Third Quarter: Continental Increases Automotive Earnings and Adjusted Free Cash Flow

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Consolidated sales of €10.2 billion (Q3 2022: €10.4 billion, -1.5 percent)

- Adjusted EBIT of €637 million (Q3 2022: €595 million, +7.1 percent)

- Adjusted EBIT margin of 6.2 percent (Q3 2022: 5.7 percent)

- Net income of €299 million (Q3 2022: -€211 million)

- Adjusted free cash flow of €466 million (Q3 2022: -€496 million)

- CEO Nikolai Setzer:

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- CFO Katja Garcia Vila (formerly Dürrfeld):

  > Our focus is on increasing our earnings and further reducing inventories and receivables in order to achieve an adjusted free cash flow of around €0.8 billion to €1.2 billion by the end of the year

- Automotive to equip cars with artificial intelligence (AI)

- Tires wins sustainability award

- ContiTech opens new TechCenter for hydrogen technologies

- Sales outlook for the Continental Group and the Automotive group sector slightly adjusted; adjusted EBIT margin outlook for the Tires group sector slightly improved

Hanover, November 8, 2023. Continental ended the third quarter of

2023 in line with expectations. The technology company significantly improved the operating result in its Automotive group sector compared with the first half of the year. This was thanks to price adjustments, high cost discipline and stabilized supply chains. Furthermore, it increased its adjusted free cash flow year-on-year as well as compared with the first two quarters of 2023. This was due primarily to a reduction in inventories. The company has adjusted its sales outlook for the Automotive group sector – mainly because of ongoing negative exchange-rate effects – and its outlook for consolidated sales. It has also slightly raised its adjusted EBIT margin outlook for Tires due to the group sector's good earnings.

> We ended the third quarter in line with our expectations. Our earnings were good in Tires and stable in ContiTech, and we made progress in Automotive, significantly increasing its earnings compared with the first half of the year. We will build on this in the fourth quarter and continue to improve,

said Continental CEO Nikolai Setzer on Wednesday in Hanover, Germany.

In the third quarter of 2023, Continental achieved consolidated sales of €10.2 billion (Q3 2022: €10.4 billion, -1.5 percent). Its adjusted operating result was €637 million (Q3 2022: €595 million, +7.1 percent), corresponding to an adjusted EBIT margin of 6.2 percent (Q3 2022: 5.7 percent).

Net income in the third quarter increased to €299 million (Q3 2022: -€211 million). Adjustedfreecash flow was €466 million (Q3 2022: -€496 million).

> We have also made progress in terms of adjusted free cash flow. But, as in the previous year, we still have significant ground to gain in the fourth quarter. Our focus is on increasing our earnings and further reducing inventories and receivables in order to achieve an adjusted free cash flow of around €0.8 billion to €1.2 billion by the end of the year,

said Continental CFO Katja Garcia Vila (formerly Dürrfeld).

Automotive production around same level as second quarter of 2023

According to preliminary figures, the global production of passenger

cars and light commercial vehicles amounted to around 22.3 million units in the third quarter of 2023. This was around the same level as the previous quarter (Q2 2023: 22.2 million units) and around 4 percent higher year-on-year (Q3 2022: 21.5 million units).

Market outlook and forecast for fiscal 2023 adjusted

For 2023, Continental expects production of passenger cars and light commercial vehicles to increase by 5 to 7 percent year-on-year (previously: 3 to 5 percent). For the global tire-replacement business, the technology company expects sales volumes to develop by -2 to 0 percent.

Continental has adjusted its sales outlook for the Automotive group sector, mainly because of ongoing negative exchange-rate effects. Continental now expects sales in the Automotive group sector of around €20.0 billion to €21.0 billion (previously: €20.5 billion to €21.5 billion) and consolidated sales of around €41.0 billion to €43.0 billion (previously: €41.5 billion to €44.5 billion).

Furthermore, the Tires group sector performed well, despite declining European and North American markets in the tire-replacement business. Continental has therefore slightly raised its adjusted EBIT margin outlook for this group sector. For Tires, it now expects an adjusted EBIT margin of around 12.5 to 13.5 percent (previously: 12 to 13 percent).

Automotive improves earnings compared with the first and second quarters

In the Automotive group sector, sales increased by 1.8 percent to €5.0 billion (Q3 2022: €4.9 billion). With its sales growing organically by 5.1 percent before exchange-rate effects and changes in the scope of consolidation, and global automotive production rising by around 4 percent, the group sector slightly outperformed the market. Automotive significantly increased its adjusted EBIT margin compared with the first two quarters of the year to 2.8 percent (Q3 2022: 2.5 percent).

The improvement in earnings resulted in particular from the price adjustments made in response to inflation-related additional costs of around €1 billion for 2023 in the Automotive group sector alone. High cost discipline and stabilized supply chains also had a positive impact

on earnings.

Automotive and Google Cloud are set to equip cars with artificial intelligence (AI), as announced at the IAA Mobility 2023 in Munich. This will make Continental one of the first automotive suppliers worldwide to integrate Google Cloud applications directly into vehicle computers. Under the partnership, the two companies will contribute their respective expertise in automotive, software, AI and cloud computing. Drivers will thus be able to talk to their vehicles, allowing them to request information about interesting things to see along the route or at their destination, for example.

Continental has also entered into a strategic partnership with the company DeepDrive. As an initial milestone, the two companies are developing a combined unit comprising drive system and brake components that will be mounted directly on a vehicle's wheel. Continental is contributing brake components for the combined drive and brake unit and, through its expertise in industrialization and volume production, will ensure that this innovation – in combination with the latest brake technology – makes its appearance on the road in the near future.

Tires group sector wins sustainability award

The Tires group sector had another good quarter. Due to declining volumes in the tire-replacement business, sales in Tires were down year-on-year at €3.4 billion (Q3 2022: €3.6 billion, -5.4 percent). At the same time, Tires was able to improve its earnings position by increasing its adjusted EBIT margin to 13.2 percent (Q3 2022: 11.8 percent). The higher margin resulted primarily from the continued high share of premium tires as well as lower raw material costs.

Continental also won another sustainability award. Its UltraContact NXT – the most sustainable production tire currently on the market – was the winner in the

> sustainable development/environment" category at the Swiss Automotive Show in August 2023. Comprising up to 65 percent renewable, recycled and mass balance-certified materials, the new summer tire from Continental combines a particularly high share of sustainable materials with maximum safety and performance. This is also demonstrated by the fact that the tire has been awarded the highest possible rating ("A

) of the EU tire label in terms of rolling resistance, wet braking and exterior noise. The tire has been available to buy since July 2023.

ContiTech opens new TechCenter for hydrogen technologies

The ContiTech group sector recorded another stable quarter, posting sales of €1.7 billion (Q3 2022: €1.7 billion, -1.0 percent) and an adjusted EBIT margin that was up slightly year-on-year at 6.6 percent (Q3 2022: 6.3 percent). This was thanks to inflation-related price adjustments in particular.

Continental also opened a new TechCenter for hydrogen technologies at its location in Hamburg-Harburg. ContiTech will use this center mainly as a collaborative platform for sharing knowledge internally within the company and externally with universities and other companies, for example. Innovations and the transfer of existing technical solutions to new applications in hydrogen technology will also be promoted.

Furthermore, at the IAA Mobility in Munich in September, ContiTech presented the vehicle interior of the future with its sustainable design concept SPACE D. With a focus on sustainability, design and function, many of SPACE D's surface solutions combine carbon neutrality and a circular economy with high-quality product performance.

Spokesperson, Business & Finance

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Website: https://www.continental.com/
Primary Email: silke.bernhardt@conti.de

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