

April 26, 2023

Interim report

First quarter 2023



## Safety first

At Alleima our objective is zero harm to our people, the environment we work in, our customers and our suppliers.



Protective equipment



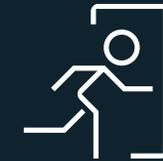
Emergency number



Psychological safety



First aid kit



Emergency exit



Alarm



Assembly point



Health & well-being

# Göran Björkman President & CEO





# Q1 highlights

## Solid start to the year

- Organic order intake of 6% excluding major orders and a growing backlog
- Continued Oil and Gas momentum
- Slightly positive sequential development for low-refined products
- Weakened demand for Consumer segment in Strip
- Revenues increased 12% organically

## Improved earnings

- Adjusted EBIT margin of 10.5% vs. 9.1% last year
- Higher revenues and improved product mix
- Successful price increases fully offsetting cost inflation
- Solid cash flow

## Consistent strategy execution

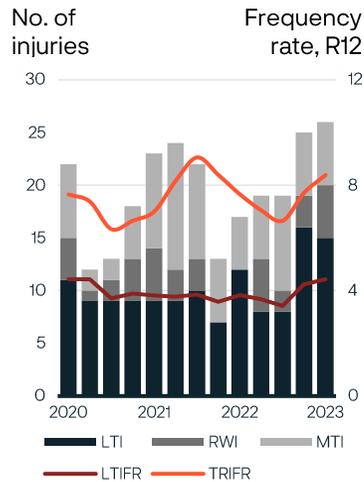
- Kanthal entered a strategic partnership to expand heating offering
- Capitalizing on the green transition by exciting new orders
- Signed an agreement to acquire production facility, Söderfors Steel



# Leading sustainability

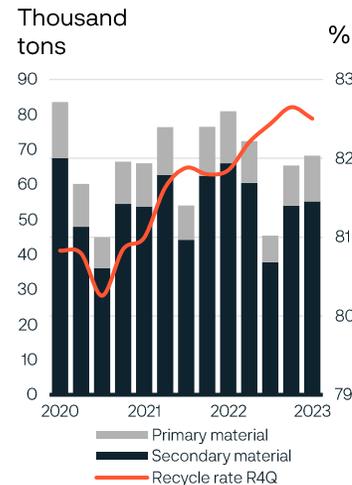
## Making impact through our operations

- Focus on improving safety performance
- Share of recycled steel remains high
- Continued reduction of Greenhouse Gas emissions
- Increased share of female managers



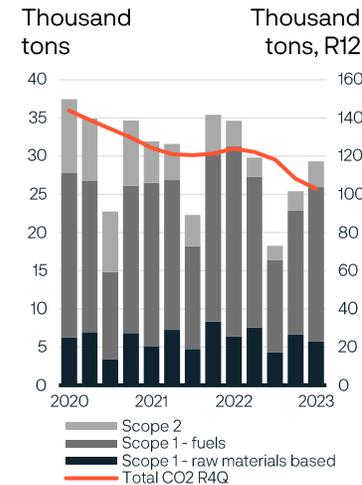
### Health and safety

— The 12-month rolling Total Recordable Injury Frequency Rate, TRIFR, was 8.4 (7.7). The quarterly outcome was weak at 9.2 (6.6).



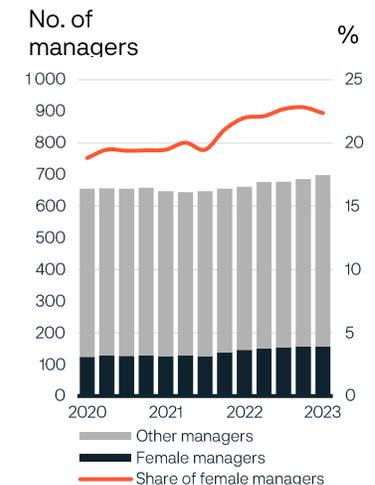
### Recycled steel, %

— Share of scrap metal input in the steel manufacturing improved to 82.5% (81.8) for the 12-month rolling period. The quarterly figure amounted to 81.0% (81.7).



### GHG emissions

— R12M GHG emissions amounted to 102 kton (124), a reduction of 18%. Emissions for the quarter decreased 17% to 29 kton (35).



### Share of female managers

— The share of female managers increased in the quarter to 22.4% (22.0).



# Towards a more sustainable offering

## Making impact through our products

- Industrial heating solutions for product applications such as solar, lithium-ion battery manufacturing and downstream steel
- Order for high-pressure tubes to be used for the build-out of infrastructure for hydrogen gas refueling stations
- Deliveries of pre-coated strip steel to be used in stationary power projects



Solar panels



Lithium-ion battery



# Continued strategy execution

## Acquisition of production facility

- Söderfors Steel, production facility with capabilities in forging as well as hot rolling of small diameter bars and profiles, <80 mm
- To expand the offering of advanced materials for the attractive Medical and Aerospace segments



## Kanthal enters strategic partnership with Rath

- Complementing Kanthal's expertise in heating elements and systems with Rath's world-class insulation and refractory products
- Expanding their combined offering in industrial heating technology through joint go-to-market model
- Broadest range of sustainable industrial heating solutions on the market





# Market development

- Sequentially improved demand in most customer segments with yoy decline for parts of the business
- Underlying demand was positive in Europe, flat in North America, and declined in Asia, mainly explained by high comparables

## Q1 2023 year on year underlying demand trend, % of revenues full year 2022

	INDUSTRIAL	OIL AND GAS	CHEMICAL AND PETROCHEMICAL	INDUSTRIAL HEATING	CONSUMER
Year on year underlying demand trend					
% of Group revenues 2022	25%	17%	16%	12%	10%
	MINING AND CONSTRUCTION	POWER GENERATION	TRANSPORTATION	MEDICAL	HYDROGEN & RENEWABLE ENERGY
Year on year underlying demand trend					
% of Group revenues 2022	7%	5%	4%	3%	1%



# Order intake and revenues

## Order intake

Reported (SEK M)

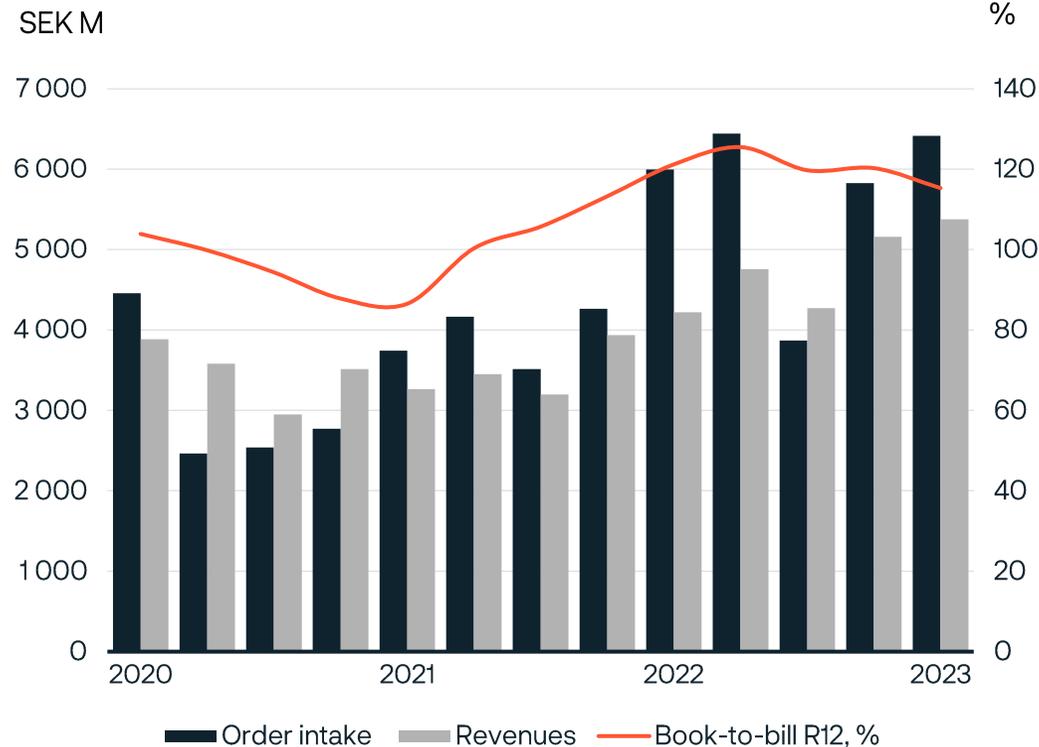
**6,416**

## Revenues

Reported (SEK M)

**5,376**

## Order intake and revenues

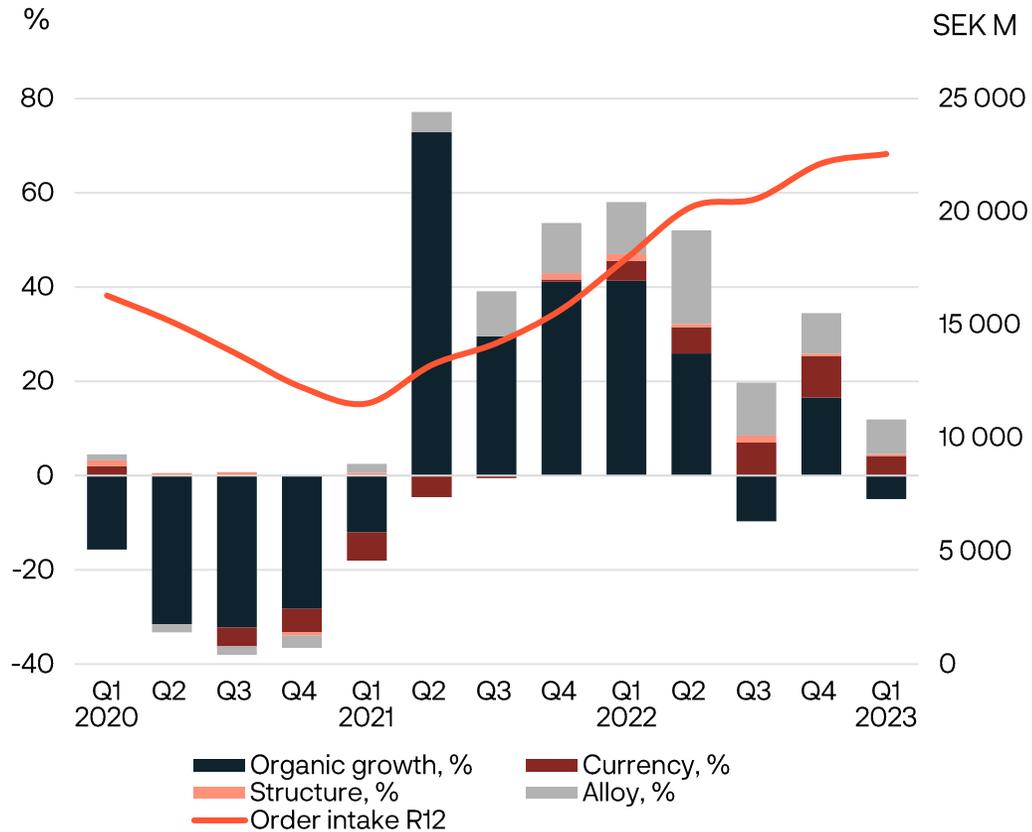


- Organic order intake growth of 6% for rolling 12 months
- Organic order intake growth of 6% excl. major orders
- Organic order intake growth of -5%
- Organic revenue growth of 12%
- Book-to-bill of 119% in Q1 and 115% R12M
- Backlog is solid

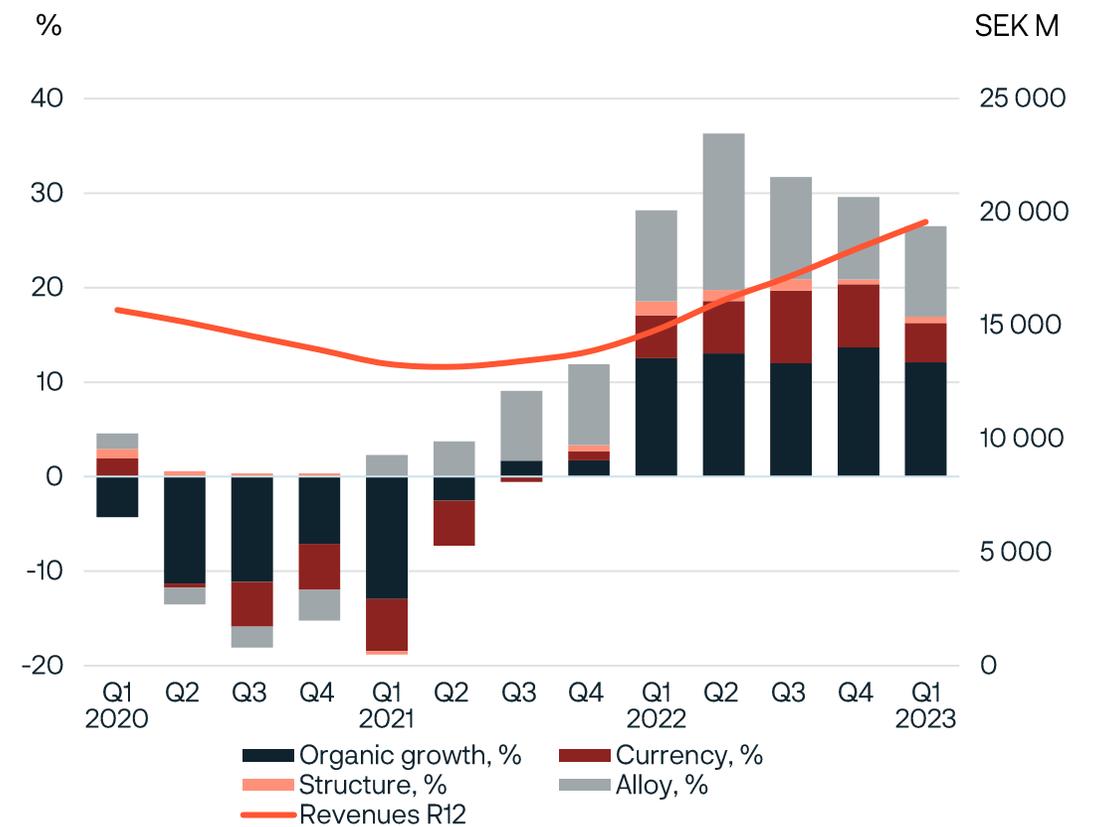


# Order intake and revenue growth

### Order intake



### Revenues





# Earnings

## Adjusted EBIT at SEK 567 million (384)

- Margin 10.5% (9.1)
  - Higher revenues and favorable product mix
  - FX had a positive impact of SEK 80 million
  - Alloys diluted margins by 0.9%
- Price increases offsetting cost inflation

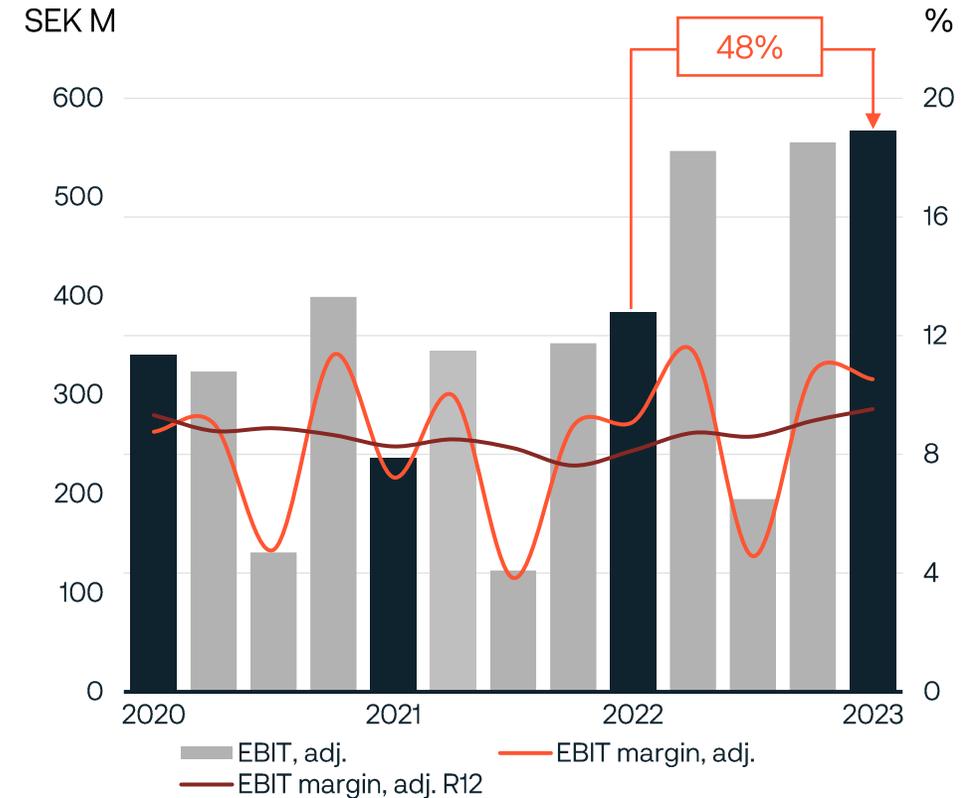
## Reported EBIT at SEK 1,045 million (635)

- Metal price effects of SEK 479 million (327) and IAC of SEK 0 million (-75)
- Margin of 19.4% (15.1)

## Free operating cash flow of SEK 404 million (-53)

- Negatively impacted by increased raw material prices

## Adjusted EBIT, %





# Tube

## Organic order intake growth of 16% excl. major orders

- Strong Oil and Gas momentum for OCTG and umbilicals
  - Two major OCTG orders of SEK 882 million
- High order intake growth in Chemical and Petrochemical and Aerospace
- Yoy decline for Mining and Construction and Industrial
  - Positive sequential development for low-refined products
- Organic revenue growth of 14% mainly driven by Oil and Gas segment and Chemical and Petrochemical

## Adjusted EBIT margin at 10.7%

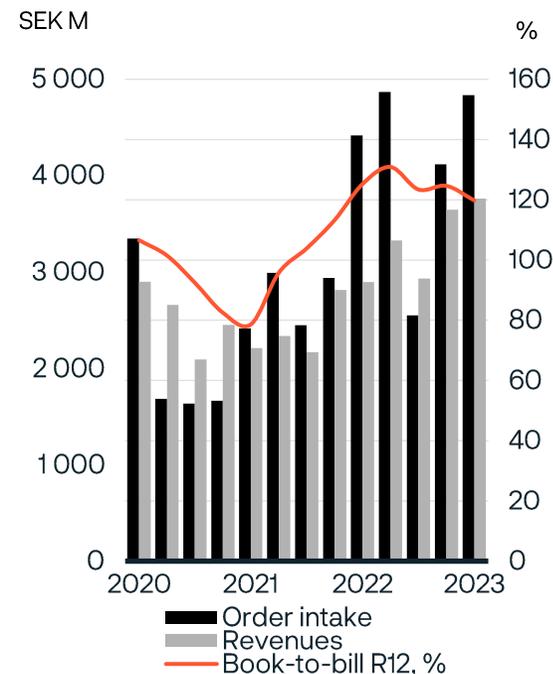
- Higher revenues and positive product mix
- Price increases compensated cost inflation
- FX had a positive impact of SEK 61 million yoy

## Strategy execution

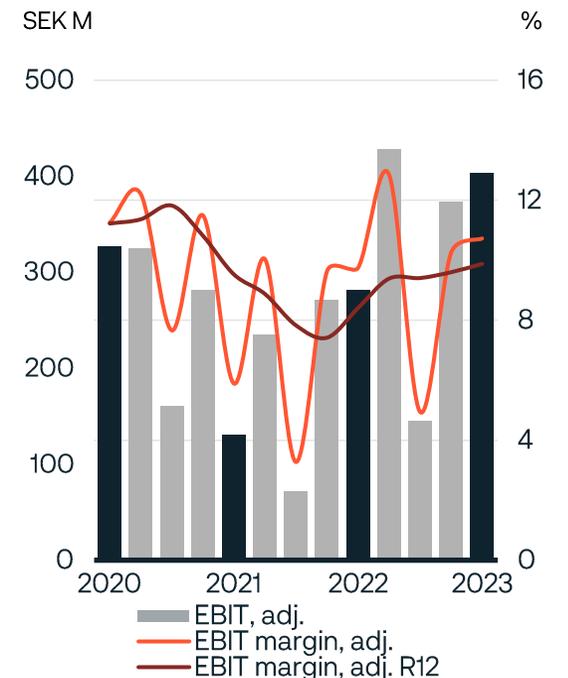
- Signed an agreement to acquire production facility
- Order to support the build-out of hydrogen gas refueling stations
- New factory on the Mehsana site in India

SEK M	Q1 2023	Q1 2022	FY 2022
Order intake	4,837	4,419	15,959
Organic growth, %	-3	63	25
Revenues	3,763	2,897	12,804
Organic growth, %	14	14	14
Adj. EBIT	404	282	1,229
Margin	10.7	9.7	9.6

### Order intake and revenues



### Adjusted EBIT, (%)





# Kanthal

## Organic order intake growth of -2%

- Impacted by timing of orders in Medical segment but solid demand
- Positive development in Industrial Heating and Industrial segment
- Yoy decline within the Consumer segment
- Organic revenue growth of 11%, with broad-based positive development across the division in all regions

## Adjusted EBIT margin at 16.4%

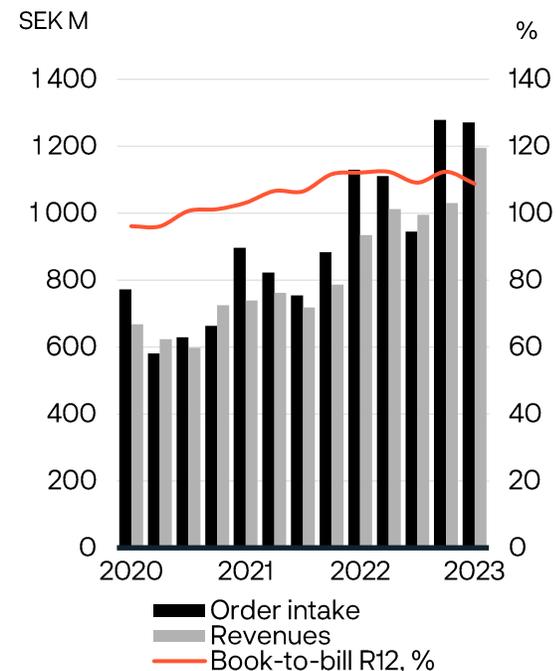
- Increased revenues and a strong product mix
- Price increases compensating cost inflation
- FX had a positive impact of SEK 18 million yoy

## Expanding offering within Industrial Heating

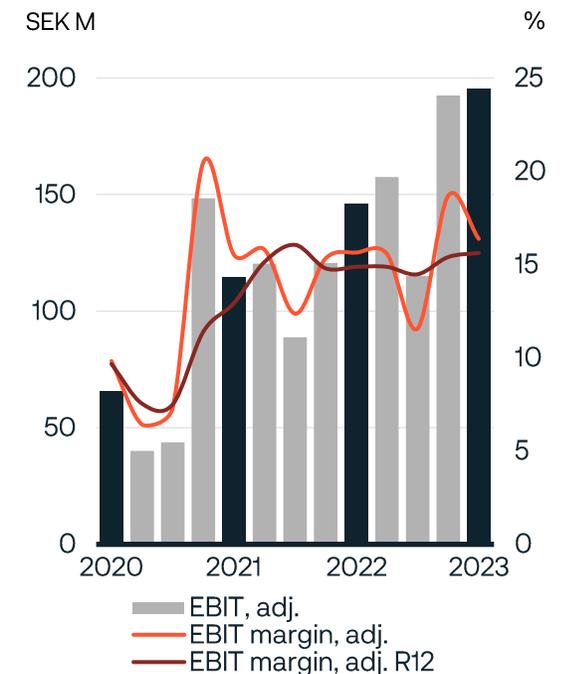
- Strategic partnership with Rath

SEK M	Q1 2023	Q1 2022	FY 2022
Order intake	1,271	1,130	4,466
Organic growth, %	-2	5	9
Revenues	1,195	934	3,972
Organic growth, %	11	7	9
Adj. EBIT	196	146	611
Margin	16.4	15.6	15.4

### Order intake and revenues



### Adjusted EBIT, (%)





# Strip

## Organic order intake growth -35%

- Sharp order intake decline in all regions for the Consumer segment
- Demand broadly on par with last year in the Industrial and Medical segments
- Hydrogen and Renewable Energy positive momentum
- Organic revenue growth of 1% driven by Consumer and Hydrogen and Renewable Energy segment

## Adjusted EBIT margin of 9.7%

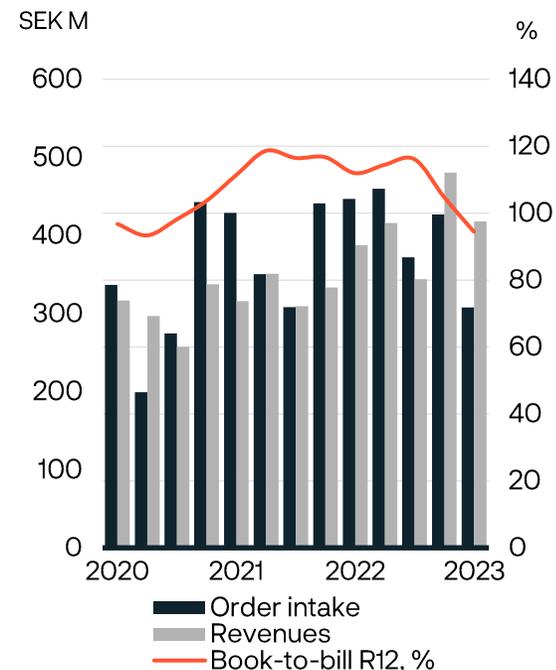
- Margin decline
- Under absorption effects from lower volumes
- Increased cost, mainly related to production costs
- FX had a negative impact of SEK -2 million yoy
- Taking swift actions to protect profitability

## Damascus steel

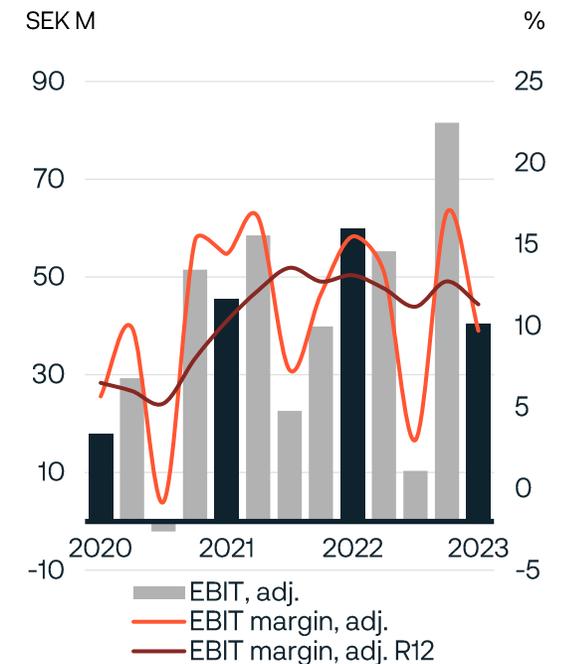
- The first large-scale manufacturing of Damascus steel

SEK M	Q1 2023	Q1 2022	FY 2022
Order intake	308	447	1,705
Organic growth, %	-35	-4	2
Revenues	418	388	1,628
Organic growth, %	1	13	14
Adj. EBIT	41	60	207
Margin	9.7	15.5	12.7

### Order intake and revenues



### Adjusted EBIT, (%)



# Olof Bengtsson

## CFO



# Financial summary

SEK M	Q1 2023	Q1 2022	Change %	FY 2022
Order intake	6,416	5,996	7	22,130
Revenues	5,376	4,219	27	18,405
Adj. EBIT	567	384	48	1,681
Adj. EBIT margin, %	10.5	9.1	-	9.1
Metal price effects	479	327	47	695
Items affecting comparability	0	-75	-	-254
EBIT	1,045	635	65	2,122
EBIT margin, %	19.4	15.1	-	11.5
Net financial items	2	73	-97	-184
Normalized tax rate, %	22.9	22.1	-	24.3
NWC, % <sup>1</sup>	32.0	29.5	-	32.8
Free operating cash flow	404	-53	-	505
ROCE excl. cash, % <sup>2</sup>	16.3	13.0	-	14.2
Adj. EPS	1.75	1.37	28	4.46

SEK M	Order intake	Revenues
Q1 2022	5,996	4,219
Organic, %	-5	12
Structure, %	0	1
Currency, %	4	4
Alloys, %	7	10
Total growth, %	7	27

Q1 2023	6,416	5,376
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Change compared to the same quarter last year

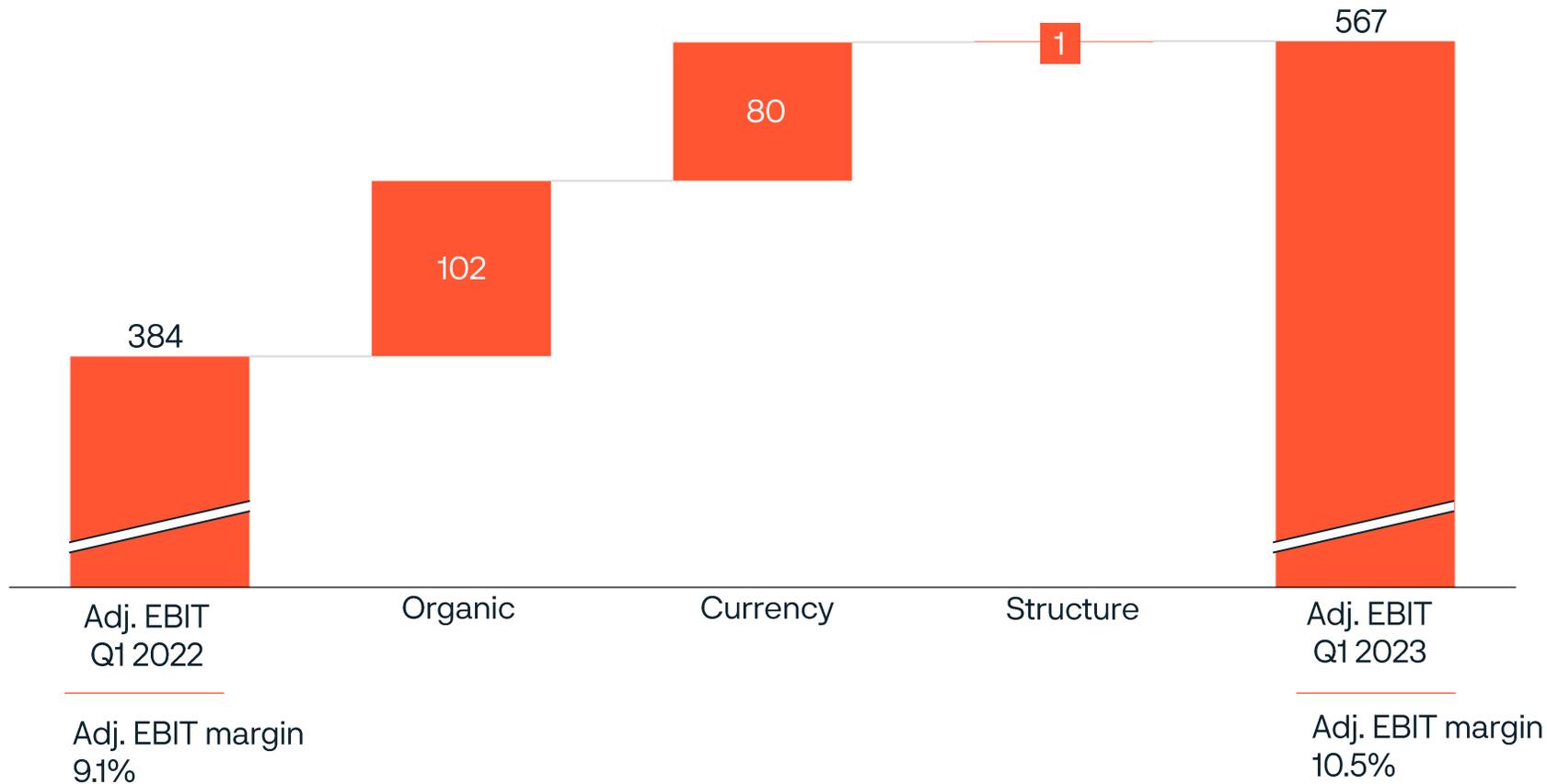
- Continued high effects from alloy surcharges – nickel and molybdenum
- Improved adj. EBIT margin from volume, price and product mix but dilution from higher metal prices
- Tax in Q1 slightly below full year guidance of 24-26%
- Adjusted EPS increase of 28%

1) Quarter is quarterly annualized and the annual number is based on a four quarter average.

2) Based on rolling 12 months and a four-quarter average.



## Bridge analysis, adjusted EBIT



Leverage:  
+20%

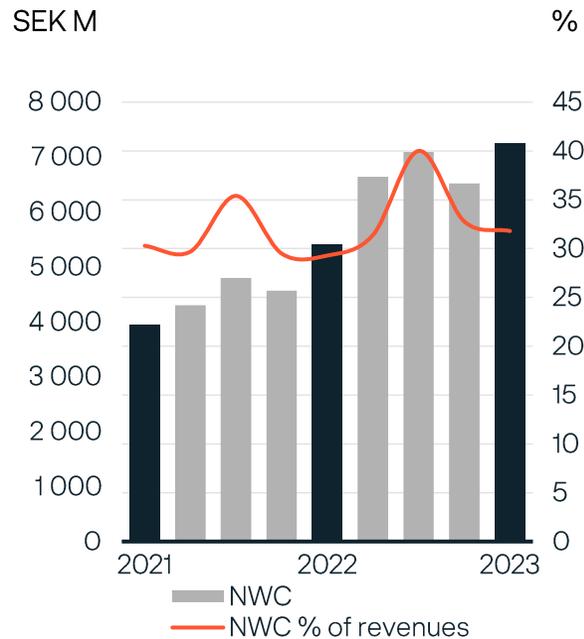
- Solid operating leverage and organic development driven by volume, price and mix
- Currency effects impacted by realized project hedges
- Positive contribution of from Endosmart acquisition



# Capital efficiency

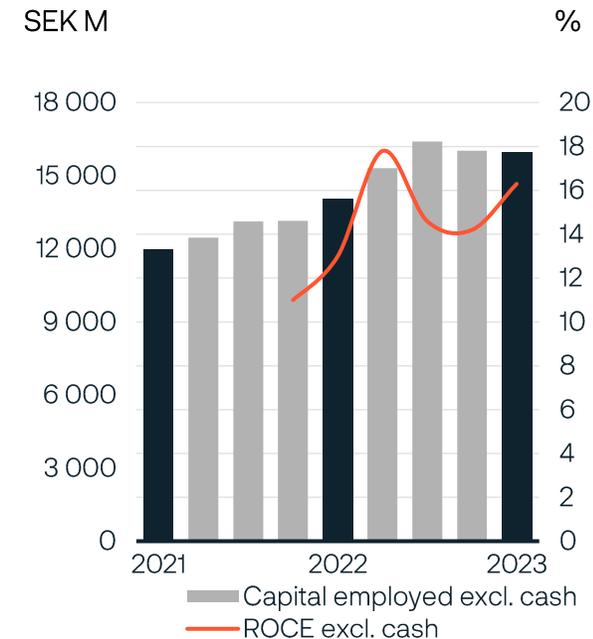
- Net working capital increased to SEK 7,246 million (5,404)
  - Increase driven by higher raw material prices
  - NWC in relation to revenues up to 32.0% (29.5)

## Net working capital



- Capital employed excl. cash increased to SEK 15,991 million (14,060)
  - Higher NWC and currency effects
  - ROCE excl. cash increased to 16.3% (13.0) in quarter

## Capital employed excl. cash



Note: Based on rolling 12 months and a four-quarter average.  
Historical ROCE excl. cash figures are not available prior to Q4 2022.



# Cash flow

- Cash flow from operations amounted to SEK 377 million (-123), positively impacted by higher earnings
- Free operating cash flow increased to SEK 404 million (-53)
  - NWC increase due to high raw material prices
  - Capex on normalized level

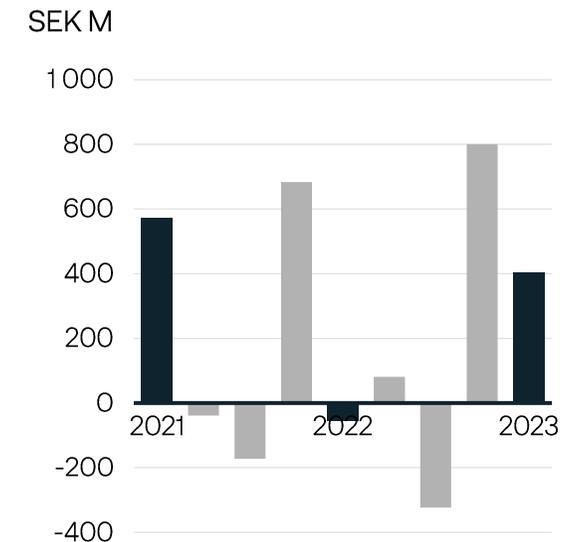
## Free operating cash flow

SEK M	Q1 2023	Q1 2022	FY 2022
EBITDA	1,263	853	2,980
Non-cash items	-11	-6	-130
Changes in working capital	-702	-813	-1,590
Capex <sup>1</sup>	-116	-66	-656
Amortization, lease liabilities	-29	-20	-99
<b>Free operating cash flow<sup>2</sup></b>	<b>404</b>	<b>-53</b>	<b>505</b>

1) Including investments in tangible and intangible assets of SEK -117 million (-74) for Q1 2023 and SEK -679 million (-494) full year 2022.

2) Free operating cash flow before acquisitions and disposals of companies, net financial items and paid taxes.

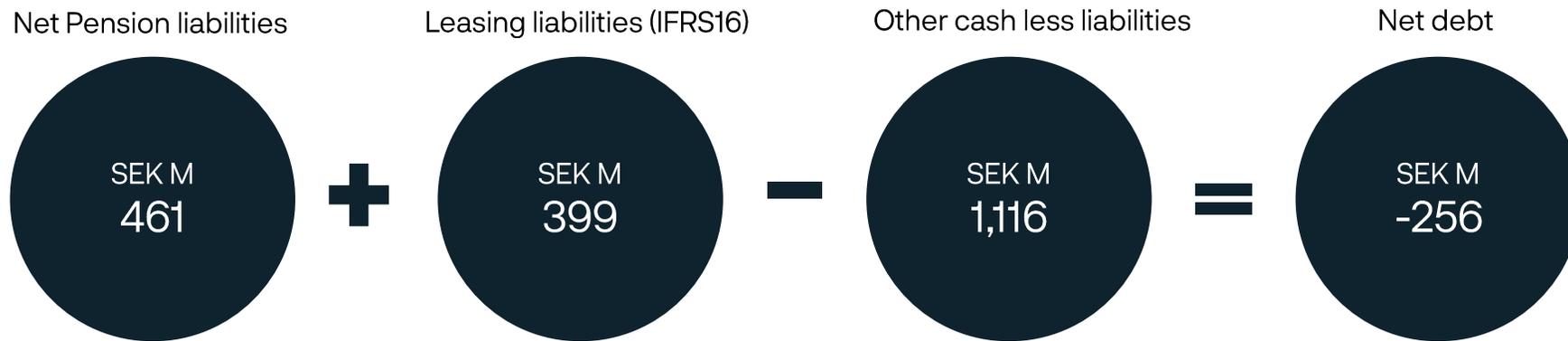
## Free operating cash flow quarterly





# Capital structure

- Net cash position
- Unutilized revolving credit facility of SEK 3 billion



Net debt/  
Equity

-0.02x

Net debt/  
Adjusted EBITDA  
rolling 12 months

-0.09x



## Guidance ahead of the quarter and outcome

	<b>Outcome Q1 2023</b>	<b>Guidance ahead of Q1 2023</b>
Capex (Cash)	SEK -116 million in Q1	Approximately SEK 800 million in FY 2023
Currency translation and transaction effect	SEK 113 million	SEK 100 million in Q1
Total currency effect	SEK 80 million	-
Metal price effect	SEK 479 million	SEK 300 million in Q1
Tax rate, normalized	22.9% Q1 2023	24-26% in FY 2023



# Guidance Q2 2023 and FY 2023

## Capex (cash)

- Estimated to approximately SEK 800 million for 2023

## Currency effects

- Based on currency rates at the end of March 2023, it is estimated that transaction and translation currency effects will have a positive impact of about SEK 100 million on operating profit (EBIT) for Q2 2023

## Metal price effects

- In view of currency rates, inventory levels and metal prices at the end of March 2023, it is estimated that there will be a negative impact of approximately SEK -200 million on operating profit (EBIT) for Q2 2023

## Tax rate

- The normalized tax rate is estimated to 24-26% for 2023



## Outlook for the second quarter 2023

- Momentum is positive for most of our customer segments, and underlying trends are expected to mitigate the impact of uncertainties in the macroeconomic environment during 2023. However, with continued caution regarding the impact from cost inflation.
- Demand is expected to remain subdued for Industrial and Consumer segments in the near-term.
- Going into the second quarter, with high comparables from the corresponding period in the preceding year, the product mix is expected to be similar compared with the first quarter.
- Cash flow is normally lower in the first half of the year compared with the second half.



# Summary

- Improved market sentiment
- A growing backlog
- Successful price execution, but continued high inflation
- Strong financial position and a net cash position
- Sustainability continues to generate business
- Consistent strategy execution





# Q&A

Thank you  
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