



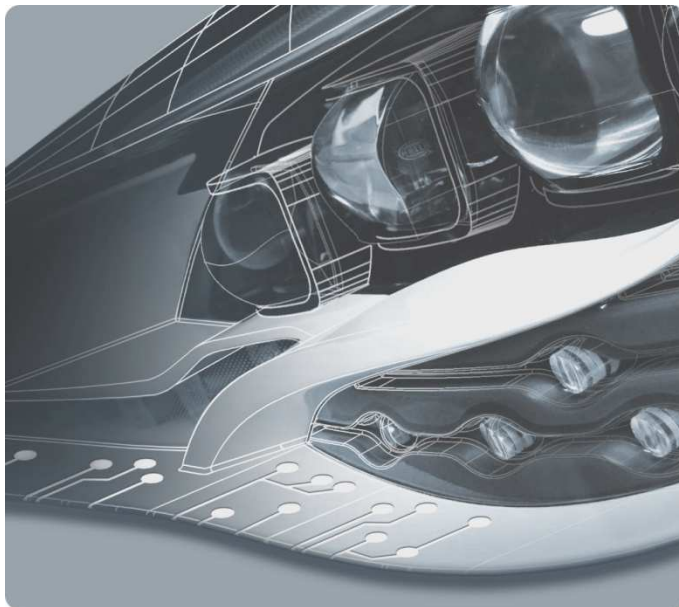
Technology with Vision

# HELLA Investor Update Q1 FY 2017/18

Conference Call on September 27th, 2017

**Dr. Rolf Breidenbach, CEO**

**Bernard Schäferbarthold, CFO**



## Disclaimer

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# HELLA Investor Update Q1 FY 2017/18

## Outline

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- HELLA Financial Highlights Q1 FY 2017/18
- HELLA Financial Results Q1 FY 2017/18
- Outlook
- Q&A

# Positive sales growth and EBIT increase in Q1 FY 2017/18

## Financial Highlights Q1 FY 2017/18

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### Sales

- **HELLA Group** currency adjusted **sales grew by 5.8%** YoY to 1.6 bill. EUR

### Profitability

- **Adj. Gross Profit margin** at **27.7%** (+0.2%-points YoY)
- **Adj. EBIT** +7 mill. EUR (+5.6% YoY) at **125 mill. EUR**
- **Adjusted EBIT margin** +0.1pp to **7.7%**

### Liquidity

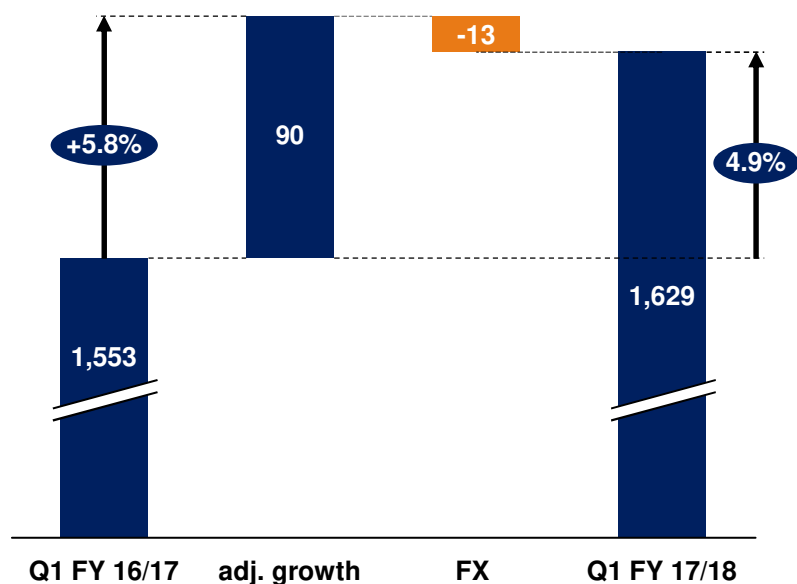
- **Adjusted Free Cash Flow from operating activities** increased by **20 mill. EUR** (+64% YoY) to **50 mill. EUR** mainly due to higher funds from operations

Note: Adjustments including restructuring expenses in Q1 FY 16/17 and Q1 FY 17/18. 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 expected development in Q1 FY 17/18

## Financial Highlights Q1 FY 2017/18

### HELLA Group sales (EUR millions)



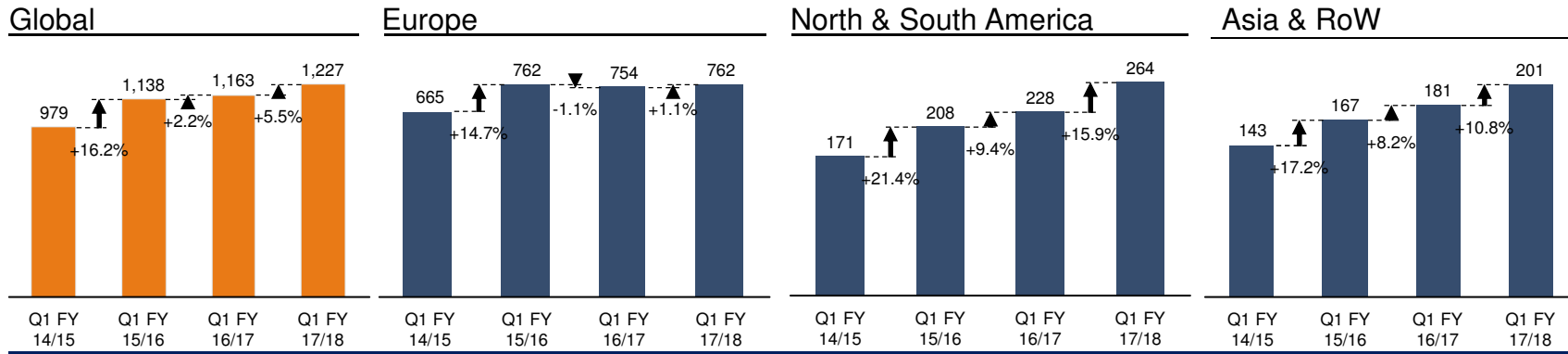
### Comment

- **Currency adjusted growth HELLA Group at 5.8%**
- **Reported sales growth HELLA Group at 4.9% (increased by 77 mill. EUR, + to 1,629 mill. EUR)**
  - **Automotive + 5.9% to 1,244 mill. EUR. Demand for energy management products, radar solutions and advanced lighting systems drives business. Lighting still with ongoing ramp-ups**
  - **Aftermarket external sales +2.0%, positive demand from Independent Aftermarket and Wholesale**
  - **Special Applications +12.3% to 100 mill. EUR, positive development in agriculture and constructions as well as over-proportional demand in Australia**

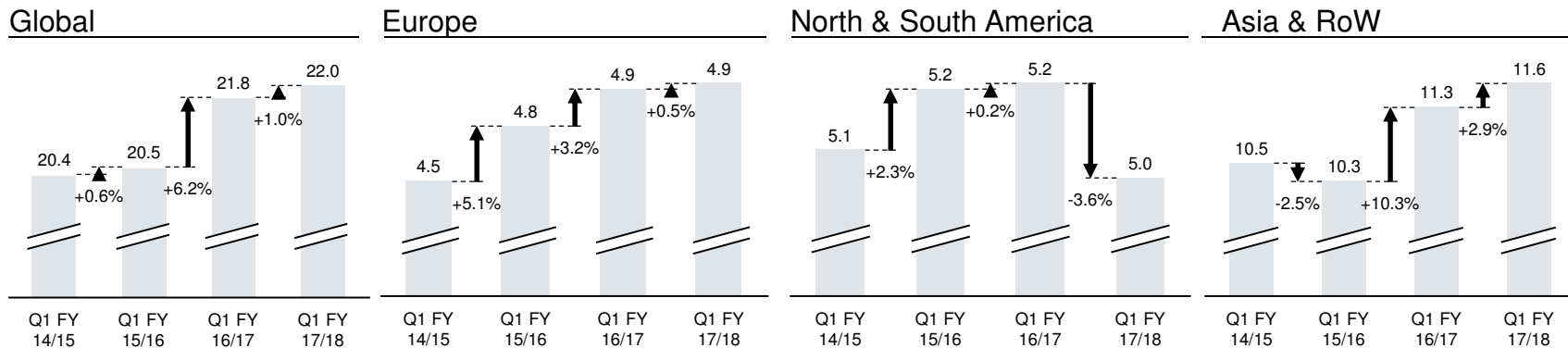
# Automotive outperforming LVP in all regions

## Financial Highlights Q1 FY 2017/18

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



### Light vehicle production (in million units)



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

+15.9%	-4.0%	4.5%	+9.5%	-4.3%	0.6%	+19.1%	+9.2%	+19.5%	+19.6%	-2.1%	7.9%
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Please note that where sums and percentages in the presentation have been rounded, differences may arise as a result of commercial rounding.  
Source: HELLA; IHS (as of September 2017)





# HELLA Investor Update Q1 FY 2017/18

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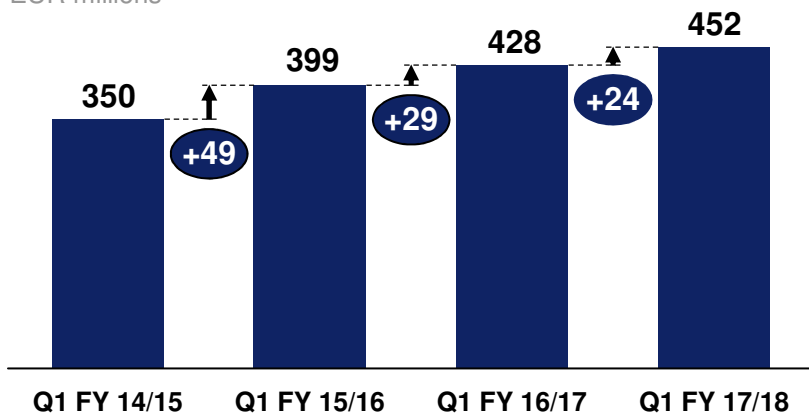
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# GPM increase due to stronger Aftermarket and Special Applications

## Financial results Q1 FY 2017/18

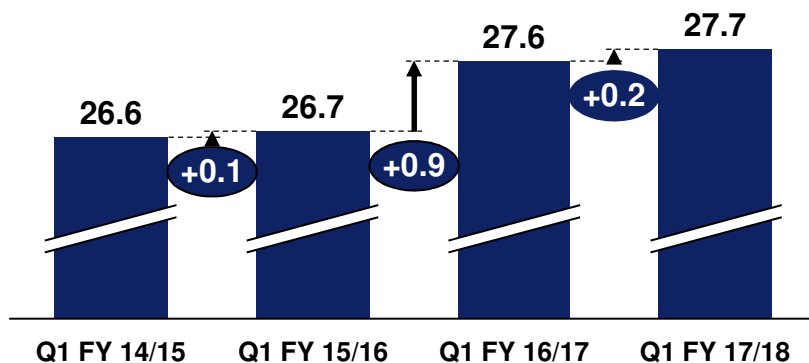
### Gross Profit

EUR millions



### Gross Profit margin

% sales



### Highlights

- **Adj. Gross Profit** increased by **24 mill. EUR (+5.6%) to 452 mill. EUR**
  - **Automotive** + 4.2% to 306 mill. EUR
  - **Aftermarket** + 2.2% to 105 mill. EUR
  - **Special Applications** +33.1% to 41 mill. EUR

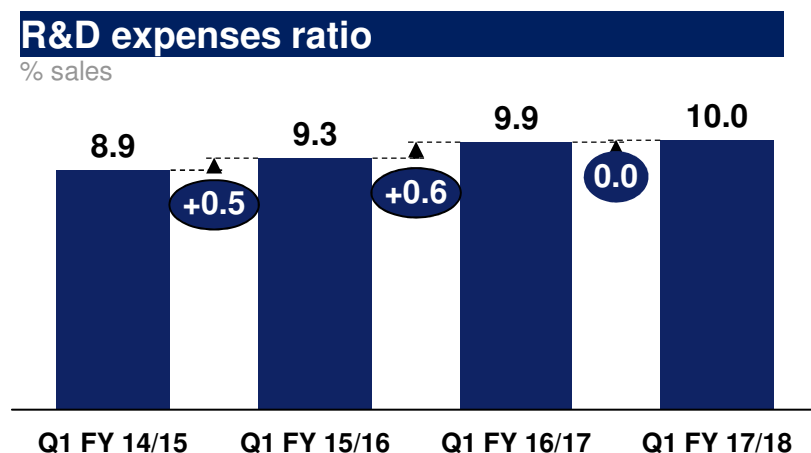
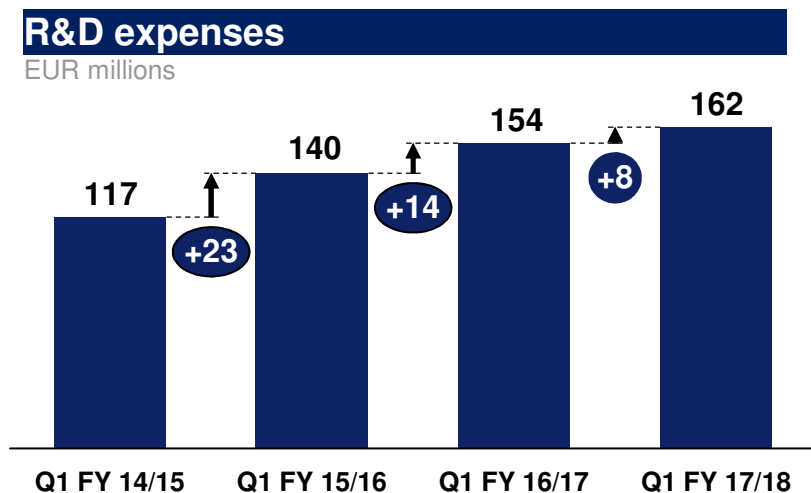
### Highlights

- **Adj. Gross Profit margin** improved by 0.2%-points to **27.7%**
  - increased margins in Aftermarket and Special Applications
  - ongoing capacity increase with initially lower utilization negatively affected GPM in Automotive



# Continuous high R&D expenses to secure future growth

## Financial results Q1 FY 2017/18



### Highlights

- **Absolute R&D** expenses increased by 8 mill. EUR (+5.5% YoY) to **162 mill. EUR**, mainly:
  - booked business
  - exploring potential of market trends
  - enhancements of product portfolio

### Highlights

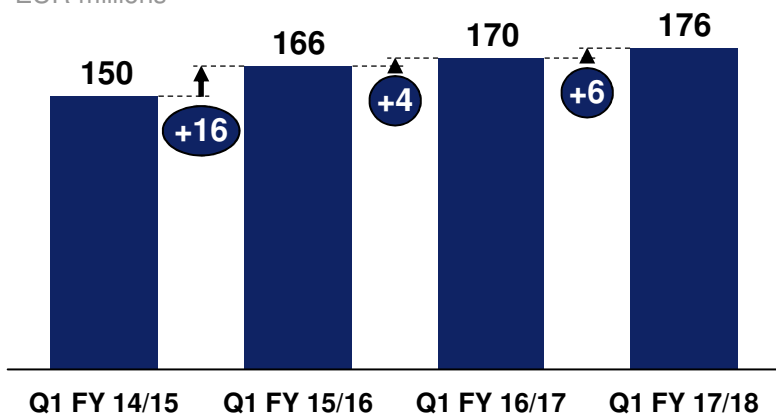
- **Q1 FY 17/18** ratio nearly constant at **10%** due to high level of absolute R&D expenses

## Relatively stable development of SG&A costs

### Financial results Q1 FY 2017/18

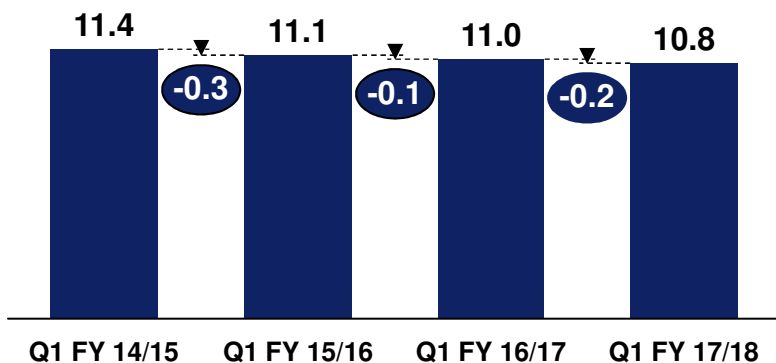
#### Adjusted SG&A expenses

EUR millions



#### Adjusted SG&A expenses ratio

% sales



#### Highlights

- **Only slight increase (+ 6 mill. EUR, + 3.3%) of SG&A costs** mainly due to increase in distribution expenses:
  - distribution expenses +5 mill. EUR (+4.5%) to 128 mill. EUR driven by Aftermarket business extension and higher logistic costs in Automotive in Eastern Europe

#### Highlights

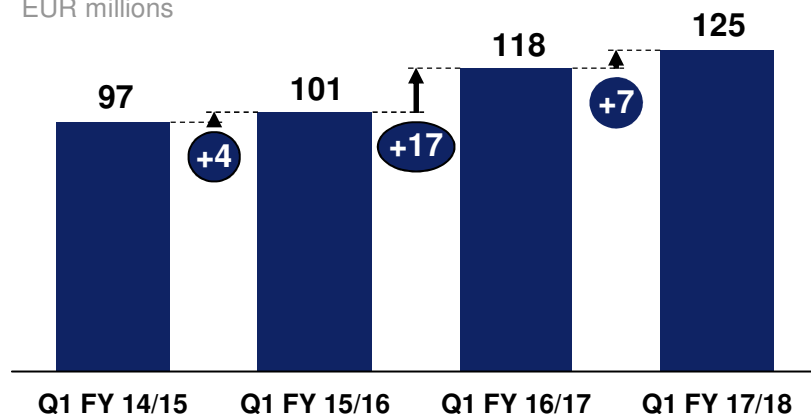
- **SG&A ratio -0.2%-points to 10.8%**, ratio of structural costs shows in **general a stable development**
  - distribution cost ratio constant at 7.9%
  - administrative cost ratio -0.2%-points to 3.3%
  - adjusted other income and expenses -0.1%-points to 0.4%

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

### Financial results Q1 FY 2017/18

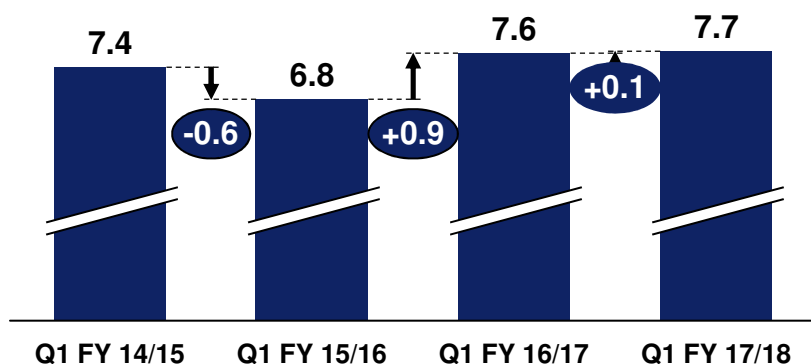
#### Adjusted EBIT

EUR millions



#### Adjusted EBIT margin

% sales



#### Highlights

- **Adjusted EBIT** increased by 7 mill. EUR (+5.6%) to **125 mill. EUR**
  - increase in Gross Profit by 24 mill. EUR (+5.6%)
  - higher R&D (+8 mill. EUR, +5.5%)
  - decline in JV income by 3 mill. EUR (-21.8%)

#### Highlights

- **Adj. EBIT margin** increased by **0.1%-points** to **7.7%**:
  - slight increase of GPM by 0.2%-points
  - higher R&D expenses with increase of ratio by 0.1%-points
  - decreased contribution of JVs affected profitability negatively by 0.2%-points

# P&L including reconciliation

## Financial results Q1 FY 2017/18

### Quarterly comparison

### Comments

HELLA GROUP		Q1 FY 16/17	Q1 FY 17/18
in EUR mill.			
Gross Profit	reported	427.8	451.1
	Restructuring	0.0	0.6
	<b>adjusted</b>	<b>427.8</b>	<b>451.7</b>
Other income and expenses	reported	5.3	5.1
	Restructuring	1.7	1.2
	<b>adjusted</b>	<b>7.1</b>	<b>6.2</b>
EBIT	reported	116.5	123.2
	Restructuring	1.7	1.8
	<b>adjusted</b>	<b>118.3</b>	<b>124.9</b>
Net financial result		-10.1	-11.9
Taxes		-23.0	-28.4
Earnings for the period		<b>83.5</b>	<b>82.9</b>
Earnings per share (EUR)		<b>0.75</b>	<b>0.74</b>

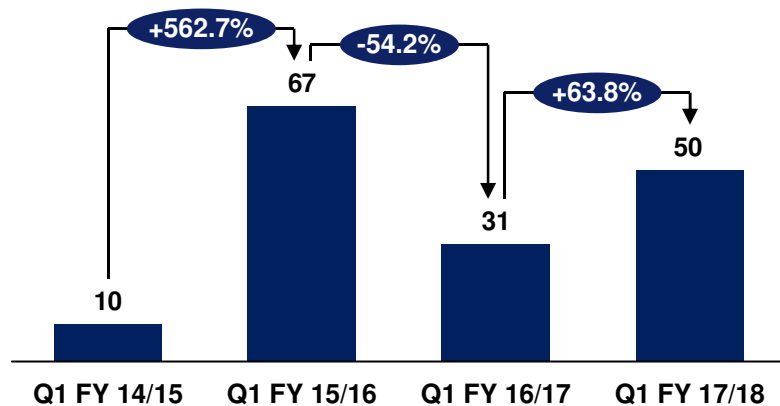
- Reported EBIT Q1 slightly negatively impacted by restructuring expenses in Germany
- Net financial result decreased due to the funding of activities in growth regions at higher local interest rates
- Earnings for the period decreased slightly despite EBIT increase; higher tax payments after low comparable tax rate in Q1 PY
- EPS decreased by 1 Cent to 0.74 EUR

# Adj. Free Cash Flow from operating activities increased due to higher funds from operations

Financial results Q1 FY 2017/18

## Adj. FCF from operating activities

EUR millions

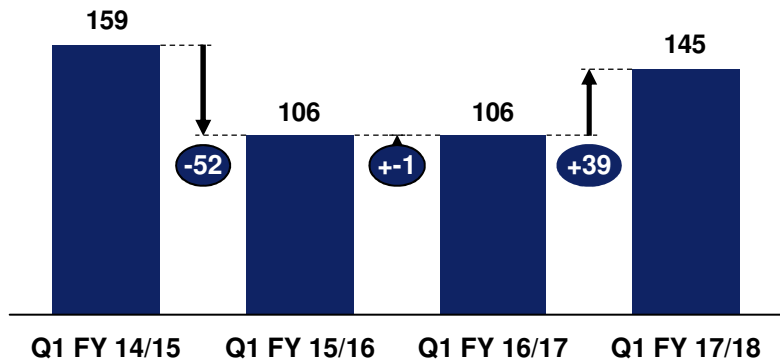


## Highlights

- **Adj. Free Cash Flow from operating activities** increased by 20 mill. EUR to **50 mill. EUR**, mainly:
  - **increased funds** from operations
  - **lower Working Capital** consumption

## Net CAPEX

EUR millions

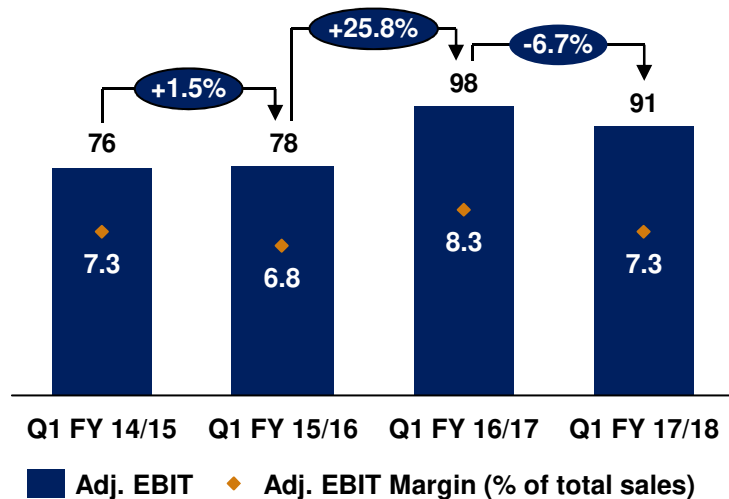
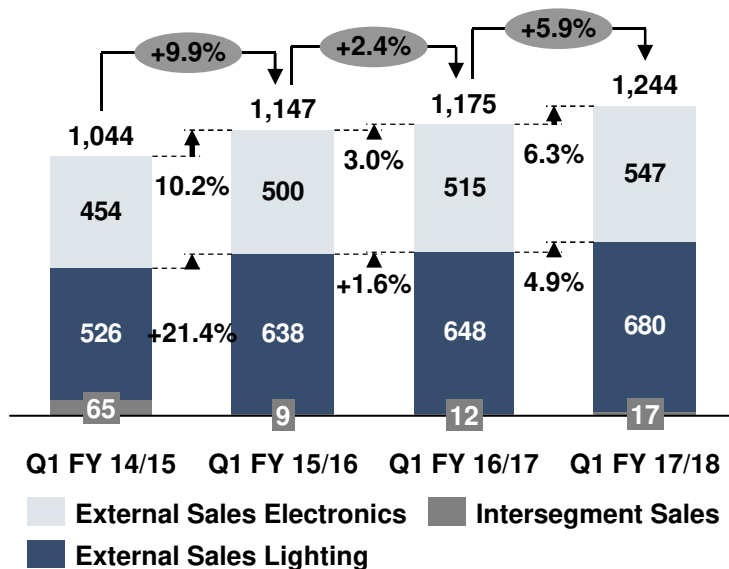


## Highlights

- Net CAPEX increased by 39 mill. EUR to **145 mill. EUR**
- Continuous **investments** in customer-specific **equipment**, start of **capacity extension**
- **Reimbursements** decreased by 16 mill. EUR to **11 mill. EUR** depending on project launches

# Automotive segment with increasing growth

## Financial results Q1 FY 2017/18



### Automotive Sales

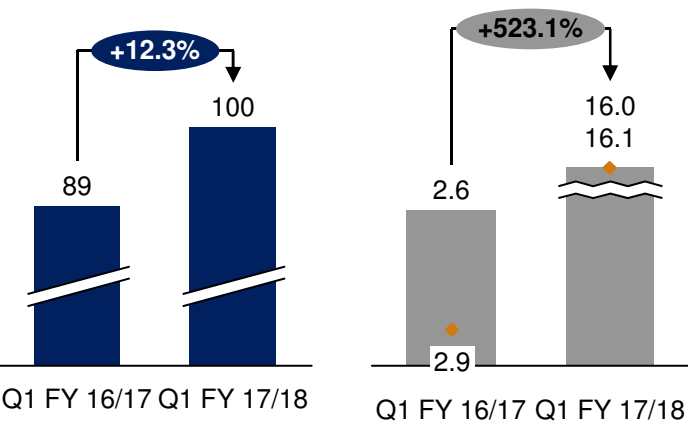
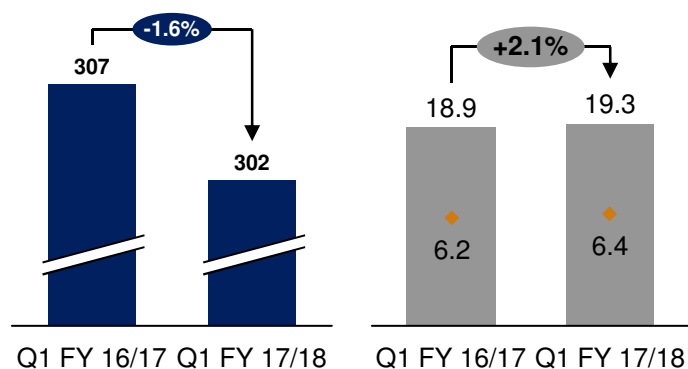
- **Growth of 5.9%** with ongoing project **ramp-ups** started in H2 FY 16/17:
  - **demand** for **energy management products** and **radar** drives Electronics
  - **demand** for **LED headlamps** in Lighting
  - **ongoing growth dynamics** expected

### Automotive Profitability

- **Decline of adj. EBIT** by **6.7%** to **91 mill. EUR**:
  - **capacity increase** with initially **lower utilization** level
  - **increase** in **R&D** to prepare new launches
  - **lower JV contribution** due to weakness in Asian joint ventures
  - **negative FX** effects

# Non Automotive segments with positive contributions

## Financial results Q1 FY 2017/18



■ Total Sales

■ EBIT

◆ EBIT Margin

### Aftermarket

- **External sales growth (+2.0%)** due to **positive IAM** and **wholesale** business
- Total sales declined by 1.6%, mainly due to new allocation between Aftermarket and Special Applications segments
- **EBIT margin +0.2pp** due to increase in GPM (+1.3%-points) driven by mix effects

### Special Applications

- **Strong top-line growth (+12.3%):**
  - increasing demand in **Agricultural** and **Construction** sector
  - other product groups e.g. **Trailer** also **growing**
  - **over-proportional** growth in **Australia**
- **Massive profitability increase (>500%)**
  - strong top line growth
  - **negative effects** from the sale of **Industries & Airport lighting** activities in **Q1 FY 16/17**



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## Overall market FY 17/18 expected to grow by 1.3% according to IHS Outlook

Region	Expected LVP (in m units)	Comment
Europe	<div style="text-align: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">+2.6%</span>              22.4            FY 17/18         </div>	<ul style="list-style-type: none"> <li>Continuing growth in 2017/18 expected. Europe excluding Germany expected to grow by 3.9% to 16.5m units, Germany with an expected decline of 1.0% to 5.9m units</li> </ul>
NSA	<div style="text-align: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">+0.1%</span>              20.8            FY 17/18         </div>	<ul style="list-style-type: none"> <li>After weak first half, better growth dynamic in H2 2017/18 expected</li> </ul>
China	<div style="text-align: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">+0.0%</span>              27.5            FY 17/18         </div>	<ul style="list-style-type: none"> <li>After weak first half (-0.6%), China expected to stay flat in 2017/18, Asia/RoW expected to grow by 1.0% to 50.9m units</li> </ul>
Global	<div style="text-align: center;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">+1.3%</span>            +95.8            FY 17/18         </div>	<ul style="list-style-type: none"> <li>Overall market expected to grow by 1.3%</li> </ul>

Source: IHS Light Vehicle Production (LVP) (as of September 2017)

## Company specific development for FY 17/18 confirmed Guidance

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Presuming no serious economic turmoil, we assume a positive development of the operative HELLA business for FY 2017/18:

### Sales growth

- Growth excluding FX between 5-10%

### Adj. EBIT growth

- Growth between 5-10%

### Adj. EBIT margin

- Margin around 8%



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**Thanks for your attention**

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