



# GRÄNGES

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Third Quarter 2020 Earnings Conference

22 October, 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



# Increased operating profit and strong cash flow supported by improved market conditions

- Sequentially improved market conditions in all regions

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- Continued focus on mitigating actions

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- Increased sales volume and operating profit
  - Sales volume increased by 1%
  - Adjusted operating profit SEK 203 million

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- Continued strong cash generation
  - Adjusted cash flow before financing SEK 380 million














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- Establishment of Gränges Powder Metallurgy



# Light vehicle production decreased by 3% while HVAC production increased by 16% in the third quarter

End market production growth (YoY)

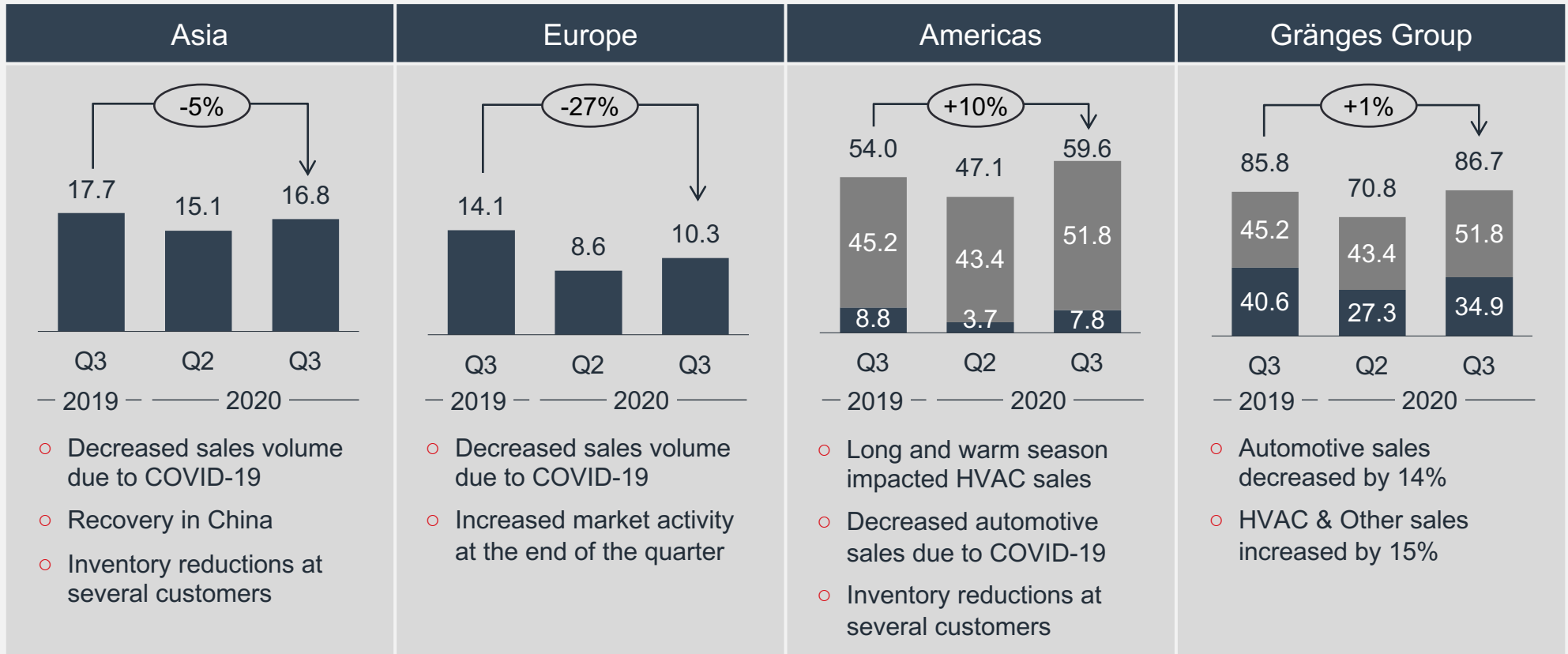
End market	Automotive				HVAC
Region	Global	Asia	Europe	Americas	Americas
Q3 2020	 -3%	 -1%	 -8%	 -3%	 +16%
Q4 2020	 -3%	 -4%	 -1%	 +1%	-
Full year 2020	 -18%	 -14%	 -23%	 -22%	-

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



# Strong development of HVAC & Other sales balanced the decline for Automotive sales in the third quarter

Gränges sales volume (ktonnes)

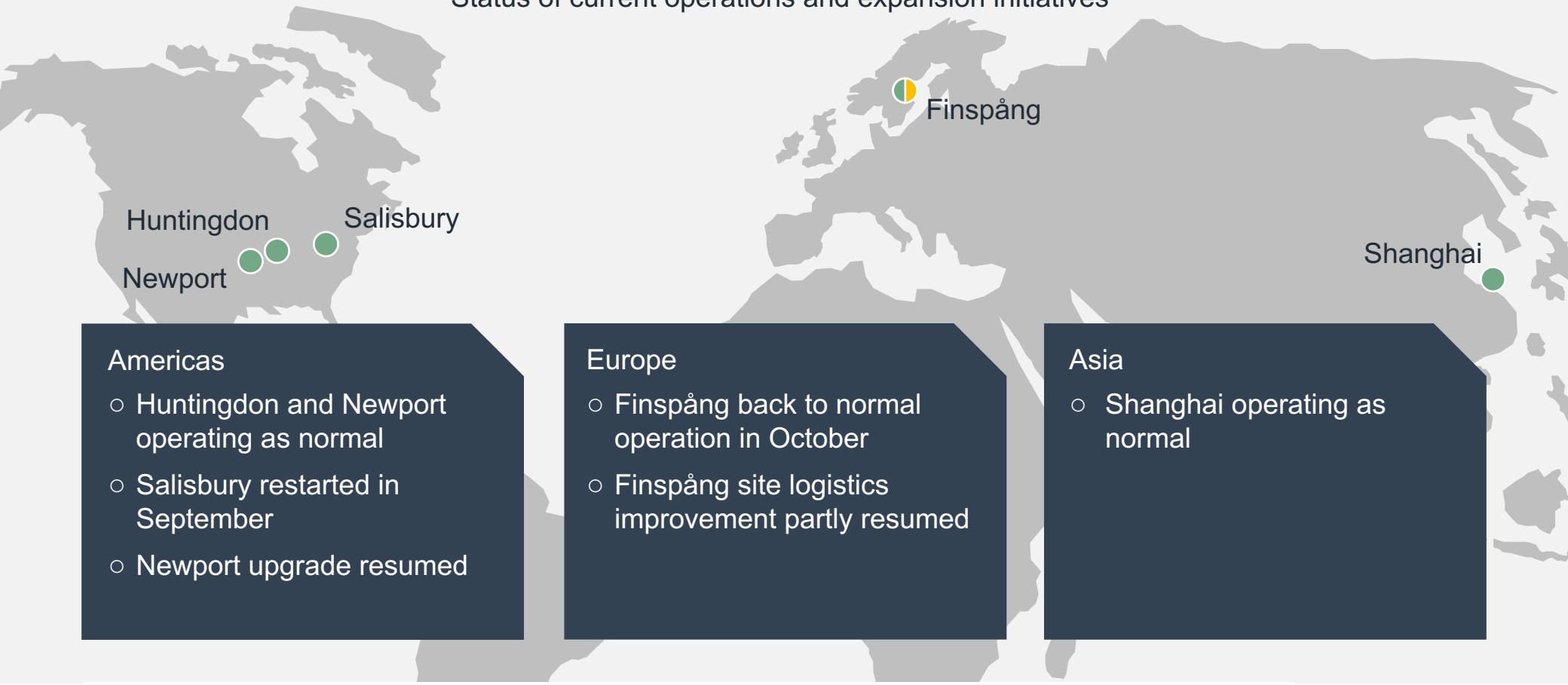


■ Automotive

■ HVAC & Other

# As of October all facilities are back to normal operations

## Status of current operations and expansion initiatives



### Americas

- Huntingdon and Newport operating as normal
- Salisbury restarted in September
- Newport upgrade resumed

### Europe

- Finspång back to normal operation in October
- Finspång site logistics improvement partly resumed

### Asia

- Shanghai operating as normal

# Successful ramp-up of new capacity in Newport contributed to the best quarter so far in Americas

- Newport is producing high quality light gauge foil for speciality packaging applications
- Strong demand development due to changes in consumer behaviour following COVID-19
- Third quarter sales volume 2.7 ktonnes
- Annual production capacity after completion of upgrade 20 ktonnes
- Upgrade project resumed in September with target completion in first quarter 2021

## Food



## Healthcare



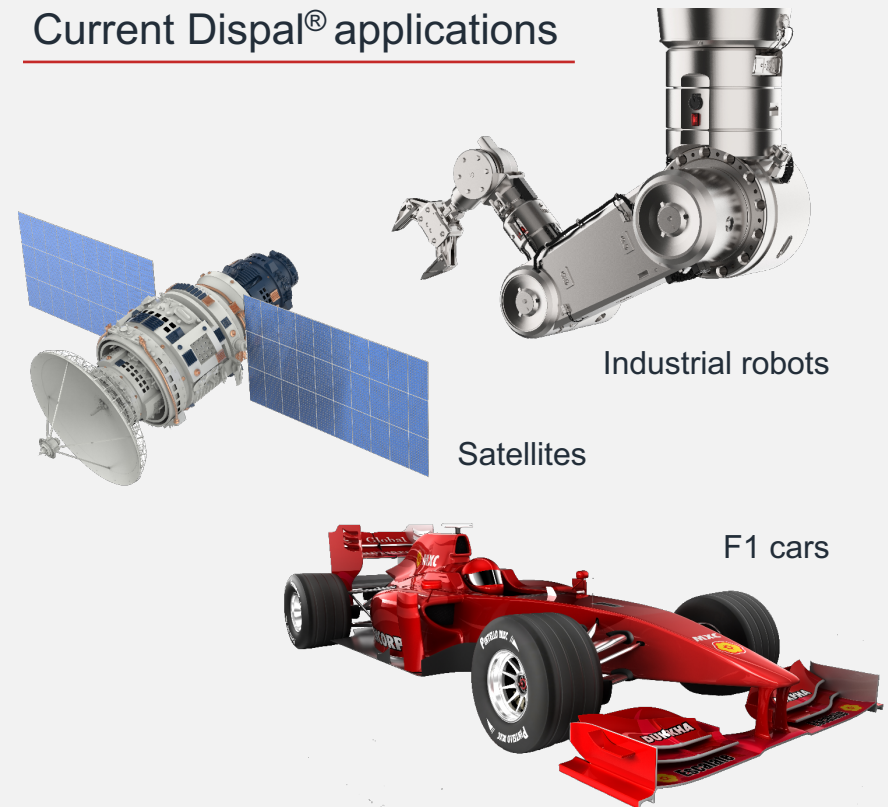
## Pharmaceuticals



# Gränges Powder Metallurgy will focus on advanced aluminium powder for additive manufacturing

- Gränges Powder Metallurgy established in October 2020 through the acquisition of Getek and Dispal®
- Focus on two primary product areas:
  - Powder for additive manufacturing
  - Spray forming technology
- Expected market growth of +25% p.a.<sup>1</sup>
- Production sites in Saint-Avold, France and Velbert, Germany

## Current Dispal® applications



(1) AMPOWER report, 2020

# The acquisition of Aluminium Konin is expected to be completed in the fourth quarter

- Final EU commission approval obtained in September
- New structure for payment agreed with the seller where about 10% or SEK 200 million of the EV will be a non cash issue
- The rights issue intended to follow the completion of the transaction will be reduced with the non cash issue amount





# Key strategic rationales for Aluminium Konin acquisition

1

Additional capabilities and capacity for solutions for future vehicles

Gränges will get capacity for growth and additional production capabilities to broaden the offer of solutions for future vehicles

2

New attractive niche markets

Gränges will get a more diversified business portfolio and further strengthen the platform for future growth

3

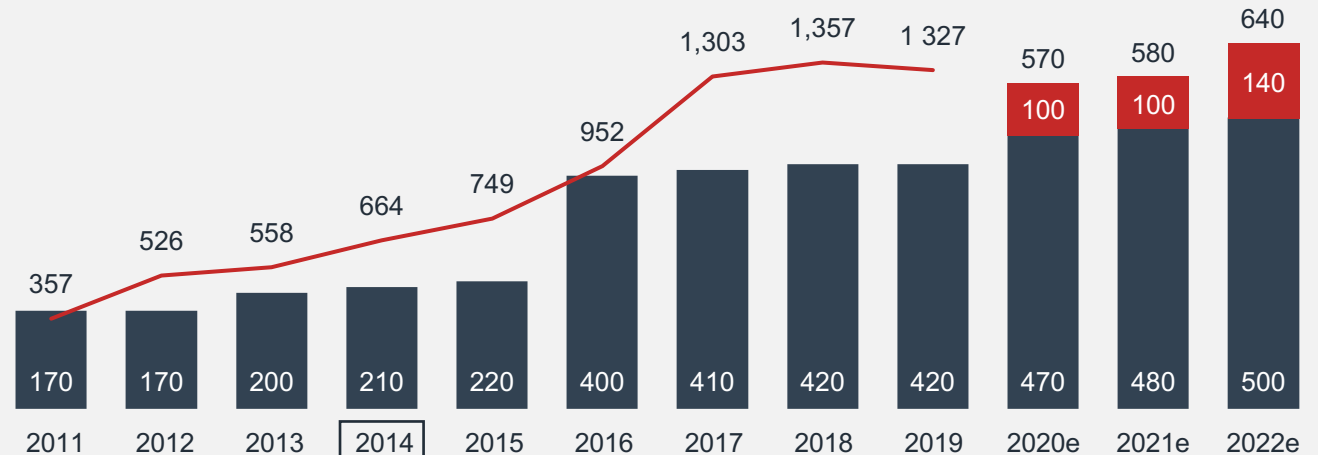
Stronger market presence in Europe

Gränges will get a stronger presence in Europe and can leverage the European organization to realize synergies

# The acquisition of Aluminium Konin is an important next step on Gränges' growth path

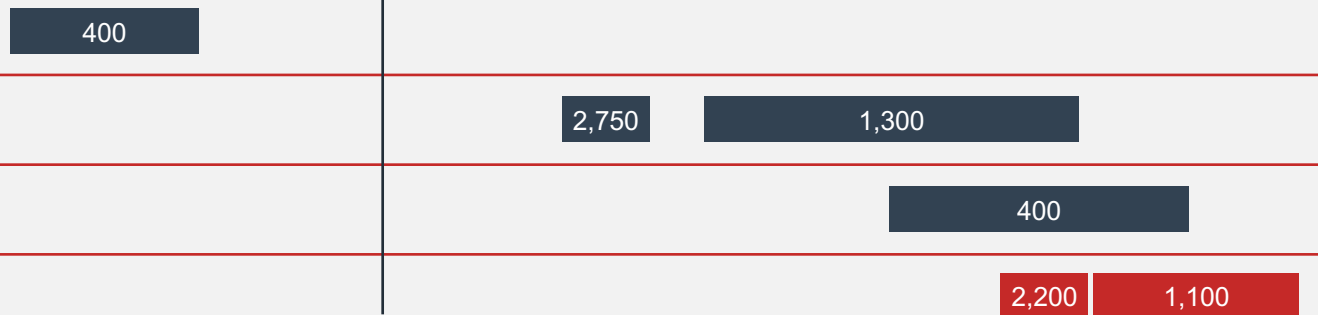
## Production capacity and EBITDA growth

- Gränges capacity (ktonnes)
- Aluminium Konin capacity (ktonnes)
- Adjusted EBITDA<sup>1</sup> (SEK million)



## Growth investments (SEK million)

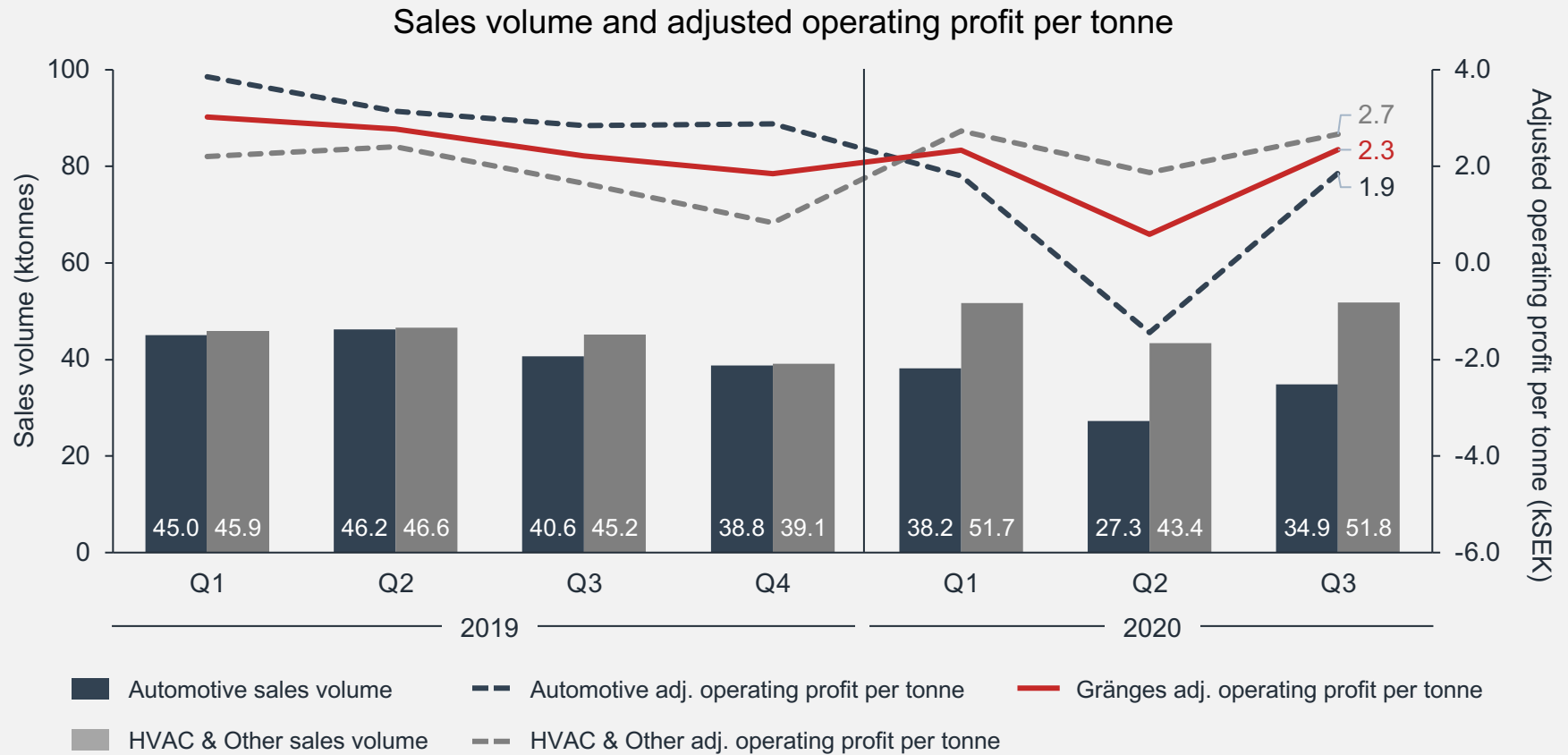
- Expansion in Finspång
- Expansion in Shanghai
- Acquisition of Noranda
- Expansion in Huntingdon and Newport
- Expansion and logistics in Finspång
- Planned acquisition of Aluminium Konin
- Planned expansion in Konin



IPO

(1) EBITDA adjusted for items affecting comparability

# Sequential sales volume growth allowed for margin recovery in the third quarter



# Financial overview – third quarter 2020

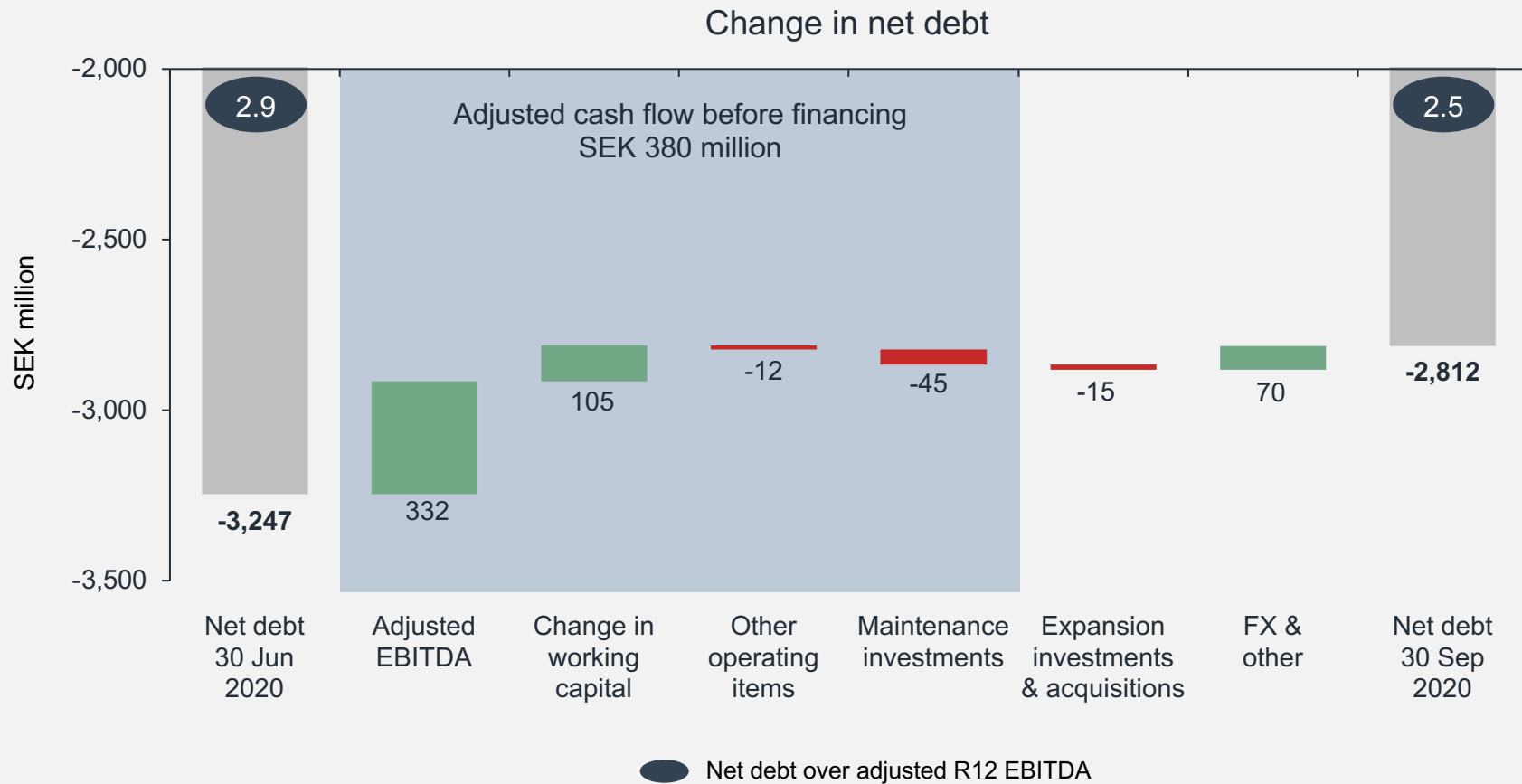
SEK million	Q3			January - September		
	2020	2019	Change	2020	2019	Change
Sales volume (ktonnes)	86.7	85.8	1.1%	247.4	269.5	-8.2%
Net sales	2,575	2,998	-14.1%	7,858	9,295	-15.5%
Adjusted operating profit <sup>1</sup>	203	190	7.1%	455	721	-36.9%
Adjusted operating margin (%)	7.9	6.3	1.6 ppt	5.8	7.8	-2.0 ppt
Adjusted operating profit per tonne (kSEK)	2.3	2.2	0.1	1.8	2.7	-0.8
Operating profit	177	190	-6.6%	417	721	-42.1%
Profit for the period	124	198	-37.6%	257	553	-53.5%
Earnings per share <sup>2</sup> (SEK)	1.64	2.62	-0.99	3.40	7.32	-3.92
Adj. cash flow before financing activities <sup>3</sup>	380	442	-14.0%	948	857	10.6%
Return on capital employed, R12 (%)	7.7	12.8	-5.1 ppt			
Net debt / adjusted EBITDA, R12	2.5	2.7				

(1) Adjusted for items affecting comparability

(2) Diluted

(3) Adjusted for expansion investments and acquisitions

# Significant reduction in net debt driven by strong cash flow from operations



Note: Net debt including pension and leasing liabilities. As per 30 September 2020, total pension and leasing liabilities amounted to SEK 614 million.



# Outlook - fourth quarter 2020

- The uncertainty around the COVID-19 pandemic makes reliable forecasting very difficult
- IHS estimates a continued recovery of the global light vehicle production in the fourth quarter
- Gränges currently expects an organic year over year sales volume increase by low single digits
  - Stable development for Automotive materials on global level
  - Mid single digit increase for HVAC & Other materials in Americas



Source: IHS Automotive, October 2020

# Summary - third quarter 2020

- Sequentially improved market conditions
- Continued focus on mitigating actions
- Increased sales volume and operating profit
- Continued strong cash generation
- Establishment of Gränges Powder Metallurgy
- Closing of Aluminium Konin acquisition expected in fourth quarter



# Q&A

Johan Menckel, CEO  
Oskar Hellström, CFO



GRÄNGES