



# GRÄNGES

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Second Quarter 2020 Earnings Conference

16 July, 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



# Second quarter 2020

## Strong cash generation and difficult market conditions

- Very difficult market conditions in all regions due to the COVID-19 pandemic

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- Continued focus on mitigating actions

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- Reduced sales volume and operating profit
  - Sales volume declined by 24%
  - Adjusted operating profit SEK 42 million

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- Continued strong cash generation
  - Adjusted cash flow before financing SEK 238 million














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- Annual General Meeting held on June 25



# Light vehicle production decreased by 47% while HVAC production decreased by 19% in the second quarter

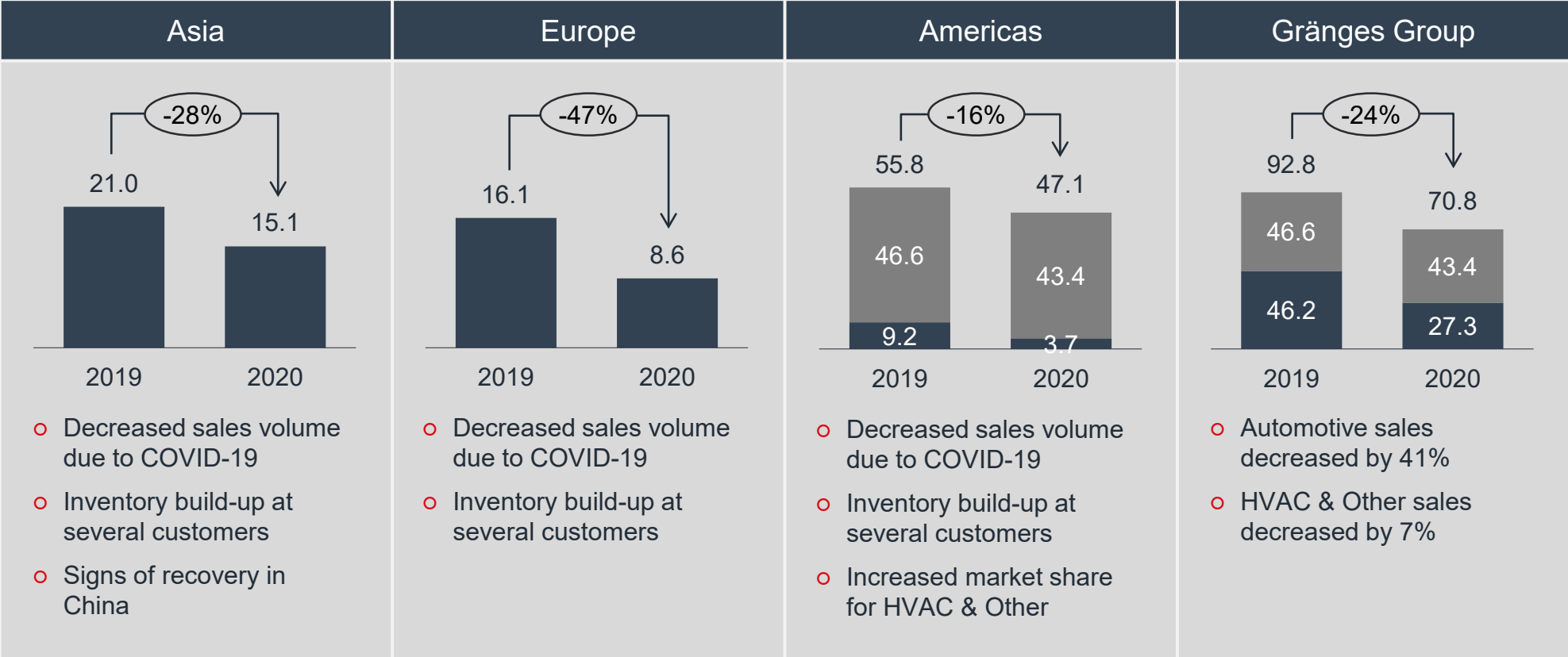
End market production growth (YoY)

End market	Automotive				HVAC
Region	Global	Asia	Europe	Americas	Americas
Q2 2020	 -47%	 -25%	 -65%	 -73%	 -19%
Q3 2020	 -12%	 -15%	 -10%	 -6%	-
Full year 2020	 -23%	 -20%	 -26%	 -24%	-

Source: Automotive light vehicle production - IHS Automotive, June 2020  
 HVAC unit shipments - AHRI, July 2020

# Significant reduction of end-market demand partly offset by customer inventory build-up and higher market share

Gränges sales volume (ktonnes)



■ Automotive    ■ HVAC & Other

# Continued focus on measures to mitigate the impact of of the COVID-19 pandemic

## Continuity

- Ensure health and safety of employees
- Secure ability to operate production facilities
- Secure supply of critical material

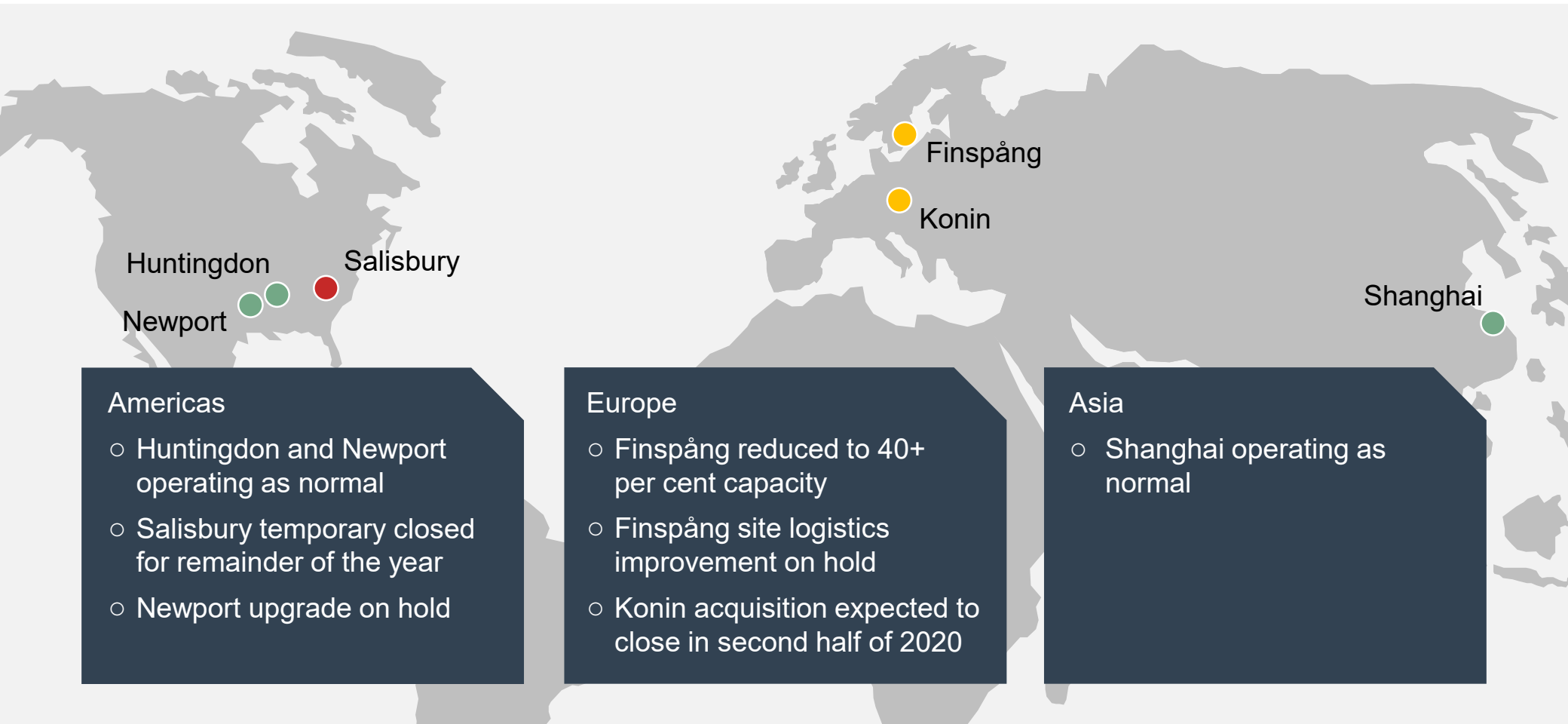
## Cash

- Control working capital
- Reduce capex
- Ensure good liquidity and committed credit facilities

## Cost

- Adjust production capacity and manning
- Reinforce general savings program
- Conduct scenario planning

# Status of current operations and expansion initiatives



## Americas

- Huntingdon and Newport operating as normal
- Salisbury temporary closed for remainder of the year
- Newport upgrade on hold

## Europe

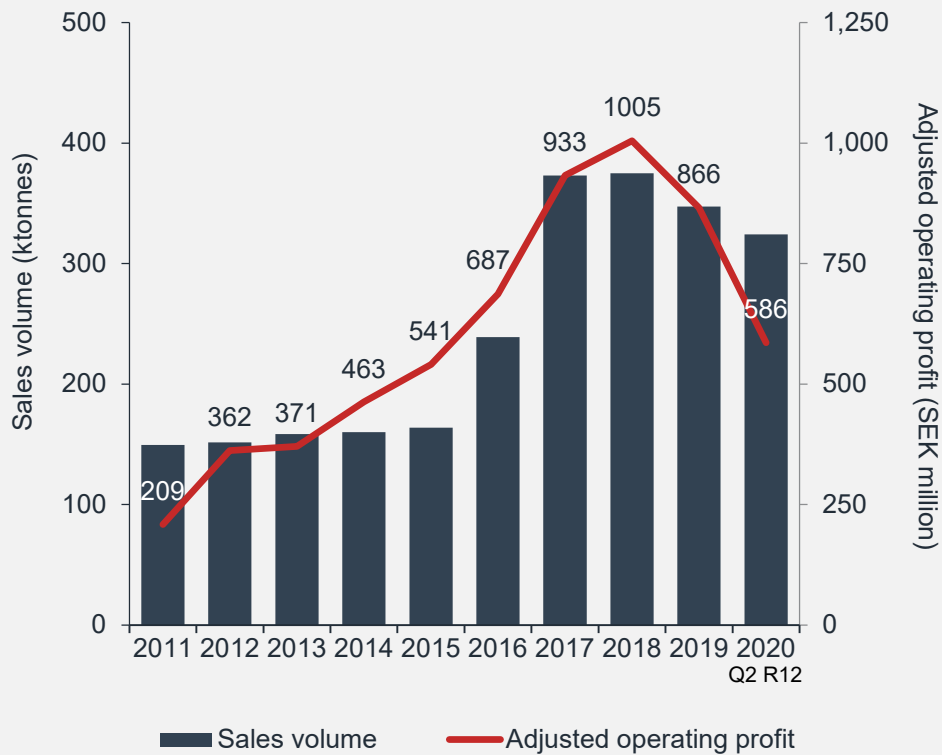
- Finspång reduced to 40+ per cent capacity
- Finspång site logistics improvement on hold
- Konin acquisition expected to close in second half of 2020

## Asia

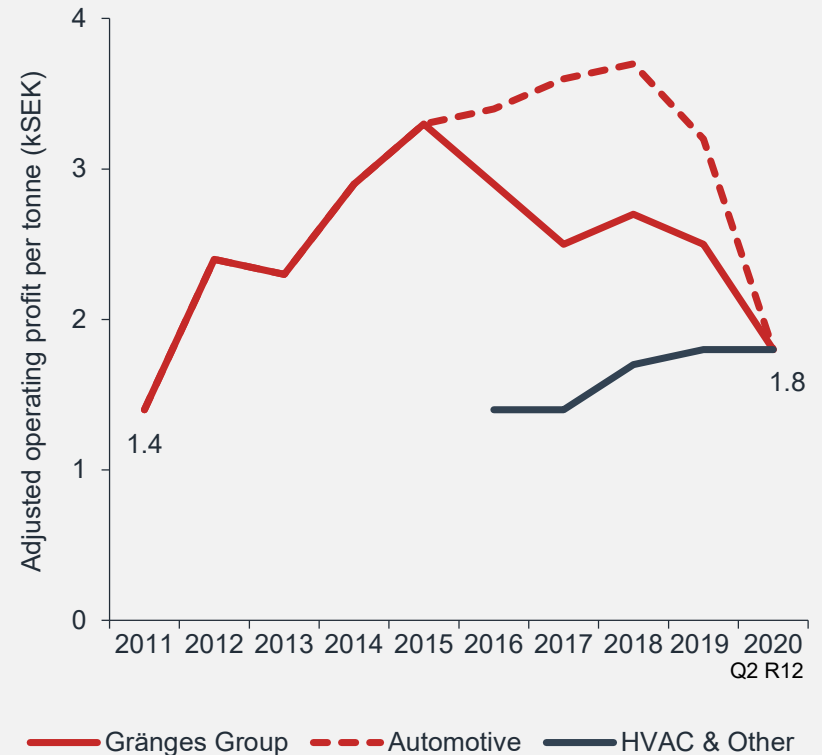
- Shanghai operating as normal

# Significant reduction in sales volume negatively impacted the operating profit in the second quarter

Sales volume and adjusted operating profit



Adjusted operating profit per tonne





# Financial overview – second quarter 2020

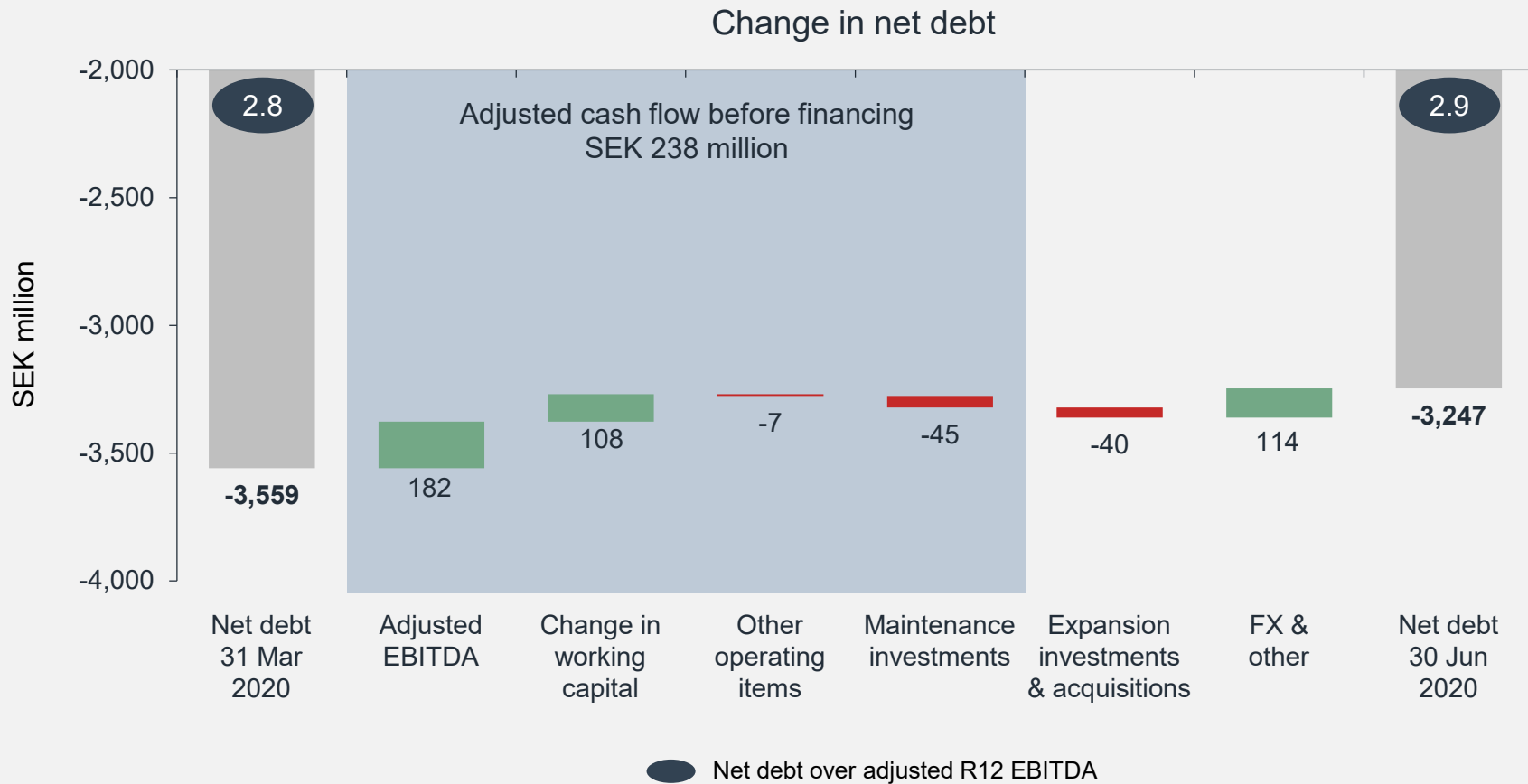
SEK million	Q2			Rolling 12 months		
	2020	2019	Change	Jun 2020	Dec 2019	Change
Sales volume (ktonnes)	70.8	92.9	-23.8%	324.3	347.3	-6.6%
Net sales	2,221	3,188	-30.3%	10,964	11,978	-8.5%
Adjusted operating profit <sup>1</sup>	42	257	-83.7%	586	866	-32.3%
Adjusted operating margin (%)	1.9	8.1	-6.2 ppt	5.3	7.2	-1.9 ppt
Adjusted operating profit per tonne (kSEK)	0.6	2.8	-2.2	1.8	2.5	-0.7
Operating profit	37	257	-85.7%	545	836	-34.9%
Profit for the period	1	171	-99.7%	379	600	-36.9%
Earnings per share <sup>2</sup> (SEK)	0.01	2.26	-2.25	5.02	7.95	-2.93
Adj. cash flow before financing activities <sup>3</sup>	238	249	-4.4%	1,200	1,048	14.5%
Return on capital employed, R12 (%)	7.5	14.1	-6.6 ppt			
Net debt / adjusted EBITDA, R12	2.9	2.6				

(1) Adjusted for items affecting comparability

(2) Diluted

(3) Adjusted for expansion investments and acquisitions

# The net debt was reduced to SEK 3.2 billion on 30 June



Note: Net debt including pension and leasing liabilities. As per 30 June 2020, total pension and leasing liabilities amounted to SEK 634 million.

# Outlook - third quarter 2020

- The uncertainty around the COVID-19 pandemic makes reliable forecasting very difficult
- IHS estimates a gradual recovery of the global light vehicle production in the third quarter
- Currently a lower year over year decline and fairly similar sales volume is expected for the third quarter compared to the second quarter
- Increasing effects of cost reduction measures are expected to have a positive impact on profitability in the third quarter



Source: IHS Automotive, June 2020

# Summary - second quarter 2020

- Very difficult market conditions in all regions due to the COVID-19 pandemic
- Continued focus on mitigating actions
- Reduced sales volume and operating profit
- Continued strong cash generation



# Q&A

Johan Menckel, CEO  
Oskar Hellström, CFO



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