The background of the slide features a complex, three-dimensional molecular structure. It consists of numerous blue, reflective spheres of varying sizes, connected by thin, metallic-looking rods. The spheres have a glossy finish, reflecting light and creating highlights and shadows. The overall color palette is dominated by shades of blue and white, with a soft, out-of-focus background that suggests a laboratory or scientific setting.

# HEXPOL Q3 2020 Presentation

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Peter Rosén  
Acting CEO and CFO

October 23 2020

# ..... Q3 2020 Presentation

## Presented by



Peter Rosén  
Acting CEO and CFO

## Agenda

- Business Performance
- Financial Overview
- Cost reductions
- Q&A



# ..... Q3 2020 Key Highlights

- **Covid -19**

- All sites up and running, focus on maintaining health of employees
- Strong customer focus with fast and stable deliveries noted and appreciated
- Sales volumes up substantially compared to previous quarter led by strong recovery with automotive customers but also building and construction

- **Costs**

- Cost reduction programs launched during first six months give substantial savings
- Cost savings both with direct and indirect costs
- Short time work and furloughs still used to bring costs down
- Working capital continues to improve

- **Very strong result and margins**

- Increased volumes combined with substantially lower costs gave very strong EBIT of 593 MSEK
- Operating margin at high 17,8%
- High cash flow of 773 MSEK

- **Strong financial position**

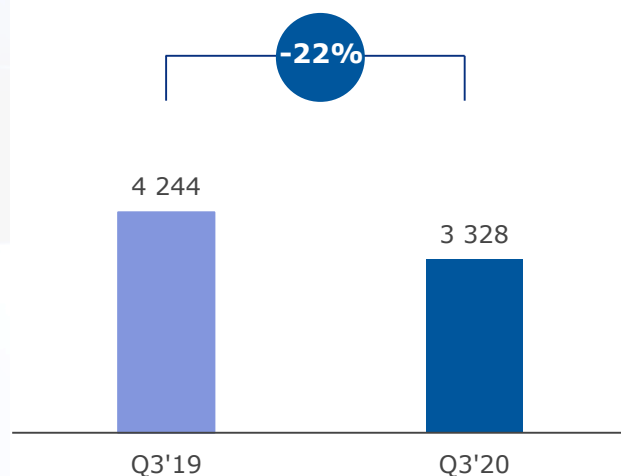
- High equity/asset ratio and further improved low Net Debt/EBITDA ratio



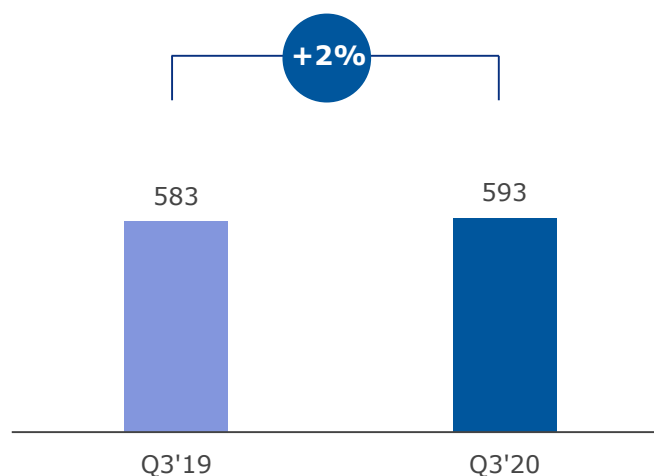
# Q3 2020 Financial Highlights

High profit and margin despite negative Covid-19 impact on sales

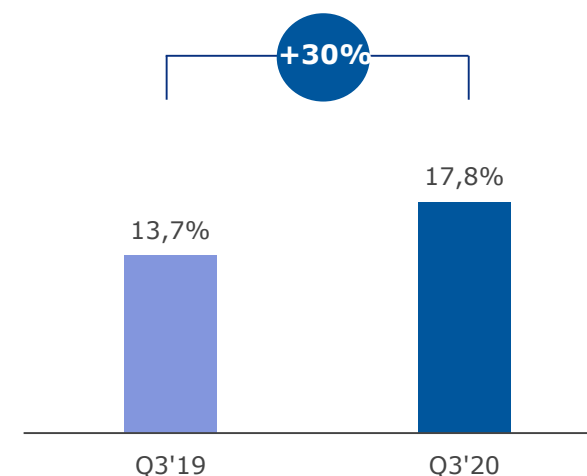
**Sales**  
MSEK



**Adjusted Operating Profit\***  
MSEK



**Adjusted Operating Margin\***  
%

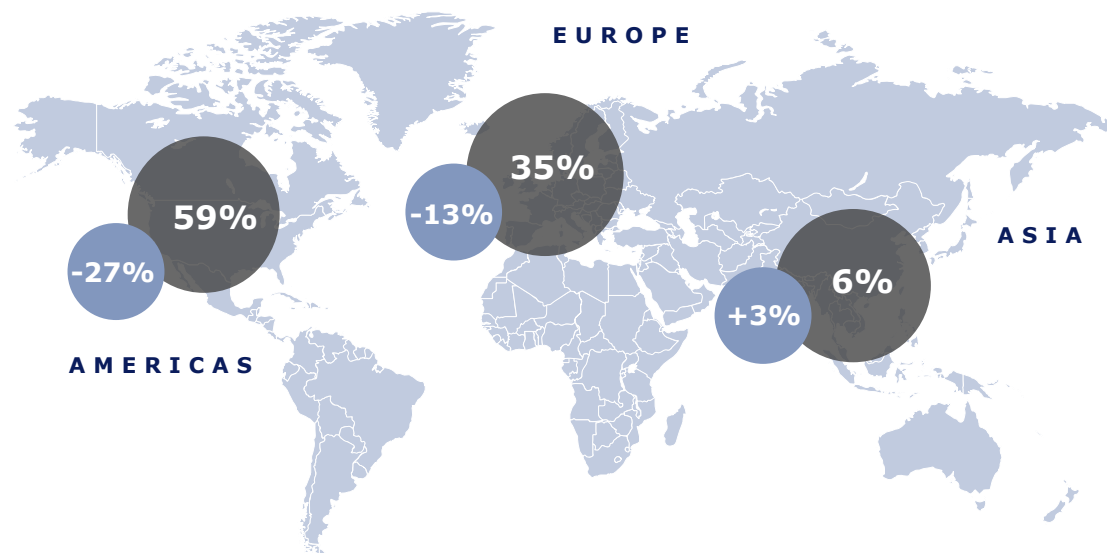


\* Excluding restructuring costs

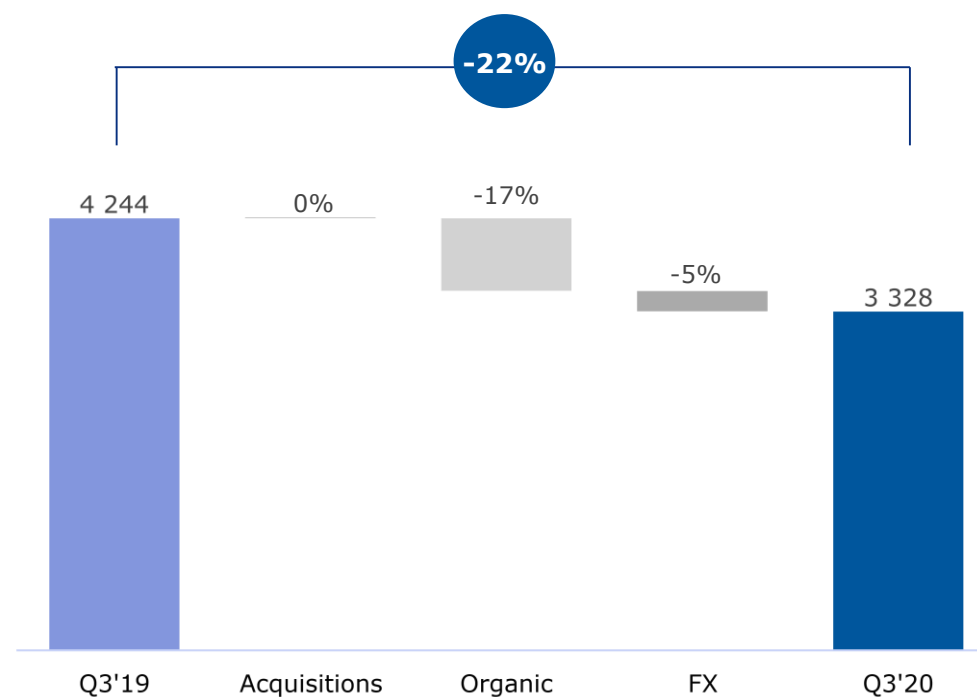
# Q3 2020 Sales Development

Sales decrease primarily driven by Covid-19

## Regional Development



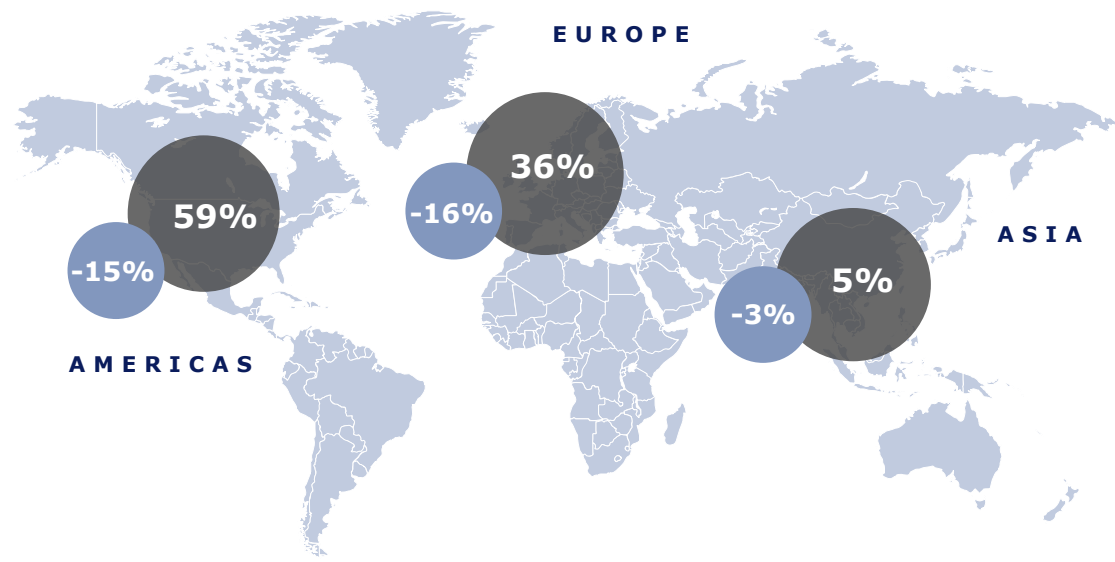
## Sales development MSEK



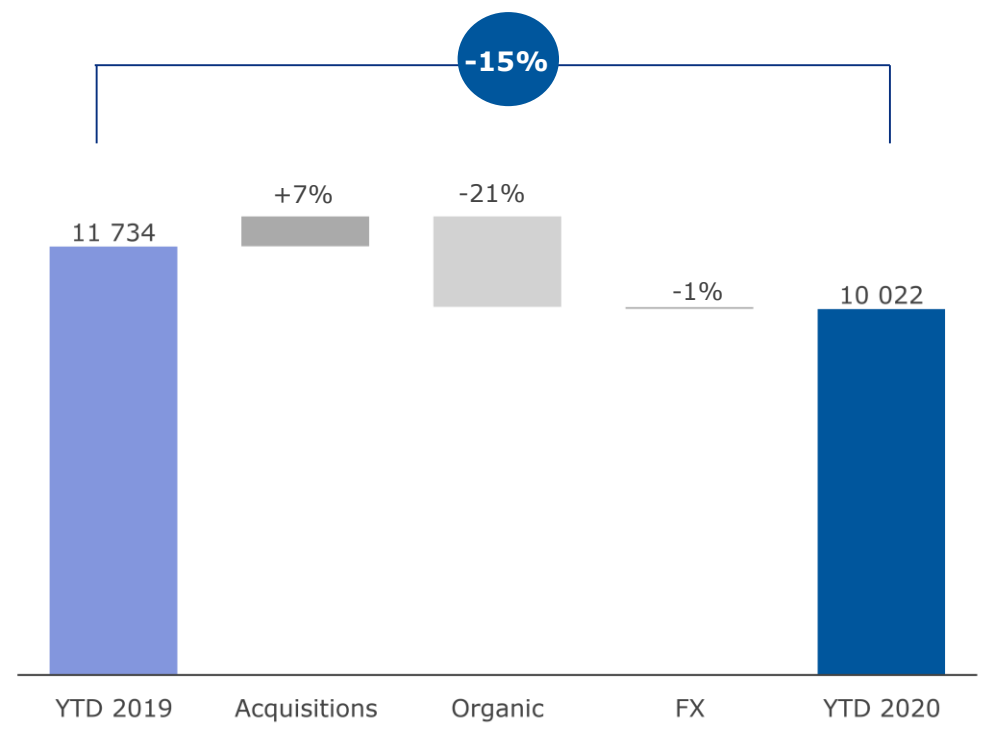
# ..... YTD 2020 Sales Development

Sales decrease primarily driven by Covid-19

## Regional Development

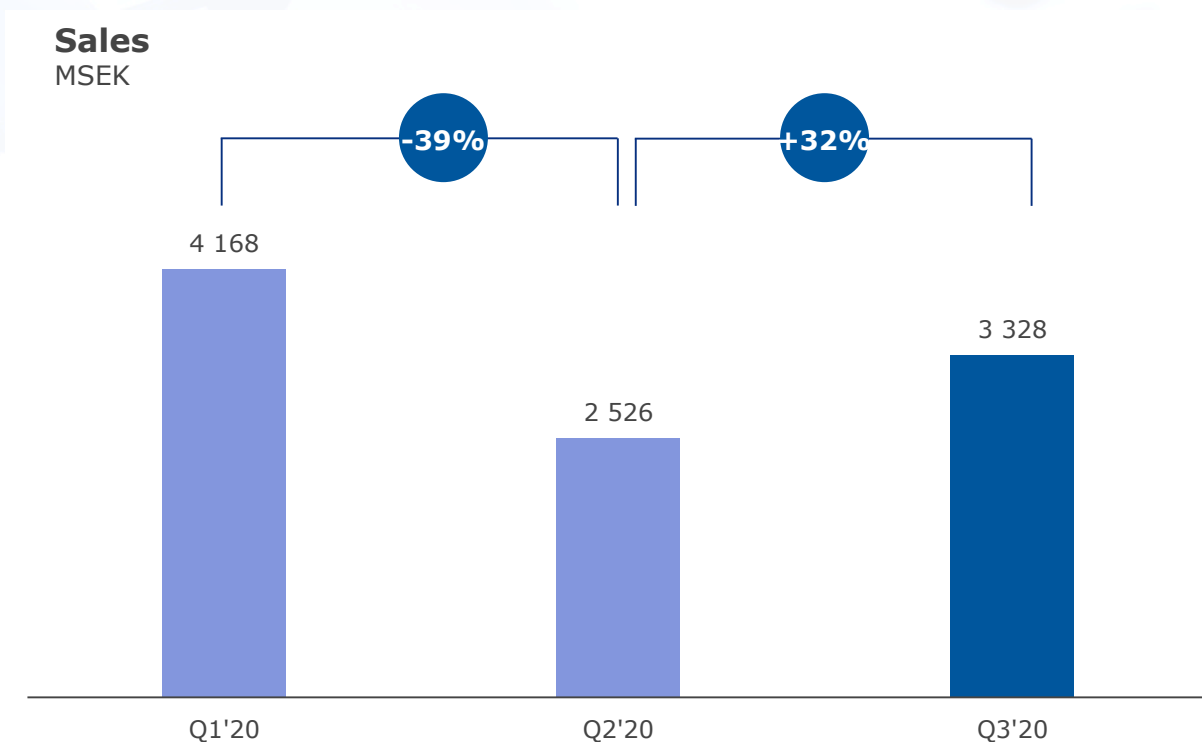


## Sales development MSEK



# ..... Sales Development during 2020

Good recovery after low Q2



## Highlights

- After low second quarter we saw sales volumes improving during third quarter
- Primarily automotive but also building and construction show good recovery
- Other customer segments improving more slowly



# Q3 Financial Overview

Very strong results and margin



Key figures MSEK	Q3 '20	Q3 '19	YTD Q3 '20	YTD Q3 '19
Sales	3 328	4 244	10 022	11 734
EBITA, excl. non-recurring items	611	604	1 447	1 777
EBITA margin, excl. non-recurring items, %	18,4	14,2	14,4	15,1
Operating profit, EBIT, excl. non-recurring items	593	583	1 389	1 720
Operating margin, EBIT, excl. non-recurring items, %	17,8	13,7	13,9	14,7
Operating profit, EBIT	593	483	1 313	1 620
Profit after tax	426	355	953	1 206
Earnings per share, excl. non-recurring items, SEK	1,24	1,27	2,94	3,74
Equity/assets ratio, %			64	53
Operating cash flow	773	812	1 525	1 875

## Highlights

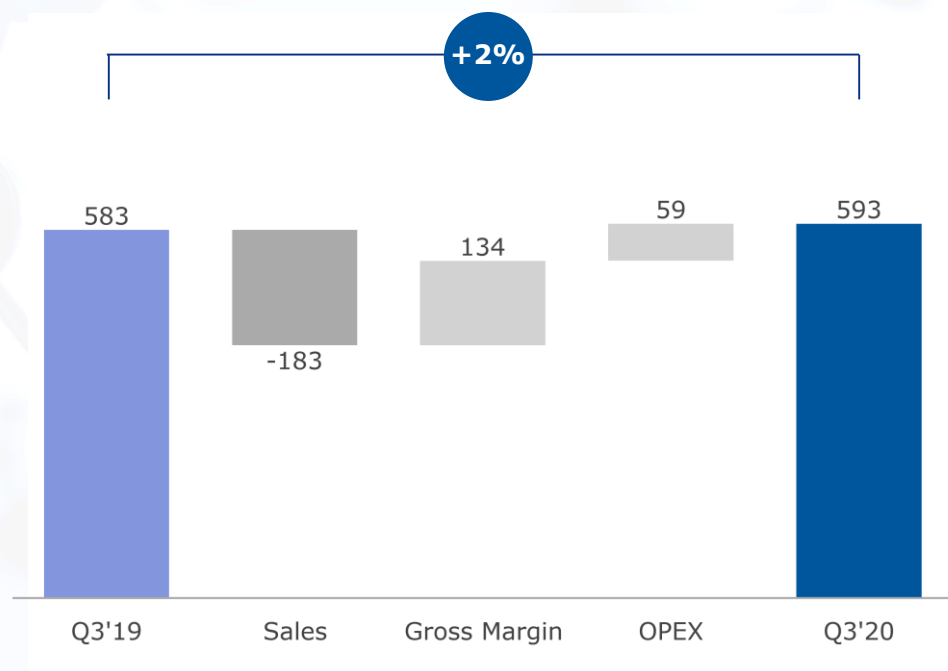
- EBIT of 593 MSEK
- EBIT margin 17,8%
- Strong equity/asset ratio of 64%



# Q3 Adjusted Operating Profit

High result and margin despite lower sales

**Adjusted Operating Profit\***  
MSEK



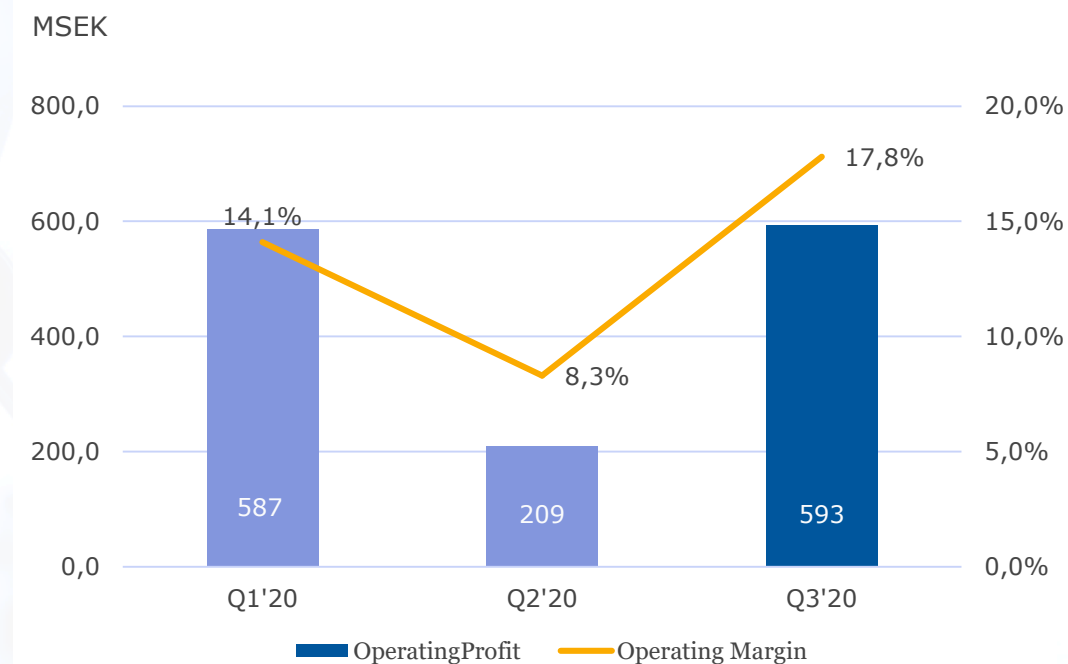
## Highlights

- Lower sales impacted operating profit negatively
- Significant savings during the quarter in both direct and indirect costs
- OPEX well below last year

\* Excluding restructuring costs

# Q3 Adjusted Operating Profit and Margin

Substantial margin improvement



## Highlights

- Significant savings during the quarter in both direct and indirect costs
- Volume increase vs second quarter in combination with substantially lower costs gave high operating margin

\* Excluding restructuring costs

# Q3 HEXPOL Compounding

## Sales MSEK

-22%

3 984

3 091

Q3'19

Q3'20

## Adjusted Operating Profit\* MSEK

+1%

547

552

Q3'19

Q3'20

## Adjusted Operating Margin\* %

+31%

13,7%

17,9%

Q3'19

Q3'20

## Highlights

- Sales decrease vs LY primarily driven by Covid-19 but also negative FX effects and lower sales prices
- Both Europe and Americas showed lower sales vs LY to most customer segments, main negative impact with automotive and general industry
- Sales increase vs previous quarter after increased demand mainly from automotive customers and building and construction
- Profit in line with LY despite lower sales
- Substantial margin improvement following cost reductions

\* Excluding restructuring costs

# Q3 HEXPOL Engineered Products

## Sales MSEK

-9%

260

237

Q3'19

Q3'20

## Adjusted Operating Profit\* MSEK

+14%

36

41

Q3'19

Q3'20

## Adjusted Operating Margin \* %

+25%

13,8%

17,3%

Q3'19

Q3'20

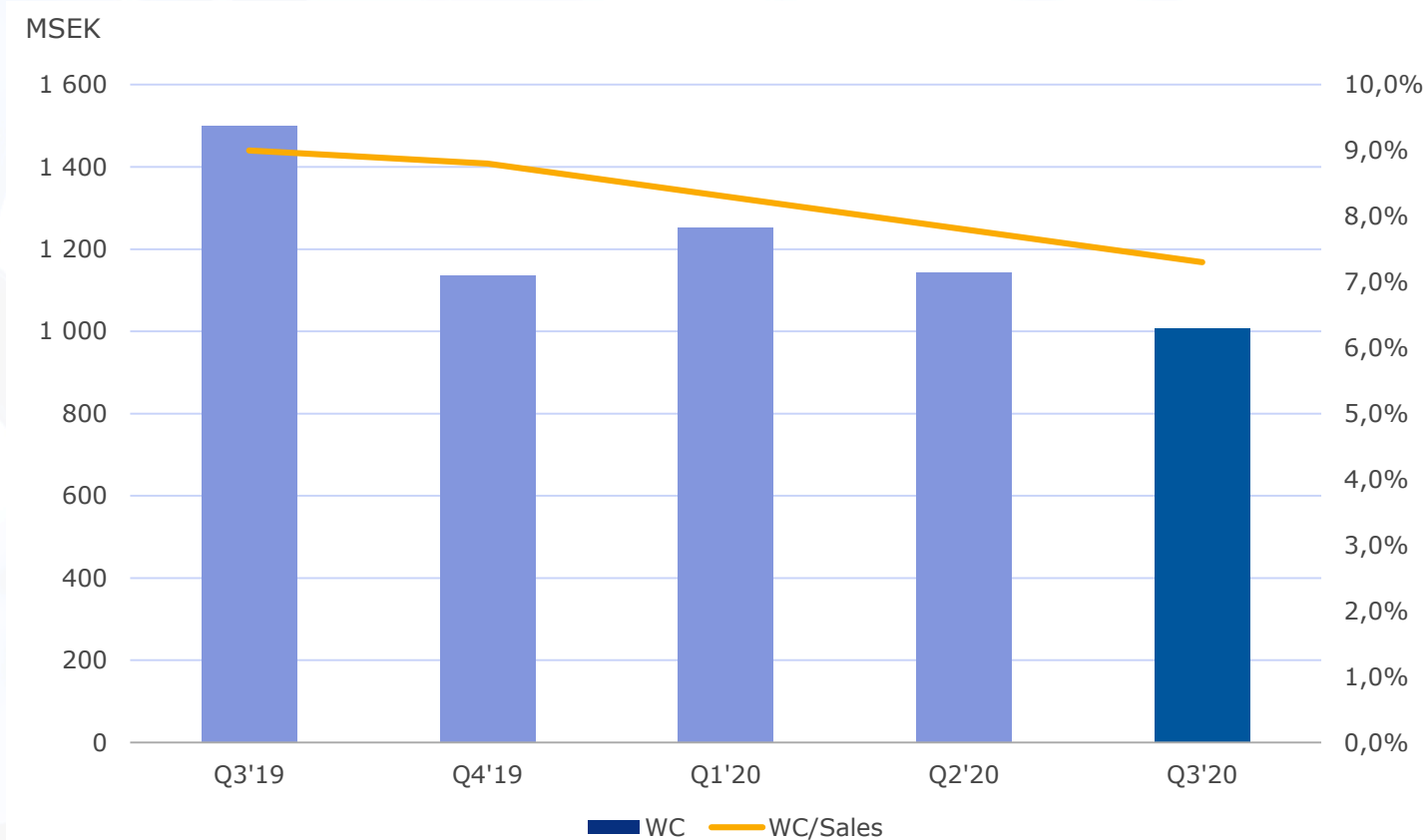
## Highlights

- Somewhat lower sales with smaller movements within the product groups
- Substantial profit and margin improvement following cost reductions

\* Excluding restructuring costs

# Q3 Working Capital

Continuous improvement after acquisition driven peaks



## Highlights

- Working capital improved in absolute terms compared to same period last year
- Working capital in relation to sales improves after acquisitions with higher working capital are integrated into HEXPOL way of working

# Q3 Cash Flow

Strong cash generation

**Cash Flow**  
MSEK



## Highlights

- Working capital improved further during third quarter of 2020
- Level of investments below depreciation
- Strong cash generation during the quarter

# Q3 Net Debt

Strong financial position



MSEK	30 Sept 2020	30 Sept 2019	31-dec 2019
Cash at hand	1 159	1 526	1 624
Used credit facilities	-2 676	-4 615	-4 000
Net debt	-1 517	-3 089	-2 376
Net debt/EBITDA*	0,69	1,21	0,95

\* EBITDA is R12 months

## Highlights

- Strong cash position
- Strong and further improved Net debt/EBITDA ratio



# ..... Cost Savings



## **Employees**

Some 200 employees are currently on various forms of short time work and furlough compared to some 500 during second quarter

In addition, 221 employees left the company during third quarter. Since the end of 2019, 501 employees or 10% of all employees have left the company

## **Costs**

The relative run rate of production costs improved vs second quarter following a combination of cost reductions and higher production volumes

Current run rate of OPEX is down some 9% compared to second quarter 2020 and down some 20% compared to the levels seen prior to the cost reduction programs were initiated at the beginning of the year

The cost reduction programs will show further positive effects during the last quarter of 2020

# ..... Q3 2020 Summary

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- **Very strong result and margins**

- Increased volumes combined with substantially lower costs gave very strong EBIT of 593 MSEK
- Operating margin at high 17,8%
- High cash flow of 773 MSEK

- **Strong financial position**

- High equity/asset ratio of 64% and further improved low Net Debt/EBITDA ratio 0,69 supporting the continued M&A strategy



# Q&A

# Thank You

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