

# Capital Market Update – Schaeffler AG

CEO Conference Call  
March 24, 2020  
Herzogenaurach

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## Agenda

- 1 Overview
- 2 Crisis management approach
- 3 Current business development
- 4 Strategy update and Roadmap 2024
- 5 Outlook and Conclusion

## Capital Market Update – Corona crises requires recalibration of priorities

- 1 Since March 10, 2020 the Corona crisis has accelerated and turned into a global crisis, impacting all major economies

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- 2 We have intensified our crisis management focusing on maximum containment and establishing a dedicated Global Task Force with 3 response teams

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- 3 We are preparing the company for adverse conditions relying on our balance sheet strength and healthy liquidity situation

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- 4 Our 'Roadmap 2024' has been finalized and is ready to go, a strategy update will be shared with the market later in the year

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- 5 Given the current uncertainty, Guidance 2020 suspended, AGM 2020 postponed, Q1 figures will be released on May 6, 2020



**Recalibrating priorities  
and full focus on crisis  
management**

## Corona crisis has become global – Schaeffler with balanced business portfolio mix

### Global Footprint

#### Americas

- Crisis increasing, safety measures implemented
- Following customers' lead, Schaeffler is temporarily closing AOEM plants in the US, Brazil and Mexico
- Industrial business with solid orders

#### Europe

- Number of Schaeffler employees infected very limited due to strict safety measures
- Fast and flexible response in adjusting operations
- Countermeasures implemented

#### Greater China

- Proactive crisis management, no employee infected
- All plants back on track, capacity utilization around 70%
- Supply chain maintained, well prepared for market recovery

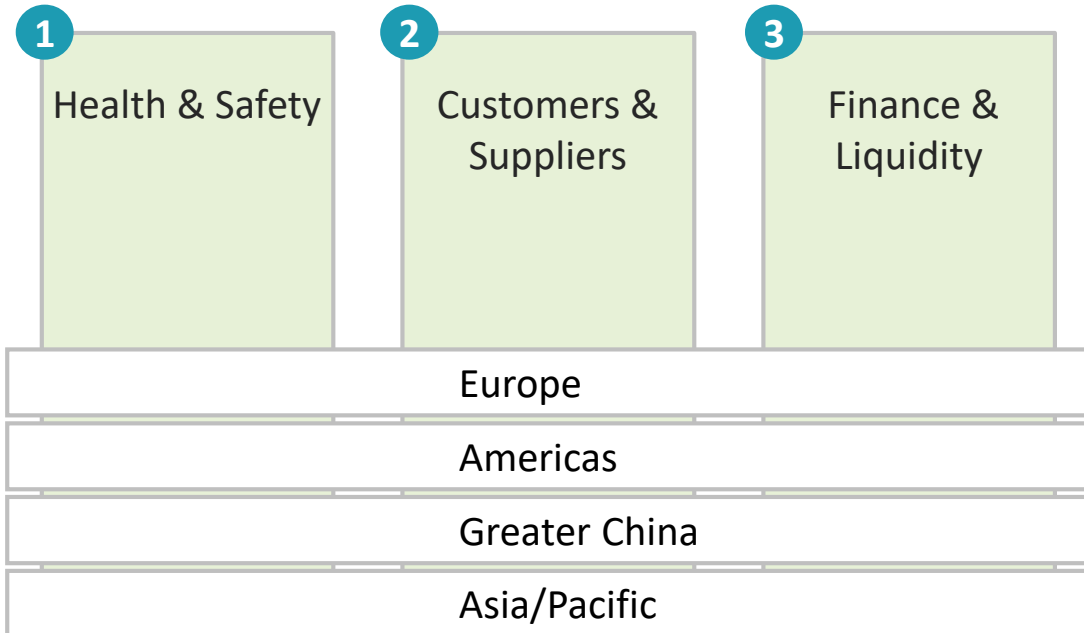
#### Asia/Pacific

- No employee infected
- Strong containment measures in Japan and South Korea
- Forced plant closures in India

**Schaeffler benefitting from balanced business mix (Auto and Industrial) and regional setup**

## Global Task Force with 3 dedicated response teams – Fast and flexible response

### Global Task Force



### Key aspects

- ▶ Dedicated global Task Force led by CEO steering the organization, managing risks and responses and aligning all stakeholders
- ▶ Task Force consisting of **3 global response teams** with regional overlay and 3 key priorities
  - ▷ Protecting health of employees
  - ▷ Minimizing impact on customers and securing supply chains
  - ▷ Ensuring financial health and liquidity
- ▶ Fast and flexible response mode established across the whole organization
- ▶ Countermeasures in place focusing on location-specific ramp down, flexing cost base (i.e. short-time work) and additional cost containment measures
- ▶ Business continuity management and proactive planning of restart initiated

**Fast, flexible and situation-specific response ensuring business continuity and ability to ramp up operations when needed**

## Business Development – Impact differs by divisions, diversification pays off

1

63%<sup>1</sup>

### Automotive OEM

- ▶ Major shutdowns of all relevant OEMs in Europe and Americas for the next weeks
- ▶ For Q1 2020, yoy sales development between -6 and -8% envisaged, outperformance so far successfully retained
- ▶ Major impact expected in Q2, countermeasures to be intensified where necessary

2

13%<sup>1</sup>

### Automotive Aftermarket

- ▶ Demand through Q1 2020 so far higher than expectations, distributors are building safety stocks
- ▶ Controlled build-up of own inventory to secure supply chain when business comes back
- ▶ Demand-driven negative impact in Q2 expected

3

24%<sup>1</sup>

### Industrial

- ▶ Global demand currently still on solid level, short- and mid-term development carefully managed
- ▶ Q1 2020 sales expected without major impact
- ▶ Focus on productivity improvements, cost reduction and cash generation to prepare for weaker rest of the year

**Automotive OEM impacted most, Aftermarket with good momentum in Q1, Industrial holding up**

<sup>1</sup> In % of Total Sales Schaeffler Group 2019

## Robust balance sheet – Strong liquidity position

### Balance Sheet

- ▶ Strong balance sheet with limited goodwill<sup>1</sup> due to focused M&A Strategy
- ▶ As per February 2020, Net financial debt of EUR 2.4 bn, Leverage ratio<sup>2</sup> at 1.1
- ▶ As of March 24, 2020 Investment Grade Rating by Fitch, Moody’s and S&P, with negative outlook from S&P and Fitch

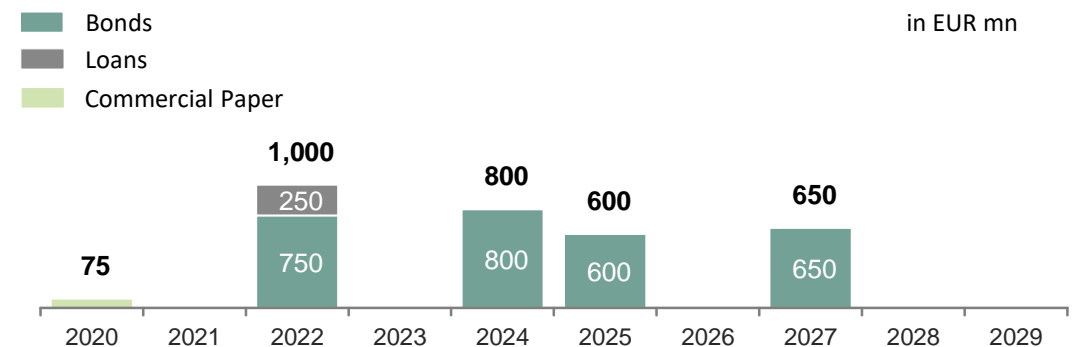
### Current Ratings Schaeffler Group

	FitchRatings	MOODY'S	STANDARD & POOR'S
Corporate Rating	BBB-	Baa3	BBB- <sup>3</sup>
Outlook	negative	stable	negative
Bond Rating	BBB-	Baa3	BBB-

### Liquidity

- ▶ Cash balance Schaeffler Group as per end of February 2020 EUR 684 mn (EUR 668 mn as per year end 2019)
- ▶ Committed unused credit lines of EUR 2 bn as per end of February 2020, available liquidity<sup>4</sup> 15% of Net Sales 2019
- ▶ Robust debt maturity profile, no redemption<sup>5</sup> in the next 24 months

### Maturity Profile



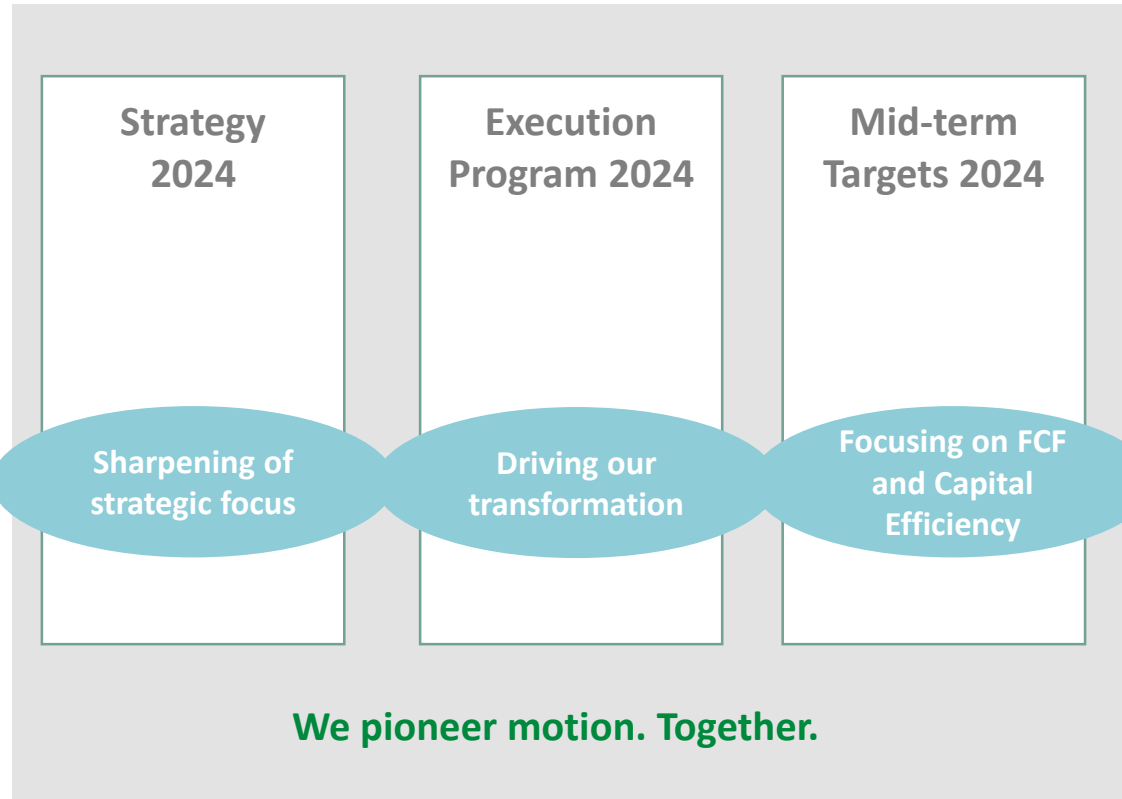
**Robust creditworthiness and strong liquidity position supported by proven cash flow management**

<sup>1</sup> EUR 606 mn per year end 2019 <sup>2</sup> Leverage ratio as EBITDA adj. to Net Financial Debt <sup>3</sup> Rating based on combined Schaeffler Group and IHO Group metrics <sup>4</sup> Excluding restricted cash <sup>5</sup> Excluding Commercial Paper



## Roadmap 2024 finalized – Ready to launch when market clears up

### Roadmap 2024



### Key aspects

- ▶ 'Roadmap 2024' finalized and ready to go with 3 main building blocks:
  - ▷ 'Strategy 2024' with 5 five updated Focus Areas, key Growth Initiatives leveraging synergies across the value chain between Automotive and Industrial
  - ▷ Dedicated 'Execution Program 2024' with 3 divisional Sub-Programs (extending RACE, FIT and GRIP) and 4 cross-divisional Sub-Programs
  - ▷ 'Mid-term Targets 2024' to be adapted to more challenging environment
- ▶ Launch of 'Roadmap 2024' supported by new claim covering Automotive and Industrial business in a more comprehensive manner: **"We pioneer motion. Together."**

Roadmap 2024 finalized and ready to go, launch as soon as crisis calms down

## Summary key messages – Schaeffler well prepared to manage the crisis

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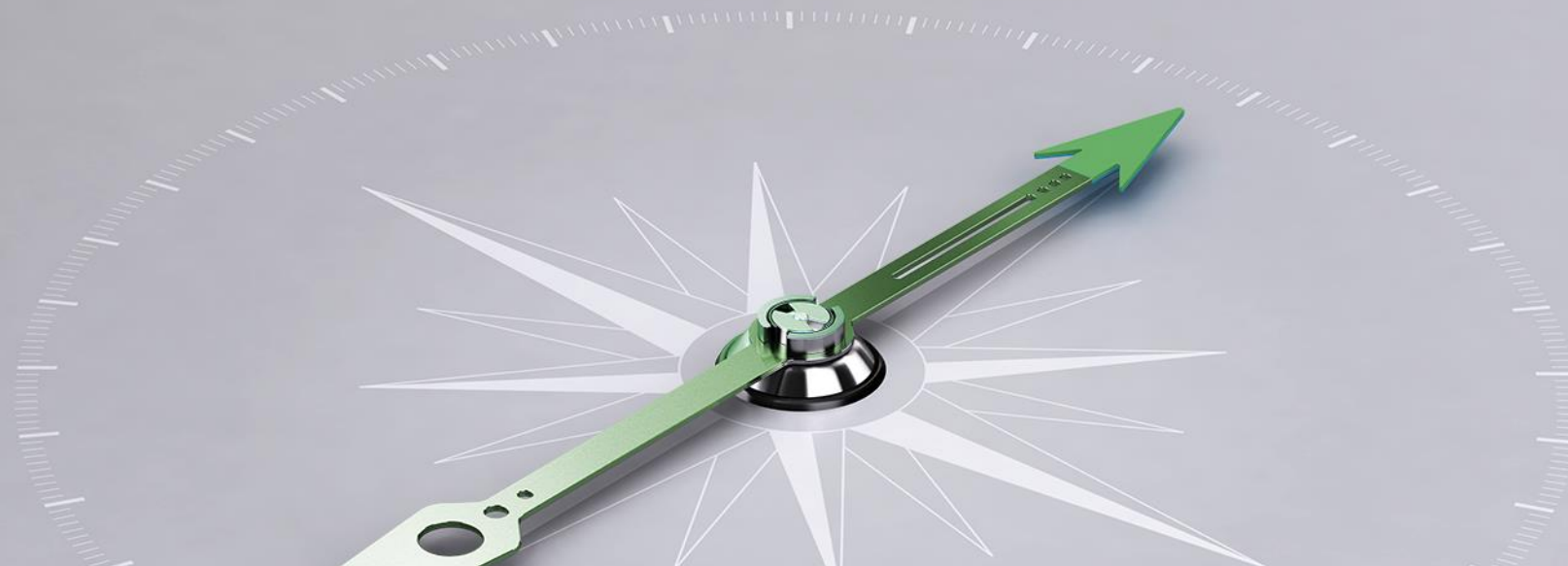


**Fast and flexible  
response is key**

## Capital Market Update – Key dates

### Upcoming capital market communication

Mar 24 <sup>th</sup>	Capital Market Update
Apr 17 <sup>th</sup>	AGM postponed
May 6 <sup>th</sup>	Q1 2020 Earnings Release
To come	New AGM if possible online
To come	Launch Roadmap 2024
Aug 4 <sup>th</sup>	H1 2020 Earnings Release
Nov 10 <sup>th</sup>	9M 2020 Earnings Release



## IR Contact

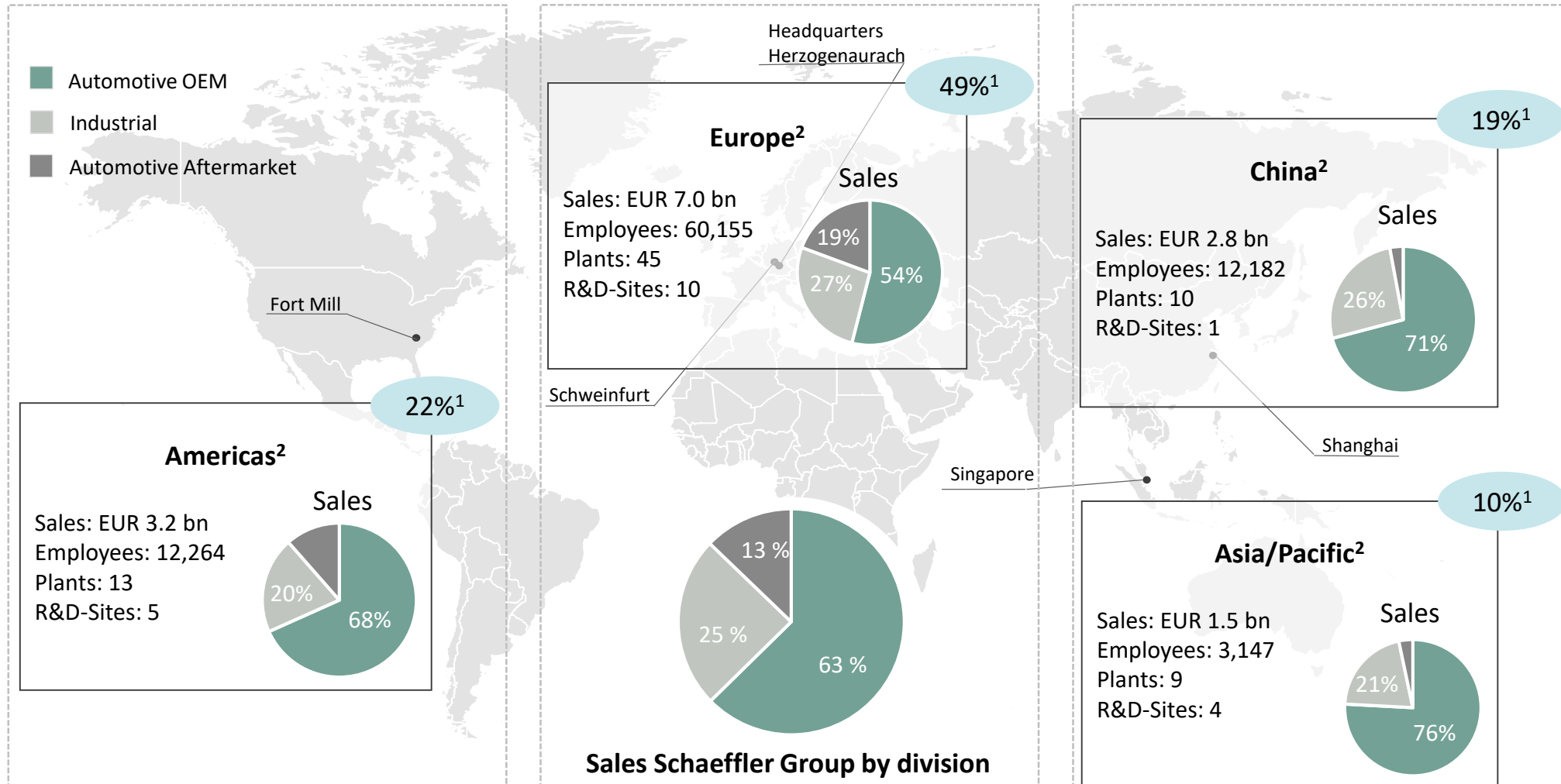
### Investor Relations

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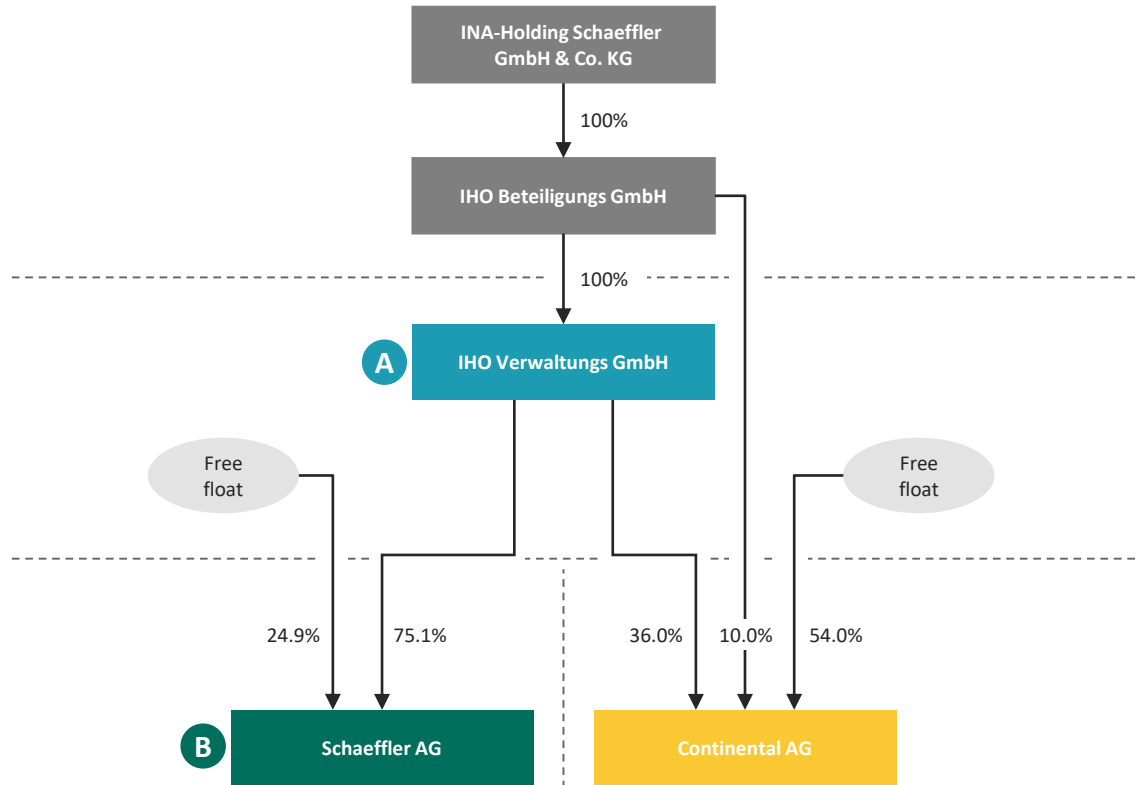
**Global Footprint Schaeffler Group – Automotive and industrial supplier**



<sup>1</sup> In % of Total Sales Schaeffler Group 2019 | <sup>2</sup> As of FY 2019

# Overview Corporate and Financing Structure

## Corporate structure (simplified) | as of February 29, 2020



## Financing structure | as of February 29, 2020

### A IHO Verwaltungs GmbH

	Debt instrument	Nominal (USD m)	Nominal (EUR <sup>1</sup> m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	Term loan (EUR)	-	600	E+2.75%	May-24	Not rated
	RCF (EUR 400 m)	-	-	E+2.75%	May-24	Not rated
Bonds	3,625% SSNs 2025 (EUR)	-	800	3.625%	May-25	BB+/Ba1/BB+
	3.75% SSNs 2026 (EUR)	-	750	3.75%	Sep-26	BB+/Ba1/BB+
	4.75% SSNs 2026 (USD)	500	456	4.75%	Sep-26	BB+/Ba1/BB+
	3,875% SSNs 2027 (EUR)	-	500	3.875%	May-27	BB+/Ba1/BB+
	6.00% SSNs 2027 (USD)	450	410	6.00%	May-27	BB+/Ba1/BB+
	6.375% SSNs 2029 (USD)	400	364	6.375%	May-29	BB+/Ba1/BB+
<b>Total IHO Verwaltungs GmbH</b>			<b>3,880</b>	<b>Ø 3.68%</b> <sup>2,3</sup>		

### B Schaeffler AG

	Debt instrument	Nominal (USD m)	Nominal (EUR <sup>1</sup> m)	Interest	Maturity	Rating (Fitch/Moody's/S&P)
Loans	RCF (EUR 1,800 m)	-	-	E+0.50%	Sep-23	Not rated
	Investment Facility (EUR 250 m)	-	250	E+1.00%	Dec-22	Not rated
CP	Commercial Paper Program (EUR 1.0 b)	-	75	Ø -0,07%	Mar-20	Not rated
Bonds	1.125% SNs 2022 (EUR)	-	750	1.125%	Mar-22	BBB-/Baa3/BBB-
	1.875% SNs 2024 (EUR)	-	800	1.875%	Mar-24	BBB-/Baa3/BBB-
	3.25% SNs 2025 (EUR) - SFBV <sup>4</sup>	-	600	3.25%	May-25	BBB-/Baa3/BBB-
	2.875% SNs 2027 (EUR)	-	650	2.875%	Mar-27	BBB-/Baa3/BBB-
<b>Total Schaeffler Group</b>			<b>3,125</b>	<b>Ø 2.15%</b> <sup>3</sup>		

<sup>1</sup> EUR/USD = 1.0977 | <sup>2</sup> After cross currency swaps | <sup>3</sup> Incl. commitment and utilization fees

<sup>4</sup> Bond issued by Schaeffler Finance B.V., guaranteed by Schaeffler AG