Driven by performance

Long Version

MAHLE substantially strengthens its position in the automotive industry

- 2015 sales up to EUR 11.5 billion
- EUR 12 billion mark to be reached in 2016
- Acquisitions take group to a new dimension
- Increased investment in installations as well as R&D

Stuttgart, April 22, 2016 – The MAHLE Group increased its sales to around EUR 11.5 billion in the 2015 business year, which corresponds to a plus of roughly 16 percent. “MAHLE has thus entered a new dimension. In terms of variety and depth of range, our company is now more than ever one of the influential suppliers in the automotive industry,” explained Wolf-Henning Scheider, Chairman of the MAHLE Management Board and CEO, during the press conference on the Financial Statements in Stuttgart.

This strong growth in 2015 is mainly attributable to the first consolidation of the Delphi Thermal and Kokusan Denki acquisitions. “In addition to the changed consolidation group, which represents an increase in sales of EUR 720 million, currency exchange rate effects resulting from the weakness of the euro need to be taken into account when assessing the 2015 figures. They had a positive impact of EUR 625 million,” explained Michael Frick, MAHLE’s CFO.

Excluding special effects, the group grew by 2 percent, thus overtaking global vehicle production, which grew by 1.4 percent. Owing to special effects, the EBIT ratio fell slightly from 5.2 percent in the previous year to 4.5 percent. Adjusted for effects from amortization of goodwill arising from the acquisitions, the EBIT margin amounted to 5.8 percent. “The acquisitions are of considerable strategic importance to us,” commented Scheider on the growth in earnings and added: “We have clearly expanded our competences in several product fields, thereby strengthening our position as an automotive systems provider.” Last year, MAHLE formally established itself among the 20 largest automotive suppliers worldwide. In Germany, the group now ranks fourth.

2016 business year gets off to a good start

The MAHLE Group got off to a good start in the 2016 business year and will once again grow more rapidly than global vehicle production. “We are performing in line with our expectations and are striving for total sales above EUR 12 billion in 2016,” said Scheider. This corresponds to a year-on-year growth of more than 4 percent, whereas the global production of passenger cars and light commercial vehicles will increase by around 2 percent to roughly 90 million units. The greatest momentum continues to be observed in Asia and North America. The MAHLE Group expects the production of light vehicles in India to grow by a good 7 percent, which will exceed China for the first time. “Asia, and China in particular, continues to remain the most important growth market in the world for our company,” stressed Frick.

Satisfactory development is also expected for Europe—the largest market for the Stuttgart-based manufacturer of drive components and thermal management solutions. The production of medium- and heavy-duty commercial vehicles, however, is anticipated to remain at the previous year’s level of around 3 million vehicles.

Employment in Germany secured until 2019

At the turn of the year, MAHLE employed worldwide about 76,000 people at over 170 locations. This represents an increase of 14.2 percent in comparison with 2014. The MAHLE Group is meanwhile represented in 34 countries with 173 fully consolidated subsidiaries and regional companies. A few weeks ago, the Management Board and Works Council concluded an agreement to safeguard jobs until 2019 at all 30 German locations comprising a total of approximately 14,000 employees. The agreed upon provisions will enable the company to respond more flexibly to fluctuations in demand. “We have thereby improved our competitiveness,” explained Scheider. Over the coming years, MAHLE will invest hundreds of millions of euros in Germany alone. In the past year, the group invested a total of EUR 564 million on property, plant, and equipment, which represents a year-on-year growth of EUR 76 million. The investment ratio in relation to sales remained constant compared with the previous year at 4.9 percent. Investment activities were primarily focused on eastern Europe and North America.

Bolstered innovative strength

The MAHLE Group considerably bolstered its innovative strength in 2015. The number of development engineers and technicians working at 15 development locations worldwide rose by 20 percent to about 6,000. Overall, the company invested EUR 657 million in research and development—an increase of EUR 100 million compared with the previous year. “Our research and development ratio lies at 5.7 percent; we plan to further increase our development activities in 2016 too,” said Scheider. MAHLE underlined its commitment to be the leading supplier along the entire powertrain with a series of innovations last year. For example, we developed a thermoelectric heat pump that can maintain the temperature of high-performance batteries within the optimum range at all times. This solution operates independently of the air conditioning circuit and its design is considerably simpler and requires less space. In comparison with the classic battery temperature control using air, refrigerant, and coolant, it offers significant advantages for mild hybrids and electric vehicles. The major advances in battery temperature control and the large number of orders for electric vehicle components over the past year demonstrate the leading role MAHLE plays in the development of electric mobility.

Developing new technologies with a spirit of entrepreneurship

MAHLE is consistently building on internal and external networks in order to promote and tap into new trends and developments as quickly as possible. For example, the group plays a leading role in the “Holistic thermal management in the e-vehicle (GaTe)” joint project. Additional companies from the automotive industry as well as the Research Institute of Automotive Engineering and Vehicle Engines Stuttgart (FKFS) are also involved in the project, which is funded by the German Federal Ministry of Education and Research. The group is working together with the Massachusetts Institute of Technology (MIT) in Boston and several vehicle manufacturers on optimizing oil transport within the engine thereby reducing frictional resistance. All these initiatives have given MAHLE a significant edge over the competition, especially in simulation.

At the same time, the MAHLE corporate venture capital unit is accompanying the development of young companies. The best example is the acquisition of Berlin-based Amovis GmbH. The start-up has developed an intelligent solution to convert

waste heat from the exhaust gas system into mechanical energy and thereby save up to 3.5 percent of fuel. The system will now be developed for series production together with several MAHLE business units.

For several years now, MAHLE has been participating in venture capital funds that address issues such as networked mobility, energy efficiency, and new materials. In addition to actively scouting the European venture scene, MAHLE has strengthened its presence in the USA through its participation in an automotive fund. “We are thus opening up early access to new technologies and trends,” Scheider points out.

MAHLE also promotes entrepreneurial spirit in its own ranks, however, and has acquired an interest in a start-up platform. Here, interdisciplinary teams are working together with talented people from the start-up scene, and the group in a start-up atmosphere. The MAHLE employees bring their expertise and contacts within the company. The external parties have experience in founding a company and enrich the team with their external perspective and innovative contributions. “At the end of the 8-month program, we then decide whether new activities can emerge from the developed ideas, which will then operate independently on the market,” explained Scheider.

New Mechatronics division launched in 2016

The group is also active in the field of mechatronics for the powertrain. MAHLE electric motors are already powering thousands of scooters, which are experiencing growing popularity in southern Europe in particular. Furthermore, the company won its first contract for passenger car traction motors in 2015. Thus for the first time, MAHLE is now also covering the spectrum of two-wheeler applications and small vehicles through to passenger cars with traction motors. At the beginning of this year, we launched the Mechatronics division, which combines the Actuators as well as Electric Drives and Applications business segments. It has 11 production locations, 2 development locations, and a total of over 3,000 employees. For the current business year, the newly formed division is targeting sales of EUR 300 to 400 million. Mechatronics is an important example of how MAHLE wants to tap new emerging markets in future and play a leading role in these.

“We are convinced that there will be several drive concepts in future, some of which can even be combined. That’s why we are widely broadening of our expertise,” Scheider emphasized. “We are also intensively engaged in fuel cell technology. Such technologies require thermal management measures that far exceed the requirements of combustion engines,” Scheider added. They include charge air coolers and hydrogen coolers, for example. MAHLE is currently working with a customer on the development of new fuel cell systems.

MAHLE innovations are shaping the automotive industry

The new integrated charge air subcooling (iCAS), which made its world debut at the IAA 2015, has attracted a great deal of interest. This solution combines engine cooling and interior air conditioning for the first time. In the process, we succeeded in cooling charge air below ambient temperature. This means that the engine response is considerably more dynamic—a crucial aspect especially with downsized engines.

An exciting innovation is currently undergoing its endurance test on the Formula 1 race track. “With MAHLE Jet Ignition, we have developed a solution for Scuderia Ferrari, which uses fuel considerably more efficiently,” Scheider emphasized. Just a few weeks ago, MAHLE once again deepened the technical cooperation of already more than 25 years.

Ambitious emissions targets only possible with diesel

The steel pistons for diesel engines have already navigated the path from race track to series production application. Production started at the Rottweil plant in November 2014. By October 2015, the one million mark had already been surpassed. Since then, another plant in Izmir/Turkey has also gone into production and a further will follow in Poland during the second half of the year. The efficiency of the diesel engine will be increased even further with the steel piston. “From today’s perspective, the diesel is still one of the key technologies when it comes to meeting the ambitious CO_2 targets after 2020,” said Scheider and added: “We at MAHLE are supporting these targets and are therefore greatly applying our development expertise to ensure combustion engines will be as environmentally friendly as possible.”