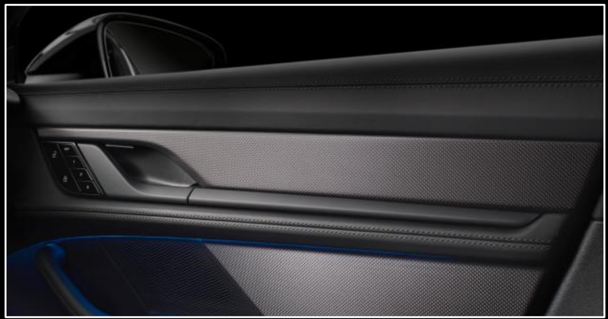
novem

18 August 2022

Q1 2022/23 Results



1 OVERVIEW

Q1 2022/23 key events

- Very dynamic start into 2022/23 with Q1 revenue of €181.9m, +16.5% y/y despite facing a number of headwinds
- Top line benefited from currency effects but also suffered from Covid-related customer plant shutdowns in China
- Inflationary pressures and continued inefficiencies weighed on the Adj. EBIT margin of 11.8% (16.5% PY)
- Q1 2022/23 free cash flow of €-2.5m turned negative, largely driven by increased working capital requirements
- Despite being slightly higher than at the end of previous quarter, net leverage ratio stood at a robust level of 1.6x
- Novem acquired the long-range SUV called Gravity from Silicon Valley-based EV start-up Lucid Motors
- First results concerning compensation of higher input costs achieved, but negotiations with OEMs still ongoing
- Novem proposed to the AGM a dividend distribution of €0.40 per share exceeding the target payout ratio of 35%

Revenue growth amid continued challenging trading environment and low operational visibility

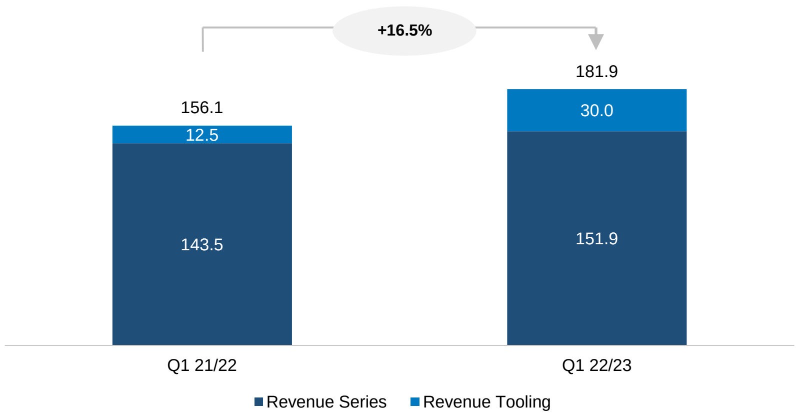
Q1 2022/23 financial highlights

	Q1 2021/22		Q1 2022/23
Revenue (€m)	156.1	↗	181.9
Adj. EBIT (€m)	25.8	↘	21.4
Adj. EBIT margin (%)	16.5%	↘	11.8%
Free cash flow (€m)	10.1	↘	-2.5
Net leverage (x Adj. EBITDA)	1.8x	↗	1.6x

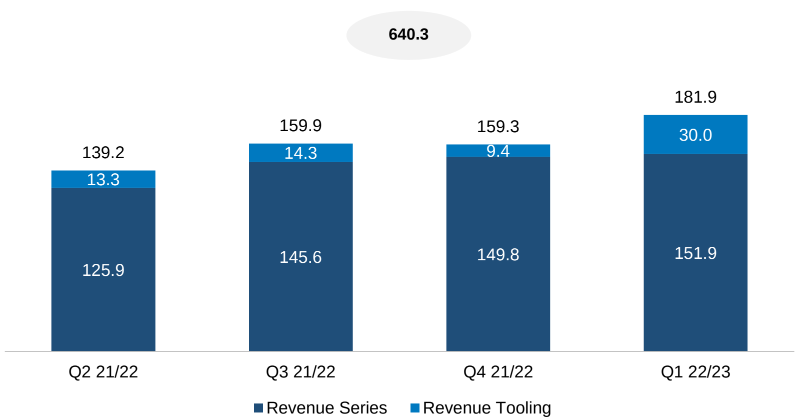
2 GROUP RESULTS

Revenue

Revenue (€m)



LTM revenue (€m)

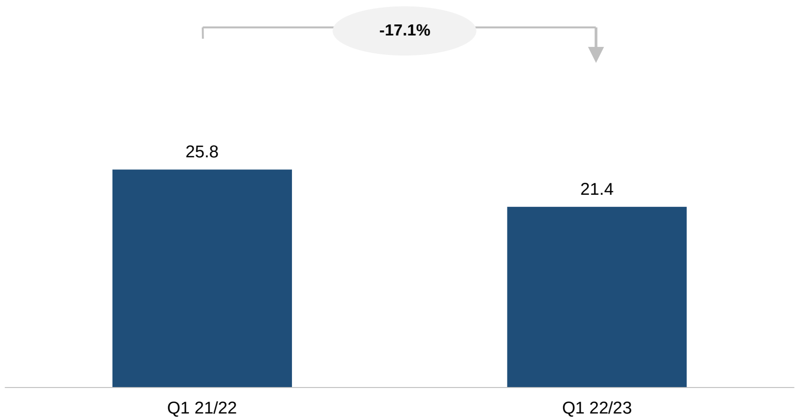


Highlights

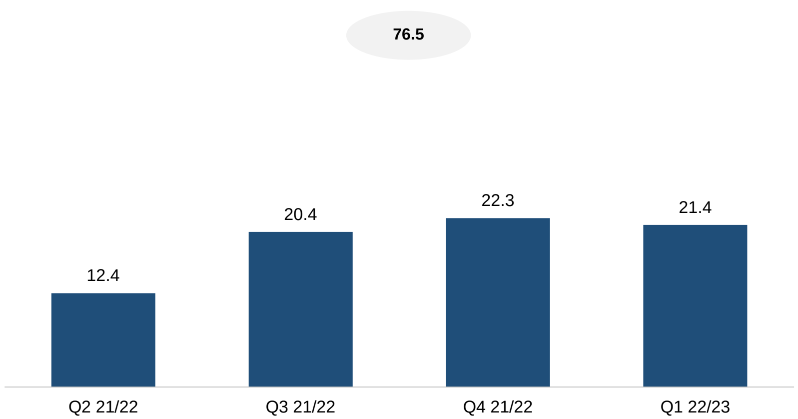
- In Q1 2022/23, total revenue of €181.9m exceeded previous year of €156.1m by +16.5%
- Strong top line growth was supported by favourable FX effects: If foreign exchange rates, primarily USD and RMB, had remained constant at PY level, revenue would have been lower by -4.9%
- Higher revenue Series (€+8.4m or +5.8% y/y) was anchored on decent underlying growth
- Most recently available LMC figures showed a slight increase of light vehicle production of +1.4% y/y
- Tooling revenue saw a significant rise by >100.0% or €+17.4m in the period under review due to the closure of major projects
- In a twelve-months view, total revenue of €640.3m increased by +4.2% compared to previous quarter

Adj. EBIT

Adj. EBIT (€m)



LTM Adj. EBIT (€m)

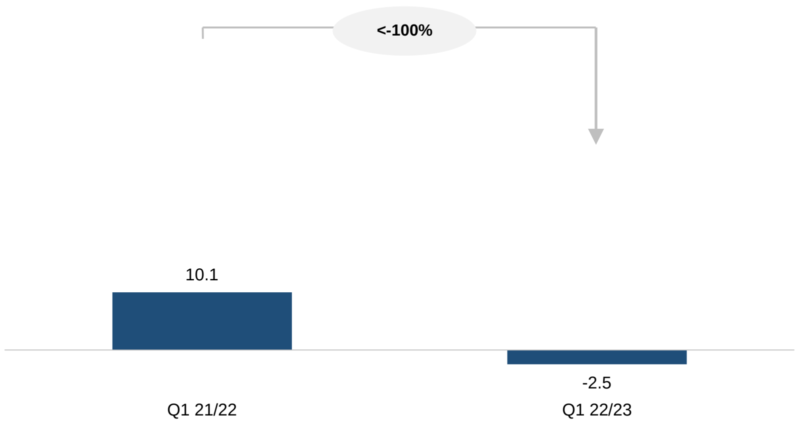


Highlights

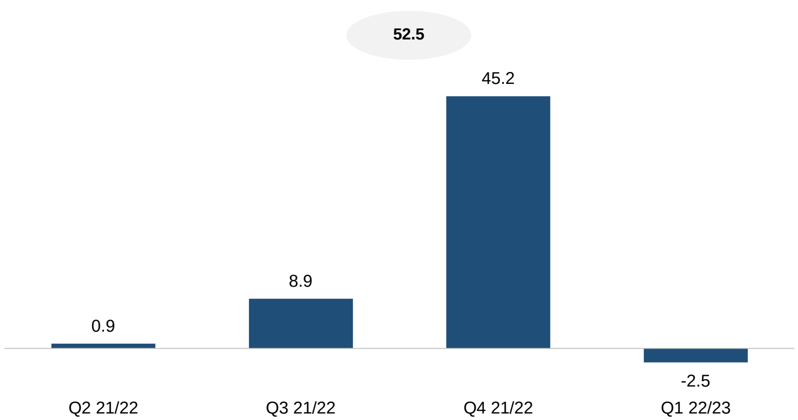
- Adj. EBIT in Q1 2022/23 declined by €-4.4m resulting in a margin of 11.8% for the period under review
- Decrease in Adj. EBIT was largely caused by higher input costs and inefficiencies resulting from the volatile customer call-offs (stop-and-go approach)
- Price increases for certain raw materials such as chrome parts, granulates and electrical elements as well as soaring energy and logistics expenses continued to impact bottom line
- As in the past, operational performance was again hampered by the unsteady customer call-offs leading to inefficiencies in the plants, especially in Europe
- Furthermore Adj. EBIT margin was diluted by the relatively high share of Tooling in the overall revenue
- Compared to previous quarter, LTM Adj. EBIT in the amount of €76.5m decreased by €-4.4m q/q

Free cash flow

Free cash flow (€m)



LTM free cash flow (€m)

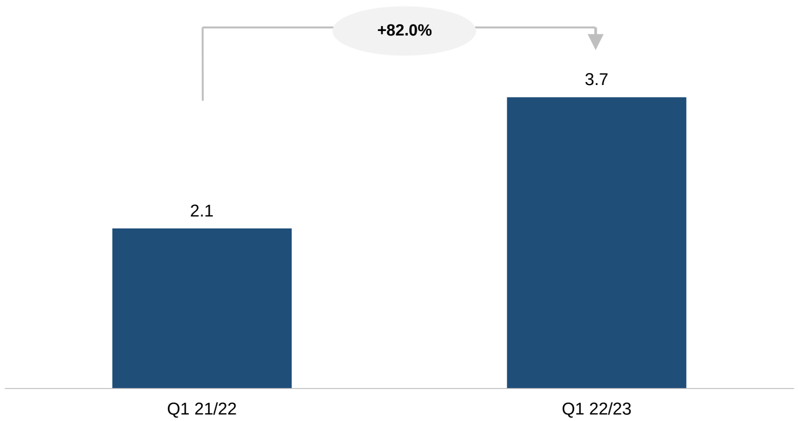


Highlights

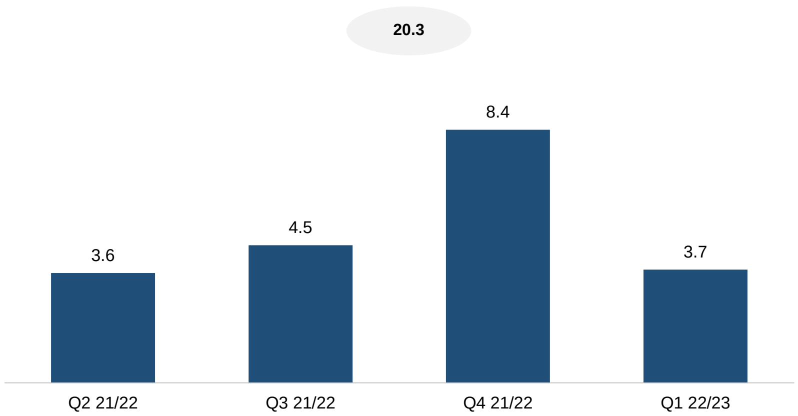
- Free cash flow of €-2.5m in Q1 2022/23 turned slightly negative and came down by €-12.6m from previous year
- While cash flow from investing activities remained almost on PY level, cash flow from operating activities was €-13.2m lower than last year due to the following reasons:
- Higher trade receivables (€-27.0m) primarily attributable to lower factoring, provisions (€-5.4m) and Others (€-2.3m); conversely, reduced inventories (€+21.5m) predominantly driven by Tooling
- Notwithstanding, inventories for the underlying Series business (excluding Tooling) remained high because of increased safety stock requirements from the OEMs
- On a last twelve month basis, free cash flow of €52.5m showed a decline by €-12.6m or -19.3% q/q

Capital expenditure

Capital expenditure (€m)



LTM capital expenditure (€m)

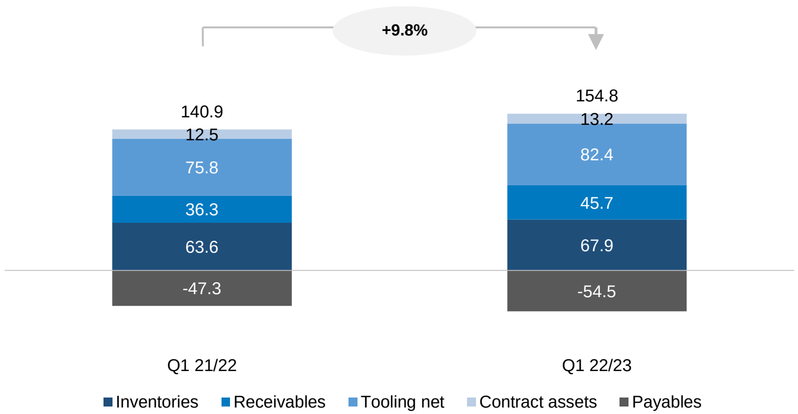


Highlights

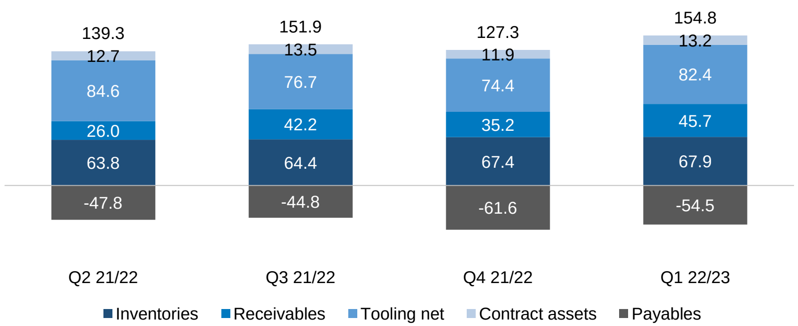
- Capital expenditure of €3.7m in Q1 2022/23 exceeded PY level by €+1.7m or +82.0%
- As a result of the higher investments, the underlying capex ratio rose to 2.1% of revenue (1.3% PY)
- LTM capital expenditure of €20.3m led to a capital expenditure ratio of 3.2%
- As previously reported, the takeover of the Faurecia aluminium business implied higher capex last year, notably in Q4 2021/22
- Q1 2022/23 contained a remaining impact of €1.1m
- It should be noted that, in this presentation, capital expenditure excludes any currency translation effects

Total working capital

Total working capital (€m)



LTM total working capital (€m)

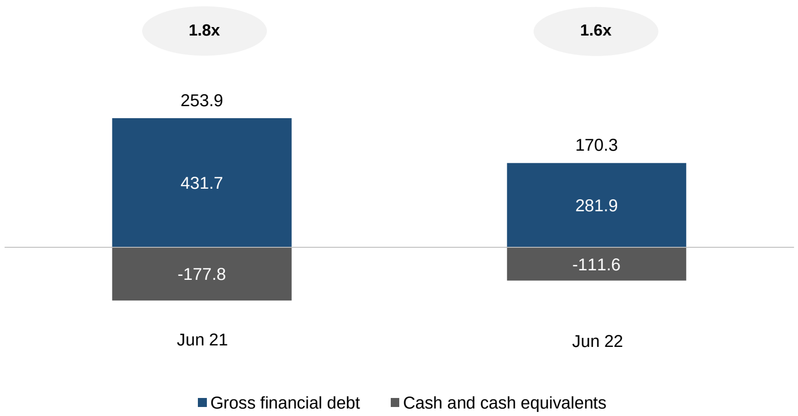


Highlights

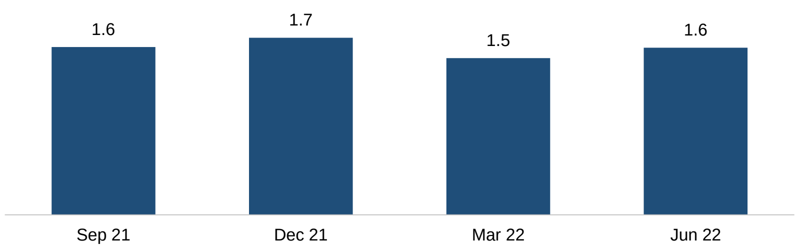
- As of 30 June 2022, total working capital recorded well above last year at €154.8m (+9.8% y/y)
- Variance of €-13.8m y/y due to higher trade receivables (€-9.4m), increased tooling net (€-6.7m), higher stock (€-4.3m) and contract assets (€-0.7m); conversely, higher trade payables (€+7.2m)
- Measured as a percentage of LTM revenue, total working capital stood at 24.2% as of 30 June 2022
- Trade working capital (excluding tooling net and contract assets) showed a further increase of +12.3% y/y from €52.7m to €59.1m in order to weather the challenges from the distorted supply chain
- While DIO and DPO stood fairly stable at 40 days (40 PY) and 55 days (54 PY), respectively, DSO increased to 35 days (31 PY)

Capital structure

Net financial debt (€m)



LTM net leverage ratio



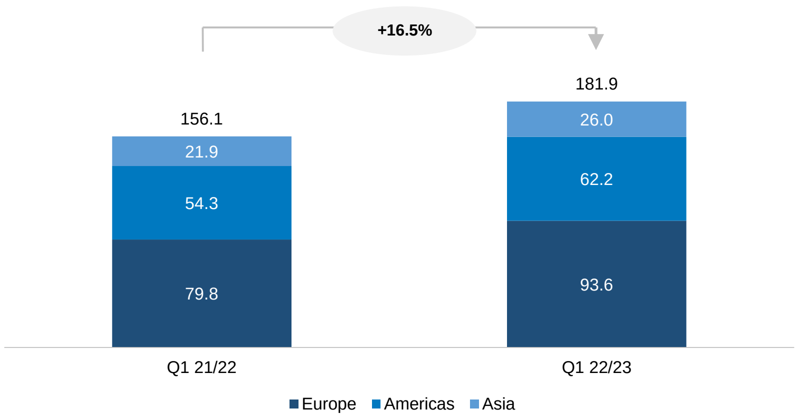
Highlights

- As of 30 June 2022, both gross financial debt and cash declined considerably in comparison to 30 June 2021
- Lease liabilities, by definition forming part of gross financial debt, amounted to €34.0m (€33.8m PY)
- Principal sources of funds consisted of €111.6m cash and cash equivalents (€177.8m PY) and €40.6m non-recourse factoring (€48.5m PY)
- Net financial debt as of 30 June 2022 amounted at €170.3m and showed a sharp decrease versus previous year (€253.9m)
- As a result, Novem could successfully de-lever its balance sheet through the post-IPO refinancing
- Since then, net leverage ratio oscillated at a solid level of around 1.6x (net financial debt / Adj. EBITDA)

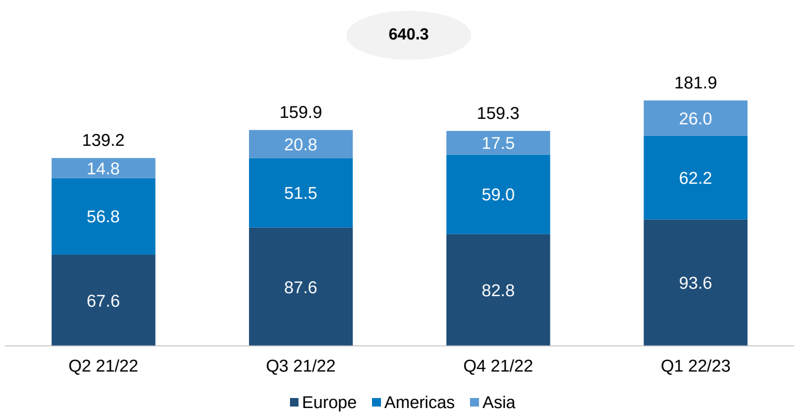
3 RESULTS BY OPERATING SEGMENTS

Revenue by operating segments

Revenue by region (€m)



LTM revenue by region (€m)

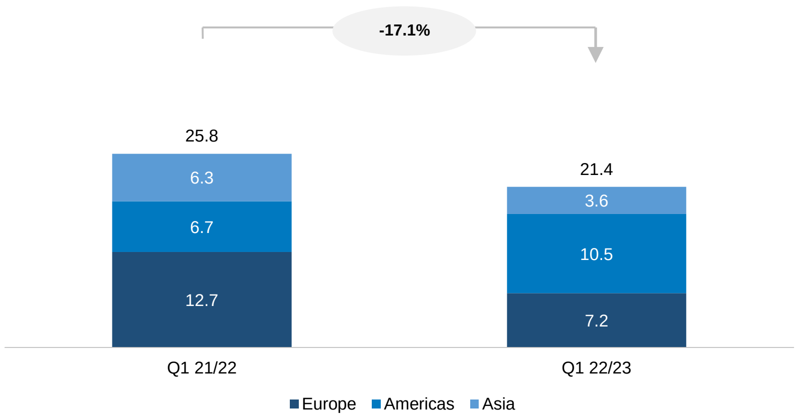


Highlights

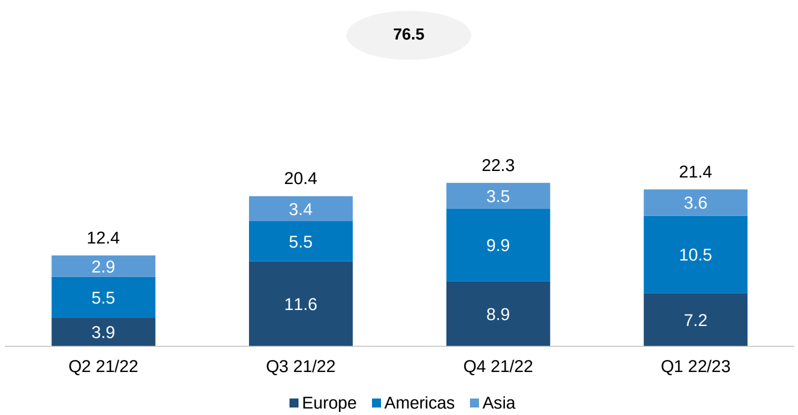
- From a geographical perspective, revenue increased in all regions (in total by €+25.8m y/y), to the largest extent in Europe, primarily driven by Tooling
- Sharp rise in Americas was directly linked to Series business and strongly supported by a positive FX impact from the USD
- Favourable deviation in Asia mainly attributable to Tooling, whilst Series was badly affected by several customer plant shutdowns relating to China's zero-tolerance policy
- In comparison to previous quarter, LTM revenue rose by €+25.8m from €614.5m to €640.3m
- LTM revenue showed the following distribution across the regions: 51.8% Europe, 35.9% Americas and 12.4% Asia
- On a last twelve month basis, total revenue gained momentum in Q1 2022/23 as the strongest quarter

Adj. EBIT by operating segments

Adj. EBIT by region (€m)



LTM Adj. EBIT by region (€m)



Highlights

- On a segmental basis, Adj. EBIT was strongly built on Americas contributing almost half of the quarterly result, while Europe and Asia showed a relatively weak performance
- In Europe, Adj. EBIT of €7.2m (€12.7m PY) was badly impacted by soaring inflation and ongoing inefficiencies due to the volatile customer call-offs
- In Asia, Adj. EBIT of €3.6m (€6.3m PY) was severely hampered by the reduced revenue in Series business in relation to China's zero-Covid policy leading to plant shutdowns of OEMs
- Both operating segments in Europe and Asia reported a dilution of their Adj. EBIT margin because of the relatively high share of Tooling in the total revenue of each region
- In Americas, the improved Adj. EBIT of €10.5m (€6.7m PY) was primarily driven by higher revenue
- LTM Adj. EBIT came down from €80.9m in Q4 2021/22 to €76.5m in Q1 2022/23 (€-4.4m or -5.5% q/q)

4 QUESTIONS & ANSWERS

5 APPENDIX

Profit and loss statement

Profit and loss statement (€m)

	Q1 2021/22	Q1 2022/23
Revenue	156.1	181.9
Increase or decrease in finished goods and work in process	9.0	-1.3
Total operating performance	165.0	180.6
Other operating income	2.7	4.5
Cost of materials	78.8	93.4
Personnel expenses	40.0	41.4
Depreciation, amortisation and impairment	7.6	8.0
Other operating expenses	15.6	20.9
Adj. EBIT	25.8	21.4
Adjustments	0.6	0.3
Operating result (EBIT)	25.2	21.1
Finance income	2.9	0.8
Finance costs	12.7	8.4
Financial result	-9.8	-7.5
Income taxes	6.3	4.6
Deferred taxes	1.0	0.5
Income tax result	7.3	5.1
Profit for the period	8.2	8.5

Balance sheet

Balance sheet (€m)

	30 Jun 2021	30 Jun 2022		30 Jun 2021	30 Jun 2022
			Total equity	**-497.7**	**85.3**
Intangible assets	3.5	2.9	Pensions and similiar obligations	34.9	35.1
Property, plant and equipment	182.0	182.6	Tax liabilities		
Trade receivables	48.5	50.1	Other provisions	5.2	3.2
Other non-current assets	14.6	12.6	Financial liabilities	863.2	247.8
Deferred tax assets	8.0	18.9	Other liabilities	32.3	29.2
			Deferred tax liabilities	3.7	4.0
Total non-current assets	**256.7**	**267.0**	**Total non-current liabilities**	**939.3**	**319.3**
Inventories	107.2	125.1	Tax liabilities	18.8	16.4
Trade receivables	42.0	51.4	Other provisions	54.5	47.6
Other receivables	28.8	30.7	Financial liabilities	3.0	4.8
Other current assets	17.4	15.6	Trade payables	50.6	61.6
Cash and cash equivalents	177.8	111.6	Other liabilities	62.8	66.4
Assets held for sale	1.2				
Total current assets	**374.6**	**334.3**	**Total current liabilities**	**189.6**	**196.8**
Assets	**631.2**	**601.3**	**Equity and liabilities**	**631.2**	**601.3**

Cash flow statement

Cash flow statement (€m)

	Q1 2021/22	Q1 2022/23
Profit for the period	8.2	8.5
Income tax expense (+)/income (-)	6.3	4.6
Financial result (+)/(-) net	12.0	0.9
Depreciation, amortisation and impairment	7.6	8.0
Other non-cash expenses (+)/income (-)	-6.7	0.5
Increase (-)/decrease (+) in inventories	-16.0	5.5
Increase (-)/decrease (+) in trade receivables	12.1	-14.9
Increase (-)/decrease (+) in other assets	-1.4	-1.1
Increase (-)/decrease (+) in deferred taxes	1.0	0.5
Increase (-)/decrease (+) in prepaid expenses/deferred income	-3.3	-0.4
Increase (+)/decrease (-) in provisions	6.6	1.2
Increase (+)/decrease (-) in trade payables	-11.3	-2.8
Increase (+)/decrease (-) in other liabilities	0.4	-8.7
Gain (-)/loss (+) on disposals of non-current assets	-0.0	0.0
Cash received from (+)/cash paid for (-) for income taxes	-2.4	-2.1
Cash flow from operating activities	12.9	-0.3

Cash flow statement (cont'd)

Cash flow statement (€m)

	Q1 2021/22	Q1 2022/23
Cash received (+) from disposals of intangible assets		
Cash received (+) from disposals of property, plant and equipment	0.0	0.8
Cash paid (-) for investments in intangible assets	-0.1	-0.0
Cash paid (-) for investments in property, plant and equipment	-3.4	-3.7
Interest received (+)	0.7	0.8
Dividends received (+)		
Cash flow from investing activities	-2.8	-2.2
Cash repayments (-) of loans/cash received from (+) loans	-0.0	0.0
Cash received from (+) shareholders of the parent company	-0.0	-0.0
Cash repayments (-) of shareholders loans	0.0	0.0
Cash repayments (-) of bond/cash received from (+) issuance of bond	0.4	0.0
Cash paid for (-) subsidies/grants	-0.0	-0.0
Cash paid for (-) finance leases	-2.4	-2.0
Interest paid (-)	-5.6	-1.3
Dividends paid (-)		
Cash flow from financing activities	-7.6	-3.3
Net increase (+)/decrease (-) in cash and cash equivalents	2.5	-5.8
Effect of exchange rate fluctuations on cash and cash equivalents		0.4
Cash and cash equivalents at the beginning of the reporting period	175.3	117.0
Cash and cash equivalents at the end of the reporting period	177.8	111.6

EBIT adjustments

EBIT adjustments (€m)

	Q1 2021/22	Q1 2022/23
Revenue	156.1	181.9
EBIT	25.2	21.1
EBIT margin	16.2%	11.6%
Restructuring		
Material quality claims		
Single impairments		
Covid-19 costs	0.2	0.2
Transaction costs	0.2	
Others	0.1	0.1
Exceptional items	0.6	0.3
Discontinued operations		
Adjustments	0.6	0.3
Adj. EBIT	25.8	21.4
Adj. EBIT margin	16.5%	11.8%

Definitions and basis of preparation of the financial information

- **Adj. EBIT** is defined as EBIT as adjusted for certain adjustments which management considers to be non-recurring in nature, as Novem believes such items are not reflective of the ongoing performance of the business
- **Adj. EBITDA** is defined as profit for the year before income tax result, financial result and amortisation, depreciation and write-downs as adjusted for certain adjustments which management considers to be non-recurring in nature, as Novem believes such items are not reflective of the ongoing performance of the business
- **Adj. EBIT margin** is defined as Adj. EBIT divided by revenue
- **Adj. EBITDA margin** is defined as Adj. EBITDA divided by revenue
- **Capital expenditure** is defined as the sum of cash paid for investments in property, plant and equipment and cash paid for investments in intangible assets excluding currency translation effects
- **Cash conversion rate** is defined as Adj. EBITDA less capital expenditure divided by Adj. EBITDA
- **Days inventory outstanding (DIO)** is defined by dividing inventories (as shown in the consolidated statement of financial position, but excluding tooling) by revenue generated from the sale of series trim elements in the last three months
- **Days sales outstanding (DSO)** is defined by dividing trade payables (as shown in the consolidated statement of financial position, but excluding tooling) by revenue generated from the sale of series trim elements in the last three months
- **Days payables outstanding (DPO)** is defined by dividing trade payables (as shown in the consolidated statement of financial position, but excluding tooling) by net costs series incurred in the three months
- **EBIT** is defined as profit for the year before income tax result and financial result
- **EBITDA** is defined as profit for the year before income tax result, financial result and amortisation, depreciation and write-downs
- **Gross financial debt** is defined as the sum of liabilities to banks, hedging and lease liabilities
- **Net leverage ratio** is defined as the ratio of net financial debt to Adj. EBITDA
- **Net financial debt** is defined as gross financial debt less cash and cash equivalents
- **Free cash flow** is defined as the sum of cash flow from operating and investing activities
- **Trade working capital** is defined as the sum of inventories non-tooling and trade receivables related to non-tooling less trade payables related to non-tooling
- **Total operating performance** is defined as the sum of revenue and increase or decrease in finished goods
- **Total working capital** is defined as the sum of inventories, trade receivables and contract assets excluding expected losses less trade payables, tooling received advance payments received and other provisions related to tooling

Further information and disclaimer

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Contact

investor.relations@novem.com | All information is constantly updated and available. Please visit the Investor Relations Portal on the Company website: https://ir.novem.com

Editor

Novem Group S.A. | 19, rue Edmond Reuter | 5326 Contern | Luxembourg | www.novem.com

Financial information

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Novem Group S.A.
19, rue Edmond Reuter | 5326 Contern | Luxembourg

Email: investor.relations@novem.com
www.novem.com