

hGears AG Group: First-quarter 2022 performance in line with expectations; New e-Mobility customer win in April; Full-year outlook and medium-term targets confirmed

FIRST-QUARTER 2022 HIGHLIGHTS

- Group revenues for Q1 2022 of EUR 34.0 million
- Gross profit reached EUR 18.8 million, reflecting a gross profit margin of 55.3% (58.3% on a like-for-like¹ basis)
- Q1 2022 adjusted EBITDA of EUR 4.1 million, 12.2% adjusted EBITDA margin (17.5% on a like-for-like¹ basis)
- New e-bike customer win for the manufacture of innovative e-drive transmissions
- Multi-year contract extension with an existing major e-Mobility customer to provide next generation of gear components
- Pick up in March revenues and current order book visibility gives confidence in reconfirming full-year 2022 guidance

Schramberg, 10 May 2022 – hGears AG posted group revenues of EUR 34.0 million and an adjusted EBITDA of EUR 4.1 million in the first quarter of 2022 despite the challenging business environment. Performance for the quarter was in line with Management's expectations, and the Company remains on track to achieve its full-year 2022 and medium-term targets.

Operations across a portion of the Group's customer base continued to experience disruptions from COVID-19-related shutdowns and persisting constraints in global supply chains in the first quarter of 2022. This resulted in delayed deliveries across all business areas, above all in e-Mobility. As a supplier of mission-critical components, hGears has been able to mitigate the inflationary pressures and protect the Company's profitability in absolute terms by executing the pass-through clauses for raw materials and energy costs.

Despite this background, hGears is pleased to announce the addition of a renowned e-bike customer to whom it will be the sole supplier for an entire transmission system. The deal provides further evidence of the Company's market-leading position. The innovative transmission will create a new breed of e-bikes and has the potential to revolutionize e-bike construction and become a transmission system for other micromobility solutions in the future.

Furthermore, hGears successfully secured a multi-year contract extension with a major e-Mobility customer beyond 2024 to produce the next generation of mission-critical gear components. This contract renewal reflects success regarding the Company's strategic focus on the production of high-precision parts at scale and secures long-term stable and efficient use of its capacities.

Alongside these new contract wins and despite the tough business environment, March 2022 showed clear signs of improvement, with revenues for the month at strong levels. This anticipated business acceleration brings operational leverage, which is additionally expected to have an increasingly positive effect on margins in the second half of the year.

¹ For illustrative purposes: Adjusted for inflation and volume/mix impact

The Company's current order book continues to provide confidence and the visibility to reconfirm the Group's guidance for the full year 2022 today.

Pierluca Sartorello, CEO of hGears, comments: *"Whilst the business environment remains challenging, the order backlog for e-bikes in the consumer market remains sizeable. This is evident in our ongoing customer wins and recent contract extension with a significant e-Mobility customer. We believe that we are navigating these unprecedented challenges very well, and we remain confident in our ability to advance our portfolio, ramp up our new projects and reap the benefits from operating leverage as the year progresses."*

OVERVIEW OF Q1 2022 FIGURES

Group figures (EUR million)	2022	2021	Δ
Revenues	34.0	36.6	-7.1%
Gross Profit	18.8	21.6	-12.9%
Gross Profit margin	55.3%	59.0%	-370 bps
Adj. EBITDA	4.1	7.3	-42.8%
Adj. EBITDA margin	12.2%	19.8%	-760 bps

Revenues by Business Areas (EUR million)	2022	2021	Δ
e-Mobility	10.6	12.6	-15.4%
e-Tools	11.7	11.6	+0.7%
Conventional	11.3	12.0	-6.1%

OUTLOOK

In 2022, hGears will continue to focus on expanding its order volume with newly won and existing customers. Moreover, the Group will continue to drive operational excellence at its plants and operations to achieve additional efficiency gains and to optimize the Group's cost structures further. Following challenging market conditions in 2021, the macroeconomic environment is expected to remain volatile in 2022, with increasing inflationary pressures from the war in Ukraine, uncertainty related to the COVID-19 pandemic and ongoing bottlenecks in global supply chains. However, the Group's positioning as a supplier of mission-critical components allows hGears to largely compensate for this by implementing pass-through clauses in many of its customer contracts. While this will largely protect earnings in absolute terms, the Group cannot rule out a negative impact on adjusted EBITDA margin in the short term. As a result, adjusted EBITDA in full-year 2022 is expected to be on a par with the prior year. The positive impact of the operating leverage is expected to be realized in the second half of 2022 and in 2023.

For the full year 2022, the Group targets:

- High single-digit growth in Group revenues
- Increase in share of revenues of the e-Mobility and e-Tools business area
- Revenue in Conventional business area at the previous year's level

The Group's mid-term targets versus full-year 2020 remain:

- Double Group revenue to EUR 250 million
- Triple e-Mobility revenue to EUR 150 million

The Company's outlook assumes no renewed tightening of measures to contain the COVID-19 pandemic or material effects from the war in Ukraine that may affect hGears, its customers or its suppliers.

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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 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 and a half million of the total five million e-bikes sold in Europe in 2021. 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 satisfy the customer's 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 customers 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. Find us on the web: www.hgears.com