Corporate News

SAF-HOLLAND achieves very strong operating free cash flow and raises guidance for adjusted EBIT margin for the full year 2020 to 5 to 6 per cent

- Group sales decreased by 29.7 per cent to EUR 708.7 million due to market conditions and COVID-19
- Adjusted EBIT margin of 5.4 per cent above the upper end of the range previously forecasted for the full year 2020
- Quantitative year-end goals of the “Cash-is-King” project – performance improvement in inventories and receivables management – almost fully attained by the end of Q3/2020
- Operating free cash flow more than quintupled from EUR 12.3 million to EUR 64.4 million
- Comprehensive programme to reduce selling and administrative expenses at all locations pursued rigorously

Bessenbach, November 17, 2020. SAF-HOLLAND SE (“SAF-HOLLAND”), one of the world’s leading suppliers of trailer and truck components today published its key financial figures for the first nine months of 2020 and the raised guidance for the adjusted EBIT margin for the full year 2020.

Alexander Geis, Chairman of the Management Board of SAF-HOLLAND SE says: “Our operations performed extremely well in the third quarter of 2020 in a market environment that is still very challenging. With Group sales of slightly more than EUR 232 million (previous year: EUR 313.2 million) we generated an adjusted EBIT margin of 6.4 per cent and clearly exceeding the pre-COVID-19 figure of the previous year of 5.4 per cent.”

“The recovery seen in the business environment that set in over recent weeks continued through into October. Assuming that there are no new, unexpected impacts of the COVID-19 pandemic, which continues unabated, on our production and supply chains in the remaining weeks of the financial year 2020, we expect to achieve an adjusted EBIT margin in a range between 5 and 6 per cent (formerly: between 3 and 5 per cent),” adds Alexander Geis.

Group sales 29.7 per cent below the previous year due to market conditions and COVID-19; adjusted EBIT margin of 5.4 per cent

Due to market conditions and COVID-19 Group sales in the first nine months of 2020 came to EUR 708.7 million, 29.7 per cent below the previous year's level of EUR 1008.6 million. Currency effects amounted to EUR -10.3 million and resulted primarily from currency changes of both the Russian ruble and the Brazilian real against the Euro. Consequently, after eliminating the effects of exchange rates and acquisitions, sales decreased by 28.9 per cent to EUR 717.4 million.

Despite the sharp decline in sales, SAF HOLLAND generated an adjusted EBIT of EUR 38.5 million in the first nine months of 2020 (previous year: EUR 66.9 million). This corresponds to an adjusted EBIT margin of 5.4 per cent (previous year: 6.6 per cent). The savings realised in selling and administrative expenses had a positive effect.

The adjusted net profit for the first nine months of 2020 of EUR 21.6 million lies 49.7 per cent below the previous year's level (previous year: EUR 42.9 million). 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 September 2020 amounted to EUR 0.47 (previous year: EUR 0.94).

Investment ratio: 2.3 per cent

Additions to property, plant and equipment and intangible assets, including capitalised development costs of EUR 2.7 million (previous year: EUR 3.4 million), totalled EUR 16.1 million in the first nine months of 2020 (previous year: EUR 36.9 million). This breaks down into EUR 7.2 million (previous year: EUR 15.1 million) for the EMEA region, EUR 6.7 million (previous year: EUR 15.6 million) for the Americas region and EUR 2.3 million (previous year: EUR 6.1 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 investment ratio fell from 3.7 per cent to 2.3 per cent.

Number of employees adjusted to the market environment

As of September 30, 2020 SAF-HOLLAND employed 3,113 people worldwide (previous year: 3,923 employees). Compared to the previous year, the number of employees has therefore decreased by 20.6 per cent. The reduction in the headcount was spread over all regions in order to address the changed market conditions.

Significant improvement in operating free cash flow

The net cash flow from operating activities in the first nine-months of 2020 came to EUR 79.8 million, significantly above the level of the comparable period of the previous year of EUR 44.7 million. The increase is mainly attributable to the positive contribution from working capital management. It should be noted that the volume of factoring increased only slightly from EUR 35.2 million in the previous year to EUR 35.5 million in the reporting period from January to September 2020.

The net cash flow from investing activities in plant, property and equipment and intangible assets of EUR –15.4 million lay EUR 17.0 million, or 52.4 per cent, below the comparable figure for the previous year.

The operating free cash flow improved from EUR 12.3 million to EUR 64.4 million. The total free cash flow of EUR 43.2 million (previous year: EUR 1.4 million) was affected by the cash outflow associated with the purchase of the remaining shares in V.Orlandi of EUR 21.2 million.

Net financial debt (including lease liabilities) decreased by EUR 19.3 million to EUR 232.4 million as of September 30, 2020 compared to the reporting date of December 31, 2019. As of September 30, 2020 SAF HOLLAND carries cash and cash equivalents of EUR 185.1 million (December 31, 2019: EUR 131.2 million).

“The development of operating free cash flow is very pleasing,” says Inka Koljonen, CFO of SAF-HOLLAND SE. “Our “Cash-is-King” project made a significant contribution in this regard, as it almost fully attained the quantitative goals for the year by the end of September already. We will continue to optimise net working capital and push the cash focus further.”

EMEA region: Adjusted EBIT margin very robust despite COVID-19

In the EMEA region, sales declined in the first nine months of 2020 by 17.8 per cent to EUR 404.6 million (previous year: EUR 492.5 million) due to market conditions and COVID-19. Organic sales fell by 17.2 per cent to EUR 407.6 million. Despite the significant sales decline, the EMEA region generated an adjusted EBIT of EUR 35.1 million (previous year: EUR 46.7 million) in the reporting period from January to September 2020 and an adjusted EBIT margin of 8.7 per cent (previous year: 9.5 per cent). The spare parts business had a strongly positive impact on the gross margin whereas the OE business had a slightly negative impact. This includes inventory write-downs of EUR 4.7 million in response to the decrease in inventory turnover because of the COVID-19 pandemic.

Americas region: EBIT margin positive despite massive slump in sales

In the Americas region, sales declined in the first nine months of 2020 by 39.9 per cent to EUR 250.3 million (previous year: EUR 416.1 million) due to market conditions and COVID-19. After eliminating the effects of exchange rates, sales decreased by 38.8 per cent to EUR 254.6 million.

Despite the significant sales decline, the Americas region generated a positive adjusted EBIT of EUR 8.7 million in the first nine months of 2020 (previous year: EUR 26.1 million) and an adjusted EBIT margin of 3.5 per cent (previous year: 6.3 per cent). The spare parts business had a significant positive impact on the gross margin whereas the OE business had a significantly negative impact. This includes inventory write-downs of EUR 4.1 million in response to the decrease in inventory turnover because of the COVID-19 pandemic.

The savings realised in selling and administrative expenses had a positive effect, which was more than offset by cost stickiness. In addition it should be noted that the figure in the previous year of EUR 26.1 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: Lockdown and delayed ramp-up burden

The APAC region generated sales of EUR 53.8 million in the first nine months of 2020 (previous year: EUR 100.0 million) due to market conditions and COVID-19. After eliminating the effects of exchange rates, sales decreased by 44.8 per cent to EUR 55.2 million compared with the previous year. The reason for this sharp sales decline was mainly the lockdown 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 0.6 million to EUR –5.3 million. The adjusted EBIT margin amounted to -9.9 per cent (previous year: -5.9 per cent). The spare parts business had a slightly negative impact on the gross margin whereas the OE business, by contrast, had a significantly negative impact. The savings realised in selling and administrative expenses had a positive effect.

Guidance for adjusted EBIT margin for the full year 2020 raised to 5 to 6 per cent

The Management Board of SAF-HOLLAND SE continues to anticipate a decline in Group sales of between 20 to 30 per cent on the previous year.

Based on the preliminary figures for October 2020, the Management Board of SAF-HOLLAND SE has decided raise the guidance for the adjusted EBIT margin for the full year 2020. The Company now expects an adjusted EBIT margin in a range between 5 and 6 per cent (formerly: between 3 and 5 per cent).

The positive trend in the adjusted EBIT margin is primarily based on the continued recovery of the trailer and truck markets in North America and Europe, gaining market shares, the high-margin spare parts business, which is less affected by economic cycles, as well as on significant savings in selling and administrative expenses.

The new guidance for the adjusted EBIT margin is made on the premise that there are no new, unexpected impacts from the ongoing COVID-19 pandemic on the production and supply chains in the remaining weeks of the 2020 financial year.

In order to support the strategic objectives, SAF-HOLLAND is still planning to make investments equal to approximately 2.5 per cent of Group sales in the 2020 financial year. These will focus primarily on the continuing introduction of a Global Manufacturing Platform and further automation in Germany and North America.

SAF-HOLLAND SE publishes the full quarterly statement as of September 30, 2020 on November 18, 2020.

Key financials for the first nine months of 2020

Results of operations

in EUR thousands

	Q1–Q3/2020	Q1–Q3/2019
Sales	708,698	1,008,626
Adjusted gross profit	127,508	173,357
Adjusted gross profit margin in %	18.0	17.2
Adjusted EBITDA	65,203	90,459
Adjusted EBITDA margin in %	9.2	9.0
Adjusted EBIT	38,536	66,916
Adjusted EBIT margin in %	5.4	6.6
Adjusted result for the period	21,553	42,871
Adjusted undiluted earnings per share in EUR	0.47	0.94

Net assets

in EUR thousands

	09/30/2020	12/31/2019
Balance sheet total	963,943	979,244
Equity	303,913	318,007
Equity ratio in %	31.5	32.5
Net working capital	138,681	183,763
Net working capital in % of sales (LTM)	14.1	14.3

Financial position

in EUR thousands

	Q1–Q3/2020	Q1–Q3/2019
Cash flow from operating activities	79,787	44,721
Cash flow from investing activities (property, plant and equipment/ intangible assets)	–15,426	–32,396
Operating free cash flow	64,361	12,325
Total free cash flow	43,168	1,439
Cash and cash equivalents	185,118	126,107
Net debt	232,375	274,695

Employees

	Q1–Q3/2020	Q1–Q3/2019
Employees at the reporting date	3,113	3,923
Employees (on average)	3,337	3,916

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-Q3 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-Q3 2019 has been adjusted retrospectively to match the new definition.

About SAF-HOLLAND

SAF-HOLLAND SE, located in Bessenbach, 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 and trucks. 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 3,000 committed employees worldwide are already working on the future of the transport industry today.

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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.

Note

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