

Brembo S.p.A.

"Presentation Full Year 2024 Financial Results Call"

Tuesday, March 18, 2025, 14:30 CET

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Presentation of Brembo Full Year 2024 Financial Results. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Ms. Laura Panseri, Investor Relations Senior Manager. Please go ahead, madam.

LAURA PANSERI: Thank you. Good afternoon, everyone. Welcome to Brembo Group's full year 2024 financial results. Today Brembo's Executive Chairman, Matteo Tiraboschi, will open the call with his introductory remarks, after his speak Brembo's management will be available to answer questions from analysts. As usual all relevant materials is available in the Investor Relation section of Brembo's corporate website www.brembogroup.com.

During this call we will discuss our business outlook and will make forward looking statements, which are based on our predictions and expectations as of today. These comments are subject to risks and uncertainties that can cause the actual results to be materially different. Finally I remind you that this call is being recorded.

Matteo, the floor is yours.

MATTEO TIRABOSCHI: Thank you, Laura. Good afternoon. Thank you for being here with us as we review our results for 2024. Last year was very different from the previous ones. But despite a really challenging geopolitical and business environment, Brembo showed remarkable resilience and adaptability.

Our revenues remained stable, around €3.84 billion, and we achieved an EBITDA of €661.1 million, similar to the previous year. Our net profit declined by 13.9% to €262.6 million, mainly due to depreciation costs, as well as, higher financial charges and taxes. These results are a testament to the dedication and the hard work of the entire team, who have consistently delivered excellence.

Let's look at our performance across different segments and regions. Our car segment grew by 1.4%, driven by the strong performance of the aftermarket division, which now represents more than 12% of the total revenues. Motorcycle applications remained stable, with a growth of 0.4%, while commercial vehicles saw a decline of 12%, mainly due to the weak performance in Europe. Racing applications decreased by 2.4%.

Geographically, our sales experienced varied results. In Germany, sales dropped by 0.2%, which is a good result considering the challenges that the country is facing. In North America, sales declined by 3.9%. However, our operations in Asia showed positive results, with China growing by 7.7% and India by 10.9%. This helps offset the challenges faced in the west and demonstrates the effectiveness of our local-for-local strategy.

For the first time in 2024, we report financial and sustainability results together. We have successfully reduced our CO2 emissions per cast tonne by 13.7%, compared to the previous year, and increased the share of energy from a renewable source to 83%, up from 75% in 2023. This achievement underscores our continued dedication to sustainability.

Despite the challenging times, we have continued investing in innovation technology. We are proud of our acquisition of Öhlins, the global leader in premium suspensions, which expands our offering for the automotive market. Following the closing of the acquisition in January, we are now focused on fully integrating Öhlins into the Brembo Group. We also joined forces with Michelin, signing a technological partnership to combine our intelligent solution to boost safety and driving comfort.

Preliminary results are very promising, allowing us to reduce braking distance by up to 4 meters at 90 kilometers per hour in wet conditions, often among the most challenging. We are working together to advance this partnership and will keep you updated.

Investments were also dedicated to our global industrial footprint, which grew in 2024, thanks to our new site in Thailand, operational since this year. In the fourth quarter, we exercised the purchase option for our building at headquarters in the iconic Kilometro Rosso in Bergamo, which was previously held under lease. Leased transactions is significant not only to the advantage of the mortgage over the lease, but also because it further strengthens our connection with the innovation hub in Kilometro Rosso.

As we look ahead, the scenario of the first month of 2025 doesn't show significant recovery, yet. Therefore, we currently expect a revenue decline of around 5% on a like-for-like basis. However, with the consolidation of Öhlins and if the geopolitical scenario and trade tensions stabilize in the second half of the year, we anticipate 2025 revenues to be in line with 2024. In this challenging market, we remain committed to driving growth and innovation. Our strategic initiatives and investments combine software capabilities with our expertise in the vehicle's corner, enabling us to continue to deliver value to our shareholders and customers. We are confident that Brembo, thanks to its long-term zero-incident world vision, is well-positioned to navigate the challenges and take advantage of the opportunities ahead.

Thank you for your kind attention and now I leave the floor to Laura. Thank you.

Q&A

OPERATOR: Thank you. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone. To remove your question, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Renato Gargiulo of Intesa Sanpaolo. Please go ahead.

RENATO GARGIULO: Yes, good afternoon. Well, my first question is on your guidance for this year. Looking at your sales guidance, minus 5% excluding Öhlins, I was wondering what are your underlying assumptions on your reference markets and main areas this year, meaning that are you assuming any underperformance versus the total market this year? And related to this, what kind of visibility do you have on orders? And if you can give us any indication about the potential trend between the first and the second half of the year.

The second question, still on the outlook, if you can give us an indication also in terms of expected margin evolution in 2025 compared to last year?

And third and last question on Öhlins, if you can give now any more indication about the integration and the expected synergies from the integration going forward. Thank you.

DANIELE SCHILLACI: Good afternoon, Renato. In terms of guidance, I believe we can all agree on that, this year it's very complicated to be understood and predicted. We are in a very highly volatile and uncertain context. Even the most conservative market forecasts are showing gaps based on what we are observing in the field.

For now, I would suggest to focus on the first half of the year. We already have data from the first two months of 2025, and it is clear that the automotive market in Europe is significantly down in both Q1 and Q2. The US market is also down, though not as severely as Europe, but still in the red. The only positive performance is coming from China, which is showing relatively good numbers. However, despite China being the largest market in the world, it is not enough to offset the substantial declines we are seeing in Europe and the US during the first half of the year.

In this context, I believe we can all agree that it is very complicated. Despite our strong performance in 2024, it is challenging to confirm a stable scenario for 2025. The only way to ensure stability for 2025 is to hope that the second half will be better. However, today it is too early to predict what H2 will look like. We don't even know if the tariffs will be applied in Mexico and Canada on April 2nd, or if other tariffs will be introduced.

Given these uncertainties, it is not the right year to provide a full-year guidance. Instead, we should approach it quarter-by-quarter. However, we need to give you a direction, as Matteo Tiraboschi has done, so we are taking what we know today as a reference and hoping for H2 to be better, at the same time maintaining our performance. So, putting all together, the guidance is the one that has been communicated.

In terms of orders, we have a solid order bank in China, and also in the aftermarket segment. Conversely, the situation in Europe is quite the opposite, and to a lesser extent, this is also true for the US.

Regarding the second question, on margin evolution, Brembo demonstrated in 2024 its ability to maintain margins in a very challenging market, especially in the last quarter. This was not at all obvious, as a comparison with our peers shows. Cost control, management control are areas where this company has extensive experience and clear best practices. We will continue to monitor cost control even more closely in 2025, aiming to maintain our margins and historical profit levels. But for that, we will provide more information during the Q1 call in May.

Lastly, regarding Öhlins, it's a very positive story. Öhlins has been part of Brembo since January. Last month with our team, we went there for a Strategic Meeting and witnessed firsthand the significant potential that Öhlins has for the future. The integration is progressing smoothly while maintaining the autonomy Company, which has excellent margins. Additionally, we have identified some interesting business synergies, not just cost synergies, that we can leverage in the coming months. I can confirm that we are very happy to have Öhlins on board.

RENATO GARGIULO: Thank you. If I may, a quick follow-up on the US market. If you are seeing any kind of movements at dealers' stocks level, also in anticipation of potential US tariffs, if you can give us an indication on this side?

And secondly, still on the US, you have been talking about a couple of US customers underperforming the market last year. Do you expect any recovery on this side? Thank you.

DANIELE SCHILLACI: Yes, on the dealers' stock, the US automotive level is currently at standard level. If you remember, right after the COVID in 2021-2022, the

dealers' stock level in the US was relatively low; now it has returned to a standard level and we are not seeing any unusual movements related to potential US tariffs.

Regarding your second question, yes, a couple of customers were suffering last year. One of these ones, which is very important to us, will have a very important model change in the summertime. And we expect that this OEM's performance will improve significantly.

RENATO GARGIULO: Perfect, very clear. Thank you.

OPERATOR: The next question is from Martino De Ambroggi of Equita. Please go ahead.

MARTINO DE AMBROGGI: Thank you, good afternoon everybody. The first question is on Öhlins. I understand that you are not providing precise guidance for the whole company, but Öhlins, last year was expected to generate \$140 million plus in sales and an EBITDA between 21% and 22%. Should we assume Öhlins to have a similar trend of your group trend, stand-alone? And is it able to maintain an EBITDA in excess of 20%. First question.

The second is on CAPEX plan in a slowing down market. Are you probably slowing down the CAPEX going ahead?

And the third question is on coated discs, it was expected to see the first sales in the second quarter of this year. Is it confirmed and should we assume this business is accretive in terms of sales and margins with similar volumes, so meaning higher prices and higher margins since the beginning or maybe later during the years?

DANIELE SCHILLACI: Grazie, Martino. Regarding the first question about Öhlins, we can confirm that in 2025 we expect Öhlins to maintain the same level of performance as in 2024, with no decrease of 5%. Öhlins has the potential to achieve and confirm revenues around \$141 - \$144 million, with an expected EBITDA margin of approximately 21%.

In terms of CAPEX, we are likely reaching a peak in 2024-2025. After this period, investments in footprint and capacity extension, as well as some real estate, will decrease. Consequently, we should expect a downward trend in CAPEX over the next 2-3 years.

Regarding the coated disc, this is a very important point. The good news is that we now have many customers for the coated disc. The SOP is expected this summer, as I told you before, likely around June/July. There will be a ramp-up from the second half of 2025, with full benefits in 2026. The beauty of the coated disc is that it aligns all the stars: it generates additional revenue per unit, expands margins, and increases cash generation. Therefore, the coated disc is crucial for us, and we are pleased to see the business growing at an impressive pace each quarter. We expect a very positive impact on our revenue in the coming months, from the second half of 2025 and even more so in 2026.

MARTINO DE AMBROGGI: Thank you. And in terms of homologations, last time I remember you mentioned to have 4 homologations. Did they increase?

DANIELE SCHILLACI: Yes.

MARTINO DE AMBROGGI: How many?

DANIELE SCHILLACI: It increased, and it's increasing in a very good pace. In terms of turnover, we are already approximately six months ahead of our target, which is excellent news

MARTINO DE AMBROGGI: Okay, and very last on M&A, considering the macro environment, are you considering any other acquisitions if there is some opportunities around or there is nothing on the table right now?

MATTEO TIRABOSCHI: For the moment, we are exploring various options, but to be honest, there is nothing concrete on the table today.

MARTINO DE AMBROGGI: Okay, thank you.

OPERATOR: The next question is from Anthony Dick of Oddo BHF. Please go ahead.

ANTHONY DICK: Yes, hi. Thanks for taking the questions. And the first one is regarding the guidance through 2025, firstly on the topline level just the different between the standalone guidance, and the guidance including Öhlins, I mean, if I do the calculations, it would imply Öhlins revenue around €190 million, which doesn't seem to be in line with what you're forecasting for that unit. So just wondering how we should reconcile the two. Does that mean that the revenue including Öhlins should still be a bit down and not, you know, completely flat as in 2024?

And then also regarding that guidance, I understand there's a lot of uncertainty still, but could you provide some estimates for the things that maybe you have a bit more control on or visibility on, including the actual CAPEX level for this year, the D&A for this year. And also some indications of what we should expect in Q1 in terms of revenue and margin?

And lastly, could you maybe also update us on the SENSIFY business, I don't know if any new contracts have been signed there, and what's your latest estimates of SOP on the contract on SENSIFY?

And just actually if I can squeeze one on the coated disc business, as you said, an important business. I'm just wondering if...the current environment in North America, for example, where we're seeing some the EPA rolling back quite a few regulations on the emissions side. Do you think that could have an impact on the demand for that coated disc business in the US? Thank you.

DANIELE SCHILLACI: Thank you for your question. Regarding the guidance, together with Öhlins, if the situation improves in the second half of the year, we might achieve the same level as in 2024, or hopefully even better. This is indeed our expectation. Excluding Öhlins, Brembo standalone is expected to be between 0% and -5%.

Regarding SENSIFY, I confirm that we are completely on track with what I've been saying since a long time: SOP and revenues are in 2026. And now we are starting to sign some offers with new customers.

Regarding the coated disc, you're right. In the US, especially for exports to Europe to comply with Euro7 standards, we are receiving some requests in this business. This is, of course, good news for us and something our team is actively working on.

ANDREA PAZZI: Regarding the CAPEX for 2025, we will provide more details during the next conference call. As mentioned by Daniele, we have reached the peak, so we will slow down in the coming years, but in line with the huge investment plan we have in place in China, Poland, and Mexico.

ANTHONY DICK: Okay, lastly, and the D&A in '25?

ANDREA PAZZI: It should be similar to 2024, as we have reached the peak by the end of the year, we don't expect a significant increase in the percentage of revenues.

ANTHONY DICK: Okay, perfect. Thank you very much.

OPERATOR: The next question is from Giovanni Selvetti of Berenberg. Please go ahead.

GIOVANNI SELVETTI: Good afternoon, the first one is that we've seen some headlines this morning mentioning that Brembo signed some contracts with BYD for the plants in Europe. I was wondering if you can give us some color on this point. And maybe on the partnership with Michelin, what should we expect in terms of product coming and when this partnership is ultimately translating into revenues.

And third question maybe on Öhlins. When you bought the company, Öhlins was also producing some suspension for the bike segment. I was wondering if this is something that we can think of about a dismissal going forward or if you can...if you want to keep the segment and actually expand it? Thank you very much.

DANIELE SCHILLACI: Hi Giovanni. Regarding BYD, honestly speaking, as you know, in our company culture, we never comment the business that we take with customers.

Regarding Michelin, it's a very good story. Michelin and Brembo are both leaders in their respective sectors. Over the past 4-5 years, we have been investing in artificial intelligence, and Michelin is also at the forefront in

this area. We have an excellent working relationship, and we have been conducting various tests that we have been communicating since December. As you correctly mentioned, we are currently in the engineering test phase. However, if things go as we hope, we might see some significant developments in our collaboration in the future.

Regarding Öhlins, you're right. The bike business is a particularly interesting part of their operations, and they are performing very well. We are committed not only to maintaining this segment but also to further developing it together with them. This area of business is relatively new for us, and we are eager to study and expand it further.

GIOVANNI SELVETTI: Okay. Thank you.

OPERATOR: The next question is from Gianluca Bertuzzo of Intermonte SIM. Please go ahead.

GIANLUCA BERTUZZO: Thank you for taking my question. If I understood correctly, you are more cautious on global auto production forecast for this year than the S&P Global outlook for flattish production. Can you maybe quantify the level of caution? I mean, are you assuming 5% or even worse drop in global auto production?

Second question is on given the expected revenue trend, do you envisage to undertake some actions on the cost base? And then I have a follow-up.

DANIELE SCHILLACI: Regarding the market, you're right. Some forecasts for the year show promising numbers in certain areas, and we hope these will be true. However, since the beginning of the year, especially in Q1 and Q2, we are not seeing a stable market globally. Absolutely not.

And if I combine the two regions that are struggling, as I mentioned earlier, despite the positive trend in China, we are seeing a range of around -5%, sometimes even worse, particularly in the first part of the year.

Hence, given the current volatility and uncertainty in the world, we cannot be certain that the situation might change in the second half of the year. As you correctly noticed, in our guidance, we cannot incorporate a certain optimism without having concrete evidence that things will actually improve in the second part of the year. This explains why our outlook might be more pessimistic than that of some market companies.

Regarding our cost saving measures, we are continuing with the highly efficient plan that we initiated in the second part of last year. Every manager worldwide is adhering to this strict policy, and it is proving effective. This approach will persist throughout 2025. Initially, we anticipated that this contingency plan might conclude around April or May. However, given the current circumstances at the beginning of the year, it seems likely that we will need to extend this plan for the remainder of the year

GIANLUCA BERTUZZO: Okay. Then the follow up is maybe on the first quarter. Should we expect a drop in revenues greater than 10%, you want to add any comments on that?

DANIELE SCHILLACI: The first quarter will be deeply commented in May. It's too early. Thank you.

GIANLUCA BERTUZZO: Okay, thank you.

OPERATOR: The next question is from Jasper Thiedemann of Deutsche Bank. Please go ahead.

JASPER THIEDEMANN: Yes, thank you for taking my question. I got 2, if I may. So the first one, acknowledging certainly many moving parts in the environment. Could you maybe outline your views on the potential impact of tariffs on earnings with regard to Mexico and the US.? And reminder us of the overall exposure of US sales being linked to production in Mexico?

And following-up on that, essentially, just to double check once more, such potential tariffs are not included in the guide. Now, if that's correct.

And the other one would be, regarding the recent capacity expansion projects in Mexico, China and Poland, if any, what incremental revenues do you expect for this year? Thank you very much.

DANIELE SCHILLACI: Regarding the tariffs, out of roughly \$1 billion that we have in the Nord American region, 30% are coming from Mexico. This gives you an idea of the scale. Even if the tariffs are applied starting April 2nd, we have a pass-through policy with our customers. This means that the impact will be more on the volume of OEMs rather than on us. Therefore, the tariffs could have a very significant impact on our sales forecast from April onward, especially in the US market.

Regarding the capacity extension, the ramp-up for two of the three main investments we have made, specifically in China and Poland, will occur in the second half of the year. However, similar to our investment in Mexico, the revenue impact will be seen in 2026. Therefore, we expect negligible revenue from these investments this year, with everything starting next year.

OPERATOR: The next question is a follow up from Anthony Dick of Oddo BHF. Please go ahead.

ANTHONY DICK: Yes. Thanks for letting me back in. It's just a follow-up and a confirmation on your market outlook for 2025, because if I look at the, the S&P estimates, I think they forecast a sort of 8% drop in Europe in H1 and even 9% for Western Europe, and something like 4% in North America. So, I just wanted to confirm, does this seem reasonable to you for H1, or are you even more cautious than that on the market outlook, for the first half of the year based on what you're seeing on, on the ground today?

DANIELE SCHILLACI: No, I think your point is correct. An 8% drop in the first part of the year in Europe and a minus 4-5% in the US is very close to what we are seeing today. I believe it's quite accurate.

ANTHONY DICK: Okay. That's clear. Thank you.

OPERATOR: There's one follow up from Martino De Ambroggi of Equita. Please go ahead.

MARTINO DE AMBROGGI: Yes. Thank you. Just a follow-up on the tariffs. You commented there are contractual pass through for 100% of your business generated in Mexico?

DANIELE SCHILLACI: Yes.

MARTINO DE AMBROGGI: Okay. I understand there could a negative impact on volume. So we will see, but in terms of competitors because in Mexico you have a

bigger plant of Calipers. There is no competition around able to substitute your business producing in the US. So is it just a merely matter of volumes in case of slowdown of the general GDP in the US I would say?

DANIELE SCHILLACI: Yes, that's the only impact that we can see. Absolutely.

MARTINO DE AMBROGGI: Okay. And for the discs, is it different or is it the same?

DANIELE SCHILLACI: The same.

MARTINO DE AMBROGGI: Okay. For both discs and calipers. Okay. Thank you.

OPERATOR: There's one more question from Davide Longo of Indépendance Asset Management. Please go ahead.

DAVIDE LONGO: Good morning. 2 questions. The first one is related to the tax rate. As I've seen that in 2024, you paid a big amount of tax. What is...and if you can express the guidance on 2025?

And the second one is related to your financial cost. You will have the cash out from Öhlins at the beginning of this year, and you do not have any more the dividend related to Pirelli. So what do you think that could be the financial cost on 2025? I suggest maybe €45 million, something like that against the €27 million, €28 million this year. Do you think it's an interesting cost?

ANDREA PAZZI: Regarding taxes, comparing this year to the previous year is challenging because last year we declared a special incentive in Mexico in the last quarter. This year, without that incentive, the tax rate is slightly higher than our average between 25% and 26%. The negative impact this year is primarily due to withholding taxes paid for dividend distributions from

India and China. However, for next year, we expect a tax rate around 25% to 26%.

Regarding interest costs for 2025, we acknowledge the cash outflow for the Öhlins deal. However, at the end of 2024, we had the cash-in from the sale of the Pirelli stake. This has partially compensated the net debt at the beginning of the year. So we do not anticipate significantly higher costs, especially since we expect a slight decrease in the average interest rate on loans.

OPERATOR: The next question is from Michele Baldelli of BNP Paribas Exane. Please go ahead.

MICHELE BALDELLI: Hi, good afternoon to everybody. I just wanted to have an update on your cost structure and what to think about in 2025 in terms of raw material costs. Steel cost has gone down strongly at the end of last year. Now it's back-up, but energy costs also in Europe are a question of, let's say, important. How shall we think about it in 2025? And in particular, if the lower steel costs will drive down a little bit the pricing. Thank you.

DANIELE SCHILLACI: In terms of raw materials and utilities, we have a process with our customers that started almost three years ago. Based on this process, we agreed to review the situation every "x" months.

You have already seen in our revenue and charges that we adjust pricing for our customers when energy and raw material costs decrease. This scheme is well-established and closely followed between us and the OEMs. For 2025, whatever happens on that area, we think we are well-prepared and experienced in applying the same method.

Having said that, we are not seeing a lot of fluctuation in raw materials today. For example, all our businesses are indexed to aluminum, making it relatively easy. At the beginning of the year, we observed a spike in utility costs due to some geopolitical issues. However, we have already seen some prices decrease, approaching the levels seen at the end of 2024. We are monitoring this on a daily basis. Our process is well-established, and we don't foresee any significant impact on our cost structure in 2025.

MICHELE BALDELLI: Thank you.

MATTEO TIRABOSCHI: You're welcome.

OPERATOR: Gentlemen, Ms. Panseri, this was the last question. Back to you for any closing remarks you may have.

LAURA PANSERI: Thank you, everyone, for attending our call today. We wish you a pleasant rest of the day. Goodbye!

MATTEO TIRABOSCHI: Bye-bye.

DANIELE SCHILLACI: Bye.