



Philipp von Hirschheydt
Automotive


2023
CapitalMarketDay 

Hanover, December 4

Automotive at a Glance



~€**20-21** billion
in sales




Adj. EBIT¹ margin
~**2-3%**



Global footprint
**56 plants in
21 countries**



~**102,500**
employees

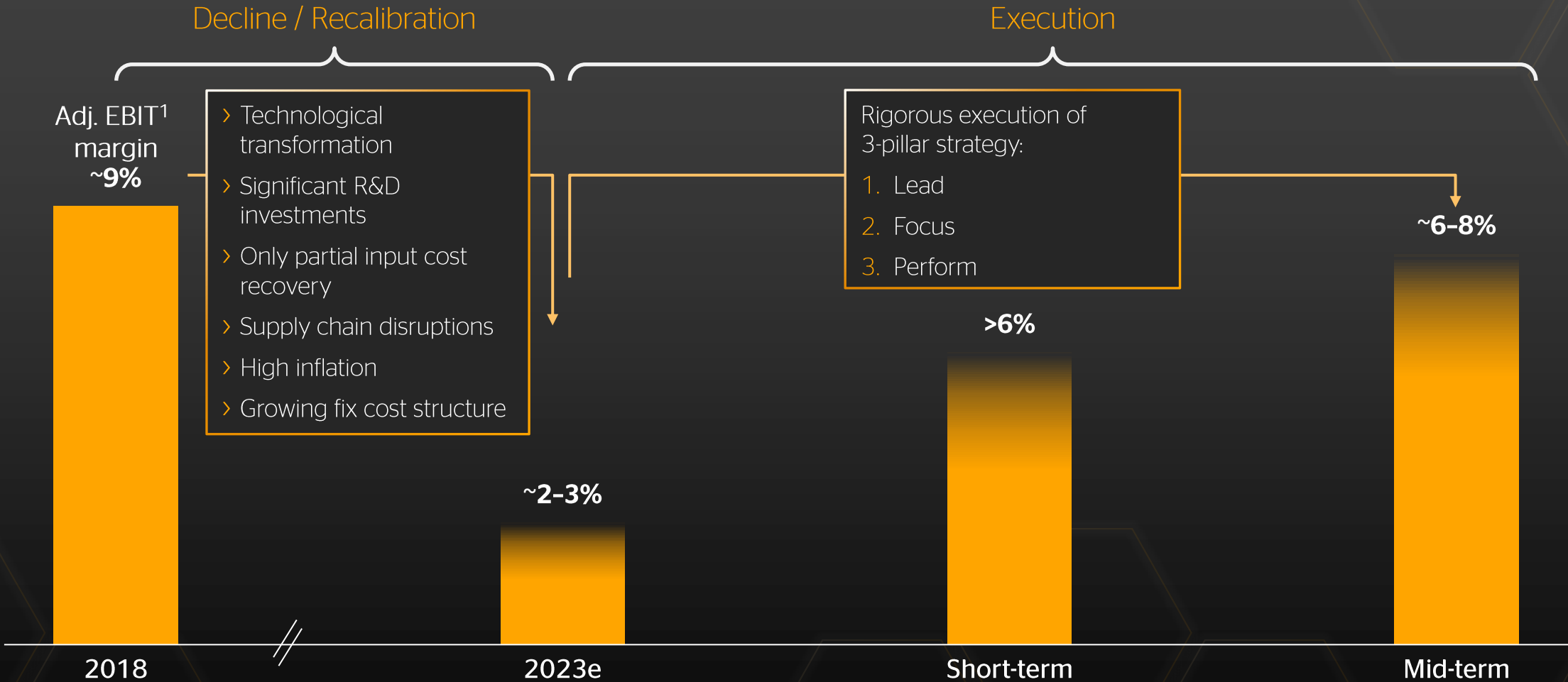


Product clusters
>50

**82 R&D locations
in 18 countries**

Creating value while driving the future of mobility

Disruptive Changes and a Clear Path Ahead



1 Before amortization of intangibles from PPA, changes in the scope of consolidation (only 2023e), and special effects. Considering current portfolio.

A Leading Systems Supplier

World-class
portfolio

High-tech and
high-quality
electronic
hardware

+

Substantial
software
expertise paired
with partnerships

=

Leading
automotive
systems
supplier

Focused execution required to ensure
future commercial success

Clear Execution Of Our 3-Pillar Strategy

LEAD

- › **Hardware excellence:** largest electronics player
- › **Software competence:** we shape the software-defined vehicle
- › **System expertise:** superior electronics system integrator

› **Technology and leadership position**

FOCUS

- › **Structure:** optimized organizational setup
- › **Capital allocation:** focus on value-accretive outperformance through product lifecycle
- › **Portfolio:** improve, sell or close

› **Strict execution along value principles**

PERFORM

- › **Strategy** with target of cost reduction initiated
 - › Fixed-cost reduction
 - › Operational excellence
 - › R&D efficiency
 - › Operating leverage

› **Strict profitability management**

Comprehensive self-help program



LEAD

LEAD In Our Focus Areas - or Exit



Safe

~4%

Market CAGR 2023e-2028e

SAM

~100 bps

OUTPERFORMANCE

Main sales drivers

- > Wheel Brake
- > EBS and One-Box
- > Sensor System
- > Airbag Systems



Exciting

~16%

Market CAGR 2023e-2028e

AN

~300 bps
OUTPERFORMANCE

UX

~400 bps
OUTPERFORMANCE

SCT

~1,000 bps
OUTPERFORMANCE

- > Display Solutions
- > Digital Cluster
- > Access Systems
- > Instrument Cluster



Autonomous

~12%

Market CAGR 2023e-2028e

AM

~1,000 bps

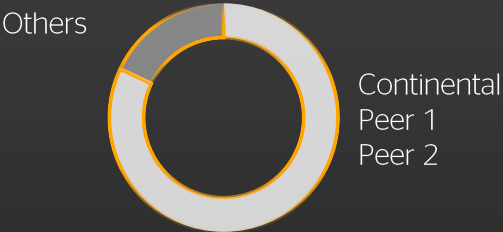
OUTPERFORMANCE

- > Radar
- > Smart Camera
- > Satellite Camera
- > AD/ADAS ECU

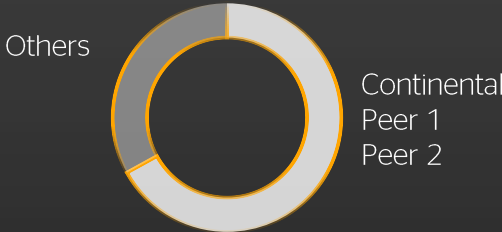
LEAD One of the Largest Suppliers

Example areas – around 50% of Automotive sales

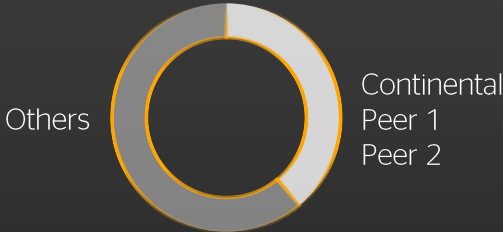
Electronic Brake System



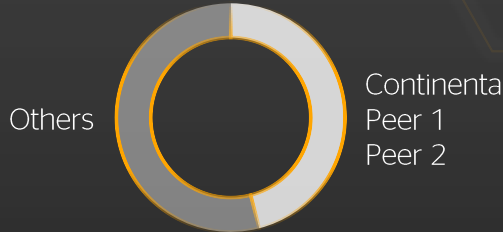
Radar



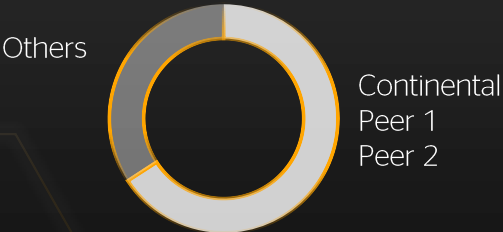
Display Solutions



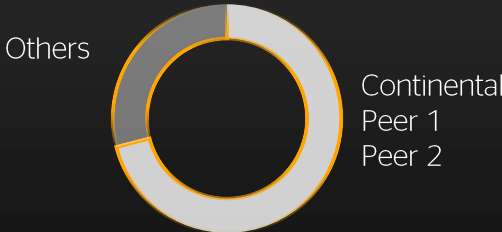
Wheel Brake



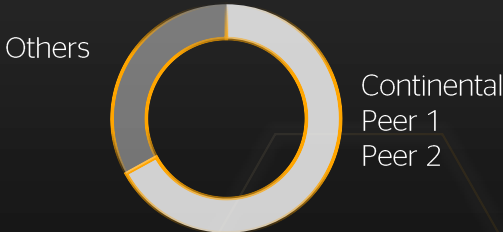
Airbag Systems



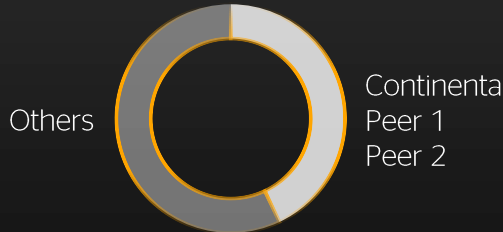
Access Systems



Digital Cluster



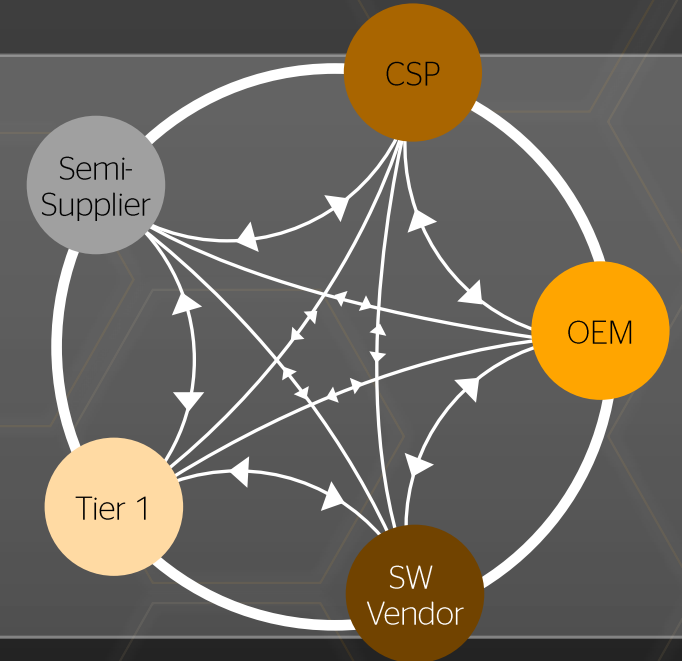
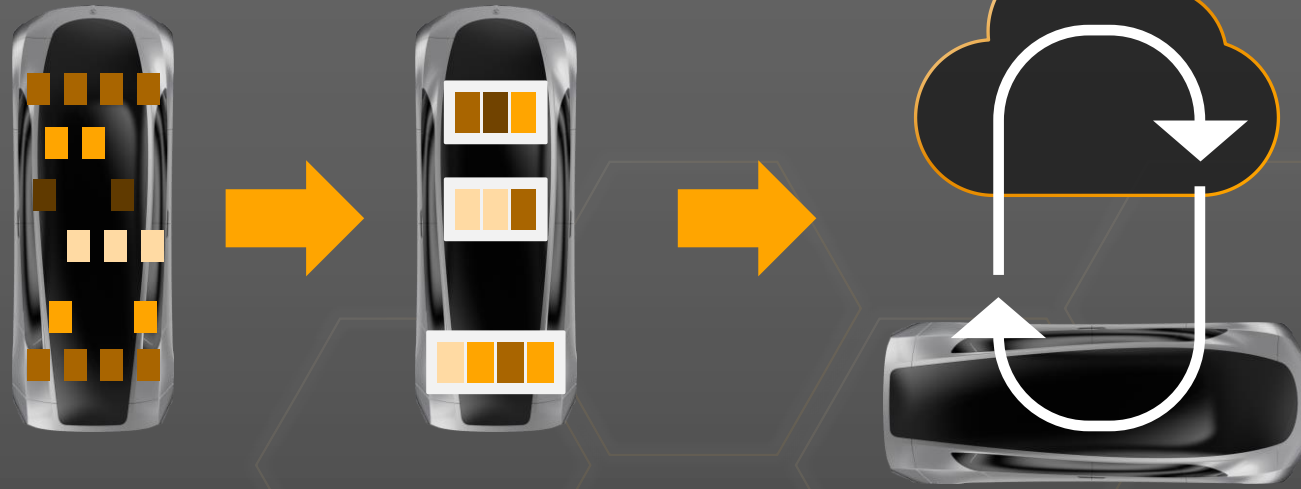
Sensor Systems



Market share of top 3 suppliers Market share of other suppliers

Data shown as per 2024e.

LEAD Changing Technology Requirements



- › Evolving system architectures
- › Multiple functions consolidation
- › Specialized and high computing power

- › Cloud services
- › Functions on demand
- › Speed: "Code to road" in 1 day

- › Evolving technology stacks
- › Evolving value chain
- › Increased complexity

LEAD Mastering all Fields: System Integrator of Choice

Our foundation

High-quality hardware paired with software experience

Our technology

Purpose-built artificial intelligence SoCs from our strategic partner



We are THE system integrator

- › We combine software capabilities and automotive competence
Multiple party SW integration ensuring automotive requirements and automation: Continental Cooperation Portal (CCP)
- › We master data
Large data processing, artificial intelligence, machine to machine communication
- › We manage the entire tech stack
From SoCs, hardware, middleware and functions to cloud services
- › We manage complexity
In-house competence in cross-domain and autonomous driving high-performance computers



Our offering

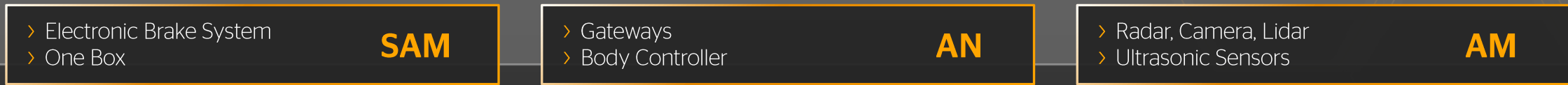
Realizing autonomous driving systems at scale, together with our strategic partner



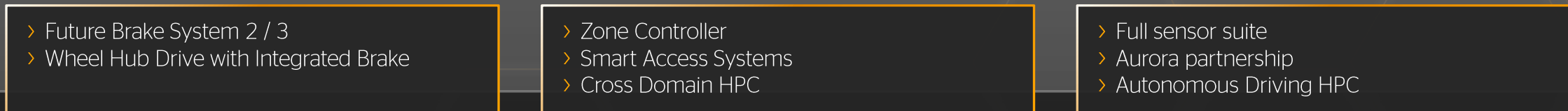
LEAD Combining Hardware and Software

Selected examples

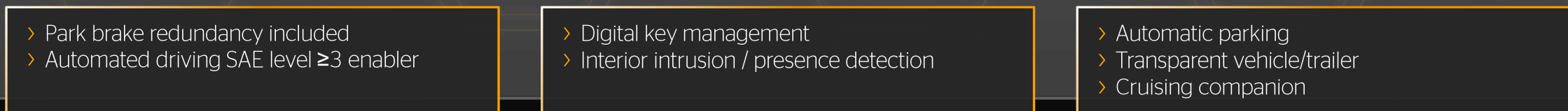
Today: **Outstanding technology platform**



Step 1: Enhanced products – **Higher content per vehicle**



Step 2: Addition of features – **New sources of revenue**





FOCUS

FOCUS Active Portfolio Management

Decision criteria

- › Value creation
- › System expertise
- › Technology focus
- › Growth potential

Execution Plan

Review of entire portfolio

Improve, sell or close

~25% of total business
will change

FOCUS Streamlining the Business

Today's structure

Autonomous Mobility

Safety and Motion

Architecture & Networking

Software & Central Technologies

I User Experience

II Smart Mobility

~€1.4 bn sales to
improve, sell or close

~€3.5 bn sales: carve-out
to be conducted

Dissolution of SMY

Target structure

Autonomous Mobility

Safety and Motion

Architecture & Networking

Software & Central Technologies

UX (agility, accessibility, speed)

AM

AN

SCT

I **FOCUS** User Experience – Continental as Best Owner?

Highly attractive business



Strong order intake momentum



Leading market position in display solutions, head-up and digital cluster



Highly innovative



Carve-out initiated to create strategic options

Hardware focused business



Significant investment needs

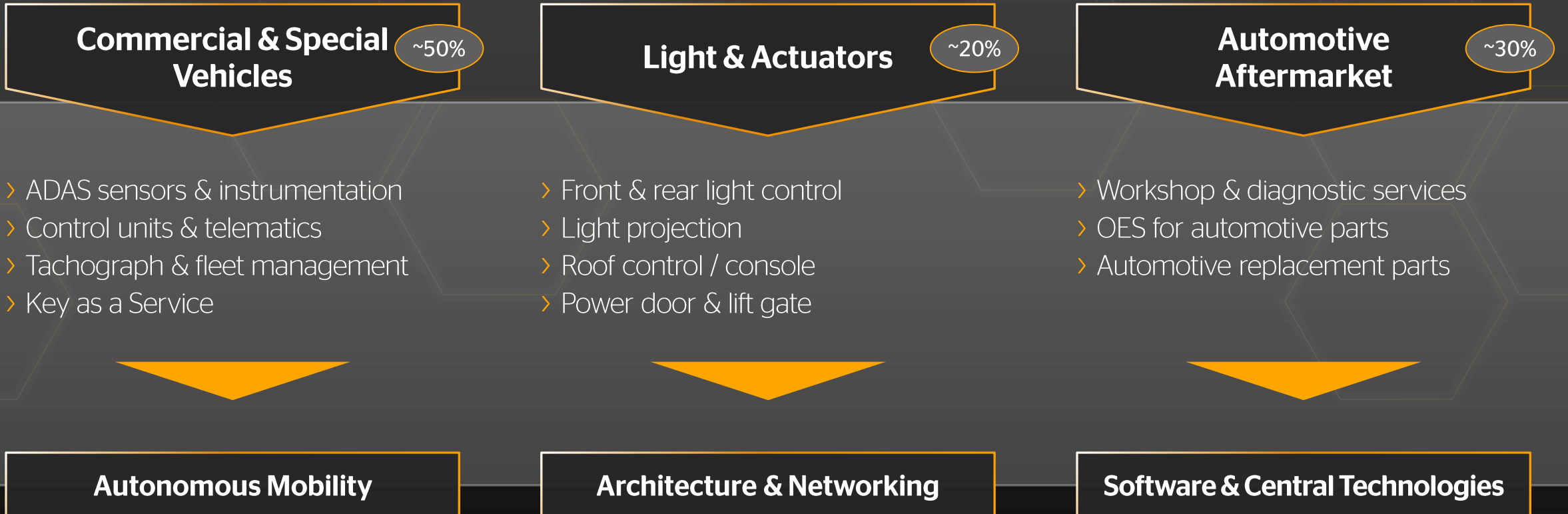


Not an integral part of our software-defined-vehicle strategy

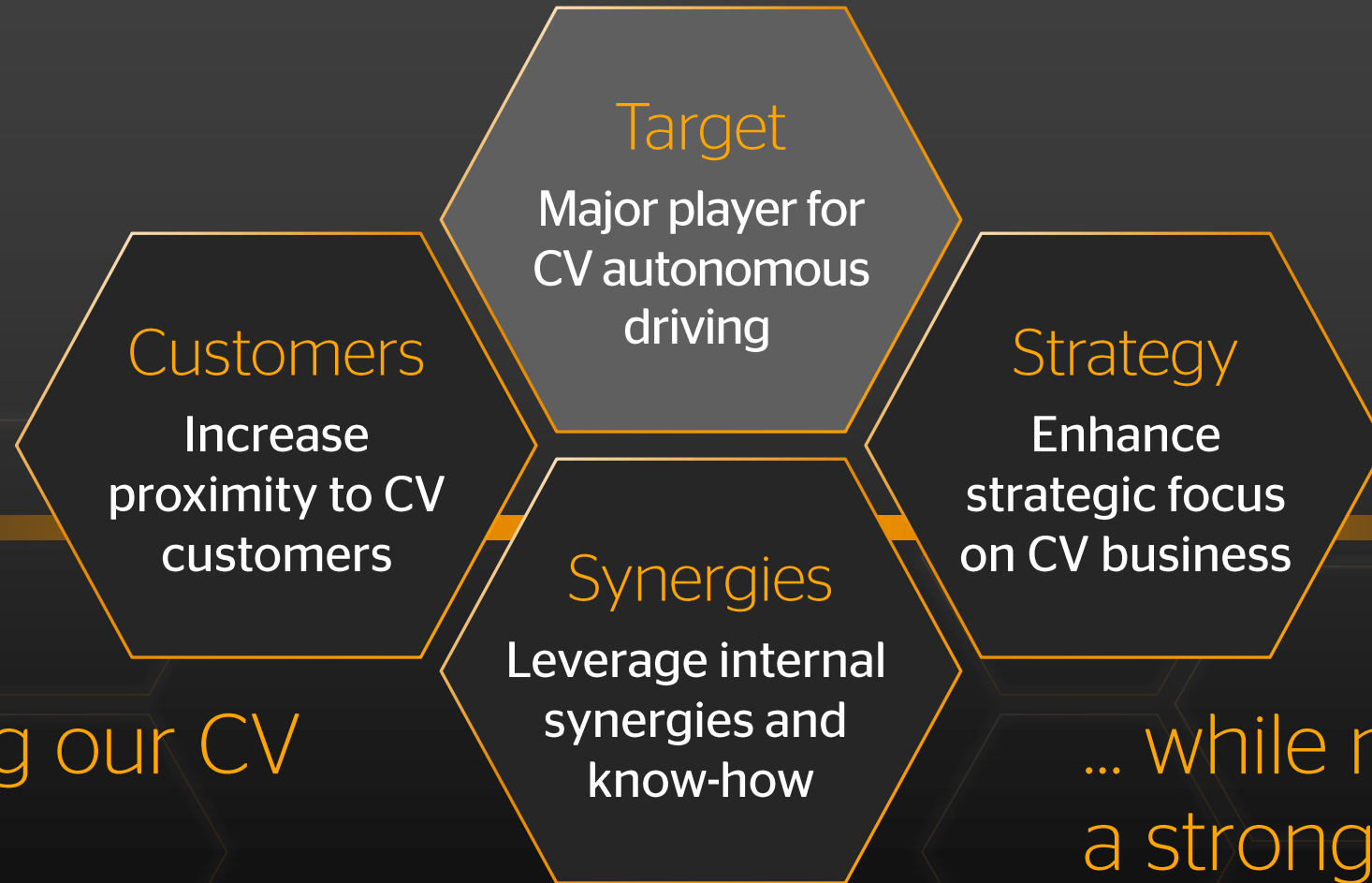


II FOCUS Smart Mobility – Leveraging Synergies

SMY sales of ~€2.6 bn integrated into business areas



II FOCUS Strong Commercial Vehicle Business in AM



Leveraging our CV expertise...

... while maintaining a strong passenger car focus



PERFORM

PERFORM Strict Profitability Management

Operating leverage

A

- › Increase content per vehicle and new business models
- › Commercial excellence

Up to 1% of sales short-term

Operational excellence

B

- › Manufacturing improvements

Up to 1% of sales short-term

Fixed-cost reduction

C

- › Organizational delayering
- › Bundling of activities

~€400 mn by 2025e

R&D efficiency

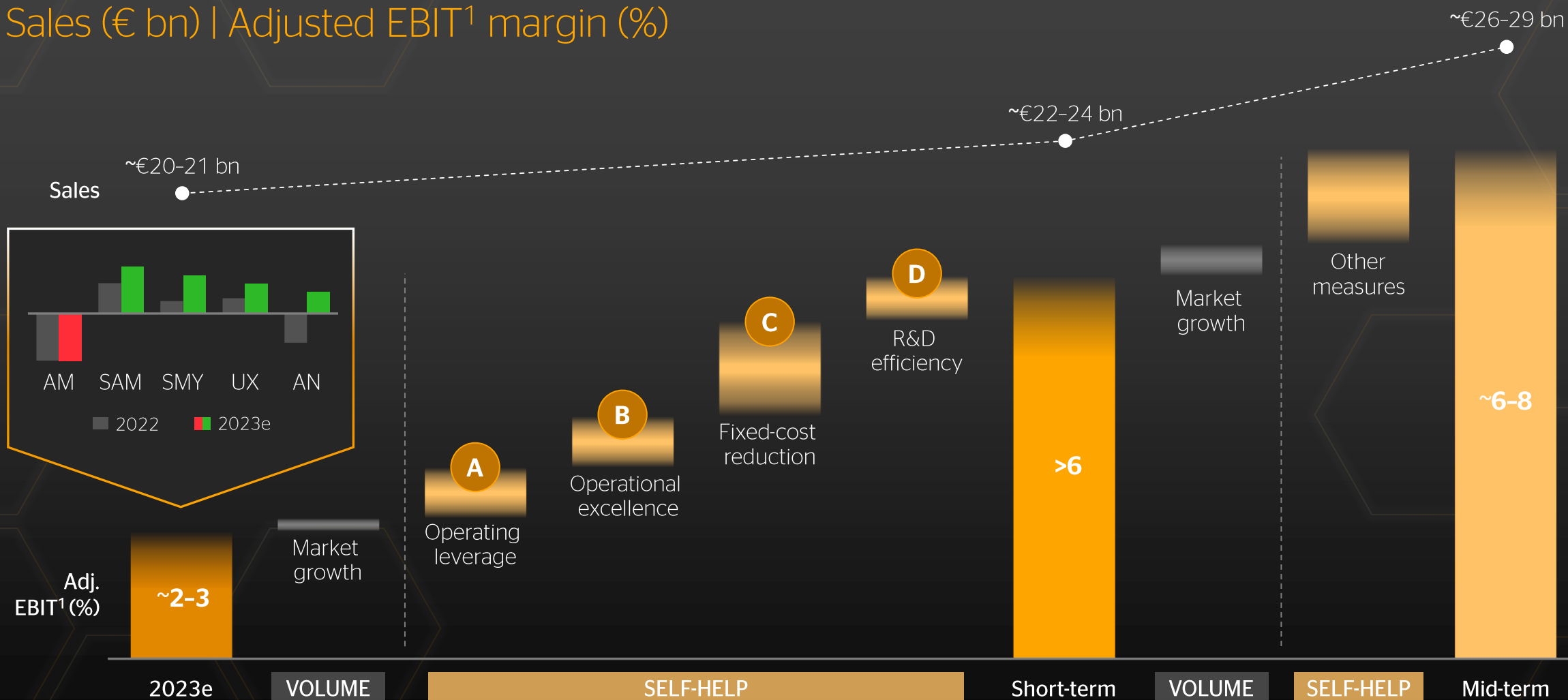
D

- › Consolidation
- › Best-cost locations
- › Raise software development synergies

Up to 1% of sales short-term

PERFORM Profitability Target

Sales (€ bn) | Adjusted EBIT¹ margin (%)



¹ Before amortization of intangibles from PPA, changes in the scope of consolidation (only 2023e), and special effects. Considering current portfolio.

A **PERFORM** Operating Leverage

Volume

Market growth

Around 1% average worldwide light-vehicle production growth assumed mid-term

Self-help

Outperformance

Increase worldwide share at over-proportionally growing customers such as COEMs

Increase content per vehicle and leverage new business models

Commercial excellence

Repricing actions to ensure profitability

Target: Realize average market outperformance of 3-5%

B **PERFORM** Operational Excellence

Cost focus

Premium freight reduction

Improve efficiency in electronics manufacturing

Lower manufacturing cost per unit

Minimize obsolescence costs

Cash flow focus

Improve line utilization to reach capex to sales of less than 7%

Increase inventory turn rate with smart inventory management

Effective investment strategy

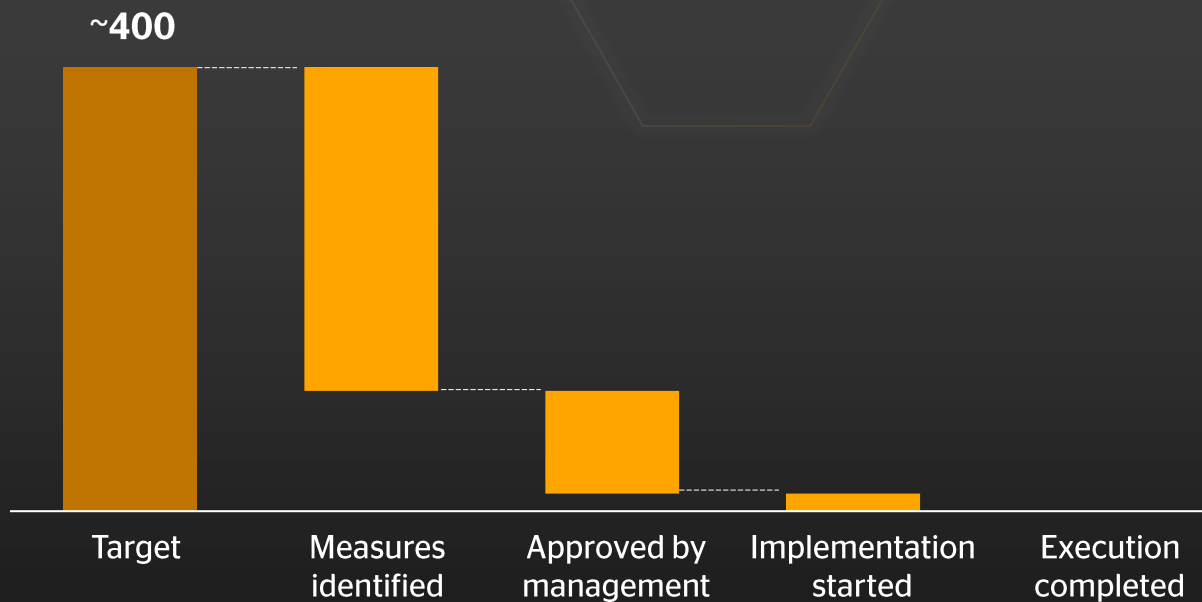
Working capital reduction

- Targets:**
- › Cost reduction of up to **1% of sales** expected short-term
 - › Working capital reduction of **~300 bps** expected short-term

C **PERFORM** Fixed-Cost Reduction Program

Recurring cost savings effective in 2025 (€ mn)

Cost reduction measures

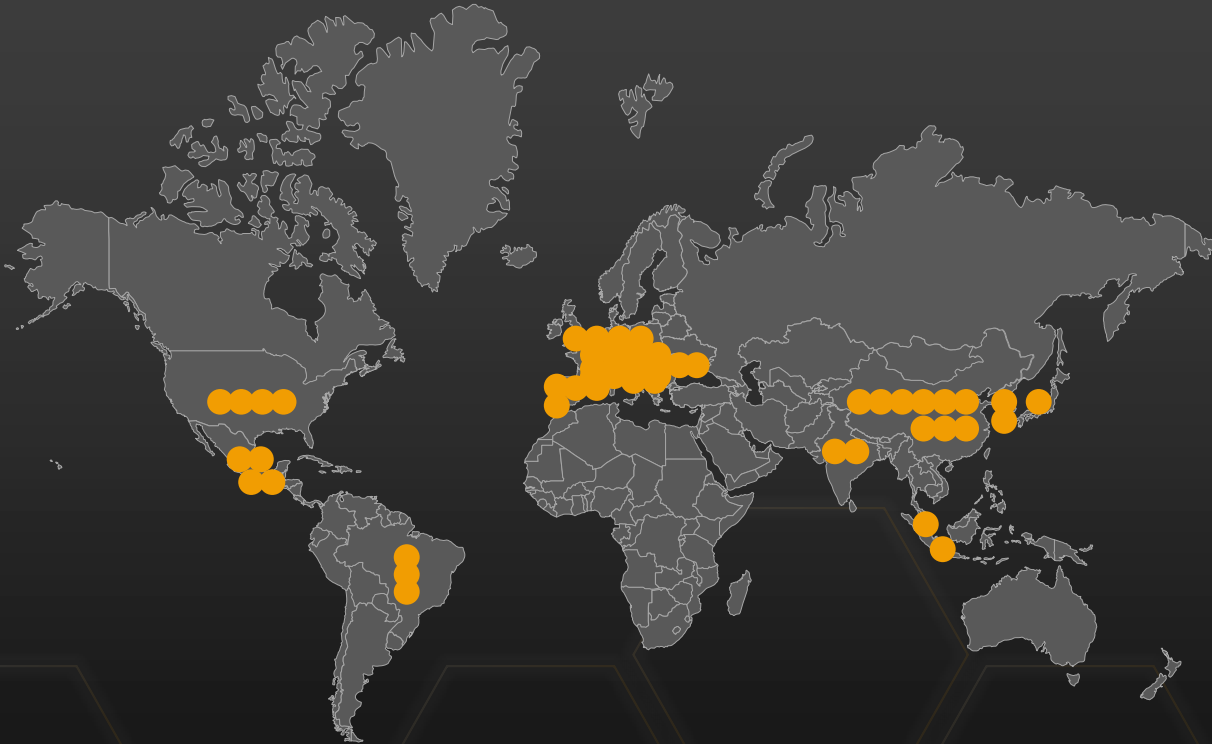


- Reduction of two organizational layers
- Bundling of activities
- Streamlining processes

Target: Cost reduction of ~€400 mn to be achieved by 2025

D **PERFORM** R&D Efficiency

Optimize R&D footprint



R&D re-organization

Increase best-cost share from
~60% of employees in 2023e to ~70% by 2028e

Transfer and strengthening of R&D in Asia / China

Consolidate R&D locations to reach calculated
average >700 headcount per location

Leverage reusable software modules

Target: Reduction of **R&D net** from ~12% of sales in 2023e
to **high single digits** mid-term

Automotive Mid-term Financial Outlook

Sales



~€26-29 bn

ROCE



>20%

Adj. EBIT¹ margin



~6-8%

Cash generation²



>45%

Creating value through market focus and technological leadership

¹ Before amortization of intangibles from PPA, changes in the scope of consolidation (only 2023e), and special effects.

² Cash generation defined as (EBITDA - Capex) / EBITDA, potentially excluding major one-time items. Considering current portfolio.

Automotive Clear Path to Value Creation

➤ We are the technology provider and system integrator of choice for the software-defined vehicle

➤ We are in the market for the market

➤ We strictly execute our 3-pillar strategy to drive profitable growth

We drive the future of mobility

Disclaimer **Capital Market Day 2023**

This presentation has been prepared by Continental Aktiengesellschaft solely in connection for the Capital Market Day on December 4, 2023, and the subsequent analyst and investor meetings . It has not been independently verified. This presentation as well as remarks/comments and explanations in this context do not constitute an offer, invitation or recommendation to purchase or subscribe for any shares or other securities issued or to be issued by Continental Aktiengesellschaft or any subsidiary (hereinafter jointly called “**Continental**”) and neither shall any part of it form the basis of, or be relied upon in connection with, any contract or commitment concerning the purchase or sale of such shares or other securities whatsoever.

Neither Continental Aktiengesellschaft nor any of its affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss that may arise from any use of this presentation or its contents or otherwise arising in connection with this presentation. This presentation, as well as remarks/comments and explanations in this context, includes assumptions, estimates, forecasts and other forward-looking statements, including statements about our beliefs and expectations regarding future developments as well as their effect on the results of Continental. These statements are based on plans, estimates and projections as they are currently available to the management of Continental. Therefore, these statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Furthermore, although the management is of the opinion that these statements, and their underlying beliefs and expectations, are realistic as of the date they are made, no assurance can be given that the expected developments and effects will actually occur. Many factors may cause the actual development to be materially different from the expectations expressed here. Such factors include, for example and without limitation, changes in general economic and business conditions, fluctuations in currency exchange rates or interest rates, the introduction of competing products, the lack of acceptance for new products or services and changes in business strategy.

All statements with regard to markets or market position(s) of Continental or any of its competitors are estimates of Continental based on data available to Continental. Such data are neither comprehensive nor independently verified. Consequently, the data used are not adequate for and the statements based on such data are not meant to be an accurate or proper definition of regional and/or product markets or market shares of Continental and any of the participants in any market.

Continental 

The Future in Motion