Corporate News

SAF-HOLLAND: Very good start to financial year 2021

- Group sales of EUR 285.6 million up 0.8 per cent on first quarter of the previous year
- Adjusted EBIT margin significantly improved by 1.2 percentage points to 7.7 per cent
- Operating free cash flow balanced despite demand-driven increase in net working capital
- Leverage ratio scaled back further to 2.25x EBITDA
- Outlook for the full year 2021 confirmed

Bessenbach, May 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 quarter of 2021.

Alexander Geis, Chairman of the Management Board of SAF-HOLLAND SE says: “We have had a very good start to the financial year and were able to follow on seamlessly from the positive development of the preceding two quarters. The positive business momentum in the EMEA and APAC regions, the favourable business mix and the structural cost reduction and process optimisation measures contributed to the significant improvement in the EBIT margin to 7.7 per cent.”

“Incoming orders continue to develop in a very pleasing fashion. In the EMEA region, for example, capacity is currently utilised until autumn. I am therefore more than optimistic that we will achieve our annual targets for Group sales and adjusted EBIT margin,” adds Alexander Geis.

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

Due to market conditions and COVID-19, Group sales in the first quarter of 2021 came to EUR 285.6 million, 0.8 per cent above the previous year’s level of EUR 283.4 million. Currency effects amounted to EUR -13.7 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 increased by 5.6 per cent.

Sales in the OE business decreased by 0.8 per cent or EUR 1.8 million to EUR 207.5 million in the reporting period from January to March 2021. The share of Group sales accounted for by the OE business decreased from 73.8 per cent to 72.6 per cent. By contrast, sales in the spare parts business increased by 5.4 per cent or EUR 4.0 million to EUR 78.2 million. Consequently, the share of the spare parts business in Group sales increased from 26.2 per cent to 27.4 per cent.

Adjusted gross profit improved to EUR 56.0 million in the first quarter of 2021 due to the sales and cost situation (previous year: EUR 52.3 million). Due to a favourable product mix, the broad customer base and the structural cost savings, the adjusted gross margin came to 19.6 per cent, which lies significantly above the gross margin achieved in the comparable period of the previous year of 18.4 per cent.

Adjusted EBIT amounted to EUR 22.0 million in the first quarter of 2021 (previous year: EUR 18.4 million). This corresponds to an adjusted EBIT margin of 7.7 per cent (previous year: 6.5 per cent). The lower ratio of selling expenses and administrative expenses to Group sales was slightly 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 0.5 million (previous year: EUR 1.0 million), totalled EUR 5.3 million in the first quarter of 2021 (previous year: EUR 6.7 million). This breaks down into EUR 2.4 million (previous year: EUR 2.1 million) for the EMEA region, EUR 0.5 million (previous year: EUR 3.8 million) for the Americas region and EUR 2.4 million (previous year: EUR 0.8 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 capex ratio was only 1.9 per cent in the first quarter of 2021 (previous year: 2.4 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 balanced despite demand-driven increase in net working capital

The net cash flow from operating activities reached a level of EUR 5.7 million in the first quarter of 2021 (previous year: EUR 32.0 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 plant, property and equipment and intangible assets of EUR -5.2 million lay EUR 1.1 million, or 17.7 per cent, below the comparable figure for the previous year. Operating free cash flow was balanced at EUR 0.5 million (previous year: EUR 25.7 million).

“In the first quarter, top priority was given to securing our delivery performance. The fact that this was at the expense of net working capital and thus operating free cash flow was calculated into the equation,” 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 significantly.”

Leverage ratio further improved

In comparison to December 31, 2020, equity has improved by EUR 24.7 million to EUR 325.2 million. Equity was bolstered by the addition of the result for the period of EUR 11.3 million as well as exchange differences on the translation of foreign operations of EUR 13.5 million. Coupled with the 8.5 per cent increase in the balance sheet, this led to an unchanged equity ratio of 32.6 per cent.

Net financial debt (including lease liabilities) decreased by EUR 1.1 million to EUR 195.6 million as of March 31, 2021 compared to the reporting date of December 31, 2020. As of March 31, 2021 SAF HOLLAND carries cash and cash equivalents of EUR 179.5 million (December 31, 2020: EUR 171.0 million).

“Due to the significant improvement in EBITDA, we have managed to further reduce the leverage ratio from 2.40x EBITDA at the end of 2020 to 2.25x EBITDA,” adds Inka Koljonen. “The very robust financial profile overall creates further headroom for investing in growth.”

EMEA Region: Adjusted EBIT margin remains stable at a high level

Sales in the EMEA region improved by 7.1 per cent to EUR 168.3 million (previous year: EUR 157.2 million) in the first quarter 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 9.4 per cent was recorded.

The EMEA region generated an adjusted EBIT of EUR 16.2 million in the reporting period from January to March 2021 (previous year: EUR 14.8 million) and an adjusted EBIT margin of 9.6 per cent (previous year: 9.4 per cent). The OE business and spare parts business had a similarly positive impact on the gross margin.

Americas region: EBIT margin significantly improved

In the Americas region, sales declined in the first quarter of 2021 by 14.2 per cent to EUR 90.2 million (previous year: EUR 105.1 million) due to streamlining of the product portfolio and the winter storms in Texas. Adjusted for currency translation effects, sales decreased by 5.4 per cent.

In spite of the decline in sales, the Americas region generated an improved adjusted EBIT of EUR 5.4 million in the first quarter of 2021 (previous year: EUR 4.1 million) and a significantly improved adjusted EBIT margin of 6.0 per cent (previous year: 3.9 per cent). The OE business had a slightly negative impact on the gross margin, which, however, was more than compensated for by the spare parts business. In addition, the significantly lower ratio of selling expenses, administrative expenses and research and development expenses to segment sales was margin accretive.

APAC region: Operating result back in the black

The APAC region generated sales of EUR 27.1 million in the first quarter of 2021 (previous year: EUR 21.1 million). Adjusted for currency translation effects, sales increased by 32.6 per cent in comparison to the previous year. The main cause for the significant increase in sales was the jump in business in India and the pleasing development of demand in Australia.

Adjusted EBIT improved by EUR 0.9 million to EUR 0.4 million. The adjusted EBIT margin amounted to 1.4 per cent (previous year: -2.4 per cent). In this regard, the product mix and economies of scale had a positive impact on the gross margin. The significantly lower ratio of selling expenses, administrative expenses and research and development expenses to segment sales was margin accretive.

Outlook for the 2021 financial year confirmed

In light of 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 1,050 million and EUR 1,150 million (2020: EUR 959.5 million).

Under this assumption, SAF-HOLLAND is still expecting an adjusted EBIT margin of around 7 per cent for the 2021 financial year (2020: 6.1 per cent).

In order to support its strategic objectives, the company is planning investments of approximately 2.5 per cent of Group sales once again 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.

This year's Annual General Meeting of SAF-HOLLAND SE will be held on June 10, 2021. The half-year financial report for the period from January to June 2021 will be published on August 12, 2021.

Key financial figures for Q1/2021

Results of operations

in EUR thousands

	Q1/2021	Q1/2020
Sales	285,620	283,411
Adjusted gross profit	55,985	52,261
Adjusted gross profit margin in %	19.6	18.4
Adjusted EBITDA	31,042	27,508
Adjusted EBITDA margin in %	10.9	9.7
Adjusted EBIT	21,957	18,441
Adjusted EBIT margin in %	7.7	6.5
Adjusted result for the period	14,875	11,288
Adjusted undiluted earnings per share in EUR	0.33	0.25

Net assets

in EUR thousands

	03/31/2021	12/31/2020
Balance sheet total	998,598	920,486
Equity	325,198	300,463
Equity ratio in %	32.6	32.6
Net working capital	138,434	114,599
Net working capital in % of sales (LTM)	14.4	11.9

Financial position

in EUR thousands

	Q1/2021	Q1/2020
Cash flow from operating activities	5,698	32,014
Cash flow from investing activities (property, plant and equipment/ intangible assets)	–5,201	–6,323
Operating free cash flow	497	25,691
Total free cash flow	497	4,056
Cash and cash equivalents	179,507	319,393
Net debt	195,614	–256,225

Employees

	Q1/2021	Q1/2020
Employees at the reporting date	3,513	3,744
Employees (on average)	3,440	3,811

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 3,000 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.

Note

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