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C: Bernard Schäferbarthold; HELLA GmbH & Co. KGaA; CFO
P: Christoph Laskawi - Deutsche Bank AG, Research Division – Research Analyst
P: Sanjay Bhagwani BofA Merrill Lynch, Research Division – Quantitative Strategist
P: Sascha Gommel - Jefferies LLC, Research Division – Equity Analyst
P: Akshat Kacker - JP Morgan Chase & Co, Research Division – Analyst
P: Victoria Greer – Morgan Stanley Research Division – VP
P: Operator

COMPANY EDITED TRANSCRIPT

Operator: Welcome to the HELLA's investor call for the first half year 2021. The call will be hosted by Dr. Rolf Breidenbach, CEO; and Bernard Schäferbarthold, CFO. (Operator Instructions) For your information, this call will be recorded. May I now hand you over to Dr. Rolf Breidenbach, the CEO.

Rolf Breidenbach: Yes. Ladies and gentlemen, good morning to all of you. Thanks a lot for dialing in, and sorry for the short delay.

Welcome to the HELLA investor call on our half year results for the fiscal year 2020/2021. First of all, I would like to wish you a happy and above all healthy new year. Also a warm welcome on behalf of my colleague and our CFO, Mr. Schäferbarthold. Before we quickly go through our presentation, allow me to make some general remarks on our current business situation and the market outlook.

Let us begin with our business situation. With the publication of the financial results for the first half of the fiscal year 2020/2021 we confirm the preliminary statements we have made some weeks some ago in early December. And we had a, yes, very good start into the current fiscal year and achieved satisfactory results in the first half. Sales and earnings were better, much better than expected at the beginning of the fiscal year.

Despite a still very challenging market environment, our currency and portfolio-adjusted sales decreased only very moderately by 2.5%. Main reason for this was a very strong second quarter. All segments developed stronger in this quarter. Thus, our sales grew in Q2 by 4.7% on an adjusted basis.

Main driver for this growth was our Automotive segment. Here, we started to outperform the overall light vehicle production again. This is mainly due to increasing ramp-ups of projects so that the ratio of production ends and launches develops favorably in the second quarter. This leads to improved worldwide growth dynamics with several launches in the area of especially energy management, ADAS and headlamps.

Especially in China, we improved our performance. In Q1, we had an underperformance of around 12.8% in China. In Q2, we were at a level only of minus 1.2%. Also Europe developed very positively in the second quarter with continuing growth and stronger outperformance. And the sales in North and South America remained pretty much at the prior year level and also show a constant outperformance.

As we said a few months ago, we expect that our outperformance will now gradually increase. Due to numerous ramp-ups in the upcoming months, we expect that we again will outperform the global automotive market for the full fiscal year. And we think the same is true for the selective Chinese market.

And the segments, Aftermarket and Special Applications, were both also negatively affected by the weak market environment due to the corona crisis. After a very weak first quarter, especially for the spare parts business, the Aftermarket could recover in the second quarter with sales above the prior year's level.

Especially the workshop business shows resilience and stronger performance with increasing investment activities of the independent workshops. The Special Applications segment shows a relative stable sales development with positive impetus, especially from the agriculture product group. Overall, yes, we are satisfied with our top line development during the first half of the current fiscal year.

On the profitability side, we are also quite satisfied. We are now benefiting from the fact that we have set the right priorities in the past, for example, by implementing a very stringent cost control program worldwide more than 2 years ago. This early cost and efficiency management is now, from our perspective, paying off today. As a result, in the first half of the fiscal year 2020/2021, our adjusted EBIT margin increased to 8.7%. The key driver of this increase was also the rise in sales in the second quarter.

To further improve our cost basis, which is mid- and long term important for our competitive position and thus secure our leading industry position, we also, of course, continued to drive forward the structural measures we announced last July for our German locations. As commented in December, we made very good progress in Lippstadt. Our target is to reduce the headcount in our headquarters by 900 position until end of calendar year 2023. We concluded an agreement with the workers' council on a part-time retirement program. This is now being rolled out. In addition, we have also started discussions on a voluntary severance program.

I also would like to make, yes, a short comment on the cash flow before Mr. Schäferbarthold will give you further details. We had a strong outflow in cash at the beginning of this fiscal year. This is connected with the beginning normalization of cash flows and with the start of CapEx, which we have stopped before. We discussed this, I think, very openly. And we predicted that we would see a significant improvement during the fiscal year. The strong cash flow development in the second quarter proved that. And we continue to expect positive adjusted free cash flow development in the following quarters to come.

Looking at the expected market development. For our current fiscal year, we see that the IHS figures improved step-by-step since July 2020. So IHS is currently expecting a growth of the global lighting vehicle production by 11.5% for our fiscal year 2020/2021. This growth comes from a better-than-expected first half as well as a stronger recovery in the second half. For that period, IHS assumes further volume growth by more than 30%.

Against this background of the improved market outlook and our strong current trading, we are now somewhat more optimistic about the future. Therefore, we raised our company outlook for the full fiscal year 2020/2021 already in December. Thus, we expect currency and portfolio-adjusted sales in the range of around EUR 6.1 billion to EUR 6.6 billion. And we expect an adjusted EBIT margin in the range of around 6% to 8%.

Added to this is the expected income of approximately EUR 100 million before taxes from the sale of the camera software business to Car.Software Org of Volkswagen, which was initiated in September. This effect will increase our adjusted EBIT. The process has been, from our perspective, very

successful so far, and we expect the closing end of January. The company outlook is based on the assumption that there will be no material impact on HELLA's business as a result of the prolonged COVID-19 lockdown.
Despite the current market recovery, the automotive market is still associated with extraordinary high risk. First, the development and the further consequences of the COVID-19 pandemic cannot be foreseen. We do not know how the pandemic will develop, what's the influences on consumer behavior will be. The current IHS from mid-December does not, or from our perspective at least, not fully take into account new lockdowns that have recently been adopted in Germany, for example.
Second, there's also still the risk that regional lockdowns and disruptions in our production network or supply chain might occur. Third, we are seeing increased risk that may result from possible material bottlenecks in the global supply chains. Especially, the bottlenecks with regards to electronic components and microchips have significantly increased as we commented already in December. This will remain an important challenge for the whole automotive industry and could have a significant impact on production volumes in the coming months and quarters.
Having said that, let me now move to Page 4 of our presentation, starting with our financial results. Our currency and portfolio-adjusted sales decreased, as I said, by 2.5 percentage. This is, with regard to the general overall market development from our perspective, a satisfying development. Our adjusted EBIT increased by around 6% to EUR 269 million. Thus, our adjusted EBIT margin is at a level of 8.7%. This is an improvement of around 1 percentage point compared to the previous year.
Our reported EBIT margin is at a level of 3%. Although we had to take into account provisions for restructuring measures in Germany in the first quarter, our reported EBIT margin for the overall period is positive again. This is due, of course, to the strong earnings development in the second quarter. Our adjusted free cash flow declined by EUR 143 million to minus EUR 17 million. We already discussed in our last call the swing in working capital after the unusual low level at the end of our last fiscal year.
Coming to the overall market development and our performance in the different regions. As you see, our outperformance in Europe was quite solid.

We outgrew the market by around 3 percentage points due to the ongoing project ramp-ups and the higher volumes in East Europe. In North and South America, we outperformed the market by around 2%. In Asia and the rest of the world, we still underperformed the market by 2.7 percentage point. This is mainly due to China, where we underperformed by around 6 percentage points with a visible improvement, as I already mentioned, in the second quarter.

So all in all, on the global level, our Automotive business underperformed the market by 1.1 percentage points in H1. Compared to the first quarter, you see the improvement we predicted during our investor call in September. And we expect to outperform the market for the full year.

Yes. Having said this, allow me now to hand over to my colleague, our CFO, Mr. Schäferbarthold.

Bernard Schäferbarthold: I would continue our presentation on Page 7. Sales is, as said, at EUR 3.16 billion as we also have preannounced it already in December. Compared to previous year, the FX effect is negative, especially with the weaker U.S. dollar to the Euro in comparison to previous year. We adjusted previous year reported sales due to the disposal of our Aftermarket business related to thermal products. The disposal of our relay business is not adjusted. This business was EUR 19 million business last year in the first half of the year.

Positively, the sales development in the second quarter increased by 2.6%. All 3 segments in the second quarter were at least on prior year level or above in terms of our sales development. And this overall was better than expected. In addition, we were again able to outperform the market in the second quarter slightly. We said that we expect in the further quarters to come to improve the outperformance again. And this also we expect in the upcoming quarters.

We expect in the second half a positive momentum in terms of sales development, especially out of new launches. The risks coming from the pandemic and the mentioned shortages in the supply chain mentioned by Mr. Breidenbach are high and make honestly a clear outlook for the upcoming months very difficult. At least what I can say is that the month of December was good and in line with our expectations.

Coming to Page 8. Our gross profit decreased to EUR 781 million. Main reason for that are lower sales overall in H1 and especially additional costs related to the ramp-up of all our plants in Europe and NSA at the beginning of our fiscal year 2020/21. The overall underutilization, the high volatility and demand planning at the beginning of our fiscal year and all COVID-19-related measures to protect our people led to higher costs, which impacted also our gross profit margin.

The good thing is that our gross profit margin in the second quarter increased decently again back to 26.3%. And in the second half, we expect with the ongoing pandemic situation and the bottlenecks and the risks in the supply chain a higher volatility again in terms of our production and especially also production scheduling.

Coming to Page 9. R&D expenses are EUR 33 million lower in comparison to previous year. We focused very much on activities related to serious development and production ramp-ups in the first month of our fiscal year. We started now in the second quarter additional R&D activities, like improvement projects to maintain our competitiveness also in the upcoming years. Our R&D ratio decreased to 9.6%. And we expect our R&D ratio to increase slightly for the full year with the restart I mentioned.

The SG&A ratio, on the next page, decreased to EUR 234 million. On one hand side, we have here also already mentioned in December the positive effect of the reversal of an impairment of EUR 19 million positively in that number regarding our Korean joint venture. In addition, the very stringent cost discipline led to lower expenses, especially in sales, marketing but also in administration. Overall, the SG&A ratio decreased by 1.3 percentage points to 7.5%. Overall, we expect SG&A ratio to increase slightly for the full year.

Coming to Page 11. Here, you can see the decrease in headcount we did in comparison to previous year. The decrease is roughly in line with the decrease in sales we had for the first half of our fiscal year. We will continue to strengthen the competitiveness of our organization in the upcoming quarters and years. As mentioned also by Mr. Breidenbach, we are making good progress in terms of our reduction plans in Lippstadt, respectively, Germany. This will also lead to reductions in the upcoming quarters and years in Germany, in the region Europe, which now are not reflected in the numbers you can see here. But as already said, we will not only focus here on Germany, we will also continue globally to work on the efficiency and productivity of our organization in the future.

Coming to Page 12. Our adjusted EBIT is at EUR 269 million. The EBIT margin increased to 8.7%. The strong sales development in the second quarter with a continuous cost saving led to this, from my perspective, a strong result. In H2, we expect the cost run rate to increase with, on one hand side, also lower short-time work in Germany and the restart of activities, as said, to secure our business also in the upcoming future. On the other hand side, sales development can go both sides depending on the market development and the further development of the pandemic and also risks we are seeing in the supply chain. If the market development would remain as predicted, we would assume in H2 to be around the upper end of our EBIT guidance we have published for the full fiscal year.

The reported EBIT is at EUR 94 million. The adjustments were mostly related to our program in Lippstadt, respectively, Germany. And we already booked the expected expenses in the first quarter of our fiscal year for that program. There was no major change to the amount of expected restructuring costs in the second quarter. We do not expect further significant adjustments in the upcoming next quarters of our fiscal year 2020/21.

On Page 14, selected highlights on the second quarters related to sales growth and adjusted EBIT margin performance. The second quarter showed again a stable growth development in all 3 segments of our business. The profitability was at a record level, as already mentioned, with strong improvements in all segments in comparison to previous year.

Coming to Page 15. Our free cash flow was still slightly negative end of November. The recovery in Q2 was very strong and even better from what we expected despite the fact that CapEx slightly increased with the CapEx shift from prior fiscal year. We continue to expect, as said, in earlier calls, a positive free cash flow development in the upcoming quarters of our fiscal year. With the end of December now, I can say that we are now again back positive overall in free cash flow.

Looking at the segments. Automotive sales are lower in comparison to previous year. As you know, no FX adjustments are reflected in these numbers. The profitability in Automotive increased to EUR 218 million, respectively, 8.1%. Aftermarket had a slightly negative sales development as well in H1. Profitability increased decently with a better gross profit margin due to a better product mix and cost savings. Special Applications was stable in terms of sales. Profitability was slightly lower, but from my perspective, still at a solid level.

Having said that, I'm happy to take your questions after the end of the presentation. I now hand back over to Mr. Breidenbach with the outlook.

Rolf Breidenbach: Yes. Thank you very much. You can see at Page 19 more details with regard to the IHS figures. What is clear is that IHS expects a significant growth of the market now in our Q3 but especially in Q4. Overall, they now see a market growth of around 11.5%, and they see growth in all the regions: Europe, plus 10.1%; North and South America, plus 17.4%; and Asia, including China and rest of world, plus 9.8%. Especially, the growth in China with 17.2% is, of course, tremendous.

At Page 20, again you can see our changed guidance. As already said, we now see, with regard to the currency and portfolio-adjusted group sales, a range of EUR 6.1 billion to EUR 6.6 billion. The adjusted EBIT margin, excluding restructuring, the expected income from the sales of the camera software business and portfolio effects we see it in a range of 6% to 8%. As already commented, the market environment will remain, from our perspective, very volatile.

And as comment from my side but also from Mr. Schäferbarthold, the stability of the supply chain and the managing of the bottlenecks will continue to be a major challenge. Supply chain risks increased further, in particular, the supply chain or the supply bottlenecks for electronic components and microchips. But as said, we see a very good chance to meet our guidance. Of course, everything in the end is depending on the sales development in the days, months -- in the days, weeks and months to come.

Yes. Having said this, I'm also looking now forward to your questions. We are at the end of our company presentation

Operator: (Operator Instructions)

Christoph Laskawi: Christoph Laskawi from Deutsche Bank. The first one will be on the semi shortage and a bit on the business mix. The way we see it, it is a bit more mass-market problem than it is a premium and all OEMs are currently stating that they are prioritizing obviously high-margin premium and EV lineups. So my take will be, given your business mix is skewed towards premium and you also have a decent portfolio into electrification that you should -- you will be less impacted than other suppliers in Europe, would that be an assessment that you would share at the current point in time?

Rolf Breidenbach: Not really. I think we are also affected, and we are fighting day-by-day to get enough components to secure the supply to our customers. I do also not see this separation between mass production and premium. I think both segments are affected. Of course, as you said, when now customers set a kind of priority to high-margin products, this, of course, can result into a relief in the premium area. But I think we are as affected as other large electronic automotive suppliers worldwide.

Christoph Laskawi: And when it comes to discussions with your suppliers on the semi side, do they indicate to you that the bottleneck will be addressed in, say, end of Q1, Q2? Or could it be a risk for even a longer impact?

Rolf Breidenbach: This differs a little bit from supplier-to-supplier. But let's say, the overall assessment is that Q1 will be very, very difficult. Q2, there is a chance that the demands can be covered. And Q3, there is a possibility to reduce the backlog.

Christoph Laskawi: Two smaller questions. The first will be on -- just on EV momentum we've seen, especially in Europe, that OEMs have been pushing volumes in December on the plug-in and full electric side. Is that leaving aside the semi shortage trend that you continue to see also in your order book that those products are very strongly growing in the coming months?

Rolf Breidenbach: Yes. We see a clear priority, which, as you said, has happened in the last quarter of the last calendar year. And from our perspective, it will continue.

Christoph Laskawi: And last question on working capital. The outflow that you've seen in Q1 obviously wasn't fully recovered in Q2 despite a very good free cash flow. But that was more earnings-driven. Would you then expect for the full year that overall working capital should be neutral and we see the rest being recovered in Q3 and Q4? Or is it at this point in time too tough to say, given the volatility that might be ahead?

Bernard Schäferbarthold: In terms of inventories, it's hard now to predict because there, for sure, with the volatility, we are now really focusing on securing materials and the high volatility in production could also lead then to some kind of overstocking. For sure, this is now a daily task to manage that best possible. But there, I could assume that inventories could and would go up in the upcoming quarters.

In terms of liabilities there, from my perspective, we are still below prior year level, around EUR 100 million. There, from my perspective, we'll see a further improvement now in second half. And this, I would assume now will improve our working capital situation in the second half. So overall -- but I do not expect inventories to go as much up as we would see now liabilities improving so that overall working capital should improve in second half.

(Operator instructions)

Sanjay Bhagwani: This is Sanjay Bhagwani from Bank of America. So I've got two questions as well. First one is like looking at the upper end of your guidance range, that implies organic growth of around 13.5%. So now if you look at the IHS production forecast for the full year, that's around 11.5%. So let's say, if we assume outperformance of around 200 basis points for the full year, that would mean that if current IHS production is realized, then you can comfortably achieve the upper end of your guidance range. So is that fair to think?

Rolf Breidenbach: Absolutely.

Sanjay Bhagwani: All right. And then how is the -- if you could please remind us your key exposure to the commodity prices? And how is this commodity price inflation is playing off? And also just on the semis, so is this semi shortage also impacting the cost of these materials? And if you could remind us an exposure to that?

Rolf Breidenbach: Yes. Starting with your last questions, currently, we are discussing volumes, not prices. So we do not see with regard to the semiconductors here pressure currently on the prices. It's -- as I said, it's pure volume-driven and allocation-driven. And yes, we do not expect this to change in the upcoming weeks. We are on a daily basis in contact with the microchip suppliers. And prices are currently -- yes, are not discussed and not relevant so far. What was your second question?

Sanjay Bhagwani: Yes, sorry, on the commodity price inflation?

Rolf Breidenbach: Commodity. No. Currently, we -- due to the fact that we are growing and that we have a strong order book, we see here no additional pressure. So the yearly price negotiations are going well. And we see here no additional pressures so far. Of course, what we see is that we see pressure on the logistic costs. Freight capacity is also becoming a bottleneck. And here, we can really see increasing costs, but not with regard to the parts and component prices so far.

Sanjay Bhagwani: All right. So, so far, there is no impact. But if the commodity prices, let's say, continue to go up, then how does this -- how much of that you can think you can pass on to your -- pass into the OEMs?

Rolf Breidenbach: To the OEMs? This will be very difficult to pass this on. We only can compensate this with design to cost, re-design to cost activities, efficiency improvements in our only value chain and, of course, tough negotiations with our suppliers. But to pass this on to our customers here, I see little chances.

Operator: The next questioner is on the line.

Sascha Gommel: It's Sascha Gommel from Jefferies here. My first question is a quick one on the closing of the transaction with VW with the camera software business. Would you consider paying a special dividend from the disposal?

Rolf Breidenbach: With regard to the paying of special dividends, of course, we would have to discuss this with our shareholders committee. But so far, these discussions haven't started. And of course, I will not now speculate whether this will be. But so far, nothing in this direction has started.

Sascha Gommel: Okay. Understood. And then my second question would be on the electronic architecture of cars. Now around the CES, we've heard a lot of talk about consolidation of the electronic architecture. How does that impact your body electronics business in general? Do you -- is it a risk that you see content going down? Or can you offset it somewhere else? Can you help me understand that a little bit?

Rolf Breidenbach: Yes. Of course, on the one hand, there will be additional opportunities, especially with regard to this zonal modules. We see a clear tendency that the E/E architecture will go into this direction, at least at, let's say, a significant number of car manufacturers. And with our current car body portfolio - product portfolio, here, we are, from my perspective, very well positioned. So this is an additional opportunity. Of course, for the very, very complex body controllers here, there are, of course, risks. They are not only risks. They will be step-by-step eliminated by these central computers, central domain computers. So there are risks and chances. But we feel quite comfortable with that. And in addition, of course, let's say, less complex controllers from our perspective will also remain because you need the ability to locally also carry out some specific functionalities. So there are risks and chances. But overall, I think we can level this out, and we see good growth development so far also in this area.

Sascha Gommel: Understood, very clear. And then my last question, coming back to the guidance again. I think in December, we said that around 300 to 350 basis points of the margin were kind of unsustainable cost tailwinds you had. How should we think about the phaseout now in the second half of the year? Is most of that already out in Q3? Or do you think you still have some benefits in Q3 and then will phase out in Q4, just to help me a little bit understand when and how this tailwind will disappear?

Rolf Breidenbach: Yes. It will disappear soon or has already disappeared because we now, of course, have again started, on the one hand, important internal improvement projects. And on the other hand, the income of short-time work, of course, is now at an end. And therefore, you can assume, let's say, around perhaps EUR 10 million cost per month we have to handle in addition in the months to come.

Sascha Gommel: And that is across all cost line items, so cost of goods sold, R&D, SG&A and so on?

Rolf Breidenbach: Correct.

Operator: The next questioner is on the line.

Akshat Kacker: Akshat from JPMorgan. I have three questions, please, the first one on end markets. Can you give us some kind of indication of production trends that you're seeing in January? And especially in Europe, how has the restart of production been in the new year? You did mention lack of clarity, but just trying to understand what the recent wave of lockdowns have meant for OEM order intake and your production as you look into January and February. That's the first one.

The second one, sorry to come back on the chip shortages, is there a way for you to quantify the impact how much disruption do you foresee? And as you mentioned, Q1 will see majority of the impact. Any way to quantify that in terms of production? And the third one on Aftermarket and Special Applications, both divisions again posted very strong profitability, more than 13% in the quarter. Can you just highlight a few drivers? And how do you expect these divisions to evolve over the coming quarters, please?

Rolf Breidenbach: Yes. Perhaps starting with your third question, so with regards to the Aftermarket, the spare parts business has recovered in the second quarter. And we also expect in the third and fourth quarter a positive development. So -- currently, we are here very optimistic. Also the investments into the garage businesses are at a good level. Therefore, also our Hella Gutmann activities, with regard to these diagnosis devices, are running again now at a good level. So both areas were strong in Q2. And we expect that this will continue also in the third and fourth quarter.

With regard to Special Applications, here, the picture is a little bit more diversified. On the one hand, we have strong sales in the area of our agriculture business. Other areas like buses, for example, are much weaker. And also, the mid-term outlook here is more difficult to assess. But overall, we also see at least a solid development. But as I said, the main driver currently is the agriculture area. But we expect this to continue.

So with regards to disruptions of our supply chain and the production facilities and production lines of our customers. This is very difficult to assess. Currently, we have, here and there, stop-and-go activities in our plants. And you know from the press that our customers, unfortunately, here and there, have had to shut down lines or plants. We have established a bottleneck task force in all our regions due to the fact that these supply chain risks have increased significantly in the recent weeks since mid of December. Bottlenecks are across the board at all major chip manufacturers, as I said. And to give you a feeling, the risk affects several thousands of HELLA products.

As I said, we have formed a task force. The discussions with the manufacturers are on a daily basis. The focus, of course, is that we have a rolling forecast on a 2-weekly basis. But every day, of course, new challenges are occurring. But so far, we were able to handle all these things. And so far, HELLA has not caused any production standstill at the customer side. But as I said, this is a day-to-day, week-to-week challenge.

We now also see in our systems that customers are reducing their demands. But this has started only days ago, and we now have to look how the consequences will be. And yes, we are observing this every day. As I already said, Q1 will be a challenge. Q1 of this calendar year will be a challenge. Q2, the expectation of many chip suppliers is that they then can at a full range cover the demand of this quarter. And Q3, there is a chance to recover. So the first question will be the answered by Mr. Schäferbarthold.

Bernard Schäferbarthold: Yes. In addition to what Mr. Breidenbach said, Akshat, let's say, as I said, December was good. There, we have basically seen no big deviations to what was in the system and the sales development was very good. January, a little slower start, but no big, let's say, deviation. So -- but as Mr. Breidenbach said, we will now -- if we look at the systems, first changes have been done. But overall -- and you could perhaps also compare that to the situation when we started into the lockdown last year in March, so the customers are hesitating really to do big changes now. So because there is so much uncertainty, so we have now to see on a daily basis, so if you ask me now on a prognosis now to February. So as of today, no change visible. But we would assume that changes will come. So uncertainty is very high.

Operator: The next questioner is coming up.

Victoria Greer: It's Victoria Greer from Morgan Stanley. Just one question, please. Could you please talk to us about the extent to which you have got either revenues now or orders from any of the new electric vehicle startups, particularly in China, NIO or Li Auto? Also actively, could you talk about your exposure to Tesla in any product? I'm not thinking about electrification products specifically, but maybe in lighting or elsewhere in electronics.

Rolf Breidenbach: Yes. I think there is an old tradition within HELLA not to talk about specific customers. But I can assure you that we have a significant part, a relevant part of our business also in this customer group. So we have lighting and electronic business with some of the startups in China. And you mentioned one. And also with regards to, let's say, leading worldwide electronic car manufacturers, we also have here a good market share and also again for both lighting and electronics.

Because this is, of course, our strategy to level this out, to have -- with regard to our traditional customers, here, we also, of course, are having a special focus on hybrids and e-vehicles. And the same is true for this new upcoming customer segment of pure e-vehicle manufacturers. With regard to the established ones, we have significant business. With regard to the new ones, of course, we always have to ask ourselves, who will be the ones who are mid- and long term successful. Therefore, we are following a very selective strategy. But here, we think we also made some very good choices.

Operator: (Operator Instructions) There are no further questions right now.

Rolf Breidenbach: Yes. Thank you very much. Then allow me to again thank all of you for participating in this investor call, also on behalf of Mr. Schäferbarthold. And of course, we both wish you all the best, especially a healthy 2021. Thank you.

Operator: We want to thank Dr. Rolf Breidenbach, Bernard Schäferbarthold and all participants of this conference. Goodbye.

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