

# Strong global positions in advanced polymer compounds

President and CEO Mikael Fryklund



# HEXPOL 2018 – Another strong year

MSEK	2018	2017	
Sales	13,770	12,230	Sales increase +13%
Operating profit, EBIT	2,150	1,986	
Operating margin, %	15.6	16.2	Best to date
Earnings per share, SEK	4.78	4.44	
Operating cash flow	2,019	2,001	
Equity/assets ratio, %	59	68	

- Improved market positions
- Strong sales development
- Positive volume development
- Strong financial position, equity/assets ratio 59%

# HEXPOL – Strong global market positions

- Improved market positions in our main markets
- Strong sales development
- Positive volume development
- Two Compounding operations acquired and responsibly integrated during 2018
- Adds a new growth area in Rubber Compounding – high performance elastomers
- Continued efforts on TPE Compounding



# HEXPOL – Strong global market positions

- World leading polymers group with strong global positions in advanced polymer compounds (Compounding)
- Global leading position for Rubber Compounding
- Strong position in High Performance Elastomers
- European leader within TPE Compounding
- Strong US position for reinforced Polypropylene Compounding (TP)
- Global leading position in Gaskets for plate heat exchangers (PHEs)
- One of few global suppliers of wheels made of plastic and rubber material for forklifts and castor wheel applications (Wheels)

NEW



# HEXPOL – Our vision guides us

HEXPOL's vision is to be a market leader, ranking number one or two in selected technological or geographical segments, in order to generate growth and shareholder value.

HEXPOL's business concept is to operate as a product and application specialist in a limited number of selected niche areas for the development and production of polymer products.

HEXPOL's operational strategies:

- Profitable growth
- Adding value for our customers
- Most cost-effective company
- Efficient supply management
- Superior management expertise
- Responsibility and care

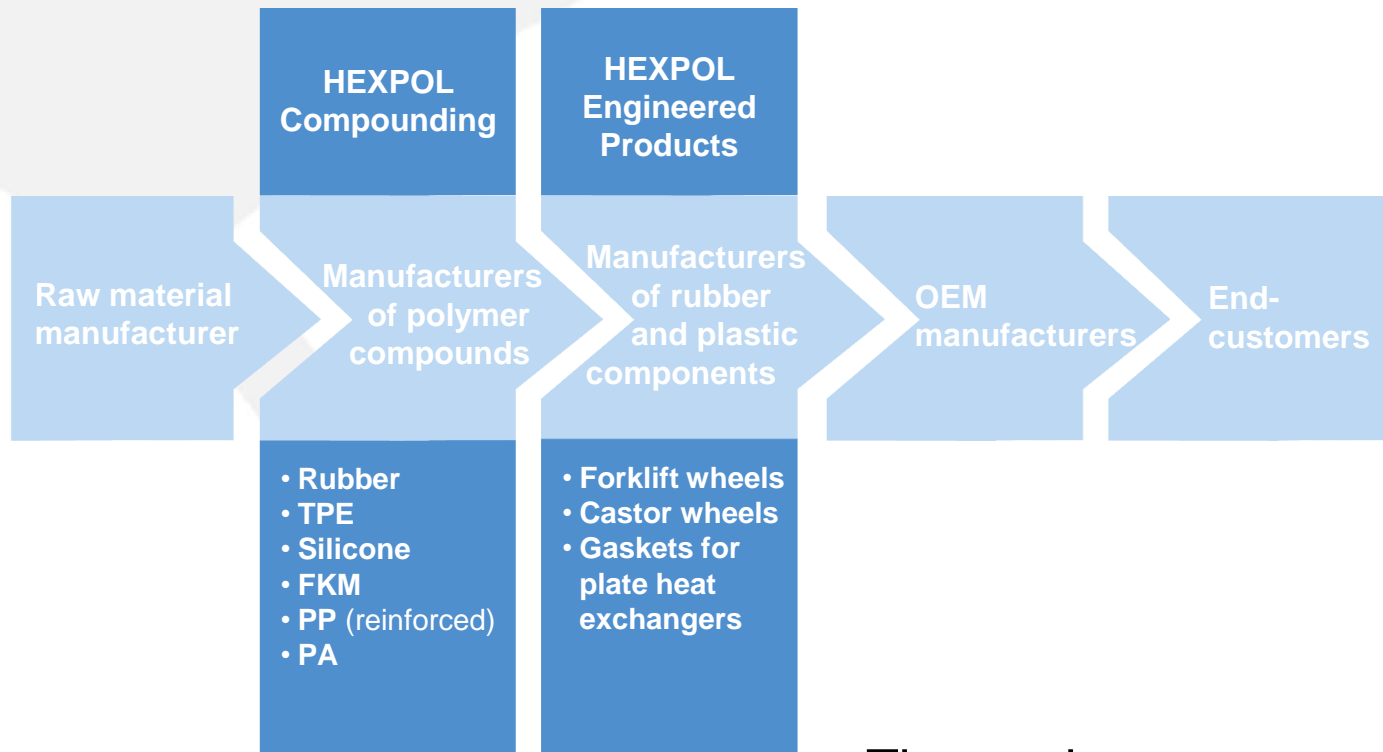


# HEXPOL's growth strategy

Our strategy which is based on a broad and in-depth expertise in polymers and applications is successful and stand firm. We combine our strong business concept that include strong cash flows with both organic and acquired growth.



# HEXPOL – fast growing with cutting-edge expertise



## ■ Business model:

- Glocal – local production/JIT
- Application focused
- Tailor-made

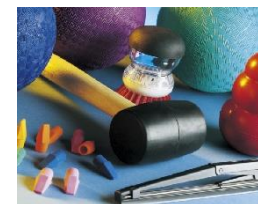
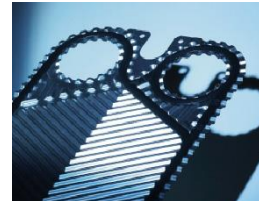
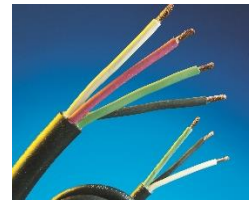
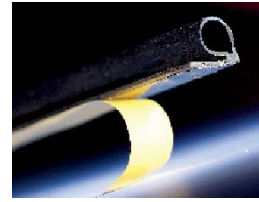
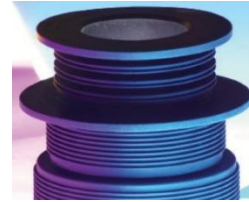
## ■ The market:

- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies



# HEXPOL – Expertise and customer focus

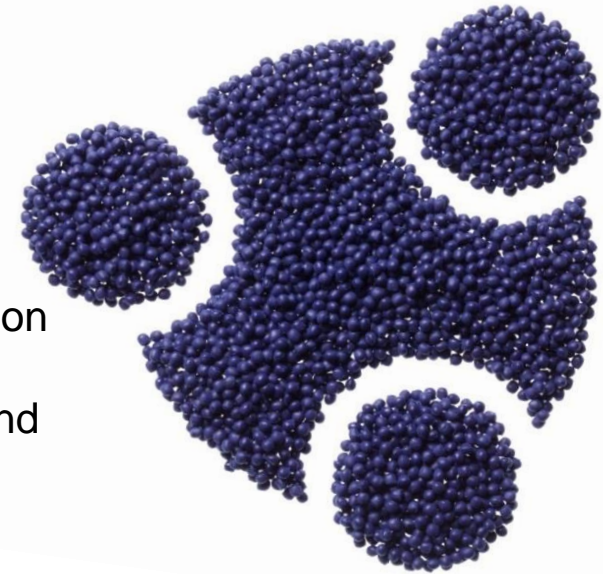
” We add value for our customers through cutting-edge expertise in polymer materials and solid knowledge of applications. Together with the best service in the market we strengthen our customer’s competitiveness in their markets”.





# HEXPOL's growth strategy

- Product Development
  - New segments (for example: flame retardant)
  - New products in existing segments (for example: environmentally friendly)
  - Application oriented
- Increased market shares
- Acquisitions mainly within Polymer Compounding
  - Existing geographical markets (Kardoes, Portage Precision and Valley Processing in US, Berwin Group in UK, Trelleborg Material & Mixing Lesina in Czech Republic and Kirkhill Rubber in US)
  - New geographical markets (Vigar in Spain and Mesgo Group in Italy, Poland and Turkey)
  - New chemistry (Portage Precision/silicone compounding, RheTech / TP compounding, Mesgo Group/silicone and fluorocarbons)
  - New end user segments
  - Existing end user segments
- Capacity investments in TPE Compounding

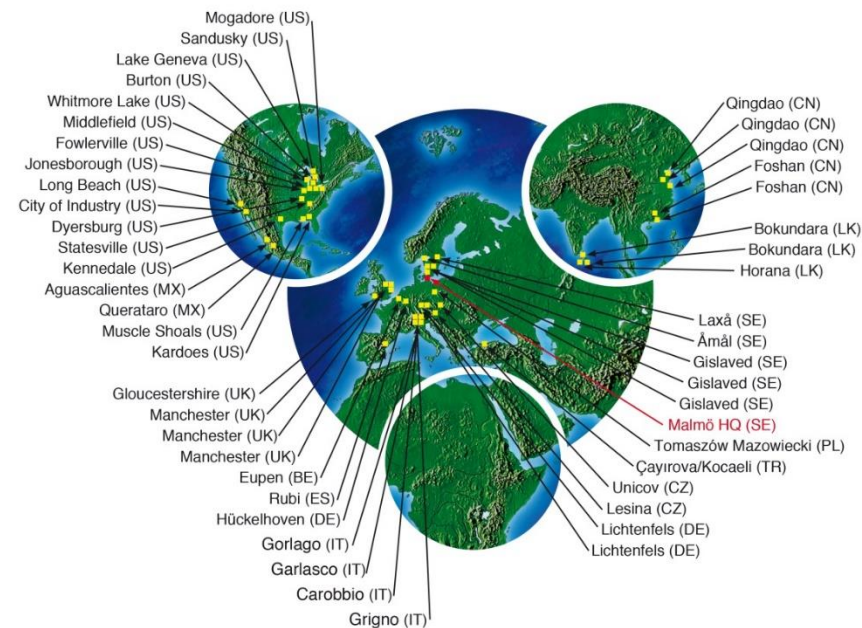


# HEXPOL – Strong growth with strong margins



# HEXPOL – A well positioned Group

- Strong global presence
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management groups and board
- Acquisition oriented – major acquisitions within Polymer Compounding
- Acquired 35 units with sales, development and production since 2010



# Kirkhill Rubber, California, US

Acquired September 2018

- HEXPOL established a significant presence on the US west coast through the acquisition of Kirkhill
- State of the art facility in Long Beach, California, US
- Presence in the aerospace, automotive and medical technology equipment industries as well as in other demanding industrial segments
- Extensive knowledge in high performance elastomers
- Annual turnover: approx. 50 MUSD





# 80% of Mesgo Group

Acquired beginning of October 2018

- Industry leader in high performance elastomers – fluorocarbons and silicone – for industry, consumer products, transportation and automotive
- Specialize also in conventional rubber compounds and thermoplastics
- State of the art facilities in Carobbio and Gorlago in Italy, and facilities in Poland respectively in Turkey
- Facilities specializing in thermoplastics and master batches in Garlasco and Grigno in Italy
- Innovation center in Gorlago, Italy
- Annual turnover of approx. 100 MEUR and 190 employees

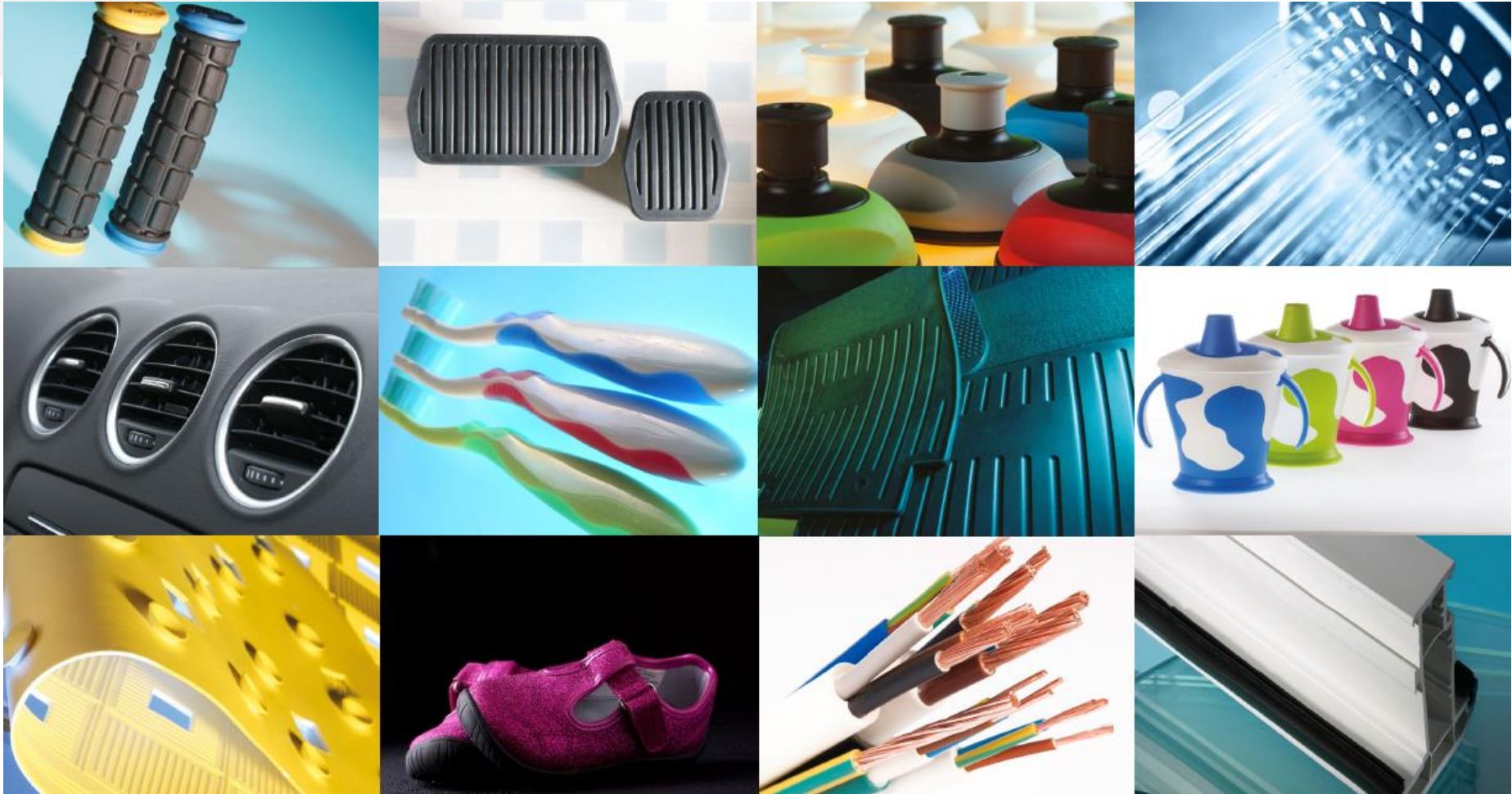


# Example of Rubber Compounding applications

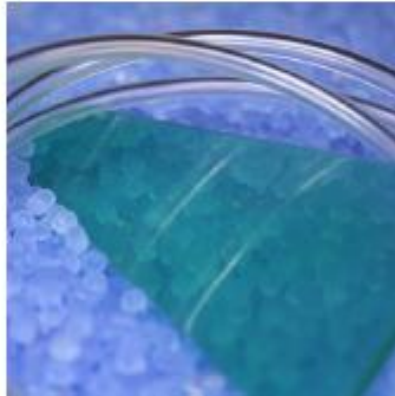




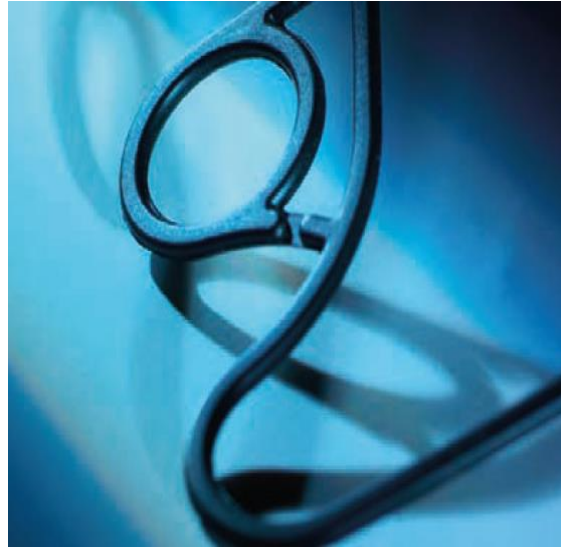
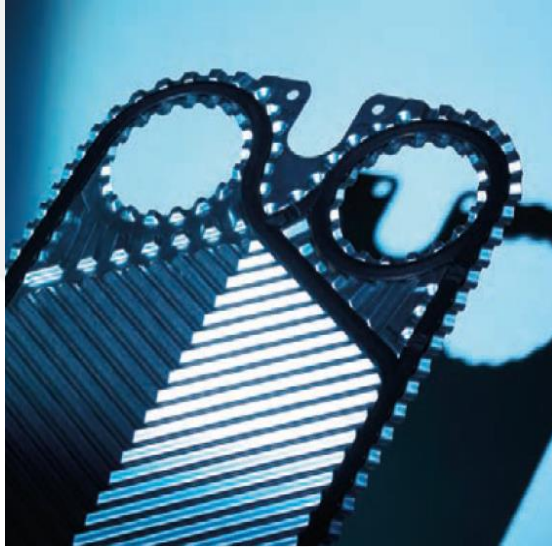
# Example of TPE applications – Dryflex



# Example of TPE applications – Mediprene



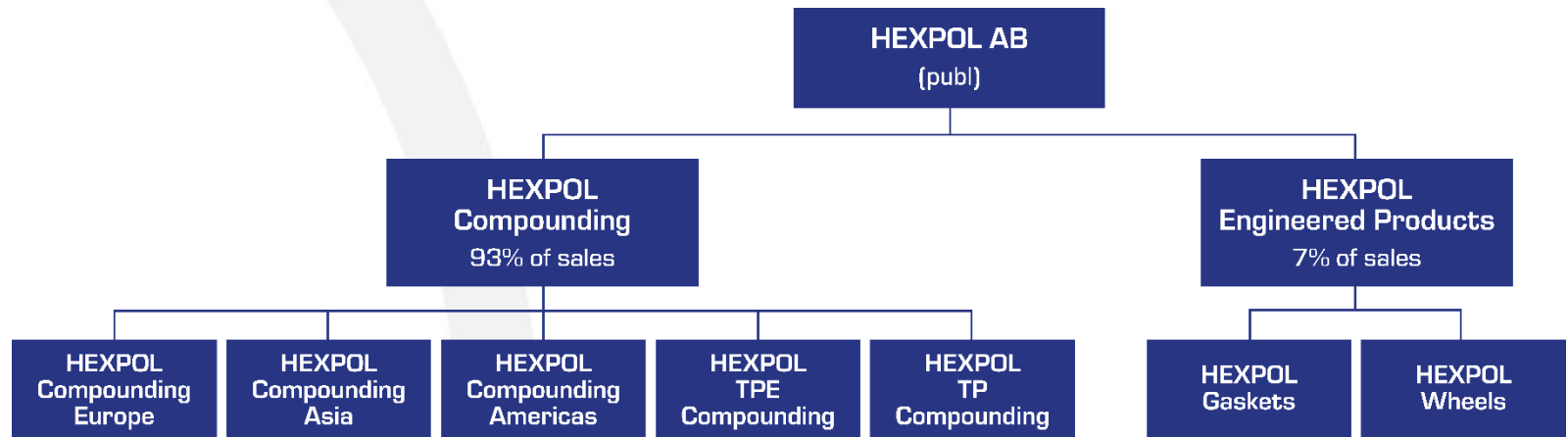
# Example of Engineered Products applications



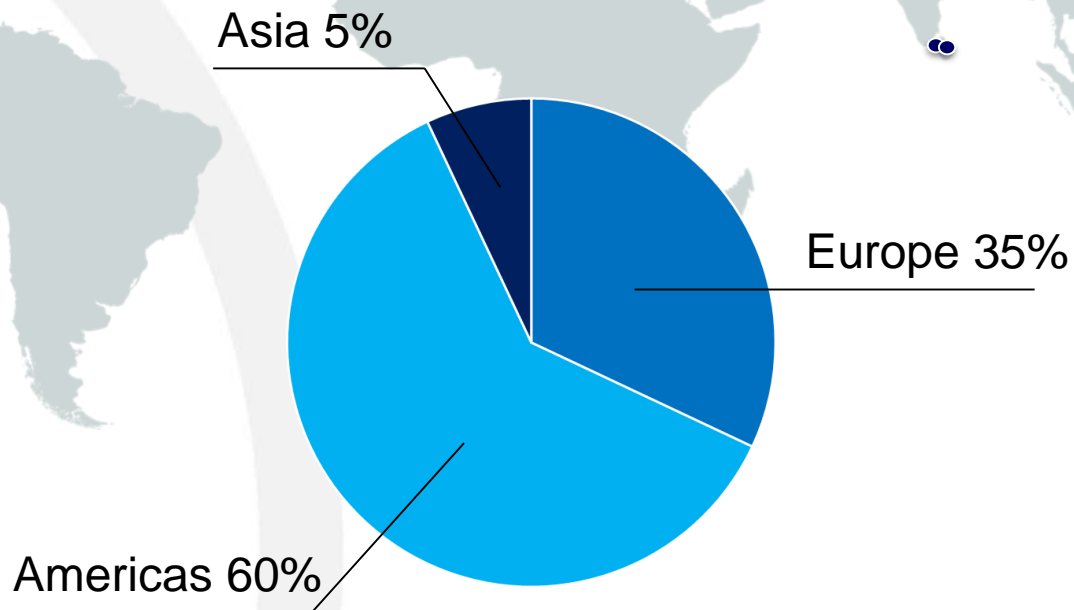


# HEXPOL – A well positioned Group

- Stable organization – 4,600 employees in 14 countries
- Two business areas:
  - Hexpol Compounding – 93% of total sales
  - Hexpol Engineered Products – 7% of total sales



# HEXPOL – global sales



# HEXPOL – A well positioned Group

Main customer segments:

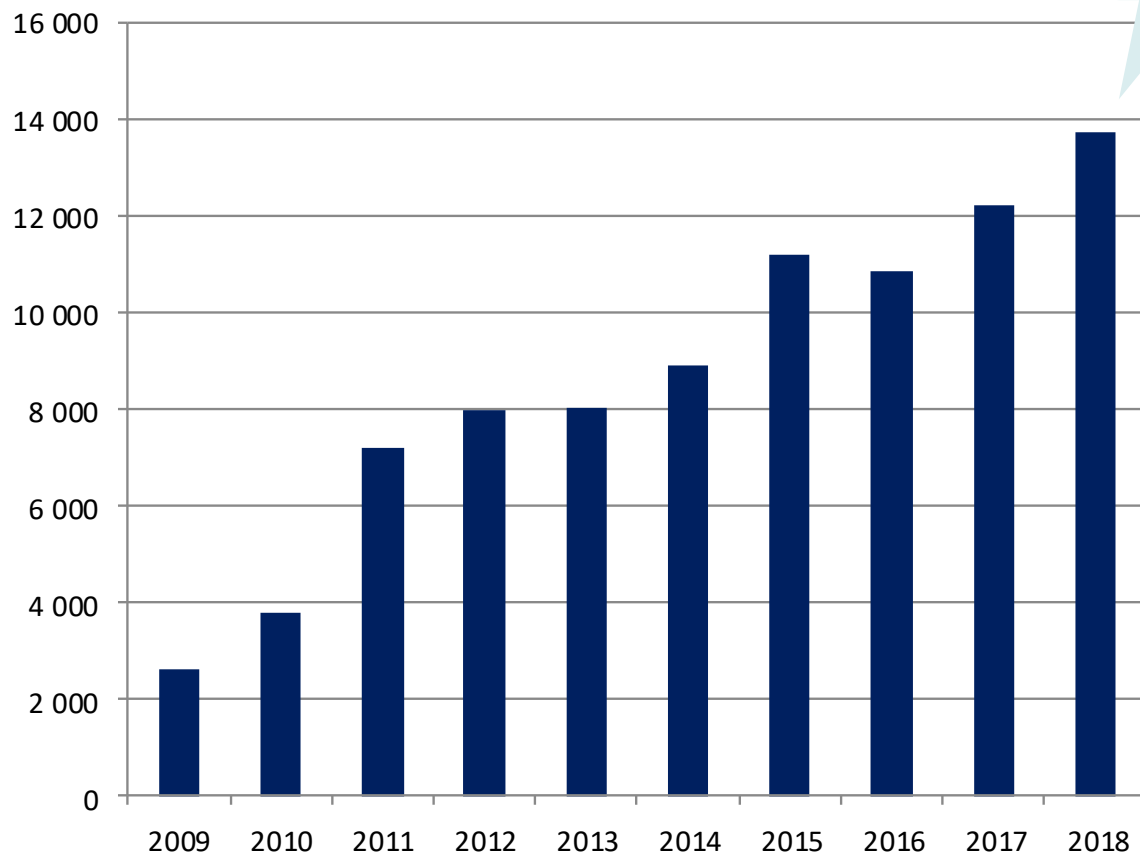
- Automotive industry
  - Sales around 36% 2018
- Engineering and general industry
- Building & construction
- Transportation
- Consumer industries
- Energy, oil & gas sector
- Wire & cable industries
- Medical equipment industries
- Manufacturers of plate heat exchangers
- Manufacturers of forklifts and castor wheels





# HEXPOL – Strong growth

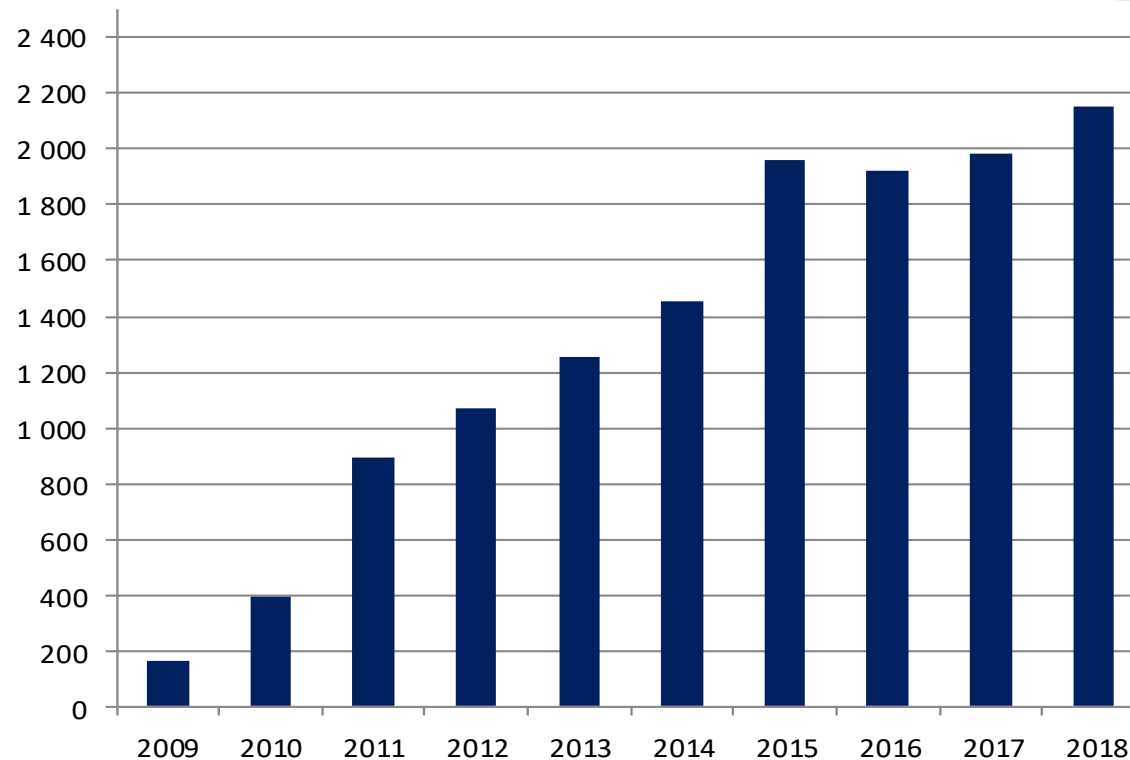
Sales, MSEK



+13%

# HEXPOL – Improved operating profit

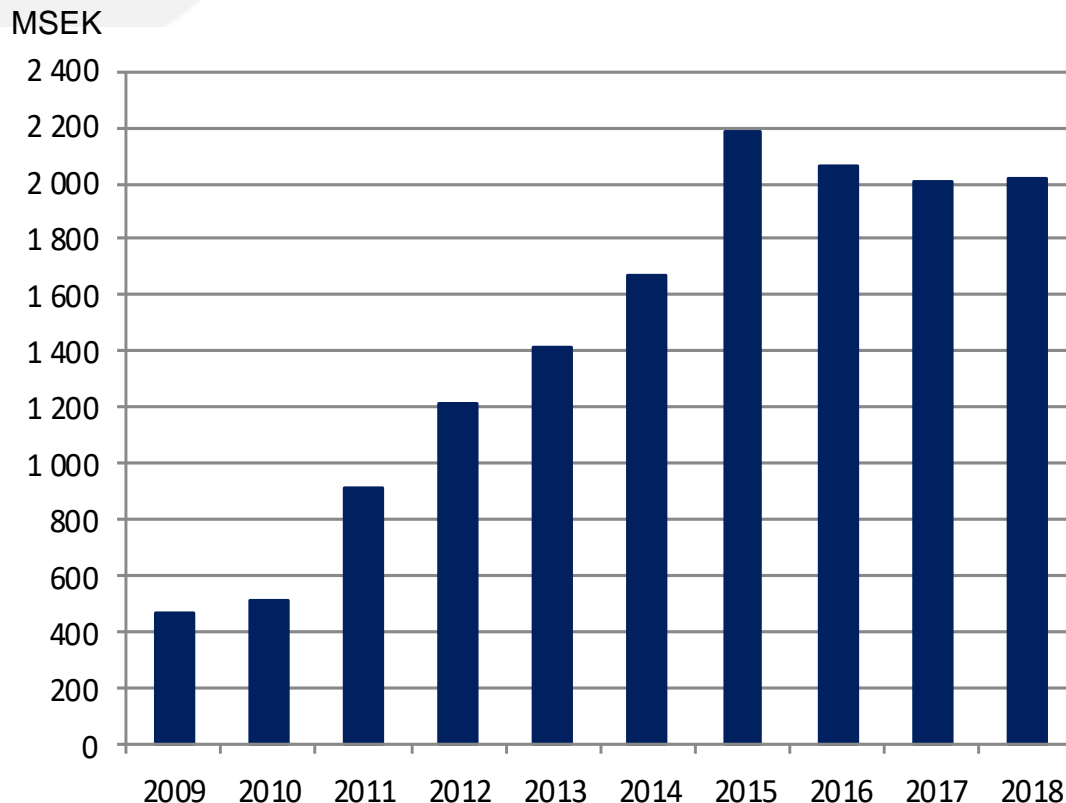
Operating profit, MSEK



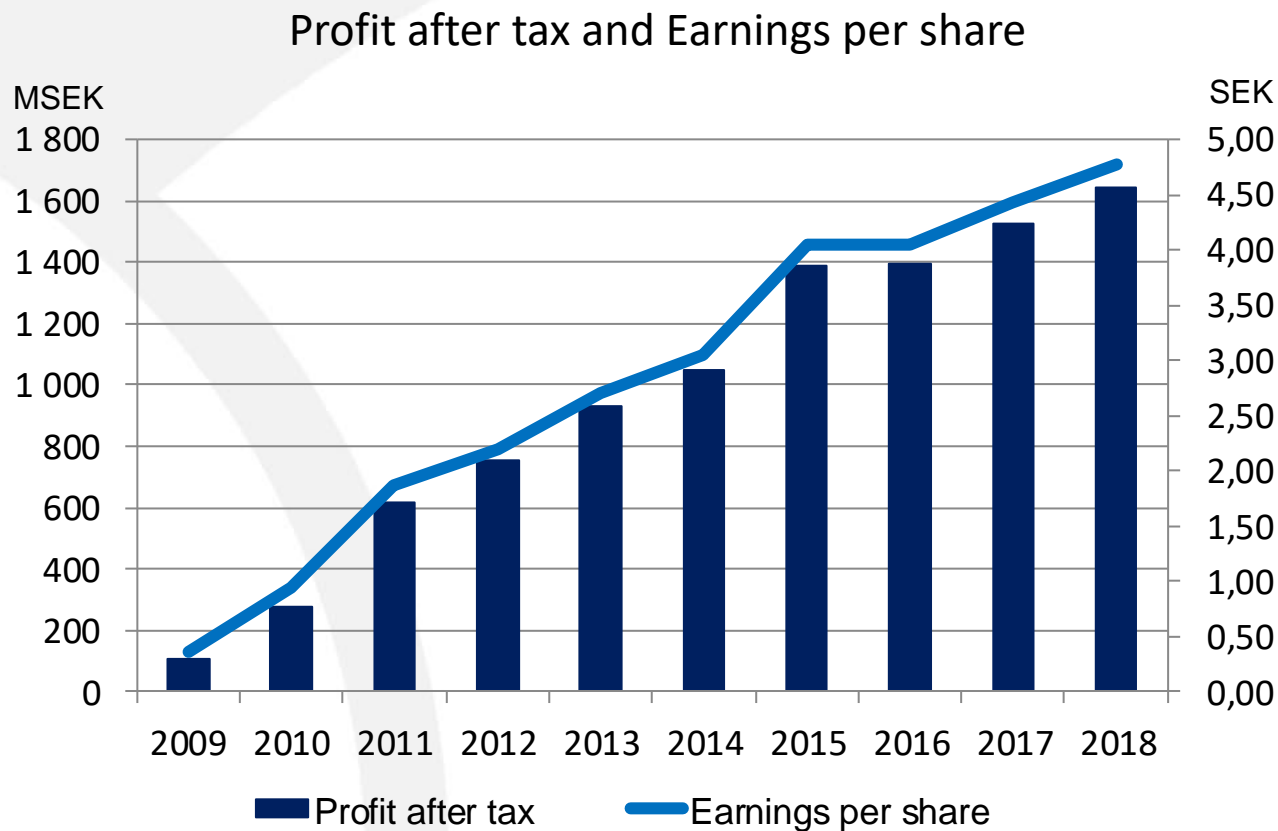
Best operating profit to date, 2,150 MSEK.

# HEXPOL – Strong cash flow

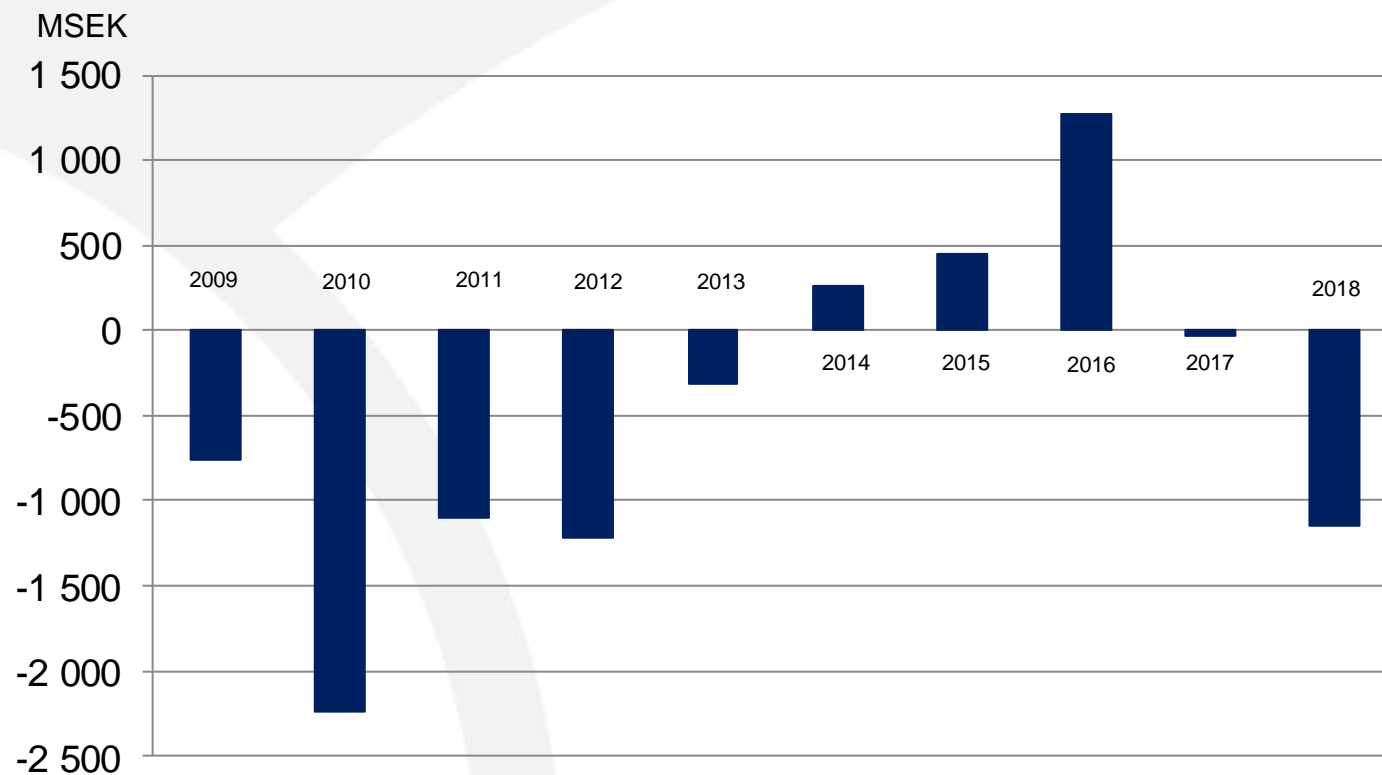
## Operating cash flow



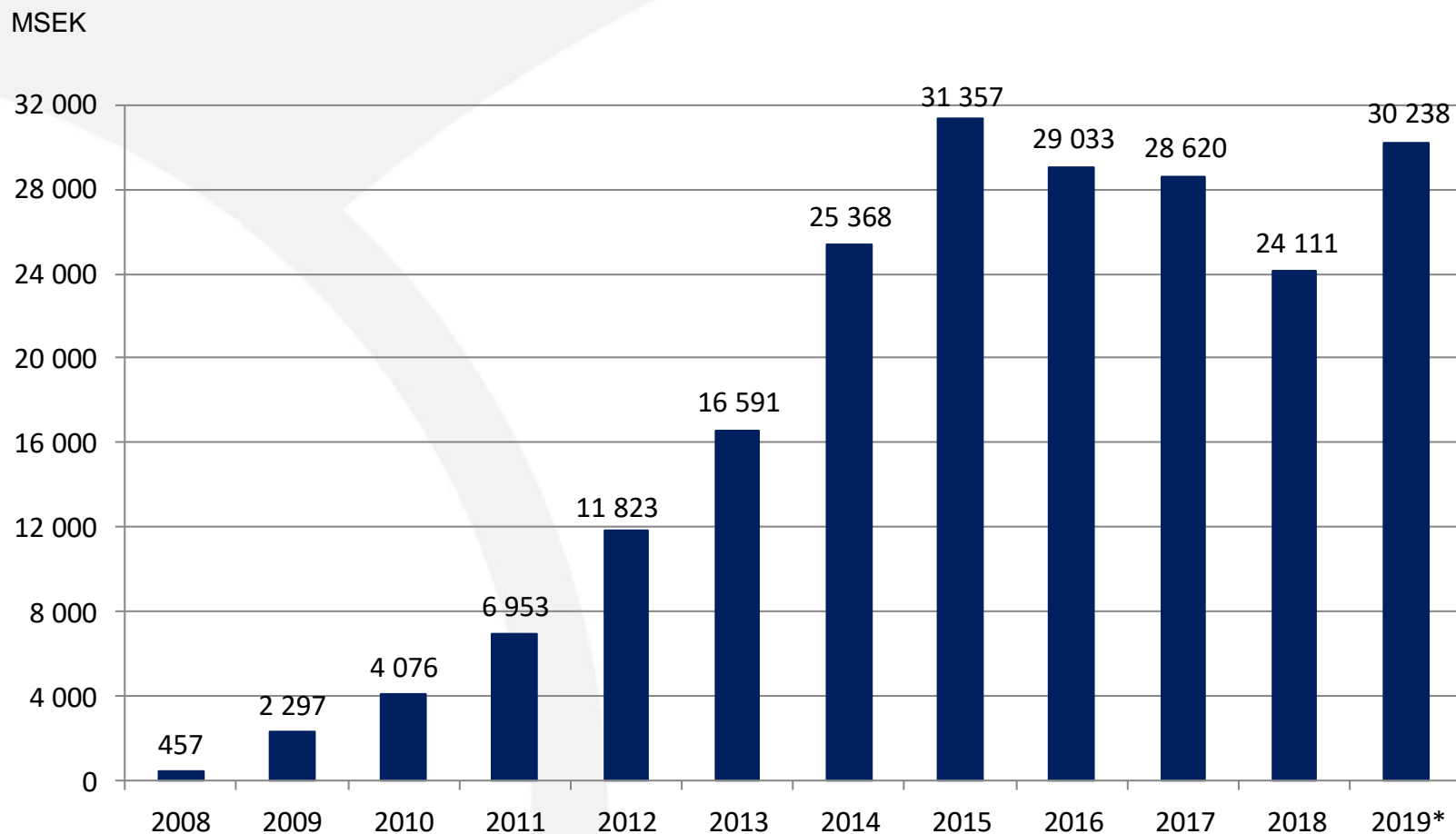
# HEXPOL – Earnings per share



# HEXPOL – Net cash, strong balance sheet



# Development of the market cap



\* Per 23 April 2019



# HEXPOL – Dividend policy

HEXPOL's earnings development and the equity/assets ratio determine the size of the dividend. HEXPOL's dividend policy is to distribute 25 to 50 percent of profit after tax for the year as a dividend to HEXPOL's shareholders, provided that the company's financial position is regarded as satisfactory.

# HEXPOL – Dividend

Our strong operating cash flow leaves room for both continued acquisition oriented expansion as well as for a dividend of 2.25 SEK/share

Raising the dividend with 15%.

# Sustainable development – a prerequisite

- Sustainable development is included in our strategic work and is a prioritized area.
- Overall Group targets for:
  - Reduced energy use
  - Reduced emissions of gases that impact the climate
  - Reduced risks with chemicals
  - Introduction of environmental management systems
  - Safe work environment
- Detailed information about how we work and our results from the sustainability work is found in our Sustainability Report 2018.

The Sustainability Report is available on [www.hexpol.com](http://www.hexpol.com)



# Corporate responsibility








- Materializing Our Values
- Supplier Sustainability Guidance Managing Our Values



# Sustainability work is proceeding – UN's agenda 2030



# Sustainability work is proceeding – UN's agenda 2030

Objective	Sustainable Development Goals	Status	Trend
Energy consumption (GWh/net sales) is to be reduced continuously. The production units work within the framework of ISO 14001 and/or ISO 50001 with detailed targets for increased energy efficiency.		The installation of energy-efficient production equipment, LED lighting, infrastructure and energy monitoring equipment contributed to more efficient energy consumption. In a five-year perspective, energy efficiency has increased and the key performance indicator for energy consumption has decreased by about 25 percent since 2010.	
Emissions of carbon dioxide (tonnes/net sales) are to be reduced by 15 percent by the end of 2018 compared with the average for 2010-2011. This target pertains to carbon dioxide emissions resulting from the use of energy. There are various types of local targets and it is common for Group companies to have introduced a joint goal for climate and energy.		Currently, about 24 percent of energy use consists of fossil-free electricity and biofuels. Over a five-year perspective, the key performance indicator has developed in the right direction and the objective has been achieved with a good margin. A new objective will be presented in 2019.	
All facilities are to have certified environmental management systems (ISO 14001). Acquired companies must implement the environmental management system within a period of two years.		Two companies were certified in accordance with ISO 14001 during the year and 97 percent of the plants are now certified in accordance with ISO 14001. There are favorable opportunities to achieve the objective.	
The use of hazardous chemicals must be identified, controlled and, wherever possible, hazardous substances are to be phased out.  HEXPOL should be viewed as a frontrunner in the polymer industry as a supplier of environmentally compatible products.	 	Work to limit the use of particularly hazardous substances is conducted continuously. During the year, approximately 15 substances were replaced, including several phthalates (plasticizers).  The development of environmentally compatible products continued in 2018 (page 22-23). About 15 percent of the polymer raw materials consisted of recycled plastic and rubber.	
The vision is that no accidents will occur at our workplaces. The target is that the number of accidents will be reduced. Systems for reporting near misses are to be in place in all operations.		The number of accidents with absence and the number of lost working days decreased compared with the preceding year. The outcome was the lowest in the past five years. Systems for reporting near misses are in place in most of the units.	
Supplier Sustainability Guideline is to be applied in the supply chain.		During 2018, approximately 470 assessments were performed, of which approximately 35 were audits.	

Green: Objective already achieved; Blue: Positive trend, objective possible to achieve; Yellow: No change; Red: Negative trend, objective not achieved.



# Innovative solutions generating green growth

- HexLite – enable the automotive industry to achieve reduced fuel consumption
- RheVision – renewable raw materials give considerably lower carbon footprint
- Dryflex Green – based on renewable raw materials
- Hex-Flame and DryflexFLAM – halogen-free flame-retardant materials
- Self-developed EPDM-rubber – reduce the risk of corrosion



Photo: Emballator Lifestyle



# The way forward – priorities for HEXPOL 2019

- Continued focus on growth through marketing and development efforts
- Continued acquisition orientation and integration
- Utilize our strong platform for increased cross-selling and benchmarking between our units to improve efficiency
- Continue our pro-active sustainability and social responsibility work
- Improve our digital capabilities for more efficient marketing efforts



# HEXPOL – Q1 2019



# Q1 2019 – Increased sales and higher operating profit

- Sales increased 15%
- Stable volume development, incl. acquisitions
- Operating profit increased 9%
- Earnings per share increased 7%

	2019	2018	2018	
MSEK	Q1	Q1	Q4	
Sales	3 805	3 309	3 557	
EBITA	607	547	533	+15%
EBITA margin %	16,0	16,5	15,0	
Operating profit, EBIT	586	540	522	+9%
Operating margin, EBIT %	15,4	16,3	14,7	
Profit after tax	438	411	405	
Earnings per share, SEK	1,27	1,19	1,18	

# Q1 2019 – Increased sales and higher operating profit

- **Sales increased 15% to 3,805 MSEK (3,309)**
  - Stable volume development incl. acquisitions
  - Acquisitions contributed with 380 MSEK
  - Positive currency effects of 298 MSEK
- **In Americas increased sales by 8% (lower in local currency)**
  - Lower sales (in local currency) to automotive related customers and to customers within building & construction and engineering and general industry
  - Higher sales (in local currency) to customers within cable industry and energy, oil & gas sector
- **In Europe increased sales by 31%**
  - Increased sales to automotive related customers and to customers within engineering and general industry
  - Sales also increased to customers within building & construction and cable industry
  - Excluding the acquired Mesgo Group, sales were lower to automotive related customers and to cable industry
- **In Asia decreased sales by 12%**
  - Lower demand from automotive related customers in China
- **Operating profit increased 9% to 586 MSEK (540)**
  - Positive currency effects of 51 MSEK

- 2018 OUR BEST RESULT TO DATE
- FIRST QUARTER 2019
  - Increased sales and improved result

