

RHEINMETALL INVESTOR UPDATE 2021

Taking Rheinmetall to the next level

Düsseldorf 04/02/2021

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AGENDA

FINANCIAL UPDATE 01

REALIGNMENT 02

03 GROWTH CATALYSTS

04 STRATEGIC VISION

05 MID-TERM GUIDANCE

Financial update 2020

Defence

- 2020 prelim. Sales of ~ € 3.7 bn
- Operating margin around 11%
- High order intake of ~ € 6.4 bn
- Record level order backlog of ~ € 13 bn

Automotive

- 2020 prelim. Sales of ~ € 2.15 bn
- Operating result above € 25 m positive
- Volume nomination letters of ~ € 2.7 bn

Management sets clear strategic objectives

1

Reduce Automotive exposure

2

Minimum profitability level requirement

3

Continuous portfolio management

Transformation process initiated

Realignment of existing business

- Disposal process of the piston business
- Regrouping of business activities
- Focused approach with five divisions

Integration of Automotive holding

- Right-size the structure to support the business
- Eliminate redundant functions on Group and Automotive holding level

The new corporate structure

2020



Weapon & Ammunition

Electronic Solutions

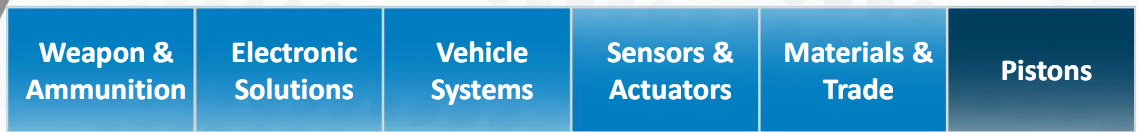
Vehicle Systems

Mechatronics

Hardparts

Aftermarket

2021



Non-core business

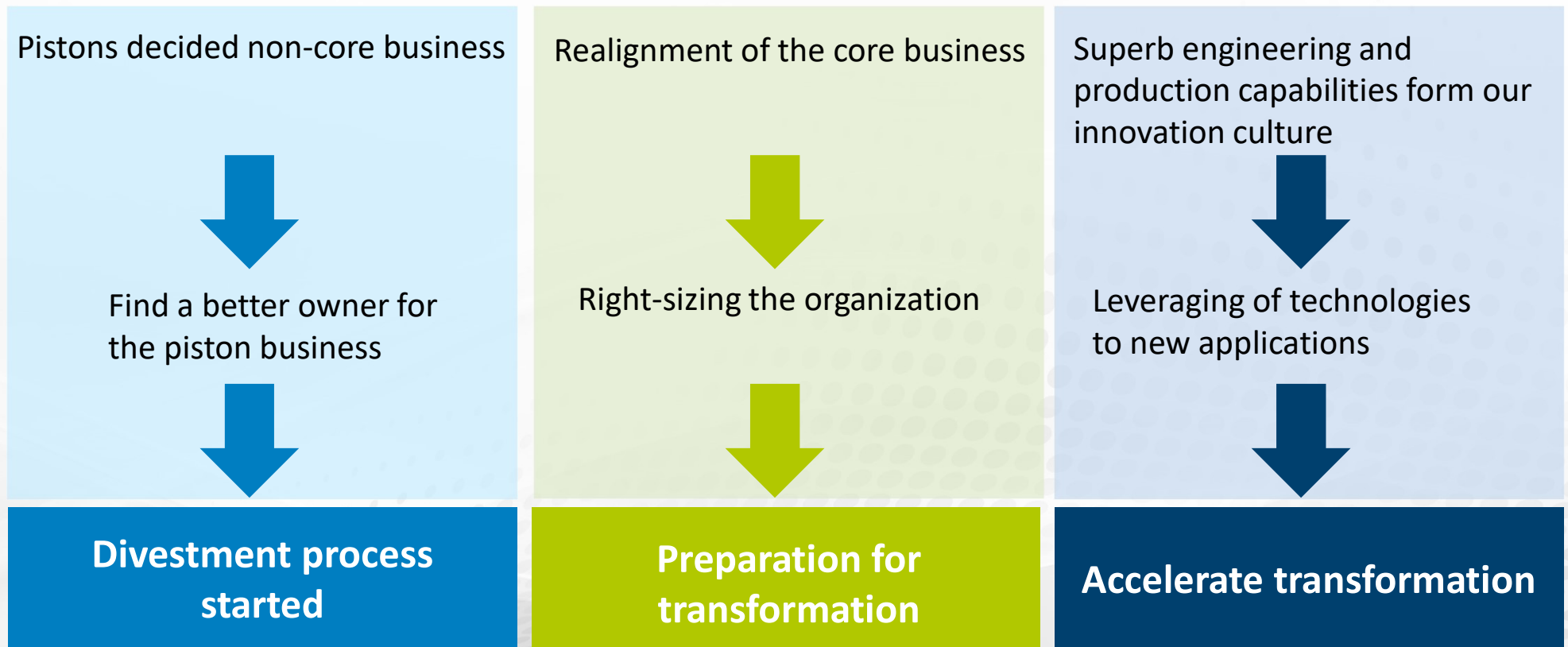
Sensors & Actuators

- Pumps
- Actuators
- Air Emission Systems
- Solenoid Valves
- Commercial Diesel Systems

Materials & Trade

- Aftermarket
- Bearings
- Castings (50:50 Joint Venture)

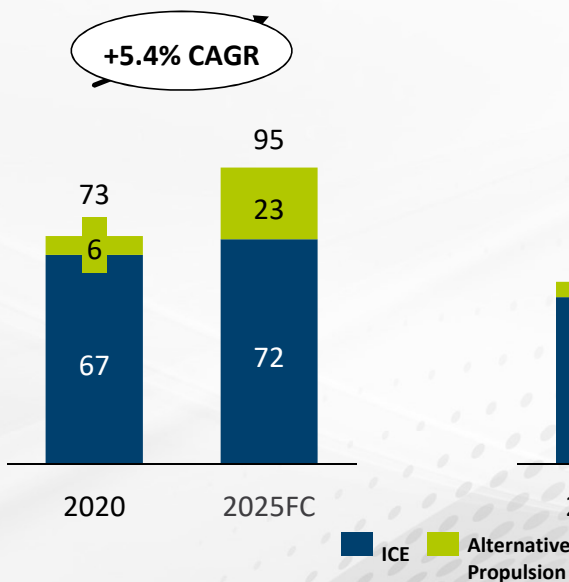
Strong measures to improve the Automotive situation



Sensors & Actuators: Focus on profitable growth

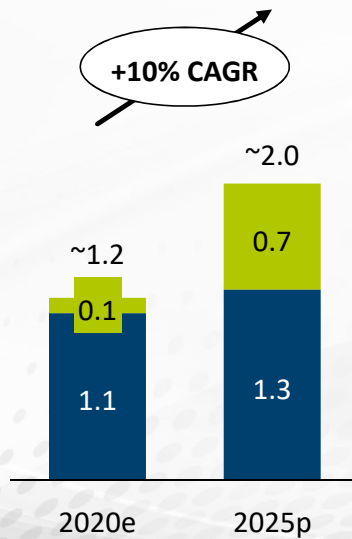
IHS LV production*

In million units



Sensors & Actuators Sales

In € billion



Historic performance (2015-2019)

- Sales growth of 1.3% CAGR vs. flat global LV volumes growth*
- 9.3% average operating margin

Regulation drives the business...

- Tighter thresholds → 95g CO₂
- New emission regulation → EU 7
- Expansion to new regions → Asia

...but technology offers opportunities beyond automotive

Sensors & Actuators: Three pillars of growth

Innovative solutions for clean mobility

Tighter Regulation of fuel fumes

Electronic Vapor Pump (EVAP)



Fuel Tank Isolation Valve (FTIV)



Up to € 300 m

Growth in alternative powertrains (AP)

Electrified Mobility

Thermal Management



COOLANT PUMP



COOLANT VALVE



PROPORTIONAL-COOLANT VALVE

H₂ Products



H₂ Recirculation Blower



FUEL-CELL CONTROL VALVE



ELECTRICAL CATHODE VALVE

Sales potential in 2025

Up to € 500 m

Diversify into new applications

Sustainability and Performance

Thermal Management

- Server cooling
- 5G Base station & antenna

Air Management

- Air sanification equipment

H₂ Applications

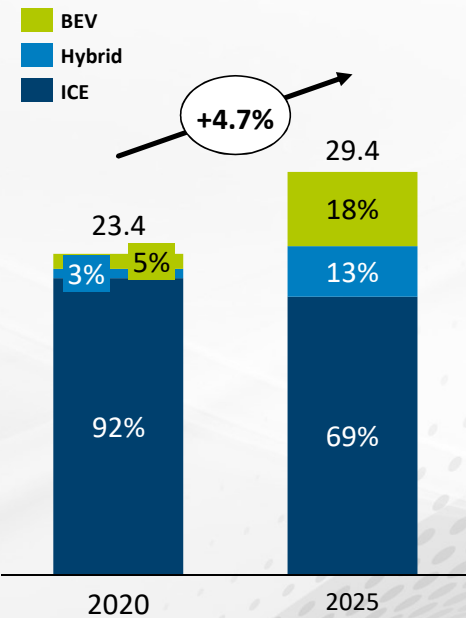
- Stationary fuel cell

Up to € 200 m

Sensors & Actuators: China JV clearly outperform market

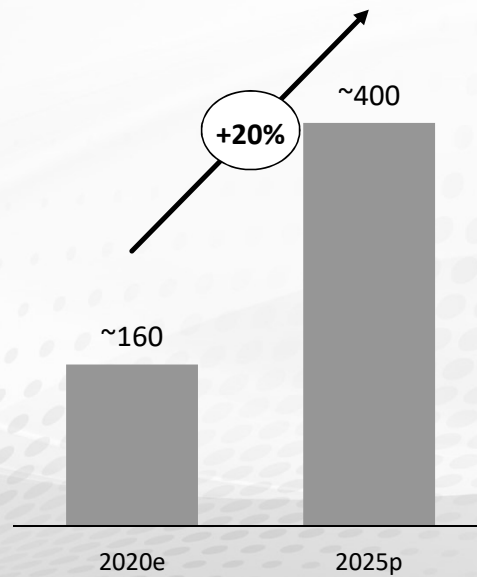
IHS LV production*

In million units; CAGR 2020-25



China JV (100% pro forma sales)

In € million; CAGR 2020-25



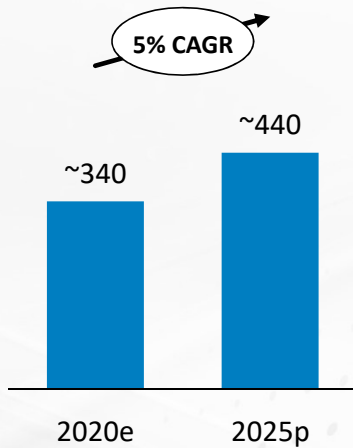
Strong profitable growth of at equity consolidated sales

- Introduction of fuel fume regulation in China
- Tightening truck regulation in India and China
- Electrification of the powertrain

Materials & Trade: Well positioned to capture opportunities

Aftermarket

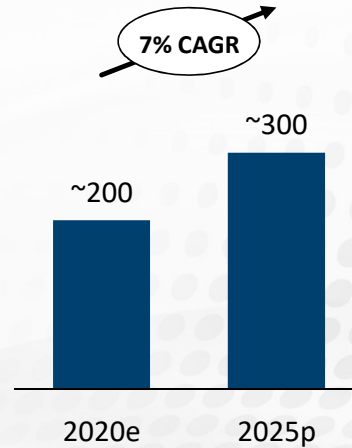
Solid profitability



- Regional expansion
- Increase truck exposure
- Sustainable margin >9%

Bearings

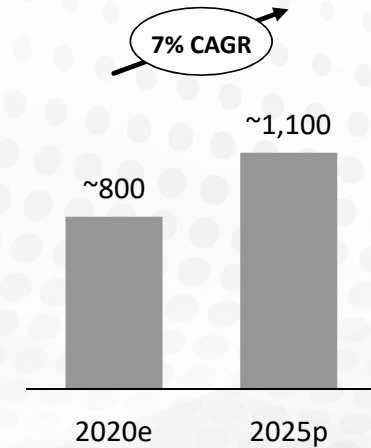
Shift to non-ICE applications



- Accelerate diversification
- Focus on industrials

Castings (Joint Ventures)

Technology leadership



- Flexible casting technology
- Benefit from global lightweight trend (100% pro forma sales)

Defence budgets demonstrate robustness despite Covid

■ 2021
■ 2022
■ 2023



Threat scenario persists

- Russia and China defence spending increased at 10% CAGR** during the last decade
- European defence emancipation becomes more popular

Tender ongoing

- Large vehicle programmes with temporary delays, but no cancellations
- Modernization programmes remain key priority
- Positive outlook for tender pipeline

Competitive vehicles portfolio offers huge potential

Infantry fighting vehicles

- Puma
- Lynx

~€15 – 40 bn

Main battle tanks

- Leopard
- Challenger
- MGCS

~€5 bn

Wheeled vehicles

- 4x4 HU JV
- 6x6 New Fox
- 8x8 Boxer

~€5 – 6 bn

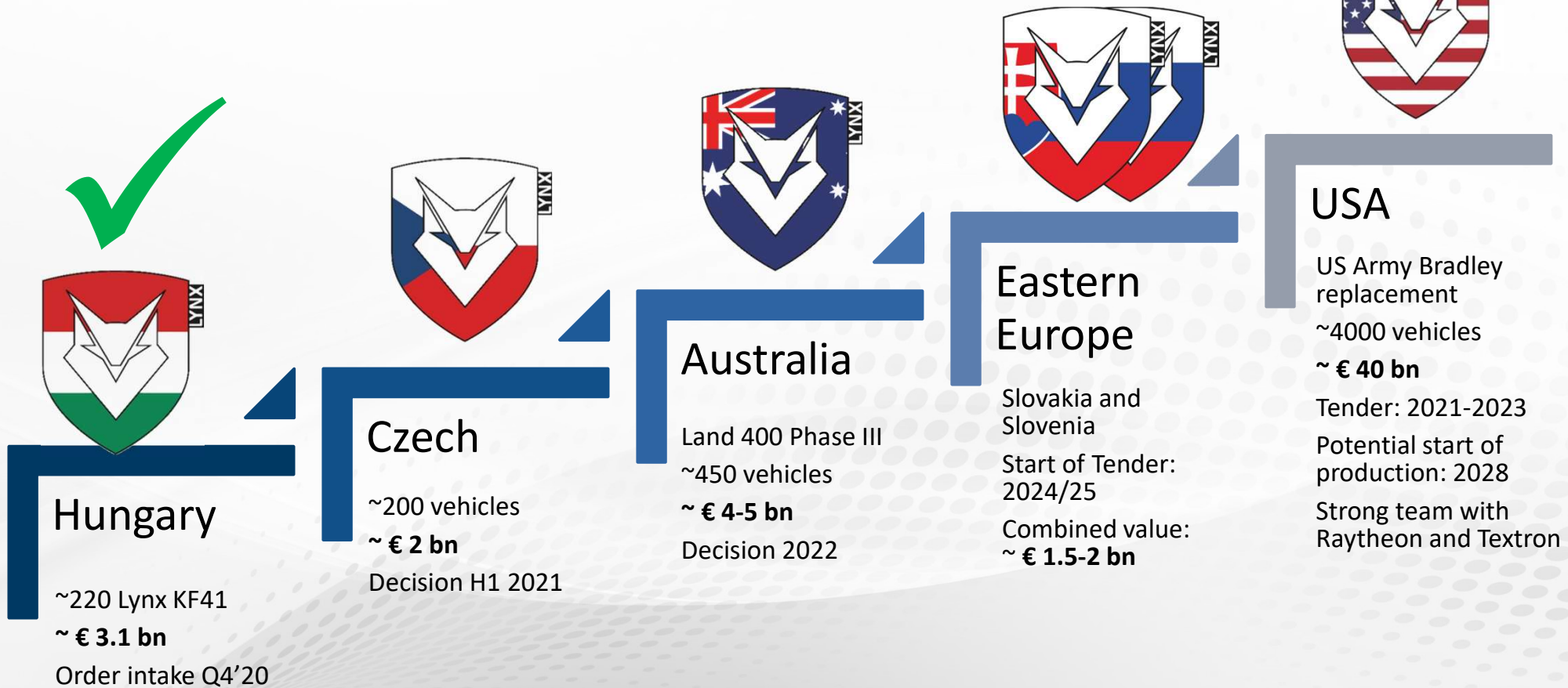
Trucks

- HX-Family
- Future trucks

~€7 – 8 bn

10 years' order potential of ~€ 30 to ~€ 60 bn

Hungary is a catalyst for our Lynx pipeline



Vehicle Systems main driver for mid-term growth

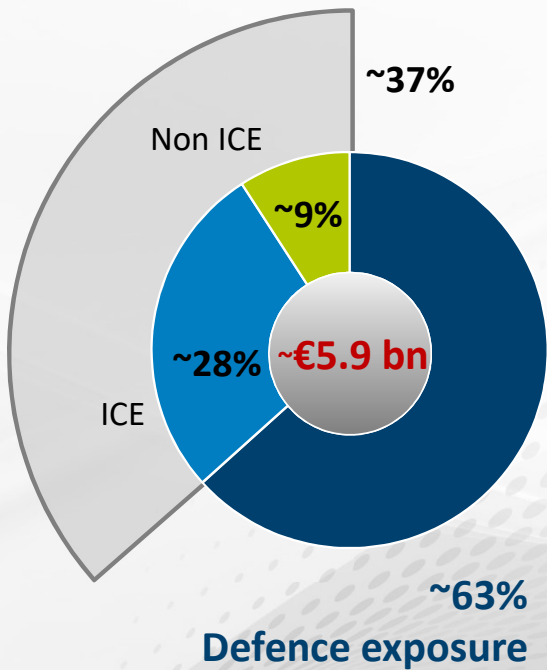
2020e Sales

2025 Targeted Sales

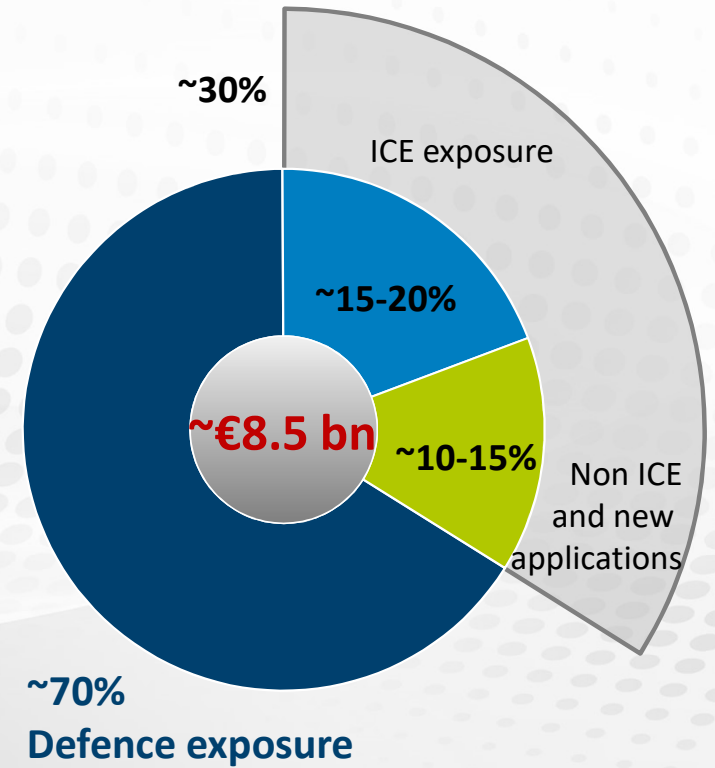


Stronger focus on Defence with ICE exposure below 20%

2020e Sales



2025 Targeted Sales



Commitment to our technological leadership

ONE Rheinmetall Passion for technology

Re-organization to better fit our needs

- Divest non-core business
- Reorganize the way we do our business

Leverage our core technological strengths

- Further integrate technologies
- Capitalize our state-of-the-art technology

Focus on growth business areas

- Continue our successful Defence development
- Diversify into high growth markets using our technological off the shelf solutions

Sustainability

ESG forms part of our corporate strategy

RHMETALL
RHM with top ESG ratings
above industry peer group

Environment 

Social 

Governance 

2035: CO₂ neutral ¹

- Over next 2 years reduction of water consumption use by 10%
- Consistent energy management system established; energy saving goals and use of renewable sources

Responsible corporate citizen

- Employee health & safety
- Transparency in the supply chain
- Employer of choice

Strict compliance organization

- Robust governance with strict compliance organization and zero-tolerance policy regarding unethical behavior
- Continuous improvement of transparency & ESG ratings
- Zero controversial weapons
- Comprehensive export control and trade compliance organization

ESG targets part of new LTI compensation for top and middle management: 20% from 2022 onwards

Upgrading our financial targets for 2025

Attractive growth profile	Higher profitability	Focus on free cash flow
Sales target ~ € 8.5 bn	Margin target ≥ 10%	Cash to sales target* ~ 3-5%

Passion for Performance

PASSION FOR TECHNOLOGY.

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