

HELLA Analysts Meeting 2023

Deutsches Eigenkapitalforum Frankfurt

November 28, 2023



Agenda

- 01** **Short-term Perspective**
- 02** **Strategy and mid-term Perspective**
- 03** **Key Takeaways**



01

**SHORT-TERM
PERSPECTIVE**

HELLA manages to successfully perform in a challenging market environment

Strong YtD momentum reflected in clear market outperformance and increase in profitability

SHORT-TERM CHALLENGES

Demand

- › **Limited visibility LVP outlook** and unfavorable regional mix
- › **Geopolitical development** with emerging conflicts
- › **Pressure on core customers** due to rapid emergence of Chinese OEMs

Profitability

- › **Ongoing inflation pressure**
- › **Volatility and lower than expected volumes** for some programs
- › **High inventory levels** caused by semiconductors and call-off behavior of customers

HELLA 9M PERFORMANCE

- › **Strong market outperformance** and double-digit sales growth in all business groups
- › **Strong order intake** from diversified customer base
- › **Process of settlement defined with all customers**, 90% inflation compensation
- › **Step-up in profitability** while maintaining a high level of R&D investments
- › **Strengthening focus** with sale of BHTC

LVP= Light Vehicle Production; BHTC= Behr-Hella Thermocontrol

Confirmed company outlook for FY 2023 with record sales and improvement of profitability

FY 2023 (January 1, 2023, to December 31, 2023) outlook

CY 2022 (pro forma)	OUTLOOK FY 2023		SHORT-TERM FOCUS
€7,212m	Consolidated sales Currency and portfolio adjusted	In a range of around €8.0 to 8.5 billion <i>expected to be around the midpoint of the forecast range</i>	<ul style="list-style-type: none"> ➤ Continuation of business success with core automotive technologies ➤ Management of demand volatility and successful pass-through of inflation ➤ Sustainable improvement of Gross Profit Margin with 100% inflation compensation ➤ Sequential margin enhancement in Q4 ➤ Reduction of R&D overspend in Electronics especially in Electronic Power Steering ➤ Significant cash-in of customer claims, more than €100m expected in Q4 ➤ Agreements with semiconductor suppliers to reduce inventory and Working Capital by 2-3% ➤ Thorough CAPEX allocation and further standardization of tools and production lines
4.1%	Operating Income Margin	In a range of around 5.5% to 7.0% <i>expected to be around the midpoint of the forecast range</i>	
3.0%	Net Cash Flow	Approximately 2% of sales	



02

STRATEGY AND MID-TERM PERSPECTIVE

HELLA with strong tailwinds from industry trends and attractive position in core markets

Strategic pillars built on market & technology leadership, global presence and operational excellence

INDUSTRY TRENDS

Electrification & Energy Management



- Acceleration of **changes in E/E architecture**
- Significant **market share gains of Chinese OEMs**

Safe and Automated Driving



- **Increasing penetration**, especially L3 in urban scenarios
- **Car parc with ADAS components** reaches relevant age for aftermarket

Digital & Sustainable Cockpit Experience



- Increasing **penetration of digital light**
- Rapidly increasing **demand** for climate-friendly, **sustainable products**
- Legislation changes **enable new functions** (e.g. ADB in the US)

HELLA STRATEGIC PILLARS

Market and Technology Leadership

 Electronics	 Lighting	 Lifecycle Solutions
<ul style="list-style-type: none"> • Leverage leadership in Low Voltage to gain sustainable positions in High Voltage • Confirm market leading position for radar (also for 77GHz) 	<ul style="list-style-type: none"> • Build on SSL I HD as industry standard • Rollout Front Phygital Shield to the market • Rollout universal assembly lines 	<ul style="list-style-type: none"> • Offer new products in IAM (e.g. for BEV and exhaust systems) and SOE (electrification & electronics) • Leverage telematics & AI to perform “deep” local and remote diagnostics

Global Presence & Broad Customer Base

- **Grow business with Chinese OEMs** and in Americas, intensify local for local
- **Optimize plant and line utilization** esp. in Europe with specialization and massification

Operational Excellence

- **Accelerate digitalization, automation and standardization** in processes and production
- **Leverage FORVIA synergies**

E/E= Electrics and Electronics; BEV= Battery Electric Vehicle; ADB= Adaptive Driving Beam; AI=Artificial Intelligence

Electronics with several attractive opportunities – strong pipeline of technology innovations as major growth driver

Market and Technology Leadership

POSITIONING

- > **Within top 3** on most key products
- > **Leading radar supplier**, recognized for >20 years of expertise based on corner radars
- > **25+ years experience in development of software features**, embedded software & integration of 3rd party software

ELECTRONICS CORE PRODUCTS AND INNOVATIONS

AUTOMATED DRIVING

- **77Ghz Radar** for environment detection of stationary & dynamic objects
- **Brake-by-wire** complying with highest functional standards



Innovations

NEW RADAR GEN. INCL. WAVEGUIDE ANTENNAS

- Provides a high range with low loss feeding
- Precise, efficient, safe
- Sustainable development



ENERGY MANAGEMENT

- **Coolant Control Hub** as centralized thermal mgmt. for BEVs
- **12V LIIB** to replace conventional batteries with compact size and lightweight design



Innovations

NEW SOLUTIONS FOR ALTERNATIVE POWERTRAINS

- **HV Powerbox** combination of HV DC/DC Converter and OBC for safe & stable power supply
- **CCHmax** as thermal management subsystem for EVs, enabler for natural refrigerants, connecting all circuits



KEYLESS CAR ACCESS AND DETECTION SYSTEMS

- **Smart Car Access** with UWB technology
- 1st to market with UWB technology for **Child Presence Detection**



Innovations

SERVICE ORIENTED ARCHITECTURE

- 1st market with **Intelligent Power Distribution Module** with **eFuse** to observe all system components
- Brake-by-wire **touchpad pedal** replaces a conventional brake system



DC/DC= Direct Current / Direct Current; OBC = Onboard Charger; CCH= Coolant Control Hub; LIIB= Lithium Ionen Battery; UWB= Ultra-wideband

Lighting keeps technology leadership – go to market with focus on “slim”, “digital” and “smart” functionalities

Market and Technology Leadership

POSITIONING

- #1 player in **electronic and software based high-end LED solutions**
- **Technology leader** with high customer intimacy
- **System supplier** for integrated lighting solutions
- **Leader** with **Front Phygital Shields** for EVs

LIGHTING CORE PRODUCTS AND INNOVATIONS

SSL I HD

- **CES 2023** innovation award winner, miniaturized light source with intelligent and individual switching of pixel, first 32,000-LED pixel headlamp launched



Innovations

SUSTAINABLE HEADLAMP

- **Significant reduction of CO₂** footprint without compromising safety
- CO₂ oriented mechanical design, **repairable and recyclable alternative materials**
- Focus on essential performance features, **adaptive use**



FRONT PHYGITAL SHIELD

- Demonstrates **system competence** in **lighting, electronics & software**, as well as advanced manufacturing capabilities



Innovations

NEW GENERATIONS AND REAR PHYGITAL SHIELDS

- **2nd Generation FPS** as highly integrated front module for visual & acoustic V2E communication
- **Rear Phygital shield** as highly integrated rear module
- **Digital FlatLight** with digital changing signatures, CES 2024 innovation award for μMX technology



SMART LIGHTS

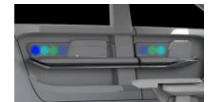
- **Interior cabin lights** allowing a high degree of customization and various price packages
- **Digitalized rear lights** from simple dynamics to light-effect rich systems



Innovations

ADVANCED LIGHTING CONCEPTS

- **Modular Surface illumination** with light tiles integrated in vehicle side
- **3D Slim light contour** with lasered optical structures



FPF= Front Phygital Shield; V2E=Vehicle To Environment; μMX = light technology using micro-optics

Lifecycle Solutions with several initiatives to continue growth – high innovation power confirmed by comprehensive technology pipeline

Market and Technology Leadership

POSITIONING

- > **HELLA IAM** is the leading branded aftermarket spare parts supplier focusing on OE innovations & high-quality parts
- > **HELLA Gutmann Solution** is the leader in multi-brand diagnostics focusing on tools, data & services
- > **HELLA SOE** is the leading OE supplier of premium products to off-highway, commercial & leisure vehicle customers

LIFECYCLE SOLUTIONS CORE PRODUCTS AND INNOVATIONS

AFTERMARKET

- Comprehensive **HELLA VSL OE** range
- **Innovative** and **affordable UL** products
- Strong **HELLA E/E** products



Innovations

DIGITAL & CONNECTED LIGHTING SOLUTIONS, ADAS & BEV SPARE PARTS

- Low energy UL **LED solutions**
- **BEV offering** for e.g. electrical drive, Energy & Thermo management)

WORKSHOP PRODUCTS

- **Mega macs X & MT-HV (High voltage)** to support BEV vehicles
- **One Cloud data platform** as scalable software platforms for diagnostics



Innovations

DIGITAL DIAGNOSTICS

- **State of Health Pro** allows TÜV certified battery diagnostic checks without removing the battery
- **Automatic Diagnostics** allows access to multiple billion data sets to identify the right spare parts and reduce work time in the workshop; awarded by **CLEPA 2023**



SPECIAL ORIGINAL EQUIPMENT

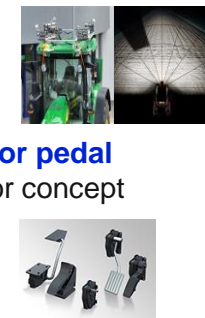
- Reliable and robust **work lamps** incl. VSIOTECH projection technology
- Broad range of **E/E products** for emission reduction e.g. **IBS 12V**



Innovations

INNOVATIONS DEDICATED TO SAFETY AND CO₂ REDUCTION

- Smart **Matrix Worklight System** allows work lamps to be controlled using vehicle intelligence
- Modular **Accelerator pedal System** with sensor concept CIPOS®



VSL= Vehicle Specific Lighting; UL=Universal Lights; E/E= Electrics and Electronics; IBS=Intelligent Battery Sensor; CIPOS®=Contactless Inductive Position Sensor

Growth in China and with Chinese OEMs is a clear priority on HELLA's strategic agenda

Global Presence and Broad Customer Base



MARKET

- > **China OEMs at ~50% market share 2022**, step-up to ~55% within next 5 years expected
- > **Integrated Lighting and Electronics** at China OEMs
- > **High development speed** (<2 years)
- > **Local competitive pressure and low entry volumes**
- > **Specific regulations**, geo-political tensions

HELLA TARGETS

- > **>10% CAGR** until 2028 in Asia
- > **Customers in Asia at ~25%** of group revenues in **2028**
- > **24% China OEM revenue share in 5 years**; a plus of >10ppt compared to 2022

THREE MAIN INITIATIVES IN CHINA

- > **Use HELLA technology as key differentiator and adapt to local demand**
 - Build on high-tech Lighting products and roll-out further
 - Drive new E/E product launches and diversify portfolio
 - Define China specifics for each product
 - Develop China innovation team to adapt innovations to local demand
- > **Work local for local with local competence and footprint**
 - Qualify local suppliers and tooling, develop local Original Design manufacturers
 - Reduce business dependency on rest of world in supply chain, D&D, and operations to become more resilient
 - Set up of a separate entity with high autonomy to provide local solutions with different development, speed & cost structure and liability isolation
- > **Use partnerships and other business models**
 - Use other business models like contract manufacturing or license trademark
 - Develop Joint Venture landscape further, e.g. take over control and consolidate fully
 - Study opportunities to build further partnerships / JVs to access customers



Intensified collaboration with FORVIA serves as key driver for future business success

Leverage FORVIA synergies

Success in Presentation of Joint Capabilities

- › Joint appearance at IAA Mobility Nov '23, after Auto Shanghai (April '23) and CES (Jan '23)
- › Combining the innovation skills of HELLA and FORVIA
- › Showcasing the joint global state-of-the-art portfolio, including award-winning technologies
- › Strong interest of customers globally



Improvements of Organization & Operations

- › IT and Indirect Purchasing in new common and jointly managed organizations
- › Establishment of further joint corporate functions like Group Security and Group Internal Audit
- › Significant achievements realized in Operations, for example joint benchmarking for surface-mounting technology



Confirmation of Cost Synergy Targets

- › Cost synergies >€300m end of 2025, ~50% realization level end 2023 expected
- › HELLA share at ~50%
- › Cost synergies outlook for 2024-2025 including idea pipeline above target





03

KEY TAKEAWAYS

HELLA is well positioned to shape the future of mobility – short term challenges with volume insecurity and inflation

KEY TAKEAWAYS

STRATEGIC PILLARS

Market & Technology Leadership

Global Presence & Broad Customer Portfolio

Operational Excellence

SHORT-TERM

CHALLENGES AND TO DO'S

- › **Volume risk with limited visibility**

➡ enhanced speed and flexibility necessary

- › Continuous **high inflation** in particular labor inflation in N. America and Europe

➡ consistent pass-through of inflation and thorough cost control needed

MID- TO LONG-TERM

PROMISING OUTLOOK

- › **Focus on megatrends** as Electrification & Automated Driving will drive future growth
- › **Selectivity & balanced investments** will secure strong cash generation and value creation
- › **R&D efficiency & operational excellence** will be key enablers to ensure competitiveness
- › **Empowerment of China** will strengthen global customer base & allocate volumes to OEMs with stronger momentum
- › **Collaboration within FORVIA** will strengthen all initiatives

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