

April 2024

Q1 roadshow



# Q1 highlights

## Negative organic order intake and revenue growth on high comparables

- Signs of improved market sentiment
- Solid order backlog
- Temporary challenges

## Margin resilience in a challenging quarter

- Temporary challenges and under-absorption
- Continued positive product mix

## Staying with our strategy

- Flexibility
- Price leadership
- Sustainable trends generate business

Revenues  
(SEK M)

4,740

Organic revenue  
growth

-2%

Adj. EBIT  
(SEK M)

453

Adj. EBIT margin

9.6%

Free op. cash flow  
(SEK M)

159

Adj. EPS  
(Diluted, SEK)

1.24



# Market development

- Market demand remains mixed
- Short-cycle business stabilizes
- Strong underlying demand persists in some segments

## Perceived year on year underlying market demand trend

	OIL AND GAS	INDUSTRIAL	CHEMICAL AND PETROCHEMICAL	INDUSTRIAL HEATING	CONSUMER
Year on year underlying demand trend					
% of Group revenues 2023	21%	21%	18%	11%	8%
	MINING AND CONSTRUCTION	MEDICAL	NUCLEAR	TRANSPORTATION	HYDROGEN AND RENEWABLE ENERGY
Year on year underlying demand trend					
% of Group revenues 2023	5%	5%	5%	4%	2%



# Tube

## Mixed market demand but strong backlog

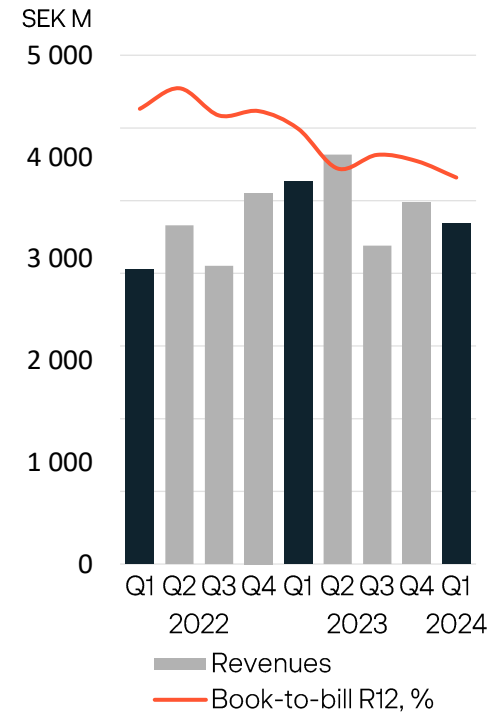
- Organic order intake growth of -7% R12
- Strong underlying momentum in Oil and Gas and Nuclear
- Book-to-bill of 106% R12
- Organic revenue growth of -1%

## Temporary challenges

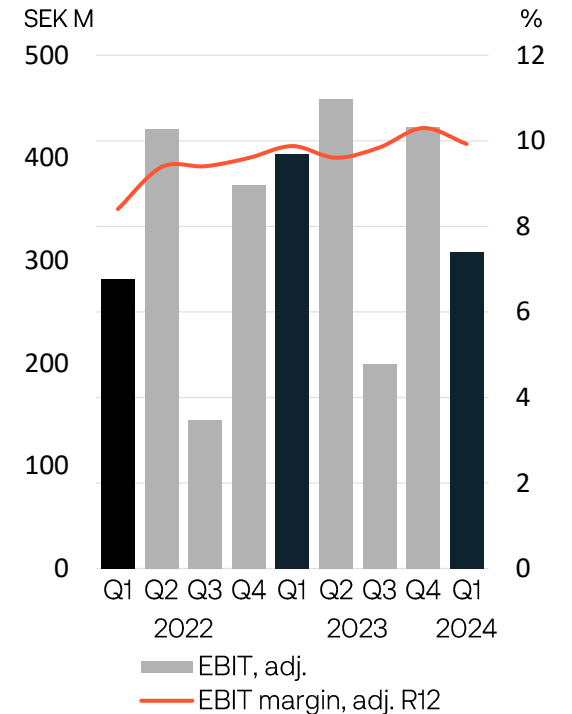
- Adj. EBIT margin decreased to 9.2% (10.7)
- Dilution from under-absorption and delivery challenges
- Positive product mix and price increases
- Positive FX impact of SEK 36 million yoy

SEK M	Q1 2024	Q1 2023	FY 2023
Order intake, R12	14,954	16,377	16,052
Organic growth, R12, %	-7	8	-3
Revenues	3,347	3,763	14,475
Organic growth, %	-1	14	9
Adj. EBIT	308	404	1,491
Margin, %	9.2	10.7	10.3

### Revenues and Book-to-bill



### Adjusted EBIT, (%)





# Kanthal

## Softer market on high comparables

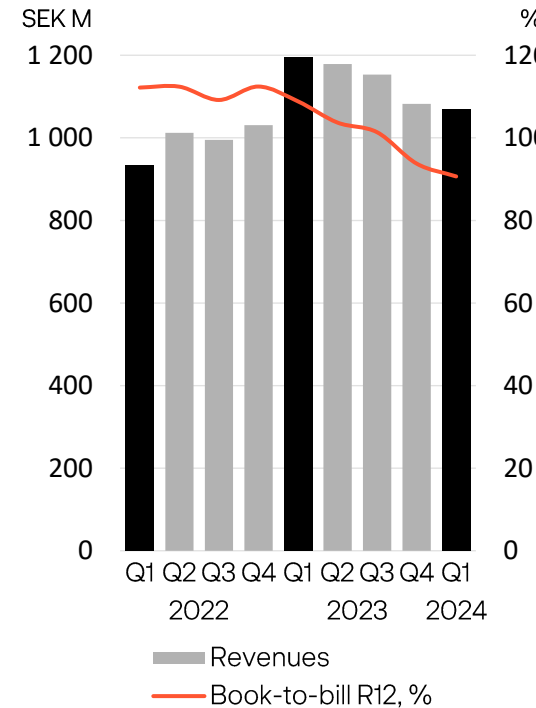
- Organic order intake growth of -9% R12
- Organic revenue growth of 0%
  - Revenues decreased in Industrial
  - Increased in Industrial Heating and Medical
- Book-to-bill of 91% R12

## Improved margins

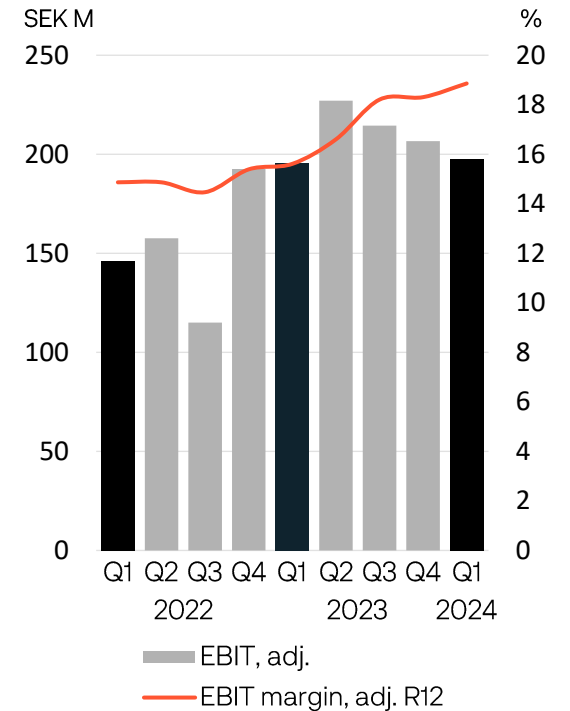
- Adjusted EBIT margin at 18.5% (16.4)
- Strong product mix
- FX headwind of SEK -10 million yoy
- Improved cost position

SEK M	Q1 2024	Q1 2023	FY 2023
Order intake, R12	4,064	4,606	4,321
Organic growth, R12, %	-9	7	-7
Revenues	1,069	1,195	4,609
Organic growth, %	0	11	11
Adj. EBIT	197	196	844
Margin, %	18.5	16.4	18.3

### Revenues and Book-to-bill



### Adjusted EBIT, (%)





# Strip

## Soft market with positive signs

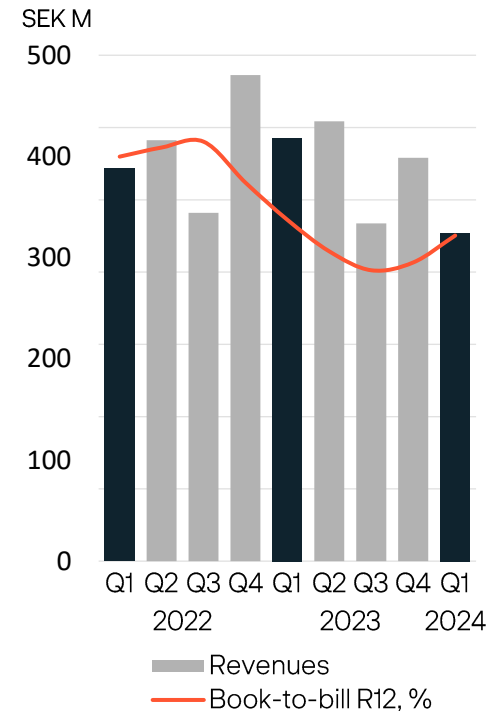
- Organic order intake growth of -13%
- Organic revenue growth of -19%
- Book-to-bill of 90% R12

## Adjusted EBIT margin at 3.1%

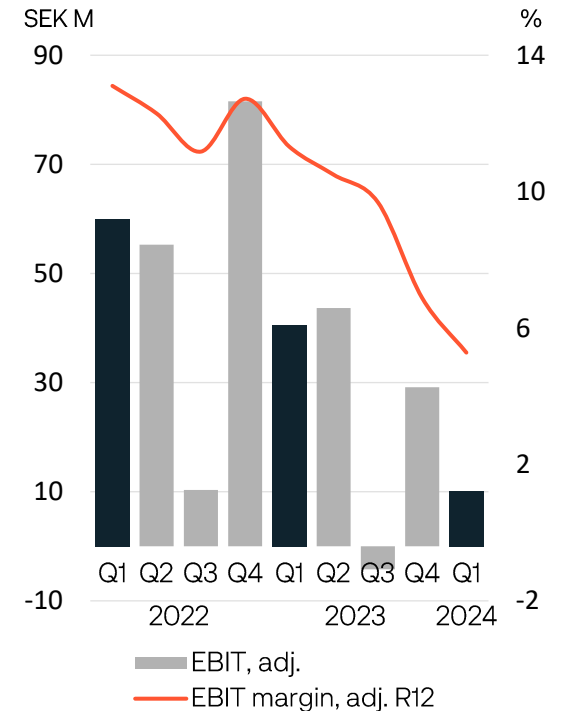
- Continued under-absorption effects from lower production volumes
- Negatively affected by implementation challenges of ERP-system

SEK M	Q1 2024	Q1 2023	FY 2023
Order intake R12	1,344	1,567	1,310
Organic growth, R12, %	-13	-7	-24
Revenues	324	418	1,585
Organic growth, %	-19	1	-5
Adj. EBIT	10	41	109
Margin, %	3.1	9.7	6.9

### Revenues and Book-to-bill



### Adjusted EBIT, (%)







## Outlook for the second quarter 2024

- 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 in the coming year.
- The backlog is solid in our key segments and we have good visibility in our near-term deliveries.
- We are continuously taking measures to mitigate potential impact from cost inflation and under-absorption of costs from the lower production volumes in certain segments.
- The product mix is expected to be similar to that of the first quarter.
- Cash flow is normally lower in the first half year compared with the second half.



# Summary

- Continued mixed market demand
- Navigating though challenges
- Improved resilience
- Solid order backlog
- Consistent strategy execution towards profitable growth





# Company presentation

# A world-leading advanced materials company

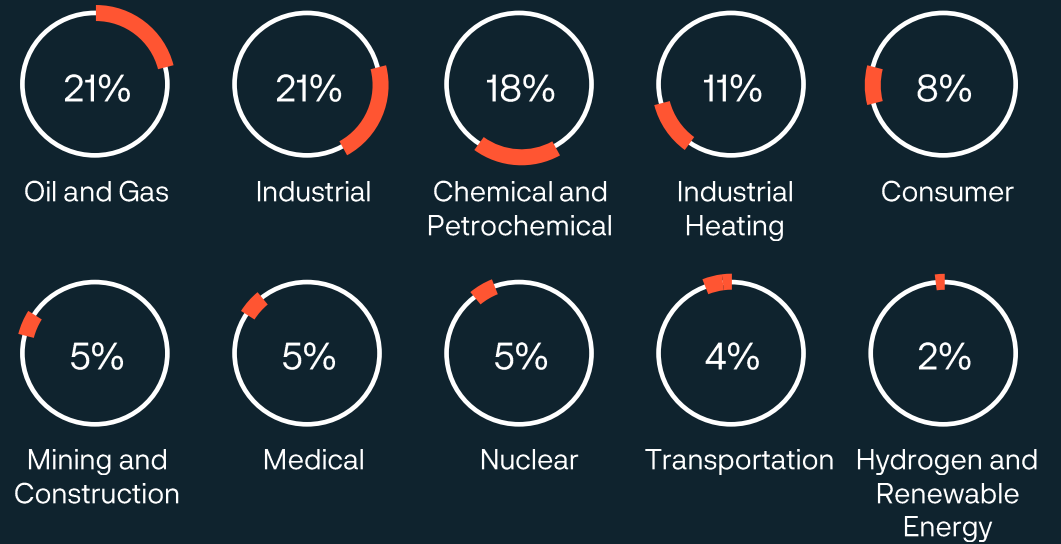
- High value-added products in advanced stainless steels and special alloys as well as products for industrial heating
- Strong market positions across a wide range of niche end-markets, serving ten customer segments
- Fully integrated value chain, from industry-leading R&D capabilities to finishing and global sales force

REVENUES, R12	ADJ. EBIT, R12	ADJ. EBIT, R12, %	# FTE's
<b>20,034</b>	<b>2,028</b>	<b>10.1%</b>	<b>6,153</b>
SEK M, Q1 2024	SEK M, Q1 2024	Q1 2024	Mar 2024

Three divisions...

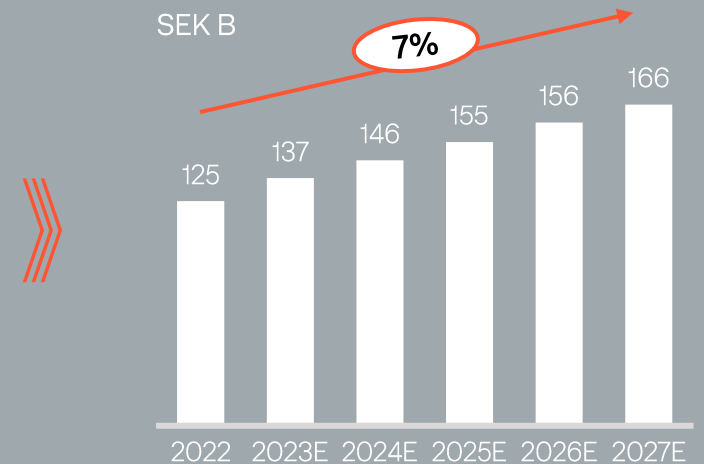


...serving ten customer segments



Sales by customer segment 2023

...adding up to a serviceable addressable market growth of 7% CAGR 2022-2027





# Premium offering across three divisions

## Tube

Seamless tubes and other long products in advanced stainless steels used in O&G, nuclear & other energy-related end-markets as well as chemicals, automotive and aerospace

Q1 2024, R12

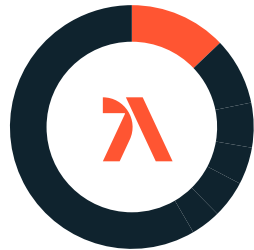
**14.1bn**

Revenues (SEK)

**9.9%**

Adj. EBIT margin

### Market share



### Example market positions

#1 Umbilical Tubing

#1 Aerospace Titanium Tube

#1 Steam Generator Tubing

### Example products



Umbilical Tubes



High Pressure Tubes



Heat Exchanger Tubes



Hollow Bar



Round Bar



Rock Drill Steel

## Kanthal

Resistance wire for heating elements (consumer and industrial heating) as well as wire for medical devices

Q1 2024, R12

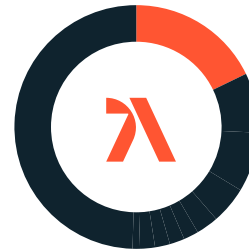
**4.5bn**

Revenues (SEK)

**18.9%**

Adj. EBIT margin

### Market share



### Example market positions

#1 Industrial Heating Solutions

#2 Medical wire

### Example products



Flow Heaters



Furnace Rollers



Medical wire



Heating Elements



Diffusion Cassettes



Resistance Heating Wire

## Strip

Wide range of strip steel and a variety of strip-based products mainly supplying consumer driven products within white goods, automotive, shaving and the printing industry

Q1 2024, R12

**1.5bn**

Revenues (SEK)

**5.3%**

Adj. EBIT margin

### Market share



### Example market positions

#1 Compressor Valve Steel

#3 Razor Blade Steel

#1 Stainless Knife Steel

### Example products



Razor Blade



Printing Doctor Blade



Knife & Spring Steel



Coated Strip Steel



Fuel cell Materials



Compressor Valve Steel





# Fully integrated value chain with world-class capabilities

Customer Need Identification



Research & Development



Primary Melting



Hot Working



Cold Working



Finishing



Sales & Marketing

Ensure independence and control of value chain

Enabling close customer collaboration

Secure product quality

Prerequisite for new materials and product development



# Global production footprint and go-to-market strategy



### Sandviken, Sweden

One of Sweden's largest industrial sites in terms of ground area with c. 3,000 people working for Alleima

- Primary melting and hot rolling
- Hot extrusion (3 extrusion presses)

- Tube mills (Seamless tube and pipe, steam generator tubing, Zirconium tubing)
- Rock Drill Steels
- Precision Strip
- R&D

Sales in **90** markets

**40+** sales offices

**5** R&D centers

**25** production sites across the globe

- Global presence and proximity to customers
- Creating flexibility and back-up
- Enabling specialization





# Focused strategy execution for profitable growth

1



## Profitable Growth

- Capitalize on the megatrends of energy transition, energy efficiency, electrification, medical growth and capture O&G rebound
- Expand through M&A within select key verticals and niches to enable accelerated growth and its diversification across products and end markets

2



## Materials Innovator and Technology Leader

- Focus R&D towards new business opportunities, defend and strengthen core and widen portfolio
- Increase pace of new product introductions

3



## Operational and Commercial Excellence

- Continuous improvements and footprint optimization
- Pricing management and mix optimization
- Strengthen employer branding and competence development

4



## Industry Leading Sustainability

- Sustainability deemed key differentiator vs. competitors
- Ongoing investments and development of sustainable offering
- Continuous efforts and process improvements to reduce impact from production and operations



# A growth strategy built to capitalize on global megatrends...



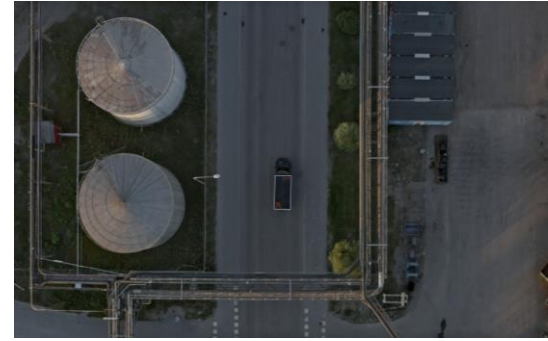
## Changing demographics

- Global population growth
- Increased consumption and energy demand
- Share of people aged +60 years is expected to increase
- Increased demand for health care and medical solutions



## Increasing and changing energy demand

- Global energy demand driven by
  - Population growth
  - Economic growth
- Electricity price fluctuations
- Shift toward renewable energy production sources



## Electrification of industry and transportation

- Electrification of vehicles
- Adoption of renewable energy
- Increasing connectivity

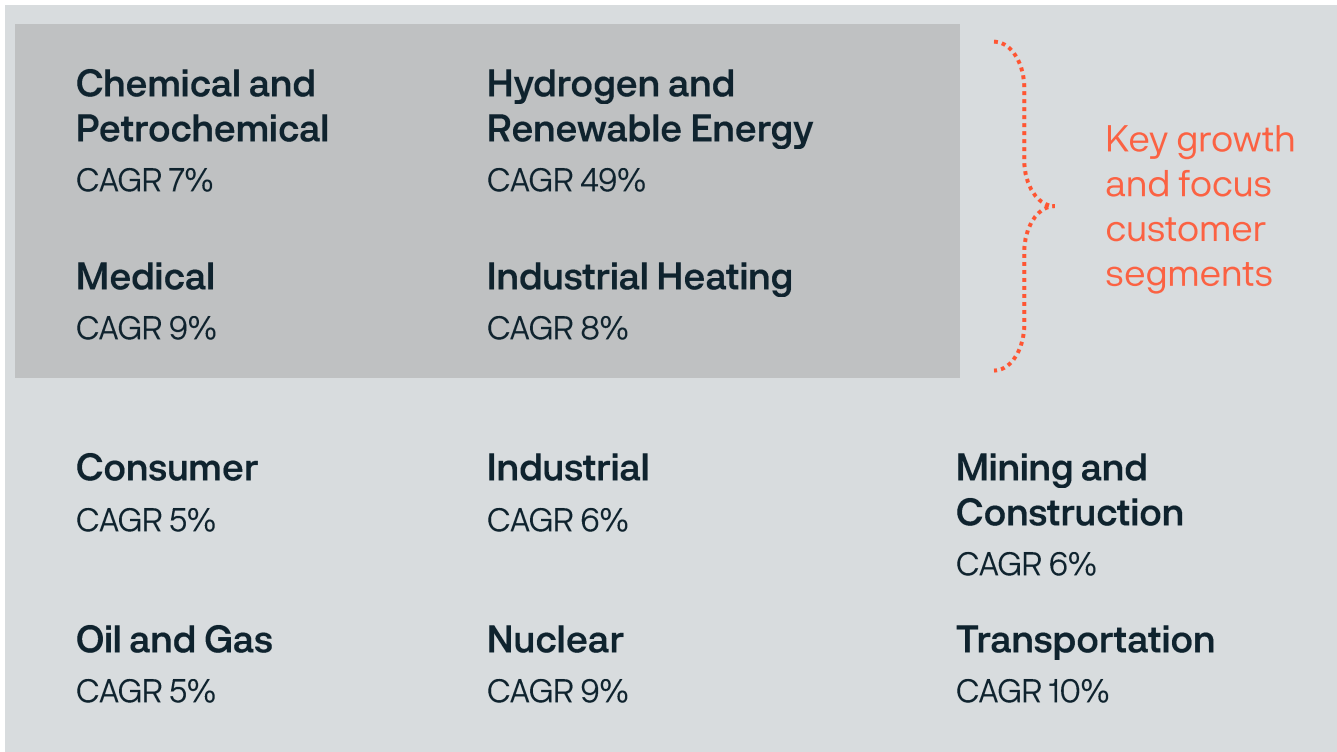


## Growth in emerging markets

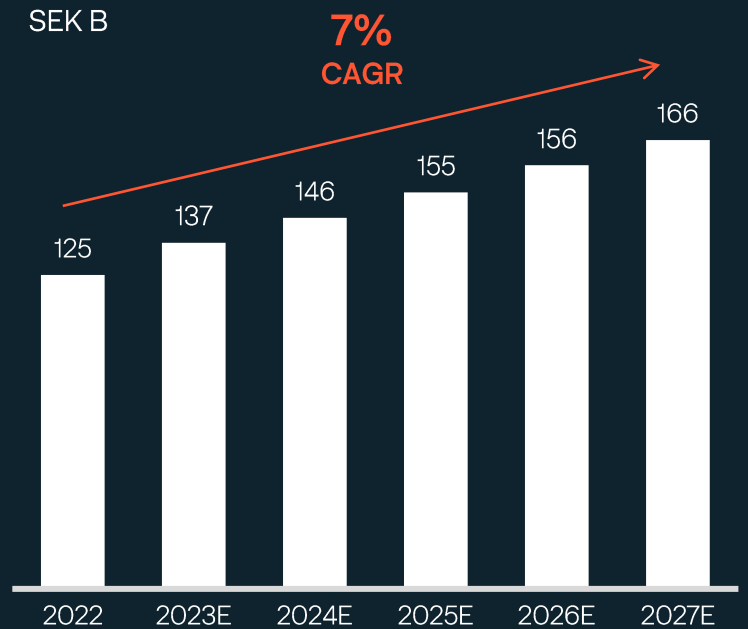
- Rising living standards
- Industrial development

# Our markets are expected to grow at 7% CAGR until 2027...

Customer segments growth  
CAGR 2022-2027 \*



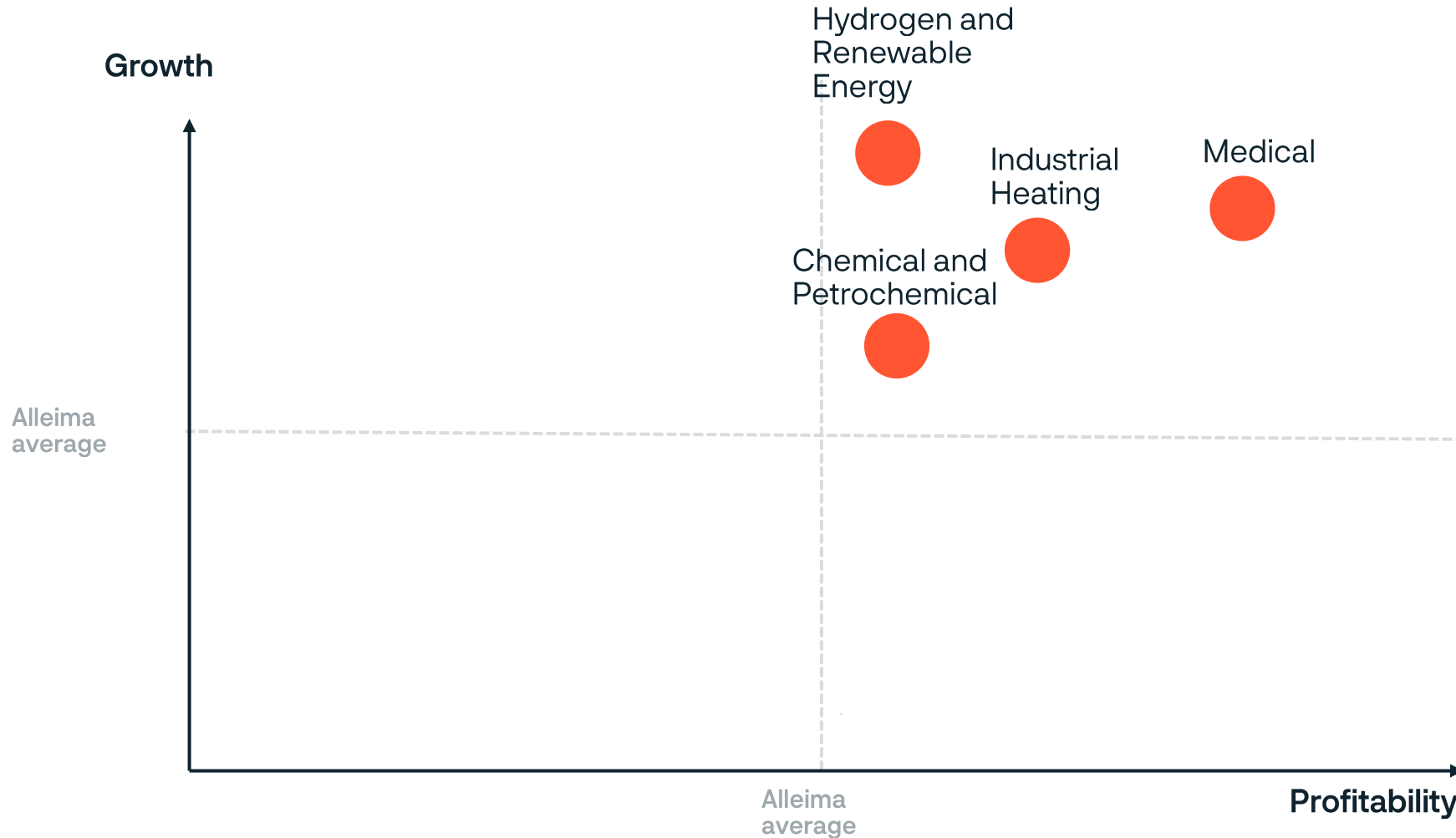
## Serviceable addressable market (SAM) size and growth



\*Note: The estimated aggregated serviceable addressable market (SAM) and growth is based on the aggregated size and growth of all 10 customer segments. Source: Market Report Conducted by Arthur D. Little on behalf of Alleima.

● Prioritized segment

# Prioritized segments in focus for capital allocation



Note: Low volumes in Hydrogen and Renewable Energy

## Four prioritized segments

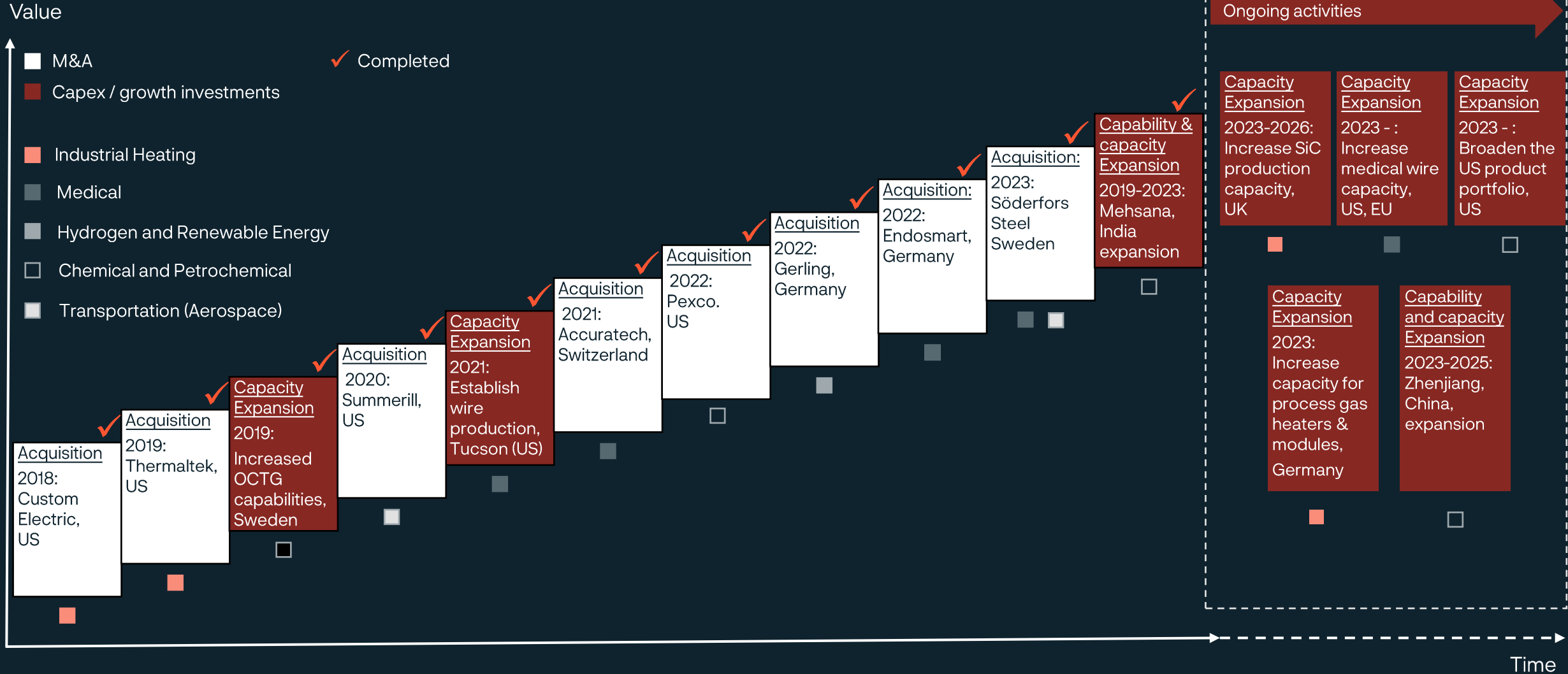
- Chemical and Petrochemical
- Hydrogen and Renewable Energy
- Medical
- Industrial Heating

## Principles for capital allocation decisions

- Market position and growth
- Profitability
- Capital efficiency
- Resilience



# Growth investments and acquisitions continue to strengthen the company

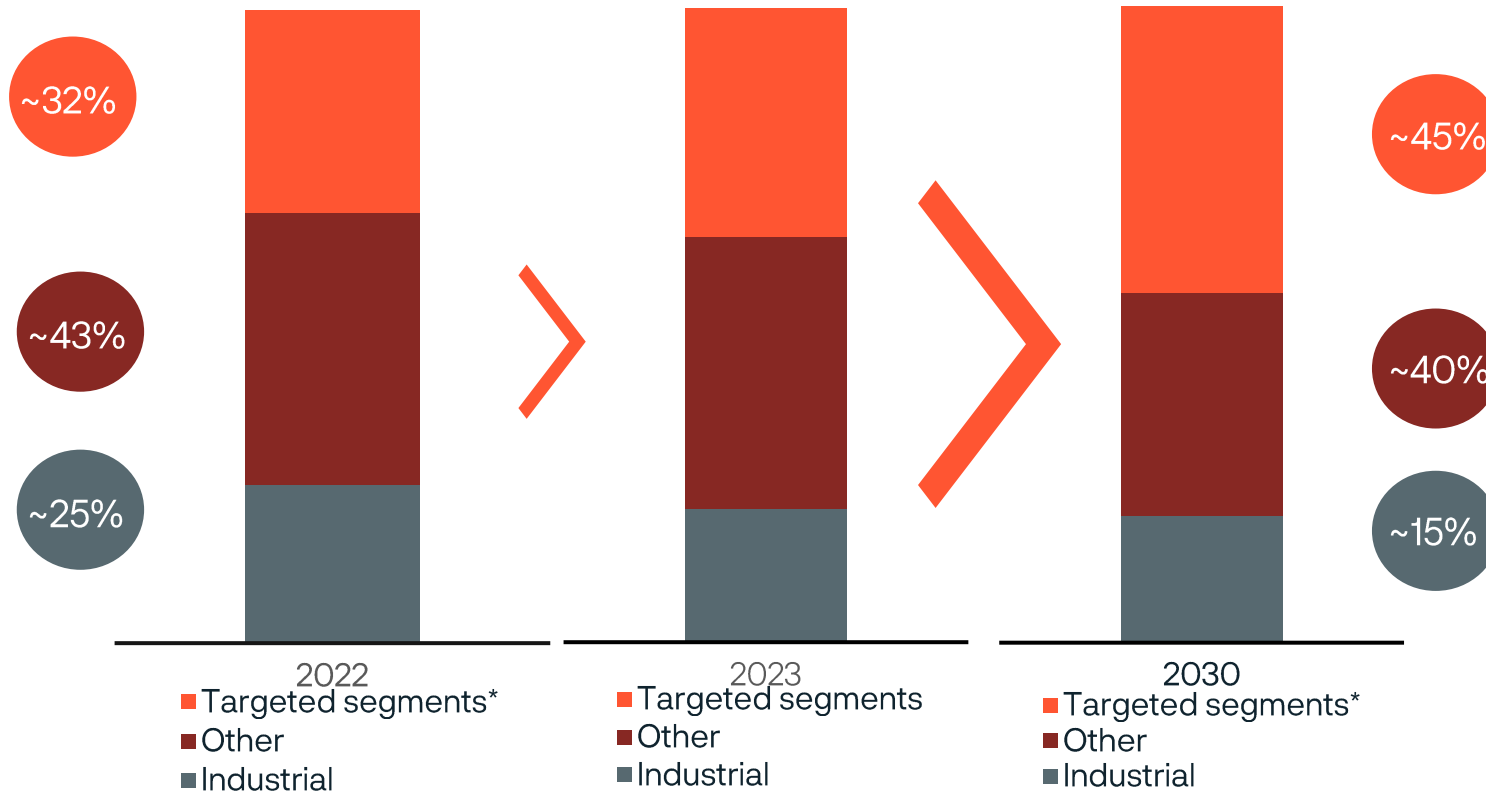




...indicating an improved product mix with higher revenues from targeted segments...

Current revenue split

Revenue split ambition\*\*



- Grow in line with or above targeted end markets
- Includes targeted segments as well as attractive niches across the business
- Increased share of revenues from the targeted segments

Targeted segments: Chemical and Petrochemical, Industrial Heating, Medical and Hydrogen and Renewable Energy

Other: Oil and Gas, Nuclear, Transportation, Consumer, Mining and Construction

\*\*Excluding M&A

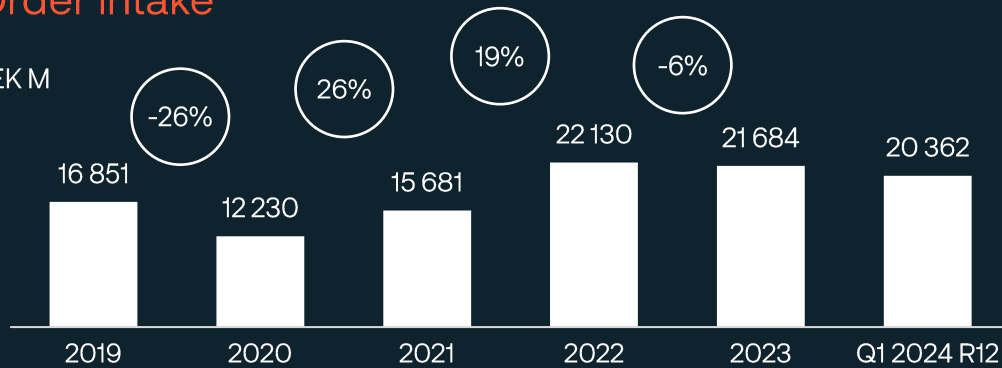


# Financial background – focus on resilience

Organic growth (%)

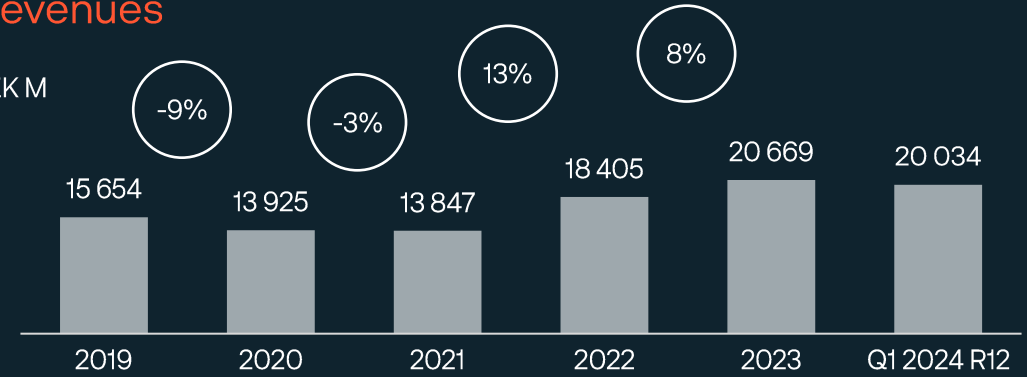
## Order intake

SEK M



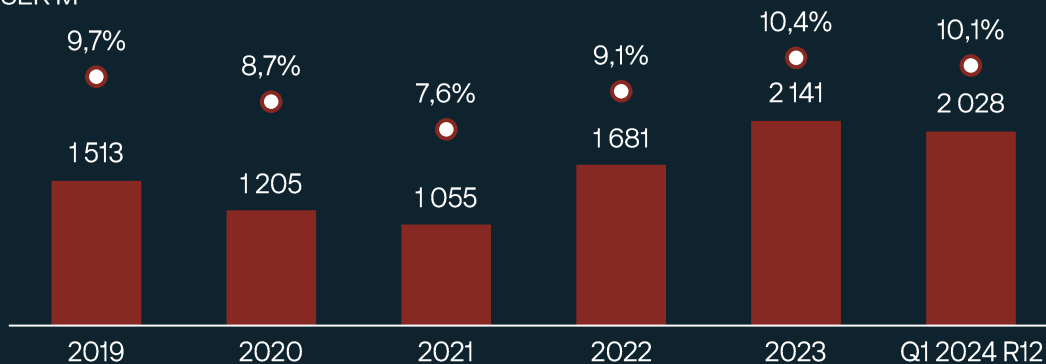
## Revenues

SEK M



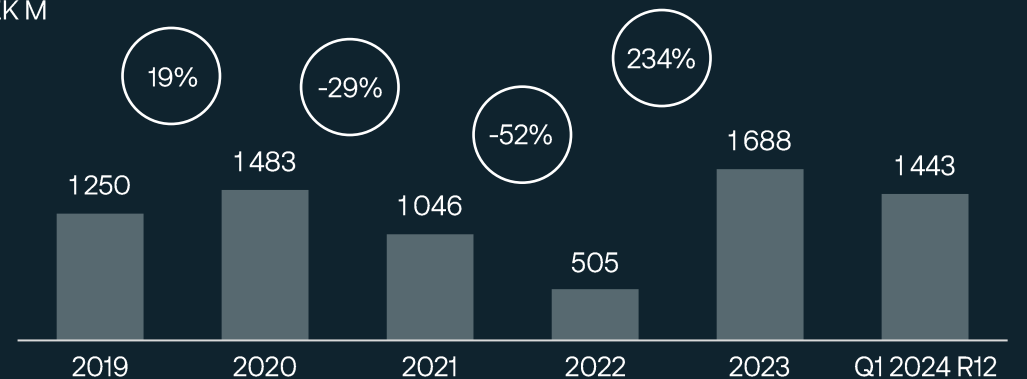
## Adj. EBIT and margin %

SEK M



## Free operating cash flow<sup>1</sup>

SEK M

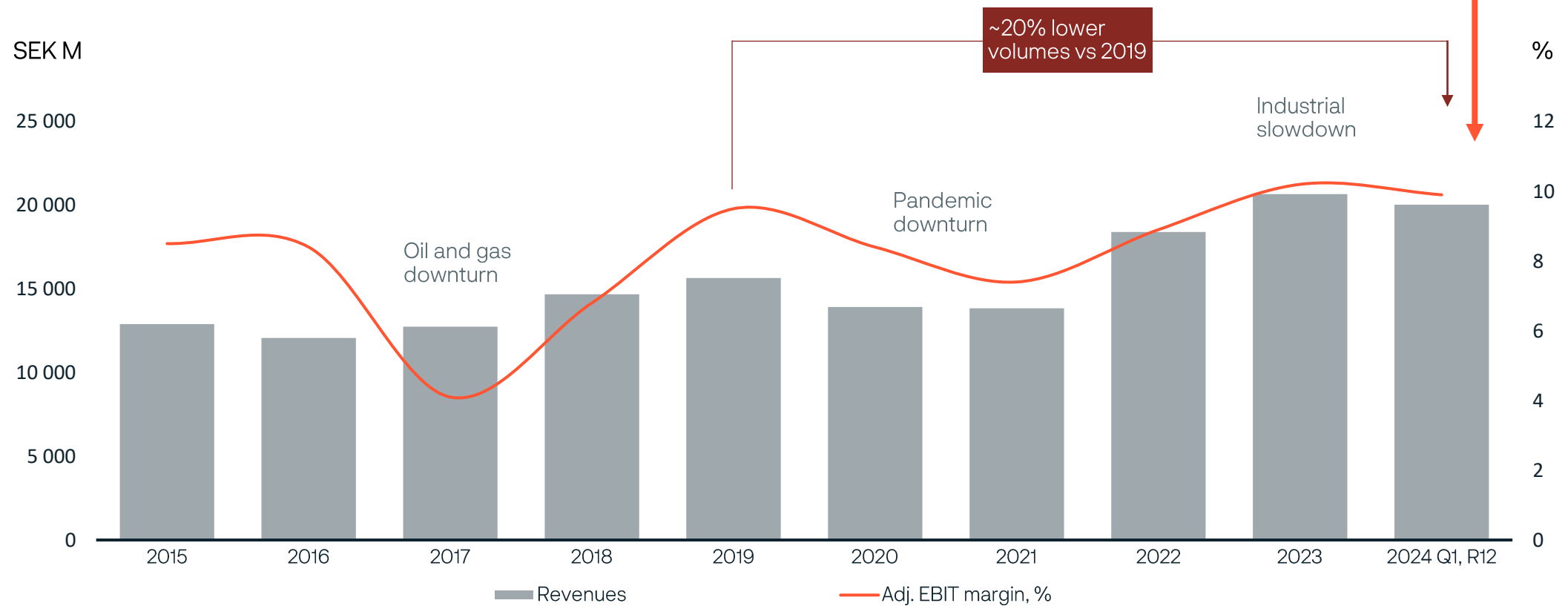


1) Free operating cash flow defined as EBITDA adjusted for non-cash items plus changes in net working capital less acquisitions and divestments of tangible and intangible assets and less amortization of lease liabilities



# Improved margin resilience

## Revenues and adj. EBIT margin

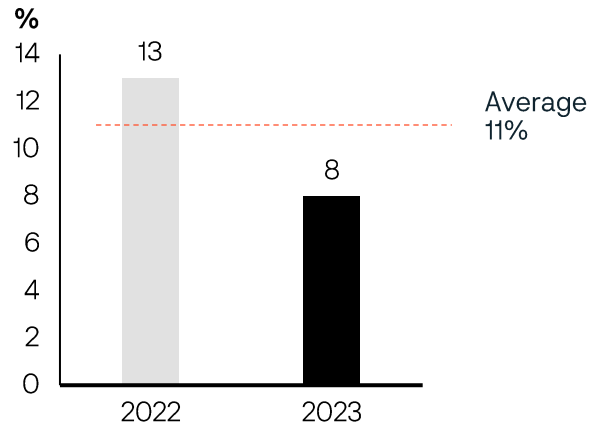




# Performance vs. financial targets

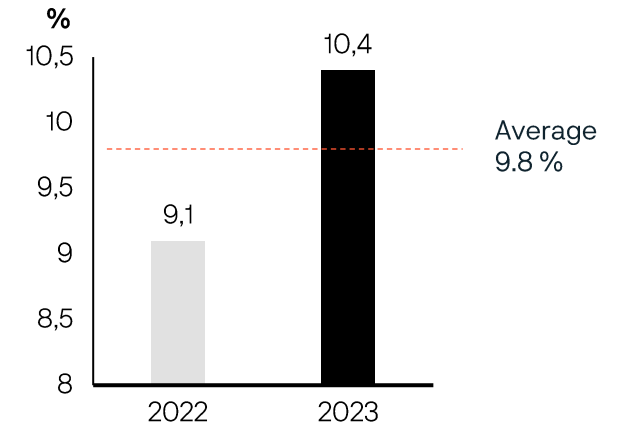
## Organic growth

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



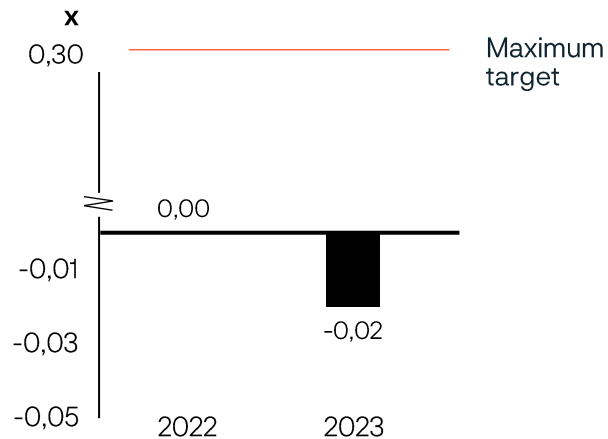
## Earnings

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



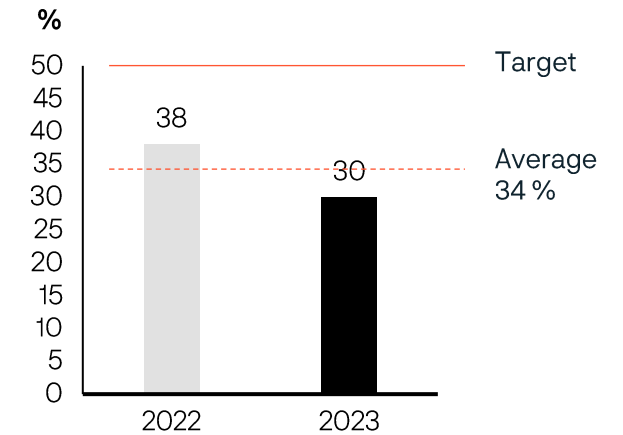
## Capital Structure

A net debt to equity ratio below 0.3x



## 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







# Nature of the business – metal price effect

## Metal price trend and how it affects different measures

- Isolating the effect from metal price changes in the business where market price for metal has a direct impact on pricing.
- At constant volumes, mix and lead time the effects can be described as follows:

Metal price trend	Order intake	Revenues	Profitability	Inventory	Accounts payable	Accounts receivable	Cash flow
<b>Rising market price</b> 	Increase in value – higher prices	Increase in value – higher prices	Positive - raw material bought cheaper in earlier periods will be sold in current period at higher price.	Higher value - due to higher price for the last added metals when continuously replacing inventory	Increase - higher price on metals from suppliers	Increase due to higher metal price to customers	The conversion of profitability to cash will be affected negatively by cash being tied up in net working capital due to higher metal prices
<b>Decreasing market price</b> 	Decrease in value – lower prices	Decrease in value – lower prices	Negative – raw material bought at higher price in earlier periods will be sold at lower price in current period	Lower value - due to lower price for the last added metals when continuously replacing inventory	Decrease - lower price on metals from suppliers	Decrease due to lower metal price to customers	Cash will be released from net working capital offsetting the cash negative impact from lower profitability





# Winning platform set to unlock shareholder value

- 1 Premium offering with solid market positions and diverse customer segment exposure
- 2 Fully integrated value chain with prominent metallurgy expertise and global footprint
- 3 Multiple and tangible levers to deliver profitable growth, capitalizing on global megatrends including the transition to renewable energy
- 4 Solid foundation with attractive and resilient earnings and cash-flow profile



Thank you  
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