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hGears plans initial public offering

- hGears AG (the “Company” and together with its subsidiaries “hGears”) is a global manufacturer of mission-critical high-quality precision gears and components with a focus on the e-mobility sector
- Well-positioned to capitalize on the dynamically growing end-markets of e-bikes and electric and hybrid vehicles (EHV)
- Strong operational profitability (adjusted EBITDA margin of 18% in 2020) and good revenue visibility
- Revenue of EUR 126.3 million in 2020 with e-mobility revenue growth of 59% vs. the prior year
- European leader in the supply of high-precision gears and components for e-Bikes. hGears' parts are contained in approximately two million of the total 4.6 million e-bikes sold in Europe in 2020
- Planned IPO consists of a new share issue by the Company of approximately EUR 65 million and a placement of existing shares by current shareholders
- Listing of shares in the regulated market (Prime Standard) of the Frankfurt Stock Exchange is expected to complete in Q2 2021

Schramberg, 28 April 2021. hGears AG (www.hgears.com), a global manufacturer of high-precision gears and components with a focus on products for e-mobility applications, is planning an initial public offering and listing of its shares on the regulated market (Prime Standard) of the Frankfurt Stock Exchange in the second quarter of 2021.

The offering will consist of new shares from a capital increase of approximately EUR 65 million and existing shares from certain existing shareholders of the Company. The targeted free float is expected to allow for a liquid trading market in the Company's shares. With the proceeds it receives from the initial public offering, the Company plans to further drive its growth in e-mobility. The Company expects to invest the majority of its proceeds in increasing its production capacity for e-bike and electric and hybrid vehicle parts as well as expanding its research and development activities and corporate purposes including partially repay its debt.

Pierluca Sartorello, CEO of hGears, comments: “hGears is a leading supplier of high-precision gears and components focusing on e-mobility applications. Our market position is particularly strong in the area of e-bikes for which we develop and manufacture high-precision quality parts used in the e-bike's gearbox, the heart of the e-bike. The market for e-bikes is booming now, but we have the visibility on continued future demand as this boom marks a fundamental shift in consumer appetite for this great lifestyle accessory. Through decades of industry experience, we have acquired the know-how necessary to meet the demanding requirements for precision gears and components not only in e-bikes but also e-vehicles that need to be capable of withstanding high torque, are light weight and operate with reduced noise. In 2020 our gears were in approximately one of every two e-bikes sold

in Europe. Considering the highly attractive growth prospects offered by the e-mobility sector and our excellent revenue visibility we are confident of meeting our clear goal of doubling group revenue in the medium term."

Daniel Basok, hGears' CFO, adds: "The strategic focus on mission-critical parts for e-mobility applications has successfully set the basis for strong sales growth and we are proud of our achievement of consistently increasing gross profit margin and adjusted EBITDA margin in every one of the three years prior to our IPO. We aim to achieve our medium-term goals 100% organically and on the basis of a strong order book with a high share of future sales already agreed through to 2025 and beyond. The proceeds from the IPO will secure the production capacities to deliver accelerated growth."

High-quality precision parts "Made in Germany"

hGears develops and manufactures high-precision components for the application in three distinct business areas: e-mobility, e-tools, and conventional (i.e. premium and luxury cars, motorcycles and industrial applications).

hGears combines over 60 years of experience in advanced machined steel metal processing and state-of-the-art powder metal production. It is one of the few companies offering customers both processes worldwide.

E-drive business areas (e-mobility and e-tools) accounted for 68% of group revenue in 2020, e-mobility was the largest business area in 2020 accounting for 36% of group revenue. The clear strategic focus is on the e-mobility business area where products include gears, shafts, and other mission-critical components to be used in combustion-free electrical drive applications for e-bikes and electric and hybrid vehicles. Mission-critical components are core parts for the proper functioning of the final product and need to meet high quality requirements. Founded in 1958 and headquartered in Germany, hGears operates globally with production facilities in Schramberg, Germany, Padova, Italy and Suzhou, China.

hGears' blue chip customer base includes a number of major suppliers, which develop systems for integration into end products, e.g. Bosch and Schaeffler, as well as original equipment manufacturers, e.g. Stihl, Makita and Hilti. Many of hGears' clients are leaders in their respective industry and the Company benefits from long, stable and sustainable relationships with its customers. hGears has served many of its key customers for over 15 years.

In most cases, hGears works together with its customers in a "co-development" role to design components and find technologically optimal solutions to satisfy the customer's specifications. Co-development is particularly important for manufacturers of e-bikes and electric and hybrid vehicles, because mission-critical requirements typically go hand in hand with higher quality and precision requirements and often necessitate tailored solutions. Co-development is a key differentiator for winning projects in newer markets, such as e-mobility and further strengthens business relationships by playing a crucial and integral part in its customers' development process.

Dynamically growing end-markets providing strong growth tailwinds

E-mobility business area growth is the core pillar of hGears' growth strategy due to the strong market dynamics in this area.

European sales volumes of e-bikes are expected to grow at a CAGR of ca. 22% between 2019 and 2025 (source: Cycling Industries Europe) with over 12.5 million e-bikes expected to be sold in 2025. Of the overall 4.6 million e-bikes sold in Europe in 2020, approximately two million contained hGears components.

The EHV market is also expected to grow significantly in the future. Sales volumes of electric and hybrid vehicles in Europe are expected to grow at a compound annual growth rate ("CAGR") of ca. 43% p.a. between 2018 and 2025 (source: IHS 2021).

E-mobility was hGears' largest business area in 2020 and the Company is well-positioned to benefit from these market tailwinds.

Financial Highlights

The Company has a strong track record of increasing profitability and organic e-mobility growth.

Group revenue in 2020 was EUR 126.3 million, e-mobility business area revenue increased by 59% year on year from 2019. The company has very high visibility on future revenue due to its existing pipeline of secured business with customers. Visibility on 2021 business plan revenue is 100%, 2022 is 87% and 2023 is 71%, allowing the company to provide clear medium term revenue guidance with confidence.

Gross profit margin in 2020 was 57.2% and adjusted EBITDA margin in 2020 was 18.0%, both gross profit margin and adjusted EBITDA margins have expanded every year since 2018 in line with a repositioning strategy focused on mission-critical e-mobility gears and components. In 2020 the Company had a solid free Cash flow conversion rate (Free Cash Flow / EBITDA) of 48%.

hGears' strategy

hGears aims to be one of the leading manufacturers worldwide for best-in-class precision gears and components for e-mobility applications.

With the proceeds from the initial public offering, the Company plans to further drive its growth in e-mobility, with the majority of investment in increasing its production capacity for e-bike and electric and hybrid vehicle parts as well as expanding its research and development activities and partially repay its debt.

hGears has a clear medium-term target of doubling group revenue to EUR 250 million and more than tripling e-mobility business area revenue to EUR 150 million.

Further details on the planned IPO will be announced in the context of the publication of the securities prospectus.

Hauck & Aufhäuser will act as Sole Global Coordinator together with ABN AMRO (in cooperation with ODDO BHF SCA) as Joint Bookrunner for the IPO.

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