

Welcome to HEXPOL

Q4, 2019 Report update

January 30, 2020

CEO Mikael Fryklund
CFO Peter Rosén



Agenda

- Introduction to HEXPOL
- Q4 2019 – HEXPOL Group
- Q4 2019 – Business areas
- Q4 2019 – Summary
- January – December 2019 – Key figures
- Implications restructuring and integration
- 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.

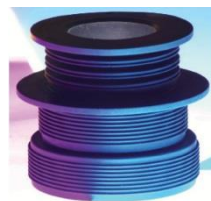


HEXPOL – A well positioned Group

- 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)

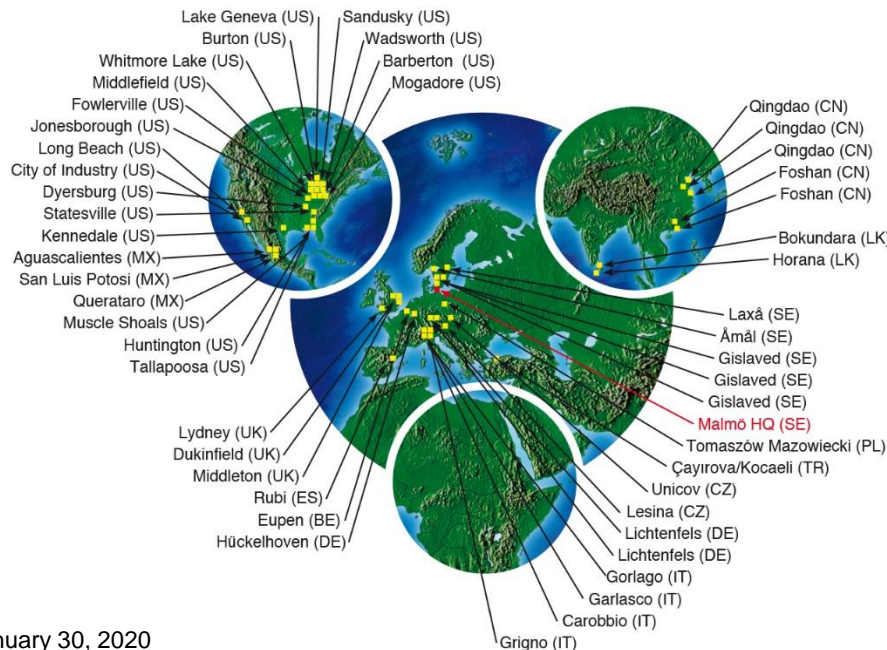
2016: Berwin Group (Berwin Rubber Co Ltd
Berwin Industrial Polymers Ltd and Flexi-Cell
(UK) Ltd)

2017: Trelleborg Material & Mixing Lesina s.r.o,
Valley Processing

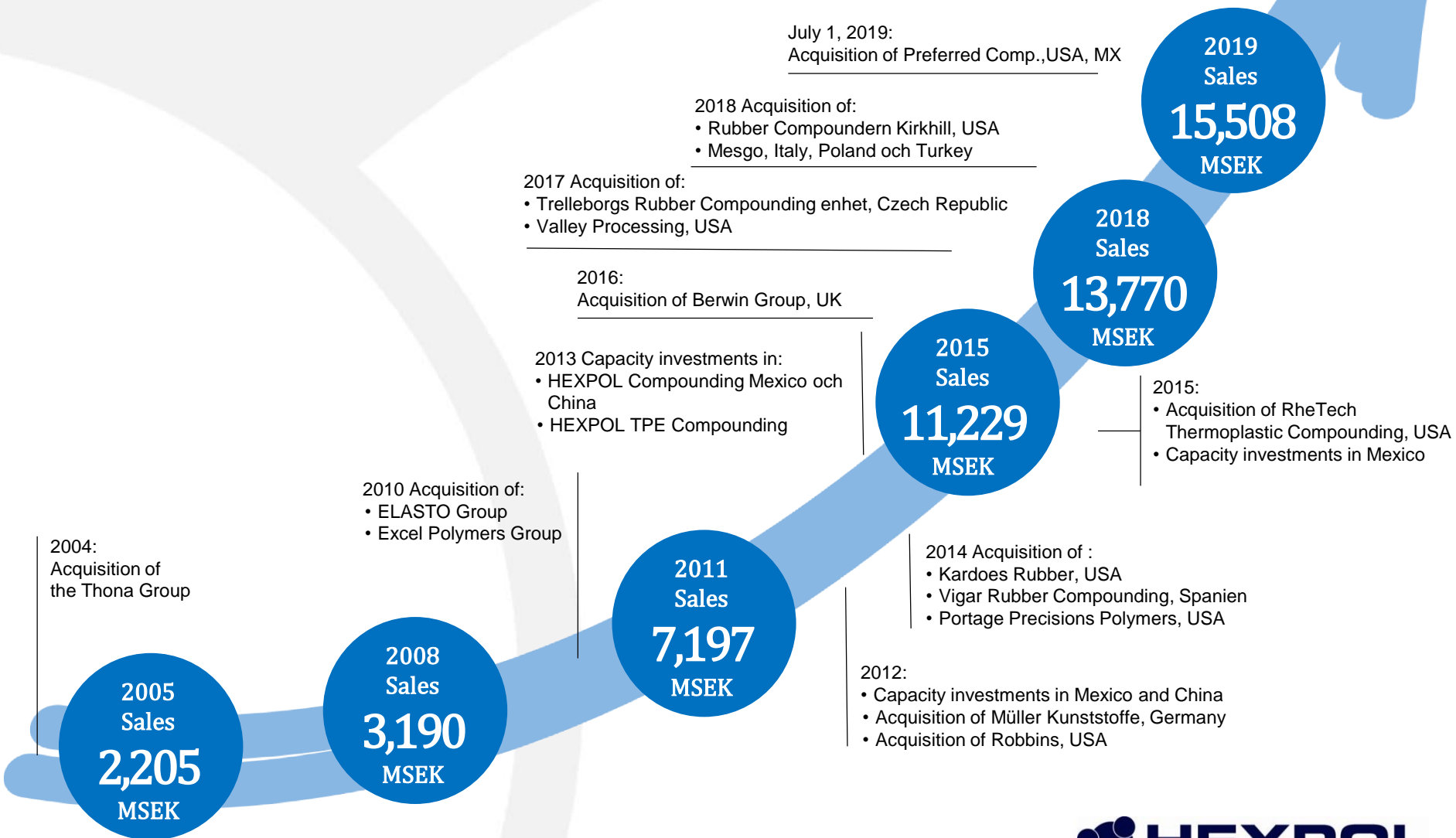
2018: Kirkhill Rubber, Mesgo Group

2019: Preferred Compounding

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



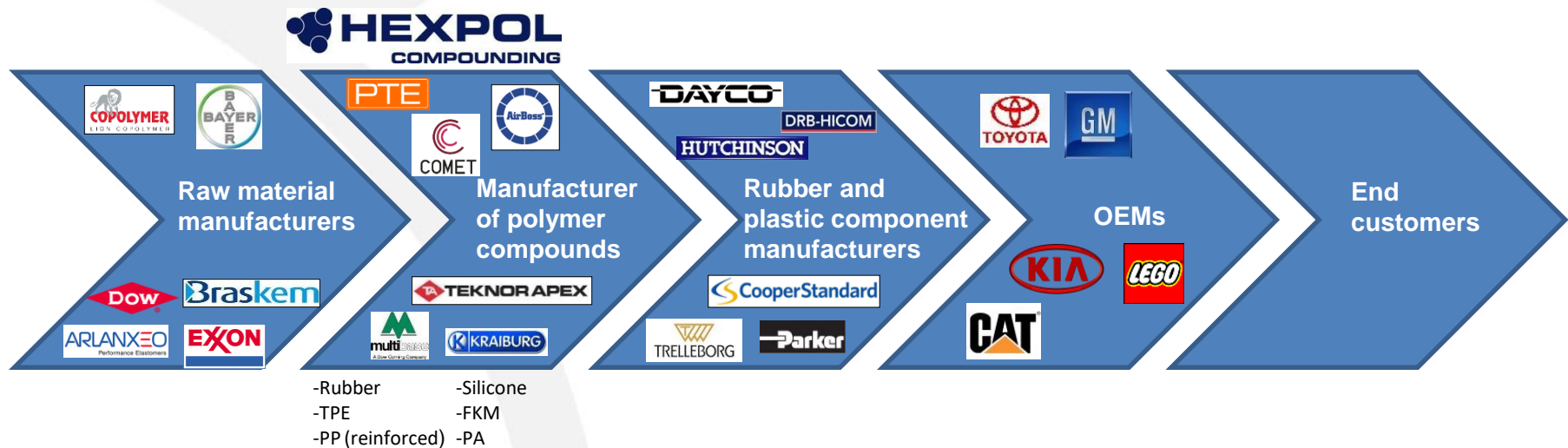
HEXPOL – A fast growing Group



January 30, 2020

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:

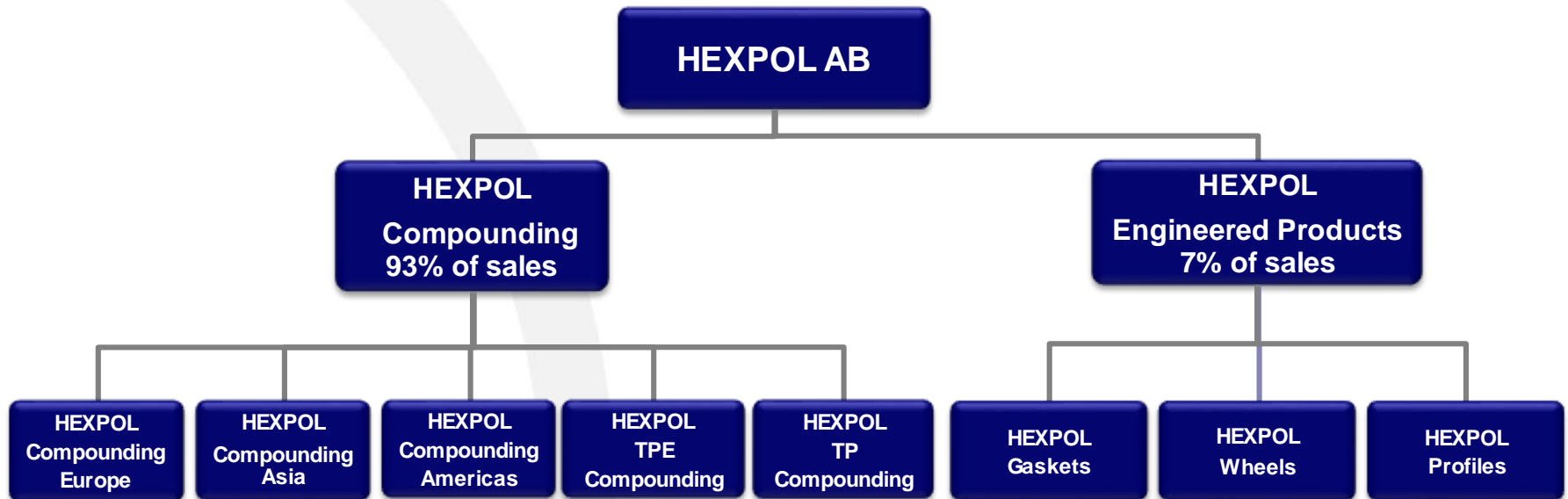
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – Organisation and sales distribution

HEXPOL – With a stable organisation

Two business areas:

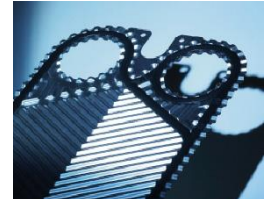
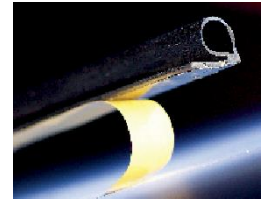
- HEXPOL Compounding (93% of sales)
- HEXPOL Engineered Products (7% of sales)



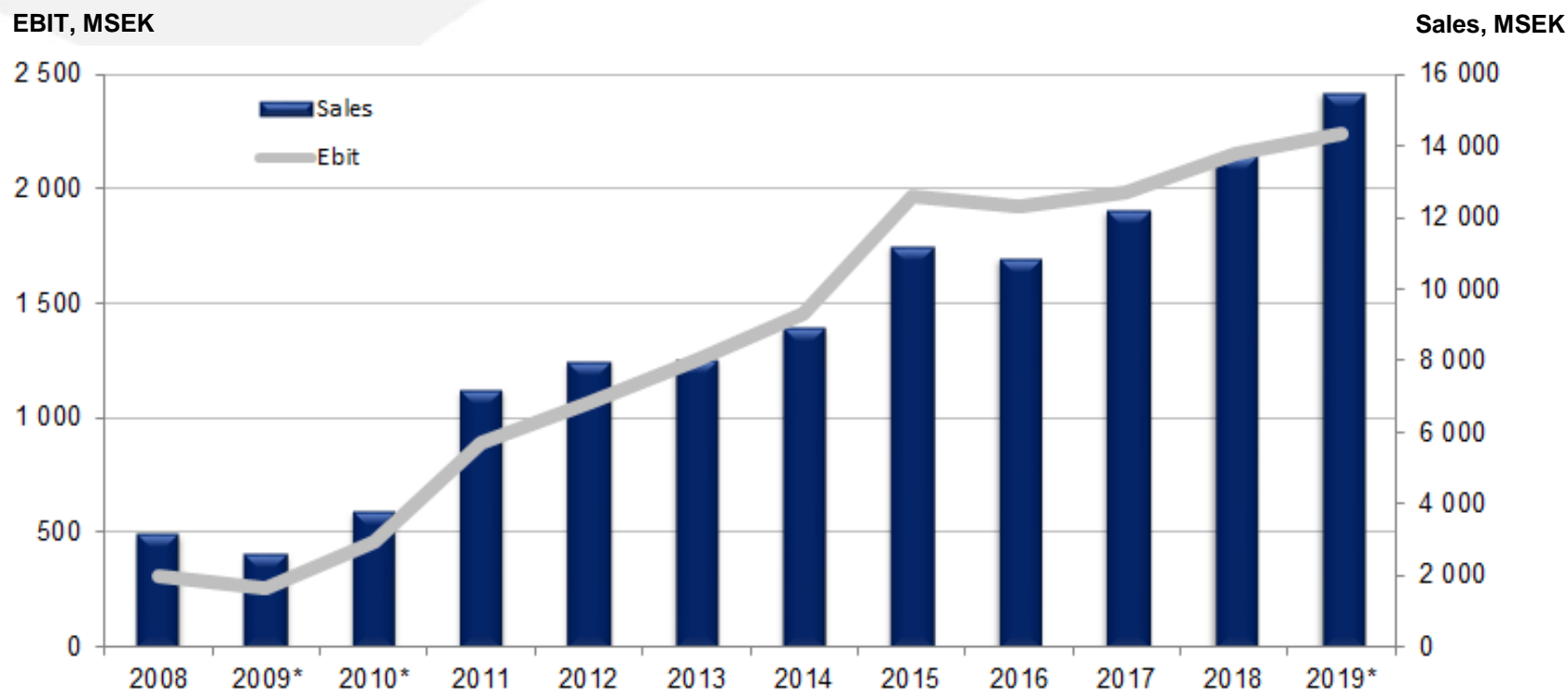
HEXPOL – A fast growing Group

Main customer segments:

- Automotive
 - Sales around 36%
- Engineering & general industry
 - Sales around 30%
- Building & construction
 - Sales around 10%
- 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



*Adjusted for non-recurring items

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



Q4 2019 – Increased sales driven by acquisitions

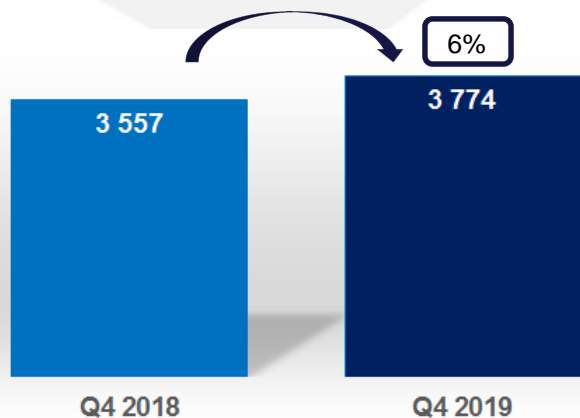
MSEK	2019 Q4	2018 Q4	2019 Q3
Sales	3 774	3 557	4 244
EBITA, excl. non-recurring items	543	533	604
EBITA margin, excl. non-recurring items, %	14,4	15,0	14,2
Operating profit, excl. non-recurring items	522	522	583
Operating margin, excl. non-recurring items, %	13,8	14,7	13,7
Operating profit, EBIT	423	522	483
Profit after tax	336	405	355
Earnings per share, excl. non-recurring items, SEK	1,20	1,18	1,27

+6%

- Sales increased 6%
- Operating profit, excl. non-recurring items, was stable
- Non-recurring items, amounted to 99 MSEK in Q4

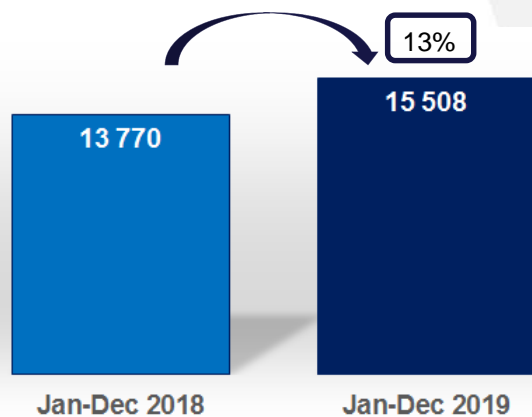
Q4 2019 – Increased sales driven by acquisitions

– Sales development



Q4 (%)

Acquisition	15
Organic	-13
Currency	4
Total	6

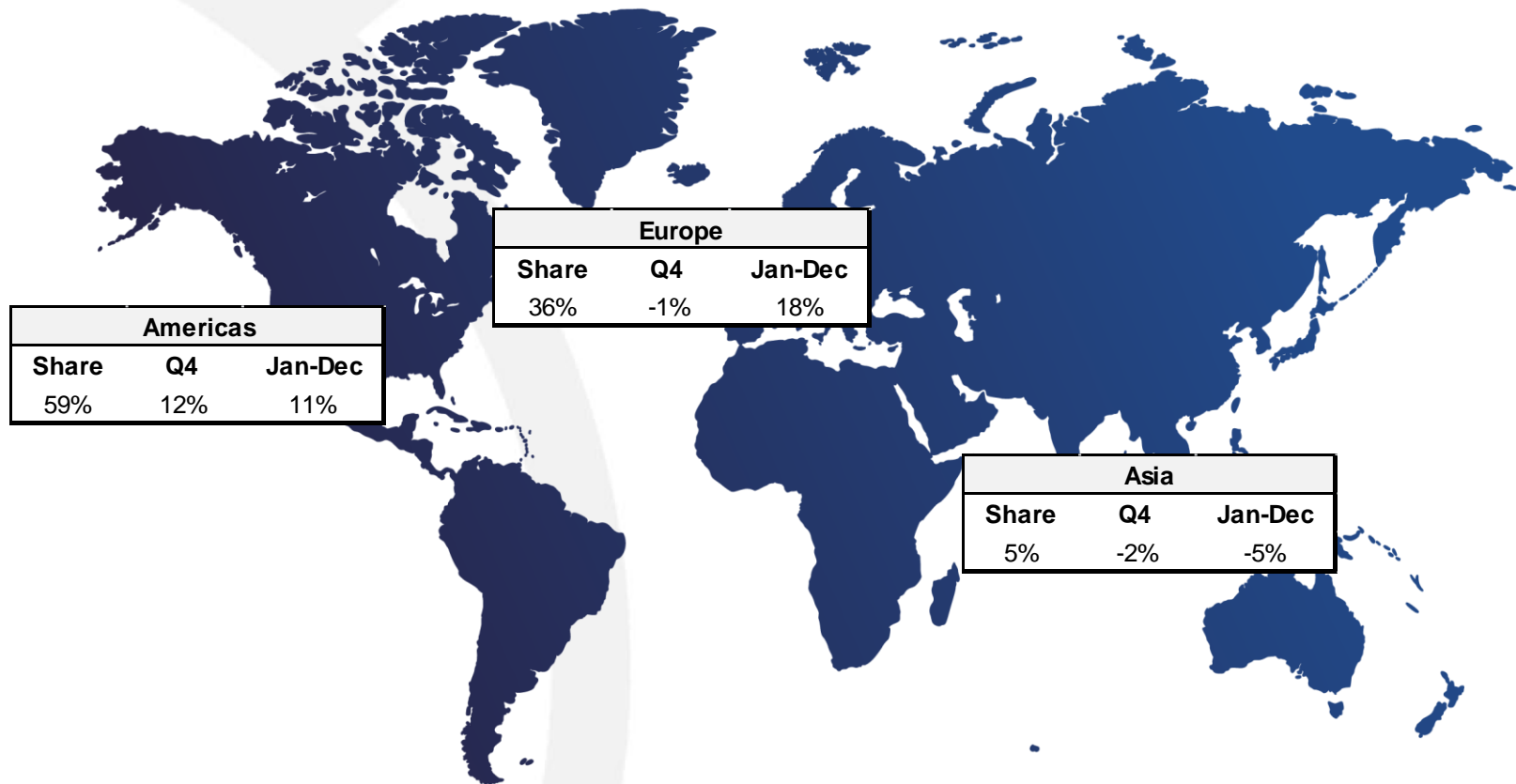


Jan-Dec (%)

Acquisition	16
Organic	-9
Currency	6
Total	13

HEXPOL – Sales split and development per region

– Sales split and sales development per region, 2019 compared to 2018



Q4 2019 – Increased sales driven by acquisitions

- Strong balance sheet, well equipped for further expansion

Key figures MSEK	2019 Q4	2018 Q4	2019 Q3
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EBITA, excl. non-recurring items	543	533	604
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Earnings per share, excl. non-recurring items, SEK	1,20	1,18	1,27
Earnings per share, SEK	0,98	1,18	1,03
Operating cash flow	732	679	812
Netdebt	-2 376	-1 143	-3 089
Equity/assets ratio, %	56	59	53
Return on capital employed, % R12	15,2	22,5	16,9

Our financial position remain strong and provides scope for continued expansion

Q4 2019 – Business areas

- Increased sales driven by acquisitions

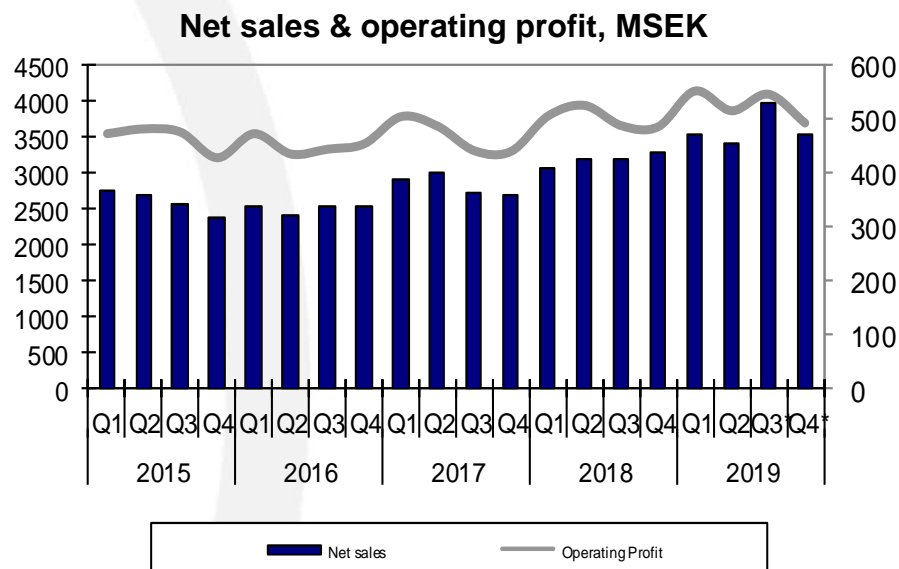
MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2019 Q4	2018 Q4	2019 Q3	2019 Q4	2018 Q4	2019 Q3	2019 Q4	2018 Q4	2019 Q3
HEXPOL Compounding	3 524	3 301	3 984	493*	486	547*	14,0*	14,7	13,7*
HEXPOL Engineered Products	250	256	260	29	36	36	11,6	14,1	13,8

*Excl. non-recurring items

- **HEXPOL Compounding**
 - Increased sales incl. Preferred Compounding
 - Increased operating profit, excl. non-recurring items
- **HEXPOL Engineered Products**
 - Stable sales
 - Lower operating profit

Q4 2019 – HEXPOL Compounding

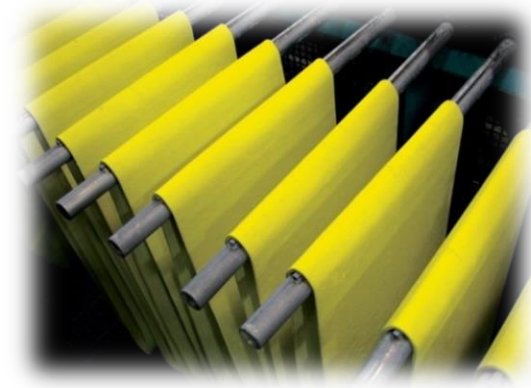
- Increased sales driven by acquisitions
- **Sales increased (incl. Preferred Compounding) 7% to 3,524 MSEK (3,301)**
 - Higher volumes in Americas, but lower in Europe, while the volumes in Asia were stable
 - Adjusted for the acquired Preferred Compounding, volumes were lower in Americas
 - Lower organic volume, affected by generally softer market demand and extended Christmas holiday shutdown
 - Increased insourcing in basic compounds at customers with own mixing capacity
- **Operating profit, excl. non-recurring items, increased to 493 MSEK (486)**
 - Operating margin, excl. non-recurring items, amounted to 14.0% (14.7), affected by lower organic volume, acquisitions and amortization of acquired intangible assets



Q4 2019 – HEXPOL Compounding

- Increased sales driven by acquisitions

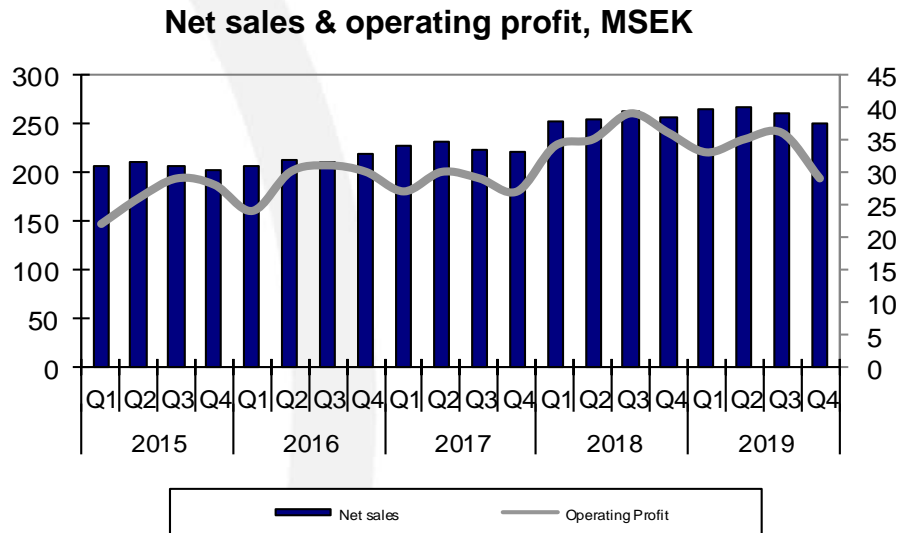
- **HEXPOL Compounding Americas (incl. Preferred Compounding) – higher sales**
 - Increased sales to automotive, building & construction, engineering & general industry
 - Excl. Preferred, sales were significantly lower to automotive and lower to engineering & general industry but increased to building & constructions
- **HEXPOL Compounding Europe – slightly decreased sales**
 - Sales were stable to automotive and building & construction, but decreased to engineering & general industry
- **HEXPOL Compounding Asia – lower sales**
 - Lower demand from automotive in China
- **HEXPOL TPE Compounding – slightly lower sales**
- **HEXPOL TP Compounding – lower sales**
 - Lower sales to automotive



Q4 2019 – HEXPOL Engineered Products

- Stable sales

- **Net sales were stable and amounted to 250 MSEK (256)**
 - Sales were stable in HEXPOL Gaskets but decreased slightly in HEXPOL Wheels
- **Operating profit amounted to 29 MSEK (36)**
 - Affected by continued delivery problems of an important raw material
- **Operating margin amounted to 11.6% (14.1)**



Q4 2019 – Increased sales driven by acquisitions

– Summary

- Sales increased by 6% to 3,774 MSEK (3,557)
- Operating profit, excl. non-recurring items, amounted to 522 MSEK (522)
- Operating margin, excl. non-recurring items, amounted to 13.8% (14.7)
- Operating cash flow increased to 732 MSEK (679)
- Earnings per share, excl. non-recurring items increased to 1.20 SEK (1.18)
- Strong financial position, equity asset ratio 56%
- Non-recurring items, before tax, amounted to 99 MSEK



Jan - Dec 2019 – Increased sales and significant strategic acquisitions

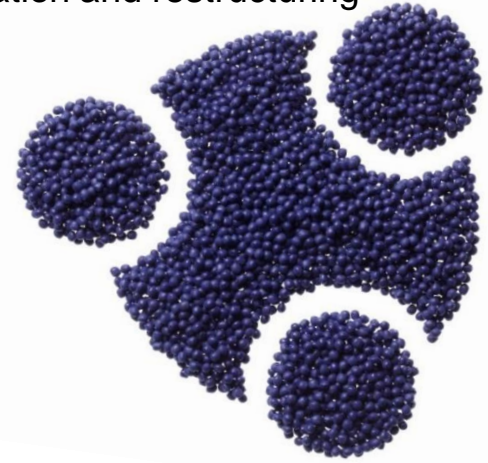
- Sales increased 13%
- EBITA, excl. non-recurring items, increased 6%
- Operating profit, excl. non-recurring items, increased 4%
- Earnings per share, excl. non-recurring items, increased 3%
- Operating cash flow increased 29%

Key figures MSEK	Oct-Dec		Jan-Dec		
	2019	2018	2019	2018	
Sales	3 774	3 557	15 508	13 770	+13%
EBITA, excl. non-recurring items	543	533	2 320	2 183	
EBITA margin, excl. non-recurring items, %	14,4	15,0	15,0	15,9	+4%
Operating profit, excl. non-recurring items	522	522	2 242	2 150	
Operating margin, excl. non-recurring items, %	13,8	14,7	14,5	15,6	
Operating profit, EBIT	423	522	2 043	2 150	
Profit before tax	404	528	2 008	2 161	
Profit after tax	336	405	1 542	1 646	
Earnings per share, excl. non-recurring items, SEK	1,20	1,18	4,93	4,78	
Earnings per share after dilution, SEK	0,98	1,18	4,48	4,78	
Equity/assets ratio, %			56	59	
Return on capital employed, % R12			15,2	22,5	
Operating cash flow	732	679	2 607	2 019	+29%

Our financial position remain strong and provides scope for continued expansion.
The Board of Directors proposes a dividend of 2.30 SEK (2.25).

Implications restructuring and integration

- Integration of Preferred Compounding and manage restructuring and cost synergies – according to plan
- Restructuring of production capacity in HEXPOL Compounding Americas, amounted to approx. 10 MUSD in Q4
- Costs in 2019 include closing of 2 production units, Preferred's Head office and adjustment of overhead organization – completed
- Further adjustment of capacity might be needed in 2020, approx. 10 MUSD
- Costs synergies approx. 5 MUSD during 2020
- Costs synergies approx. 9 MUSD on an annual basis after integration and restructuring projects completed end of 2020



Q & A

Thank You!

