



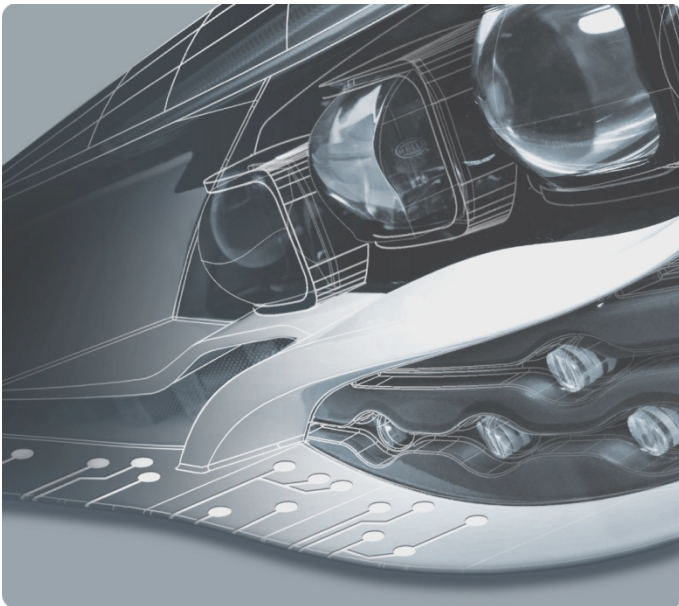
Technology with Vision

# HELLA Investor Update Q1 FY 2020/21

Conference Call on September 24, 2020

**Dr. Rolf Breidenbach, CEO**

**Bernard Schäferbarthold, CFO**



# Disclaimer

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This document contains an English translation of the accounts of the Company and its subsidiaries. In the event of a discrepancy between the English translation herein and the official German version of such accounts, the official German version is the legal valid and binding version of the accounts and shall prevail.

# HELLA Investor Update Q1 FY 2020/21

## Outline

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- HELLA Financial Highlights Q1 FY 2020/21
- HELLA Financial Results Q1 FY 2020/21
- Outlook
- Q&A

# Negative sales development, adjusted EBIT margin at 4.2% in Q1 FY 2020/21

## Financial Highlights Q1 FY 2020/21

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### Sales

- **HELLA Group** currency and portfolio adjusted **sales declined by 10.6% YoY** to 1.4 bill. EUR

### Profitability

- **Adj. Gross Profit margin** at **23.7%** (-2.6%-points YoY)
- **Adj. EBIT** at **56 mill. EUR** (-49.2% YoY)
- **Adjusted EBIT margin** -3.1%-points to **4.2%**
- **Reported EBIT margin** at **-8.6%** due to restructuring costs for the improvement program in Germany

### Liquidity

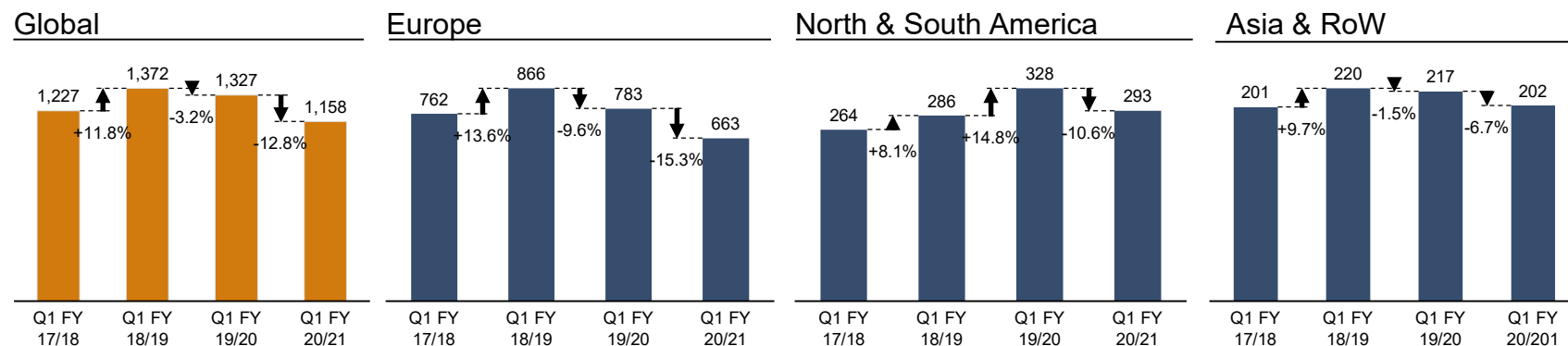
- **Adjusted Free Cash Flow from operating activities** decreased by **308 mill. EUR** to **-240 mill. EUR**

Note: HELLA sold its shares in Behr Hella Service, a joint venture, on 31 Dec 2019. To ensure comparability with the current fiscal year, the comparative operative values for FY 2019/2020 for the period in question from 1 June to 31 December 2019 have been adjusted for the income and expenses of BHS. Adjustments of profitability figures for all years include restructuring expenses. For details see financial report. Please note that where sums and percentages in the presentation have been rounded, differences may arise as a result of commercial rounding.

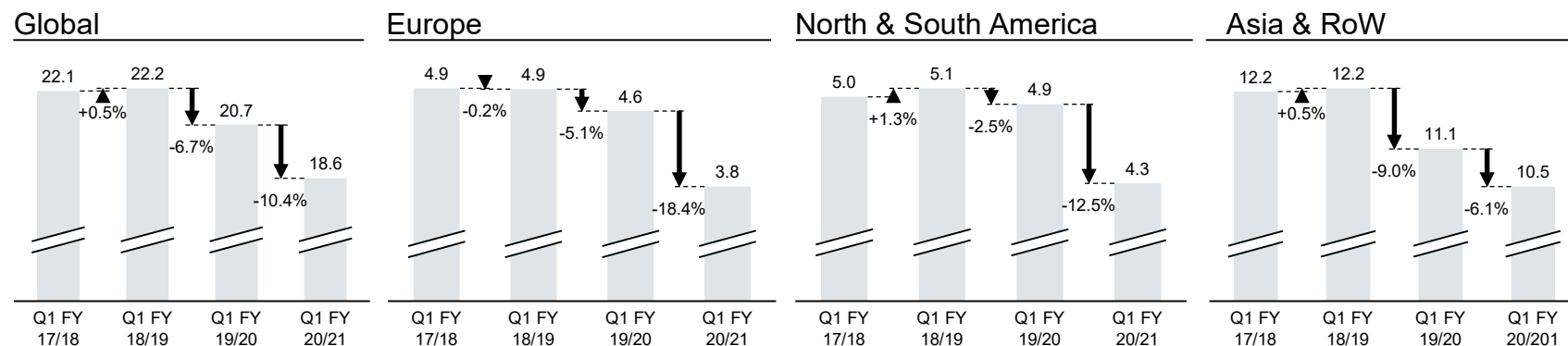
# Automotive outperforms LVP in Europe and NSA, Asia impacted by under-proportional growth in China

## Financial Highlights Q1 FY 2020/21

### HELLA Automotive external sales by region (in EUR millions)



### Light vehicle production (in million units)



### HELLA Automotive growth vs. market (Light vehicle production growth):

+11.3%   +3.4%   -2.4%     +13.9%   -4.5%   +3.1%     +6.8%   +17.3%   +1.9%     +9.3%   +7.5%   -0.6%

Source: HELLA; IHS (as of September 15, 2020)



# HELLA Investor Update Q1 FY 2020/21

## Outline

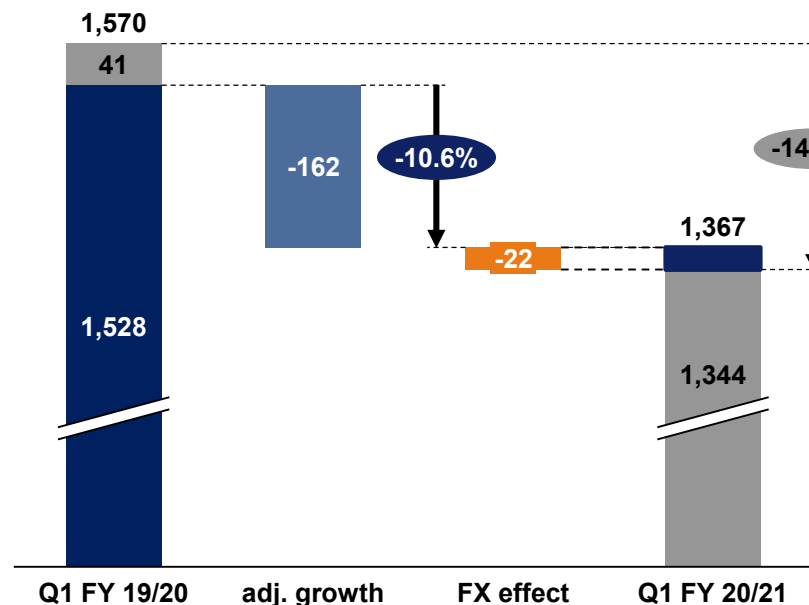
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# HELLA top line with expected decline in Q1 FY 2020/21 due to the continuing negative effects of the Covid-19 pandemic

## Financial Results FY Q1 2020/21

### HELLA Group sales (in EUR millions)



- Sales of thermal business / reported sales
- Currency and portfolio adjusted sales

Note: Reported sales without consideration of currency and portfolio effects.  
Q1 FY 19/20 not adjusted for the sales of the relays business

### Comment

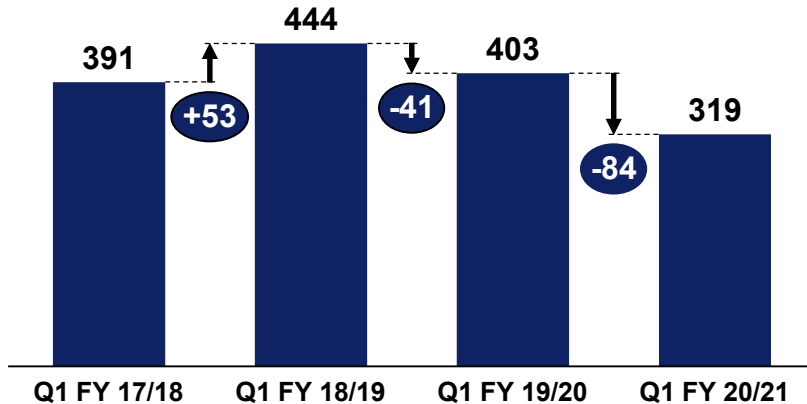
- **Currency (-1.5pp) and portfolio adjusted (+2.3pp) decrease of HELLA Group at 10.6% to 1,367 mill. EUR**
- **Reported sales of HELLA Group declined by 14.4% (decreased by 225 mill. EUR to 1,344 mill. EUR)**
  - **Automotive -12.6% to 1,170 mill. EUR**  
Continuously adverse effects of negative market environment in Europe and NSA
  - **Aftermarket -6.7% to 110 mill. EUR**  
Market weakness in Independent Aftermarket, partly compensated by positive development of Workshop business
  - **Special Applications -2.8% to 75 mill. EUR**  
due to negative impact of Covid-19 pandemics on some customer segments, agriculture with growing demand

# Adj. GPM decreased despite savings due to negative growth and worldwide ramp-up of production plants below full capacity

## Financial results Q1 FY 2020/21

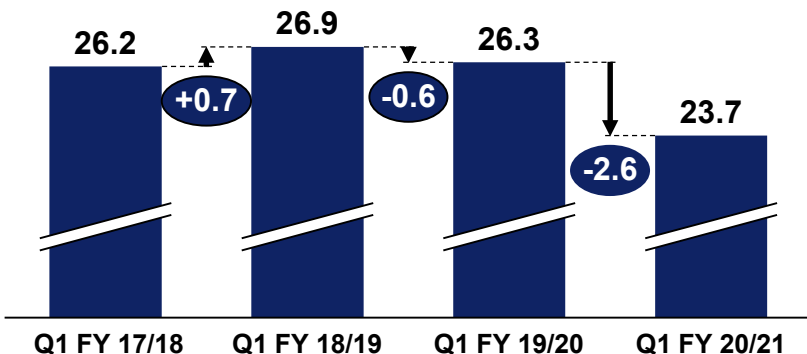
### Adj. Gross Profit

EUR millions



### Adj. Gross Profit margin

% sales



### Highlights

- **Adj. Gross Profit decreased by 84 mill. EUR (-20.8%) to 319 mill. EUR**
  - **Automotive** -23.7% to 243 mill. EUR
  - **Aftermarket** -5.3% to 49 mill. EUR
  - **Special Applications** -17.4% to 27 mill. EUR

### Highlights

- **Adj. Gross Profit margin decreased by 2.6%-points to 23.7%**
  - decreased GPM Automotive (-3.0pp): ramp-up of worldwide production plants below full capacity as well as lower reimbursements
  - higher GPM in Aftermarket (+0.7pp): increased share of workshop business with higher license sales
  - decrease GPM in SA (-6.2pp): negative product mix effects and higher tool- and project-related development costs

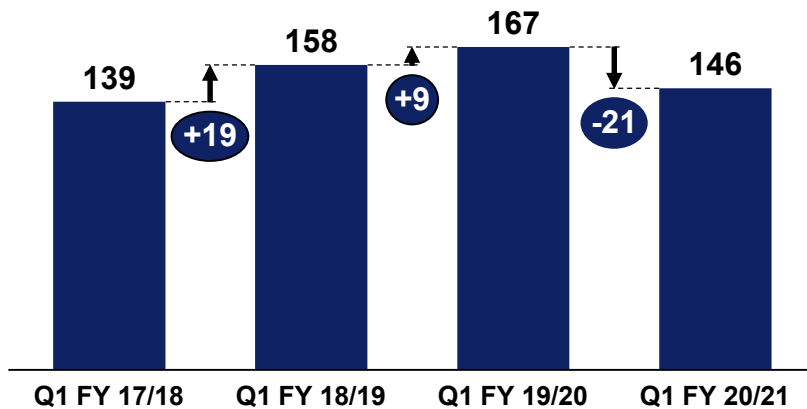


# Continuous high R&D expenses with focus on preparation of new customer projects

## Financial results Q1 FY 2020/21

### Adj. R&D expenses

EUR millions

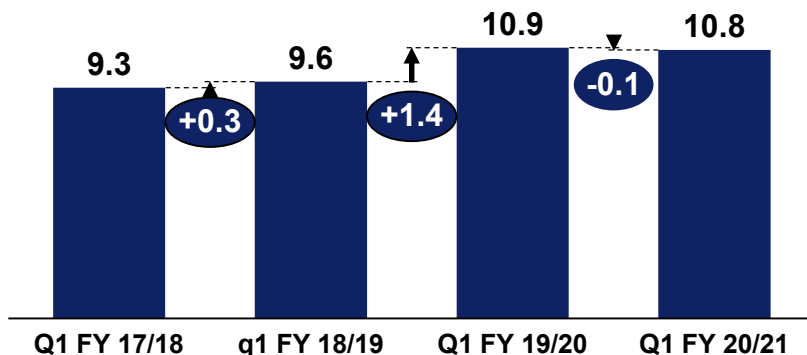


### Highlights

- **Adj. absolute R&D expenses** decreased by 21 mill. EUR (-12.8% YoY) to **146 mill. EUR**
- With the considerable demand decline and the associated sales loss continued focus of activities on series development and production ramp-ups

### Adj. R&D expenses ratio

% sales



### Highlights

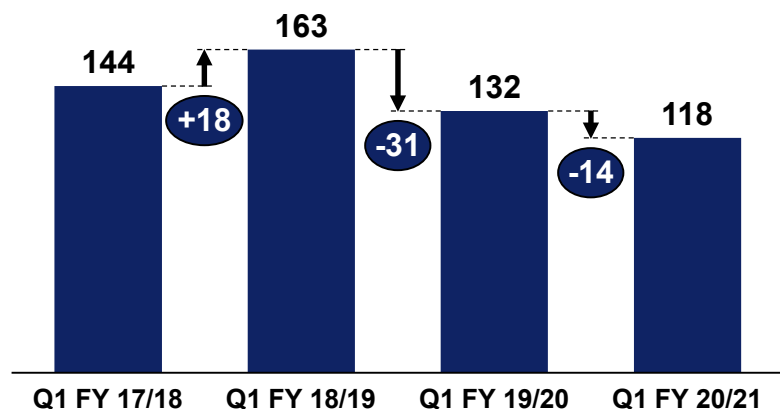
- **Q1 FY20/21 ratio** stable to previous year with above mentioned focus of development activities

# SG&A costs declining due to continuous cost savings and extensive measures which were introduced as reaction to the crisis

## Financial results Q1 FY 2020/21

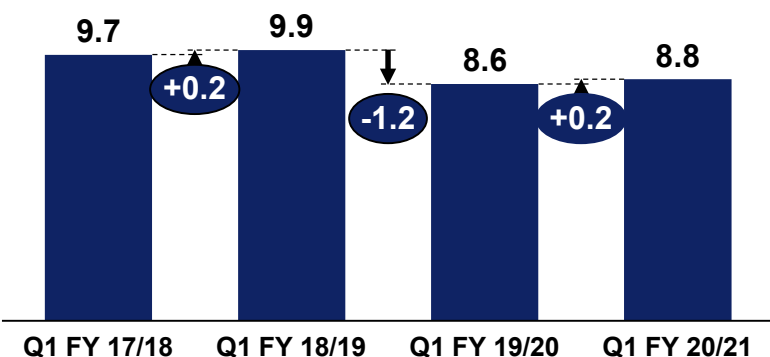
### Adj. SG&A expenses

EUR millions



### Adj. SG&A expenses ratio

% sales



### Highlights

- **Adj. SG&A costs** decreased **14 mill. EUR, -10.4%** to **118 mill. EUR**:
  - decrease in marketing and logistic costs (-13 mill. EUR) with realized saving potentials
  - lower admin expenses (-6 mill. EUR) with stringent saving programs
  - decreased other adjusted income (-5.2 mill. EUR)

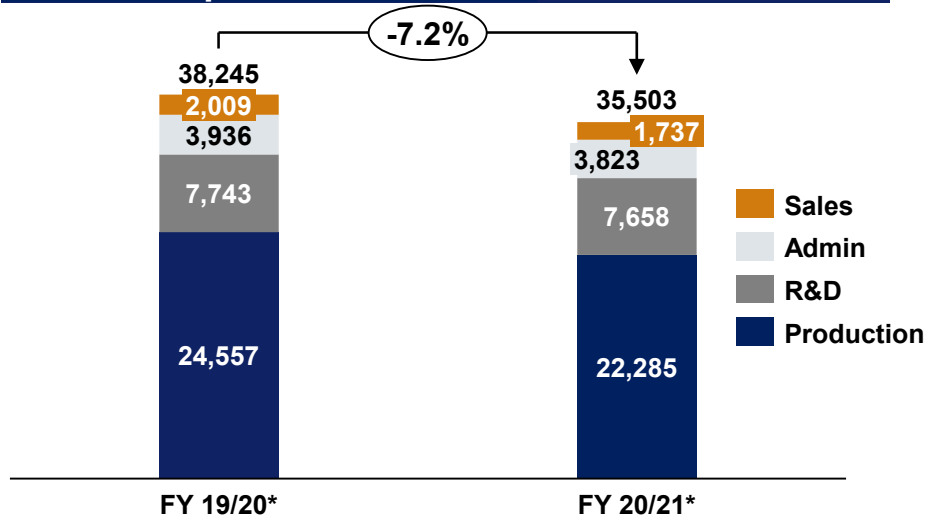
### Highlights

- **Adj. SG&A ratio** increased by **0.2%-points** to **8.8%**
- Strong saving programs and lower logistic costs compensate volume decline, lower other adjusted income due to positive one-of effect in PY

# Structural changes of organization already led to a significant decrease of headcount

## Financial results Q1 FY 2020/21

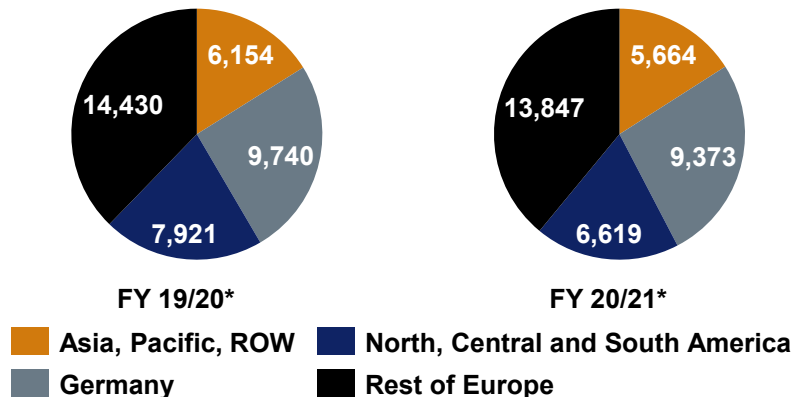
### Headcount per functional area



### Highlights

- Overall headcount **decreased** by 7.2%:
  - production (-9.3%)
  - sales and marketing (-13.5%)
  - administration (-2.9%)
  - research and development (-1.1%)

### Headcount per region



### Highlights

- Headcount reduction across all regions
  - NSA (-16.4%)
  - Germany (-3.8%)
  - Rest of Europe (-4.0%)
  - Asia, Pacific, ROW (-8.0%)

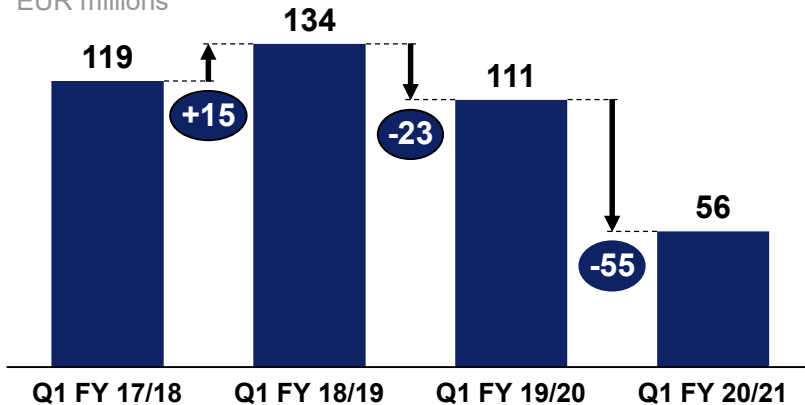
\* As per August 31st

# Adjusted EBIT below prior-year's level despite continuous cost savings. Margin pressure from continuous market decline

## Financial results Q1 FY 2020/21

### Adjusted EBIT

EUR millions

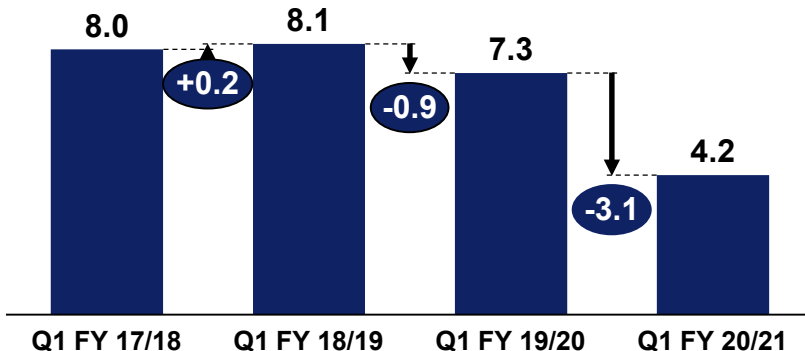


### Highlights

- **Adjusted EBIT** decreased by 55 mill. EUR (-49.2%) to **56 mill. EUR**:
  - decrease in adj. Gross Profit by 84 mill. EUR (-20.8%)
  - lower R&D (- 21 mill. EUR, -12.8%)
  - decrease in adj. SG&A (lower distribution & admin) by 14 mill. EUR (-10.4%)
  - lower JV income (-6 mill. EUR) due to global impact of Covid-19

### Adjusted EBIT margin

% sales



### Highlights

- **Adj. EBIT margin** decreased by **3.1-points** to **4.2%**, mainly:
  - decrease of adj. GPM by 2.6%-points
  - lower JV contribution (-0.4%-points)

# P&L including reconciliation; main adjustment Q1 FY 2020/21 for improvement program in Lippstadt/Germany of 169 mill. EUR

## Financial results Q1 FY 2020/21

HELLA GROUP in mill. EUR		Q1 FY 19/20	Q1 FY 20/21
Revenues	reported	1,569.8	1,344.4
	Adjustments	-41.5	
	adjusted	1,528.4	1,344.4
Gross Profit	reported	407.8	316.7
	Adjustments	-5.2	2.0
	adjusted	402.6	318.8
R & D expenses	reported	-167.1	-285.8
	Adjustments	0.0	+140.2
	adjusted	-167.1	-145.6
Distribution	reported	-90.7	-73.1
	Adjustments	5.2	0.1
	adjusted	-85.5	-73.0
Admin	reported	-54.0	-77.0
	Adjustments	0.1	+29.4
	adjusted	-53.9	-47.6
Impairments	reported	0.0	0.0
	Adjustments	0.0	0.0
	adjusted	0.0	0.0
Other income & expenses	reported	7.7	2.5
	Adjustments	0.0	0.0
	adjusted	7.7	2.5
EBIT	reported	111.1	-115.3
	Adjustments	0.0	171.7
	adjusted	111.1	56.4
Net financial result		-7.8	0.1
Taxes		-26.2	+27.9
Earnings for the period		77.1	-87.3
Earnings per share (EUR)		0.69	-0.79

### Comments

- Reported EBIT Q1 FY 20/21 decreased by 226 mill. EUR mainly due to top line decline and restructuring charges of 172 mill. EUR, thereof 169 mill. EUR for the program to improve the long-term competitiveness
- Q1 FY 20/21 lower Gross Profit due to, sales loss and lower utilization
- Savings Q1 FY 20/21 in R&D and SG&A
- Positive tax income of 28 mill. EUR due to accrued deferred taxes
- Earnings for the period decreased driven by lower operating result
- EPS decreased by 1.48 EUR to -0.79 EUR

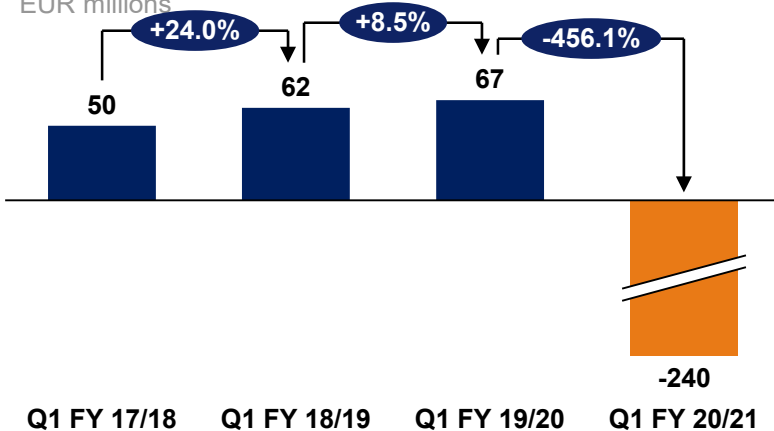
Note: adjustments include restatements for the sale of the thermal business & restructuring. For details see financial report.

# Negative adj. Free Cash Flow due to normalization of working capital as well as CAPEX shifts from PY

## Financial results Q1 FY 2020/21

### Adj.<sup>1</sup> FCF from operating activities

EUR millions

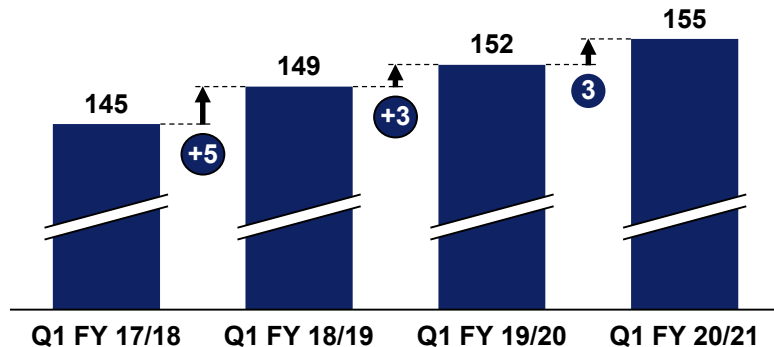


### Highlights

- **Adj. Free Cash Flow from operating activities** decreased by 308 mill. EUR to **-240 mill. EUR**,
- Lower sales, negative working capital development and CAPEX with shifts from prior year

### Adj. Net CAPEX<sup>2</sup>

EUR millions



### Highlights

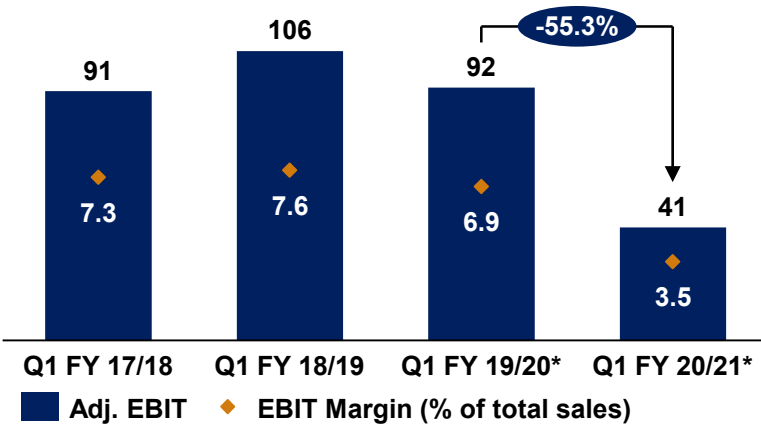
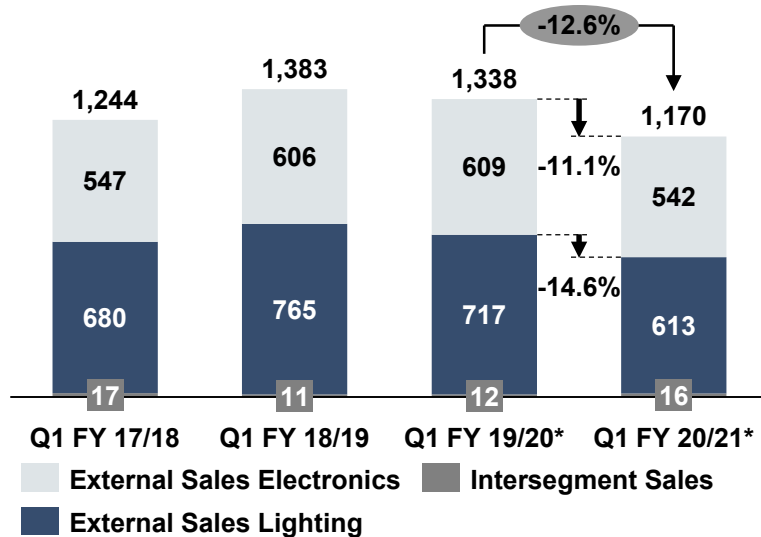
- Investments in worldwide development, administration and production network
- Considerable investments into product-specific assets as well as into booked projects for the preparation of series production

1) Adjustments of FCF include restructuring expenses, payments received/made in connection with the sale of the Wholesale and the thermal business.

2) In accordance with IFRS 15 reimbursements are not deducted from CAPEX since FY 18/19, prior years have not been adjusted.

# Automotive segment with sales decline due to negative market environment

## Financial results Q1 FY 2020/21



### Automotive Sales

- Decline of 12.6%** in course of a continued negative market environment in connection with the Covid 19 pandemic
  - impact from Corona virus mainly in Europe and NSA with HELLA strong sales share
  - lower reimbursements for tools, samples and development services compared to PY

### Automotive Profitability

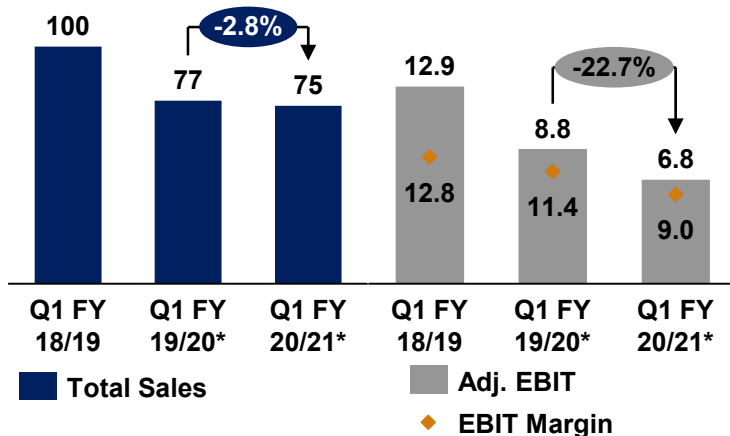
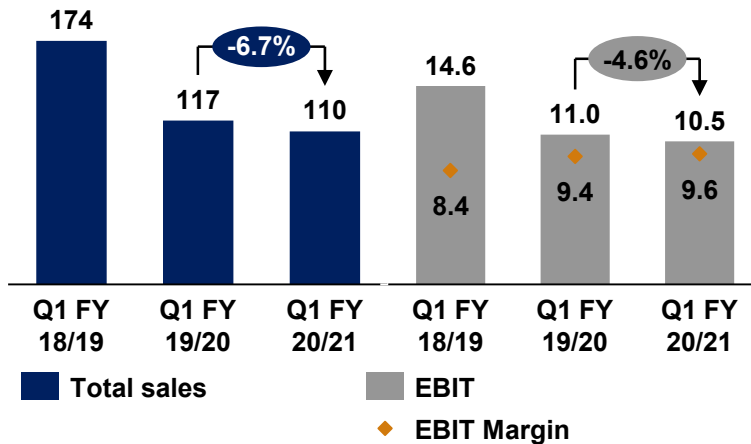
- Decrease of adj. EBIT by 55.3% to 41 mill. EUR, margin -3.4%-points, mainly:**
  - **Decrease in Gross Profit (-23.7%)** due to ramps-ups below full capacity and lower reimbursements. GPM -3.0%-points to 20.8%
  - **Decrease in JV income (-81.6%)**, contribution declined 0.4%-points to 0.1%

Note: At the beginning of FY 2020/21 the Spanish production company MAESA has been allocated to the Automotive segment. Previously, MAESA has been reported as part of the segment Special Applications. The P&L of the segments Automotive and Special Applications are adjusted accordingly only for FY 2019/20.

\* Including MAESA (previously reported as part of the segment Special Applications)

# Aftermarket and Special Applications with negative sales development, increase of EBIT margin in Aftermarket

## Financial results Q1 FY 2020/21



\*Excluding MAESA. FY 17/18 and 18/19 have not been adjusted for MAESA  
 Note: Aftermarket FY 18/19 includes BHS (7months), only FY 19/20 fully adjusted

### Aftermarket

- **Total sales decline of 6.7%:** IAM market weakness with Covid pandemic especially in South/West Europe and NSA. Eastern Europe supported by a strong Turkish business due to regulatory change. Higher demand for workshop products driven by greater investment activities of workshops after reopening
- **Decrease in adj. EBIT with adj. EBIT margin at (9.6%):**
  - Higher GPM +0.7%-due to product mix effects with increasing Workshop business share

### Special Applications

- **Negative top-line development (-2.8%):**
  - Market weakness due to Corona virus; especially Construction and Truck suffering. Demand in Agricultural increasing with declaration as "essential business."
- **Adj. EBIT down by 22.7%, margin -2.3%-points to 9.0%:**
  - GPM -17.4% with missing sales, margin -6.2%-points, partly compensated by savings in SG&A (-15.3%), ratio -3.9%-points



# HELLA Investor Update Q1 FY 2020/21

## Outline

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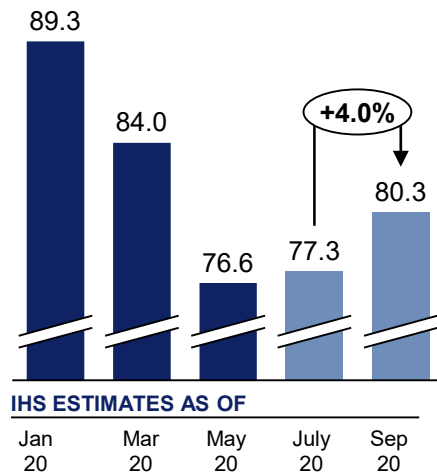
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# Improved market outlook but recovery still subject to high uncertainties

## Market outlook

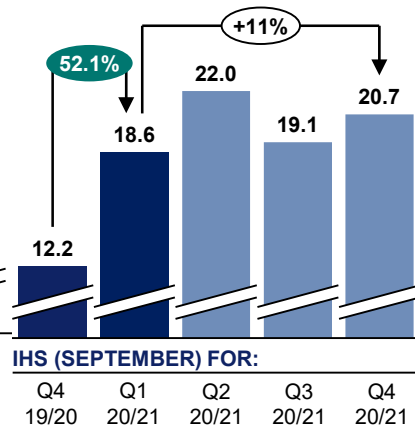
### Unstable market environment

GLOBAL IHS ESTIMATES FOR FY 20/21 (MILL. UNITS)



- Stabilization of IHS estimates since July 2020 and improved industry outlook
- Still great uncertainties with respect to the LVP in upcoming quarters

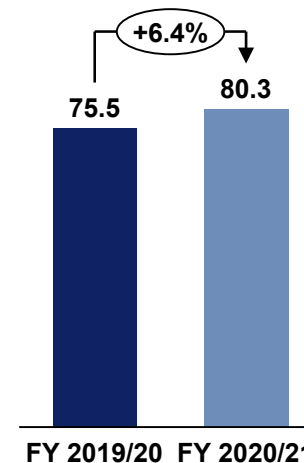
IHS (JULY 20) LVP PER QUARTER (MILL. UNITS)



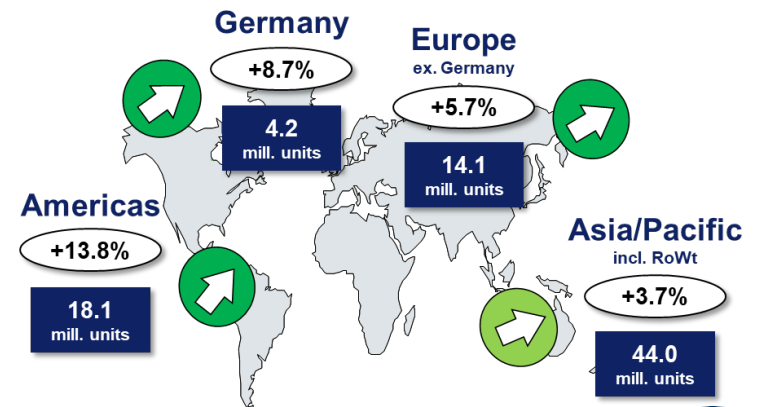
- Q1 FY 20/21 shown significant growth after restart of OE production
- H1 FY 20/21 LVP better than expected compared to the beginning of the FY 20/21
- Further volume increases expected by IHS
- Stability of recovery subject to high insecurities

### IHS as of September 17, 2020:

GLOBAL IHS LVP FOR FY 20/21 (MILL. UNITS)



- Improved IHS outlook with expected growth of 6.4% to 80.3 mill. units
- Recovery tight to H2 FY 20/21 with expected growth of 26.2%
- Germany and NSA with highest growth in H2 of 40.8% and 49.7%
- H1 FY 20/21 down -7.8%
- China less volatile with 4.8% in H1 FY 20/21 and +19.0% in H2 FY 20/21



# Outlook for the fiscal year 2020/21 reflects high market uncertainty and a lower production environment compared to pre-crisis levels

## Company Outlook

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Against the backdrop of the continuing high level of market uncertainty, HELLA's Company outlook for the FY 2020/21 remains in line with the forecast published in the Annual Report:

**Currency and portfolio-adjusted sales**

- In the range of around 5.6 to 6.1 billion EUR

**Adjusted EBIT margin excluding restructuring measures and portfolio effects**

- In the range of around 4.0% to 6.0%

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# Thanks for your attention

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