

13 November 2024

Dowlais Group plc

Trading update

Performance in line and full year outlook unchanged

Dowlais Group plc (“Dowlais” or the “Group”), the specialist engineering group focused on the Automotive sector, provides a trading update for the ten-month period to 31 October 2024 (“the period”).

The Group has delivered performance in line with expectations and our full year outlook remains unchanged. We continued to execute well on our strategic priorities, with a continued focus on delivering operational efficiencies and commercial recoveries.

The Group delivered £4.2 billion of adjusted revenue¹ in the period, reflecting a 6.1%² year-on-year decline. Approximately 75% of this decline was driven by continued weakness in our ePowertrain³ product line as expected. Driveline⁴ outperformed global light vehicle production (“GLVP”) outside China, whilst revenues from our China JV were flat year-on-year. Powder Metallurgy revenues declined marginally, mainly due to weaker volumes. Translational foreign exchange headwinds were £173 million, resulting in a year-on-year reported adjusted revenue decline of 10%.

Adjusted operating margin for the period was 6.1%, down 30bps² year-on-year, reflecting a 20bps improvement from the first half of the year. This was achieved through the execution of our commercial recovery program and proactive cost management, limiting the drop-through margin to 11%, from the 30% assumed in our financial model.

Business Unit Performance

Automotive

Driveline continued to show resilience and performed well, with a 2.4% adjusted revenue decline, outperforming a 3.0% decline in light vehicle production outside China⁵, underscoring the strength of its broad portfolio and scale across customers, platforms and geographies. In China, performance was stable compared to the previous year, underperforming the 2.5% growth in local light vehicle production⁶, due to customer mix factors. The ePowertrain product group continued to be impacted by volatility in BEV production volumes, with a 19% year-on-year revenue decline, as trends in demand for AWD systems, ePowertrain components and eDrive systems were broadly similar to those reported in the first half of the year. Overall, Automotive experienced a 7.0%² year-on-year decline in adjusted revenue in the period.

The Automotive segment’s adjusted operating margin was 6.4%, a decline of 40bps² year on year, but an improvement of 40bps from the first half, as the impact from lower volumes was partially offset by commercial recoveries and ongoing performance initiatives, which helped to limit the negative impact from the drop through margin to 13%.

Powder Metallurgy

Powder Metallurgy’s adjusted revenue declined by 1.9%² in the period, underperforming the 1.3% GLVP decline⁷ primarily due to unfavorable customer mix in North America. The adjusted operating margin remained stable at 9.0%, with good execution of planned performance initiatives offsetting the impact from the market volume weakness.

Outlook

The Group's overall performance in the period was in line with expectations and prior full year guidance is unchanged. Since August, industry forecasts excluding China have been revised downwards. S&P is now projecting a 3.9% decline in light vehicle production excluding China for 2024, or 1.9% decline globally. For 2025, we expect continued market volatility. S&P is now forecasting 0.8% GLVP growth and 0.6% growth outside of China, with slight declines expected in both Europe and North America.

The Group continues to execute well and remains confident in delivering our full year guidance of a mid-to-high single-digit adjusted revenue decline and an adjusted operating margin of between 6.0% and 7.0% in constant currency.

The Group's full year results will be announced on 5th March 2025.

Liam Butterworth, CEO of Dowlais, said:

"Performance was in line with our expectations and our full year outlook remains unchanged, reflecting the resilience of Driveline, our largest and most diversified product group, and the effectiveness of our actions to focus on what we can control to navigate a challenging market environment. Ongoing restructuring and performance initiatives, along with good progress on our commercial recovery program with customers, continue to mitigate the impact of lower volumes. Additionally, the strategic review of our Powder Metallurgy business is progressing well as we evaluate options for the business. In the medium term, our strategy to accelerate our transition to a powertrain agnostic portfolio, which is better positioned to navigate market volatility, will support sustainable, profitable growth and cash generation."

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Notes

- 1 All “adjusted” financial measures in this trading update are defined in the Alternative Performance Measures section of Dowlais full year 2023 results announcement, published on 21 March 2024
- 2 This and all other prior period comparators in this trading update are expressed on a constant currency basis, eliminating the impact of translational foreign exchange movements
- 3 The ePowertrain product group supplies All Wheel Drive (AWD) systems, ePowertrain components and eDrive systems
- 4 The Driveline product group supplies Sideshafts and Propshafts
- 5 Based on November Forecast (excluding China market) by S&P Global
- 6 Based on November forecast (China only) by S&P Global
- 7 Global Light Vehicle Production based on November forecast by S&P Global

Forward-Looking Statements

This trading update includes certain forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond Dowlais’ control and all of which are based on Dowlais’ current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of terminology such as “believe”, “expects”, “may”, “will”, “would”, “could”, “should”, “shall”, “risk”, “intends”, “estimates”, “aims”, “plans”, “predicts”, “goal”, “continues”, “assumes”, “positioned”, “anticipates” or “targets” or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include matters that are not historical facts, statements regarding the intentions, beliefs or current expectations concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy and industry of Dowlais. These forward-looking statements and other statements contained in this trading update regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved, and actual events or results may differ materially as a result of risks and uncertainties facing Dowlais. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed or implied in such forward-looking statements. Forward-looking statements contained in this trading update speak only to the date of this trading update. Dowlais and its directors expressly disclaim any obligation or undertaking to update these forward-looking statements to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.