

21 May 2024

## **Dowlais Group plc**

### **Trading update**

#### **Start of the year broadly in line with expectations: Driveline, China and Powder Metallurgy growth ahead of market, ePowertrain challenged by BEV market volatility**

Dowlais Group plc (“Dowlais” or the “Group”), the specialist engineering group focussed on the Automotive sector, provides a trading update for the four-month period to 30 April 2024 (“the period”) ahead of its Annual General Meeting to be held later today.

The Group has continued to execute well on its strategic priorities, with continued focus on delivering operational efficiencies, amidst challenging market conditions.

The Group delivered £1.7 billion of adjusted revenue<sup>1</sup> in the period, a year-on-year decline of 1.9%<sup>2</sup>, as revenue growth ahead of the market in Powder Metallurgy, Driveline<sup>3</sup> and our China joint venture (JV) was more than offset by weakness in the ePowertrain<sup>4</sup> product group of the Automotive business. Translational foreign exchange headwinds were £90 million, resulting in a year-on-year reported adjusted revenue decline of 6.6%. Encouragingly, despite market volatility, adjusted operating margins of 6.1% in the period were up 30bps<sup>2</sup> over the same period of the prior year, with margin expansion achieved in both Automotive and Powder Metallurgy.

### **Business Unit performance**

#### *Automotive*

In the period, Automotive saw year-on-year adjusted revenue decline of 3.3%, as growth in Driveline and China was more than offset by revenue decline in ePowertrain. The Driveline product group continued to perform well, with revenue growth ahead of the market<sup>5</sup>, benefitting from its broad portfolio and scale across customers, platforms and geographies. ePowertrain adjusted revenue declined largely driven by increased volatility in BEV production volumes. Revenue from our China JV operations grew slightly ahead of the Chinese market<sup>6</sup> as it continued to gain market share with local OEMs. Adjusted operating margins further improved, driven by the recovery from customers of inflationary costs incurred in the prior year as well as ongoing performance initiatives.

Year-to-date new business bookings are in line with expectations, balanced across a mix of platforms and continue to underpin expectations for long term profitable growth.

#### *Powder Metallurgy*

Powder Metallurgy had a strong start to the year, with year-on-year adjusted revenue growth of 4.0%, outperforming the market. Revenue growth was driven by improved performance in its ICE related business, as it benefitted from restocking in the period, and growth in the non-ICE related portfolio. Adjusted operating margin improved, driven by the additional volume and improved performance in the North American sites.

## Outlook

Overall, the Group has started the year broadly in line with expectations despite the increased volatility of production schedules for certain BEV platforms which have impacted the ePowertrain product group. While current industry forecasts expect an improvement in the second half, after a weak first half, some uncertainty remains. Consequently, the Group anticipates revenue for 2024 to be slightly below prior year at constant currency, with performance more weighted to the second half. Based on these assumptions the Group remains confident in its ability to achieve operating margin expansion and grow free cash flow for the full year.

The Group's interim results will be announced on 13 August 2024.

### **Liam Butterworth, CEO of Dowlais, said:**

*“This performance demonstrates the resilience of Driveline, whose powertrain agnostic characteristics and broad diversification make it well placed to succeed. I am also encouraged by the strong performance of our JV in China, where we grew ahead of the market and of Powder Metallurgy. These successes were tempered by challenges in the ePowertrain product group. We achieved a 30bps increase in our adjusted operating margins, driven by retrospective recoveries and ongoing performance initiatives. Our teams continue to capitalise on opportunities as we remain focused on delivering shareholder value.”*

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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 Sideshafts and propshafts
- 4 All wheel drive systems, ePowertrain components and eDrive systems
- 5 Based on April Forecast (excluding China market) by S&P Global
- 6 Based on the April forecast (China only) 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.