Corporate News

SAF-HOLLAND: First nine months confirm positive business trend

- Group sales rise by 30.5 per cent to EUR 925 million in the period from January to September (Q3 2021: +36.2 per cent to EUR 317 million).
- Adjusted EBIT margin of 7.7 per cent after the first nine months (Q3 2021: 7.7 per cent)
- Positive operating free cash flow despite demand-driven rise in net working capital
- Leverage ratio scaled back further to 1.59x EBITDA
- Guidance for Group sales and adjusted EBIT margin confirmed for the financial year 2021

Bessenbach, November 15, 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 nine months of 2021.

Alexander Geis, Chairman of the Management Board of SAF-HOLLAND SE says: "The positive business trend continued through into the third quarter. Sales in comparison to the same quarter of the previous year increased by 36.2 per cent to EUR 317 million (previous year: EUR 232 million). The EBIT margin remained stable at a high level of 7.7 per cent in the third quarter of 2021. This result is even more impressive when one considers that we were still affected by the significant increase in steel prices and freight charges."

"For the fourth quarter of 2021 we anticipate customer demand for our trailer axles to remain high and that we will see high utilisation of the corresponding production capacities. At the same time, we assume that cost pressure will remain high on account of the unparalleled increase in the cost of raw materials and freight and that, as usual, we will only be able to pass on higher costs for raw materials with a time lag," adds Alexander Geis.

Adjusted EBIT margin at 7.7 per cent

Group sales in the first nine months of 2021 came to EUR 924.8 million due to higher demand, marking a significant rise of 30.5 per cent on the comparable figure for the previous year of EUR 708.7 million. Currency effects amounted to EUR –24.4 million and resulted primarily from currency changes of the US dollar, the Russian rouble and the Brazilian real against the Euro. Adjusted for currency translation effects, sales improved by 33.9 per cent.

Sales in the OE business increased by 34.0 per cent or EUR 168.5 million to EUR 664.5 million in the reporting period from January to September 2021. The share of Group sales accounted for by the OE business increased from 70.0 per cent to 71.9 per cent. Sales in the spare parts business increased by 22.4 per cent or EUR 47.6 million to EUR 260.3 million. The share of the spare parts business in Group sales decreased from 30.0 per cent to 28.1 per cent.

Adjusted gross profit improved by 31.4 per cent to EUR 167.6 million in the first nine months of 2021 (previous year: EUR 127.5 million) – essentially due to sales. The adjusted gross profit margin of 18.1 per cent was slightly above the level of the comparable period of the previous year of 18.0 per cent.

Adjusted EBIT amounted to EUR 71.3 million in the first nine months of 2021 (previous year: EUR 38.5 million). This corresponds to an adjusted EBIT margin of 7.7 per cent (previous year: 5.4 per cent). Particularly the lower ratio of selling expenses and administrative expenses to sales was margin accretive in this regard.

Disciplined investment policy with a focus on automation and optimisation of the global production footprint

Additions to property, plant and equipment and intangible assets, including capitalised development costs of EUR 1.8 million (previous year: EUR 2.7 million), totalled EUR 12.8 million in the first nine months of 2021 (previous year: EUR 16.1 million). This breaks down into EUR 7.7 million (previous year: EUR 7.2 million) for the EMEA region, EUR 2.3 million (previous year: EUR 6.7 million) for the Americas region and EUR 2.8 million (previous year: EUR 2.3 million) for the APAC region. The investing focus was on measures to improve efficiency and to optimise the global production footprint. The capex ratio came to just 1.4 per cent in the first nine months of 2021 (previous year: 2.3 per cent) due to the timing of billings, but will settle approximately at the expected rate of 2.5 per cent for the full year 2021.

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 21.3 million in the first nine months of 2021 (previous year: EUR 79.8 million). The decrease can be attributed primarily to changes in net working capital as a consequence of the rapidly increasing business activities.

The net cash flow from investing activities in property, plant and equipment and intangible assets of EUR –12.0 million was EUR 3.4 million, or 22.3 per cent, below the comparable figure for the previous year. Operating free cash flow was positive at EUR 9.3 million (previous year: EUR 64.3 million). “Due to seasonal factors, net working capital is expected to ease significantly in the final quarter and a corresponding improvement in operating free cash flow can be expected,” says Inka Koljonen, CFO of SAF-HOLLAND SE.

Leverage ratio further improved

In comparison to December 31, 2020, equity has improved by EUR 53.3 million to EUR 353.7 million. Equity was bolstered by the addition of the result for the period of EUR 37.1 million as well as exchange differences on the translation of foreign operations of EUR 16.2 million. Coupled with the 11.1 per cent increase in the balance sheet total, this led to an improvement in the equity ratio from 32.6 per cent to 34.6 per cent.

Net financial debt (including lease liabilities) increased slightly by EUR 4.0 million to EUR 200.7 million as of September 30, 2021 compared to the reporting date of December 31, 2020. As of September 30, 2021 SAF-HOLLAND carries cash and cash equivalents of EUR 159.5 million (December 31, 2020: EUR 171.0 million).

“Due to the significant improvement in EBITDA, we have managed to significantly reduce the leverage ratio from 2.40x EBITDA at the end of 2020 to a very good ratio of 1.59x EBITDA,” adds Inka Koljonen. “I expect this positive trend to continue in the fourth quarter.”

EMEA region: Sustained strong performance

Sales in the EMEA region improved by 34.7 per cent to EUR 545.1 million (previous year: EUR 404.6 million) in the first nine months 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 36.2 per cent was recorded.

The EMEA region generated an adjusted EBIT of EUR 53.3 million in the reporting period from January to September 2021 (previous year: EUR 35.1 million) and an adjusted EBIT margin of 9.8 per cent (previous year: 8.7 per cent). In particular, the lower ratio of selling expenses had a margin accretive effect.

Americas region: stable trend in margins

Due to the strong OE truck business and solid sales of spare parts, sales in the Americas region increased by 19.8 per cent to EUR 299.9 million (previous year: EUR 250.3 million) in the first nine months of 2021. Adjusted for currency translation effects, sales improved by 27.1 per cent.

The Americas region generated an adjusted EBIT of EUR 16.4 million in the reporting period from January to September 2021 (previous year: EUR 8.7 million) and a significantly improved adjusted EBIT margin of 5.5 per cent (previous year: 3.5 per cent). The lower ratio of selling expenses and administrative expenses to sales was margin accretive.

APAC region: India and Australia drive sales and EBIT margin

The APAC region generated sales of EUR 79.7 million in the first nine months of 2021 (previous year: EUR 53.8 million). Adjusted for currency translation effects, sales increased by 49.1 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 6.9 million to EUR 1.6 million. The adjusted EBIT margin amounted to 2.0 per cent (previous year: –9.9 per cent). In addition to the significant improvement in the gross margin of OE business, margin accretive factors were the lower ratio of selling expenses and administrative expenses to sales.

Guidance for the 2021 financial year confirmed

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 of SAF-HOLLAND SE continues to expect Group sales for the 2021 financial year of between EUR 1,100 million and EUR 1,200 million.

Under this assumption, SAF-HOLLAND is still expecting an adjusted EBIT margin of around 7.5 per cent for the 2021 financial year.

To support its strategic objectives, the company is still planning investments of approximately 2.5 per cent of Group sales in 2021. The main focus of the investments lies on measures to improve efficiency at the location in Bessenbach, optimising the global production footprint by adding a new plant in Russia, expanding capacity at the Turkish location in Düzce and creating a new assembly line for fifth wheels at the Mexican location of Querétaro for the spare parts business in North America.

Key financial figures for 9M/2021

Results of operations

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020
Sales	924,762	708,698
Adjusted gross profit	167,563	127,508
Adjusted gross profit margin in %	18.1	18.0
Adjusted EBITDA	99,013	65,203
Adjusted EBITDA margin in %	10.7	9.2
Adjusted EBIT	71,276	38,536
Adjusted EBIT margin in %	7.7	5.4
Adjusted result for the period	47,410	21,553
Adjusted undiluted earnings per share in EUR	1.04	0.47

Net assets

in EUR thousands

	09/30/2021	12/31/2020
Balance sheet total	1,022,885	920,486
Equity	353,738	300,463
Equity ratio in %	34.6	32.6
Net working capital	181,855	114,599
Net working capital in % of sales (LTM)	15.5	11.9

Financial position

in EUR thousands

	Q1-Q3/2021	Q1-Q3/2020
Net cash flow from operating activities	21,262	79,787
Net cash flow from investing activities (property, plant and equipment/ intangible assets)	–11,987	–15,426
Operating free cash flow	9,275	64,361
Total free cash flow	9,275	43,168
Cash and cash equivalents	159,476	185,118
Net debt	200,681	232,375

Employees

	Q1-Q3/2021	Q1-Q3/2020
Employees at the reporting date	3,571	3,346
Employees (on average)	3,533	3,489

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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