PRESSRELEASE

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First quarter of 2021:

Rheinmetall posts strong start to the year – operating result and margin more than doubled

- Consolidated sales grow by 3.5% to €1,405 million
- Consolidated operating result rises from €34 million to €87 million – an increase of €53 million
- Margin more than doubles to 6.2% after 2.5% in same quarter of previous year
- Operating free cash flow improves by €129 million to €-59 million
- Earnings per share almost quadruple from €0.30 to €1.14
- Outlook for 2021 confirmed and adjusted to new reporting structure

The Düsseldorf-based Rheinmetall AG started fiscal 2021 with sales growth and significantly improved earnings in the first three months. In terms of sales, Rheinmetall benefited in the first quarter from the continuing economic recovery of the automotive industry and from ammunition deliveries that had originally been expected in the second quarter of 2021 but were moved forward by the customers. In addition to the sales growth, the increase in earnings resulted particularly from the cost reduction measures initiated in 2020 in response to the production declines in the automotive industry due to the pandemic.

The technology group is confirming its forecast from March this year for the sales and margin development in the current fiscal year, but is adjusting the figures to the changed reporting structure, in which the pistons business will be recognized as a discontinued operation from the second quarter of 2021 onward.

In the first quarter of 2021, Rheinmetall is reporting for the first time on the basis of a new Group structure that the company has established for itself as part of a strategic realignment and that discontinues the previous organizational separation into the Automotive and Defence sectors. The new structure is made up of five divisions plus the non-core business with pistons, which is not yet classified here as a discontinued operation. With this new positioning, Rheinmetall intends to focus more on forward-looking technologies and support business areas with high potential for a sustained increase in value.

Armin Papperger, Chief Executive Officer of Rheinmetall AG, comments: “Rheinmetall has made a dynamic start to a promising fiscal year. We are benefiting from the significant recovery in the automotive sector, from armed forces’ continuing procurement requirements, and from our strong cost discipline. The streamlining of the Group structure initiated as part of our strategic realignment will give rise to additional savings effects in the current fiscal year. At the same time, we are shaping ourselves as an integrated technology group and focusing on business areas with high potential for a sustained increase in value.”

Key facts

- Consolidated sales increase by €47 million to €1,405 million
- Order backlog grows by 29% to €13.3 billion
- Consolidated operating result rises from €34 million to €87 million
- Margin improves significantly from 2.5% to 6.2%
- Operating free cash flow improves to €-59 million
- Earnings per share rise to €1.14
- Forecast for 2021 confirmed

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Armin Papperger comments: “We are continuing to do well in operational terms. In business with automotive manufacturers, we have successfully achieved pioneering orders and are also further expanding our positions in the field of alternative drive technologies. Our defence technology business remains at a high level. We are very well positioned here to continue making valuable contributions to the modernization of military equipment and filling gaps in requirements in the German armed forces and in partner countries in the future.”

Rheinmetall Group

Rheinmetall increased its consolidated sales by €47 million or 3.5% year-on-year to €1,405 million in the first quarter of 2021 (previous year: €1,358 million). Adjusted for currency effects, sales growth was 5.1%.

The order backlog in the Rheinmetall Group came to around €13.3 billion on March 31, 2021. After €10.3 billion at the end of the first quarter of 2020, this corresponds to an increase of 29%. On top of this order backlog, there are also anticipated sales from existing framework agreements with military customers on a scale of around €3.5 billion at present.

The operating result increased from €34 million to €87 million in the first quarter of 2021. This corresponds to growth of €53 million or 157%. The operating margin of 6.2% also significantly exceeded the previous year’s level of 2.5%.

Consolidated earnings after taxes increased to €58 million in the first quarter of 2021 after €18 million in the same quarter of the previous year. Earnings per share also increased accordingly, improving from €0.30 in the previous year to €1.14.

Operating free cash flow in the Group improved by €129 million or 69% year-on-year to €-59 million in the first quarter of 2021. This positive development mainly resulted from the improved earnings situation, a comparatively lower increase in working capital, and lower allocations to the contractual trust agreement (CTA) in Germany.

Vehicle Systems

At €409 million, sales in the Vehicle Systems division, which operates in the field of military wheeled and tracked vehicles, were down €38 million or 8.4% compared to the same quarter of the previous year, as expected. This decrease was particularly due to the expiration of two major projects. By contrast, the order intake rose – mainly due to binding call-offs from existing framework agreements relating to logistical vehicles – by €42 million or 30% year-on-year to €178 million, particularly reflecting new orders in the field of logistic vehicles. The order backlog is still at a high level of €9.2 billion.

Due to the decline in sales, the operating result was down on the previous year’s level at €25 million (previous year: €35 million). The operating margin was 6.1% (previous year: 7.9%).

Weapon and Ammunition

The Weapon and Ammunition division generated sales of €221 million with its weapon system and ammunition activities in the first quarter, up €54 million or 32% on the figure for the previous year. After a weaker prior-year quarter, this significant increase in sales was particularly due to delivery dates for ammunition that had originally been scheduled for the second quarter of 2021 but were moved forward by the customers. In addition, the partial lifting of export restrictions at foreign subsidiaries contributed to the positive development.

At €228 million, the order intake was down by €100 million or 31% compared to the high figure from the previous year (€328 million). In the same quarter of the previous year, the development of the order intake had been influenced by a large single order of €80 million for the delivery of artillery propellant powder to an international customer. As of the end of the first quarter, the order backlog amounted to €2.8 billion (previous year: €2.4 billion).

The high sales level led to a significant improvement in the division's result. The operating result increased by €33 million to €18 million after a loss of €-16 million in the same period of the previous year. The operating margin was 8.0% (previous year: -9.3%).

Electronic Solutions

With sales of €167 million, the Electronic Solutions division, which develops and produces solutions in the field of defence electronics, was down slightly by €7 million or 4.0% compared to the same quarter of the previous year. The order intake was €106 million or 33% lower than the comparatively high figure from the previous year, which was positively impacted by a major international order of €210 million in the Air Defence unit. The order backlog was unchanged at €2.3 billion.

The operating result matched the previous year's level at €10 million (previous year: €10 million). The operating margin improved to 6.2% (previous year: 6.0%).

Sensors and Actuators

Sales in the Sensors and Actuators division, which does business with global automotive manufacturers with its components and control systems for reducing emissions and for thermal management, rose by 7.1% to €372 million in the first quarter of 2021 (previous year: €348 million). This positive development mainly resulted from increased customer call-offs as compared to the same quarter of the previous year, which was already impacted by the emerging coronavirus pandemic. The sales potential from recently concluded firm agreements for customer projects and from framework agreements (booked business) amounted to €656 million in the first quarter of 2021 and was thus considerably higher than the previous year's level (€471 million). 56% of this was attributable to new project business, while 44% related to extensions and increases in the volume of existing customer projects.

The division's operating result improved by €18 million year-on-year to €28 million in the first three months of 2021 (previous year: €9 million). This significant increase is attributable to the rise in sales as well as to the measures introduced to reduce costs in the wake of the coronavirus pandemic. The operating margin rose to 7.5% (previous year: 2.7%).

Materials and Trade

The Materials and Trade division, which supplies plain bearings and structural components and operates global aftermarket business with automotive components, increased its sales to €160 million in the first quarter of 2021. It thus exceeded the previous year's level by €20 million or 14% (previous year: €140 million). This positive sales development was largely driven by higher sales volumes in the Bearings and Aftermarket business units. In the first quarter of 2021, the division gained nominations for customer projects (booked business) with a sales volume of €173 million. This corresponds to a year-on-year increase of €36 million or 26% (previous year: €137 million). The share of booked business attributable to new customer projects came to 96%.

The operating result of the Materials and Trade division doubled year-on-year to €14 million in the first quarter of 2021 (previous year: €7 million). In the Bearings and Aftermarket business units, the sales increases combined with continued strict cost management resulted in a positive development of the earnings situation. In the Castings business unit, the earnings contributions of the joint ventures KS HUAYU AluTech Group and HASCO KSPG Nonferrous Components (Shanghai) Co. Ltd., which are accounted for using the equity method, improved as against the previous year.

The division's operating margin rose to 8.8% (previous year: 4.9%).

Pistons (non-core business)

Sales in the Pistons non-core business decreased by around €10 million or 6.4% year-on-year to €140 million in the first quarter of 2021 (previous year: €149 million), particularly due to currency effects. Booked business in the first quarter of 2021 almost tripled as against the same period of the previous year, amounting to €60 million (previous year: €21 million). 37% of this was attributable to new projects, while 67% related to project extensions and increases in the volume of existing projects.

After recording an operating loss in the previous year, this unit generated an operating result of €3 million in the first three months of 2021 (previous year: €-6 million). The operating margin was 1.9% (previous year: -4.1%).

Group forecast for 2021 confirmed and adjusted to new reporting structure

In view of the still relatively high level of uncertainty in the macroeconomic environment and given the situation on the procurement markets, Rheinmetall is keeping to the forecast for sales growth and the operating margin for the year as a whole that was published in March 2021.

Due to the classification of the Pistons non-core business as a discontinued operation from the second quarter of 2021 onward with the application of IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations), Rheinmetall anticipates operating sales growth of between 7% and 9% (pro forma sales in 2020: €5,406 million) and an operating margin of between 9% and 10% (pro forma margin in 2020: 8.4%) for fiscal 2021.