

ALEXANDER GEIS (CEO)

Annual General Meeting

20 MAY 2020





1 Performance 2019 – We achieved important milestones in all regions and laid the foundation for our future success

Summary: We set solid foundations for the next phase with clear ideas on 2020+ path

Sales
€ 1.284 MN

Adj. EBIT
margin
6.2%
(€ 80 MN)

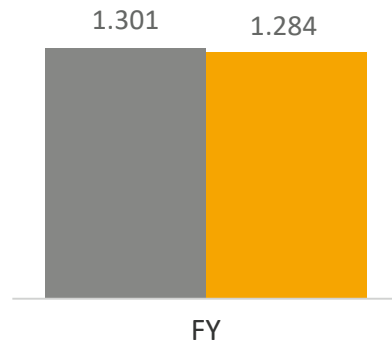
Net working
capital ratio
14.9%

Capex
€ 53.0 MN

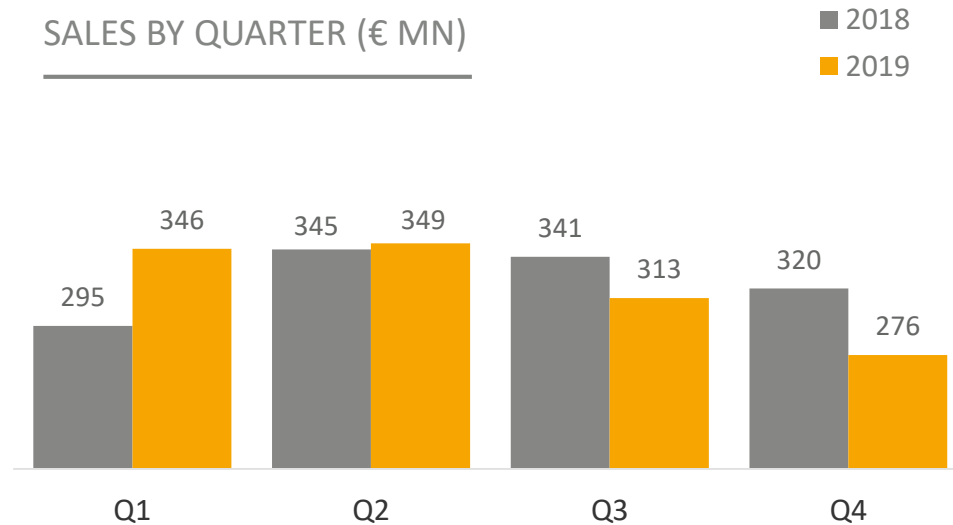
- Revised FY 2019 guidance met
- Program FORWARD shows further positive results
- China: plant consolidation successfully executed
- Comprehensive cost-cutting program started
- Free cash flow generation strongly improved
- Solid financial profile secured
- Next stage in operational excellence
- Further accelerate efforts on inventory management and free cash flow generation
- Sustainably improve quality of earnings

Group results – Sales and adjusted EBIT margin in line with revised guidance and market expectations

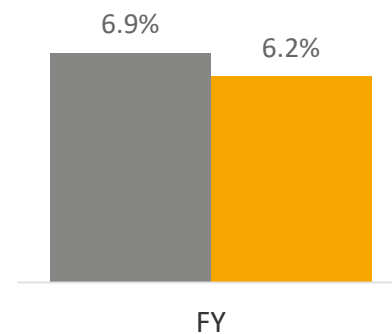
SALES (€ MN)



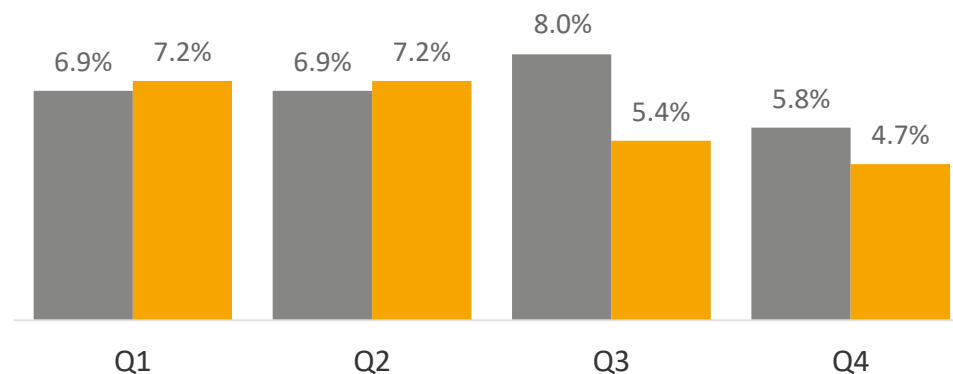
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN



ADJ. EBIT MARGIN BY QUARTER



Sales in 2019 influenced by

- Acquisition effects (+3.2 per cent respectively € +41.4 mn)
- FX effects (+2.0 per cent respectively € +25.8 mn)
- Organic effects (-6.4 per cent respectively € -83.6 mn net; strong organic growth in the Americas region could not compensate for the other regions)

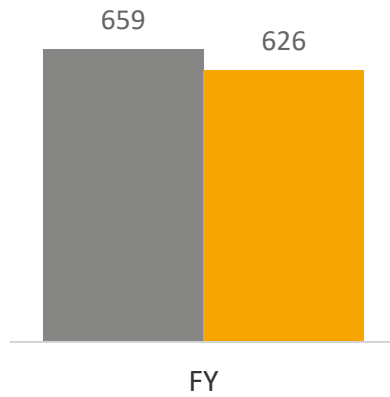
Adj. EBIT margin in 2019 influenced by

- Substantial losses due to restart in China (-)
- Product mix effects and inventory write-offs (-)
- Higher selling and administrative expenses (-)
- Contractual passing on of last year's steel price increases (+)
- Sustained price increases in the North American aftermarket business (+)
- Earnings generated by the entities acquired since January 2018 (+)
- Improved procedures and processes at our plants (+)
- Savings in global sourcing (+)

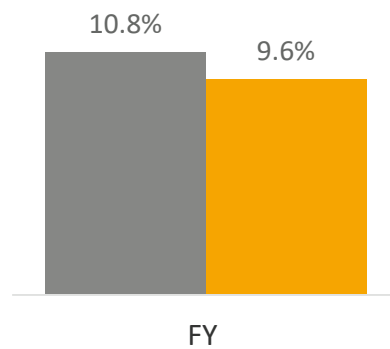
- **Adj. EBIT margin in 2018 positively affected** by the partial settlement of a medical plan in the US

EMEA – Solid development in a challenging market environment

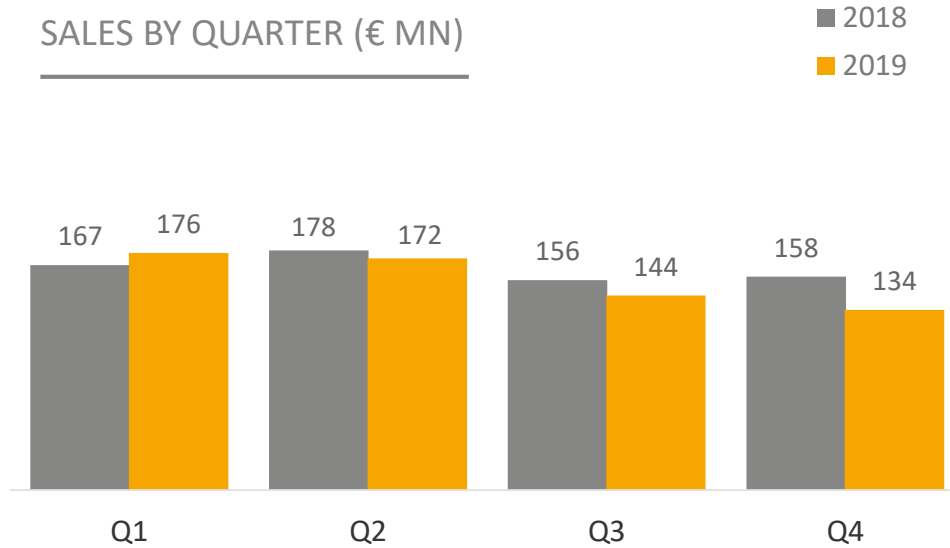
SALES (€ MN)



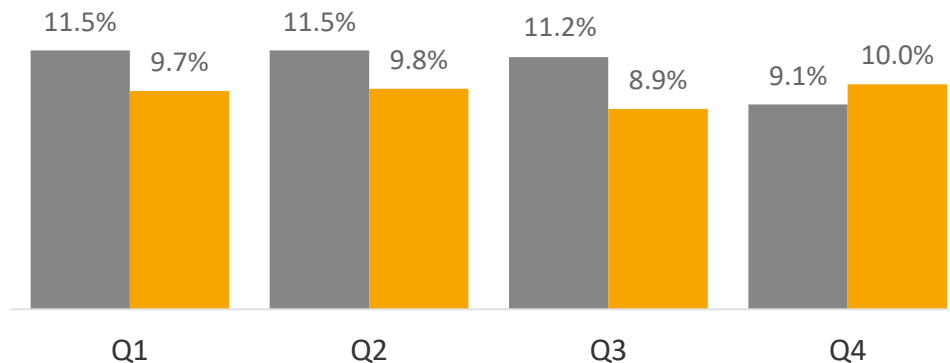
ADJ. EBIT MARGIN



SALES BY QUARTER (€ MN)



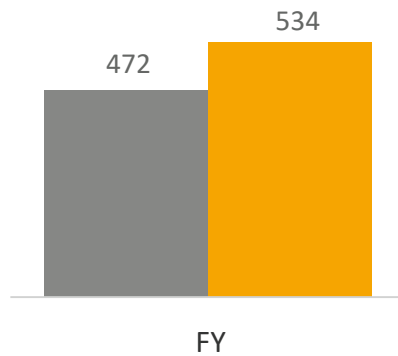
ADJ. EBIT MARGIN BY QUARTER



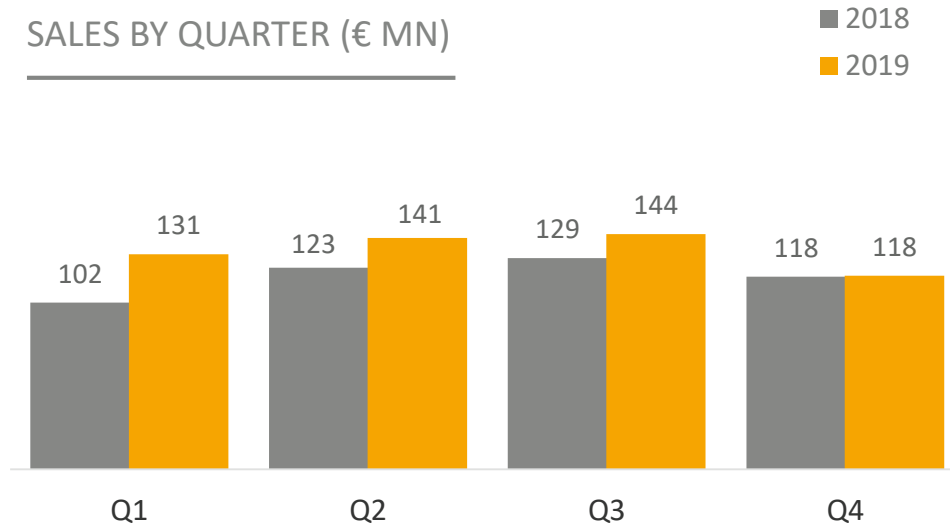
- **Sales in 2019 influenced by**
 - Acquisition effects (+3.1 per cent respectively € +20.5 mn)
 - FX effects (0.0 per cent respectively € -0.3 mn)
 - Organic effects (-8.0 per cent respectively € -53.0 mn)
- **Adj. EBIT margin in 2019 affected by**
 - Companies acquired since January 2018 (+)
 - Strict cost discipline (+)
 - Declining sales volume and higher personnel expenses (-)
- **Adj. EBIT margin in 2018 supported by**
 - Foreign currency effects Turkish Lira – Euro (+)
- **No goodwill impairment on V.ORLANDI**

Americas – Continuing recovery

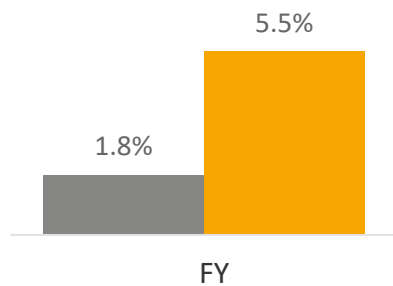
SALES (€ MN)



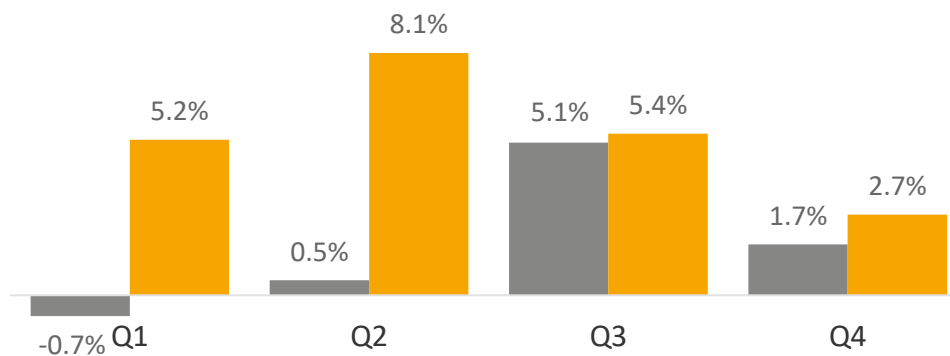
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN



ADJ. EBIT MARGIN BY QUARTER



- **Sales in 2019 influenced by**

- Organic effects (+8.0 per cent respectively € +37.8 mn; outperformed the market)
- FX effects (+5.3 per cent respectively € +24.8 mn)

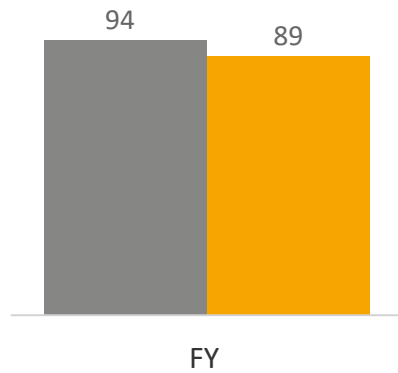
- **Adj. EBIT margin in 2019 affected by**

- Operational efficiency gains from program FORWARD (+)
- Contractual passing on of prior year's steel price increases (+)
- Lower purchase prices for steel and other materials (+)
- More profitable aftermarket business (+)

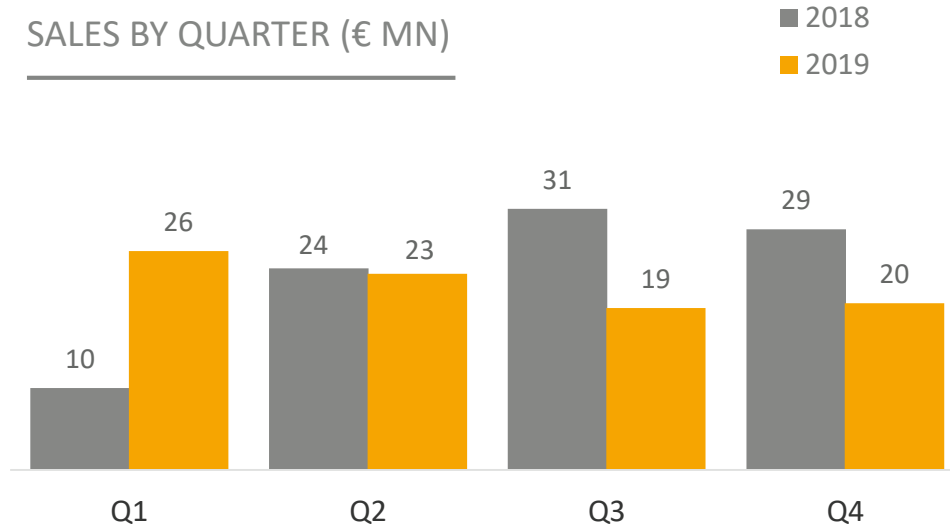
- **Adj. EBIT margin in 2018 positively affected by the partial settlement of a medical plan in the US in Q3/2018**

APAC – Challenging market environment

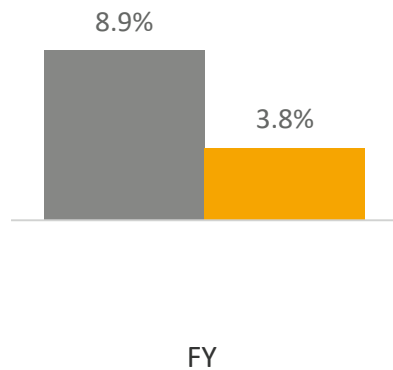
SALES (€ MN)



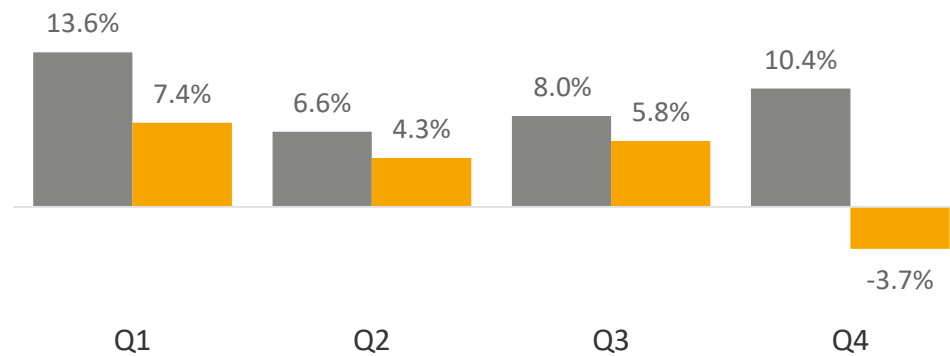
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN



ADJ. EBIT MARGIN BY QUARTER



Sales in 2019 influenced by

- Acquisition effects (+21.7 per cent respectively € +20.4 mn)
- FX effects (+1.1 per cent respectively € 1.0 mn)
- Organic effects (-28.6 per cent respectively € -26.9 mn due to unfavourable market development in India)

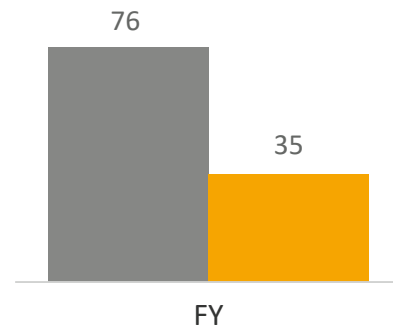
Adj. EBIT margin in 2019 affected by

- Lack of profit contributions due to missing volume of the Indian subsidiary (-)
- Restructuring income from the sale of a building in the course of a merger of SAF-HOLLAND Australia and York Transport Equipment Pty. Ltd. (Australia) (-)
- Product mix effects, mainly in Australia in Q4 (-)

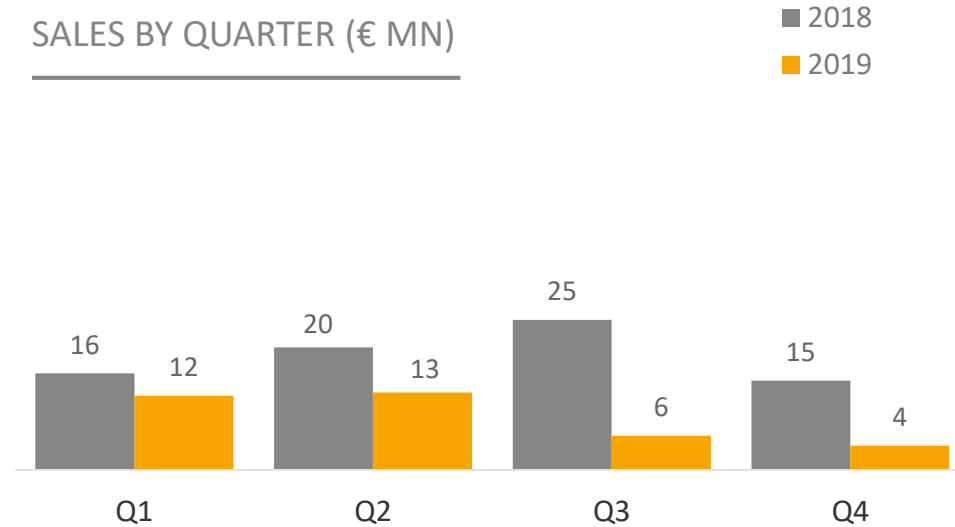
No goodwill impairment on York

China – Adjusted EBIT in target corridor – Restart ready

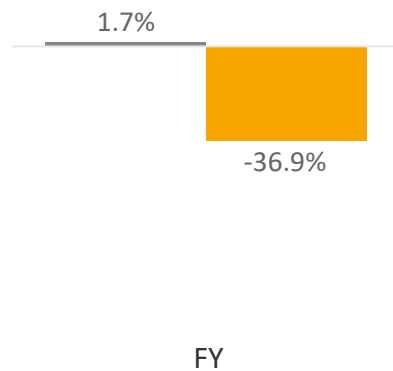
SALES (€ MN)



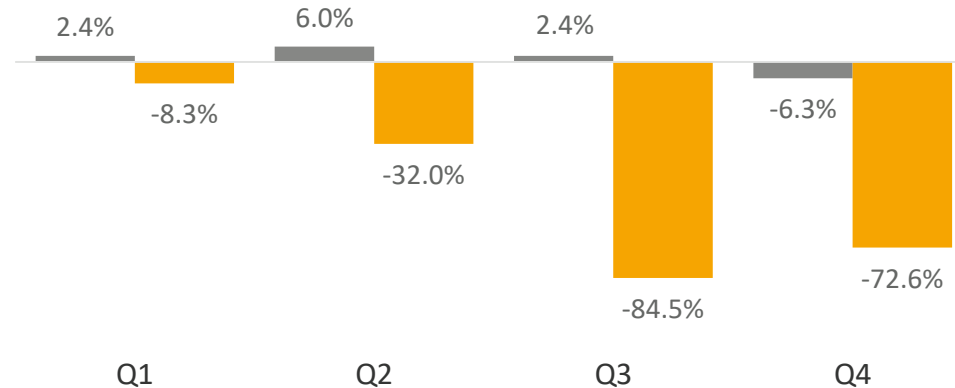
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN



ADJ. EBIT MARGIN BY QUARTER



Sales in 2019 sales influenced by

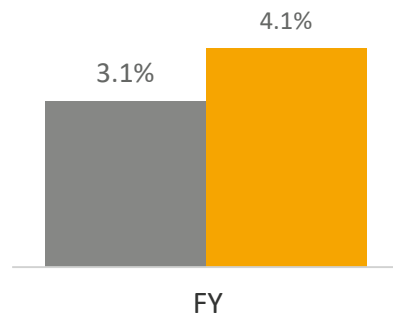
- Declining export business of Chinese customers following the trade dispute between China and the US
- Short notice cancellations and delays in orders in declining domestic market
- Temporary strikes following the announcement of plant closures

Adj. EBIT margin in 2019 burdened by

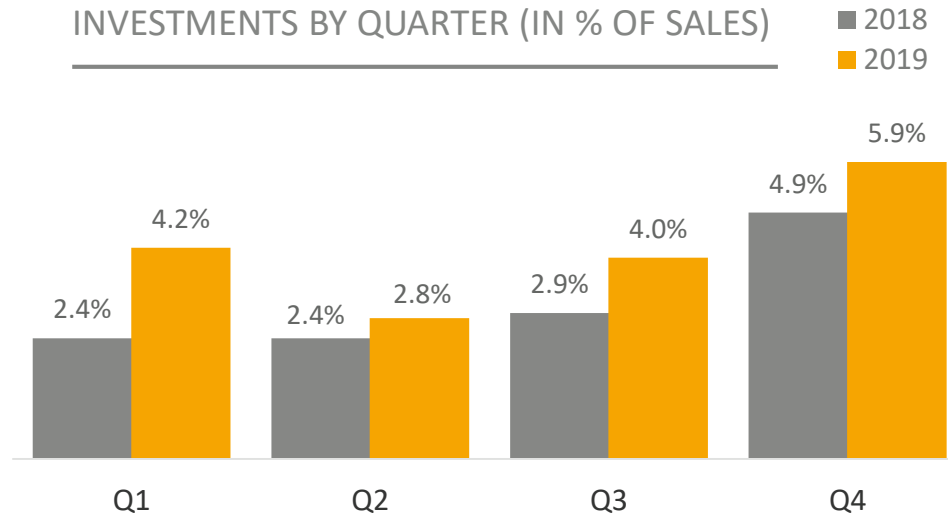
- Low level of capacity utilization at the Xiamen and Qingdao plant (-)
- Temporary cost burden from duplicate structures in the course of the integration of the other Chinese locations into the new Greenfield plant (-)
- Inventory and accounts receivable impairments (-)
- Strike-related costs (-)
- Losses on disposal of fixed assets (-)

Investments and depreciation – Preparing for the future

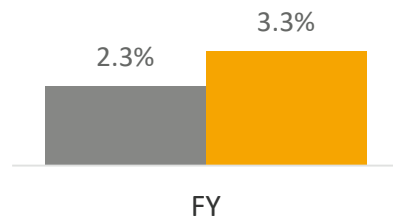
INVESTMENTS (IN % OF SALES)



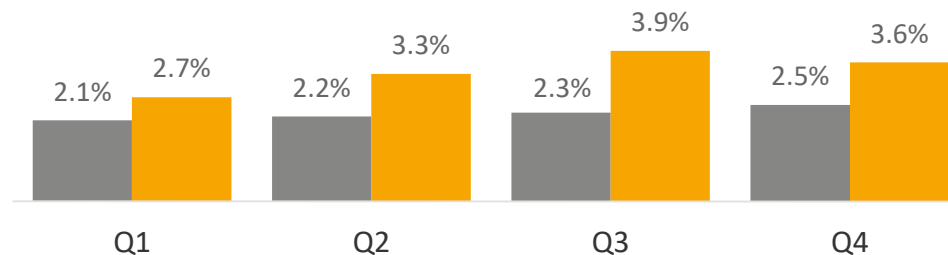
INVESTMENTS BY QUARTER (IN % OF SALES)



DEPRECIATION (IN % OF SALES)



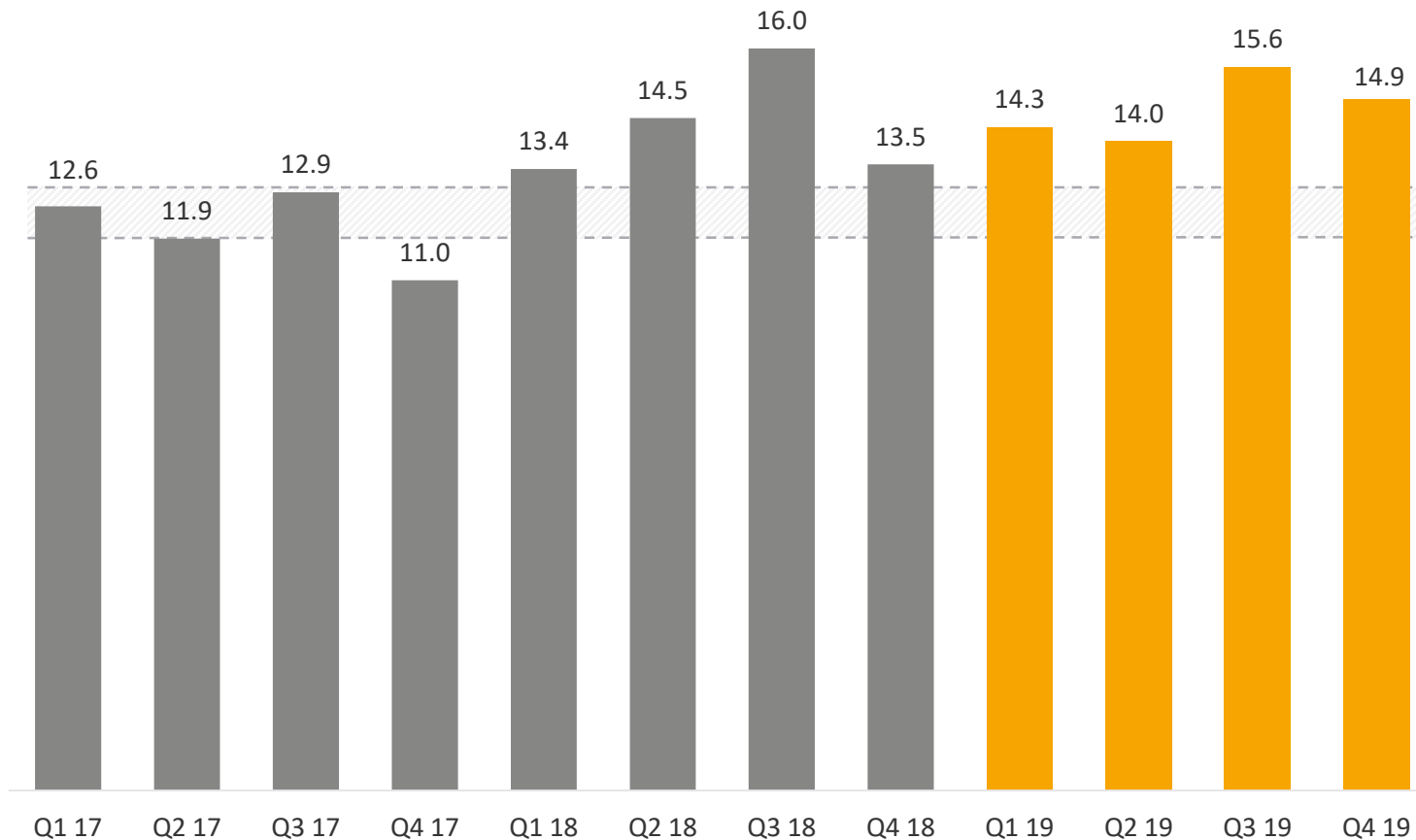
DEPRECIATION BY QUARTER (IN % OF SALES)



- **Investments** in plant, property, equipment and intangible assets (excl. IFRS 16) reached 4.1 per cent of Group sales
- **Operating cash flow** (7.1 per cent of Group sales) covers investments by far
- **Focus of investments:** construction of the Chinese Greenfield project, rationalisation and expansion investments in the US, new office building in Germany
- **Close monitoring of the investment approval process** to streamline capital allocation
- **Depreciation (excl. impairment of goodwill, R&D projects and tangible assets) increased** mainly due to IFRS 16 effects (0.6 per cent of Group sales)

Net working capital – Improvements support cash flow generation

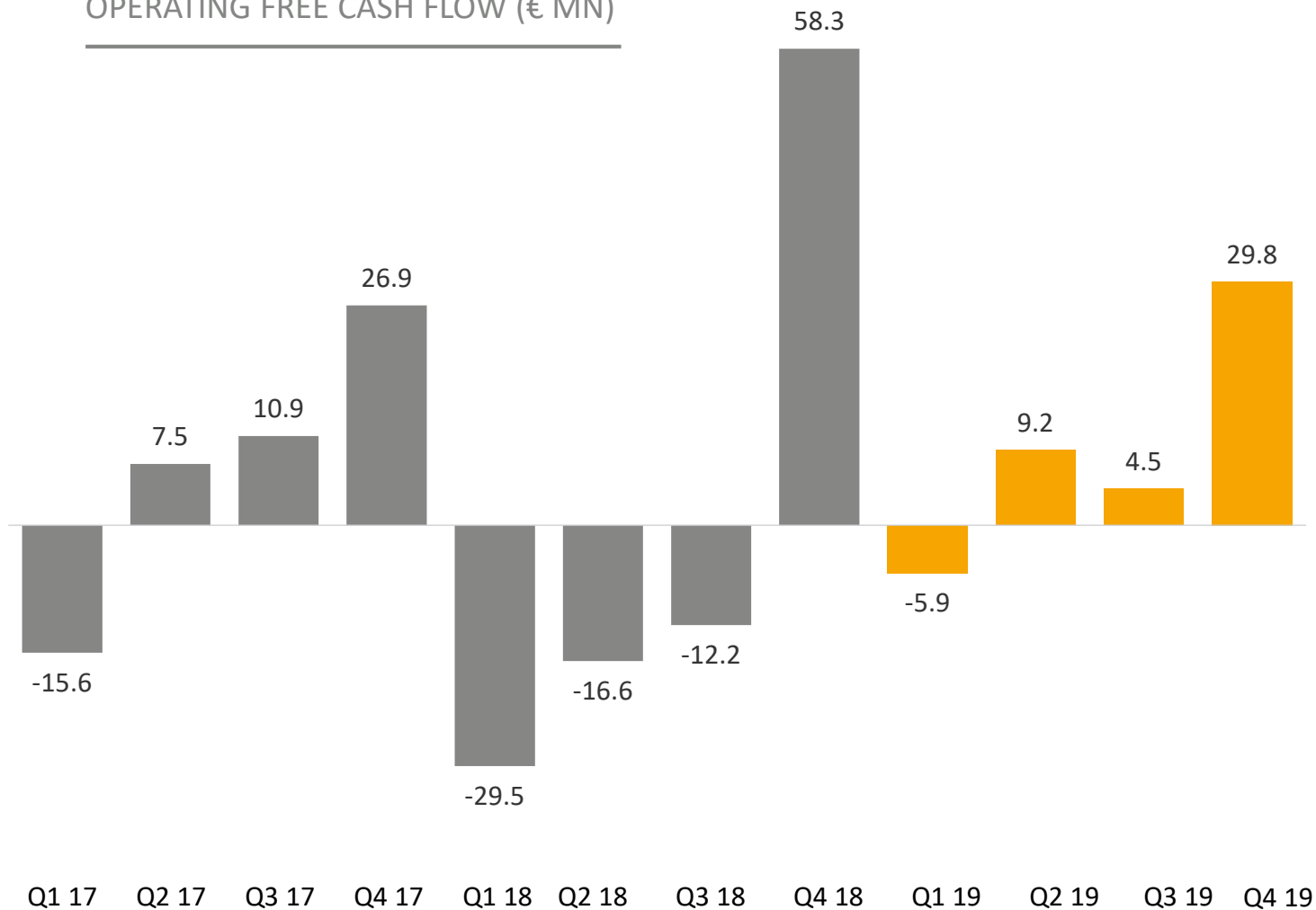
NET WORKING CAPITAL (IN % OF SALES)*



- **Net working capital (NWC) 4.7 per cent or € 8.1 mn below previous year's figure**
 - Inventories 6.3 per cent below prior year's level despite sales decrease of 1.3 per cent
 - Trade receivables down 9.3 per cent on substantially improved cash collection
 - Trade payables down 14.5 per cent or € 18.8 mn compared to year end 2018
 - Related to sales over the last twelve months (LTM), NWC ratio improved from 13.3 per cent to 12.8 per cent

Operating free cash flow – Turnaround accomplished

OPERATING FREE CASH FLOW (€ MN)



Significant improvement in operating free cash flow to € 37.6 mn (2018: € 0.0 mn)

- **Operating cash flow at € 90.6 mn (2018: € 40.8 mn)**
 - Working capital optimization (Δ € 48.1 mn)
 - Lower payment of income tax (Δ € 7.2 mn)
- **Investing cash flow (PP&E and intangible assets) at € 53.0 mn (2018: € 40.8 mn)**
 - Greenfield project in China
 - Program FORWARD
 - New office building in Germany



2 Performance Q1 2020 – Solid performance in a challenging environment

Summary: Solid Q1 2020

Sales
€ 283 MN

Adj. EBIT
margin
6.5%

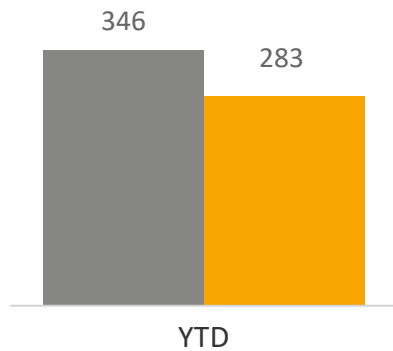
Net working
capital ratio*
13.0%

Capex
€ 6.7 MN

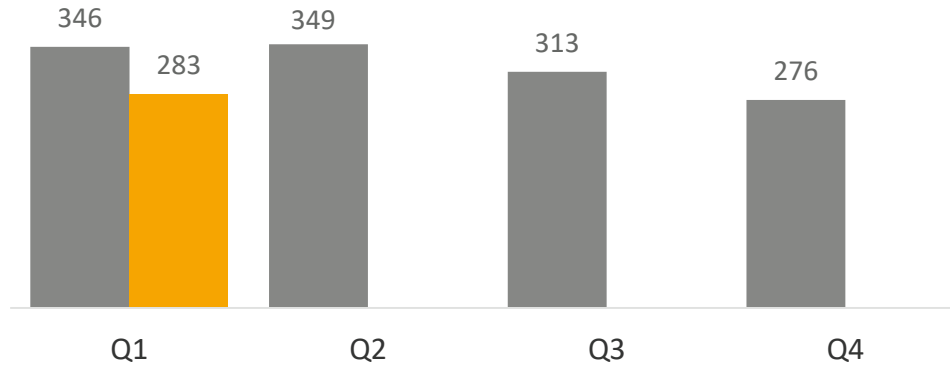
- Q1 2020 mainly unaffected by COVID-19 except China
- Aftermarket business has a stabilizing effect on sales and earnings
- Comprehensive cost-cutting program continued
- Free cash flow generation strongly improved
- Solid financial profile secured
- Next stage in operational excellence
- Execute SG&A savings programme
- Further accelerate efforts on inventory management and free cash flow generation
- Sustainably improve quality of earnings

Group results – Satisfactory start into the current financial year

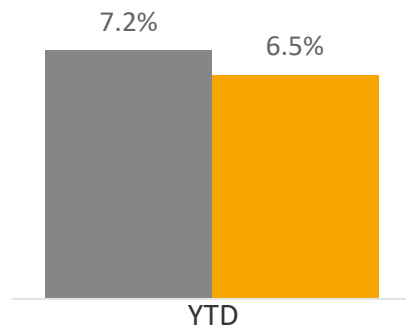
SALES (€ MN)



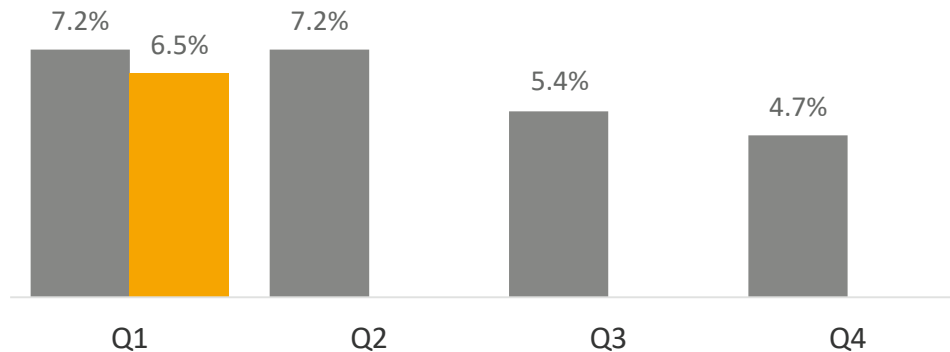
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN



ADJ. EBIT MARGIN BY QUARTER



■ 2019
■ 2020

- **Sales in Q1 2020 influenced by**
 - Acquisition effects (+0.5 per cent respectively € +1.6 mn)
 - FX effects (+0.6 per cent respectively € +1.9 mn)
 - Organic effects (-19.1 per cent respectively € -66.0 mn net)
- **Adj. EBIT margin in Q1 2020 influenced by**
 - Improved gross profit margin due to higher share of high-margin aftermarket business (+)
 - Higher SG&A ratio as not all cost-cutting measures have yet unfolded their full impact (-)
- **No goodwill impairments**



3 Outlook

Update on Covid-19 (as of May 13, 2020)

Employee Safety

- We protect the health and safety of our employees worldwide through close monitoring and regular guidance updates: travel suspended and precautionary updates have been issued and subsequently refined.
- Early quarantine measures established. Global COVID-19 response team in place including best practice sharing. Flexible working models established.

Ramp-up of Greenfield Operation in China

- Chinese New Year break extension and regional quarantine measures have delayed return to ramp-up the Greenfield plant. Plant is back in operation since early April. First products delivered to customers.
- Availability of workforce has improved to > 95 per cent again with challenges remaining for international support and leadership.

Other SAFH Plants and subsidiaries

- Temporary production shutdowns: India (5 weeks in March/April), Canada (2 weeks in April), Brazil (2 weeks in April), Singapore (until June 2, 2020)
- Selective short-time work in April and May: Germany and Turkey
- Subsidiary shutdowns and/or remote work: Italy, France, Spain, Malaysia (until May 13, 2020), Romania, South Africa

Supply Chain and Customers

- SAFH's dual and multi-sourcing strategy instrumental to mitigate risks and manage the supply chain. No production stop until now due to missing parts at SAF-HOLLAND.
- Ongoing supply chain monitoring and mitigating activities.
- Communication lines to both customers and suppliers in place globally.
- Trailer builders across all Europe (e.g. Wielton, Krone, Kögel) have shut down temporarily or announced short-time work respectively. Re-start of production end of April / beginning of May with reduced volumes.

Anticipated Financial Impact

- Financial impact on FY2020 not fully quantifiable yet.
- Corona adds to market downturns and puts pressure on the industry and its supply chain.
- SG&A cuts initiated globally to flex cost base.
- "Cash is King" – program started with dedicated team and specific targets.

2020 Outlook truck and trailer production – Global downturn expected

WESTERN & EASTERN EUROPE			NORTH AMERICA			CHINA			SOUTH AMERICA			INDIA		
	Truck	Trailer		Truck	Trailer		Truck	Trailer		Truck	Trailer		Truck	Trailer
New*	-35% to 40%	-20%	New*	-40% to -50%	-40% to -50%	New*	-30%	-40%	New*	-30%	-35%	New*	-25%	-30%
Old**	-10% to -15%	-5% to -10%	Old**	-40%	-35%	Old**	-20%	-30%	Old**	+20%	+5%	Old**	-20%	-20%

2020E:

- Lower volumes in Western & Eastern Europe
- Significant declines in North America and China

2020E:

- South America with lower volumes
- India with a weaker development

Financial guidance 2020

	FY 2019	FY 2020E (old)	FY 2020E* (new)
Sales	€ 1,284 mn	Low double digit percentage decline	Decline by 20 to 30 per cent
Adj. EBIT margin	6.2 per cent	Between 4 and 5 per cent	Between 3 and 5 per cent
CAPEX	4.1 per cent of sales	Around 3 per cent of sales	Around 3 per cent of sales

- *The forecast takes into account the foreseeable adverse effects on our business due to the coronavirus at the time of preparation (May 13, 2020). However, the economic effects on SAF-HOLLAND cannot currently be adequately determined or reliably quantified in full. The forecast is therefore subject to a high degree of uncertainty.*



Thank you for your attention

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