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COMPANY EDITED TRANSCRIPT

Operator: Hello, ladies and gentlemen, and welcome to the HELLA Investor update call regarding the results of the fiscal year 2022. (Operator Instructions)
This call will be hosted by Michel Favre, the CEO of HELLA; and Bernard Schäferbarthold, the CFO. Let me now turn the floor over to your host.
Please go ahead

Michel Favre: Thank you very much. Good morning, ladies and gentlemen. I have to mention that Kerstin Dodel from our IR is as well, of course, present on this call. So I will comment on the sections that you can find on Internet. You know our figures we go with Bernard much more into the details.
Page 4, I would like to remind you of the key recent messages. Firstly, we speak of a short fiscal year. As you know, we are aligning our exercise with Faurecia. That means that from the 1st of January, we speak of calendar year. In this presentation, FY means fiscal year, 7 months, 1st of June until end of December. What is important to notice whatever the fact, that the reference was low, is the acceleration of the growth with 25%, I would say, growth, mainly focused in Asia and North America. We have, I will say, high demand, and this is reflected by our order intake in our 3 core businesses: Electronics, of course; Lighting as well; and more and more Life Cycle Solutions. Margin-wise, a EUR 222 million for 7 months, 5% margin. I will say 5% margin, of course, is not our target, but we are on our budget in this period and I think it can be compared positively with our peers, which is quite important. We are accelerating synergy and we will come back on that, and

we were back to cash flow, which is I think a basic thing for a company like HELLA.

Page 5, this is to show you the dynamism of this company, first, the technology. We are today on the horizon of EUR 1 billion order intake per month confirmed every month in our 3 activities: Lighting, firstly, differentiation, differentiation through the Front Phygital Shields and other we develop. Here, we are clearly giving the opportunity to customers to create differentiation. On this differentiation, the flat light technology is giving, I will say, a luxury touch to the cars and more and more adopted by the luxury car makers. It is mainly the rear combination lamp were we have already started. We have probably a very competitive technology on the SSL HD, high definition. And we are clearly a company which is offering a very good product and solution to medium to high range cars and the luxury cars, as well. On electronics, very successful year on the order intake. On the high voltage converter, as you know that it is strategic for the energy management for the electric vehicles. We have some unique position on radar as the 77 GHz is very promising. And last but not least the new technology for the smart car access. I take advantage of as already mentioned to remind you that our boost was a big success in Las Vegas, and please don't hesitate to visit us next month, we will be with Bernard in Shanghai, where we have a boost with Faurecia at the Shanghai show. Last but not least, Life Cycle Solutions, we have a very smart proposal for truck interior lighting, and we are starting intelligent, efficient battery sensors for trucks, and this could be a very promising business for these special applications activity.

Page 6, which is to remind you that we continue to optimize our balance sheet. We have sold HBPO. This is done, completed and we are proposing to pay a dividend, I would say, in order that our shareholders will take advantage of this optimization. On the footprint, we have opened a new plant in China. And if I project in the future, we probably need one plant in Mexico and one plant in China to fit the growth. I remind you that this year, we will overtake EUR 8 billion, 2025 will be at around EUR 10 billion, so clearly, growth is accelerating. Cooperation with Faurecia, which is key, because we are inside the new group. Our people want to participate to the Forvia story. Of course, we've been independent, but we have a lot of, I will say opportunities to

develop synergies. And as you know, we have upgraded our expectations to more than EUR 300 million. The reservoir potential is much more, but we have to enable our capacity to execute by the end of 2025. I can tell you we will do this amount and HELLA will capture half of it. Revenue synergy, we leverage our different positions. I would say, according to the customer relationship of each company, we have as well as some internal electronic supply that we can develop from here. So we have everything to accelerate our growth as well.

Last but not least, cash management, a company which is not generating cash is not a company. HELLA is generating cash and HELLA will continue to generate and to improve its cash management, but it is a good way to give the floor to Bernard because Bernard is our specialist on this.

Bernard Schäferbarthold: Thank you, Michel. Good morning also from my side to all of you. I would continue on Page 8. First of all, we confirm all numbers that we also already published on a preliminary basis. We have here in this presentation, the comparison also to the 7 months prior period. Just as a comment, these are proforma numbers, which are not audited, but should help you to better understand really the developments. On top of that, if you need the comparables also to '22 in comparison to '23, Kerstin is also happy to send you the files if she has not sent it already to you just as an information. So if we look at sales first on Page 8. So we had quite a significant growth of overall 25% in comparison to prior year. So EUR 4.4 billion. The organic growth was at 21%, and we had the currency effect of around EUR 150 million, which represents around 4%, which comes mainly out of the U.S. dollar and Renminbi. We had quite a significant growth in Electronics and Lighting, but also a solid development in Life Cycle Solutions. And positively, we benefited in terms of growth also with the increases in prices to compensate the inflation towards our customers. If you look at Page 9, the different segments. So starting with Electronics. Electronics is at on the 7-month period on EUR 1.7 billion in comparison to EUR 1.4 billion in prior year. That is an organic growth of 24.5%. It's, in comparison to the volumes, a solid outperformance of around 10%. We benefited, especially of strong growth within our product portfolio of energy

management, but also our radar projects. And specifically in NSA and in China, we had quite a significant growth. EBIT is at EUR 124 million, 6.5%, an improvement in comparison to prior year, but still with impacts out of the inflation. Positively the pass-throughs of the inflation, so the compensation increased or the ratio increased, but still there is a negative effect out of that. Also the bottleneck situation from the semis impacted also our operations, but a first good step, again, in terms of improvement in profitability. And as we stated also in the last Capital Market Day, we are quite optimistic that continuously, we can now improve the margin in Electronics back to the level we had before, which is significantly higher. We had a quite a big increase also in R&D. Proportionately because of our good growth performance relatively, the R&D ratio went down, but we continue to invest with the very strong order intake we have done in Electronics. Again, we had a record order intake also in the last 7 months. Lighting also with a similar growth pattern, 23% of organic growth, also a solid outperformance to the market with ramp-ups with a lot of projects, specifically also China, but also Mexico and also especially with a lot of electrified cars. So we benefited a lot from that. Here also an increase in the pass-throughs of the inflation. So still a level EBIT wise, where we are not absolutely satisfied as we also commented in the Capital Market Day. So we will do better in the future, but the first good step in terms of improvement in profitability, we have done in a challenging market environment. So we are also quite optimistic in terms of now this year and the further development of our Lighting business.

If we look at Life Cycle Solutions, a solid organic growth of 5.3%. In terms of the business, we are growing globally in our spare parts business. Our SOE business was on a good growth level, especially on the agriculture customer segment, but also construction trucks and trailer are also growing. The segment which was a little weaker was on the workshop products. In the last year, we had quite a high level in the prior year with the launch of our new core product, the diagnostic tool mega macs. But also here, we see going forward, the workshop product (business) with some new product launches this year will show again a more significant growth so that also together with a good further development of the spare part business and continuous solid SOE business, we believe that we can continue a good growth path also here

in 2023. EBIT-wise, we are a little down in comparison to prior year, but this comes also with investments we are doing. We are investing in our global sales network in terms of our aftermarket business, which should improve our growth path in the upcoming periods. And on top of that, we are investing in our workshop products and also in special applications, specifically in our enhancement of our product portfolio. And here, the electronic applications, where we should benefit from also in the upcoming periods, but still a solid EBIT ratio of 10.1%.

If we go to the next page, 11, the regional split. So we continue to accelerate our globalization. We are now close to 50% now in Europe, 53% exactly, and we have grown our share in Asia Pacific, specifically in China and also in NSA. A very solid growth in NSA and in Asia in the last 7 months and also quite a high growth also in Europe, but by far, if we compare it with volumes in prior year, not as significant as in the other regions. And we continue to see a very solid performance also in the regions of NSA in Asia Pacific now in '23. Europe certainly is the biggest risk in terms of volumes also going forward. But overall, we are quite happy about the outperformance also in all 3 regions we have. We are quietly, from our perspective, very good balanced. If we look at the full P&L, on the next Page 12. So an overall EBIT of EUR 222 million, 5% of sales. So we see on the positive note that our R&D ratio is decreasing. Our SG&A ratio is also decreasing. So this is what we also already commented in the Capital Market Day that step-by-step, we want to come back to the R&D ratio, which is below 10% and more coming towards 9% and that also in terms of SG&A, step-by-step, we also want to reduce by around 1 percentage point. And here, the first step is now done. In terms of gross profit, we are still not there. We are 1 percentage point down due to the inflation. We increased the inflation or the pass-through, but still not all has been recovered so that we still have to continue to work on it, and we think that we should improve now also in '23, and the first step in terms of gross profit to recover and come step-by-step back to levels we had before. So we envisage to come in the next years back to a level, which is around 24% to 25%. In terms of reported EBIT, we are at EUR 383 million. We have a positive adjustment number of EUR 161 million overall. We have the profit out of the sale of the HBPO share, which makes EUR 250 million overall, and

we have a negative effect out of some restructuring measures, some provisions we have taken and also specifically provisions for delivery obligations, we have taken specifically on programs in Europe of overall minus EUR 51 million net. So this makes them positive adjustment result of EUR 161 million, which adds to our adjusted EBIT.

If we go to Page 13, our free cash flow is at EUR 83 million adjusted. This is without considering any effect of factoring, we had quite a strong end to the year with a reduction of working capital despite the fact that our net CapEx have increased the year-end at EUR 392 million of CapEx. This comes with the strong and high investments we are doing related to the very high order intake. We had above EUR 10 million in the 2 precedent years. Having said that, I hand back to Michel with the outlook, and happy to take your questions afterwards.

Michel Favre: Thank you, Bernard. So you see the Page 15, you see that we are on this page, more conservative than IHS. IHS is confirming 85 million vehicles production, which is still far away from the pre-crisis level. But as you know, we are facing some unbelievable, I will say, impact, starting with inflation. Cars, probably car prices have increased by more than 20% between '19 and this year, 20%. So that means that a car is less and less affordable and this could have a weight on the future volumes. It is something that any way as HELLA is taking into account in our plan, and we have always been more conservative and mainly more conservative in Europe. So it is why like Faurecia, we take 82.4 million vehicles, which is a figure that we can confirm for the first quarter. We have -- IHS is forecasting an acceleration for the rest of the year.

Saying that, it is Page 16. It is a guidance. So we forecast sales between EUR 8 billion to EUR 8.5 billion, which is the first time for HELLA to be above EUR 8 billion of sales. Where if I take the right sum from out last exercise, we were already at more or less at EUR 7.6 billion, EUR 7.7 billion. So we're already very close to this level. And I can tell you that you will see the figures for the first quarter, we are totally in line with the guidance. Operating margin, we confirm the 5.5% to 7% range. Of course, we have a seasonality. The first quarter traditionally is lower than the rest of the year due to vacation in the

first week of January, mainly in Europe for the German carmakers and Spanish carmakers. The more important is the famous Spanish New Year, which was mainly January, but you will see something, our figures that we will disclose will be in line with the guidance. Now of course, reality will be more in the low range of the operating margin, but I can say with Bernard that we start to come back. Net cash flow, 2% of sales, will continue to improve. First quarter will be under pressure due to the Chinese New Year, again, with the terms. But anyway, we will be back to cash addition from second quarter onwards. So what I can say here on 2023, of course, it is definitely to improve the performance that synergies will help. So we pick off we see -- when we see the figures of more than one point of improvement of profitability and a significant improvement on the cash flow. We have as well to continue to pass-through inflation to customers. We have made our homework last year. We are probably 75% to 85% pass-through, and we will continue to make the deal with our customers, which is a win-win. We have the synergies. We have given the figure for 2025. We have achieved something like EUR 30 million in the last year, and we want... don't want to give the figure, but probably to be close to the double for this year as P&L impact. And of course, we'll continue to improve our footprint and our portfolio management. So saying all of this, we can go now to questions. And please, the operator will start this Q&A session.

Operator: (Operator Instructions) And the first question comes from Akshat Kacker.

Akshat Kacker: Akshat Kacker from JPMorgan. Three questions, please. The first one on China. Could you please talk about the current market environment, inventories, production trends in the coming months as we are now seeing OEMs, reducing shifts, cutting down capacity and also increasing incentives in the market. How do you just generally expect the year to pan out with the upcoming change in emission standards, please? That's the first one on China. The second one on lighting. The business is obviously seeing very strong growth. Could you remind us about the measures that you are taking to improve the profitability of the business? And if you're already going to see

meaningful improvement in the first half of this year versus what we saw in the second half of last year?

And finally, on the current trading, you're almost at the end of Q1 of your new calendar year. Is it possible to share some more details on the revenue trends in the first 3 months, margins and I know you have already detailed out cash flow trends, but revenues and margins, please?

Michel Favre: I will take the first two one, and Bernard will take the last one. So current trading in China. First thing, which is good, inventories are not very high, which is -- this is always a good thing for our sales. Demand, we need to understand better the demand. We must not forget that there was a COVID time December, January due to Chinese new Year, so here on the demand, it could be a little weak, which means that probably the same as last year, not showing a growth, but some people and our people consider (inaudible). We have, in China, a quick switch to EV. So it is why the Chinese, I would say, carmakers are gaining market share. And I would say, and probably they will not only gain market share in China, but it will be more and more present in Europe. So this could play as well for the production you can see probably that now, I think China is exporting something like 1.5 million cars. So it is a big change with respect to 3 years ago. So today, we see good volumes in China. We want, of course, to have better safety. We will be at the Shanghai Motor show, it would be a growth opportunity to share with customers, et cetera, what are their actual thoughts and understanding of the market. Lighting was damaged in the first half of 2022 by the fact that we are late to pass-through. We have recovered. We have definitely improved operations with some change of management in North America. We're improving in Europe. We are today implementing an action plan, which is mainly to specialize the plant per type of activity. So this start to positive effect because when you modify, when you specialize, I will say plants, you are always more efficient. So our expectation is that, of course, the profitability, we see a further improvement in the first half and will continue to improve in the second half. So we are in the sequence. And I remind you that in the Investor Day while speaking of profitability of 6%, which is a real breakthrough. If

you remember, the minus something of the first half 2022. So the team, and I want to thank the lighting team, in making their work.

Bernard Schäferbarthold: In terms of current trading, we said January and February were a little slow. March was quite good also in terms of numbers of working days. For that reason also, the sales was quite solid and the demand increased significantly. So overall, it will be the weakest quarter in terms of if we look at the full year from our expectations. In comparison to prior year, it's still quite a solid growth, but also taking into account that the comparable last year was very weak. So we are growing but it remains in terms of our full year guidance, the weakest quarter. And for that reason, as we also said, we expect that in terms of profitability. It will be at the lower end of our range for the full year, the first quarter. So the low range or the low is at 5.5%.

Operator: And the next question comes from Christoph Laskawi.

Christoph Laskawi: Christoph Laskawi from Deutsche. The first one will be on the health of the supply chain. And when we are speaking with the OEMs, it seems like they are commenting that semis is no longer a problem. Do you see the same also for you? Do you get what you order or even a bit more than that? Is the availability improving? And also it seems that especially the European OEMs trying to work through their backlog in Europe. And now as the semi seem to be better available, do you see a fairly rapid uptick of the production run rates at the customers in Europe? Or is it so far not visible? And then just on also somewhat related. Do you still have stop and go production in your footprint and in case not working more smoothly, how much could that really help on the margin side already in H1, but just eliminating the stop and go??

Michel Favre: So, comments from the carmakers. Yes, we see an improvement of the semiconductor, but it is a little erratic because of the stop and go. And so we have that system stop and go. So if the world was so perfect, there will be no stop and go, which means that our carmakers would stop all the, I would say, planning and production because it is still the case, and we have [seen] in our projections to cut by 50% to 20% the call-offs. So we are in a world which is

normalizing, but still with some problems, some standard of semiconductors we are still seeing some small crisis or some small tension that is not, I will say, helping our life. And we said at the moment, we have still some difficulties to reduce inventories. So this is an indirect, I will say, answer to your question. For the waiting time, some improvement, but not as much as you were expecting because there are still probably some models with very long waiting time, which is not good. So catch-up should happen, should really happen this year, but is not yet visible.

Operator: So we don't have another question at the moment. (Operator Instructions) And we have another question that comes from Philipp Koenig.

Philipp Konig: I just want to come back on the point you are making on the rise of the market share of the Chinese carmakers. Can you just sort of share how it compares between your relationship between the JVs in the market than you have with the Chinese carmakers? Are the contracts any different that you have for the other negotiations, any different? Or is it actually a very similar type of business in terms of how you structure the relationship, the pricing and also the content on the vehicles?

Bernard Schäferbarthold: The way of working together with the joint venture partners is quite similar to if we work directly with the Chinese OEMs. So also, let's say, the pricing is very similar. So normally, basically, our partner has the customer access. What we basically add then also, let's say, as a pricing component to it is specifically also our technology and basically the development we are doing on top of that. The comments we are making, overall, is that we see that this new or established also Chinese car players, also what we are seeing will continue to gain market share. So it is for us also very important to further also grow with these players. And that is something also what we commented before where we are doing business with the most important ones, which are also growing significantly. And they will get more important also for us, but the game rules are basically the same.

Philipp Konig: And maybe just a follow-up on that. So in terms of the supplier -- the other suppliers that you would be competing with there, is that also the same landscape? Or given that a lot of Chinese OEMs probably have a fairly localized supply base until now and sort of now they want to grow and they're looking to probably to further work with the global supplies, is it sort of a different competitive landscape? Or is it sort of you're seeing yourselves competing with the same other companies as in Europe and in North America?

Michel Favre: You have some Chinese players mainly for the low range of the market. We have one which is clearly developing, which is very well known, No Feng of course, is a very valid competitor, more than one type of business. And of course, the European ones, Japanese ones are the same as China with traditional customers. For electronics, we see a world where we have a very large room of maneuver and that is with the development of electrical vehicles and we should continue to be very successful in that.

Operator: Okay. So we didn't receive any further questions. (Operator Instructions)

Michel Favre: I there are no more questions, firstly, I would like to thank you all for your attendance. Take care and our next rendezvous are the 27th of April for the first quarter results and the 28th of April for our shareholder meeting. Thank you and have a very good day.

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