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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 2025. The call will be hosted by Dr. Peter Laier, the CEO, and Philippe Vienney, the CFO.  
(Operator Instructions). Let me now turn the floor over to your host, Dr. Peter Laier, CEO.

Peter Laier: Good morning. A warm welcome to everybody for our call in regard of HELLA's 2025 preliminary results. We have structured the presentation today in four parts. The first is an introduction of myself because I'm newly assigned as a CEO of the company. The second will then be focused on preliminary results 2025, followed by a company outlook and the strategic priorities at the end then we will summarize the key takeaways for all of you and then open the call for questions. Let me start first with a brief introduction of myself. I'm now, since around about 3 decades in the automotive industry, I started my career at Continental Automotive, where I used to work 13 years in electronics and sensorics, used to work in Asia, leading the Continental automotive business in Japan and Korea, and then responsible for chassis and for brake systems. After that, I joined Osram in 2013 as a CTO, did the spin-off with the board of Osram at that point in time, and after that, joined Bentley as a COO of the company. Then the next stage was Knorr Bremse as being board member responsible for the commercial vehicle business and then joined ZF Friedrichshafen where I was responsible for commercial vehicles and industry business and for operations and purchasing for ZF globally and now being assigned as a new CEO at HELLA since 16th of February, so pretty new in this role. And in that role, I'm pretty happy to welcome you here in this first preliminary result call for the HELLA results of 2025. Okay, then let's look at the preliminary results if we could go then further in the

presentation on chart 6. Yes, to summarize, the organic sales of Hella in 2025 were somehow stable with 8 billion euro. 2025 was characterized by a strong net cash flow performance and an increase of profitability. How does it look a little bit more in detail? As I mentioned, the HELLA Group organic sales were at prior year level of around about 8 billion euro, including a negative FX down by 2.1%. So we had a strong sales development in Electronics across all regions, for example, notably driven by our radar sensor business, our battery management systems and our car access, just to give some examples of growth. On the other side, our Lighting business was affected by the phase-out of some programs. which we partially could compensate by a ramp-up of new headlight and rear combination lamp business in this business group. In Lifecycle Solutions, we had a positive organic sales development in second-half year 2025. That resulted in an operating income for Hella in 2025 of €474 million in comparison to €446 million in 2024. And this resulted again in an operating income margin increase by 48 basis points to 6%. What we see is that the acceleration of our cost reduction measures with savings, particularly in R&D, those efficiency and with that structural adjustments. On the other side, the positive effects out of those measures were partially influenced by negative volume and mix effects and that resulted in the mentioned operating income and margin. If you look shortly to net cash flow, we increased the net cash flow in comparison to 2024 by €129 million to a remarkable level of €318 million in 2025. So that led to a ratio to sales of 4% in regard to net cash flow and that in comparison to higher years, 2.4%, a significant increase. So we had a higher cash flow on the one hand from operating activities, €58 million improvement. And the other improvement came out of CapEx savings, a part of our improvement program, €105 million savings here. In regard to order intake, we had again 10 billion euro, which is showing a strong demand for our core products as well as for our innovations. If you look a little bit deeper to order intake, what we see is an intensified business which we could achieve in North and South America, on the other side with local OEMs in China, some gains in Japan and in India, that leads to an overall more than 50% share of order intake outside of Europe. This shows that we have a strong demand for our HELLA core products. and our new technologies, for example, like intelligent power distribution modules or zonal modules, some

of our core innovations and new technologies. If you look now a little bit deeper in the business group, I hand over for that to Philippe Vienney, our CFO.

Philippe Vienney: Thank you, Peter. So good morning to all of you. So looking at some more details per business group, let's start with Lighting. So Lighting, we had total sales in 2025 or 3.7 billion euro versus 4 billion euro in 2024, with an operating income of €106 million, which represents 2.9% of sales versus 3.2 in 2024. So in Lighting, we are suffering from discontinuation of very large volume service projects, especially in America and in China, which are going down, which is impacting the top line of Lighting. We have also faced some weakness in the European market with some specific products impacting the Lighting business group as well. On the other side, we have some ramp-ups and increase of volumes for U.S. OEMs, but which is not enough to compensate the sales growth that we are facing in China and in Europe. So at the end, the operating margin of Lighting is at 2.9%, against €106 million So yeah, mostly impacted by the volume and the loss of revenues, so which is impacting the gross profit, which have been partially offset by some structural measure on SG&A and R&D, but not enough to sustain the margin that we have posted in '24. When we look at Electronic segments, here we are reaching sales of €3.4 billion versus €3.3 billion in '24, operating margin at €269 million, which is representing 7.8% of sales versus 6.9 in the year '24. So here, the cells are still highly driven by radar and electronic power system, mostly in Americas and in Europe, which is benefiting to the top line. We have also a good startup with the smart access system in Europe and in Asia. And we have also, in China, the low voltage battery, which is also ramping up and adding cells as well. So here we have an operating margin of 7.8%, so the volume is helping us a bit. We have also had the SEK sales or tooling sales, which have helped us in Q4 to increase the margin. And we are also spending much less in R&D, and we are doing some saving administration as well, which is helping the operating margin versus what we have been doing in '24. Looking at Lifecycle solutions, here we have sales which are nearly stable at €1 billion, like in '24, with an operating margin at €109 million, which is 11.1%. So here we have basically a stable market or stable sales on the spare

part business, so reported sales is slightly negative due to FX rate, but the activity is mostly stable on the spare parts. On the other hand, we have lower demand on the commercial and agricultural businesses. But we have some rebound or some slight increase in H2/25 on this market, which has helped a little bit year 25. Operating margin at 11.1%. So here, we have an increase in the gross profit due to the savings and the structuring plan, which has been undertaken in this BG. And we have also some savings on the R&D size and distribution costs, which have also helped the operating margin. Now, if we look at the demand and the order intake, I hand over again to you, Peter.

Peter Laier: Thanks, Philippe. Yeah, if you could go to the next slide, you see there are some order intake highlights for 2025. As I already mentioned, more than 50% of our order intake share came from regions outside of Europe and that you will see as well in the different business groups. So let me start with Lighting. We had some further acquisition successes in the Americas as well as in Asia. You see here on the chart some examples like, for example, car body lighting and headlamp business for different mass market models for European OEMs and I think that's an important message that we are penetrating further the mass market now as well with the Lighting business. We won some headlamp packages for different models of European OEMs for the U.S. market with SOPs in '28 and '29 and some headlight packages, including adaptive lighting technology for three different series of an U.S. OEM for SOP in '28. I think remarkable in Lighting is as well that we won different headlamp and car body lighting packages for Chinese OEMs for several car models, SOPs in '26 and beyond. And this is executing of our strategy that we want to grow with Chinese OEMs and confirms that we are here on the right path. If we look at Electronics, we are further winning business to reinforce our position as a market and technology leader in the selected areas where we are going to play and win, and you know that we have a long tradition in selecting those areas carefully and play to our strengths. So you see here is the first example we have 1 billion orders for intelligent power distribution management and zonal modules from an international premium OEM with SOPs staggered from 25 and 28, which is remarkable. That's confirming our strategy in regard of going in the direction

of zonal modules and ECUs. Then we continue with our success story on radars with a 3-million-digit order for our Gen. 5 and Gen. 7, the radar technology from a European OEM and Gen. 7 radar solution for Japanese OEM for the Indian market with the SOP in '27. In addition, 3-million-digit order intake for smart car access from a US OEM confirms here that we are here on the right path. If you look to Lifecycle Solutions, we have new order wins, which increase our customer outreach and which clearly indicate that there is a strong demand for our customized technologies. So for example, we have won a fully customized flat light technology for a Dutch bus maker or a customized lighting for an off-road vehicle of a premium manufacturer with SOP '26. We have different LED front lighting systems, which we won for the European OEM for the Indian market or a LED rear lamp for an international trailer manufacturer for the Indian market, which confirms as well here the internationalization of our business. And last but not least, we won an LED headlamp from international manufacturer for agriculture technology with the SOP in '27. Yeah, so far through our 2025 preliminary results and related information for order intake. With that, I would now go into 2026 and would start to talk about our outlook for 2026, followed then by some strategic priorities. If we could switch to page 10, please. What I would just start with is we are seeing somehow sluggish, stable development of our vehicle production globally. And the details will be presented by Philippe.

Philippe Vienney: So, yes, we see a stagnating market in '26 based on the latest figures published by S&P in February '26. So minus 0.2% in '26 versus '25, after '25, which was relatively good in terms of worldwide production. So per region, we see Americas, Europe and even Asia-Pacific going slightly down versus '25. So with this outlook in terms of markets, we go to the outlook for '26 for HELLA So we see we would like to guide the sales between €7.4 billion and €7.9 billion. So here again, taking into account a stable market and still facing some top-line revenues issues on Lighting. We have detailed in former calls that we are expecting a rebound for Lighting in '27. So we are still facing this drop in revenues in '26 for Lighting. So leading us to this guidance in terms of sales, \$7.4 billion to \$7.9 billion, operating margin between 5.4% and 6% of sales also taking into account these revenues, which would be slightly

difficult for Lighting. And also having in mind that the full benefit of the turnaround plan of Lighting with the adjustment measures and restructuring measure will take full impact in '27, and '26 will be still a turnaround year. In terms of net cash flow, we say at least 1.8% of sales. So here, versus '25 achievements, basically this 1.8% is built on slightly lower funds from operations. But we also do expect more cash outs linked to the restructuring program with people leaving in '26, then the cash will be out as well in '26, so higher restructuring spend in '26. And we also do plan some higher CapEx in '26. We have said that we have been able to reduce the CapEx in '25 by €100 million. We do not expect to do exactly the same in '26, and we are planning to add €50 million more in '26 in terms of CapEx to prepare the future, the launches, and the rebound, which is expected in '27. So that's all in all what is behind this outlook for '26. And maybe then we can go to the strategic priorities to years.

Peter Laier: Yeah, thank you, Philippe. Then I'm taking over for that. Again, in regard of our strategic priorities, if you go to chart 12, we see three strategic priorities which determines HELLA. The first is best-in-class performance. The second is business transformation. And the third is invigorating culture and organization. If you look a little bit more in detail to best-in-class performance, that means for us we need to secure best-in-class execution across all business groups and functions and improve cash flow because this brings us in a position to further invest in the future-proof position of the company and in our growth areas. That means we have started a program in the company to simplify all functions to a level of functional excellence on the one side. And as you have seen in the figure presentation of Philippe, we have to transform our Lighting business. And here we have a strong focus on. In addition, we will continue our competitiveness program where we see already first improvements out of that in the results of 2025 and we will continue in 2026 and do some further structural adjustments. In regard of business transformation, we will diversify further our regions and our customer base. So we want to become more international and the acquisition of more than 50% of non-European businesses showing that we are already on a good path. And with that we want to strengthen our resilience and with

that we want to focus on further growth and a future-proof portfolio. That means we will do rigorous portfolio management. with focus on growth and affordability and with clear priority setting. We will then achieve a lower dependency on the European market and strengthen the relationship, specifically with Asian and American OEMs, and we will further de-risk our global supply chains. In regard to invigorating culture and organization, we will develop our culture further with a clear focus on the pair of empowerment and accountability and further simplify our structures. That means we want to reduce our complexities in our organization, streamline the processes, and we want to further establish and strengthen regional teams to access local customers, which supports then the mentioned internationalization that we are focusing on. And we will reshape our engineering organization towards the digital age, including using AI. If we go to the next chart, let's look a little bit deeper what that means as focus for our business groups. For Lighting, in regard of best-in-class performance, we will definitely focus on affordability of innovations, on simplified functions, and reduced development lead time, specifically with a focus on Chinese OEMs. And we will work further on competitiveness in regard of Lighting, and that has a strong focus specifically on the transformation of our plants in Europe and in the Americas. In regard of Electronics, we will do a best-in-class performance and enhance regional footprints and focus on R&D efficiency. Then we will work on CapEx and resources. We will allocate our invest in CapEx to the strategically identified selected growth segments. I will talk a little bit more about that as well on the Capital Markets Day tomorrow. And on Lifecycle Solutions, we will consequently use digitalization and leverage AI, and we will further work on our functional excellence and adjust further our footprint in operations. If you look then to business transformation, diving deeper in the business groups, that means for Lighting, very clear, highest focus is that we have to transform Lighting and achieve a turnaround to improve margins again sustainably. We will work on a future-proof product portfolio and that means specifically that we want to address much more the volume segments of the lighting market and we will work further on balancing our customer mix. and that means specifically working with Asian customers and penetrate more the market in the Americas. In Electronics, I

think we have unique capabilities and know-how in the company, and we will leverage them specifically in regard of battery and power modules for all different electric powertrain vehicles. That means from mild hybrids, plug-in hybrids, range extenders to full battery electric vehicles, there in all areas these battery and power modules are needed for efficiency. We will use our scale as a first mover to roll out zonal modules where, as I mentioned before, we have already remarkable business wins. And we will focus as well here on business wins in the Americas and in Asia. In regard of Lifecycle Solutions, business transformation, focus for us is on the one side, we will start further product initiatives in the independent aftermarket. We will extend our focus to the mid-price segment and leverage our channel here. And as well here, we focus on international growth in North America and India specific. If you look to invigorating culture and organization we will implement a new leadership model in all areas, and we will implement organizational responsibilities for our people in an enhanced manner that is the part of empowerment I talked about before. We will work in all business groups on digital AI tools, which we will implement, and we will streamline decision making and increase internationalization. Based on that, if you look at the next chart in regard of our midterm targets. In regard of Lighting, we will transform the business into a sustainably improved profitability situation and we will broaden the customer base. Based on that, we will further act as a top player in the market but serving both in the future premium and volume segments. In regard of Electronics, I have already talked about our unique skill and know-how assets, and with that, we will further expand the business systematically and increase profitability. We will here clearly select our business arenas carefully and with that, further realize the profitable growth. And that means we will use our technology leadership and with that to grow disproportionately in those areas which are characterized by innovation. And last but not least, in Lifecycle Solutions, we will leverage our market position, our channels to the market and our brand to sustain double-digit margin and that will play here in the top 10 independent aftermarket player league and in addition working on further commercial vehicle business and work as a workshop product supplier here further. With that I would like to come to the key takeaways. As a summary, if you look at 2025, I think we can summarize

that that was overall a solid performance of HELLA in financial year 2025. Overall, a solid performance in financial year 2025, with stable sales at €8 billion supported by growth in Electronics. We have an increase in profitability, driven by an acceleration of cost reduction. In addition, we had R&D savings and increased efficiency. This led to a significant improvement of net cash flow, driven by the mentioned operational performance measures and CapEx savings. And with that, we met the financial outlook for 2025 fully. If we are now looking to the outlook for the financial year 2026, as I mentioned, we are not expecting tailwinds from the market. And based on that, our outlook for 2026 financial year is a sales between €7.4 and €7.9 billion, an OI margin between 5.4% and 6% and the net cash flow to sales ratio at least at 1.8%. To remind you, our outlook is based on around 92.8 million light vehicles produced. And as mentioned, we are still expecting a volatile and challenging industry market situation for 2026. The three strategic priorities going forward are best-in-class performance across all business groups and functions, the business transformation to strengthen the resilience of our business model, and the immigrating culture of empowerment and accountability. With that, I would like to close our presentation part of preliminary results of HELLA in 2025 and the outlook. And with that, we are opening the floor for questions, handing back to the operator at first. Thank you.

Operator: (Operator instructions) and the first question comes from Sanjai Bhagwani from Citi. The floor is yours.

Sanjai Bhagwani: Hi, thank you for taking my question also. Maybe the first one, just zooming into a little bit on the guidance. So is the guidance, I mean generally what we have seen over the past few years is HELLA generally tends to be a bit conservative on guiding, but manages to get to more or less to the upper end of the guidance range for most of the years, except for what we have seen. in '21, '22, which was semiconductor crisis. So is there some element of conservatism baked here, or is the Lighting, I understand you mentioned as a key driver here, so just trying to understand how much of that is conservatism

and what do you think for the Lighting, how bad it can be for '26 before it gets better in '27? That's my first question, I'll just follow up with the next one.

Peter Laier: First, thank you, Sanjay, for the question. Maybe I'm starting and then hand over to Philippe. 2026 will be again a year with challenges for our Lighting business. As we mentioned, we have a discontinuation of some big businesses, which is further influencing sales in 2026. For Electronics as well as for Lifecycle solutions, we will be at least stable in this year. And then we have to consider the challenging market conditions we mentioned in the presentation that brought us basically to the top-line guidance on the level as you have seen, but furthermore, Philipp, handing over to you..

Philippe Vienney: Yeah, it's true that the guidance is coming from Lighting, where we see the further sales drop, which is more or less representing the full drop for next year in '26. So Lighting is really the driver of this guidance, which could be seen as a low guidance. But that's the main impact is basically Lighting.

Sanjay Bhagwani: Thank you, that's very helpful. So if you think if Electronics and the other division is stable, then if we just back calculate, what we get for Lighting is roughly 9% to 10% decline in top line. Is there a specific program which is driving this? So maybe if you can just recap us what is driving Lighting down for '25 and if this continues at a 10% rate in '26, is that your assumption?

Philippe Vienney: I think we continue to see the same trend as we had in '25 and started to see in '24. We continue to have some reduction in China with some, again, large programs which are still going down, not fully replaced. And we also have some weaknesses in Europe, which is also the case in '25, so we continue to see the same trend. And again, some additional sales coming from North America, but as in '25, not enough to fully compensate the drop that we will face in the other two regions. Yeah, the new programs that we have been able to get will really give us the impact in '27. That's why '26 is still continuing on the same path as in the past for Lighting.

Sanjay Bhagwani: That's very helpful. Lighting is very clear. And for the other divisions, in terms of margin expansion, are you expecting any other like the cost-saving programs may feed into some sort of margin this year, for Electronics and LS?

Peter Laier: I think, as you have heard, we have started our improvement program and this improvement program will have as well some related costs, which we will see in 2026. Therefore, we have in 2026 some influences out of that, which is as well then seen in the bottom-line performance, but that will then be the basis for further improvement for the years after that.

Sanjay Bhagwani: That's very helpful. Thank you.

Operator: (Operator Instructions) And we have one more question from Thomas Besson from Kepler Cheuvreux. The floor is yours.

Thomas Besson: Thank you for taking my questions. Good morning. First, I'd like you to help us bridging the performance in Q4 versus the message you had given in Q3. Clearly, vehicle production was stronger, but there seems to be more than that. I mean, at Q3 stage, you had said that Lighting would be probably as bad as in Q3, and it proved to be a lot better. You mentioned some tooling support in Electronics. Could you give us the magnitude of that figure and explain if there's any one-off related to R&D reimbursement or something helping Lighting in Q4 versus expectations? That's the first question.

Philippe Vienney: So it's true that basically, we had the Q4 SEK sales and tooling were more or less 50% of what we have been booked so cumulatively until end of September, so strong activity on the tooling and D&D sales, which are also helping in Q4. And then we have saw some, finally, some adjustments on claims and pricing also, which have been materialized in Q4 for Lighting, which has also helped a little bit the Q4 results.

Thomas Besson: Okay, thank you very much. So coming back to the previous questions, I mean, you're suggesting that Lighting is entirely responsible for the guidance for lower revenues and profitability. So do you expect these adjustments

you've mentioned for Lighting not to be sustained in '26 and therefore margins in Lighting to decline? I'm not sure I understand. And can you confirm that you are making no assumption in terms of perimeters on the guidance?

Philippe Vienney: So, yeah, I think we, so the tooling sales and SEK sales are more or less, are not, let's say, are more one-off sales or are not part of the, it could be fluctuating from one year to the other. And the second point is all the benefits from the turnaround plan that we are implementing in Lighting and the restructuring and structural adjustment will have a benefit. But as I said, it's also part of the restructuring will be still going on. We're going to have some headcount reduction really implemented in '26. So the full effect is probably more coming in '27 than in '26. So '26, we would have a partial effect of the restructuring plan and the turnaround plan.

Thomas Besson: Thank you very much. Another question on input cost. Can you say a few words about what you're assuming in terms of headwind? I mean, we've seen steel, copper, prices, memory prices, even the access becoming more complicated. Can you share with us what you've assumed in the guidance and whether this may eventually complicate the task of improving Electronics margins as well in 2026?

Philippe Vienney: So I think you are referring to the inflation, the material price inflation, which we see more or less now at the - no new level or no new specific increase, so we think that we are more or less have more behind us than in front of us, so we don't assume a huge inflation in terms of material price. Obviously, we can have a crisis like we had with Nexperia in '25, but we have basically have new sources for products that were delivered by Nexperia. So we have alternative sources. So we are not expecting to be so much impacted by this type of crisis, especially with Nexperia products in '26, thanks to this double sourcing. And we think that the situation is stabilizing a little bit with Nexperia. So this is what we are assuming. So no major impact is expecting on the inflation in 2026, to summarize.

Thomas Besson: Yeah, thank you very much. I have a last one, if I can squeeze it in. Is there already a comment on the dividend you may propose for 2025 or do we have to wait a bit for that?

Peter Laier: Yes, I think that is too early. You have to wait for the final call when we announce the full year and as well that's too early today.

Thomas Besson: Thank you, Peter.

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

Peter Laier: I would like to thank everybody for participating in the call. Thank you for the questions and wishing you all the best. Talk to you soon, latest with announcement of the final results. Thank you very much. All the best. Bye-bye.

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