

HEXPOL Q3 2021 Presentation

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Georg Brunstam CEO
Peter Rosén CFO

October 22, 2021

..... Q3 2021 Presentation

Presented by



Georg Brunstam
CEO

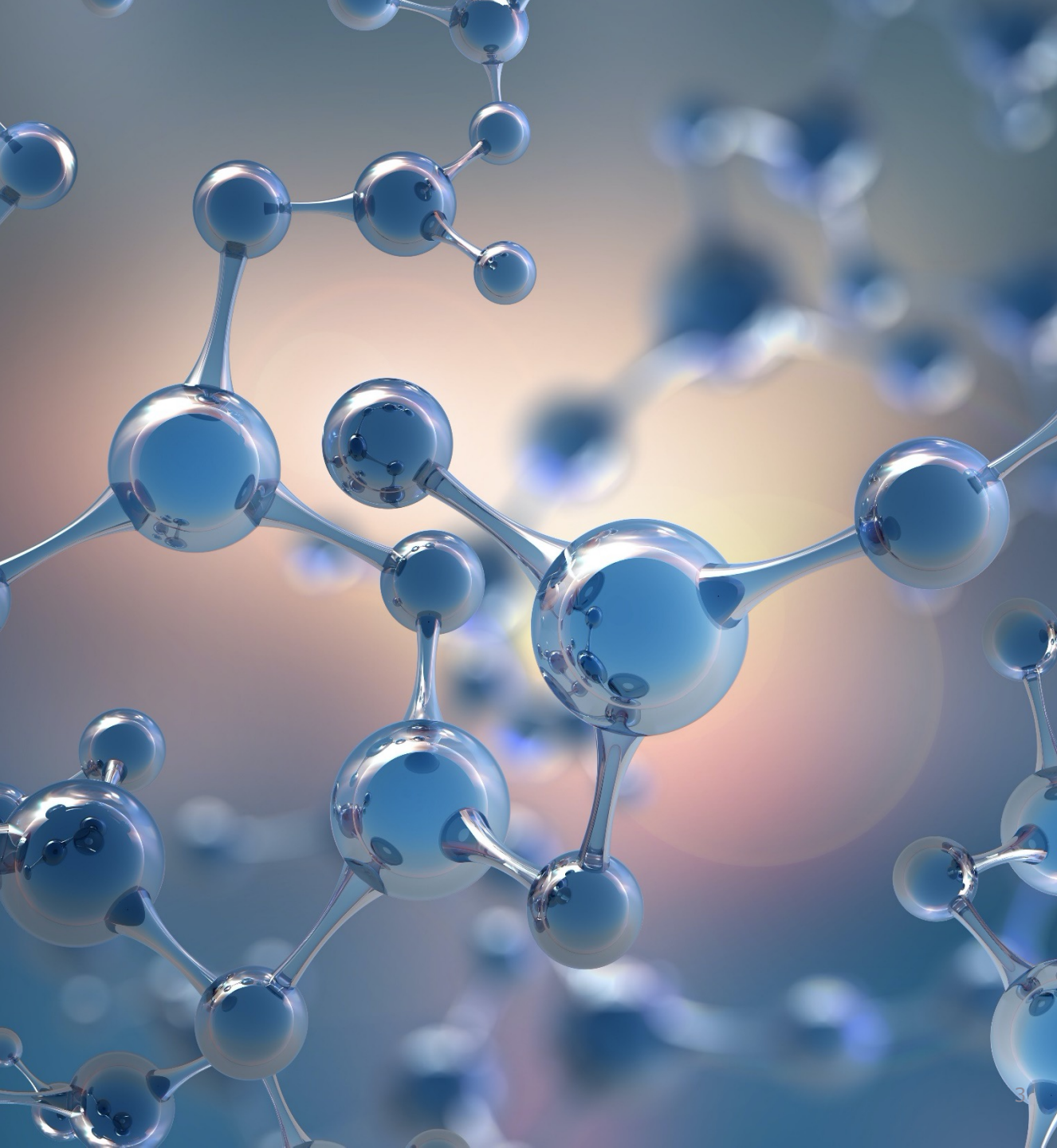


Peter Rosén
CFO

Agenda

- Business Performance
- Financial Overview
- Focus for 2021
- Q&A





Business Performance

..... Strong sales in a challenging market situation

- **Strong sales - growth in all regions despite major global supply chain disturbances**
 - Strong sales seen with all customer segments in all regions
 - Supply chain issues with automotive with stop of production towards latter part of the quarter caused challenges in demand
 - Substantial global supply issues and price increases on raw material continue
 - Sales at fixed 2020 FX rates amounted to 4 163 MSEK (3 328) an increase of 25%
- **Solid quarterly result despite challenges**
 - Operating Profit of 1 105 MSEK (593) including insurance settlement
 - Adjusted Operating Profit increased with 14% to 677 MSEK (593)
- **Several factors affecting gross margin negatively**
 - Need to continuously adapt production to quickly changing customer needs
 - Increased raw material prices passed on to customers
 - Raw material shortages result in need to change recipes to less optimal composition
 - Increased energy surcharges
 - The acquisitions of VICOM and Unica come with lower margins – the less efficient price adjustment models of both companies have also created further pressure on the gross margins with total negative HEXPOL Group EBIT margin effect of 0,6% - corrective actions in place
- **Continued tight cost control after cost saving programs during 2020**



..... Strong Execution on Updated Strategy and Increased Customer Focus

- **HEXPOL Compounding**
 - Strong sales in all regions
 - Strong sales in most customer segments
 - Automotive affected by disturbances from semi conductor shortages
 - Substantial EBIT improvement driven by good sales and lower cost base
- **HEXPOL Engineered Products**
 - Sales well above last year
 - Substantial EBIT improvement driven by good sales and lower cost base
- **M&A**
 - High focus and increased activity level
 - Two acquisitions in core business completed so far this year in line with strategy



..... Strong Culture Delivering

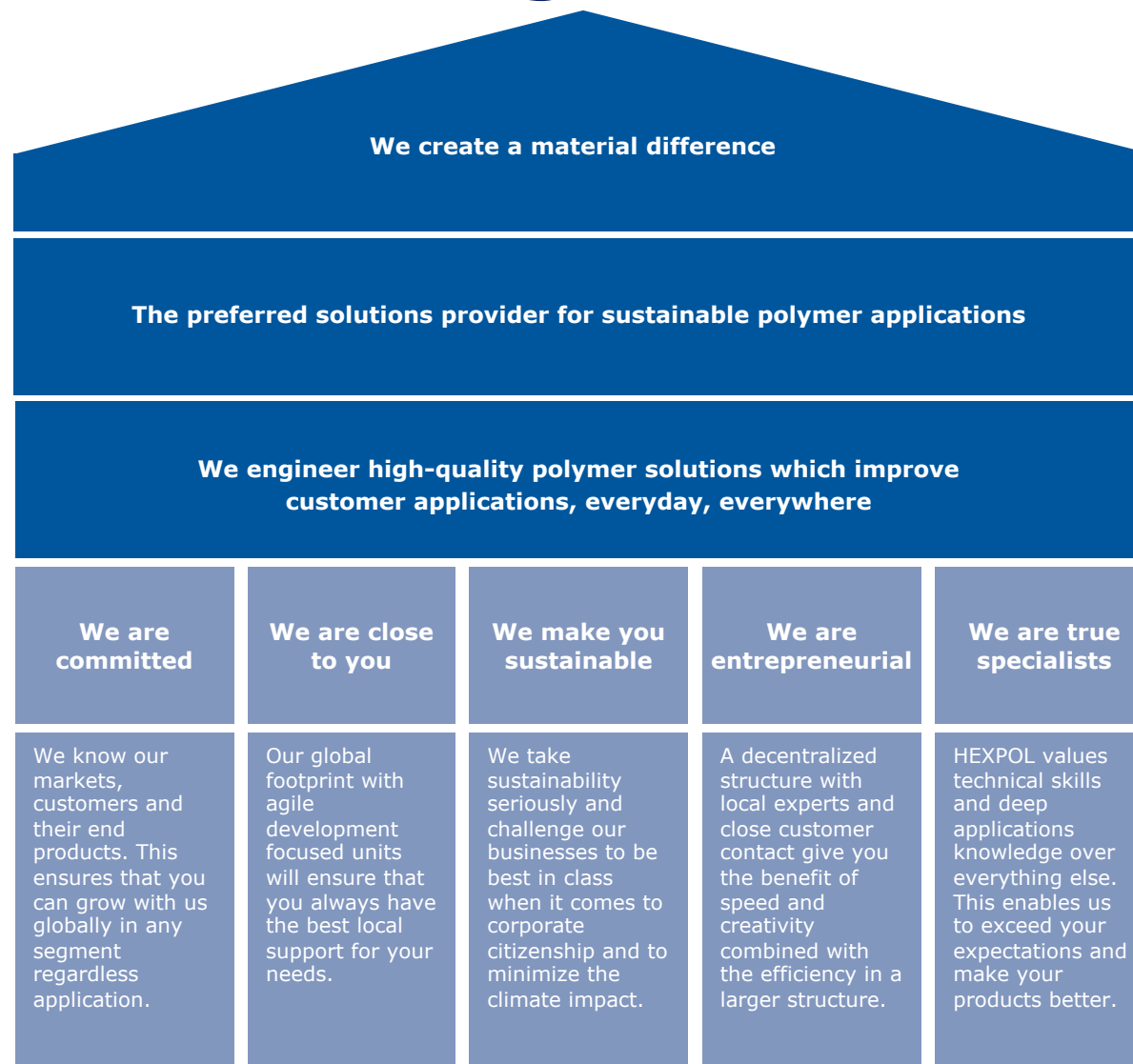
Purpose
The positive impact of what we do

Vision
Our long-term objective

Mission
What we do daily

Core values
Our fundamental beliefs that dictate our behavior

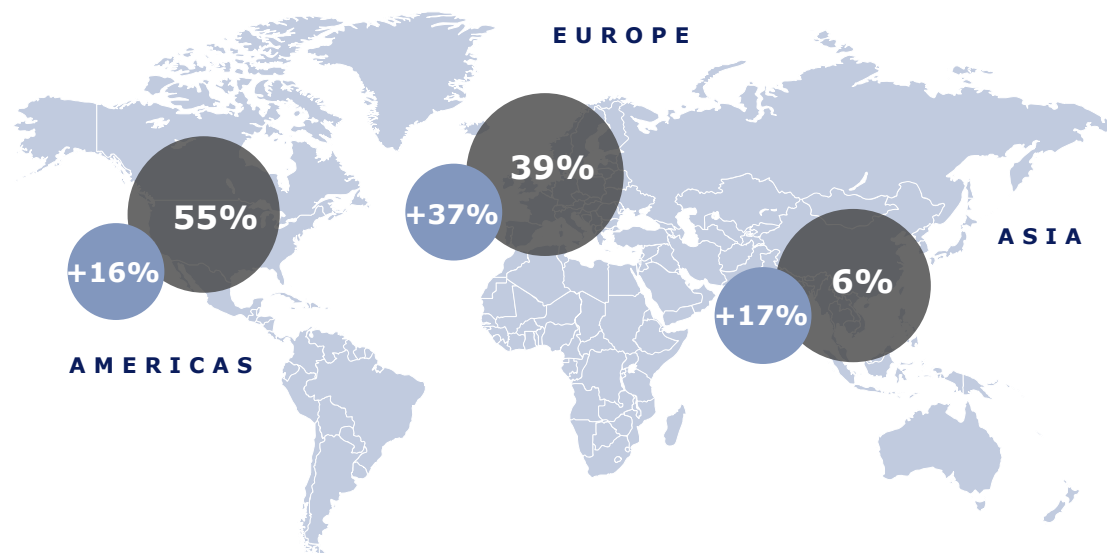
Rationale & evidence
Proof of what we say is true



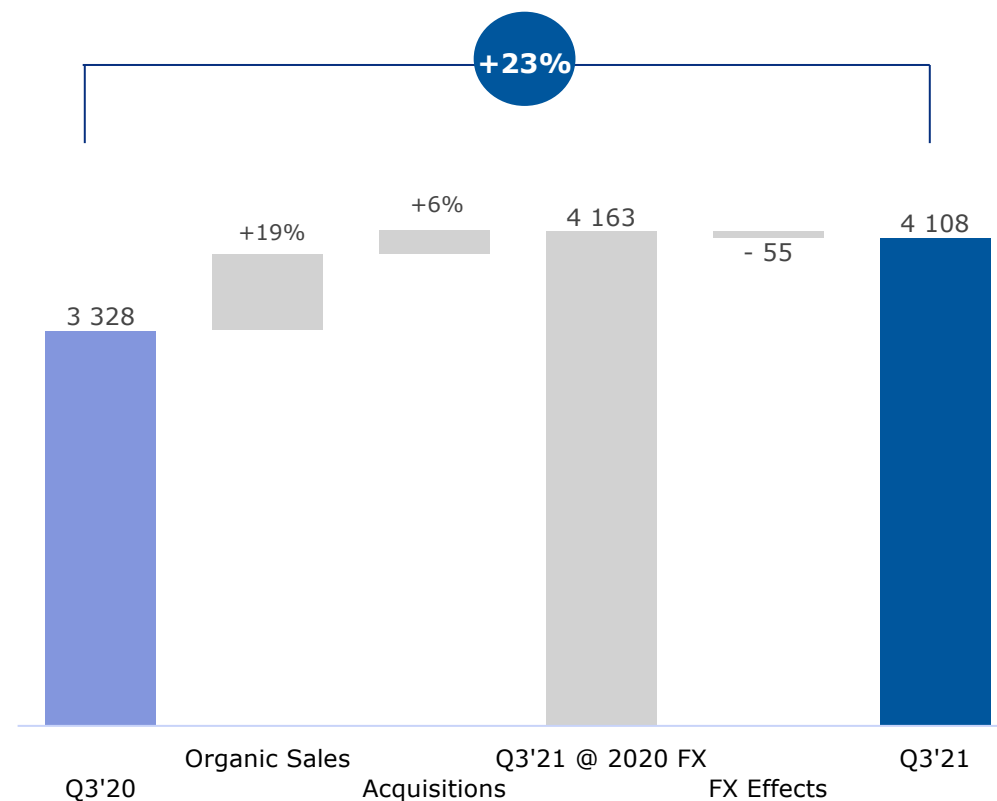
Q3 2021 Sales Development

Strong organic sales growth despite market challenges

Regional Development



Sales development MSEK





Financial Overview

Q3 Financial Overview

Strong result despite significant raw material challenges



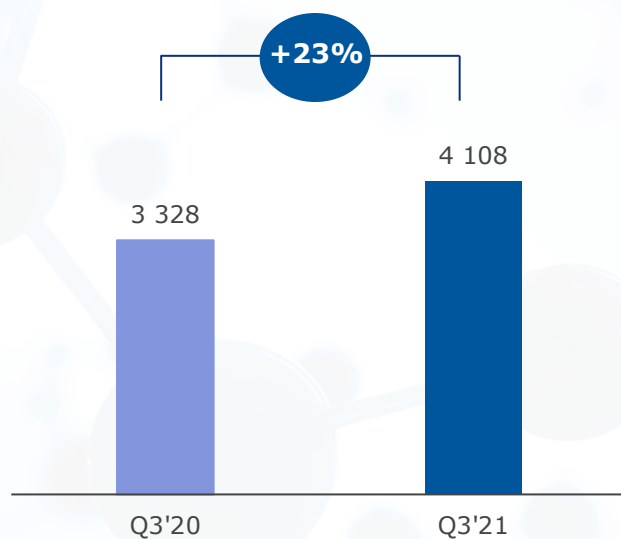
Key figures MSEK	Q3'21	Q3'20	YTD Q3'21	YTD Q3'20
Sales	4 108	3 328	11 920	10 022
Adjusted EBITA	695	611	2 161	1 447
Adjusted EBITA Margin, %	16,9	18,4	18,1	14,4
Adjusted Operating Profit	677	593	2 109	1 389
Adjusted Operating Margin, %	16,5	17,8	17,7	13,9
Operating Profit	1 105	593	2 537	1 313
Profit after tax	841	426	1 912	953
Adjusted Earnings per share, SEK	1,51	1,24	4,62	2,94
Equity/assets ratio, %			60	64
Operating cash flow excl insurance accrual	412	773	1 435	1 525

Highlights – Third Quarter

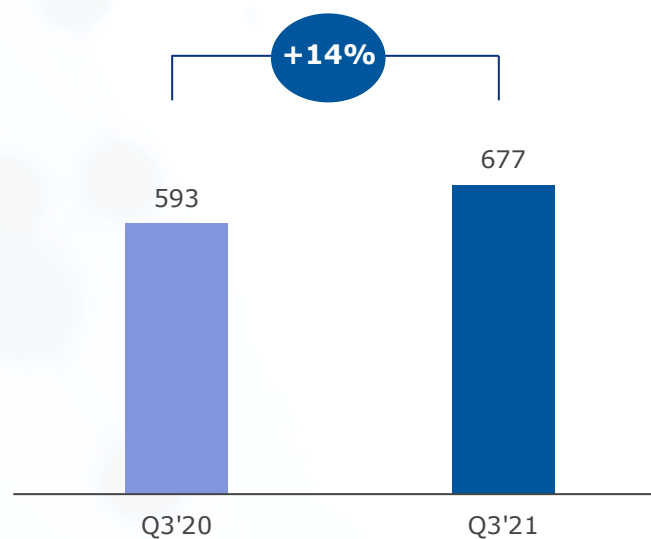
- Operating Profit of 1 105 MSEK including insurance settlement
- Adjusted Operating Profit of 677 MSEK, an increase of 14%
- OPEX at continued low 182 MSEK excluding one time costs
- Adjusted Operating Margin of 16,5%, negatively impacted by acquisitions and raw material shortages and prices
- Strong Equity/Asset ratio of 60%

Q3 2021 Financial Highlights

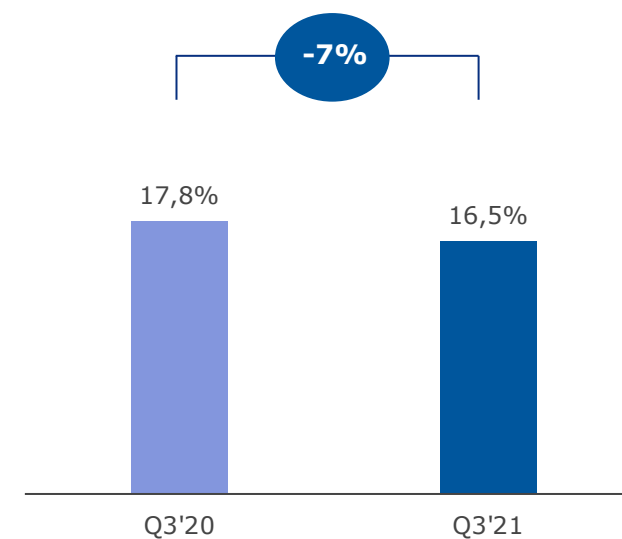
Sales
MSEK



Adjusted Operating Profit* MSEK



Adjusted Operating Margin* %

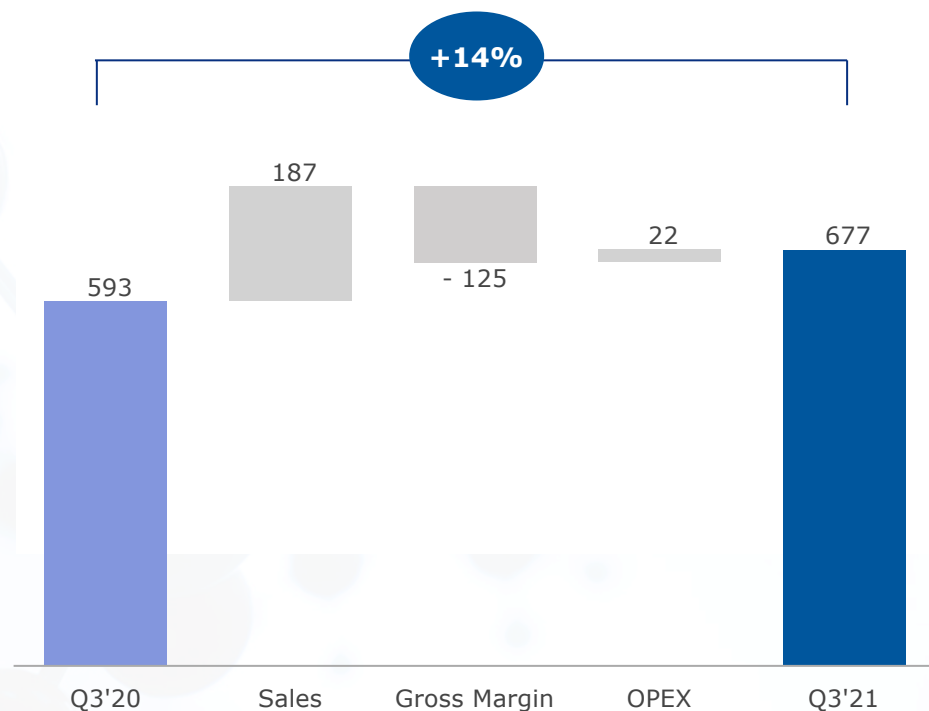


* Excluding restructuring costs

Q3 Adjusted Operating Profit

Higher sales partly offset by lower margin of acquisitions and raw material challenges

Adjusted Operating Profit* MSEK

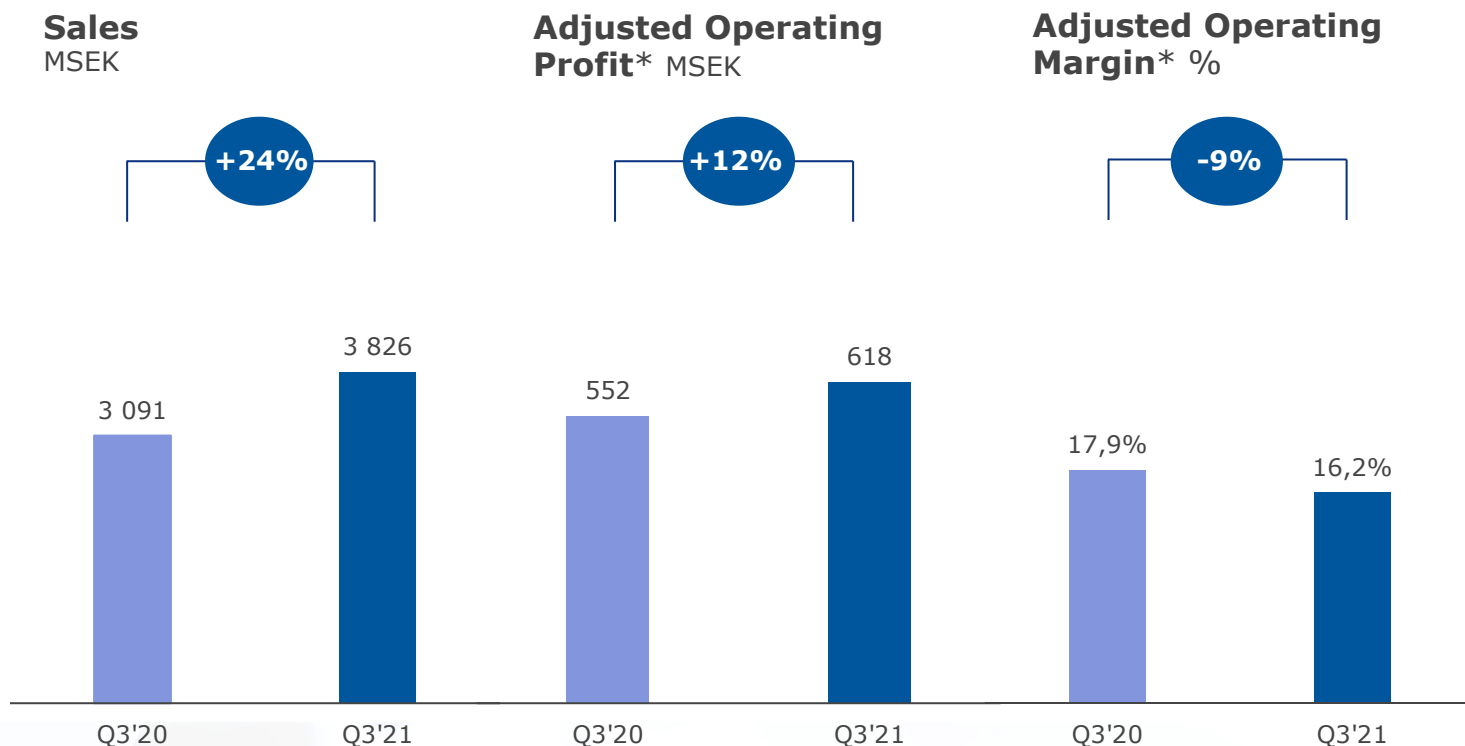


Highlights

- Strong organic sales
- As previously communicated, negative impact on gross margin from acquisitions
- Further negative impact on gross margin from continuously higher raw material prices and raw material shortages
- OPEX well below last year

* Excluding restructuring costs

Q3 HEXPOL Compounding

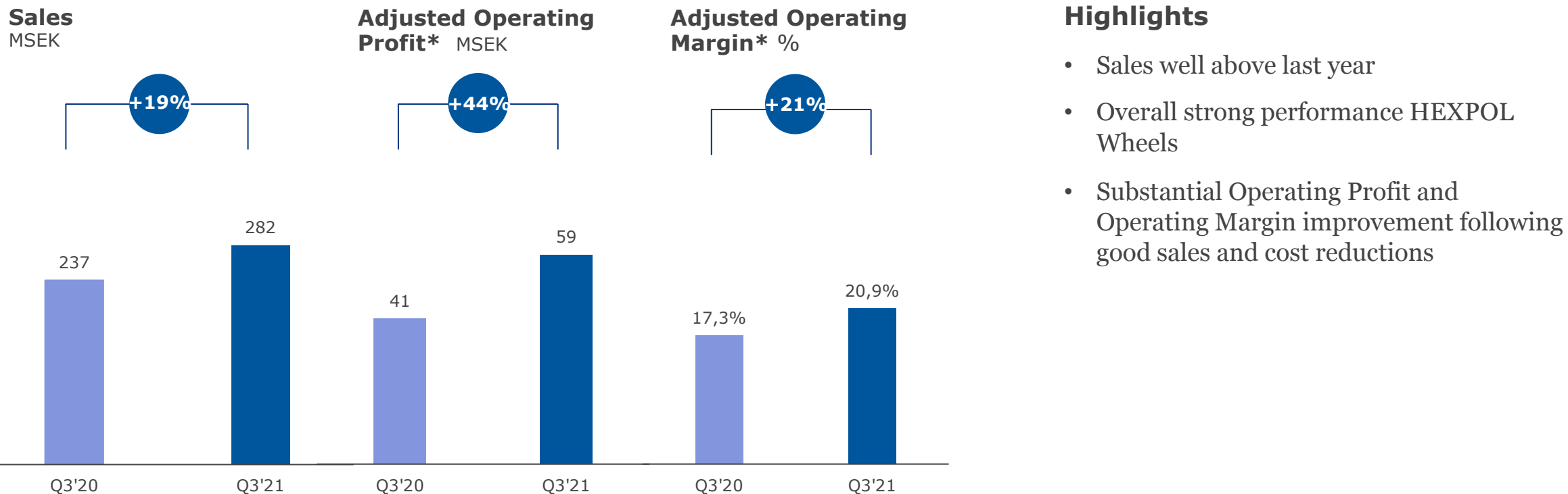


Highlights

- Strong organic sales growth of 17% vs LY while acquisitions add 7% sales.
- The higher sales were driven by improvements in all customer segments
- Strong and improved performance in all product areas
- Operating Profit increased following on sales improvement on a lower cost base
- Lower Operating Margin due to acquisitions with lower margin and raw material challenges

* Excluding restructuring costs

Q3 HEXPOL Engineered Products

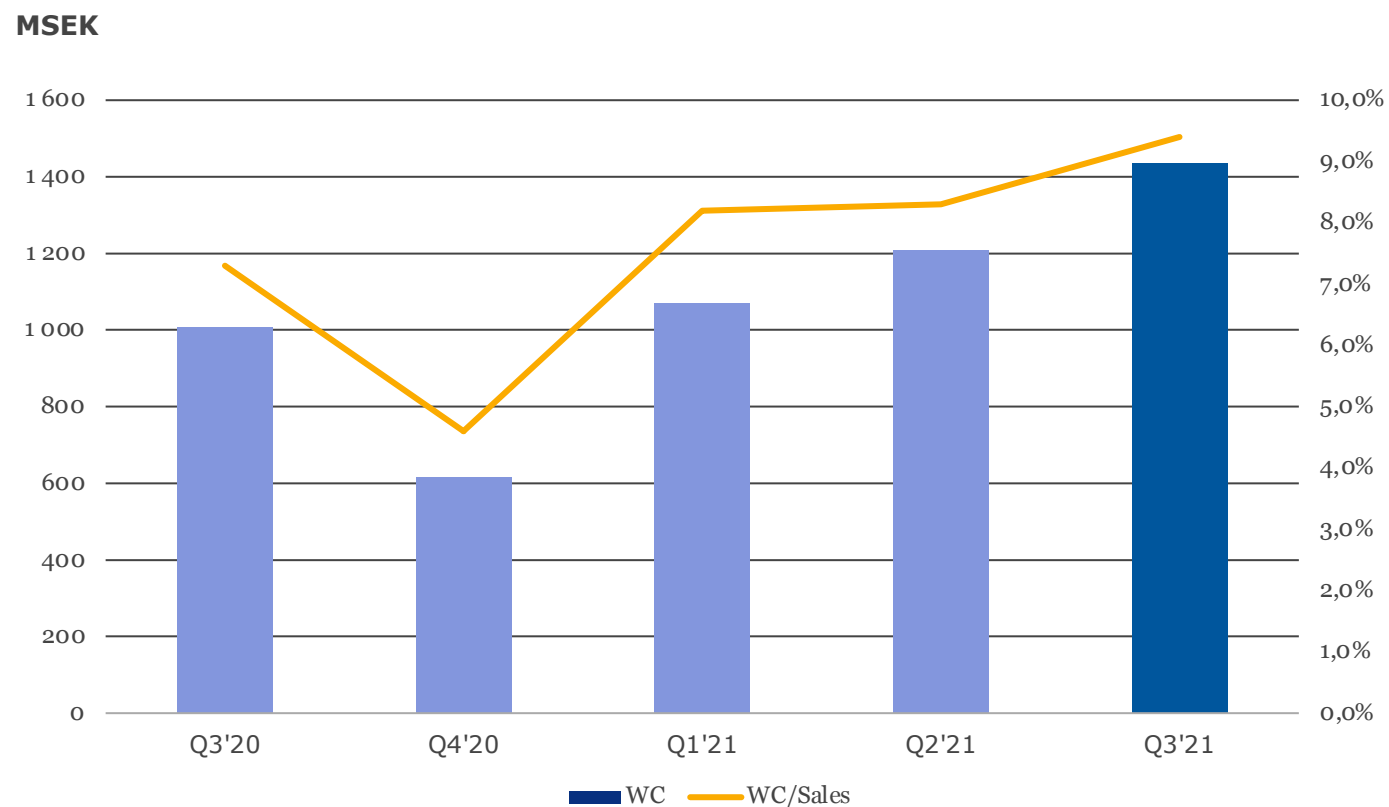


Highlights

- Sales well above last year
- Overall strong performance HEXPOL Wheels
- Substantial Operating Profit and Operating Margin improvement following good sales and cost reductions

* Excluding restructuring costs

Q3 Working Capital



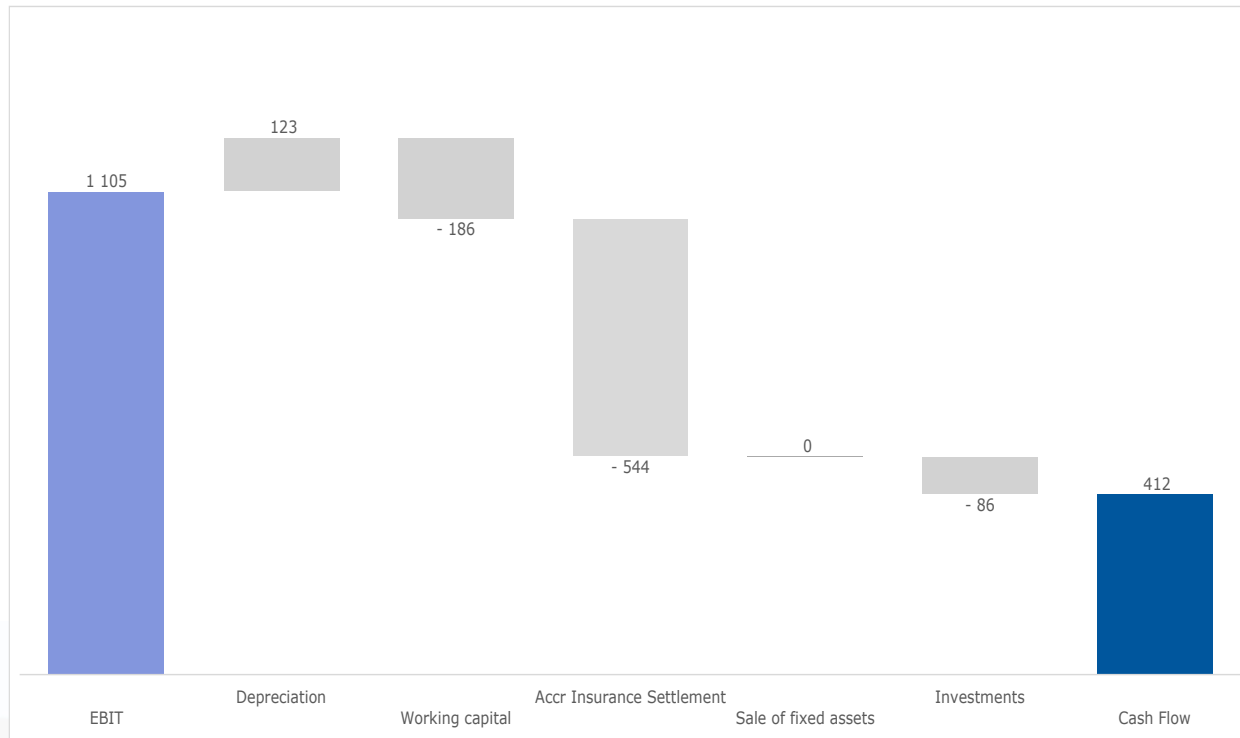
Highlights

- Year over year increase primarily driven by decision to increase inventory level in the face of global raw material shortages

* Excluding the insurance settlement accrual

..... Q3 Cash Flow

Cash Flow MSEK



Highlights

- Cashflow affected by accrual for the insurance settlement not yet paid out
- EBIT offset by temporarily higher working capital driven by increased inventory level
- Level of investments below depreciation

Q3 Net Debt

Strong financial position



MSEK	30-sep 2021	31-dec 2020
Cash at hand	1 080	1 200
Used credit facilities	-3 206	-2 793
Net debt	-2 126	-1 593
Net debt/EBITDA*	0,59	0,67

* EBITDA is R12 months

Highlights

- Strong cash position
- Strong and further improved Net Debt/EBITDA ratio

* Excluding restructuring costs

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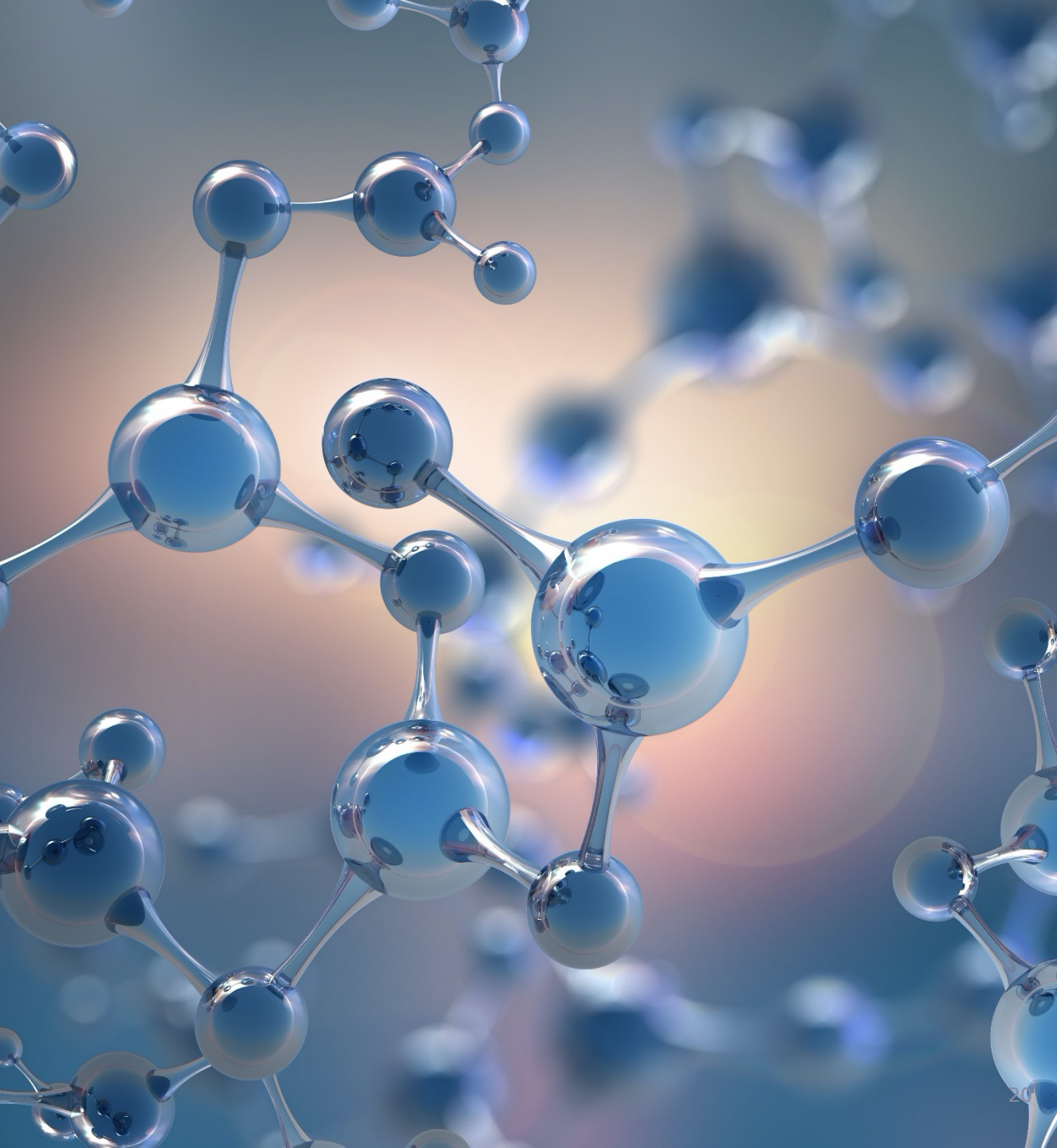


Focus for 2021

..... Focus for 2021

- Handle health and safety of our employees
- Manage volatility in demand
- Manage the current challenges in global supply chains and raw material prices
- High flexibility required to manage coming LVP production
- Continue to evaluate our manufacturing footprint
- Continue to execute our updated strategy including:
 - Active M&A
 - Run our business model efficiently
 - Further development of our sustainability work





Q&A

Thank You

www.HEXPOL.com