Continental Further Increases Earnings

PUBLISHED NOV 11, 2024
BY CONTINENTAL AG

Consolidated sales of €9.8 billion (Q3 2023: €10.2 billion, -4.0 percent)

- Adjusted EBIT of €873 million (Q3 2023: €642 million, +36.0 percent)

- Adjusted EBIT margin of 8.9 percent (Q3 2023: 6.3 percent)

- Net income of €486 million (Q3 2023: €299 million, +62.8 percent)

- Adjusted free cash flow of €323 million (Q3 2023: €466 million, -30.6 percent)

- CEO Nikolai Setzer:

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- CFO Olaf Schick:

> We posted good results for the third quarter. Faced with weak automotive production, we improved earnings in Automotive by reducing costs and adjusting prices

- Tires group sector posts good adjusted EBIT margin of 14.5 percent

- Outlook: Continental confirms outlook for Automotive and Tires and lowers sales and earnings outlook for ContiTech

Hanover, Germany, November 11, 2024. Continental increased its earnings in the third quarter of 2024, as expected. In particular, the Automotive group sector made progress thanks to the measures taken to improve earnings, and it aims to make further gains in adjusted EBIT in the fourth quarter. As in the second quarter of 2024, the Tires group sector posted a good adjusted EBIT on the back of improved business in Europe, boosted not least by encouraging early sales of winter tires. Earnings in ContiTech, by contrast, were dented by continued weak industrial development in Europe and North America. Continental does not expect the industrial business to recover in the fourth quarter and is therefore adjusting its sales and earnings outlook for ContiTech. As a result, sales expectations have also been lowered for the Continental Group as a whole.

> We continue to drive Continental’s development – strategically and operationally, step by step. We are making our group sectors more agile and bringing them closer to the markets. Bolstered by the maturity they have built up over the years, they are now ready for greater independence. Automotive is on track to fulfill the requirements for a spin-off by the end of 2025. This spin-off is still being evaluated. Furthermore, the measures we have defined and implemented to improve earnings are having the desired effect. In the third quarter, for example, we increased our earnings both year-on-year and compared with the first two quarters of 2024. This was largely driven by price adjustments and disciplined cost management,” said Continental CEO Nikolai Setzer in Hanover on Monday, adding: “In this challenging year-end sprint, we aim to improve Automotive’s earnings even further.

Adjusted operating result (adjusted EBIT) of €873 million

In the third quarter of 2024, Continental achieved consolidated sales of €9.8 billion (Q3 2023: €10.2 billion, -4.0 percent). Its adjusted operating result increased to €873 million (Q3 2023: €642 million, +36.0 percent), corresponding to an adjusted EBIT margin of 8.9 percent (Q3 2023: 6.3 percent).

Net income in the third quarter amounted to €486 million (Q3 2023: €299 million, +62.8 percent). Adjustedfreecash flow was €323 million (Q3 2023: €466 million, -30.6 percent).

> We posted good results for the third quarter. In the Automotive group sector, we improved our earnings as announced. Faced with weak automotive production, we achieved this by reducing costs and adjusting prices. Tires is performing well in terms of profitability, with the winter tire business getting off to a good start. But ContiTech continues to contend with a weak industrial environment in Europe and North America. With this down phase lasting longer than expected, we are examining

> additional measures to deal with the economic situation," said Continental CFO Olaf Schick, adding: "We have also reached an agreement with Vitesco Technologies on the allocation of investigation costs. The associated payment of €125 million by Vitesco Technologies had a positive impact on our net income and free cash flow in the third quarter, which we expect to continue to increase in the fourth quarter due to the seasonal nature of our business. The process of making our business with ContiTech products for the automotive industry independent is also progressing as planned. As announced, we will present this business area to potential buyers and partners in the fourth quarter of this year.

For 2024 as a whole, Continental expects the production of passenger cars and light commercial vehicles to decrease year-on-year. We expect demand in the tire-replacement business to pick up slightly in the second half of 2024 compared with the first six months, while the industrial business worldwide is expected to remain sluggish.

Based on the assumptions mentioned as well as current exchange rates, Continental has adjusted its outlook for fiscal 2024 as follows:

For the Continental Group, sales in the range of around €39.5 billion to €42.0 billion (previously: €40.0 billion to €42.5 billion) are expected, while the adjusted EBIT margin is expected to be around 6.0 to 7.0 percent.

For the ContiTech group sector, Continental expects sales of around €6.2 billion to €6.6 billion (previously: €6.6 billion to €7.0 billion) and an adjusted EBIT margin of around 5.8 to 6.3 percent (previously: 6.5 to 7.0 percent).

The tax rate is projected to be around 30 percent (previously: 27 percent). The higher calculated tax rate compared with the previous assumption is mainly due to the allocation of net income to the different countries in relation to comprehensive income. Tax charges that are not directly dependent on income also continue to have an effect. These include foreign (minimum) taxes with deviating bases of assessment as well as foreign withholding taxes that are not deductible in Germany.

Added to this are tax risks in connection with ongoing criminal tax investigations by Italian authorities (see page 105 of the 2023 annual report). As a precautionary measure, Continental has set aside provisions for likely financial charges in this regard. The investigations relate to a possible failure by the Continental companies concerned to comply with the declaration requirements of the Italian financial authorities. According to the authorities, Continental should have paid taxes in Italy for the operations in question, which it instead paid in other European countries between 2016 and 2023.

Decline in automotive production in the third quarter

The global production of passenger cars and light commercial vehicles in the third quarter of 2024 was down sharply on the previous year, falling by around 5 percent to 21.6 million units (Q3 2023: 22.6 million units).

At around 3.6 million units, vehicle production in Europe from July to September 2024 was significantly lower than the prior-year period (-6 percent). Production in North America also fell, amounting in the third quarter to around 3.8 million vehicles (-5 percent). China likewise posted a decline, producing around 7.3 million vehicles in the third quarter of 2024 (-3 percent).

Automotive: further improvements in the third quarter

In the Automotive group sector, sales fell by 4.7 percent to €4.8 billion, hampered primarily by declining markets (Q3 2023: €5.0 billion). The adjusted EBIT margin improved significantly year-on-year to 4.2 percent (Q3 2023: 2.8 percent). This was due in large part to the rigorous implementation of measures to reduce costs and improve efficiency, as well as to additional agreements from price negotiations with automotive manufacturers. Continental expects earnings in Automotive to improve further in the fourth quarter, spurred not only by further cost reductions, but also by anticipated higher production volumes worldwide than in the previous quarter, launches of new products by our customers, and reimbursements of development expenses.

Tires group sector posts a strong adjusted EBIT margin

The Tires group sector performed well in the third quarter, generating sales of €3.5 billion (Q3 2023: €3.4 billion, +1.9 percent). At 14.5 percent, its adjusted EBIT margin was up on the previous year (Q3 2023: 13.3 percent). This trend was driven by improved business in

Europe, boosted not least by encouraging early sales of winter tires.

Given its growth potential in the Asia-Pacific region, Continental will ramp up production capacity at its tire plant in Rayong, Thailand, by an additional 3 million tires per year. The company plans to invest more than €300 million in the plant's phase-by-phase expansion. The Rayong plant is home among other things to the production of Continental tire lines that are geared to the special requirements of electric vehicles. In 2023, Continental supplied original equipment tires to the world's five highest-volume manufacturers of electric vehicles in the Asia-Pacific region. In addition, Rayong is one of the largest production sites in the world for Continental motorcycle tires.

Continental has received several prestigious awards for its tires in recent weeks, with its winter, summer and all-season tires all achieving excellent ratings in various independent tests conducted by leading automotive magazines and organizations. Among these, Auto Bild, ADAC and Auto Express named the WinterContact TS 870 the winner of their winter tire tests, while the AllSeasonContact 2 received top marks in the all-season tire tests by Auto Bild, sport auto and Auto Zeitung. This season's tests repeatedly highlighted the high quality and performance of Continental tires.

ContiTech: weak industrial demand dampens earnings

The ContiTech group sector posted sales of €1.5 billion in the third quarter (Q3 2023: €1.7 billion,

-9.9 percent). Its adjusted EBIT margin was 4.5 percent (Q3 2023: 6.5 percent). The decline in earnings was mainly attributable to weak industrial demand in Europe and North America. The operating result of the Original Equipment Solutions (OESL) business area improved, remaining slightly positive, thanks to the implemented measures.

Spokesperson, Business & Finance

Press release distributed by Wire Association on behalf of Continental AG, on Nov 11, 2024. For more information subscribe and follow us.

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