

hGears AG Group: Results in the first half of 2024 in line with expectations despite economic weakness and ongoing destocking

FIRST-HALF 2024 HIGHLIGHTS

- Group revenues of EUR 50.5 million 11.7% lower than in the previous year
- Development in [e]-Mobility relatively constant, stabilization in e-Tools quarter-on-quarter, e-Bike continues to suffer from industry-wide destocking
- Gross profit at EUR 23.5 million due to lack of volume and inefficiencies, margin at 46.7 %
- Adjusted EBITDA declined to EUR 0.5 million, while the adjusted EBITDA margin reached 1.1%
- Stable balance sheet and solid financing for the next 3 years
- Confirmation of the 2024 forecast and medium-term targets after half-year results in line with expectations

Schramberg, 13 August 2024 – hGears AG generated consolidated Group revenues of EUR 50.5 million and adjusted EBITDA of EUR 0.5 million in the first half of 2024. While the [e]-Mobility division remained largely constant compared to the same period of the previous year, the decline in revenue is largely attributable to the e-Bike and e-Tools divisions.

The business environment remained very challenging due to high interest rates, poor consumer sentiment and a slowdown in the automotive industry. The [e]-Mobility business area recorded only a slight sales decline of 3.7% to EUR 24.6 million after a strong performance in the same period of the previous year, although the momentum in demand for electric vehicles has slowed significantly following the reduction in government subsidies in key European markets. The e-Bike business area suffered a year-on-year decline in sales of 13.8% to EUR 10.5 million as the destocking in all industry channels continued. Sales in the e-Tools business area fell by 20.9% to EUR 15.1 million in the reporting period compared to the first half of 2023, mainly due to a lack of impetus from the construction industry and the garden tools business. Nevertheless, a comparison of the last quarters shows a certain stabilization.

The adjusted gross profit reached EUR 23.5 million in 1H 2024, which corresponds to an adjusted gross profit margin of 46.7%. Meanwhile, the Company achieved an adjusted EBITDA of EUR 0.5 million and an adjusted EBITDA margin of 1.1%. The absolute year-on-year decline in gross profit was therefore EUR 6.0 million, while adjusted EBITDA only fell by EUR 2.4 million, reflecting the optimization and cost-cutting efforts. With an equity ratio of 53.1%, cash and cash equivalents of EUR 21.7 million and net debt of EUR 6.2 million, hGears' balance sheet is solid. In addition, the company successfully secured financing at attractive conditions for the next three years in the second quarter of 2024.

Sven Arend, CEO of hGears:

"As expected, the economic situation remained tense and challenging in the second quarter, as in the first quarter - and therefore throughout the first half of 2024. We are continuing to focus on developing new projects in our business areas and thus new business, which is supported by the fully implemented NPI process. At the same time, we are continuing to optimize the organization and structures and allocate resources effectively, which is visibly reflected not least in the newly defined business areas. We are also implementing cost-cutting measures that are effectively offsetting, at least partially, the negative impact of lower volumes and resulting inefficiencies, while

maintaining liquidity. With a solid balance sheet and the necessary capacities, we are agile and ready when our customers' end markets finally recover."

OVERVIEW OF 1H 2024 FIGURES

Group figures (in EUR million)	1H 2024	1H 2023	Δ
Revenues	50.5	57.2	-11.7 %
Adj. Gross profit	23.5	29.6	- 20.4 %
Adj. Gross profit margin	46.7 %	51.7 %	- 500 bps
Adj. EBITDA	0.5	3.0	- 81.9 %
Adj. EBITDA margin	1.1 %	5.2 %	- 410 bps

Revenues by Business Area (in EUR million)	1H 2024	1H 2023	Δ
e-Bike	10.5	12.1	- 13.8 %
[e]-Mobility	24.6	25.5	- 3.7 %
e-Tools	15.1	19.0	- 20.9 %

Note: Numbers may be subject to rounding

OUTLOOK

In light of the uncertainties and challenges in the global markets, accompanied by persistently high inventory levels and shifts in demand trends, the still high interest rates, and increased geopolitical risks, the Management Board of hGears remains cautious in its outlook and expects for the fiscal year 2024:

- revenue in the range of EUR 100 - 110 million,
- an adjusted EBITDA of EUR 1 - 3 million,
- and a free cash flow of EUR zero to minus 3 million.

In the medium term, i. e. in the next three to five years, hGears aims for strong growth, particularly in the business areas of e-Bike and e-Mobility and expects to achieve consolidated revenue of approximately EUR 150 - 180 million.

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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. This puts the Company in a good position to capitalize on the 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-Bike, [e]-Mobility (i.e. for premium and luxury cars, EHV's and powersports vehicles) and e-Tools.

hGears combines over 65 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