

SAF-HOLLAND SE Investor Presentation

January 2021

SAFHolland
Group



SAF

Holland

NEWAY

KLL

V. ORLANDI

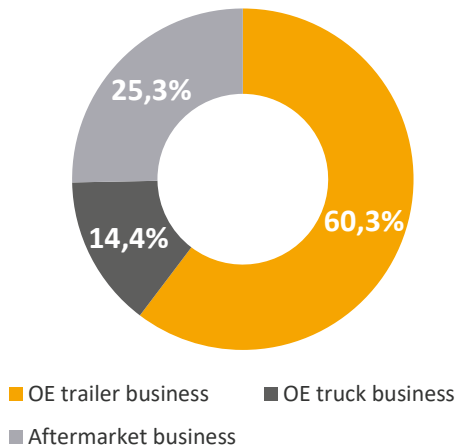
YORK

1. Business model and strategy

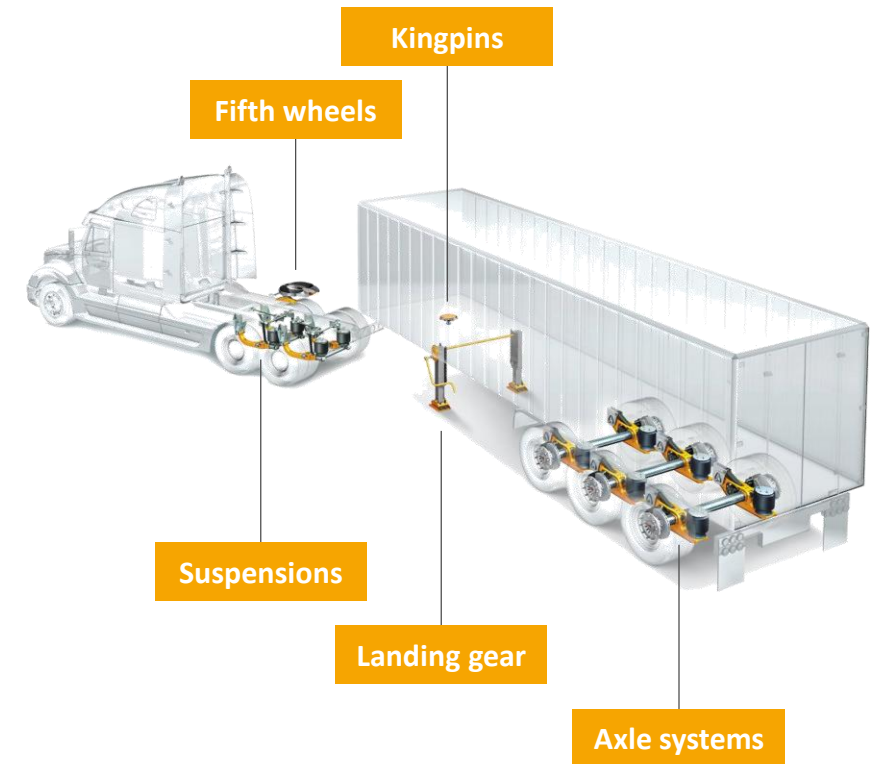
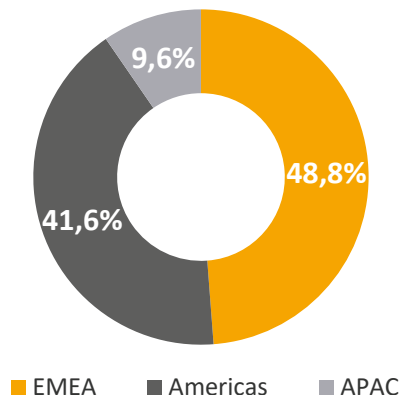
SAF-HOLLAND PROVIDES INNOVATIVE CHASSIS SOLUTIONS...

- **The story of SAF begins in 1881** with the invention of a new plough, followed by building the first steel axles for agricultural vehicles.
- In 1910 the Safety Release Clevis Company was founded in South Dakota, USA. With the move to Holland, Michigan, the company emerged as **one of the largest suppliers to the commercial vehicles** industry under the name of The Holland Hitch Company.
- SAF-Holland is **one of the leading global manufacturers** of chassis-related components for trailer, trucks and buses
- Offering a **broad range of high-quality products/ solutions** tailored to the needs of our customers
- **Highly diversified portfolio** in terms of product and application mix





SALES BY PRODUCTS/CHANNEL 2019



SALES BY REGION 2019



LEADING MARKET POSITIONS – TOP 3 SUPPLIER AND #1 GLOBALLY FOR TRAILER AXLES SOLUTIONS

	TRUCK	TRAILER		
	FIFTH WHEELS 	TRAILER AXLES 	TRAILER SUSPENSIONS 	LANDING GEAR 
SAF-HOLLAND global positioning	#2	#1*	#3	#2
SAF-HOLLAND regional positioning	#1 North America #2 EMEA	#1 EMEA, India #2 North America	#2 North America	#2 North America #2 EMEA
Competitors	1. Jost 2. SAF-HOLLAND 3. Fontaine 4. Fuwa	1. SAF-HOLLAND* 2. Fuwa 3. Hendrickson	1. BPW 2. Hendrickson 3. SAF-HOLLAND	1. Jost 2. SAF-HOLLAND 3. Fuwa

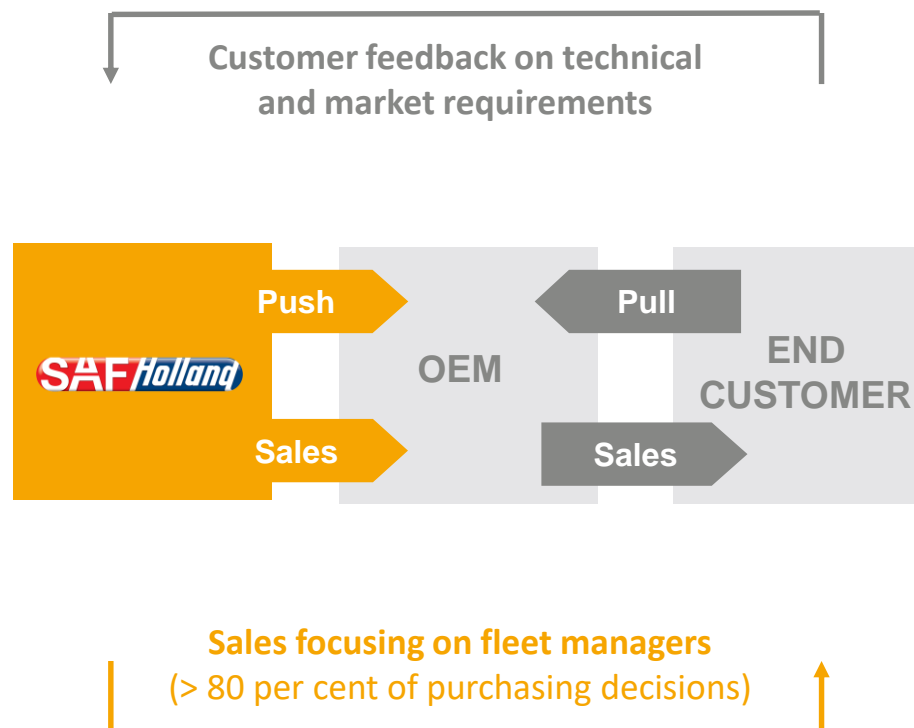
GLOBAL PRESENCE – STRONG GLOBAL FOOTPRINT WITH THE LARGEST AFTERMARKET SERVICES NETWORK IN THE INDUSTRY

- **21 production sites** on six continents
- With **3 R&D centers** worldwide positioned as technology leader
- **~3,000 employees** around the world
- **~10,000 spare part and service stations** in over 80 countries



UNIQUE SELLING MODEL – DIRECT ACCESS TO A DIVERSIFIED END CUSTOMER BASE

- **High brand recognition:**
Superior product performance combined with aftermarket excellence
- **Large footprint** into fleets of different sizes and OEs
- Top 10 customers represent only **approx. 35 per cent of sales***



OEM REFERENCES – ALMOST EVERY MAJOR TRUCK, TRAILER AND BUS OEM IS OUR CUSTOMER

DAIMLER



DAF



IVECO



KÖGEL

SCHWARZMÜLLER



ISUZU
TRUCKS

PACCAR

GILLIG
CORPORATION

WIELTON

STOUGHTON
It's in the details



NAVISTAR
TRUCK GROUP

manac



NATIONAL TRAILER CORPORATION
VANGUARD

KENWORTH

CIMC

FRUEHAUF

FLEET OPERATOR REFERENCES – WE FOCUS ON LARGE FLEET OPERATORS FROM ALL SECTORS



ACQUISITIONS – WE HAVE SUCCESSFULLY EXPANDED OUR GLOBAL FOOTPRINT AND PRODUCT PORTFOLIO



- Leading supplier of air suspension systems for trucks, buses and axles and mechanical or air suspension systems for trailers

2016



- Manufacturer and distributor of trailer axles, suspensions and components
- Acquisition of related engineering knowledge

2018



- Specialist for trailer tyre pressure management
- Strengthening the trailer tyre pressure product portfolio in North America and adding digital SMART products for trailer applications

2019



- Supplier of couplings for trucks and specialty fifth wheels
- Strong #2 position in fifth wheels and couplings in the European market.



- Specialist for digital trailer management: telematics and connectivity
- Acquisition of engineering and software knowledge

STARA GROUP

- Leading in distribution of trailer components in Finland and Sweden
- Comprehensive customer base and established Stara network

ONE-STOP SHOP – COMPREHENSIVE PORTFOLIO OF HIGH-QUALITY PRODUCTS TAILORED TO THE NEEDS OF OUR CUSTOMERS

TRAILER AXLES, SUSPENSION SYSTEMS, TIRE PRESSURE SYSTEMS



TRUCK SUSPENSIONS, TAG AXLES



**SUPERIOR QUALITY
HIGH SAFETY
LIGHTWEIGHT
HIGH DURABILITY
INTEGRATED**

FIFTH WHEELS, KINGPINS, COUPLING PRODUCTS



LANDING GEAR AND DISC BRAKES



2. Performance 9M 2020

– Very solid performance in a challenging market environment

9M 2020 RESULTS DEMONSTRATE RESILIENCE OF OUR BUSINESS MODEL – GUIDANCE RAISED

Sales

€ 709

MN

Adj. EBIT
margin

5.4%

- 9M 2020 adj. EBIT margin with 5.4 per cent above the upper end of the FY guidance range of 3 to 5 per cent
- High share of aftermarket business safeguards profitability in crisis times
- Comprehensive cost-cutting programs continued (blue collar & white collar)
- Disciplined capex investment policy executed
- Solid financial profile; Net debt reduced by € 42.3 MN in Q3 2020

Operating
free cash flow

€ 64.4

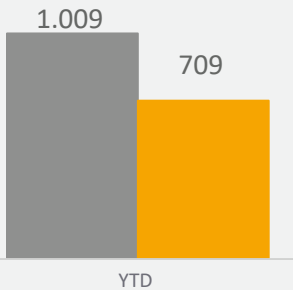
MN

Capex ratio

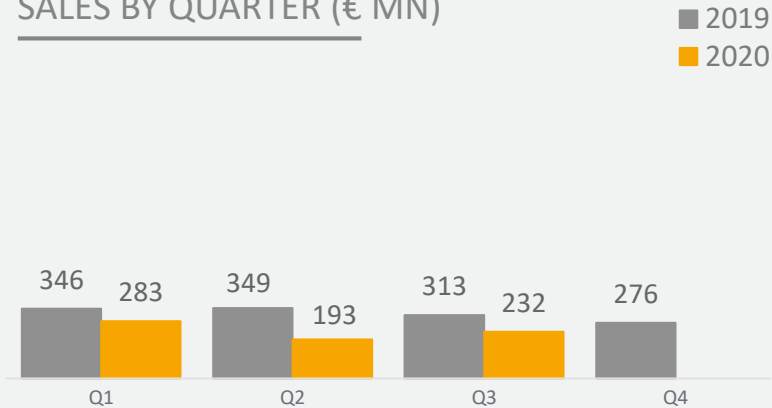
2.3%

GROUP – ADJ. EBIT MARGIN ABOVE THE UPPER END OF THE PREVIOUS GUIDANCE RANGE

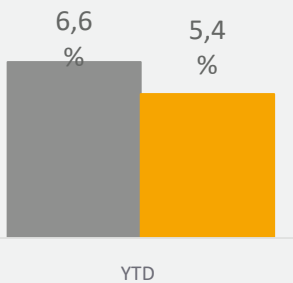
SALES (€ MN)



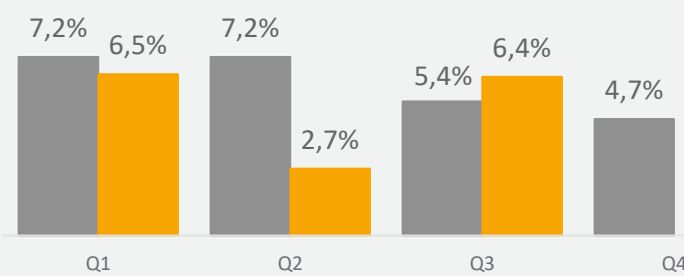
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN



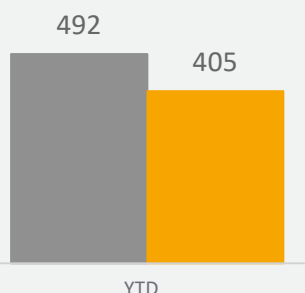
ADJ. EBIT MARGIN BY QUARTER



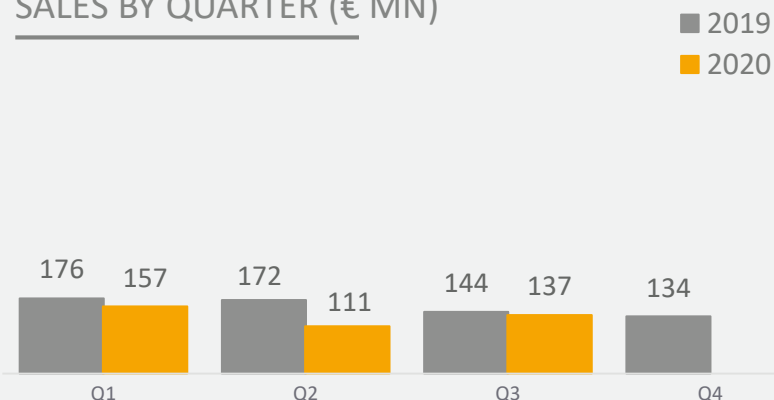
- Sales 9M 2020 down by 29.7 per cent yoy
- But Q3 2020 sales figure shows recovery compared to Q2 2020 (+ 20.5 per cent) led by the EMEA region
- Adj. EBIT margin 9M 2020 already slightly above previous FY guidance reflecting resilience of the business model and actions to reduce costs
 - Main drivers: higher share of aftermarket business and SG&A cost savings
 - Includes inventory write-downs of € 8.8 mn in the EMEA and Americas region and fixed-cost progression effect
- Adj. EBIT margin in Q3 2020 exceeds pre-corona value for the same quarter of last year
- Restructuring expenses (€ 11.7 mn)
 - Severance payments (€ 3.3 mn)
 - Corpco wind-down (€ 2.6 mn)
 - Closure of subsidiaries (€ 1.8 mn)
 - Project FORWARD 2.0 (€ 2.3 mn)
 - Change of legal form (€ 1.2 mn)
- No goodwill impairments

EMEA – ADJ. EBIT MARGIN VERY ROBUST DESPITE COVID-19

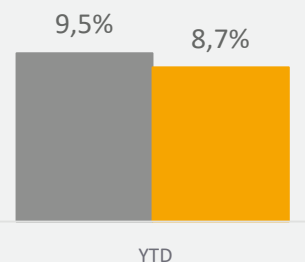
SALES (€ MN)



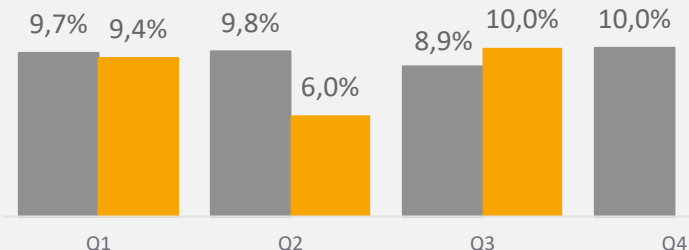
SALES BY QUARTER (€ MN)



ADJ. EBIT MARGIN

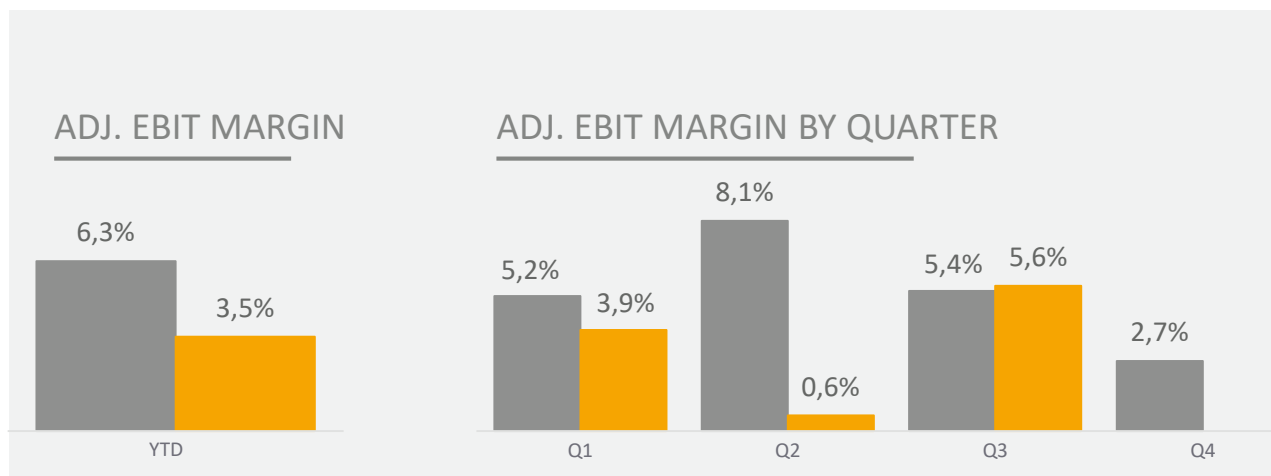
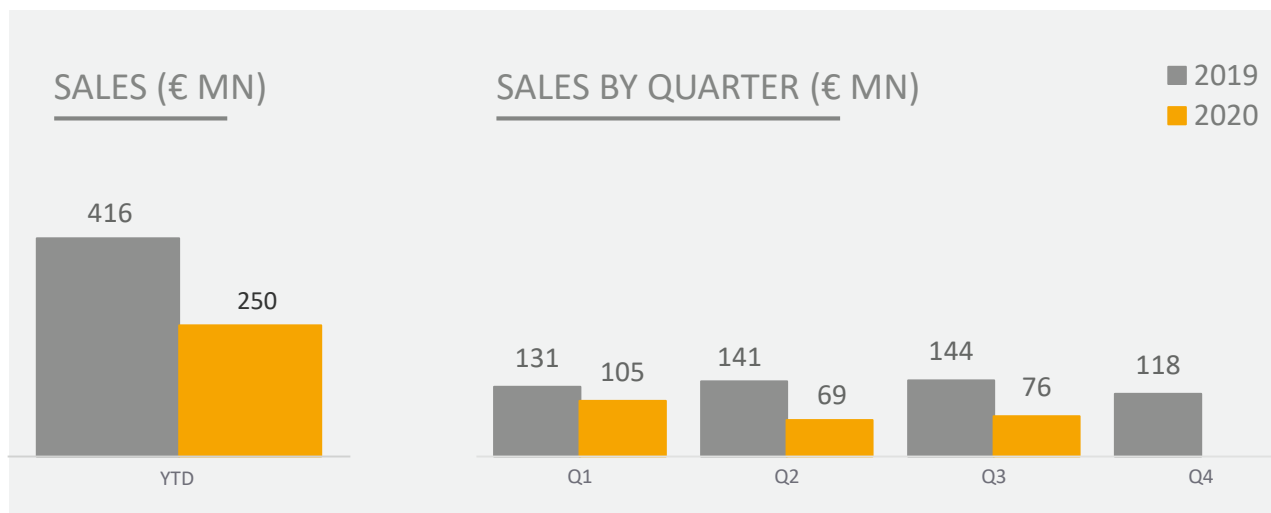


ADJ. EBIT MARGIN BY QUARTER



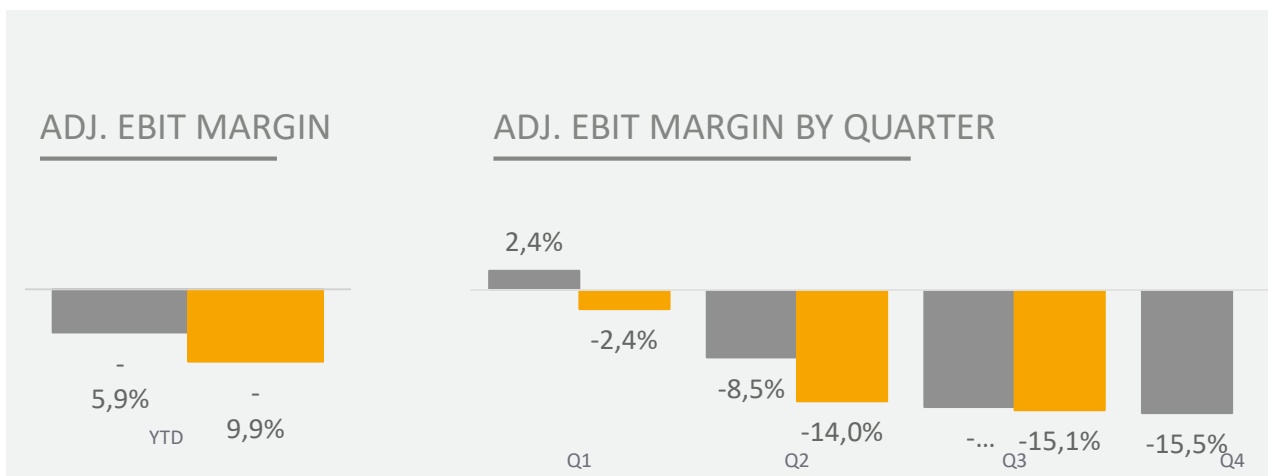
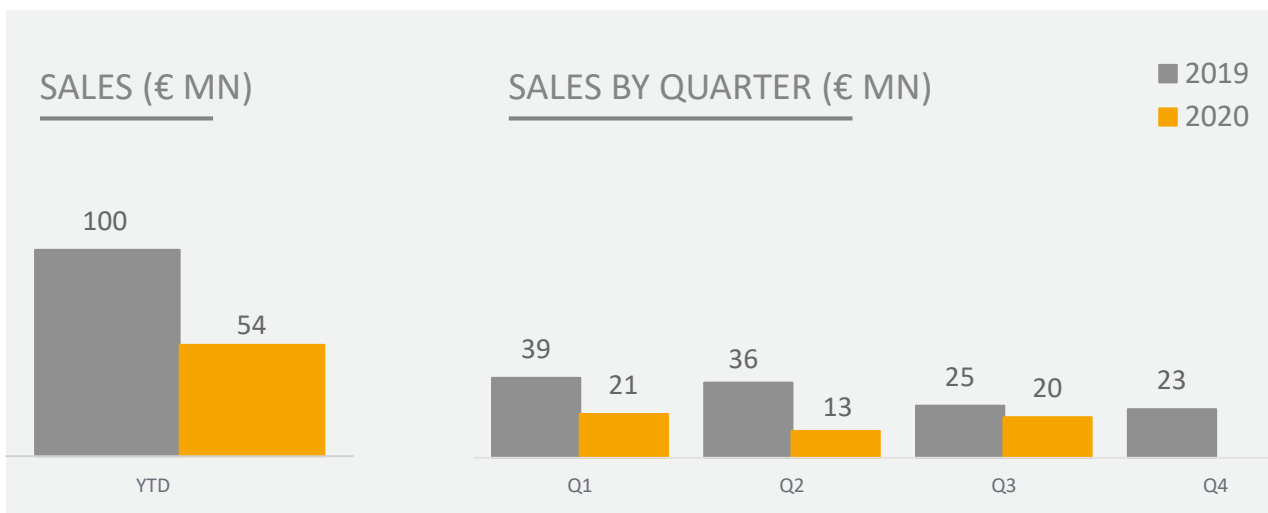
- Sales 9M 2020 down by 17.8 per cent yoy
- Q3 2020 sales figure down only 5.4 per cent yoy; good recovery in all areas
- Adj. EBIT margin 9M 2020 at 8.7 per cent (9M 2019: 9.5 per cent)
 - Main driver: higher share of aftermarket business
 - Includes inventory write-downs of € 4.7 mn and fixed-cost progression effect
- Adj. EBIT margin in Q3 2020 with 10.0 per cent above previous year's pre-corona level
- Restructuring expenses (€ 2.8 mn)
Mainly severance payments and costs related to the change of the legal form and transfer of the registered office to Germany (S.A. → SE)

AMERICAS – IMPROVED ADJ. EBIT MARGIN DESPITE MASSIVE SALES DECLINE



- Sales 9M 2020 down by 39.9 per cent yoy
- Americas region strongly hit by COVID-19 even in Q3 with sales down by 47.0 per cent yoy
- Adj. EBIT margin 9M 2020 at 3.5 per cent reflecting successful restructuring efforts
 - Main drivers: higher share of aftermarket business and substantial SG&A cost savings
 - Includes Inventory write downs of € 4.1 mn and fixed-cost progression effect
- Adj. EBIT margin in Q3 2020 with 5.6 per cent significantly better than Q1 2020, Q2 2020 and even above previous year's pre-corona level
- Adj. EBIT margin 9M 2019 included positive one-offs (contractually agreed passing on of the 2018 steel price increases)
- Restructuring expenses (€ 4.0 mn)
Mainly severance payments and costs related to Program FORWARD 2.0

APAC – LOCKDOWN AND DELAYED RAMP-UP WEIGH ON SALES AND PROFITABILITY



- **Sales 9M 2020 down by 46.2 per cent yoy**
 - Several weeks lockdown of the Chinese, Australian, Indian and Singapore entities
 - Ceased export business as a result of the trade dispute between China and the USA
 - Delayed ramp-up of the new Chinese facility in Yangzhou
- **Sales Q3 2020 down by 22.1 per cent yoy**
- **Adj. EBIT margin 9M 2020 at – 9.9 per cent**
 - Main drivers: continuing low volumes and special sale of old stock
- **Adj. EBIT Margin Q3 2020 at – 15.1 per cent**
- **Restructuring expenses (€ 4.9 mn)**
Mainly costs related to Corpco wind-down and closure of subsidiaries

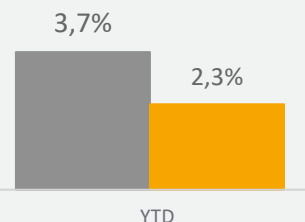
TRUCK AND TRAILER PRODUCTION 9M 2020 VS. 9M 2019 – COVID-19 STRONGLY IMPACTED ALREADY WEAKENING MARKETS



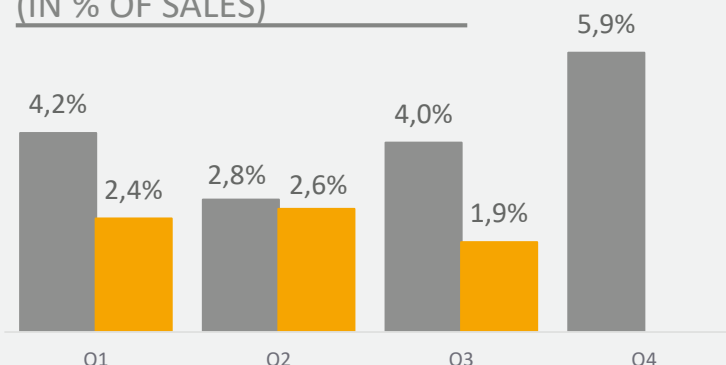
EUROPE		NORTH AMERICA		CHINA		SOUTH AMERICA*		INDIA	
Truck	Trailer	Truck	Trailer	Truck	Trailer	Truck	Trailer	Truck	Trailer
-30% to -35%	-25% to -30%	-45% to -50%	-40% to -45%	+10% to +20%	+10%	-35% to -40%	-10% to -15%	-70%	-60%

INVESTMENTS AND D&A – CAPEX RATIO WITHIN TARGET RANGE OF 2.0 TO 2.5 PER CENT

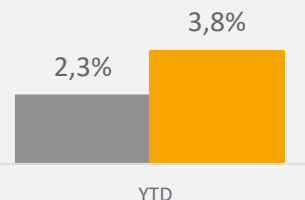
INVESTMENTS
(IN % OF SALES)



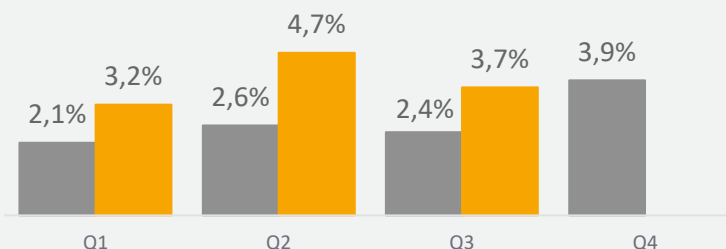
INVESTMENTS BY QUARTER
(IN % OF SALES)



D&A
(IN % OF SALES)

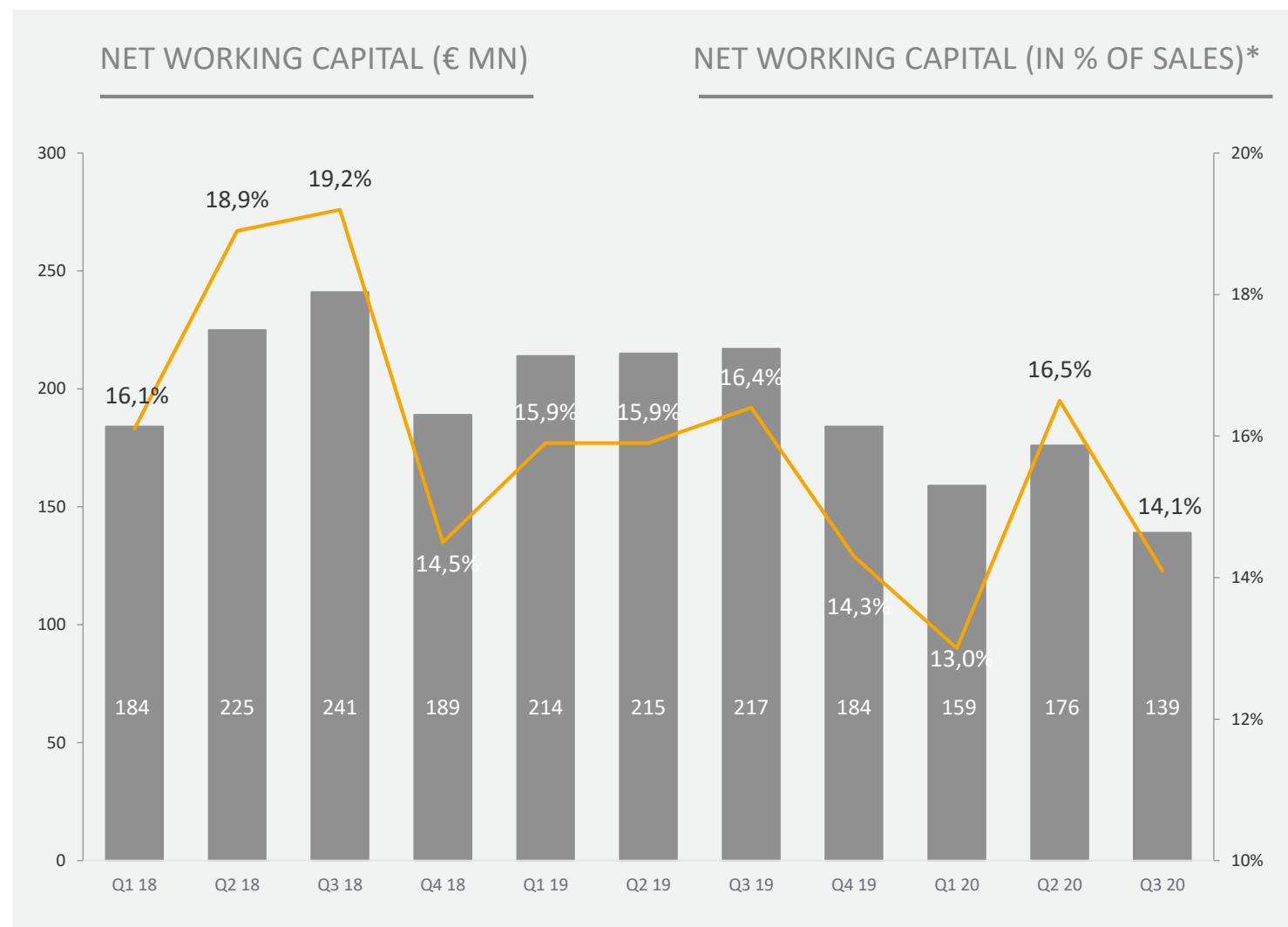


D&A BY QUARTER
(IN % OF SALES)



- **Investments** in plant, property, equipment and intangible assets reached 2.3 per cent of Group sales (FY 2020 guidance: around 2.5 per cent of Group sales)
- **Operating cash flow with € 79.8 mn** (149.2 per cent of EBITDA) covers investments by far
- **Focus of investments:** Rationalisation investments in the US and Germany
- **Close monitoring of the investment approval process** to streamline capital allocation
- **Depreciation and Amortization ratio (excl. PPA, impairment of goodwill and R&D projects)** increased due to higher investments in recent years and significantly lower sales

NET WORKING CAPITAL – CASH-IS-KING PROGRAM WELL ON TRACK



- **Net working capital (NWC) in Q3 significantly down both in absolute and relative terms compared to previous year**
 - Minus 36.2 per cent from € 217.3 mn to € 138.7 mn
 - Main driver:
 - Trade receivables down 33.6 per cent due to cash collection
 - Inventories down 26.9 per cent with a decrease in sales of 29.7 per cent
 - NWC ratio down from 16.4 per cent to 14.1 per cent
- **Cash-is-King program shows good results and will be continued with enhanced scope and focus on inventories**

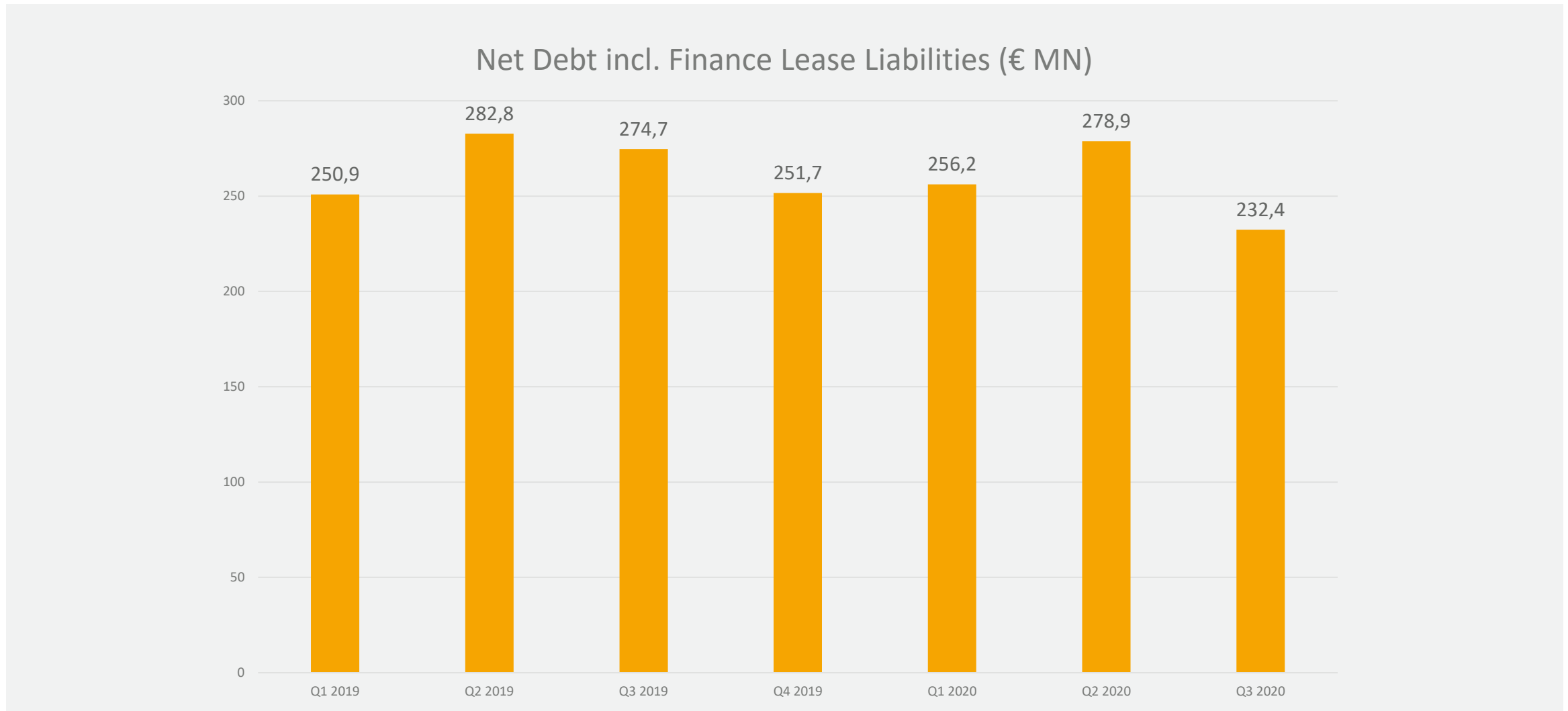
OPERATING FREE CASH FLOW SIGNIFICANTLY IMPROVED DUE TO SUCCESSFUL NWC MANAGEMENT AND LOWER CAPEX

in EUR thousands	Q1 2019	Q2 2019	Q3 2019	Q1-Q3 2019	Q4 2019	Q1-Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q1-Q3 2020
EBITDA	28,411	29,195	12,120	69,726	18,487	88,213	25,876	6,550	21,061	53,486
Delta NWC	-14,914	-7,298	-1,741	-24,583	33,334	8,750	13,927	-19,937	27,560	21,550
Net cash flow from operating activities	8,559	19,046	17,116	44,721	45,825	90,546	32,014	-9,487	57,260	79,787
Purchase of PP&E	-13,304	-7,772	-10,859	-31,935	-13,656	-45,591	-5,446	-3,719	-3,672	-12,837
Purchase of intangible assets	-1,112	-2,048	-1,766	-4,926	-2,464	-7,390	-1,295	-1,374	-643	-3,312
Proceeds from sale of PP&E	164	1,292	3,009	4,465	789	5,254	418	63	242	723
Operating free cash flow*	-5,693	10,518	7,500	12,325	30,494	42,819	25,691	-14,517	53,187	64,361

- **9M operating cash flow at € 79.8 mn**
(9M 2019: € 44.7 mn)
- **9M operating free cash flow at € 64.4 mn**
(9M 2019: € 12.3 mn)
- **9M net investing cash flow at € -15.4 mn**
(PP&E and intangible assets)
(9M 2019: € -32.4 mn)
- **Factoring volume at € 35.5 mn**
(9M 2019: € 35.2 mn)

* 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); Operating free cash flow for Q1 2018 to Q4 2019 retrospectively adjusted according to the new definition

Q3 2020 – Net debt reduced by € 46.5 mn vs. Q2 2020 due to improved cash generation



3. Outlook

2020 OUTLOOK TRUCK AND TRAILER PRODUCTION – GLOBAL DOWNTURN EXPECTED VS. 2019



EUROPE			NORTH AMERICA			CHINA			SOUTH AMERICA***			INDIA		
	Truck	Trailer		Truck	Trailer		Truck	Trailer		Truck	Trailer		Truck	Trailer
New*	-30% to -35%	-15% to -20%	New*	-40% to -45%	-40% to -45%	New*	0% to +5%	-5% to -10%	New*	-30% to -35%	-5% to -10%	New*	-40% to -50%	-40% to -50%
Old**	-35% to -40%	-20%	Old**	-40% to -50%	-40% to -50%	Old**	-20%	-25%	Old**	-35%	-15%	Old**	-40%	-40%

2020E:

- China with stable volumes
- Lower volumes in Europe and South America
- Significant declines in North America and India

GUIDANCE 2020 RAISED

	FY 2019	FY 2020* (new)	FY 2020 (old)
Sales	€ 1,284 mn	Decline by 20 to 30 per cent	Decline by 20 to 30 per cent
Adj. EBIT margin	6.2 per cent	Between 5 and 6 per cent	Between 3 and 5 per cent
CAPEX	4.1 per cent of sales	Around 2.5 per cent of sales	Around 2.5 per cent of sales

* The new EBIT guidance for FY 2020 as of November 18, 2020 is based on the assumption that in the remainder of the year there will be no new, unexpected impacts from the ongoing COVID-19 pandemic on the production and supply chains.

YOUR KEY TAKEAWAYS



- Consistent aftermarket business safeguards profitability
- SG&A savings programs will be continued
- Cash-is-King program on track
- Solid financial profile
- Operational excellence as key driver

FINANCIAL CALENDAR & IR CONTACT

DATE	EVENT
13.01.2021	ODDO BHF Forum
20.01.2021	Kepler Cheuvreux German Corporate Conference
25.03.2021	Publication of the Annual Report 2020
12.05.2021	Publication of the Quarterly Statement Q1 2021
10.06.2021	Annual General Meeting
12.08.2021	Publication of the Half-Year Financial Report 2021
15.11.2021	Publication of the Quarterly Statement Q3 2021

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4. Appendix

CHANGE OF LEGAL FORM INTO A EUROPEAN COMPANY (SE) AND TRANSFER OF THE REGISTERED OFFICE TO GERMANY

Step 1: Conversion (decided by the EGM on February 14, 2020)



Step 2: Transfer (decided by the EGM on May 20, 2020)



Step 3: Simplification of the legal group structure and alignment with the management structure



INTEGRATION OF ESG ASPECTS INTO STRATEGY DEVELOPMENT AND EXECUTION



Holistic view across the value chain



Inclusion of CSR elements into company performance management and reporting



Integration of ESG into strategy development and execution



Integration of CSR topics into risk management process (illustrative)



Regular monitoring and discussion inside Group Executive Committee



Initial Thoughts on Visualization of Non-Financial Risks with New Methodology



„GROW OUR BUSINESS, WHILE REDUCING OUR IMPACT“ – SAF-HOLLAND’S APPROACH TO CORPORATE RESPONSIBILITY

„Attracting the right talent“

EMPLOYEES

- Equal opportunity
- International and diverse project teams
- Training and development
- Occupational health and safety

„It’s the WE that counts“

THINK
AHEAD

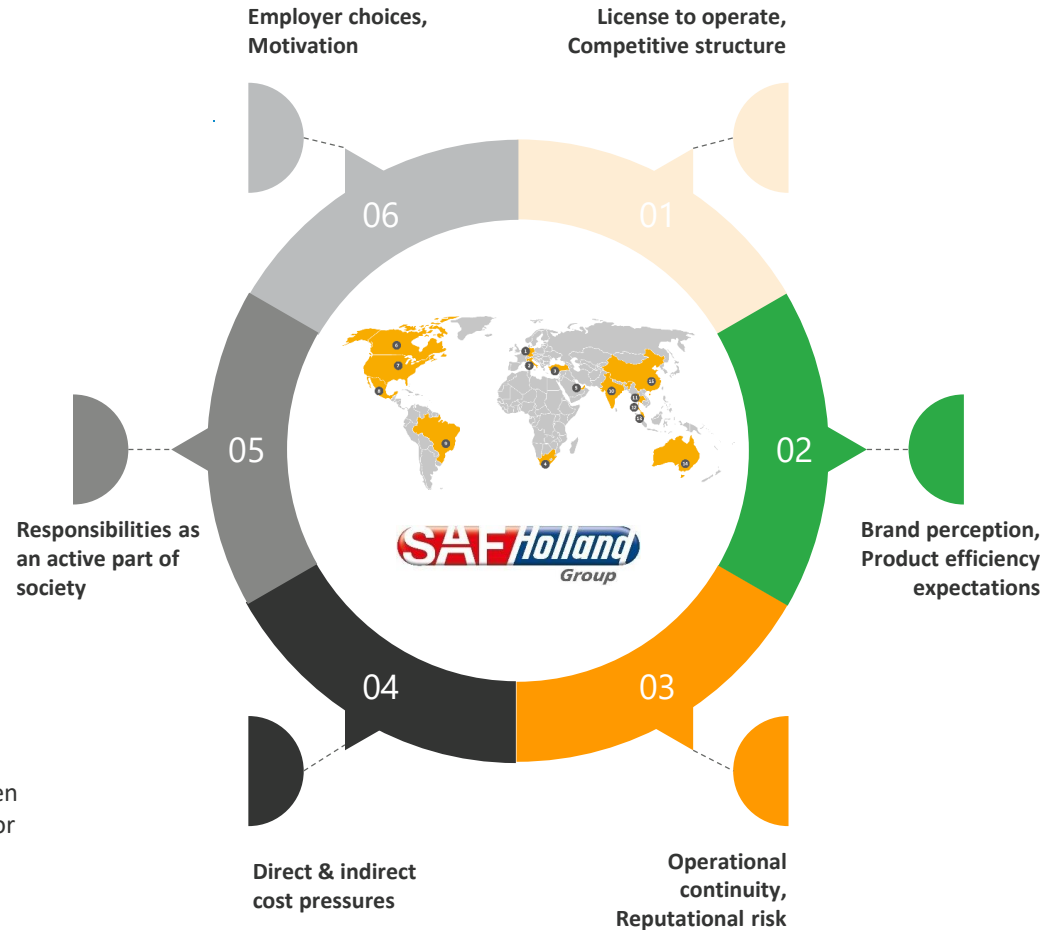
CORPORATE CITIZENSHIP

- Local engagement in the regions
- Initial and further education of children and adolescents

„Reducing the footprint in our own operations“

OPERATIONAL EXCELLENCE

- Production without wastage / Lean & Green
- Environmental and energy management for resource-efficient manufacturing
- Kaizen – Continuous Improvement



„Leading the way in integrating sustainability in business“

COMPLIANCE

- Code of Conduct
- Human rights (CSR-RUG, NAP, MSA)
- Whistleblowing Hotline

„Enabling GHG emission reductions for our customers“

CUSTOMERS

- Product portfolio for safe, clean and economical transportation
- Business driven innovations
- Customer satisfaction and quality

„Supply chain in ecological and social responsibility“

SUPPLIERS

- Code of Conduct
- Supply chain risk assessment
- Environmental and social audits
- Supplier development

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