

2019/4Q19 Conference Call

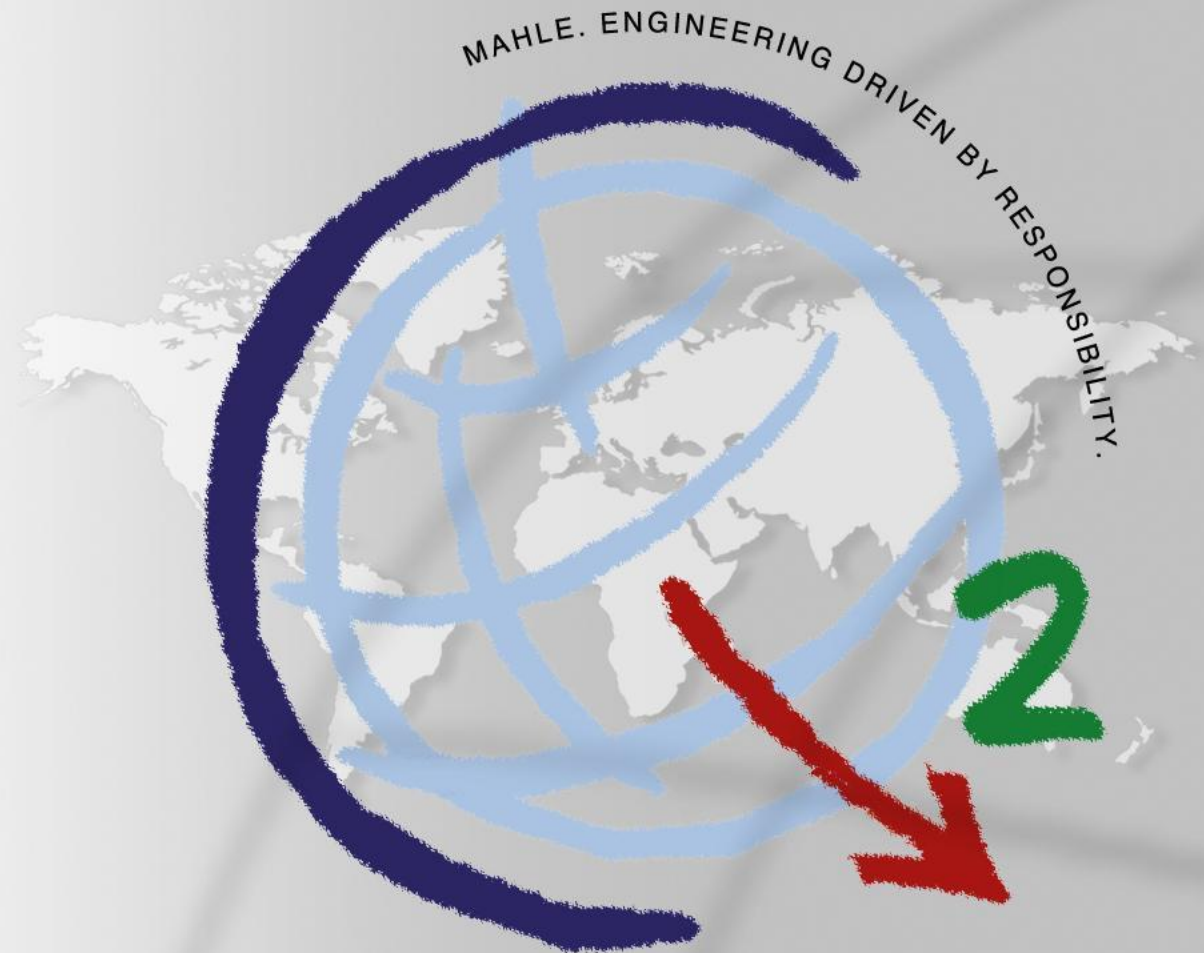
MAHLE Metal Leve S.A.

March 31st, 2020

3:00 p.m. Brasília time (TBD)

7:00 p.m. London time (TBD)

2:00 p.m. New York time (TBD)





2019/4Q19 Highlights



Market Overview



Net Revenues Performance by Market



Summary P&L & EBITDA



Financial Management: Net financial result & Indebtedness



Capex & Depreciation

2019/4Q19 Highlights





- **Net Sales Revenue** of R\$ 2,526.2 million in 2019, which represents a decline of 2.5% as compared to 2018. In 4Q19, net sales revenue was 6.1% lower than in 4Q18.
- **Domestic Original Equipment market:** in 2019 the Company recorded a 5.3% increase in sales. While the consolidated production of vehicles in the market fell 3.0%, the Brazilian market grew 1.8% and the Argentine market fell 32.6%;
- **Interest on Capital (gross):** During 2019 the Board of Directors approved the distribution of **R\$ 81.9 million** referring to Interest on Equity (gross), which will be submitted to the Ordinary General Meeting (AGO) in April 2020.

Key indicators								
(R\$ million)	2019 (a)	2018 (b)	(a/b)	4Q19 (c)	3Q19 (d)	4Q18 (e)	(c/d)	(c/e)
Net revenue	2,526.2	2,591.7	-2.5%	595.7	645.5	634.5	-7.7%	-6.1%
EBITDA	440.8	466.9	-5.6%	76.6	129.0	86.6	-40.6%	-11.5%
EBITDA margin	17.4%	18.0%	-0.6 p.p.	12.9%	20.0%	13.6%	-7.1 p.p.	-0,7 p.p.
Profit for the year	259.0	291.7	-11.2%	66.2	69.2	67.9	-4.3%	-2.5%
Net margin	10.3%	11.3%	-1,0 p.p.	11.1%	10.7%	10.7%	0.4 p.p.	0,4 p.p.

Market Overview





Brazil & Argentina Registration and Production (2019 x 2018)



Light vehicles (ths)	 Brazil	 Argentina	  Total
Sales	2,665.6 7.7%	372.5 -45.4%	3,157.2 -3.8%
Production	2,803.8 2.1%	314.8 -32.5%	3,212.4 -2.9%

-3%


Total vehicles
production


Medium and heavy vehicle (ths)	 Brazil	 Argentina	  Total
Sales	166.0 19.6%	18.7 -46.1%	173.5 6.5%
Production	194.3 -2.7%	8.7 -34.5%	213.0 -4.7%

Sources: Anfavea, Adefa, Acaras, IHS and Indec.

Vehicle production in the main exports markets

Vehicle Production in the main export market (in thousands)			
Segment	Jan-Dec 2019 (A)	Jan-Dec 2018 (B)	A/B
Production of Light vehicle	16.310	16.959	-3,8%
Production of medium and heavy vehicle	654	638	2,5%
North America	16.964	17.597	-3,6%
Production of Light vehicle	21.089	21.979	-4,1%
Production of medium and heavy vehicle	644	677	-4,9%
Europe	21.733	22.656	-4,1%
Total Vehicle Production	38.697	40.253	-3,9%

Source: IHS

Net Revenues Performance by Market

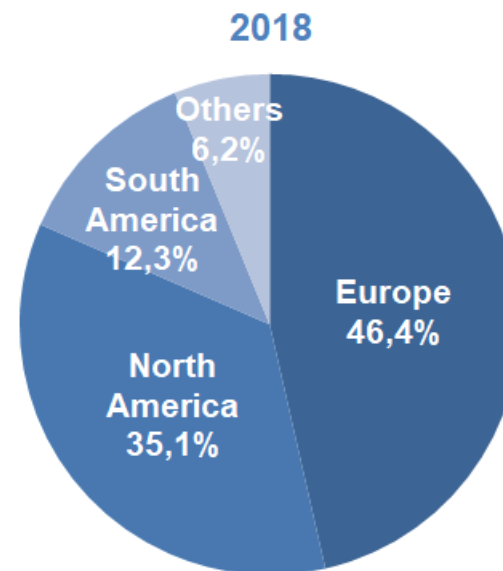
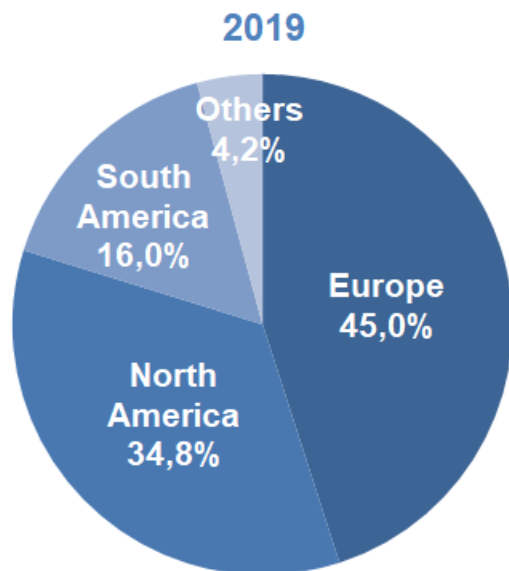
Net revenue by market (R\$ Million)		2019 (a)	Volume/Price (b)	FX-Variation (c)	2018 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic ¹	766.0	51.1	(12.5)	727.4	7.0%	-1.7%	5.3%
	Export	892.5	(198.9)	54.2	1,037.2	-19.2%	5.2%	-14.0%
	Subtotal	1,658.5	(147.8)	41.7	1,764.6	-8.4%	2.4%	-6.0%
Aftermarket	Domestic ¹	674.1	108.0	(64.5)	630.6	17.1%	-10.2%	6.9%
	Export	193.6	(13.5)	10.6	196.5	-6.9%	5.4%	-1.5%
	Subtotal	867.7	94.5	(53.9)	827.1	11.4%	-6.5%	4.9%
Total		2,526.2	(53.3)	(12.2)	2,591.7	-2.0%	-0.5%	-2.5%

¹ Domestic market includes Brazil and Argentina.

Net Revenues Performance by Market

Net revenue by market (R\$ Million)		4Q19 (a)	Volume/Price (b)	FX-Variation (c)	4Q18 (d)	% volume/price impact (b/d)	% FX-impacts (c/d)	H.A. (%) (a/d)
Original equipment	Domestic ¹	169.4	(10.8)	(1.9)	182.1	-5.9%	-1.1%	-7.0%
	Export	203.2	(49.2)	4.2	248.2	-19.8%	1.7%	-18.1%
	Subtotal	372.6	(59.9)	2.2	430.3	-13.9%	0.5%	-13.4%
Aftermarket	Domestic ¹	175.8	33.6	(15.4)	157.6	21.3%	-9.8%	11.5%
	Export	47.3	(0.7)	1.4	46.6	-1.5%	3.0%	1.5%
	Subtotal	223.1	32.9	(14.0)	204.2	16.1%	-6.8%	9.3%
Total		595.7	(27.1)	(11.7)	634.5	-4.3%	-1.8%	-6.1%

¹ Domestic market includes Brazil and Argentina.



Summary P&L

- The Company closed 2019 with a gross margin of 25.3% (26.6% in 2018).
- If compared 4Q19 with the same period in 2018, the gross margin achieved 21.5% and 19.2%, respectively.

Summary P&L (R\$ million)	2019 (a)	2018 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,526.2	2,591.7	100.0%	100.0%	-2.5%	595.7	634.5	100.0%	100.0%	-6.1%
Cost of sales	(1,885.9)	(1,901.6)	-74.7%	-73.4%	-0.8%	(467.7)	(512.8)	-78.5%	-80.8%	-8.8%
Gross profit	640.3	690.1	25.3%	26.6%	-7.2%	128.0	121.7	21.5%	19.2%	5.2%
Gross margin	25.3%	26.6%			-1,3 p.p.	21.5%	19.2%			2,3 p.p.

Summary P&L

Selling expenses:

- In 2019, Selling Expenses were stable between the compared periods. In 4Q19, the increase refers to non-recurring events.

General and Administrative expenses:

- Lower mainly due to restructuring effects.

R&D expenses:

- R&D expenses were focused on technological innovations involving developments in partnership with customers, such as patent registrations and release of new products to the market.

Other operating income (expenses):

- Revenue from Reintegra Program in 2018 and not applicable in 2019;
- Export Expenses (Argentina).

Summary P&L (R\$ million)	2019 (a)	2018 (b)	V.A. (%) (a)	V.A. (%) (b)	H.A. (%) (a/b)	4Q19 (c)	4Q18 (d)	V.A. (%) (c)	V.A. (%) (d)	H.A. (%) (c/d)
Net sales revenue	2,526.2	2,591.7	100.0%	100.0%	-2.5%	595.7	634.5	100.0%	100.0%	-6.1%
Selling and distribution expenses	(166.9)	(172.7)	-6.6%	-6.7%	-3.4%	(44.6)	(35.5)	-7.5%	-5.6%	25.6%
General and administrative expenses	(85.7)	(93.9)	-3.4%	-3.6%	-8.7%	(24.4)	(27.3)	-4.1%	-4.3%	-10.6%
Technology and product development expenses	(83.7)	(80.0)	-3.3%	-3.1%	4.6%	(20.7)	(22.8)	-3.5%	-3.6%	-9.2%
Other operating income (expenses) ¹	(6.8)	8.8	-0.3%	0.3%	177.3%	(2.2)	6.7	-0.4%	1.1%	-132.8%

Operating income measured by the EBITDA

- The table below shows the changes between the periods in the accounts that make up operating income:

EBITDA 2018	¹ Gains/losses on net monetary position (Argentina IAS 29)	General and administrative expenses	Depreciation	Selling and distribution expenses	Gains/losses on the recoverable value of accounts receivable	Technology and product development expenses	Other operating income (expenses)	Gross income	EBITDA 2019
466.9	23.6	8.2	5.4	3.5	2.3	(3.7)	(15.6)	(49.8)	440.8
EBITDA margin 18.0%					EBITDA margin 17.4%				

EBITDA 4Q18	Gross income	Depreciation	General and administrative expenses	Technology and product development expenses	Equity in the results of investees	Gains/losses on the recoverable value of accounts receivable	¹ Gains/losses on net monetary position (Argentina IAS 29)	Selling and distribution expenses	Other operating income (expenses)	EBITDA 4Q19
86.6	6.3	4.5	2.9	2.1	(0.1)	-	(7.7)	(9.1)	(8.9)	76.6
EBITDA margin 13.6%					EBITDA margin 12.9%					

¹ IAS 29 – “Financial Reporting in Hyperinflationary Economies”

Finance income and costs (R\$ million)	2019 (a)	2018 (b)	Var. (a - b)	4T19 (c)	4T18 (d)	Var. (c-d)
Interest income on financial investments	5.1	6.4	(1.3)	1.8	1.9	(0.1)
Interest on loans	(14.9)	(10.5)	(4.4)	(4.2)	(3.3)	(0.9)
Other income	(0.5)	1.0	(1.5)	(2.3)	-	(2.3)
Finance costs, net	(10.3)	(3.1)	(7.2)	(4.7)	(1.4)	(3.3)
Exchange variation, net	2.4	45.6	(43.2)	(5.1)	(3.0)	(2.1)
Gain (loss) on derivatives	(2.9)	(26.4)	23.5	3.1	6.2	(3.1)
Exchange variation and Gain (loss) on derivatives (ii)	(0.5)	19.2	(19.7)	(2.0)	3.2	(5.2)
Monetary variation, net	(24.6)	(32.3)	7.7	(4.4)	(8.1)	3.7
Other	(6.0)	(5.4)	(0.6)	(1.5)	(0.6)	(0.9)
Monetary variation, net + Others (iii)	(30.6)	(37.7)	7.1	(5.9)	(8.7)	2.8
Finance income (costs) (i + ii + iii)	(41.4)	(21.6)	(19.8)	(12.6)	(6.9)	(5.7)

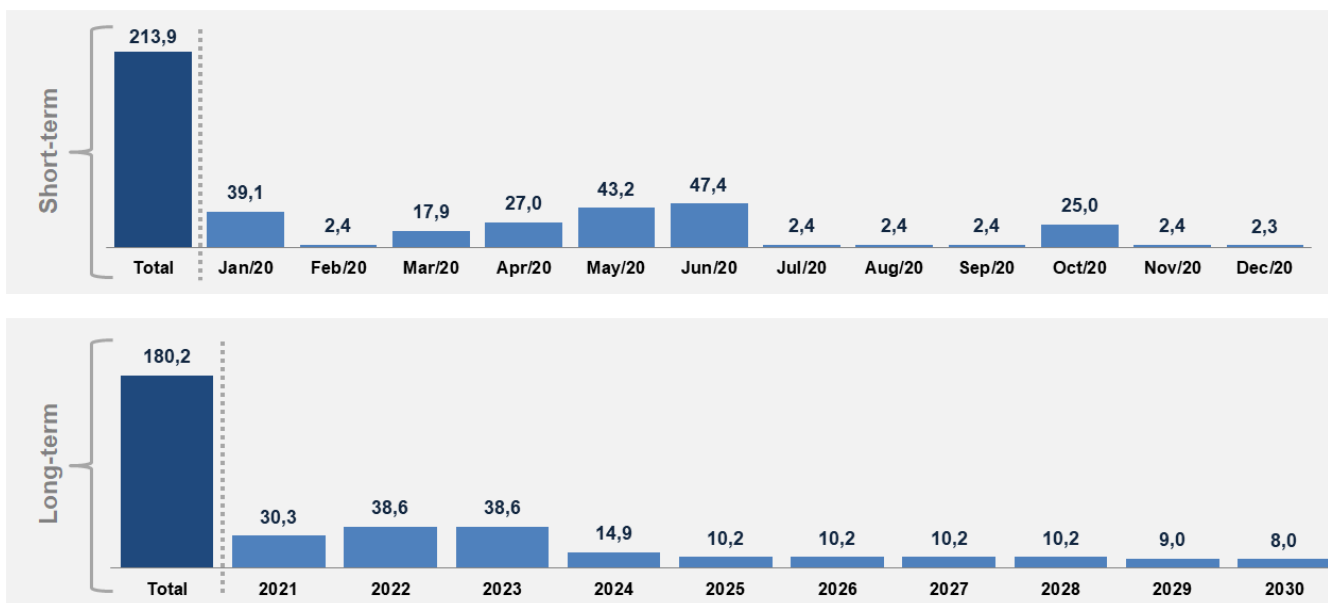
Interest rates and volumes (average)	2019 (a)	2018 (b)	Var. (a - b)	4T19 (c)	4T18 (d)	Var. (c-d)
Investment Yield ¹	5.5%	6.3%	-0.8 p.p.	4.8%	6.2%	-1.4 p.p.
Cost of debt	4.3%	4.3%	0,0 p.p.	4.6%	4.5%	0.1 p.p.
Investments - average (R\$ million)	112.1	123.8	-9.5%	155.2	121.8	27.4%
Average debt (R\$ million)	(382.8)	(269.6)	42.0%	(401.2)	(296.9)	35.1%

¹ Bank deposit certificates (CDBs) and repurchase agreements with an average interest rate at 99.0% of the interbank deposit rate (CDI) issued by top-tier banks in Brazil.

Financial Management – Indebtedness (part I)

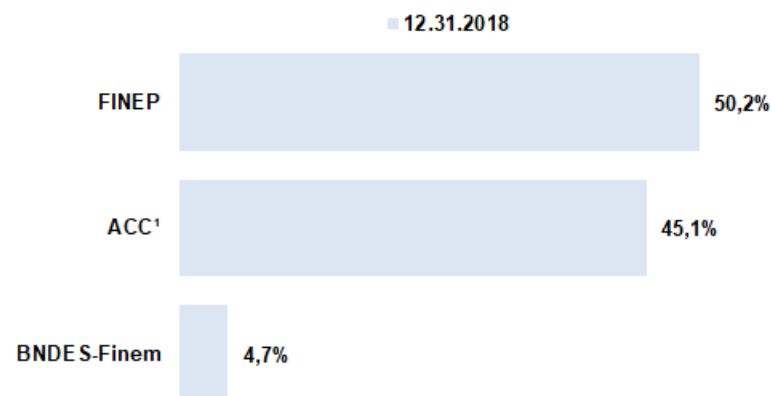
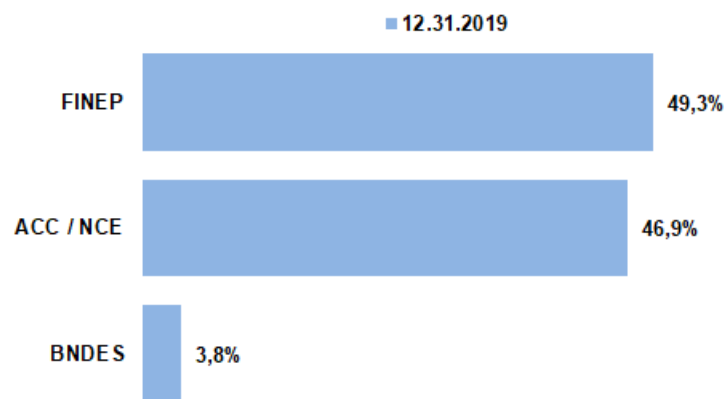
Net indebtedness (R\$ million)	12.31.2019 (a)	12.31.2018 (b)	Variation (a-b)	% Debt (a)	% Debt (b)
Liabilities (i)	394.1	291.6	102.5	100%	100%
Short-term	213.9	160.4	53.5	54%	55%
Long-term	180.2	131.2	49.0	46%	45%
Cash / banks / cash investments/ Loans - related parties (ii):	(205.8)	(138.3)	(67.5)		
Net position (i + ii)	188.3	153.3	35.0		

- Below is presented the maturities of short-term and long-term indebtedness (R\$ million):



Financial Management – Indebtedness (part II)

- Below is a breakdown of the Company's financing transactions per type:



¹ Advance on exchange contract

CAPEX & Depreciation (R\$ million)	2019	2018
Capex	99.8	90.5
Total depreciation	96.6	89.6

Capex	2019	2018
% of Net sales revenue	4.0%	3.5%
% of Depreciation	103.3%	101.1%



Questions & Answers

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