

# BUILDING AN ELECTRIFICATION POWERHOUSE

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Vitesco Technologies

Public

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# VITESCO TECHNOLOGIES – WE ARE BUILDING AN ELECTRIFICATION POWERHOUSE

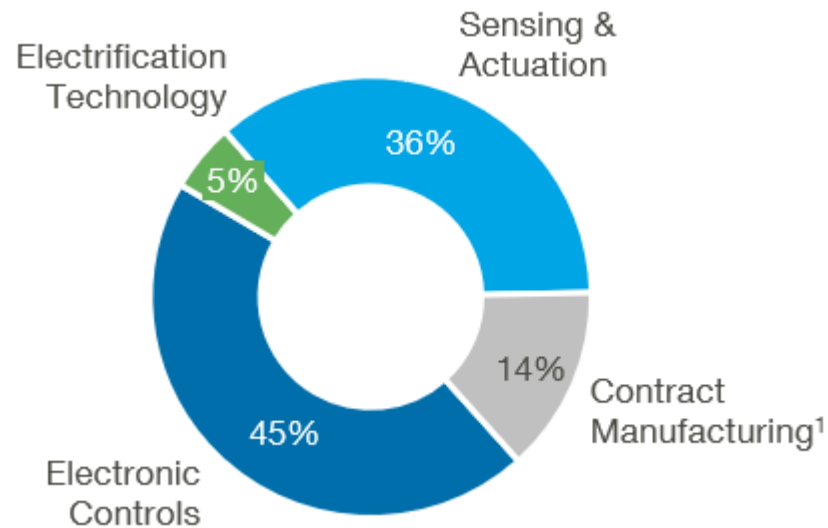


**€8.0 billion**  
FY2020 sales



**~40,000**  
employees

Sales by business unit in FY2020:



**The future is electric.**



**We are well positioned.**



**We have a clear vision and a resolute plan.**



**We self-fund the transformation.**

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.

# OEMs ARE ACCELERATING THEIR ELECTRIFICATION STRATEGY AMID INCREASING REGULATORY PRESSURE



European Commission as a regulatory example:

- **Climate neutrality by 2050**, greenhouse gas emission reduction pathway of -55% net emissions by 2030
- Further strengthening of **CO2 emission performance standards** for new passenger cars and vans proposed

Mercedes-Benz AG

- **From 2025 onwards**, all newly launched vehicle architectures will be electric-only
- Significant acceleration of **R&D spending** on electric mobility

**Increased investments into electric mobility**

Volkswagen AG

- New **all-electric**, fully-digital and highly-scalable mechatronics platform from 2026
- Expansion of **extensive charging infrastructure** with partners

**Establishment of energy ecosystem**

Great Wall Motors

- **3.2 million new energy vehicles** (battery, plug-in, fuel cell) targeted in 2025
- Introduction of **new traction battery with free access to technical patent**

**Technological advancement**

Source: European Commission, 07/2021. Mercedes-Benz Strategy Update: electric drive, 07/2021. Volkswagen Group Strategy NEW AUTO, 07/2021. GWM 2025 Strategy Global Launch Conference and 8<sup>th</sup> Technology Festival, 06/2021.

# WE DELIVER ON OUR CLEAR VISION AND EXECUTE ON OUR TRANSFORMATION PLAN

Sales  
(€ bn)

## ELECTRIFICATION TECHNOLOGY BUSINESS UNIT

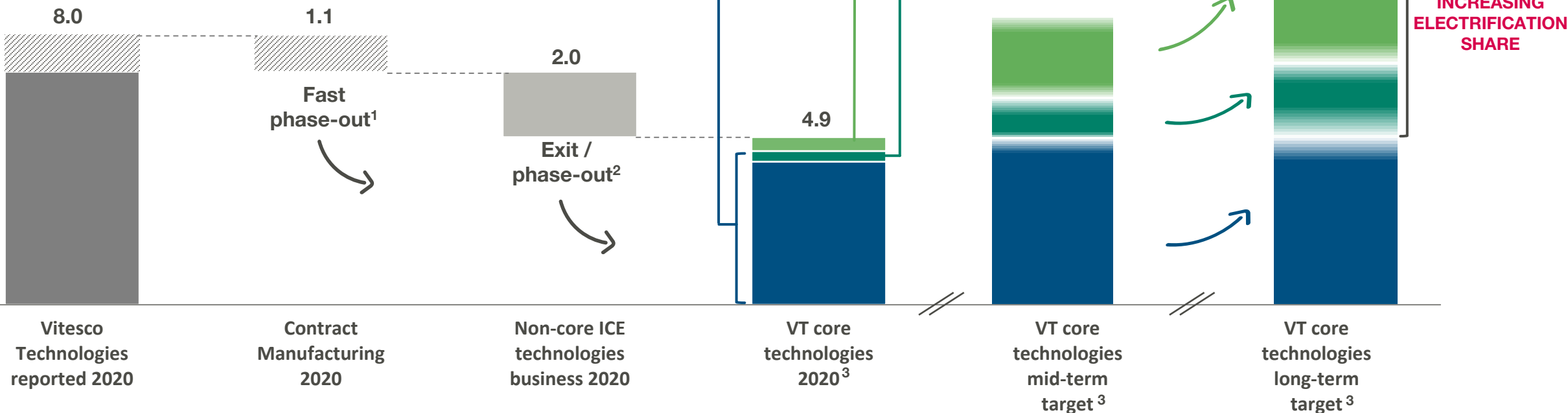
Leading the transition towards electric mobility

## NEW ELECTRIFICATION PRODUCTS

Electrified part of underlying business

### UNDERLYING BUSINESS

Core technologies of Electronic Controls and Sensing & Actuation business units



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 ARE FULLY ON TRACK – PROGRESS SINCE CAPITAL MARKET DAY IN MARCH



## TRANSFORMATION / PHASE-OUT

- ✓ **€0.4 bn electrification order intake** in underlying business for H1 2021
- ✓ **Non-core ICE technologies** losses stopped in H1 2021
- ✓ **Contract Manufacturing phase out** progressing as planned
- ✓ 2021 YTD **electrification training participation** higher than total of four previous years

Transforming into an electric  
pure play through tangible actions ✓



## ELECTRIFICATION TECHNOLOGY BU

- ✓ **€1.4 bn order intake** in H1 2021 booked
- ✓ The business unit equipped another **~500k vehicles<sup>2,3</sup>** in H1 2021
- ✓ **Positive gross profit** in H1 2021 achieved
- ✓ New **R&D competence center** in **China**

Attractive growth prospects with strong  
momentum ✓



## SUSTAINABILITY

- ✓ **ESG** as key element for new **management incentivization** scheme
- ✓ Internal **ESG Scorecard** introduced
- ✓ **Important ESG initiatives joined**, e.g., RE 100, Responsible Business Alliance, UN Women's Empowerment Principles

Implementation of ESG as  
key business driver ✓

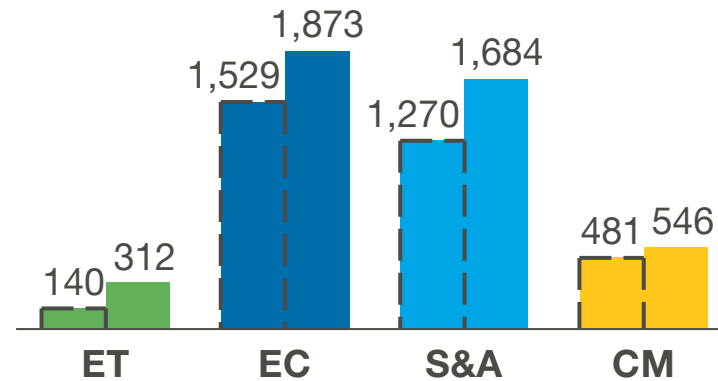
Source: Company information. Notes: Order intake defined as sum of acquired lifetime sales within the respective fiscal year. <sup>1</sup> Electrification Technology business unit. <sup>2</sup> Refers to parts shipped to our customers. <sup>3</sup> Almost evenly split between 48V and high-voltage technology.

# H1 2021 DEMONSTRATED ONGOING UPWARD TREND DESPITE ADDITIONAL HEADWINDS IN THE INDUSTRY

## VITESCO TECHNOLOGIES (€ MN)

	H1 2020	H1 2021	Delta
<b>Sales</b>	3,408.7	<b>4,396.9</b>	988.2
<i>% growth</i>		29.0%	
<b>Adj. EBIT<sup>1</sup></b>	-218.1	<b>84.2</b>	302.3
<i>% margin</i>	-6.4%	1.9%	8.3pp
<b>EBIT</b>	-300.6	<b>39.8</b>	340.4
<i>% margin</i>	-8.8%	0.9%	9.7pp
<b>Capex<sup>2</sup></b>	161.7	<b>146.0</b>	-15.7
<i>% of sales</i>	4.7%	3.3%	-1.4pp
<b>Free cash flow</b>	-804.2	<b>304.8</b>	1,109.0
<i>% margin</i>	-23.6%	6.9%	30.5pp
<b>Equity ratio</b>	36.7%	<b>32.0%</b>	-4.7pp

## SALES BY BU<sup>3</sup> (€ MN)



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

	ET	EC	S&A	CM
<b>H1 2021</b>	-139.4	51.9	141.3	32.9
<i>% margin</i>	-44.6%	2.8%	8.4%	6.0%
<b>H1 2020</b>	-182.7	-74.3	16.8	19.9
<i>% margin</i>	-130.7%	-4.9%	1.3%	4.1%



H1 2020



H1 2021

## HIGHLIGHTS & COMMENTS



Sales growth of 29.0% in H1 2021 vs. H1 2020



Group outperformance<sup>4</sup> of 2.4pp; core technologies outperformed by 4.3pp



Adjusted EBIT<sup>1</sup> increased due to higher volumes and strict fixed cost discipline and despite additional headwinds from material shortage



Adjusted EBIT<sup>1</sup> margin excluding BU ET of 5.5% (H1 2020: -1.1%)



Core technologies sales at €2,742 mn (PY: €2,096 mn) with adj. EBIT<sup>1</sup> margin of 1.6% (H1 2020: -5.3%)



Electrification order intake of €1.8 bn; total order intake at €3.8 bn



Margin recovery, continuous capex discipline, positive working capital and special spin-off effects driving strong cash generation.

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

<sup>3</sup> Does not include group consolidation effects. <sup>4</sup> Outperformance refers to adjusted sales development vs. weighted light vehicle production for H1 2021 vs. H1 2020, based on IHS Markit, Automotive

8 Alternative Propulsion Forecast as of 07/2021.





- 1 The future is electric.**
- 2 We are well positioned.**
- 3 We have a clear vision and a resolute plan.**
- 4 We self-fund the transformation.**

**Q&A**



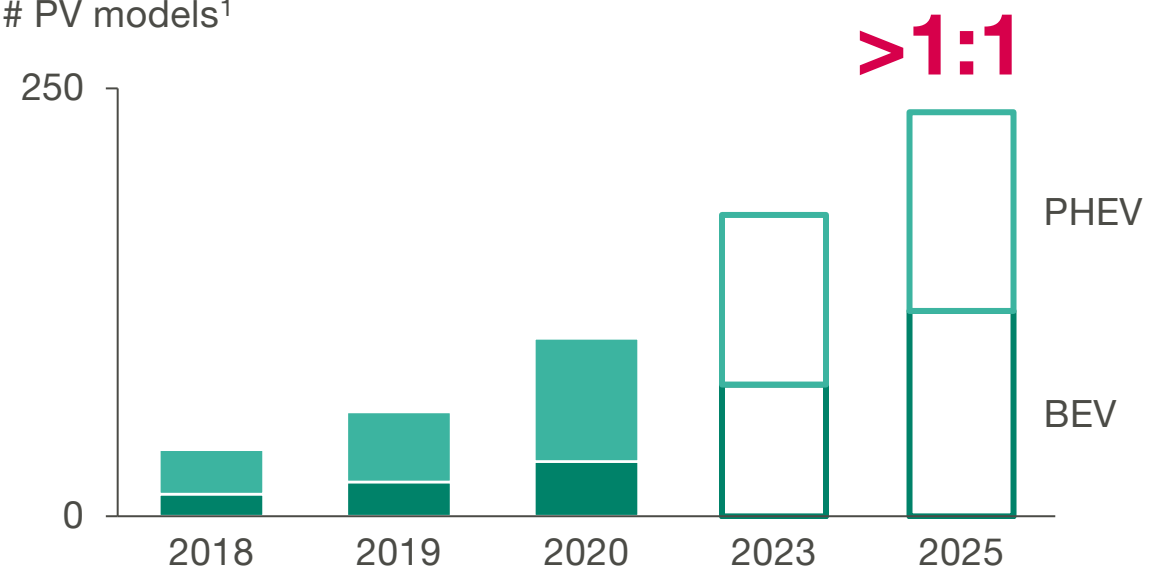
**DEEP  
DIVE**

# INCREASING AVAILABILITY OF ELECTRIC VEHICLE MODELS MEETS A STRONGLY GROWING DEMAND

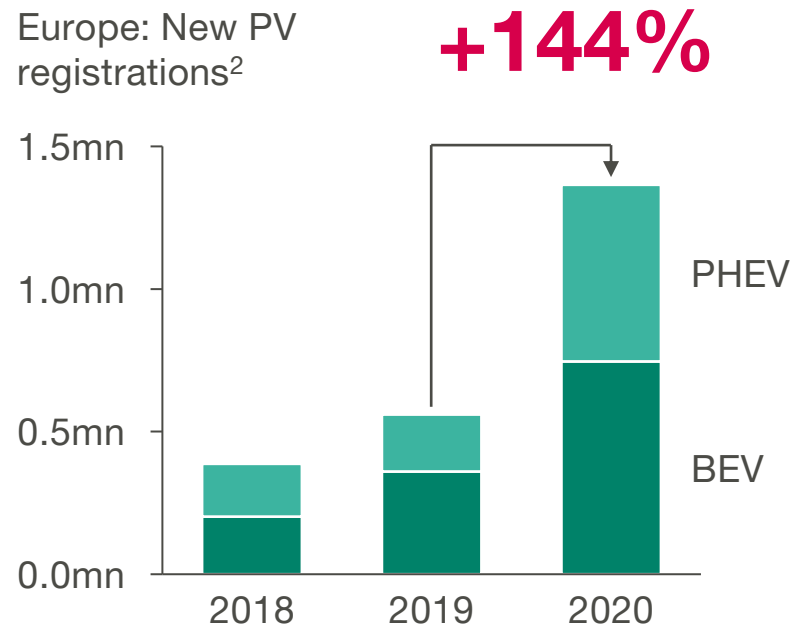
 **By 2025, available BEV and PHEV models will be slightly above par with ICE models**

 **Registrations of PHEVs and BEVs are gaining momentum**

Europe: # PV models<sup>1</sup>

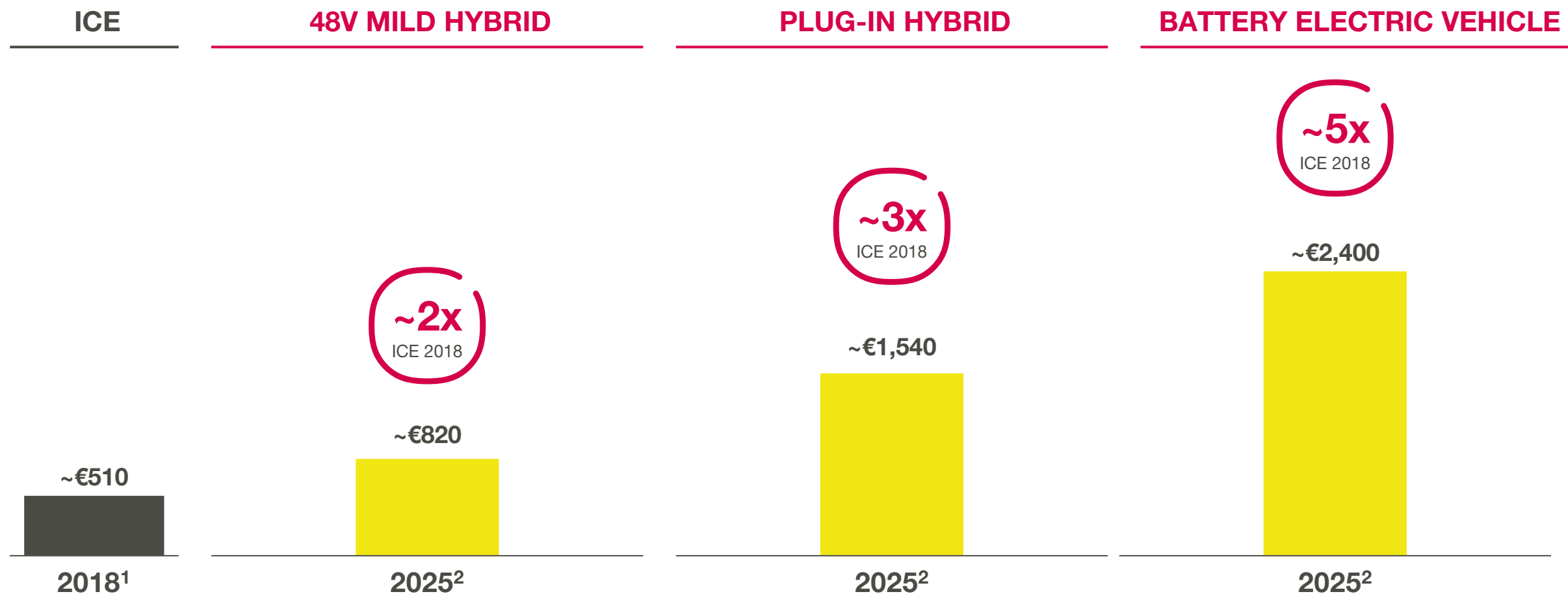


Europe: New PV registrations<sup>2</sup>



Source: <sup>1</sup> Expected number of produced models in region Europe incl. UK based on IHS Markit Alternative Propulsion Forecast as of 02/2021. <sup>2</sup> Vehicle registrations in EU+UK+EFTA based on ACEA New Passenger Car Registrations by Fuel Type as of 02/2020, 02/2021. Notes: Available models indicated by global nameplate. PV: Passenger Vehicle. BEV: Battery Electric Vehicle. PHEV: Plug-In Hybrid Electric Vehicle. ICE: Internal Combustion Engine (incl. Stop/Start and Micro Hybrids <48 V).

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



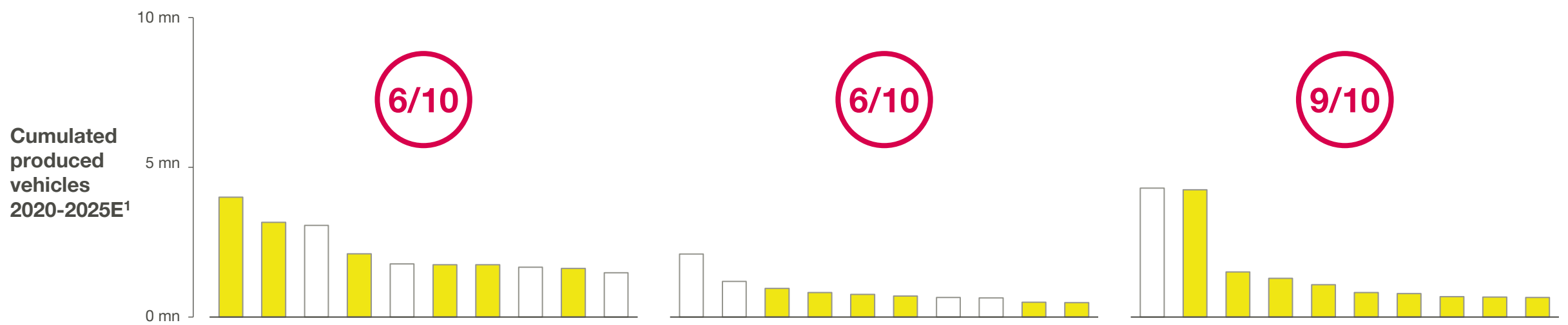
Source: <sup>1</sup> Company estimate based on expert studies prepared in cooperation with Vitesco Technologies. Reflects the CPV opportunity for the portfolio offering in 2018. <sup>2</sup> Roland Berger, "Powertrain Market" Study, 12/2020. Reflects the CPV opportunity for the current portfolio offering.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

# WE ARE PRESENT ON GLOBALLY LEADING PLATFORMS

## 48V MILD HYBRID

## PLUG-IN HYBRID

## BATTERY ELECTRIC VEHICLE



**Vitesco Technologies supplies one or more components from the following electrification product groups:**

- Control Technology
- Power Electronics
- Electric Drive
- Thermal Management

Examples:

Source: Company information. <sup>1</sup> IHS Markit, Alternative Propulsion Forecast, 10/2020. Notes: Presence subject to OEM sourcing strategy (single or multiple sources) and vehicle configuration (e.g., motor variant).

# 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 HAVE A CLEAR VISION OF THE FUTURE AND A RESOLUTE PLAN OF HOW TO GET THERE

## PHASE OUT OF NON-CORE ACTIVITIES

- Contract Manufacturing with Continental<sup>1</sup>
- Non-core ICE technologies<sup>2</sup>

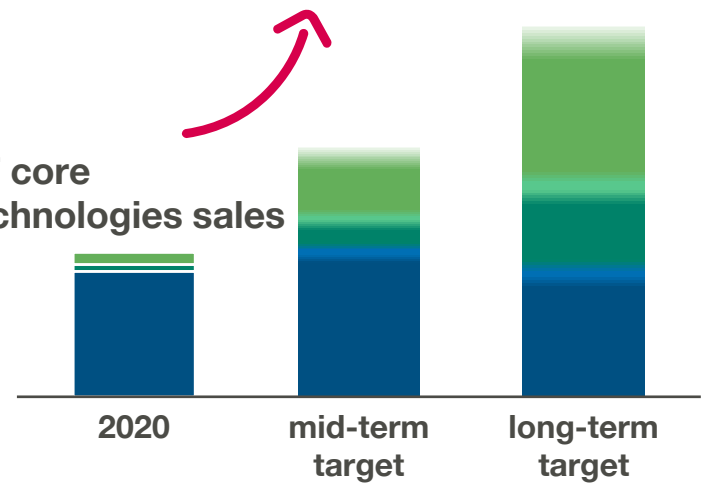
Contract Manufacturing & non-core ICE technologies sales



## SCALE-UP OF ELECTRIFICATION

- Priority setting on company level
- Electrification across all business units

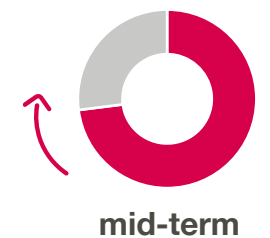
VT core technologies sales



## COMPETITIVENESS AND SUSTAINABILITY

- Footprint rationalization and operational excellence
- Sustainability at the core of what we do
- Digitalization

best-cost production share



carbon neutral<sup>3</sup> scope 1 & 2



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> 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.

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



## ENVIRONMENTAL

Clean mobility

Climate protection

Resource efficiency & circularity

100%

Carbon-neutral (scope 1 & 2) by 2030<sup>1</sup>

100%

Lifecycle engineering for new products by 2030

95%

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



## SOCIAL

Employer attractiveness

Safe & healthy working conditions

Responsible supply chain & human rights

+20

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

90%

Employees covered by ISO 45001 certification by 2030

1.4

Accident rate (per million working hours) by 2025



## GOVERNANCE

Diversity

Integrated sustainability

Business ethics & anti-corruption

20%

Women in executive positions by 2025



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



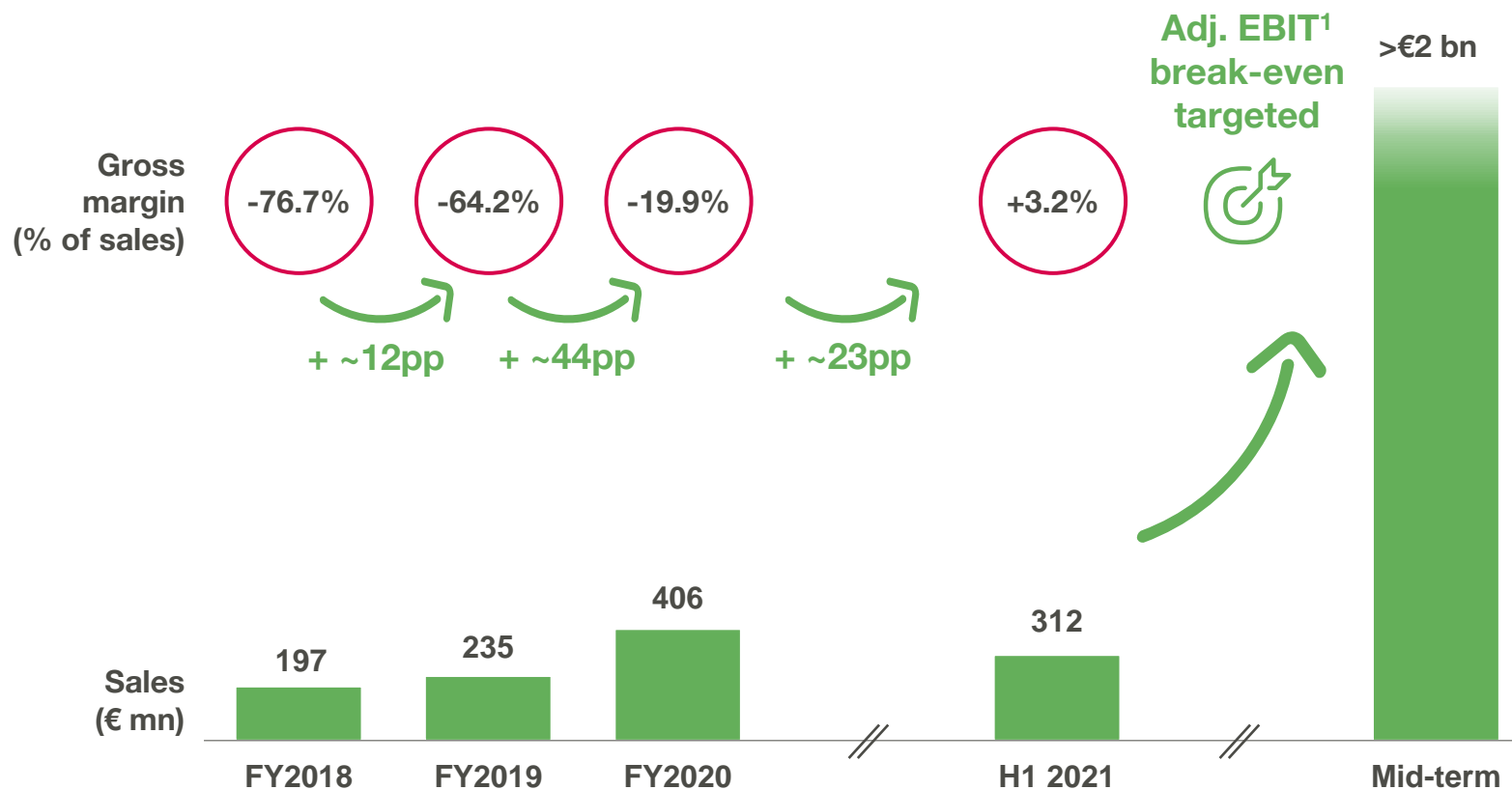
Industry-leading standards of business ethics and anti-corruption measures to be adopted in 2021

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.

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

## ELECTRIFICATION TECHNOLOGY DEVELOPMENT



## COMMENTS

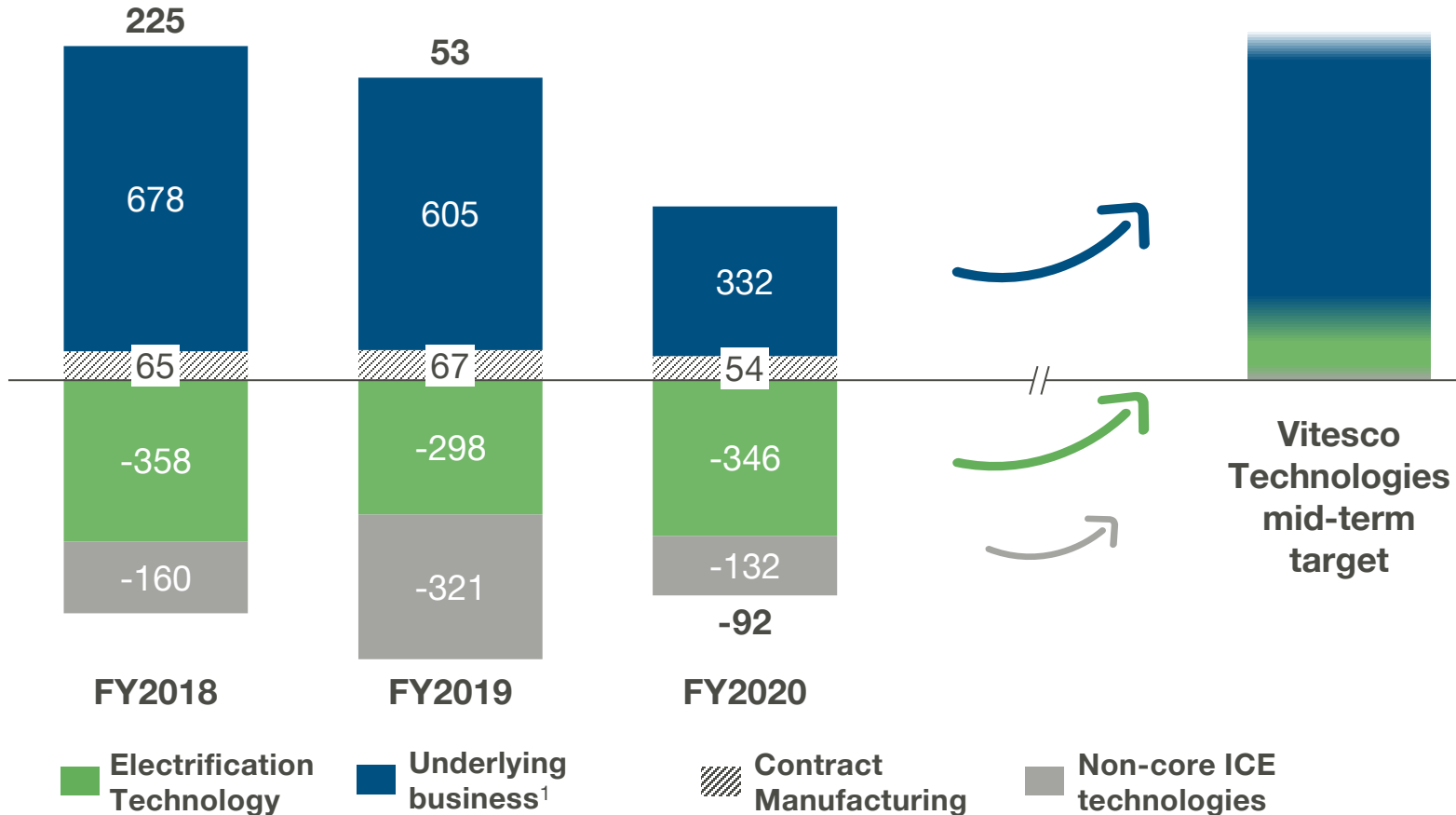
- ✓ Profitability improvements driven by optimized processing cycle times and improved material costs
- ✓ Focus on modularity and scalability in R&D and production to further drive positive margin development
- ✓ Operational improvements further supported by decisive management actions on legacy electrification 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

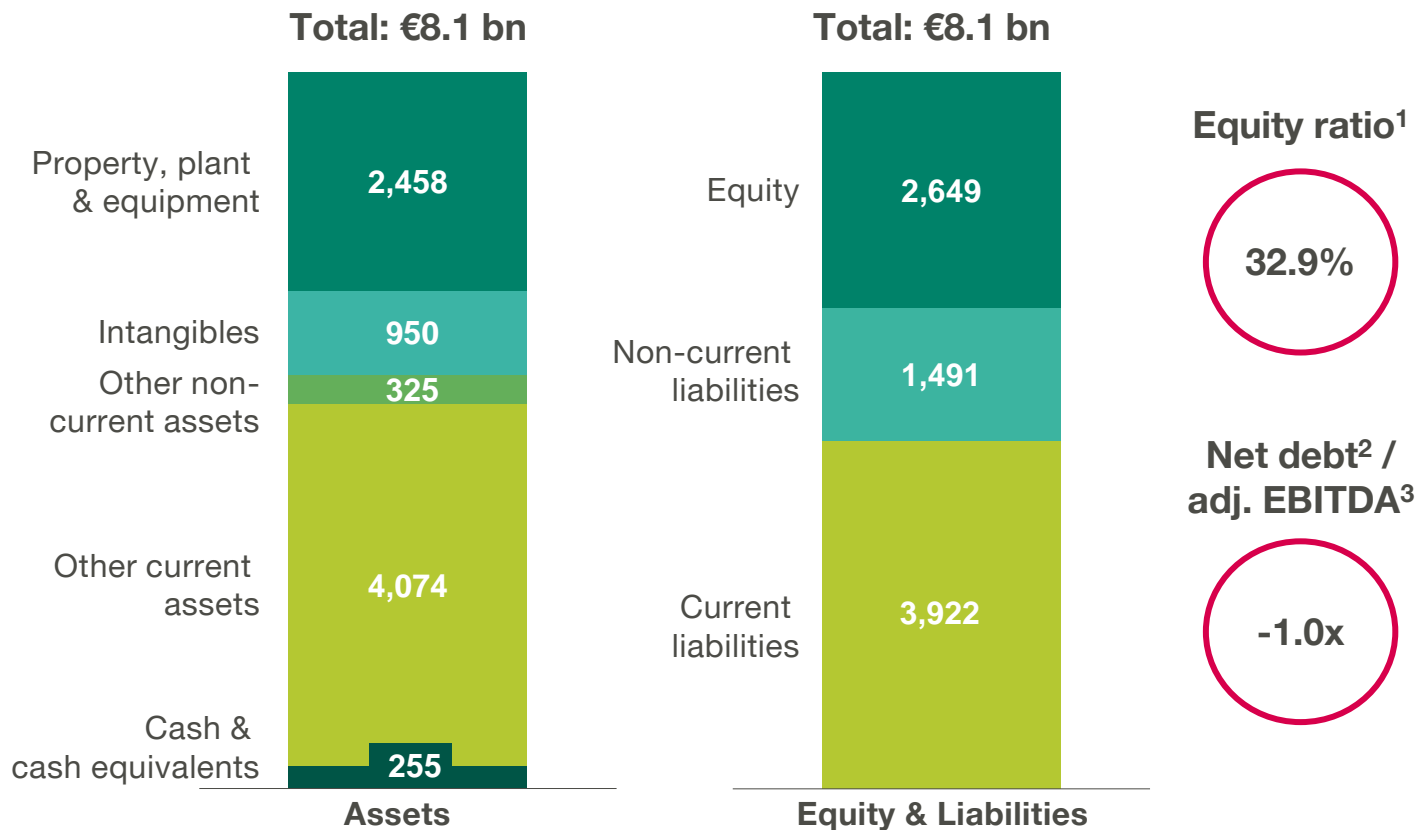
## MID-TERM TARGET

- 🔄 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 non-operating 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.

# OUR TARGETS UNDERLINE OUR AMBITION TO BUILD AN ELECTRIFICATION POWERHOUSE

## MID-TERM TARGETS

		Group	3.0-5.0%			Sales CAGR <sup>1</sup> % growth	3.0-5.0%
<b>Sales CAGR<sup>1</sup></b> % growth 		Core Technologies	↗↗				
		<b>Electrification Technology</b>	↗↗↗	More than €2 bn mid-term	<b>Group</b>		
		<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			
	Core Technologies	+++					
<b>Adj. EBIT<sup>2</sup></b> % of sales 		Core Technologies	+++				
		<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			
	Core Technologies	+++					
		Group	7.0-9.0%			Adj. EBIT <sup>2</sup> % of sales	7.0-9.0%
						Capex <sup>3</sup> % of sales	~6.0%
						Free cash flow	>€400 mn
						Net debt <sup>5</sup> / adj. EBITDA <sup>6</sup>	<1.0x
						Dividend payout <sup>7</sup>	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!**