



GRÄNGES

Acquisition of Aluminium Konin

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Today's presenters



**JOHAN
MENCKEL**
CEO

Since: 2012
Gränges since: 2004



**OSKAR
HELLSTRÖM**
CFO

Since: 2011



Agenda

1. Transaction highlights
2. Overview of Aluminium Konin
3. Strategic rationale
4. Sustainability
5. Financials
6. Summary
7. Q&A

Gränges has signed an agreement to acquire the flat rolled aluminium producer Aluminium Konin



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- Gränges takes an important step to realize the strategy
 - Addition of new capabilities, new market niches, and realization of synergies
 - Attractive valuation with an estimated EBITDA multiple of 6.9x (LTM Sep 2019)
 - Transaction is expected to be EPS accretive within the first twelve months

Transaction overview

Overview

- Gränges to acquire the Polish rolled aluminium producer Aluminium Konin, from Boryszew Group for SEK 2.3¹ bn. on a cash and debt free basis in a share deal
- Gränges will complete an expansion program of SEK 1.1¹ bn. over three years

Rationale

- Additional capabilities and capacity for solutions for future vehicles
- New attractive niche markets strengthens platform for future growth
- Stronger market presence in Europe allows for realization of synergies

Financing

- Fully committed bridge facility in place
- Fully underwritten rights issue of approximately SEK 2 bn. to finance transaction and to be used for future growth

Conditions

- Subject to customary approval from competition authorities
- Subject to completion of separation of Aluminium Konin from not included assets

Timing

- Closing expected in second quarter of 2020
- Rights issue to follow acquisition completion

(1) Currency conversion has been done using the rate of PLN/SEK; 2.50 (Source: www.riksbank.se). In original currency the purchase price amounts to PLN 938 million and the investment program to PLN 450 million.

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Aluminium Konin has a diversified product portfolio and strong financial performance

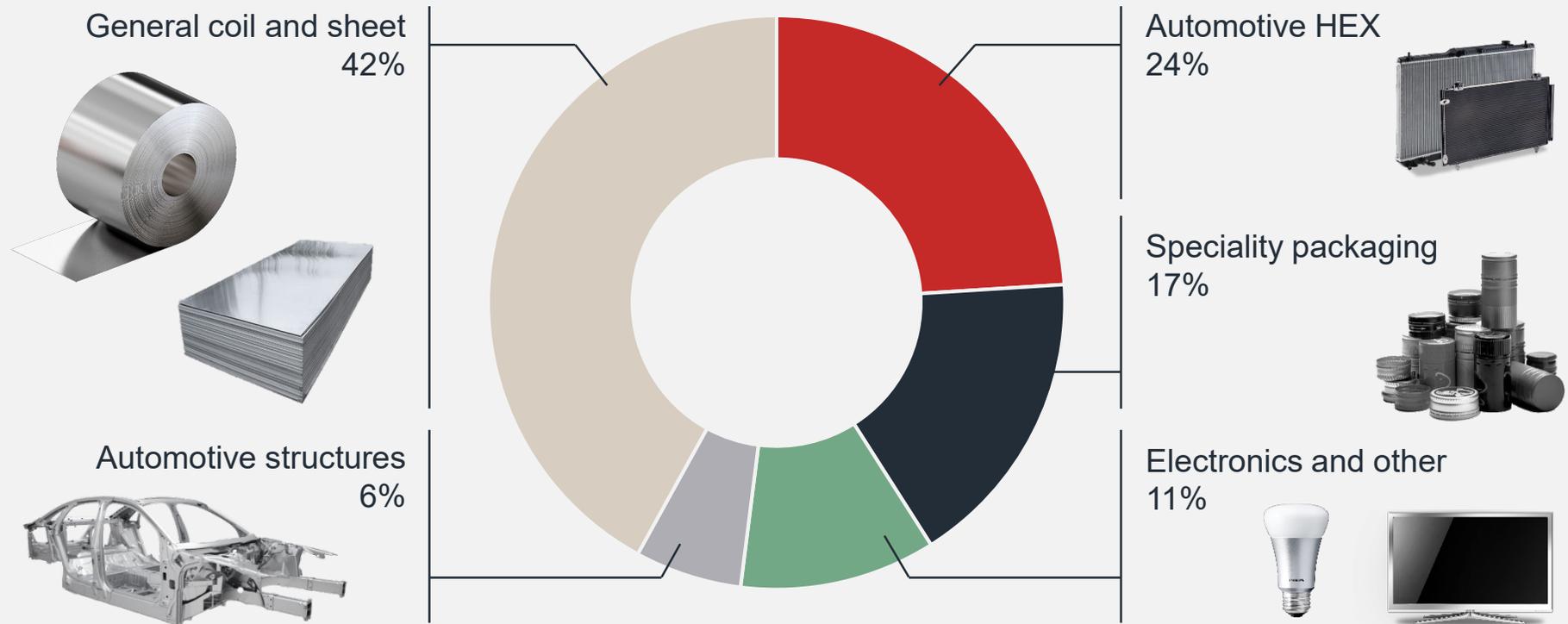
- Aluminium Konin produces rolled aluminium products for automotive heat exchangers, automotive structures, packaging, electronics and general coil and sheet markets
- Key figures for 2019 September LTM¹
 - Sales volume: 99 ktonnes
 - Net sales: SEK 3.0 billion
 - EBITDA: SEK 338 million
 - EBITDA / tonne: SEK 3,400
 - Employees: 750



(1) Currency conversion has been done using the rate of PLN/SEK; 2.50 (Source: www.riksbank.se)

Aluminium Konin has a strong position in several attractive niche markets

Aluminium Konin sales volume per end-use market 2018



Aluminium Konin operates an integrated rolling mill with a complete set of highly developed capabilities



Capabilities		Capacity (ktonnes)
DC casting		140
Hot rolling	Scalping	130
	Cladding	
Cold rolling		100
Finishing	Slitting	
	Cut to length	
	Tension levelling	
	Chemical treatment	

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The acquisition of Aluminum Konin is an important step for Gränges in order to deliver on the strategy

Gränges 2020 strategy

Drive growth through innovation

We want to lead the development of heat exchanger materials and advanced aluminium solutions to be the customers' preferred choice

Create value from sustainability

We aim to reduce the undesired impacts of our activities while capturing the opportunities that emerge from integrating sustainability aspects into our business

Increase efficiency through continuous improvements

We aim to increase productivity, process stability and energy efficiency and to reduce waste in our operations

Grow presence through structural expansion

We plan to invest in production capacity and capabilities and to expand into adjacent market segments

Gränges will take a more active role in supporting the transition to future transportation solutions

- Disruptive technologies have a large impact on the transportation industry
- Electrification is driving increased use of aluminium content in light vehicles¹
 - **40%** more aluminium heat exchanger material
 - **100%** more aluminium in total
- Gränges intends to further expand the offer of aluminium solutions for future vehicles



(1) Comparison between an average liquid cooled EV and an average ICE of similar size. Sources: Ducker, ADL, Gränges analysis.

There are three key strategic rationales for Gränges to acquire Aluminium Konin

Key strategic rationales

1

Additional capabilities and capacity for solutions for future vehicles

Gränges will get capacity for growth and additional production capabilities to broaden the offer of solutions for future vehicles

2

New attractive niche markets

Gränges will get a more diversified business portfolio and further strengthen the platform for future growth

3

Stronger market presence in Europe

Gränges will get a stronger presence in Europe and can leverage the European organization to realize synergies

1 Additional production capabilities and capacity will allow Gränges to broaden the product offering

Capabilities complementary to Gränges

Current production capabilities



- Rolling mills well suited for cost efficient production of large battery cooling plates and structural parts for EV
- Wide range of finishing capabilities well suited for emerging electric vehicle supply chains

Future production capabilities



- Expansion program will add an additional production capacity of 40 ktonnes available by 2022
- Further capabilities for rolling and finishing of harder aluminium alloys for e.g. automotive structural products

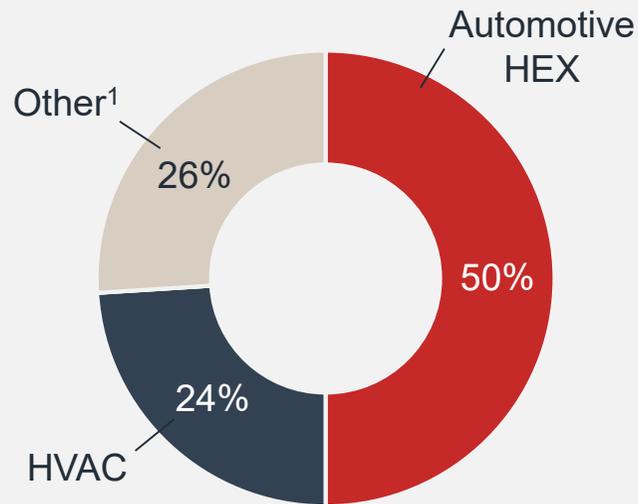
Recycling capabilities



- Cast house equipped to handle contaminated aluminium allowing for increased recycling
- Location close to key customers allowing for establishment of closed loop recycling

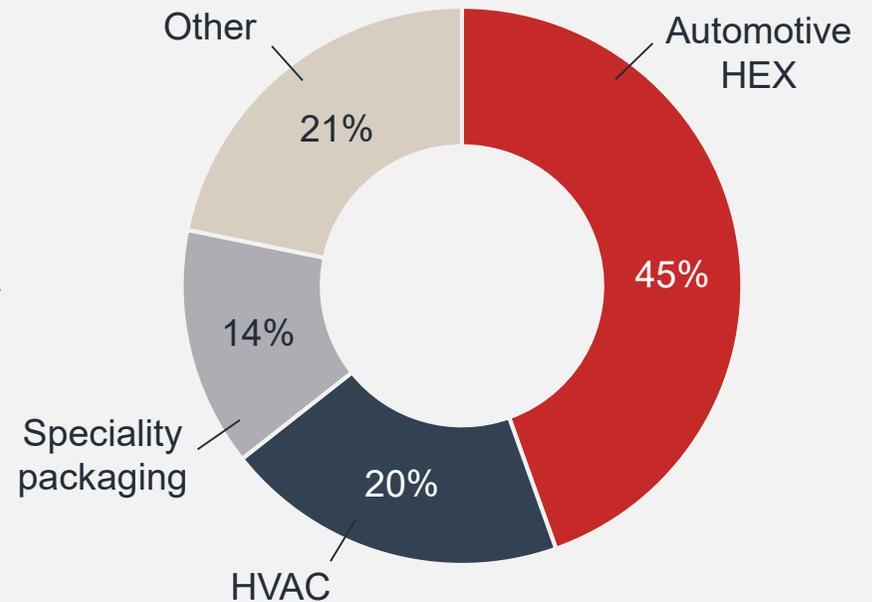
2 Diversifying the business portfolio will strengthen Gränges' position in the market for rolled aluminium

Gränges
sales volume per end-use market 2018



Total sales volume 375 ktonnes

Combined Gränges and Aluminium Konin
sales volume per end-use market 2018



Total sales volume 474 ktonnes

(1) Other includes 14% speciality packaging.

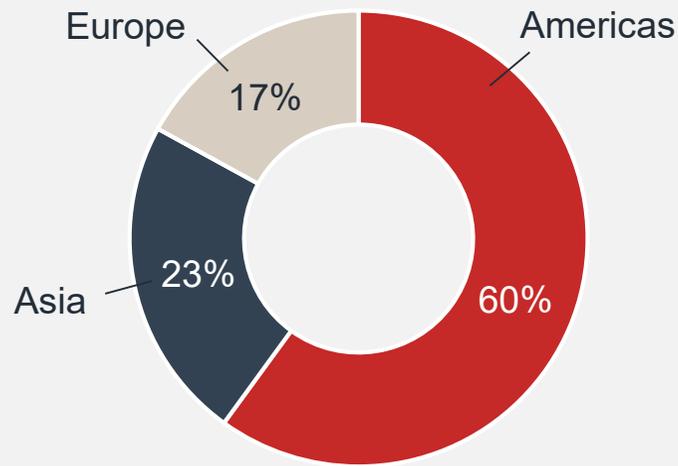
2 Access to new market niches will further strengthen the platform for future growth

	Share of Aluminium Konin sales volume 2018	Expected market CAGR 2018-2025 ¹	Opportunities for above market growth
Automotive structural	6%	 +10-15%	<ul style="list-style-type: none"> ○ Increase product value ○ Cost competitive production
Automotive HEX	24%	 +4-6%	<ul style="list-style-type: none"> ○ Leverage Gränges' expertise ○ Cost competitive production
Specialty packaging	17%	 +3-5%	<ul style="list-style-type: none"> ○ Geographic expansion ○ Cost competitive production
Electronics and other	11%	 +1-2%	<ul style="list-style-type: none"> ○ Increase product value ○ Cost competitive production
General coil and sheet	42%	 +1-2%	<ul style="list-style-type: none"> ○ Portfolio optimization

(1) Market CAGR refers to the European market. Sources: CRU, McKinsey, Ducker, ADL, Gränges analysis.

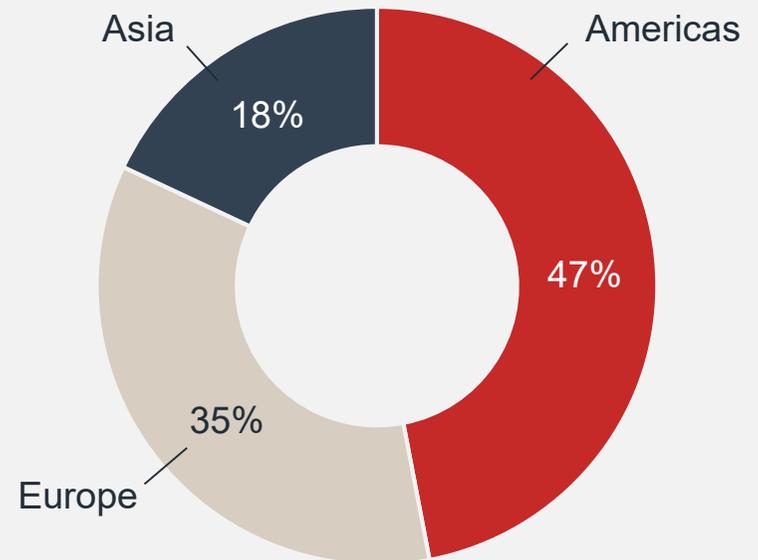
3 The acquisition of Aluminium Konin will strengthen Gränges' presence in Europe

Gränges sales volume per region 2018



Total sales volume 375 ktonnes

Combined Gränges and Aluminium Konin sales volume per region 2018



Total sales volume 474 ktonnes

3 Existing Gränges know-how and capabilities in Europe will be further leveraged to realize synergies

Sales and product development

- Combine commercial organizations to extend reach and reduce cost
- Leverage Gränges R&I to increase value of acquired product portfolio

Operations

- Optimize product mix between plants to increase efficiency and reduce cost
- Leverage Gränges Production System to improve efficiency and productivity

Sustainability

- Introduce closed loop recycling to reduce environmental impact and cost
- Leverage Gränges energy management to reduce energy intensity and cost

Sourcing

- Consolidate spend to gain scale and reduce cost

The acquisition of Aluminium Konin is an important next step on Gränges' growth path

Production capacity and EBITDA growth



Growth investments (SEK million)



(1) EBITDA adjusted for items affecting comparability.

(2) Refers to 2019 September LTM.

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The acquisition of Aluminium Konin will allow Gränges to leverage the sustainability agenda



Support transition to more sustainable transportation solutions

- Electrification and light weighting is driving increased use of aluminium content in vehicles
- New production capabilities will allow Gränges to offer a broader range of products for use in future vehicles and other applications

Reduce environmental impact of acquired operations

- Gränges has a well established framework and tools for sustainability management
- Improved material efficiency, recycling, energy intensity and energy mix will reduce the carbon footprint in Aluminium Konin

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The acquisition of Aluminium Konin is to be carried out at an attractive valuation of 6.9 times EBITDA

Key financials 2019 September LTM

	Gränges	Aluminium Konin	Combined ¹
ktonnes			
Sales volume	357	99	456
SEK million ²			
Net Sales	12,370	2,989	15,359
Adjusted EBITDA ³	1,341	338	1,679
SEK thousand			
Adjusted EBITDA per tonne	3.8	3.4	3.7

- Acquisition of a well-managed business with solid financial performance
- EBITDA multiple of 6.9 based on an enterprise value of SEK 2,345 million and 2019 September LTM EBITDA
- Transaction expected to be EPS accretive within twelve months
- Transaction costs amount to about SEK 15 million up until signing, and additional costs of about SEK 10 million are expected before the transaction is fully completed

(1) Combined figures for Gränges and Aluminium Konin are intended to show approximate effects of the transaction.

(2) Currency conversion has been done using a rate of PLN/SEK; 2.50 (Source: www.riksbank.se).

(3) EBITDA adjusted for items affecting comparability.

Transaction to be financed through debt and equity – net debt of 2.6 times EBITDA expected post transaction

Sources and uses

Uses	SEK billion ¹	Sources	SEK billion
Enterprise value	2.3	New debt	1.2
Expansion program ²	0.4	Rights issue	1.5
Cash consideration	2.7	Total	2.7

Net debt bridge

	SEK billion	x LTM EBITDA
Gränges net debt per Sep 30, 2019	3.6	2.7
New debt	1.2	-
Share of rights issue for future use	-0.5	-
Combined net debt per Sep 30, 2019	4.3	2.6

- Financing of the transaction will be done in two steps:
 1. Bridge facility of SEK 2.3 bn. arranged by Danske Bank, Nordea Bank and Svenska Handelsbanken and existing credit lines
 2. Fully underwritten rights issue of approx. SEK 2 bn. executed following completion of the transaction of which approx. SEK 1.5 bn. for financing the transaction
- Shareholders representing 34.1 per cent of the shares have either committed to or confirmed their intention to subscribe for their respective pro-rata share of the rights issue

(1) Currency conversion has been done using the rate of PLN/SEK; 2.50 (Source: www.riksbank.se)

(2) Estimated share of expansion program to be paid at closing.

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Q&A

Johan Menckel, CEO
Oskar Hellström, CFO



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