

HEXPOL Q3 2022 Presentation

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Georg Brunstam CEO
Peter Rosén CFO

October 21, 2022

..... Q3 2022 Presentation

Presented by



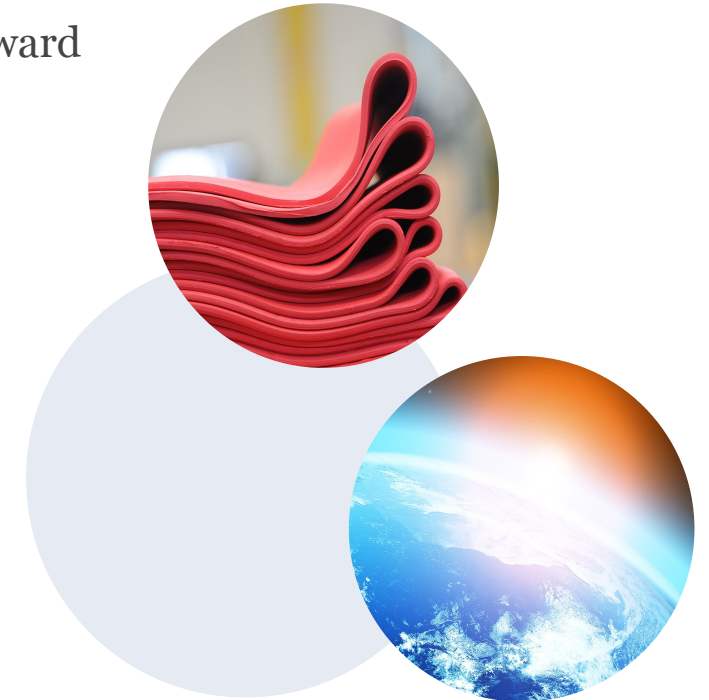
Georg Brunstam
CEO

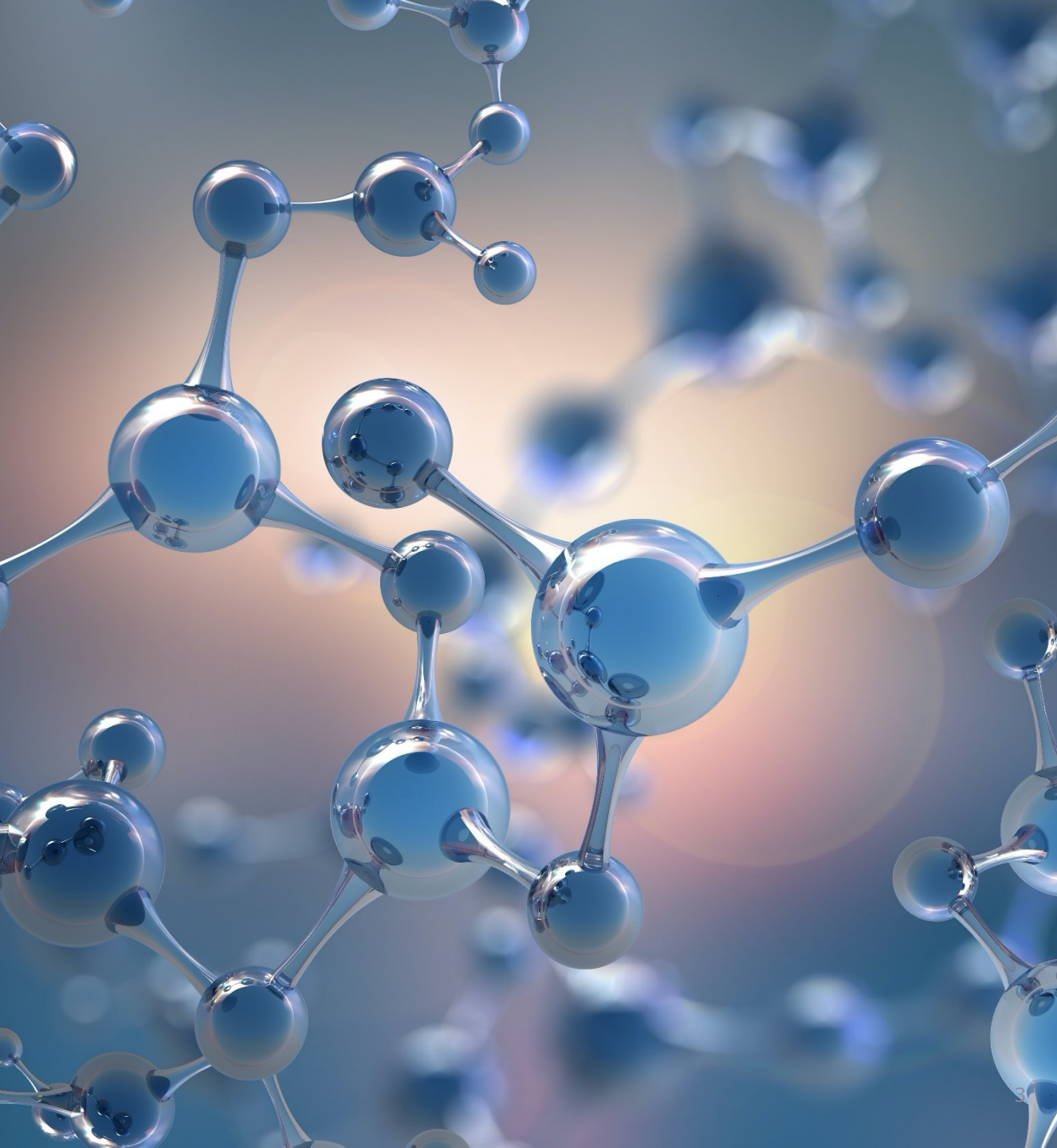


Peter Rosén
CFO

Agenda

- Business Performance
- Theme – Strong execution of our business model including Sustainability
- Financial Overview
- Focus going forward
- Q&A





Business Performance

..... Continued Sales Growth and Further Strengthened Result

- **Record Sales and Result**

- Strong sales in all regions and product segments, especially so in the Americas
- Continued execution of our strong business model where price increases on raw material are passed on
- Record EBIT at 838 MSEK (677) – Q2 2022 836 MSEK

- **Continued turbulent and difficult environment**

- Global automotive sales still varied but some improvement seen towards end of quarter, especially in the Americas
- High uncertainty seen end of quarter in Europe, primarily with Building & Construction
- Continued substantial global supply issues, price increases on raw material and escalating energy prices

- **M&A continues**

- almaak, a specialist in advanced recycled engineered compounds, consolidated from April Q2 – fully in line with our M&A strategy and supports our sustainability agenda

- **Going forward**

- Current global challenges with high inflation and interest rates, supply chain issues and raw material issues will continue for some time
- Our strong customer focus and geographical proximity to customers strengthen our market positions
- We are flexible and ready to meet the forecasted increase in light vehicle production



..... Continued Sales Growth and Further Strengthened Result

- **HEXPOL Compounding**

- Strong sales in all regions and product areas, especially strong in the Americas
- Automotive shows varied development but some improvement towards end of the quarter
- High uncertainty seen end of quarter in Europe, primarily with Building & Construction
- Strong EBIT, especially considering the challenges stemming from high inflation and interest rates, global supply chain and labor issues and raw material shortage and prices
- New President HEXPOL Compounding Americas following the retirement of Ken Bloom. Gary Moore, currently CCO for the Americas and with long background with HEXPOL will take over



- **HEXPOL Engineered Products**

- Sales well above last year, especially HEXPOL Wheels performing well
- Strong EBIT, especially considering raw material price increases

Partner in Polestar
Zero Project

- **Continued focus on sustainability**

- Focus to reach CO2 target reduction with 75% by 2025 – good progress
- New compounds with bio based and recycled material
- Partner in Polestar Zero Project to produce a car fully climate neutral



- **M&A**

- High focus and increased activity level
- almaak acquisition consolidated in Q2

..... Strong Culture Delivering

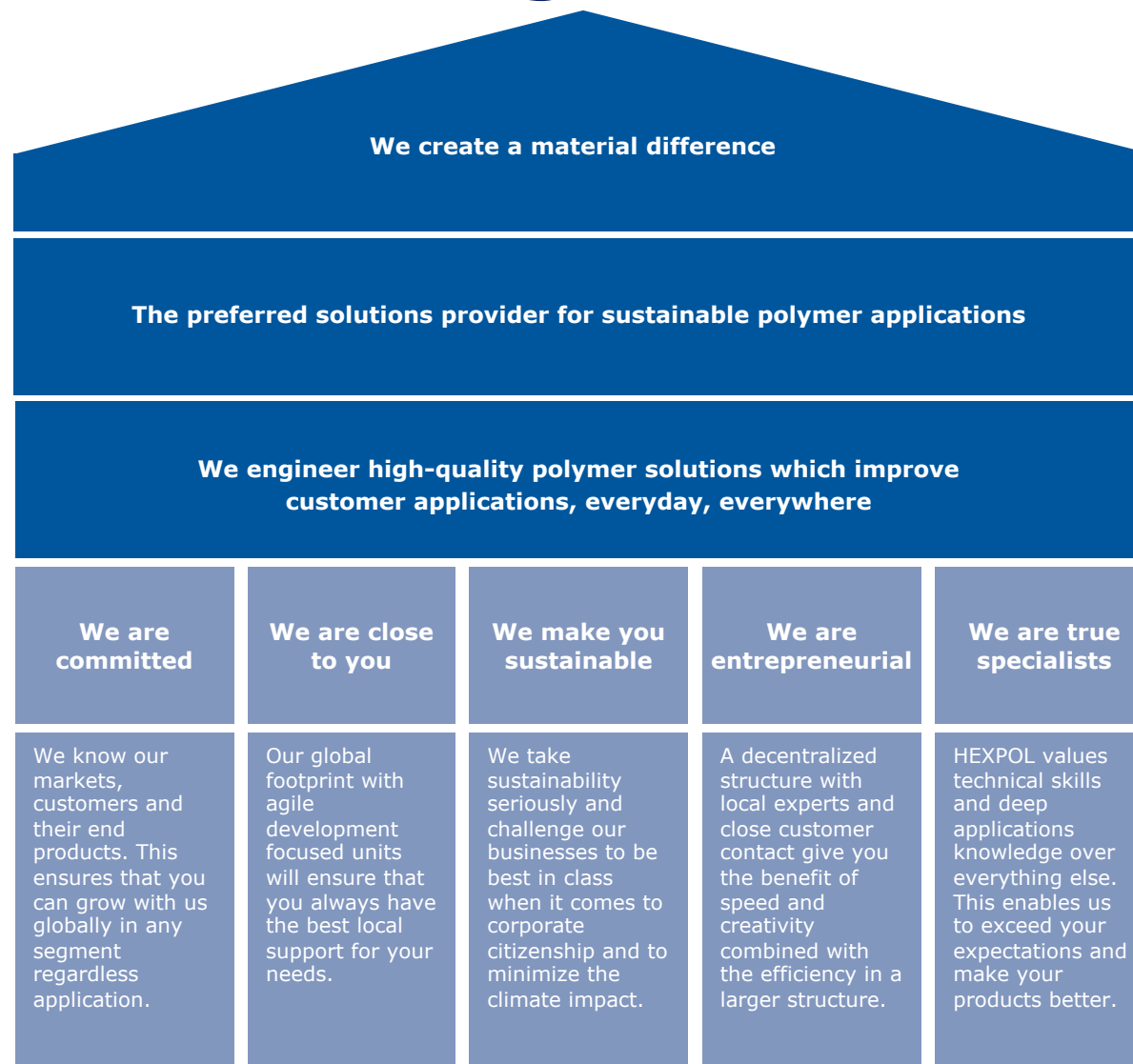
Purpose
The positive impact of what we do

Vision
Our long-term objective

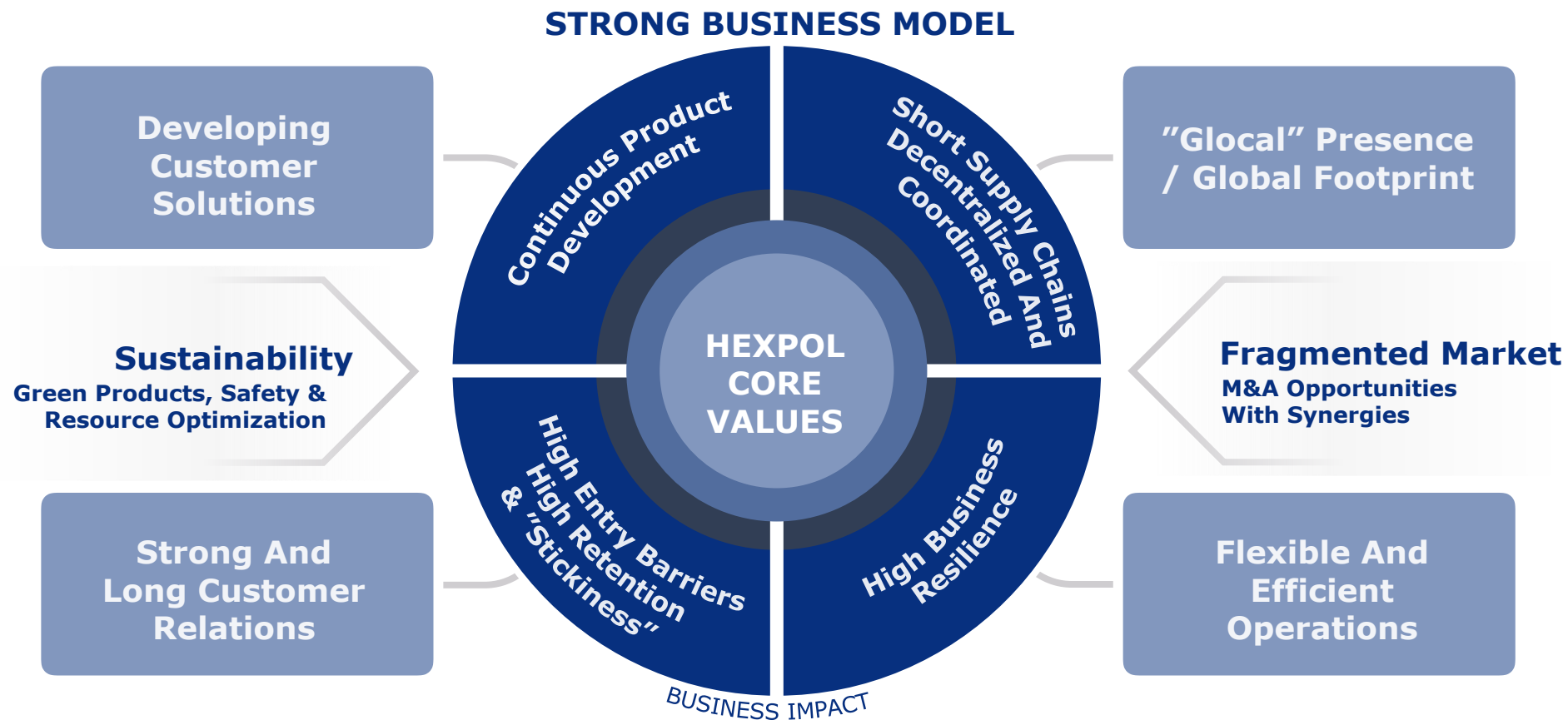
Mission
What we do daily

Core values
Our fundamental beliefs that dictate our behavior

Rationale & evidence
Proof of what we say is true



..... Strong Execution of Our Business Model



HEXPOL High-Level Objectives

Further reduce
the carbon
footprint of our
energy use

75% reduction of CO₂
emissions by 2025

Further
develop our
portfolio of
"green products"

Increase the use of bio-
based and recycled raw
materials

..... Further Development of Our Green Portfolio

Polestar Zero Project



“The Polestar 0 project is Polestar’s moon-shot goal of creating the first truly climate-neutral car by 2030 without offsetting. The project will work to identify and eliminate all greenhouse gas emissions from the extraction of raw materials to when the car is delivered to the customer, as well as the end-of-life handling. “

almaak international GmbH

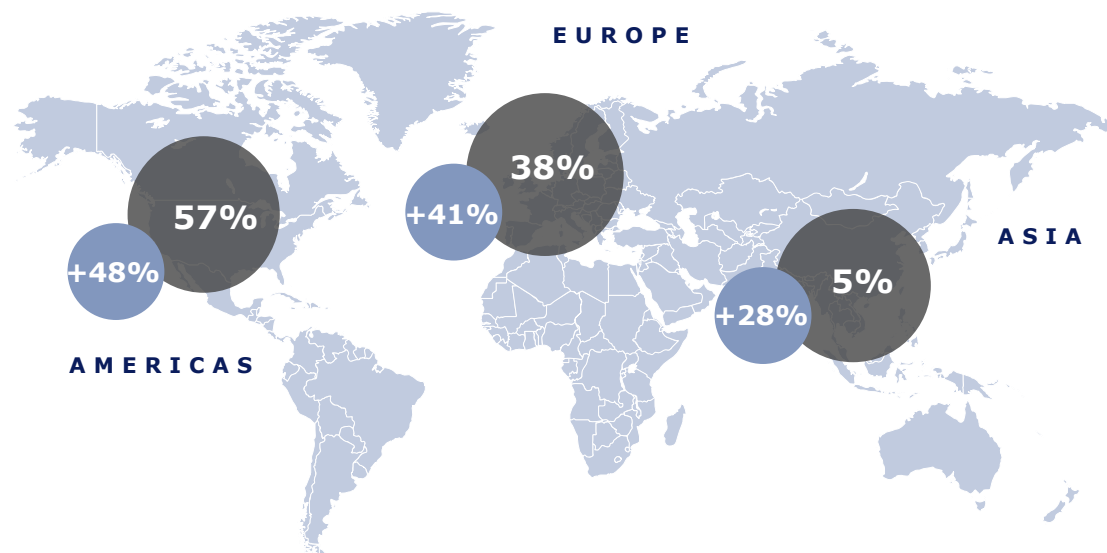


- Specialist in advanced recycled engineered compounds
- Inhouse recycling capacity
- Some 80% recycled raw materials
- High demand from automotive customers
- High growth

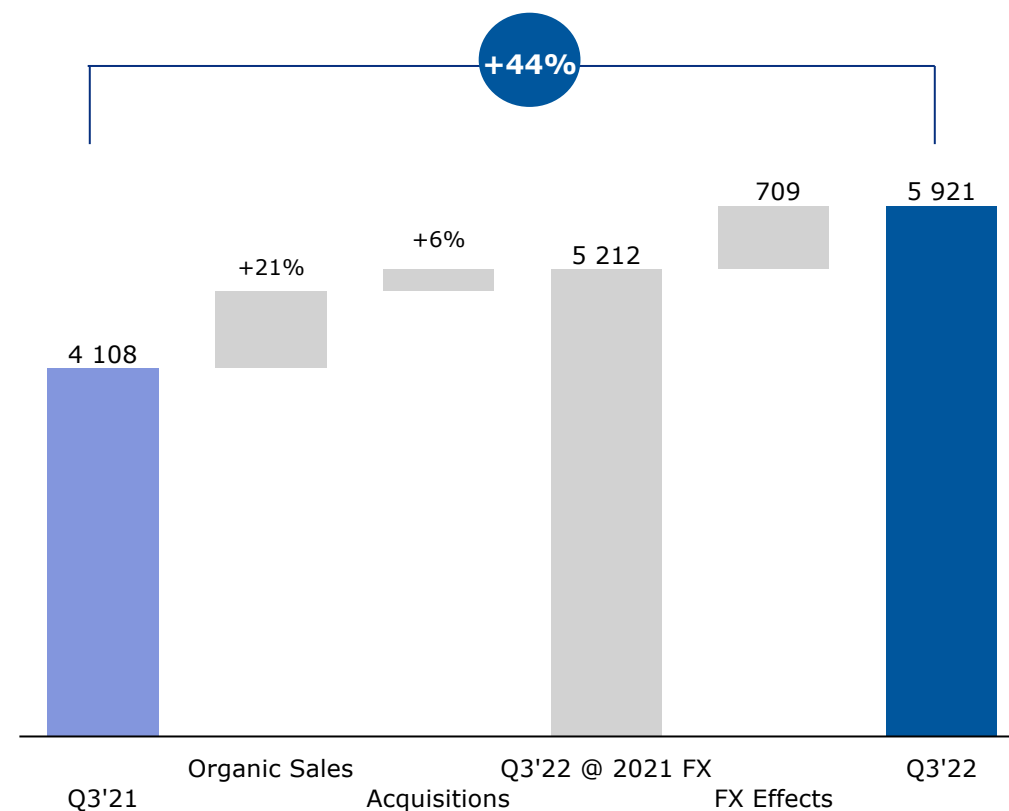
Q3 Sales Development

Strong sales growth

Regional Development



Sales development MSEK





Financial Overview

Q3 Financial Overview

Record high result despite significant challenges



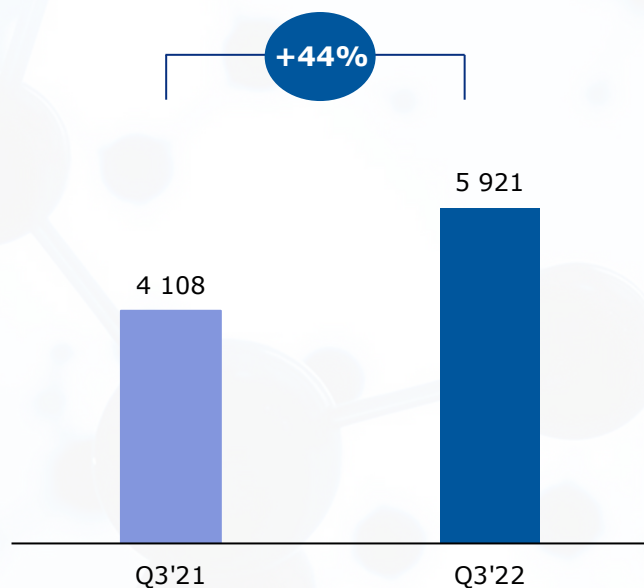
Key figures MSEK	Q3'22	Q3'21	YTD Q3'22	YTD Q3'21
Sales	5 921	4 108	16 748	11 920
Adjusted EBITA	865	695	2 521	2 161
Adjusted EBITA Margin, %	14,6	16,9	15,1	18,1
Adjusted Operating Profit	838	677	2 449	2 109
Adjusted Operating Margin, %	14,2	16,5	14,6	17,7
Operating Profit	838	1 105	2 449	2 537
Profit after tax	615	841	1 859	1 912
Adjusted Earnings per share, SEK	1,79	1,51	5,40	4,62
Earnings per share after dilution, SEK	1,79	2,44	5,40	5,55
Equity/assets ratio, %			58	60
Return on capital employed, % R12			18,6	24,2
Operating cash flow	702	412	1 447	1 435

Highlights

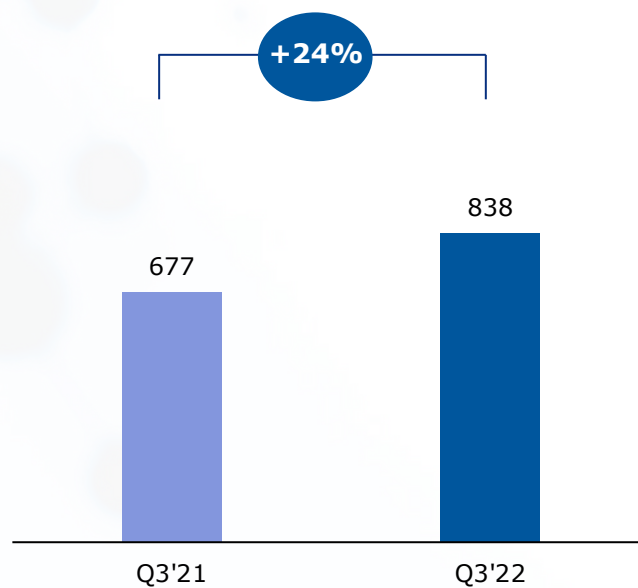
- High sales of 5 921 MSEK, an increase of 44% compared to Q3'21
- Operating Profit of 838 MSEK, an increase of 24% compared to Adjusted Operating Profit in Q3'21
- Operating Margin of 14,2%, negatively impacted by acquisitions and raw material shortages and prices
- Strong Equity/Asset ratio of 58%
- High return on capital employed at 18,6%

Q3 Financial Highlights

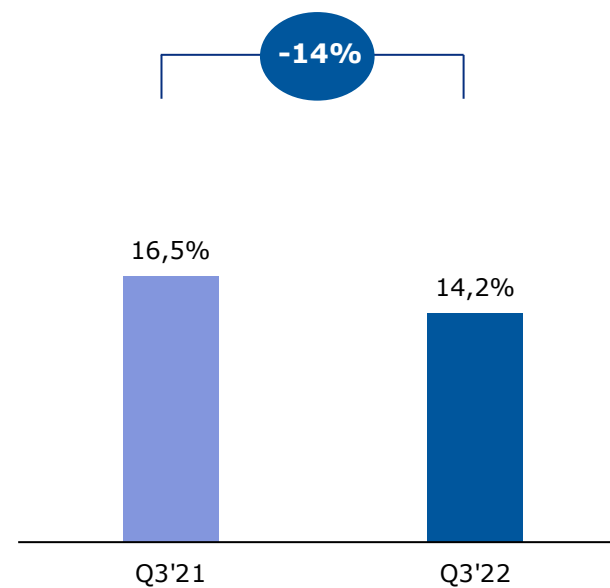
Sales
MSEK



Operating Profit*
MSEK



Operating Margin*
%

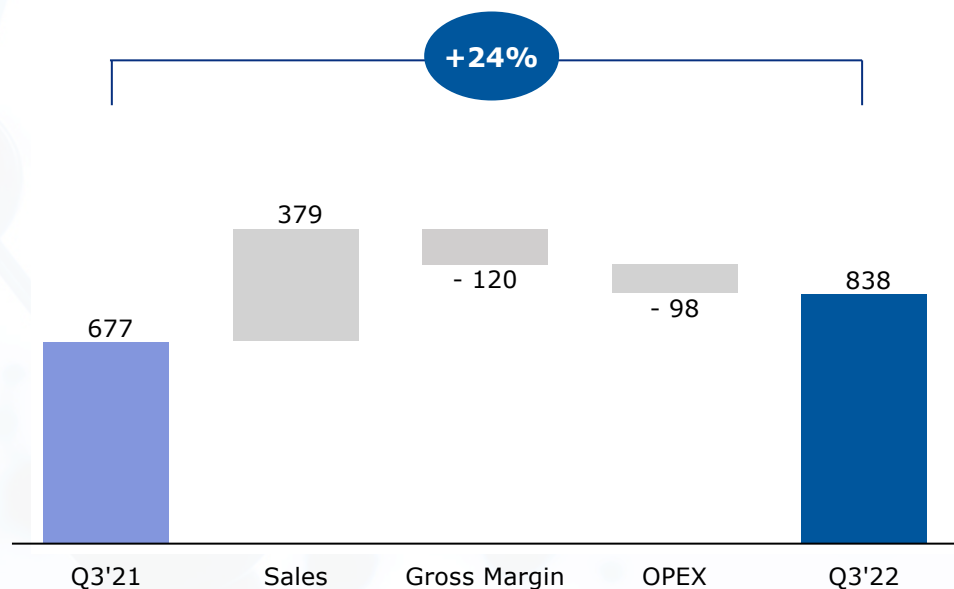


* Excluding one time items in Q3'21

Q3 Operating Profit

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

Operating Profit*
MSEK

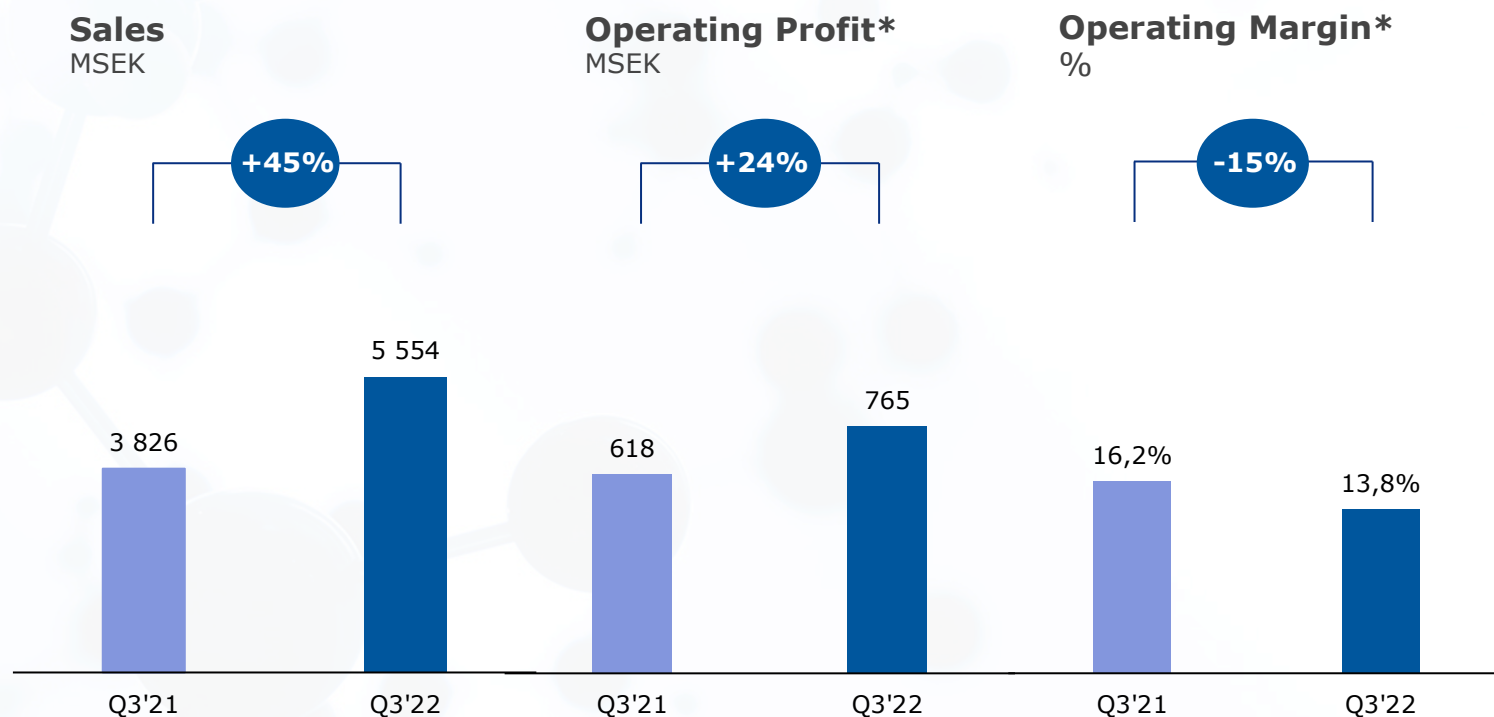


Highlights

- Strong sales
- As previously communicated, negative impact on gross margin from acquisitions
- Further negative impact on gross margin from continuously higher raw material and energy prices
- OPEX up primarily driven by acquisitions, inflation and negative FX effects

* Excluding one time items in Q3'21

Q3 HEXPOL Compounding

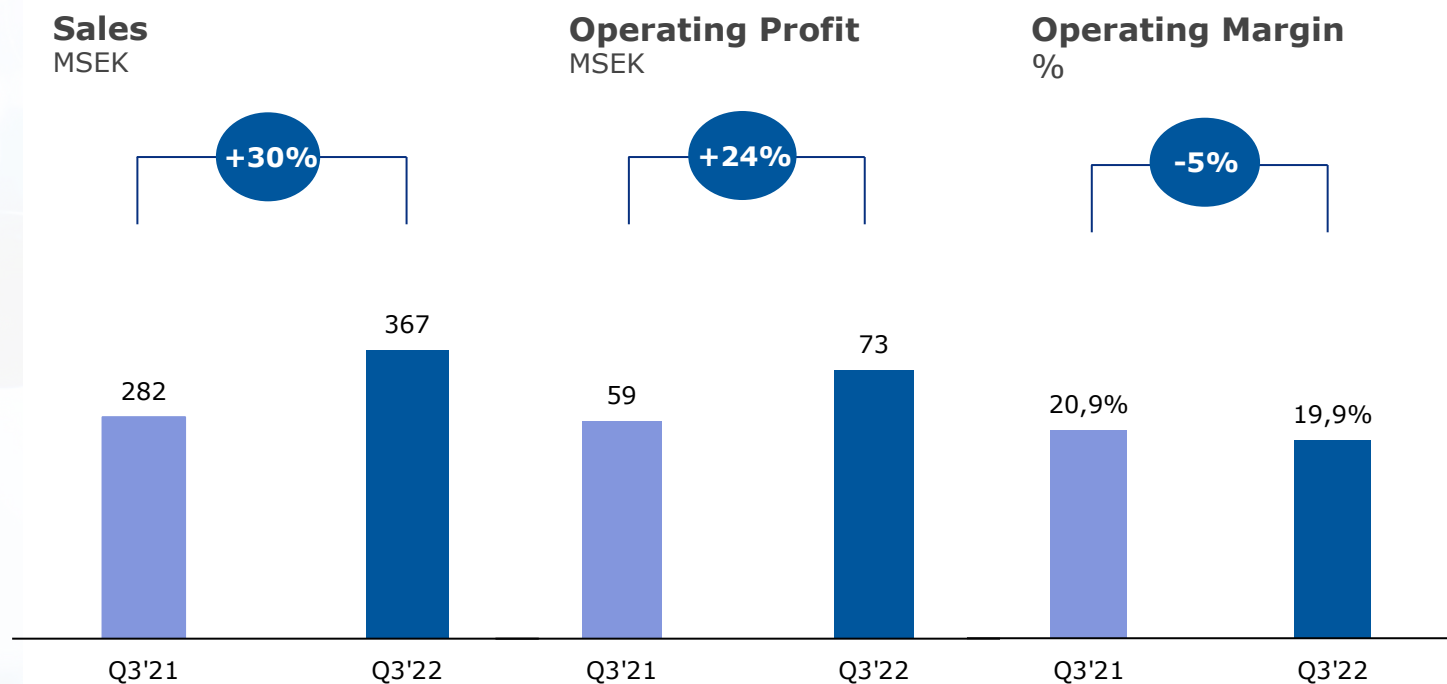


Highlights

- Strong sales increase vs LY primarily driven by organic growth of 21% and acquisitions 7% but also positive FX effects
- The higher sales were driven by improvements in most customer segments and all product areas
- Operating Profit well above LY
- Lower Operating Margin due to acquisitions with lower margin and raw material challenges

* Excluding one time items in Q3'21

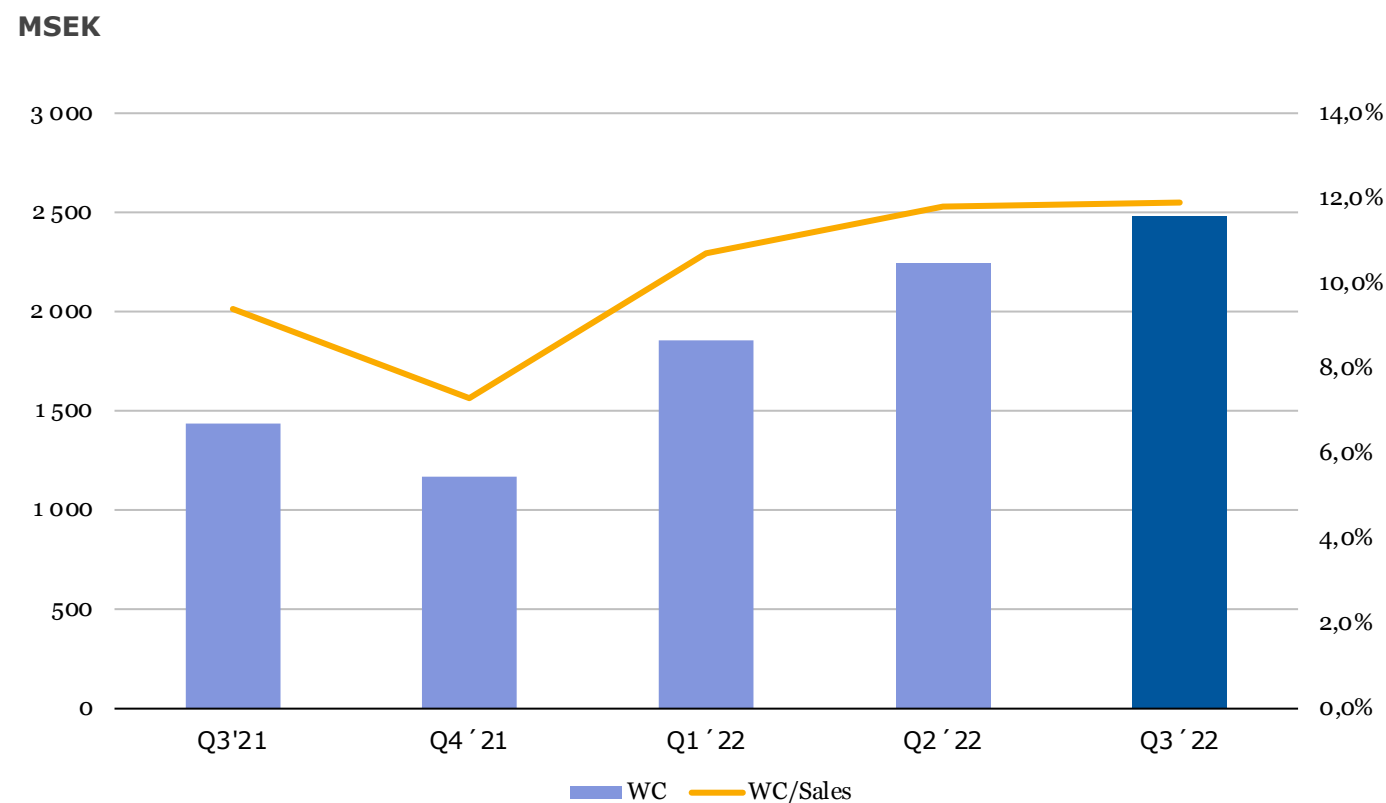
Q3 HEXPOL Engineered Products



Highlights

- Sales well above last year
- Overall strong performance but especially HEXPOL Wheels performed very well
- Sri Lankan economy under severe pressure but our export oriented operations continue to run
- Operating Profit well above LY
- Somewhat lower Operating Margin affected by higher raw material prices

..... Q3 Working Capital

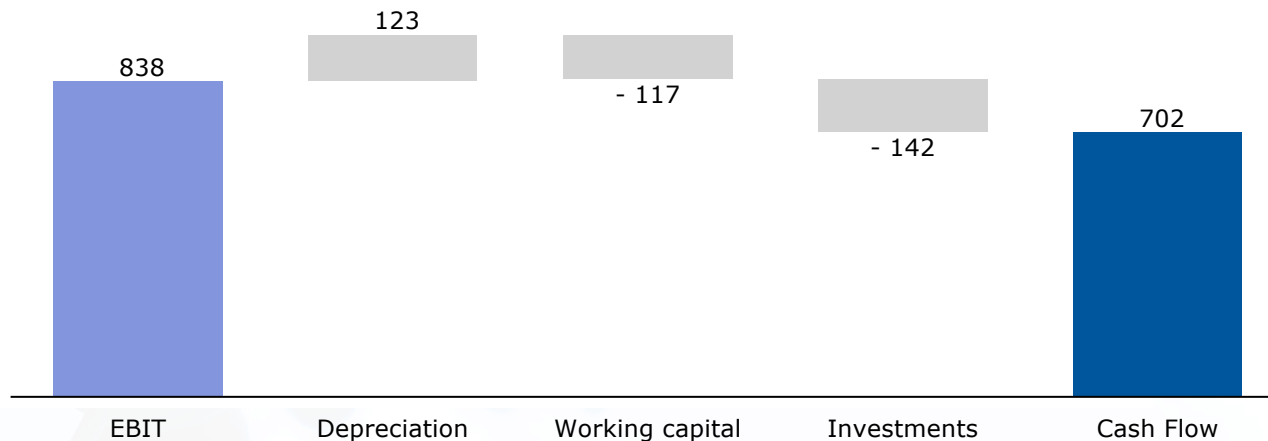


Highlights

- Increased working capital mainly driven by decision to increase inventory level in the face of global raw material shortages
- In addition, the acquisition of almaak adds some 250 MSEK in working capital

..... Q3 Cash Flow

Cash Flow
MSEK



Highlights

- Solid cash flow in the quarter, negatively impacted by higher working capital levels and temporarily higher investment level
- The higher investment level is mainly driven by investments related to newly acquired almaak and the acquisition of a production building

Q3 Net Debt

Strong financial position

MSEK	30-sep 2022	31-dec 2021
Cash at hand	1 677	1 320
Used credit facilities	-4 447	-2 219
Net debt	-2 770	-899
Net debt/EBITDA*	0,80	0,25

* EBITDA is R12 months



Highlights

- Strong cash position
- Net Debt/EBITDA ratio temporarily higher affected by dividend pay out (including extra dividend) and the acquisition of almaak

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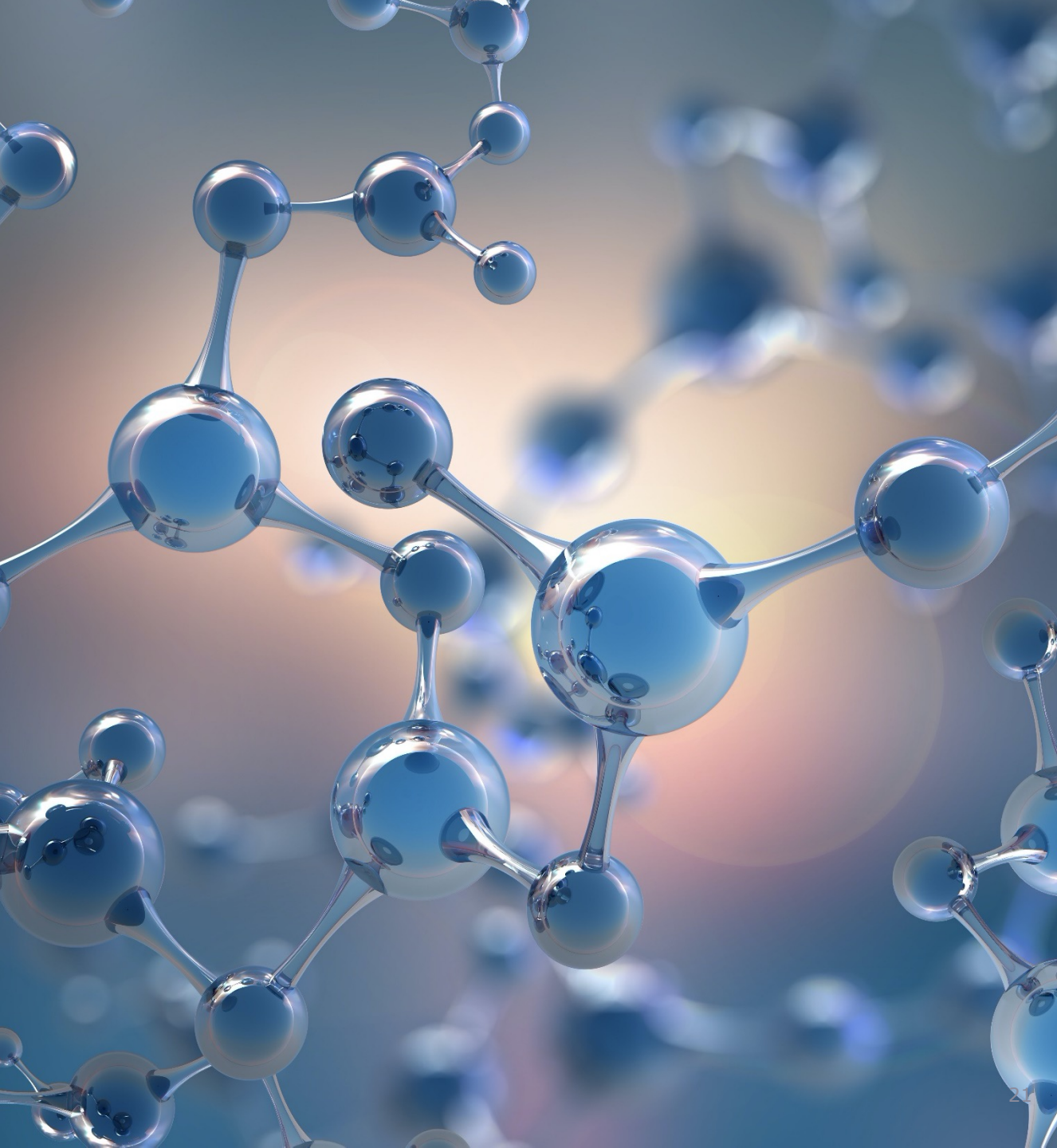
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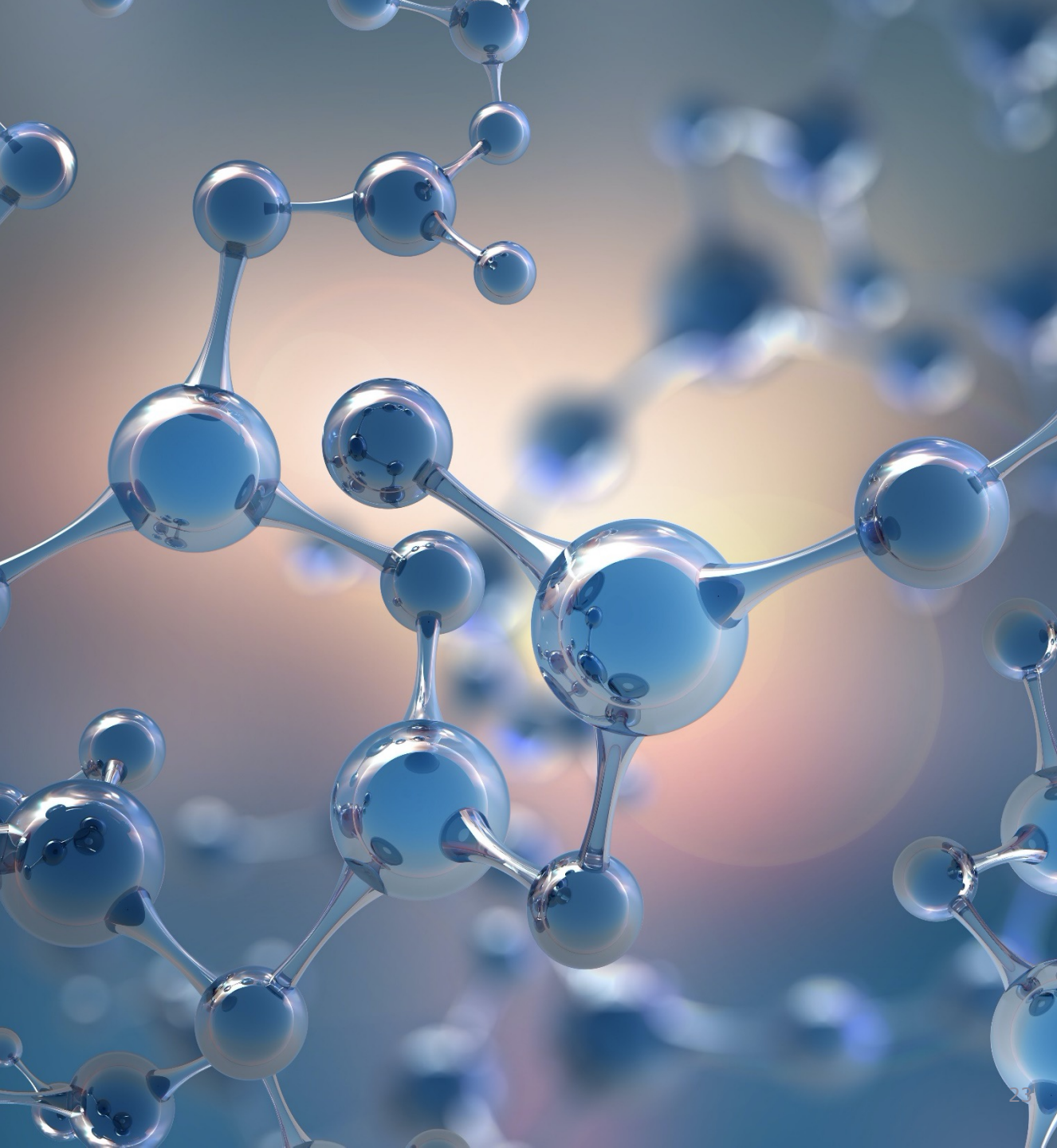


Focus Going Forward

..... Focus Going Forward

- Handle health and safety of our employees
- Manage volatility in demand
- Manage the current challenges in global supply chains and raw material prices
- Strong execution of our business model
- Continue to execute our updated strategy including:
 - Active M&A
 - Further development of our sustainability work
- We are flexible and ready to meet the forecasted increase in light vehicle production





Q&A

Thank You

www.HEXPOL.com