

RHEINMETALL AG Q1 CONFERENCE CALL

Q1 above expectations

Sound start to the year

May 2021

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Please note that all figures in this presentation have been rounded on a standalone basis. This can result in minor differences when adding figures together or calculating % shares.

Q1 2021 Group Highlights

Sales recovery and continued cost discipline drove profitability

Macro

- Strong recovery of LV markets led by Asia
- Supply chain issues on price and availability emerged

Financials

- Sales increased to €1.405m (reported +3.5%, FX adjusted +5.1%)
- Operating Result rose by €53m to €87m
- OFCF improved by €129m to -€59m
- EPS climbs to €1.14 after €0.30 last year

Restructuring

- Piston disposal process continues to next stage
- Implementation of restructuring measures on schedule
- Cost saving measures remain in place

Q1 2021 Group Highlights

Rheinmetall joined forces with L3Harris in the US

- L3Harris Technologies joined “Team LYNX” together with Textron, Raytheon and American Rheinmetall Vehicles
- “Team LYNX” participates in upcoming Bradley replacement tender process in the US



Lynx IFV

Environmentally friendly technology for plug-in hybrids

- Innovative fuel tank isolation valve for hybrid vehicles with first commercial success with international customer
- Technology is triggered by tighter regulation



Fuel tank isolation valve

Electromotor housings for international automaker in China

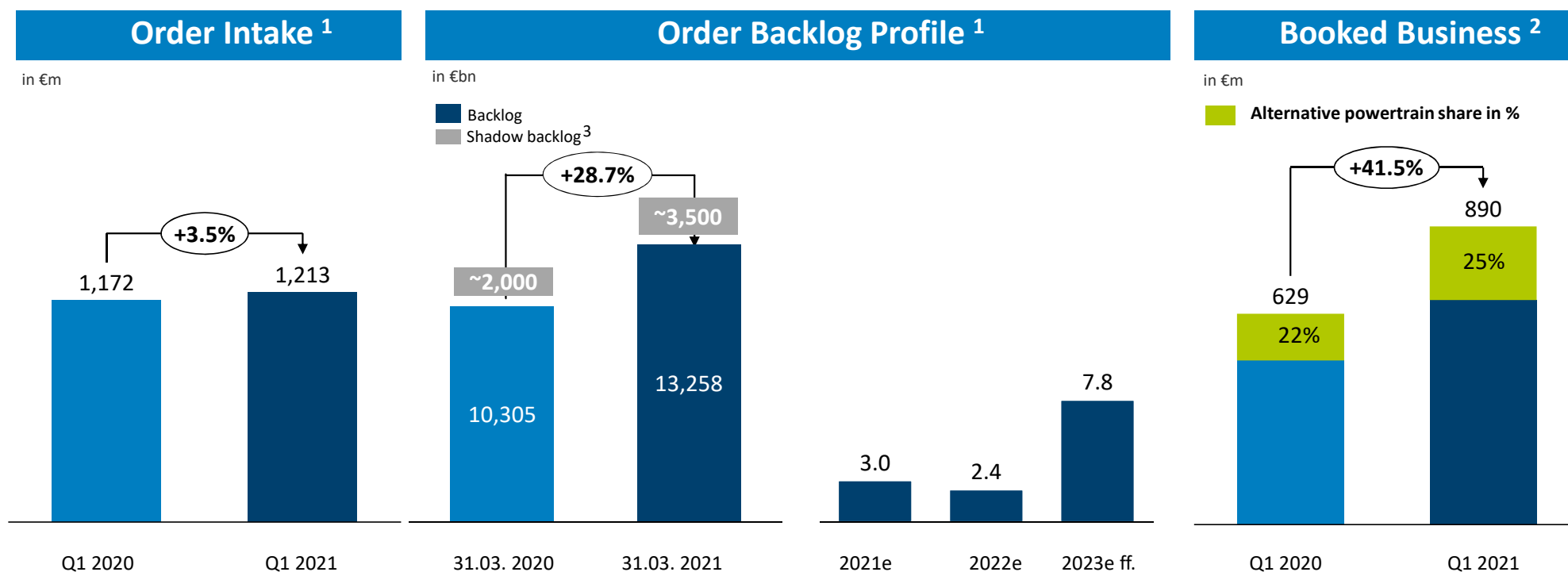
- Double-digit sized order value of leading international automaker
- Electromotor housings made of aluminum to be used in the customer’s entire fleet in the next 5 years



Product sample for E-motor housing

Q1 2021 Group Highlights: Order profile

Increased backlog and higher share of alternative powertrain business



¹ Order intake and order backlog for all divisions

² Booked business for Divisions Sensors + Actuators, Materials + Trade and Pistons reported on the basis of signed nomination letter

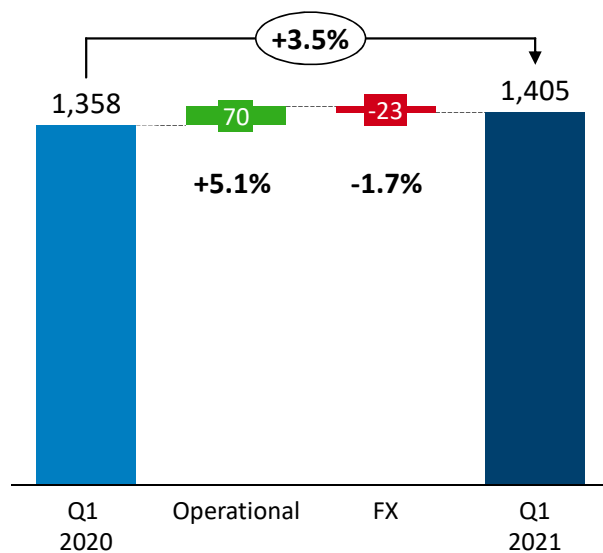
³ Additional „Shadow backlog“ of ~€3.5bn including truck and ammunition framework agreements for the years 2021-28

Q1 2021 Group Highlights: Key financial data

Earnings per share soar due to strong operational performance

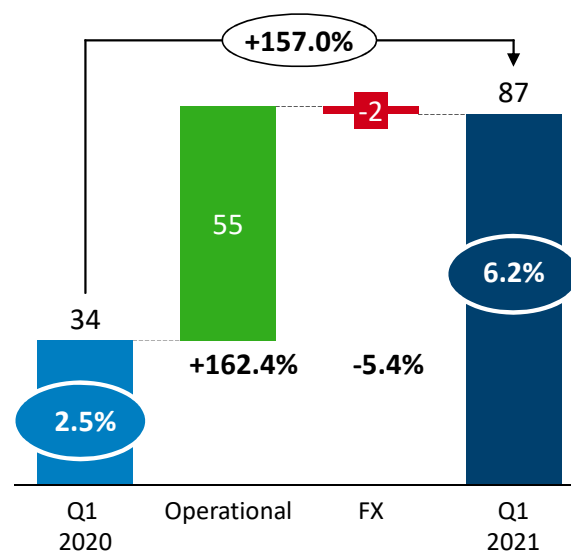
Sales

in €m



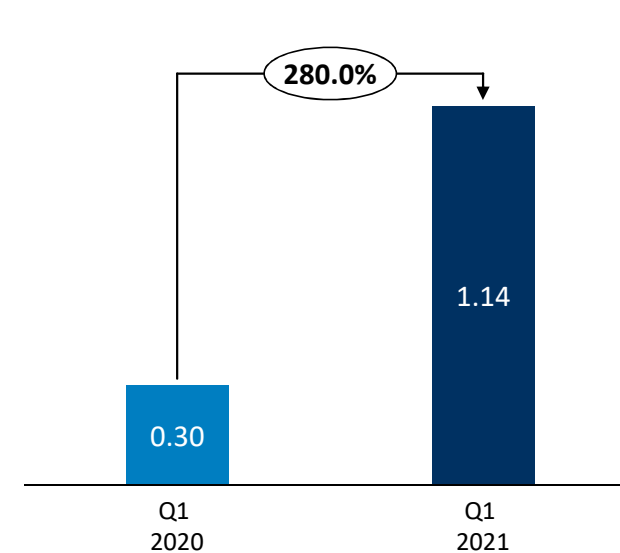
Operating result and margin

in €m



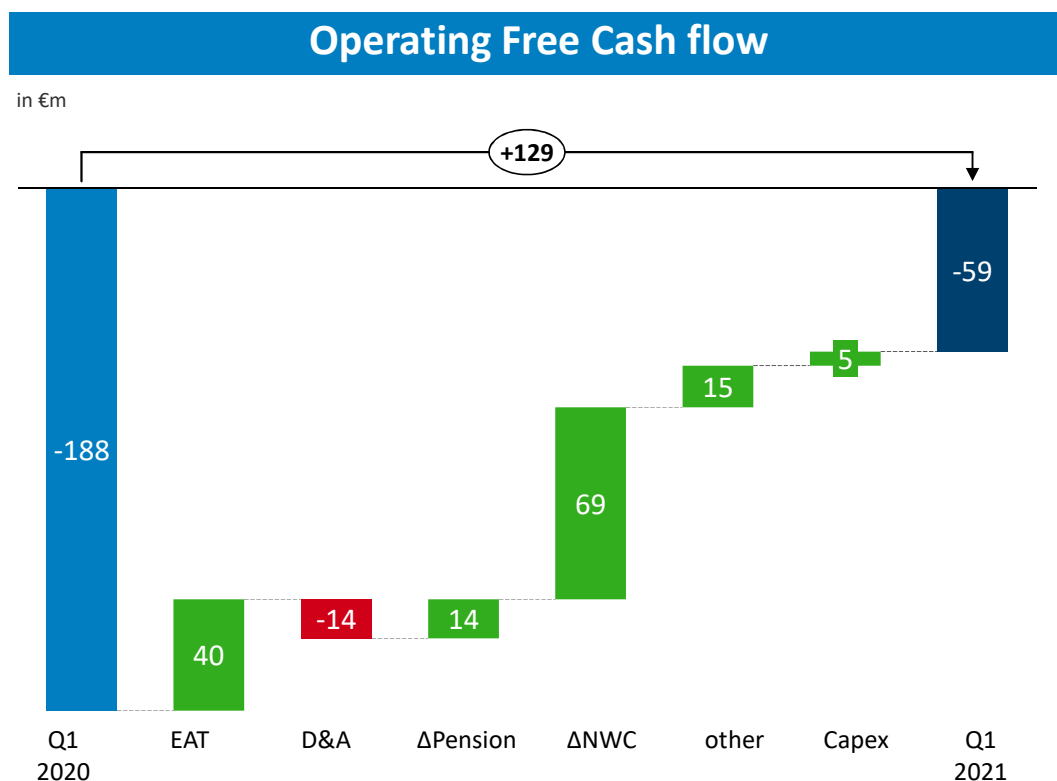
Earnings per share

in €



Q1 2021 Group Highlights: Key financial data

Cash flow rose on earnings growth and working capital improvement



Highlights / Comments

- Strong earnings improvement
- Lower D&A includes mid-single digit effect from impairment
- Lower CTA funding in Q1 2021
- Net working capital benefited from prepayments

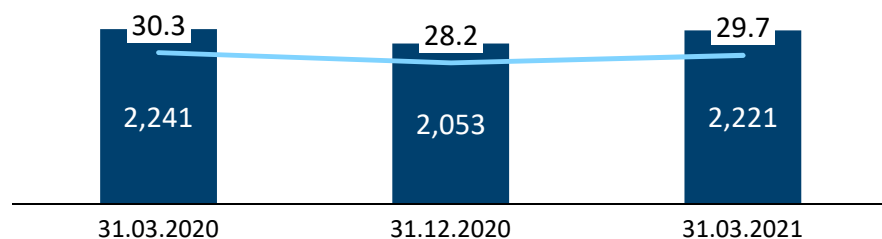
Q1 2021 Group Highlights

Equity ratio is approaching target range

Equity and Equity ratio

in €m and %

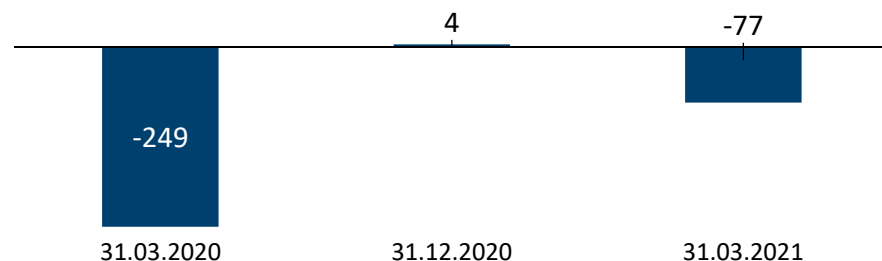
— Equity ratio ■ Total equity



Net financial position

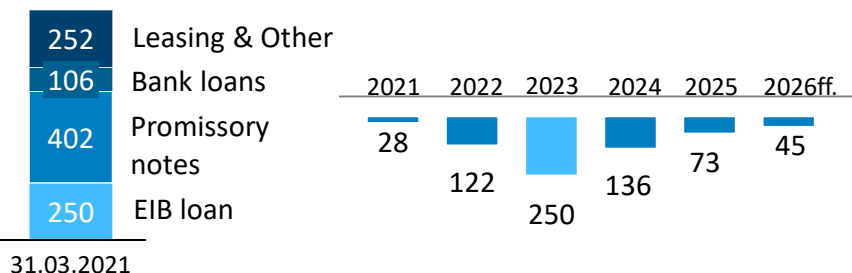
In €m

■ Net debt



Gross debt and maturity profile

In €m
Σ 1,010



Highlights / Comments

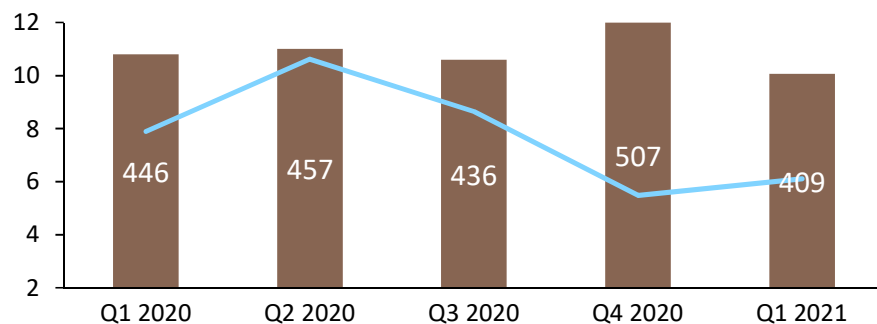
- Equity ratio of 29.7% approaching 30-35% target range
- High cash position of €934m
- Undrawn credit lines of €0.9 bn per end of Q1
- Low net debt position underlines financial strength
- Moody's confirmed "Baa3 stable" Feb 2021

Q1 2021 Division Highlights

Project ramp-down impacted performance as expected



■ Sales — Operating Margin



Q1			
In €m	2020	2021	Δ
Order intake	136	178	+30.4%
Sales	446	409	-8.4%
Operating result	35	25	-29.2%
Operating margin	7.9%	6.1%	-1.8pp
EBIT	35	25	-29.2%
Operating FCF	-21	79	100

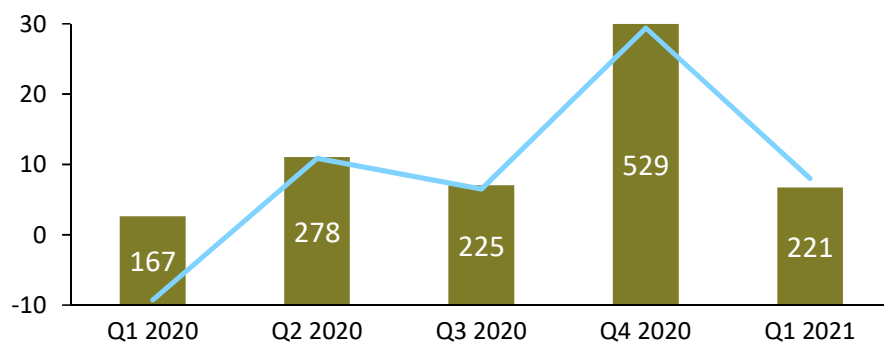
- Order intake on solid level
- Normalized project settlement level especially due to project ramp down of tactical vehicles
- Strong operating FCF including prepayment

Q1 2021 Division Highlights

Best starting quarter ever



■ Sales — Operating Margin



Q1			
In €m	2020	2021	Δ
Order intake	328	228	-30.4%
Sales	167	221	+32.1%
Operating result	-16	18	+33
Operating margin	-9.3%	8.0%	+17.3pp
EBIT	-16	18	+33
Operating FCF	-72	-56	+21.7%

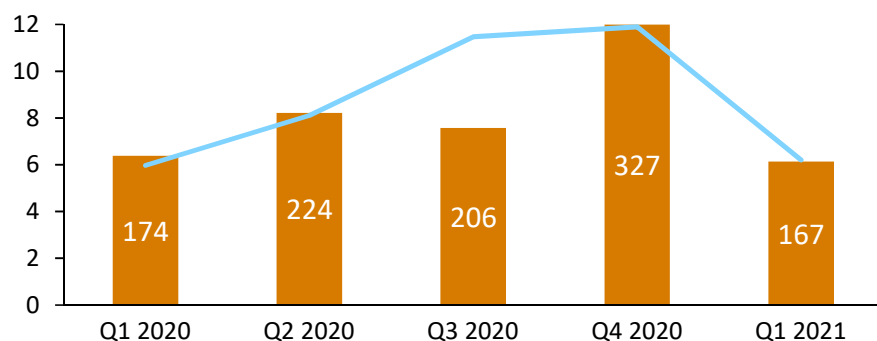
- Order intake without larger individual projects
- Strong sales start
- Operating result jumped on higher sales volumes and favorable product mix
- OFCF improved on better financial performance

Q1 2021 Division Highlights

Solid first quarter



■ Sales — Operating Margin



Q1			
In €m	2020	2021	Δ
Order intake	324	218	-32.6%
Sales	174	167	-4.0%
Operating result	10	10	-1%
Operating margin	6.0%	6.2%	+0.2pp
EBIT	10	10	-1%
Operating FCF	-43	-90	-106.7%

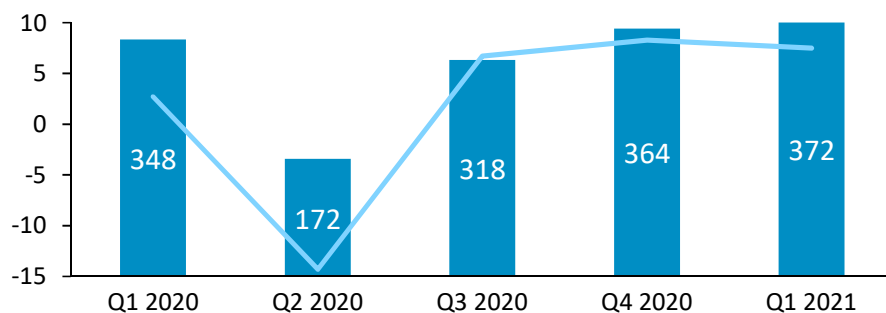
- Order intake Q1 2020 included large air defence order
- Sales and result remained on a solid level
- OFCF includes first time CTA funding of €15m and working capital build-up

Q1 2021 Division Highlights

Sales and margin recovery continues



■ Sales — Operating Margin

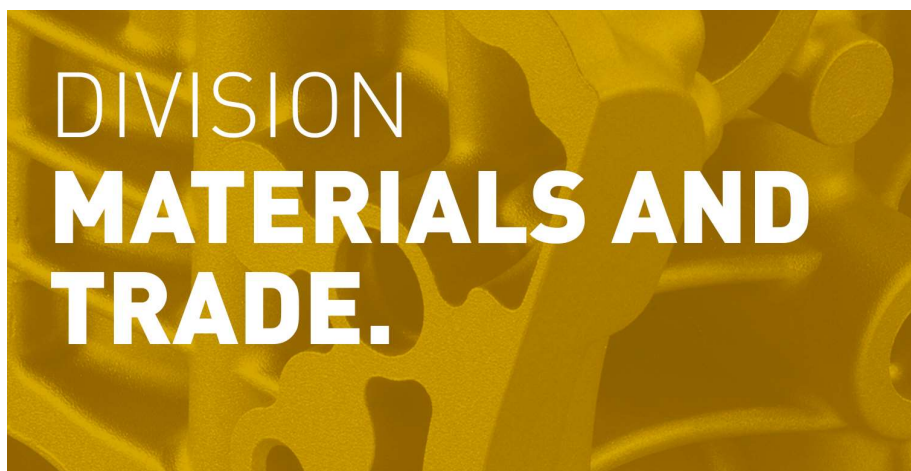


Q1			
In €m	2020	2021	Δ
Booked Business	471	656	+39.2%
Sales	348	372	+7.1%
Operating result	9	28	+194.2%
Operating margin	2.7%	7.5%	+4.8pp
EBIT	9	28	+194.2%
Operating FCF	-33	-38	-16.9%

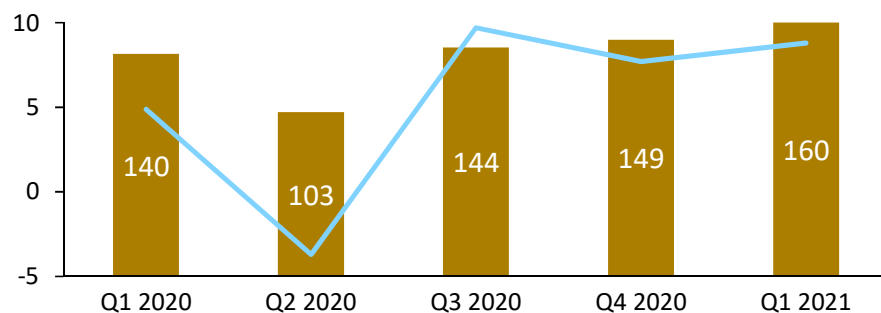
- Booked business successful with alternative powertrain products accounting for 33% (PY: 30%)
- Operational sales growth of 9.5% due to strong China business and net-positive ramp up effect; chip shortage left no mark in Q1
- Improved operating leverage and continued cost discipline
- OFCF declined due to business related increase of working capital

Q1 2021 Division Highlights

Demand driven recovery



■ Sales — Operating Margin



Q1			
In €m	2020	2021	Δ
Booked Business	137	173	+26.6%
Sales	140	160	+14.1%
Operating result	7	14	+103.9%
Operating margin	4.9%	8.8%	+3.9pp
EBIT	7	14	+103.9%
Operating FCF	-1	-9	-8

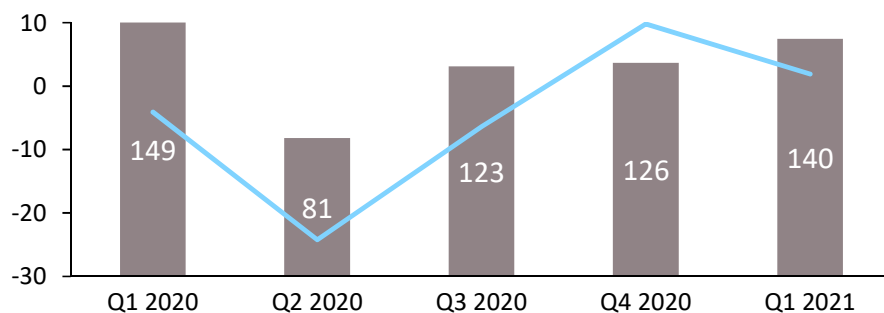
- Booked business increase underpins improved business outlook
- General demand recovery across all markets drove operational sales improvement of 18%
- Operating result improvement mostly volume driven and continued cost discipline
- Business related working capital increase

Q1 2021 Division Highlights

Sales growth held back by adverse FX effects



■ Sales — Operating Margin



Q1			
In €m	2020	2021	Δ
Booked Business	21	60	+191.8%
Sales	149	140	-6.4%
Operating result	-6	3	+143.9%
Operating margin	-4.1%	1.9%	+6.1pp
EBIT	-6	3	+143.9%
Operating FCF	-11	2	+13

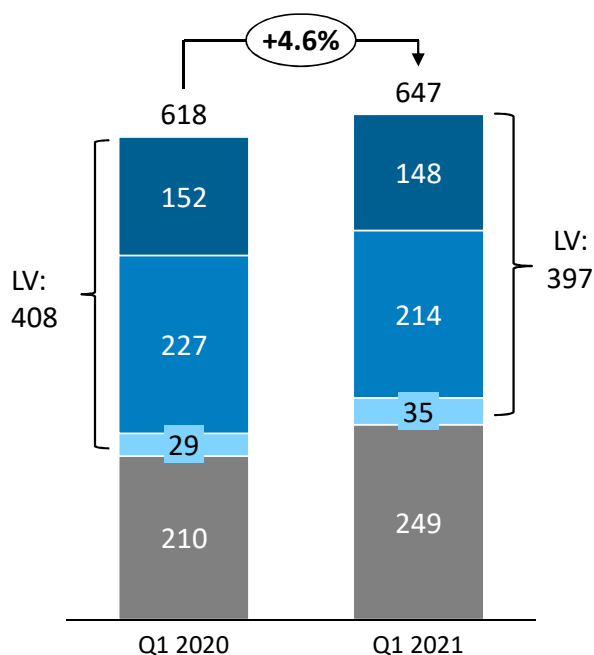
- Booked business increase underpins improved business outlook
- Sales held back by €11m adverse FX-effect
- Continued cost saving measures, lower D&A and improved at equity contribution supported the operating result
- OFCF improved due to improved earnings and lower capex

Q1 2021 Key end market developments

Strong recovery of the truck and aftermarket business

LV / Non-LV sales split

in €m



Sales by key end markets

in €m

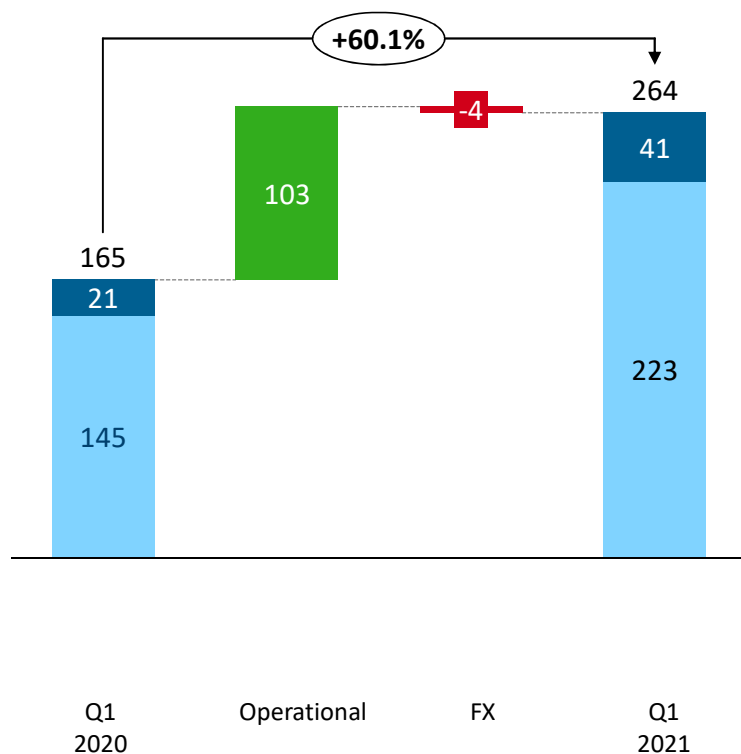
	absolut	Delta in %
Diesel	-3	-2.2%
Otto	-13	-5.9%
Other LV	+6	+19.0%
<hr/>		
LV Geschäft	-11	-2.7%
<hr/>		
Truck	+21	+26.1%
Large Bore	-1	-5.8%
Aftermarket	+16	+19.4%
other	+3	+13.8%
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Non-LV	+40	+19.0%

Q1 2021 China JV

China back on track

Sales*

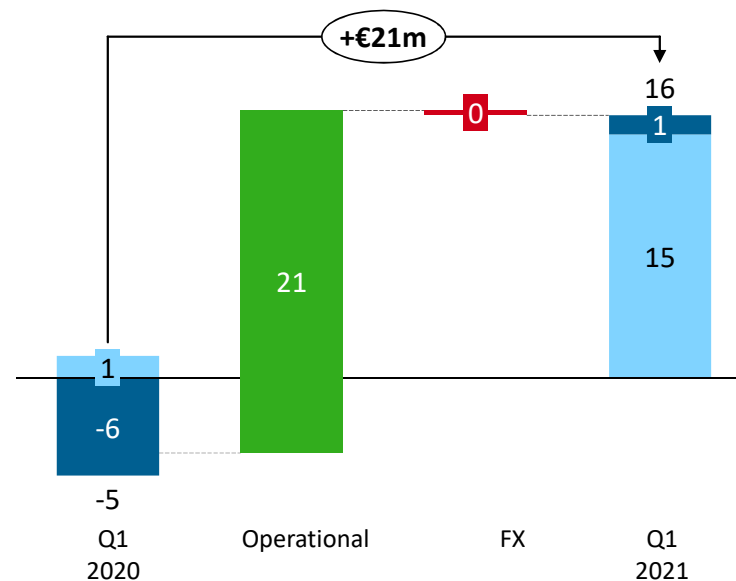
in €m



EBIT*

in €m

■ Joint Venture
■ Wholly owned foreign enterprise



* JV sales and EBIT presented at 100%

Market update

Defence budget update

- Latest budget updates for 2022 in key home markets all favorable

■ 2020
■ 2021
■ 2022

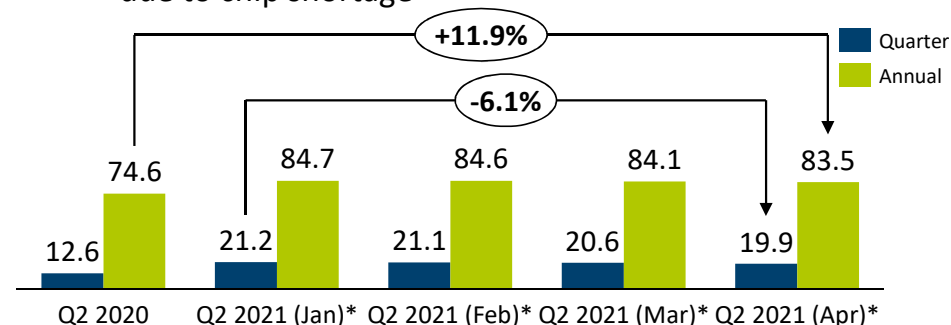


Tender update

- German engineering vehicle (PiPz) approved
- Challenger expected to be booked imminently
- Puma upgrade decision scheduled for June 2021
- East European IFV contract expected for H2 2021
- Italy indicated interest for IFV "Dardo" successor

IHS Forecast LV production volumes

- Strong annual recovery, but downward revision of Q2 due to chip shortage



Supply situation

- Semiconductor shortage is becoming more of a concern
- Raw material price increase, but pass through and hedging in place
- Transportation capacities under pressure

*IHS monthly publication 2021

Outlook

Application of IFRS 5 as of Q2 2021

- The status of the disposal process for the piston business has progressed sufficiently in order to qualify the business in accordance with IFRS 5 as discontinued operations
- Application as of Q2 2021
- Presentation of Pistons as discontinued operations triggers the following effects:

FY 2020	reported	Piston IFRS 5 adjusted	IFRS 5 adjusted
Sales	€5,875m	€469m	€5,406m
Operating result	€426m	-€26m	€452m
Operating margin	7.3%	-5.5%	8.4%

Outlook

FY Guidance unchanged, updated for IFRS 5 accounting!

Q2 trading update

- Large vehicle orders from the UK and Germany expected
- Recovery of global LV markets supportive, but still uncertainties due to supply issues
- Group sales significantly above PY level
- Operating margin expansion to 7-8%

FY 2021 Guidance

Operational sales growth

7-9%

(2020 IFRS 5 adjusted: €5,406m)

Operating margin

9-10%

(2020 IFRS 5 adjusted: 8.4%)

Guidance update reflects application of IFRS 5 starting in Q2 2021.

This scenario is based on the assumption that potential production losses resulting from electronic component shortages in the first half of the year will be limited and excludes severe effects from additional Covid lockdowns.

Next events and IR contacts

Next Events

Goldman Sachs, European Small and Mid Cap Conference	All investor meetings will be virtual	07 May 2021
UBS, Pan European Small and Mid Cap Conference		12 May 2021
Berenberg, US Conference		20 May 2021
UBS, Best of Europe		27 May 2021
UBS, Global Industrials and Transportation		08 June 2021
M.M. Warburg, Warburg Highlights		09 June 2021
DB, dbAccess Berlin Conference		16-17 June 2021
Annual General Meeting Rheinmetall AG		11 May 2021
Q2 2021 Earnings call		05 August 2021
Q3 2021 Earnings call		05 November 2021

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Quick link to documents

Corporate Presentation



Interim Reports



Annual Reports



Rheinmetall AG - Analyst Conference Call Q1 2021

APPENDIX

Rheinmetall 2016-2020: Key figures (as reported)

in €m		2016	2017	2018	2019	2020
Balance Sheet	Total assets	6.150	6.101	6.759	7.415	7.267
	Shareholder's equity	1.781	1.870	2.173	2.272	2.053
	Equity ratio (in %)	29,0	30,7	32,1	30,6	28
	Pension liabilities	1.186	1.080	972	1.169	1.177
	Net financial debt	19	230	-30	-52	4
	Net gearing (in %)	-1,1	-12,3	1,4	2,3	-0,2
Income	Sales	5.602	5.896	6.148	6.255	5.875
	Operating result	353	400	491	505	426
	Operating margin (in %)	6,3	6,8	8,0	8,1	7,3
	EBITDA	581	626	836	792	647
	EBIT	353	385	518	512	89
	EBIT margin (in %)	6,3	6,5	8,4	8,2	1,5
	EBT	299	346	485	477	57
	Net income	215	252	354	354	1
	Earnings per share (in EUR)	4,7	5,2	7,1	7,8	-0,6
	Dividend per share (in EUR)	1,5	1,7	2,1	2,4	2,0
	ROCE (in %)	10,6	12,3	13,8	17,1	2,7
	Free cashflow from operations	161	276	-35	314	217
CF statement						
Headcount	Employees (Dec. 31) according to capacity	20.993	21.610	22.899	23.780	23.268

Rheinmetall Q1 2020-Q1 2021: Key figures

	Rheinmetall				
in €m	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Order intake	1.172	1.106	1.185	5.053	1.213
Order backlog	10.305	10.411	10.177	13.367	13.258
Sales	1.358	1.239	1.382	1.896	1.405
Operating result	34	36	101	256	87
Operating margin (in %)	2,5	2,9	7,3	13,5	6,2
EBITDA	109	73	127	337	148
EBIT	34	-266	66	256	87
EBIT margin (in %)	2,5	-21,5	4,8	13,5	6,2
Cash outflow for additions to tangible and intangible assets	46	49	50	91	41
OFCF	-188	-221	41	585	-59
Employees according to capacity	23.671	23.251	23.152	23.268	23.591

Balance Sheet

	31.12.2020	31.03.2021	Δ
Non-current assets	2.928	2.919	-9
Goodwill	476	478	2
Other intangible assets	240	247	7
Right of use assets	233	224	-9
Property, plant and equipment	1.132	1.125	-7
Investment property	39	38	-1
Investments carried at equity	288	307	19
Other non-current financial assets	272	281	9
Deferred tax assets	249	219	-30
Current assets	4.339	4.554	215
Inventories	1.573	1.696	123
Contractual assets	352	324	-28
Trade receivables	1.170	1.309	139
Other current assets	192	254	14
Income tax receivables	24	38	-
Cash and cash equivalents	1.027	934	-93
Total assets	7.267	7.473	206

	31.12.2020	31.03.2021	Δ
Equity	2.053	2.221	168
Share capital	112	112	-
Additional paid-in capital	556	556	-
Retained earnings	1.233	1.389	156
Treasury shares	-13	-13	-
Rheinmetall AG shareholders' equity	1.888	2.044	156
Minority interests	165	177	12
Non-current liabilities	2.326	2.183	-143
Provisions for pensions and sim. obligations	1.177	1.037	-140
Other non-current provisions	191	200	9
Non-current financial debts	873	856	-17
Other non-current liabilities	82	85	3
Deferred tax liabilities	4	5	1
Current liabilities	2.888	3.068	180
Other current provisions	796	859	63
Current financial debts	150	154	4
Contractual liabilities	968	1.108	140
Trade liabilities	700	684	-16
Other current liabilities	198	178	-20
Income tax liabilities	76	85	9
Total liabilities	7.267	7.473	206

Cashflow Statement

	Q1 2020	Q1 2021	Δ
Net income	18	58	40
Amortization, depreciation and impairments	75	61	-14
Allocation of CTA assets to secure pension and partial retirement obligations	-42	-25	17
Changes in pension provisions	-3	-4	-1
Income from disposition of non-current assets	0	0	-
Changes in other provisions	59	82	23
Changes in inventories	-182	-112	70
Changes in receivables, liabilities (without financial debts) and prepaid & deferred items	-68	-91	-23
Pro rata income from investments carried at equity	1	-9	-10
Dividends received from investments carried at equity	0	1	1
Other non-cash expenses and income	0	22	22
Cashflows from operating activities	-142	-17	125
Cashflows from investing activities	-44	-60	-16
Cashflows from financing activities	-23	-16	7
Changes in financial resources	-209	-94	115
Changes in cash and cash equivalents due to exchange rates	-6	0	6
Total change in financial resources	-215	-94	121
Cash and cash equivalents 31.12.2020	920	1.027	107
Cash and cash equivalents 31.03.2021	705	934	229

Income Statement

	Q1 2020	Q1 2021	Δ
Sales	1.358	1.405	47
Changes in inventory and other own work capitalized	126	87	-39
Total operating performance	1.484	1.492	8
Other operating income	26	25	-1
Cost of materials	804	747	-57
Personnel expenses	442	459	17
Amortization, depreciation and impairment	75	61	-14
Other operating expenses	160	161	1
Income from investments carried at equity	-1	9	10
Other net financial income	6	-10	-16
Earnings before interests and taxes (EBIT)	34	87	53
Net interest income	2	2	-
Interest expenses	-11	-11	-
Earnings before taxes (EBT)	25	78	53
Income taxes	-7	-20	-13
Earnings after taxes	18	58	40
Of which:			
Minority interests	5	9	4
Rheinmetall AG shareholders	13	49	36
EBITDA	109	148	39

Free Cash Flow Summary

	in €m	Q1 2021	Q1 2020	Δ	Δ in%
Net Income		58	18	40	225,9%
Amortization / depreciation		61	75	-14	-18,7%
Allocation of CTA assets to secure pension and partial retirement obligations		-25	-42	17	40,5%
Change in pension accruals		-4	-1	-3	-300,0%
Income from disposition of non-current assets		0	0	0	
Changes in working capital		-112	-182	70	38,2%
Changes in other items		5	-10	15	150,2%
Cash Flow from operating activities		-17	-142	124	87,8%
Cash outflow for additions to tangible and intangible assets		-41	-46	5	11,1%
Operating Free Cash Flow		-59	-188	129	68,8%

Outlook

Guidance 2021 by division in the new reporting structure and IFRS 5 adjusted

		2020 Proforma	Outlook 2021e ^{1,2}
Vehicles Systems	Sales	€1,846m	Slightly improved sales
	Margin	8.1%	On previous year margin level
Weapon and Ammunition	Sales	€1,199m	Notably improved sales
	Margin	15.4%	Slightly above previous year level
Electronic Solutions	Sales	€931m	Slightly improved sales
	Margin	9.8%	On previous year margin level
Sensors and Actuators	Sales	€1,202m	Significantly improved sales
	Margin	3.0%	Significantly higher margin level
Materials and Trade	Sales	€536m	Notably improved sales
	Margin	6.1%	Notably higher margin level
Pistons (DCO)	Sales	€479m	Significantly improved sales
	Margin	-4.5%	Significantly higher margin level

IHS global LV production growth for 2021 expected to be around 13.4%; applies to Pistons and Sensors and Actuators markets

¹ For sales, "slightly" indicates a change of up to +/- 5%, "notably" indicates a change of +/- 5-10% while a change of more than +/- 10% is referred to as "significantly".

² For margin figures, "slightly" indicates a change of up to +/- 10bp, "notably" of +/- 10 to 30bp while a change of more than +/- 30bp is deemed "significantly".