

Rheinmetall AG: Non-cash impairment charges for Automotive sector in second quarter of 2020 / quarterly result better than consensus

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In the second quarter of fiscal 2020, Rheinmetall AG will recognize non-cash impairment charges of €300 million for the Group's Automotive sector. They relate almost entirely to Automotive's Hardparts division. The impairment charges are primarily due to dramatically reduced production volumes in the international automotive industry for 2020 in the wake of the COVID-19 pandemic and to current expert assessments, which - compared with pre-coronavirus forecasts and planning assumptions - anticipate significantly lower growth for passenger cars and light commercial vehicles even over the medium term. They are projecting a global production downturn of over 20% on 2019 levels in the current year, with experts' projections suggesting that production will not return to pre-crisis levels before 2024.

The impairment charges at Rheinmetall Automotive will impact certain key figures such as reported EBIT, consolidated operating earnings and the Rheinmetall Group's equity ratio. The development of operating earnings margins in the sectors remains unaffected by the impairment charges.

Rheinmetall is also currently examining strategic options in the Automotive sector. Restructuring provisions of €40 million are anticipated in the third quarter of 2020 in this regard and will become cash-effective in the years 2020 to 2022. They mainly include cost for capacity adjustments and production relocations undertaken to optimize the global network of locations in the Division Hardparts (€24 million), as well as cost for the realignment and the new structural orientation regarding the preparation of an entry into new markets of the Division Mechatronics (€16 million).

Initial preliminary figures indicate that the Rheinmetall Group will end the second quarter of 2020 in better shape than anticipated with regard to its key figures and will exceed the recent consensus of analysts' estimates for consolidated sales performance and operating earnings.

Extensive and fast-acting cost-cutting measures allowed the Automotive sector to manage the significant downturn in business triggered by the COVID-19 pandemic more effectively than initially anticipated in the second quarter of 2020, and it is surpassing the recent consensus of analysts' estimates for operating earnings by around €35 million.

Preliminary figures for the reporting period from April to June 2020 put sales in the Automotive sector at €338 million (previous year: €726 million) and the quarterly operating result at €-52 million (previous year: €+52 million). Based on the consensus estimate of Vara Research, analysts are currently expecting the Automotive sector to generate quarterly sales of €332 million and an operative loss for the quarter of €-87 million.

According to preliminary figures, in the second quarter of 2020 the Defence sector achieved quarterly sales of €901 million (previous year: €746 million) and an operating result of €+93 million (previous year: €+60 million). The consensus of analysts' estimates projects quarterly sales of €814 million and a quarterly operating result of €73 million.

On the basis of preliminary figures for the Rheinmetall Group, the key figures for both sectors translate to quarterly sales of €1,239 million (previous year: €1,471 million) and a quarterly operating result of €+36 million (previous year: €+110 million). The corresponding analysts' estimates are €1,146 million for sales and €-18 million for operating earnings.

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