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Stadler plans IPO and listing on SIX Swiss Exchange

- **Stadler Rail AG («Stadler», the «Company»), a leading global pure-play producer of rolling stock and related systems, headquartered in Bussnang, Switzerland, today announced its intention to launch an initial public offering («IPO») and to list its shares on SIX Swiss Exchange.**
- **With an outstanding track record of growth via focused expansion in recent years, Stadler has become one of the leading producers of rolling stock in Europe. Stadler has sold more than 8000 trains and locomotives that operate in 41 countries, and more than 170 million kilometres are covered by vehicles serviced by Stadler every year.**
- **Stadler's success is based on a differentiated value proposition that matters to its customers. Its vehicles meet customers' complex customization requirements and are characterised by low life cycle costs, high reliability and availability. Best-in-class project management and execution capabilities result in short time-to market and punctual delivery.**
- **Long-term growth in the rail industry is supported by macroeconomic trends driving increasing demand for rail transportation, such as global population growth and urbanisation, the need for safe, cost and time-efficient forms of transport, and rising environmental awareness.**
- **The Company's attractive financial profile offers strong growth, high revenue visibility, strong profitability, high asset efficiency, sector-leading economic profit margins and an unlevered balance sheet. In 2018, the Company generated consolidated net revenue of two billion Swiss francs with an EBIT margin of 7.5 per cent. The high-quality and diversified order backlog of 13.2 billion Swiss francs as of 31 December 2018 is expected to drive net revenue to approximately four billion Swiss francs by 2020.**
- **Stadler has an experienced management team and a deeply ingrained culture of Swiss excellence to deliver a proven strategy with multiple avenues for the next level of profitable growth beyond 2020.**
- **The IPO is a natural next step in the Company's development and will further enhance its visibility and standing in its markets globally. The IPO is expected to consist entirely of secondary shares held directly and indirectly by majority shareholder and Executive Chairman Peter Spuhler. Post IPO, he will maintain his long-term commitment to Stadler as largest shareholder and will continue to act as Executive Chairman.**

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- **The IPO is expected to take place in the coming months, subject to market conditions.**

Commenting on today's announcement, Peter Spuhler, majority shareholder and Executive Chairman of the Board of Directors of Stadler, said: «Since I acquired Stadler in 1989 with 18 employees, we have experienced a strong growth momentum due to our focused organic expansion, particularly from 2008 onwards. Today, we target attractive market segments and regions and have established ourselves as a leader in our home markets in Europe. The planned IPO on SIX Swiss Exchange is a logical next step in Stadler's growth trajectory as it helps to further improve the long-term competitive position of Stadler in the global market. Furthermore, a public listing is a strong manifestation of reputation and quality, two attributes already deeply ingrained in our culture of Swiss excellence, and will support the further development of Stadler. I will continue to be closely involved in the strategic decision-making in my role as Executive Chairman and remain fully committed as a shareholder to the continued success of Stadler.»

Dr. Thomas Ahlburg, Group CEO of Stadler, added: «We are very excited about the prospect of an IPO and the new opportunities it creates for Stadler, such as increased public visibility and a better comparability with our rail and Swiss industrial peers. In our view, the increased public visibility will help accelerate our strategic initiatives for next-level growth and further attract the best talents available in an increasingly technology-driven industry. Consequently, we believe that the planned IPO will be beneficial to our customers and employees. Our new public shareholders will participate in this exciting next step in our growth story, with expected net revenue of approximately four billion Swiss francs by 2020.»

About Stadler

Stadler is a leading global pure-play producer of rolling stock and related systems with a strong track record of focused expansion. Founded in Switzerland in 1942, the Company has a long history of design and manufacturing excellence, offering its customers Swiss quality, precision engineering and best-in-class project management capabilities. Stadler's origins as a local business focused on producing tailor-made trains and locomotives in small batch sizes have built the basis for its expansion into a multinational yet independent organisation that prides itself on its ability to customize its rolling stock product offerings to meet the most varied and challenging customer specifications, while maintaining the ability to tailor-make trains on an individual or modular basis. Over the course of its history, the Company has produced over 8000 trains and locomotives that currently operate in 41 countries.

Stadler operates in two reporting segments: The Rolling Stock segment focuses on the design, engineering and production of high-speed, intercity and regional passenger trains and coaches, as well as locomotives, metros and light rail vehicles («LRV»), thereby addressing all relevant segments of the rail market. The Service & Components segment offers customers a range of services, from the supply of single spare parts, vehicle repairs, modernisation and overhauls to entire full service offerings, ensuring that after delivery, Stadler's vehicles continue to meet customers' most stringent demands in terms of reliability and availability during their entire life cycle of, on average, 30 years.

In 2018, Stadler generated two billion Swiss francs in net revenue with an EBIT margin of 7.5 per cent and a total order backlog of 13.2 billion Swiss francs as of 31 December 2018.

Stadler is majority-owned by Peter Spuhler, who directly and indirectly holds 80 per cent of the share capital of the Company. The remainder is held by RAG Stiftung (10 per cent) and key employees (10 per cent). Peter Spuhler has a clear and strong long-term commitment as largest shareholder beyond the IPO. He will also continue to act as Executive Chairman of the Board of Directors.

Key Strengths

Stadler is a leading global pure-play producer of rolling stock and related systems

Throughout its history, Stadler has dedicated its efforts to the production of trains, metros, LRV and locomotives. In 2018, the production of rolling stock contributed 87.6 per cent of its net revenue, with the remaining 12.4 per cent coming from its Service & Components segment. Stadler believes that because of its greater emphasis on rolling stock production and related systems compared to more diversified competitors, it has been able to develop unparalleled expertise in designing, engineering and producing sophisticated trains and locomotives in an effective and efficient way. It has also been able to leverage its expertise in rolling stock to design and produce complex related systems and components, such as bogies, gear-boxes, aluminium car bodies and software, and to provide a range of services that respond to its customers' ongoing maintenance needs.

As a result of its expertise as a producer of trains and locomotives, Stadler has experienced outstanding growth in recent years, and captured a significant share of the global rail market. According to data from SCI Verkehr, it has become the number two producer of electrical multiple units («EMU») and number four producer of diesel multiple units («DMU») in its strategic markets within Europe and North America.¹ Stadler has an especially strong competitive position in its strategic 11.0 billion Euros European rolling stock OEM market² (the largest of its strategic markets), where it is the third-largest producer of rolling stock according to SCI Verkehr.³

Stadler offers its customers a differentiated value proposition

Stadler's success is based on the unique value proposition that it offers to its customers. The Company's engineering excellence and technological leadership results in trains that are highly reliable, efficient to run and comfortable for passengers. Stadler offers a significant degree of customization possibilities, including the capability to tailor-make vehicles in large and small batch sizes, thereby offering its customers the full range of customisation that they require and granting Stadler a competitive advantage over its peers. The Company's decentralised and agile organization structure, combined with its best-in-class project management and execution capabilities, give an excellent track record in delivering its products quickly, on time and at high quality. Stadler believes that each of these factors combined contributes significantly to its strong market position.

Long-term growth in the rail industry is supported by macroeconomic trends driving increasing demand for rail transportation

Population growth and increasing urbanization trigger a growing requirement for modes of transport that can move large volumes of people in a fast, safe and reliable way. Rail also represents an attractive alternative to air and road transport from a cost and time to travel perspective. Increasing air and road congestion are expected to cause a shift towards more sustainable rail transport that is more environmentally friendly. These trends support the long-term growth of the rail industry and Stadler as a rolling stock manufacturer.

¹ Measured on the basis of the number of units delivered between 2013 and 2017, weighted by market segment value. SCI Verkehr GmbH is a strategic consultancy focused on the international railway and logistics industry.

² In 2017; based on the 2016-2018 rolling average value of equipment delivered

³ Measured on the basis of the number of units delivered between 2013 and 2017, weighted by market segment value according to SCI Verkehr

Stadler's attractive financial profile offers strong growth, high visibility, strong profitability, high asset efficiency, leading economic profit margins and an unlevered balance sheet

The success of Stadler's business model is evidenced by its attractive financial profile. In 2018, Stadler generated two billion Swiss francs in net revenue, and has achieved a net revenue CAGR of approximately 7 per cent between 2008 and 2018. The sustainability of its growth is underpinned by its order backlog of 13.2 billion Swiss francs as of 31 December 2018, which represents an increase of 19.3 per cent compared to 31 December 2017 and secures 85 per cent of revenues for the next two years. Stadler's order backlog is of a high quality, as it predominantly relates to orders from Western European customers and is well diversified.

Stadler's financial track record demonstrates that it has the ability to resiliently maintain profitability in challenging macroeconomic circumstances. Its EBIT margin, which was at 7.5 per cent in 2018, has remained above 6 per cent throughout the last decade, weathering the impact of various macroeconomic events. Its structurally negative net working capital in combination with its asset-light business model and an exceptionally high fixed asset turnover resulting from efficient capacity utilisation have driven attractive value creation. As a result, Stadler generated a strong economic profit margin⁴ amounting to 5.7 per cent of net revenue in 2018.

Due to its strong capital structure and unlevered balance sheet with a net cash position of 532 million Swiss francs in 2018, as well as its strong cash flow generation, Stadler believes that its financial profile provides the foundation to continue to expand its business and cement its position as a leading independent European producer of rolling stock and related systems.

Stadler has an experienced management team and a deeply ingrained culture of Swiss excellence

Stadler is led by a dedicated and experienced Group Executive Board that has a demonstrated track record in delivering profitable growth. With over 100 years of experience within the Stadler family of companies, its executive leadership team brings a cumulative expertise that has been instrumental in establishing its business strategy and securing its market position. Stadler also benefits from the leadership of an experienced and entrepreneurial Board of Directors which is independent by the majority, chaired by its Executive Chairman who previously served as Group CEO for 30 years during times of substantial growth.

Stadler has instilled a culture of Swiss excellence, pragmatism and determination and a «can-do», cooperative attitude among its more than 8500 employees, which has been key in fostering its ability to deliver products and services that meet its customers' highest requirements.

Stadler has a proven strategy with multiple avenues for the next level of profitable growth

The Company has a clear and multifaceted strategy for growth beyond 2020 (when revenue are expected to reach approximately four billion Swiss francs) that includes: 1) Further strengthening Stadler's technological and engineering expertise through ongoing product development; 2) Consolidating its presence in key European home market and targeted expansion in new regions; 3) Accelerating the growth of Stadler's services business by increasing its accessible market; and 4) Developing proprietary signalling solutions.

Key financial figures

Stadler reports under Swiss GAAP FER and applies conservative accounting principles. Revenues are recognised using the units-of-delivery method and therefore only booked when a train is delivered and costs are calculated using actual project margins.

⁴ Economic profit margin is calculated as Economic profit divided by net revenue. Economic profit is calculated as NOPAT less WACC x invested capital. NOPAT is defined as EBIT adjusted for taxes. Invested capital is defined as total equity plus net debt / (cash) at year-end

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<i>(CHF million)</i>	2018	2017	2016
Order intake ⁽¹⁾	4,389	3,441	4,765
Order backlog ⁽²⁾	13,179	11,044	9,304
Net revenue	2,001	2,428	2,065
<i>Order backlog / net revenue</i>	6.6x	4.5x	4.5x
EBITDA	208	245	219
<i>Margin</i>	10.4%	10.1%	10.6%
EBIT	151	191	179
<i>Margin</i>	7.5%	7.9%	8.7%
Net cash ⁽³⁾	532	960	629
Net working capital	(323)	(710)	(443)
Fixed asset turnover ⁽⁴⁾	2.8x	3.8x	4.0x
Economic profit margin ⁽⁵⁾	5.7%	7.3%	7.5%

(1) Order intake reflects firm vehicle production orders with customers pursuant to awarded / executed long-term contracts as well as firm service contracts.

(2) Order backlog is calculated as (i) backlog as recorded at the beginning of the year plus new orders received during the year less (ii) cancellations of orders recorded during the year and net revenue recognized during the year.

(3) Net cash is calculated as Cash and cash equivalents - Non-current financial liabilities - Current financial liabilities.

(4) Fixed asset turnover is calculated as net revenue divided by non-current assets.

(5) Economic profit margin is calculated as Economic profit divided by net revenue. Economic profit is calculated as NOPAT less WACC x invested capital. NOPAT is defined as EBIT adjusted for taxes. Invested capital is defined as total equity plus net debt / (cash) at year-end.

Credit Suisse and UBS are acting as Joint Global Coordinators and Joint Bookrunners for the envisaged IPO. BNP PARIBAS, Citigroup and Zürcher Kantonalbank are acting as Joint Bookrunners and UniCredit Bank AG as Co-Lead Manager, while Reichmuth & Co, St. Galler Kantonalbank and Thurgauer Kantonalbank are acting as Selling Agents in connection with the IPO. Alantra is acting as independent financial advisor to Stadler and Peter Spuhler. Niederer Kraft Frey AG and BianchiSchwald LLC are acting as legal advisors to Stadler and Peter Spuhler, with Lenz & Staehelin representing the bank syndicate.

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