

HENSOLDT

9M 2022 Results – Analyst & Investor Presentation

Taufkirchen, 10th of November 2022

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Business Update

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Business Update



Order book develops as planned



Radars and self-protection system for Spanish EF 'Halcon' booked in September
€175m



German key programs on track



Major milestones achieved in Q3



Successful transition in HR function



Dr. Lars Immisch succeeds Peter Fieser as Chief HR Officer

HENSOLDT supports German Government with deliveries for Ukraine



COBRA artillery detection radar



One unit delivered to Ukraine in Q3



TRML 4D air defence radar



4 units for IRIS-T SLM air defence system in Ukraine ordered

Mid double digit m€ order intake booked in Q4

Proposed for European Skyshield Initiative



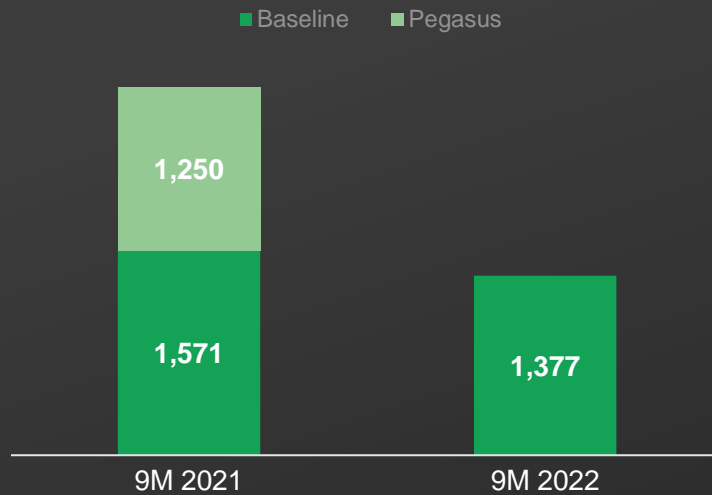
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Financials

9M 2022 – top line on track

in €m

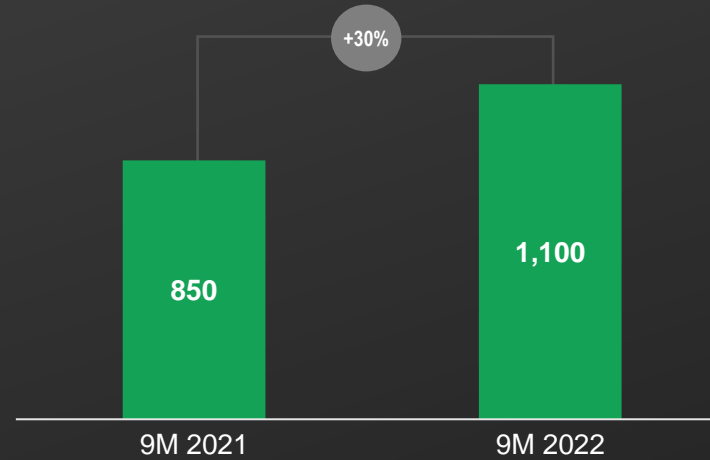
Order intake in line with guidance



Order intake⁽¹⁾

Order intake on track
Eurofighter Halcon Program secured in September
Previous year included record order for Pegasus

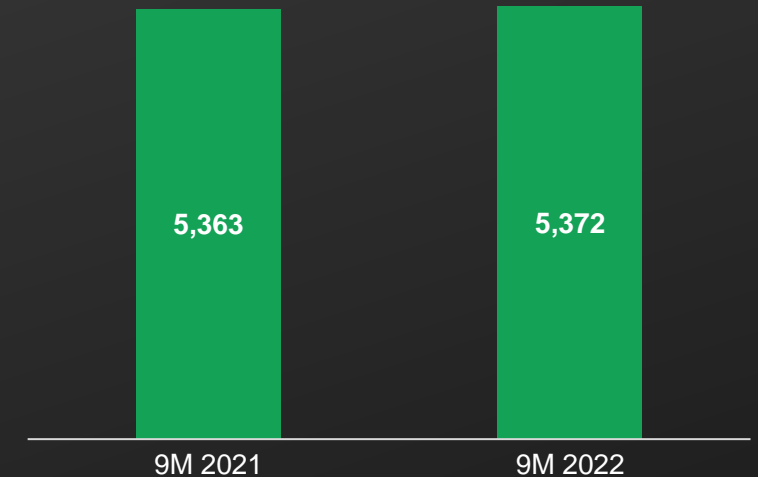
Excellent revenue performance



Revenue

Significant increase in revenue
driven by Sensors segment
Major milestones achieved in key projects

Strong order backlog for 9M 2022



Order backlog⁽²⁾

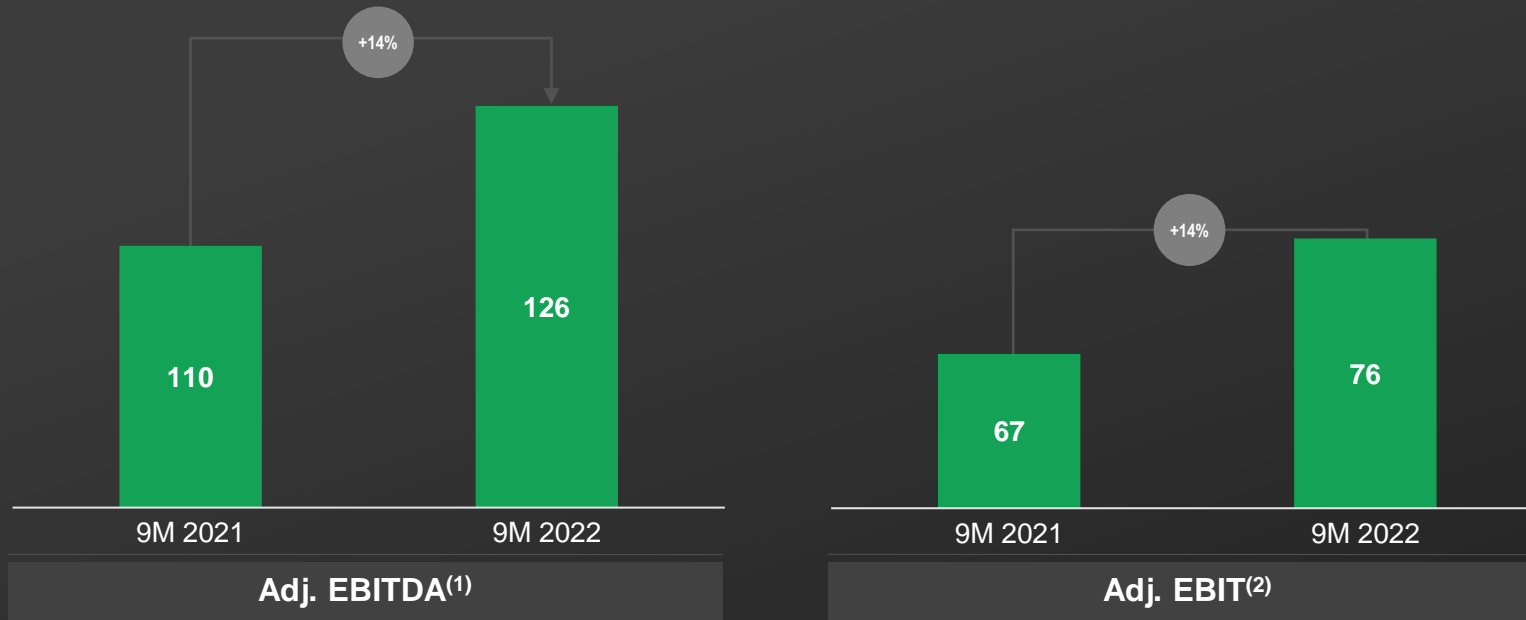
Book-to-bill ratio at 1.3x per 9M
Strong order backlog provides excellent visibility

(1) Order intake is defined as orders where the corresponding selling contract becomes effective and enforceable in accordance with the terms and conditions of the contract. (2) Order backlog is defined as the value of the order book at the respective reporting date by keeping record of customer orders starting from the opening stock and taking into account revenue and adjustments for the respective reporting period, and ending with the final stock.

9M 2022 – strong growth in bottom line

in €m

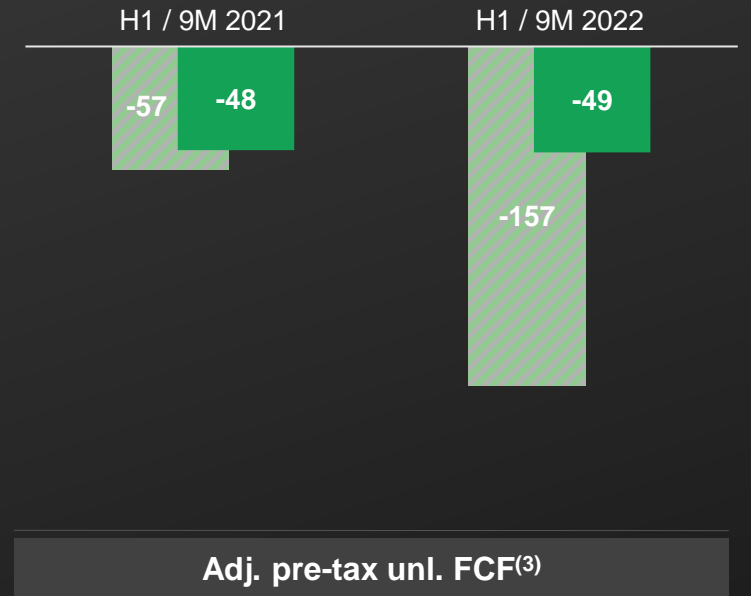
Further increase of profitability



Profitability follows excellent revenue performance

Adj. EBITDA margin excl. pass-through revenues on prior year level at 14.4%

Strong cash generation in Q3



Adj. pre-tax unl. FCF⁽³⁾

Strong improvement in cash from last quarter

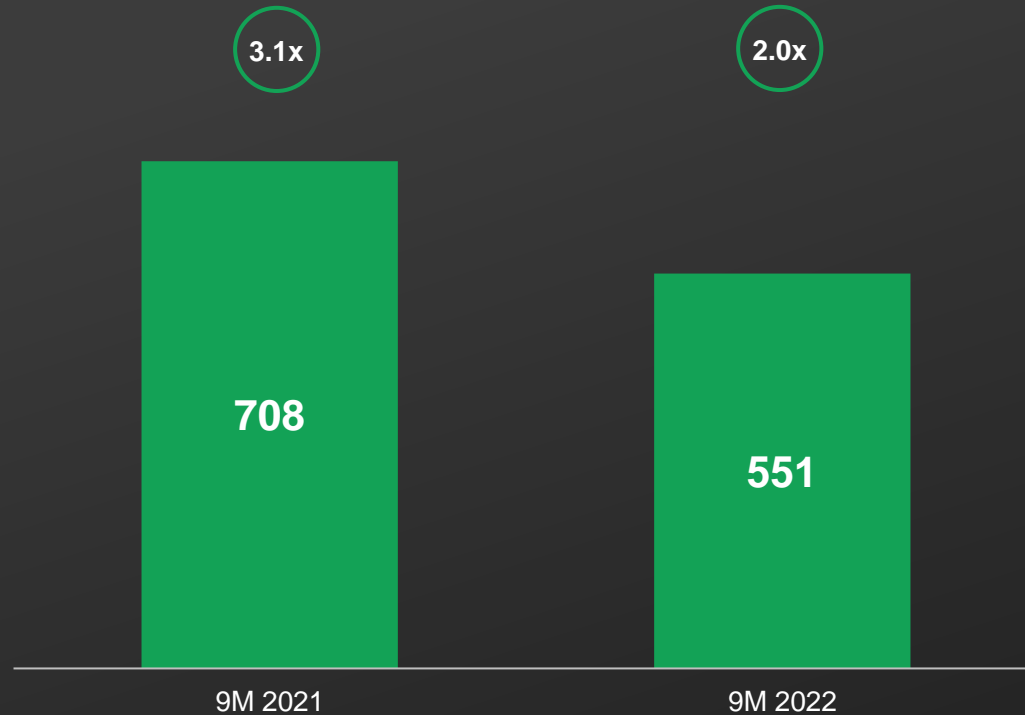
Continuous investments in working capital ahead of upcoming Q4 growth

(1) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortization (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, IPO related costs and other non-recurring effects. (2) Adjusted EBIT is defined as EBIT adjusted for certain non-recurring effects relating to effects on earnings from purchase price allocations, transaction costs, IPO related costs and other non-recurring effects. (3) Adjusted Pre-Tax Unlevered Free Cash Flow is defined as free cash flow adjusted for non-recurring operating effects as well as interest, tax and M&A activities. The free cash flow is defined as sum of the cash flows from operating and investing activities as reported in the consolidated cash flow statement.

Excellent development of net debt: continued strong deleveraging in €m

Net debt development YoY

Net leverage⁽¹⁾



Deleveraging according to plan and seasonal profile

Continuous improvement of net leverage

Beneficial margin ratchets for TLB and RCF in place

(1) Net leverage including lease liabilities, excluding pensions.

Focus Areas “Zeitenwende”

		Expected impact for HENSOLDT
1	Ongoing support for Ukraine by German Government in alignment with EU initiatives and Ukraine Defence Contact Group – coordinated by special staff in German MoD	Double-digit € million amount in orders confirmed
2	Special procurement projects and upcoming NATO/European Initiatives (e.g. rapid procurement of Ground Based Air Defence, European Sky Shield Initiative)	New opportunities – double-digit € million amount in orders expected
3	Special Fund (“Sondervermögen Bundeswehr”) and potential increase of defence budget for procurement of major programs to close gaps and develop future capabilities	Broad spectrum of opportunities for HENSOLDT continues to materialize

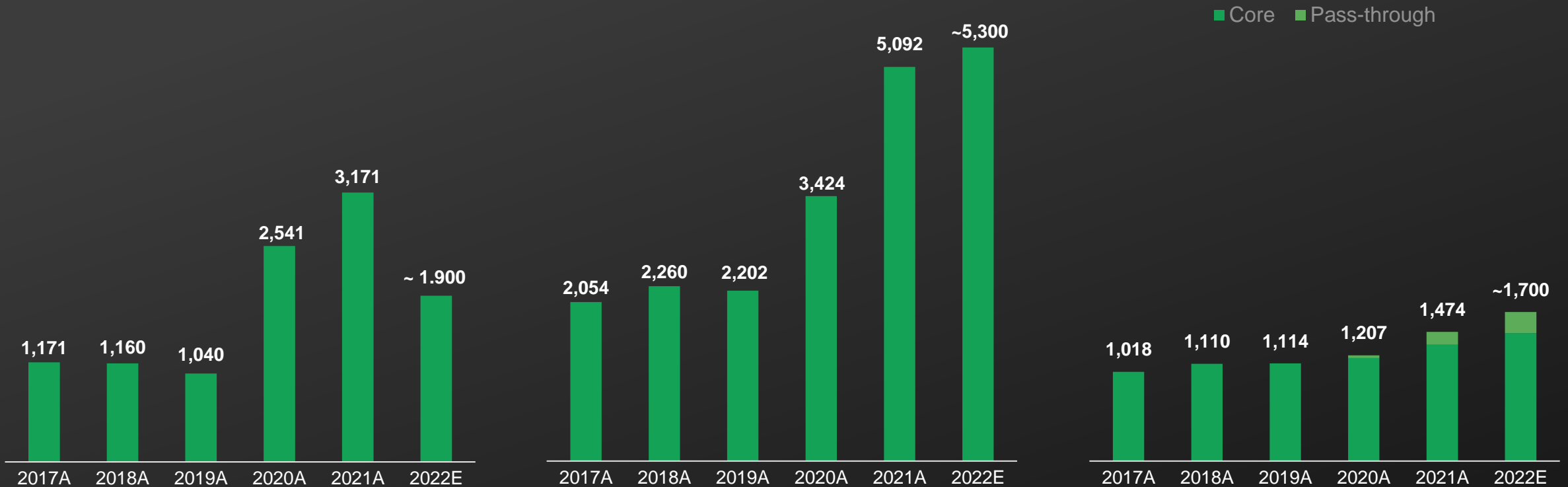
Smooth & visible topline growth

Order intake from special fund and defence budgets expected to come

Order intake (€m)

Order backlog (€m)

Revenue (€m)



Source: Company information

HENSOLDT on track

Achievements

- Strong order backlog of €5.4bn
- Efficient project execution achieving major milestones
- Strong profitability before pass-through revenues
- Cash generation in Q3 of +108m€

FY 2022 guidance confirmed for all key KPIs:

- Book-to-bill ratio of 1.1x – 1.2x
- Revenue of ~€ 1.7bn
- Adj. EBITDA of €285m – €300m
- Further reduction of net leverage

Outlook

- Procurement plan of German Government is becoming more concrete
- First orders of focus area #1 have materialized
- Continuing close exchange with German customer
- Smooth and sustainable growth in front of us, but backloaded
- More details to be presented at CMD on December 14th

➔ **HENSOLDT strongly positioned for upcoming growth**



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Q&A session

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Guidance 2022 substantiated

	2022 target	2023 target	Medium term target
Book-to-bill ratio⁽¹⁾	1.1x – 1.2x	>1x	>1x
Revenue / revenue growth	~€1.7bn (mid-teens growth)	Mid to high single digit	Mid single digit
Adj. EBITDA / Adj. EBITDA margin⁽²⁾	€285m – €300m	~19% excl. pass-through revenues (~€150m)	>19% excl. pass-through revenues (~€100m)
Adj. pre-tax unlevered FCF⁽³⁾	~70% conversion on adjusted EBITDA	NWC: stable, falling slightly as % of revenue Cash tax rate: 28.3%	
Net leverage⁽⁴⁾	<1.4x	<1.25x	<1.0x
Dividend	Up to 20% of adj. net income	30-40% of adj. net income	
Capex and intangible investment	Capex: 2.0-2.5% of revenue Cap. R&D: 2.0-3.0% of revenue	Capex: 2.0-2.5% of revenue Cap. R&D: 2.0-3.0% of revenue	
D&A (% of revenues)	~5% (t/o 50% IAS38) of revenue	~5% (t/o 50% IAS38) of revenue	

(1) Book-to-Bill ratio is defined as order intake / reported revenue for the relevant period. (2) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortization (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, IPO related costs and other non-recurring effects // reported revenue for the relevant period. (3) Adjusted Pre-Tax Unlevered Free Cash Flow is defined as free cash flow adjusted for non-recurring operating effects as well as interest, tax and M&A activities. The free cash flow is defined as sum of the cash flows from operating and investing activities as reported in the consolidated cash flow statement. (4) Net financial leverage including lease liabilities, excluding pensions.



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Financial Section

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Consolidated Income Statement

in € million	First nine months	
	2022	2021
Revenue	1,100	850
Cost of sales	-896	-694
Gross profit	205	156
Selling and distribution expenses	-80	-73
General administrative expenses	-66	-59
Research and development costs	-25	-21
Other operating income	15	23
Other operating expenses	-14	-12
Share of profit/loss from investment accounted for using the equity method	—	-2
Earnings before finance result and income taxes (EBIT)	35	12
Interest income	4	6
Interest expense	-32	-35
Other finance income/costs	6	2
Finance result	-21	-28
Earnings before income taxes (EBT)	14	-16
Income taxes	-15	1
Group result	-1	-15
<i>thereof attributable to the owners of HENSOLDT AG</i>	0	-13
<i>thereof attributable to non-controlling interests</i>	-1	-2

Consolidated Statement of Financial Position – Assets

in € million	As at	
	9M 2022	YE 2021
Non-current assets	1,323	1,326
Goodwill ⁽¹⁾	658	658
Intangible assets	386	385
Property, plant and equipment	113	108
Right-of-use assets	131	141
Investments and other financial assets ⁽²⁾	24	22
Other non-current assets	3	3
Deferred tax assets	8	11
Current assets	1,612	1,629
Other ⁽³⁾	26	10
Inventories	562	444
Contract assets	233	170
Trade receivables	254	309
Other current assets	152	167
Cash and cash equivalents	385	529
Total assets	2,935	2,956

(1) Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+ 6 million.

(2) Includes Other investments and non-current other financial assets, Non-current other financial assets.

(3) Includes Other non-current financial assets, due on short-notice, Other current financial assets and Income tax receivables.

Consolidated Statement of Financial Position – Equity & Liabilities

in € million	As at	
	9M 2022	YE 2021
Share capital	105	105
Capital reserve and other reserves ⁽¹⁾	666	513
Retained earnings ⁽²⁾	-212	-212
Equity held by shareholders of HENSOLDT AG	559	406
Non-controlling interests	10	11
Equity, total	569	417
Non-current liabilities	1,136	1,284
Non-current provisions	277	497
Non-current financing liabilities ⁽³⁾	617	622
Non-current contract liabilities	23	12
Non-current lease liabilities	130	139
Other non-current liabilities	8	10
Deferred tax liabilities	81	4
Current liabilities	1,230	1,255
Current provisions	166	188
Current financing liabilities ⁽⁴⁾	171	176
Current contract liabilities	467	500
Current lease liabilities	18	16
Trade payables	313	269
Other current liabilities	85	94
Tax liabilities	9	11
Total equity and liabilities	2,935	2,956

(1) Includes Capital reserve, Other reserves.

(2) Adjustment of previous year's figures due to a purchase price adjustment after the measurement period by €+ 6 million.

(3) Includes Non-current financing liabilities, Other non-current financial liabilities.

(4) Includes Current financing liabilities, Other current financial liabilities.

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Consolidated Statement of Cash Flow (1/2)

in € million	First nine months	
	2022	2021
Group result	-1	-15
Depreciation and amortisation	78	91
Financial expenses (net)	23	25
Change in		
Provisions	4	2
Inventories	-122	-108
Contract balances	-84	21
Trade receivables	59	31
Trade payables	44	28
Other assets and liabilities	1	-48
Interest paid	-19	-27
Income tax payments (-) / refunds (+)	-6	-6
Other ⁽¹⁾	9	-10
Cash flow from operating activities	-15	-16
Acquisition / addition of intangible assets and property, plant and equipment	-68	-73
Acquisition of associates, other investments and other non-current financial assets	-2	-9
Acquisition of subsidiaries net of cash acquired	-1	-8
Other ⁽²⁾	0	2
Cash flow from investing activities	-70	-88

(1) Includes impairments/reversals of impairments of inventories, trade receivables and contract assets, Share of profit in entities accounting for using the equity method, Other non-cash expenses/income and Income tax expense/income.

(2) Proceeds from sale of intangible assets and property, plant and equipment and Other cash flows from investing activities.

Consolidated Statement of Cash Flow (2/2)

in € million	First nine months	
	2022	2021
Cash flow from operating activities	-15	-16
Cash flow from investing activities	-70	-88
Proceeds/repayment of financial liabilities ⁽¹⁾	-22	-283
Payment of lease liabilities	-14	-12
Dividend payments	-26	-14
Dividends on non-controlling interests	0	0
Transaction costs paid on issue of equity	—	-3
Other	0	—
Cash flow from financing activities	-62	-313
Effects of movements in exchange rates on cash and cash equivalents	2	0
Net changes in cash and cash equivalents	-145	-418
Cash and cash equivalents		
Cash and cash equivalents on 1 January	529	646
Cash and cash equivalents on 30 September	385	228

(1) Proceeds / repayment from financial liabilities, Change in other financial liabilities

Reconciliation of order intake, segment revenue and adjusted EBITDA to group figures

in € million	First nine months	
	2022	2021
Order intake	1,377	2,821
Sensors	1,198	2,516
Optronics	185	309
Elimination/Transversal/Others	-6	-4
Revenue	1,100	850
Sensors	919	661
Optronics	184	191
Elimination/Transversal/Others	-3	-2
Adjusted EBITDA⁽¹⁾	126	110
Sensors	105	89
Optronics	21	24
Elimination/Transversal/Others	—	-2

(1) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortisation (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, IPO related costs and other non-recurring effects.

Overview of EBITDA and EBIT adjustments

EBITDA adjustments in € million	First nine months	
	2022	2021
EBIT	35	12
(+) Depreciation	33	32
(+) Amortisation	45	59
EBITDA	113	103
(+) Transaction costs	0	0
(+) IPO related costs	—	1
(+) Other non-recurring effects	13	6
Adjusted EBITDA	126	110

EBIT adjustments in € million	First nine months	
	2022	2021
EBIT	35	12
(+) Effect on earnings from purchase price allocations	27	48
<i> thereof intangible assets</i>	27	47
<i> thereof property, plant and equipment</i>	0	1
(+) Transaction costs	0	0
(+) IPO related costs	—	1
(+) Other non-recurring effects	13	6
Adjusted EBIT	76	67

Reconciliation of reported to adjusted pre-tax unlevered FCF

in € million	First nine months	
	2022	2021
Cash flow from operating activities	-15	-16
Cash flow from investing activities	-70	-88
Free cash flow	-85	-105
(+) Transaction costs	0	0
(+) IPO related costs	-	4
(+) Other non-recurring effects	9	6
(+) Interest ⁽¹⁾ , income taxes ⁽²⁾ and M&A-activities ⁽³⁾	27	46
Adjusted pre-tax unlevered free cash flow	-49	-48
Cash flow from financing activities	-62	-313

(1) Defined as 'Interest paid' as reported in the consolidated cash flow statement.

(2) Defined as 'Income taxes payments / refunds' as reported in the consolidated cash flow statement.

(3) Defined as sum of 'Share of profit in entities accounting for using the equity method', 'Proceeds from sale of intangible assets and property, plant and equipment', 'Acquisition of associates, other investments and other non-current investments', 'Acquisition of businesses net of cash required' and 'Other cash flows from investing activities' as reported in the consolidated cash flow statement.

Q3 Financial Overview HENSOLDT Group

in € million	Third quarter	
	2022	2021
Order intake	428	709
Book-to-bill ratio ⁽¹⁾	1.0	2.0
Revenue	418	364
Adjusted EBIT ⁽²⁾	49	51
Adjusted EBITDA ⁽³⁾	65	66
Adjusted EBITDA margin	15.7%	18.2%
Adjusted pre-tax unlevered free cash flow ⁽⁴⁾	108	9

(1) Book-to-Bill ratio is defined as order intake / reported revenue for the relevant period

(2) Adjusted EBIT is defined as EBIT adjusted for certain non-recurring effects relating to effects on earnings from purchase price allocations, transaction costs, IPO related costs and other non-recurring effects

(3) Adjusted EBITDA is defined as EBIT adjusted for depreciation and amortization (including non-recurring effects on earnings from purchase price allocations), as well as certain non-recurring effects relating to transaction costs, IPO related costs and other non-recurring effects

(4) Adjusted pre-tax unlevered free cash flow is defined as free cash flow adjusted for non-recurring operating effects as well as interest, tax and M&A activities. The free cash flow is defined as sum of the cash flows from operating and investing activities as reported in the consolidated cash flow statement



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IR events*



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HENSOLDT share

- **Type of share:**
Bearer shares
- **Stock Exchange:**
Frankfurt Stock Exchange
- **Security reference number:**
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