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Bosch is banking on innovations, partnerships, and acquisitions – cost reduction remains in focus

Growth targets require high degree of profitability and financial strength

- Headway in the 2023 business year: sales rose to $99 billion (91.6 billion euros) / EBIT margin from operations up 5.3 percent year on year
- Outlook for 2024 remains subdued: sales growth of 5 to 7 percent expected / EBIT margin to reach previous year's level at most
- Continued investment and growth in the North American region
- Stefan Hartung: "We're pursuing innovations, partnerships, and acquisitions. Despite economic headwinds, this will allow us to grow and make the most of opportunities as our industries transform."
- Markus Forschner: "Our targets for 2024 are very ambitious – we aren't expecting any economic tailwind, and we must continue to reduce costs to stay competitive."

Stuttgart and Renningen, Germany – The Bosch Group increased its sales and earnings in 2023 and is successfully implementing its growth strategy despite a difficult environment. Presenting the company's annual global figures, Stefan Hartung, chairman of the board of management of Robert Bosch GmbH, said: "In the 2023 business year, we achieved our financial targets and strengthened our market position in a number of business areas, from semiconductors to integrated building systems. We're pursuing innovations, partnerships, and acquisitions to ensure we grow as our industries transform – despite economic headwinds."

Over the long term, the supplier of technology and services wants to achieve average annual growth of between 6 and 8 percent, with a margin of at least 7 percent. It also aims to rank among the top three suppliers in its key markets in all regions of the world.

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Sales and result improved in 2023 – 2024 remains challenging

In the past business year, Bosch generated sales of $99 billion (91.6 billion euros) despite unfavorable economic and market conditions. This is an increase of 3.8 percent, or an exchange rate-adjusted 8.0 percent. Earnings from operations before interest and taxes (EBIT) amounted to $5.2 billion (4.8 billion euros, up from 3.8 billion euros in 2022). At 5.3 percent, the EBIT margin from operations was 1 percentage point higher than the previous year. It was therefore higher than expected, but still lower than the target margin of at least 7 percent required over the long term. Bosch wants to achieve this by 2026.

“We need a high level of profitability and financial strength so we can self-finance our growth targets as far as possible,” said Markus Forschner, member of the board of management and chief financial officer of Robert Bosch GmbH. “A successful final sprint at the end of 2023 contributed to our expectations on the whole being met. However, the 2024 business year will be at least as challenging as 2023.”

Bosch’s overall outlook for the current year remains subdued, not least in light of the current economic backdrop. “For 2024, we aren’t expecting any economic tailwind,” Forschner said. Accordingly, he is expecting global economic growth of only 2.3 percent in 2024, along with stagnating vehicle production and continued weakness in the industrial technology market. However, there could be a slight improvement in the consumer goods markets after two years of consumer restraint. Bosch expect its own business to stabilize, to which innovations as well as the expansion of its international footprint should contribute. For example, a new stove factory in Egypt and a refrigerator factory in Mexico are currently being built.

In the first quarter of 2024, sales were down by more than 1.3 percent year on year; after adjusting for exchange-rate effects, this amounts to an increase of 2.3 percent.

“This makes it clear that the 5 to 7 percent increase in sales that we are aiming for in our planning for the year as a whole is very ambitious,” Forschner said. The CFO made it clear that it will be difficult to improve on the previous year’s EBIT margin from operations: “We are not only contending with a subdued market environment and an expected further increase in upfront investments in areas of strategic importance. Restructuring and process improvements will also have a negative impact at first, with their positive effect coming only after a delay.”

North America: growth and investment for the future

Bosch registered profitable growth in North America in 2023. Sales to third parties in North America increased 6 percent year-over-year to $16.5 billion[1] (15.2 billion euros), while total net sales from the North American region increased 8 percent to $17.9 billion. The Mobility and Industrial Technology business sectors both posted double-digit growth in North America. The Mobility business sector increased sales by 15 percent to $10.4 billion while Industrial Technology increased 33 percent to $1.6 billion. Energy and Building Technology was up nearly 8 percent to $1.3 billion. The Consumer Goods business sector was down nearly 6 percent to $3.3 billion in 2023.

“The continued growth and strength of the North American business is a testament to the strategic importance of the region,” said Mike Mansuetti, president of Bosch in North America. “The strong results secured in 2023 by our more than 42,000 associates in the United States, Mexico and Canada are contributing to the global success of the company. With the continued investment in the region, we are well positioned to help achieve balanced growth worldwide within the Bosch portfolio.”

The company continues to bolster its investment in North America. In 2023 specifically, the company invested more than $778 million (719 million euros) in capital expenditures in North America, a more than 50 percent increase over 2022. Since the beginning of 2022, Bosch has announced more than $3 billion dollars worth of investments in North America across its portfolio. Key highlights include:

- In the Mobility business sector, the company announced and closed an acquisition of a wafer fab in Roseville, Calif. Bosch intends to invest $1.5 billion at the site to produce silicon carbide chips by 2026.
- In its Industrial business sector, Bosch closed the acquisition of U.S.-based specialist hydraulic company HydraForce in 2023, strengthening its global hydraulics business.
- In its Energy and Building Technologies business sector, Bosch announced and closed the acquisition of Vancouver, Canada-based Paladin Technologies Inc., which is part of its plan to grow the integrator business in North America.
- In its Consumer Goods business sector, the company announced in 2023 a $130 million investment to support the manufacturing of power tools accessories in Lincolnton, N.C.

[1] Based on 15,258,500,000 euros at 1 euro per $1.0818 USD

Growth area: sustainable mobility

In its core mobility business, Bosch is pushing forward with strategic decisions for future growth. This year alone, it is launching some 30 production projects for electric vehicles.

“Electromobility is coming; the only question is how quickly it will arrive in the various regions of the world,” Hartung said. “We estimate that 70 percent of all new cars in Europe will likely be purely electric by 2030. That figure will likely be 40 to 50 percent in China and North America.”

Where heavy vehicles are needed to cover long distances, the Bosch chairman said solutions such as plug-in hybrids and range extenders will remain in demand for some time. The Mobility business sector in the North American region is well-positioned to provide powertrain options with an enduring focus on increasing efficiency and reducing emissions. Recently announced greenhouse gas emissions targets in the U.S. for passenger cars as well as heavy-duty trucks recognize that multiple technological approaches will play a role in the path towards an electrified future.

The Mobility business sector expects a further stimulus from vehicle dynamics technology. With new and redundant braking systems tailored to electrified and automated driving, Bosch is growing by 10 percent annually – significantly faster than the market. And with vehicle motion management, or VMM for short, Bosch is committed to an innovative system solution that will coordinate all aspects of vehicle motion by controlling the brakes, steering, powertrain, and dampers. For recent winter tests alone, Bosch equipped more than 20 major-brand test vehicles with variants of VMM.

“We’re early on the scene, and we’ll be putting our first order into volume production this year,” Hartung said. Overall, the company expects to achieve sales worth hundreds of millions for the VMM solution by 2030.

Growth area: hydrogen

Bosch has reaffirmed its business expectations in the growth area of hydrogen: by 2030, its sales with hydrogen technology could reach nearly $5.5 billion globally. At the same time, Hartung noted that Bosch does not expect to see major growth for hydrogen in Europe or North America until the next decade.

From a technical point of view, hydrogen engines represent the fastest path to climate-neutral commercial-vehicle transportation. Bosch expects the market for this technology to be worth around $1 billion by 2030.

As the Bosch chairman explained: “A hydrogen engine featuring our injection technology will be on the road in India as early as this year, and we’re already working on five production orders from well-known truck manufacturers from all three of the world’s major economic regions.”

Bosch also wants to participate in the rapidly growing market for hydrogen production: by 2030, there will be a good 170 gigawatts of installed capacity for hydrogen electrolysis worldwide – around 25 times as much as today.

“Our electrolysis stack is on course for market entry next year,” Hartung said. “In the future, Bosch will be synonymous not only with hydrogen powertrains, but also with hydrogen production. As a supplier, we will actively help shape the future market.”

Growth area: heat pumps

Bosch is also systematically exploiting growth opportunities in the area of heating technology. Although the heat-pump market stagnated across Europe in 2023, Bosch was able to grow its business by almost 50 percent. In the years ahead, Bosch will continue to grow significantly faster than the market in this segment.

“We’ve not only invested in manufacturing capacity, but also expanded our product portfolio – which includes heat pumps that are not just quiet and efficient, but cost-effective as well,” Hartung said.

At CES 2024, the company announced a cold climate heat pump which was developed specifically for North America. The IDS Ultra cold climate heat pump system, which was designed to operate in colder climate zones such as the Northern U.S., met all requirements of the Cold Climate Challenge set to manufacturers by the U.S. Department of Energy (DOE). The goal of the challenge was to advance the technology to allow consumers to make the switch to a cleaner energy future with less carbon emissions.

The 2023 business year: development by business sector

While Bosch's inventory levels in the previous year were still heavily affected by the uncertainties that followed the Covid-19 pandemic and chip shortages, the situation is now returning to normal. As a result, free cash flow improved to ($2.4 billion) 2.2 billion euros. At 2.4 percent of sales, this was above the minimum target of 1.0 percent. The equity ratio was 44.2 percent (2022: 46.6 percent). Research and development expenditure remained stable at a high level of $7.9 billion (7.3 billion euros compared to 7.2 billion euros in 2022), resulting in an R&D ratio of 8 percent (2022: 8.2 percent). Capital expenditure reached a new high of $5.9 billion (5.5 billion euros compared to 4.9 billion euros in 2022). As Forschner pointed out: "We also pay close attention to the cost-effectiveness of our upfront investments, which totaled nearly $13 billion in 2023, and make adjustments to projects if necessary."

The 2023 business year: development by region

The **Mobility** business sector achieved global sales growth of 6.9 percent to $60.8 billion (56.2 billion euros). Adjusted for exchange-rate effects, growth equates to 10.9 percent. The EBIT margin from operations was 4.4 percent (2022: 3.4 percent). In the **Industrial Technology** business sector, global sales rose to $8 billion (7.4 billion euros). This growth of 6.8 percent, or an exchange rate-adjusted 10.2 percent, is due to the first-time consolidation of the HydraForce and Elmo Motion Control acquisitions. The EBIT margin was stable at 9.1 percent (2022: 9.8 percent). In the **Consumer Goods** business sector, global sales were down 6.6 percent on the previous year at $21.5 billion (19.9 billion euros); adjusted for exchange-rate effects, this is a slight decrease of 1.2 percent. The EBIT margin from operations was unchanged at 4.5 percent. In the **Energy and Building Technology** business sector, global sales grew 10.5 percent to $8.3 billion (7.7 billion euros), or 13.2 percent after adjusting for exchange-rate effects. The EBIT margin from operations reached 9 percent (2022: 6 percent).

In **Europe**, sales totaled $50.6 (46.8 billion euros). This is an increase of 5.5 percent compared to the previous year, or 7.9 percent after adjusting for exchange-rate effects. In **North America**, sales increased by 6.2 percent to $16.5 billion (15.2 billion euros). Adjusted for exchange-rate effects, this represents growth of 8 percent. Sales in **South America** totaled $1.8 billion (1.7 billion euros, compared to 1.8 billion euros in the previous year). After adjusting for exchange-rate effects, this 6.2 percent decline equates to 1.8 percent growth. In **Asia Pacific**, including other regions, sales totaled $30.2 billion (27.9 billion euros). After adjusting for exchange-rate effects, this slight increase of 0.6 percent represents significant growth of 8.6 percent.

The 2023 business year: headcount increase of some 2 percent

At the end of the year, the company employed 429,416 people worldwide, which is some 8,078 more than in the previous year. Last year, the number of associates rose in all regions, Germany included. The strongest regional growth was in the Americas.

Press photos and infocharts are available on the Bosch Media Service at us.bosch-press.com

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About Bosch

Having established a presence in North America in 1906, today the Bosch Group employs 42,000 associates in more than 100 locations in the North American region (as of Dec. 31, 2023). Bosch generated consolidated sales of $16.5 billion in the U.S., Mexico and Canada in 2023. For more information visit www.bosch.us, www.bosch.mx and www.bosch.ca.

The Bosch Group is a leading global supplier of technology and services. It employs roughly 429,000 associates worldwide (as of December 31, 2023). The company generated sales of $99 billion in 2023. Its operations are divided into four business sectors: Mobility, Industrial Technology, Consumer Goods, and Energy and Building Technology. With its business activities, the company aims to use technology to help shape universal trends such as automation, electrification, digitalization, connectivity, and an orientation to sustainability. In this context, Bosch's broad diversification across regions and industries strengthens its innovativeness and robustness. Bosch uses its proven expertise in sensor technology, software, and services to offer customers cross-domain solutions from a single source. It also applies its expertise in connectivity and artificial intelligence in order to develop and manufacture user-friendly, sustainable products. With technology that is "Invented for life," Bosch wants to help improve quality of life and conserve natural resources. The Bosch Group comprises Robert Bosch GmbH and its roughly 470 subsidiary and regional companies in over 60 countries. Including sales and service partners, Bosch's global manufacturing, engineering, and sales network covers nearly every country in the world. Bosch's innovative strength is key to the company's further development. At 136 locations across the globe, Bosch employs some 90,000 associates in research and development, of which nearly 48,000 are software engineers.

Exchange rate: 1 EUR = 1.0818