

ALEXANDER GEIS (CEO) / DR MATTHIAS HEIDEN (CFO) /
DR ANDRÉ PHILIPP (COO)

Analysts' and Investors' Conference

19 MARCH 2020

SAF *Holland*
Group



AGENDA

Welcome

- 1 Performance 2019** – We achieved important milestones in all regions and laid the foundation for our future success
- 2 Outlook** – We will strengthen our leading market positions and improve our profitability in the coming years

Today's speakers – Welcome to our Annual Analysts' and Investors' Conference



Alexander Geis

Chief Executive Officer

- CEO of the SAF-HOLLAND Group since February 26, 2019 and member of the Group Management Board since July 2011
- With SAF since 1995 and most recently President of Region EMEA and Chief Procurement Officer
- Previously member of the Management Board and responsible for the Business Unit Aftermarket and for the strategic and operative alignment of the global spare parts business
- MBA-degree of University of Maryland, USA



Dr Matthias Heiden

Chief Financial Officer

- CFO of the SAF-HOLLAND Group and member of the Group Management Board since March 2017
- Responsible for the areas of Finance, Accounting and Controlling, IT, Legal and Compliance, Human Resources, and Investor Relations and Corporate Communications.
- Previously CFO of SAP's German subsidiary and Regional CFO for Middle and Eastern Europe
- Degree in Business Administration and Doctor of Economic Sciences



Dr André Philipp

Chief Operating Officer

- COO of the SAF-HOLLAND Group and member of the Group Management Board since January 2019
- Responsible for all of the Group's production plants worldwide and for Global Quality, Global Lean Organization and Global Operations
- Previously in management positions such as CTO and COO, for the HELLA and Deutz Dalian Engine Co.
- Degree in industrial engineering, MBA-degree and doctorate in economics



1 Performance 2019 – We achieved important milestones in all regions and laid the foundation for our future success

Summary: We set solid foundations for the next phase with clear idea on 2020+ path

Sales
€ 1.284 MN

Adj. EBIT
margin
6.2%
(€ 80 MN)

Net working
capital ratio
14.9%

Capex
€ 53.0 MN

- Revised FY 2019 guidance met
- Program FORWARD shows further positive results
- China: plant consolidation successfully executed
- Comprehensive cost-cutting program started
- Free cash flow generation strongly improved
- Solid financial profile secured
- Next stage in operational excellence
- Further accelerate efforts on inventory management and free cash flow generation
- Sustainably improve quality of earnings

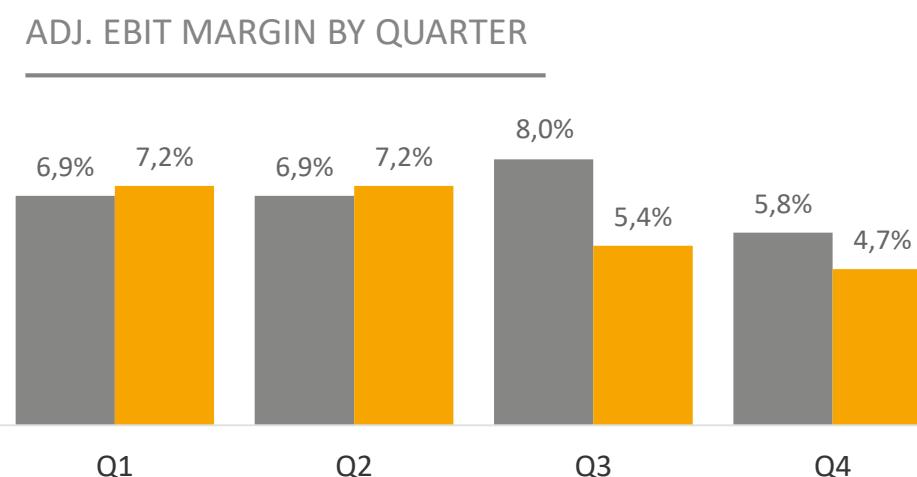
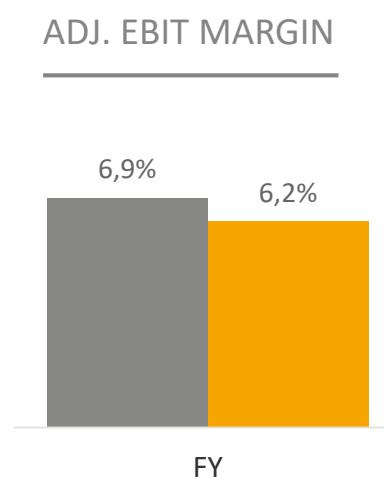
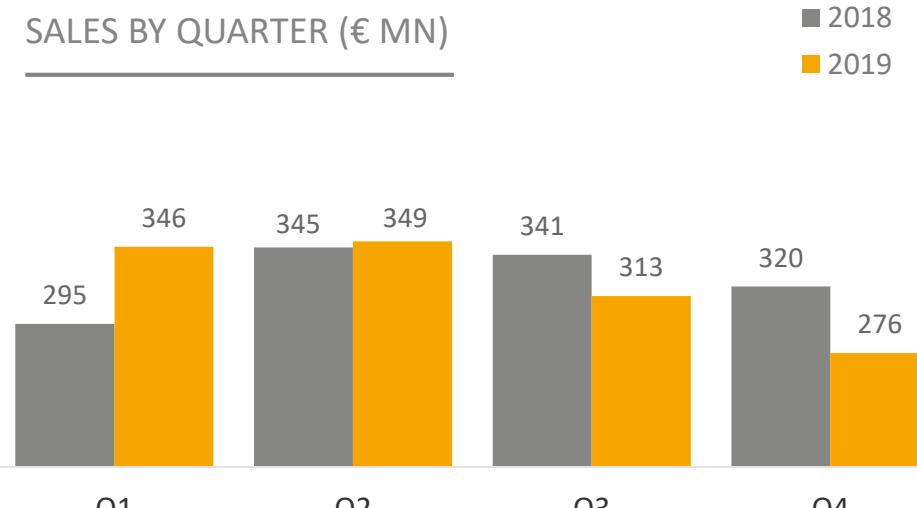
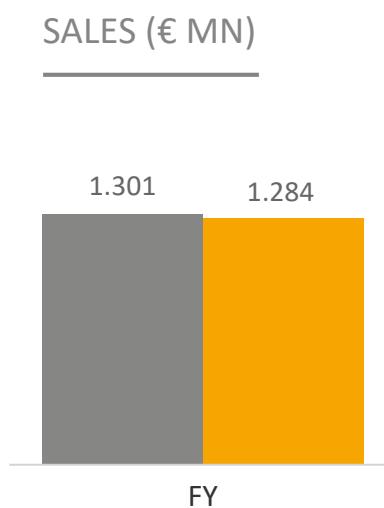
Truck and trailer production 2019 – We had to prove ourselves in difficult markets

WESTERN & EASTERN EUROPE		NORTH AMERICA		CHINA		SOUTH AMERICA		INDIA	
Truck ¹	Trailer ²	Truck ³	Trailer ³	Truck ¹	Trailer ²	Truck ¹	Trailer ²	Truck ¹	Trailer ²
-2%	-7%	+6%	+3%	-3%	-20%	+4%	+23%	-53%	-65%

- European trailer market eased after historic highs in 2018
- Upswing coming to an end against declining order intake in North America
- Trade conflict between China/US and lack of macroeconomic impetus weighted on trailer production in China

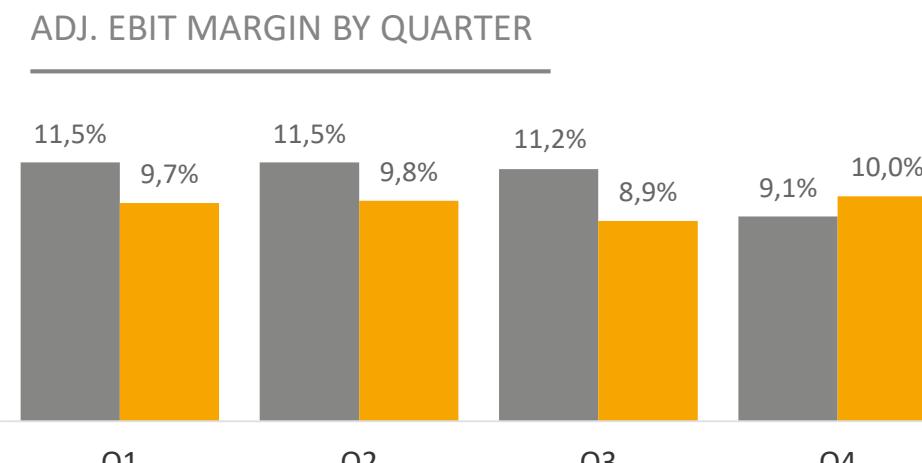
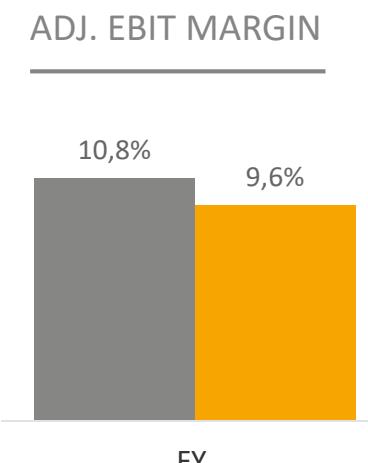
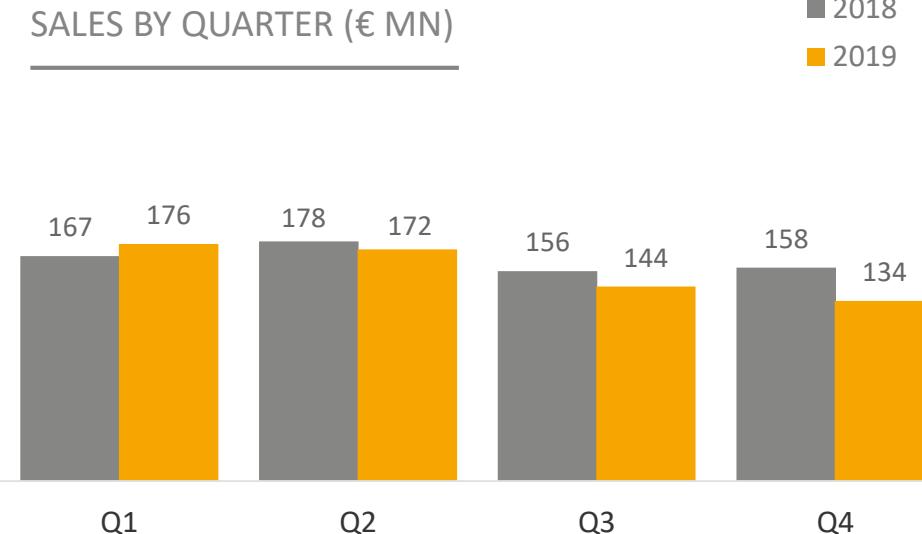
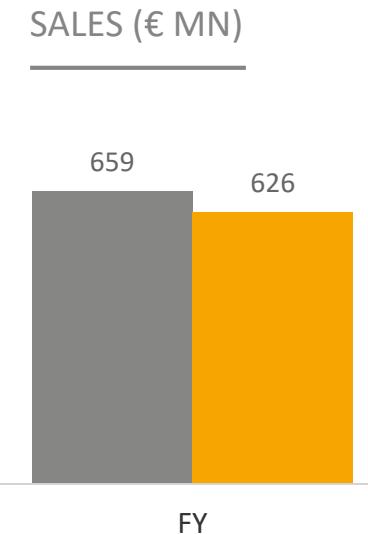
- Lasting recovery in South America
- Strong slump of the Indian trailer market as the expected catch-up effect after the April/May elections did not materialize and lower than expected GDP growth

Group results – Sales and adjusted EBIT margin in line with revised guidance and market expectations



- **Sales in 2019 influenced by**
 - Acquisition effects (+3.2 per cent respectively € +41.4 mn)
 - FX effects (+2.0 per cent respectively € +25.8 mn)
 - Organic effects (-6.4 per cent respectively € -83.6 mn net; strong organic growth in the Americas region could not compensate for the other regions)
- **Adj. EBIT margin in 2019 influenced by**
 - Substantial losses due to restart in China (-)
 - Product mix effects and inventory write-offs (-)
 - Higher selling and administrative expenses (-)
 - Contractual passing on of last year's steel price increases (+)
 - Sustained price increases in the North American aftermarket business (+)
 - Earnings generated by the entities acquired since January 2018 (+)
 - Improved procedures and processes at our plants (+)
 - Savings in global sourcing (+)
- **Adj. EBIT margin in 2018 positively affected by the partial settlement of a medical plan in the US**

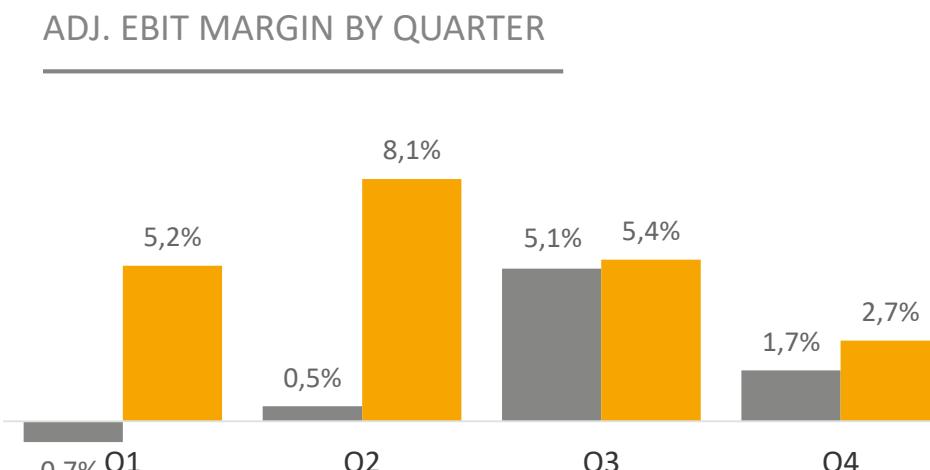
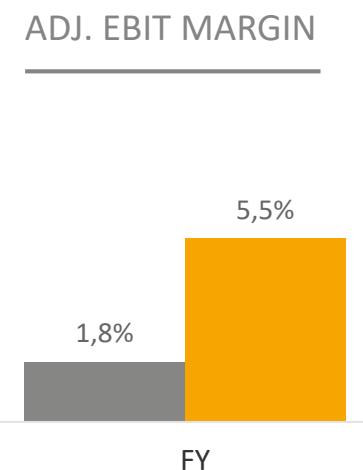
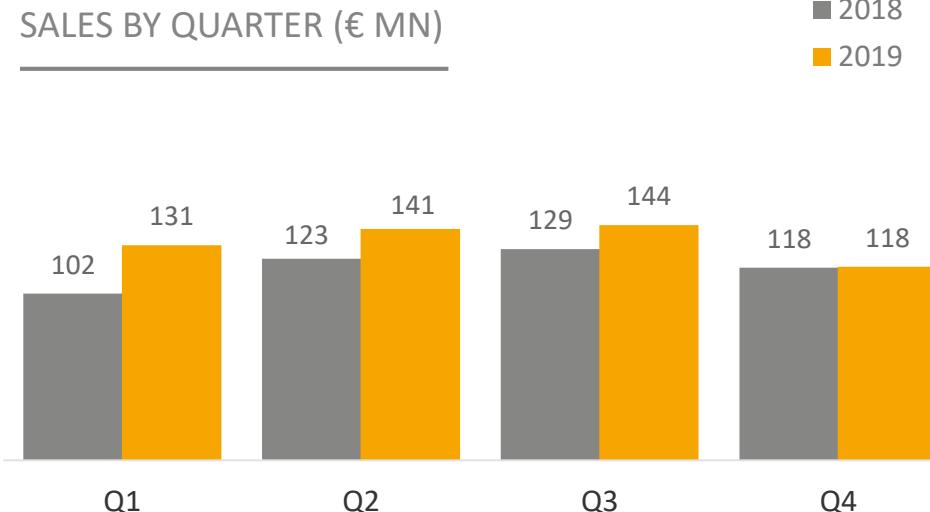
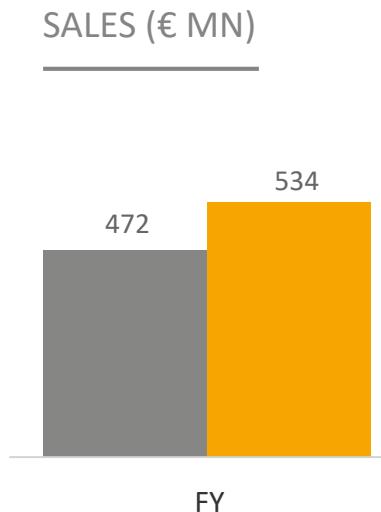
EMEA – Solid development in a challenging market environment



■ 2018
■ 2019

- **Sales in 2019 influenced by**
 - Acquisition effects (+3.1 per cent respectively € +20.5 mn)
 - FX effects (0.0 per cent respectively € -0.3 mn)
 - Organic effects (-8.0 per cent respectively € -53.0 mn)
- **Adj. EBIT margin in 2019 affected by**
 - Companies acquired since January 2018 (+)
 - Strict cost discipline (+)
 - Declining sales volume and higher personnel expenses (-)
- **Adj. EBIT margin in 2018 supported by**
 - Foreign currency effects Turkish Lira – Euro (+)
- **No goodwill impairment on V.ORLANDI**

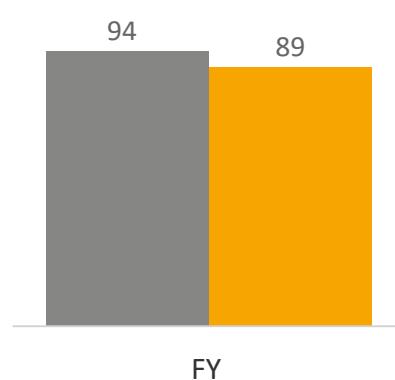
Americas – Continuing recovery



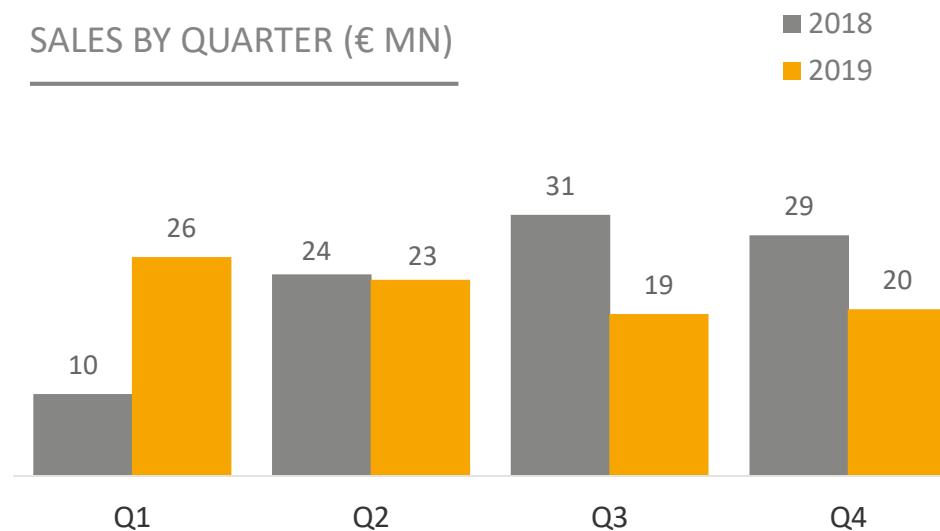
- **Sales in 2019 influenced by**
 - Organic effects (+8.0 per cent respectively € +37.8 mn; outperformed the market)
 - FX effects (+5.3 per cent respectively € +24.8 mn)
- **Adj. EBIT margin in 2019 affected by**
 - Operational efficiency gains from program FORWARD (+)
 - Contractual passing on of prior year's steel price increases (+)
 - Lower purchase prices for steel and other materials (+)
 - More profitable aftermarket business (+)
- **Adj. EBIT margin in 2018 positively affected by the partial settlement of a medical plan in the US in Q3/2018**

APAC – Challenging market environment

SALES (€ MN)

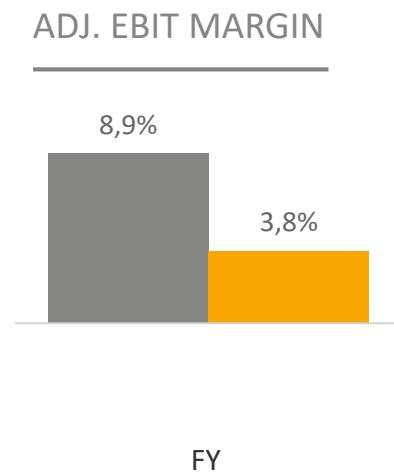


SALES BY QUARTER (€ MN)

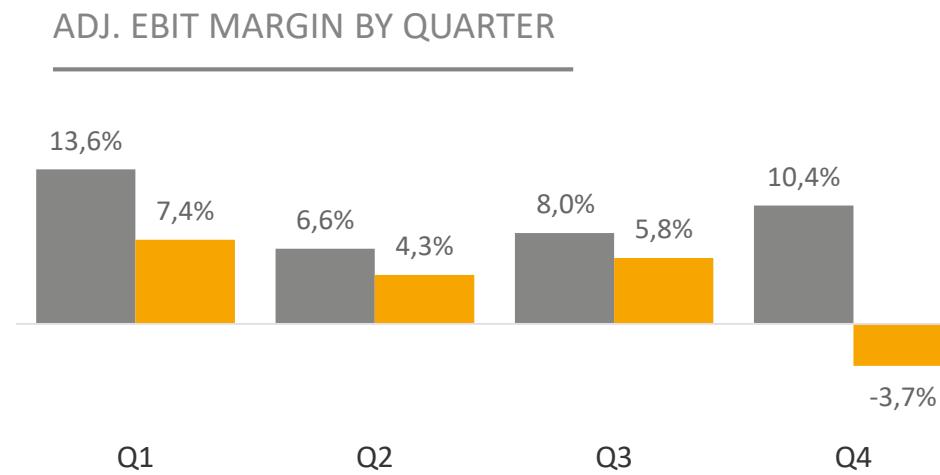


■ 2018
■ 2019

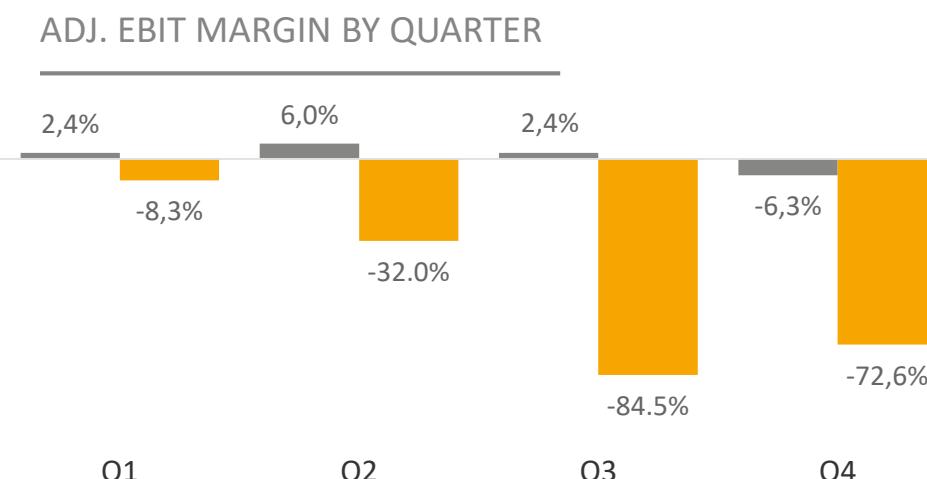
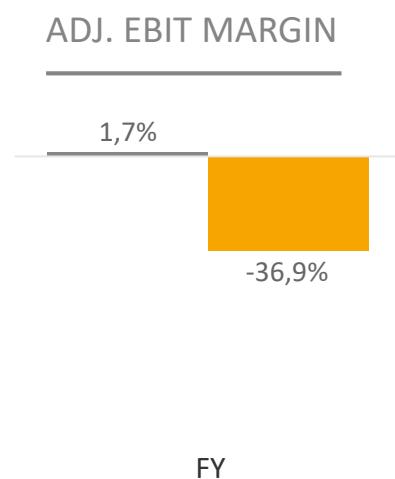
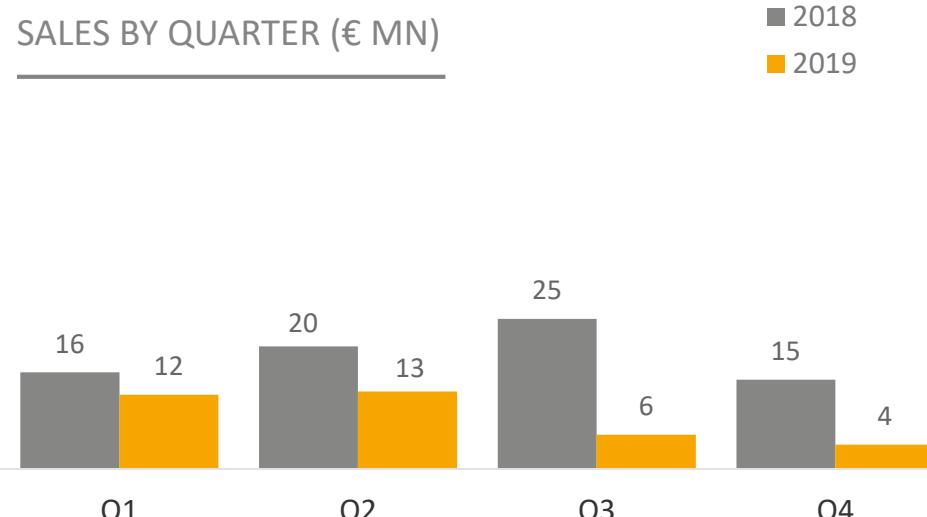
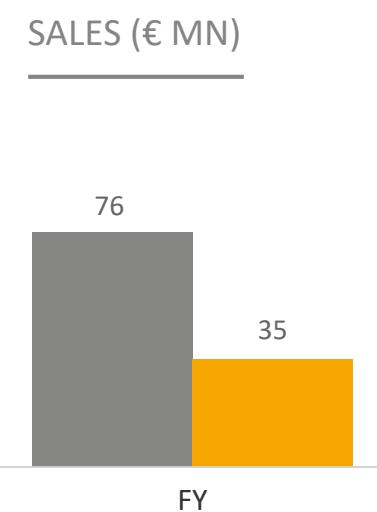
ADJ. EBIT MARGIN



ADJ. EBIT MARGIN BY QUARTER



China – Adjusted EBIT in target corridor – Restart ready



- **Sales in 2019 sales influenced by**
 - Declining export business of Chinese customers following the trade dispute between China and the US
 - Short notice cancellations and delays in orders in declining domestic market
 - Temporary strikes following the announcement of plant closures
- **Adj. EBIT margin in 2019 burdened by**
 - Low level of capacity utilization at the Xiamen and Qingdao plant (-)
 - Temporary cost burden from duplicate structures in the course of the integration of the other Chinese locations into the new Greenfield plant (-)
 - Inventory and accounts receivable impairments (-)
 - Strike-related costs (-)
 - Losses on disposal of fixed assets (-)

One-off items China – Substantial restructuring successfully executed

	FY 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	FY 2019
kEUR						
Sales	75,970	12,302	12,819	5,715	4,050	34,886
EBIT	-57	-2,688	-5,637	-15,660	-8,989	-32,974
Additional depreciation/amortization of PPE and intangible assets from PPA	57	15	14	15	13	57
Goodwill impairment*	–	–	–	6,691	1	6,692
Restructuring and transaction costs	1,271	1,658	1,518	4,125	6,036	13,337
EBIT adj.	1,271	-1,015	-4,105	-4,829	-2,939	-12,888
EBIT adj. %	1.7%	-8.3%	-32.0%	-84.5%	-72.6%	-36.9%
Adjustments						
Inventory write-down/devaluation/scrap	–	-103	-1,414	-2,416	-952	-4,885
AR write-down/increase allowance	–	0	-968	-187	-520	-1,675
Loss on disposal fix assets	–	0	0	-761	56	-705
Strike	–	0	-800	0	0	-800
One-Offs China Total	–	-103	-3,182	-3,364	-1,416	-8,065
EBIT adj. (excluding One-Offs CHINA)	1,271	-913	-922	-1,465	-1,522	-4,822
EBIT adj. % (excluding One-Offs CHINA)	1.7%	-7.4%	-7.2%	-25.6%	-37.6%	-13.8%
FTE	431					174
No. of locations	5					1

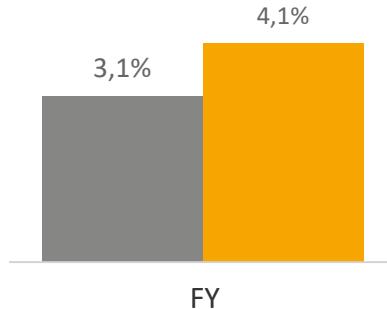
P&L 2019 – Sales and adjusted EBIT margin within guidance range

TEUR	Q1-Q4/2019	Total Adjustments	Q1-Q4/2019 adjusted*	in % of sales	Q1-Q4/2018	Total Adjustments	Q1-Q4/2018 adjusted*	in % of sales
Sales	1,284,155	–	1,284,155	100.0%	1,300,555	71	1,300,626	100.0%
Cost of sales	-1,082,414	15,857	-1,066,557	-83.1%	-1,101,292	7,815	-1,093,477	-84.1%
Gross profit	201,741	15,857	217,598	16.9%	199,263	7,886	207,149	15.9%
Other income	4,010	-2,167	1,843	0.1%	10,491	-8,090	2,401	0.2%
Other expenses	-2,971	2,971	–	0.0%	-834	833	-1	0.0%
Impairment of goodwill	-6,692	6,692	–	0.0%	–	–	–	0.0%
Selling expenses	-70,754	7,688	-63,066	-4.9%	-61,286	6,264	-55,022	-4.2%
Administrative expenses	-71,289	13,086	-58,203	-4.5%	-51,821	4,065	-47,756	-3.7%
Research and development costs	-20,794	490	-20,304	-1.6%	-19,572	648	-18,924	-1.5%
Operating profit	33,251	44,616	77,867	6.1%	76,241	11,608	87,849	6.8%
Share of net profit of investments accounted for using the equity method	1,948	–	1,948	0.2%	1,729	–	1,729	0.1%
EBIT	35,199	44,616	79,815	6.2%	77,970	11,608	89,578	6.9%
Finance income	2,099	–	2,099	0.2%	1,266	–	1,266	0.1%
Finance expenses	-13,087	–	-13,087	-1.0%	-15,015	–	-15,015	-1.2%
Finance result	-10,988	–	-10,988	0.9%	-13,749	–	-13,749	-1.1%
Result before taxes	24,211	44,616	68,827	5.4%	64,221	11,608	75,829	5.8%
Income taxes	-13,914	-5,158	-19,072	-1.5%	-16,106	-4,216	-20,322	-1.6%
Tax rate (%)	57.5%		27.7%		25.1%		26.8%	
Result for the period	10,297	39,458	49,755	3.9%	48,115	7,392	55,507	4.3%

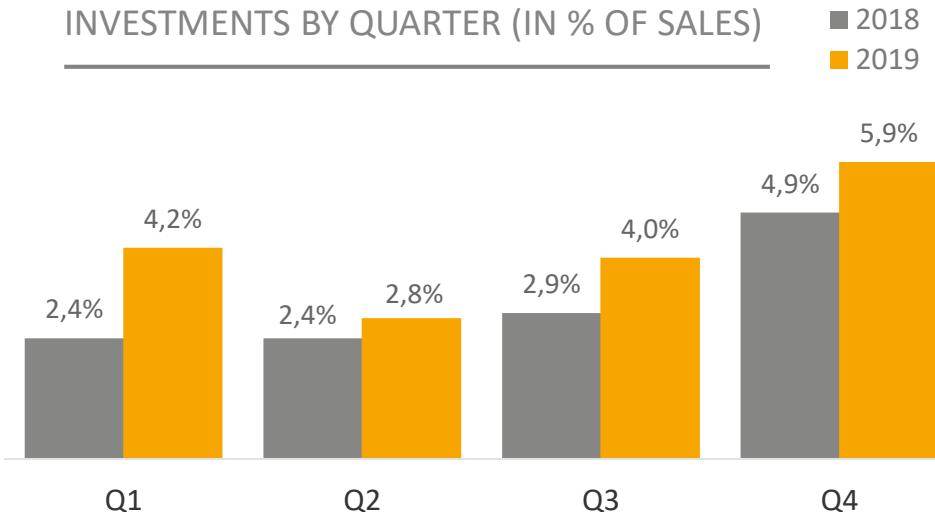
* Adjusted earnings correspond to the management perspective. The adjustments essentially include restructuring and transactions costs, write-off of goodwill, depreciation and amortization arising from purchase price allocations, expenses arising from the step-up of inventories arising from purchase price allocations and remeasurement effects related to call and put options.

Investments and depreciation – Preparing for the future

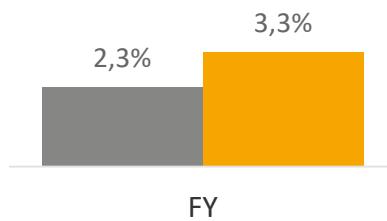
INVESTMENTS (IN % OF SALES)



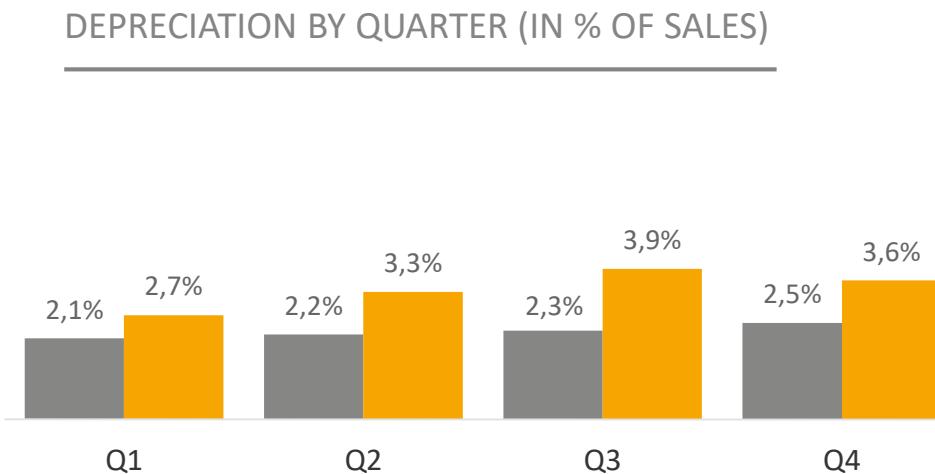
INVESTMENTS BY QUARTER (IN % OF SALES)



DEPRECIATION (IN % OF SALES)



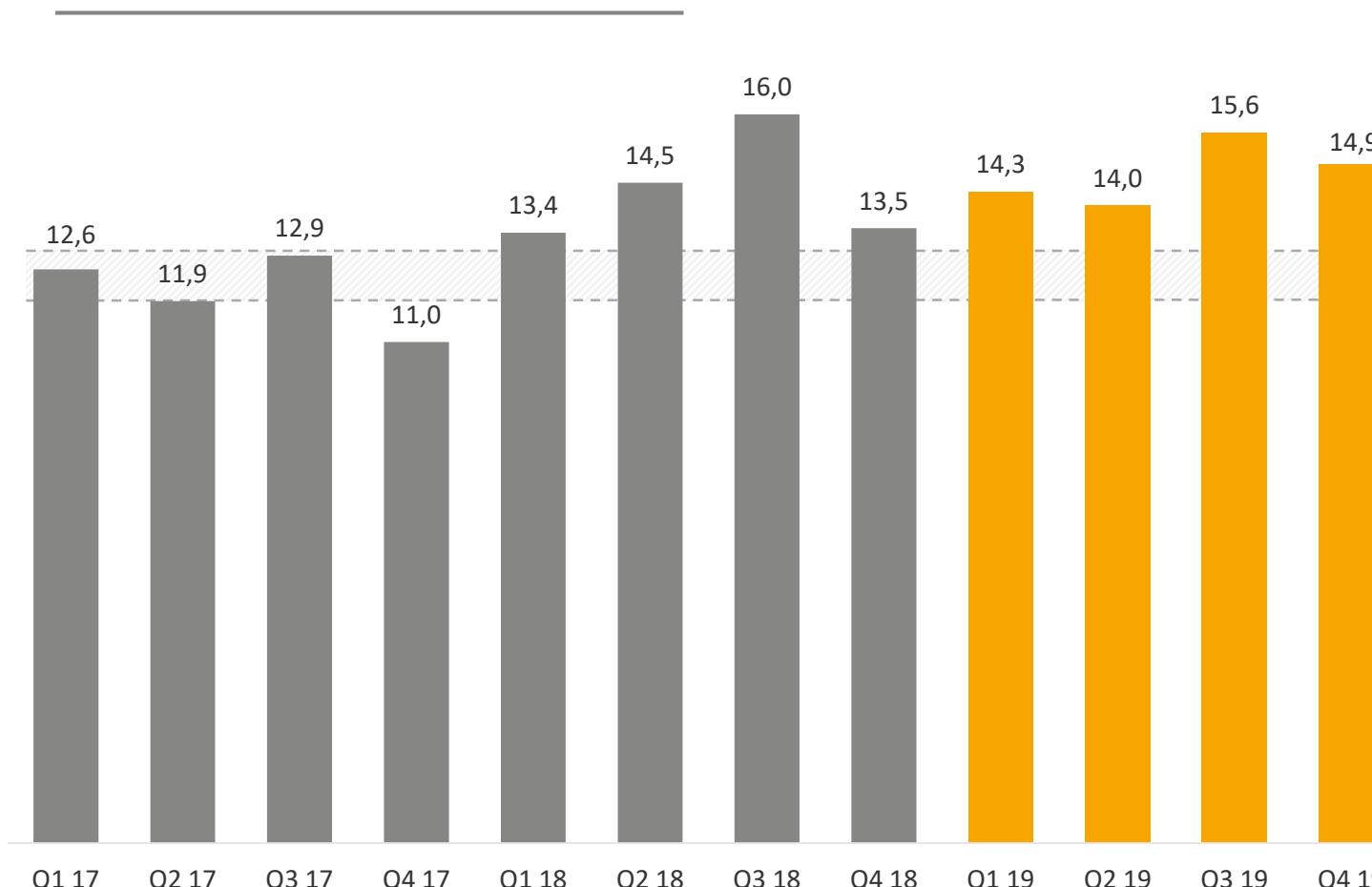
DEPRECIATION BY QUARTER (IN % OF SALES)



- **Investments** in plant, property, equipment and intangible assets (excl. IFRS 16) reached 4.1 per cent of Group sales
- **Operating cash flow** (7.1 per cent of Group sales) covers investments by far
- **Focus of investments:** construction of the Chinese Greenfield project, rationalisation and expansion investments in the US, new office building in Germany
- **Close monitoring of the investment approval process** to streamline capital allocation
- **Depreciation (excl. impairment of goodwill, R&D projects and tangible assets)** increased mainly due to IFRS 16 effects (0.6 per cent of Group sales)

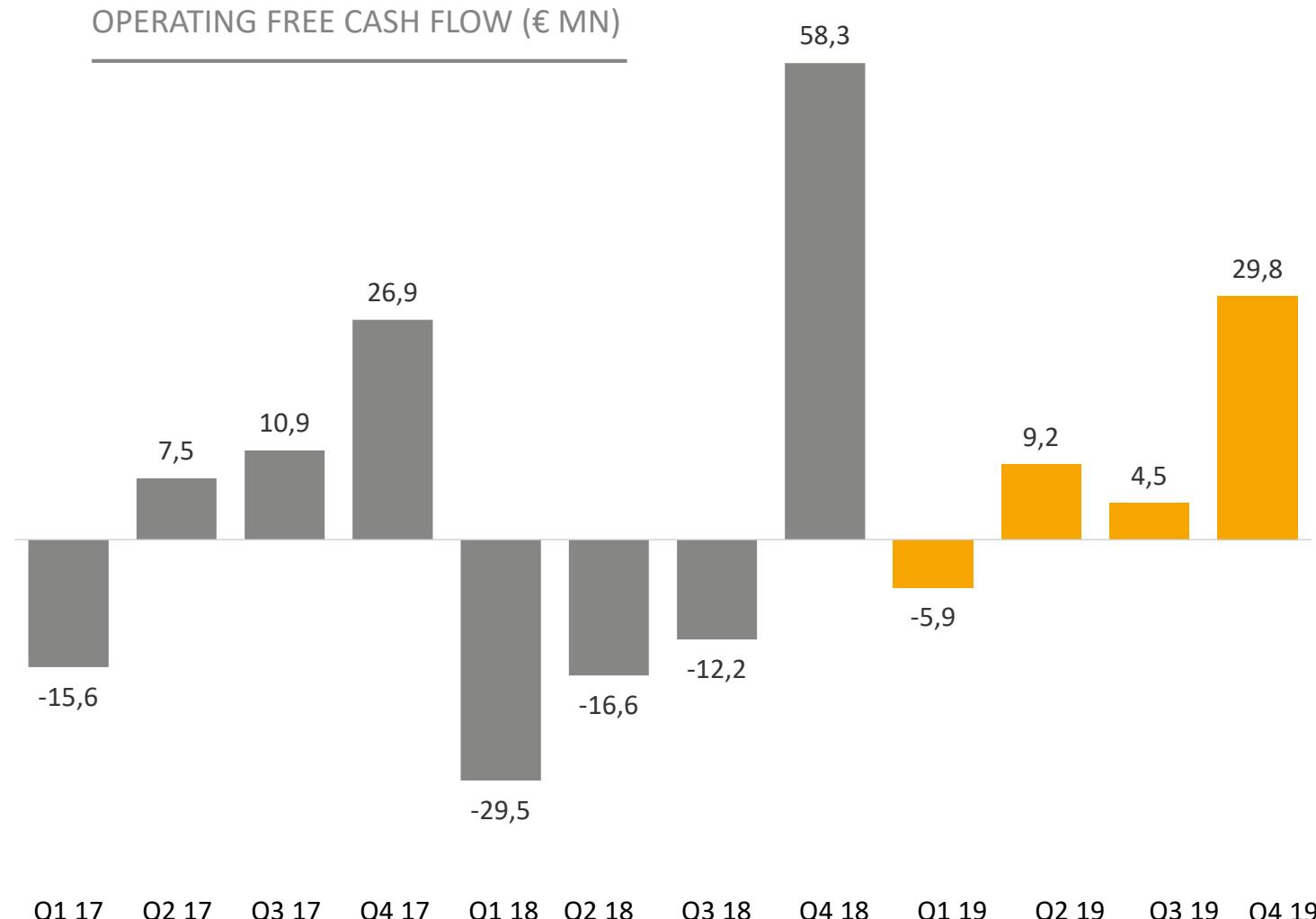
Net working capital – Improvements support cash flow generation

NET WORKING CAPITAL (IN % OF SALES)*



- Net working capital (NWC) 4.7 per cent or € 8.1 mn below previous year's figure
 - Inventories 6.3 per cent below prior year's level despite sales decrease of 1.3 per cent
 - Trade receivables down 9.3 per cent on substantially improved cash collection
 - Trade payables down 14.5 per cent or € 18.8 mn compared to year end 2018
 - Related to sales over the last twelve months (LTM), NWC ratio improved from 13.3 per cent to 12.8 per cent

Operating free cash flow – Turnaround accomplished

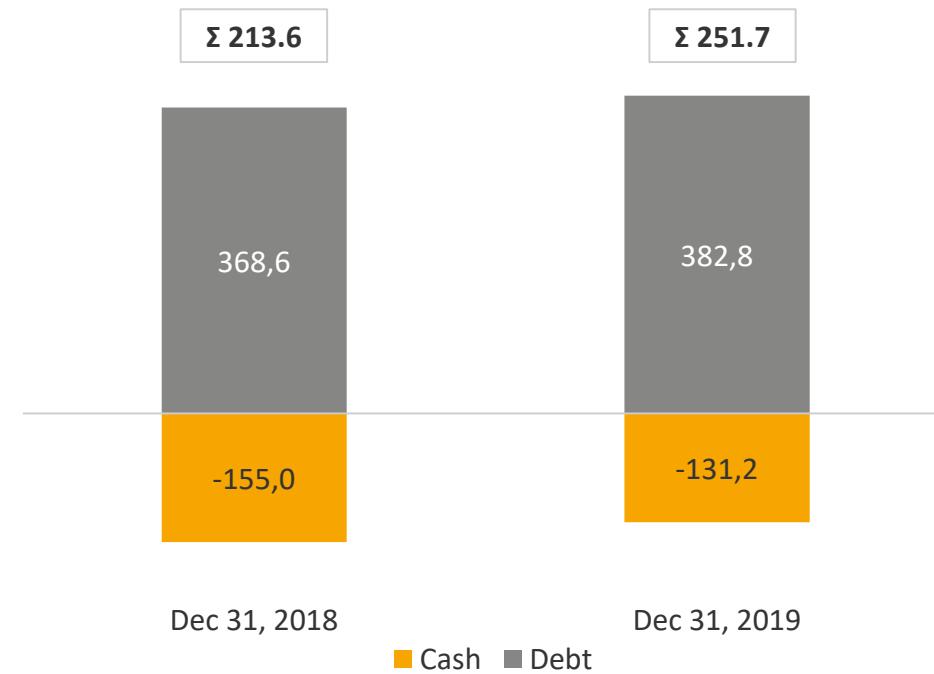


Significant improvement in operating free cash flow to € 37.6 mn (2018: € 0.0 mn)

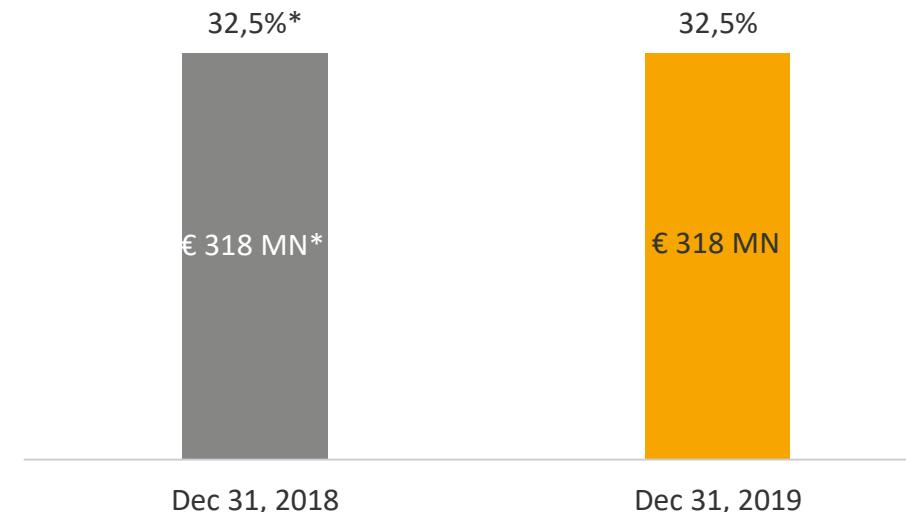
- **Operating cash flow at € 90.6 mn (2018: € 40.8 mn)**
 - Working capital optimization (Δ € 48.1 mn)
 - Lower payment of income tax (Δ € 7.2 mn)
- **Investing cash flow (PP&E and intangible assets) at € 53.0 mn (2018: € 40.8 mn)**
 - Greenfield project in China
 - Program FORWARD
 - New office building in Germany

Net debt | Equity ratio – Disciplined Balance Sheet Management

NET DEBT INCL. FINANCE LEASE LIABILITIES (€ MN)



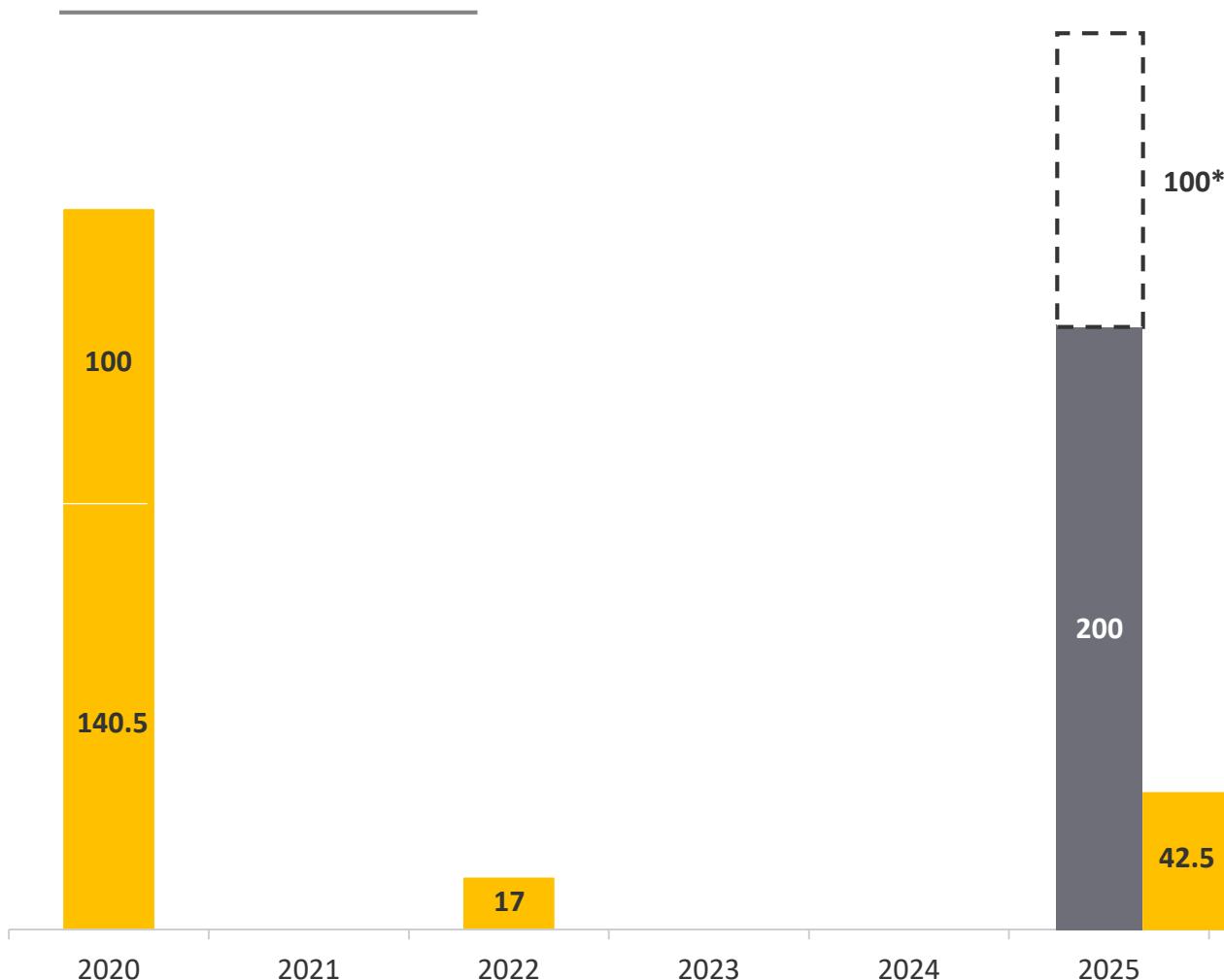
EQUITY RATIO



- First time application of IFRS 16 alone accounts for approx. € 33.6 mn
- Cash and cash equivalents and other short-term investments influenced by dividend payments and purchase price payments for Stara Group and PressureGuard

Former financing structure before planned refinancing activities

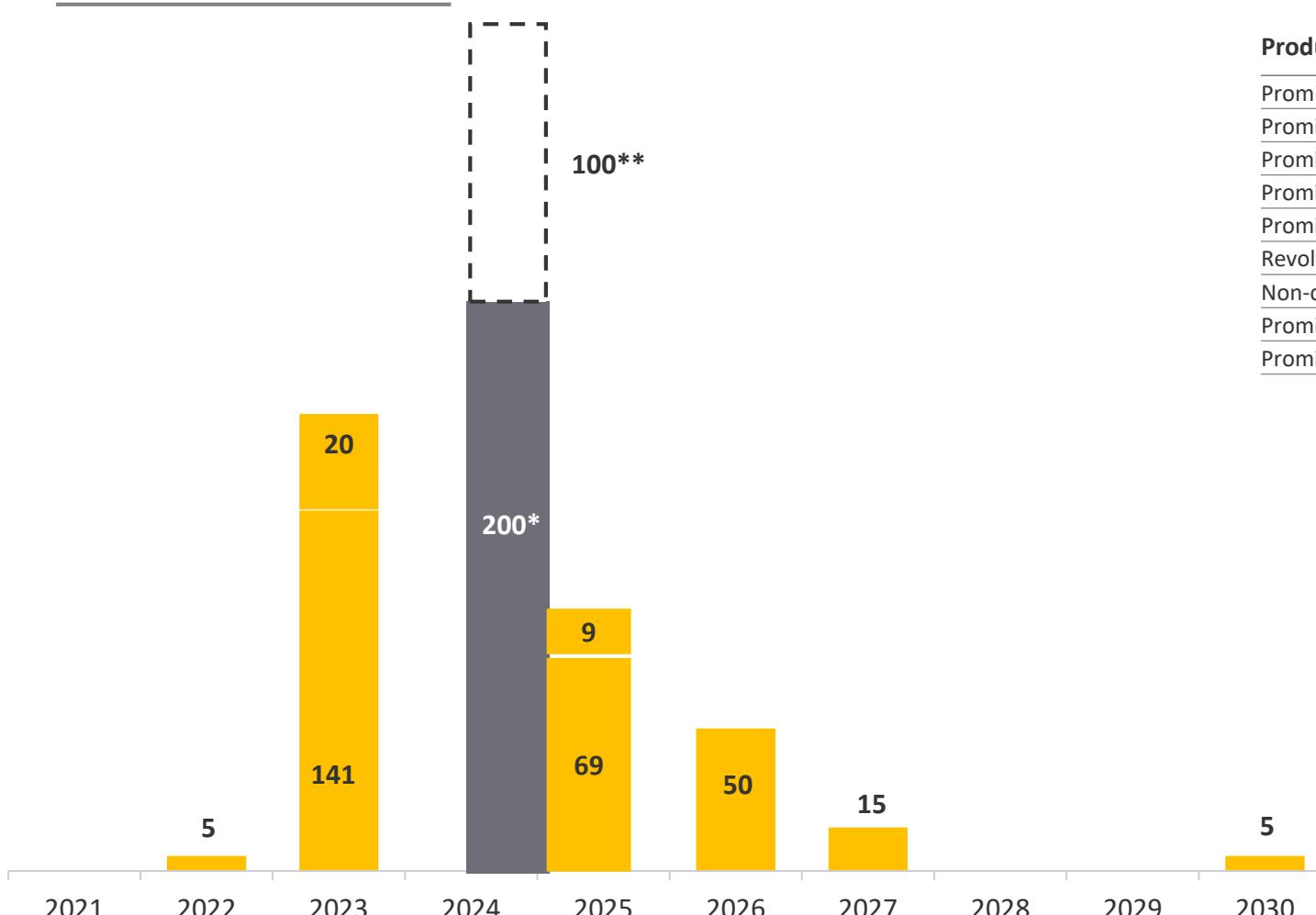
MATURITY PROFILE (€ MN)



Product	Amount € mn	Maturity date
Convertible bond	99.8	09/2020
Promissory note loan (5 years) *	140.5	11/2020
Promissory note loan (7 years) *	17.0	11/2022
Revolving credit facility	200.0	10/2025
Promissory note loan (10 years) *	42.5	11/2025
Non-current loan	50.0	06/2026

New financing structure after refinancing activities

MATURITY PROFILE (€ MN)



Product	Amount € mn	Maturity date
Promissory note loan old (7 years)	5.0	11/2022
Promissory note loan new (3 years)	141.0	03/2023
Promissory note loan new (3.5 years)	20.0	11/2023
Promissory note loan new (5 years)	69	03/2025
Promissory note loan old (10 years)	9	10/2025
Revolving credit facility	200.0	10/2025
Non-current loan	50.0	06/2026
Promissory note loan new (7 years)	15	03/2027
Promissory note loan new (10 years)	5	03/2030



2 Outlook – We will strengthen our leading market positions and improve our profitability in the coming years

OPERATIONAL EXCELLENCE Program – We operationalize corporate strategy and build the basis for future success

6 CORE AREAS – 30 ROADMAPS



TIMING

Initiation

Kickoff Jan. 2020

Start Rollout Wave 1

April 2020

Start Rollout Wave 2

June 2020

Project FORWARD 2.0 – Accelerate efforts to continue path to success



REVENUE

Aftermarket

COST

Product Portfolio & Pricing

Plants & Supply Chain

Direct Material

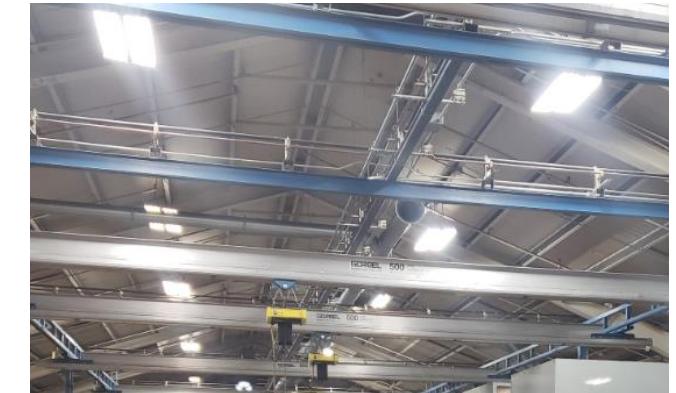
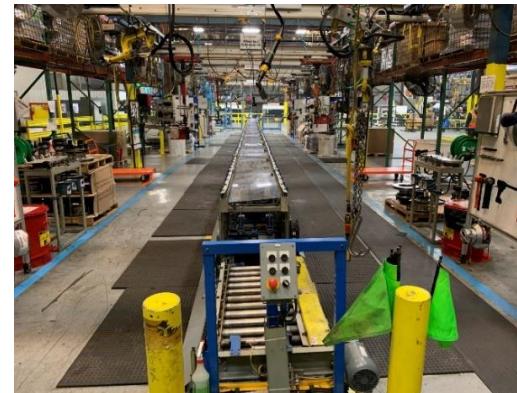
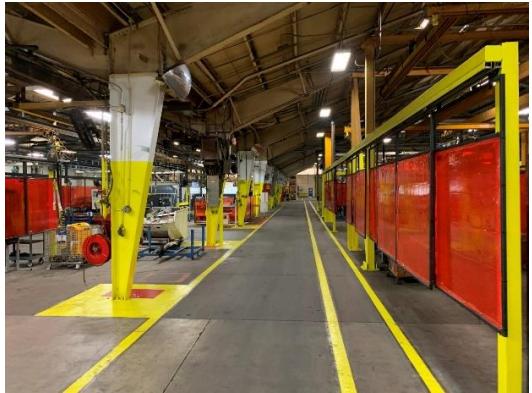
QUALITY

PROCESSES

SAFETY AND PEOPLE

- **Program FORWARD 2.0**
 - accelerate efforts in 2020 with focus on operational excellence
- **Current downturn in the U.S. market is an opportunity for SAFH**
 - improve processes in the plants due to potential lower utilization levels

Operational CAPEX Americas – Example: Axle Production Warrenton North





NEW YANGZHOU GREENFIELD FACILITY

General Plant Status

- Ramp-up in progress
- Preliminary pullback of expats due to COVID-19 creates challenges

Operational Excellence Focus

- Focus on ramp-up and technical training
- Directly include LEAN methods: Safety, QRQC, 5S, Materialflow, etc.
- SAP Global Manufacturing template

Operational CAPEX China – State-of-the-art equipment will allow output and quality to gain market share



COVID-19: Impact On SAF-HOLLAND Group*

- **Employee Safety**

- We protect the health and safety of our employees worldwide through close monitoring and regular guidance updates: travel suspended and precautionary updates have been issued.
- Early quarantine measures established.
- Global COVID-19 response team in place.
- Flexible working models established.

- **Ramp-up of Greenfield Operation in China**

- Chinese New Year break extension and regional quarantine measures have delayed return to ramp-up the Greenfield plant.
- Plant is back in operation now.
- Availability of workforce has improved to > 90% again with challenges remaining for international support and leadership.

- **Supply Chain and Customers**

- SAFH's dual and multi-sourcing strategy instrumental to mitigate risks and manage the supply chain.
- Early supply chain monitoring and mitigating activities.
- So far no significant supply chain shortages but dynamic developments which are monitored constantly.
- Communication lines to both customers and suppliers in place globally.
- First key account customer announced plant closures.

- **Anticipated Financial Impact**

- Financial impact on FY2020 not fully quantifiable yet.
- Corona adds to market downturns and puts pressure on the industry and its supply chain.
- Savings measures initiated globally.
- “Cash is King” – program started with dedicated team.

Outlook truck and trailer production* – Global downturn except in South America

WESTERN & EASTERN EUROPE			NORTH AMERICA			CHINA			SOUTH AMERICA			INDIA		
	Truck ¹	Trailer ²		Truck ³	Trailer ³		Truck ¹	Trailer ²		Truck ¹	Trailer ²		Truck ¹	Trailer ²
2018	-2%	+6%	2018	+27%	+12%	2018	-7%	-4%	2018	+23%	+55%	2018	+41%	+13%
2019	-2%	-7%	2019	+6%	+3%	2019	-3%	-20%	2019	+4%	+23%	2019	-53%	-65%
2020E	-10% to -15%	-5% to -10%	2020E	-40%	-35%	2020E	-20%	-30%	2020E	+20%	+5%	2020E	-20%	-20%

2020E:

- Lower volumes in Western & Eastern Europe
- Significant declines in North America and China

2020E:

- South America continues its upward trend
- India with a weaker development

¹ LMC Global Commercial Vehicles Forecast , medium & heavy truck, local sources ² CLEAR, local sources

³ ACT Truck & Trailer Outlook, local sources

* As of March 2020

Financial guidance 2020

Sales
Adj. EBIT margin
CAPEX

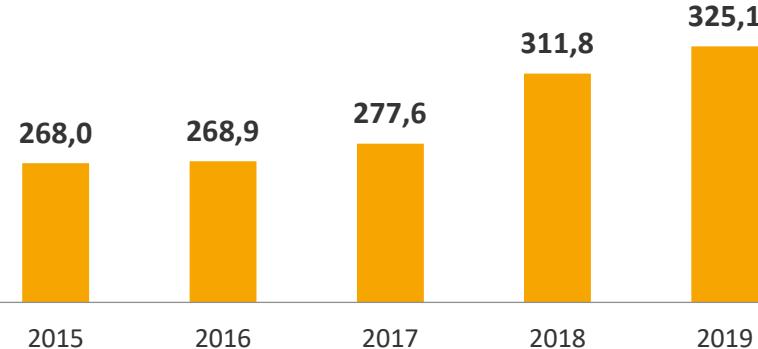
FY 2019	FY 2020E*
€ 1,284 mn	Low double digit percentage decline
6.2 per cent	Between 4 and 5 per cent
4.1 per cent of sales	Around 3 per cent of sales

- The forecast takes into account the foreseeable adverse effects on our business due to the coronavirus at the time of preparation (March 18, 2020). However, the economic effects on SAF-HOLLAND cannot currently be adequately determined or reliably quantified in full.

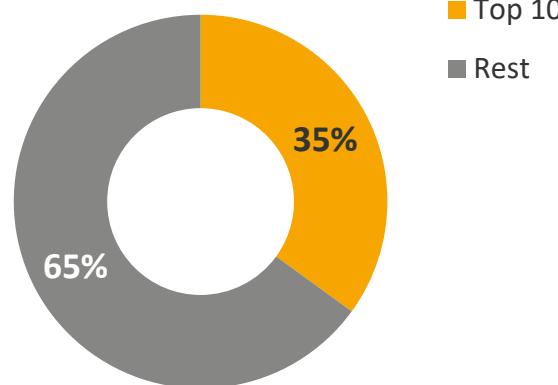
Summary – Our business model is resilient and we are well-positioned for future growth

AFTERMARKET SALES (€ MN)

CAGR 2015-2019: +4.9%



SALES TOP 10 CUSTOMERS



- ✓ **Stable contribution from aftermarket business**
- ✓ **Global footprint and local content**
- ✓ **Diversified customer base**

Your key takeaways



- ✓ **Stable contribution from aftermarket business**
- ✓ **Strong focus on SG&A savings and FCF generation**
- ✓ **OPERATIONAL EXCELLENCE as key strategic cornerstone**
- ✓ **Global COVID-19 response team in place**
- ✓ **Solid financial position (cash FY2019 € 131 mn, mostly undrawn credit lines € 300 mn)**
- ✓ **Financial impact from COVID-19 on FY2020 not fully quantifiable yet**

Financial calendar & IR contact

DATE	EVENT
13.05.2020	Publication Quarterly Statement Q1 2020
20.05.2020	Ordinary Annual General Meeting 2020
20.05.2020	Extraordinary Annual General Meeting 2020
13.08.2020	Publication Half-Year Financial Report 2020
18.11.2020	Publication Quarterly Statement Q1-Q3 2020

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»WE ARE HAPPY TO ANSWER
YOUR QUESTIONS.«