



Technology with Vision

HELLA Investor Update

Conference Call, July 28, 2020

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HELLA meets revised financial targets FY 19/20; FY 20/21 guidance reflects negative market; long-term improvement program initiated

Executive Summary

A	Preliminary Results FY 2019/20	<ul style="list-style-type: none"> ■ Preliminary sales HELLA Group at 5.8 bn. EUR ■ Preliminary adjusted EBIT at 233 mill. EUR ■ Preliminary adjusted EBIT margin at 4.0% ■ Preliminary reported EBIT at -343 mill. EUR including around 533 mill. EUR extraordinary (non-cash) impairments
B	Guidance FY 2020/21	<ul style="list-style-type: none"> ■ Portfolio and currency adjusted Group sales expected in the range from 5.6 bn. EUR to 6.1 bn. EUR (previous year portfolio adjusted: 5.7 bn. EUR*) ■ Adjusted EBIT margin (excluding restructuring, portfolio effects and extraordinary impairments) expected in the range from 4.0% to 6.0% (previous year portfolio adjusted 4.0%*)
C	Long-term improvement program FY 2020/21ff	<ul style="list-style-type: none"> ■ Long-term program to increase competitiveness; focus on reducing administration and development functions especially in Lippstadt/Germany and further structural adjustments in the global network ■ Successful implementation of all planned structural measures in Germany leads to an expected run-rate EBIT contribution of ~140 mill. EUR at approx. 240 mill. EUR one-off costs

Note: All figures for FY 2018/19 are preliminary. Financial report will be published at August 14th, 2020

* See Backup

HELLA fulfils the revised company outlook for FY 2019/20: Development of KPIs within given forecast

A. Preliminary Results FY 2019/20 – KPIs

GUIDANCE FY 2019/20

June 1, 2019 to May 31, 2020

PRELIMINARY RESULTS FY 2019/20

Group
sales

In the range from
5.7 bn. to 5.8 bn. EUR

■ Group sales at 5.8 bn. EUR



Adjusted
EBIT margin

excluding
restructuring,
portfolio effects
and extraordinary
impairments

Around 4%

■ Adj. EBIT margin at 4.0%
■ Reported EBIT at -343 mill. EUR
including ~533 mill. EUR extraordinary
(non-cash) impairments



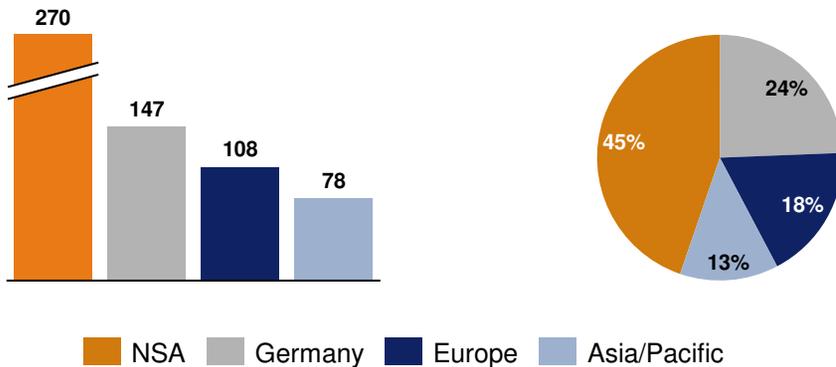
HELLA will report extraordinary impairments of around 533 mill. EUR in connection with significant lower market expectations

A. Preliminary Results FY 2019/20 – Assets impairments

Lower capacity utilization of the global production network especially in Automotive

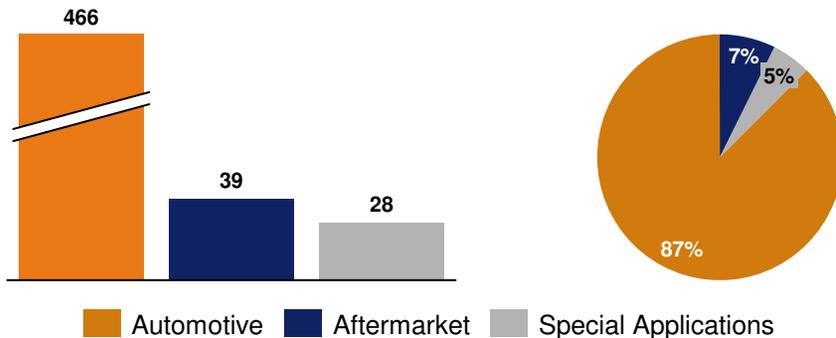
COVID-19 pandemic triggered non-cash impairments (not only goodwill, but also assets)

ASSET IMPAIRMENTS BY REGION



- Significantly reduced market volumes as a result of the Covid-19 pandemic
- Assumption, that the worldwide LVP will stay mid- to long term under the planning assumptions made before the Corona crisis
- Updated framework conditions incorporated into impairment tests, especially WACC (e.g. increase in Germany around 1.5pp)
- Goodwill share below 10%

ASSET IMPAIRMENTS BY SEGMENT

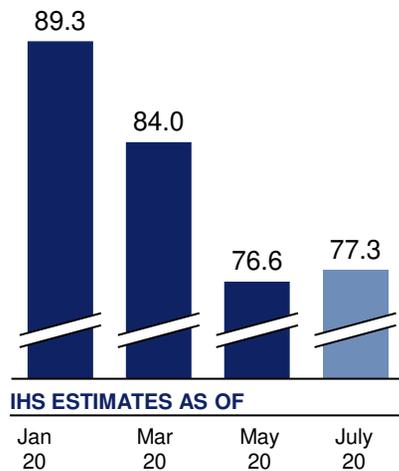


Market outlook strongly dependent on volume recovery with high uncertainties on future outcomes

B. Guidance FY 2020/21 – Market outlook

Unstable market environment

GLOBAL IHS ESTIMATES FOR FY 20/21 (MILL. UNITS)

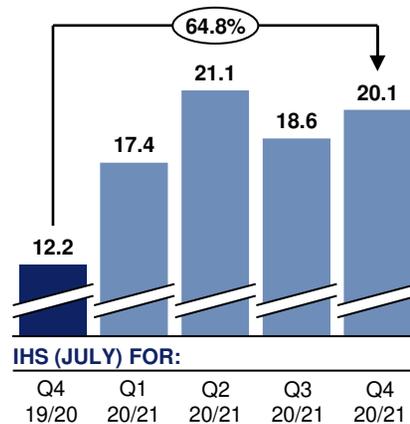


IHS ESTIMATES AS OF

Jan 20
Mar 20
May 20
July 20

- **Great uncertainties** with respect to LVP, especially **regional market weaknesses** caused by COVID-19 pandemic
- **Cautious stabilization** since **July 2020**
- **Reduction of ~15%** vs. originally expected volumes

IHS (JULY 20) LVP PER QUARTER (MILL. UNITS)



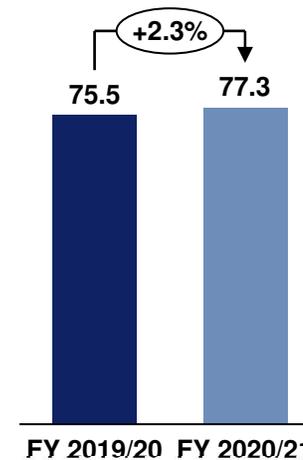
IHS (JULY) FOR:

Q4 19/20
Q1 20/21
Q2 20/21
Q3 20/21
Q4 20/21

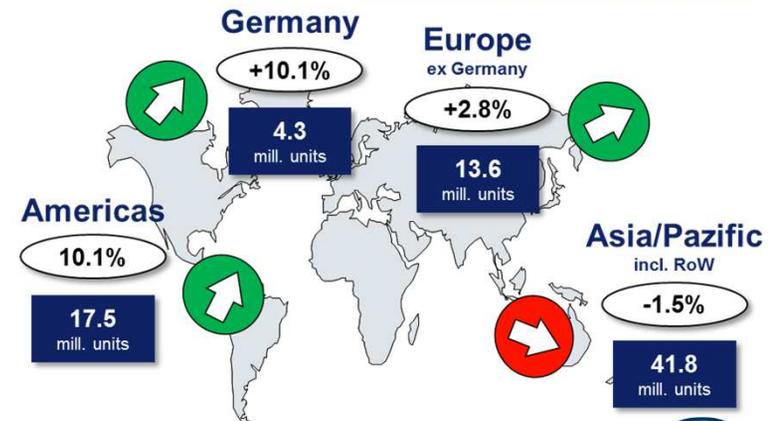
- **H1 FY20/21 volumes down** by **5 mill. vehicles** vs. PY
- **Catch-up effects** in **Q1 FY 20/21** expected after restart of OE production
- **Considerable volume uptick** to around 20 mill. vehicles **needed** to reach **IHS volume of 77.3 mill.**

IHS as of July 17, 2020:

GLOBAL IHS LVP FOR FY 20/21 (MILL. UNITS)



- Growth of **2.3%** to **77.3 mill. units** expected
- **Recovery tight to H2 FY 20/21** with expected growth of **22.8% globally**, thereof **Germany** and **NSA** with **highest growth** of **42.1%** and **44.6%**
- H1 FY 20/21 down -13.8%
- China less volatile with -2.2% (in H1 FY 20/21) and +16.7% (in H2 FY 20/21)



Outlook for the fiscal year 2020/21 reflects high market uncertainty and reduced vehicle production

B. Guidance FY 2020/21 – Company outlook

Against the backdrop of high insecurities as well as a reduced global vehicle production HELLA is currently expecting the following for FY 2020/21:



GUIDANCE

Fiscal Year 2020/21

June 1, 2020 to May 31, 2021

Currency and portfolio
adjusted **sales**

In the range
of around **5.6 to 6.1 billion EUR**

Adjusted **EBIT margin**
excluding restructuring, portfolio
effects and extraordinary impairments

In the range
of around **4.0% to 6.0%**



Accelerating industry change leads to increased competition and price pressure ...

C. Long-term improvement program – Industry development

OEMs with cost pressure

- OEMs with considerably investments in trends such as



electrification



autonomous driving



digitalization

- Innovation budgets tighten

New market players

- New players entering the market, e.g. from the IT and software sector



- Increased pressure on established suppliers and existing value chains

Regional dynamics with changing weights

- China becoming increasingly important as the largest automotive market; more and more business is being developed and produced locally



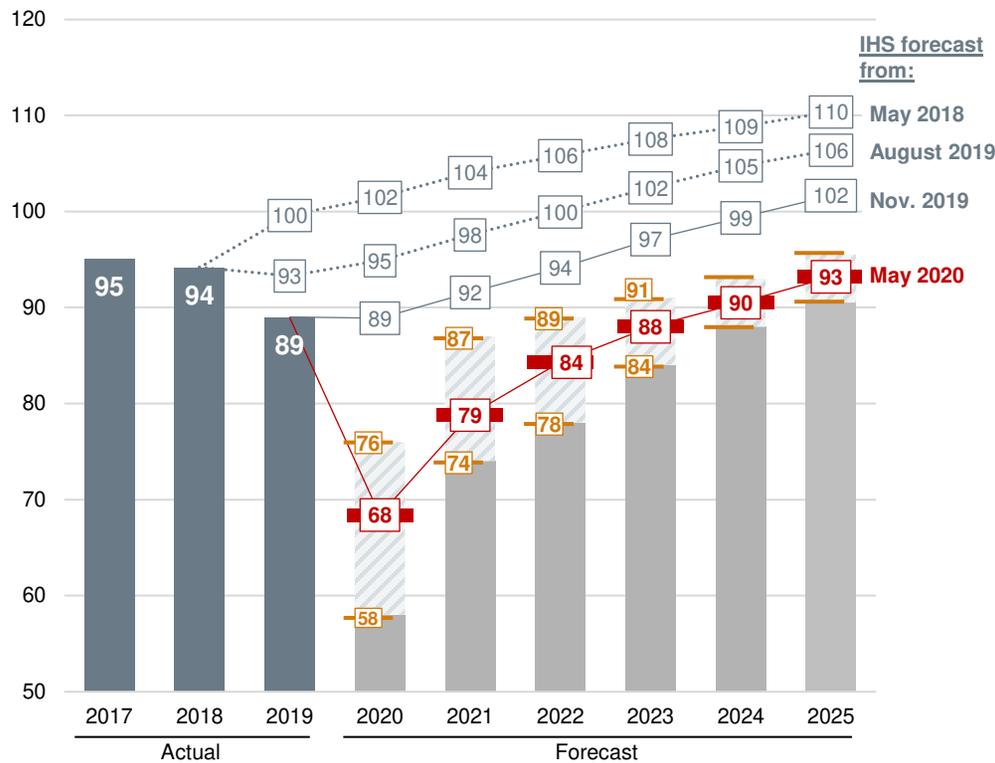
- European supplier continue to shift their capacities to Eastern Europe

- Overcapacities with further tightening competition in the industry
- Intensification of cost programs through the whole industry
- Increasing price pressure on products

...furthermore, the global LVP will remain significantly below planning assumptions made prior to the Covid-19 pandemic

C. Long-term improvement program – Long-term market environment

Two years ago IHS predicted 10 to 20 million more vehicles per year, particularly European market now with strong decline



Significantly reduced market volumes expected

- **Long-term growth cycle** of the automotive industry has **come to a standstill**, the Covid-19 crisis has further intensified the decline
- **Global light vehicle production will remain well below original planning premises** of the industry and only moderately grow long term
- **HELLA market assumptions even more conservative than IHS: LVP assumed between lower end of range and IHS**
- Production **level of 2018** will probably **not be reached again until 2025**

..... IHS forecasts Global LVP — Range of market expectations¹

1) Considering market studies from McKinsey, BCG, Roland Berger, Bain, HSBC, Citi Bank, Evercore



HELLA decides on a long-term program for sustainable improvement of competitiveness

C. Long-term improvement program – Overview

Significant increase in competitiveness enabled HELLA to secure important orders in recent years and **grow faster than the market, strict cost management and optimization** enabled HELLA to withstand the pressure so far

In this course, the **global workforce** had to be **reduced by around 5,400** (including temps) **since August 2018**; focus on Eastern Europe, Mexico and China

Structural measures now will ensure that HELLA protects a strong positioning after Covid-19 crisis:

OVERALL
TARGET

Improve competitiveness in an automotive market that gets even more competitive



Make HELLA ready for the "new normal" (a market with lower volumes and higher volatility)

Two central levers involving all segments, business divisions and corporate functions:

1 **Structural improvements** (focus: Lippstadt and Germany)

- **Lippstadt: overall reduction of administration and development functions** by around **900 jobs** by the **end of 2023** with socially acceptable measures
- **Germany: existing programs** for continuous improvement will be **continued**
- **Worldwide: maintain programs** depending on **market development**

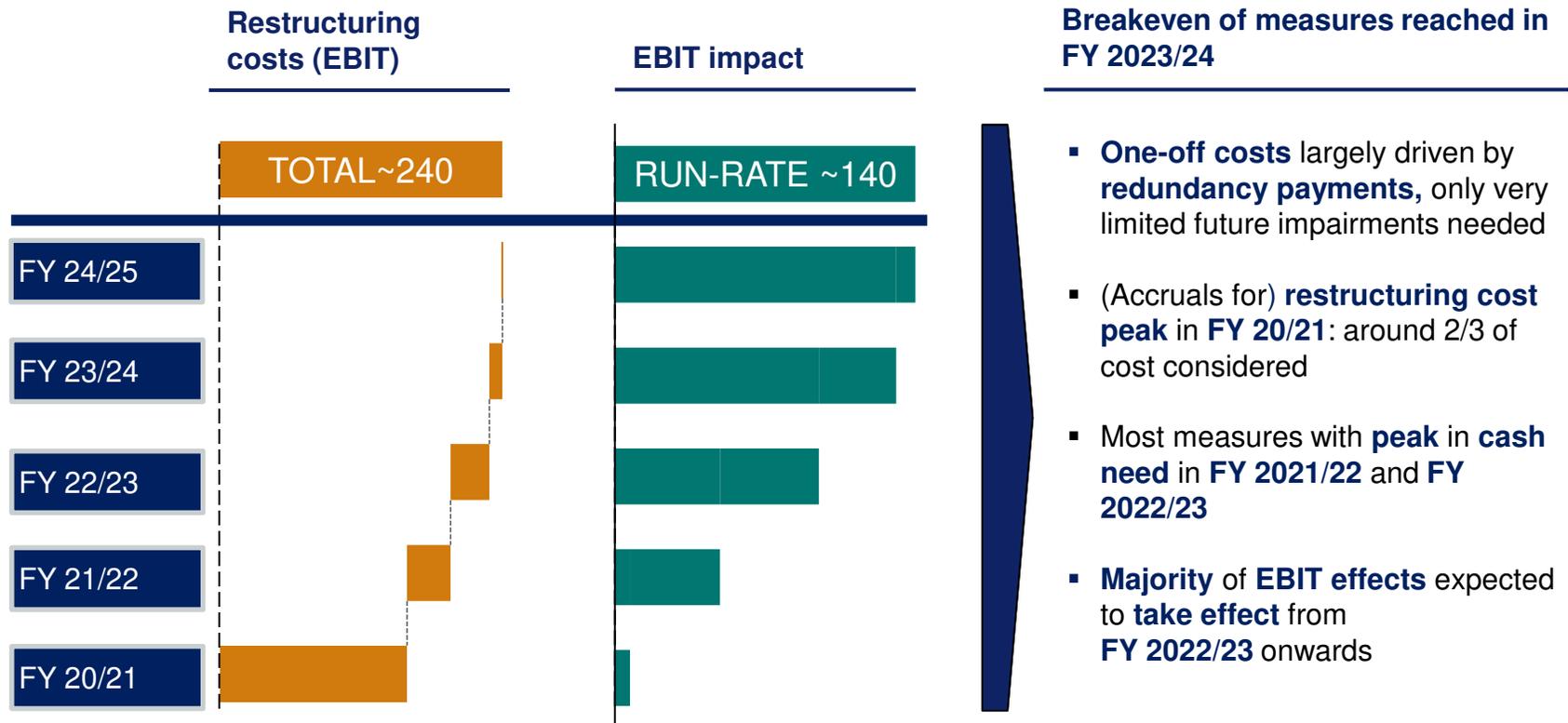
2 **Investments in market trends, automation and software know-how**

- **Use** most of **released funds** to **increase the innovative strength**
- Maintain **high levels of R&D investment**
- Expanding **digital tools** and **new forms of collaboration**, e.g. "mobile work"
- **Foster automation of production network**
- **Scaling up digital activities** by investing in industry 4.0 projects

EBIT run-rate improvement of ~140 mill. EUR p.a. at ~240 mill. EUR one-off costs

C. Long-term improvement program – Financial impact

Assuming successful implementation of all structural measures in Germany, an annual EBIT contribution of around 140 mill. EUR can be expected



* Run-rate after FY 23/24



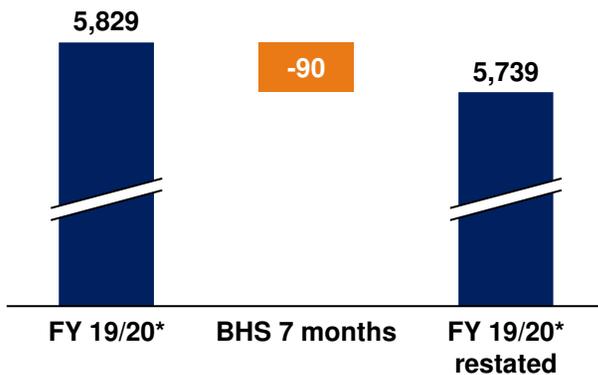
BACKUP



FY 2019/20 sales and adjusted EBIT need to be restated due to portfolio changes in Aftermarket

Backup – Restatements

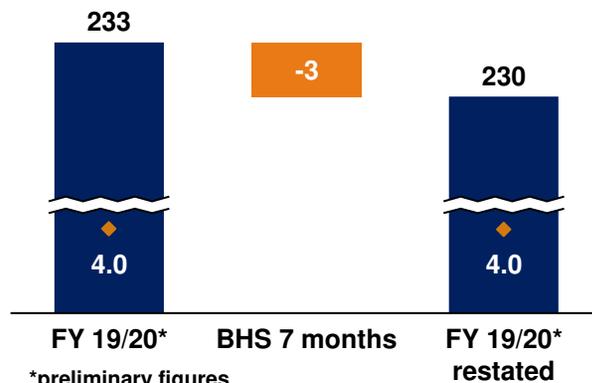
Bridge HELLA Group sales in EUR millions



COMMENT

- As basis for FY 2020/21 the termination of **Behr HELLA Service** (BHS) JV at 31.12.2019 has to be accounted for
- **7 months JV sales contribution of 90 mill. EUR need to be excluded**

Bridge HELLA Group adjusted EBIT in EUR millions



*preliminary figures

COMMENT

- Respective EBIT contribution of **BHS JV**, around **2.5 mill. EUR EBIT contribution** thereof ~ **-3 mill. EUR at equity result missing**



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