



# CMD 2019 Financial Update

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Unterlüß | 20 November 2019

MOBILITY. SECURITY. **PASSION.**



## Rheinmetall Group

### Segments perform with different momentum

#### Group

- Independent business cycles
- Increase synergistic potential by leveraging technologies

#### Defence

- Super cycle with sustainable momentum
- Long-term project cycles with backlog already until second half of next decade
- Political risk mitigated by increased sales to uncritical customers (GER, AUS, UK)

#### Automotive

- End markets with **flat/negative** growth
- Engine cycles with currently limited visibility
- Regulation increased as a key positive business driver
- Raise powertrain independence (product and market diversification)



# Automotive

## Automotive market sentiment

### Industry is wary of likely mid-term flattish development

**Continental AG, CFO W. Schaefer:**

**“Like other market participants, we do not expect global production to pick up significantly in the next five years. In the best case scenario, we expect global automobile production to move sideways in 2020.”**

**Bosch Group, CEO V. Denner:**  
**“We are cautious and assume that automobile production will not grow until 2025.”**

**Audi, Nov 12<sup>th</sup> 2019**

**AUDI decides to pause the night shift at Neckarsulm plant**

**VDMA, Carl Martin Welcker:**

**“We now expect production to fall by 2 percent in real terms in 2019”.**

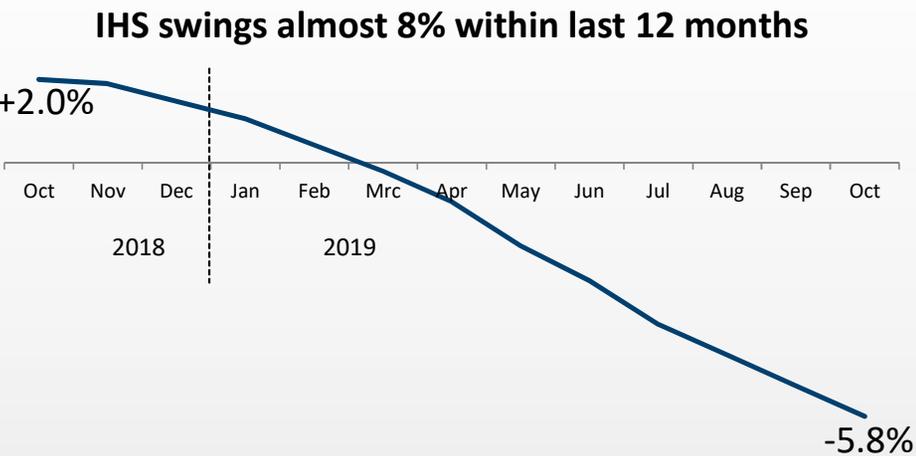


**Q3 call:**  
**“We expect a flat 2020”**

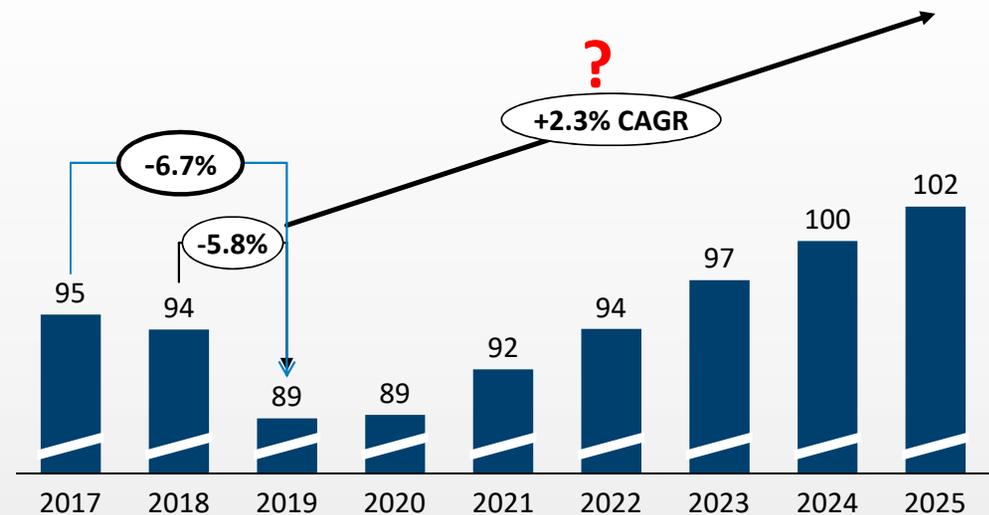
# Automotive market

## IHS revised 2019 LV volumes repeatedly and provides weak outlook

■ IHS 2019 forecast



■ IHS Mid-term outlook with growth on low level

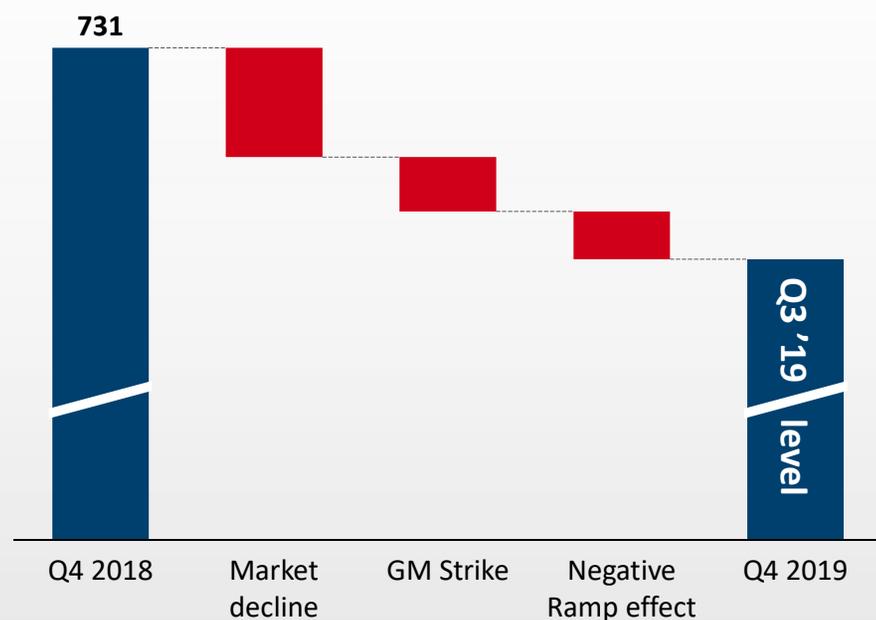


**Latest industry comments are very cautious short to mid-term!**

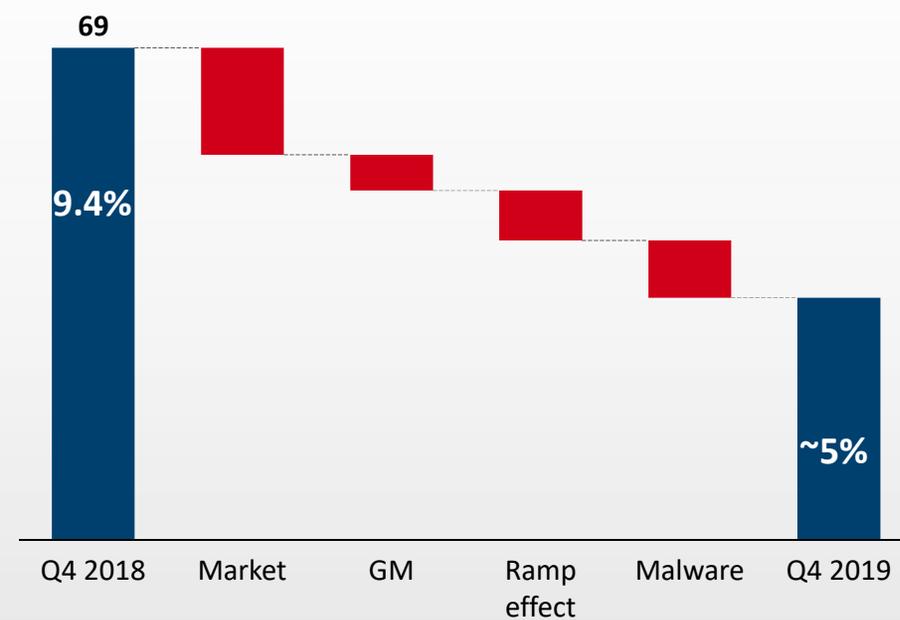
## Automotive Q4 2019 effects

### Automotive impacted by special effects beyond market deterioration

■ Sales bridge  
in €m

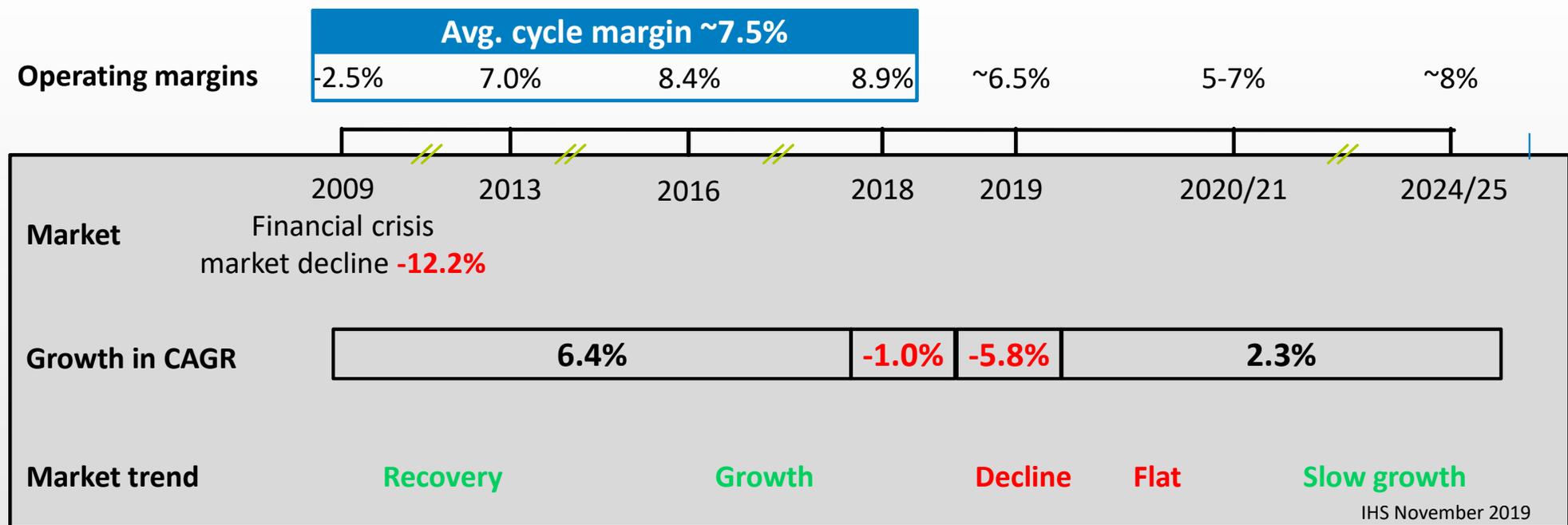


■ Operating result  
in €m and %



## Automotive mid-term

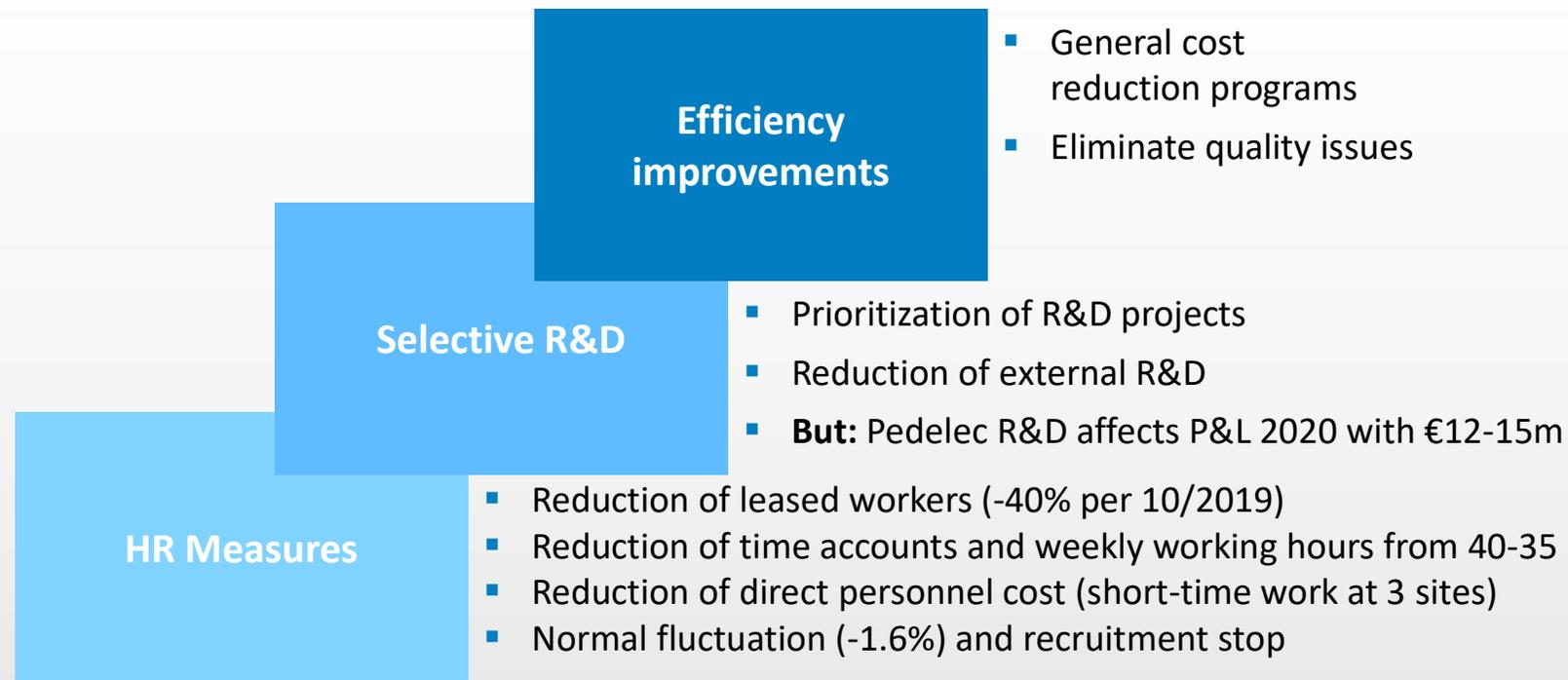
### 2019 reports biggest market decline post the financial crisis



## Automotive mid-term

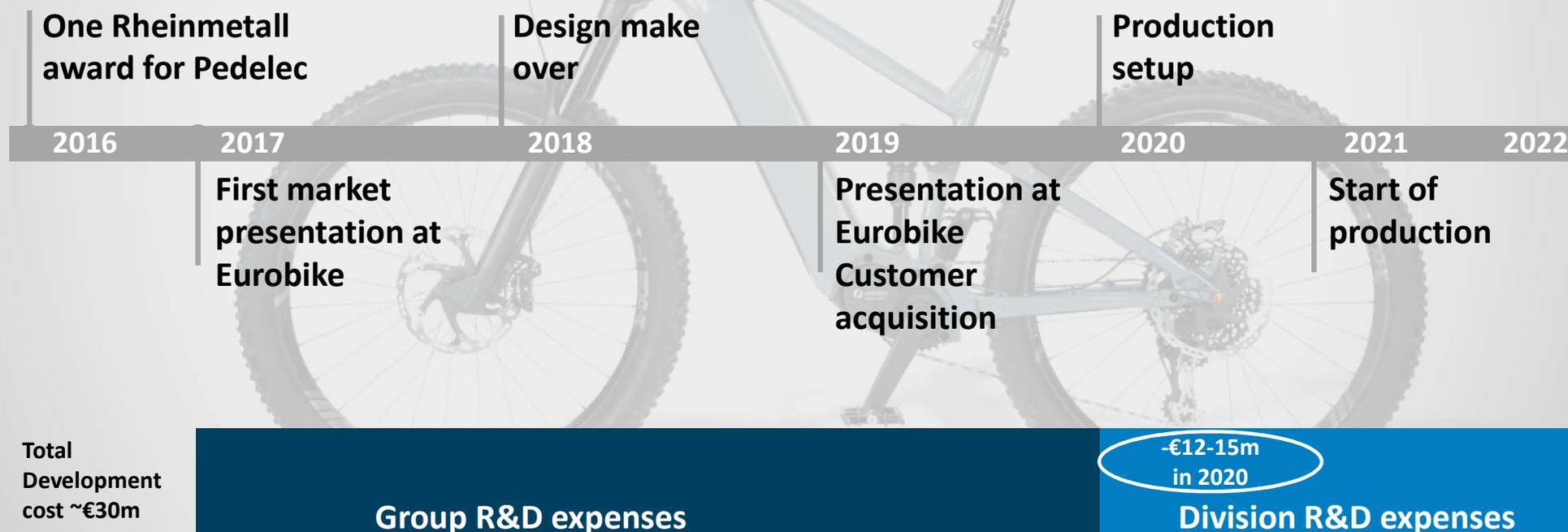
### Early installation of self help in 2018 successful

#### ■ Self help measures to protect the margin



## Micro mobility

### From internal innovations project to market entry





# Defence

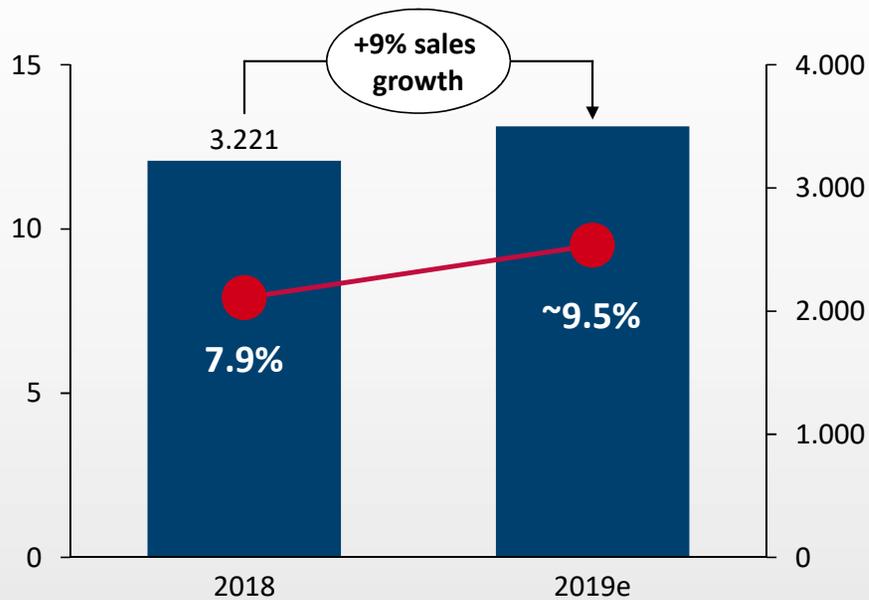


## Defence FY 2019

### New record year ahead for Defence

■ Defence sales and operating margin  
in €m and %

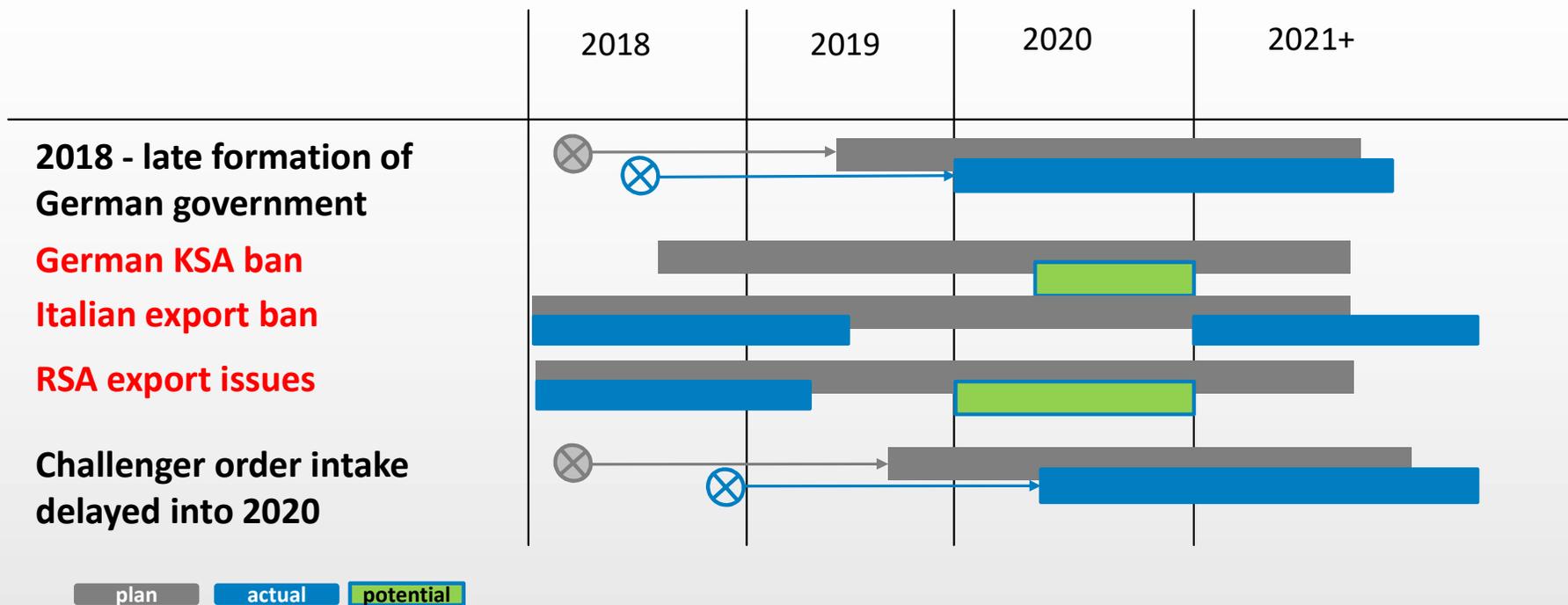
■ Sales  
● Margin



- Growth across all three divisions
  - Margin improvement continues
  - Project pipeline is filled and diversified
- Prepare for solid program execution

# Defence

## Project delays or shifts are part of the business

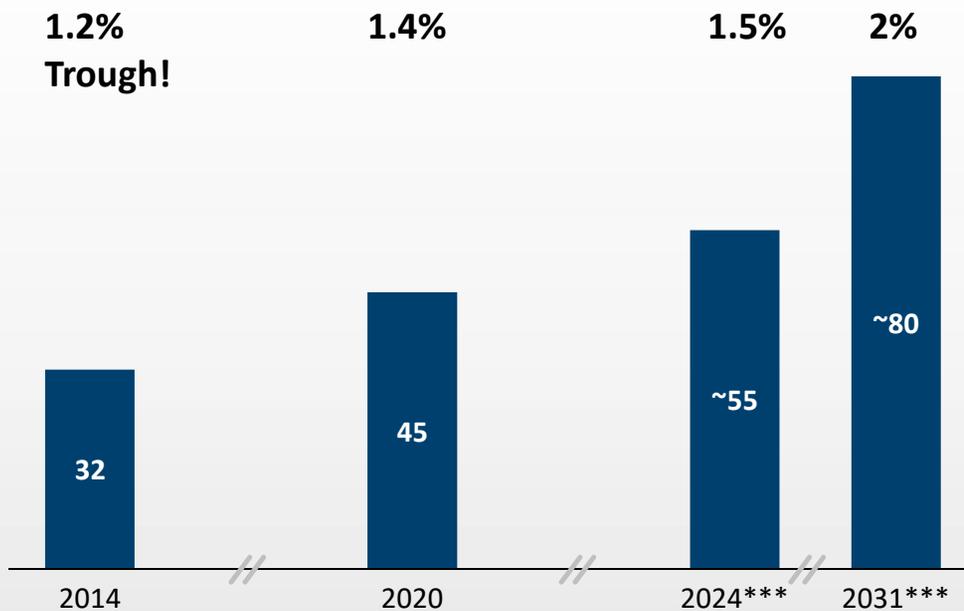




## Defence

# German commitment to increase defense budget affirmed

■ German Defence Budget  
in €bn and % of GDP



### November 2019:

Chancellor Merkel\* and Defence secretary Kramp-Karrenbauer\*\* renew commitment to 1.5% defence spending in 2024 and a further increase to 2% in 2031

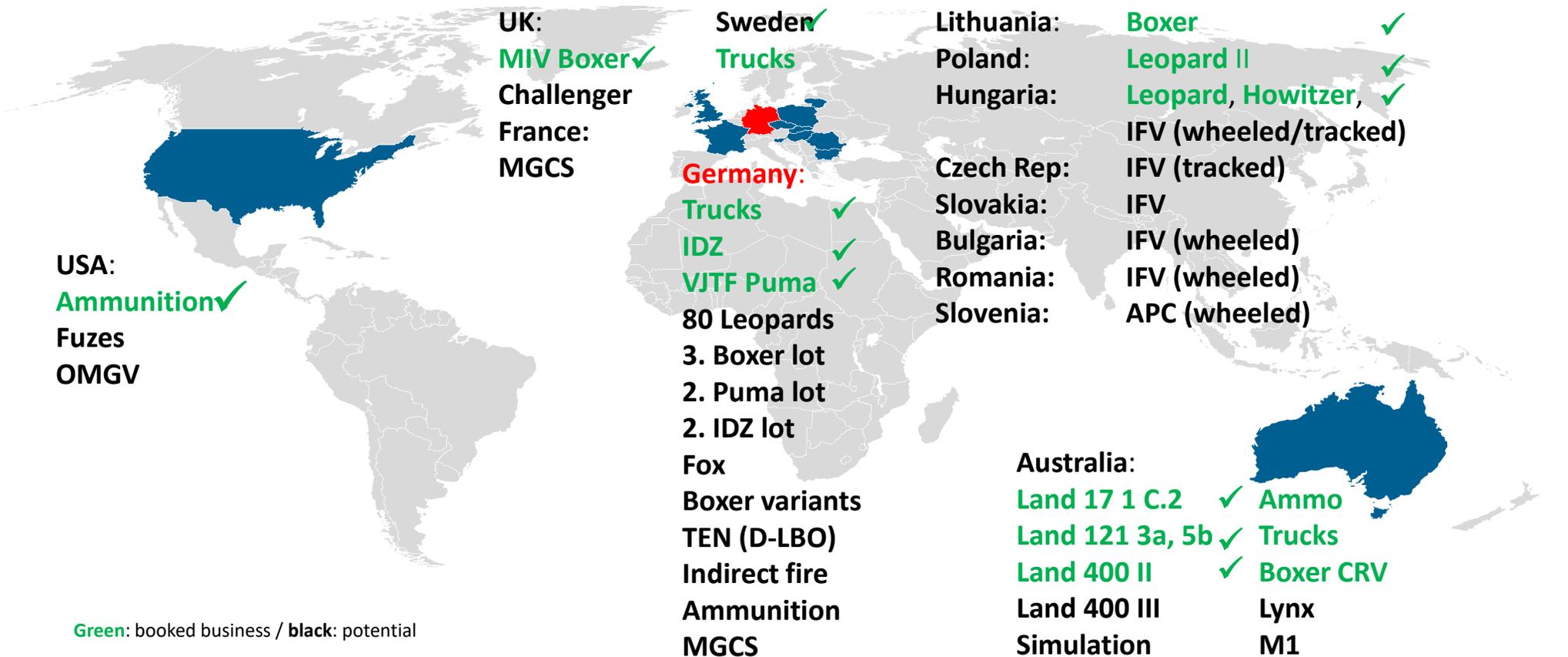
\*NATO 70 anniversary speech

\*\*Grundsatzrede Bundeswehrhochschule; both Nov 7 2019

\*\*\* 1.5% on ~€3.600bn (Bundesbank estimate);  
inflated by 1% until 3031

# Project pipeline

## Promising super cycle pipeline



Green: booked business / black: potential

## Defence

# Mastering the challenge for smooth execution of large programs

### ■ Programme execution

#### Capacity expansion

- Set up MilVehCoe in Australia ~€100m  
thereof  
~€60 IFRS 16
  - Ammo plant Australia <€10m
  - Prepare RBLS for Boxer production ~€10m
- 
- $\Sigma$  ~€120m

#### Personnel

- Recruitment of 1.600 personnel in 2019/2020  
thereof Australia: 650

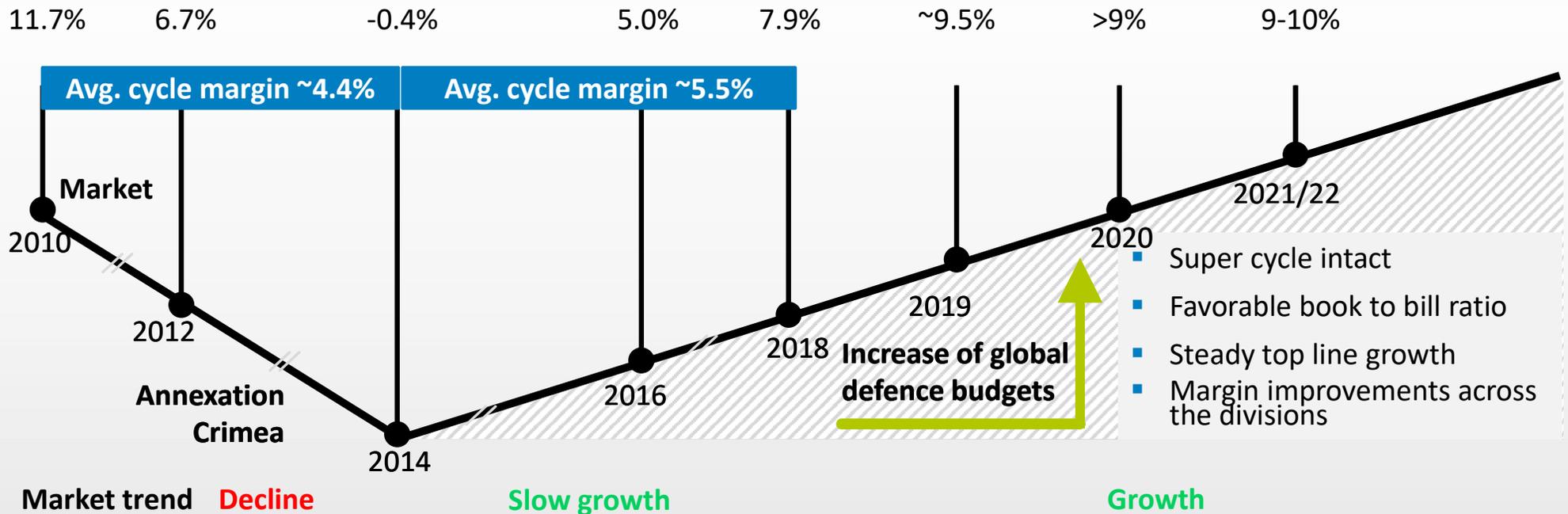
#### Supplier base

- Smooth integration of new supplier base into Boxer value chain
  - Australia
  - UK

# Defence mid-term

## Profitable growth lasts into the next decade

■ Operating margins  
in %





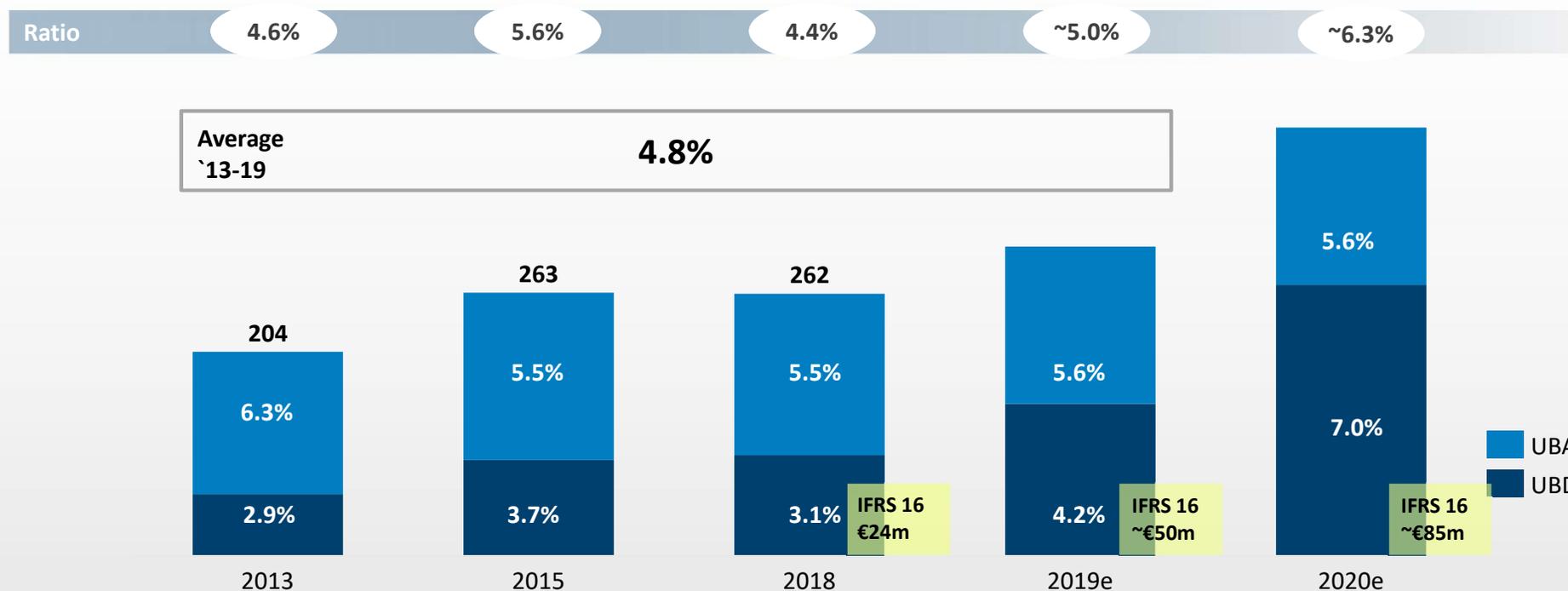
# Group



## Group

### Capex peak in 2020 due to IFRS 16 effect in Australia

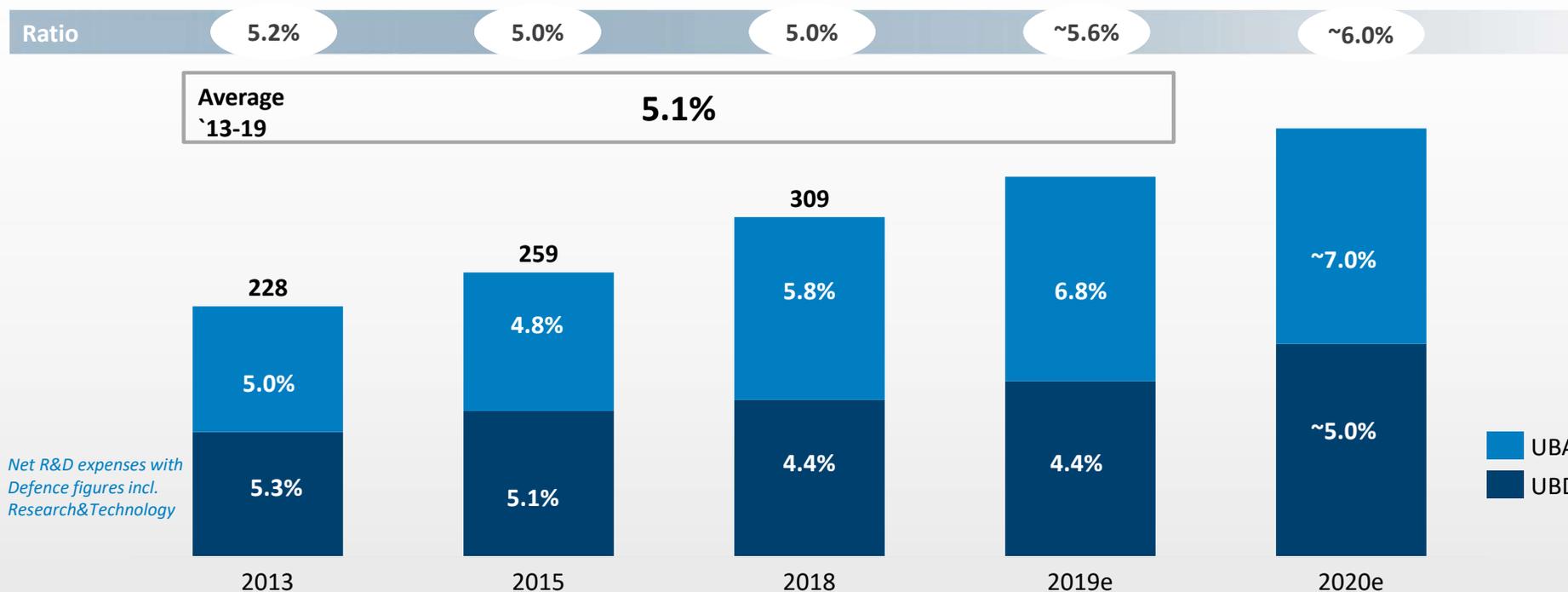
■ Capital expenditure  
in €m resp. margin in %



## Group

### R&D remains in the 5 – 6% range

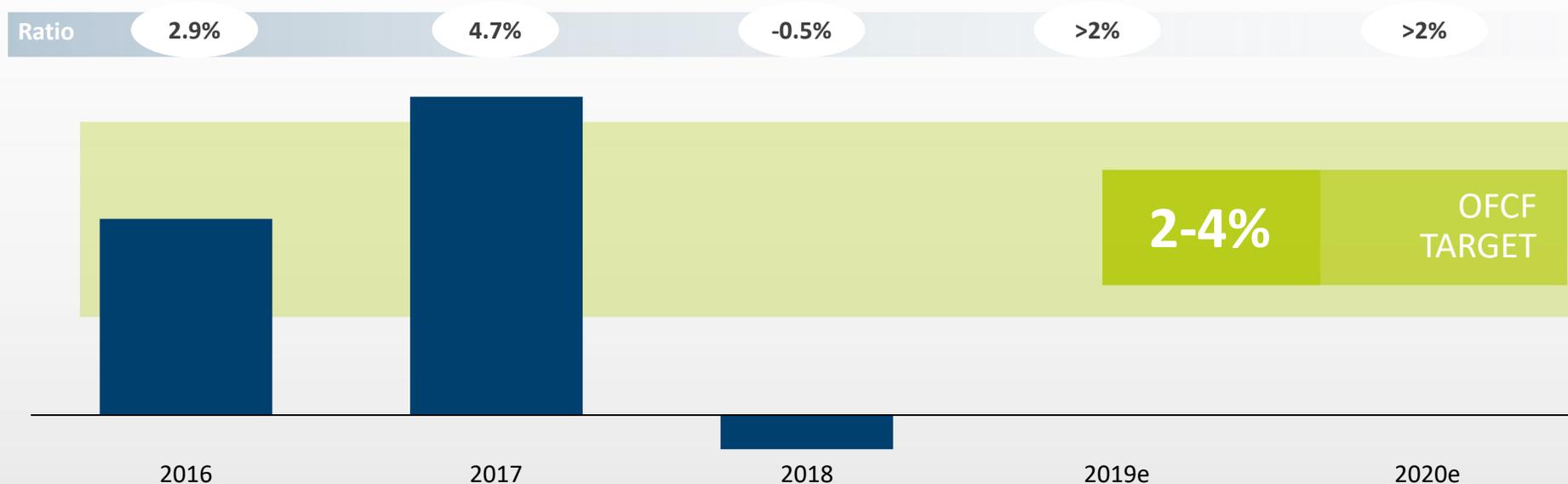
■ R&D expenditure  
in €m resp. margin in %



## Group

### OFCF within target range

■ Operating Free Cash Flow  
in margin in %



## Group

**Our capital allocation policy is geared towards further growth**

Funding of growth (organic and M&A)

Dividend to shareholders (Payout ratio 30-35%)

Improvement of pension funding via CTA (target level 50-60%)

## FY 2019 Guidance

### Group margin guidance held stable

		Sales		Operating margin	
		2018 Growth y/y in % at constant FX	2019e Growth y/y in % at constant FX	2018 in %	2019e in %
<b>GROUP</b>		<b>6.1</b>	<b>Slightly above 1</b>	<b>8.0</b>	<b>Around 8</b>
<b>AUTOMOTIVE</b>		4.2	Around -7	8.9	Around 6.5
<b>DEFENCE</b>		7.9	Around 9	7.9	Slightly above 9.5

*Operational growth at constant FX*

# FY Mid-term Guidance next three years

## Sales growth and earnings improvement targeted

Mid-term

Sales growth

Mid-term

Operating margin

AUTOMOTIVE



Flat to slow growth

Short-term setback to 5-7%  
(incl. Pedelec -€12-15m in 2020);  
mid-term recovery to around 8%

DEFENCE



6-8%

9-10%

*Operational growth at constant FX*

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