

hGears AG Group: 9M 2022 driven by e-Mobility's ongoing expansion and ramp-up, despite volatile business conditions; Full-year outlook and medium-term targets confirmed

NINE-MONTHS 2022 HIGHLIGHTS

- Group 9M 2022 revenues up 1.3% yoy to EUR 103.6 million
- Gross profit of EUR 53.5 million, negatively impacted by ongoing input inflation, and reflecting a gross profit margin of 51.6% (54.1% on a like-for-like¹ basis)
- 9M 2022 adjusted EBITDA of EUR 11.9 million; 11.5% adjusted EBITDA margin (13.4% on a like-for-like¹ basis)
- e-Mobility expansion continued in 9M 2022 with revenues up 4.4% yoy to EUR 38.5 million and increasing a solid 17.1% over the prior year quarter
- On track to achieve full-year 2022 and medium-term guidance

Schramberg, 9 November 2022 – hGears AG posted Group revenues of EUR 103.6 million and an adjusted EBITDA of EUR 11.9 million in the nine months of 2022. In a persistently challenging business environment, the group delivered results in line with Management's expectations, and the Company remains on track to achieve its full-year 2022 and medium-term targets.

In Q3 2022, the e-Mobility business area generated a strong 17.1% revenue increase over the prior year quarter and a 2.6% sequential revenue increase to EUR 14.1 million. The main driver behind the good performance was the ongoing ramp-up of new projects, while some order postponements by customers had a dampening effect. The Conventional business area recorded a solid 4.3% revenue increase over the prior year quarter to EUR 9.8 million on the back of stable demand from the premium and luxury segments of the automotive industry. Finally, revenues in the e-Tools business area declined 14.6% over the prior year quarter to EUR 8.5 million due to slowing demand in the power tools segment, which also led to some order cancellations.

In 9M 2022, hGears has again been able to mitigate inflationary pressures significantly by executing pass-through clauses for raw materials and energy. However, increasing costs related to non-transferrable expenses (e.g., tools, supplies, trade goods, outsourced manufacturing) and lower-than-expected contribution from operational leverage weighed on the Company's profitability. Countermeasures such as cost savings and further price increases for customers are currently in progress.

Pierluca Sartorello, CEO of hGears, comments: *"We continue to navigate a challenging and volatile market backdrop. Amidst the challenges that this tough economic environment presents, we will continue to build on our core strengths, leveraging our position as the European leader for high-precision gears and components, our long-standing customer relationships and engineering expertise along the entire value chain. And we will do this whilst taking firm action to drive ongoing efficiency improvements. The structural growth trends in e-Mobility remain, and we will continue targeting new contract wins to drive the Group's growth further. Against this background and the ongoing ramp-up of projects in the e-Mobility business area, we confirm our 2022 and medium-term outlook".*

¹ For illustrative purposes: Adjusted for inflation and volume/mix impact

OVERVIEW OF 9M 2022 FIGURES

Group figures (EUR million)	9M 2022	9M 2021	Δ
Revenues	103.6	102.3	1.3%
Gross Profit	53.5	59.4	-9.9%
Gross Profit margin	51.6%	58.1%	-640 bps
Adj. EBITDA	11.9	18.4	-35.2%
Adj. EBITDA margin	11.5%	18.0%	-650 bps

Revenues by Business Areas (EUR million)	9M 2022	9M 2021	Δ
e-Mobility	38.5	36.9	4.4%
e-Tools	31.8	32.5	-2.2%
Conventional	32.2	31.8	1.1%

OUTLOOK

In 2022, hGears has continuously focused on expanding its order volume with newly won and existing customers. Moreover, the Group will continue to drive operational excellence and strive for efficiency in operations to achieve additional gains and optimize the Group's cost structure. hGears expects the macroeconomic environment to remain volatile in the fourth quarter of 2022. Specifically, inflationary pressures, as a result of the war in Ukraine and its impact on energy and raw materials prices, the looming global recession and uncertainty related to a potential resurgence of the COVID-19 pandemic may lead to persistent headwinds. As a supplier of mission-critical components, hGears expects to cushion these impacts by implementing pass-through clauses and price increases in many of its customers' contracts along with cost-saving measures.

For the full year 2022, the Group targets:

- Revenue of EUR 134 – 138 million
- Adjusted EBITDA of EUR 14 – 17 million
- Negative free cash flow in the high-single digits

The Group's mid-term targets versus full-year 2020 remain:

- Double Group revenue to EUR 250 million
- Triple e-Mobility revenue to EUR 150 million

The Company's outlook assumes no renewed tightening of measures to contain the COVID-19 pandemic or additional material effects from the war in Ukraine, such as the rationing of natural gas or energy in general by Governments that may affect hGears, its customers or its suppliers.

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About hGears

hGears is a global manufacturer of mission-critical high-precision gears and components with a focus on products for e-mobility applications. The Company's strategic focus is on the e-Mobility business area, where products include gears, shafts, and other mission-critical components to be used in electrical drive applications for e-bikes and electric and hybrid vehicles. In the e-bikes segment, hGears is the European market leader in the supply of high-precision gears and components, and its parts are contained in approximately two and a half million of the total five million e-bikes sold in Europe in 2021. This puts the Company in a good position to capitalize on the dynamically growing end-markets for e-bikes and electric and hybrid vehicles. hGears has three distinct business areas for which it develops and manufactures high-precision components: 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. 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. hGears' blue-chip customer base includes several major suppliers (Tier 1) as well as original equipment manufacturers (OEMs). The Company benefits from long, stable and sustainable relationships with its customers and has worked with many key customers for over 15 years.

hGears is headquartered in Schramberg, Germany, and operates globally with production facilities in Schramberg, Germany, Padua, Italy, and Suzhou, China. Find us on the web: www.hgears.com