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COMPANY EDITED TRANSCRIPT

Operator: Ladies and gentlemen welcome to the HELLA investor update after the release today. 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 evening to all of you. On behalf of Philippe and myself, thank you very much to join us here on very short notice to this extraordinary investor call. The purpose and the reason of this call is the need of the adjustment of our outlook on the fiscal year 2024.

So if we look at the market and the industry environment, we can say that we have been in a very challenging environment since the beginning of the year, volumes have declined in comparison to the estimates early January.

So we expect the market minus 2% down in comparison to beginning of the year. But even more important for us is that we have again seen very strong delays in terms of new series launches. So ramp-ups were by far slower than expected or even have not happened at all. In addition, a slowdown, a temporary slowdown, on electrification, which impacts us, specifically in electronics a lot. So overall a very negative sentiment also related to China, where especially the international OEMs have been much weaker than what we expected.

So in terms of our internal sales planning, we are around 6% to 7% lower than what we originally expected at the beginning of the year. And this is in absolute terms around EUR500 million, which we are not able to compensate overall.

So this forces us to revise our outlook. The view has even deteriorated much in comparison to what we expected releasing our half year numbers in terms of the sales expectations and especially also the recent events like the flooding in Eastern Europe, have an impact which we see a slowing down somehow, especially now in our European customers' volumes.



So the need now and our reaction is already since the beginning of the year that we are accelerating and trying to accelerate on the measures to improve our cost structure and improve also our net cash flow. I will come to that a little later.

So if we look now at the new outlook we are giving in terms of our sales, we are now predicting to be around EUR7.9 billion to EUR8.1 billion. Our prior guidance we have given was between EUR8.1 billion and EUR8.6 billion where we specified this guidance with the release of our half year numbers to the lower half of this range. In terms of the operating income margin, we revised our outlook to a range between 5.5% to 6%. The prior range was between 6% to 7%, and we also specified this range at the mid of the year to the lower half of the given range. And in terms of net cash flow, our actual outlook is between 2.2% to 2.7% and the prior range was approximately at 3%.

So what are now the measures we are taking? As I said, we will continue on reducing our cost base and we will work on additional measures to improve our net cash situation. So what are overall the focus areas now? So one, is that and we are working on improving and on growing and outperforming the markets in the Americas and as well in Asia. And there specifically, we are clearly focusing on expanding our business activities in terms of the Japanese market, but also the Indian market, and we are continuously increasing our position in terms of the Chinese OEMs.

We mentioned that already this year, we have significantly increased the order intake outside of Europe. So around two-thirds in the first half were related to business we have won outside of Europe: we won very significant orders in the Americas. We recently announced that also via our press release for our electronics business as well for our lighting business in the US with US OEMs. And additionally, we had significant acquisitions also for China and as well for India already, which should improve and boost our sales in the next years outside of Europe. So clear target and ambition for us is to get more balanced in terms of our regional setup and this focus, we will continue to have, and it looks like quite promising in terms of the business expectations, we have in these regions.



Secondly, we are working on a further reduction of our cost base. We are accelerating our efforts in terms of the competitiveness program we announced for Europe. We are ahead of plan in terms of reducing our cost. More than that we are revisiting the overall cost structure globally, and we are continuously working on improving and increasing the synergies we are able to realize together with Forvia.

So overall, if we look at end of August, we already reduced globally around 1,500 people out of a basis of around 41,000 people in the in the first eight months. We are able -- and were able to significantly reduce the overall external services we bind on R&D and focus more on internal services, so our R&D ratio is step-by-step going down. We are quite confident to bring this R&D ratio back to a level below 10% already in 2025 by focusing, by working on improvements on efficiency and productivity going forward. Overall, we are able step-by-step to reduce our overall cost structure in comparison to 2023. We will be able in 2025 to reduce our overall cost structure by around 120 basis points. Overall, that means that we target to reduce our cost structure in absolute terms in 2025 in comparison to 2024. So all measures in progress, and we believe that this acceleration will support us in improving our profitability already in 2025, with the contribution also of the synergies we are able to improve. If we look at the additional efforts we then do to optimize our cash flow, so we continue to work on reducing our tangible CapEx investments already in 2024. To the end of 2024, we will be able to reduce the tangible CapEx level by around 15%. So we are working on clear focus and prioritization on investments to do so. We have taken the decision as well not to invest into further buildings and new constructions in Lippstadt, which was a significant plan also in the next years to come. We will continue to work on having a higher utilization of our capacities of our equipment today. Today, we still have a big underutilization of our equipment. Our plan, especially for Europe, which was presented also and which was decided for a lighting and the concept in terms of our global operational footprint, will support with the measures we are taking with standardization, with the focus of the plants on different technologies will support a more flexible approach and a higher utilization also going forward. So the clear target to come down in terms of CapEx ratio already also in 2025. In terms of



working capital, we still and again see good improvements we are able to do. We are implementing and rolling out now a new operational shop floor system, which we call Forvia excellence system. It's let's say, best of both worlds of Faurecia and Hella, which we now implement, and which should contribute on one hand side to a higher productivity and efficiency in our plants. But with the flows and better flows, it should also support our inventory management and further bring down our inventories. So overall, we are working and accelerating on all these measures.

So to sum it up on the takeaways. So in this environment I explained why we had to adjust our outlook. The basis is the strong delays also in the new SOPs, which have a strong impact, but also the very low volumes on electrified cars as main reasons. In terms of 2025, our assumption is that we assume that even in 2025, we should continue to see a very challenging market environment. Our basis hypothesis is that we do not assume any volume recovery on the short term in 2025. We think that the volatility will remain high and the uncertainty, especially for Europe, will remain high, as well. So this is why we are strongly working on reducing our cost structure as I said. So as of today, and at this point of time, we have for these reasons also no concrete outlook now for 2025 in terms of sales, operating income and net cash flow. So the new outlook and the guidance on 2025 will be published, as we have done it this year in February, so February 2025. We continue to focus, as I said, on rebalancing our business. We see significant opportunities also which we have under negotiations so that we are quite optimistic in terms of already, let's say, the successes we had now recently in the first month. So that we are able to continue on that way also going forward and rebalance our business regionally, midterm. In terms of our cost structure, clear focus on bringing the cost down, we are on track on working on the different measures, clear aspiration and ambition for us is an absolute cost reduction in comparison to this year for 2025 and an improvement in cash flow by further reduction of CapEx and a further improvement of working capital.

On the upcoming events, so we will publish our preliminary nine-month figures on the October 18. The full report on the third quarter will be then on the November 6, and we will host an analyst meeting on the November 27. And then in February 27, we will have our preliminary announcement



together with the outlook, as I said, on 2025 and the publication of full numbers, the March, 10.

So thank you very much. This is all in terms of the presentation, and Philippe and myself 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: Thank you for taking my question. Good evening. The first one would be on your comment on deteriorating market conditions. Is that only for the SOPs that you're seeing? Or is it in general also for the rest of the business, which is running full steam on that and then, is it essentially only Europe or across the globe?

And then the second question will be on recoveries, the debates with the OEMs. Are you becoming slightly more cautious, something factors in the guide for that as well? Or is everything well on track and you are seeing good progress in the negotiations?

And then lastly, just because you mentioned the environment remains very challenging. Does that trigger on your end potentially another portfolio review? Could you see yourself also exiting certain parts of the business that you're currently in or is it too early to debate that and you're actually currently fairly happy with the product footprint that you have? Thank you.

Bernard Schäferbarthold: Hello, Mr. Laskawi. Thank you for your questions. So the SOPs are the most relevant for us in terms of the sales deviation. And there, the effect is mostly for Europe and the Americas. If we look at China, China is more let's say, a weakness of the international OEMs, which is impacting us. This is more than, let's say, customer mix for us. But the most relevant is for us Europe, China was the international customer mix, Europe was the delayed electrification and the SOP delays and the US it's mostly the SOP delays. In terms of the recovery, I think this year, we are still not fully settled in terms of the negotiation. The biggest part is done. But as I said, they're still, let's say, some negotiations to be finalized. In general, I would say that the debate and



the dialogue get more difficult with the OEMs. So it's clear, the market environment is getting more intense. And this, let's say, makes the discussions even more difficult to find a settlement, even our position is very clear. And from our point, the case also is very clear in terms of the claims we have. But again, to your question, the sentiment is getting, or the discussions are getting more intense.

On the portfolio, I think that the yes, there are decisions for us to take, but more towards, let's say, opportunities we see in the market in terms of new technologies or new products we have where we will have to make our choices where to invest. So it is, and this is very clear now, the feedback we have from the customers is that they see us in even more products and trends and technologies going forward. And the question is how are we able to deliver all. So the portfolio decisions are less related to let's say, actual technologies and products we are in, more towards future, next generations and extensions of some technology of our technology portfolio going forward.

Christoph Laskawi: Thank you. And one follow-up, if you allow. Just on your comment that you booked two-thirds of the business outside of Europe in H1. You already said that you will step up the rightsizing efforts of the cost footprint and also the industrial footprint. When we think down the road because the order intake points, obviously, towards the rebalancing of the business. Are we debating for plant closures in Europe, more sizable ones? Or is it too early to have a discussion on that?

Bernard Schäferbarthold: No, as of today, we are not planning any sizable closures. So and we also think that we will be able to grow in Europe. So our setup in Europe, especially if I look at electronics is quite solid. So there are the underutilization is, let's say, not the biggest issue. And in terms of lighting, what we are now doing and adapting now in terms of Lippstadt and taking also the, let's say, the operational changes, we are now doing in the different plants in Europe, I think we will be well positioned there. So there is no further closure -- sizable closure planned as of now.



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Operator: Thank you. At the moment, there are no further questions. (Operator Instructions) At the moment, there are no further questions.

Bernard Schäferbarthold: So thank you very much for joining this call and being interested in HELLA. And I wish you a very nice evening and hope to see you or speak to you soon.

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