

Telephone presentation on April 26, 2019, 1:00 p.m. CET

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Welcome to HEXPOL

Q1, 2019 Report update

April 26, 2019

**CEO Mikael Fryklund
CFO Karin Gunnarsson**



Agenda

- Introduction to HEXPOL
- Q1 2019 – HEXPOL Group
- Q1 2019 – Business areas
- Q1 2019 – 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 forklifts and castor wheel applications (Wheels).



HEXPOL - 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.

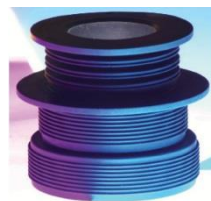


HEXPOL – A well positioned Group

- Two business areas:
 - HEXPOL Compounding
 - HEXPOL Engineered Products

- Global presence
- Operations in 14 countries
- Around 4,600 employees
- Headquarters in Malmö, Sweden

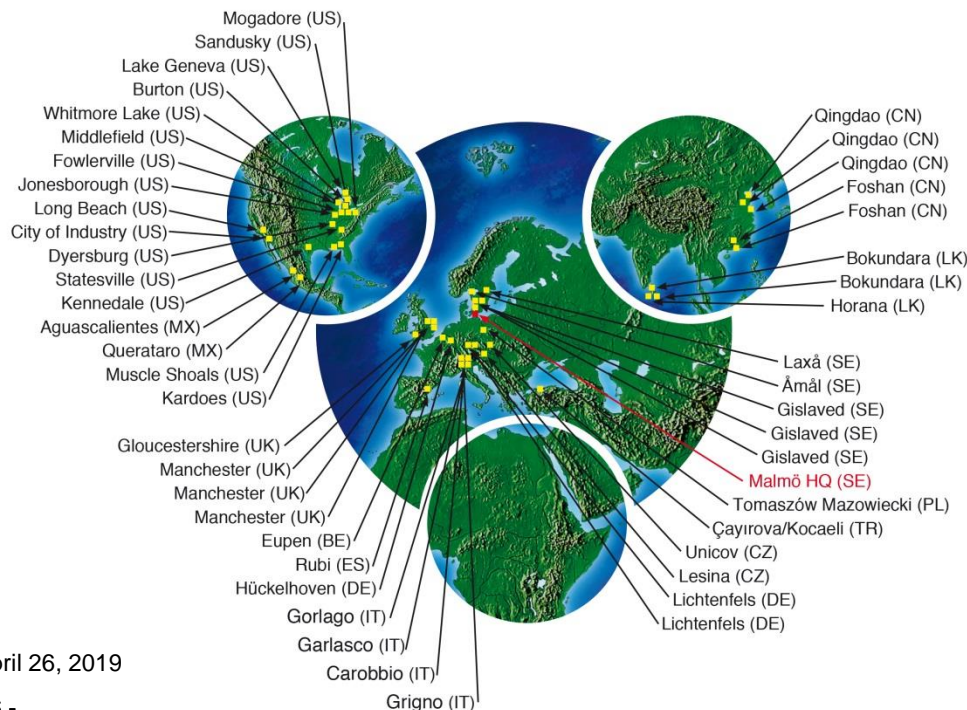
- 97 percent of sales outside Sweden
- Shares listed on Nasdaq Stockholm, Large Cap



- Strong global market positions:
 - Global leading position for Rubber Compounding
 - Strong European position in Thermoplastic Elastomer Compounding (TPE)
 - Strong position in High Performance Elastomers
 - Strong US position for reinforced Polypropylene Compounding (TP)
 - Global leading position in Gaskets for plate heat exchangers (PHEs)
 - Global market coverage in Wheels for fork lift trucks and castor wheels

HEXPOL – A well positioned Group

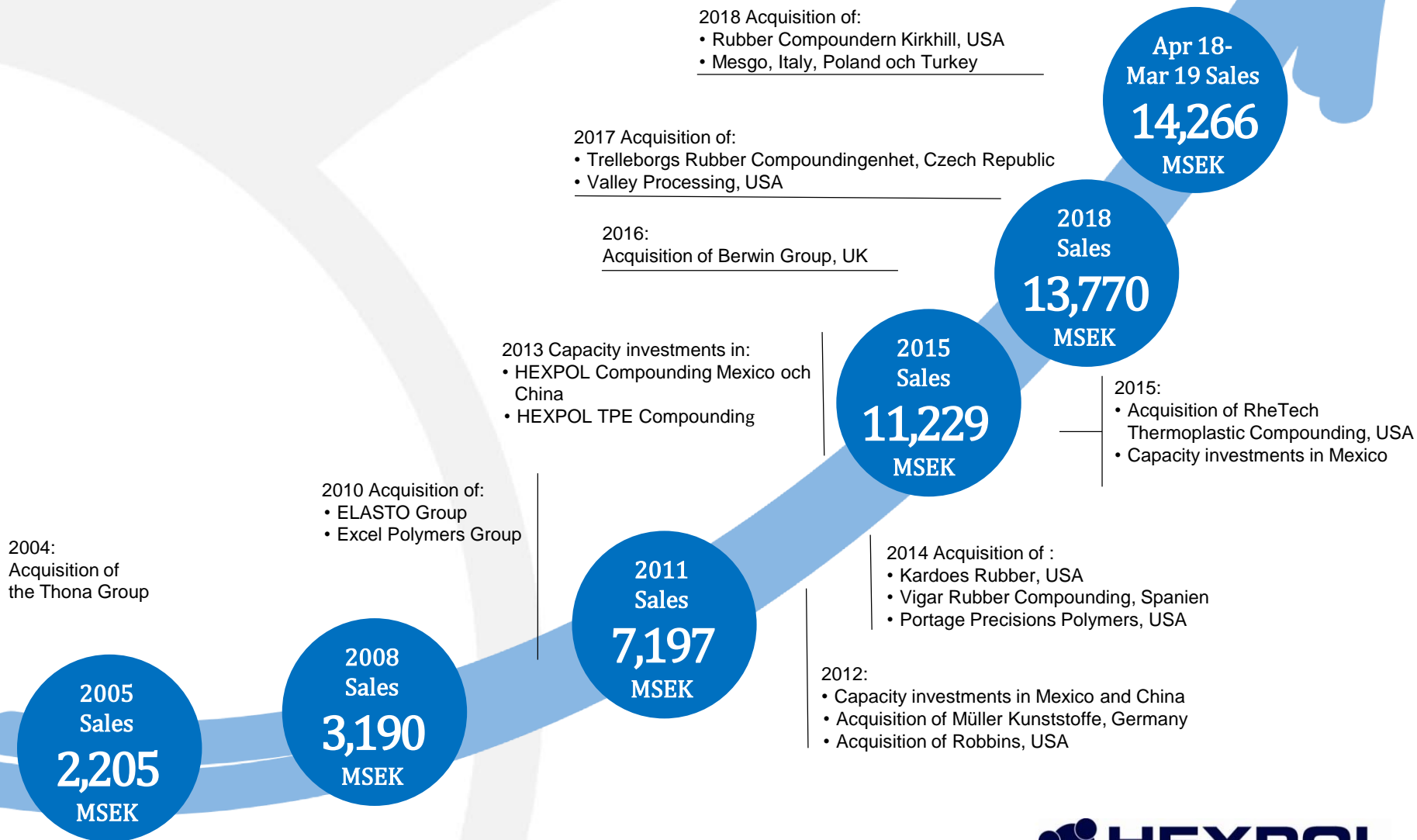
- True global footprint
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board



- Acquisition oriented – major acquisitions within Compounding:
 - 2010: Elasto, Excel Polymers
 - 2012: Müller Kunststoffe, Robbins
 - 2014: Kardoes, Vigar Rubber Compounding Portage Precision Polymers
 - 2015: RheTech Thermoplastic Compounding (RheTech, RheTech Colors and RheTech Engineered Plastics)
 - 2016: Berwin Group (Berwin Rubber Co Ltd Berwin Industrial Polymers Ltd and Flexi-Cell (UK) Ltd)
 - 2017: Trelleborg Material & Mixing Lesina s.r.o, Valley Processing
 - 2018: Kirkhill Rubber, Mesgo Group

- Acquired 35 units with sales, development and production since 2010

HEXPOL – A fast growing Group



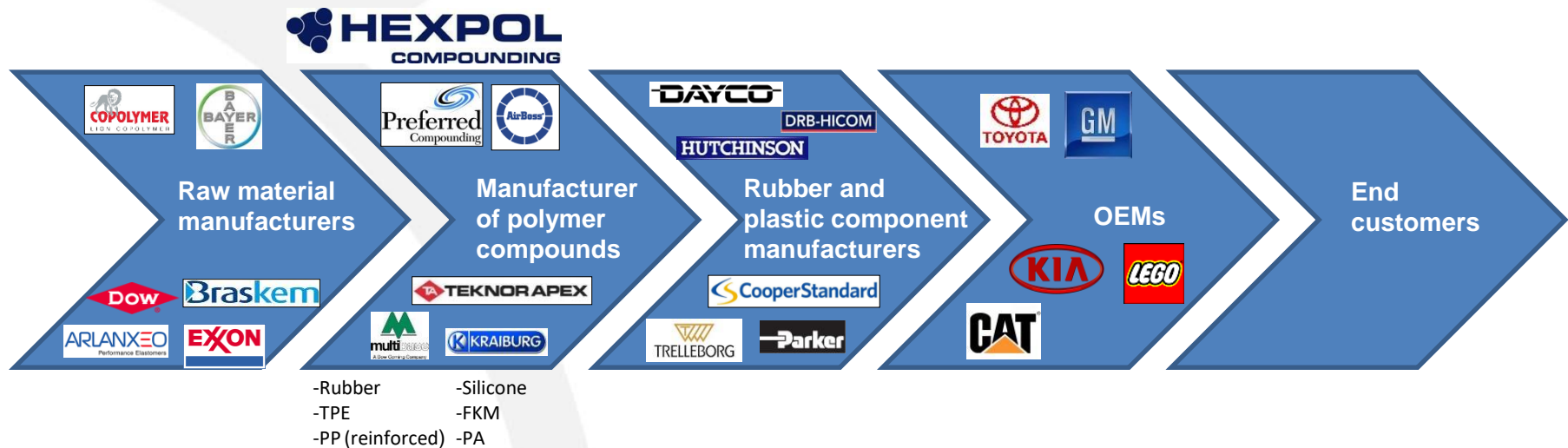
April 26, 2019

HEXPOL – A fast growing Group

- **Product Development**
 - New segments (for example: flame retardant)
 - New products in existing segments (for example: weight saving, environment friendly)
 - Application oriented
- **Increased market share**
- **Acquisitions mainly within Polymer Compounding**
 - Existing geographical markets (Kardoes, Portage Precision and Valley Processing in US, Vigar Rubber Compounding in Germany, Berwin Group in UK and Trelleborg Material & Mixing Lesina in Czech Republic, Kirkhill Rubber in US)
 - New geographical markets (Vigar Rubber Compounding in Spain, Mesgo Group in Italy, Poland and Turkey)
 - New chemistry (Portage Precision/silicone compounding, RheTech Thermoplastic Compounding/specialized TP compounding, Mesgo Group/silicone and fluorocarbons)
 - New end user segments
 - Existing end user segments
- **Capacity investments in TPE Compounding**

HEXPOL – A fast growing Group

HEXPOL Compounding, value chain* (example):



Business model:

- “Glocal” (local production/JIT)
- Application focused (often end user specified)
- Customized made to order

The market:

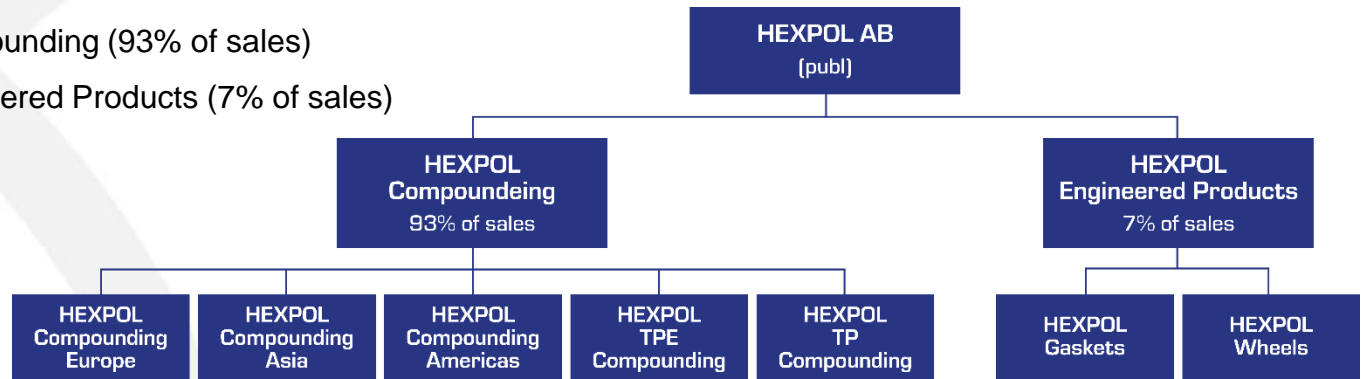
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – Organisation and sales distribution

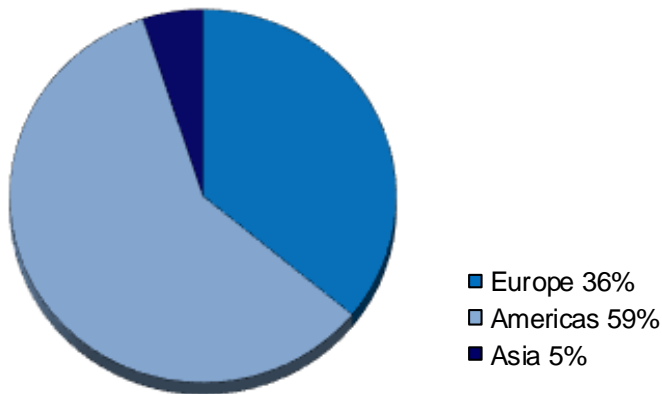
HEXPOL – With a stable organisation

Two business areas:

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



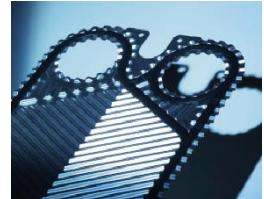
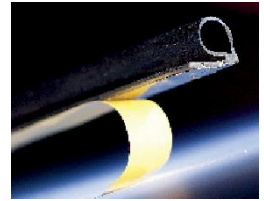
HEXPOL – Sales per geographic area Apr 18 - Mar 19



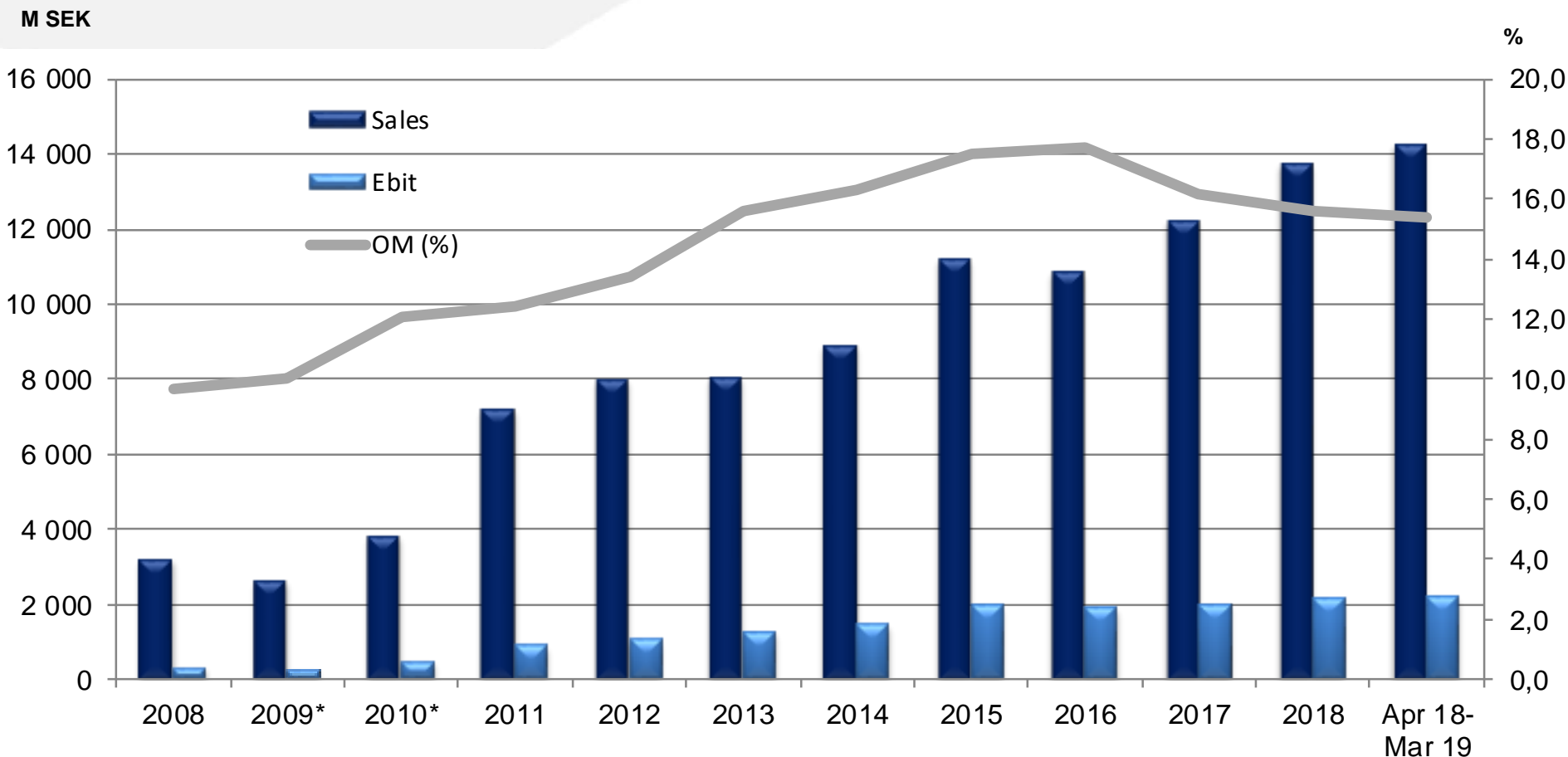
HEXPOL – A fast growing Group

Main customer segments:

- Automotive industry
 - Sales around 36% 2018
- Engineering and general industry
- Building & construction
- Transportation
- Consumer industries
- Energy, oil & gas sector
- Wire & cable industries
- Medical equipment industries
- Manufacturers of plate heat exchangers
- Manufacturers of forklifts and castor wheels

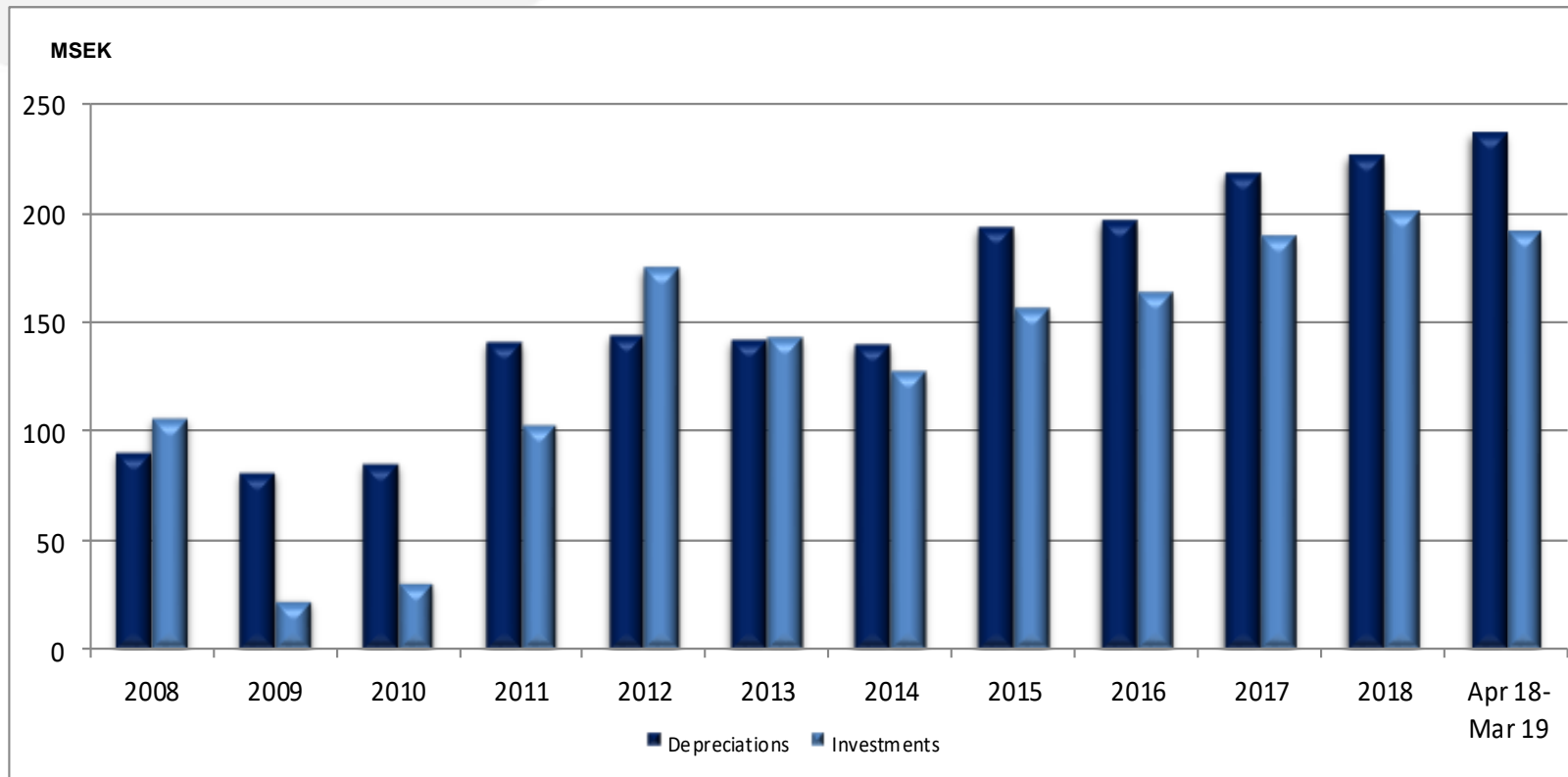


HEXPOL – A fast growing Group with strong margins



*Adjusted for items affecting comparability

HEXPOL – Depreciations & investments*



- Investments in line with/or below depreciations
- Apr 18 – Mar 19: Investments are attributable to regular maintenance investments

* tangible fixed assets

HEXPOL acquired Kirkhill Rubber September 2018

- Through the Kirkhill acquisition, HEXPOL establish a significant presence also on the US west coast.
- Kirkhill Rubber has a state of the art facility in Long Beach, California, US
- The transfer of the production from the Downey site to Long Beach, is expected to be completed by this summer
- A well-known US Rubber Compounder with presence in high performance elastomers
- Has an annual turnover of around 50 MUSD



HEXPOL acquired Mesgo Group in the beginning of October 2018

- Mesgo is an industry leader in high performance elastomers such as fluorocarbons and silicone
- Mesgo specialize also in conventional rubber compounds and thermoplastics
- State of the art facilities in Carobbio and Gorlago in Italy, and in Poland respectively in Turkey
- Facilities specializing in thermoplastics and master batches in Garlasco and Grigno in Italy
- Innovation Center in Gorlago, Italy
- Has an annual turnover of around 100 MEUR with an EBITDA margin in line with HEXPOL Group
- Around 190 employees



Q1 2019 – Increased sales and higher operating profit

MSEK	2019 Q1	2018 Q1	2018 Q4	
Sales	3 805	3 309	3 557	+15%
EBITA	607	547	533	
EBITA margin %	16,0	16,5	15,0	
Operating profit, EBIT	586	540	522	+9%
Operating margin, EBIT %	15,4	16,3	14,7	
Profit after tax	438	411	405	
Earnings per share, SEK	1,27	1,19	1,18	

- Sales increased 15%
- Stable volume development incl. acquisitions
- Operating profit increased 9%
- Earnings per share increased 7%

Q1 2019 – Increased sales and higher operating profit

- **Sales increased 15% to 3,805 MSEK (3,309)**
 - Stable volume development incl. acquisitions
 - Acquisitions contributed with 380 MSEK
 - Positive currency effects of 298 MSEK
- **In Americas increased sales by 8% (lower in local currency)**
 - Lower sales (in local currency) to automotive related customers and to customers within building & construction and engineering and general industry
 - Higher sales (in local currency) to customers within wire & cable industry and energy, oil & gas sector
- **In Europe increased sales by 31%**
 - Increased sales to automotive related customers and to customers within engineering and general industry
 - Sales also increased to customers within building & construction and wire & cable industry
 - Excluding the acquired Mesgo Group, sales were lower to automotive related customers and to wire & cable industry
- **In Asia decreased sales by 12%**
 - Lower demand from automotive related customers in China
- **Operating profit increased 9% to 586 MSEK (540)**
 - Positive currency effects of 51 MSEK

Q1 2019 – Increased sales and higher operating profit

MSEK	Quarter 1		
	2019	2018	Growth
Sales	3 805	3 309	15%
Currency	-298		-9%
Ex. Currency	3 507	3 309	6%
Acquisition	-380		-12%
Ex. Currency and acquisition	3 127	3 309	-6%

Q1 2019 – Increased sales and higher operating profit

- Strong balance sheet, well equipped for further expansion

	2019	2018	2018
MSEK	Q1	Q1	Q4
Sales	3 805	3 309	3 557
EBITA	607	547	533
EBITA margin, %	16,0	16,5	15,0
Operating profit, EBIT	586	540	522
Operating margin, %	15,4	16,3	14,7
Profit after tax	438	411	405
Earnings per share, SEK	1,27	1,19	1,18
Operating cash flow	354	302	679
Net debt	-1 168	268	-1 143
Equity/assets ratio, %	61	68	59
Return on capital employed, % R12	20,9	24,7	22,5

Our financial position remain strong and provides scope for continued expansion.

Q1 2019 – Business areas

- Increased sales and higher operating profit

MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2019 Q1	2018 Q1	2018 Q4	2019 Q1	2018 Q1	2018 Q4	2019 Q1	2018 Q1	2018 Q4
HEXPOL Compounding	3 539	3 057	3 301	553	506	486	15,6	16,6	14,7
HEXPOL Engineered Products	266	252	256	33	34	36	12,4	13,5	14,1

- **HEXPOL Compounding**

- Stable volume development, incl. acquisitions
- Increased sales incl. Kirkhill Rubber and Mesgo Group
- Increased operating profit

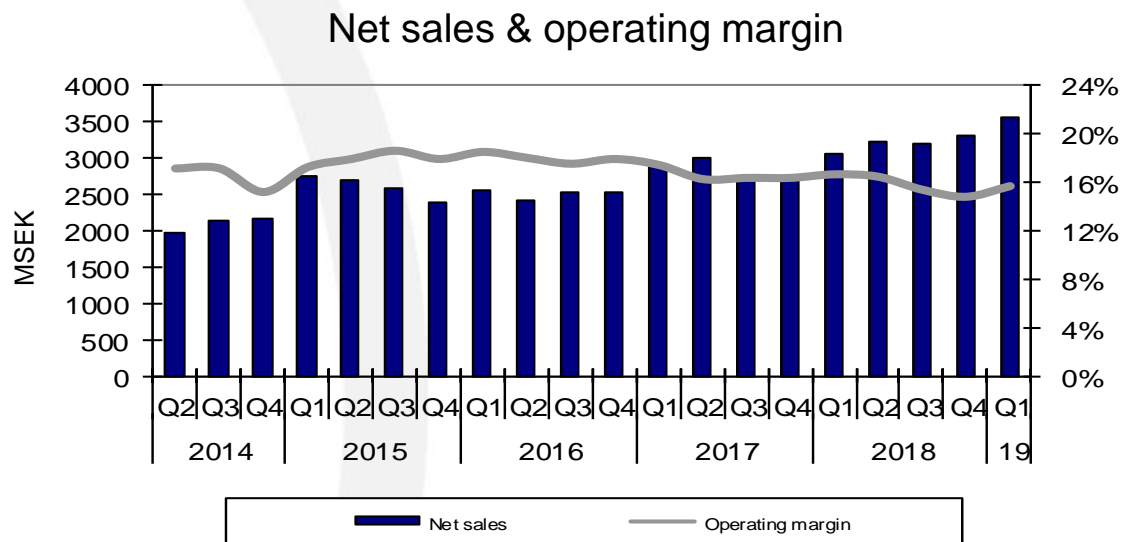
- **HEXPOL Engineered Products**

- Increased sales
- Stable operating profit

Q1 2019 – HEXPOL Compounding

- Increased sales and higher operating profit

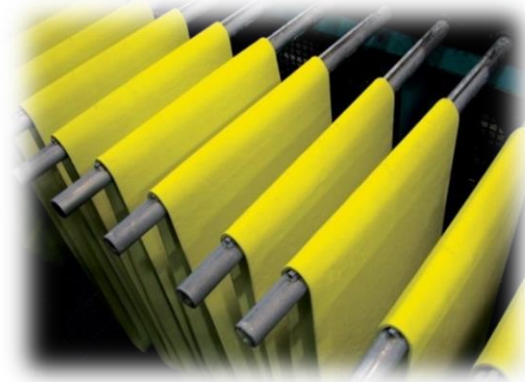
- **Sales increased (incl. Kirkhill Rubber and Mesgo Group) 16% to 3,539 MSEK (3,057)**
 - Stable volume development, with higher volumes in Europe, while the volumes in Americas and Asia were lower
 - Adjusted for the acquired Mesgo Group the volumes were stable in Europe
- **Operating profit increased 9% to 553 MSEK (506)**
 - Operating margin amounted to 15.6% (16.6), affected by lower organic volume, mix changes and amortization on acquired intangible assets



Q1 2019 – HEXPOL Compounding

- Increased sales and higher operating profit

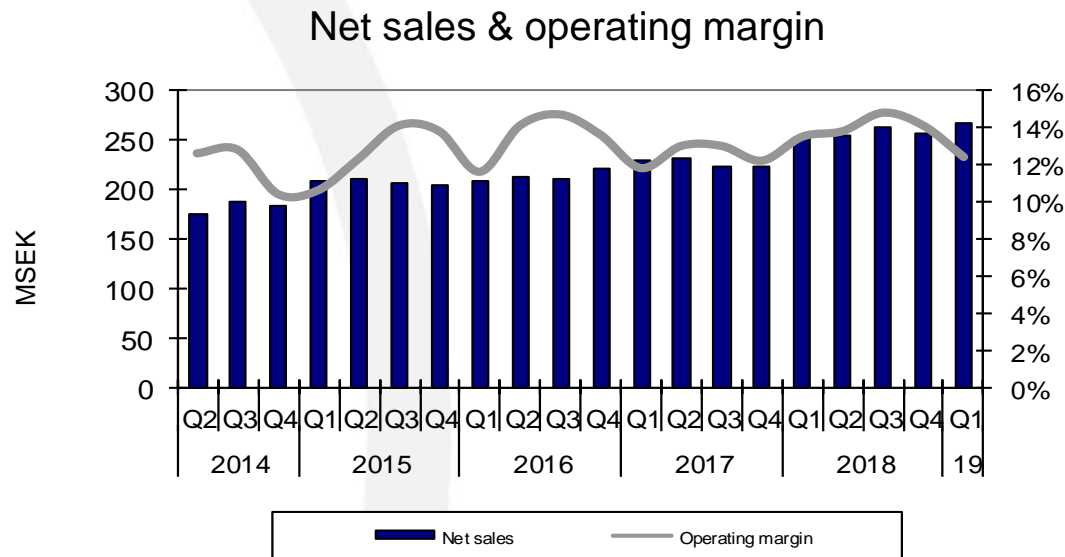
- **HEXPOL Compounding Americas (incl. Kirkhill) – lower sales in local currency**
 - Lower sales to automotive related customers, building & construction and engineering and general industry
 - Higher sales to customers within wire & cable industry and energy, oil & gas sector
 - Sales was higher in Swedish krona due to a strong US dollar
- **HEXPOL Compounding Europe (incl. Mesgo Group) – increased sales**
 - Increased sales to automotive related customers
 - Increased sales to customers within engineering and general industry, building & construction and wire & cable industry
 - Excl. Mesgo Group, sales to automotive related customers and to customers within wire & cable industry were lower
- **HEXPOL Compounding Asia – significantly lower sales**
 - Lower demand from automotive related customers in China
- **HEXPOL TPE Compounding – slightly higher sales**
- **HEXPOL TP Compounding – slightly lower sales in local currency**
 - Lower sales to automotive related customers
- Kirkhill Rubber, acquired in September, developed according to plan. The transfer of the production in Downey, California, US to Long Beach, California, US is ongoing as planned, and the project is expected to be completed by the summer.
- Mesgo Group, acquired in October, has been integrated in HEXPOL Compounding Europe's organization and developed according to plan.



Q1 2019 – HEXPOL Engineered Products

- Increased sales

- **Net sales increased 6% to 266 MSEK (252)**
 - Sales increased in both HEXPOL Wheels and HEXPOL Gaskets
- **Operating profit amounted to 33 MSEK (34)**
- **Operating margin amounted to 12.4% (13.5)**



Q1 2019 – Increased sales and higher operating profit

- Sales increased by 15% to 3,805 MSEK (3,309)
- Stable volume development, incl. acquisitions
- Operating profit increased by 9% to 586 MSEK (540)
- Operating margin amounted to 15.4% (16.3)
- Operating cash flow increased to 354 MSEK (302)
- Earnings per share increased 7% to 1.27 SEK (1.19)
- Strong financial position



Q & A

Thank You!

