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COMPANY EDITED TRANSCRIPT

Operator: The conference is now being recorded.  
Good morning, ladies and gentlemen, and welcome to the HELLA investor call on the results for the 9 months of fiscal year 2025. This call will be hosted by Bernard Schäferbarthold, the CEO; and Philippe Vienney, the CFO of HELLA. (Operator Instructions)  
Let me now turn the floor over to your host, Bernard Schäferbarthold.

Bernard Schäferbarthold: Good morning to everybody. Very warm welcome to our nine-month result call. And I'm here together with Philippe Vienney, our CFO, and Kerstin Dodel, our head of IR.  
So starting off the presentation on page four. So if we look at our sales development, we are end of September in line what we expected. So positively, our electronics business is continuing to grow. We had a growth now in the first nine months of 8.3%, specifically our radar business, but as well, our business in our product center energy management is continuing to grow. On the lighting side, we are not growing, so we are down 8.4%. We mentioned also earlier, mid of the year, that the end of some larger projects, but also the reduction on volumes on some programs in our order book is the reason for that, and I will come back to that and actions we have now taken for lighting.  
On Lifecycle Solutions, our business is still down in the nine months, but positively we have now seen in the third quarter that we are back to growth. We had quite a decent development in that segment in Q3. So overall, sales are quite stable, FX adjusted. So a slight growth of 0.4%. And considering or looking at reported sales, we are at minus 1.1%, considering the strong FX headwind we had. On our operating income margin, we are at 5.8% in the first nine months. Overall, I can state we continue to have a strong cost discipline. We are implementing the structural programs we have initiated in the last two

years. So overall, considering the environment, we are in line what we planned also in our budget.

Net cash flow has improved on a year-on-year comparison, is at EUR 68 million to the end of the year, 1.2%. We have reduced CapEx. And within that number, if we look at factoring, the increase in factoring is at EUR 23 million in comparison to last year, EUR 30 million less.

If we move on to the order intake, we are well on track. The third quarter was, again, a good quarter in terms of order intake. We had strong momentum especially in the lighting business, two areas where we wanted to grow: more broadly, in the US and also in Asia, and specifically China, we could win important programs, but as well in Europe, we were quite successful. We are now attacking the market as well in the mass market, so in the volume markets, and we were able to win significant program volumes for the European regions in the third quarter.

On the electronics side, we continue to be very successful. So we are highlighting here some of the programs, but what I can state overall that within our electronics business, we continue on a strong growth path and this should also support our growth trajectory in the upcoming years.

To finish off, our lifecycle was also quite successful in the last months. We are highlighting here some of the programs, so that agriculture remains important business areas and customer segments for us to continue to grow. And as well, here also to highlight, to get broader in terms of our markets reach so we're happy to win also projects outside of Europe and to gain market shares there as well. So overall, we are on track in terms of our order intake achievements after nine months.

Going to page six, some highlights. So on the lighting side, we continue to see that we're differentiating with our lighting technologies. We are present also at the different shows and fairs. Here we are highlighting one and we are advertising and showing our newest technologies also to the different customers. I think from my perspective, feedback is quite good, we are getting. So this should support our growth we are envisaging in the upcoming years. And the electronics, one important milestone now we had is the launch of our iPDM, so of our eFuse technology in one large platform. We are engaging ourselves much stronger now into the whole zonal architecture of

the car. And this technology, which manages the power in the car and which is embedded in the zonal architecture and in the new EE architecture overall of the car, is a big milestone for us. And this is one very important technology we envisage will give a strong growth potential in the upcoming years. And this is why we are highlighting it here in a strong way. The other thing I want to mention is on the structural changes. So I mentioned we continue to reduce our cost base. In the last month, we announced the structural change in one of our plants in Germany, which now we are going into execution. Other than that, we are now in execution in terms of our new Simplify program. So this is a global program where we are reducing in all white-collar functions in the upcoming three years around 15% on headcounts. And so we are well on track. We already started on that program. The target is to be at least at 20% of reduction to the end of this year and around 50% on the reduction to the end of next year. And I can say that we are ahead of the target as of today and we are trying to accelerate on that as well. And you can see that as well in the headcount development. If you only look at the last nine months, we have already reduced close to 5% on headcounts as of today in comparison to the start to the year at a quite comparable sales level. And we will continue on these adaptations.

If we move to page seven, let's say one of the big challenges we are facing actually is the crisis on the shortage on Nexperia. So it's clear that if we look at our portfolio of products, we have a lot of Nexperia parts in our products. So in general, I can say we are strongly impacted. So we have organized us in a way also with task forces and are managing the situation in the way that we're building up the alternative suppliers. And in the meantime, for sure, we use, we still use Nexperia parts. So our relationship today with Nexperia China is still stable. And we also managed to buy broker parts, which in the meantime supports our supply. So far, I can say that the month of October was in line with our plan, so there was little impact. The start into the month of November showed a little more impact in terms of the full coverage against the plan, and the most difficult weeks now from our side will now be the next ones where in the meantime, where before being able really to ramp up the second sources, we are seeing some of the shortages. So we are working intensively also on the application on export licenses and also taking

advantage and the support also on the OEM side, which are going for these applications as well. So this could help to support also on parts we have in China who could be exported to the US and Europe and help there on the shortages. So far, China for us is not impacted. We have enough parts. So this is something difficult to quantify overall, but as I said so far, the impact was very limited and we have now to see how next weeks will be and specifically if with on the Chinese authorities, the customs and MOFCOM, we are able now to get the necessary applications to do the exports to support Europe and the US as I said. But as you can imagine, a lot of intensive work we are doing and managing the situation to keep our delivery promises to the customers. So having said that, we will move on with some more details on the financial results. Philippe will take over.

Philippe Vienney: So good morning to all. So looking at the sales, so we are publishing sales at 5,868. Euro also, which is representing a decrease of 1.1% versus prior year. And excluding the exchange rate, this would be at plus 0.4% versus last year. And versus the market, which is showing a growth of 3.8%. So here again, I said we have a good momentum in all regions on electronics, whereas we are suffering on the lighting side with lower sales, which are affected by end of production on some programs, mainly in North America and Asia. And the lifecycle is showing reducing sales, but where we are also seeing a good momentum in Q3 with some slight recovery.

So looking at the sales per region and versus the market, so Europe, where we still have more or less 56% of our sales, we have a growth of 1% versus the market which is showing a decrease of 1.7%. So we are overperforming versus the market for Europe. For Americas, where we have sales which are above 20% of our sales, we are seeing a decrease of our sales of 1.1% slightly impacted as well by the FX impact. That's with the market which is reducing by 0.5%. So here also we have the, again, the impact of lighting where we have this impact of some end of production series which are not fully compensated by new launches. And we have Asia, which is also a bit above 20% of our sales, where we have a decrease on our published sales of 6.4%, also slightly impacted by the FX, versus a growth in this region of 7.2%. So here again, we have the same topic on end of production of series project in

lighting, but not fully compensated by new sales and new launches with local OEMs in Asia. And we still have, again, growth momentum in China on the electronics with radar and battery management.

So now we're looking at the profitability per segment. So lighting, we are at the EUR 2.7 billion of sales, which is representing an organic decrease of 7.3%, excluding the exchange rate. So here, I said again, we have the impact of end of production of some series project in China and North America. We have some increase on the headlamps and the rear combination lamp in Europe and America, but which are not enough to compensate the drop that we are seen in Asia and North America on ramp-down programs. So the operating income for lighting is at EUR 73 million euro or 2.7%. So here we are impacted by the volume drop, which is clearly impacting the gross margin and the operating margin, which we are partially compensating by lower material cost, also some reduced R&D costs and SG&A cost, but not enough to compensate the volume drop that we are facing, where we still have to reduce and continue to reduce our fixed cost to absorb this and face this volume drop.

Electronics, so we are publishing sales of EUR 2.5 billion or EUR 2.6 billion, which is representing plus 9.5% excluding FX rates on the organic basis. So here again, we have growth in all regions and growth thanks to the radar business. We have also growth in the car access system in Europe and Asia. And we have also some growth thanks to the battery management system as well in Asia. So good momentum on the sales in electronic. And this is leading us to an operating income of EUR 196 million or 7.6% of operating margin. So here we have the benefit of the volume, which is helping the gross margin and the operating margin. And we have been able to be stable on the R&D spend and also thanks to a reduction of external spend and external provider. And we have also been able to maintain or even reduce the SG&A percentage in this segment. So all in all, leading to the 7.6% of operating margin.

The lifecycle, where we have sales of EUR 739 million, which is representing a decrease of 1.5%, excluding FX rate. So here, as we said, we have a low demand, especially coming from the H1. and especially on the commercial business vehicles. But we see some recovery, slight recovery in Q3, so

especially also on the commercial business, with some stable business on the aftermarket. And this is leading us to an operating income of EUR 74 million, or 10%. So here we are impacted also slightly by the volume. And we have been able to maintain or even decrease the R&D expense and with SG&A, which are slightly increasing mainly due to distribution costs.

Profit and loss for HELLA, so we have a gross profit of EUR 1.3 billion, which is 22.8% versus 23.2% last year. So here we have the weight of the volume decrease in lighting and lifecycle, which is impacting us and not fully compensated by the improvement on the electronic segment. On the R&D side, we are at 9.4% versus 9.8% last year. So here we continue to see the benefit of our adjustment and structural adjustment on the R&D side and the cut on the external provider as I mentioned for electronic. On the SG&A, we are 7.7%. So here we see a decrease on the administration cost where we have a slight increase on the distribution costs. So I think a good trend in the administration costs which are decreasing and showing some effect of the program which has been launched to reduce costs as discussed. On the earnings before tax, so we are reaching EUR 208 million versus EUR 409 million last year. So here we have the negative impact of the all the restructuring programs which are booked and are part of the EUR 129 million. To mention that last year we also had some restructuring costs but which were more than compensated by the sales of the BHTC business and the net gain that was booked last year. And this is leading us to a net income of EUR 108 million versus EUR 310 million last year.

On the net cash flow, we are at EUR 68 million, so versus minus EUR 8 million for the same period last year. So here we are increasing our net cash flow, so we have higher cash from operations. We are also having a good momentum on the working capital with some negotiated and good payment terms with suppliers. And we are also reducing our tangible capex. You can see that we are at minus 23% versus what was cashed out last year and spent last year for the same period, so this is benefiting to our cash flow leading us to have a EUR 68 million cash flow for the first month of the year.

With that, I think we are finishing the financial details and we can go to the outlook.

Bernard Schäferbarthold: Thank you, Philippe. On the outlook, so on page 17, if we look at volumes, the actual outlook on S&P is 91.4 million cars. I would expect that specifically in Europe and Americas, we would see some reductions in the fourth quarter due to the shortages on Nexperia parts. China is quite stable in terms of volumes. This is also what we see actually now in the fourth quarter. On page 18, so we confirm our outlook in terms of sales in the range of EUR 7.6 billion to EUR 8 billion. On the operating income 5.3%-6% and the net cash flow of at least EUR 200 million. We are stating that this assumes sufficient a sufficient supply situation on especially on Nexperia parts as I said. In terms of today if I look at the month of October and the start until November the impact were limited but I also mentioned that the next weeks will be the crucial ones.

So summing it up on the key takeaway so far looking at the three quarters from our point of view a robust sales development in line, in terms of profit and net cash flow what we what we expected, strong focus on the structural changes we have done and still a good momentum on the order intake side. So outlook I mentioned, we see us on track for the guidance we have given. And if it comes to the top priorities. So we continue to work on the structural programs. One important new program we have now initiated is in the lighting area. We have started a transformation program now, starting into the second half of the year. Mainly we focus on three big topics. One is on the business growth, so we need to come back to growth again. For that, we are broadening our reach and focusing significantly also on the regions where we see a strong potential especially the US, but also beside of China, Japan, Korea, India. And we already see now in the third quarter the first successes and programs we could book in quite sizable numbers. So first, let's say proof points are given, but I think this is a very relevant point to come back to growth. And on top of that, we have initiated the operational transformation. We see significant potentials in terms of reductions on our footprint or on our cost within the operations, including also the supply side and logistics. We have initiated a structured program on that, which is specifically for Europe and also for our Mexican operations. And the third element is the improvement in D&D productivity and efficiency, where as well we initiated a program also with a focus on cost reductions on our technology, where we



see also a big potential to reduce on the cost side as well here, too. So this should help to bring our lighting business into a much better profitable situation in the years to come. Having said that, we are happy to take your questions. Ladies and gentlemen, we will now begin the question and answer session.

Operator: (Operator instructions) and the first question comes from Christoph Laskawi from Deutsche Bank. Please go ahead.

Christoph Laskawi: Good morning. Thank you for taking my questions. The first one, coming back a bit to what you just said on the lighting performance, obviously Q3 margin around 1% is very low. When you implemented all the measures that you talked about, what do you think is in the mid-term a realistic margin potential? Could it be around 5% plus or any thoughts on that would be appreciated? And then in contrast to that, electronics are actually quite strong in Q3 with 9% plus margin. Was there any specific one-timers in there or just really capitalizing on growth and showing the margin potential of their business?

And then the third question would be on Nexperia. It sounds like you didn't face production shutdowns on your own yet and you haven't caused any so far. Still you're expecting production cuts to come? Do you already see that in the schedules? Any volatility you can highlight there? And then just on the cost of going to brokers and others, those have been quite high in the semi-shortage. Is this something which could be a meaningful impact on earnings in Q4, just the sourcing alternatives? Thank you.

Bernard Schäferbarthold: Thank you for your questions, Mr. Laskawi. So on the lighting performance, our target is to come back to 6%. But this will not be possible on short notice. So this is a target we have set ourselves. It will take until 2028, 2029. So before we are at this five level, you said, probably 2028, 2029 to come closer to the 6%. So we have now seen that, as I said, so we are struggling a lot because first of all, we are not growing. Secondly, we have also been impacted now in the second half by a warranty topic, which was quite significant as well. So it is partially in the third quarter and will also hit



the fourth quarter. So this is a topic which lasts now from the years '22, '23, where now finally we have got to an agreement and the settlement with the customers. So we are close to, but this was an impact as well. And overall, on the full, let's say, second half, it will have an impact of around EUR 25 million, which is quite significant for the lighting business. But the overall, let's say, if I look at lighting, the business is declining and this is something which will also continue into the next years and will be a headwind also in the next year. Before, now we see with the momentum we have on the order intake, we will be able to grow again starting from 2027. What I have to say positively is that in lighting, we are very strong in China. So the transformation also we need to do for Europe and specifically also our Mexican operations, we already have done in China and also the adaption to competitiveness. So I see us very strong in Asia today. And now we need to do the work we have, we need to do in Europe and in North and South America. So we changed also the responsibility. So I have taken over in combination of tasks now from the 1st of July. And so we are now starting on this transformation program, as I said. On electronics, I'm very pleased about how our business is developing also in terms of performance. So what we now see is basically that we see now the payoff of the business now, where we see now the growth coming with the launches and the new programs which are going into serial production. So the growth supports the profit development. And what we as well see is that the structural changes we have done in terms of on the cost side helps as well. So with that, we see immediately a very strong profit development. There was no really specific one-off in the third quarter. But it was quite a good quarter, so I wouldn't say now every quarter will be the same, so also no negative impact, I have to say. But I have to admit also, it's a good development and we are building on that and trying to continuously to improve on that. On the Nexperia, so I think I stated so far with the coverage or with the stocks we had, with the coverage we had, we also bought some quite early on, some broker parts, so this helped really to cover the period of time until now. We see now that some shortages on some products, they are already there. On the call- offs, basically, you do not see yet that customers are changing anything, but for sure, in the systems, but for sure, we are in very intensive discussions with all of our customers and today

the situation is as follows that the weekly, the decisions are taken now on a weekly basis what can be produced and how much reduction will we see and I mentioned the next weeks will show reductions and the magnitude is still not absolutely clear so what is in the next let's say three to four weeks. It certainly will now also depend on how are we now able no really to get exports on Nexperia parts with these exemptions or with export licenses granted now to the OEMs or to us and we are already trying out the test shipments and working with MOVCOM and the customs as I said. So there is some hope that now it should work and that certainly will help a lot immediately. But this is the uncertainty we have. If this is not working, I mention it, then the reductions on the volumes in the next weeks will be much higher. And on the cost side, on the broker so far, I would say for sure it goes fast. The last broker offers I saw are between factor 600, factor 800, also factor 1000 I already have seen. The difference to the semi is that the original price is much lower, so there we are only talking cents, but sure, now if we are talking factor of 500, 600 or higher, then you talk immediately about some millions. So far, it has not such a big impact. The market today is still, there are not so many volumes any longer in the broker market. So I would not expect that this should have such a hit, which is comparable to the semi today, or to the semi crisis we had some years ago. But it's, again, still we are talking about some money. It's some millions we are discussing, that's for sure. But not comparable as said to the semi crisis.

Christoph Laskawi: Very clear. Thank you very much.

Operator: And the next question comes from Sanjay Bhagwani from Citi. Please go ahead.

Sanjay Bhagwani: Hi, thank you for taking my question also. Maybe to begin with, so on the Nexperia situation, this morning there seems to be several like constructive articles, typical like quoting some of these Dutch ministers that things will be okay in the coming weeks and chip supply should resume. Is that providing some comforting messages to you as well? Maybe, let's say, if there is a

disruption, there can be just one week disruption or something like that, or it's probably too early to look at these headlines or something like that.

Bernard Schäferbarthold: So there are two things for me. One is, does China now allow that parts which are still produced at Nexperia China, that we can export these to Europe. And we are still working, I mentioned it, we are still working on how process-wise the application and the export needs to be executed. And this is where I said, no, we are now just running now with custom, the discussions we have with MOFCOM, doing these test shipments to try out how we have now to handle and practically do it. And there are some signs now, this I can at least also confirm that I hope that it will be possible soon. Let's put it like that. Still today it has not worked out, but we are getting signals that there is hope that it could be possible. So that is one thing. So I would take that as a positive note, but still to be seen if then really it works out. Because just practically I can tell you the customs were not aware that they are allowed to do. On the other hand side, MOFCOM is allowing it. So I think we are still, let's say it's an administrative point, but you never know. So that is one thing. But the other thing we are also working on, and this is as well, let's say a critical path. We're still getting a lot of parts from Nexperia China, and they are dependent still on the wafers they get from Europe. And they're apparently, they are not coming along. So that these wafers, which are needed for the further production, if China do not have any longer waivers from Nexperia Europe, they couldn't continue on their production. And they will run out at a certain point of time if there is no agreement. And this is the second part we are working on to get a solution between the two, Nexperia Europe and China, to stabilize the situation so that Nexperia China is able to continue to deliver and this is important because as I said we're working on the alternative suppliers and for most of the suppliers it can be we can find let's say good agreements and to ramp up quick but for some of the parts it will take a little longer and this is why it's important to have a stability on Nexperia China as well.

Sanjay Bhagwani: Thank you. That's very helpful. And I think on the broker part, you mentioned that so far this has not been major impact. But in terms of the pricing pass-

throughs, I understand in the previous like chip crisis, you had to actively go and negotiate the price increases. In this case, is it easy to like kind of have some sort of indexation for these components now. Or this again will be subject to negotiation if the, let's say, inflation becomes material?

Bernard Schäferbarthold: So in the actual situation, because we need to be quick, we take the decision with the customer, so with our customer, with the OEM together. And the agreement is that in terms of who takes which part, we agreed that this will be then discussed later. But it's clear that we will have a comparison as it was in the semi-crisis, where we agreed on the, I would call it pain share, who takes which proportion. You can assume that what we have seen similar in the semi-crisis should, at least from our perspective, should also be true now for this one.

Sanjay Bhagwani: Thank you. And then my final one is on the Q3 margins. Just to kind of follow-up to Christoph's question, but more at the group level. So Q3 group margins have like sequencing gone down to I think it's 5.3% versus H1 was 6%. So are you able to provide some color in terms of the Q4? Is it sequentially looking better as of now? And in terms of divisions, how the Q4 versus Q3 margins are looking?

Bernard Schäferbarthold: So month of October was okay. It was in plan. And normally the months October, November are very strong in the industry. So we have seen quite a good month in October so far, even we had this Nexperia situation. So the month of November will certainly be impacted now. And it's difficult to say on the margin. So if really to say now, what does it now mean for the full quarter because it will depend on volumes at the end. And we will lose volumes. The question is how much. So I would not feel so comfortable now to say how it will go. I think in terms of our cost saving, all what we are doing there, we are in plan. At the end, it will depend on sales.

Sanjay Bhagwani: Understood. Thank you very much. Very helpful.

Operator: (Operator Instructions) So it looks like there are no further questions at this time, so I would like to turn the conference back over to Bernhard Schäferbarthold for any closing remarks.

Bernard Schäferbarthold: So thank you to all of you who participated and thank you for showing the interest on HELLA again. And I wish you a pleasant remaining day and after that, a good weekend. Hope to see you and speak to you soon. Bye-bye.

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