

# BUILDING AN ELECTRIFICATION POWERHOUSE

March 2021  
Vitesco Technologies

Public

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# VITESCO TECHNOLOGIES OVERVIEW

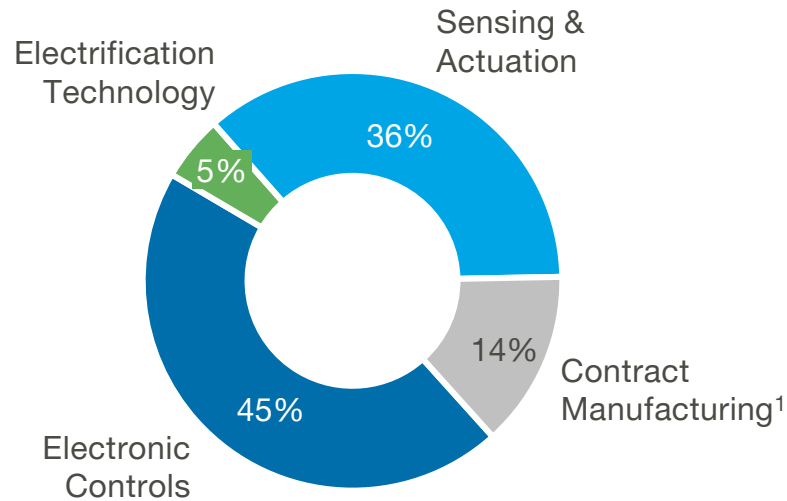


**€8.0 billion**  
FY2020 sales



**>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.

> >€13bn 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.

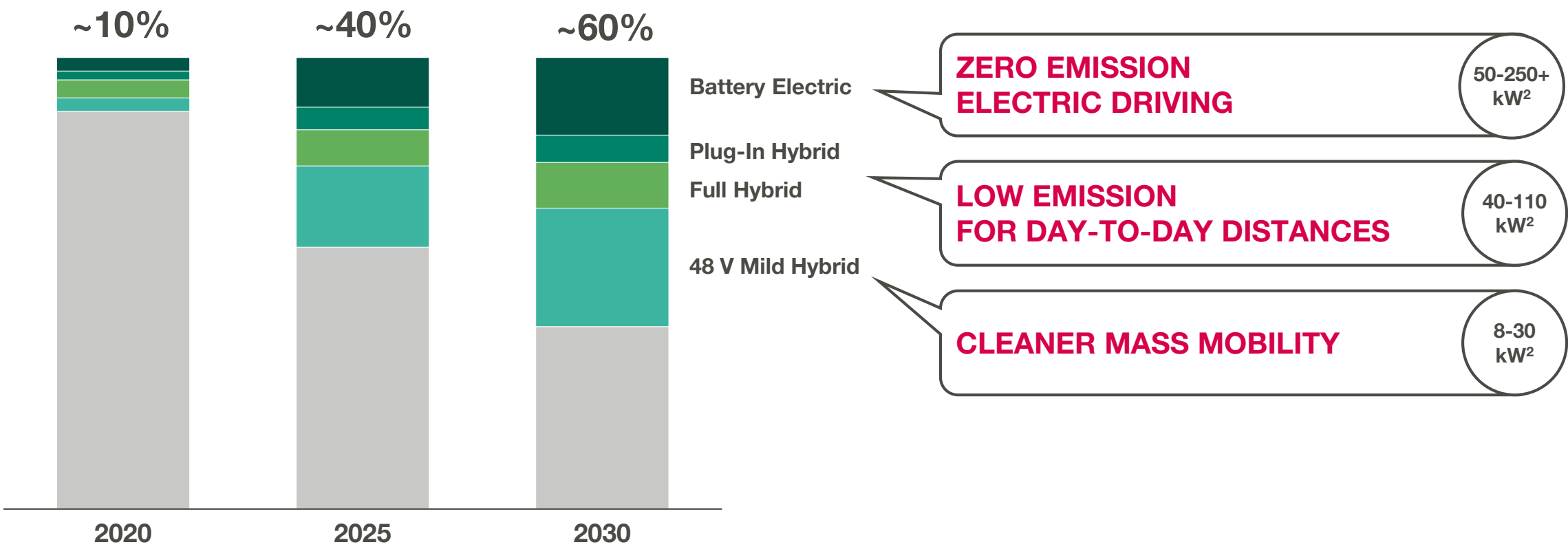
> >5x electrification sales increase targeted mid-term<sup>4</sup>

Source: Company information. Notes: <sup>1</sup> Roland Berger, “Powertrain Market Industry Study”, 12/2020. <sup>2</sup> Electrification share represents expected. <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

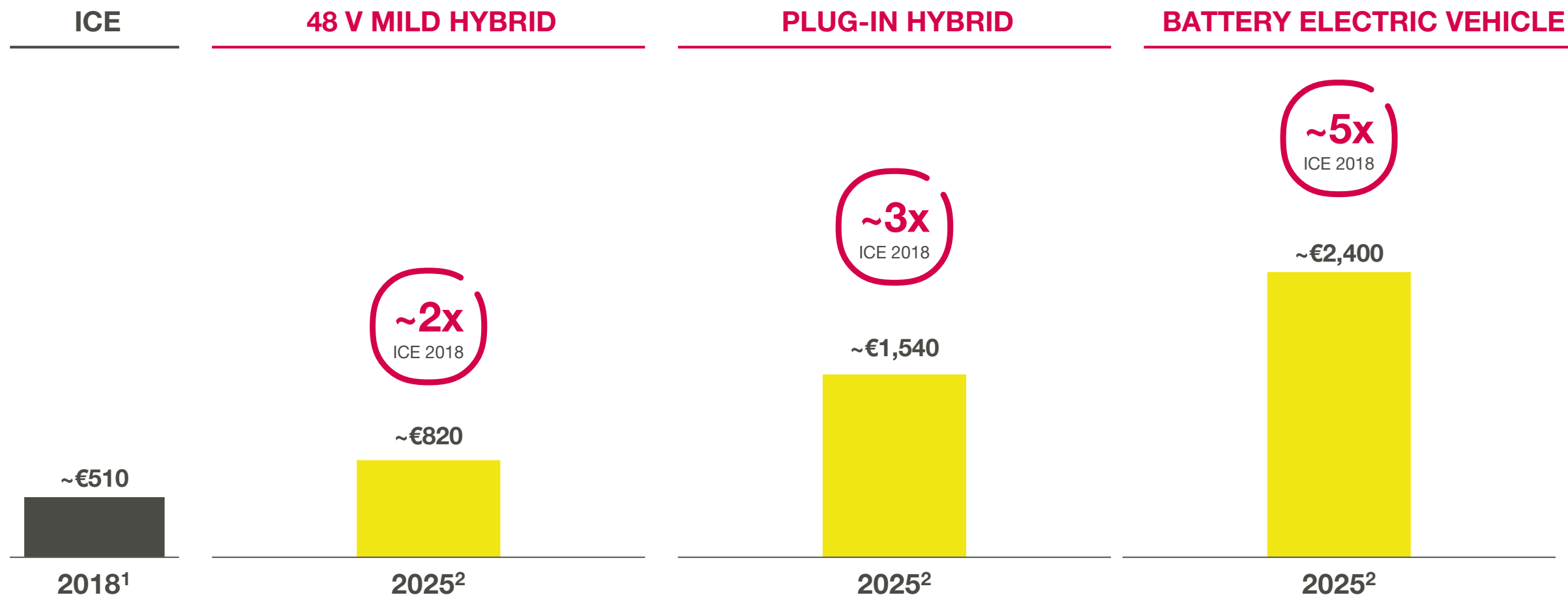


ELECTRIFICATION SHARE IN GLOBAL LIGHT VEHICLE PRODUCTION<sup>1</sup>



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

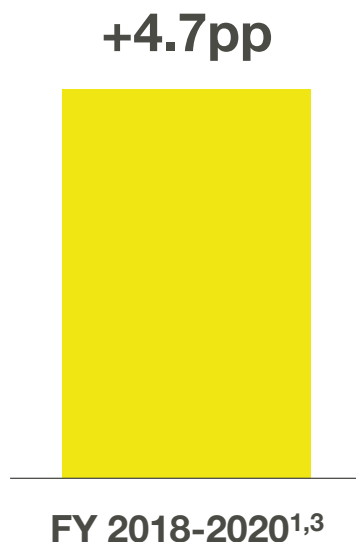


Source: <sup>1</sup> Company estimate based on expert studies prepared in cooperation with Vitesco Technologies. Reflects the CPV opportunity for the portfolio offering in 2018. <sup>2</sup> Roland Berger, "Powertrain Market" Study, 12/2020. Reflects the CPV opportunity for the current portfolio offering.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

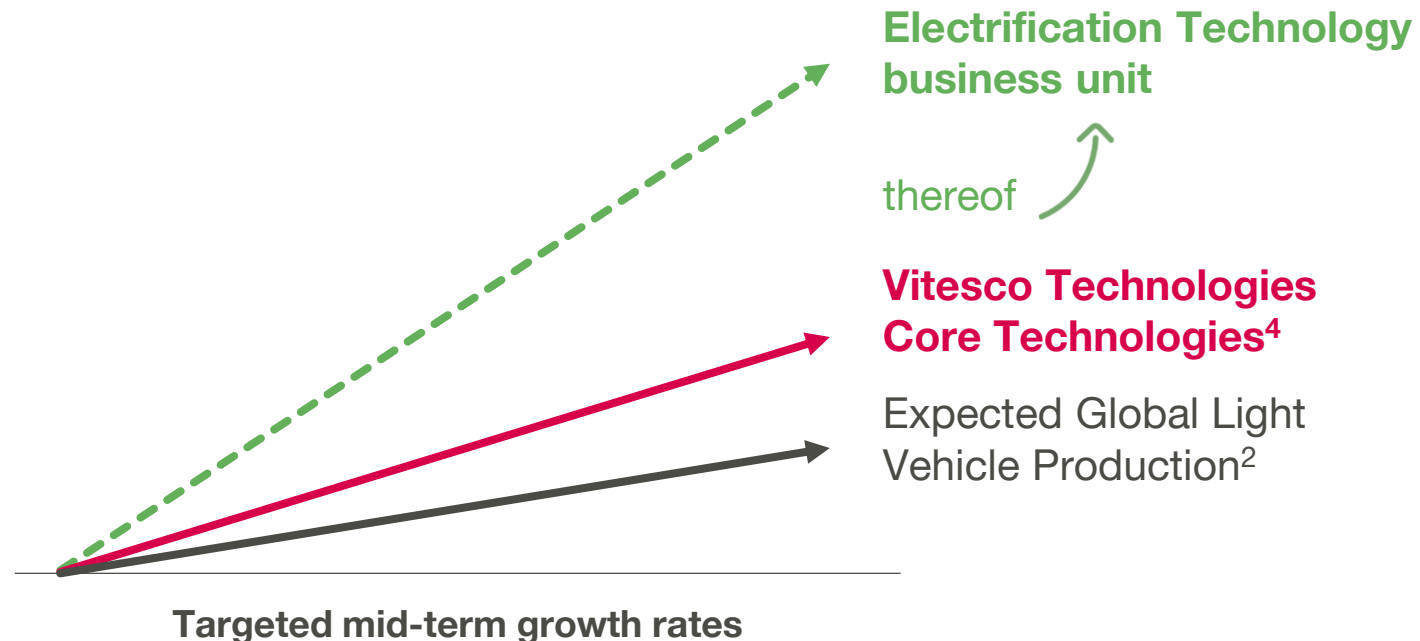
# WE ARE WELL POSITIONED TO OUTGROW GLOBAL LIGHT VEHICLE PRODUCTION

## HISTORIC OUTPERFORMANCE

Vitesco Technologies sales growth vs. light vehicle production growth



## CLEAR ELECTRIFICATION STRATEGY AND STRONG CORE



Source: <sup>1</sup> Company information. <sup>2</sup> IHS Markit, Alternative Propulsion Forecast, 10/2020. Notes: <sup>3</sup> Sales include non-light vehicle applications like commercial vehicles and two-wheelers. <sup>4</sup> Excluding non-core ICE technologies and Contract Manufacturing.

# 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>



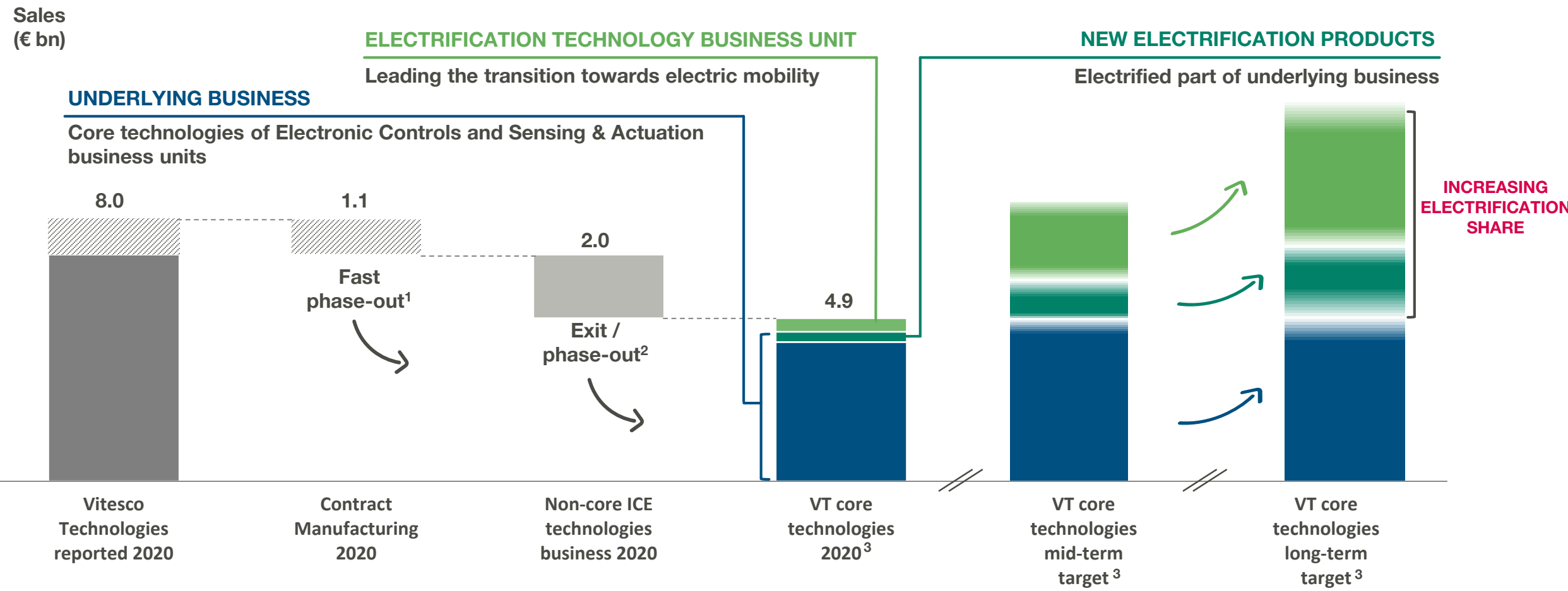
### Future-proof skillset

~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 A CLEAR VIEW 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>

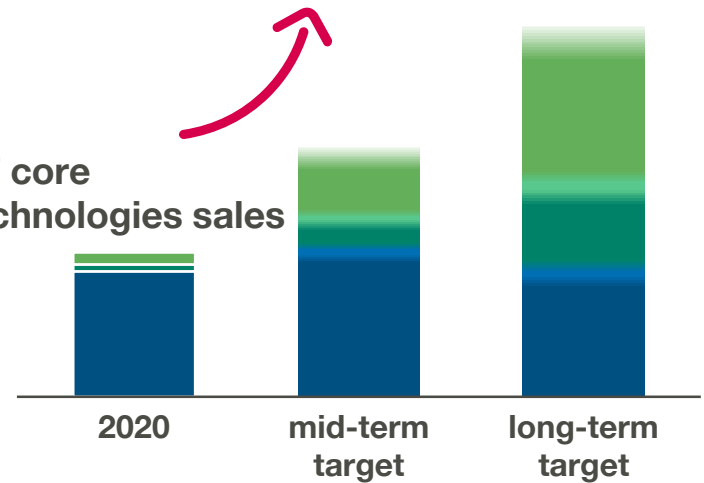
Contract Manufacturing & non-core ICE technologies sales



## SCALE-UP OF ELECTRIFICATION

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

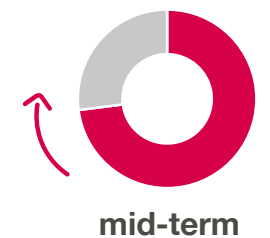
VT core technologies sales



## 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.

# 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>-4</b>	<b>257</b>	<b>253</b>
% margin	2.0%	-0.1%	5.6%	3.2%
<b>Adj. EBITDA<sup>1</sup></b>	<b>536</b>	<b>33</b>	<b>366</b>	<b>400</b>
% margin	5.9%	1.0%	7.9%	5.0%
 <b>EBIT</b>	<b>-635</b>	<b>-302</b>	<b>-22</b>	<b>-324</b>
% margin	-7.0%	-8.9%	-0.5%	-4.0%
<b>Adj. EBIT<sup>2</sup></b>	<b>53</b>	<b>-211</b>	<b>119</b>	<b>-92</b>
% margin	0.6%	-6.2%	2.6%	-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%

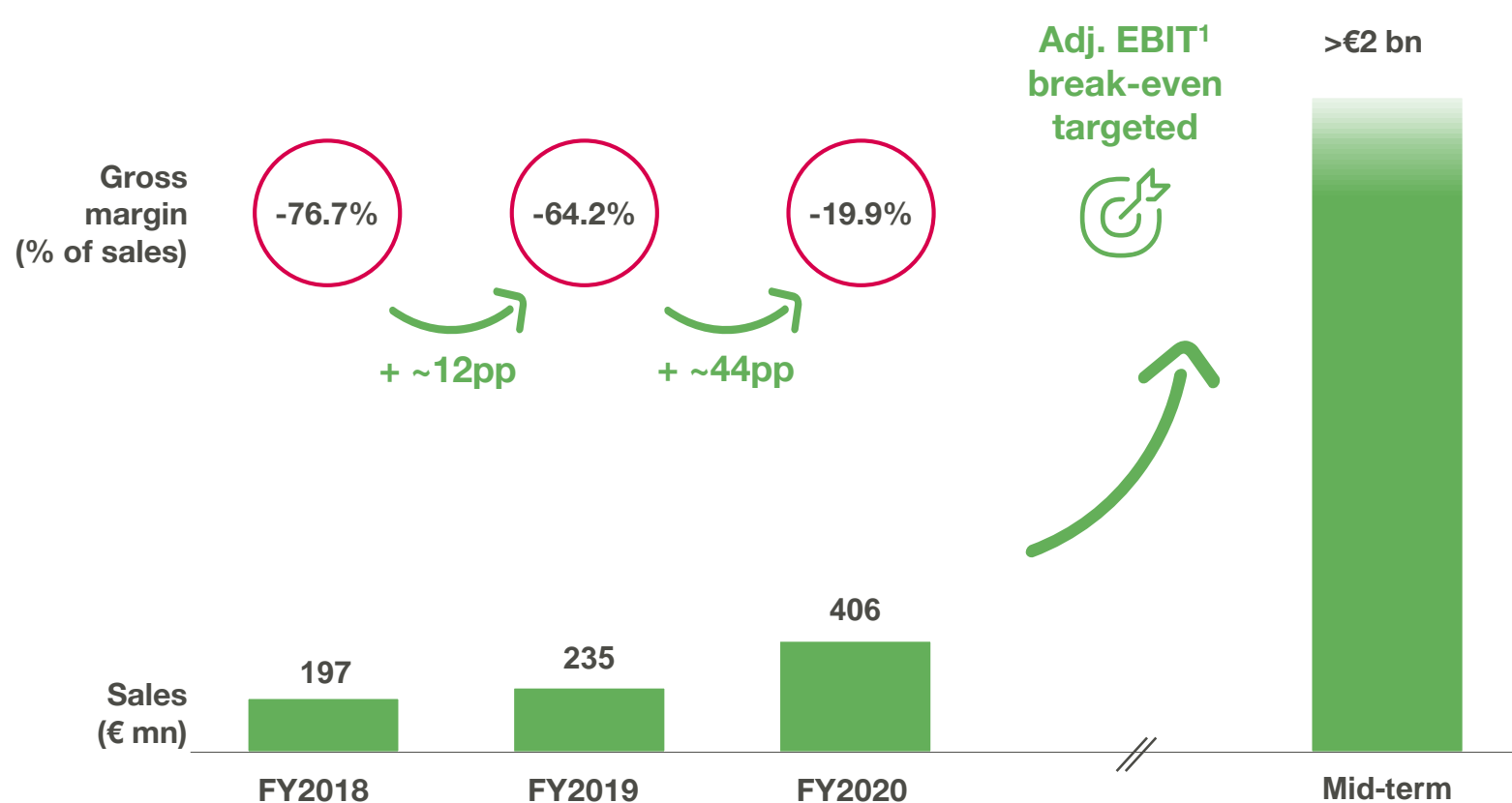
## HIGHLIGHTS & COMMENTS

-  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 27.3%
-  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



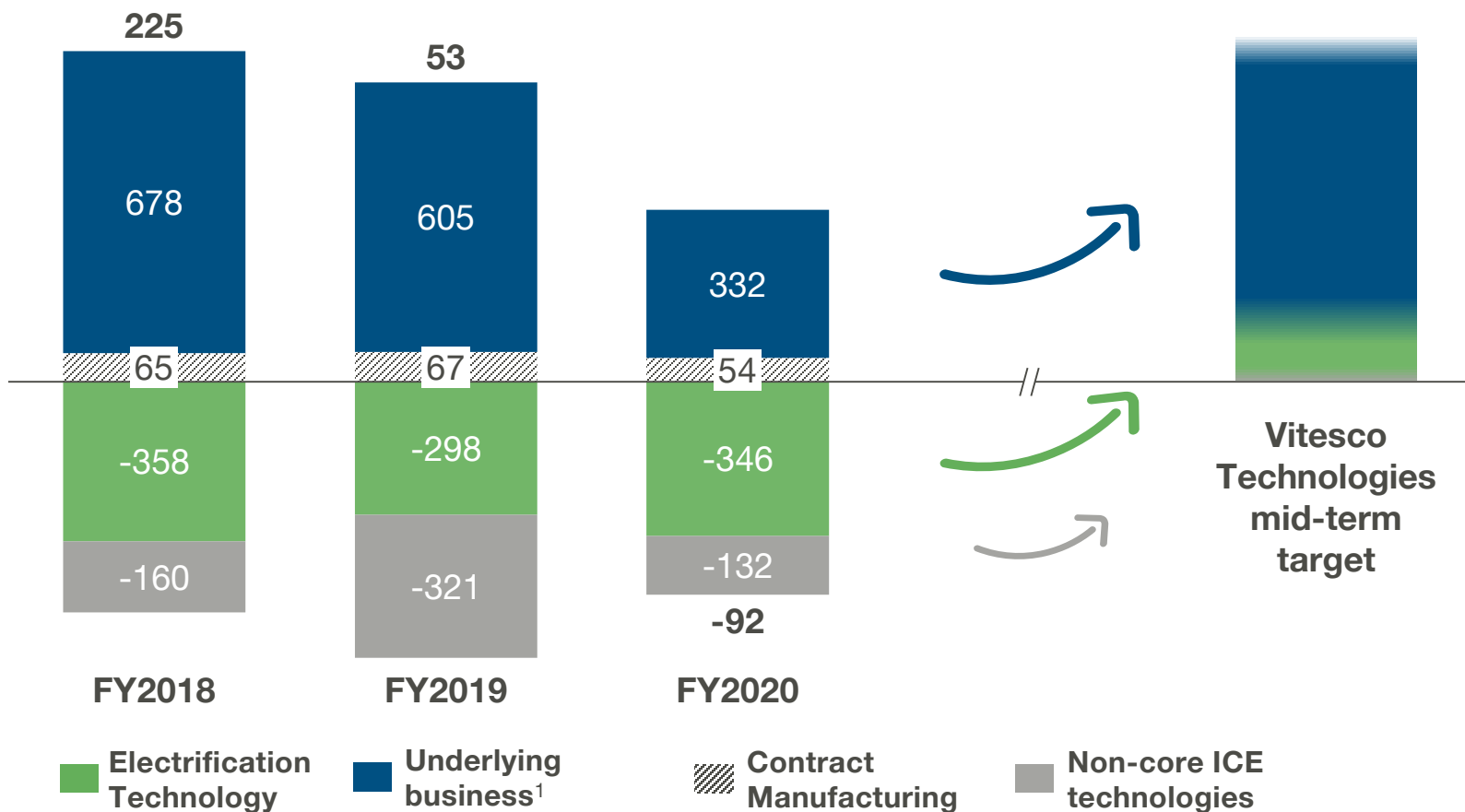
## COMMENTS

- 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

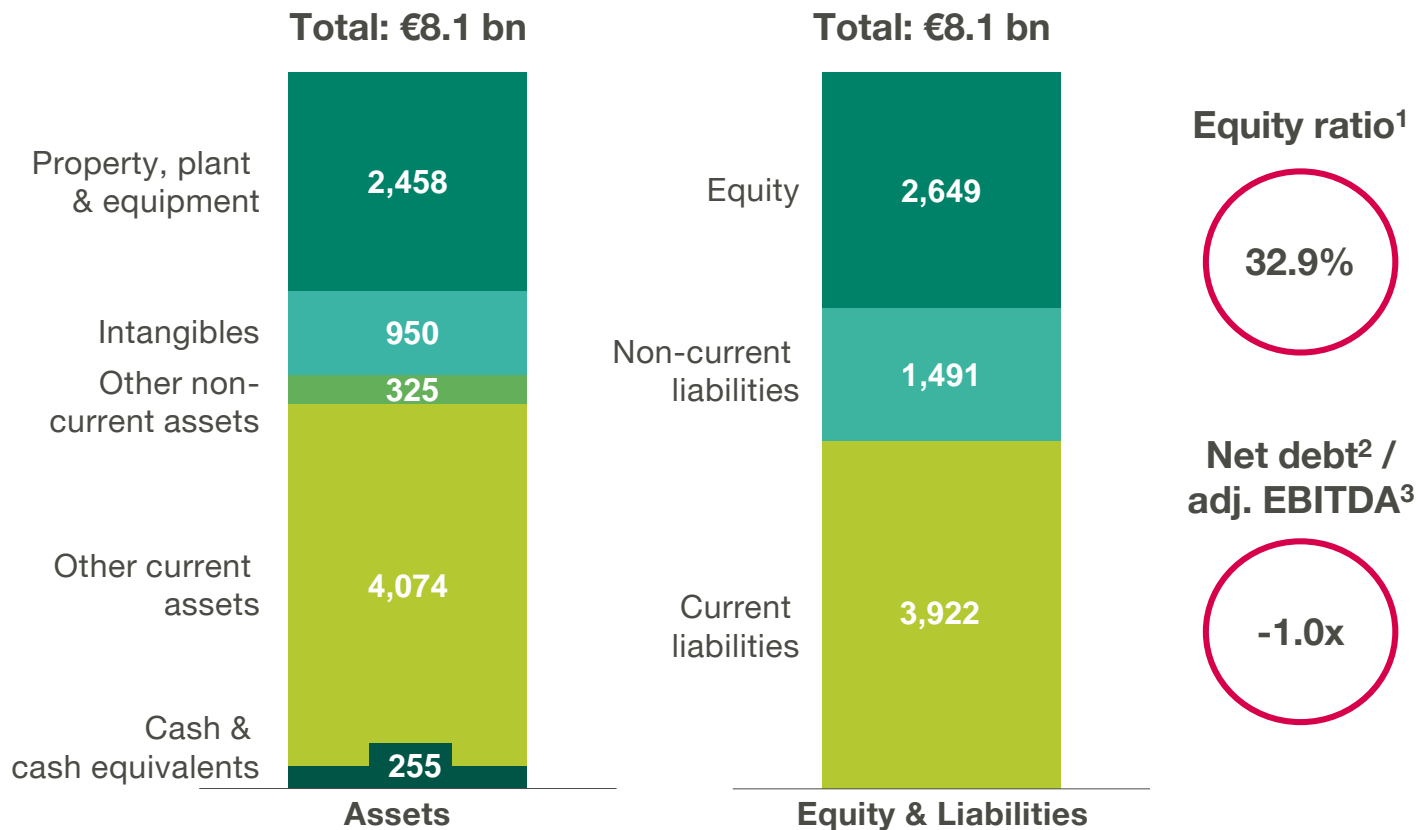
## MID-TERM TARGET

- ↻ **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.

# 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>	<b>3.0-5.0%</b>	
	<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>	<b>7.0-9.0%</b>	
	<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>	<b>3.0-5.0%</b>
		<b>Adj. EBIT<sup>2</sup></b> <i>% of sales</i>	<b>7.0-9.0%</b>
		<b>Capex<sup>3</sup></b> <i>% of sales</i>	<b>~6.0%</b>
		<b>Free cash flow</b>	<b>&gt;€400 mn</b>
		<b>Net debt<sup>5</sup> / adj. EBITDA<sup>6</sup></b>	<b>&lt;1.0x</b>
		<b>Dividend payout<sup>7</sup></b>	<b>15-30%</b>

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!**