

An aerial view of a city and harbor, with several military aircraft flying in the sky. The scene is in grayscale, with a green horizontal line at the bottom.

HENSOLDT

9M 2021 Results – Analyst & Investor Presentation

Ulm, 10th of November 2021

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An aerial, grayscale photograph of a coastal city and harbor. In the foreground, a large industrial or port facility is visible with various structures and ships. The middle ground shows a city skyline along the water's edge. In the background, mountains rise under a cloudy sky. Several military aircraft, including a large transport plane and several smaller jets, are flying in the upper portion of the frame. The overall tone is professional and industrial.

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Business Update

HENSOLDT: Strong momentum continues



**Record order backlog
of €5.4bn⁽¹⁾**



**HENSOLDT supplies
radio reconnaissance
system to NATO
countries**



**TRS-4D/LR Long Range
Radar for F-124 and
German Air Surveillance
booked in Q3**



**Twin Optronic Mast systems
for new German/Norwegian
Submarines U212 CD
booked in Q3**

⁽¹⁾ 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.

HENSOLDT: Leading high technology portfolio



Quadome



**Latest generation AESA
Naval Air and Surface
Surveillance Radar
launched in September**



TwInvis



**Significant Contract
with Export Customer
signed**



HENSOLDT Analytics



**Global leader in Open Source
Intelligence, Artificial Intelligence,
Automatic Speech Recognition,
Media Monitoring & Analysis
Solutions**

HENSOLDT is fully on track



- We continue to 'walk the talk' and deliver on our guidance
- We continue to benefit from the growth momentum in the defence electronics sector
- **We further expanded our position in German and European key programs**

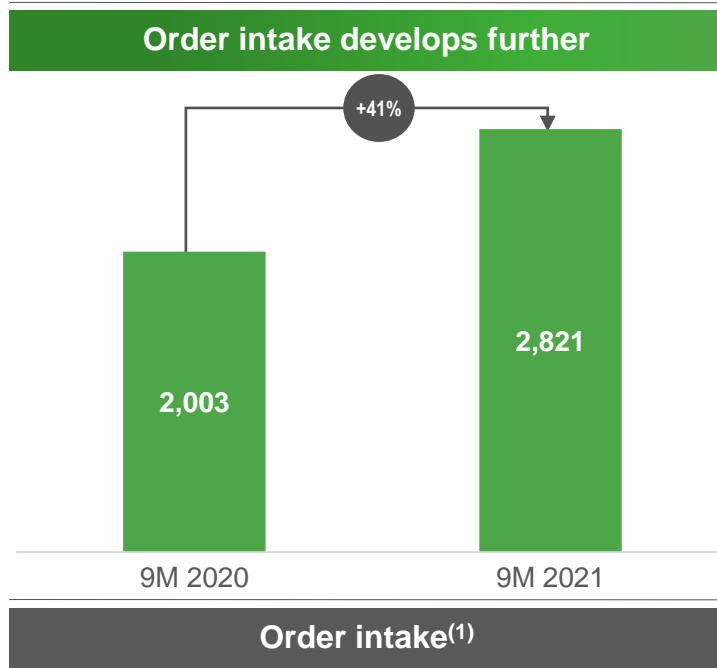
An aerial, grayscale view of a coastal city and harbor. In the sky, several military aircraft are visible, including a large transport plane in the center, a helicopter on the left, and a smaller jet on the right. The city skyline is visible in the middle ground, with a large body of water in the foreground. The overall scene is dimly lit, suggesting dawn or dusk.

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Financials

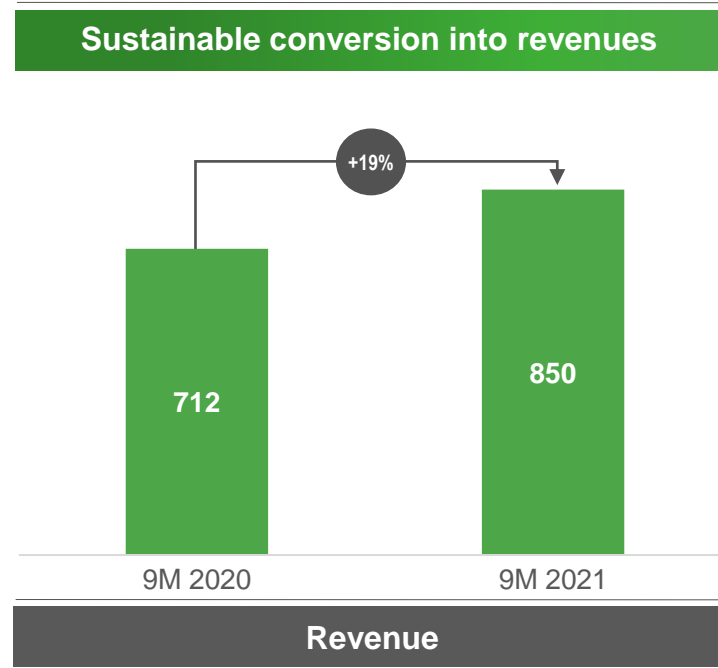
9M 2021 – growth in top line sustains

in €m



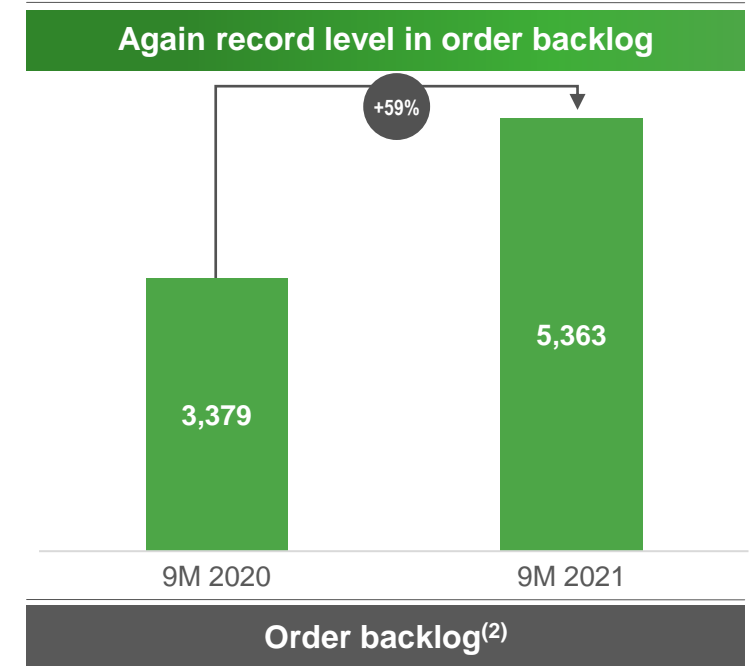
PEGASUS and Eurofighter Quadriga as significant drivers in H1

Q3 driven by modernization of F-124 frigates and twin-optronic mast systems for U212 CD



Revenue increase driven by both segments

Development of key programs as expected



Visibility of revenues further increased

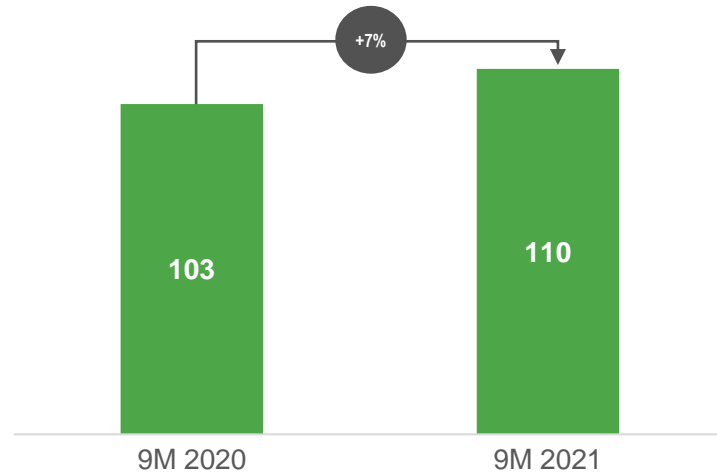
Book-to-bill at 3.3x

Firm order backlog at €5.4bn covering guided revenues 2021 >3,5x

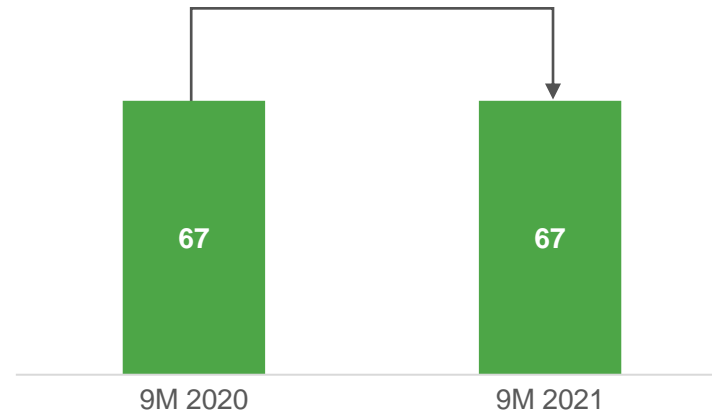
(1) Order intake is defined as orders where the corresponding selling contract becomes effective and enforceable in accordance with the terms and conditions of the contract. (2) Order backlog is defined as the value of the order book at the respective reporting date by keeping record of customer orders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

9M 2021 – bottom line follows top line development in €m

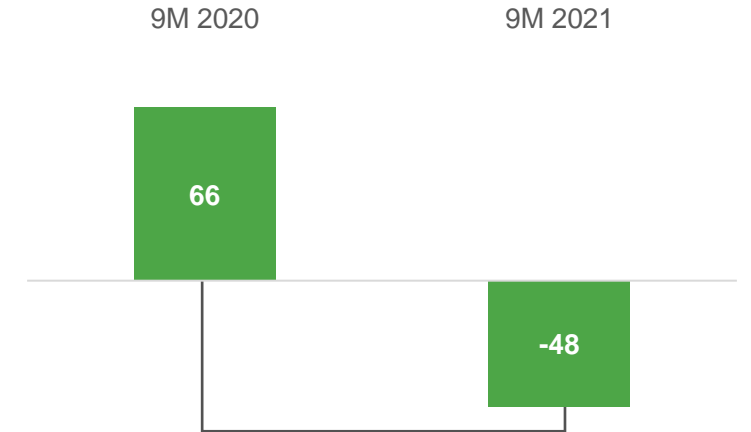
Further increase of profitability



Adj. EBITDA⁽¹⁾



Adj. EBIT⁽²⁾



Adj. pre-tax unl. FCF⁽³⁾

Profitability follows higher volumes
partly offset by pass-through business and projects in early stage of life-cycle






Investments in bid budget and self-funded R&D ensure further growth

Liquidity within our expectations following
investments in working capital to prepare
Q4 revenues

(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, separation 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, separation 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.

We will fully deliver our FY2021 KPIs and beyond

Short- and medium-term guidance confirmed

	Change vs. 2020	vs. guidance
Order backlog⁽¹⁾ of ~€5.2bn	+€1,8bn	<i>Book-to-bill improved</i>
Book-to-bill ratio⁽²⁾ of 2.2x	+0,1x	
Revenues ~€1.5bn	+24%	
Adjusted EBITDA margin⁽³⁾ at >18%* <small>*Excl. pass-through revenues</small>	<i>same level</i>	
Adjusted pre-tax unlevered FCF⁽⁴⁾ at 70% on adjusted EBITDA	-€20m	
Net leverage⁽⁵⁾ ~2x	-0,6x	
Dividend up to 20% of Adjusted Net Income		

(1) 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, (2) Book-to-Bill ratio is defined as order intake / reported revenue for the relevant period, (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, separation costs, IPO related costs and other non-recurring effects / reported revenue for the relevant period, (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, (5) Net financial leverage including lease liabilities, excluding pensions.

Key financial takeaways

Visibility	<ul style="list-style-type: none"> • Soft order backlog matured • High revenue coverage from firm order backlog 	Order backlog⁽¹⁾ / LTM revenues 9M2021⁽²⁾ ~4,0x
Top-line growth	<ul style="list-style-type: none"> • Step change in growth momentum • Significant development in order intake and revenues 	Revenue growth 2020A – 2021E +24%
Profitability	<ul style="list-style-type: none"> • Operational margins on high level • Gross profit increase enables further sustainable investments in bid budgets and R&D • Growth in absolute bottom-line margin continues 	Adj. EBITDA 2021E⁽³⁾ >18% excl. pass-through
Liquidity	<ul style="list-style-type: none"> • Strong operating cash generation • Deleveraging according to plan 	Net leverage⁽⁴⁾ 2021E ~2x
Outlook	<ul style="list-style-type: none"> • Short- and medium guidance confirmed for all KPIs • Dividend policy confirmed 	Up to 20% of Adjusted Net Income

(1) Order backlog is defined as the value of the order book at a 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. (2) Calculated as 9M2021 order backlog divided by LTM revenue. (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, separation costs, IPO related costs and other non-recurring effects // reported revenue for the relevant period. (4) Targeted net financial leverage including lease liabilities, excluding pensions.

An aerial, grayscale view of a coastal city and harbor. In the sky, several military aircraft are visible, including a large transport plane with multiple engines and a smaller fighter jet. The city skyline is visible in the middle ground, and the harbor contains several ships and a large industrial or port facility. The overall scene is dimly lit, suggesting dawn or dusk.

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Q&A session

An aerial, grayscale photograph of a coastal city and harbor. In the sky, several military aircraft are visible, including a large transport plane in the center, a helicopter on the left, and a smaller jet on the right. The city skyline is visible in the middle ground, and the harbor contains several ships. The foreground shows a large industrial or port facility with numerous buildings and structures.

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Financial Section

Consolidated Income Statement

€m	First 9 months	
	2021	2020
Revenue	849.8	712.1
Cost of sales	(694.1)	(566.4)
Gross profit	155.7	145.7
Selling and distribution expenses	(73.0)	(64.5)
General administrative expenses	(58.7)	(64.2)
Research and development costs	(21.0)	(19.4)
Other operating income	22.9	14.4
Other operating expenses	(11.9)	(18.2)
Share of profit/loss from investments accounting for using the equity method	(2.0)	(2.6)
Earnings before finance result and income taxes (EBIT)	12.0	(8.8)
Interest income	6.1	2.4
Interest expense	(35.1)	(126.4)
Other finance income/costs	1.5	(9.2)
Finance result	(27.5)	(133.2)
Earnings before income taxes	(15.5)	(142.0)
Income taxes	0.6	23.9
Group result	(14.9)	(118.0)
<i>thereof attributable to the owners of HENSOLDT AG</i>	<i>(13.4)</i>	<i>(117.6)</i>
<i>thereof attributable to non-controlling interests</i>	<i>(1.5)</i>	<i>(0.4)</i>

Consolidated Statement of Cash Flows (1/2)

€m	First 9 months	
	2021	2020
Group result	(14.9)	(118.0)
Depreciation and amortization	91.3	87.6
Financial expenses (net)	25.3	119.7
Change in		
Provisions	2.0	8.2
Inventories	(108.0)	(64.3)
Contract Balances	21.3	68.9
Trade receivables	30.6	97.1
Trade payables	27.6	3.5
Other assets and liabilities	(48.0)	(49.7)
Interest paid	(27.3)	(36.5)
Income tax expense	(0.6)	(23.9)
Other ⁽¹⁾	(15.6)	(20.5)
Cash flows from operating activities	(16.3)	72.1
Acquisition/addition of intangible assets and property, plant and equipment	(73.3)	(70.3)
Acquisition of associates, other investments and other non-current investments	(8.6)	(5.8)
Acquisition of businesses net of cash acquired	(8.3)	4.0
Other ⁽²⁾	1.8	0.3
Cash flows from investing activities	(88.4)	(71.8)

(1) Includes Allowances on inventories, trade receivables and contract assets, Profit/loss from disposals of non-current assets, Share of profit in entities accounting for using the equity method, Other non-cash expenses/income and Income taxes payments / refunds. (2) Proceeds from sale of intangible assets and property, plant and equipment and Other cash flows from investing activities.

Consolidated Statement of Cash Flows (2/2)

€m	First 9 months	
	2021	2020
Cash flows from operating activities	(16.3)	72.1
Cash flows from investing activities	(88.4)	(71.8)
Proceeds/repayment of financial liabilities ⁽³⁾	(283.6)	31.3
Payment of lease liabilities	(12.2)	(10.4)
Dividends paid to shareholders of HENSOLDT AG	(13.6)	-
Issue of shares	-	300.0
Transaction cost on issue of equity	(3.4)	(6.0)
Cash flows from financing activities	(312.8)	314.9
Effects of movements in exchange rates on cash and cash equivalents	(0.2)	(5.1)
Other adjustments	-	(2.2)
Net changes in cash and cash equivalents	(417.7)	307.9
Cash and cash equivalents		
Cash and cash equivalents at beginning of period	645.5	137.4
Cash and cash equivalents at end of period	227.8	445.3

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

Consolidated Statement of Financial Position – Assets

€m	As at	
	9M 2021	YE 2020
Non-current assets	1,331.7	1,313.4
Goodwill	651.9	637.2
Intangible assets	389.6	386.2
Property, plant and equipment	104.9	103.1
Right-of-use assets	142.7	143.5
Investments and other financial assets ⁽¹⁾	20.5	12.3
Other non-current assets	2.8	4.8
Deferred tax assets	19.3	26.3
Current assets	1,315.1	1,634.2
Other ⁽²⁾	11.8	19.9
Inventories	515.3	403.7
Contract assets	195.0	204.4
Trade receivables	258.6	282.0
Other currents assets	106.6	78.7
Cash and cash equivalents	227.8	645.5
Total assets	2,646.8	2,947.6

(1) Includes Investments accounted for using the equity method, Other investments and non-current other financial assets, Non-current other financial assets. (2) Includes Other non-current financial assets, due on short-notice, Other current financial assets and Income tax receivables.

Consolidated Statement of Financial Position - Equity and Liabilities

€m	As at	
	9M 2021	YE 2020
Share capital	105.0	105.0
Capital reserve and other reserves ⁽¹⁾	528.1	510.5
Retained earnings	(294.5)	(281.6)
Equity held by shareholders of HENSOLDT AG	338.6	333.9
Non-controlling interests	10.1	12.9
Equity, total	348.7	346.8
Non-current liabilities	1,260.5	1,257.1
Non-current provisions	474.2	482.6
Non-current financing liabilities ⁽²⁾	602.5	601.5
Non-current contract liabilities	31.3	16.0
Non-current lease liabilities	140.5	140.3
Other non-current liabilities	6.9	8.9
Deferred tax liabilities	5.1	7.7
Current liabilities	1,037.6	1,343.7
Current provisions	165.0	193.6
Current financing liabilities ⁽³⁾	176.6	461.1
Current contract liabilities	413.5	416.8
Current lease liabilities	16.0	13.7
Trade payables	189.8	164.0
Other current liabilities	75.3	86.9
Tax liabilities	1.4	7.6
Total equity and liabilities	2,646.8	2,947.6

(1) Includes Capital reserve, Other reserves. (2) Includes Non-current financing liabilities, Other non-current financial liabilities. (3) Includes Current financing liabilities, Other current financial liabilities.

Reconciliation of reported to adjusted pre-tax unlevered FCF

€m	First 9 months	
	2021	2020
Cash flows from operating activities	(16.3)	72.1
Cash flows from investing activities	(88.4)	(71.8)
Free cash flow	(104.7)	0.3
(+) Transaction costs	0.3	0.9
(+) Separation costs	-	(0.1)
(+) IPO related costs	4.0	15.9
(+) Other non-recurring effects	6.5	9.3
(+) Interest ⁽¹⁾ , income taxes ⁽²⁾ and M&A-activities ⁽³⁾	46.1	39.3
Adjusted pre-tax unlevered free cash flow	(47.8)	65.7
Cash flows from financing activities	(312.8)	314.9

(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.

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

€m	First 9 months	
	2021	2020
Order intake	2,820.8	2,003.4
Sensors	2,515.7	1,823.9
Optronics	308.7	182.4
Elimination/Transversal/Others	(3.6)	(2.9)
Revenue	849.8	712.1
Sensors	661.1	553.6
Optronics	191.1	160.7
Elimination/Transversal/Others	(2.4)	(2.2)
Adjusted EBITDA⁽¹⁾	110.4	102.8
Sensors	88.8	82.3
Optronics	23.7	23.1
Elimination/Transversal/Others	(2.1)	(2.6)

(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, separation costs, IPO related costs and other non-recurring effects.

Overview of EBITDA and EBIT adjustments

EBITDA adjustments (€m)		
	9M 2021	9M 2020
EBIT	12.0	(8.8)
(+) Depreciation	32.2	30.2
(+) Amortization	59.1	57.5
EBITDA	103.3	78.9
(+) Transaction costs	0.3	0.5
(+) Separation costs	-	-
(+) IPO related costs	0.7	13.4
(+) Other non-recurring effects	6.1	10.0
Adjusted EBITDA	110.4	102.8

EBIT adjustments (€m)		
	9M 2021	9M 2020
EBIT	12.0	(8.8)
(+) Effect on earnings from purchase price allocations	47.8	51.5
<i>thereof intangible assets</i>	47.3	51.0
<i>thereof property, plant and equipment</i>	0.5	0.5
<i>thereof inventories</i>	-	-
(+) Transaction costs	0.3	0.5
(+) Separation costs	-	-
(+) IPO related costs	0.7	13.4
(+) Other non-recurring effects	6.2	10.2
Adjusted EBIT	67.0	66.8

Q3 Key KPIs HENSOLDT Group

€m

	Q3 2021	Q3 2020
Order intake	709.2	227.8
Book-to-bill ratio ⁽¹⁾	2.0x	0.8x
Revenue	363.6	271.8
Adjusted EBIT ⁽²⁾	51.3	48.7
Adjusted EBITDA ⁽³⁾	66.3	61.5
Adjusted EBITDA margin	18.2%	22.6%
Adjusted pre-tax unlevered free cash flow ⁽⁴⁾	9.5	39.5

(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, separation 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, separation 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.

Backup

Guidance 2021 and medium term targets confirmed

	2021 target	2022 target	Medium term target
Book-to-bill ratio⁽¹⁾	~2x	>1x	>1x
Revenue / revenue growth	~€1.5	Mid teens growth	Mid to high single digit
Adj. EBITDA margin⁽²⁾	>18% Excl. pass-through revenues with effects from early stage of major projects	recovery to approx. 2019 levels in the medium term excl. pass-through revenues (~€150m) in short term	
Adj. pre-tax unlevered FCF⁽³⁾	~70% conversion on adjusted EBITDA	NWC: stable in absolute terms, thereafter falling slightly as % of revenue Cash tax rate: 2022: 10-12% thanks to use of tax loss carryforwards, medium term 28.3%	
Net leverage⁽⁴⁾	~2x		<2x
Dividend	Up to 20% of adj. net income <i>to reflect the excellent development</i>	Up to 20% of adj. net income	30-40% of adj. net income
Capex and intangible investment	€85-90m p.a. (o/w €50-55m capitalized R&D)		Capex: 2.0-2.5% of revenue Cap. R&D: 2.0-3.0% of revenue
D&A (% of revenues)	~4% (o/w IAS38 1-2%) 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, separation 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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HENSOLDT share

- **Type of share:**
Bearer shares
- **Stock Exchange:**
Frankfurt Stock Exchange
- **Security reference number:**
ISIN DE000HAG0005

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