



# Half-Year Results 2023

Media and Investor Presentation, July 20, 2023

Thomas Oetterli, Group CEO

Kurt Ledermann, Group CFO

# Agenda

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01 Market Environment

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02 Financials

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03 Next Level

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04 Outlook

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# Key Messages

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## First half of 2023

- Sales significantly increased to CHF 758.2 million
- Order intake of CHF 325.0 million, order backlog of around CHF 1 100 million as of June 30, 2023
- EBIT of CHF 25.2 million and net profit of CHF 13.3 million
- Sale of land in Winterthur
- “Next Level” Performance Program planned
- Outlook

# Agenda

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**01** **Market Environment**

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**02** Financials

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**03** Next Level

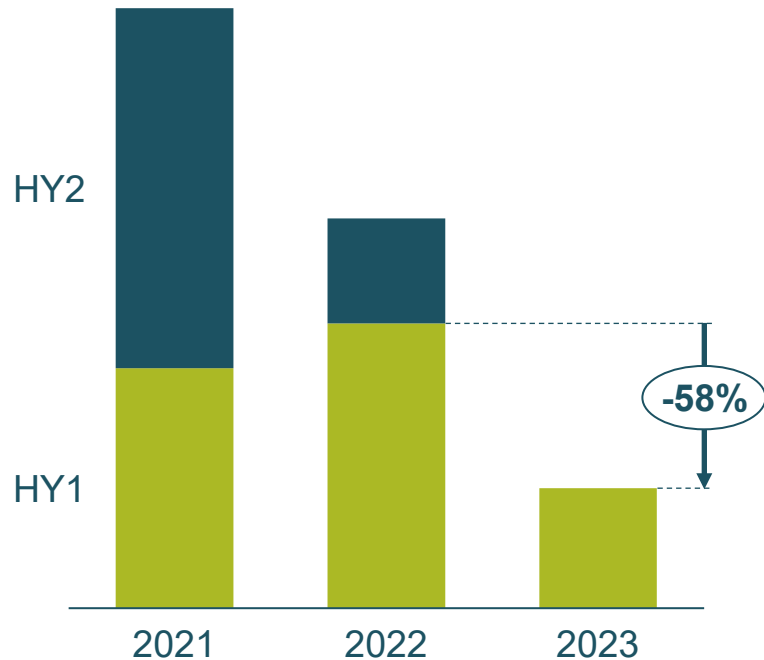
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**04** Outlook

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# Indicative Market Development 2021 until 2023

## Market volume<sup>1</sup>



## Comment

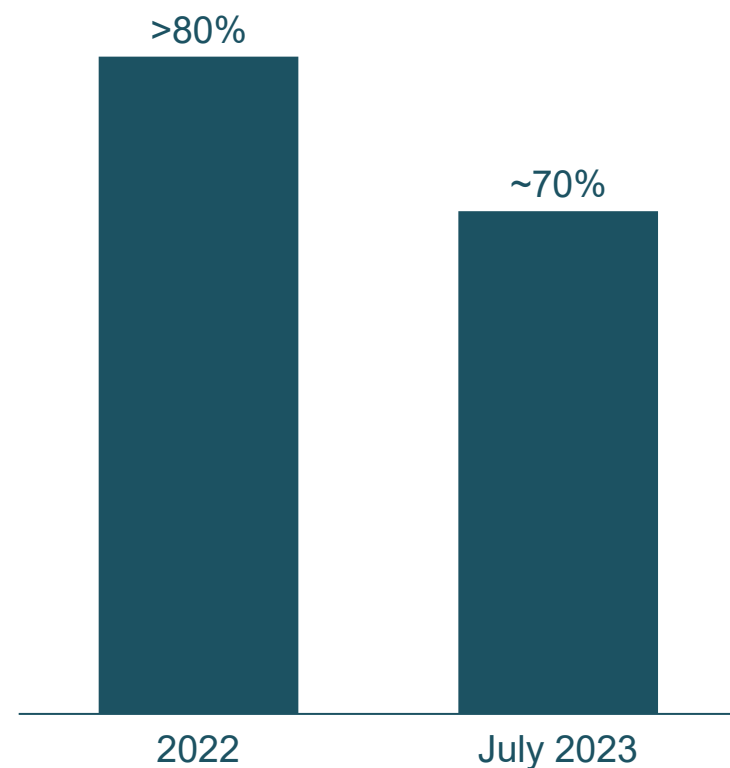
- In 2021 and HY1 2022 market is characterized by the catch-up demand after COVID and relocation from China to ROW, reaching an exceptionally high volume
- Starting from HY2 2022, market volume has significantly gone down
- Revival is not expected until the fourth quarter of 2023 at the earliest

<sup>1</sup> Market volume based on order intake statistics on new machines and systems

# Spinning Mill Utilization

Operating rate of spinning mills are at low levels.

## Global<sup>1</sup>



<sup>1</sup> Source: Rieter mill monitoring

## Comment

- Globally, operating rates are around 10% lower than in 2022
- Slow recovery from a low base beginning of the year
- Rieter believes that demand for consumables, wear & tear and spare parts will not recover until later in 2023

# ITMA Milan 2023 a Great Success

Rieter Group unveiled its latest technology portfolio at ITMA

Innovative solutions supporting **technology leadership**

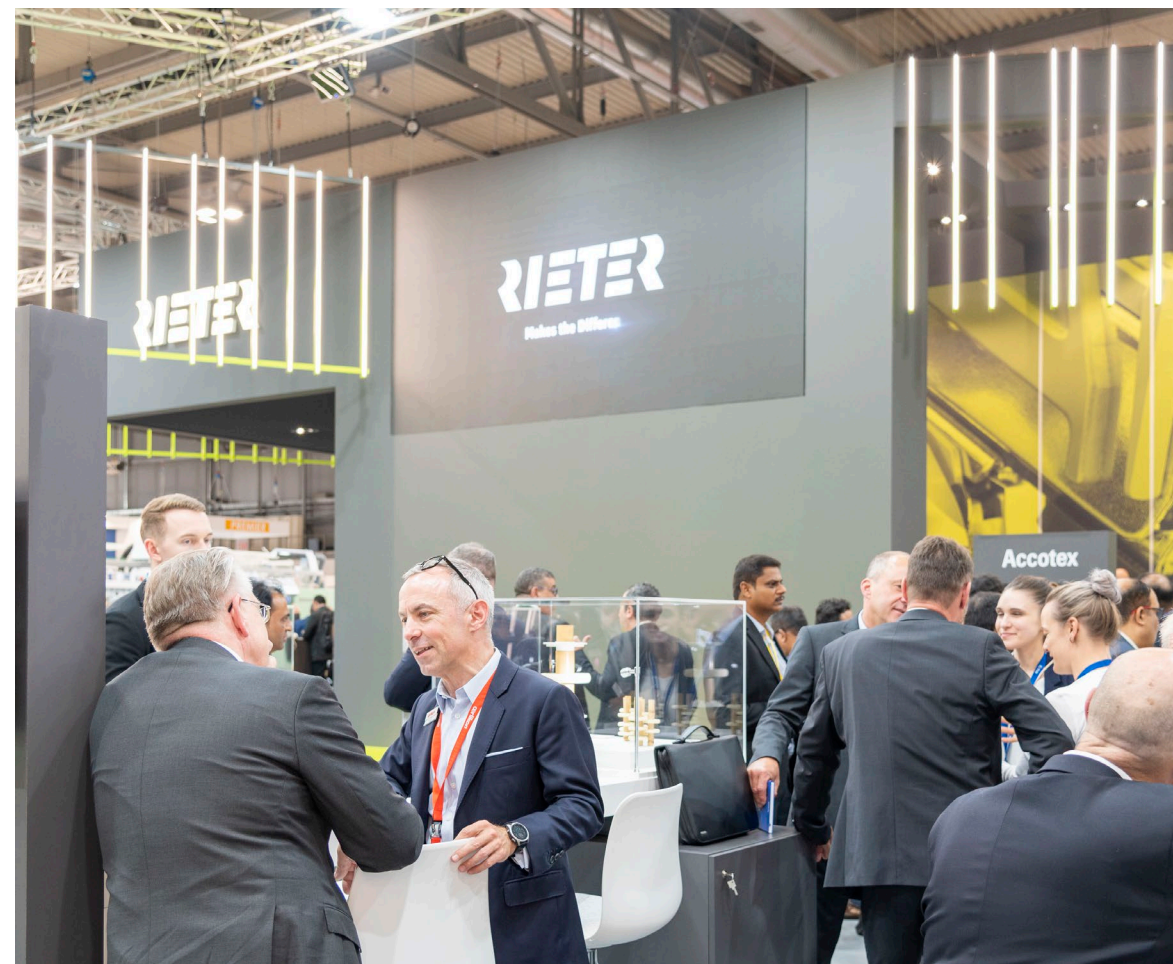
- Air-jet spinning machine J 70
- Ring spinning machine G 38 and winding machine Autoconer X6 with new Ring-Winder-Connect module
- Card C 81 with carding gap control
- Sewing thread finish winder Thread King III from SSM
- ROBOspin

System integration through **digitization**

- ESSENTIAL – Digital Spinning Suite

**Recycling**

- Com4recycling system and sustainability



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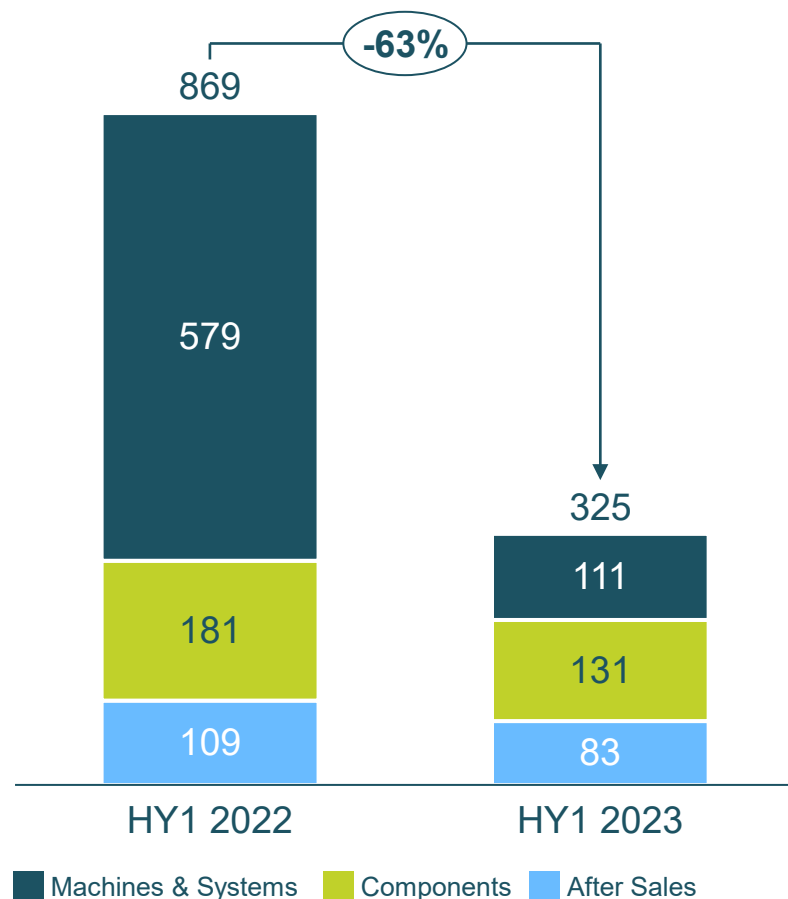


## Key Figures – First Half of 2023

CHF million	HY1 2022	HY1 2023	Comments
Order intake	869.4	325.0	– Market activities persistently low after the second half-year 2022
Sales	620.6	758.2	– Growth of 22% driven by Business Group Machines & Systems
Gross profit	130.1	181.3	– Increase of gross profit due to margin improvement and volume increase
EBITDA	15.6	52.2	– Volume and acquisition related increase in SG&A and R&D expenses
EBIT	-10.2	25.2	
Net result	-25.2	13.3	
Free cash flow	-57.1	10.0	– Free cash flow back to positive level, but still impacted by high net working capital
Net liquidity	-237.0	-298.9	– Liquid funds of CHF 155.1 million at June 30, 2023 (June 30, 2022: CHF 191.7 million)

# Order Intake by Business Group

CHF million

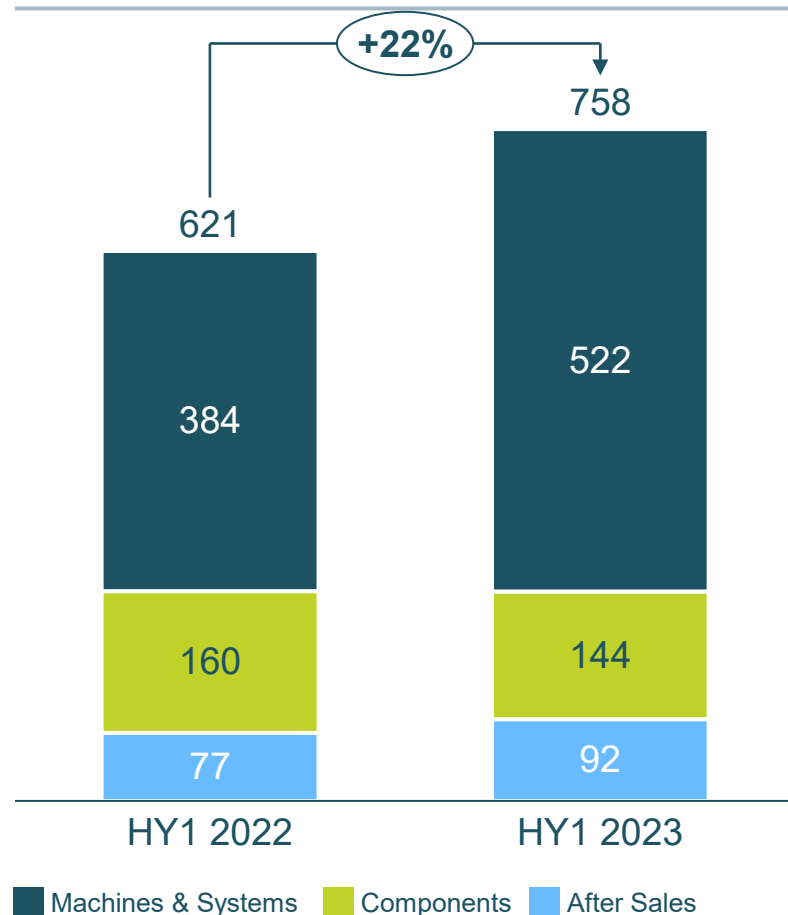


## Comment

- Market activities persistently low after the second half-year 2022, which led to a low order intake for the Business Group Machines & Systems
- Cancellations of around 5% are included in the order intake HY1 2023
- All regions with weak order intake except China
- Strong project pipeline under negotiation, however, high interest rates for investments as well as low demand in textile industry are weighing on order bookings
- Higher market resilience in the Business Group Components and After Sales

# Sales by Business Group

CHF million



## Comment

- Very strong project execution in Business Group Machines & Systems
- Some postponements as a result of the earthquake in Türkiye
- Promising development of the Business Group After Sales
- Cross-functional task force to improve supply management of material shortages

# EBIT Development



CHF million



## Comment

- Gross contribution improved significantly due to:
  - higher price quality
  - higher productivity and efficiency in project execution
  - strong focus on cost management
- Alternative technical solutions to overcome material shortages still impact R&D expenses
- ITMA 2023 and Q1 2023 expenses of the acquired automatic winder business impacting SG&A costs

## Rieter Sold Land in Winterthur

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- Rieter sold around 75 000 m<sup>2</sup> that was no longer required for operations in Winterthur
- Sales price of CHF 96.0 million
- Expected positive impact on EBIT in second half-year 2023 of around CHF 70 to 75 million.
- Transfer of ownership is expected to take place in the fall of 2023 after fulfillment of the legally and contractually stipulated completion conditions



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# Rieter Shall Start a Performance Program Called “Next Level”

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The goal of the program is to:

- Strengthen sales excellence
  - Sharpen customer focus
  - Improve cost efficiency in production
  - Optimize fixed cost structures
- Rieter intends to create the basis for providing an even more agile response to the cyclical machinery business.

# Challenging Market Situation in the Last Two Years



Severe global supply chain disruptions with rising material, energy, labor, and production costs

## Rieter share price CHF

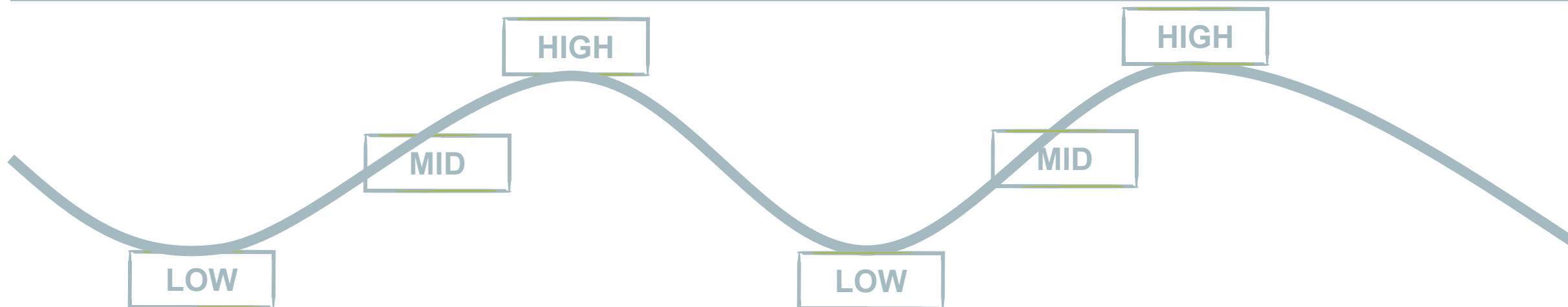




# Rieter New Machine End Markets Are Highly Volatile

Creating significant challenges for the operating business

## Cyclicality of Rieter new machine business



### Situation

- Very cyclical market for short-staple fiber spinning machines
- Total sales with relatively low share of After Sales and Components business versus new machine business
- Aggressive capacity increase during market high
- High cost base for R&D and production during market low

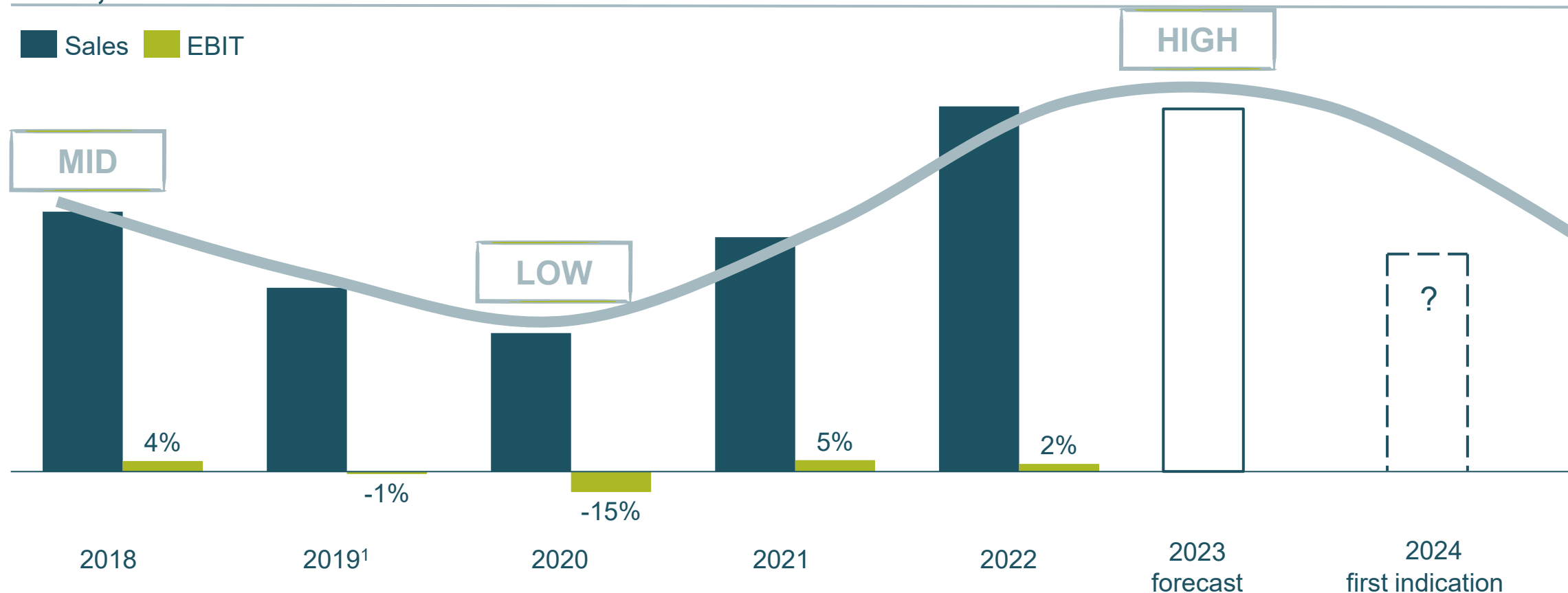
### Consequence

- High dependency on cyclical nature of new machines business
- Risk of loss during market lows
- Supply chain disruptions and rising production costs in high market
- Painful capacity adjustments in market low

# Weak Historical Profitability in Any Market Scenario

Sales grew significantly in last two years. However, EBIT remained on low level.

## Sales, EBIT<sup>1</sup>



<sup>1</sup> EBIT excluding proceeds of CHF 94.5 million from Ingolstadt disposal

# Rieter Shall Start a Performance Program Called “Next Level”



Next Level shall be a performance program, focusing on key performance potentials

Topic	Measures
<b>Sales Excellence</b>	<ul style="list-style-type: none"><li>- Increase After Sales and Components sales</li><li>- Adapt sales process to capture market opportunities</li><li>- Push Net Promoter Score</li></ul>
<b>Competitive Products</b>	<ul style="list-style-type: none"><li>- Implement continuous cost leadership organization</li><li>- Simplification and standardization along the value chain</li><li>- Digitization and automation</li></ul>
<b>Effective Supply Management</b>	<ul style="list-style-type: none"><li>- Resolve supply chain disruption effects</li><li>- Secure second source for critical components</li><li>- Ensure high quality product performance</li></ul>
<b>Agile Structures</b>	<ul style="list-style-type: none"><li>- Empowerment of key markets</li><li>- Reduction in overhead</li><li>- Expected closure of Ingolstadt location</li></ul>

## Next Level Cost and Impact

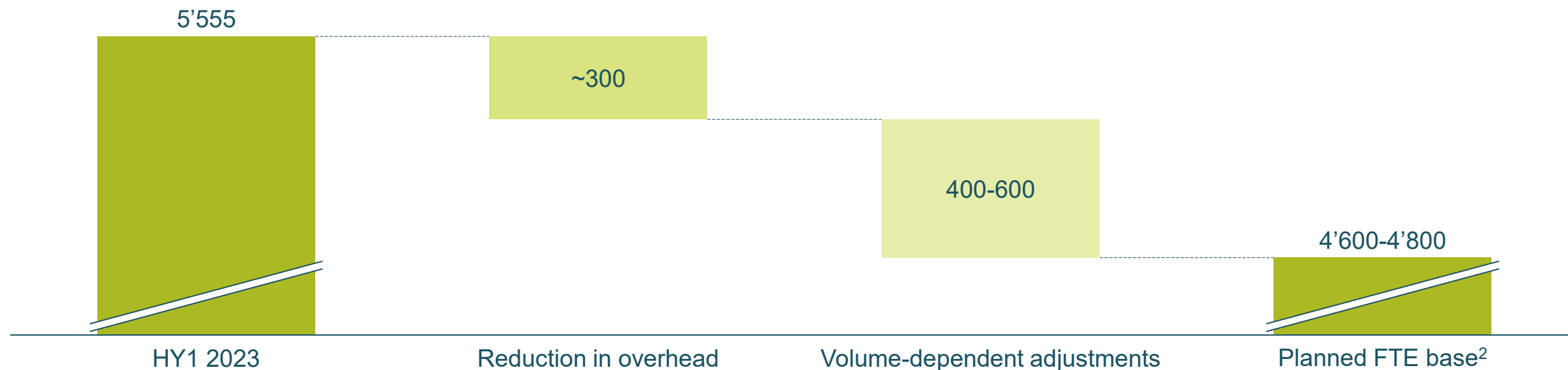
Next Level shall be a performance program, focusing on key performance potentials

Topic	Estimated impact
<b>Costs</b>	<ul style="list-style-type: none"><li>- One-time costs of CHF 45 to 50 million expected in 2023</li></ul>
<b>Timing</b>	<ul style="list-style-type: none"><li>- Most of the program initiatives shall be implemented in 2023</li></ul>
<b>Return</b>	<ul style="list-style-type: none"><li>- Expected benefit of around CHF 80 million per year</li></ul>

# Expected Next Level Capacity Adjustments

Overhead and volume-dependent net capacity reductions planned

## FTE<sup>1</sup> excl. temporaries



<sup>1</sup> FTE = Full time equivalent

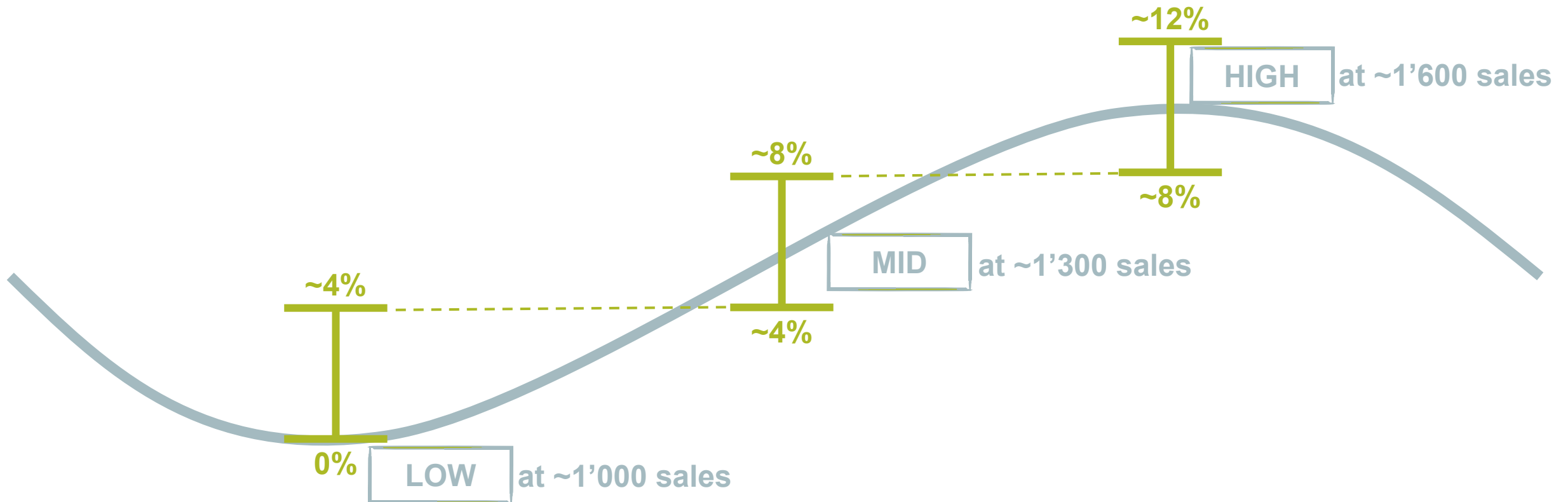
<sup>2</sup> Most of the program initiatives shall be implemented in 2023

# Next Level Shall Create Long-Term Value for Stakeholders



Next Level EBIT margin ambition after full implementation

CHF million



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04 **Outlook**

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- Given the economic situation and the cyclical market weakness, Rieter continues to expect below-average demand for new equipment in the coming months. A revival is not expected until the fourth quarter of 2023 at the earliest.
- Rieter also believes that demand for consumables, wear & tear and spare parts will not recover until later in 2023.
- For the full year 2023, Rieter expects an EBIT margin of around 5 to 7% (including positive special effects of less than 2%) and sales at the previous year's level of around CHF 1.5 billion.

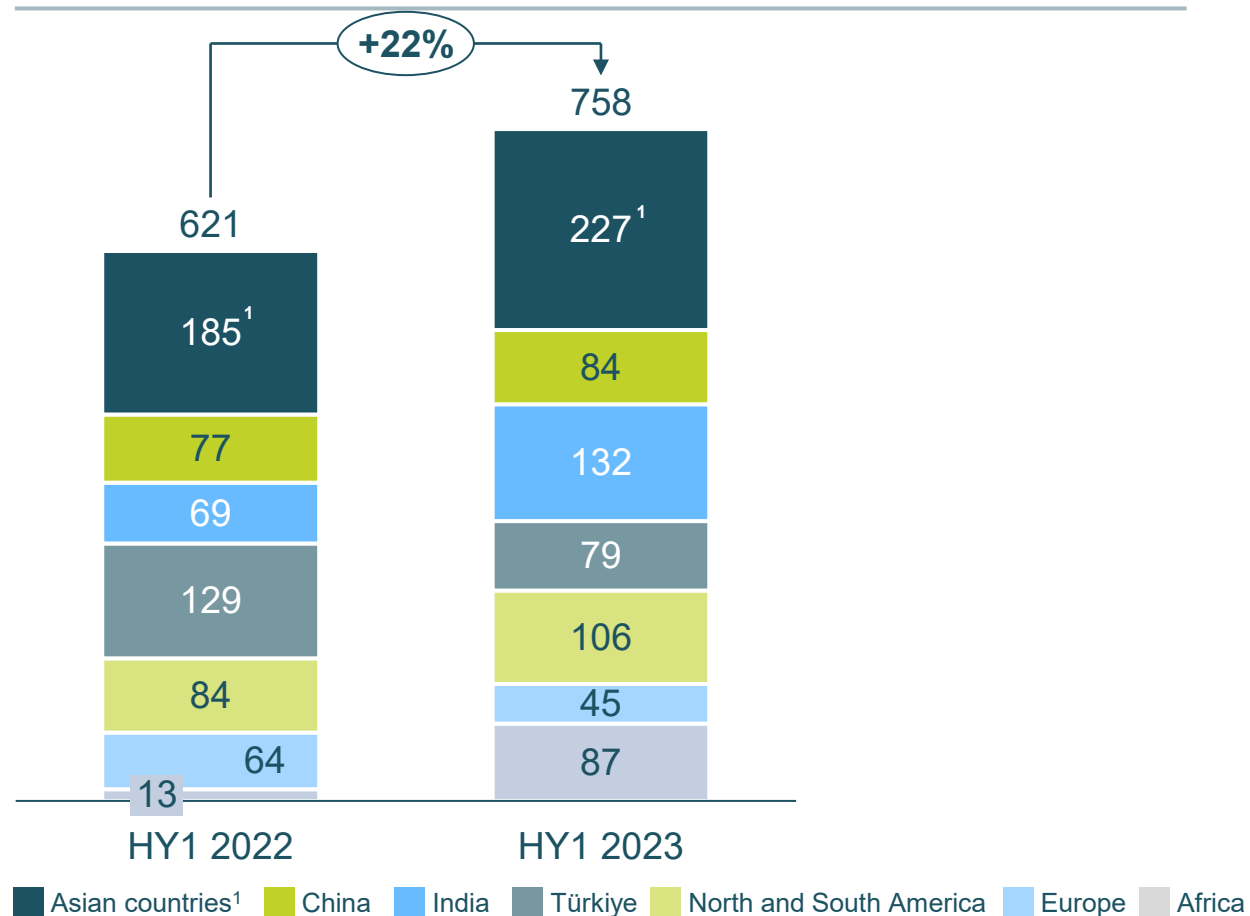


# Appendix

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# Sales Development by Region

CHF million

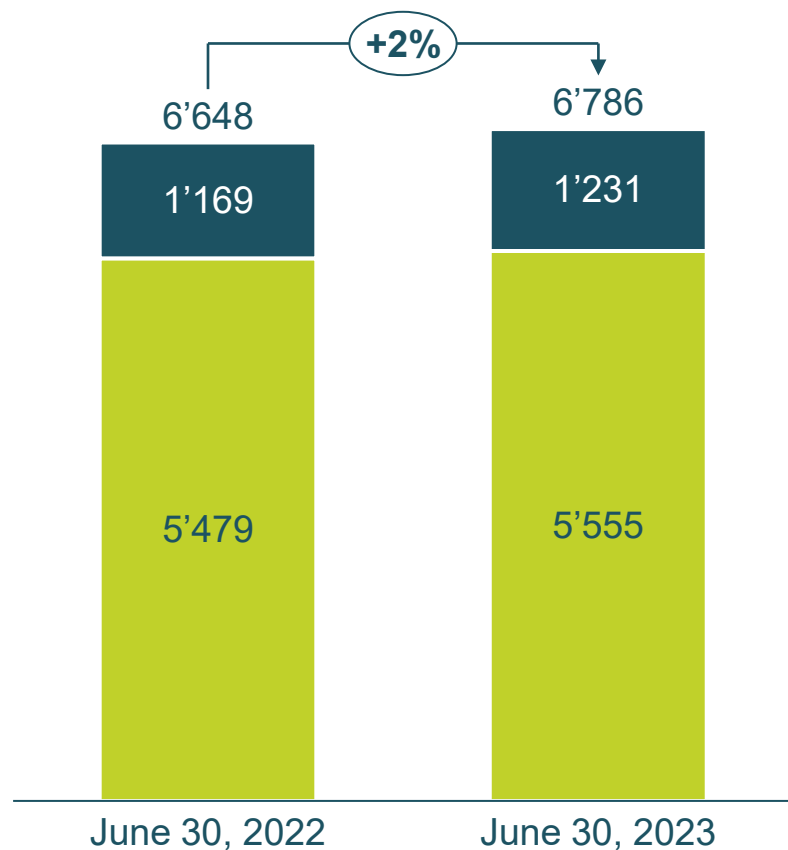


## Comment

- All regions except Europe and Türkiye show solid top-line growth

# Changes in Workforce

## FTE<sup>1</sup>



■ Temporaries ■ Permanent

<sup>1</sup> FTE = Full time equivalent, excluding apprentices, including temporary employees

Half-Year Results 2023 . Media & Investor Presentation . July 20, 2023

## Comment

- Strong focus on efficiency and productivity gains (22% higher sales with 2% higher workforce)

## Order Intake by Business Group



CHF million	January – June 2022	January – June 2023	Difference	Difference in local currency
<b>Rieter</b>	<b>869.4</b>	<b>325.0</b>	<b>-63%</b>	<b>-61%</b>
Machines & Systems	579.3	111.4	-81%	-80%
Components	180.9	131.0	-28%	-26%
After Sales	109.2	82.6	-24%	-21%

## Sales by Business Group

CHF million	January – June 2022	January – June 2023	Difference	Difference in local currency
<b>Rieter</b>	<b>620.6</b>	<b>758.2</b>	<b>22%</b>	<b>25%</b>
Machines & Systems	383.8	521.9	36%	39%
Components	159.9	143.9	-10%	-8%
After Sales	76.9	92.4	20%	24%

# Sales by Region



CHF million	January – June 2022	January – June 2023	Difference	Difference in local currency
<b>Rieter</b>	<b>620.6</b>	<b>758.2</b>	<b>22%</b>	<b>25%</b>
Asian countries <sup>1</sup>	184.7	227.0	23%	23%
China	76.8	83.7	9%	17%
India	68.6	131.5	92%	102%
Türkiye	129.4	78.5	-39%	-39%
North and South America	84.0	105.5	26%	27%
Europe	64.0	44.7	-30%	-28%
Africa	13.1	87.3	566%	568%

<sup>1</sup> Excluding China, India, Türkiye

## Balance Sheet – Key Figures

Balance sheet and major Key Performance Indicators stable

<b>CHF million</b>	<b>31/12/2022</b>	<b>30/6/2023</b>
Liquid funds	176.1	155.1
Net debt	-285.6	-298.9
Net working capital	39.9	44.4
Non-current assets	697.0	697.4
Total assets	1 540.9	1 537.8
Current financial debt	262.5	245.8
Non-current financial debt	199.2	208.2
Shareholders' equity	360.0	353.0
in % of total assets	23.4%	23.0%

- Liquid funds remain at high level
- Net debt stable at high level
- Net working capital stable because of the continuously high order backlog
- Committed credit lines renegotiated after balance sheet date and replaced by syndicated loan with three years' maturity

## Key Data by Share

Rieter registered shares of CHF 5 nominal value Bloomberg: RIEN SW, Thompson Reuters: RIEN.S		<b>30/06/2022</b>	<b>31/12/2022</b>	<b>30/06/2023</b>
Shares outstanding excluding own shares (end of period)		4 492 731	4 479 635	4 491 814
Average shares (of period)		4 494 683	4 491 246	4 487 113
Share price (end of period)	CHF	109.6	105.0	92.9
Market capitalization (end of period)	CHF million	492	470	417



## **Change in the Group Executive Committee**

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The Board of Directors of Rieter Holding Ltd. has appointed Oliver Streuli to the Group Executive Committee of Rieter Group as Chief Financial Officer, effective August 1, 2023.

Oliver Streuli was from June 2019 until April 2023 CEO at PCS Holding AG in Frauenfeld (Switzerland), a private institutional investment company, where he was responsible for developing the investment strategy as well as the financial and strategic supervision of the industrial portfolio companies. He was also project manager for the IPO on the SIX Swiss Exchange at Stadler Rail AG, Bussnang (Switzerland). Previously, he held different positions at UBS.

He is currently a member of the Board of Directors of Swiss Steel Holding AG, Lucerne (Switzerland), and of Autoneum Holding AG, Winterthur (Switzerland).

Oliver Streuli was a member of the Board of Directors of several industrial and financial portfolio companies of PCS Holding AG in Switzerland, in Austria and in Türkiye, which are active in fields of electric propulsion systems, green mobility and rolling stock leasing.

# Financial Calendar

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Investor Update 2023	October 20, 2023
Publication of sales 2023	January 24, 2024
Deadline for proposals regarding the agenda of the Annual General Meeting	February 23, 2024
Results press conference 2024	March 13, 2024
Annual General Meeting 2024	April 17, 2024
Semi-Annual Report 2024	July 18, 2024
Investor Update 2024	October 23, 2024

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