RENK

(SDAX, Industrial Goods & Services, R3NK GR)

WARBURG RESEARCH

Buy

EUR 36.00

Price	EUR 29.20
Upside	**23.3 %**

Value Indicators:	EUR
DCF:	36.08
FCF-Value Potential 27e:	24.42

Warburg Risk Score:	**3.4**
Balance Sheet Score:	2.8
Market Liquidity Score:	4.0

Description:

A leading supplier of mission-critical drive technologies primarily for the defence sector

Market Snapshot:	EUR m
Market cap:	2,920
No. of shares (m):	100
EV:	3,271
Freefloat MC:	1,746
Ø Trad. Vol. (30d):	21.77 m

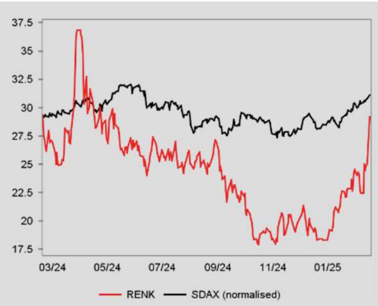
Shareholders:	
Freefloat	59.80 %
Triton / Rebecca BidCo	33.50 %
KNDS	6.70 %

Key Figures (WRe):	2024e
Beta:	1.2
Price / Book:	7.2 x
Equity Ratio:	26 %
Net Fin. Debt / EBITDA:	2.1 x
Net Debt / EBITDA:	2.1 x

A still underrated defence play; Initiation with Buy

Renk represents an attractive investment opportunity to take advantage of the defence super cycle. The company is a leading supplier of propulsion systems for military vehicles and marine vessels, which face a huge uptake in demand driven by the shifting geopolitical landscape. Having gone through a number of changes in its three years of private-equity ownership, Renk was floated on the stock market in early 2024, so the investment case is still fairly new to the capital markets. The company has so far fully delivered on its financial promises and with further progress on its ambitious targets, we expect investor confidence in the growth story to increase and the stock to close the gap to its fair value. Our positive stance in greater detail:

- **Remarkable platform presence and installed base.** Renk is the No. 1 supplier of transmission and suspension systems for combat vehicles, serving >80 different platforms from legacy programs like the M1 Abrams to modern Leopard II versions. The war in Ukraine has reinforced the strategic importance of land-based military operations, driving aftermarket demand to maintain and upgrade the 180k-unit installed base and ensure operational readiness. At the same time, new procurement programs for fleet expansion and modernisation are accelerating. In the naval sector, Renk holds a market-leading position in gear units for large surface combatants such as destroyers and frigates, where demand is also rising amid growing maritime security threats.
- **Record high order book.** The defence boom has already made its mark on the company's order book. Based on the recently published 2024 results, we calculate a 14% yoy-increase in the group order backlog (fixed) to EUR ~2bn, i.e. 1.8x annual sales. Looking forward, the positive trend should continue. Management has identified an order pipeline of up to EUR 12bn until 2031, comprising only the expected procurement initiatives in the land and naval sector and excluding the regular aftermarket business (which currently accounts for 35-40% of sales).
- **Profit growth momentum will gather pace.** The higher order book and favourable demand situation should boost group turnover in the coming years by an annual average of 15% and result in an even stronger earnings-increase thanks to positive operating-leverage effects and internal improvement measures already initiated. Overall, we estimate that adjusted net profit will more than double between 2024-27e.
- **Strong FCF generation and increasing return on capital.** Renk consistently generated positive FCF during the past few years. Cash generation will accelerate in the course of the expected business uptake, that does not require significant investments in tangible assets, but will primarily be managed with additional work shifts. Working capital should grow at a slower pace, reflecting ongoing supplier optimisation and higher customer down-payments. As a result, capital employed will remain largely stable, leading to a significant rise in value creation.
- **The exit of Triton is well advanced; stock overhang should ease.** Following the recently announced 18% stake sale to KNDS, which is still pending regulatory approval, Triton's holding in Renk will decrease to 15%. This step should remove a major investment obstacle, as investors' fears of a pronounced and lasting share overhang in the event of an exit via a placement are likely to ease. Upon completion of the deal, KNDS would hold a blocking minority of 25%, making it Renk's largest shareholder. This stake underscores Renk's strategic and operational value as a supplier and is sending a positive signal to the capital market.
- **Coverage initiation with a Buy rating.** In spite of Renk's impressive ytd performance, we deem the stock to be attractively valued. Our DCF based price target of EUR 36 signals ~23% upside, the corresponding multiples are broadly in line with defence peers.



Rel. Performance vs SDAX:	
1 month:	22.1 %
6 months:	7.3 %
Year to date:	50.1 %
Trailing 12 months:	9.8 %

Company events:	
26.03.25	FY 2024
14.05.25	Q1
04.06.25	AGM

FY End: 31.12. in EUR m	CAGR (23-27e)	2021	2022	2023	2024e	2025e	2026e	2027e
Sales	17.2 %	698	849	926	1,141	1,327	1,521	1,745
Change Sales yoy		n.a.	21.7 %	9.0 %	23.3 %	16.3 %	14.6 %	14.8 %
EBITDA		102	161	168	202	263	314	373
EBITDA adj.	20.2 %	118	174	182	223	267	320	379
Margin		*16.8 %*	*20.5 %*	*19.6 %*	*19.5 %*	*20.2 %*	*21.1 %*	*21.7 %*
EBIT		25	65	89	125	190	248	317
EBIT adj.	21.9 %	91	144	150	189	230	278	331
Margin		*13.0 %*	*17.0 %*	*16.2 %*	*16.6 %*	*17.3 %*	*18.3 %*	*19.0 %*
Net income	58.0 %	-10	16	32	47	111	152	201
EPS	58.0 %	-0.10	0.16	0.32	0.47	1.11	1.52	2.01
DPS	31.6 %	0.00	0.00	0.30	0.40	0.60	0.80	0.90
Dividend Yield		n.a.	n.a.	n.a.	1.4 %	2.1 %	2.7 %	3.1 %
FCFPS		0.00	0.60	0.20	0.53	1.12	1.41	1.69
FCF / Market cap		n.a.	n.a.	n.a.	1.8 %	3.8 %	4.8 %	5.8 %
EV / Sales		n.a.	n.a.	n.a.	2.9 x	2.5 x	2.1 x	1.8 x
EV / EBITDA		n.a.	n.a.	n.a.	16.6 x	12.4 x	10.2 x	8.3 x
EV / EBIT		n.a.	n.a.	n.a.	26.8 x	17.2 x	12.9 x	9.8 x
P / E		n.a.	n.a.	n.a.	62.8 x	26.4 x	19.2 x	14.5 x
FCF Potential Yield		n.a.	n.a.	n.a.	3.5 %	5.2 %	6.3 %	7.5 %
Net Debt		534	478	446	423	351	270	181
ROCE (NOPAT)		n.a.	8.7 %	7.5 %	8.5 %	16.1 %	20.9 %	26.0 %
Guidance:	2024: Revenues EUR ~1.100mn; EBIT adj. EUR ~175-190mn							

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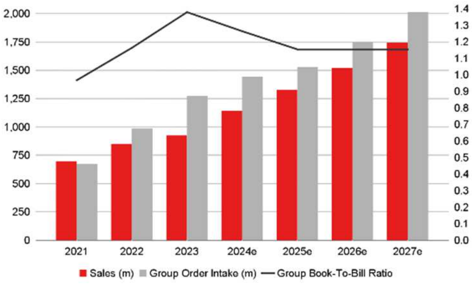
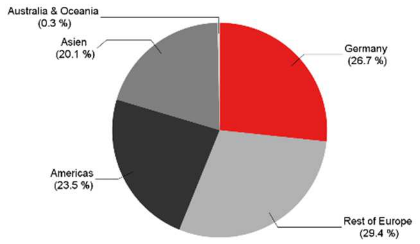
Order Intake and Sales
in EUR m



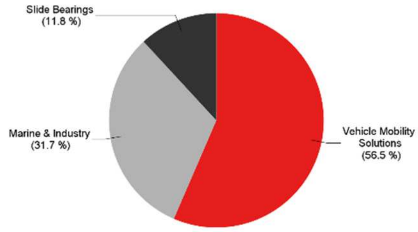
Source: Warburg Research

Sales by regions
2023; in %



Source: Warburg Research

Sales by segments
2023; in %



Source: Warburg Research

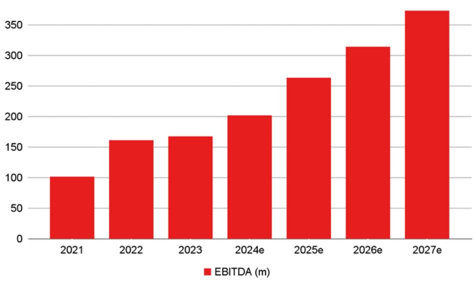
Company Background

- The company was founded in 1897 and has a long tradition in the development and production of large gearboxes. From 1923 until its sale to Triton in 2020, Renk was part of the MAN / Volkswagen Group.
- Under private-equity ownership, Renk's capabilities and product offering were strengthened by M&A transactions and its own developments. The company went public in early 2024.
- Renk engineers, manufactures and services gear units, transmissions, propulsion and suspension systems as well as slide bearings. The company operates 11 production sites in 7 countries.
- The company is divided into three segments: a) Vehicle Mobility Solutions (>50% of group revenues); b) Marine & Industry (>30%) and c) Slide Bearings. Overall, defence applications account for ~70% of group sales.

Competitive Quality

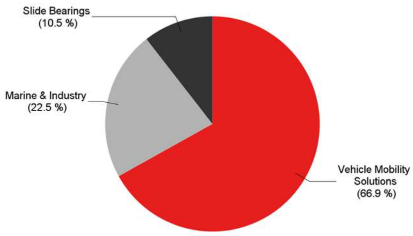
- Renk is a renowned supplier of transmission technology for highly demanding and mission-critical defence applications, e.g. battle tanks and infantry fighting vehicles, as well as gear units for naval vessels.
- The company has leading positions in established platforms such as the Leopard II or the K2. The broad installed base with long life cycles offers attractive opportunities in the profitable aftermarket business.
- Specific product performance requirements (mission critical, robustness, exceptional power density) and servicing needs pose high entry barriers.
- A broad geographic footprint, combined with its technological expertise and reputation, puts Renk in a favourable position to capitalise on rising defence budgets and the planned upgrade of armed forces.

EBITDA adj. development
in EUR m



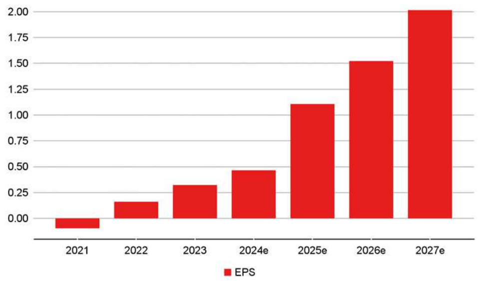
Source: Warburg Research

EBITDA adj. by segments
2023; in %



Source: Warburg Research

EPS development
in EUR



Source: Warburg Research

Summary of Investment Case

Investment triggers

- Renk has been publicly listed for just one year and is still in the process of building its capital-market reputation as its equity story is relatively new to the audience. However, we deem that investor interest and reassurance will further strengthen as the company continues to deliver on management's financial targets and successfully masters the production ramp-up that is necessary to meet the increasing business volume and cope with the high demand.
- Defence stocks are typically highly responsive to order-related news. Announcements of new contract wins or large-scale procurement initiatives boosting the order pipeline will emphasise Renk's convincing growth outlook.
- With the intended 18% stake sale to KNDS, Triton's holding in Renk will be reduced to 15%. This move should alleviate a serious investment concern, namely a significant and prolonged share overhang in the event of an exit through market placement. Once the transaction, which still requires regulatory approval, has been implemented, Renk stock will become more attractive.

Valuation

- Our price target of EUR 36 rests on the fair value derived in the DCF model. The corresponding one-off adjusted 2026e multiples stand at 12x for EV/EBITDA and 21x for P/E, which appear broadly in line with the defence peer group, i.e. in the range defined by the median and the market capitalisation weighted average.
- The FCFVP model shows a significant step-up in each of the fair value propositions for the coming years, though below the current stock-price level. However, we consider this model to be too static and too short-sighted to fully capture Renk's value potential that is rooted in a long-term boom.

Growth

- In light of increasing geopolitical tensions and years of underinvestment, many countries are allocating more funds to their defence spending. The war in Ukraine has reinforced the strategic importance of land-based military operations, driving not only aftermarket demand to ensure operational readiness, but also triggering large-scale procurement programs for fleet expansion and renewal. As the leading supplier of mission-critical transmission and suspension systems for combat vehicles, Renk is well placed to benefit.
- We foresee a strong financial upturn fuelled by higher business volumes. Earnings should grow faster than sales thanks to continuous margin progression. This will be fuelled by positive operating leverage effects from better capacity utilisation, efficiency gained through small series assembly and internal improvements such as standardised manufacturing and better sourcing. Overall, we anticipate a 20% CAGR for EBIT adj. in 2024-27e.

Competitive quality

- Renk holds dominant positions in drivetrain and propulsion systems for combat vehicles (>40% share of the addressable market) and naval vessels (>30% share). Its remarkable platform presence is coupled with long product lifecycles and associated demand for aftermarket services.
- Market-entry barriers are high due to stringent performance requirements. Drivetrain and chassis components are mission-critical, needing exceptional durability to withstand both the external stresses of combat and the demands of dynamic vehicle mobility. Renk's products have proven their quality on the battlefield.

Warburg versus consensus

- For the relevant adjusted numbers, the Factset consensus comprises often only four broker forecasts and, thus, is of limited value and validity. The Vara consensus constitutes 11 estimates, but was last updated on Nov. 25, 2024, and therefore does not reflect the company's recent publication of preliminary 2024 results, that were at the upper end of guidance range and slightly ahead of capital market expectations. A financial outlook for 2025 has not yet been provided, but management recently stated that it feels comfortable with consensus. Our estimates for 2025-27 appear to be slightly above market expectations.

2025e		WR	Factset	Vara
Sales	EURm	1,327	1,278	1,268
EBIT adj.	EURm	230	223	222
EPS adj.	EUR	1.38	1.34	1.32

2026e		WR	Factset	Vara
Sales	EURm	1,521	1,466	1,440
EBIT adj.	EURm	278	265	260
EPS adj.	EUR	1.73	1.65	1.62

2027e		WR	Factset	Vara
Sales	EURm	1,745	1,656	n.a.
EBIT adj.	EURm	331	315	n.a.
EPS adj.	EUR	2.12	1.97	n.a.

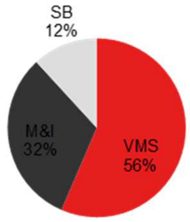
Company Overview

RENK

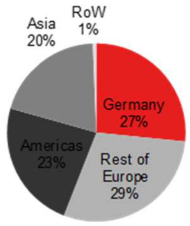
	Vehicle Mobility Solutions	Marine & Industry	Slide Bearings
Subdivisions	▪Transmission ▪Engines ▪Suspensions ▪Test systems	▪Gear units ▪Couplings ▪Electric drives	▪E-bearing ▪Vertical bearings ▪Horizontal bearings
Description			
Applications	▪Main battle tanks (MBT) ▪Self-propelled howitzers (SPH) ▪Infantry fighting vehicles (IFV) ▪Armored personnel carrier (APC) ▪Wheeled & other ▪Test systems for industries from automobiles to aviation	▪Offshore patrol vessel (OPV) ▪Surface combatants (SC) ▪Submarines ▪Aircraft carriers ▪Support vessels ▪High speed ferries ▪Superyachts	▪Generators ▪Electric motors ▪Pumps ▪Water turbines ▪Conveyor belts ▪Fans
Most relevant platforms	Top five of 82 land platforms: ▪M2 Bradley (IFV) ▪Stryker (Wheeled) ▪M88 / M60 (MBT) ▪Leopard II (MBT) ▪K9 Thunder (SPH)	Top five of 62 naval platforms: ▪MEKO Frigate Variant (SC) ▪Littoral Combat Ship (SC) ▪Tae Pyung Yang (OPV) ▪USCG National Security Cutter (OPV) ▪Fremm Frigate (SC)	Global leader for standardized slide bearings
Key markets	EU, NATO member states, allied countries such as South Korea, India, Israel	Germany, Europe, North America, South America, Middle East, Asia-Pacific	World
Main competitors	▪Allison Transmission ▪SNT Dynamics ▪DB Santasalo ▪Hemscheidt ▪Rolls-Royce (MTU Friedrichshafen) ▪SAPA	▪Philadelphia Gear ▪DB Santasalo ▪Naval Group ▪Local competitors	▪GTW ▪Kingsbury ▪Waukesha Bearings ▪Blohm + Voss ▪British Engines Group
Operational KPIs 2023 in EURm			
Sales	528.4	296.3	110.9
Sales backlog ratio (fixed)	2.4	1.5	0.6
Adj. EBITDA	123.0	41.4	19.4
Margin	23.3%	14.0%	17.5%
Adj. EBIT	106.4	28.4	17.3
Margin	20.1%	9.6%	15.6%

Revenue distribution 2023 in %

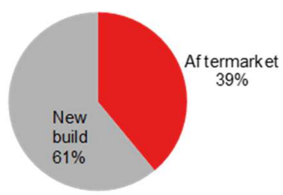
Divisional split



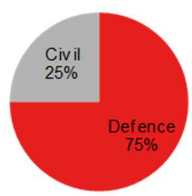
Regional split



Share of Aftermarket



Share of Defence



Source: Warburg Research

Geopolitical gloom sparks Defence boom

- Global conflicts drive land & naval demand.
- Renk holds a superior position in both market segments.
- Hybrid solutions to bolster competitiveness.

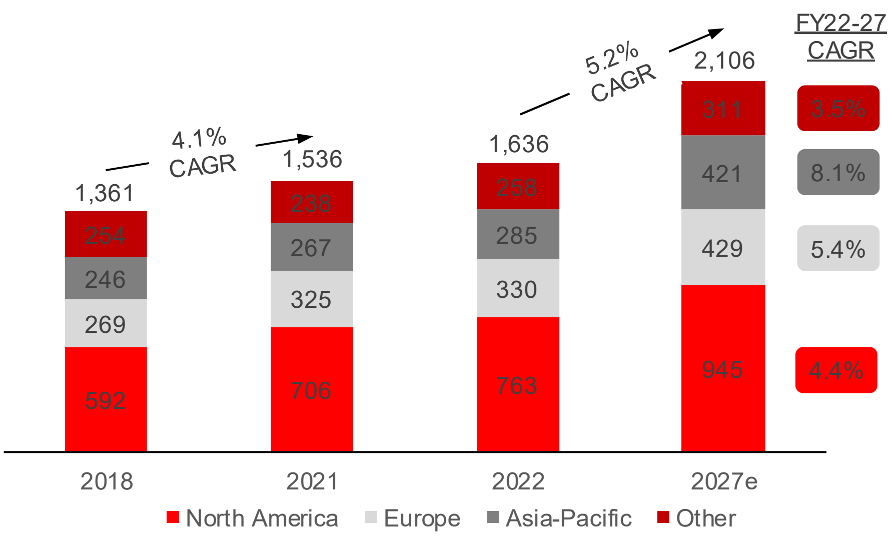
A broad-based surge in military spending

Soon a EUR 2tn market

Geopolitical tensions trigger a defence super cycle

The global defence landscape is undergoing a profound transformation, driven by a massive shift towards higher military spending. Geopolitical tensions, such as the Ukraine conflict, rising China-Taiwan hostilities, Israel's security concerns and instability in the Middle East have disrupted the international order. Coupled with years of underinvestment by key NATO members and allies, these factors fuel a "defence super-cycle". In response, nations are boosting defence budgets to enhance military capabilities by adding, upgrading, and modernising military equipment and investing in new platforms. As part of the super cycle, the global defence market is expected to grow at 5.2% CAGR, surpassing EUR 2 trillion in 2026. Asia Pacific and Europe, with high exposure to conflict zones, are poised to lead this growth. North America, with the US contributing >40% of global defence spending, will remain the largest market.

Global defence budget by region (2018-2027, EUR bn)



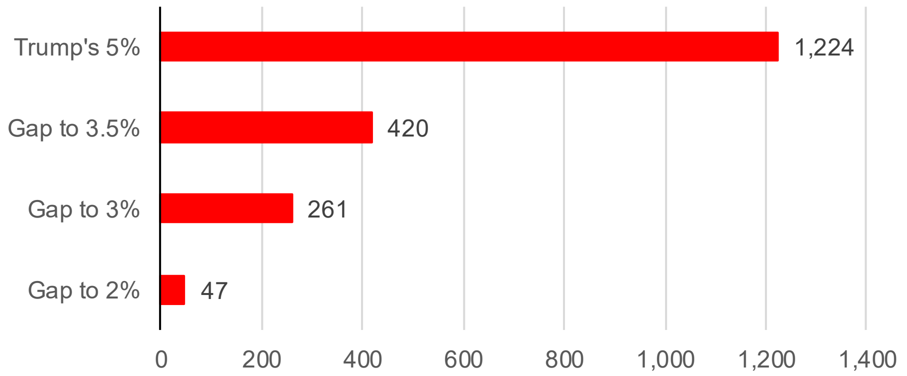
Sources: RSAdvisors, Warburg Research

NATO spending target of ≥3.0% is in discussion

Higher NATO defence spending on the horizon

The recent defence budget increases are probably just a beginning. By 2024, 23 of the 32 NATO members are expected to meet the defence spending target of 2% (vs GDP), a significant increase from just six in 2021. However, the latest political discussions suggest the prospect of a considerably higher spending level of 3-5%. A new target could be agreed at the upcoming annual summit in June. Even in the event of a ceasefire in the Ukraine, we do not anticipate immediate changes to the market outlook. Russia's war of aggression has served as a catalyst, reigniting NATO nations' focus on sustained defence spending, a paradigm shift that is unlikely to reverse in the near or midterm. The chart below illustrates the potential upside in the cumulated NATO defence budget depending on the outcome of political negotiations, e.g. based on the 2024 parameters, a spending level of 3% would translate into additional funds of USD 261bn annually.

Gap to (potential) NATO spending thresholds (based on 2024e; USD bn)



Sources: Warburg Research, NATO

Land military vehicles: Rising demand for aftermarket and new-builds

Exceptionally dominant position in the booming land-vehicle market

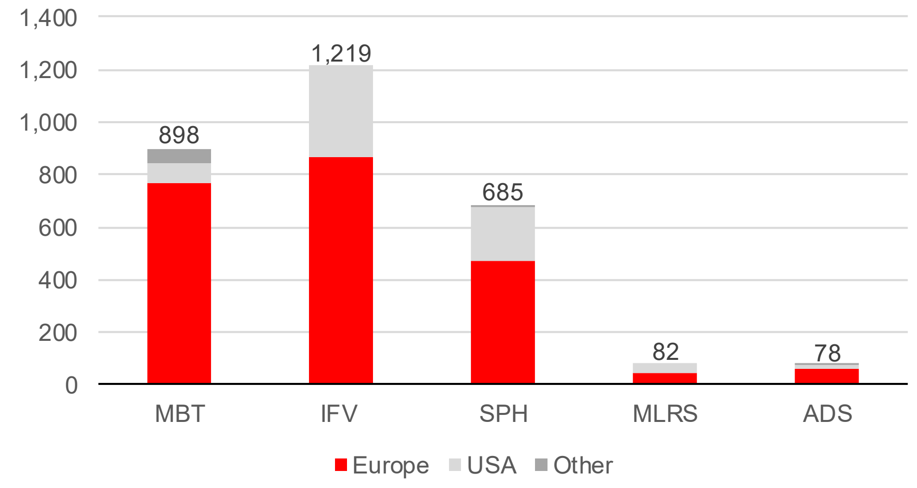
The war in Ukraine is playing into the company's hands twice over

Vehicle Mobility Solutions (VMS) is Renk's most important segment, accounting for 56% of group revenues. The massive transfer of armoured vehicles to Ukraine by NATO and allied nations has been essential for this segment, as it depleted stockpiles across Europe and the United States. Platforms such as main battle tanks (MBTs) like the Leopard 2, Challenger 2, and M1 Abrams, as well as infantry fighting vehicles (IFVs) like the Marder and Bradley, have been supplied in large numbers. Similarly, tracked and wheeled self-propelled howitzers (SPHs), including the PzH 2000, CAESAR, and M109, have been heavily deployed.

Initially, these donations drew on older equipment from existing reserves. However, as the conflict has evolved, there has been a clear shift toward supplying increasingly modern systems. This development has fuelled the need for replenishment while simultaneously accelerating new acquisition programs. At the same time, aftermarket services have gained significant importance, with efforts focused on upgrading and maintaining existing equipment to ensure mission readiness.

These dynamics have made Europe and the United States key markets for land military vehicles. Europe, in particular, faces pressure to catch up after years of underspending on defence. The Ukraine conflict has underscored these gaps and renewed focus on land-based military strategies, further elevating the importance of VMS.

Number of military vehicles allocated to Ukraine (as of Oct. 2024)



Sources: IfW, Warburg Research

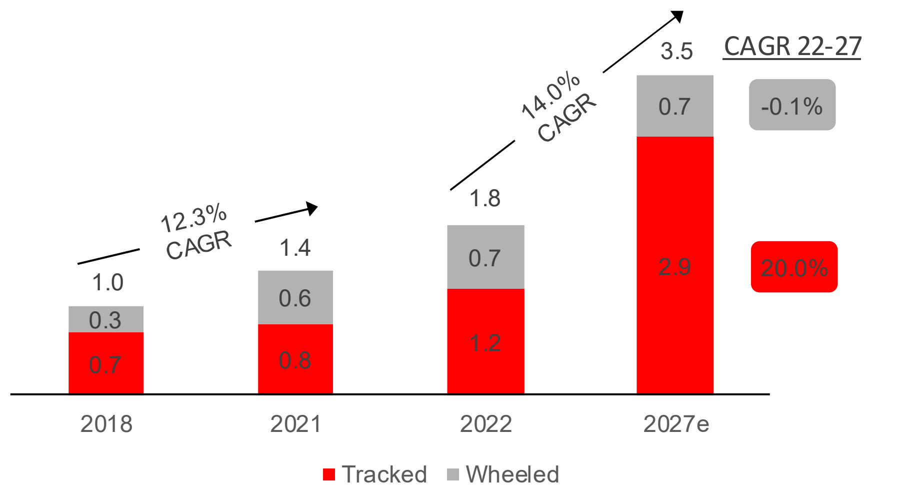
Europe has a lot of catching up to do

Remarkable platform presence

There are Renk components in the drive systems of more than 40% of the world's armoured vehicle fleet. Renk provides transmissions, suspension systems and engines to 82 different platforms. Tracked vehicles form the very core, where Renk accounts for a dominant share of 75% of the total installed base. Moreover, with its suspension systems, the company is also successfully engaged in wheeled vehicles.

As a key global supplier, Renk serves leading MBT platforms, including the widely produced Leopard 2, South Korea's K2, France's Leclerc, Israel's Merkava, and India's Arjun. These high-production models drive demand for restocking and aftermarket services. Legacy platforms such as the American M1 Abrams (most produced American tank), British Challenger 2 or Italian Ariete - presenting a total of more than 5,400 active units - offer repowering opportunities to Renk. Combined with strategic positioning towards next generation platforms including the Panther, K3 and MGCS, Renk demonstrates a leading presence across tracked and other land-vehicle platforms. This positions Renk to capitalize on future growth. As visualized in the chart below, the addressable tracked vehicle market is outperforming the general land market with a 20% CAGR.

Global RENK addressable Land Market (EURbn)

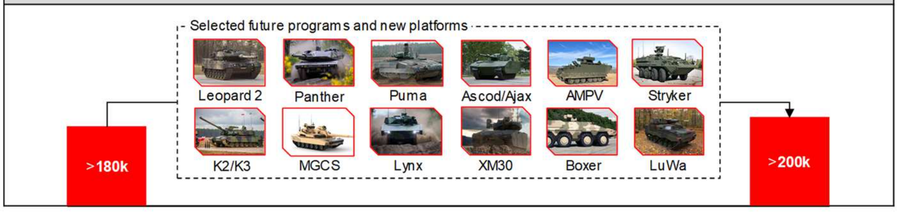


Sources: Warburg Research, RSAdvisory

Installed land base of Renk

Category	% of vehicles with Renk content	Transmission	Engine	Suspension
Tracked	75%	16%	10%	63%
Wheeled	31%	0%	0%	30%
Total	43%	5%	3%	39%

(Future) Land installed base



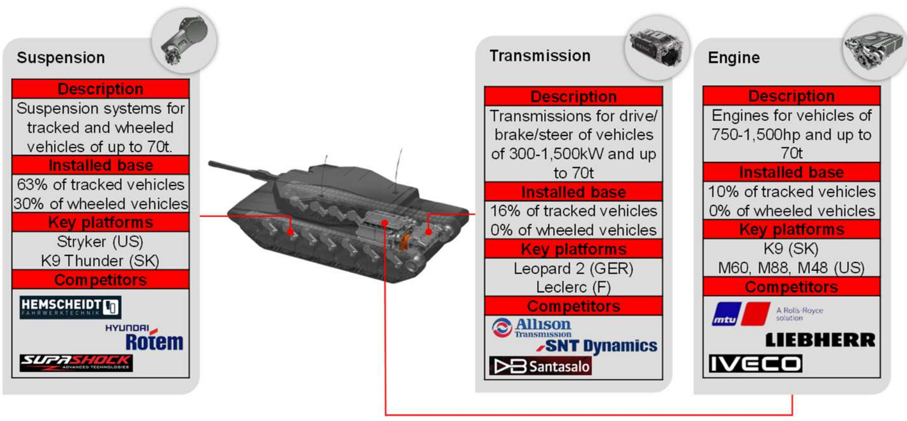
Sources: Warburg Research, RENK

No.1 in a market with high entry barriers

Strict performance requirements mean that market-entry barriers are high. Drivetrain and chassis parts are mission-critical and need to be extremely robust to manage both external stress from combat and the requirements for dynamic vehicle mobility:

- Suspension systems cushion the forces between the tracks and the frame of the tank. Thus, they play a crucial role in terrain adaptability, crew protection, and firing stability during movement. The weight of 70t combined with dynamic manoeuvring generates extreme stress that demands component strength and durability.
- Transmissions transmit the power from the engine to the tracks via 4-6 gears. They must be compact, yet capable of handling immense forces to drive, brake, and steer tanks weighing up to 70 tons at speeds of up to 70 km/h.
- Engines must deliver exceptionally high power-density to ensure top performance while optimizing space for the crew and armour. Renk's engine is available in versions from 750hp to 1,500hp.

Core military vehicle product range



Sources: Warburg Research, RENK, RSAdvisory

Innovative hybrid drivetrains could gain importance

Battle proven reliability is key. Renk has established itself as the No. 1 battle proven global player in meeting these requirements. Its combination of reliability and performance with the ability to also address new capabilities, such as hybridisation and digitalisation, provides Renk with a competitive edge within the segment. Hybrid systems offer advantages such as reduced acoustic and thermal detectability, improved precision, and enabling power take-off (PTO) for advanced electric weapons. Renk appears to be at the forefront of the market with the largest hybrid drive portfolio, bolstered by the acquisition of Magnet-Motor in 2021 and supported by the recently announced partnership with QinetiQ. These systems also position Renk to serve the emerging Unmanned Ground Vehicle (UGV) market.

Leading in transmissions and suspensions, but weak in engines

Within the segment, the primary competitors are a moderate number of drivetrain and transmission manufacturers. Regarding transmissions, these are mainly Allison Transmission and SNT Dynamics, with additional competition from DB Santasalo, ZF, SAPA, Ashot, ST Engineering, and KDS. These competitors are often significantly less specialised in military vehicles, lack a global presence in tracked vehicles, or offer more limited after-sales services. Allison Transmission, its main competitor, for example, only has a 6% defence-related revenue share, and its lifetime offering is less than that of Renk, whose service promises spanning more than 40 years have become a hallmark of its reputation.

In suspension systems, Renk's competitors include Hemscheidt, Motrol, Supashock, Piedrafita, Hyundai Rotem, Koni, Kaller, IMI, MHI, and Oshkosh. No other competitor offers a suspension portfolio as comprehensive as Renk's, partly due to its acquisition of General Kinetics' suspension division, which expanded its U.S. market presence. Renk's engine division, however, faces challenges due to an aging and small product line-up, which only serves the M60, M88, M48 and K9. Competitors such as Rolls-Royce (MTU Friedrichshafen), Perkins, Caterpillar, Liebherr, Cummins, Iveco, Scania, and Detroit Diesel benefit from synergies in industrial/ civil development, leaving Renk mostly reliant on platform upgrades and aftermarket services unless there is a modernisation and expansion of the engine line-up. However, we are not expecting this to happen, but rather assume that the company will instead capitalise on its strengths in transmission and suspension.

APAC is a focus region

Favourable competitive position in the expanding naval market

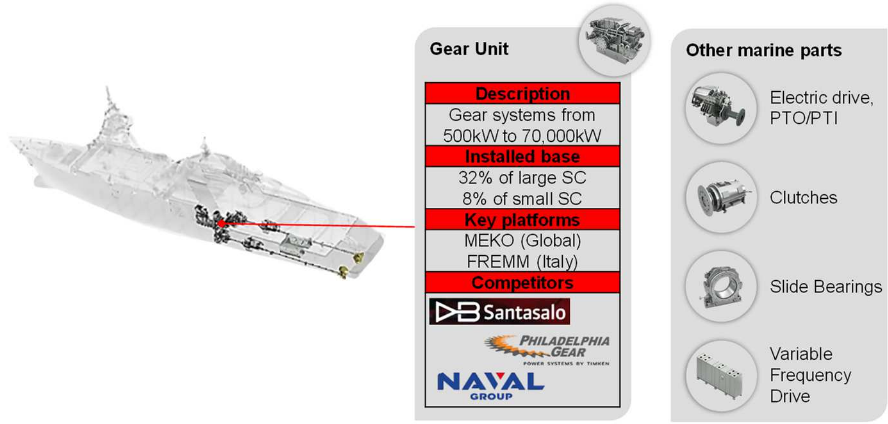
Growing demand in response to increasing maritime threats

Naval solutions are the core operating field for Renk's second-largest segment, Marine & Industry, accounting for 32% of group revenues. Global demand in this field is rising as nations address new conflicts at sea, evolving maritime threats and competition between the great powers. In line with the intensity of conflict, **the Asia-Pacific region leads investment**, with China's increasingly aggressive naval provocations and territorial demands prompting responses from affected countries such as Japan, South Korea, and Australia. These countries focus on advanced platforms like Japan's Taigei-class submarines and Australia's Hunter-class frigates. Renk has therefore set the target to increase its marine exposure to this region, which contributes 20% to group revenues. In Europe, sabotage acts on deep-sea infrastructure have triggered European investment to rebound after years of decline. Key programs include Germany's F127 frigates, the Franco-Italian FREMM vessels and three new vessel classes in the UK. In the U.S., the Navy's focus is on fleet expansion to 381 ships (+29%) by 2042.

Leadership in naval gear units

In the naval domain, Renk is the global leader in gear units for large surface combatants, with a 32% share of the installed base and products supplied to over 40 navies worldwide. Gear units are needed to change the rotation speed between the engine and the propeller and often combined or supplemented by Power Take-Off (PTO) options, e.g. for the ships electrical systems.

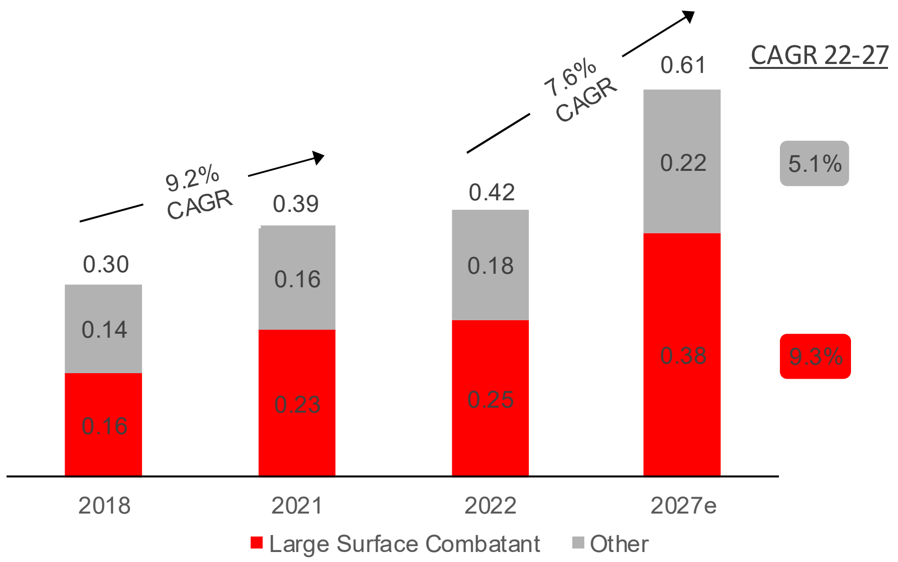
Marine core product range



Sources: Warburg Research, RENK

Renk's naval total addressable market is projected to grow at 7.6% CAGR (2022–2027), i.e. slightly lower than in the previous 2018-21 period. However, this should not be overstated; given the small size of the market, the timing of single projects or even a change in quantities can already have a sizeable impact. Within the addressable naval market, large surface combatants such as destroyers and frigates represent the fastest growing product category with a 9.3% CAGR.

Global RENK addressable Naval Market (EURbn)



Sources: Warburg Research, RENK, RSAdvisory

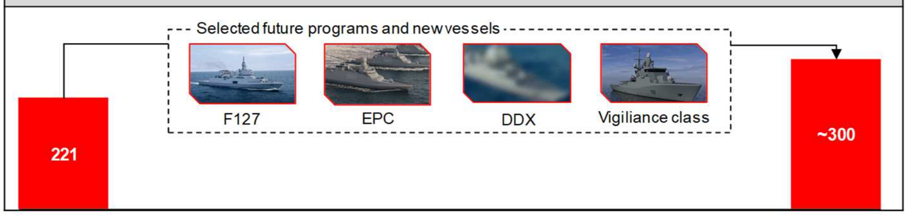
Substantial expansion of the installed base

Overall, Renk's presence on programs like the MEKO family of vessels and the UK's Type 31 frigates have made the company a major player for naval gear systems, while future vessels such as the F127, EPC, DDX and Vigiliance class will contribute to enhance the installed base from 200 to around 300 units in the coming years.

Renk naval product placement among Surface Combatants (SC)

Category	Renk share among installed gear units
Large SC	32%
Small SC	8%
Other	4%
Total	12%

(Future) Installed naval base



Sources: RSAdvisory, RENK, Warburg Research

Most competitors are local

Within the M&I segment, Renk competes with Philadelphia Gear, DB Santasalo, and Naval Group, among other local players. While Philadelphia Gear is strong in the U.S., it lacks Renk's global presence. DB Santasalo specializes in complex mechanical gear solutions but lacks offerings in electric and hybrid propulsion, a growing focus in the industry. Naval Group has recently shifted its focus towards large surface combatants, and therefore might increasingly compete with Renk in future projects. Within the naval business, hybrid and electric solutions again provide Renk with a competitive advantage against the backdrop of growing demand for systems with low noise and vibration profiles as well as power provision for electric weapon systems. For example, the US Navy's next generation DDG(X) Large Surface Combatant will demand 75MW of electrical power. We assume Renk has taken an eye on future US business opportunities and is preparing itself strategically. The recently announced acquisition of the US based Cincinnati Gearings Systems (still in the approval process) swill strengthen the company's footprint in the US. Local value add is increasingly becoming a conditio sine qua non for getting involved in large scale defence projects

Precision as a key market-entry barrier

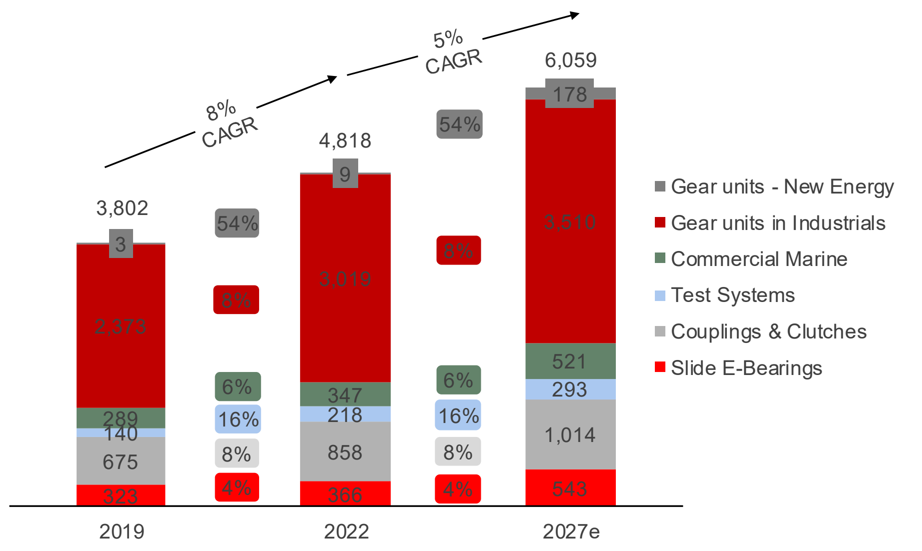
Similar to land systems, performance requirements are a key market barrier in the maritime sector. Components are mission-critical, with more frequent extreme manoeuvres compared to civil applications. High manufacturing precision is vital to minimize service needs and reduce acoustic detectability. Renk's hybrid/electric drives further addresses these factors and combined with its comprehensive portfolio of propulsion system components (gear units, power take-offs, electric drives, bearings, and clutches) provides a strong competitive edge.

Civil business accounts for 25% of sales

Solid prospects for civil business activities

Renk's civil business primarily originates from its slide bearing segment, contributing 12% to group revenues. Adding the civil activities from VMS and M&I, such as test systems, civil marine gear units, couplings, and clutches, the total share of non-defence-related revenues comes to 25%. Growth drivers include electrification trends, where bearings are essential for electric motors, as well as the increasing focus on ESG requirements. The total addressable market is expected to grow at a rate of 5% through 2027. Synergies with the defence division include applications such as bearings used in submarine gear units or test systems designed for military vehicle testing.

Renk's total addressable civil market by product category (EURm)



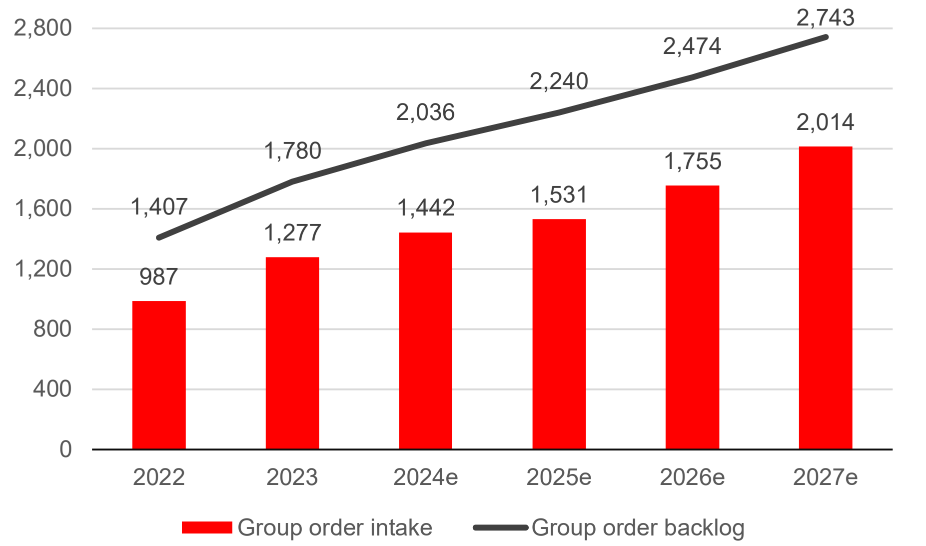
Sources: Roland Berger, Warburg Research

Attractive project pipeline

Order-book trend underscores the compelling growth story

The defence super cycle has already made its mark on Renk's order book and thereby proved our assessment that the company is a key beneficiary of the boom. Given the nature of the Ukraine war with the revival of conventional land-based operations, about 70% of the backlog relates to VMS segment. Marine & Industry accounts for a quarter of order backlog. There is no meaningful impact on Slide Bearings, which is hardly surprising given a) the division's focus on civil application; and b) its short-cycle characteristic. Based on the recently published preliminary results, we calculate a group fixed order backlog in the magnitude of EUR ~2bn, i.e. 1.8x annual sales. Looking forward, the positive trend should clearly continue. Management has identified an order pipeline of up to EUR 12bn until 2031, the figure comprises expected procurement initiatives in the land and naval sector. The regular aftermarket business (currently 39% of sales) would come on top.

Group order intake and order backlog (fixed) over time (EURm)



Source: Warburg Research

Strong financial upturn in sight

- Significant earnings improvement fuelled by higher business volumes as well as lower one-off costs and financial expenses
- Mediocre balance-sheet quality; debt ratios should improve over time thanks to growing FCF generation
- Increasing value creation; widening ROCE adj. vs. WACC differential

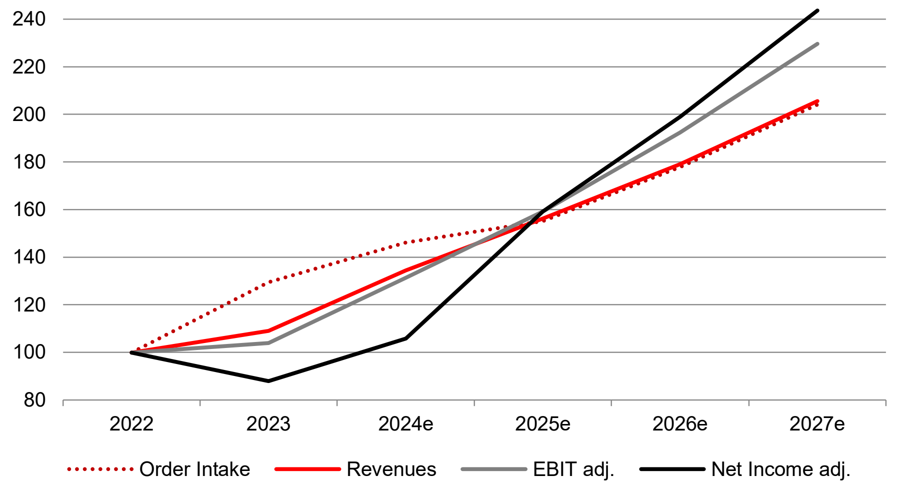
Adjusted net income should more than double between 2024-27e

Order book to fuel top-line and earnings growth

Profit growth momentum will gather pace. The chart below puts the historic and prospective trend for order intake, sales and underlying earnings into perspective. While the performance was still held back in 2023, all relevant KPIs showed a clear upturn in 2024. Not surprisingly, as the first sign of a super cycle, the increase was most pronounced in order intake, while sales and earnings were still lagging behind. Looking forward, the higher order book and favourable demand situation should gradually feed through to the company's income statement, boosting the group's turnover and operating result in the years to come. The Vehicle Mobility Solutions (VMS) division, which already accounts >60% of total sales and >70% of EBIT adj. is expected to record the highest growth.

For the group's bottom line, we anticipate an even stronger increase, reflecting lower interest expenses following a comprehensive refinancing at better terms and conditions post IPO.

Trend comparison for order intake, sales and adj. earnings (2022 = 100)



Source: Warburg Research

Divisional composition of order intake, sales and EBIT adj.

Order intake	**2022**	**2023**	**2024e**	**2025e**	**2026e**	**2027e**
VMS	61%	63%	64%	63%	65%	67%
M&I	29%	29%	27%	28%	27%	26%
Other	10%	9%	9%	9%	8%	7%
Sales	**2022**	**2023**	**2024e**	**2025e**	**2026e**	**2027e**
VMS	57%	57%	61%	63%	65%	67%
M&I	33%	32%	30%	28%	27%	26%
Other	10%	11%	9%	8%	8%	7%
EBIT adj.	**2022**	**2023**	**2024e**	**2025e**	**2026e**	**2027e**
VMS	79%	71%	74%	76%	78%	79%
M&I	14%	19%	20%	18%	17%	16%
Other	7%	10%	6%	6%	5%	5%

Source: Warburg Research

Decreasing share of aftermarket offset by positive performance levers

Our estimates and assumptions in greater detail:

- **Growing importance of the new-build business.** Stripping out the acquisition of General Kinetics in 2023, group revenues grew organically by ~15% over the past two years. The top-line performance was primarily driven by the aftermarket business, which now accounts for ~39% of group sales compared to a level of ~31% in 2022. The pronounced increase reflects the widespread efforts of many countries to quickly overhaul and maintain their existing military equipment following Russia's invasion of Ukraine. In the coming years, however, the new-build business is likely to regain relative importance in view of various procurement initiatives, that are now gradually entering the execution phase. We estimate average revenue growth of around 15% per year for the period 2024-27e, which is not only covered by the company's significantly improved order book (the current backlog corresponds to 1.8x annual sales), but also by management's mid-term aspiration of EUR 2bn revenues by 2028; this target excludes large-scale acquisitions.
- **Further margin expansion.** Despite a decreasing group share of the aftermarket business, we are optimistic that underlying operating earnings will grow faster than sales, accordingly, we anticipate a 20% CAGR for EBIT adj. over the next three years. Our 2027e adjusted EBIT margin comes to 19%, which compares to 16.6% achieved in 2024. For 2028, Renk's management team is striving for a 20% margin. We identify three performance levers:

  1. **Positive operating leverage effects** against the backdrop of higher capacity utilisation; it should be noted that Renk is currently working in single-shift mode at most locations; thus, the production of additional volumes requires workforce expansion in order to implement a second shift, but not necessarily larger investments in new machines or buildings; additionally, the higher business volume should allow for benefits from small series assembly.
  2. **Scope for internal improvements.** In 2023/24, Renk had to contend with operational challenges and supply-chain issues, first at the Augsburg site and later at the facility in Muskegon. These were successfully overcome and the strong fourth-quarter result clearly shows that significant productivity improvements have been achieved recently, which bodes well for the prospective 2025 performance. Moreover, the company has grown through acquisitions in recent years and the business volume has also increased significantly due to the demand situation, creating economies of scale beyond operational leverage, such as benefits from standardisation in manufacturing and product design, best practices, know-how transfer, sourcing strategies and so on. In our discussion with management, we gained the impression that this process is still in the initial phase.
  3. **Against the backdrop of the exceptionally good demand situation, it should be fair to assume very healthy, i.e. margin-supportive, pricing**, e.g. at the end of last year, Renk successfully renegotiated terms of a major contract.

- **Fewer exceptional items and PPA.** During the past few years, the company recorded significant non-recurring items related to M&A and reorganisation measures as well as expenses incurred in the context of the IPO. Our projections going forward do not include any extraordinary items with the exception of non-capitalised costs for the upcoming IT renewal. While regular depreciation and amortisation expenses will increase only modestly as the existing property, plant and equipment requires only smaller add-on investments to cope with the higher business volume, PPA is scheduled to come down substantially (assuming no further acquisitions), which should boost group reported EBIT to above EUR 300m by 2027.

Sales / EBIT bridge (EUR m)

	2022	2023	2024e	2025e	2026e	2027e	CAGR*
Revenues	849	926	1,141	1,327	1,521	1,745	15%
Opex (regular)	-675	-744	-918	-1,059	-1,200	-1,366	
EBITDA adj.	174	182	223	267	320	379	19%
Margin	*20.5%*	*19.6%*	*19.5%*	*20.2%*	*21.1%*	*21.7%*	
D&A (regular)	-30	-32	-33	-38	-42	-48	
EBIT adj.	144	150	189	230	278	331	20%
Margin	*17.0%*	*16.2%*	*16.6%*	*17.3%*	*18.3%*	*19.0%*	
PPA	-66	-47	-44	-36	-24	-9	
Exceptional items	-13	-14	-21	-4	-6	-6	
EBIT	65	89	125	190	248	317	36%
Margin	*7.7%*	*9.6%*	*10.9%*	*14.3%*	*16.3%*	*18.2%*	

*CAGR 2024-27e Source: Warburg Research

Comprehensive refinancing

- **Lower financing costs.** Shortly after the IPO, the company carried out comprehensive refinancing and replaced loans from its shareholder Triton. The new financing scheme comprises a term loan totalling EUR 525m, split into a multi-currency facility of EUR 450m and a revolving credit line of EUR 75m, each with a term of five years and a variable interest rate based on Euribor plus margin, though largely hedged. According to the CFO, the new financing arrangement comes with an average interest rate of ~6% overall. In combination with the now moderately reduced level of debt, the net financial result should be lower going forward. Applying a tax-rate of 30%, we calculate sharply higher earnings. On an adjusted basis, net income should more than double between 2024 and 2027, translating into a 32% CAGR

EBIT / Net Income bridge (EUR m)

	2022	2023	2024e	2025e	2026e	2027e	CAGR*
EBIT	65	89	125	190	248	317	36%
net interest expense	-37	-27	-44	-32	-30	-29	
other financial result	-14	-15	0	0	0	0	
EBT	15	47	81	158	218	288	52%
Taxes	1	-14	-35	-47	-65	-86	
tax-rate	*9.3%*	*-30.6%*	*-42.7%*	*-30.0%*	*-30.0%*	*-30.0%*	
Minorities	0	0	0	0	0	0	
Net income	16	32	47	111	152	202	63%
Adjustments	71	44	45	28	21	10	
Net income adj.	87	76	92	138	173	212	32%

*CAGR 2024-2027e Source: Warburg Research

Moderate balance-sheet quality

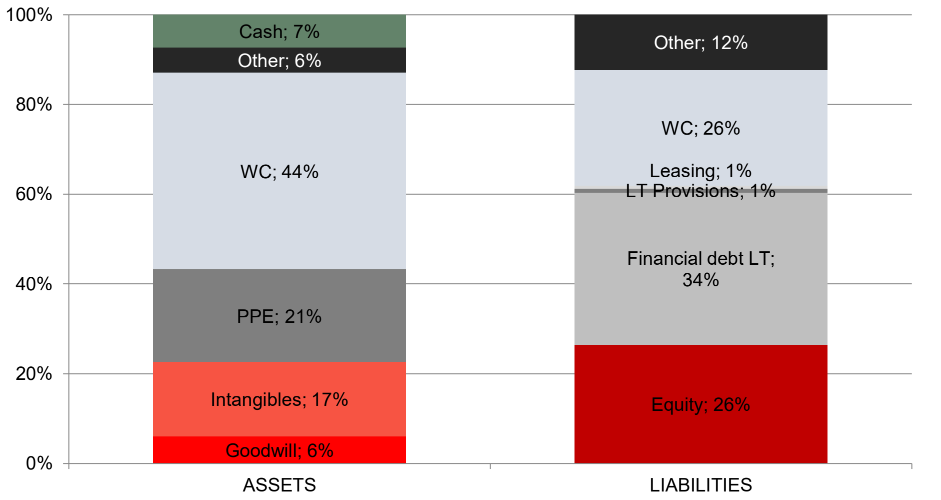
Working capital is twice as high as tangible assets

More than 40% of the total balance sheet is allocated to working capital, of which less than two-thirds is financed through trade liabilities but requires debt or equity funding. Against this backdrop, the CFO's push for higher working-capital efficiency is an important criterion for the company's business volume growth ambition.

The balance-sheet structure suggests that production mainly comprises the assembly of pre-manufactured parts. This can be seen from the high inventory level (e.g. EUR 381m after 9M/24) in relation to the book value of plant and machinery, which accounts for ~50% of tangible assets (EUR 316m) and does not represent a growth bottleneck.

Other intangible assets represent around 17% of the balance-sheet total and comprise customer relationships, technology and backlog acquired in the context of M&A transactions. Capitalised development costs are not separately disclosed but, if any, these should be very minor given a total spend of EUR 22m on R&D in 2023 with the majority recorded in the costs of goods sold. Renk's total R&D expenditure corresponds to 2.4% of group sales, this is less than half the relative budget of Rheinmetall and Hensoldt (both around 5%), who are presumably more focused on innovation but also benefit from customer-funded development projects.

Balance-sheet structure YE 2024e



Source: Warburg Research

Surprisingly for a company with a private-equity history and a buy-and-build strategy, goodwill does not play a major role in the balance sheet. Half of it is attributable to the acquisitions of CPS and Magnet-Motor from L3Harris, while a further 30% is linked to the company's origin, i.e. the takeover of the former Renk Corporation.

Composition of goodwill (EUR m)

	9M/2024
Former Renk Corporation	27,352
General Kinetics	9,719
Renk America & Renk Magnet-Motor	47,857
Changes to the scope of consolidation	5,600
FX & other effects	2,506
Total	**93,034**

Source: Warburg Research

In terms of asset financing, the balance-sheet structure is sound. The equity ratio stands at 26%. Adding long-term debt and provisions, we calculate a balance sheet share of slightly above 60% The long-term asset coverage ratio II comes to ~1.4x.

Pronounced potential for deleveraging

In the years to come, we expect the balance-sheet picture to brighten. In the context of the projected earnings improvement and positive FCF generation, Renk's financial strength should gradually increase. In our scenario, which excludes acquisitions (the planned takeover of Cincinnati Gears is not yet factored in) we anticipate an equity ratio of 31% by 2026, which corresponds to an increase of 5pp within two years. Furthermore, there is considerable scope for deleveraging, i.e. based on our forecasts, the net debt to EBITDA ratio could reach 1.3x by YE 2025, bringing the company towards the investment-grade territory that management is eyeing (currently rated BB by S&P and Ba3 by Moody's).

Sufficient financial scope for strategic manoeuvre. Even though not included in our projections, M&A is likely to remain a key element of the company's strategic agenda. The primary objectives are a) expanding the geographic footprint or strengthening the local presence in key regions, and b) broadening the product and technology portfolio. Renk's existing financial agreements and covenants are not fully disclosed. However, based on our assessment and cash-flow projections, there appears to be sufficient headroom to pursue small to mid-sized acquisitions from time to time. Larger transactions would likely require additional debt and/or equity funding.

Our forecasts anticipate the payment of dividends. Management intends to pay a dividend of 40-50% of adjusted net income. In light of the expected cash generation, this should not pose too much of a burden. Our model factors in a DPS ranging from EUR 0.40

(2024) to EUR 0.90 (2027). The latter corresponds to an attractive yield of ~3% based on the current stock-price level.

Selected debt ratios (assuming the absence of M&A; EUR m)

	2022	2023	2024e	2025e	2026e	2027e
Equity ratio	22%	27%	26%	29%	31%	34%
Net debt I	471	435	412	340	259	170
Net debt II (incl. leasing)	477	444	421	349	268	179
Net debt III (incl. pensions & leasing)	478	446	423	351	270	181
Gearing II	147%	110%	104%	74%	48%	26%
Net debt III vs EBITDA adj.	2.7	2.5	1.9	1.3	0.8	0.5

Source: Warburg Research

Accelerating FCF generation

Renk consistently generated a positive FCF during the past few years in spite of substantial extra costs related to various (re-)organisational measures. As pointed out before, these one-off costs should largely diminish going forward. In combination with the expected business uptake, the group's cash generation will gather pace and should soon amount to a triple-digit million figure.

Working capital should increase at a lower rate than revenues reflecting better production flow and ongoing supplier optimisation alongside earlier and increased down-payments required from customers. In 2024, the NWC/sales ratio already improved by 2pp to ~25%, we factor in a further gradual reduction towards 23% by 2027. Management is eyeing a level of 20% in the mid-term.

Capex is expected to remain moderate at around 3% of sales, as the company continues to benefit from the substantial investments made during the VW ownership era. Additionally, the planned increase in production volume will be driven by efficiency gains and the introduction of additional work shifts. While this will require a higher headcount, it does not necessarily entail significant investments in tangible assets.

Trend in FCF over time (EUR m)

EURm	2022	2023	2024e	2025e	2026e	2027e
EBITDA reported	162	168	202	263	314	373
NWC	-20	-41	-34	-39	-39	-43
Capex	-26	-28	-36	-41	-47	-54
Interest, taxes, leasing, other	-55	-78	-79	-71	-88	-106
FCF according to WR	**60**	**20**	**53**	**112**	**141**	**169**

Source: Warburg Research

Good value creation

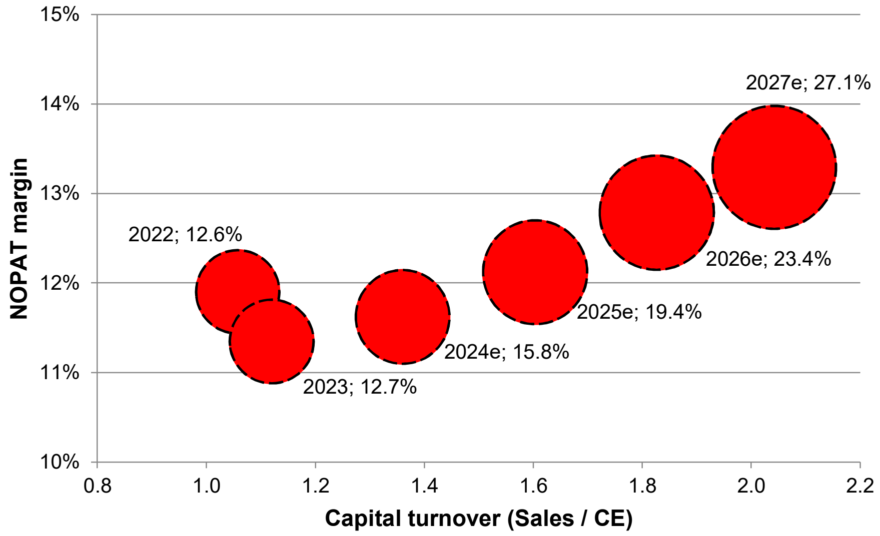
ROCE uplift supported by all levers

Increasing return on capital. Even during the transition years before the IPO, the ROCE calculated on the basis of an adjusted NOPAT, came in at >12.5% and therefore considerably above the weighted cost of capital, which we have set at 8.9%. Looking forward, we foresee a further ROCE improvement and accordingly, a noticeable rise in value creation that is driven by all levers:

1) **Higher Capital Turnover (CE/Sales):** Capital turnover is expected to rise significantly, supported by business volume expansion, while capital employed remains nearly unchanged. This is due to only moderate investments (capex below D&A) and lower working capital intensity.

2) **Improved Profitability (NOPAT/Sales):** The already outlined effects of operating leverage, internal performance improvements, and healthy pricing will further drive an increase in the NOPAT/Sales ratio.

Trend in ROCE adj. and composition*



*NOPAT based on EBIT adj. and tax-rate of 30%

Source: Warburg Research

Valuation

- We initiate coverage with a Buy recommendation.
- Our price target of EUR 36 rests on the fair value derived in our DCF model.
- The FCFVP model is too short-sighted.
- A multiple comparison reveals a valuation gap versus defence peers.

~23% upside potential

DCF

Fair value indication of EUR 36. The core assumptions are the risk-free interest rate of 2.75% and a market risk premium of 5.5%. We apply a high beta of 1.24x. This reflects a) a still high number of exceptional items and distortions in the financial reporting; b) project execution risks linked to the pronounced business upturn; c) limited transparency, which is quite common for the defence industry but with Renk there is also a brief financial history; and d) the mediocre balance-sheet quality. The costs of debt are set at 6% pre-tax, which reflects Renk's average interest burden at present. Our model derives a capital structure of ~13% of enterprise value in debt and a WACC of 8.9%.

For the period 2024-2027, our model is solely determined by the detailed forecasts discussed in the financial chapter and also included in the appendix of this report. Our projection for 2028 is in line with management's mid-term target (EUR 2bn sales and 20% EBIT adj. margin). For the transitional period, we assume a gradual decline in profitability as well as in top-line momentum. Furthermore, we assume that the gap between capex and D&A will narrow in the coming years reflecting decreasing PPA expenses. For the mid- and longer term, we factor in capex that is slightly above D&A to account for the business growth.

DCF model

	Detailed forecast period			Transitional period										Term. Value
Figures in EUR m	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	
Sales	1,141	1,327	1,521	1,745	2,007	2,268	2,517	2,744	2,922	3,039	3,148	3,249	3,340	
Sales change	*23.3 %*	*16.3 %*	*14.6 %*	*14.8 %*	*15.0 %*	*13.0 %*	*11.0 %*	*9.0 %*	*6.5 %*	*4.0 %*	*3.6 %*	*3.2 %*	*2.8 %*	*2.0 %*
EBIT	125	190	248	317	391	442	490	533	564	582	597	611	622	
EBIT-margin	*10.9 %*	*14.3 %*	*16.3 %*	*18.2 %*	*19.5 %*	*19.5 %*	*19.5 %*	*19.4 %*	*19.3 %*	*19.1 %*	*19.0 %*	*18.8 %*	*18.6 %*	
Tax rate (EBT)	*42.7 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.6 %*	*31.1 %*	*31.7 %*	*32.2 %*	*32.8 %*	*33.3 %*	*33.9 %*	*34.4 %*	
NOPAT	72	133	174	222	274	307	338	364	382	391	398	404	408	
Depreciation	77	73	66	56	60	66	71	76	81	87	92	97	103	
in % of Sales	*6.7 %*	*5.5 %*	*4.3 %*	*3.2 %*	*3.0 %*	*2.9 %*	*2.8 %*	*2.8 %*	*2.8 %*	*2.9 %*	*2.9 %*	*3.0 %*	*3.1 %*	
Changes in provisions	3	2	2	3	-1	-1	-1	-1	-1	-1	-1	0	-1	
Change in Liquidity from														
- Working Capital	34	39	39	43	55	60	57	52	41	27	25	23	21	
- Capex	36	41	47	54	63	68	74	79	84	89	94	100	105	
Capex in % of Sales	*3.1 %*	*3.1 %*	*3.1 %*	*3.1 %*	*3.2 %*	*3.0 %*	*2.9 %*	*2.9 %*	*2.9 %*	*2.9 %*	*3.0 %*	*3.1 %*	*3.1 %*	
- Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	81	129	156	183	215	244	277	309	338	361	370	378	384	396
PV of FCF	0	124	138	148	160	166	174	178	179	175	165	155	145	1,991
share of PVs	10.15 %			40.46 %										49.39 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	13.00 %	Financial Strength	1.20
Cost of debt (after tax)	4.2 %	Liquidity (share)	1.20
Market return	8.25 %	Cyclicality	1.10
Risk free rate	2.75 %	Transparency	1.50
		Others	1.20
WACC	**8.87 %**	**Beta**	**1.24**

Valuation (m)

Present values 2036e	2,040		
Terminal Value	1,991		
Financial liabilities	533		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	113	No. of shares (m)	100.0
Equity Value	**3,608**	**Value per share (EUR)**	**36.08**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.45	9.9 %	29.14	29.57	30.02	30.49	31.00	31.54	32.13
1.34	9.4 %	31.48	31.98	32.52	33.09	33.71	34.37	35.08
1.29	9.1 %	32.76	33.31	33.90	34.53	35.21	35.94	36.73
1.24	8.9 %	34.12	34.73	35.38	**36.08**	36.83	37.64	38.52
1.19	8.6 %	35.58	36.25	36.97	37.75	38.58	39.48	40.46
1.14	8.4 %	37.15	37.89	38.69	39.54	40.47	41.48	42.58
1.03	7.9 %	40.65	41.56	42.54	43.61	44.77	46.04	47.44

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.45	9.9 %	27.38	28.42	29.46	30.49	31.53	32.57	33.60
1.34	9.4 %	29.76	30.87	31.98	33.09	34.20	35.32	36.43
1.29	9.1 %	31.07	32.23	33.38	34.53	35.69	36.84	37.99
1.24	8.9 %	32.49	33.69	34.88	**36.08**	37.28	38.47	39.67
1.19	8.6 %	34.01	35.25	36.50	37.75	38.99	40.24	41.48
1.14	8.4 %	35.65	36.95	38.25	39.54	40.84	42.14	43.44
1.03	7.9 %	39.37	40.78	42.19	43.61	45.02	46.44	47.85

- 2025-28: strong margin and top-line boost driven by higher military spending in Germany and other countries
- Our 2028 projection is in line with management's mid-term target
- The period thereafter is characterised by business normalisation at a high level
- High beta reflects the still low liquidity of the Renk share as well as the company's still brief capital market history
- Cost of debt set at 6% (pre-tax)

FCFVP

In contrast to the DCF, the outcome of this valuation tool is more short-term oriented, translating the cash-flow potential of a single year into a fair value per share proposition. Not surprisingly, our scenario of a considerably improving financial performance on the back of higher business volume and fewer PPA expenses and exceptional items, results in a pronounced step-up in the fair-value indications for the coming years. Nevertheless, these are well below our DCF-based price target. The FCFVP model is static and too short-sighted to capture the full value potential of Renk's business dynamic with strong earnings growth taking place also beyond 2027. This will change again once the defence super cycle enters a more mature stage and Renk's growth rates normalise at a moderate level.

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

	in EUR m	2021	2022	2023	2024e	2025e	2026e	2027e
	Net Income before minorities	-10	16	32	47	111	152	202
+	Depreciation + Amortisation	76	96	79	77	73	66	56
-	Net Interest Income	-36	-37	-27	-44	-32	-31	-29
-	Maintenance Capex	25	12	29	32	36	40	45
+	Other	98	3	-8	-19	-10	-9	-9
=	**Free Cash Flow Potential**	**175**	**141**	**101**	**117**	**171**	**199**	**233**
	FCF Potential Yield (on market EV)	n/a	n/a	n/a	3.5 %	5.2 %	6.3 %	7.5 %
	WACC	8.87 %	8.87 %	8.87 %	8.87 %	8.87 %	8.87 %	8.87 %
=	**Enterprise Value (EV)**	**n.a.**	**n.a.**	**n.a.**	**3,343**	**3,271**	**3,190**	**3,101**
=	**Fair Enterprise Value**	**1,977**	**1,591**	**1,141**	**1,319**	**1,923**	**2,248**	**2,623**
-	Net Debt (Cash)	421	421	421	421	349	268	179
-	Pension Liabilities	2	2	2	2	2	2	2
-	Other	0	0	0	0	0	0	0
-	Market value of minorities	0	0	0	0	0	0	0
+	Market value of investments	0	0	0	0	0	0	0
=	**Fair Market Capitalisation**	**1,554**	**1,168**	**718**	**896**	**1,572**	**1,978**	**2,442**
	Number of shares, average	100	100	100	100	100	100	100
=	**Fair value per share (EUR)**	**15.54**	**11.68**	**7.18**	**8.96**	**15.72**	**19.78**	**24.42**
	premium (-) / discount (+) in %				-69.3 %	-46.2 %	-32.3 %	-16.4 %

Sensitivity Fair value per Share (EUR)

		2021	2022	2023	2024e	2025e	2026e	2027e
	11.87 %	10.54	7.66	4.30	5.63	10.86	14.09	17.79
	10.87 %	11.90	8.75	5.08	6.53	12.18	15.64	19.60
	9.87 %	13.54	10.07	6.02	7.62	13.77	17.50	21.77
WACC	**8.87 %**	**15.54**	**11.68**	**7.18**	**8.96**	**15.72**	**19.78**	**24.42**
	7.87 %	18.05	13.70	8.63	10.64	18.16	22.63	27.76
	6.87 %	21.29	16.31	10.50	12.80	21.31	26.32	32.06
	5.87 %	25.64	19.81	13.01	15.70	25.54	31.26	37.83

- The line "Others" in the calculation of FCF covers the tax shield on net interest expenses.
- Assumption on maintenance capex: 5% below (one-off and PPA adjusted) D&A
- Market value of minorities = multiple of 15x applied.

Peer Group Comparison

Plausibility check for our price target

Defence stocks are trading at a premium to civilian companies. The table below compares Renk's multiples with those of other companies in the defence sector, with our German Engineering Midcap universe as well as with suppliers of drive technology. The valuation levels between these three peer groups are quite heterogeneous. It is hardly surprising that the defence sector is currently trading at higher multiples than the civilian businesses given its strong growth momentum and increasing importance. Looking at Renk's business mix with ~75% of sales linked to military equipment for the land and sea domain, we consider the defence peers to be the most appropriate basis for comparison. Renk is currently trading at a discount on most multiples and the gap widens when the company's exceptional items are taken into account. However, based on our price target of EUR 36, the corresponding 2026e multiples of 12x (EV/EBITDA adj.) and 21x (P/E adj.) are both broadly in line with the peer group, i.e. in the range defined by the median and the market capitalisation weighted average.

Multiple Comparison (as of Feb 17, 2025)

Company	EV/Sales			EV/EBITDA			EV/EBIT			P/E		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
BAE Systems plc	1.7	1.5	1.4	12.8	11.6	10.7	15.7	14.1	12.9	20.0	17.6	16.0
Chemring Group PLC	2.0	1.9	1.7	12.2	11.2	9.8	14.2	13.9	12.0	18.0	17.7	15.3
Elbit Systems Ltd	2.2	1.9	1.7	21.2	17.6	15.1	27.0	22.3	18.7	38.3	30.8	25.1
General Dynamics Corporation	1.6	1.5	1.4	13.1	12.1	11.1	15.5	14.2	12.9	17.8	16.2	14.4
HENSOLDT AG	2.6	2.2	2.0	14.9	12.5	10.6	21.1	17.0	14.0	31.2	24.7	20.4
Indra Sistemas, S.A. Class A	0.7	0.6	0.5	6.0	5.1	4.3	7.3	6.2	5.2	11.1	10.1	9.2
Kongsberg Gruppen ASA	4.3	3.7	3.1	26.0	22.0	18.4	31.9	26.5	21.6	42.2	34.1	28.2
Leonardo SpA	1.3	1.2	1.1	11.5	10.1	8.9	17.4	14.6	12.4	21.6	20.0	16.8
Lockheed Martin Corporation	1.7	1.6	1.6	14.2	11.5	11.1	17.4	13.5	12.9	19.0	15.5	14.2
MTU Aero Engines AG	2.7	2.3	2.1	14.9	13.2	11.9	19.2	16.6	14.8	24.7	21.4	19.2
Rheinmetall AG	4.2	3.4	2.6	23.7	17.4	12.8	29.6	21.2	15.1	43.6	31.0	22.2
Thales SA	2.1	1.9	1.7	13.3	11.7	10.6	17.6	15.2	13.4	21.6	19.1	17.0
Defence (Mkt cap weighted mean)	**2.9**	**2.5**	**2.2**	**19.2**	**16.2**	**14.0**	**23.8**	**19.7**	**16.6**	**30.7**	**25.1**	**21.1**
Defence (Median)	**2.0**	**1.9**	**1.7**	**13.8**	**11.9**	**10.9**	**17.5**	**14.9**	**13.2**	**21.6**	**19.5**	**16.9**
DEUTZ AG	0.5	0.4	0.4	5.9	4.4	3.3	12.6	7.6	5.5	13.2	7.9	5.8
Durr AG	0.5	0.5	0.4	5.7	5.1	4.6	8.5	7.3	6.1	11.5	9.3	7.9
ElringKlinger AG	0.5	0.5	0.4	4.9	3.9	3.3	11.7	8.9	6.7	156.8	5.9	4.1
GEA Group Aktiengesellschaft	1.8	1.8	1.6	12.0	11.1	10.2	15.9	14.7	13.2	19.8	18.2	16.5
Heidelberger Druckmaschinen AG	0.6	0.6	0.5	8.6	7.2	5.5	16.2	11.4	8.4	13.1	5.4	4.2
Jungheinrich AG Pref	0.3	0.3	0.2	1.8	1.5	1.3	3.5	3.1	2.5	9.5	9.3	8.4
KION GROUP AG	0.6	0.7	0.6	3.9	4.4	3.5	8.3	9.4	7.2	12.2	15.2	9.8
Knorr-Bremse AG	1.8	1.7	1.6	11.0	9.8	8.7	15.4	13.4	11.7	23.2	18.7	16.6
Koenig & Bauer AG	0.4	0.4	0.4	33.0	6.2	5.2	-19.4	13.1	8.7	-8.2	15.4	6.9
Krones AG	0.8	0.7	0.6	7.7	6.6	5.7	11.2	9.2	7.8	15.4	13.0	11.5
KSB SE & Co. KGaA	0.8	0.7	0.7	6.9	6.3	5.7	9.5	8.7	7.8	8.7	8.0	7.4
NORMA Group SE	0.7	0.7	0.6	5.8	5.2	4.6	12.3	10.3	8.3	15.9	12.5	9.7
Rational Aktiengesellschaft	7.9	7.3	6.7	27.3	25.4	23.1	30.3	28.2	25.7	40.5	37.7	34.6
Vossloh AG	1.0	0.9	0.8	7.0	6.4	5.8	10.9	9.9	8.6	15.4	13.7	11.8
Wacker Neuson SE	0.7	0.7	0.7	6.8	6.0	4.7	12.3	10.4	7.3	14.6	12.3	8.5
WashTec AG	1.2	1.2	1.1	9.6	8.8	8.1	12.9	11.5	10.1	16.9	15.0	20.5
German Engineering Midcaps (Mkt cap weighted mean)	**2.6**	**2.4**	**2.2**	**12.6**	**11.5**	**10.3**	**16.2**	**14.9**	**13.0**	**23.0**	**20.1**	**17.7**
German Engineering Midcaps (Median)	**0.7**	**0.7**	**0.6**	**7.0**	**6.3**	**5.4**	**12.0**	**10.1**	**8.0**	**15.0**	**12.8**	**9.1**
Allison Transmission Holdings, Inc.	3.3	3.2	2.9	9.1	8.6	7.8	10.5	9.7	8.7	12.6	11.3	9.9
Hyundai Rotem Co.	1.9	1.5	1.3	16.8	8.7	8.4	18.6	9.5	9.0	22.6	13.9	13.8
QinetiQ Group plc	1.1	1.0	0.9	7.6	6.7	5.9	9.8	8.6	7.4	12.6	11.1	10.1
Russel Metals Inc.	0.6	0.5	0.5	8.2	6.3	5.5	11.3	8.3	7.2	15.7	11.1	10.3
Singapore Technologies Engineering Ltd	1.9	1.8	1.6	13.9	12.6	11.5	21.7	19.4	17.7	22.3	19.6	17.5
Timken Company	1.7	1.7	1.6	9.3	9.0	8.0	12.5	12.2	10.6	14.4	14.4	12.5
Drive Technologies Peers (Mkt cap weighted mean)	**2.1**	**1.9**	**1.8**	**11.8**	**9.7**	**8.8**	**15.7**	**12.9**	**11.7**	**17.7**	**14.8**	**13.4**
Drive Technologies Peers (Median)	**1.8**	**1.6**	**1.4**	**9.2**	**8.6**	**7.9**	**11.9**	**9.6**	**8.9**	**15.0**	**12.6**	**11.4**
RENK Group AG (based on WRe adj. estimates)	**2.6**	**2.2**	**1.9**	**13.1**	**10.8**	**8.9**	**15.4**	**12.6**	**10.3**	**27.1**	**18.9**	**15.4**

Sources: Factset, Warburg Research

More than a century of engineering experience

An eventful past and present

Once upon a time

The company was founded and named after Johan Julius Renk, who opened a small gearbox factory in Augsburg, Germany, in 1873. 50 years later, Renk was incorporated into MAN's predecessor company. Over the following decades Renk evolved to a global player in the field of drive and suspension systems through organic expansion, innovation and M&A. From 2011 to 2020, Renk was part of the Volkswagen Group before it was sold to the private-equity firm Triton, under which the company carried out important M&A transactions and sharpened its profile. Renk went public at the beginning of 2024.

Important milestones in the history of the RENK Group

1873	**Founding**	Johannes Julius Renk establishes a small workshop in Augsburg, Germany
1923	**New Ownership**	Renk becomes part of Gutehoffnungshütte (predecessor of MAN Group)
1975-1995	**Expansion by M&A**	Acquisitions include Eisenwerk Wülfel (Hanover), Tacke (Rheine), SEE and SESM (France)
2011	**New Ownership**	Through the MAN SE takeover, Renk becomes part of the Volkswagen Group
2019	**Acquisition of Horstmann**	The transaction gives Renk a leading position in suspension systems for military vehicles and enhances the company's international footprint
2020	**Sold to Private Equity**	Renk is taken over by Triton
2021	**Expansion in the US; adding expertise**	Renk acquires the Combat Propulsion Systems business including the manufacturing site in Muskegon (Michigan) from L3Harris; furthermore, Renk is taking over L3 Magnet-Motor, a provider of hybrid drive solutions.
2024	**Acquisition of General Kinetics**	Further expansion of the suspension business in North America by acquiring the local leader
2024	**IPO**	Renk shares start trading at EUR 17.50 on 7th February 2024

Sources: RENK, Warburg Research

Strengthening US footprint in the naval business

Recent developments

Acquisition of Cincinnati Gearing Systems

In December 2024, RENK Group AG signed an agreement to acquire Cincinnati Gearing Systems Inc. (CGS Inc.), a renowned U.S.-based manufacturer of precision gears and drivetrain technologies, headquartered in Mariemont, Ohio. The transaction is still subject to regulatory approval and, thus, not yet included in our model. Renk has not disclosed any financial details, however, management statements in the latest conference call suggest a transaction size similar to that of General Kinetics in 2023, which stood at EUR 35m. Moreover, CGS appears to be well profitable with higher margins than Renk's Marine & Industrial segment. Assuming reasonable terms and conditions, we consider the deal to be a positive move as it will strengthen the company's U.S. footprint in the naval business and therefore enhance chances of succeeding in upcoming marine tenders like the next generation guided-missile destroyer (DDG X), for which local presence and production capacity is an important prerequisite.

The IPO leadership-duo is no longer on board

Various personnel changes at the helm of the group

CEO Susanne Wiegand recently left the company for personal reasons. Her position has been taken over by Dr. Alexander Sagel, previously COO, who joined the company in April 2024 from Rheinmetall, where he previously held various leading management roles. As COO, Dr Sagel has already made a name for himself with first operational improvements implemented at the Augsburg and Muskegon production sites.

In September 2024, CFO Christian Schulz left Renk after just 15 months. His successor is Anja Mänz-Siebje, who was previously head of Corporate Finance and CFO of the subsidiary Renk GmbH.

In February 2024, shortly after the IPO, Dr. Rainer Marten, former COO of MTU Aero Engines, stepped down from the Supervisory Board.

The background to these changes may all lie in the personal spheres of those involved and are rightly not made public. Nevertheless, the accumulation raises questions as to whether something is wrong behind the scenes and is therefore a source of unease among investors. We note that the company's financial performance to date has been solid and in line with previous forward-looking statements. Nonetheless, more management continuity going forward could send a positive signal to the outside world.

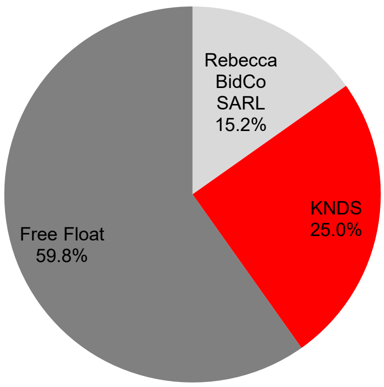
Triton's exit is far advanced

KNDS could soon become Renk's largest shareholder

After the IPO, Triton - through its subsidiary Rebecca Bidco - has continued to reduce its stake in Renk. In May 2024, 10% of Renk's shares were placed on the capital market for EUR 250m, followed by an additional sale in October 2024 for EUR 385m. Triton currently holds 33.5% but is expected to further reduce its stake to around 15% in the context of a planned sale of 18% to KNDS. This transaction, announced on February 11, is still subject to regulatory approval.

Upon completion of the deal, KNDS would hold a blocking minority of 25%, making it Renk's largest shareholder. This stake underscores Renk's strategic and operational value. as a supplier to KNDS, the two companies will deepen their cooperation and Renk is supposed to play an important role in empowering current and upcoming KNDS platforms. Against this backdrop, the participation is sending a positive signal to the capital market. At the same time, the holding remains small enough not to discourage KNDS's competitors from engaging with Renk, which will remain an independent provider of propulsion systems also for other platforms. The defence industry is well accustomed to balancing competition and cooperation in a highly professional manner.

Prospective shareholder structure post Triton stake sale to KNDS*



*assuming regulatory approval

Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	
Sales	1,141	1,327	1,521	1,745	2,007	2,268	2,517	2,744	2,922	3,039	3,148	3,249	3,340	
Sales change	*23.3 %*	*16.3 %*	*14.6 %*	*14.8 %*	*15.0 %*	*13.0 %*	*11.0 %*	*9.0 %*	*6.5 %*	*4.0 %*	*3.6 %*	*3.2 %*	*2.8 %*	*2.0 %*
EBIT	125	190	248	317	391	442	490	533	564	582	597	611	622	
EBIT-margin	*10.9 %*	*14.3 %*	*16.3 %*	*18.2 %*	*19.5 %*	*19.5 %*	*19.5 %*	*19.4 %*	*19.3 %*	*19.1 %*	*19.0 %*	*18.8 %*	*18.6 %*	
Tax rate (EBT)	*42.7 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.0 %*	*30.6 %*	*31.1 %*	*31.7 %*	*32.2 %*	*32.8 %*	*33.3 %*	*33.9 %*	*34.4 %*	
NOPAT	72	133	174	222	274	307	338	364	382	391	398	404	408	
Depreciation	77	73	66	56	60	66	71	76	81	87	92	97	103	
in % of Sales	*6.7 %*	*5.5 %*	*4.3 %*	*3.2 %*	*3.0 %*	*2.9 %*	*2.8 %*	*2.8 %*	*2.8 %*	*2.9 %*	*2.9 %*	*3.0 %*	*3.1 %*	
Changes in provisions	3	2	2	3	-1	-1	-1	-1	-1	-1	-1	0	-1	
Change in Liquidity from														
- Working Capital	34	39	39	43	55	60	57	52	41	27	25	23	21	
- Capex	36	41	47	54	63	68	74	79	84	89	94	100	105	
Capex in % of Sales	*3.1 %*	*3.1 %*	*3.1 %*	*3.1 %*	*3.2 %*	*3.0 %*	*2.9 %*	*2.9 %*	*2.9 %*	*2.9 %*	*3.0 %*	*3.1 %*	*3.1 %*	
- Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	81	129	156	183	215	244	277	309	338	361	370	378	384	396
PV of FCF	0	124	138	148	160	166	174	178	179	175	165	155	145	1,991
share of PVs	**10.15 %**			**40.46 %**										**49.39 %**

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	13.00 %	Financial Strength	1.20
Cost of debt (after tax)	4.2 %	Liquidity (share)	1.20
Market return	8.25 %	Cyclicality	1.10
Risk free rate	2.75 %	Transparency	1.50
		Others	1.20
WACC	**8.87 %**	**Beta**	**1.24**

Valuation (m)

Present values 2036e	2,040		
Terminal Value	1,991		
Financial liabilities	533		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	113	No. of shares (m)	100.0
Equity Value	**3,608**	**Value per share (EUR)**	**36.08**

Sensitivity Value per Share (EUR)

		Terminal Growth						
Beta	WACC	1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.45	9.9 %	29.14	29.57	30.02	30.49	31.00	31.54	32.13
1.34	9.4 %	31.48	31.98	32.52	33.09	33.71	34.37	35.08
1.29	9.1 %	32.76	33.31	33.90	34.53	35.21	35.94	36.73
1.24	8.9 %	34.12	34.73	35.38	**36.08**	36.83	37.64	38.52
1.19	8.6 %	35.58	36.25	36.97	37.75	38.58	39.48	40.46
1.14	8.4 %	37.15	37.89	38.69	39.54	40.47	41.48	42.58
1.03	7.9 %	40.65	41.56	42.54	43.61	44.77	46.04	47.44

		Delta EBIT-margin						
Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.45	9.9 %	27.38	28.42	29.46	30.49	31.53	32.57	33.60
1.34	9.4 %	29.76	30.87	31.98	33.09	34.20	35.32	36.43
1.29	9.1 %	31.07	32.23	33.38	34.53	35.69	36.84	37.99
1.24	8.9 %	32.49	33.69	34.88	**36.08**	37.28	38.47	39.67
1.19	8.6 %	34.01	35.25	36.50	37.75	38.99	40.24	41.48
1.14	8.4 %	35.65	36.95	38.25	39.54	40.84	42.14	43.44
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- 2025-28: strong margin and top-line boost driven by higher military spending in Germany and other countries
- Our 2028 projection is in line with management's mid-term target
- The period thereafter is characterised by business normalisation at a high level
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- Cost of debt set at 6% (pre-tax)

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2021	2022	2023	2024e	2025e	2026e	2027e
Net Income before minorities	-10	16	32	47	111	152	202
+ Depreciation + Amortisation	76	96	79	77	73	66	56
- Net Interest Income	-36	-37	-27	-44	-32	-31	-29
- Maintenance Capex	25	12	29	32	36	40	45
+ Other	98	3	-8	-19	-10	-9	-9
= Free Cash Flow Potential	**175**	**141**	**101**	**117**	**171**	**199**	**233**
FCF Potential Yield (on market EV)	n/a	n/a	n/a	3.5 %	5.2 %	6.3 %	7.5 %
WACC	8.87 %	8.87 %	8.87 %	8.87 %	8.87 %	8.87 %	8.87 %
= Enterprise Value (EV)	**n.a.**	**n.a.**	**n.a.**	**3,343**	**3,271**	**3,190**	**3,101**
= Fair Enterprise Value	**1,977**	**1,591**	**1,141**	**1,319**	**1,923**	**2,248**	**2,623**
- Net Debt (Cash)	421	421	421	421	349	268	179
- Pension Liabilities	2	2	2	2	2	2	2
- Other	0	0	0	0	0	0	0
- Market value of minorities	0	0	0	0	0	0	0
+ Market value of investments	0	0	0	0	0	0	0
= Fair Market Capitalisation	**1,554**	**1,168**	**718**	**896**	**1,572**	**1,978**	**2,442**
Number of shares, average	100	100	100	100	100	100	100
= Fair value per share (EUR)	**15.54**	**11.68**	**7.18**	**8.96**	**15.72**	**19.78**	**24.42**
premium (-) / discount (+) in %				-69.3 %	-46.2 %	-32.3 %	-16.4 %

Sensitivity Fair value per Share (EUR)

		2021	2022	2023	2024e	2025e	2026e	2027e
	11.87 %	10.54	7.66	4.30	5.63	10.86	14.09	17.79
	10.87 %	11.90	8.75	5.08	6.53	12.18	15.64	19.60
	9.87 %	13.54	10.07	6.02	7.62	13.77	17.50	21.77
WACC	**8.87 %**	**15.54**	**11.68**	**7.18**	**8.96**	**15.72**	**19.78**	**24.42**
	7.87 %	18.05	13.70	8.63	10.64	18.16	22.63	27.76
	6.87 %	21.29	16.31	10.50	12.80	21.31	26.32	32.06
	5.87 %	25.64	19.81	13.01	15.70	25.54	31.26	37.83

- The line "Others" in the calculation of FCF covers the tax shield on net interest expenses.
- Assumption on maintenance capex: 5% below (one-off and PPA adjusted) D&A
- Market value of minorities = multiple of 15x applied.

Valuation

	2021	2022	2023	2024e	2025e	2026e	2027e
Price / Book	n.a.	n.a.	n.a.	7.2 x	6.1 x	5.1 x	4.2 x
Book value per share ex intangibles	-1.37	-0.64	0.20	0.59	1.60	2.72	4.01
EV / Sales	n.a.	n.a.	n.a.	2.9 x	2.5 x	2.1 x	1.8 x
EV / EBITDA	n.a.	n.a.	n.a.	16.6 x	12.4 x	10.2 x	8.3 x
EV / EBIT	n.a.	n.a.	n.a.	26.8 x	17.2 x	12.9 x	9.8 x
EV / EBIT adj.*	n.a.	n.a.	n.a.	17.6 x	14.2 x	11.5 x	9.4 x
P / FCF	n.a.	n.a.	n.a.	55.0 x	26.0 x	20.8 x	17.2 x
P / E	n.a.	n.a.	n.a.	62.8 x	26.4 x	19.2 x	14.5 x
P / E adj.*	n.a.	n.a.	n.a.	31.7 x	21.1 x	16.9 x	13.8 x
Dividend Yield	n.a.	n.a.	n.a.	1.4 %	2.1 %	2.7 %	3.1 %
FCF Potential Yield (on market EV)	n.a.	n.a.	n.a.	3.5 %	5.2 %	6.3 %	7.5 %

*Adjustments made for: PPA effects, transactions costs and one-off expenses

Consolidated profit and loss

In EUR m	2021	2022	2023	2024e	2025e	2026e	2027e
Sales	**698**	**849**	**926**	**1,141**	**1,327**	**1,521**	**1,745**
Change Sales yoy	n.a.	21.7 %	9.0 %	23.3 %	16.3 %	14.6 %	14.8 %
COGS	573	684	717	856	977	1,092	1,227
Gross profit	**125**	**165**	**209**	**285**	**350**	**429**	**518**
Gross margin	*17.9 %*	*19.4 %*	*22.5 %*	*25.0 %*	*26.4 %*	*28.2 %*	*29.7 %*
Research and development	0	0	0	0	0	0	0
Sales and marketing	47	48	52	59	67	75	84
Administration expenses	34	50	66	94	91	104	115
Other operating expenses	0	0	0	0	0	0	0
Other operating income	-18	-2	-2	-6	-2	-2	-3
EBITDA	**102**	**161**	**168**	**202**	**263**	**314**	**373**
Margin	*14.6 %*	*19.0 %*	*18.1 %*	*17.7 %*	*19.9 %*	*20.7 %*	*21.4 %*
EBITDA adj.	**118**	**174**	**182**	**223**	**267**	**320**	**379**
Margin	*16.8 %*	*20.5 %*	*19.6 %*	*19.5 %*	*20.2 %*	*21.1 %*	*21.7 %*
Depreciation of fixed assets	33	35	37	38	41	44	47
Amortisation of intangible assets	44	61	42	39	32	22	9
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	**25**	**65**	**89**	**125**	**190**	**248**	**317**
Margin	*3.6 %*	*7.7 %*	*9.6 %*	*10.9 %*	*14.3 %*	*16.3 %*	*18.2 %*
EBIT adj.	**91**	**144**	**150**	**189**	**230**	**278**	**331**
Margin	*13.0 %*	*17.0 %*	*16.2 %*	*16.6 %*	*17.3 %*	*18.3 %*	*19.0 %*
Interest income	1	2	9	2	3	4	6
Interest expenses	37	39	36	46	35	35	35
Other financial income (loss)	8	-13	-15	0	0	0	0
EBT	**-3**	**15**	**47**	**81**	**158**	**218**	**288**
Total taxes	7	-1	14	35	47	65	86
Net income from continuing operations	**-10**	**16**	**32**	**47**	**111**	**152**	**202**
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	**-10**	**16**	**32**	**47**	**111**	**152**	**202**
Minority interest	0	0	0	0	0	0	0
Net income	**-10**	**16**	**32**	**47**	**111**	**152**	**201**
Margin	*-1.4 %*	*1.9 %*	*3.5 %*	*4.1 %*	*8.3 %*	*10.0 %*	*11.5 %*
Number of shares, average	100	100	100	100	100	100	100
EPS	**-0.10**	**0.16**	**0.32**	**0.47**	**1.11**	**1.52**	**2.01**
EPS adj.	-0.10	0.87	0.76	0.92	1.38	1.73	2.12

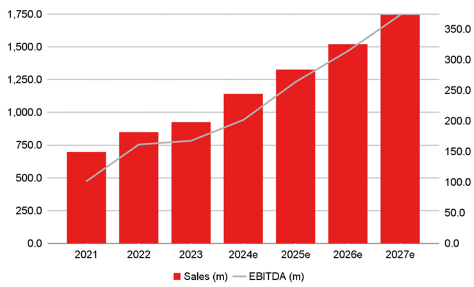
*Adjustments made for: PPA effects, transactions costs and one-off expenses

Guidance: 2024: Revenues EUR ~1.100mn; EBIT adj. EUR ~175-190mn

Financial Ratios

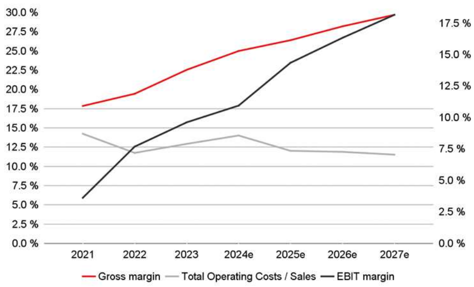
	2021	2022	2023	2024e	2025e	2026e	2027e
Total Operating Costs / Sales	14.2 %	11.7 %	12.9 %	14.0 %	12.0 %	11.9 %	11.5 %
Operating Leverage	n.a.	7.3 x	4.0 x	1.7 x	3.2 x	2.1 x	1.9 x
EBITDA / Interest expenses	2.8 x	4.2 x	4.7 x	4.4 x	7.6 x	9.0 x	10.7 x
Tax rate (EBT)	-273.9 %	-9.3 %	30.6 %	42.7 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	0.0 %	0.0 %	92.8 %	85.9 %	54.2 %	52.5 %	44.7 %
Sales per Employee	264,365	275,728	138,361	n.a.	n.a.	n.a.	n.a.

Sales, EBITDA
in EUR m



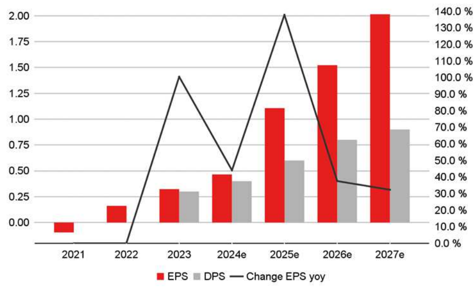
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

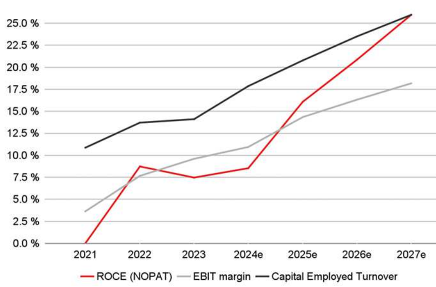
Consolidated balance sheet

In EUR m	2021	2022	2023	2024e	2025e	2026e	2027e
Assets							
Goodwill and other intangible assets	436	389	384	347	316	296	289
thereof other intangible assets	359	310	291	253	223	203	196
thereof Goodwill	77	79	93	93	93	93	93
Property, plant and equipment	332	323	319	315	314	315	320
Financial assets	24	22	9	9	9	9	9
Other long-term assets	7	18	23	34	38	41	45
Fixed assets	**799**	**752**	**736**	**705**	**677**	**662**	**663**
Inventories	250	276	326	376	433	491	558
Accounts receivable	181	231	265	305	352	399	453
Liquid assets	98	159	102	113	165	246	335
Other short-term assets	24	26	44	32	33	34	34
Current assets	**553**	**691**	**737**	**827**	**982**	**1,169**	**1,380**
Total Assets	**1,352**	**1,443**	**1,473**	**1,532**	**1,659**	**1,831**	**2,044**
Liabilities and shareholders' equity							
Subscribed capital	0	0	100	100	100	100	100
Capital reserve	312	309	224	224	224	224	224
Retained earnings	-14	16	80	82	152	244	366
Other equity components	0	0	0	0	0	0	0
Shareholders' equity	298	325	404	405	476	568	690
Minority interest	0	0	0	0	0	0	0
Total equity	**298**	**325**	**404**	**405**	**476**	**568**	**690**
Provisions	87	78	53	56	58	61	63
thereof provisions for pensions and similar obligations	6	1	2	2	2	2	2
Financial liabilities (total)	625	635	546	533	513	513	513
Short-term financial liabilities	2	18	19	5	5	5	5
Accounts payable	227	281	340	396	460	527	605
Other liabilities	115	124	130	141	151	161	172
Liabilities	**1,054**	**1,118**	**1,069**	**1,127**	**1,183**	**1,262**	**1,354**
Total liabilities and shareholders' equity	**1,352**	**1,443**	**1,473**	**1,532**	**1,659**	**1,831**	**2,044**

Financial Ratios

	2021	2022	2023	2024e	2025e	2026e	2027e
Efficiency of Capital Employment							
Operating Assets Turnover	1.3 x	1.5 x	1.6 x	1.9 x	2.1 x	2.2 x	2.4 x
Capital Employed Turnover	0.8 x	1.1 x	1.1 x	1.4 x	1.6 x	1.8 x	2.0 x
ROA	-1.2 %	2.1 %	4.4 %	6.6 %	16.4 %	23.0 %	30.4 %
Return on Capital							
ROCE (NOPAT)	n.a.	8.7 %	7.5 %	8.5 %	16.1 %	20.9 %	26.0 %
ROE	n.a.	5.2 %	8.9 %	11.5 %	25.1 %	29.2 %	32.0 %
Adj. ROE	n.a.	5.2 %	8.9 %	11.5 %	25.1 %	29.2 %	32.0 %
Balance sheet quality							
Net Debt	534	478	446	423	351	270	181
Net Financial Debt	527	477	444	421	349	268	179
Net Gearing	178.9 %	147.4 %	110.4 %	104.3 %	73.6 %	47.5 %	26.2 %
Net Fin. Debt / EBITDA	518.8 %	295.5 %	265.0 %	208.4 %	132.3 %	85.3 %	47.9 %
Book Value / Share	3.0	3.2	4.0	4.1	4.8	5.7	6.9
Book value per share ex intangibles	-1.4	-0.6	0.2	0.6	1.6	2.7	4.0

ROCE Development

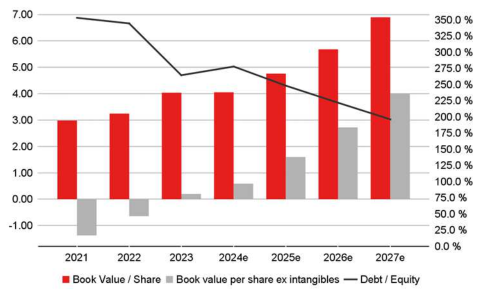


Source: Warburg Research

Net debt
in EUR m

Source: Warburg Research

Book Value per Share
in EUR



Source: Warburg Research

Consolidated cash flow statement

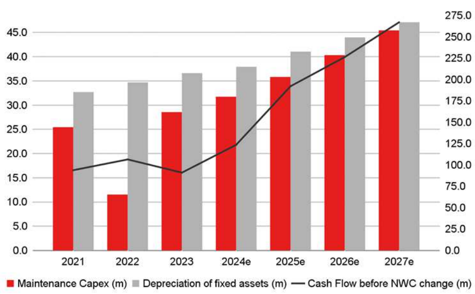
In EUR m	2021	2022	2023	2024e	2025e	2026e	2027e
Net income	-4	25	34	47	117	158	208
Depreciation of fixed assets	33	35	37	38	41	44	47
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	44	61	42	39	32	22	9
Increase/decrease in long-term provisions	0	-7	0	1	1	1	1
Other non-cash income and expenses	21	-7	-22	-2	1	1	1
Cash Flow before NWC change	**94**	**106**	**91**	**123**	**192**	**226**	**267**
Increase / decrease in inventory	7	-26	-51	-50	-57	-58	-67
Increase / decrease in accounts receivable	9	-49	-34	-41	-46	-47	-54
Increase / decrease in accounts payable	-31	54	59	56	64	67	78
Increase / decrease in other working capital positions	0	1	-16	0	0	0	0
Increase / decrease in working capital (total)	-16	-20	-41	-34	-39	-39	-43
Net cash provided by operating activities [1]	**78**	**86**	**49**	**89**	**153**	**188**	**223**
Investments in intangible assets	-33	0	2	-2	-2	-2	-2
Investments in property, plant and equipment	0	-26	-30	-34	-39	-45	-52
Payments for acquisitions	-302	0	-34	0	0	0	0
Financial investments	11	0	0	0	0	0	0
Income from asset disposals	4	3	2	0	0	0	0
Net cash provided by investing activities [2]	**-319**	**-23**	**-60**	**-36**	**-41**	**-47**	**-54**
Change in financial liabilities	163	12	-92	-13	-20	0	0
Dividends paid	0	0	0	-30	-40	-60	-80
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	42	0	2	0	0	0	0
Other	-53	-16	40	0	0	0	0
Net cash provided by financing activities [3]	**151**	**-4**	**-50**	**-43**	**-60**	**-60**	**-80**
Change in liquid funds [1]+[2]+[3]	**-90**	**59**	**-61**	**10**	**52**	**81**	**89**
Effects of exchange-rate changes on cash	1	2	5	0	0	0	0
Cash and cash equivalent at end of period	98	159	102	113	165	246	335

Financial Ratios

	2021	2022	2023	2024e	2025e	2026e	2027e
Cash Flow							
FCF	0	60	20	53	112	141	169
Free Cash Flow / Sales	0.0 %	7.1 %	2.1 %	4.7 %	8.5 %	9.2 %	9.7 %
Free Cash Flow Potential	175	141	101	117	171	199	233
Free Cash Flow / Net Profit	0.0 %	371.3 %	60.7 %	114.2 %	101.4 %	92.3 %	84.0 %
Interest Received / Avg. Cash	n.a.	1.2 %	6.6 %	2.0 %	2.0 %	2.0 %	2.0 %
Interest Paid / Avg. Debt	n.a.	6.1 %	6.1 %	8.6 %	6.6 %	6.8 %	6.8 %
Management of Funds							
Investment ratio	4.7 %	3.1 %	3.0 %	3.1 %	3.1 %	3.1 %	3.1 %
Maint. Capex / Sales	3.6 %	1.4 %	3.1 %	2.8 %	2.7 %	2.7 %	2.6 %
Capex / Dep	43.0 %	27.0 %	35.7 %	46.7 %	56.2 %	71.6 %	96.1 %
Avg. Working Capital / Sales	n.a.	25.3 %	25.8 %	23.5 %	23.0 %	22.6 %	22.0 %
Trade Debtors / Trade Creditors	79.9 %	82.2 %	77.9 %	77.1 %	76.4 %	75.7 %	74.9 %
Inventory Turnover	2.3 x	2.5 x	2.2 x	2.3 x	2.3 x	2.2 x	2.2 x
Receivables collection period (days)	95	99	104	98	97	96	95
Payables payment period (days)	144	150	173	169	172	176	180
Cash conversion cycle (Days)	110	96	98	89	86	84	81

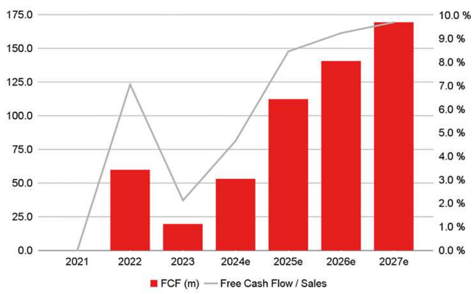
CAPEX and Cash Flow

in EUR m



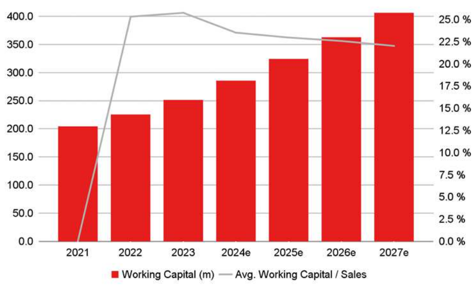
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
RENK	–	https://www.mmwarburg.com/disclaimer/disclaimer_en/DE000RENK730.htm

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
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"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

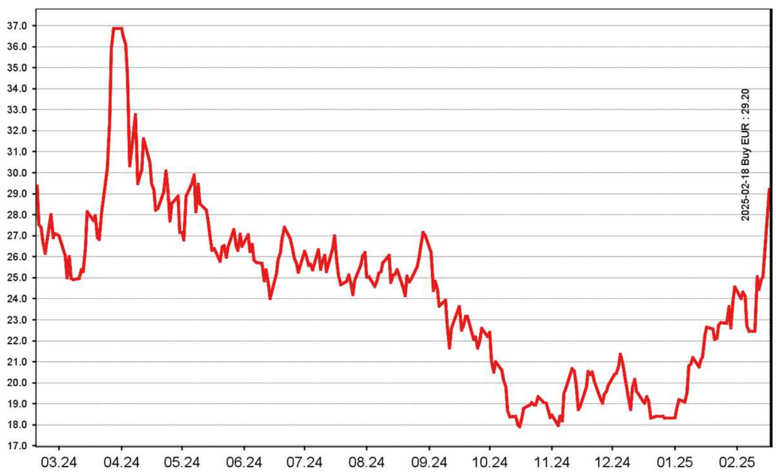
Rating	Number of stocks	% of Universe
Buy	145	72
Hold	42	21
Sell	9	4
Rating suspended	6	3
Total	**202**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	40	75
Hold	8	15
Sell	2	4
Rating suspended	3	6
Total	**53**	**100**

PRICE AND RATING HISTORY RENK AS OF 18.02.2025



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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