

Welcome to HEXPOL

Q3, 2019 Report update

October 24, 2019

CEO Mikael Fryklund
CFO Karin Gunnarsson



Agenda

- Introduction to HEXPOL
- Q3 2019 – HEXPOL Group
- Q3 2019 – Business areas
- January – September 2019 – Key figures
- Q3 2019 – Summary
- 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.

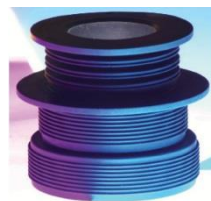


HEXPOL – A well positioned Group

- Two business areas:
 - HEXPOL Compounding
 - HEXPOL Engineered Products

- Global presence
- Operations in 14 countries
- Around 5,100 employees
- Headquarters in Malmö, Sweden

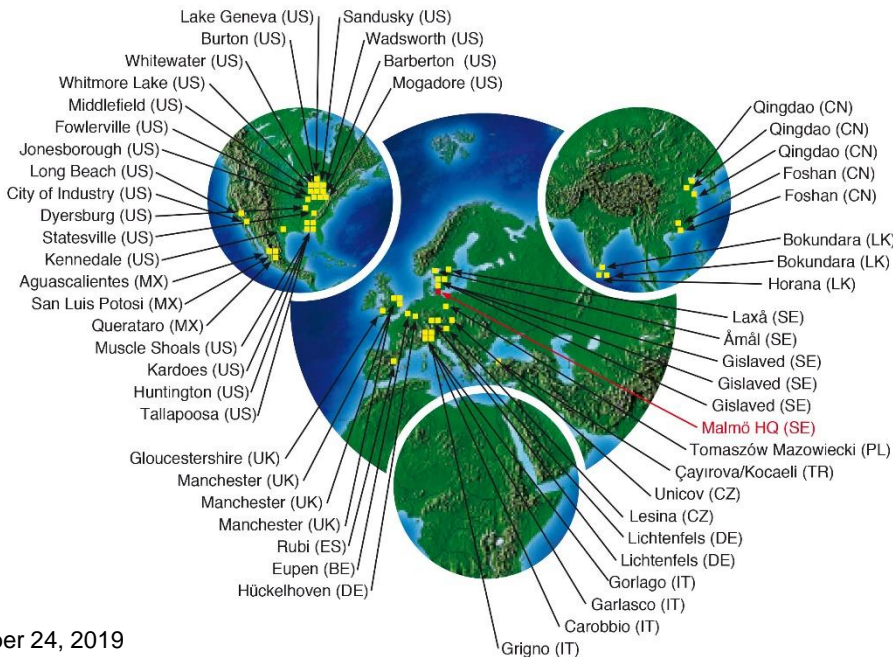
- 97 percent of sales outside Sweden
- Shares listed on Nasdaq Stockholm, Large Cap



- 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

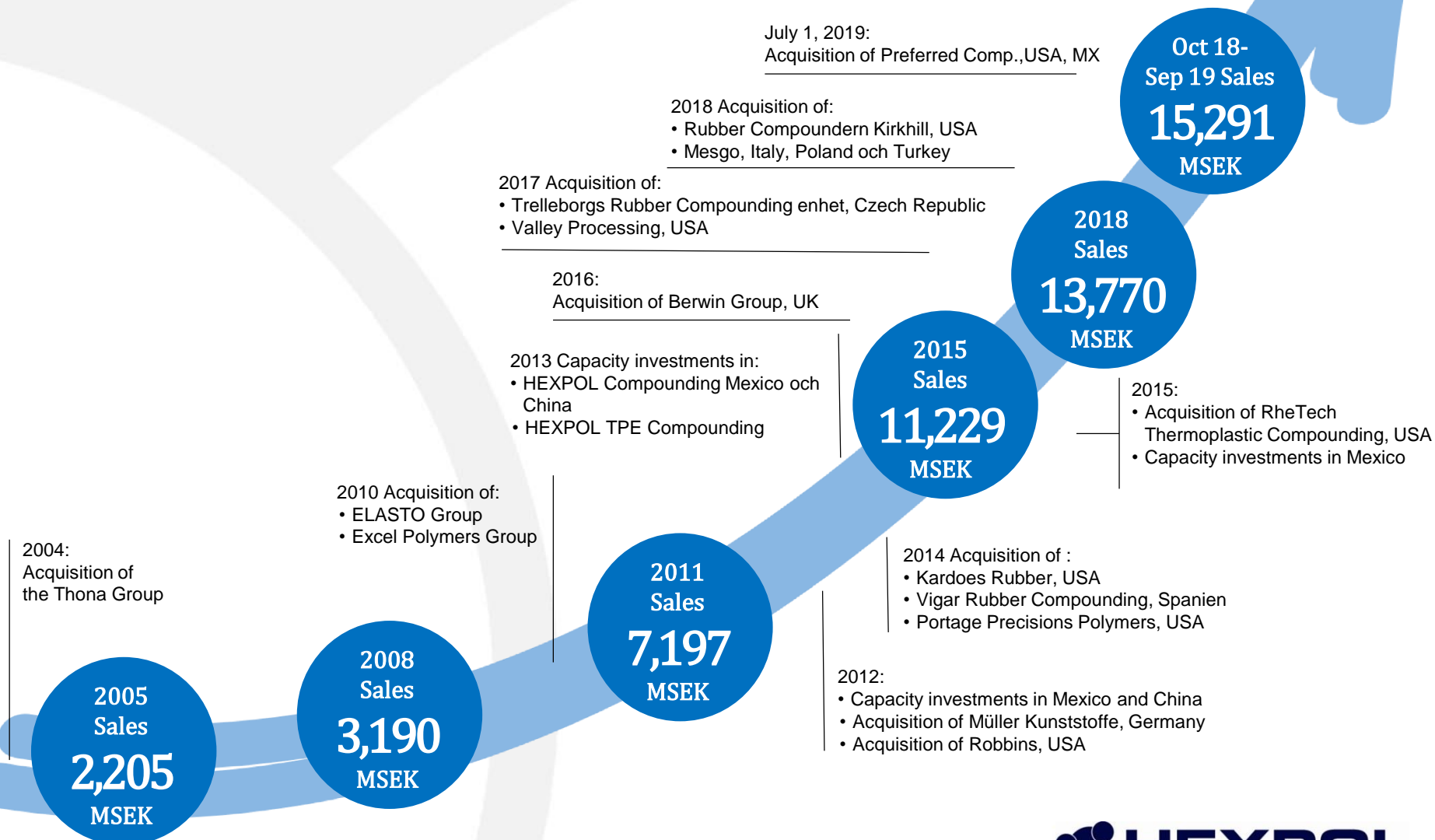
- True global footprint
- Historical strong sales growth and good profitability
- Well invested and strong cash flow
- Long industrial history with highly experienced and dedicated management and board



- 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

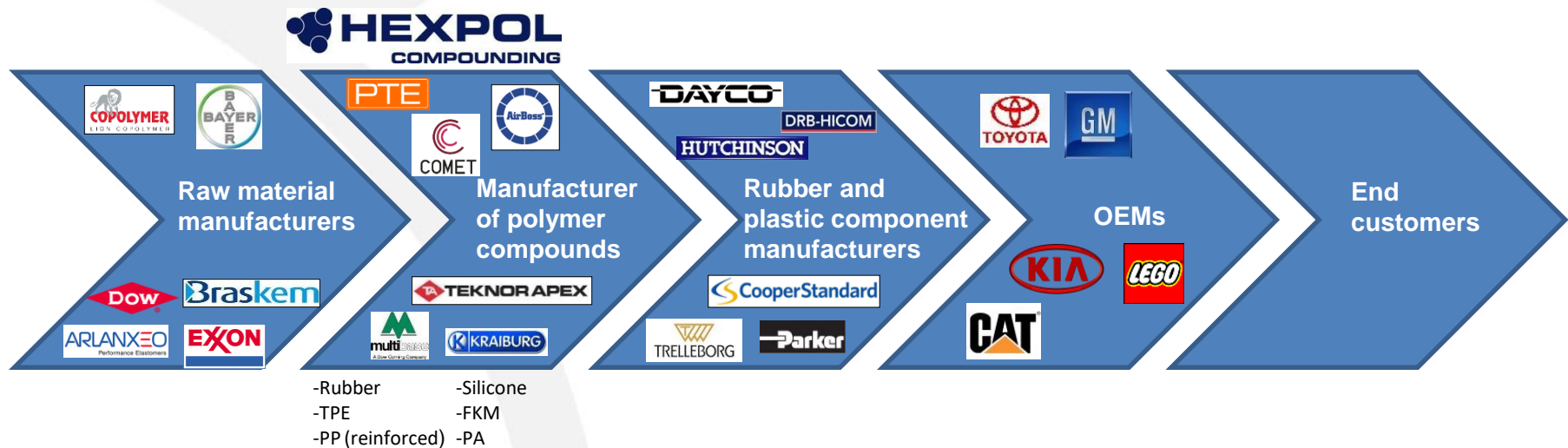
HEXPOL – A fast growing Group



October 24, 2019

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:

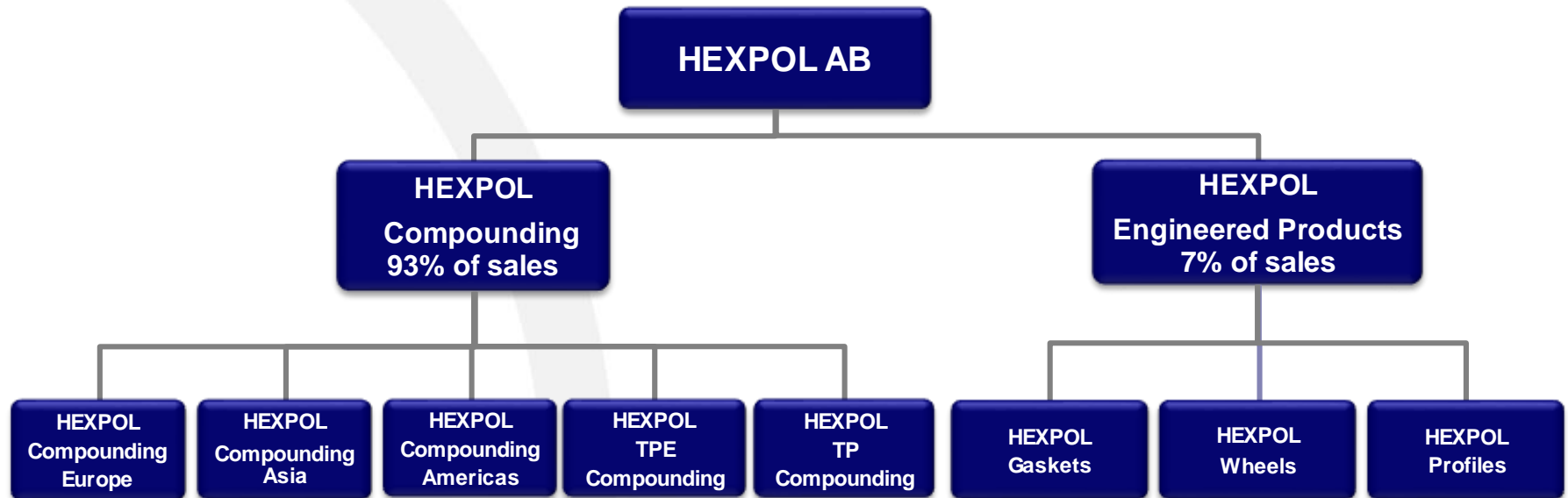
- Fragmented market – few global players – many local players
- Few industrial consolidators
- Few vertically integrated companies

HEXPOL – Organisation and sales distribution

HEXPOL – With a stable organisation

Two business areas:

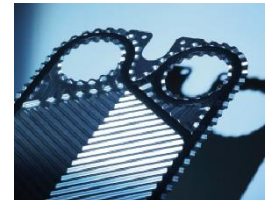
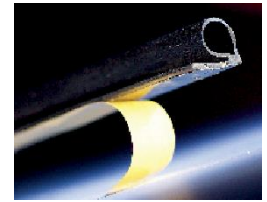
- HEXPOL Compounding (93% of sales)
- HEXPOL Engineered Products (7% of sales)



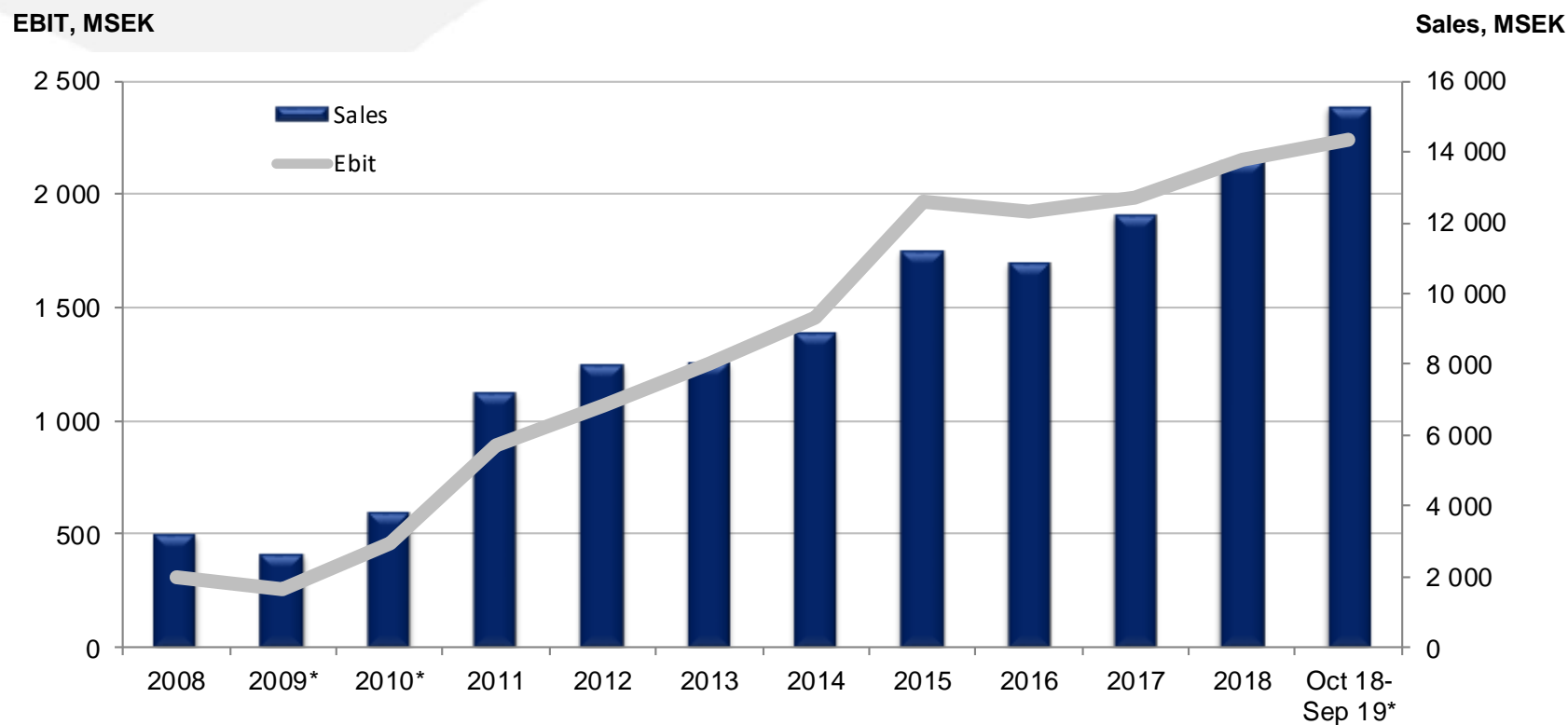
HEXPOL – A fast growing Group

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



Q3 2019 – Increased sales and significant strategic acquisition

MSEK	2019 Q3	2018 Q3	2019 Q2	
Sales	4 244	3 443	3 685	
EBITA, excl. non-recurring items	604	535	566	
EBITA margin, excl. non-recurring items, %	14,2	15,5	15,4	
Operating profit, excl. non-recurring items	583	527	551	
Operating margin, excl. non-recurring items, %	13,7	15,3	15,0	
Operating profit, EBIT	483	527	551	
Profit after tax	355	404	413	
Earnings per share, excl. non-recurring items, SEK	1,27	1,17	1,20	

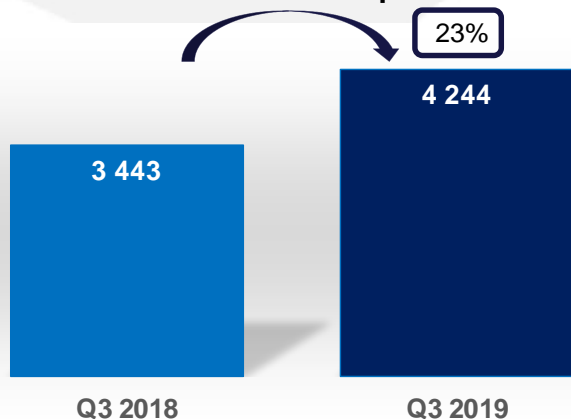
+23%

+11%

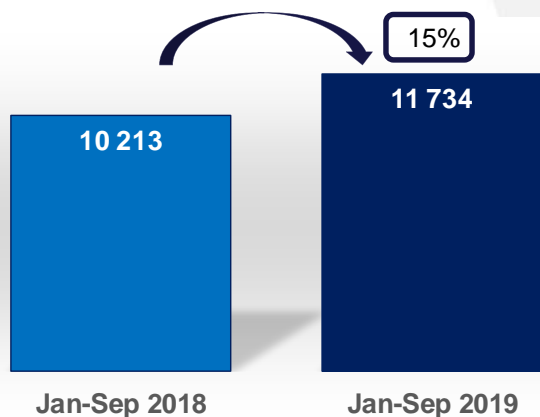
- Sales increased 23%
- Operating profit, excl. non-recurring items, increased 11%
- Non-recurring items, amounted to 100 MSEK in Q3

Q3 2019 – Increased sales and significant strategic acquisition

– Sales development



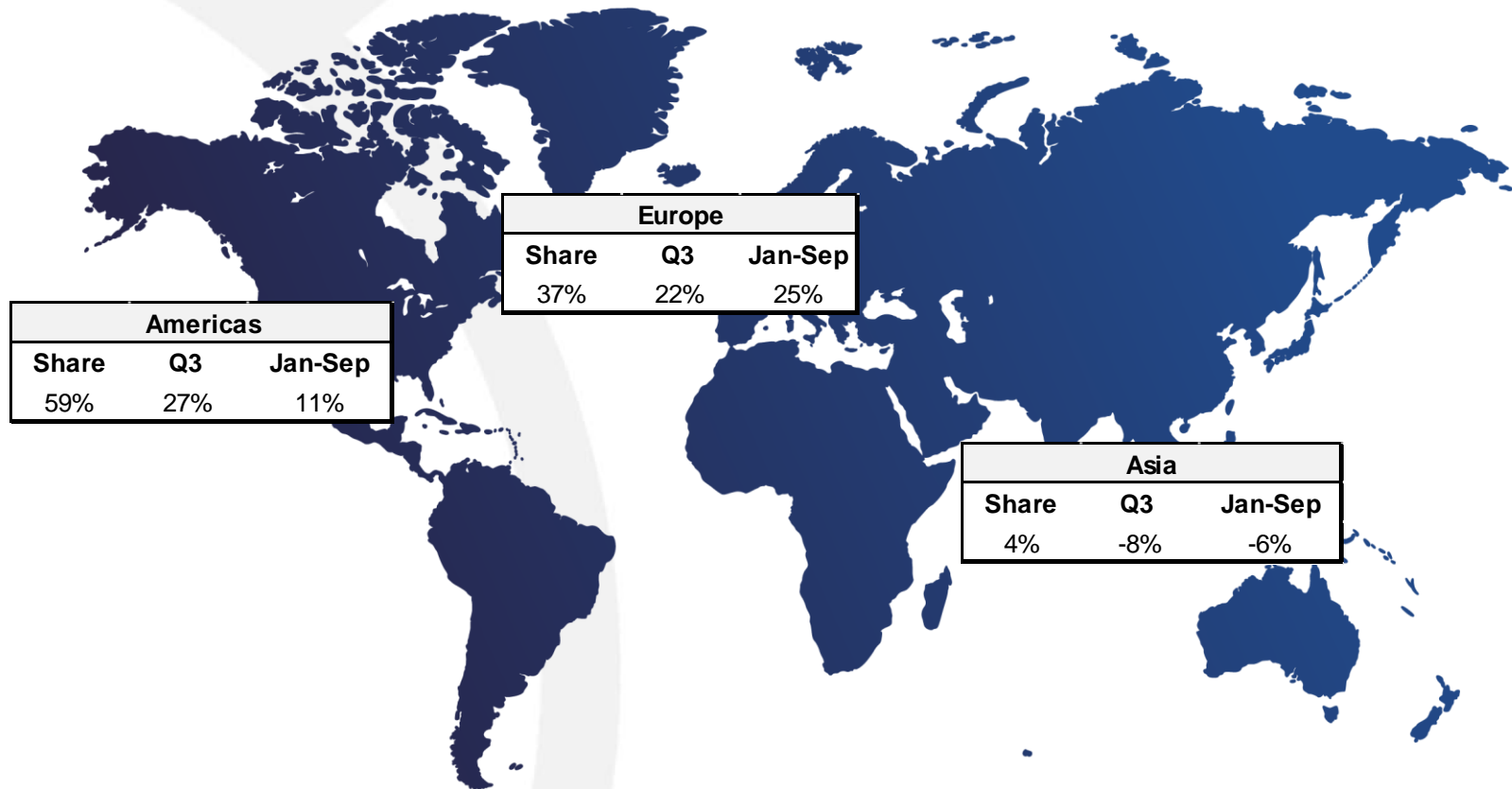
Q3 (%)	
Acquisition	26
Organic	-8
Currency	5
Total	23



Jan-Sep (%)	
Acquisition	16
Organic	-8
Currency	7
Total	15

HEXPOL – Sales split and development per region

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



Q3 2019 – Increased sales and significant strategic acquisition

- Strong balance sheet, well equipped for further expansion

Key figures	2019	2018	2019
MSEK	Q3	Q3	Q2
Sales	4 244	3 443	3 685
EBITA, excl. non-recurring items	604	535	566
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Operating profit, EBIT	483	527	551
Profit after tax	355	404	413
Earnings per share, excl. non-recurring items, SEK	1,27	1,17	1,20
Earnings per share, SEK	1,03	1,17	1,20
Operating cash flow	812	516	709
Netdebt	-3 089	-28	-1 425
Equity/assets ratio, %	53	64	58
Return on capital employed, % R12	16,9	24,0	19,1

Our financial position remain strong and provides scope for continued expansion

Q3 2019 – Business areas

- Increased sales and significant strategic acquisition

MSEK	Net Sales			Operating Profit			Operating Margin, %		
	2019 Q3	2018 Q3	2019 Q2	2019 Q3	2018 Q3	2019 Q2	2019 Q3	2018 Q3	2019 Q2
HEXPOL Compounding	3 984	3 180	3 418	547*	488	516	13,7*	15,3	15,1
HEXPOL Engineered Products	260	263	267	36	39	35	13,8	14,8	13,1

*Excl. non-recurring items

- **HEXPOL Compounding**

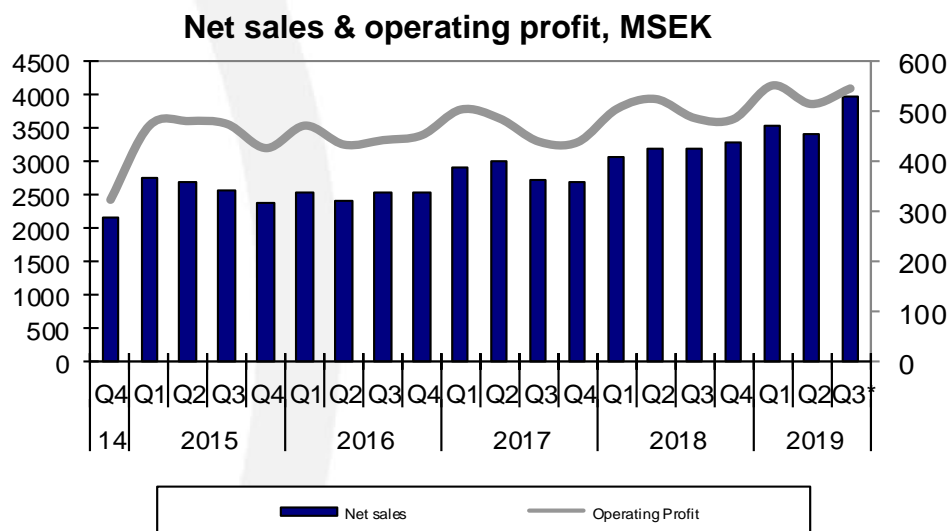
- Increased sales incl. Kirkhill Rubber, Mesgo Group and Preferred Compounding
- Considerably higher volumes, incl. acquisitions
- Increased operating profit, excl. non-recurring items

- **HEXPOL Engineered Products**

- Stable sales
- Slightly lower operating profit

Q3 2019 – HEXPOL Compounding

- Increased sales and significant strategic acquisition
- **Sales increased (incl. Kirkhill Rubber, Mesgo Group and Preferred Compounding) 25% to 3,984 MSEK (3,180)**
 - Considerably higher volume, with higher volumes in Europe and Americas, while the volumes in Asia were lower
 - Adjusted for the acquired operations in Kirkhill and Preferred Compounding the volumes were lower in Americas
 - Adjusted for the acquired operations in Mesgo Group the volumes were stable in Europe
 - When the sales decline at customer within rubber compounding with own mixing capacity, they tend to insource somewhat more, which has affected the organic sales growth
- **Operating profit, excl. non-recurring items, increased 12% to 547 MSEK (488)**
 - Operating margin, excl. non-recurring items, amounted to 13.7% (15.3), affected by lower organic volume, acquisitions, mix changes and amortization of acquired intangible assets

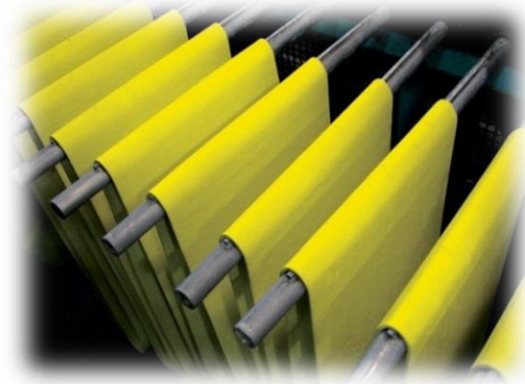


*Excl. non-recurring items

Q3 2019 – HEXPOL Compounding

- Increased sales and significant strategic acquisition

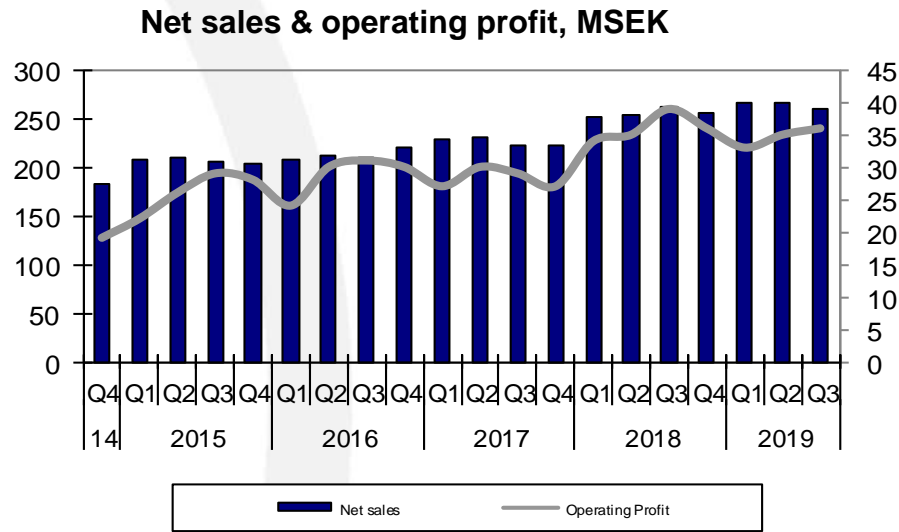
- **HEXPOL Compounding Americas (incl. Kirkhill and Preferred Compounding) – considerably higher sales**
 - Increased sales to automotive, building & construction, engineering & general industry and wire and cable industry
 - Excl. Kirkhill and Preferred, sales were lower to automotive and building & constructions and stable to engineering & general industry
- **HEXPOL Compounding Europe (incl. Mesgo Group) – increased sales**
 - Sales increased to automotive, engineering & general industry, building & construction and wire and cable industry
 - Excl. Mesgo Group, sales were lower to engineering & general industry and stable to, building & construction and wire and cable 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
- July 1st Preferred Compounding was acquired. The business is integrated in HEXPOL Compounding Americas organisation and develop according to plan



Q3 2019 – HEXPOL Engineered Products

- Stable sales

- **Net sales were stable and amounted to 260 MSEK (263)**
 - Sales were stable in HEXPOL Wheels but slightly lower in HEXPOL Gaskets
- **Operating profit amounted to 36 MSEK (39)**
- **Operating margin amounted to 13.8% (14.8)**



Jan - Sep 2019 – Increased sales and significant strategic acquisition

- Sales increased 15%
- EBITA, excl. non-recurring items, increased 8%
- Operating profit, excl. non-recurring items, increased 6%
- Earnings per share, excl. non-recurring items, increased 4%
- Operating cash flow increased 40%

Key figures MSEK	Jul-Sep 2019	2018	Jan-Sep 2019	2018	Full Year 2018	Oct 18- Sep 19	
Sales	4 244	3 443	11 734	10 243	13 770	15 291	+15%
EBITA, excl. non-recurring items	604	535	1 777	1 650	2 183	2 310	
EBITA margin, excl. non-recurring items, %	14,2	15,5	15,1	16,2	15,9	15,1	
Operating profit, excl. non-recurring items	583	527	1 720	1 628	2 150	2 242	+6%
Operating margin, excl. non-recurring items, %	13,7	15,3	14,7	15,9	15,6	14,7	
Operating profit, EBIT	483	527	1 620	1 628	2 150	2 142	
Profit before tax	474	531	1 604	1 633	2 161	2 132	
Profit after tax	355	404	1 206	1 241	1 646	1 611	
Earnings per share, excl. non-recurring items, SEK	1,27	1,17	3,74	3,61	4,78	4,91	
Earnings per share after dilution, SEK	1,03	1,17	3,50	3,61	4,78	4,67	
Equity/assets ratio, %			53	64	59		
Return on capital employed, % R12			16,9	24,0	22,5		
Operating cash flow	812	516	1 875	1 340	2 019	2 554	+40%

Our financial position remain strong and provides scope for continued expansion. The dividend of 774 MSEK resolved at the Annual General Meeting was paid in May corresponding to a dividend of 2.25 SEK per share.

Q3 2019 – Increased sales and significant strategic acquisition

– Summary

- Sales increased by 23% to 4,244 MSEK (3,443)
- Operating profit, excl. non-recurring items, increased 11% to 583 MSEK (527)
- Operating margin, excl. non-recurring items, amounted to 13.7% (15.3)
- Strong operating cash flow increased 57% to 812 MSEK (516)
- Earnings per share, excl. non-recurring items increased to 1.27 SEK (1.17)
- Strong financial position, equity asset ratio 53%
- July 1st Preferred Compounding, a notable Rubber Compounder in North America, was acquired
- Non-recurring items, before tax, amounted to 100 MSEK



Q3 2019 – Implications restructuring and integrations

- Integration of Preferred Compounding and manage restructuring and cost synergies
- Restructuring of production capacity in HEXPOL Compounding Americas, estimated to amount to approx. 10 MUSD in Q4
- Costs in 2019 include closing of 2 production units, Preferred's Head office and adjustment of overhead organization
- 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!

