



# Presentation CEO

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Peter Rosén  
Acting CEO

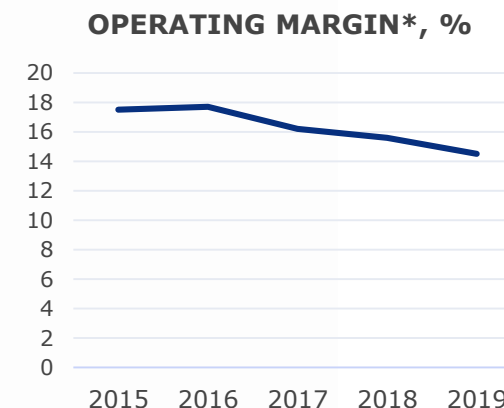
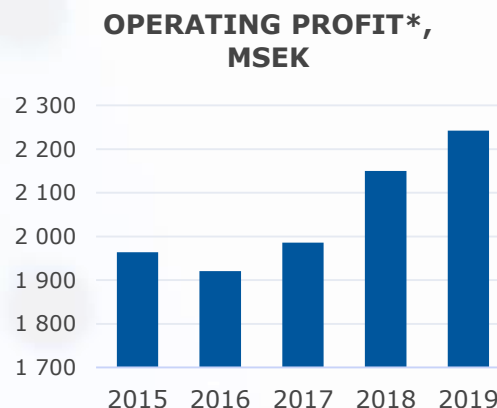
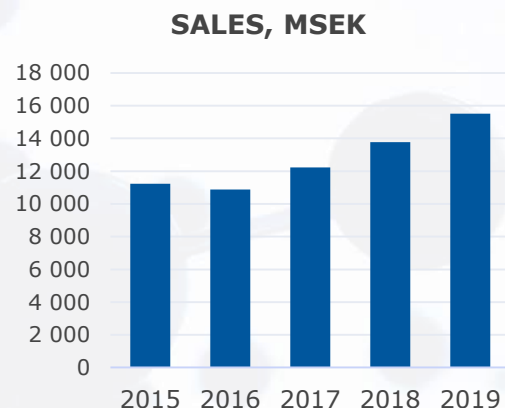
28 april 2020

# 2019 continued growth and strong financial position

**SALES 2019**  
**15,508 MSEK**  
(13,370 MSEK)

**OPERATING PROFIT\* 2019**  
**2,245 MSEK**  
(2,150 MSEK)

**EARNINGS PER SHARE\***  
**4.93 SEK**  
(4.78 SEK)



\* Adjusted for non-recurring items.

## ..... 2019 continued growth and strong financial position

- Improved market positions in our principal markets
- Good sales development
- Preferred Compounding acquired during the year
- Positive volume development including acquisitions
- Continued investments in på TPE Compounding



## ..... Well positioned Group

- Strong global presence
- Globally coordinated and decentralized
- Strong and global compounding offer
- Historically strong sales growth and good profitability
- Well invested with strong cash flow
- Long history within the industry with very experienced and dedicated management groups and Board
- Acquisition oriented – major acquisitions in Polymer Compounding
- Acquired 41 units with sales, development and production since 2010



# ..... **Our growth strategy stands firm**

Our strategy, which is based on an in-depth and wide-ranging polymer and application expertise is successful and stands firm.

We combine our strong business model, which has strong cash flows, with both organic and acquired growth.





# ..... Growth strategy

- Product development
  - New segments (for example flame retardant materials -> GloMold)
  - New products within existing segments (for example environmental friendly)
  - Applications oriented
- Increased market shares (to be the preferred partner when outsourcing)
- Acquisitions within Polymer Compounding
  - Existing geographical markets (Valley Processing, US; Berwin Group, UK; Trelleborg Material & Mixing Lesina, Czech Republic; Kirkhill Rubber and Preferred Compounding, US)
  - New geographical markets (Vigar, Spain and Mesgo Group Italy, Poland and Turkey)
  - New materials (Portage Precision/ Silicone Compounding, RheTech/TP Compounding, Mesgo Group/Silicone and Fluoro-carbon rubber)
  - New end user segments (Mesgo Group/high-performance elastomers)
  - Existing end user segments
- Capacity investments in TPE Compounding



# Growth strategy

## Selection of important acquisitions



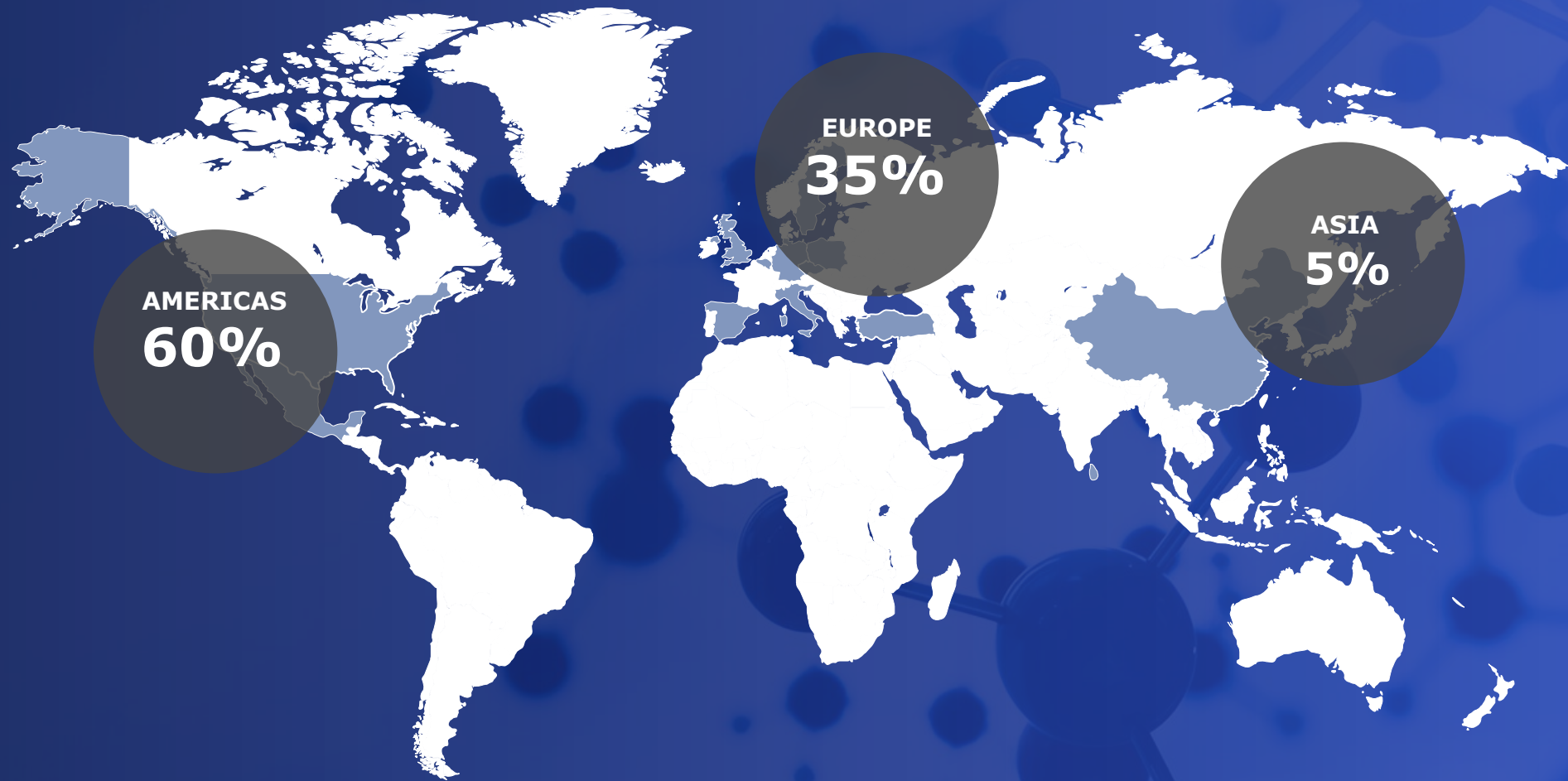
# ..... Preferred Compounding

- Preferred brings significant competitive advantage to our customers in the Americas region, with improved supply chain and leading research, development and engineering services
- Preferred adds also high performance elastomers capabilities following the acquisitions of the Mesgo Group and Kirkhill Rubber
- Key markets: general industry, automotive, power and infrastructure
- In 2018 had annual sales of around 240 MUSD, with an EBITDA margin well below HEXPOL Group
- Around 540 employees in six facilities, five in the US and one in Mexico

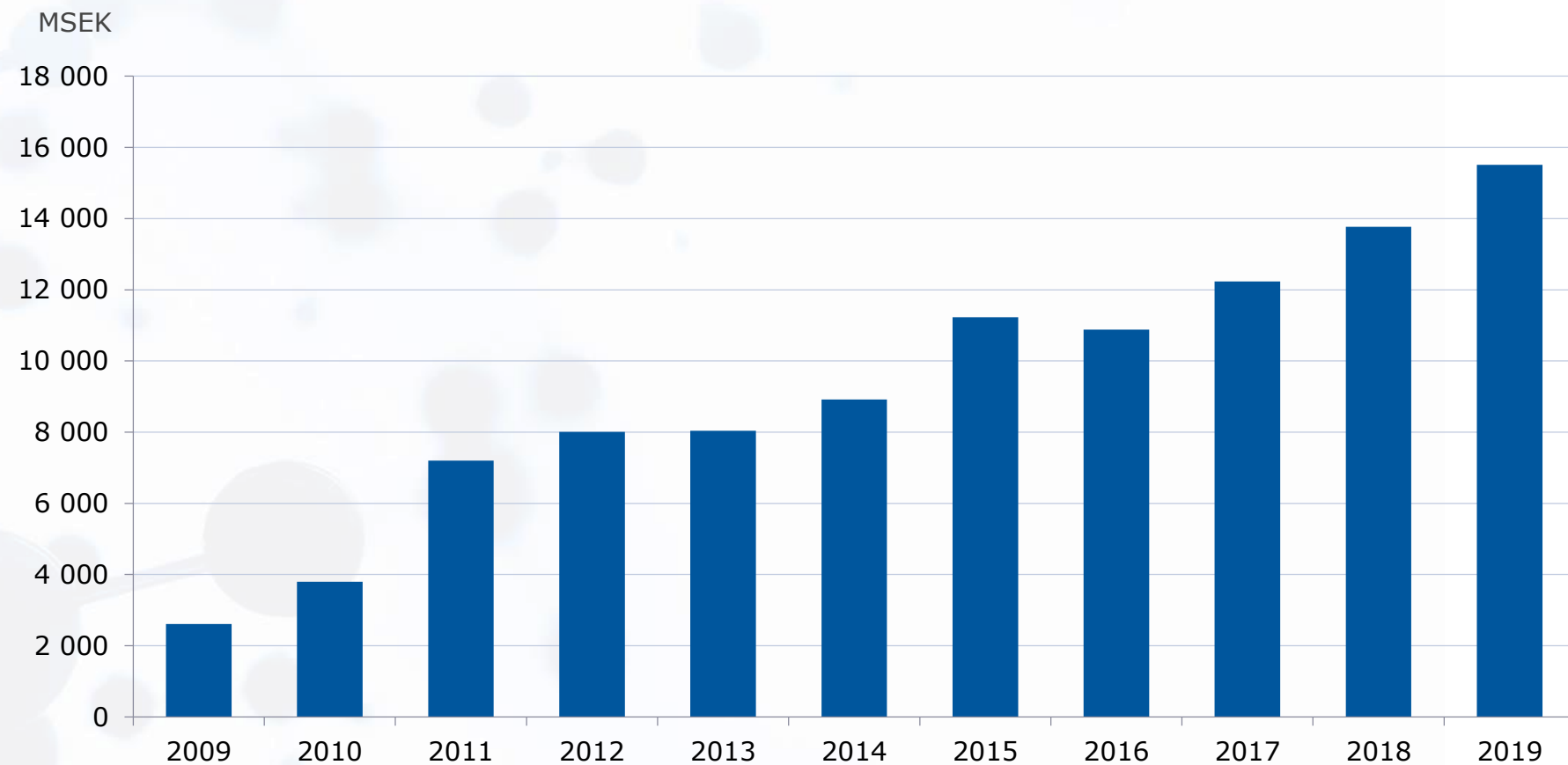




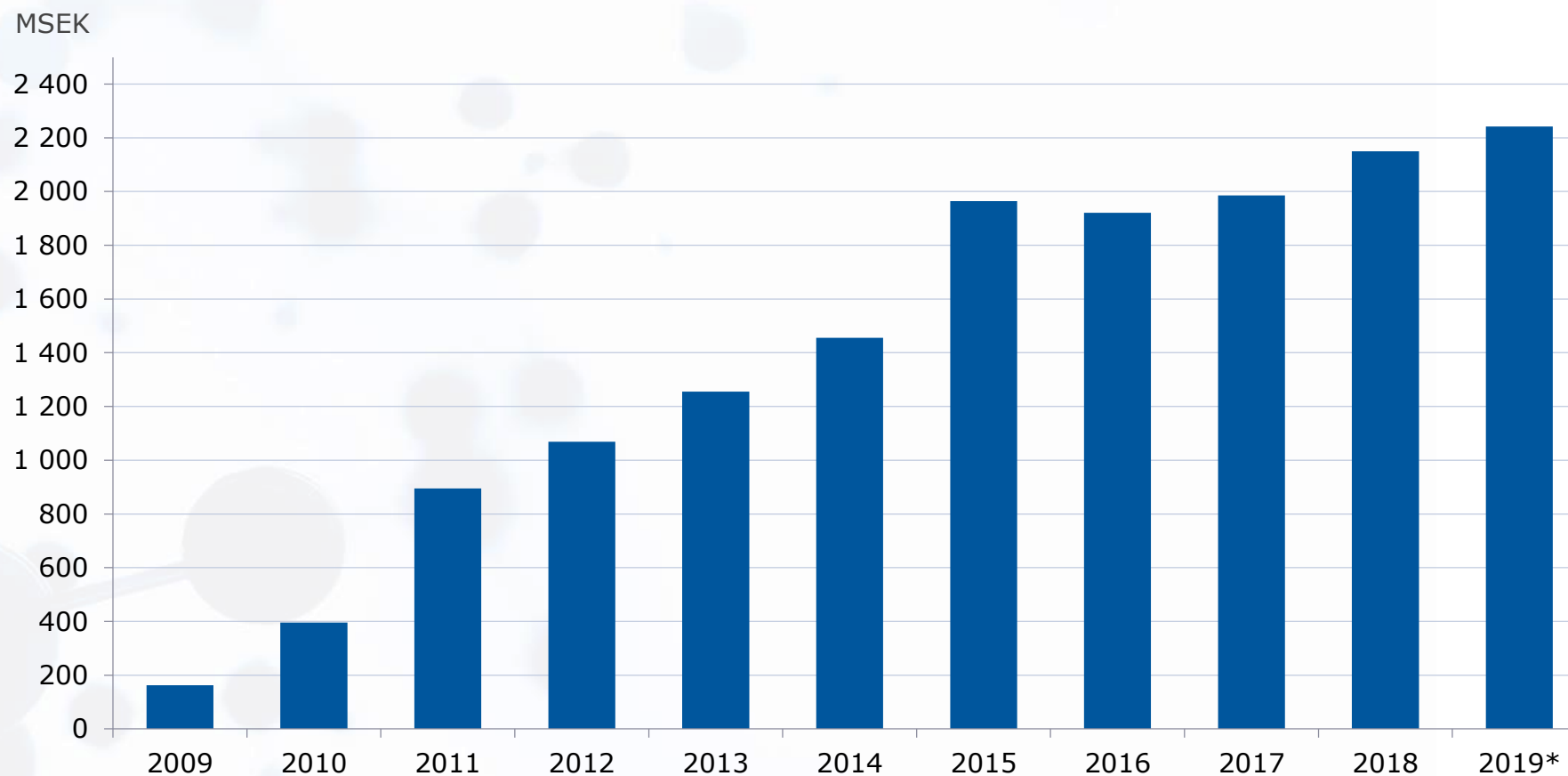
# Global sales



# ..... Sales development

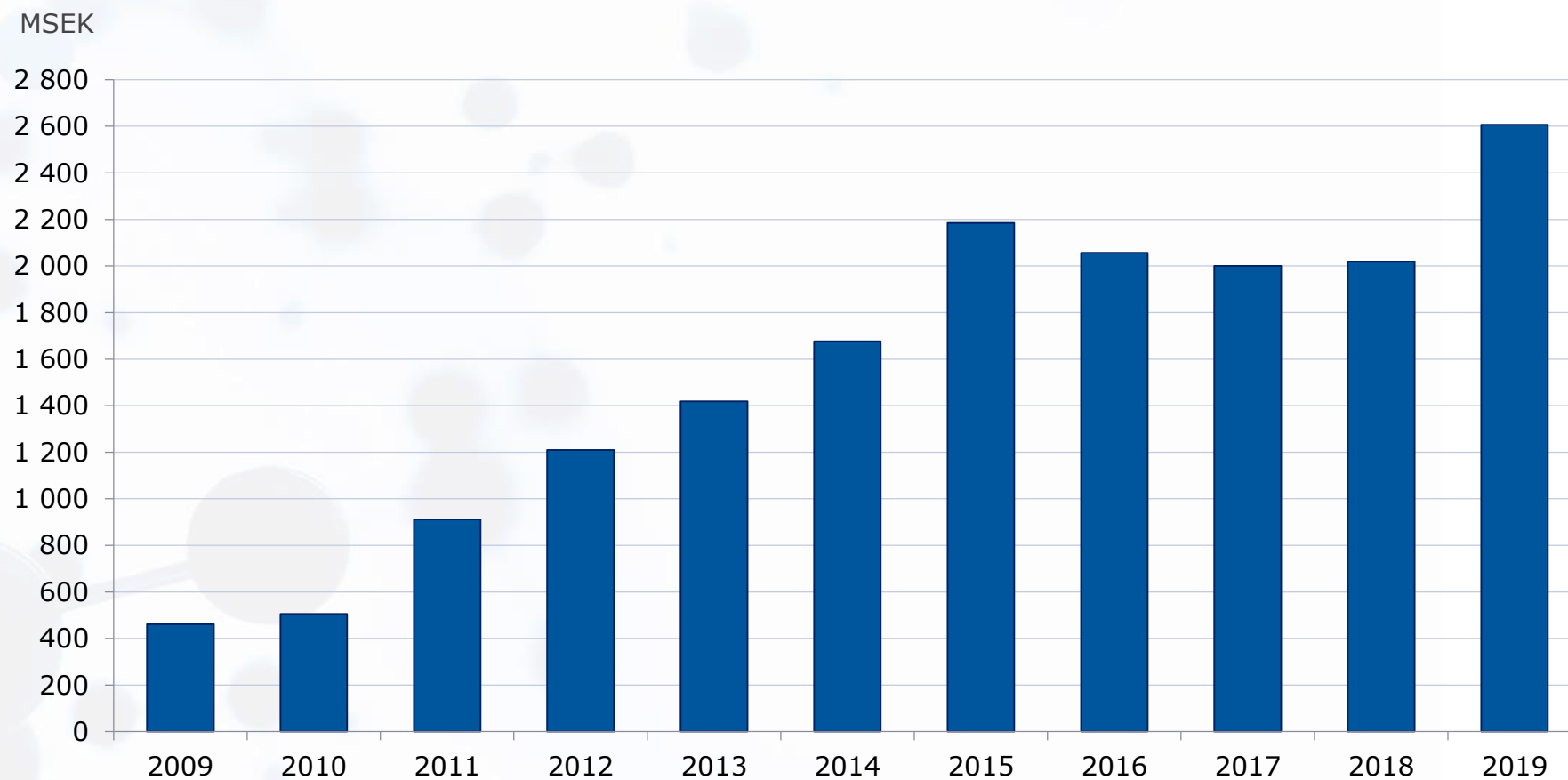


# ..... Development operating profit



\* Adjusted for non-recurring items.

## ..... Development cash flow

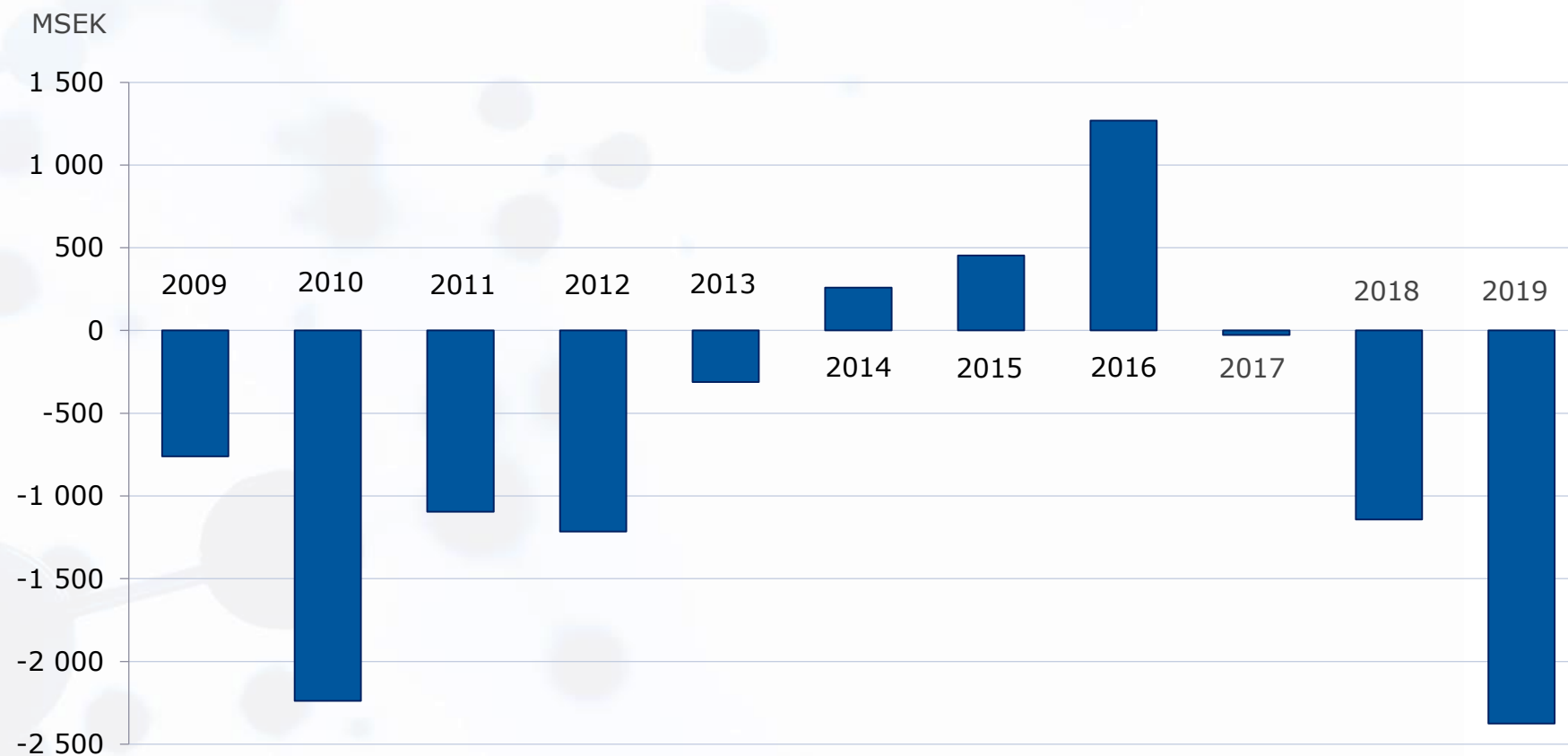


# ..... Earnings per share



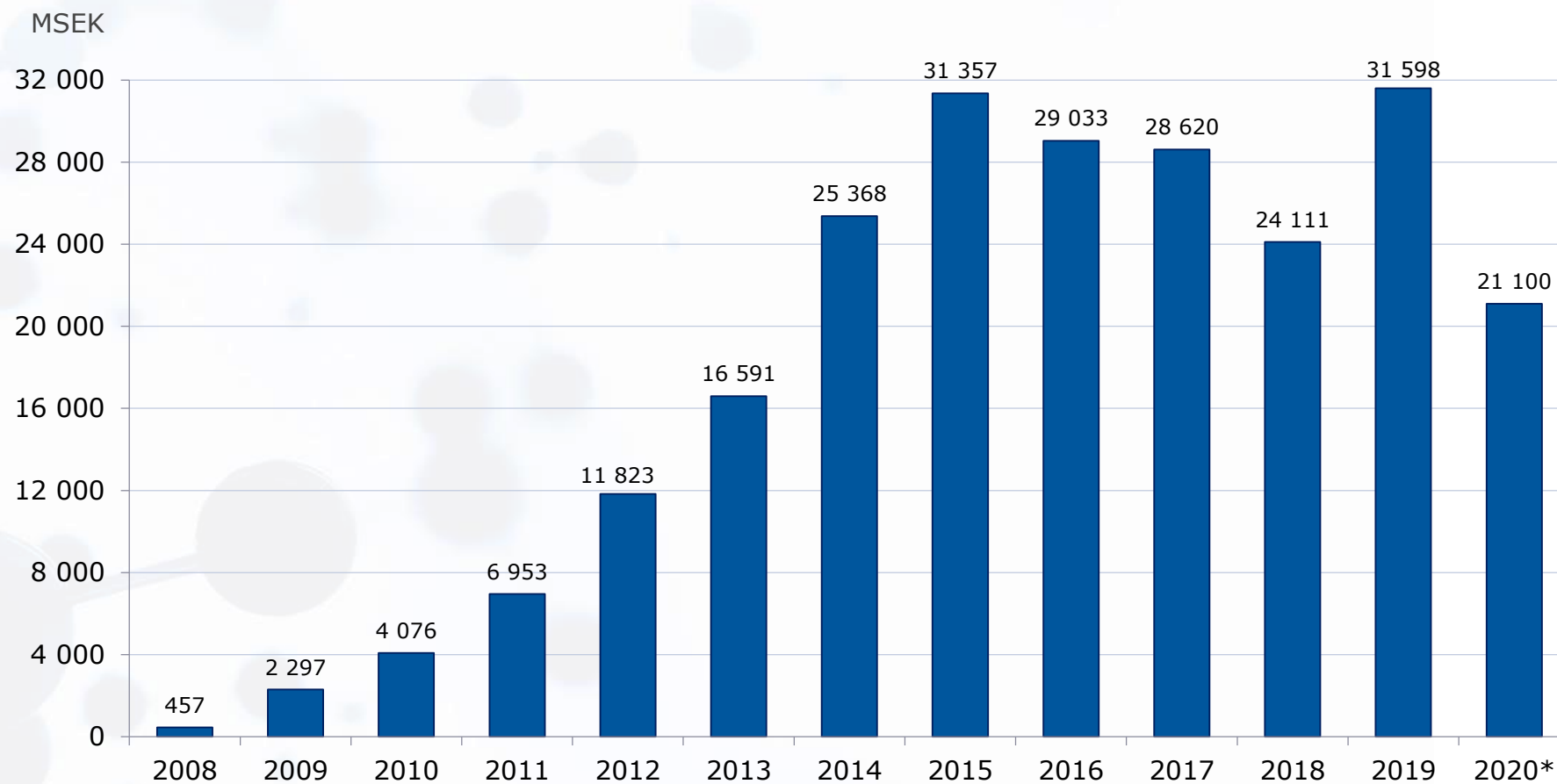
\* Adjusted for non-recurring items.

# Net debt





# ..... Development of the market cap



\* Per 24 april 2020.

# ..... Dividend

## **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.

## **Original proposal**

Our strong operating cash flow leaves room for both continued acquisition oriented expansion as well as for a dividend of 2.30 SEK/share

## **Recommendation**

Influenced by the great uncertainty due to the Covid -19 pandemic, the Board proposes to postpone the dividend decision for 2019. The Board aims to call an Extraordinary General Meeting during the autumn of 2020.

# ..... Sustainable development – a prerequisite

- Sustainable development is included in our strategic work and is a prioritized area.
- Detailed information about how we work and our results from the sustainability work is found in our Sustainability Report 2019.

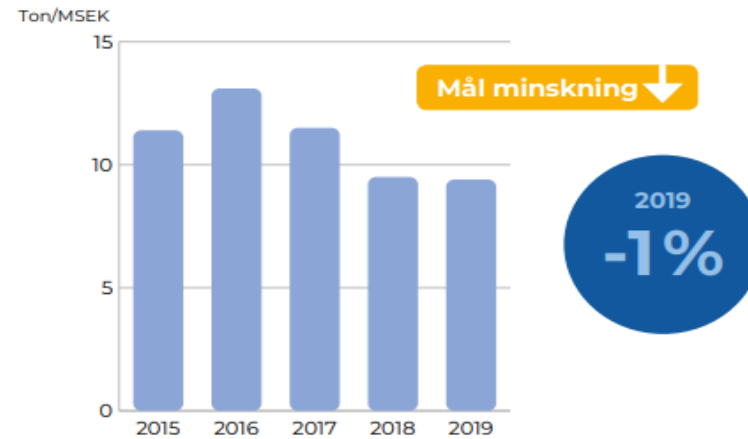


# Sustainability work is proceeding – selected targets 2019

## Energy



## Climate



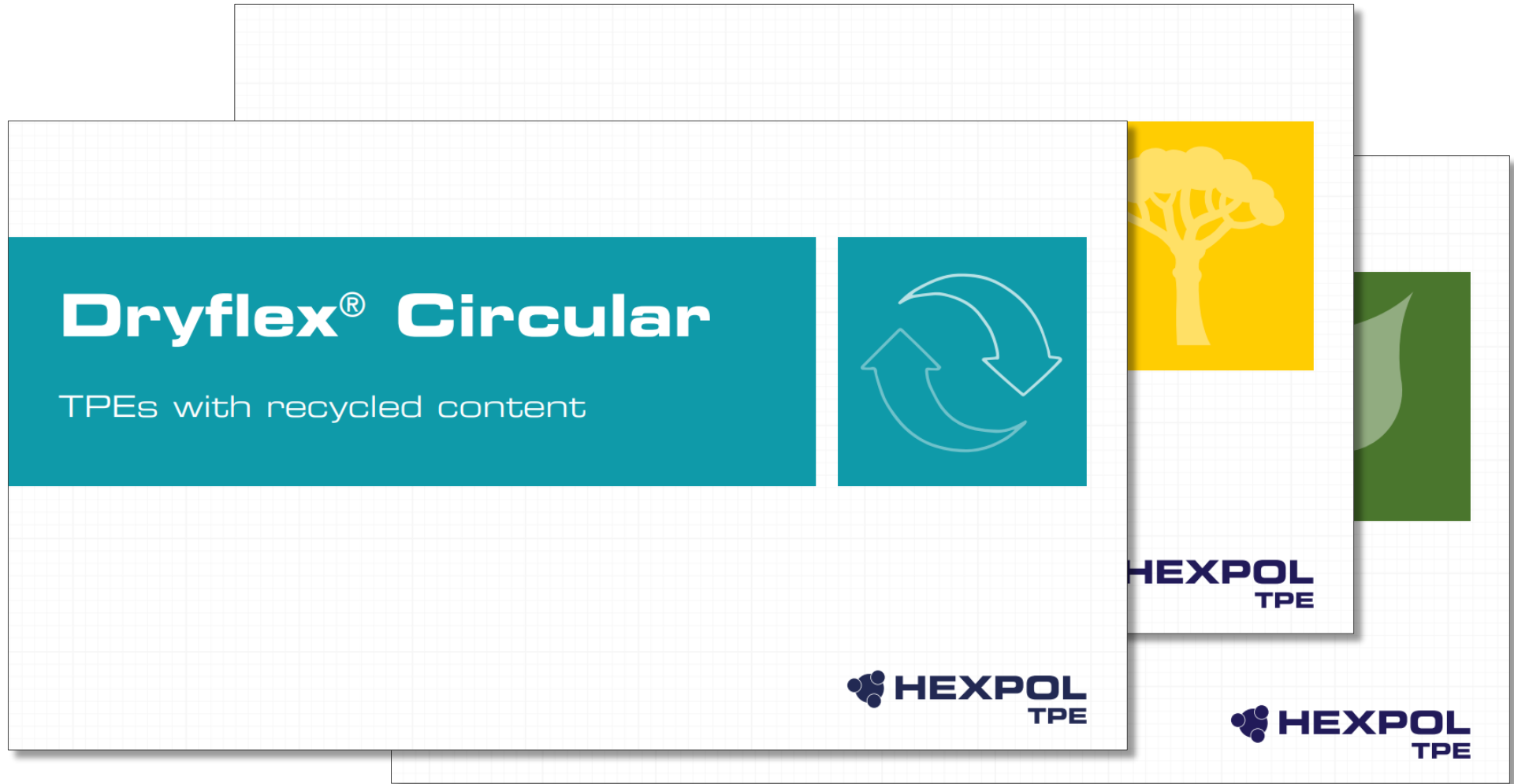
## Safe work environment



# Sustainability work is proceeding – UN's agenda 2030



# ..... Innovative solutions generating green growth





# ..... The way forward – priorities for HEXPOL

- 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 2020 Presentation

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Peter Rosén  
Acting CEO and CFO

April 28 2020

# ..... Q1 2020 Key Highlights

- **Covid -19**

- All sites are up and running, currently no Covid-19 cases amongst employees
- No major supply or delivery issues
- Lower demand first seen during March, specifically negative impact with automotive customers
- Considerable negative impact on demand going forward, not least during second quarter of 2020

- **Increased sales while Preferred acquisition impacts margin negatively**

- Sales increase driven by acquisitions and positive FX effects
- Lower organic sales partly affected by Covid-19

- **Strong cash flow**

- Continued improvement of working capital

- **The US focused restructuring program follows plan**

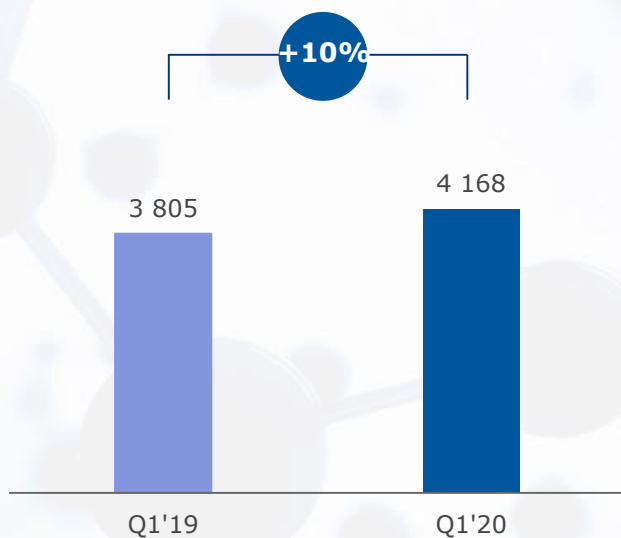
- Preferred integration and cost reductions ongoing



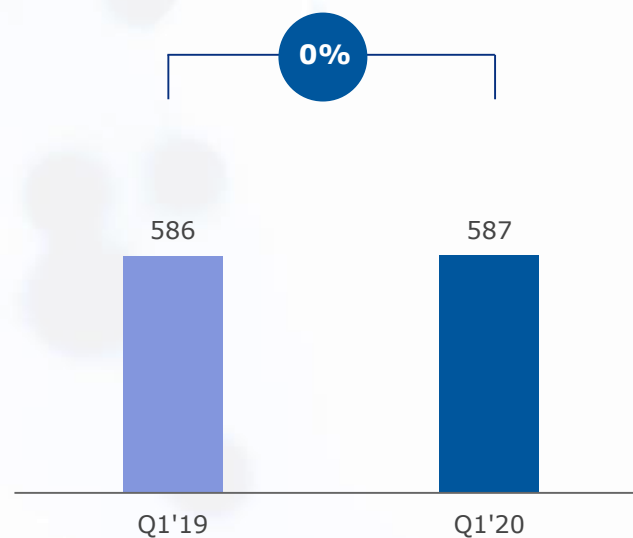
# Q1 2020 Financial Highlights

Sales increase driven by acquisition

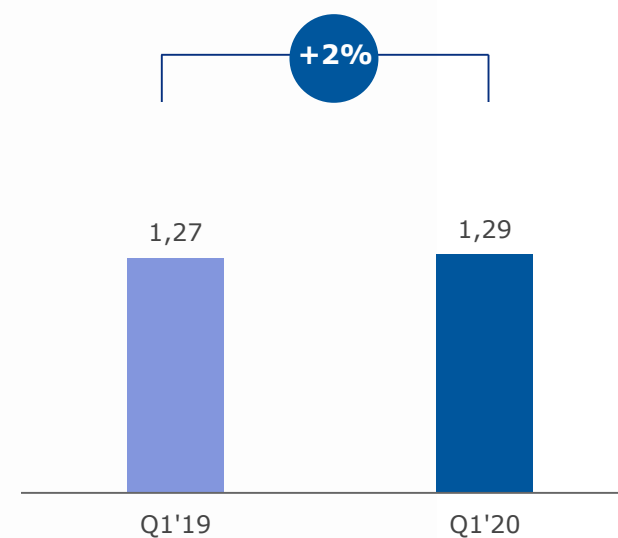
**Net Sales**  
MSEK



**Adjusted Operating Profit\***  
MSEK



**Adjusted Earnings Per Share\***  
SEK

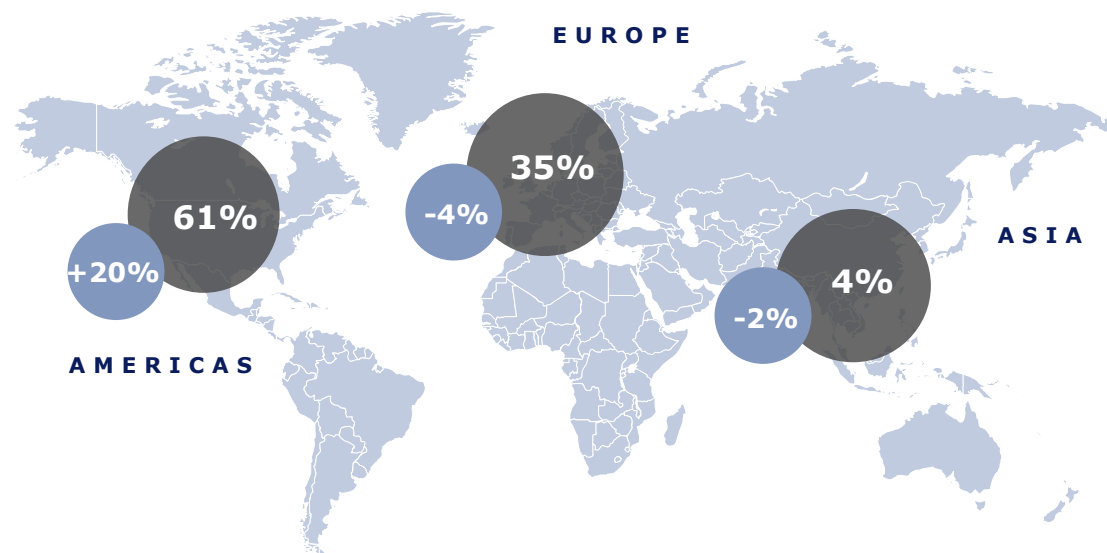


\* Excluding restructuring costs

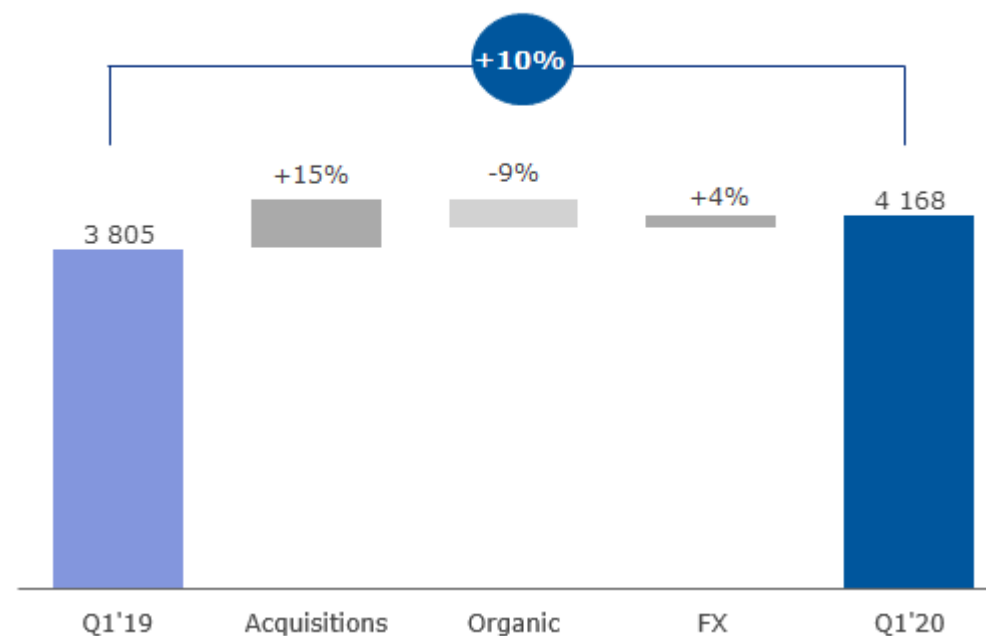
# Q1 2020 Sales Development

Sales growth driven by acquisition

## Regional Development



## Sales development MSEK



# Q1 Financial Overview

Result in line with last year but stronger cash flow



Key figures MSEK	Jan-Mar 2020	Jan-Mar 2019	Full Year 2019	Apr 19- Mar 20
Sales	4 168	3 805	15 508	15 871
EBITA, excl. non-recurring items	607	607	2 320	2 320
EBITA margin, excl. non-recurring items, %	14,6	16,0	15,0	14,6
Operating profit, excl. non-recurring items	587	586	2 242	2 243
Operating margin, excl. non-recurring items, %	14,1	15,4	14,5	14,1
Operating profit, EBIT	537	586	2 043	1 994
Profit after tax	405	438	1 542	1 509
Earnings per share, excl. non-recurring items, SEK	1,29	1,27	4,93	4,95
Equity/assets ratio, %	57	61	56	
Operating cash flow	527	354	2 607	2 780

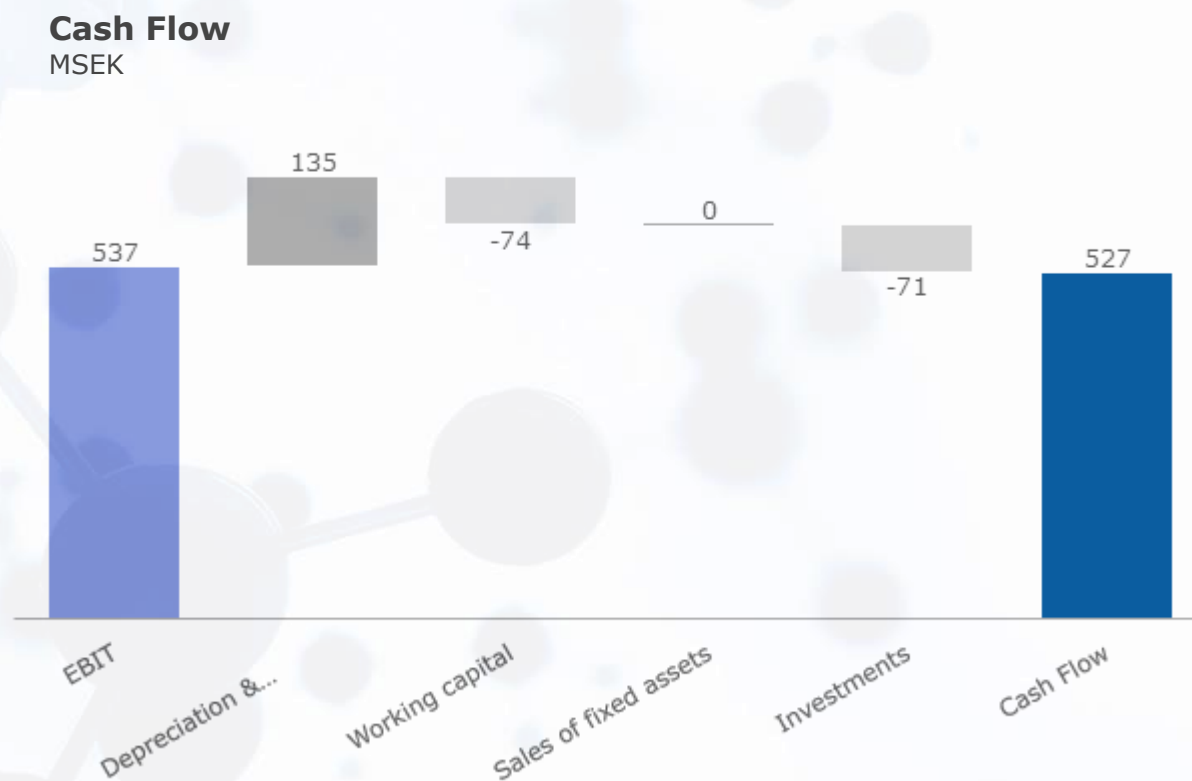
## Highlights

- Adjusted EBITA in line with last year
- Non-recurring items of 50 MSEK
- Strong equity/asset ratio of 57 %
- Strong cash flow +49 % vs last year



# Q1 Cash Flow

Strong operating cash flow



## Highlights

- Working capital relatively flat for the first quarter of 2020
- Level of investments below depreciation
- EBIT is largely translated into cash

# Q1 Net Debt

Strong financial position

MSEK	Jan-Mar 2020	Jan-Mar 2019	Full Year 2019
Cash at hand	2 082	1 219	1 624
Used credit facilities	-3 958	-2 387	-4 000
Net debt	-1 876	-1 168	-2 376
Net debt/EBITDA*	0,76	0,47	0,95

\* EBITDA is R12 months



## Highlights

- Strong cash position
- Increased use of credit facilities compared to same period last year driven by acquisition
- Strong Net debt/EBITDA ratio

# ..... Covid -19 Summary of implications

- **Impact on demand**

- Q1 saw lower demand from automotive specifically but also from other customer groups
- Q2 will see significantly lower demand compared to first quarter despite expected slow start up of automotive production in Europe and Americas
- High uncertainty going forward

- **Operations**

- All sites are up and running without major supply or delivery issues
- Focus on ensuring safety and wellbeing of employees
- Continued focus on managing working capital
- Decentralized but coordinated organization a strength as conditions vary between countries and speed of actions is required

- **Costs**

- Short term work and furloughs used to bring down operational costs
- Capex limited
- Already initiated cost saving programs accelerated

- **Proposal to postpone decision of dividend pay out**

# ..... Q1 2020 Summary

- **Covid -19**
  - It impacted the business in first quarter and will have further substantial negative impact, not least during second quarter
- **Increased sales while Preferred acquisition impacts margin negatively**
  - Sales increase driven by acquisitions and positive FX effects
  - Lower organic sales partly affected by Covid-19
- **The US focused restructuring program follows plan**
  - Preferred integration and cost reductions ongoing
  - Accelerated cost savings program
- **Strong financial position with good liquidity level**





# A Material Difference

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[www.HEXPOL.com](http://www.HEXPOL.com)