

# HEXPOL Q4 2022 Presentation

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Georg Brunstam CEO  
Peter Rosén CFO

January 27, 2023

# ..... Q4 2022 Presentation

**Presented by**



Georg Brunstam  
CEO



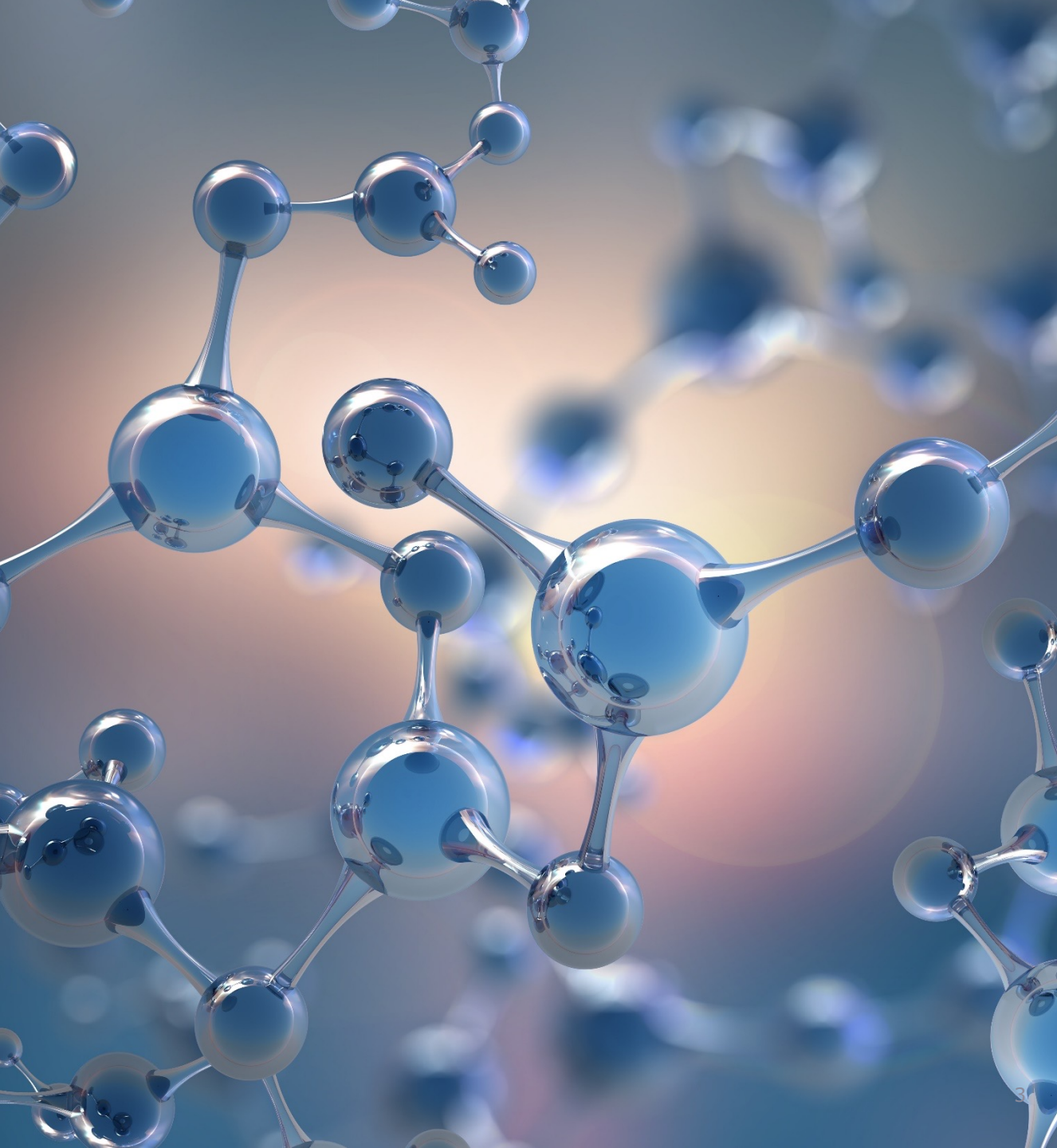
Peter Rosén  
CFO

## **Agenda**

- Business Performance
- Financial Overview
- Focus going forward
- Q&A







# **Business Performance**

# ..... Record 4th Quarter and Sequential Margin Improvement

- **Best Q4 Ever – So Far**

- Good sales in all regions and product segments
- End of December saw lower sales compared to beginning of quarter following on customer de-stocking and extreme weather in the US
- Continued execution of our strong business model where price increases on raw material and energy are passed on
- Record Q4 EBIT at 811 MSEK (628) and sequential margin improvement from Q3'2022

- **Continued turbulent and difficult environment**

- Sales to automotive segments show slow improvement but still varied development
- High uncertainty in Europe, primarily with Building & Construction
- Continued global supply issues, price increases on raw material and high energy prices

- **M&A continues with recycling focus**

- McCann, an American specialist in thermoplastic compounding, consolidated from 1 December
- almaak, a specialist in advanced recycled engineered compounds, consolidated from April Q2
- Both acquisitions fully in line with our M&A strategy and support our sustainability agenda

- **Going forward**

- Current global challenges with high inflation and interest rates, supply chain issues and raw material issues will most likely 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





# ..... Record 4th Quarter and Sequential Margin Improvement

- **HEXPOL Compounding**

- Good sales in all regions and product areas
- End of December saw lower sales compared to beginning of quarter following on customer de-stocking and extreme weather in the US
- Sales to automotive segments show slow improvement but still varied development
- High uncertainty seen 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

- **HEXPOL Engineered Products**

- Sales well above last year, driven by increased demand for energy saving products
- Strong EBIT, helped by positive FX effects

- **Continued focus on sustainability**

- Focus to reach CO2 target reduction with 75% by 2025 – good progress
- New compounds with bio based and recycled material

- **M&A**

- High focus and increased activity level
- almaak and McCann acquisitions completed during the year
- VICOM and Unica completed during 2021



# ..... Strong Culture Delivering

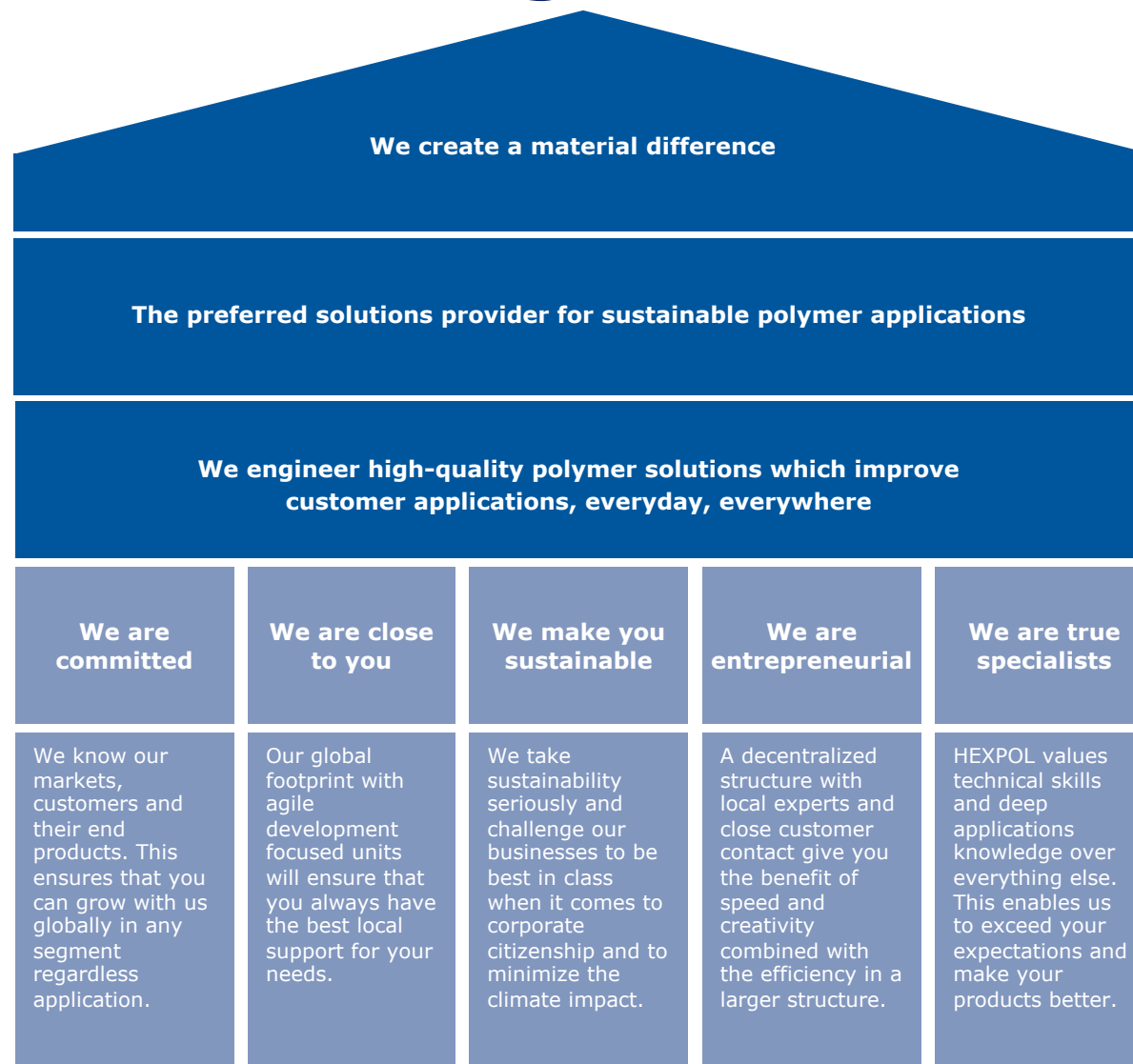
**Purpose**  
The positive impact of what we do

**Vision**  
Our long-term objective

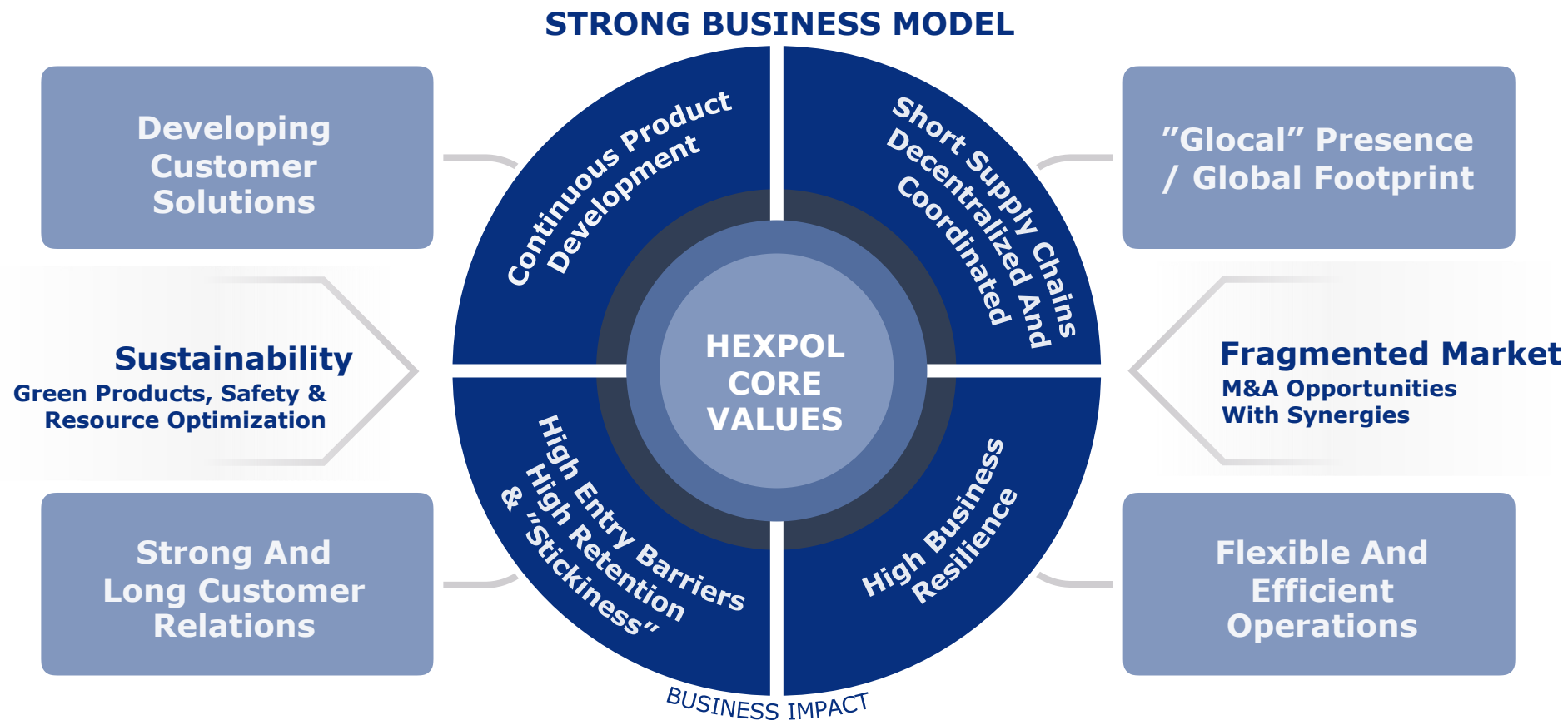
**Mission**  
What we do daily

**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

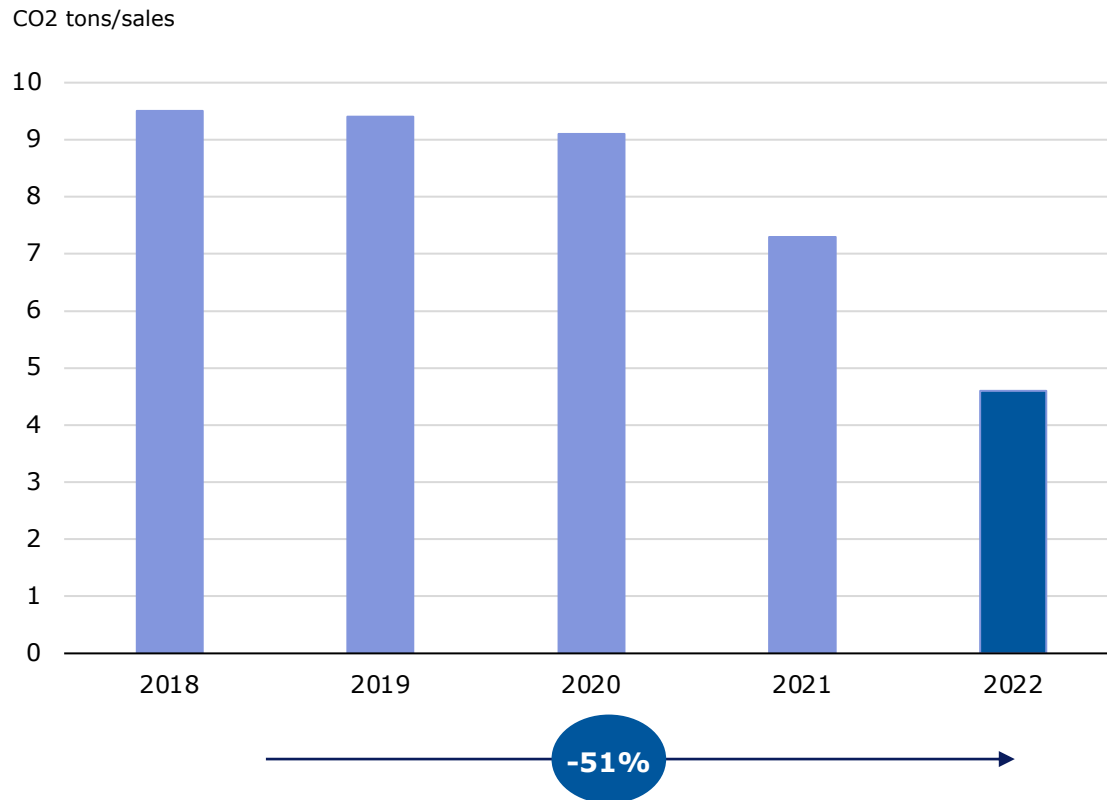
75% reduction of CO<sub>2</sub>  
emissions by 2025

Further  
develop our  
portfolio of  
"green products"

Increase the use of bio-  
based and recycled raw  
materials

# ..... Sustainability – Reduction of CO2 Emissions

Sustainability actions drive towards fulfilment of target



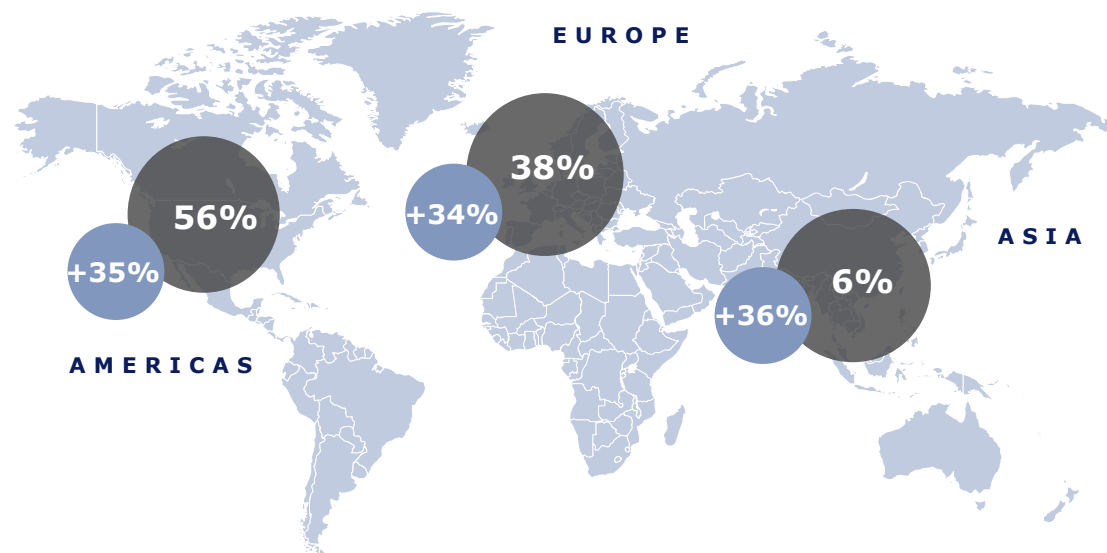
## Highlights

- CO2 emissions from energy consumption (tons/sales) are to decrease with 75% by 2025 compared to the average for 2018/2019
- Driven by the sustainability actions, the CO2/sales emissions have decreased every year and have by 2022 reached a 51% reduction
- We are very comfortable we will reach our target by 2025

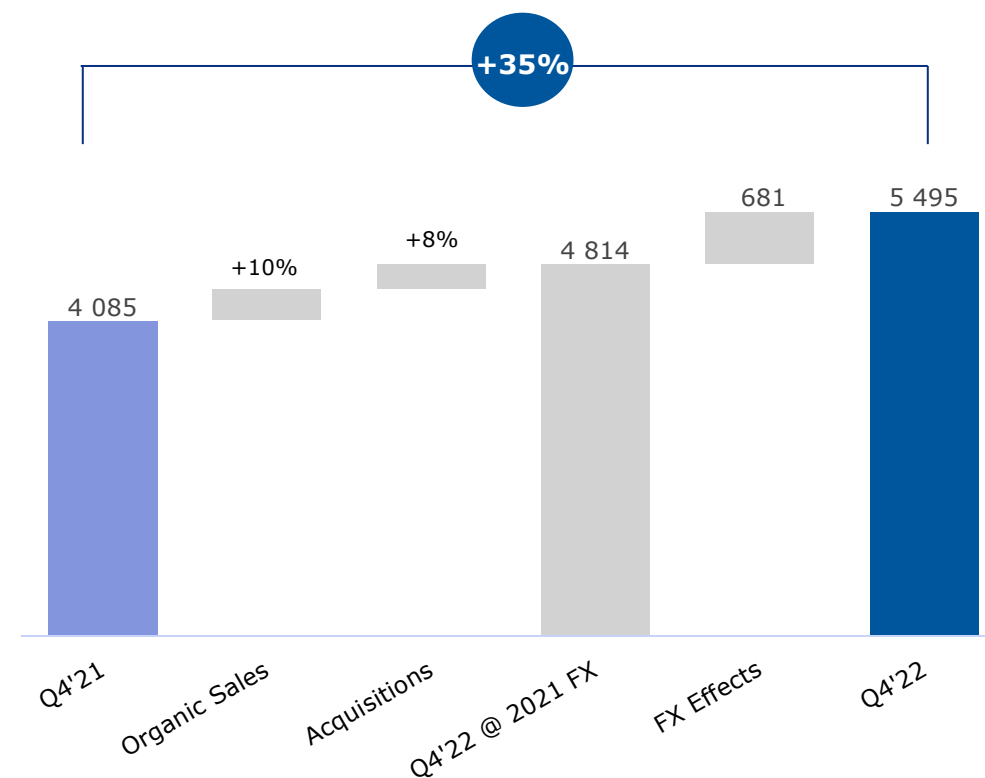
# Q4 Sales Development

Strong sales growth

## Regional Development



## Sales development MSEK







# Financial Overview

# Q4 Financial Overview

## Record high Q4 result



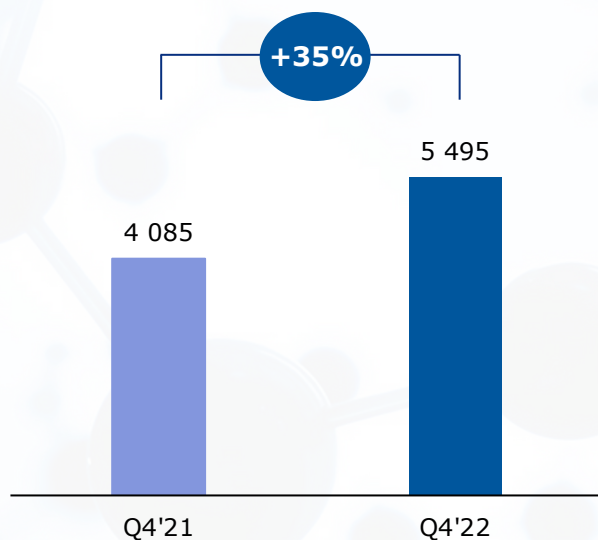
| Key figures<br>MSEK                                    | Q4'22 | Q4'21 | FY 2022 | FY 2021 |
|--|-------|-------|---------|---------|
| Sales  | 5 495 | 4 085 | 22 243  | 16 005  |
| Adjusted EBITA   | 837   | 651   | 3 358   | 2 812   |
| Adjusted EBITA Margin, %                               | 15,2  | 15,9  | 15,1    | 17,6    |
| Adjusted Operating Profit                              | 811   | 628   | 3 260   | 2 737   |
| Adjusted Operating Margin, %                           | 14,8  | 15,4  | 14,7    | 17,1    |
| Operating Profit                                       | 841   | 537   | 3 290   | 3 074   |
| Profit after tax                                       | 624   | 446   | 2 483   | 2 358   |
| Adjusted Earnings per share, SEK                       | 1,74  | 1,48  | 7,14    | 6,09    |
| Earnings per share after dilution, SEK                 | 1,81  | 1,29  | 7,21    | 6,85    |
| Equity/assets ratio, %                                 |       |       | 58      | 65      |
| Return on capital employed, % R12                      |       |       | 19,2    | 22,8    |
| Operating cash flow (2021 excluding insurance payment) | 1 366 | 752   | 2 813   | 2 731   |

### Highlights

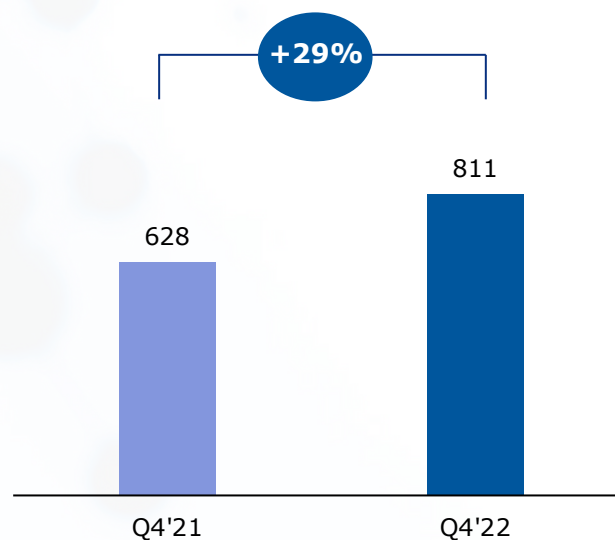
- High sales of 5 495 MSEK, an increase of 35% compared to Q4'21
- Adjusted Operating Profit of 811 MSEK, an increase of 29% compared to Adjusted Operating Profit in Q4'21
- Adjusted Operating Margin of 14,8%, negatively impacted by acquisitions and raw material shortages and prices
- Strong Equity/Asset ratio of 58%
- High return on capital employed at 19,2%
- Very strong cash flow of 1 366 MSEK

# Q4 Financial Highlights

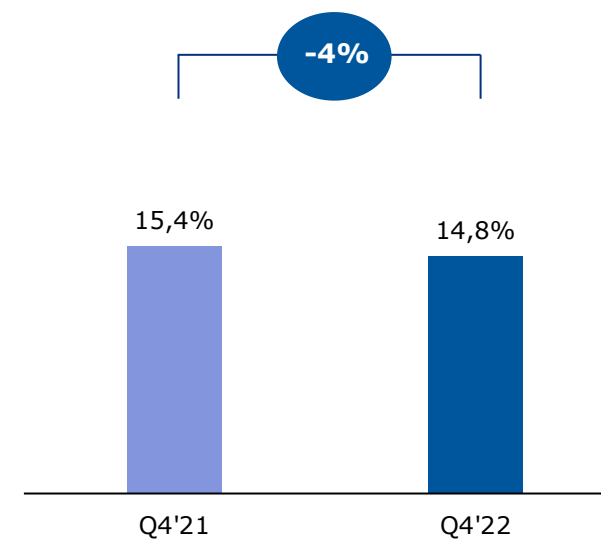
**Sales**  
MSEK



**Adjusted Operating Profit\***  
MSEK



**Adjusted Operating Margin\***  
%



\* Excluding one off items

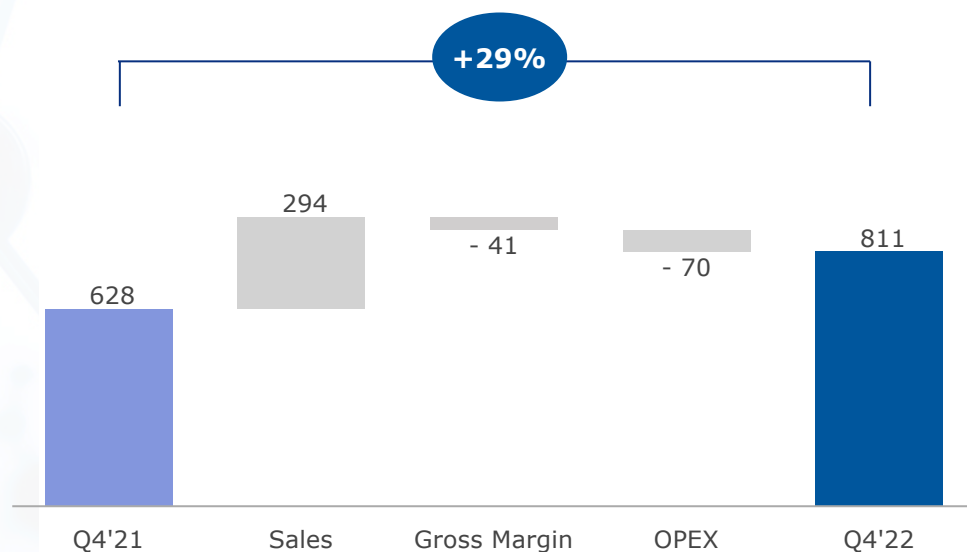


# Q4 Operating Profit

Higher sales drive higher operating profit

## Adjusted Operating Profit\*

MSEK

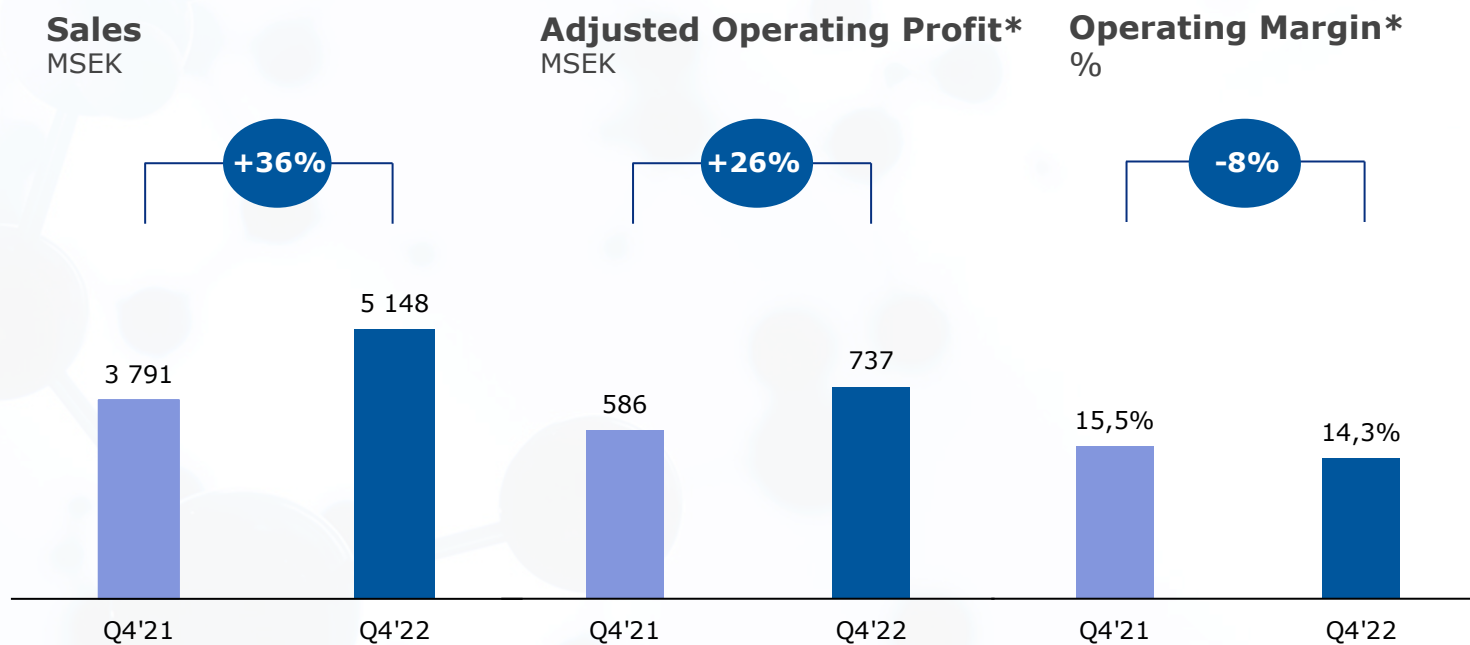


## Highlights

- Strong sales drive higher operating profit
- As previously communicated, negative impact on gross margin from acquisitions
- OPEX up primarily driven by acquisitions, inflation and negative FX effects

\* Excluding one off items

# Q4 HEXPOL Compounding

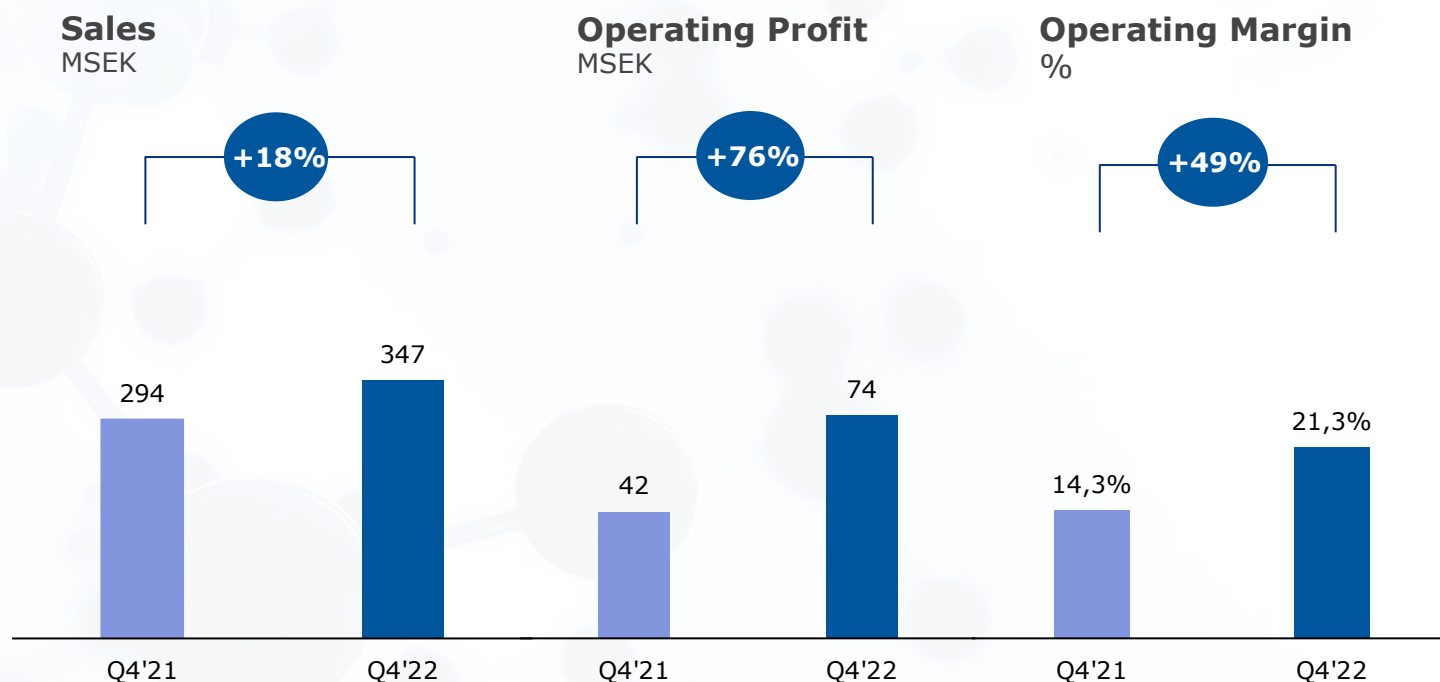


## Highlights

- Strong sales increase vs LY primarily driven by organic growth of 11% and acquisitions 8% but also positive FX effects
- The higher sales were driven by improvements in most customer segments and all product areas
- Adjusted Operating Profit well above LY
- Lower Operating Margin due to acquisitions with lower margin and raw material challenges

\* Excluding one off items

# Q4 HEXPOL Engineered Products



## Highlights

- Sales well above last year
- Overall strong performance in all product areas
- Sri Lankan economy under severe pressure but our export oriented operations continue to run
- Operating Profit well above LY
- High operating margin, partly driven by positive FX effects in Sri Lanka



# ..... Q4 Working Capital



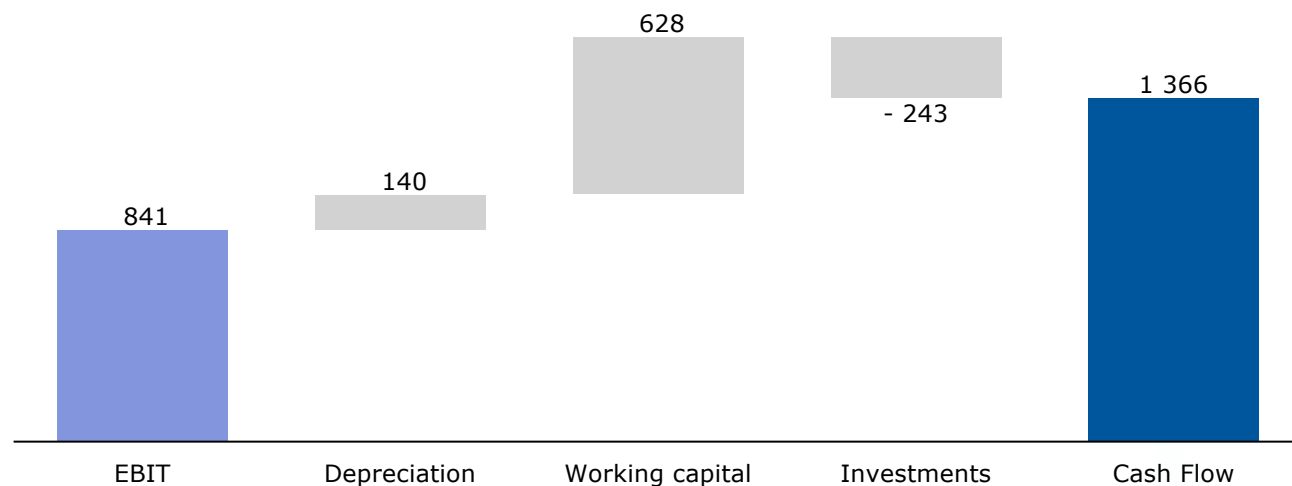
## Highlights

- Improved working capital to a large extent driven by lower inventory levels following on more stable supply of raw materials
- Compared to last year, the acquisitions of almaak and McCann added some 350 MSEK in working capital

# Q4 Cash Flow

Record strong cash flow

Cash Flow  
MSEK



## Highlights

- Record strong cash flow in the quarter, positively impacted by lower working capital levels
- The higher investment level is mainly driven by investments related to newly acquired almaak and McCann

# Q4 Net Debt

Strong financial position



| MSEK                   | 31-dec<br>2022 | 31-dec<br>2021 |
|------------------------|----------------|----------------|
| Cash at hand           | 1 541          | 1 320          |
| Used credit facilities | -4 386         | -2 219         |
| Net debt               | -2 845         | -899           |
| Net debt/EBITDA*       | 0,75           | 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 acquisitions of almaak and McCann

# ..... Record 4th Quarter and Sequential Margin Improvement

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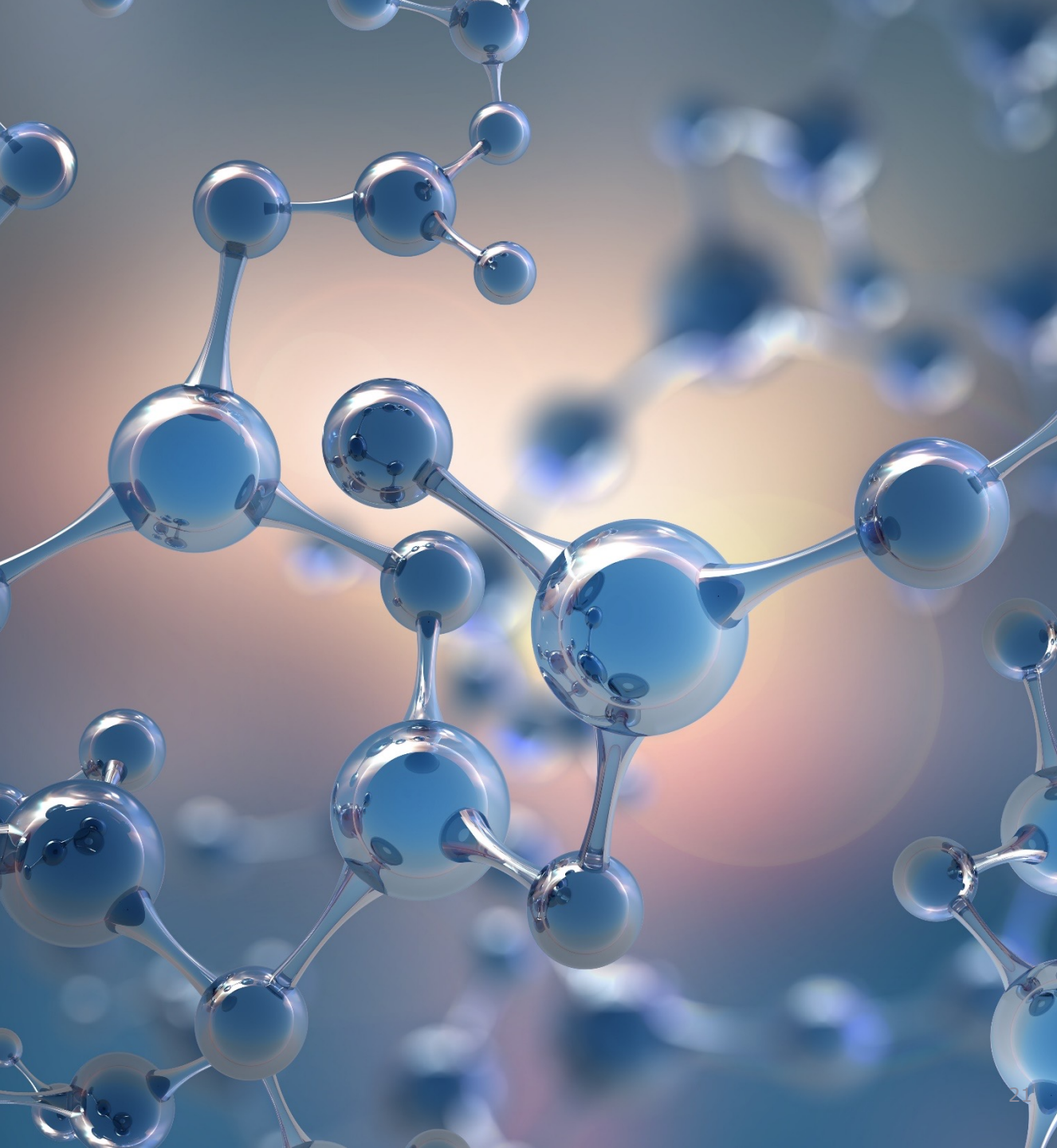
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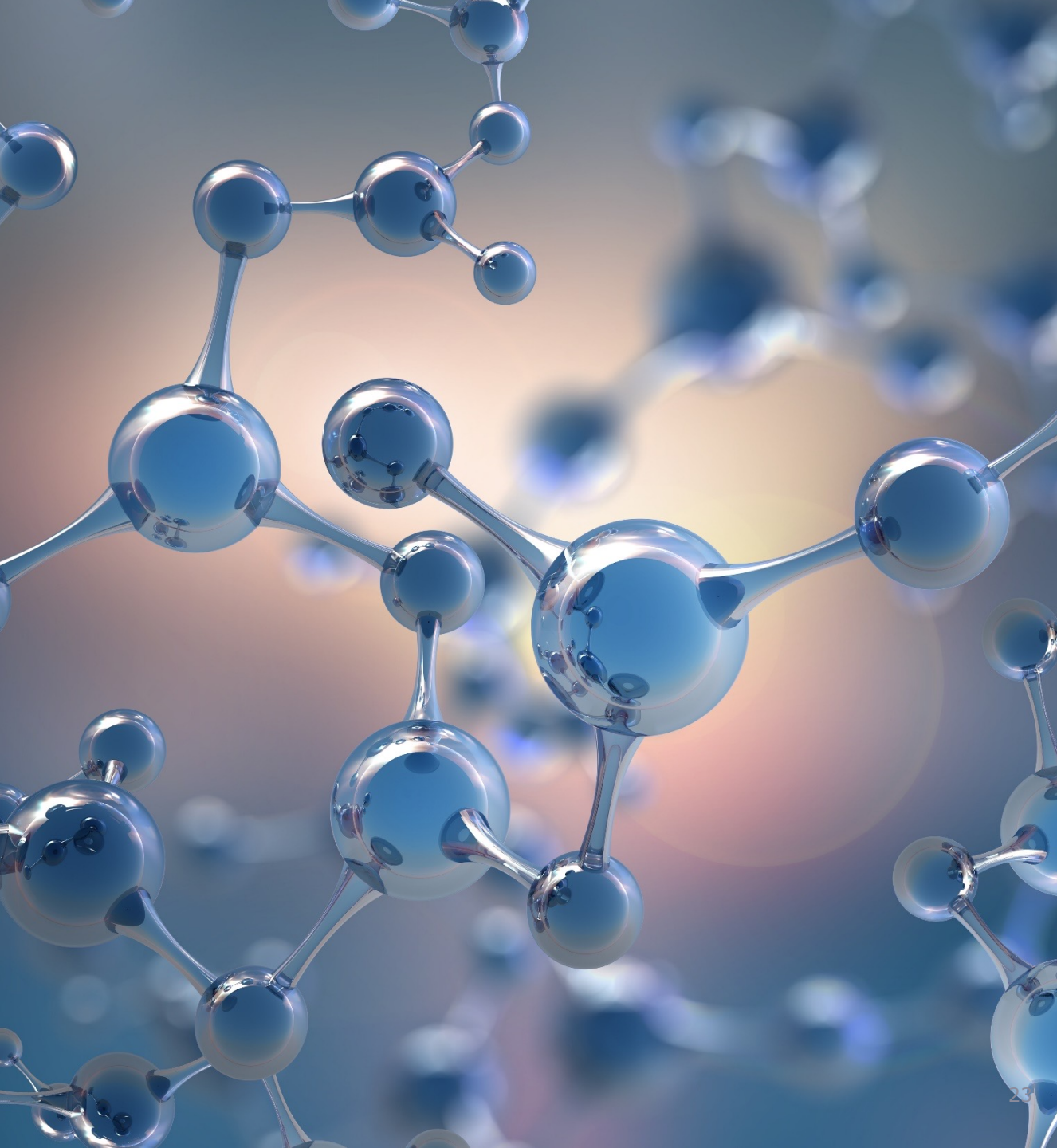


# Focus Going Forward

# ..... 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

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