

**Winterthur, March 4, 2020**

# **Welcome to the 2019 Annual Results Conference**



Autoneum. Mastering sound and heat.

# Agenda

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1. **Business year 2019**  
*Matthias Holzammer, CEO*
2. Financial results 2019  
*Bernhard Wiehl, CFO*
3. Outlook 2020  
*Matthias Holzammer, CEO*

# 2019: year in review



## Financials

- Organic revenue growth of 2.5% outpaced declining market
- EBIT margin before one-time impairments at 1.5% mainly due to operational losses at BG North America. Including impairments of CHF 68.0 million, EBIT margin was at -1.4%
- Net result including impairments at CHF -77.7 million
- Improved free cash flow despite lower earnings
- Waiver of dividend for 2019 proposed
- Equity ratio of 32.7% before IFRS 16 effects



## Market

- 2<sup>nd</sup> consecutive year of decreasing global automobile production
- Volume drops in all regions led to a market decline of -5.6%
  - Europe: -4.1%
  - North America: -3.8%
  - Asia: -6.2%
  - SAMEA (South America, Middle East and Africa): -10.8%
- Global production share of battery electric vehicles (BEV) still low with 2% in 2019



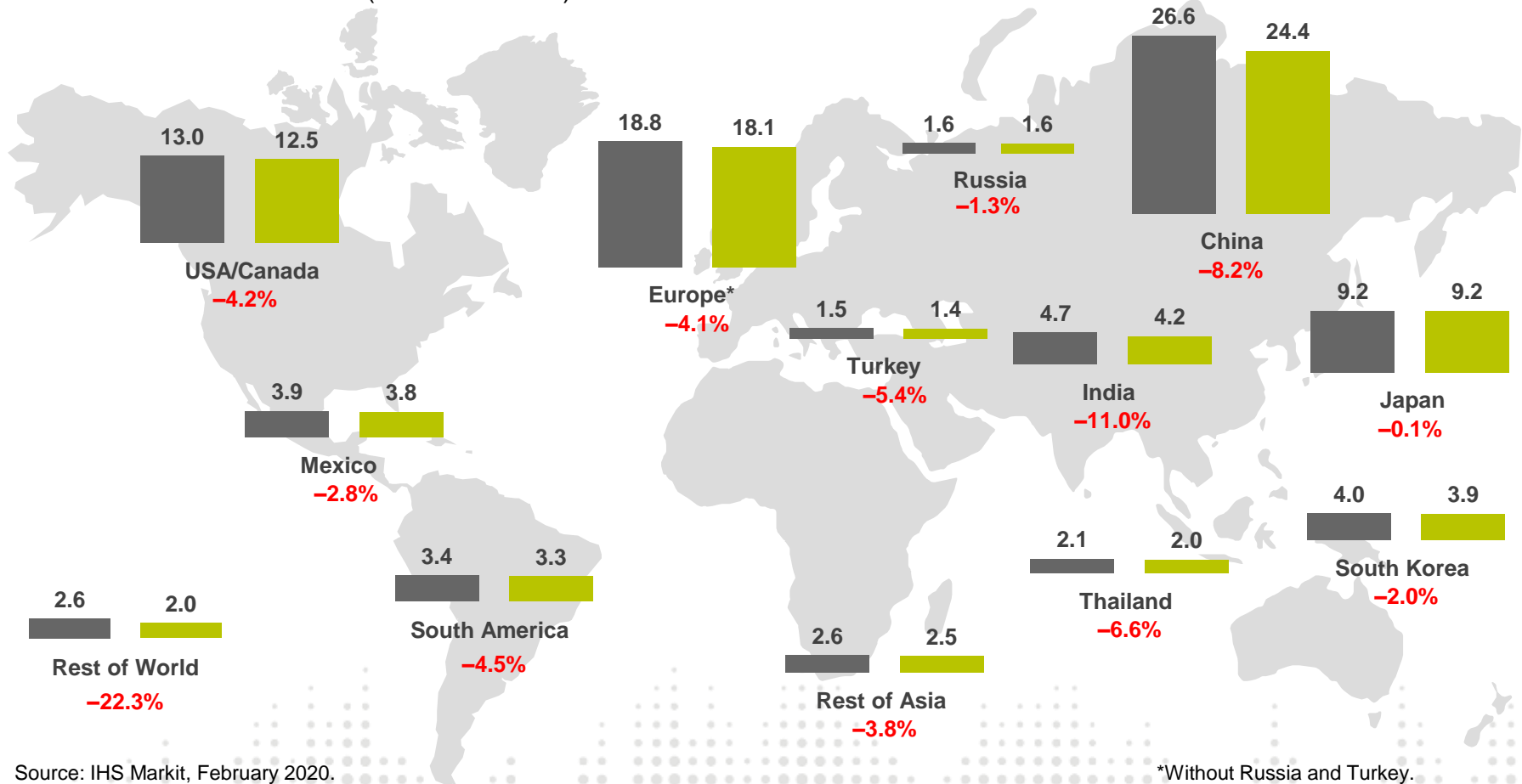
## Strategy

- Roll-out of lightweight Ultra-Silent technology in Asia
- Expansion of vertical integration by new non-woven line in Bor, Czech Republic
- Launch of dedicated BEV component: battery undercover made of Ultra-Silent
- SAP roll-out at 7 sites in Europe and China
- More than 60 sustainability projects worldwide focusing on waste, energy and water efficiency

# Light vehicle production 2019 by region

## Significant decline in all major markets

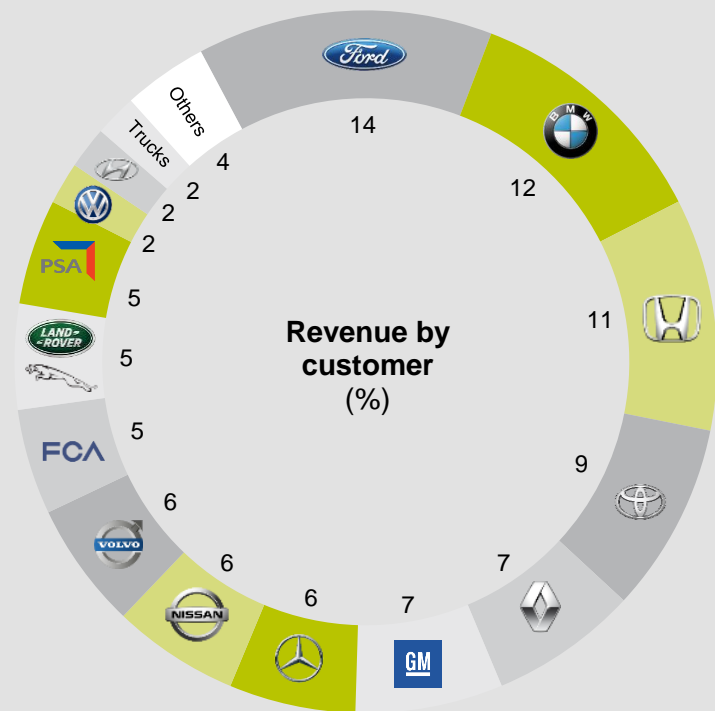
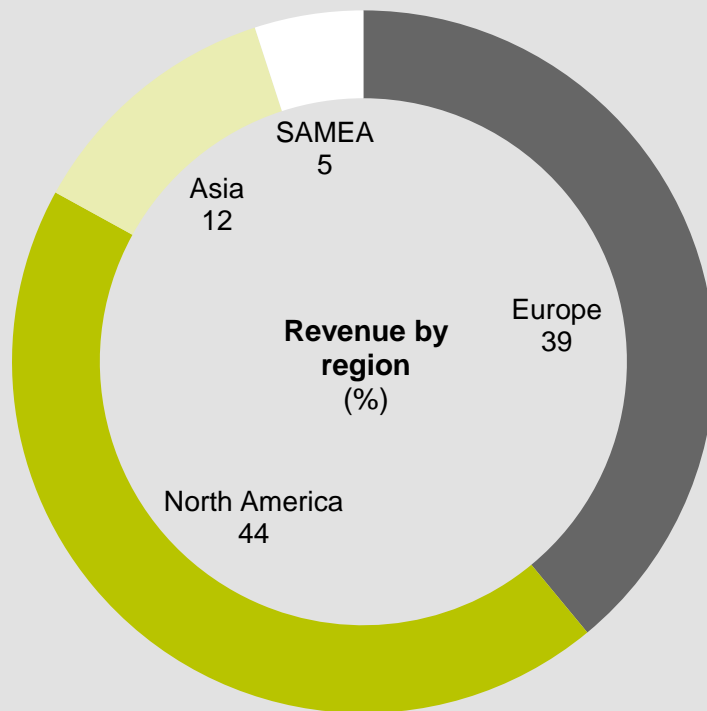
2018: 94.2 million light vehicles (LVs)  
2019: 88.9 million LVs (**-5.6%** vs. 2018)



Source: IHS Markit, February 2020.

# Split of revenue 2019

## Well-balanced customer portfolio



# Update North America

## Root causes and effects of crisis

| Root causes   |   | Effects  |
|---|---|--|
| <b>Aggressive growth and sales strategy</b>             | <ul style="list-style-type: none"> <li>➤ Aggressive acquisition pricing</li> <li>➤ Launch without production-ready products</li> <li>➤ Lack of risk and complexity consideration</li> </ul>                                       | <b>Destabilization of two US plants</b>                |
| <b>Lack of required production capabilities</b>         | <ul style="list-style-type: none"> <li>➤ Limited customer know-how of European customer requirements</li> <li>➤ New hires with limited experience</li> <li>➤ Little local industrial and operational experience</li> </ul>        | <b>Overinvested footprint with large overhead</b>      |
| <b>Lack of processes and internal data transparency</b> | <ul style="list-style-type: none"> <li>➤ Weak program management</li> <li>➤ Lack of proper financial and operational controlling</li> </ul>   |  |
| <b>Sub-optimal production set-up</b>                    | <ul style="list-style-type: none"> <li>➤ Too much equipment and tooling from new suppliers</li> <li>➤ Unplanned shift of programs from US plant in Aiken (SC) to other North American plants in order to ensure supply</li> </ul> | <b>Negative supplier status with customers on site</b> |

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# Key figures

## Overview

| CHF million                           | 2018   | 2019          | Change |
|---------------------------------------|--------|---------------|--------|
| Revenue                               | 2281.5 | <b>2297.4</b> | 15.9   |
| EBITDA                                | 197.2  | <b>164.0</b>  | −33.2  |
| <i>in % of revenue (change in pp)</i> | 8.6%   | <b>7.1%</b>   | −1.5   |
| EBIT before one-time effects*         | 114.1  | <b>35.0</b>   | −79.1  |
| <i>in % of revenue (change in pp)</i> | 5.0%   | <b>1.5%</b>   | −3.5   |
| EBIT                                  | 114.1  | <b>−32.9</b>  | −147.0 |
| <i>in % of revenue (change in pp)</i> | 5.0%   | <b>−1.4%</b>  | −6.4   |
| Net result                            | 74.7   | <b>−77.7</b>  | −152.4 |
| Investments in tangible assets        | 162.6  | <b>125.8</b>  | −36.8  |
| Free cash flow                        | −40.7  | <b>−9.9</b>   | 30.8   |
| RONA (change in pp)                   | 7.8%   | <b>−3.9%</b>  | −11.8  |
| Basic earnings per share (EPS) in CHF | 11.83  | <b>−20.82</b> | −32.65 |

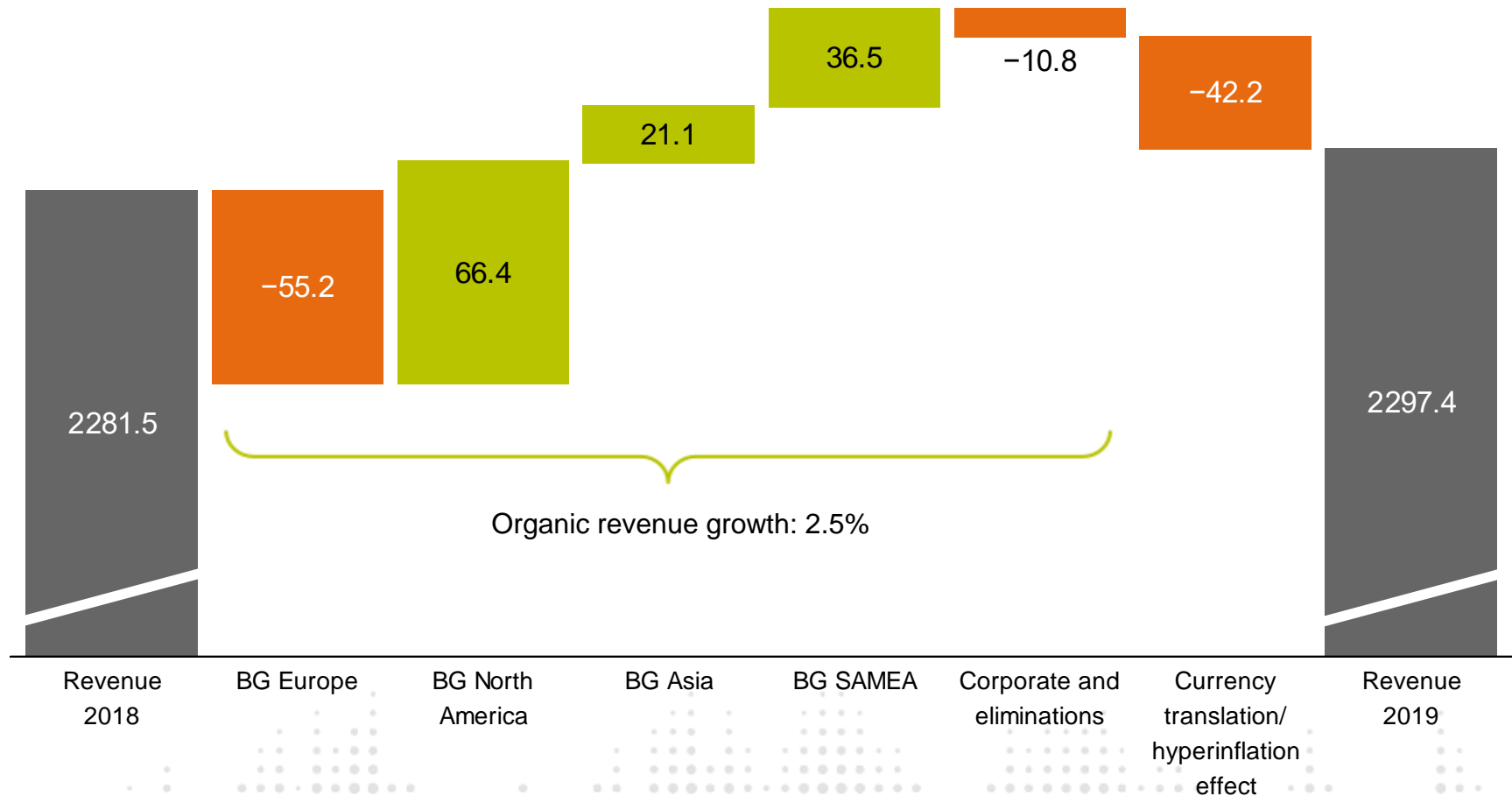
\*Without one-time effects from impairment of fixed assets.



# Revenue development

## Growth in declining global market

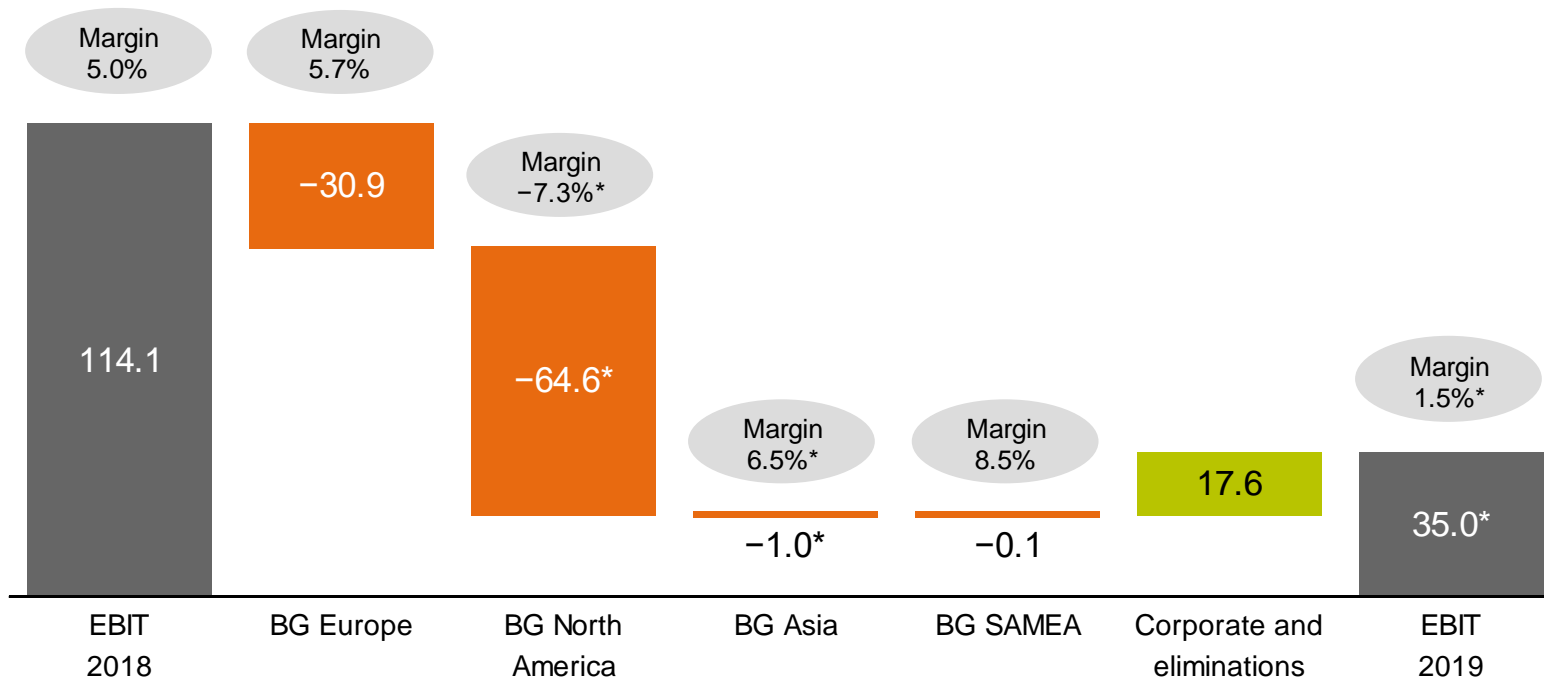
CHF million



# EBIT development\*

## Declining market and inefficiencies impacted EBIT

CHF million



\*Before one-time effects from impairment of fixed assets.

# Income statement

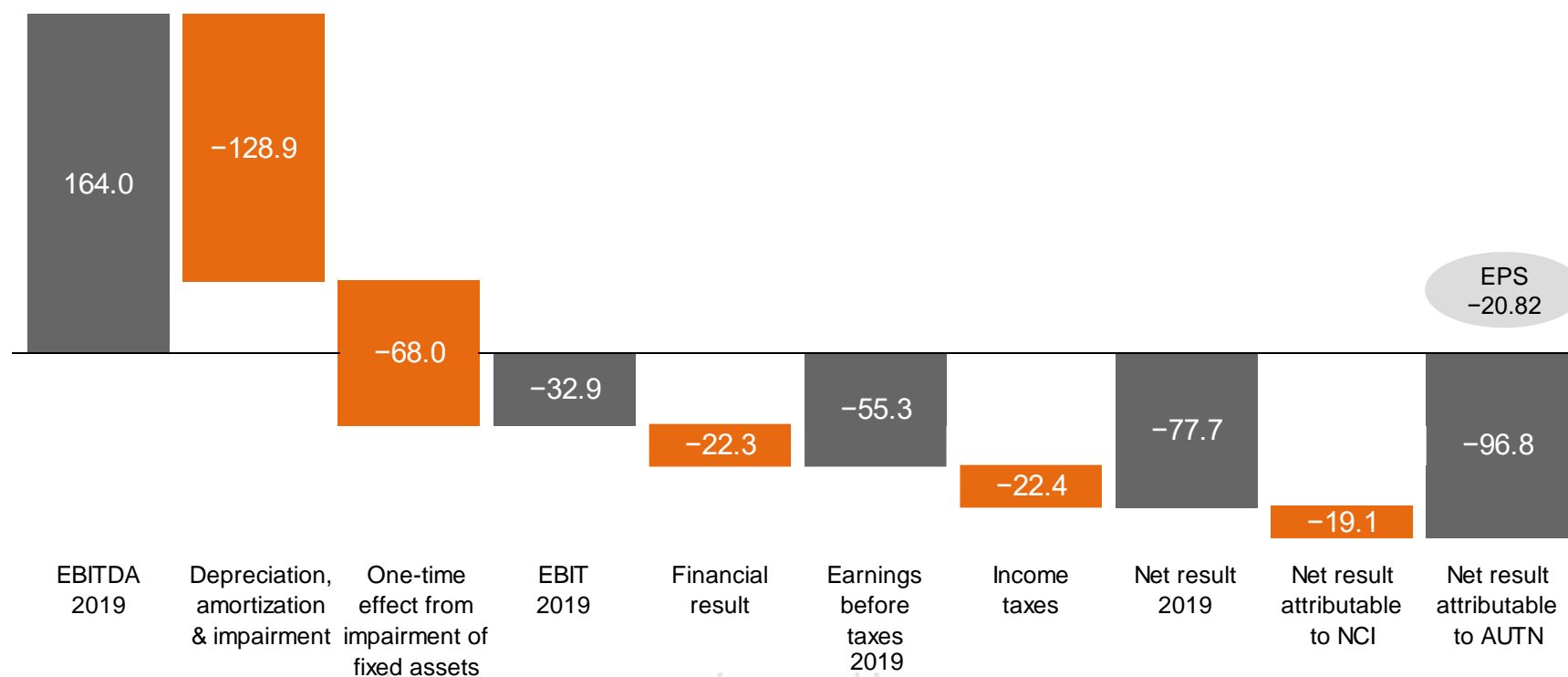
## New standard for lease accounting (IFRS 16)

| CHF million                             | 2018         | 2019<br>(excl. IFRS 16) | IFRS 16<br>effects | 2019<br>(incl. IFRS 16) |
|---|--------------|-------------------------|--------------------|-------------------------|
| Revenue                                 | 2 281.5      | 2 297.4                 |                    | 2 297.4                 |
| Material expenses                       | -1 101.1     | -1 154.6                |                    | -1 154.6                |
| Employee expenses                       | -627.3       | -642.8                  |                    | -642.8                  |
| Other expenses                          | -404.1       | -401.2                  | 38.0               | -363.2                  |
| Other income                            | 48.1         | 27.3                    |                    | 27.3                    |
| <b>EBITDA</b>                           | <b>197.2</b> | <b>126.0</b>            | <b>38.0</b>        | <b>164.0</b>            |
| <i>in % of revenue</i>                  | 8.6%         | 5.5%                    | 1.7%               | 7.1%                    |
| Depreciation, amortization & impairment | -83.1        | -163.6                  | -33.3              | -196.9                  |
| <b>EBIT</b>                             | <b>114.1</b> | <b>-37.6</b>            | <b>4.7</b>         | <b>-32.9</b>            |
| <i>in % of revenue</i>                  | 5.0%         | -1.6%                   | 0.2%               | -1.4%                   |
| Financial result                        | -9.6         | -11.4                   | -10.9              | -22.3                   |
| <b>Earnings before taxes</b>            | <b>104.5</b> | <b>-49.0</b>            | <b>-6.2</b>        | <b>-55.3</b>            |
| Income taxes                            | -29.8        | -23.4                   | 1.0                | -22.4                   |
| <b>Net result</b>                       | <b>74.7</b>  | <b>-72.5</b>            | <b>-5.2</b>        | <b>-77.7</b>            |

# Net result

## Walk from EBITDA to net result

CHF million



## Balance sheet

# Lower equity ratio as a result of higher net debt

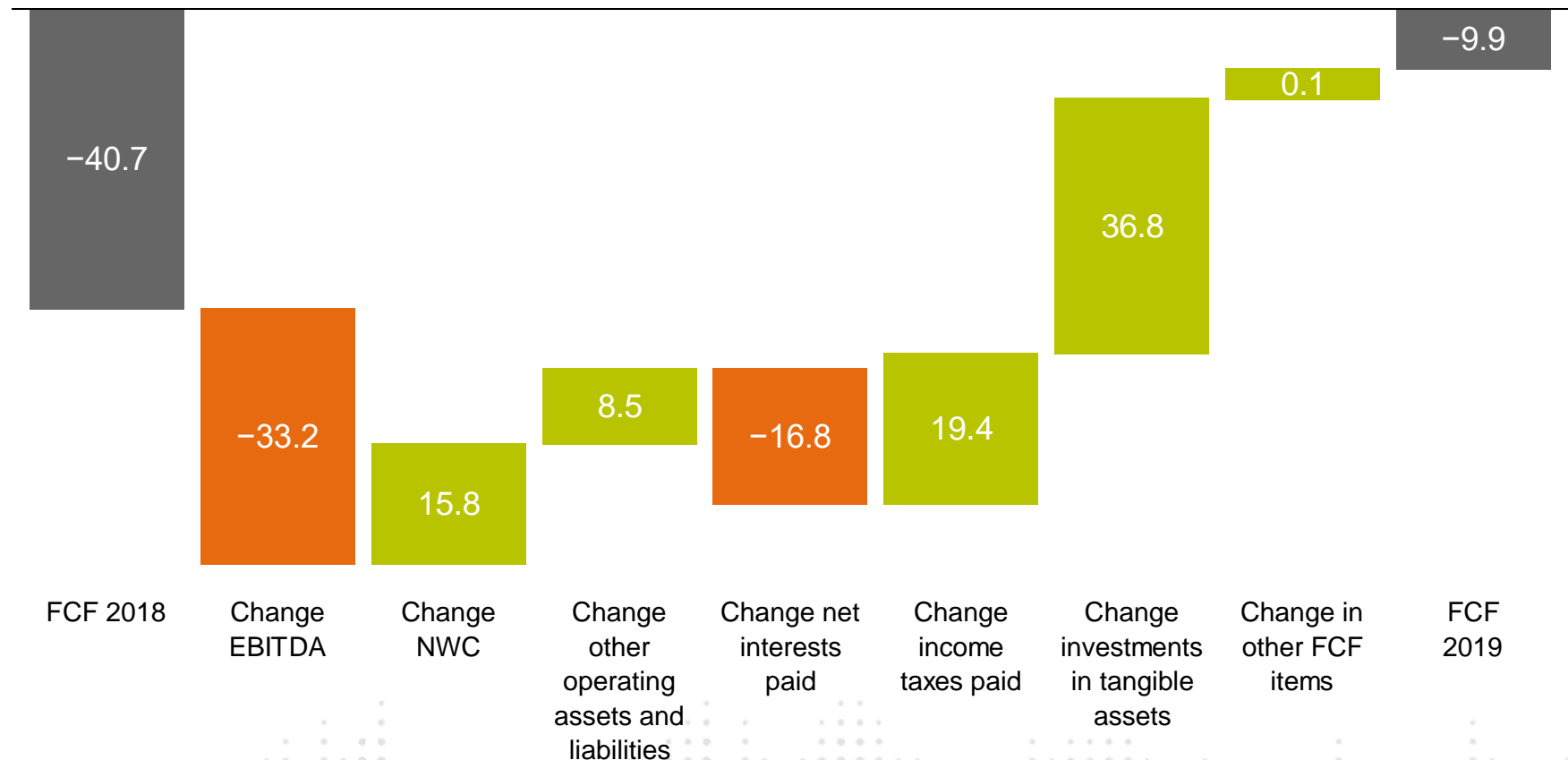
| CHF million                                 | 31.12.2018 | 31.12.2019<br>(excl. IFRS 16) | IFRS 16<br>effects | 31.12.2019<br>(incl. IFRS 16) |
|---|------------|-------------------------------|--------------------|-------------------------------|
| <b>Total assets</b>                         | 1601.3     | <b>1 539.4</b>                | 299.7              | <b>1 839.1</b>                |
| Non-current assets<br>(excl. leased assets) | 878.1      | <b>857.0</b>                  | 1.0                | <b>858.0</b>                  |
| Leased assets                               | 19.4       | <b>18.0</b>                   | 298.7              | <b>316.7</b>                  |
| Net working capital                         | 99.6       | <b>86.2</b>                   |                    | <b>86.2</b>                   |
| Cash and cash<br>equivalents                | 93.1       | <b>98.7</b>                   |                    | <b>98.7</b>                   |
| Borrowings (excl.<br>lease liabilities)     | 355.9      | <b>433.7</b>                  |                    | <b>433.7</b>                  |
| Lease liabilities                           | 21.0       | <b>20.2</b>                   | 304.4              | <b>324.6</b>                  |
| Net debt                                    | 283.7      | <b>355.2</b>                  | 304.4              | <b>659.6</b>                  |
| <b>Shareholders'<br/>equity</b>             | 627.7      | <b>503.6</b>                  | -4.7               | <b>498.9</b>                  |
| <i>in % of total assets</i>                 | 39.2%      | <b>32.7%</b>                  | -5.6%              | <b>27.1%</b>                  |

- Investments in tangible assets reduced by CHF 36.8 million compared to 2018
- Net working capital slightly below 2018 level
- Higher net debt caused by negative free cash flow and dividend payments
- Equity ratio including IFRS 16 effects lowered to 27.1% mainly due to dividend payments and the negative net result

# Free cash flow (FCF) generation

## Improved free cash flow despite lower earnings

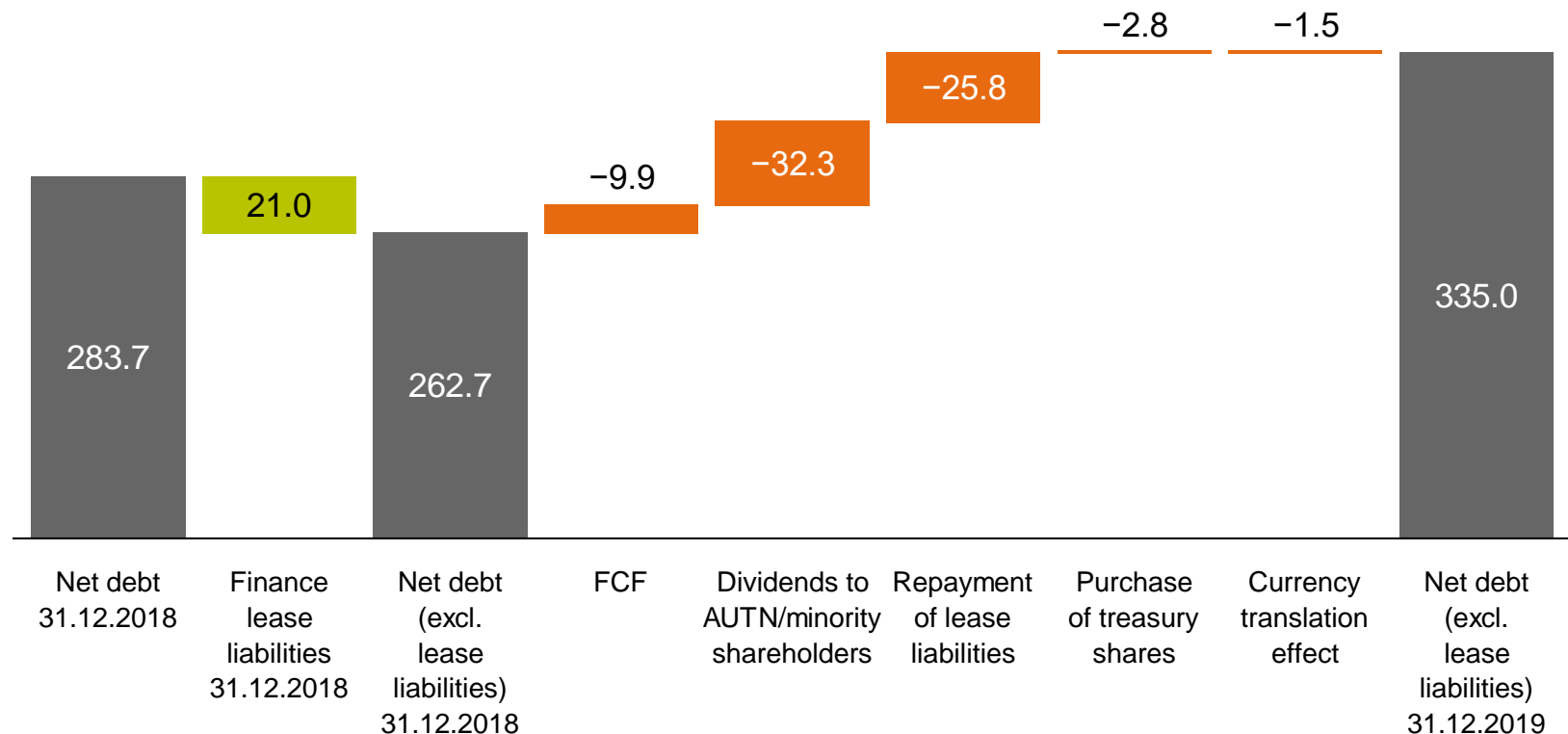
CHF million



# Net debt

## Higher net debt due to lack in FCF generation

CHF million



# Agenda

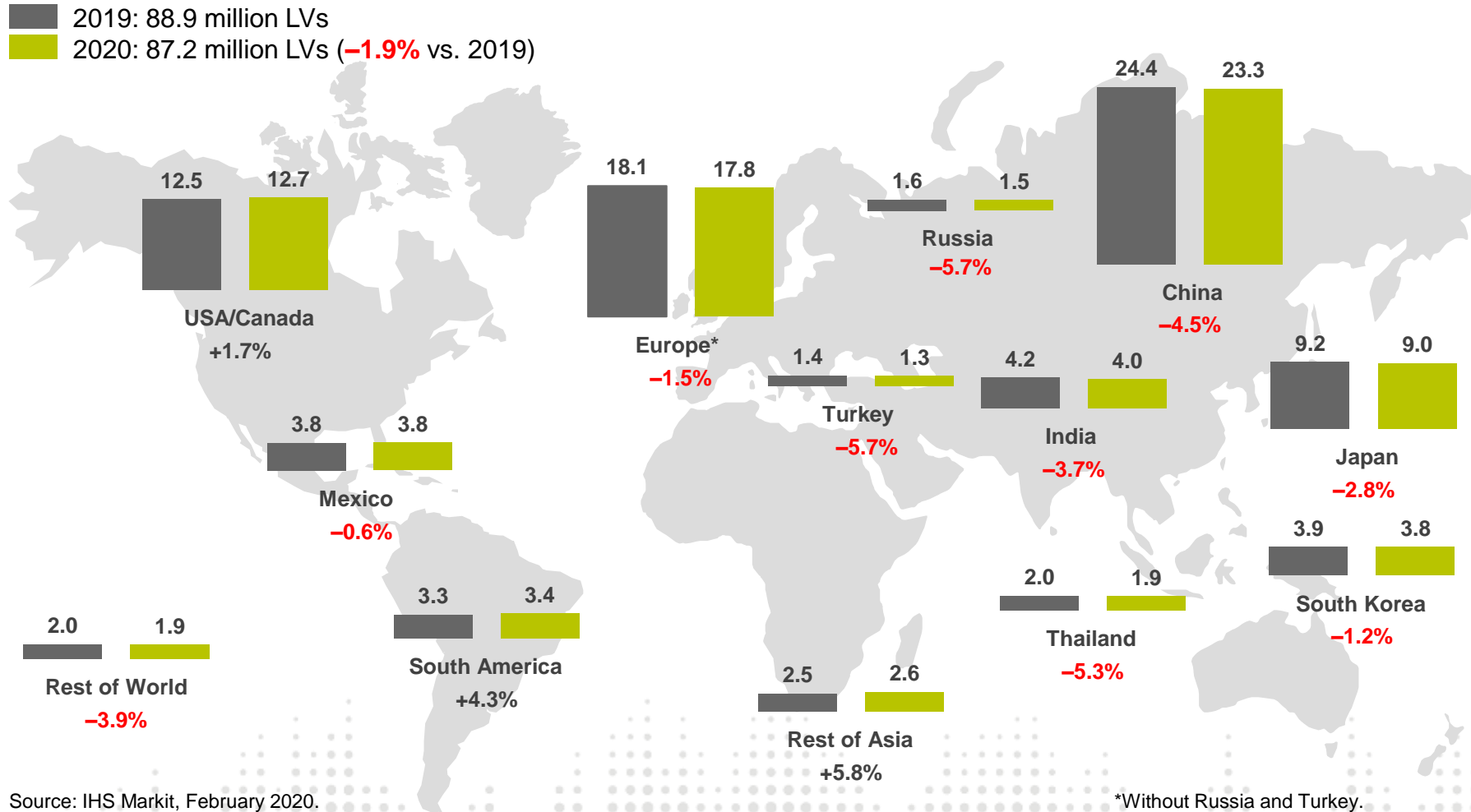
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# Light vehicle production forecast 2020

## Further decline in global automobile production



# Outlook

## Action plan 2020

### Improve profitability

- Turnaround program BG North America
  - Implementation of improvement actions to significantly reduce losses in 2020
  - Identification of additional improvements beyond 2020
- Increase in manufacturing performance at all Business Groups
  - Reduction of scrap rates
  - Increase machine utilization
  - Increase share of recycled material
  - Reduction of production inventory
- Strict cost management in all other areas

### Generate positive free cash flow and reduce net debt

- Reduction of production and tooling inventories
- Utilization of high investments of past years

### Improve product portfolio and innovate for e-mobility

- Advancement of existing product portfolio (performance, costs & sustainability)
- Development of additional dedicated BEV components



# Action plan turnaround North America

## Turnaround program in full swing

- Comprehensive North America turnaround program initiated and implementation started at all locations
- Specific action plan for US plant in Aiken in order to improve operational and commercial performance

**Seven work packages have been implemented:**

### Plant efficiency

- Efficiency increases through optimization of material, production, operational and indirect labor expenses based on benchmark

### Sales excellence

- Pricing adjustments based on volume and program changes
- Change management

### Launch reliability

- Transfer of lessons learnt to future program launches
- Secure launch readiness and profitability of new programs

### Purchasing & supply chain

- Material cost reduction driven by commodity benchmark of other BGs
- Freight cost optimization

### Overhead & SG&A

- Optimize overhead structures and selling, general and administrative (SG&A) expenses

### Footprint

- Product-plant allocation optimization
- Transfer of carpet program from back-up location to US plant in Aiken
- Utilization of free capacity in new Mexican plant

### Aiken improvement plan

- Reduce off-standards
- Improve product design and manufacturing processes
- Optimize layout and material flows
- Commercial negotiations

# Turnaround program in North America

## Improvements of Aiken plant in USA

**Dedicated support from internal expert team working on Aiken plant recovery since Q4/2019**

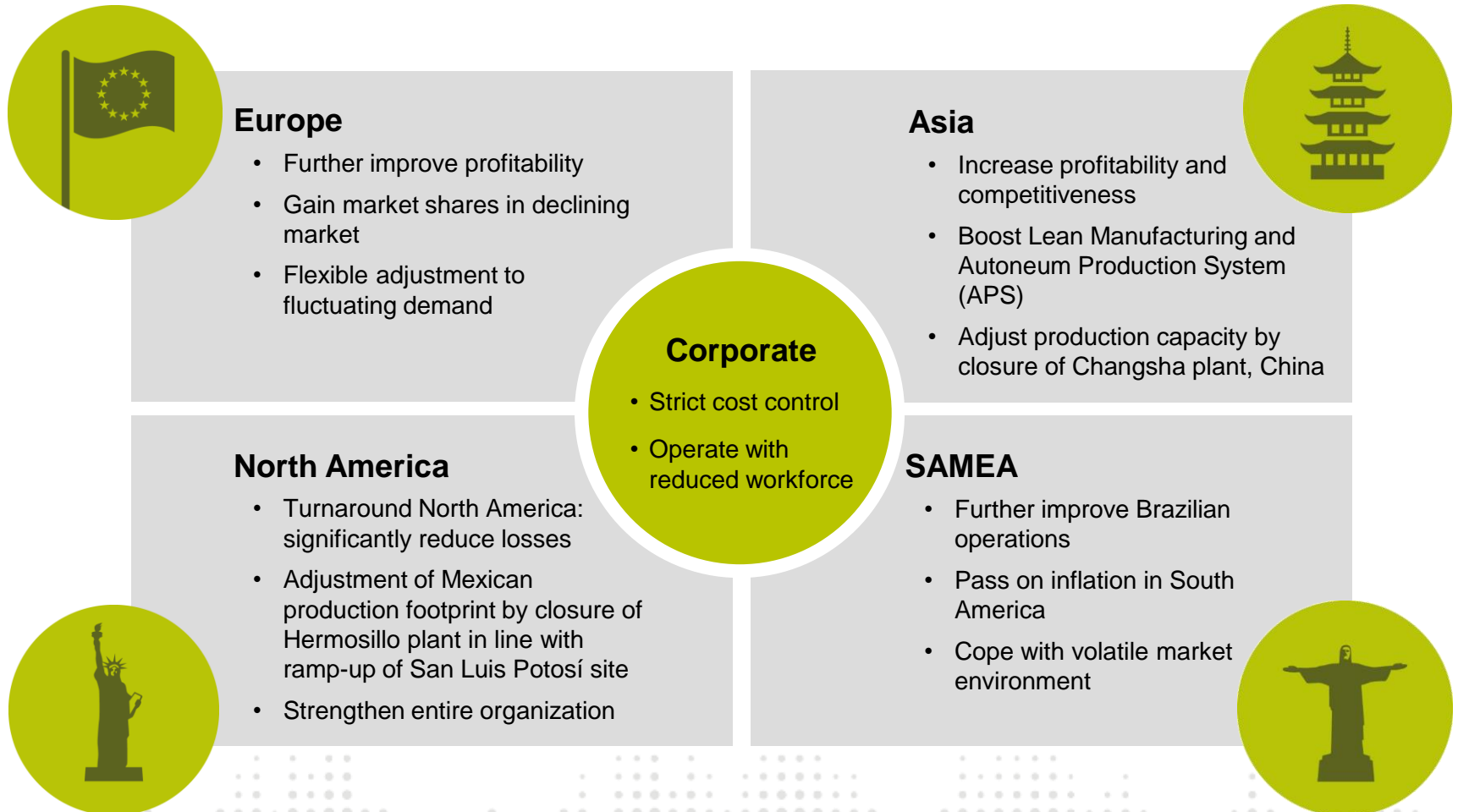
First achievements:

- Production inventory reduced from CHF 9.5 million to CHF 6 million
- Scrap rates improved from >12% to <4%
- Direct labor reduced from 480 to 330 employees
- Other manufacturing expenses reduced by CHF ~ 0.3 million per month
- Carpet blank sizes were decreased by 10%
- Various product optimizations are being tested with customers and have been implemented partly
- First successful negotiations on requested product changes with one of two major customers, negotiations ongoing



## Action plan 2020 per region

### Focus on turnaround in North America



# Guidance 2020



## Revenue

Revenue growth is expected to be at market level.



## Market

Global automobile production is forecasted to decrease.\*



## Profitability & cash

- Based on the uncompromising focus on the turnaround and the implementation of corresponding measures in North America, Autoneum aims at significant increases in profitability and a slightly positive net result.
- Free cash flow should be in the mid double-digit million range, having a positive effect on net debt.
- Based on further operational and financial improvements in 2021 ("Year of Transition"), Autoneum expects a return to a sound profitability level in 2022.

\*IHS Markit 2020.





# autoneum

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# Contacts and event calendar

## Investors and Financial Analysts

Bernhard Weber  
Head Financial Services & IR

T +41 52 244 82 07

[investor@autoneum.com](mailto:investor@autoneum.com)

## Media

Dr Anahid Rickmann  
Head Corporate Communications &  
Responsibility

T +41 52 244 83 88

[media.inquiry@autoneum.com](mailto:media.inquiry@autoneum.com)

## Contact address

Autoneum Holding Ltd.  
Schlosstalstrasse 43 / P.O. Box  
CH-8406 Winterthur

[www.autoneum.com](http://www.autoneum.com)

## Important dates 2020

Annual General Meeting 2020  
2020 Semi-Annual Results

March 25, 2020  
July 28, 2020

## Autoneum on SIX Swiss Exchange:

|               |              |
|---------------|--------------|
| Ticker Symbol | AUTN         |
| Valor Number  | 12748036     |
| ISIN          | CH0127480363 |



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