

YOUR GLOBAL **MOBILITY**
ENGINEERING EXPERTS

EDAG ENGINEERING GROUP AG

REINVENT – STATUS QUO AND OUTLOOK

November 7th 2019



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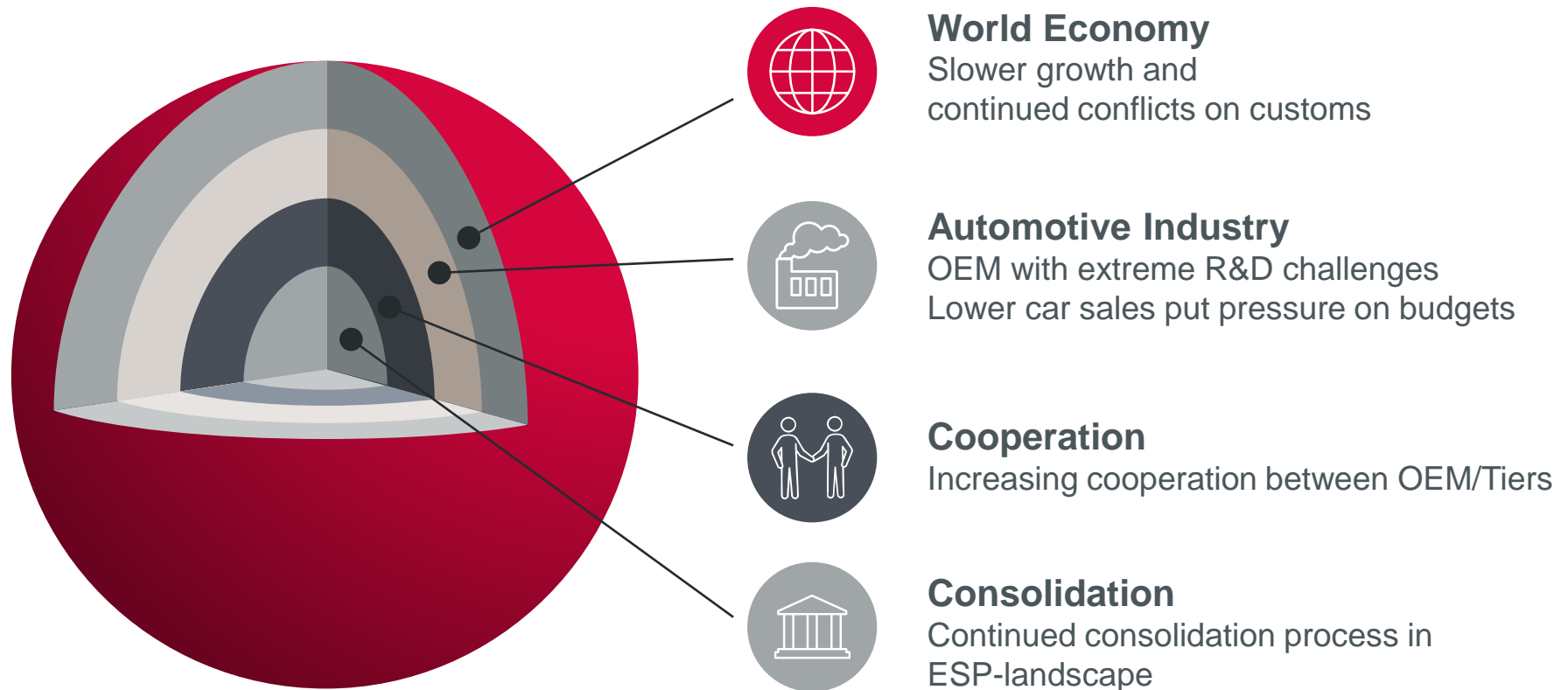
1. Market Environment
2. Status quo of REinvent
3. Outlook



MARKET ENVIRONMENT



MARKET DEVELOPMENT SINCE CMD 2018



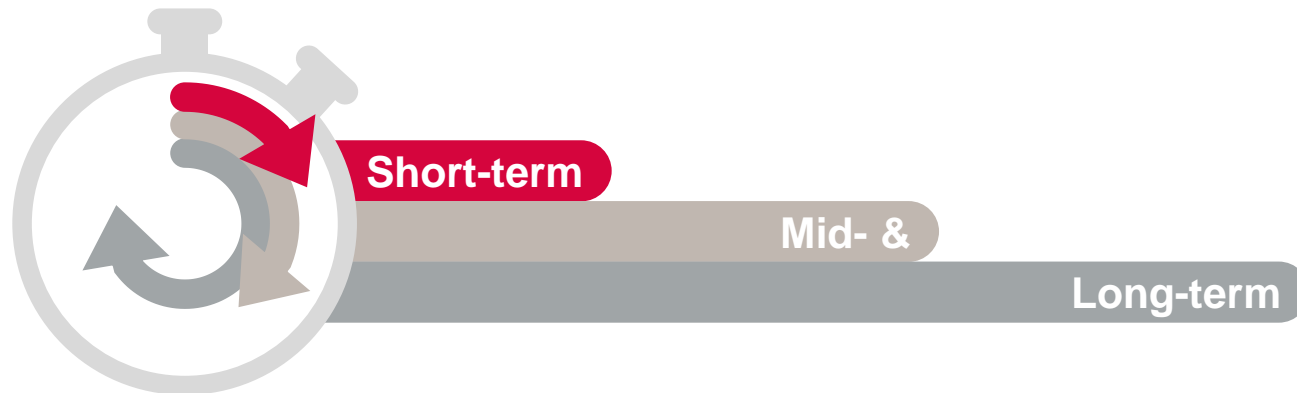
CHALLENGES

- **OEM need to invest into:**
 - Evolution of ICE-Technology
 - New drive Technologies
 - ADAS/Connectivity/HMI
 - Mobility Solutions
- **Decline in car sales**
- **New competitors**
- **Shortening of development cycles**
- **Staff shortage and rebalancing**



REACTIONS

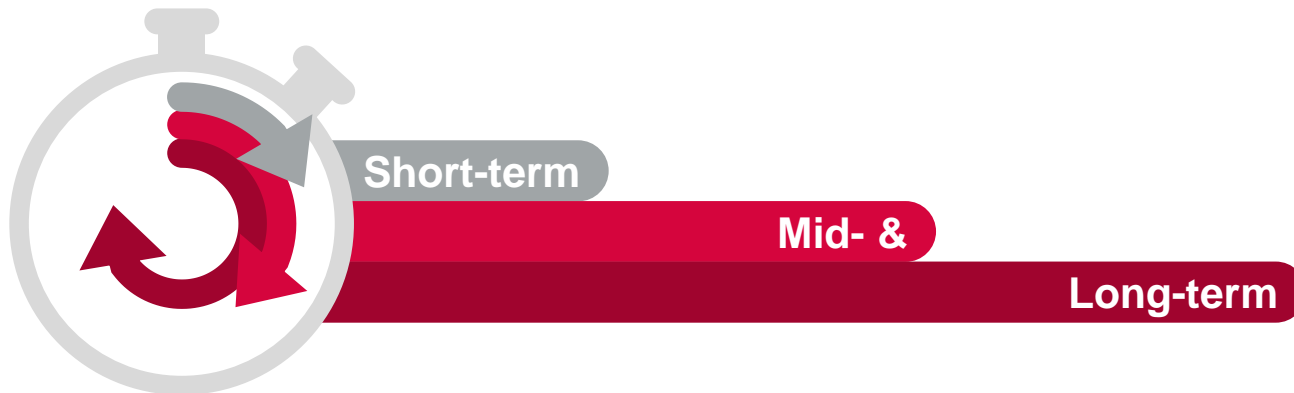
- **Prioritization of invest**
- **Savings programs**
- **Reducing complexity**
- **Partnerships**
- **Reorganization**



Short-term

- Restructuring/Shifting of R&D Budgets at OEM to cause delays in the awarding of projects
- Especially at Production Solutions project postponements and stops
- Partly underutilization due to delays and stops
- High volatility and continued price pressure

▶ **EDAG focus on Restructuring PS, safeguarding margins in VE and grow E/E**



Mid- & Long-term

- In order to lower R&D budgets, OEM and Tiers will increase outsourcing¹
- Value-added share of ESP will increase and enable sustainable growth²
- Highest increase of value-added share in Electrics/Electronics expected³

► **EDAG focus on international network, best-in-class delivery and software capabilities**

Sources:

1. KPMG: Global Automotive Executive Survey 2019
2. VDA & Oliver Wyman: Future Automotive Industry Structure FAST 2030
3. McKinsey: Automotive Software and Electronics 2030

STATUS QUO OF REINVENT



REINVENT – EIGHT FIELDS OF ACTION



**Excellence in
Operations**

Internationalization

Next Delivery Model

Revenue Growth

REinvent

Ventures

Talents

Number One

Electrics/Electronics

1. REVENUE GROWTH



Revenue Streams

Existing clients

**New
automotive
ecosystem**

EDAG activities

- Keeping our excellent position
- Offering of new services
- Deepening relationship and entering into development partnerships
- Increasing the international presence in the biggest automotive markets

- Scale complete vehicle design competencies worldwide
- Position EDAG as top innovator and truly independent player
- Offering of a seamless service portfolio over the whole value chain

Status

- Ambition to grow above market remains
- Prepare PS for future challenges in mechatronics engineering and smart factory

Recent success:

- BMW General Development Project
- Electro Mobility Poland
- Evergrande Group

2. EXCELLENCE IN OPERATIONS



Optimization of assets, infrastructure and internal administration

Status

in progress

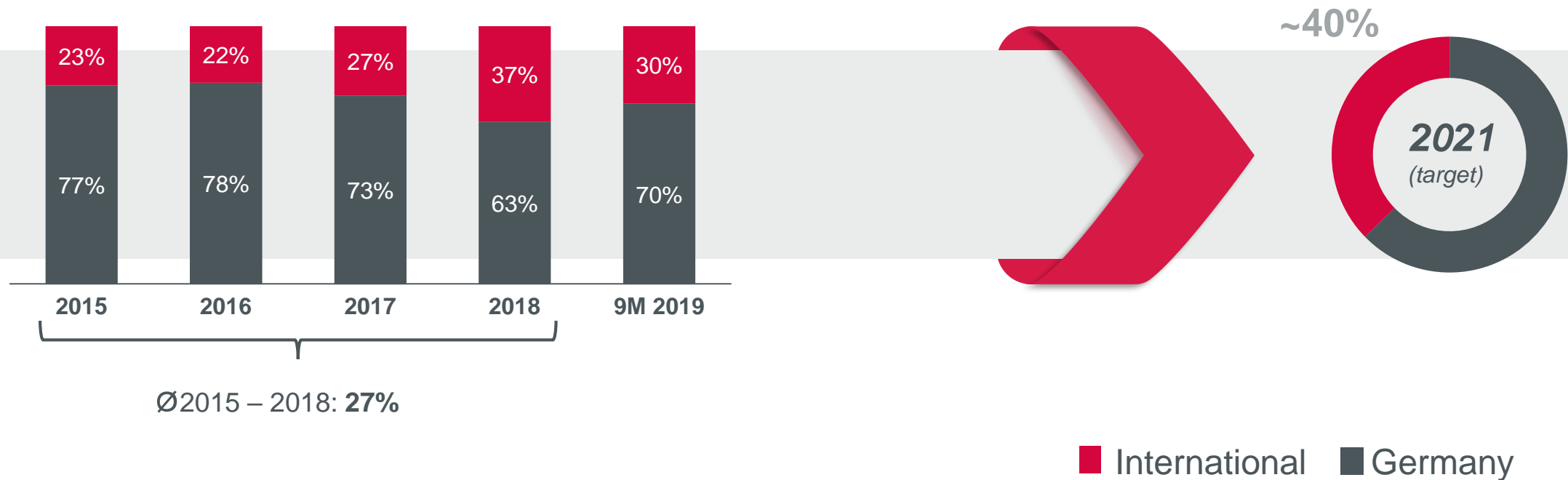


- Project Management optimization
- Increase of delivery profitability and reduction of ramp-up costs

Status

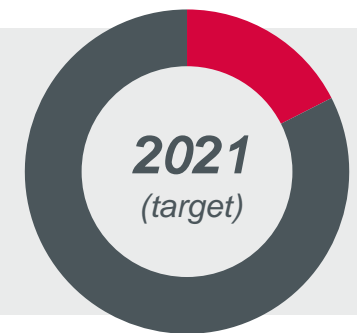
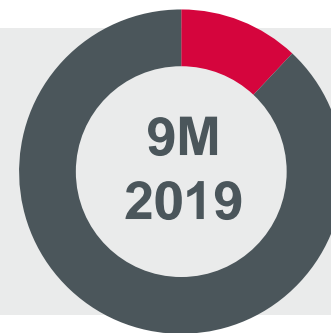
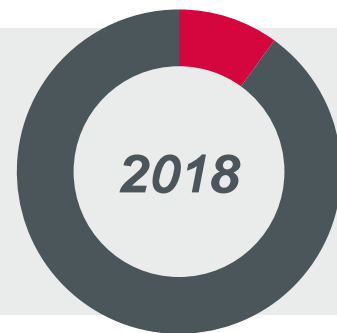
in progress

3. INTERNATIONALIZATION



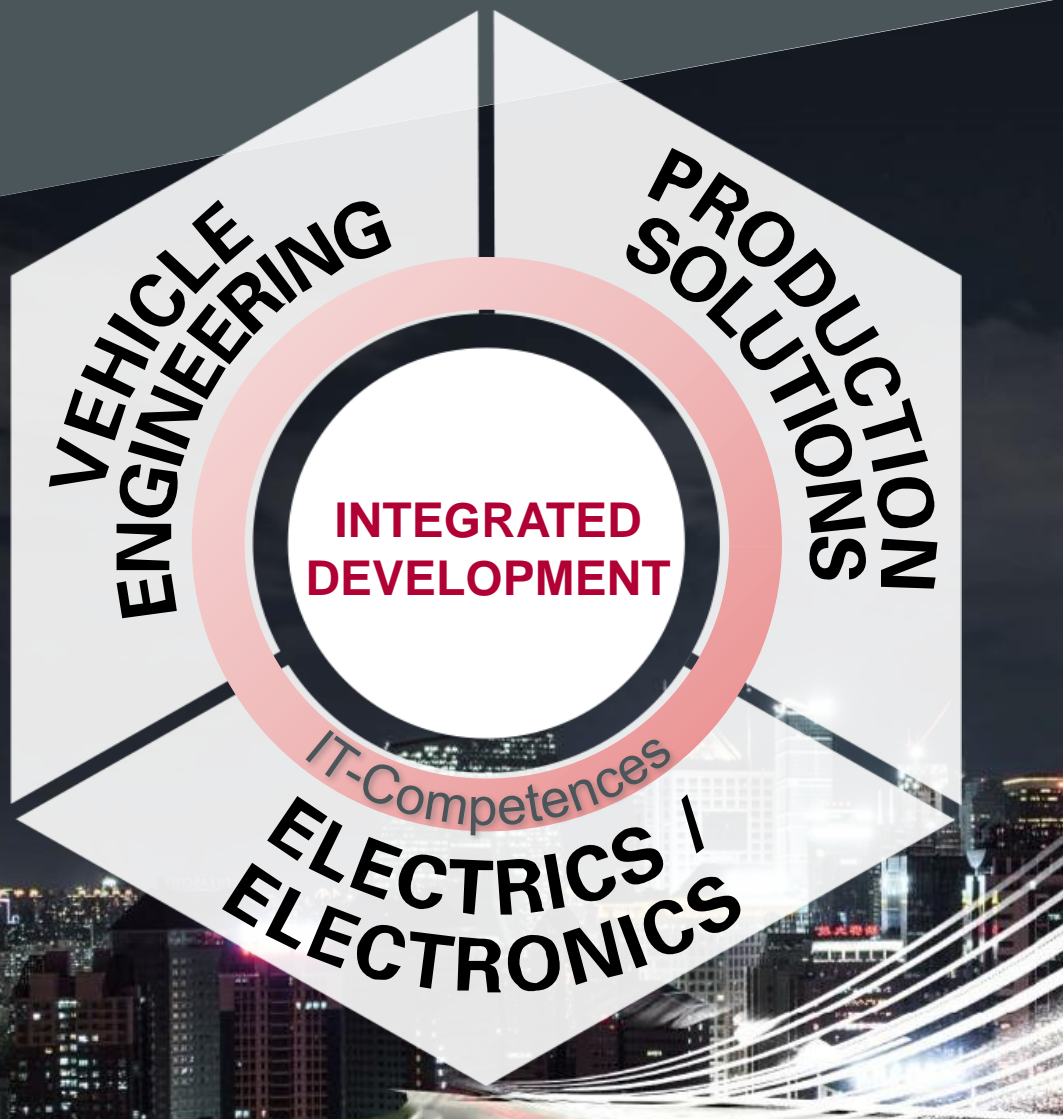
4. NEXT DELIVERY MODEL

- ~800 BCC employees at CMD 2018
- 6.5% growth of BCC workforce until end of Q3 2019
- Growth of 50% until end of 2021 targeted



■ BCC ■ Others

5. VENTURES



Task:

Extend the classical business models with new revenue streams in the area of innovative solutions for the networked mobility of tomorrow

Target:

Scale and develop at ~100 HC

Status

Transversal unit for innovative software solutions implemented
Headcount >150

6. ELECTRICS/ELECTRONICS

Target

- Merger of all activities by H1 2019
- Disproportionate increase in revenues
- Build one global E/E

Status

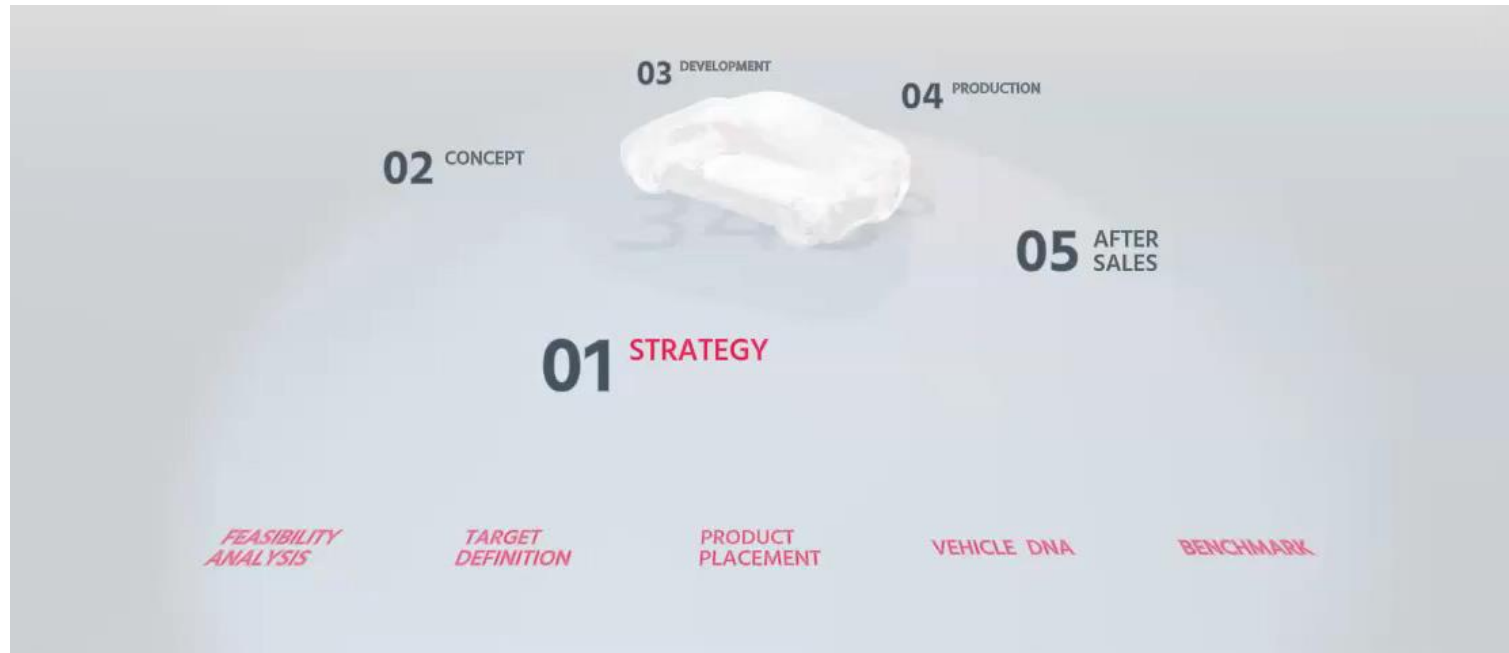
completed

on track

in progress



7. NUMBER ONE



EDAG –
*the leading independent
engineering and
production specialist
for future mobility*

BRAND

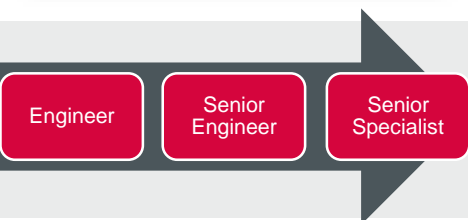
Launch of a new Employer Branding Campaign to start in December

RECRUITING









New country related recruiting process successfully implemented

RETENTION

Implementation of a new “specialist career” track started



SUMMARY OF REINVENT STATUS QUO

| | Task | Status | Complete |
|----------|--------------------------|-------------|---------------------------------------------------------------------------------------|
| R | Revenue Growth | In Progress |  |
| E | Excellence in Operations | In Progress |  |
| I | Internationalization | In Progress |  |
| N | Next delivery Model | In Progress |  |
| V | Ventures | completed |  |
| E | Electrics/Electronics | In Progress |  |
| N | Number One | In Progress |  |
| T | Talents | In Progress |  |

OUTLOOK



Revenues

previous year's level +/- round 1%

by segment

VE: + up to 5%
E/E: + >8%
PS: - >15%

Adjusted EBIT-margin

in a range of round 4-5%

by segment

VE: 5-7%
E/E: 5-7%
PS: -single digit%

FINANCIAL AMBITIONS



Revenues

to grow above market average

Adjusted EBIT-margin

to be gradually increased back to historic levels

THANK
YOU

