

ALEXANDER GEIS (CEO)
DR MATTHIAS HEIDEN (CFO)

Financial results Q1 2020

13 MAY 2020



AGENDA

Welcome

- 1 Performance Q1 2020** – Solid performance in a challenging environment
- 2 Outlook**

Today's speakers – Welcome to our Q1 2020 Financial Results Conference



Alexander Geis

Chief Executive Officer

- CEO of the SAF-HOLLAND Group since February 26, 2019 and member of the Group Management Board since July 2011
- With SAF since 1995 and most recently President of Region EMEA and Chief Procurement Officer
- Previously member of the Management Board and responsible for the Business Unit Aftermarket and for the strategic and operative alignment of the global spare parts business
- MBA-degree of University of Maryland, USA



Dr Matthias Heiden

Chief Financial Officer

- CFO of the SAF-HOLLAND Group and member of the Group Management Board since March 2017
- Responsible for the areas of Finance, Accounting and Controlling, IT, Legal and Compliance, Human Resources, and Investor Relations and Corporate Communications.
- Previously CFO of SAP's German subsidiary and Regional CFO for Middle and Eastern Europe
- Degree in Business Administration and Doctor of Economic Sciences



1 Performance Q1 2020 – Solid performance in a challenging environment

Summary: Solid Q1 2020

Sales
€ 283 MN

Adj. EBIT
margin
6.5%

Net working
capital ratio*
13.0%

Capex
€ 6.7 MN

- Q1 2020 mainly unaffected by COVID-19 except China
- Aftermarket business has a stabilizing effect on sales and earnings
- Comprehensive cost-cutting program continued
- Free cash flow generation strongly improved
- Solid financial profile secured
- Next stage in operational excellence
- Execute SG&A savings programme
- Further accelerate efforts on inventory management and free cash flow generation
- Sustainably improve quality of earnings

Truck and trailer production Q1 2020 – COVID-19 impacts market development

WESTERN & EASTERN EUROPE		NORTH AMERICA		CHINA		SOUTH AMERICA		INDIA	
Truck	Trailer	Truck	Trailer	Truck	Trailer	Truck	Trailer	Truck	Trailer
-27%	-15%	-25%	-25%	-45%	-45%	-6%	-7%	-56%	-60%

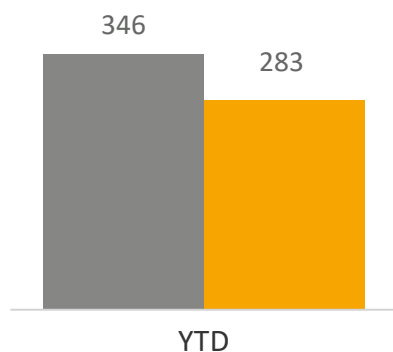
The global commercial vehicle markets declined in Q1 2020 (vs. Q1 2019), partly due to uncertainties about future economic prospects caused by the coronavirus.

P&L Q1 2020 – Quality of earnings slightly improved

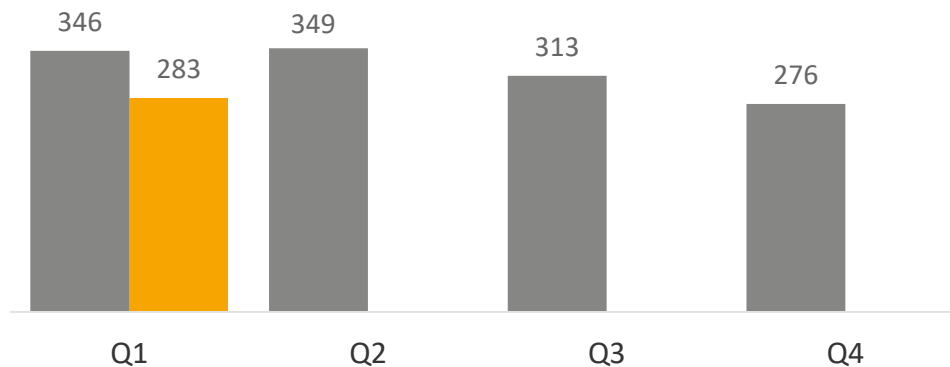
TEUR	Q1/2020	Total Adjustments	Q1/2020 adjusted*	in % of sales	Q1/2019	Total Adjustments	Q1/2019 adjusted*	in % of sales
Sales	283,411	–	283,411	100.0%	345,968	–	345,968	100.0%
Cost of sales	-232,454	1,304	-231,150	-81.6%	-285,716	1,839	-283,877	-82.1%
Gross profit	50,957	1,304	52,261	18.4%	60,252	1,839	62,091	17.9%
Other income	494	–	494	0.2%	365	–	365	0.1%
Other expenses	–	–	–	0.0%	–	–	–	0.0%
Impairment of goodwill	–	–	–	0.0%	–	–	–	0.0%
Selling expenses	-16,249	1,934	-14,315	-5.1%	-18,217	1,713	-16,504	-4.8%
Administrative expenses	-16,639	742	-15,897	-5.6%	-18,360	2,201	-16,159	-4.7%
Research and development costs	-4,567	88	-4,479	-1.6%	-5,590	86	-5,504	-1.6%
Operating profit	13,996	4,068	18,064	6.4%	18,450	5,839	24,289	7.0%
Share of net profit of investments accounted for using the equity method	377	–	377	0.1%	486	–	486	0.1%
EBIT	14,373	4,068	18,441	6.5%	18,936	5,839	24,775	7.2%
Finance income	1,222	–	1,222	0.4%	359	–	359	0.1%
Finance expenses	-4,048	–	-4,048	-1.4%	-2,765	–	-2,765	-0.8%
Finance result	-2,826	–	-2,826	1.0%	-2,406	–	-2,406	-0.7%
Result before taxes	11,547	4,068	15,615	5.5%	16,530	5,839	22,369	6.5%
Income taxes	-2,890	-1,437	-4,327	-1.5%	-5,092	-903	-5,995	-1.7%
Tax rate (%)	25.0%		27.7%		30.8%		26.8%	
Result for the period	8,657	2,631	11,288	4.0%	11,438	4,936	16,374	4.7%

Group results – Satisfactory start into the current financial year

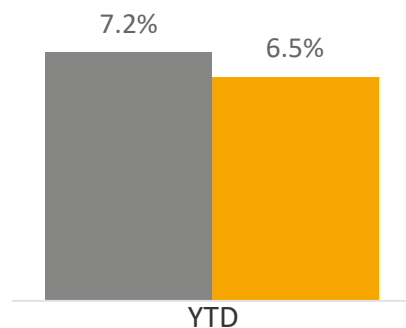
SALES (€ MN)



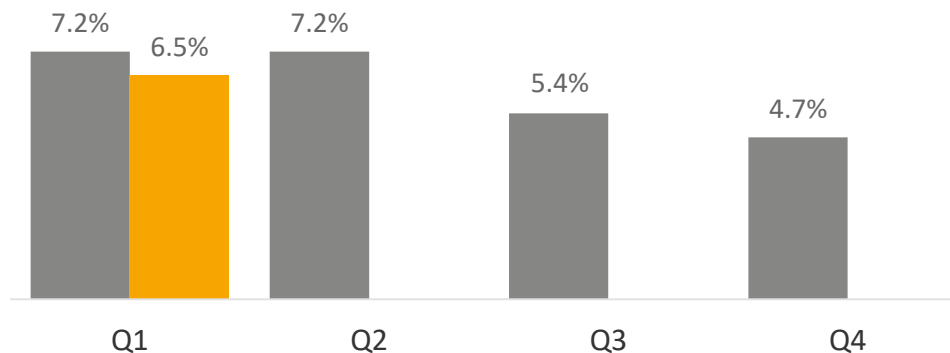
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN



ADJ. EBIT MARGIN BY QUARTER

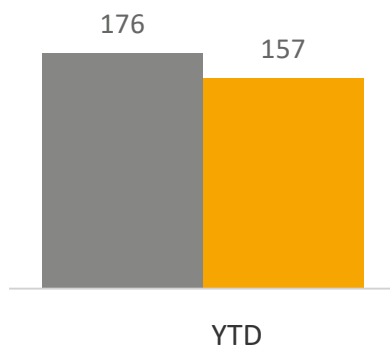


■ 2019
■ 2020

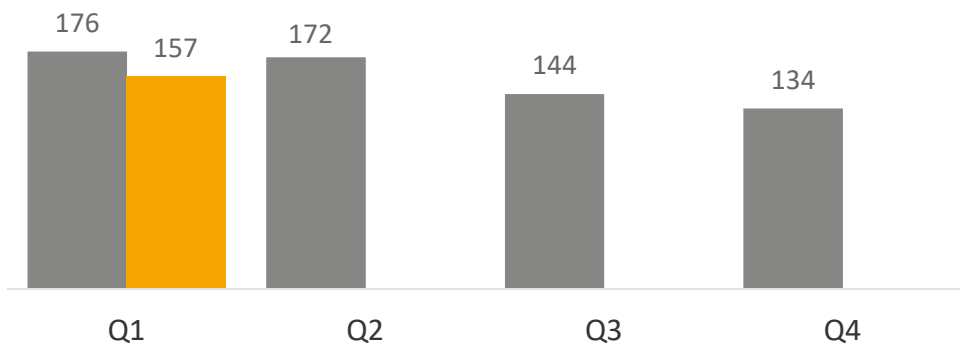
- **Sales in Q1 2020 influenced by**
 - Acquisition effects (+0.5 per cent respectively € +1.6 mn)
 - FX effects (+0.6 per cent respectively € +1.9 mn)
 - Organic effects (-19.1 per cent respectively € -66.0 mn net)
- **Adj. EBIT margin in Q1 2020 influenced by**
 - Improved gross profit margin due to higher share of high-margin aftermarket business (+)
 - Higher SG&A ratio as not all cost-cutting measures have yet unfolded their full impact (-)
- **No goodwill impairments**

EMEA – Adj. EBIT margin stable in a challenging market environment

SALES (€ MN)

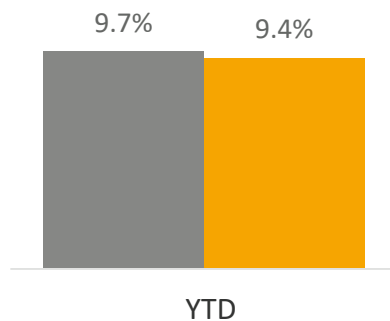


SALES BY QUARTER (€ MN)

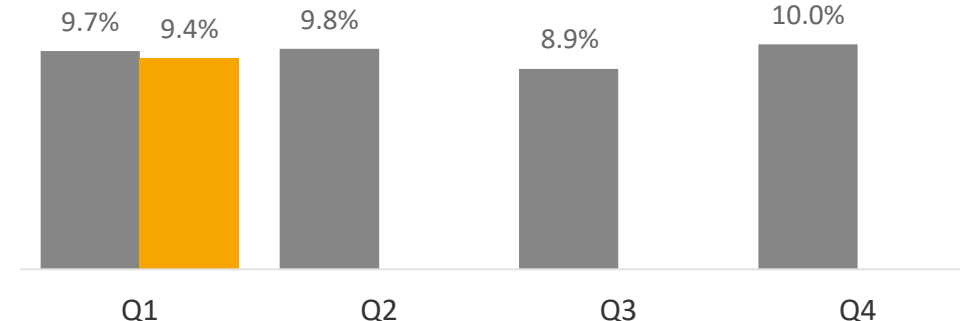


■ 2019
■ 2020

ADJ. EBIT MARGIN

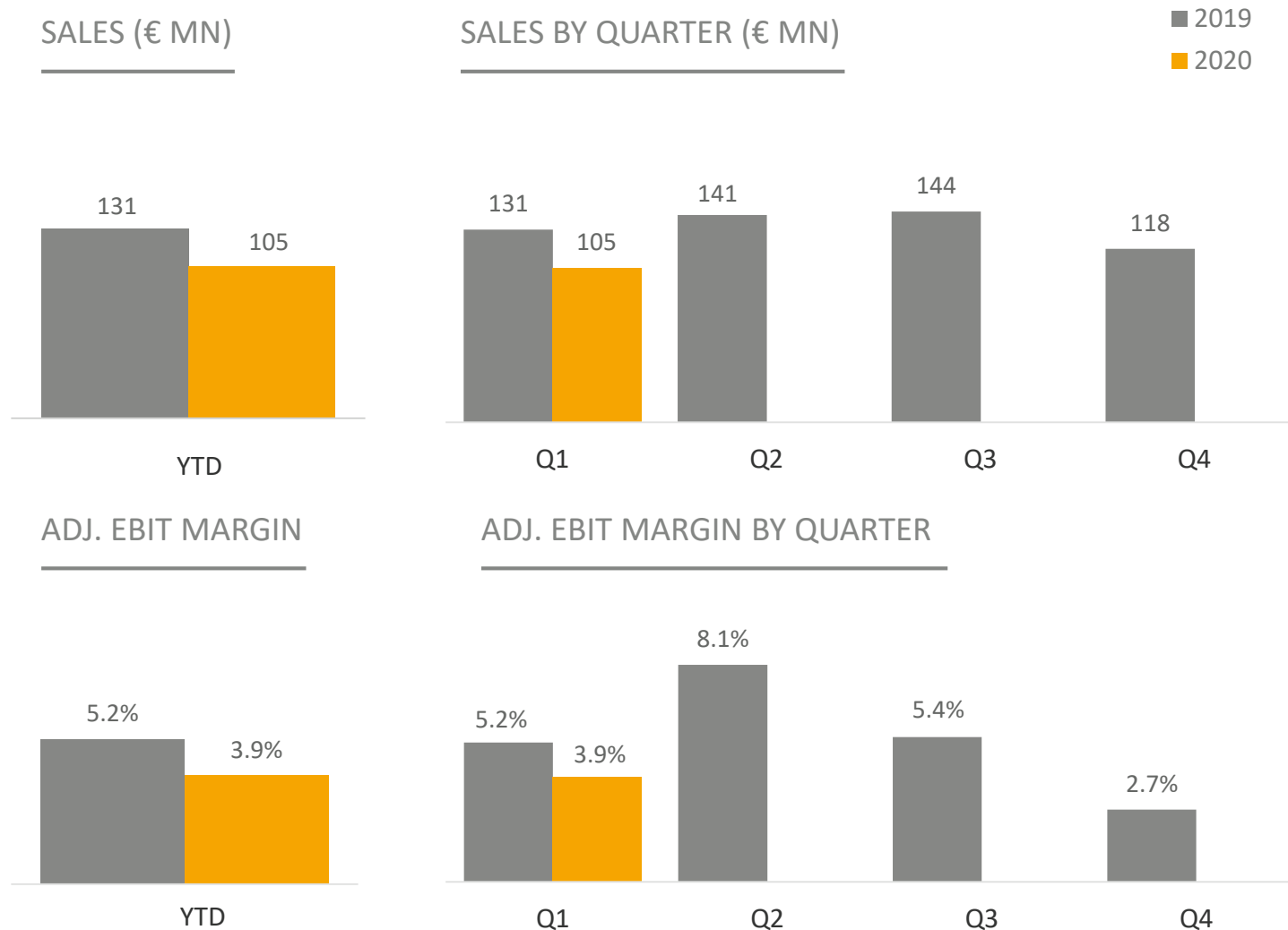


ADJ. EBIT MARGIN BY QUARTER



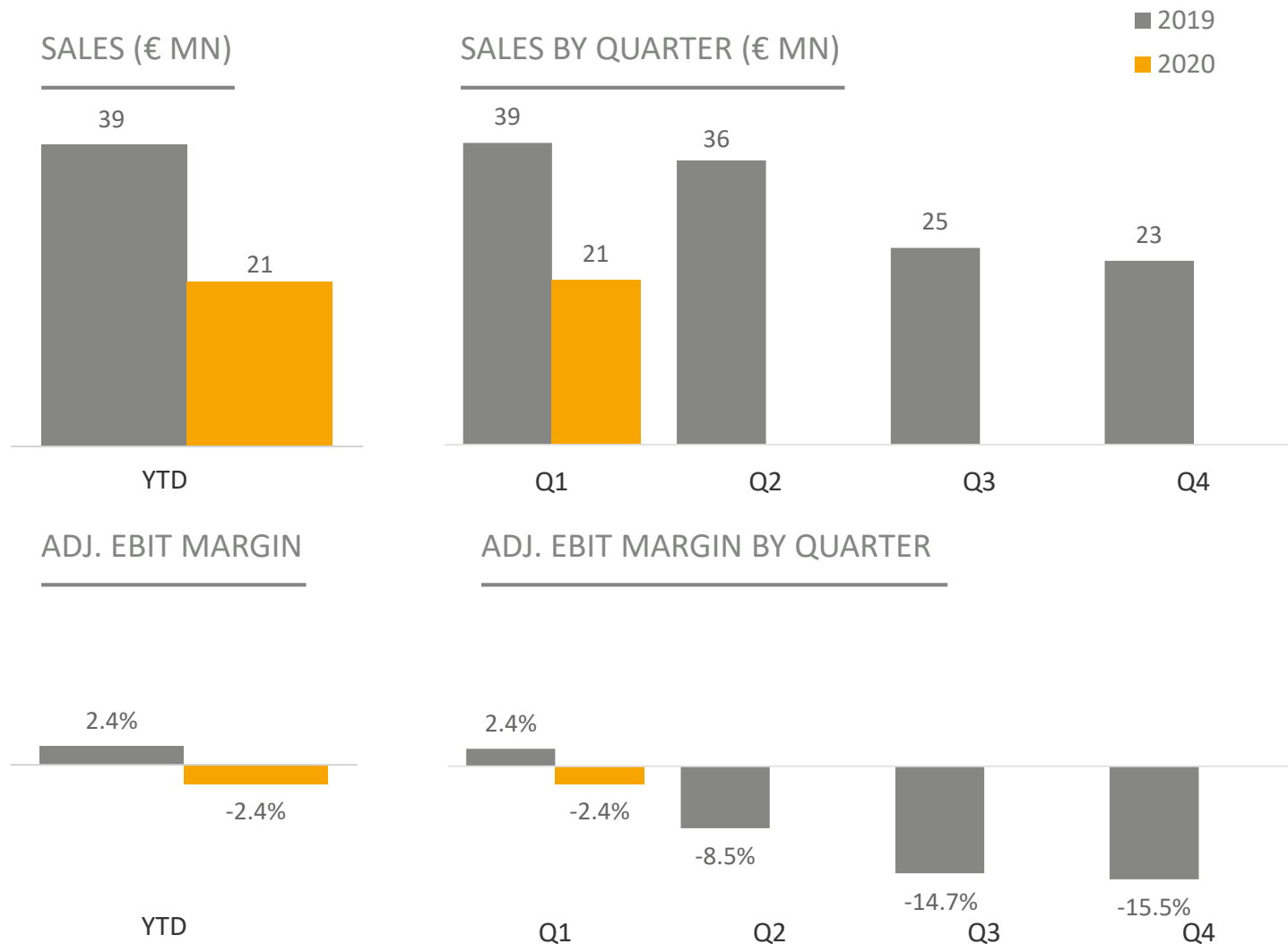
- **Sales in Q1 2020 influenced by**
 - Acquisition effects (+0.9 per cent respectively € +1.6 mn)
 - FX effects (0.0 per cent respectively € -0.1 mn)
 - Organic effects (-11.7 per cent respectively € -20.5 mn)
- **Adj. EBIT margin in Q1 2020 affected by**
 - Improved gross profit margin (+)
 - Aftermarket business (+)
 - OE business (+)
 - Higher SG&A ratio as not all cost-cutting measures have yet unfolded their full impact (-)
- **No goodwill impairment on EMEA region**

Americas – Earnings situation influenced by significantly lower sales volume



- **Sales in Q1 2020 influenced by**
 - FX effects (+1.6 per cent respectively € +2.0 mn)
 - Organic effects (-21.5 per cent respectively € -28.2 mn)
- **Adj. EBIT margin in Q1 2020 affected by**
 - Slightly lower gross profit margin (-)
 - Aftermarket business (+)
 - OE business (-)
 - Higher SG&A ratio as not all cost-cutting measures have yet unfolded their full impact (-)
- **Adj. EBIT margin in Q1 2019 affected by**
 - Contractually agreed passing on of the 2018 steel price increases (+)

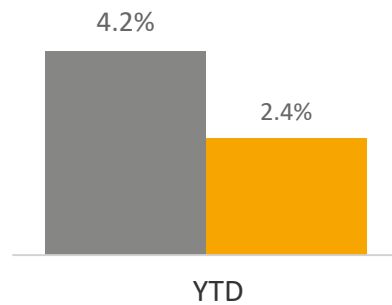
APAC – Moving close to break-even



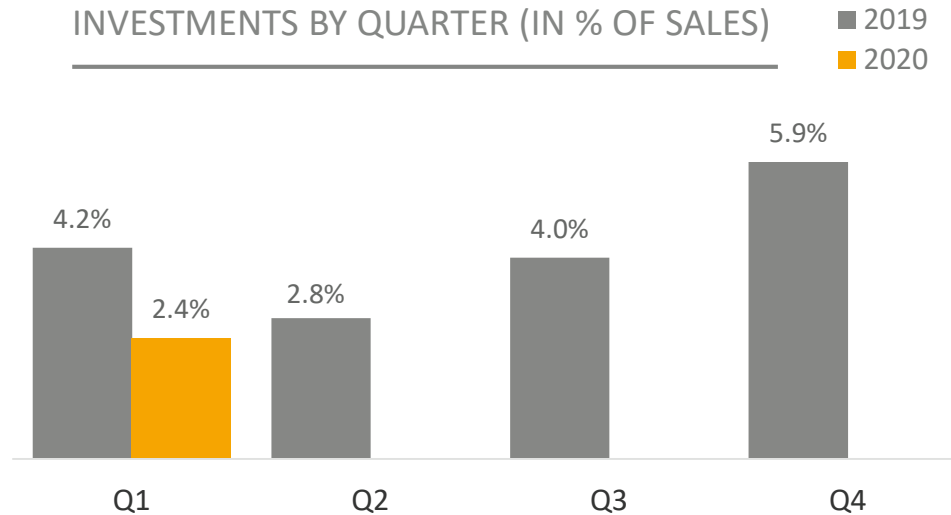
- **Sales in Q1 2020 influenced by**
 - FX effects (-0.5 per cent respectively € -0.2 mn)
 - Organic effects (-44.8 per cent respectively € -17.3 mn due to unfavourable market development in China and India)
- **Adj. EBIT margin in Q1 2020 affected by**
 - Significantly lower gross profit margin (-)
 - Esp. OE business (-)
 - Higher SG&A ratio as not all cost cutting measures have yet unfolded their full impact (-)
- **No goodwill impairment on APAC region**

Investments and depreciation – Safeguard Operational Excellence Program

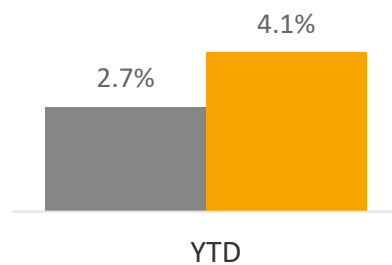
INVESTMENTS (IN % OF SALES)



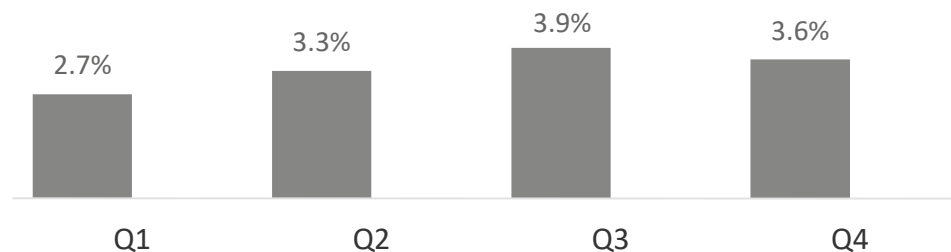
INVESTMENTS BY QUARTER (IN % OF SALES)



DEPRECIATION (IN % OF SALES)



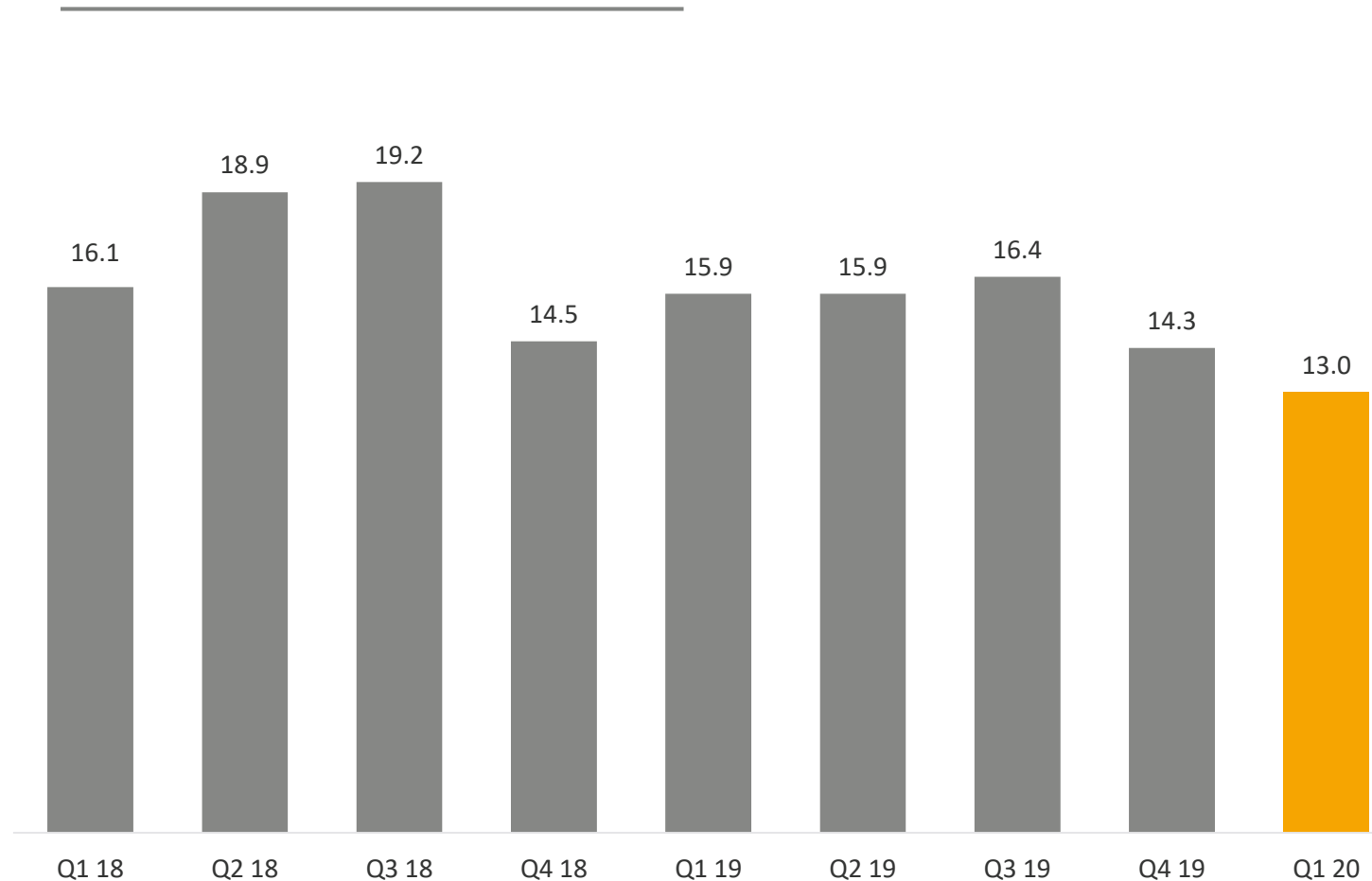
DEPRECIATION BY QUARTER (IN % OF SALES)



- **Investments** in plant, property, equipment and intangible assets reached 2.4 per cent of Group sales
- **Operating cash flow** (10.9 cent of Group sales) covers investments by far
- **Focus of investments:** rationalisation and expansion investments in the US and Germany; Program FORWARD 2.0
- **Close monitoring of the investment approval process** to streamline capital allocation
- **Depreciation (excl. impairment of goodwill, R&D projects and tangible assets)** increased due to higher investments in recent years and lower sales

Net working capital – Improvements support strong free cash flow generation

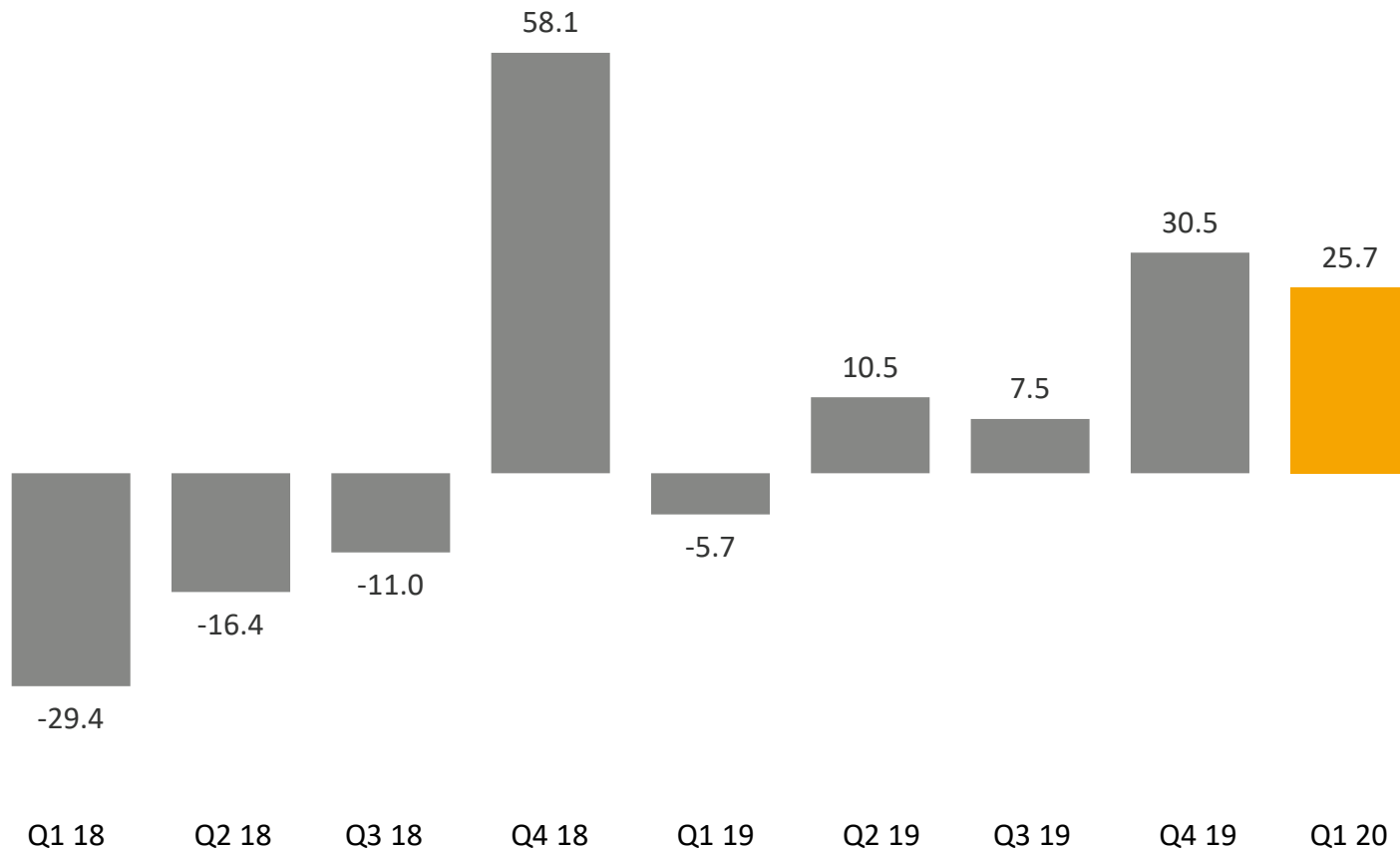
NET WORKING CAPITAL (IN % OF SALES)*



- **Net working capital (NWC) 25.7 per cent or € 55.2 mn below previous year's figure**
 - Inventories 14.9 per cent below prior year's level with a decrease in sales of 18.1 per cent
 - Trade receivables down 27.6 per cent on substantially improved cash collection
 - Trade payables down 15.1 per cent or € 25.5 mn compared to previous year's figure
 - Related to sales over the last twelve months (LTM), NWC ratio improved from 15.9 per cent to 13.0 per cent

Operating free cash flow – 9.1 per cent of sales

OPERATING FREE CASH FLOW (€ MN)*



Significant improvement in operating free cash flow to € 25.7 mn (Q1 2019: € -5.7 mn)

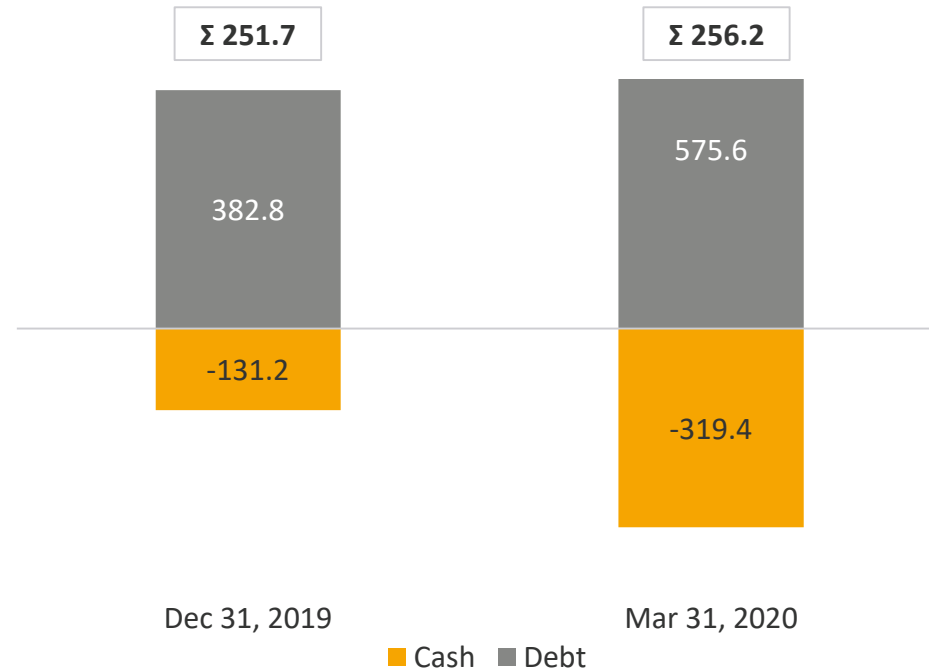
- **Operating cash flow at € 32.0 mn (Q1 2019: € 8.6 mn)**
 - Working capital optimization (Δ € 23.4 mn)
- **Investing cash flow (PP&E and intangible assets) at € 6.3 mn (Q1 2019: € 14.3 mn)**
 - Rationalisation and expansion investments in the US and Germany;
 - Program FORWARD 2.0

* 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 2018 to Q4 2019 retrospectively adjusted according to the new definition

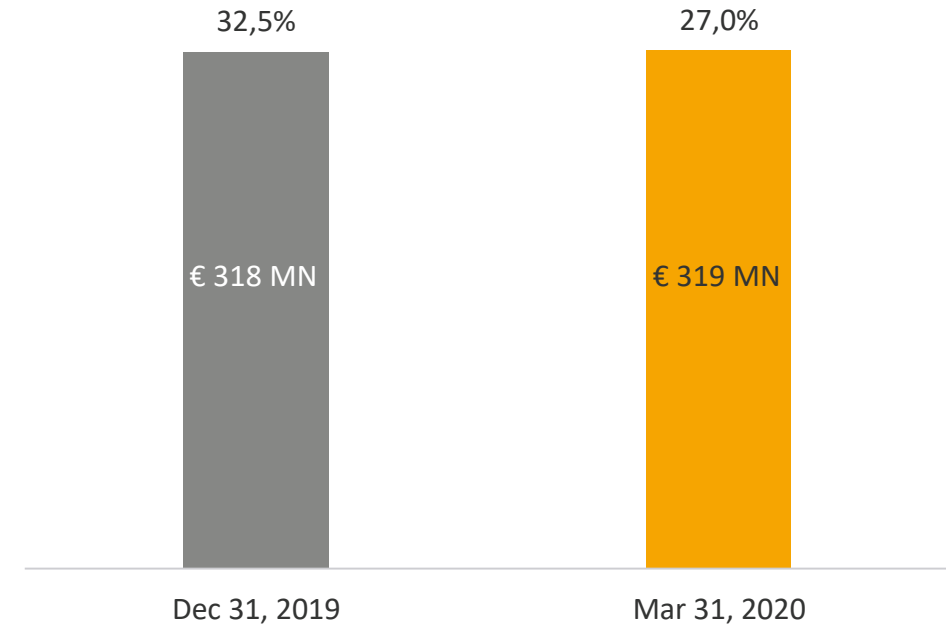
NOTE: All figures shown are rounded, minor discrepancies may arise from additions of these amounts.

Net debt | Equity ratio – Stable net debt position

NET DEBT INCL. FINANCE LEASE LIABILITIES (€ MN)



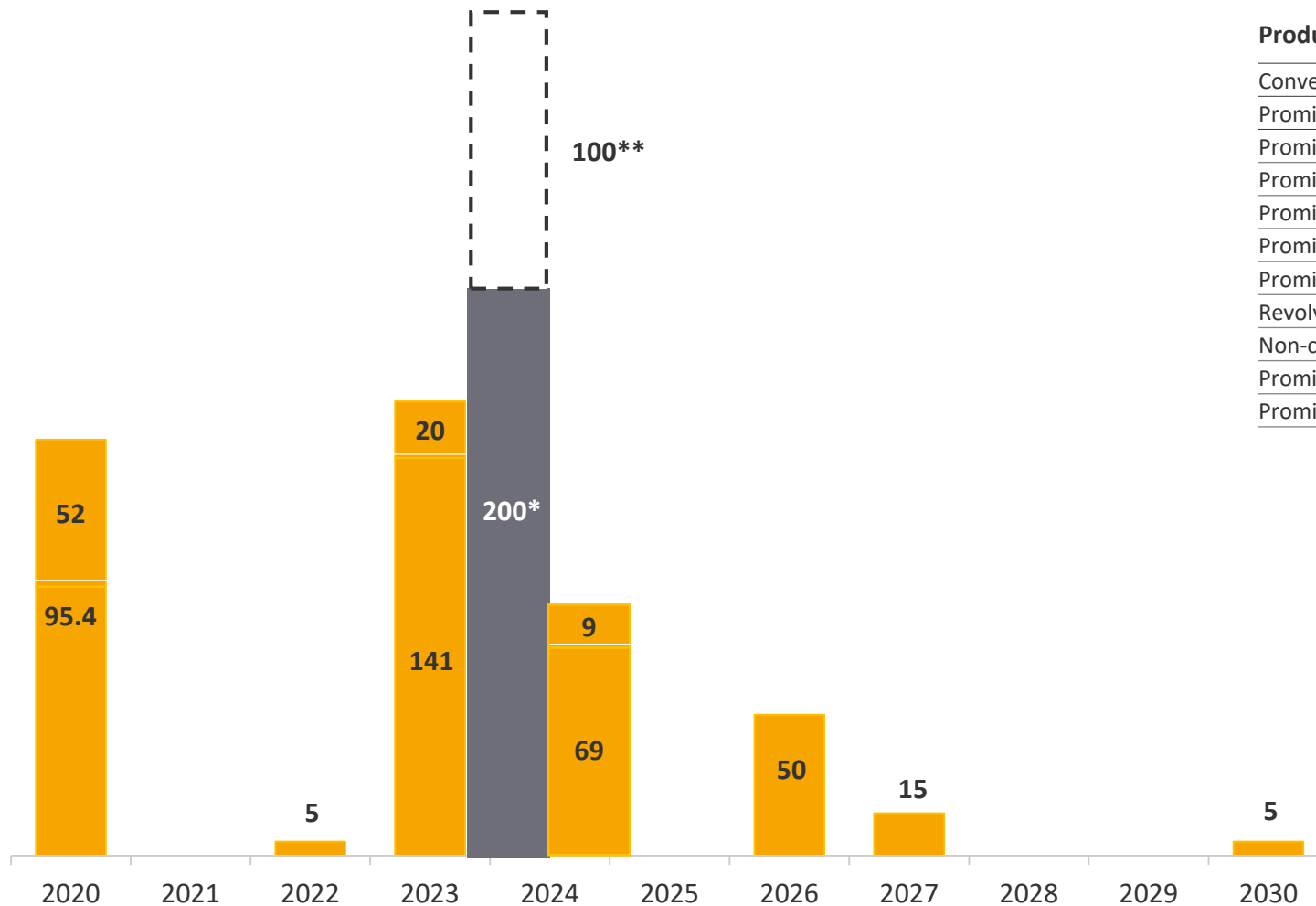
EQUITY RATIO



- Cash and debt position temporarily influenced by cash inflow from promissory note (March 2020)
- Cash inflow will be used to refinance the convertible bond that falls due on 12 September 2020 (volume: EUR 99.8 million) and the 5-year tranches of the promissory note issued in November 2015 that falls due on 27 November 2020 (volume: EUR 140.5 million).
- Equity ratio temporarily influenced by balance sheet extension due to refinancing

Current financing structure

MATURITY PROFILE (€ MN)



Product	Amount € mn	Maturity date
Convertible bond	95.4	09/2020
Promissory note loan old (5 years)	52.0	11/2020
Promissory note loan old (7 years)	5.0	11/2022
Promissory note loan new (3 years)	141.0	03/2023
Promissory note loan new (3.5 years)	20.0	11/2023
Promissory note loan new (5 years)	69	03/2025
Promissory note loan old (10 years)	9	10/2025
Revolving credit facility	200.0	10/2025
Non-current loan	50.0	06/2026
Promissory note loan new (7 years)	15	03/2027
Promissory note loan new (10 years)	5	03/2030



2 Outlook

Update on Covid-19 (as of May 13, 2020)

Employee Safety

- We protect the health and safety of our employees worldwide through close monitoring and regular guidance updates: travel suspended and precautionary updates have been issued and subsequently refined.
- Early quarantine measures established. Global COVID-19 response team in place including best practice sharing. Flexible working models established.

Ramp-up of Greenfield Operation in China

- Chinese New Year break extension and regional quarantine measures have delayed return to ramp-up the Greenfield plant. Plant is back in operation since early April. First products delivered to customers.
- Availability of workforce has improved to > 95 per cent again with challenges remaining for international support and leadership.

Other SAFH Plants and subsidiaries

- Temporary production shutdowns: India (5 weeks in March/April), Canada (2 weeks in April), Brazil (2 weeks in April), Singapore (until June 2, 2020)
- Selective short-time work in April and May: Germany and Turkey
- Subsidiary shutdowns and/or remote work: Italy, France, Spain, Malaysia (until May 13, 2020), Romania, South Africa

Supply Chain and Customers

- SAFH's dual and multi-sourcing strategy instrumental to mitigate risks and manage the supply chain. No production stop until now due to missing parts at SAF-HOLLAND.
- Ongoing supply chain monitoring and mitigating activities.
- Communication lines to both customers and suppliers in place globally.
- Trailer builders across all Europe (e.g. Wielton, Krone, Kögel) have shut down temporarily or announced short-time work respectively. Re-start of production end of April / beginning of May with reduced volumes.

Anticipated Financial Impact

- Financial impact on FY2020 not fully quantifiable yet.
- Corona adds to market downturns and puts pressure on the industry and its supply chain.
- SG&A cuts initiated globally to flex cost base.
- "Cash is King" – program started with dedicated team and specific targets.

2020 Outlook truck and trailer production – Global downturn expected

WESTERN & EASTERN EUROPE			NORTH AMERICA			CHINA			SOUTH AMERICA			INDIA		
	Truck	Trailer		Truck	Trailer		Truck	Trailer		Truck	Trailer		Truck	Trailer
New*	-35% to 40%	-20%	New*	-40% to -50%	-40% to -50%	New*	-30%	-40%	New*	-30%	-35%	New*	-25%	-30%
Old**	-10% to -15%	-5% to -10%	Old**	-40%	-35%	Old**	-20%	-30%	Old**	+20%	+5%	Old**	-20%	-20%

2020E:

- Lower volumes in Western & Eastern Europe
- Significant declines in North America and China

2020E:

- South America with lower volumes
- India with a weaker development

Financial guidance 2020

	FY 2019	FY 2020E (old)	FY 2020E* (new)
Sales	€ 1,284 mn	Low double digit percentage decline	Decline by 20 to 30 per cent
Adj. EBIT margin	6.2 per cent	Between 4 and 5 per cent	Between 3 and 5 per cent
CAPEX	4.1 per cent of sales	Around 3 per cent of sales	Around 3 per cent of sales

- *The forecast takes into account the foreseeable adverse effects on our business due to the coronavirus at the time of preparation (May 13, 2020). However, the economic effects on SAF-HOLLAND cannot currently be adequately determined or reliably quantified in full. The forecast is therefore subject to a high degree of uncertainty.*

Your key takeaways



- **Stable contribution from aftermarket business**
- **Strong focus on SG&A savings and FCF generation**
- **Solid financial position**
- **OPERATIONAL EXCELLENCE as key strategic cornerstone**
- **Global COVID-19 response team in place**
- **Financial impact from COVID-19 on FY2020 not fully quantifiable yet**

Financial calendar & IR contact

DATE	EVENT
20.05.2020	Ordinary Annual General Meeting 2020
20.05.2020	Extraordinary Annual General Meeting 2020
28.05.2020	Warburg Virtual Roadshow
25.06.2020	Warburg Highlights 2020
13.08.2020	Publication Half-Year Financial Report 2020
18.08.2020	Bankhaus Lampe German Conference
21.09.2020	Berenberg / Goldman Sachs German Corporate Conference
14.10.2020	Jefferies European Mid-Cap Industrial Forum
10.11.2020	CIC Market Solutions Forum
18.11.2020	Publication Quarterly Statement Q1-Q3 2020

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**»WE ARE HAPPY TO ANSWER
YOUR QUESTIONS.«**



Appendix

Net working capital Q1 2020 (kEUR)

Definition	Old	New	New vs. Old
Inventories (kEUR)	166,767	166,767	0
Trade receivables (kEUR)	135,340	135,340	0
Income tax receivables (kEUR)	7,058	-	-7,058
Other current assets (kEUR)	33,925	-	-33,925
Financial assets (kEUR)	4,126	-	-4,126
Trade payables (kEUR)	-142,938	-142,938	0
Other current liabilities (kEUR)	-30,145	-	+30,145
Income tax liabilities (kEUR)	-704	-	+704
Other provisions (current and non-current) (kEUR)	-17,724	-	+17,724
Net working capital (kEUR)	155,705	159,169	+3,464

Net working capital ratio (%) Q1 2020

Definition	Old	New	New vs. Old
Sales (Q1 2020 x 4) (kEUR)	1,133,644	-	
Sales (LTM) (kEUR)	-	1,221,598	
Net working capital (kEUR)	155,705	-	
Net working capital (kEUR)	-	159,169	
Net working capital ratio (%)	13.7	13.0	-70bps

Operating Free Cash Flow Q1 2020 (kEUR)

Definition	Old	New	New vs. Old
Net cash flow from operating activities (kEUR)	32,014	32,014	0
Purchase of PP&E (kEUR)	-5,446	-5,446	0
Purchase of intangible assets (kEUR)	-1,295	-1,295	0
Proceeds from sales of PP&E (kEUR)	-	0,418	+0,418
Operating Free Cash flow (kEUR)	25,273	25,691	+0,418

Capital employed Q1 2020 (kEUR)

Definition	Old	New	New vs. Old
Total assets (kEUR)	1,181,276	-	-1,181,276
Current liabilities (kEUR)	-345,574	-	+345,574
Total equity (kEUR)	-	318,554	+318,554
Financial liabilities (excl. refinancing costs, incl. finance lease liabilities) (kEUR)	-	575,618	+575,618
Pension and other similar benefits (kEUR)	-	31,233	+31,233
Cash and cash equivalents (kEUR)	-	-319,393	-319,393
Capital employed (kEUR)	835,702	606,012	-229,690

Return on capital employed (ROCE) (%) Q1 2020

Definition	Old	New	New vs. Old
EBIT (Q1 2020 x 4) (kEUR)	57,492	-	
Adjusted EBIT (LTM) (kEUR)	-	73,482	
Capital employed (kEUR)	835,702	-	
Capital employed (kEUR)	-	606,012	
ROCE (%)	6.9	12.1	+520bps

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