

October 24, 2023

Interim report

Third 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



Speak Up

Göran Björkman President & CEO





Q3 highlights

Growth and a continued solid order backlog

- Organic order intake growth of 16% in the quarter
- Solid backlog provides confidence for near-time deliveries
- Revenues increased by 5% organically, driven by growth in Tube and Kanthal

Significant earnings growth

- Adj. EBIT growth of 80%
- Higher revenues and positive product mix in Tube and Kanthal
- Successful price increases fully offsetting cost inflation
- Record-high Q3 adjusted EBIT margin
- Strong cash flow

Consistent strategy execution

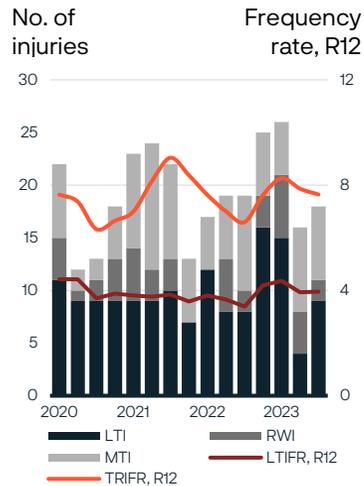
- Investment in China
- Sustainable trends generate business



Leading sustainability

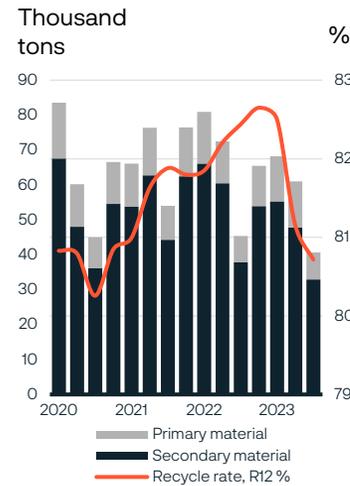
Making an impact through our operations

- Focus on improving safety performance
- Share of recycled steel remains high
- Continued reduction of CO₂ emissions
- Increased share of female managers



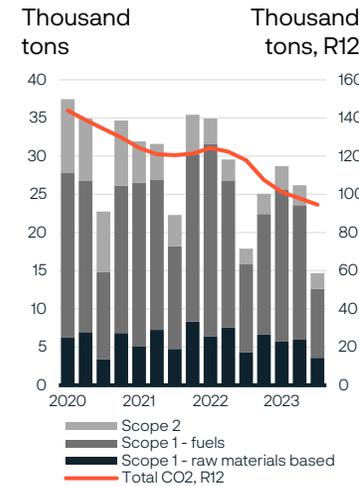
Health and safety

- R12 total recordable injury frequency rate, TRIFR, was 7.6 (6.6). The quarterly outcome improved to 7.0 (7.9).



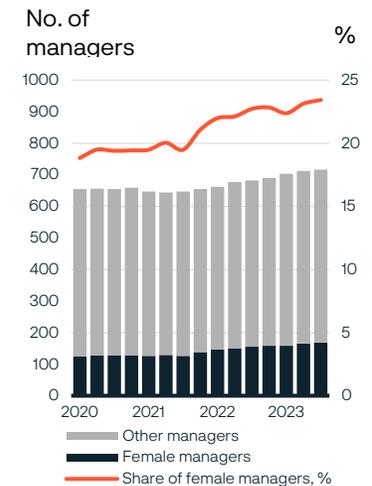
Recycled steel

- R12 share of recycled steel in the steel manufacturing amounted to 80.7% (82.4). The quarterly figure declined to 81.0% (83.3), due to the product mix.



CO₂ emissions

- R12 CO₂ emissions amounted to 95 kton (118), a reduction of 20%. Emissions for the quarter decreased 18% to 15 kton (18).



Share of female managers

- The share of female managers increased to 23.4% (22.7) in the quarter.



Towards a more sustainable offering

Making an impact through our products

— Example orders in the quarter

- Industrial heating solutions for customer product applications such as solar
- Electric process gas heaters for the upstream steel industry to reduce carbon emissions and improve efficiency



Solar panels



Kanthal® Flow Heater



Investment in Zhenjiang, China

Gearing up to meet increased demand in Chemical and Petrochemical

- New facility for applications tubing to Chemical and Petrochemical
- Capabilities to produce hydrogen tubes
- Investment of SEK 250 million over three years
- Operations to ramp up from 2025



Heat exchanger tubes



Hydrogen tubes



Market development

- Continued mixed market development
- Soft demand in the short-cycle business
- Solid demand in most other segments
- Order intake grew in all regions

Perceived year on year underlying market demand trend

	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 AND 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)

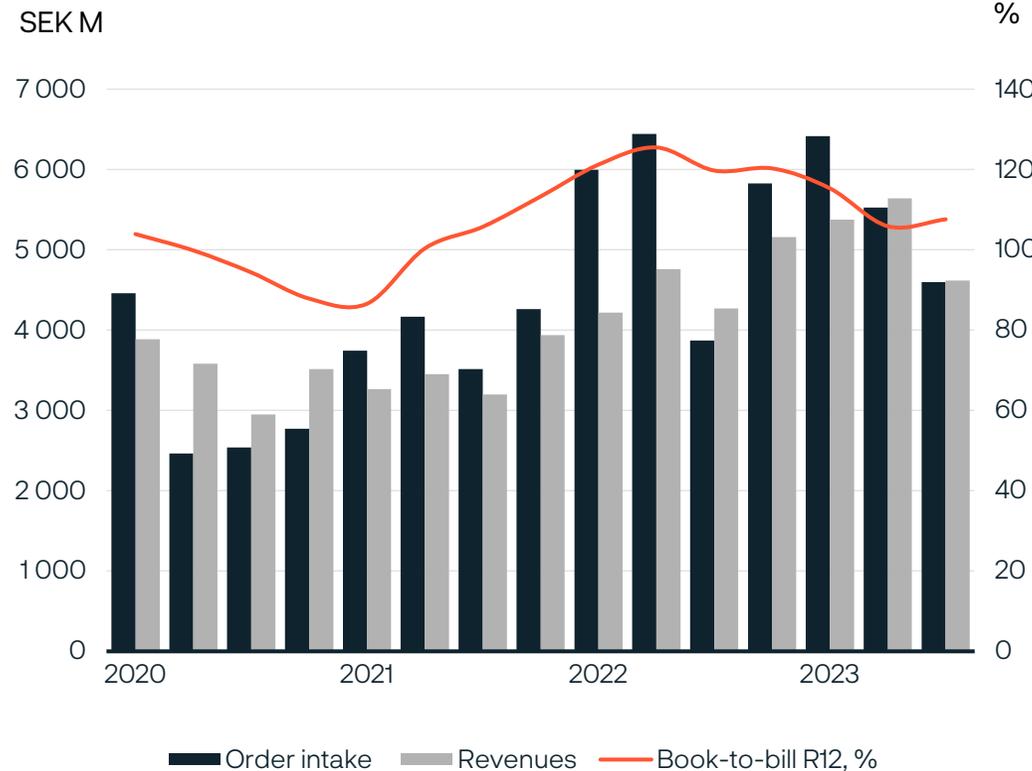
4,595

Revenues

Reported (SEK M)

4,617

Order intake and revenues

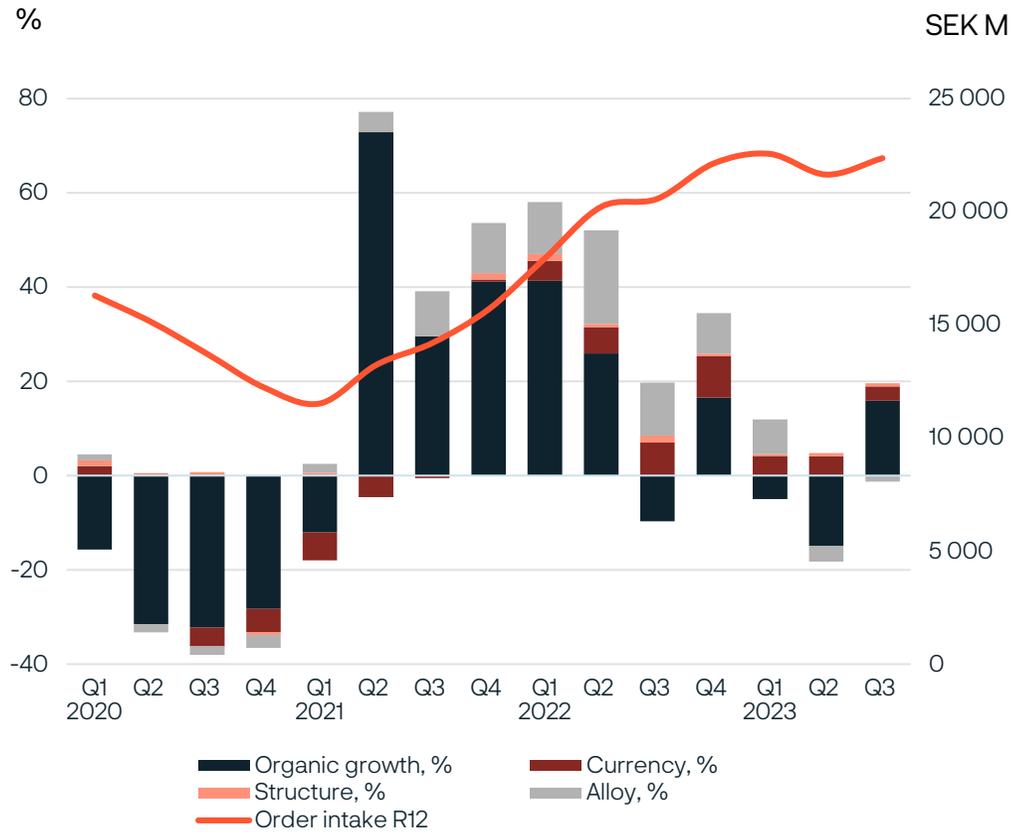


- Flat organic order intake growth for rolling 12 months
- Organic order intake growth of 16% in Q3
- Organic revenue growth of 5% in Q3
- Book-to-bill
 - 100% in Q3
 - 108% for rolling 12 months
- Order backlog is continued solid

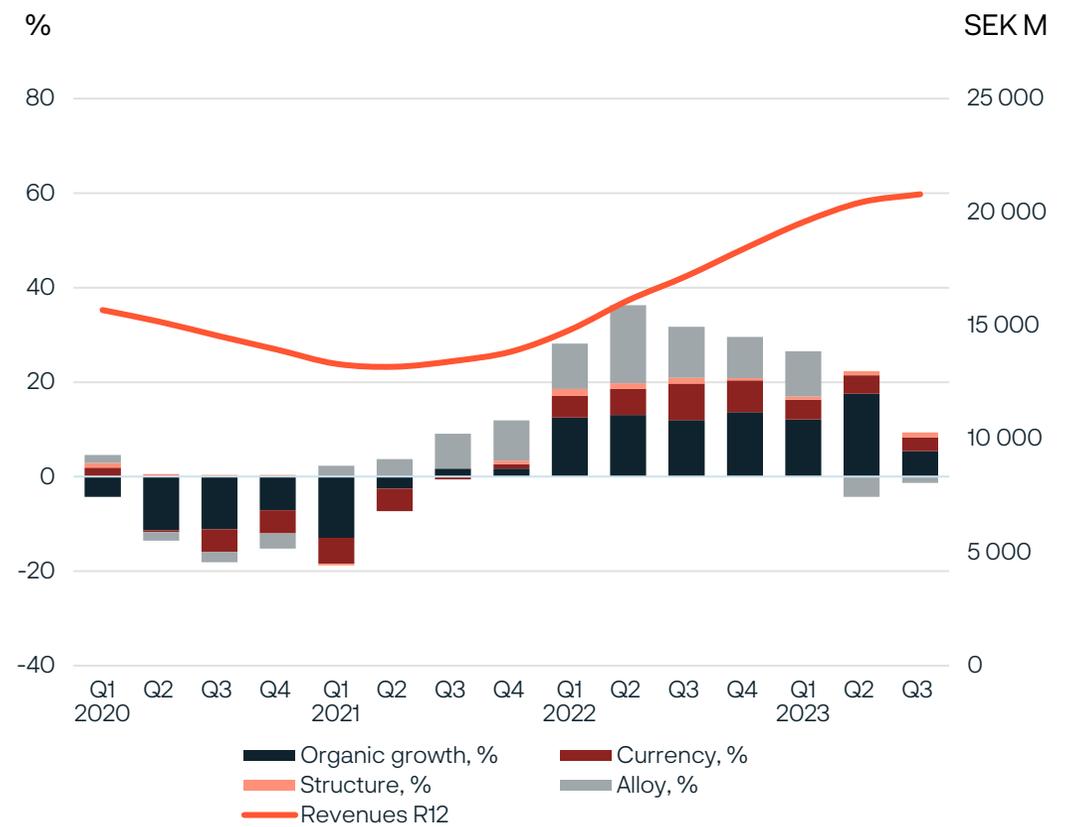


Order intake and revenue growth

Order intake



Revenues





Earnings

Adjusted EBIT at SEK 350 million (195)

- Margin 7.6% (4.6)
 - Higher revenues
 - Positive product mix
 - Price increases

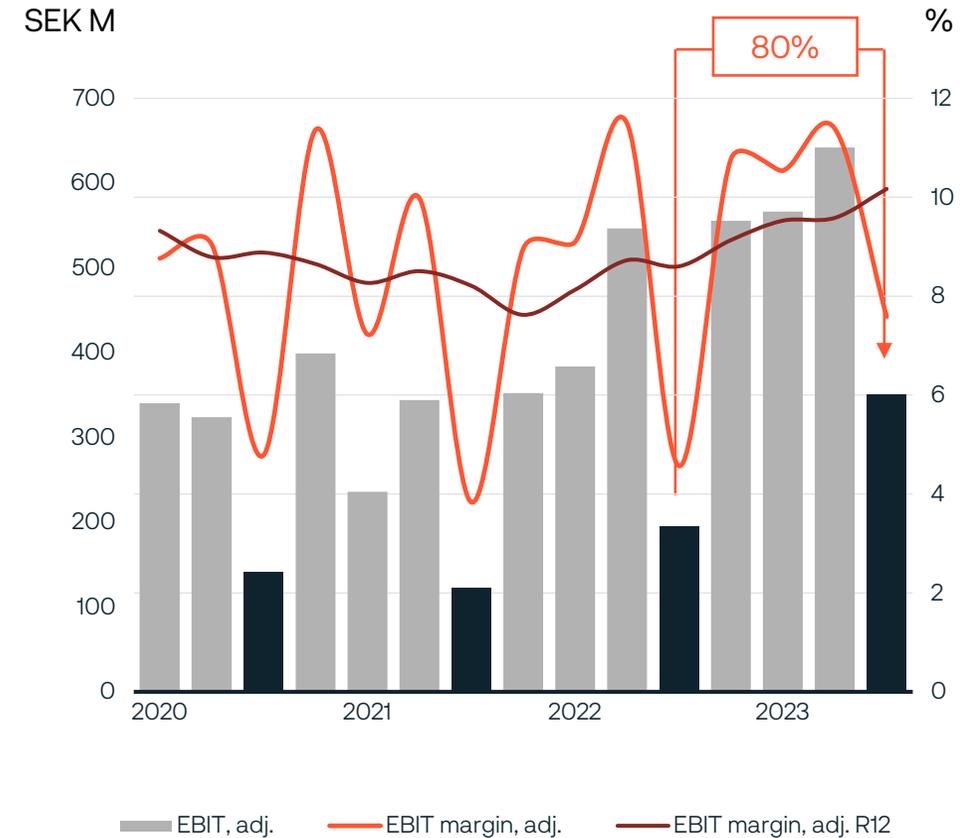
Reported EBIT at SEK 206 million (-26)

- Margin of 4.5% (-0.6)
 - Metal price effects of SEK -144 million (-131)
 - IAC of SEK 0 million (-90)

Free operating cash flow of SEK 812 million (-323)

- Higher earnings
- NWC decrease
- Stronger cash flow in the second half of the year in line with normal seasonality

Adjusted EBIT, %





Tube

Backlog remained solid, organic order intake growth of 26%

- Order momentum in Oil and Gas, Power Generation, Chemical and Petrochemical, Transportation
- Soft demand for low-refined products to the Industrial segment, and Chemical and Petrochemical in North America
- Organic revenue growth of 4% mainly driven by Oil and Gas and Chemical and Petrochemical

Significant earnings improvement

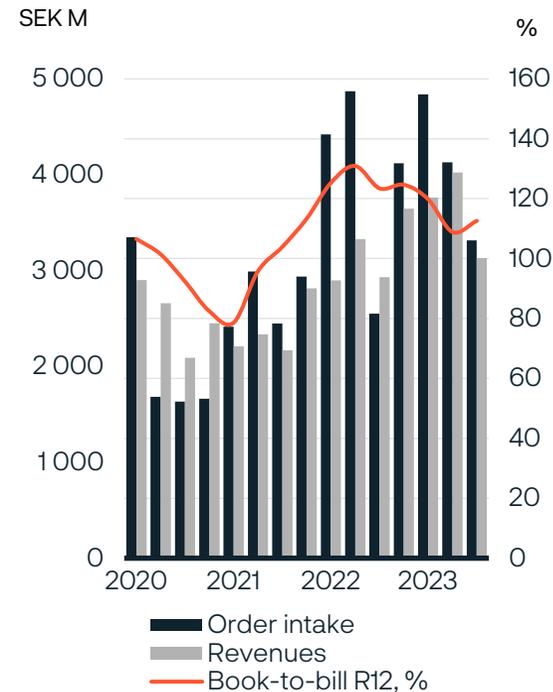
- Adj. EBIT increased 38% to SEK 199 million
- Adj. EBIT margin increased to 6.4% (4.9)
- Higher revenues, positive product mix and price increases
- FX had a negative impact of SEK -63 million yoy

Investment in China

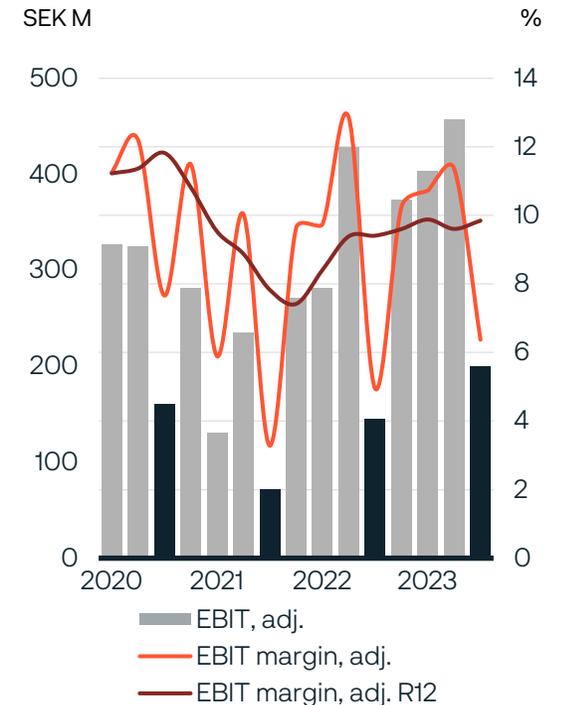
- Greenfield factory to serve Chemical and Petrochemical market

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
Order intake	3,316	2,552	12,282	11,840
Organic growth, %	26	-16	-2	27
Revenues	3,130	2,931	10,917	9,157
Organic growth, %	4	13	13	15
Adj. EBIT	199	145	1,060	855
Margin, %	6.4	4.9	9.7	9.3

Order intake and revenues



Adjusted EBIT, (%)





Kanthal

Growth from underlying tailwinds

- Solid order intake growth in the Medical segment
- Order intake in Industrial Heating segment stable on high level
- Organic revenue growth of 13%, broad based positive development
- Record-high revenues in Medical

Adjusted EBIT margin at strong 18.6%

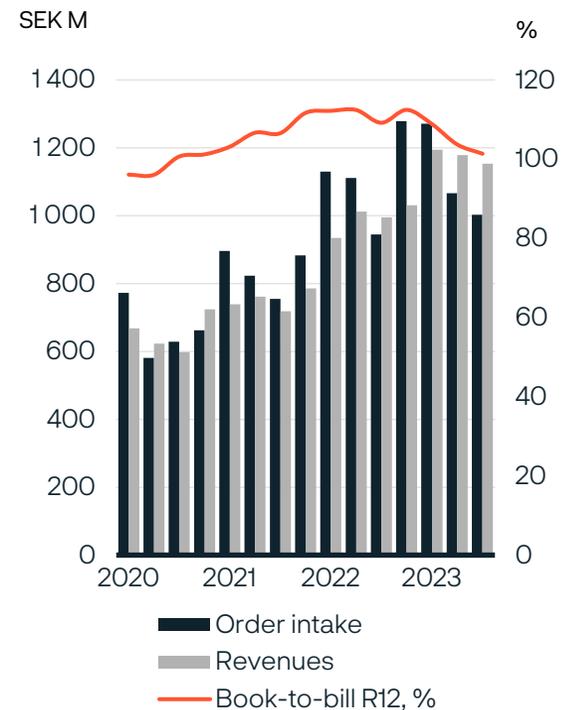
- Increased revenues and a strong product mix
- Successful price increases
- Efficiency improvements

Sustainable trends supporting order growth

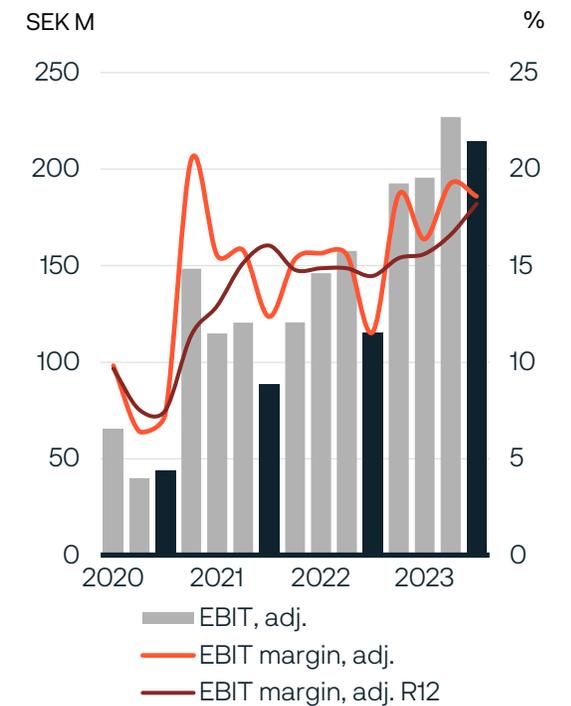
- Several Industrial Heating orders to the solar and steel industry

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
Order intake	1,003	945	3,340	3,187
Organic growth, %	5	2	-1	4
Revenues	1,153	995	3,527	2,942
Organic growth, %	13	12	13	7
Adj. EBIT	214	115	637	419
Margin, %	18.6	11.6	18.1	14.2

Order intake and revenues



Adjusted EBIT, (%)





Strip

Soft market demand

- Continued order intake decline in the Consumer segment
- Consuming backlog
- Organic revenue growth of -3%

Adjusted EBIT margin at -1.3%

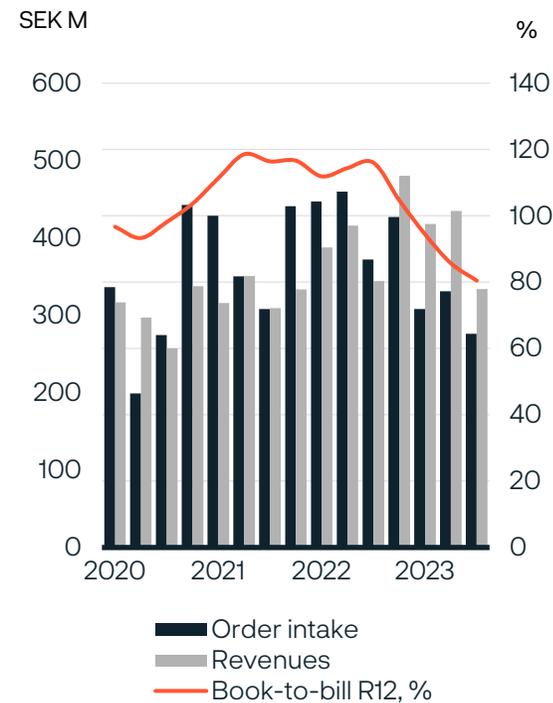
- Continued under absorption effects from lower production volumes
- Mitigating actions to adjust capacity and reduce costs are ongoing

Increasing circularity

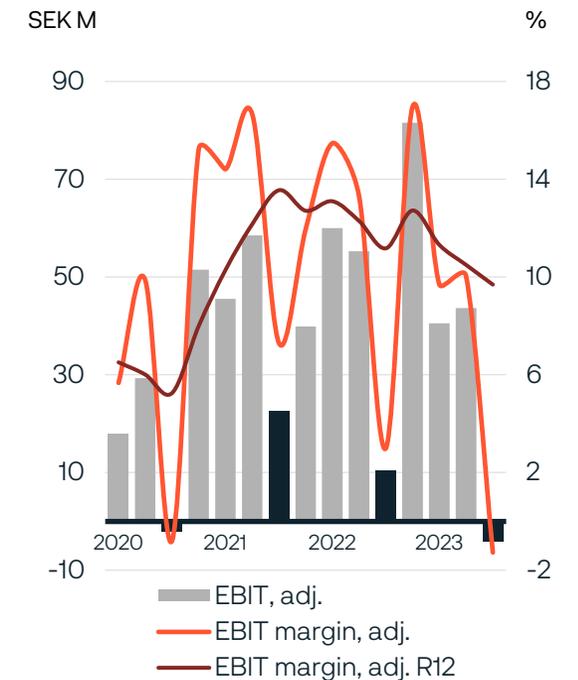
- New customer added to scrap buy-back program

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
Order intake	276	372	915	1,278
Organic growth, %	-25	10	-30	7
Revenues	334	344	1,187	1,148
Organic growth, %	-3	3	0	8
Adj. EBIT	-4	10	80	126
Margin, %	-1.3	3.0	6.7	10.9

Order intake and revenues



Adjusted EBIT, (%)



Olof Bengtsson

CFO



Financial summary

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
Order intake	4,595	3,869	16,537	16,305
Revenues	4,617	4,270	15,631	13,246
Adj. EBIT	350	195	1,559	1,126
Adj. EBIT margin, %	7.6	4.6	10.0	8.5
Metal price effects	-144	-131	42	844
Items affecting comparability	0	-90	0	-254
EBIT	206	-26	1,601	1,715
EBIT margin, %	4.5	-0.6	10.2	12.9
Net financial items	-15	-187	-52	-286
Normalized tax rate, %	25,1	-23,4	24,4	26,3
NWC, % ¹	40.2	40.2	34.3	33.2
Free operating cash flow	812	-323	1,288	-295
ROCE excl. cash, % ²	12.5	14.6	12.5	14.6
Adj. EPS, diluted	0.99	0.07	4.53	2.35

SEK M	Order intake	Revenues
Q3 2022	3,869	4,270
Organic, %	16	5
Structure, %	1	1
Currency, %	3	3
Alloys, %	-1	-1
Total growth, %	19	8
Q3 2023	4,595	4,617

Change compared to the same quarter last year

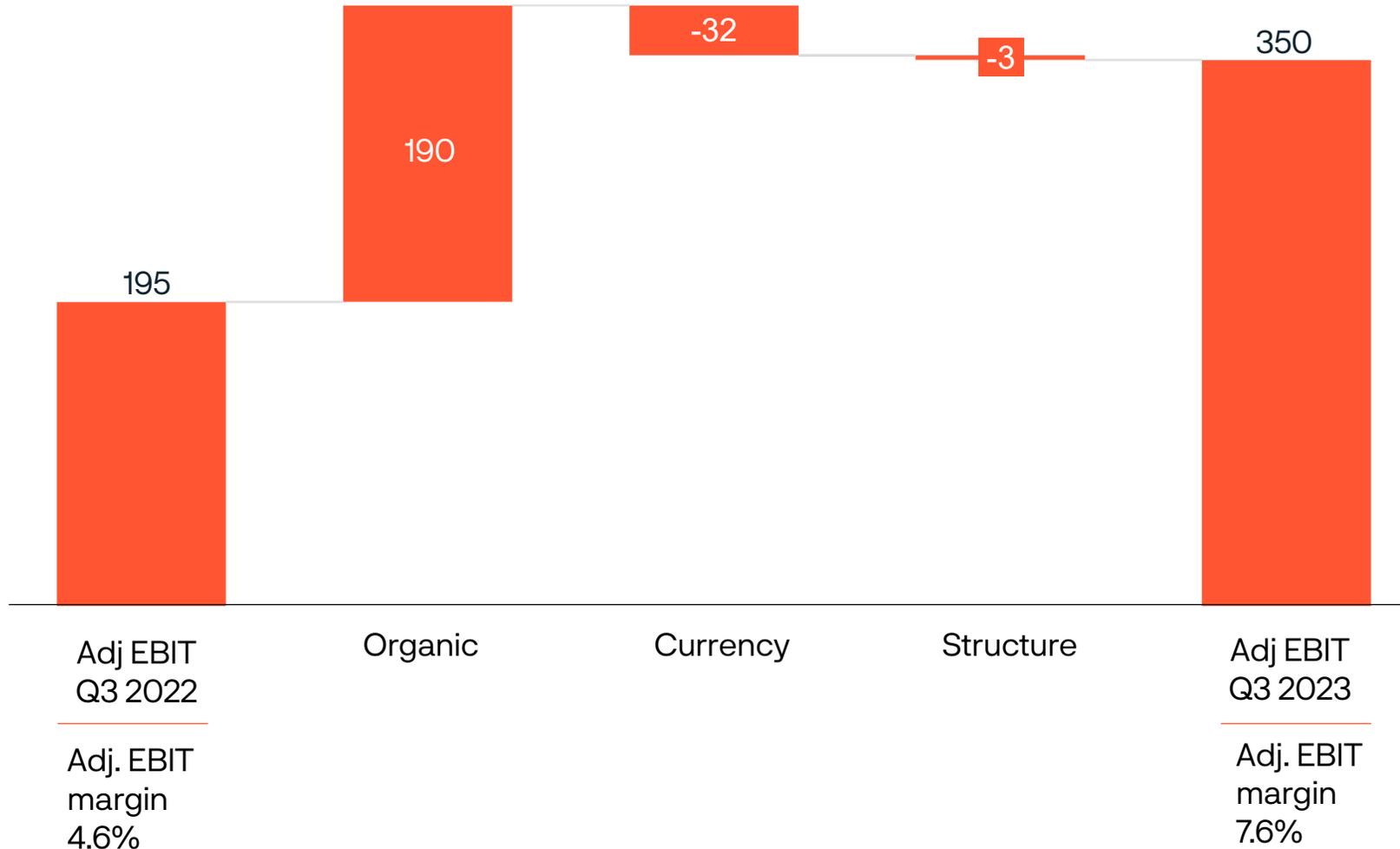
- Revenue growth
- Negative alloy effect in the bridge
- Improved adj. EBIT from volume, price and product mix
- Tax in H2 in the lower range of full year guidance of 24-26%
- Adjusted EPS increase

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:
+82%

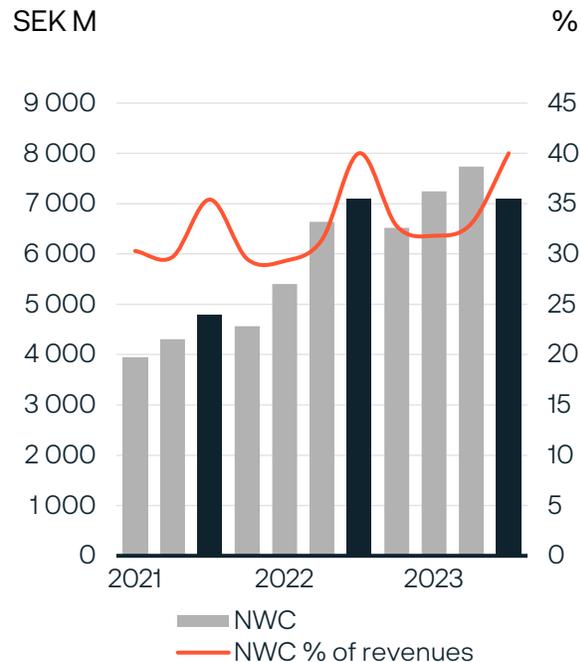
- Positive organic development driven by volume, price and mix
- Increased Adj. EBIT and margin
- FX had a negative impact of SEK -32 million yoy



Capital efficiency

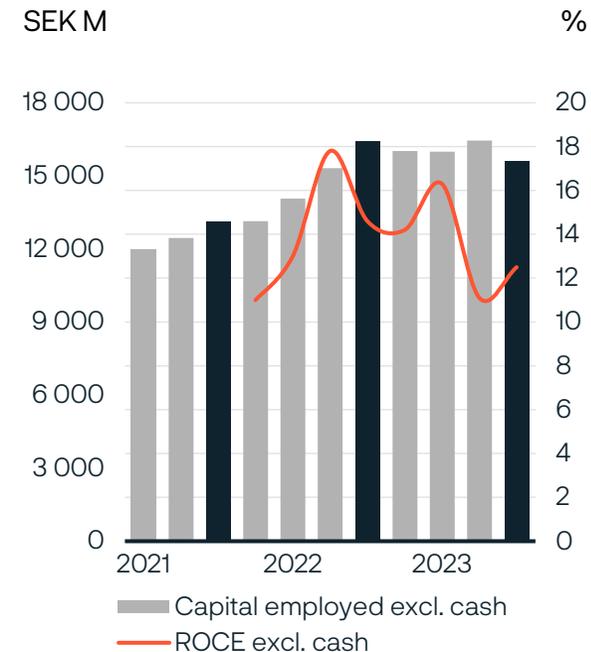
- NWC amounted to SEK 7,108 million (7,091)
- Sequential NWC decrease
- NWC in relation to revenues up to 40.2% (40.2)

Net working capital



- Capital employed excl. cash decreased to SEK 15,610 million (16,409)
- ROCE excl. cash decreased to 12.5% (14.6) in the 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 operating activities amounted to SEK 949 million (-297)
- Free operating cash flow increased to SEK 812 million (-323)
 - Strong earnings
 - NWC decrease
 - Capex on normalized level

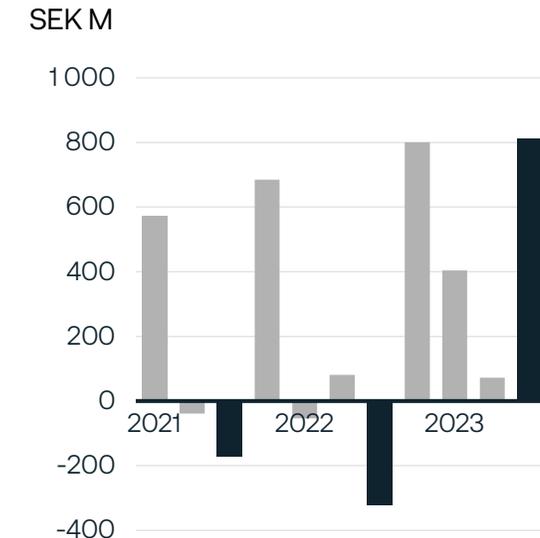
Free operating cash flow

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
EBITDA	438	182	2,272	2,345
Non-cash items	25	-91	1	-151
Changes in working capital	567	-241	-445	-2,093
Capex ¹	-187	-155	-453	-337
Amortization, lease liabilities	-31	-17	-87	-60
Free operating cash flow²	812	-323	1,288	-295

1) Including investments in tangible and intangible assets of SEK -194 million (-158) for Q3 2023 and SEK -462 million (-348) Q1-Q3 2023.

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

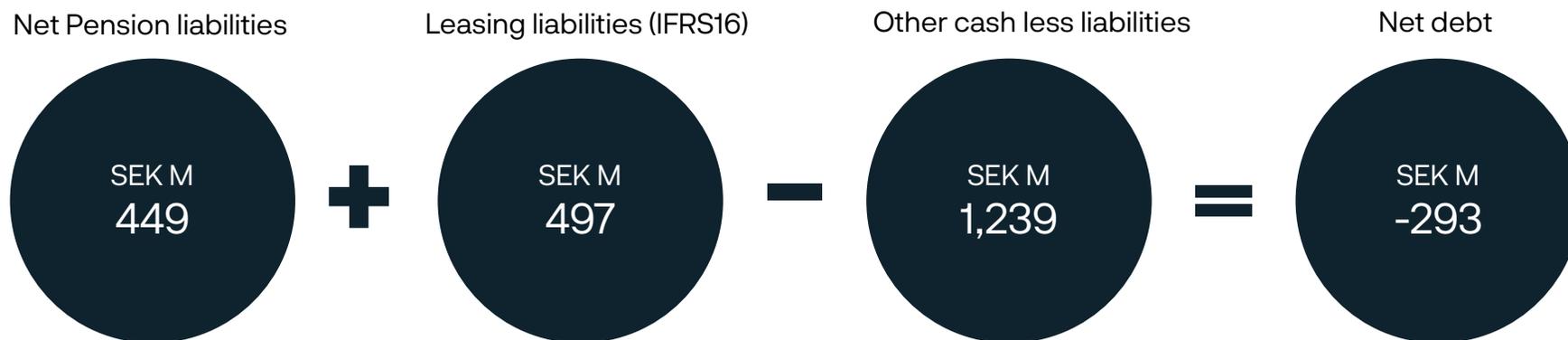
Free operating cash flow quarterly





Capital structure

- Net cash position
- Net debt/equity ratio well below target
- Net pension liability decreased due to increased long term discount rates in Sweden
- Unutilized revolving credit facility of SEK 3 billion



Net debt/
Equity

-0.02x

Net debt/
Adjusted EBITDA
rolling 12 months

-0.10x



Guidance ahead of the quarter and outcome

	Outcome Q3 2023	Guidance ahead of Q3 2023
Capex (Cash)	SEK -187 million in Q3	Approximately SEK 800 million in FY 2023
Currency translation and transaction effect	SEK 44 million	SEK 50 million in Q3
Total currency effect	SEK -32 million	-
Metal price effect	SEK -144 million	SEK -300 million in Q3
Tax rate, normalized	24.4% Q1-Q3 2023	24-26% in FY 2023



Guidance Q4 2023 and FY 2023

Capex (cash)

- Estimated to approximately SEK 800 million for FY 2023

Currency effects (transaction and translation)

- SEK 0 million on operating profit (EBIT) for Q4 2023, compared to the corresponding period last year

Metal price effects

- SEK -200 million on operating profit (EBIT) for Q4 2023

Tax rate

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



Outlook for the fourth quarter 2023

- Despite mixed demand in our markets during the quarter, underlying megatrends are expected to continue to mitigate the impact of uncertainties in the macroeconomic environment for the remainder of the year.
- With our solid backlog, we have good visibility in our near-term deliveries.
- We are continuously taking actions to mitigate potential impact from cost inflation and under-absorption of cost from the lower production volumes in certain segments.
- The product mix is expected to be similar to the third quarter. Cash flow is normally higher in the second half of the year compared with the first half.



Summary

- A strong quarter
- Continued revenue growth
- Solid backlog
- Momentum from underlying tailwinds
- Soft market conditions in some segments
- Significant earnings improvement
- Successful price execution
- Consistent strategy execution towards profitable growth





Capital Markets Day 2023

- November 14, in physical event in Stockholm and live-streamed online
- www.alleima.com/investors/capital-markets-day





Q&A

Thank you
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