

January 24, 2023

Interim and full year
report
Fourth quarter 2022



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





Q4 highlights

An overall solid market sentiment

- Organic order intake of 17%
- Order intake growth in several customer segments
- Oil and Gas offshore investments materialized into significant orders
- First ever major order in the Medical segment
- Continued subdued demand in the short-cycle business, with flat sequential development
- Revenues grew 14% organically and the backlog is solid

Improved earnings

- Adjusted EBIT margin of 10.8% vs. 9.0% last year
- Higher revenues, improved product mix and positive contribution from FX
- Successful price execution fully offsetting cost inflation
- Strong sequential cash flow improvement

An eventful quarter

- Commitment to set targets in line with SBTi
- Capitalizing on the green transition by exciting new orders
- Acquired Endosmart, a nitinol expert for medical devices



Full year 2022 highlights

A year of record-high revenues

- Organic order intake growth of 19%
- Organic revenue growth of 13%
- Book-to-bill of 120%

Improved earning

- Adjusted EBIT margin of 9.1% (7.6)
- Higher revenues and an improved product mix
- Price increases fully compensating cost inflation

Board proposes dividend of SEK 1.40 per share

- Corresponds to 38% of profit for the period (adjusted for metal price effects)

Other highlights

- Listing on Nasdaq Stockholm
- Rebranded to Alleima
- Three acquisitions
- Footprint optimization and growth investments



Performance in line with financial targets

Organic growth

Deliver profitable organic revenue growth in line with or above growth in targeted end-markets over a business cycle

13%

Group total, full year 2022

Earnings

Adjusted EBIT margin (excluding items affecting comparability and metal price effects) to average above 9 percent over a business cycle

9.1%

Full year 2022

Capital Structure

A net debt to equity ratio below 0.3x

0.0x

Dec 2022

Dividend

Dividend on average 50 percent of net profit (adjusted for metal price effects) over a business cycle. Dividend to reflect financial position, cash flow and outlook

1.40 SEK

Proposed dividend per share, 2022

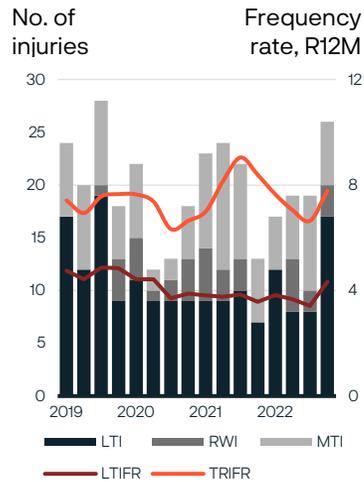
Corresponding to 38% of net profit (adjusted for metal price effects)



Leading sustainability

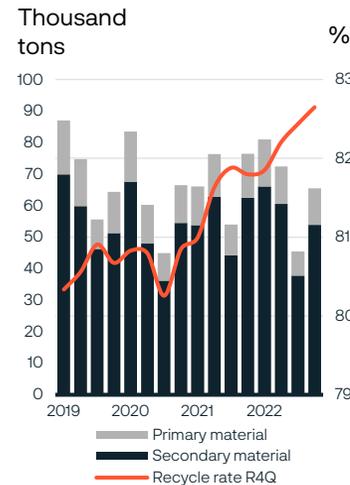
Making impact through our operations

- Commitment to set targets in line with the Science Based Targets initiative
- Focus on improving safety performance
- Increased share of recycled steel
- Significant reduction of Greenhouse Gas emission
- Record-high share of female managers



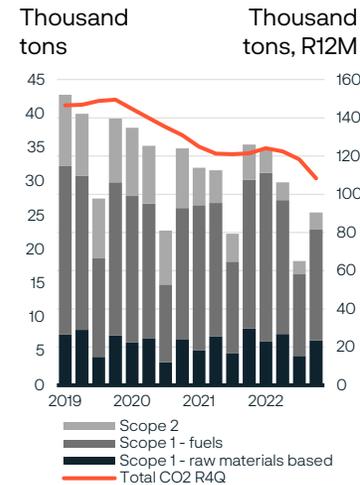
Health and safety - TRIFR

- R12M Total Recordable Injury Frequency Rate, TRIFR, was 7.8 (8.4). The quarterly figure was weak at 9.4 (5.0).



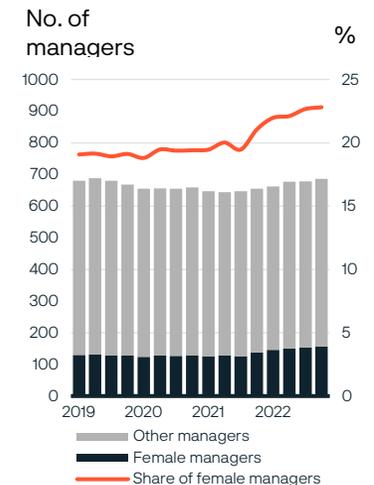
Recycled steel, %

- The share of recycled steel increased to 82.6% (81.8) for the full year. The quarterly figure amounted to 82.4 (81.7).



GHG emissions

- GHG emissions for the full year amounted to 108 kton, a reduction of 11% compared with last year. Emissions for the quarter decreased 28% to 25 kton (35).



Share of female managers

- Share of female managers increased to 22.8% (21.1) yoy, resulting in a record-high share of female managers in the company.



Towards a more sustainable offering

Making impact through our products

Breakthrough order for OCTG tubes for carbon capture & storage

- The order is a breakthrough for this segment and important contribution to the ongoing initiative to grow the renewable business
- Corrosion resistant materials, used to capture CO₂ and store it in underground geological formations. The aim is to prevent the release of CO₂ and minimize negative climate effects
- Alleima's existing products also fit in a more sustainable world





Market development

- Several customer segments remained on a positive or stable trajectory, supported by long-term trends
- Weakened yoy demand for the short-cycle business, with a flat sequential development
- Positive demand development in Asia

Q4 2022 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%

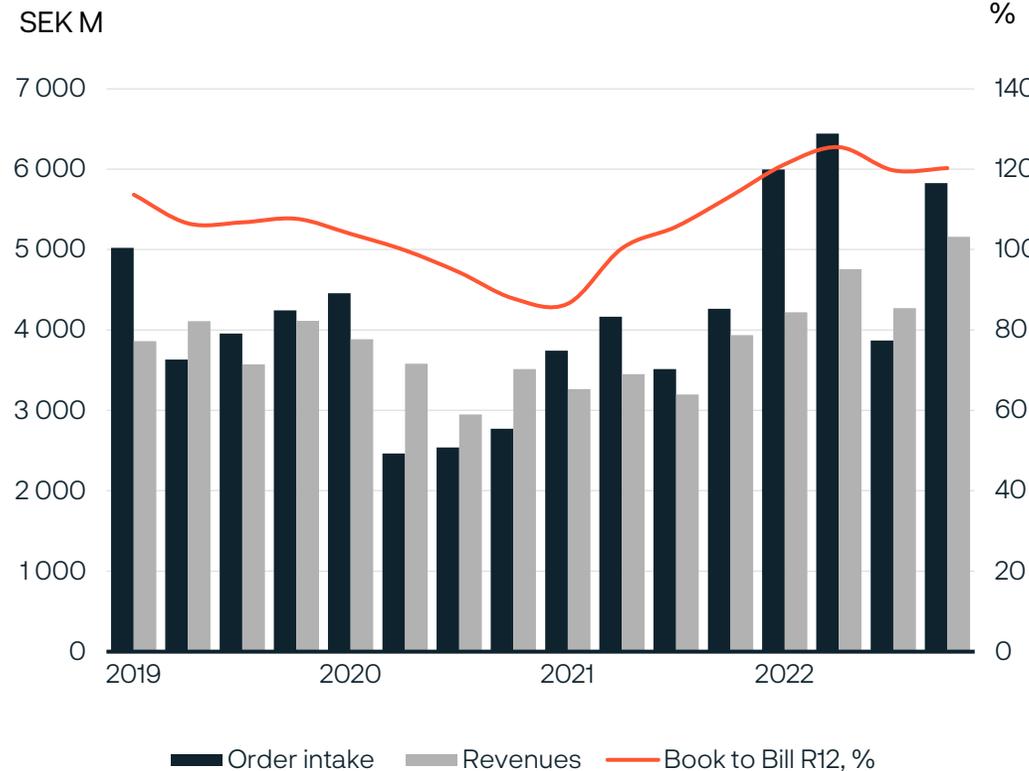


Order intake and revenues

Order intake
Reported (SEK M)
5,825

Revenues
Reported (SEK M)
5,159

Order intake and revenues

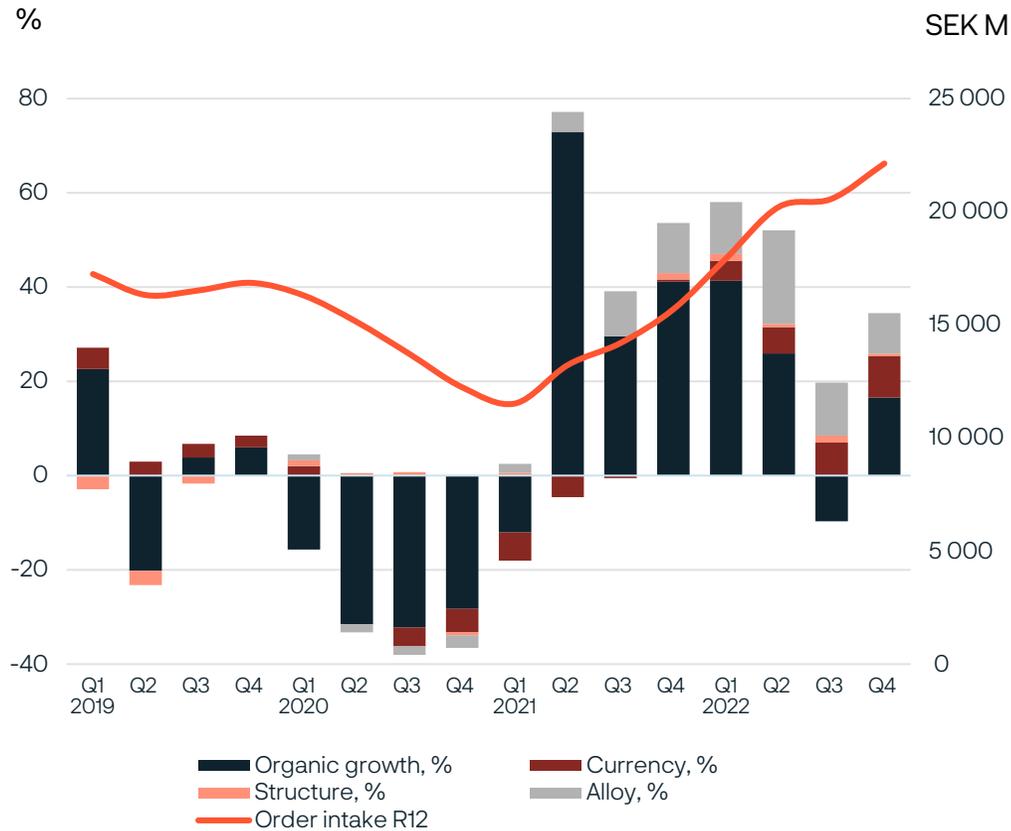


- Organic order intake growth of 17%
- Organic revenue growth of 14%
- Book-to-bill of 113% in Q4,
- Book-to-bill of 120% R12M
- Backlog is solid going into 2023

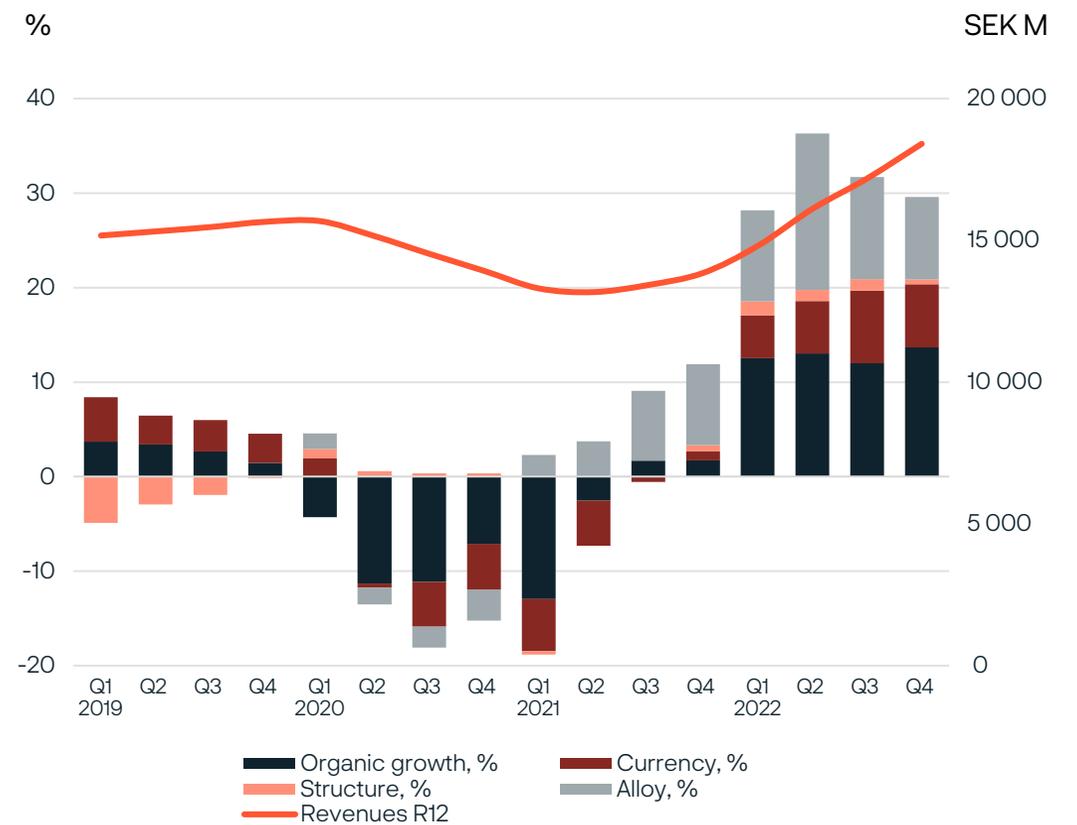


Order intake and revenue growth

Order intake



Revenues



Note: 2019 organic growth numbers include alloys for both order intake and revenues



Earnings

Adjusted EBIT at SEK 555 million (353)

- Margin 10.8% (9.0)
 - Higher revenues and favorable product mix
 - FX had a positive impact of SEK 14 million
- Total price increases fully offsetting cost inflation
- Alloys diluted margins by 80 bps

FY 2022 adjusted EBIT margin 9.1% (7.6)

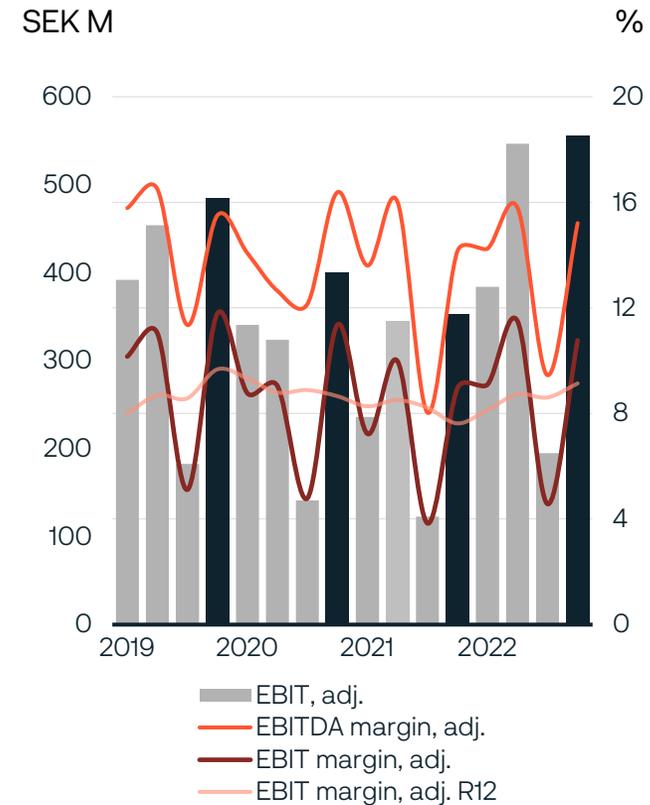
- Alloys diluted margins by 90 bps

Reported EBIT at SEK 407 million (392)

- Including metal price effects of SEK -149 million (129) and IAC of SEK 0 million (-89)
- Margin of 7.9% (10.0)

Strong sequential cash flow improvement

Adjusted EBITDA and Adjusted EBIT, %





Tube

Organic order intake growth of 19%

- Several umbilical and OCTG orders for the Oil and Gas segment
 - Major orders of SEK 755 million
- Strong order growth on precision and titanium tubing for the Transportation segment
- Demand for the low-refined products in the Industrial segment declined yoy, and remained stable on a sequential basis
- Organic revenue growth of 12%, mainly driven by the Oil and Gas segment as well as application tubing to Chemical and Petrochemical

Adjusted EBIT margin at 10.2%

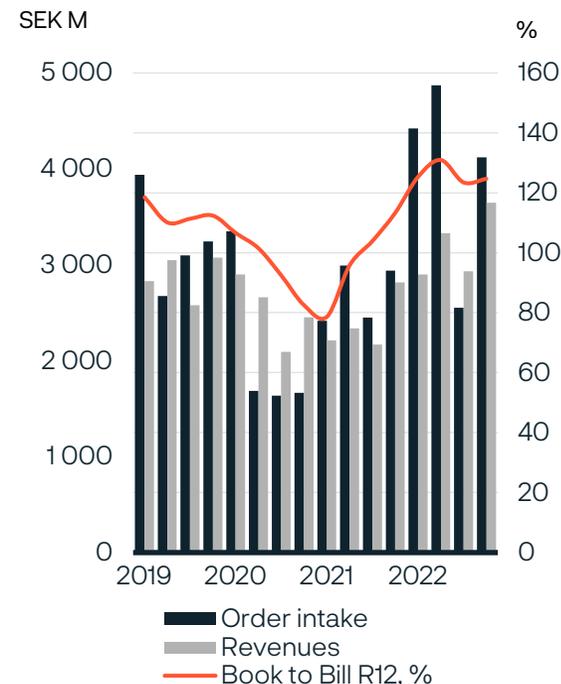
- Increased revenues and positive product mix
- Price increases offsetting cost inflation
- FX had a negative impact of SEK -15 million yoy

Capitalizing on the green transition

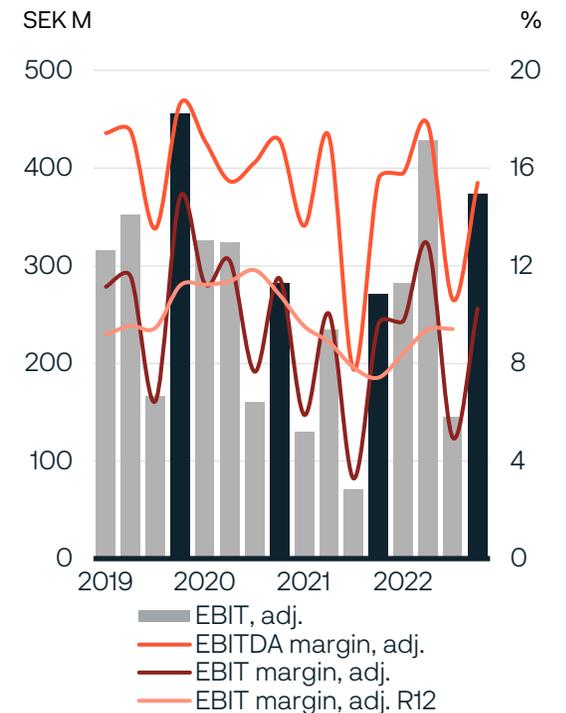
- Entering new market: OCTG tubes to be used for a carbon capture and storage project

SEK M	Q4 2022	Q4 2021	FY 2022	FY 2021
Order intake	4,119	2,938	15,959	10,795
Organic growth, %	19	61	25	26
Revenues	3,647	2,815	12,804	9,530
Organic growth, %	12	4	14	-10
Adj. EBIT	374	271	1,229	707
Margin	10.2	9.6	9.6	7.4

Order intake and revenues



Adj. EBITDA and Adj. EBIT, (%)





Kanthal

Organic order intake growth of 23%

- First ever major order in the Medical segment
 - Value of SEK 350 million
- Strong Industrial Heating, mainly in Asia
- Lower demand for heating materials related to Consumer and Industrial segments in Europe and North America
- Organic revenue growth of 13%, with broad based positive development and record-high revenues for the Medical segment

Adjusted EBIT margin at 18.7%

- Increased revenues and a strong product mix
- Price increases offsetting price inflation
- FX had a positive impact of SEK 11 million yoy

High activity within the Medical segment

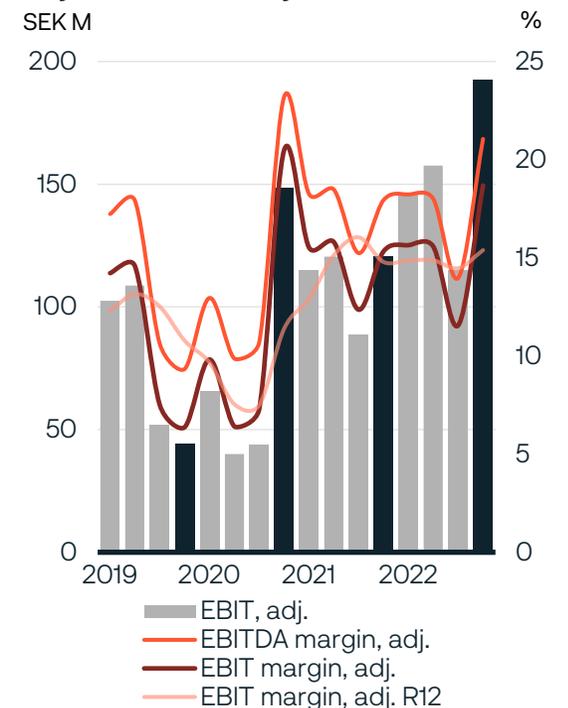
- Acquisition of Endosmart, a nitinol expert and manufacturer of medical devices and components

SEK M	Q4 2022	Q4 2021	FY 2022	FY 2021
Order intake	1,279	883	4,466	3,357
Organic growth, %	23	21	9	28
Revenues	1,031	786	3,972	3,007
Organic growth, %	13	-1	9	15
Adj. EBIT	193	121	611	445
Margin	18.7	15.3	15.4	14.8

Order intake and revenues



Adj. EBITDA and Adj. EBIT, (%)



Strip

Organic order intake growth -11%

- Industrial and Medical segments remained solid
- Negative development in the Consumer segment due to lower demand for stainless compressor valve steel in Asia, as well as for knife steel
- Organic revenue growth of 33% driven by broad-based positive development across the division, reaching record-high revenues

Adjusted EBIT margin of 17.0%

- Strong production output
- Increased revenues with an improved product mix
- Price increases offsetting cost inflation
- FX had a positive impact of SEK 19 million yoy

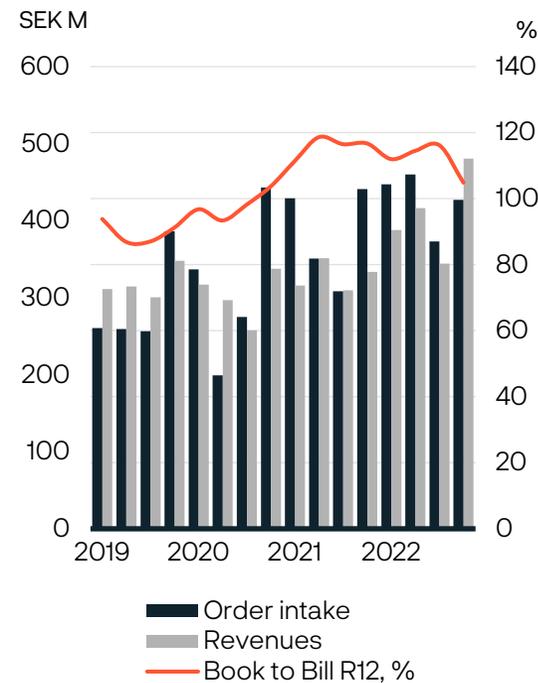
Trusted supplier

- An order for medical steel to be used for orthopedic implants was received

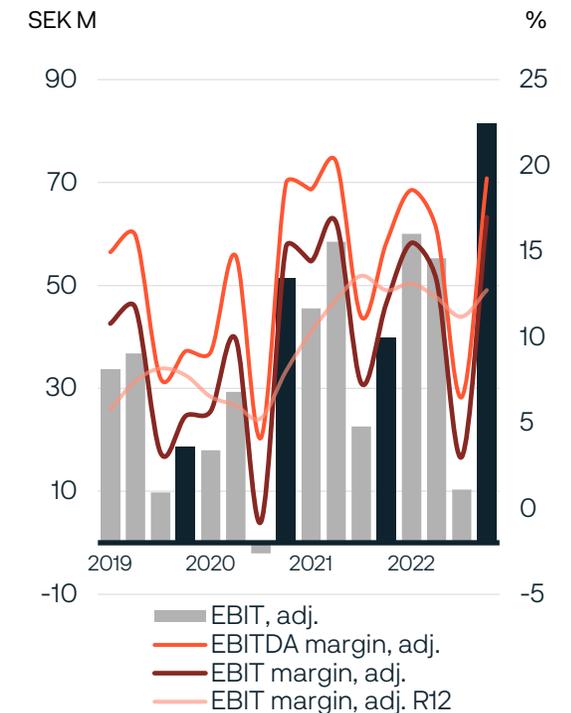


SEK M	Q4 2022	Q4 2021	FY 2022	FY 2021
Order intake	427	441	1,705	1,529
Organic growth, %	-11	-4	2	22
Revenues	481	334	1,628	1,310
Organic growth, %	33	-6	14	8
Adj. EBIT	82	40	207	167
Margin	17.0	12.0	12.7	12.7

Order intake and revenues



Adj. EBITDA and Adj. EBIT, (%)



Olof Bengtsson

CFO



Financial summary

SEK M	Q4 2022	Q4 2021	Change %	FY 2022	FY 2021	Change %
Order intake	5,825	4,262	37	22,130	15,681	41
Revenues	5,159	3,935	31	18,405	13,847	33
Adj. EBITDA	785	557	41	2,540	1,811	40
Adj. EBITDA margin, %	15.2	14.2	-	13.8	13.1	-
Adj. EBIT	555	353	58	1,681	1,055	59
Adj. EBIT margin, %	10.8	9.0	-	9.1	7.6	-
Metal price effects	-149	129	-216	695	487	43
Items affecting comparability	0	-89	-	-254	-164	55
EBIT margin, %	7.9%	10.0	-	11.5	10.0	-
Net financial items	102	143	-29	-184	127	-
Normalized tax rate, %	21.7	31.0	-	24.3	24.9	-
NWC, %	33.0	29.7	-	32.8	31.2	-
Free operating cash flow	801	684	17	505	1,046	-52
ROCE, %	9.4	10.8	-	13.2	10.4	-
Adj. EPS	2.11	1.59	32	4.46	3.82	17

SEK M	Order intake	Revenues
Q4 2021	4,262	3,935
Organic, %	+17	+14
Structure, %	+1	+0
Currency, %	+9	+7
Alloys, %	+9	+9
Total growth, %	+37	+31

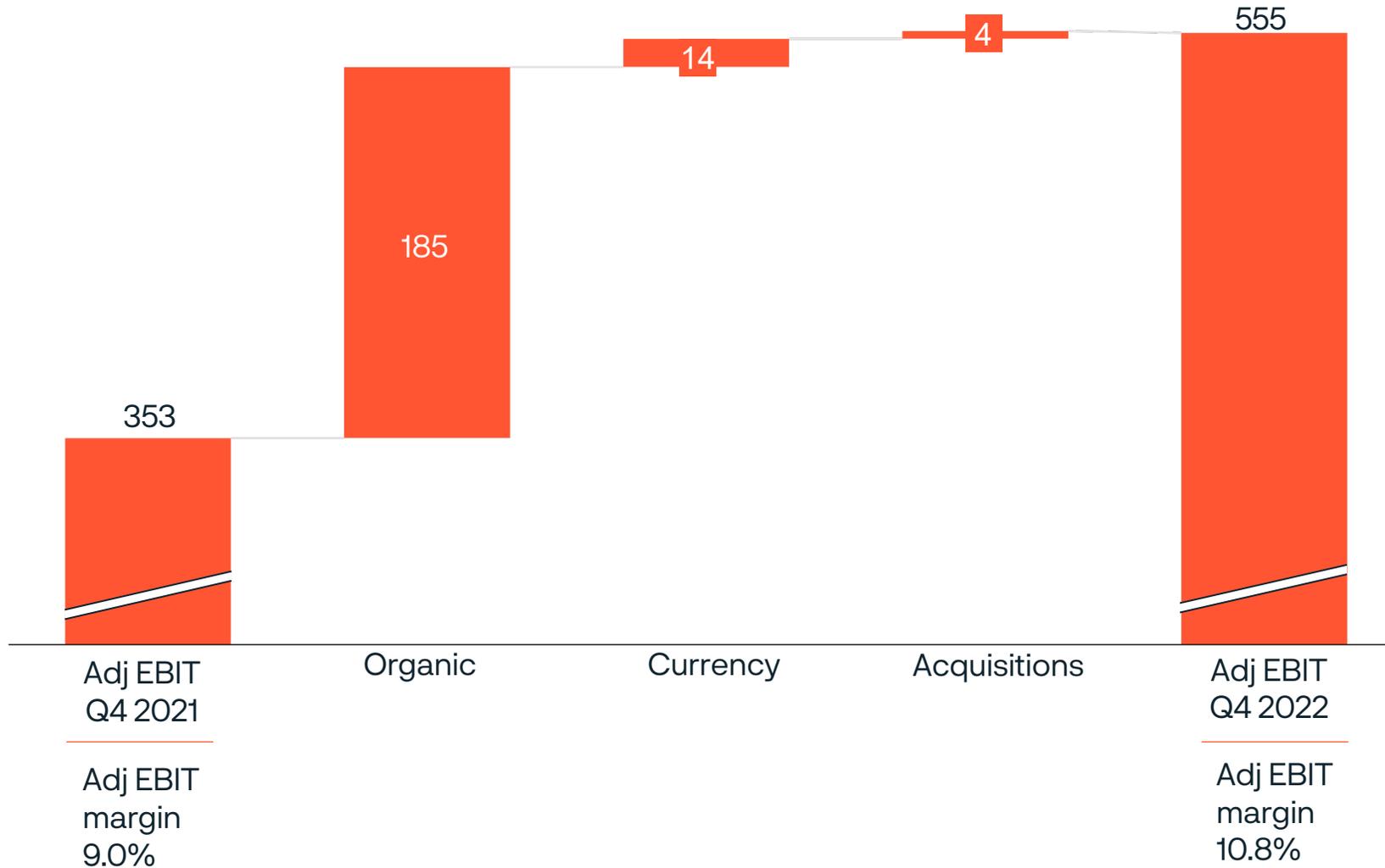
Q4 2022	5,825	5,159
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Change compared to the same quarter last year

- Negative metal price effects mainly in beginning of Q4 – lower at the end
- Items affecting comparability from separation and listing project
- Financial items affected by valuations of unrealized hedges
- Tax in Q4 positively impacted by one-offs in US – full year in line with guidance 24-26%



Bridge analysis, Adjusted EBIT



Leverage:
+33%

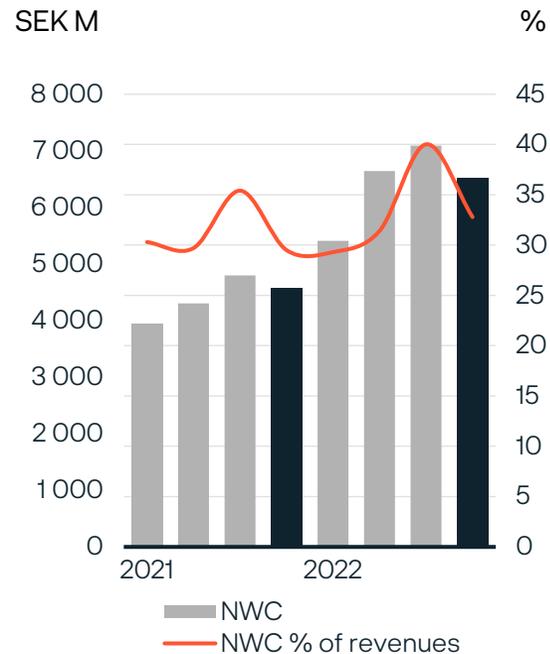
- Strong operating leverage and organic development
- Currency effects impacted by realized project hedges
- Positive contribution from Gerling acquisition



Capital efficiency

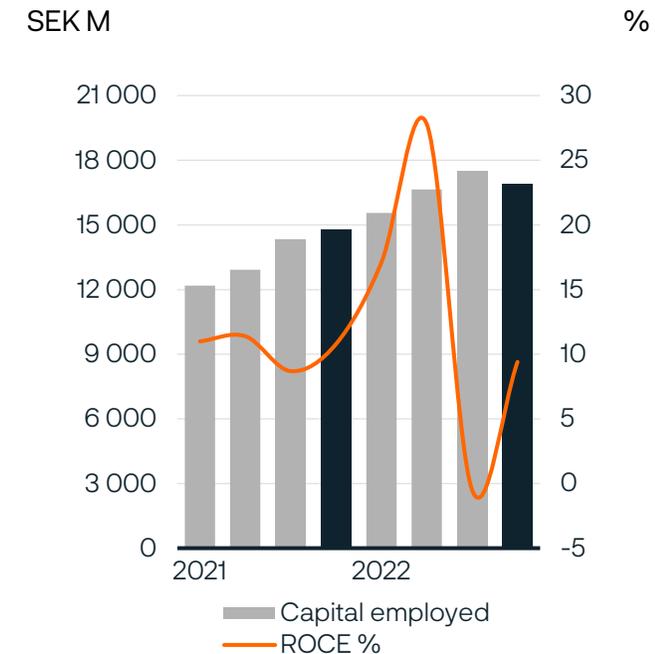
- Net working capital increased to SEK 6,519 m (4,567)
 - Yoy impact from higher metal prices and growth
 - Sequential decrease from lower inventory and higher accounts payable
 - Relation to revenues up to 33.0% (29.7)

Net working capital



- Capital employed increased to SEK 16,911 m (14,803)
 - ROCE declined to 9.4% (10.8) in quarter
 - Full year ROCE at 13.2%(10.4)

Capital employed





Cash flow

- Cash flow from operations amounted to SEK 1,107 million (940)
- Free operating cash flow increased to SEK 801 million (684), from higher earnings and changes in working capital
- Sequential increase in line with normal seasonality.
 - Higher earnings and lower payments for raw materials compared to Q3, which was affected by expensive metal purchases
 - Capex increase from growth investments

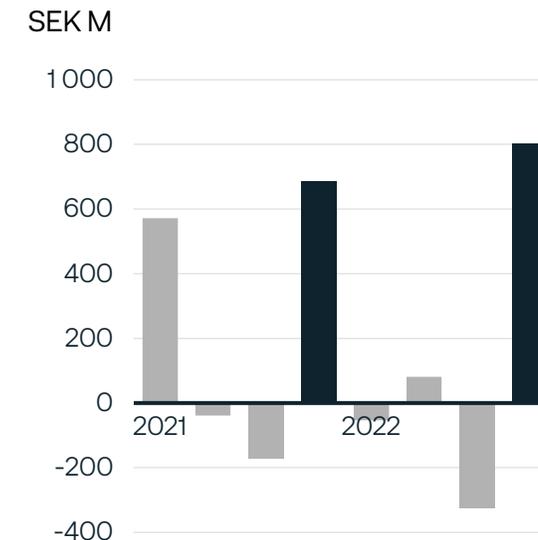
Free operating cash flow

SEK M	Q4 2022	Q4 2021	FY 2022	FY 2021
EBITDA	636	597	2,980	2,122
Non-cash items	21	-41	-130	-144
Changes in working capital	502	355	-1,590	-420
Capex ¹	-319	-203	-656	-436
Amortization, lease liabilities	-39	-24	-99	-76
Free operating cash flow²	801	684	505	1,046

1) Including tangible and intangible assets of SEK -331 million (-219) for Q4 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.

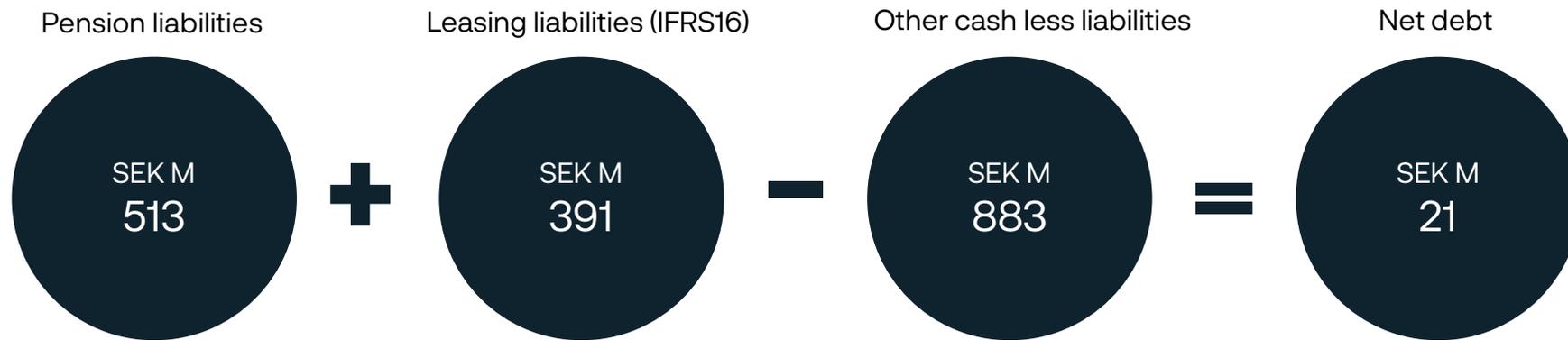
Free operating cash flow quarterly





Capital structure

- Strong financial net debt position
- Unutilized revolving credit facility of SEK 3 billion



Net debt/
Equity

0.0x

Net debt/
Adjusted EBITDA
rolling 12 months

0.0x



Guidance and outcome

	Outcome Q4 2022	Guidance ahead of Q4 2022
Capex (Cash)	SEK -319 million in Q4 SEK -656 million FY 2022	Less than SEK 600 million in FY 2022
Currency translation and transaction effect	SEK 148 million	SEK 100 million in Q4
Total currency effect	SEK 14 million	-
Metal price effect	SEK -149 million	SEK -150 million in Q4
Tax rate, normalized	24.3% FY 2022	24-26% in FY 2022



Guidance Q1 2023 and FY 2023

Capex (cash)

- Estimated to approximately SEK 800 million for 2023

Currency effects

- Given currency rates at end of December 2022 the effect on operating profit from transaction and translation is estimated to approximately SEK 100 million for Q1 2023

Metal price effects

- Given currency rates, stock levels and metal prices at the end of December 2022, it is estimated that effect on operating profit in Q1 2023 will be approximately SEK 300 million

Tax rate

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



Energy update

Energy cost 2022 vs. 2021

- Estimated cost increase of approximately SEK 200 million mainly in Europe

Looking into 2023

- Well hedged for 2023 in Sweden
 - Electricity: 90%
 - Natural gas (LNG): 60%
 - Propane (LPG): 50%

Active management of energy consumption

- Hedging
- Production planning
- Energy surcharges



Yearly energy consumption

- Electricity: 800 GWh, of which 600 in Sweden
- Natural gas (LNG): 200 GWh, of which 150 in Sweden
- Propane (LPG): 130 GWh, of which majority in Sweden



Outlook for the first quarter 2023

- Momentum is positive for several of our customer segments, and underlying trends are expected to mitigate the impact of uncertainties in the macroeconomic environment during 2023
- Demand is expected to remain subdued for the short-cycle Industrial segment and Consumer segment in the near-term, particularly in Europe and North America
- Going into the first quarter, the product mix is expected to be similar or slightly improved compared with the fourth quarter
- Cash flow is normally lower in the first half of the year compared with the second half due to seasonal inventory build-up ahead of summer stoppages



Summary

- Positive sentiment among several customer segments, driven by strong underlying trends
- Ongoing work for reduced cyclicality and mix shift in progress
- Subdued short-cycle demand and increased uncertainties, staying flat on a sequential basis
- Solid backlog
- Successful price execution
- Solid financial position
- Sustainability continues to generate business





Q&A

Thank you
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