



GRÄNGES

Fourth Quarter 2014 Earnings Conference

February 4, 2015

# 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 is a global aluminium company focused on rolled products for brazed heat exchangers

## Heat exchanger value chain

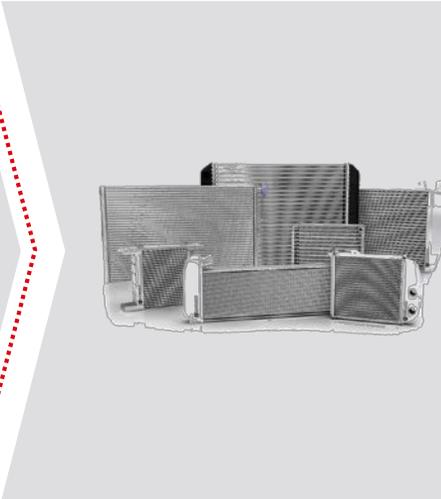
Aluminium producers



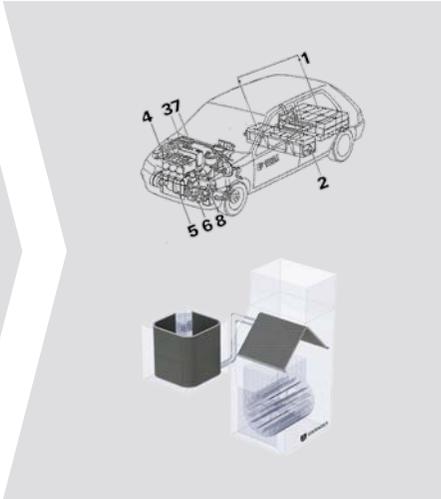
Material producers



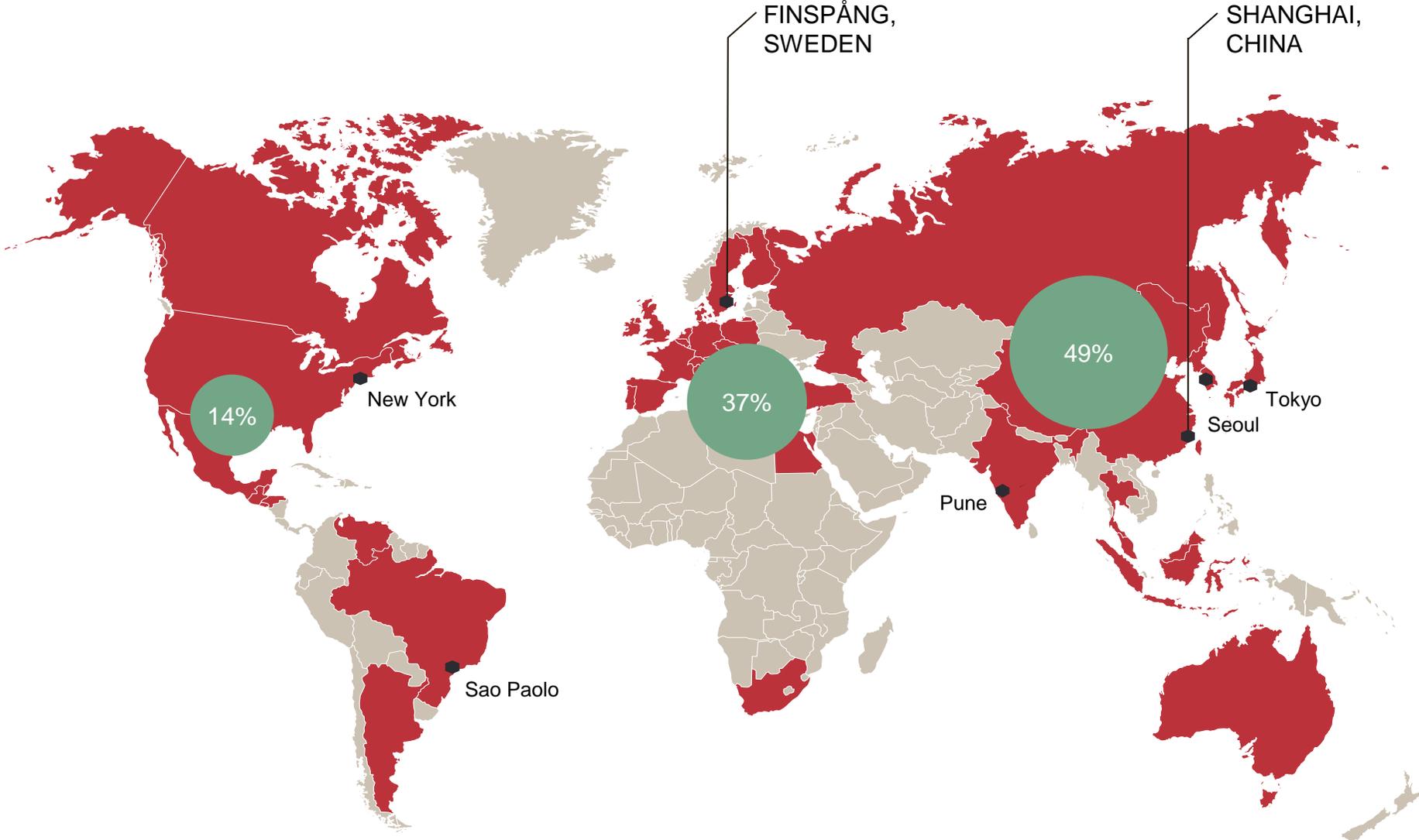
Heat exchanger producers



Automotive and HVAC&R



# Gränges is the global leader with a market share of 20%



◆ Sales and Technical support    ■ Sales destinations    ● Percentage of sales volume 2014



# Gränges' vision and strategy



## Vision

- We help create smaller, lighter and more designable heat exchangers to increase economic efficiency and reduce environmental impact

## Strategy

- Focus on our niche market and a global offering of customized products with high technology content
  - High level of production expertise
  - Leading edge technology
  - Strong customer focus
- Sustainable development

# Increased earnings and stable volume in fourth quarter



- Flat sales volume, while vehicle production showed slight increase
- Adjusted operating profit increased by 22% to SEK 103 million
- Earnings per share of SEK 1.19
- Net cash flow before financing activities of SEK 188 million
- Solid financial position
- Dividend of SEK 1.50 per share

# A summary of 2014

## - a good year with important work in progress



- Continued to strengthen leading position
  - Secured new long-term contracts in Europe and China
  - Developed new innovative products
- Operating result continued to improve – FY 2014 adjusted operating profit the best so far
- Attracted a good shareholder base – total of 5,506 shareholders as per 31 December 2014

# A summary of 2014 – upgrade in Shanghai plant finalized



- Investment of SEK 50 million over 2 years
- Enable the production line in Shanghai to make larger coils
- Meet customer demands for larger coils to increase efficiency in production
- Improve logistics flow and productivity within the Gränges Shanghai plant



# Modest market growth expected for full-year 2015

Light vehicle production growth (YoY)

Region	Q4 2014	Q1 2015 outlook	FY 2015 outlook
Asia	 +1%	 +1%	 +4%
Europe	 ±0%	 -2%	 ±0%
Americas	 +1%	 +2%	 +2%
Global	 +1%	 ±0%	 +2%

Source: IHS Automotive, 16 January, 2014

# Continued good volume growth in Asia

Gränges sales volume (ktonnes)

## Asia



- Continued good volume growth for light vehicles in China
- Moderate growth in rest of Asia with some exceptions

## Europe



- Lower sales of scrap based products in line with plan
- Lower contracted volume with one heat exchanger customer

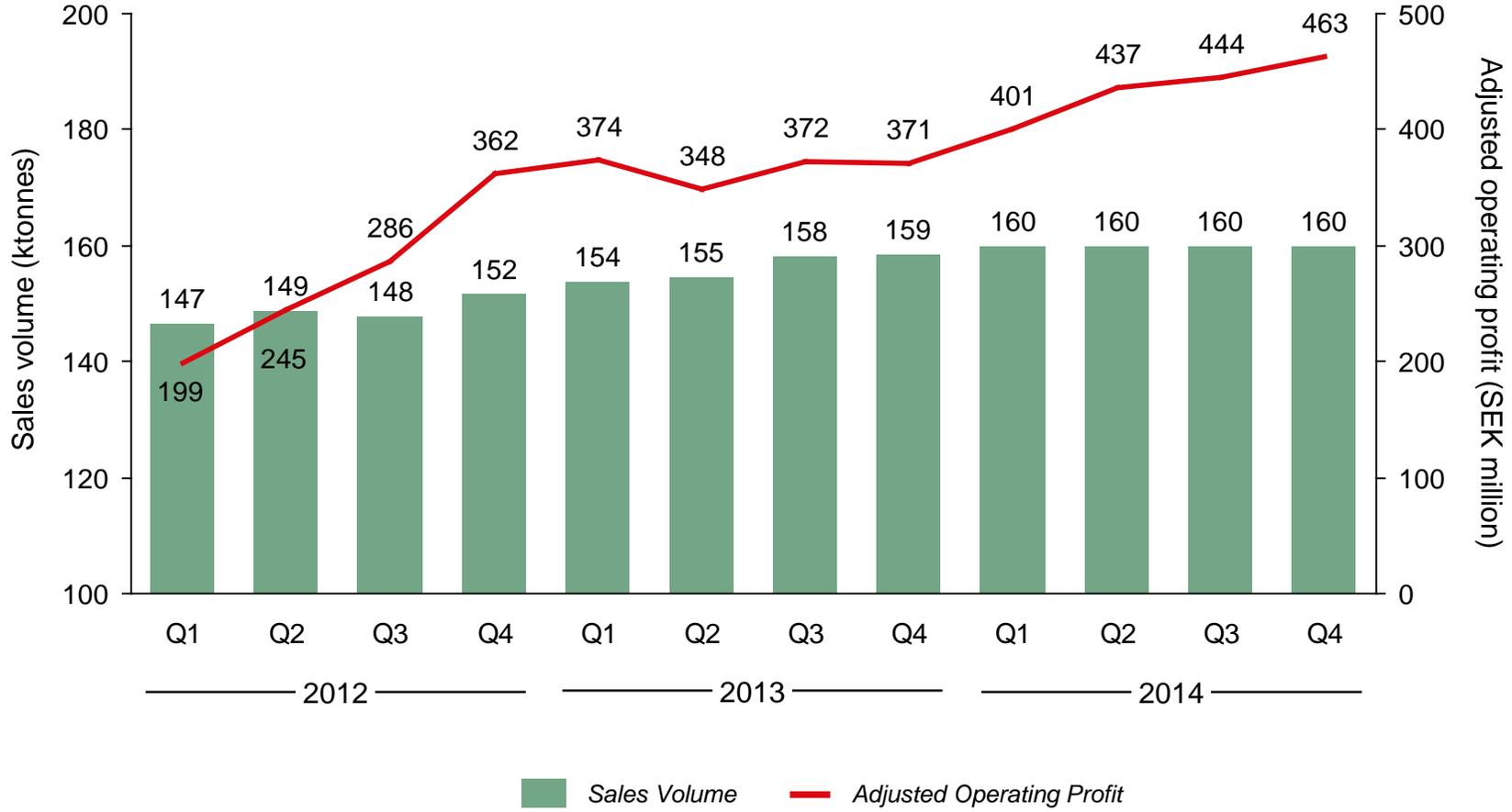
## Americas



- Production started for two new contracts signed earlier this year

# Positive earnings trend continued in fourth quarter

Rolling 12 months sales volume and adjusted operating profit



# Increased earnings and stable volume

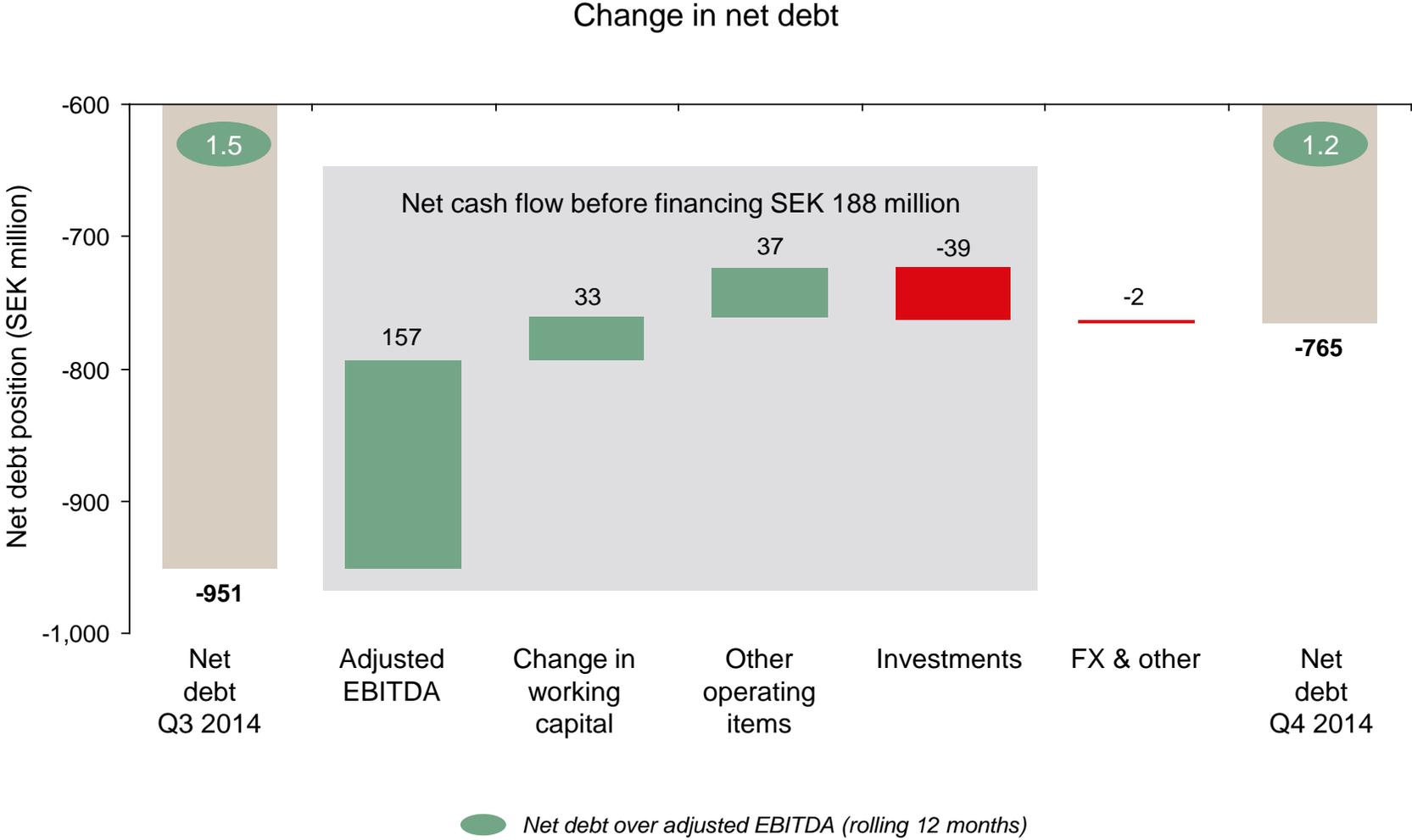
## Financial overview

SEK million	Q4			Full year		
	2014	2013	Change	2014	2013	Change
Sales volume (ktonnes)	37.7	37.6	0.1%	160.0	158.6	0.9%
Net sales	1 217	1 065	14.3%	4 748	4 642	2.3%
Adjusted operating profit <sup>1</sup>	103	84	21.8%	463	371	24.8%
Adjusted operating margin (%)	8.4	7.9	0.5 ppt	9.7	8.0	1.8 ppt
Adjusted operating profit per tonne (kSEK)	2.7	2.2	0.5	2.9	2.3	0.6
Operating profit	97	230	-58.0%	422	456	-7.5%
Profit for the period	89	162	-45.0%	319	309	3.1%
Earnings per share <sup>2</sup> (SEK)	1.19	2.17	-0.97	4.27	4.14	0.13
Net cash flow before financing	188	235	-19.8%	597	450	32.6%
Return on capital employed, R12 (%)	16.3	12.0	4.3 ppt			
Net debt / adjusted EBITDA, R12	1.2	-0.2	1.4			

1. Adjusted for extraordinary items booked within other income and expenses.

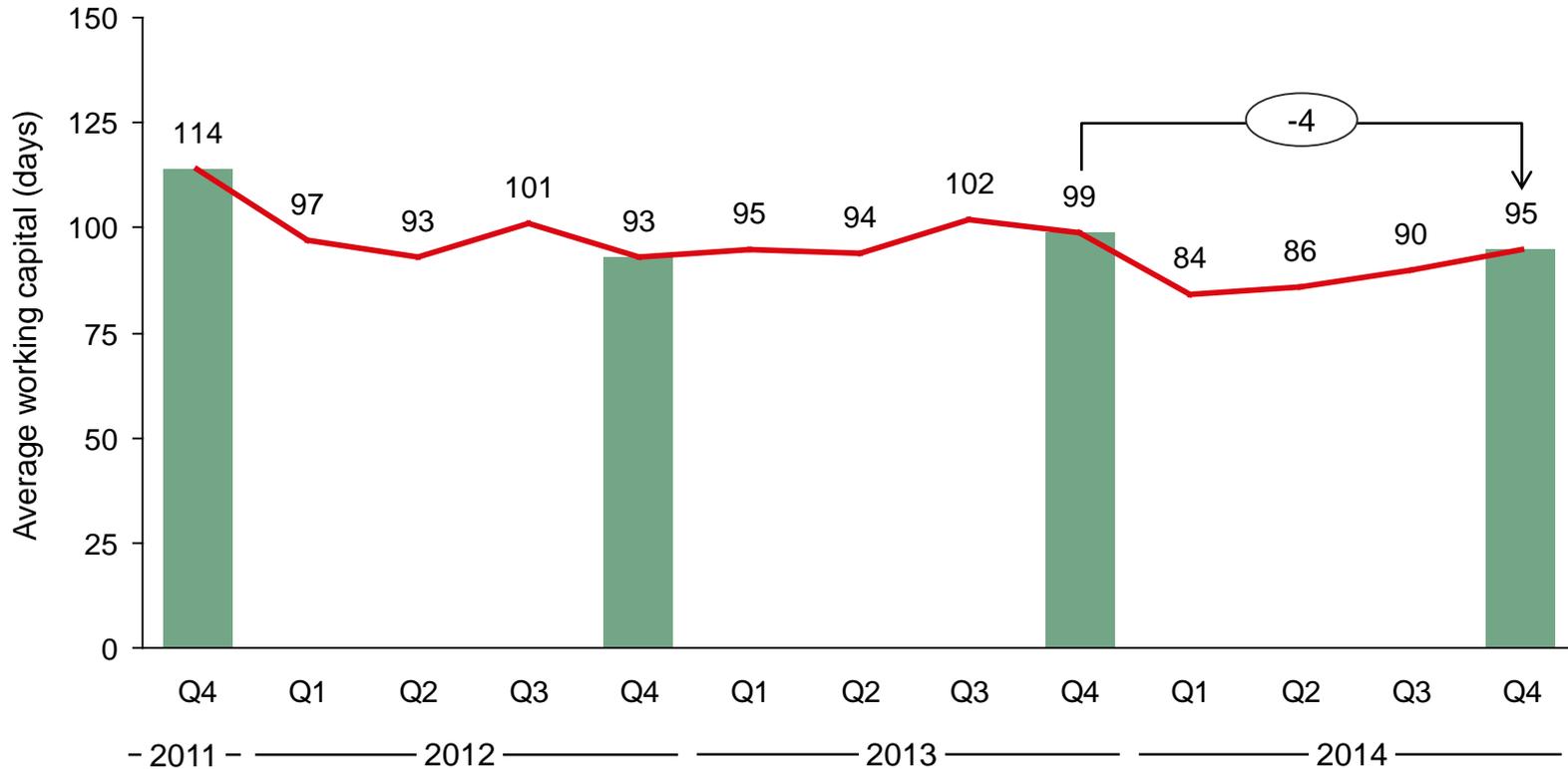
2. Basic and diluted, historical earnings per share has been calculated on the same number of shares as of today.

# Net debt decreased to SEK 765 million after fourth quarter



# Working capital decreased by 4 days year over year

Average working capital days

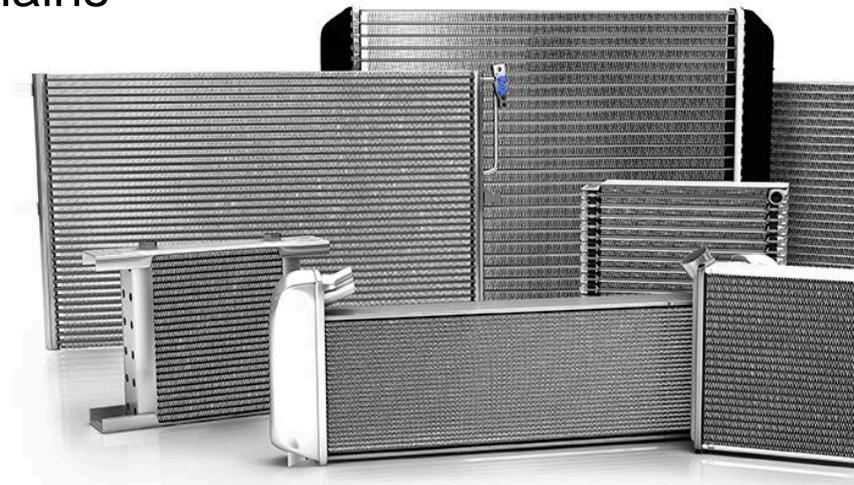


# Financial targets and dividend policy – outcome 2014

		2014
Growth	<ul style="list-style-type: none"><li>Gränges aims to grow volumes sold <b>at least in line</b> with its <b>existing end markets</b> over time</li></ul>	Volume Growth 1%
ROCE	<ul style="list-style-type: none"><li>Gränges aims to generate a <b>15 percent to 20 percent</b> return on average capital employed over time</li></ul>	Return on Capital Employed 16.3%
Capital structure	<ul style="list-style-type: none"><li>The <b>Net Interest Bearing Debt</b> should normally be in the range of <b>one to two times EBITDA</b> over the last twelve months</li></ul>	Net Debt over EBITDA 1.2
Dividend policy	<ul style="list-style-type: none"><li>Gränges aims to have an annual dividend corresponding to <b>30 to 50 percent of the net profit for the period</b></li></ul>	Dividend 35% of Net Profit

# Outlook

- Our target is to further strengthening our position and continue to grow with good profitability
- The slower growth in our end markets seen in Q4 2014 is expected to continue in first half of 2015
- For the full year 2015, the global light vehicle production is forecasted to grow by 2 percent according to IHS
- Rising aluminium premiums will have some negative impact during 2015 provided that the upswing remains
- Positive effects of currency movements



# Summary of fourth quarter

- Flat sales volume
- Slowdown in our end market
- Adjusted operating profit increased by 22% to SEK 103 million
- Solid financial position
- Proposed dividend of SEK 1.50 per share
- Well positioned for further growth



# Q&A

Johan Menckel, CEO

Oskar Hellström, CFO



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