Corporate News

SAF-HOLLAND: Solid first quarter 2020

- Group sales decreased by 18.1 per cent to EUR 283.4 million due to the market conditions
- Adjusted EBIT margin of 6.5 per cent clearly above the upper end of the range for the full year 2020
- Clearly positive operating free cash flow
- Cash inflow from promissory note loan secures finance until at least 2023
- Roll-out of Operational Excellence Roadmap driven forward as a priority
- Comprehensive program to reduce selling and administrative expenses at all locations pursued rigorously

Luxembourg, May 13, 2020. The SAF-HOLLAND Group ("SAF-HOLLAND"), one of the world's leading suppliers of trailer and truck components today published its financial figures for the first quarter of 2020.

Alexander Geis, CEO of SAF-HOLLAND says: "In terms of sales and earnings development, the first quarter has generally run according to budget, in spite of a very challenging market environment, particularly in North America. Without a doubt, the second quarter will present a particular challenge also for our company, all of our employees and the management team."

"However, we are now benefitting from the fact that we initiated a global program to reduce our selling and administrative costs at the end of September 2019 already – after adjusting our forecast for the previous year. In addition, we were able to conclude a supplementary agreement to the collective agreement for the Bessenbach location that came into force on March 1, 2020."

Group sales below the previous year due to market conditions; adjusted EBIT margin of 6.5 per cent

Group sales in the first quarter of 2020 came to EUR 283.4 million, roughly 18.1 per cent down on the comparable figure in the previous year of EUR 346.0 million. The additional sales contributed by the entities acquired since January 2019 come to EUR 1.6 million. The exchange rate gains, most of which originate from the appreciation of the USD against the EUR, amounted to EUR 1.9 million. Consequently, after eliminating the effects of exchange rates and acquisitions, sales decreased by 19.1 per cent to EUR 279.9 million.

Adjusted EBIT amounted to EUR 18.4 million in the first quarter of 2020 (previous year: EUR 24.8 million). The adjusted EBIT margin amounted to 6.5 per cent (previous year: 7.2 per cent). A factor burdening the margin was the relatively slow decrease of 7.6 per cent in adjusted selling and administrative expenses to EUR 30.2 million (previous year: EUR 32.7 million) as not all savings measures initiated in all regions have developed their full effect yet.

The adjusted net profit for the first quarter of 2020 of EUR 11.3 million (previous year: EUR 16.4 million) lies 31.1 per cent below the previous year's level. Based on approximately 45.4 million ordinary shares outstanding, unchanged on the previous year, adjusted basic earnings per share for the reporting period from January to March 2020 amounted to EUR 0.25 (previous year: EUR 0.36) and adjusted diluted earnings per share amounted to EUR 0.21 (previous year: EUR 0.31).

Investments focus on optimizing processes and workflows

Additions to property, plant and equipment and intangible assets, including capitalized development costs of EUR 1.0 million (previous year: EUR 0.9 million), totalled EUR 6.7 million in the first quarter of 2020 (previous year: EUR 14.4 million). This breaks down into EUR 2.1 million (previous year: EUR 4.7 million) for the EMEA region, EUR 3.8 million (previous year: EUR 6.6 million) for the Americas region and EUR 0.8 million (previous year: EUR 3.2 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.

Headcount noticeably declining

As of March 31, 2020 SAF-HOLLAND employed 3.428 people worldwide (previous year: 3.899 employees). Compared to the previous year, the number of employees has therefore decreased by 12.1 per cent. The reduction in the headcount was spread over all regions in order to address the change in the market conditions. The headcount at the end of April came to 3.194.

Clearly positive operating free cash flow

The cash flow from operating activities in the first quarter of 2020 came to EUR 32.0 million, significantly above the level of the previous year's quarter of EUR 8.6 million. This improvement is largely due to the significant progress made in working capital management. The cash flow from investing activities in property, plant and equipment and intangible assets of EUR –6.3 million is EUR 7.9 million, or 55.6 per cent, below the comparable prior-year figure.

The operating free cash flow improved markedly, from EUR –5.7 million to EUR 25.7 million. The total free cash flow of EUR 4.1 million (previous year: EUR –18.1 million) was affected by the cash outflow associated with the purchase of the remaining shares in V.Orlandi of EUR 21.6 million.

Net financial debt (including lease liabilities) increased slightly by EUR 4.5 million to EUR 256.2 million as of March 31, 2020 compared to the reporting date of December 31, 2019. As of March 31, 2020 SAF-HOLLAND carries cash and cash equivalents of EUR 319.4 million (December 31, 2019: EUR 131.2 million).

“With the new promissory note loan we have significantly improved our maturity profile and at the same time are fully financed through to the year 2023”, says Dr. Matthias Heiden, CFO of SAF-HOLLAND. “With the inception of our “Cash Is King” project, which primarily addresses overdue receivables and the management of our inventories, we will free up additional cash by the end of the year and be able to keep the company on a stable course through these troubled times. This assessment has been confirmed by Euler Hermes Rating GmbH, which has recently confirmed our investment grade rating.”

EMEA region: Adjusted EBIT margin relatively stable

Sales in the EMEA region fell 10.7 per cent in the first quarter of 2020 and came to EUR 157.2 million (previous year: EUR 176.1 million). The entities acquired since January 2019 contributed an additional EUR 1.6 million to sales. Organic sales decreased by 11.7 per cent to EUR 155.6 million.

The EMEA region generated an adjusted EBIT of EUR 14.8 million in the reporting period from January to March 2020 (previous year: EUR 17.1 million) and an adjusted EBIT margin of 9.4 per cent (previous year: 9.7 per cent).

Americas region: Earnings situation dimmed due to lower volume

Sales in the Americas region fell 20.0 per cent in the first quarter of 2020 and came to EUR 105.1 million (previous year: EUR 131.3 million). After eliminating the effects of exchange rates, sales decreased by 21.5 per cent to EUR 103.1 million.

Adjusted EBIT of EUR 4.1 million was significantly down on the figure of the previous year of EUR 6.8 million. The adjusted EBIT margin came to 3.9 per cent (previous year: 5.2 per cent). The spare parts business had a positive impact on the gross margin whereas the OEM business had a negative impact.

APAC region: Sustained slump in customer demand burdens results

The APAC region generated sales of EUR 21.1 million in the first quarter of 2020 (previous year: EUR 38.5 million). After eliminating the effects of exchange rates, sales decreased by 44.8 per cent to EUR 21.3 million. The main reason for this sharp slump in sales was the ongoing weakness of demand from customers in India. In addition, the New Year’s festival and the closures due to COVID-19 in China resulted in a sharp fall in sales in the months of March and February.

Adjusted EBIT of EUR –0.5 million was well down on the result of the previous year of EUR 0.9 million. The adjusted EBIT margin amounted to –2.4 per cent (previous year: 2.4 per cent).

Outlook for the 2020 financial year

In light of the macroeconomic environment and the sector-specific framework conditions and after weighing up the risk and opportunity potentials (including the currently foreseeable impact on business from the corona pandemic) the Group Management Board of SAF-HOLLAND anticipates a decrease in Group sales of 20 to 30 per cent for the 2020 financial year compared to 2019.

Under this assumption, SAF-HOLLAND is projecting an adjusted EBIT margin of between 3 per cent and 5 per cent for the 2020 financial year. The higher shares of sales accounted for by the spare parts business is helping to stabilize the margin. On the other hand, factors burdening the margin are the OEM business and the relatively slow decline in selling and administrative expenses as the savings measures that have been initiated will develop their full effect until the remaining course of the year.

In order to support the strategic objectives, SAF-HOLLAND is planning investments of approximately 3 per cent of Group sales in the 2020 financial year (previous year: 4.1 per cent). These will focus primarily on continuing the introduction of a Global Manufacturing Platform, further automation and program FORWARD.

The exact commercial impact of the current COVID-19 pandemic on SAF-HOLLAND however can still not be precisely identified or reliably quantified.

SAF-HOLLAND will publish the 2020 half-year financial report on August 13, 2020.

Key financials for the first quarter of 2020

Results of operations

in EUR thousands

	Q1/2020	Q1/2019
Sales	283,411	345,968
Adjusted gross profit	52,261	62,091
Adjusted gross profit margin in %	18.4	17.9
Adjusted EBITDA	27,508	31,912
Adjusted EBITDA margin in %	9.7	9.2
Adjusted EBIT	18,441	24,775
Adjusted EBIT margin in %	6.5	7.2
Adjusted result for the period	11,288	16,374
Adjusted undiluted earnings per share in EUR	0.25	0.36
Diluted adjusted earnings per share in EUR	0.21	0.31

Net assets

in EUR thousands

	03/31/2020	12/31/2019
Balance sheet total	1,181,276	979,244
Equity	318,554	318,007
Equity ratio in %	27.0	32.5
Net working capital	159,169	183,763
Net working capital in % of sales	13.0	14.3

Financial position

in EUR thousands

	Q1/2020	Q1/2019
Cash flow from operating activities	32,014	8,559
Cash flow from investing activities (property, plant and equipment/ intangible assets)	–6,323	–14,252
Operating free cash flow	25,691	–5,693
Total free cash flow	4,056	–18,120
Cash and cash equivalents	319,393	135,307
Net debt	–256,225	–250,923

Employees

	Q1/2020	Q1/2019
Employees at the reporting date	3,428	3,899
Employees (on average)	3,491	3,900

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. Net working capital ratio for Q1 2019 retrospectively adjusted according to 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). Operating free cash flow for Q1 2019 retrospectively adjusted according to the new definition.

About SAF-HOLLAND

SAF-HOLLAND SE, located in Luxembourg, is the largest independent listed commercial vehicle supplier in Europe and primarily supplies the trailer markets. With sales of around EUR 1,284 million in 2019, the Company is one of the leading international manufacturers of chassis-related assemblies and components, primarily for trailers but also for trucks, buses, and recreational vehicles. In addition to axle and suspension systems, the product range includes fifth wheels, coupling systems, kingpins and landing legs, 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 Group supplies replacement parts to manufacturers' service networks (OES) and, with the help of distribution centers, to end customers and service centers via an extensive global sales network. SAF-HOLLAND has a broad international base and is present in almost all markets worldwide. 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 3,500 committed employees worldwide are already working on the future of the transport industry today.

Contact

Michael Schickling
Director Investor Relations and Corporate Communications
Tel: +49 (0) 6095 301 617
michael.schickling@safholland.de

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.

Note

This announcement is for information purposes only and does neither constitute an offer to sell, purchase, exchange or transfer any securities nor a solicitation of any offer to sell, purchase, exchange or transfer any securities. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. SAF-HOLLAND SE does not intend to register any securities referred to herein under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States in connection with this announcement.