

# HELLA Investor Update

Results FY 2023 (Jan 1, 2023 - Dec 31, 2023)

March 15<sup>th</sup>, 2024



# Summary

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**01**

**Achievements**

# Sales growth in FY 2023 driven by solid demand for core products and technologies, all targets for 2023 achieved

## Organic sales growth at 12.7% with solid demand for core products and technologies

- › **Global market outperformance at 300bps**
  - customer & model mix with a negative impact especially in Asia
- › **Solid demand for core products and technologies**
  - **Electronics** at €3,049m, +9.2% organic growth
  - **Lighting** at €3,831m, +15.6% organic growth
  - **LCS** at €1,059m, +12.9% organic growth
- › **Group reported sales growth at 10.3%**
  - robust growth in H1, slow down of momentum in some areas in H2 due to market development

## Operating Income up to €486m, dividend proposal at €0.71 per share

- › **Operating Income up 65.0%, OI margin +200bps to 6.1%**
  - operating leverage
  - pass through of inflation-related price increases to customers
- › **Net Cash Flow of €205m, NCF/Sales at 2.6%**
  - improved profitability
  - stringent capital allocation and reduction of WC
- › **Dividend proposal of €0.71 per share**
  - continuation of the established dividend policy

# Customer awards as proof point for HELLA's technology and product advantage

Strong order intake track record continued in 2023 with ~€11bn order volume

## 2023 Order Highlights

### > Electronics receives order intake for high-content technologies

- Record-size 77GHz radar package for German OEM; SOP 2025
- HV Battery Management System for US OEM, SOP 2026
- LV Battery Management System for German premium OEM, SOP 2024
- Steering sensors for Chinese premium OEMs, SOP 2024
- Smart Car Access for German and US OEM, SOP 2025



### > Lighting wins global, high-volume orders from core customers

- Several (SSL / HD) headlamps high-volume orders for international premium OEMs, SOP 2025 and 2026
- Headlamps and rear lamps for Chinese premium OEMs, SOP 2024
- Rear lamps for international premium and mass OEMs, SOP 2025 and 2026
- Car Body Lighting system for an international OEM, SOP 2027
- Technology packages for the interior lighting solution Smart Lights, SOP 2025



### > Lifecycle Solutions with high order intake for applied automotive technologies

- Headlamp and headlamp ECU for strategic American truck manufacturer, SOP 2027
- Vacuum pump for international commercial vehicle manufacturer, SOP 2024
- Premium LED Work Lamp package for agriculture machinery manufacturer, SOP 2023

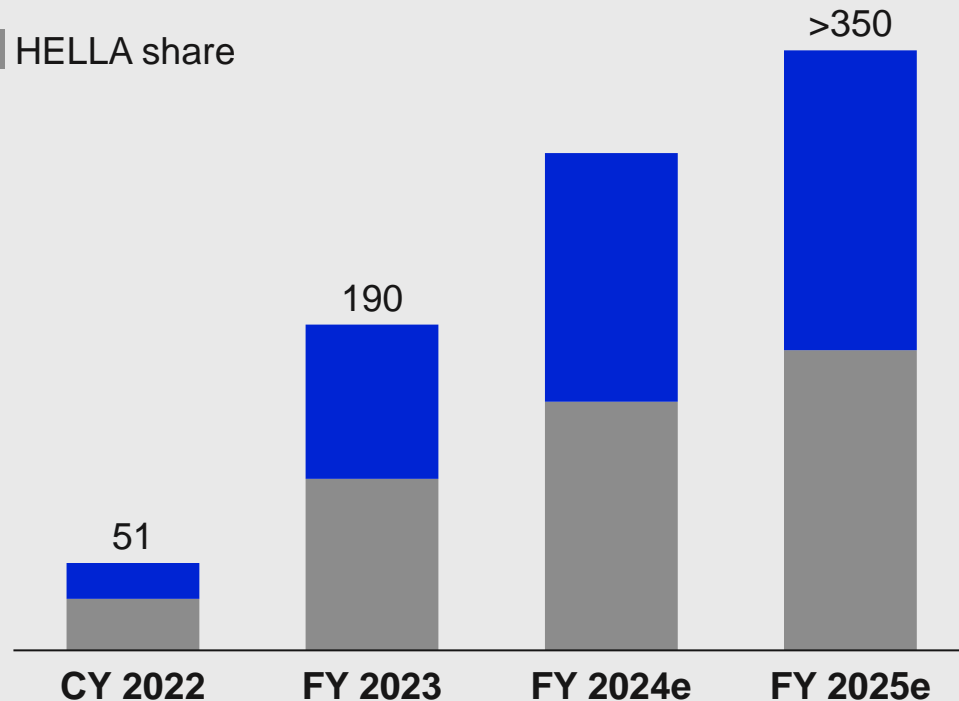


# FORVIA synergies ahead of roadmap – further upgrade of cost synergy target

## FORVIA Synergies

in €m

HELLA share



CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures

### > Significant cost synergy achieved in FY 2023

- cumulated cost synergies of €190m achieved for FORVIA, more than half is attributable to HELLA
- cooperation with FORVIA intensified; creation of a co-owned and co-managed JV in July that serves as global provider of IT and Indirect Purchasing solutions

### > Further upgrade of synergy target, expected now to reach >€350m by the end of 2025 (vs. previously >€300m)

- HELLA share at ~50%
- numerous projects in key areas, including procurements, freight, and SG&A

# Continuation of stringent portfolio management – further network and portfolio changes in 2023

## › Stringent management of automotive joint ventures

- purchase agreement signed in Oct '23 to sell BHTC shares
- based on €600m Enterprise Value (100%)
- buyer AUO Corporation secures best ownership to develop BHTC further
- financial terms will lead to book profit for HELLA of around €100m



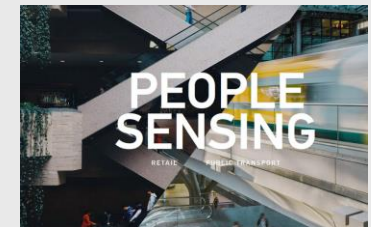
## › Continuous optimization of aftermarket portfolio

- acquisition of 50% share in the previous brake joint venture Hella Pagid GmbH from co-shareholder TMD Friction
- HELLA sole shareholder with effect from 1 January 2024



## › Streamlining further portfolio

- agreement with Swiss company Xovis signed Dec '23 to sell the People Sensing business of HELLA Aglaia
- closing expected in Q2 2024



# Continuous intensification of sustainability efforts – achievement of important ratings in 2023, climate targets ahead of roadmap

Sustainable management & responsible behavior form an important basis for the successful further development of HELLA

## Climate targets

Combat climate change by CO<sub>2</sub> neutral production and less energy consumption

- › **By 2025: CO<sub>2</sub> neutrality** for our internal emissions (scopes 1 and 2)\*

**HELLA 2023 reduction** of CO<sub>2</sub> emissions in relation to turnover (scopes 1 & 2) by **40% compared to 2019**

- › **By 2030: 45% for scope 3 emissions\***
- › **From 2045: CO<sub>2</sub> net zero** for all our emissions (scopes 1-2-3)\*

\*FORVIA target / rating

## SUSTAINABILITY RATINGS 2023

Underpin the effective anchoring of sustainability aspects in the business activities

- › **Highest possible rating of A** for the **CDP Climate Change Rating\***, **Water B** 
- › **74 out of 100 points** in the **EcoVadis Assessment\***
- › **Sustainalytics ESG Risk Rating 12.9 “Low Risk”\*** 

## BUSINESS ACTIVITIES ALIGNED TO EU-TAXONOMY 2023




Substantial contribution of activities aligned to EU Taxonomy

- › **21.6% of sales** and **16.2% of opex-related business activities** are **EU Taxonomy-eligible**, thereof 100% meet the substantial contribution criteria and **DNSH criteria**
- › **21.1% of capex-related business activities** are **EU Taxonomy-eligible**, **20.5%** taxonomy aligned

CCH= Coolant Control Hub  
OBC= OnBoard Charger

## PRODUCT INNOVATIONS 2023

Contribute to clean & safe mobility with sustainable product solutions

- › **Sustainable headlamp**
  - Significant reduction of CO<sub>2</sub> footprint by 70%<sup>1</sup> 
  - CO<sub>2</sub> oriented design, repairable and recyclable alternative materials
- › **HV Powerbox<sup>2</sup>**
  - combination of HV DC/DC Converter and OBC for **safe & stable power supply** 
- › **CCHmax<sup>2</sup>**
  - **thermal management subsystem for EVs**, enabler for natural refrigerants, connecting all circuits 

1)compared to headlamps with comparable functionality and performance

2)Part of a “Zero Emission Powertrain” that provides 30% CO<sub>2</sub> reduction compared to a 2019 standard powertrain



# HELLA initiates a program in Europe to strengthen its competitiveness

Long-term competitiveness program in Europe until 2028

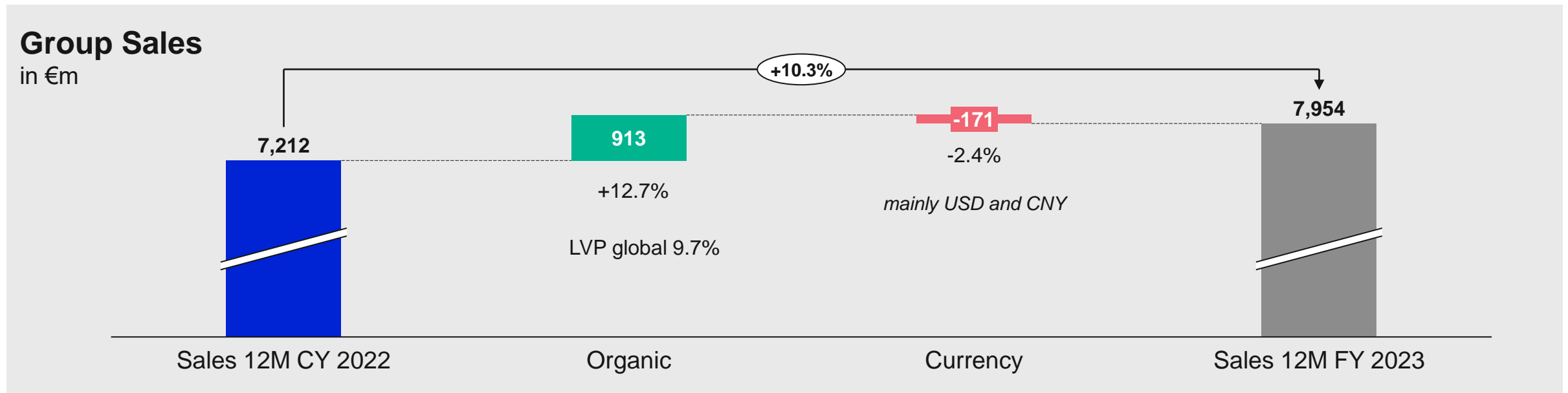
<p><b>Strategic goals</b></p>	<p><b>Adapt to the changes in the European market conditions</b></p>		
<p><b>Key levers</b></p>	<p><b>Address overcapacities and reduce cost structures</b></p>		
<p><b>Financials</b></p>	<p><b>Expected to spend around €200m until 2028, majority of spendings until end 2025</b>  <b>Targeted annual gross savings of €400m expected by 2028, thereof around €150m to be achieved by end of 2025</b></p>		
	<p><b>Adopt to reduced market volumes</b>            (~17m LVs in 2025 nearly 30% below the pre Covid assumptions)</p> <p><b>Prepare for a stagnating market until 2030</b></p>	<p><b>Secure long-term business success in Europe</b> to strengthen independency from other regions</p> <p><b>Continuously invest</b> in innovations and key market trends</p>	<p><b>Prepare for expected market share gains of Chinese OEMs</b> with Chinese suppliers entering the European market</p> <p><b>Prepare for declining sales figures for electric vehicles</b> in Europe beginning 2024</p>
	<p><b>Capacity reduction in the production network</b> to adopt to the expected volume reduction</p> <p><b>Investments in standardization and automation</b> to increase the flexibility and productivity of the locations</p>	<p><b>Increase of R&amp;D efficiency and reduction of development time</b> by using e.g. artificial intelligence, relocation or possible bundling of activities</p> <p><b>Reduction of R&amp;D costs</b> to a ratio between 9%-10% globally</p> <p><b>Continue to invest in innovations</b></p>	<p><b>Reduction of admin costs</b> using artificial intelligence, relocation or possible bundling of activities</p> <p><b>Significant cost improvements</b>, particularly in material costs, Re-DTC, and supply chain development</p>

**02**

**Financial Results FY 2023  
(Jan 1, 2023 - Dec 31, 2023)**

# Double-digit sales growth in FY 2023 driven by solid demand for core products and technologies

- › Organic sales 12M FY 2023 up 12.7%, €-171m negative FX in 12M, organic sales Q4 up by 6.9%
- › Sales contribution from all three business groups
- › High demand for key products along the automotive trends



CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures



# Strong performance in Lighting with high sales growth and profitability improvement

## LIGHTING

	12M CY 2022	12M FY 2023	vs. LVP growth of 9.7%
<b>External Sales (€m)</b>	<b>3,371</b>	<b>3,831</b>	
YoY organic		+15.6%	
YoY FX*		-2.0%	
<b>Operating Income</b>	<b>16</b>	<b>132</b>	
% of Total Sales	0.5%	3.4%	

\*approximation based on internal analyses

CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures

### > Capitalizing on market leadership position in all product groups

- increased demand for the latest lighting technologies also from manufacturers of electric vehicles
- continuous demand from diversified customer base
- H2 sales negatively impacted by EOPs for some important models

### > Operating Income +€116m (+717.1%) to €132m; OI margin improvement by 290bps to 3.4%

- operating leverage with higher production volumes in all regions
- improved inflation cost recovery
- PY impacted by Covid-related lockdown in China

# Electronics with solid demand for core technologies and ongoing investments in future projects

## ELECTRONICS

	12M CY 2022	12M FY 2023	vs. LVP growth of 9.7%
<b>External Sales (€m)</b>	<b>2,844</b>	<b>3,049</b>	
YoY organic		+9.2%	
YoY FX*		-2.0%	
<b>Operating Income</b>	<b>179</b>	<b>232</b>	
% of Total Sales	5.7%	6.9%	

\*approximation based on internal analyses

CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures

### > Leverage strong product portfolio for electromobility and automated driving

- continued business success with HV battery management systems, voltage converter and radar
- backbone business with body electronics, sensors & actuators with good performance
- H2 growth negatively impacted by lower take rates and delayed SOPs. Low volumes of some important programs for electrified cars

### > Operating Income +€53m (+29.5%) to €232m; OI margin improvement by 120bps to 6.9%

- improved gross profit margin
- successful pass through of price increases
- over-proportional rise of R&D expenses to prepare series launches and further invest in individual projects with particularly high safety requirements



# Lifecycle Solutions shows increased contribution with further sales growth and good operational performance

## LCS

	12M CY 2022	12M FY 2023
<b>External Sales (€m)</b>	<b>976</b>	<b>1059</b>
YoY organic		+12.9%
YoY FX*		-4.4%
<b>Operating Income</b>	<b>106</b>	<b>128</b>
% of Total Sales	10.7%	11.9%

\*approximation based on internal analyses

CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures

## > Successful workshop, spare parts and commercial vehicle business

- strong spare parts business growing in various country markets worldwide
- strong demand for a new workshop product (emission tester)
- successful commercial vehicle business especially in agricultural & construction machinery and trucks & buses
- H2 with slow down in sales growth in agriculture and construction machinery

## > Operating Income +€22m (+20.6%) to €128m; OI margin improvement by 130bps to 11.9%

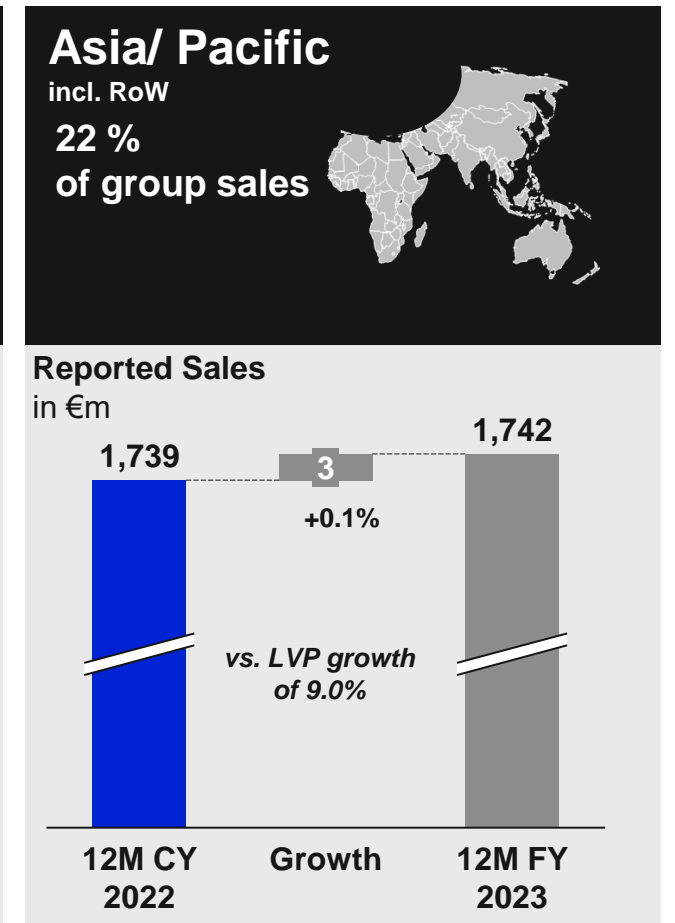
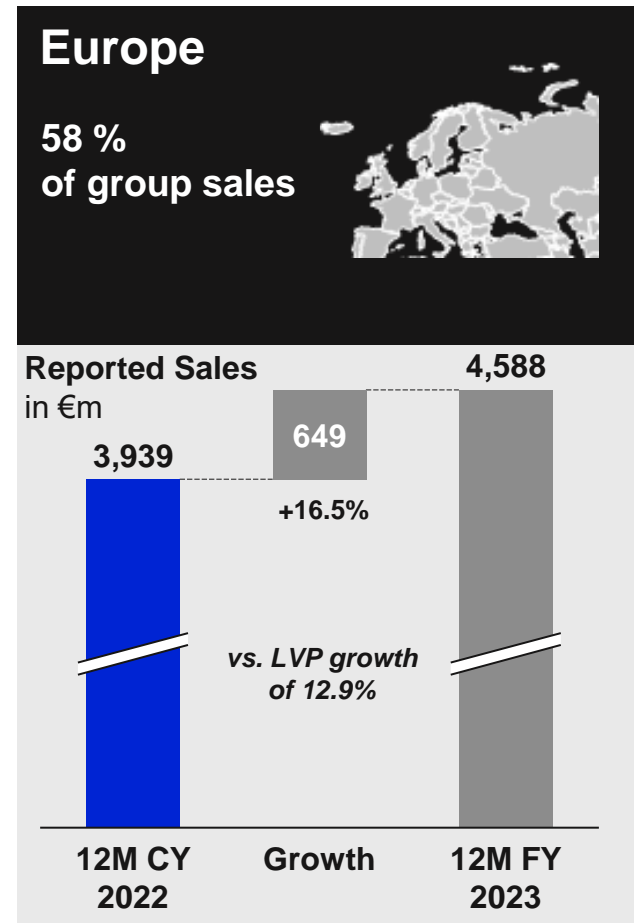
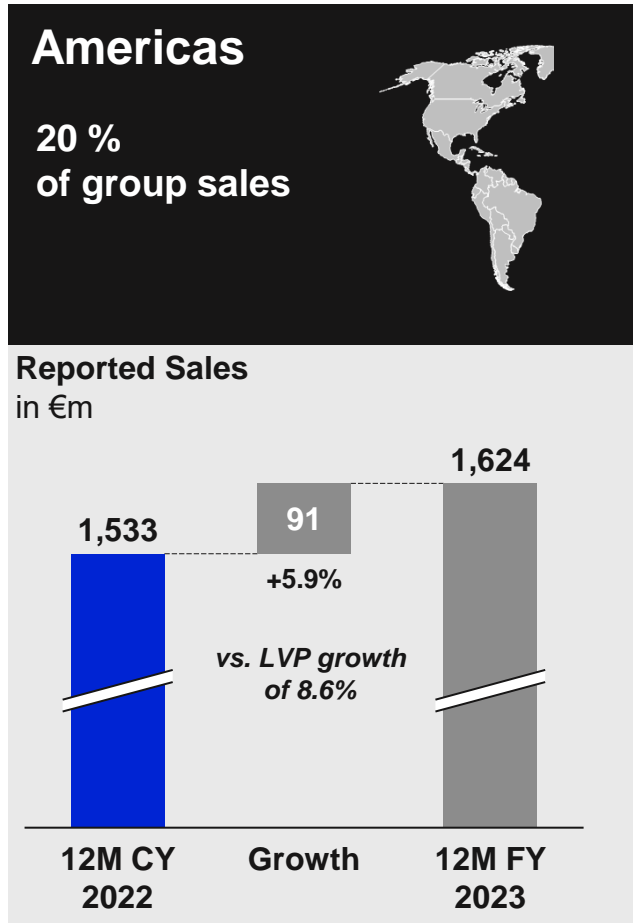
- higher production volumes and positive mix effects
- good overall operating performance with further costs savings

# HELLA continues its global outperformance, customer and model mix with a particularly negative impact in Asia

LVP global +9.7%

GROUP sales +10.3%  
(organic +12.7%)

Outperformance 60bps  
(organic 300bps)



CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures



# 200bps improvement of profitability up to 6.1% of sales mainly driven by increase in gross profit margin

In €m	12M CY 2022	12M FY 2023	YoY Change
<b>Sales</b>	<b>7,212</b>	<b>7,954</b>	<b>+ 10.3%</b>
COGS	(5,567)	(5,932)	+ 6.6%
% of sales	-77.2%	-74.6%	+ 260bps
<b>Gross Profit</b>	<b>1,645</b>	<b>2,022</b>	<b>+ 22.9%</b>
<b>% of Sales</b>	<b>22.8%</b>	<b>25.4%</b>	<b>+ 260bps</b>
R&D	(758)	(878)	+ 15.7%
% of sales	-10.5%	-11.0%	- 50bps
SG&A	(592)	(658)	+ 11.2%
% of sales	-8.2%	-8.3%	- 10bps
(thereof distribution)	(353)	(375)	+ 6.4%
% of sales	-4.9%	-4.7%	+ 20bps
(thereof admin)	(255)	(302)	+ 18.6%
% of sales	-3.5%	-3.8%	- 30bps
<b>Operating Income</b>	<b>294.7</b>	<b>486.3</b>	<b>+65.0%</b>
<b>% of sales</b>	<b>4.1%</b>	<b>6.1%</b>	<b>+ 200bps</b>
JV and other income from investments	32.7	13.9	-57.3%
% of sales	0.5%	0.2%	-30bps
Non-recurring OI& OE	162.6	(36.3)	- 122.3%
<b>EBIT</b>	<b>491.3</b>	<b>464.0</b>	<b>- 5.5%</b>
<b>% of sales</b>	<b>6.8%</b>	<b>5.8%</b>	<b>- 100bps</b>

CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures

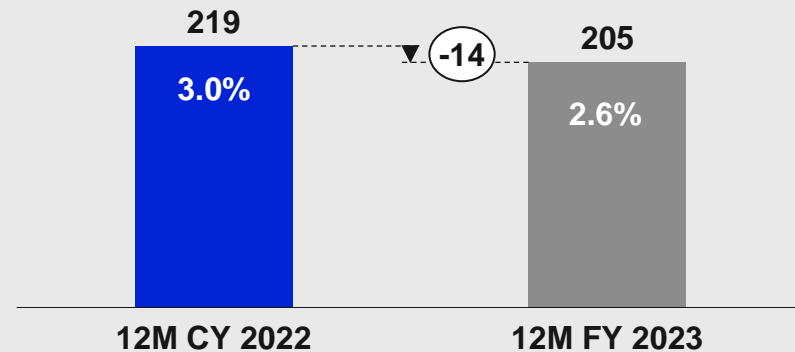
- › **Gross Profit margin up 260bps** with higher volumes and pass-through of inflation-related price increases to customers
- › **R&D ratio up 50bps, investments grew over-proportionally by 15.7%** against the backdrop of high order volumes and to prepare upcoming project launches; overspend in individual customer projects in Electronics with particularly high safety requirements
- › **SG&A expenses increased by 11.2%:** continuous cost management but selective investments in functions and headcount
- › **Non-recurring operating income and expenses at -€36.3m** including e.g. income from the remeasurement of investments of €2.9m and income from disposal of investments of €11.0m. Expenses are related to restructuring measures of -€32.7m



# Net Cash Flow/Sales above target level; NCF improvement excluding factoring

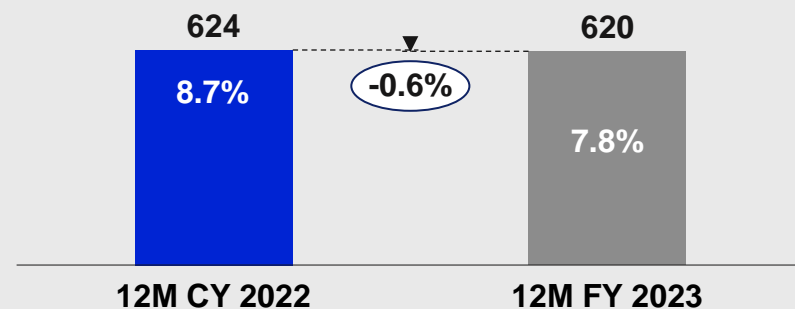
## Net Cash Flow

in €m and % of sales



## CAPEX

in €m and % of sales



CY 2022 (Jan 1, 2022 - Dec 31, 2022) pro forma figures

### > Net Cash Flow decreased slightly by €14m to €205m

- increase in profitability and higher funds from operations
- working capital improvement
  - decrease in receivables (including overdues)
  - lower inventory
  - increase in trade payables
- includes increase of factoring of €56m vs. €194m in CY 2022

### > CAPEX nearly constant at €620m

- continuous investments into product-specific equipment and projects
- active management of investments
- increased standardization and automatization of production processes

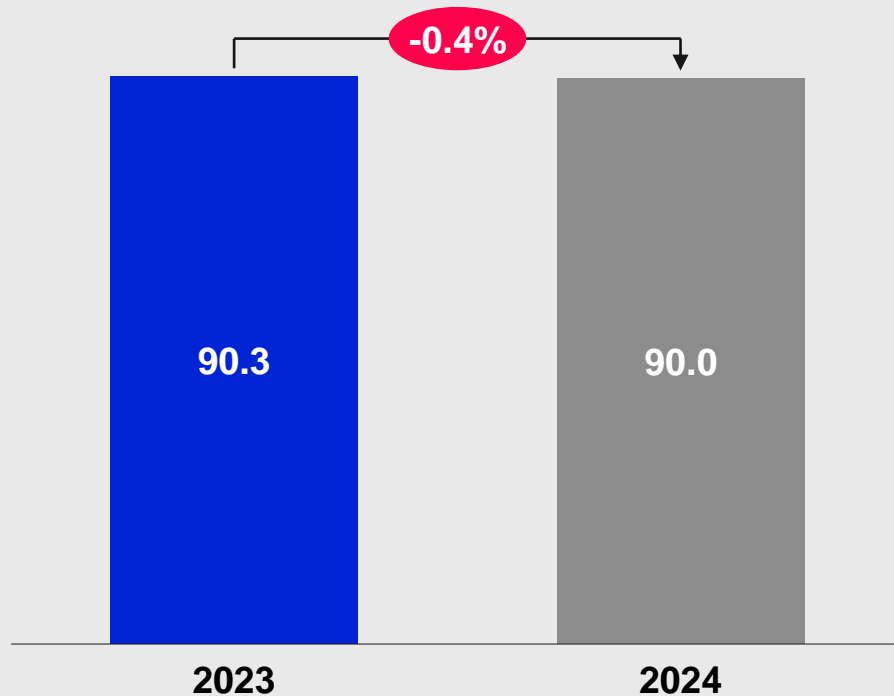


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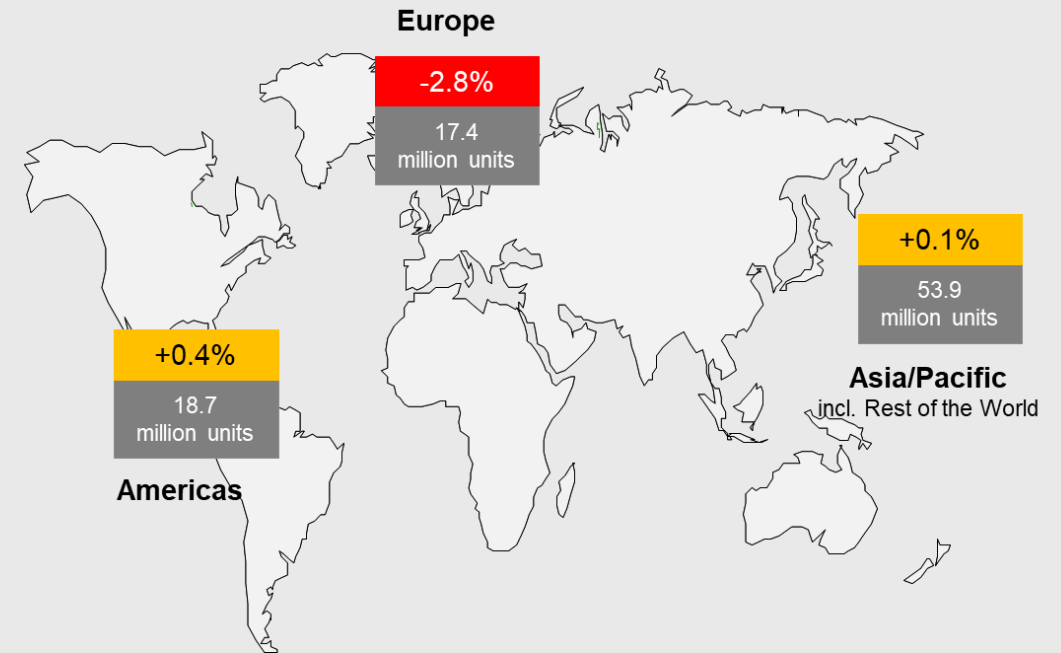
**Outlook FY 2024**

# The global market is expected to stagnate with around 90m vehicles produced in 2024; volume decline in Europe

Expected Global Light Vehicle production in million units, S&P Global Mobility per Feb 2024



Expected Global Light Vehicle production in million units, S&P Global Mobility per Feb 2024



Source: S&P Global Mobility (formerly IHS Markit | Automotive)

# HELLA FY 2024 outlook expects slight improvements in sales, earnings and NCF in a persistently volatile market environment

Outlook for the period January 1, 2024, to December 31, 2024

Based on an assumed LVP production of ~90 million vehicles for the period

## Sales

Currency and portfolio adjusted

Between around € 8.1 to 8.6 billion

## Operating Income Margin

Between around 6.0% to 7.0%

## Net Cash Flow / Sales

At approximately 3%

*The guidance assumes no significant market deviation due to political, economical or social crises.*

*Sales outlook includes full consolidation of HELLA BHAP Automotive Lighting (“HBBL”).*

*OI Margin and Net Cash flow/Sales are expected to sequentially improve in H2 2024 vs. H1 2024.*

*Growth in the mid-single-digit percentage range is expected for the business groups.*

*A slight improvement in the OI margin compared to 2023 is expected for Lighting and Electronics; a slightly lower OI margin is expected for Lifecycle Solutions.*

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**04**

**Key Takeaways**



## Key Takeaways

### › Solid performance in FY 2023 and achievement of all targets

- €8bn sales accomplished for the first time in HELLA's history together with significant increase of profitability
- strong order intake as constant proof of HELLA's technology and product offering
- dividend proposal at €0.71 per share, continuation of established dividend policy with payout ratio of 30%
- slow-down of growth momentum in H2 and a profitability still well below pre-Covid level

### › Cooperation with FORVIA progressed further, synergies ahead of roadmap

- further upgrade of cost synergy target to >€350m end of 2025, thereof ~50% attributable to HELLA

### › Outlook FY 2024 with slight improvements in a persistently volatile market environment

- lower sales dynamics in a broadly flat market
- continuous cost-and cash management to secure further profitability growth and cash conversion

### › Competitiveness improvement program in Europe initiated

- annual gross savings of ~€400m targeted by 2028, thereof ~€150m until 2025
- expected to spend around €200m until 2028, majority of spendings until end 2025



# **APPENDICES**

# LVP production and Group sales per region

		12M CY 2022	12M FY 2023
<b>HELLA Group sales</b> in €m	Worldwide	7,212	7,954
	Europe	3,939	4,588 <b>+16.5%</b>
	Americas	1,533	1,624 <b>+5.9%</b>
	Asia/Pacific & Rest of World	1,739	1,742 <b>+0.1%</b>
<b>Light vehicle production</b> in 1.000 units	Worldwide	82,344	90,321
	Europe	15,827	17,862 <b>+12.9%</b>
	Americas	17,120	18,595 <b>+8.6%</b>
	Asia/Pacific & Rest of World	49,397	53,863 <b>+9.0%</b>

Note: Light Vehicle Production (LVP) based on &P Global Mobility per Feb 2024; Growth figures always compared with the same period of the previous year



# Upcoming events

**April 17, 2024** Sales Update Q1 FY 2024

**April 25, 2024** Q1 FY 2024

**April 26, 2024** AGM FY 2023

**July 23, 2024** H1 FY 2024

**November, 2024** 9M FY 2024

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**FORVIA**

