

# INVESTOR & ANALYST DAY 2020

NOVEMBER 25, 2020

**SAF**Holland  
Group

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**YORK**

# AGENDA

## 1 INTRODUCTION & STRATEGY 2025

Alexander Geis

## 2 R&D: SHOWCASING LATEST TECHNOLOGY

Christoph Günter

## 3 OPERATIONAL EXCELLENCE – NEXT LEVEL

Dr. André Philipp

## 4 CFO VIEW

Inka Koljonen

## 5 Q&A

All

-- Break --

## 6 UPDATE FROM THE REGIONS

EMEA: Leading market position  
Christoph Günter

AMERICAS: Lever for value growth  
Kent Jones

APAC: Future opportunity  
Dr. André Philipp

## 7 Q&A

All

## 8 CLOSING REMARKS

Alexander Geis



# STRATEGY 2025

ALEXANDER GEIS, CEO

INVESTOR & ANALYST DAY 2020 NOVEMBER 25, 2020

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# OUR MANAGEMENT TEAM – WHAT WE STAND FOR



**Alexander Geis**  
CEO

Leading  
the  
Future



**Inka Koljonen**  
CFO

Sharp  
Focus on  
Cash & EBIT



**Dr. André Philipp**  
COO  
President China

Driving  
Operational  
Excellence  
Globally



**Christoph Günter**  
President EMEA  
SVP Global R&D

Passionate  
about  
Engineering  
for Profitable  
Growth



**Kent Jones**  
President  
Americas

Accountability  
& Results thru  
Business  
Transparency



# STATUS QUO

**In a market environment dominated by the global spread of COVID-19 we have demonstrated our operational flexibility and achieved a positive operating result.**

Adj. EBIT margin of 5.4 per cent at the end of the first nine months in 2020

Successful mitigation by consequent implementation of strategic measures:

Downsizing of the Management Board / Executive Committee from 8 members to 5 members

Global program to reduce selling and administrative costs initiated at end of September 2019

Number of employees decreased by > 20 per cent compared to previous year, leading to lower costs

Supplemental collective agreement for Bessenbach locations (effective from March 1, 2020)

Operating free cash flow € 64 mn at the end of September 2020

Decline of capex ratio from 3.5 per cent to around 2.5 per cent in 2020 ff

► **WE ARE NOW IN A PROMISING STARTING POSITION TO SUCCEED IN THE POST PANDEMIC MARKET LANDSCAPE.**

STRATEGY 2025  
WITH OUR  
CUSTOMERS' SATISFACTION  
AS OUR KEY MOTIVATION  
WE WILL FOCUS ON  
BECOMING BETTER  
AT EVERYTHING WE DO





## OUR VISION

To be the most trusted and reliable partner  
in the commercial vehicle industry



# OUR MISSION

To take a leadership role in the transformation of mobility and partner with our customers on the road to a sustainable future

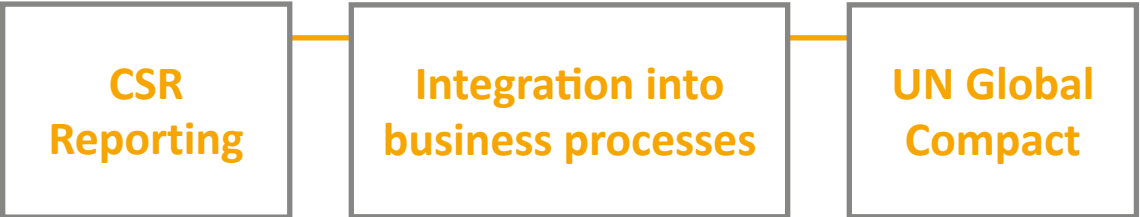


# CORPORATE SOCIAL RESPONSIBILITY AT SAF-HOLLAND – REFLECTED IN CORPORATE MISSION



Sustainability is a **core element** of our mission

We have anchored sustainability in **all areas of our organisation** and have established a framework that ensures a **holistic approach**



# OUR STRATEGY 2025 IS BASED ON 5 PILLARS

## VISION

To be the most trusted and reliable partner in the commercial vehicle industry



## MISSION

To take a leadership role in the transformation of mobility and partner with our customers on the road to a sustainable future



### GROWTH AND PORTFOLIO OPTIMISATION

We have greatly **expanded our global footprint and product portfolio.**

Our focus now lies on **optimising this footprint**, rationalising our product portfolio, utilising our extensive **economies of scale** and **bundling our competencies toward an efficient and profitable future.**



### TECHNOLOGY AS A CORE ENABLER

We embrace and foster the innovations of **new technology in all areas of our business** to ensure the **long-term success of our product and service portfolio.** We understand that our future growth relies on successful **alliances and partnerships** with leaders in **complementary technologies.**



### GLOBAL BACKBONE

We continue to build on our global reach by **strengthening our position** in the areas of **global standardisation and harmonisation, digitalisation of operational processes and R&D, global sourcing**, compliance, and further enhancement and development of our **global infrastructure and leadership model.**



### OPERATIONAL EXCELLENCE

We continuously improve the **efficiencies in our production processes to maximise quality, consistency, adaptability and cost-effectiveness.** We value the **health and safety of our employees** as our highest priority. We choose to act **environmentally responsibly** and consider the best options to **minimise our carbon footprint.**



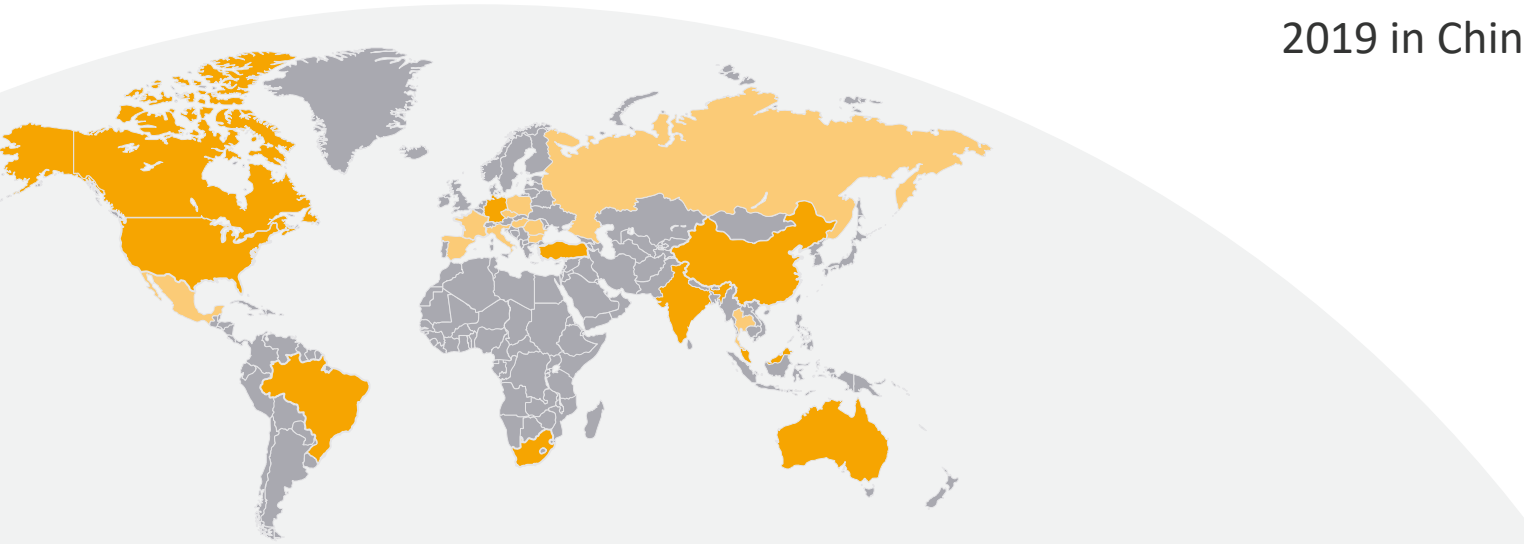
### PEOPLE FOCUS

As we strive towards becoming an **employer of choice**, we build a **competent and engaged workforce** by investing in our personnel and encouraging **life-long learning**, with **mobile and agile work.**





- We have broadened our footprint and portfolio over the past several years.
- Now our focus lies on
  - optimising our footprint,
  - creating bigger economies of scale and higher profitability,
  - and bundling competencies across the Group.



## Our achievements so far:

- M&A efforts over the past several years (e.g. York, KLL, Orlandi, Axscend, Pressure Guard) have contributed to a diversified product, service, and aftermarket portfolio and a strong global presence
- Global engineering facilities across the Group
- Plant consolidation: Major achievements already in 2019 in China, the U.S., India, Australia, Singapore etc.

# TECHNOLOGY AS A CORE ENABLER



To ensure the long-term success of our product and service portfolio, we embrace and foster the innovations of new technology in all areas of our business.





# OUR PRODUCT AND INNOVATION STRATEGY

**Technology  
as a  
core enabler**



**CORE PRODUCTS  
& CUSTOMER RELATIONS**



**PARTNERSHIPS**



**SMART STEEL: INTELLIGENT PRODUCTS,  
SENSORS AND DATA ANALYTICS**



**GLOBAL R&D AND  
CENTERS OF COMPETENCE**



# OUR PRODUCT AND INNOVATION STRATEGY



**Technology  
as a  
core enabler**



## CORE PRODUCTS & CUSTOMER RELATIONS

- Global market leader in the medium and premium segment in:
  - Trailer axles and suspensions
  - Fifth wheels
  - Landing gear
  - Couplers
- Lightweight and material innovation
- Aftermarket growth
- Service network expansion
- Improved customer experience

# OUR PRODUCT AND INNOVATION STRATEGY

**Technology  
as a  
core enabler**



- We believe in the power of alliances and partnerships and consider it a core element of our innovation strategy.
- With our partners we increase the speed of innovation and are able to manage future growth projects.

## PARTNERSHIPS

We access our expertise in product, material, and technological innovation, and strive for the best possible new solutions while setting the standard.

We support our customers in increasing safety levels with our competencies and experience.

**TECHNOLOGY  
PARTNER**

**DIALOGUE  
PARTNER**

We listen to our customers and partners, develop our products through constant dialogue, and strive for long-term relationships.

**SAFETY  
PARTNER**

**SALES  
PARTNER**

We have a strong global sales network, powerful brands, and a broad aftermarket and service offering with global reach.



# OUR PRODUCT AND INNOVATION STRATEGY

**Technology  
as a  
core enabler**



## Smart Steel: Innovation hub & core of our product strategy

- Predictive maintenance: Core physical products combined with electronic components so that status/conditions can be recorded, automated & digitalised
- Telematic systems (TrailerMaster)

## SMART STEEL: INTELLIGENT PRODUCTS, SENSORS AND DATA ANALYTICS

- Digital services and digital information for our customers, i.e. for analysis, status, warning, recommendation, and action
- E-commerce



# OUR PRODUCT AND INNOVATION STRATEGY

An aerial photograph of a city skyline, likely Shanghai, with a yellow semi-transparent overlay. The overlay contains the text 'Technology as a core enabler' and a circular icon of a head with a circuit board inside.

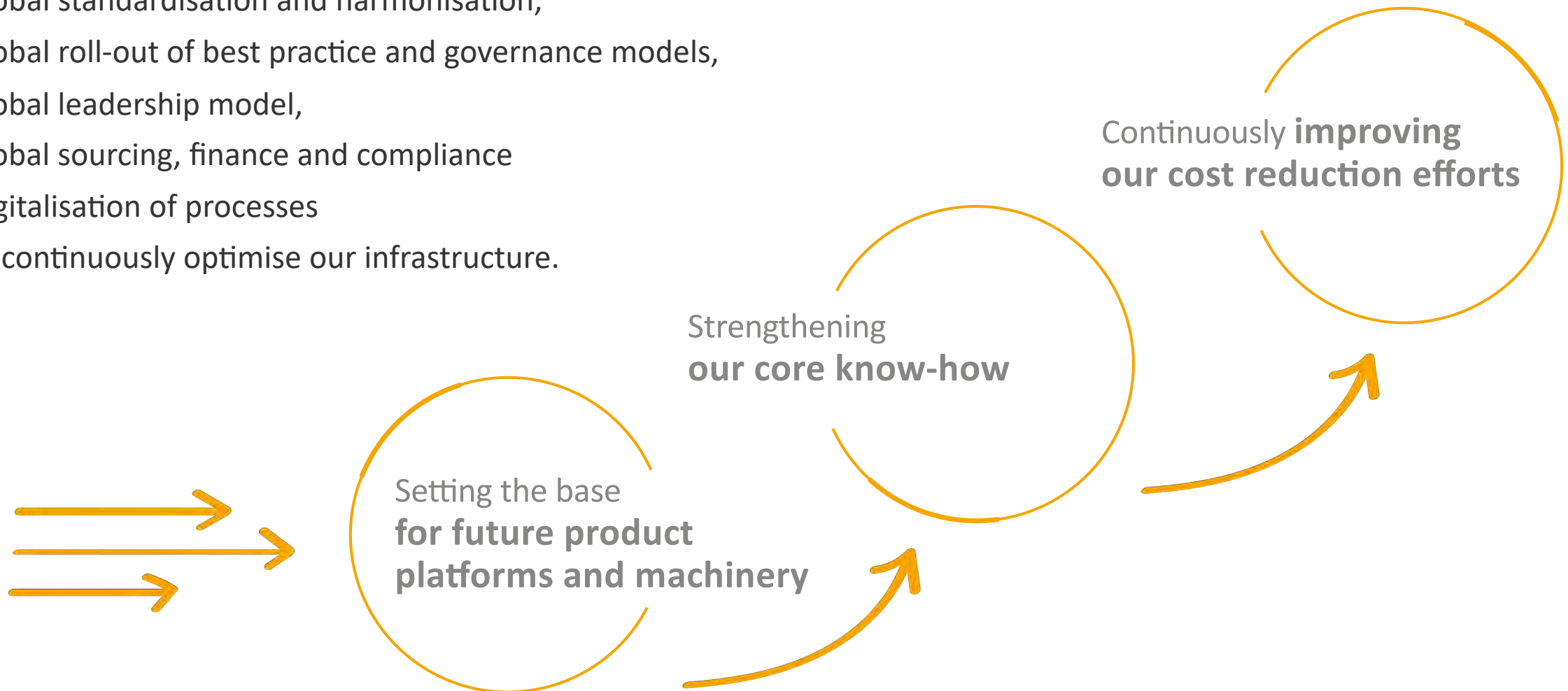
**Technology  
as a  
core enabler**

- Fostering our global R&D approach
- Streamlining of R&D projects, processes, and tools
- Global Centers of Competence for core product groups and technologies

**GLOBAL R&D AND  
CENTERS OF COMPETENCE**



- We continue our efforts to strengthen our global backbone in the areas of
  - global standardisation and harmonisation,
  - global roll-out of best practice and governance models,
  - global leadership model,
  - global sourcing, finance and compliance
  - digitalisation of processes
- and continuously optimise our infrastructure.



# OUR OPERATIONAL EXCELLENCE INITIATIVES – FROM EMPOWERMENT CULTURE TO BEST PRODUCTS



## CREATE LEADERSHIP & CULTURE THAT EMPOWERS

Ensuring strategic leadership, transparent objective deployment and empowering employees through skill development and the authority to improve their workplace. Leaders are responsible for the cultural change which is necessary to become exceptional.



## ENSURE SAFETY, HEALTH & PROTECTED ENVIRONMENT

Achieving an incident and accident free working environment, where every SAF-HOLLAND employee and visitor are safe from any unsafe actions or conditions. Through our operations and community involvement, we promote the safe, efficient and responsible use of the world's resources.



## OPTIMISE MATERIAL SUPPLY

Optimising our internal and external material flows to ensure the quantity and quality of material for production at the required time while minimising cost and capital investment.



## DRIVE TOTAL QUALITY

Establishing a climate in which we improve our processes and systems to provide quality products and services that are able to exceed our customers' increasing expectations.



## ASSURE BEST PRODUCT & PROCESS DEVELOPMENT & ENGINEERING

Assuring the design and engineering processes of our products and operational processes will minimise manufacturing costs while maximising customer satisfaction.



## BUILD A WORLD CLASS PRODUCTION SYSTEM

Building the fundamentals of a lean production system that minimises waste, ensures our standards and enables continuous improvement cycles to achieve a world class production environment.





# OUR HR STRATEGY AND PRIORITIES



People focus

Driving a culture of **high performance**

With the **right people** in the **right roles**



Helping the Company **transform** while **transforming itself**

# OUR HR TARGETS ON OUR WAY TO 2025





# OUR LEADERSHIP PRINCIPLES – A CORE ELEMENT OF PEOPLE FOCUS



We build a competent and engaged workforce by investing in our employees and encouraging life-long learning. We believe that our future growth relies on strong relationships, collaboration, and integrity.



## We Deliver What we Promise

We are a consistent, reliable and trusted partner of our customers.  
We are collaborative and focused on providing solutions.  
We strive to be an investment of choice for the investor community.



## We are One Global Team

We embrace diversity, welcome different perspectives and encourage new ideas.  
We reach our best possible solutions by collaborating and capitalising on our diverse strengths.



## We are Eager to Grow

We welcome change.  
We seek opportunities to learn, develop, and adapt in order to advance and lead.



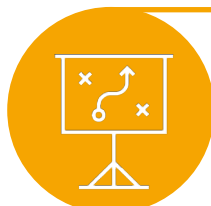
## We Do the Right Thing

We believe in personal and professional integrity.  
We have zero tolerance for unethical behavior.  
We consider caring for our environment and society as a key responsibility.

# OUR MID-TERM TARGETS



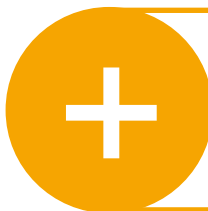
**Profitable sales growth**



**Margin improvement to around  
8 per cent adj. EBIT by 2023 latest**



**Continued improvement  
of cash flow generation**



**Optimisation  
of Net debt to EBITDA ratio**



**Increase  
of shareholder value**



# R&D: SHOWCASING LATEST TECHNOLOGY

CHRISTOPH GÜNTER, PRESIDENT EMEA

INVESTOR & ANALYST DAY 2020 NOVEMBER 25, 2020

**SAF Holland**  
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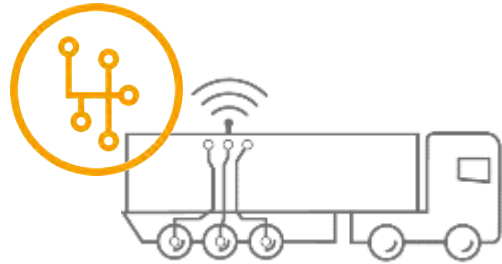
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# MEGATRENDS OF THE COMMERCIAL VEHICLE INDUSTRY SET THE FRAME FOR FUTURE INNOVATIONS



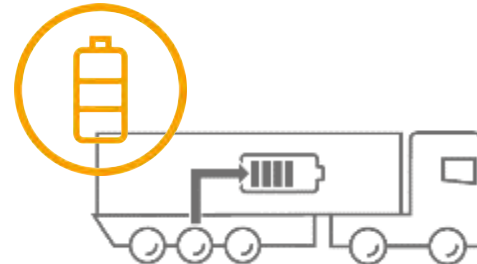
## Digitalisation

### Drivers

- Optimisation of uptime
- Efficiency
- Security increase

SAF-HOLLAND  
solution

**Smart Steel**  
@ SAF-HOLLAND



## Electrification

- CO<sub>2</sub> reduction
- Noise reduction
- Legislation

**TRAK e-axle family**  
@ SAF-HOLLAND



## Automated Driving

- CO<sub>2</sub> reduction
- Efficiency
- Legislation

**SHAC**  
@ SAF-HOLLAND

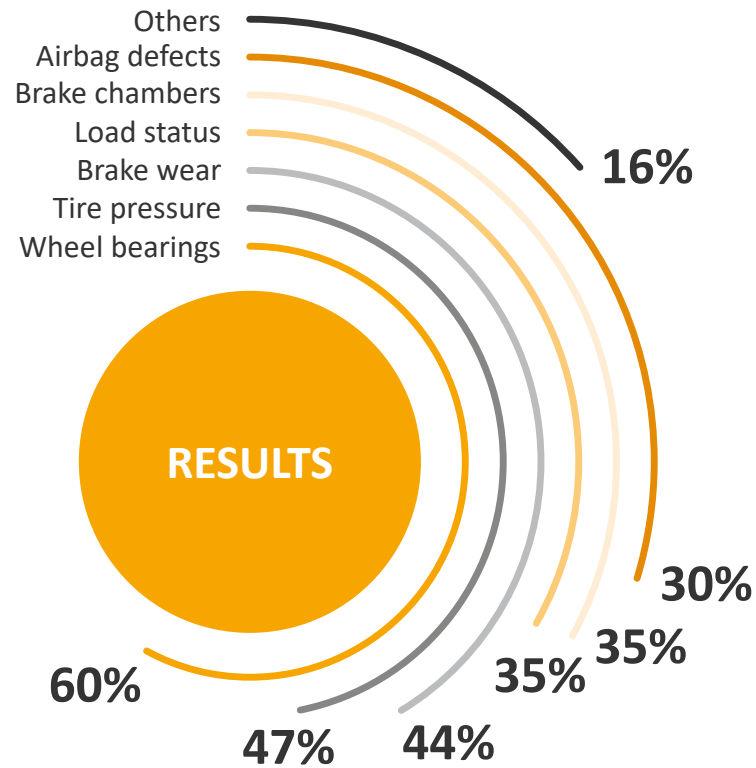


# INCREASING SAFETY AND THE OPTIMISATION OF UPTIME ARE THE MAIN DRIVERS FOR THE MARKET TO INVEST INTO DIGITAL TRAILER SOLUTIONS



## SAF-HOLLAND Customer Survey 2020:

What are your greatest pain points when operating a trailer, especially relating to the components underneath the chassis?



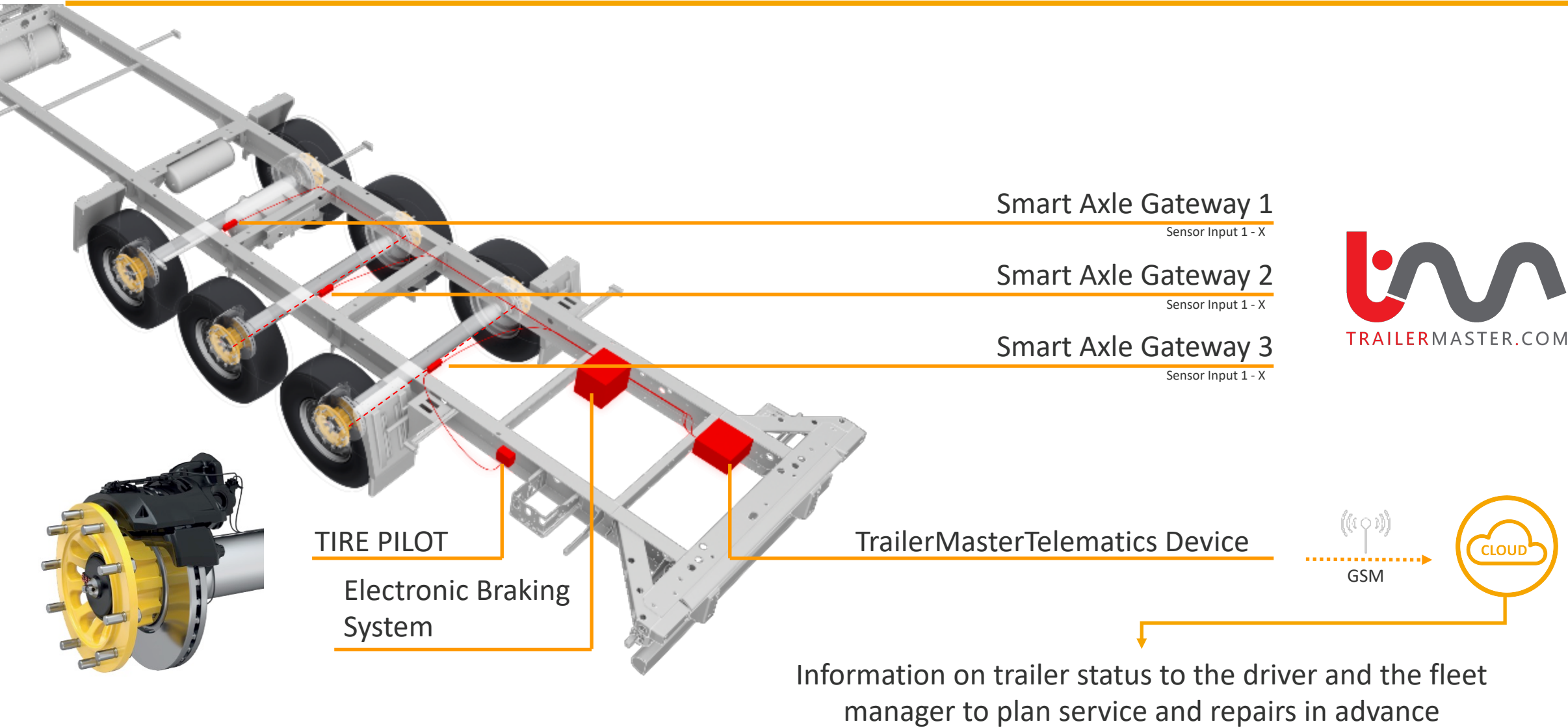
Monitoring of main-wear parts in the trailer axle with “Smart Steel” sensor technology in order to allow predictive maintenance for service and repair

### Sensor Monitoring

- Brake wear
- Wheel end temperature
- Bearing temperature
- Tire pressure + Tire pilot
- Axle load



# LEVERAGING DIGITAL KNOW-HOW OF TELEMATICS SPECIALIST AXSCEND TO DEVELOP SMART STEEL SOLUTIONS





# CO<sub>2</sub> REDUCTION, NOISE REDUCTION AND LEGISLATION TO PROTECT INNER CITIES ARE THE MAIN DRIVERS FOR ELECTRIFIED COMMERCIAL VEHICLES



## Noise cancelling

- Traffic noise is considered a widespread environmental problem and has become a major health concern in the EU
- Stricter vehicle noise standards encourage manufacturers to produce noticeably quieter vehicles

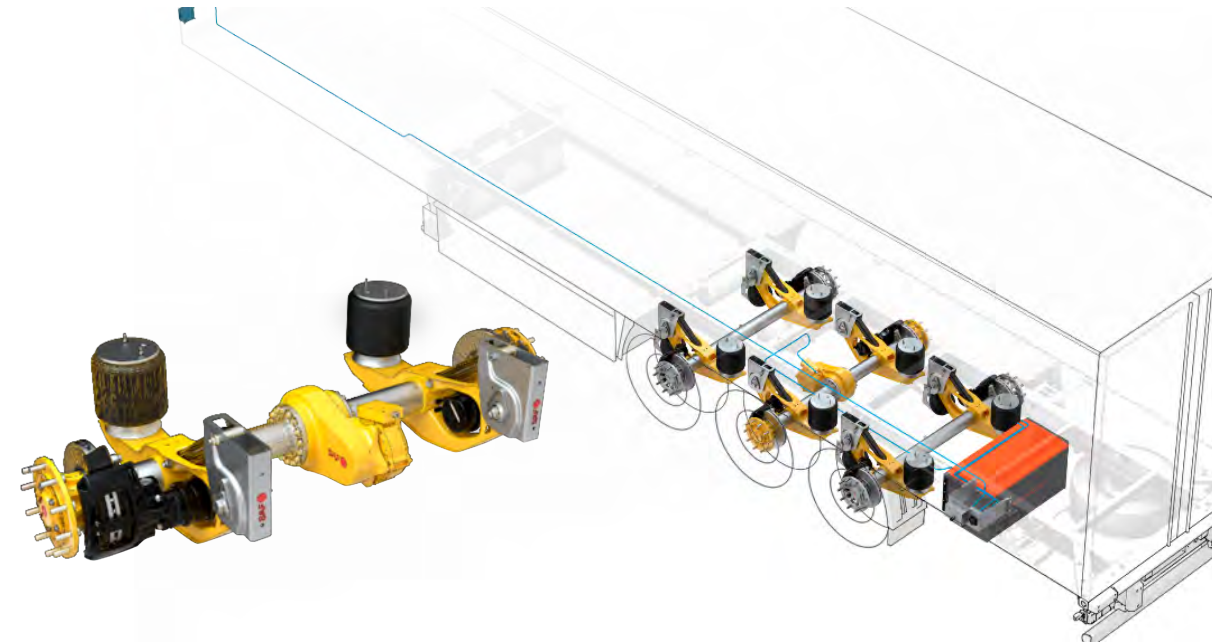


## CO<sub>2</sub> reduction

- Limitation of global warming to 1.5° – 2°C requires total CO<sub>2</sub> emission reduction of 80 – 95 per cent until 2050 (vs. 1990)
- CO<sub>2</sub> reduction targets for commercial vehicles unlikely to be reached by diesel measures only

The use of electrified trailer axles gains importance especially for refrigerated trailers and inner city applications

- SAF standard axle BI9 incl. generator
- System incl. battery (max 37kWh)
- Additional parts



# BENEFITS OF SAF-HOLLAND TRAK E-AXLE FAMILY



## Flexibility & Modularity

- Identical with standard axles
- Plug & play
- Retrofittable
- Independent of trailer or cooling system manufacturer

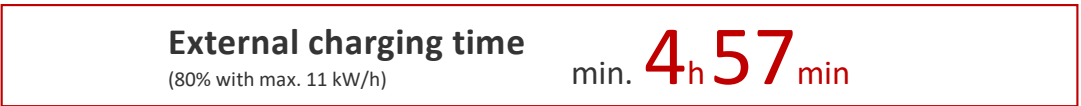
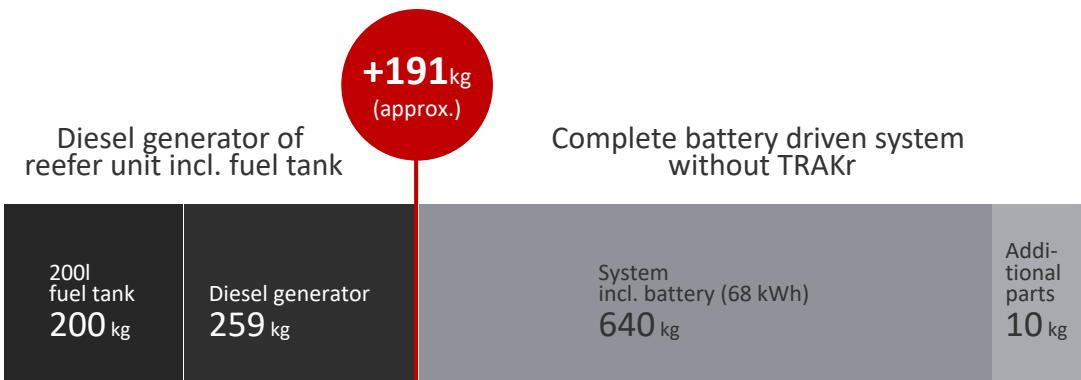
## Charging

- Recuperation and energy generation through axle while driving
- Grid charging with power supply unit

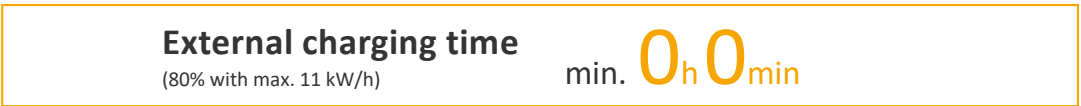
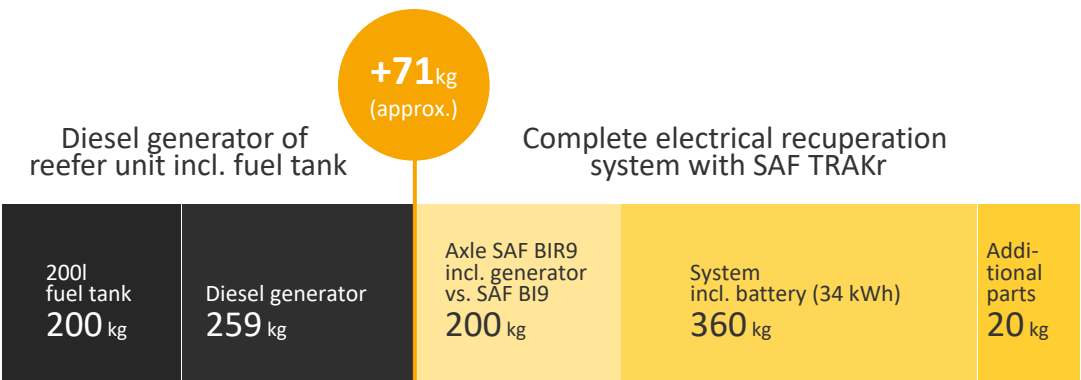
## Service friendly

- Identical wear and tear parts
- Easy maintenance procedures
- Very large global service network

► TCO optimisation: The vehicle is always driving in best operating mode



Dimension of system (L x W x H in mm) < 1.250 x 580 x 590 (e.g. 1.250 x 1.000 x 590)

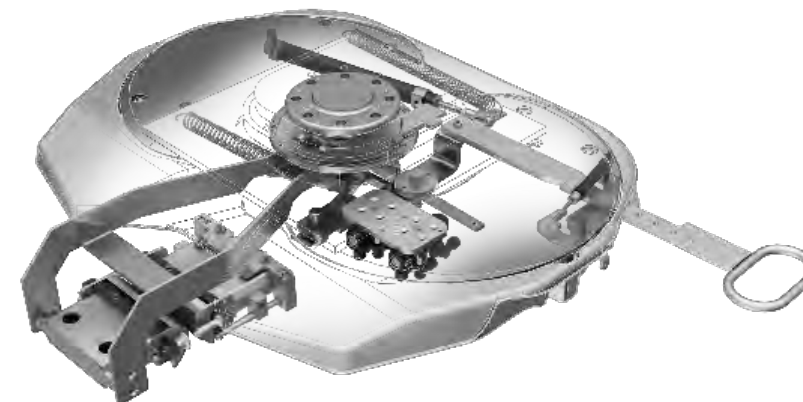
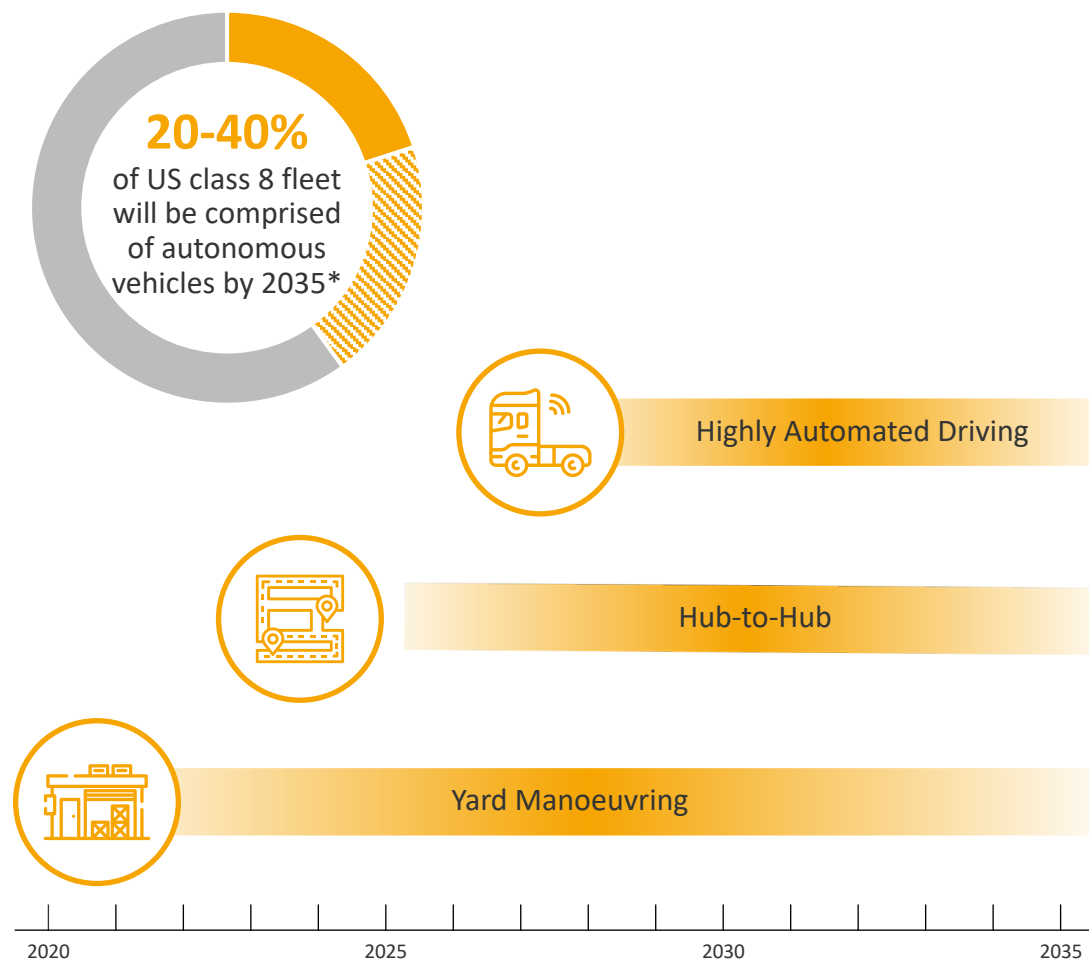


Dimension of system (L x W x H in mm) 1.250 x 580 x 590



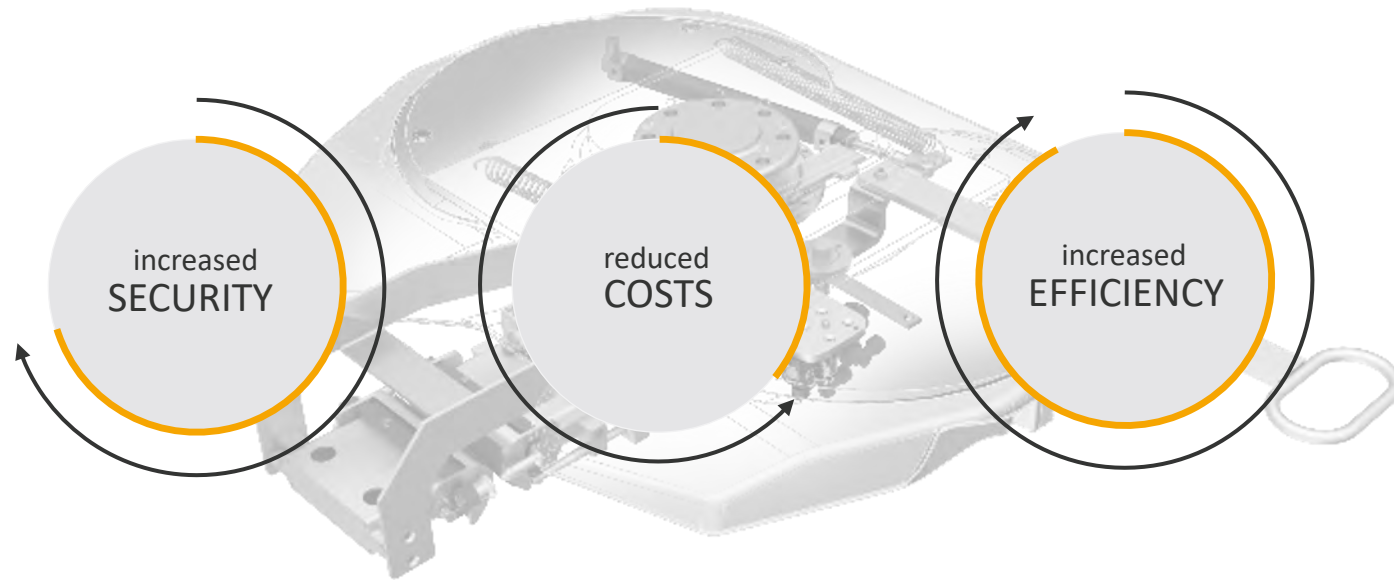


# TIMELINE AND APPLICATION FOR AUTOMATED DRIVING IN THE COMMERCIAL VEHICLE INDUSTRY



- Tractor reverses
- Air suspension is adjusted
- Sensor detects when the fifth wheel is correctly locked
- Pneumatic and electrical connections
- The motorised landing gear on the trailer is raised automatically
- The trailer brake is released automatically and the vehicle is ready to start its journey

# THE BENEFITS OF SAF-HOLLAND AUTOMATED COUPLING



## Supports

- Autonomous yard manoeuvring
- Hub to hub traffic

## Technical solution

- Existing installation space
- Retrofitting capability
- High-speed communication

## Benefits

- Fully automated system
- Increased efficiency, cost & security

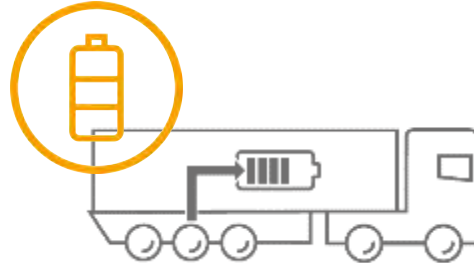
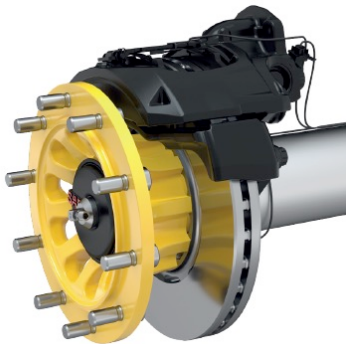


# SAF-HOLLAND IS WELL PREPARED WITH KEY INNOVATION PROJECTS TO ADDRESS THE MEGATRENDS IN THE COMMERCIAL VEHICLE INDUSTRY



Digitalisation

Smart Steel  
@ SAF-HOLLAND



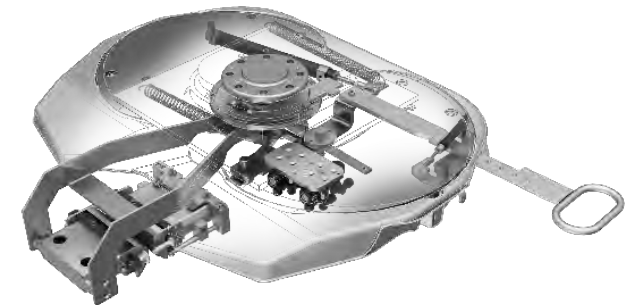
Electrification

TRAK e-axle family  
@ SAF-HOLLAND



Automated Driving

SHAC  
@ SAF-HOLLAND



# OPERATIONAL EXCELLENCE – THE NEXT LEVEL

DR. ANDRÉ PHILIPP, COO

INVESTOR & ANALYST DAY 2020 NOVEMBER 25, 2020

# OBJECTIVES OF OUR SYSTEM



## ONE GLOBAL

## SAF-HOLLAND Operational Excellence System

to operationalise corporate strategy  
and building the basis for future success.

‘The aim of our Operational Excellence System (OpEx-System) is to facilitate **global guidelines** and to create the right focus for our future developments.

By defining what is **‘Best-in-Class’** and describing detailed step-by-step RoadMaps for implementation, we provide **orientation and guidance** to align our improvement activities.

By doing this, the OpEx RoadMaps lay the fundamentals for enterprise-wide **standards** in all six core areas, especially for Leadership & Culture and Production Systems.’



## OUR CHANGE STORY

We implement **consistent leadership** and **best practice global processes and standards**

We are an **efficient and lean organisation**; we **avoid all waste** resulting in optimised cost, quality and lead times

We are **clear on role responsibilities and goals** we engage transparent control systems working to best practice parameters



## ONE SAF-HOLLAND Group

with happy, **satisfied customers** and an authentic **team spirit** in our organisation



# OUR EXCELLENCE PRINCIPLES

- 1 We consider the health and safety of our **employees** as our **highest priority**.
- 2 We are always **environmentally responsible** and consider the best options to minimise our carbon footprint.
- 3 We work to **best serve** our customers with regard to their demands in safety, quality, lead times and technology.
- 4 We believe in the power of operational excellence and strive towards a **world-class production** system with a steadily optimised level of automation.
- 5 We continuously **improve** the **efficiencies** in our production processes to maximise quality, consistency, adaptability and cost-effectiveness.



# 6 CORE AREAS GUIDE THE IMPLEMENTATION



## CREATE LEADERSHIP & CULTURE THAT EMPOWERS

**Ensuring strategic leadership**, transparent objective deployment and empowering employees through skill development and the authority to improve their workplace. Leaders are responsible for the cultural change which is necessary to become excellent!



## ENSURE SAFETY, HEALTH & PROTECTED ENVIRONMENT

Achieving an incident free work environment where every SAF-HOLLAND employees and visitors are intolerant of unsafe acts and conditions. Through our operations and community involvement, we promote the safe, efficient and **responsible use of the world's resources**.



## OPTIMISE MATERIAL SUPPLY

**Optimising** our internal and external **material flows** to ensure the quantity and quality of material for production at the required time while minimising cost and capital investment.



## DRIVE TOTAL QUALITY

Establishing a climate in which we improve our processes and systems to provide quality products and services that even **exceed** our customers increasing **expectations**.



## ASSURE BEST PRODUCT & PROCESS DEVELOPMENT & ENGINEERING

Assuring design and engineering processes of products and process to minimise manufacturing cost while **maximising customer satisfaction**.



## BUILD A WORLD CLASS PRODUCTION SYSTEM

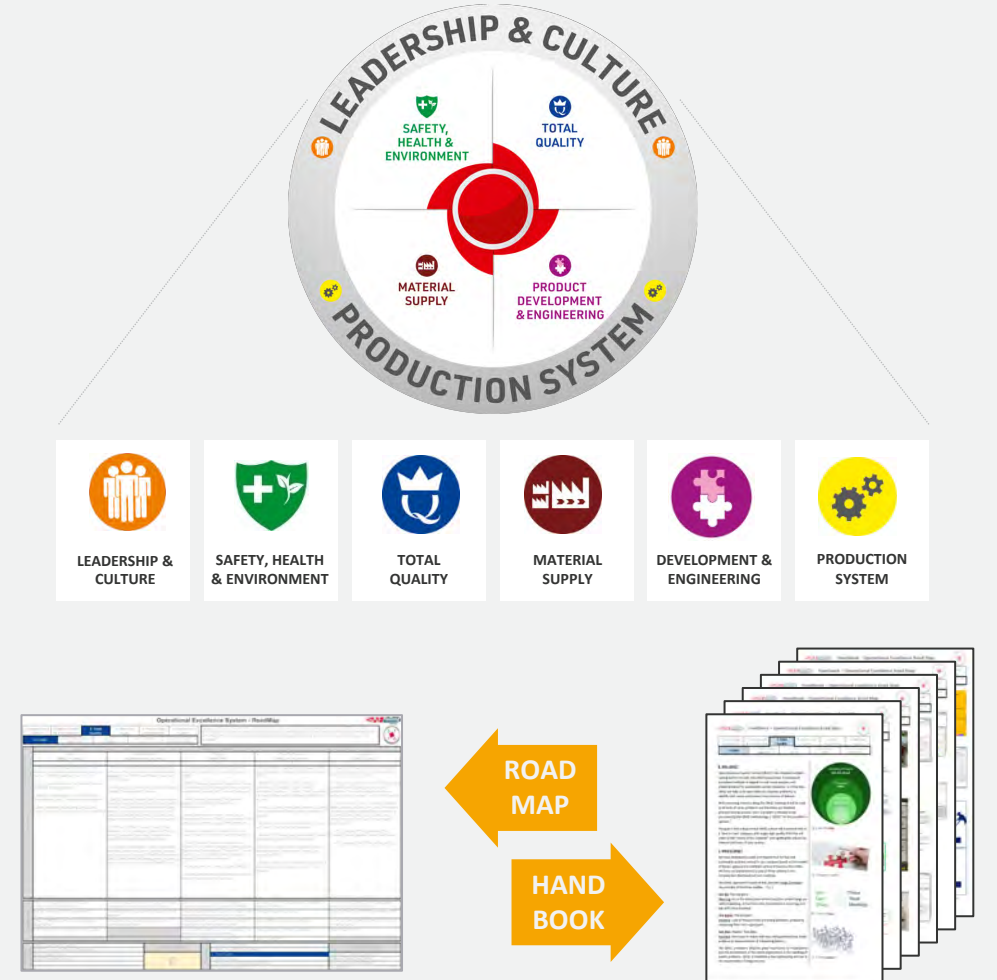
Building the fundamentals of a lean production system that minimises waste, ensures our standards and enables continuous improvement cycles to achieve a **world class production** environment.



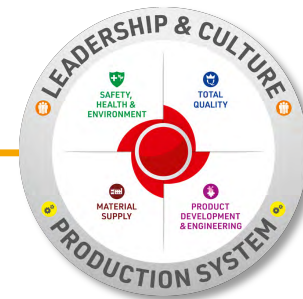


# IMPLEMENTATION STATUS

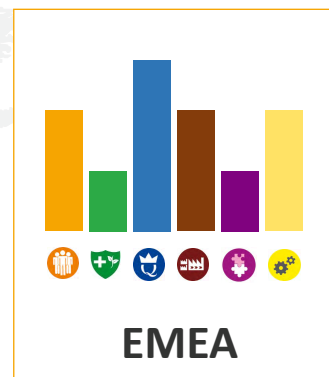
- 1 Rollout** of SAF-HOLLAND Operational Excellence System **started** in all facilities around the globe
- 2 Workshops** and training have **commenced**
- 3 RoadMaps** and **Handbooks** are **available** in English and German languages; Chinese material is in the translation process
- 4 RoadMap self-assessments** completed in 8 facilities (status mid November)
- 5 Centralised audits** starting in January 2021 (depending on travel possibilities due to COVID situation)



# GLOBAL ACTIVITIES & FIRST SUCCESS STORIES



- ✓ **Sustained** operational **performance** through pandemic volatility, shutdowns and ramp-ups
- ✓ **Double digit** efficiency improvements
- ✓ Customer **0KM PPM cut** by half in 2020
- ✓ Lost Time **Incidents cut** by 89 per cent



- ✓ **Upgrading automation** concepts in both German axles facilities in 2020
- ✓ **Stable efficiency** despite market volatility
- ✓ First **insourcing** projects accomplished
- ✓ **Strong COVID-19 management** with high flexibility of employees



- ✓ **Ramp-up China**-Yangzhou facility
- ✓ Customer **0KM PPM cut** by more than half in 2020 in APAC region
- ✓ **Strong COVID-19 management** plan enabled continuous operations in Australia

**Global CAPEX Strategy** with a clear priority ranking; stricter selection of projects with focus on automation

**Global Footprint Strategy** centers around optimisation of global footprint with consolidation of selected facilities

**Corporate Social Responsibility** is gaining momentum with global reports and follow-ups

# KEY TAKEAWAYS



- SAF-HOLLAND Operational Excellence System supporting **improvement activities** in all areas over the coming years
- As a standardised system it establishes the basis for **Best Practice Transfer**
- A system with a focus on our employees and customers to create a **strong connection**
- SAF-HOLLAND Operational Excellence System is **100 per cent linked** to the financial goals and supports our global strategy



# CFO VIEW

INKA KOLJONEN, CFO

INVESTOR & ANALYST DAY 2020 NOVEMBER 25, 2020



# 9M 2020 FINANCIAL FIGURES HAVE DEMONSTRATED RESILIENCE OF OUR BUSINESS MODEL

Sales

€ 709

MN

Adj. EBIT  
margin

5.4%

Operating  
free cash flow

€ 64.4

MN

Capex ratio

2.3%

- **Sales** decline of about 30 per cent driven by Americas (about -40 per cent), EMEA (about -18 per cent) and APAC (about -46 per cent)
  - 9M 2020 **adj. EBIT margin** with 5.4 per cent above the upper end of the previous FY guidance range of 3 to 5 per cent
  - High share of aftermarket business safeguards profitability in crisis times
  - Comprehensive cost-cutting programs continued (blue collar & white collar)
  - Strong **cash generation**; Net debt reduced by € 46.5 mn in Q3 2020
  - Disciplined **capex** investment policy executed
- ▶ While sales remain affected by market downturn, through aggressive action we have managed to increase profitability and cash generation vs. previous year.

# WE HAVE A CLEAR FRAMEWORK FOR VALUE CREATION

## Performance

Covered in **incentive framework**  
(Sales, adj. EBIT margin, NWC ratio)

## Portfolio

**Capex spending** ≤ 2.5 per cent of sales (instead of 4 per cent previously)

## Increase cash conversion

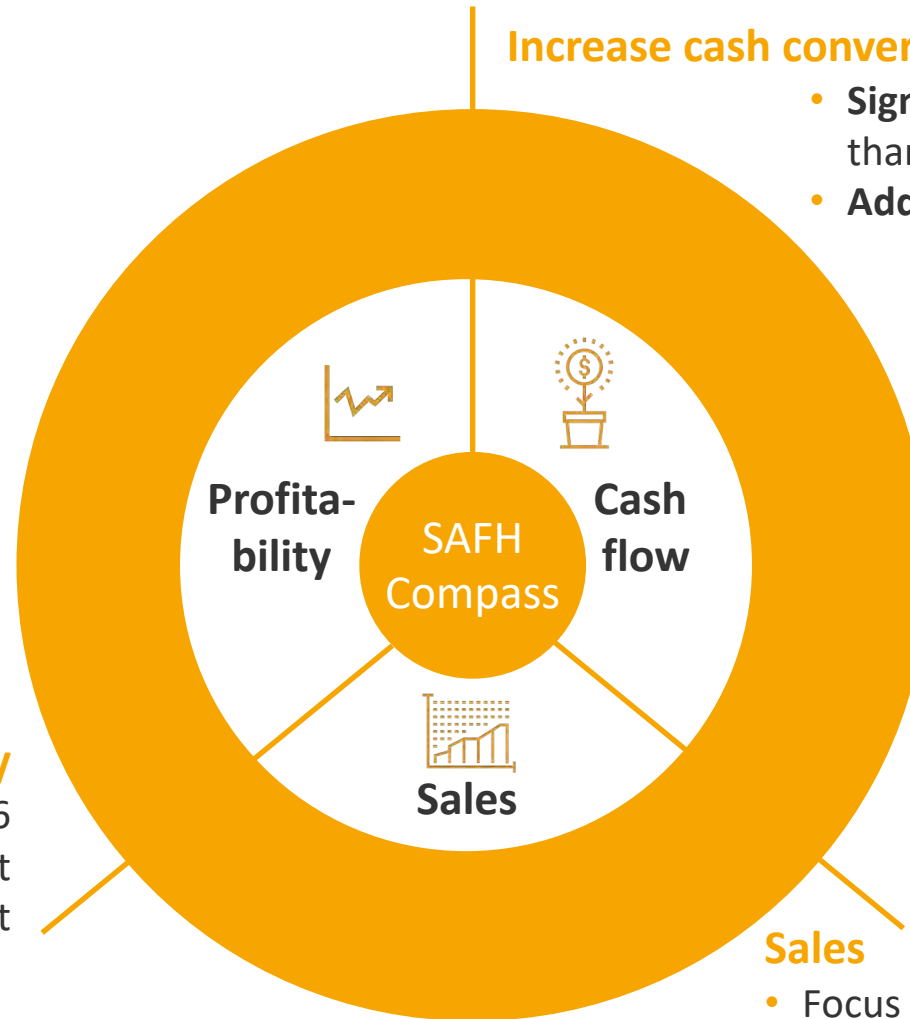
- **Significant improvement** in 9M 2020 thanks to “Cash-is-King” program
- **Additional levers** are currently identified

## Financial policy

- **Capital structure**  
Net debt/EBITDA\* back to 2-3x
- **Dividend policy**  
40 to 50 per cent pay-out ratio (of the group net result for the period)

## Increase profitability

**Adj. EBIT margin** from between 5 to 6 per cent in 2020 to around 8 per cent by 2023 latest



## Sales

- Focus on **profitable growth**
- Excellent position in high growth areas (lightweight, disc brake, predictive maintenance)



# HOW DO WE GET THERE?

## 1. OVERVIEW COST PROGRAMS – WE WILL CONTINUE TO SIGNIFICANTLY IMPROVE OUR COST STRUCTURE

### Restructuring USA

- Program FORWARD 2.0 targets cost savings of € 73 mn until the end of 2021
- Lower break-even level due to reduction in both COGS & SG&A
- Headcount reduced by ~27 per cent (FY 2019: 1,853 vs. Q3 2020: 1,351)
- Streamlining product portfolio (number of applications cut by more than 50 per cent)
- Adj. EBIT margin improved from 0.6 per cent in Q2 2020 to 5.6 per cent in Q3 2020

► Restructuring program showing strong results and will continue throughout 2021

### EMEA

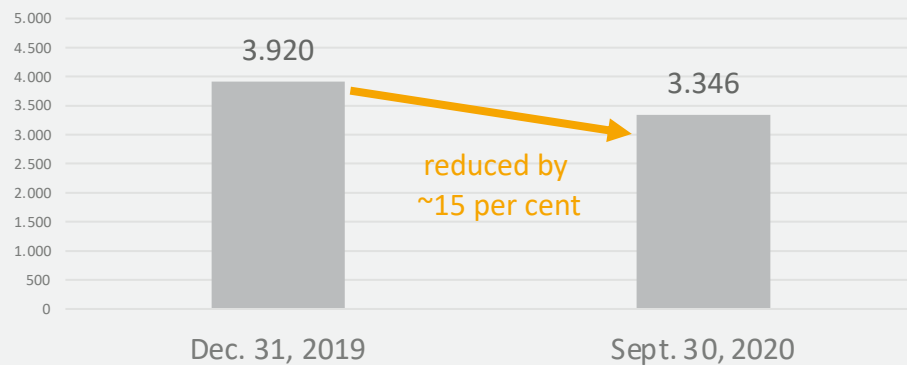
- Supplemental collective agreement for Bessenbach location (From 03/2020 to 12/2024); Cost savings of approx. € 5-6 mn p.a.
- Salary waiver Management Board / Supervisory Board
- Short-time work for tariff employees

► Employees and management support cost cutting with own contribution

### Global SG&A program

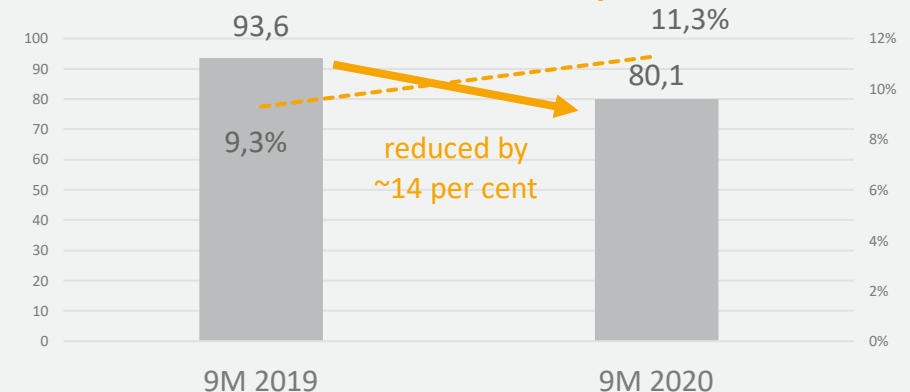
- SG&A decreased significantly by € 13.5 mn (9M 2020 vs. 9M 2019)
- Cyclical components largest driver
  - Various measures initiated to counter sales downturn
  - Main factors: Travel & expenses, marketing, global salary cut, short-time work
- Structural measures implemented with full effects to unfold yet; further actions defined in November 2020

Total number of employees\* - SAFH Group



\* incl. temporary workers

SG&A – SAFH Group



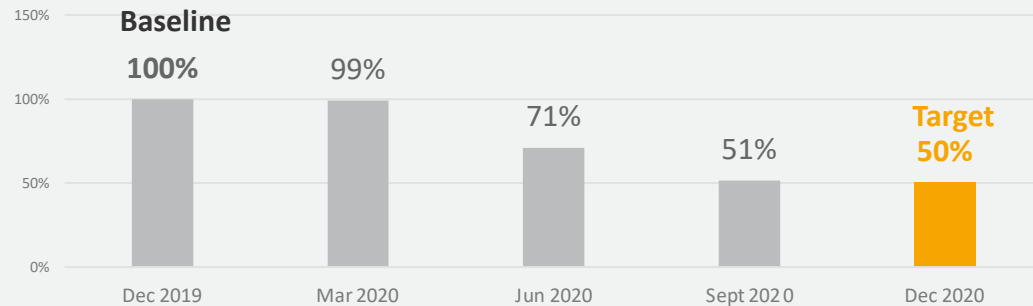
SG&A (€ mn)

SG&A % of sales

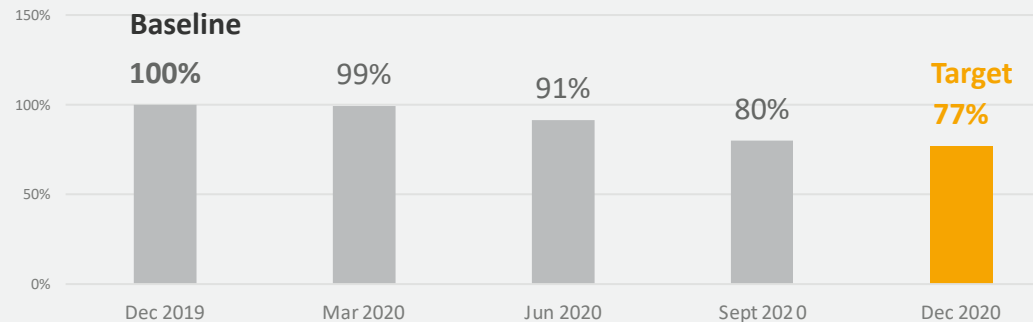
# HOW DO WE GET THERE?

## 2. “CASH-IS-KING” PROGRAM CONTINUED AND SHOWING IMPACT IN Q3 2020

### Index-based development of absolute AR overdues vs. Dec. 2019 (= 100 %)



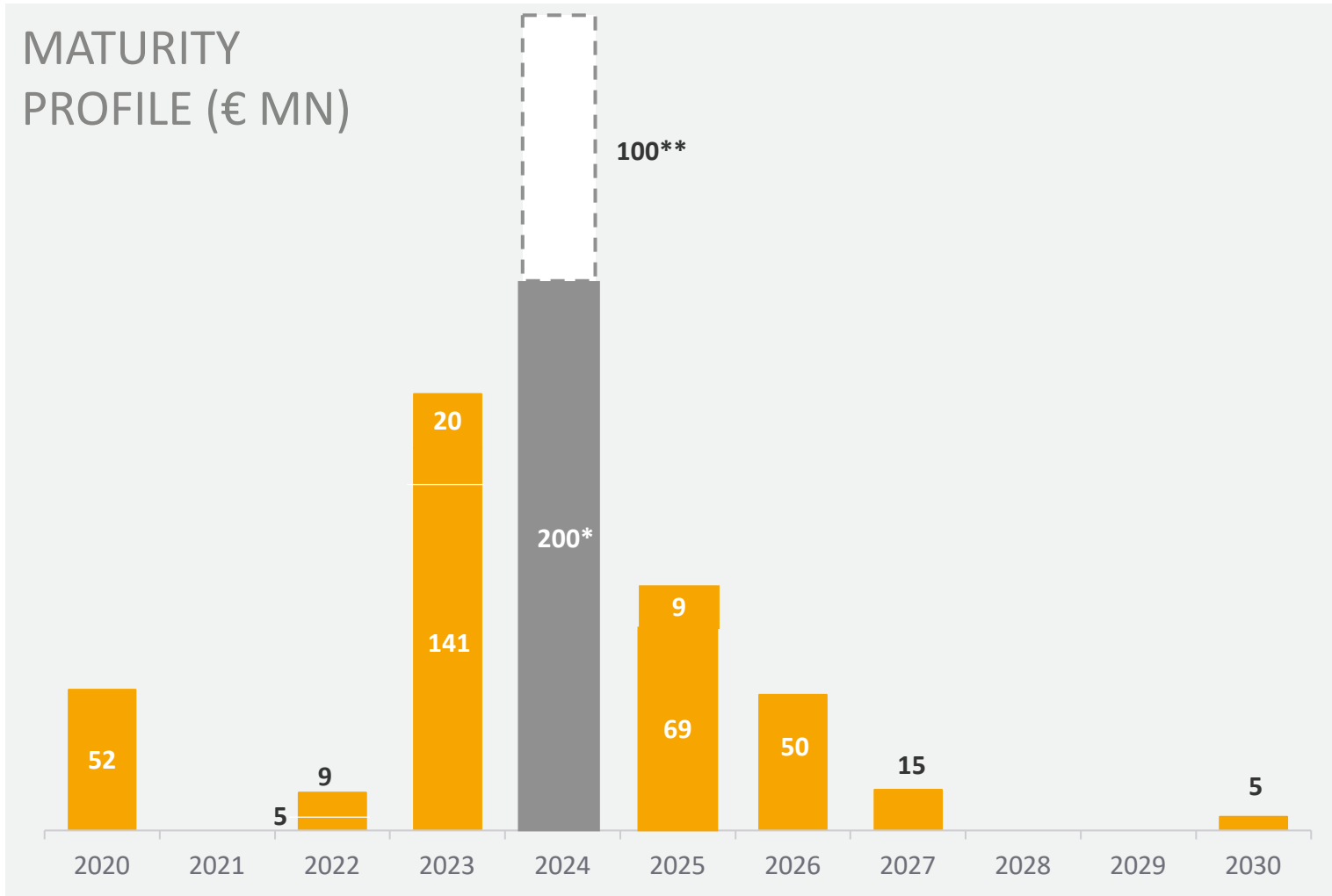
### Index-based development of absolute inventories vs. Dec. 2019 (= 100 %)



### Start of “Cash-is-King” program in April 2020

- In order to increase the cash generation of SAF-HOLLAND, the 2020 goal is to reduce tied-up capital
- Target: Reduce accounts receivables overdues by 50 per cent and inventories by 23 per cent from Dec 2019 to Dec 2020
- Already significant improvement in cash collection (Sept 2020: 51 per cent) and inventories (Sept 2020: 80 per cent)
- On the way to achieve NWC reduction targets

# VERY SOLID FINANCING STRUCTURE

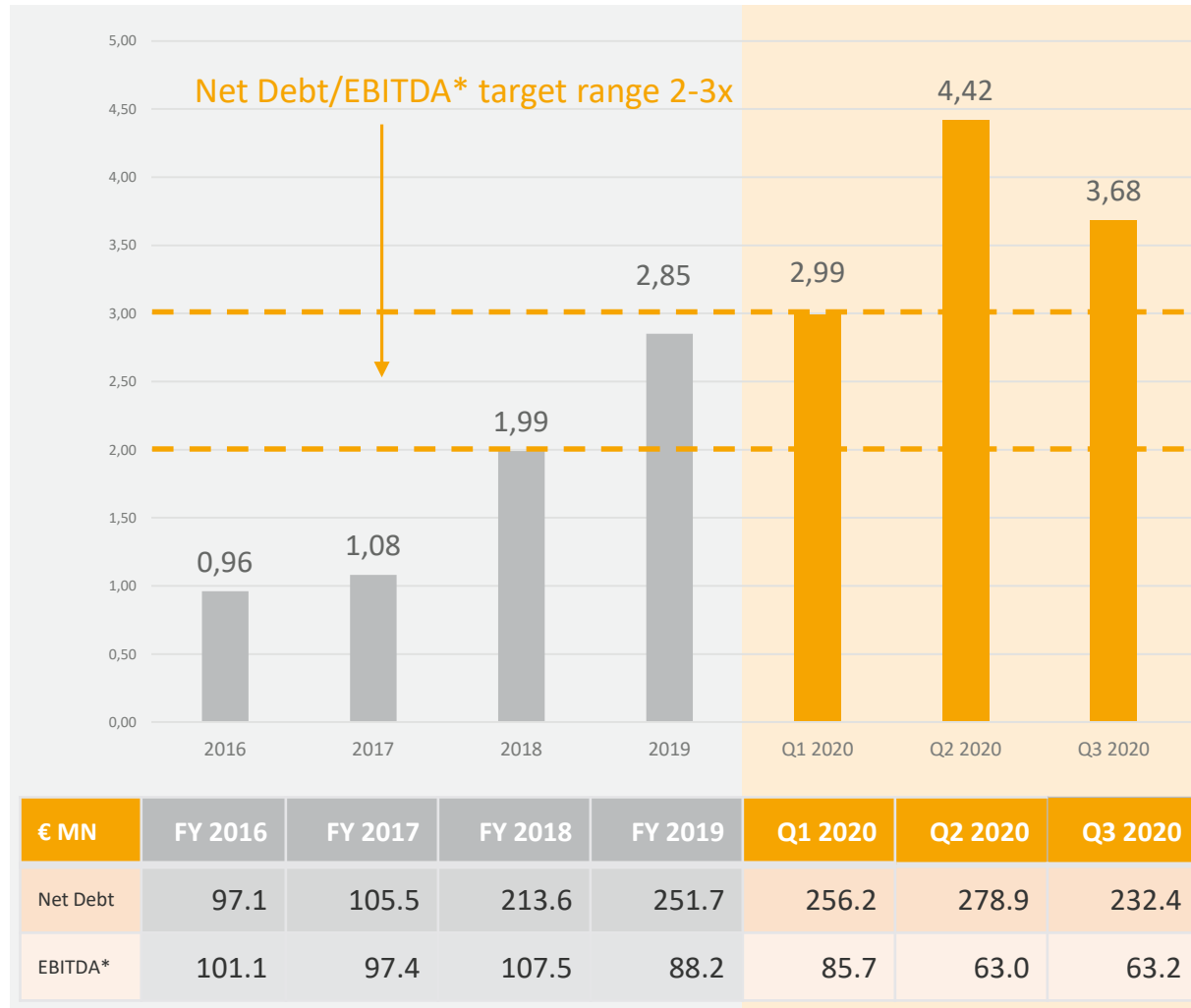


- Fully financed until 2023
- Enough financial headroom (RCF; e.g. M&A)
- Pre COVID-19 conditions (average interest rate 2 to 2.5 per cent)
- Maturities extended with March 2020 promissory note loan
- Unused equity linked instrument (convertible bond)

Product	Amount € mn	Maturity date
Promissory note loan old (5 years)	52	11/2020
Loan RMB	9	06/2022
Promissory note loan old (7 years)	5	11/2022
Promissory note loan new (3 years)	141	03/2023
Promissory note loan new (3.5 years)	20	11/2023
Revolving credit facility***	200	10/2024
Promissory note loan new (5 years)	69	03/2025
Promissory note loan old (10 years)	9	10/2025
Non-current loan	50	06/2026
Promissory note loan new (7 years)	15	03/2027
Promissory note loan new (10 years)	5	03/2030



# NET DEBT/EBITDA\* – BALANCE SHEET STRUCTURE ON THE WAY BACK TO PRE-COVID 19 LEVEL



- Net debt/EBITDA ratio historically on a solid level of 2-3x
- Q2 2020 strongly hit by crisis with lower EBITDA and higher net debt
- Q3 2020 shows already strong improvement driven by improved cash generation and significantly lower net debt
- Clear path for further improvement of Net debt/EBITDA ratio
  - Increase in EBITDA
  - Lower net debt (NWC improvement, lower capex)

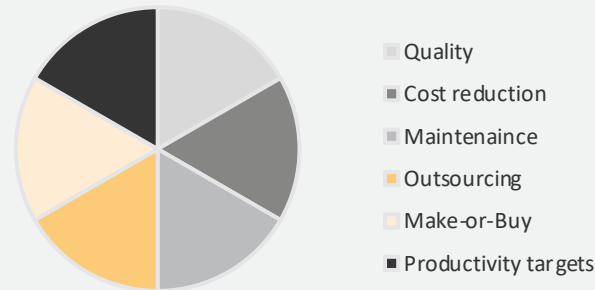
# RAISING THE BAR: OBSERVATIONS AND PRIORITIES AS NEW CFO

## Moving towards a state of the art finance function

- **Internally**
  - Finance function as valued sparring partner to business
  - Strengthen governance role
  - Capital allocation as value driver; establishing a transparent framework for both organic investments and portfolio decisions
- **Externally**
  - Conservative guidance policy
  - Further development of our IR-communication

## Capturing untapped value pools

- Value pool operations of ~€ 580 mn



- Further reduction potential through financial KPIs/targets
- Adjusting the scope of the existing „Cash-is-King“ program to a holistic cash conversion program
  - Consideration of all NWC levers (AR, AP, Inventories)
  - Establishment of cash flow forecasting

## Improving the governance of the entire organisation

- **Enhancing good corporate governance to**
  - mitigate risk
  - operate more efficiently
  - improve access to capital
  - safeguard shareholders
- **First actions**
  - Compliance department with global mandate
  - Enhanced risk management system
  - Enhanced IT governance
  - Moving from regional organisation with high level of autonomy to a matrix organisation with strong governance functions

# EXECUTIVE SUMMARY



- We have a clear framework for value creation with specific targets and a roadmap how to achieve them
- Our cost programs are showing strong results – especially in Americas – and will provide further contribution throughout 2021
- “Cash-is-King” program will be continued with an extended scope and with a goal to sustainably increase cash conversion of the Company
- Balance sheet structure moving in right direction of 2-3x Net debt/EBITDA





# Q & A

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# EMEA: LEADING MARKET POSITION

CHRISTOPH GÜNTER, PRESIDENT EMEA

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# INTRODUCTION: EMEA REGION



## Overview

- Operating region for Europe, Middle East & Africa
- EMEA headquarters – Bessenbach, Germany
- 6 OEM manufacturing centers, 16 aftermarket distribution centers
- 6 major product lines provided to commercial truck and commercial trailer markets
- Leading market positions in the region:  
Trailer axles & suspensions #1, Fifth wheels #2,  
Couplers #3, Kingpins #2, Landing gear #2
- 2019 FY sales of € 626.2 mn
- 1.456 employees (Q3 2020) in 15 different countries

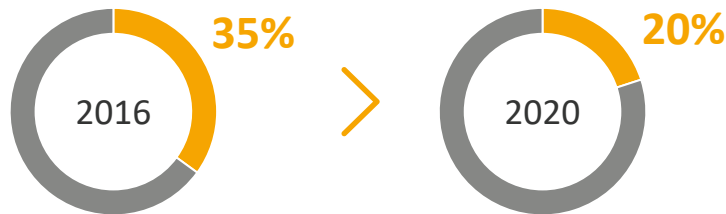


# EMEA – LEADING MARKET AND COST POSITION IS PAYING OFF

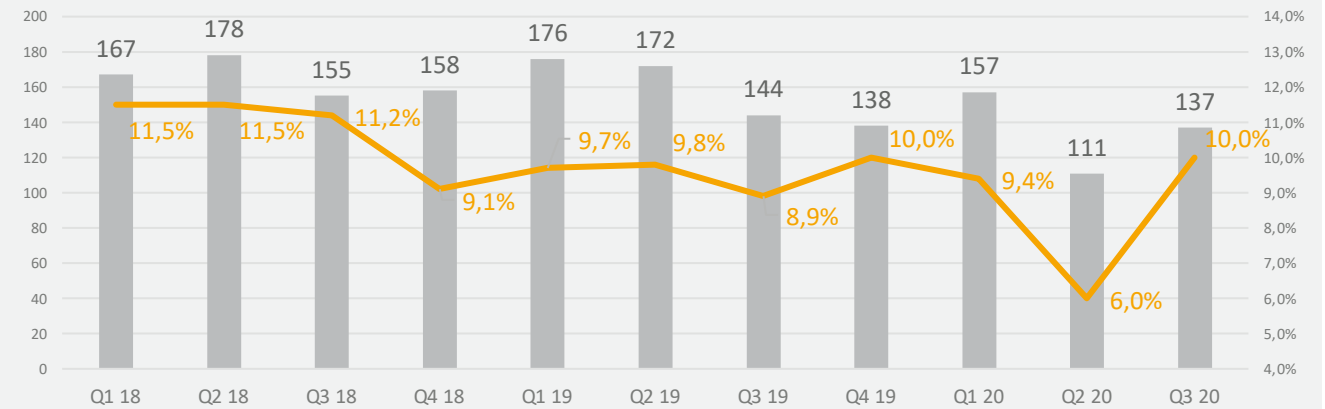
## EMEA – Reliable earnings contributor

- **Resilient business model** with strong focus on trailer axles and suspensions
- **EMEA region is outperforming the market** with YTD -17,8 per cent in sales despite market decline of ~-25-30 per cent
- Flexible cost structures assure a **stable earnings contribution**
- Achieved structural cost savings in SG&A helping to significantly **lower the break-even point**
- Broad and **well-diversified customer structure**, especially in the field of trailer axles
- High-margin **aftermarket business**

## Key accounts share



## Sales (€ mn) and adj. EBIT margin (%)



## Number of employees



# EMEA – MAINTAIN OEM LEADERSHIP AND INCREASE BUSINESS THROUGH INNOVATIONS

## Market position

#1



Axle & suspension systems

#2



Fifth wheels

#3



Couplings

## CVS megatrends

- Weight & cost reduction
- Electrification
- Digitalisation

- Weight & cost reduction
- Automated Driving

- Weight & cost reduction
- Automated driving

## Innovation

### TRAK e-axle family

The use of electrified trailer axles gains importance especially for refrigerated trailers and inner city applications

### Smart Steel

Monitoring of main wear parts in the trailer axle with “Smart Steel” sensor technology in order to allow predictive maintenance for service and repair

### SAF-HOLLAND Automated Coupling

Automated coupling to support autonomous driving in hub to hub traffic and in closed yards to increase efficiency, cost & security



# EMEA – AFTERMARKET BUSINESS STABILISES CYCLIC OEM BUSINESS

## Aftermarket business manages the cycle

- Spare parts business **drives the company profit** (25 per cent sales share)
- SAF-HOLLAND strong OEM population **expands future aftermarket position**

## 16 aftermarket distribution centers in EMEA

- **Next day parts** delivery to 99 per cent in EU
- **> 4,800** dealer & service points for SAF-HOLLAND support
- Max. uptime of SH products & services → no unplanned downtime

## Top brands & top customers

- **Strongest brands** in our market
- **Top customer** distribution partners in the industry
- **Safety, trust & performance** for our customers
- **E-commerce & digital marketing** (70,000 clicks per month): “Parts On Demand”



# EMEA – DIGITAL SOLUTIONS TO ENHANCE THE CUSTOMER EXPERIENCE ESPECIALLY IN THE AFTERMARKET

CHANGE IS A PART OF THE COMPANY AND AN INTEGRATED PART OF SMART STEEL

## Our scope...



### Digital Media Management

- Web & app
- Technical documentation
- E-learning & webinars



### Automation of Customer interface

- Robotic process automation
- Utilisation of NFC technology
- Service report online



### E-commerce

- POD – Parts on demand
- CRM – Customer relationship management
- Digital marketing



### Customer Platforms

- Increase efficiency for both customers and SAF-HOLLAND by establishing the base for additional revenue streams in the future
- Maximum uptime of SAF-HOLLAND products and services
- 360° connected customer
- Greatest possible contribution of SAF-HOLLAND products and services to new mobility concepts



# EMEA – EXECUTIVE SUMMARY

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- EMEA region is a reliable earnings contributor
- Resilient business model with strong focus on trailer axles and suspensions
- Maintain leadership and increase business through innovations
- Strong OEM population expands future aftermarket position



# AMERICAS: LEVER FOR VALUE GROWTH

KENT JONES, PRESIDENT AMERICAS

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# INTRODUCTION: AMERICAS REGION



## Overview

- Operating region for USA, Canada, Mexico, and South America
- Americas headquarters – Muskegon, MI, USA
- 6 OEM manufacturing centers, 6 aftermarket distribution centers
- 5 major product lines provided to commercial truck and commercial trailer markets
- Leading market positions in the region:  
Fifth wheels #1, Landing gear #1,  
Truck suspensions #2, Trailer axles &  
suspensions #2, Couplers and kingpins #2
- 2019 FY sales of € 534.5 mn
- 1.351 employees in 4 countries (Q3 2020),  
13 facilities sites





# AMERICAS – RESTRUCTURING INVESTMENT IS PAYING OFF

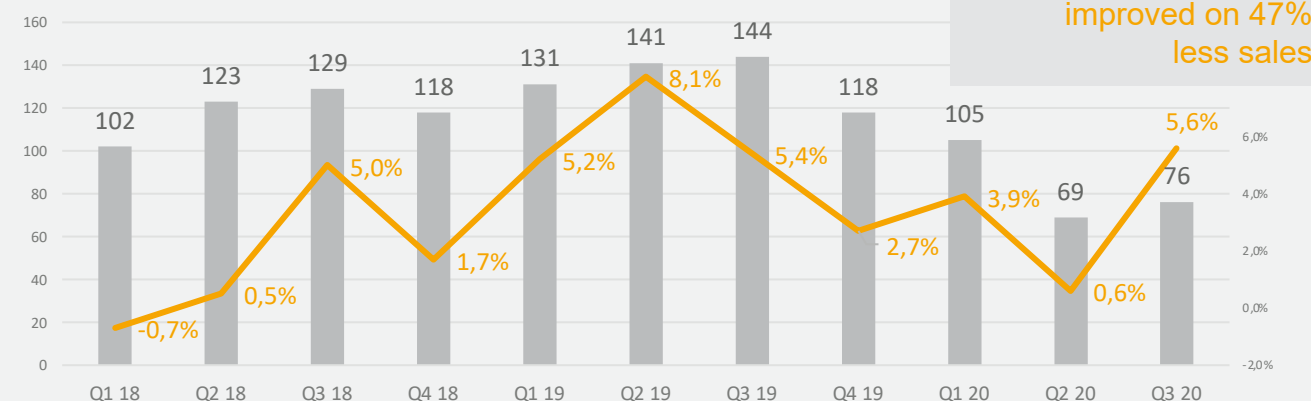


## Our restructuring initiative

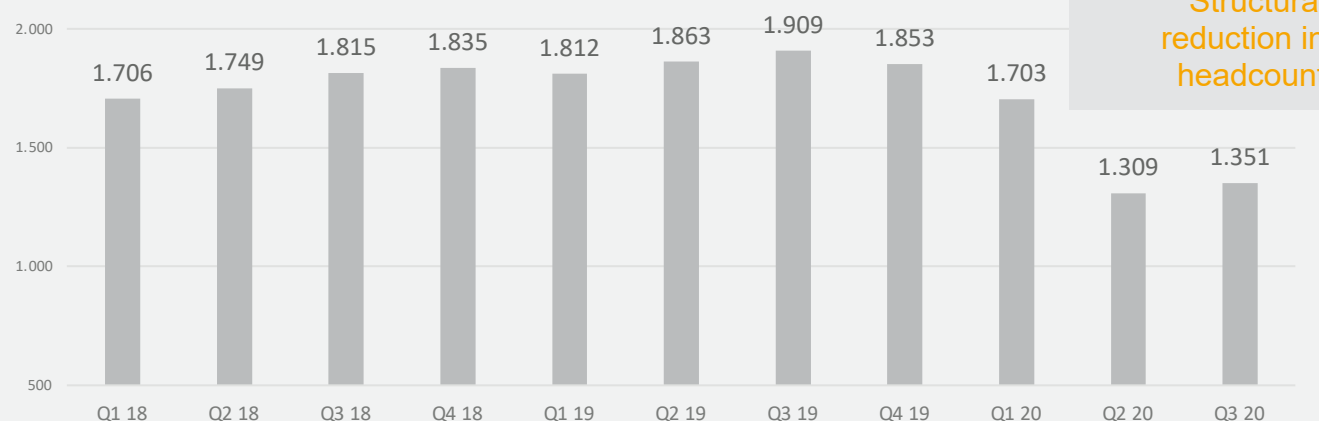
- Improved Americas performance is **biggest valuation lever** for SAF-HOLLAND
- Despite market decline of ~50 per cent in Q2 & Q3 2020, Americas region is **improving results**
- Stopped recent trend** of decreasing EBIT margins with Q3 2020 of 5.6 per cent adj. EBIT on -47 per cent YOY Sales
- Using restructuring program FORWARD 2.0 to achieve **cost reductions of € 73 mn** in downturn
- Structural reductions in both COGS and SG&A **significantly lowers break-even** of Americas region
- Americas region **prepared for expected market upside** over the next cycle in 2021 – 2023



## Sales (€ mn) and adj. EBIT margin (%)



## Number of employees





# AMERICAS – PORTFOLIO MODULARITY AND COMPLEXITY REDUCTION



## Complexity reduction

- 20 years of acquisitions **accumulating over six brands**
- Far **too many non-contributing** applications
- **Exiting profit losing** product lines
- Over 11,000 applications available to the market **reducing to < 5,000** while maintaining 97 per cent of sales

## Business efficiency and modularisation

- Improves **customer experience metrics**
  - Delivery, quality and customer performance
- Business **efficiency improvements** with less complexity
  - Operations, suppliers, tooling, change-overs
  - Inventory reduction, cash management
- **Modularise product lines** where SAF-HOLLAND is #1 or #2
- Profitable growth with **stable, strong market share**



## Reducing complexity & increasing efficiency





# AMERICAS – EXECUTIVE SUMMARY

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- Americas region is biggest lever of improvement for SAF-HOLLAND
- Program FORWARD 2.0 = restructuring investment that is paying off
- Product line modularity and complexity reduction to increase efficiency
- Aftermarket remains strong and dampens North American commercial vehicle cycles



# APAC: FUTURE OPPORTUNITY

DR. ANDRÉ PHILIPP, COO

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# INTRODUCTION: APAC REGION



## Overview

- Operating region for Asia Pacific
- APAC headquarters – Singapore
- 5 OEM manufacturing centers  
115 aftermarket service points  
240 aftermarket dealer points
- All of SAF-HOLLAND's major product lines provided to commercial truck and commercial trailer markets are sold and distributed in the APAC market, including:
  - Axles and suspensions made in China, Germany, India and the US
  - Landing gear manufactured in China, the US and Canada
  - Fifth wheels manufactured in Germany and the US
- 2019 FY sales of € 123.4 mn
- 539 employees (Q3 2020) in 6 different countries

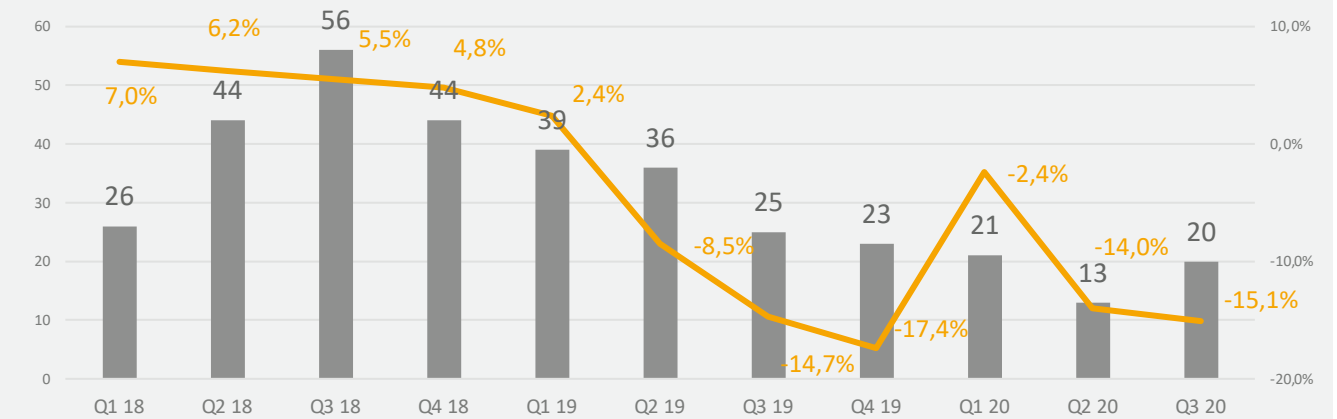




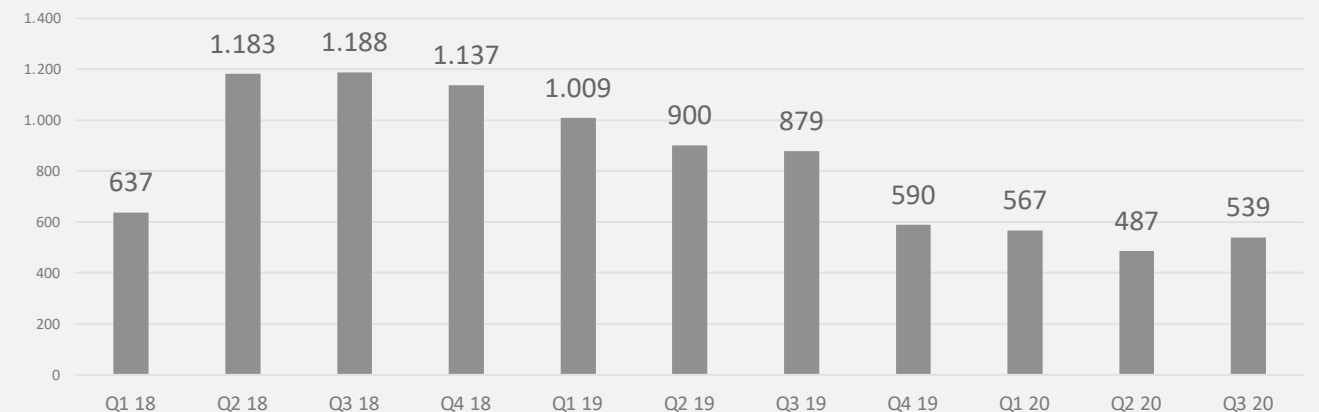
# APAC – FUTURE OPPORTUNITIES

- Geographically the largest region with a huge diversity of customers and applications
- China is the largest single market for trailers and trucks worldwide
- York brand holding No. 1 position in market share across India
- Chinese Yangzhou plant operational with state-of-the-art manufacturing processes
- Structural cost reductions in SG&A help to significantly lower the break-even point
- High margin aftermarket business in India and Australia

**Sales (€ mn) and adj. EBIT margin (%)**



**Number of employees**





# STEP 1: CONSOLIDATION OF ALL LEGACY SITES IN CHINA



## Status Yangzhou

- 2019 consolidation of all facilities and warehouses into new Greenfield facility in Yangzhou
- Plant size: 42.000 sqm  
Employees (09/2020): 192 people  
Capa axles: 100k units p.a. (2shifts)  
Capa landing gear: 160k sets p.a. (2 shifts)
- Reduction of more than 400 employees in China
- Ramp-up in final phase, however, challenges due to COVID-19 (availability of Expat support) are making ramp-up more challenging than expected
- **Operational Excellence focus Yangzhou:**  
Focus on ramp-up and technical training.  
Directly include OpEx methods, safety, QRQC, 5S, global manufacturing template, etc.

## STEP 2: BUILD AND RAMP-UP OF 'STATE-OF-THE ART' GREENFIELD FACILITY

### Business initiatives

- Identify & focus on key customers and fleets for future commercial relationships & sales expansion
- Strategic approach for expanding distributor network
- Grow sales for domestic and regional export markets
- Branding & trade promotion
- Strengthen presales and aftersales service
- Implement Operational Excellence program



### Air suspensions

- Offer more variant ride heights to broaden product applications
- Offer both disc and drum brake configuration to customers



### Trailer axles

- Offer premium trailer axles with disc and drum brake configuration



### Landing gear

- Introduce internal gear design to gain market share in E-commerce transportation and premium segment
- Package deal with axle & suspension sales



# APAC – COUNTRY UPDATE



## India

- Our SAF-HOLLAND York India company has over 60 per cent market share in trailer axles and is the industry leader in quality and customer support; exporting to dozens of countries in Asia, Africa, the Middle East and Europe
- Scheduled India greenfield site postponed until 2022; continue to fully utilise existing facility with low cost structure for the foreseeable future



## Singapore

- Our Singapore HQ and distribution facility allows us significant flexibility in serving the diverse SE Asia and other critical export markets for all of our SAF-HOLLAND products



## Australia and New Zealand

- In Australia and New Zealand, our premium 'INTRA' brand axles and suspensions maintain a significant market share and are well-respected as the market leaders in efficiency and technology





# APAC – EXECUTIVE SUMMARY

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- APAC region has laid the foundation for profitable growth
- In China we are ready for the re-start
- In India we are ready for the market recovery and beyond
- Expanding future aftermarket possibilities in India, Australia and New Zealand due to strong OEM population and high market reputation

# Q & A

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# CLOSING REMARKS

ALEXANDER GEIS, CEO

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# KEY TAKEAWAYS – POSITIONING SAF-HOLLAND FOR LONG-TERM VALUE CREATION

- **STRATEGY 2025** – Focus on
  - Profitable sales growth
  - EBIT improvement
  - Portfolio optimisation
  - Operational excellence and
  - Cash flow generation
- **TECHNOLOGY** – Conquer leadership positions in New Business that address the megatrends (digitalisation, electrification and automated driving) in the CV industry
- **OPERATIONAL EXCELLENCE** – The basis for future success
- **FINANCIAL FRAMEWORK** – Strict performance orientation based on mid-term targets
- **EMEA** – Maintain high-margin level and increase business through innovations
- **AMERICAS** – Biggest lever for margin improvement through program FORWARD 2.0
- **APAC** – Foundation for profitable growth in the future

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