

# BUILDING AN ELECTRIFICATION POWERHOUSE

June 2021  
Vitesco Technologies

Public

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# VITESCO TECHNOLOGIES OVERVIEW

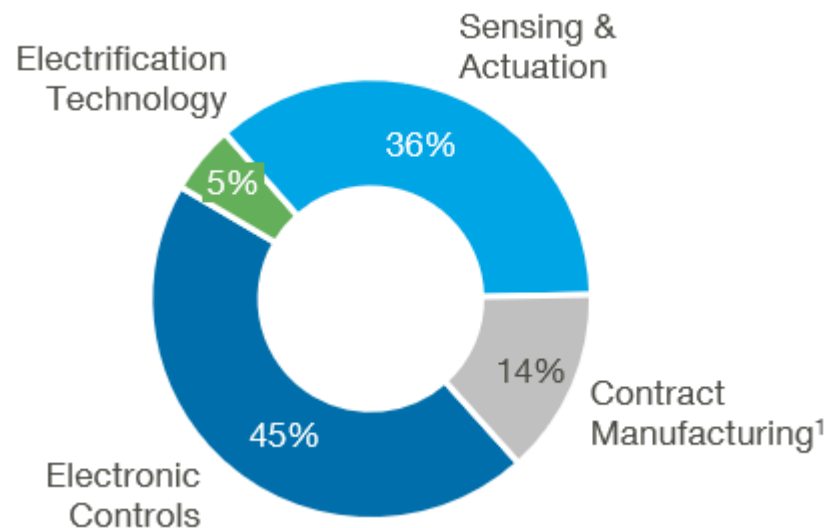


**€8.0 billion**  
FY2020 sales



**>40,000**  
employees

By business unit in FY2020:



**Leading global provider**  
of propulsion solutions to make driving more **efficient, cleaner and convenient**



**Electrification pioneer**  
with **>10 years of field experience** and a portfolio covering all major **current and future scenarios**



**Electronics champion**  
with strong DNA in **electronics, software and mechatronics**



**Strong position**  
in **electronic control systems, sensing technologies and actuators**

Source: Company information. Notes: <sup>1</sup> The Contract Manufacturing business unit comprises legacy manufacturing of Continental AG products in Vitesco Technologies locations as a remainder of the carve-out. Substantial majority of CM phase-out planned to be completed by 2025.

# VITESCO TECHNOLOGIES – BUILDING AN ELECTRIFICATION POWERHOUSE

1 We are convinced that the future is electric.

> ~60% of new light vehicles worldwide will be electrified by 2030<sup>1,2</sup>

2 We are well positioned across all business units.

> >€13 bn electrification backlog across all business units<sup>3</sup>

3 We have a clear vision and a resolute plan how to get there.

> Mid-term phase-out of non-core ICE technologies and Contract Manufacturing

4 We self-fund our profitable growth.

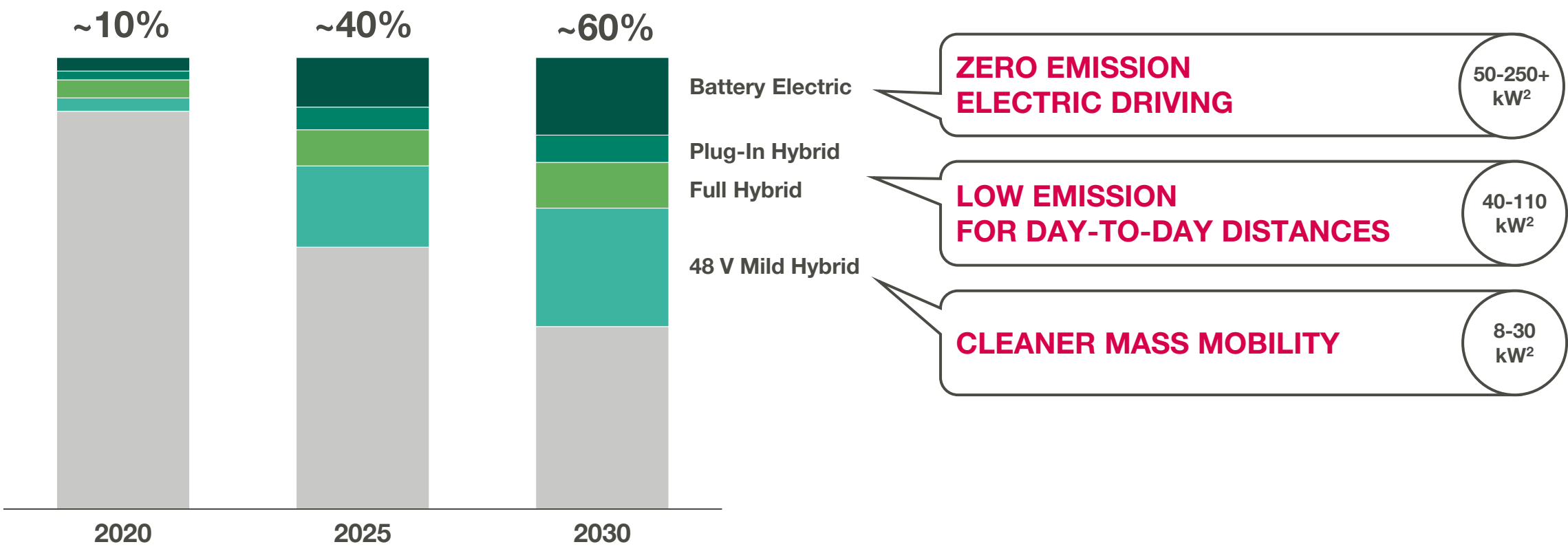
> >5x electrification sales increase targeted mid-term<sup>4</sup>

Source: Company information. Notes: <sup>1</sup> Roland Berger, “Powertrain Market Industry Study”, 12/2020. <sup>2</sup> Electrification share represents expected shares of 48 V-Mild Hybrid, Full-Hybrid, Plug-In-Hybrids and Battery Electric Vehicles in global light vehicle production by units. <sup>3</sup> Order backlog defined as sum of cumulative order intake not yet booked as sales as per end of FY2020. <sup>4</sup> Refers to core technologies sales across all business units with 2020 as base year.

# THE ELECTRIC FUTURE HAS ALREADY STARTED

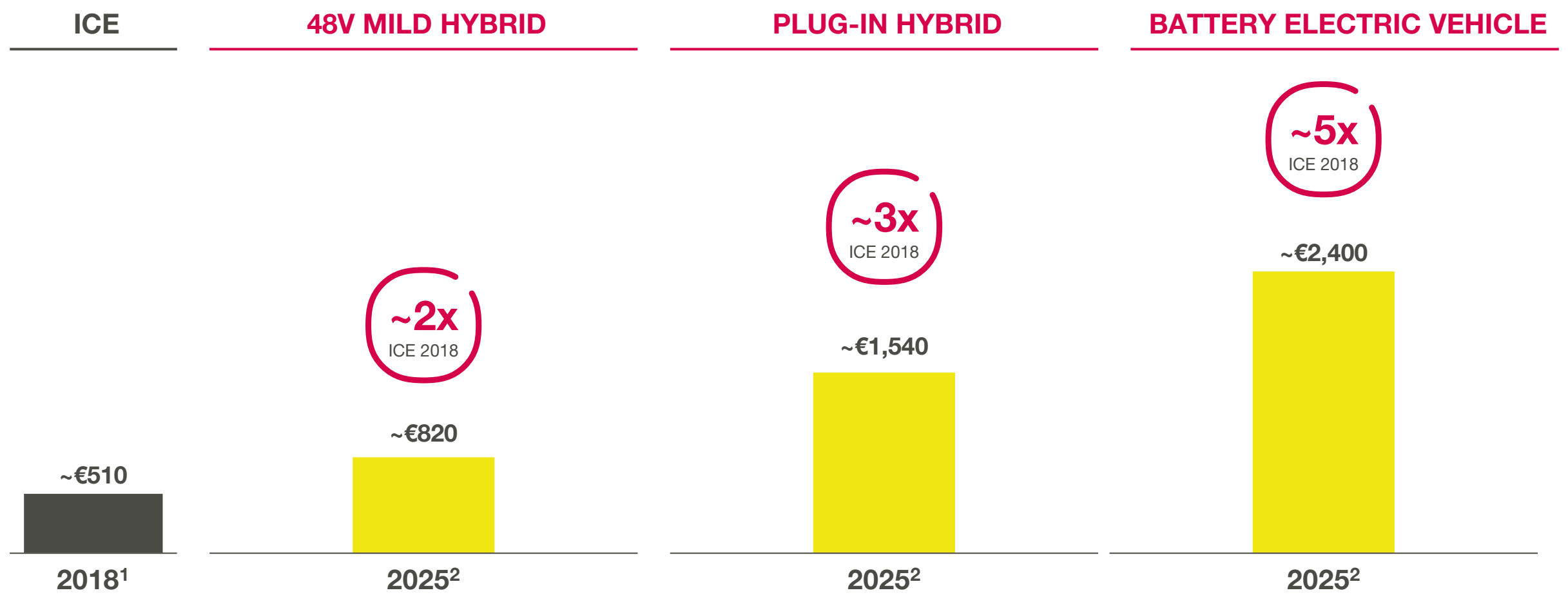


ELECTRIFICATION SHARE IN GLOBAL LIGHT VEHICLE PRODUCTION<sup>1</sup>



Source: <sup>1</sup> Roland Berger, "Powertrain Market" Study, 12/2020; <sup>2</sup> company information. Notes: Electrification share represents expected outlook on propulsion shares in global light vehicle production by units. Power (in kW) corresponds to typical peak electric drive power of the indicated propulsion types.

# OUR PORTFOLIO OFFERS SUPERIOR CONTENT PER VEHICLE OPPORTUNITIES IN ANY FUTURE SCENARIO



Source: <sup>1</sup> Company estimate based on expert studies prepared in cooperation with Vitesco Technologies. Reflects the CPV opportunity for the portfolio offering in 2018. <sup>2</sup> Roland Berger, "Powertrain Market" Study, 12/2020. Reflects the CPV opportunity for the current portfolio offering. Notes: ICE: Internal Combustion Engine. CPV: Content Per Vehicle.

# OUR ELECTRIFICATION CONTENT IS SUBSTANTIAL AND GROWING ACROSS ALL BUSINESS UNITS

## ELECTRIFICATION TECHNOLOGY

Electrification pioneer with >10 years of experience



## ELECTRONIC CONTROLS

Integrated electronic and software architectures



## SENSING & ACTUATION

Smart solutions for precise measurement and control

## ELECTRIFICATION POWERHOUSE

### Strong electrification momentum



>€13 bn electrification order backlog across all business units<sup>1</sup>

### Leading transition to e-mobility



>5x electrification sales increase targeted mid-term<sup>2</sup>

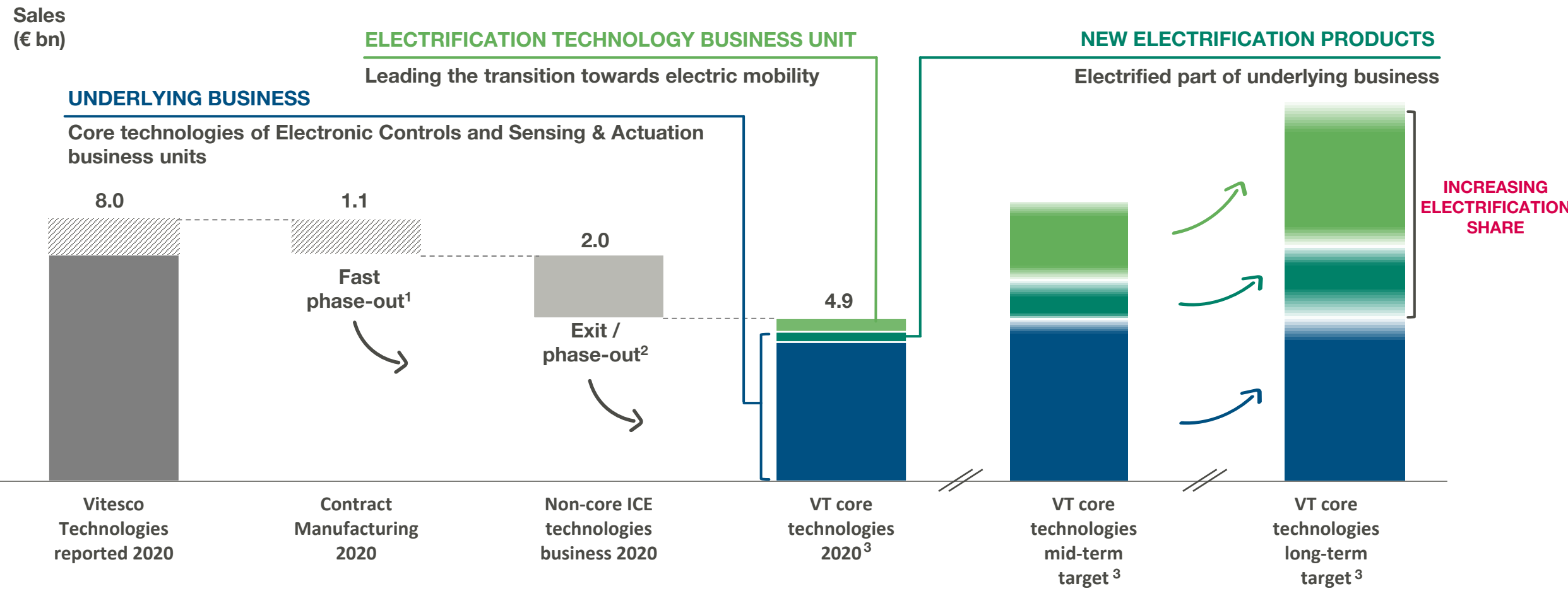
### Future-proof skillset



~7,100 engineers, thereof ~5,300 electronics, software and systems<sup>3</sup>

Source: Company information. Notes: <sup>1</sup> Order backlog defined as sum of cumulative order intake not yet booked as sales as per end of FY2020. <sup>2</sup> Refers to core technologies sales across all business units with 2020 as base year. <sup>3</sup> Number of engineers as per end of FY2020.

# WE EXPECT STRONG FINANCIAL IMPROVEMENTS BASED ON OUR ORGANIZATIONAL TRANSFORMATION



Source: Company information. Notes: ICE: Internal Combustion Engine. Phase-out timeline may vary depending on strategic decisions and customer demand. <sup>1</sup> Substantial majority of CM phase-out planned to be completed by 2025. <sup>2</sup> Around 1/3 of non-core ICE technologies phase-out planned to be completed mid-term. <sup>3</sup> Excluding non-core ICE technologies and Contract Manufacturing.



# WE HAVE DEFINED CONCRETE TARGETS TO DRIVE ESG ALONG THE VALUE CHAIN



## ENVIRONMENTAL

Clean mobility	Climate protection	Resource efficiency & circularity
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## SOCIAL

Employer attractiveness	Safe & healthy working conditions	Responsible supply chain & human rights
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## GOVERNANCE

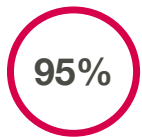
Diversity	Integrated sustainability	Business ethics & anti-corruption
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**Carbon-neutral (scope 1 & 2) by 2030<sup>1</sup>**



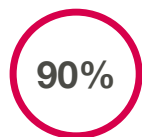
**Lifecycle engineering for new products by 2030**



**Waste recycling rate by 2030<sup>2</sup>**



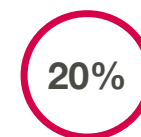
**Employee Net Promoter Score by 2030<sup>3</sup>**



**Employees covered by ISO 45001 certification by 2030**



**Accident rate (per million working hours) by 2025**



**Women in executive positions by 2025**



**Integration of ESG in executive long-term incentive plan by 2021**








**Industry-leading standards of business ethics and anti-corruption measures to be adopted in 2021**

Source: Company information. Notes: <sup>1</sup> Referring to scope 1 and 2 CO<sub>2</sub> emissions as defined by the Greenhouse Gas Protocol, World Resources Institute (WRI), World Business Council for Sustainable Development.







<sup>2</sup> Includes thermal recovery. <sup>3</sup> The employee net promoter score measures the willingness to recommend a company as an employer to others on a scale from 0 to 10. The index ranges from -100 to 100.

# ADJUSTED EBIT OF €254 MN WITHOUT ELECTRIFICATION TECHNOLOGY DRIVEN BY OUR ROBUST RECOVERY IN H2 2020

## VITESCO TECHNOLOGIES (€ MN)

	 FY2019	H1-20	H2-20	 FY2020
 <b>Sales</b>	<b>9,093</b>	<b>3,409</b>	<b>4,619</b>	<b>8,028</b>
% growth	-0.6%	-26.3%	3.3%	-11.7%
<b>EBITDA</b>	<b>180</b>	<b>-3</b>	<b>256</b>	<b>253</b>
% margin	2.0%	-0.1%	5.5%	3.2%
<b>Adj. EBITDA<sup>1</sup></b>	<b>536</b>	<b>26</b>	<b>374</b>	<b>400</b>
% margin	5.9%	0.8%	8.1%	5.0%
 <b>EBIT</b>	<b>-635</b>	<b>-301</b>	<b>-24</b>	<b>-324</b>
% margin	-7.0%	-8.8%	-0.5%	-4.0%
<b>Adj. EBIT<sup>2</sup></b>	<b>53</b>	<b>-218</b>	<b>126</b>	<b>-92</b>
% margin	0.6%	-6.4%	2.7%	-1.1%
 <b>Capex<sup>3</sup></b>	<b>596</b>	<b>162</b>	<b>267</b>	<b>428</b>
% margin	6.5%	4.7%	5.8%	5.3%

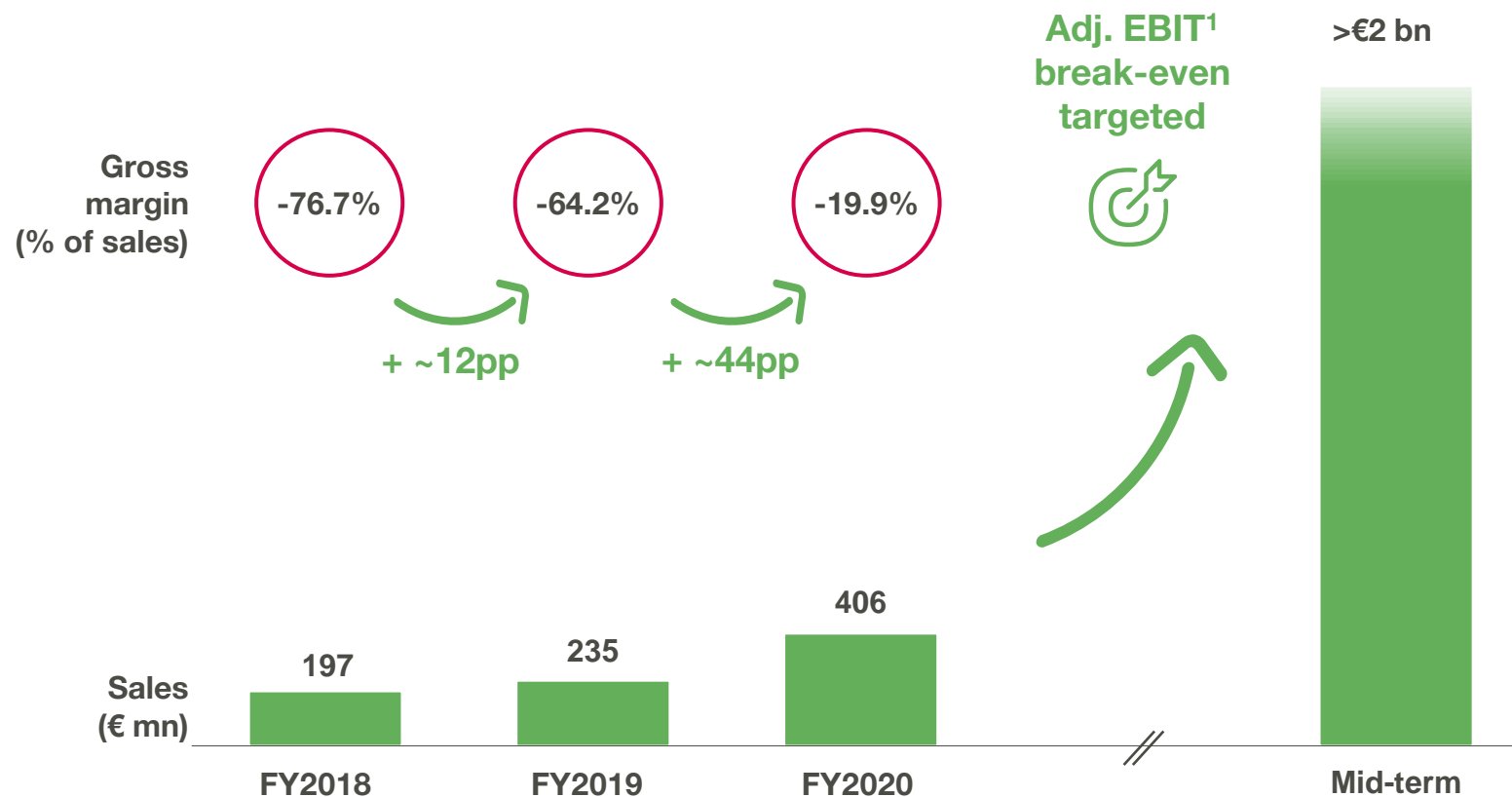
## HIGHLIGHTS & COMMENTS

-  COVID-19 with significant impact on FY2020
-  Organic sales<sup>4</sup> declined by -9.4% in FY2020
-  Outperformance of light vehicle production<sup>5</sup> by 4.4pp in FY2020
-  Adj. EBIT<sup>2</sup> without ET BU of €254 mn
-  FY20 operating leverage<sup>6</sup> of 13.6%; increasing sales in H2 vs. H1 led to an incremental 28.4%
-  Cost cutting measures in FY2020 of ~€320 mn, Capex reduction of ~€170 mn

Source: Company information. <sup>5</sup> Based on IHS Markit, Automotive Alternative Propulsion Forecast as of 02/2021. Notes: FX: Foreign Exchange Rates. Sales includes non-light vehicle applications like commercial vehicles and two-wheelers. Outperformance refers to sales growth over light vehicle production within the respective period. <sup>1</sup> Before consolidation and special effects. <sup>2</sup> Before consolidation, amortization of intangibles from PPA and special effects. <sup>3</sup> Capex 2019 and 2020 excluding right of use assets (IFRS 16). <sup>4</sup> Before changes in the scope of consolidation and exchange-rate effects. <sup>6</sup> Operating leverage defined as delta adj. EBIT divided by delta sales. FY2020 operating leverage refers to development in FY2020 vs FY2019, H2 2020 refers to development vs. H1 2020.

# ET BU TO QUICKLY RAMP UP WITH SIGNIFICANTLY INCREASING PROFITABILITY AND BREAK-EVEN TARGETED IN 2024

## ELECTRIFICATION TECHNOLOGY DEVELOPMENT



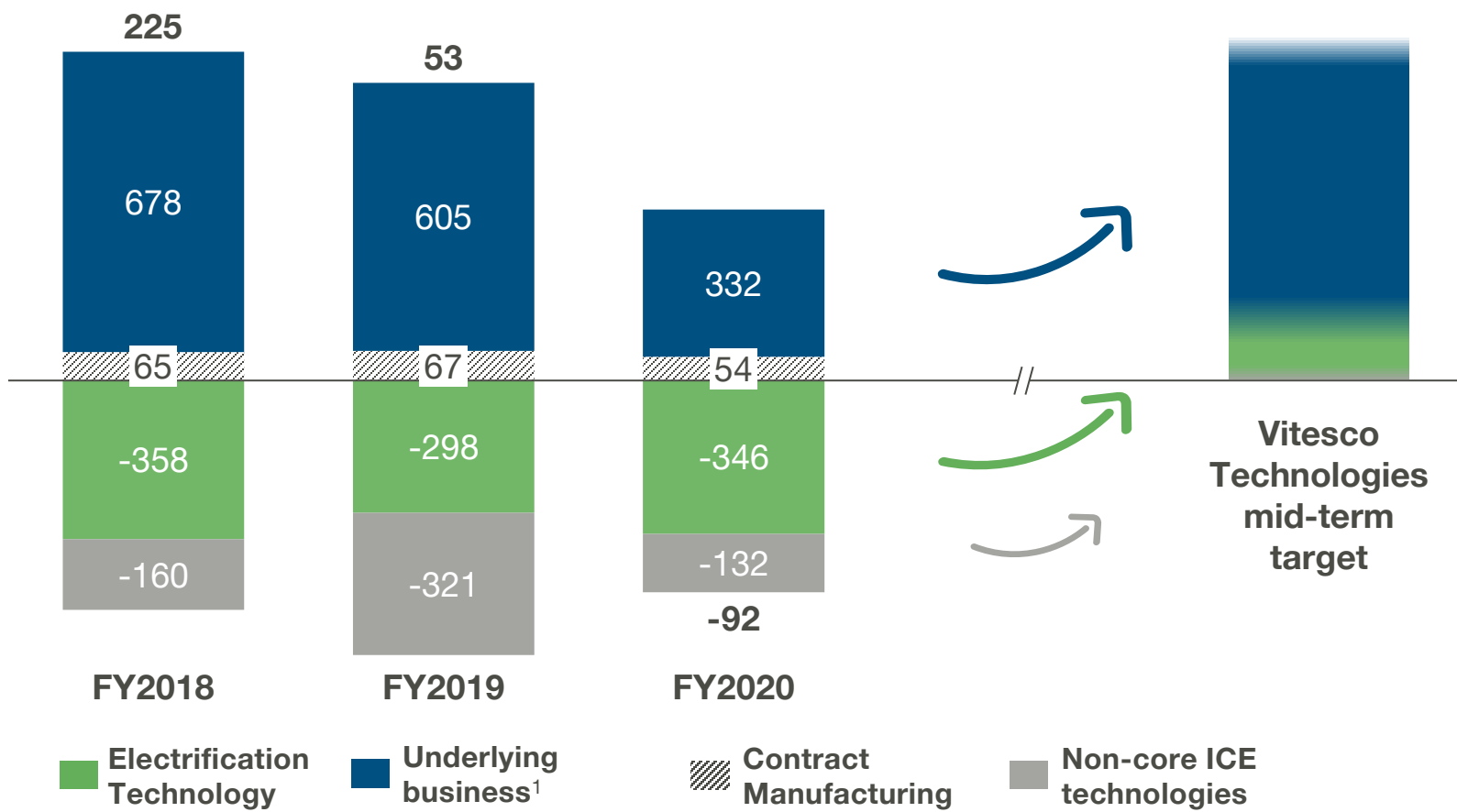
## COMMENTS

- ✓ Profitability improvements driven by optimized processing cycle times and improved material costs
- ✓ Focus on modularity and scalability in R&D and production to further drive positive margin development
- ✓ Operational improvements further supported by decisive management actions on legacy electrification products and contracts
- ✓ Focus on profitability in Electrification Technology without jeopardizing growth opportunities

Source: Company information. Notes: Order backlog defined as sum of cumulative order intake not yet booked as sales as per end of FY2020. <sup>1</sup> Before consolidation, amortization of intangibles from PPA and special effects.

# 7.0% TO 9.0% ADJUSTED EBIT MARGIN TARGETED MID-TERM

## VITESCO TECHNOLOGIES ADJUSTED EBIT (€ MN)



## COMMENTS ON MID-TERM

- ✓ Electrification Technology with major operational improvements and new profitable business
- ✓ Double-digit adj. EBIT margins targeted in underlying business with normalization of markets and further cost discipline
- ✓ Phase-out of less profitable non-core ICE technologies and Contract Manufacturing

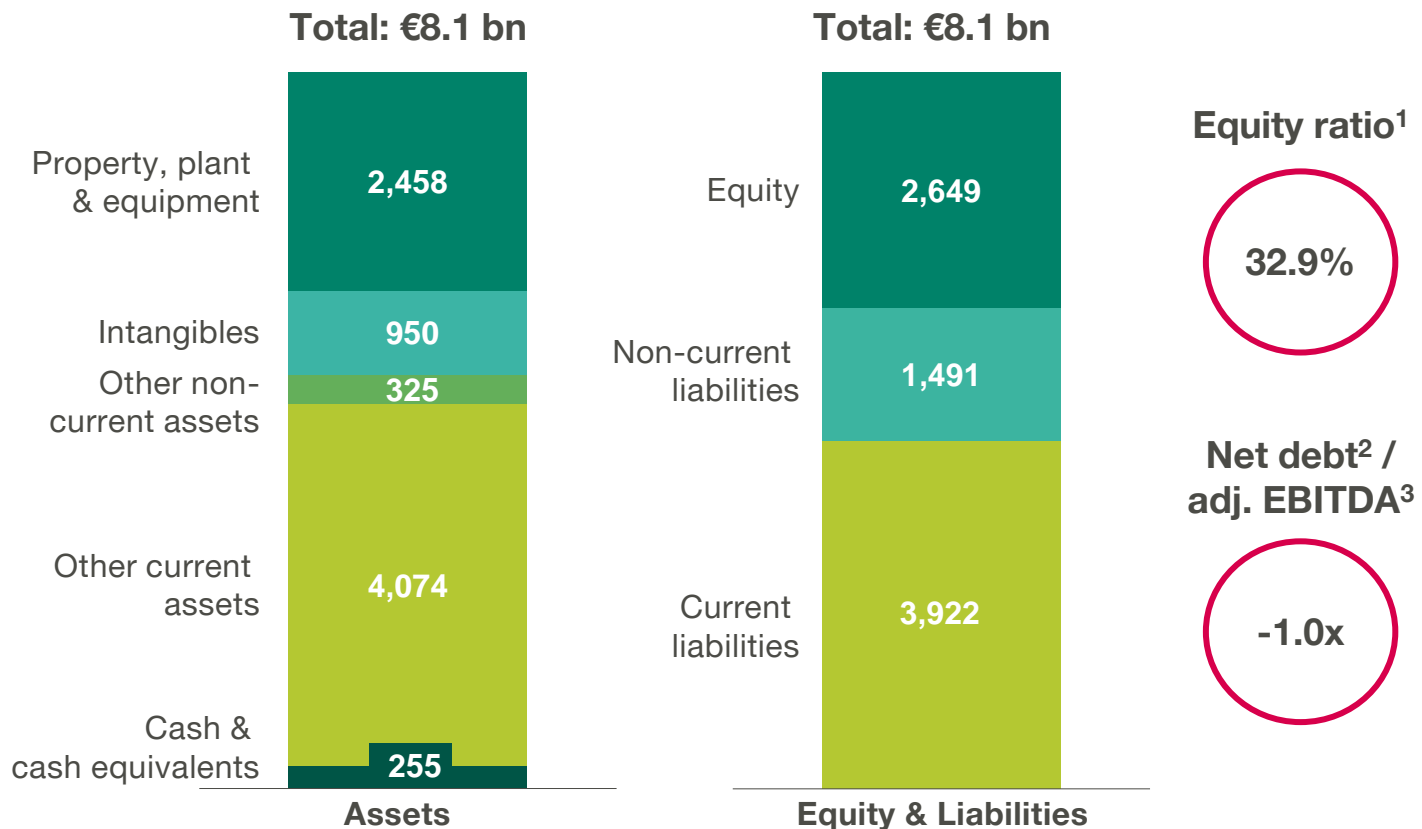
## MID-TERM TARGET

- ↻ 7.0-9.0% adj. EBIT margin on group level, driven by underlying business and ET BU turning profitable

Source: Company information. Notes: ICE: Internal Combustion Engine. Adj. EBIT before consolidation, amortization of intangibles from PPA and special effects. <sup>1</sup> Includes consolidation (FY2018: €2 mn; FY2019: €-0 mn; FY2020: €4 mn).

# SOLID BALANCE SHEET AND EQUITY RATIO PROVIDE THE FINANCIAL FOUNDATION FOR OUR TRANSFORMATION

## BALANCE SHEET AS PER END OF FY2020 (€ MN)



## COMMENTS

- ✓ Sound balance sheet with a sustainable and solid capital structure further supported by resolving intercompany relationship with Continental and favorable payment terms in contract manufacturing
- ✓ Additional net receivables from financing relations with Continental; resulting in de facto cash & cash equivalents of €663 mn
- ✓ Other financial obligations mainly consist of pensions and lease liabilities
- ✓ €1.0 bn Revolving Credit Facilities provide additional financial flexibility

## MID-TERM TARGET

- 🎯 Maximum <1.0x net debt<sup>2</sup>/ adj. EBITDA<sup>3</sup> targeted; **Dividend payout of 15-30%** as target in mid-term

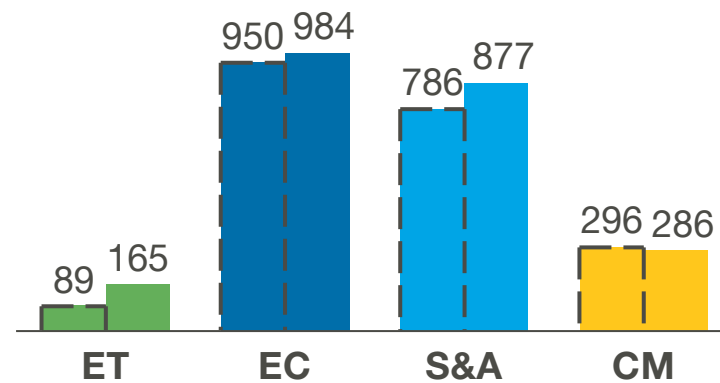
Source: Company information. Notes: <sup>1</sup> Equity divided by total equity and liabilities. <sup>2</sup> Net debt as per end of FY2020 amounts to -€406 mn, which includes long- and short-term debt of €870 mn (incl. financing with Continental), receivables from financing with Continental of €1,021 mn and cash & cash equivalents of €255 mn. Mid-term target not considering inorganic growth. <sup>3</sup> Before consolidation and special effects.

# Q1 2021 DEMONSTRATED ONGOING UPWARD TREND DESPITE ADDITIONAL HEADWINDS IN THE INDUSTRY

## VITESCO TECHNOLOGIES (€ MN)

	Q1 2020	Q1 2021	Delta
<b>Sales</b>	<b>2,113.9</b>	<b>2,302.0</b>	<b>188.1</b>
<i>% growth</i>	-	8.9%	
<b>Adj. EBIT<sup>1</sup></b>	<b>-54.7</b>	<b>18.6</b>	<b>73.3</b>
<i>% margin</i>	-2.6%	0.8%	3.4pp
<b>EBIT</b>	<b>-88.0</b>	<b>14.2</b>	<b>102.2</b>
<i>% margin</i>	-4.2%	0.6%	4.8pp
<b>Capex<sup>2</sup></b>	<b>91.5</b>	<b>44.3</b>	<b>-47.2</b>
<i>% of sales</i>	4.3%	1.9%	-2.4pp
<b>Free Cashflow</b>	<b>-362.9</b>	<b>239.1</b>	<b>602.0</b>
<i>% margin</i>	-17.2%	10.4%	27.6pp
<b>Equity Ratio</b>	<b>34.9%</b>	<b>33.8%</b>	<b>-1.1pp</b>

## SALES BY BU<sup>3</sup> (€ MN)



## ADJ. EBIT<sup>1</sup> BY BU<sup>3</sup> (€ MN)

	ET	EC	S&A	CM
<b>Q1 2021</b>	<b>-73.3</b>	<b>1.8</b>	<b>68.6</b>	<b>20.8</b>
<i>% margin</i>	-44.4%	0.2%	7.8%	7.3%
<b>Q1 2020</b>	<b>-100.5</b>	<b>-5.4</b>	<b>40.4</b>	<b>12.3</b>
<i>% margin</i>	-113.3%	-0.6%	5.1%	4.2%



Q1 2020



Q1 2021

## HIGHLIGHTS & COMMENTS



Organic sales growth of 12.8%

Group outperformance<sup>4</sup> of 4.0pp; core technologies outperformed by 7.0ppAdjusted EBIT<sup>1</sup> increased due to higher volumes and strict fixed cost discipline and despite additional headwinds from material shortageCore technologies sales at €1,432 mn (PY: €1,278 mn) with adj. EBIT<sup>1</sup> margin of -0.9% (PY: -2.4%)

Order intake of €1.9 bn with strongest single order intake: 800V SiC inverter for Hyundai



Margin recovery, continuous capex discipline and positive working capital effects driving strong cash generation











Source: Company information. Notes: 1 Before amortization of intangibles from PPA, consolidation and special effects. 2 Capex excluding right of use assets (IFRS 16).

3 Does not include group consolidation effects. 4 Outperformance refers to sales development vs. weighted light vehicle production for Q1 2021 vs. Q1 2020, based on IHS Markit, Automotive Alternative

14 Propulsion Forecast as of 04/2021.

# OUR TARGETS UNDERLINE OUR AMBITION TO BUILD AN ELECTRIFICATION POWERHOUSE

## MID-TERM TARGETS

<b>Sales CAGR<sup>1</sup></b> <i>% growth</i> 	<b>Group</b>	3.0-5.0%	
	<b>Core Technologies</b>	↗↗	
	 <b>Electrification Technology</b>	↗↗↗	More than €2 bn mid-term
	 <b>Electronic Controls</b>	↗	Non-core ICE technologies: around 1/3 to be phased-out mid-term
	 <b>Sensing &amp; Actuation</b>	↗	
 <b>Contract Manufacturing</b>	↘↘↘	Subst. phased-out 2025	
<b>Adj. EBIT<sup>2</sup></b> <i>% of sales</i> 	<b>Group</b>	7.0-9.0%	
	<b>Core Technologies</b>	++	
	 <b>Electrification Technology</b>	+	Break-even targeted in 2024
	 <b>Electronic Controls</b>	++	
	 <b>Sensing &amp; Actuation</b>	++	
 <b>Contract Manufacturing</b>	+	Subst. phased-out 2025	
<b>Group</b>			
<b>Sales CAGR<sup>1</sup></b> <i>% growth</i>			3.0-5.0%
<b>Adj. EBIT<sup>2</sup></b> <i>% of sales</i>			7.0-9.0%
<b>Capex<sup>3</sup></b> <i>% of sales</i>			~6.0%
<b>Free cash flow</b>			>€400 mn
<b>Net debt<sup>5</sup> / adj. EBITDA<sup>6</sup></b>			<1.0x
<b>Dividend payout<sup>7</sup></b>			15-30%

Source: Company information. Notes: Phase-out timeline may vary depending on strategic decisions and customer demand. <sup>1</sup> Mid-term growth target as a CAGR based on FY2020. <sup>2</sup> Before consolidation, amortization of intangibles from PPA and special effects. <sup>3</sup> Capex excluding right of use assets (IFRS 16). <sup>4</sup> FCF calculated as operating cash flow + investing cash flow. <sup>5</sup> Net debt as per end of FY2020 amounts to -€406 mn, which includes long- and short-term indebtedness of €870 mn (incl. financing with Continental), receivables from financing with Continental of €1,021 mn and cash & cash equivalents of €255 mn. Mid-term target not considering inorganic growth. <sup>6</sup> Before consolidation and special effects. <sup>7</sup> Dividend payout defined as dividend payment divided by net income attributable to common shareholders. Timing of dividend payments to be determined at a later stage.

**THANK YOU!**