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P: Christoph Laskawi Deutsche Bank– Analyst
P: Thomas Besson, Kepler Cheuvreux SA - Analyst
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COMPANY EDITED TRANSCRIPT

Operator: Good evening, ladies and gentlemen, and welcome to the HELLA investor call for the nine month of Fiscal Year 2026. This call will be hosted by Professor Peter Laierr, the CEO, and Phillippe Vienney, the CFO of HELLA. At this time, all participants have been placed on a listen-only mode. The floor will be open for questions following the presentation. I turn the floor over to your host, Peter Laier.

Peter Laier: Yes. Thank you very much, and good evening, everyone. Thank you for joining us today for our nine months call 2026. As usual, I'm presenting in this call together with our CFO, Philippe Vienney. Let's have a first look at the agenda. Thank you. As usual, we first want to talk about our achievements, then followed by the financial results presented by Philippe. And then I will talk about the outlook and the key takeaways. So let's first talk about achievements. As you can see, we have on the sales side, on the left side, achieved constant FX sales growth year-over-year of 1%, reaching EUR5.925 billion year-to-date after nine months. This is split into our Electronics sales year-over-year, up by 6.8%. We have reached now EUR2.543 billion specifically driven by our radar technology and our energy management products, which contributed over proportionately to that. On the Lighting side, the sales is down by 5.7% year-over-year, now to EUR2.535 billion. This is specifically affected by the phaseout of programs and lower call-offs. In our third business group, Lifecycle Solutions, the sales are up year-over-year by 4.8%. We have achieved now EUR763 million, specifically driven by a strong special business. This is our commercial vehicles and off-highway business. So reported sales are year-over-year, broadly flat at EUR5.883 billion. Let me then move to OI margin in the middle. We have achieved after nine months in OI margin at 5%. We are seeing adverse volume and mix effects and on the other side, we are facing on the cost inflation side continue that is influencing

our margins. We have specifically increasing costs on the PCB side and the semiconductor side and this is an intensified pressure across the whole value chain. On the Lighting business, we were affected in the third quarter by the launch of some new complex products. We are actually focusing on reimbursements for the material inflation and we are in intensive discussions here with our customers, and we have further cost measures in place to counter the impact I have described. On the R&D side, we were able to save our R&D expenses that brought our ratio down by around 46 basis points now to 9%. Moving now to cash. Net cash flow was negative after nine months on a level of minus EUR99 million versus prior year nine months EUR68 million positive. This led us to a net cash flow to sales ratio of minus 1.7% versus positive 1.2% prior year. We have continued CapEx governance and a clear CapEx management in place. On the other side, our net cash flow was impacted by increased restructuring cash out and higher level of inventories after nine months. On the other side, I think the net cash flow development follows a typical seasonality, which is always bringing pressure on cash flow after the third quarter. Let's have a look at the order intake. We have continuously a strong order intake in the course of the year. And this confirms clearly our consistent execution of our Ignite strategy, which we announced earlier this year. If you look a little bit more in detail, what we can see that after nine months, we have out of our overall order intake 66%, so two-thirds achieved in Asia Pacific and NSA, North and South American regions. So that means two-thirds of the order intake is outside of Europe, and that shows clearly that we are executing our strategy to diversify our regional mix and have here as well a significant increase in comparison to the same time last year. If we look a little bit to the right side of the blue part of the chart, we see that nearly one-fourth, so precisely 24% of our order intake we achieve these Chinese OEMs or ODMs out of the JIKA regions or Japan, India, Korea and ASEAN, so that again confirms that we are executing our strategy of specific targeting growth with Chinese and Asian OEMs. And here, the share increased as well in comparison to the same period of time last year. As we have announced, Electronics is our growth driver, and is well, therefore, positioned in the growth segment in our strategy. And we confirm that 58% of all our orders, which we could take in in the first nine months are coming out

of the Electronics business group. So that means we are here with the strong order intake, confirming our growth strategy. Let me now move a little bit to the right side to look a little bit at some highlights of order intake after nine months in this financial year. In Electronics, we could get a mid-3-digit million order from highly integrated energy core solution. And this from two international OEMs in Americas and in Europe with SOPs in '27 and '28. So this is again confirming our strategy that we have as 1 of our innovations, integrated energy core solutions. And here, we get now confirmation with orders from the customers. Another topic in Electronics are to major series orders from leading Chinese OEMs for our latest generation of 77 gigahertz radars with the SOP already next year. This confirms our strategy to grow with our radar technology globally and as well penetrating further into the Chinese market, and this is now confirmed with those two orders. Let me now move to Lighting as well. Here, we have brought two examples of order intake today on the one side. order intake of headlamp from a premium OEM from in the US. And for the US and the Chinese market is an SOP in 2028 or another example is the headlamp, CBL and the realm order for several midsized car models from a volume OEM for the European and the US market with SOP 28 and 29. So you see the diversification as well as working in Lighting and as well, not only the diversification on the customer side as well, the diversification moving into the volume segment is working out and executing our strategy. In regard to Lifecycle Solutions as well here are two examples. On the one side, you got an award from a commercial vehicle business for Electronics. We received her two awards from European truck OEMs and one additional award for the Indian market with SOPs in 26 and 28. So as well here the movement into electronics in our SOE business is developing. And on the other side, we are moving further into the Indian market with electronics for commercial vehicles, which is another success story. In addition, we got another award for lighting in commercial vehicles for crossover SUV from a US OEM for the US market, with an SOP in '26 already. So there is a significant step in the right direction as well. Now bringing us to financial results and with that, I'm handing over to Philippe Vienney to present that to us.

Philippe Vienney: Yes. Thank you. So looking at the sales, we continue to deliver organic sales growth in nine months, we are at plus 1%, excluding exchange rate versus the market, which was down, so clearly, we see the strategy orientation specifically in Electronics is fruitful and positive. So Electronics is maintained by the strong growth momentum, especially as we said, by Radar, Energy Management and Body Electronics. And if we look at Energy Management, it would be mainly coming from low-voltage DC/DC and converter and intelligent battery sensors, which are contributing a lot to the increase in terms of sales for Electronics. In Lighting, we are selectively ramping up programs across region but partially offsetting only the phaseout of existing program and lower customer call offs. And Lifecycle, we continue also to enjoy some growth supported by strong special OE business, as mentioned, and Aftermarket business as well. So basically, Electronics and Lifecycle continue to drive the group positive organic sales development for the nine months. So now looking at the next slide on the sales per region. We are outperforming the market globally by 170 basis points, and Electronics is the key driver for this outperformance. So in Europe, the sales growth is at 1.6%. So particularly strong with the radar and as well, Special OE and Aftermarket. In North America, we achieved 250 basis point of outperformance versus the market, where we see the market declining by 0.5% and this is reflecting also strong the Electronic sales momentum despite some headwinds from some programs fading out in Lighting . In Asia Pacific, performance is aligned with the market. So we see a strong energy management business in Asia Pacific and selective launches in China where the market was characterized by a strong negative development. China itself the market is at minus 5.5%. So looking at the performance per business group. So if we take Electronics first. So Electronics is showing strong growth in terms of sales. 7% versus last year at EUR2.5 billion. Again, radar, as we said, ramp up and new launches in Europe energy management are the key contributors. Asia Pacific, we have strong energy management sales as well, which is contributing to this growth in terms of sales. And this is offsetting the weak market environment in China. Operating income for Electronics is growing by 5% at EUR205 million, and it's remaining stable versus last year at 7.6%. So here, we have the product mix and some material costs, which are putting pressure on the

margin and limiting the margin benefit from our sales growth. But we are also countering this pressure with cost measures, and we are reducing our R&D expenses by lower use of external services. We are also benefiting from the structural adjustment we have started. And we also have the same effect on the administration costs, which are also going down for Electronics. Looking at Lighting now. So Lighting, we have external sales going down by 5.7%, so at EUR2.55 billion of sales, which is reflecting, again, program phase out and lower customer call-offs. So this was expected, and we also have the seasonal development of the regional production volume. So the decrease in sales was again expected for the year. So this directly impacts the operating margin, which sales to minus EUR2 million with an operating margin of minus 0.1%. So here, we also had to manage the volume decrease, but also complex launches, as I mentioned earlier as well, and some additional costs linked to inflation, especially on plastics, which are putting some more pressure on profitability. So we are also working on improvement and savings -- we are also lowering external spending and headcount in R&D, and we are accelerating the rollout of the Lighting Transformation Program which is expecting to bring visible impact on OI for the last quarter. So for Lighting, we continue to stick to our commitment to improve the margin and coming back to the around 3% until 2028 with a comparable level of what we were actually in 2025. Lifecycle also continues to show a sales increase, with 4.8% increase sales reaching EUR763 million. Here, we have Special OE, which remains a growth driver, supported by recovering demand in agriculture, construction machinery and truck and bus. Aftermarket is also showing a growing path which is also contributing to the growth. And the Workshop Business is also stabilizing, which is also a positive momentum. So here, the higher volume including favorable product mix are driving the positive and increase on the operating margin going to 11.5% versus the 10% of last year. Now looking at the full P&L. We would like to stress a couple of points here. So earnings before interest and tax increased by 13% at EUR236 million. and the net income also rose by close to 23% to EUR133 million. So the key driver for this EBIT increase is basically a reduction in our restructuring costs to around EUR35 million compared to EUR111 million. So we have booked less cost structuring cost this year. And at the same time, we have some

efficiency measures and cost savings that are continuing to support the earnings. And we also see the benefit of the restructuring program on the R&D side and SG&A where we are also lowering our spend in percentage of sales. Now going to the cash flow. So as said, we are posting a use of cash of EUR99 million versus + EUR68 million for the 9 months last year. So the cash flow is following a typical seasonal, but this year, we also have some effects on the working capital and restructuring, which is cash out, which is higher than what we spent last year. So first coming to the working capital, we have increased our inventories due to safety- stock and also to secure our products. And we also have segued our launches with additional inventories. On the receivables side, we also have less contribution from the factoring than we had last year, which is also contributing to a deterioration of the working capital. And again, as I said, we have more cash out on restructuring than we had last year in the first nine months.

This is offset partially with better CapEx governance where we see the CapEx going down and representing a total of 4% of our sales. So all this discipline should also help us to improve the Q4 cash. We are also expecting to improve the working capital again in Q4 with close monitoring on inventory optimization. We are also expecting some cash- in from the customers on sales reimbursement, so that should also benefit to the contribution to the cash. And we also have less restructuring cash-out in Q4 than we had seen in the first nine months of the year. With that, I'm finishing the financial presentation, and I hand over to Peter again.

Peter Laier: Yes. Thank you very much, Philippe. That brings us to the outlook as Chapter 3. So let's have a look at the market first. So we are actually expecting for global vehicle production that we will see a decline of 1.7% year-over-year. So we expect this year a total light vehicle production of 91.6 million vehicles in comparison to 93.1 million in last year. After nine months, we have now seen 67.8 million vehicles produced, which is a reduction of 70 basis points in comparison to last year. And what we are seeing right now is that in Q4, this reduction of global vehicle production will accelerate. So we are expecting the fourth quarter on 23.8 million light vehicle production which is minus 4.2% in comparison to the last year, and that is specifically driven by the

Chinese market, which is experiencing a reduction of minus 8.4% in the forecast for Q4. If you look a little bit to the regions on the right side, we see Americas as well as Asia Pacific, Rest of the World being down in comparison to the year before by minus 0.8% in Americas and minus 2.6% in Asia Pacific/Rest of the World. Europe a little bit up by 0.7%, but still on a level of just 17.2 million units. So that brings us to our company outlook. So despite the market headwinds coming from both from volumes and from costs we are confirming our outlook for the full year, but with some further specification within the ranges. So if we are looking our outlook. Again, that is for sure, based on the mentioned global vehicle production assumed on a level of 91.6 million light vehicles. We see on the sales side, we had up to now a guidance in the market between around EUR7.4 billion to EUR7.9 billion. We confirm that guidance and specify that our sales will be in the upper half of this range. Coming to OI margin, we confirm our guidance between around 5.4% to 6% of sales, but now specifying that we will be at the lower end of this range. And in regard of net cash flow, we just confirm our guidance with at least 1.8% of sales. So the specification of the OI margin on the lower end of the range as the following reasons. We are seeing an increasing impact of material cost inflation. We are negotiating this actually with our customers and assuming compensation until end of the year, but we are actually in the middle of the negotiations. We see a pretty uneven volume development with a negative customer mix. And as mentioned before, we have additional costs for complex launches in Lighting, which we have to compensate with our measures. So if we look at the remainder of the year, where do we focus on as key deliverables for the upcoming two months. We are working on recovering the material cost inflation, as mentioned in close discussion and negotiation with our customers. We have a rigorous cash and working capital management in place to achieve our cash flow guidance, and we have to work on our Lighting Transformation Program execution, including an improvement of the launch management. So these measures and the execution of them are our clear focus for the remaining months of the year. Overall, I would like to confirm that our introduced Ignite strategy is in full execution mode with a clear discipline and that is helping us in the challenging market environment. So as introduced before, Ignite strategy has

three pillars where we as HELLA working on to deliver our strategy on the one side, best-in-class performance where we are working on ensuring and enhance our competitiveness and to deliver our financial targets where we focus on the recovery of cost inflation in close alignment with our customers and with our Lighting Transformation Program, where we are working on the turnaround of our Lighting business.

On the business transformation side, we are executing the diversification of our customer base and intensify our business outside of Europe. I have shown to you today the acquisition successes and the distribution of them are showing clearly that we are on a good path to execute this topic as well. And we align further our portfolio with major mobility trends like automated driving, electromobility and software-defined vehicle architectures. I have shown you the highlights of the acquisitions today. Two examples for that. So we have received further orders for our radar business, executing the automated driving trend, and we have received the power management awards in the integration units where we are innovations in the electronic mobility trend. Third pillar is invigorating culture in our Ignite strategy. Here, we are working on speeding up the decision making in our organization and developing processes for our expanding non-European regions specifically to give them the decision authority and empower them in the related need to be successful with customers outside of Europe. We are here in a very good execution, and we have started actually in the company a project, which is called “blueprint”, where we are adjusting our target operating model accordingly. That brings me to the fourth part of our presentation today. The key takeaways. So key takeaways after nine months, if we look to our development out in the market, we continuously outperform the market. We have a sales growth in a declining market, that means our strategic orientation, our strategic direction is confirmed. And with the significant acquisition as well in Electronics, we confirm here for the future of the growth and as well for this year, the growth with the figures after nine months. We had a very successful order intake, which is fully consistent with the execution of our Ignite strategy. As explained, our OI margin suffered from volume and mix effects as well as from inflation cost pressure and from the launches I explained. We have further intensified our cost reduction

measures, and we are in continuous and intensive negotiations with our customers with regard to pass through the additional material cost inflation. Cash generation is following a typical seasonality, and we are expecting further improvements of our performance in Q4 based on the measures based on successes of the customer inflation negotiation and based on the further grip of our Lighting Transformation Program. We confirm our outlook despite the market headwinds we have explained today. So we have confirmed the outlook with some further specifications, where we say the sales outlook with around EUR7.4 billion to EUR7.9 billion is now being expected in the upper half of the range. In regard to OI margin, where we have an outlook between around 5.4% to 6%, we specify now that we expect that at the lower end of the range, net cash flow to sales with 1.8% is confirmed, and we are working on the key deliverables for the coming months, which is recovery of the cost inflation with our customers, rigorous cash and working capital management to achieve our net cash targets and the execution of our Lighting Transformation Program and the launch management, including our cost management. In regard to our strategy, we are in full execution mode of our Ignite strategy for our long-term success. With that, we see ourselves well positioned for the future to benefit from the major trends in automotive and with that capture the growth. We are amplifying now our Ignite strategy execution in regard to best-in-class performance because of the intensified competition and we have the right measures in that regard in place. We ensure and enhance further our competitiveness through our global cost structure improvements and through the uplift of our functional excellence. And we are working on the turnaround of our Lighting business with execution of Lighting Transformation Program, transferring our business and diversifying our customer base and the acquisition success is confirming that. And we are further transforming our product portfolio in alignment with the major trends. And last but not least, we execute invigorating culture by simplifying our structures and processes and with that empower our regions and speed up the decision making. With that we are coming to an end of the presentation and would now open the floor for questions.

Operator: (Operator instructions) The first question comes from Mr. Christoph Laskawi, Deutsche Bank.

Christoph Laskawi: The first one would be if there have been any exceptional negatives in Q3, like onetime items that you had to book and also if you would basically say that the launch costs or the cost of the complex launches in Lighting are digested fully in Q3 or if they will repeat in the fourth quarter. And then the second question would be on the implicit Q4 margin that you guide, which is around 7%. With Q3 at 4.2%, obviously, there's quite a substantial step-up needed in the final quarter. Could you help us bridge from the 4% to the 7%? Is this essentially the cost recoveries that you seek to get from the OEMs because costs I think, keep on increasing, the production volatility is not improving in Q4. So there will be further sequential headwinds. If you could basically help us bridge there are around 3 percentage points of margin that you target for Q4 and how you get there, that would be appreciated.

Peter Laier: Yes. Thank you very much for your questions, Christoph. I propose first questions, the exceptional negative bookings in Q3, maybe Philippe, you want to talk about that, and then I'm talking about the launch cost.

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Philippe Vienney :Yes. So in Q3, we had some headwinds on the material cost because we start to have the impact of the material cost increase, but the recovery is still to be negotiated as mentioned by Peter, and we are working on it for Q4. So all the negative is impacting Q3, positive will come in Q4. So in a way, it's a time of onetime, I would say, not onetime, but impacting negatively into Q3. Then the second topic is the launch costs, which have also impacted strongly the Q3 and Peter will come back on this for Q4. But this is in a nutshell what I could mention for Q3.

Peter Laier: Yes. So in regard of launch cost, the majority is digested in Q3. There is a little bit in Q4, but the majority is digested. Question number two, what is driving the 2.83% improvement of margin in Q4 versus Q3, Yes, Christoph, you're right, material compensation on the customer side is one of the drivers, but there is as well further improvements assumed on the cost side in where

we have clear measures in place and as you know, usually, Q4 is a strong quarter in comparison to Q3. So overall, it's a mix, strict cost management. inflation recovery on the customer side, where we are in intensive negotiations and some year-end performance, which is driving then us to this improvement needs to keep our guidance.

Christoph Laskawi: And one follow-up, if I may. Just looking into early '27. I appreciate you don't want to give '27 guidance today. But if we think about the start to '27, and you just highlighted that some contracts basically kicked in or cost increases kicked in, in Q3 and will be compensated in Q4. Should we expect other basically sourcing contracts to roll over early next year where there's lack of compensation in Q1? So should we basically prepare ourselves for a pretty soft start in earnings terms into '27 before you get the recoveries? Or is this too early to tell?

Peter Laier: That is a very difficult question, Christoph, to be honest. You know how automotive is, we are in intensive discussions actually with our customers at first to settle '26 in regard to material inflation. You know the principal market development is as well showing that we need to expect for '27 that on the material side, specifically PCPs and semiconductors, we need to expect a further challenging year. That's why we address already now at the customer side that we have to get as well compensations for '27. But in the nature of the game, it is to be expected that we will have a soft Q1 because it takes usually time to come here to conclusions for the full year. So I cannot tell you 100% how this will happen. But according to experience, it takes some time until finding agreements with the customers for '27.

Operator: The next question comes from Mr. Thomas Besson, Kepler Cheuvreux.

Thomas Besson: A few questions, well, please. Can you share with us, if possible, in euros, the amount of memories and PCBs, you're purchasing either in 2025 or in 2026. And the delta of cost for both PCBs and memories, please? And are you assuming that you're going to recover the '26 delta in '26? Or are you assuming that part of that is going to be recovered in '27

Peter Laier: Yes. I can take that. We are not sharing numbers in regard of PCBs and in regard of semiconductors, but to clarify that Tom, we are not using much memory. We are using usually control ships in our environment. And yes, there is, for sure, an increase of pricing in comparison to 2025, but we are not sharing such figures. The only topic I can mention here is that we are assuming in our guidance and forecast for '26 that we are getting the related inflation, material inflation reimbursements from our customers for those units in the course of the year.

Thomas Besson: Okay. Clear. Second question, a bit like Christoph's question on your big jump necessary in Q4 for OI margins. You also need a big jump in free cash flow to make your number. So I'm just on working capital, whether headwind becomes a tailwind. Can you help us and put some figures on that? Because I mean you've already crushed CapEx further in the first nine months. So what exactly are you planning to get from big double-digit million negative to a triple-digit positive in Q4. You're supposed to produce a very strong Q4 free cash flow.

Peter Laier: Yes. Philippe, do you want to start on that?

Philippe Vienney: I can start. First, maybe it hasn't linked with the seasonality because last year, we had more or less a very similar profile (even if Q3 was positive) but Q4, we generated also a very strong cash in the last quarter. So it's something which is not totally unusual in terms of seasonality. So now coming to more details, yes we are planning to drastically decrease the inventories and there is a plan to decrease the inventories by the end of October to make sure we have the cash impact by year-end. So this is the first item. Second item was, as I said, we're normally going to have sales reimbursement collection much higher in Q4 than what we have enjoyed or got so far. So this will also help Q4. Restructuring, we have spent a lot of restructuring year-to-date with something around EUR90 million, and we are not expecting to have such high or not the same trend for Q4. So this will also help us to have a better cash in Q4. So that's basically the main items which would help us, plus the fact that

we are also getting higher EBITDA, as you have mentioned, in Q4 which is also helping the cash for Q4.

Thomas Besson: Last question, if I may. Thanks for giving us the details of how your orders effectively split by region, business and so on. Can you share with us the orders in proportion to your nine-month revenues? Or it's something you do only annually

Peter Laier: We do only annually.

Operator: So at the moment, there seem to be no further questions. So if there are no further questions. (Operator Instructions) There aren't any questions in the line. With that, I would like to hand over to your host, again, Professor Peter Laier, for closing remarks.

Peter Laier: Yes, thank you very much for participating on a Friday evening. Thank you very much for your very good questions. I think we have shown to you today that in a charging environment, we are performing well and executing our Ignite strategy. For sure, there is a lot of work to do until the end of the year in regard to all the measures which we have in place and as well the close negotiations with our customers for the material inflation compensation. We have shown you today our execution plan in regard to that and are looking very much forward then to report to you our year-end figures and how we have achieved them. But for sure, all that needs to be executed now. There's a lot of work in front of us. Thank you very much to everybody and wish you a nice weekend. Thank you. Bye-bye.

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