

# Capital Markets Day 2017

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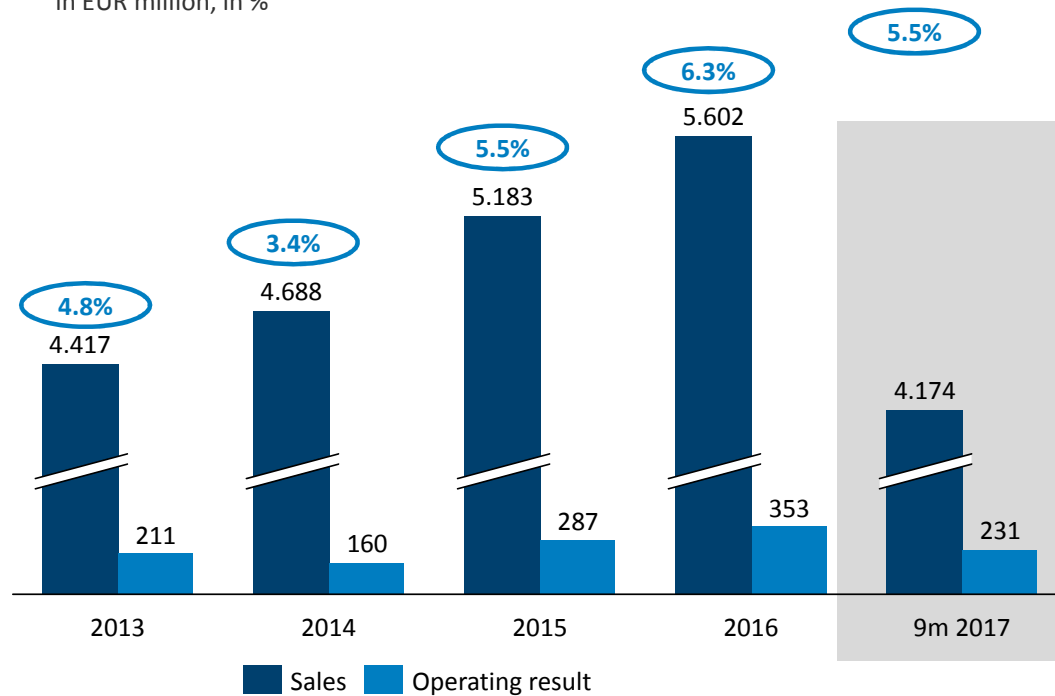
Rheinmetall AG, 22 November 2017



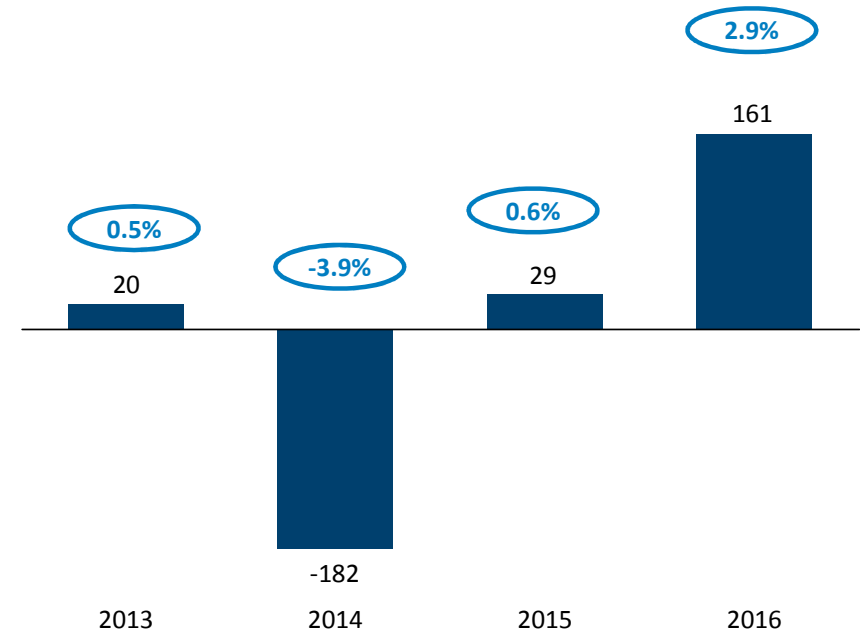
# REVIEW 2017

## Continuing improvement of key financials

■ Sales, operating result  
in EUR million, in %

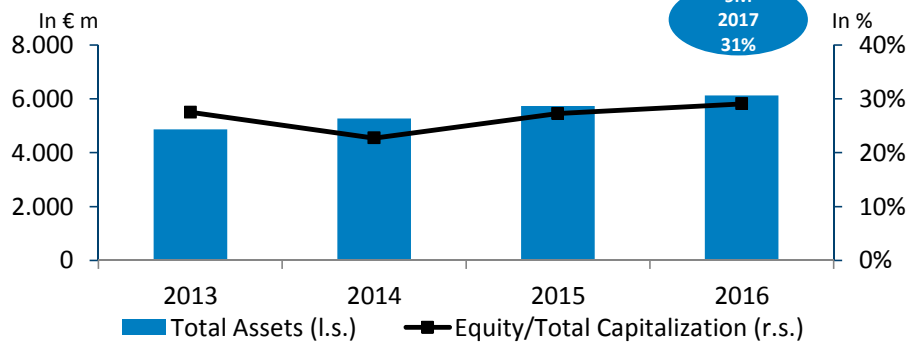


■ Operating free cash flow  
in EUR million, in %

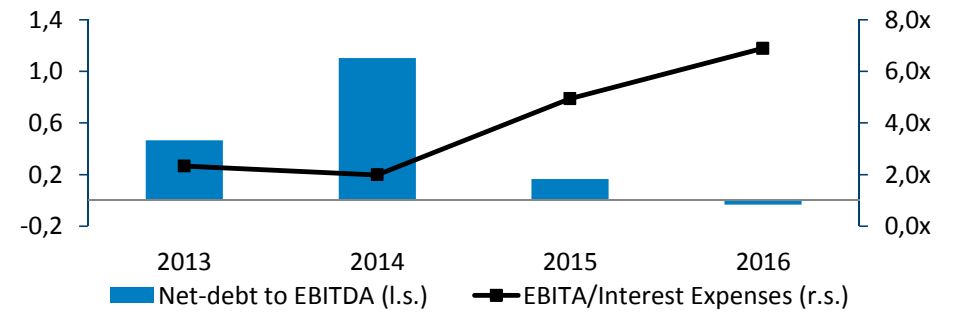


# Financial flexibility materially raised

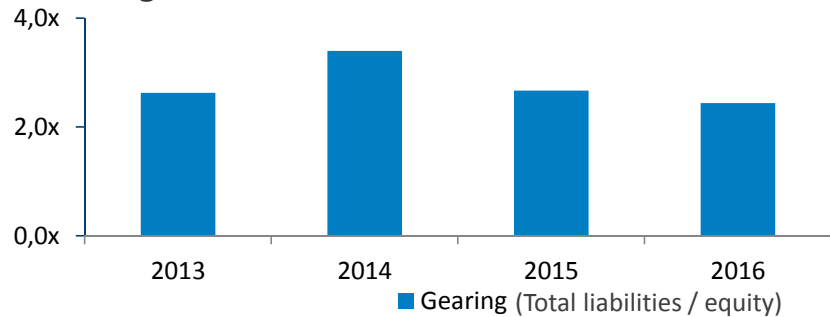
## Total assets



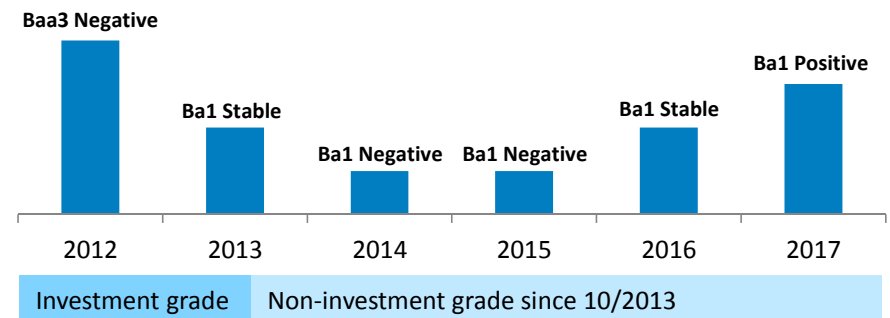
## Debt ratios



## Gearing

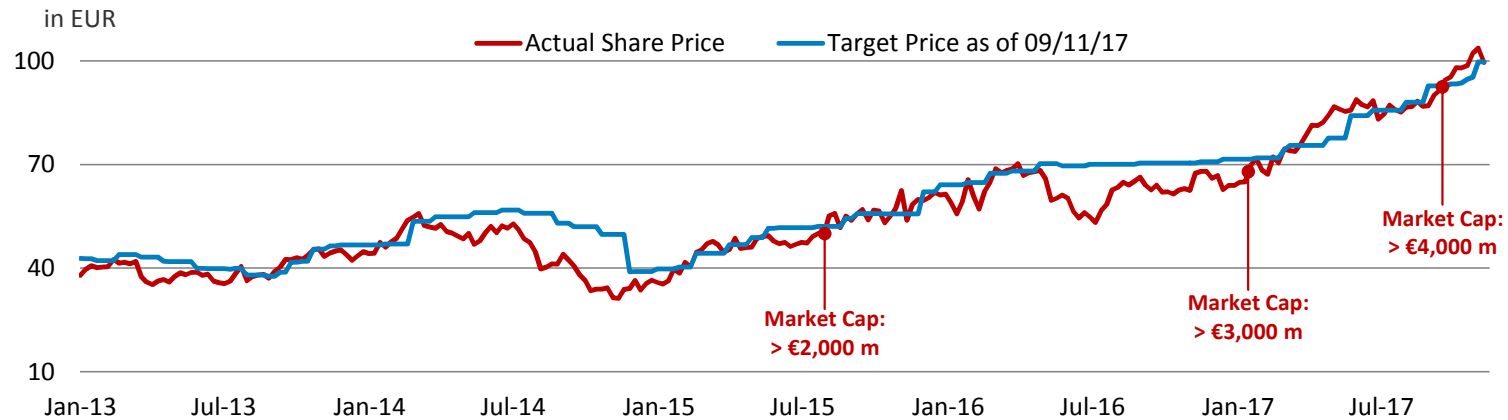


## Corporate rating (Moody's)



# Reliability as key factor to improve credibility

## Share price



## Analyst Ratings

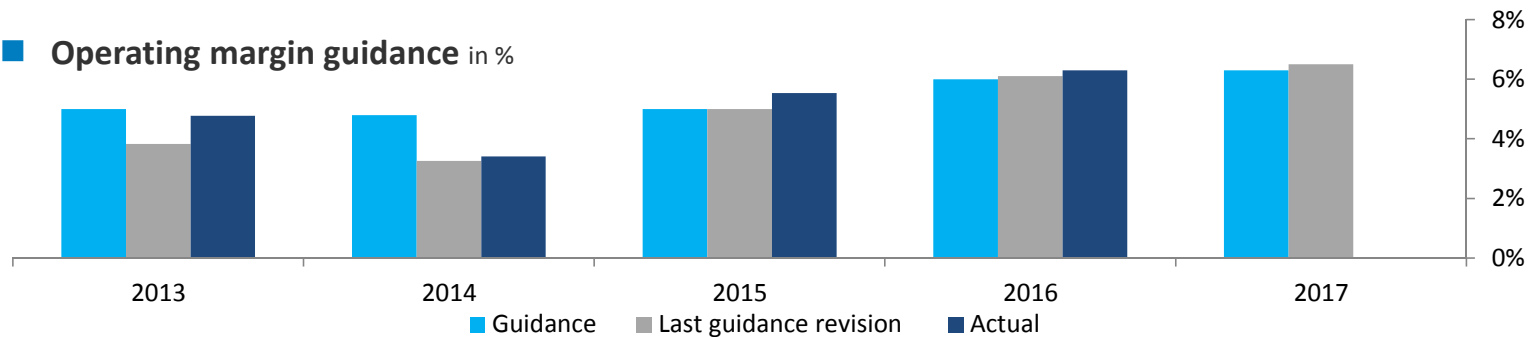
as of 09/11/17

Buy: 12

Hold: 6

Sell: 0

## Operating margin guidance in %



# FINANCIAL INSIGHTS

# Looking ahead: Change of accounting standards with minimal impact starting in 2018

## IFRS 15 Revenue from contracts with customers

### Conversion effect

#### Balance sheet

- **No change** in equity
- Balance sheet extension due to posting of incremental costs of obtaining a contract

#### P&L

- Small effect on sales and material expenses (particularly in Defence)
- Slightly higher sales on new consideration of a financing component included in the contract price and corresponding posting in the interest result
- **No EBIT/operating result** effect due to posting of incremental costs of obtaining a contract

### Expected ongoing effect

## IFRS 16 Leases

#### Balance sheet

- Extension of around **€150-200m** (~3% on total assets) due to recognition of right of use assets and matching liabilities of operating lease
- **No equity effect**

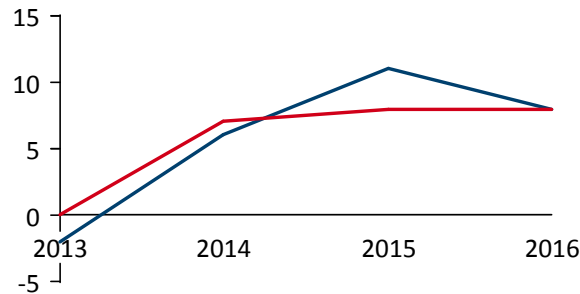
#### P&L

- EBIT /operating results increases as depreciation of right of use assets will be below current leasing expenses (reclassification of interest effect)
- Interest expense increases on interest share of lease payments

# FX impact almost eliminated by natural hedge and diversified sales structure

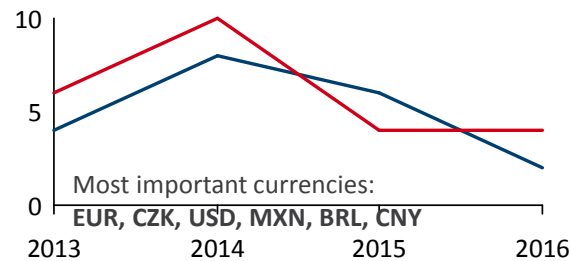
## Rheinmetall Group

Sales growth in %



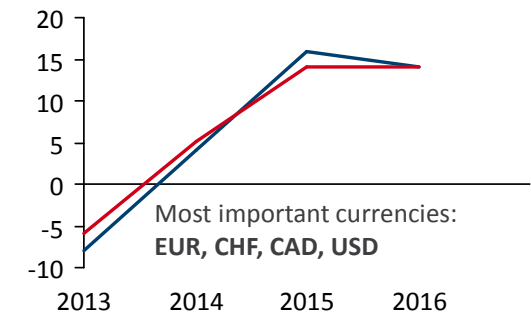
## Automotive

Sales growth in %



## Defence

Sales growth in %



— Reported sales growth in %  
— FX-adjusted sales growth in %

	FY 2016	9M 2017
<b>Export share:</b>	76%	78%

### Transaction risk: low

Automotive: Natural hedging by high value creation in other currency regions

Defence: Contracting in EUR due to strong market position and in local currencies of production sites (e.g.CHF); derivatives if necessary

- **Translation risk:** in recent years modest impact on sales; difference between reported and FX-adjusted growth rate between 0% and 3%

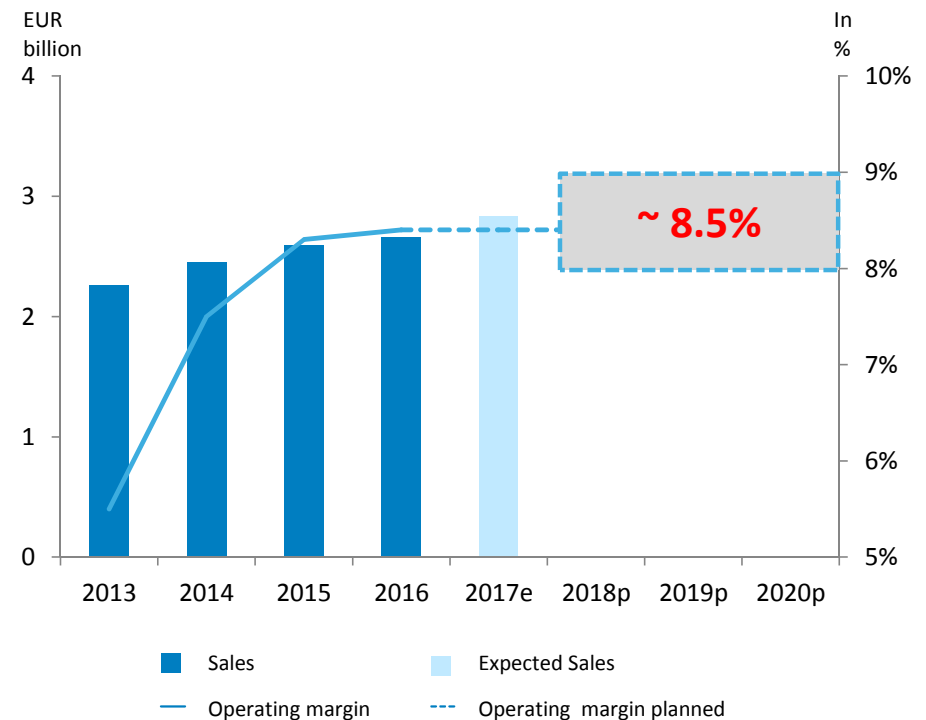


# TOP PERFORMANCE

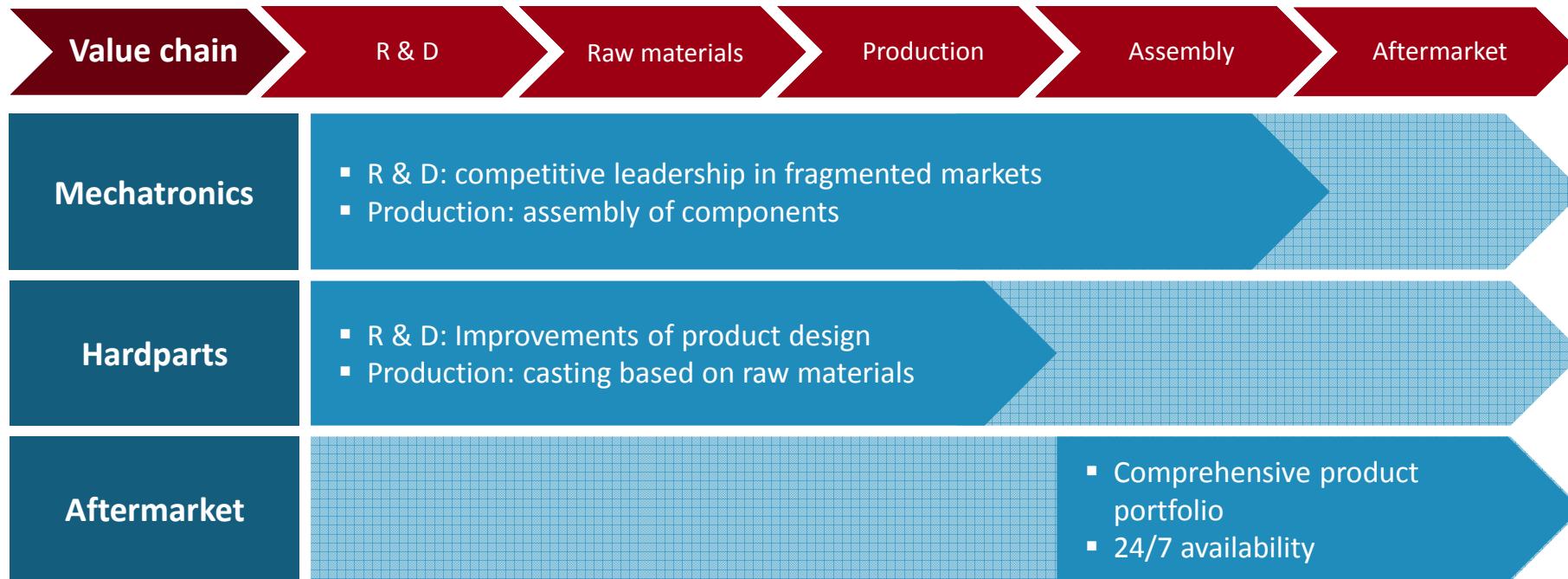
# Automotive: Drivers for structural earnings improvement

## ■ Automotive

- Continuing growth of 100-200 bp above LV production rate
- Increasing share of higher margin Mechatronics business
- Optimization of the cost structure in Hardparts, e.g. by closing the pistons plant in Thionville (F)
- Strong performance of Chinese JV
- Development of our product portfolio, e.g. by entering new markets like e-mobility



# Automotive: Achieving target margin with different value chains



**Consequences: Steady capex requirements of Mechatronics and Hardparts, high importance of working capital management in Aftermarket**

# Defence: Drivers for structural earnings improvement

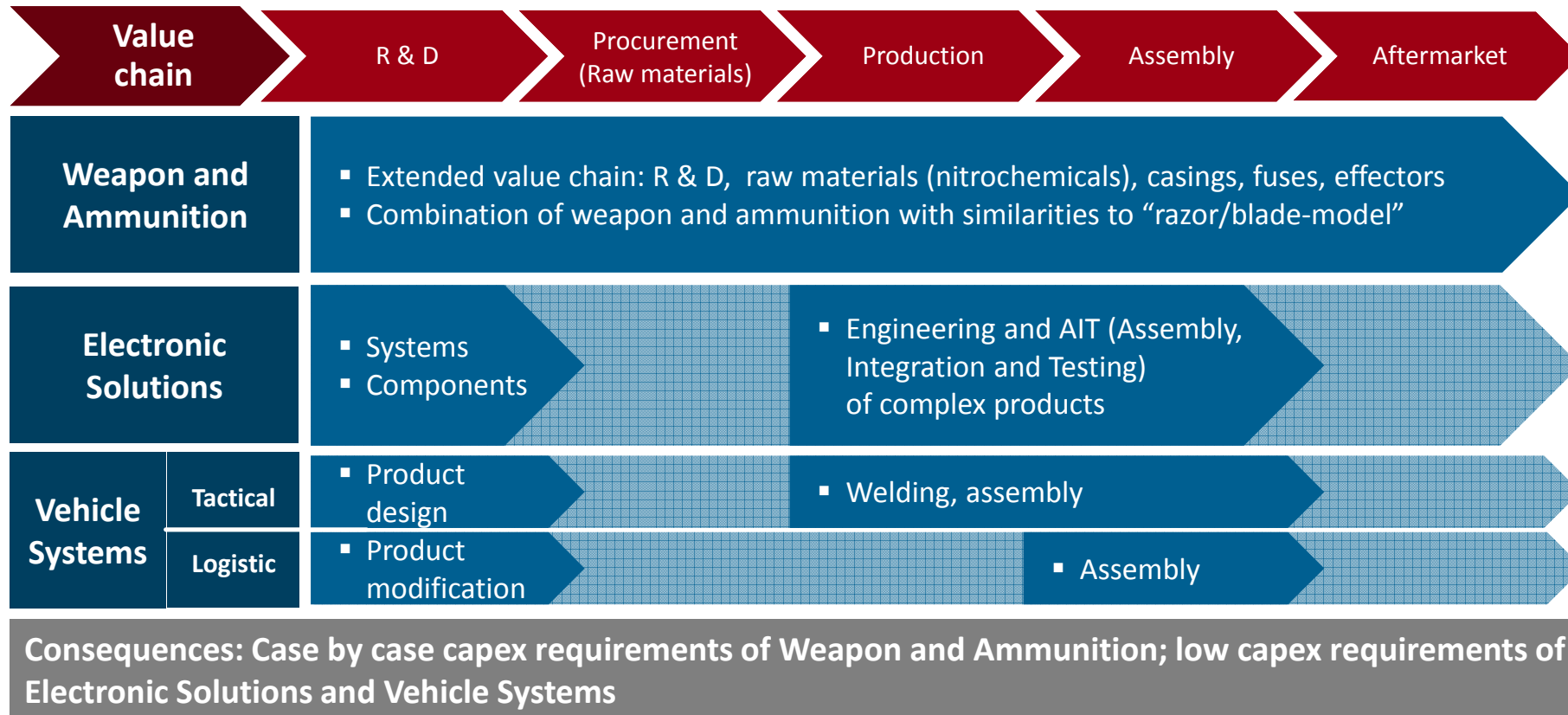
## ■ Defence

- Improving market environment
- Increasing margins due to the lower influence of legacy contracts
- Higher margin order book
- Development of new technology

	2017	2018	2019	2020	2021	2022	Remaining Value
<b>Tactical Vehicles</b>	Boxer						€71 m
	Puma						€853 m
	Boxer						€166 m
<b>Logistic Vehicles</b>	Trucks						€184 m
	Land 121						€969 m
	Trucks						€220 m

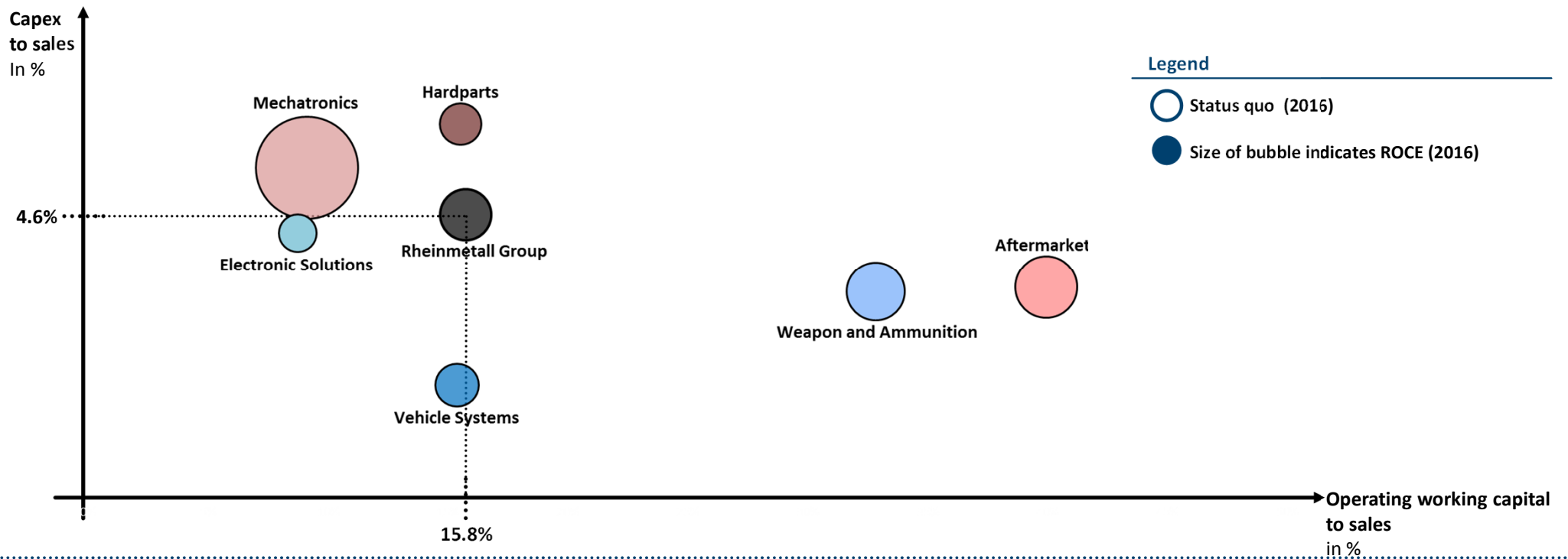


# Defence: Extended value chains provide profit potential

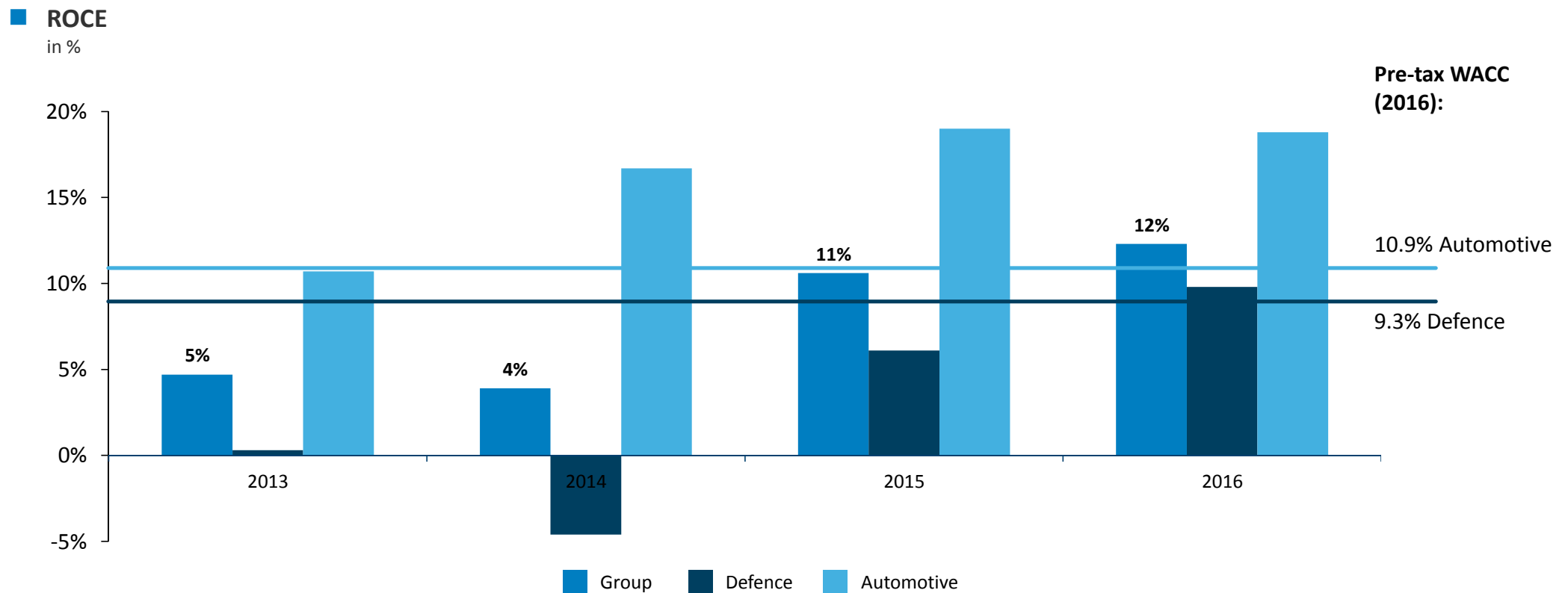


# Different business models – different cash requirements and ROCE

## ■ Capex and Working Capital compared to Sales

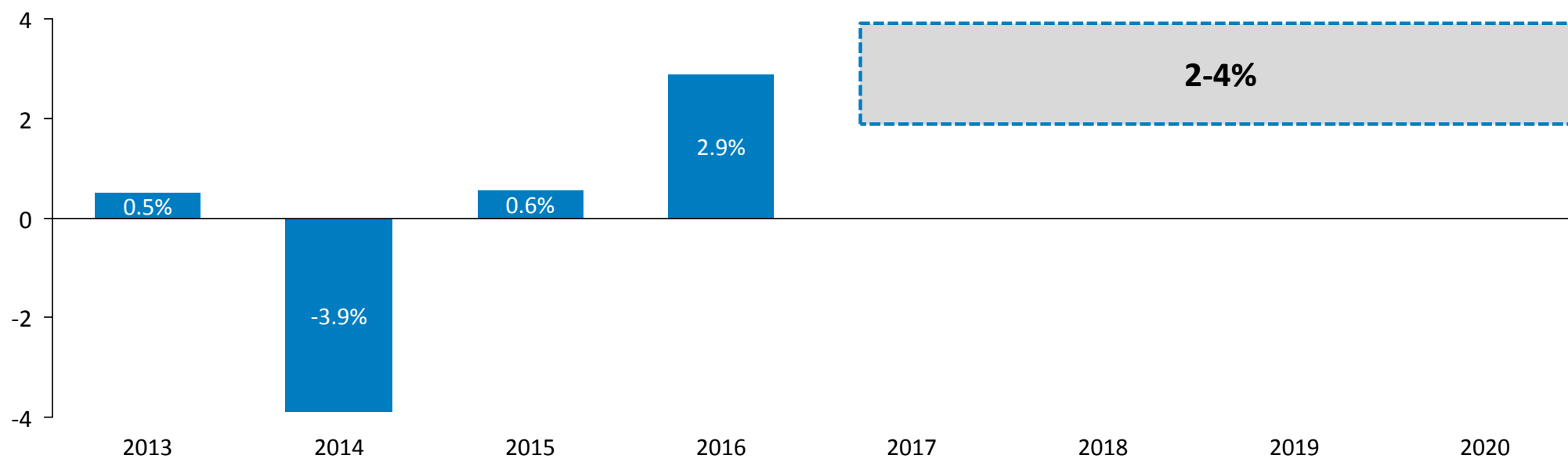


# Rising return on capital employed



## Free cash flow expected to move towards the upper end of guidance mid-term

■ Operating free cash flow



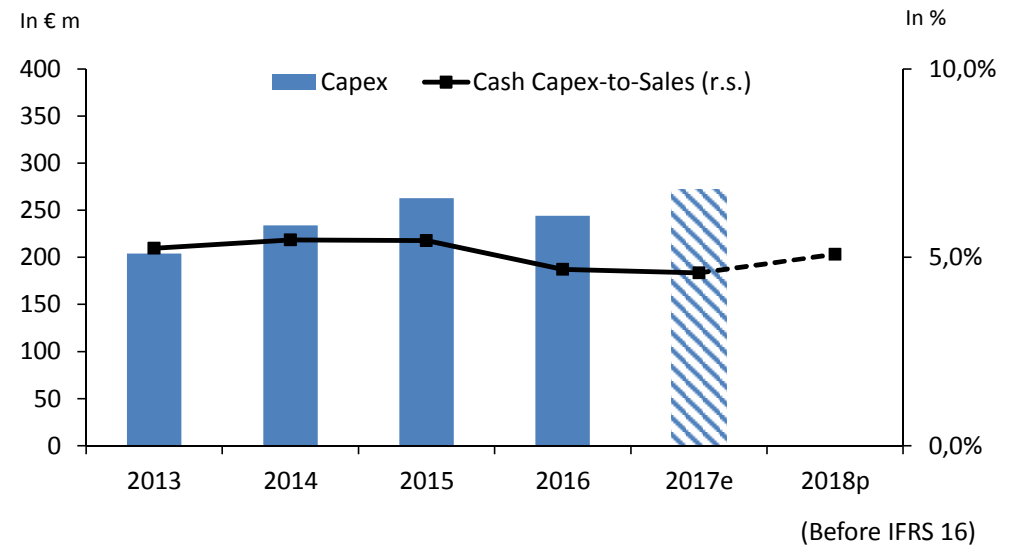


## Increased business activities will slightly lift capex in 2018

### ■ Capex

- 2013 last year with capex below depreciation
- Defence capex traditionally below Automotive (35:65)
- 2018 will see elevated level of capex driven by Defence
- Automotive remains on old level

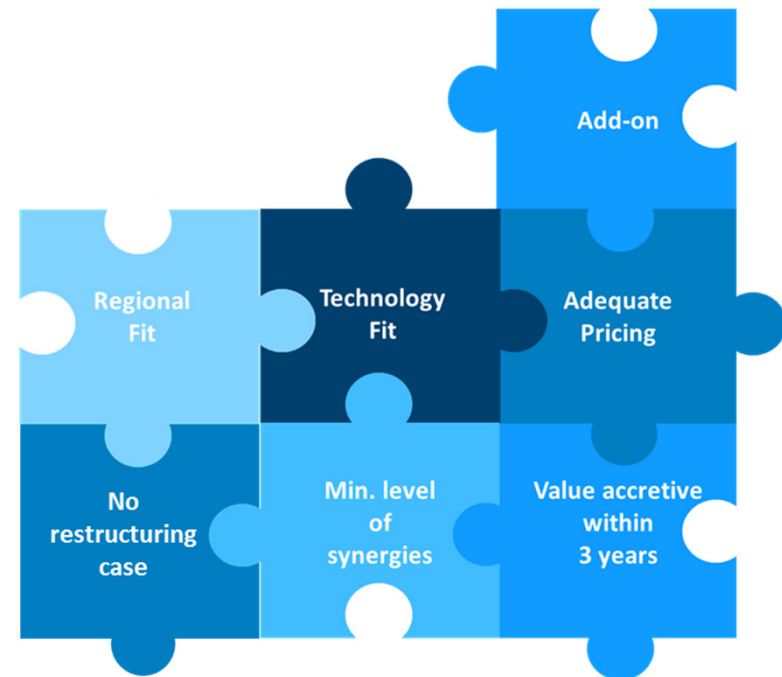
### ■ Capex of sales



## External growth remains a valid option

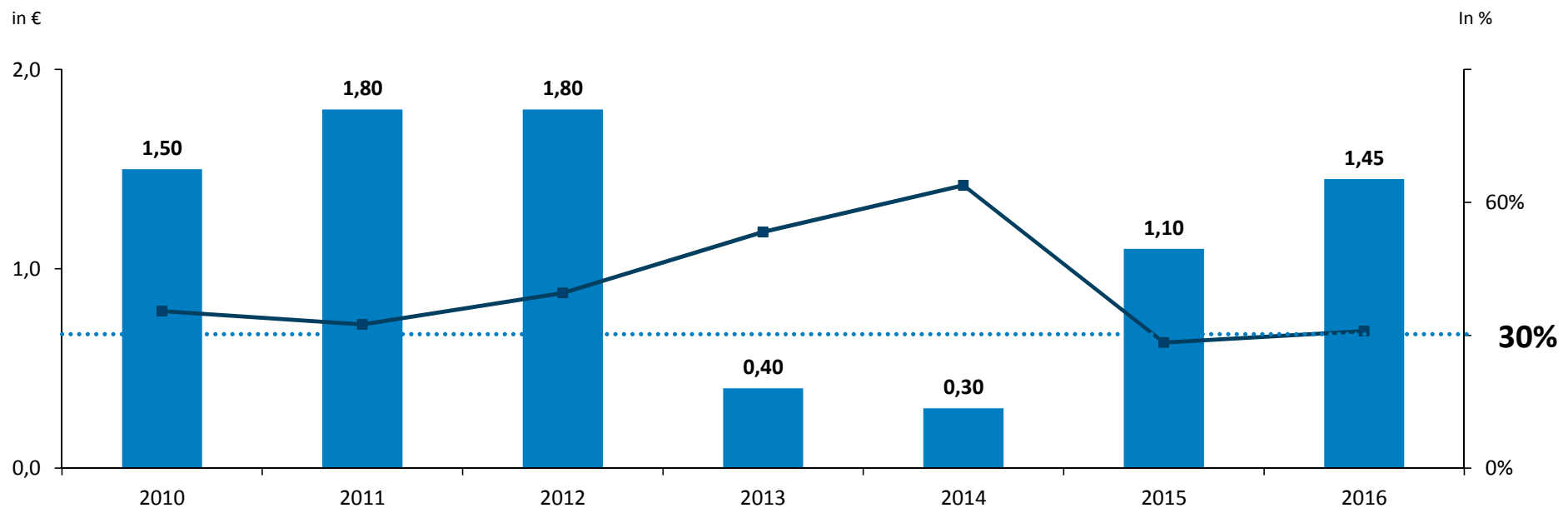
### ■ M&A activity

- Permanent screening of the market
- High price premium awareness
- Current opportunities:
  - Potential transformation of European defence industry might offer some opportunities
  - Structural changes in the automotive industry



## Commitment to shareholders by maintaining a payout ratio of at least 30%

■ Dividend per share and payout ratio  
in EUR and in %



# OUTLOOK

## Solid performance from a strong financial base

### **GROWTH**

Positive business cycle in both segments  
Automotive outpacing market  
Defence growing at double digits

### **PERFORMANCE**

Profitability significantly improved  
Targeted margin corridor within reach  
Cash conversion on high level

### **STABILITY**

Successful de-leveraging process  
Positive rating outlook  
Financial flexibility enhanced

# Group Perspective

## Rheinmetall shifts into a higher gear

### EXCITING PRODUCT PORTFOLIO

Portfolio shift to powertrain independence in Automotive continues  
State-of-the-art vehicles portfolio and promising innovations in Defence  
Integration of components to systems

### ENTHUSIASTIC PEOPLE

Innovative engineers  
Experienced sales force  
Fully committed management

### POSITIVE OUTLOOK

Strong financials  
Both business in a positive business cycle at the same time  
Creativity to enhance the business

MOBILITY. SECURITY. PASSION.



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