



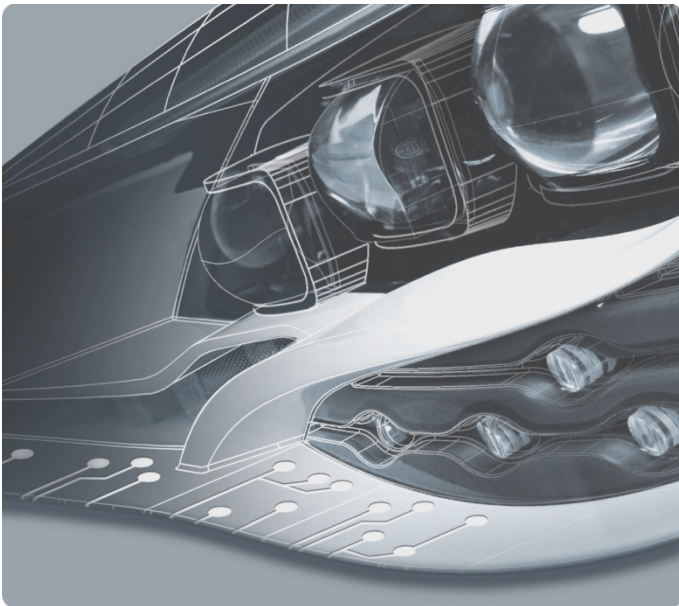
Technology with Vision

# HELLA Investor Update H1 FY 2020/21

Conference Call on January 14, 2021

**Dr. Rolf Breidenbach, CEO**

**Bernard Schäferbarthold, CFO**



# Disclaimer

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# HELLA Investor Update H1 FY 2020/21

## Outline

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- HELLA Financial Highlights H1 FY 2020/21
- HELLA Financial Results H1 FY 2020/21
- Outlook
- Q&A

# Negative sales development, adjusted EBIT margin strong at 8.7% in H1 FY 2020/21

## Financial Highlights H1 FY 2020/21

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### Sales

- **HELLA Group** currency and portfolio adjusted **sales declined by 2.5% YoY** to 3.2 bill. EUR

### Profitability

- **Adj. Gross Profit margin** at **25.2%** (-0.8%-points YoY)
- **Adj. EBIT** at **269 mill. EUR** (+6.2% YoY)
- **Adjusted EBIT margin** +0.9%-points to **8.7%**
- **Reported EBIT margin** at **3.0%** due to restructuring costs mainly for the improvement program in Germany

### Liquidity

- **Adjusted Free Cash Flow from operating activities** decreased by **143 mill. EUR** to **-17 mill. EUR**



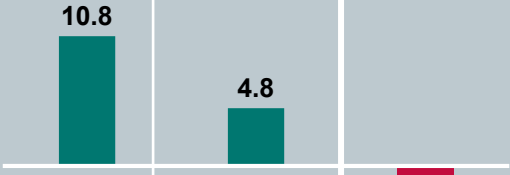
Note: HELLA sold its shares in Behr Hella Service, a joint venture, on 31 Dec 2019. To ensure comparability with the current fiscal year, the comparative operative values for FY 2019/2020 for the period in question from 1 June to 31 December 2019 have been adjusted for the income and expenses of BHS.



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 the Americas, Asia impacted by under-proportional growth in China

## Financial Highlights H1 FY 2020/21

Worldwide	H1 FY 18/19	H1 FY 19/20	H1 FY 20/21	
 <b>Automotive external sales growth</b>	8.3%	-1.1%	-4.5%	
 <b>Light Vehicle Production growth</b>	-2.5%	-5.9%	-3.5%	
<b>Outperformance</b> <b>HELLA Automotive vs. market</b> in percentage points				
	Europe	11.3	-2.1	2.8
	North & South America	11.7	16.3	2.3
	Asia/Pacific & Rest of World	7.7	7.8	-2.7

Details		H1 FY 17/18	H1 FY 18/19	H1 FY 19/20	H1 FY 20/21	
 <b>Automotive external sales</b> in mill. EUR	Worldwide	2,623	2,841	2,809	2,682	
	Europe		1,629	1,758	1,654	1,575
		Growth		8.0%	-6.0%	-4.8%
	North & South America		533	602	672	637
Growth			13.0%	11.7%	-5.2%	
Asia/Pacific & Rest of World		462	481	484	471	
	Growth		4.2%	0.5%	-2.7%	
 <b>Light vehicle production</b> in 1.000 units	Worldwide	47,902	46,717	43,959	42,431	
	Europe		11,051	10,680	10,272	9,492
		Growth		-3.4%	-3.8%	-7.6%
	North & South America		10,232	10,358	9,880	9,142
Growth			1.2%	-4.6%	-7.5%	
Asia/Pacific & Rest of World		26,619	25,679	23,808	23,797	
	Growth		-3.5%	-7.3%	0.0%	

**Note:** Light Vehicle Production (LVP) based on IHS data as of December 15, 2020  
 Growth figures always compared with the same period of the previous year

# HELLA Investor Update H1 FY 2020/21

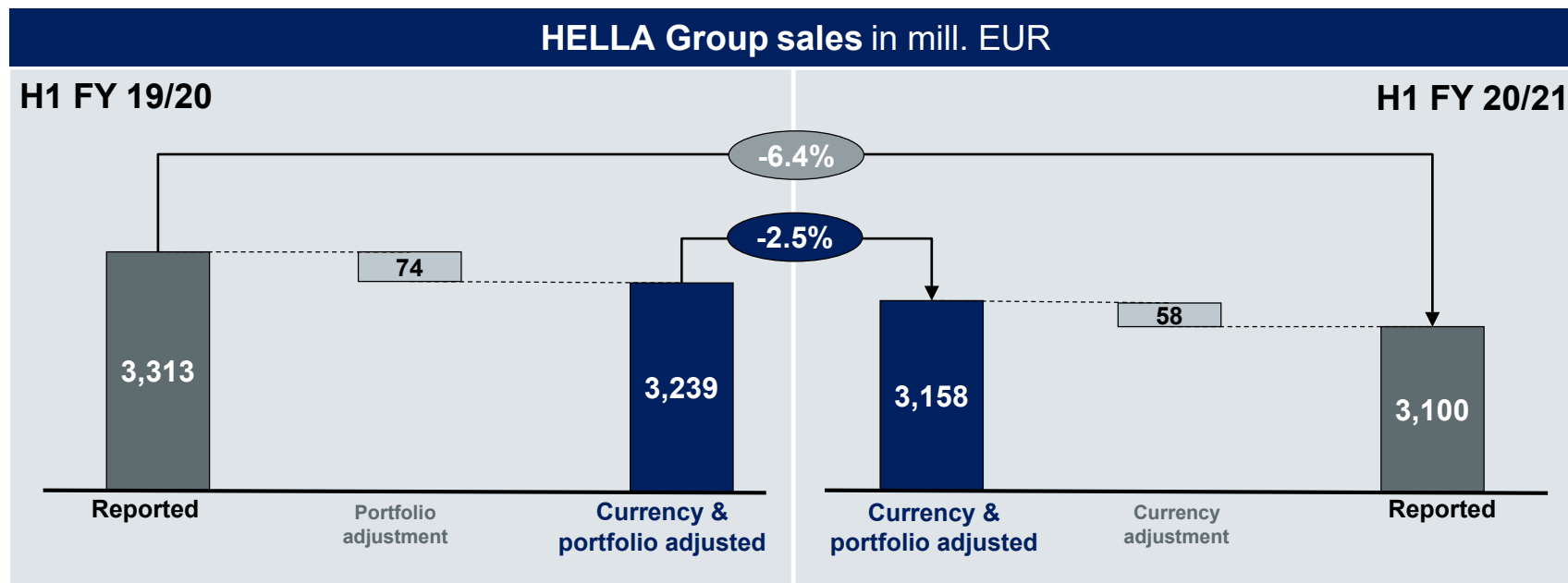
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# HELLA sales development better than assumed due to faster than expected market recovery

## Financial Results FY H1 2020/21



### Comment

- **Currency and portfolio adjusted sales of HELLA Group decreased 2.5% to 3,158 mill. EUR**, adjusting for negative FX effects in H1 FY 20/21 (58 mill. EUR, 1.8%-points) and sales generated by Behr Hella Service in H1 FY 19/20 (74 mill. EUR, 2.3%-points)
- **Reported sales of HELLA Group declined by 6.4% (decreased by 213 mill. EUR to 3,100 mill. EUR)**
  - **Automotive -4.3% to 2,710 mill. EUR:** continuously adverse effects of negative market environment despite recovery in Q2
  - **Aftermarket -3.1% to 241 mill. EUR:** market weakness in Independent Aftermarket, partly compensated by positive development of Workshop business
  - **Special Applications -0.8% to 167 mill. EUR:** positive demand in agriculture, other customer segments negatively impacted by Covid-19 pandemic

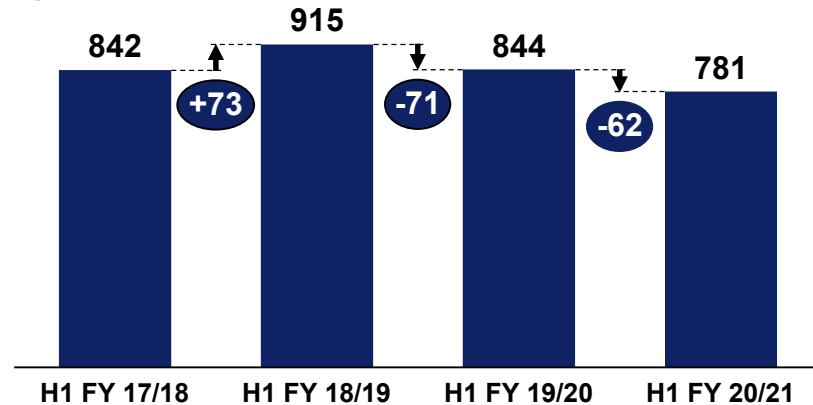
Note: H1 FY 19/20 not adjusted for the sales of the relays business

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

## Financial results H1 FY 2020/21

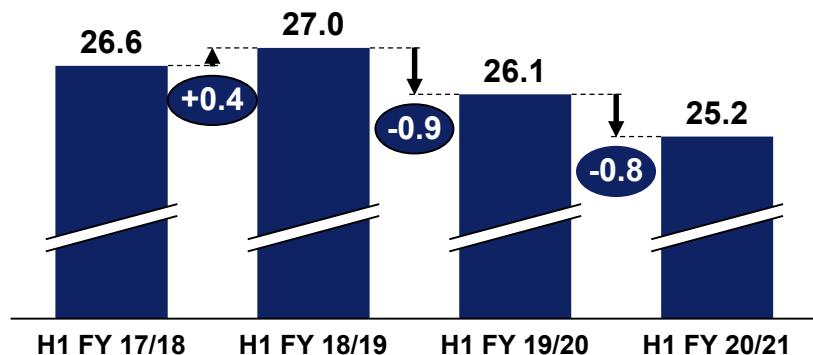
### Adj. Gross Profit

EUR millions



### Adj. Gross Profit margin

% sales



### Highlights

- **Adj. Gross Profit decreased by 62 mill. EUR (-7.4%) to 781 mill. EUR**
  - **Automotive** -9.0% to 607 mill. EUR
  - **Aftermarket** constant at 108 mill. EUR
  - **Special Applications** -7.5% to 64 mill. EUR

### Highlights

- **Adj. Gross Profit margin decreased by 0.8%-points to 25.2%**
  - decreased GPM Automotive (-1.2%-points): worldwide production plants still below full capacity
  - higher GPM in Aftermarket (+1.4%-points): increased share of workshop business with higher license sales
  - decrease GPM in SA (-2.8%-points): negative product mix effects and higher tool- and project-related development costs

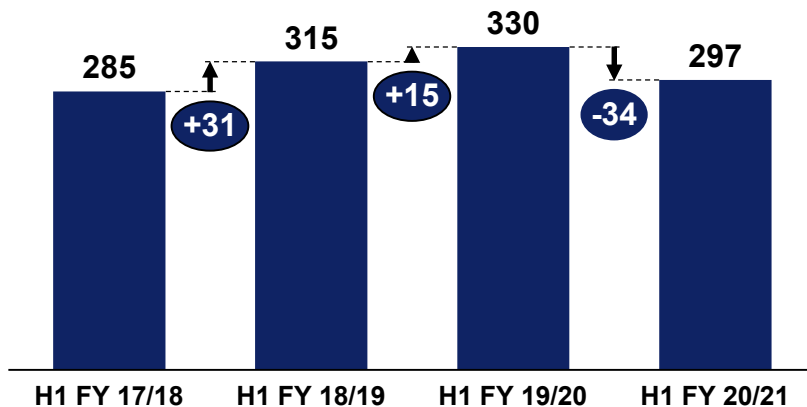


# Continuous high R&D expenses with focus on preparation of new customer projects until end of Q2

## Financial results H1 FY 2020/21

### Adj. R&D expenses

EUR millions

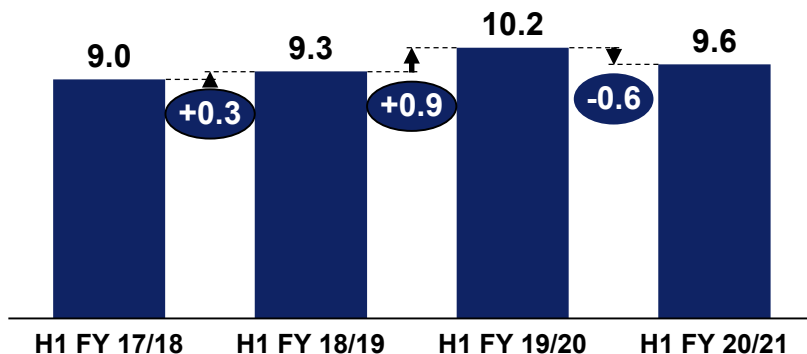


### Highlights

- **Adj. absolute R&D expenses** decreased by 34 mill. EUR (-10.2% YoY) to **297 mill. EUR**
- Focus of activities on series development and production ramp-ups
- Start of further activities at the end of Q2

### Adj. R&D expenses ratio

% sales



### Highlights

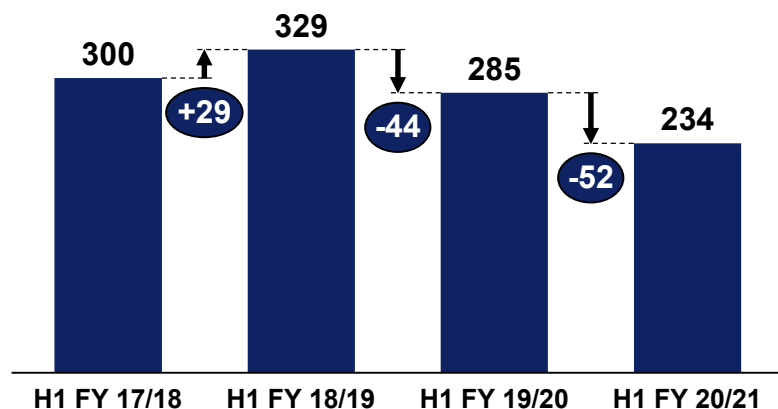
- **H1 FY20/21** ratio declined by 0.6%-points to 9.6% with over-proportional savings due to above mentioned focus of development activities

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

## Financial results H1 FY 2020/21

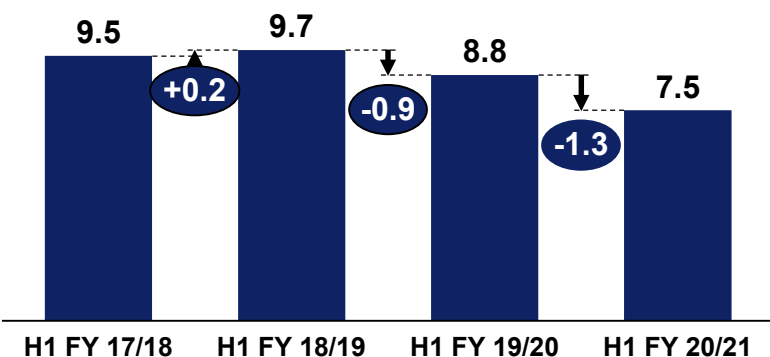
### Adj. SG&A expenses

EUR millions



### Adj. SG&A expenses ratio

% sales



### Highlights

- **Adj. SG&A costs** decreased **52 mill. EUR**, **-18.0%** to **234 mill. EUR**:
  - decrease in marketing and logistic costs (-25 mill. EUR) with realized saving potentials
  - lower admin expenses (-4 mill. EUR) with stringent saving programs
  - increased other adjusted income (23 mill. EUR)

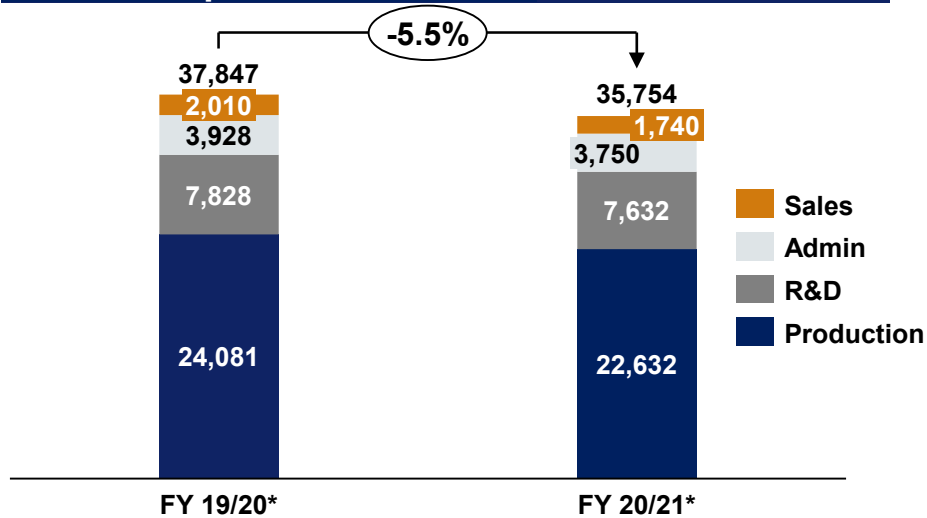
### Highlights

- **Adj. SG&A ratio** decreased by **1.3%-points** to **7.5%**
- Strong saving programs and lower logistic costs
- Higher other adjusted income due to positive one-of effect (reversal of impairment of JV of 19 mill. EUR)

# Structural changes and cost measures already lead to a continuous decrease of headcount

## Financial results H1 FY 2020/21

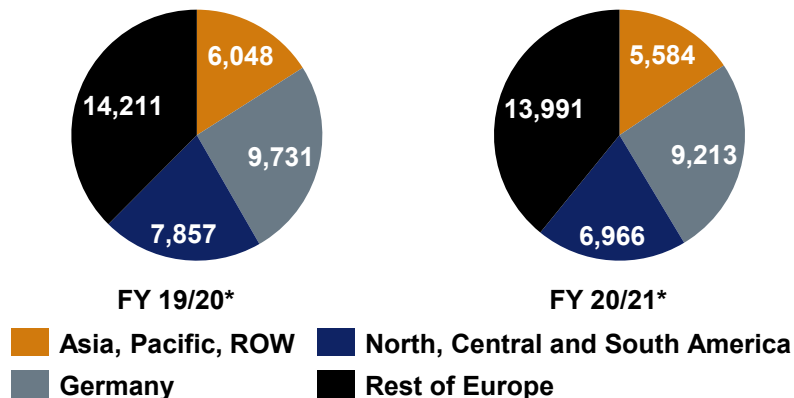
### Headcount per functional area



### Highlights

- Overall headcount **decreased** by 5.5%:
  - production (-6.0%)
  - sales and marketing (-13.4%)
  - administration (-4.5%)
  - research and development (-2.5%)

### Headcount per region



### Highlights

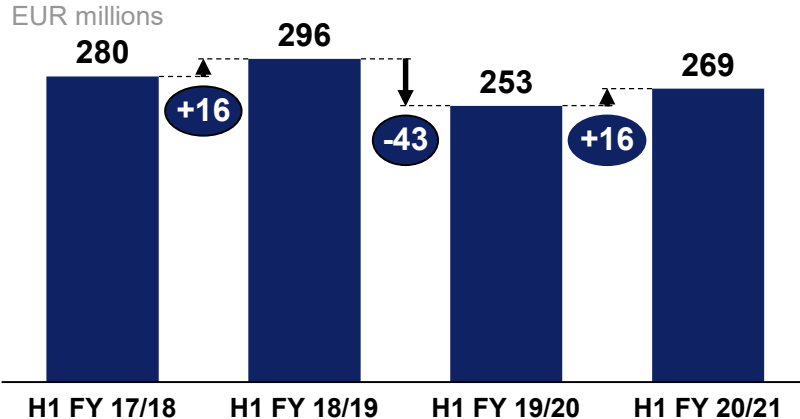
- Headcount reduction across all regions:
  - NSA (-11.3%)
  - Germany (-5.3%)
  - Rest of Europe (-1.5%)
  - Asia, Pacific, ROW (-7.7%)

\* As per November 30

# Adjusted EBIT above prior-year's level with strict cost discipline and better top line development

## Financial results H1 FY 2020/21

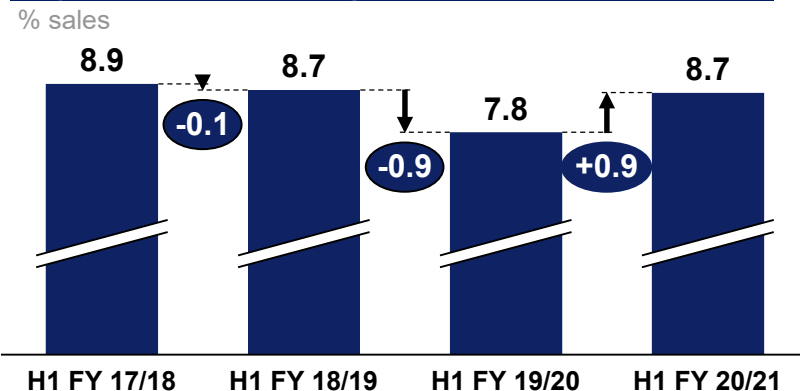
### Adjusted EBIT



### Highlights

- **Adjusted EBIT increased by 16mill. EUR (+6.2%) to 269 mill. EUR:**
  - decrease in adj. Gross Profit by 62 mill. EUR (-7.4%)
  - lower R&D (- 34 mill. EUR, -10.2%)
  - decrease in adj. SG&A (lower distribution & higher OOI) by 52 mill. EUR (-18.0%)
  - lower JV income (-7 mill. EUR, -28.0%) due to global impact of pandemic

### Adjusted EBIT margin



### Highlights

- **Adj. EBIT margin increased by 0.9-points to 8.7%, mainly:**
  - decrease of adj. GPM by 0.8%-points
  - lower R&D ratio (decrease of 0.6%-points)
  - decrease of SG&A ratio by 1.3%-points
  - lower JV contribution (decreased by 0.2%-points)

# P&L including reconciliation; main adjustment H1 FY 2020/21 for improvement program in Lippstadt/Germany of 169 mill. EUR

## Financial results H1 FY 2020/21

### FY comparison

HELLA GROUP in EUR mill.		H1 FY 19/20	H1 FY 20/21
Revenues	reported	3,313.0	3,100.4
	Adjustments	-73.9	0.0
	<b>adjusted</b>	<b>3,239.1</b>	<b>3,100.4</b>
Gross Profit	reported	832.4	773.7
	Adjustments	+11.4	7.7
	<b>adjusted</b>	<b>843.8</b>	<b>781.4</b>
R & D expenses	reported	-330.9	-438.4
	Adjustments	0.7	141.8
	<b>adjusted</b>	<b>-330.3</b>	<b>-296.6</b>
Distribution	reported	-190.0	-156.3
	Adjustments	9.3	0.3
	<b>adjusted</b>	<b>-180.7</b>	<b>-156.0</b>
Admin	reported	-116.1	-137.4
	Adjustments	0.6	25.5
	<b>adjusted</b>	<b>-115.5</b>	<b>-111.9</b>
Other income & expenses	reported	9.7	33.9
	Adjustments	1.0	0.0
	<b>adjusted</b>	<b>10.7</b>	<b>33.9</b>
EBIT	reported	230.4	93.7
	Adjustments	23.0	175.3
	<b>adjusted</b>	<b>253.4</b>	<b>269.1</b>
Net financial result		-12.8	-6.0
Taxes		-55.3	-21.2
Earnings for the period		<b>162.3</b>	<b>66.5</b>
Earnings per share (EUR)		<b>1.45</b>	<b>0.59</b>

### Comments

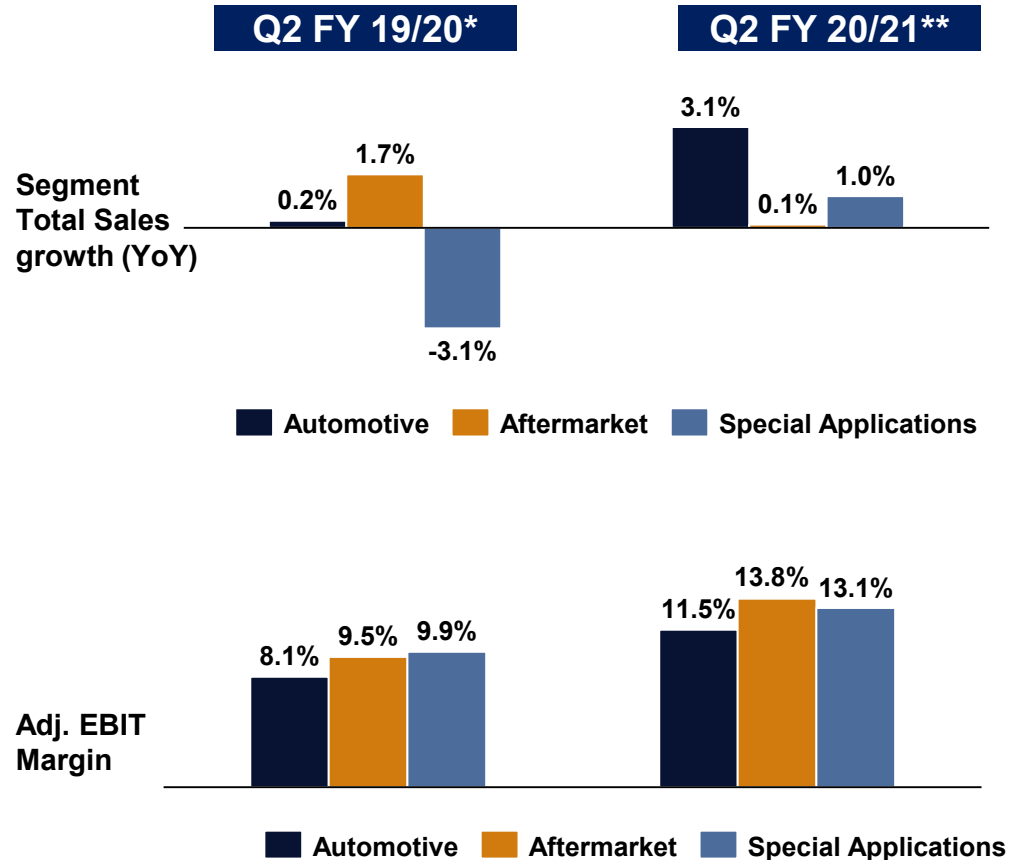
- Reported EBIT H1 FY 20/21 decreased by 137 mill. EUR mainly due to cost for improvement program
- Lower Gross Profit H1 FY 20/21 driven by lower sales, strong savings in SG&A
- Tax ratio at a level of 24.2%
- Earnings for the period decreased driven by lower operating result
- EPS decreased by 0.86 EUR (-59.4%) to 0.59 EUR

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

# Q2 FY 20/21 overall business with positive growth dynamics and strong margins

## Financial results H1 FY 2020/21

### Quarterly comparison



\*Automotive and Special Applications including MAESA \*\*Automotive and Special Applications adjusted for MAESA

### Comments

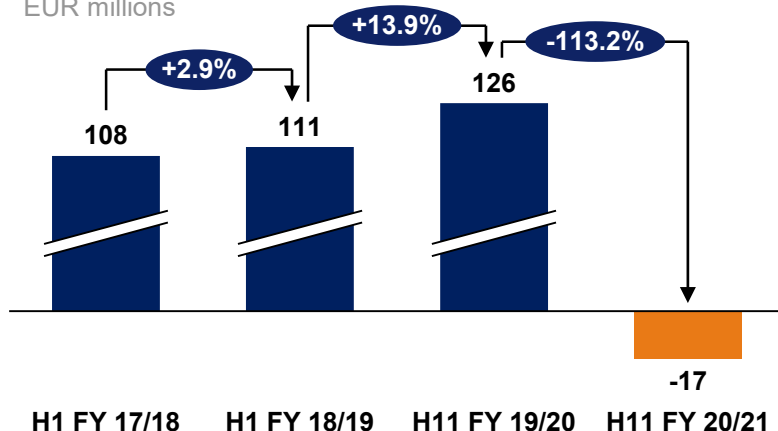
- Automotive benefitting from fast market recovery in Q2 FY 20/21, PY impacted by beginning pandemic in China
- Improving spare parts business in Eastern Europe and increasing investment activities by independent workshops in Q2 FY 20/21 after sales decline caused by pandemic in prior months
- Special Applications with continuously good business development in the agricultural sector and positive business with small series manufacturers
- Automotive with strong profitability due to good market development, strict cost management and the reversal of impairment losses for a JV
- Aftermarket benefitting from higher gross profit with increased share of software license sales, strict SG&A cost management and positive top line growth
- Special Application with higher gross profit margin due to improved business development and realized savings

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

## Financial results H1 FY 2020/21

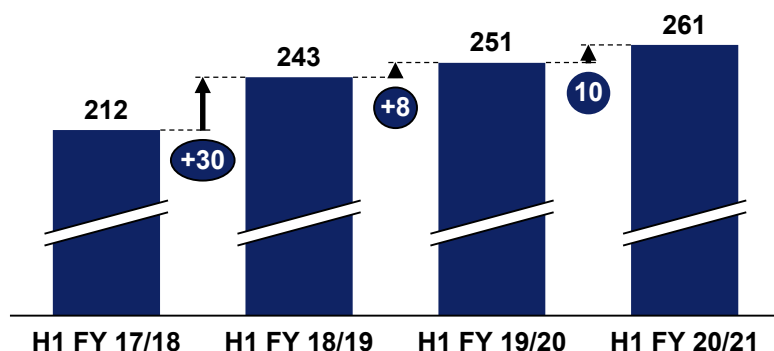
### Adj.<sup>1</sup> FCF from operating activities

EUR millions



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

EUR millions



### Highlights

- **Adj. Free Cash Flow from operating activities** decreased by 143 mill. EUR to **-17 mill. EUR**
- Negative working capital development in Q1 and CAPEX with shifts from prior year

### Highlights

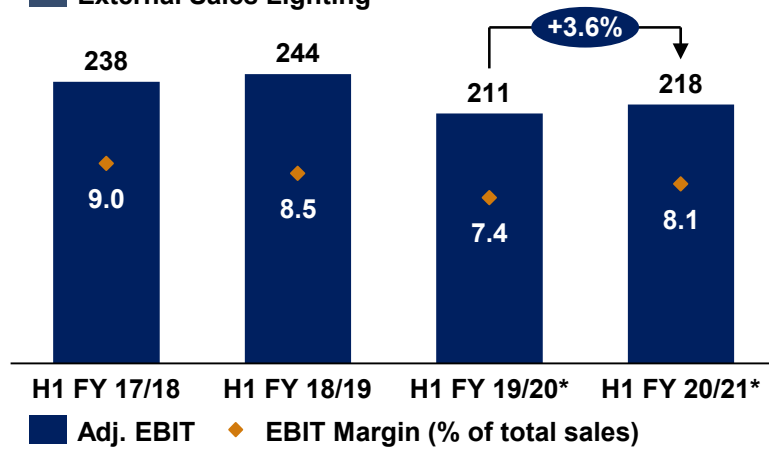
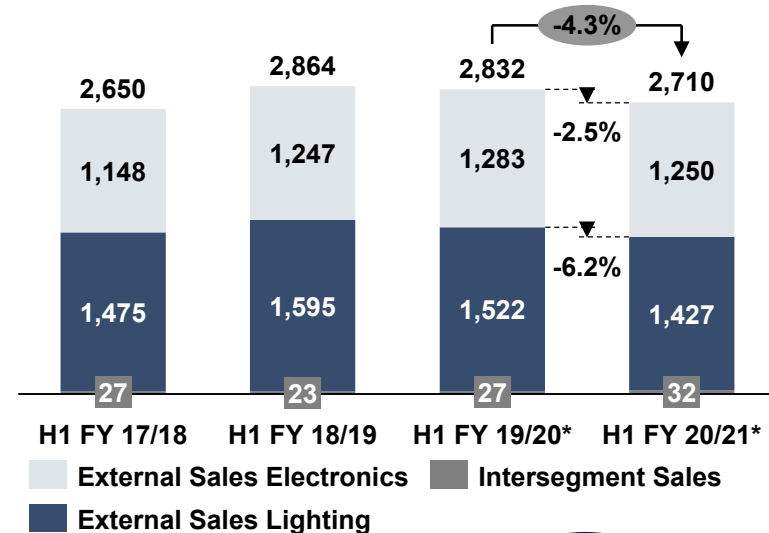
- Investments in worldwide development, administration and production network
- Considerable investments into product-specific assets as well as into booked projects for the preparation of series production

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 sales still negative impacted by market environment, margin improvement with strict cost management

## Financial results H1 FY 2020/21



### Automotive Sales

- Decline of 4.3%** in course of a continued negative market environment in connection with the Covid-19 pandemic
  - impact from virus mainly in Europe and NSA with HELLA strong sales share
  - lower reimbursements for tools, samples and development services compared to PY

### Automotive Profitability

- Increase of adj. EBIT by 3.6% to 218 mill. EUR, margin +0.6%-points, mainly:**
  - decrease of GPM by 1.2%-points with worldwide production still below full capacity
  - focused R&D activities, expenses decreased by 10.8%, ratio declined 0.7 %-points to 10.3%
  - SG&A cost saving especially distribution (ratio -0.5 %-points to 2.5%, OOI + 0.6 %-points to 1.1% due to impairment reversal)
  - decrease in JV income (-28.0%), contribution declined 0.2%-points to 0.7%

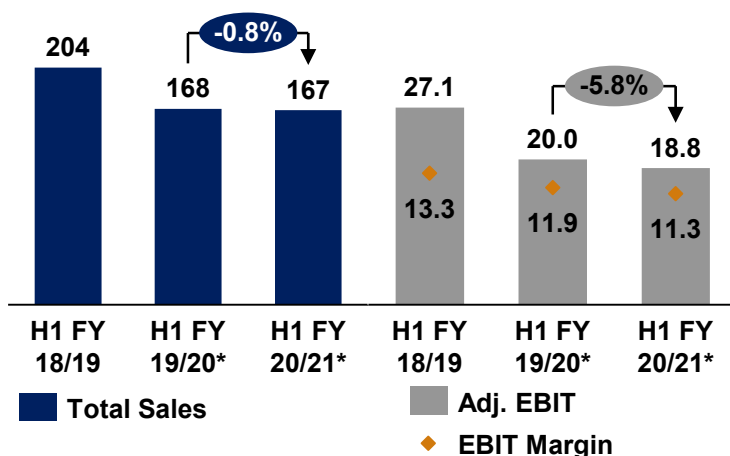
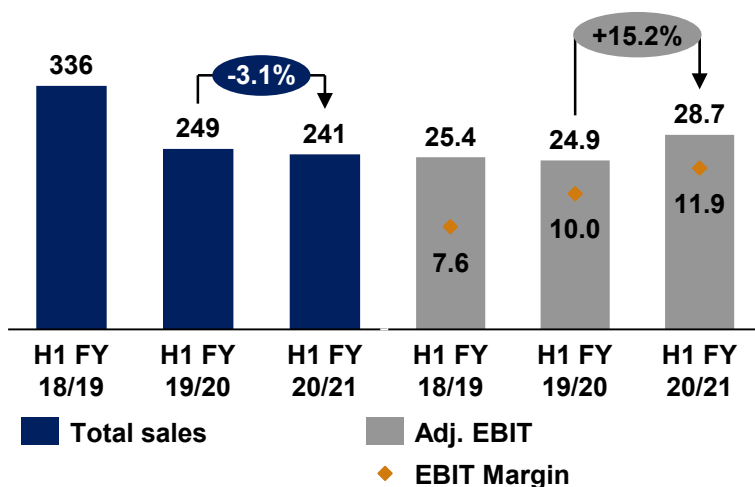
Note: At the beginning of FY 2020/21 the Spanish production company MAESA has been allocated to the Automotive segment. Previously, MAESA has been reported as part of the segment Special Applications. The P&L of the segments Automotive and Special Applications are adjusted accordingly only for FY 2019/20.

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



# Aftermarket and Special Applications with slightly negative sales growth, profitability improvement in Aftermarket

## Financial results H1 FY 2020/21



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

### Aftermarket

- **Total sales decline of 3.1%:** IAM market weakness with Covid pandemic especially in South/West Europe and NSA. Eastern Europe supported by a strong Turkish business. Positive workshop business driven by greater investment activities of workshops after reopening
- **Increase in adj. EBIT with margin at 11.9%:**
  - Higher GPM +1.4%-due to product mix effects with increasing Workshop software license business
  - Strict cost management especially distribution (ratio-1.0%-points to 25.9%)

### Special Applications

- **Relative stable top-line development (-0.8%):**
  - Unchanged market weakness due to Covid 19 pandemic (especially construction and bus & coach) except for the agricultural business. Positive business development also in the small cars segment
- **Adj. EBIT down by 5.8%, margin -0.6%-points to 11.3%:**
  - GPM declined 2.8 %-points with missing capacity utilization especially in Q1 and higher tool & project-related development costs
  - Partly compensated by savings in SG&A, ratio -2.1%-points

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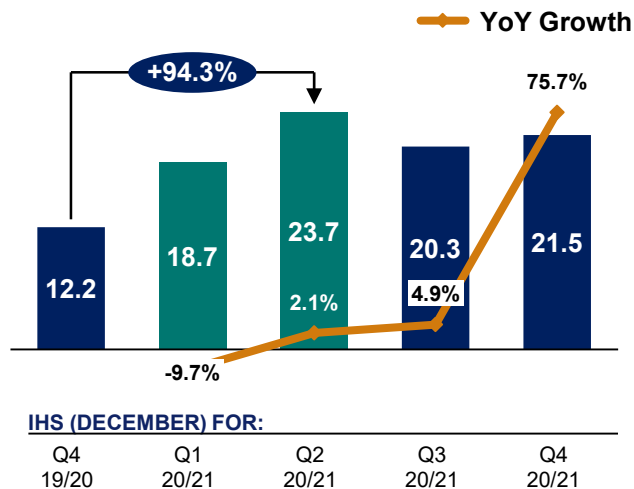
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# Improved market outlook but recovery still volatile depending on COVID-19 pandemic

## Market outlook

### Still volatile market environment

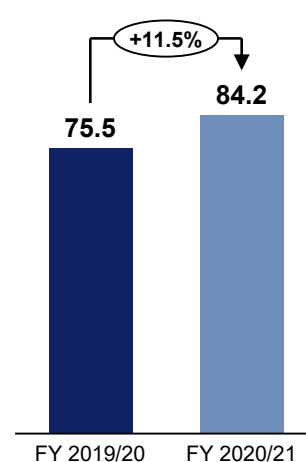
IHS (DEC 20) LVP PER QUARTER (MILLION UNITS)



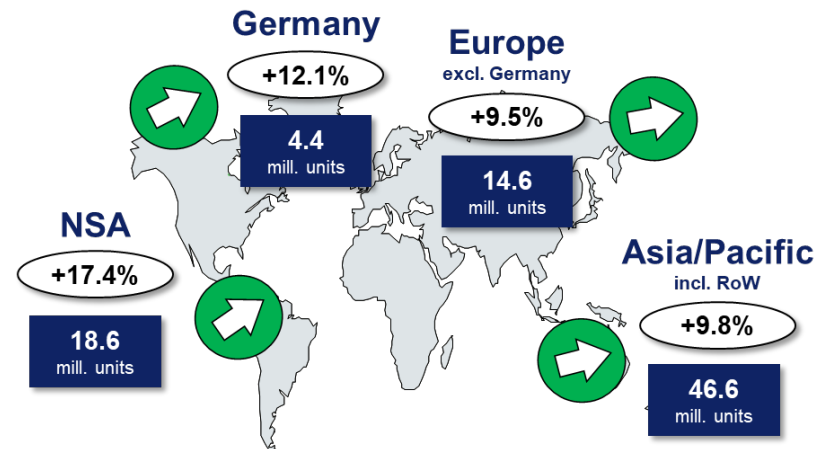
- Q1 and Q2 FY 20/21 have shown significant growth after restart of OE production
- H1 FY 20/21 LVP better than expected compared to the beginning of the FY 20/21, driven by China growing at 10.8%YoY
- LVP growth expected in Q3 and especially in Q4
- Still uncertainties with respect to the LVP in upcoming quarters, especially for European (and NSA) market
- High supply chain risks with bottlenecks in the coming weeks and quarters especially for electronic components

### IHS as of December 15, 2020:

GLOBAL IHS LVP FOR FY 20/21 (MILLION UNITS)



- Stabilization of IHS estimates since July 2020
- Improved IHS outlook again with expected growth of 11.5% to 84.2 million units
- Recovery tied to H2 FY 20/21 with expected growth of 32.3%, H1 FY 20/21 down -3.5%
- Germany and NSA with highest growth in H2 of 44.1% and 58.5%
- HELLA still assumes that the global LVP will only return to 2017/2018 levels in the medium term



# New outlook for the fiscal year 2020/21 reflects positive current trading and better-than-expected market development

## Company outlook

### Outlook



### GUIDANCE

Fiscal Year 2020/21

June 1, 2020 to May 31, 2021

Currency and  
portfolio adjusted  
**Group sales**

In the range from  
**6.1 billion to 6.6  
billion EUR**

Adjusted **EBIT margin**  
excluding restructuring, the  
expected income from the  
sale of the camera software  
business and portfolio effects

In the range of around  
**6.0% to 8.0%**

### Comments

- Company outlook **assumes** that there will be **no material impact on HELLA's business** as a result of potential plant closures **due to prolonged Covid-19 lockdowns**
- **Adj. EBIT does not include** the expected **approx. 100 million EUR extraordinary (pre-tax) gain from sale of software business to Car.Software Org of Volkswagen AG**. This effect will **increase** the adj. EBIT
- **Market environment will remain very volatile** and associated uncertainties will remain high in the upcoming quarters
- **Increased supply chain risks** exist, particularly due to supply bottlenecks for electronic components

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# Thanks for your attention

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