



# **Half-Year Results 2022**

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**Media and Investor Presentation, July 19, 2022**

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## **Key Messages**

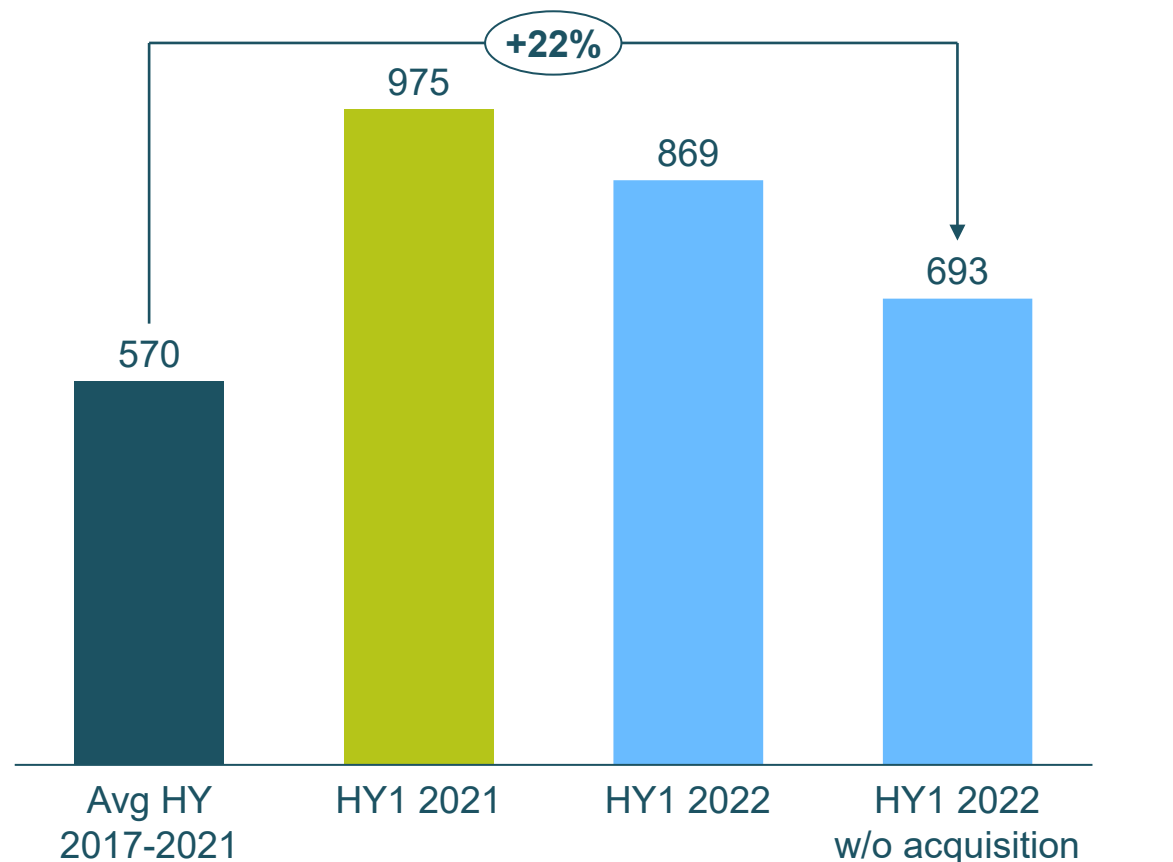
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### **Market success through technology leadership, profits strongly impacted by significant cost increases and supply chain bottlenecks**

- Order intake of CHF 869.4 million, order backlog of more than CHF 2 100 million
- Sales of CHF 620.6 million, preproduced deliveries in the three-digit million range had to be postponed until the second half of 2022
- EBIT of CHF -10.2 million and net result of CHF -25.2 million due to significant cost increases, additional costs and acquisition-related expenses
- Action plan to increase sales and profitability
- Rieter site Winterthur
- Outlook

# Order Intake

CHF million



- Order intake HY1 2022 without acquisitions significantly above 5-year average
- Reason: regional shift of demand
  - Investments outside China
  - Investments in competitiveness of Chinese spinning mills
- Normalization expected
  - Long delivery times of equipment suppliers
  - Global challenges
- Order backlog of over CHF 2 100 million
- Cancellations at around 5% of order backlog

# Rieter Group – Order Intake (1)

Rieter benefits from regional shift of demand and successful strategy implementation

## Market

- Regional shift continues
- Investments outside China
- Investments into competitiveness of Chinese mills
- See country ranking first half of 2022

## Technology

- Rieter's value proposition "lowest cost per kg yarn"
- Right answer to current energy cost challenge

## System

- Ring/compacting technology representing >80% of global capacity
- Rieter 2019 innovations and automatic winder acquisition
- Order intake for complete ring- and compacting-systems gaining traction

## Rieter Group – Order Intake (2)

Country ranking first half of 2022 confirms regional shift of demand

### Average 2011-2020

1. China
2. Turkey
3. India
4. Uzbekistan
5. USA

**Total: CHF 939.7 million<sup>1</sup>**

### Financial Year 2021

1. Turkey
2. India
3. Uzbekistan
4. China
5. Pakistan

**Total: CHF 2 225.7 million**

### First Half of 2022

1. India
2. Turkey
3. China
4. Uzbekistan
5. Pakistan

**Total: CHF 869.4 million<sup>2</sup>**

<sup>1</sup> Average of the published annual order intake of the Rieter Group

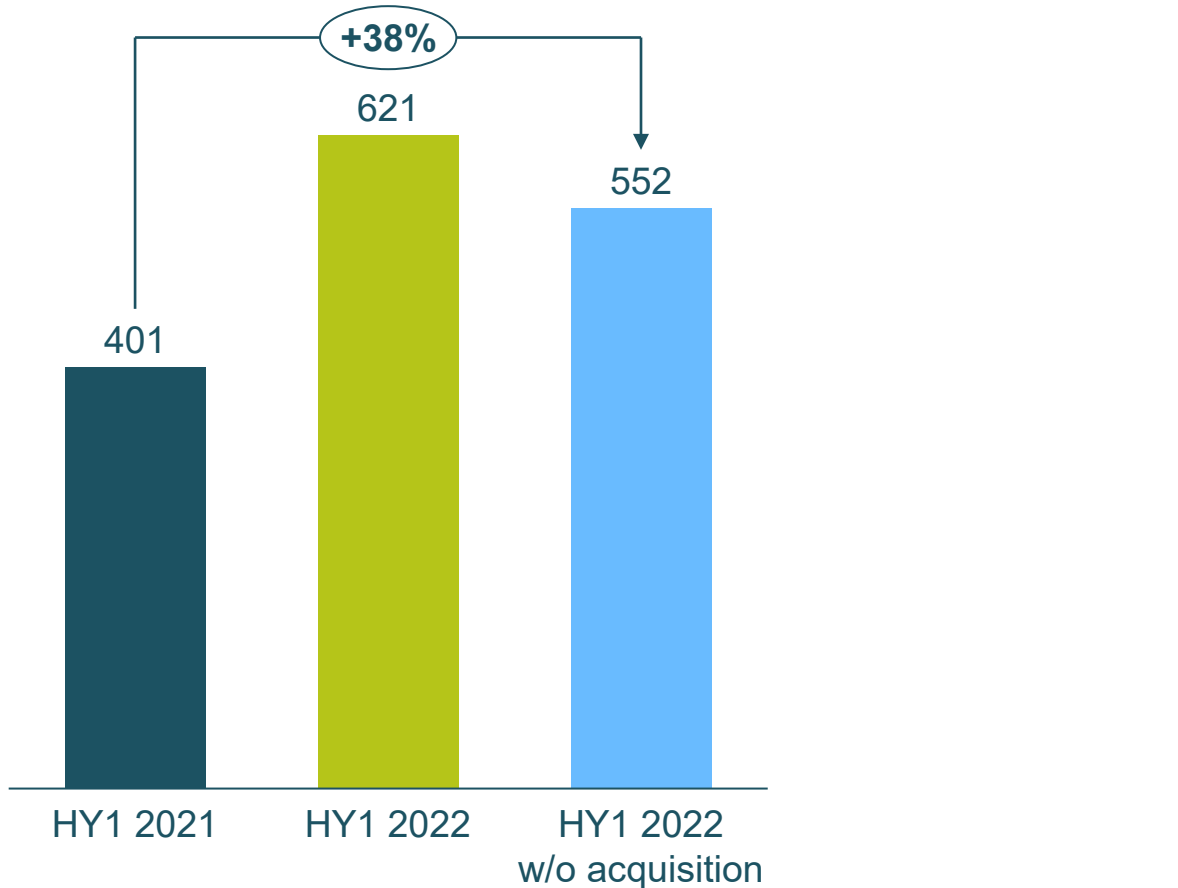
<sup>2</sup> Including acquisition impact

# Exhibition ITM June 2022 in Istanbul, Turkey

- Automatic winding machine Autoconer X6 presented under Rieter brand
  - Autoconer X6 completes Rieter's ring- and compact-spinning systems
- ➔ Next milestone in Rieter's innovation program ITMA Milano, June 8-14, 2023



## CHF million



- Planned deliveries in the three-million digit range had to be postponed due to missing material (Shanghai COVID lockdown)
- Inventory build-up between December 31, 2021 and June 30, 2022 of CHF 141.4 million
- Sales realization to catch up in HY2 2022, actions in place

# Margin Deterioration

Margin deterioration is a temporary issue, actions in place

## CHF million (Machines & Systems)



<sup>1</sup> Source: finanzen.ch

<sup>2</sup> Source: Statista

## Cost Indicators

- **Aluminum** (cost per ton)<sup>1</sup>

April 30, 2021	2 418.7 US\$
April 29, 2022	3 048.9 US\$ (+26%)
- **Container Freight Rate Index**<sup>2</sup>

Shanghai/Rotterdam	
April 2021	7 583 US\$
April 2022	10 199 US\$ (+34%)

## Counter Measures

- Price increases to synchronize price/cost development (20%)
- Price Adjustment Clause for delivery times > 1 year
- Renegotiations of contracts
- Cost savings

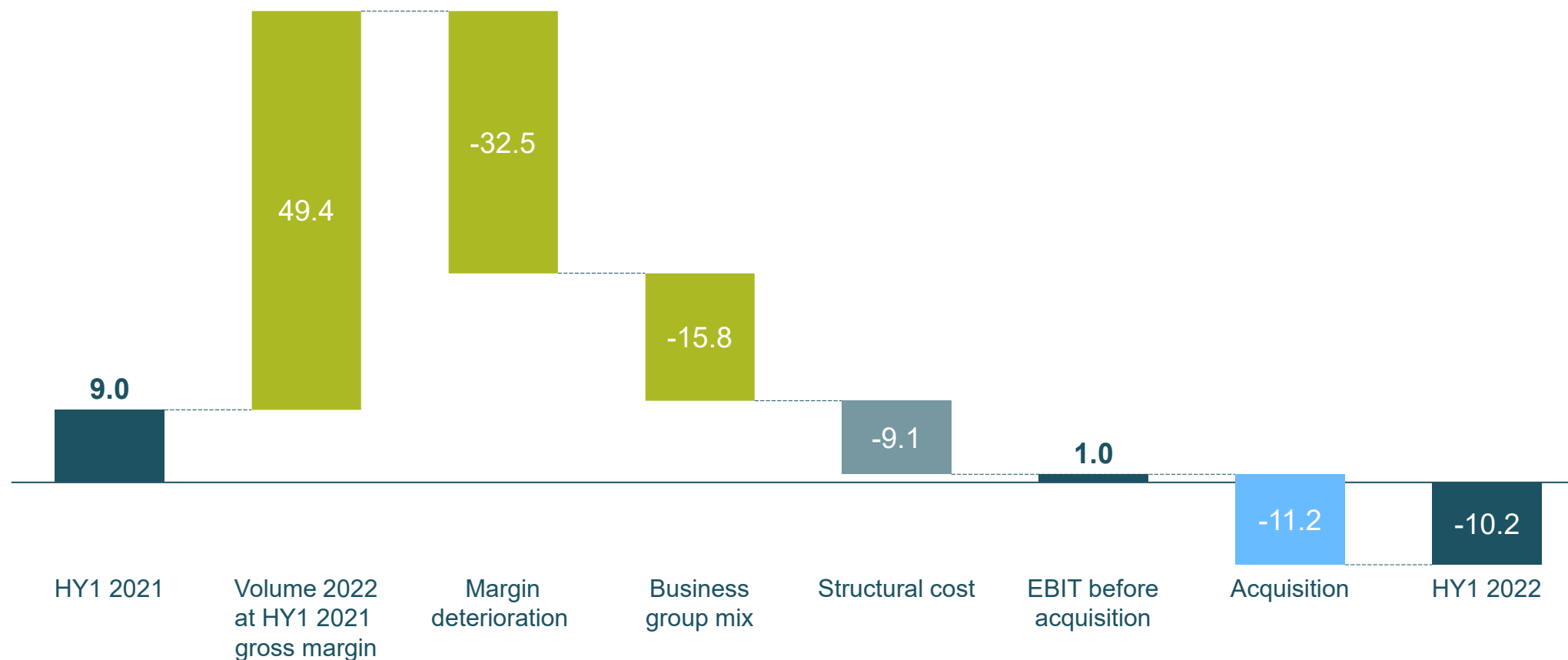


## Key Figures – First Half of 2022

CHF million	HY1 2022	HY1 2021	Comments
Order intake	869.4	975.3	<ul style="list-style-type: none"> <li>– Ongoing regional shift</li> <li>– Order intake decreases slowly towards normal levels</li> </ul>
Sales	620.6	400.5	<ul style="list-style-type: none"> <li>– Sales above previous year driven by order backlog</li> <li>– Sales realization suffers from missing materials and freight capacity shortages</li> </ul>
Gross profit	130.1	124.7	<ul style="list-style-type: none"> <li>– Significant lower gross margin due to increasing material and transportation costs</li> </ul>
EBITA	-3.0	12.2	<ul style="list-style-type: none"> <li>– Volume driven increase in SG&amp;A and R&amp;D expenses</li> </ul>
EBIT	-10.2	9.0	<ul style="list-style-type: none"> <li>– Acquisition-related impact at EBIT level of CHF -11.2 million</li> </ul>
Net result	-25.2	5.3	<ul style="list-style-type: none"> <li>– Non-cash FX-Loss of CHF -8.0 million on purchase price allocation</li> </ul>
Free cash flow	-57.1	53.2	<ul style="list-style-type: none"> <li>– Backlog and slow sales realization lead to higher net working capital (i.e. inventory)</li> </ul>
Net liquidity	-237.0	98.8	<ul style="list-style-type: none"> <li>– Liquid funds of CHF 191.7 million at June 30, 2022</li> </ul>

# EBIT – First Half of 2021 vs. First Half of 2022

CHF million



## Balance Sheet – Key Figures

Liquid funds remain at high level in spite of the negative net result

<b>CHF million</b>	<b>30/6/2022</b>	<b>31/12/2021</b>
Liquid funds	191.7	249.4
Net liquidity	-237.0	-161.9
Net working capital	-21.8	-67.3
Non-current assets	682.9	718.0
Total assets	1 537.2	1 436.3
Current financial debt	227.6	209.7
Non-current financial debt	201.1	201.6
Shareholders' equity	327.3	396.1
in % of total assets	21.3%	27.6%

- Liquid funds remain at high level
- Net liquidity decrease of CHF -75.1 million mainly related to changes in networking capital
- Net working capital in line with June 2021 but with increasing trend compared to year-end
- Decrease in shareholders' equity by CHF -68.8 million related to negative net result and dividend paid (CHF -18.0 million)

# Action Plan (1)

Target: Improve sales and profitability in the second half of 2022

## Compensate Cost Increases

### Continue to implement price increases

- So far, price increases ~ 20%
- Further increases if required

### Margin improvement in order backlog

- Renegotiations with customers
- Cost reductions where possible

## Secure Sales Realization

### Close collaboration with key suppliers

- Focus on electronics
- Efficient crisis management setup implemented

### Develop alternative technical solutions

- Substitute missing material
- Increase flexibility
- Roll-out progressing

## Action Plan (2)

### Machine control system (PLC)

Today:



- Single supplier (customized hardware, integrated design)
- Customized software

New:



- Multiple suppliers (standard hardware, modular design)
- Standard software

## Rieter Site Winterthur

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- The Board of Directors has decided to begin the process for the sale of the remaining land at the Rieter site in Winterthur (Switzerland)
- In total, around 75 000 m<sup>2</sup> of land will be sold
- The Rieter CAMPUS is not part of this transaction; the construction project is progressing according to plan



- As already reported, Rieter expects demand for new systems to normalize further in the coming months. Due to the capacity utilization at spinning mills, the company anticipates that demand for consumables, wear & tear and spare parts will remain at a good level.
- For the full year 2022, due to the high order backlog and the consolidation of the businesses acquired from Saurer, Rieter expects sales of around CHF 1 400 million (2021: CHF 969.2 million). The reduced sales forecast compared to early 2022 (March 2022: CHF 1 500 million) reflects the impact of global supply bottlenecks. The realization of sales revenue from the order backlog continues to be associated with risks in relation to the well-known challenges.
- Despite significantly higher sales, Rieter expects EBIT and net result for 2022 to be below the previous year's level. This is due to the considerable increases in the cost of materials and logistics, additional costs for compensation of material shortages as well expenses in connection with the acquisition in the years 2021/2022. Despite the price increases already implemented, global cost increases continue to pose a risk to the growth of profitability.
- As market and technology leader, Rieter will benefit from the exceptionally high order backlog and the continuation of the regional shift of demand.

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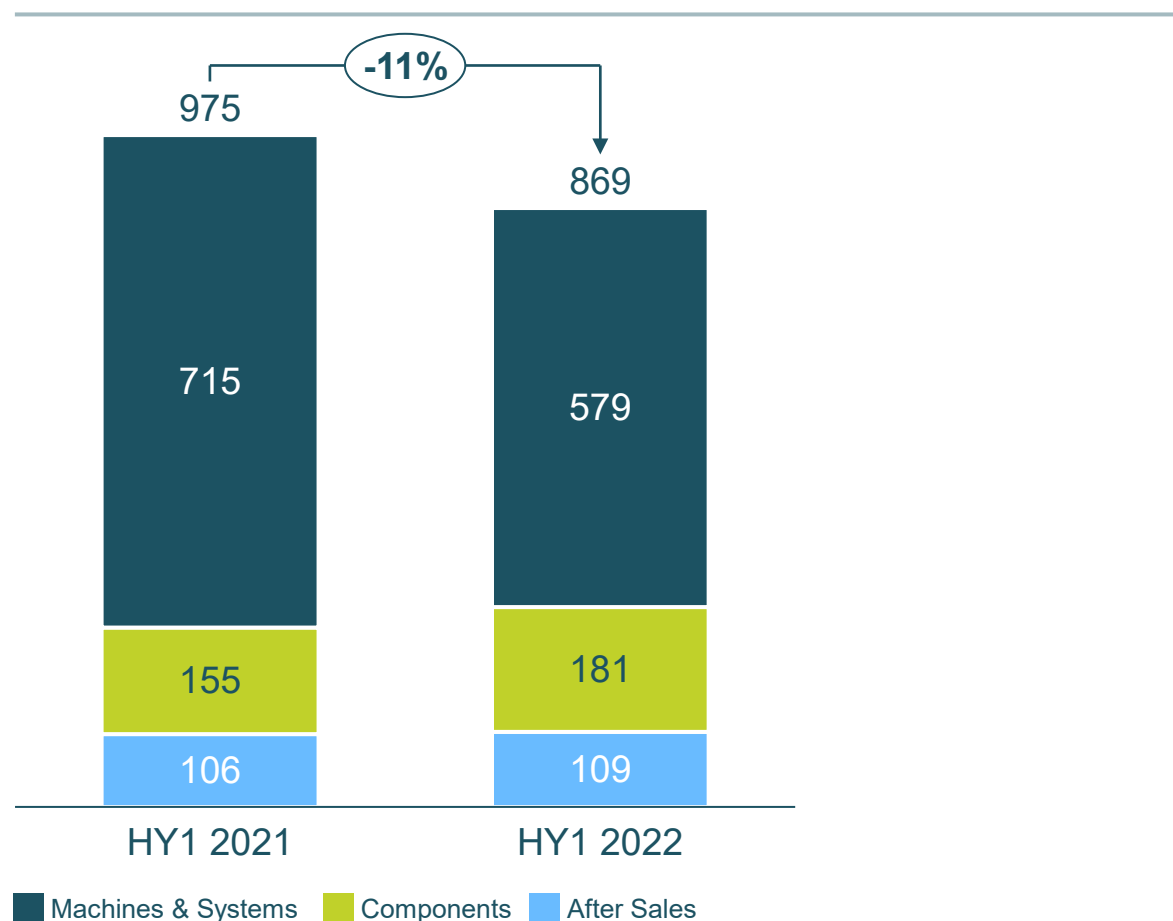
# Appendix

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# Order Intake by Business Group

Order intake at CHF 869.4 million was significantly above the average value of previous years

CHF million

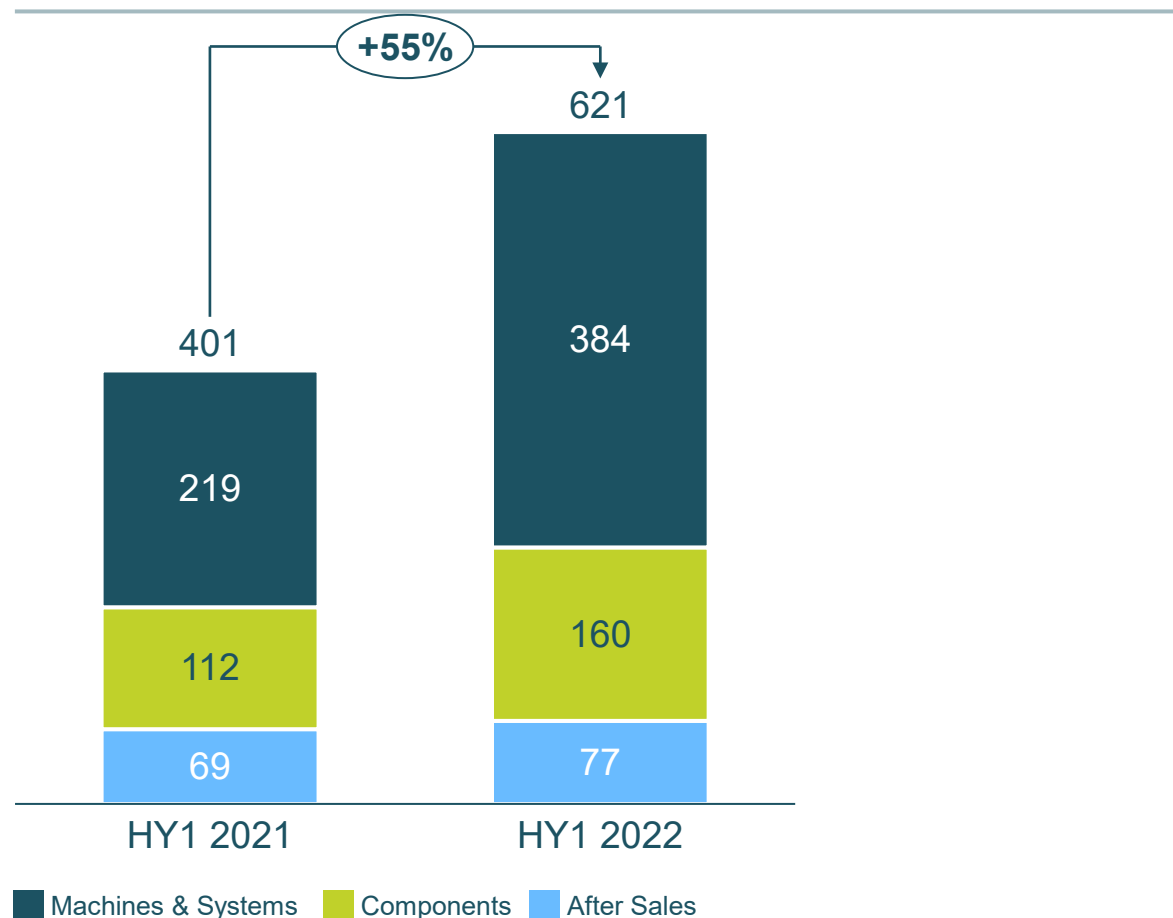


- Order intake CHF 869.4 million, of which CHF 176.6 million from the businesses acquired in 2021
- Development is due to increased investments outside China in combination with investments in the competitiveness of Chinese spinning mills
- Significantly improved market position due to the innovative product portfolio and acquisition of the automatic winding machine business as well as Accotex and Temco
- As of June 30, 2022, the company had an order backlog of over CHF 2 100 million (June 30, 2021: around CHF 1 135 million)

# Sales by Business Group

Sales at CHF 620.6 million in the first half of 2022 (+55% vs 2021)

CHF million

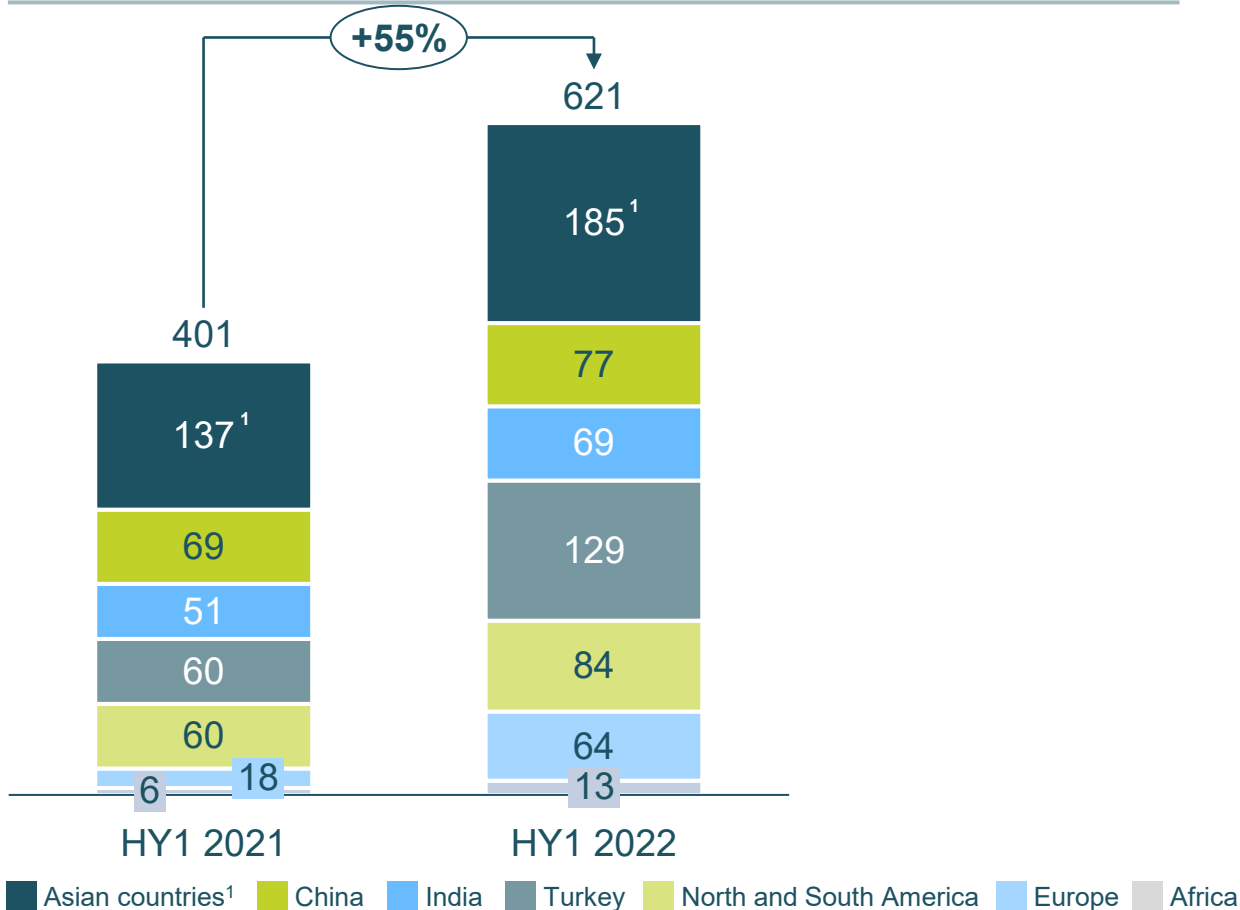


- In the first half of 2022, the Machines & Systems Business Group realized sales of CHF 383.8 million (+75%), although planned deliveries had to be shifted to the second half of 2022 due to supply chain bottlenecks and the COVID lockdown in China
- Increased demand from the well-utilized spinning mills for components as well as consumables, spare parts and wear parts is the reason for the positive development in the After Sales and Components Business Group

# Sales Development by Region



CHF million



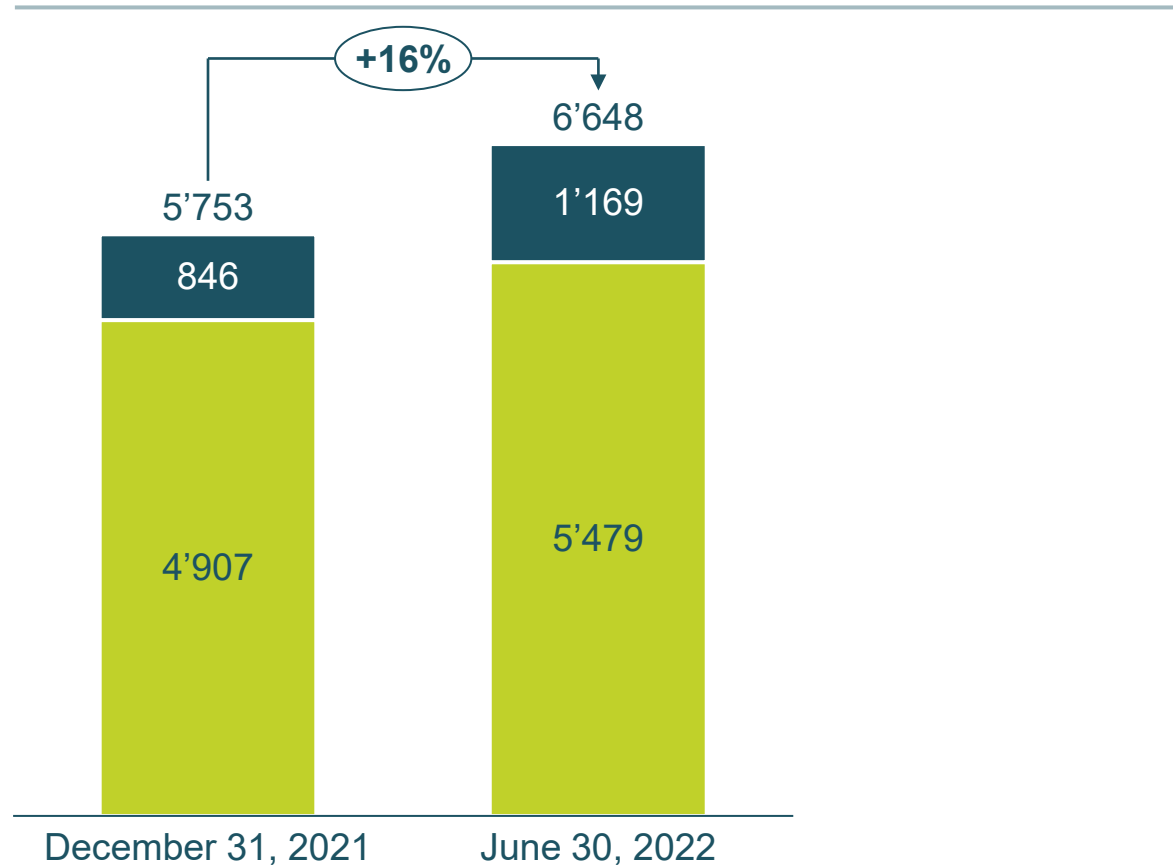
- In the Asian countries, Rieter recorded sales of CHF 184.7 million (+35%) for the first half of the financial year 2022
- In China, sales rose by 12% to CHF 76.8 million due to spinning mills investing in the improvement of their competitiveness
- India improved to CHF 68.6 million(+35%)
- In Turkey, the regional shift led to a significant increase of 116% to CHF 129.4 million
- Sales increased by 40% to CHF 84.0 million in the region North and South America, also driven by the regional shift
- Sales in the region Europe amounted to CHF 64.0 million, this increase is also related to the supply of automatic winding machines to Saurer
- The region Africa achieved sales of CHF 13.1 million, this includes first deliveries to Cotton & Textile Industries Holding Company, Cairo (Egypt)

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

# Changes in Workforce

As of June 30, 2022, increase of the temporary workforce in the production compared to year-end 2021

FTE<sup>1</sup>



■ Temporaries ■ Permanent

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

## 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>31/12/2021</b>	<b>30/06/2021</b>
Shares outstanding excluding own shares (end of period)		4 492 731	4 494 024	4 504 419
Average shares (of period)		4 494 683	4 496 214	4 491 418
Share price (end of period)	CHF	109.6	177.0	180.8
Market capitalization (end of period)	CHF million	492	795	814

## Order Intake by Business Group

CHF million	January – June 2022	January – June 2022 w/o acquisition	January – June 2021	Difference	Difference adjusted <sup>1</sup>
<b>Rieter</b>	<b>869.4</b>	692.8	975.3	-11%	-28%
Machines & Systems	<b>579.3</b>	455.4	714.8	-19%	-36%
Components	<b>180.9</b>	143.9	154.9	17%	-6%
After Sales	<b>109.2</b>	93.5	105.6	3%	-10%

<sup>1</sup> Adjusted by currency and acquisition effects

## Sales by Business Group

CHF million	January – June 2022	January – June 2022 w/o acquisition	January – June 2021	Difference	Difference adjusted <sup>1</sup>
<b>Rieter</b>	<b>620.6</b>	551.7	400.5	55%	39%
Machines & Systems	<b>383.8</b>	357.7	218.9	75%	63%
Components	<b>159.9</b>	123.4	112.4	42%	12%
After Sales	<b>76.9</b>	70.6	69.2	11%	4%

<sup>1</sup> Adjusted by currency and acquisition effects



## Sales by Region

CHF million	January – June 2022	January – June 2021	Difference	Difference in local currency	Difference Adjusted <sup>1</sup>
<b>Rieter</b>	<b>620.6</b>	<b>400.5</b>	<b>55%</b>	<b>57%</b>	<b>39%</b>
Asian countries <sup>2</sup>	184.7	137.0	35%	36%	30%
China	76.8	68.5	12%	12%	-9%
India	68.6	51.0	35%	38%	31%
Turkey	129.4	59.8	116%	120%	117%
North and South America	84.0	59.8	40%	41%	33%
Europe	64.0	18.0	256%	277%	44%
Africa	13.1	6.4	105%	103%	97%

<sup>1</sup> Adjusted by currency and acquisition effects

<sup>2</sup> Excluding China, India, Turkey

# Financial Calendar

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Investor Update 2022	October 21, 2022
Publication of sales 2022	January 25, 2023
Deadline for proposals regarding the agenda of the Annual General Meeting	February 17, 2023
Results press conference 2023	March 9, 2023
Annual General Meeting 2023	April 20, 2023
Semi-Annual Report 2023	July 20, 2023
Investor Update 2023	October 20, 2023