

Alleima

2024

Q3 roadshow

 Alleima



# Q3 highlights

## Mixed market sentiment

- Backlog remains solid
- Well positioned for market rebound

## Diversified segment exposure

- Solid Q3 earnings
- FX headwind

## Increasing production capacity

- Re-opening of steam generator tubing facility for the Nuclear segment
- Footprint expansion for Medical segment

Revenues  
(SEK M)

4,498

Organic revenue  
growth

3%

Adj. EBIT  
(SEK M)

314

Adj. EBIT margin

7.0%

Free op. cash flow  
(SEK M)

411

Adj. EPS  
(Diluted, SEK)

1.02



# Market development

- Mixed market sentiment
- Broad exposure reduces volatility

## 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%



# Order intake and revenues

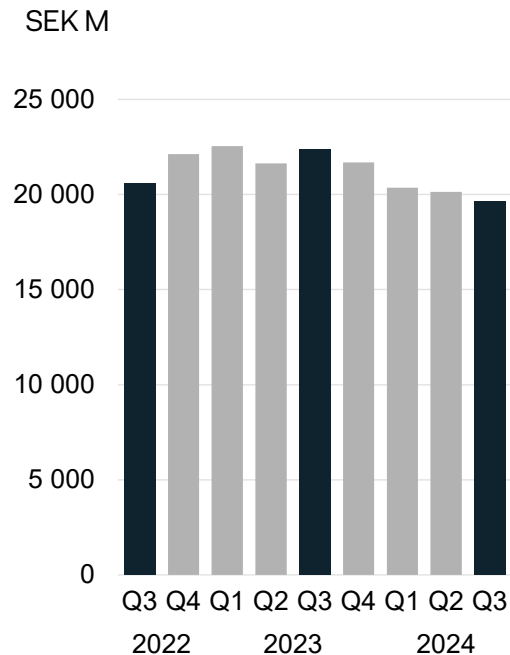
**Order intake R12**  
(SEK M)

**19,646**

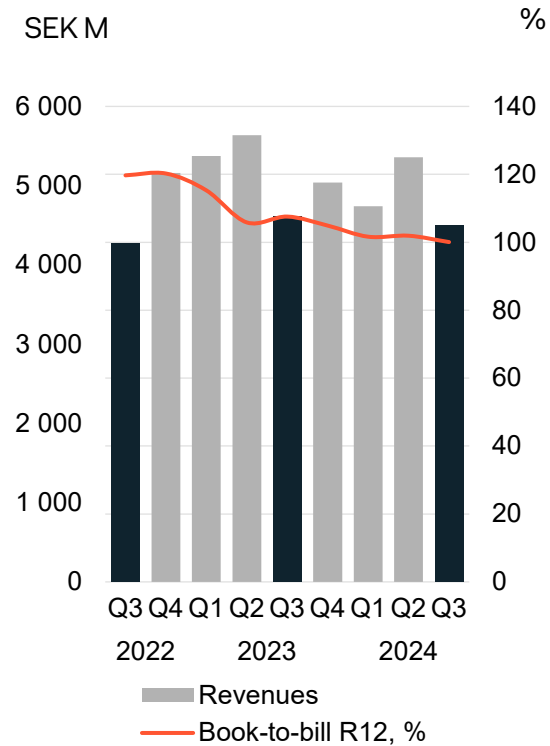
**Revenues**  
(SEK M)

**4,498**

**Order intake R12**



**Revenues and book-to-bill**



- Organic order intake growth of -8% for rolling 12 months
- Organic revenue growth of 3%
- R12 book-to-bill 100%
- Order backlog remains solid with good product mix



# Earnings

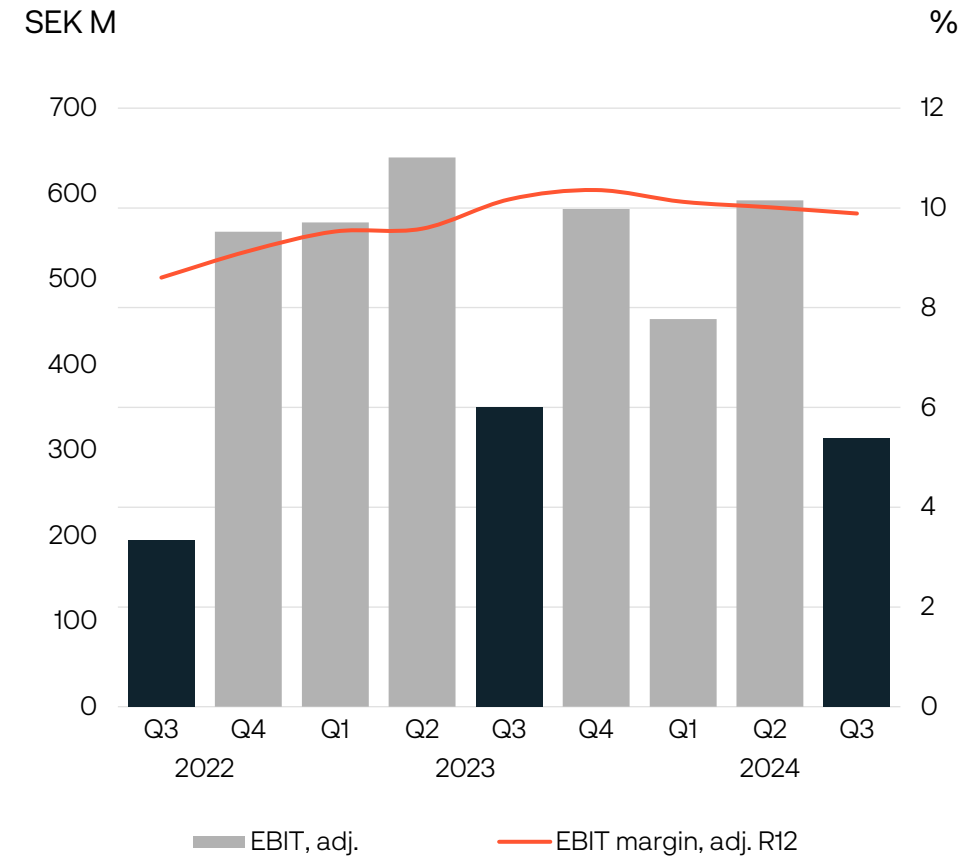
Adjusted EBIT at SEK 314 million (350)

— Margin of 7.0% (7.6)

- FX headwind
- Diversified product mix contribution
- Staying with our strategy

Free operating cash flow of SEK 411 million (812)

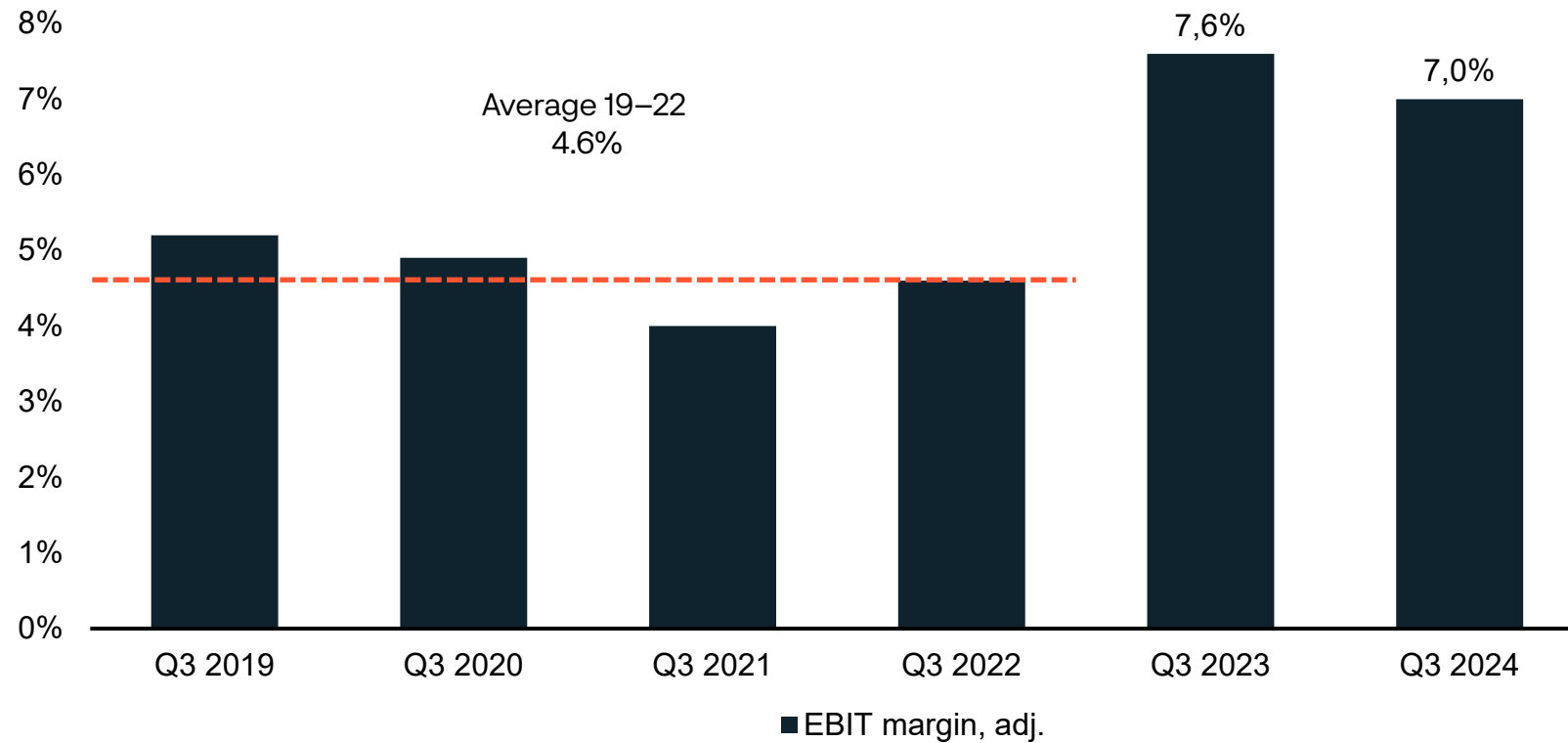
## Adjusted EBIT





# Improved margin resilience

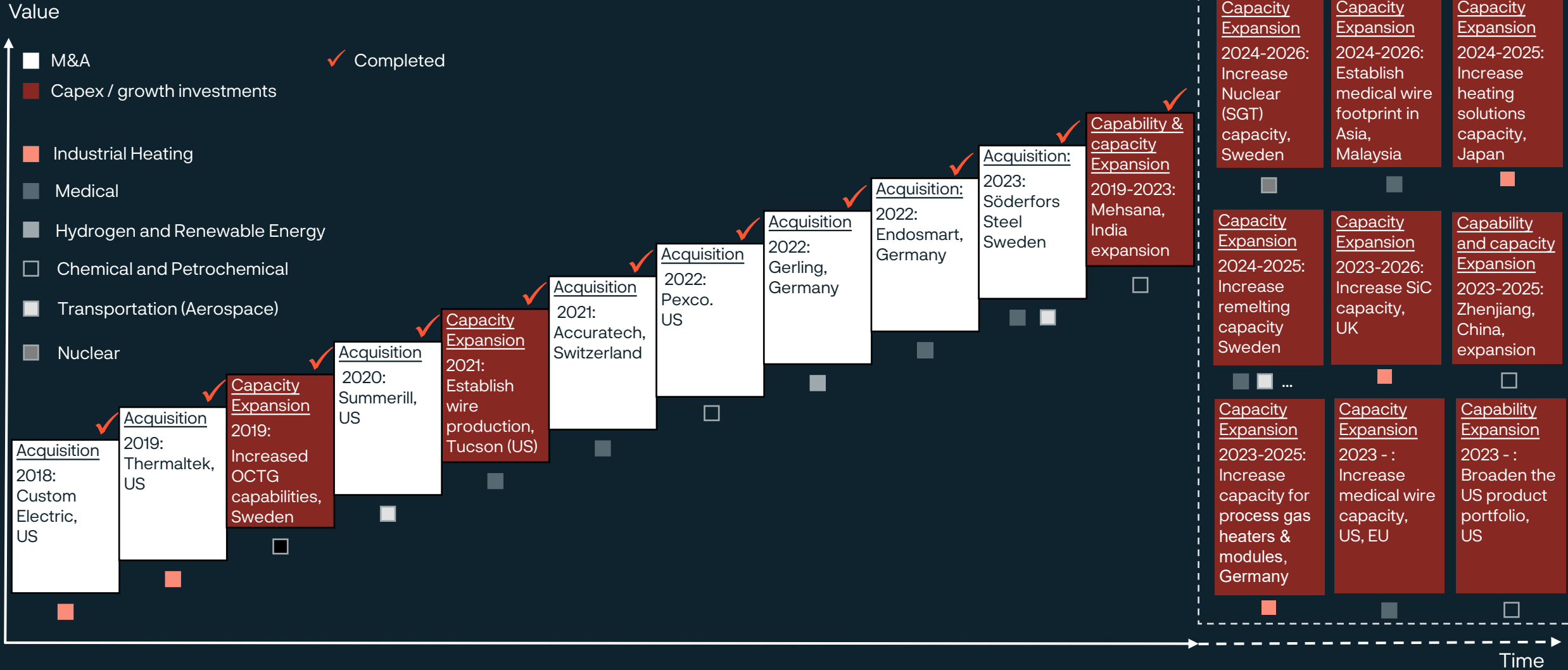
## Historically strong Q3 EBIT margin...



Note: The graph shows adj. EBIT margin development of the business area Sandvik Materials Technology within Sandvik for the quarters during the period 2019-2021. Alleima's business largely mirrors that of Sandvik Materials Technology and it is the company's assessment that Sandvik Materials Technology is a good indicator of how Alleima would have trended during the same period. It should be noted, however, that acquisitions, divestments and reorganizations have an impact when comparing individual years. Quarterly segment reporting for Sandvik Materials Technology as per financials published in Sandvik's quarterly reports in the period 2019-2021.



# Growth investments and acquisitions continue to strengthen the company





# Tube

## Organic revenue growth

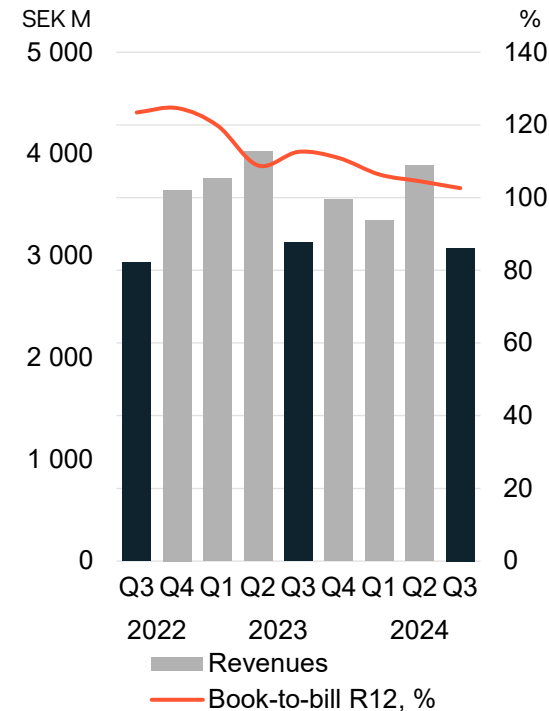
- Organic order intake growth of -9% R12
- Book-to-bill of 103% R12
- Organic revenue growth of 3%

## Product mix shift supporting margin

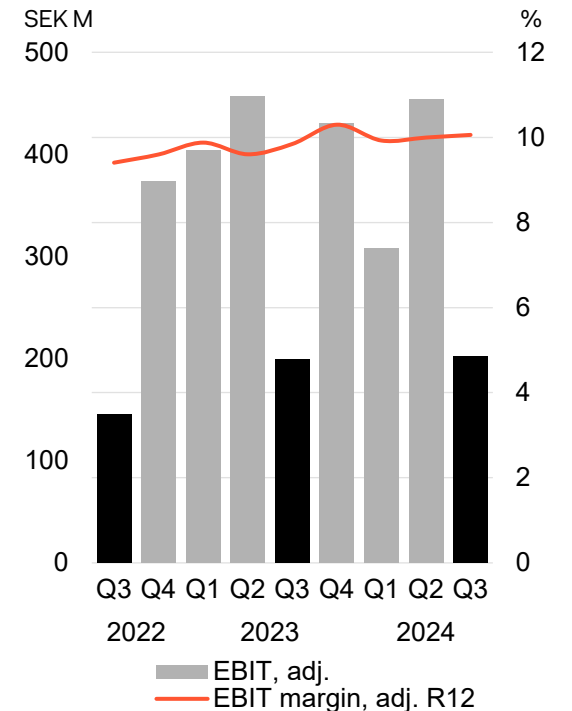
- Adj. EBIT margin increased to 6.6% (6.4)
- Positive product mix
- FX headwind of SEK -15 million yoy

SEK M	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023
Order intake, R12	14,232	16,401	-	-
<i>Organic growth, R12, %</i>	<i>-9</i>	<i>2</i>	<i>-</i>	<i>-</i>
Revenues	3,077	3,130	10,314	10,917
<i>Organic growth, %</i>	<i>3</i>	<i>4</i>	<i>1</i>	<i>13</i>
Adj. EBIT	202	199	965	1,060
<i>Margin, %</i>	<i>6.6</i>	<i>6.4</i>	<i>9.4</i>	<i>9.7</i>

### Revenues and Book-to-bill



### Adjusted EBIT, (%)







# Kanthal

## Continued mixed market demand

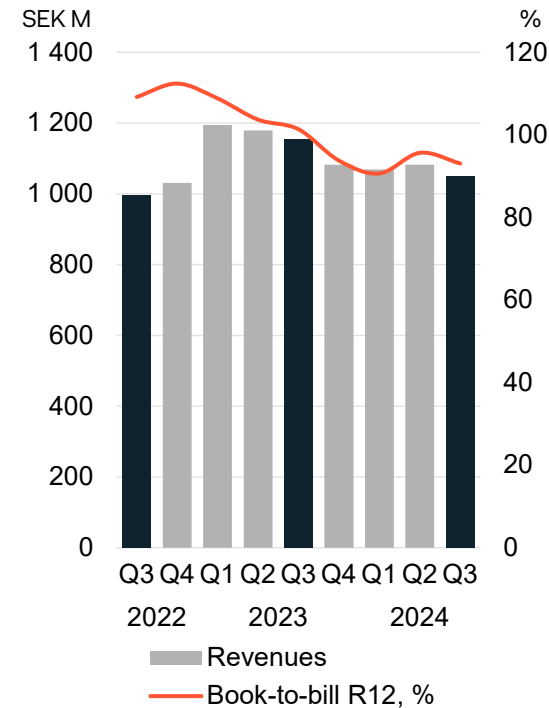
- Organic order intake growth of -8% R12
- Organic revenue growth of -3%
- Book-to-bill of 93% R12

## Solid underlying margin

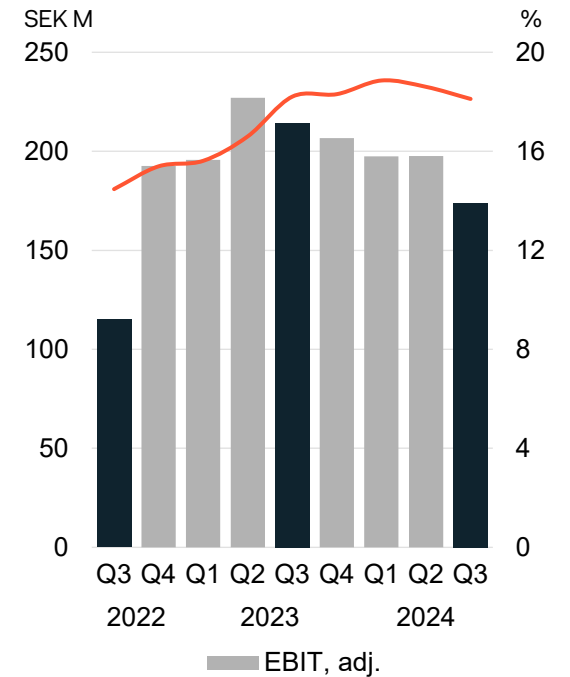
- Adjusted EBIT margin at 16.6% (18.6)
- Negative product mix in certain segments
- FX headwind of SEK -32 million yoy

SEK M	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023
Order intake, R12	3,986	4,619	-	-
Organic growth, R12, %	-8	4	-	-
Revenues	1,049	1,153	3,201	3,527
Organic growth, %	-3	13	-2	13
Adj. EBIT	174	214	569	637
Margin, %	16.6	18.6	17.8	18.1

### Revenues and Book-to-bill



### Adjusted EBIT, (%)





# Strip

## Stabilized market conditions

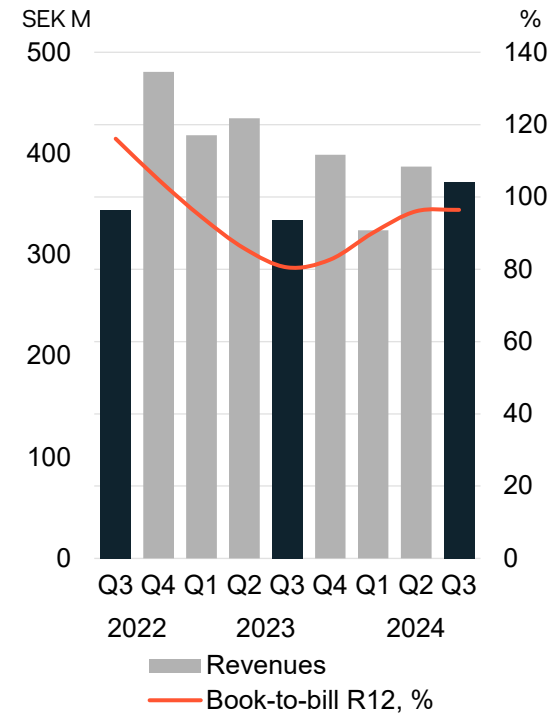
- Organic order intake growth of 11% R12
- Organic revenue growth of 16%
- Book-to-bill of 96% R12

## Underlying margin improvement

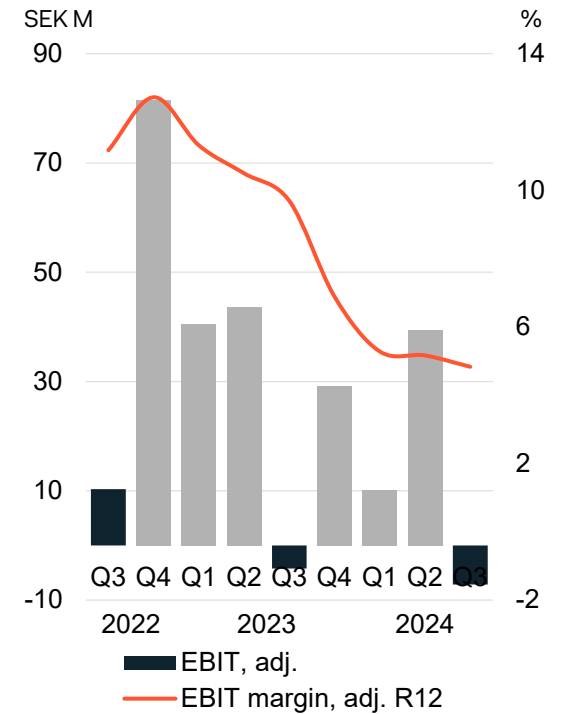
- Seasonality
- One-off related to scrapping
- FX headwind of SEK -5 million yoy

SEK M	Q3 2024	Q3 2023	Q1-Q3 2024	Q1-Q3 2023
Order intake, R12	1,428	1,342	-	-
Organic growth, R12, %	11	-25	-	-
Revenues	372	334	1,083	1,187
Organic growth, %	16	-3	-5	0
Adj. EBIT	-7	-4	42	80
Margin, %	-1.9	-1.3	3.9	6.7

### Revenues and Book-to-bill



### Adjusted EBIT, (%)



Alleima



# Company presentation

 Alleima

# A world-leading advanced materials company

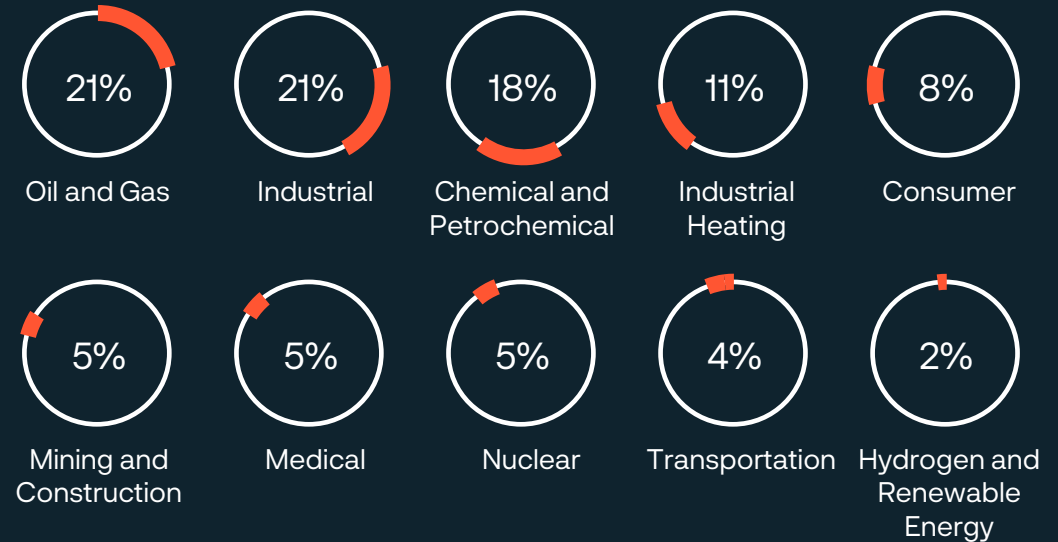
- High value-added products in advanced stainless steels and special alloys as well as products for industrial heating
- Strong market positions across a wide range of niche end-markets, serving ten customer segments
- Fully integrated value chain, from industry-leading R&D capabilities to finishing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

REVENUES, R12	ADJ. EBIT, R12	ADJ. EBIT, R12, %	# FTE's
<b>19,635</b>	<b>1,942</b>	<b>9.9%</b>	<b>6,299</b>
SEK M, Q3 2024	SEK M, Q3 2024	Q3 2024	September 2024

## Three divisions...

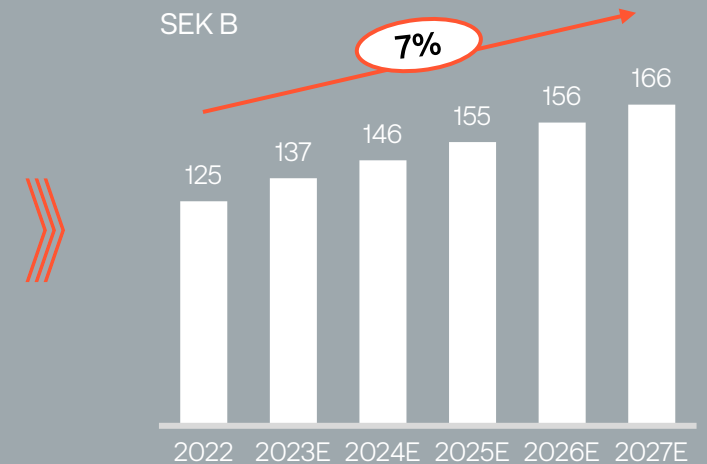


## ...serving ten customer segments



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

Q3 2024, R12

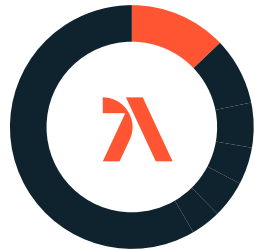
**13.9bn**

Revenues (SEK)

**10.1%**

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

Q3 2024, R12

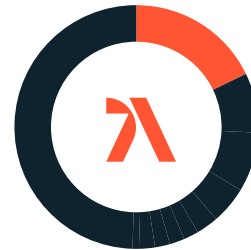
**4.3bn**

Revenues (SEK)

**18.1%**

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

Q3 2024, R12

**1.5bn**

Revenues (SEK)

**4.8%**

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

Ensure independence and control of value chain

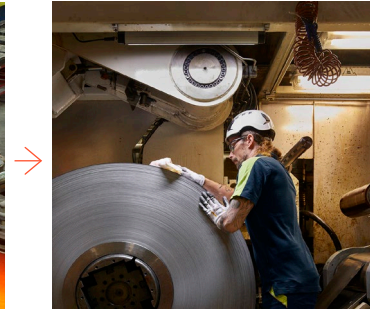


Primary Melting

Enabling close customer collaboration



Hot Working



Cold Working

Secure product quality



Finishing

Prerequisite for new materials and product development



Sales & Marketing



# 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

**5** R&D centers

**40+** sales offices

**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...



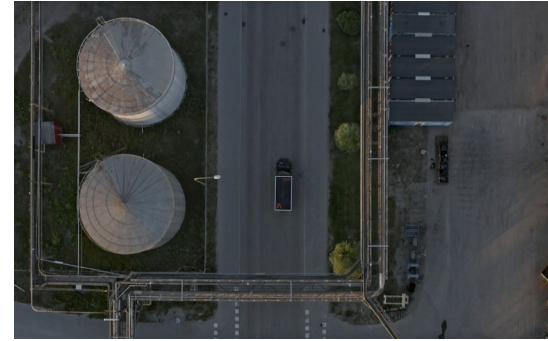
## Changing demographics

- 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

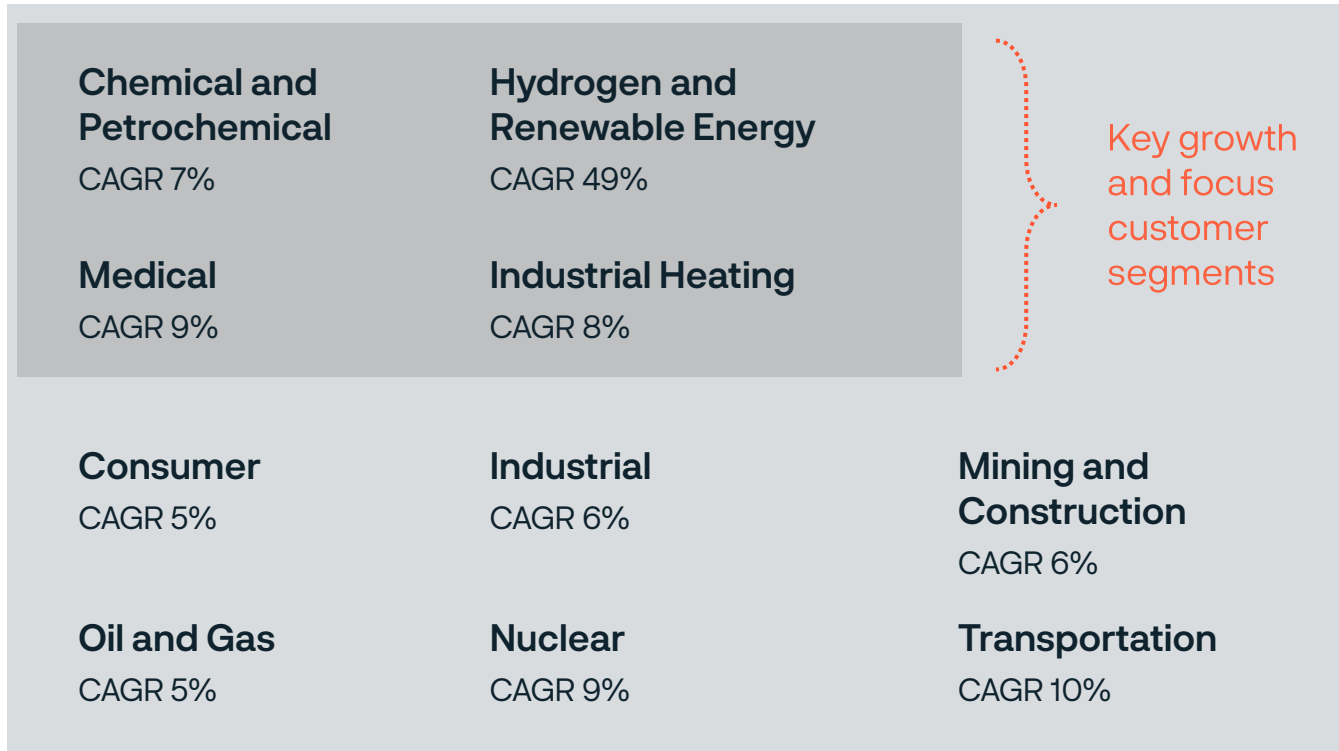


## Growth in emerging markets

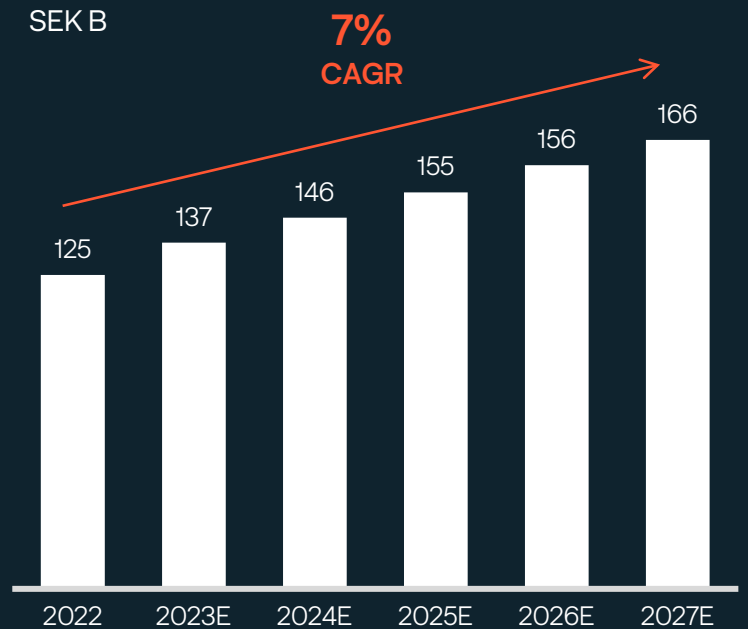
- Rising living standards
- Industrial development

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

Customer segments growth  
CAGR 2022-2027 \*



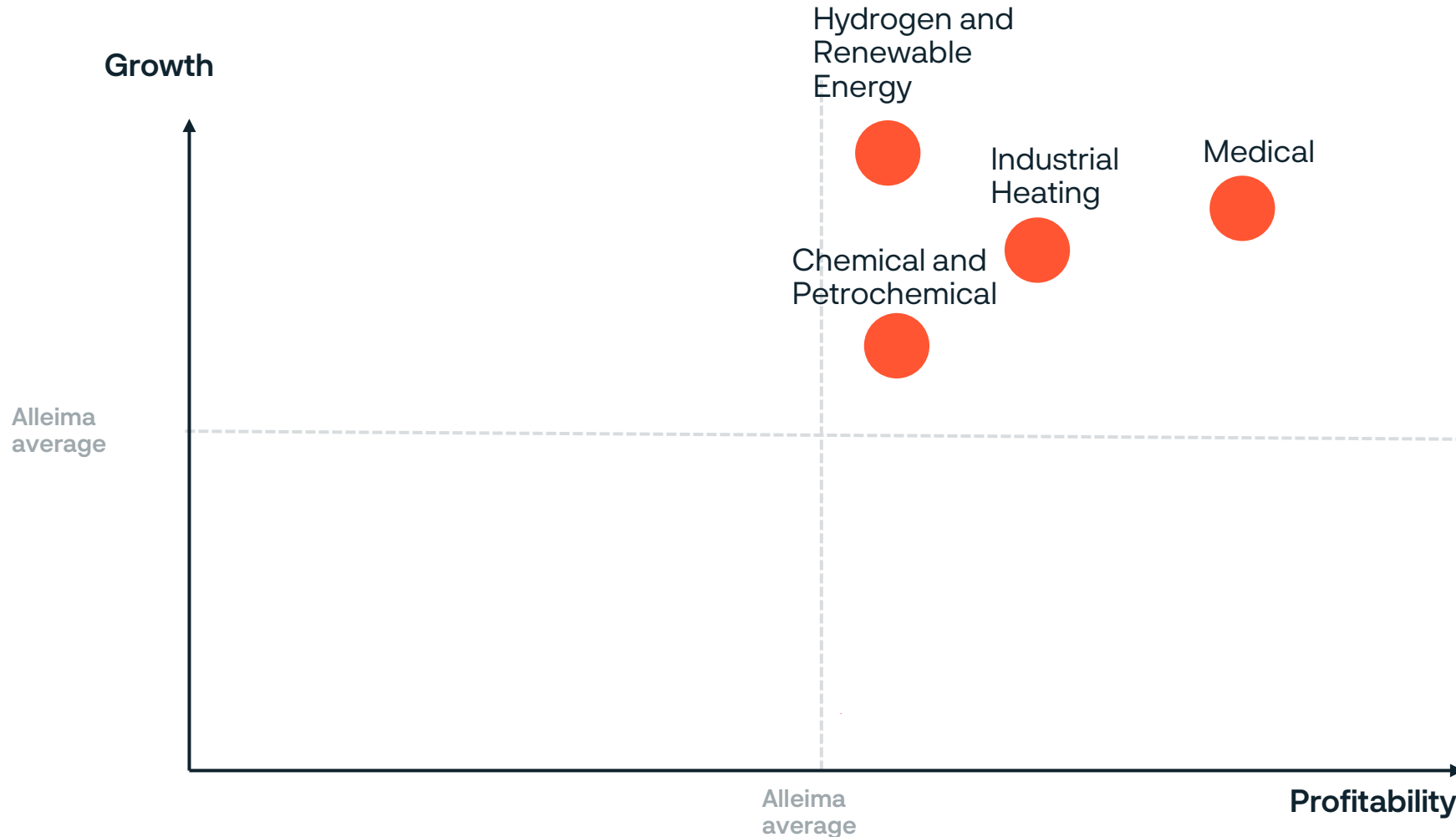
## Serviceable addressable market (SAM) size and growth



\*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

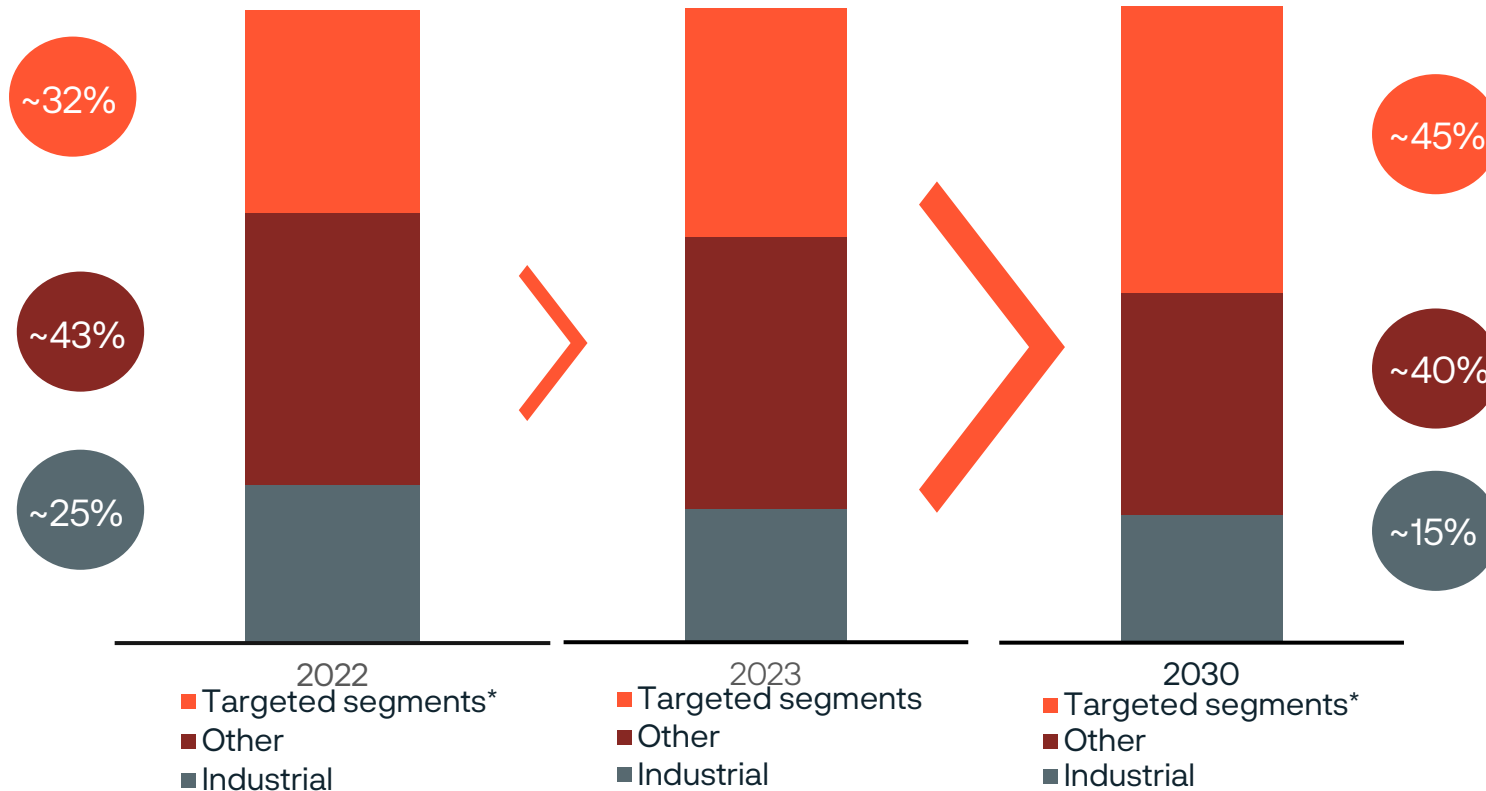
## Principles for capital allocation decisions

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

...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

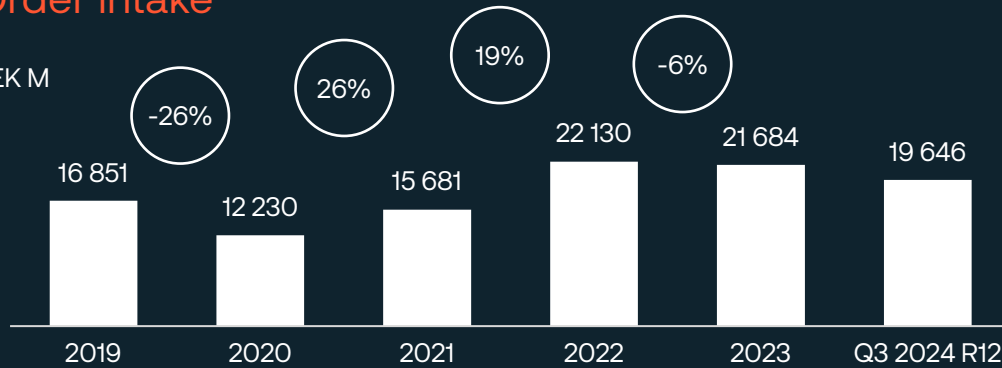


# Financial background – focus on resilience

Organic growth (%)

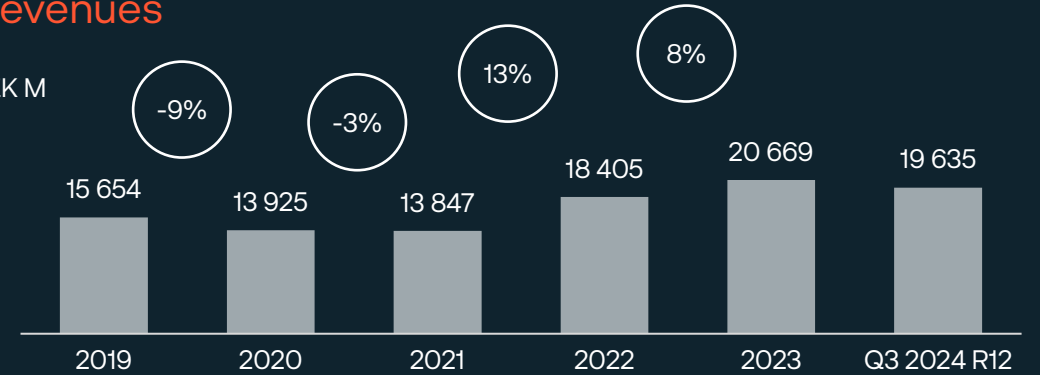
## Order intake

SEK M



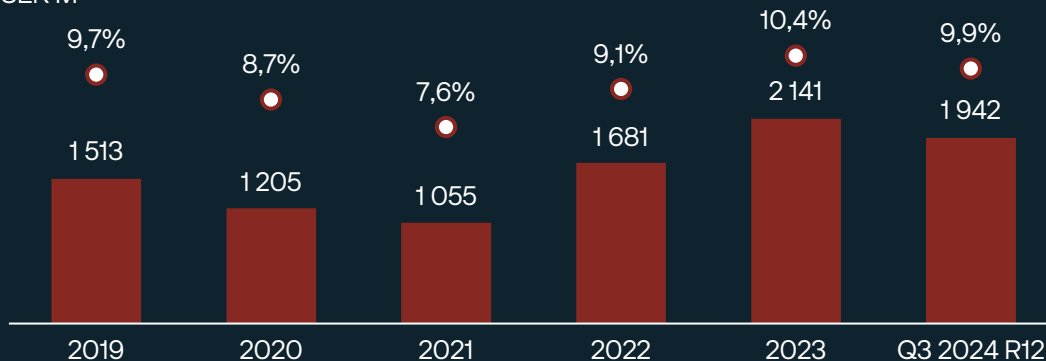
## Revenues

SEK M



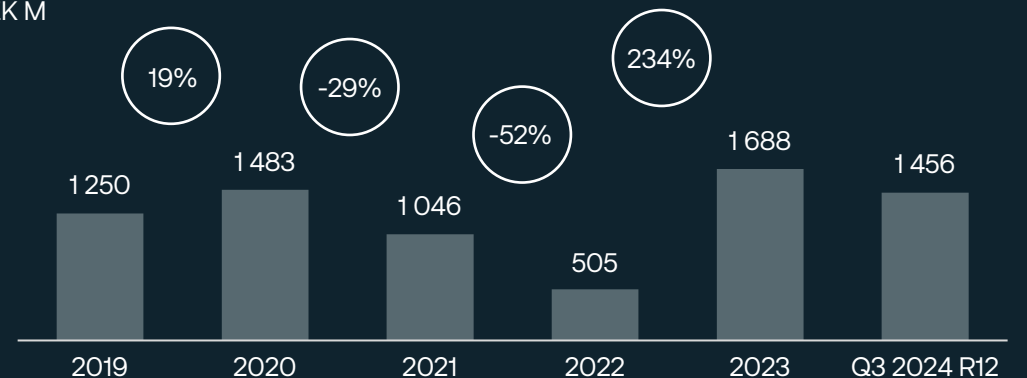
## Adj. EBIT and margin %

SEK M



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

SEK M



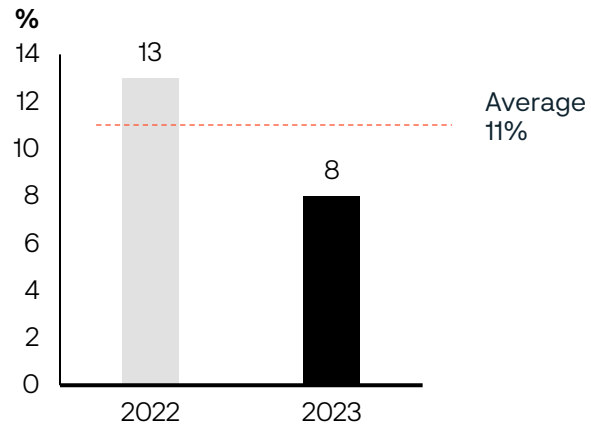
1) Free operating cash flow defined as EBITDA adjusted for non-cash items plus changes in net working capital less acquisitions and divestments of tangible and intangible assets and less amortization of lease liabilities



# Performance vs. financial targets

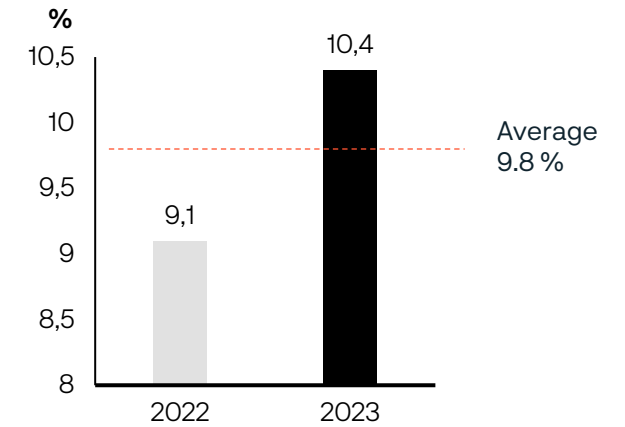
## Organic growth

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



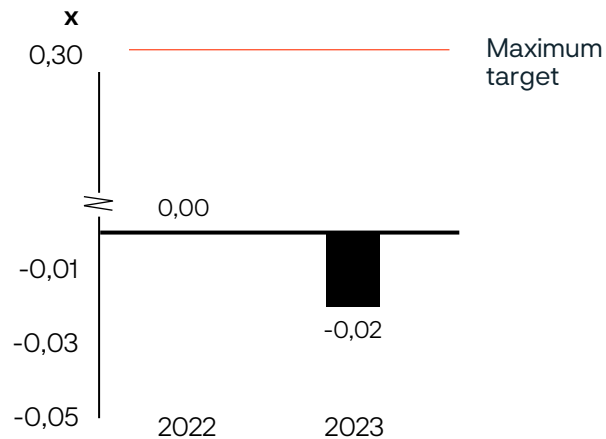
## Earnings

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



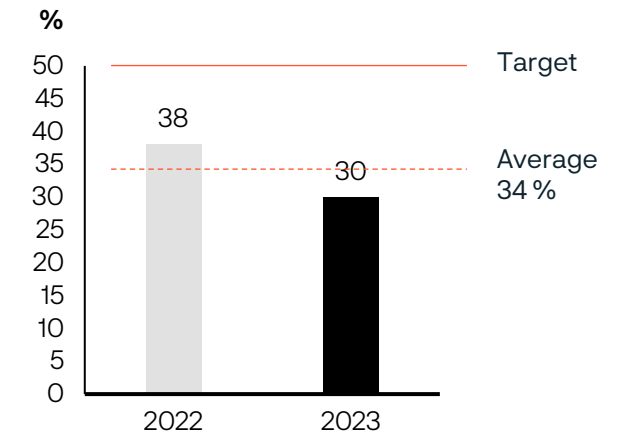
## Capital Structure

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

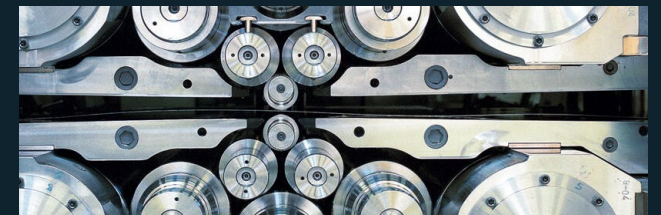
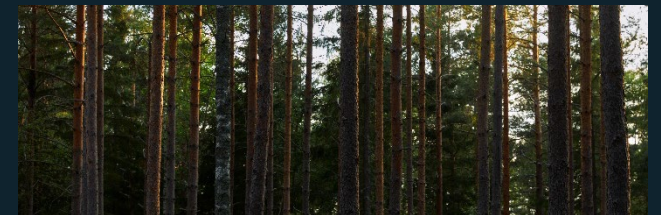
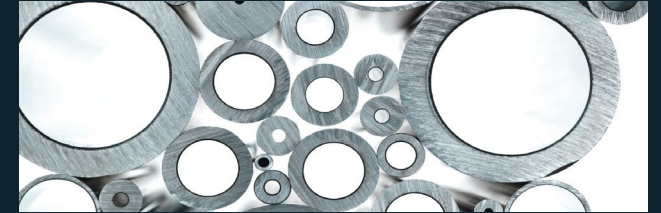
- Isolating the effect from metal price changes in the business where market price for metal has a direct impact on pricing.
- At constant volumes, mix and lead time the effects can be described as follows:

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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