RENK Group AG — Investor Relations

Transcript — David Brown Defence Analyst Call, 03 July 2026

Intro

Christian (Weiss, IR): Good afternoon, everyone, and thank you for joining us on short notice following this morning's announcement regarding the acquisition of David Brown Defence. Joining me today are Dr. Alexander Sagel, our CEO, and Anja Mänz-Siebje, our CFO, who will both be available for your questions afterwards. Please also note the disclaimer on the presentation. Dr. Sagel will now walk us through the strategic rationale and key details of the transaction. And with that, I will hand over to you, Alexander.

Presentation

Christian, thank you very much.

Ladies and gentlemen, best regards and live greetings from sunny London, where we are currently today and where we, as you already know, signed today a very important binding agreement with David Brown Defence.

Today's announcement is a bolt-on move from a RENK perspective in order to expand our leading role as a global naval transmission system house. Just right in the beginning, please be aware that we might cannot answer all your questions because we simply have to take care about agreements we have with the sales side and/or the UK MOD.

Slide 2

Having said this, I would like now to move on the next page which gives you a kind of short introduction on David Brown, who David Brown Defence is. I mean, at the very end it's a company based in UK. The production site is in the center of UK, of England, in Huddersfield. It has a long heritage, over 100 years. It's 100% of the business fully dedicated to the defence business. If you talk about the employees, it's in the range of a little bit more than 500. If you look on the size of the company in regards to the revenues, we see somewhere above the 100 million British pounds for 2026. And what is also important and underlining the strategic rationale is that with David Brown and the acquisition, we have access to key global naval programs above the surface and, of course, below the surface. And if you look on our current fixed contracts and high probability pipeline, looking towards 2030, we see a value above the 700 million pounds for the next years to come. I mean, key markets I just explained, I mean, besides UK, of course, if you talk about the completion of our five Eyes, activities. Last year, we did the acquisition of Cincinnati Gearing Systems in order to have a local footprint and better access to the US North American naval segment. With the acquisition of David Brown, we are adding UK, we are adding Canada, we are adding Australia. And for example, by the Type 26 program, which is a very important program on the surface side of the naval business, we also entered into a business with the acquisition of the Norwegian business regarding Type 26.

Very quick on the segment overview, if we take today's revenue level, around about 75% of the business is related to naval.

As I just said, it's about the normal surface-based vessels, but also including a subsurface submarine business. This is in the range of 75%. If we talk about the residual 25%, we have a land business as well. On the David Brown defence side, we have programs such as the Challenger 2, Challenger 3, where David Brown Defence is doing power pack integration and sustainment activities as of today. The key competence of the companies, and you see it on the right side of this chart, is, of course, transmissions. And you will see later on, going through the strategic rationales, we are buying a company with a strong market access to markets which RENK does not have as of today.

But we are also buying access to new product segments and new technology.

Slide 3

Maybe moving quickly on the next page, and I think this is important if you look on the week, on the entire week where we had on Tuesday the announcement by PM Starmer talking about the defence investment plan or DIP. And I think it's fair to say that the DIP is fully supporting the strategic rationale of this acquisition and this is just shown here. If you look on the domain Navy and if you talk especially about large combat vessels, if you're going through the programs which you can find in this defence investment plan or which were communicated, what we have included in our business plan is the Type 26, of course, for UK, up to eight units. What we have not included, the Type 32 and the Type 83, going through the DIP, you have maybe seen that these programs are not anymore a part of the future investment plan. They are discontinued. But on the other side, and we never had them in our business plan, if you talk about the common combat vessel, the CCV, large amphibious transport ships, and even going into the large USV or UUV segments, the Type 91, Type 92, Type 93.

All of these, from our point of view, are future opportunities where the combination of the DBD Footprint capabilities plus technologies from RENK could provide an attractive access to additional business.

I think it's worthwhile to mention, here we're only talking about Navy, I think studying in detail the defence investment plan, you also might have identified that also the land programs like the Ajax, the Challenger 2, Challenger 3, but also the Boxer MIV programs are supported from the DIP here, which is important also if you look on the land part of the David Brown defence business.

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If you go on the next page...

Talking about the strategic rationale, I think it's very important that what we have shared with you during the last 12, 14, 18 months or two years almost, the acquisition of David Brown Defence is clearly on track, fully in alignment to the rank M&A strategy.

We always said that one priority for M&A is the consolidation on the land and on the sea market.

You know that the consolidation on the land side is difficult due to our high market share, so consolidation of the Navy business is more in focus and the Navy market was always in our strategic rationale.

Navy in general, and this is not only on the European market, but also on the US market, and always looking on aftermarket business, and last but not least, according to our M&A strategy, the access to new product segments as well as new technologies.

So by going through the different columns of the strategic rationale of the DBD acquisition, I think it's absolutely clear this was a rare opportunity to further consolidate on the market on the naval side.

Before this, we had a global share in the range of 40% of the large surface combatants globally in the accessible market.

As I also explained before, we have access into new product segments. I mean, it's no rocket science, and I think you all know this, that David Brown is in the submarine business. RENK so far was not in regards to transmissions in the submarine business. So with the acquisition, we have access to key programs.

Also new technologies, if it comes to unmanned above the water or below the surface, this provides unique paths for future programs. I just mentioned before, David Brown is quite complementary to our business.

Market access, as I just said, we will have a leading role now in the future in the so-called Five Eyes markets, the largest naval defence market in the world. Started with the acquisition of Cincinnati Gearing System in 2025, now adding the footprint and the access to markets like UK, Canada and Australia. We are positioning RENK in a quite strong form for this very attractive and large naval and defence market. I think what we have shown before on the page, looking on the DIP, the common combat vessel is one example. Then, as I just said before, the various unmanned programs. So we have access by David Brown Defence to this, what we call here, new evolving naval platforms. And the last comment on this, entering the subsurface markets. And I think it's also important, the statement that, and Anja can elude it later on, the acquisition of David Brown Defence is fully consistent with our group financial criteria. If you talk about the CapEx, for example. By a deeper integration of the production side of Huddersfield into our M&I footprint, which is primarily based and centring around the German sides, we will not violate our 3% average CapEx targets between 2024 and 2030 because we will have a smart integration regarding our production networks and like this we can stay fully aligned and quite calm in our 3%. Also important, and this was indicated by the strong order backlog in the top project pipeline in the range of 700 million pounds, we have a strong revenue visibility across the mentioned international programs. And if you just take, for example, the Type 26, we have the UK Type 26, we have the Global Combat Ship for Canada, we have the Global Combat Ship for Australia, we have the Global Combat Ship for Norway.

And so very, very attractive.

What is also attractive, huge potential, which is as of today by far not explored by DBD, David Brown Defence.

It's a long-term aftermarket opportunity for especially for the naval segment above the surface and below the surface. What is also important...We are not acquiring or we are not entering into a new domain with the acquisition of David Brown Defence. RENK is for many, many decades in the naval segment. We know what to do. We know also how to integrate it.

And we will integrate David Brown Defence, as I just said before, in our installed industrial base. And of course, by providing support and rollout of the RENK production system, we will also have what we see quite significant synergies under Operation Excellence as the key value drivers for future business development of David Brown Defence. Last but not least, and I think we have shown this, if you look back on the latest acquisition of Cincinnati Gearing Systems in 2025, we know how to run a PMI process. Before doing the signing today, we have already identified the entire post-merger integration team. We have developed and defined all the different work packages. So, we have an absolutely crystal clear picture what to do in the next approximately two years - in order to increase the operational performance, in order to secure the deliveries to the customers, for example, Type 26, and to be prepared for intensive discussions with the customers regarding all the future opportunities which were outlined in the DIP two days ago.

Slide 5

If you go to the next page - It's again the kind of visualization where we are saying, and you can see this in the headline, we are really talking about a highly complementary business. If you just look on our product segments on the left part of this page, title transmission segments, you see that. RENK has traditionally, and you all know this, a very strong footprint on the land side. David Brown Defence, as alluded before, has 25% of business also on the land programs, especially track programs on the UK Army. But on the surface side, RENK has, as I just said before, quite a big naval business, which is now added and complementary to the programs on the naval side from David Brown Defence. What is clearly new is the fact that, and this is what I said before, RENK so far is not active regarding transmissions in the submarine subsurface segment. This is now something really where we are expanding into the submarine market.

If you talk about the regional footprint or access, I think, and this is alluded also on the right side of this chart, we have now really perfect footprint and market access to the five Eyes US, UK, Canada, Australia, and even New Zealand. If you look on the European side or Middle East or Asia Pacific, there is, as of today, no footprint and no business from David Brown Defence. And here, RENK could provide access for future platforms out of UK.

Slide 6

I think if we go on the next slide, I would like to hand over to Anja to run us quickly through the financials before I do the closing about the next steps and the outlook.

Thank you, Alexander.

Further to Alexander's comments, I would just like to reiterate how delighted and excited we are about this acquisition opportunity. This David Brown business closely matches our stated M&I criteria and has many common financial characteristics with the existing RENK group, which is one of the reasons why it represents such a strong bolt-on opportunity. And I would also like to say we are delighted to take questions, but as you will appreciate, we may not be in a position to answer all your questions at this stage. Due to commercial sensitivities, we may not be able to go into as much detail as you would wish. If you look at the slide, we do see that the David Brown defence business is showing towards 2030 a profitable growth. We also see a double-digit revenue growth towards 2030 and the main driver being the naval part. Operational wise, we obviously are realizing efficiencies and leveraging production capabilities and capacities. And that we do because we are combining David Brown defence and RENK operations. The David Brown defence margin profile and trajectory is broadly consistent with the current M&I profile and expectations. We confirm therefore our mid-term ambition to reach above 20% adjusted EBIT margin for the whole group. And we also see further upside from synergies. This transaction is predominantly debt financed. The financing structure has been designed to preserve our financial flexibility while enabling us a swift deleveraging of acquisition-related debt. And with that, I would like to hand over to Alexander.

Thank you very much.

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If you go on the last slide of this presentation, and then I would like to hand over back to Christian.

What are the next steps?

As I just explained before, we already defined and finalized our PMI team, all the work packages are clear. We have our team on board. We have the team from David Brown on board. We had today the signing event. Now we do expect, waiting for all the regulatory approvals, which should be, from our point of view, a very fast process given the strong support so far. We had experience from the MOD team. Through the entire transaction, we do expect closing early Q4 2026. Having said this, I would like to hand over now back to Christian.

Q&A

Christian (Weiss, IR): Thank you, Alexander. We will now move to the Q&A session. Given the number of participants on the call today, we kindly ask you to limit yourself to two questions each. This is simply to ensure fairness among all participants and to keep the call within its scheduled time. Please use the raise hand function in Teams and I will call you in order. I think the first was Chloé (Lemarie, Jefferies). So please go ahead and unmute yourself, please.

Q1 (Chloé Lemarie, Jefferies): Yes, good afternoon. Thank you for taking my question, Alexander, Anja and Christian. The first one would be on the margin, because I noted you mentioned similar to M&I, but given it's exposed to land and naval, wouldn't it be fair to assume a slightly higher margin? And if you could also help scale a little bit the synergy potential. My second question is on the exposure kind of overlap. Both have a pretty solid position so do you anticipate any issues or customer pushback on that consolidation or is the geographic exposure different enough to limit this.

A1 (Dr. Alexander Sagel): Hi, I will try to answer your question as much as I can, starting with the margin and also have a look on the synergy potential. I think it's fair to say, and Anja alluded to this before, that the DBD margin today is on or maybe even slightly above the M&I margin. I think it's also important to mention that there is a difference compared to RENK's business today, because in case of David Brown defence, the margins on the Navy side are higher compared to the margins on the land side. And this is simply driven by the fact that today's lands business is mainly integration and sustainment work for the existing fleets. For example, the DBD is doing the power pack integration for the MIV boxer. So this is mainly labour costs, but not delivering own transmissions. They are integrating the power pack, so the RENK angular transmission, the Allison transmission, and the engine from MTU. So, the margin is different. Navy is higher margin, and land is, as of today, lower margin. If you look on 2023, I think what we can say is that we see a consistent development of the DBD margins compared to the existing M&I business, and as Anja alluded before. Fully supporting our mid-term targets on the group level. The key driver, and now I come to the second half of your first question, here are the operational synergies and efficiencies. You can imagine we spent a lot of times in the Huddersfield plant, and I think it's fair to say that we, and I mentioned this before in the call, we know what to do and how to run operations. And we have identified in-depth operational synergies in Huddersfield. So rolling out our RENK production system, we do feel very well that this will support our margin work and margin improvement on the Navy business specifically. And on the other side, I think it's also important, the integration into our European M&I production network will enable us to so. Also, CapEx is well under control. As I just said, we are not changing our guidance, talking about 2024 to 2030, that we will stay in the average, including this acquisition on the 3% level. So I hope this could answer your first question.

And regarding the second question, I think from the product side, you asked about overlap on the vessel type on the product. Happily, there is so far no overlap. So almost all programs, naval programs we will acquire with David Brown Defence will be add-on where RENK is not in. And I will not quote the customer. One of the main customers of DBD, which is also a very important customer for RENK, was fully supportive in this acquisition because they want to have, sorry to say, professionals managing this company in order to make sure delivery timelines are kept. And so I do not see a risk that we have a negative perception from anywhere in the market because we don't have an overlap. And the synergies from the market side are really coming that we have access to markets where we do not have business as of today. Talking about the Five Eyes, we are in the US, also by the acquisition of Cincinnati gearing systems, but we were never in the UK, nor in Canada, nor in Australia.

Did this answer your question?

Chloé (Lemarie, Jefferies): Yes, absolutely. Very helpful call. Thank you. Thank you very much.

Christian (Weiss, IR): Next is Sven Sauer (Kepler Cheuvreux). Please go ahead.

Q2 (Sven Sauer, Kepler Cheuvreux): Hello, good afternoon. Thank you also from my side. The first question is on the land side and on the aftermarket share. Can you provide some more info on the share of the aftermarket of this business? And then you mentioned on the land side that the integration for the boxer and sustainment are a big part of this business. Wouldn't this count as aftermarket? And then the second, yeah, just technical question. Can you provide already any indication on how much your PPA will go up through this acquisition?

A2 (Dr. Alexander Sagel): So now I will tackle your first question and the second question I would hand over to the finance boss close to me. On the land side, I think it's fair to say if you take 25%, it's round about the share of the land business. The majority of this business is business we would consider and define as downstream business. So, this includes the maintenance, the overall of the existing, so a lot of labour costs involved, and the power pack integration. So, the overall share of today's aftermarket business on the entire DBD David Brown Defence revenue side, is somewhere between 18% to 20%, and the majority of this is coming from the sustainment programs, especially from the challenger. Having said this, I would hand over to the PPA.

Anja Mänz-Siebje: Yeah, thank you. So very roughly speaking, we expect the PPA at a mid to high single digit million annual average. Great, thank you.

Was it okay, Sven, or you have more questions?

Sven Sauer, Kepler Cheuvreux: I'm just wondering why the aftermarket share, if this is so much of a business, why the margin is lower, though?

Dr. Alexander Sagel: Yeah, because there's a lot of labour costs, how they charge it currently, and it's also fair to say that so far the biggest potential of the aftermarket business is from Navy. Our perspective that future growth and future margin improvements on the mid to long term, to be also clear, will be also supported from a growing aftermarket business on the Navy side.

Sven Sauer, Kepler Cheuvreux: Okay. All right. Thank you very much.

Dr. Alexander Sagel: You're welcome.

Bye.

Christian (Weiss, IR): Next is George (McWhirter, Berenberg). Please, George, unmute yourself and go ahead.

Q3, George McWhirter (Berenberg).: Hello, everyone. Thank you very much for the questions. Two, please, from my side.

Firstly, on the market share, so you talked about a very healthy market share above 50% on surface combat vessels. So do you expect any antitrust issues in getting the deal closed? And the second question is on the unmanned side of David Brown. So do you have an idea of what sort of technologies that RENK can get hold of through this acquisition that you don't currently have? Thank you.

A3, Dr. Alexander Sagel: Hi, George. Greetings from London. I mean, the market share, we are moving towards the 50%, but we do not see, and you can imagine, we checked this, we do not see any antitrust issue because simply in the markets we are serving, we are complementary but not competing to each other. So I think they do not exist. Is really indeed a new market and I think you have very well recognized what we are doing on the land unmanned development and this is quite a similar approach I mean for large, unmanned surface vessels or underwater unmanned vessels I mean talking about 40 50 60 meters of length you need to have smaller transmissions, high-performing transmissions. You will need transmissions who will be combined in a kind of hybrid mode, including electric motors and generators. You will have an additional digital layer, and you will have additional condition monitoring. All these features are part of our Navy R&D program, and we are looking forward now with the access to one of the largest customers from David Brown Defence, BAE Systems to develop solutions and concepts for these next generation of unmanned above the water or below the water and surface vessels.

George McWhirter (Berenberg).: thanks you very much, Alexander.

Dr. Alexander Sagel: You're welcome.

Christian (Weiss, IR): I think, Chloe (Lemarie, Jefferies), you have another question, so please go ahead and unmute yourself.

Q4, Chloé Lemarie (Jefferies): Yes, sure. So I actually wanted to ask about the common combat vessel in the UK, because I believe there are two concepts from two different manufacturers being submitted. So just wondering if David Brown is actually positioned on the two of them or just one of the solutions.

A4, Dr. Alexander Sagel: You are asking questions which are always hard to answer because sometimes we cannot answer. And this is one of the questions we cannot answer. All I can say is that David Brown is in discussions and in commercial discussions. But I cannot give you more details.

Chloé Lemarie (Jefferies): Understood. Thank you. Sorry.

Outro

Christian Weiss, IR: If there are no further questions, we will conclude this call. Thanks for joining this short notice call. We wish you a pleasant day and, of course, a nice weekend. And keep in touch. Bye-bye.