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COMPANY EDITED TRANSCRIPT

Operator: Good morning ladies and gentlemen and welcome to the HELLA results regarding nine months FY 2024. The participants have been placed on a listen only mode. The floor will be opened for questions following the presentation. The call will be hosted by Bernard Schäferbarthold, the CEO and Philippe Vienney, the CFO. Let me now turn the floor over to Mr. Bernard Schäferbarthold.

Bernard Schäferbarthold: A very warm welcome and good morning from my side. I'm here with Phillippe, our CFO and very warm welcome joining that call on our nine-month result. First of all, I would like to highlight three things. One is in terms of our new outlook, we confirm our outlook to the end of the year.
Secondly, and we will present on the nine month result as expected the third quarter and also we expect a continuous volatile environment in the fourth quarter was a challenging one. Despite that, we maneuvered with a quite solid profitability. And the third is that I will highlight that in our view, we are well on track in terms of the implementation of our strategy and the structural changes, we already have commented to increase our competitiveness.
Let's start into the results. So overall sales grew at 0.8%. So we are at EUR 6 billion after the nine months. This is an outperformance of 240 basis points. The group reported sales are at EUR 5.9 billion. If we look at the different segments, Lighting showed a growth of 4.3% at EUR 2.95 billion. As mentioned before this year, we are fully consolidating our activity in China of HBBL. Within Electronics, we had a negative growth of 3.2% after nine months. So we are actually at EUR 2.22 billion. The reason for this negative development is on one hand side the customer mix and this impacts us especially in China as well as a late SOP or delayed SOP which with a significant impact on our sales this year. Besides the fact that, the numbers of

electrified cars are also much down in comparison to our original plan. But the most relevant in terms of the deviation in Electronics is related to the delayed SOPs. We expected around EUR 300 million more sales for Electronics in our original plan. And around 40% of that deviation is related to the late start of projects. Lifecycle is also down. And here specifically the third quarter was very weak and was impacting our sales development quite much. And with that also within our nine months within Lifecycle, our three businesses have developed quite differently. On the one hand side, the independent aftermarket is still showing a growth trend. So we are growing there still in nine months with 2.9%. But we see that especially in our workshop products as well as in the SOE business, the sales development was weaker. So we see hesitation specifically in workshop products in terms of investment. But even the more let's say impact was in our SOE business where especially the third quarter was significantly down by minus 20% because of the low demand on important customer segments like agriculture but also construction, which have a high importance. Overall, if we look at income margin we are at 5.8% in comparison to 6.1% in the prior year. The reason is a slightly lower gross profit margin with the lower volumes and also the negative mix effects especially. On the R&D we improve. So we are working on higher effectiveness on our R&D ratio, especially on the external services, we have been able to reduce significantly, and we are working on continuous improvement in that area. Net cash flow is still at a slight negative. So we expect to catch up especially now in the fourth quarter, the same pattern as we had last year. So significant cash inflows we expect also from the agreements we had also on the customer side, which are not cashed in a significant magnitude. This is a relevant factor and as well a reduction in working capital, especially on the inventory side, but also on the receivable side, we expect to the end of the year. If we look at the order intake side, we are quite satisfied with the development here and especially on the mix. So we are working on getting more resilience and robustness in terms of the diversification of our order intake going forward. So it's of utmost importance to have a global and more balanced portfolio in terms of our order book. And again, we are able with around two thirds of our order intake outside of Europe to work towards that direction. Around 45% of this business outside of Europe is related to

APAC. So the rest around 55% is for the Americas. If we look at the different segments, so especially within Lighting, we are able to increase our footprint towards North-, South America. But also for China, we are quite successful in terms of our Lighting business where we are able to position now our new technologies within China, specifically. In Electronics we won a significant business for the US. Here we mentioned one big radar business. On the other hand side, we also have been quite successful within that year now for APAC Japan, India and as well for sure, China. And Lifecycle, so we continue on our activities in growing with our electronic portfolio within Lifecycle. And in addition, we also continue in terms of our headlamp so or Lighting business to grow within our customer segments. And here two-wheeler, three-wheeler, which is a very interesting market for us as well in India where we have quite a decent growth perspective also in the future in that segment.
If we look at the further aspects. So one here on the left-hand side is an example of new technology we are selling to and implementing to China where first of its kind, more and more is already sold to China. Here, one example on the on the Lighting side with our newest RGB LED rear light which is now introduced into midsize sedan car within the Geely group. So this is one example to show you how we are also adapting our product portfolio to the global market immediately and selling it basically as first of its kind and they are more of kind of these projects to come in the future. The second one is we want to highlight is again a recognition on our workshop product brand where we have been awarded best brand. It shows that here within Lifecycle, within our product scope, we are recognized here with Hella Goodman as one of the best commercial vehicle workshop brands working here on growing that business and leveraging our competency also with our independent aftermarket offering we have. Another aspect is on the commercial vehicle parts within Lifecycle. So we have a clear focus within that business to grow in the commercial vehicle business, especially on the truck segment where we have been quite successful in the recent times and during the IAA this clearly has been recognized also by a lot of different customers. And so we believe having a quite a decent position also going forward in that segment. And lastly, on the right-hand side, again, we want to point out that the point of sustainability remains a clear priority and focus

topic. We have been recognized as FORVIA at all with an “A” score for transparency on climate change. We are working intensively now on scope 3 reduction measures. So that is a clear focus and also being recognized on customer side and certainly something which will continuously gain on importance in the time to come. So lastly, I want to highlight now on what are the key points and initiatives for us going forward. As I mentioned at the beginning, we have four areas of priorities for us. One in terms of the market, as I said, we want to get much more balanced globally. So we are well on track as I said with two thirds of the order intake outside of Europe. We have as a focus on our business opportunities in the Americas, but as well in Asia, with India, Japan and China and we are seeing that step by step, we are growing our business portfolio in these countries and these two regions. Secondly, is in terms of our competitiveness and our profitability. So we are intensively working on measures to improve our net cash flow and improving our operational excellence. So with the measures we have implemented, we are well on track to reduce our CapEx ratio already next year and to improve also working capital next year to a significant level. We are working on the operational excellence, especially on the, with the different initiatives, a new excellence system we are implementing in all our plans as well as the automation efforts we are doing and the flexibilizing of our plans we are working on despite the fact and this relates then to the competitiveness program where we are adapting capacity and reducing our structure especially within Europe.

And lastly, on our cost side, so we see that we are able to even increase on the on the synergy side, especially towards next year. So that we see EUR 400 million of cost synergies, we will be able to reach to the end of next year. In terms of our competitiveness program for Europe, we are well on track, and I can say that especially on our target to the end of 2025 we see that we are able to accelerate the realization of these measures to a level of above 40% of the realization of our EUR 400 million target until 2028. So a clear focus on further cost reductions and even being faster. One element is also which is here also under “Engage” the clear ambition as well to focus to reduce R&D cost and to improve here our effectiveness. In that we see that in adapting our way of work in using state of the art tools, implementing AI use cases, many different measures we are we are doing, but also shifting resources to best cost countries, we are able step by step to improve on our R&D cost base. And we see us in the position to come to this target level we had of below 10% already in next year.

So overall, this should give us the ability to step by step continue on improving our profits and cash position in the years to come. Having said that I hand over to Philippe.

Philippe Vienney: Thank you and good morning to all. So, looking at the sales, so we have said that EUR 5.9 billion reported sales which is composed of EUR 45 million growth which is a corresponding to 0.8% increase and we have a negative impact of the effect of EUR 42 million leading to a reported sales, which are similar to the level of last year. Looking at the BG now. So Lighting, I said that the growth is 4.9% excluding the exchange rate with an operating income at 3.5% just with 2.8 last year. So the sales are contemplating the free consolidation of the HBBL. But also the sales are explained by, let's say good ramp-up of new programs in Americas with headlamp for Ford, for example. But on the other hand, we have been penalized by the end of high-volume program, especially in China with Tesla, for example. Operating income is so growing versus last year. So here we have an increase of the gross profit which is linked to the mix and the integration of HBBL which is accretive to the results and we have an improved SG&A ratio in in Lighting. Looking at Electronics So Electronics is a minus 2.7% growth with an operating income of 6.8 versus 7.1. So here we have on the sales on the on the good path, some good launch with the radar business mainly in the US and Europe. We have a lot of delayed SOPs as mentioned already by Bernard. And we have the slowdown of the electrification in Europe which is impacting us largely. And we have also a product mix which is not favorable, especially in China. So operating margin at EUR 165 million is slightly down versus last year. So mainly linked to the volume and the mixed effect. And we are also improving on the other side, the R&D expenses with a reduction of the external services provider mainly and some constraints on the R&D side. Looking at Lifecycle, So Lifecycle is minus 4.3% on the sales, 10.2% of operating margin vs. 13.1% last year. So here we have also said the aftermarket which is still growing versus last year after nine months. But we have the special application and a special product sold to the agriculture and industrial business which is going down and impacting our operating margin. We have in Lifecycle the integration of Pagid for the full year now which is also increasing our SG&A ratio and in absolute value as well. Now, looking at the sales per continent, we are still growing everywhere in every continent, and we are basically in every continent above the market with and then you have the speed of the sales per continent. So Europe is still at 57% and Americas and Asia Pacific more is at 21%, 22%. And you can see down that we are growing in every part of the work vs. the market.

Operating income details, so the gross profit is at 25% versus 25.3% last year. So here we are impacted by the mix and especially the mix between the BG with Electronic going down versus last year. On the other hand, we have R&D ratios as mentioned, which is improving at 10.7% versus 11.1% overall for HELLA, again, thanks to some less use of external resources. SG&A is increasing in values and in percentage. So with the full consolidation again of HBBL, which is impacting the values of SG&A and by Pagid as well, the brake business, which is impacting our expenses and the logistic cost. On the EBIT side, we are ending at 6.9 versus 6.1 last year. So this includes a capital gain from the sale of BHTC which was recorded in H1 and also the restructuring costs for plant 2. In terms of cash flow. So we are ending after nine months at minus EUR 8 million versus EUR 40 million last year. So here we have basically two impacts. So we have a lower increase of the factoring versus last year. So which is increasing by EUR 53 million versus EUR 91 million last year. And we have a slight increase of the CapEx by 4.7% mainly linked to the new project which has to be launched and we are investing for the launch of thes products.

Bernard Schäferbarthold: So thank you, Philip. So lastly, I want to comment on the outlook. So on the market side we see the market on the full year on EUR 88.5 million as S&P is showing the prediction in October. So this is a further deterioration in comparison to the nine months. And basically all regions are negative in terms of volume development and Europe specifically. This brings me to our new outlook as we changed it in September, which we confirm also today. So we see our sales currency and portfolio adjusted between around 7.9 and EUR 8.1 billion. The operating income margin between around 5.5 to 6% of sales and the net cash flow to sales between around 2.2 and 2.7%.

And so to sum it up overall a solid performance in a challenging market, as mentioned, still an outperformance in all regions. So a net cash flow where we still expect especially to the end of the year a significant improvement. We confirm the new outlook and as I said, we see us good actually in the implementation of our strategy. Also the customer response that we are getting on our products and technologies. Well on track also to balance more out our business globally. And especially on the acceleration of our initiatives we confirm that we will be faster in terms of the implementation of our cost measures we are working on. We already have now reduced the end of September 1300 positions in comparison to last year and we will continuously reduce now month by month. It's all from our side for the presentation part and we're happy to answer your questions you would have.

Operator: (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 will be on LCS which was quite weak in Q3 as you highlighted. Do you see a change in trend ahead or is the level of activity that you see for, example, that you highlighted basically the same in Q4. And then peers have highlighted for production volumes deterioration into Q4 from Q3 with schedules that have been reduced especially into December. Do you see the same? And how do you see current trading in the various regions? Thank you.

Bernard Schäferbarthold: Hello, Mr. Laskawi. So unfortunately, the trend in SOE is the same actually in Q4 as it was in Q3. So this is the biggest impact on Lifecycle. So still independent aftermarket is stable. Workshop products is slightly negative but in comparison to last year. So year on year, a big or a strong difference as I mentioned in SOE so no major further deterioration in comparison to Q3 but very comparable. On the production volumes, the October was slightly lower than what we were originally expecting. November as well. December we still also see a risk that it could be lower than expected. Still, it's not absolutely visible. So we are in discussions also on the OEM side where it could be that some of the OEMs have a few closing days more. So that if we look at the range on sales, the impact or the uncertainty is around EUR 100 million. So I would as of today, I still see us in the range, but more, let's say towards 7,9 to 8. So with the lower volumes which I can confirm we as well see, I don't think that we will be in the upper half as of today, but I would also not see us below the range. So to, give you somehow an indication. Regionally still the biggest impact we now see is Europe. China is not, let's say worse for us as it was now in the in the nine months. So still for China, we see that especially on the customer mix, so the Western OEMs are still at lower levels but continuously in comparison to the nine months. So no further deterioration. Americas for us is quite stable in terms of what was expected.

Christoph Laskawi: Thank you. one follow-up then if I may. If you sort of get closer to the lower end of the top line guide, it's probably fair to assume that it will be the same on the margin or do cost cutting measures and fix cost flex already help you to be closer to the midpoint?

Bernard Schäferbarthold: We are also better on the cost side. So there as well, we are accelerating in terms of cost savings. We are still working on getting to the midpoint but it's somehow now really depends on the landing point on the sales. But I do not see that we will be below the range. So, but it's fair to say that the midpoint would probably be the best case.

Christoph Laskawi: Understood. Thank you.

Operator: So next question comes from Akshat Kacker from JPM

Akshat Kacker: Thank you. Akshat from JP Morgan. I have three questions, please. The first one on all the self-help actions and cost measures that you have highlighted. So if you sum up all of these initiatives across the organization and also the synergy element with FORVIA, what should we expect as a net positive impact on the business, please? As we think about 2025 versus 2024 as a year-on-year impact, please. The second question is on total investments and expenditure. So you have clearly mentioned that the R&D ratio will probably fall below 10% for 2025. How should we think about the net CapEx number, please? And the last one is on Electronics. Now, you frequently highlighted that this business division has been impacted by delayed SOPs and a downturn in electrification. But as all of these OEMs prepare to meet this year, CO2 targets next year, how should we think about this business or these delayed SOPs picking up in the first half of next year, please? Thank you.

Bernard Schäferbarthold: So first question on the cost side. So we see that on the cost reduction side with the measures we have implemented, we will be able to reduce the fixed cost base even in absolute terms next year in comparison to this year. So this year, we will be in comparison to 2023 let's say more or less stable, even a little higher. And next year, we will in absolute terms be lower. So this is something where with the measures we have worked on, we clearly see that even we still consider inflation, salary increases with the decline. So there will be 2 to 3% of fixed cost decrease in absolute numbers. In terms of synergies, besides, let's say on the admin side, what we are doing together, but that is the lower part. The biggest part is in terms of material cost reductions where we are working together on the supply side. So we assume that we will benefit much more also out of the collaboration also next year towards savings in terms of our material cost ratio. So we expect on our material ratio or on the material expenses quite a significant reduction. We somehow also have to watch a little bit the mix development, but in terms of material ratio, we see here an improvement, and this is much related also to the synergy efforts we are doing. On CapEx, so if we look at the tangible CapEx, we will be in terms of level new investments related to the depreciation, we will be below 100%. So actually, we even see we will be below 90%. So this is quite a significant reduction also in comparison to year. A lot of additional investments we were already planning in terms of automation, in terms of extra CapEx we have done is already made now, so that we are now also able to reduce the CapEx levels and percentage. It will be somewhere slightly above 5% in terms of tangible CapEx to sales, what we expect for next year. And in terms of electrification, yes, our base assumption is, as you said, so the number of electrified cars should increase and we should benefit out of it for Electronics. This is what we also would expect, but it's somehow certainly also depends on decisions on regulations. But if there would be no significant change, we would also expect that this number should go up in terms of volumes for these battery electric cars and we should benefit from it.

Sanjay Bhagwani: Thank you.

Operator: So next up is Thomas Besson from Kepler Cheuvreux.

Thomas Besson: Thank you very much. So I have three questions, please. Could you talk about the discussions you have with your clients currently? On what I would expect is the about the sharing of the savings you, are discussing it thanks to the restructuring actions you've taken. I mean, there are average margins is crushing and typically in this kind of situation they aim at sharing the burden with suppliers. So are we already advanced in the move from compensating you for inflation to asking you for compensate for sharing your benefits? That's the first question. The second question is could you discuss where you stand on Volkswagen strike risk and discussions on a salary increase in Germany? And third question, could you talk about potential disposals of any kind to contribute to limiting the FORVIA debt burden? Thank you?

Bernard Schäferbarthold: And so on the client side. For sure, I can confirm that the discussions with our clients in terms of compensation. We are asking for, one hand side, we're asking for inflation compensation, but we're also asking for volume compensation. And as you said, it's clear that customers are asking us for our contribution in terms of competitiveness. So I think this is something, yes, the discussions are very intense. We will we continue to get to agreements. So I think for us, it's important to at least get a certain alignment also with our customers know that it's a win-win situation. So there are still let's say big issues in terms of programs we have invested in where the volume commitments on the customer side are not fulfilled. Because of the inflation, we have new situations. So this for sure is something where we need agreements with our customers and we are still getting to such agreements. On the other hand side, it's clear that in terms also of new business, in terms of competitiveness on our side, the structural changes we are doing are very relevant for us also to be competitive but also to bring the customers into a competitive situation on their business. So it is, I think for sure, sometimes it's a little mixed up but we try really to separate the discussion in these terms. As of today, I would say we are coming along with the customers to find the right agreements and it is appreciated that we are on the customer side, that we are intensively working on our competitiveness and reducing the cost base. You're right, it is getting more intense, but it is key for us to work on our competitiveness and to find the right balance. On VW, we see that strike risk, on the other side and you're also asking on the negotiation side, I see also that that on the union side there is an understanding of the difficulty of the market. So I think, and I hope that as I feel negotiations are ongoing, intense and, and the willingness let's say to find a solution, now VW is a special case, but in general, with IG Metall in Germany, is there. So, let's see if there will really be a massive strike that could have an impact. But as of now, as I said, in our outlook, I think we already price in somehow lower volumes of, VW. In terms of the expectation of salary increase, it's difficult to judge. What I think it's clear that it will not be 7%. At least this is for me clear. So what the negotiations are, as I said, ongoing, I hope that we will find a quick solution, which is, reasonable and which is more on a lower end. The offer which is on the table company wise, so 1.8 plus 1.6 in more or less for 24 months probably will also not be enough. So it will be I think a little a little more, but by far not this level they are asking for but difficult to predict for me now as of today. On the disposal side. So no major business I can comment on is now, let's say from our side, from the portfolio we are looking at, we are looking for a disposal. But for sure, let's say I can say that overall, you know, we are, we are looking at our portfolio continuously in terms of competitiveness. But there is nothing I would like to comment further at this point in time.

Thomas Besson: Thank you very much.

Operator: (Operator instructions) So, thank you. There are no further questions now, we will wait a few more seconds if another one comes in. So that's not the case. So I will hand back to your host, Bernard Schäferbarthold for the conclusion of the conference.

Bernard Schäferbarthold: So again, thank you very much for joining our call on the nine months result. And thank you for the interest in HELLA, and I wish you all a pleasant remaining day. Thank you very much and see you soon.

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