



HEXPOL Q1 2020 Presentation

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Peter Rosén
Acting CEO and CFO

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..... Q1 2020 Presentation

Presented by



Peter Rosén
Acting CEO and CFO

Agenda

- Business Performance
- Financial Overview
- Special topic:
Status on Preferred integration
- Q&A



..... Q1 2020 Key Highlights

- **Covid -19**

- All sites are up and running, currently no Covid-19 cases amongst employees
- No major supply or delivery issues
- Lower demand first seen during March, specifically negative impact with automotive customers
- Considerable negative impact on demand going forward, not least during second quarter of 2020

- **Increased sales while Preferred acquisition impacts margin negatively**

- Sales increase driven by acquisitions and positive FX effects
- Lower organic sales partly affected by Covid-19

- **Strong cash flow**

- Continued improvement of working capital

- **The US focused restructuring program follows plan**

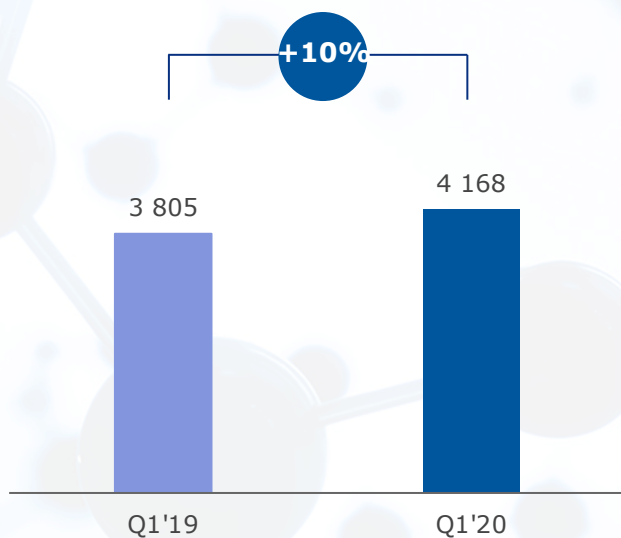
- Preferred integration and cost reductions ongoing



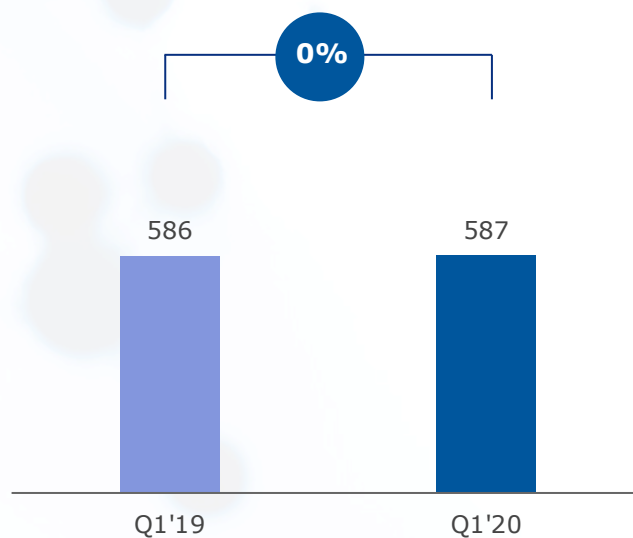
Q1 2020 Financial Highlights

Sales increase driven by acquisition

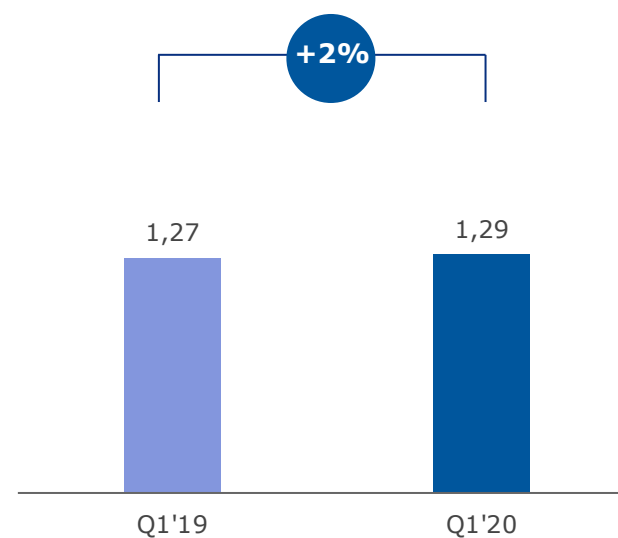
Net Sales
MSEK



Adjusted Operating Profit*
MSEK



Adjusted Earnings Per Share*
SEK

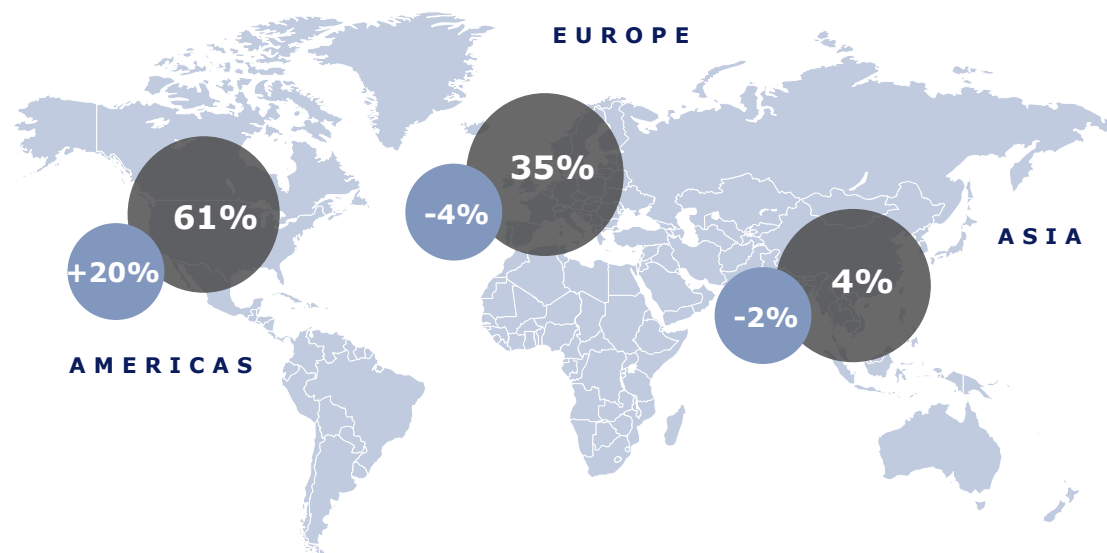


* Excluding restructuring costs

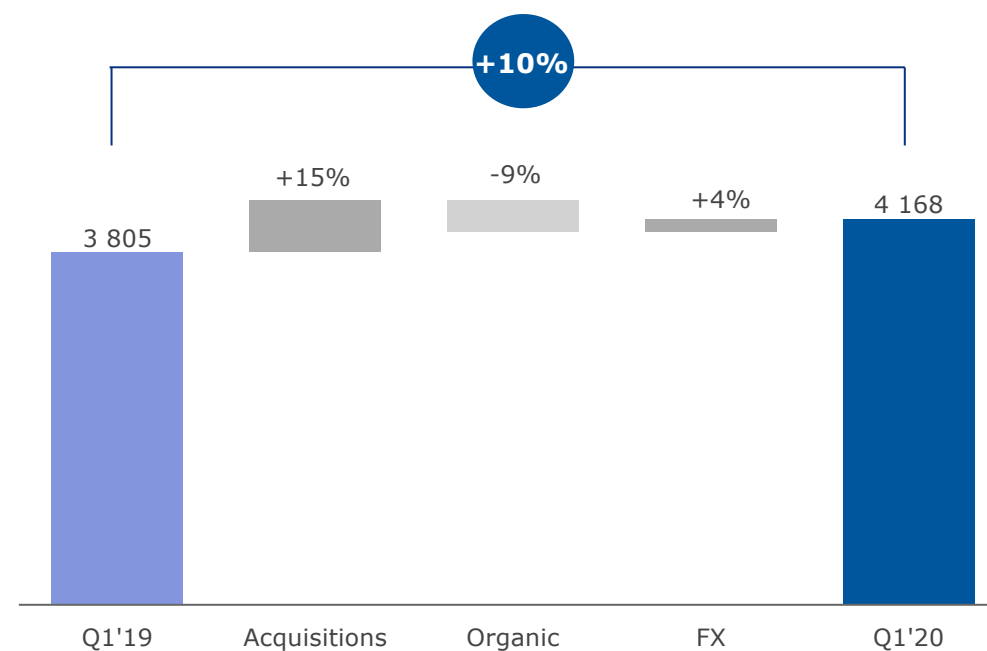
Q1 2020 Sales Development

Sales growth driven by acquisition

Regional Development



Sales development MSEK



Q1 Financial Overview

Result in line with last year but stronger cash flow



Key figures MSEK	Jan-Mar 2020	Jan-Mar 2019	Full Year 2019	Apr 19- Mar 20
Sales	4 168	3 805	15 508	15 871
EBITA, excl. non-recurring items	607	607	2 320	2 320
EBITA margin, excl. non-recurring items, %	14,6	16,0	15,0	14,6
Operating profit, excl. non-recurring items	587	586	2 242	2 243
Operating margin, excl. non-recurring items, %	14,1	15,4	14,5	14,1
Operating profit, EBIT	537	586	2 043	1 994
Profit after tax	405	438	1 542	1 509
Earnings per share, excl. non-recurring items, SEK	1,29	1,27	4,93	4,95
Equity/assets ratio, %	57	61	56	
Operating cash flow	527	354	2 607	2 780

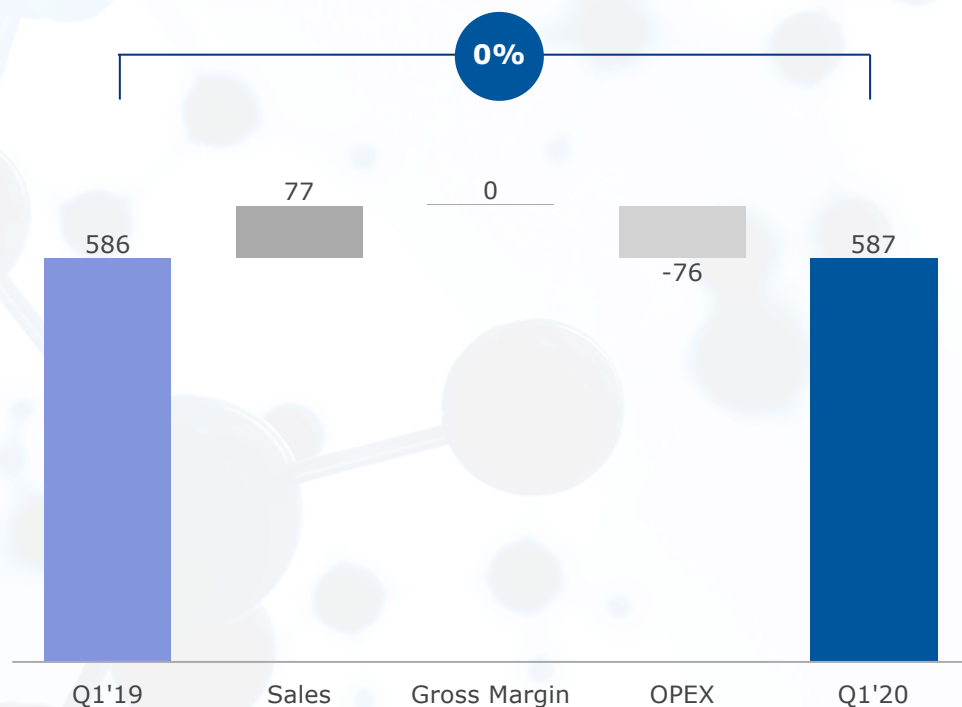
Highlights

- Adjusted EBITA in line with last year
- Non-recurring items of 50 MSEK
- Strong equity/asset ratio of 57 %
- Strong cash flow +49 % vs last year

Q1 Adjusted Operating Profit

Stable result while margin down affected by acquisition and lower organic volume

Adjusted Operating Profit*
MSEK



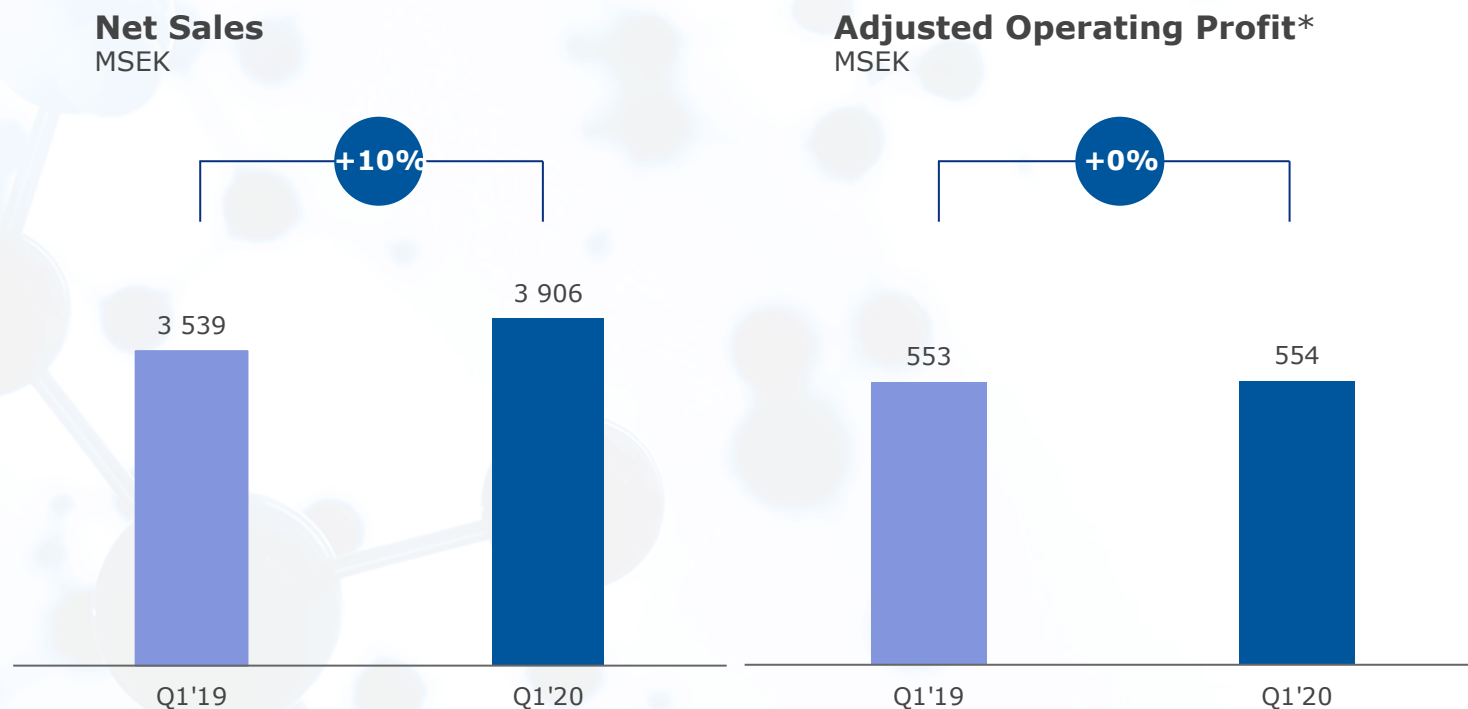
* Excluding restructuring costs

Highlights

- Operating profit on same level as same period last year
- Higher sales offset by lower operating margin
- The lower margin is driven by the acquired Preferred business that operates with lower margin and overall lower organic volume

Q1 HEXPOL Compounding

Sales increase driven by acquisition



Highlights

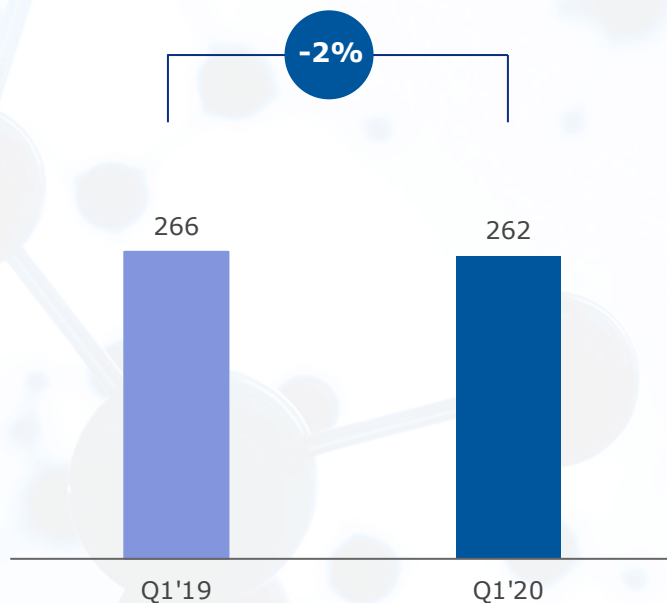
- Sales increase driven by the acquired Preferred business in July 2019
- Americas increased sales to most customer segments driven by acquisition. Organic sales down primarily to automotive and general industry customers
- Europe saw somewhat lower sales primarily to automotive
- Asia sales down some affected by closed sites following government decision
- Thermoplastic Compounding saw lower sales due to closed automotive customers
- TPE sales somewhat up driven primarily by demand from medical equipment customers
- Adjusted operating profit on same level as last year
- Lower operating margin affected by Preferred with lower margin and lower organic volume including "Tire and Toll"

* Excluding restructuring costs

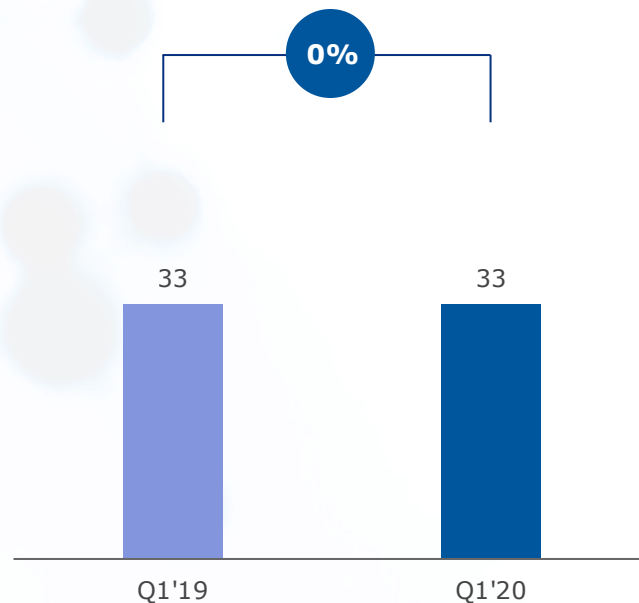
Q1 HEXPOL Engineered Products

Stable sales and operating profit

Net Sales
MSEK



Operating Profit
MSEK

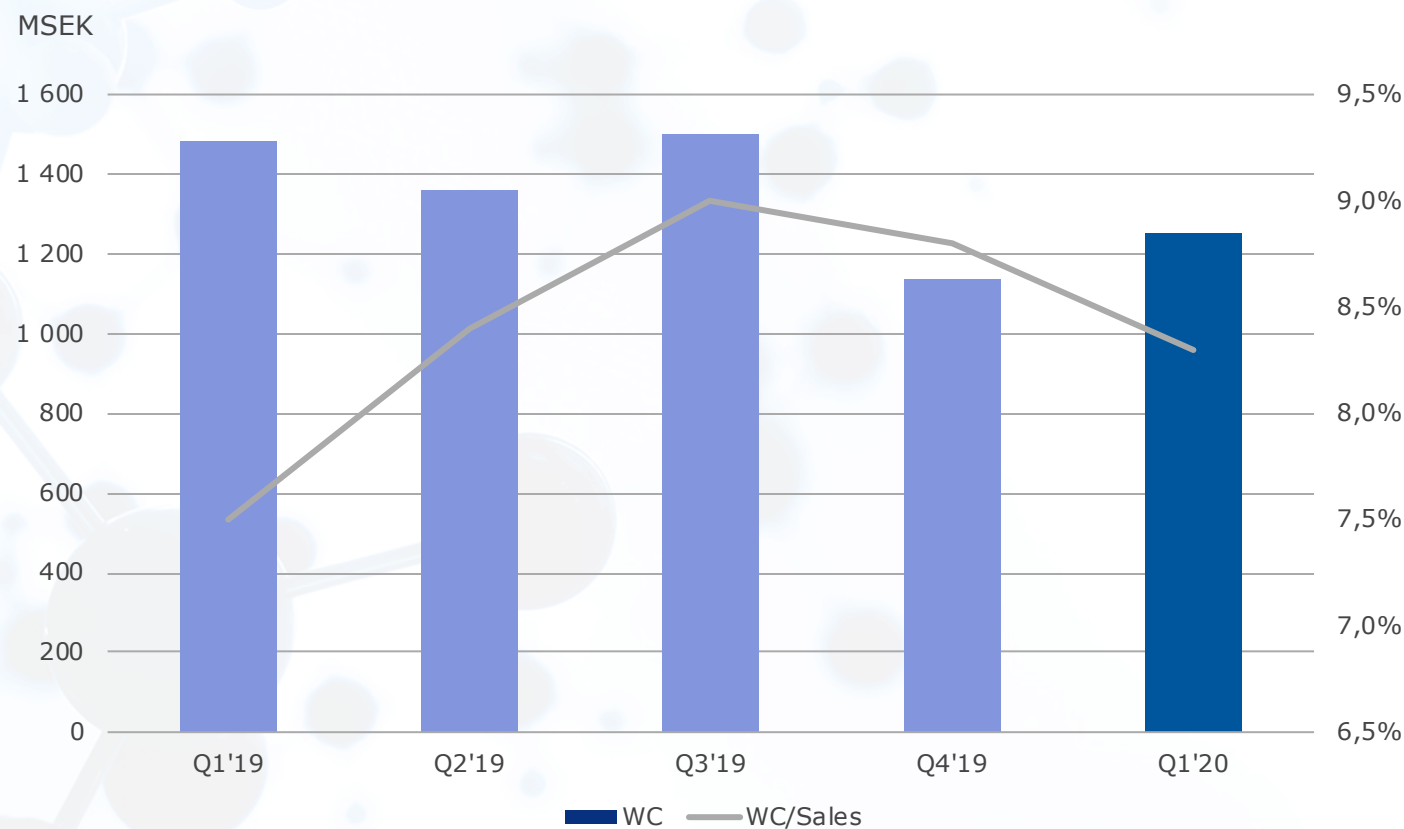


Highlights

- Stable sales with smaller movements within the product groups
- Stable margins and operating profit

Q1 Working Capital

Improvement after acquisition driven peaks



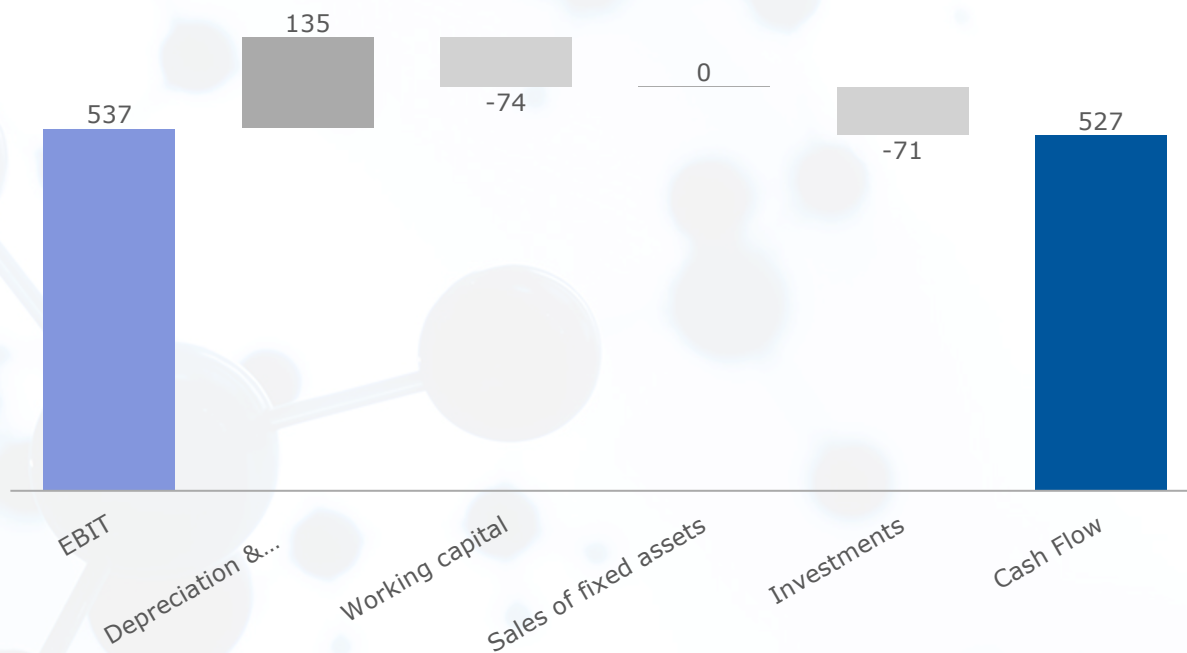
Highlights

- Working capital improved in absolute terms compared to same period last year
- Working capital in relation to sales improves when acquisitions are integrated into HEXPOL way of working

Q1 Cash Flow

Strong operating cash flow

Cash Flow
MSEK



Highlights

- Working capital relatively flat for the first quarter of 2020
- Level of investments below depreciation
- EBIT is largely translated into cash

Q1 Net Debt

Strong financial position



MSEK	Jan-Mar 2020	Jan-Mar 2019	Full Year 2019
Cash at hand	2 082	1 219	1 624
Used credit facilities	-3 958	-2 387	-4 000
Net debt	-1 876	-1 168	-2 376
Net debt/EBITDA*	0,76	0,47	0,95

* EBITDA is R12 months

Highlights

- Strong cash position
- Increased use of credit facilities compared to same period last year driven by acquisition
- Strong Net debt/EBITDA ratio

..... Integration of Preferred Compounding

The integration follows plan

Facts (2018)

Sales: Approx 240 MUSD

Employees: 540 FTEs

Sites: 6 (USA & MEX)

Business with lower margin
compared to HEXPOL
Group

Q3
2019

Closing of Preferred head office and
initial adjustment of organisation

Q3/Q4
2019

Closing of two production sites
Alignment of way of working

2020

Overall organisation in place
Alignment of way of working
Efficiencies, cost savings

Cost savings

2020
~5 MUSD

After 2020
~9 MUSD

..... Covid -19 Summary of implications

- **Impact on demand**

- Q1 saw lower demand from automotive specifically but also from other customer groups
- Q2 will see significantly lower demand compared to first quarter despite expected slow start up of automotive production in Europe and Americas
- High uncertainty going forward

- **Operations**

- All sites are up and running without major supply or delivery issues
- Focus on ensuring safety and wellbeing of employees
- Continued focus on managing working capital
- Decentralized but coordinated organization a strength as conditions vary between countries and speed of actions is required

- **Costs**

- Short term work and furloughs used to bring down operational costs
- Capex limited
- Already initiated cost saving programs accelerated

- **Proposal to postpone decision of dividend pay out**

..... Q1 2020 Summary

- **Covid -19**
 - It impacted the business in first quarter and will have further substantial negative impact, not least during second quarter
- **Increased sales while Preferred acquisition impacts margin negatively**
 - Sales increase driven by acquisitions and positive FX effects
 - Lower organic sales partly affected by Covid-19
- **The US focused restructuring program follows plan**
 - Preferred integration and cost reductions ongoing
 - Accelerated cost savings program
- **Strong financial position with good liquidity level**



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Q&A

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Thank You

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