

Shareholder Letter



Heinz Kundert, Chairman R&S Group and Markus Laesser, Chief Executive Officer R&S Group

Dear Shareholders

We are delighted to report about our financial year 2023 for which we published our inaugural annual report as a publicly listed company on 17 April 2024. The R&S Group passed a number of significant milestones in 2023, not the least of which were record sales and profitability. Supporting this performance were targeted initiatives to sharpen our strategy, drive operational excellence, empower our people and lift transparency and visibility. After an intensive transformation as part of the buy-and-build strategy of both inorganic and organic growth initiated by former owner CGS III (Jesery) L.P., R&S Group now has a solid foundation with strengthened governance. Our successful business combination with VT5 Acquisition Company AG and subsequent listing on the SIX Swiss Exchange on 13 December 2023 was a logical next step and the beginning of a new chapter in the 100-year history of the R&S Group.

Market and Strategy

We believe it's the right time for this next phase of profitable growth. As the world strives to reduce its dependence on fossil fuels and move to renewable energy sources such as wind and solar, and as new uses for electrical power in areas such as e-mobility and data centers speeds up, electricity is becoming ever more important as a source of energy and a driving force for economic growth. This creates significant challenges power grids everywhere, which are no longer based on a few large centrally-located power plants to decentralized grids that must be capable of integrating many smaller and widely-distributed sources of power generation, such as solar parks and wind farms. Furthermore, many power grids in Europe and elsewhere require modernization, not only to keep up with changing grid demands but also to replace aging equipment.

Making sure that electricity is delivered reliably and efficiently is at the heart of what we do. Our specialized and custom-made power and distribution transformers are mission critical elements at every step in the power grid, from the power plant – whether fossil-fuel, nuclear, hydro, wind or solar – to a wide variety of industries, airports, rail systems, data centers, and urban power grids in many countries. These are attractive segments where we can leverage our strong brands, leading market shares, strengths in customer proximity, product quality, and fast and flexible delivery to our customers in Europe and the Middle East. We achieve this by offering our customers a highly reliable product portfolio, our employees an attractive working environment with development opportunities, and our shareholders sustainable returns in the form of dividends and the potential for share appreciation.

Strong 2023 Results

R&S Group enjoyed a favorable demand environment in 2023, as the long-term shift to renewable energy in our biggest markets continued, along with grid modernization and the ongoing build out of critical infrastructure such as data centers. These trends combined with our strategic growth initiatives to expand into new markets, such as Germany and the Nordic and Baltic countries, as well as measures to expand production capacity and improve productivity and operational efficiency, allowed us to report record net sales of CHF 201.6 million, an organic growth of 40% when excluding SERW spol.s r.o., the high-voltage switches business in the Czech Republic which we fully divested at the end of 2023.

We also achieved a record operating result (earnings before interest and taxes EBIT) of CHF 37.5 million (adjusted), four times more than in the previous year. Combined with a solid cash flow performance and strong balance sheet – including a strong equity and CHF 53 million in cash and equivalents – R&S Group has a solid financial foundation for future profitable growth.

Based on these strong results, the Board of Directors proposes to the Annual General Meeting on 28 May 2024 a dividend of CHF 0.25 per share.

The progress our company made and the convincing results achieved in 2023 would not have been possible without the strong effort of our more than 600 employees. On behalf of the Board of Directors and Executive Management, we would like to thank them for their commitment and loyalty to R&S Group. We aim to drive employee empowerment in the future and the creation of a team culture in which our people can achieve their maximum potential. It will also help us attract the people we need to implement our ambitious growth strategy. We would also like to express special thanks to our customers and business partners for their cooperation, as well as to our shareholders for their trust.

Sustainability

We also recognize that economic performance is not the only measure of value creation. Environmental, social and governance measures are also needed to measure a company's overall and long-term value creation. R&S Group contributes to achieving targets in areas such as reducing greenhouse gas emissions through its high-efficiency products that enable the transition to renewable energies and make power delivery more efficient. But we also strive to improve our internal environmental performance in areas such as raw material and energy consumption. At the same time, we aim to create value for the communities in which we operate and for our employees, by providing them with development opportunities and a positive and inclusive work environment. Finally, we are committed to engaging in open dialog with all of our stakeholders and to providing simple and transparent targets on which our progress can be measured. Our commitment to sustainability will be presented more comprehensively in a separate report later this year.

Outlook

We are confident that the R&S Group is well-positioned in an attractive, long-term growth market. We expect continued strong demand over the long term driven by megatrends such as decarbonization, and the decentralization and modernization of power grids. Our leading market shares in selected countries and products provide us with a platform for replicating our success in new markets. And our ongoing measures to boost productivity give us a strong lever to deliver profitable growth on a sustainable basis.

Sissach, 06 May 2024



Heinz Kundert

Chair of the Board of Directors



Markus Laesser

Chief Executive Officer

