

# R&S Group

## Investor Presentation

June 2024



We guarantee energy

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**Markus Laesser**  
Group CEO



**Matthias P. Weibel**  
Group CFO

**1** Introduction and highlights

**2** Strategy

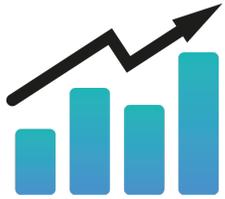
**3** Full year 2023 financial results

**4** Sustainability

**5** Outlook & take aways



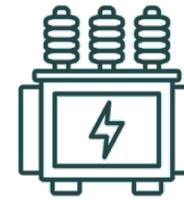
# Highlights



Successful year 2023 marked by strong sales and record profitability results. Net sales of CHF 201.6 mn (adjusted) up by 40% on an organic basis. EBIT (adj.) of 37.5 mn.



High employee engagement across all locations of the Group.



Secular tailwinds for the electricity distribution sector driving multi-dimensional future growth.



Strong operational results turning into remarkable cash conversion.



Achievements delivered as promised in FY 2023 guidance.



Listing on SIX Swiss Exchange on 13 December 2023 under the symbol «RSGN». Organisation readied for »being public«.

# R&S Group is well positioned with its footprint

R&S has the DNA of a quality local champion with the necessary scale

**Growth**  
driver in modernisation,  
decarbonisation and decentralisation

**100+**  
years of experience in production<sup>1</sup>

 **120+** distribution partners worldwide

**Strong market position**  
with leadership in niches, engineering  
and ability for small batches

**6 factories**  
in Switzerland, Italy, Poland and UAE



**Various industries<sup>2</sup>**  
enabled to generate power, focusing on  
windfarms, PV and Datacenters

**600+**  
highly skilled & empowered employees

Source: Management information

Notes:

1. Founded in 2012, R&S was built on a company from 1919  
2. Industries include photovoltaic and wind (renewables), e-mobility, and Datacenters

# Our highly reliable transformer portfolio



**Reliable and highly efficient  
electrical infrastructure  
products**



**Power transformers**  
Up to 145 kV & 120 MVA



**Distribution transformers**  
Up to 36 kV & 2.5 MVA



**Instrument transformers**  
Up to 36 kV

**Cast resin transformers**  
Up to 52 kV & 20 MVA

# Continued significant investment in 2023 to boost future growth



# Continued significant investment in 2023 to boost future growth



# Strategy

Markus Laesser | Group CEO



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# Strong secular market tailwinds for increased electricity demand

Secular tailwinds...

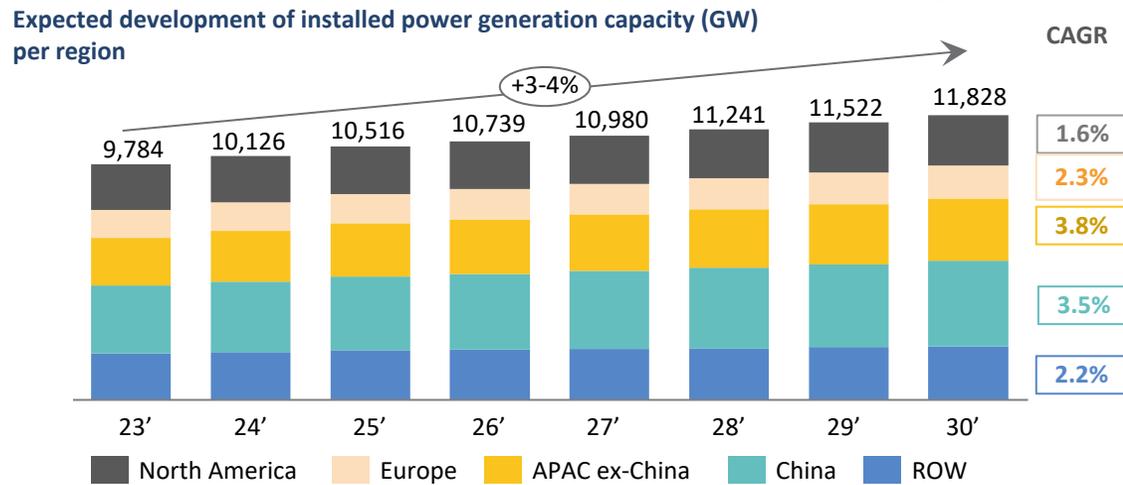
 **Increase of global population**

 **Increase of economic activity**

 **Changing consumer behavior**

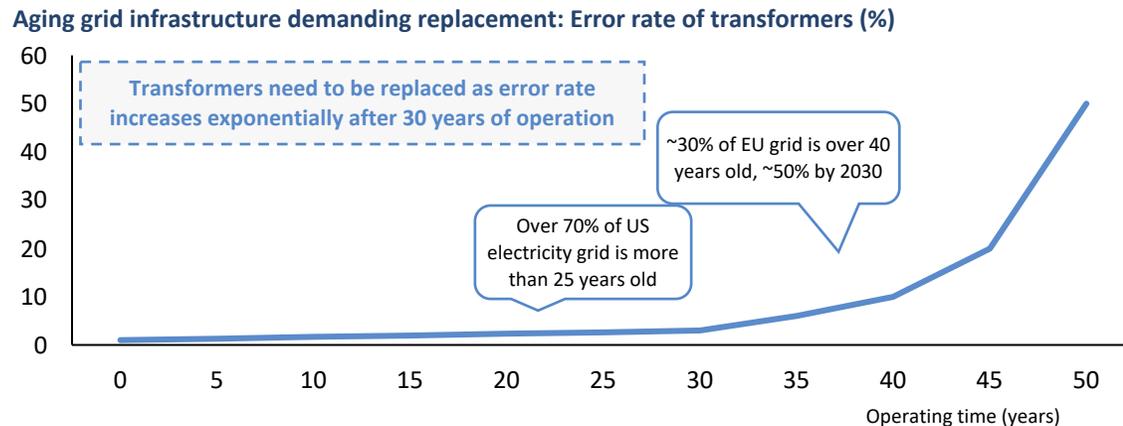
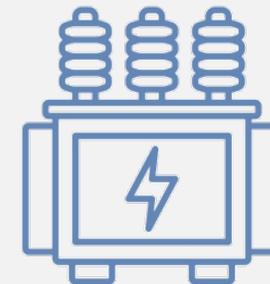
 **Increased access to electricity**

...combined with massive replacement requirements...

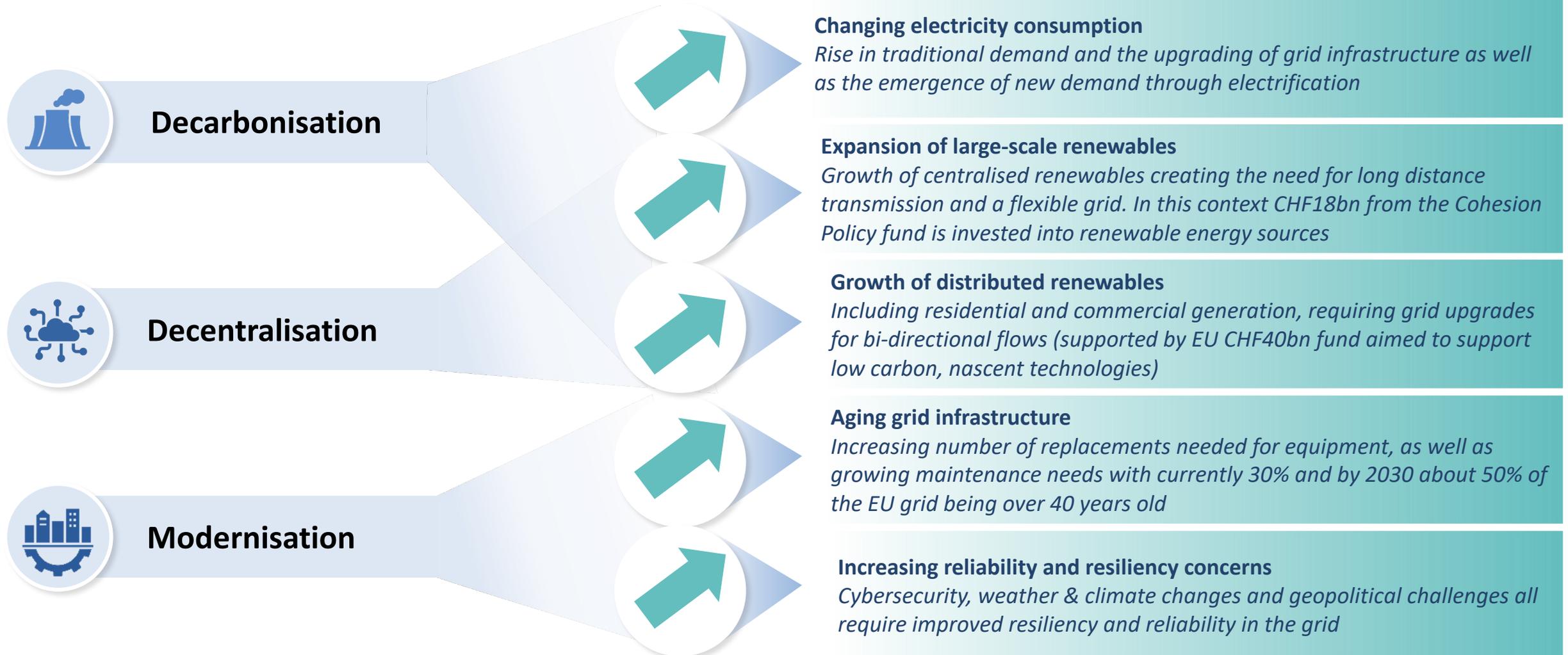


...drive accelerated transformer market growth

**1 MW of new power capacity leads to ~3 MVA in transformer capacity**  
given energy is transformed several times



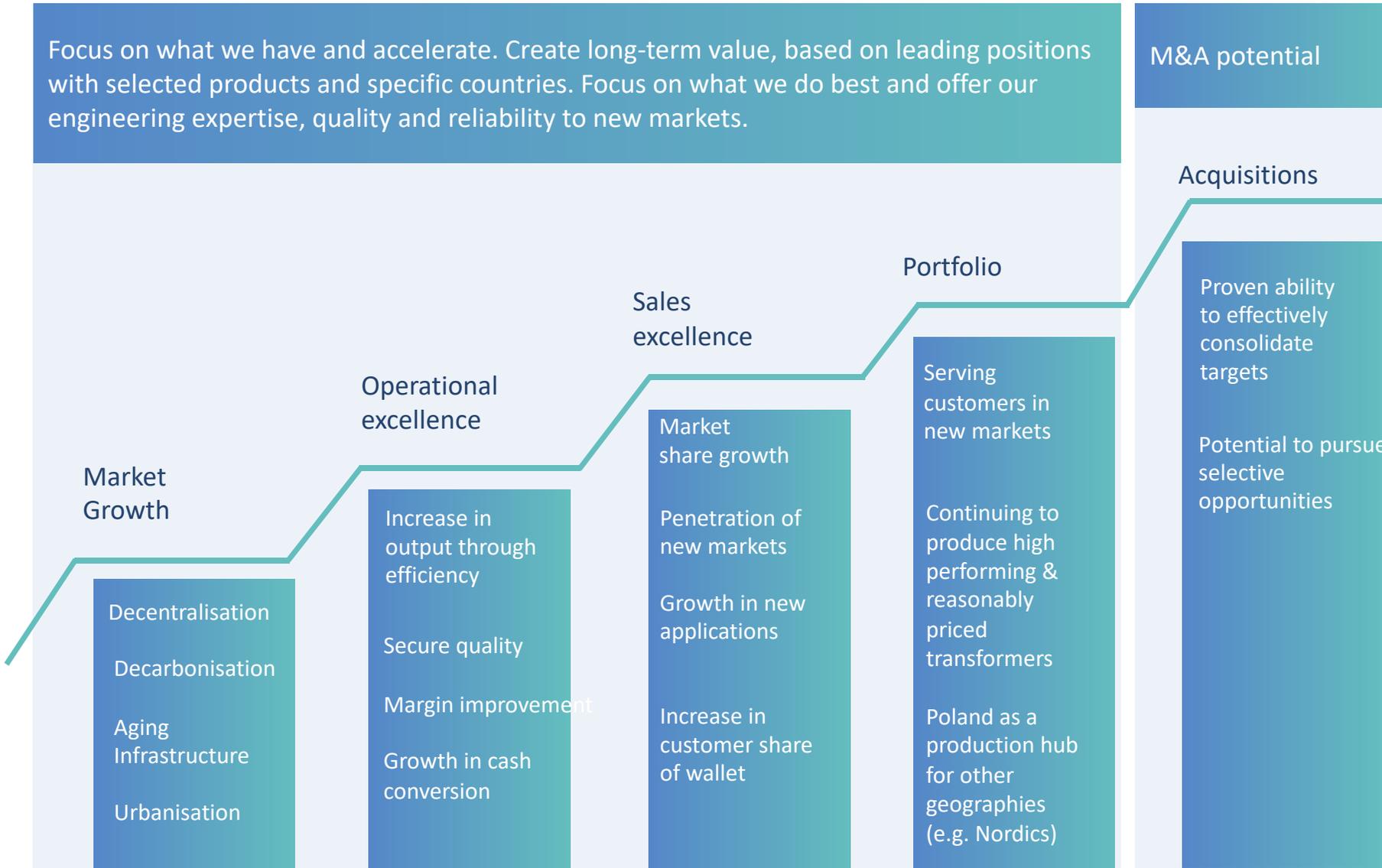
# Well-positioned to capture growth from the ubiquity of electrification



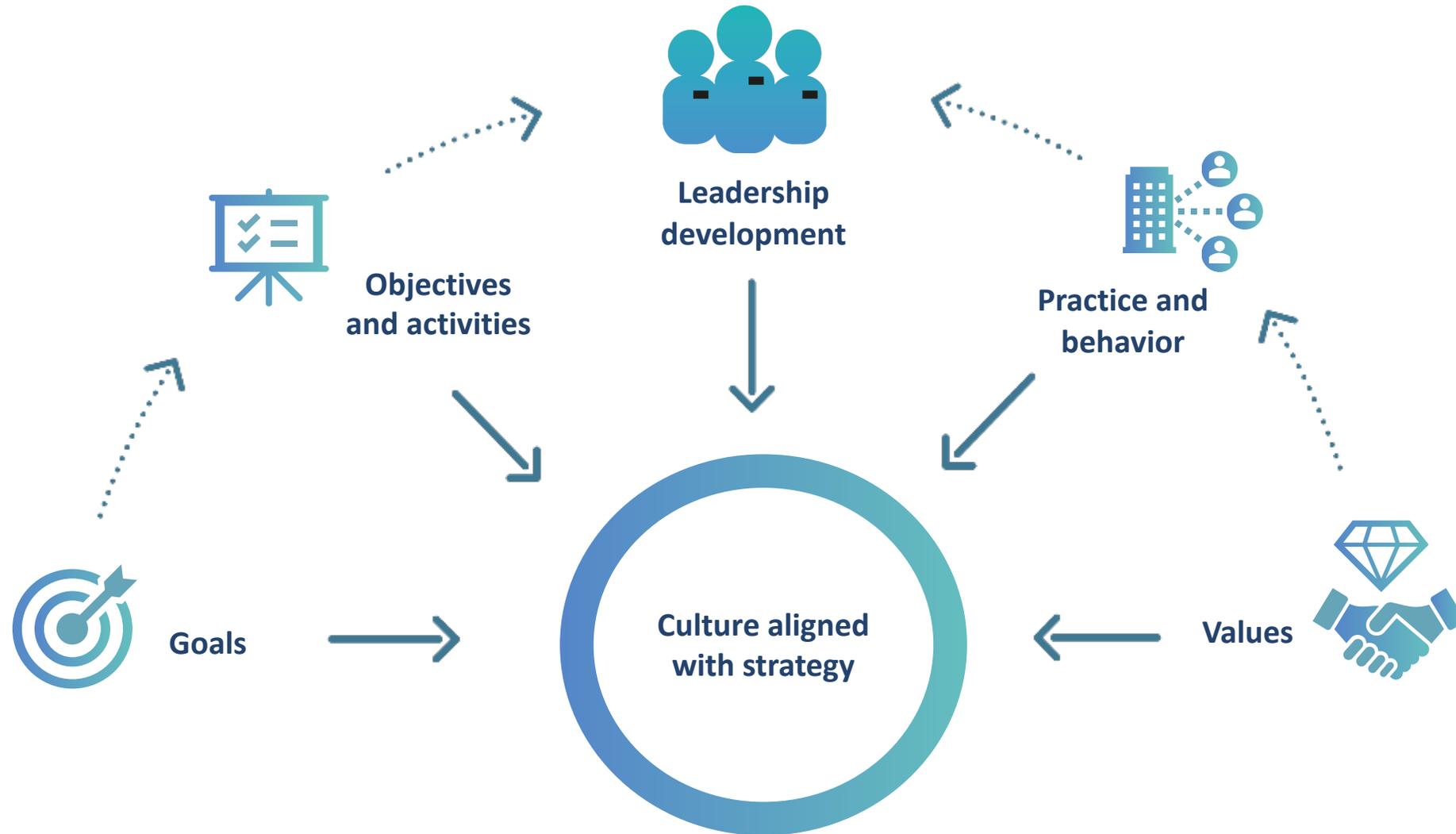
Sources: Consultancy analysis

# Strategic roadmap of ongoing & future upside levers

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.



# Culture as a key driver for value creation and growth



# Strategic Initiatives already executed in 2023

100% acquisition of Tesar Gulf.



Listing at Swiss Stock Exchange SIX.



ISO 14025 / 7 EN 50693  
 Certification @ Tesar  
 (Environmental Product Declaration)



Drive ESG Excellence

2023

2024

Insourcing of core production.



Disposal of non-core SERW



Successful market entry into Nordics, the Baltics and Germany through first customer wins.



Opening Rauscher & Stöcklin Plant in Bochnia/PL (Mid 2024)



# Full year 2023 financial results

Matthias P. Weibel | Group CFO



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# Key messages per 31 December 2023

**+22 %**



**185.7**

Order Backlog

**+40 %**



**201.6**

Net Sales (adj.)



**37.5**

Operating result  
EBIT (adj.)

**+18.6 %**

EBIT Margin (adj.)



**28.9**

Profit  
after tax (adj.)

**1 CHF**

Earnings  
per share (adj.)

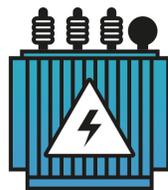


**33.3**

Free Cash Flow

**15.3 %**

based on Net Sales



**5.6**

Capital expenditures  
for tangible assets and  
intangible assets



**2.5 %**

Dividend return

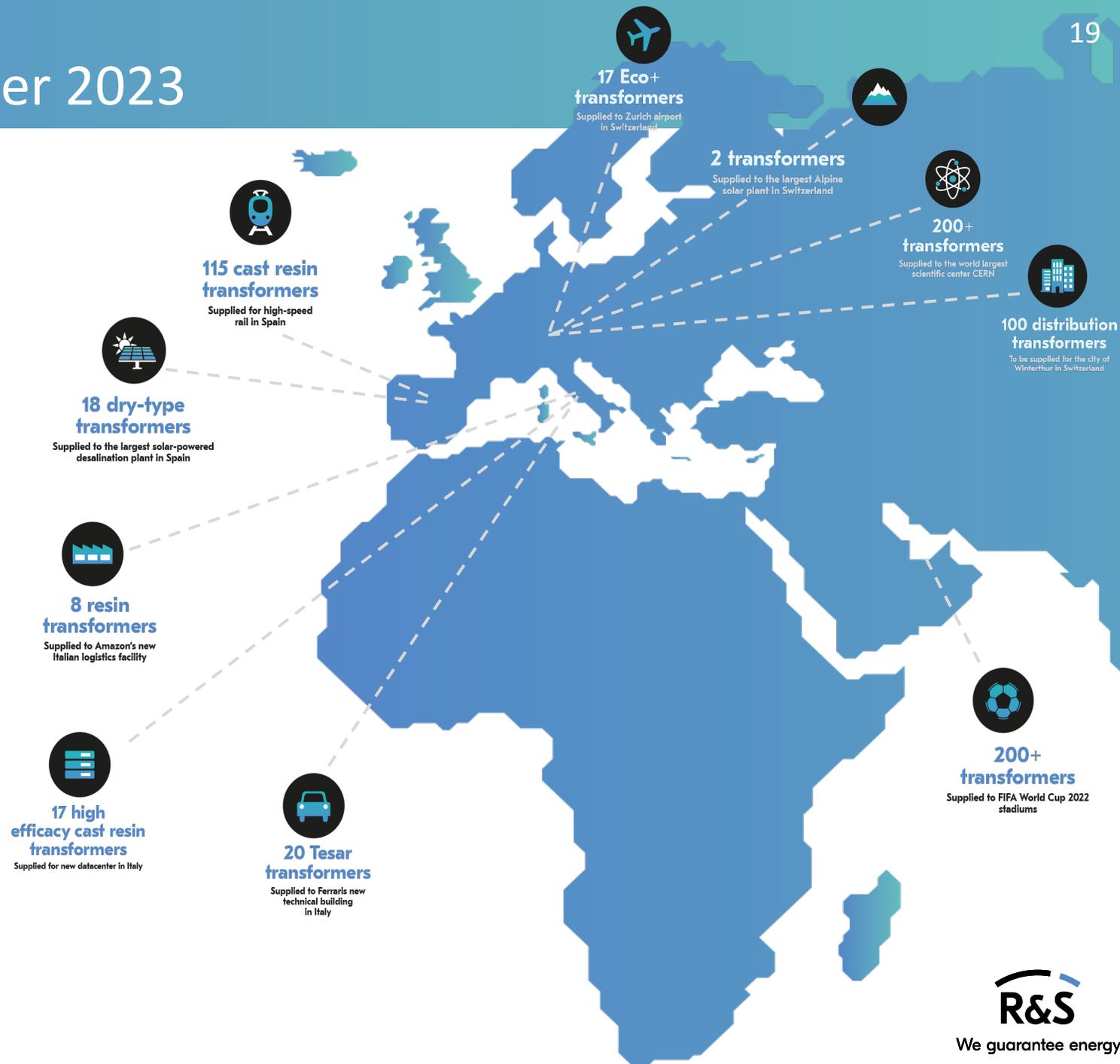
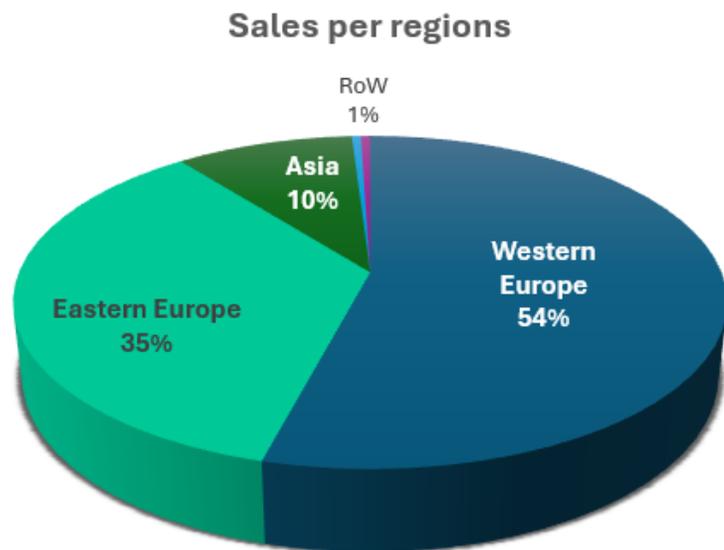


**616**

Number of  
employees

# Key messages per 31 December 2023

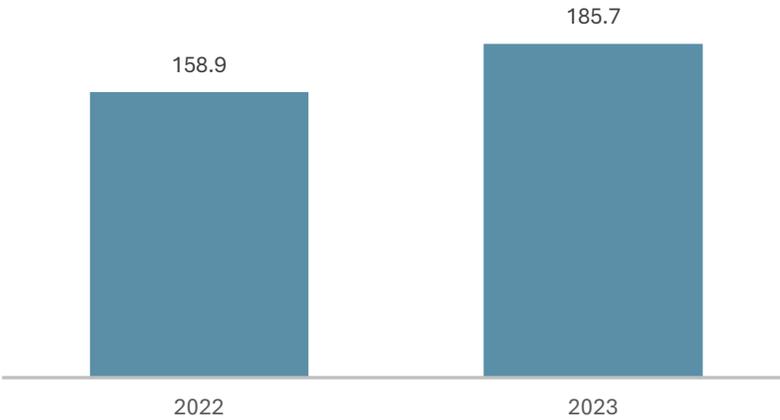
- In 2023, we managed to grow in all of our core markets, both geographically and by product group.
- The share of sales from long-term manufacturing orders (PoC projects) reached over 20% of total sales.



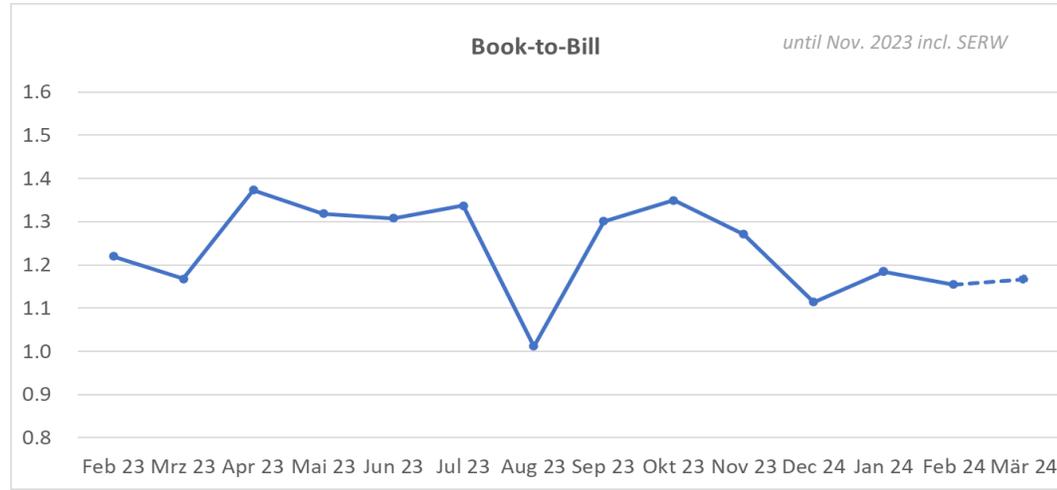
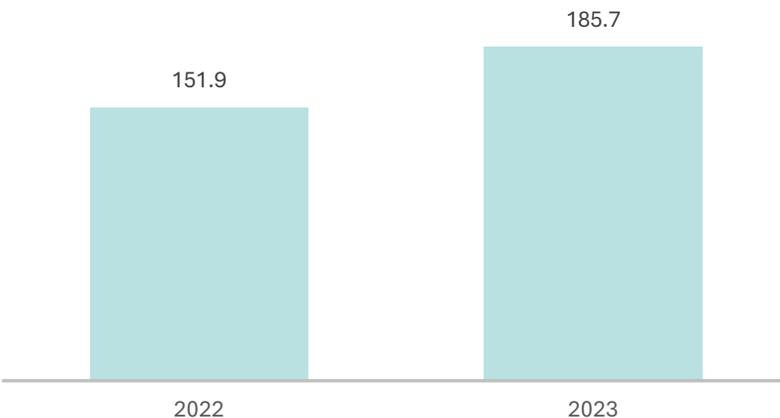
# Strong growth of order intake and backlog

TCHF

## ORDER BACKLOG REPORTED



## ORDER BACKLOG ADJUSTED



- Stable backlog 2024 with strong Value Added; continuously high monthly order intake; no margin erosion expected in 2024 in key markets (CH, GER, IT)
- Low pressure on prices as long as material prices remain stable; build-up of new capacities and competitors that calculate very tight might change the overall picture only in the short term
- Since 3 months avg. Book-to-bill flat > 1.1 (see graph above)
- High backlog for Oil-Distribution and Power Transformers until mid of 2025, normal backlog for Cast Resin Transformers until mid of 2024

## Key financial figures 2023 (adjusted)

	<b>2022 reported</b>	<b>2022 adjusted<sup>1</sup></b>	<b>2023 reported</b>	<b>2023 adjusted</b>	<b>Change in adjusted %</b>
	<b>MCHF</b>	<b>MCHF</b>	<b>MCHF</b>	<b>MCHF</b>	<b>in%</b>
Order Intake	240.9	231.6	264.6	245.0 <sup>2</sup>	6%
Order backlog	158.9	151.9	185.7	185.7	22%
Net sales	155.1	144.3	216.9	201.6 <sup>2</sup>	40%
Operating result (EBIT)	7.7	9.1	28.7	37.5 <sup>3</sup>	312%
as % of net sales	5.0%	6.3%	13.2%	18.6%	
Net profit	4.3	5.9	11.6	28.9 <sup>4</sup>	391%
Earnings per share in CHF	0.15	0.20	0.40	1.00	391%
Net financial position <sup>5</sup>	4.7	7.0	6.7	6.7 <sup>6</sup>	-5%
Dividend per share	0	0	0.25	0.25 <sup>7</sup>	
Year-end Number of full-time equivalents	712	540	616	616	14%

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

<sup>2</sup> adjusted for figures of divested plant in Czech Republic (SERW)

<sup>3</sup> adjusted for MCHF 9.5 loss from sale of SERW including disposed net assets of MCHF 4.0 and recycling of historic goodwill of SERW in the amount of MCHF 5.5 included in «Other Operating Expenses»

<sup>4</sup> adjusted for MCHF 9.5 loss from sale of SERW (see footnote 2) and non-operating listing costs from initial business combination of MCHF 8.0

<sup>5</sup> defined as cash and equivalents less (interest-bearing) short- and long-term liabilities

<sup>6</sup> including MCHF 38.7 financial debt of R&S Group Holding AG (former VT5)

<sup>7</sup> proposal of the Board of Directors to the Annual General Meeting of 28 May 2024

# Consolidated group results 2023 were impacted by three items

**Three adjustments at holding level had a significant impact on the annual financial statements.**

①

According to FER 24/22, **transaction costs** may not be offset against equity, but must be expensed as "Listing costs" in financial expenses.

➔ Negative impact of 8 MCHF on net income.

②

Initial Business Combination (IBC) led to **goodwill offset of CHF 17.7** million against equity

➔ From a *legal* perspective, VT5, later renamed to RSG, took over the existing R&S group. From an *accounting* perspective, however, the existing R&S (i.e. R&S International Holding AG) bought VT5. For this reason, a specific amount of goodwill resulted, which was booked against equity (acc. to FER 30).

③

**Historic goodwill of SERW** to be fully amortized via P&L.

➔ Negative impact of an additional MCHF 5.52 on EBITDA (total of MCHF 9.5 in other operating expenses).

# Consolidated profit & loss statement 2023

(with comparatives from prior year)

	Notes	2023 TCHF	2022 TCHF
Net sales	A 4	216'907	155'114
Changes in semi- / finished goods	B	-114	4'684
Other operating income	5	691	127
<b>Operating income</b>		<b>217'485</b>	<b>159'926</b>
Material costs	C	-124'226	-105'310
Personnel costs	D 6	-38'413	-32'561
Operating expenses	7	-13'891	-11'507
Other operating expenses <sup>1</sup>	E 8	-9'938	-640
<b>Operating result before amortisation and depreciation (EBITDA)</b>		<b>31'017</b>	<b>9'908</b>
Depreciation of tangible assets and amortisation of intangible assets	16	-2'332	-2'229
<b>Operating result (EBIT)</b>		<b>28'684</b>	<b>7'678</b>
Financial result	F 9	-9'572	-1'655
<b>Profit before income taxes</b>		<b>19'112</b>	<b>6'023</b>
Tax expenses	10	-7'478	-1'771
<b>Profit</b>	G	<b>11'634</b>	<b>4'252</b>
Basic earnings per share in CHF	11	0.40	0.15
Diluted earnings per share in CHF	11	0.40	0.15

<sup>1</sup>Other operating expenses include CHF 9.5 million loss on disposal of SERW Spol. S.r.o. after goodwill recycling under Swiss GAAP FER 30.17 (refer to Note 30)

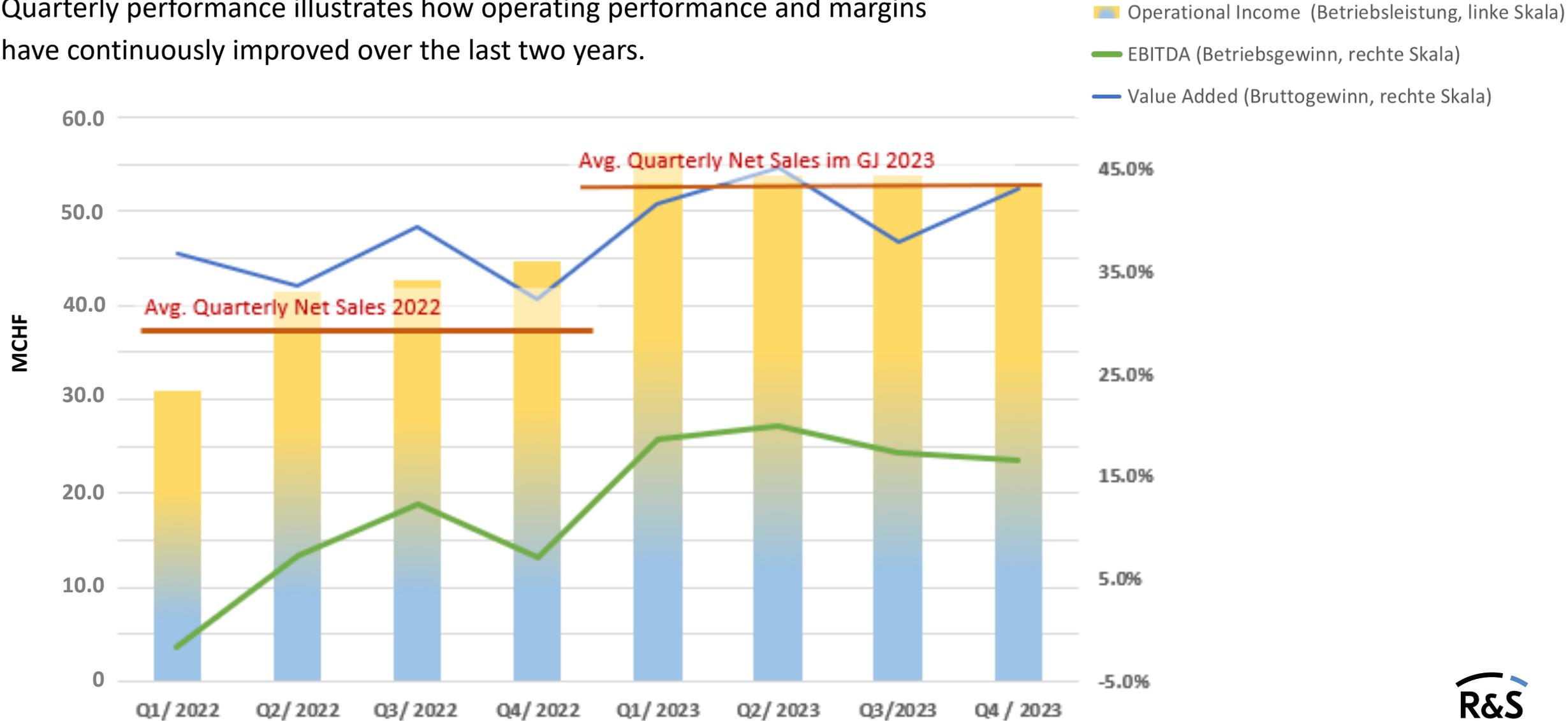
adjusted EPS at 1.0 CHF

previous year 2022: «old» R&S group without acquired VT5

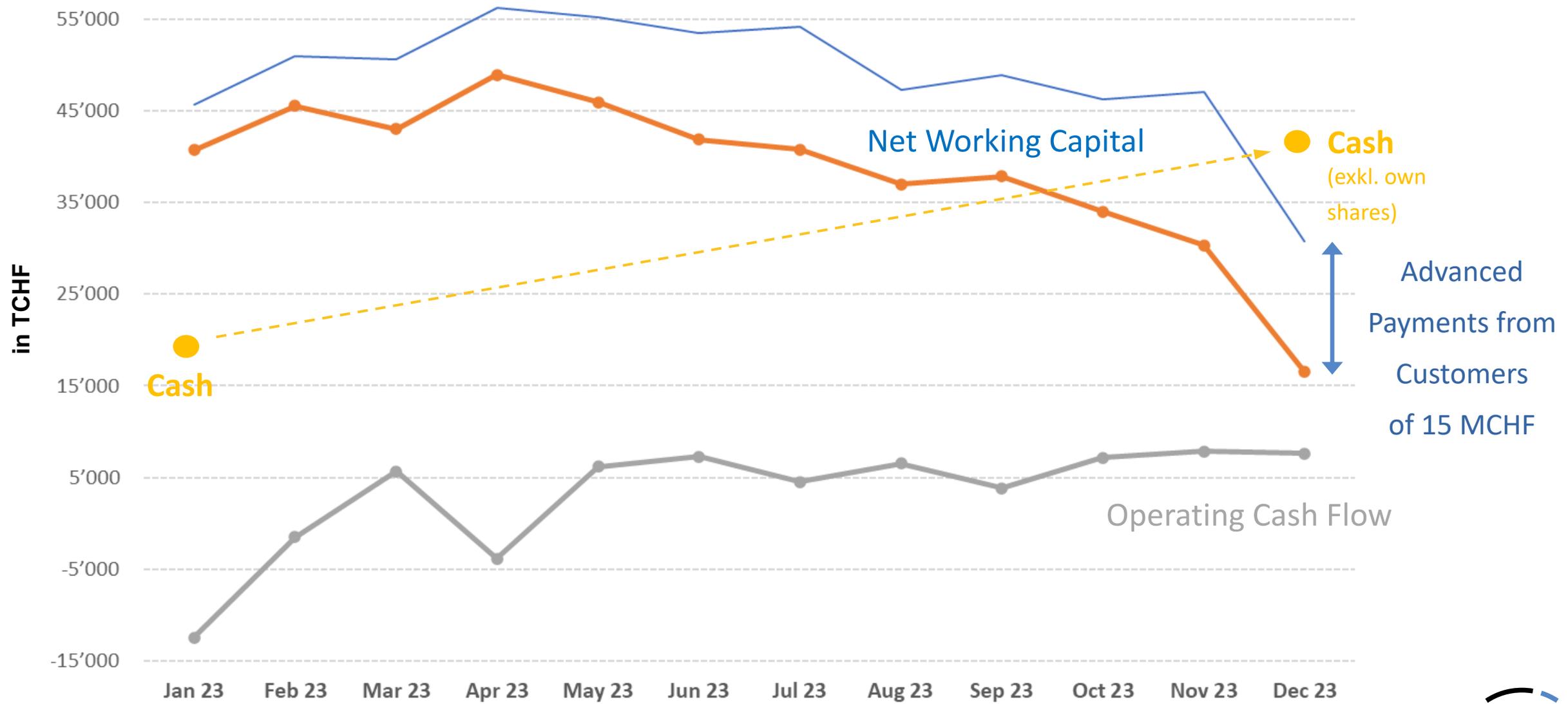
- A Net sales**
- adjusted net sales without SERW 201.6 MCHF (+40%)
  - small FX impact: based on prior year avg. exchange rates net sales would have been 1.9% higher; mainly due to stronger CHF vs. EUR
- B Semi-/ finished goods** decreased in 2023 as all plants, except ZREW, were able to reduce their semi/ finished goods
- C Material costs** decreased continuously in 2023 and with good availability of key materials. Low materials ratio at 57% at the end of the year (previous year 68%).
- D Personnel costs** in relation to sales down from previous year from 21% to 18%, but higher in absolute terms (+17.8%) due to salary inflation (especially in Poland) and increase number of employees to address business growth and strategic expansion of capacities (new plant in Poland)
- E Other operating expenses** includes write-off of historic goodwill (5.52 MCHF) and the disposed net assets (4 MCHF) of SERW
- F Financial result listing costs**
- According to FER 24/22, the transaction costs for «going public» may not be offset against equity, but must be reported as expenses in «Financial Expenses»
  - For 2024, the costs of «being public» will be recorded in operating expenses .
- G Tax expenses** increased due to higher profit and continued consumption of tax loss carryforwards (most of the available losses were consumed in 2023) and expired tax exemptions for Tesar PL.

# Continuously increased levels of revenue and value add

Quarterly performance illustrates how operating performance and margins have continuously improved over the last two years.



# Balance sheet and Cash flow: reduction of NWC unlocked cash



# Guidance



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# R&S to deliver profitable growth on a sustainable basis

	2023 actual	2024 outlook <sup>1</sup>	Mid-term outlook <sup>2</sup>	Commentary
Net sales growth	40% (adjusted) to CHF 201.6 m	Above 12%	Around 12%	<ul style="list-style-type: none"> <li>• Mid-term outlook organic growth over the cycle</li> <li>• Strong tailwind from global electrification demand, decarbonization, decentralization and aged grids</li> </ul>
EBIT margin	18.6% of net sales (adjusted)	Around 20% of net sales	Around 20% of net sales	<ul style="list-style-type: none"> <li>• Resilient gross profit margin profile</li> <li>• Economies of scale from continued net sales growth</li> <li>• Operational excellence supporting margin expansion</li> </ul>
Free cash flow margin	15.3 % of net sales	Mid-teens double-digit as % of net sales	Mid-teens double-digit as % of net sales	<ul style="list-style-type: none"> <li>• FCF equals cash flow from operating activities minus cash flow from investing activities</li> </ul>
Dividend policy	CHF7m	Return ~50% of free cash flow to shareholders	Return ~50% of free cash flow to shareholders	<ul style="list-style-type: none"> <li>• Dividend growth</li> <li>• Actual year financial target to be paid out in the following calendar year</li> </ul>

<sup>1</sup> Latest guidance for 2024 (announced on 17 May 2024)

<sup>2</sup> Based on current mid-term plan (announced on 17 May 2024)

# Stable shareholder base

Per 31 December 2023

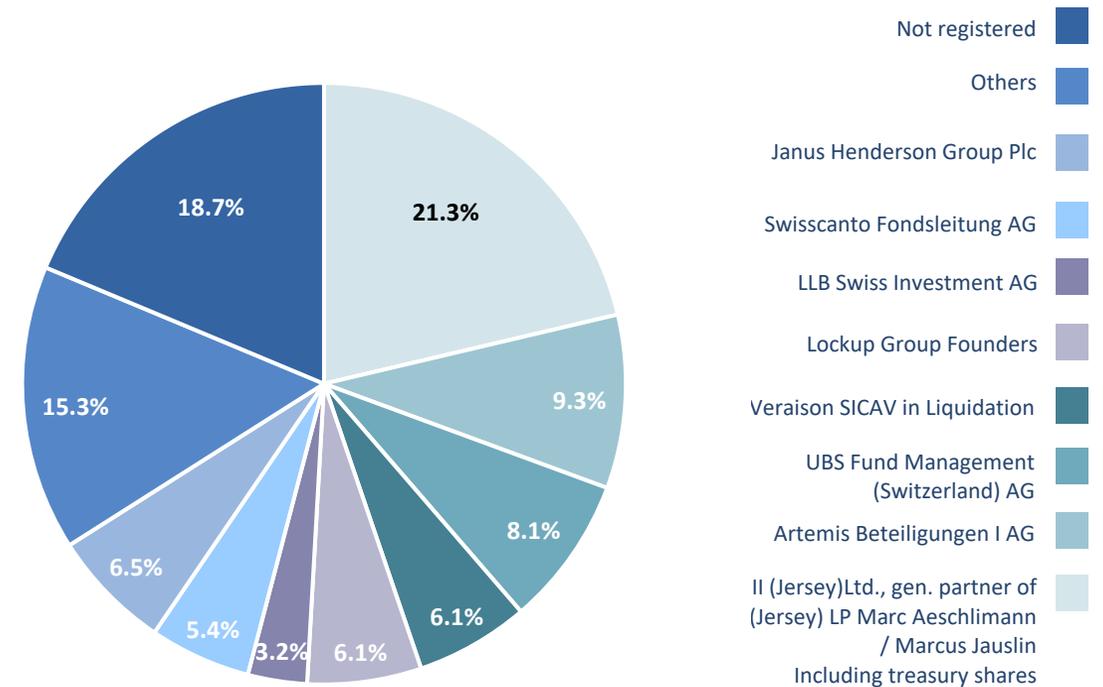
Free float of 50.5%



650 shareholders per end of 2023

Per 31 May 2024

Free float of 57%



832 shareholders per 31.05.2024

# Sustainability

Matthias P. Weibel | Group CFO



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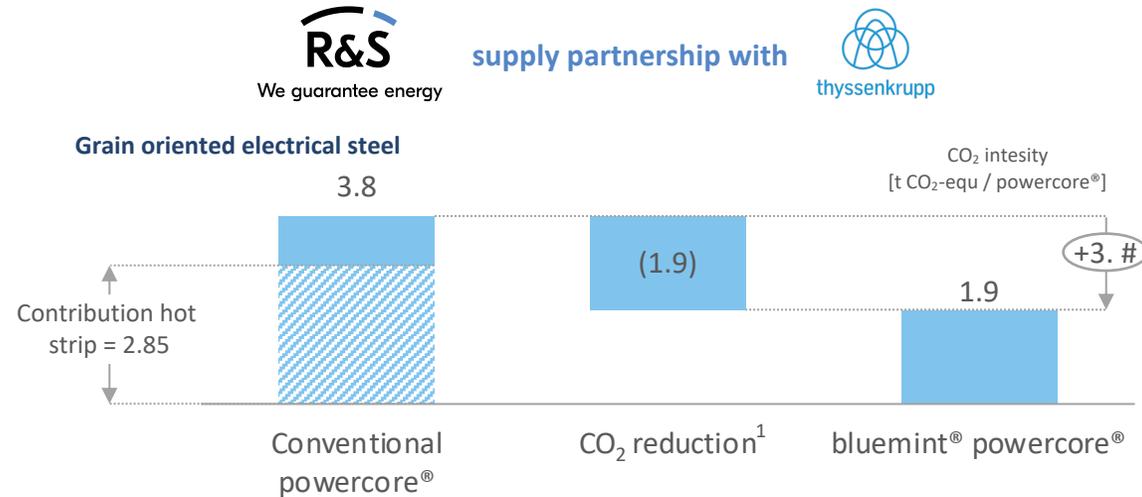
# Report on non-financial matters (ESG report)



- The non-financial report is separated from the annual report and has been established in accordance with Art. 964a et seqq. of the Swiss Code of Obligations.
- We recognize the environmental footprint of our operations and seek to avoid, minimize and mitigate our adverse environmental impact, regarding greenhouse gas (GHG) emissions, the use of water, electricity, natural resources and soil pollution.
- We continue to consider ways to understand different metrics for measuring Scope 1, 2 and 3 GHG emissions and tracking our impact on decarbonization.
- We've 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.
- We pursue a zero-tolerance policy with regard to child labour within the Group and does not import or process an annual quantity of conflict minerals.

# Implementation of sustainability initiatives across our transformer value chain

Everything from the materials that transformers are made from...



- Flagship project demonstrated low energy losses in use and low CO<sub>2</sub> in production
- Minimising supply chain impact with bluemint® materials provided from nearby sites in Europe

Transformers produced with a demonstrable sustainable impact

...to how products are designed and perform



- Product design optimisation and use of better performing materials
- ≥80% of the final product consists of metals, of which the majority is recyclable
- The life expectancy of the product is ~20 years on average, with some products still in operation today after 35+ years
- Demonstrated results with 25% annual energy savings for products vs. the first product supplied in 1993<sup>2</sup>



Cast resin transformers produced with a circular economy approach

Sources: Thyssenkrupp, Management information

Note:

1. Based on an allocation method

2. Refers to energy savings in KWh/year for 1,500 kVA transformer; for the calculation of the saved load loss, assumes a transformer loaded to 80% of the full load for 24h/day working 365 days/year

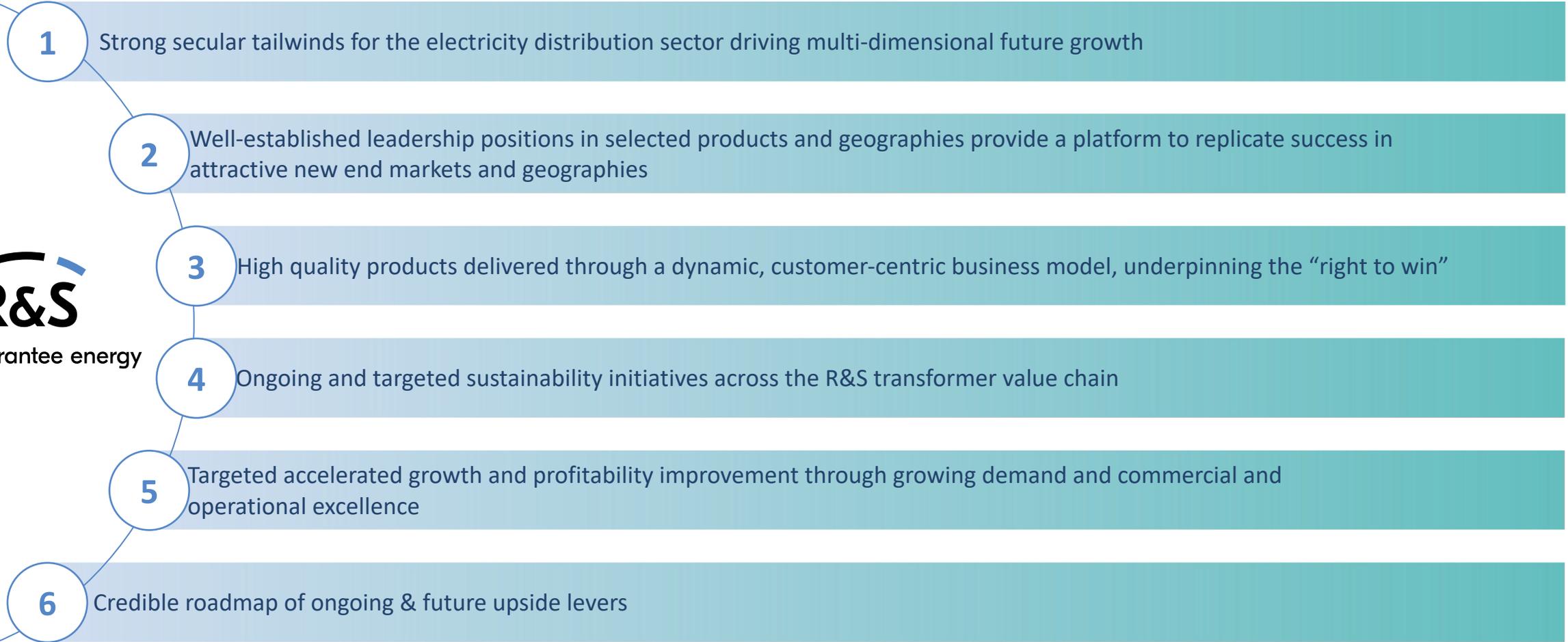
# Outlook & take aways

Markus Laesser | Group CEO



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# Investment summary for future value creation





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## Financial Calendar

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Trading update half-year sales  
Half-year results 2024  
Capital Markets Day  
Annual General Meeting 2025

24 July 2024  
11 September 2024  
31 October 2024  
14 May 2025

## Contacts

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