



HENSOLDT

The new defence environment

Capital Markets Day 2022

London, 14th of December 2022

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Agenda

1.	Introduction	Thomas Müller Chief Executive Officer
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4.	A sustainable workplace to attract the right people	Dr. Lars Immisch Chief HR Officer
5.	Updating our medium term guidance	Christian Ladurner Chief Financial Officer

1. Introduction

Thomas Müller, Chief Executive Officer

HENSOLDT has fully delivered on its commitments at IPO

	IPO targets ⁽¹⁾	2019A – 2022E ⁽²⁾	
Revenue growth	~15%	~15%	
Adjusted EBITDA margin⁽³⁾ before pass-through revenue	~18%	~19%	
Dividends % adjusted net income	Up to 20%	Up to 20%	
Net leverage⁽⁴⁾	2.25x	~1.25x	

(1) 2020A - 2022E targets at IPO from the roadshow presentation, September 2020; revenue growth since IPO stated as CAGR implied from mid target ranges; adjusted EBITDA margin calculated as yearly average; net leverage IPO target for end of 2021; (2) Revenue growth stated as CAGR; adjusted EBITDA margin calculated as yearly average; net leverage calculated as year end 2021A net debt to adjusted EBITDA; (3) Adjusted EBITDA margins excluding certain non-recurring items such as IPO costs (in the past) or OneERPnow costs (going forward); (4) Net leverage includes lease liabilities, but excludes pensions

Unique high growth defence and security investment

*“We strive to become Europe’s **leading, platform-independent provider of defence and security sensor solutions** with global reach.”*

Focused
leader in
attractive
markets

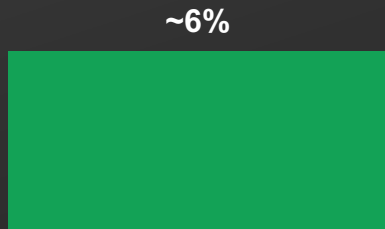
Platform-
agnostic

Customer
centric
business
model

Platform for
high growth

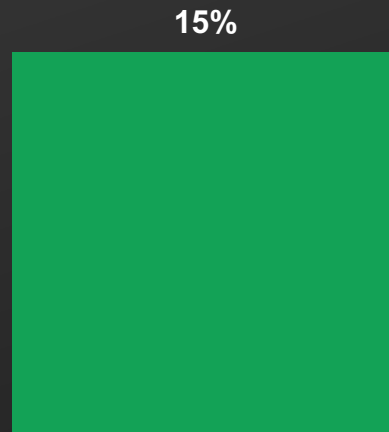
HENSOLDT has outgrown its core markets

Accessible defence electronics market⁽¹⁾



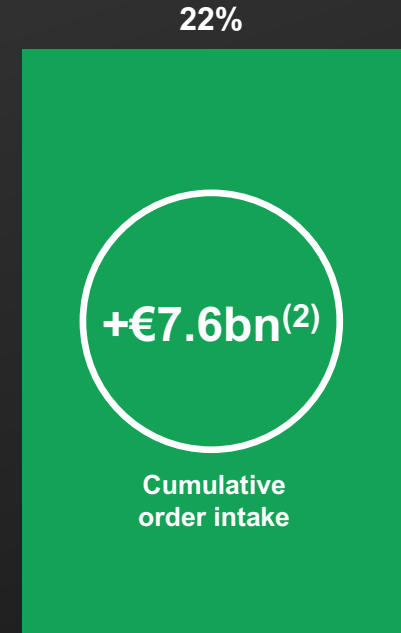
CAGR 2019A - 2022E

HENSOLDT revenue



CAGR 2019A - 2022E

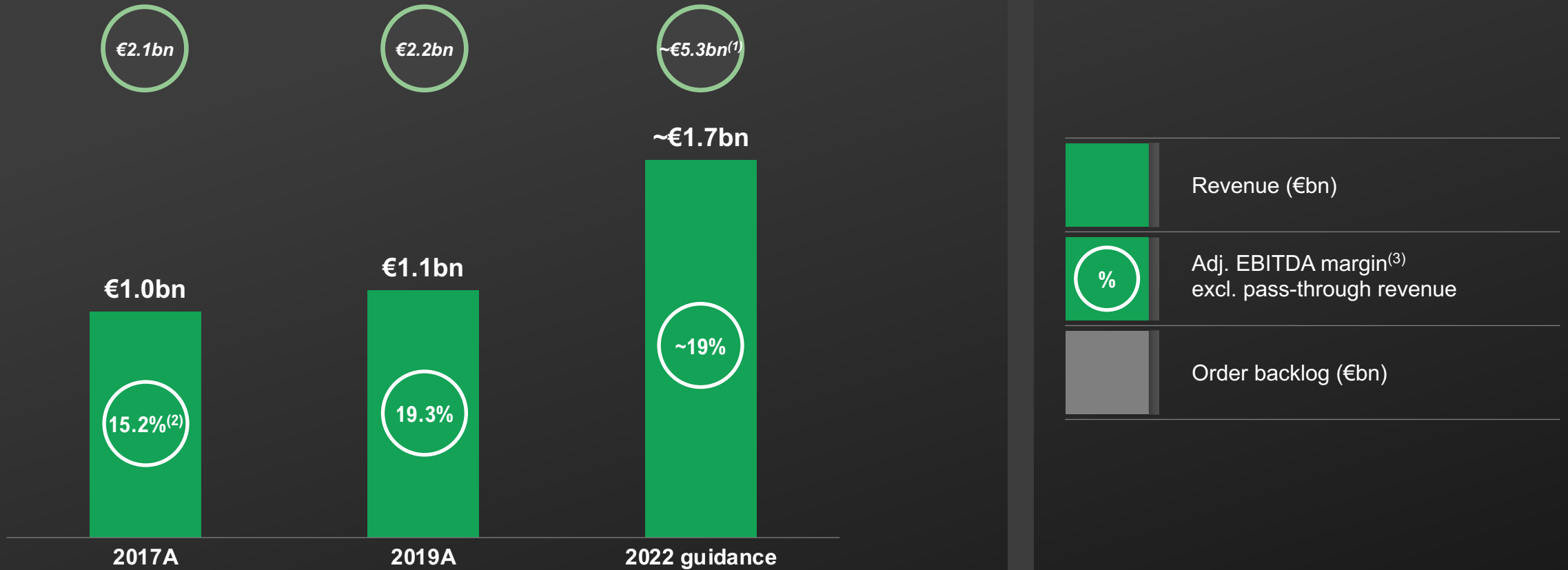
HENSOLDT order intake



CAGR 2019A - 2022E

Source: Renaissance Strategic Advisors, HENSOLDT AG. (1) Refers to global accessible defence electronics market; (2) Management estimate for cumulative order intake 2020A – 2022E, based on 2022E targets

HENSOLDT successfully converted a large order backlog into high and profitable growth



Source: HENSOLDT AG. (1) Management estimate based on 2022E guidance; (2) Pre IFRS 16; (3) Adjusted EBITDA margins excluding certain non-recurring items such as IPO costs (in the past) or OneERPnow costs (going forward)

2. The new defence environment

Thomas Müller, Chief Executive Officer

We find ourselves in a new defence environment

Threat Environment

- Significant uptick of threat environment in Europe through Russian war against Ukraine
- Military tensions rise in both the South China Sea and the Pacific
- Rise in new forms of warfare such as cyber attacks and covert threats to economic infrastructure



Civil Unrest

Asymmetric Conflict

Conventional Adversaries

Conflict / Area of Tension

Source: Renaissance Strategic Advisors

Implications

- Clear shift in global security perception
- Higher commitment to defence budgets and NATO targets
- In Europe, focus on increasing conventional capabilities, especially on land
- In APAC, strong demand to increase maritime capability
- Increasing push towards future capabilities including smart sensors, electronic warfare, data fusion and analytics

Our products are proving critical to the defence and security of Germany and its allied partners

Examples

TRML – 4D



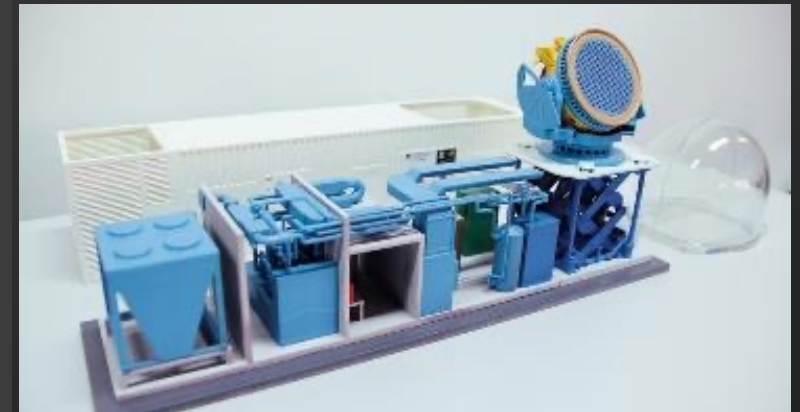
Equipment supply to Ukraine

PEGASUS



Achieving information superiority

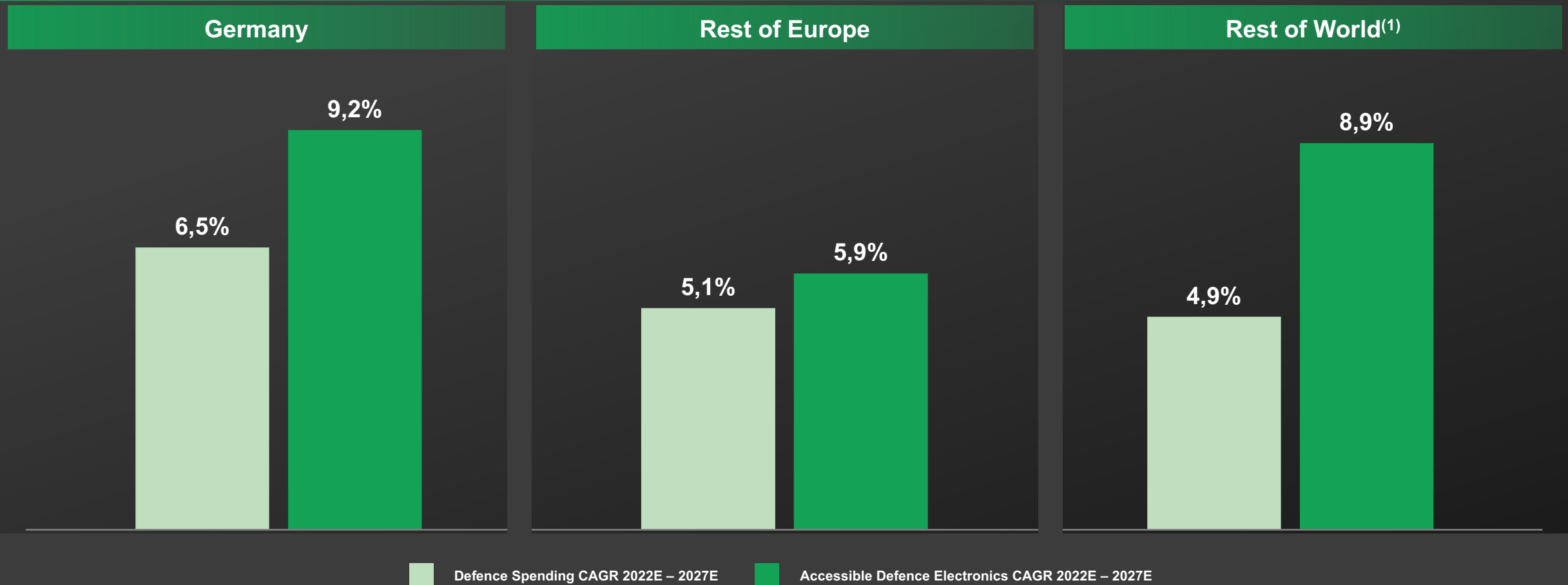
GESTRA



Space, a key defence and security capability enabler

Source: HENSOLDT AG

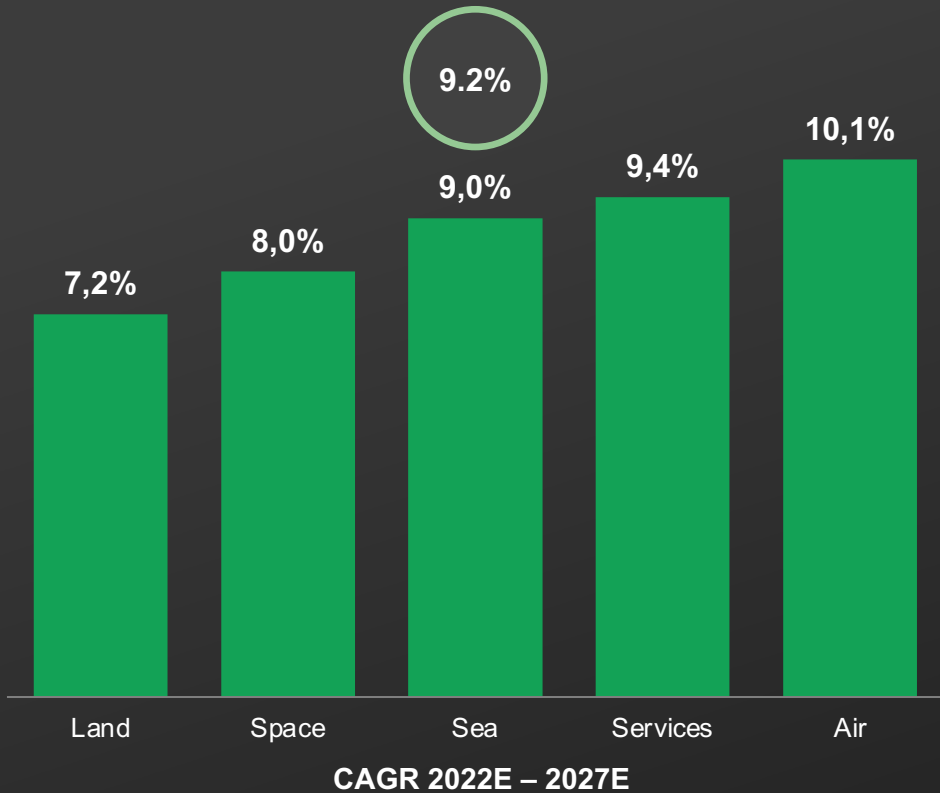
Strong global growth in defence budgets, especially in our core markets



Source: Renaissance Strategic Advisors. Global figures do not include Russia, China, Iran, Syria, North Korea. (1) Rest of World excludes Geographical Europe

Strong German defence electronics market growth translating into concrete opportunities for HENSOLDT

German accessible defence electronics market

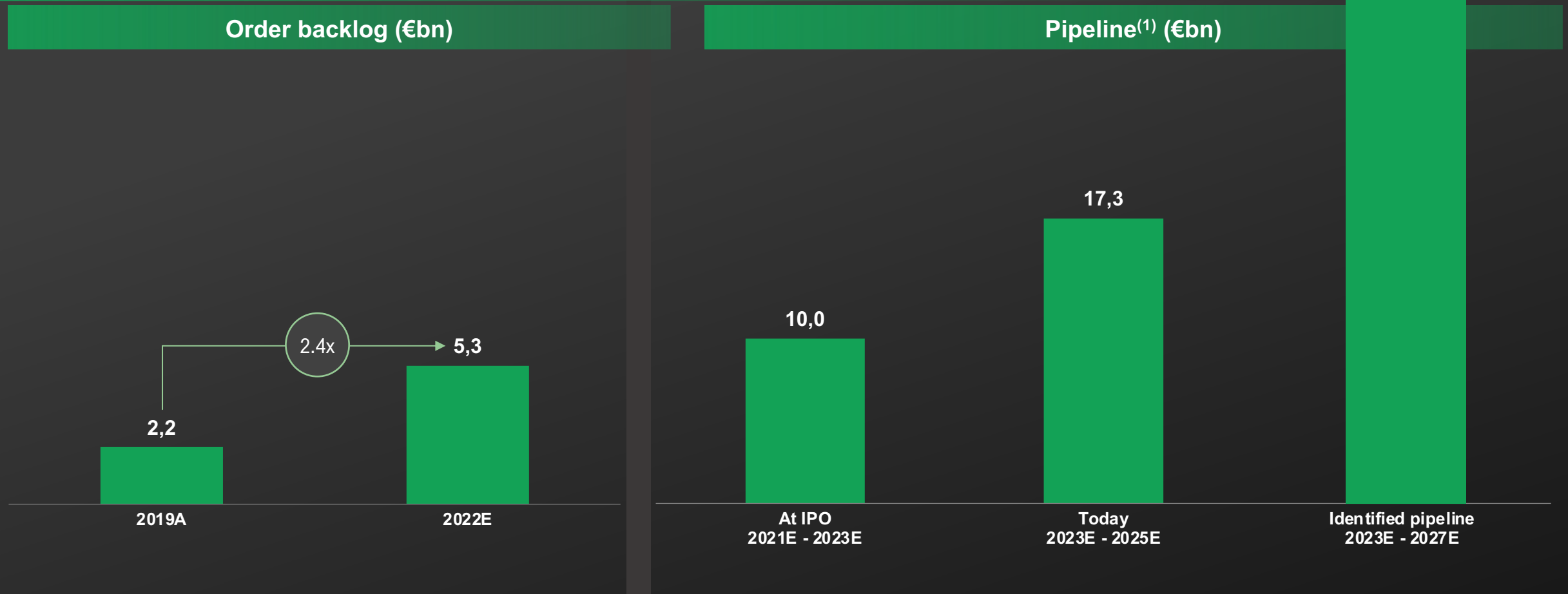


Example opportunities for HENSOLDT

FCAS	Eurofighter EW capabilities
EuroDrone	GESTRA
Ground-based Air Defence	MGCS
Counter UAV	Digitization of Land Forces
F127 frigate	Heavy Infantry Vehicle PUMA

Source: Renaissance Strategic Advisors, HENSOLDT AG

HENSOLDT is capitalizing on the new defence environment with a record order backlog and pipeline⁽¹⁾



Source: HENSOLDT AG. (1) Pipeline is defined as total identified opportunities open for tender, based on management estimates of total value of contracts addressable over specified period (unadjusted for win probabilities for HENSOLDT)



Multi-Domain is the future of warfare: Sensors at the core of the connected battlefield

3. The HENSOLDT growth strategy

Celia Pelaz, Chief Strategy Officer

HENSOLDT strongly positioned for the future of warfare

European pure-play sensor solutions leader with state-of-the-art technology

Focused capability

100% pure-play defence electronics player

Leadership

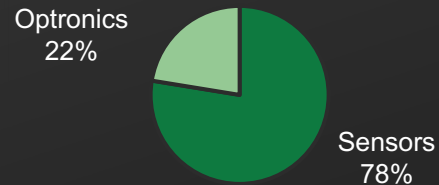
Champion status with >150 years of heritage

Strong technology

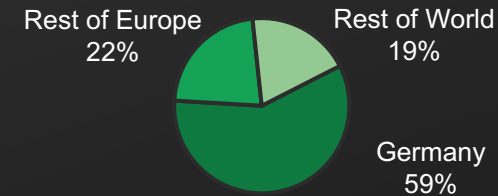
€98m R&D cash spend⁽¹⁾ in 2021A

Addressing multiple attractive markets

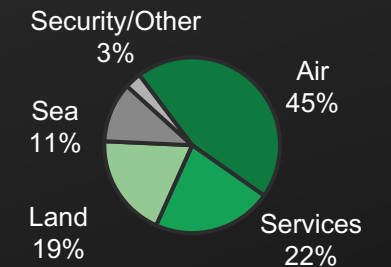
Growth segments (2021A)⁽²⁾



Global reach (2021A)⁽³⁾

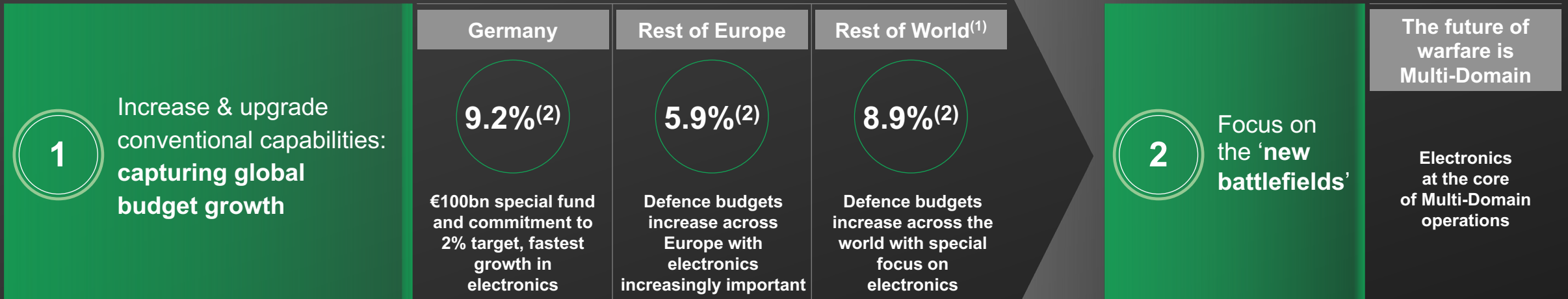


Across domains (2021A)⁽⁴⁾



Source: HENSOLDT AG. (1) Includes R&D costs and capitalized development costs; (2) Referring to 2021A revenue, Sensors: Radar & Naval Solutions, Spectrum Dominance & Airborne Solutions, and Customer Services & Space Solutions and includes Elimination/Transversal/Others; Optronics: optronics and optical and precision instruments for military, security and civil applications; (3) Referring to 2021A revenue, RoW includes Elimination/Transversal/Others; (4) Referring to 2021A revenue

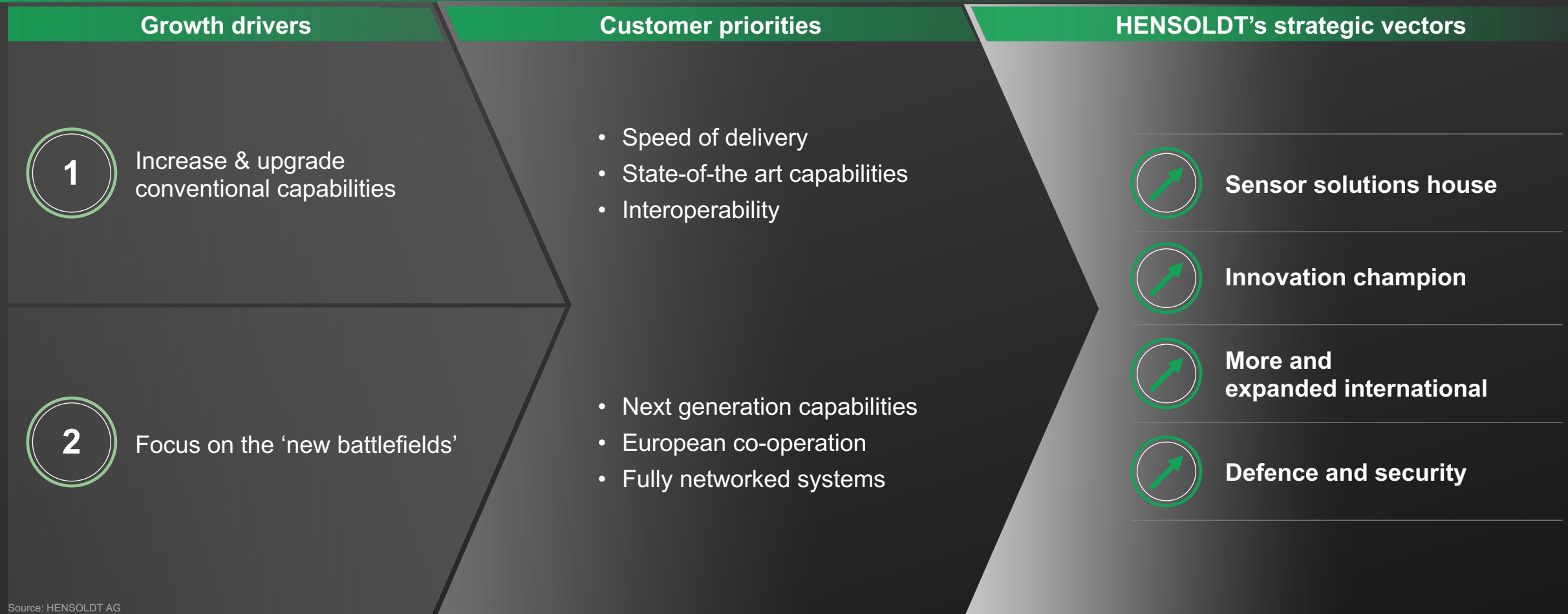
HENSOLDT to capture key pockets of growth for decades to come



Defence budgets increase globally with special focus on electronics

Source: Renaissance Strategic Advisors. Global figures do not include Russia, China, Iran, Syria, North Korea. (1) Rest of World excludes Geographical Europe; (2) Growth refers to accessible electronics market growth 2022E - 2027E

HENSOLDT has the right strategy to capture these growth pockets



Source: HENSOLDT AG

There is a strong & immediate global demand to increase and upgrade conventional capabilities

HENSOLDT core regions

Germany & Rest of Europe

APAC

Middle East & Northern Africa

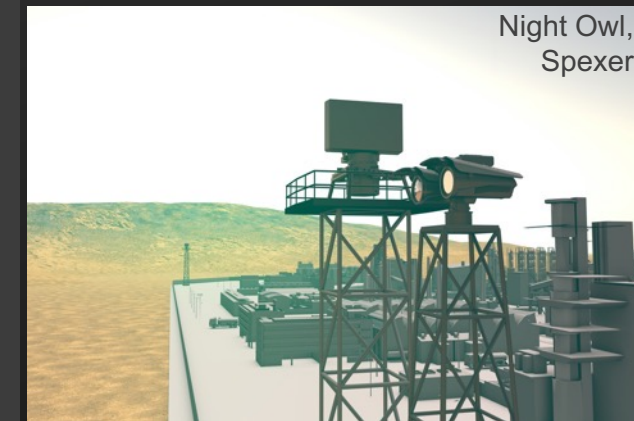
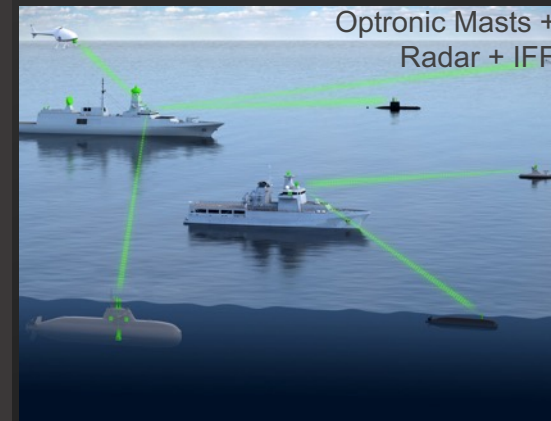
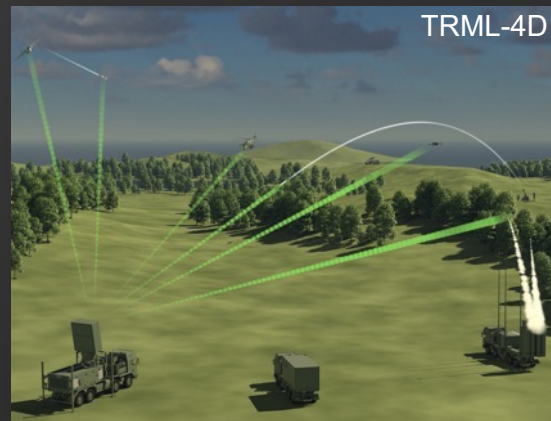
Key priorities for increase and upgrade

Land & Air Defence

Maritime Surveillance

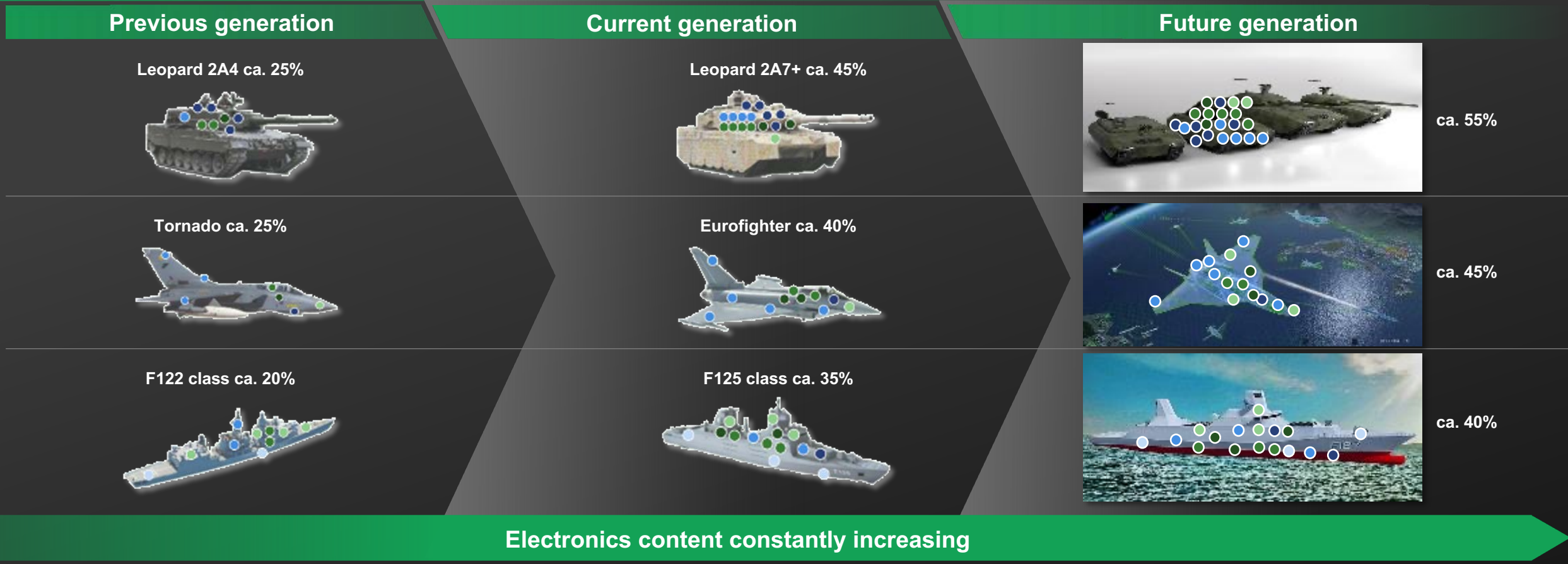
Border Protection

Examples of key solutions



Source: HENSOLDT AG

At the same time, electronics content & network connectivity on platforms continues to increase



Indicative systems | ● Acoustics ● Electronic Warfare ● Optronics ● Radar ● Communications ● Command and Control / Avionics

Source: Renaissance Strategic Advisors. Percentages refer to electronics content per domain

HENSOLDT is strongly positioned to capture this rising demand for interconnected solutions in electronics

2017

- Driver Vision System SPECTUS



2022

- Driver Vision System SPECTUS
- Gunner Sight (EMES) ATTICA GL & Laser
- Commander Sight PERI R17



2025+

- Driver vision system
- Digital Gunner Sight, infra red, Laser
- Commander Sight Digital PERI R17
- 360° SAS SETAS
- Augmented reality & sensor fusion CERETRON



Electronics content constantly increasing

Source: HENSOLDT AG

HENSOLDT is selectively moving up the value chain to capture more platform content

Before 2017

EuroHawk

- Payload



2022

Pegasus

- Integration
- Payload



2025+

FCAS

- Cross-platform sensor network
- Payload pre-integration on the platform
- Payload



Electronics content constantly increasing

Source: HENSOLDT AG

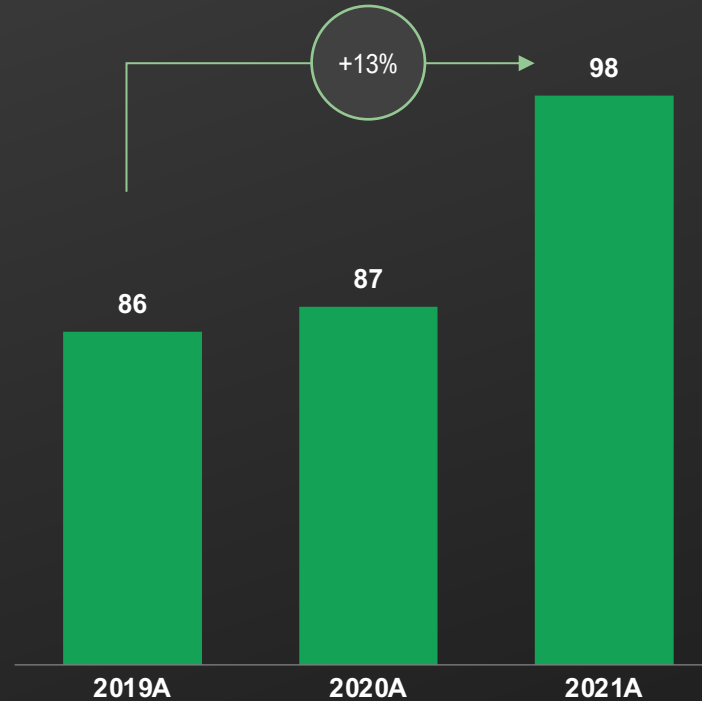
...and continues to invest to remain at the forefront of leading capabilities

Key capabilities strengthened L5Y

- ✓ Air Defence radar
- ✓ Airborne and Naval C2⁽¹⁾
- ✓ Land connect **Electro Optical**, radar and **Electronic Warfare** sensors
- ✓ **SIGINT⁽²⁾** and **Electronic Attack** in Electronic Warfare
- ✓ New **OSINT⁽³⁾** competences
- ✓ Digital Services

Strong focus on R&D since the IPO

Self-funded R&D (€m)



Future areas of focus

Future Combat Aircraft System

Air Defence

Multi-Source Data Fusion & Artificial Intelligence

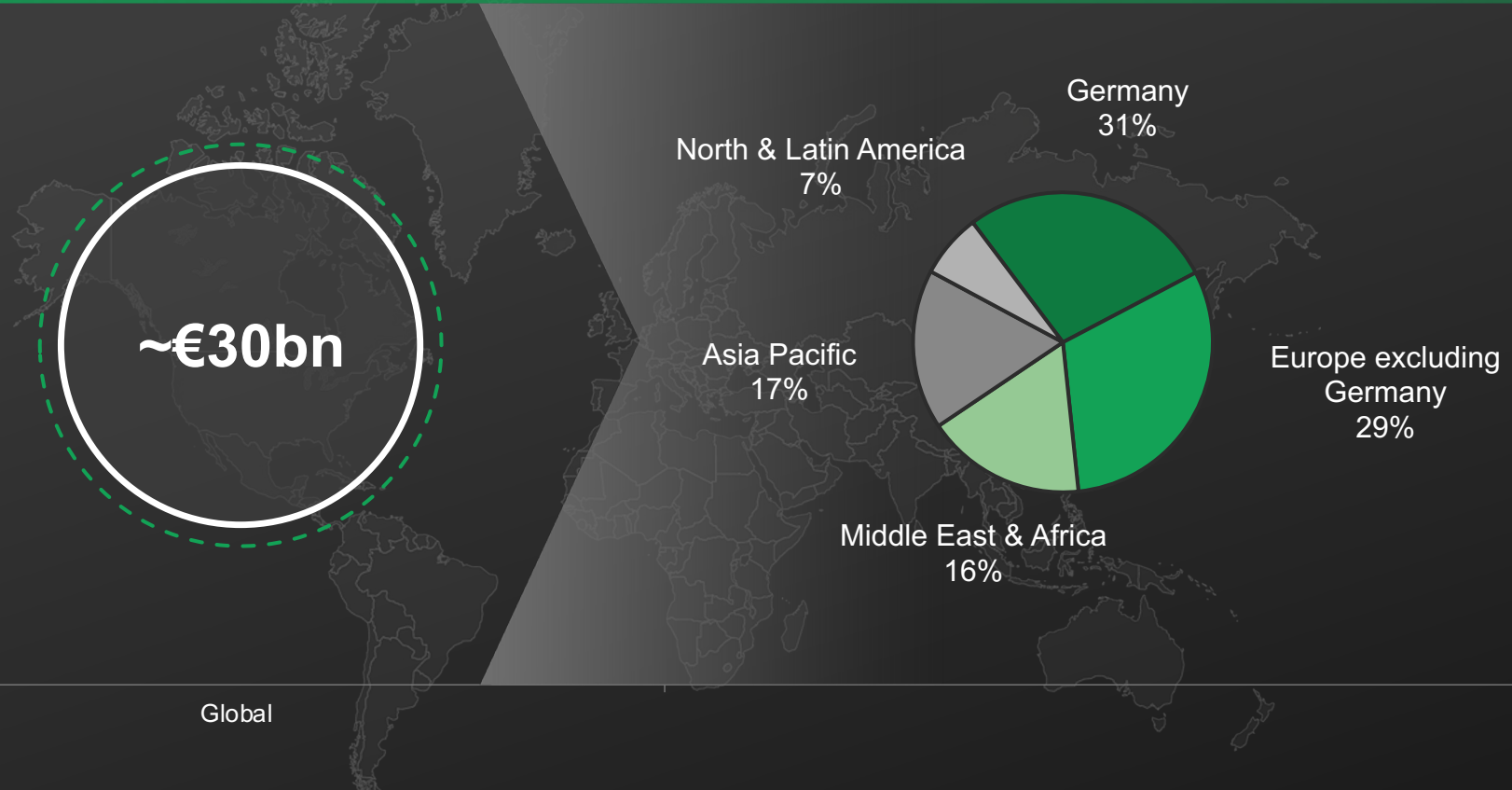
Electronic Warfare

Enhanced Situational Awareness

Source: HENSOLDT AG. (1) Command and Control; (2) Signals Intelligence; (3) Open-Source Intelligence

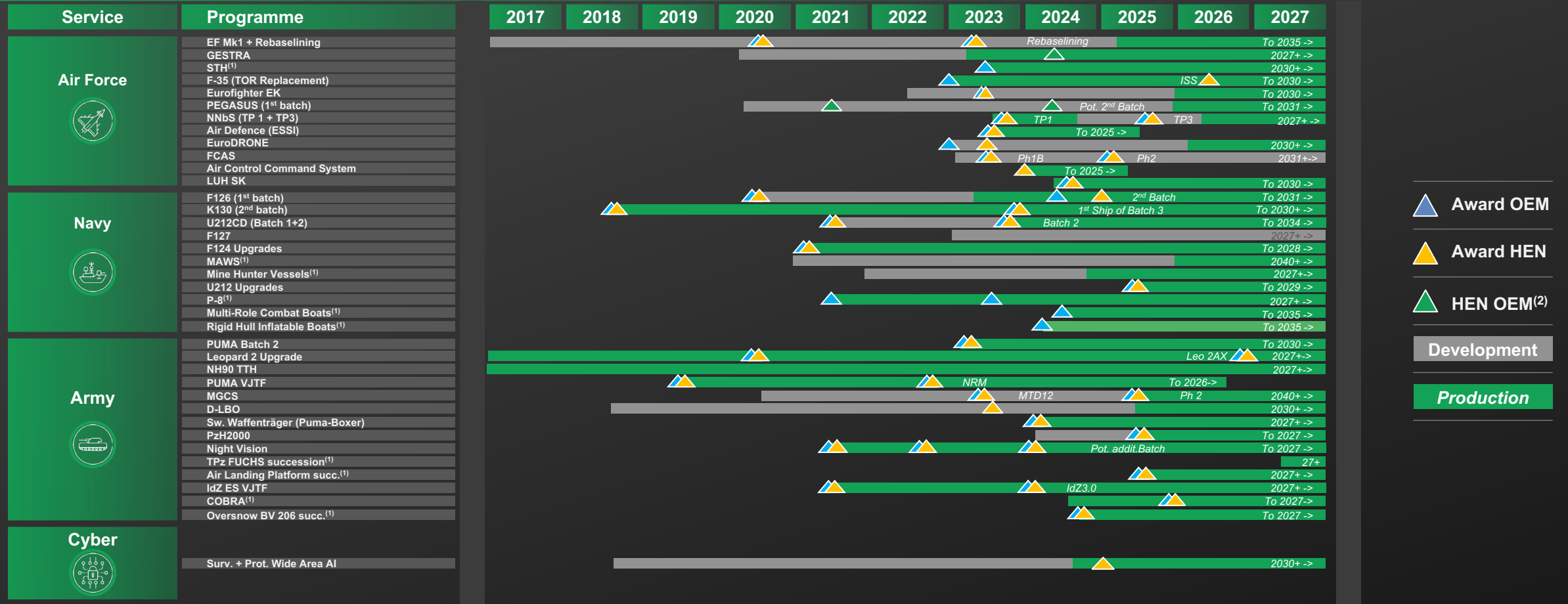
Today we already have a global order pipeline⁽¹⁾ of ~ €30bn over the next 5 years and it will continue to grow

Order pipeline⁽¹⁾ by region (€bn)



Source: HENSOLDT AG. (1) Pipeline is defined as total identified opportunities open for tender, based on management estimates of total value of contracts addressable over specified period, here 2023E – 2027E (unadjusted for win probabilities for HENSOLDT)

HENSOLDT set to benefit from upcoming German programs

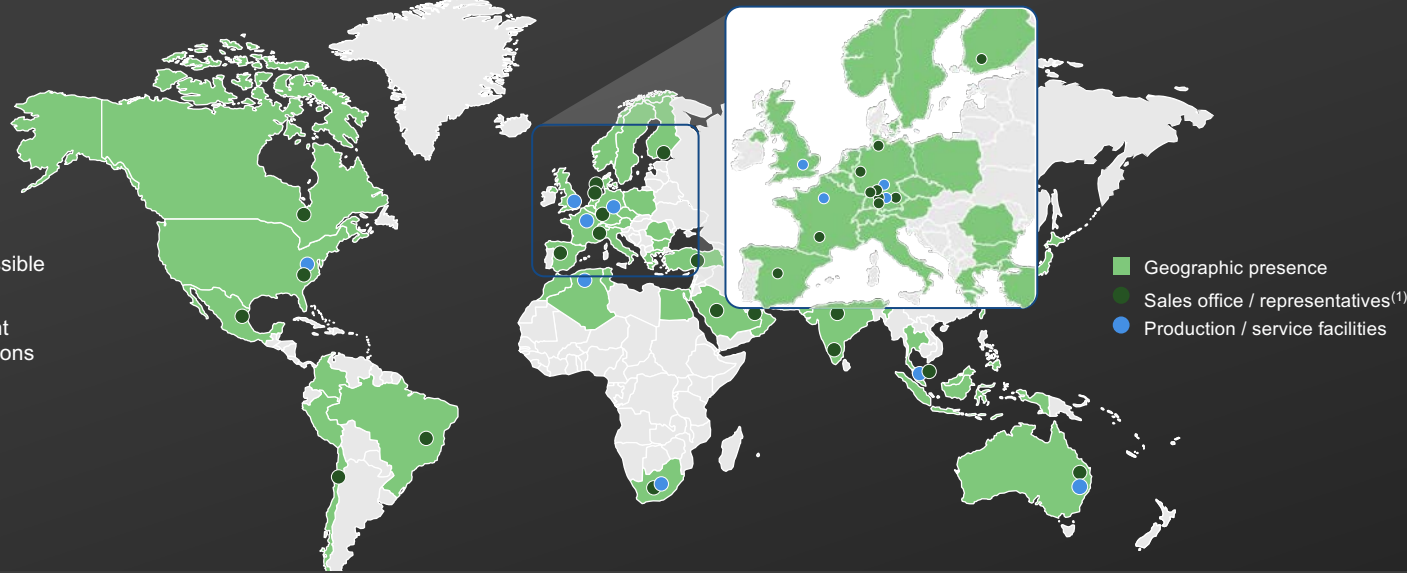


Source: Renaissance Strategic Advisors, Bundeswehr, HENSOLDT AG. Note: All based on current estimates and subject to change. (1) No Award/no order intake planned for HENSOLDT yet; (2) Original equipment manufacturer

Our go-to-market: HENSOLDT has a global footprint with presence in all major accessible defence markets

Comprehensive global footprint

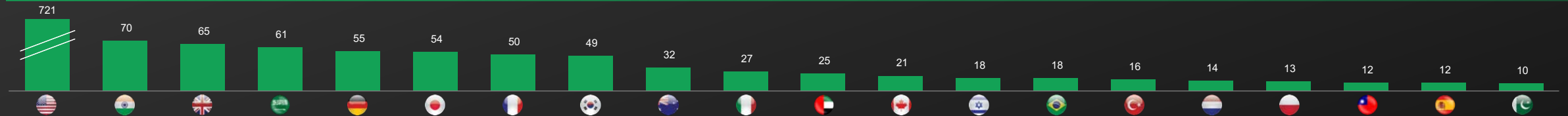
- Present in 19 key accessible defence markets
- Established independent sales offices in 19 locations



Embedded with prime partners




































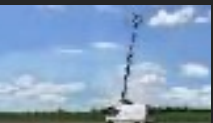












Defence spending by top 20 accessible defence markets (€bn, 2022)⁽²⁾



Source: HENSOLDT AG. (1) Includes established sales offices, locations with a sales representative present; (2) Source: Renaissance Strategic Advisors; reflects accessible defence markets, excludes Russia, China and Iran. Production office of Sidi bel Abbès Algeria is part of a joint venture and not explained in the following presentation

Leveraging our presence to capture international opportunities & budget growth

German platform presence		Selected international opportunities								
										
Type 212	Leopard 2	AMPV 	Leopard 2 	Walrus Class 	TRML-4D (Baltics)	SERPENS 	Eurofighter 	SkyShield Europe		
										
Eurofighter	F126	Orca Class 	Knife Fish 	Land 400 	Space SSA 	TRML-4D 	Eurofighter 	LCH 		
										
PEGASUS	Puma	F-16 	IDS 	Kalvari Class 	TwinVis FAA 	Leopard 2 	Baykar TB2 	M1 Abrams 		

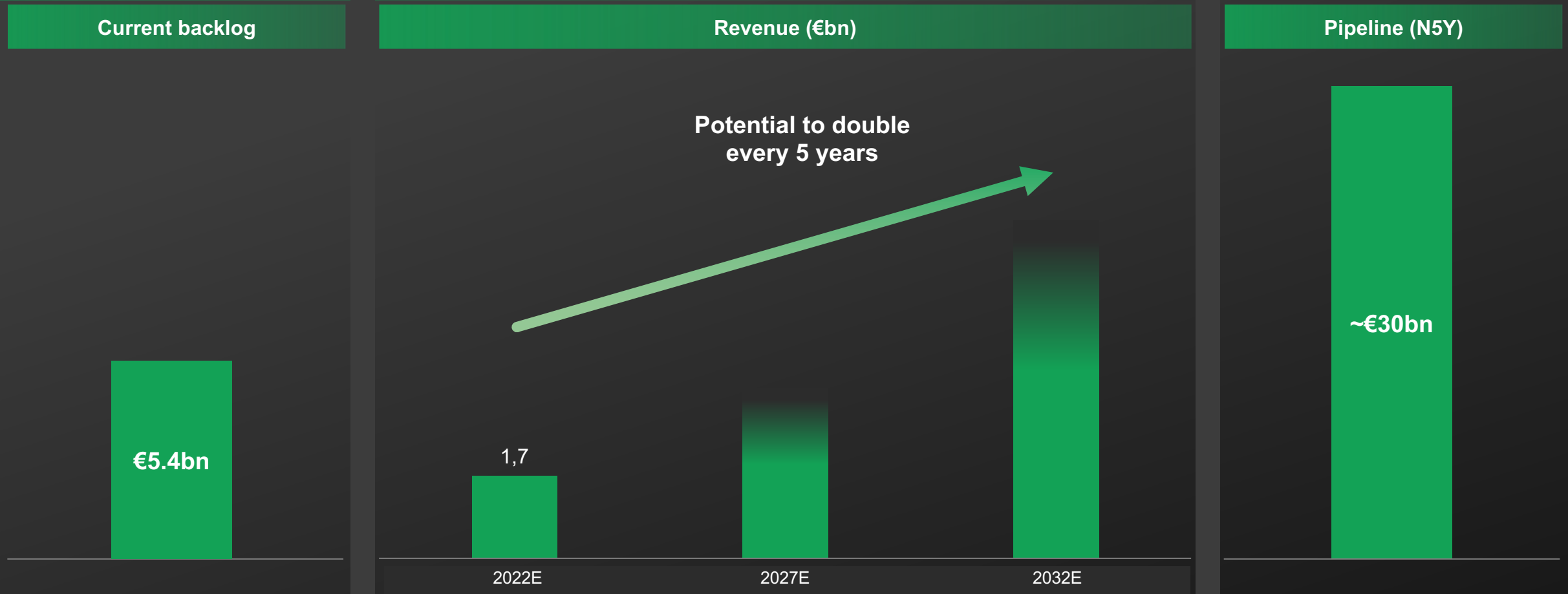
Source: HENSOLDT AG

Targeted M&A remains a core part of HENSOLDT's growth path



Source: HENSOLDT AG

HENSOLDT has the potential to double revenue every five years

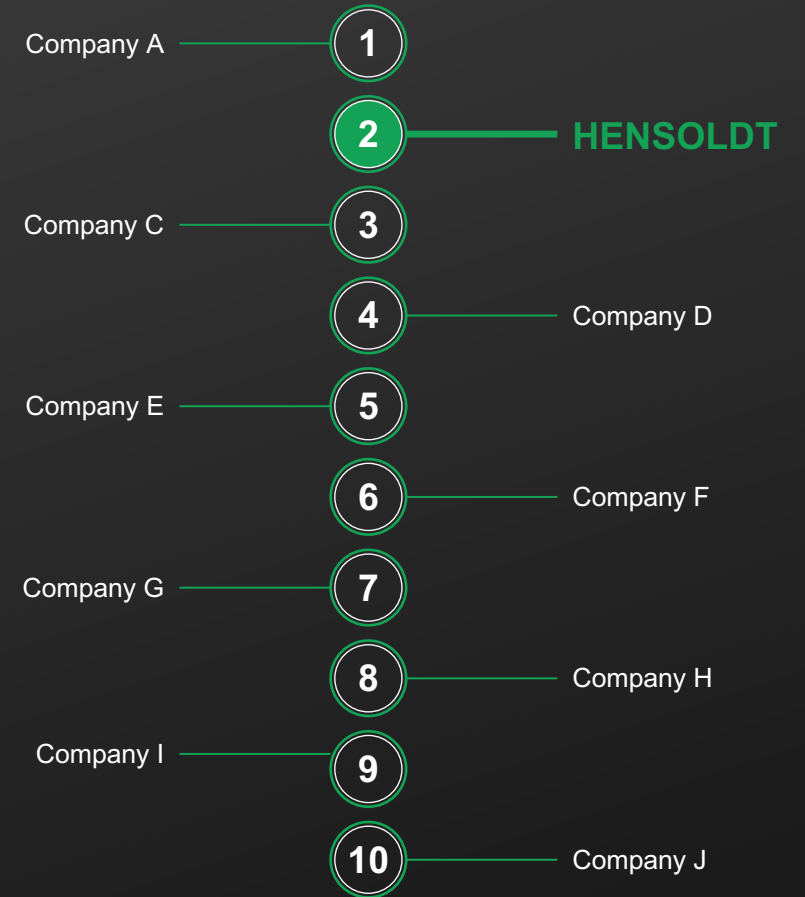
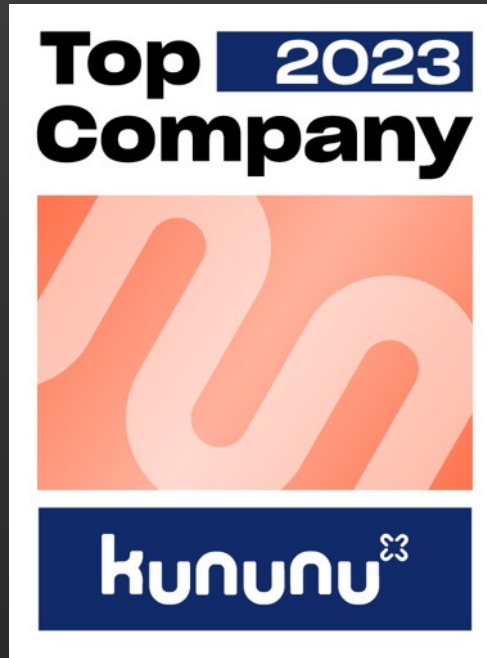




4. A sustainable workplace to attract the right people

Dr. Lars Immisch, Chief HR Officer

HENSOLDT is a top 2 employer in Germany



Source: Kununu, ZEIT Verlagsgruppe, HENSOLDT AG. Note: Ranking reflects sector benchmark

We have highly qualified and motivated employees...

Highly motivated employees⁽¹⁾

4.3/5.0

Overall score

92%

Recommend HENSOLDT as employer

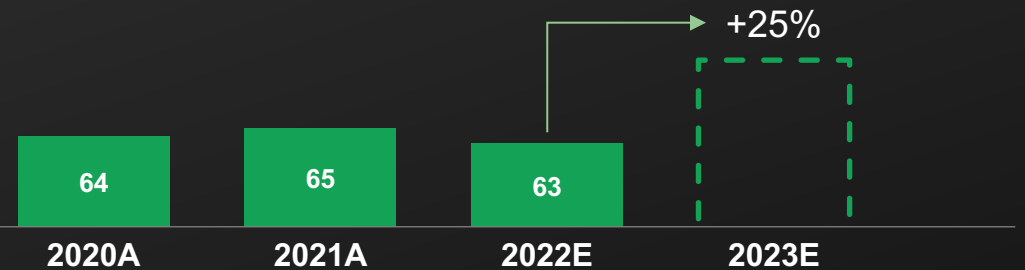
Gender Diversity

Percentage of women in our leadership team from currently 19% to 25% by 2024.



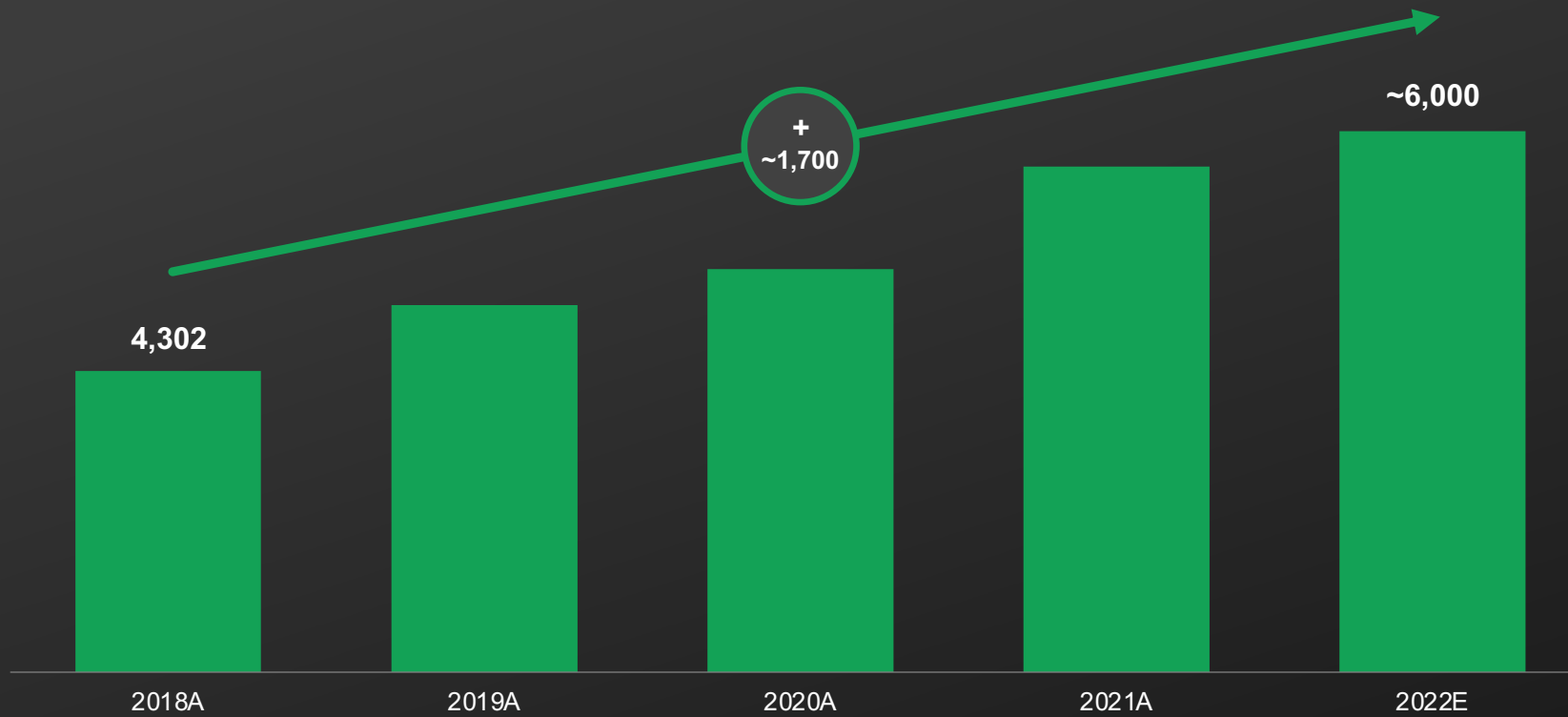
Source: HENSOLDT AG, Kununu. (1) Kununu data for HENSOLDT AG as of Dec-22

Apprenticeships



...and a proven track record in hiring

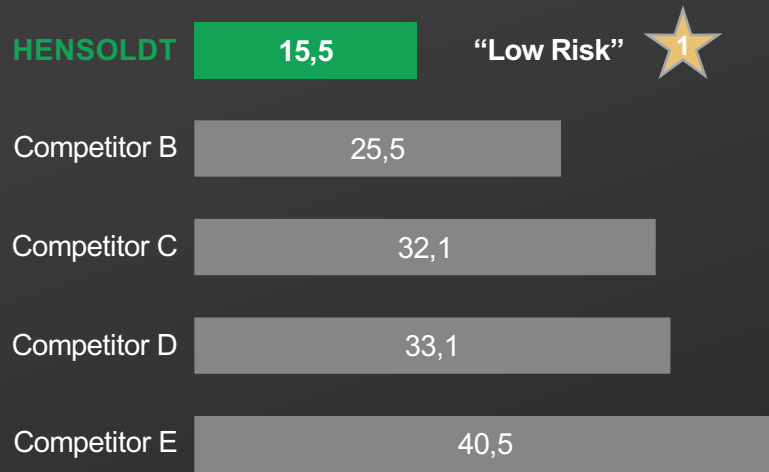
Number of employees⁽¹⁾



Source: HENSOLDT AG. (1) Headcount active workforce consolidated companies & temporary workers and excluding trainees & interns

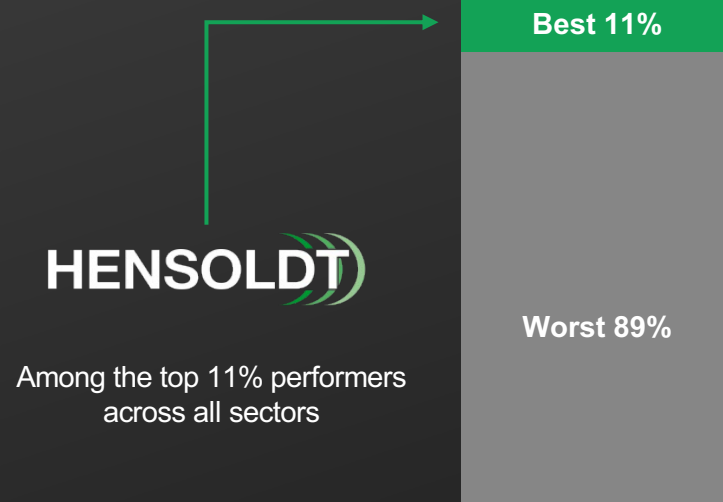
HENSOLDT is an ESG leader in the sector and beyond...

Sustainalytics: HENSOLDT is an ESG leader in the A&D sector...



*Sustainalytics' rating scale
(1 being best / 40 + being worst)*

...and also performs very well beyond the sector peers



Key rating agencies see HENSOLDT as sector outperformer



SUSTAINALYTICS

Only "low risk" in A&D



S&P Global

Above average in A&D



REFINITIV

Top 10 in A&D sector



MSCI

Above average in A&D

Source: MSCI (2021), Refinitiv (2022), S&P Global (2022), Sustainalytics (2022)

...and HENSOLDT keeps focus on ESG to maintain leadership role

Key achievements and focus going forward

Reporting and reputation

- ✓ Publication of ESG report
- ✓ Comprehensive ESG communication plan and ESG narrative
- ✓ Successful ESG ratings from e.g. Sustainalytics, MSCI, Gaia, S&P

Strategy and initiatives

- ✓ Successful launch of ESG Strategy 2026
- ✓ Implementation of human rights programme and policy
- ✓ Definition of CO₂ targets following SBTi⁽¹⁾ framework and implementation of first measures

Focus going forward

- ✓ Further integrate ESG criteria among supply chain
- ✓ Finalize climate strategy and enhance CO₂ neutrality initiatives
- ✓ Enhance diversity programme (beyond gender diversity)

(1) Science Based Targets initiative



5. Updating our medium term guidance

Christian Ladurner, Chief Financial Officer

9 month results on track to deliver on our 2022E guidance

Order intake in line with expectations

€1,377m

Excellent revenue performance

€1,100m

Robust order backlog

€5,372m

Strong adjusted EBITDA⁽¹⁾ result

€126m

Improved adjusted EBITDA⁽¹⁾ margin (before pass-through)

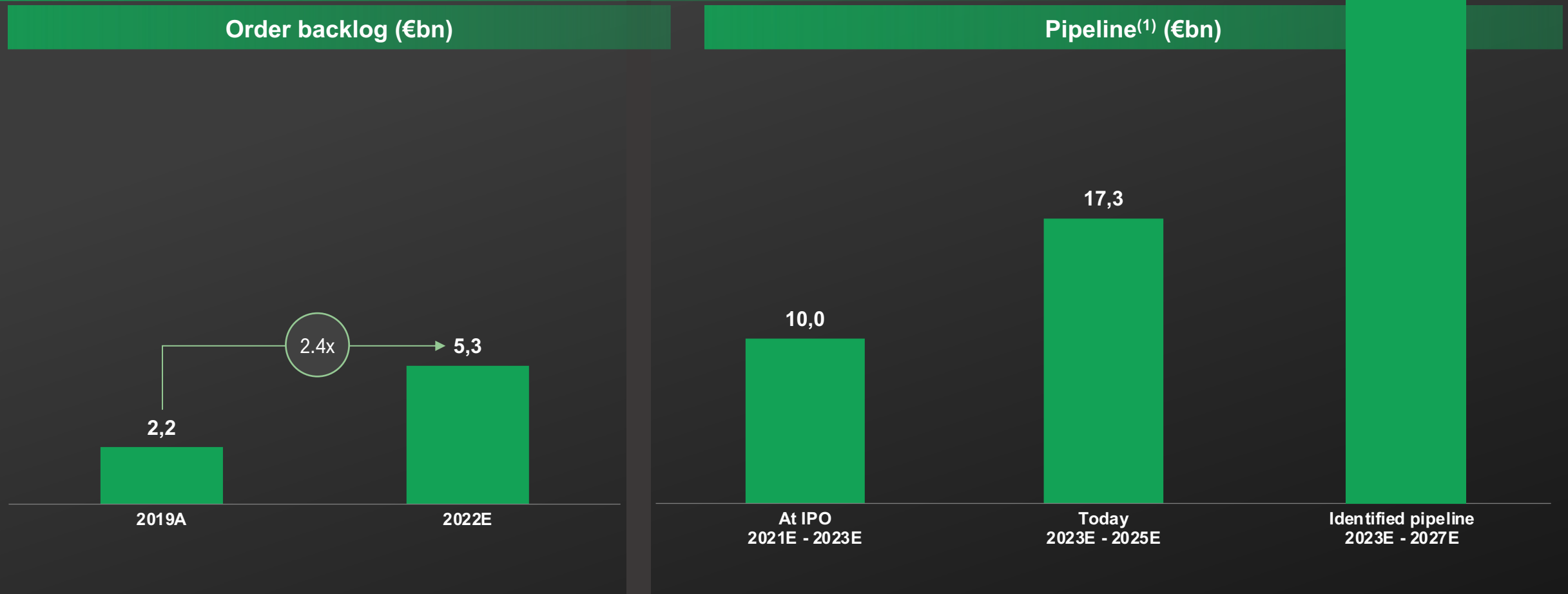
14.4%

Successfully decreased net leverage⁽²⁾

2.0x

Source: HENSOLDT AG. (1) Adjusted EBITDA / adjusted EBITDA margin excludes certain non-recurring items; (2) Net leverage includes lease liabilities, but excludes pensions

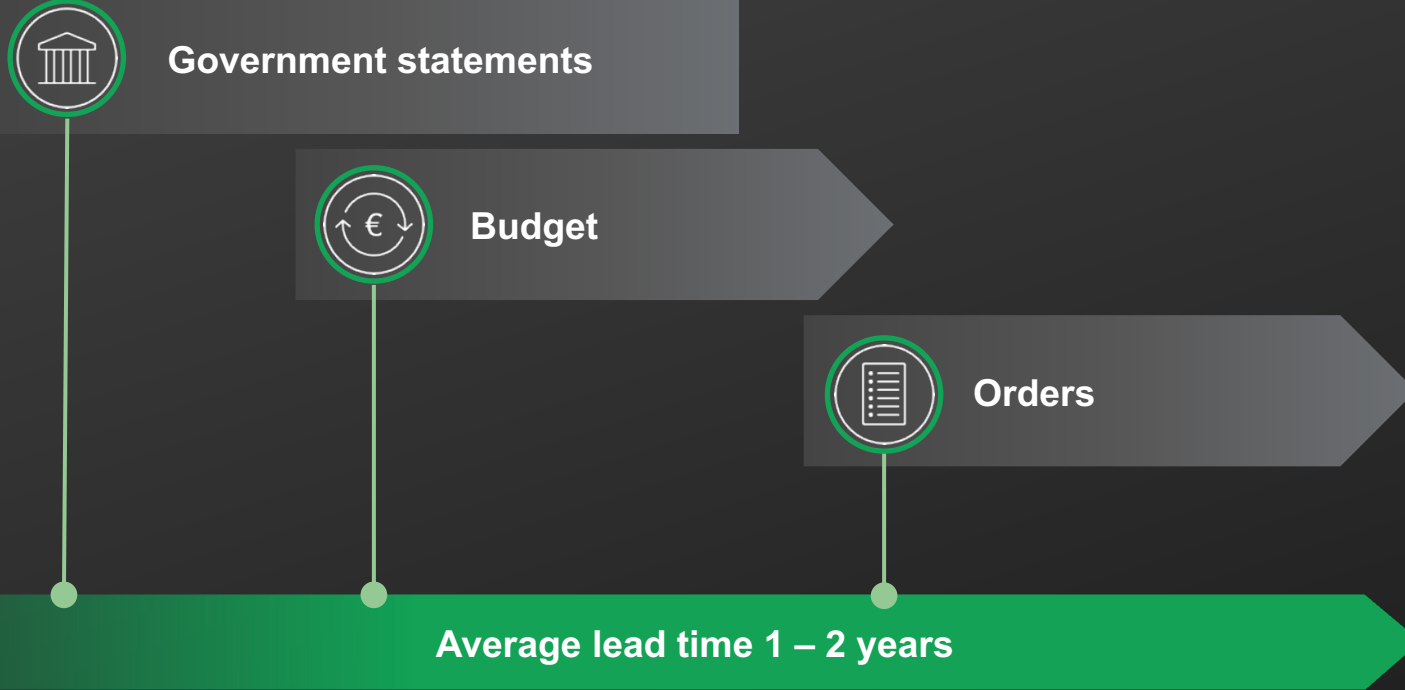
HENSOLDT is capitalizing on the new defence environment with a record order backlog and pipeline⁽¹⁾



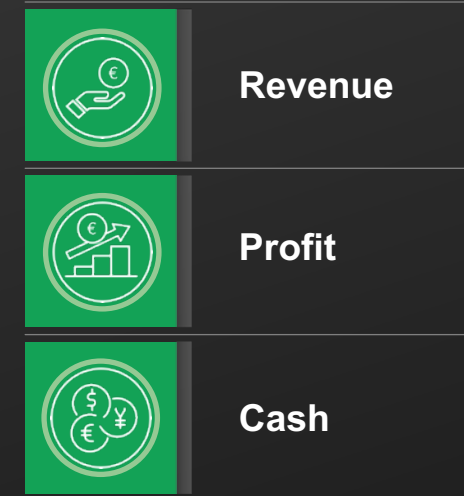
Source: HENSOLDT AG. (1) Pipeline is defined as total identified opportunities open for tender, based on management estimates of total value of contracts addressable over specified period (unadjusted for win probabilities for HENSOLDT)

It takes time from budgets to orders, but once locked in, they provide reliable long term growth

Political and environmental influences until order received



Project structures influence timing



Average lead time 3 – 5 years

Source: HENSOLDT AG

Updated guidance 2023

	Old 2023 target ⁽⁵⁾	New 2023 target
Book-to-bill ratio	>1x	1.1 - 1.2x
Revenue growth⁽¹⁾	Mid to high single digit	7 - 10% ⁽⁶⁾ with stronger growth in core revenue excl. pass-through
Adjusted EBITDA margin⁽²⁾	~19% before pass-through revenue	~19% before pass-through revenue
Adjusted pre-tax unlevered FCF⁽³⁾	NWC: stable, falling slightly as % of revenue Cash tax rate: 28.3%	~70% conversion on adjusted EBITDA
Net leverage⁽⁴⁾	<1.25x	<1.0x
Dividend	30 - 40% of adjusted net income	30 - 40% of adjusted net income

Source: HENSOLDT AG. (1) Average share of pass-through revenue of total revenue was ~10% between 2020A and 2022E; pass-through share of total revenue is expected to be in the mid single-digit percentage range between 2023E and 2025E; (2) Adjusted EBITDA margin excluding certain non-recurring effects such as OneERPnow costs. (3) Adjusted Pre-Tax Unlevered Free Cash Flow is defined as free cash flow excluding certain non-recurring effects such as OneERPnow costs as well as interest, tax and M&A activities; (4) Net leverage includes lease liabilities, but excludes pensions; (5) predated Russian war against Ukraine and announcement special fund by German Government; (6) excluding material M&A

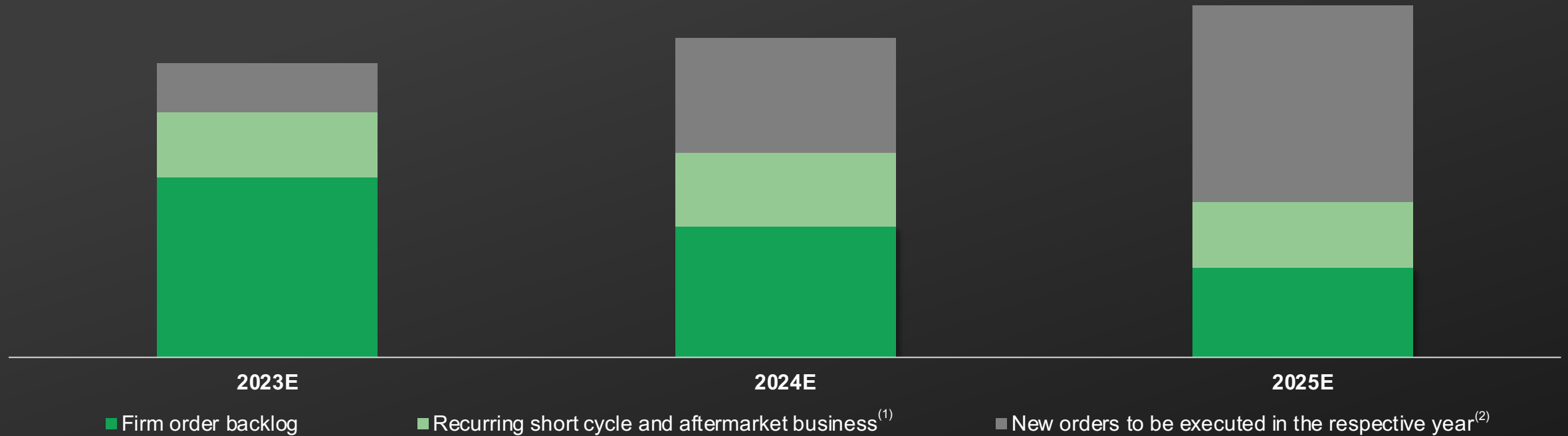
Updated increased medium term guidance

	Old medium term target ⁽⁴⁾	New medium term target
Order intake	Orders to grow faster than revenue Book-to-bill ratio >1x	Orders to grow significantly faster than revenue
Revenue growth⁽¹⁾	Mid single digit	10% ⁽⁵⁾ average annual growth
Adjusted EBITDA margin⁽²⁾	~19% before pass-through revenue	>19% before pass-through revenue
Adjusted pre-tax unlevered FCF⁽³⁾	NWC: stable, falling slightly as % of revenue Cash tax rate: 28.3%	70-80% average conversion on adjusted EBITDA
Dividend	30 - 40% of adjusted net income	30 - 40% of adjusted net income

Source: HENSOLDT AG. (1) Average share of pass-through revenue of total revenue was ~10% between 2020A and 2022E; pass-through share of total revenue is expected to be in the mid single-digit percentage range between 2023E and 2025E; (2) Adjusted EBITDA margin excluding certain non-recurring effects such as OneERPnow costs; (3) Adjusted Pre-Tax Unlevered Free Cash Flow is defined as free cash flow excluding certain non-recurring effects such as OneERPnow costs as well as interest, tax and M&A activities; (4) predated Russian war against Ukraine and announcement special fund by German Government; (5) excluding material M&A

Based on order backlog 9M2022, benchmark visibility continues also for 2023

Revenue coverage 2023E – 2025E



~85% revenue for 2023E covered⁽³⁾

Source: HENSOLDT AG. (1) E.g. spares and service, including portion of expected aftersales in pipeline; (2) New project business includes pipeline; (3) Based on management estimates based on the expected conversion of order backlog and further expected orders into revenue, as well as the expected recurring short-cycle and aftersales business

HENSOLDT *Go!* Wave 3 to be rolled out between 2023 and 2025

HENSOLDT *Go!* Wave 1

- Finalize carve-out from Airbus
- Drive topline growth
- Improve organizational efficiency within individual functions
- Optimize capital productivity with special focus on cash cycle



Optimizing individual organization

HENSOLDT *Go!* Wave 2

- Keep momentum to transform HENSOLDT
- Optimize HENSOLDT organization end-to-end
- Further optimize capital productivity with special focus on cash cycle



End-to-end optimization across all functions

HENSOLDT *Go!* Wave 3

- Drive internationalization
- Improve supply chain robustness and increase inflation resilience
- Increase efficiency further, especially for:
 - Engineering
 - Cost & overhead
 - Working capital

End-to-end optimization across all regions

OneERPnow – the efficient way to handle growth



Digital products & services



Digital enterprise



Digital work and culture



Digital foundation



Better data at the right time
to best serve our customers



Increased efficiency
and analytics capabilities

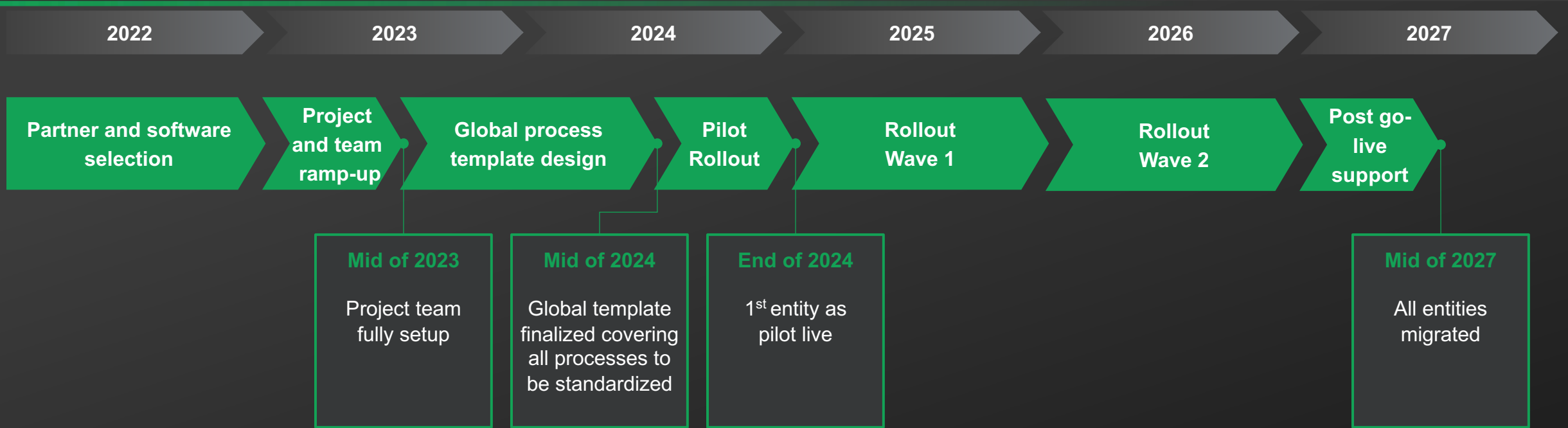


Managing upcoming growth
through seamless
ERP system



Enhanced business insights
& value creation

OneERPnow rollout in waves to de-risk process



Total cost: €120 – 140m
~65% capex

Our phased approach distributes costs, risks and workload over the next 5 years

Source: HENSOLDT AG. OneERPnow to be accounted for as non-recurring effect in P&L

Capital allocation



Fund our growth



Dividends



M&A

By preserving a conservative financial debt profile

Key messages



Excellent visibility



**Sustainable, consistent
long term growth**



**Highly profitable &
cash generating growth**

HENSOLDT has the potential to double revenue every five years

