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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 preliminary results for the fiscal year 2024. The call will be hosted by Bernard Schäferbarthold, the CEO, and Philippe Vienney, the CFO. At this time, all participants have been placed on a listen-only mode. The floor will be open for questions following the presentation. Let me now turn the floor over to your host, Mr. Schäferbarthold.

Bernard Schäferbarthold: Good Morning to all of you and a very warm welcome to our call related to our preliminary results of our fiscal year 2024. Today's agenda on page two is on the results and also on the outlook for 2025. Please let me start on page four to give you an overall view on our key results. So, overall, we surpassed first time €8 billion in 2024. If we look at the sales development, especially in Q4, we have seen a decent development for our business in the Electronics. We have grown in Electronics by around 3%, so a good acceleration, especially for our radar business, but as well for energy management and our body Electronics business. Also our business and Aftermarket has grown in the fourth quarter quite decently, so we had overall in the Aftermarket a good year with an outperformance against the market. Overall, the growth of 4.4%. Negatively, within the Lifecycle business, our business in SOE, but as well workshop products, declined so that overall Lifecycle was shrinking. Negatively, we have seen in Lighting that the fourth quarter was lower because of changes within bigger programs where we have seen ramp downs, and we are actually in preparation for ramp ups. This is something which we will also continue to see now starting into the year for Lighting overall. But more to that also when I come to the guidance overall. So, the full year in total, it has been a year where we have been much



impacted by delays on several programs. So, overall this has had an impact of around 2% on our growth and as well we have been impacted by slower volumes and much lower volumes in terms of electric cars which also had an impact which was quite significant against our original planning, around 1.5% overall.

If we look at our operating income, we are at 5.6% to the end of the year. The biggest impact on our profitability also against prior year was the underutilization of our production sites overall and the high volatility in the market we have we have seen. We have accelerated our cost reduction measures and our structural measures overall. We will later see that we have overall reduced globally by 2,700 headcounts to the end of the year, and we have accelerated on structural reduction measures overall in different countries. Specifically on Germany, we have achieved an agreement now with the Workers' Council and the Unions on the reduction of our lighting plant in Lippstadt, which is now in execution and where we are very close now to reach the last signatures we want to reach to come to the reduction of around 400 headcounts within our lighting plant in Lippstadt. On top of that, we have announced early this year the closure of our engineering hub in Berlin and as well as reduction of our engineering in Bremen. What also we will announce today is an additional voluntary program for Lippstadt where we will have a reduction of around 200 headcounts. This will be split between the Electronics and positions in Lifecycle and as well in the holding. So, overall the message is we accelerate in terms of reduction on our fixed costs and in terms of the structural measures also Philippe will highlight we continue on reducing the fixed cost base continuously. We aim to be below the level of last year's fixed cost by around 3%. And overall against the original plan, what we have of more than €400 million of reduction, we are actually at a level which is around 15% higher in comparison to what we communicated last time.

If we look at the net cash flow performance, we are, we closed the year at €189 million. If we compare the numbers to prior year, excluding the factoring we are at a similar level to the previous year. This is the ratio to sales of 2.4%. And, lastly, in terms of order intake, we again reached an order intake of around €10 billion. We are very pleased about this result, not only because of the significant amount. It's three years in a row that we reached



€10 billion or more. It's also about the regional mix, the diversification in terms of customers and also important new product generations and innovations we have been able to position in the market and this for us assures, for the upcoming years that we will be able to grow and be much better balanced in the future. Now I would ask Philippe to comment also on more details in terms of our results.

Philippe Vienney: Thank you, Bernard. Good morning to all of you. So, looking at the results per business group. And so we have a sales growth in Lighting where, as it was said, Electronics and Lifecycle are showing more a slight decrease versus 2023. So, if we start with Lighting posted €4 billion of sales, operating income of €126 million and 3.2% of operating margin versus 3.4% last year. So, in terms of growth for Lighting, we have growth in Americas thanks to the new headlamp and new businesses also which have been started mostly with I would say GM on the Chevrolet and Cadillac. But we have less sales in Europe with a ramp down of projects in Europe. I would probably quote here the Tesla Model Y and the Mercedes V-Class also which are ramping down. And in China we have booked the full consolidation of HBBL, which is representing €271 million, but we also have a negative impact on the rest of the sales again, mostly on the Tesla, which is ramping down in China. So, operating margin for Lighting has been impacted by positive mix and the growth profit is doing pretty well and we again have also the consideration of HBBL, but on the other side in Europe we have underutilization of capacities as it was said, and some measures are on the way to continue to cut the cost and the structures. For Electronics €3.3 billion of sales, so it's around 2.3% sales decrease versus '23 with an operating margin at 226, which is in line with '23 level. So here we also have a strong growth in North America. In America, mostly on the radar business and mostly with GM. But on the other side in Europe, we have, as it was said, we are facing the electric market which is going down and some postponement of the programs, so we are declining a little bit in Europe, although we are still have good sales on the radar business in Europe. And in China we are also impacted by a negative mix on our electronic products with the good margins that we have on these products. So overall the margin for Electronics was stable versus '23 and the



negative volume that we are facing has been compensated by lower R&D costs where we have been able to cut and save costs versus '23. On the Lifecycle, so here we have €1 billion of sales, which is minus 3.6% versus '23 with an operating margin of €99 million at 9.6% versus 11.9%. So, here we have two effects. We have in Aftermarket relatively good sales and solid sales versus '23. But on the Special Application we are down versus '23, especially due to the commercial vehicle segment where we have faced lower volumes. So, it was also more difficult to flex on the industrial part. So, the profit margin was a little bit showing a decline versus '23. And on the other side, we are also having a good level of awards and we are spending R&D costs to be able to have this product for the future years. Now if we go to the order intake with some example, so the good news I think is what was highlighted by Bernard. We are aligned with our strategy which is basically rebalancing our portfolio, ourselves a little bit more equally around the world. So, the other intake is distributed equally between Europe, APAC and NSA. Which is good news again that's our strategy. So, if we look at some example in Lighting, so we are progressing in Lighting with some nomination with a very high technologies content. So, for example, on the Car Body Lighting we had some good awards with illuminated screens and logos and panels for Chinese and European OEMs. We also had very good order intake with the SSL-HD technology for Lighting again here with Chinese OEMs, U.S. and Europe. If we look at electronic here, we have major awards on the radar, generation five again for Europe also in the U.S., and we have also a very good momentum on the energy management and sensors from the Japanese OEM. And we can also quote here a very good award as well on the digital smart car access in North America, mostly in '24. Life cycle, we are also increasing our momentum and we are doing a pretty good level of awards and order intake in '24, which is for German manufacturers on the agricultural side. We have also headlamps, we have intelligent battery sensors, so the order intake for Lifecycle was pretty good for '24, and we sustained the sales level that we are having in our coming years. So, we continue and we accelerate our measures to cut the cost and improve our business performance, so we have increased our target for '25 million to €200 million versus the €150 million which was communicated earlier, and we are targeting about €400 million by the end of



'28. So, here we are accelerating and increasing also the restructuring actions and some of them have been done already in '24 and some others are already announced as I already mentioned. So, in terms of headcount, we have been able to reduce by 1,100 headcount in Europe in '24 and 2,700 in the world globally excluding HBBL. We have closed some locations in Germany, in Romania with R&D centers, and in Slovenia as well, and we have downsized some locations, so like Austria for Lifecycle, Czech Republic and in France, Germany, and Romania and Slovenia. And in parallel we are continuing to work on the digitalization, artificial intelligence to continue to reduce bureaucracy, increase efficiency, and be able to cope with the new measures which are also coming and which will be implemented in '25. So again, we are accelerating and increasing our targets to face the new reality and to be more competitive in the future.

Bernard Schäferbarthold: Thank you, Philippe. So coming to the outlook for 2025 on page 10. So, we expect our sales to be in the range of €7.6 billion to €8 billion. So this would be at the midpoint it would be €7.8 billion of sales. The range reflects still the high uncertainty about volumes and the high volatility we continue to see. We also see a risk in terms of delays and how quick and fast and successful will be several ramp-ups which are planned in this year and where a part of our products is integrated and somehow there is also some uncertainty about volumes on electrified cars and we reflect basically the experience we had last year and what I commented, within our range. The order book is giving us the opportunity also to be on the on the upper level, but it's very difficult to predict. Within the different business groups we see quite a good opportunity in terms of Electronics and also a Lifecycle overall. So we have seen now in Electronics a good momentum, especially in the fourth quarter, and we continue to see a good trend also towards some of our products like radar what I mentioned where we have quite a decent growth, we would also expect to continue now into 2025. In terms of Lifecycle, we continue to see a good momentum in our Aftermarket business. We think that we are at the low point in terms of our business in Special Application where we expect in the following quarters that we should see some improvements, especially into the second half of the year. Lighting is in the process of



significant program changes actually, so we have a slower start in Lighting in the first quarter and we expect to pick up then in the second quarter and into the second half of the year. Overall we think that we will have a decline in sales in Lighting against prior year. So, overall, again we see €7.8 billion at the midpoint and again with the opportunity depending on the ramp-ups and the further volume developments an opportunity to grow. In terms of operating income margin, we see us in the range of 5.3% to 6%. At the midpoint it would be 5.65%, which would be the same level in comparison to 2024. As mentioned, our major activities are related to a reduction within our fixed cost, we target to be within the overall fixed cost ratio to be at least minus 3% in comparison to the prior year. We accelerate the different structural measures we have we have mentioned. We work on improvements in terms of our quality costs and expenses which we see a positive trend, but we see also a good improvement potential in that area, and we are working on several initiatives in terms of higher operations efficiency where the high volatility came with extra cost where we are working on higher flexibilization rates going forward. On top of that, we are working on improvements on our material cost base. We have a much higher ambition in terms of material cost savings in comparison to the prior year and all that should support the quality of our Operating Income in this year. On the Net cash flow, we expect to be at least at a level of €200 million. This €200 million reflects as well restructuring cost of around €120 million which are in that number. It means 100 million higher restructuring cost in comparison to 2024. That means a significant improvement in terms of our Operational Cash flow which we are targeting. This comes on one side with the quality of our earnings and the reduction on the fixed cost side and overall on the cost side, but as well on further improvements, especially on the CapEx side where we will invest a significantly lower amount in CapEx. In comparison to prior year we estimate to be below 100% in comparison to depreciation for this year. And we also anticipate further improvements in working capital where we are working continuously on a reduction, especially in the area of our inventories, and this should lead to this improvement overall. So, summing it up on page 12, overall '24, a solid performance, a sales level of above 8% with the comments I made, especially the reduction of the fixed cost, the acceleration of our



structural measures and the increase of additional measures makes us more robust and competitive also going forward and especially also on the order intake and important acquisitions we could win. This makes me very positive in terms of our midterm outlook. The year 2025 remains for us challenging in a way that we continue to see a high volatility, but we prepare on the structural and we execute the structural measures we need to do to reduce our breakeven point, to significantly reduce our cost base and improve the quality of our earnings and also of our cash flow, as said. Overall, we continue to see that there is a significant demand on our products. We are very optimistic that this trend on new orders we are able to win, especially on our full product scope that this will continue also in 202. We have significant acquisitions we are actually working on globally with many different OEMs in all relevant countries, which makes us very positive, let us be very positive in terms of our positioning in the market. We continue on working on the diversification to get stronger position within the Americas but as well in the Asian markets overall, not only China but as well Japan and India especially and last but not least, we remain committed in terms of all our sustainability targets we have set ourselves. We have made very good progress in scope one and two, we expect to be emission free until the end of 2025, and we are intensively working on our scope three roadmap to work towards our targets we have set ourselves for 2030 and 2045. Having said that, we are happy to take your questions.

Operator: (Operator instructions) And the first question is from Akshat Kacker. The floor is yours.

Akshat Kacker: Good morning. Thank you for taking my questions, Akshat from JPMorgan. I have three, please. The first one on cost inflation and what you're factoring in for the P&L in 2025, please. Could you just run us through some elements, like wage inflation, freight, energy cost, and specifically raw materials and what are your assumptions on semiconductor costs for 2025, please. The second question is on the profit bridge and the benefits from all the cost actions and the competitiveness measures that you have talked about. Could you help us with the net savings that you expect in 2025 and '26 across all of



these cost measures and the synergy targets that you have previously announced, please. And the last one is a modelling question please, in terms of, total R&D expenditures, what is your current expectation for 2025? And finally on working capital how much room do you see to improve the inventory levels in the business please, thank you so much.

Bernard Schäferbarthold: Yes, hello Akshat. Thank you for these questions. First of all, on the inflation, so overall we expect that in comparison to 2024, we see a reduction in terms of more or less all commodities. So, on the active electronic components, so especially also on the semis, we see a reduction of around 5%, overall very different related to the different technologies and suppliers, but on average. And we see some areas, so if it's plastic materials but also mechanical parts, it's a little lower. So, in general what we are assuming is that we can reach around 4% of reductions within the overall material bandwidth. But it's important to mention that still the inflation related to the programs, so the reduction we are able to get, is still not covering the price increases we have seen since the crisis, but we see now that we are basically coming down in terms of in terms of cost. And for sure we continue to negotiate also towards our customers to claim this overall inflation on the different programs which we still have since the nomination. But which comes now down, so the compensation payments, we are not now discussing is coming significantly down in comparison to what we have seen '22 and '23 and '24. On the energy costs, we also see that energy costs are lower than in comparison to '24. So we have we have hatched over the last year, most of the positions related to our volumes we need. But it is around 10% of reduction we have overall in energy costs, which for us is around €10 million in absolute number just to give you a sense. And freight cost overall there's on average not a significant difference now to previous year. So, these are the assumptions we have more or less considered and if we look at our profit bridge, so overall we expect, as I said that within our overall fixed cost, we would be able to be 3% below. There are all structural measures included, which are in that number. We assume to have out of all structural measures we have started, in '24 to have around €180 million of gross savings we are able to reach. Thereof around half of it are really structural measures which



are related to all that is related to fixed cost. The net is around €60 million to €70 million we expect for the group. In terms of R&D expenses, we target to be around 10%, slightly below 10% for the year '25. And working capital, so in terms of inventories we see around €50 million we can reduce in comparison now to the end of the year. But we still also see further potential in terms of the payment terms. We can extend also on the supplier side, especially with the increase of Asian suppliers, but also suppliers in Mexico, where we are increasing basically the share and there are normally better payment terms are possible in comparison to European supplies.

Akshat Kacker: Thank you, Mr. Schäferbarthold. That's super helpful.

Operator: So next question comes from Christoph Laskawi.

Christoph Laskawi: Good morning. Thank you for taking my questions. The first one again on the guidance: the measures that you've highlighted to mitigate the negative impact of potentially falling revenues or cost cutting related or to a large degree. Previously the synergies with FORVIA had been highlighted a bit more and actually for this year, I think also FORVIA highlighted still a quite a decent portion of synergies coming through. Could you elaborate on that where it's coming through for you in the P&L in '25, how much do you expect from that? And would that be on top, or is it part of the improvements that you've highlighted? And then just on the semi comment where you see cost coming down 5%. Is the OEM actively asking for that reduction to be passed through to them, or as you said, basically the negotiation that you are having with the OEMs is just on a price which is then 5% lower. So, you still try to cover just the cost that you are facing, and the net impact will be zero for you? And then just on the divisions, starting with Electronics, what did you assume for the BEV penetration in Europe in the guide of flood revenues? I mean, obviously next week there's an expectation that the European Union might ease the CO2 rules. Is this sort of reflected already, or? Do you think that the penetration of BEV in the current state probably doesn't matter too much for the 25 guided Electronics. And when do you expect that division to structurally outperform quite strong again? Is it more towards '26, end of '26?



And then lastly just on Lighting, is there something structurally deteriorating in the business in the sense that the order intake that you have booked turns out to be actually far smaller in volumes than you initially anticipated, and the customer is dragging you down for probably another couple of years, or is it really just the changeover of programs that you're currently facing before you see some growth again towards the latter half of '25. Thank you.

Bernard Schäferbarthold: So hello Mr. Laskawi. So, to start, you had a question. One question was related to the inflation on the semis. So what I said is that still in terms of the negotiations with the customers, we have still an inflation impact on the programs in comparison to the original nomination. What the OEMs are now expecting that this is somehow now reflected also in our discussions we have to get to an agreement which is in terms of the compensation lower. So somehow for us it is important because the willingness on the OEM side to pay for inflation is much lower. The pressure on the OEM side is quite high, so it is for us very important that we are able to reduce the cost side on our supplier side. But so overall, yes, a big part of it, or this reduction we have to basically embed in our discussion. But anyway even last year we were not able to claim everything against the OEMs. So in '24, the OEMs were already there not willing to compensate all. So that net there will be a positive impact because anyway some of the agreements which we also made already with an assumption that these compensations will be reduced in the coming years. So it was already discussed with the different OEMs, so that it is now very important that we are able to reach these reductions, but “net net” I think it is positive for us and will improve overall our result. On our assumption in terms of electric cars in Europe. And we are very cautious, so we have even reduced our assumption against last year what we have seen in the actuals due to the experience we have made. So, our base assumption is that we will not see any improvement against 2024 and that it could even be worse. And this is planned program by program with the experience we have done in the different programs and also the success the different programs had in the in the market. Overall you can say that we have not assumed any improvement there. On the overall outperformance of Electronics, so what we basically see is that we will have an outperformance, especially in radar. We will have an



outperformance in what is electric power steering. We also are positive in terms of all what is related to our Body Electronics business, so Lighting Electronics is within that business. We also have quite a positive outlook in terms of all what is within our control modules. And we also see some positive elements in our sensors and actuators business, not a significant growth, but we have seen a decline last year, so it should stabilize and go up again. So overall, we are optimistic to come back to an outperformance. Let's see if it's already significant this year, but I think 2026, we should see again a better outperformance, we are used to see. In Lighting we have been impacted by some reductions or significant reductions on volumes on some programs and also programs which have been cancelled in the last two years. So, this you can say has impacted us in Lighting quite significantly and is something which we will see this year but as well also next year in Lighting. I don't see that there is a real structural element if I look more midterm. But you're right, it's for this year and next year we will have no growth in Lighting, which makes it more difficult in terms of the overall performance. So, we are full focusing now on the restructuring of our Lighting business. We had a very good order intake in Lighting in China last year. We had also a very good order intake in the Americas for Lighting last year. Europe is more challenging, and we have also the overcapacity situation in Europe, so this is why there is a full focus for Lighting and restructuring the business in Europe.

Christoph Laskawi: Thank you very much for the details. Just one, follow up again on the synergies.

Bernard Schäferbarthold: Sorry I forgot I forgot this one. So most synergies we expect this year are on the material cost side. So we have structured the organization in a way that we are leveraging basically the teams in the different commodities and the competency we have. So the highest synergy part and the increase in synergy we expect is on the material cost side. So, if we look at the additional synergies we are making, this is this is basically the biggest part. Despite that, for sure we are working on different other measures that related to the cost savings I mentioned, this is a minor part.

Christoph Laskawi: Thank you very much.



Operator: And we have one more question from Sanjay Bhagwani. The floor is yours.

Sanjay Bhagwani: Hello, thank you very much for taking my question. Also, three questions as well. The first one is just on, if you have to think of the latest trading update, we have already been like roughly two months into this year, so how is your overall feeling on the ground? Have things been better or worse than what you had anticipated two months ago when going into the year? So that's my first question, and I'll just follow up with the next one if that is okay.

Bernard Schäferbarthold: So, in terms of volumes, we were, it was a little lower than what we expected, mostly out of China, where there was from our point of view, if you said what was I seeing two months ago, so we were seeing somehow a preponed effect from China into the month of December and this had a slight effect into January and with the Chinese New Year into the month of February. But overall not really major what I expected. So we already anticipated a slow start into the year also in comparison to last year. So, if I look at our original budget and what was now the result in the month of January, but also what we anticipate now in February, there is basically no real deviation in terms of what we expected. In general I can say for us and at least for our business, we are expecting somehow a little lower sales volume in the first half overall in comparison to the second half. But again, no deviation to what we expected in the month of November and December when we did the budget in comparison to now.

Sanjay Bhagwani: Thank you. That's very helpful. And my second question is coming back on the semiconductor prices, and the material cost tailwinds, maybe if you can take a step back just to understand the mechanics of this. So, I mean if you just have a quick recap, the inflation on the semiconductor started rising in H2/21 if my memory, serves. And since then, let's say if semiconductor prices are maybe up 20% or something, now during the course you are able to pass through some part of that inflation increase and some of that you could not. So, when you have to think of the net '25, is it that the margins as of '24 they already include or they have already repriced whatever the historical inflation



was and hence the '25, if the semiconductor costs go down that net benefits you? And on that are you also able to remind us of what the percentage of sales is the semiconductor costs?

Bernard Schäferbarthold: So, the price increase on the different semis was very different, so I think you can say it was between 10% and 40% depending on the different technologies. So that an average I would say we have seen around between 15% and 20% of increase in general on the semiconductor side. The decrease in price in '24 was very little, so probably 2% to 3% overall on average. The decrease I was commenting now, so an average five, so it brings us only to if you take it and you just add it to maximum eight, so we remain with an increase of around 10% overall on the semi-inflation we have since COVID crisis started. And if I now speak about what is the impact, so overall we continue to have for several programs which were nominated before the crisis additional costs, which partly we have already agreements with our customers because there are agreements on pricing which are set. And partially the agreements we had were only on an annual basis, so that they are renegotiated every year. So that some of it we are now benefiting from. Some of it, what I mentioned before, it will again be reflected in our negotiations with the customers. Overall, as I said, in net against '24, I see that there will be a positive effect out of the overall reduction we do on the material cost side. The semi overall, it really depends on the product. For radar for example, it is a significant element within our bill of material, so within the bill of material s around one quarter is the semi part. For other products, it's much lower, it's only 5% or 6%. So, it's very different, related to the different products we have, but overall for the Electronics business, you can say that on average it is then around I would say between 15% and 20% in the importance of a bill of material.

Sanjay Bhagwani: Thank you. That is very helpful. The final one, on the cost saving and then again, a follow up to Akshat and Christoph's question. So, if I understood it correctly, sorry, did you just say €60 million to €70 million of, net cost savings? Are you expecting the P&L for 2025? Is that correct?



Bernard Schäferbarthold: Yes. In comparison to '24 yes.

Sanjay Bhagwani: Yeah, so I think putting this all together. When we look at the material cost savings, maybe because largely overall material cost is down 4%, and material cost still maybe 60% of your sales or something like that. And then if you add the €60 million to €70 million of savings, and then when I look at the midpoint of the new guidance which kind of implying more or less flattish operating profit, so are you basically expecting most of these tailwinds that is €60 million to €70 million from cost savings and similar maybe from the material cost, they all get invalid because of the lower sales is that the overall thinking behind the guidance?

Bernard Schäferbarthold: Yes, so we have two effects. One is the lower sales, and the other one is that we have a slightly negative mix overall on the product mix. We have several new products launching where at least with new product launches or new products in general, the margin is slightly lower than with other products so that there is also a slight negative product mix, in '25 against '24.

Sanjay Bhagwani: Thank you, that is very helpful.

Operator: So, at the moment, there are no further questions.

Bernard Schäferbarthold: If there are no further questions, then I would like to thank you all for the interest in joining our preliminary result call on the '24 fiscal year. Thanks a lot for the interest in HELLA, and I wish you all a very pleasant remaining day, and hear you see you soon. Thank you. Bye bye.

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