

hGears AG Group: Strong commercial performance in full-year 2021 paves path towards mid-term targets

FULL-YEAR 2021 HIGHLIGHTS

- Group revenues at EUR 134.9 million, up 6.9% y-o-y
- Gross profit increased to EUR 76.4 million, with gross margin at 56.6%
- At EUR 22.9 million, adjusted EBITDA increased 0.9%, with an adjusted EBITDA margin of 17.0%
- Leading European market share in e-bike precision components maintained at around 50% with five new e-bike client wins
- Full-year 2021 performance in line with trends and guidance outlined at nine months 2021 results
- Mid-term targets confirmed and high single-digit revenue growth targeted for full-year 2022

Schramberg, 30 March 2022 - hGears AG ("hGears" or "the Company"), a global manufacturer of high-precision gears and components with a focus on products for e-mobility applications, continued on its path towards its mid-term targets in 2021. Revenues increased by 6.9% compared with the previous year, driven mainly by an expansion of order volumes amongst existing customers. All three business areas contributed to the revenue growth.

Pierluca Sartorello, CEO of hGears, comments: *"Despite a challenging environment in 2021, we have remained a reliable partner for our customers. Our full-year 2021 performance underscores the strength of the Company's business model. It further demonstrates our strategic focus on e-mobility, as evidenced by the five new e-Mobility customers we acquired in the year and whose orders are expected to contribute to revenues and earnings in 2022 and beyond significantly. In 2022, we also secured a new, multi-year contract with a blue-chip customer to produce and deliver several e-bike components. These customer wins are expected to play a critical role in achieving our mid-term targets. Moreover, this solid commercial performance is further evidence of hGears' strong market positioning and status as a leading European manufacturer of high-precision gears and components. We will continue to expand our pipeline and customer base, and the deals that we have secured in 2021 and 2022 underline our capabilities to capture future growth. With the growing awareness of climate change, urbanization, and the constantly increasing need for micromobility solutions, our leading market position in a fast-growing e-bike market positions us well for future growth."*

Daniel Basok, CFO of hGears, adds: *"We are pleased with our performance in full-year 2021 and proud to show our shareholders the strength of our commercial strategy and business model. With the ramp-up of production underway and ongoing investments to support our newly won projects, we remain confident in achieving our growth targets. In 2022, we will continue to make use of the IPO proceeds and invest in expanding our manufacturing capacities. Our positioning as a leading supplier of mission-critical components allowed us to largely compensate for the inflationary pressures in 2021 by implementing pass-on clauses with our customers. We expect that the war in Ukraine, uncertainty caused by the COVID-19-*

pandemic, and remaining bottlenecks in global supply chains will continue to impact the macroeconomic environment in 2022. To offset any potential adverse impact on our operations, we will focus on driving operational excellence at our plants and operations to achieve additional efficiency gains and optimize our cost structures further."

OVERVIEW OF FULL-YEAR 2021 FIGURES

Group figures (in EUR million)	2021	2020	Δ
Revenues	134.9	126.3	+6.9%
Gross Profit	76.4	72.3	+5.7%
Gross Profit margin	56.6%	57.2%	-60 bps
Adj. EBITDA	22.9	22.7	+0.9%
Adj. EBITDA margin	17.0%	18.0%	-100 bps

Revenues by segment (in EUR million)	2021	2020	Δ
e-Mobility	47.5	45.9	+3.5%
e-Tools	44.2	39.4	+12.2%
Conventional	41.9	40.2	+4.0%

FINANCIAL REVIEW

Group revenues in the full year 2021 increased by 6.9% to EUR 134.9 million (previous year: EUR 126.3 million), in line with the guidance provided at hGears' nine-month 2021 results. Growth was driven primarily by the expansion of order volumes with existing customers. In addition, the Company was able to secure seven new customers, five of which were in the e-Mobility business area.

At EUR 76.4 million, gross profit increased 5.7% compared to EUR 72.3 million in the prior-year period, primarily due to higher revenues. The gross margin fell marginally to 56.6% (previous year: 57.2%) mainly as a result of the lower share of revenues from the e-Mobility business area.

The adjusted EBITDA for the full year 2021 stood at EUR 22.9 million, up 0.9% compared to EUR 22.7 million in the prior-year period reflecting the necessary organizational changes following the Stock Exchange listing and hirings in the Sales and Engineering departments to support the ramp-up of new projects. As a result, the adjusted EBITDA margin for the full year 2021 was 17.0% (previous year: 18.0%).

In the e-Mobility business area, which accounted for 35.2% of total revenue (previous year: 36.3%), revenues grew to EUR 47.5 million (previous year: EUR 45.9 million), reflecting delayed acceptance of deliveries among some customers in the fourth quarter of 2021 related to macroeconomic challenges in the second half of the year, especially the supply-chain backdrop.

Revenues in the e-Tools business area rose to EUR 44.2 million (previous year: EUR 39.4 million), up 12.2% on higher-order volumes due to increasing quality requirements and growing demand from DIY individuals for high-quality professional equipment.

In the Conventional business area, revenue increased 4.0% from EUR 40.2 million to EUR 41.9 million, predominately due to catch-up effects in the first half of the year following COVID-induced delays in the prior-year period.

OUTLOOK

In 2022, hGears will continue to focus on expanding its order volume with existing customers and additional business with new customers. Moreover, the Group will continue to drive operational excellence at its plants and operations to achieve additional efficiency gains and to optimize the Group's cost structures further. Following challenging market conditions in 2021, the macroeconomic environment is expected to remain volatile in 2022, with increasing inflationary pressures from the war in Ukraine, uncertainty related to the COVID-19 pandemic and ongoing bottlenecks in global supply chains. However, the Group's positioning as a supplier of mission-critical components allows hGears to largely compensate for this by implementing pass-on clauses in many of its customer contracts. While this will largely protect earnings in absolute terms, the Group cannot rule out a negative impact on adjusted EBITDA margin in the short term. As a result, adjusted EBITDA in full-year 2022 is expected to be on a par with the prior year. The positive impact of operating leverage is expected to be realized in the next 12-24 months.

For the full year 2022, the Group targets:

- High single-digit growth in Group revenues
- Increase in share of revenues of the e-Mobility and e-Tools business area
- Revenue in Conventional business area at the previous year's level

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 material effects from the war in Ukraine that may affect hGears, its customers or its suppliers.

The report for the full year 2021 can be accessed on the Company's website at ir.hgears.com in the "Publications" section.

Contact

hGears AG
Christian Weiz
Brambach 38
78713 Schramberg

T: +49 (7422) 566 222
E: christian.weiz@hgears.com

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 5.0 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 a number of major suppliers as well as original equipment manufacturers. 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. On the Internet at: www.hgears.com