

hGears AG Group continues its highly profitable growth path and reaffirms guidance

NINE MONTH 2021 HIGHLIGHTS

- Group revenues at EUR 102.3 million, up 14.1% y-o-y
- Gross margin up 240-bps to 58.1%, gross profit increased by 19.1% y-o-y to EUR 59.4 million
- Adjusted EBITDA up 34.3% y-o-y to EUR 18.4 million, with adjusted EBITDA margin up 270-bps to 18.0%
- Five new e-Mobility customers in 2021
- Post IPO refinancing expected to complete in Q4 2021 and yield attractive terms
- Reconfirming mid term guidance and high single digit revenue growth for FY 2021

Schramberg, 11 November 2021. hGears AG ("hGears" or "Company"), a global manufacturer of high-precision gears and components with a focus on products for e-mobility applications, continued on its successful path in the first nine months of 2021. Revenues increased 14.1% y-o-y, mainly due to the sustained contribution from e-Mobility and continued outperformance in e-Tools.

Since January 2021, the Company has increased sales and advanced engineering headcount by 50% and is pleased to announce five new customers in the e-Mobility sector.

Pierluca Sartorello, CEO of hGears, comments: "The first nine months of 2021 marked a strong performance for hGears, with double-digit growth in revenues and solid business performance across the Group. In the third quarter, the Company continued to work on several leads and develop new projects associated with e-mobility drive systems. Moreover, we remain confident in our mid-term ambitions, as evidenced in the third quarter with the acquisition of new e-mobility customers with expected serial production during 2022, further demonstrating our business development efforts and positioning in a market with long-term, untapped potential.

Amidst the supply chain pressures impacting many others, hGears has remained well-insulated with minimal impact in the first nine months of the year due to our diversified business mix and positioning in the premium and high category vehicles segment. Whilst the third quarter saw a notable shift in volatility elsewhere related to these supply chain issues, our supply chain and production capabilities remain unaffected. As the supply chain disruptions persisted, the impact of this became more widespread towards the quarter end, and we do not discount the possibility of some impact for premium OEMs.

The Company continues to monitor the market situation actively and remains on track with its project pipeline. With high-quality products and a strong market position, the Company confirms its ability to further expand its customer base and leading market share in this high growth market segment, in line with its mid-term outlook. Moreover, demand for e-tools continues to remain robust, as we continuously gain new projects, whilst the Conventional business area remains stable."

OVERVIEW 9M 2021 FIGURES

Group figures (in € million)	9M 2021	9M 2020	Δ
Revenues	102.3	89.6	+ 14.1%
Gross profit	59.4	49.8	+19.1%
Gross profit margin	58.1%	55.6%	+2.4 pp
Adj. EBITDA	18.4	13.7	+34.3%
Adj. EBITDA margin	18.0 %	15.3 %	+2.7 pp

Revenues by segment (in € million)	9M 2021	9M 2020	
e-Mobility	36.9	30.8	+19.6%
e-Tools	32.5	28.7	+13.1%
Conventional	31.8	29.5	+7.8%

FINANCIAL REVIEW

hGears achieved positive business development in the first nine months of 2021, with Group revenues increasing 14.1% year-on-year to EUR 102.3 million (previous year: EUR 89.6 million).

In the e-Mobility business area, which accounted for 36.0% of total revenue (previous year: 34.0%), revenues grew 19.6% to EUR 36.9 million (previous year: EUR 30.8 million). E-Tools continued to outperform, increasing 13.1% to EUR 32.5 million (previous year: EUR 28.7 million), while Conventional rose to EUR 31.8 million (previous year: EUR 29.5 million), stabilising to more normal levels, as expected.

The adjusted EBITDA increased notably to EUR 18.4 million, up 34.3% versus EUR 13.7 million in the prior-year period due to the increased share of e-Mobility sales, increased efficiency and operational leverage. The adjusted EBITDA margin in the first nine months of 2021 increased accordingly from 15.3% to 18.0%, equating to a 270-bps margin growth year-on-year.

hGears is in the process of completing a post IPO debt refinancing and given the term sheets received to date expects to reduce debt costs by 250bps, including securing a favourable Government-approved ESG loan. This refinancing is expected to complete in Q4 2021.

OUTLOOK:

Based on these figures, the existing order book, the new e-Mobility customer wins and the current operating environment, hGears reaffirms its mid-term outlook:

- Double group revenue to EUR 250 million
- Triple e-Mobility revenue to at least EUR 150 million

hGears is monitoring the tough market situation carefully, but despite the backdrop remains confident of delivering high single digit Group revenue growth for FY 2021.

The longer-term mega trends driving the business remain solid and regulations on electrification of vehicles continue to accelerate. As a leading global manufacturer of mission-critical, high-precision gears and components for e-drive applications, hGears remains ideally positioned to continue to benefit from the requirements of

OEMs and other suppliers to accelerate the transition of their product portfolio for e-mobility readiness.

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About hGears

hGears is a global manufacturer of mission-critical high-precision gears and components with a focus on products for e-mobility applications. The Company's strategic focus is on the e-Mobility business area where products include gears, shafts, and other mission-critical components to be used in combustion-free electrical drive applications for e-bikes and electric and hybrid vehicles. In the e-bikes segment, hGears is the European market leader in the supply of high-precision gears and components and its parts are contained in approximately two million of the total 4.6 million e-bikes sold in Europe in 2020. This puts the company in a good position to capitalize on the dynamically growing end-markets for e-bikes and electric and hybrid vehicles. hGears has three distinct business areas for which it develops and manufactures high-precision components: e-Mobility, e-tools, and Conventional (i.e. premium and luxury cars, motorcycles and industrial applications).

hGears combines over 60 years of experience in advanced machined steel metal processing and state-of-the-art powder metal production. It is one of the few companies offering customers both processes worldwide. hGears works together with its customers in a "co-development" role to design components and find technologically optimal solutions to meet its customers' specifications. hGears' blue chip customer base includes a number of major suppliers as well as original equipment manufacturers. The Company benefits from long, stable and sustainable relationships with its partners and has worked with many key customers for over 15 years.

hGears is headquartered in Schramberg, Germany, and operates globally with production facilities in Schramberg, Germany, Padua, Italy, and Suzhou, China. Visit hGears on the Internet at www.hgears.com