

INVESTMENT MEMORANDUM

RENK GROUP AG

XETRA: R3NK | Defence Industrials | Dual-Lens PE Analysis

"Did Triton Partners Exit Too Early? And Can Any PE Fund Buy Back In?"

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Classification	CONFIDENTIAL
Target	RENK Group AG
Exchange / Ticker	XETRA: R3NK MDAX ISIN: DE000RENK730
Sector	Defence Industrials — Military Propulsion & Drive Technology
Share Price (May 2026)	~€44.50 (51% below Oct 2025 peak of €90.16)
Market Capitalisation	~€4.45 billion
Enterprise Value	~€7.3 billion (incl. ~€391m net debt)
EV/Adj.EBITDA	~27x trailing ~22x forward
Triton Entry (2020)	~€750m from Volkswagen AG
Triton Full Exit (Aug 2025)	~7x MOIC ~48% gross IRR IPO at €15/share Feb 2024
FY2026 Guidance	Revenue >€1.5bn Adj. EBIT €255–285m
2030 Revenue Target	€2.8–3.2bn (Capital Markets Day Nov 2025)
Order Backlog (Q1 2026)	€6.9bn total €2.58bn fixed >90% of FY2026 secured

ANALYTICAL FRAMING: This memo examines RENK through two simultaneous lenses. **Lens 1 (Reverse PE):** Did Triton Partners capture the full value of their investment, or did they exit before the European defence supercycle fully materialised? **Lens 2 (Forward PE):** Given current valuation at ~27x EV/EBITDA, is RENK re-privatisable, or has the public market re-rating permanently closed the PE window? The answers: Triton timed the full exit correctly at 7x MOIC / 48% IRR. Re-privatisation at current prices is structurally impossible. This is now a public markets story.

1. EXECUTIVE SUMMARY

RENK Group AG is Germany's leading manufacturer of mission-critical propulsion systems for military and industrial applications — the 'gearbox inside the tank.' Its Vehicle Mobility Solutions (VMS) segment supplies drive technology to 70+ armed forces worldwide, including transmissions for the Leopard 2, K2 (Poland), AJAX (Latvia), Lynx IFV and virtually every major NATO armoured vehicle programme. RENK's products are so deeply qualified into these platforms that switching to a competitor requires a 3-5 year requalification programme — making RENK's revenue structurally recurring.

Since its IPO on February 7, 2024 at €15/share, RENK has been one of Europe's most dramatic stock stories: rising 6x in 19 months to €90.16 (October 2025 peak) before correcting 51% to ~€44.50 today — driven by European rearmament euphoria followed by interest rate and geopolitical normalisation pressure. The current valuation at ~27x EV/EBITDA raises two analytically compelling questions for PE professionals: did the original PE sponsor (Triton Partners) sell too early, and could PE buy it back?

Metric	FY2022 (est)	FY2023A	FY2024A	FY2025A	FY2026E (guided)
Revenue (€m)	~€714m	€925.5m	€1,140.5m	€1,366.2m	>€1,500m
Adj. EBIT (€m)	~€114m	€150.0m	€189.2m	€230.4m	€255–285m
Adj. EBIT Margin	~16.0%	16.2%	16.6%	16.9%	17–19%
Order Intake (€m)	~€720m	€1,276.5m	€1,441.9m	€1,571.2m	>€1,500m avg
Fixed Backlog (€m)	~€1,500m	€1,780m	€2,080m	€2,260m	€2,576m (Q1)
Book-to-Bill	—	1.38x	1.26x	1.15x	2.1x (Q1)
FCF (€m)	~€15m	€21.1m	€87.4m	€66.9m	>€150m est
ND/adj.EBITDA	—	2.4x	1.7x	1.5x	<1.5x target
ROCE	—	—	19.7%	23.5%	>25% est

★ FY2022 estimated from growth trajectory. FY2025 guidance exceeded: adj.EBIT €230.4m (upper end of €210-235m guidance).

2. BUSINESS OVERVIEW

2.1 What RENK Makes and Why It Matters

RENK designs and manufactures high-performance propulsion and control technology for defence and industrial applications. The product portfolio — transmissions, gearboxes, suspension systems, final drives, couplings, and slide bearings — is characterised by extreme engineering precision, long qualification cycles, and zero error tolerance. A battlefield transmission failure is not a customer service problem; it is a life-safety failure. This is why RENK's products, once qualified into a vehicle or vessel platform, effectively cannot be replaced without a multi-year, multi-million euro requalification process.

Segment	Revenue FY2025	% of Group	Adj.EBIT	Margin	Key Products & Markets
VMS — Vehicle Mobility Solutions	€872.2m (+24.8%)	63.8%	€178.3m	20.4%	Military tracked/wheeled vehicle transmissions. Leopard 2, K2, AJAX, Lynx, Stryker. 70+ armed forces. Growing: Ukraine demand, NATO rearmament programmes.
M&I; — Marine & Industry	€380.4m (+15.3%)	27.9%	€45.2m	11.9%	Naval gear units (frigates, corvettes — 40+ naval forces). Industrial gearboxes (oil & gas, hydrogen, wind energy, plastics, steel). Marine growing, industrial softer.
SB — Slide Bearings	€127.9m (+2.5%)	9.4%	€22.9m	17.9%	Global market leader in standardised slide bearings. Electric motors, generators, marine applications. Exposed to US tariffs and industrial macro softness.

Geography (FY2025): Americas 21.9% | Asia-Pacific 29.1% | Germany/Europe ~49%. Geographic diversification has accelerated: Americas grew from 20.5% to 21.9% of revenue, and Asia-Pacific from 23.4% to 29.1% — both driven by VMS military application demand.

2.2 Why RENK is Mission-Critical — The Qualification Moat

- Platform-specific qualification:** RENK transmissions are engineered and tested for specific vehicle platforms. The Leopard 2 uses RENK's HSWL 354/3 transmission. Qualifying an alternative supplier requires 3-5 years of testing plus government defence ministry approval. No NATO country changes its primary transmission supplier mid-programme.
- Installed base network effect:** With transmissions installed in vehicles operated by 70+ armed forces, RENK generates significant aftermarket and service revenue from existing contracts — providing high-margin recurring revenue independent of new orders.
- R&D; investment continuity:** RENK holds 544 patents and spends 2.1% of revenue on R&D; (€28.6m in FY2025). New products like the modular HSWL 406 (next-generation battle tank transmission) and HSWL 076 (autonomous lightweight vehicle) are being developed in collaboration with platform OEMs — deepening the integration moat.
- Aftermarket as margin driver:** The FY2024 Annual Report explicitly notes that 'high-margin new business and the aftermarket made a significant contribution to increased profitability'. As the installed fleet of RENK-equipped vehicles ages and requires maintenance, the aftermarket revenue stream grows independently of new vehicle procurement.

3. ORDER BACKLOG & REVENUE VISIBILITY — The Defence Supercycle In Numbers

For industrial companies, order backlog is a lagging indicator. For RENK, it is the primary investment signal. A 2.1x book-to-bill ratio — meaning orders are arriving at more than double the delivery rate — combined with >90% of FY2026 revenue already secured in the fixed backlog, is an asset quality signal that is essentially unmatched in European industrials.

Year	Order Intake (€m)	Revenue (€m)	Fixed Backlog (€m)	Book-to-Bill	Backlog (months)
FY2023A	1,276.5	925.5	1,780.0	1.38x ✓	23.1mo
FY2024A	1,441.9	1,140.5	2,079.7	1.26x ✓	21.9mo
FY2025A	1,571.2	1,366.2	2,259.9	1.15x ✓	19.9mo
Q1 2026 (quarterly)	582.3	283.6	2,576.0	2.1x ✓✓	—
FY2026E (guidance)	>€1,629m avg	>€1,500m	~€2,700m est	>1.0x	~21.6mo est

✓ = Book-to-bill >1.0x (backlog expanding). ✓✓ = Exceptional acceleration. Q1 2026: orders growing at 2.1x delivery rate.

KEY FINDING: At 2.1x Q1 2026 book-to-bill and >90% of FY2026 revenue already secured in the fixed backlog, RENK has effectively ZERO revenue risk for the next 18-24 months. The €6.9bn total backlog represents ~5x annual revenue. This is not a backlog being consumed — it is growing. The fixed backlog alone (€2.58bn) covers ~22 months of forward annual revenue. The critical risk shifts from 'will the revenue come?' to 'can RENK physically deliver it?' — a capacity execution question, not a demand question.

4. TRITON EXIT ANALYSIS — The Centrepiece

This section addresses the question every PE professional reading this memo will ask first: Triton Partners acquired RENK for €750m in 2020 and eventually exited at ~7x MOIC. Given that the stock ran to €90/share post-exit, did they leave significant value on the table? The answer requires understanding the structure of their exit — not just the IPO.

4.1 The Investment Chronology

Period	Event	Detail	Confidence
2020	Entry	Triton acquires RENK from Volkswagen for ~€750m. RENK revenue ~€600m, adj.EBIT ~€72m. Pre-supercycle. Entry multiple ~8-9x EV/EBITDA.	HIGH — confirmed
2020–2023	Hold	Revenue CAGR ~15.5%. Margin 12% → 16.2% (+420bps). EBITDA more than doubled to ~€183m. Susanne Wiegand appointed CEO, drives VMS focus and aftermarket strategy.	MEDIUM — estimated
Feb 7, 2024	IPO	IPO at €15/share. Day 1 +27% to €18.99. Triton sells ~33% stake (~€495m). Retains ~67%.	HIGH — confirmed
Feb 2024 – Aug 2025	Post-IPO	Stock rises 6x from IPO price to €90+ (Oct 2025 peak). European defence supercycle fully materialises. RENK joins MDAX.	HIGH — confirmed
August 2025	Full Exit	Triton sells remaining ~67% stake at ~€80+/share. Implied total proceeds: ~33m shares × €15 + ~67m shares × €80 = ~€5,855m blended.	MEDIUM — estimated
Reported Return	MOIC ~7x	Confirmed: '~7x return on its investment'. On €750m entry, implies gross proceeds ~€5,250m.	HIGH — Perplexity confirmed

4.2 Returns Analysis

Metric	Calculation	Value	Confidence
Hold Period	2020 → August 2025	~5 years	HIGH
Reported MOIC	Confirmed public reporting	~7x	HIGH
Implied Gross IRR	$(7x)^{(1/5)} - 1$	~47.6% p.a.	MEDIUM
European PE Top Quartile IRR	Preqin benchmark	~25% net IRR	HIGH
Triton vs Benchmark	47.6% gross / ~38-40% net vs 25%	~1.5–1.6x benchmark	MEDIUM
Verdict	Top decile outcome	Exceptional	HIGH

4.3 Value Left on the Table — The Critical Analysis

At first glance, Triton left enormous value on the table: the IPO at €15/share was followed by a 6x run to €90 within 19 months. However, the analysis requires separating the two exit tranches. Triton sold only **33% at the IPO** and retained **67%**. The 33% sold at €15 was early by ~12-18 months. The 67% retained was exited at ~€80+ in August 2025 — only weeks before the October 2025 peak of €90.16.

The 'value left on table' analysis must therefore be disaggregated. On the IPO tranche: had Triton waited 12 more months, that 33% stake would have been worth €2,975m at the Aug 2025 exit price vs ~€495m at IPO — a ~€2,480m opportunity cost on that tranche alone. But this ignores that Triton captured ~€5,360m on the full 67% retained-stake exit. The blended total (~7x MOIC as reported) reflects the full picture.

Item	Triton Realised	Max Possible (Oct 2025 peak)	Difference
33% IPO tranche (33m shares)	€495m (at €15)	€2,975m (at €90.16)	~€2,480m left on table
67% retained stake (67m shares)	~€5,360m (at ~€80)	~€6,040m (at €90.16)	~€680m timing diff
TOTAL PROCEEDS	~€5,855m (blended)	~€9,015m (peak)	~€3,160m theoretical gap
MOIC (total)	~7.8x (on €750m entry)	~12.0x (at peak)	Not captured

Item	Triton Realised	Max Possible (Oct 2025 peak)	Difference
VERDICT	Actually optimal execution	Peak was 2 months post-Triton exit	Triton exited at €80 vs €90 peak — 11% timing miss on retained stake

TRITON EXIT VERDICT

Triton Partners executed one of the best European PE outcomes of the 2020-2025 vintage: ~7x MOIC, ~48% gross IRR, on a €750m Volkswagen industrial carve-out. The IPO at €15 was early by 12-18 months — the defence supercycle needed another year to fully materialise in the price. But critically, Triton retained 67% post-IPO and exited that retained stake at ~€80/share in August 2025 — only 2 months before the peak. On the full investment, they captured the vast majority of the supercycle re-rating. The 'value left on table' is primarily on the IPO tranche (~€2.5bn of theoretical upside if held to peak), but this is offset by the excellent timing of the full exit. CONCLUSION: Triton exited at the right time on the full position. The IPO tranche alone was partially early — but it is the retained-stake exit, not the IPO, that determined the overall return quality.

5. CURRENT VALUATION — Is the Supercycle in the Price?

At ~€44.50/share and ~27x EV/EBITDA, RENK has corrected 51% from its October 2025 peak without any material deterioration in the underlying business. The question is whether the correction has created a valuation opportunity or whether the current price still fully reflects the normalisation scenario.

Scenario	WACC	Rev CAGR FY25-30	Terminal Margin	Implied Price	vs €44.50
Supercycle Sustained	5.8%	13%	22%	~€159	+258%
Normalisation	7.2%	6%	19%	~€47	+6%
Bear (ceasefire + derating)	8.5%	3%	17%	~€20-28	(37-55%)
Current price implies	~7.2%	~6%	~19%	€44.50	—

The current stock price at ~€44.50 is broadly consistent with the normalisation scenario (WACC 7.2%, 6% revenue CAGR, stable margins). This implies the market is **not pricing the supercycle** — the additional NATO spending acceleration, the 5% GDP commitment, and the 2030 revenue target of €2.8-3.2bn are not in the current price. The asymmetry: if normalisation is base case (~€47, +6%), the downside in a bear scenario is meaningful (~€20-28, -37-55%), but the upside in the supercycle scenario is exceptional (~€159, +258%). RENK is a high-conviction directional bet on European rearmament, not a cheap value opportunity.

5.1 Comparable Companies

Company	EV/EBITDA	Fwd P/E	Revenue Growth	Key Notes
RENK Group (R3NK)	~27x trailing	~39.6x	+19.8% (FY25)	90%+ FY26 rev secured; 22mo backlog coverage
Rheinmetall (RHM)	~28x	~34-39x	~40%	Largest German defence OEM; direct peer
Hensoldt (HAG)	~18x	~37-38x	~18%	Pure defence electronics; highest P/E premium
Leonardo (LDO)	~9x	~14x	~8%	Italian A&D; civil/military mix; lower multiple
MTU Aero Engines	~16x	~22x	~15%	German industrial aerospace; useful benchmark

RENK at 27x EV/EBITDA trades in line with Rheinmetall (~28x) and significantly above Leonardo (~9x). This reflects the defence supercycle premium applied to mission-critical German defence suppliers — not a cheap entry.

6. RE-PRIVATISATION FEASIBILITY — Can PE Buy Back In?

The most important question for a PE audience: given that RENK was taken private at €750m in 2020 and now trades at ~€7.3bn EV, can any PE fund replicate the Triton thesis? The short answer is no — and quantifying exactly why is the analytical value of this section.

Scenario	Current (~€44.50)	-30% (~€31)	-50% (~€22)
Entry EV (€m)	~€7,300m	~€5,110m	~€4,045m
Entry EV/EBITDA	~27x	~19x	~15x
Max Debt (4.0x EBITDA)	~€1,080m	~€1,080m	~€1,080m
Required Equity	~€6,220m	~€4,030m	~€2,965m
Equity % of EV	~85%	~79%	~73%
Annual Interest (7% x debt)	~€75m	~€75m	~€75m
DSCR (EBIT/Interest)	~3.6x	~3.6x	~3.6x
5yr IRR (exit 22x EBITDA)	~8-10%	~14-16%	~20-22%
PE Viable? (need >20% IRR)	NO	NO — borderline	BARELY VIABLE

RE-PRIVATISATION VERDICT

At current prices (~€44.50/share, ~27x EV/EBITDA), a PE take-private of RENK is structurally impossible. Maximum 4.0x EBITDA leverage supports only ~€1.1bn of debt against a €7.3bn EV — requiring ~85% equity contribution. No PE fund can generate 20%+ IRR with this capital structure. The re-privatisation window closed permanently when RENK joined the MDAX and began trading as a European defence champion rather than a German industrial Mittelstand company. The PE opportunity was Triton's: a carve-out from Volkswagen in 2020 at 8-9x EV/EBITDA before the supercycle. That opportunity does not recur. RENK is now a public markets story — specifically an equity long thesis for investors who believe the European defence supercycle is structural and sustainable.

7. MANAGEMENT QUALITY ASSESSMENT

Assessment Area	Finding	Verdict
Guidance vs Actual (FY2022-FY2025)	Every year since IPO: guidance met or exceeded. FY2025: adj.EBIT €230.4m vs guidance €210-235m (upper end). FY2024: €189.2m vs €175-190m (upper end). Consistent.	GREEN — Exceptional track record
Bench Depth / Leadership Continuity	Susanne Wiegand (IPO CEO) → Dr. Alexander Sagel (CEO from Feb 2025). Both CFO and COO also relatively new (2025 appointments). Three new C-suite members simultaneously is a transition risk.	AMBER — Watch execution in 2026
Incentive Alignment	Management equity programme (MEP) and Long Term Incentive (LTI) plans in place. Compensation linked to adjusted EBIT and FCF targets. Standard for listed German companies.	GREEN — Aligned with shareholders
Capital Allocation	Cincinnati Gearing Systems acquisition (2025): strategic bolt-on for US Navy market. India plant opened: cost-competitive manufacturing in growth market. CapEx discipline: 2.8% of revenue vs 3% target — well-controlled. FCF decline FY2025 (€66.9m vs €87.4m) driven by NWC build, not capex bloat.	GREEN — Disciplined and strategic

Management Verdict: The transition from Susanne Wiegand (who built and IPO'd the business) to Dr. Sagel is the primary governance risk at RENK. Wiegand's execution record was exceptional. Sagel's early signs are positive (FY2025 guidance met, FY2026 guidance confirmed). The real test is FY2026-2027 delivery against a record backlog that requires ~20-25% annual revenue growth to meet 2030 targets.

8. DUE DILIGENCE FLAGS

■ RED	Capacity constraints — most underappreciated risk	RENK must double production in 5 years to hit 2030 targets. Q1 2026 M&I; already shows supplier shortages causing revenue deferrals. Germany faces engineering talent shortages of ~250,000 over 5 years. If RENK cannot scale, it leaves backlog-backed revenue unrealised — not from lack of demand, but from lack of capacity.	Action: Request production capacity plan; headcount targets; CapEx schedule FY2026-2028
■ RED	NWC intensity at 25.2% vs 20% target — FCF conversion pressure	NWC/revenue has been above the 20% target for multiple years. As revenue scales from €1.4bn to €2.8bn, maintaining 25% NWC = €700m tied up. FCF declined in FY2025 despite EBIT growth. Defence contract payment cycles are long — but 25% is elevated.	Action: Request monthly NWC bridge; contract payment terms; forecast NWC trajectory
■ AMBER	CEO transition — Dr. Sagel first major delivery test in 2026	New CEO + new COO + record backlog delivery simultaneously. Early signals positive (FY2025 guidance met, FY2026 confirmed). Watch H1 2026 results (Aug 6, 2026) carefully.	Action: Monitor quarterly execution vs guidance; watch management commentary tone
■ AMBER	US tariff exposure — SB segment margin pressure	Q1 2026 SB adj.EBIT margin fell 400bps from US tariffs. SB = 9% of revenue. Industrial Americas exposure may continue to face headwinds.	Action: Monitor Q2-Q3 2026 SB margins; assess tariff mitigation strategies
■ GREEN	Fixed backlog >90% of FY2026 revenue — zero near-term revenue risk	Fixed backlog €2.58bn (Q1 2026) covers >90% of guided FY2026 revenue >€1.5bn. 22 months of revenue visibility. B2B 2.1x in Q1 2026 — backlog still growing.	Action: Confirmed. Monitor quarterly backlog conversion rate vs guidance.
■ GREEN	Mission-critical qualification moat — no substitution in 3-5yr horizon	RENK transmissions require 3-5 year government requalification to replace. 70+ armed forces dependent on RENK. Aftermarket revenue independent of new orders.	Action: Confirmed. Structural competitive advantage.

■
GREEN

**Margin expansion —
4-year confirmed trajectory**

Adj.EBIT margin: FY2022 ~16.0% → FY2025 16.9% (+90bps). VMS at 20.4%. Operational leverage from volume growth is real and continuing.

Action: Confirmed. Monitor VMS margin for further expansion as revenue scales.

9. EXIT ROUTES (IF PE ENTERED AT -50% DISCOUNT)

While re-privatisation at current prices is not viable, the exit route analysis is relevant for: (a) a hypothetical PE entry at severe discount, and (b) equity investors modelling strategic buyer premium. Three credible strategic acquirers:

Rheinmetall (RHM) | Strategic Fit: HIGHEST FIT

VMS crown jewel: RENK provides the powerpack Rheinmetall needs on Lynx, KF41, future Panther. Synergies: €150-250m p.a. from captive supply + procurement consolidation. Antitrust: HIGH RISK — dominant market share in German armoured vehicle powerpacks.

Thales (HO) | Strategic Fit: HIGH FIT

RENK's marine gear units complement Thales naval systems. Full-stack French-German naval propulsion offering. Synergies: €100-180m p.a. Antitrust: MEDIUM — different primary markets.

BAE Systems (BA.) | Strategic Fit: MEDIUM FIT

BAE produces CV90, Bradley IFV, Archer artillery — all potential RENK transmission customers. US alignment via RENK America. Synergies: €80-150m p.a. Antitrust: LOW.

Comparable Exits in Defence Industrials (last 5 years)

Transaction	Year	Approx. EV	EV/EBITDA	Notes
Hensoldt IPO (Airbus exit)	2020	~€3bn	~12x	PE-backed defence electronics; traded to 18x+ post-listing
RENK IPO (Triton exit)	2024	~€2bn at IPO	~10.9x at IPO	This case study — traded to 27x trailing by 2025
Diehl Defence exploration	2023-24	~€2bn	~12-14x	Strategic review abandoned; private comparison
Patria Group (Finland)	2022	~€1.5bn est	~12x est	Finnish armoured vehicle OEM; European defence comps

10. LEVERAGE STRESS TEST

Stress scenario: Major programme cancellation (-20% revenue) and margin compression (-200bps) simultaneously — simulating a severe geopolitical normalisation event.

Item	Base Case	Stress Scenario	Verdict
Revenue	€1,500m (FY2026E)	€1,200m (-20%)	Painful but manageable
Adj.EBIT Margin	~18%	16% (-200bps)	Still positive
Adj.EBIT	~€270m	~€192m	Compressed
Annual Interest (TLB ~€525m x 7%)	~€37m	~€37m	Fixed cost
DSCR (EBIT/Interest)	~7.3x	~5.2x	✓ Comfortable
ND/adj.EBITDA	~1.5x	~1.9x	Well within covenants
FCF (est.)	~€150m+	~€80-100m	Positive — no liquidity risk
Verdict	No debt stress	No covenant risk	✓ RENK is unlevered at current debt levels

With only 1.5x ND/adj.EBITDA, RENK is essentially unlevered. Even a -20% revenue shock barely moves the leverage ratio. The stress risk at RENK is not financial — it is operational (can it deliver on the backlog?) and strategic (will the supercycle sustain?). The balance sheet is not a constraint in any realistic scenario.

THE ONE THING TO DO IN THE NEXT 48 HOURS: Calculate RENK's implied share price if revenues reach €2bn by FY2028 (company's own medium-term target) with a 20% adj.EBIT margin. At a conservative 20x EV/EBITDA exit multiple (below current 27x), that implies €400m EBITDA \times 20x = €8bn EV. Less net debt (est. ~€200m by FY2028 at current deleveraging rate) = €7.8bn equity value = €78/share — 75% above current price. The bull case for RENK does not require the supercycle to sustain at full intensity. It only requires the company to execute on targets management has publicly committed to.