



Technology with Vision

# HELLA Investor Update

**Conference Call, July 28, 2020**

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# HELLA meets revised financial targets FY 19/20; FY 20/21 guidance reflects negative market; long-term improvement program initiated

## Executive Summary

A	<b>Preliminary Results</b> FY 2019/20	<ul style="list-style-type: none"> <li>■ <b>Preliminary sales</b> HELLA Group at <b>5.8 bn. EUR</b></li> <li>■ <b>Preliminary adjusted EBIT</b> at <b>233 mill. EUR</b></li> <li>■ <b>Preliminary adjusted EBIT margin</b> at <b>4.0%</b></li> <li>■ <b>Preliminary reported EBIT</b> at <b>-343 mill. EUR</b> including around <b>533 mill. EUR</b> extraordinary (non-cash) <b>impairments</b></li> </ul>
B	<b>Guidance</b> FY 2020/21	<ul style="list-style-type: none"> <li>■ <b>Portfolio and currency adjusted Group sales expected</b> in the range from <b>5.6 bn. EUR to 6.1 bn. EUR</b> (previous year portfolio adjusted: 5.7 bn. EUR*)</li> <li>■ <b>Adjusted EBIT margin</b> (excluding restructuring, portfolio effects and extraordinary impairments) <b>expected in the range from 4.0% to 6.0%</b> (previous year portfolio adjusted 4.0%*)</li> </ul>
C	<b>Long-term improvement program</b> FY 2020/21ff	<ul style="list-style-type: none"> <li>■ <b>Long-term program to increase competitiveness</b>; focus on <b>reducing administration and development functions especially in Lippstadt/Germany</b> and further <b>structural adjustments</b> in the global <b>network</b></li> <li>■ Successful <b>implementation</b> of all planned structural <b>measures</b> in <b>Germany</b> leads to an expected <b>run-rate EBIT contribution</b> of <b>~140 mill. EUR</b> at approx. <b>240 mill. EUR one-off costs</b></li> </ul>

Note: All figures for FY 2018/19 are preliminary. Financial report will be published at August 14<sup>th</sup>, 2020

\* See Backup



# HELLA fulfils the revised company outlook for FY 2019/20: Development of KPIs within given forecast

## A. Preliminary Results FY 2019/20 – KPIs

### GUIDANCE FY 2019/20

June 1, 2019 to May 31, 2020

### PRELIMINARY RESULTS FY 2019/20

Group  
sales

In the range from  
5.7 bn. to 5.8 bn. EUR

■ Group sales at 5.8 bn. EUR



Adjusted  
EBIT margin

excluding  
restructuring,  
portfolio effects  
and extraordinary  
impairments

Around 4%

■ Adj. EBIT margin at 4.0%  
■ Reported EBIT at -343 mill. EUR  
including ~533 mill. EUR extraordinary  
(non-cash) impairments



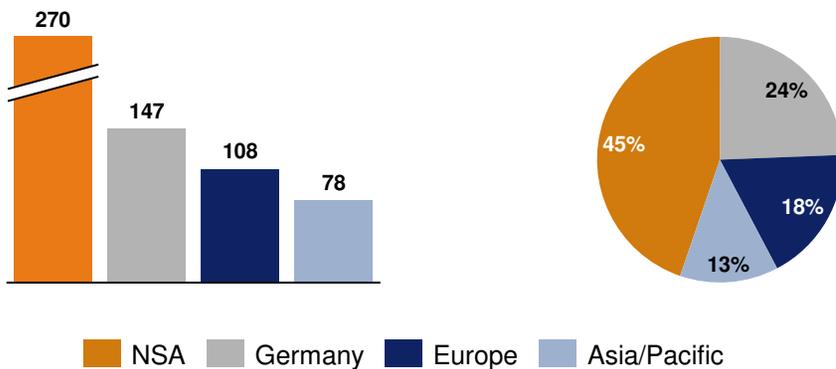
# HELLA will report extraordinary impairments of around 533 mill. EUR in connection with significant lower market expectations

## A. Preliminary Results FY 2019/20 – Assets impairments

Lower capacity utilization of the global production network especially in Automotive

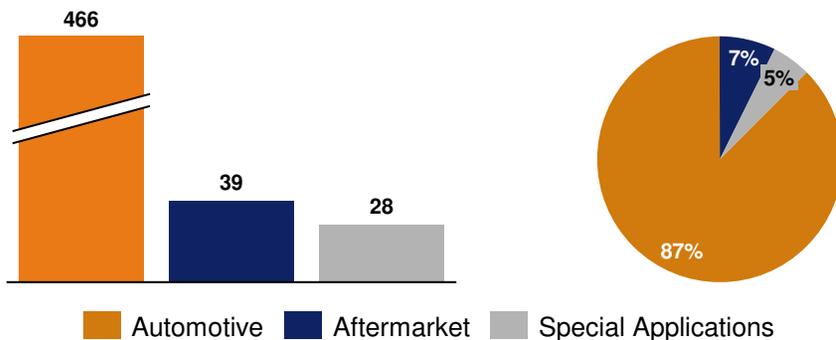
COVID-19 pandemic triggered non-cash impairments (not only goodwill, but also assets)

### ASSET IMPAIRMENTS BY REGION



- Significantly reduced market volumes as a result of the Covid-19 pandemic
- Assumption, that the worldwide LVP will stay mid- to long term under the planning assumptions made before the Corona crisis
- Updated framework conditions incorporated into impairment tests, especially WACC (e.g. increase in Germany around 1.5pp)
- Goodwill share below 10%

### ASSET IMPAIRMENTS BY SEGMENT

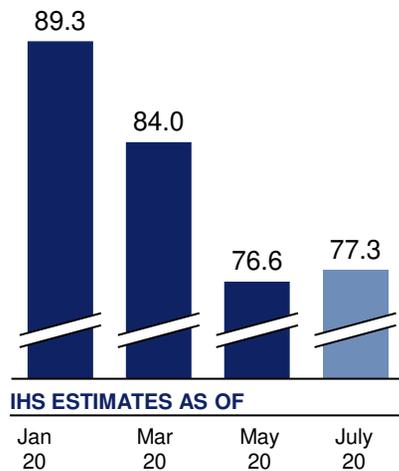


# Market outlook strongly dependent on volume recovery with high uncertainties on future outcomes

## B. Guidance FY 2020/21 – Market outlook

### Unstable market environment

GLOBAL IHS ESTIMATES FOR FY 20/21 (MILL. UNITS)

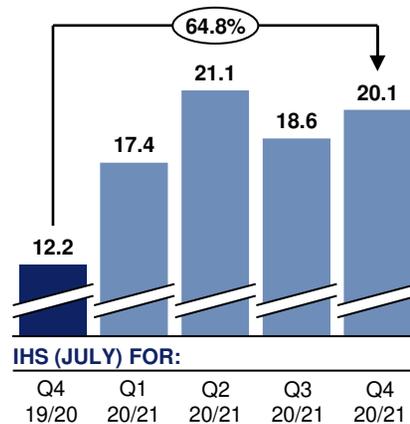


IHS ESTIMATES AS OF

Jan 20      Mar 20      May 20      July 20

- **Great uncertainties** with respect to LVP, especially **regional market weaknesses** caused by COVID-19 pandemic
- **Cautious stabilization** since **July 2020**
- **Reduction of ~15%** vs. originally expected volumes

IHS (JULY 20) LVP PER QUARTER (MILL. UNITS)



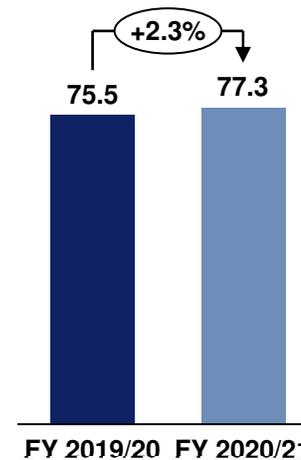
IHS (JULY) FOR:

Q4 19/20    Q1 20/21    Q2 20/21    Q3 20/21    Q4 20/21

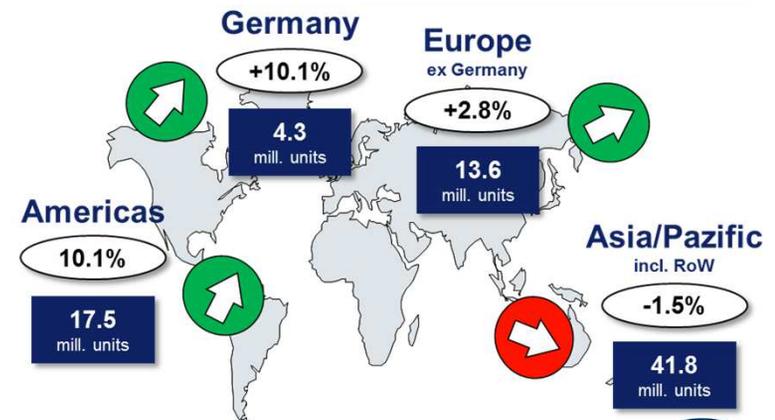
- **H1 FY20/21 volumes down by 5 mill. vehicles** vs. PY
- **Catch-up effects** in Q1 FY 20/21 expected after restart of OE production
- **Considerable volume uptick** to around 20 mill. vehicles **needed** to reach **IHS volume of 77.3 mill.**

### IHS as of July 17, 2020:

GLOBAL IHS LVP FOR FY 20/21 (MILL. UNITS)



- Growth of **2.3%** to **77.3 mill. units** expected
- **Recovery tight to H2 FY 20/21** with expected growth of **22.8% globally**, thereof **Germany** and **NSA** with **highest growth** of **42.1%** and **44.6%**
- H1 FY 20/21 down -13.8%
- China less volatile with -2.2% (in H1 FY 20/21) and +16.7% (in H2 FY 20/21)



# Outlook for the fiscal year 2020/21 reflects high market uncertainty and reduced vehicle production

## B. Guidance FY 2020/21 – Company outlook

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Against the backdrop of high insecurities as well as a reduced global vehicle production HELLA is currently expecting the following for FY 2020/21:



### GUIDANCE

Fiscal Year 2020/21

June 1, 2020 to May 31, 2021

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Currency and portfolio  
adjusted **sales**

In the range  
of around **5.6 to 6.1 billion EUR**

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Adjusted **EBIT margin**  
excluding restructuring, portfolio  
effects and extraordinary impairments

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In the range  
of around **4.0% to 6.0%**



# Accelerating industry change leads to increased competition and price pressure ...

## C. Long-term improvement program – Industry development

### OEMs with cost pressure

- OEMs with considerably investments in trends such as



electrification



autonomous driving



digitalization

- Innovation budgets tighten

### New market players

- New players entering the market, e.g. from the IT and software sector



- Increased pressure on established suppliers and existing value chains

### Regional dynamics with changing weights

- China becoming increasingly important as the largest automotive market; more and more business is being developed and produced locally



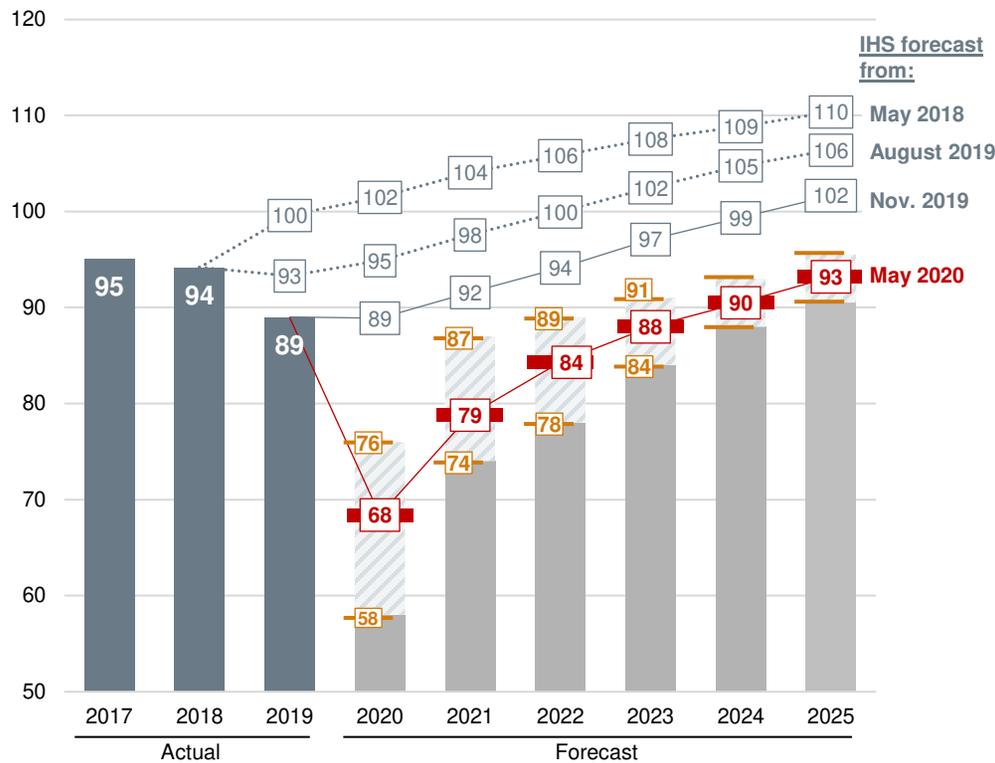
- European supplier continue to shift their capacities to Eastern Europe

- Overcapacities with further tightening competition in the industry
- Intensification of cost programs through the whole industry
- Increasing price pressure on products

# ...furthermore, the global LVP will remain significantly below planning assumptions made prior to the Covid-19 pandemic

## C. Long-term improvement program – Long-term market environment

Two years ago IHS predicted 10 to 20 million more vehicles per year, particularly European market now with strong decline



..... IHS forecasts Global LVP    — Range of market expectations<sup>1</sup>

1) Considering market studies from McKinsey, BCG, Roland Berger, Bain, HSBC, Citi Bank, Evercore

Significantly reduced market volumes expected

- **Long-term growth cycle** of the automotive industry has **come to a standstill**, the Covid-19 crisis has further intensified the decline
- **Global light vehicle production will remain well below original planning premises** of the industry and only moderately grow long term
- **HELLA market assumptions even more conservative than IHS: LVP assumed between lower end of range and IHS**
- Production **level of 2018** will probably **not be reached again until 2025**

# HELLA decides on a long-term program for sustainable improvement of competitiveness

## C. Long-term improvement program – Overview

**Significant increase in competitiveness enabled HELLA** to secure important orders in recent years and **grow faster than the market, strict cost management and optimization** enabled HELLA to withstand the pressure so far

In this course, the **global workforce** had to be **reduced by around 5,400** (including temps) **since August 2018**; focus on Eastern Europe, Mexico and China

**Structural measures now will ensure that HELLA protects a strong positioning after Covid-19 crisis:**

OVERALL  
TARGET

**Improve competitiveness in an automotive market that gets even more competitive**



**Make HELLA ready for the "new normal" (a market with lower volumes and higher volatility)**

**Two central levers** involving all segments, business divisions and corporate functions:

### 1 **Structural improvements** (focus: Lippstadt and Germany)

- **Lippstadt: overall reduction of administration and development functions** by around **900 jobs** by the **end of 2023** with socially acceptable measures
- **Germany: existing programs** for continuous improvement will be **continued**
- **Worldwide: maintain programs** depending on **market development**

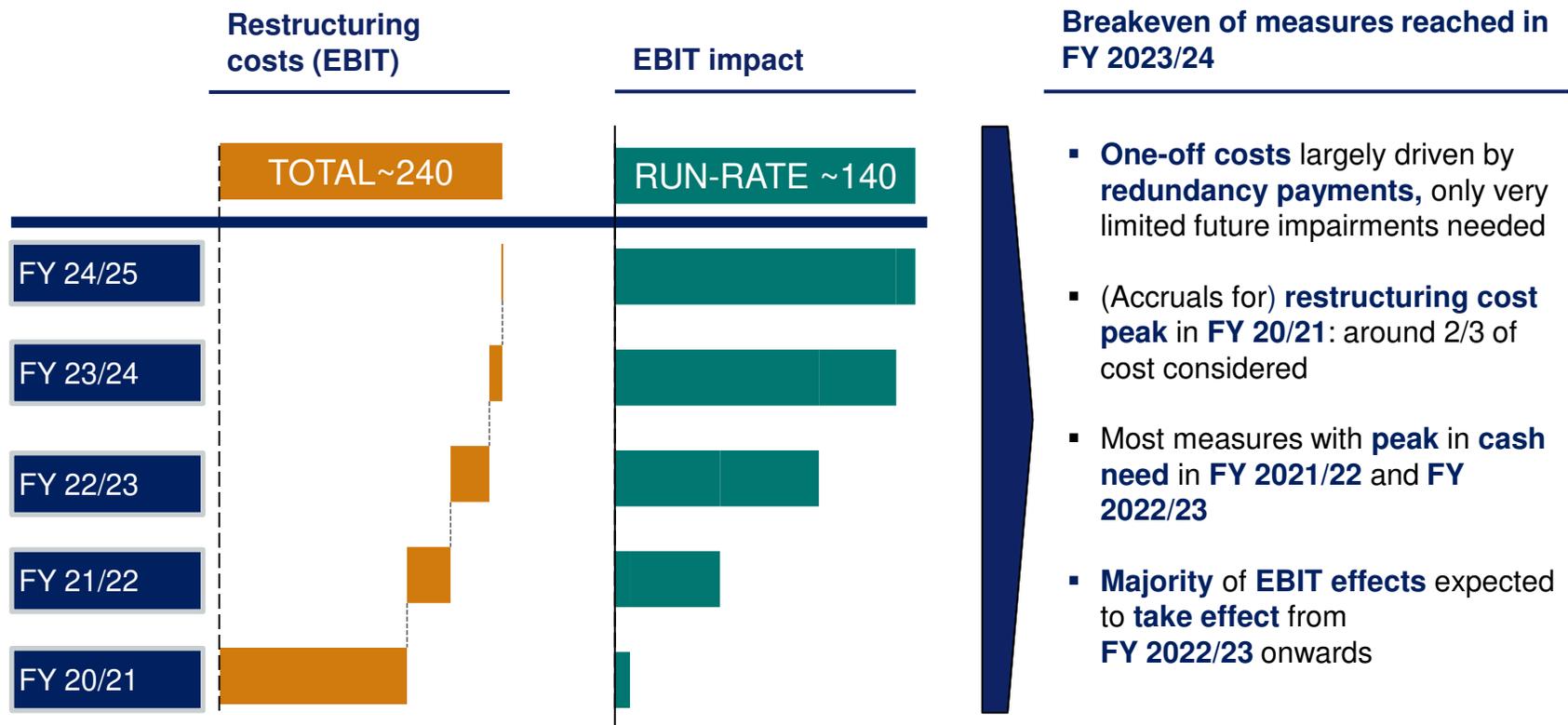
### 2 **Investments in market trends, automation and software know-how**

- **Use** most of **released funds** to **increase the innovative strength**
- Maintain **high levels of R&D investment**
- Expanding **digital tools** and **new forms of collaboration**, e.g. "mobile work"
- **Foster automation of production network**
- **Scaling up digital activities** by investing in industry 4.0 projects

# EBIT run-rate improvement of ~140 mill. EUR p.a. at ~240 mill. EUR one-off costs

## C. Long-term improvement program – Financial impact

Assuming successful implementation of all structural measures in Germany, an annual EBIT contribution of around 140 mill. EUR can be expected



\* Run-rate after FY 23/24



# BACKUP

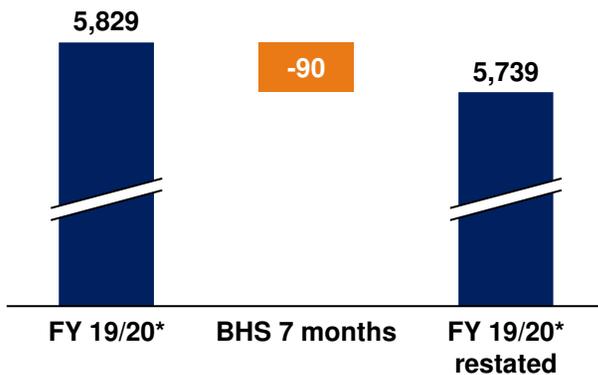
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# FY 2019/20 sales and adjusted EBIT need to be restated due to portfolio changes in Aftermarket

## Backup – Restatements

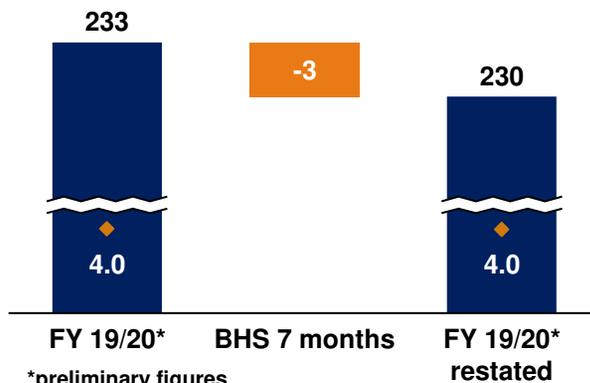
### Bridge HELLA Group sales in EUR millions



#### COMMENT

- As basis for FY 2020/21 the termination of **Behr HELLA Service (BHS) JV** at 31.12.2019 has to be accounted for
- **7 months JV sales contribution of 90 mill. EUR need to be excluded**

### Bridge HELLA Group adjusted EBIT in EUR millions



\*preliminary figures

#### COMMENT

- Respective EBIT contribution of **BHS JV**, around **2.5 mill. EUR EBIT contribution** thereof ~ **-3 mill. EUR at equity result missing**



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