

STS Group AG

Capital Markets Day

Kameha Suite, Frankfurt

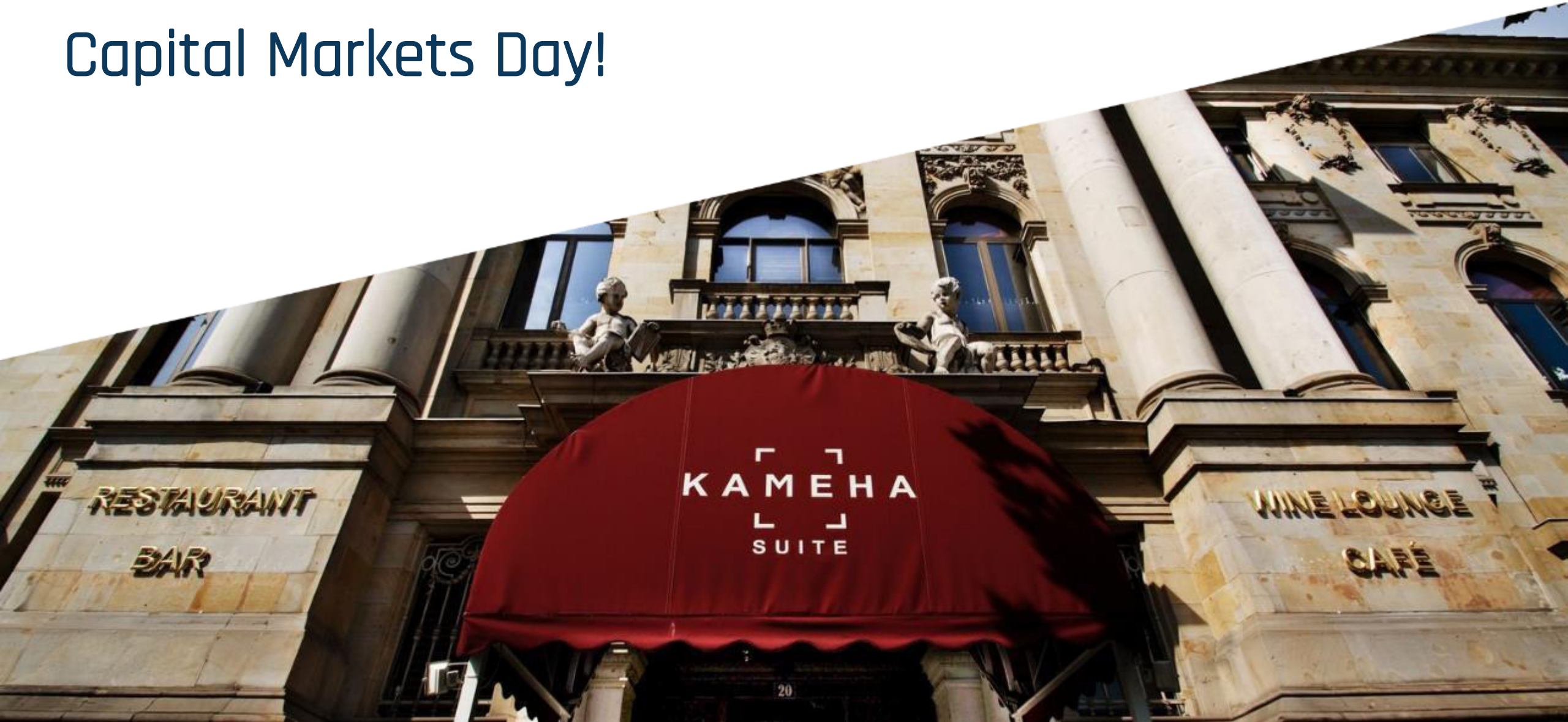
October 22, 2019

STS Group



Welcome to our first
Capital Markets Day!

STS Group





Capital Markets Day STS Group

09:30 a.m.	Opening Andreas Becker, CEO "STS Group AG: Strategy update"
10:00 a.m.	Dr. Ulrich Hauck, CFO "Business Figures and Financial Status"
10:30 a.m.	Q&A Session
10:50 a.m.	Coffee break
11:00 a.m.	Key Note: Sebastian Wolff, TUM "Trends and Challenges in the Commercial Vehicle Industry"
11:30 a.m.	Q&A Session
11:40 a.m.	Eric Morvan, VP Research & Development "Innovation @ STS"
12:10 a.m.	Get-together & Lunch

Who are we?



ANDREAS BECKER, CEO

STS Board Member since 2013. 22 years of industry experience. He has been CEO of the STS Group since its foundation and occupied before several management positions within the Autoneum Group management in Italy as well as the Truck Business Worldwide division.

Term of office: 06/2023



DR. ULRICH HAUCK, CFO

STS Board Member and CFO of the STS Group since April 2019. 20 years of industry experience. Previously he was CFO of the Schaeffler Group, Corporate Senior Vice President at Bayer AG, heading global accounting and controlling of Bayer and Vice President at Rheinmetall.

Term of office: 06/2022



PATRICK OSCHUST, COO

STS Board Member since 2013. 19 years of industry experience. He has been COO of the STS Group since its foundation. He previously held several positions at the German automotive supplier Dräxlmaier, most recently as Managing Director in Germany and Romania.

Term of office: 06/2021

We are the preferred global
acoustics and plastics solution
provider for transportation systems
when it comes to design, comfort
and efficiency!

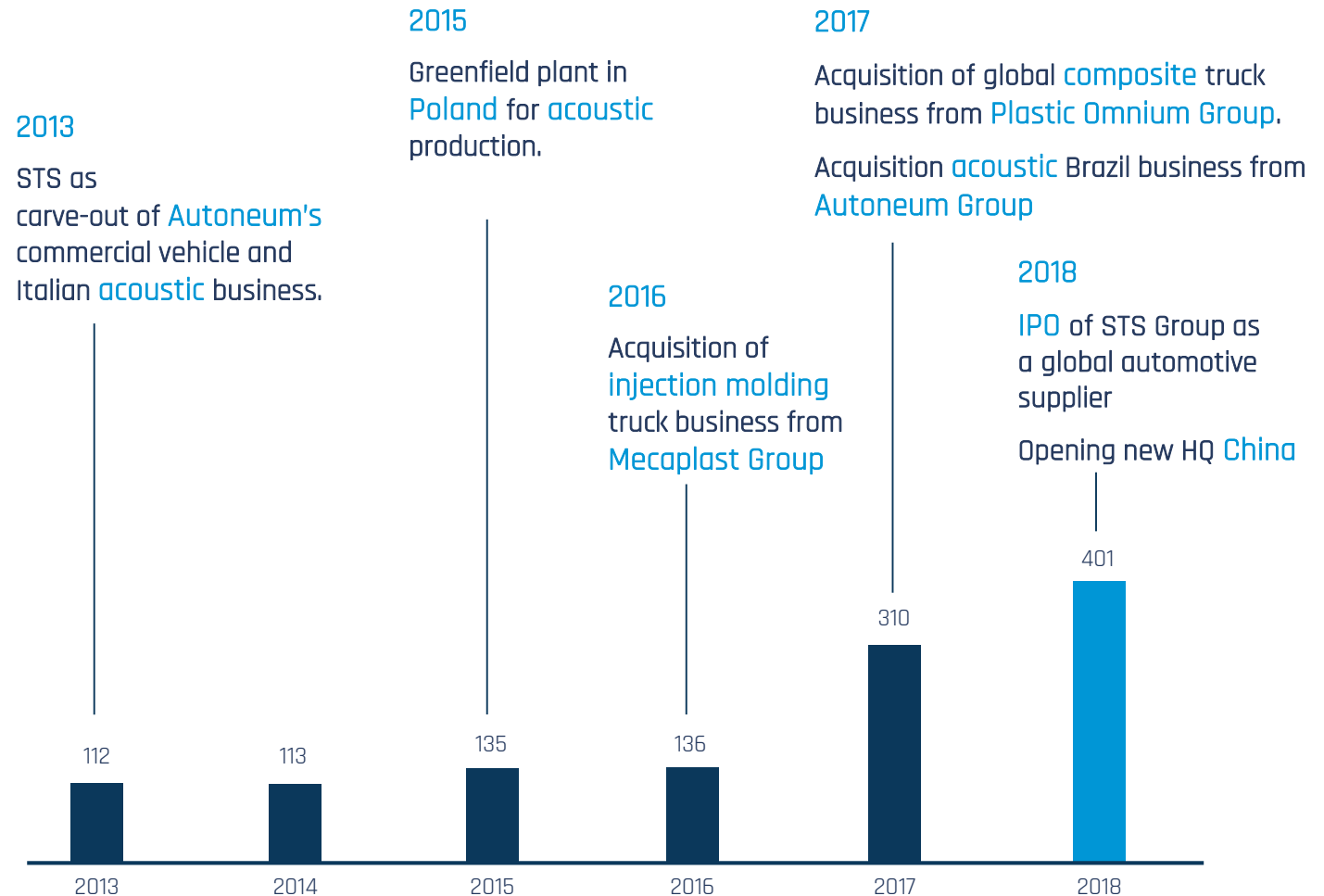
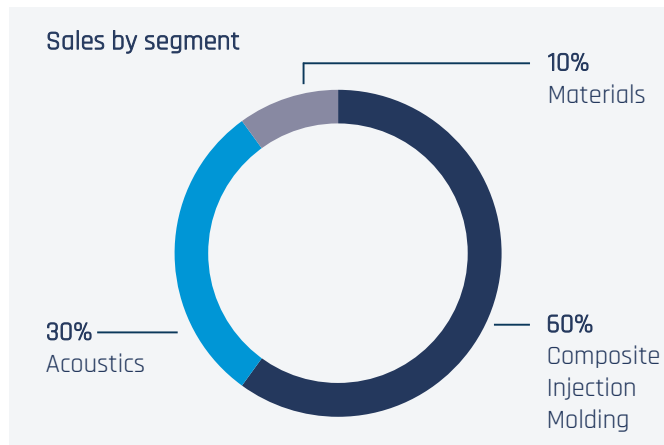
STS Group





Successful transformation to global system supplier

Long history to become one of the leading global Tier 1 truck suppliers for soft and hard trim. Until 2013 part of Autoneum (former Rieter Group) as Truck Division and Italian Business Unit.



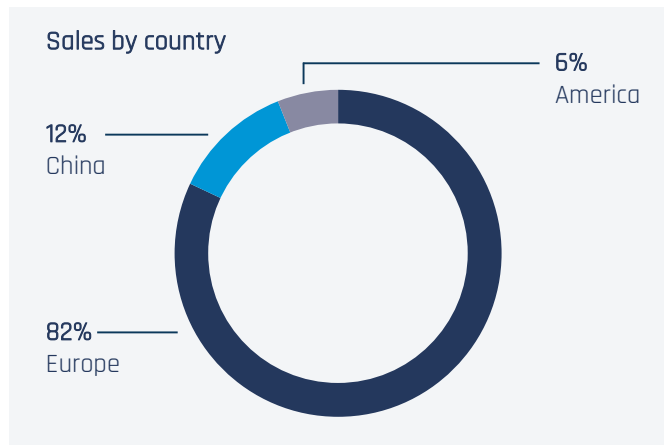


Footprint

STS Group has operations in 4 continents with about 2,500 employees.

STS Group has actually 13 production plants and 4 logistic/service plants.

With the 4 R&D centers in Europe and China STS Group supports their customers already with the development of new products.



FRANCE

- St. Désirat
- Précigné
- Izernore
- Blainville
- Félines
- Andance
- Tournon

GERMANY

- Hallbergmoos HQ
- Kandel

POLAND

- Miedzyrzecz

MEXICO

- Ramos

BRAZIL

- Bétim

ITALY

- Santhiá
- Desio
- Pignataro

CHINA

- Wuxi HQ
- Qingdao
- Shiyan
- Jiangyin

Intelligence for interior and exterior excellence

STS designs and provides solutions for a broad variety of interior and exterior systems. So STS is the perfect partner to engineer successful **heavy and light commercial vehicles** as well as **passenger cars**.

The product portfolio includes among others:

- Inner and outer acoustic systems
- Front and side modules
- Roof spoiler
- Storage modules
- Tailgate
- Engine encapsulation
- Cover for Battery systems

Front shelf



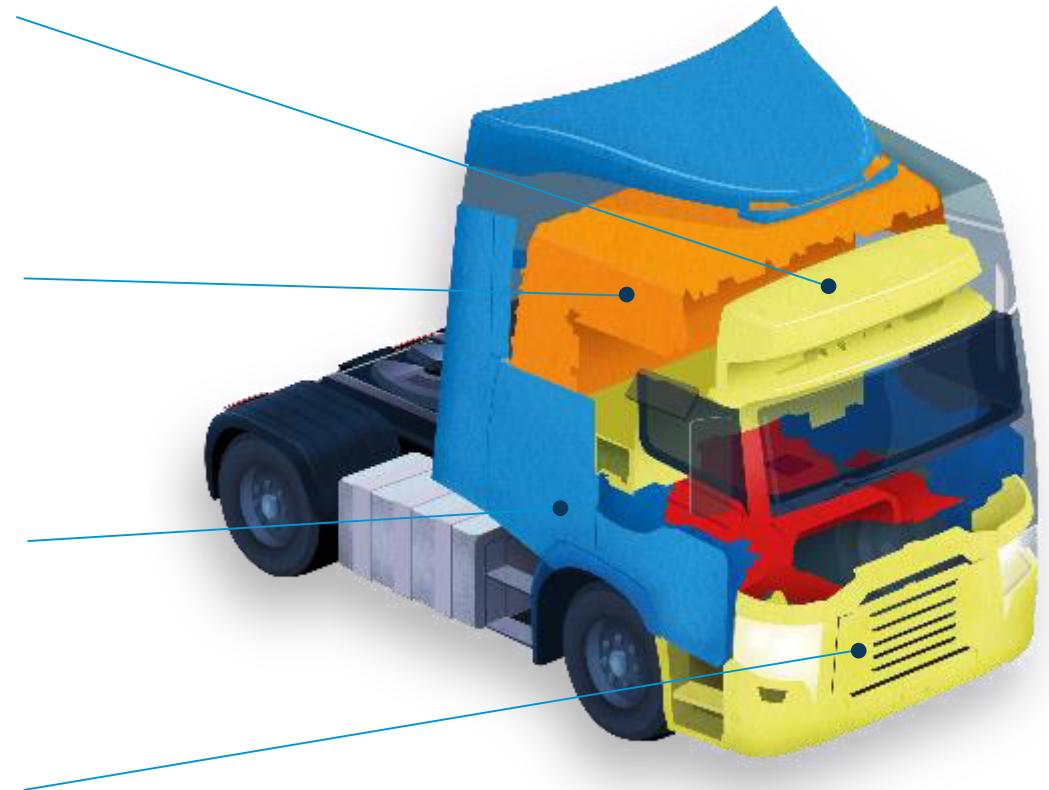
Rear wall cabin trim



Cab side module



Front module

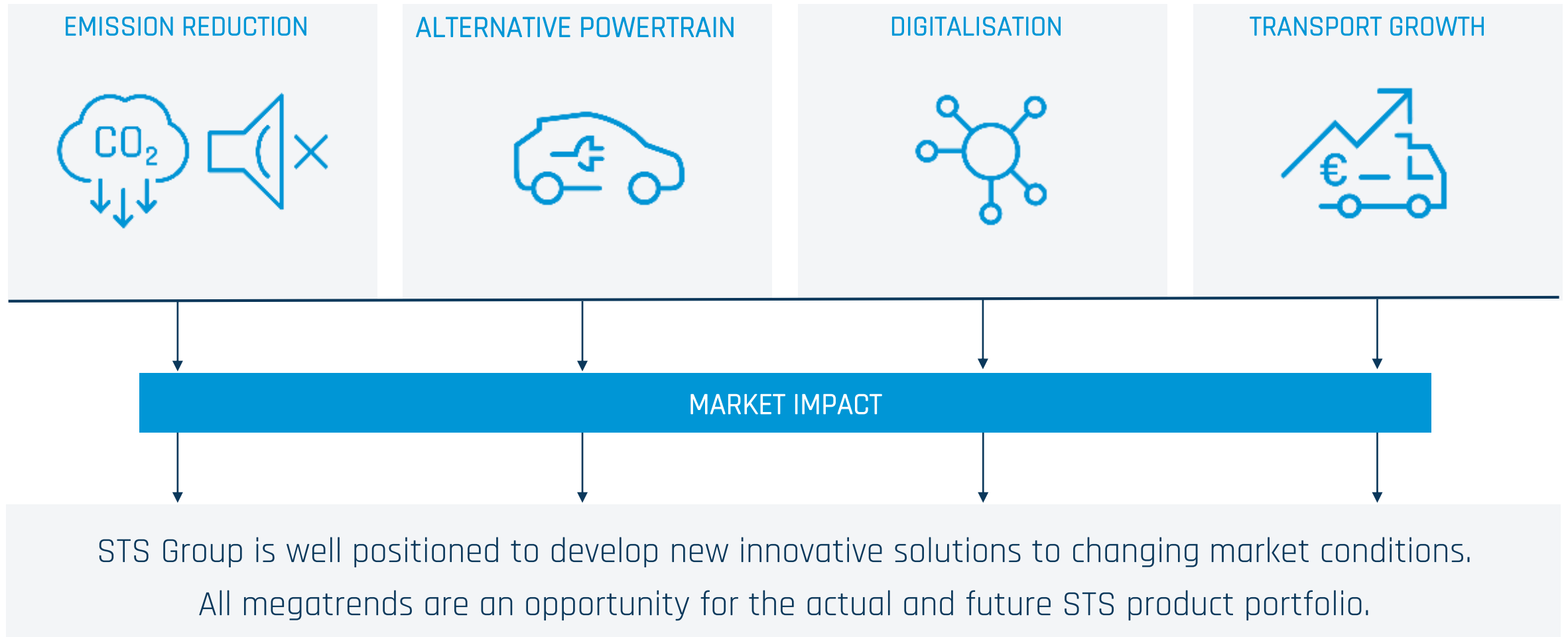


Megatrends

STS Group



Megatrends of the automotive industry



STS Group can provide intelligent solutions for all megatrends



STS Solutions

STS Group is well positioned to develop new innovative solutions to changing market conditions.
All megatrends are an opportunity for the actual and future STS product portfolio.

STS Group Strategy





Roadmap to global preferred system supplier with sustainable profit growth



GROWTH IN CHINA

China as the largest automotive market worldwide, offers high growth potential for STS Group: market share growth, new regulations, eMobility.



MARKET ENTRY USA

USA is an attractive market being the third largest truck market worldwide. Long-nose truck cabins represent higher sales volumes per unit.



ADD-ON ACQUISITIONS

Continuous market screening for potential targets to realize further growth due to potential strategic add-on acquisitions.



NEW PRODUCTS

New emission regulations and eMobility trigger need for new product characteristics and solutions.



COST STRUCTURES EUROPE

Continuous improvement of cost structures in Europe through automatization of processes, operational excellence and improved footprint.

Growth in China

POTENTIAL FOR STS

- Largest market worldwide
- Local competitors only small local family businesses
- Engineering know-how through own R&D on site
- New emission regulations



OBJECTIVES

- Double current sales volume in the mid-term
- Growth in market share with existing customers
- Expansion of the eMobility business

THE ROAD TO SUCCESS

- All major truck manufacturers are already STS customers
- Injection molding technology introduced and third manufacturing site inaugurated in 2019
- Promising order intake
- Expansion of product and customer portfolio ongoing

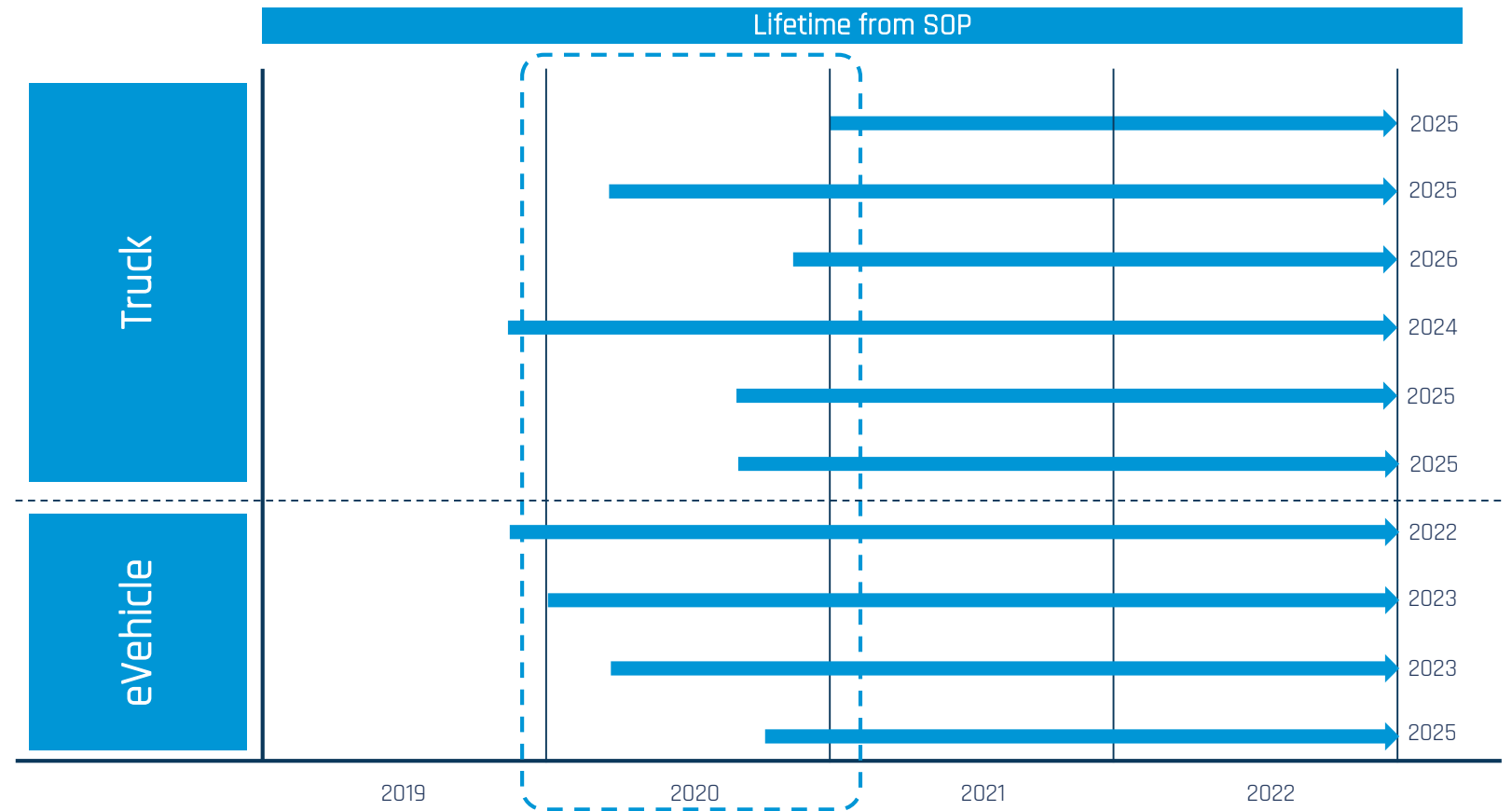


China with substantial order intake in 2019

Intensive sales activities in China in 2019 to acquire additional orders for Truck and eVehicle.

Order intake achieved in China in 2019 translates into significant increase of annual sales volume.

Sales contribution from these new orders in 2020 amounts up to ard. 10 mEUR.





Market entry USA

POTENTIAL FOR STS

- Third-largest truck market worldwide
- Long-nose trucks with higher value per vehicle (+120% more revenue per vehicle)
- No global competitors on site

OBJECTIVES

- Market entry with composite technology
- Better utilization of Mexican plant
- Invest in US manufacturing site to be close to the customers
- In the mid-term approx. 20-25 mEUR sales

THE ROAD TO SUCCESS

- Projects for American truck OEM acquired
- Further projects under negotiation to reach volume for a Green / Brownfield plant
- Expansion of product and customer portfolio ongoing



New Products

POTENTIAL FOR STS

- eMobility and emission regulation trigger need for new products
- Market trends towards global system suppliers
- Further demand for lightweight solutions



OBJECTIVES

- Supplier for emerging eMobility market
- Innovative lightweight solution provider
- Strengthen positioning as preferred system supplier for commercial vehicles



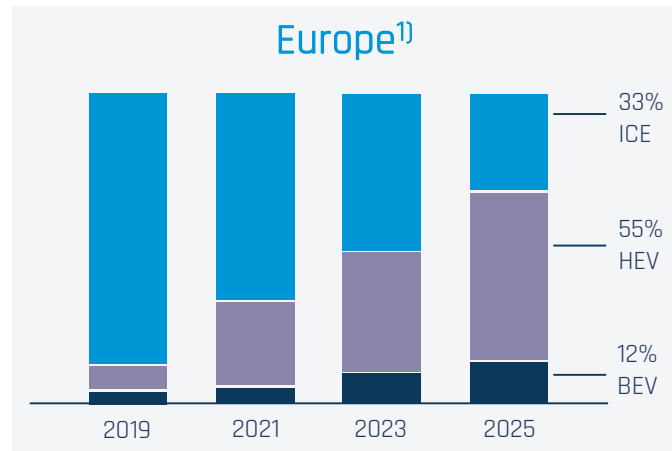
THE ROAD TO SUCCESS

- Tech-Days with several customers
- Bundling of group-wide R&D activities
- License agreement with AMA composites
- First projects for battery covers awarded

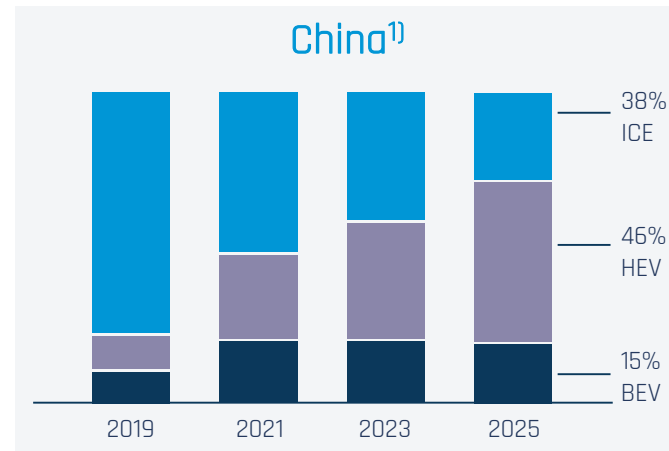




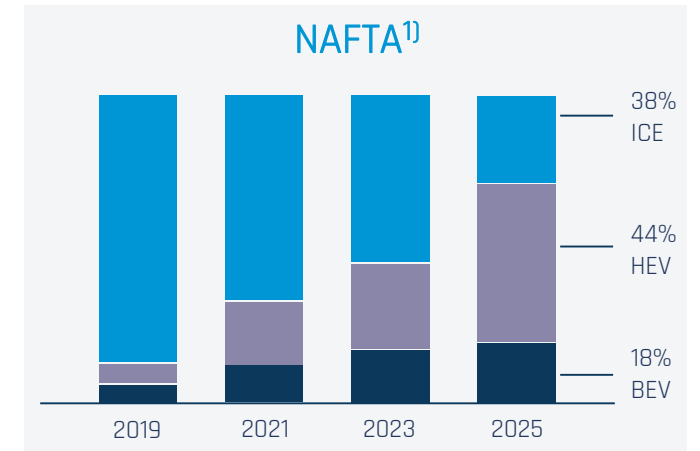
eVehicle development within the next years



- Total share of HEV (Hybrid Electric Vehicles) and BEV (Battery Electric Vehicles) increases up to ard. 67% in 2025
- Total production of up to 13.1 Mio. electric vehicle expected in 2025



- Total share of HEV and BEV increases up to ard. 60% in 2025
- Total production of up to 18.8 Mio. electric vehicle expected in 2025



- Total share of HEV and BEV increases up to ard. 62% in 2025
- Total production of up to 3.8 Mio. electric vehicle expected in 2025

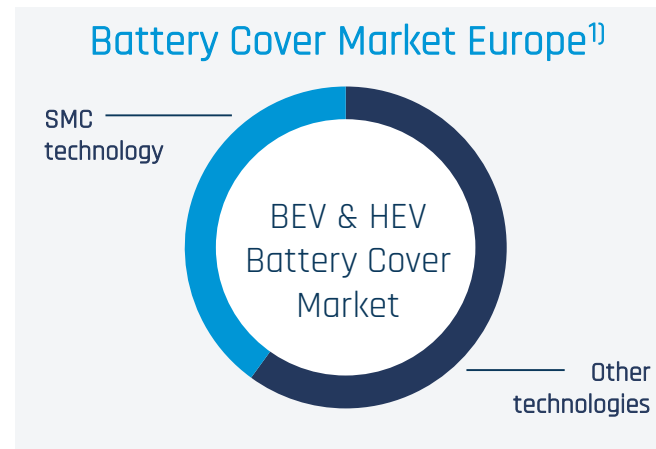
¹⁾ all values based on IHS Markit Data and Management assumptions



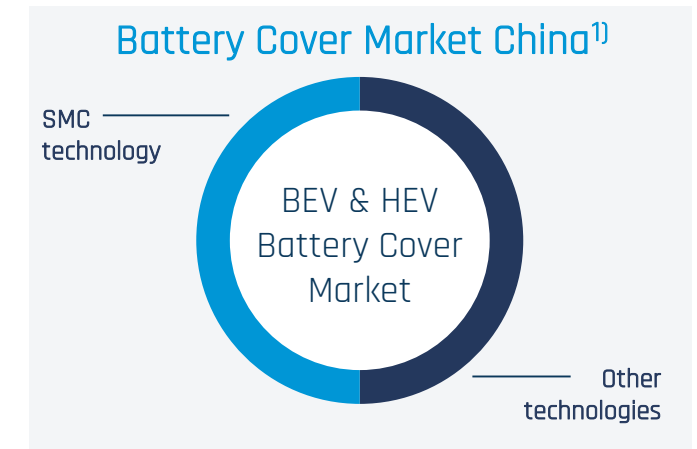
Significant sales potential with battery covers

Increase of hybrid- and battery electric vehicle production until 2025, leads to further sales volume from battery covers.

STS solution for battery covers is based on SMC technology combined with aluminum or injection molding compound (IMC).



- Market share of Battery Covers with SMC technology ard. 40%
- Potential market volume of SMC Battery Covers up to 200 mEUR
- STS sales share in 2025 of up to 30% in Europe



- Market share of Battery Covers with SMC technology ard. 50%
- Potential market volume of SMC Battery Covers up to 240 mEUR
- STS sales share of up to 20%, with an upside due to growing relevance for EMC²⁾ shielding in China

¹⁾ all values based on IHS Markit Data and Management assumptions

²⁾ Electro Magnetic Compatibility



Achievement of several milestones in line with STS strategy



February New business for BU [Acoustics](#) passenger car business awarded



April Third Chinese plant opened in Shiyan with successful SOP



May Major order for innovative [long-nose trucks](#) in China



June License agreement for innovative lightweight solutions



July Two orders received for [electric vehicles battery](#) covers from Chinese OEMs



August Third order received for [electric vehicles battery](#) covers from Chinese OEMs



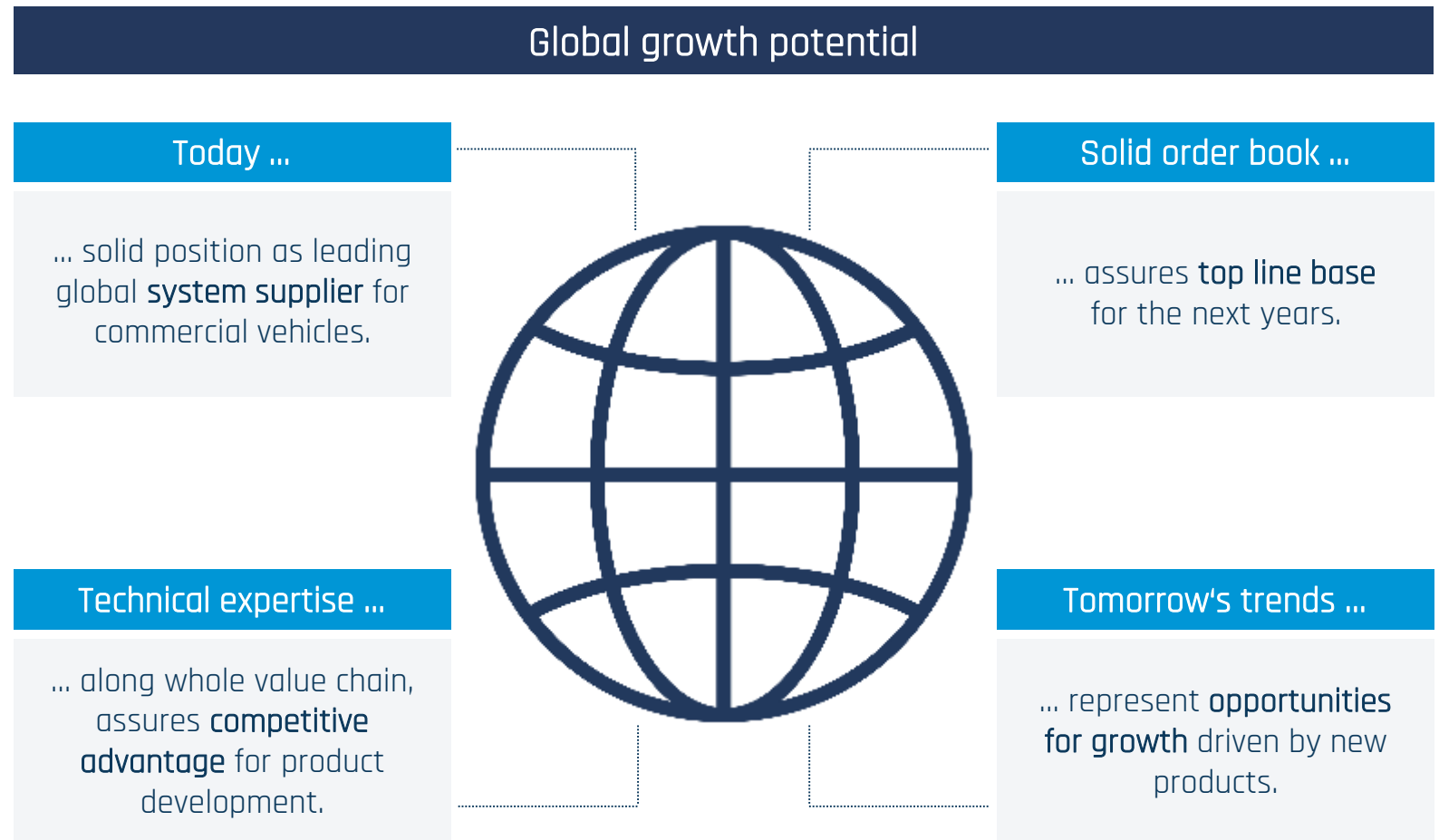
October Hybrid door as an [innovative lightweight solution](#) for a Chinese BEV



STS Group an attractive asset for today and tomorrow

Investment in STS Group with attractive value proposition:

- leading market positions,
- well positioned with regard to relevant megatrends,
- high technical expertise,
- currently low valuation.



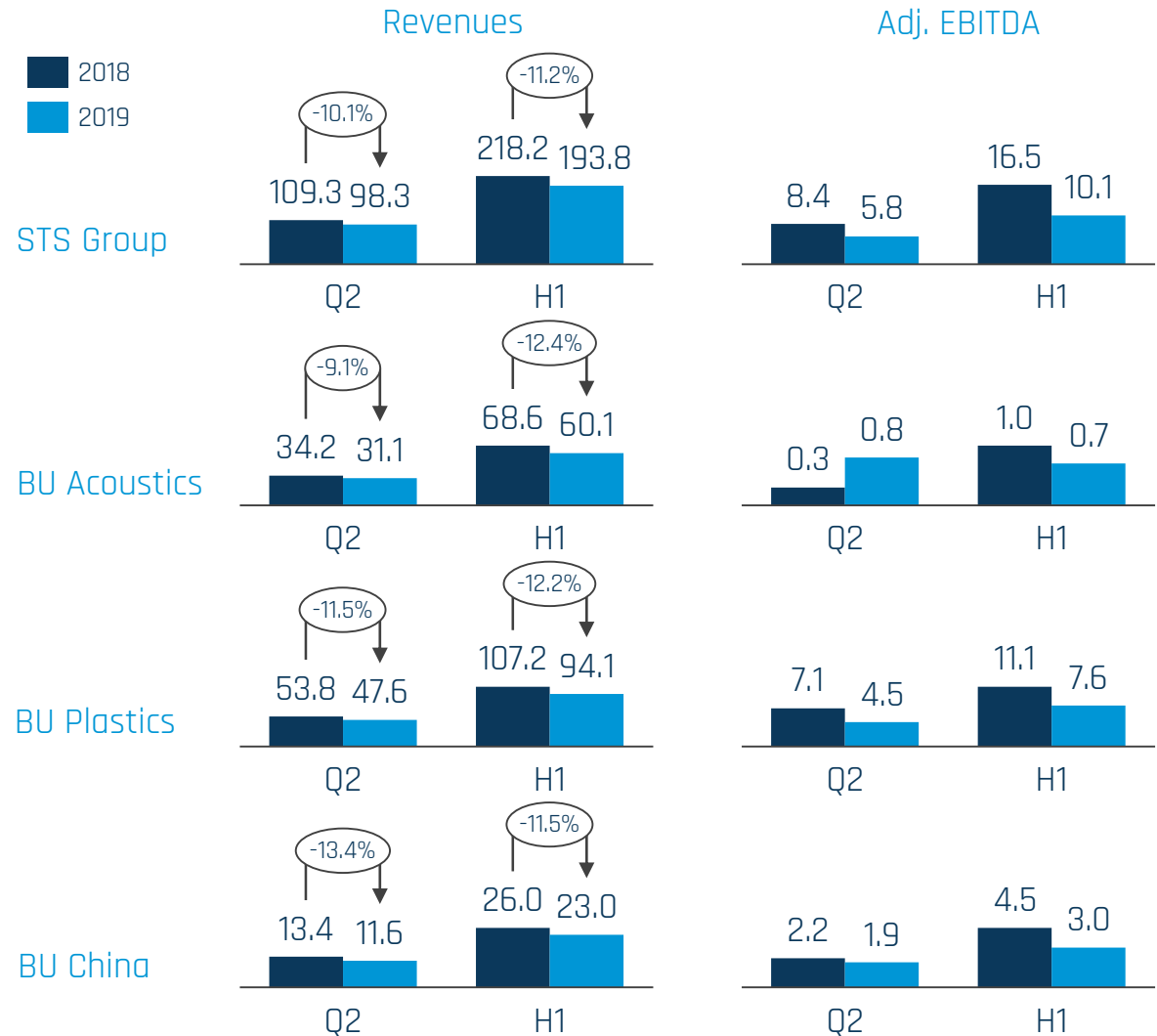
Financial Highlights

H1 2019





2019 is challenging due to weak automotive and truck markets



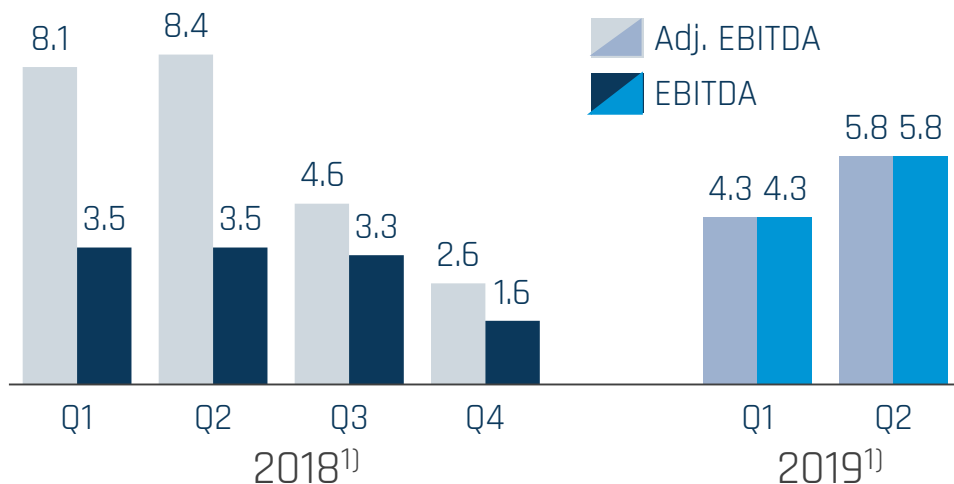
Comments:

- ▶ Revenues decreased by 11.2% in H1 2019
 - Weak passenger car market in Europe, especially in Italy
 - Planned end of a major order within BU Plastics
 - Significant decline in Chinese automotive market
- ▶ Adj. EBITDA impacted by:
 - Significantly lower volumes
 - Overall improved efficiency in plants
 - Profitability of Polish plant improved, however still negative
 - Ramp up costs at the new production location in Shiyan



Adj. EBITDA Q2 2019 below prior year, but improved versus Q1 2019

Adj. EBITDA (in mEUR)



Adj. EBITDA Margin (in %)

7.4	7.7	5.0	2.8
5.9			

4.5	5.9
5.2	

Adj. EBITDA Margin (in %)

	Q2 18	Q2 19	H1 18	H1 19
Acoustics	0.9	2.6	1.5	1.2
Plastics	13.2	9.6	10.4	8.0
China	16.3	16.7	17.2	13.1
Materials	3.6	4.8	6.1	4.3
STS Group	7.7	5.9	7.6	5.2

¹⁾ 2018: IPO & integration costs / 2019: no adjustments planned

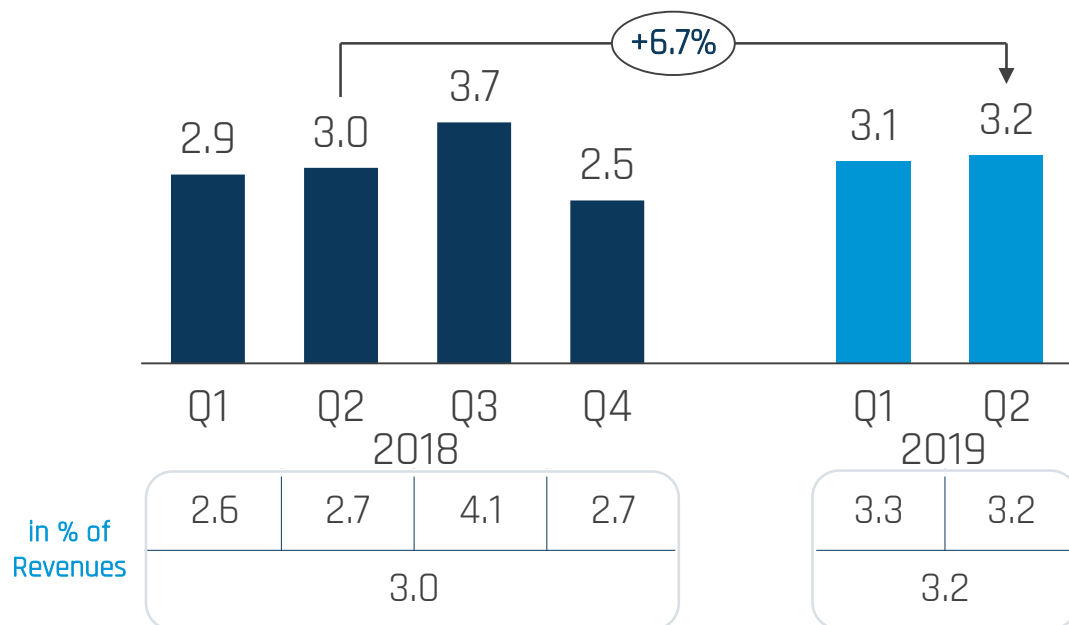
Comments:

- ▶ EBITDA in Q2 2019 improved over prior year quarter
- ▶ Adj. EBITDA in Q2 2019 below prior year quarter, however up on a quarter-on-quarter basis
- ▶ Positive IFRS 16 impact of ard. 1.3 mEUR in Q2 2019 (H1 2019: 2.3 mEUR), thereof 0.4 mEUR each for BU Acoustics, Plastics and China



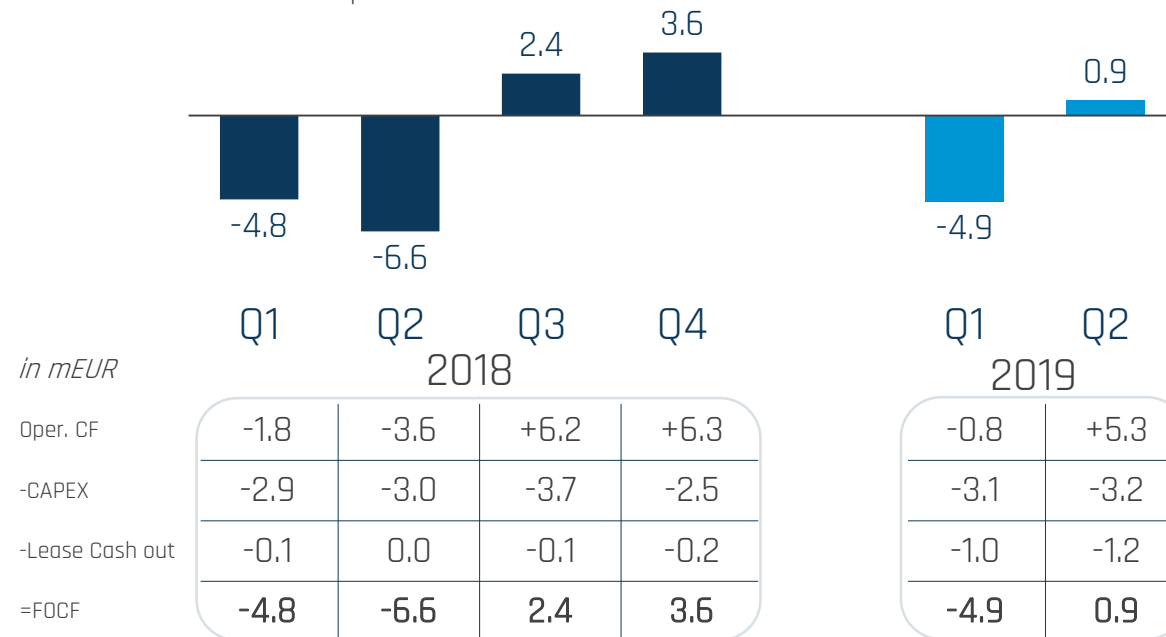
Free Operating Cash Flow improved versus Q2 2018

CAPEX (in mEUR)



Free Operating Cash Flow¹⁾ (in mEUR)

¹⁾ Cashflow from Operations - CAPEX - Lease cash outs



Comments:

- ▶ CAPEX in H1 amounted to ard. 3% of sales
- ▶ Free Operating Cash Flow in Q2 2019 (+0.9 mEUR) significantly improved versus prior year (-6.6 mEUR) mainly due to positive working capital development in Q2 2019



Several cash flow optimization measures applied



EARNINGS

Measures with short- and midterm impact:

- Optimizing operational performance within BU Acoustics
- Review footprint Europe ongoing
- Profitable growth in China



CAPEX

Focus on CAPEX to enhance efficiency or accommodate new orders



TRADE WORKING CAPITAL

Optimize Trade Working Capital



IMPROVEMENT OF OPERATING FREE CASH FLOW



Improving cash flow with working capital optimization



TRADE RECEIVABLES

Balancing trade receivables
and trade payables

Targets:

- Reduction of overdues
- Improvement of payment terms
- Sell receivables on a non recourse basis



INVENTORIES

Optimizing inventories in different
locations worldwide

Targets:

- Improving logistics and warehousing
- Reducing buffer stocks



TRADE PAYABLES

Improving payment terms
of trade payables

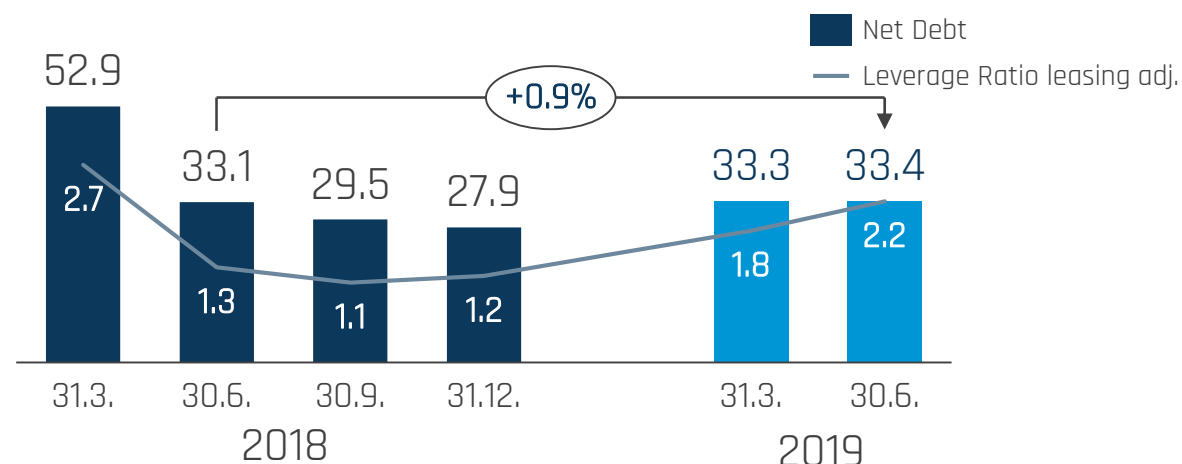
Target:

- Extending payment terms to at least 60 days in Europe and 120 days in China



Leverage ratio of 2.2 as per end of Q2 2019 on a solid level

Net financial debt and leverage (in mEUR / multiple)



Financial Debt (in mEUR)

	2018				2019	
	31.3.	30.6.	30.9.	31.12.	31.3.	30.6.
Bank loans	16.4	15.4	14.9	13.9	16.7	15.5
Third party loans	7.9	7.4	7.5	9.0	8.8	8.5
Recourse factoring	37.2	41.2	36.0	36.2	36.1	38.1
Financial Debt	61.5	64.0	58.4	59.1	61.6	62.1
Cash&Cash equiv.	8.6	30.9	28.9	31.2	28.3	28.7
Net Debt	52.9	33.1	29.5	27.9	33.3	33.4
LTM EBITDA last 12 months/lease adj.	19.6	25.4	27.0	23.7	18.8	14.9

Comments:

- ▶ Net Financial Debt 33.4 mEUR as of June 30, 2019
- ▶ Excluding recourse factoring liabilities of 38.1 mEUR, STS has positive net liquidity position of ard. 4.7 mEUR
- ▶ Leverage ratio as per June 30, 2019 of 2.2 is still very solid



Guidance for 2019 adjusted due to weaker than expected automotive markets



2019 OLD (February 27, 2019)

Market environment in the **automotive industry** will continue to be **challenging**

2019 NEW (August 2, 2019)

Reduced expectations for **automotive markets** in H2 2019



≈ 400 mEUR
(2018: 401 mEUR)

Reduction between 4.5-9.5%
compared to previous year
(2018: 401 mEUR)



Adj. EBITDA: ≈ 23.7 mEUR
(2018: 23.7 mEUR)
No adjustments planned
EBITDA: ≈ 23.7 mEUR
(2018: 11.9 mEUR)

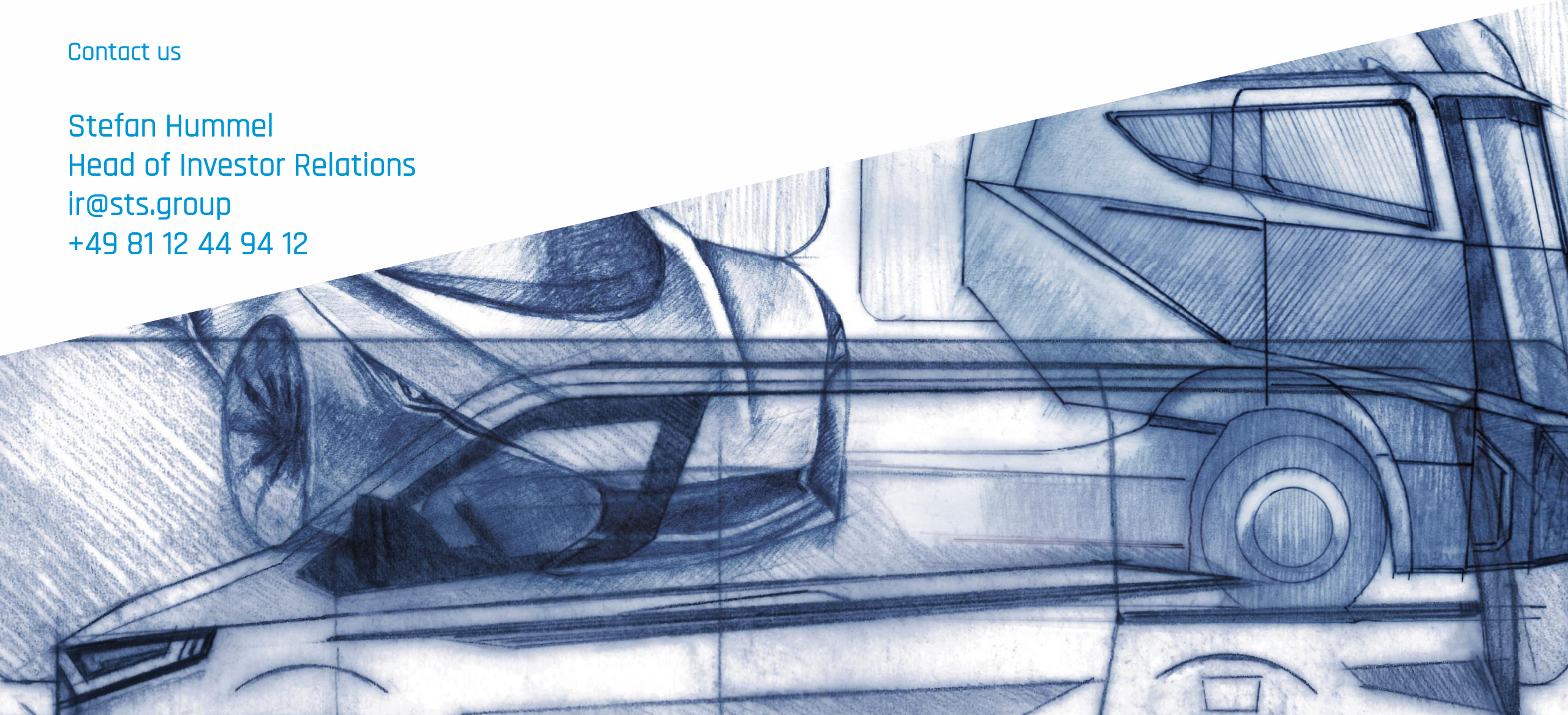
Adj. EBITDA margin between 4.6-5.3%
(2018: 5.9%)

Thank you for your attention!



Contact us

Stefan Hummel
Head of Investor Relations
ir@sts.group
+49 81 12 44 94 12





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