



C: Bernard Schäferbarthold; HELLA GmbH & Co. KGaA; CEO  
C: Philipp Vienney; HELLA GmbH & Co. KGaA; CFO  
P: Christoph Laskawi, Deutsche Bank AG - Analyst  
P: Sanjay Bhagwani Citi, Research Division – Analyst  
P: Michel Jacks, Bank of America - Analyst

#### COMPANY EDITED TRANSCRIPT

Operator: Good morning, afternoon, ladies and gentlemen, and welcome to the HELLA GmbH & Co KGaA conference call regarding HELLA results first half financial year 2024. The call will be hosted by Bernard Schäferbarthold, CEO, and Philippe Vienney, CFO. The floor will be opened for questions following the presentation. Let me now turn the floor over to Mr. Bernard Schäferbarthold.

Bernard Schäferbarthold: Yes, good morning. This is Bernard Schäferbarthold speaking. Very warm welcome from Philippe and myself, warm welcome to our results call for the first half of our fiscal year 2024. And we have the following agenda today.

Firstly, I will talk about the achievements in the first half, then Philippe will take over to go through the financial results and then I will detail out the further progress of our competitiveness program and will finish with the outlook and the key takeaways. Coming to the achievements, our sales in the first half were at EUR4.1 billion, this is a growth of 1.6%. Our reported sales were growing 0.9%. We had a negative FX effect, if we look at the different segments, Lighting was growing at 3.3%, taking into account the full consolidation of our joint venture, HBBL in China. This had a positive effect of EUR114 million on our sales in China. Electronics were slightly down 1% considering a negative FX effect without that FX effect, a slight decline of 0.3%. And overall (and Electronics was mostly impacted) we have suffered some delayed SOPs specifically radar, but also our electric power steering was affected, by that both products were growing but not as strongly as expected. Additionally, we had an impact out of the slower electrification growth, specifically in Germany and we had also a negative regional effect on overall and specifically Electronics was impacted by that. Lifecycle was down 2.7%, we had an effect out of workshop products where with the so-called particular



filter last year we had a significant volume in the last year. But beside of that, Independent Aftermarket was strong and growing in the first half. Within our SOE business, specifically agriculture and construction in this negative industrial sentiment were down in comparison to last year.

Overall, if we look at the operating income and cash, and we had a solid result. So overall, a slight improvement in operating income in comparison to last year. And so 1.4% of improvement in absolute numbers to EUR248 million, an improvement in operating margin of 0.1% to 6.2% in H1.

We managed to pass through at a higher percentage, the inflation to our customers in the second quarter and that improved significantly our margin in H1 overall. Net cash flow was a much better in the second quarter, we are at EUR86 million in the first half, 2.1% at a very similar level in comparison to last year.

If we look at the order intake situation. Overall, the momentum is continuously good. What is very promising is that we had a good regional mix within our order intakes in the first half within Lighting and also in Electronics we won a lot of projects in Asia and also in the Americas. Lighting was very solid in terms of business we won with Chinese OEMs as well with US OEMs and Electronics also had a strong order intake momentum, specifically within NSA. So overall, we are very satisfied with the improvements we have done. Lifecycle, also a solid, new business won, so we won additional packages on small cars, e-cars OEMs, which are highlighted here. And we won additional business for truck for the SOE business with SOP in 2027.

Further highlights on the first half. So first of all, on the left-hand side, you see the announcements in terms of our restructuring, we are now doing at the Lippstadt site, which we published and communicated late in June.

So this restructuring program relates to a reduction and a rightsizing of our Lighting plant, in Lippstadt we will reduce around 420 permanent jobs and additionally more than 200 temporary workers overall in focusing this plans on innovative headline solutions in the future. We strongly believe that this plant, after the restructuring, will be much more competitive in comparison to today's situation. On that measure, we have accrued overall EUR62 million in our half year results, which are adjusted. On the portfolio management, we



closed successfully BHTC and also our people sensing business, the proceeds out of BHTC were EUR202 million the proceeds on people sensing are at EUR17 million overall. So this and considering the net cash flow, we achieved are bringing us to a net cash position overall end of June of EUR156 million. So it's solid amount overall. And on the right side, we are highlighting an innovation we have won in the US. This is a product which is called intelligent power distribution module, basically if you use of technology which we will bring into serious production in 2025 with a large OEM supplier. From our perspective, a very strong technology, which should support our growth path in Electronics, and we are proud to get this award. Having said that, I hand over to Philippe, who will go through some more details on the financials results.

Philippe Vienney: Thank you, Bernard, and good morning to all. So looking at the financials. So again, the sales were reported at [EUR4,030 million] on this includes a negative FX impact of EUR30 million. So the growth was a EUR65 million, which means minus 1.6% organic growth versus the market, which was reported at minus 0.2% over the first half.

So now looking at the performance there in the group, if we start with Lighting, so Lighting reaches a stable operating margin with some growing sales. So the sales are growing by 4% organically. This includes as it was said, full consolidation of our HBBL, Chinese business. But it was the sales were impacted by lower call-offs for certain project in Europe and also a negative mix coming from China, where we had a very strong call-off last year in H1 '23 with a ramp-up of a strong program last year.

So the operating margin stands at EUR66 million, which is an improvement of EUR2 million vs. last year that you're still at the same percentage of 3.3%. So this is thanks to our gross profit margin improvement, better pass-through also in especially in Q2, as it was said. And we have faced increased R&D expenses in Lighting to finance or to prepare the new programs, new launches for the coming years. And also, we have started to ramp up our R&D forces in Mexico and in India. Looking at Electronics, so here we have a margin improvement despite sales which were relatively flat. So sales at minus 0.3% in H1. So here we have good momentum on the radar 77 Ghz in the US, but



we have some delays and temporary slowdown in electrification in Europe, which is negatively impacting the sales and the customer mix was unfavorable also in China. So for Electronics, the operating income stood at EUR127 million, which is an improvement by 120 basis point versus last year and reaching 7.6% of sales. So here again, thanks to an improved gross margin profit and some lower R&D expenses where we have been able to reduce our use of external providers in 2024.

Looking at now a Lifecycle. So Lifecycle operating income is down with also lower sales versus last year. So the sales are negatively impacted by the low demand of the segment of Agriculture, Trailer and Construction. But partially offset by growth on the spare parts business in Europe. Operating income reached EUR63 million versus EUR74 million last year, which means a down 170 points and reaching 11.7%.

So here again, we have an increase of the gross profit, but we are also facing some increased R&D expenses to also develop the program which have been acquired recently. And we have also an increase on our own SG&A and logistic costs, which is also leading to the integration of the Pagid business. So globally, as it said, the group is outgrowing the market globally. So I reminded the market is at minus 0.2% for H1 and the sales of Hella are plus 1.6% organic, so which means an outperformance of 180 basis points, and this is visible in each city continuance Americas at 0.8% versus a growth of 0.3%, Europe 0.4 versus of negative growth of 3.5% and Asia Pacific 2.2% versus a growth of 0.9%.

So now looking at the profit and loss. So again, says up by 0.9%, reported. Gross profit is up by 4.4%, which means 66 business points versus last year. And this is again visible in all business group. The R&D ratio is increasing a little bit in terms of expense of sales, and this is to prepare the new launches and the new program which has been acquired and that will be in production in next years, in a couple of years, in two years.

SG&A are increasing by 7.9%. So here we have we continue to strictly monitor our SG&A, but we also have the impact, as I said, of the full consolidation of HBBL and Hella Pagid which is impacting also it's a specific line in the P&L. On the non-recurring operating income and expenses. So here



we have the two effects. The positive capital gain of the sale of BHTC and we have also booked a negative restructuring costs of EUR69 million in this line. And the net cash flow, so stands at EUR86 million, which is stable versus last year at EUR89 million, around 2.1% versus 2.2%. So the net cash flow was a constantly improving and especially in Q2 with a stronger performance in Q2. The cash flow was also impacted by higher CapEx than last year. So we are plus 23% in terms of CapEx.

So here we have to invest for the new program in the order intake that was booked in the past years. And we are continuing to invest also on the standardization of our processes, but this has been offset by a lower working capital. We made also some good progress on the overdue at the end of Q2 versus what was booked or reported at the end of Q1. And we have a reduction of our factoring increase also versus H1 '23. It was an increase of EUR40 million versus EUR60 million last year.

Bernard Schäferbarthold:

Thank you, Philippe. Then I would like to continue on our competitiveness program. Just to remind you, this program we initiated early this year has the target specifically on Europe to improve our competitiveness. Our target is to reach a gross saving of EUR400 million in terms of cost in comparison to end of 2023, at the end of 2028. And we want to reach at least 40% of these savings end of 2025. And so we have further substantiated and detailed out the measures we are working on. I already mentioned one of these measures with the restructuring of our plant in Lighting in Lippstadt, which is certainly a significant measure we announced now end of June. The measures overall are structured in, on one hand side performance improvements and on the other hand side, structural improvements we are doing, and they should contribute to improvements within our full value chain. So overall, the operations, our development costs and also SG&A. In terms of structural measures, they will contribute around one-third of the gross improvements we are working on. And basically, we are looking at measures in terms of relocation of our people and positions/ staff, which we will further move from high cost to the best cost specifically goes through the full organization that is mostly related to R&D. And we will reorganize and right-size specifically within our operations. So we are facing actually situation where, especially for Lighting, we have



overcapacities where we are actually reducing these capacities especially in Germany, but also in our Eastern European plants. The reorganization is specifically also related to our Lighting business, where we are working on further standardizations and are focusing the plans so that we are much more efficient and flexible also within our plans in terms of volatilities in the demand. On top of that, we are continuously working on portfolio management and we are revisiting also the expectations on our investments into further new generations platforms and also products we are working on, especially within our Electronics business. In terms of performance measures, we are here highlighting a lot of measures actually we are working on. Overall, they should contribute to around two thirds of the overall improvements we are working on. Within the operations, we already highlighted in one of our last calls, the implementation of our FES, which is our Forvia Excellent System in terms of shop floor management. So we expect significant cost improvements for example within our logistics and flows, but also from an improvement in terms of quality and a reduction in terms of quality costs. We are working on several measures in terms of improving our R&D efficiency with the clear aspiration to reduce development times and cycles to a high extent and already we have very good pilots and examples where we already have been able to reduce these times significantly and even halve it. And now we are working on more and more to roll that out all programs we are working on. Last, I want to mention is overall simplification efforts we are trying to bring completely into the organization to reducing complexity, reducing bureaucracy within our processes should also support overall, first of all being faster, but on the other hand side, also the complexity overall of our organization and reduce our costs. If we look overall on the bridge, so we have, with the further substantiation already reached the gross savings or have a plan to reach the gross savings we are working on. Many of these measures already in implementation. So we are confident to reach the targeted level end of 2025 of EUR150 million of gross saving we have targeted and also our target in 2028.

A significant contributor to these savings is on one hand side, the R&D where we see significant potential in terms of reduction of our gross R&D, where out of the overall savings, we are working on one-third is related to improvements, we believe we are able to do in R&D and especially reducing R&D



development times. We will invest overall into that program around EUR200 million. These EUR200 million are, on one hand side, restructuring costs, so the reduction of people, but it is to a high degree also investments we will do in terms of on automatization, standardization, but also the implementation of some new tools and also the AI related measures we are working on.

Then I want to go to the outlook. So on the market outlook, we have now seen in the last months some revised downwards numbers. So what S&P is actually assuming is a 2% decline in terms of volumes to EUR88.7 million and a further acceleration of decline, especially in Europe.

Considering that we are confirming our outlook. We are specifying it in the way that we see us in terms of our sales and also in terms of our operating income margin in the lower half of the given range. So specifically in terms of sales, we expect actually EUR8.1 billion to EUR8.35 billion of sales and then in terms of operating income margin we believe to be between 6% and 6.5%. We assume that overall with the revision of the volumes, but also for this year, we do not expect much higher growth in terms of electrified cars. We see on the ramp ups that somehow the programs we are in, are getting some momentum, but we will not catch up all what we originally had in our plan and this is why we believe H2 would and should be little better than H1.

But overall, we will not let's say be in the upper half with that of our range we have given. On the net cash flow, our outlook remains as it was, so we are still confident to reach approximately 3% of net cash flow in relation to sales.

So finally, key takeaways, H1 was a slight improvement overall in sales and earnings. Our perspective is that this is a solid result overall in a challenging market environment and we are continuously adapting our business and we believe that we have again proven that we are able to adapt and are very resilient. Overall in Q2 we reached what we wanted to reach.

On the outlook, so we confirmed the outlook as I said and specified within the expected ranges, meant overall the competitive program is on track. We have detailed and worked on the measures we are now implementing. Having said that, and that's all on the presentation and we are happy to take your questions.



Operator: Thank you, dear ladies and gentlemen, we are starting our Q&A session. (Operator Instructions). And the first question is coming from Christoph Laskawi, Deutsche Bank.

Christoph Laskawi: Good morning. Thank you for taking my question. The first one would be on the volatility of production, the call-offs. We just had a supply chain related warning of an OEM overnight. Do you actually see the call-off ratios improving in the third quarter to date versus the second one? And then could you comment on current trading in the regions, how the exit run rate into June was and how you expect it to shape up early Q3? And also a comment on this health of your supply chain would be appreciated. Then sort of the second question, just what was the inflation recovery rate in Q2? And then lastly, the HBBL consolidation is down a lot sequentially. Should we take that as a run rate within China basically with the international customers? Or could you elaborate on that a bit? Thank you.

Bernard Schäferbarthold: Thank you for your question, Mr. Laskawi. So, first of all, on the call-offs, so basically what we see is that the volatility remains specifically now to the start of Q3. This is from our side now already, let's say, taken into account in our expectation to the lower end. So what we basically see is that on some of our customers, they were expecting higher volumes and a faster ramp-up now starting, let's say, from the summer season and now in H2. So we are not seeing that to that degree, this is that why at least I can say that the negative volatility remains still at a very high level, and we are slightly behind in terms of our original plan, what we expected two months ago. But again, as I said, it is already reflected in our sales outlook as of today, what I see. Regionally, Europe is mostly impacted and as well China, Americas is more robust and more at what we expected. On the supply chain, so we continue to see some, let's say, difficulties in terms of some of the semi products, not to this high extent what we had in the past, but I can say that from at least from our side we remain, let's say, very cautious in terms of some bottleneck situations we could have specifically on active electronic parts.





And we are working intensively on that, beside that, I think we have some critical situations on let's say financial distressed situations on some suppliers. But as of today, I would say we are able to manage it now, but it is for us a very important, a topic and remain for risks, how we are assessing it actually. Then on the -- you had a question on our joint venture HBBL. So I would assume that you could take the overall H1 sales volume. So the EUR114 million we had basically as a run rate also on H2. So they are slightly better in terms of their plan overall, so it's related to their customer mix. So it was clear that Q1 would be stronger than Q2. But overall, as I said, for H2, we expect more or less the same level as H1 overall.

Christoph Laskawi: Thank you. Just one open. And that will be the inflation recovery share, in Q2.

Bernard Schäferbarthold: So we are -- so we caught up somehow in Q2, some of what we were not able to realize in Q1. So overall, we still have not the full recovery in H1 of inflation, we are around 80% in H1. And still the target is to close that gap now in H2. And additionally, what we are now also discussing to a large extent is in terms of the volume reductions. So the compensation levels on these programs where we have significant lower volumes. We are as of today at a low level. So we would still expect not some agreements this year, but mostly, we believe that this will be compensations we believe we can reach next year. Some is expected still from H2.

Operator: So Mr. Laskawi, if your questions have been answered, we would move on to the next question.

Christoph Laskawi: All answered. Thanks a lot.

Operator: An the next questions comes from Michael Jacks, Bank of America.

Michael Jacks: Thanks for taking my questions as well. And excluding the impact or effects that you're expecting from restructuring, where are we now in terms of your



R&D and CapEx cycle, and there is a wave of new model and platform launches coming to most European OEMs in the next 6 to 12 months? So I would expect that at some point in the near future, we should be close to a peak here in spending or are there more products and launches in the pipeline that you expect to keep this elevated and is that the reason why you're trying to target some restructuring savings within the R&D organization? And then my second question, I would expect European customers to ramp BEV sales to meet their CO2 targets next year. Do you expect the related production ramp in EVs to happen late in 2024 or just in 2025? And linked to that, would this be enough to get you back towards the historical levels of outperformance that we've become accustomed to for HELLA? Thank you.

Bernard Schäferbarthold: Good morning, Michael, thank you for your questions. So first of all, I would agree that we are on the peak in terms of CapEx and also R&D. So basically, we have already seen specifically in Electronics is that the increase has been stopped and we are now able with the measures we have taken to reduce R&D in terms of --we have especially reduced external services significantly, but we will also with the measures we have taken reduce the number of people, and also with the relocations, we will reduce further the costs. So in terms of CapEx with the standardization we have done with the investments, we have made to get more flexible, so some is still needed. But overall, we have reached a status where I would not expect the further increase of CapEx. So CapEx should step-by-step stabilize, and we are working also for the upcoming years on reducing CapEx. And this should be an important lever to improve further our net cash flow ratio in the upcoming years. In terms of BEVs, our view is that we think 2024 is a temporary situation. We should see 2025, an acceleration of the growth. As of today, we are not expecting really that Q4 should show a significant increase. So perhaps probably a little but not significant from our side. So we would expect 2025 that there the momentum should start again. And in relation to the outperformance. So overall the order book we have gives us a good sentiment, let's say or assessment that we should come back to this outperformance. What we actually now see is that, as of today, if I look at our regional sales distribution, still our volumes, especially in Europe, are too high. This is why



it is so important for us to grow and to get more balanced within the regions. That's why I highlighted also that we are continuously winning a lot of business in Asia and Americas.

And this should bring us or should make us more robust and resilient also in the future and the order book is more and more getting into that more balanced and more robust situation. As of today, the difficulties we have in Europe, especially on some of our important customers in Europe are impacting us very much, and this step-by-step should ease and so that we are pretty confident in terms of now, let's say, next years that we should come back to the outperformance we had in the past. And it's a little too early, really to say how does it look now, let's say, in next quarters and 2025 specifically, so how fast will it be? But in terms of, if I have a more, let's say, view into the three years' period, I am very confident with the programs we have booked.

Michael Jacks: That's very helpful. Thank you.

Operator: (Operator instructions) And the next question comes from Sanjay Bhagwani, Citi.

Sanjay Bhagwani: Hello. Thank you very much for taking my question also. I'll just ask two questions left, more of a follow up to what has already been asked. And so the first part is on organic growth outperformance. I understood you provided several key moving variables and if I understood it correctly, that it is likely to trend in the right direction from the three years point of view. But let's say if I just focus on the organic growth performance in near term and if we exclude the geographical headwind, like over exposure to Europe, what we see is Q2 has improved versus Q1. And then I think you had also mentioned that there are some delays in individual in series ramp up. So keeping this in mind, would you still expect that Q3 and Q4 continue to improve in terms of the organic growth outperformance? That is my first question.

And second one is on the margin guidance. I understand now on the range is 6% to 6.5%. And maybe if you have to look at the sequential margin in H2 versus H1, can you please provide some key pillars here, at the first glance, it probably looks like the H2 margin should improve versus H1? Is that a fair



assumption, given better pricing, slightly more sales or better also some other nuances we should keep in mind? Thank you.

Bernard Schäferbarthold: So on the overall on the sales performance, I mentioned three effects now. So one is the delayed SOPs. So we have seen an improvement in Q2, and we would assume that it should improve further in Q3, Q4, in terms of the ramp-ups. So this should help. On the electrified cars and the gap we have there, I do not expect really a change to the situation we had in H1. And on overall the volumes, what I said is that --already Mr. Laskawi asked that question--- so early Q3, we have seen that the volumes and especially for Europe know, that the volatility is high. So the volume decline because of the overall demand. So this remains challenging. So they are also I do not see any big improvement. So overall what I'm mentioning, if you summarize that. So volumes remain challenging, and we do not see any big pickups or any big improvements also because electrified cars, are not sold much. It is specifically related to Europe and on the ramp-ups, we expect an improvement. So that overall -- I see that we should be better -- a little better in H2 than in H1, but not significantly. And on the margin, so we would assume that on the pass-through we of the inflation, we should be a little better and we expect, and we have some, let's say, volume compensations, we are negotiating. So we should be at least around the level we had in H1, perhaps a little better. So this is our expectation as of today and overall for H2 margin. So with that number --so we think that six or at least if you take the midpoint, which would be then between 6.2%, 6.3% and 6.5% is what we're looking at.

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

Operator: Thank you. As there are no further questions in the queue, and the Q&A session, I'm turning the floor back to Mr. Bernard Schäferbarthold.

Bernard Schäferbarthold: Thank you very much for joining our call and showing the interest on Hella. And I wish you a very nice and good day.

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