LEONI lays good foundation in 2021 for lasting boost to competitiveness

- Leoni makes noticeable gains in sales, free cash flow and EBIT before exceptional items as well as before VALUE 21 costs
- ValuePlus follows successfully concluded VALUE 21 performance and strategy programme
- Leoni is working closely with customers and suppliers to cushion the impact of the partial production stoppages that the war has brought at the Ukrainian plants as well as possible

Nuremberg, 23 March 2022 – Even amid a volatile market environment and with tension in supply chains across the industry, Leoni made significant year-on-year gains in 2021 in terms of sales, EBIT before exceptional items as well as before VALUE 21 costs, and free cash flow – in some cases even outperforming its own guidance. The conclusion of the VALUE 21 performance and strategy programme launched in 2019 also marked the creation of an improved basis for the company's long-term recovery. "We mastered a wild ride, with constantly changing road conditions. But it was worth it: We have good grip again and are stable back on course," CEO Aldo Kamper noted. He also made a statement on the current war in Ukraine.

Sales for the Leoni Group in the 2021 financial year were up by nearly one-quarter, to stand at €5.1 billion (previous year: €4.1 billion). The change was driven on the one hand by a robust recovery of demand in sales markets in the first half of the year, dampened in the second half of the year by shortages and slowdowns in the international automotive industry's supply chains, especially amid the semiconductor crisis. The sales figures also reflected positive effects stemming from the price of copper in the 12-month view. Both divisions contributed to the positive trend in sales: The Wiring Systems Division (WSD) increased its sales by 25 percent, to €3.2 billion (previous year: €2.5 billion), and the Wire & Cable Solutions (WCS) Division saw sales rise by 21 percent, to €1.9 billion (previous year: €1.6 billion).

Group EBIT before exceptional items as well as before VALUE 21 costs came to €172 million (previous year: -€59 million), bolstered by factors including the growth of sales and the positive impact of the VALUE 21 performance and strategy programme. Increased costs associated with the global supply crisis weighed on the positive trend, and in addition to shortages and slowdowns in the supply of input materials, volatility in customer call-offs brought production inefficiencies and added expenses. Even so, the value was significantly above the company's July 2021 guidance ("significant increase from 2020, at least €100 million"). WSD EBIT before exceptional items as well as before VALUE 21 costs stood at €26 million (previous year: -€92 million), while the figure for WCS was €146 million (previous year: €34 million).

Free cash flow improved year on year in 2021 on a Group-wide basis from -€74 million[1] to -€12 million. The most recent guidance, from July 2021, had forecast a "significant deterioration from 2020." The reason for this was the positive earnings development, which allowed the Group to more than compensate for the additional commitment of funds in the working capital.

Solid progress in a challenging environment

"2021 was another challenging year for Leoni, but at the end of the day, a thoroughly satisfactory one – including, and especially, in light of the strong finish of the year and the successful conclusion of the VALUE 21 performance and strategy programme," said Kamper. Through the three-year VALUE 21 programme, Leoni was able to noticeably streamline the structure of the organisation, tighten the portfolio's focus on the wiring systems business through activities such as the October 2021 sale of the industrial business, optimise its financial management, and implement a number of measures standing for annual gross savings potential of over €800 million starting in 2022. Kamper comments: "Through VALUE 21, we stabilised Leoni, enhanced our competitiveness and staked out a clear position going forward." Even when the programme was still in progress, it was instrumental in helping the company to successfully navigate the unusually severe turbulence the markets have faced in the past two years.

And that turbulence is set to continue, Kamper said. “For example, we, like most people around the world, have been horrified and stunned to see how Russia has brought war back to the heart of Europe by attacking Ukraine.” He said that the company’s thoughts were with all of Ukraine’s people, especially the approximately 7,000 employees at Leoni’s two locations in the west of the country. “It is both impressive and moving how our employees are determined not to let the situation get the best of them but stand up for their country and for their way of life. Their safety and their lives are a top priority for us,” Kamper stressed. “Leoni stands with Ukraine.”

Leoni is currently working closely with customers and suppliers to cushion the impact of the partial production stoppages that the war has brought at the Ukrainian plants as well as possible for all concerned. An agile and flexible task force has been set up. The group is working practically around the clock, reanalysing and managing as events unfold on the ground. Thus, production has currently restarted at both plants under the strictest safety regulations and on a limited scale – in line with the declared will of the Ukrainian government, the commitment of customers and, not least, the wishes of the workforce. At the same time, other sites in the global Leoni production network have begun to duplicate Ukrainian production capacity to support the plants in the war zone.

Adjusted guidance for 2022

Due to the war in Ukraine and the related economic impact, Leoni adjusted its guidance for the 2022 financial year on March 14, 2022. Compared to the previous guidance (sales slightly above €5 billion, EBIT before exceptional items[2] in the mid double-digit million digits, and positive free cash flow in the low three-digit million), Leoni now expects lower sales, lower EBIT before exceptional items and lower free cash flow. A reliable quantification of the direct and indirect impact of the war in Ukraine on the 2022 financial year is currently impossible due to high uncertainty, and the forecasting ability is significantly impaired.

The coming year is also still subject to the challenges that were previously known. “We do not expect 2022 to be a less challenging year than 2021,” Kamper noted. Leoni expects continuing market volatility, significantly higher costs of raw materials, energy, and logistics, and increasing personnel costs. “We will continue to work with great determination and rigor to keep Leoni on track for a full recovery, also in the long term.”

To get there, the automotive supplier also plans to benefit from its positive experience with the VALUE 21 performance and strategy programme and further strengthen its own competitiveness in the spirit of that initiative. “We are calling this optimisation process, which will be ongoing from now on, ValuePlus,” Kamper explained. The performance part of VALUE 21 will be adjusted to reflect the new organisational structure and managed via ValuePlus with annual measurement of success as a continuous improvement process. Beyond that, the defined strategic action fields in the new programme cover various aspects from the fields of purchasing and production and the topics of technology development, portfolio optimisation, sustainability, and personnel and organisation.

Starting a new phase on an improved basis

Thanks to the progress achieved in 2021 and the conclusion of VALUE 21 after its three-year run, Leoni is starting this new phase on an improved basis. As one example, the company made substantial advances last year in its strategic focus on the wiring systems business, which is organised in the WSD. Important milestones included the sales of parts of the WCS Division to strategic investors. These included the agreements on the sales of the Industrial Solutions Business Group in October and the Fiber Optics Business Unit in December. In addition, Leoni Kerpen and Leoni Switzerland were sold in the first half of 2021.

Last year also saw the start of production of wiring systems for multiple high-profile projects such as the Mercedes-Benz C-Class. At the same time, the WSD brought in new contracts last year with an expected overall project volume of €3.3 billion (previous year: €1.4 billion). Electric mobility projects accounted for 43 percent of the new volume (previous year: 14 percent).

Leoni's main focus in the R&D segment, reflected in its strategic concentration on the wiring systems business, is on positioning itself as a concept development partner for automotive manufacturers and strengthening the relevant competencies. Activities in 2021 also centred on the topics of electric mobility, new architecture concepts for the vehicles of the future (connected, highly automated to autonomous, electric), and optimising the product portfolio, including aligning it toward future requirements. Leoni's R&D expenses stood at €128 million, about the same level as the year before (previous year: €129 million).

(1) Prior-year figure appropriately adjusted due to reclassification of bank accounts pledged to factoring partners in the amount of €5m

(2) The key figure "EBIT before exceptional items" for fiscal 2022 differs from the key figure "EBIT before exceptional items as well as before VALUE 21 costs" as reported for the preceding years. "EBIT before exceptional items" for fiscal 2022 adjusts earnings before interest and taxes (EBIT) exclusively for non-recurring effects related to refinancing the Group, M&A transactions, restructuring measures as well as special costs in connection with the Ukraine war. The previously applied "EBIT before exceptional items as well as before VALUE 21 costs" additionally comprised adjustments for non-recurring costs related to the Covid-19 pandemic and the VALUE 21 program as well as other exceptional items as impairments and provisions to cover contingent losses (cf. Leoni Annual Report 2020, especially on page 56). The comparably computed figure EBIT before exceptional items for 2021 would have amounted to about €130 million.

Leoni performance overview

	FY 2021	FY 2020	Change
Sales [€ million]	5,119	4,134	+23.8%
EBITDA [€ million]	295	(58)	n/a
EBIT [€ million]	91	(280)	n/a
EBIT before exceptional items[1] as well as before VALUE 21 costs[2] [€ million]	172	(59)	n/a
Consolidated net loss / income [€ million]	(48)	(330)	n/a
Earnings per share [€]	(1.46)	(10.10)	n/a
Free cash flow [€ million]	(12)	(74)[3]	n/a
Capital expenditure [€ million]	231	327	(29.4%)
Equity ratio [%]	6.7	7.6	-0.9 PP
Employees as of December 31 [number]	101,372	101,007	+0.4%

(1) *Exceptional items comprise material impairment of goodwill, intangible assets, property, plant and equipment as well as other assets, significant expenses for contingent losses on customer contracts, costs to prepare for carving out the Wire & Cable Solutions Division (excluding internal costs), refinancing costs (including consultant, bank and lawyers' fees; apart from the costs that are attributed to interest expenses), other non-recurring expenses incurred by strategic decisions as well*

as external additional expenses in connection with the Covid-19 pandemic (for example, additional bus transfers, protective clothing, masks and disinfectants).

(2) *Costs for the VALUE 21 program comprise all the related restructuring and severance costs as well as third-party consultant fees.*

(3) *Prior-year figure appropriately adjusted due to reclassification of bank accounts pledged to factoring partners in the amount of €5m*

☞ *Related illustration material can be downloaded next to this release at* https://www.leoni.com/en/press/releases/details/year-2021/

About the Leoni Group

Leoni is a global provider of products, solutions and services for energy and data management in the automotive industry. The value chain ranges from standardized cables and special cables to highly complex wiring systems and related components. Leoni supports its customers as an innovation partner and solution provider with distinctive development and system expertise on the way to increasingly sustainable and connected mobility concepts by developing the next generation of wiring systems. The market-listed group of companies employs about 100,000 people in 28 countries and generated consolidated sales of EUR 5.1 billion in 2021.

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