



# GRÄNGES

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Fourth Quarter 2019 Earnings Conference

30 January, 2020

# Today's presenters



**JOHAN  
MENCKEL**  
*CEO*

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Since: 2012  
Gränges since: 2004



**OSKAR  
HELLSTRÖM**  
*CFO*

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Since: 2011



# Fourth quarter 2019

## Strong growth platform established in a weaker quarter

- Execution on growth strategy
  - Acquisition of Aluminium Konin
  - Expansion of Huntingdon facility completed

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- Continued soft market conditions

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- Reduced sales volume and operating profit
  - Sales volume declined by 11%
  - Adjusted operating profit SEK 144 million

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- Strong cash generation
  - Adj. cash flow before financing SEK 191 million

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- Increased dividend
  - Dividend proposed at SEK 3.40 per share



# The acquisition of Aluminium Konin will add capabilities and strengthen Gränges' positions in new niche markets

- Acquisition of Aluminium Konin for SEK 2.3 billion, or 6.9x EBITDA
- New capabilities, new market niches, and realization of synergies
- 100 ktonnes capacity available as of closing and additional 40 ktonnes available from 2022
- Completion subject to customary approval from competition authorities
- Closing expected in Q2 2020



# Expansion of Huntingdon facility completed – good progress for Newport and Finspång projects

Huntingdon, TN

Newport, AR

Finspång, Sweden

## Newport

- To be completed in 2020
- Investment of USD 26 million in upgrading mills and equipment
- 20 ktonnes capacity for light gauge foil available by end of 2020

## Huntingdon















- Completed in Q4 2019
- Investment of USD 110 million to add capacity and capabilities
- 40 ktonnes of new capacity is being ramped up during 2020

## Finspång

- To be completed in 2021
- Investment of SEK 400 million to improve site logistics and environmental footprint
- 20 ktonnes of new capacity from 2022

# Light vehicle production decreased by 5% while HVAC shipments increased by 2% in the fourth quarter

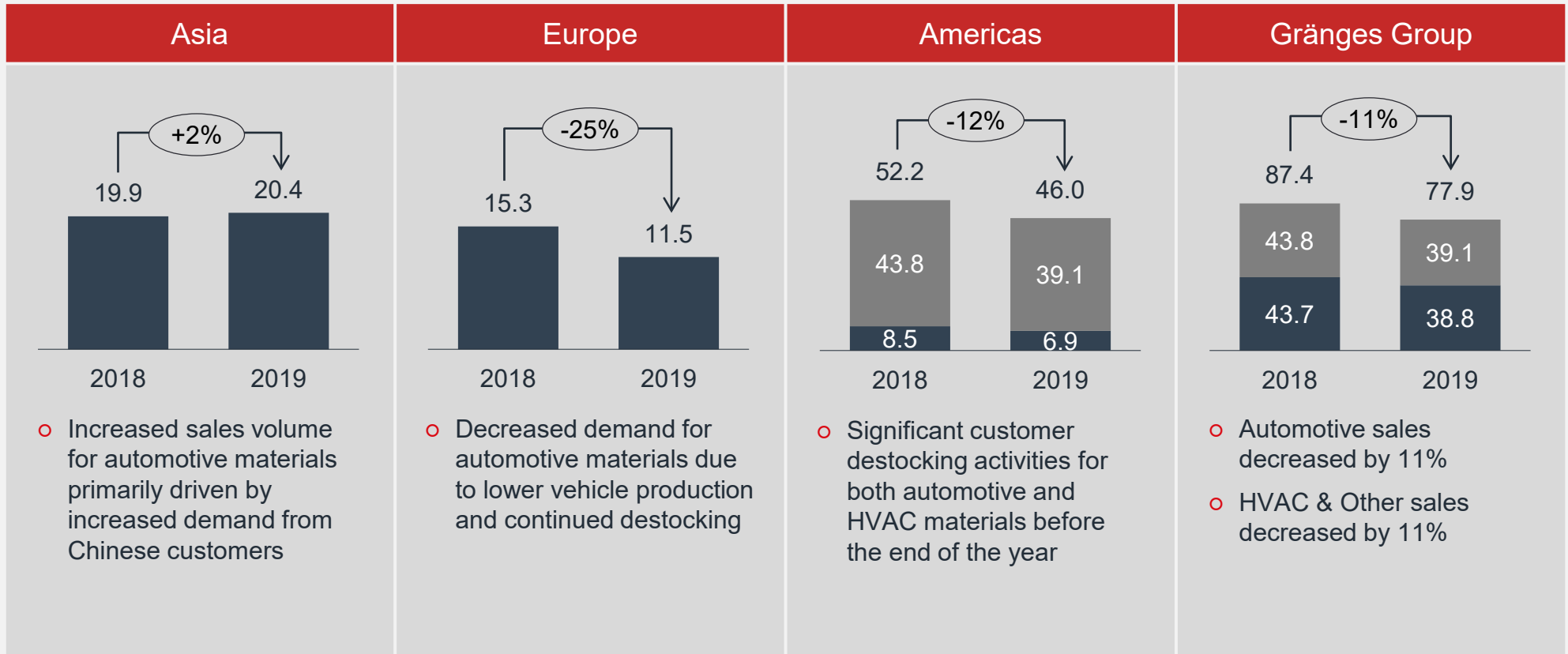
End market production growth (YoY)

End market	Automotive				HVAC
Region	Global	Asia	Europe	Americas	Americas
Q4 2019	 -5%	 -3%	 -6%	 -8%	 +2%
Q1 2020	 -5%	 -8%	 -6%	 +4%	
Full year 2020	 ±0%	 -1%	 -2%	 +3%	 ±0%

Source: Automotive light vehicle production - IHS Automotive, December 2019  
 HVAC unit shipments - AHRI, January 2020

# Sales volume decreased by 11% in the fourth quarter due to lower market demand and customer destocking

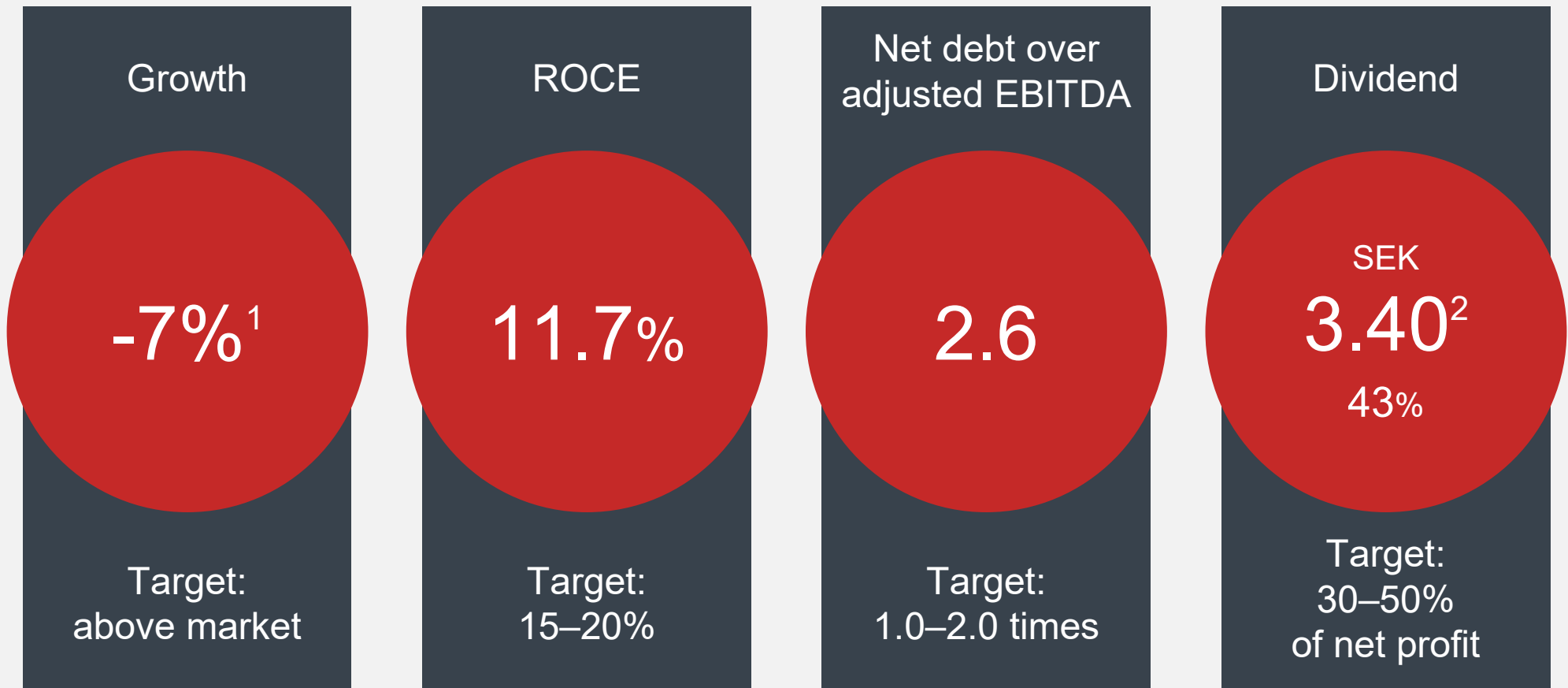
Gränges sales volume (ktonnes)



■ Automotive

■ HVAC & Other

# Full year 2019 performance reflects challenging market conditions and material expansion investments



(1) Sales volume growth in 2019

(2) The Board of Director's proposal for the 2020 Annual General Meeting



# Good progress within sustainability in 2019

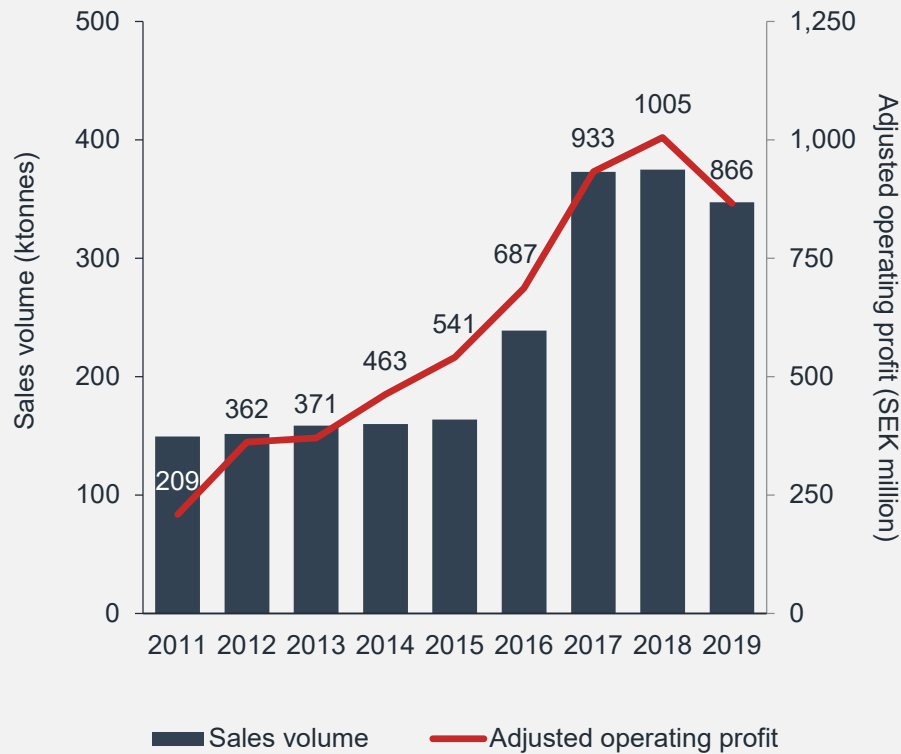


- Implementation of Gränges' sustainability framework, with clear long-term targets
- Member of the Aluminium Stewardship Initiative (ASI) and certification of the Shanghai site
- Good progress on sustainability priorities:
  - Improved safety accident rate
  - Increased share of recycled aluminium
  - Reduced carbon emissions from purchased materials
  - Intensified development of broader and more sustainable customer offerings

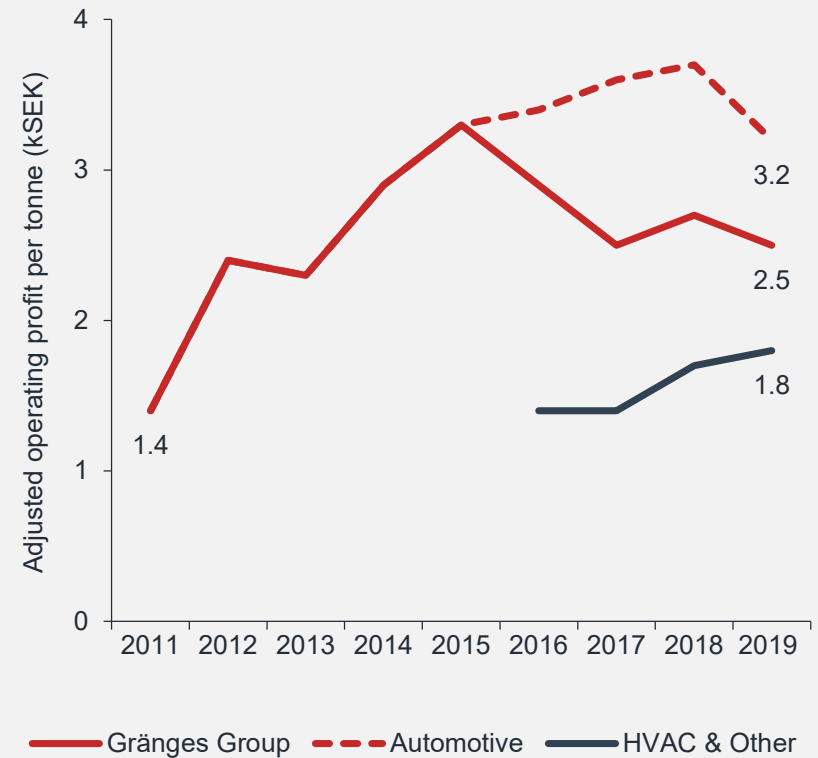


# Lower sales volume and adjusted operating profit for fourth quarter and full year 2019

Sales volume and adjusted operating profit



Adjusted operating profit per tonne



# Financial overview – fourth quarter 2019

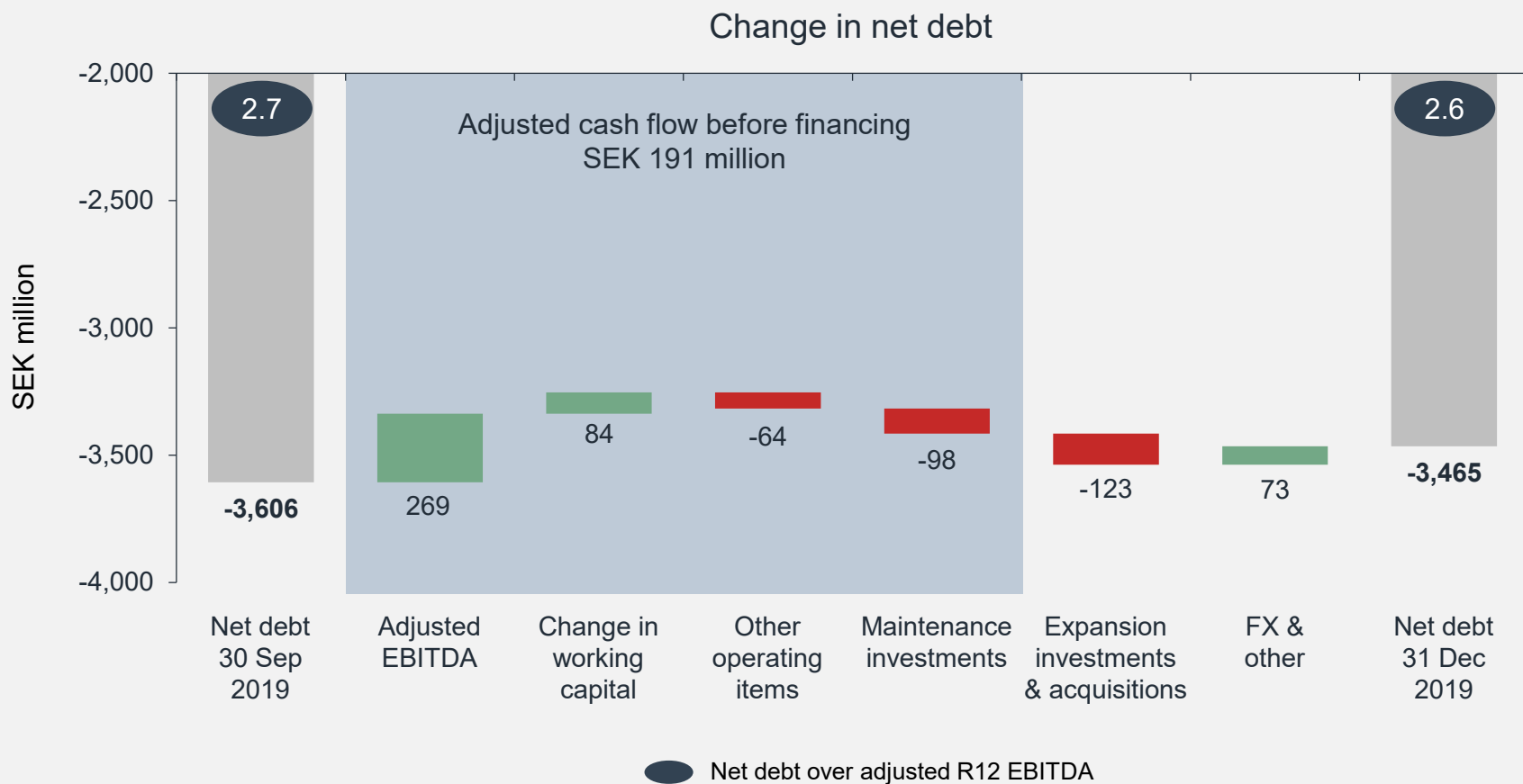
SEK million	Q4			January - December		
	2019	2018	Change	2019	2018	Change
Sales volume (ktonnes)	77.9	87.4	-10.9%	347.3	375.0	-7.4%
Net sales	2,682	3,074	-12.7%	11,978	12,910	-7.2%
Adjusted operating profit <sup>1</sup>	144	191	-24.5%	866	1,005	-13.8%
Adjusted operating margin (%)	5.4	6.2	-0.8 ppt	7.2	7.8	-0.6 ppt
Adjusted operating profit per tonne (kSEK)	1.9	2.2	-0.3	2.5	2.7	-0.2
Operating profit	115	191	-40.1%	836	940	-11.1%
Profit for the period	47	149	-68.1%	600	688	-12.8%
Earnings per share <sup>2</sup> (SEK)	0.63	1.97	-1.34	7.95	9.11	-1.16
Adj. cash flow before financing activities <sup>3</sup>	191	316	-40%	1,048	977	7.3%
Return on capital employed, R12 (%)	11.7	16.5	-4.8 ppt			
Net debt / adjusted EBITDA, R12	2.6	1.8				

(1) Adjusted for items affecting comparability

(2) Diluted

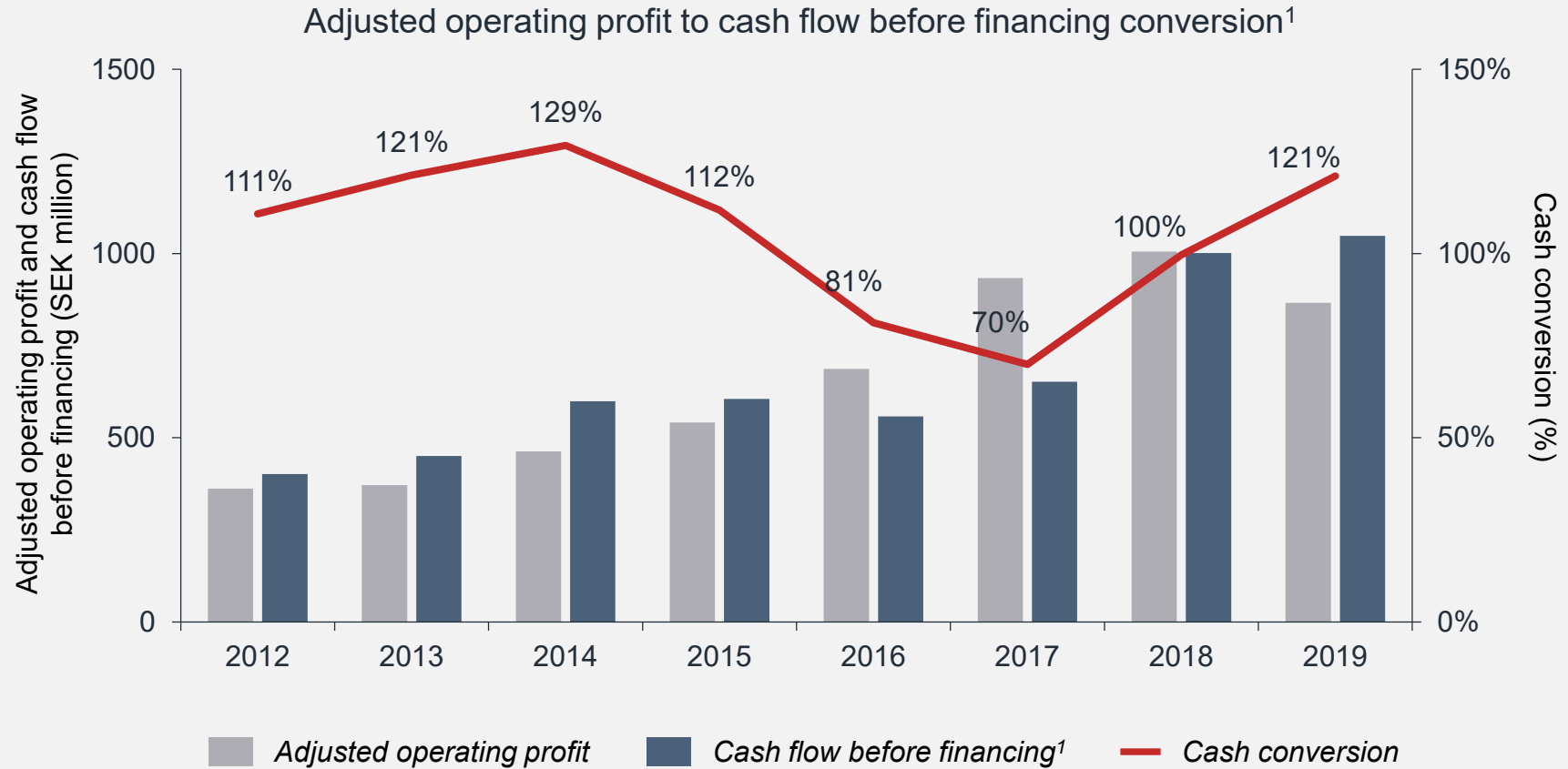
(3) Adjusted for expansion investments and acquisitions

# Net debt reduced to SEK 3.5 billion in the fourth quarter



Note: Net Debt over adjusted R12 EBITDA excluding impact from IFRS 16 Leases (31 Dec, 2019) = 2.5

# Continued strong cash generation in 2019



(1) Cash flow before financing activities excluding cash flow from non-maintenance investments and acquisitions.

# Outlook - first quarter 2020

- IHS estimates that global light vehicle production will decrease by 5% in the first quarter
- Gränges expects the sales volume to decline by low single digits in the first quarter
  - Low-double digit decline for automotive materials on global level
  - Mid to high-single digit growth for HVAC & Other materials in Americas
- End-market mix change expected to have a negative impact on profitability
- Outbreak of coronavirus in China may pose a downside risk to the outlook



Source: IHS Automotive, December 2019



# Summary - fourth quarter 2019

- Execution on growth strategy
- Continued soft market conditions
- Reduced sales volume and operating profit
- Strong cash generation
- Increased dividend



# Q&A

Johan Menckel, CEO  
Oskar Hellström, CFO





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