



# IOCHPE-MAXION


Earnings release – 2Q20 and 1H20 – August 14<sup>th</sup>, 2020

# The health of our employees remains our priority



- ✓ Resuming work safely following the protocols established by competent authorities of each location






**COVID-19:**  
**RETURN TO WORK**  
**HEALTH AND SAFETY**  
**WORKPLACE MEASURES**

MAXION  
PEOPLE MATTER

**COVID-19: HAND HYGIENE**




Frequently and thoroughly clean your hands with alcohol-based hand rub or soap and running water.

1. Hold your hands under running water
2. Apply soap to all sides
3. Rub hands for around 20 to 30 seconds
4. Rinse off under running water
5. Dry off using a paper towel

MAXION  
PEOPLE MATTER


**COVID-19: KEEP YOUR DISTANCE**



Practice social distancing keeping at least one meter between you and everyone else.

MAXION  
PEOPLE MATTER

**COVID-19: WEAR YOUR MASK**

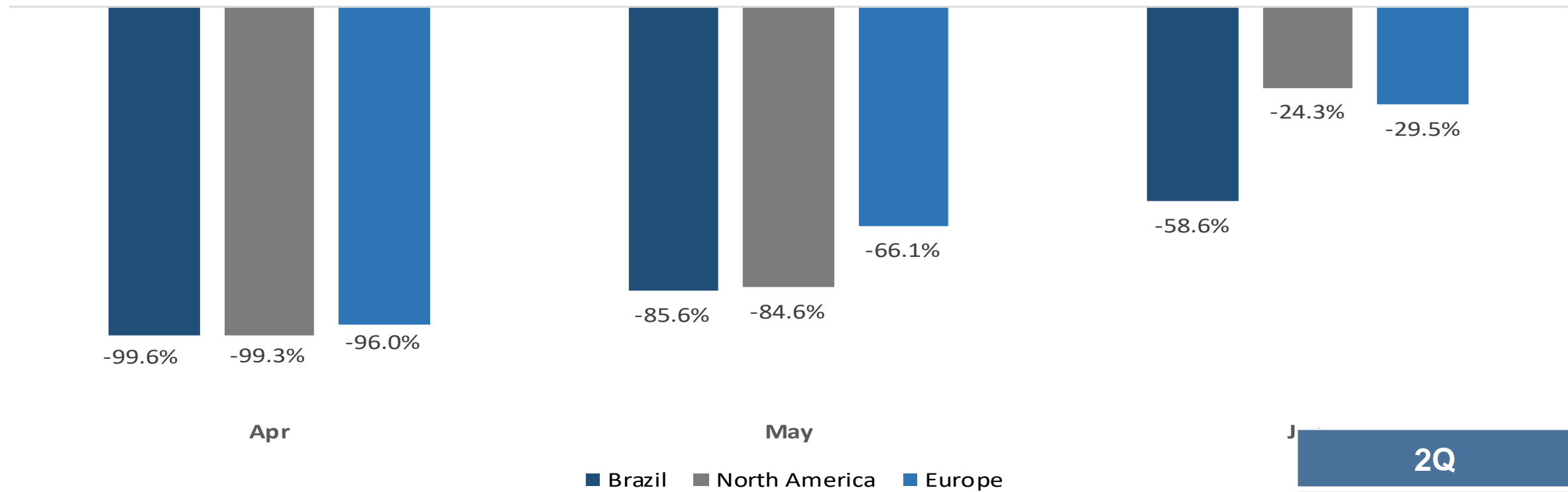


If required, wear a face mask covering your mouth and nose when working in close proximity to others as a precautionary measure.

MAXION  
PEOPLE MATTER

# Automotive market performance: an unprecedented quarter ...

Variation in monthly light vehicle production<sup>1</sup> – 2020x2019



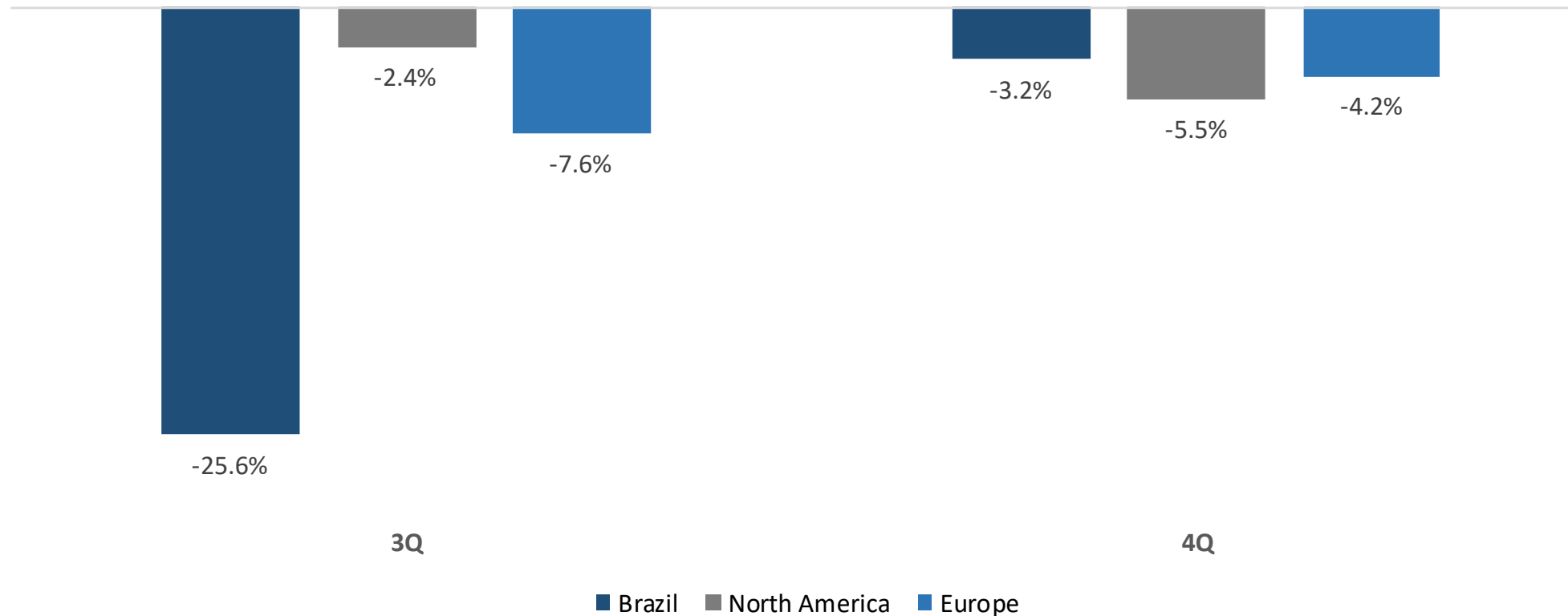
- Average drop of more than 60.0% in the 2Q20 in the world market (excluding China)
- The month of April was the most impacted with a gradual recovery in May and June

	2Q	Var.
Brazil		-82.3%
North America		-71.2%
Europe		-66.6%

<sup>1</sup> Source: ANFAVEA e IHS Automotive

# Signs of recovery in the second quarter - IHS *Automotive* forecast

## Light vehicle production variation forecast in 3Q and 4Q<sup>1</sup> – 2020x2019



- Recovery trend for the coming quarters
- Some regions show recovery of volumes above expectations
- Due to our geographical diversification, volumes for lochpe tend to follow the average recovery of the markets

<sup>1</sup> Source: IHS Automotive

# Covid-19 impacts and actions implemented by the Company

## 2Q20 e do 1H20 Highlights:

### Cash position and covenants

R\$ 1.4 billion in cash  
3x the amount of 2019

Renegotiation of covenants

### Adjustment of production capacity and production costs

8.0% reduction in jobs in 1H20

North American restructuring

### Reduction in operating expenses

Reduction of 19.1%<sup>1</sup> in 2Q20

### Investments

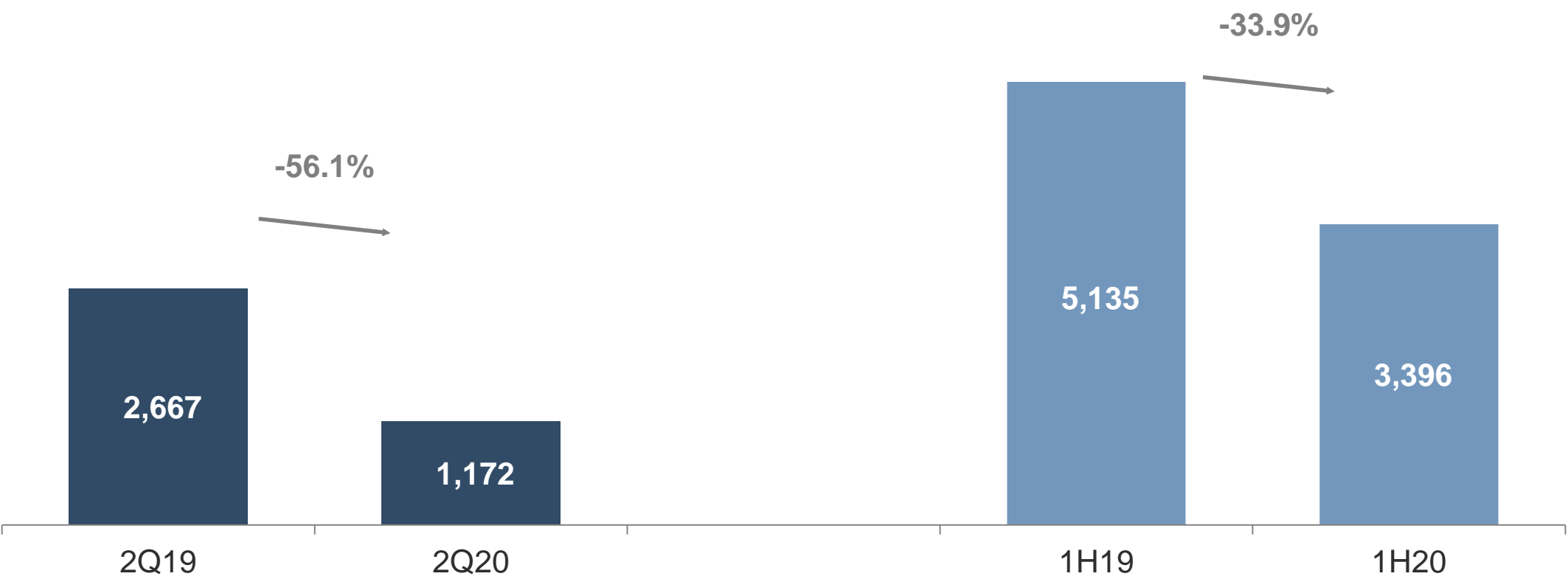
41.6%<sup>1</sup> reduction in 2Q20

- ✓ 56.1% reduction in net operating revenue in 2Q20 and 33.9% in 1H20
- ✓ Net debt of R\$ 3,636.2 million in 2Q20 (R\$ 2,640.5 million in 2Q19). Financial leverage (net debt/adjusted EBITDA<sup>2</sup> of the last 12 months) represented 5.8x at the end of 2Q20

<sup>1</sup> Excludes exchange rate variation in the period

<sup>2</sup> Excludes expenses with restructuring and impairments.

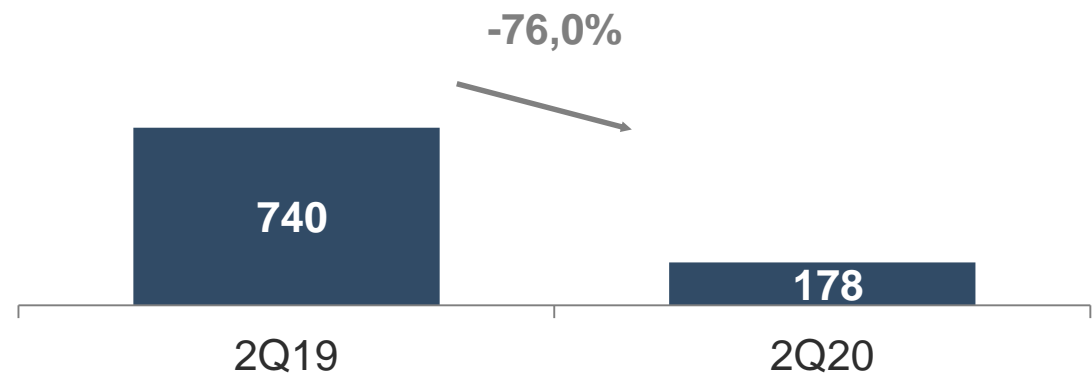
# Consolidated Net Operating Revenue - R\$ million



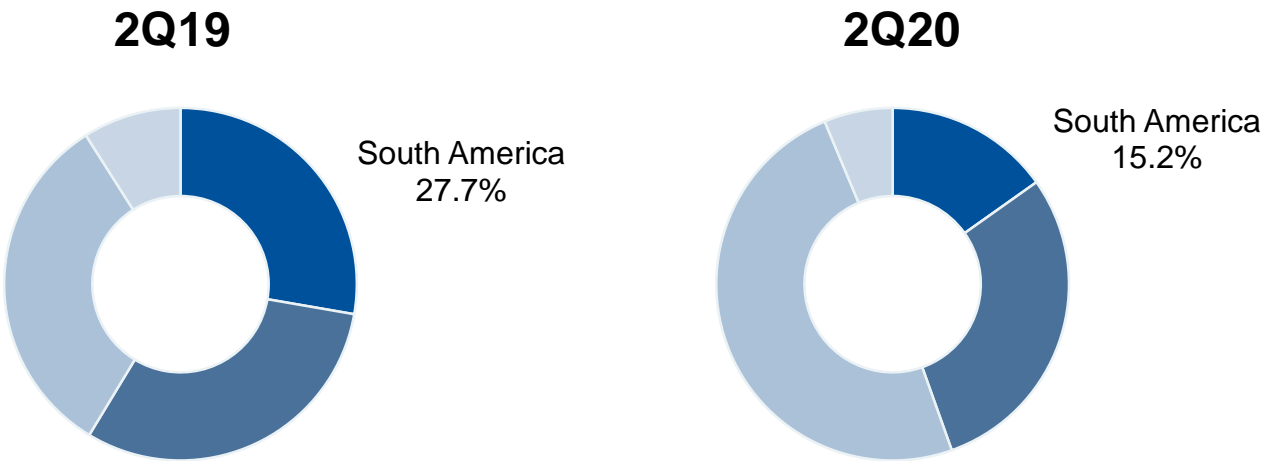
- Drop in vehicle production volume in the main operating markets of the Company

# Operational Performance – South America

Net Operating Revenue – R\$ million



Participation in consolidated Net Operating Revenue – (%)



Market performance<sup>1</sup> – vehicle production

	2Q19	2Q20	Var.
Light vehicles	737,875	130,587	-82.3%
Commercial vehicles	38,583	13,048	-66.2%
Total	776,458	143,635	-81.5%

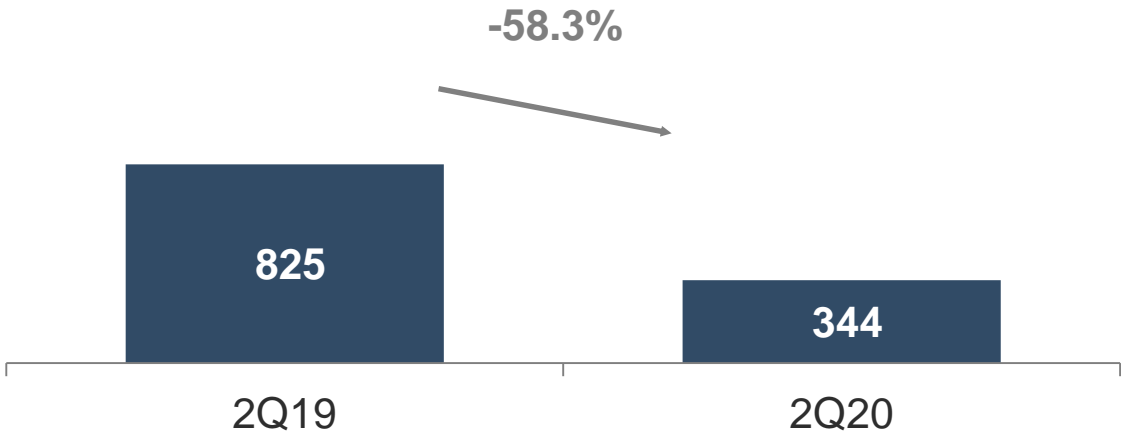
- Sharpest drop in light vehicle production
- Resumption of vehicle production slower in Brazil
- Covid-19 cycle started later compared to Europe and Asia

<sup>1</sup> Source: ANFAVEA

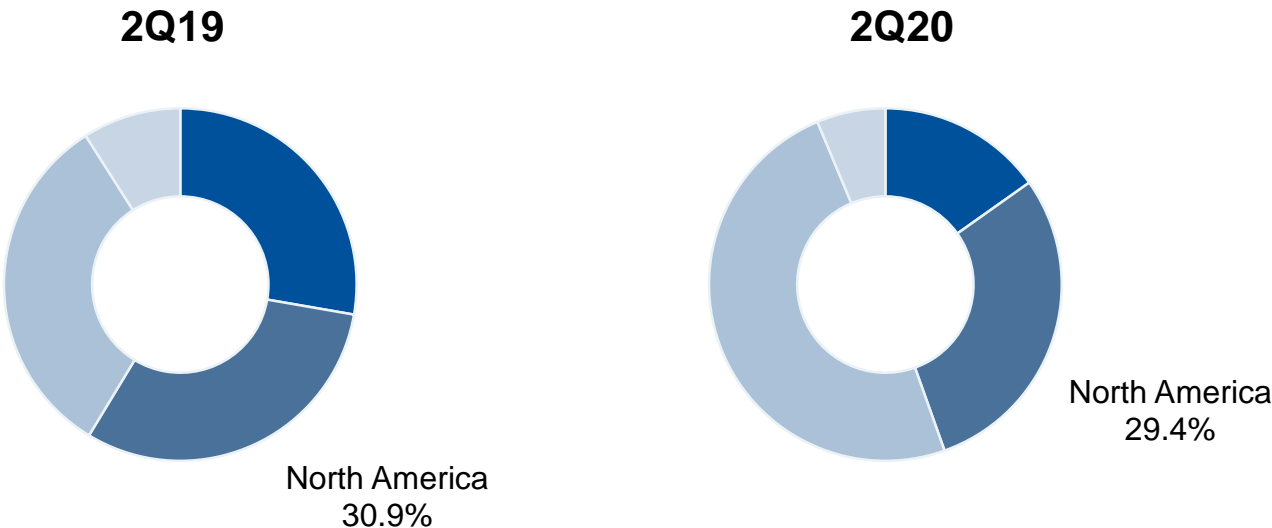


# Operational Performance – North America

## Net Operating Revenue – R\$ million



## Participation in consolidated Net Operating Revenue – (%)



## Market performance<sup>1</sup> – vehicle production

	2Q19	2Q20	Var.
Light vehicles	4.244.667	1.221.919	-71,2%
Commercial vehicles	177.630	45.881	-74,2%
Total	4.422.297	1.267.800	-71,3%

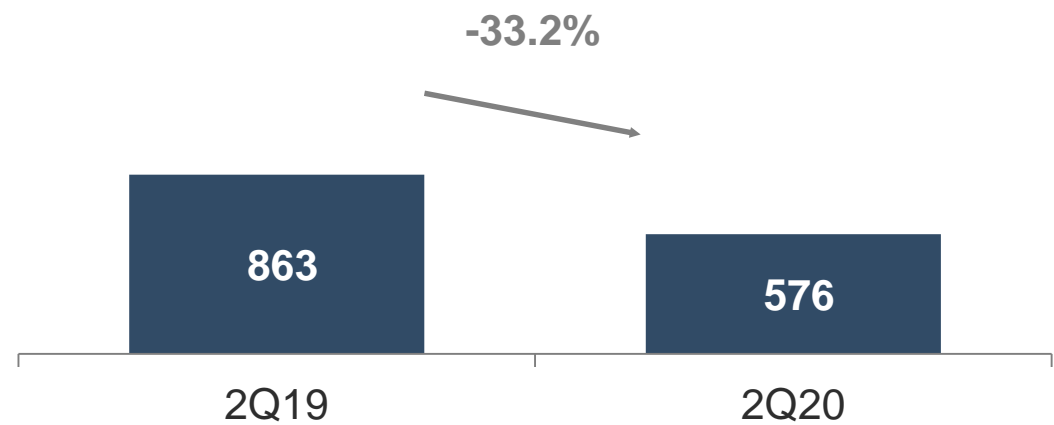
- Pandemic exacerbated drop in commercial vehicle production for 2020
- Faster than expected recovery during the quarter

<sup>1</sup> Source: IHS light vehicles and LMC commercial vehicles

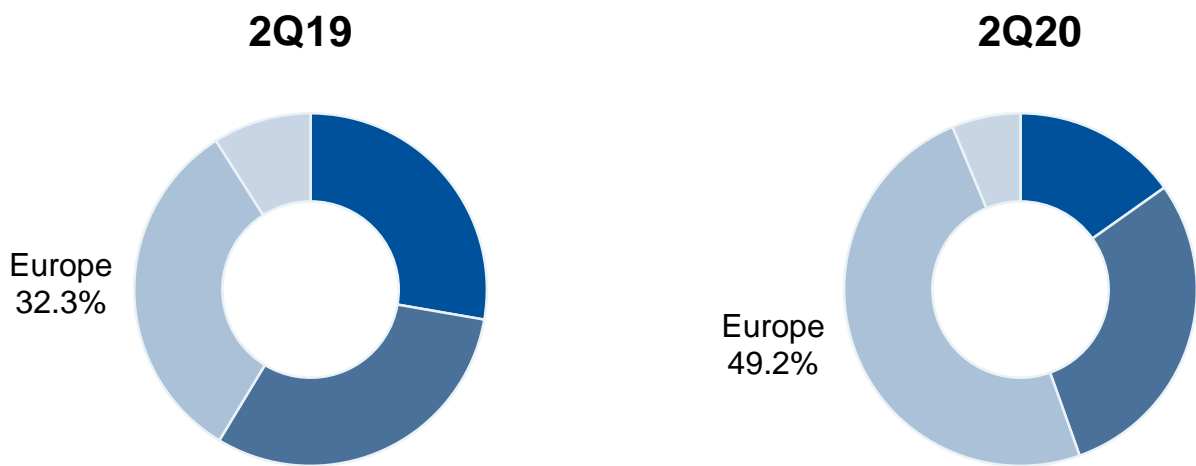


# Operational Performance – Europe

## Net Operating Revenue – R\$ million



## Participation in consolidated Net Operating Revenue – (%)



## Market performance<sup>1</sup> – vehicle production

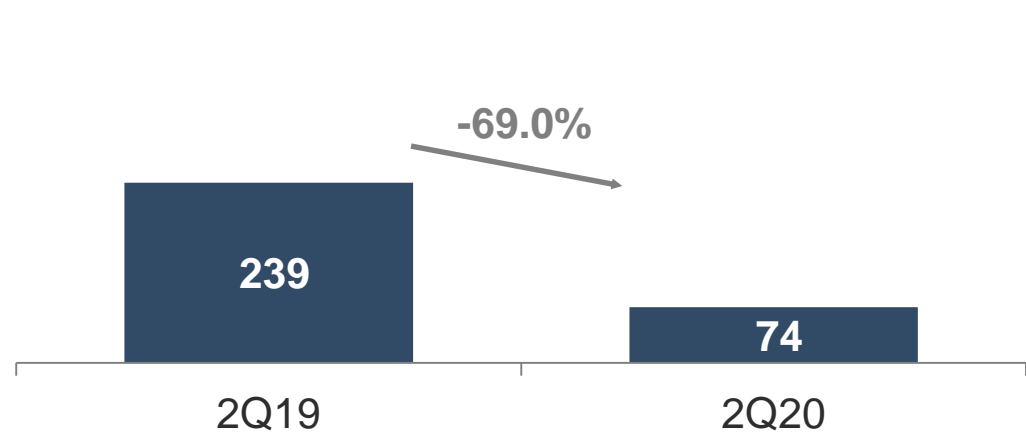
	2Q19	2Q20	Var.
Light vehicles	5,115,285	1,710,453	-66.6%
Commercial vehicles	139,964	50,598	-63.8%
Total	5,255,249	1,761,051	-66.5%

- Region with the lowest reduction in vehicle production
- Faster than expected recovery during the quarter

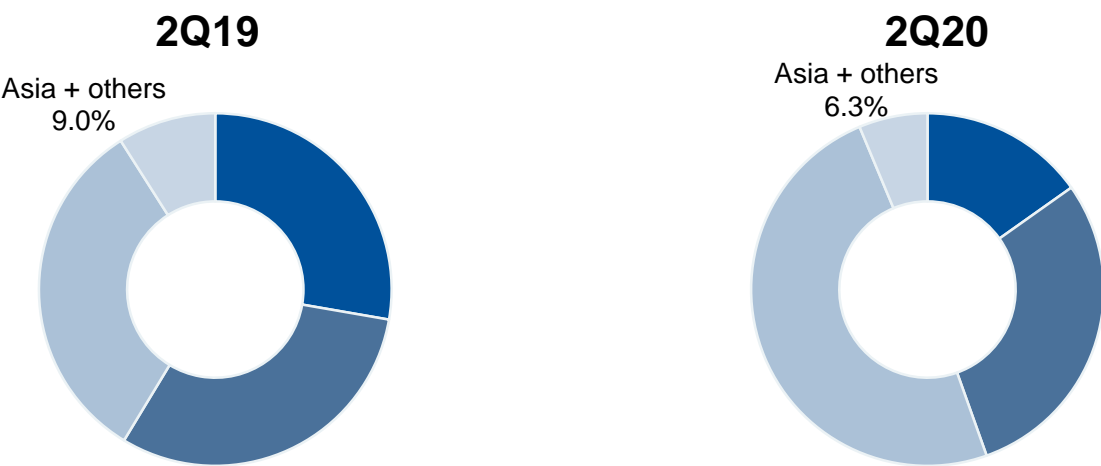
<sup>1</sup> Source: IHS light vehicles and LMC commercial vehicles – considers EU27 + Turkey

# Operational Performance – Asia + Other<sup>2</sup>

## Net Operating Revenue – R\$ million



## Participation in consolidated Net Operating Revenue – (%)



## Market performance<sup>1</sup> – vehicle production

	2Q19	2Q20	Var.
India - LV	1,042,407	150,851	-85.5%
India - CV	112,598	50,182	-55.4%
Thailand - LV	499,061	152,369	-69.5%

- Most significant reduction in light vehicle production in India

<sup>1</sup>Source: IHS light vehicles and LMC commercial vehicles

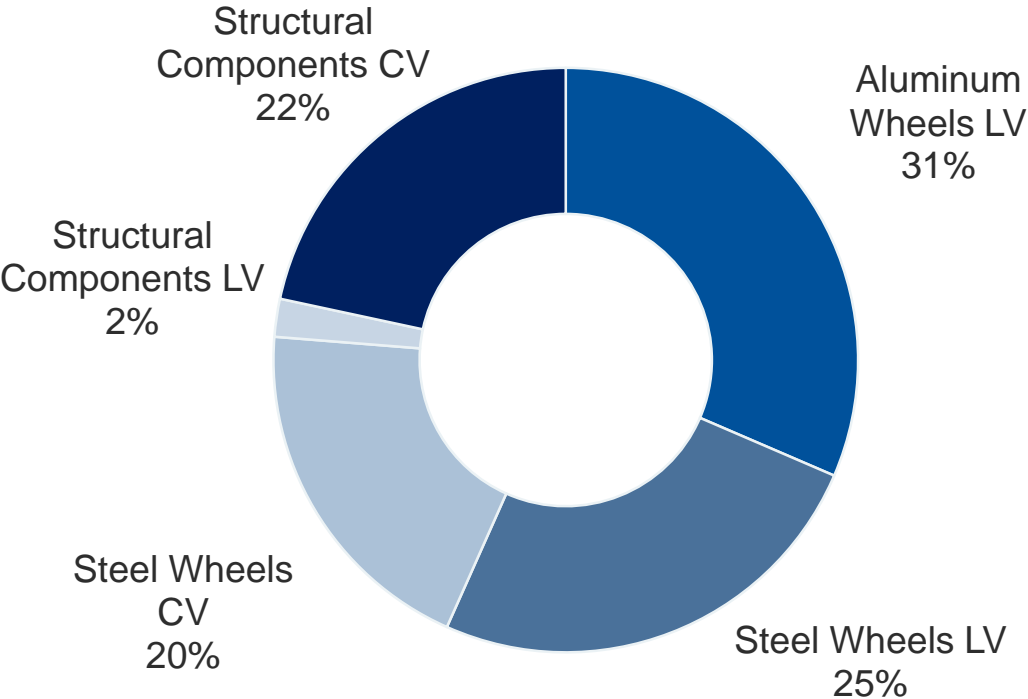
<sup>2</sup> Considers plants located in Asia + South Africa

LV: light vehicles

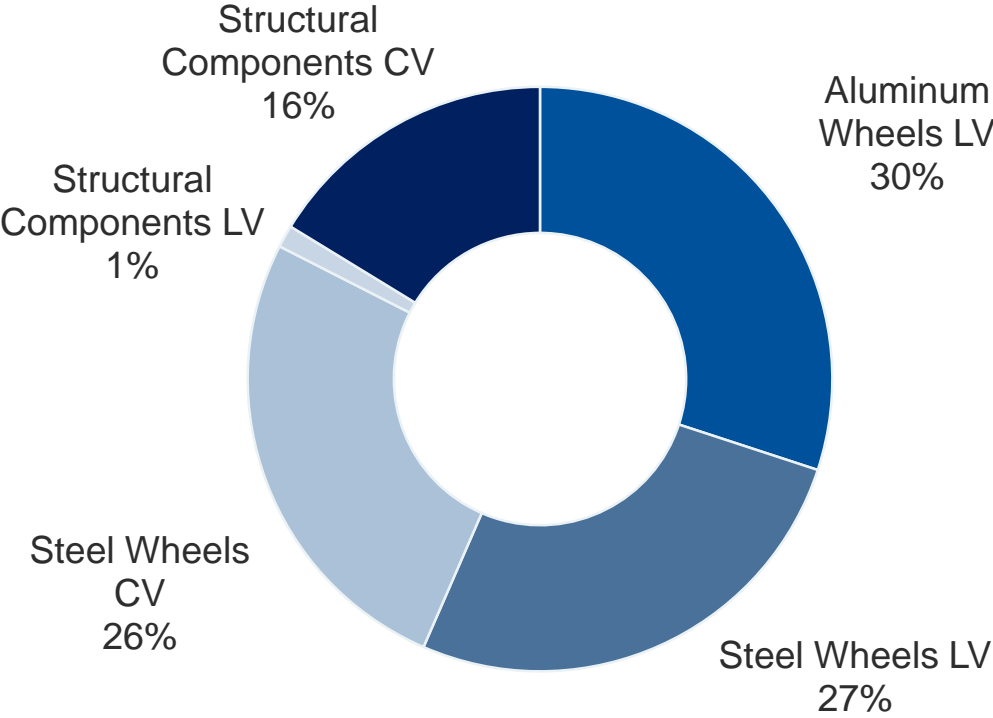
CV: commercial vehicles

# Net Operating Revenue by product (%)

2Q19



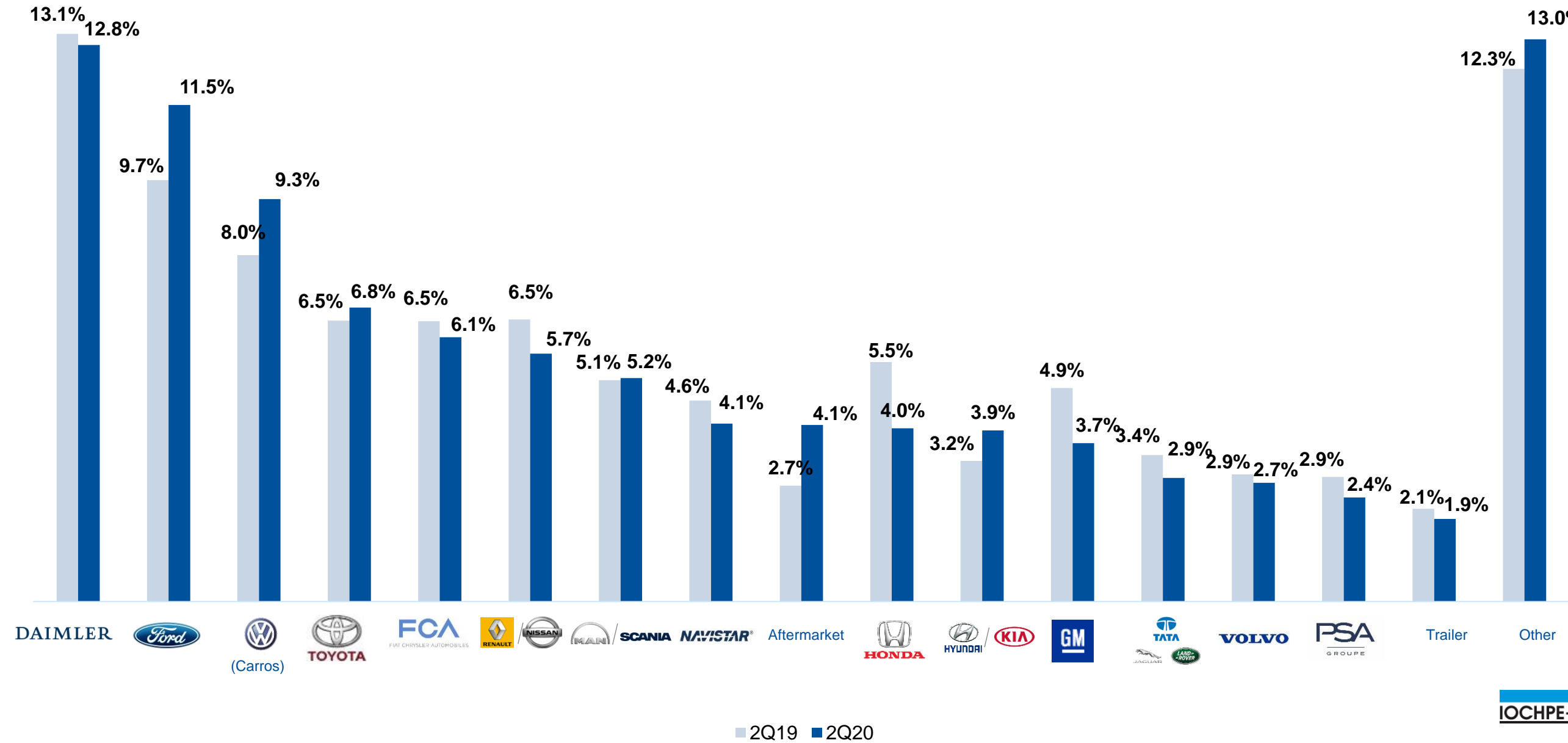
2Q20



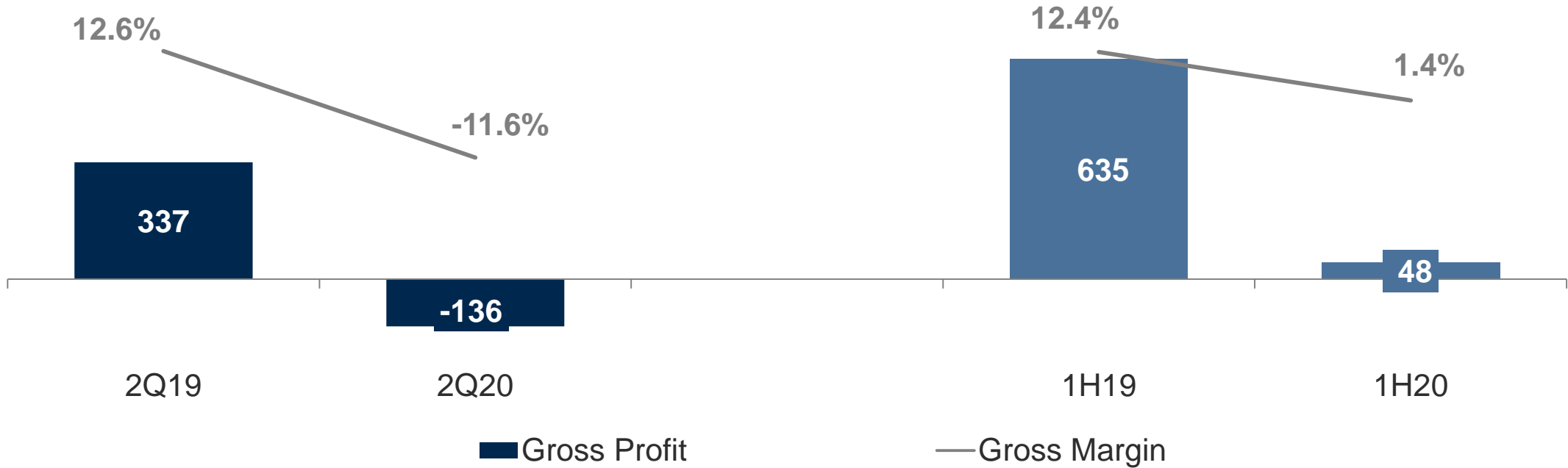
LV: light vehicles  
CV: commercial vehicles

# Net Operating Revenue by customer– (%)

Clients	2Q19	2Q20
Top 1	13%	13%
Top 5	44%	46%
Top 10	68%	70%

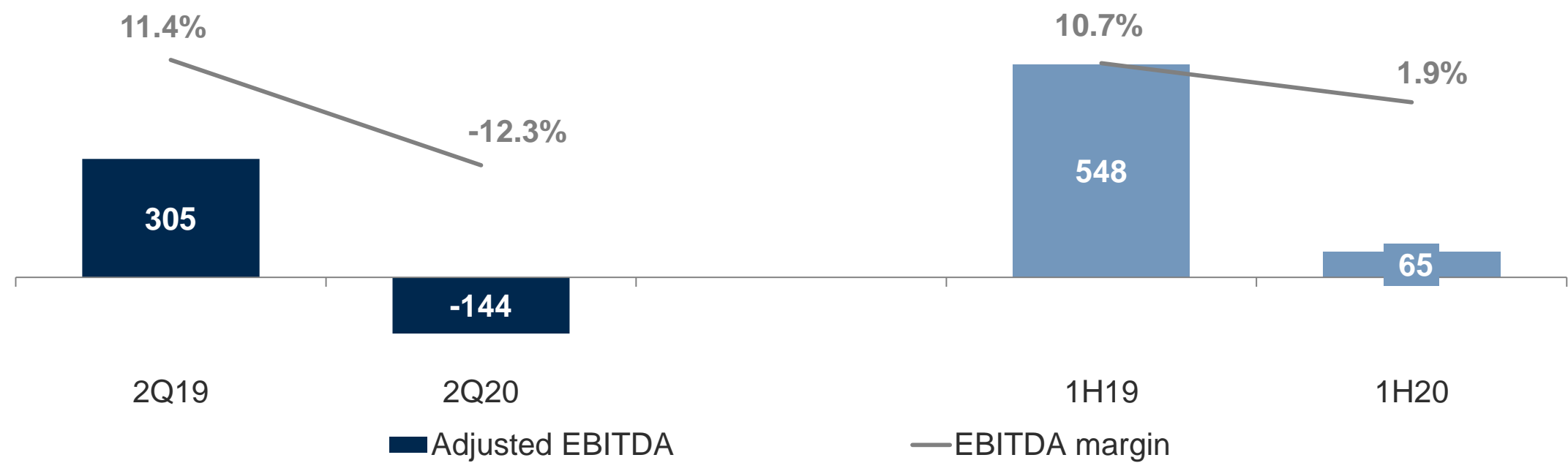


# Gross Profit (R\$ million) and gross margin (%)



- Significant drop in the volume of vehicle production in the main markets in which the Company operates, impacting operating leverage

# Adjusted EBITDA<sup>1</sup> (R\$ million) and EBITDA margin (%)

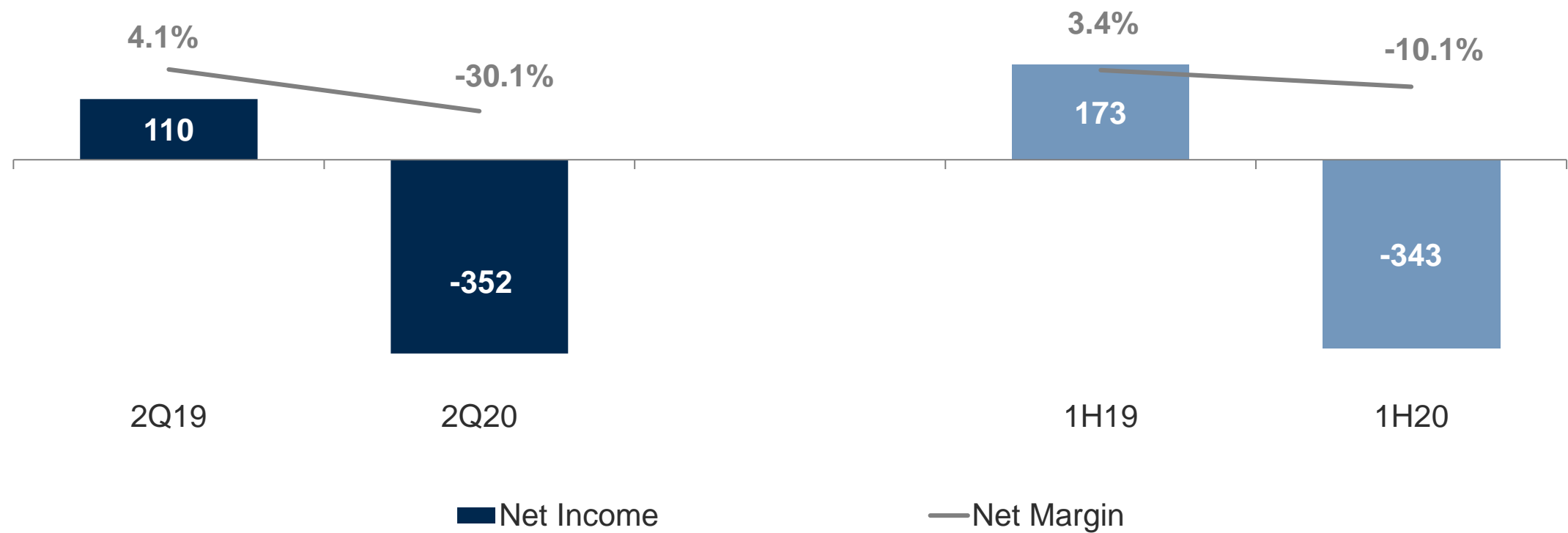


Restructuring Effects and Impairments <sup>1</sup> - R\$ million	
2Q20	55.1
2Q19	0.3
1H20	60.0
1H19	0.9

- EBITDA 2Q20: R\$ -199.5 millions
- EBITDA 1H20: R\$ 5.4 millions

<sup>1</sup> Excludes the effects of restructuring and impairments.

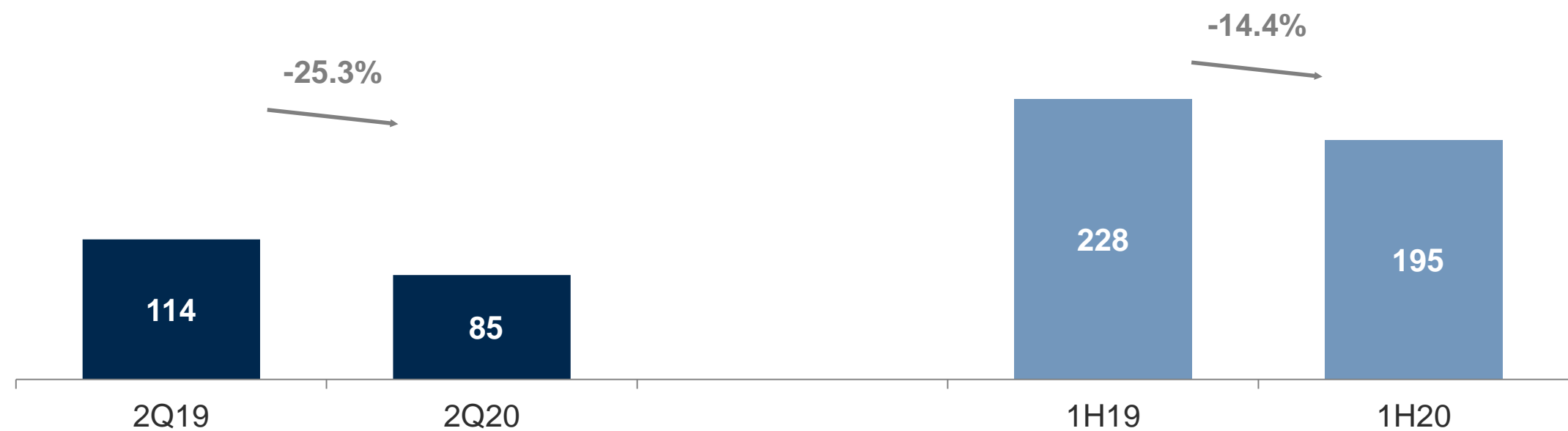
# Net income (loss) (R\$ million)



- Excluding the effects of restructuring and impairments, the loss in 2Q20 would have been R\$ 297.3 million and R\$ 283.2 million in 1H20.



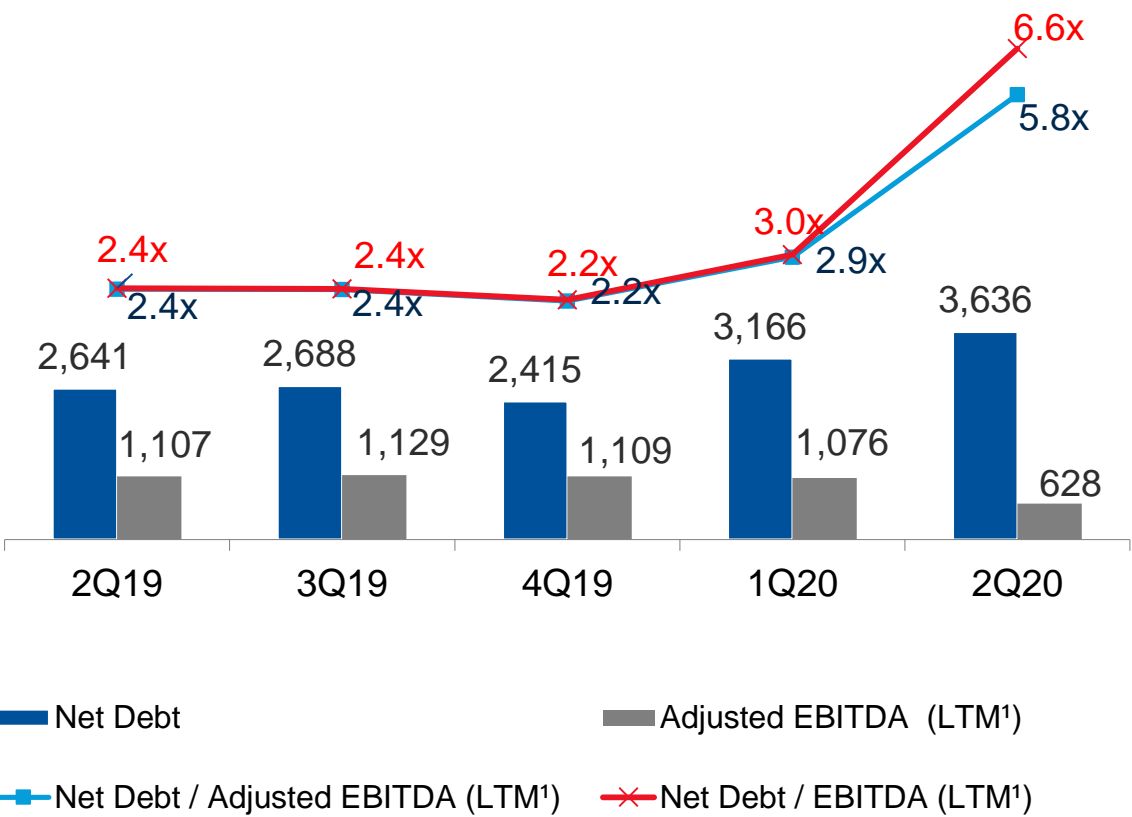
# Investments - (R\$ million)



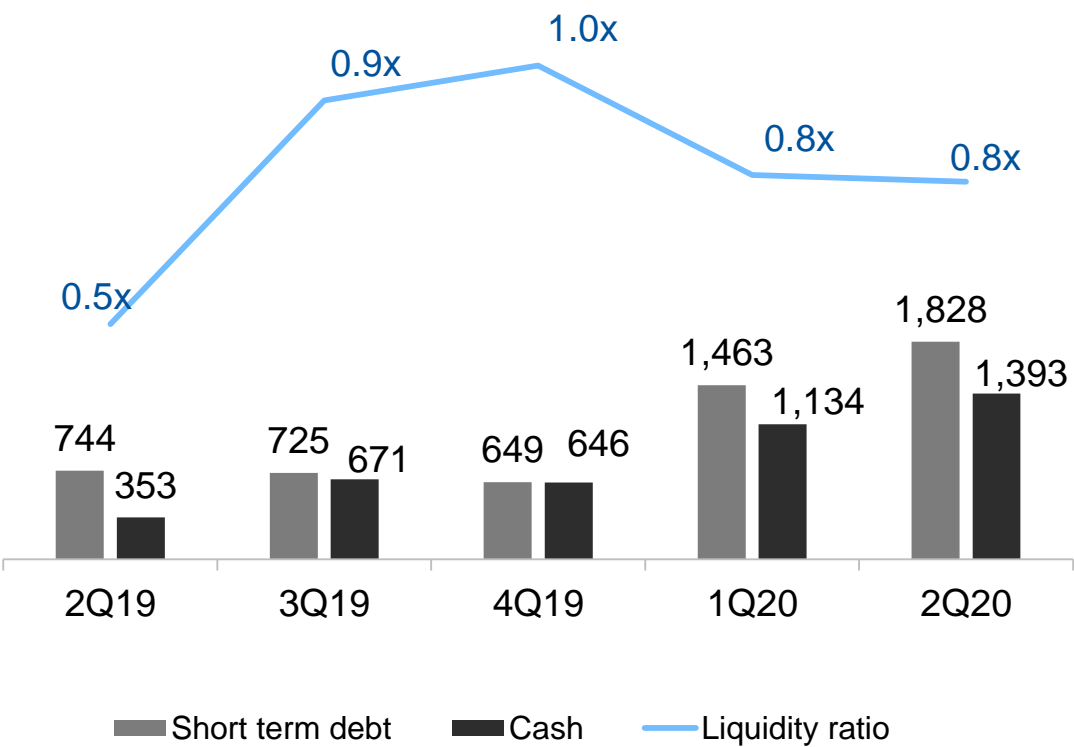
- Excluding the effect of exchange rate variation, the reduction in investments would have been 41.6% in 2Q20 and 27.8% in 1H20
- Main investments in the period related to health and safety, maintenance and productivity improvement

# Financial leverage and liquidity ratio

Leverage - net debt/ Adjusted EBITDA



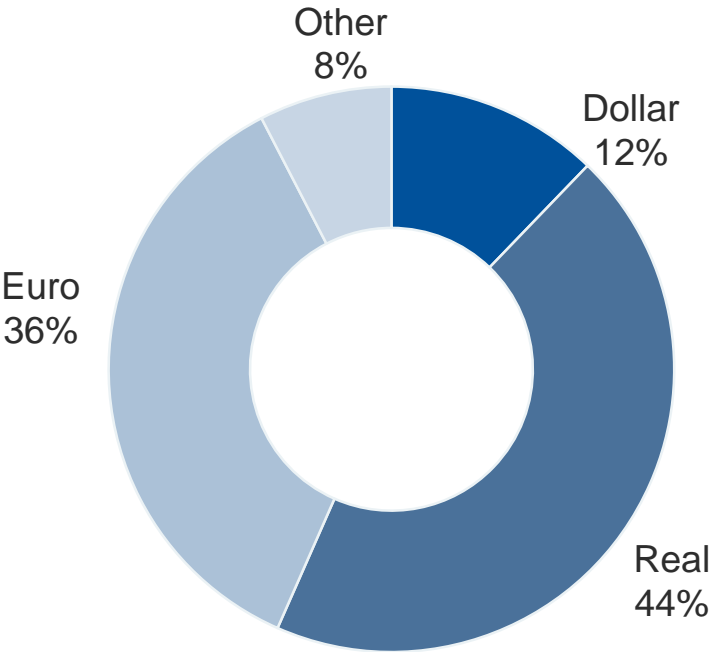
Liquidity ratio – cash/ short-term debt



¹LTM: last twelve months  
Adjusted EBITDA: excludes restructuring and impairments

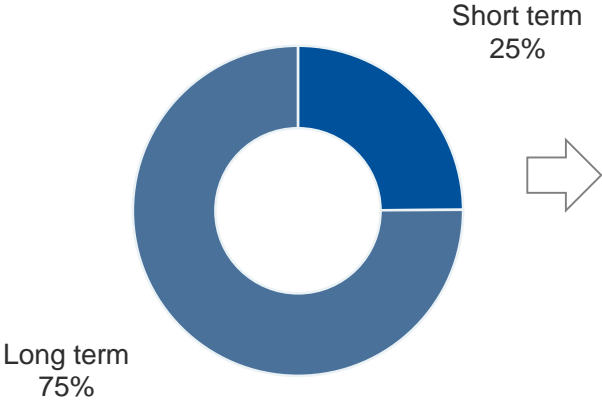
# Indebtedness (R\$ million)

Gross debt breakdown



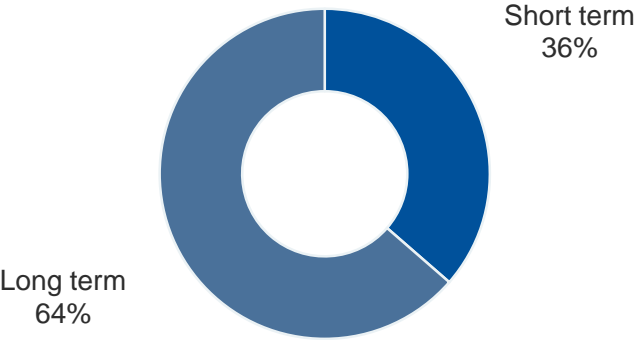
	2Q19	2Q20	Var.
Dívida Bruta	2,993.6	5,028.7	68.0%
Caixa	353.0	1,392.6	294.5%
Dívida Líquida	2,640.5	3,636.2	37.7%

2Q19



Average cost: 5.3% p.a.

2Q20



Average cost: 3.8% p.a.

# New businesses in structural components and wheels

## ✓ New contracts during 2Q20:

- Aluminum wheels for electric car manufacturers (EVs) in North America and Europe
- New structural components (stamping parts) for commercial vehicles in Brazil and Mexico
- Steel wheels for commercial vehicles in China



EVs



Stamping parts

## ✓ Recent Awards:

- Honda in Brazil: “Logistic & Quality Excellence”
- General Motors in India: “Supplier Quality Excellence Performance”
- John Deere in Brazil: Quality and Delivery Performance”
- General Motors in Brazil: “Supplier Quality Excellence”
- Mercedes in Brazil: “Prêmio Interação”



Honda in Brazil



GM in India



Mercedes in Brazil



# IOCHPE-MAXION