



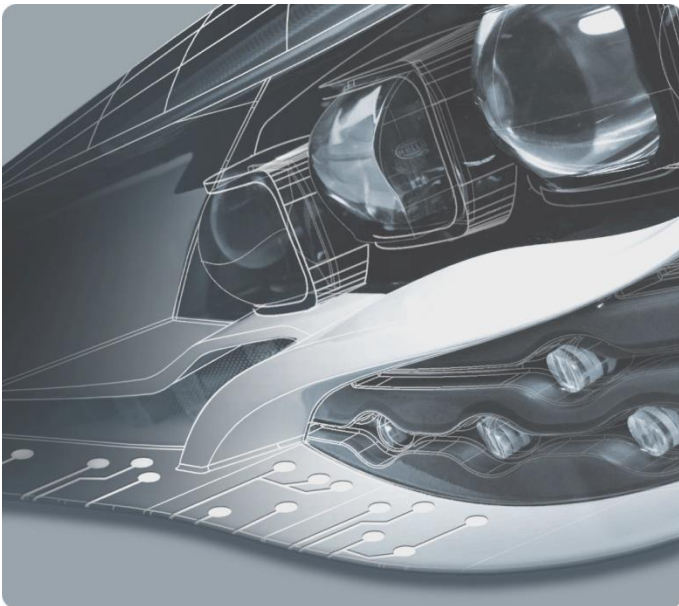
Technology with Vision

# HELLA Investor Update H1 FY 2018/19

Conference Call on January 11, 2019

**Dr. Rolf Breidenbach, CEO**

**Bernard Schäferbarthold, CFO**



# Disclaimer

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# HELLA Investor Update H1 FY 2018/19

## Outline

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- HELLA Financial Highlights H1 FY 2018/19
- HELLA Financial Results H1 FY 2018/19
- Outlook
- Q&A

# Positive sales growth and EBIT increase in H1 FY 2018/19

## Financial Highlights H1 FY 2018/19

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### Sales

- **HELLA Group** currency and portfolio adjusted **sales grew by 7.3%** YoY to 3.5 bill. EUR

### Profitability

- **Adj. Gross Profit margin** at **28.0%** (+0.4%-points YoY)
- **Adj. EBIT** +16 mill. EUR (+5.5% YoY) at **302 mill. EUR**
- **Adjusted EBIT margin** -0.1pp to **8.6%**

### Liquidity

- **Adjusted Free Cash Flow from operating activities** increased by **45 mill. EUR** (+42% YoY) to **152mill. EUR**

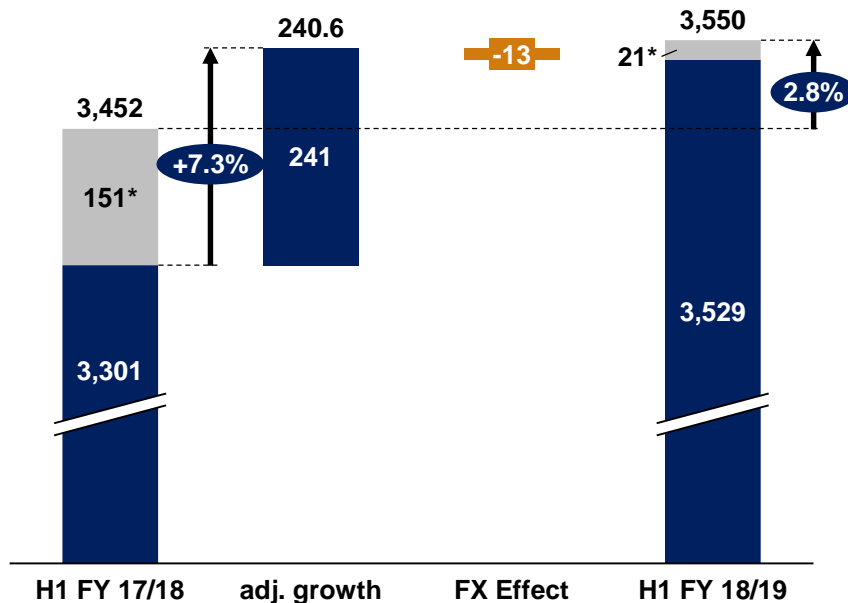
Note: Adjusted P&L and Balance Sheet figures for FY 17/18 and FY 18/19 exclude items from the Wholesale distribution. Adjustments of profitability figures for all years include restructuring expenses. For details see financial report.

Please note that where sums and percentages in the presentation have been rounded, differences may arise as a result of commercial rounding.

# HELLA top line growth with positive development in H1 FY 18/19

## Financial Highlights H1 FY 2018/19

### HELLA Group sales (EUR millions)



### Comment

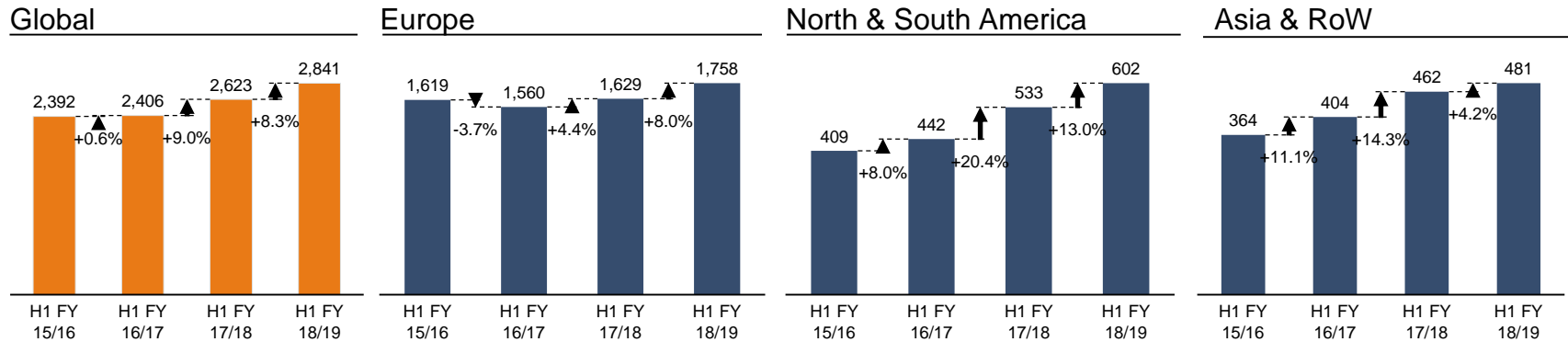
- **Currency** (-0.4pp) and portfolio (-4.1pp) **adjusted** growth HELLA Group at **7.3%**
- **Reported** sales growth HELLA Group at **2.8.%** (increased by **97.7 mill. EUR** to **3,550 mill. EUR**)
  - **Automotive +8.1%** to **2,864 mill. EUR**. Demand for **energy management products, radar solutions and advanced lighting systems** drives business.
  - **Aftermarket\* +4.5%** to **336 mill. EUR**, **positive** driven by strong Workshop product sales
  - **Special Applications -3.7.%** to **204 mill. EUR** with positive development mainly in the core business for agricultural and construction vehicles, as well as for trailers

\*Wholesale sales excluded

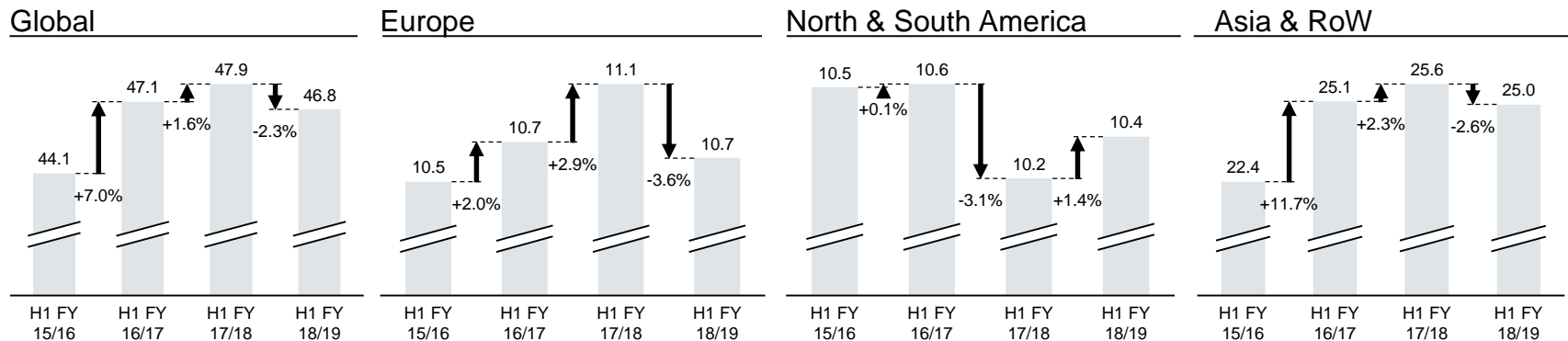
# Automotive outperforming LVP in all regions

## Financial Highlights H1 FY 2018/19

### HELLA Automotive external sales by region (in EUR millions)



### Light vehicle production (in million units)



### HELLA Automotive growth vs. market (Light vehicle production growth):

Global: -6.4%    +7.4%    +10.6%    Europe: -5.7%    +1.5%    +11.6%    North & South America: +7.9%    +23.4%    +11.6%    Asia & RoW: -0.6%    +12.0%    +6.8

Source: HELLA; IHS (as of December 2018)



# HELLA Investor Update H1 FY 2018/19

## Outline

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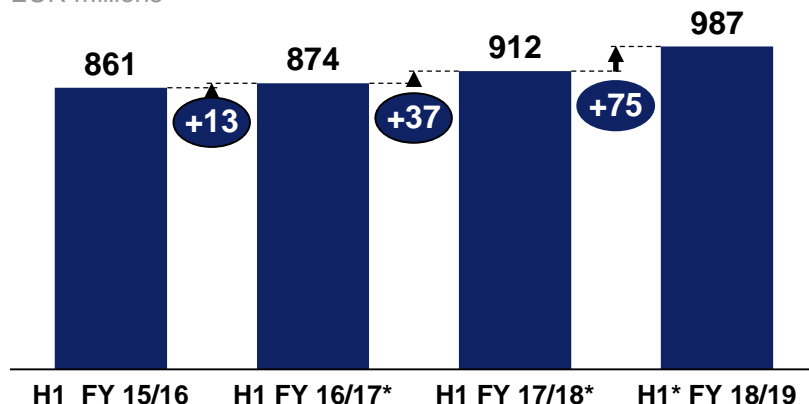
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# GPM increase due to strong overall business development

## Financial results H1 FY 2018/19

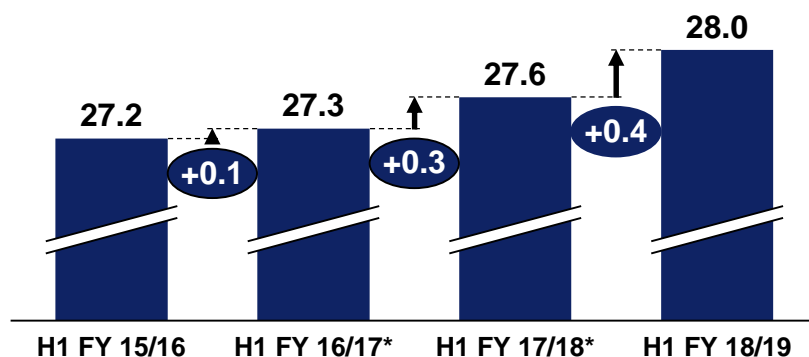
### Adj. Gross Profit

EUR millions



### Adj. Gross Profit margin

% sales



\*Restated for the reclassification of costs.

### Highlights

- **Adj. Gross Profit increased by 75 mill. EUR (+8.3%) to 987 mill. EUR**
  - **Automotive** +9.0% to 738 mill. EUR
  - **Aftermarket** +7.0 % to 119 mill. EUR
  - **Special Applications** +8.6% to 81 mill. EUR

### Highlights

- **Adj. Gross Profit margin improved by 0.4%-points to 28.0%**
  - higher GPM Automotive (+0.2pp) due to higher volumes compensating higher raw material & personal costs
  - increased GPM in Aftermarket (+0.8pp) due to Workshop sales
  - higher GPM in Special Applications (+4.5pp) due growth in the core business

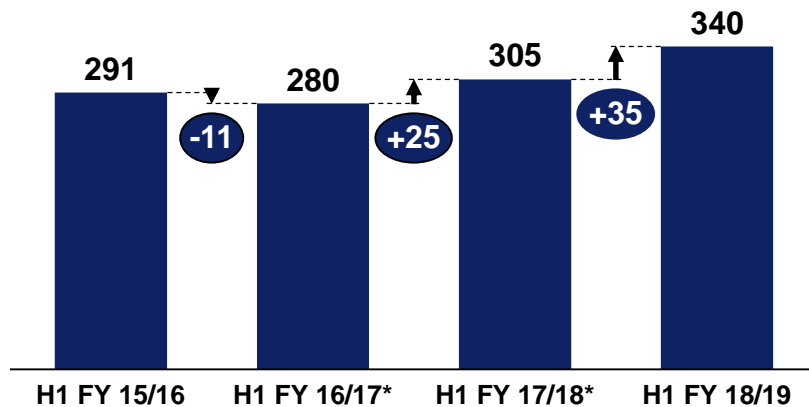


# Continuous high R&D expenses to expand leading technological positioning and secure future growth

## Financial results H1 FY 2018/19

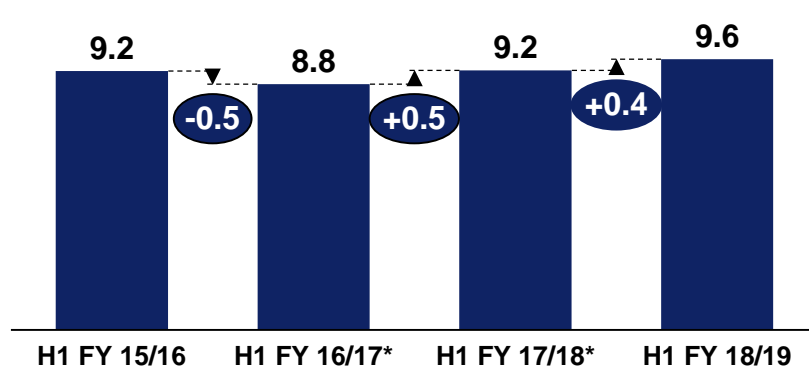
### R&D expenses

EUR millions



### R&D expenses ratio

% sales



\*Restated for the reclassification of costs.

### Highlights

- **Absolute R&D expenses** increased by 35 mill. EUR (+11.4% YoY) to **340 mill. EUR**, mainly:
  - secure and strengthen technology leadership along the market trends
  - preparation and realization of production ramp-ups
  - continuous development of international R&D capacities

### Highlights

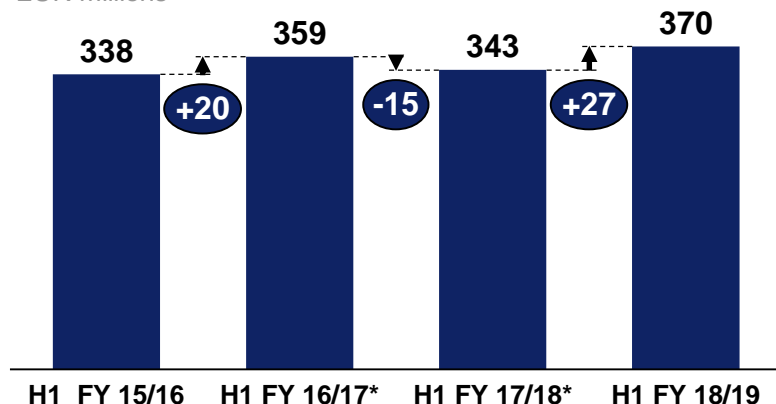
- **H1 FY 18/19 ratio** +0.4pp to **9.6%** due to over-proportional increase in absolute R&D expenses

# SG&A costs with slight increase due to continuous investments

## Financial results H1 FY 2018/19

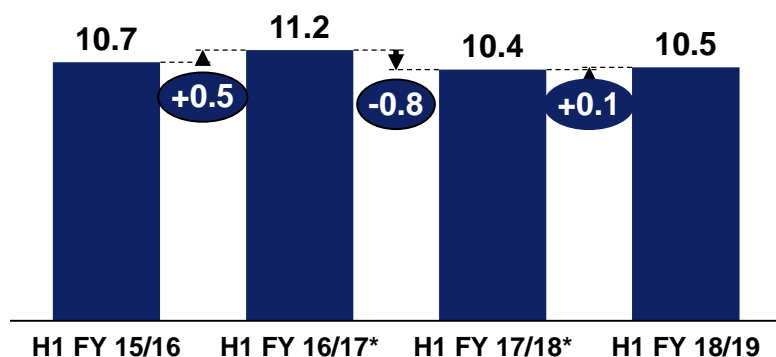
### Adj. SG&A expenses

EUR millions



### Adj. SG&A expenses ratio

% sales



\*Restated for the reclassification of costs.

### Highlights

- **Adj. SG&A costs** increased (+27 mill. EUR, +7.9%) to **370 mill. EUR**
  - higher logistic costs (+ 16 mill. EUR)
  - higher admin expenses (+ 10 mill. EUR) with continuous investments in processes, systems and functions
  - lower other adj. income (-1.7 mill. EUR) and expenses due to positive one-offs in PY

### Highlights

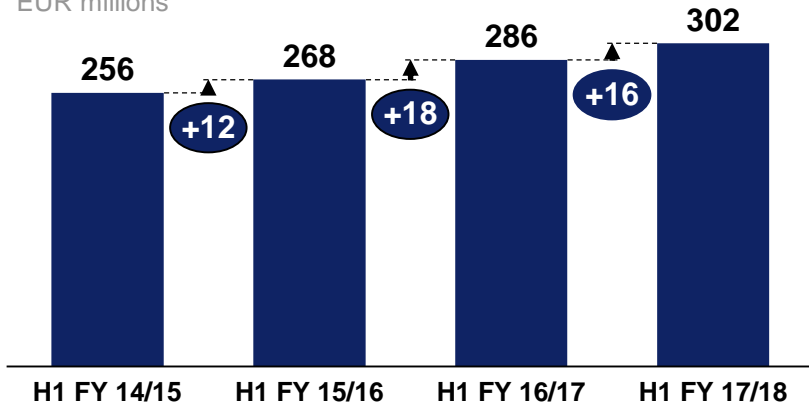
- **Adj. SG&A ratio** increased (+0.1ppt) to **10.5%** due to over-proportional increase in absolute SG&A expenses

# Adjusted EBIT and EBIT margin above prior-year's level

## Financial results H1 FY 2018/19

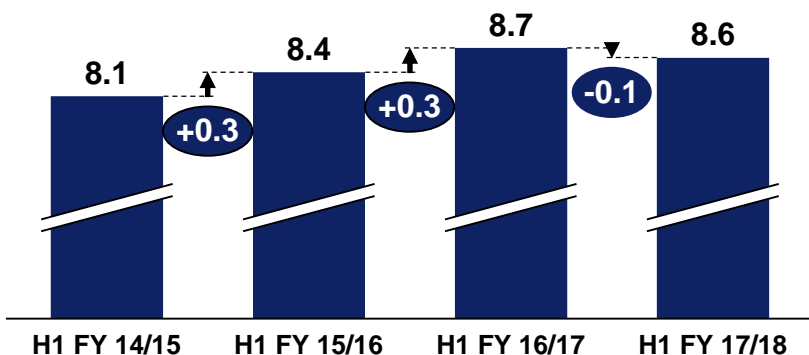
### Adjusted EBIT

EUR millions



### Adjusted EBIT margin

% sales



### Highlights

- **Adjusted EBIT** increased by 16 mill. EUR (+5.5%) to **302 mill. EUR**:
  - increase in adj. Gross Profit by 75 mill. EUR (+8.3%)
  - higher R&D (+35 mill. EUR, +11.4%)
  - increase in adj. SG&A (mainly distribution) by 27 mill. EUR (+7.9%)
  - increase in JV income by 2 mill. EUR (+8.5%)

### Highlights

- **Adj. EBIT margin** decreased by **0.1%-points** to **8.6%**:
  - increase of adj. GPM by 0.4pp
  - higher R&D expenses (+0.4pp)
  - higher SG&A (+0.1pp)

# P&L including reconciliation

## Financial results H1 FY 2018/19

### FY comparison

#### HELLA GROUP

in EUR mill.

		H1 FY 17/18	H1 FY 18/19
Gross Profit *	reported	959.6	997.0
	Adjustments	-48.1	-10.0
	<b>adjusted</b>	<b>911.5</b>	<b>986.9</b>
Other income and expenses	reported	7.9	257.1
	Adjustments	1.8	-249.1
	<b>adjusted</b>	<b>9.7</b>	<b>8.0</b>
Distribution*	reported	284.6	276.3
	Adjustments	-43.2	-19.0
	<b>adjusted</b>	<b>241.4</b>	<b>257.3</b>
Admin*	reported	111.6	126.5
	Adjustments	0.0	-5.3
	<b>adjusted</b>	<b>111.6</b>	<b>121.2</b>
EBIT	reported	289.5	536.8
	Adjustments	-3.1	-234.8
	<b>adjusted</b>	<b>286.4</b>	<b>302.0</b>
Net financial result		-22.9	-25.0
Taxes		-68.0	-68.2
Earnings for the period		<b>198.6</b>	<b>443.6</b>
Earnings per share (EUR)		<b>1.78</b>	<b>3.99</b>

### Comments

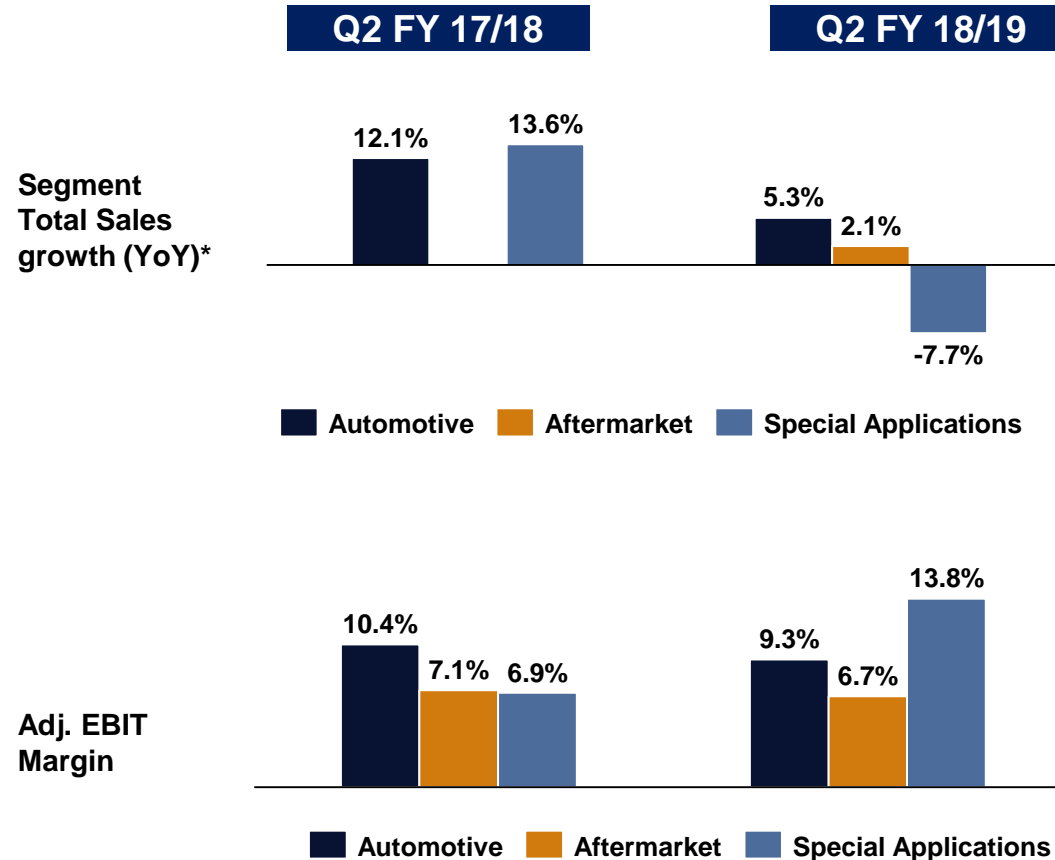
- Reported EBIT H1 FY 18/19 increased by 247 mill. EUR, thereof + 255 mill. EUR profit from WD
- Net financial result increased slightly with higher obligations from leasing
- Earnings for the period increased driven by growth and profit from Wholesale
- Result driven higher tax payments, tax expense ratio excluding profit from Wholesale disposal relatively stable compared to FY 17/18 (26.6%)
- EPS increased by 2.21 EUR (+124%) to 3.99 EUR

\*Reported H1 FY 17/18 restated for the reclassification of R&D costs. For details see financial

# Q2 FY 18/19 Automotive business with lower growth dynamics and margin pressure

## Financial results H1 FY 2018/19

### Quarterly comparison



### Comments

- Lower Automotive growth dynamics in Q2 FY 18/19, mainly due to weak Chinese market
- Aftermarket with modest total sales growth, IAM influenced by weak development in selective markets like Turkey and Middle East, Workshop products growing +60%
- Special Applications negative due to pre-drawn effects from PY. Growing agricultural, construction, and truck/trailer business. Adj. sales growth by 4.2%
- Q2 FY 18/19 Automotive margin affected by increasing raw material & personal expenses which could not be compensated due to lower growth and increasing R&D
- Aftermarket adjusted EBIT margin declined due to (product) mix effects
- Q2 FY 18/19 adj. EBIT Special Applications due to strong product mix

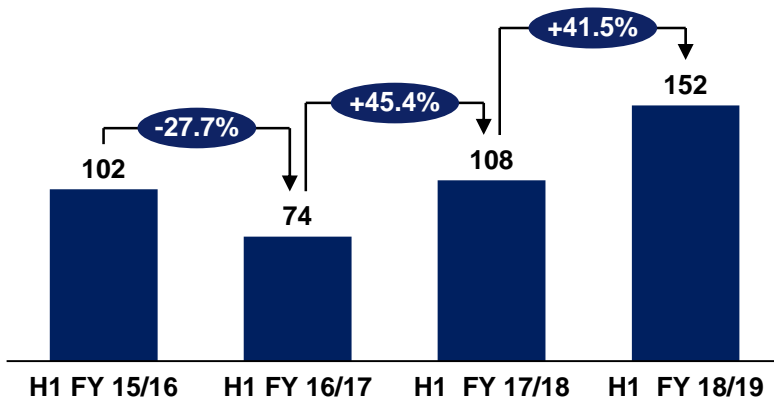
\* Q2 FY 16/17 Aftermarket not comparable due to disposal of Wholesale distribution

# Adj. Free Cash Flow from operating activities increased with improved Working Capital consumption

## Financial results H1 FY 2018/19

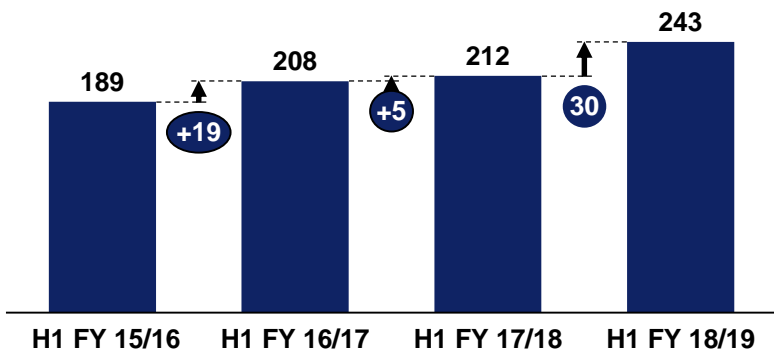
### Adj.<sup>1</sup> FCF from operating activities

EUR millions



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

EUR millions



### Highlights

- **Adj. Free Cash Flow from operating activities** increased by 45 mill. EUR to **152 mill. EUR**, mainly due to a lower working capital consumption
- **Cash Conversion<sup>3</sup> ratio** increased by **12.8pp** to **50.4%**

3) Adj. Free Cash Flow from operating activities / adj. EBIT

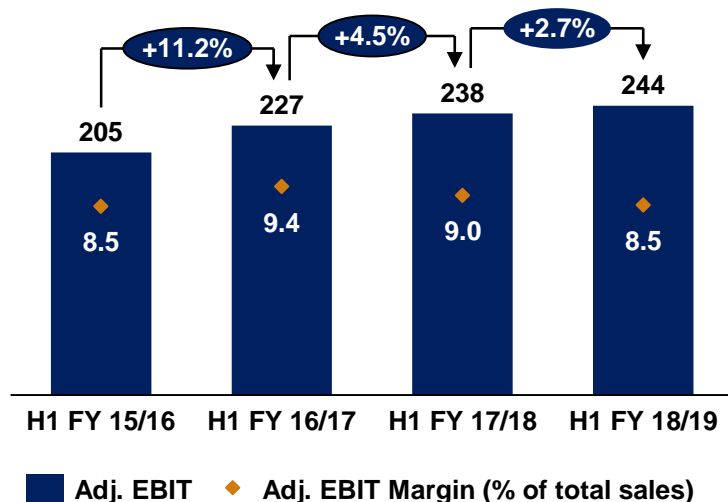
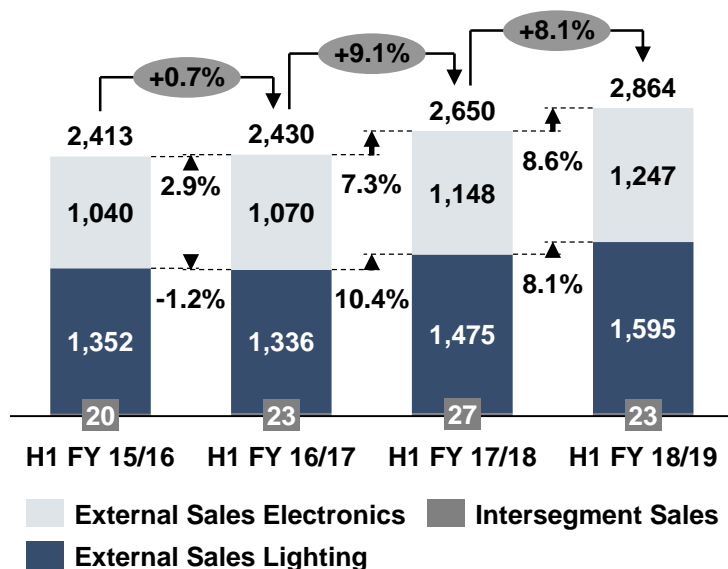
### Highlights

- **Continuous investments** in customer-specific **equipment** and **capacity extensions**
- **No reimbursements** included (in H1 FY 17/18 76 mill. EUR)

1) Adjustments of FCF include restructuring expenses, factoring (Q1 FY 16/17 only) and payments received/made in connection with the sale of shares in FTZ and INTER-TEAM  
 2) In accordance with IFRS 15 reimbursement not deducted from CAPEX in H1 FY 18/19, prior year have not been adjusted.

# Automotive segment with increasing growth, profitability under pressure

## Financial results H1 FY 2018/19



### Automotive Sales

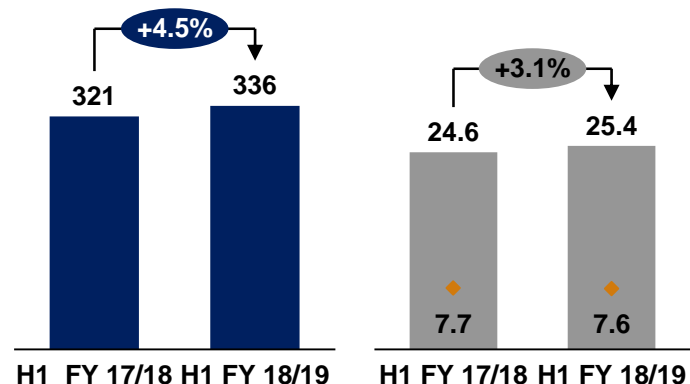
- **Growth of 8.1%** with ongoing production ramp-ups and higher demand for:
  - energy management and driver assistance products
  - innovative / advanced lighting products
  - Demand driven by **NSA** and **Europe** (ex. Germany)

### Automotive Profitability

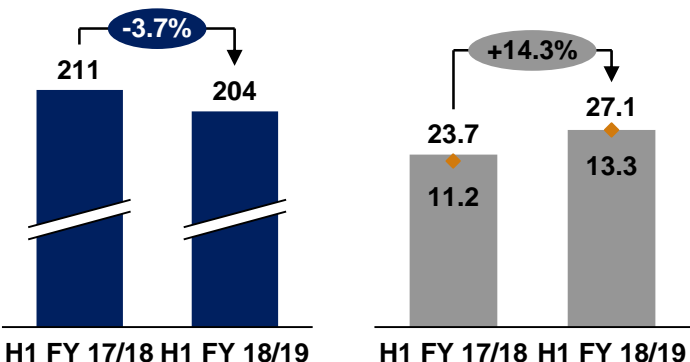
- **Increase of adj. EBIT by 2.7%** to 244 mill. EUR, mainly:
  - increase in **Gross Profit**, increasing volumes compensating higher raw material and personal expenses especially in Q1, GPM +0.2pp
  - increase in **R&D** to strengthen technology leadership along the megatrends and to prepare production ramp-ups, R&D ratio + 0.4pp
  - increase in **distribution** expenses (+12.2%) ratio + 0.1pp to 3.5%, including one time efforts for acquiring new customer projects

# Non Automotive segments with positive contributions

## Financial results H1 FY 2018/19



■ adj. EBIT  
◆ adj. EBIT Margin



■ Total Sales  
■ EBIT  
◆ EBIT Margin

\*The figures for the Aftermarket segment exclude the items from wholesale distribution.

### Aftermarket\*

- **Total sales growth (+4.5%)** due to **workshop business** and positive **IAM** demand
- **Decrease in adj. EBIT margin by 0.1pp to 7.6%**
  - Growth in GPM by 0.8pp due to positive mix effects
  - Higher distribution and admin costs ratios (+0.3pp each) mainly event related

### Special Applications

- **Negative top-line development (-3.7%)**:
  - increasing demand in **Construction and Agricultural** sector, other product groups e.g. **Trailer and Trucks** also **growing**
  - **End of production in Australia** with negative especially on growth in Q2
- **Profitability up by 14.3%** (excluding Australia closing +17.1%), margin + 2.1pp to 13.3% (excl. Australia + 3.0pp to 14.6%)
  - Underlying business with positive development



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# Overall market FY 18/19 expectation further weakened and expected to shrink by 1.4% according to IHS

## Outlook

Region	Expected LVP (in m units)	Comment
Europe	<p>-2.6%</p> <p>21.8</p> <p>FY 18/19</p>	<ul style="list-style-type: none"> <li>■ Slightly decrease in 2018/19 expected. Europe excluding Germany expected to decline modestly by 0.5% to 16.6m units, Germany with an expected decline of 9.0% to 5.2m units</li> </ul>
NSA	<p>+2.0%</p> <p>20.7</p> <p>FY 18/19</p>	<ul style="list-style-type: none"> <li>■ After negative growth in previous year (-2.4%), modest growth in 2018/19 expected, US market +1,8%</li> </ul>
China	<p>-4.1%</p> <p>26.9</p> <p>FY 18/19</p>	<ul style="list-style-type: none"> <li>■ China expected to shrink by 4.1% in 2018/19 to 26.9m units, Asia/RoW expected to shrink modestly by 1.5%% to 50.5m units</li> </ul>
Global	<p>-1.4%</p> <p>94.7</p> <p>FY 18/19</p>	<ul style="list-style-type: none"> <li>■ Overall market expected to decline by 1.4%.</li> <li>■ IHS LVP estimates deteriorated more than 400bsp since mid 2018 (August estimates at +2.7%)</li> </ul>

Source: IHS (as of December 2018)

# Continuing positive business development for the FY 18/19 expected – confirmation of current company outlook

## Guidance

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Presuming no further weakening of the automotive market in the second half of the fiscal year, HELLA is currently expecting for FY18/19:

### Sales growth

- Growth excluding FX and portfolio effects at the lower end of the given forecast range (between 5-10%)

### Adj. EBIT growth

- Growth excluding restructuring and portfolio effects in the lower half of the given forecast range (between 5-10%)

### Adj. EBIT margin

- Margin excluding restructuring and portfolio effects approximately equivalent to prior year's level

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# Thanks for your attention

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