



# GRÄNGES

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First Quarter 2018 Earnings Conference

26 April, 2018

# Today's presenters



**JOHAN  
MENCKEL**  
*CEO*

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Since: 2012  
Gränges since: 2004



**OSKAR  
HELLSTRÖM**  
*CFO*

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Since: 2011

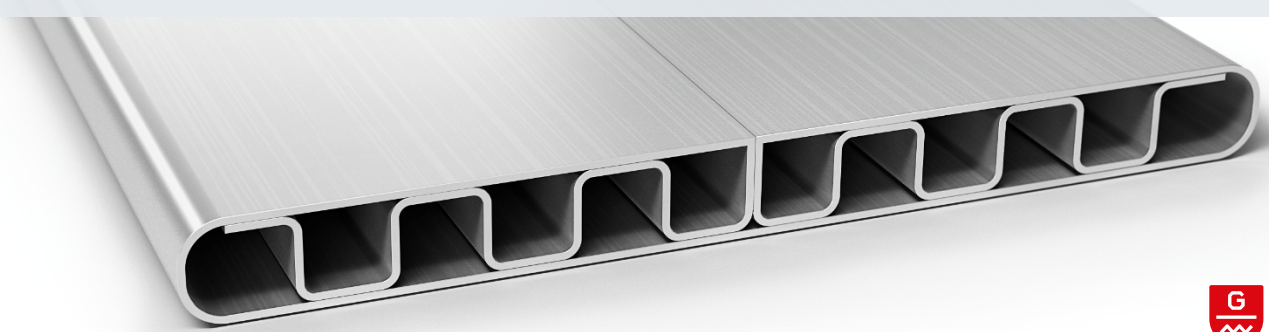


# Gränges today

- **1,600** employees
- Listed on Nasdaq Stockholm
- Net sales of SEK **11** billion
- Production capacity of **420,000** metric tonnes
- Adjusted operating profit of SEK **933** million

**20%**

Global market share in rolled products for brazed aluminium heat exchangers



# First quarter 2018 – improved performance contributed to higher profit

- Sales volume increased by 0.3% to 95.0 ktonnes
- Adjusted operating profit increased by 18.7% to SEK 282 million
- Profit for the period rose to SEK 167 million
- Cash flow before financing was SEK 192 million
- Net debt of 1.8 x adjusted EBITDA
- US sanctions and import tariffs has increased uncertainty in the value chain















Colin Xu, President Asia, at Gränges CMD on 21 March, 2018



# Market growth of 2% expected for full year 2018

## Light vehicle production growth (YoY)

Region	Q1 2018	Q2 2018 outlook	FY 2018 outlook
Asia	 -2%	 +5%	 +1%
Europe	 +1%	 +5%	 +3%
Americas	 -1%	 +6%	 +4%
Global	 -1%	 +5%	 +2%

Source: IHS Automotive, 16 March 2018

# Stable volume development in the first quarter

Gränges sales volume (ktonnes)

## Asia



- Good growth in commercial vehicles in China and India
- Inventory destocking taking place in China

## Europe



- Growth in automotive heat exchanger materials
- Decreased sales of material for non-heat exchanger applications

## Americas



- Strong underlying growth in the HVAC market
- Production issues affected output in the first quarter

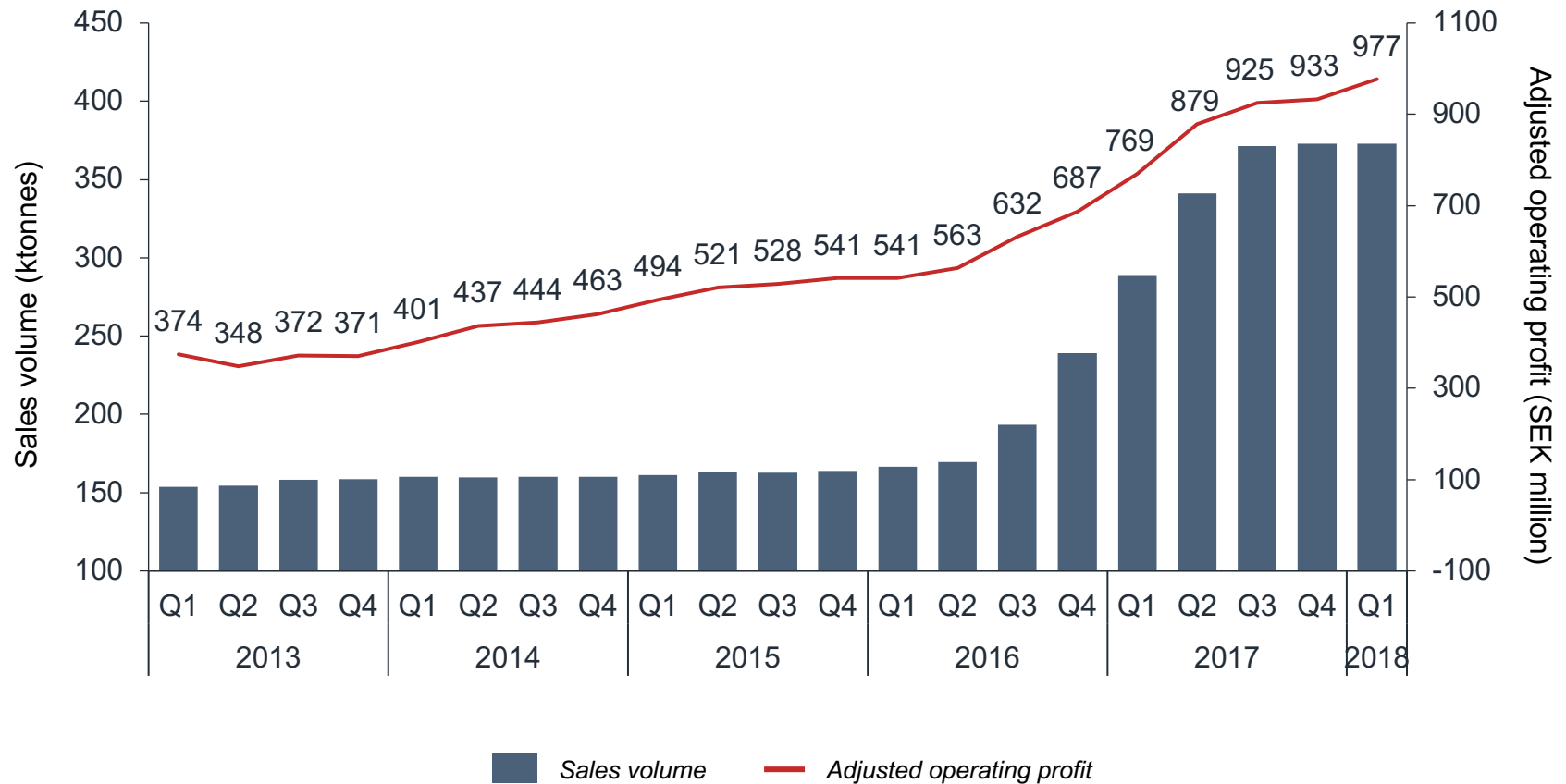
# Sales of Gränges TRILLIUM® technology to be ramped up in 2018-19

- Successful customer trials now turning into real orders
- Discussions with several large European car brands for battery cooling plate material
- TRILLIUM® expected to be a significant share of European sales volume in 3-5 years

Gränges TRILLIUM® Lean

# The positive earnings trend continued in the first quarter

Rolling 12 months sales volume and adjusted operating profit





# Improved performance contributed to higher profit

## Financial overview

SEK million

Q1

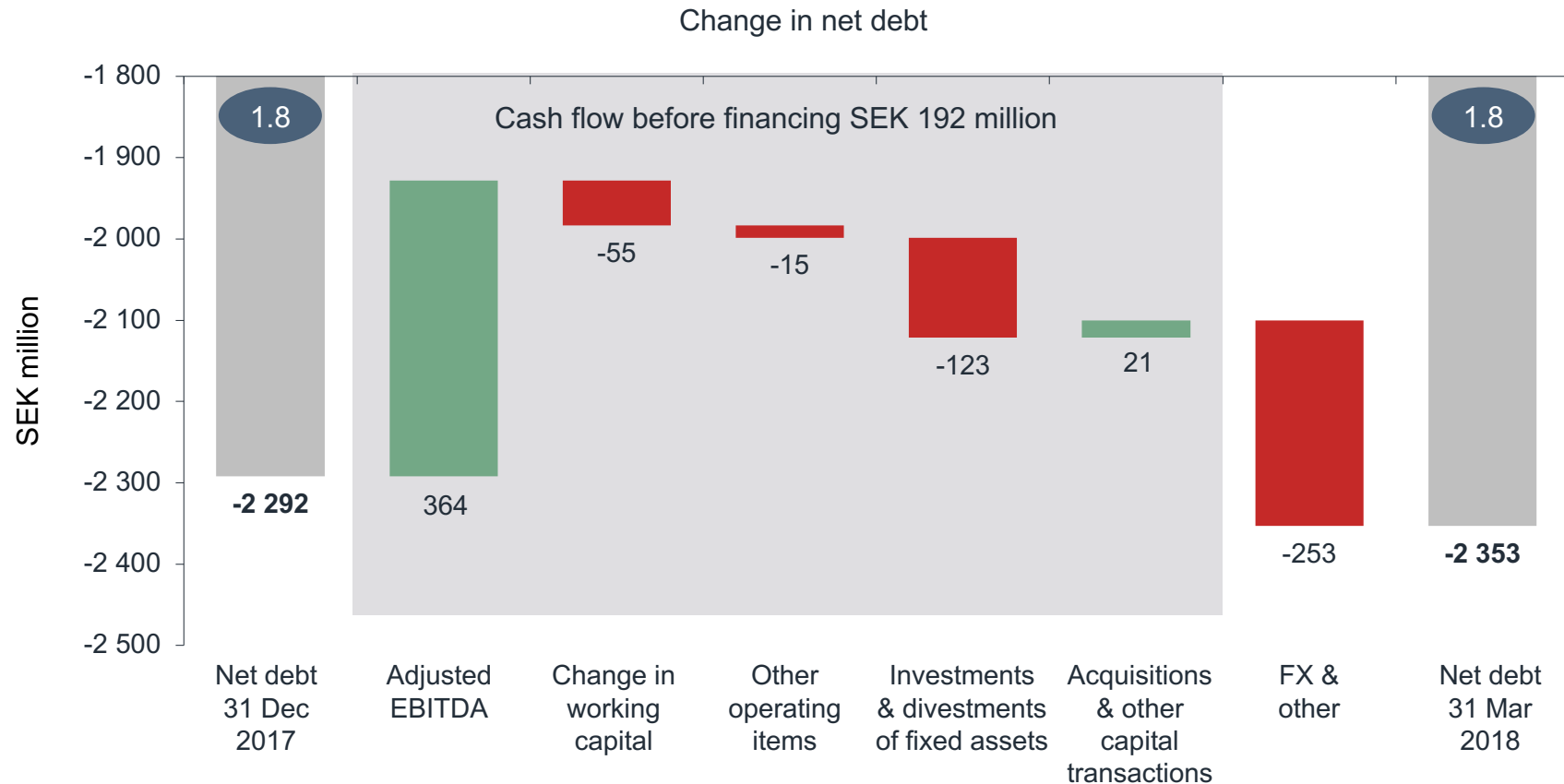
Rolling 12 months

	2018	2017	Change	Mar 2018	Dec 2017	Change
Sales volume (ktonnes)	95.0	94.8	0.3%	373.2	373.0	0.1%
Net sales	3,071	2,892	6.2%	11,614	11,435	1.6%
Adjusted operating profit <sup>1</sup>	282	237	18.7%	977	933	4.8%
Adjusted operating margin (%)	9.2	8.2	1.0 ppt	8.4	8.2	0.3 ppt
Adjusted operating profit per tonne (kSEK)	3.0	2.5	0.5	2.6	2.5	0.1
Operating profit	217	237	-8.4%	897	917	-2.2%
Profit for the period	167	157	6.5%	662	652	1.6%
Earnings per share <sup>2</sup> (SEK)	2.21	2.08	0.13	8.76	8.64	0.11
Cash flow before financing activities	192	75	157.3%	689	572	20.6%
Return on capital employed, R12 (%)	17.3	17.0				
Net debt / adjusted EBITDA, R12	1.8	2.1				

1. Adjusted for items affecting comparability

2. Diluted

# Net debt was SEK 2.4 billion at the end of first quarter



● Net debt over adjusted R12 EBITDA

# Increased uncertainty in the aluminium market following imposed US trade tariffs and sanctions

- US section 232
  - General tariffs of 10% on all aluminium imports
  - Final framework and exemptions to be decided
- US sanctions against Rusal
  - Prohibiting US persons and limiting non-US persons to transact with Rusal after October 23, 2018
  - Rusal's subsidiary Kubal is one of the slab suppliers to Gränges in Finspång - measures taken to secure alternative supply

# Outlook

- Global Light Vehicle Production is expected to increase 5% during second quarter – for the full year 2018 a growth of 2% is projected<sup>1</sup>
- Gränges outlook for the second quarter is a lower growth rate than what IHS currently is expecting for automotive
- HVAC & Others in the US is estimated to grow at low single digits in the second quarter
- Increased uncertainty in the aluminium market in general due to US sanctions and import duties
- In total, Gränges' sales volume is expected to be in line with the second quarter last year



# Summary of first quarter 2018

- Higher growth than the market in automotive in all regions
- Sales volume was stable at 95.0 ktonnes
- Strong demand in the US, still limited by capacity constraints
- Adjusted operating profit rose to SEK 282 million
- Net debt of 1.8 x adjusted EBITDA



# Q&A

Johan Menckel, CEO  
Oskar Hellström, CFO





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