

## **hGears AG Group: Inventory destocking in e-bikes continues to weigh on performance in H1 2023; Focused on positioning the business for future growth and scalability**

### **FIRST-HALF 2023 HIGHLIGHTS**

- Group revenues at EUR 57.2 million, down 19.4 % y-o-y
- Continued strong performance in Conventional, unable to compensate for shortfalls in other business areas
- Gross profit at EUR 29.6 million, down 19.7% y-o-y, gross margin at 51.7% almost unchanged versus H1 2022
- Adjusted EBITDA at EUR 3.0 million, down 64.0% y-o-y, with an adjusted EBITDA margin of 5.2%
- Solid balance sheet and continued liquidity headroom
- Full-year 2023 guidance and medium-term targets confirmed

**Schramberg, 9 August 2023** - hGears AG posted Group revenues of EUR 57.2 million and an adjusted EBITDA of EUR 3.0 million in the first half of 2023. The decline in revenue is attributed to the e-Mobility and e-Tools business areas, with Conventional continuing to perform above Management's expectations.

Overall, the business environment remained challenging, as both slow destocking cycles and muted end-consumer demand continued to impact performance in e-Mobility and e-Tools in the first half of the year, with similar market dynamics expected for the second half as well. The e-Mobility business area continued to benefit from solid performance of EHV projects and a small recovery in e-bikes after the slow start, resulting in a 31% sequential increase in revenues in Q2 2023 versus Q1 2023. However, H1 2023 revenues of EUR 17.4 million were lower than the EUR 24.4 million in the comparable period in 2022, due to the ongoing elevated inventory levels and lower-than-expected seasonality support in the key markets for hGears' e-bike customers. In e-Tools, dampened end-consumer demand, due to the sustained high inflationary environment and some order cancellations weighed on performance in the first half of 2023. Overall revenue decreased to EUR 14.9 million in the period. Similarly to the first quarter, the second quarter revenue trajectory in Conventional was solid, with revenue increasing by 9.3% to EUR 24.4 million overall during the first half, underpinning the strong positioning of the Group in the premium, luxury and sports vehicle segments.

From a profitability standpoint, the H1 2023 gross margin was almost unchanged versus the same period last year at 51.7%, while the adjusted EBITDA margin continues to reflect constraints in capitalizing on the Group's inherent operating leverage.

### **Sven Arend, CEO of hGears, comments:**

*After six months at the helm, my initial observations of outstanding expertise, innovation and irrefutable quality are firmly validated, and this positions us well as the supplier of choice for mission-critical components when rapid growth returns to the e-bike market.*

*We entered 2023 with clear expectations across our different business areas. While some of these expectations still hold, we are, nonetheless, experiencing a greater-than-expected downturn in e-bikes, driven by the slow destocking cycle and demand dynamics. This is reflected in the adjusted FY 2023 guidance we provided to the market*

in June. For the remainder of the year, we continue to see similar demand in the e-bike market and we are monitoring the potential impact of this very closely. However, as demonstrated by expert discussions at Eurobike 2023, the medium-term structural drivers for e-bikes remain intact and underpin our commercial focus on generating additional sales opportunities in e-bikes, as well as in adjacent industries, which represent untapped potential for the Group.

As part of our ongoing efforts to mitigate near-term pressures and position our business for growth to come, we will focus on refining resource management, including prioritizing operational excellence at our plants and operations to achieve efficiency gains and further optimizing cost structures. Moreover, despite the challenging market conditions that we and many others are facing, our liquidity position remains strong and, alongside our robust capital structure, enables us to stay agile amidst changing demand and current and future initiatives.

## OVERVIEW OF H1 2023 FIGURES

Group figures (in EUR million)	H1 2023	H1 2022	Δ
Revenues	57.2	70.9	-19.4 %
Gross Profit	29.6	36.8	-19.7 %
Gross Profit margin	51.7 %	52.0%	-30 bps
Adj. EBITDA	3.0	8.2	-64.0 %
Adj. EBITDA margin	5.2 %	11.6%	-640 bps

Revenues by Business Area (in EUR million)	H1 2023	H1 2022	Δ
e-Mobility	17.4	24.4	-28.6 %
e-Tools	14.9	23.3	-36.1 %
Conventional	24.4	22.3	9.3 %

NOTE: Numbers may be subject to rounding

## OUTLOOK

Assuming no significant changes in current market dynamics and based on the revised FY 2023 guidance published on 1 June 2023, the full-year 2023 targets for the Group are as follows:

- Group revenues of EUR 115 – 123 million
- Adjusted EBITDA of EUR 5 – 9 million
- Negative free cash flow of between EUR 9 – 12 million

In the medium term, i.e., in the next two to five years, hGears targets strong growth mainly in the e-Mobility business area, albeit from a lower base, and expects Group revenues to reach approximately EUR 180 – 200 million. In attaining this growth target, the e-Mobility business area is expected to account for about 55 - 60% of the Group's total revenue, in line with the Group's business expansion ambition and strategic focus.

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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 almost every second e-bike sold in Europe. 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](http://www.hgears.com)