

THE STRONGEST LINK.

**STAHL**

**Technology – Efficiency – Growth**

Equity Story November 2019

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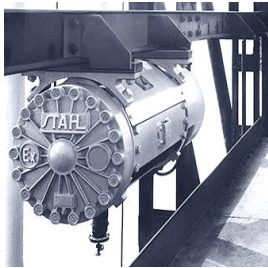
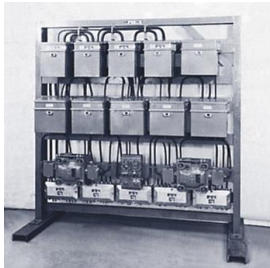
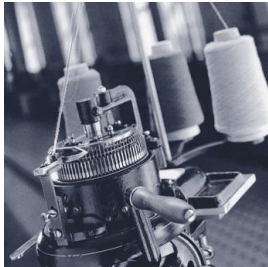
## **Rounding differences and rates of change**

Percentages and figures may include rounding differences. The signs used to indicate rates of change are based on economic aspects: Improvements are indicated by a “+” sign, deteriorations by a “-“ sign. Rates of change >+100% are shown as >+100%, rates of change <-100% as “n/a” (not applicable).

# Agenda

<b>1</b>	<b>Company Overview</b>
2	Driving Efficiency – R. STAHL 2020
3	Preparing for Growth
4	Appendix

# R. STAHL Has a Tradition of More Than 140 Years in Pioneering Mechanical And Electr(on)ical Technologies



**1876** Rafael Stahl founded the company

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**1890** World's first circular loom with electric individual drive

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**1926** Development and production of explosion-protected, electrical control switches and control devices

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**1949** Market leader in the field of explosion-protected electrical equipment

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**1953** First explosion-protected electric hoist

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**1987** World's first ICS MUX fieldbus system for hazardous areas

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**2018** EXpressure® – the revolutionary new Ex d technology



# R. STAHL Today – A Leading Global Player With a 100% Focus on Explosion Protection



## Market Position

#2 in Europe in explosion protection, #3 worldwide

## Markets & Customers

Oil & Gas, Chemicals, Pharma, Food & Beverage, Shipbuilding

## Production

7 sites in Europe, America and Asia

## Employees

1.690 (as of Dec. 31, 2018)

## Global footprint

23 subsidiaries in 22 countries + >50 sales offices and agencies



Sales FY 2018:  
€280m

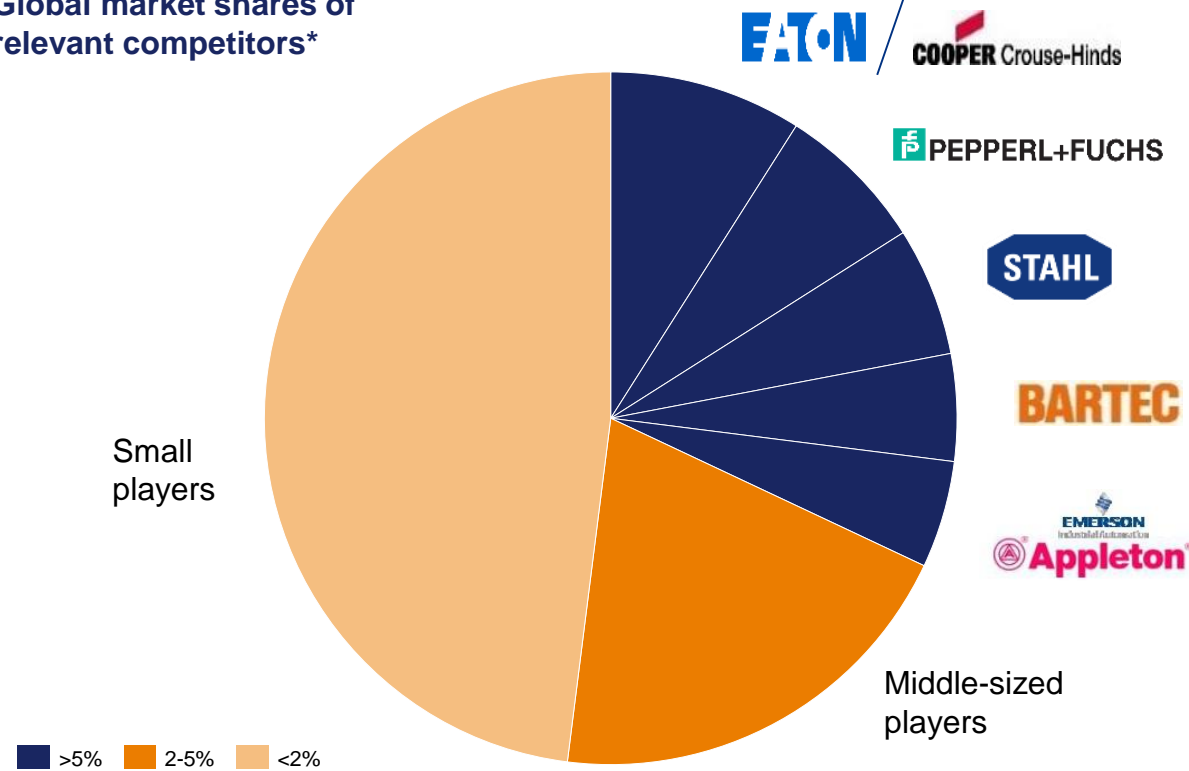
Total Market Size\*:  
~ €3.7bn (2018)



\* Company estimates for IECEx/ATEX certification, 2018

# A Small Number of Key Players Dominate the Fragmented Competitive Landscape in Explosion Protection

Global market shares of relevant competitors\*



\* Company estimates for IECEx/ATEX certification, 2018

# R. STAHL Offers Its Customers a Complete, Innovative And Market Leading Portfolio

## Electromechanical components



- Connectors
- Enclosures
- Junction and control boxes

## Light fittings & signalling devices



- #1 in LED technology
- Signalling devices
- Emergency lights
- Battery boxes

## Network solutions



- Field Bus
- Remote I/O
- Switches
- Access Points

## Human machine interfaces

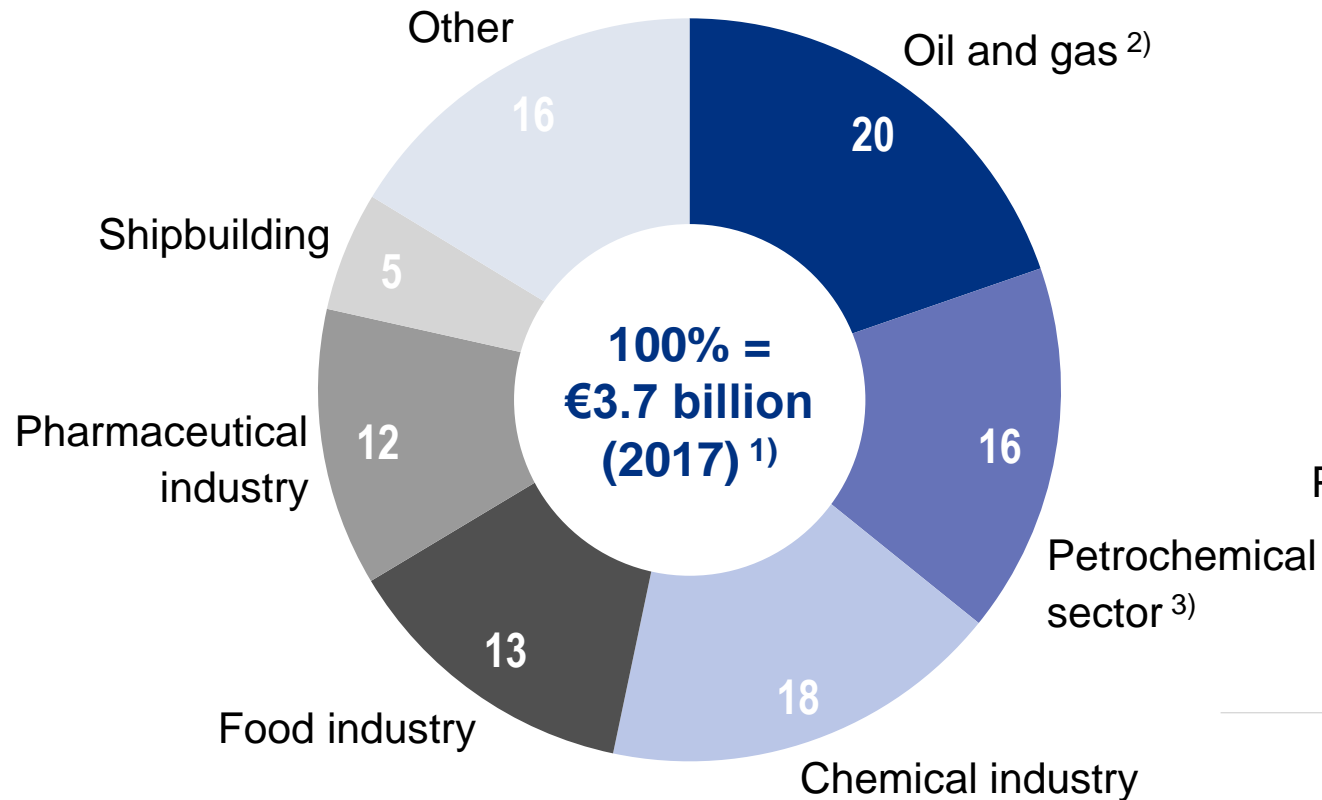


- Displays
- Panel PCs
- Handhelds
- Cameras

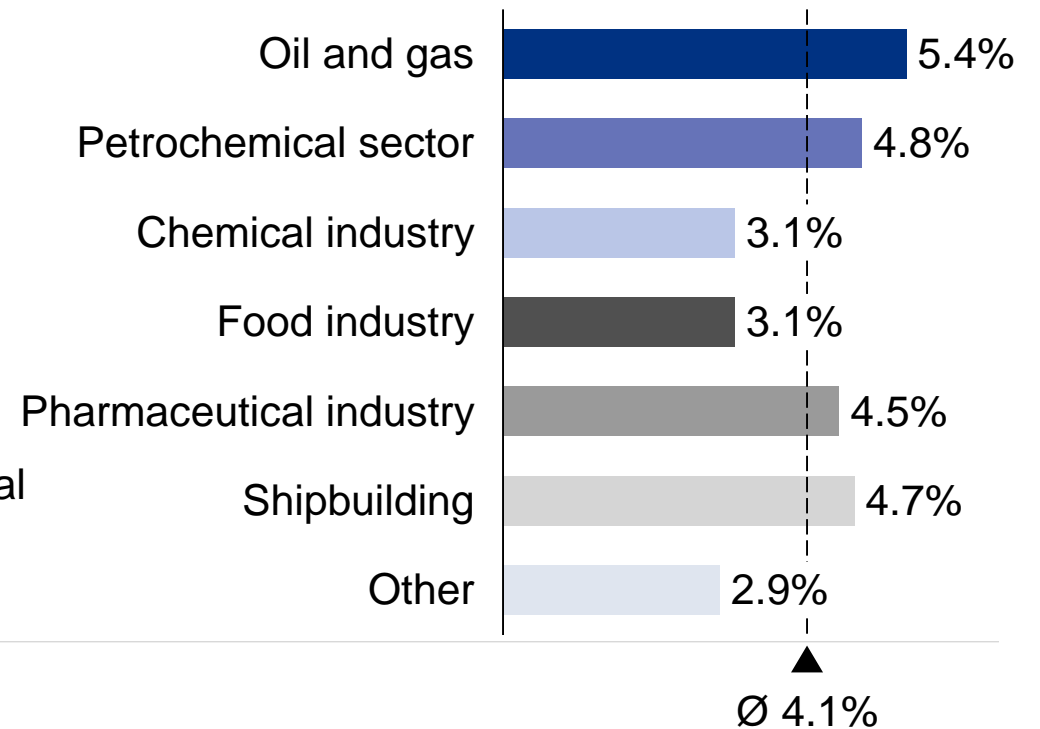
7 global production sites

# We Serve Process Industries That Handle Potentially Explosive Dusts, Liquids And Gases

World market by industry sectors – IECEx/ATEX 2017-2022



## CAGR (2017-2022 E)

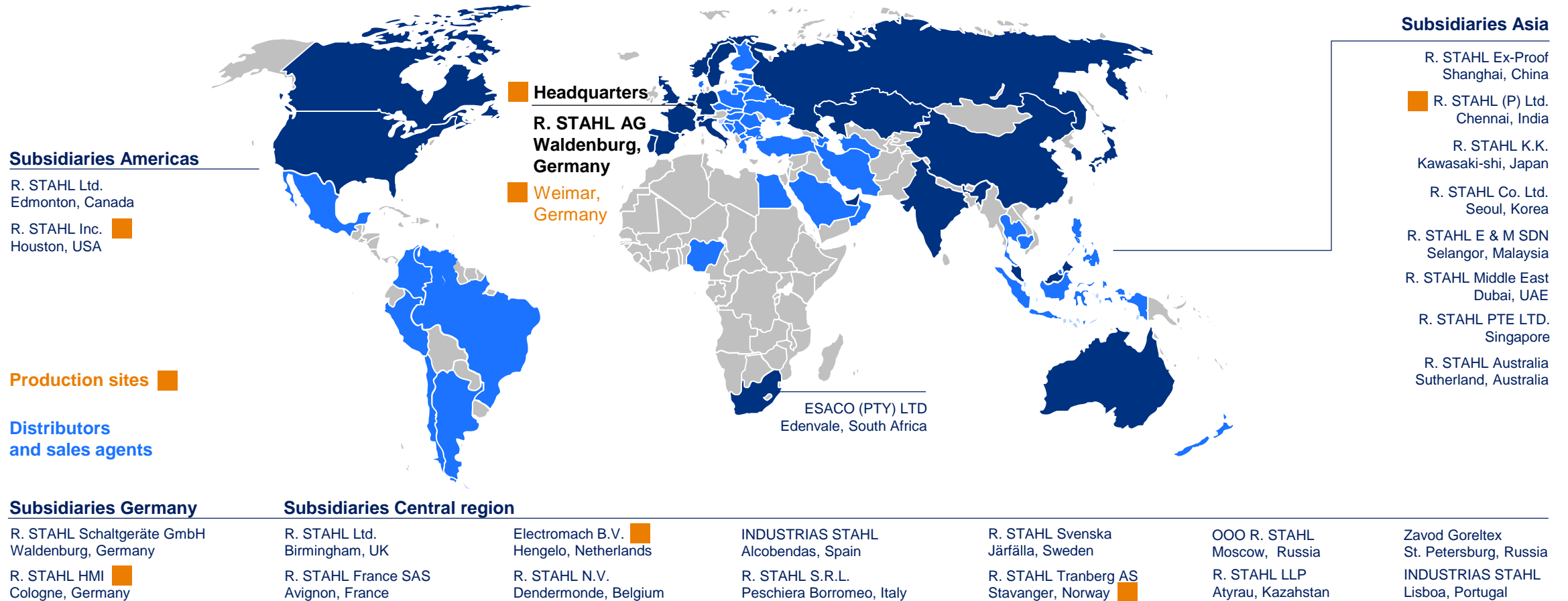


1) Comparable NEC market ca. €1.7 billion 2) Upstream 3) Downstream



# We Have a Global Presence to Serve Our International Customers

Production and sales network R. STAHL

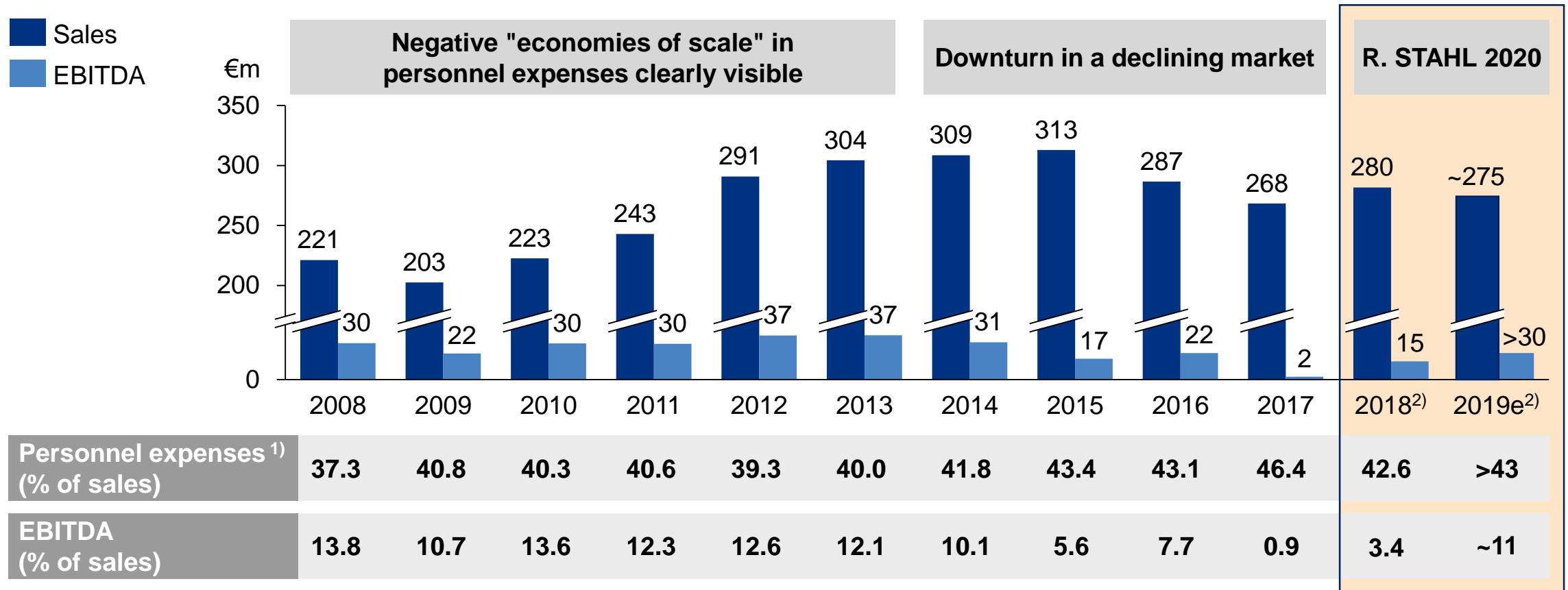


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# Until 2017, Even Strong Sales Growth Did Not Prevent Our Margin From Continuous Contraction

Development of R. STAHL 2008–2019e



1) incl. temporary workers

2) EBITDA pre exceptionals (exceptionals: restructuring charges, non-scheduled depreciation and amortization, charges for design and implementation of IT-projects, M&A costs as well as profit and loss from the disposal of non-current assets no longer required for business operations)

# Main Causes of Margin Contraction Were Inefficiencies in Organization, Production, Portfolio and Processes

Analysis of R. STAHL's former operating model

## until 2017:

- Global production capacities significantly underutilized; responsibilities not clearly defined
- Less than 1/5 of all sales items made a positive contribution to earnings
- Sales structures and processes not defined and inconsistent across organizational units
- IT systems neither standardized nor integrated
- As of 2014, sales have been placed above profit, particularly with regard to projects
- Group-wide business management control not consistently implemented



# We Can Build on a Unique Set of Strengths While Addressing Our Significant Challenges



## Strengths

### Market position

- #2 in Europe, #3 worldwide in explosion protection
- Global presence in all key markets
- Strong brand and reputation

### Products and technologies

- Highest product quality
- Broad portfolio
- Leading in complex system solutions

## Challenges

### Organisation and structures

- Complex global organization
- High product complexity
- Heterogenous IT systems

### Processes

- Uninsufficient profitability of large orders
- Little standardization

# In 2018, We Started to Fundamentally Modernize Our Operating Model in All Key Areas



# Our Efficiency Measures Are Well Under Way

## Current status of R. STAHL 2020



Central Group organization



- New Group organization established as of 1 April, 2018
- All key positions filled



Product portfolio



- Product variety reduced by >1/3
- No loss of sales or customers



Project and contract management



- Standardized risk assessment before order acquisition
- Significant margin improvement



Supply chain and lean production



- Global „Lean Management“ program initiated
- Significant productivity improvements



Sales organization



- Implementation of standardized global sales processes ongoing



IT systems



- Global implementation of standardized systems (ERP, engineering, configurator) ongoing

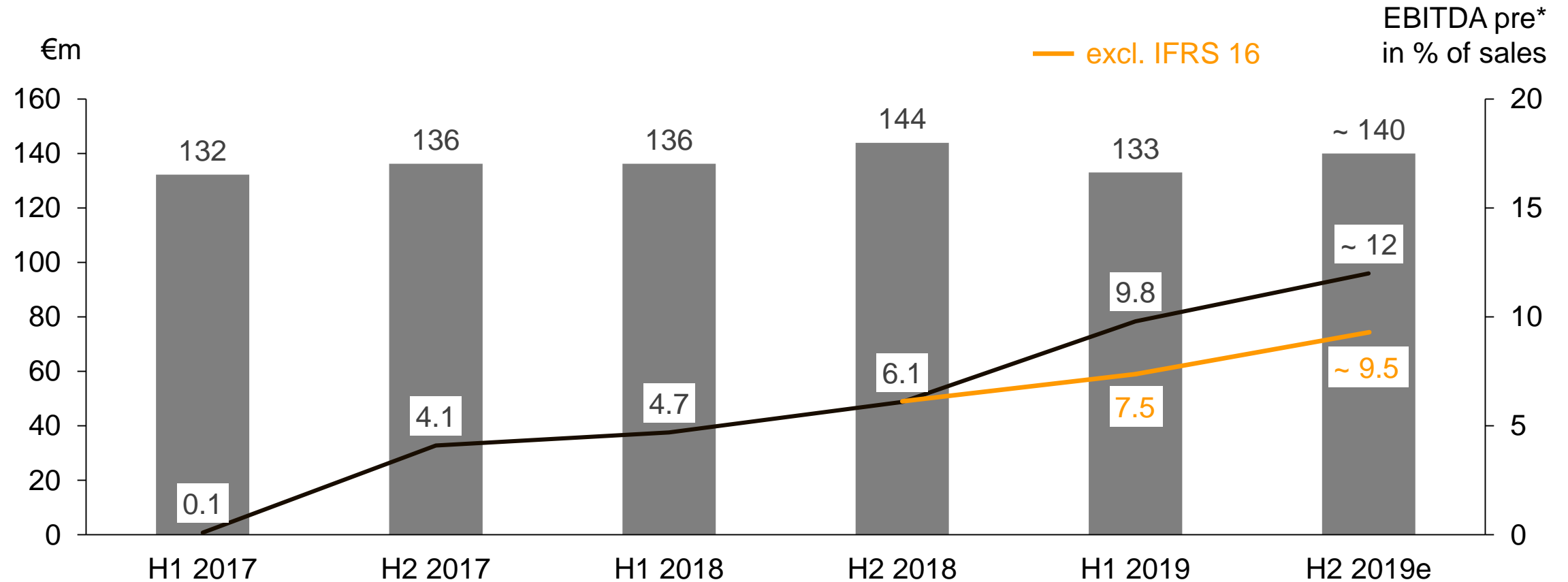
Foster change culture

2018

~2020

# Successful Execution of Efficiency Measures Drives Margin

Sales & margin development R. STAHL H1 2017 until H2 2019e

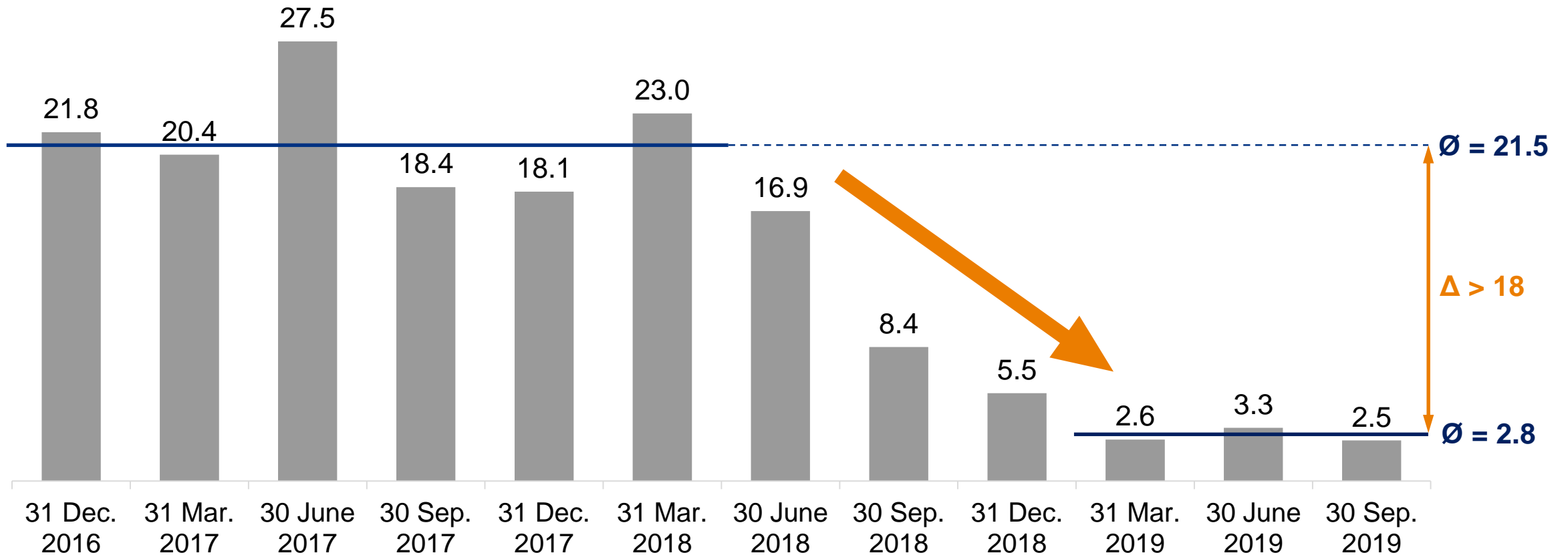


\* EBITDA pre: EBITDA pre exceptionals (exceptionals: restructuring charges, non-scheduled depreciation and amortization, charges for design and implementation of IT-projects, M&A costs as well as profit and loss from the disposal of non-current assets no longer required for business operations)



# Improved Margins And Focused Cash Management Drove Down Net Debt\* by >€18m to Low Single Digits

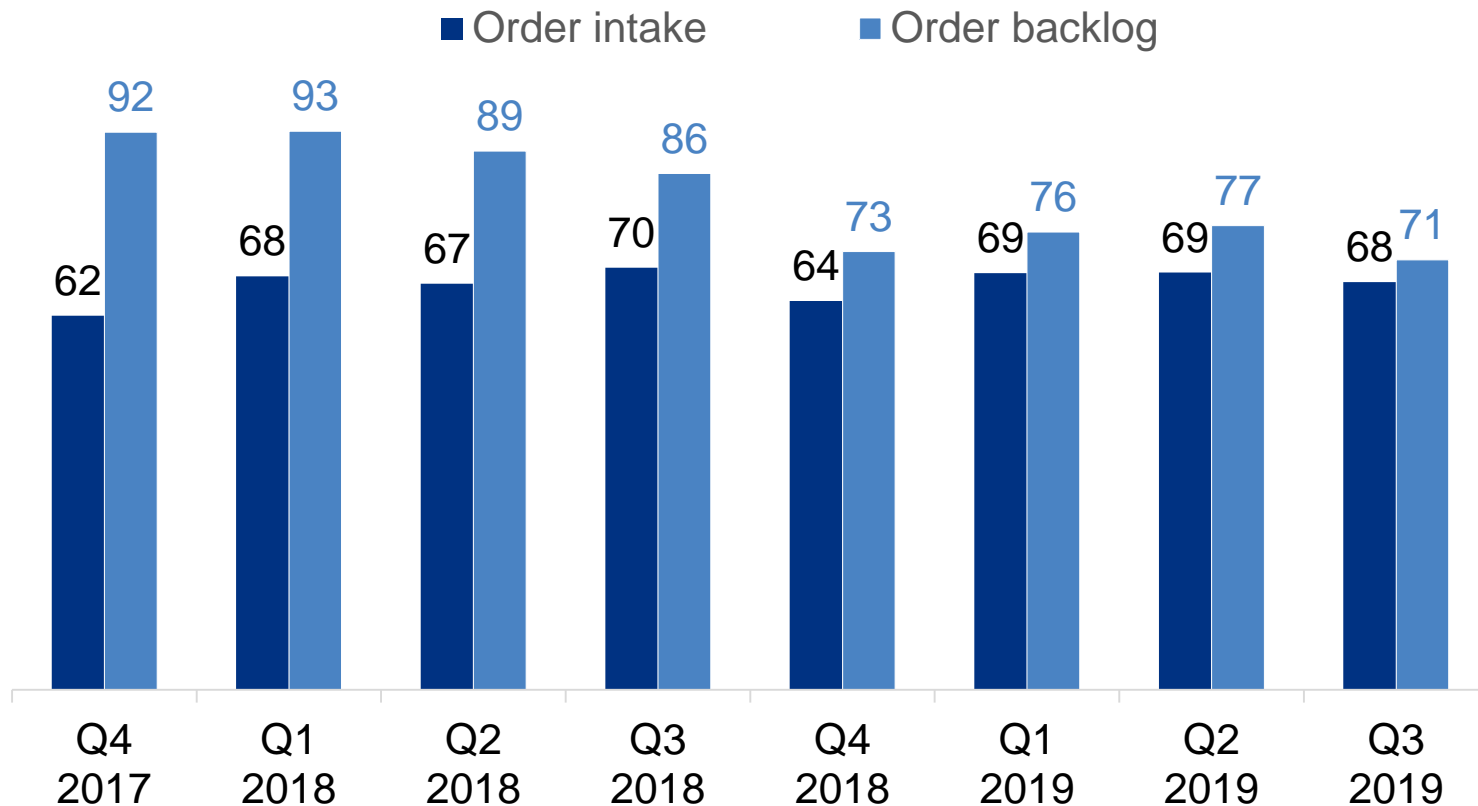
Quarterly net debt\* development of R. STAHL – 1 January 2017 through 30 September 2019



\* excl. pension provisions and lease liabilities

# Recent Business Update: Continued Stable Order Intake, Debottlenecking in Production Lowers Order Backlog

Order intake and order backlog R. STAHL Q4 2017 through Q3 2019



## Comments

- Quarterly order intake in 2019 about stable despite higher focus on improved gross margin
- Processing of accrued orders from previous quarter's supply bottleneck drives down order backlog in Q3 2019

# 9M 2019: Margin Expansion And New Accounting Standard IFRS16 Boost EBITDA pre\*

## Key data of Income Statement

€m	9M 2019	9M 2018	Change
<b>Sales</b>	<b>204.3</b>	206.0	-0.8%
Other operating income	<b>10.5</b>	9.9	+6.6%
Cost of materials	<b>-71.5</b>	-74.5	+4.0%
Personnel costs	<b>-92.1</b>	-89.6	-2.8%
Other operating expenses	<b>-36.4</b>	-42.6	+14.4%
<b>EBIT</b>	<b>6.5</b>	0.3	>+100%
Financial result	<b>-2.3</b>	-2.1	-10.3%
<b>EBT</b>	<b>4.1</b>	-1.8	n/a
Taxes	<b>-1.5</b>	-0.6	<-100%
<b>Net profit</b>	<b>2.6</b>	-2.4	n/a
Earnings per share in €	<b>0.40</b>	-0.36	n/a
EBITDA	<b>19.4</b>	9.3	>+100%
<b>EBITDA pre*</b>	<b>23.5</b>	12.8	+83.1%

## Comments

- Other operating income up, primarily due to provision reversal in Q2
- Focus on higher margin business lowers cost of materials ratio by 200 bp to 34.2% (9M 2018: 36.2%)
- Other operating expenses benefit from lower exceptionals and positive effects from IFRS16
- Impact from IFRS16 on financial result nearly balanced by lower interest expenses for bank loans
- IFRS16 contributes +€5.3m to EBITDA (pre\*) increase

\* EBITDA pre: EBITDA pre exceptionals (exceptionals: restructuring charges, non-scheduled depreciation and amortization, charges for design and implementation of IT-projects, M&A costs as well as profit and loss from the disposal of non-current assets no longer required for business operations)

# Declining Restructuring Charges Illustrate Good Progress in Efficiency Program R. STAHL 2020

Reconciliation of EBITDA to EBITDA pre\*

€m	9M 2019	9M 2018	Change
<b>EBITDA</b>	<b>19.4</b>	9.3	+10.2
<b>Exceptionals</b>	<b>-4.0</b>	-3.5	-0.5
<b>Restructuring charges</b>	<b>-4.2</b>	-6.0	+1.8
Severance pay	-1.8	-2.3	+0.5
Legal and consulting costs	-2.3	-3.4	+1.1
Other	-0.1	-0.3	+0.2
<b>Disposal of non-current assets no longer required for business operations</b>	<b>0</b>	2.5	-2.5
Other	0.1	0	+0.1
<b>EBITDA pre*</b>	<b>23.5</b>	12.8	+10.6

## Comments

- Prior year's EBITDA included a positive contribution of €2.5m from property sales

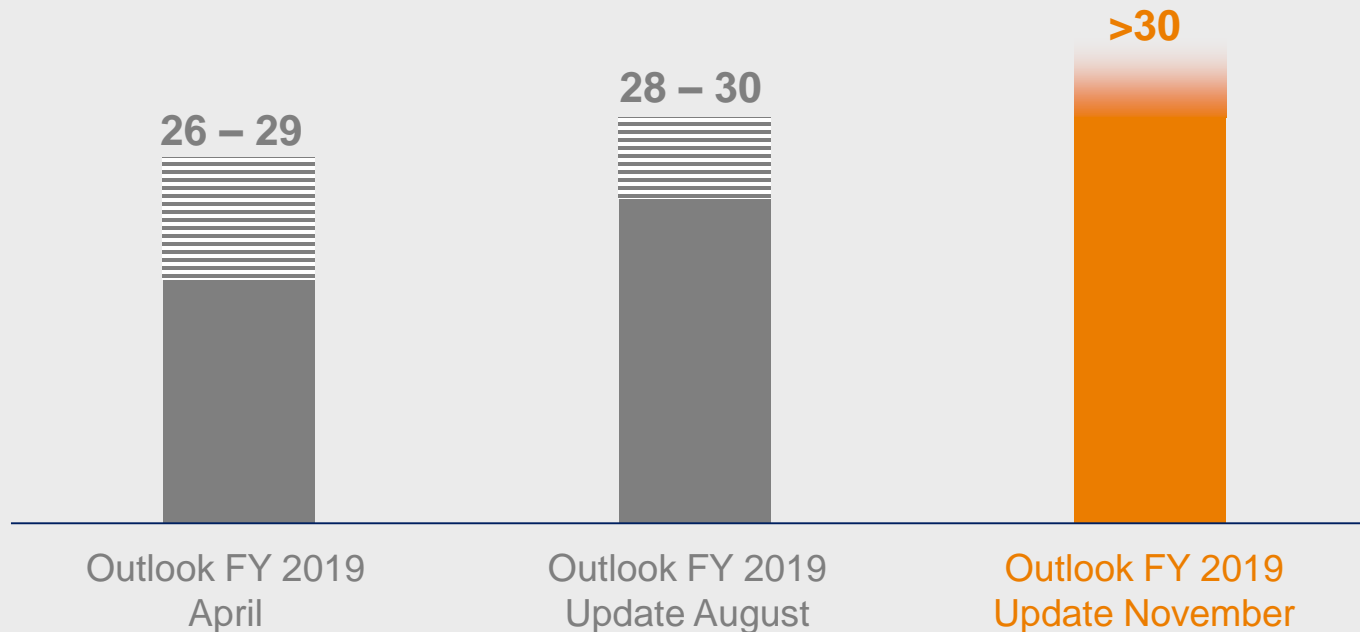
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# Outlook Update FY 2019: Guidance for EBITDA pre\* Slightly Lifted Again

## Guidance EBITDA pre\* FY 2019

€m



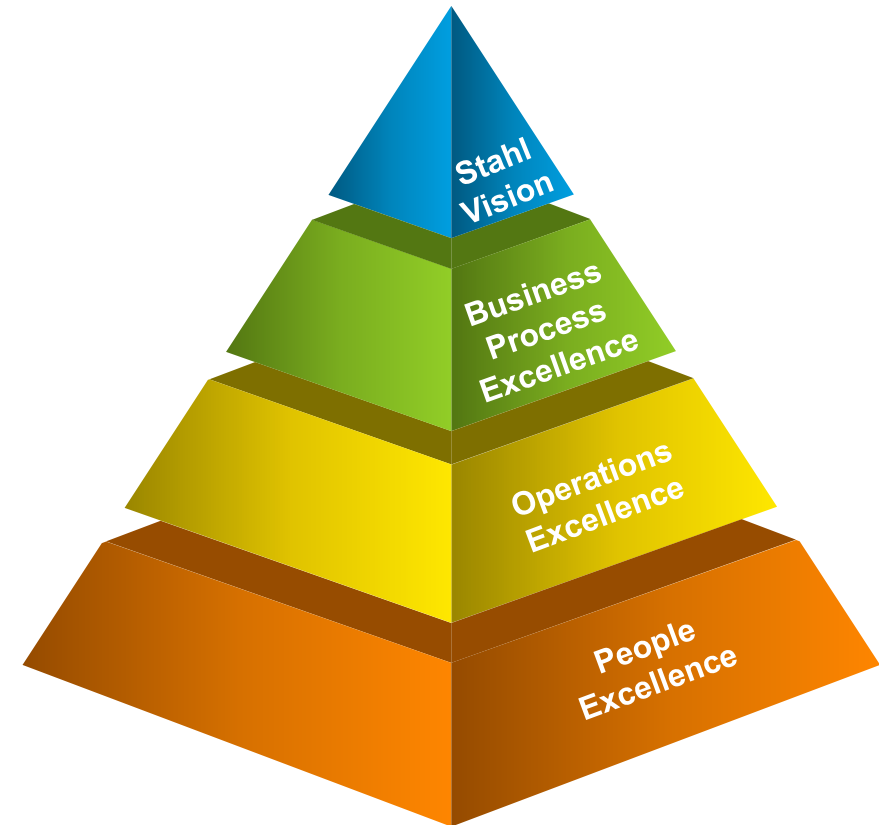
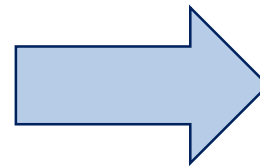
## Additional comments FY 2019

- Sales expected at around €275m

\* EBITDA pre: EBITDA pre exceptionals (exceptionals: restructuring charges, non-scheduled depreciation and amortization, charges for design and implementation of IT-projects, M&A costs as well as profit and loss from the disposal of non-current assets no longer required for business operations)

# Lean Production Is Just the First Step Towards an Overall Lean Business System

*“Lean isn’t about eliminating waste...it’s about developing people and building organization-wide problem solving capabilities to enable them to eliminate waste” (Toyota 4P Model)*

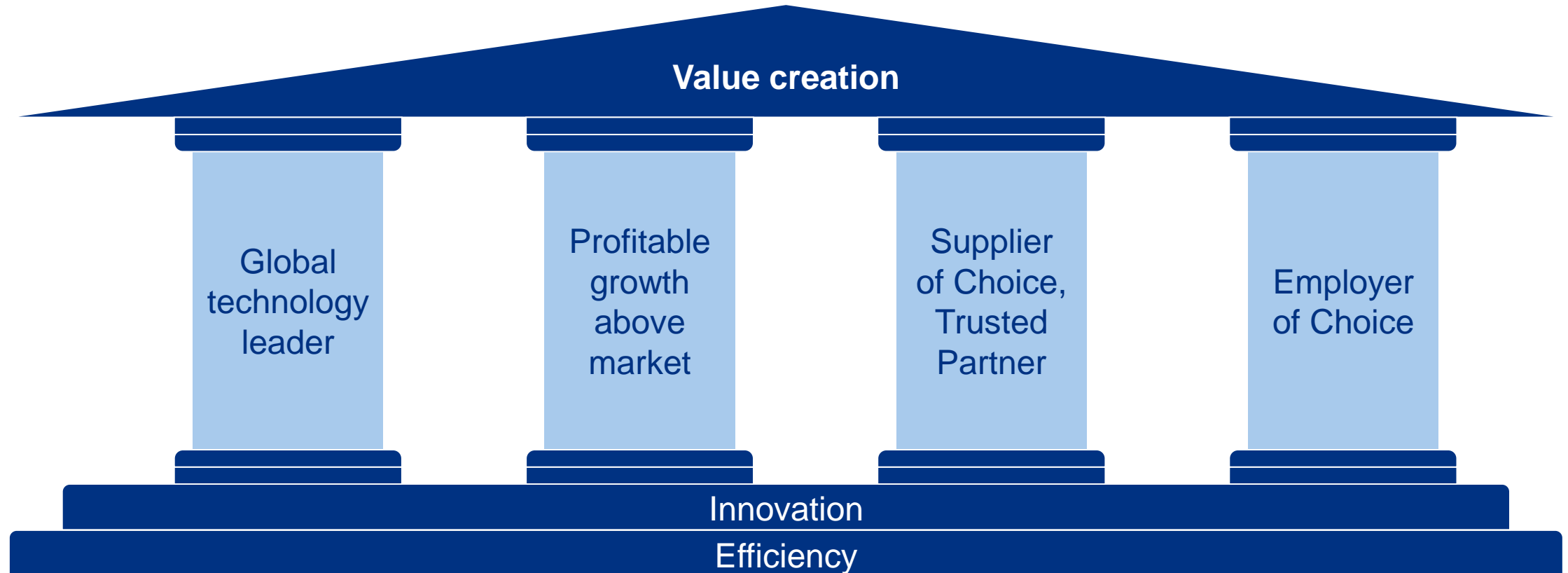


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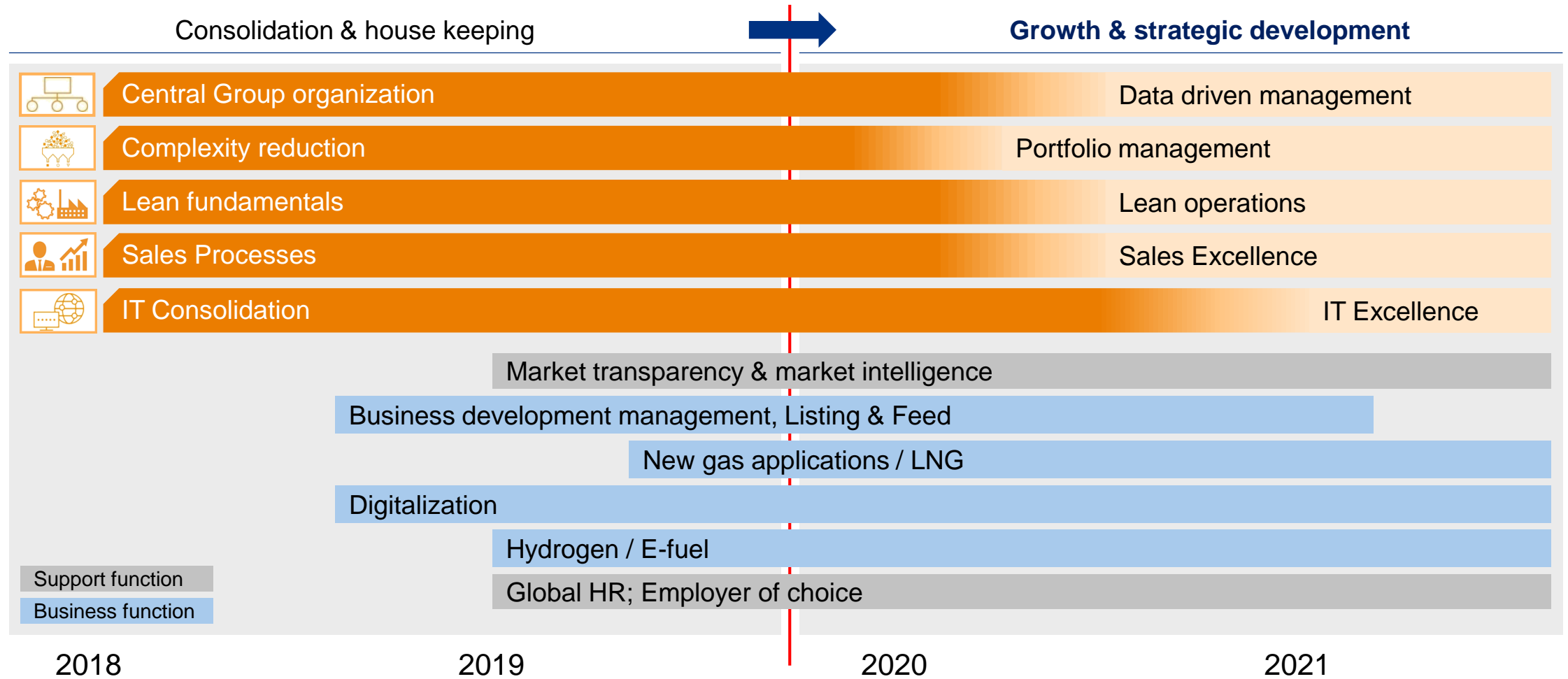
# R. STAHL's Business Strategy Is Grounded on Technology, Efficiency And Growth

Overarching strategic targets R. STAHL



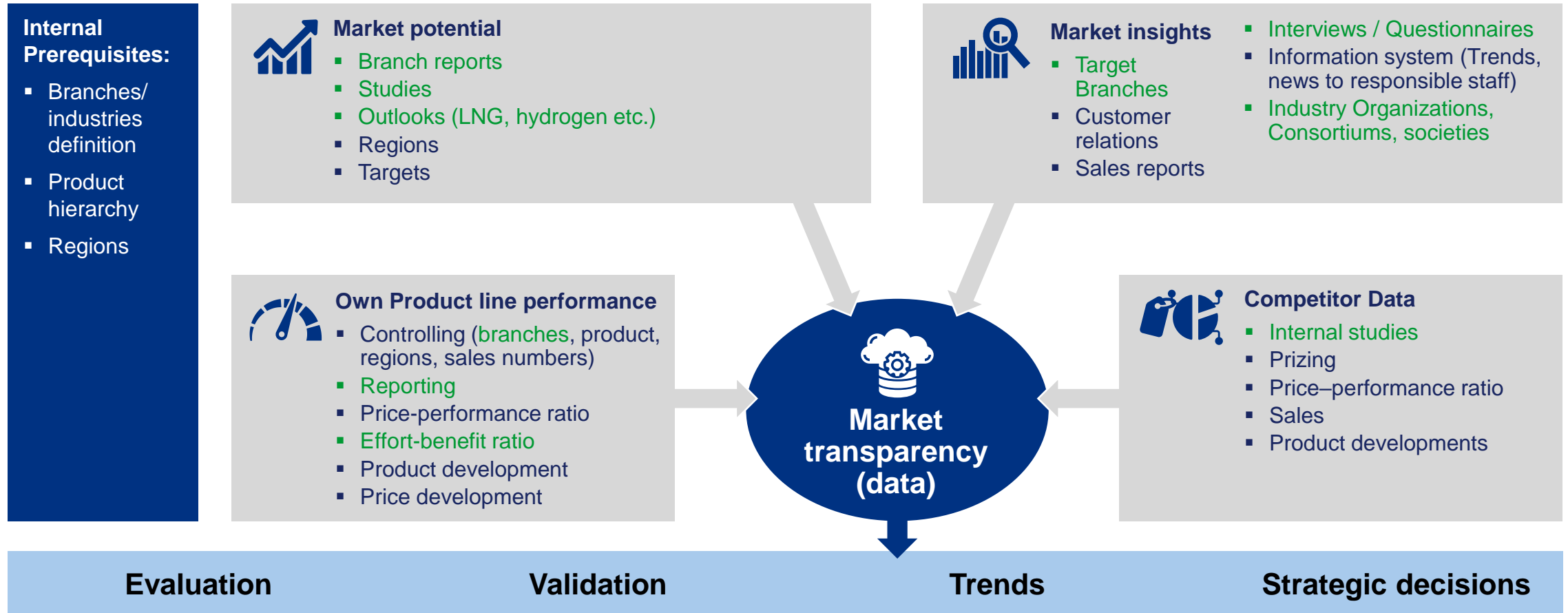


# With Most Efficiency Measures Reaching Maturity, Focus Increasingly Turns to Growth Again



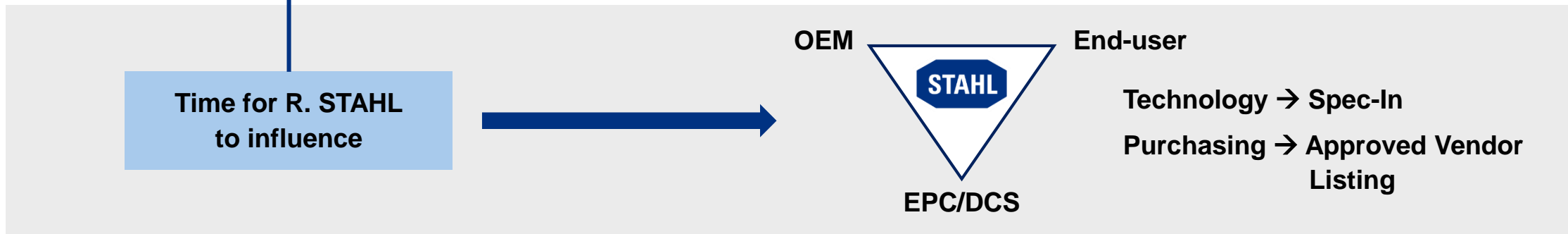
# Market Transparency: Prerequisite For The Right Allocation of Resources

Basic strategic decisions



# BDM, Listing & Feed: Strategically Preparing Our Markets

## Project Lifecycle



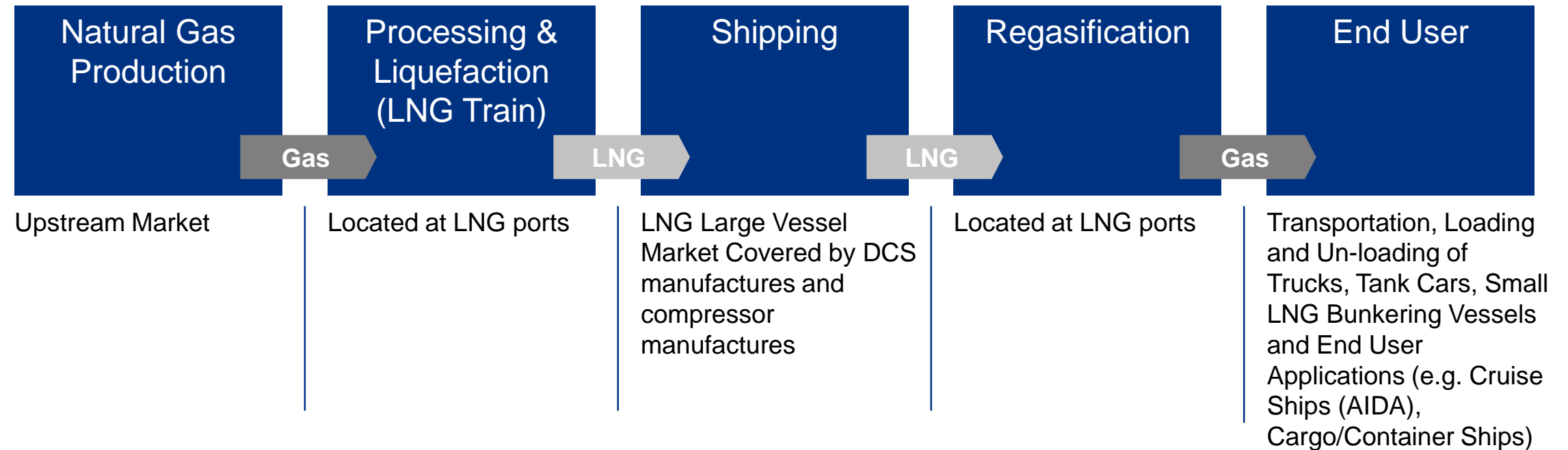
### Project

- Active Team of SALES (SVP, RSD, Local Sales and Agents) and BU (BDM and PM)
- Focus on complex system and engineering solutions



# LNG Supply Chain: Growth in Natural Gas Is Expected to Outgrow Oil And Coal

Potential for R. STAHL in the LNG supply chain



## General:

- Addressable market segments and potentials
- Regulative requirements
- Current market position

## Projects:

- Specification and quotation of products and services
- Project pipeline and status

# Digitalization: We Already Have a Wide Range of Digital Solutions

Example of R. STAHL's solutions today

Control and visualization of process or integration in existing Asset Management System (AMS)

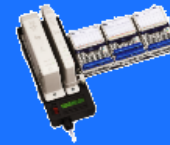


Connectivity infrastructure



Communication protocols:  
Profinet  
ModbusTCP  
EthernetIP  
Others

Sensoric and communication



Physical layer:  
Wireless  
Wired  
Fibre optics

Energy distribution panel e.g.

Lighting distribution  
Heat trace panels  
Socket outlet distribution



Sensors:  
Temperature,  
humidity,  
current, arcing,  
etc.

Connected devices (e.g. luminaires, heating cable, ...)

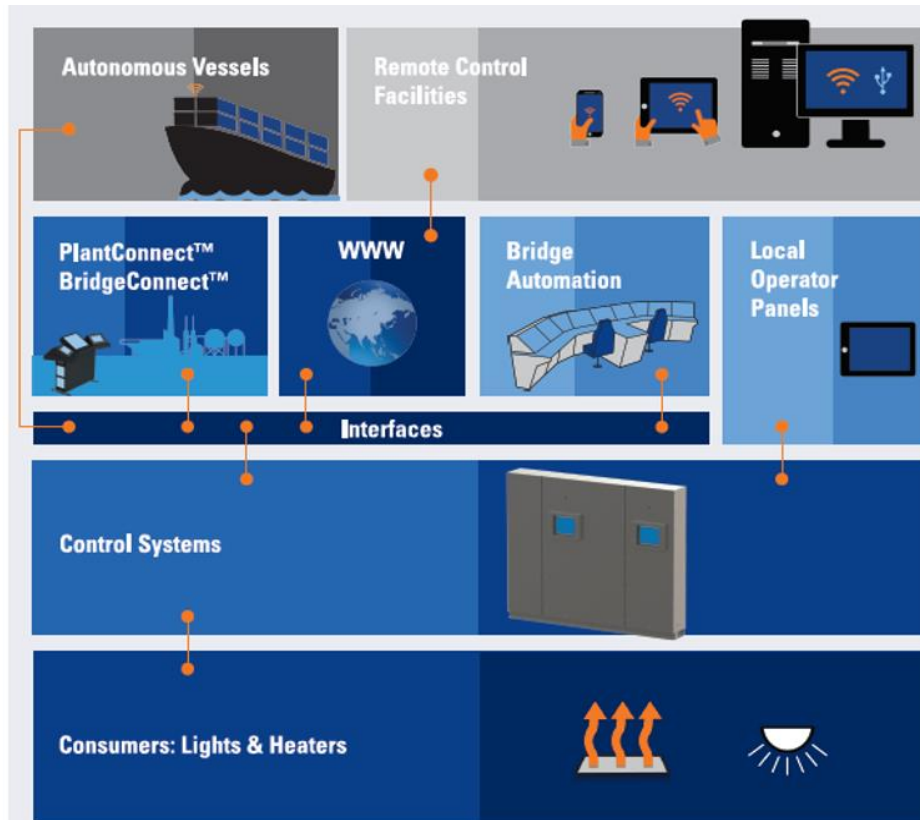


Sensors or communication with devices



# R. STAHL Already Offers Digital Solutions to Control Light And Heating Systems

Example: X-Connect (R. STAHL Tranberg)

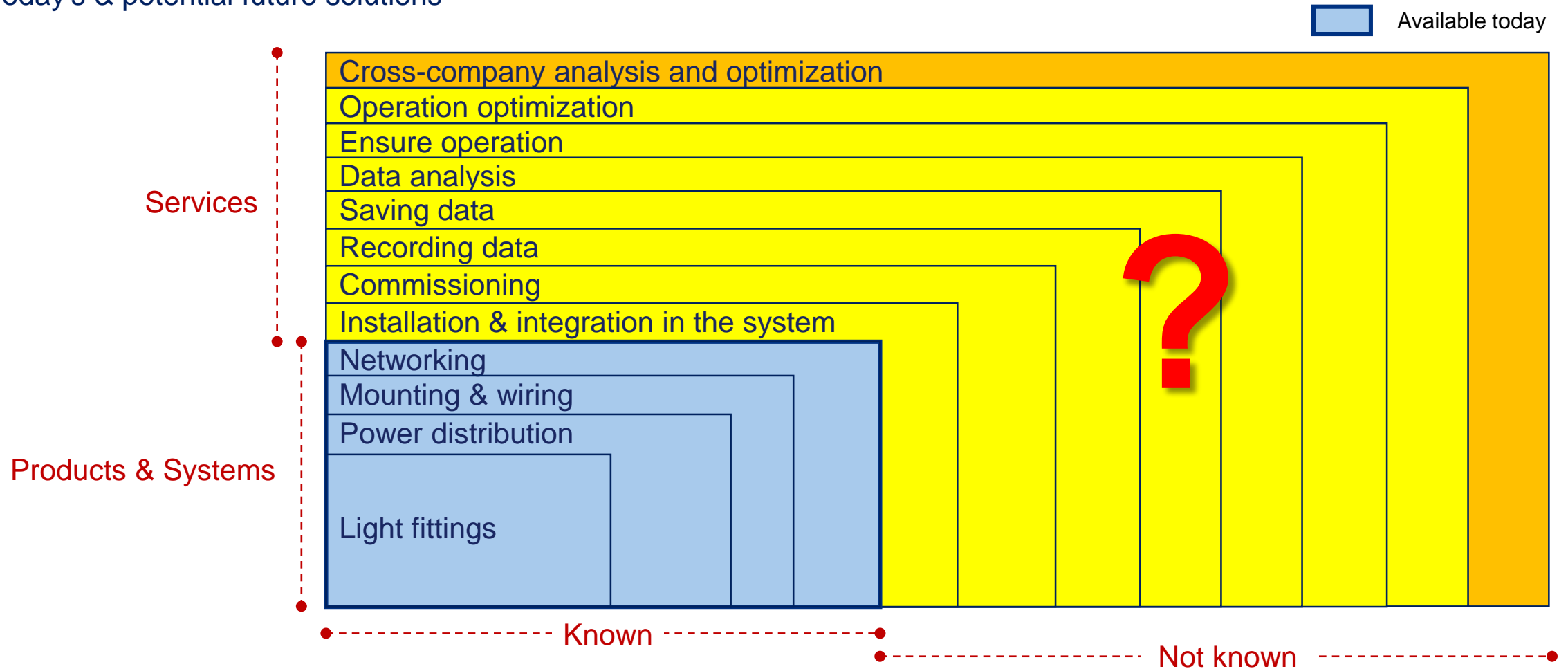


- R. STAHL is supplier for the first fully electric and autonomous container ship without emissions
- Fully automated control of light and heating systems
- Control staff can be located anywhere to control and operate systems remotely



# We Need to Identify Gaps in Services, Products & Systems to Fully Exploit The Potential of Digitalization

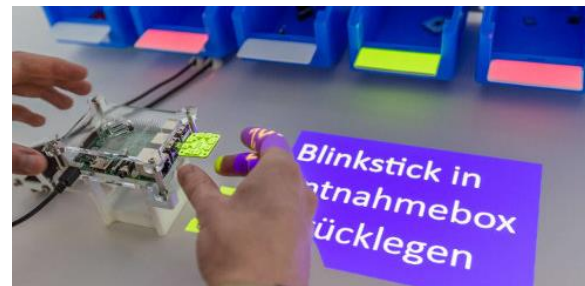
Today's & potential future solutions



# Digitalization Also Provides Huge Opportunities in Smart Manufacturing

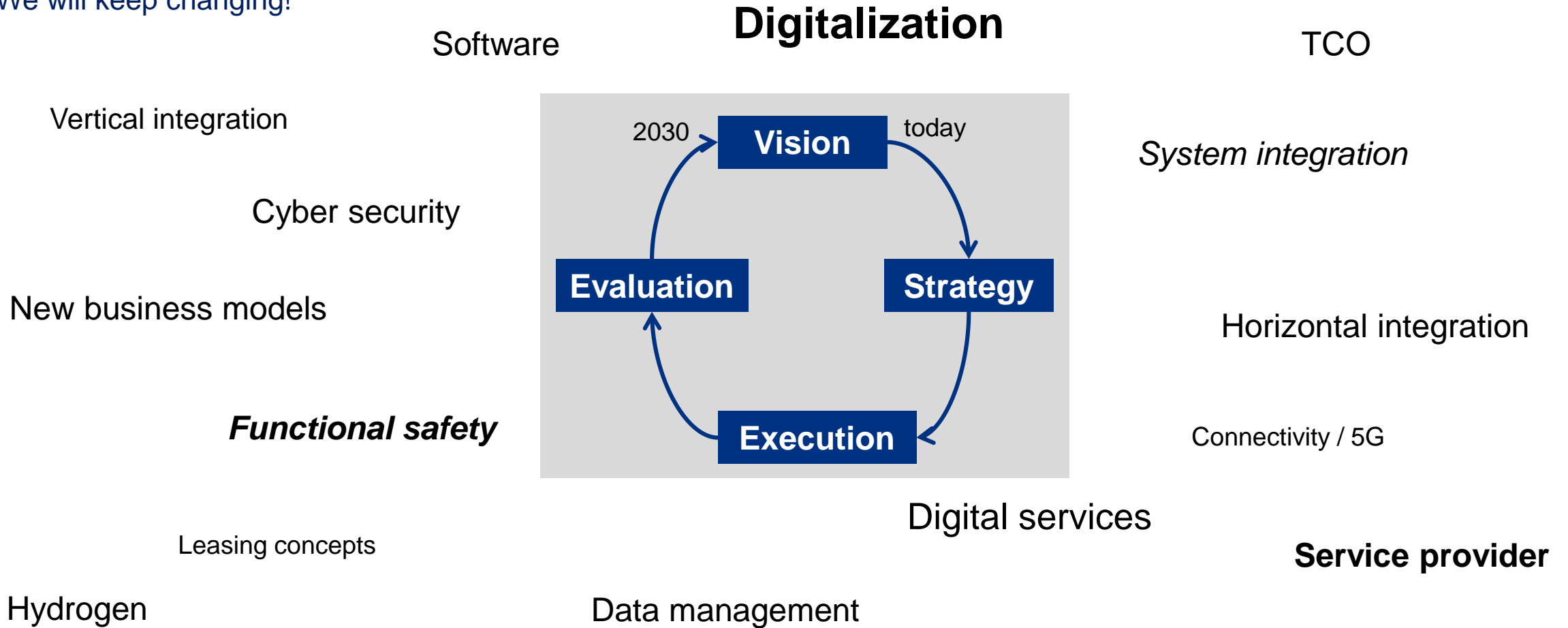
## Status & Outlook

- RFID for automatic serial number recording
- Mobile data logging in logistics
- Digital manufacturing documents in conjunction with CAE project
- Requirements analysis for MES system
- Requirements analysis assistance systems for assembly work



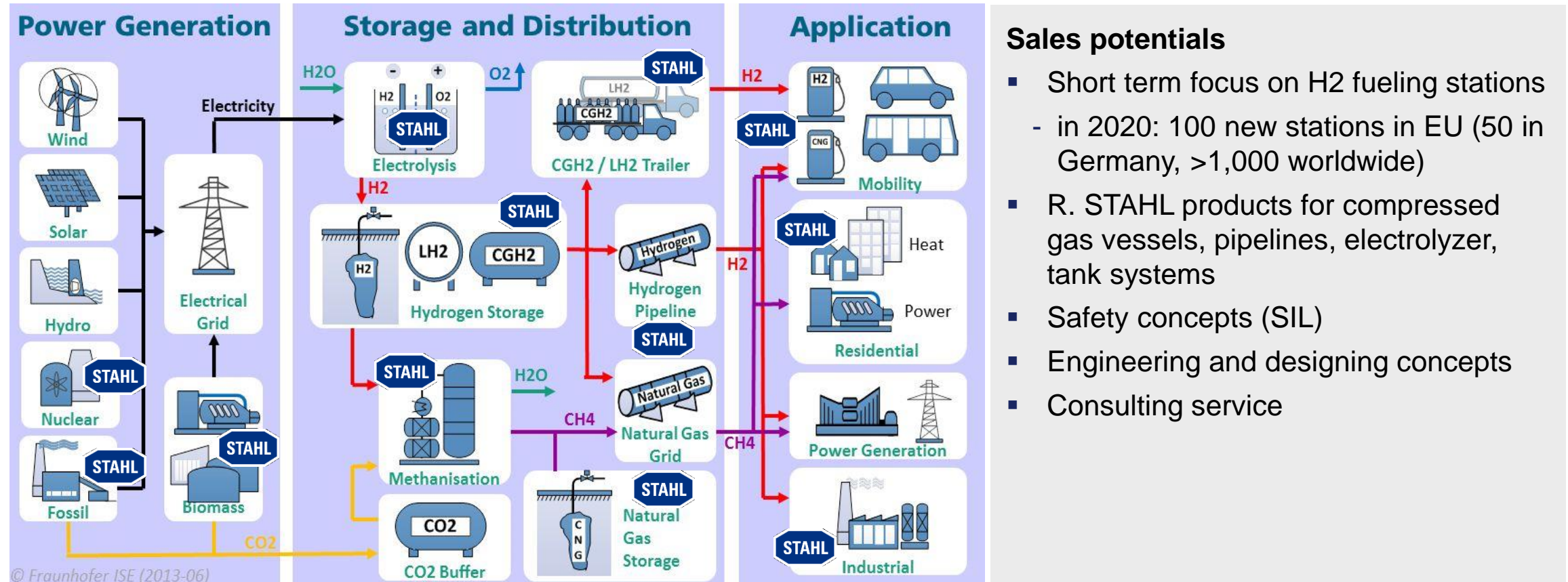
# Digitalization Will Change The Way We Do Business – And Thus Will Be Essential in Our Strategy Over The Next Decade

We will keep changing!



# Hydrogen: Versatile And Carbon Free Energy Carrier With Huge Potential

## Value Chain



Source: <https://www.ise.fraunhofer.de>

## Sales potentials

- Short term focus on H<sub>2</sub> fueling stations
  - in 2020: 100 new stations in EU (50 in Germany, >1,000 worldwide)
- R. STAHL products for compressed gas vessels, pipelines, electrolyzer, tank systems
- Safety concepts (SIL)
- Engineering and designing concepts
- Consulting service



# First Example: Hydrogen Fueling Station Electromach

Container solution and functional safety concept

## Service Concept

- Engineering Service
- SIL (safety integrity level) verification
- Software assistance
- Design and engineering of components (system concept)

## Components (R. STAHL products):

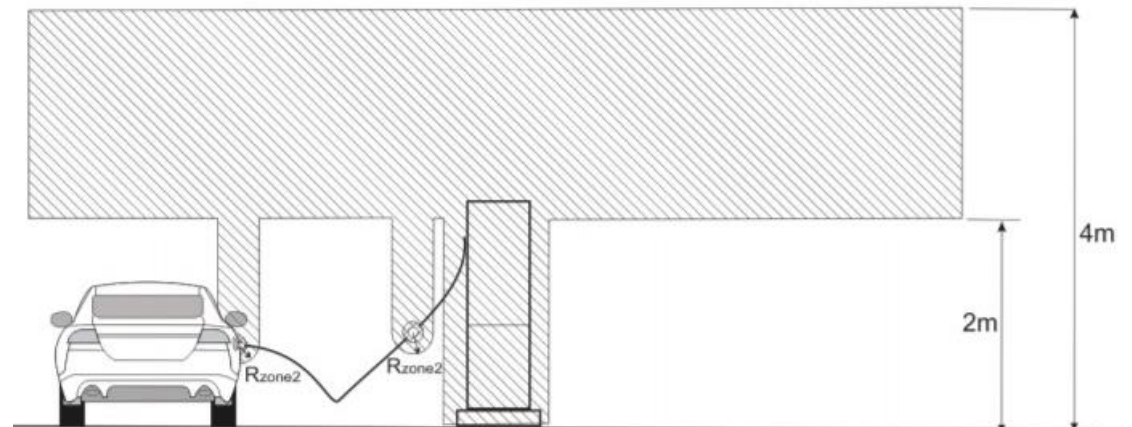
- Terminal boxes, cable glands, plugs



Picture source: <https://www.resato.com/en/hydrogen>



Example illustration of permanent and temporary hazardous areas



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# Major Impacts of IFRS16 on R. STAHL's Financial Statements And KPI's in 2019

## Income Statement & Cash Flow Statement

€m	Q3 2019	9M 2019	FY 2019e
Other operating expenses	+1.9	+5.3	+7.1
Depreciation & amortization	-1.5	-4.3	-5.7
Financial result	-0.3	-0.8	-1.0
Taxes	-0.0	-0.1	-0.1
EBITDA	+1.9	+5.3	+7.1
EBITDA pre*	+1.9	+5.3	+7.1
EBIT	+0.3	+1.0	+1.3
EBT	+0.1	+0.2	+0.3
Net profit	+0.0	+0.1	+0.2
Cash flow from operating activities	+1.9	+5.4	+7.3
Cash flow from financing activities	-1.9	-5.4	-7.3

## Balance Sheet

€m	30 Sep., 2019
<b>Assets</b>	
Intangibles assets	+0.0
Property, plant & equipment	+38.8
Deferred taxes	-0.1
Other current receivables and assets	-0.6
<b>Total</b>	<b>+38.1</b>
<b>Equity and Liabilities</b>	
Equity	+0.1
Non-current lease liabilities	+31.4
Current lease liabilities	+6.5
<b>Total</b>	<b>+38.1</b>

\* EBITDA pre: EBITDA pre exceptionals (exceptionals: restructuring charges, non-scheduled depreciation and amortization, charges for design and implementation of IT-projects, M&A costs as well as profit and loss from the disposal of non-current assets no longer required for business operations)

# Issuer, Contact and Additional Information

## Issuer and Contact

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**ISIN** DE000A1PHBB5

**WKN** A1PHBB

**Deutsche Boerse** RSL2

**Ticker Bloomberg** RSL2

**Ticker Reuters** RSL2.DE

**Listing** Frankfurt Stock  
Exchange  
Prime Standard

## Financial Calendar

### 2019

Nov 25-27 Eigenkapitalforum,  
Frankfurt am Main

### 2020

Feb 21 Preliminary figures  
FY2019

Mar 24+25 Bankhaus Lampe  
Deutschlandkonferenz,  
Baden-Baden

Apr 21 Annual Report FY2019

May 14 Interim Report Q1 2020

May 28 AGM, Künzelsau-Gaisbach

Aug 6 Interim Report Q2 2020

Nov 12 Interim Report Q3 2020

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