

Telephone presentation on July 18, 2019, 12:00 CET

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Welcome to HEXPOL

Q2, 2019 Report update

July 18, 2019

CEO Mikael Fryklund
CFO Karin Gunnarsson



Agenda

- Introduction to HEXPOL
- Q2 2019 – HEXPOL Group
- Q2 2019 – Business areas
- January – June 2019 – Key figures
- Q2 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.

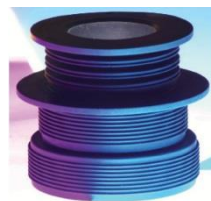


HEXPOL – A well positioned Group

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

- Global presence
- Operations in 14 countries
- Around 5,100 employees
- Headquarters in Malmö, Sweden

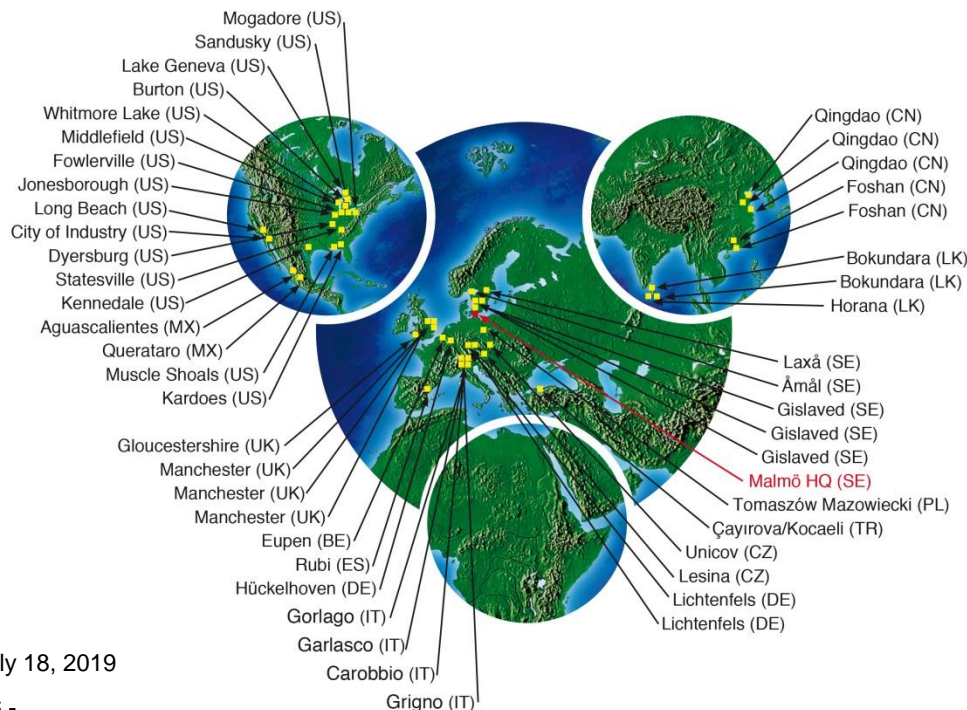
- 97 percent of sales outside Sweden
- Shares listed on Nasdaq Stockholm, Large Cap



- 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

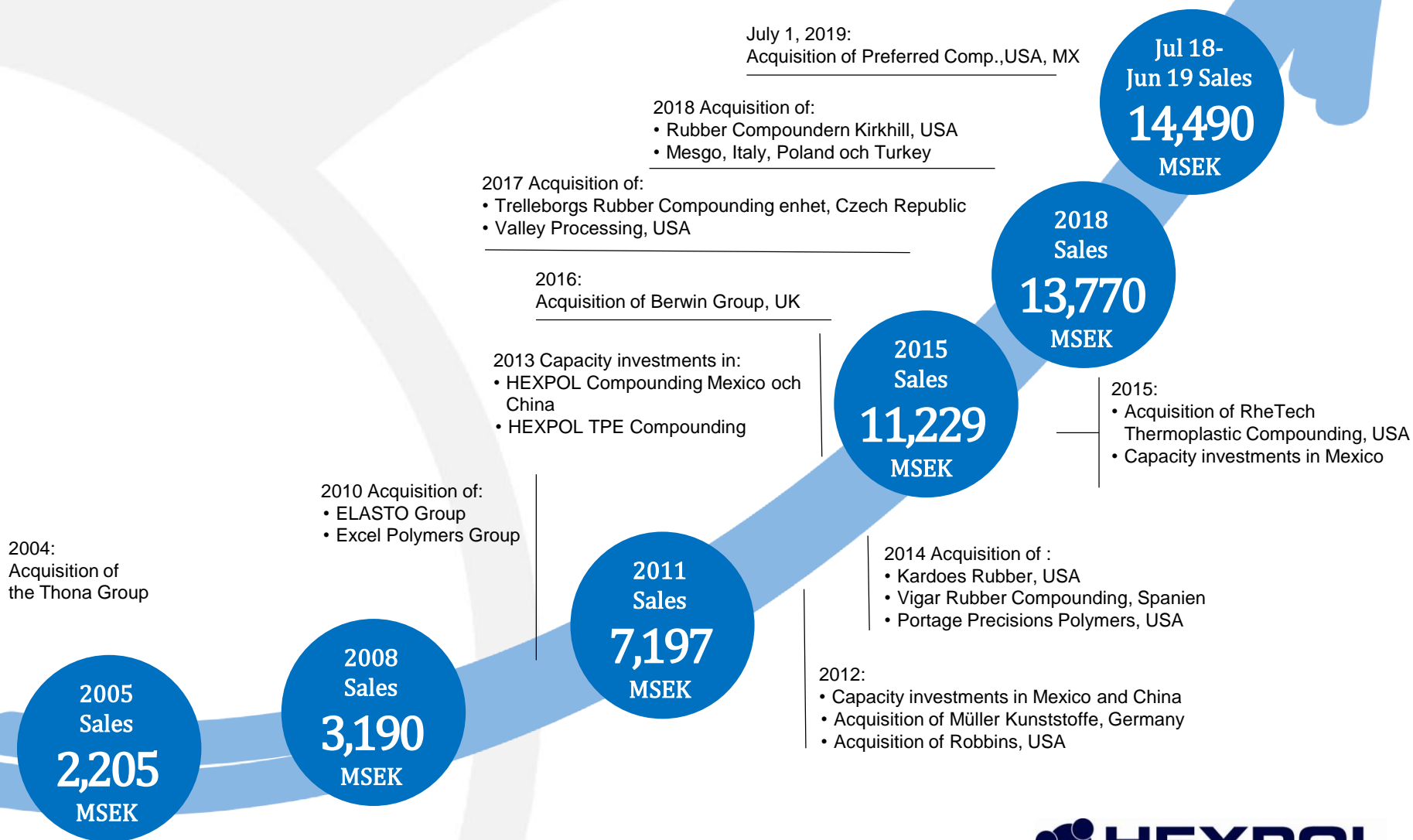
- True global footprint
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board



- 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
 - 2019: Preferred Compounding

- Acquired 41 units with sales, development and production since 2010

HEXPOL – A fast growing Group

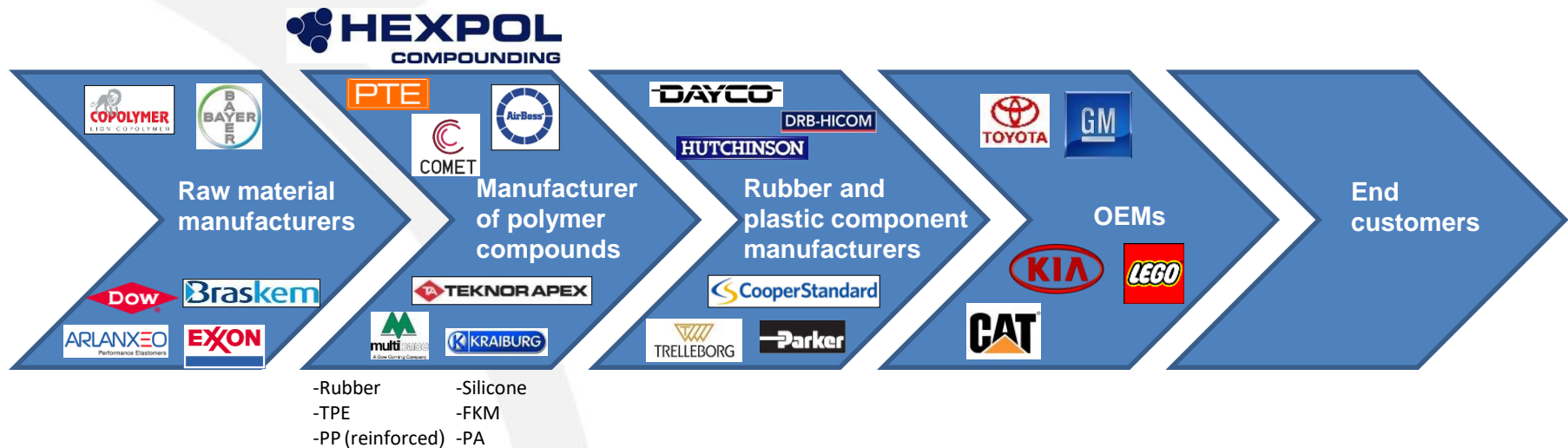


HEXPOL – A fast growing Group

- **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, Preferred Compounding in US and Mexico)
 - 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:

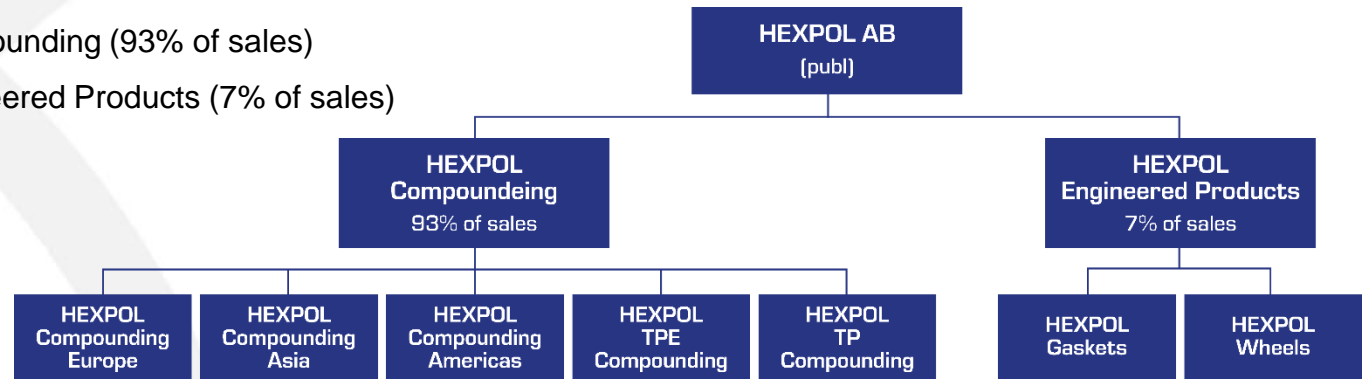
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – Organisation and sales distribution

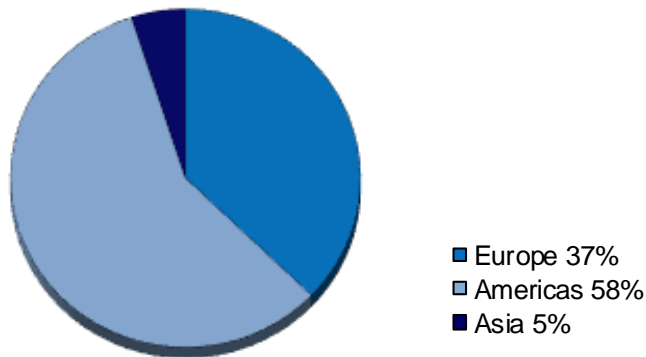
HEXPOL – With a stable organisation

Two business areas:

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



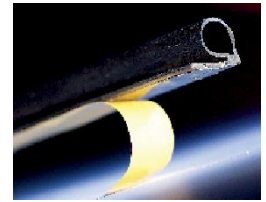
HEXPOL – Sales per geographic area Jul 18 - Jun 19



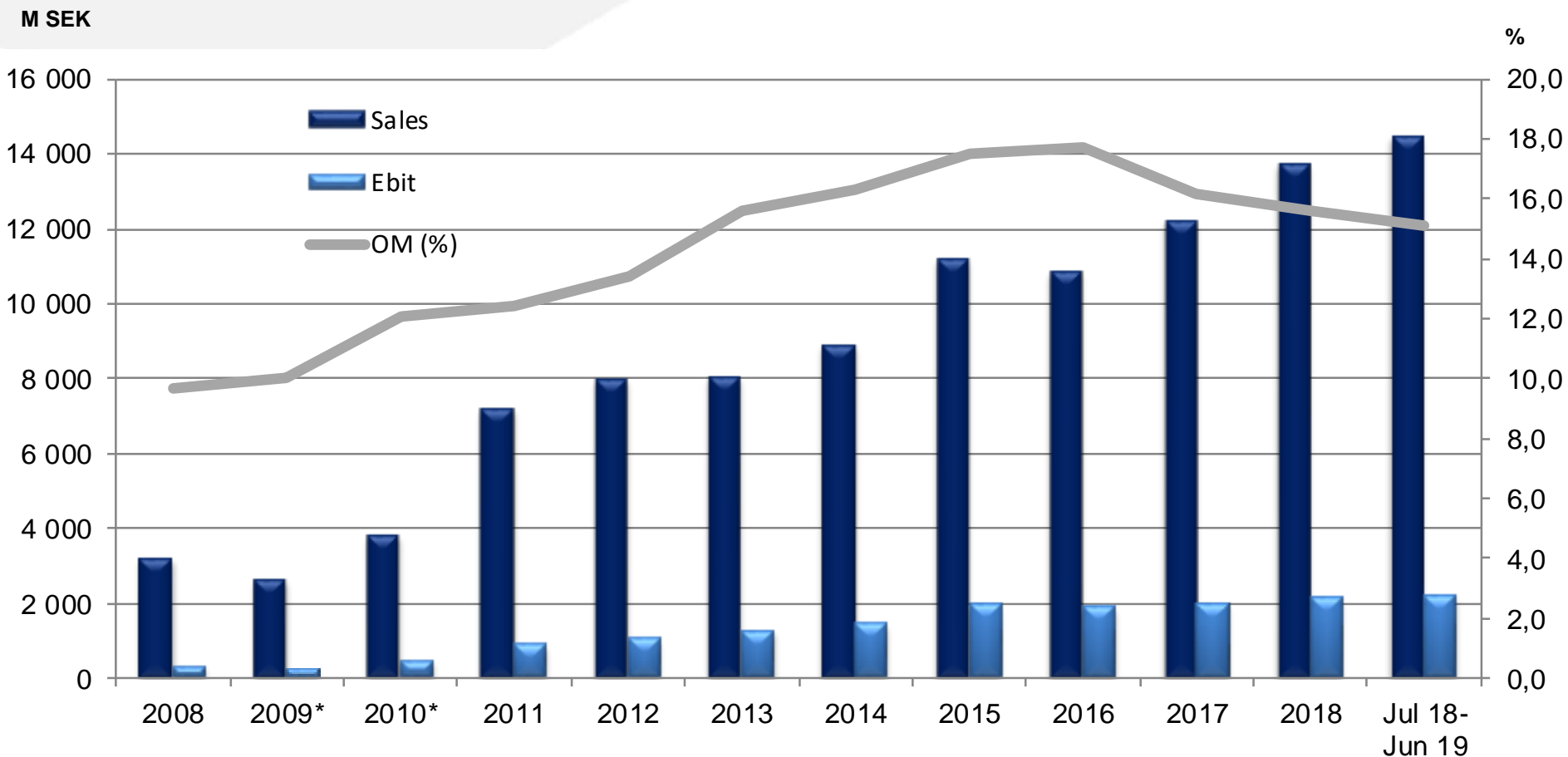
HEXPOL – A fast growing Group

Main customer segments:

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

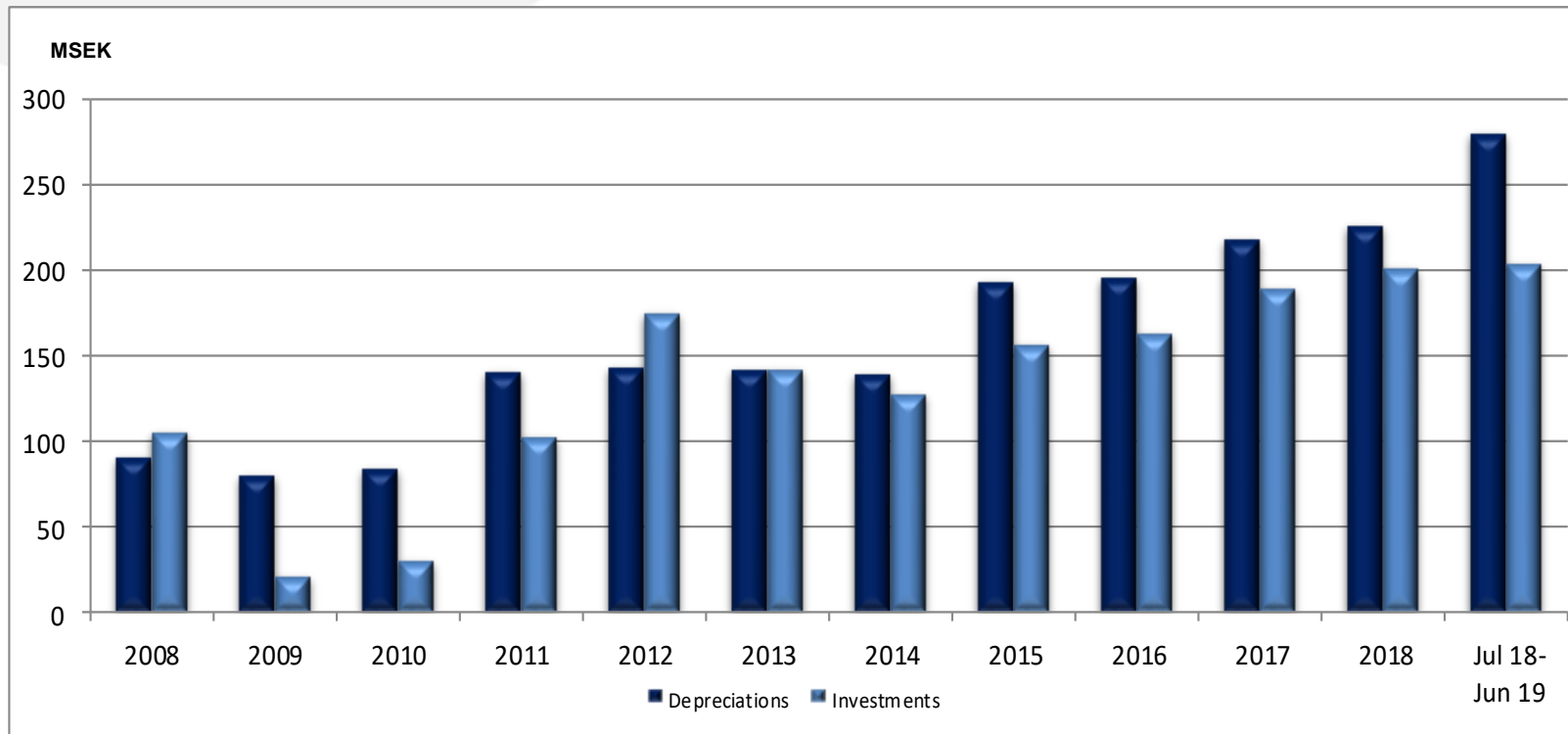


HEXPOL – A fast growing Group with strong margins



*Adjusted for items affecting comparability

HEXPOL – Depreciations & investments*

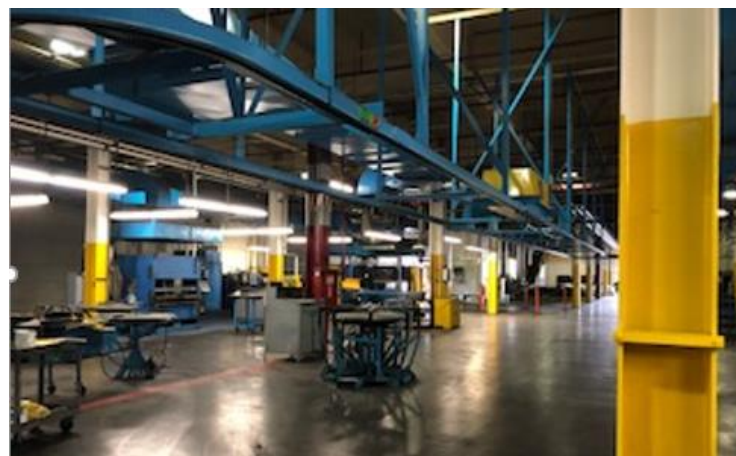


- Investments in line with/or below depreciations
- Jul 18 – Jun 19: Investments are attributable to regular maintenance investments

* 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, has been completed
- 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 silicone and fluorocarbons
- 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



HEXPOL acquired Preferred Compounding in the beginning of July 2019

- Preferred brings significant competitive advantage to our customers in the Americas region, with improved supply chain and leading research, development and engineering services
- Preferred adds also high performance elastomers capabilities following the acquisitions of the Mesgo Group and Kirkhill Rubber
- Key markets: general industry, automotive, power and infrastructure
- Has an annual sales of around 240 MUSD, with an EBITDA margin well below HEXPOL Group
- Around 540 employees in six facilities, five in the US and one in Mexico



Q2 2019 – Increased sales and strategic acquisition

	2019	2018	2019	
MSEK	Q2	Q2	Q1	
Sales	3 685	3 461	3 805	+6%
EBITA	566	568	607	
EBITA margin, %	15,4	16,4	16,0	
Operating profit, EBIT	551	561	586	-2%
Operating margin, %	15,0	16,2	15,4	
Profit after tax	413	426	438	
Earnings per share, SEK	1,20	1,24	1,27	

- Sales increased 6%
- Slightly lower volumes incl. acquisitions
- Operating profit slightly lower

Q2 2019 – Increased sales and strategic acquisition

- **Sales increased 6% to 3,685 MSEK (3,461)**
 - Acquisitions contributed with 356 MSEK
 - Positive currency effects of 198 MSEK
 - Lower organic volume
- **In Americas decreased sales by 2%**
 - Lower sales to automotive related customers and to customers within building & construction and engineering & general industry
 - Slightly higher sales to customers within wire & cable and energy, oil & gas
- **In Europe increased sales by 22%**
 - Increased sales to automotive related customers and to customers within engineering & general industry
 - Sales also increased to customers within building & construction and wire & cable
 - Excluding the acquired Mesgo Group, sales were lower to automotive related customers
- **In Asia increased sales by 3%**
 - Higher demand on Gaskets and Wheels
 - Lower demand from automotive related customers in China
- **Operating profit amounted to 551 MSEK (561)**
 - Positive currency effects of 30 MSEK

Q2 2019 – Increased sales and strategic acquisition

MSEK	Quarter 2			Jan - Jun		
	2019	2018	Growth	2019	2018	Growth
Sales	3 685	3 461	6%	7 490	6 770	11%
Currency	-198		-5%	-496		-8%
Ex. Currency	3 487	3 461	1%	6 994	6 770	3%
Acquisition	-356		-11%	-736		-11%
Ex. Currency and acquisition	3 131	3 461	-10%	6 258	6 770	-8%

Q2 2019 – Increased sales and strategic acquisition

- Strong balance sheet, well equipped for further expansion

MSEK	2019 Q2	2018 Q2	2019 Q1
Sales	3 685	3 461	3 805
EBITA	566	568	607
EBITA margin, %	15,4	16,4	16,0
Operating profit, EBIT	551	561	586
Operating margin, %	15,0	16,2	15,4
Profit after tax	413	426	438
Earnings per share, SEK	1,20	1,24	1,27
Operating cash flow	709	522	354
Net debt	-1 425	57	-1 168
Equity/assets ratio, %	58	67	61
Return on capital employed, % R12	19,1	24,6	20,9

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

Q2 2019 – Business areas

- Increased sales and strategic acquisition

MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2019 Q2	2018 Q2	2019 Q1	2019 Q2	2018 Q2	2019 Q1	2019 Q2	2018 Q2	2019 Q1
HEXPOL Compounding	3 418	3 207	3 539	516	526	553	15,1	16,4	15,6
HEXPOL Engineered Products	267	254	266	35	35	33	13,1	13,8	12,4

- **HEXPOL Compounding**

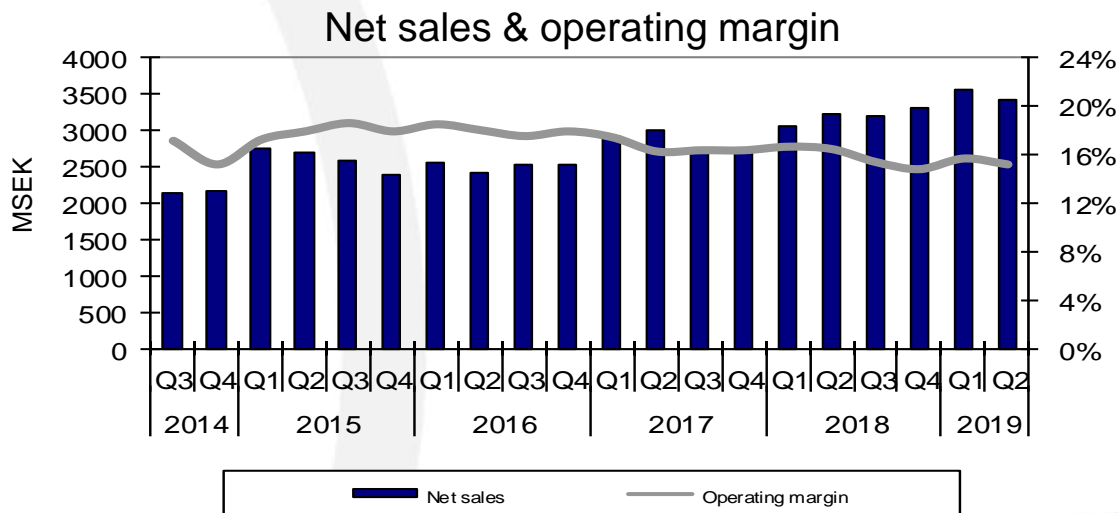
- Increased sales incl. Kirkhill Rubber and Mesgo Group
- Slightly lower volume, incl. acquisitions
- Slightly lower operating profit

- **HEXPOL Engineered Products**

- Increased sales
- Stable operating profit

Q2 2019 – HEXPOL Compounding

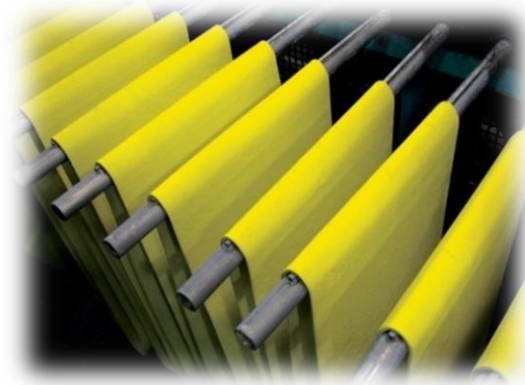
- Increased sales and strategic acquisition
- **Sales increased (incl. Kirkhill Rubber and Mesgo Group) 7% to 3,418 MSEK (3,207)**
 - Slightly lower volume in total, with higher volumes in Europe, while the volumes in America and Asia were lower
 - Adjusted for the acquired Mesgo Group the volumes were stable in Europe
 - When the sales decline at customer within rubber compounding with own mixing capacity, they tend to insource somewhat more, which has affected the organic sales growth
- **Operating profit amounted to 516 MSEK (526)**
 - Operating margin amounted to 15.1% (16.4), affected by lower organic volume, mix changes and amortization on acquired intangible assets



Q2 2019 – HEXPOL Compounding

- Increased sales and strategic acquisition

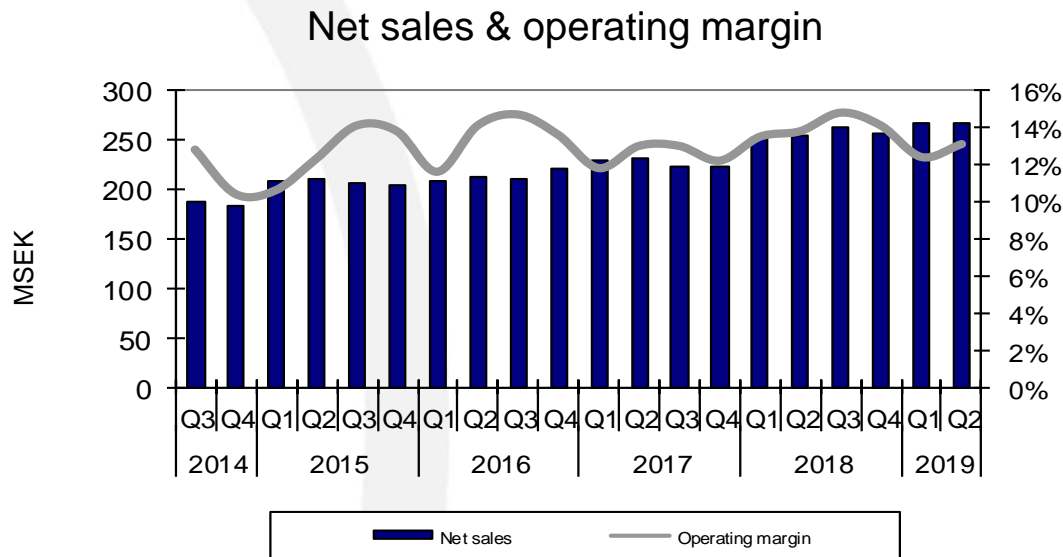
- **HEXPOL Compounding Americas (incl. Kirkhill) – lower sales**
 - Lower sales to automotive related customers, building & construction and engineering & general industry
 - Slightly higher sales to customers within wire & cable and energy, oil & gas
- **HEXPOL Compounding Europe (incl. Mesgo Group) – increased sales**
 - Increased sales to automotive related customers
 - Increased sales to customers within engineering & general industry, building & construction and wire & cable
 - Excl. Mesgo Group, sales to automotive related customers were lower
- **HEXPOL Compounding Asia – lower sales**
 - Lower demand from automotive related customers in China
- **HEXPOL TPE Compounding – stable sales**
 - Higher sales in Asia, from a low level
- **HEXPOL TP Compounding – lower sales**
 - Lower sales to automotive related customers
- Kirkhill Rubber, acquired in September, has completed the planned transfer of the production in Downey, California, US to Long Beach, California, US
- Mesgo Group, acquired in October, has been integrated in HEXPOL Compounding Europe's organization and develop according to plan.



Q2 2019 – HEXPOL Engineered Products

- Increased sales

- **Net sales increased 5% to 267 MSEK (254)**
 - Sales increased in both HEXPOL Wheels and HEXPOL Gaskets
- **Operating profit amounted to 35 MSEK (35)**
- **Operating margin amounted to 13.1% (13.8)**



Jan - Jun 2019 – Increased sales and higher result

- Sales increased 11%
- EBITA increased 5%
- Operating profit increased 3%
- Earnings per share increased 2%
- Operating cash flow increased 29%

Key figures MSEK	Apr-Jun 2019	2018	Jan-Jun 2019	2018	Full Year 2018	Jul 18- Jun 19	
Sales	3 685	3 461	7 490	6 770	13 770	14 490	+11%
EBITA	566	568	1 173	1 115	2 183	2 241	
EBITA margin, %	15,4	16,4	15,7	16,5	15,9	15,5	
Operating profit, EBIT	551	561	1 137	1 101	2 150	2 186	+3%
Operating margin, EBIT %	15,0	16,2	15,2	16,3	15,6	15,1	
Profit after tax	413	426	851	837	1 646	1 660	
Earnings per share before dilution, SEK	1,20	1,24	2,47	2,43	4,78	4,82	
Earnings per share after dilution, SEK	1,20	1,24	2,47	2,43	4,78	4,82	
Equity/assets ratio, %			58	67	59		
Return on capital employed, % R12			19,1	24,6	22,5		
Operating cash flow	709	522	1 063	824	2 019	2 258	+29%

Our financial position remain strong and provides scope for continued expansion. The dividend of 774 MSEK resolved at the Annual General Meeting was paid in May corresponding to a dividend of 2.25 SEK per share.

Q2 2019 – Increased sales and strategic acquisition

- Sales increased by 6% to 3,685 MSEK (3,461)
- Slightly lower volumes, incl. acquisitions
- Operating profit amounted to 551 MSEK (561)
- Operating margin amounted to 15.0% (16.2)
- Strong operating cash flow increased 36% to 709 MSEK (522)
- Earnings per share amounted to 1.20 SEK (1.24)
- Strong financial position, equity asset ratio 58%
- July 1st Preferred Compounding, a notable Compounder in North America, was acquired



Q & A

Thank You!

