

R&S Group

Semi-annual Report 2024

Presentation for investors, analysts
and financial media

11 September 2024



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This presentation contains certain forward-looking statements. Such forward-looking statements reflect the current views of management and are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Group to differ materially from those expressed or implied herein. Although R&S Group is convinced that the forward-looking statements are based on reasonable assumptions, R&S Group cannot guarantee that these expectations will be realized.

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Today's speakers



Markus Laesser
Group CEO



Matthias P. Weibel
Group CFO

- 1 **Highlights** – Markus Laesser, Group CEO
- 2 **Half year 2024 financial results** – Matthias P. Weibel, Group CFO
- 3 **Sustainability** – Matthias P. Weibel, Group CFO
- 4 **Outlook & take-aways** – Markus Laesser, Group CEO
- 5 **Q&A** – Markus Laesser, Matthias P. Weibel



Highlights

Markus Laesser | Group CEO



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Significant progress and achievements

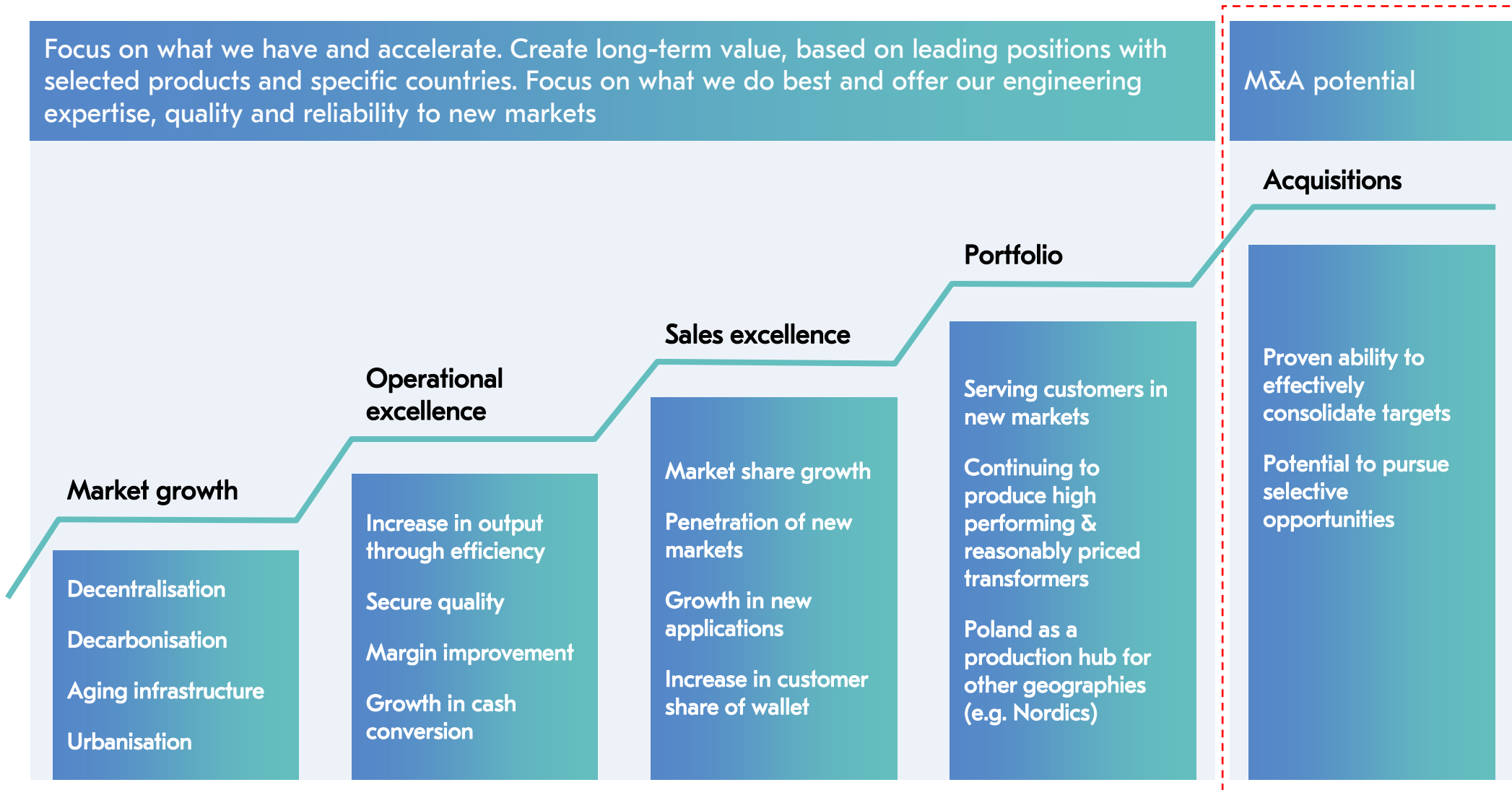
“Developments in line with our strategy to deliver profitable growth on a sustainable basis.”

- Profitable performance underpinned by market demand
- Acquisition of Kyte Powertech Ltd. for an enterprise value of EUR 250 million (7.3x EV/LTM EBITDA) announced 20 August 2024, in line with anorganic growth strategy
- Confirmed sales growth and EBIT margin guidance of 12% and 20%, respectively, also for combined group, updated dividend guidance for CHF 0.50 per share mid-term
- Capacity expansion with imminent plant opening in Bochnia/PL. FAT¹ scheduled for 23 September 2024 and ramp-up in Q4 with first deliveries to launching customers in Q1 2025. Target output of 1,300 units in first build-up phase.

¹ FAT: Factory Acceptance Test

Strategic pillars – M&A has always been an instrumental part

Focus on what we have and accelerate. Create long-term value, based on leading positions with selected products and specific countries. Focus on what we do best and offer our engineering expertise, quality and reliability to new markets



Kyte Powertech: Leader in distribution transformers

Kyte highlights

European markets leadership

UK #1 Ireland #1
 Belgium Top 3 Netherlands Top 5

Utility market position

Deeply entrenched blue-chip customer base

25+ Years

Relationship tenure with key DNO¹ clients²

Substantial current output

c.16,000 units

LTM per Mar-24 output (# of units delivered)

Fully owned integrated production facility

51,600m²

Site area in Cavan, Ireland
c.500 employees

Kyte product portfolio

Product	Primary end market	MVA ³ range
 Single phase transformers		15–100kVA
 Small / Medium transformers		15–315kVA
 Big transformers		400kVA–1MVA
 Large / Industrial transformers		1.2–10MVA
 Substations		400kVA–1MVA

Source: Company information, Market information

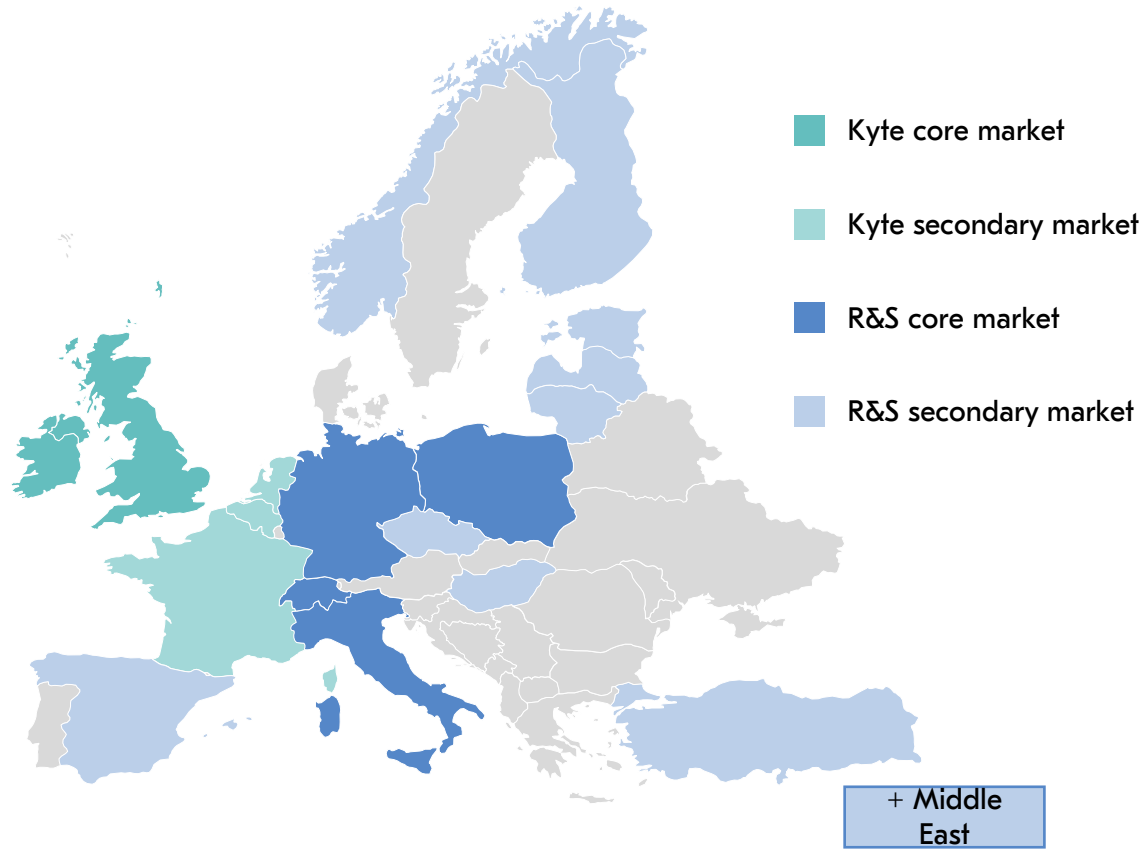
Notes:

- 1 Distributed Network Operator
- 2 Refers to 7 out of top 10 clients
- 3 Mega Volt Amp

Combined pan-European footprint adding market opportunities

Complementary footprint covering key countries in Western / Central Europe...

...to be leveraged with a combined product portfolio



Source: Company information, Market information



Single phase transformers
Up to 100 kVA



Power transformers
Up to 145 kV & 120 MVA



Distribution transformers
Up to 36 kV & 2.5 MVA



Cast resin transformers
Up to 52 kV & 20 MVA



Instrument transformers
Up to 36 kV

Half year 2024 financial results

Matthias P. Weibel | Group CFO



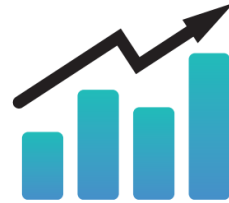
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Key messages (adjusted) as per 30 June 2024



218.2

Order backlog



109.9

Net sales



25.5

Operating result
EBIT

+23.2%

EBIT margin



17.3

Profit after tax

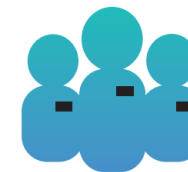


7.5

Free cash flow

6.8%

FCF margin



635

Number of
employees

Key financial figures as per 30 June 2024

	HY2023 reported	HY 2023 adjusted¹	HY 2024 reported	HY 2024 adjusted	Change in adjusted figures
	MCHF	MCHF	MCHF	MCHF	in%
Order intake	133.3	119.3	141.0	141.0	18%
Order backlog	188.1	174.6	218.2	218.2	25%
Net sales	103.0	95.4	109.9	109.9	15%
Operating result (EBIT)	18.6	18.1	24.0	25.5 ³	41%
as % of net sales	18.1%	19.0%	21.8%	23.2%	
Profit	14.5	14.2	12.1	17.3 ^{2,3}	22%
Free cash flow	-2.4	-1.9	5.5	7.5 ²	n/a
Net financial position	2.5	2.5	5.1	5.1	104%

¹ without figures of plant in Czech Republic (SERW), which was divested on 5 December 2023

² excluding subsequent tax payment in Italy of 3.7 MCHF (cash impact of 2 MCHF for H1 2024)

³ excluding M&A costs of 1.5 MCHF

What is important? What to consider?

Three adjustments

The adjustments help to improve comparability with the previous year because at that time the Czech company SERW was still included in the consolidated figures

We consider the additional tax payment in Italy to be a one-off (impact of 3.7 MCHF on net profit and 2.0 MCHF on free cash flow).

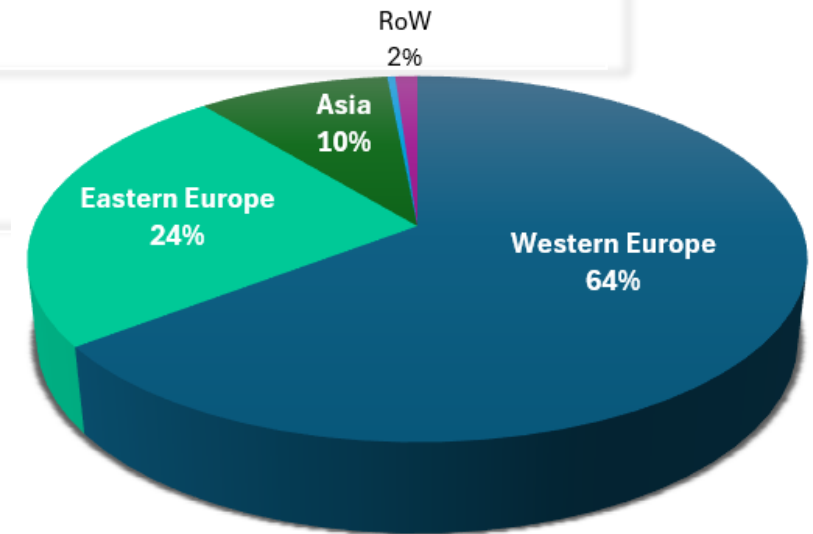
Higher consulting costs were incurred in connection with M&A activities in the first half of the year 2024, which led to higher other operating expenses of 1.5 MCHF

Higher net sales

+63% higher PoC-related sales compared to prior year
(22% of total sales at the end of June)

Positive sales mix (see pie chart on the right side) with 64% net sales in Western Europe (vs. 54% throughout 2023)

5.5% of total net sales generated in the German markets



Consolidated profit & loss statement as per 30 June 2024

(with comparatives from prior year)

			30 June 2024 (unaudited) TCHF	30 June 2023 (unaudited) TCHF
Net sales	A	2	109'933	102'974
Changes in semi- / finished goods			8'656	7'161
Other operating income			76	6
Operating income			118'664	110'141
Material costs	B		-61'835	-65'553
Personnel costs	C	3	-20'005	-18'669
Operating expenses	D	3	-9'466	-6'140
Other operating expenses	E	3	-1'760	-120
Operating result before amortisation and depreciation (EBITDA)			25'598	19'659
Depreciation of tangible assets and amortisation of intangible assets	F		-1'646	-1'097
Operating result (EBIT)			23'952	18'562
Financial result			-1'173	-712
Profit before income taxes			22'779	17'850
Tax expenses	G	4	-10'657	-3'365
Profit			12'122	14'485
Basic earnings per share in CHF			0.42	0.50
Diluted earnings per share in CHF			0.42	0.50

adjusted EPS at 0.6 CHF

previous HY 2023: «old» R&S group without acquired VT5 and Czech plant SERW included (sold in Dec. 2023)

A Net sales

- all product groups with higher sales compared to previous year
- neglectable impact of FX as stronger PLN was offsetting negative impact of weaker EUR

B Material costs

stable material prices with good availability of key materials; materials ratio at 56% compared to 57% at the end of the year 2023.

B Value added (Gross Margin)

significant increase due to higher output (esp. Italy and Switzerland) and expiry of some low-margin contracts

C

Personnel costs only higher in absolute terms due to higher number of employees to address business growth and strategic expansion of capacities (new plant in Poland), but very stable in relation to sales (18.2%)

D

Operating expenses higher maintenance costs and operational costs as a result of increased output. In addition higher administrative expenses for «being public».

E

Other operating expenses include additional consultancy costs related to ongoing strategic projects (1.5 MCHF)

F

Depreciation, amortisation slightly higher due to continued increase in investments

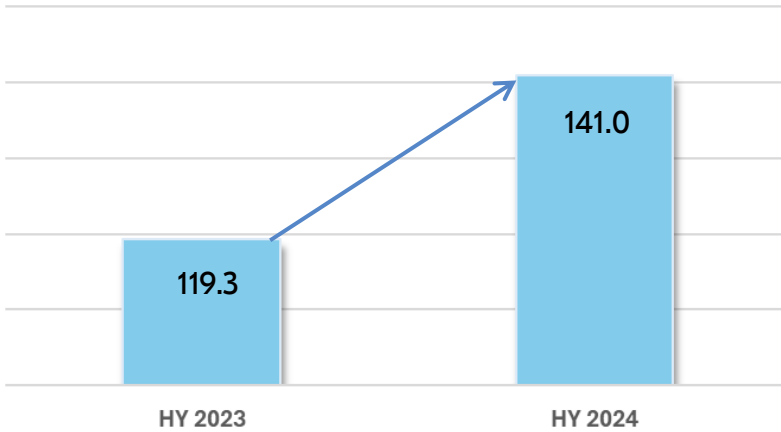
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Tax expenses increased due to higher profit, continued consumption of tax loss carryforwards (most of the available losses were consumed in 2023), expired tax exemptions for Tesar PL and a subsequent tax payment in Italy (3.7 MCHF)

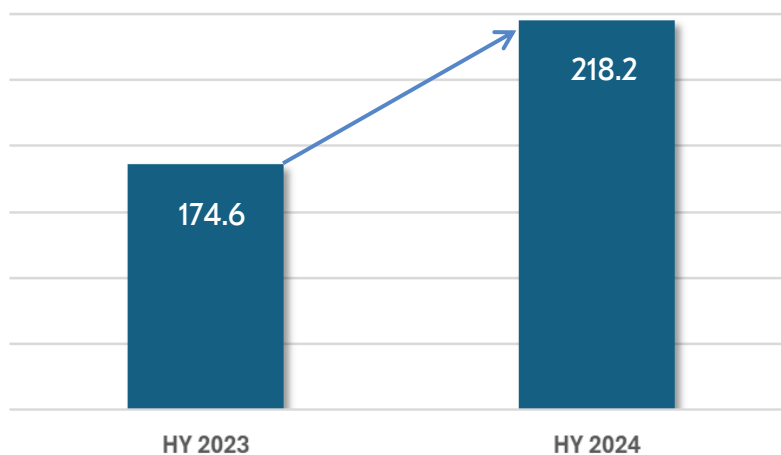
Continuing strong Order Intake provides stable Backlog

MCHF

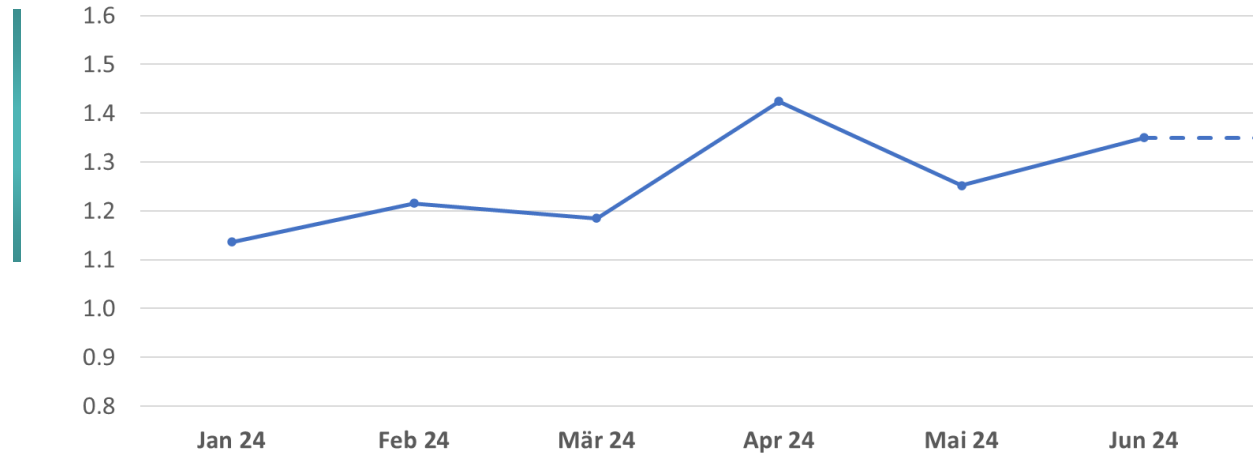
Order Intake (adjusted)



Order Backlog (adjusted)



Book-to-Bill



- Continuously high monthly order intake from key markets (CH, GER, IT) and stable order backlog for 2024 and beyond.
- Build-up of new capacities will gradually put more pressure on prices. However, no price erosion is expected and margins will remain very attractive due to stable material prices.
- Since months avg. book-to-bill flat > 1.2 (see graph above)
- High backlog for Oil-Distribution and Power Transformers until Q4/2025, normal backlog for Cast Resin Transformers until end of 2024

Consolidated Balance Sheet as per 30 June 2024

		30 June 2024 (unaudited) TCHF	31 December 2023 (audited) TCHF
Assets			
Cash and cash equivalents	A	43'986	52'999
Accounts receivable		43'091	29'864
Other short-term receivables		2'271	2'569
Inventories	B	40'202	31'663
Prepaid expenses		1'379	761
Total current assets		130'930	117'856
Tangible assets		21'613	18'791
Financial assets	C	4'083	1'975
Intangible assets		727	597
Total non-current assets		26'422	21'363
Total assets		157'352	139'219

Liabilities and equity

Liabilities

		30 June 2024 (unaudited) TCHF	31 December 2023 (audited) TCHF
Liabilities			
Short-term financial liabilities		12'588	12'629
Accounts payable		25'712	30'812
Other short-term liabilities	B	25'336	14'391
Short-term provisions	D	15'940	7'470
Accruals		5'127	1'730
Total current liabilities		84'703	67'032
Long-term financial liabilities	A	26'294	33'690
Pension liability		866	712
Long-term provisions		4'188	3'947
Total non-current liabilities		31'348	38'349
Total liabilities		116'050	105'381
Equity			
Share capital		2'893	2'893
Capital reserves	A	41'423	48'415
Own shares		-10'000	-10'000
Retained earnings		8'241	-3'881
Cumulative currency translation reserve		-1'255	-3'589
Total equity		41'301	33'838
Total Liabilities and equity		157'352	139'219

A Decrease of cash due to reductio of financial liabilities and payout of dividend out of the capital contribution reserve in the first half of the year.

B Increase is reflecting higher business volumes as it is including higher work-in-progress (PoC-WIP) stock amount compared to the end of 2023

C Including interest-bearing cash deposit for bank guarantee limit in Poland

D Increase in short-term provisions is attributable to an increase in tax provisions (CHF 4.2 million) associated with growing profitability and the result of a subsequent tax audit in Italy.

Consolidated Cash Flow Statement as per 30 June 2024

		30 June 2024 (unaudited) TCHF	30 June 2023 (unaudited) TCHF
Profit of the period		12'122	14'485
Amortisation and depreciation		1'646	1'097
Profit (-)/Loss (+) on sale of tangible assets		-4	-4
Change in provisions/reserves	A	8'991	4'502
Other non-cash items	B	-2'688	0
Cash flow from operating activities before changes in net working capital		20'066	20'080
Change in inventories	C	-7'226	961
Change in accounts receivable		-11'988	-16'793
Change in other receivables and prepaid expenses		-595	-2'035
Change in accounts payable		-6'400	-2'660
Change in other current liabilities and accruals	D	13'507	1'782
Cash flow from operations		7'363	1'334
Investments in tangible assets		-1'747	-3'514
Divestments of tangible assets		26	14
Investments in financial assets		-4	-37
Investments in intangible assets		-174	-150
Cash flow from investment activities		-1'898	-3'687
Free cash flow		5'465	-2'353
Dividends paid	E	-6'992	0
Issuance (+)/repayment (-) of short-term financial liabilities		-575	-3'231
Issuance (+)/repayment (-) of long-term financial liabilities	E	-8'320	2'269
Cash flow from financing activities		-15'888	-962
Exchange rate impact		1'410	214
Net change in cash		-9'013	-3'101
Cash and cash equivalents at 01.01.		52'999	21'527
Cash and cash equivalents at 30.06.		43'986	18'426
Change in cash and cash equivalents		-9'013	-3'101

- A Mainly attributable to higher tax provisions as a result of the overall increase of the business volume and operational profit, higher accruals for customer claims (risk provisioning for penalties and onerous contracts), as well as tax provisions
- B Includes a pledge for bank guarantees in Poland
- C Increase in PoC-WIP balances due to higher business volumes
- D Positive impact of increase in advance payments from customers in other current liabilities and CHF 8 million in net inventories (total 18.5 MCHF)
- E High financing cash outflows due to dividend payout out of the capital contribution reserve and partial repayment of bank loan at holding level RSG, which was raised in connection with the initial business combination (IBC) and going public end of 2023

previous HY 2023: «old» R&S group without acquired VT5 and Czech plant SERW included (sold in Dec. 2023)

Sustainability

Matthias P. Weibel | Group CFO



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Update on activities



- Goal set to achieve ISO 50001 certification for energy management in all plants by 2025 by improving energy efficiency, reducing environmental footprint and supporting sustainable operations.
- Multi-site assessment at Group level is being analyzed with the aim of identifying best practices, optimizing allocation of plant resources and ensuring compliance with regulations and industry standards.
- Installations of solar panels on building roof in Italy and Poland (Bochnia – see picture) and are being evaluated for other plants in Poland. The Sissach (Switzerland) plant is already utilizing energy from solar panels.
- R&S Group set the target to reduce GHG emissions by 33% by 2033 versus 2023 levels and to be climate neutral by 2050, in accordance with the Swiss Climate and Innovation Act.
- Group policy on zero-tolerance with regard to child labour no imports or process of conflict minerals.
- New compliance officer responsible for all ESG matters is being hired.

Outlook & take-aways

Markus Laesser | Group CEO
Matthias P. Weibel | Group CFO



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Update on 2024 and mid-term guidance

	2024 outlook ¹	Mid-term outlook ²	Commentary
Net sales growth	Confirmed Above 12%	Confirmed Around 12%	<ul style="list-style-type: none"> Mid-term outlook organic growth over the cycle Strong tailwind from global electrification demand, decarbonization, decentralization and aged grids
EBIT margin	Confirmed Around 20% of net sales	Confirmed Around 20% of net sales	<ul style="list-style-type: none"> Resilient gross profit margin profile Economies of scale from continued net sales growth Operational excellence supporting margin expansion
Free cash flow margin	Under review Mid-teens double-digit as % of net sales*	Under review Mid-teens double-digit as % of net sales**	<ul style="list-style-type: none"> FCF equals cash flow from operating activities minus cash flow from investing activities * 2024 under review due to M&A transaction costs and subsequent tax payments in Italy ** mid-term being reviewed due to combined Capex plans
Dividend policy and leverage	Changed CHF 0.50 per share	Changed CHF 0.50 per share	<ul style="list-style-type: none"> Stable dividend for FY2024 to FY2026³, thereafter accelerated Mid-term target leverage of around 1.5x Net Debt⁴ / LTM EBITDA based on expected high warrant conversion; excess cash to be returned to shareholders

Notes:

- 1 Latest guidance for 2024 (announced on 20 August 2024)
- 2 Based on current mid-term plan (announced 20 August 2024)
- 3 Actual year financial target to be paid out the following year
- 4 Including lease liabilities and PF for equity issuance

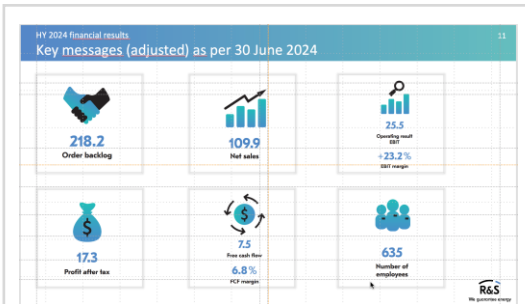


Guidance confirmed / updates / under review vs latest guidance announced on 17 May 2024



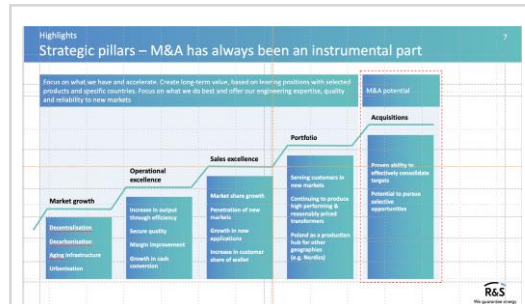
R&S Group and Kyte Powertech are excited to join forces looking ahead into a bright future, guaranteeing energy and transforming the world of energy every day

1



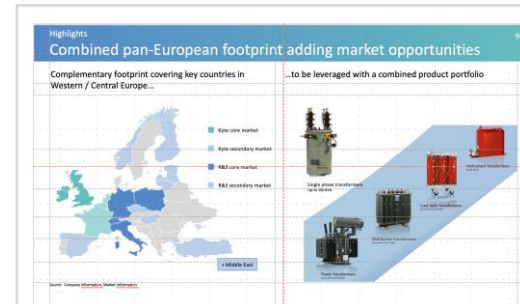
R&S Group has delivered a successful financial and operational performance since its listing, creating meaningful value for shareholders

2



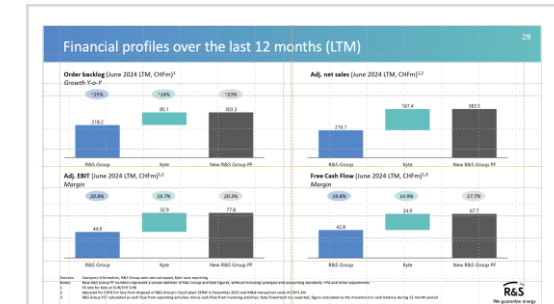
Part of the R&S Group success story can be attributed to the group's robust strategic roadmap and DNA, which M&A is a key part of

3



Kyte represents an opportunity to expand R&S Group's position as market leader in selected products and markets while maintaining a high standard of quality and technical expertise

4



The acquisition will further enhance R&S' attractive financial profile through Kyte's attractive growth and margin profile

Stronger together!

The acquisition of Kyte Powertech is a natural next step in the evolution of R&S Group.



Next update on combined group strategy and integration to follow at Capital Markets Day in Zurich on 31 October

Q&A

Thank you for your attention.

We are now happy to
answer your questions.



Financial calendar | Contact

Financial Calendar 2024/2025

Capital Markets Day	31 October 2024
Trading update full-year 2024 sales	06 March 2025
Release of full-year 2024 results	15 April 2025
Annual General Meeting	14 May 2025

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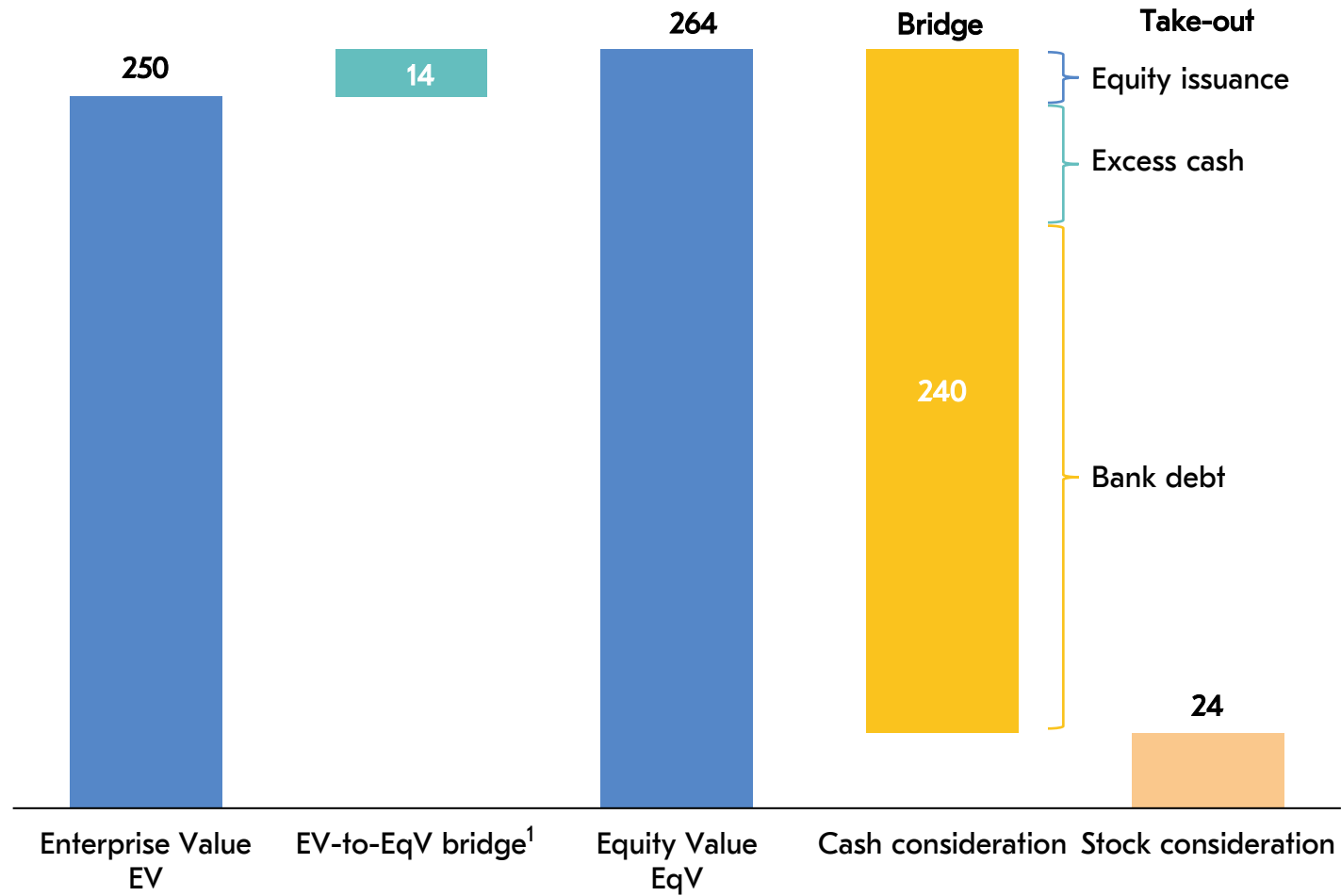
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Appendix



Kyte: a high-quality asset acquired at an attractive valuation

Acquisition consideration (EURm)



- **Bridge financing facility provided by UBS**
 - Take-out by a combination of bank debt, excess cash and equity issuance of ~CHF 23m²
 - R&S has secured commitments for the equity issuance to be executed in a timely manner
- **Kyte Powertech management rollover** is subject to a 1-year lock-up period for 25% of their shares and a 2-year lock-up period for the remaining 75% of shares
- **Leverage**
 - Acquisition results in a **PF leverage³ of around 2.25x** with the aim of reducing it to ~2x by year-end 2024
 - **Mid-term target leverage of around 1.5x Net Debt⁴ / LTM EBITDA** based on high warrant conversion
- The transaction is expected to be **highly EPS accretive⁵**

Sources: Company information

Notes: EUR/CHF of 0.9324 as secured via FX forward for the transaction

1 Including adjusted net cash, NWC adjustment, picking fee and employee benefit trust consideration

2 R&S Group Holding AG will receive equity proceeds from the committed execution of R&S Group warrants, among others, by Artemis Beteiligungen at the amount of CHF 9.6m and from the partial sale of treasury shares held by the company of -C HF 10m secured by a commitment of Zürcher Kantonalbank

3

Net debt / LTM EBITDA as of Jun-24 including lease liabilities and PF for equity issuance

4

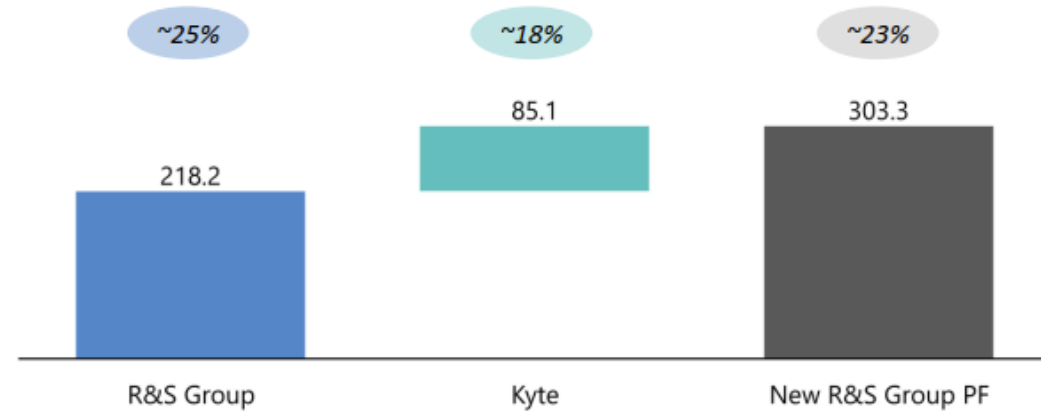
Including lease liabilities and PF for equity issuance

5

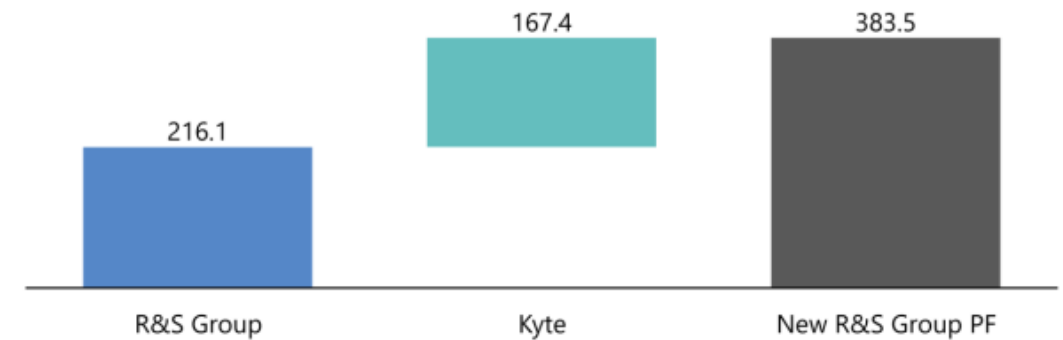
Based on existing accounting principles in place for both companies

Financial profiles over the last 12 months (LTM)

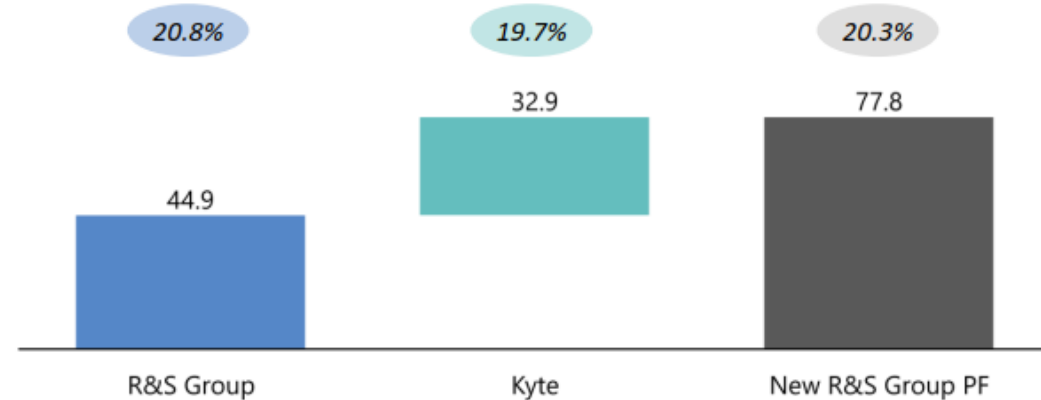
Order backlog (June 2024 LTM, CHFm)¹ Growth Y-o-Y



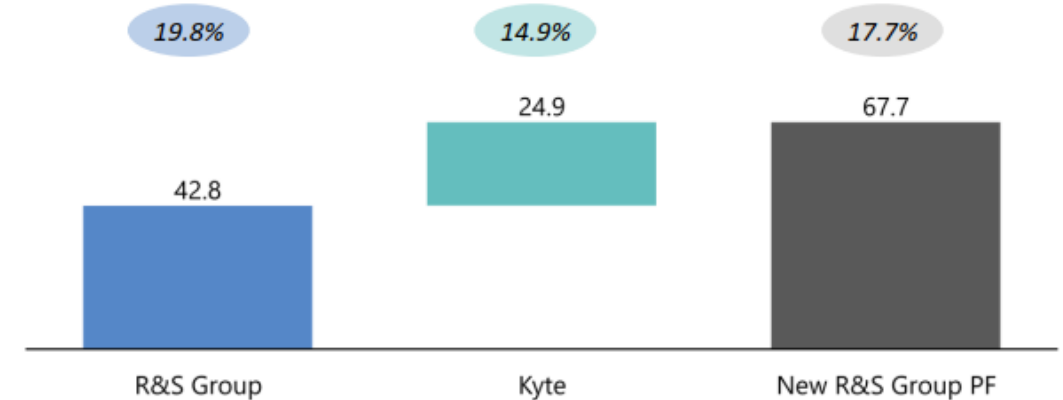
Adj. net sales (June 2024 LTM, CHFm)^{1,2}



Adj. EBIT (June 2024 LTM, CHFm)^{1,2} Margin



Free Cash Flow (June 2024 LTM, CHFm)^{1,3} Margin



Sources: Company information, R&S Group semi-annual report, Kyte June reporting

Notes: New R&S Group PF numbers represent a simple addition of R&S Group and Kyte figures, without including synergies and accounting standards, PPA and other adjustments

1 FX rate for Kyte at EUR/CHF 0.96

2 Adjusted for CHF9.5m loss from disposal of R&S Group's Czech plant SERW in December 2023 and M&A transaction costs of CHF1.6m

3 R&S Group FCF calculated as cash flow from operating activities minus cash flow from investing activities; Kyte Powertech not reported, figure calculated as the movement in cash balance during 12-month period

Strong rationale for the combination of R&S Group and Kyte

The combination of R&S Group and Kyte will increase R&S Group's profile as a public company, strengthen market leading positions, create a deeper management bench, and enhance product offerings and technical expertise for both companies



Combined increase in leading market positions and expansion of European regional footprint



Complementary product portfolio & expertise in distribution transformers



Joint network and service expertise, and potential to increase share of wallet with customers



Shared deep bench of management expertise with respectively high levels of market competence in their core segments



R&S Group can facilitate and support Kyte's growth with historically underserved industrial customers; in turn, Kyte's design capabilities¹ will enhance R&S Group's existing customer relationships



Shared culture, including a focus on product on quality² and sustainability



Similarly attractive financial profiles, with growth and profitability of both companies to be uplifted by top-line and cost synergies

Notes:

1 Refers to Kyte's "DesDT" software

2 Refers to <0.1% transformer failure rate at Kyte