

TÜV Rheinland Presents Record Earnings for Its 150th Anniversary



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Balance sheet for the 2021 fiscal year / revenues of nearly EUR 2.1 billion / earnings set a new record at EUR 158 million / EBIT margin 7.5% / 20,200 employees / 150 years of TÜV Rheinland: founded October 31, 1872, for the safety of people, technology and the environment

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In the year of its 150th anniversary, TÜV Rheinland is presenting a record-breaking balance sheet. The international testing service provider generated revenues of EUR 2.091 billion in 2021 (2020: EUR 1.952 billion). This corresponds to a year-on-year increase of 7% and is a new high. In the 2021 fiscal year, TÜV Rheinland posted the highest EBIT in its 150-year history of EUR 157.8 million. The EBIT for 2021 was therefore much higher than in the previous year. In 2020 – due to non-recurring effects – TÜV Rheinland posted EBIT of EUR -23.6 million. The company's EBIT for 2021 was also a considerable EUR 22.2 million higher than in 2019 (EUR 135.6 million). The EBIT margin reached 7.5% after -1.2% in 2020 and 6.5% in 2019, the last pre-pandemic year.

“Our employees around the world were fully committed to our customers in 2021 – despite the continuing challenges of the coronavirus pandemic. Thanks to these efforts and successful measures to increase efficiency, we can be very happy with our performance in our anniversary year. The positive result gives us additional leeway to invest in our future and further growth,” says Dr. Michael Fübi, CEO of TÜV Rheinland AG.

The number of employees at the international testing company decreased slightly last year, reaching an average of 20,241 full-time equivalents over the course of 2021. This is 416 employees or 2% fewer than in the previous year. Capital expenditure was around EUR 57.7 million in 2021.

150 years of TÜV Rheinland

With regard to the company's anniversary and TÜV Rheinland's role in overcoming the imminent, global challenges, Dr. Fübi continues: “We are looking ahead. For 150 years, we have seen ourselves as a partner for new technologies – yesterday it was steam boilers, today it is renewable energy, tomorrow it will be artificial intelligence. We use safety to make such innovations a success, in line with our aim of making the future a little safer. We are paying particular attention to services for a more sustainable economy. We thus intend to continue growing profitably.”

TÜV Rheinland is celebrating its 150th birthday in 2022. The company was founded on October 31, 1872, as the “Verein zur Überwachung der Dampfkessel in den

Kreisen Elberfeld und Barmen” (Association for the Inspection of Steam Boilers in the Districts of Elberfeld and Barmen). As the decades progressed, this first steam boiler inspection association in one of Germany’s industrial centers evolved into the global testing company TÜV Rheinland. “The company’s mission is timeless: building trust by providing safety and quality in the interaction between people, technology, and the environment. This idea will continue to hold in the coming decades, because safety is a basic human need as well as a requirement for quality of life and sustainable solutions of the future,” says Michael Fübi. “Thanks to the dedication and extensive expertise of our employees, we not only have a long history to look back on but will also closely follow future technological developments.”

Focus on sustainability

In the future, TÜV Rheinland will amplify its contribution to sustainable development as defined by the United Nations’ Sustainable Development Goals and to the fight against the climate crisis. For the testing company, this entails both improving customers’ sustainability with its own services and how it performs its own services. “It is absolutely clear that TÜV Rheinland’s development hinges on the environment and society in which we operate. This means we have an ecological and social responsibility that we live up to – in the past, in the present, and in the future,” says Michael Fübi.

In 2006, TÜV Rheinland was the first testing company in the world to sign up to the United Nations Global Compact to promote responsible business and sustainability. Since October 2021, EcoVadis, the world’s leading provider of sustainability rankings, has given TÜV Rheinland Gold status, putting it among the best 5% of the companies rated. The EcoVadis rating looks at 21 criteria relating for example to the environment, work practices and human rights, fair business practices and sustainable procurement. “We set clear sustainability targets for our own activities. For example, we are reducing our greenhouse gas emissions in line with the 1.5 degree target agreed by most nations at the 2015 Climate Change Conference in Paris,” says Michael Fübi.

The journey to a more sustainable future also provides TÜV Rheinland with good economic prospects. The testing company has recently bundled its wide range of

sustainability services in almost all service areas worldwide. At the same time, the experts are working to implement new, innovative testing services for future areas such as carbon-neutral business, energy generation without fossil fuels, and social standards in global supply and value chains. A wealth of information and services for more sustainability are now available from TÜV Rheinland at www.tuv.com/sustainability.

TÜV Rheinland as partner for new technologies

TÜV Rheinland has seen itself as a partner for new technologies since it was founded 150 years ago. A current example is the rapidly growing electromobility segment. Since last year, TÜV Rheinland has been building a large testing laboratory for drive batteries in Aachen, which will open in June 2022. Most recently, TÜV Rheinland and its partner TWAICE founded Battery Quick Check GmbH in March 2022. The new company aims to launch a service to evaluate drive batteries of used electric vehicles on the market from fall 2022. In addition, the company's experts provide support for the type approval of newly developed vehicles, particularly with regard to increasingly automated driving. For example, TÜV Rheinland assisted the homologation of the world's first driver assist system for highly automated driving (SAE Level 3) for use on the road, namely Drive Pilot in the S-Class and EQS from Mercedes-Benz.

Another example is hydrogen, which can provide a solution to the problem of storing renewable energy and offers an opportunity to combine previously separate areas such as electricity, heating and mobility. In 2021, TÜV Rheinland established a global hydrogen competence center, in which it bundles its many services for the safe production, storage, transport and use of hydrogen as an energy carrier worldwide. A hydrogen testing laboratory recently opened in Cologne underscores TÜV Rheinland's aim to help shape the transition to renewable energy.

Financial position and capital expenditure

TÜV Rheinland's equity increased by EUR 151.2 million from EUR 285 million to EUR 436.2 million in 2021. Net cash from operating activities totaled EUR 205.9 million in the 2021 fiscal year (2020: EUR 223.2 million).

Capital expenditure amounted to EUR 57.7 million in 2021 and was thus somewhat lower than in the previous year. These investments focused on various software and digitization projects as well as on the expansion of testing capacity and the creation, expansion and modernization of testing laboratories. TÜV Rheinland invested a total of EUR 5 million in a new testing laboratory in Budapest. In addition, EUR 13.8 million was spent on testing equipment and facilities for the Products business stream. Investment continued in one of Europe's largest and most state-of-the-art test centers for drive batteries, which TÜV Rheinland is currently building in Aachen, with EUR 1.2 million spent in 2021. The Mobility business stream also invested EUR 1.4 million in vehicle inspection centers in Chile.

Development of employee numbers

TÜV Rheinland's internationality is reflected by its employees: in 2021, 58.1% of the 20,241 employees were based outside of Germany. In Germany, TÜV Rheinland employed an annual average of 8,486 full-time equivalents in 2021, 259 fewer than the previous year. This was due in particular to a streamlining of central administrative functions, which was completed in 2021. Internationally, the number of employees fell by 1.3%. The implementation of the planned restructuring programs of the last few years is well advanced. In the medium and long term, TÜV Rheinland plans to create new jobs again as it has continuously done over the past few decades. For comparison, in the year of its 140th anniversary TÜV Rheinland employed 17,200 people around the world. The targeted growth will be achieved largely organically, thus resulting in the creation of new jobs.

Performance in Germany and internationally

The German market accounted for 52.3% of TÜV Rheinland's total revenues in 2021, with the international regions accordingly contributing 47.7%. Revenues in Germany grew by EUR 56.7 million, totaling EUR 1.093 billion in 2021. Outside of Germany, revenues amounted to EUR 997.5 compared with EUR 916.8 million in 2020. As in the past, the Greater China region accounted for the largest share of international business, contributing 19.5% of the Group's total revenues. Revenues grew in most regions in 2021, with sometimes significant growth rates of up to 25%. There were only slight declines in revenues in the North America and Asia-Pacific regions.

Performance of the business streams

TÜV Rheinland has divided its global testing and certificate business into five business streams. Industrial testing, product testing, and mobility services together constitute more than 75% of the entire business of TÜV Rheinland.

In 2021, the Product Testing business stream made the biggest contribution to TÜV Rheinland's total revenues. Revenues in this area totaled EUR 604.1 million, corresponding to a significant increase of 8.5% or around EUR 47 million year-on-year. This positive development is attributable to factors including excellent revenue performance in the testing of toys, cosmetics and textiles as well as machinery, components and solar modules.

The revenue performance in the Mobility business stream was again impacted by the coronavirus pandemic. Nevertheless, the business stream palpably improved its revenues by 7.5% to EUR 595.4 million (2020: EUR 554 million). Volumes at vehicle inspection centers in Germany and Latvia returned to normal levels, while significant growth was seen in Chile. In Spain and France, the vehicle inspection business fell somewhat short of expectations as a result of the pandemic.

The business with vehicle appraisals and vehicle type approval services was noticeably affected by factors such as global supply problems and the associated production bottlenecks for automobile manufacturers, because these reduced the number of new registrations. In contrast, the very international business with inspection services for rail transport grew significantly.

The Industrial Services & Cybersecurity business stream generated revenues of EUR 560.7 million in 2021, up 4.2% on the previous year (EUR 538.1 million). Significant growth was seen in many countries of Western Europe, which were still heavily affected by the pandemic in 2020. Testing and certification services for the energy and environment sectors were in particularly high demand there. The regions Greater China, Central and Eastern Europe (CEE), India, Middle East, Africa (IMEA) and South America also made significant contributions to the revenue growth.

The Academy & Life Care business stream was still heavily impacted by measures in connection with the coronavirus pandemic, especially in the business with training and further education. Nevertheless, the business stream considerably improved its revenues by 6.9% to EUR 244.7 million (2020: EUR 228.8 million), chiefly due to investments in digitalized learning opportunities. Business relating to occupational health management again saw increased demand. Here, TÜV Rheinland employees were also involved in the implementation of the national coronavirus vaccination strategy in Germany.

The Systems business stream grew considerably with the certification of management systems. Revenues increased by 11.9% to EUR 239.9 million (2020: EUR 214.3 million). Catch-up effects after a pandemic-driven decline in the previous year were one reason for the significant increase. Furthermore, there was growing customer demand for audits in the supply chain, especially in the Greater China and Asia-Pacific regions. Pre-shipment inspection business for Indonesia and inspections for the Iraqi, Moroccan, and Saudi Arabian markets also developed positively.

Outlook

Current crises such as Russia's war of aggression against Ukraine, the coronavirus pandemic and substantial disruptions in global supply chains also present challenges for TÜV Rheinland. "It is crucial that companies are able to respond quickly to crises, not only today but also in the future," says CEO Michael Fübi. TÜV Rheinland wants to accelerate its profitable growth in the years ahead, focusing in particular on guiding new technologies to market maturity with independent safety and quality inspections as well as the extensive field of sustainability services. In addition, the company will continue to invest heavily in the capabilities of its own employees. Dr. Fübi: "As one of the world's largest independent testing service providers, we will continue to deliver what our customers and society have expected from us for 150 years now: safety and quality in a complex world of constant technological innovation."

150 years of safety: Since 1872, TÜV Rheinland's mission has been to make technology safe for people and the environment. From the steam engine to digitalization, the erstwhile "Verein zur Überwachung der Dampfkessel in den Kreisen Elberfeld und Barmen" (Association for the Inspection of Steam Boilers in the Districts of Elberfeld and Barmen) has evolved into a global testing service provider ensuring safety and quality in virtually all areas of business and life. This responsibility is now shared by more than 20,000 employees, who generate annual revenues of around EUR 2.1 billion. Around the globe, experts from TÜV Rheinland test technical systems and products, support innovations in technology and industry, train personnel in a wide range of professions, and certify management systems according to international standards. With safety and sustainability, TÜV Rheinland is also shaping the future. Since 2006, TÜV Rheinland has therefore been a member of the United Nations Global Compact to promote sustainability and combat corruption. Website: www.tuv.com