



# Intelligent energy and data solutions for tomorrow's world

Investor Presentation Q3/9M 2018

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**LEONI**



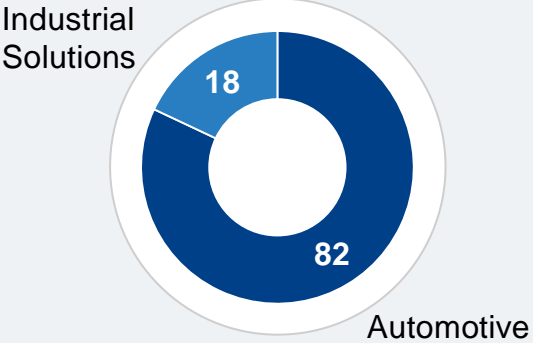
Introduction LEONI Group

**Passion for intelligent  
energy and data solutions**

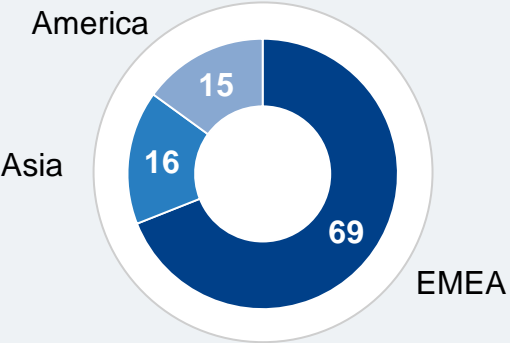
# A global leader in wiring systems and cable technology

LEONI at a glance

## Business mix (in % of sales)



## Regional mix (in % of sales)



### Leading market positions

- › #1 in automotive special cables globally
- › #1 in automotive wiring systems in Europe
- › #3 cable manufacturer in Europe
- › Innovation leader

### System solutions provider

- › Intelligent cable solutions from a single provider
- › Setting future standards
- › Focus on growth markets
- › Global production network

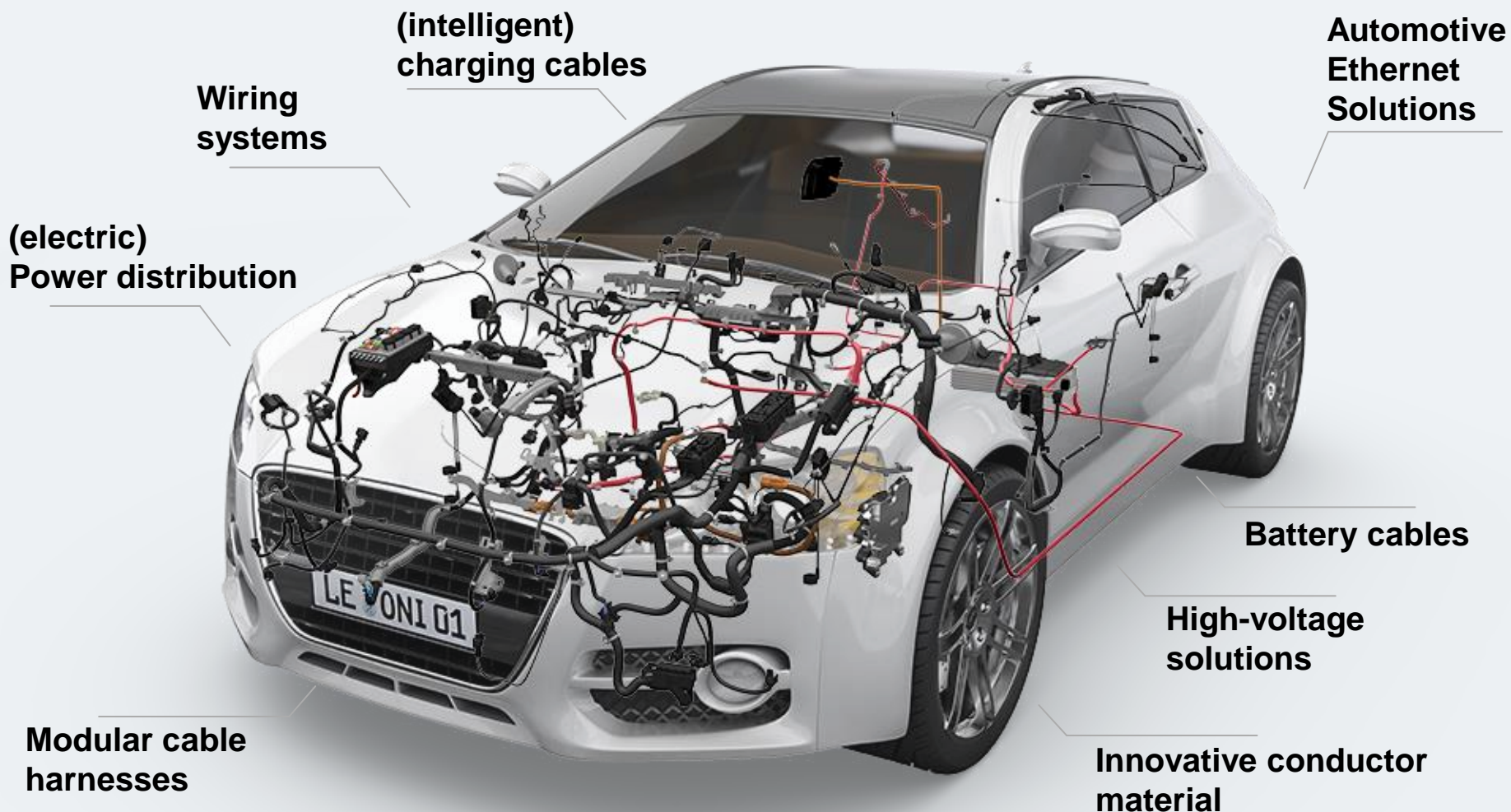
### Megatrends support growth strategy

- › Electrification
- › Connectivity
- › Autonomous driving
- › Digitalisation

\*CAGR

# We provide the central nervous system for today's and tomorrow's vehicles

Automotive



**From a wiring system supplier to a passionate provider of energy and data solutions**

Our reliable high performance products are essential for:

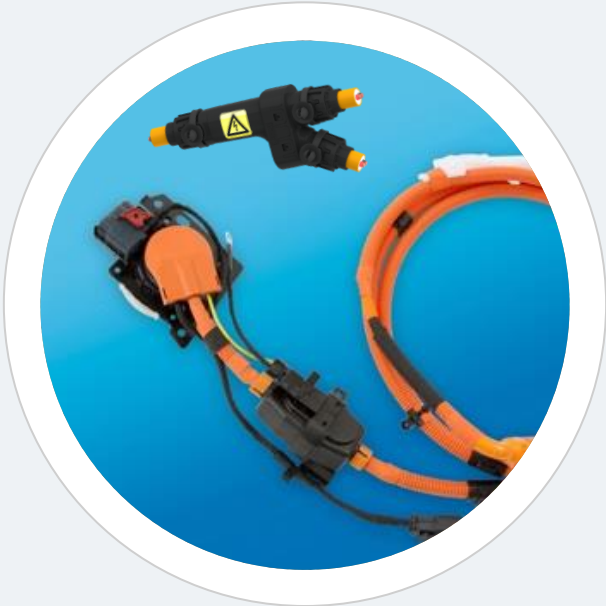
- › E-mobility
- › Autonomous driving
- › Connectivity

# LEONI continuously demonstrates its leading position in automotive solutions

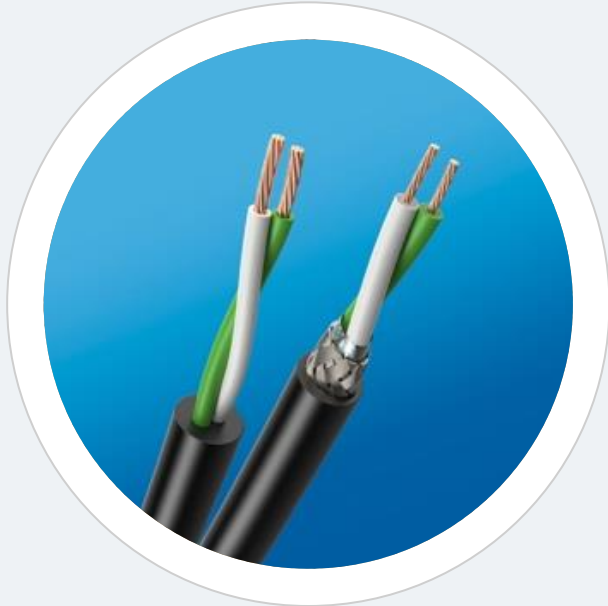
Market leading innovations



**Intelligent energy solutions**



**High voltage wiring systems**



**Intelligent data solutions**

# Leveraging our know-how for innovative industrial solutions

## Industrial Solutions



### **Products and services:**

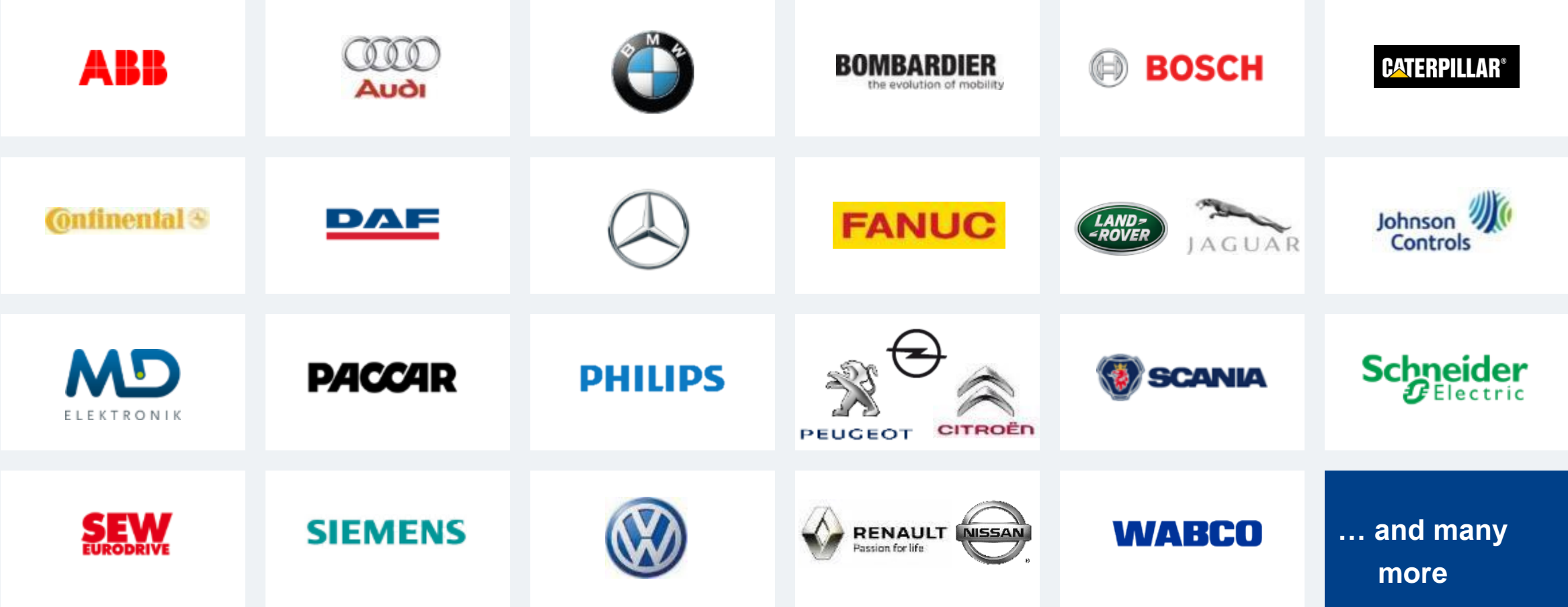
- › Cables
- › Cable assemblies/harnesses
- › Complete systems
- › Engineering solutions
- › Training/programming services
- › Software solutions

### **Industries:**

- › Data communications and networks
- › Robotics
- › Healthcare
- › Factory automation
- › Transportation
- › Energy and Infrastructure etc.

# Long-standing relationships with international clients

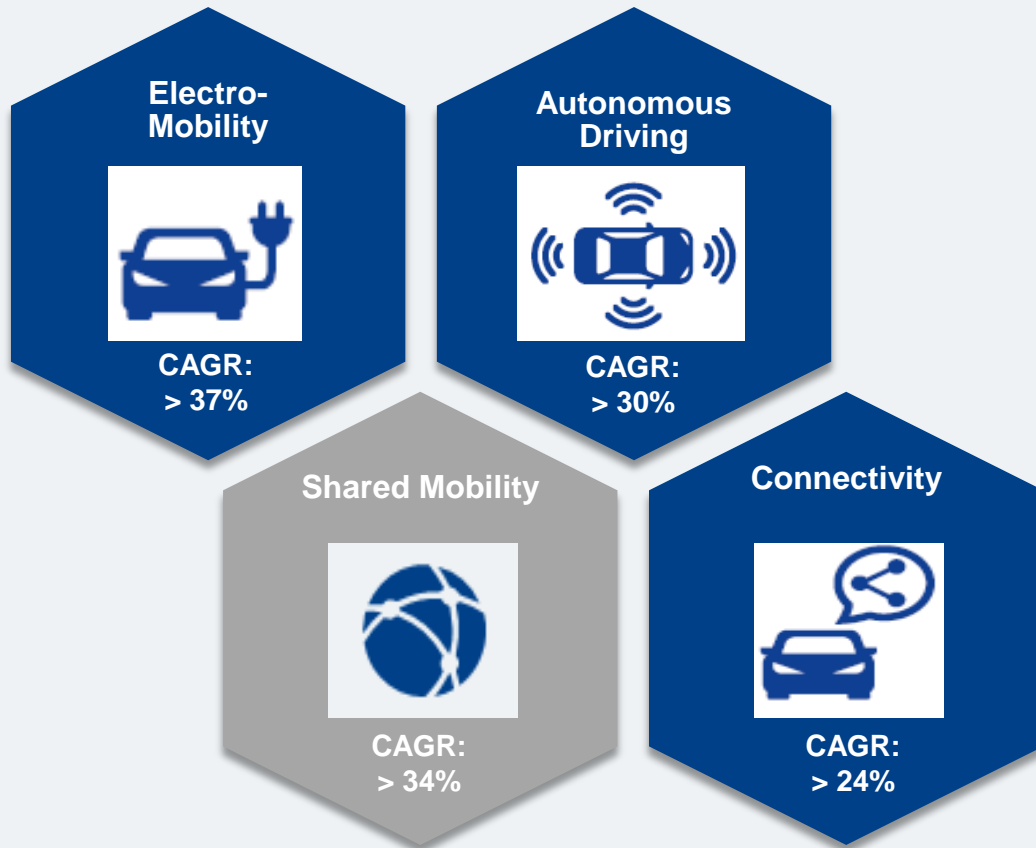
Exemplary customers



# LEONI will benefit from current megatrends

## Megatrends

### MEGATRENDS AUTOMOTIVE



### MAIN GROWTH DRIVERS FOR LEONI

- › Higher requirements regarding reliability and performance of power and data networks
- › EV penetration expected to reach about 35% by 2030
- › Electrification boosts wire content
- › Increasing demand for sensors and intelligent wiring systems
- › Need for highly efficient solutions for mass transportation
- › Implementation of a global charging infrastructure (huge number of charging cables/systems)

**Note: CAGRs 2017-2030:** EMO: >37%; Autonomous Driving: >30%; Shared Mobility: >34%; Connectivity: >24%

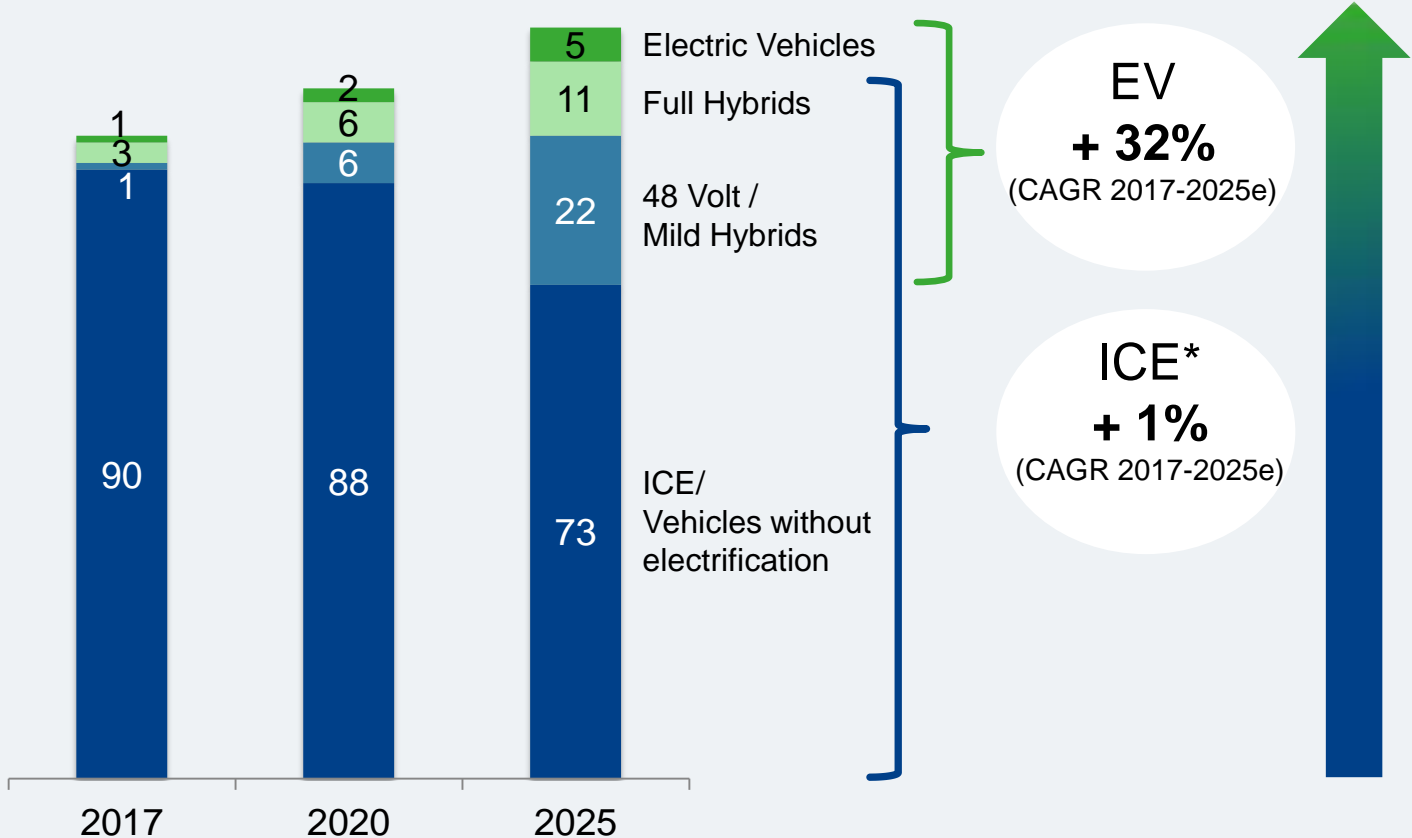
**Source:** WSD Business Development & Pricewaterhouse Coopers – “From CO2 neutral fuels to emission-free driving”, as of November 2017



# Growing overall LV market supports LEONI's core business

## Outlook vehicle production

### VEHICLE PRODUCTION (IN MN)



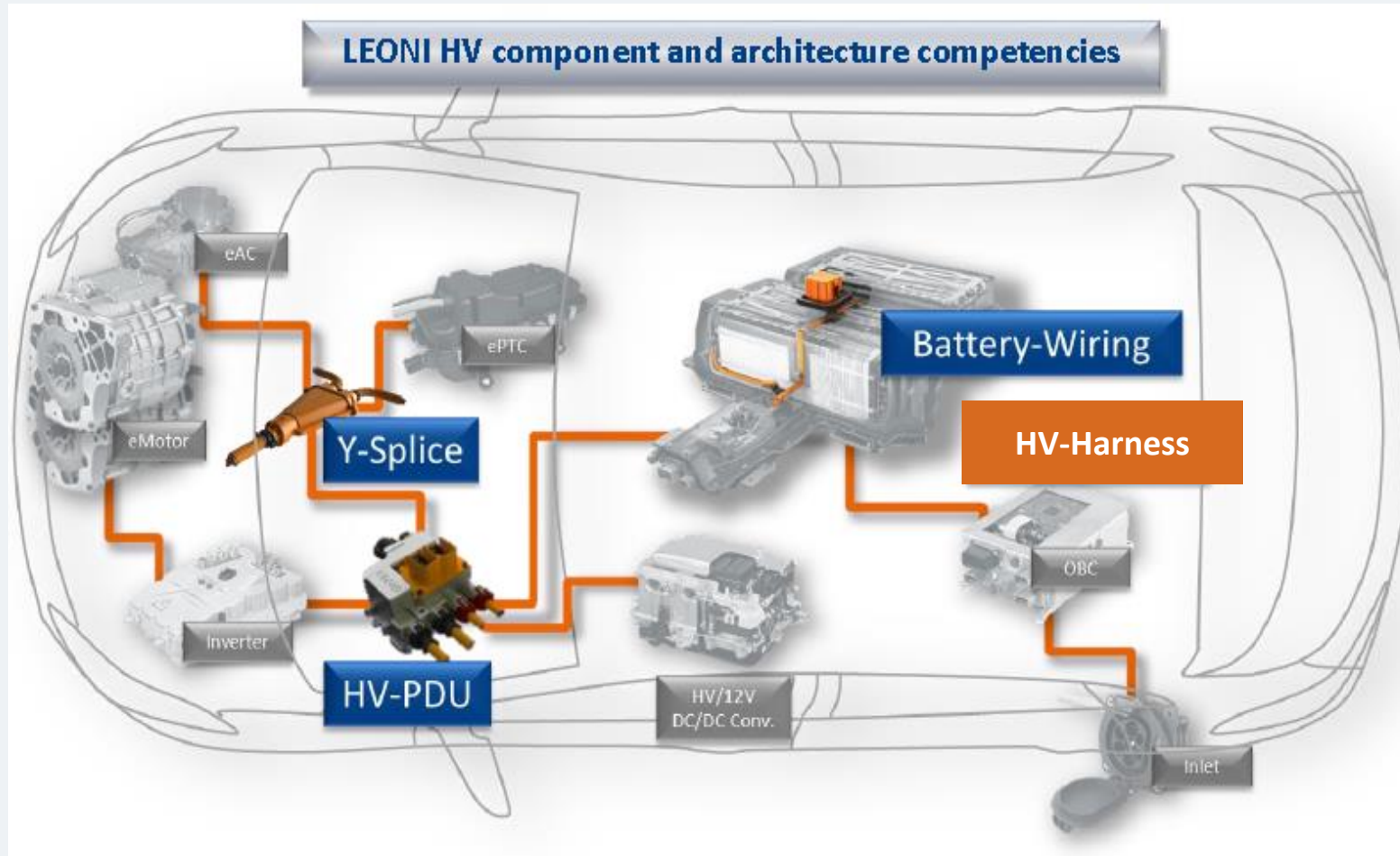
### MARKET TRENDS

- › Significantly higher electrification penetration driven by governmental CO2 regulations/ incentive programs
- › EV production expected to increase by more than 30% CAGR by 2025
- › 48V/Mild Hybrids with strongest growth
- › Internal combustion engines continue to grow with higher efficiency standards and increasing hybridization

Source: IHS August 2017 \*Incl. hybrid vehicles

# LEONI provides key components for e-mobility

## Overview components HV



### Our product offering

- › Cables and harnesses
- › Modules and shielding
- › Power distribution boxes
- › Charging inlets and cables

### Our competitive edge

- › Solution provider for complex requirements
- › Early stage involvement with OEM during design phase allows for strengthening of market position
- › Powerful technical customer support
- › Competitive pricing through scale effects
- › Digital functional system simulation to optimize the energy and data architecture in early design-in phase
- › Development of digital twins of critical harness elements to allow for continuous optimization and monitoring

Source: WSD

# From cables & components to intelligent interconnect solutions

Strategic roadmap

Building on LEONI's expertise  
and core competencies  
TODAY...

Intelligent  
System Solutions

Smart  
Products & Services

Cable Systems

Assembly &  
Harnesses

Cable & Components

... for entirely  
new offerings and  
value propositions  
TOMORROW.

more active  
components  
more software  
more sensors  
more electronics

# Value added through intelligent cable technology and digitalisation

## Customer advantages



# Leading provider of innovative data and energy solutions

## Investment case



- 1 One of the world's leading providers of data and energy solutions for the automotive industry
- 2 Leveraging expertise in cable systems and optical technologies in highly attractive industrial markets such as infrastructure, robotics and medical technology
- 3 Unique product offering: From cables, optical fibers and hybrid cables to complex integrated wiring systems
- 4 Strongly benefitting from the megatrends electrification, autonomous driving and digitalisation
- 5 Compelling growth potential through upgrading and expanding product/service portfolio (incl. M&A and partnerships) as well as increasing CPV
- 6 Improving margins by higher share of innovative value add products and stringent cost management



Latest financials

**Q3 2018 development**

# Current situation requires start of holistic improvement programme

Focusing our organisation on profitable growth

## Personal impressions during first 70 days

- › Highly motivated and capable workforce
- › Strong customer relations & reputation
- › Impressive global footprint and technical capability

**Solid base for future development**

## Q3 situation

- › Noticeable slow down of sales momentum
- › Profitability increasingly under pressure
- › Disappointing working capital management

**Counteractions initiated**



# VALUE 21

Performance

Strategy

# VALUE 21 framework for performance improvement

Programme to sustainably enhance profitability & cash flow



## Cost reduction

- › Operational excellence
- › Scrutinize structure (SG&A)
- › Purchasing optimization

## Cash conversion

- › Capex optimisation
- › Optimized NWC management, esp. with focus on inventories

## Modern system landscape

- › IT harmonization
- › Improved transparency
- › Process improvement

## Prioritisation

- › Focus on growth with accretive margin
- › Holistic project portfolio mgmt.
- › Customer focused innovation

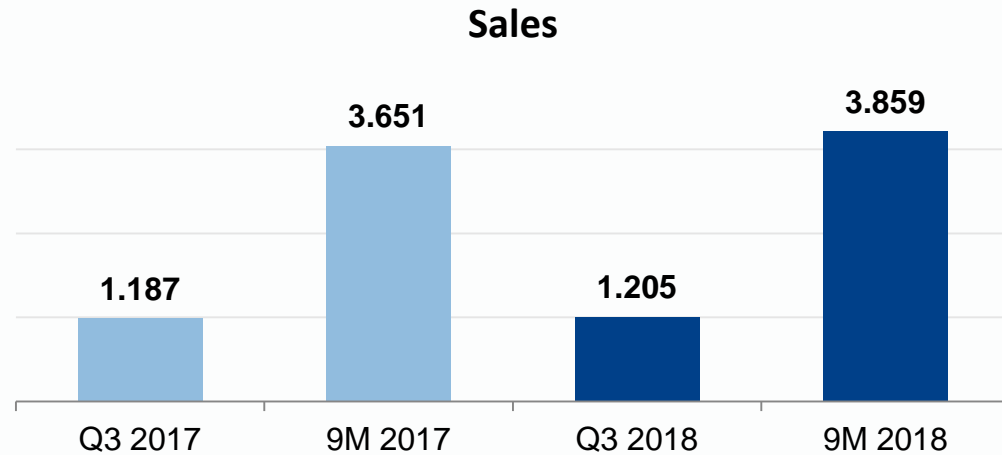
Programme currently under set-up, start early 2019 – more details will follow upon release of Q4 results



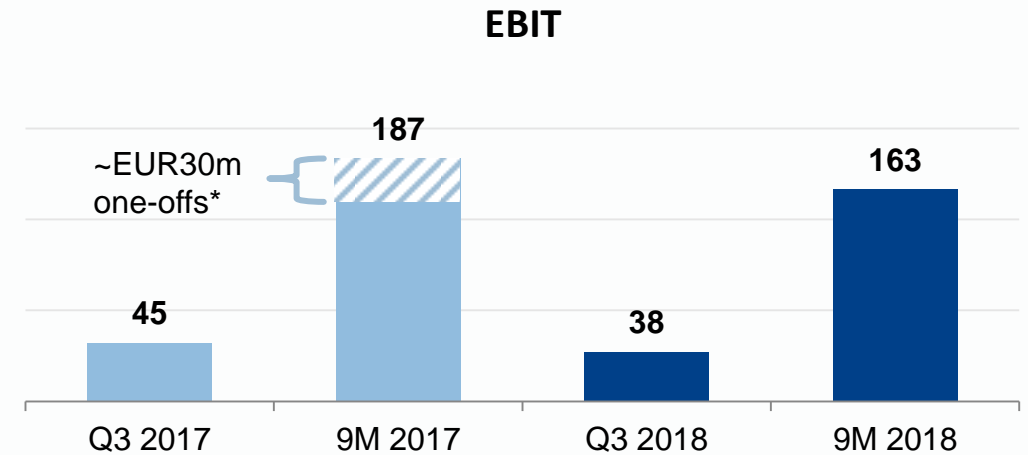
# Slowdown of organic sales growth puts margins under pressure

## Group sales and EBIT Q3 & 9M 2018

in EURm



- › Slowdown in organic top-line growth (y/y):  
Q1: 13.5%; Q2: 8.8% ; Q3: 0.7%
- › Organic growth in Q3 2018 shows mixed picture at divisional level, WSD more impacted

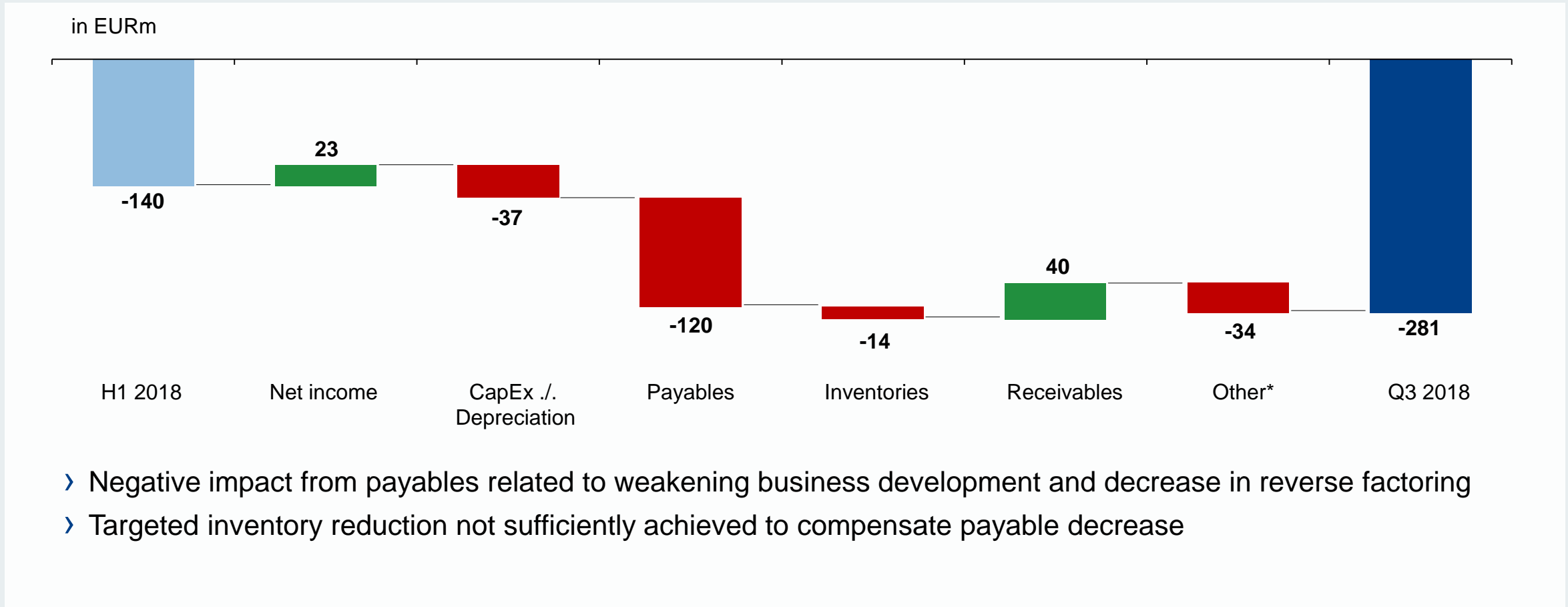


- › Q3 EBIT burdened by increasing level of ramp preparation costs and increase in raw materials
- › EBIT contribution from at equity-accounted JVs was lower y/y due to a weaker Chinese market

\* Insurance compensation (EUR5m) related to the fraud case and proceeds associated with the sale of Business Group Electrical Appliance Assemblies (EUR24m)

# Unsatisfactory free cash flow development Q3 2018

Group free cash flow burdened by revenue slow down and inventory development



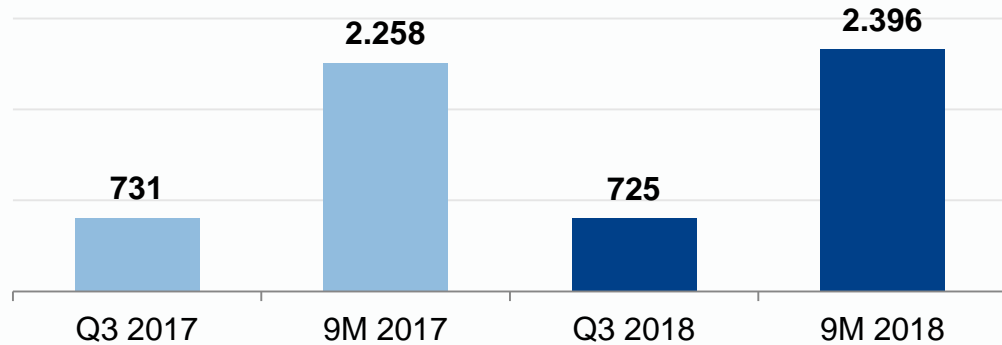
\* Includes change in provisions, other assets, interests paid & received, income tax payments, dividends received and non-cash effective results of associated companies

# Slowdown in organic sales growth while ramp preparation costs rise

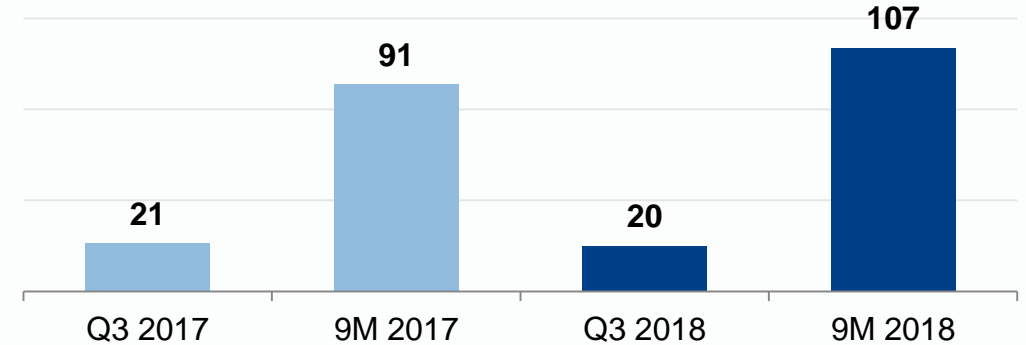
## Wiring Systems Division's sales and EBIT Q3 & 9M 2018

in EURm

### Sales



### EBIT

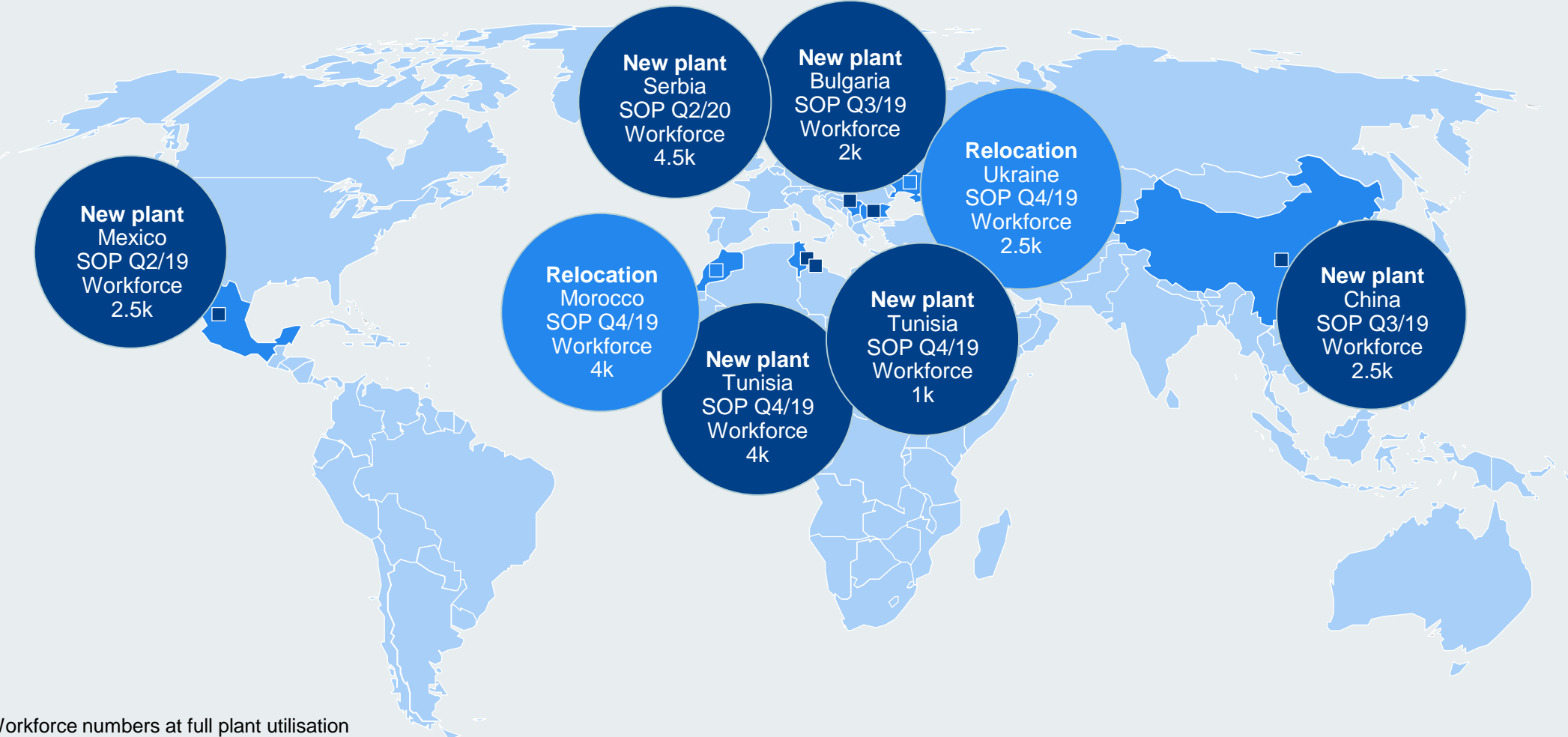


- › Organic Q3 2018 sales decrease of 1.4% y/y, compared to an increase of 11.6% y/y in H1 2018, due mainly to ramp-down of large project and weak market development in Europe and China
- › Q3 order intake of EUR0.9bn (thereof:  $\frac{2}{3}$  emobility-related) - order backlog at 30 September: EUR21.3bn

- › Increased ramp preparation costs in Q3 2018 to prepare for project launches in 2019
- › Lower at equity result in Q3 2018 due to weaker Chinese market

# Expansion of WSD's global production network to enable future growth

Preparation on track to support new project launches



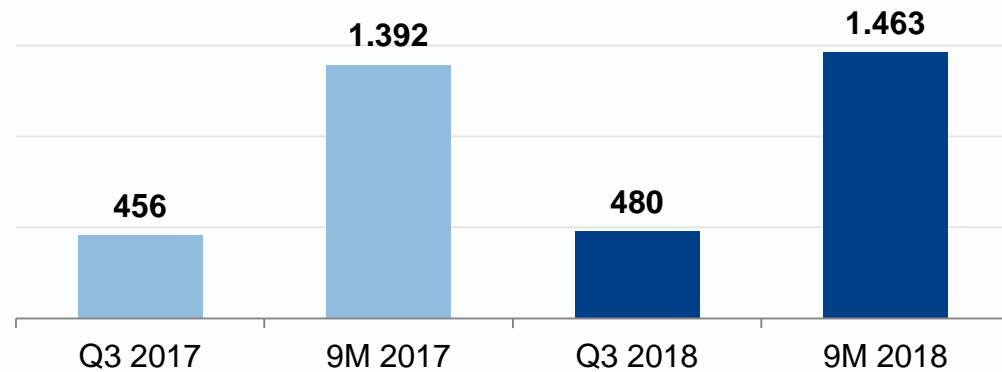
Workforce numbers at full plant utilisation

# Solid Q3 2018 impacted by increased raw materials and product mix

Wire & Cable Solutions Division's sales and EBIT Q3 & 9M 2018

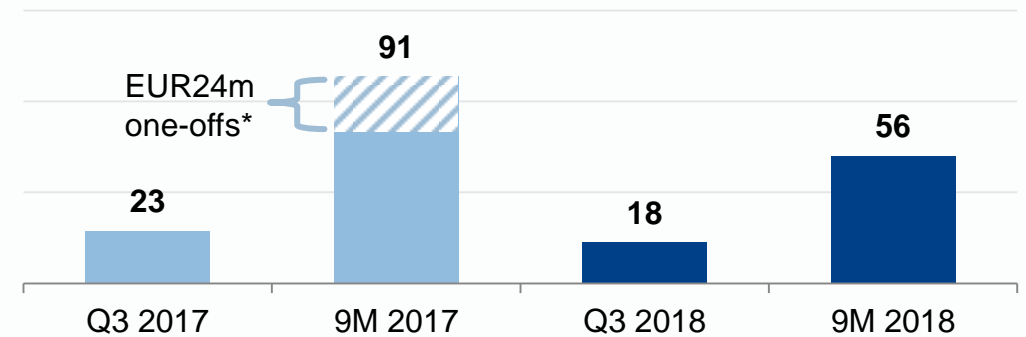
in EURm

## Sales



- › Sales growth in Q3 2018 driven by sound organic growth of more than 4% y/y
- › In 9M 2018, sound organic top-line growth compensates for changes in the consolidation base, i.e. previous year's sale of Business Group Electrical Appliance Assemblies

## EBIT



- › Profit development in Q3 2018 impacted by increased raw material prices, especially oil derivatives, and unfavourable product mix in the industry business

\* Proceeds associated with the sale of Business Group Electrical Appliance Assemblies (EUR24m)

# Updated guidance confirmed

FY 2018 guidance

Previous guidance	Sales: $\geq$ EUR5.1bn (before: $\geq$ EUR5bn)	Updated guidance	Sales: ~EUR 5bn
	EBIT: EUR215 – 235m		EBIT: ~EUR 196m, i.e. previous year's level adjusted for one-offs
	CAPEX: 5% of sales*		CAPEX: 5% of sales*
	Positive free cash flow**		Negative free cash flow** of up to EUR-150m

\* Excluding investment in the "Factory of the Future" \*\* before dividend distribution

# Outlook

Delivering on Q4 while preparing for the future

## Outlook

- › Market environment will continue to be challenging
- › Intense focus to deliver on updated guidance
- › Large-scale roll-out of the performance improvement programme from early 2019 onwards
  
- › VALUE 21's performance improvement details will be shared during Q4 2018 communication
- › VALUE 21's strategy update will be given at LEONI's first capital markets day in spring 2019

# Contact & upcoming events

## Investor Relations



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### **Roadshows**

London, November 2018

### **Investor conferences**

Berenberg European Conference  
London, December 2018

Commerzbank German Investment Seminar  
New York, January 2019

UniCredit/Kepler Cheuvreux German Corporate Conference  
Frankfurt/Main, January 2019



# Disclaimer

**This presentation includes forward-looking statements that are subject to risks and uncertainties, including those pertaining to the anticipated benefits to be realised from the proposals described herein. This presentation contains a number of forward-looking statements including, in particular, statements about future events, future financial performance, plans, strategies, expectations, prospects, competitive environment, regulation and supply and demand. LEONI has based these forward-looking statements on its views with respect to future events and financial performance. Actual financial performance of the entities described herein could differ materially from that projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, and financial performance may be better or worse than anticipated. Given these uncertainties, readers should not put undue reliance on any forward-looking statements.**

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