



# Strategic move to strengthen our core business

## Acquisition of EXPAL Systems S.A.

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14. November 2022

PASSION FOR TECHNOLOGY.



# Strategic move to strengthen our core business

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## Market dynamics: Lessons learned from war in Ukraine

### Acquisition of EXPAL positions Rheinmetall perfectly for high growth scenario

#### NATO requires a minimum of 30 days of ammo inventory

- Almost no NATO partner currently in compliance
- Current industry capacities require 10 years to replenish for example German stocks

#### Ukraine war puts restocking at risk

- NATO support for Ukraine is further depleting inventories
- Ukraine consumes 6-10k rounds per day, Russia even 20k

#### Industry capacities overwhelmed

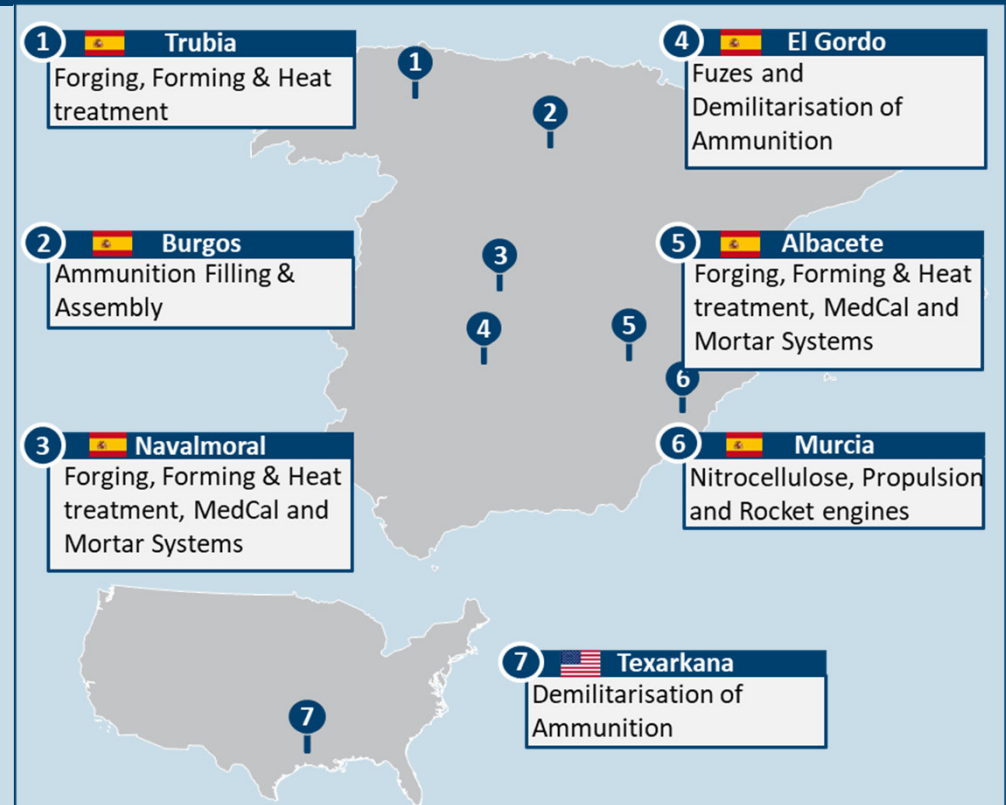
- Demand expected to surge
- Capacities not prepared for high intensity conflict
- Capacity upscale slow and expensive
- Smartest move is to load available idle capacities

## Target overview: About EXPAL Systems S.A.

# EXPAL is a high-caliber investment opportunity with a superior value proposition

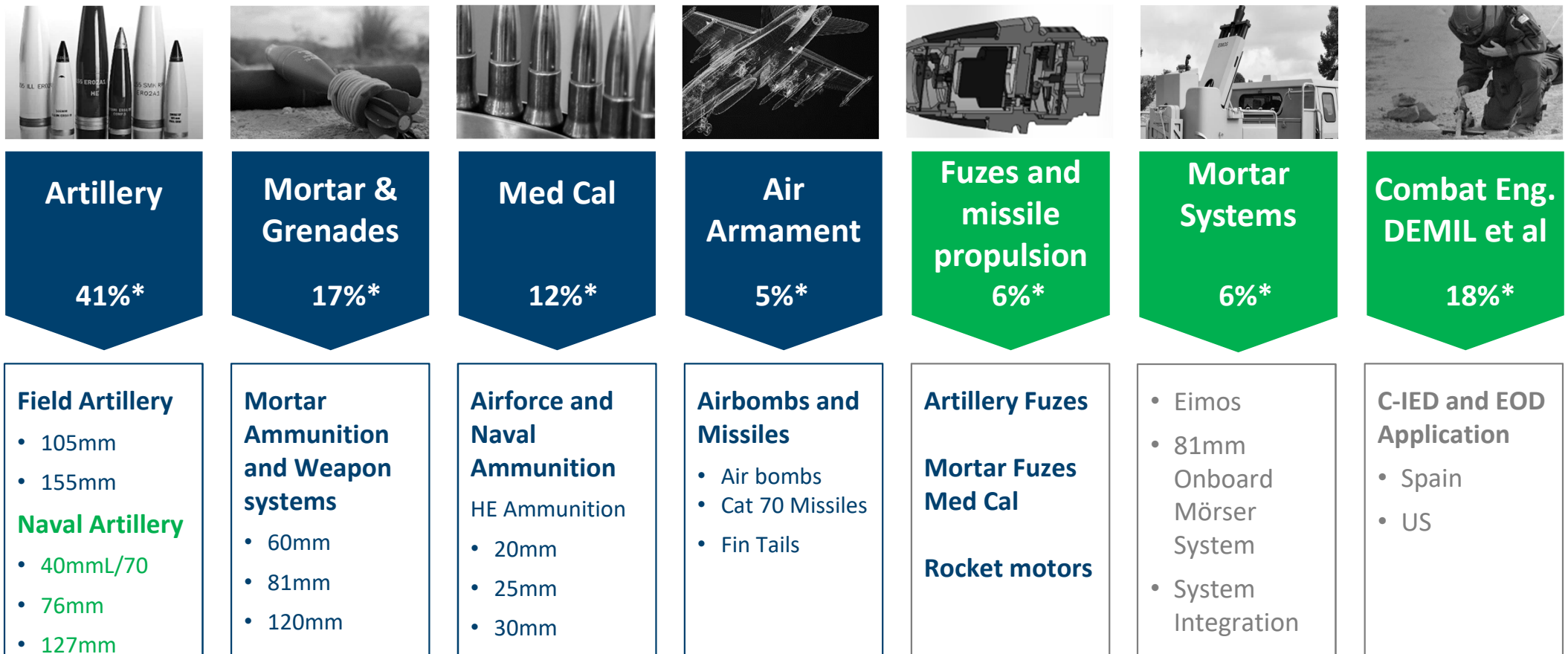
### EXPAL Systems S.A.

- A global defense and security company offering high-end technology solutions for the Armed Forces' current and future needs since 1872
- Headquarter in Avenida Partenon 16 Madrid, Spain
- Financial Data for FY 2023e (Fiscal year ends 31.08.)
  - ~€400m sales volume
  - ~30% EBITDA Margin
  - 789 Employees as per 31.08.2022
- 7 sites in Europe and the US that supply to more than 60 countries
- State-of-the-art production network with cost efficient operations
- EXPAL cooperates with the main defense companies and NATO Armed Forces







# Target overview: EXPAL product portfolio

## Full offering of mission-critical products to expand our business



# EXPAL Key investment Highlight

## A unique opportunity offering a superior value proposition

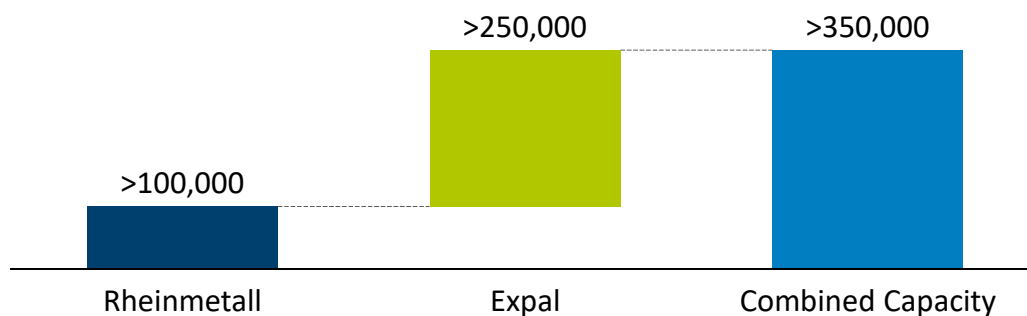
Commercial Fit			Portfolio Fit
			
Sustainable Sales Growth	Sustainable Profitability	Scalable Mass Production	Horizontal Diversification
<p><b>Continuous market growth in key portfolio area</b></p> <ul style="list-style-type: none"> <li>Continuously growing Market segments, e.g. 155mm driven by global defence trends</li> </ul>	<p><b>Lean cost structure</b></p> <ul style="list-style-type: none"> <li>Low and Competitive Cost Base</li> <li>Value Chain for production almost completely in House</li> </ul>	<p><b>Sufficient (and additional) production capacities</b></p> <ul style="list-style-type: none"> <li>Significant Capacities (in EU) and Capacity reserves</li> <li>Ability to quickly ramp up production</li> </ul>	<p><b>Extension of product groups to the RHM portfolio</b></p> <ul style="list-style-type: none"> <li>Naval</li> <li>Artillery</li> <li>Fuzes</li> <li>Nitrocellulose and pre-cursor</li> </ul>

## EXPAL Key investment Highlight

### Excess capacities allow for flexible adjustment to demand expansion

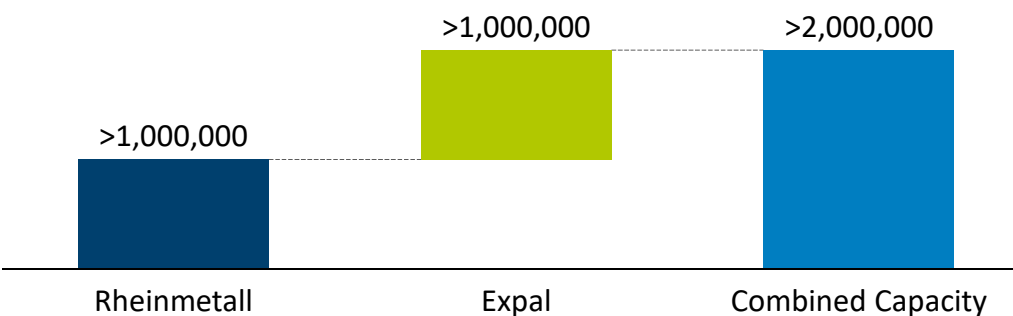
#### Artillery

In rounds



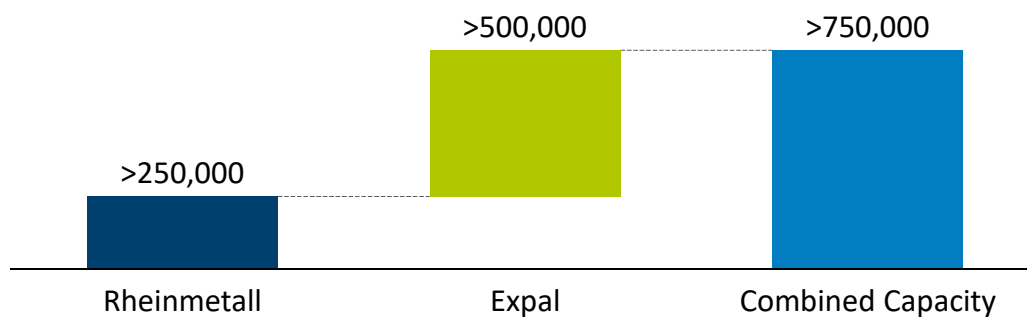
#### Medium Calibre

In rounds



#### Mortar

In rounds



- Fully vertically integrated business model
- High efficiency operations
- NATO quality standards
- Significant existing excess capacity with minimal capex requirements

## EXPAL Key investment Highlight

### Attractive financial profile with superior margins and cash conversion

#### Strong backlog to turbo charge organic growth

- Current backlog of ~€520m
- Strong acceleration sparked by increasing demand

#### Sales growth accelerates

- Company's total capacity offers scope for potential annual sales of €700 to €800 million

#### Attractive margins

- ~30% EBITDA margin
- Vertically integrated business with attractive cost structures and high operational flexibility

#### Leading cash conversion

- Efficient operations
- Low maintenance capex



## Acquisition Financials

### High growth, accretive margin and ready capacities support premium valuation

#### Valuation

- Enterprise value of around €1.2bn
- Valuation of ~10x EV/EBITDA for FY 2023
- Company's total capacity offers scope for potential annual sales of €700 to €800 million with an EBITDA margin of ~30%

#### Financing

- Rheinmetall's has to prepare a financing concept for closing
- Financing structure to be finalized depending on the prevailing market conditions
- Financing concept is yet fully flexible

## Acquisition Summary

### Strategic move to strengthen our core business

#### Transaction

- Rheinmetall acquires **100%** of privately owned **EXPAL Systems SA**, a Madrid headquartered producer of ammunition and defence solutions from Maxamcorp Holding SL
- **Enterprise value** is around **€1.2bn**

#### Rationale

- **Readily** available state-of-the-art capacities
- **Extension** of our product portfolio
- **Supplementary** regional markets
- **Innovative** technologies
- **Backward integration** into high-tech components

#### Financial evaluation

- **~10x** EV/EBITDA FY 2023
- Financing structure to be finalized depending on the prevailing market conditions
- **EPS accretive** in first full year of consolidation

#### Timeline

- Signing on November 13th 2022
- Closing expected post regulatory approvals until **summer 2023**

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