

Telephone presentation May 4, 2015, 13:00 CET

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# Welcome to HEXPOL

## Q1 2015 report update

CEO Georg Brunstam  
CFO Karin Gunnarsson

May 4 2015, 13:00 CET



May 4, 2015

# Agenda

- Introduction to HEXPOL
- Q1 2015 – HEXPOL Group
- Q1 2015 – Business areas
- Q1 2015 – Summary
- Q & A



# HEXPOL – Fast growing with strong margins

*HEXPOL is a world-leading polymers group with strong global positions in advanced Polymer Compounds (Compounding), gaskets for plate heat exchangers (Gaskets) and wheels made of plastic and rubber materials for forklift and castor wheel application (Wheels).*



# Our vision guides us

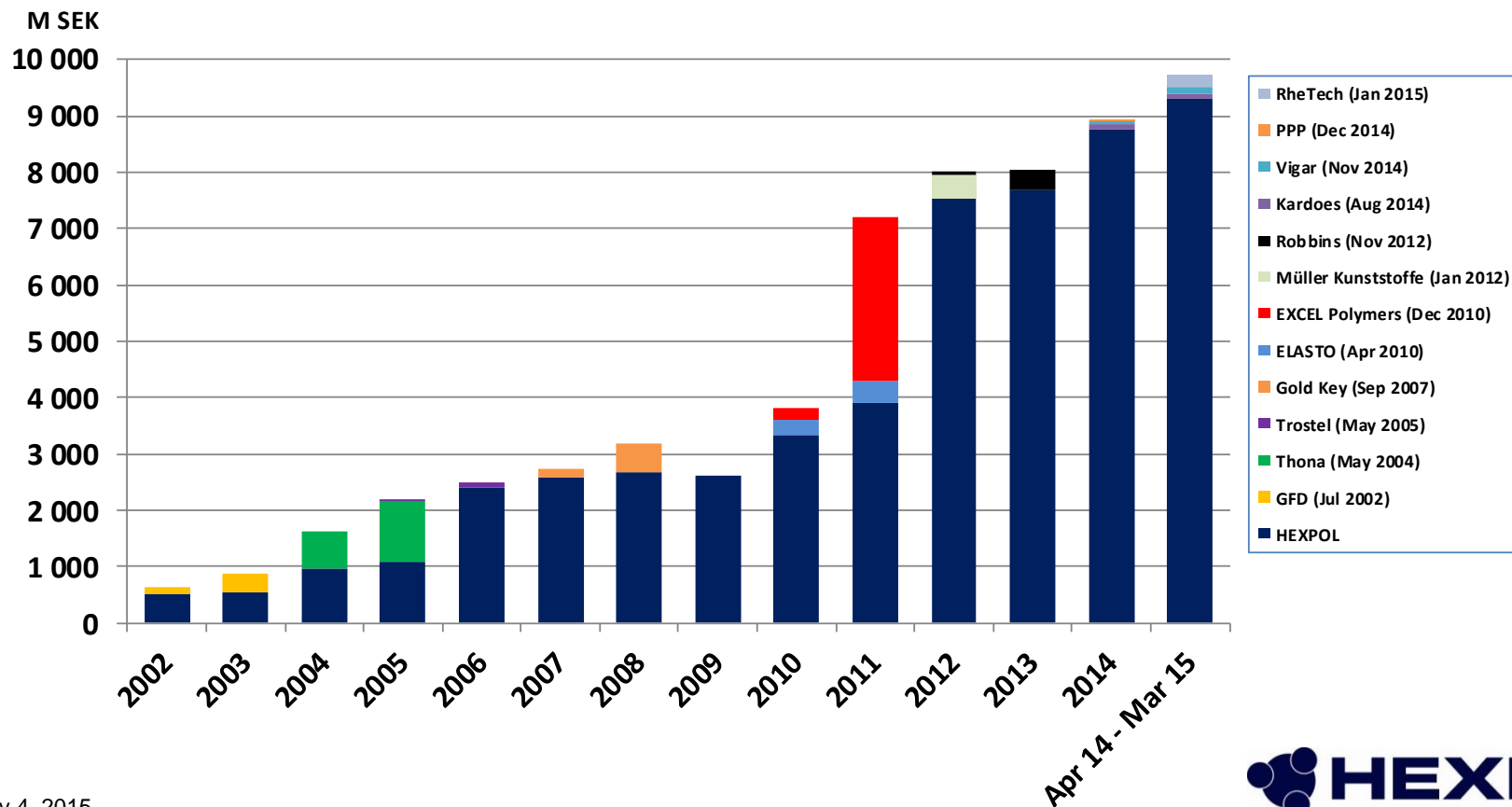
HEXPOL's vision is to be market leader, number one or two, in selected technological or geographical segments, to generate profit, growth and shareholder value.



# HEXPOL – A fast growing Group

## - Strong Growth

Contribution to sales made by acquisitions in the past years (Acquisition month in parenthesis)



# HEXPOL – A fast growing Group

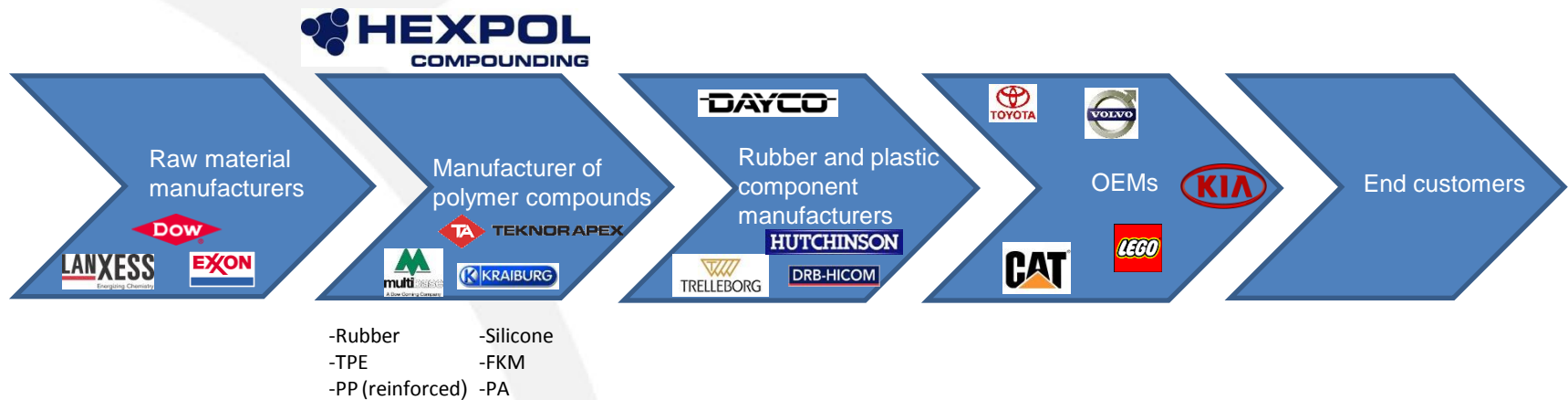
## - Growth strategy

- Product Development
  - New segments (for example: flame retardant)
  - New products in existing segments (for example: weight saving)
  - Application oriented
- Increased market share
- Acquisitions mainly within Polymer Compounding
  - Existing markets (Kardoes and Portage Precision in US, Vigar in Germany)
  - New markets (Vigar in Spain)
  - New chemistry (Portage Precision /silicon compounding, RheTech/specialized TP compounding)
- Capacity investments in China and Mexico
- Capacity investments in TPE Compounding

# HEXPOL – A fast growing Group

## - HEXPOL Compounding

Value chain (example):



## Business model:

- “Glocal” (local supplies/JIT)
- Application focused (often end user specified)
- Customized made to order
- 97 % outside of Sweden

## The market:

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

# HEXPOL – A well positioned Group

## Main customer segments:

- Strong automotive industry
  - Growth to automotive industries but today lower share of total Group sales thanks to strong growth in other segments.
  - Automotive sales around 39% (2008 60%).
- Engineering and general industry
- Construction and infrastructure
- Energy, oil and gas sector
- Cable and water treatment industries
- Consumer industries
- Medical equipment industries
- Manufacturers of plate heat exchangers
- Manufacturers of forklifts and castor wheels





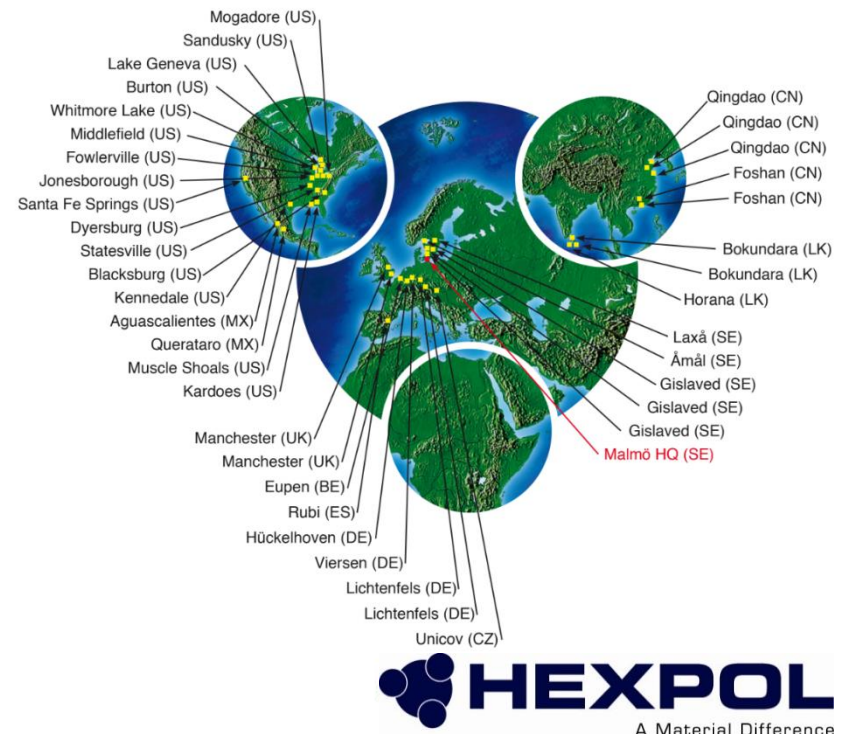
# HEXPOL – A well positioned Group

- Two business areas
  - HEXPOL Compounding
  - HEXPOL Engineered Products
- Strong global market positions
  - Global leader for rubber compounding
  - Strong European position in Thermoplastic Elastomer Compounding (TPE)
  - Strong US position for reinforced polypropylene compounding
  - Global leader in Gaskets for plate heat exchangers (PHEs)
  - Global market coverage in Wheels for fork lift trucks and castor wheels
- Global presence with production at 39 units in 10 countries (≈3,900 employees)
- Head office in Malmö, Sweden
- Shares listed on Large Cap segment of the NASDAQ OMX Nordic Exchange



# HEXPOL – A well positioned Group

- True global footprint – 11 of 39 production units in emerging markets
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board
- Acquisition oriented – two major acquisitions in 2010 and two more in 2012
- Acquisitions during 2014/2015 within Polymer Compounding:
  - Kardoes August 2014
  - Vigar November 2014
  - Portage Precision December 2014
  - RheTech January 2015
- Acquired 23 units with sales, development and production since 2010

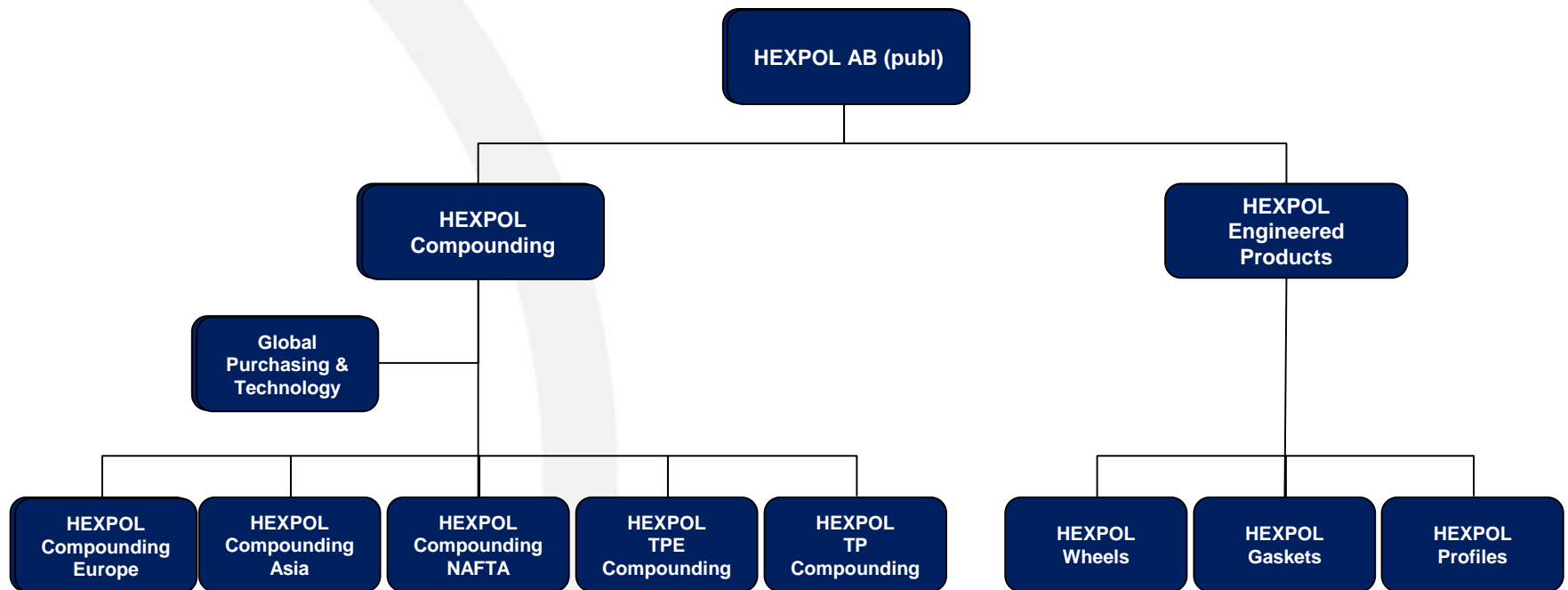


# HEXPOL – A well positioned Group

- With a stable organisation

Two business areas

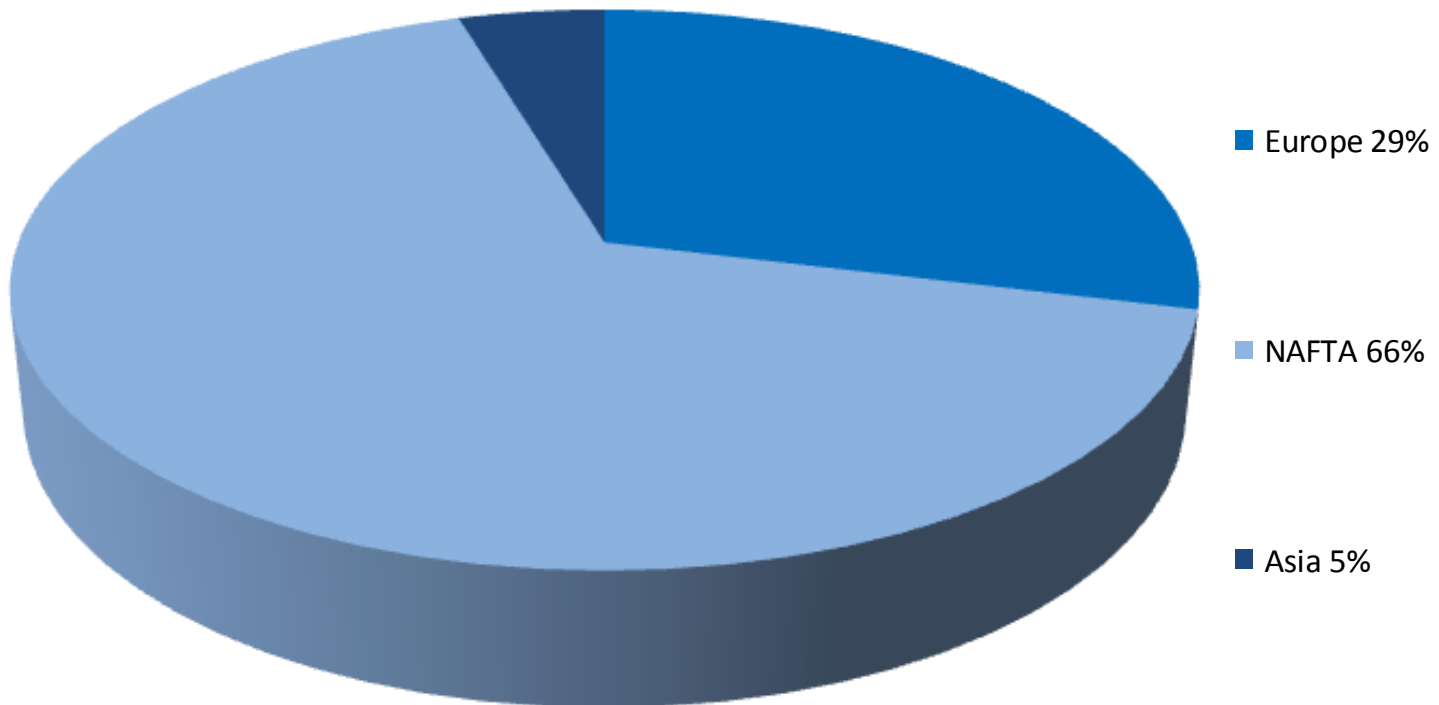
- HEXPOL Compounding (93 % of sales)
- HEXPOL Engineered Products (7 % of sales)



# HEXPOL – A well positioned Group

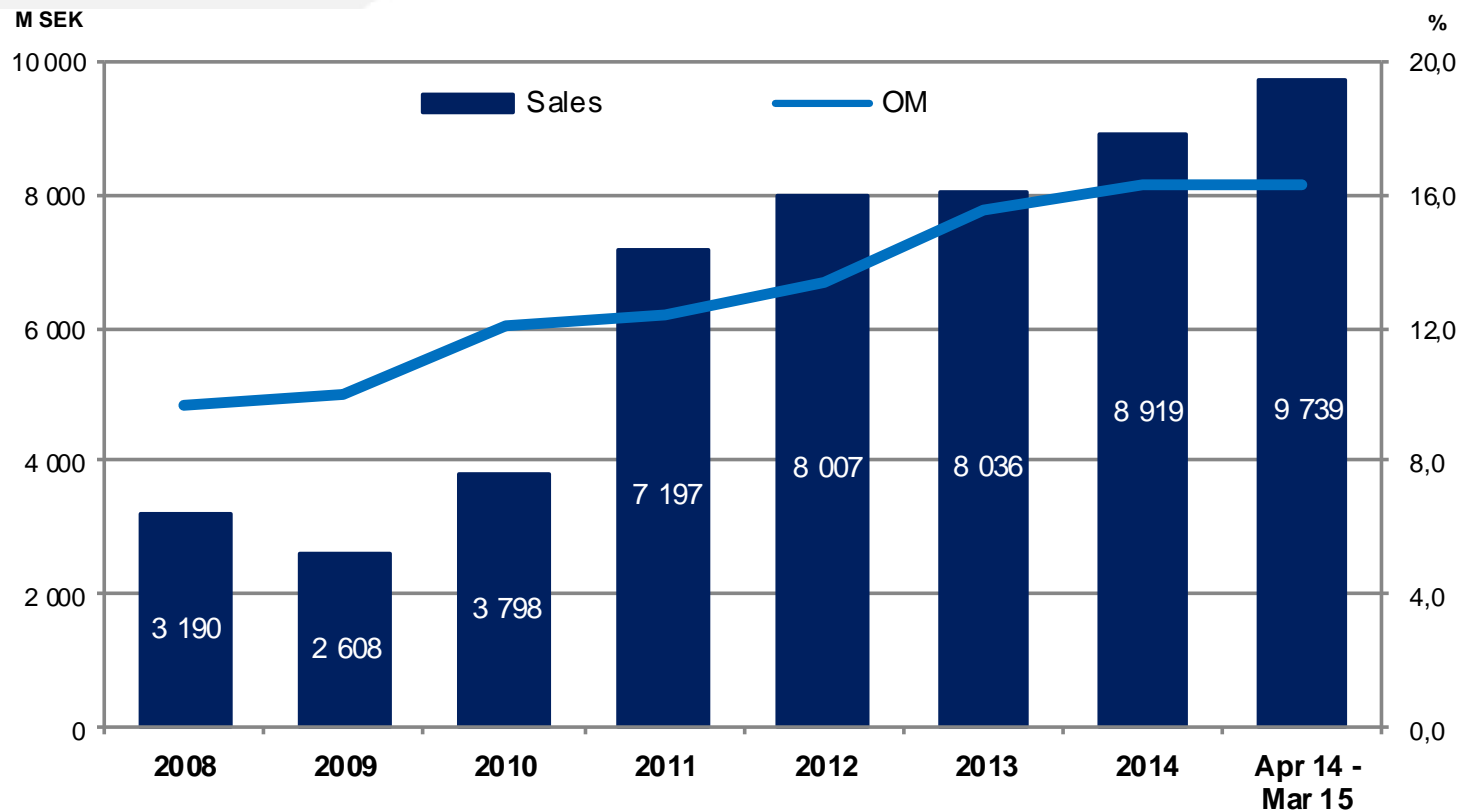
- A favourable sales distribution

Sales per geographic area Jan - Mar 2015



# HEXPOL – A well positioned Group

- Strong margin development



# Q1 2015 – Very strong growth and strong margins

## - our best quarter so far

- Volume and sales increases in all geographical regions
- Strong growth mainly thanks to acquired units and positive currency effects

MSEK	2015 Q1	2014 Q1	2014 Q4	
Net Sales	2 951	2 131	2 331	+ 38%
Operating Profit, EBIT	495	364	344	
Operating Margin, %	16.8	17.1	14.8	+ 36%
Profit after tax	352	262	248	
Earnings per share, SEK	10.23	7.61	7.21	
Operating cash flow	480	287	517	

# Q1 2015 – Very strong growth – strong margins - our best quarter so far

- Volume and sales increases in all geographical regions
  - Integration of units acquired in 2014 and 2015 progressing according to plan
  - Sales increased by 38% to 2,951 MSEK (2,131)
    - Sales affected by lower prices for our principal raw materials which have been lower this quarter compared to the previous one and the corresponding quarter last year
    - Sales growth (adjusted for currency effects) amounted to 18 per cent
    - Organic growth (adjusted for currency effects and acquisitions) was negative 2 per cent
  - Operating profit increased by 36% to 495 MSEK (364)
  - Sales and volume in NAFTA well above last year
    - Sales increased by 49%
    - Automotive continued positive development
    - Mexico continued strong in all segments
  - Sales and volume in Europe well above last year
    - Sales increased by 22%
    - Increased sales to automotive related customers
  - Volume and sales in Asia well above last year
    - Sales increased by 17%
  - The Acquisition of RheTech Thermoplastic Compounding completed



# Acquisitions oriented – Major acquisitions within Polymer Compounding

- Elasto (April, 2010) – TPE Compounding
  - Units in UK and Sweden
- Excel Polymers (Nov, 2010) – Rubber Compounding
  - Units in U.S., Mexico, UK and China
- Müller Kunststoffe (Jan, 2012) – TPE Compounding
  - Units in Germany
- Robbins (Nov, 2012) – Rubber Compounding
  - Units in U.S.
- Kardoes (Aug, 2014) – Rubber Compounding
  - Unit in U.S.
- Vigar (Oct, 2014) – Rubber Compounding
  - Units in Spain and Germany
- Portage Precision Polymers (Dec, 2014) – Rubber/silicon Compounding
  - Units in U.S.
- RheTech (Jan, 2015) – Specialized Thermoplastic Compounding
  - Units in U.S.

Successfully integrated

Integration progressing  
according to plan



# HEXPOL acquisition of Kardoes Rubber in August 2014



- Kardoes Rubber with a manufacturing facility in La Fayette, Alabama, US
- Turnover of 43 MUSD in 2013, with an EBITDA margin below HEXPOL Group
- Around 90 employees

# HEXPOL acquired VIGAR Rubber Compounding in November 2014



- Vigar Rubber compounding with manufacturing facilities in Rubi, Spain and Viersen, Germany
- Turnover of 57 MEUR in 2013, with a positive EBITDA margin well below the HEXPOL Group
- Around 130 employees
- Closing of German units announced

# HEXPOL acquired Portage Precision Polymers in December 2014

- Portage Precision Polymers with two manufacturing facilities in Ohio (Ravenna and Mogadore) US
- Turnover of 29 MUSD in 2013, with an EBITDA margin below the HEXPOL Group
- The Ravenna facility is not included in the transaction and its business is transferred to other HEXPOL facilities





# HEXPOL acquired RheTech in January 2015



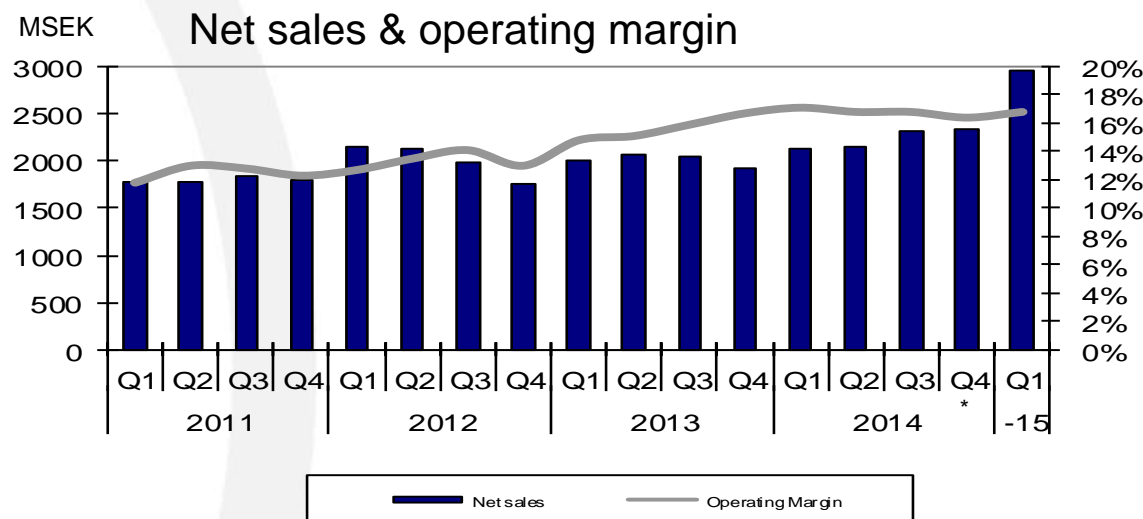
- RheTech Thermoplastic Compounding have four facilities (including manufacturing and laboratories) located in Whitmore Lake, MI (RheTech), Fowlerville, MI (RheTech), Sandusky, OH (RheTech Color) and in Blacksburg, SC (RheTech Engineered Plastics), US
- Turnover of 117 MUSD in 2013, with an EBITDA margin well below the HEXPOL Group
- Around 210 employees

# Q1 2015 – Very strong growth and strong margins

## - our best quarter so far

### - Volume and sales increases in all geographical regions

- Net sales increased to 2,951 MSEK (2,131)
  - Increase by 38 percent
- Operating profit increased to 495 MSEK (364)
  - Increase by 36 percent
- Operating margin amounted to 16.8% (17.1)
- Return on capital employed (Apr 2014-Mar 2015) amounted to 27.9%
- Earnings per share increased by 34% to 10.23 SEK (7.61)
- Strong operating cash flow, increased to 480 MSEK (287)
- Strong Balance Sheet
  - Equity/assets ratio 62.7 % (61.3)
  - Net debt 232 MSEK (133)



# Q1 2015 – Very strong growth and strong margins

- our best quarter so far

- Volume and sales increases in all geographical regions
- Sales affected by lower raw material prices

<b>MSEK</b>	<b>2015</b>	<b>2014</b>	<b>Growth</b>
<b>Sales</b>	2 951	2 131	38%
Currency	-436		-20%
<b>Ex. Currency</b>	2 515	2 131	18%
Acquisition	-427		-20%
<b>Organic Growth</b>	<b>2 088</b>	2 131	-2%

# Q1 2015 – Very strong growth and strong margins

- our best quarter so far

- Strong balance sheet

MSEK	2015 Q1	2014 Q1	2014 Q4	
Net Sales	2 951	2 131	2 331	+ 38%
Operating Profit, EBIT	495	364	344	
Operating Margin, %	16.8	17.1	14.8	+ 36%
Profit after tax	352	262	248	
Earnings per share, SEK	10.23	7.61	7.21	
Operating cash flow	480	287	517	
Net debt	232	133	-259	
Equity/assets ratio, %	62.7	61.3	69.3	

# Q1 2015 – Business areas

Very strong growth and strong margins

- our best quarter so far

MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2015 Q1	2014 Q1	2014 Q4	2015 Q1	2014 Q1	2014 Q4	2015 Q1	2014 Q1	2014 Q4
HEXPOL Compounding	2 744	1 954	2 148	473	337	325	17.2	17.2	15.1
HEXPOL Engineered Products	207	177	183	22	27	19	10.6	15.3	10.4

- Very strong growth in HEXPOL Compounding, sales increased by 40%
- Sales affected by lower prices for our principal raw materials
- Integration of Kardoes and Portage Precision Polymer successfully completed according to plan
- Integration of Vigar Rubber Compounding and RheTech Thermoplastic Compounding progressing according to plan
- Sales increased by 17% in HEXPOL Engineered Products



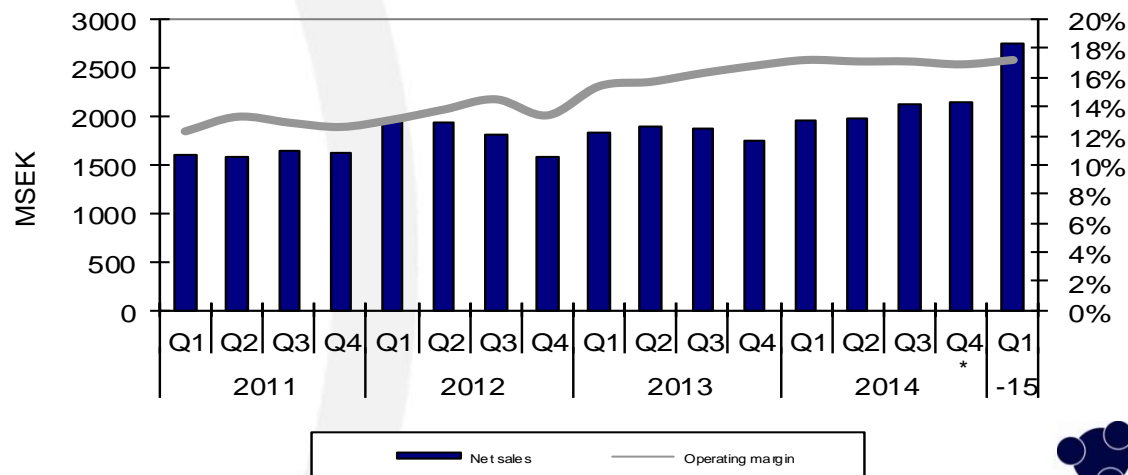
# Q1 2015 – HEXPOL Compounding

Very strong growth and strong margins

-our best quarter so far

- Sales 40% above last year:
  - Volume increases in all geographical regions
  - Positive currency effects
  - Sales affected by lower raw material prices
- Operating profit increased to 473 MSEK (337)
  - Improved thanks to increased volumes, continued improvement of performance and efficiency in operations and positive currency effects
- Europe – sales and volumes well above last year
  - Strong quarter in Europe
  - Sales increased to automotive related customers
  - Integration of Vigar progressing according to plan incl. negotiations ongoing for closing German unit
  - Positive volume development excl. acquired units
- NAFTA – sales and volumes well above last year
  - Positive development to automotive
  - Weaker volumes to oil and gas, mining
  - Mexico continued strong in all segments
  - Stable volumes excl. acquisitions
  - Integration of Kardoes and Portage successfully completed
  - Integration of RheTech progressing according to plan
- Asia – sales and volumes well above last year
  - Strong sales to automotive-related customers in China
- HEXPOL TPE Compounding – stable development

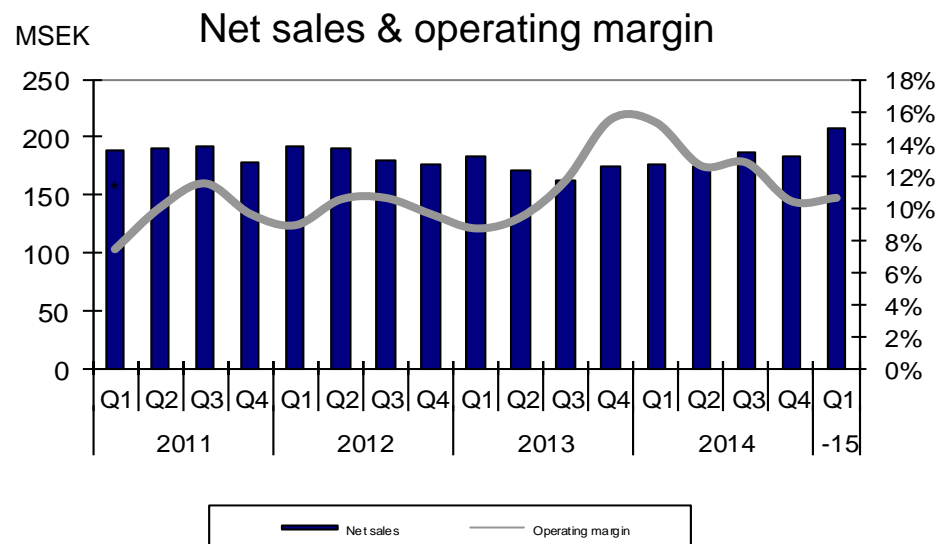
Net sales & operating margin



# Q1 2015 – HEXPOL Engineered Products

## - strong sales

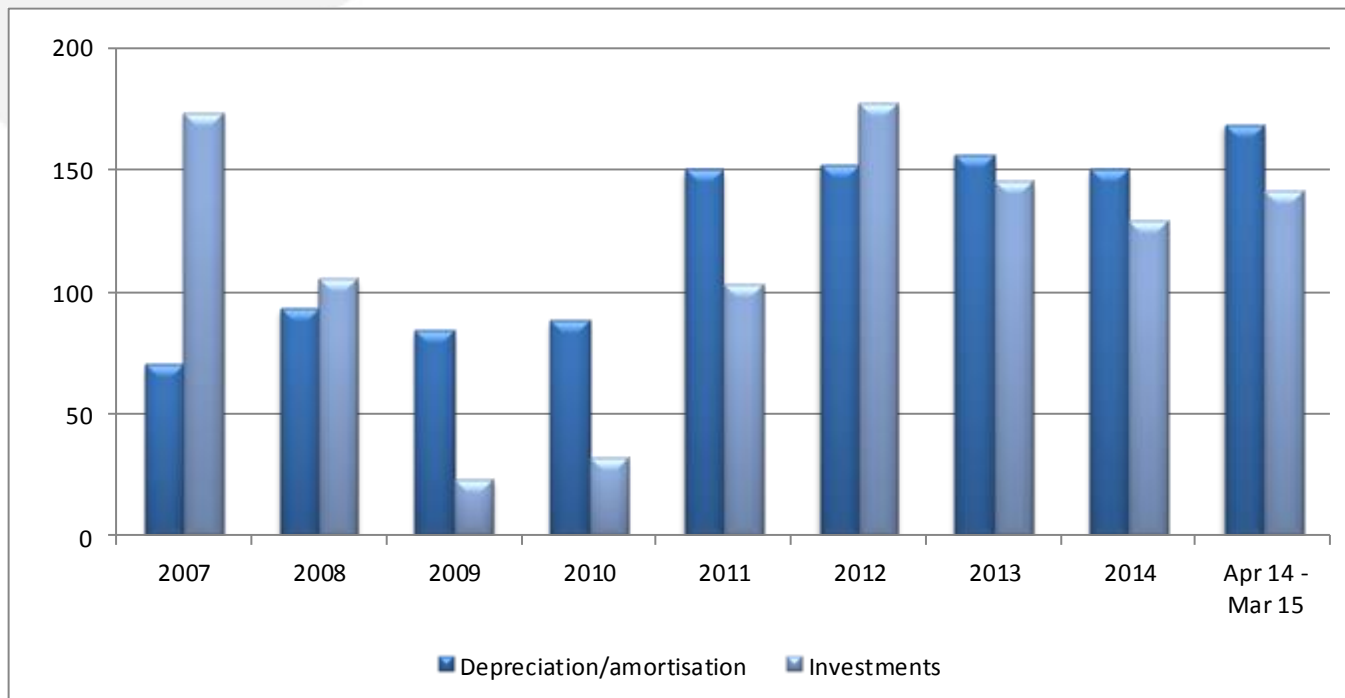
- Net sales increased by 17% to 207 MSEK (177)
  - Positive sales development for HEXPOL Gaskets in all geographical regions
  - Sales improved for HEXPOL Wheels
- Price pressure
- Operating profit amounted to 22 MSEK (27)
  - Insurance compensation 6 MSEK 2014
- Operating margin 10.6% (15.3)



# HEXPOL Group

## Depreciations/amortizations & Investments

MSEK



- Investments in line with depreciations/amortisations
- Mainly capacity investments in Mexico and within TPE Compounding
- Maintenance investments primarily in the US

# Q1 2015 – Very strong growth and strong margins - our best quarter so far

- Volume and sales increase continue in all geographical regions
- Sales increased by 38 per cent to 2,951 MSEK (2,131)
  - Sales affected by lower prices for our principle raw materials which have been lower this quarter compared to the previous one and the corresponding quarter last year
- Volumes developed positively in all geographical regions
  - Sales in NAFTA well above last year
  - Sales increased in Europe
  - Asia sales increase
- Positive currency effects
- Integration of units acquired in 2014 and 2015 progressing according to plan
- Operating profit increased by 36% to 495 MSEK (364)
- Strong operating cash flow, 480 MSEK (287)
- Strong financial position



# Q & A