
Brembo N.V.

First Quarter 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 Presentation of Brembo First Quarter 2025 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 or good morning, everyone, and thank you for joining us today to discuss Brembo Group's first quarter 2025 financial results. Today Brembo's Executive Chairman, Matteo Tiraboschi, will start the call with his opening remarks. After his speech, Brembo's management team will be available to answer questions from analysts. As always all relevant materials are available in the Investor Relation section of the Brembo 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 can 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 to turn the call over to Matteo Tiraboschi, please.

MATTEO TIRABOSCHI: Good afternoon, everyone, and thank you for joining our first quarter 2025 call.

We entered this year with a cautious outlook on the global automotive market, as we indicated in our last earnings call. The first quarter has confirmed we were right to be cautious. Market conditions have deteriorated significantly across key regions compared to last year, and the challenges we anticipated have materialized. As expected, this environment has put pressure on both revenue and profitability.

Our first quarter revenue amounted to 957 million euros, reflecting a year-on-year decline of 4.7 percent, mainly driven by lower volumes across key markets. EBITDA stood at 153 million euros, representing 16 percent of revenue. Net profit decreased to 51 million euros. It's important to note that this performance compares with a very strong first quarter in 2024, which had benefited from favourable market dynamics and robust demand across all regions.

Today, the evolving geopolitical landscape continues to create a highly uncertain environment for global companies like Brembo. In particular, the impact of tariffs from the United States and the lack of a clear and coherent automotive strategy from the European Union are making it difficult to plan and operate effectively.

Despite this challenging backdrop, we remain confident in the resilience of our business model and the strategic levers we have in place to navigate this period. The automotive industry has gone through many crises in the past and Brembo has faced them all, coming out stronger each time.

For several years, we have been focusing on a local for local strategy, expanding our production sites in the markets where we sell to our customers. This is proving key now more than ever. On top of that, our portfolio has become increasingly diversified. We are currently focusing on integrating Öhlins into the Group following the recent acquisition. This

quarter, Öhlins contributed approximately 39 million euros to our revenues. More importantly, its addition will play a key role in supporting our long-term strategic ambitions.

The acquisition of Öhlins is visible in our net financial debt in Q1, which, excluding this transaction, would be down by over 112 million euros compared to end of March 2024. I would also highlight that 2025 marks the completion of the investment cycle related to the major production capacity expansions we have undertaken in recent years across Mexico, Poland, China and Thailand. Starting from 2026, capex will decrease.

Now, let me break down our first quarter results by segment and geography. Our car business has faced some headwinds. As expected, volumes have contracted across the board due to reduced production levels from automakers and softening consumer demand. However, our Aftermarket segment remained resilient and generated good margins. Demand for replacement parts is solid, supported by aging vehicle fleets. This mix has helped to partially offset the decline in original equipment revenues.

Geographically, Europe remains particularly challenging, primarily due to weak consumer sentiment and spending. North America is also showing signs of strain, largely due to ongoing uncertainty surrounding tariffs. China, on the other hand, has remained relatively stable. While not a growth engine this quarter, it delivered a flat performance, serving as an important stabilizing factor in our global footprint. Despite challenges faced by some foreign manufacturers in the country, we have been able to compensate this with our strong and growing relationships with local partners, an area that will play an increasingly strategic role in our future growth plans.

Staying with China, we're pleased to highlight some recent milestones we've achieved in that key market. A few weeks ago, we inaugurated our new Brembo Inspiration Lab in Shanghai, an important step in strengthening our capabilities in AI, software and data science in the heart

of Asia. Now we have two Inspiration Labs in the most important innovation places on the Planet: in Silicon Valley and in Shanghai. The Shanghai Lab will contribute to reinforcing our cooperation with key Chinese customers going forward.

Furthermore, at the recent Shanghai global Auto Show, we unveiled our new Greentell Set, a breakthrough system that showcases our ongoing commitment to innovation and sustainability and anticipates the Euro 7 and, going forward, the China 7 emission regulations.

Looking ahead, our focus remains firmly on executing our strategic roadmap. We're continuing to invest in innovation, which has always ensured we emerge stronger when the market rebounds.

As for our full-year guidance, let me emphasize that making predictions is increasingly challenging due to the ongoing market uncertainty. That said, we confirm revenue for 2025 to be in line with 2024, and forecast an EBITDA margin above 16%, including the consolidation of Öhlins and assuming a more stable geopolitical context in the second half of the year.

With that, I'll now hand it over 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 yourself from the question queue, please press "*" and "2." Please pick up the receiver while asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Monica Bosio, Intesa Sanpaolo. Please go ahead.

MONICA BOSIO: Good afternoon, everyone. I hope you can hear me well, and thanks for taking my questions. I have 3. The first one is looking at your guidance, can we consider the first quarter to be the weakest of the year? I think, yes, but just to check with you. And can you give us a flavor of the order trend by country and your expected revenues trend evolution by geographical area? I'm asking this because I remember that in the last call, you said that Brembo had 2 customers in USA suffering. They were expected to do better. Just state-of-the-art on this. And I was wondering if you can give an outlook on your future evolution in China, because I remember that your order book was solid, but the performance was flattish in the first quarter?

And the second question is on the margin guidance. I was wondering if you included in your margin guidance any one-off costs related to Öhlins integration or on the contrary, if you included any mitigation actions on the cost side going on. I also assume that in the second part of the year, you will have the ramp-up costs from Poland and China.

And the very last is on the aftermarket operations. I see that you changed something in the perimeter across the divisions. Can you remind us what is the weight of your aftermarket on total revenues after all these consolidations? Thank you.

DANIELE SCHILLACI: Good afternoon, Monica, Daniele speaking. Q1 has undoubtedly been a very challenging quarter. We hope it will be the worst we face. Looking at April, the pace has slightly improved. However, predicting what will happen in H2, especially in the US market, remains very complicated. The latest IHS forecast indicates further deterioration in the H2 outlook for the US market. This is something we need to monitor closely. In this context, it's difficult to determine which quarter will be the worst. However, our forecast suggests that Q2 will be slightly better than Q1. This is what I can share with you at the moment.

Regarding the two US customers facing difficulties, the situation remains unchanged today. We need to wait until after the summertime when they will launch new products in the market. If those products are successful, it will indeed be good news for us..

I'll jump to the aftermarket question. This year, some revenues previously included in the Motorbike and Racing Segment were reallocated to the AM business; I want to emphasize that Öhlins is not part of the Aftermarket area, the reclassification refers to Brembo products only. If we compare like-for-like, the aftermarket in Q1 has been relatively flat. However, we have seen a definite improvement in the aftermarket, and we remain optimistic about the aftermarket division for the rest of the year.

Regarding the other question, Andrea?

ANDREA PAZZI: Yes, Andrea speaking. Monica, regarding the margin guidance, the first quarter was impacted by one-off costs related to the acquisition of Öhlins, which we do not expect to recur in the rest of the year. There will be one-off costs for the ramp-up in Thailand, which is still in a ramp-up process. We started selling from April, but for the first quarter, there were almost only costs for the start-up of the plant. Therefore, we expect higher margins for the rest of the year compared to the first quarter. This is why the guidance indicates more than 16%.

MONICA BOSIO: Okay, thank you very much. And what about China evolution in terms of revenues? Across the year, should we expect a growth for China? Or maybe the local Chinese players will continue to offset the weakness of the German players there?

DANIELE SCHILLACI: In China, we have local OEMs with whom we secured business a year ago, and one of them is performing exceptionally well. The sales forecast for this local OEM in H2 appears promising, based on our order bank. If this trend continues, we can expect our performance in China to be slightly better than last year.

MONICA BOSIO: Okay, thank you very much.

DANIELE SCHILLACI: And also the aftermarket in China is growing quite well.

MONICA BOSIO: Perfect, thank you very much.

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

MARTINO DE AMBROGGI: Thank you, good afternoon everybody. The first question is on CAPEX. Could you split, in order to have an idea of what is the portion of CAPEX to add the capacity, #1?

#2, what is the portion for coated discs? And #3, is there any CAPEX specific for Öhlins in the €400 million guidance? And 4, always on CAPEX, you commented next year will be down. Could you provide a very, very rough range for next year's CAPEX? Thank you.

ANDREA PAZZI: In the first quarter, 75% of CAPEX was allocated to the footprint, primarily in Poland and Mexico, as part of our global plant growth strategy, but we do not provide the split., sorry.

Regarding Öhlins, for the first quarter and the rest of the year, we do not expect significant CAPEX. Starting from 2026, we expect a decrease in CAPEX, as the footprint will be nearly finalized by the end of this year. Consequently, we will reduce new CAPEX from €400 million to around €300 million per year.

MARTINO DE AMBROGGI: Thank you. And the 75% for the first quarter could be applied for the rest of the year?

ANDREA PAZZI: Usually, yes. In general, this is our standard practice.

MARTINO DE AMBROGGI: Okay. And on the margin, a follow-up on, sorry if I missed, but you commented Q1 profitability was affected by one-off on Öhlins. Could you quantify it if you already did it? Sorry. And in your guidance, are you taking into account any tariff impact apart from lower volumes, but any additional price pressure or anything else?

ANDREA PAZZI: No. Tariffs are not considered in our margin guidance. Regarding the one-off costs for Öhlins, we prefer to avoid providing specific details; it's relevant for Öhlins, but not for Brembo Group

MARTINO DE AMBROGGI: Okay. And very last on coated discs, just to have an update on the start of production. And I don't know if you can share the number of homologations and the Greentell, if I understand it, is using the coated discs that you are starting to produce in Europe, and the pad is produced by the Chinese joint venture. So there is no direct impact on pad sales for this product for you if not indirectly through the joint venture, and I don't know if the European clients are also asking for this solution right now.

DANIELE SCHILLACI: Hello, Martino, Daniele speaking. You are correct, Greentell is the name of the product for the coated disc. The start of production will be this summer, and the bulk of the revenue from this business is expected around 2026. We have many customers interested in this product, this is what I can confirm to you.

The pad is not from our J.V., it is a specific pad that, together with the disc, allows a very drastic reduction in emissions while maintaining top performance levels. Achieving this balance is the most complicated aspect of this new technology, which is why our customers greatly appreciate the Greentell product.

MARTINO DE AMBROGGI: So the pad is produced by you?

DANIELE SCHILLACI: The pad doesn't come from our joint venture, it is a pad that we are developing in collaboration with a partner.

MARTINO DE AMBROGGI: Okay. So there is an additional sales for you every time you sell also this product for direct production or just reselling third party?

DANIELE SCHILLACI: We have an agreement with the pad suppliers that of course follow our demand requests, which are already planned for the next 2-3 years based on the contracts we have with our customers.

MARTINO DE AMBROGGI: Okay. And when you start, sorry very last...when you start production of these in Europe is this including also the pad in your coated disc offer?

DANIELE SCHILLACI: Yes, exactly.

MARTINO DE AMBROGGI: Okay. Thank you.

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

GIOVANNI SELVETTI: Hello, everyone. I just want to have a rough indication of this minus 2.6 on a like-for-like basis in China? Can you just roughly quantify how much up or down were domestic OEMs and the rest, please.

And maybe the second question is related on Öhlins just to confirm that all the Öhlins revenues were allocated to the racing segment? And yes, that's it on my side.

DANIELE SCHILLACI: Yes, the Öhlins revenue is included in the Racing segment.
Regarding your question about China, our increasing market share and penetration with the Chinese OEMs are sometimes offsetting some counter-performance in other OEMs. However, we do not provide a split on that.

GIOVANNI SELVETTI: Okay, and maybe the last one, right? I know that you said that profitability should be cut in the next quarters, but I was also thinking that in the last calls you said that the coated disc should be more profitable and cash generative than the rest of the group? So how much should we think in terms of the increase in margins? Is this 16.7% consensus at the moment feasible? Because I'm thinking if volumes improve. And also the mix improves because coated discs are more profitable, how much increase in profitability should we think about?

DANIELE SCHILLACI: Yes, as I said before, the start of production will be during summertime, but we won't see significant revenue this year. We expect tangible revenue around 2026, as the contribution of the coated disc will not be noticeable this year.

However, I want to highlight that the Greentell - that's the name of the product - is very important for two reasons. First, it increases the revenue per unit. So, when we reach full speed in implementation with all customers, we will see higher revenue per unit and consequently a higher margin. And you will likely see this from around 2026 onward.

GIOVANNI SELVETTI: Okay, thank you.

OPERATOR: The next question is from Nikita Lal, Deutsche Bank. Please go ahead.

NIKITA LAL: Yes, hi and thank you for taking my questions. I have 2 remaining ones. The first one is on your revenue bridge. If you looking at your volume and mix bracket, could you elaborate how much of this is volume decline, how much is geo mix and how much customer mix.

And my second question is on tariffs. Could you please quantify the estimated tariff impact you could see this year if US tariffs stay in place like this as of now. And what mitigation measures do you tend to take to offset these impacts? Thank you.

DANIELE SCHILLACI: Regarding tariffs, the latest information indicates that their impact on our supply chain is negligible. The only significant impact we have is related to market conditions and customer volume. Actually, when you look at our Revenue and EBITDA bridges, the primary difference compared to last year is strictly related to volume.

Regarding your question about the volume mix, we do not provide details or a split.

NIKITA LAL: Okay. Thank you.

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

GIANLUCA BERTUZZO: Hi, everybody and thank you for taking my question. Just to clarify on tariffs. So you don't take into account the impact on the guidance because you don't tell any direct impact and the impact is only indirect? Second question is on Öhlins. We are 5 months since the closing of the transaction. Where do you see the potential synergies from this acquisition, it's more on the revenues, on the cost and still on that, do you plan to take a brand another segment or in other markets, I mean for instance to develop products for cars. So any input on that would be helpful. And last one of Sensify. Do you have any update on that? Thank you.

DANIELE SCHILLACI: Regarding the tariffs, you're correct.

Regarding Öhlins, there are indeed significant opportunities for new segmentation. As you know, Öhlins is highly represented in the motorbike business. However, we see promising opportunities in the auto segment, especially in specialties, where Brembo has an extensive experience. We see new segments, particularly in the US market like ATV (all-terrain vehicle) and SSV (Side-by-Side Vehicle), where Öhlins can expand its product offerings.

We are also collaborating on aftermarket, focusing on distribution channels in Asia and Europe. In some areas, Öhlins is well represented, while in others, Brembo has a stronger presence. This collaboration allows us to create win-win situations. So, it's synergies on revenues more than on costs. Additionally, the know-how we acquire from Öhlins, particularly in suspension technology, is crucial for our strategy. This acquisition is exciting for us, and we see many opportunities to explore further together, despite market conditions.

Regarding Sensify, I confirm that the SOP will be in 2026, hence the first revenue from Sensify will be seen in 2026; also, I confirm that we have been starting signing offers with new customers.

GIANLUCA BERTUZZO: Okay. Thank you.

OPERATOR: The next question is a follow up from Monica Bosio, Intesa Sanpaolo. Please go ahead.

MONICA BOSIO: Yes, sorry, it's me again. Just 2 questions. What is the capacity utilization rate now for your plans? And just a check, as for USA, have you seen any pre-buy effect in the first quarter from your customers? I think no.

DANIELE SCHILLACI: Capacity utilization in Q1 was 88%.
And regarding the US, we haven't seen any pre-buy effect from OEMs.

MONICA BOSIO: Okay, thank you.

DANIELE SCHILLACI: You're welcome.

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

MICHELE BALDELLI: Hi, good afternoon to everybody. Following up with the questions on the coated discs. And can you share with us on the basis of the contract that you are signing, what is the percentage of those that include the sales of the disc, but also of the pad. So, out of 100 signed contacts with coated discs, how many are also including the pads that you sell?

DANIELE SCHILLACI: The vast majority of Greentell sets are sold as a complete set with pads. However, there are instances where we provide only the discs, and the OEM selects the appropriate pads for them

MICHELE BALDELLI: That's helpful. Thank you very much.

DANIELE SCHILLACI: You're welcome.

OPERATOR: Gentlemen, there are no more questions registered at this time. I turn the conference back to the management for any closing remarks. Excuse me, there is one last second question from Martino De Ambroggi, Equita. Please, go ahead.

MARTINO DE AMBROGGI: Yes, thank you. Just a very quick clarification. In the previous call, you commented like-for-like would have been minus 5% in terms of sales. Is it still this the projection for like-for-like? Because if I take your current guidance, flat sales and minus 5% like-for-like, it means Öhlins should generate €180 million, €190 million, which seems to be too high. So, just to understand if you upgraded the like-for-like growth or am I missing something? I don't know.

DANIELE SCHILLACI: We confirm that like-for-like it's -5%.

MARTINO DE AMBROGGI: So, it's Öhlins filling the gap. So, it's €180-190 € million, it's much higher than I initially expected. It was 140-150 million, if I remember correctly.

DANIELE SCHILLACI: Last year it was 140, yes.

MARTINO DE AMBROGGI: Okay. So, it's growing very strongly. And the 21% margin recorded in Q1 probably will remain the same or even improve during the year?

DANIELE SCHILLACI: Our goal is always to improve, and in 2025, we believe that Öhlins can maintain a 21% margin

MARTINO DE AMBROGGI: Thank you. Very last, you're guiding for the depth flat compared to Q1. I understand there are €50 million more of CAPEX compared to what

I expected and what consensus expected. But there are still more than €50 million, in my view, that probably are absorbed by networking capital or is there anything else?

ANDREA PAZZI: Yes, you're correct. We expect some absorption from working capital. On the other hand, we anticipate lower financial costs due to the decrease in interest rates.

MARTINO DE AMBROGGI: Okay. And the absorption of working capital is because of...I don't know, additional inventory for the coated discs startup or because raw materials are not going up. So, there should be a reduction in...

DANIELE SCHILLACI: Martino the absorption of network capital is partially due to the increase in stock linked to the SAP launch in one of our largest factories. Additionally, our growth in the aftermarket sector and in China has impacted payment terms, as they are longer than usual.

OPERATOR: Gentlemen, there are no more questions registered at this time. I turn the conference back to you for any closing remarks.

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

MATTEO TIRABOSCHI: Bye-bye.

DANIELE SCHILLACI: Bye-bye.