

HEXPOL Q4 2020 Presentation

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Georg Brunstam CEO
Peter Rosén CFO

January 29 2021

..... Q4 2020 Presentation

Presented by



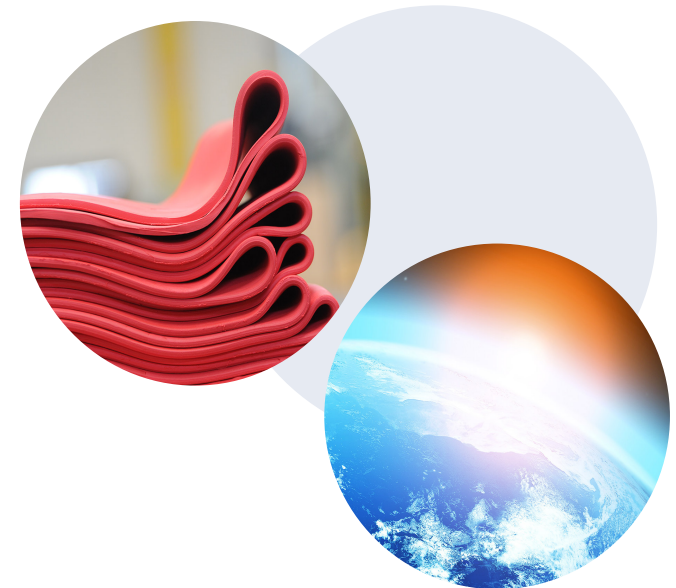
Georg Brunstam
CEO

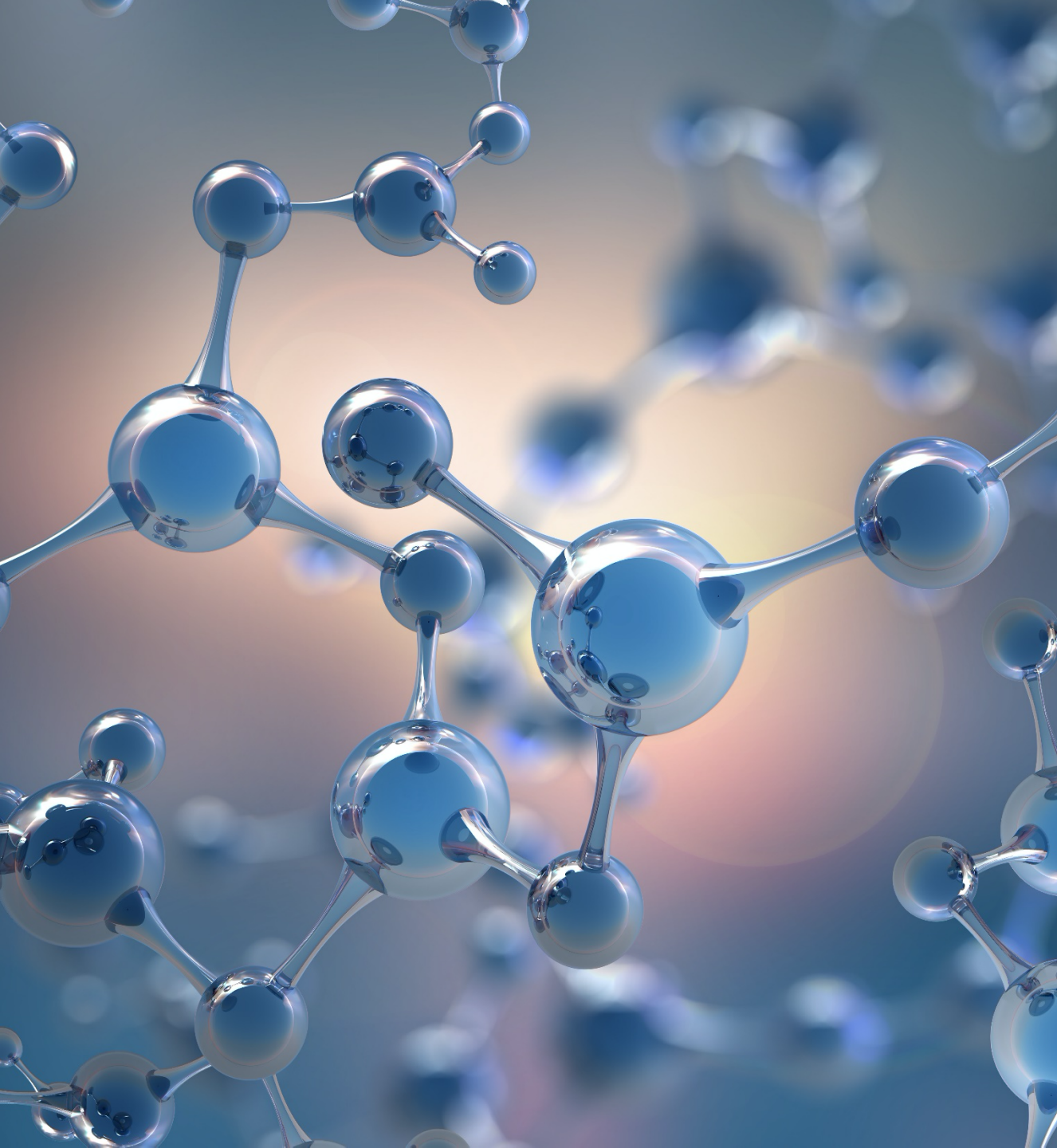


Peter Rosén
CFO

Agenda

- Business Performance
- Theme: E-Mobility
- Financial Overview
- Focus for 2021
- Q&A





Business Performance

..... Best Quarterly Result Ever

- **Covid -19**
 - All sites up and running, focus on maintaining health of employees
 - Strong customer focus with fast and stable deliveries noted and appreciated
 - Generally high Covid-19 uncertainty in US, UK, Sri Lanka and Mexico
- **Strong volume development in all regions**
 - Especially strong sales volume development in China but also in Americas and Europe
 - Sales negatively affected by FX effects and lower sales price
 - Sales and volume recovery especially strong in automotive sector
 - Sales at fixed 2019 FX rates amounted to 3 678 MSEK (3 774)
- **Further cost savings in place and the majority is structural**
- **Best quarterly result ever (so far) despite negative FX effects**
 - Operating Profit increased with 19% to 622 MSEK (522)
 - Operating Margin at high 18,3% (13,8)
 - High result and strong focus on working capital gave record cash flow of 1 023 MSEK (732)



..... Strong Execution on Updated Strategy and Increased Customer Focus

- **HEXPOL Compounding**

- Strong volumes in all regions
- Recovery stronger in China and Europe
- Recovery in many industry segments but especially strong in automotive segment
- Automotive strong in all regions but especially China
- In general some shortage problems with certain raw materials and components as well as transport challenges but so far all well handled by our decentralized but coordinated organization

- **Tragic fire in Jonesborough, TN, USA – 7 January 2021**

- One operator with severe burns
- Major damage to buildings and production equipment
- All customer orders already transferred to any one of the other 14 units in the Americas
- Due to full insurance for Jonesborough and transfer of customer orders to other units– no material negative economic effect expected

- **HEXPOL Engineered Products**

- Sales in line with last year
- Strong sales in Asia
- Major EBIT improvement driven by good sales and lower cost base

- **M&A**

- High focus and increased activity level but with challenges due to Covid-19



..... Strong Culture Delivering

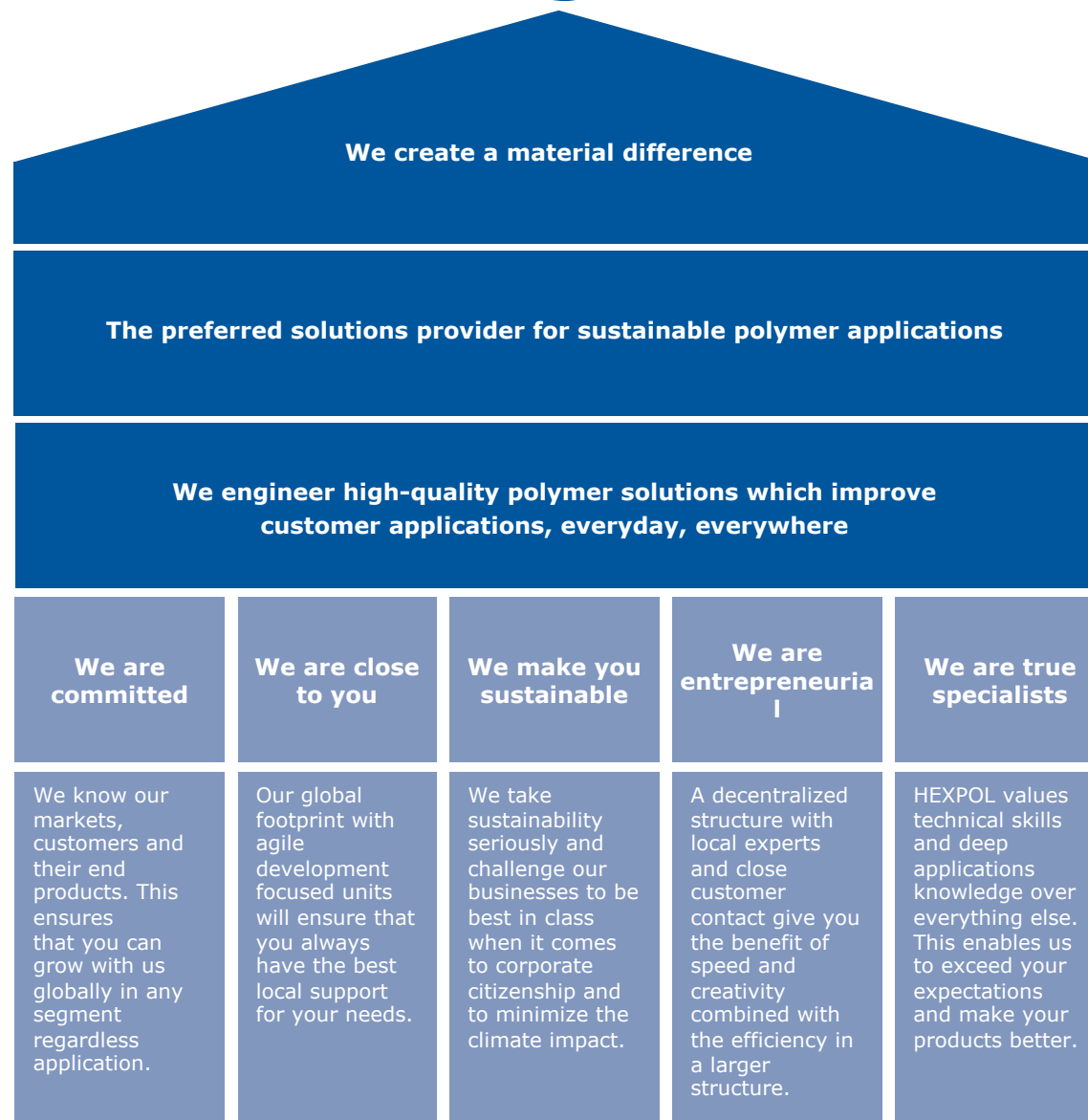
Purpose
The positive impact of what we do

Vision
Our long-term objective

Mission
What we do daily

Core values
Our fundamental beliefs that dictate our behavior

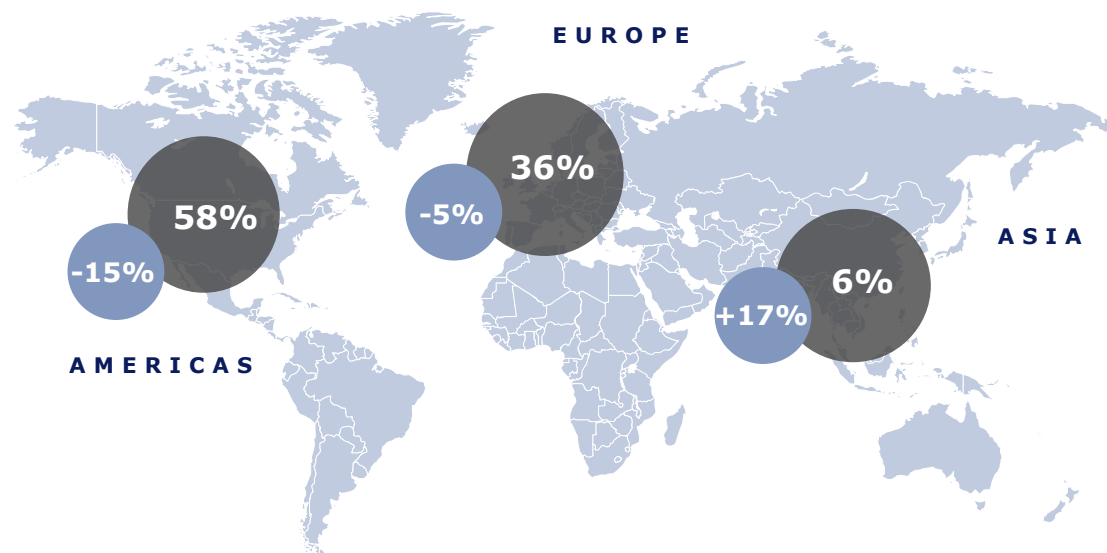
Rationale & evidence
Proof of what we say is true



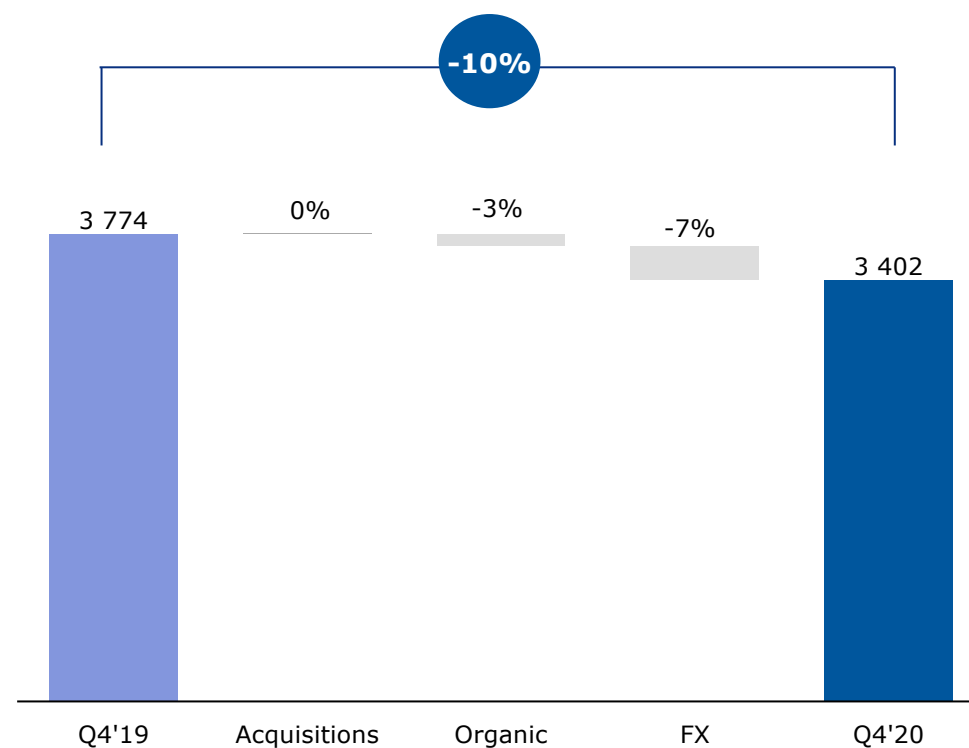
Q4 2020 Sales Development

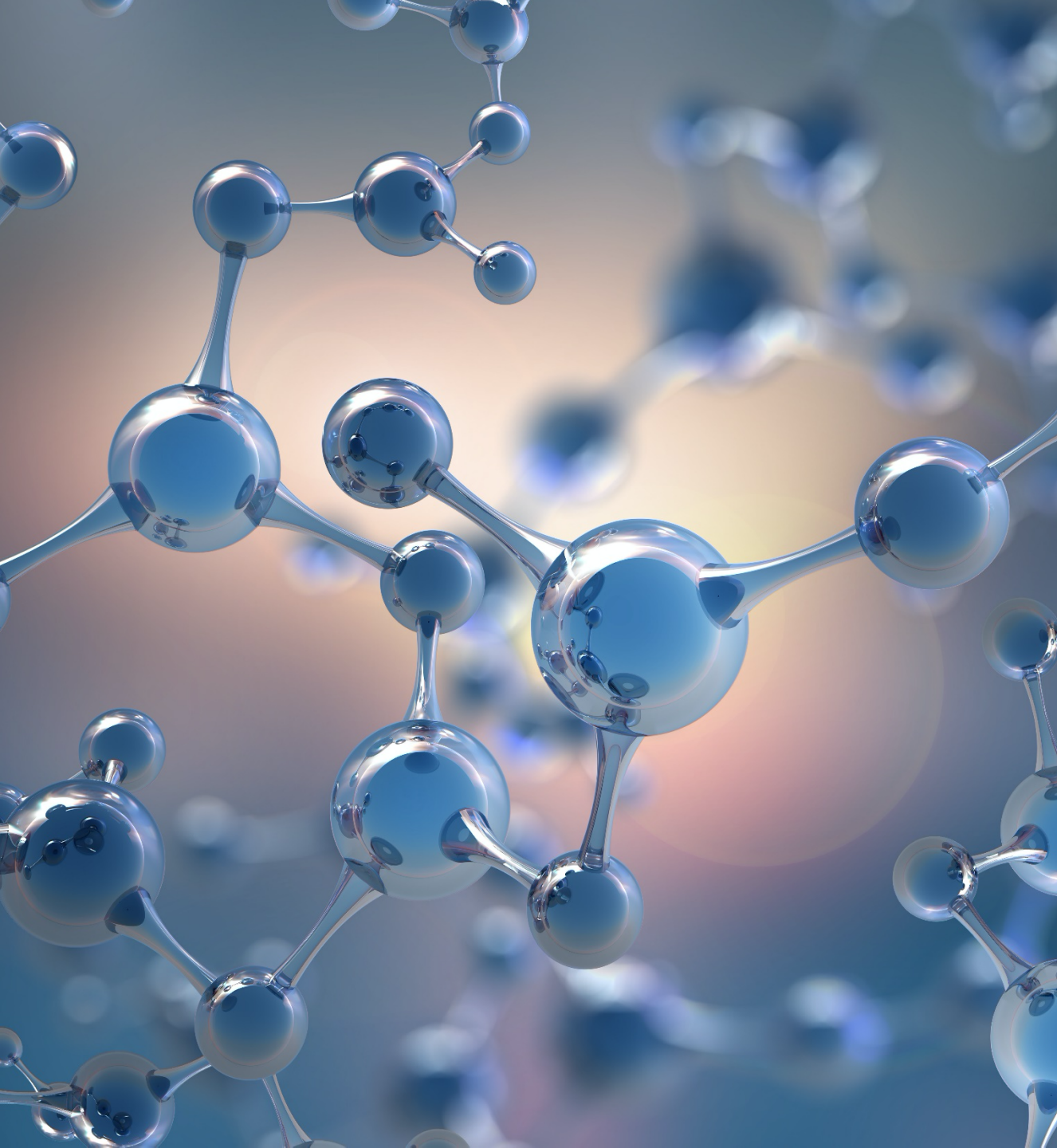
Sales decrease primarily driven by 7% negative FX effects (mainly USD)

Regional Development
























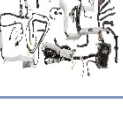


Sales development MSEK





Theme: E-Mobility

E-Mobility, Many Opportunities For HEXPOL

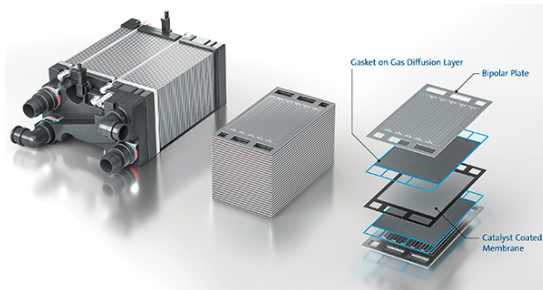
HEXPOL's Main Applications Benefitting From E -Mobility (Hybrid & Fully Electric)		Mid-Term Trend	Long-Term Trend
	Weatherstrip 	 <ul style="list-style-type: none"> Sealing passenger cabin unaffected Lightweight developments for weight reduction and range extension 	 <ul style="list-style-type: none"> Sealing passenger cabin plus wind noise reductions (no combustion noise) Lightweight products for range extension Lightweight car body materials request special material properties
	Suspension & Dampening 	 <ul style="list-style-type: none"> Different load distribution (engine plus battery) More air spring systems Different requirements 	 <ul style="list-style-type: none"> Different load distribution (heavy battery pack) More air spring systems Different requirements (no vibrations but high torque)
	Hose 	 <ul style="list-style-type: none"> Higher temperature requirements Need for High Performance elastomers 	 <ul style="list-style-type: none"> Only cooling hoses and AC (no Turbo, no fuel pipe) Cooling might not need flexible hoses
	Tire 	 <ul style="list-style-type: none"> Tires remain but need weight reduction 	 <ul style="list-style-type: none"> Different design Different material requirements
	Belt 	 <ul style="list-style-type: none"> Transmission of auxiliaries via CE 	 <ul style="list-style-type: none"> E-drives won't need timing belts Water & AC Systems might be in line with E-drive
	Wire & Cable 	 <ul style="list-style-type: none"> More sensors – more cable Charging cables Different voltage 	 <ul style="list-style-type: none"> Charging cables for Power Charger

➤ HEXPOL is well positioned within weight reduction

Potential New Applications



- Sealing for battery housing
- Dampening mats for battery cells
- Cooling systems for battery pack



- Sealing for F-Cell housing
- Layer sealing



- Cable and connectors for supercharger
- Infrastructure cabling for charging stations





Financial Overview

Q4 Financial Overview

Very strong result and margin despite negative FX effects



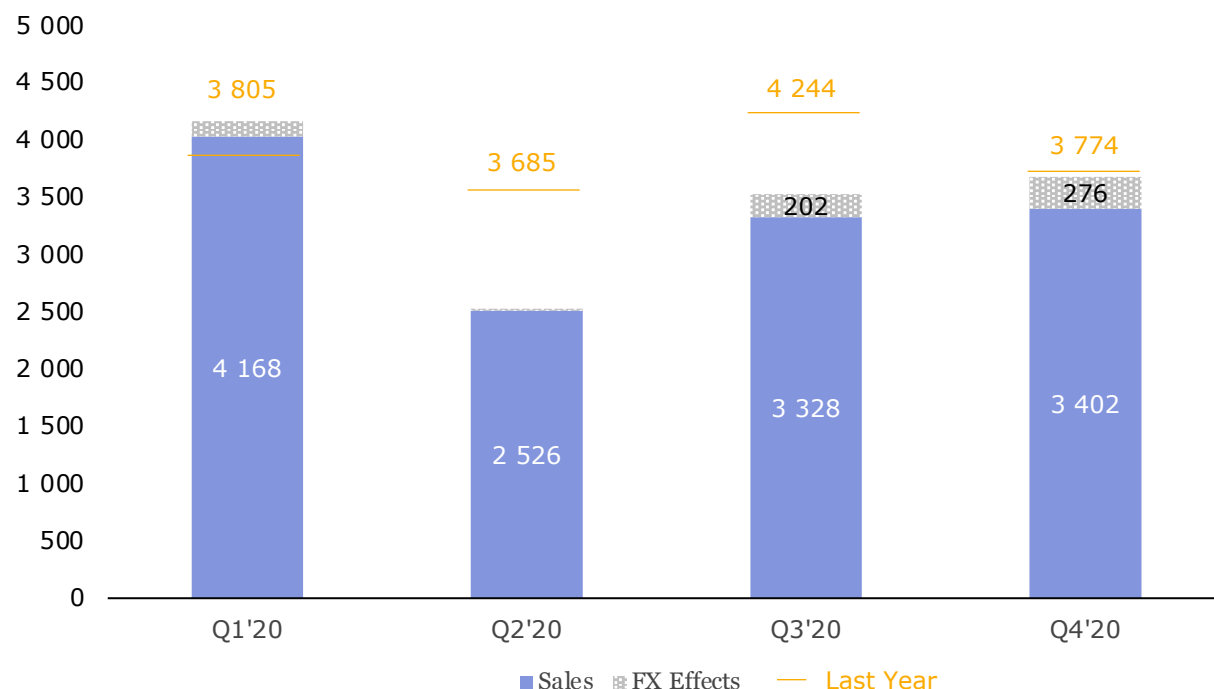
Key figures MSEK	Q4'20	Q4'19	FY 2020	FY 2019
Sales	3 402	3 774	13 424	15 508
EBITA, excl. non-recurring items	641	543	2 088	2 320
EBITA margin, excl. non-recurring items, %	18,8	14,4	15,6	15,0
Operating profit, EBIT, excl. non-recurring items	622	522	2 011	2 242
Operating margin, EBIT, excl. non-recurring items, %	18,3	13,8	15,0	14,5
Operating profit, EBIT	622	423	1 935	2 043
Profit after tax	456	336	1 409	1 542
Earnings per share, excl. non-recurring items, SEK	1,32	1,20	4,26	4,93
Equity/assets ratio, %			61	56
Operating cash flow	1 023	732	2 548	2 607

Highlights

- Negative FX effects of 276 MSEK on sales and 35 MSEK on Operating Profit
- Operating Profit of 622 MSEK
- Operating Margin of 18,3%
- Very strong operating cash flow of 1 023 MSEK
- Strong Equity/Asset ratio of 61%

Sales Development During 2020

Strong recovery during Q4



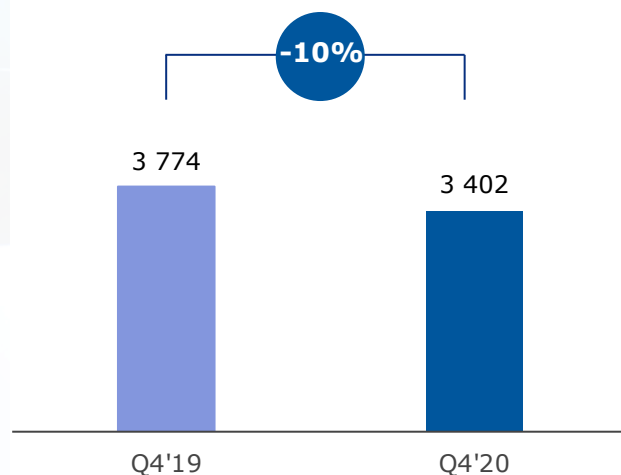
Highlights

- After low second quarter we saw sales volumes improving sequentially
- In Q4, sales volumes came in above previous quarter and above same period last year
- The higher sales volumes were primarily driven by higher demand from automotive customers but also from building and construction customers
- Sales in Q4 were in line with last year when adjusting for negative FX effects of 276 MSEK. The higher sales volumes were offset by somewhat lower sales prices

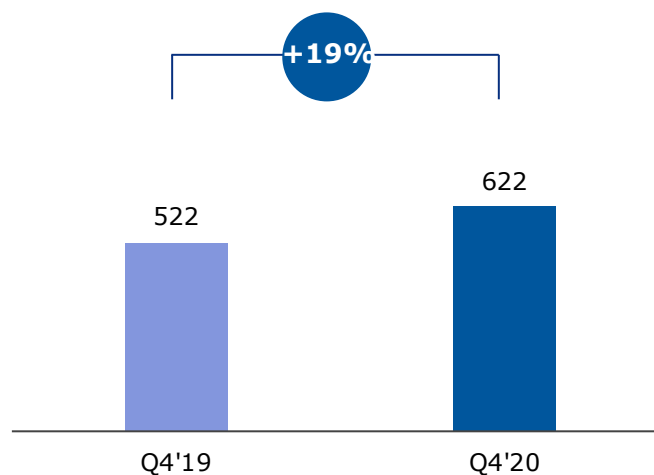
Q4 2020 Financial Highlights

High Operating Profit and Operating Margin

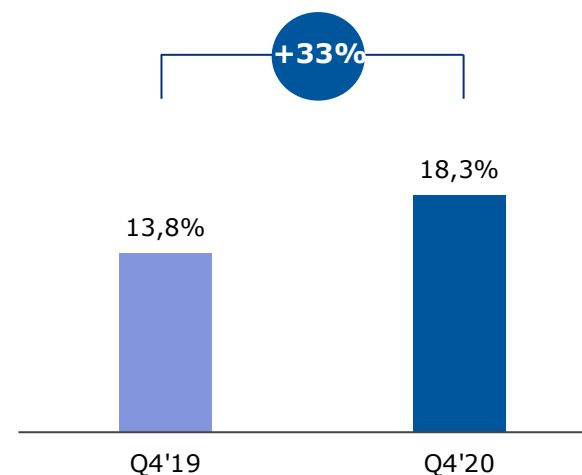
Sales
MSEK



Adjusted Operating Profit*
MSEK



Adjusted Operating Margin*
%

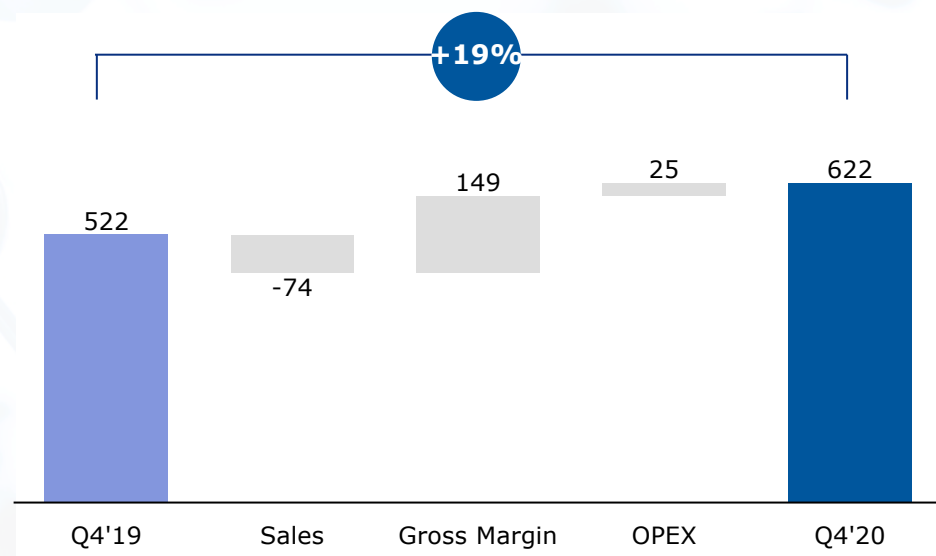


* Excluding restructuring costs in Q4'19 – there are no restructuring costs in Q4'20

Q4 Adjusted Operating Profit

Very strong result and margins despite negative FX effects

Adjusted Operating Profit*
MSEK



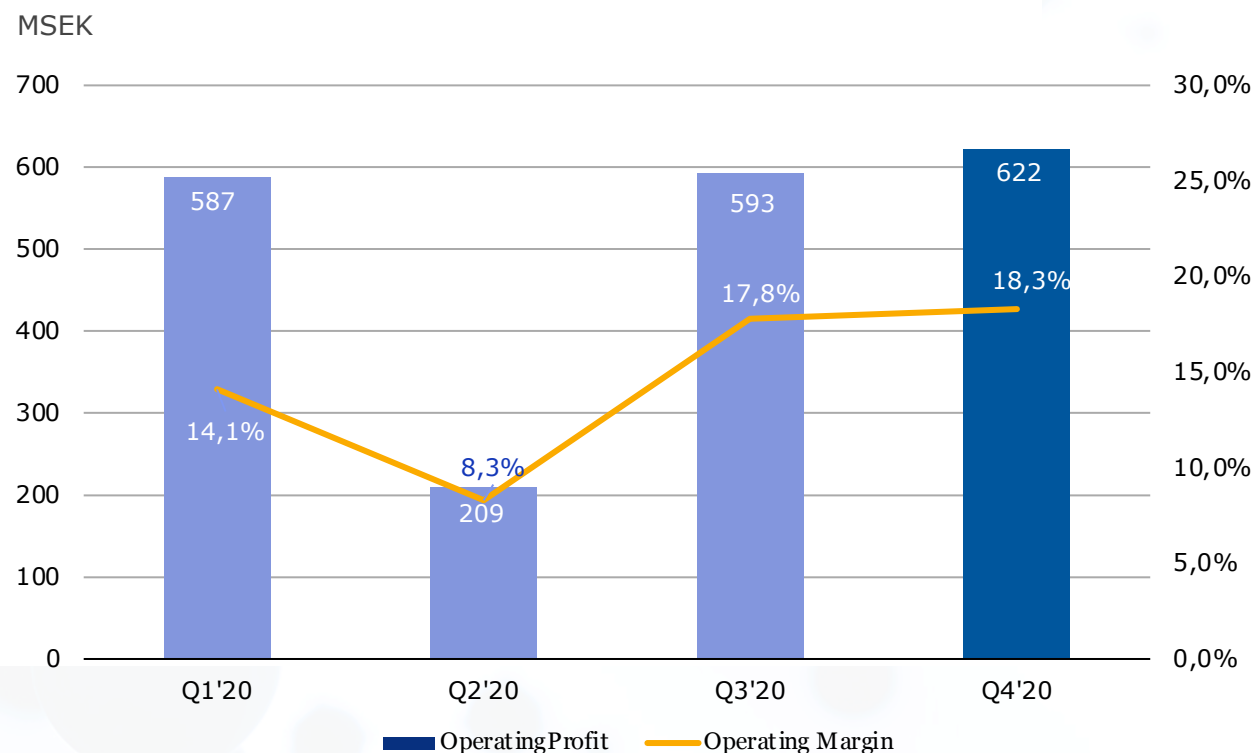
Highlights

- Negative FX effects of 276 MSEK on sales and 35 MSEK on Operating Profit
- Significant savings during the quarter in both direct and indirect costs
- OPEX well below last year

* Excluding restructuring costs in Q4'19 – there are no restructuring costs in Q4'20

Adjusted Operating Profit and Margin

Substantial margin improvement during the year

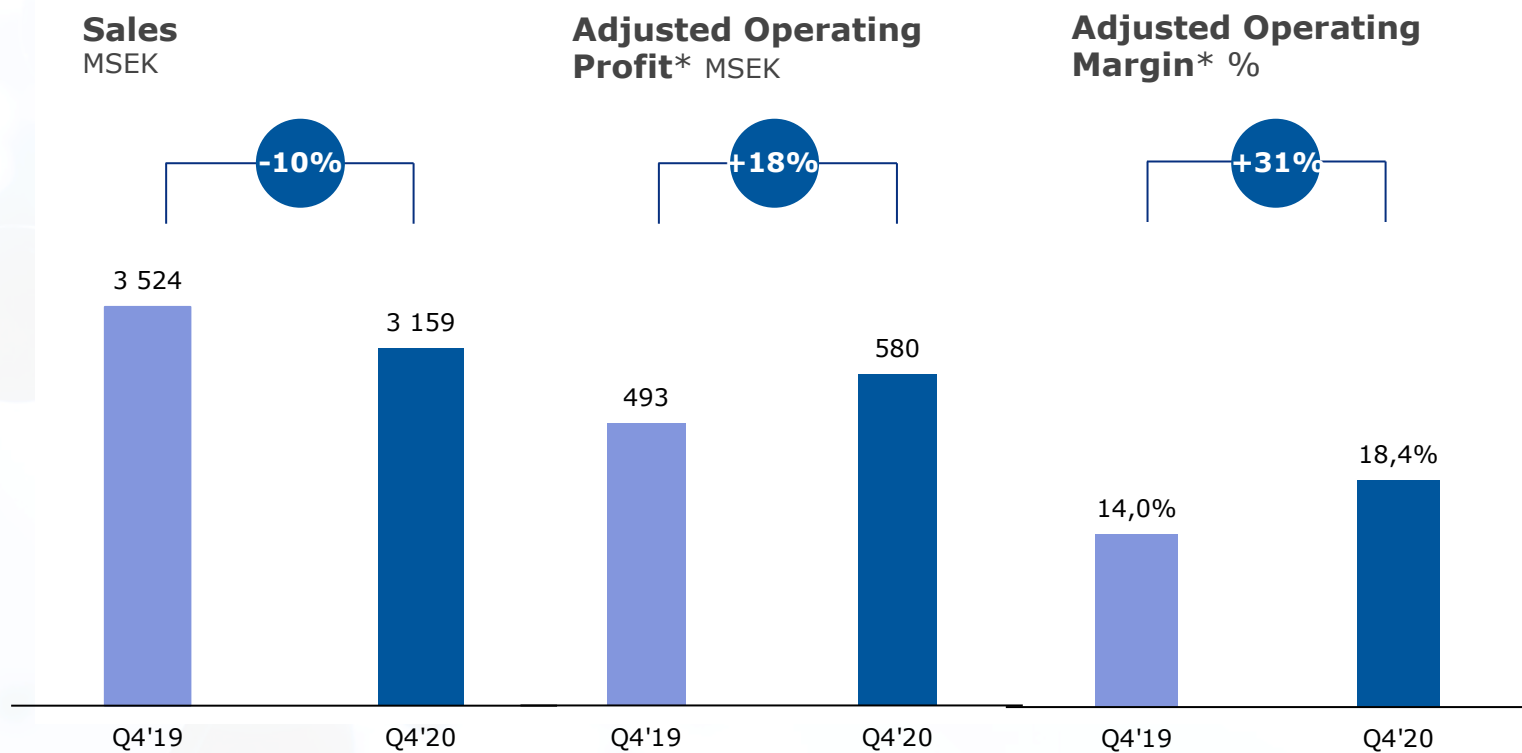


Highlights

- Continuous volume improvement combined with lower cost base give high Operating Profit and Operating Margin
- Significant savings during the quarter in both direct and indirect costs

* Excluding restructuring costs

Q4 HEXPOL Compounding



Highlights

- Sales volumes increased both vs. previous quarter and vs. same period last year
- The higher sales volumes were primarily driven by higher demand from the automotive customers but also from building and construction customers
- Sales decreased vs LY driven by negative FX effect of 263 MSEK or 7% and lower organic sales of 3%. The lower organic sales came as a result of higher sales volumes being offset by lower sales prices
- Operating Profit and Operating Margin increased substantially following on volume improvement on a lower cost base

* Excluding restructuring costs in Q4'19 – there are no restructuring costs in Q4'20

Q4 HEXPOL Engineered Products

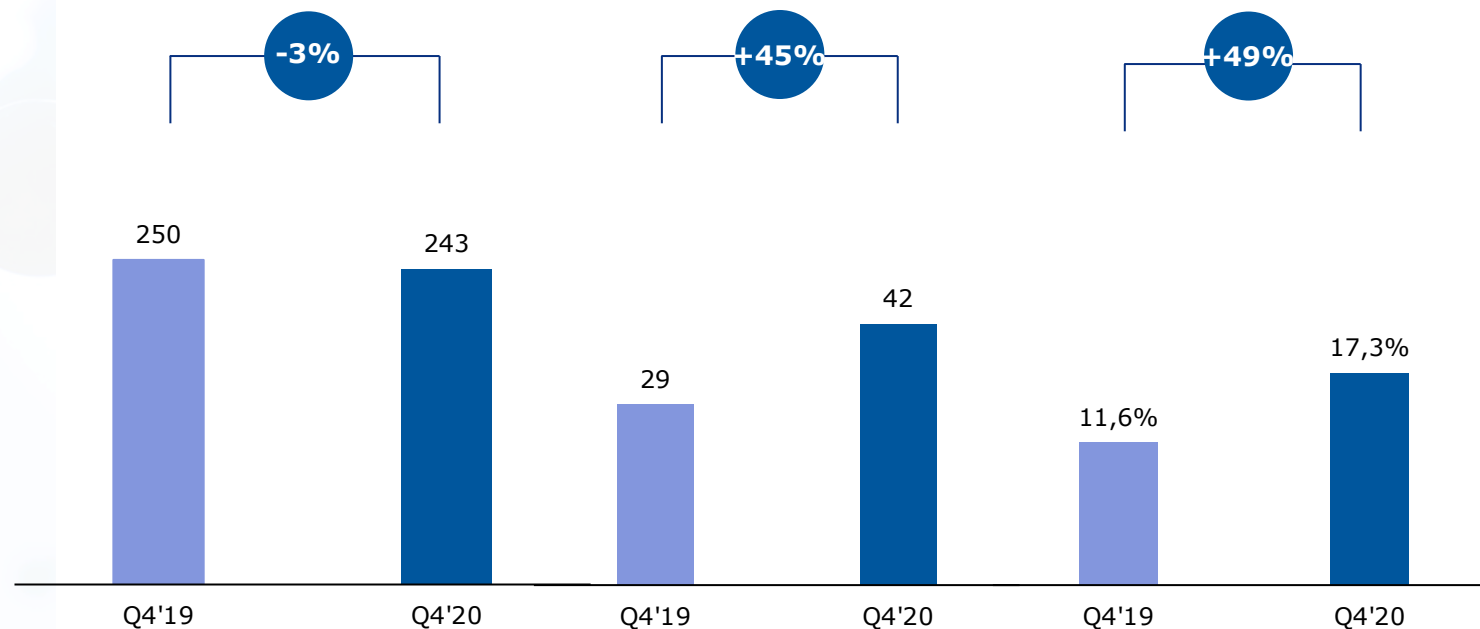
Sales
MSEK

Operating Profit MSEK

Operating Margin %

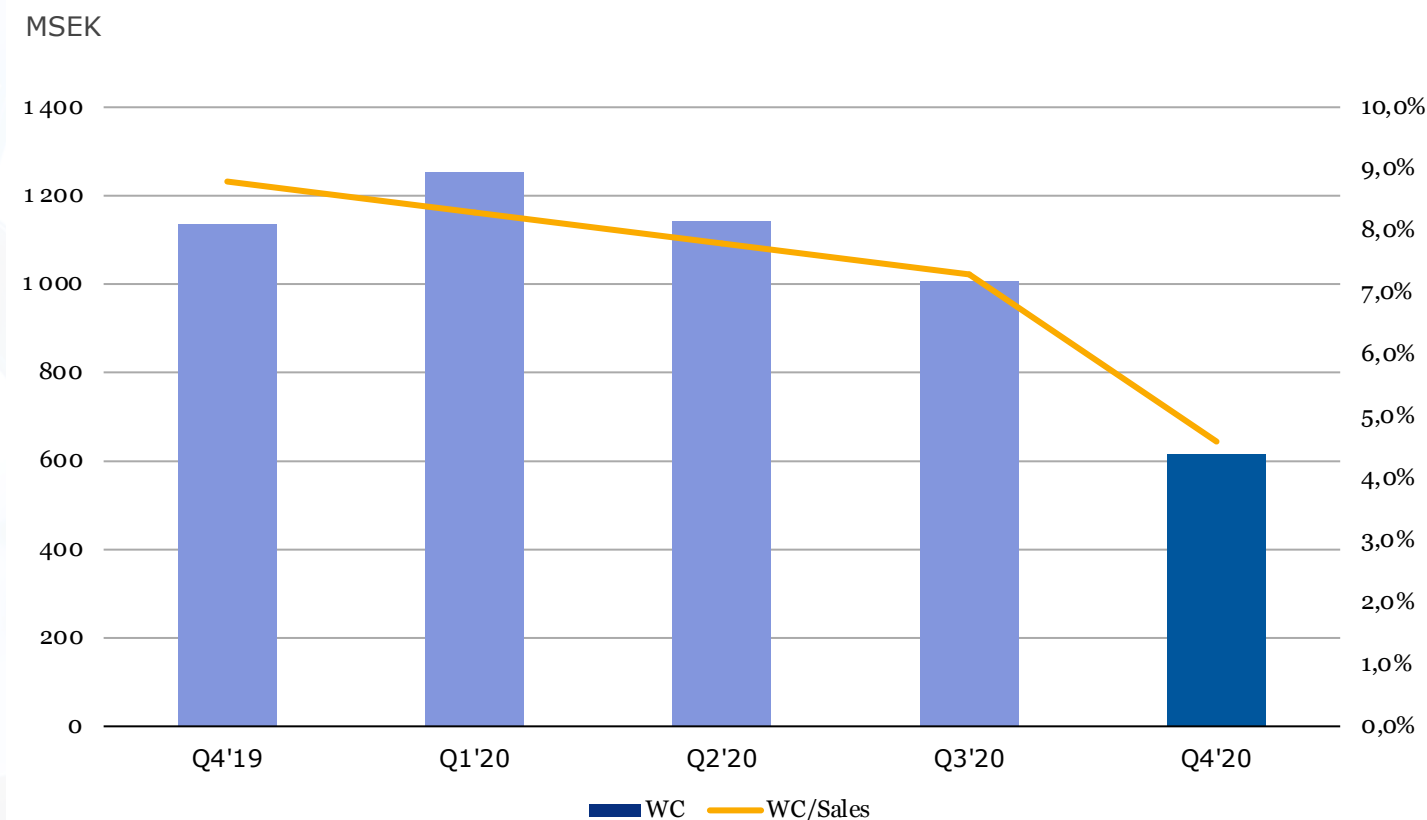
Highlights

- Sales were in line with last year
- Substantial Operating Profit and Operating Margin improvement following good sales and cost reductions



Q4 Working Capital

Strong finish after continuous improvement



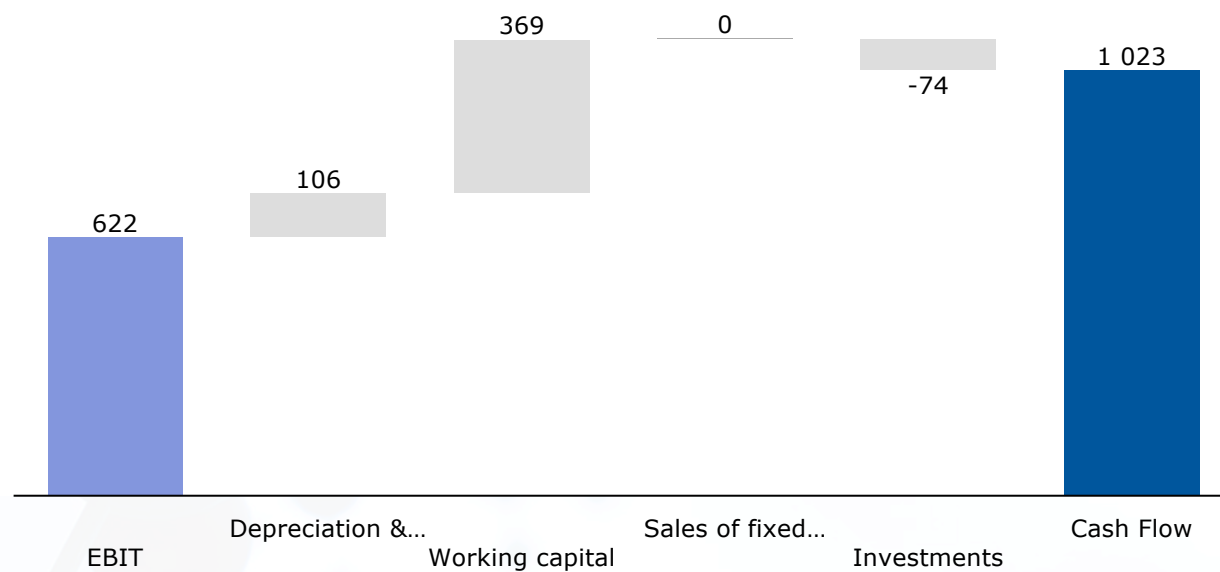
Highlights

- Substantial 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

Q4 Cash Flow

Very strong cash generation

Cash Flow
MSEK



Highlights

- Working capital improved further during fourth quarter of 2020
- Level of investments below depreciation
- Very strong cash generation during the quarter, up 40% compared to the same period last year

Q4 Net Debt

Strong financial position



MSEK	31-dec 2020	31-dec 2019
Cash at hand	1 200	1 624
Used credit facilities	-2 793	-4 000
Net debt	-1 593	-2 376
Net debt/EBITDA*	0,67	0,95

* EBITDA is R12 months

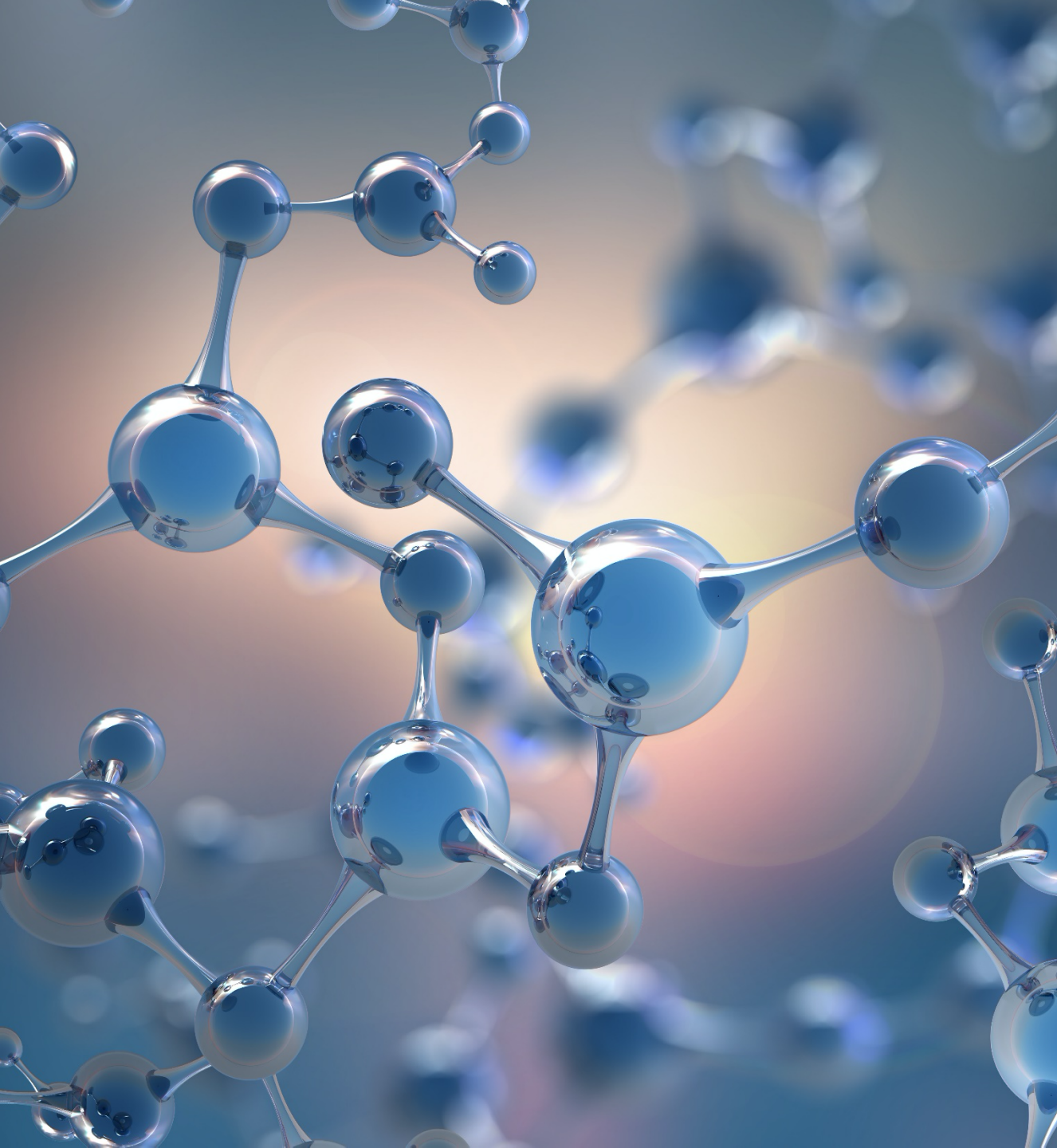
Highlights

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

..... Best Quarterly Result Ever

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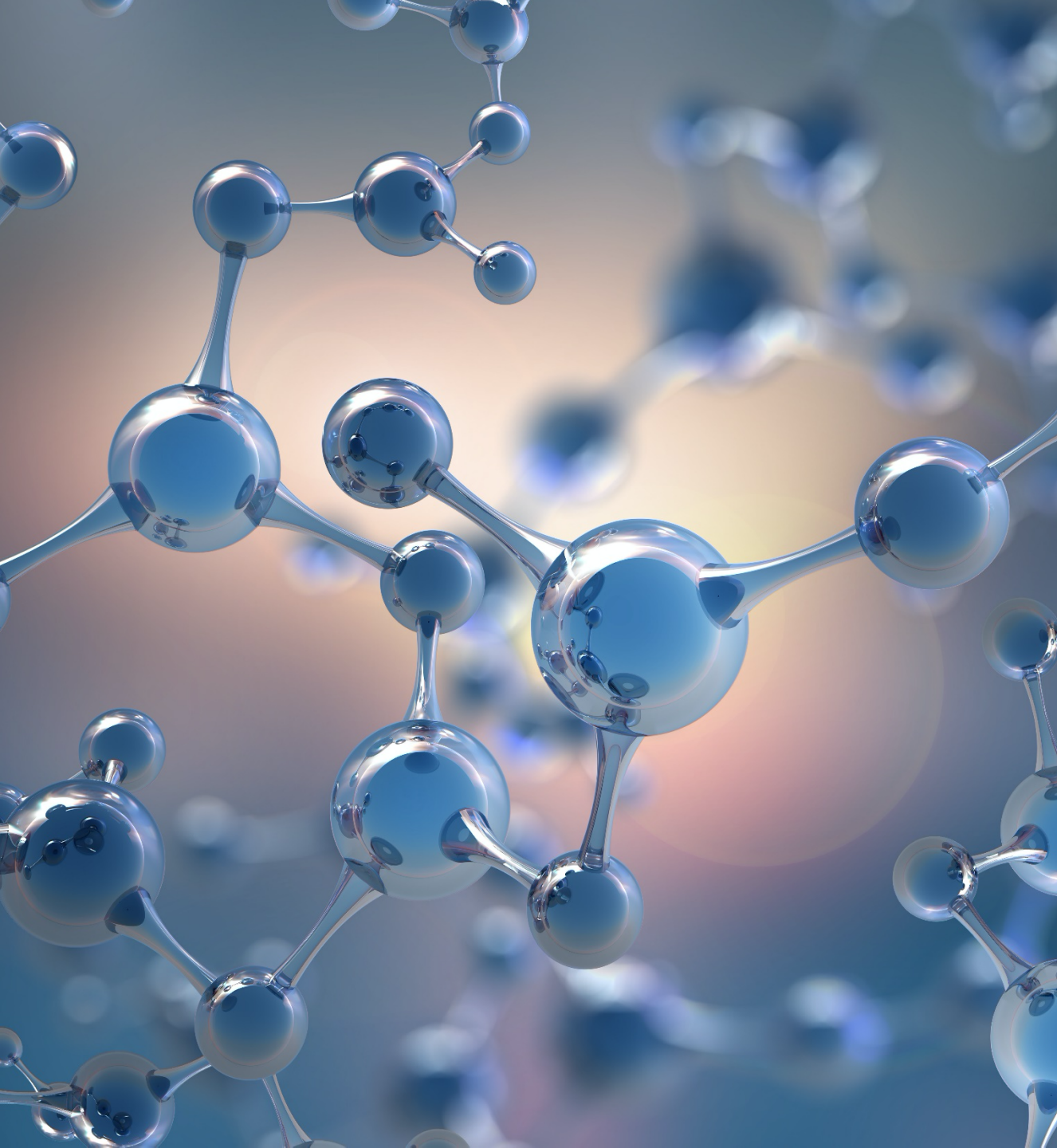


Focus for 2021

..... **Focus for 2021**

- **Handle health and safety of our employees**
- **Continued strong execution of forecasted increased LVP production**
- **Manage volatility in demand**
- **Continue to evaluate our manufacturing footprint**
- **Market share expansion**
- **Strong M&A focus – more possibilities but also some challenges**
- **Capital markets day during first half of 2021**





Q&A

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Thank You

www.HEXPOL.com