Press Release · Corporate News

SAF-HOLLAND defies weak US market and achieves 2016 sales and earnings targets

- Sales in 2016 reach EUR 1,042.0 million (previous year: EUR 1,060.7 million); Group organic sales at previous year's level
- At 8.7%, 2016 adjusted EBIT margin reaches upper half of target range of 8 to 9%
- Dividend per share to increase by 10% to EUR 0.44 (previous year: EUR 0.40)
- 2017 full-year outlook: Sales to increase to EUR 1,060 million to EUR 1,090 million; adjusted EBIT margin to remain in the range of 8 to 9% and, from today's perspective, should tend toward the middle of this range

Luxembourg, March 17, 2017 -– SAF-HOLLAND S.A., the supplier to the trailer, truck and bus industries, achieved its targets for the 2016 financial year. Despite a decline in many of the world's commercial vehicles markets, SAF-HOLLAND still generated essentially unchanged Group organic sales of EUR 1,052.9 million in 2016. This organic sales figure excludes negative currency effects of EUR 12.7 million and the contribution to sales from the acquisition of KLL. Important to note is that the AerWay product line, which was sold at the end of 2015, had still contributed roughly EUR 6.8 million to sales in 2015. The acquired Brazilian suspension specialist KLL contributed EUR 1.8 million to Group sales in the fourth quarter of 2016. The stable business development in 2016 can mainly be attributed to the EMEA/India region where sales increased by 5.3% to EUR 568.8 million (previous year: EUR 540.0 million; currency adjusted: +6.3%). Sales in the APAC/China region in 2016 were essentially stable at EUR 70.9 million (previous year: EUR 71.3 million; currency adjusted: +3.1%). These two regions were largely able to compensate for the pronounced weakness in the truck and trailer markets in North America and Brazil. In the Americas region, SAF-HOLLAND recorded a 10.5% decline in sales in 2016 to EUR 402.3 million (previous year: EUR 449.4 million; -8.5% on an organic basis) but still managed to significantly outperform the overall market.

At 8.7%, the adjusted EBIT margin in the 2016 financial year was within the target range

Operating income in the past financial year remained at a high level. Despite a slight decline in sales and one-time transaction costs totaling EUR 4.1 million for the takeover offer for the Swedish brake system manufacturer Haldex, which was ultimately withdrawn, and the majority takeover of KLL, the operating result was only slightly lower year-on-year at EUR 76.3 million (previous year: EUR 79.3 million). The stable operating result was supported by a noticeable improvement in the gross margin, which increased by 70 basis points to 19.8% (previous year: 19.1%) from the savings generated by the plant consolidation in Europe, higher efficiency in the production network and cost reductions from the increased bundling of purchasing activities within the Group notwithstanding that in China extraordinary write-downs on inventories and warranty expenses totaling EUR 1.6 million had to be booked.

EBIT adjusted for special effects from the purchase price allocation and restructuring and transactions costs, was 3.8% lower in 2016 reaching EUR 90.4 million (previous year:

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EUR 94.0 million). At 8.7% (previous year: 8.9%), the adjusted EBIT margin was in the upper half of the targeted range of 8 to 9%, as planned.

Finance result weaker due to higher interest expenses and a change in accounting for currency gains

The finance result in 2016 amounted to EUR -13.5 million (previous year: EUR -4.0 million) and was below the previous year's level. This development was primarily a result of a change in the recognition of unrealized exchange gains and losses from the valuation of intercompany foreign currency loans. Starting with the 2016 financial year, these gains and losses are accounted for as part of a net investment in a foreign operation and recognized directly in other comprehensive income (OCI). While net unrealized exchange gains of EUR 6.8 million were still recognized in the previous year, this item had little effect in 2016. At the same time, the net interest expense increased to EUR -11.7 million (previous year: EUR -8.8 million), due mainly to the issue of promissory notes. With these promissory notes, SAF-HOLLAND laid the financial groundwork for the acquisitions planned under Strategy 2020 already in the previous year. The sale of the Haldex shares acquired in the run-up to the takeover offer for Haldex resulted in a gain of EUR 5.7 million for the full year, which was offset by expenses of EUR 5.1 million for currency hedges undertaken for the planned transaction.

Result for the period at EUR 43.5 million

The weaker finance result caused a greater percentage decline in the result for the period of 15.9% to EUR 43.5 million (previous year: EUR 51.7 million) in the 2016 financial year compared to the decline in the operating result. This decline not only reflects transaction-related expenses in the 2016 financial year but also non-cash exchange gains from the valuation of intercompany foreign exchange loans in the prior year. Excluding these effects, the result for the period on a comparable basis would have been just slightly below the previous year.

Renewed sales growth in the fourth quarter of 2016

SAF-HOLLAND recorded sales growth of 3.9% to EUR 252.6 million (previous year: EUR 243.2 million) in the fourth quarter, marking the first time in the 2016 financial year, despite a further drop in customer demand in North America. Growth originated not only from the continued solid demand in the EMEA/India region but also from stronger business in China due to the introduction of new legal requirements for the weight and length of truck and trailer combinations, among others. Adjusted EBIT in the fourth quarter amounted to EUR 19.8 million (previous year: EUR 20.4 million. Adjusted EBIT in the fourth quarter was slightly lower year-on-year due to the fact that the previous year's quarter contained other income of EUR 1.4 million from the sale of the AerWay product line whereas in the fourth quarter of 2016 extraordinary expenses for inventory write-downs and warranties in the amount of EUR 0.7 million had to be recognized in China.

Free cash flow almost doubles and nears EUR 68 million

As a consequence of better working capital management and less investments as compared to the previous year, free cash flow improved sharply to EUR 67.7 million (previous year: EUR 35.0 million). Despite the higher dividend payment for 2015 and the payment of the purchase price for KLL, net debt declined by EUR 25.3 million to EUR 97.1 million.

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Dividend per share to increase by 10% to EUR 0.44

Based on the solid business performance and the Company's general policy to distribute between 40% and 50% of available net earnings as a dividend to shareholders, the Board of Directors is proposing a 10.0% dividend increase to the Annual General Meeting amounting to a dividend of EUR 0.44 per share for the 2016 financial year (previous year: EUR 0.40). This amount is equivalent to a dividend payout of EUR 20.0 million (previous year: EUR 18.1 million) and a payout ratio of 46.4% (previous year: 38.6%) of the available net earnings.

Forecast for 2017: Sales and earnings development expected to remain solid

In 2017, SAF-HOLLAND expects the market environment in key markets to remain challenging – especially in North America and Brazil. These markets should only start to pick-up in the second half of the year. Based on the anticipated solid market performance in Europe as a whole, market share gains and the ramp-up of significant major orders, the Company expects to achieve Group sales in the 2017 financial year in the range of EUR 1,060 million to EUR 1,090 million. This forecast assumes an unchanged scope of consolidation and stable currency exchange rates. The EBIT margin adjusted for special items should again be within the range of 8% to 9% in the 2017 financial year. However, from today's perspective, we expect the margin to tend toward the middle of this range given the upfront investments necessary to achieve our goals under Strategy 2020. SAF-HOLLAND currently has approximately EUR 344.6 million in liquid assets for acquisitions. Additional sales and earnings contributions from acquisitions that may be completed during the year are not yet included in the Company's current forecasts.

As announced, SAF-HOLLAND in 2017 is consolidating its North American plant network and optimizing its set-up from a logistics point of view. The corresponding actions have already been initiated and overall are expected to result in a one-time restructuring charge of up to US$ 10 million consisting mainly of relocation costs, impairment charges on equipment and severance payments. SAF-HOLLAND expects that the vast majority of these charges to be recognized in the 2017 financial year. Important to note is that our Group's key performance indicator – adjusted EBIT – is adjusted for restructuring charges. After the improvements have been completed, the Group expects to reduce its direct cost base in North America by a mid-single-digit million US$ amount.

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Key figures for 2016 FY

Euro millions	FY 2016	FY 2015	vs. previous year in %
Sales	1,042.0	1,060.7	-1.8
Adjusted EBIT	90.4	94.0	-3.8
Adjusted EBIT margin (%)	8.7	8.9	-20 bps
EBT	65.0	77.6	-16.2
Result for the period	43.5	51.7	-15.9
Basic earnings per share in EUR	0.98	1.14	-14.0
Diluted earnings per share in EUR	0.85	0.99	-14.1
Operating cash flow before taxes	106.4	79.5	33.7
Free cash flow	67.7	35.0	93.4
Equity ratio in %	30.1 (45.1)*	32.4 (45.3)*	-2.3 pp

* Adjusted for cash and cash equivalents and other short-term investments above the figure targeted by SAFH of approximately EUR 7 million; Legend: bps=basis point; pp=percentage point

Please note: Adjusted EBIT is adjusted for extraordinary items that do not result from the operating business and mainly consist of amortization from purchase price allocation and impairment reversals on intangible assets derived from impairment tests, non-recurring restructuring and integration costs and transaction-related costs. The 2016 Annual Report for SAF-HOLLAND S.A. can be downloaded at http://corporate.safholland.com/en/investor-relations/publications/financial-reports/latest-reports

At the occasion of the announcement of the financial results for the business year 2016, SAF-HOLLAND Management will host an analysts and investors conference in Frankfurt on March 17, 2017 starting at 10:15 a.m. (CET). Analysts, investors and media representatives will also have the opportunity to join the conference call in listen-only mode by dialing in:

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About SAF-HOLLAND:

SAF-HOLLAND S.A., located in Luxembourg, is the largest independent listed supplier to the commercial vehicle market in Europe delivering mainly to the trailer markets. With sales of approximately EUR 1,042 million in 2016 and more than 3,200 employees, the Company is one of the world's leading manufacturers and suppliers of chassis-related systems and components primarily for trailers, trucks, buses, and recreational vehicles. The product range comprises axle and suspension systems, fifth wheels, kingpins, and landing gear marketed under the brands SAF, HOLLAND and Neway. SAF-HOLLAND sells its products to Original Equipment Manufacturers (OEMs) on six continents. The Group's Aftermarket business supplies spare parts to the service networks of Original Equipment Suppliers (OES), as well as to end customers and service centers through its extensive global distribution network. SAF-HOLLAND is one of the few suppliers in the truck and trailer industry that is internationally positioned in almost all markets worldwide.

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