

hGears AG Group: Economic weakness and destocking again impact revenues and earnings – already initiated countermeasures are proving successful.

HIGHLIGHTS FOR THE FULL YEAR 2024

- Group revenues of EUR 95.7 million 14.9 % lower than in the previous year
- Annual revenues of e-Tools only marginally lower thanks to stabilization in 2H24, [e]-Mobility and e-Bike record declines in revenues
- Adjusted gross profit of EUR 43.6 million due to low volumes and resulting inefficiencies, margin 45.5 %
- Adjusted EBITDA reached EUR 0.5 million, adjusted EBITDA margin 0.5 %
- Stable balance sheet; equity ratio of 49.4 %, cash and cash equivalents of EUR 17.1 million

Schramberg, 26 March 2025 - hGears AG generated consolidated revenue of EUR 95.7 million and adjusted EBITDA of EUR 0.5 million for the full year 2024. Revenue of e-Tools developed positively in the second half of the year and therefore declined only slightly over the full year. By contrast, revenue from [e]-Mobility and e-Bike in particular was weaker on an annualized basis, although there was a sequential recovery in the final quarter.

The economic and geopolitical environment is dampening consumer sentiment, while both the structural problems in the automotive industry and the ongoing destocking of e-bikes are having a negative impact on hGears. The bright spot is the e-Tools business area, which continued to stabilize and only saw a slight decline in revenues of 2.0 % to EUR 32.5 million in 2024 thanks to a good performance in the second half of the year. The structural crisis in the automotive industry was reflected in the [e]-Mobility business area with a decline in sales of 11.0 % to EUR 44.2 million, while it once again proved to be comparatively resilient due to its focus on premium and luxury vehicles. The e-Bike business area recorded a year-on-year decline in sales of 36.1 % to EUR 18.5 million, as destocking across all revenues channels in the bicycle industry continues to progress much more slowly than expected.

Adjusted gross profit amounted to EUR 43.6 million in the full year 2024, corresponding to an adjusted gross margin of 45.5 %, which is below the previous year's level of 50.0 %. This is due to generally lower volumes, related inefficiencies (start-stop costs), inventory changes and a changed product mix. The resulting decline in adjusted gross profit by EUR 12.6 million year-on-year was largely offset by successful cost optimizations and ongoing savings programs, limiting the decrease in adjusted EBITDA to just EUR 5.1 million. The Company achieved an adjusted EBITDA of EUR 0.5 million, resulting in an adjusted EBITDA margin of 0.5 %. In order to improve free cash flow, the management also reduced net working capital by 22.1 % to EUR 7.2 million, bringing it down to 7.5 % of revenue. hGears' balance sheet was stable with an equity ratio of 49.4 % and cash and cash equivalents of EUR 17.1 million.

Sven Arend, CEO of hGears:

"The year 2024 once again confronted hGears with major challenges, which we successfully navigated through determination, flexible adjustments, and, in some cases, tough cuts. Despite the adverse environment, we managed to stabilize the e-Tools business area, while e-Bike continued to suffer from high inventory levels and [e]-Mobility increasingly faced global structural problems in the automotive industry.

With the cost and structural measures already taken, we are already well prepared for another difficult year. At the same time, we remain convinced that the fundamentally positive prospects in the end markets will lead to rising demand for all three business areas in the medium term."

OVERVIEW FY 2024 FIGURES

Group figures (in EUR million)	FY 2024	FY 2023	Δ
Revenue	95.7	112.5	-14.9 %
Adj. Gross profit	43.6	56.2	- 22.5 %
Adj. Gross profit margin	45.5 %	50.0 %	- 450 bps
Adj. EBITDA	0.5	5.6	- 91.1 %
Adj. EBITDA margin	0.5 %	5.0 %	- 450 bps

Revenues by Business Area (in EUR million)	FY 2024	FY 2023	Δ
e-bike	18.5	28.9	- 36.1 %
[e]-Mobility	44.2	49.6	- 11.0 %
e-Tools	32.5	33.2	- 2.0 %

Please note: The figures may be rounded.

FINANCIAL REPORT

Group revenues for the full year 2024 fell by 14.9 % to EUR 95.7 million (previous year: EUR 112.5 million) and were therefore slightly above the forecast range of EUR 90 - 95 million. The decline in revenues was primarily due to lower volumes in the e-Bike and [e]-Mobility business areas.

By contrast, the e-Tools business area managed to stabilize at a low level, with revenue falling only slightly by 2.0 % year-on-year to EUR 32.5 million in 2024 (previous year: EUR 33.2 million). After a subdued performance in the first half of the year, the e-Tools business area continued to stabilize and recorded significant growth in the second half of 2024 compared to the same period of the previous year, albeit at a comparatively low level.

In the [e]-Mobility business area, the company suffered from the generally weak demand in the automotive industry and the resulting delays in project launches. As a result, sales fell by 11.0 % from EUR 49.6 million in 2023 to EUR 44.2 million in the reporting period. While demand in the conventional automotive sector suffered from the weak economy, projects for e-cars were postponed worldwide due to low end market demand. This was triggered by the removal of subsidies in Europe on the one hand and an inadequate charging infrastructure and a certain amount of related disillusionment due to the inconvenience of using e-cars on the other.

Meanwhile, the e-Bike business area was impacted for the second year in a row by persistently high inventory levels across the entire industry value chain, which led to low demand. This resulted in a 36.1 % decline in revenues from EUR 28.9 million in the previous year to EUR 18.5 million in 2024. The reduction of excess inventories, which had built up in all revenues channels of the e-Bike industry since the end of the coronavirus pandemic, dragged on until the end of the year. As a result, the order situation did not recover in the second half of 2024 and remained weak for longer than all industry analysts had expected.

Adjusted gross profit, defined as total revenues less cost of materials, amounted to EUR 43.6 million in 2024 compared to EUR 56.2 million in 2023, which corresponds to a decrease of EUR 12.6 million. The gross margin (gross profit as a percentage of revenues) amounted to 45.5 % in 2024, compared to 50.0 % in the previous year. This is due to generally lower volumes, resulting inefficiencies (start-stop costs), inventory changes and an unfavorable product mix.

Adjusted EBITDA at Group level amounted to EUR 0.5 million in the 2024 financial year (previous year: EUR 5.6 million). The adjusted EBITDA margin reached 0.5 % after 5.0 % in the previous year. However, the management succeeded in cushioning the negative effects through cost-cutting measures in Opex and severe cuts in personnel costs. Savings totalling EUR 7.5 million were achieved.

The balance sheet remained stable at the end of the year, with an equity ratio of 49.4 % (2023: 53.9 %) and cash and cash equivalents of EUR 17.1 million (2023: EUR 26.6 million). Despite the noticeable decline in revenues, the ratio of net working capital to revenues improved further and reached 7.5 % (2023: 8.2 %).

OUTLOOK

In view of the economic, geopolitical and economic uncertainties and challenges on the global markets, the hGears Management Board expects the following in its outlook for the 2025 financial year:

- Group revenues of EUR 80 - 90 million
- Adjusted EBITDA of EUR minus 4 to minus 1 million
- Free cash flow of EUR minus 6 to minus 2 million

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About hGears

hGears is a global manufacturer of mission-critical high-precision gears and components with a strategic focus on products for e-mobility. The products include gears, shafts and other function-critical components that are used in electric drive systems for e-bikes and in electric and hybrid vehicles (EHV). In the e-bike sector, hGears AG is a leading European company in the supply of high-precision gear parts and components. The company is thus well positioned to benefit from the growing end markets for e-bikes and EHV. hGears has three different business areas for which it develops and manufactures high-precision components: e-Bike, [e]-Mobility (primarily for premium and luxury cars, EHV and powersports vehicles) and e-Tools.

hGears combines over 65 years of experience in highly developed machining steel processing and state-of-the-art sintered metal production. This makes it one of the few companies in the world that can offer its customers both processes. 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 Tier 1 suppliers and original equipment manufacturers (OEMs). The company benefits from long-standing, stable and sustainable relationships with its customers, with many key customers being supplied for more than 20 years.

hGears is headquartered in Schramberg (Germany) and operates worldwide with production facilities in Schramberg (Germany), Padua (Italy) and Suzhou (China). Visit hGears on the Internet at: www.hgears.com