
Brembo N.V.

First Half 2025 Financial Results Call

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SPEAKERS: MATTEO TIRABOSCHI, EXECUTIVE CHAIRMAN
DANIELE SCHILLACI, CHIEF EXECUTIVE OFFICER
ANDREA PAZZI, CHIEF FINANCIAL OFFICER
ROBERTO GRAZIOLI, CHIEF BUSINESS DEVELOPMENT & IR
LAURA PANSERI, INVESTOR RELATIONS SENIOR MANAGER

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the First Half Brembo Results Conference Call. 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 of Brembo. Please go ahead, madam.

LAURA PANSERI: Good afternoon or good morning, everyone, and thank you for joining us today to discuss Brembo Group's First Half 2025 financial results.

Today, Brembo's Executive Chairman, Matteo Tiraboschi, will begin the call with his opening remarks. Following his speech, Brembo's management team will be available to answer questions from analysts.

As always, all relevant materials are available in the Investor Relations section of Brembo's corporate website, www.brembogroup.com.

During this call, we will discuss our business outlook and make forward-looking statements based on our current predictions and expectations. Please note that these comments are subject to risks and uncertainties that could cause the actual results to be materially different.

Lastly, I would like to remind you that this call is being recorded.

With that, I will now turn the call over to Matteo Tiraboschi.

MATTEO TIRABOSCHI: Thank you, Laura. Good afternoon, everyone. We appreciate you joining us today as we walk through our half year financial results. Before, we go into the details, let me take a moment to frame the broader context in which these results were obtained. The global automobile industry

continues to face deep and persistent challenges. Global vehicle production experienced a decline in some key regions, especially in North America and Europe.

Economic and regulatory volatilities are contributing to weakness in consumer spending on vehicles. Added to this is the global geopolitical scenario that continues to cast a shadow over markets, making strategic navigation more difficult than ever.

Giving this difficult context, at the beginning of 2025, we were clear in our communication to the market. We expected this to be a tough year, especially in the first half. The results we are sharing today are in line with those expectations.

Our half year revenues amounted to around €1.88 billion, reflecting an year-on-year decline of 6.2%, mainly driven by lower volumes across key markets. EBITDA exceeded €300 million, representing 16% of revenues. Net profit decreased to around €98 million. The most evident impact on our performance comes from the challenges faced by the original equipment segment. However, our diversified business model is improving its value. The aftermarket segment continues to perform well and has, once again, helped offset the weaker performance in original equipment.

On top of that, let me underline a key point. Despite the ongoing market complications, as you know, this year we choose to maintain our annual dividend at the same level as 2024. This decision underlines our strong commitment to delivering consistent shareholder returns.

The payment is visible in the increase in our net financial debt, which is higher than last year, as it also includes the impact of the Öhlins acquisition. Even in this tough time, we have not paused our investment in innovation. This is a deliberate choice that reflects our belief in preparing now for the recovery of the automotive market and in building a stronger, more competitive Brembo for the future. In our previous call, we shared news about the launch of our new Greentell set and the successful opening of the Brembo Inspiration Lab in Shanghai in April, two key milestones that highlight our commitment to sustainability and digitalization.

Since then, we've expanded into a new segment: bicycles. We entered this space by doing what best represents our heritage: racing. Our exciting new collaboration with a leader in the cycling world, Specialized, in the high-performance downhill racing category, marks an important step forward. This partnership allows us to bring our expertise and innovation into new frontiers.

Our braking system for mountain bikes was designed in Italy and manufactured in our new plant in Thailand, underscoring our global presence. On top of that, the Specialized bicycles also include products from J.Juan and Öhlins, representing a positive integration of the advanced solutions the whole Brembo Group is able to bring to the market. We hope that our partnership with Specialized might serve as the gateway for Brembo into the broader world of bicycles in the future.

Let me also add that this expansion into mountain bike racing comes at a particularly meaningful time, as we celebrate 50 years in motorsport, a journey that began with our first supply to Scuderia Ferrari in Formula One back in 1975.

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To conclude and looking ahead at the second part of the year, you won't be surprised to hear that – just as we said during our last call – making predictions is even harder during these very turbulent times. That said, at constant exchange rates and including Öhlins, we confirm revenues for 2025 to be in line with 2024 and the EBITDA margin to be above 16%, assuming a more stable geopolitical context going forward

Thank you and with that I will now head over to Laura.

LAURA PANSERI: Thank you. Operator, we are ready for the questions.

Q&A

OPERATOR: Excuse me. 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 the touchtone telephone. To remove yourself from the question queue, 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 from Intesa Sanpaolo. Please go ahead, sir.

RENATO GARGIULO: Yes, good afternoon. Thanks for taking my questions. Well, my first question is on the order trend. If you can give us an indication about your current order trend and in particular regarding the US market and China.

Are you still, let's say, suffering from customer mix in the US and on China, you are anticipating a slowdown in momentum in the second half. Do you still confirm that you expect this year's performance in China to be slightly better than last year or the overall scenario is, let's say, worsening compared to your previous expectations?

My second question is on Greentell. If you can, also in this case, give us an update in terms of OEM's homologations and how you are proceeding with the production. If I remember, it's expected to start during the summer for the Greentell set?

And then the third and last question is on your guidance. So even including FOREX you are still...the implied guidance is still assuming quite a strong increase for Öhlins what are...can you give us an update on that...on the trend in the second quarter for revenues and profitability from Öhlins? Thank you.

DANIELE SCHILLACI: Yes, good afternoon. Regarding your first question about orders, if I compare the US and China markets, the outlook for the US in the second half of the year, especially in Q4, appears more challenging. Regarding China, we are seeing a very stable trend; our volumes and margins are holding up, and we don't see any significant changes in H2.

In the US, Q3 orders performed slightly better than expected, but the Q4 market outlook appears weaker. This largely depends on current factors like tariffs and inflation. If conditions improve, Q4 and H2 could outpace H1. That's the current update regarding orders.

Regarding the Greentell, a very small part of production is starting now, summertime, but the big bulk of the production will be in 2026/2027. On

January 1st, 2027, the Euro 7 homologation will come into effect for passenger vehicles in Europe. As a result, there is anticipated to be a notable impact on revenue during 2026 and 2027. Several contracts are in place, and discussions are ongoing with various OEMs for new agreements related to Greentell. Overall, the project is proceeding as planned.

Regarding the guidance and Öhlins, this is what I can say: when we acquired Öhlins earlier this year, its turnover was approximately \$140 million. The turnover is expected to be higher this year, with a targeted margin of around 20%. The integration process between Öhlins and the company is proceeding as planned, with effective cooperation and no significant issues reported.

RENATO GARGIULO: Perfect. Thank you. If I may, a very quick follow-up on commercial vehicles. The trend was clearly weaker in the first half. What kind of visibility do you have on a sequential improvement in the second half, and do you think that the recent trade agreement may somewhat help and demand in terms of new orders? Thank you.

DANIELE SCHILLACI: For light commercial vehicles, we need to distinguish between two categories: mid-heavy trucks, where we have a significant presence, and light commercial vehicles, around 3.5 tons. In the mid-heavy truck segment, there is currently an upward trend, particularly in Europe, which comprises most of our market in this sector. Historically, changes in this segment may precede similar trends in other segments such as passenger cars after a certain period.

Regarding light commercial vehicles, when comparing the second half of this year to the previous year, the trend appears to be relatively stable.

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

ALEXANDRE RAVERDY: Yes, good afternoon. I have first question on the guidance, please, because it implies a better H2, while you are mentioning that in most regions, the volume environment, at least, will remain challenging. So, I wanted to understand the bridge of H2 versus H1, also taking into account your usual seasonality and FOREX. That's the first question.

On the second question, I would like to understand whether, I mean, what you see in terms of call-offs in Europe, because we've seen some OEMs issuing profit warnings, so specifically on LCVs. So, whether you see some stability or volatility on that front.

And the last question I have is regarding pricing and whether you receive some OEM compensations in Q2, despite a negative performance in Q2 for pricing and what to expect for the rest of the year. Thank you.

DANIELE SCHILLACI: Okay, thank you for your questions. In terms of guidance, if I compare H2 '25 versus H1 '25, what might improve is indeed the European market. As I said, China appears relatively stable, in the US the forecast seems a bit too pessimistic, but we believe Q4 will be stronger.

In Europe we see a second half better than, especially in some markets. In that context, for Brembo, stronger order intake from some European OEMs on specific platforms positions us positively for H2.

As I said before, on the mid-heavy track, we see a stronger growth in H2 compared to H1. LCVs below 5.5 tons remained stable. The aftermarket segment showed positive signs, with more opportunities emerging in H2, particularly in Asia as well as Europe. In H1, one motorbike manufacturer faced difficulties but resumed production in August, which is expected to boost H2 results. On the mid-heavy track, we observed stronger growth in H2 compared to H1. LCVs below 5.5 tons remained stable. The aftermarket segment showed positive signs, with more opportunities emerging in H2, particularly in Asia as well as Europe. In H1, one motorbike manufacturer faced difficulties but will resume the production in August, which is expected to improve our H2 results.

Also, we are observing an improvement in OEM motorbike orders compared to the first half of the year, indicating some positive developments in our traditional business segments. There is also a clear positive trend in the mid-heavy truck segment. The slowdown in the European market appears to be less significant than what was experienced in H1. Furthermore, we anticipate that the aftermarket sector, particularly in Asia, will perform better in H2 than it did in H1. These are the key updates I am able to provide at this time.

Regarding the pricing, we negotiate pricing with all OEMs when volumes decline, through direct and structured discussions. In Q2, we received less compensation from customers compared to the same period last year. We expect an improved situation in Q3 and Q4.

ALEXANDRE RAVERDY: Thank you, very much,. If I may have a last very quick one on net debt. Is it fair to assume that the free cash generation in H2 will be mostly driven by working capital?

ANDREA PAZZI: Yes, Andrea speaking. In the second quarter, as usual, the working capital affected the net financial position, which is typical seasonal behavior for both our sector and Brembo. Of course, for the fourth quarter, we expect a reduction in in working capital absorption, as usual.

ALEXANDRE RAVERDY: Thank you, very much.

OPERATOR: The next question is from Nikita Papaccio [ph] of Deutsche Bank. Please go ahead.

NIKITA PAPACCIO: Yes, hi, and thanks for taking my question. A lot of my questions were already asked, so a couple of for me, please? The first question on FX, is this mainly driven by US dollar? Are you seeing any other major impacts in other regions?

And the second question is on your guidance? And you just explained why H2 should be better than H1? So, this is more driven by volume and mix rather than pricing or anything else you're seeing, right? Could you maybe elaborate if you're seeing relevance for restructuring programs for now, or are you fine with the additional employees you got from Öhlins? Thanks.

ANDREA PAZZI: FX impacts in the first half were negative, mainly due to the US dollar, Chinese RMB, Indian Rupee, and Brazilian Real. The US dollar and RMB had the greatest effect.

DANIELE SCHILLACI: Regarding the guidance, as previously mentioned, there are certain technical challenges for some OEMs in Europe, particularly in the mid-heavy truck segment. Additionally, we anticipate an increase in aftermarket volume; this forms the basis of our current forecast.

Regarding Öhlins, since our acquisition earlier this year, their full-year forecast is expected to surpass 2024 results in terms of turnover. We also plan to maintain the margin at ~20%.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your telephone. The next question is from Anthony Dick from Oddo. Please go ahead.

ANTHONY DICK: Yes, thank you. Couple more from my side. The first is on all the different plant openings and ramp-ups that you're currently involved in? Could you provide some indications of how that's going to impact revenues, but also the cost side with the ramp ups over the rest of the year?

And the second question is on Sensify. Just wondering if you had any updates to provide at that level?

And lastly, last one is on the financial expenses, which increased this year? I'm just wondering now if in Q2 we're on a sort of normative level for the quarters to come or if there's any one-offs in there? Thank you.

DANIELE SCHILLACI: Regarding the first question, our three major investments—in China, Mexico, and Poland—are ramping up. China and Mexico will not impact revenue this year, but should begin contributing next year. The Poland investment is expected to contribute to revenue starting in late 2026, so there will be no influence from it in 2025.

Regarding Sensify, we continue to discuss multiple offers with customers across several regions, not just one. Previously, we had a single contract; now, we have secured more than one contract, which is in line with our plan.

ANDREA PAZZI: Regarding your third question, the net financial cost increased by €12 million compared to last year, mainly due to the absence of the €11 million Pirelli dividend, after selling our shares at the end of last year.

While our debt financing cost has dropped from an average interest rate of 3.8% to 3.3%, overall debt is higher because of the Öhlins acquisition.

ANTHONY DICK: Okay. That's clear and thank you. And actually, I just had another question and a follow up that just came to mind. The first one is the follow up on the plant expansions. I am just wondering if you know, how is that impacting your cost base today. Is that generating any operational inefficiency or not really?

And the second question is on the aftermarket business. Just wondering if you could provide the kind of level of revenues and EBITDA that generated in Q2 of the first half of the year.

DANIELE SCHILLACI: Regarding the Aftermarket, as published, it was 14% of our 1H sales, but we do not disclose margin details.

Regarding the ramp-up, margin impact is already factored into our business plan, so there are no additional effects from plant investments or ramp-up costs beyond what we've already communicated in our margin guidance.

OPERATOR: Next question is from Michele Baldelli of BNP Paribas. Please go ahead.

MICHELE BALDELLI: Hi, good afternoon to everybody. I have just a question about the guidance. If you can provide certain level of color or feeling around those, in the sense that given the depreciation also of some currencies, repeating the guidance on the topline in the version of flat sales year-on-year and not on organic decline. To me, just wanted to get your feeling if anyway for you, let's say, 1%, 2% below the previous level is kind of, let's say, flat or flat means basically zero. So basically, what's you're feeling around it let's say?

DANIELE SCHILLACI: Yes, we assume FOREX for this year at around 2%. This implies that H2 will be in line with H1, at current FOREX.

MICHELE BALDELLI: Just to be sure. So, you said that H2 should be at similar level...

ANDREA PAZZI: Based on our guidance, we expect a 2% impact from FX over the full year. This implies that H2 turnover should be at a similar level to H1. Of course, predicting FX effects is challenging, especially with the currencies I mentioned before - the dollar, RMB, rupee, and real - but our current estimate is a 2% impact - subject to market changes in the coming months.

MICHELE BALDELLI: Okay. So just to probably circle back and make it clear for me, it means that H2 at current FOREX, it should not be far off from the H1 number.

DANIELE SCHILLACI: Exactly.

MICHELE BALDELLI: Okay. That's clear now. Thank you very much.

ANDREA PAZZI: Thank you.

OPERATOR: The next question is a follow-up of Nikita Papaccio from Deutsche Bank. Please go ahead.

NIKITA PAPACCIO: Yes, hi. Just a quick question on your leverage. It is currently standing at 1.5 times EBITDA. Just wanted to check is this a level where you are feeling comfortable with or do you expect this to decline over time and what are your...how are you expecting to tackle this?

DANIELE SCHILLACI: Yes, our current leverage ratio of 1.5 is among the highest in Brembo's recent history, mainly due to significant acquisitions like Öhlins. Our goal is to return to historical levels, we are already working on it, and this objective is reflected in our plans, which includes reducing CAPEX starting next year.

Our objective is to return to a financial leverage level similar to Brembo's historical figures.

NIKITA PAPACCIO: So, something below one time?

DANIELE SCHILLACI: Yes, that's correct. Of course, this depends also on M&A opportunities. Our strategy and vision include seizing M&A opportunities when they make sense, such as with Öhlins. While acquisitions may temporarily increase leverage, we expect to return to below 1 in the midterm.

OPERATOR: The next question is from Michele Baldelli from BNP Paribas. Is this a follow-up? Go ahead, please.

MICHELE BALDELLI: Thank you very much. So, it's a follow-up about Sensify, because I was reasoning about your phrase that you have signed new customers, if I was not wrong in understanding. If this is confirmed and therefore there is already a second customer, apart the one that you already announced. I was wondering, first, are you now having therefore higher costs for the co-development of such a product? And when these further contracts are kicking in, in terms of P&L contribution, are those already starting by the end of 2026 or are far out? Thank you.

DANIELE SCHILLACI: As I said, with Sensify, we are signing offers with many customers across the regions. I confirm that we have more than one contract signed. Market launch is expected around 2026. All the development costs of Sensify have been expensed in our P&L.

ANDREA PAZZI: This is, of course, until when an agreement with the customer is signed. At that point, related development costs are capitalized and depreciated over the contract's duration.

MICHELE BALDELLI: Okay.

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

ANTHONY DICK: Yes, thank you. I just thought I'd try a kind of follow-up on another angle on the aftermarket business. Just looking back at your accounts and until 2019, there seems to be some disclosure about the aftermarket business. And you know, my estimates with the...it represented something around 10% of your revenue. I don't know if that's correct. And if you just could

give just any indication of what you represent of the business today, if it's much above those similar levels, because you keep mentioning the aftermarket business, and you know, how it's contributing to your growth, I think it would be quite important to kind of have a sense of what it represents as your business. Thank you.

DANIELE SCHILLACI: The aftermarket was approximately 10% in 2019. Currently, it is close to 15% with improved margins. As a result, the aftermarket now plays a more substantial role in our profitability compared to 2019. This growth has occurred not only in Europe, but significant contributions have also come from Asia - particularly China - and the United States market.

ANTHONY DICK: Thank you very much.

MATTEO TIRABOSCHI: 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. Laura Panseri, there are no more questions registered at this time.

LAURA PANSERI: Thank you. We thank you for joining our call today and we wish you a pleasant rest of the day and a relaxing summer. Bye-bye.