

## Press release



# BOSCH

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## **Bosch stays on course through the coronavirus crisis to achieve a positive result**

Carbon neutrality achieved – company performs better than expected in 2020

- Sales: 71.6 billion euros / EBIT: 1.9 billion euros
- Bosch CEO Volkmar Denner: “Sustainability and AIoT are key to our future business.”
- Bosch CFO Stefan Asenkerschbaumer: “Our rigorous efforts to lower costs and boost competitiveness provide a sound financial basis from which we can expand promising new areas.”
- Sustainable mobility: in 2020, orders worth 7.5 billion euros won for powertrain electrification alone
- AIoT growth market: 10 million connectivity-enabled power tools, home appliances, and heating systems already sold / more than 90 percent of all Bosch electronic products already feature connectivity
- All Bosch locations carbon neutral since spring 2020; independent audit is currently being carried out

Stuttgart, Germany – In the 2020 business year, the Bosch Group achieved a positive result despite the effects of the coronavirus crisis and the decline in automotive production. In fact, the supplier of technology and services performed better than initially expected. According to preliminary figures,<sup>1</sup> earnings before interest and taxes (EBIT) amounted to some 1.9 billion euros. This puts the estimated EBIT margin at around 2.5 percent. After adjusting for restructuring expenditure, estimated EBIT is approx. 3.3 billion euros – a margin of roughly 4.5 percent. Total Bosch Group sales amounted to 71.6 billion euros: a year-on-year drop of 4.4 percent after adjusting for exchange-rate effects. “Despite the effects of the pandemic, we were able to achieve a very positive result. Above all, we have the extraordinary commitment of our associates to thank for that,” said Dr. Volkmar Denner, chairman of the board of management of Robert Bosch GmbH,

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at the presentation of the preliminary business figures. The company's broad diversification and global footprint also proved their worth, he added. "By investing in areas of future importance, such as sustainable mobility, the internet of things, and artificial intelligence, we are further expanding our innovation leadership." In particular, Bosch believes that AIoT – the combination of artificial intelligence (AI) and the internet of things (IoT) – will create growth opportunities in markets worth billions. "We want to become a leading AIoT company," Denner said. "On the strength of our broad domain knowledge and extensive expertise in electronics and software, we have more at our disposal than most of our competitors."

### **Decisive action - high free cash flow ensures financial leeway**

After Bosch sales plummeted in wake of the spring lockdown affecting many countries and industries, they recovered substantially in the second half of 2020. "We are very satisfied with the way business developed overall in 2020 despite the crisis," said Prof. Stefan Asenkerschbaumer, the CFO and deputy chairman of the board of management. "We acted quickly to align our costs and capital expenditure with the decline in sales – without neglecting promising new areas of business." As a result, Bosch generated free cash flow of around 5 billion euros, the highest figure in the company's history, thus ensuring the company had sufficient financial leeway in the crisis. With a capex ratio of around 5 percent, Bosch was able to save around one billion euros of cash compared with the previous year.

### **Sustainable growth - with climate neutrality and electromobility**

Despite the crisis, Bosch is continuing to focus its strategy on areas of future importance while placing an emphasis on sustainable business practices. The company marked a significant milestone in spring 2020 when, undeterred by the pandemic, it achieved [climate neutrality](#) at its 400 locations worldwide. "We kept to our word. According to in-house calculations, Bosch became the first globally operating industrial enterprise to achieve climate neutrality in spring 2020 – earlier, with fewer offsets, and more cost effectively than planned," Denner said, explaining that an independent audit is currently being carried out. He also reaffirmed Bosch's next goal, which is a 15 percent reduction in CO2 emissions along the supply chain by 2030.

Bosch is passing on its experience in achieving climate neutrality with other companies through the [Bosch Climate Solutions](#) operating unit, whose customers include Freudenberg, Hansgrohe, and Koehler Paper Group. "Our new advisory service is paving the way for companies to become climate neutral, while also opening up new areas for growth," Denner said. For that reason, one focus for Bosch is new and improved technical solutions for the future of driving. On the road to sustainable mobility, he explained, the company has already invested 5 billion euros in electrical powertrains. And this year, Bosch will spend 700 million

euros on developing electrical mobility solutions, including fuel cells. This is nearly 40 percent more than last year. “In the foreseeable future, electromobility will become one of Bosch’s core businesses. Our goal is to become the market leader in electromobility for battery- and fuel-cell-powered vehicles,” Denner said. “We already have a broader e-mobility portfolio than any other company – from e-bikes to trucks.” The heavy upfront investments Bosch has made in this area are paying off: the company’s powertrain electrification business is currently growing twice as fast as the market and is already worth several billion euros, Denner explained. Since 2018, Bosch has acquired 90 powertrain electrification projects, including 30 last year alone worth 7.5 billion euros. More than 2.5 million vehicles around the world currently feature Bosch electric powertrain components.

### **Structural change calls for smooth transition**

According to Denner, structural change in the industry and the upcoming introduction of the Euro7 regulation put the automotive sector in a challenging transition phase. “Electromobility is coming, and Bosch has been actively driving forward this shift for years,” he said. “But the upfront investments to finance it have to come from our existing powertrain business.” To keep as many associates as possible on board during this transformation, he added, it is crucial for Bosch and other companies that the transition be smooth. “Electric cars are carbon neutral when they run on renewable electricity, and the same goes for diesel and gasoline cars – provided they run on synthetic fuels. We shouldn’t allow the upcoming Euro7 regulation to squander this opportunity to mitigate global warming.” Even now, modern diesel and gasoline engines no longer have a significant impact on urban air quality. “Just because something is socially and economically right, it doesn’t have to be ecologically wrong,” Denner continued. “We must maintain a balance between economic, ecological, and social considerations.” Helping the automotive industry transition to climate-friendly, green mobility, while safeguarding jobs at the same time, should be the goal, he said.

### **AIoT as a growth opportunity — making connected products intelligent**

By combining artificial intelligence and the internet of things, Bosch wants to carve out a position in a market worth billions. With innovative [AIoT solutions](#), the company will create additional benefit for customers by lowering energy costs and increasing comfort and safety. Connectivity generates information about how Bosch products are used. Bosch wants to take advantage of this to improve their use via software updates or as the basis for new functions and services. Over the past few years, Bosch has been putting the technical prerequisites in place: an IoT suite connects devices, sensors, and gateways, and a cloud infrastructure processes data. Moreover, an AI platform enables the rapid scaling-up of artificial intelligence applications.

“The next step is to turn technical expertise into business,” Denner said. Bosch has already sold some ten million connectivity-enabled power tools, home

appliances, and heating systems, and the number of active users is growing. To build on its expertise in the field of artificial intelligence, the company founded the Bosch Center for Artificial Intelligence, or BCAI, in early 2017 – a move that is bearing fruit. Just three years after it was set up, the initial investment had paid off; BCAI's contribution to result is now around 300 million euros. BCAI currently employs a total of some 270 AI specialists working on more than 180 projects in the domains of mobility, manufacturing, smart homes, and agriculture.

The new [Cross-Domain Computing Solutions](#) division with its roughly 17,000 associates will also play an important role in Bosch's journey to becoming an AIoT company. "The new division brings together hardware and software development for new automotive electronics architectures," Denner said. "This is our gateway to an emerging market driven by higher levels of intelligence in cars." In the second half of 2020 alone, Bosch won orders for its vehicle computers worth around 2.5 billion euros. Further deals worth billions are set to follow this year.

Bosch is developing AIoT applications across all its business sectors. One example is [Aviotec](#), a video-based fire detection system that uses artificial intelligence to detect smoke and flames even with infrared as the only light source. Another is an application platform for visually inspecting workpieces which deploys AI to help detect even the tiniest surface scratches. And in fitness trackers, a new self-learning [sensor](#) featuring edge AI minimizes latency and power consumption. Here, the intelligence is in the sensor itself.

### **Business developments in 2020 by business sector**

Sales were down in the Bosch operating units as a result of the coronavirus pandemic; only the consumer goods business saw sales growth. The **Mobility Solutions** business sector, which was hit particularly hard by manufacturing shutdowns in the automotive industry, recorded sales of 42.3 billion euros. Despite a year-on-year decline of 9.5 percent, however, the business grew faster than the market, where automotive production contracted by 15 percent. After adjusting for exchange-rate effects, its sales fell 8.1 percent. **Consumer Goods** increased its sales by 5.2 percent to 18.6 billion euros. After adjusting for exchange-rate effects, this figure rises to 8.2 percent. The household appliances and power tools businesses benefited from the trend among consumers to focus their energies on the home environment. Despite an upswing in orders since fall, the **Industrial Technology** business sector was unable to escape the prolonged market weakness. At 5.1 billion euros, overall sales were 16.0 percent down on the previous year. After adjusting for exchange-rate effects, sales were down 15.0 percent year on year. The **Energy and Building Technology** business sector achieved sales of 5.4 billion euros. While subsidy programs helped the heating systems business to perform favorably, the cancellation of many events took its toll on the conference and public-address technology product business. Sales declined 3.4 percent, or 2.0 percent after adjusting for exchange-rate effects.

### **Business developments in 2020 by region**

Bosch felt the impact of the spring slump in sales in all regions: sales revenue in **Europe** totaled 38.0 billion euros. This represents a year-on-year decrease of 5.7 percent, or 4.6 percent after adjusting for exchange-rate effects. Sales in **North America** declined by 14.0 percent to 10.8 billion euros, an exchange rate-adjusted drop of 12.0 percent. In **South America**, sales totaled 1.1 billion euros. In nominal terms, this represents a fall of 21.0 percent. After adjusting for exchange-rate effects, the drop is just 2.5 percent. In **Asia Pacific**, sales totaled 21.7 billion euros, just 1.4 percent down on the previous year. Following adjustment for exchange-rate effects, sales in fact grew by 0.5 percent. The early market recovery and the positive development in China helped. Sales in China exceeded sales in Germany for the first time in Bosch's history.

#### **Headcount development in 2020: largely stable employment levels**

As of December 31, 2020, the Bosch Group employed some 394,500 associates worldwide. This shows that despite the crisis, Bosch was able to keep employment levels largely stable, with changes occurring primarily in China and Germany. Bosch slightly increased headcount in research and development units, which it did to ensure it can continue driving forward key strategic investments.

#### **Outlook for 2021: goal is to emerge stronger from the crisis**

Bosch expects the global economy to recover slowly in 2021. After contracting by around 4.5 percent last year, Bosch anticipates growth of just under 4 percent this year. "The crisis is not over," Asenkerschbaumer said. It is not only the continuing high rate of infection and the associated social and economic restrictions that will hold growth back, in his view. He explained that political developments such as Brexit and continuing strategic competition between the U.S. and China with its potential for trade restrictions could also impact global economic development. "Despite all the challenges, it remains our goal to grow more strongly than the markets in the sectors and regions that are important for us." Irrespective of the pandemic's further development, Bosch intends to continue with the adjustments needed to respond to structural change, and make these as socially acceptable as possible. "Our rigorous efforts to lower costs and boost competitiveness provide a sound financial basis from which we can expand promising new areas."

<sup>1</sup>

Based on internal reporting.

## **More information:**

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## **Basic information:**

The Bosch Group is a leading global supplier of technology and services. It employs roughly 394,500 associates worldwide (as of December 31, 2020). According to preliminary figures, the company generated sales of 71.6 billion euros in 2020. Its operations are divided into four business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology. As a leading IoT provider, Bosch offers innovative solutions for smart homes, Industry 4.0, and connected mobility. Bosch is pursuing a vision of mobility that is sustainable, safe, and exciting. It uses its expertise in sensor technology, software, and services, as well as its own IoT cloud, to offer its customers connected, cross-domain solutions from a single source. The Bosch Group's strategic objective is to facilitate connected living with products and solutions that either contain artificial intelligence (AI) or have been developed or manufactured with its help. Bosch improves quality of life worldwide with products and services that are innovative and spark enthusiasm. In short, Bosch creates technology that is "Invented for life." The Bosch Group comprises Robert Bosch GmbH and its roughly 440 subsidiary and regional companies in 60 countries. Including sales and service partners, Bosch's global manufacturing, engineering, and sales network covers nearly every country in the world. The basis for the company's future growth is its innovative strength. At 126 locations across the globe, Bosch employs some 73,000 associates in research and development, as well as roughly 30,000 software engineers.

The company was set up in Stuttgart in 1886 by Robert Bosch (1861-1942) as "Workshop for Precision Mechanics and Electrical Engineering." The special ownership structure of Robert Bosch GmbH guarantees the entrepreneurial freedom of the Bosch Group, making it possible for the company to plan over the long term and to undertake significant upfront investments in the safeguarding of its future. Ninety-four percent of the share capital of Robert Bosch GmbH is held by Robert Bosch Stiftung GmbH, a charitable foundation. The remaining shares are held by the Bosch family, by a corporation owned by the family, and by Robert Bosch GmbH. The majority of voting rights are held by Robert Bosch Industrietreuhand KG, an industrial trust. The entrepreneurial ownership functions are carried out by the trust.

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