Press Release · Corporate News

SAF-HOLLAND: Strong organic sales growth in the first quarter of 2017

- Group sales increase 10.5%, organic sales growth of 7.6%
- First quarter adjusted EBIT margin at 8.7%
- Company confirms 2017 full-year outlook

Luxembourg, May 11, 2017 – SAF-HOLLAND S.A., the SDAX-listed supplier to the trailer, truck and bus industries, recorded dynamic sales development in the first quarter of the 2017 financial year despite a persistently challenging market environment particularly in North America. Sales increased 10.5% to EUR 287.3 million (previous year: EUR 259.9 million). Organic sales rose 7.6% to EUR 279.7 million, excluding positive currency effects of EUR 5.0 million and the EUR 2.6 million sales contribution from the Brazilian company KLL Equipamentos para Transporte Ltda (KLL), which was majority acquired by SAF-HOLLAND in October 2016.

SAF-HOLLAND achieved sales growth in all of the Group's reportable regions in the first quarter. The performance was noticeably strong in the EMEA/India region with sales rising 10.4% (currency-adjusted basis: +10.0%) to EUR 160.3 million (previous year: EUR 145.2 million). The APAC/China region also reported significant growth of 27.6% (currency adjusted basis: +26.2%) to EUR 18.5 million (previous year: EUR 14.5 million). For the first time after last year's sharp decline, the Americas region in the first three months of 2017 was able to deliver a sales increase of 8.2% (organic basis: +1.6%) to EUR 108.5 million (previous year: EUR 100.2 million). As a result, business in the Americas once again outperformed the region's still declining trailer and truck markets.

CFO Dr. Matthias Heiden in his comments on the quarter's results stated: "We had a solid start into the year with our strong performance in the first quarter of 2017 and were even able to accelerate our organic growth in a mixed market."

EBIT slightly higher year-on-year despite U.S. restructuring
EBIT in the first three months of 2017 rose slightly from EUR 20.8 million to EUR 21.0 million despite the burden of one-time restructuring costs totaling EUR 2.7 million (previous year: EUR 0.3 million). The majority of these restructuring costs (EUR 2.1 million) resulted from the plant consolidation in North America, which was announced in January 2017 and is currently being implemented. Further restructuring costs of EUR 0.3 million were incurred for the merger of the two production sites in Brazil.

Adjusted EBIT margin in the first quarter of 2017 at 8.7%
EBIT adjusted for the aforementioned restructuring costs and effects from the purchase price allocation of EUR 1.4 million (EUR 1.6 million) exceeded the previous year's level by 10.6% reaching EUR 25.1 million (previous year: EUR 22.7 million). At 8.7% (previous year: 8.7%), the adjusted EBIT margin in the first quarter was unchanged compared to the prior year and was thereby within the 8% to 9% range targeted for the full year of 2017.

Slight improvement in finance result
The finance result for the first quarter of 2017 was EUR -4.3 million (previous year:

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EUR -4.9 million). Whereas the first quarter of 2016 still contained expenses of EUR 1.2 million from the measurement of a derivative related to a promissory note issued in November 2015, the first quarter of 2017 no longer contained any such expenses. Net interest expenses, on the other hand, rose to some extent after establishing the financing basis in the previous year for complementary acquisitions and collaborations as set out in the Company’s Strategy 2020. Net interest expenses increased in the first quarter of 2017 to EUR -3.4 million (previous year: EUR -2.9 million).

Result for the period rises to EUR 11.3 million
The slightly higher EBIT combined with an improved finance result led to an increase in the result before taxes of 5.0% to EUR 16.7 million (previous year: EUR 15.9 million). Despite a rise in the Group’s tax rate to 32.7% (previous year: 30.1%), the result for the period in the first quarter of 2017 increased by 1.8% to EUR 11.3 million (previous year: EUR 11.1 million). Based on an unchanged number of 45.4 million shares outstanding, basic earnings per share amounted to EUR 0.26 (previous year: EUR 0.25). Adjusted basic earnings per share reached EUR 0.32 (previous year: EUR 0.27).

Operating cash flow affected by jump in sales in the second half of the quarter
As of March 31, 2017, a rise in trade receivables led to what was largely a seasonally and reporting date-related increase in net working capital totaling EUR 31.5 million (previous year: EUR 5.5 million). The higher working capital is mainly due to particularly strong sales in March resulting, in part, from the higher number of working days and because most of the sales in that month had not yet produced an inflow of cash by the quarter’s end. As a result, at EUR -15.6 million (previous year: EUR 13.0 million), free cash flow was noticeably lower in the first quarter of 2017. Free cash flow is expected to visibly improve again in the coming quarters accompanied by a targeted reduction in the buildup of working capital.

Outlook for 2017 confirmed: Continued solid sales and earnings performance expected
For the year 2017, SAF-HOLLAND continues to expect Group sales in the range of EUR 1,060 to 1,090 million. This forecast is based on the assumption of an unchanged scope of consolidation and stable currency exchange rates. The EBIT margin adjusted for special items should again be within a range of 8% to 9% in 2017, whereby from today’s perspective, the Company expects the margin to rather tend toward the mid-point of the range due to the upfront investment necessary to achieve the goals of our growth strategy 2020.

In referring to the Group targets, CEO Detlef Borghardt added: "A key element of our Strategy 2020 is our intention to generate additional sales and earnings contributions through collaborations, joint ventures and acquisitions above and beyond our organic growth. This will complement our product portfolio and accelerate growth in regions outside our core markets."

SAF-HOLLAND continues to expect to generate solid free cash flow in 2017, although it is likely to be below the high level generated in the 2016 financial year due to the growth-driven increase in working capital.

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SAF-HOLLAND has already begun in the first quarter of 2017 with the consolidation of the North American plant network announced in January. The measures planned are still expected to result in one-time restructuring costs of up to US$ 10 million. SAF-HOLLAND anticipates that the majority of these expenses will be recognized in the 2017 financial year. It is important to point out that the Group's key performance indicator, adjusted EBIT, is adjusted for one-time restructuring costs. After the successful completion of the restructuring measures, SAF-HOLLAND expects a reduction in the direct cost base in North America in the mid single-digit million US$ range annually.

Key figures for Q1 2017

Euro million	Q1/2017	Q1/2016	vs. previous year in %
Sales	287.3	259.9	10.5
Adjusted EBIT	25.1	22.7	10.6
Adjusted EBIT margin (%)	8.7	8.7	+/-0 pp
Earnings before taxes	16.7	15.9	5.0
Result for the period	11.3	11.1	1.8
Basic earnings per share in EUR	0.26	0.25	4.0
Adjusted basic earnings per share in EUR	0.32	0.27	18.5
Free cash flow	-15.6	13.0	n.a.
Equity ratio in %	30.0	31.8	-1.8 pp

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 non-recurring restructuring and integration costs and transaction-related costs. The SAF-HOLLAND S.A. quarterly statement as of March 31, 2017 can be downloaded at https://corporate.safholland.com/en/investor-relations/publications/announcements.

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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With the announcement of the financial results for the first quarter of 2017, SAF-HOLLAND's management will host an analyst and investor conference call on May 11, 2017 starting at 11:00 a.m. (CEST). Media representatives will have the opportunity to join the conference call in listen-only mode by dialing the following numbers:

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