



GRÄNGES

Third Quarter 2019 Earnings Conference

24 October, 2019

Today's presenters



**JOHAN
MENCKEL**
CEO

Since: 2012
Gränges since: 2004



**OSKAR
HELLSTRÖM**
CFO

Since: 2011



Third quarter 2019

Soft market conditions and production disturbances

- Continued soft market conditions
 - Lower demand from automotive customers

- Temporary production disturbances
 - Huntingdon and Salisbury plants affected

- Reduced sales volume and operating profit
 - Sales volume declined by 8%
 - Adjusted operating profit SEK 190 million















- Strong cash generation
 - Adj. cash flow before financing SEK 442 million

- Important milestone reached for US expansion
 - First coil rolled in new Huntingdon rolling mill



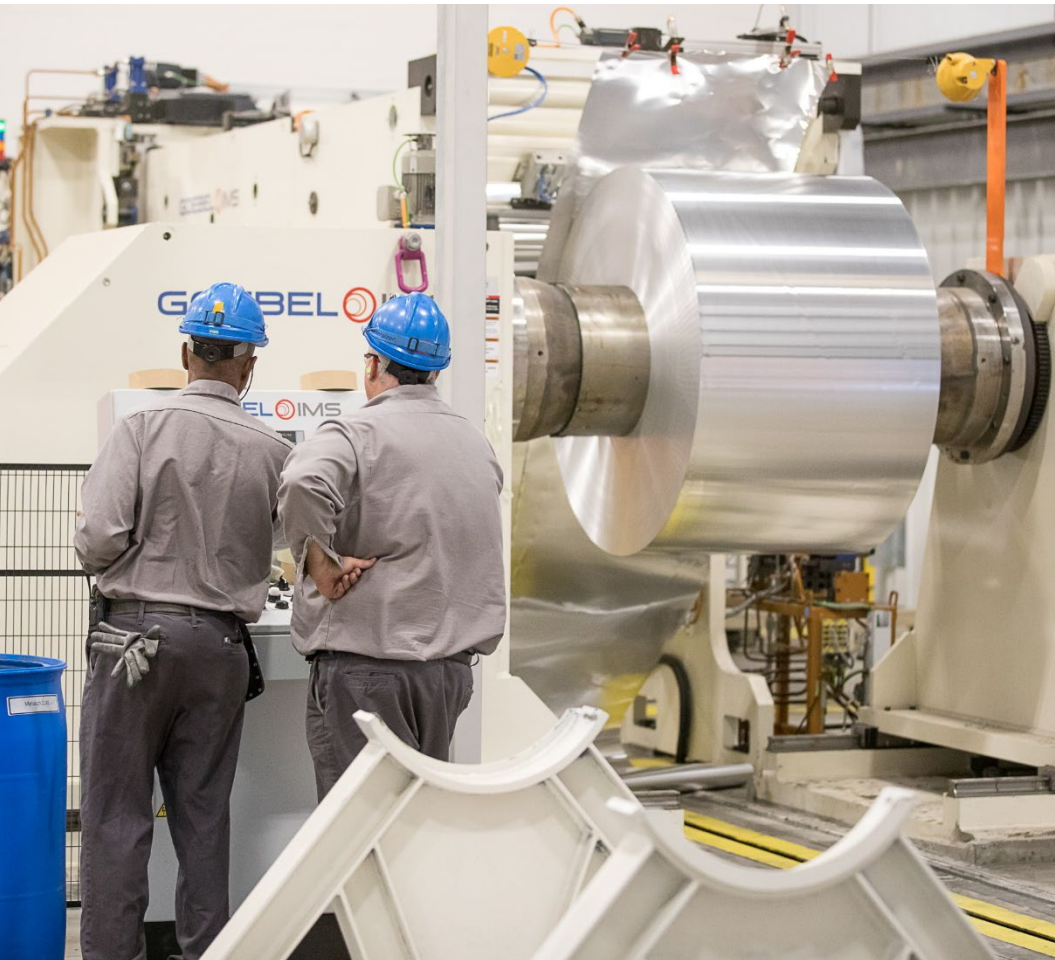
Light vehicle production decreased by 3% and HVAC production increased by 3% in the third quarter

End market production growth (YoY)

End market	Automotive				HVAC
Region	Global	Asia	Europe	Americas	Americas
Q3 2019	 -3%	 -5%	 ±0%	 +2%	 +3%
Q4 2019	 -3%	 -4%	 -2%	 -2%	
Full year 2019	 -5%	 -6%	 -3%	 -2%	 +1%

Source: Automotive light vehicle production - IHS Automotive, September 2019
 HVAC unit production - AHRI, October 2019

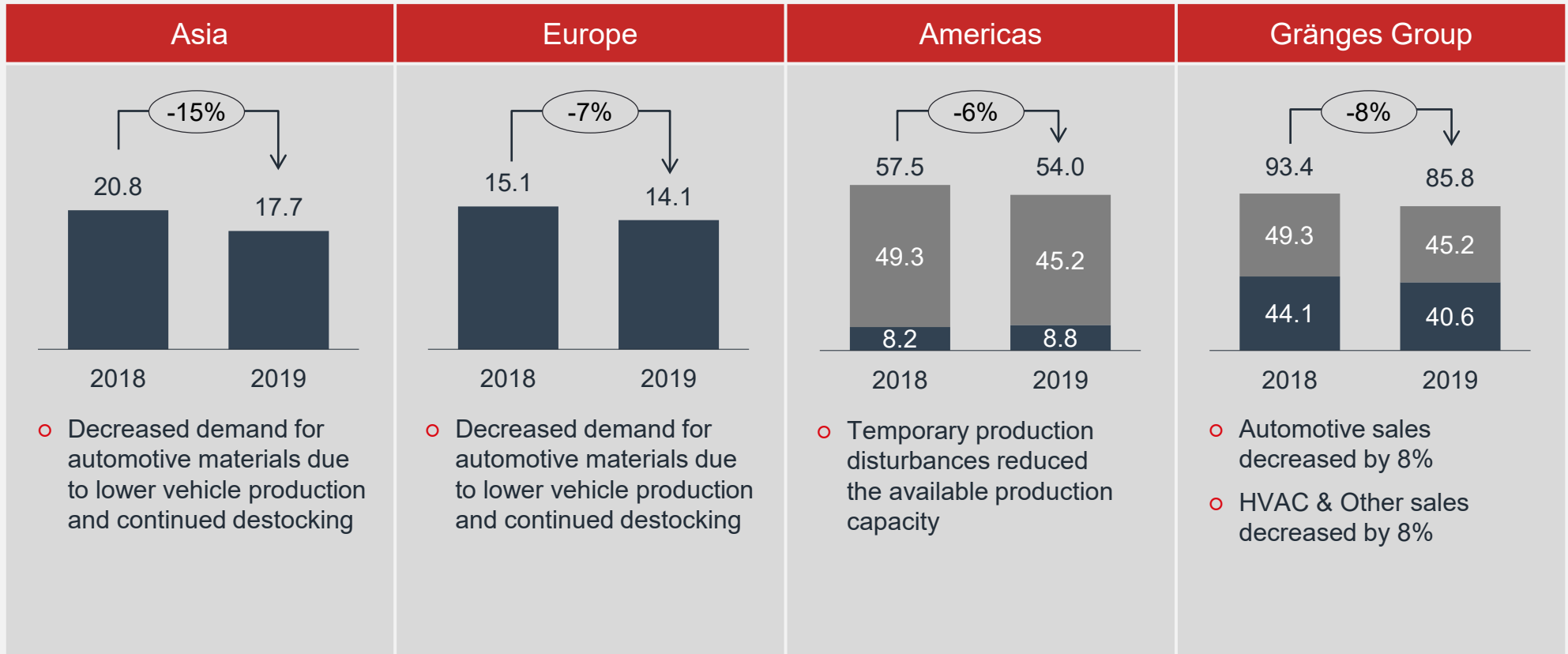
Temporary production disturbances in the US restricted available production capacity in the third quarter



- Temporary production disturbances affected the Huntington and Salisbury plants in July and August
- The specific issues behind the disturbances have been solved
- Impact on already capacity constrained rolling mills resulted in lost production capacity
- Total loss of sales volume of 6 ktonnes in third quarter

Sales volume decreased by 8% in the third quarter due to reduced market demand and lower available capacity

Gränges sales volume (ktonnes)



■ Automotive

■ HVAC & Other

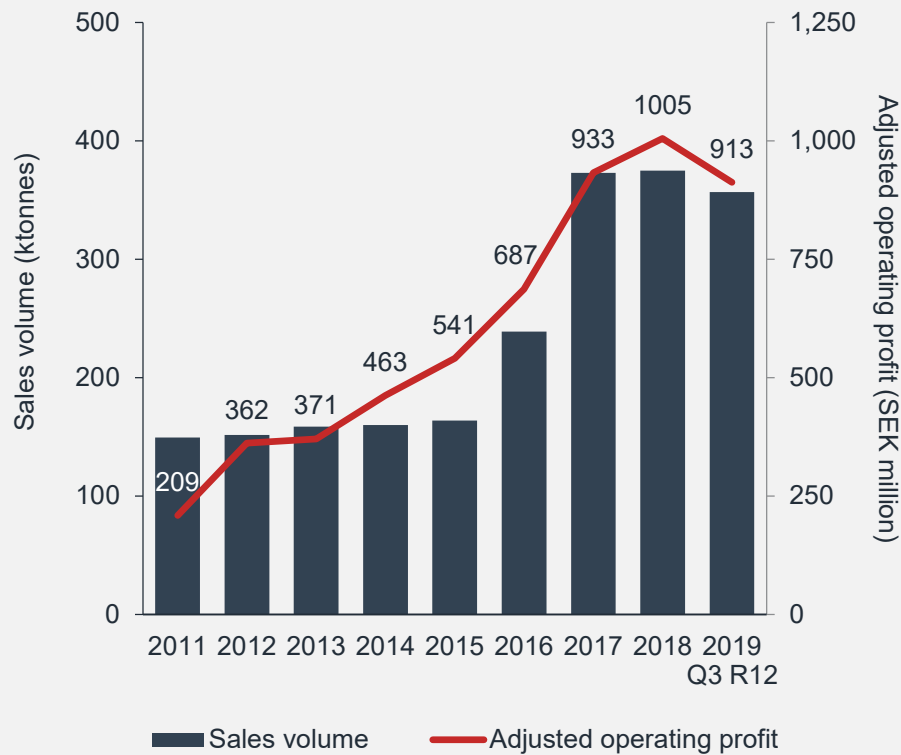
Important milestone reached for US expansion projects



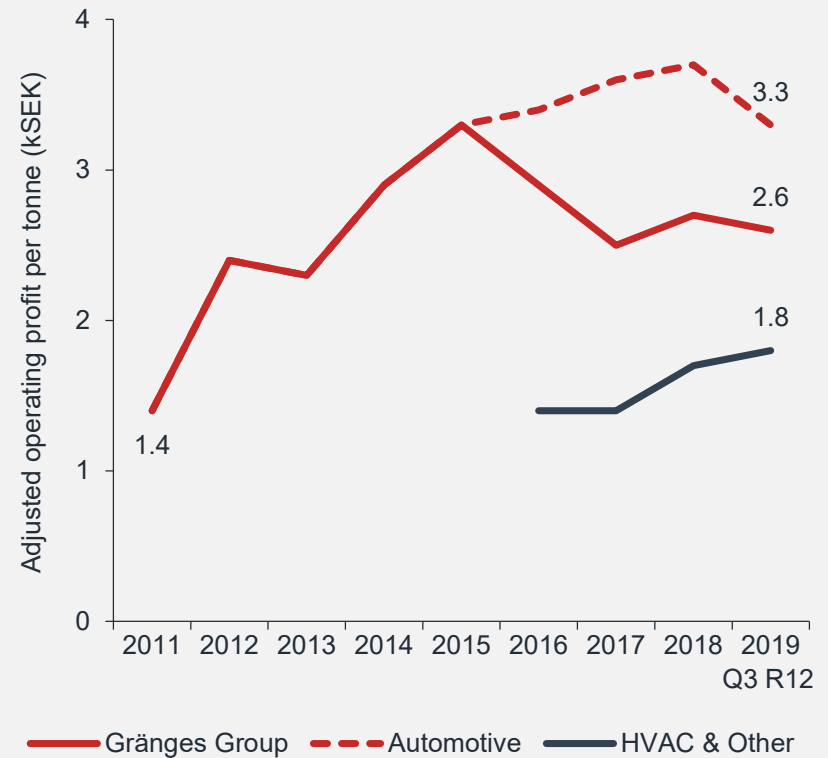
- First coil in the new Huntingdon rolling mill successfully rolled on September 30
- All new equipment is now operational and production capacity will gradually be ramped up over coming quarters
- Expansion projects enables higher sales volume going forward
- Upgrade of Newport facility to be completed in fourth quarter

Lower sales volume and adjusted operating profit in the third quarter

Sales volume and adjusted operating profit



Adjusted operating profit per tonne



Financial overview – third quarter 2019

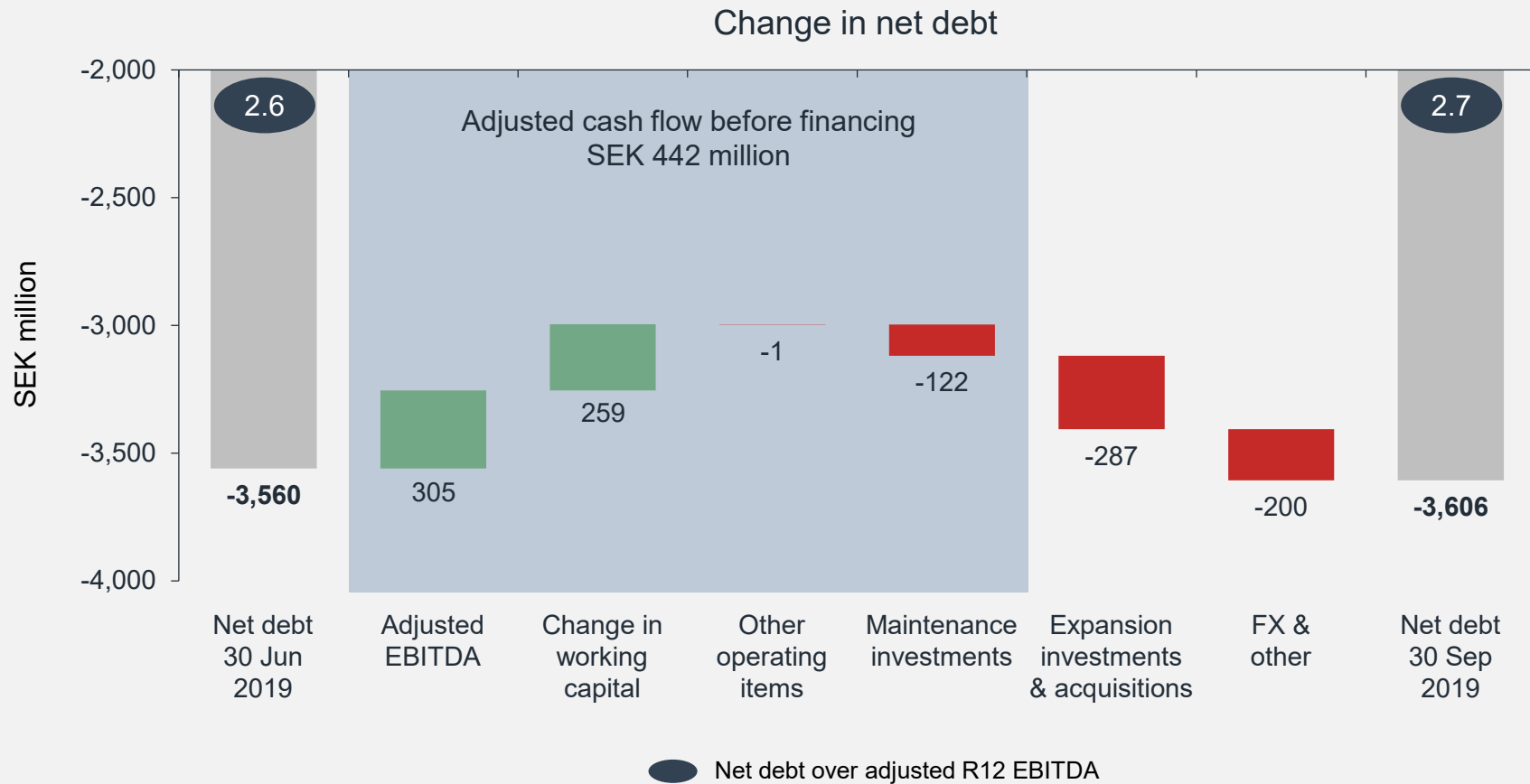
SEK million	Q3			January - September		
	2019	2018	Change	2019	2018	Change
Sales volume (ktonnes)	85.8	93.4	-8.1%	269.5	287.5	-6.3%
Net sales	2,998	3,322	-9.7%	9,295	9,836	-5.5%
Adjusted operating profit ¹	190	230	-17.7%	721	813	-11.3%
Adjusted operating margin (%)	6.3	6.9	-0.6 ppt	7.8	8.3	-0.5 ppt
Adjusted operating profit per tonne (kSEK)	2.2	2.5	-0.3	2.7	2.8	-0.2
Operating profit	190	230	-17.7%	721	749	-3.7%
Profit for the period	198	158	25.6%	553	539	2.6%
Earnings per share ² (SEK)	2.62	2.09	0.53	7.32	7.14	0.18
Adj. cash flow before financing activities ³	442	228	98%	857	662	29%
Return on capital employed, R12 (%)	12.8	16.8	-4.0 ppt			
Net debt / adjusted EBITDA, R12	2.7	1.9				

(1) Adjusted for items affecting comparability

(2) Diluted

(3) Adjusted for expansion investments and acquisitions

Net debt maintained at SEK 3.6 billion during the third quarter through strong cash generation



Note: Net Debt over adjusted R12 EBITDA excluding impact from IFRS 16 Leases (30 Sep 2019) = 2.6

Efficiency measures have been implemented to adjust the cost base

Implemented cost efficiency measures

General savings program

- Reduction of temporary manning
- Spend restrictions
- Focused efficiency improvements

Capacity adjustment

- Temporary shut down of select production equipment

Organizational efficiency

- Reduction of white collar organization in Europe by 20+ FTE
- One-time cost in Q4 of SEK 15 million

Outlook - fourth quarter 2019

- IHS estimates that global light vehicle production will decrease by 3% in fourth quarter
- Gränges expects a sales volume decrease by mid to high-single digits in the fourth quarter
 - Mid to high-single digit decrease for automotive materials on global level
 - Mid to high-single digit decrease for HVAC & other materials in Americas
- US expansion projects enables higher sales volume going forward



Source: IHS Automotive, September 2019

Summary - third quarter 2019

- Continued soft market conditions
- Temporary production disturbances
- Reduced sales volume and operating profit
- Strong cash generation
- Important milestone reached for US expansion



Q&A

Johan Menckel, CEO
Oskar Hellström, CFO



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