

HEXPOL Q2 2022 Presentation

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Georg Brunstam CEO
Peter Rosén CFO

July 15, 2022

..... Q2 2022 Presentation

Presented by



Georg Brunstam
CEO

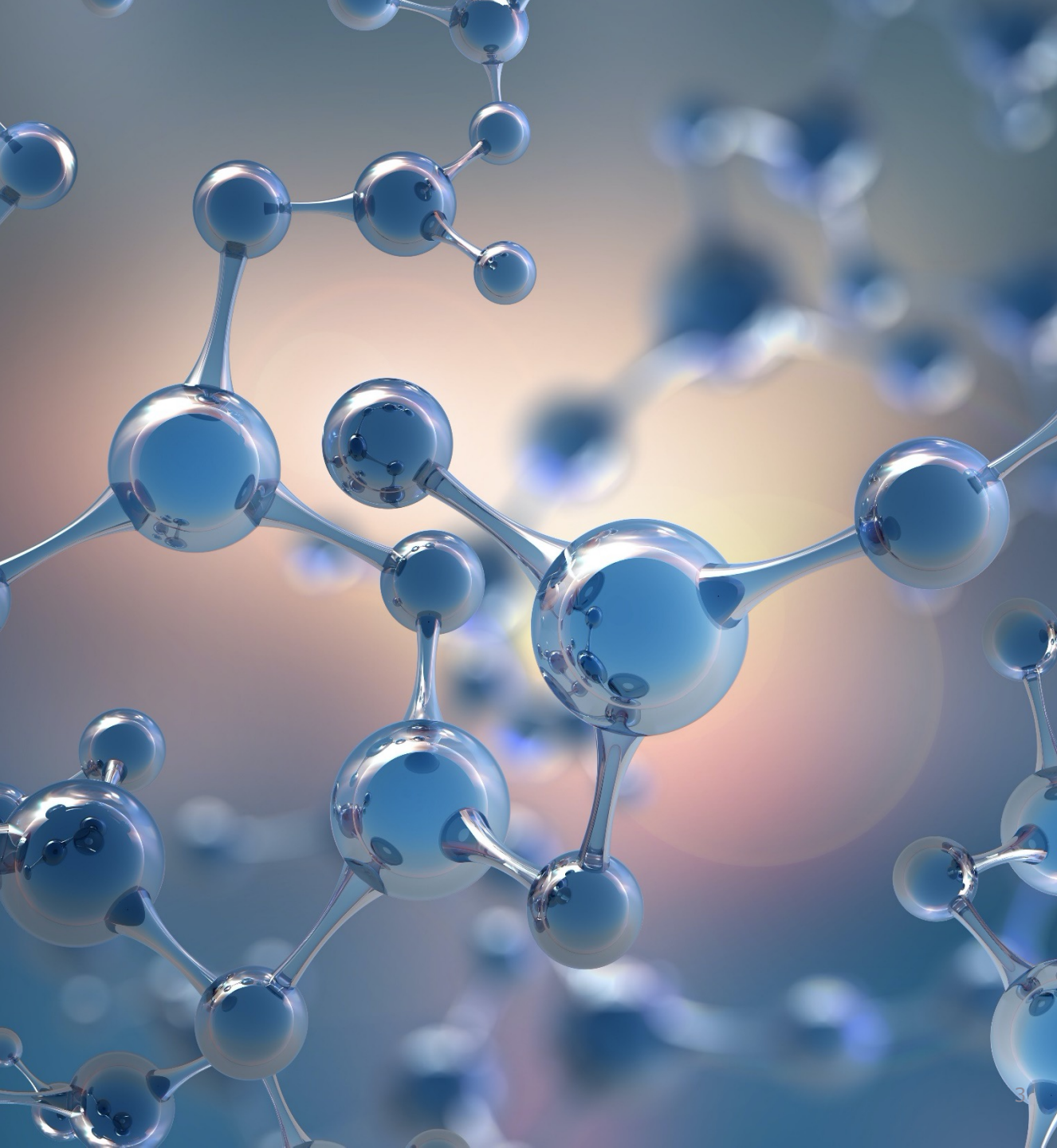


Peter Rosén
CFO

Agenda

- Business Performance
- Theme – Strong execution of our business model
- Financial Overview
- Focus for 2022
- Q&A





Business Performance

..... Record Sales and Record Result – M&A Continues

- **Record sales and record quarterly result**
 - Strong sales in all regions and product segments, especially so in the Americas
 - Continued execution of our strong business model where price increases on raw material are passed on
 - Record EBIT at 836 MSEK (728) – Q1 2022 775 MSEK
- **Continued turbulent and difficult environment**
 - Low automotive volumes due to extensive OEM stops
 - Other customer segments continued strong
 - Continued substantial global supply issues, price increases on raw material and escalating energy prices
- **M&A continues**
 - almaak, a specialist in advanced recycled engineered compounds, consolidated from April Q2 – fully in line with our M&A strategy and supports our sustainability agenda
- **Going forward**
 - Current global challenges with component shortages, transport and raw material issues will continue for some time
 - Our strong customer focus and geographical proximity to customers strengthen our market positions
 - We are flexible and ready to meet the expected increase in light vehicle production



..... Record Sales and Record Result – M&A Continues

- **HEXPOL Compounding**

- Strong sales in all regions and product areas, especially strong in the Americas
- Strong sales in most customer segments
- Automotive negatively affected by disturbances from component shortages
- Strong EBIT, especially considering the challenges stemming from customers closing production, global transportation issues and raw material shortages and prices

- **HEXPOL Engineered Products**

- Sales well above last year, especially HEXPOL Wheels performing well
- Strong EBIT, especially considering raw material price increases

- **Continued focus on sustainability**

- Focus to reach CO2 target reduction with 75% by 2025 – good progress
- New compounds with bio based and recycled material

- **M&A**

- High focus and increased activity level
- almaak acquisition consolidated in Q2



Dryflex CircularMWR
based on post use
maritime ropes



..... Strong Culture Delivering

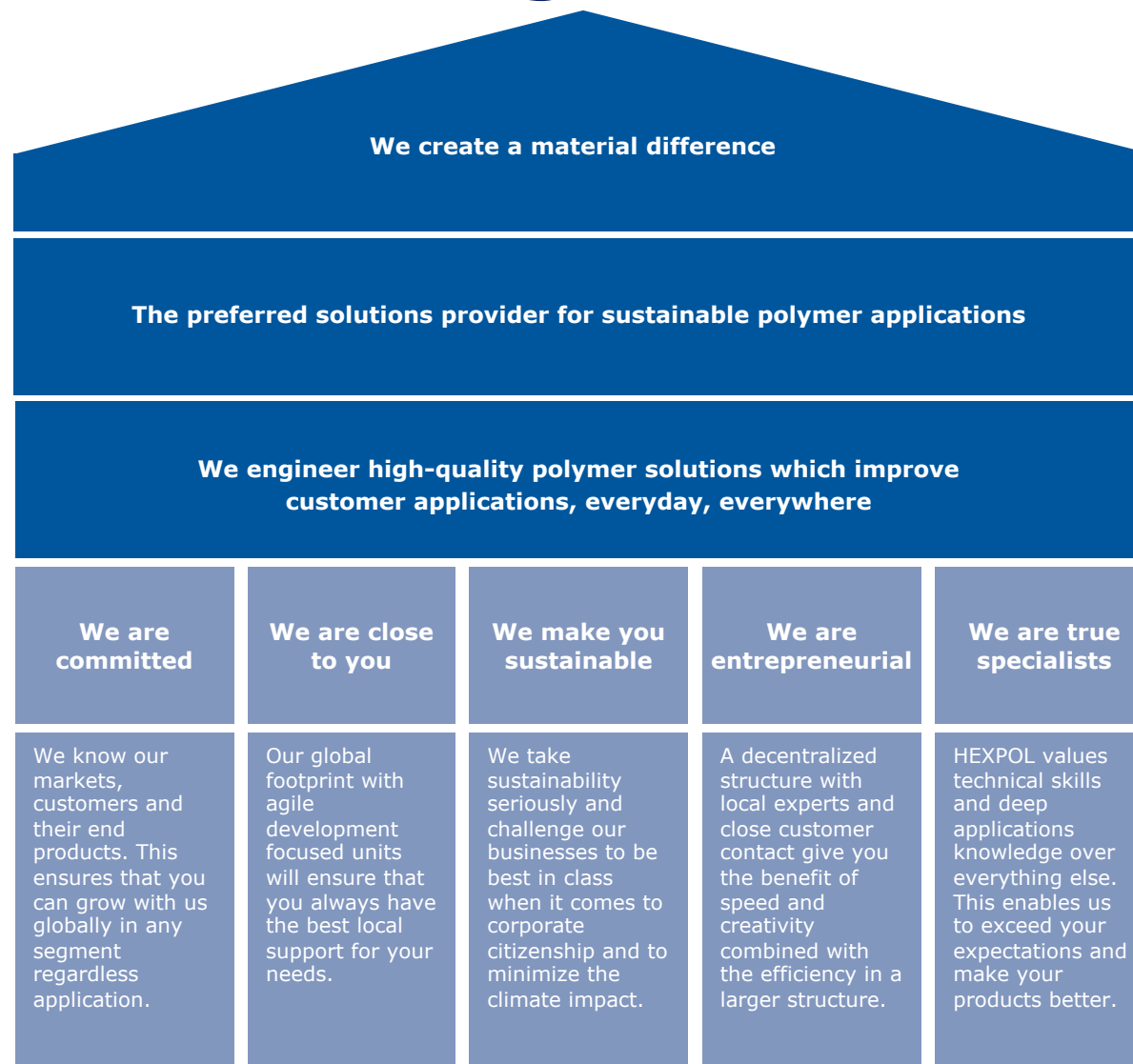
Purpose
The positive impact of what we do

Vision
Our long-term objective

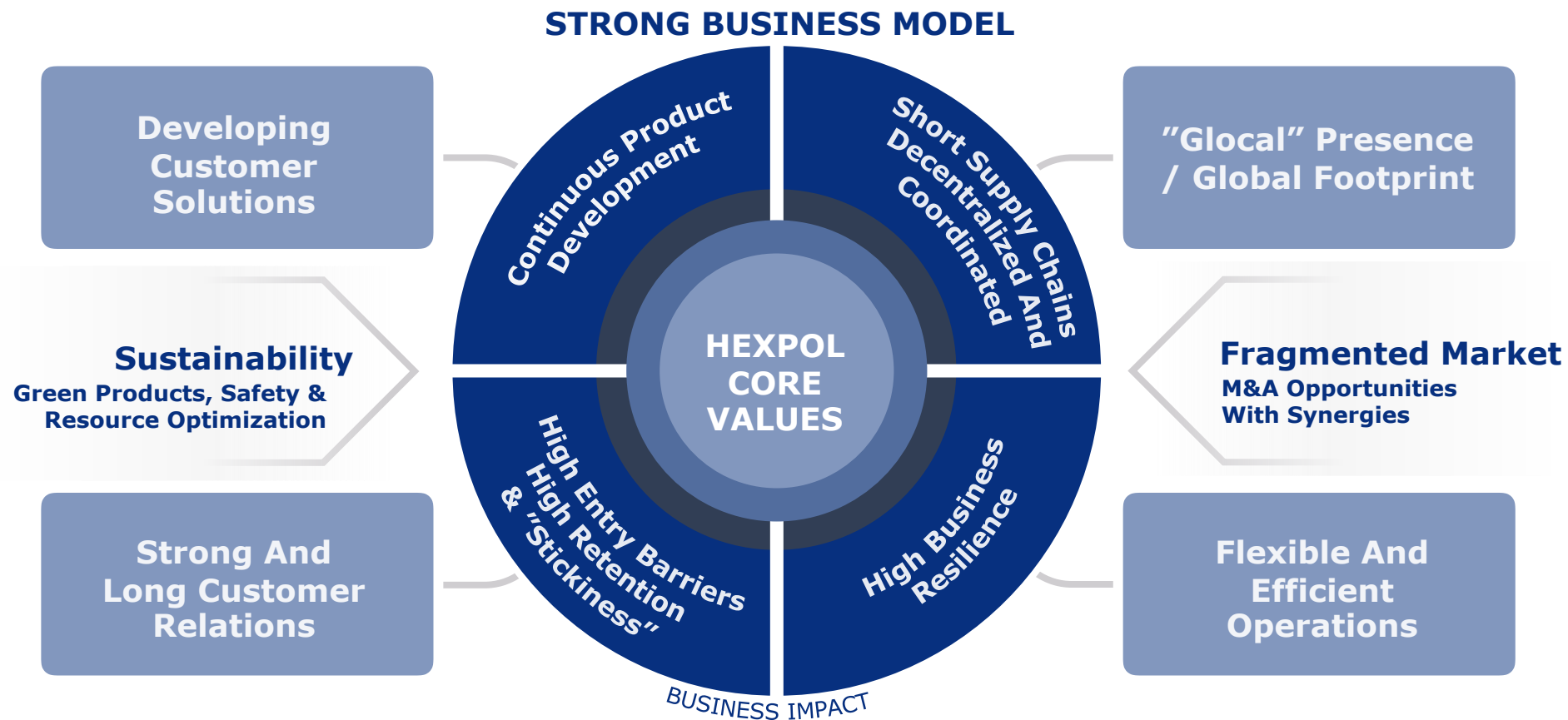
Mission
What we do daily

Core values
Our fundamental beliefs that dictate our behavior

Rationale & evidence
Proof of what we say is true



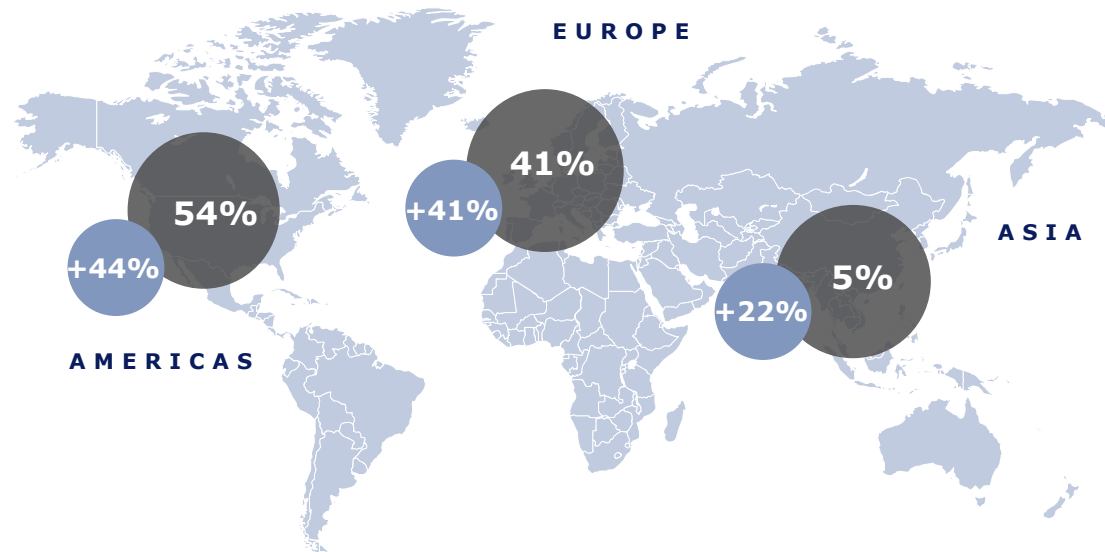
..... Strong Execution of Our Business Model



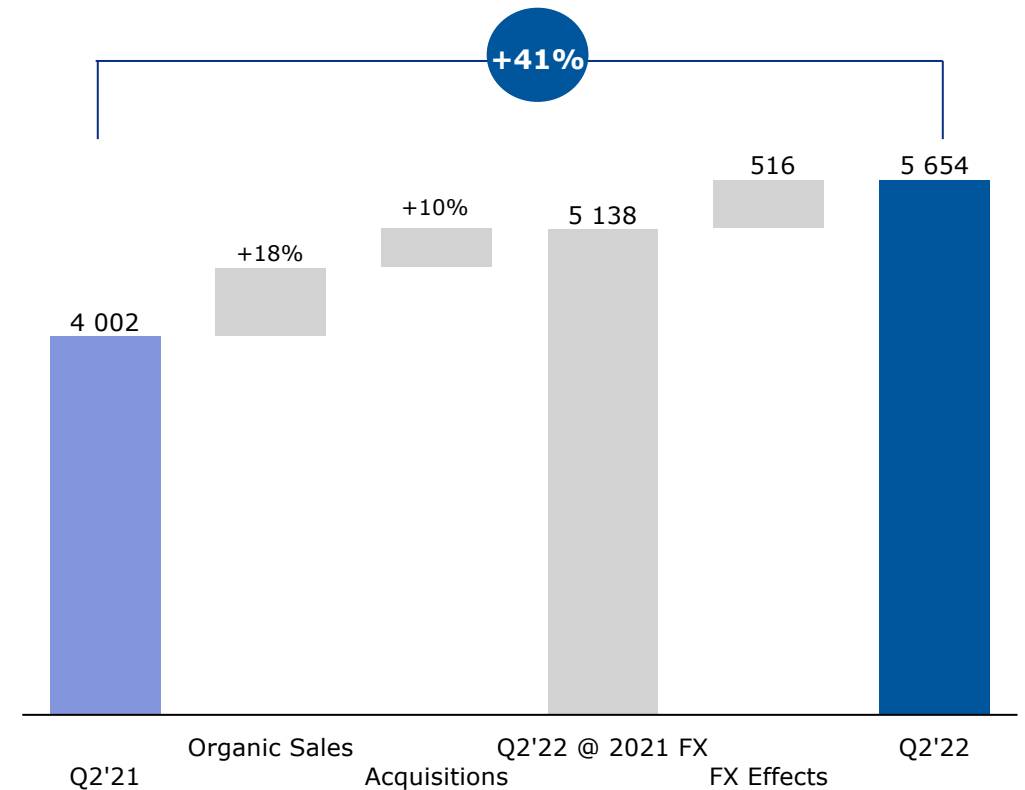
..... Q2 Sales Development

Strong sales growth

Regional Development



Sales development MSEK





Financial Overview

Q2 Financial Overview

Record high result despite significant challenges



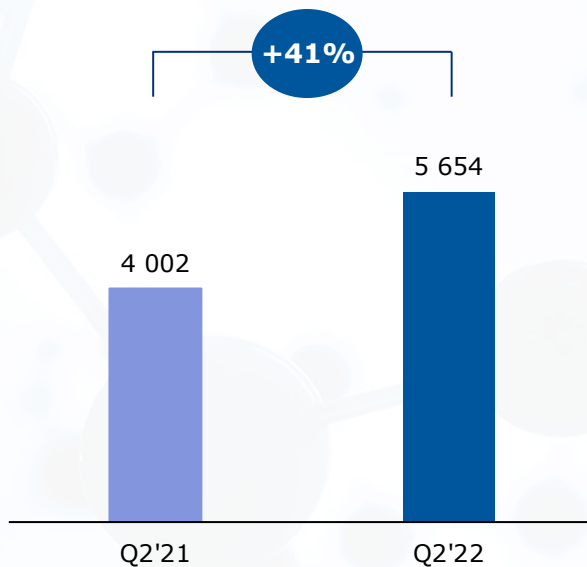
Key figures MSEK	Q2'22	Q2'21	YTD Q2'22	YTD Q2'21
Sales	5 654	4 002	10 827	7 812
Adjusted EBITA	859	745	1 656	1 466
Adjusted EBITA Margin, %	15,2	18,6	15,3	18,8
Adjusted Operating Profit	836	728	1 611	1 432
Adjusted Operating Margin, %	14,8	18,2	14,9	18,3
Operating Profit	836	728	1 611	1 432
Profit after tax	644	537	1 244	1 071
Adjusted Earnings per share, SEK	1,87	1,56	3,61	3,11
Earnings per share after dilution, SEK	1,87	1,56	3,61	3,11
Equity/assets ratio, %			54	60
Return on capital employed, % R12			21,6	20,5
Operating cash flow incl insurance settlement	642	590	745	1 023

Highlights

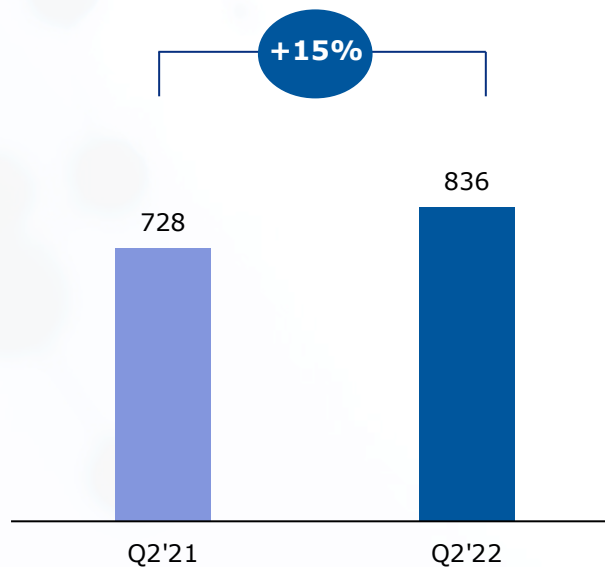
- High sales of 5 654 MSEK, an increase of 41%
- Operating Profit of 836 MSEK, an increase of 15%
- Operating Margin of 14,8%, negatively impacted by acquisitions and raw material shortages and prices
- Strong Equity/Asset ratio of 54%
- High return on capital employed at 21,6%

..... Q2 Financial Highlights

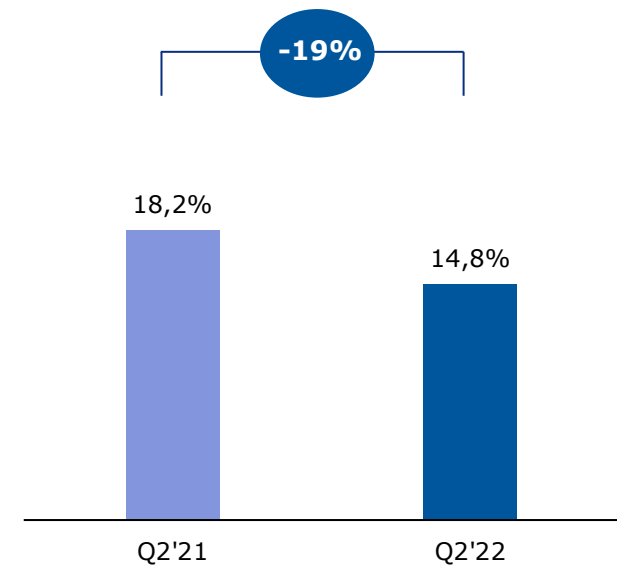
Sales
MSEK



Operating Profit
MSEK



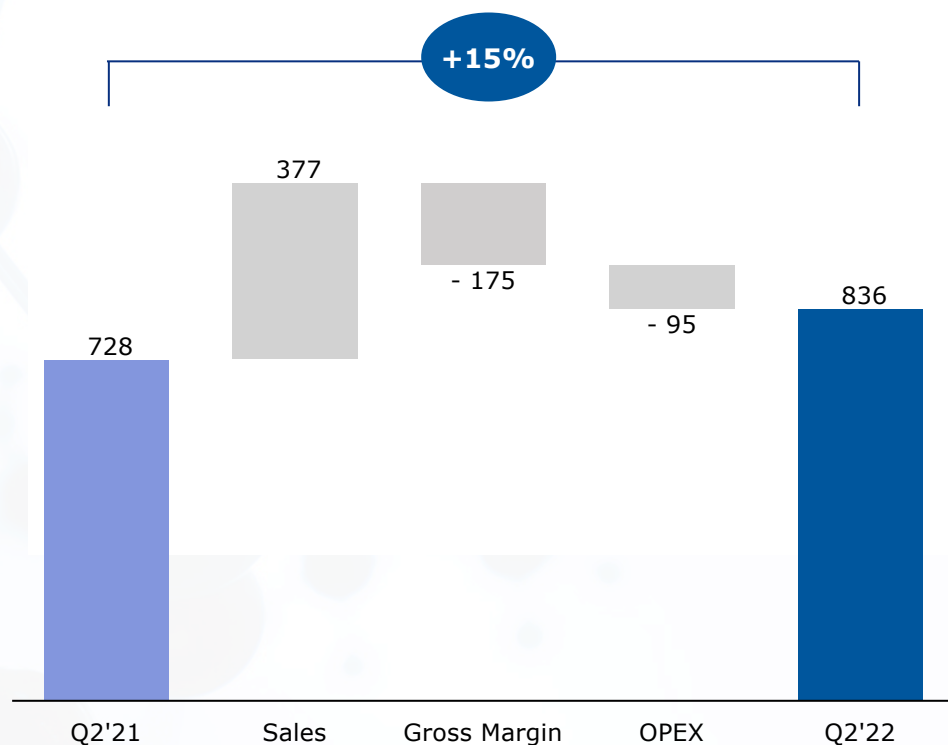
Operating Margin
%



Q2 Operating Profit

Higher sales partly offset by lower margin of acquisitions and raw material challenges

Operating Profit
MSEK



Highlights

- Strong sales
- As previously communicated, negative impact on gross margin from acquisitions
- Further negative impact on gross margin from continuously higher raw material prices and raw material shortages
- OPEX up primarily driven by acquisitions, inflation and negative FX effects

Q2 HEXPOL Compounding

Sales
MSEK

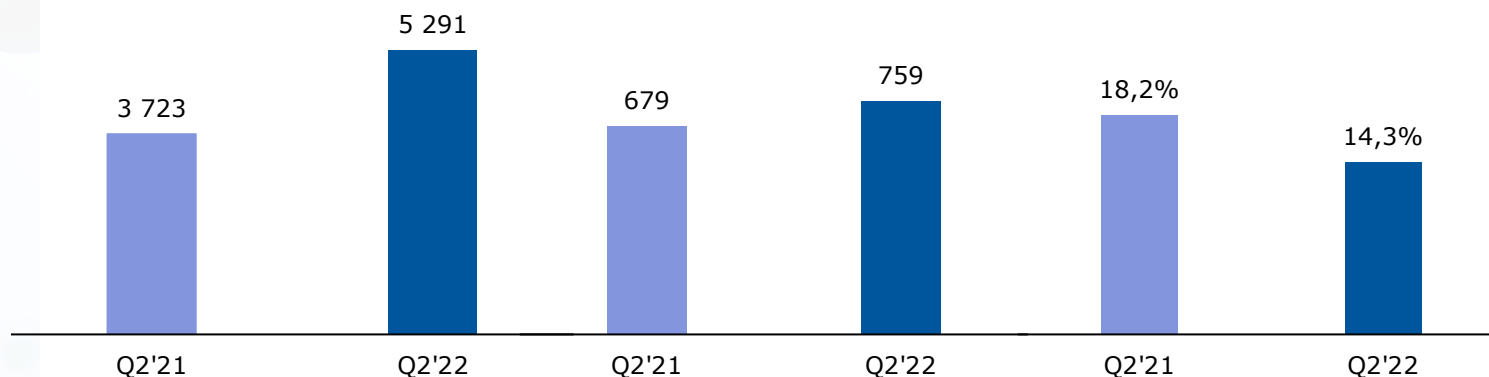
+42%

Operating Profit
MSEK

+12%

Operating Margin
%

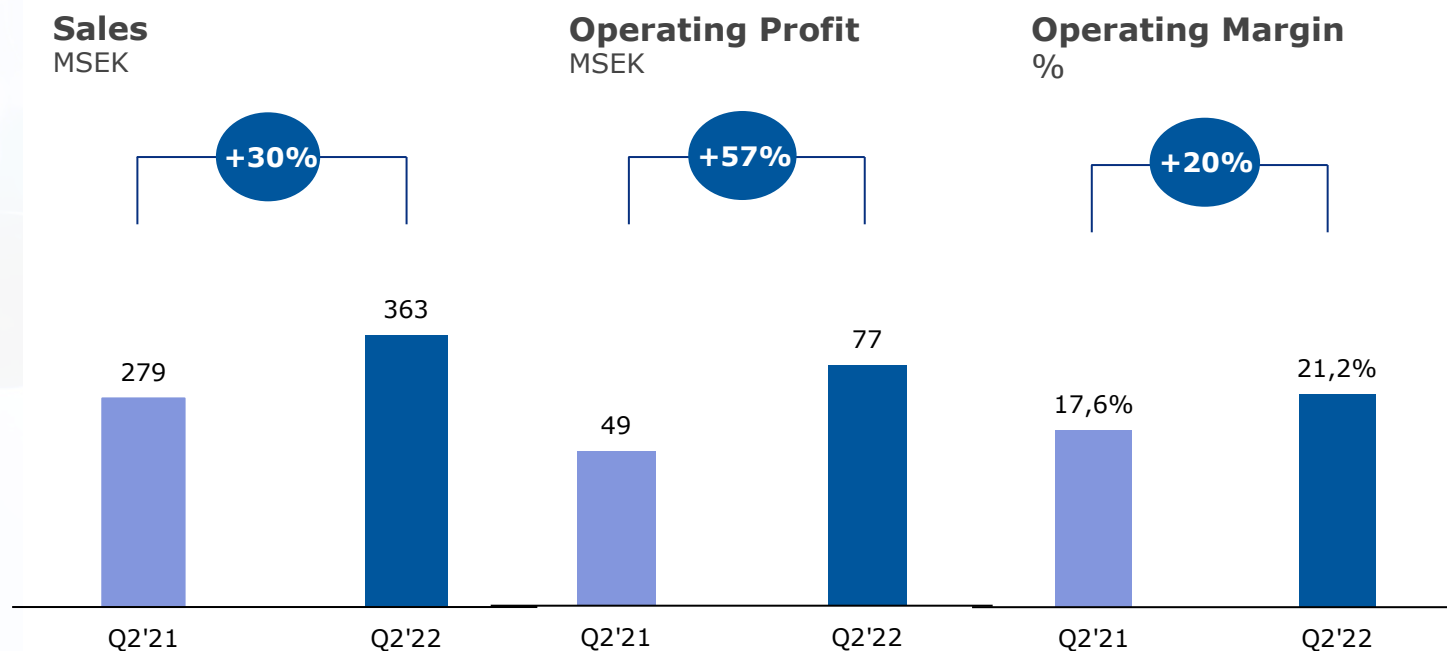
-12%



Highlights

- Strong sales increase vs LY primarily driven by organic growth of 18% and acquisitions 11% but also positive FX effects
- The higher sales were driven by improvements in most customer segments and all product areas
- Operating Profit well above LY
- Lower Operating Margin due to acquisitions with lower margin and raw material challenges

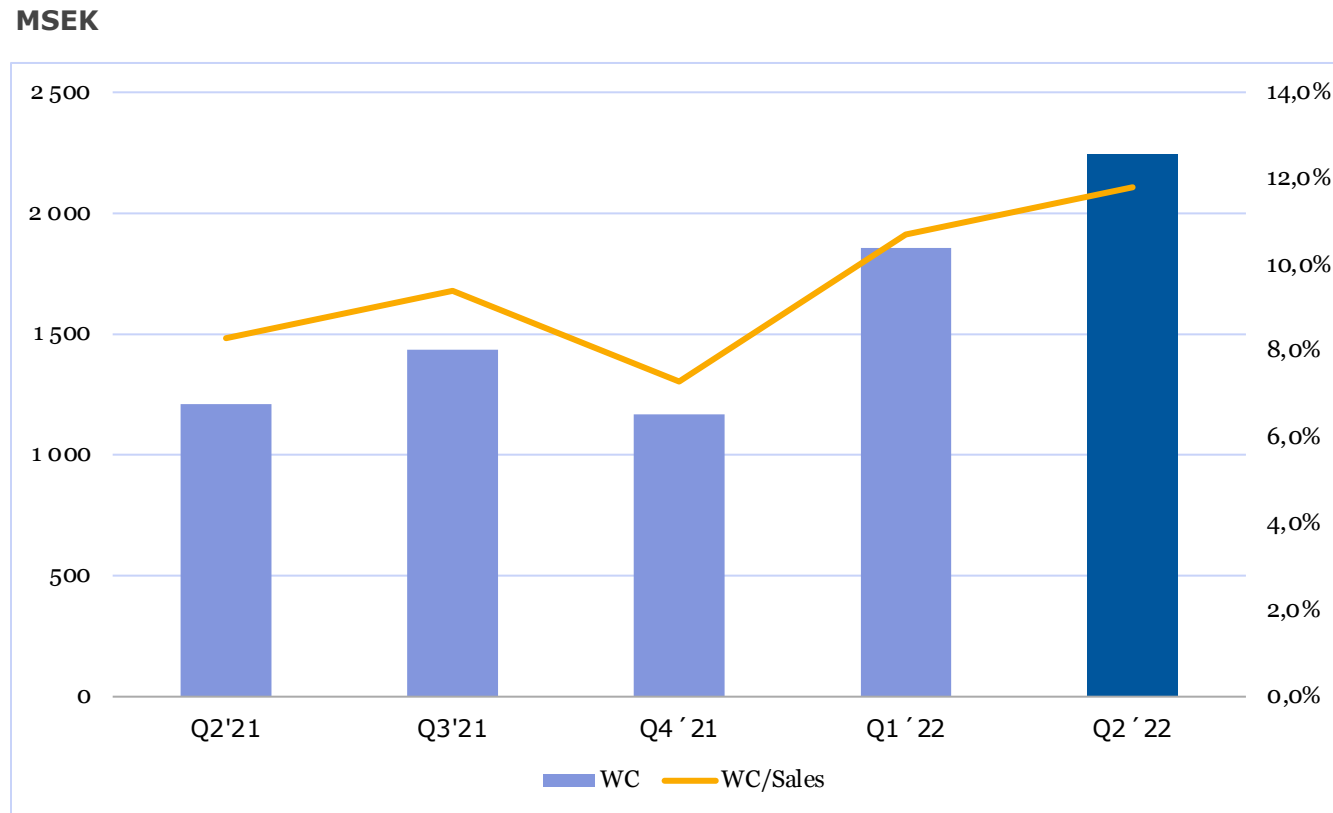
Q2 HEXPOL Engineered Products



Highlights

- Sales well above last year
- Overall strong performance but especially HEXPOL Wheels performed very well
- Sri Lankan economy under severe pressure but our export oriented operations continue to run - some positive one time effects
- Operating Profit well above LY
- Higher Operating Margin affected by positive FX effects

..... Q2 Working Capital

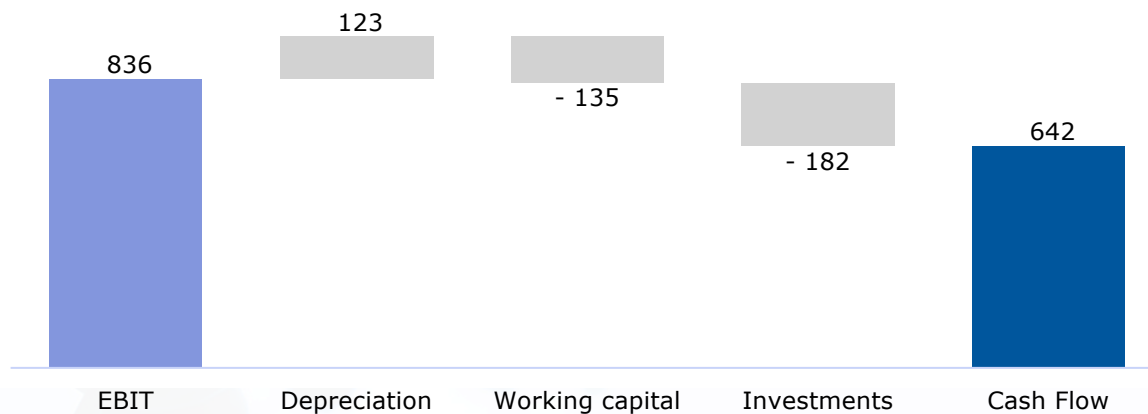


Highlights

- Increased working capital mainly driven by decision to increase inventory level in the face of global raw material shortages
- In addition, the acquisition of almaak adds some 200 MSEK in working capital

..... Q2 Cash Flow

Cash Flow
MSEK



Highlights

- Solid cash flow in the quarter, negatively impacted by higher inventory levels and temporarily higher investment level
- The higher investment level is to a large extent driven by the acquisition of almaak where previously leased assets were acquired by the company

Q2 Net Debt

Strong financial position



MSEK	30-juni 2022	31-dec 2021
Cash at hand	1 553	1 320
Used credit facilities	-4 844	-2 219
Net debt	-3 291	-899
Net debt/EBITDA*	0,89	0,25

* EBITDA is R12 months

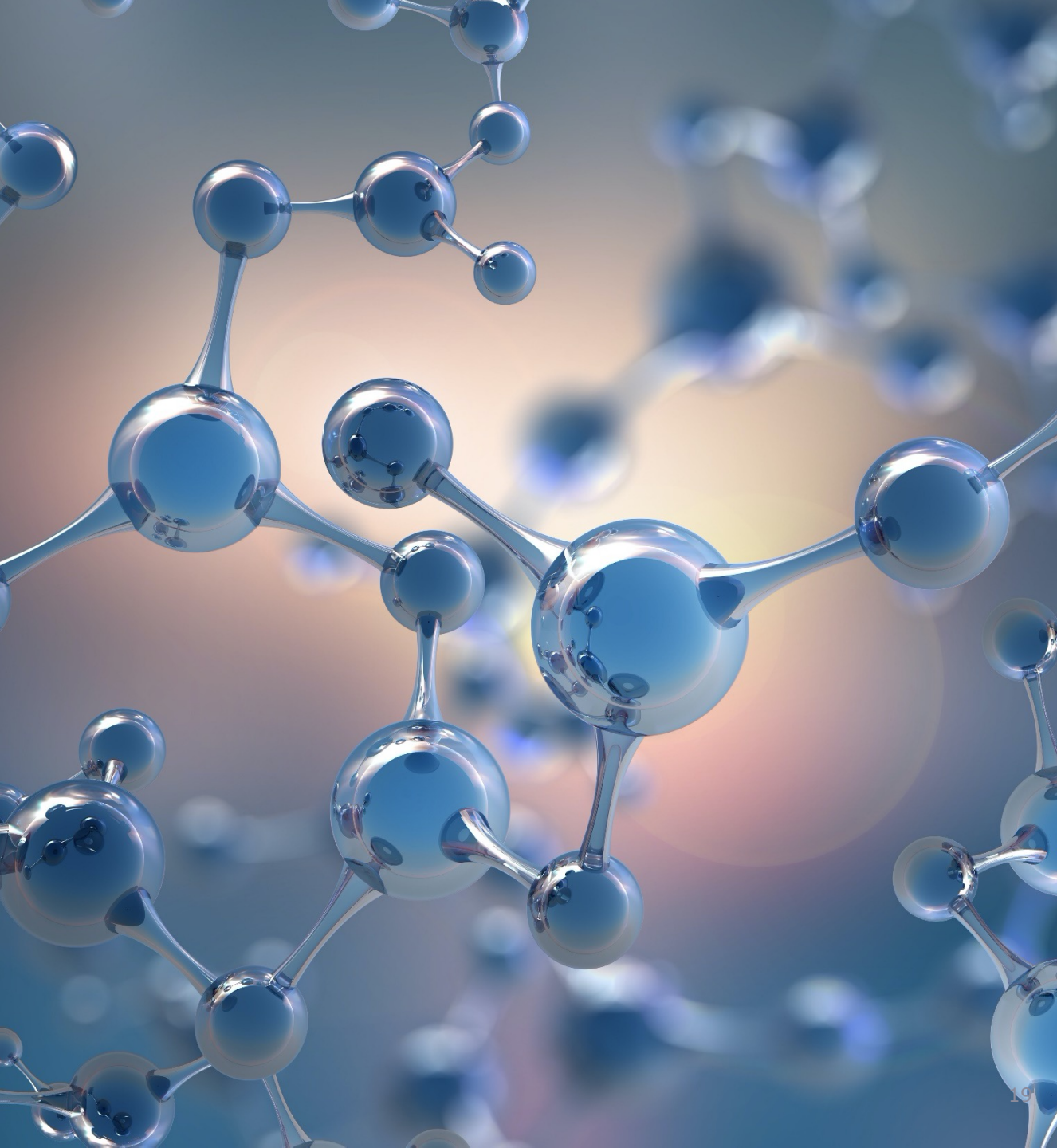
Highlights

- Strong cash position
- Net Debt/EBITDA ratio temporarily higher affected by dividend pay out (including extra dividend) and the acquisition of almaak

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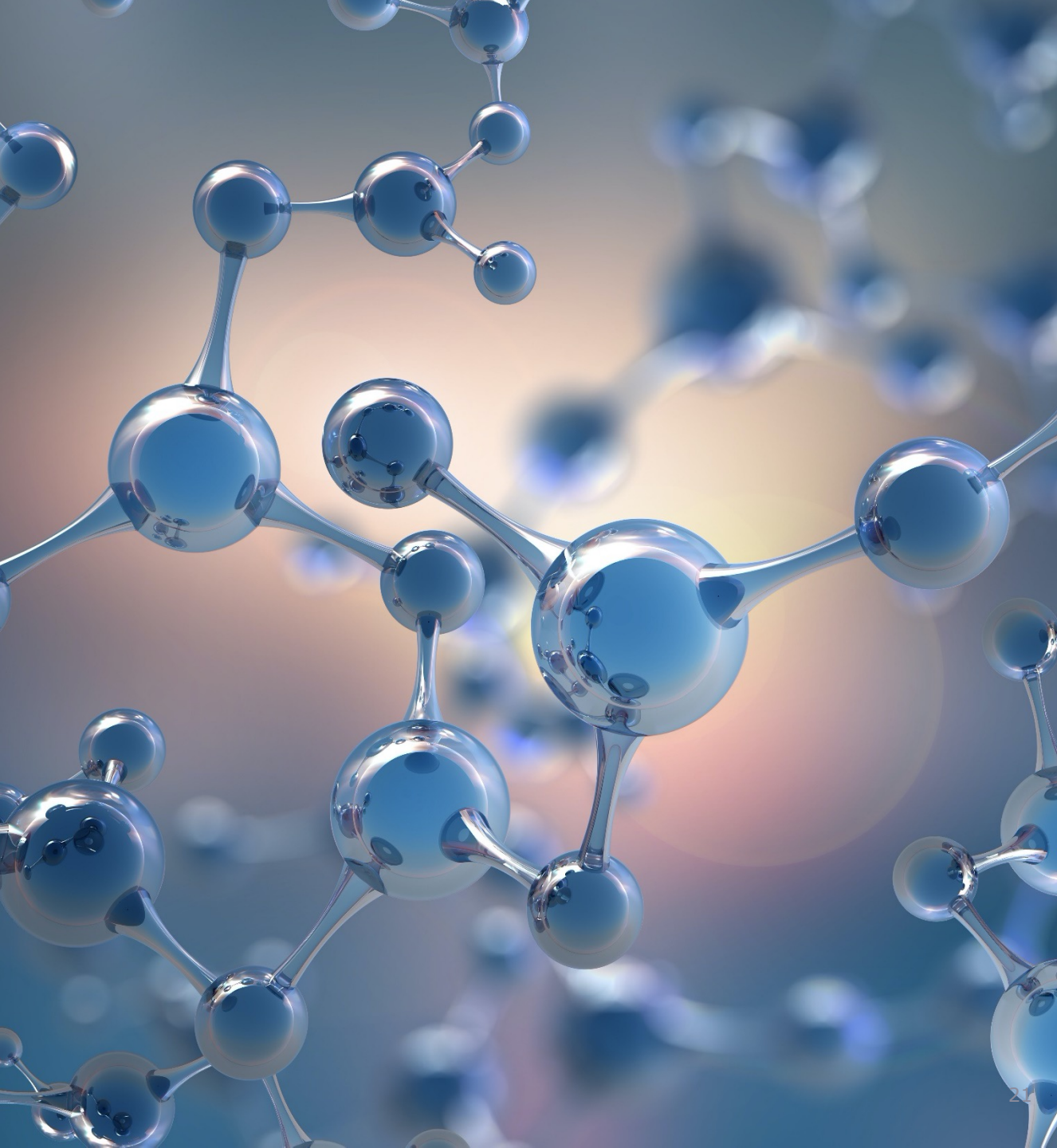


Focus for 2022

..... Focus for 2022

- Handle health and safety of our employees
- Manage volatility in demand
- Manage the current challenges in global supply chains and raw material prices
- Strong execution of our business model
- Continue to execute our updated strategy including:
 - Active M&A
 - Further development of our sustainability work
- We are flexible and ready to meet the expected increase in light vehicle production





Q&A

Thank You

www.HEXPOL.com