Corporate News

SAF-HOLLAND: Very strong first half-year – guidance raised for financial year 2021

- Group sales up 27.7 per cent in the first half of the year to EUR 608 million (Q2 2021: +67.2 per cent to EUR 323 million)
- Adjusted EBIT margin of 7.7 per cent in the first half-year (Q2 2021: 7.8 per cent)
- Positive operating free cash flow despite rise in net working capital due to rising demand
- Leverage ratio scaled back further to 1.75x EBITDA
- New guidance: Group sales between EUR 1,100 million and EUR 1,200 million (previously: EUR 1,050 million to EUR 1,150 million); adjusted EBIT margin of around 7.5 per cent (previously: around 7 per cent)

Bessenbach, August 12, 2021. SAF-HOLLAND SE ("SAF-HOLLAND"), one of the world's leading suppliers of trailer and truck components today published its financial figures for the first half of 2021.

Alexander Geis, Chairman of the Management Board of SAF-HOLLAND SE says: "The very good business performance continued through into the second quarter. Sales in comparison to the same quarter of the previous year increased by 67.2 per cent to EUR 323 million (previous year: EUR 193 million). The EBIT margin in the second quarter of 2021 of 7.8 per cent is even slightly above the figure for the first quarter of 7.7 per cent. This result is even more impressive when one considers that we too were affected by the significant increase in steel prices and freight charges."

"For the second half of 2021 we anticipate persistent high customer demand and a high utilisation of our production capacities. Based on the very good figures for the first half-year and the bright prospects for the third and fourth quarters, we have decided to raise the guidance for Group sales and the adjusted EBIT margin for the full financial year 2021," adds Alexander Geis.

Adjusted EBIT margin of 7.7 per cent significantly above previous-year figure

Group sales in the first half of 2021 came to EUR 608.1 million due to higher demand, marking a significant rise of 27.7 per cent on the comparable figure for the previous year of EUR 476.3 million. Currency effects amounted to EUR -24.0 million and resulted primarily from currency changes of the US dollar, the Turkish lira, the Australian dollar and the Brazilian real against the Euro. Adjusted for currency translation effects, sales improved by 32.7 per cent.

Sales in the OE business increased by 31.2 per cent or EUR 105.1 million to EUR 441.4 million in the reporting period from January to June 2021. The share of Group sales accounted for by the OE business increased from 70.6 per cent to 72.6 per cent. Sales in the spare parts business increased by 19.2 per cent or EUR 26.8 million to EUR 166.7 million. Consequently, the share of the spare parts business in Group sales decreased from 29.4 per cent to 27.4 per cent.

Adjusted gross profit improved to EUR 113.2 million in the first half of 2021 due to the sales and cost situation (previous year: EUR 84.2 million). The adjusted gross profit margin of 18.6 per cent was above the level of the comparable period of the previous year of 17.7 per cent.

Adjusted EBIT amounted to EUR 47.0 million in the first half of 2021 (previous year: EUR 23.7 million). This corresponds to an adjusted EBIT margin of 7.7 per cent (previous year: 5.0 per cent). In this regard, the two percentage-point decline in the adjusted ratio of selling expenses and administrative expenses to sales was noticeably margin accretive.

Disciplined investment policy with a focus on automation

Additions to property, plant and equipment and intangible assets, including capitalised development costs of EUR 0.8 million (previous year: EUR 1.9 million), totalled EUR 8.4 million in the first half of 2021 (previous year: EUR 11.8 million). This breaks down into EUR 4.7 million (previous year: EUR 4.2 million) for the EMEA region, EUR 1.2 million (previous year: EUR 5.0 million) for the Americas region and EUR 2.5 million (previous year: EUR 2.6 million) for the APAC region. The focus of investing activity lay on measures to improve efficiency. The capex ratio was only 1.4 per cent in the first half of 2021 (previous year: 2.5 per cent) due to the timing of billings but will settle at the expected rate of 2.5 per cent for the full year.

Operating free cash flow positive despite demand-driven rise in net working capital

The net cash flow from operating activities reached a level of EUR 15.0 million in the first half of 2021 (previous year: EUR 22.5 million). The decrease can be attributed primarily to changes in net working capital as a consequence of the rapidly increasing business activity.

The net cash flow from investing activities in property, plant and equipment and intangible assets of EUR -8.1 million lay EUR 3.2 million, or 28.3 per cent, below the comparable figure for the previous year. Operating free cash flow was positive at EUR 6.8 million (previous year: EUR 11.2 million).

"Against the backdrop of the bottlenecks in the supply chain, I am satisfied with the positive operating free cash flow," says Inka Koljonen, CFO of SAF-HOLLAND SE. "In the further course of the year, the situation with regard to net working capital should ease."

Leverage ratio further improved

In comparison to December 31, 2020, equity has improved by EUR 34.4 million to EUR 334.9 million. Equity was bolstered by the addition of the result for the period of EUR 22.5 million as well as exchange differences on the translation of foreign operations of EUR 11.8 million. Coupled with the 9.8 per cent increase in the balance sheet total, this leads to an improvement in the equity ratio from 32.6 per cent to 33.1 per cent.

Net financial debt (including lease liabilities) increased slightly by EUR 3.7 million to EUR 200.4 million as of June 30, 2021 compared to the reporting date of December 31, 2020. As of June 30, 2021, SAF-HOLLAND carries cash and cash equivalents of EUR 164.9 million (December 31, 2020: EUR 171.0 million).

"Due to the significant improvement in EBITDA, we have managed to reduce the leverage ratio significantly from 2.40x EBITDA at the end of 2020 to 1.75x EBITDA," adds Inka Koljonen. "We expect that the positive trend will continue over the later course of the year."

EMEA region: Strong performance

Sales in the EMEA region improved by 34.8 per cent to EUR 361.0 million (previous year: EUR 267.9 million) in the first half of 2021, primarily on account of a strong upturn in OE business and further gains in market share. Adjusted for currency translation effects, sales growth of 36.8 per cent was recorded.

The EMEA region generated an adjusted EBIT of EUR 35.3 million in the reporting period from January to June 2021 (previous year: EUR 21.5 million) and an adjusted EBIT margin of 9.8 per cent (previous year: 8.0 per cent).

Particularly the lower adjusted ratio of selling expenses and administrative expenses to sales was noticeably margin accretive.

Americas region: Back to profitable growth

Due to the booming OE truck business and solid sales of spare parts, sales in the Americas region increased by 11.8 per cent to EUR 194.7 million (previous year: EUR 174.1 million) in the first half of 2021. Adjusted for currency translation effects, sales improved by 22.0 per cent.

The Americas region generated an adjusted EBIT of EUR 10.7 million in the reporting period from January to June 2021 (previous year: EUR 4.5 million) and a significantly improved adjusted EBIT margin of 5.5 per cent (previous year: 2.6 per cent). Thereby, the OE business had a slightly negative impact on the gross margin, which, however, was more than compensated for by the spare parts business. The gross margin in the OE business was burdened, particularly in the second quarter of 2021, by higher prices for steel and higher freight charges. These cost increases will be passed on at a delay, resulting in relief from the corresponding costs in the third and fourth quarter of 2021. In addition, the decline in the adjusted ratio of selling expenses and administrative expenses to sales was noticeably margin accretive.

APAC region: Operating result back in the black

The APAC region generated sales of EUR 52.4 million in the first half of 2021 (previous year: EUR 34.2 million). Adjusted for currency translation effects, sales increased by 55.5 per cent in comparison to the previous year. The main cause for the significant increase in sales was the strong upturn in business in India and the pleasing development of demand in Australia.

Adjusted EBIT improved by EUR 3.2 million to EUR 0.9 million. The adjusted EBIT margin amounted to 1.7 per cent (previous year: -6.9 per cent). Thereby, the spare parts business had a slightly negative impact on the gross margin, which, however, was more than compensated for by the OE business. In addition, the decline in the adjusted ratio of selling expenses and administrative expenses to sales was noticeably margin accretive.

Guidance raised for the financial year 2021

Based on the positive figures for the first six months, the Management Board of SAF-HOLLAND SE has decided to raise the guidance for Group sales and the adjusted EBIT margin for the financial year 2021.

Considering the expected 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 coronavirus SARS-CoV-2) the Management Board now expects Group sales for the 2021 financial year of between EUR 1,100 million and EUR 1,200 million (previously: EUR 1,050 million to EUR 1,150 million).

Under this assumption, SAF-HOLLAND is now expecting an adjusted EBIT margin of around 7.5 per cent for the 2021 financial year (previously: around 7 per cent).

To support its strategic objectives, the company is still planning investments of approximately 2.5 per cent of Group sales 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.

The quarterly statement for the period from January to September 2021 will be published on November 15, 2021.

Key financial figures for H1/2021

Results of operations

in EUR thousands

	Q1-Q2/2021	Q1-Q2/2020
Sales	608,124	476,253
Adjusted gross profit	113,226	84,227
Adjusted gross profit margin in %	18.6	17.7
Adjusted EBITDA	65,671	41,795
Adjusted EBITDA margin in %	10.8	8.8
Adjusted EBIT	46,953	23,655
Adjusted EBIT margin in %	7.7	5.0
Adjusted result for the period	31,174	12,681
Adjusted undiluted earnings per share in EUR	0.69	0.28
Diluted adjusted earnings per share in EUR	0.69	0.25

Net assets

in EUR thousands

	06/30/2021	12/31/2020
Balance sheet total	1,010,357	920,486
Equity	334,846	300,463
Equity ratio in %	33.1	32.6
Net working capital	161,455	114,599
Net working capital in % of sales (LTM)	14.8	11.9

Financial position

in EUR thousands

	Q1-Q2/2021	Q1-Q2/2020
Cash flow from operating activities	14,948	22,527
Cash flow from investing activities (property, plant and equipment/ intangible assets)	–8,141	–11,353
Operating free cash flow	6,807	11,174
Total free cash flow	6,807	11,174
Cash and cash equivalents	164,901	209,362
Net debt	200,374	278,851

Employees

	Q1-Q2/2021	Q1-Q2/2020
Employees at the reporting date	3,592	3,235
Employees (on average)	3,513	3,583

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.

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).

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 3,600 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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