

hGears AG Group: Destocking and the automotive crisis result in a decline in sales and earnings - structural and cost-cutting measures take effect

NINE-MONTHS 2024 HIGHLIGHTS

- Group sales of EUR 72.6 million 13.6 % lower than in the previous year
- Sales of e-Tools down, but further stabilisation in sequential quarterly comparison; e-Bike and [e]-Mobility with sales declines
- Adjusted gross profit at EUR 33.7 million due to lack of volume and resulting inefficiencies, margin at half-year level of 46.5 %
- The adjusted EBITDA reached EUR 0.4 million, adjusted EBITDA margin 0.6 %
- Stable balance sheet and solid financing, cash and cash equivalents EUR 19.2 million

Schramberg, 7 November 2024 – In the first nine months of 2024, hGears AG generated consolidated revenue of EUR 72.6 million and adjusted EBITDA of EUR 0.4 million. The revenues of e-Tools developed positively in a quarter-on-quarter comparison, but also declined in the nine-month period. Meanwhile, revenue development in [e]-Mobility and especially in e-Bike was weaker on both a quarterly and annualised basis.

hGears is facing a weak business environment, marked by ongoing economic imponderabilities, resulting in poor consumer sentiment. The e-Tools business area's sales performance declined by 8.8 % year-on-year to EUR 24.0 million in the first nine months of 2024, but recorded its third consecutive sequential increase in the third quarter of 2024. The crisis in the automotive industry was reflected in the [e]-Mobility business area with a decline in sales of 9.4% to EUR 33.8 million. This means that the business area is once again comparatively resilient due to its focus on premium and luxury vehicles. The e-Bike business area recorded a year-on-year sales decline of 28.0% to EUR 14.3 million, as destocking across all sales channels in the bicycle industry continues to progress much more slowly than expected.

Adjusted gross profit totalled EUR 33.7 million in the first nine months of 2024, which corresponds to an adjusted gross margin of 46.5 % and is thereby only slightly below the level of the first half of 2024. This is due to inefficiencies related to start-stop costs and an unfavourable product mix. The resulting year-on-year decline in adjusted gross profit of EUR 9.0 million was largely offset thanks to cost optimisations and ongoing savings programmes, meaning that the decline in adjusted EBITDA was only EUR 3.6 million. The company thus achieved an adjusted EBITDA of EUR 0.4 million, resulting in an adjusted EBITDA margin of 0.6 %. hGears' balance sheet is solid with an equity ratio of 52.5 %, cash and cash equivalents of EUR 19.2 million and net debt of EUR 7.7 million.

Sven Arend, CEO of hGears:

"Contrary to our expectations, economic development at Group level did not stabilise in the third quarter, which is reflected in a further decline in sales and earnings in the reporting period. Due to the economic and political situation, we do not expect a positive turnaround in demand in the short term, particularly in the [e]-Mobility business area. Meanwhile, the destocking in the e-Bike segment is continuing. We are responding to the current challenges with personnel adjustments and more stringent cost-cutting measures. At the same time, however, we remain well prepared - also thanks to a solid balance sheet - to benefit from a resurgence in the end markets as soon as the key megatrends of sustainable mobility and electrification recover."

OVERVIEW OF 9M 2024 FIGURES

Group figures (in EUR million)	9M 2024	9M 2023	Δ
Revenues	72.6	84.1	-13.6 %
Adj. Gross profit	33.7	42.7	- 21.0 %
Adj. Gross profit margin	46.5 %	50.8 %	- 430 bps
Adj. EBITDA	0.4	4.0	- 89.4 %
Adj. EBITDA margin	0.6 %	4.8 %	- 420 bps

Revenues by Business Area (in EUR million)	9M 2024	9M 2023	Δ
e-Bike	14.3	19.9	- 28.0 %
[e]-Mobility	33.8	37.3	- 9.4 %
e-Tools	24.0	26.3	- 8.8 %

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 Management Board of hGears expects for the fiscal year 2024:

- Group revenue of EUR 90 - 95 million
- Adjusted EBITDA of minus EUR 1 – plus EUR 1 million
- Negative free cash flow of EUR 2 - 5 million

In addition, the Management Board of hGears is reviewing its medium-term targets due to the economic and political uncertainties.

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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