



# Rieter - Investor Update 2018

· Baader – Swiss Equities Conference – January 2019

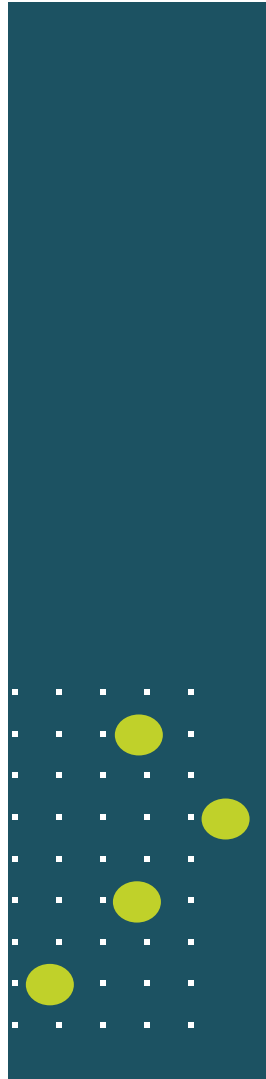
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# Agenda

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1. Key Messages
2. Order Intake Q3 2018
3. Outlook



# Rieter Group – Key Messages

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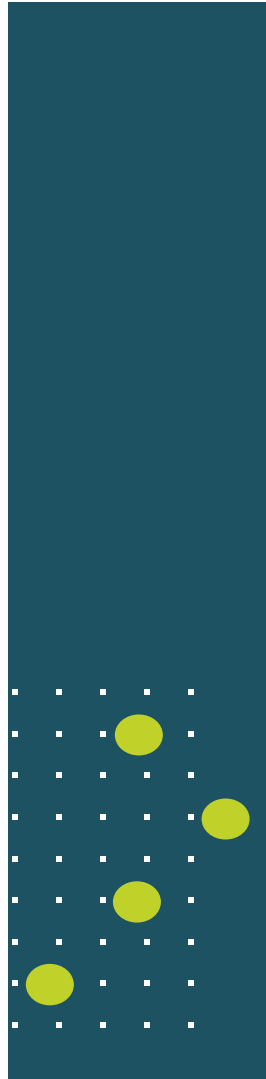


- Order intake of CHF 750 million after nine months
- In the third quarter, order intake of CHF 238 million
- System offering and digitization focus at ITMA Shanghai
- Moving ahead in Q4 2018

# Agenda

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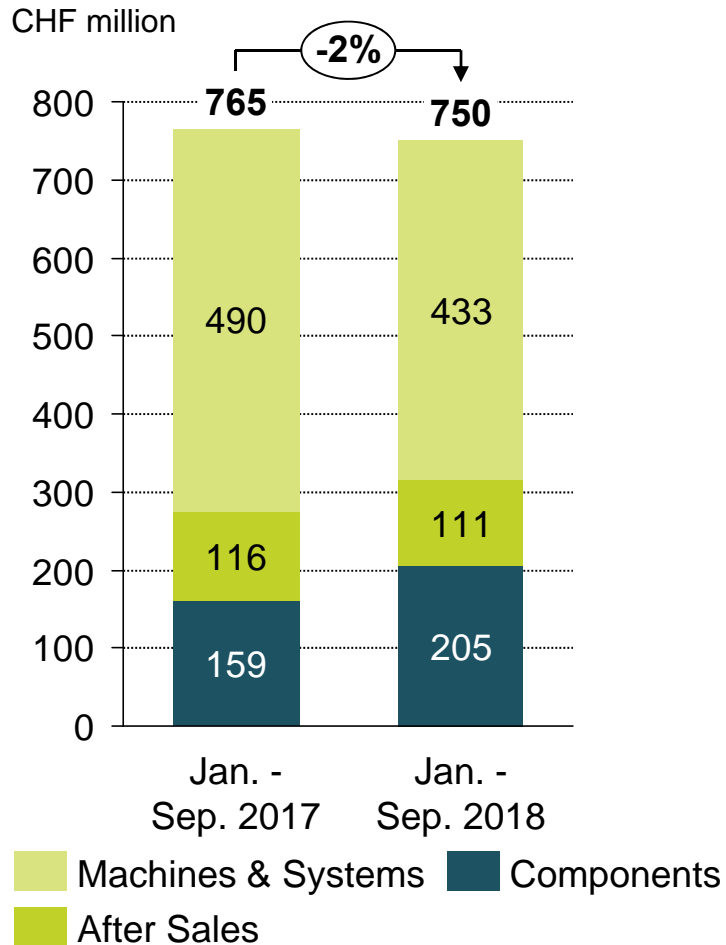
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# Orders by Business Group – Nine Months



## Slight decrease in order intake of 2%



- Below prior year: Business Group Machines & Systems with CHF 433.4 million order intake 12% below the first nine months 2017 (-11% in local currencies)
- Slight decrease: Business Group After Sales with CHF 111.3 million order intake 4% below the first nine months 2017 (-4% in local currencies)
- Increase: Business Group Components with CHF 205.1 million order intake 29% higher than the first nine months 2017 (27% in local currencies; -3% without SSM)

# Rieter Group – Order Intake in Q3



## Low demand from Turkey – stable Components

CHF million

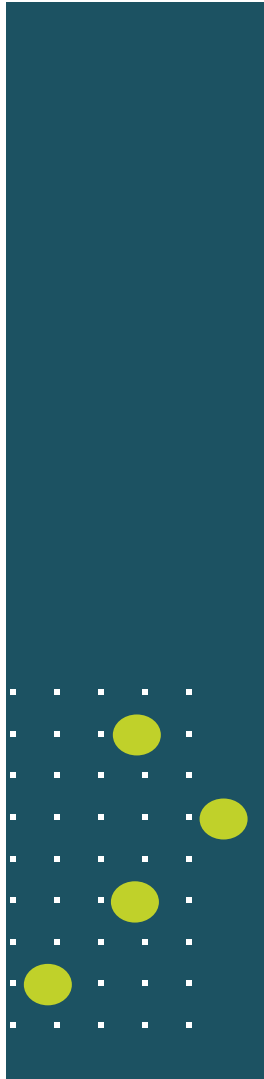
Order intake	Q3 2018 (Q3 2017)	Q3 2018 vs. Q3 2017	
Machines & Systems	135.7 (164.9)	-29.2	<ul style="list-style-type: none"> <li>• Increase in Asian countries<sup>1</sup>, especially in Vietnam</li> <li>• Stable development in China</li> <li>• Weakening of demand in India due to financing constraints</li> <li>• Very low demand in Turkey</li> </ul>
After Sales	36.3 (38.0)	-1.7	<ul style="list-style-type: none"> <li>• Positive development of spare parts business</li> <li>• Decline in demand for installation services</li> <li>• Weak Turkish market</li> </ul>
Components	66.0 (66.8)	-0.8	<ul style="list-style-type: none"> <li>• Stable demand in the main markets</li> </ul>
Rieter Group	238.0 (269.7)	-31.7	

<sup>1</sup> excluding China, India and Turkey.

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## Outlook 2018

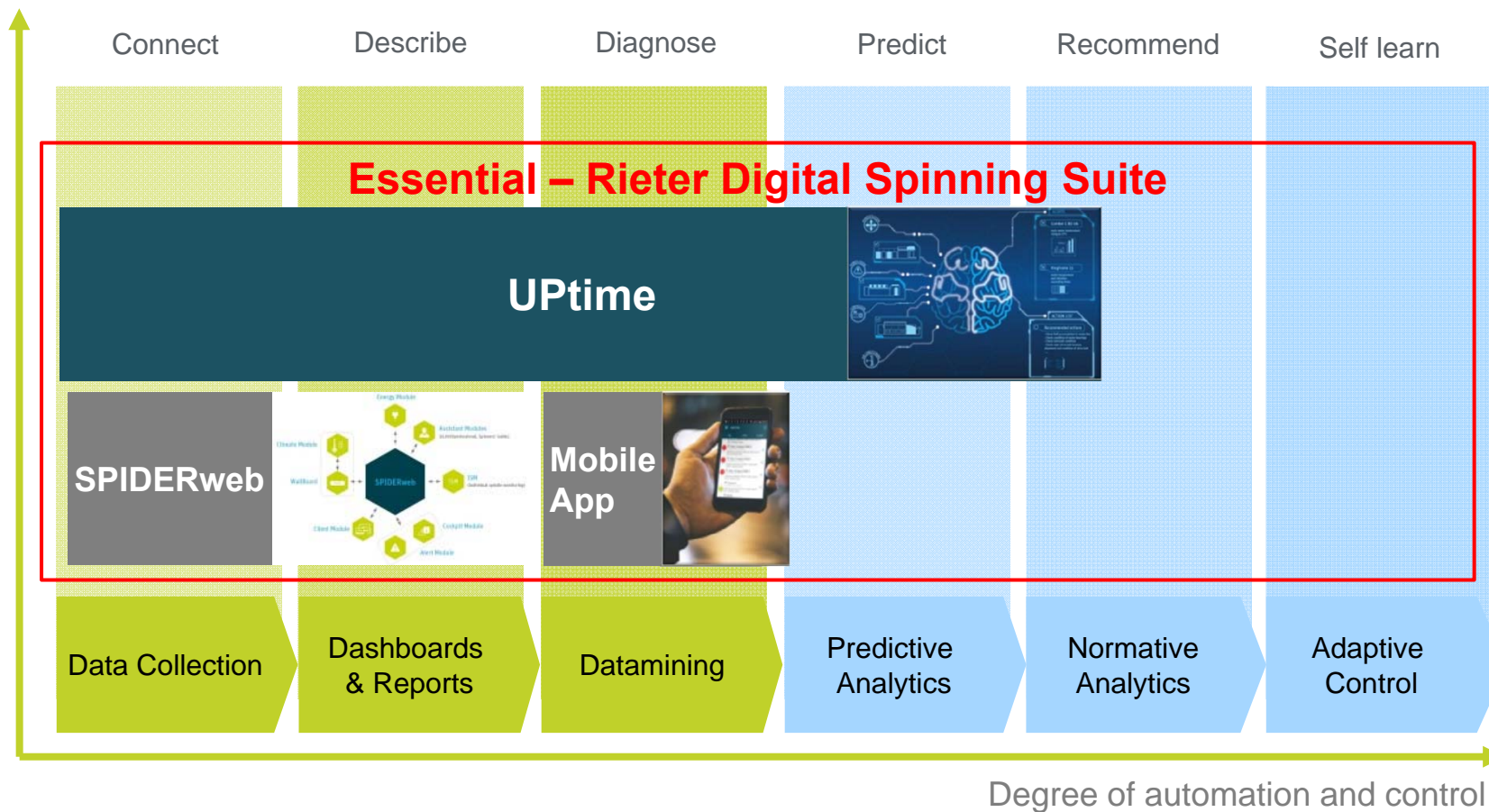
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- As announced in July of this year, for 2018 as a whole Rieter anticipates that sales will be above the 2017 figure and EBIT (before restructuring costs) will be below the prior year level. Net profit is expected to be significantly higher than in the previous year, as no extraordinary restructuring charges are anticipated in 2018.
- The situation Rieter's customers are facing in some markets (rising interest rates, strong currency and/or commodity price volatility and political uncertainty) – as outlined in July 2018 – remains unchanged. Rieter believes that these challenges will continue to impact demand.



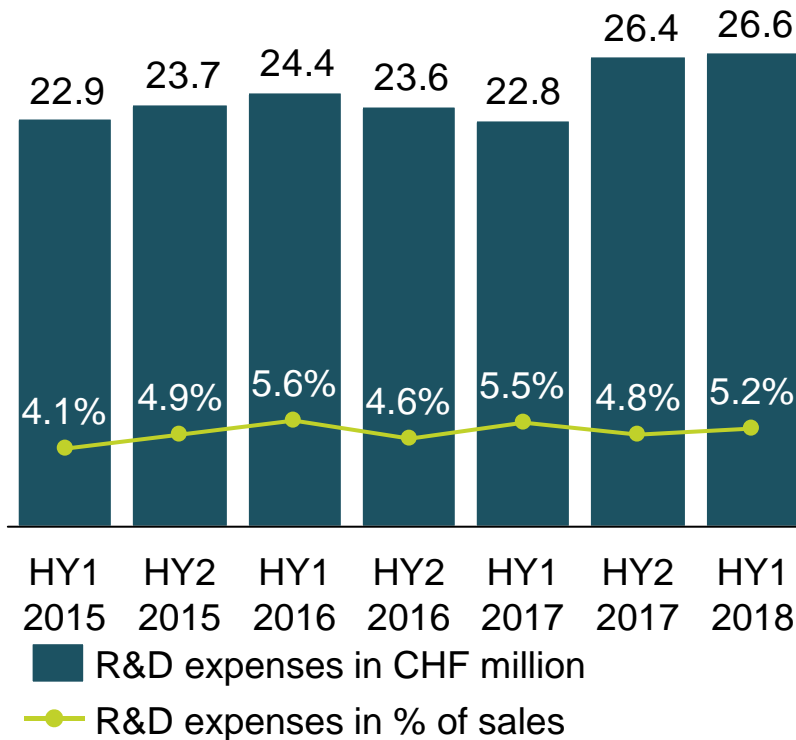
## Focus on Systems and Digitization



# R&D Expenses



## Clearly committed to innovation



- Accelerate on-going innovation programs at Machines & Systems and at Components
- Innovative After Sales solutions (e.g. digitization)
- Strong focus on ITMA Barcelona 2019

## Moving ahead in Q4 2018

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- 30<sup>th</sup> of October: Carsten Liske appointed as Head of the Business Group Machines & Systems effective January 1, 2019
- 5<sup>th</sup> of December: Rico Randegger takes over as Head of the Business Group After Sales on June 1, 2019
- 14<sup>th</sup> of December: Rieter completes acquisition of 25 Percent of Electro-Jet S.L. – strengthening the ring spinning system – Electro-Jet with sales of around EUR 25 million in 2017 – joint development of innovative products
- 20<sup>th</sup> of December: Rieter sells its real estate in Ingolstadt (Germany) – extraordinary profit contribution after taxes of around 60 million euros in 2019 expected – transaction to close in the third quarter of 2019

# Financial Calendar

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Publication of sales 2018	January 30, 2019
Deadline for proposals regarding the agenda of the Annual General Meeting	February 22, 2019
Results press conference 2019	March 13, 2019
Annual General Meeting 2019	April 4, 2019
Semi-Annual Report 2019	July 18, 2019

# Disclaimer

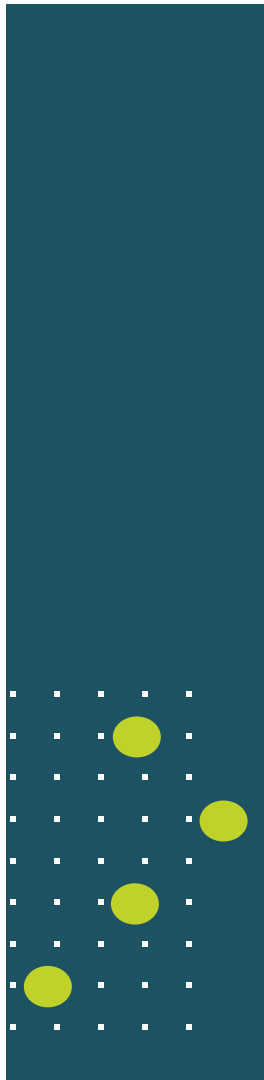
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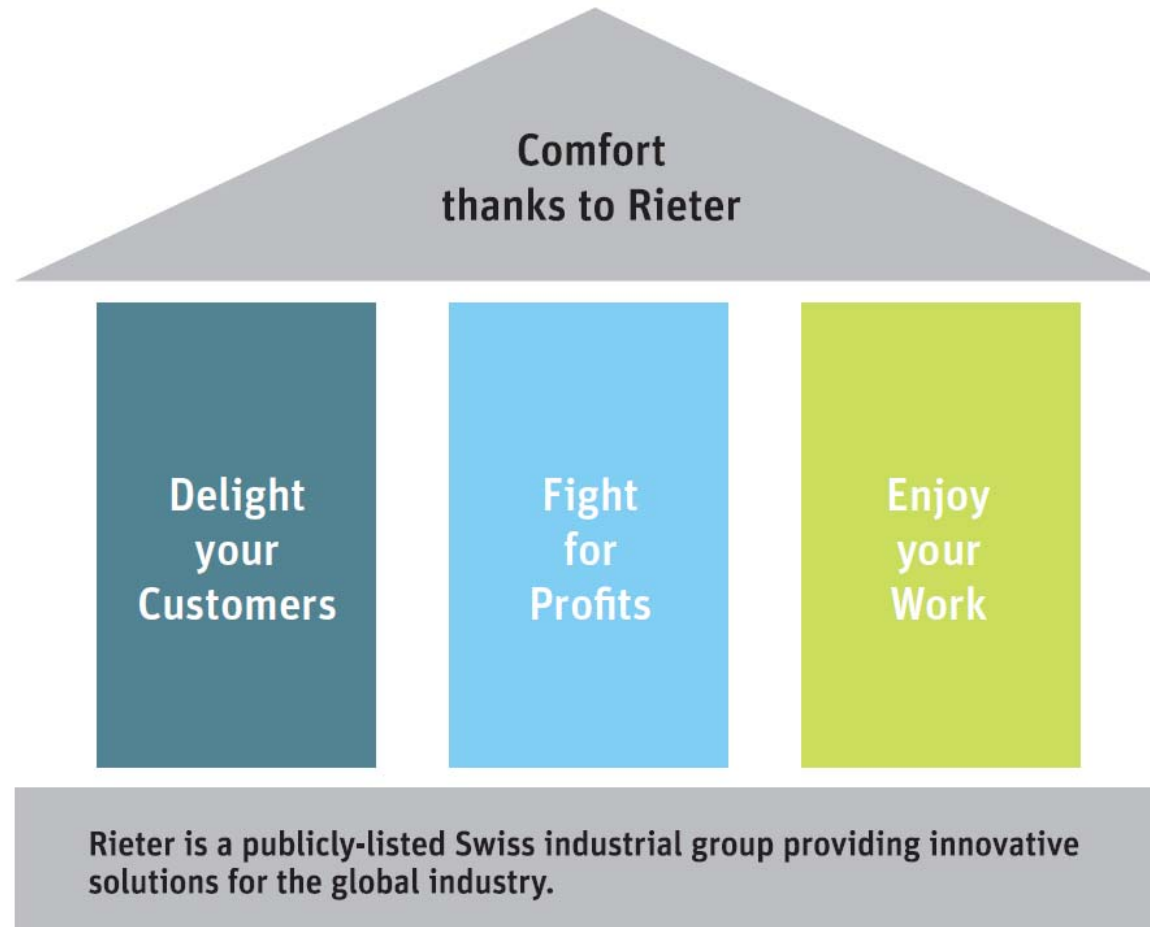
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# Values and Principles

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# Strategic Focus – Mid-Term Targets



<b>Sales</b>	Sales growth above market
<b>EBIT margin<sup>1</sup></b>	~10%
<b>RONA<sup>2</sup></b>	~14%
<b>Dividend policy</b>	Target pay-out ratio of at least 40% of net profits

<sup>1</sup> At sales of ~ CHF 1.3 billion

<sup>2</sup> RONA is calculated as net result before interest costs and write-off of financial assets divided by net assets excl. financial debt



# Details on Strategy Implementation

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Rieter continues to aim for an EBIT margin of 10%, with sales of around CHF 1.3 billion and a Return On Net Assets (RONA) of 14%.

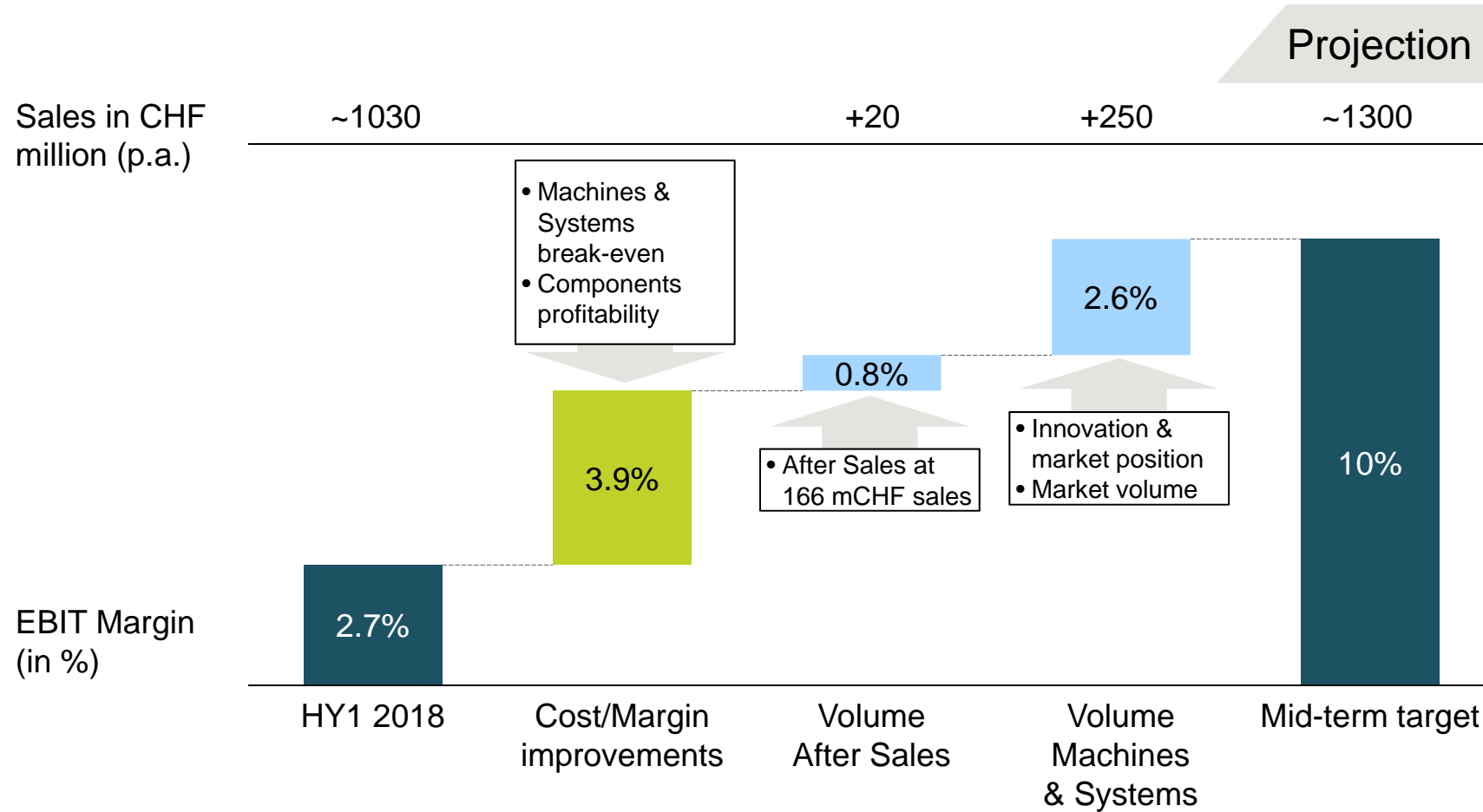
Focus on strategy implementation:

- Improve the market position in the machinery and systems business by accelerating the ongoing innovation program.
- Substantially lower the break-even point of the Business Group Machines & Systems. To this end, in addition to the planned shift of production from Ingolstadt (Germany) to Ústí nad Orlicí (Czech Republic), further measures are underway.
- Increase profitability of the components business by accelerating the current innovation program and optimizing the cost base.
- Further organic growth in the after sales business above sales of CHF 166 million, by increasing market share on the installed base of Rieter machines and implementing innovative digitization solutions.

# Earnings Increase Towards 10% EBIT



## Strategy with focus on profitability improvement



## Order Intake per Business Group



CHF million	Jan. – Sept. 2018	Jan. – Sept. 2017	Change	Change in local currency	Change without acquisitions
<b>Rieter</b>	<b>749.8</b>	765.0	-2%	-2%	-9%
Machines & Systems	<b>433.4</b>	490.1	-12%	-11%	-11%
After Sales	<b>111.3</b>	115.8	-4%	-4%	-4%
Components	<b>205.1</b>	159.1	29%	27%	-3%

# Financial Key Figures



## HY1 2018: EBIT and net profit at the level of HY1 2017

CHF million	HY1 2018	HY2 2017	HY1 2017	FY 2017
Order Intake	<b>511.8</b>	556.3	495.2	1 051.5
Sales	<b>515.3</b>	550.4	415.2	965.6
EBITDA before restr. charges	<b>34.6</b>	59.8	34.8	94.6
EBITDA margin (of sales)	<b>6.7%</b>	10.9%	8.4%	9.8%
EBIT before restr. charges	<b>13.3</b>	35.8	16.0	51.8
EBIT margin (of sales)	<b>2.6%</b>	6.5%	3.9%	5.4%
Net profit	<b>10.9</b>	2.4	10.9	13.3
R&D expenditures	<b>26.6</b>	26.4	22.8	49.2
Capex	<b>8.6</b>	21.7	7.7	29.4
Free cash flow	<b>-59.7</b>	24.3	-125.6	-101.3

# Balance Sheet



## HY1 2018: Net cash position despite negative free cash flow

CHF million	30/06/ 2018	31/12/ 2017	30/06/ 2017
Total assets	<b>1 000.1</b>	1 048.2	1 009.0
Non-current assets	<b>419.5</b>	450.0	442.9
Net working capital	<b>109.5</b>	37.9	46.6
Liquid funds	<b>154.2</b>	244.4	207.5
Net liquidity	<b>47.2</b>	130.5	101.3
Short-term financial debt	<b>0.4</b>	7.3	0.1
Long-term financial debt	<b>106.6</b>	106.6	106.1
Shareholders' equity	<b>431.4</b>	457.5	442.4
in % of total assets	<b>43%</b>	44%	44%

Decrease in net liquidity vs. December:

- Dividend of CHF 22.6 million (CHF 5.00 per share) paid out in April 2018
- Free cash flow of CHF -59.7 million

Sustainable financing:

- Long-term financial debt includes bond issued in 2014 (CHF 100.0 million, 2014 to 2020, 1.5%)
- Committed credit lines of CHF 175 million in place until September 2022

# Profitability Improvement Mid-Term: 14% RONA



## Continued reduction of net asset basis

Net profit by half-year (before interest cost/CHF million)

- Reduction of net working capital
- Sale of non-core assets
- Investments below D&A level

- Profitability initiatives
- Cycle management

