Earnings conference call

Q2 2019

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Andreas Larsson, CFO
July 18, 2019

Agenda

- Business Summary
- Market Update
- Sales & Operations
- Financials
- Way forward

Business Summary

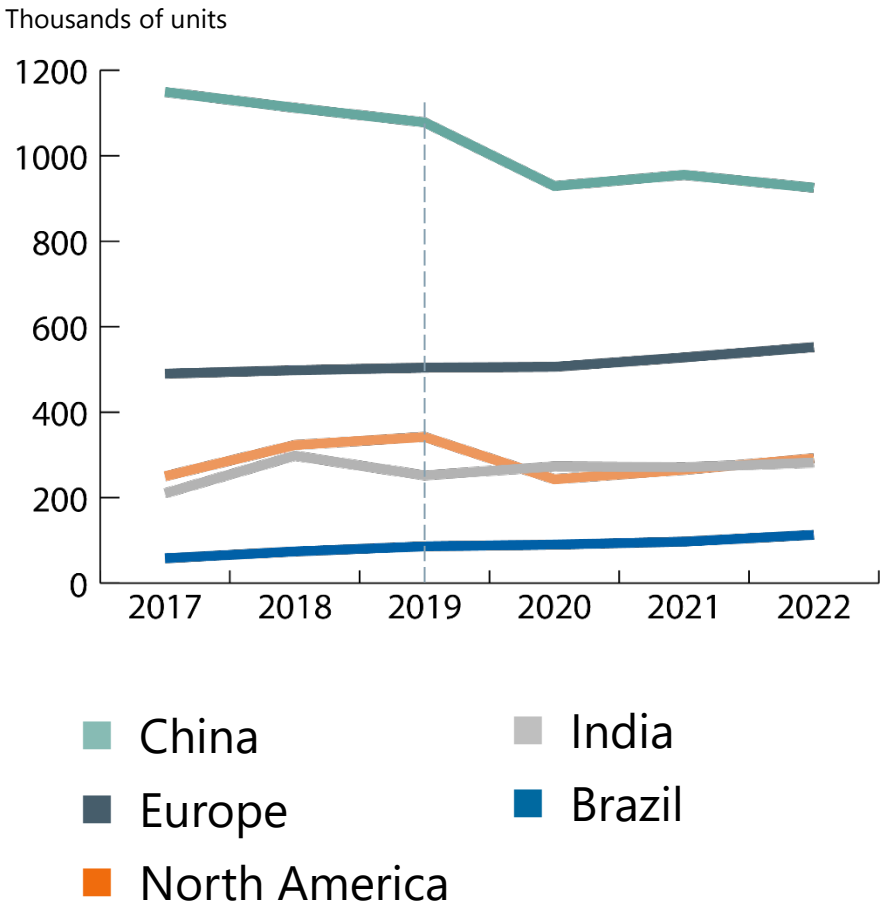
Q2 2019

Stable quarter on a weak market

- Revenue growth in North America. Decline in Europe and Asia. The market conditions continued to weaken.
- Operating margin excluding new technology was in line with Q1: 7.4%.
- Improved cash flow from operations.
- Serial production started for truck version of ModulT disc brake.
- Helene Svahn appointed new President and CEO.

Market update

Build rates – Heavy truck



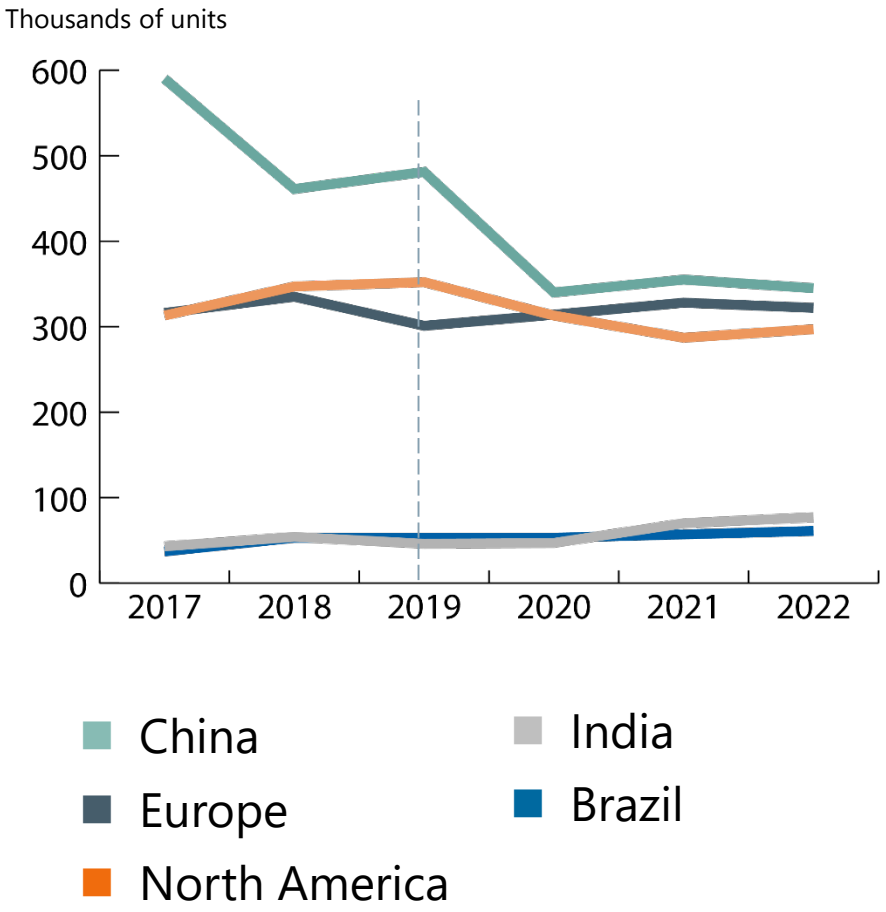
North America official build rates increased with 17% in Q2. The North American market is expected to grow with 5% in 2019.

European build rates decreased with 3% in Q2. The European market is expected to increase with 2% in 2019.

China and India are expected to decline, and Brazil to grow in 2019.

Source: the information pertaining to trucks is based on statistics from JD Powers. Information pertaining to the trailer market in Europe is based on statistics from CLEAR, the information pertaining to trucks and trailers in North America is based on statistics from FTR and the trailer information from South America and Asia is based on local sources.

Build rates - Trailer

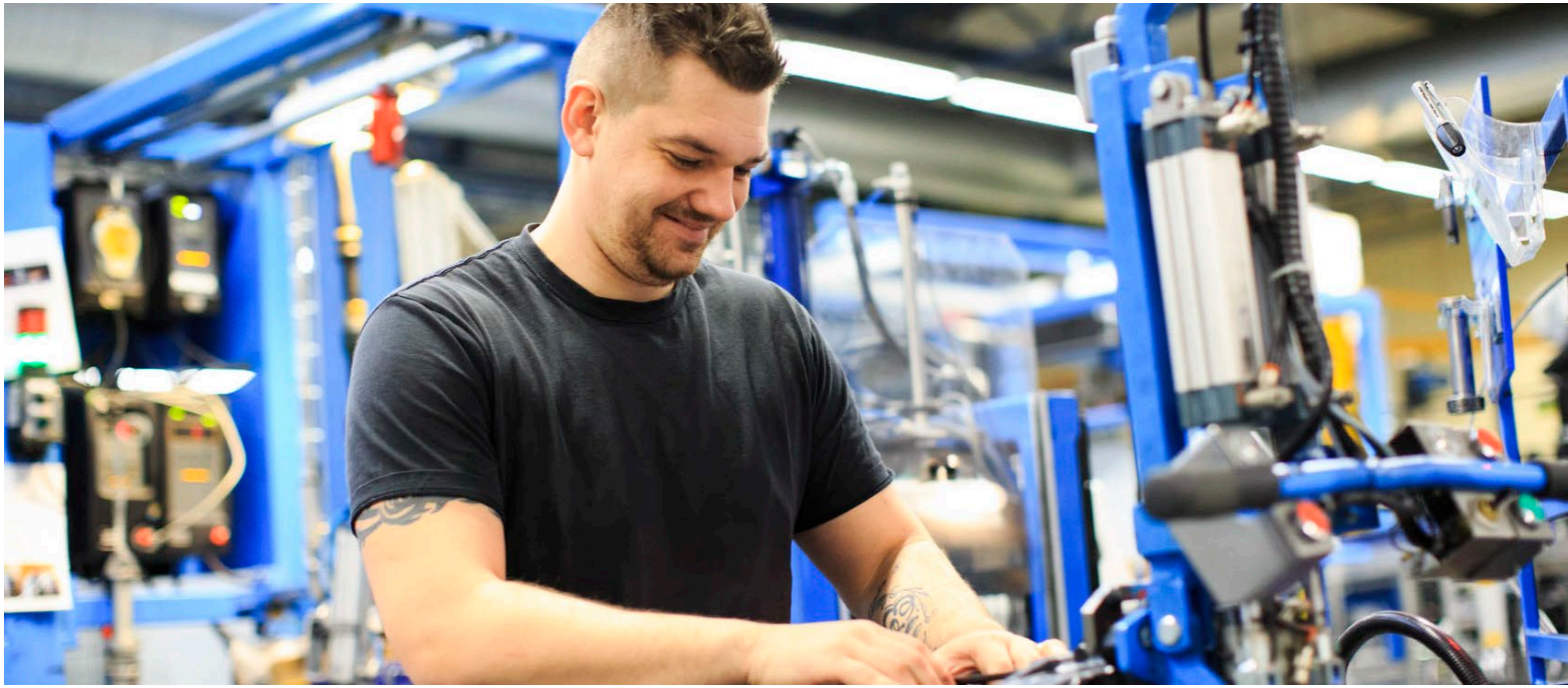


North America official build rates increased with 3% in Q2. The North American market is expected to increase with 1% in 2019.

European build rates increased with 4% in Q2. The European market is expected to decline with 10% in 2019.

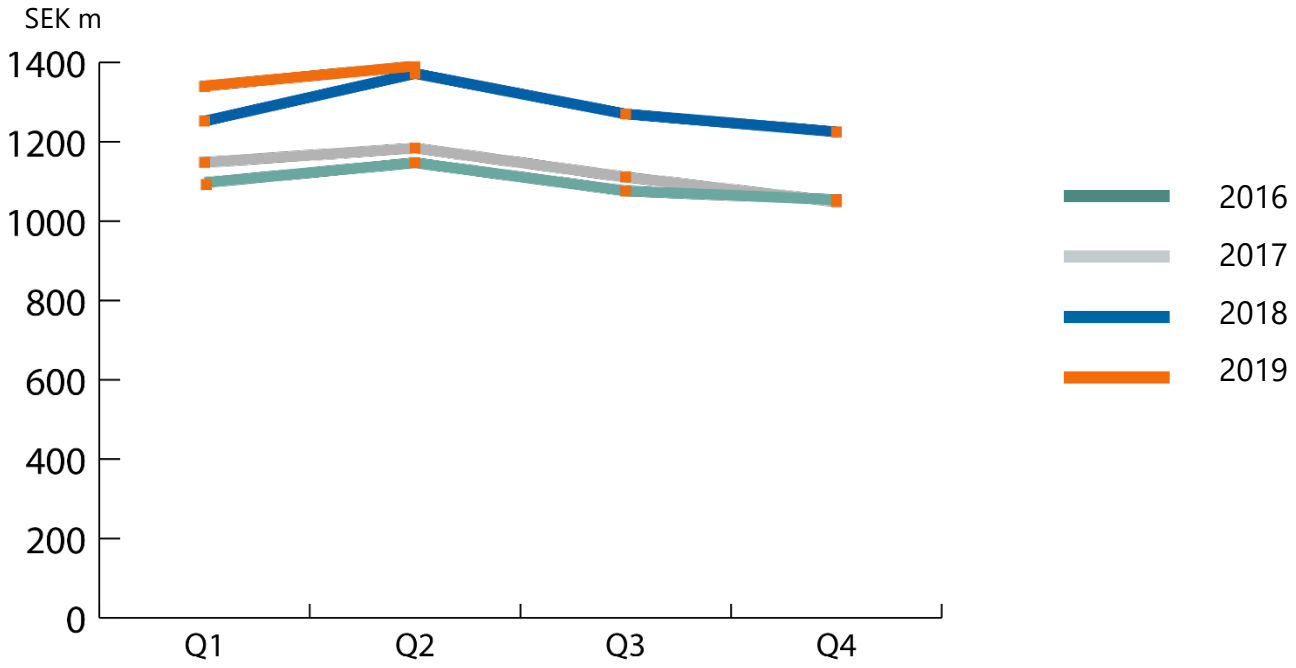
Brazil and India are expected to decline and China to grow in 2019.

Source: the information pertaining to trucks is based on statistics from JD Powers. Information pertaining to the trailer market in Europe is based on statistics from CLEAR, the information pertaining to trucks and trailers in North America is based on statistics from FTR and the trailer information from South America and Asia is based on local sources.



Sales & Operations

Sales, Haldex Group



SEK million	Q2/19	Q2/18	change[1]	H1/19	H1/18	change[1]
Truck	355	348	-3%	691	665	-3%
Trailer	403	440	-12%	832	866	-8%
Aftermarket	631	584	1%	1,205	1,093	2%
Total	1,389	1,372	-4%	2,728	2,624	-2%

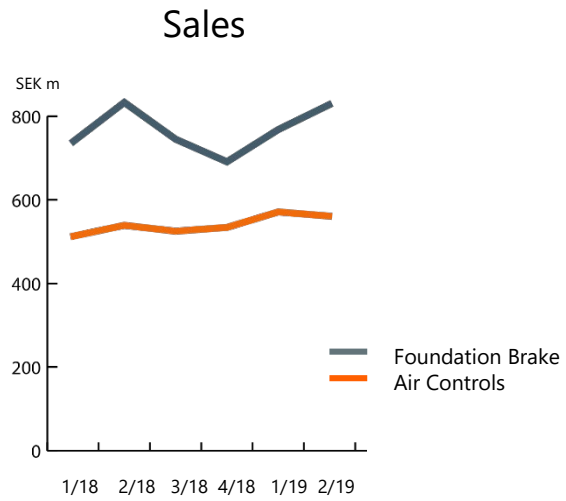
[1] *currency adjusted*

Sales per product line

Foundation Brake: Sales of automatic brake adjusters decreased the most, which is related to the lower demand in China.

Air Controls: Valves have been growing within Air Controls. Air suspension products have declined.

Scalable Brake System: New product line added for technology for self-driving and electrical heavy vehicles. No revenue yet.



SEK million	Q2/19	Q2/18	change[1]	H1/19	H1/18	change[1]
Foundation Brake	828	833	-5%	1,595	1,573	-4%
Air Controls	561	539	-2%	1,133	1,051	1%
Scalable Brake System	-	-	-	-	-	-

[1] *currency adjusted*

Scalable Brake System

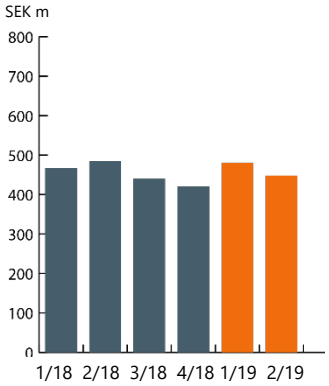
- Concept phase of **Fast Acting Brake Valve (FABV)** progressing well. Development contract expected in beginning of 2020.
- Continued tests of the **Electromechanical disc brake (EMB)** in China.
- First customer demos planned for August and September.

Serial production of truck disc brakes

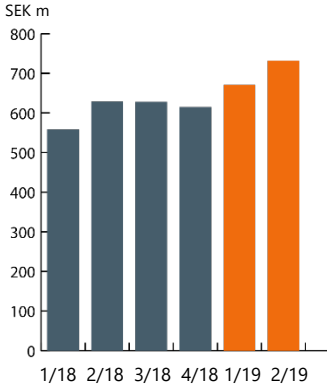
- Haldex wants to expand the use of disc brakes from Trailer customers to Truck customers.
- Haldex has run a project together with one of the world's largest truck manufacturers to create a truck version of the ModulT disc brake for one of the customer's special vehicles.
- This product has now started serial production, which is the first time the truck version of ModulT is being serially produced.
- The order volume is low, but it has a higher symbolic value.

Sales per region

Europe



North America



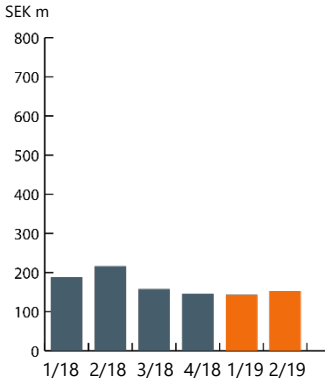
Europe: Sales of valves have increased while sales of brake adjusters and disc brakes have decreased.

North America: Increase of brake adjuster, actuator and ABS sales. Disc brake sales is growing, but from low levels.

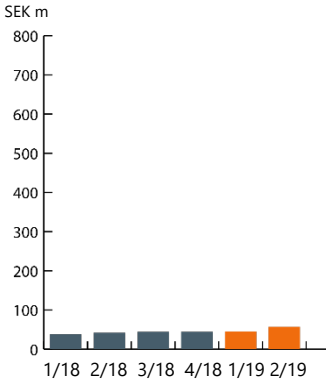
Asia: Decrease of brake adjusters in China due to low compliance to the new law.

South America: In Brazil, revenue increased due to increased sales of brake adjusters.

Asia & Middle East



South America

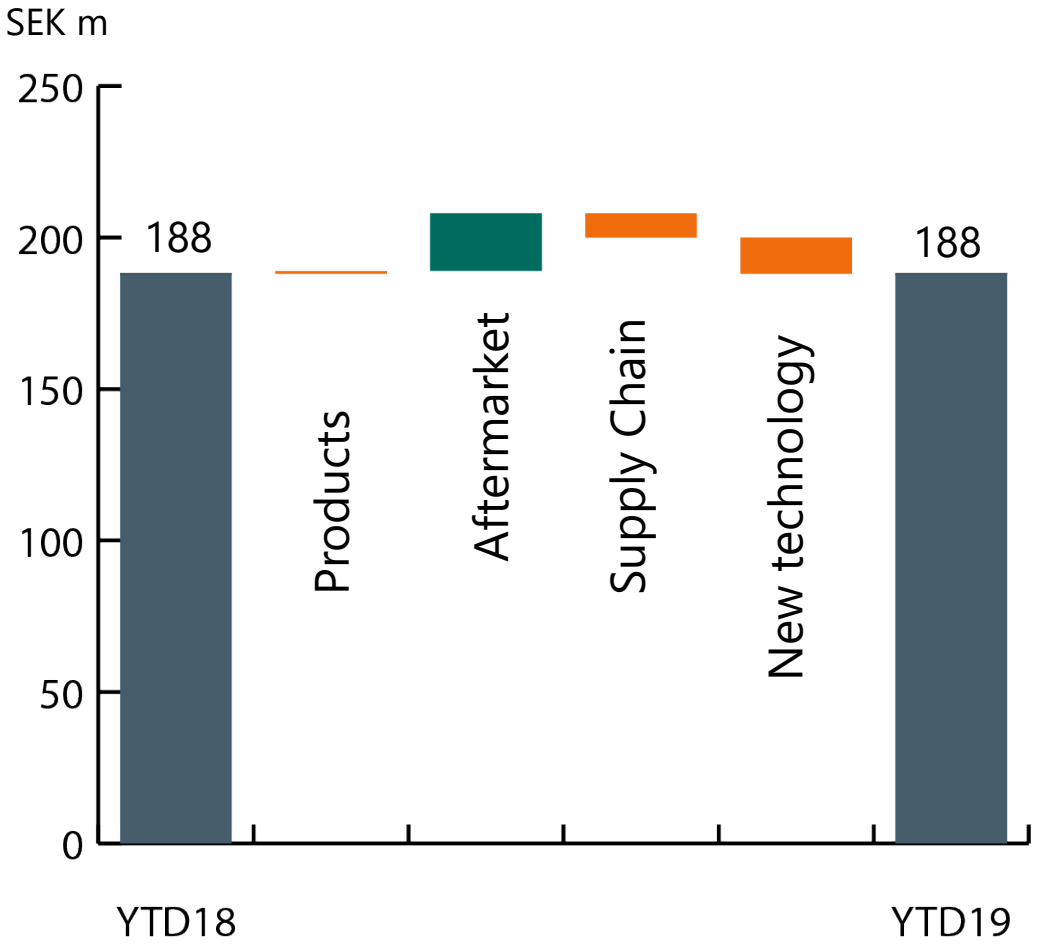


SEK million	Q2/19	Q2/18	change[1]
Europe	448	485	-9%
North America	732	629	7%
Asia & Middle East	152	216	-32%
South America	57	42	35%

[1] *currency adjusted*

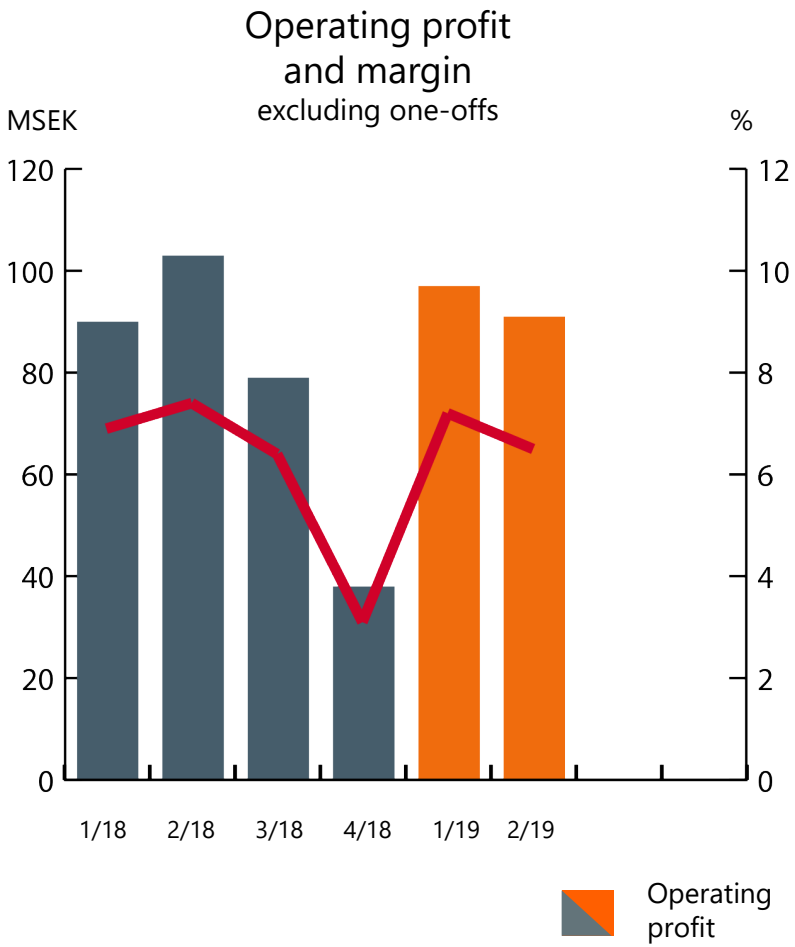
Driving efficiency

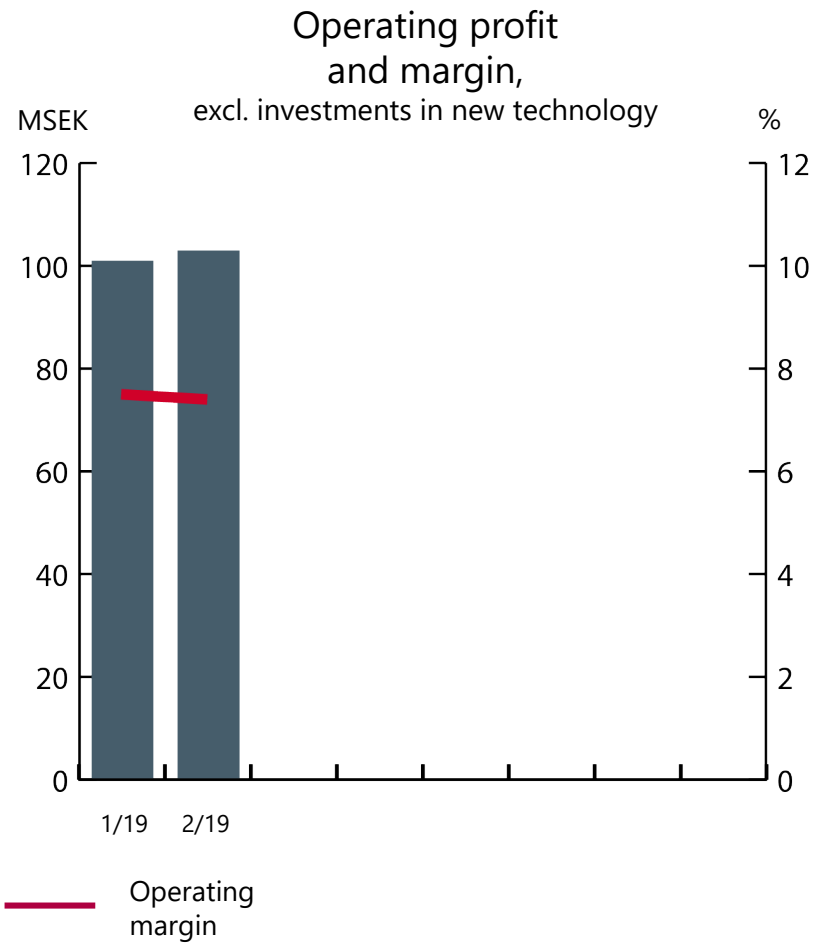
Operating profit YTD18 to YTD19



Towards 10% operating margin

excluding investments in new technology

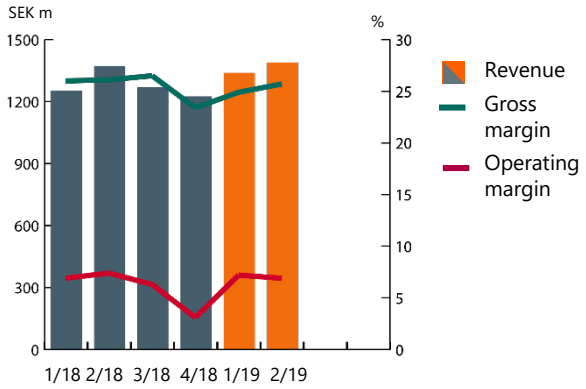




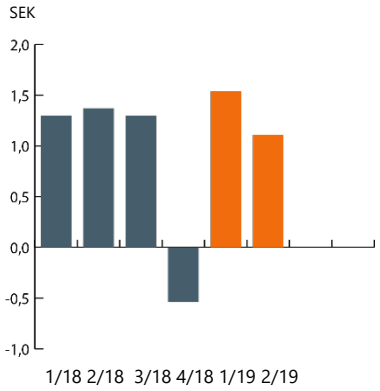
Financials

Earnings

Sales & Margins*



Earnings per share



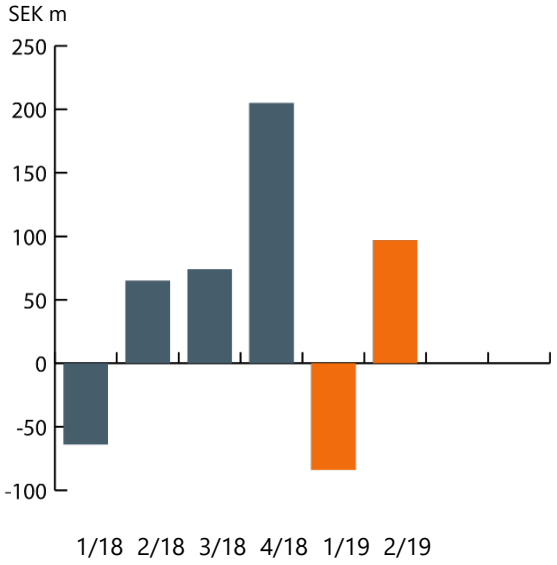
18 (0) MSEK in one-off items during 2019.

	Q2/19	Q2/18	change
Gross margin, %	25.7	26.1	-0.4
Operating income, SEK million	73	102	-29%
Operating income (excl one-off items), SEK million	91	102	-11%
Operating margin, %	5.3	7.4	-2.1
Operating margin (excl one-off items), %	6.5	7.4	-0.9
Operating margin (excl new technology), %	7.4	-	-
Net income, SEK million	49	61	-19%
Earnings per share, SEK	1.11	1.39	-19%

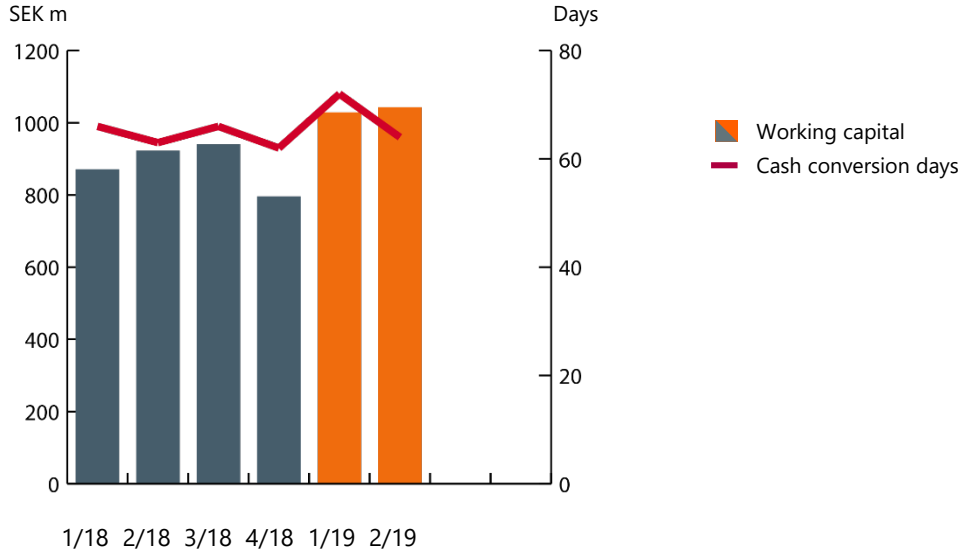
Cash Flow

Working Capital & Cash Conversion Days

Cash flow
operating activities



Working capital &
Cash conversion days



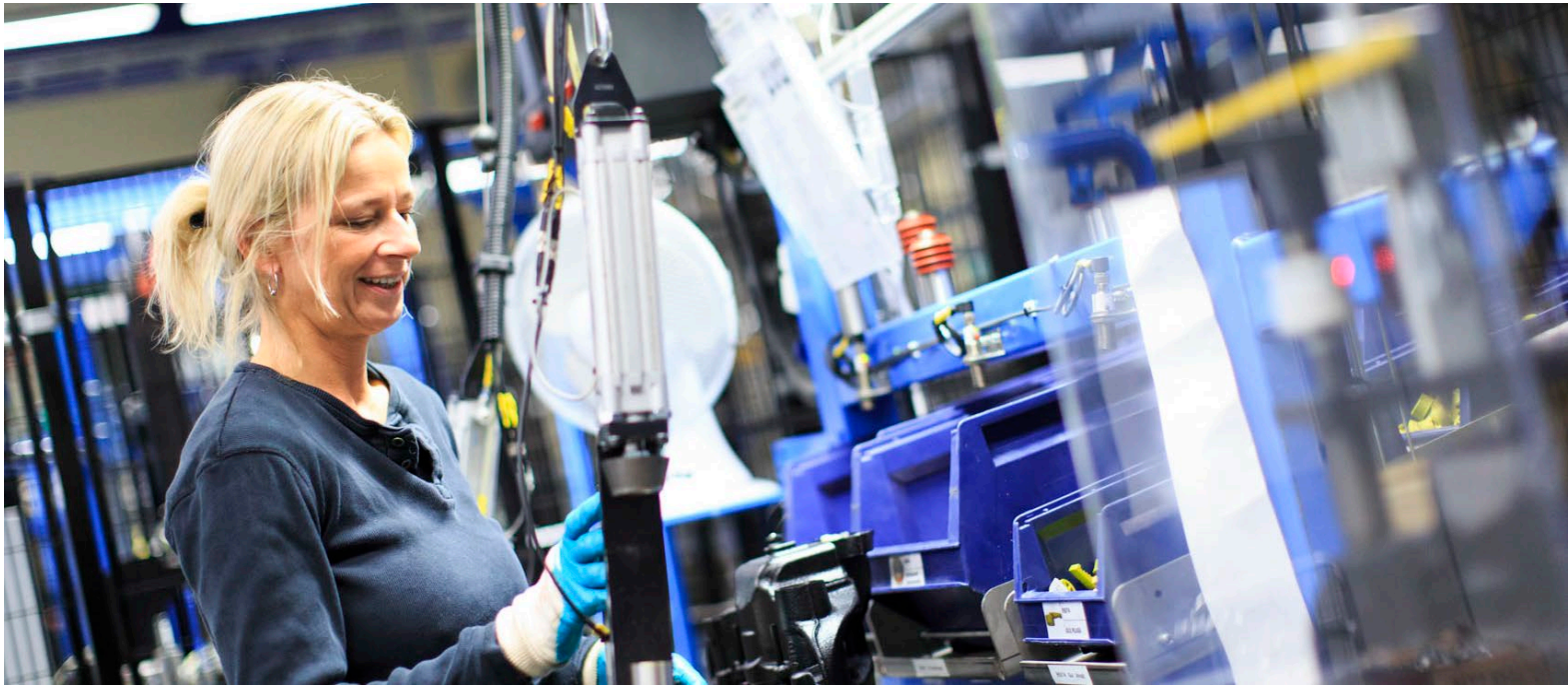
SEK million	Q2/19	Q1/19	Q4/18	Q3/18	Q2/18	Q1/18
Cash flow from operating activities	97	-84	199	74	65	-64
Cash flow after net investments*	3	-127	78	-8	-12	-135

* *excluding one-off items*

Financial Key Figures
Q2 2019 vs. Q1 2019

SEK million	Jun 30 2019	Mar 31 2019	Quarterly change
Working capital	1,043	1,029	+1%
Intangible assets	721	712	+1%
Capital employed [1]	3,312	3,334	-1%
Total assets [1]	4,374	4,377	-0%
Equity	1,675	1,708	-2%
Net debt	1,046	942	+11%
Return on capital employed (excl. one-off items), %[2]	10.6	11.5	-0.9
Return on capital employed, %[2]	8.2	9.7	-1.5
Equity ratio, %	38	39	-1
Net debt/Equity ratio, %	62	55	+7

1) IFRS 16 impact on Q2 of +394 MSEK and Q1 of +413 MSEK.
2) Rolling twelve months, excluding IFRS 16.



Way forward

Market outlook 2019

- **North America**
  is expected to continue to grow in 2019, even if the second half of the year is expected to be weaker than the first half of the year.
- **Europe**
  is estimated to decline slightly compared to 2018.
- **China**
  will have a weaker market in 2019. Haldex can partly withstand a downturn given that automatic adjusters are currently required by law on heavy vehicles.
- **India**
  is expected to have a weak year with lower production levels.
- **Brazil**
  will experience cautiously optimistic market growth, although from low levels.

Haldex in 2019

Outlook is unchanged

Sales will increase in North America in 2019, but this will be offset by unchanged or lower sales in other regions. As a whole, this will lead to sales in 2019 that are expected to be in line with 2018. Haldex's assessment is that the operating margin in 2019, including increasing investments in new technology, will be in line with or higher than the operating margin excluding one-off items in 2018.

Questions?