

## Press release

Nanterre (France), August 14, 2021

### **COMBINING FAURECIA AND HELLA TO CREATE A GLOBAL LEADER IN FAST-GROWING AUTOMOTIVE TECHNOLOGIES, FULLY ALIGNED WITH INDUSTRY MEGATRENDS**

#### **FAURECIA TO LAUNCH A PUBLIC TENDER CASH OFFER ON HELLA AND ACQUIRE ITS 60% STAKE FROM THE FAMILY POOL**

- ✓ **Creation of the #7 global automotive supplier, with a highly advanced technology portfolio addressing all industry megatrends**
- ✓ **Combination of two highly complementary companies, sharing the same focus on innovation, operational excellence, customer satisfaction and ESG**
- ✓ **Hella's identity, businesses and employees will play a major role within the combined Group, Lippstadt will be global headquarter for three out of six Business Groups**
- ✓ **A major player in Electronics and Software with combined sales of €3.7bn and critical size for all four other OEM activities with sales > €3bn each**
- ✓ **A unique zero-emission offer combining Faurecia's hydrogen leading technologies with Hella's electrification solutions**
- ✓ **Strong accretion (earnings and cash-flow) and value creation for shareholders**

Faurecia, one of the world's leading automotive technology companies, announced today that it has reached an agreement with the Family pool and with Hella to:

- Launch a public tender cash offer for all Hella shares at a price of €60 per share; total consideration of €60.96 (incl. the dividend of €0.96 expected to be resolved by the Hella annual general meeting on September 30, 2021 and to be paid by Hella to all its shareholders pre-closing) corresponds to a premium of 33% vs. the latest unaffected<sup>1</sup> share price of €45.8 and of 24% vs. the unaffected 3-month VWAP (volume weighted average price) of €49.1,
- Acquire from the Family pool its 60% stake at a price of €60 per share, paid through a mix of €3.4bn of cash and up to 13,571,428 newly issued Faurecia shares<sup>2</sup> (based on a reference price of €42.06<sup>3</sup> for one Faurecia share).

As a result, the Family pool will join Faurecia's shareholders with up to 9% share of capital, subject to an 18-month lock-up. A Family representative will join Faurecia's Board of Directors, underlining the Family's strong commitment to the combined company.

This combination marks an unprecedented step in Faurecia's ambition to accelerate its strategic transformation, investing in fast-growing segments with leading positions.

The transaction represents an estimated total enterprise value of €6.7bn for 100% of Hella. It has been unanimously approved by Faurecia's Board of Directors and received the support of Hella's management.

<sup>1</sup> Unaffected share price is Hella's share price as of April 26, 2021

<sup>2</sup> To be issued in accordance with existing capital increase authorizations granted by Faurecia shareholders' meeting on May 31, 2021

<sup>3</sup> The final exchange ratio will be determined on the basis of the trading price of the Faurecia share immediately before the closing of the transaction (with a floor of €37.85 per Faurecia share)

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The combined Group will focus on four growth areas, fully aligned with automotive megatrends:

- **Electric Mobility** (incl. hydrogen solutions),
- **ADAS & Autonomous Driving,**
- **Cockpit of the Future,**
- **Lifecycle Value Management.**

It will become a major player in the Electronics and Software fields with sales of €3.7bn and c. 3,000 software engineers. It will reach critical mass and hold leading positions in all its activities. It will be the 7<sup>th</sup> largest global automotive supplier (in the top-5 in Europe and in the top-10 in Americas and Asia), with a significantly enhanced profile in terms of businesses and customer reach.

**Patrick Koller, CEO of Faurecia, declared:** *"This combination is a unique opportunity to create a global leader in automotive technologies. I am convinced that Faurecia and Hella have an outstanding fit as we share common vision, values and culture. Our two talented teams have been cooperating very efficiently since end 2018, they have demonstrated their combined capabilities.*

*Together, we will have the critical edge to benefit from the strategic drivers that are transforming the automotive industry. By combining our product portfolios and market reach, we will accelerate profitable growth, through innovation, with more electronic and software content and enhanced execution quality. Our financial profile will remain solid, with strong attention paid to sustained cash generation and deleveraging the company. I am confident that this combination will create sustainable value for Faurecia's and Hella's customers, employees and shareholders."*

**Dr. Jürgen Behrend, Chairman of the Family pool, declared:** *"As family shareholders, we are fulfilling our corporate and entrepreneurial responsibility for Hella by turning the company Hella over to new owners early on, before our family pool agreement expires. This move will further improve the strategic positioning of the company – for the benefit of Hella and its 36,000 employees. At the same time, the family will continue to accompany the development of this leading European company as a shareholder in Faurecia. With Faurecia as the new majority shareholder, Hella will be able to play to its strengths even more effectively. The competences of both companies complement each other perfectly. We have secured long-term commitments for Hella's locations and its investments in future business areas. Hella, thus, has the ideal prerequisites to continue to be successful in the long term."*

**Dr. Rolf Breidenbach, CEO of Hella, declared:** *"Faurecia and Hella are a very good fit. This especially applies to product range and market coverage. In addition, both partners place a high value on consequent customer orientation, operative excellence and technology leadership. Therefore, it is only logical that we join forces to drive the future of mobility together. With Faurecia at our side, we will have even more opportunities to do so than before."*

The debt financing of the transaction is fully secured through a bridge facility with tier-one banks. Faurecia's current credit ratings are expected to be confirmed by all three agencies shortly.

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The structure of the transaction<sup>4</sup> will allow Faurecia to launch from day 1 the execution of a significant cost synergies and optimization plan to generate > €200m EBITDA run-rate, with an 80% P&L impact to be achieved in 2024.

Revenue synergies are expected between €300m and €400m of sales by 2025, and cash-flow optimizations are expected around €200m per year on average from 2022 to 2025.

### Strategic rationale

#### **1/ Combining Faurecia with Hella's strong identity, businesses and employees**

Faurecia values the high technology content of Hella activities and intends to further enhance and globalize them. Faurecia will accelerate the multi-pillar business strategy of Hella with a focus not only on automotive original equipment (Lighting and Electronics), but also on additional market segments (Aftermarket, Services and Special Applications).

Lippstadt will continue to play a major role and will be the Headquarter of three Business Groups of the combined Group: Electronics, Lighting and Lifecycle Value Management. The management and business CEOs of these three BGs will be based in Lippstadt.

Faurecia's objective is to leverage Hella's talents that are essential to achieve the combined profitable growth ambition. A key success factor of the combined Group docking and integration is Hella's management stability and involvement. Senior management roles will be dedicated to Hella executives. An integration committee equally composed by members of the management of both companies will be created to supervise the integration project. Positions will be staffed according to best of class principle.

Faurecia is willing to continue the constructive dialogue with all of Hella's workforce constituencies and to stand by its current works council and collective bargaining agreements.

#### **2/ Creating the 7<sup>th</sup> largest global automotive technology supplier focused on fast-growing automotive technologies, with leading positions and with a significantly increased 'powertrain-agnostic' share of revenues**

- **Developing a strong and focused offer for Electric Mobility (BEV + FCEV)**

The combined Group will develop a comprehensive offer for electric vehicles (HEVs, PHEVs, BEVs and FCEVs), building on Hella's energy management portfolio, sensors and actuators related to BEVs, as well as Faurecia's hydrogen system solutions(FCEV) and hybrid systems. Battery management systems, DCDC converters, onboard charging systems brought by Hella as well as battery pack systems, hydrogen storage systems and stack systems brought by Faurecia are examples of the combined product offer.

With its portfolio of solutions, the Group will be uniquely positioned to benefit from the zero emissions mobility market transition.

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<sup>4</sup> Thanks to the legal form of Hella as GmbH & Co. KGaA and to the acquisition of the 60% from the Family pool

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- **ICE sales exposure will decrease from 25% in 2020 to less than 20% at closing and down to c. 10% in 2025**
- **Becoming a major player in Electronics and Software solutions to accelerate in ADAS & Autonomous Driving**

In ADAS & Autonomous Driving, the combination of Faurecia Clarion Electronics with Hella Electronics and Software will create a strong global player supporting the next high-speed and low-speed ADAS convergence.

Radars, Electric Power Steering (including fail operational), e-mirrors, 360° views & automated parking solutions are a few examples of the combined product and system offer.

With combined sales of €3.7bn in Electronics and Software, the new Group will operate 24 production sites and 21 R&D centers. Our ambition, with orders already significantly booked, is to grow sales to c. €7bn in 2025.

- **Boosting Faurecia's Cockpit of the Future strategy thanks to complementary portfolios**

Faurecia's leading positions in Seating and Interiors (including SAS) combined with Hella's leading position in Interior Lighting and both companies' Electronics will significantly strengthen our Cockpit of the Future strategy.

Hella's HMI Interior solution capabilities, its portfolio of body electronics (access, comfort, seat), sensors and actuators will support value creation through new customer experiences.

- **Creating a Lifecycle Value Management activity, in line with environmental concerns and industry evolutions**

The combination will bring opportunities to build a real lifecycle value offer, including Aftermarket, Services & Repairs and Special Applications. Faurecia will be able to enhance the very well established Hella brands. It will allow to leverage potential business in eco-design products, sustainable materials and circular economy.

### **3/ Accelerating innovation with strong R&D capabilities**

With 18,500 highly talented and motivated engineers and specialists, including 3,000 software engineers, the new Group will boost the development of advanced innovation projects with high technology content, short time-to-market and sustained profitability.

### **4/ Capitalizing on complementary customer portfolios across all geographies and leveraging Faurecia's strong position in Asia, particularly in China**

The combination will bring together two companies with established and complementary positions. It will open new sales opportunities for Hella by leveraging Faurecia's privileged access to key Chinese and Japanese OEMs. It will increase Faurecia's intimacy with German

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Premium OEMs, thanks to Hella's strong position. Both will benefit from complementary intimacies with US based OEMs.

Five of the six Business Groups – Electronics, Lighting, Seating, Interiors, Clean Mobility – will each exceed €3bn of sales. The newly created Business Group Lifecycle Value Management will contribute to grow this segment with a leading position.

### 5/ Generating significant synergies to drive profitability and cash generation improvement

Cost synergies and optimization, including procurement, SG&A and other operating expenses, should generate > €200m EBITDA run-rate. The P&L impact should gradually ramp up from 40% in 2023 to 80% in 2024, to reach 100% in 2025. Sales synergies should generate between €300m and €400m of sales by 2025, capitalizing on Faurecia's strong footprint in China, Japan and the Americas to sell Hella brand and on Hella's Electronic position with German OEMs to enhance Faurecia's market share. In addition to these synergies, cash flow optimization by c. €200m per year on average from 2022 to 2025 will be generated mainly through working capital and capex.

### 6/ Leveraging common ESG commitments and priorities

Both companies share strong values, including an industry-leading ESG approach with an ambitious CO<sub>2</sub> neutrality roadmap.

The combined Group will be a driving force in the decarbonation and sustainability of mobility.

### 2022 - 2025 ambition for the combined Group: strong sales outperformance, best-in-class profitability and €5.5bn net cash flow generated

Projected key financial metrics for the combined Group, including the above mentioned synergies, demonstrate:

- ✓ Strong sales growth to reach above €33bn in 2025, broadly doubling the market's average growth,
- ✓ Best-in class profitability with an EBITDA margin above 15.5% and an operating margin above 8.5% in 2025, exceeding previous companies' individual targets,
- ✓ Solid cash generation, with net cash flow reaching c. €1bn in 2022 and representing above 5% of sales in 2025.

	2021 pro forma*	2022 ambition	2023 ambition	2025 ambition
<b>Sales</b>	c. €23bn	c. €26.5bn	c. €28.5bn	> €33bn
<b>EBITDA</b>	c. €3.2bn	c. €4bn	c. €4.4bn	c. €5bn
<b>% of sales</b>	c. 14%	c. 15%	> 15%	> 15.5%
<b>EBIT margin**</b>	≥ 7%	c. 8%	c. 8.5%	> 8.5%
<b>Net Cash Flow</b>	> €750m	c. €1bn	c. €1.25bn	c. €1.75bn
<b>% of sales</b>	> 3%	> 3.5%	> 4%	> 5%

Note: Ambition is based on public targets communicated by both companies at their respective recent Capital Markets Day, and includes cost synergies and optimization

\* Non-calendarized. Projections for sales, EBITDA and EBIT calculated as Faurecia FY2021 guidance + Hella Preliminary Results for FY2020/2021 (ending May 2021)

\*\* At Faurecia's definition, i.e. before amortization of intangible assets, restructuring costs, other non-recurring operating income & expense and earnings from investment accounted for using the equity method

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### Quick deleveraging post-acquisition

Strong cash generation, supported by continuous capex and WCR optimization, will allow quick deleveraging with:

- ✓ **Net-debt-to-EBITDA ratio back to 1.5x at the end of 2023**, equivalent to Faurecia's ratio as of June 30, 2021, before the acquisition
- ✓ **Net-debt-to-EBITDA ratio at 1x at the end of 2025**

	<b>2022 ambition</b>	<b>2023 ambition</b>	<b>2025 ambition</b>
<b>Net debt-to-EBITDA ratio</b>	≤ 2x	1.5x	1x

### Fully secured debt financing

#### Credit ratings expected to be confirmed

Faurecia has fully secured the financing of the acquisition of Hella through a committed bridge facility of €5.5bn. Except for the bridge to equity component of €800m, such facility will be mostly refinanced through bond issuance and bank loans.

The bridge to equity of €800m will be refinanced through a rights issue with maintenance of the preferential right of subscription of the shareholders. The Family pool undertakes to participate in such rights issue in proportion to its then prevailing shareholding in Faurecia.

Peugeot 1810 and Bpifrance, currently and respectively owning 3.1% and 2.4% of Faurecia's share capital, have already expressed their intention to participate in the rights issue, with maintenance of the preferential right of subscription, in the amount of their prevailing shareholding in Faurecia, subject to the final terms of this rights issue.

As of June 30, 2021, Faurecia had strong liquidity of €4.5bn, including €3.0bn of available cash and €1.5bn from fully undrawn Secured Credit Facilities.

Faurecia's credit ratings are expected to be confirmed by all three agencies shortly.

### An accretive deal generating strong value for all shareholders

The combination of Faurecia and Hella will deliver significant value creation for its shareholders. The combined Group will enjoy a double-digit EPS accretion (including goodwill amortization & synergies implementation costs) of c. 14% in 2023 and >20% in 2024, and a double-digit net cash flow per share accretion of ≥10% in 2022 and 2023 and ≥20% in 2024.

It will also create value as measured by ROCE (Return on Capital Employed, including synergies) exceeding WACC (Weighted Average Cost of Capital, estimated at 7.5%) as from 2023 and >10% as from 2024.

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## Public Tender Cash Offer

A dedicated Faurecia subsidiary (to be named in the future Faurecia Participations GmbH) will launch a voluntary public tender offer in cash for all Hella shares.

The public tender offer price will be €60 per share. Shareholders will benefit, in addition, from the pre-closing paid dividend.

The definite terms and conditions of the tender offer, as well as further provisions concerning this offer, will be included in the offer document, which is to be approved by BaFin. Following approval by BaFin, the offer document will be published, and the initial acceptance period will commence. The offer document and all other information about the tender offer will be published on the following website: **[www.faurecia-offer.com](http://www.faurecia-offer.com)**

## Timing and approvals

The completion of the transaction (including the settlement of the public tender offer) and its calendar remain subject to approvals by the relevant regulatory authorities. Faurecia will launch information procedure with European Company Committee and other employee representative bodies.

The completion of the transaction does not require any approval by the shareholders of Faurecia; the issuance of new Faurecia shares for the exchange against Hella shares or as part of the rights issue being in the range of the authorizations granted by the Faurecia shareholders meeting on May 31, 2021.

The transaction is expected to close early 2022.

Faurecia is assisted by Lazard as financial adviser, Société Générale as rating and financing adviser, Natixis as financing co-adviser and White & Case as legal adviser.

Bank of America provided a fairness opinion to the Board of Directors of Faurecia.

## Webcast Audio / Video

A webcast will be held on Monday, 16<sup>th</sup> of August 2021 at 10am CET, hosted by Patrick Koller and Michel Favre, respectively CEO and CFO of Faurecia.

If you wish to follow the presentation using the webcast, please access the following link: <https://sideup.fr/webcast-faurecia-pressconference-16082021>

The presentation will be available at 9:30am CET on **[www.faurecia-offer.com](http://www.faurecia-offer.com)**



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### About Faurecia

Founded in 1997, Faurecia has grown to become a major player in the global automotive industry. With 266 industrial sites, 39 R&D centres and 114,000 employees in 35 countries, Faurecia is a global leader in its four areas of business: seating, interiors, Clarion Electronics and clean mobility. The Group's strong technological offering provides carmakers with solutions for the cockpit of the future and sustainable mobility. In 2020, the Group reported total turnover of €14.7 billion. Faurecia is listed on the Euronext Paris market and is a component of the CAC Next 20 index. Find out more at: [www.faurecia.com](http://www.faurecia.com)

### Disclaimer

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This press release contains forward-looking statements with respect to Faurecia's financial condition (including after taking into account the combination with Hella), results of operations, business, strategy and plans. They may prove to be inaccurate in the future and are subject to a number of risk factors. Faurecia as well as any of its affiliates expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. Faurecia will not accept any responsibility for any financial information contained in this press release relating to the business or operations or results or financial condition of Hella and its Group.