Corporate News

SAF-HOLLAND: Outstanding results in a challenging market environment – very encouraging start to the new financial year

- Sales guidance met, EBIT margin guidance exceeded
- Disciplined investment policy with a focus on automation
- Very strong operating free cash flow: EUR 114 million (previous year: EUR 43 million)
- Solid financial profile continues to have priority – no dividend for the 2020 financial year
- Positive outlook for 2021: Sales of between EUR 1,050 million and EUR 1,150 million (previous year: EUR 960 million); adjusted EBIT margin of around 7 per cent (previous year: 6.1 per cent)

Bessenbach, March 25, 2021. SAF-HOLLAND SE ("SAF-HOLLAND"), one of the world's leading suppliers of trailer and truck components, today published its audited financial figures and dividend proposal for the 2020 financial year and presented its outlook for the current 2021 financial year.

Alexander Geis, Chairman of the Management Board of SAF-HOLLAND SE says: "We have successfully passed the stress test caused by the COVID-19 pandemic and remained a reliable partner for our customers at all times. We possess a robust and very promising business model and can fairly say that the comprehensive programme launched in September 2019 to sustainably reduce selling and administrative expenses is taking effect. The successful restructuring of our North American and Asian production network and alignment of all locations to our SAF-HOLLAND Operational Excellence System will free up additional earnings potential in the coming years."

"For the current financial year I am optimistic, although the COVID-19 pandemic will remain a major risk factor. The beginning of financial year 2021 has been very encouraging. For instance, the order intake in the EMEA region has developed so strongly that we are introducing a three-shift model," adds Alexander Geis.

Adjusted EBIT margin at roughly the same level as the previous year despite COVID-19

Due to market conditions and COVID-19, Group sales in the financial year 2020 came to EUR 959.5 million, 25.3 per cent below the previous year's level of EUR 1,284.2 million. Sales in the OE business decreased by 29.8 per cent or EUR 285.7 million to EUR 673.4 million in the reporting period from January to December 2020. The share of total sales accounted for by the OE business therefore decreased from 74.7 per cent to 70.2 per cent. By contrast, sales in the spare parts business only decreased by 12.0 per cent or EUR 38.9 million to EUR 286.2 million. The share of the spare parts business in total sales increased from 25.3 per cent to 29.8 per cent accordingly.

In spite of the significant fall in sales, SAF-HOLLAND nevertheless generated an adjusted EBIT margin of 6.1 per cent that is slightly above the margin guidance, which was raised in November 2020 to 5 to 6 per cent (previous year: 6.2 per cent). The streamlining of the OE product portfolio, sustained savings in selling and administrative expenses and the higher proportion of the resilient spare parts business in total sales had a positive impact.

Disciplined investment policy with a focus on automation

Additions to property, plant and equipment and intangible assets, including capitalised development costs of EUR 2.8 million (previous year: EUR 4.9 million) totalled EUR 24.5 million in the 2020 financial year (previous year: EUR 53.0 million). This breaks down into EUR 10.0 million (previous year: EUR 19.5 million) for the EMEA region, EUR 9.1 million (previous year: EUR 21.1 million) for the Americas region and EUR 5.4 million (previous year: EUR 12.4 million) for the APAC region. The focus of investing activities was on the further automation of production processes at various locations in the Americas region and Germany. The capex ratio decreased from 4.1 per cent to 2.5 per cent, lying within the mid-term target of approximately 2.5 per cent.

Net working capital ratio greatly improved – high operating free cash flow

The net working capital ratio, measured as the ratio of net working capital to Group sales over the last 12 months, improved year-on-year from 14.3 per cent to 11.9 per cent. A decrease in inventories and trade receivables was countered by lower trade payables. This was offset by the decline in 12-month sales due to market conditions and COVID-19.

The net cash flow from operating activities in the 2020 financial year came to EUR 137.9 million, 52.4 per cent above the level of the comparable period of the previous year of EUR 90.5 million. The increase is mainly attributable to the positive contribution from net working capital management. The Cash-is-King project initiated in April 2020 played a major role in this regard. As a result, it was possible to sustainably reduce overdue receivables in all regions and improve the management of inventories.

The net cash flow from investing activities in property, plant and equipment and intangible assets of EUR -23.7 million lay EUR 24.1 million, or 50.4 per cent, below the comparable figure for the previous year. The operating free cash flow improved from EUR 42.8 million to EUR 114.2 million.

“We have realised primarily structural improvements in the field of net working capital management,” says Inka Koljonen, CFO of SAF-HOLLAND SE. “Together with the extended Cash-is-King concept, this will help us this year to cushion the cyclical rise in net working capital.”

Solid financial profile has priority – no dividend for the 2020 financial year

In comparison to December 31, 2019, equity has decreased by EUR 17.5 million to EUR 300.5 million. The net profit for the period of EUR 14.2 million increased equity accordingly. Exchange differences arising from the currency translation of foreign operations and the remeasurement of defined benefit obligations had the contrary effect. Coupled with the 6.0 per cent decrease in the balance sheet, this leads to a slight increase in the equity ratio to 32.6 per cent (December 31, 2019: 32.5 per cent).

Net financial debt (including lease liabilities) decreased by EUR 55.0 million to EUR 196.7 million as of December 31, 2020 compared to the reporting date of December 31, 2019. As of December 31, 2020 SAF HOLLAND carries cash and cash equivalents of EUR 171.0 million (December 31, 2019: EUR 131.2 million).

In order to secure this solid financial profile sustainably, the Management Board and the Supervisory Board of SAF-HOLLAND SE have decided to propose to the Annual General Meeting, scheduled for June 10, 2021, to pay no dividend for the 2020 financial year.

“By significantly reducing net financial debt, we have managed to improve the debt ratio from 2.85x EBITDA at the end of 2019 to 2.40x EBITDA,” adds Inka Koljonen. “As a result, we are in a position where we can rigorously implement our Strategy 2025 and, if the opportunity arises, consider pursuing a course of acquisition-driven growth.”

EMEA region: Adjusted EBIT margin at roughly the same level as the previous year despite COVID-19

In the EMEA region, sales declined in financial year 2020 by 11.7 per cent to EUR 552.9 million (previous year: EUR 626.2 million) due to market conditions and COVID-19. After eliminating the effects of exchange rates and consolidation effects, sales decreased by 10.5 per cent to EUR 560.2 million. Despite the decline in sales, the EMEA region generated an adjusted EBIT of EUR 52.7 million (previous year: EUR 60.1 million) in the reporting period from January to December 2020 and an adjusted EBIT margin of 9.5 per cent (previous year: 9.6 per cent). The spare parts business had a positive impact on the gross margin whereas the impact of the OE business was slightly positive. This includes inventory write-downs of EUR 3.2 million in response to the decrease in inventory turnover because of the COVID-19 pandemic.

Americas region: EBIT margin of 4.1 per cent in spite of a massive slump of 38 per cent in sales

In the Americas region, sales declined in financial year 2020 by 37.8 per cent to EUR 332.3 million (previous year: EUR 534.5 million) due to market conditions and COVID-19. After eliminating the effects of exchange rates, sales decreased by 35.7 per cent to EUR 343.8 million.

In spite of the significant fall in sales, the Americas region generated a positive adjusted EBIT of EUR 13.5 million (previous year: EUR 29.2 million) and an adjusted EBIT margin of 4.1 per cent (previous year: 5.5 per cent). The spare parts business had a positive impact on the gross margin whereas the OE business had a negative impact. This includes inventory write-downs of EUR 4.9 million in response to the decrease in inventory turnover because of the COVID-19 pandemic and the streamlining of the product portfolio within the framework of programme FORWARD 2.0.

The sustained savings in selling and administrative expenses had a positive effect, which was overcompensated by cost stickiness. In addition it should be noted that the figure in the previous year of EUR 29.2 million significantly benefited from the contractually agreed passing on of the rise in the price of steel in 2018 coupled with lower purchase prices for steel.

APAC region: Lock-down and delayed ramp-up in China burden performance

The APAC region generated sales of EUR 74.3 million in financial year 2020 (previous year: EUR 123.5 million) due to market conditions and COVID-19. After eliminating the effects of exchange rates, sales decreased by 38.0 per cent to EUR 76.6 million compared with the previous year. The reason for this sharp contraction in sales was mainly the lock-down in China, Australia, India and Singapore, which lasted a number of weeks, the ceased export business as a result of the trade dispute between China and the USA and the delay in ramping-up the new Chinese plant in Yangzhou due to COVID-19.

Adjusted EBIT improved by EUR 2.2 million to EUR -7.3 million. The adjusted EBIT margin amounted to -9.9 per cent (previous year: -7.7 per cent). Both the OE business and the spare parts business had a negative impact on the gross margin. The sustained savings realised in selling and administrative expenses had a positive effect.

Positive outlook for the 2021 financial year

The outlook for the 2021 financial year is based on the assumption that the global economy and the political environment remain stable and that there are no unforeseen impacts of the continuing COVID-19 pandemic on our production and supply chains.

The Management Board of SAF-HOLLAND SE expects Group sales to range between EUR 1,050 million and EUR 1,150 million in financial year 2021 (2020: EUR 959.5 million). Under the above assumptions, SAF-HOLLAND is projecting an adjusted EBIT margin of around 7 per cent for the 2021 financial year (2020: 6.1 per cent). In order to support its strategic objectives, the company is planning investments of approximately 2.5 per cent of Group sales once again for the 2021 financial year. This capital expenditure will focus primarily on continuing the introduction of a Global Manufacturing Platform, further automation and the programme FORWARD 2.0 as well as IT.

SAF-HOLLAND SE will publish the quarterly statement for the period from January to March 2021 on May 12, 2021.

Key financials for the 2020 financial year

Results of operations

in EUR thousands

	Q1–Q4/2020	Q1–Q4/2019
Sales	959,519	1,284,155
Adjusted gross profit	178,831	217,598
Adjusted gross profit margin in %	18.6	16.9
Adjusted EBITDA	98,126	114,129
Adjusted EBITDA margin in %	10.2	8.9
Adjusted EBIT	58,799	79,816
Adjusted EBIT margin in %	6.1	6.2
Adjusted result for the period	34,494	49,756
Adjusted undiluted earnings per share in EUR	0.76	1.10

Net assets

in EUR thousands

	12/31/2020	12/31/2019
Balance sheet total	920,486	979,244
Equity	300,463	318,007
Equity ratio in %	32.6	32.5
Net working capital	114,599	183,763
Net working capital in % of sales (LTM)	11.9	14.3

Financial position

in EUR thousands

	Q1–Q4/2020	Q1–Q4/2019
Cash flow from operating activities	137,922	90,546
Cash flow from investing activities (property, plant and equipment/ intangible assets)	–23,675	–47,727
Operating free cash flow	114,247	42,820
Total free cash flow	114,247	31,967
Cash and cash equivalents	170,982	131,166
Net debt	196,701	251,667

Employees

	Q1–Q4/2020	Q1–Q4/2019
Employees at the reporting date	3,369	3,924
Employees (on average)	3,424	4,218

Note:

All figures shown are rounded. Minor discrepancies may arise from additions of these amounts.

Net working capital ratio = Ratio of inventories and trade receivables less trade payables to sales of last twelve months. The net working capital ratio for Q1-Q4 2019 has been adjusted retrospectively to match the new definition.

Operating free cash flow = Net cash flow from operating activities less net cash flow from investing activities (purchase of PP&E and intangible assets less proceeds from sales of PP&E). The operating free cash flow for Q1-Q4 2019 has been adjusted retrospectively to match the new definition.

About SAF-HOLLAND

SAF-HOLLAND SE, located in Bessenbach, is one of the leading international manufacturers of chassis-related assemblies and components, primarily for trailers and trucks. In addition to axle and suspension systems, the product range includes fifth wheels, coupling systems, kingpins and landing gear, which are sold under the SAF, Holland, Neway, KLL, V.Orlandi and York brands. SAF-HOLLAND supplies original equipment manufacturers (OEM) on six continents. In the Aftermarket business, the Company supplies replacement parts to manufacturers' service networks (OES), wholesalers, and, with the help of distribution centers, to end customers and service centers via an extensive global sales network. With the innovation offensive "SMART STEEL - ENGINEER BUILD CONNECT", SAF-HOLLAND combines mechanics with sensors and electronics and is driving forward the digital networking of commercial vehicles and logistics chains. Around 3,000 committed employees worldwide are already working on the future of the transport industry today. Further information is available at: https://corporate.safholland.com/en

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Future-oriented statements

This press release contains certain future-oriented statements that are based on current assumptions and forecasts made by the management of SAF-HOLLAND SE. Various known and unknown risks, uncertainties and other factors may lead to the actual results, financial position, development or performance of the company deviating considerably from the appraisals specified here. The company assumes no obligation to update future-oriented statements of this nature or adapt them to future events or developments.

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