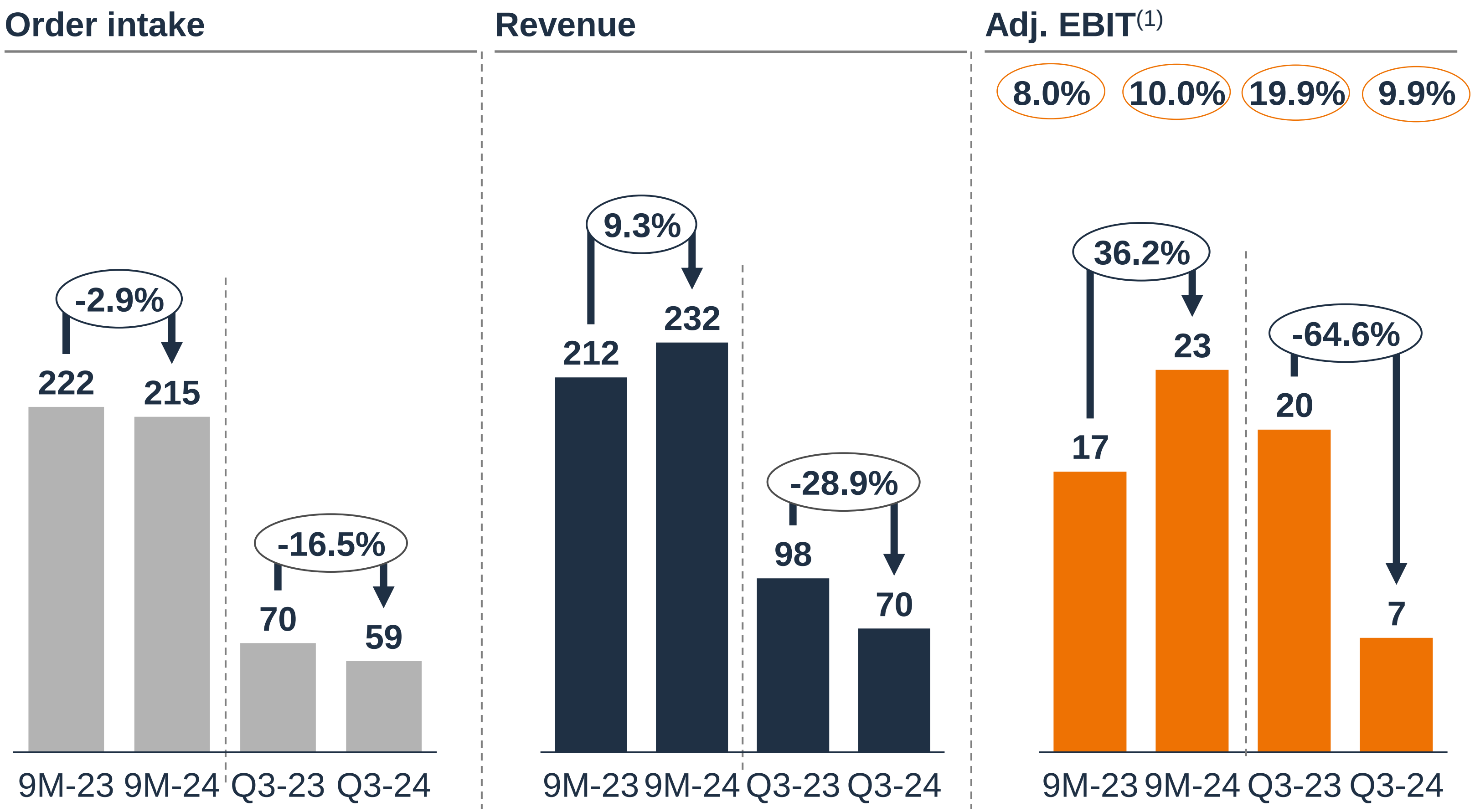
M&I: Activity and margin levels remain high with improved mix

YoY growth Adj. EBIT margin

Segment financials, €m



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

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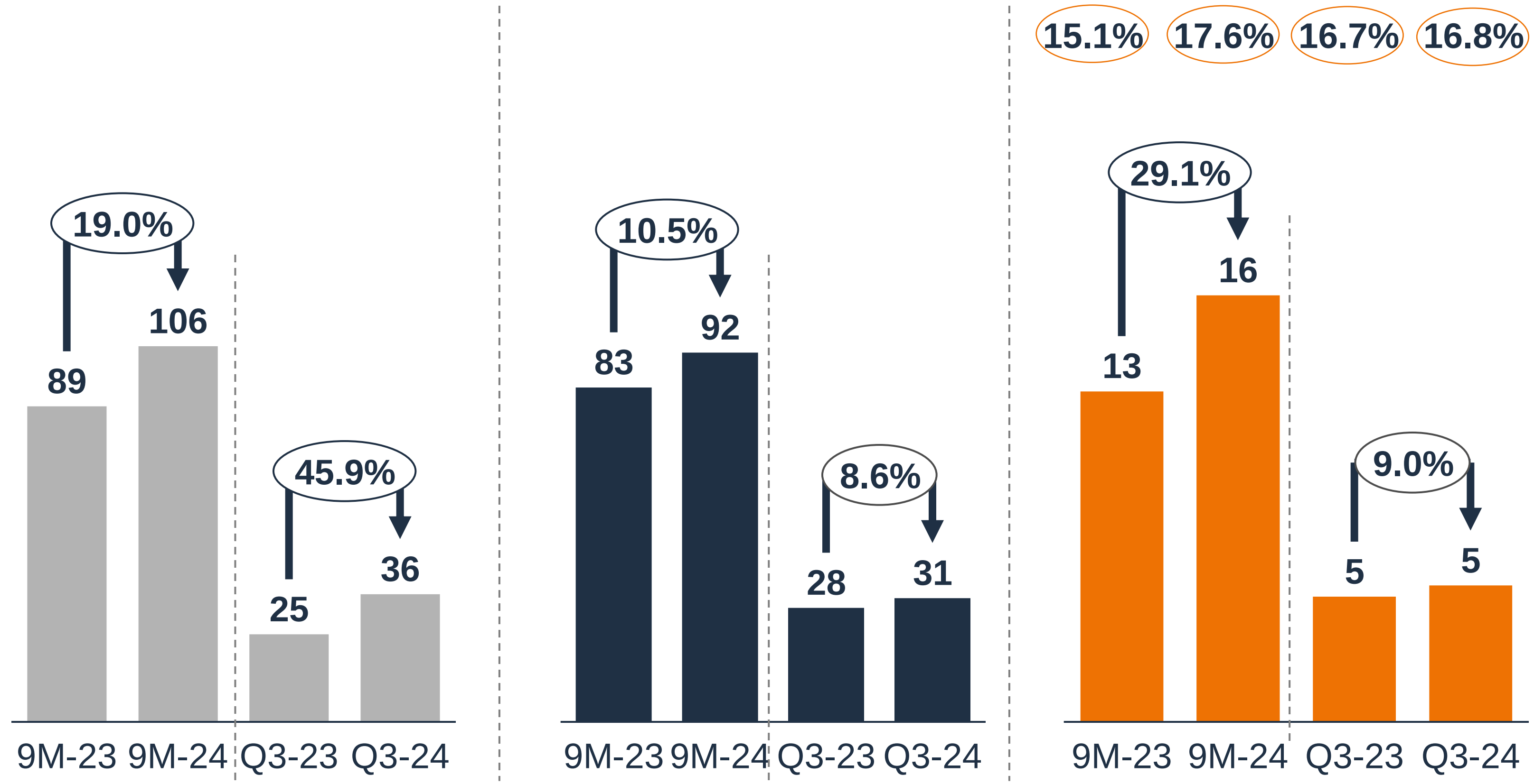
Slide Bearings: On a sustainable growth path

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

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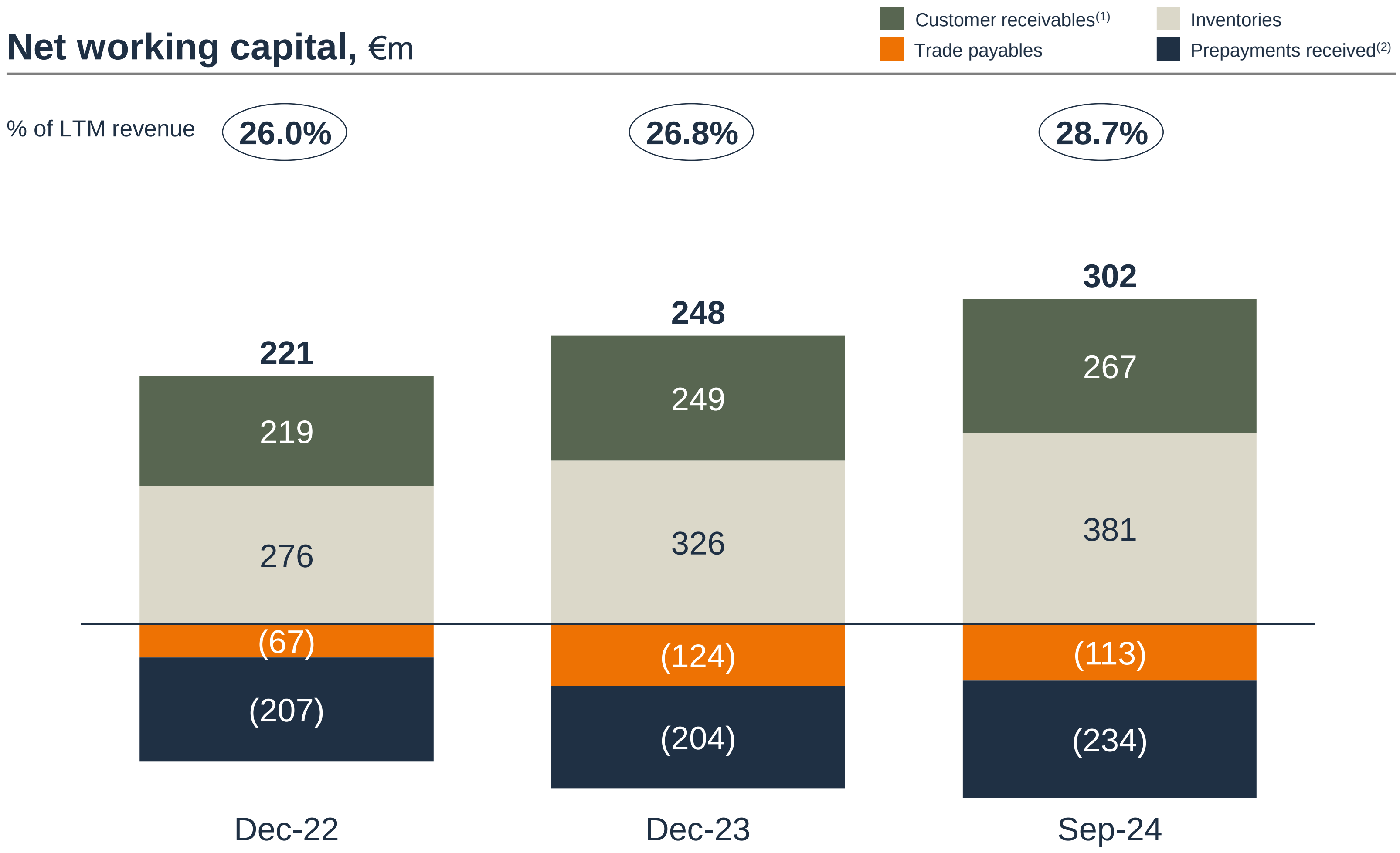
NWC ratio expected to decline in the mid-term

Net working capital, €m



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%)

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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

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1. Update on Q3-24 performance

2. Summary and outlook

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

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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