



**GRÄNGES**

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Fourth Quarter 2016 Earnings Conference

2 February, 2017

# Today's presenters



**JOHAN  
MENCKEL**  
*CEO*

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Since: 2012  
Gränges since: 2004



**OSKAR  
HELLSTRÖM**  
*CFO*

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Since: 2011



# Gränges Group



- A global leader in the market for rolled products for aluminium heat exchangers
- Production in Sweden, China and in the US
- R&D Centre in Sweden and China
- Headquarter in Stockholm
- Gränges is represented all over the world

- ~1,500 employees
- Listed on Nasdaq Stockholm
- Net sales of SEK 10 billion including the recent US acquisition

20%

We have a global market share of approximately 20% in rolled products for brazed aluminium heat exchangers.

# Fourth quarter 2016 – Solid performance concluded a record year

- Successful integration of acquired US operations now completed
- Sales volume increased by 118% to 84.7 ktonnes – organic growth 12%
- Adjusted operating profit increased to SEK 171 million – SEK 133 million excluding the acquisition
- Cash flow before financing was SEK 104 million
- Net debt of 2.1x EBITDA
- Dividend of SEK 2.40 per share



# Market growth of 1% expected for full year 2017

Light vehicle production growth (YoY)

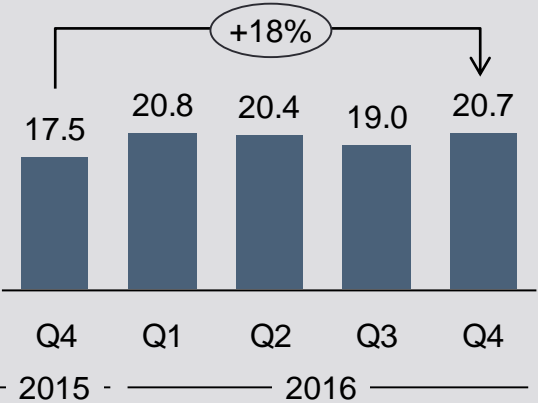
Region	Q4 2016	Q1 2017 outlook	FY 2017 outlook
Asia	 +7%	 +1%	 +1%
Europe	 +2%	 +5%	 +2%
Americas	 +2%	 +2%	 -1%
Global	 +6%	 +3%	 +1%

Source: IHS Automotive, December 16, 2016

# Strong development in Asia and continued strong growth in Americas – both organic and through acquisition

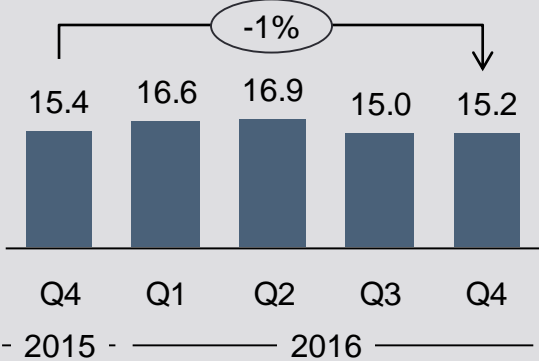
Gränges sales volume (ktonnes)

## Asia



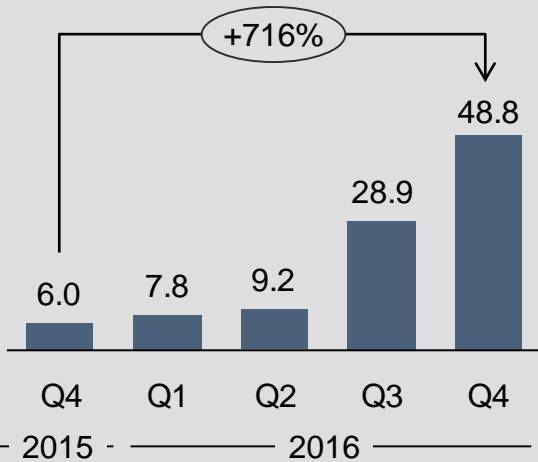
- Strong sales to Chinese automotive customers

## Europe



- Somewhat weaker sales of heat exchanger materials
- Increased sales of material for non-heat exchanger applications

## Americas



- Sales volume from acquired business 41.0 ktonnes
- Excluding acquired business, sales volume increased by 31% to 7.8 ktonnes

# Important steps taken in 2016 to deliver on the 2020 goal and strategy – focus on growth and innovation

## Gränges 2020 goal and strategy

- Grow significantly above the market rate
- Become the market leader in all geographical regions
- Maintain good and sustainable profitability

Drive growth through innovation

Create value from sustainability

Increase efficiency through continuous improvements

Grow presence through structural expansion

- ✓ Signed several new long-term contracts with key customers
- ✓ Increased focus on Gränges R&I
- ✓ Improved customer satisfaction

- ✓ Improved safety – less recordable accidents
- ✓ Reporting according to GRI guidelines

- ✓ Improved productivity across all facilities
- ✓ Reduced unit energy consumption

- ✓ Major acquisition in US, adding 180 ktonnes production capacity
- ✓ Strengthened position in several niche markets

# Successful acquisition in the US creates a good platform for future growth

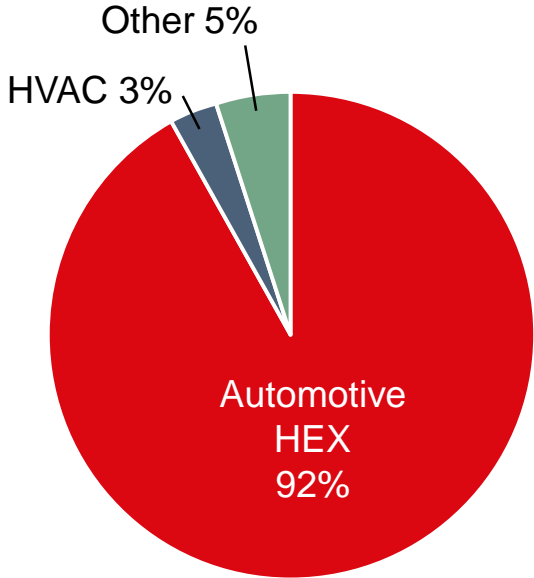
- Gränges acquired Noranda's rolling business in August 2016
- Strong position within strategic HVAC market and other niche markets
- Integration of acquired business successfully completed
- Gränges appreciated as new owner of the acquired business
- Pre-study for potential capacity and capability expansion started





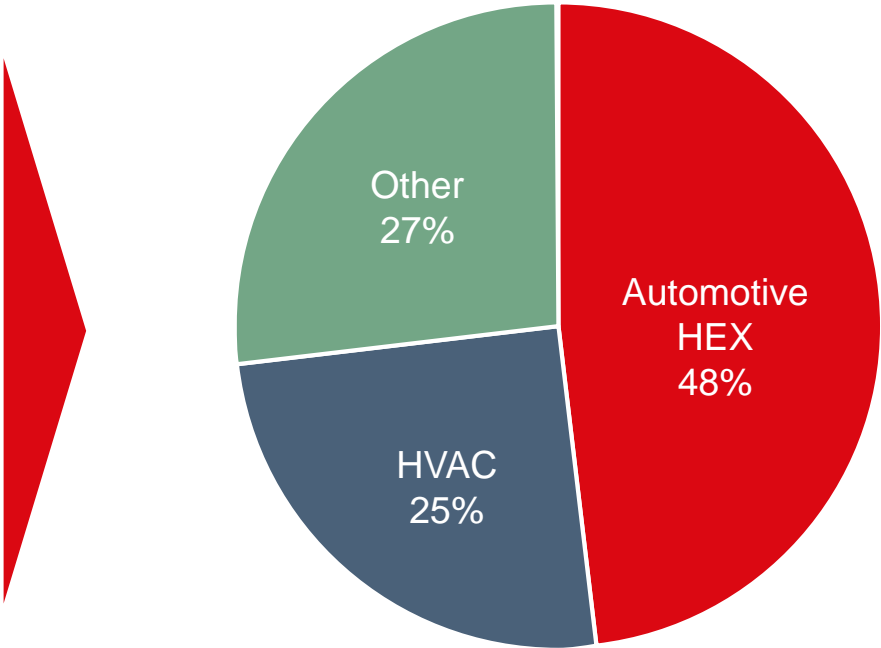
# Diversification of business portfolio strengthens Gränges' position in the market for rolled aluminium

Sales volume per end-use market 2015



Total sales volume 164 ktonnes

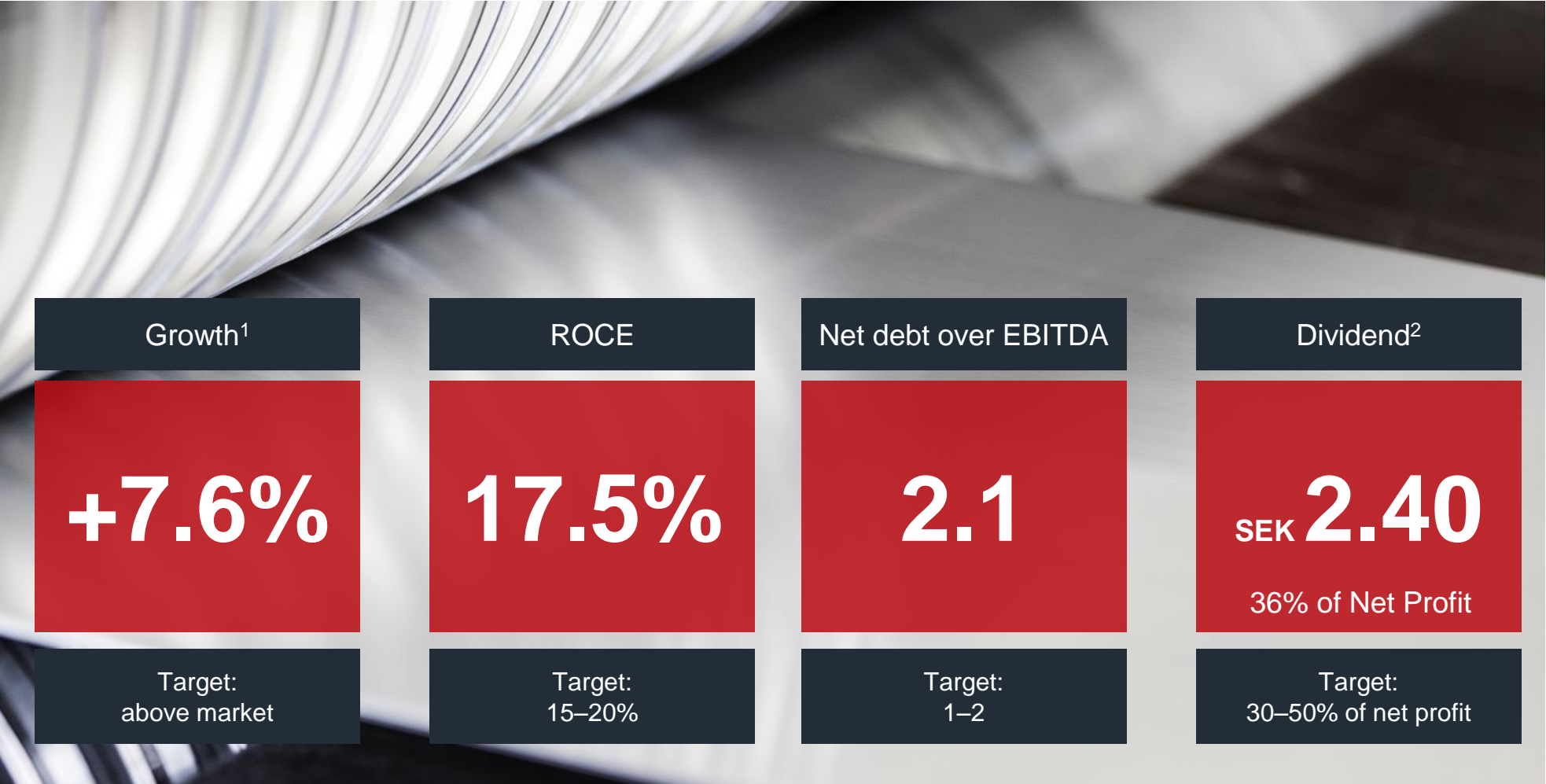
Pro forma Gränges incl. acquired sales volume per end-use market 2016



Total sales volume 357 ktonnes

9 Note: Gränges incl. acquired sales volume pro forma figures shows approximate effects of the US acquisition

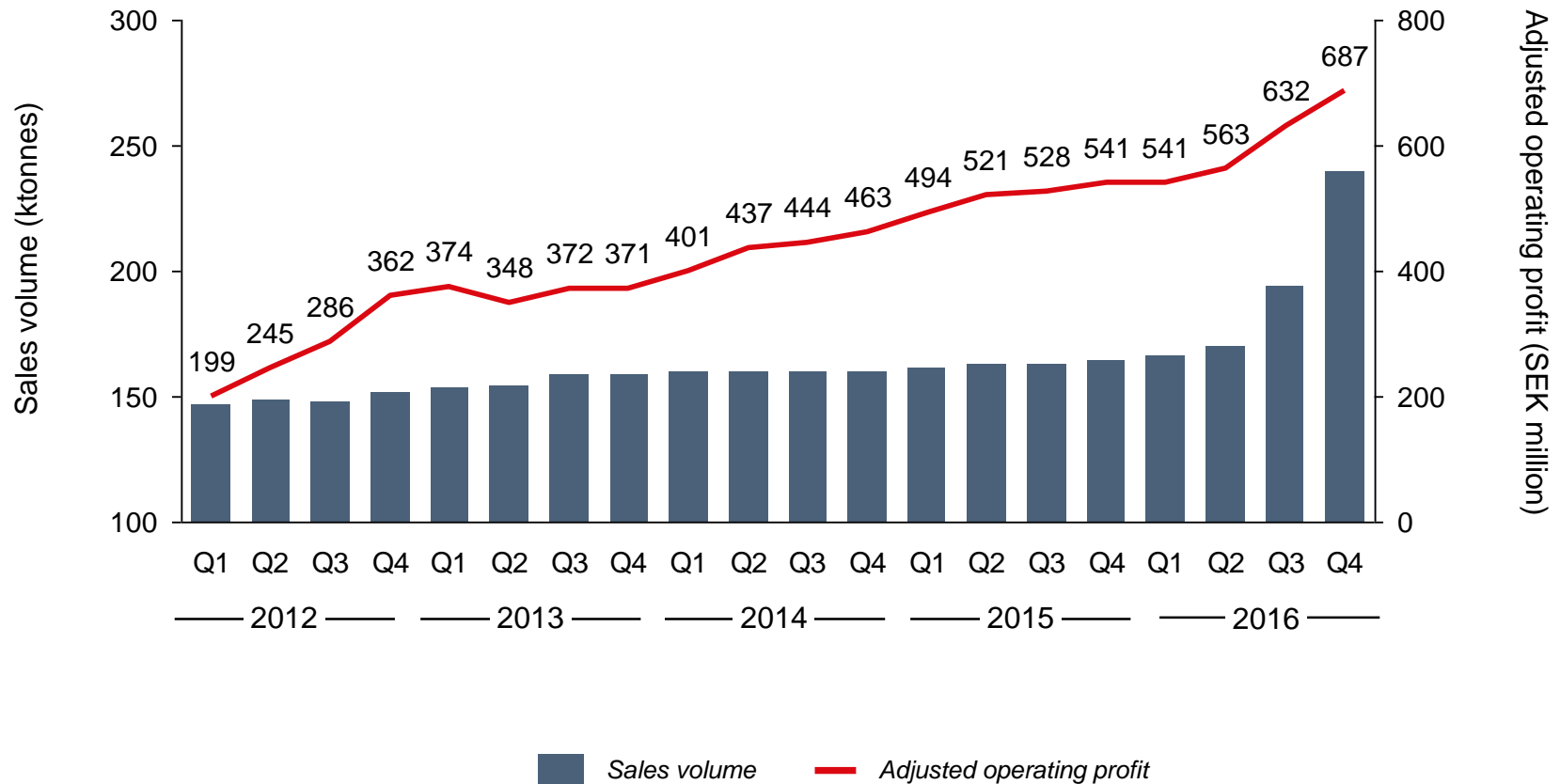
# Strong performance against targets in 2016 while completing a major acquisition in the US



1. Organic sales volume growth in 2016 excluding US acquisition  
2. The Board of Director's proposal for the 2017 Annual General Meeting

# Positive trend continues in fourth quarter and is further strengthened by the US acquisition

Rolling 12 months sales volume and adjusted operating profit



# Strong performance in seasonally weak fourth quarter

## Financial overview

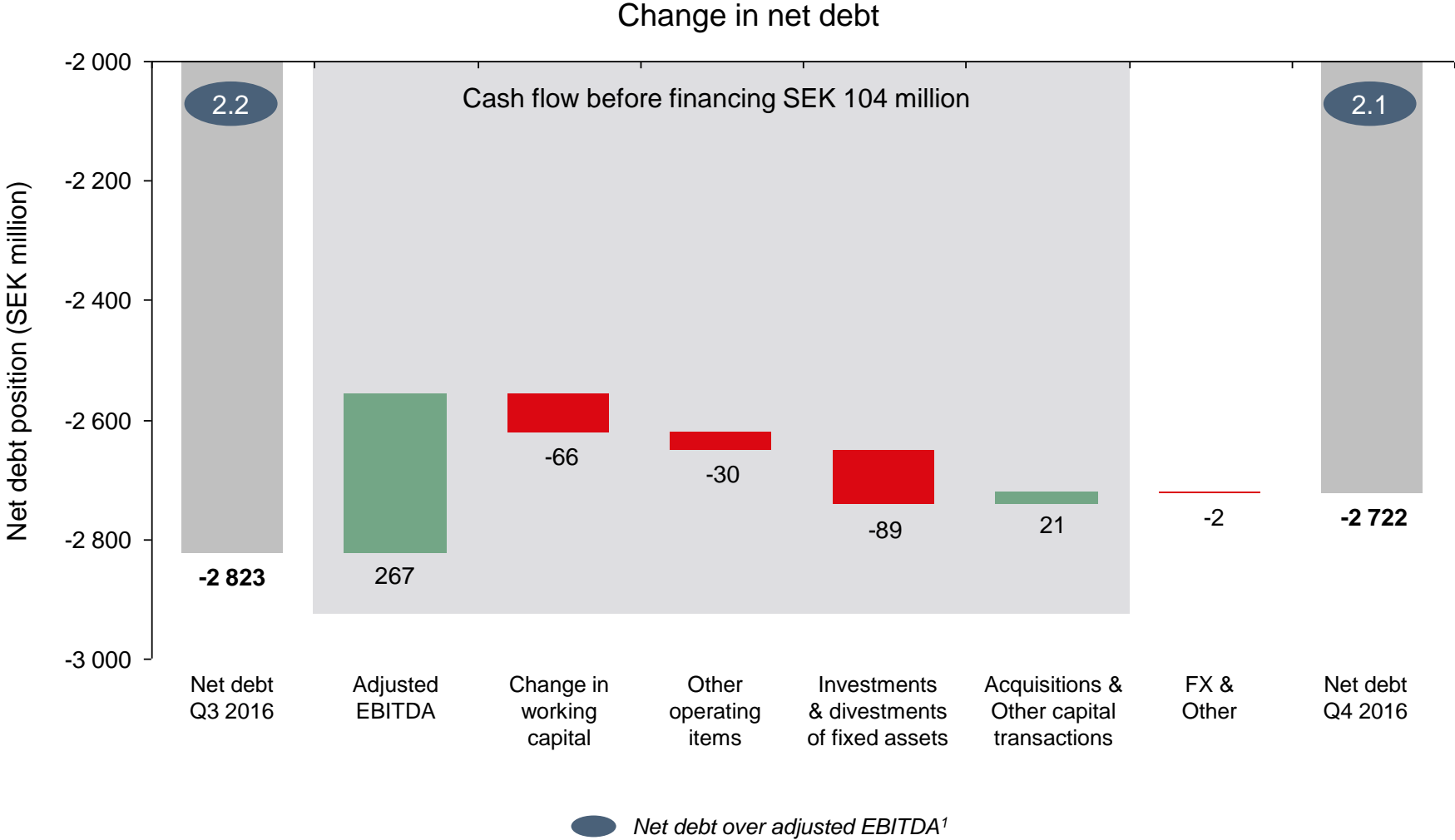
SEK million	Q4			January - December		
	2016	2015	Change	2016	2015	Change
Sales volume (ktonnes)	84.7	38.9	117.6%	239.1	163.9	45.9%
Net sales	2,546	1,252	103.4%	7,207	5,494	31.2%
Adjusted operating profit <sup>1</sup>	171	116	47.6%	687	541	27.0%
Adjusted operating margin (%)	6.7	9.2	-2.5 ppt	9.5	9.8	-0.3 ppt
Adjusted operating profit per tonne (kSEK)	2.0	3.0	-1.0	2.9	3.3	-0.4
Operating profit	162	128	26.4%	559	538	3.9%
Profit for the period	101	83	21.6%	498	379	31.4%
Earnings per share <sup>2</sup> (SEK)	1.35	1.11	0.23	6.66	5.07	1.59
Cash flow before financing activities	104	159	-34.8%	-2,046	600	n/a
Return on capital employed, R12 (%)	17.5	18.1	-0.7 ppt			
Net debt / adjusted EBITDA, R12 <sup>3</sup>	2.1	0.4	1.7			

1. Adjusted for items affecting comparability

2. Diluted, historical earnings per share has been calculated on the same number of shares as of today

3. Adjusted EBITDA rolling 12 months, including estimated adjusted EBITDA for the acquired business in the US as a part of the Gränges Group

# Net debt was SEK 2.7 billion at the end of fourth quarter



1. Adjusted EBITDA rolling 12 months, including estimated adjusted EBITDA for the acquired business in the US as a part of the Gränges Group

# Strong and stable performance in acquired business

## Gränges Americas key financials

	2016	2015	Change
ktonnes			
Sales volume	180	172	4.9%
USD million			
Net sales	508	551	-7.9%
Adjusted EBITDA <sup>1</sup>	52	52	0%
Adjusted operating profit <sup>1</sup>	29	28	4.3%
SEK million			
Net sales	4 330	4 650	-7.0%
Adjusted EBITDA <sup>1</sup>	442	438	0.9%
Adjusted operating profit <sup>1</sup>	246	236	4.2%

- Performance in 2016
  - Above market volume growth
  - Continued strong earnings and cash generation
- Expectations for 2017
  - Stable volume due to short term capacity restrictions
  - Slightly higher costs due to natural gas price increase
  - Depreciation and amortization USD 23 million

1. Adjusted for items affecting comparability and including estimates of additional costs for the acquired business in a Gränges setting

# Outlook

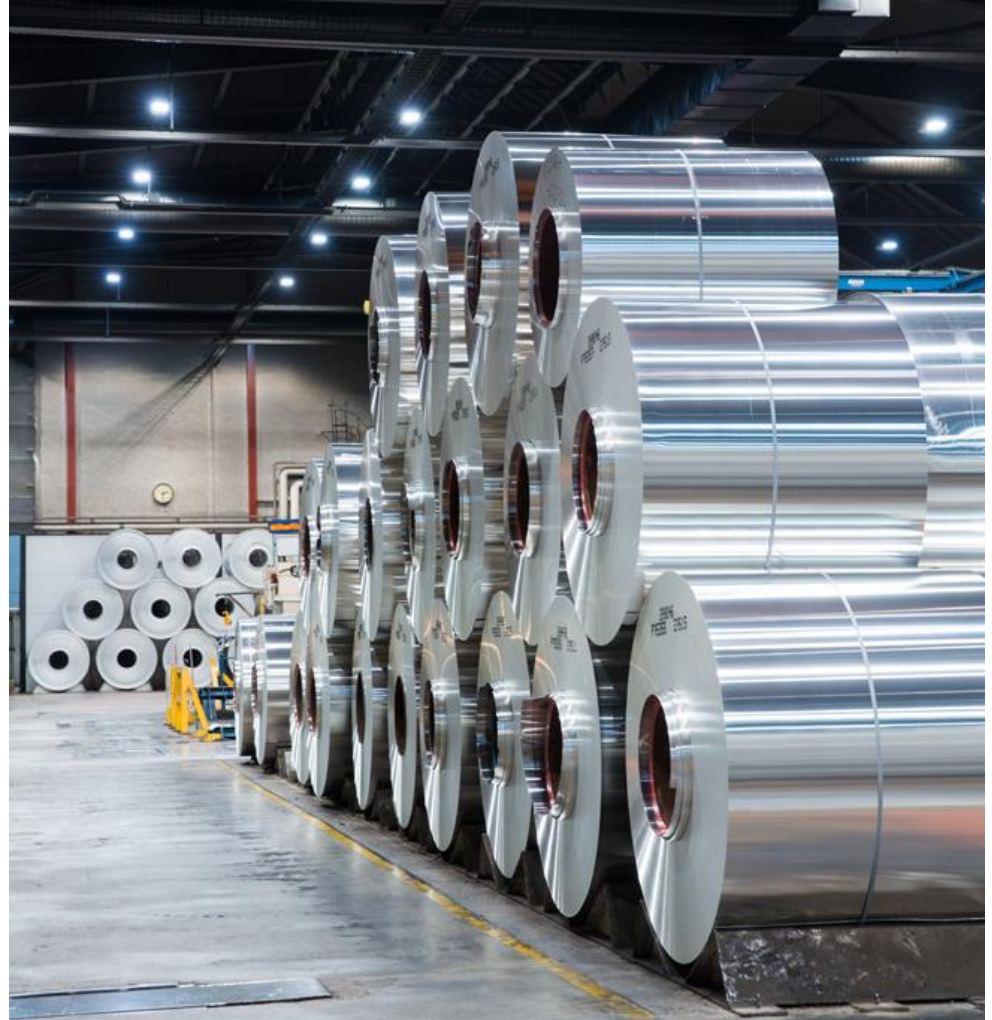
- Global Light Vehicle Production is expected to grow by 3%<sup>1</sup> in Q1 2017 – for the full year 2017 a growth of 1% is projected
- Automotive HEX - above market growth is expected in Asia and Americas, while growth in line with the market is projected in Europe in Q1
- Acquired business - sales volume expected to remain stable in Q1
- Ambition to continue to grow and strengthen our presence and position globally
- Positive outlook for 2017

1. Source: IHS Automotive, December 16, 2016



# Summary of fourth quarter

- Solid performance concluded a record year for Gränges
- Successful integration of US operations completed
- Sales volume 84.7 ktonnes
- Adjusted operating profit rose to SEK 171 million
- Net debt of 2.1x EBITDA
- Dividend of SEK 2.40 /share





# Q&A

Johan Menckel, CEO

Oskar Hellström, CFO

# Appendix: Sales volume 2015-2016

Sales volume

ktonnes	2015					2016				
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Existing business	42.7	43.4	38.9	38.9	163.9	45.1	46.5	41.1	43.7	176.4
Acquired business	42.3	46.1	45.9	37.8	172.1	45.3	47.0	47.2 <sup>1</sup>	41.0	180.5
Combined business	85.0	89.5	84.8	76.7	336.1	90.4	93.5	88.3	84.7	356.9

1. In total 21.8 ktonnes of the sales volume for the acquired US business are included in Gränges reported sales volume for Q3 2016.



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