

**Brembo S.p.A.**

**"Nine Months 2024 Financial Results"**

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Presentation of Brembo Nine Months 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: Good afternoon, everyone, and thank you for joining us today to discuss Brembo Group 2024 financial results. 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. I also remind you that this call is being recorded. All relevant materials are available in the investor relations sections of Brembo corporate website. And at the end of the Chairman's introductory remarks, we will be able to answer your questions.

And I now turn the floor over to Mr. Tiraboschi. Please...

MATTEO TIRABOSCHI: Thank you, Laura. Good afternoon, everyone, and thank you for joining us today to review the results of the first 9 months of 2024. I want to start by saying that despite an increasingly challenging global scenario, the results we achieved underscore our resilience in a very tough period for the entire automotive industry. We have maintained revenues and EBITDA in line with the first nine months of 2023, which had already been strong. Brembo recorded revenues at 2,927.8 million euros, a 0.3 percent growth compared to the same period last year; and EBITDA at 501.1 million, up 0.2 percent. We had a decline in our net profit mainly due to increased interest rates and adverse foreign exchange rates. These external factors affected the bottom line both of our third quarter and the previous one. The macroeconomic and geopolitical context has changed significantly compared to last year, leading to a substantial deterioration in the automotive market.

Looking at our results with such a perspective, I believe they confirm the resilience of our Group, and for that I would like to thank all the Brembo people around the world for their great work.

Going into a little more detail, the overall economic situation is mainly affecting Europe and North America, where revenues are down 1.3 percent and 3.8 percent, respectively. On the positive side, China continues its growth, with a notable 8.4 percent compared to the first nine months of 2023. India is growing double digits - by 13.2 percent. Overall, the good performance in our Asian markets is compensating for the challenges we are facing in the West. As always, our well-balanced global presence is supporting our results.

In these 9 months Brembo's car segment grew by 2 percent, which is significant considering the overall industry scenario. The commercial vehicles segment is struggling, especially in Europe, as observed last quarter. The motorcycle market is down 1.7 percent, again due to the issues of the market globally. However, this was partially compensated by our good performances in India, which as you know is a big market for two wheelers.

Another positive note I would like to emphasize is that the Aftermarket segment continues to perform well, growing double digit. On top of these numbers, I believe that what most demonstrates Brembo's solidity is the fact that we continue to invest, with great attention to our industrial strategy.

We recently completed the sale of our entire stake in Pirelli. The gross proceeds of the placement amounted to approximately 283 million euros and the total return was more than 90 million euros. Some very good returns in just four years, which we're putting to good use with a key industrial investment in the real economy.

Öhlins Racing represents the largest acquisition in Brembo's history. They truly are a perfect fit for us. As the leading manufacturer of premium suspensions for motorcycles and cars, the Swedish brand is recognized around the globe with an unparalleled reputation, both on track and on the road. We were happy to hear that the news was received so positively by our customers and beyond. One comment I particularly liked was on the Brembo LinkedIn account, where the deal was

described as a marriage made in heaven between the King of brakes and the suspension Queen. I am confident that we'll do great things together. We expect the closing of the deal to come in Q1 2025.

Even though the geopolitical scenario and the global automotive market remain challenging, Brembo expects to close the year with revenues in line with 2023 and an EBITDA margin of 17%. As for the net financial position, the Group expects it to settle around €300 million at the end of the year, with net investments of €400 million.

Thank you for your kind attention and, Laura, the floor is yours.

LAURA PANSERI: Okay. Operator, we can now open the Q&A session. Thank you.

Q&A

OPERATOR: This is the Chorus Call conference operator. We will begin now 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.

The first question is from Monica Bosio with Intesa SanPaolo. Please go ahead, madam.

MONICA BOSIO: Yes, good afternoon and thank you for taking my questions, I have a few ones. My first question is if you can comment on your order trend in China going forward and if you are able to offset the likely decrease in volumes from German carmakers with the rise in orders from Chinese players? As a matter of fact, the third quarter the Brembo performance was quite strong in China. On the other hand, I saw that the revenues in U.S.A, in North America decreased double digit below the market trend. Is there any reason for that? This is my first question.

The second one is on the CAPEX guidance. Thank you for confirming the CAPEX for the year. Maybe it's too early to ask, but can you give us any rough indication

on the CAPEX for the next year, also on the back of the acquisition of Öhlins, I'm just curious to know if you're going to put some CAPEX on Öhlins, and what kind of growth would you expect for Öhlins in the next 2, 3 years?

Then my last question is, if you can help me to reconcile your net debt indication. If I'm not wrong, you're expecting a net debt at €300 million. Are you going to account the cash out for Öhlins in 2025, because I can't manage to do my math in this between the cash-in from Pirelli and cash-out on Öhlins? Thank you.

DANIELE SCHILLACI: Okay. Monica, regarding your first question, in China, indeed, we are having a very good year. One of the reasons is the more and more balanced customer mix. When you look at the data, it looks like the German car makers are currently struggling in China, but in the end we have a very good balance between the so called transplants and the local players, with which we are growing significantly. The second reason is the good momentum and growth that we are having also in the aftermarket business.

Regarding the U.S., if we look at the automotive market data we see that the first half of the year was positive, but Q3 showed a downturn, which, by the way, that is expected also in Q4. The reason why we are a bit below the market trend is that in our customer mix we have a couple of customers that are showing some weaker performance, especially around the end of the year, due to some production phase-out, that I think they will likely recover next year. This explains why in the U.S. we had a Q3 a bit weaker than the market.

Regarding the CAPEX, what I can say is that for this year the forecast is €400 million. Regarding Öhlins, the only thing I can tell you is just to wait, because as Matteo said early on, the closing will happen somehow in Q1 '25. So, we are not officially the owner of the company, yet; we will provide more information somewhere next year.

For the net debt, Andrea?

ANDREA PAZZI: Yes, thank you. Daniele, ciao Monica. The €300 million guidance for the full year, of course, includes the cash-in from Pirelli stake, sold on October 4<sup>th</sup>, for the amount of €283 million. So, excluding this extraordinary cash-in, the expected net debt would be €583 million, just a bit higher than the previous guidance given in July. Of course now you need to consider the slight reduction in revenues and margin estimates compared to the previous guidance.

MONICA BOSIO: Yes, for sure. And the cash out for Öhlins will occur in 2025, if it's right?

ANDREA PAZZI: Yes, it is expected in the first quarter, probably in January; the amount expected is around € 360 million for the equity value (in the press release the enterprise value was mentioned).

MONICA BOSIO: Perfect, thank you very much. Can I squeeze another one, please? As for the Sensify, I remember that you told that the first revenues could be visible in 2026. I do my numbers. Can we say that including Öhlins in 2026, that Sensify could represent between 4%-5% of the group revenues or is it too early to give some color?

DANIELE SCHILLACI: It's too early to give you some colors, but I confirm that the revenues for Sensify will be in 2026.

MONICA BOSIO: Okay, okay. Thank you very much.

OPERATOR: The next question is from Andrea Balloni with Mediobanca. Please go ahead, sir.

ANDREA BALLONI: Hi, good afternoon, everyone, and thanks for taking my question. My first one is about a general comment on what to expect in Q4, market-by-market, you have commented about U.S. which is expected to be down year-on-year. What should we expect about China and also about Europe, and if you can give us a general comment on what to expect about the beginning of 2025 by market.

My second question is on the free cash flow, you have just commented the net debt target is a little bit worse when compared to the previous guidance, if you can give us an idea about the reason for this reduction.

And my last question, I don't know if you can answer, is about Öhlins . If you can provide some color on the way you would expect to integrate the business of Öhlins with the one of Brembo, and how would you expect to generate the cross-selling synergies between two companies? Thank you.

DANIELE SCHILLACI: Hello, Andrea. Regarding your first question, as a general comment, if we look at the global market production data, we see a positive H1 in China and in the U.S., slightly negative in Europe, but overall up versus last year. Then in H2, starting from Q3, we see all the regions down, with Europe losing the most versus last year. For Q4 the market expectations in Europe are well below last year, whereas in China they should be roughly stable, also because in China the average stock at dealer level is healthy. In the U.S. H1 was pretty good in terms of the overall market, then we saw a downtrend in Q3, as commented before, and Q4 will be more or less at the same level. The only point of concern in the U.S. is the dealer level stock, which is 5 days higher than I mentioned in July call; therefore we need to monitor how the market will react in 2025.

Regarding the beginning of 2025, it's a bit too early to give information, but if we look at the official forecast, the overall market in 2025 is foreseen to be slightly up versus 2024, with China continuing to be the #1 market in the world, and Europe and NAFTA being somehow similar to '24, or even slightly up.

Of course, these forecasts may change in the coming months, depending on geopolitical situations. Before handing over to Andrea for the net cash flow, regarding your question on Öhlins, we already have some ideas on how to manage Öhlins. However, as I mentioned earlier, I ask for your patience until the closing is completed. In early 2025, it will be my pleasure to provide you with all the details regarding our strategy for Öhlins

ANDREA BALLONI: Yes. Thank you.

ANDREA PAZZI: Regarding the operating cash flow for the full year, the year-end will be positive, at least by €100 million. The last quarter will be more impacted than previously guided, due to a reduction in volume and margin, and partially due to working capital, which is impacted somewhat by the mix of customers and regions. So we will remain positive in the last quarter, as usual due to the seasonality of our business, but less than expected in the previous guidance from July. Overall, the operating cash flow will be positive by €100 million.

OPERATOR: The next question is from Alexandre Raverdy with Kepler Cheuvreux. Please go ahead.

ALEXANDRE RAVERDY: Yes, good afternoon. I have 2 questions, please. The first one is on the operating leverage in Q3, which I think looks a bit high. I mean I look at the volume and mix drop at the EBITDA level versus the revenue drop? So, is there anything to explain this trend, please?

The second question is still on the business development for Q3 and going forward? Some of your peers have mentioned some delays in the start of production for some contracts. I just wanted to check whether you are hearing similar issues?

And the final one is overall, on capital allocation after the Öhlins deal, which I know is not closed. But in any case, I think balance sheet will remain sound, so, what's the plan from here? Do you expect another deal in the coming years, maybe more color on that would be helpful? Thank you.

ANDREA PAZZI: Regarding operating leverage, we have no particular comments, we are in line with the nine-month period. The quarter is slightly affected compared to the same quarter last year, but this is due to normal seasonality. For the year-end, as explained, we expect 17% of EBITDA, which should recover the drop in Q3.

DANIELE SCHILLACI: Regarding your second question about the SOP delay in Q3, we have not noticed any particular trends in that matter during Q3, honestly speaking.



Could you please repeat your last question?

ALEXANDRE RAVERDY: So, the last question was on capital allocation after the Öhlins deal, whether we could expect another deal in the coming years because you will still have a sound balance sheet?

DANIELE SCHILLACI: Yes, indeed. This is part of our business development strategy. We always look for opportunities in the market that can strengthen our core strategy and bring value to our group. One area we are particularly focused on is the electronic and software sector. We are always on the lookout for small companies that can complement our knowledge in this area.

MATTEO TIRABOSCHI: But for the moment we have nothing concrete on the table.

ALEXANDRE RAVERDY: Great, thank you. A very quick one, if I may, I'm just noticing the 9 months '23 revenues have been restated in Europe. What's the nature of the restatement, please?

ANDREA PAZZI: It's really a very small adjustment, because some sales declared in the market of France, were, in fact, related to the German market. The amount is €17 million. The others are really minor, less than €1 million, from the UK..

ALEXANDRE RAVERDY: Great, thank you very much.

OPERATOR: The next question is with Anthony Dick, Oddo. Please go ahead, sir.

ANTHONY DICK: Yes, hi, thank you. The first question is on Sensify. I'm just wondering if you could update us on the kind of commercial activity you have with Sensify, if there have been any new clients signed? And also, did I understand correctly that you expect to generate your first revenue from Sensify in 2026, because I think the outlook was previously for 2025?

And then the second question, I think this might have been addressed, but I'm just looking at the revision to the net debt guidance. So it's brought up by around €83

million. If my calculations are correct, the EBITDA guidance has only brought down by around €30 million? So I was just wondering beyond the normal EBITDA drops, what was also contributing to the lower free cash flow or to the low cash flow? Thank you.

DANIELE SCHILLACI: Regarding Sensify, as I said before, I confirm that we should see the revenues in 2026. In terms of commercial activity, we are conducting numerous tests across various regions. Compared to our last call at the end of July, I can confirm that we have two new customers who have requested detailed testing of Sensify. The Sensify team is actively engaged in these activities across the region. This is an ongoing process, and we are very confident about the outcome.

Honestly speaking, as I said before, for me what is important is not to talk about the customer no. 2, 3, 4, or 5, that's not the point. The point is that Sensify has such a huge potential that it is important for us to make tests with as many OEM as possible across the region, which is what's happening. And everybody agrees that the system makes a significant difference. Of course, testing takes time because we have to prepare a car, tune it, and calibrate the technology. However, what I can tell you today is that we are seeing increasing demand from customers for testing the technology, which gives us a lot of optimism for the future.

ANDREA PAZZI: Regarding the net debt, €30 million is due to lower EBITDA for the remaining part of the year, €25 million to additional working capital, as explained due to mix of customer regions, and less than €30 million due to financials cost and taxes.

ANTHONY DICK: Okay, perfect. Thank you.

OPERATOR: The next question is with Gabriele Gambarova with Banca Akros. Please go ahead.

GABRIELE GAMBAROVA: Yes, good afternoon. Thanks for taking my questions. Just a couple of them. If I look at Slide 7, you have bridge on the revenues. It comes out that the pricing in Q3 was basically negative by €31 million. So I was wondering if you

could elaborate a little bit on this aspect and what could we expect for the near future.

And the second one is on the tax rate. In Q3, it was pretty high, 35%, if I am not wrong. Even here, if you can explain a bit what were the moving parts and what should be expect for the fiscal year 2024? Thanks.

ANDREA PAZZI:

Regarding the tax rate, yes, it is a bit high. We had an exceptional dividend distribution from our non-EU subsidiaries, which is somewhat unprecedented. In the past, dividends were typically distributed by European subsidiaries. This dividend distribution generated a withholding tax that is not recoverable in Italy, affecting the net tax by €4.5 million.

Also, the tax rate was affected by the devaluation of the Mexican pesos. It was reevaluated at the end of last year, which, if you recall, had a positive impact on taxes due to the deferred tax asset on fixed assets for additional depreciation granted by the tax authority. This year the devaluation resulted in a negative effect of €3.7 million.

However, for the year-end, we expect the tax rate to remain stable at around 26%, with no significant changes.

Regarding your first question on pricing, the negative €46 million reflects the amount we are returning to our customers due to the price increases applied in 2023 and early 2024, due to the cost of raw materials and energy. Considering this reduction, you can see the net effect in the EBITDA bridge. This impact is mainly related to the agreement for energy costs passed on to the customers.

Also, at EBITDA level, the positive impact is due to an exceptional contribution from the Government Authority in Poland towards energy costs. This contribution helped to offset the higher energy costs in Poland.

GABRIELE GAMBAROVA: Okay. And going on, we probably will see, let's say, the negative impact in terms of revenues mirrored also on EBITDA if the Polish, let's say, the one-off does not happen anymore or is something recurring in this aspect?

ANDREA PAZZI: Unfortunately, there is nothing within our power to decide. We are waiting for the authority's decision. Meanwhile, the price has stabilized, and the negative impact you see in the 9M will decrease because we have covered the costs and returned to the prices levels we had before the inflation of raw materials and energy.

GABRIELE GAMBAROVA: Okay. And just for what, sorry, again on the EBITDA bridge, the operation item is almost zero in Q3. It was a minus 28 in Q2, minus 26 in Q1. Is there, I guess, an explanation in terms of ramp-up of plants. I mean what's the reason for this nice dynamic here in terms of operations?

DANIELE SCHILLACI: Yes, this year you can see a positive variance because Q3 last year was particularly challenging in terms of operations, specifically in one of our plants in North America. This issue has not only been resolved, but we are now seeing improved efficiency. In terms of variance compared to last year, we are now at breakeven or better. That's the reason.

GABRIELE GAMBAROVA: Okay. Thank you very much. Great for you.

DANIELE SCHILLACI: No problem.

OPERATOR: The next question is from Gianluca Bertuzzo with Intermonte SIM. Please go ahead, sir.

GIANLUCA BERTUZZO: Hi everybody and thank you for taking my questions. In the third quarter, the automotive division was down year-on-year, but I will say as expected and while all other divisions were negative, can you maybe share more details for the motor and commercial vehicles division in particular and for commercial vehicles, are you more exposed to light or medium-to heavy trucks?

Second question is on the CAPEX plan. Given the weaker environment, what is driving your confidence to stick to your CAPEX plan to the high-end? And if we can expect maybe a similar amount next year or a higher or lower, an indication will be helpful. Thank you.

DANIELE SCHILLACI: Regarding commercial vehicles, we maintain a good balance between light LCVs, medium-heavy trucks and trailers, which explains the trend you see. The very negative trend in the medium-heavy truck and trailer business is partially compensated by the light commercial vehicle segment, which is declining less than the others. Therefore, we confirm our well-balanced activity in this area.

As you know, the market is very cyclical. We have already seen some positive signs in the light commercial vehicle segment.

Regarding motorbikes, sales for the first nine months were almost stable, with only a slight decline of 1.7% in a somewhat challenging market. The negative performance in Q3 is primarily due to issues faced by two key OEM customers. We hope these issues will be resolved soon, leading to a positive trend in 2025.

ANDREA PAZZI: Regarding your second question on CAPEX, we follow our plan. You may remember we have a long-term plan of €500 million for new plants. We are following this with no constraints linked to the actual market situation. In the last quarter only, we are planning €130 million of CAPEX, €30 million of which will be related to the new plant in Thailand, dedicated to motorbike products.

GIANLUCA BERTUZZO: Okay. And then maybe a follow-up on the motor. You said that a couple of customers are having issues; is there a specific geography where they are having these issues or it's a worldwide problem?

DANIELE SCHILLACI: These are global customers, so it's not related to one particular area.

GIANLUCA BERTUZZO: Okay, thank you.

DANIELE SCHILLACI: Thank you.

OPERATOR: As a reminder, if you wish to register for a question, please press “\*” and “1” on your telephone. For any further questions, please press “\*” and “1” on your telephone. The next question is from Michele Baldelli with BNP Paribas. Please go ahead, sir.

MICHELE BALDELLI: Hi, good afternoon to everybody. I have just one question about '25 because I hear that you now think about 2026, that you will for sure see revenues above '25. My question is about 2025. Are you completely saying that there will be a quarter and for sure, no revenues from 2025 or there is a possible contract already starting at the end of 2025? Just to understand.

DANIELE SCHILLACI: Regarding potential contracts, as you know, we have already one contract signed. For potential contracts in 2025, we are working hard to make this happen and remain hopeful for positive outcomes. Regarding the revenues I confirm it is 2026.

MICHELE BALDELLI: Okay, thank you.

OPERATOR: Gentlemen, there are no more questions registered at this time. Up to you for the closing remarks.

LAURA PANSERI: Thank you, everyone, and enjoy the rest of the day. Bye-bye.