Corporate News

SAF-HOLLAND SE: Strong second quarter 2022; forecast raised for the full year

- **Group sales of EUR 773 million in the first half of 2022 at a record level (+27.2 per cent compared to the previous year)**
- **Adjusted EBIT improves 18.5 per cent to EUR 55.6 million; adjusted EBIT margin at 7.2 per cent (previous year 7.7 per cent)**
- **Capex ratio at 1.4 per cent on account of sales**
- **Debt ratio up slightly from 1.58x to 1.81x due to acquisition of shares in Haldex AB and dividend payment**
- **Outlook for Group sales and adjusted EBIT margin raised for the financial year 2022**

Bessenbach, August 11, 2022. SAF-HOLLAND SE ("SAF-HOLLAND"), one of the world's leading suppliers of trailer and truck components today published its final financial figures for the first half of 2022.

Alexander Geis, Chairman of the Management Board of SAF-HOLLAND SE says: "Demand for our axle and suspension systems, and also for our fifth wheels, was once again very strong in all three regions in the second quarter of 2022, as reflected in the record sales of EUR 404 million. The strong development in the Americas and APAC regions was the major factor in the adjusted EBIT margin of 8.0 per cent. We were therefore able to significantly reduce the differential in the EBIT margin from 1.3 percentage points after the first quarter of 2022 to 0.6 percentage points."

"Based on our order backlog, we expect demand for our products to remain stable over the remainder of the year. After successfully adjusting its prices, the EMEA region should be able to gradually improve its adjusted EBIT margin and contribute towards reaching the new EBIT margin corridor of between 7 and 8 per cent," adds Alexander Geis.

Adjusted EBIT margin at 7.2 per cent

Group sales in the first six months of 2022 came to EUR 773.3 million due to higher demand, marking a significant rise of 27.2 per cent on the comparable figure for the previous year of EUR 608.1 million. The effect of foreign currency translation and acquisitions came to EUR 35.3 million (previous year: EUR -24.0 million). After eliminating the effects of exchange rates and acquisitions, sales increased by 21.3 per cent to EUR 737.9 million.

High steel prices as well as high freight charges and energy costs, which were only passed on at a delay, placed a heavy burden on the gross margin of the EMEA region in particular, while the ratio of administrative expenses and research and development costs to sales declined sharply. In sum, this led to an adjusted EBIT of EUR 55.6 million (previous year: EUR 47.0 million). This corresponds to an adjusted EBIT margin of 7.2 per cent (previous year: 7.7 per cent).

EMEA region: price increases burden the EBIT margin

Sales in the EMEA region improved by 17.3 per cent to EUR 423.5 million in the first six months of 2022 (previous year: EUR 361.0 million), primarily on account of the strong OE business in the trailer segment. Adjusted for currency translation effects and acquisitions, sales growth of 15.7 per cent to EUR 417.6 million was recorded.

High steel prices as well as high freight charges and energy costs, which were only passed on at a delay, placed a heavy burden on the gross margin, while the ratio of administrative expenses and research and development costs to sales declined sharply. In sum, this led to an adjusted EBIT of EUR 23.5 million (previous year: EUR 35.3 million). This corresponds to an adjusted EBIT margin of 5.5 per cent (previous year: 9.8 per cent).

Americas region: very pleasing trend in margins

Due to the strong OE trailer business and sales of spare parts, sales in the Americas region increased by 42.8 per cent to EUR 278.1 million (previous year: EUR 194.7 million) in the first six months of 2022. After eliminating the effects of exchange rates, sales improved by 29.3 per cent to EUR 251.8 million.

The gross margin for the Americas region improved markedly due to the lower cost of materials ratio and personnel expenses ratio. In addition, the significant decline in the ratio of administrative expenses and research and development costs to sales was margin accretive. In sum, this led to an adjusted EBIT of EUR 24.8 million (previous year: EUR 10.7 million). This corresponds to an adjusted EBIT margin of 8.9 per cent (previous year: 5.5 per cent).

APAC region: double-digit EBIT margin

The APAC region generated sales of EUR 71.8 million in the first six months of 2022 (previous year: EUR 52.4 million). After eliminating the effects of exchange rates, sales increased by 30.7 per cent to EUR 68.5 million year-on-year. The main cause for the significant increase in sales was the strong upturn in the trailer OE business in India and Australia.

Compared to the strong increase in sales, growth in the cost of sales was relatively weak. The significant decline in the ratio of selling expenses and administrative expenses to sales also had a margin accretive effect. Adjusted EBIT improved from EUR 0.9 million to EUR 7.3 million. The adjusted EBIT margin came to 10.2 per cent (previous year: 1.7 per cent).

Unadjusted result for the period 38.7 per cent above previous year

With an effective Group tax rate of 31.0 per cent (previous year: 38.8 per cent), the unadjusted result for the period from January to June 2022 comes to EUR 31.3 million (previous year: EUR 22.5 million). With a Group tax rate of 26.8 per cent (previous year: 26.7 per cent), the adjusted result for the period improved by 22.8 per cent to EUR 38.3 million (previous year: EUR 31.2 million).

Based on the unchanged number of approximately 45.4 million ordinary shares outstanding, unadjusted basic earnings per share for the first half of 2022 amounted to EUR 0.68 (previous year: EUR 0.50) and adjusted basic earnings per share amounted to EUR 0.84 (previous year: EUR 0.69).

Capex ratio of 1.4 per cent due to strong sales growth

Additions to property, plant and equipment and intangible assets, including capitalised development costs of EUR 1.9 million (previous year: EUR 0.8 million), totalled EUR 10.6 million in the first half of 2022 (previous year: EUR 8.4 million). This breaks down into EUR 5.2 million (previous year: EUR 4.7 million) for the EMEA region, EUR 5.2 million (previous year: EUR 1.2 million) for the Americas region and EUR 0.2 million (previous year: EUR 2.5 million) for the APAC region. The focus of investment lay on measures to improve efficiency in Germany and the USA, as well as continue the measures already initiated to expand capacity in Turkey, Mexico and India. Due to the rapid increase in sales, the capex ratio remained unchanged on the previous year at 1.4 per cent.

Free cash flow affected by the acquisition of shares in Haldex

The net cash flow from operating activities reached a level of EUR 18.8 million in the first six months of 2022 (previous year: EUR 14.9 million). “We perceive significant room for improvement in the field of net working capital management,” states Wilfried Trepels, CFO at SAF-HOLLAND SE. “Our main focus over the coming months must remain on the reduction of inventories and the associated optimisation of Days Inventory Outstanding (DIO).”

Free cash flow – defined as the net cash flow from operating activities less the net cash flow from investing activities – was negative in the period from January to June 2022 at EUR -18.7 million. It should be considered that the net cash flow from investing activities includes cash outflow of EUR 28.4 million related to the acquisition of shares in Haldex.

Solid financial profile: debt ratio up slightly

In comparison to December 31, 2021, equity has improved by EUR 60.1 million to EUR 431.1 million. This corresponds to an equity ratio of 37.3 per cent (December 31, 2021: 36.6 per cent). Equity was mainly bolstered by the addition of the result for the period of EUR 31.3 million as well as exchange differences on the translation of foreign operations of EUR 34.4 million. The dividend payment of EUR 15.9 million reduced equity accordingly.

Net financial liabilities (including lease liabilities) increased by EUR 39.8 million to EUR 237.8 million as of June 30, 2022 compared to the reporting date of December 31, 2021. The main factors in this regard lie in the acquisition of shares in Haldex for a sum of EUR 28.4 million and the payment of dividends of EUR 15.9 million. The increase in the debt ratio (defined as ratio of net financial liabilities to unadjusted EBITDA) from 1.58x to 1.81x can be attributed to the increase in net financial liabilities.

Outlook for Group sales and adjusted EBIT margin raised for the financial year 2022

Based on the preliminary figures for the second quarter of 2022, the Management Board of SAF-HOLLAND SE decided on July 28, 2022 to raise the outlook for Group sales and the adjusted EBIT margin for the financial year 2022.

The implications of a potential massive energy shortage for economic activity in Germany have not been considered as these cannot be reliably determined or quantified at present.

Based on the current order backlog and the projections for both the macro-economy and the industry, the Management Board is forecasting, after weighing up potential risks and opportunities, that Group sales for the full financial year 2022 will lie in a corridor of between EUR 1.4 billion and EUR 1.5 billion (formerly between EUR 1.2 billion and EUR 1.35 billion).

Based on these assumptions, SAF-HOLLAND now also projects an adjusted EBIT margin of between 7.0 and 8.0 per cent (formerly: between 6.5 and 7.0 per cent).

To support its strategic objectives, the company is still planning investments of 2 per cent to 2.5 per cent of sales for the 2022 financial year. The focus of investment will be placed on continuing with the plans to establish production capacity in Turkey and Mexico and expand existing capacity in India. Furthermore, the company plans to keep investing in efficiency-enhancing measures, particularly in Germany and in the USA.

Conference calls for analysts and investors

The Management Board of SAF-HOLLAND SE will host a conference call for analysts and investors at 10:00am (CEST) on August 11, 2022 (only in English). This will be broadcast via the internet. The podcast will be streamed live and made available on-demand on the website of SAF-HOLLAND.

Likewise, the current investor presentation (available in English only), the half-year financial report for 2022 and the press release are also available on the website of SAF-HOLLAND.

Financial calendar:

November 10, 2022 Quarterly Statement Q3 2022

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About SAF-HOLLAND

SAF-HOLLAND SE is a leading international manufacturer of chassis-related assemblies and components for trailers, trucks and buses. The product range includes, among other things, axle and suspension systems for trailers as well as fifth wheels for trucks and coupling systems for trucks, trailers and semi-trailers. In addition, SAF-HOLLAND develops innovative products to increase the efficiency, safety and environmental friendliness of commercial vehicles. The focus here is on the digitalization and networking of trailers as well as the electrification of axles. The products and solutions are marketed under the brands SAF, Holland, V.Orlandi, TrailerMaster, Neway, KLL and York. SAF-HOLLAND supplies original equipment to vehicle manufacturers on six continents. In the aftermarket business, the company supplies spare parts to the manufacturers' service networks as well as to wholesalers and, through an extensive global distribution network, to end customers and service centers. Around 3,700 dedicated employees worldwide are already working on the future of the transport industry. SAF-HOLLAND shares have been listed in the Prime Standard of the German Stock Exchange since 2007 and are part of the SDAX selection index. For further information, please visit: www.safholland.com.

Key financials for the first six months of the year 2022

Results of operations

in EUR thousands	Q1-Q2/2022	Q1-Q2/2021
Sales	773,253	608,124
Adjusted gross profit	128,010	113,226
Adjusted gross profit margin in %	16.6	18.6
Adjusted EBITDA	73,437	65,671
Adjusted EBITDA margin in %	9.5	10.8
Adjusted EBIT	55,617	46,953
Adjusted EBIT margin in %	7.2	7.7
Adjusted result for the period with non-controlling interests	38,280	31,174
Adjusted result for the period without non-controlling interests	37,977	31,115
Financial position		
in EUR thousands	**Q1-Q2/2022**	**Q1-Q2/2021**
Net cash flow from operating activities	18,773	14,948
Net cash flow from investing activities	–37,473	–7,407
Free cashflow	–18,700	7,541
Net debt	237,790	200,374
Yield		
in %	**Q1-Q2/2022**	**Q1-Q2/2021**
Return on capital employed (ROCE)	14.8	14.5
CAPEX ratio		
in %	**Q1-Q2/2022**	**Q1-Q2/2021**
Investment rate	1.4	1.4
Net assets		
in EUR thousands	**06/30/2022**	**12/31/2021**
Balance sheet total	1,156,375	1,014,267
Equity	431,128	371,070
Equity ratio in %	37.3	36.6

All figures shown are rounded. Minor discrepancies may arise from additions of these amounts.
Free cash flow = Net cash flow from operating activities less net cash flow from investing activities.
ROCE = Adjusted EBIT / (total equity + financial liabilities (excl. refinancing costs, incl. lease liabilities) + pension and other similar benefits - cash and cash equivalents)

Future-oriented statements

This press release contains forward-looking statements based on assumptions and estimates made by the Management Board of SAF-HOLLAND SE. These statements can be identified by wording such as "expect", "want", "anticipate", "intend", "plan", "believe", "strive", "estimate", and "will" or similar terms. Although we assume that the expectations contained in these forward-looking statements are realistic, we cannot guarantee that they will prove to be correct. These assumptions may contain risks and uncertainties that could cause the actual figures to differ considerably from the forward-looking statements. Factors that can cause such discrepancies include changes in the macroeconomic and business environment, changes in exchange rates and interest rates, the introduction of products that compete with our own products, a lack of acceptance of new products or services, and changes in corporate strategy. SAF-HOLLAND does not intend to update these forward-looking statements, nor does it assume any responsibility to do so.

This press release includes supplementary financial indicators that either are or may be so-called alternative performance indicators that are not clearly defined in the relevant financial reporting framework. In assessing the financial position and performance of SAF-HOLLAND, these supplementary financial indicators should not be used in isolation or as an alternative to those presented in the consolidated financial statements and determined in accordance with the relevant financial reporting framework. Other companies that present or report alternative performance indicators with similar names may calculate them differently. Explanations of the key financial figures used are available in the Annual Report of SAF-HOLLAND SE.

Due to rounding, some of the figures presented in this press release as well as in other reports may not add up exactly to the stated totals and percentages presented may not accurately reflect the absolute values to which they relate.

Note

This announcement is for information purposes only and does neither constitute an offer to sell, purchase, exchange or transfer any securities nor a solicitation of any offer to sell, purchase, exchange or transfer any securities. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold in the United States absent registration or an exemption from registration under the Securities Act. SAF-HOLLAND SE does not intend to register any securities referred to herein under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States in connection with this announcement.