

TRANSCRIPT / PRE-CLOSE CALL Q3 2024



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Q3 2024 Schaeffler AG Pre-Close Call

October 10, 2024
Herzogenaurach

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Company Representative

Heiko Eber, Head of Investor Relations

Conference Call (Active) Participants

Christoph Laskawi, *Deutsche Bank*

Akshat Kacker, *JP Morgan*

Heiko Eber

Ladies and gentlemen, I'm very happy to welcome you to today's pre-close call on the third quarter 2024. Now, before we move on to our content of today's call, I'm sure that you have all taken notice of our well-known disclaimer. Please note that this release and all information herein is unaudited, and that our next quiet period starts on October 21st. We are holding this call to remind you of relevant public information, which was previously provided by Schaeffler AG or Vitesco Technologies, AG, or otherwise available in the market, which may be helpful in assessing the company's financial performance ahead of the Q3 2024 results on November 5th.

I will guide you through the key messages and give more clarity on our divisions. Despite the successful completion of the merger between Schaeffler AG and Vitesco last week, on October 1st, and as Vitesco is still accounted for at equity, we will show the Vitesco key figures on a standalone basis one last time. The statements will be compared to Q3 2023, but also quarter on quarter. And of course, afterwards you will have the opportunity to ask questions.

Let me go directly to our key messages.

Key messages Q3 2024

Schaeffler Group

| | Q3 2023 | Q2 2024 | Key aspects Q3 2024 |
|-----------------------------------|------------|-----------|---|
| Sales growth¹ | +0.4% | +4.2% | Slightly negative growth ¹ expected for Q3 |
| EBIT margin² | 8.4% | 4.9% | EBIT margin ² characterized by sequentially unchanged dynamics |
| Free Cash Flow³ | EUR 182 mn | EUR 75 mn | Significant step-up qoq supporting our FY 2024 Guidance |

¹ FX-adjusted | ² Before special items | ³ Before cash in- and outflows for M&A activities




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Starting with a high-level view on Schaeffler AG, in brackets, old. When we look at the sales growth, given the overall trend in Automotive industry lately, it is fair to assume that we will see a slightly negative sales growth for Q3. On the EBIT margin side, it's characterized by sequentially unchanged dynamics. Demand globally is still weak, both for Auto and the Industry business, so no significant change on the profitability to be expected.

Where we will see a significant step-up quarter-on-quarter, and of course supporting our full-year Guidance, is on the Free cash flow. As a reminder, our Guidance for this year is €200 to €300 mn positive Free cash flow. And, as I said, we are on track to meet the Guidance. It is fair to assume that we will see a positive cash flow year-to-date Q3.

Divisional aspects Q3 2024

| Automotive Technologies  | Vehicle Lifetime Solutions  | Bearings & Industrial Solutions  |
|---|--|---|
| <ul style="list-style-type: none"> • Challenging market environment overall, with negative development across all regions • Solid outperformance, continued strong growth in E-Mobility • EBIT margin significantly below PY, slightly lower qoq | <ul style="list-style-type: none"> • Market demand remains on a high level, in particular in Europe • Continued strong sales growth expected for Q3 • EBIT margin slightly lower than PY and sequentially, but still on very high level | <ul style="list-style-type: none"> • Market environment remains challenging • Industrial sales lower yoy due to sector cluster Wind and continued weak EU market. Auto Bearings weaker in line with LVP • EBIT margin clearly below PY |

If we look at our three divisions at the old Schaeffler structure, and starting with Automotive Technologies. We are, for sure, not the first company in Automotive space to report about a very challenging market environment and unfortunately, we still see negative development across all regions. Nevertheless, the outperformance that we could show is still considered to be solid. And what is, of course, especially in these times when there is a lot of talk about cooling down of demand in the E-Mobility space, I'm glad to report that we still see a continued strong growth in the area of E-Mobility. The EBIT margin is significantly below prior year and also slightly lower quarter-on-quarter, but please keep in mind that this performance is, of course, burdened by the before mentioned ramp-up of our E-Mobility business.

Looking at Vehicle Lifetime Solutions and our Aftermarket business. The market demand remains on a high level, which is good, and we see a particularly strong demand in Europe. The sales growth we see continues to be very strong. Nevertheless, we indicated already in our Q2 call that growth rates, like we have seen in the first half year of 2024, above 20%, are not there forever. But again, we still see a very strong double-digit growth.

Moving to our Bearings & Industrial Solutions business. Also here, as mentioned before, market environment remains very challenging across most of the industry sectors. The Industrial sales lower year-over-year, especially due to sector cluster

Wind and a continued weak market, especially in Europe. The Auto Bearings is weaker compared to prior year, but in line with the Light Vehicle Production. The overall challenging market environment actually was leading to a situation that we even decided to shut down some of our sites during Q3 in order to adjust our capacities to the lower market.

The EBIT margin is clearly below prior year. This has not changed compared to the last quarter. Nevertheless, during our Q2 call, we mentioned that Q2 is set to be the weakest quarter in 2024, but we need a little bit more patience for a full recovery of the business. We see a slight upward trend, but for sure, a more friendly market environment is needed in order to get back to old strengths. All in all, Industrial business remains an uphill battle for now. More details on our way to get back to old strengths we will for sure disclose during our upcoming Q3 call.

Key messages Q3 2024

Vitesco Technologies Group

| | Q3 2023 | Q2 2024 | Key aspects Q3 2024 |
|-----------------------------------|---------------------|-------------------------|---|
| Sales growth | 2,199.4 | 2,024.5 | Sales development flattish qoq given the burden related to decreasing Non-Core sales and the overall Automotive environment |
| Electrification Sales | 324.4 | 347.8 | E-Mobility recovery underlined by strong top-line growth |
| Adj. EBIT % margin | 76.4 3.5% | 81.7 4.0% | Further improved profitability qoq supported by decrease of dilutive Non-Core sales and positive development within E-Mobility |
| Free Cash Flow % margin | 73.4 3.3% | -387.5 -19.1% | Burdened by a settlement on the Group separation agreement between Continental and Vitesco as well as higher working capital intensity and one-time effects |

Adj. EBIT before amortization of intangibles from PPA, consolidation and special effects. Free cash flow defined as operating cash flow plus investing cash flow. Order intake defined as sum of acquired lifetime sales within the respective period. Light Vehicle Production Forecast for changes of Q3 2024 production compared to Q3 2023 based on S&P Global Mobility, Light Vehicle Production Forecast as of 08/2024.

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Taking a look at Vitesco Technologies. On the sales growth we see that sales development quarter-by-quarter is more flattish. Keep in mind, we have the decreasing non-core business, so that part of the business that has been decided to be phased out, including the contract manufacturing business with Continental. And, for sure, also Vitesco is not safe of the overall difficult Automotive environment.

One word on the Electrification Sales, also for Vitesco. The E-Mobility recovery is again underlined by strong top line growth. Again, this is a little bit in contrast to what you can read in the press. From our point of view, for sure, the growth rates are not as we might have expected one or two years ago, but we still see a significant increase on our top line. And more for personal reasons, it's important for me to mention that the promised breakeven that was mentioned by the previous CEO of Vitesco to be reached in Q3, I can report that it was not just a wish from Andreas Wolf, but he actually meant to deliver it.

If we look at the adjusted EBIT, we see a further improved profitability quarter-on-quarter, which is basically supported by the decrease of our non-core business, which was diluting the group performance in the past. We see also, of course, the increased profitability on the E-Mobility side, helping to get the margin further up.

The Free cash flow, and I hope this doesn't come by a surprise, for Vitesco in the third quarter it's burdened by the already well-known and often discussed settlement that

we have reached with Continental on the group separation agreement. In addition, higher working capital and one-time effects lead to a situation that we continue to see in significantly burden-free cash flow.

Guidance FY 2024 confirmed for all metrics

FY 2024 Combined Guidance¹

| | Schaeffler Group | | |
|-----------------------------------|--------------------|--------------------|----------------------------------|
| | FY 2023 Actuals | H1 2024 Actuals | FY 2024 Guidance ¹ |
| Sales growth² | 5.8% | +2.0% | Considerable sales growth |
| EBIT margin³ | 7.3% | 6.3% | 5 – 8% |
| Free Cash Flow⁴ | EUR 421 mn | EUR -91 mn | EUR 200 – 300 mn |

¹ Please refer to the Interim Report for further details | ² FX-adjusted | ³ Before special items | ⁴ Before cash in- and outflows for M&A activities
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KEY ASPECTS

- FY 2024 Group Guidance is based on:
 - Vitesco accounted for „at equity“ from acquisition in January until Q3 2024 included
 - Vitesco to be fully consolidated in Q4 2024, following closing of the merger on October 1, 2024
- In 2024, we continue to report on Group and Divisions. Automotive Bearings moved already in Q1 2024 from the ATech division to B&IS division

In transition year 2024 we only guide on Group level

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If we look at our group Guidance, and keep in mind, this Guidance includes Vitesco to be fully consolidated in Q4 2024, I can report something that nowadays is almost, I don't want to say unique, but doesn't happen too often. I can fully confirm our Guidance, especially with the EBIT margin, 5 to 8%, and the Free cash flow in the range of €200 to €300 mn.

With this, I would already finish the short introduction, and now we are happy to take your questions.

Q&A SESSION

Christoph Laskawi, Deutsche Bank

Good evening. Thank you for taking my questions. The first one would be on Industrial. You already highlighted that it will be challenging. I think you mentioned before that we should think about H2 run rate being more or less in line with H1, so around 5%-ish. The comments now suggest that we probably don't go back to that run rate in Q3. Is it just the market environment, so volumes that changed? You already highlighted that you closed down production sites. Or is it also pricing that turned more negative? If you could comment on that.

And then second question on Auto environment. Obviously, we know it's very difficult in Q3, you now pointed to lower margin sequentially. Is there any signs of improvement that you currently see for Q4?

And then lastly, on the at-equity result for Vitesco, taking all those comments together, is it fair to assume that the Vitesco contribution should be positive in Q3? Thank you.

Heiko Eber

Thanks, Christoph. Let's start with the first question on the Industrial side. I guess your assumption is right. I would still reiterate that for half-year two, the run rate is on a comparable level, like half-year one. But you're also right that Q3 is not yet on the overall level that we need in order to make this come true. Main reason, to be honest, is the market environment. On the positive side, we don't see that the pricing pressure got worse. But we also have to be honest, in those sectors where we have been hit the most with the pricing decrease, I guess we have reached the bottom. At least we have reached the level where we are willing to support such price decreases. On the order environment, indeed, we see that Q4 looks slightly better than what we have seen in the last two quarters. That is pretty much across all regions. It's too early to say if the demands that we see in the system remain valid. We know there is a certain volatility, despite the fact that you have the demands in your system, this might still change. But everything we see so far looks like a slight improvement. Where we also see a continuous trend, a positive trend, is especially on the E-Mobility, and that is true for basically the businesses from both sides of the new company. And even though this was not a part of your question but let me add that also on the Order Intake side, we see lately that the demand for E-Mobility applications is on a significantly higher level than what we have, for example, seen end of last year and maybe in the first half year, so that looks rather promising.

And on your last question, on the Vitesco contribution, yes, you are right, Vitesco will positively contribute in Q3.

Christoph Laskawi, Deutsche Bank

Thank you. Just a follow up to the order comments that you made, which were for Automotive, right? Is it the same in Industrial? In the end, you're expecting Q4 to be above Q3? Is it now finally that your orders are turning more towards the positive and volumes come back, or how should we take that?

Heiko Eber

I would love to say yes, but this is not the case yet. I think we have been quite outspoken during the Q2 call. We have certain parts or certain sectors in our industry business, mainly the Industrial Automation, that we normally see as a kind of early indicator. And unfortunately, we don't see significant change on that end yet.

Christoph Laskawi, Deutsche Bank

Understood, thank you.

Heiko Eber

You're welcome.

Akshat Kacker, JP Morgan

Thank you. Hi Heiko, I've got three questions, please. The first one, just a clarification on Automotive Technologies. You mentioned the outperformance is solid, driven by E-Mobility. Could you just give us some broad sense in terms of quantification? How much of outperformance are we talking about in the quarter?

The second one, again, some indication on the organic volume decline in Bearings & Industrial order organic revenue decline in Q3. I was thinking about mid-single digit declines on a year-on-year basis in Q3 for Bearings & Industrial.

And the last one on Vitesco, specifically. On a full-year basis for 2024, are we still trying to hit the 1.5 bn turnover, please? Thank you.

Heiko Eber

Thanks, Akshat. Starting with the first one, how would I define solid outperformance? Maybe I try to answer this way. Most of our peers that reported

numbers lately considered something like 300 basis points as a solid outperformance, and I think that's a very good definition.

On the organic volume decline, I hope there are signs that Q3 will be the bottom of a development that we have seen over the last quarters. As already said to Christoph, we don't see a huge increase based on the Order Intake or a huge change in that part of the business. Nevertheless, we also see that things are not getting worse.

And last but not least, on the Vitesco side, the 1.5 bn you were talking about, the E-Mobility sales in Vitesco, if I would have to commit to a number now, I would rather say it's 1.4. But again, compared to what we have seen last year, that still shows a significant growth year-over-year.

Akshat Kacker, JP Morgan
Understood, thank you.

Heiko Eber
Welcome

Heiko Eber
Thank you very much. Thanks again. Thanks for the questions being asked. Thanks, also, for those guys that didn't ask questions and allow us to finish the day a bit earlier. As always, if there are more questions coming up afterwards, you know how we can be reached.

One short notice. After this call, we will distribute our consensus sheet again, via Vara research. We would be very grateful for your contribution and for your estimates until Friday next week, at the latest. But we would be especially grateful if you could provide us with your estimates already until end of business on upcoming Monday.

Already now, thanks a lot for your support here. Again, thanks for your questions. And I wish all of you remaining nice day. Take good care and talk to you soon. Thank you very much.

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Thank you

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BACKUP

Financial calendar 2024



March 5
FY 2024 Earnings Release

November 5
9M 2024 Earnings Release



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