

April 23, 2024

Interim report

First quarter 2024

Göran Björkman, President & CEO  
Olof Bengtsson, CFO



## Safety first

At Alleima our objective is zero harm to our people, the environment we work in, our customers and our suppliers.



Protective equipment



Emergency number



Psychological safety



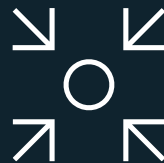
First aid kit



Emergency exit



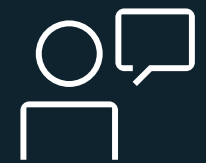
Alarm



Assembly point



Health & well-being



Speak Up

## Q1 highlights

### Negative organic order intake and revenue growth on high comparables

- Signs of improved market sentiment
- Solid order backlog
- Temporary challenges

### Margin resilience in a challenging quarter

- Temporary challenges and under-absorption
- Continued positive product mix

### Staying with our strategy

- Flexibility
- Price leadership
- Sustainable trends generate business

Revenues  
(SEK M)

4,740

Organic revenue  
growth

-2%

Adj. EBIT  
(SEK M)

453

Adj. EBIT margin

9.6%

Free op. cash flow  
(SEK M)

159

Adj. EPS  
(Diluted, SEK)

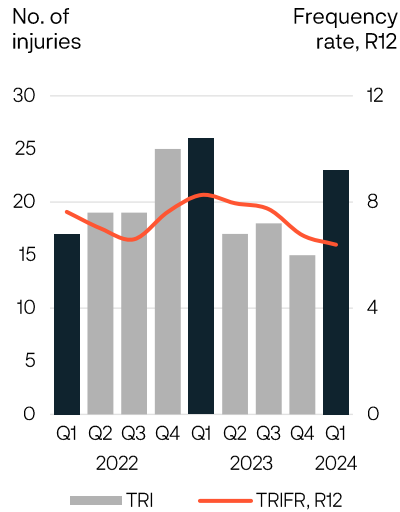
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# Leading sustainability

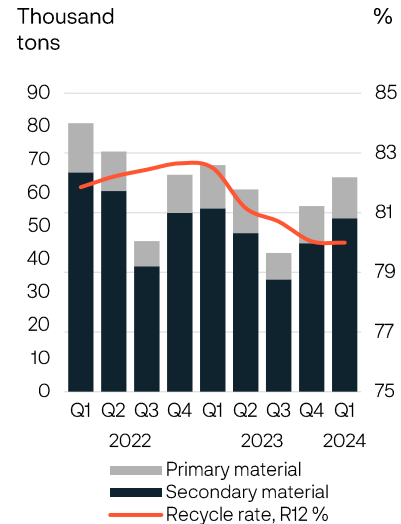
## Making an impact through our operations

- Improving our safety performance
- Share of recycled steel remains high
- Reducing CO<sub>2</sub> emissions
- Increasing share of female managers



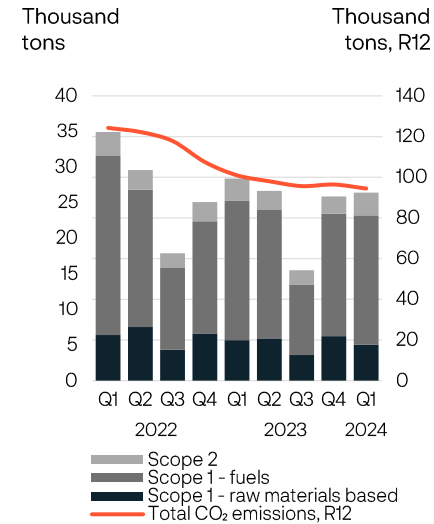
### Health and safety

- R12 total recordable injury frequency rate, TRIFR, was 6.4 (8.3). The quarterly outcome improved to 7.5 (9.0).



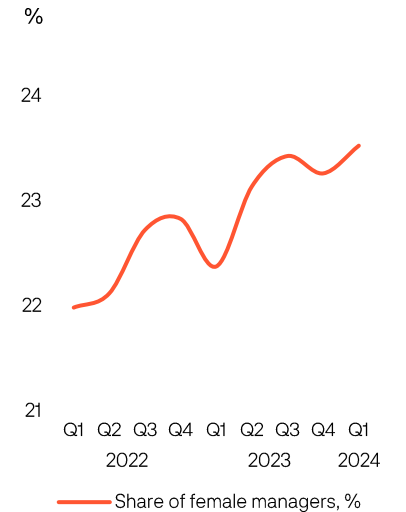
### Recycled steel

- R12 share of recycled steel in the steel manufacturing amounted to 80.0% (82.5). The quarterly figure was unchanged at 80.8% (80.9).



### CO<sub>2</sub> emissions

- R12 CO<sub>2</sub> emissions amounted to 94 kton (101), a reduction of 6%. Emissions for the quarter decreased to 26 kton (28), a reduction of 7%.



### Share of female managers

- The share of female managers increased to 23.5% (22.4) during the quarter.

# Next generation umbilicals

## Making an impact through our products

### Less is more with SAF 3007

- +15% yield strength, allowing for thinner tubes
- Reduced material consumption
- Streamlining the entire manufacturing process
- Benefitting both customers and the environment

 Alleima

SAF™ 3007

# Less is more

Introducing SAF™ 3007 – reduce weight with the next generation of super-duplex umbilical tubing



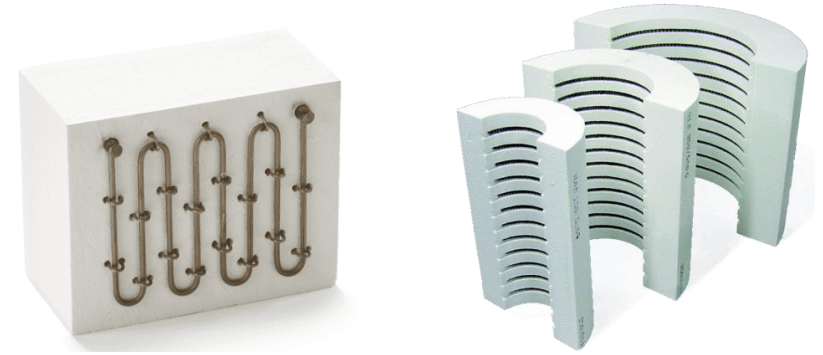


# Enabling the industrial energy transition

## Making an impact through our products

### Fibrothal® heating modules to be used in new green steel plant

- Reduced CO<sub>2</sub>-emissions with improved efficiency
- End-product with lower environmental impact
- Strong demand across a wide range of industries
- Making an impact through our products offering



Fibrothal® heating modules and elements



Fibrothal® heating modules and elements in Hallstahammar



# Market development

- Market demand remains mixed
- Short-cycle business stabilizes
- Strong underlying demand persists in some segments

## 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

Reported (SEK M)

**20,362**

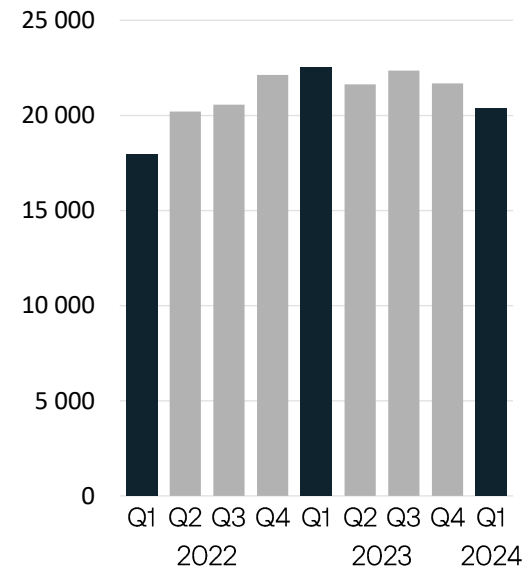
## Revenues

Reported (SEK M)

**4,740**

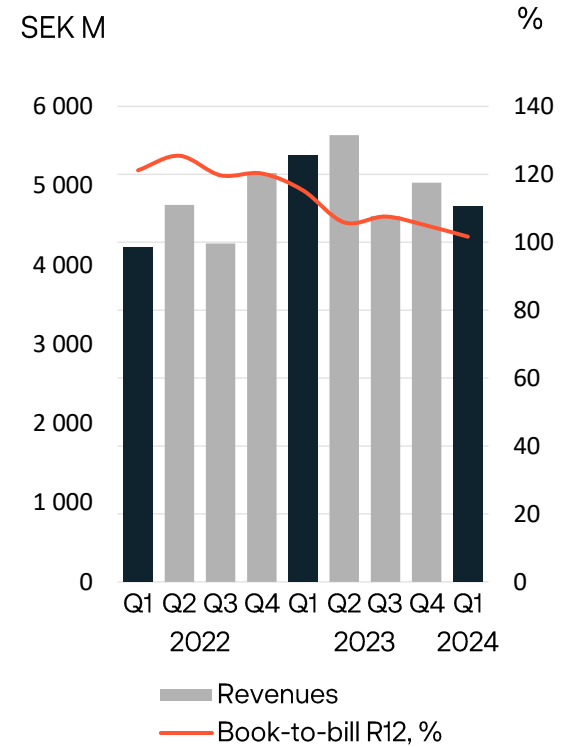
## Order intake

Rolling 12 months  
SEK M



## Revenues and book-to-bill

SEK M



- Organic order intake growth of -8% for rolling 12 months
- Organic revenue growth of -2%
- Book-to-bill 102% for rolling 12 months
- Solid order backlog with good product mix





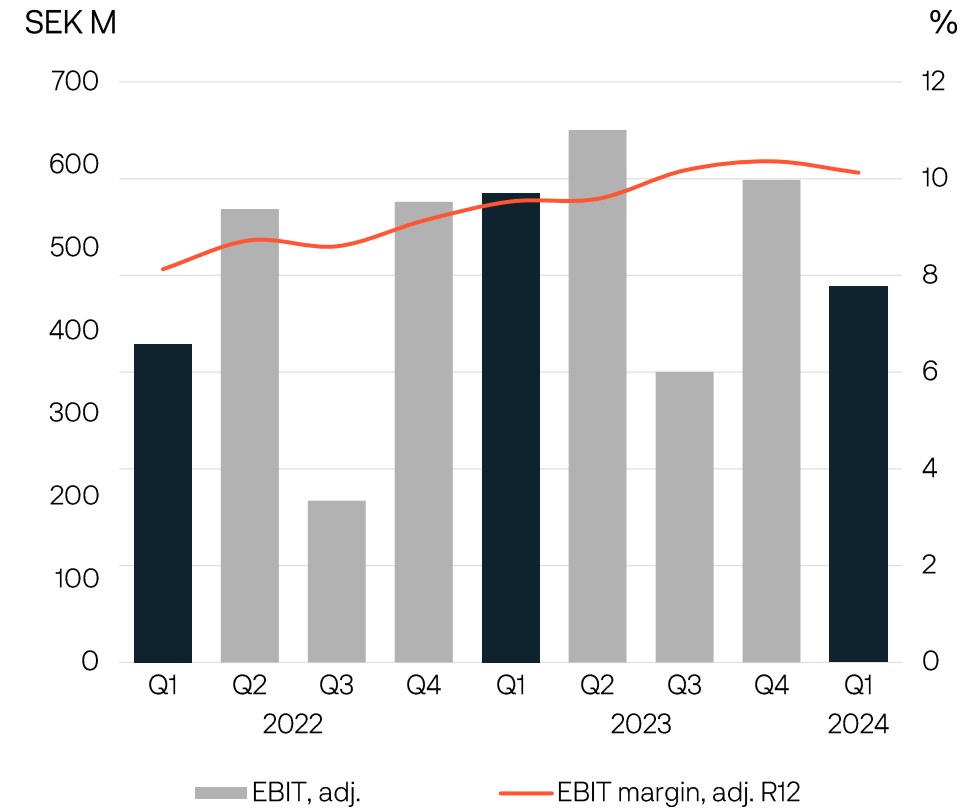
# Earnings

## Adjusted EBIT at SEK 453 million (567)

- Margin of 9.6% (10.5)
  - Dilution from under-absorption and lower revenues from temporary delivery challenges
  - Solid product mix
  - Successful price increases
- Margin of 10.1% (9.5) rolling 12 months

## Free operating cash flow of SEK 159 million (404)

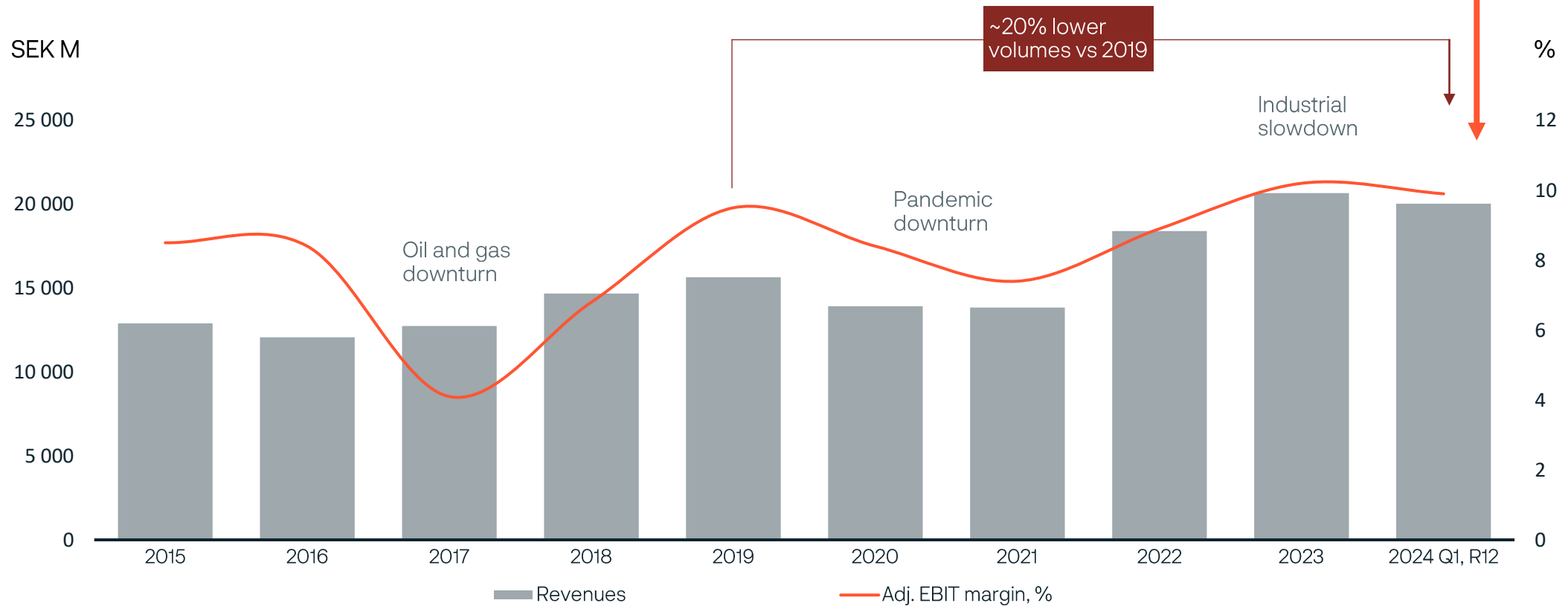
### Adjusted EBIT, %





# Improved margin resilience

## Revenues and adj. EBIT margin



Note: Historical numbers are restated for divested or discontinued businesses, as well as treating Sandvik as an external customer.



# Tube

## Mixed market demand but strong backlog

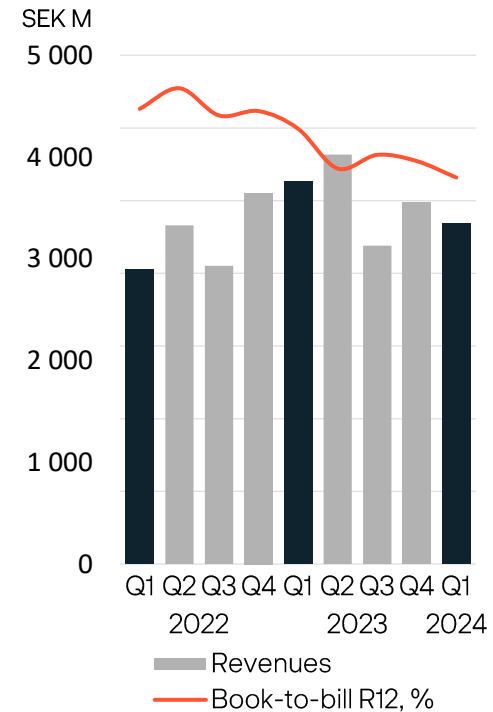
- Organic order intake growth of -7% R12
- Strong underlying momentum in Oil and Gas and Nuclear
- Book-to-bill of 106% R12
- Organic revenue growth of -1%

## Temporary challenges

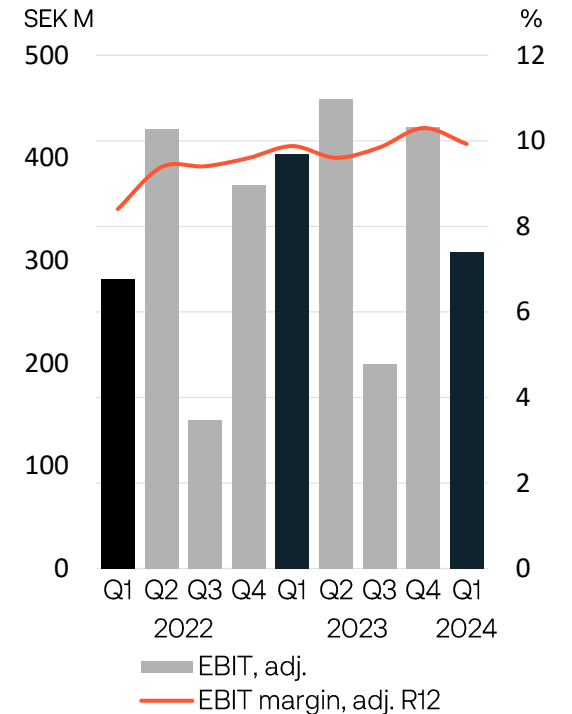
- Adj. EBIT margin decreased to 9.2% (10.7)
- Dilution from under-absorption and delivery challenges
- Positive product mix and price increases
- Positive FX impact of SEK 36 million yoy

SEK M	Q1 2024	Q1 2023	FY 2023
Order intake, R12	14,954	16,377	16,052
Organic growth, R12, %	-7	8	-3
Revenues	3,347	3,763	14,475
Organic growth, %	-1	14	9
Adj. EBIT	308	404	1,491
Margin, %	9.2	10.7	10.3

### Revenues and Book-to-bill



### Adjusted EBIT, (%)





# Kanthal

## Softer market on high comparables

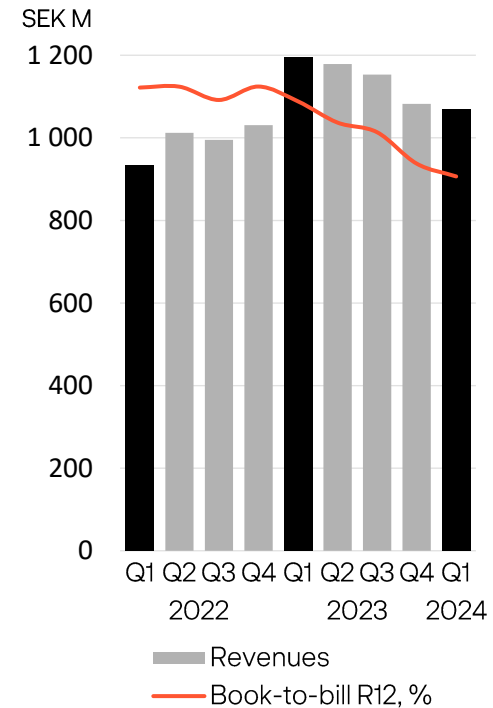
- Organic order intake growth of -9% R12
- Organic revenue growth of 0%
  - Revenues decreased in Industrial
  - Increased in Industrial Heating and Medical
- Book-to-bill of 91% R12

## Improved margins

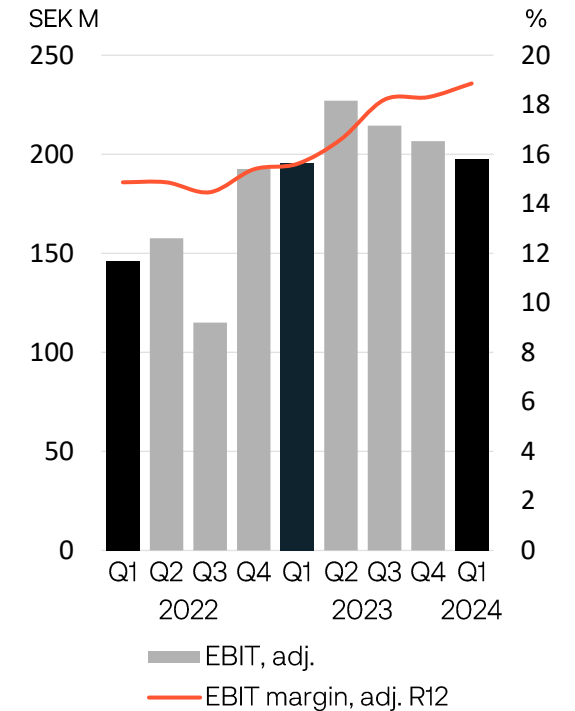
- Adjusted EBIT margin at 18.5% (16.4)
- Strong product mix
- FX headwind of SEK -10 million yoy
- Improved cost position

SEK M	Q1 2024	Q1 2023	FY 2023
Order intake, R12	4,064	4,606	4,321
Organic growth, R12, %	-9	7	-7
Revenues	1,069	1,195	4,609
Organic growth, %	0	11	11
Adj. EBIT	197	196	844
Margin, %	18.5	16.4	18.3

### Revenues and Book-to-bill



### Adjusted EBIT, (%)





# Strip

## Soft market with positive signs

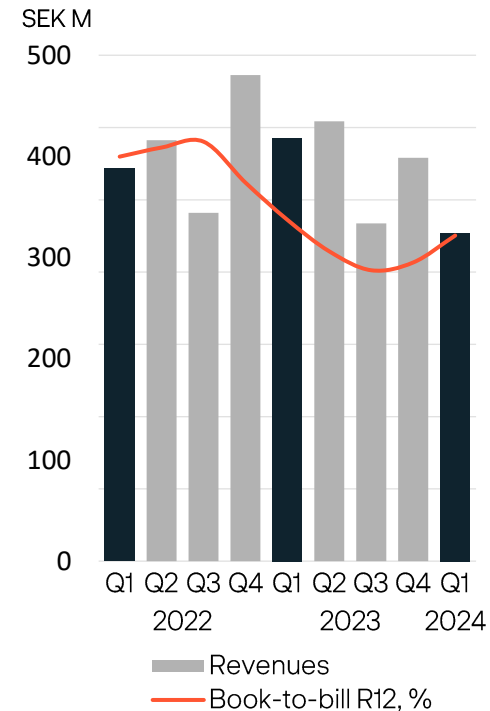
- Organic order intake growth of -13%
- Organic revenue growth of -19%
- Book-to-bill of 90% R12

## Adjusted EBIT margin at 3.1%

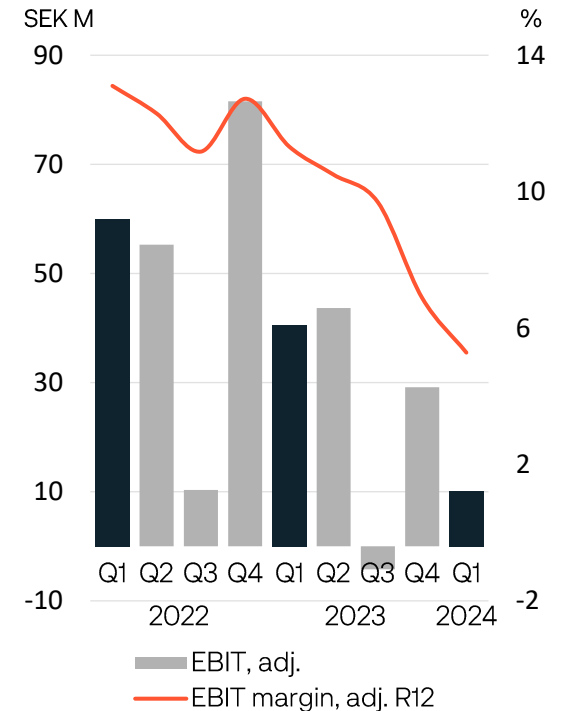
- Continued under-absorption effects from lower production volumes
- Negatively affected by implementation challenges of ERP-system

SEK M	Q1 2024	Q1 2023	FY 2023
Order intake R12	1,344	1,567	1,310
Organic growth, R12, %	-13	-7	-24
Revenues	324	418	1,585
Organic growth, %	-19	1	-5
Adj. EBIT	10	41	109
Margin, %	3.1	9.7	6.9

### Revenues and Book-to-bill



### Adjusted EBIT, (%)





# Financial summary

SEK M	Q1 2024	Q1 2023	FY 2023
Order intake, R12	20,362	22,550	21,684
Revenues	4,740	5,376	20,669
Adj. EBIT	453	567	2,141
<i>Adj. EBIT margin, %</i>	9.6	10.5	10.4
Metal price effects	-328	479	-95
Items affecting comparability	0	0	0
EBIT	126	1,045	2,046
<i>EBIT margin, %</i>	2.7	19.4	9.9
Net financial items	-42	2	28
<i>Normalized tax rate, %</i>	24.6	22,9	24,2
<i>NWC, % <sup>1</sup></i>	36.3	32.0	34.3
Free operating cash flow	159	404	1,688
<i>ROCE excl. cash, % <sup>2</sup></i>	7.1	16.3	12.9
Adj. EPS, diluted	1.24	1.75	6.56

SEK M	Order intake, R12	Revenues Q1
Q1 2023	22,550	5,376
Organic, %	-8	-2
Structure, %	1	0
Currency, %	2	-1
Alloys, %	-4	-9
Total growth, %	-10	-12
Q1 2024	20,362	4,740

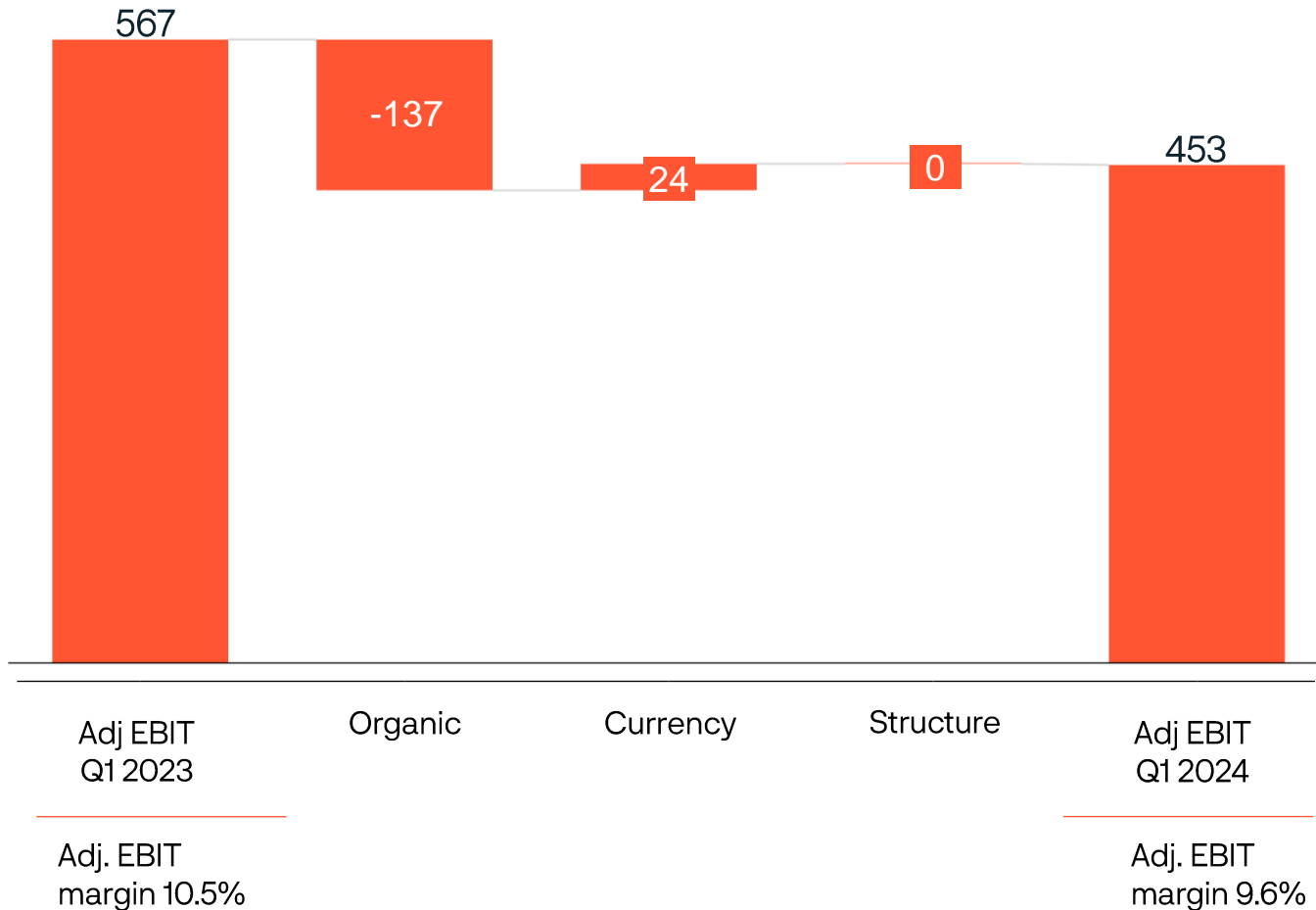
Change compared to the same quarter last year

1) Quarter is quarterly annualized and the annual number is based on a four quarter average.

2) Based on rolling 12 months and a four-quarter average.



## Bridge analysis, adjusted EBIT



## Leverage:

N/A

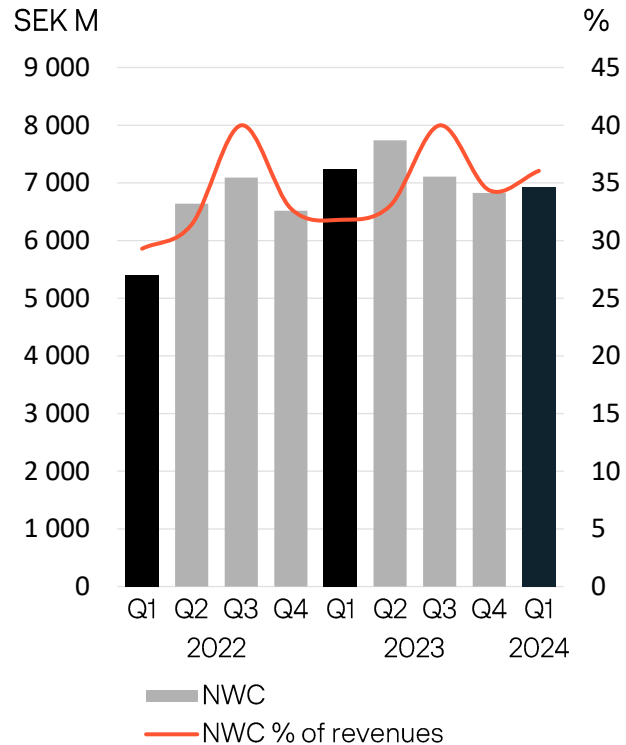
- Negative organic development driven by volume decrease, temporary challenges and under-absorption effects
- FX had a positive impact of SEK 24 million yoy
- No contribution from structure



# Capital efficiency

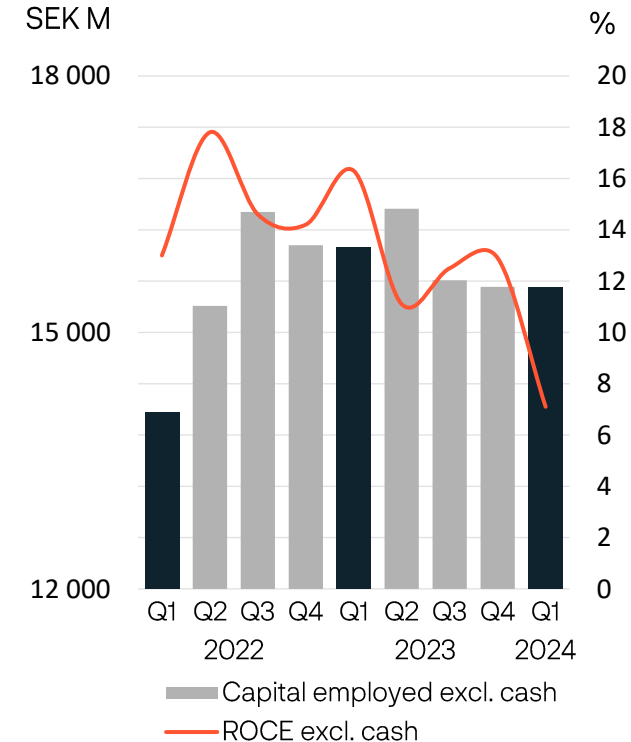
- NWC amounted to SEK 6,923 million (7,246)
- Sequential NWC increase due to currency and seasonal inventory build up
- NWC in relation to revenues up to 36.3% (32.0)

## Net working capital



- Capital employed excl. cash decreased to SEK 15,532 million (15,991)
- ROCE excl. cash decreased to 7.1% (16.3) in the quarter

## Capital employed excl. cash







# Cash flow

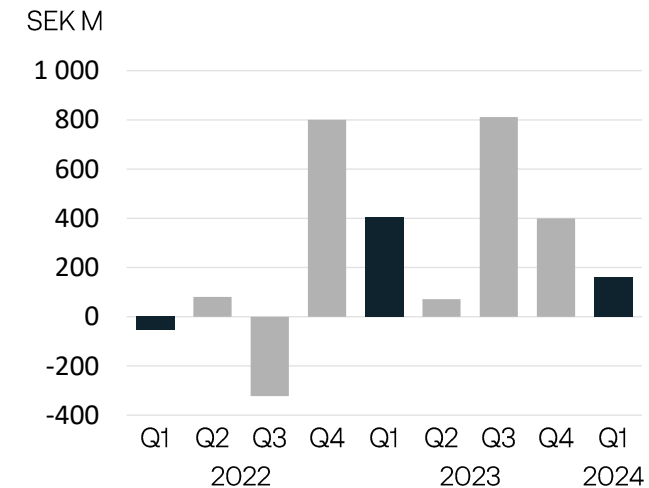
- Free operating cash flow of SEK 159 million (404)
- Several ongoing growth investments

## Free operating cash flow

SEK M	Q1 2024	Q1 2023	FY 2023
EBITDA	353	1,263	2,957
Non-cash items	-57	-11	54
Changes in working capital	36	-702	-380
Capex	-141	-116	-815
Amortization, lease liabilities	-31	-29	-128
<b>Free operating cash flow<sup>1</sup></b>	<b>159</b>	<b>404</b>	<b>1,688</b>

1) Free operating cash flow before acquisitions and disposals of companies, net financial items and paid taxes.

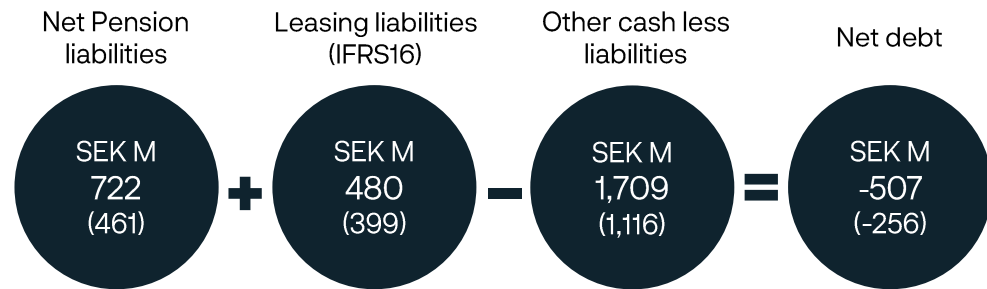
## Free operating cash flow quarterly



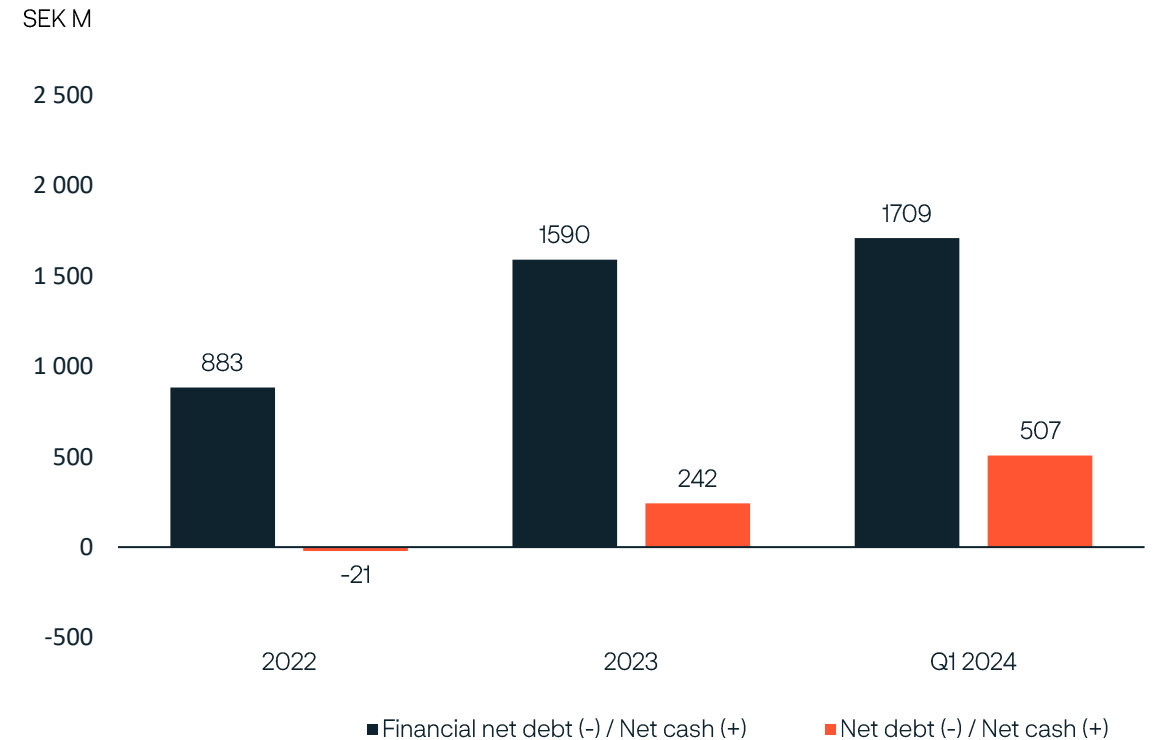


# Strong financial position

## Capital structure



## Net debt and Financial net debt





## Guidance ahead of the quarter and outcome

	<b>Outcome Q1 2024</b>	<b>Guidance ahead of Q1 2024</b>
Capex (Cash)	SEK 141 million Q1 2024	Approximately SEK 950 million in FY 2024
Currency translation and transaction effect	SEK -11 million	SEK -60 million in Q1
Total currency effect	SEK 24 million	-
Metal price effect	SEK -328 million	SEK -300 million in Q1
Tax rate, normalized	24.6% Q1 2024	24-26% in FY 2024



# Guidance Q2 2024 and FY 2024

## Capex (cash)

- Estimated to approximately SEK 950 million for FY 2024

## Currency effects (transaction and translation)

- SEK 25 million on operating profit (EBIT) for Q2 2024, compared to the corresponding period last year

## Metal price effects

- SEK -100 million on operating profit (EBIT) for Q2 2024

## Tax rate

- The normalized tax rate is estimated to 24-26% for FY 2024



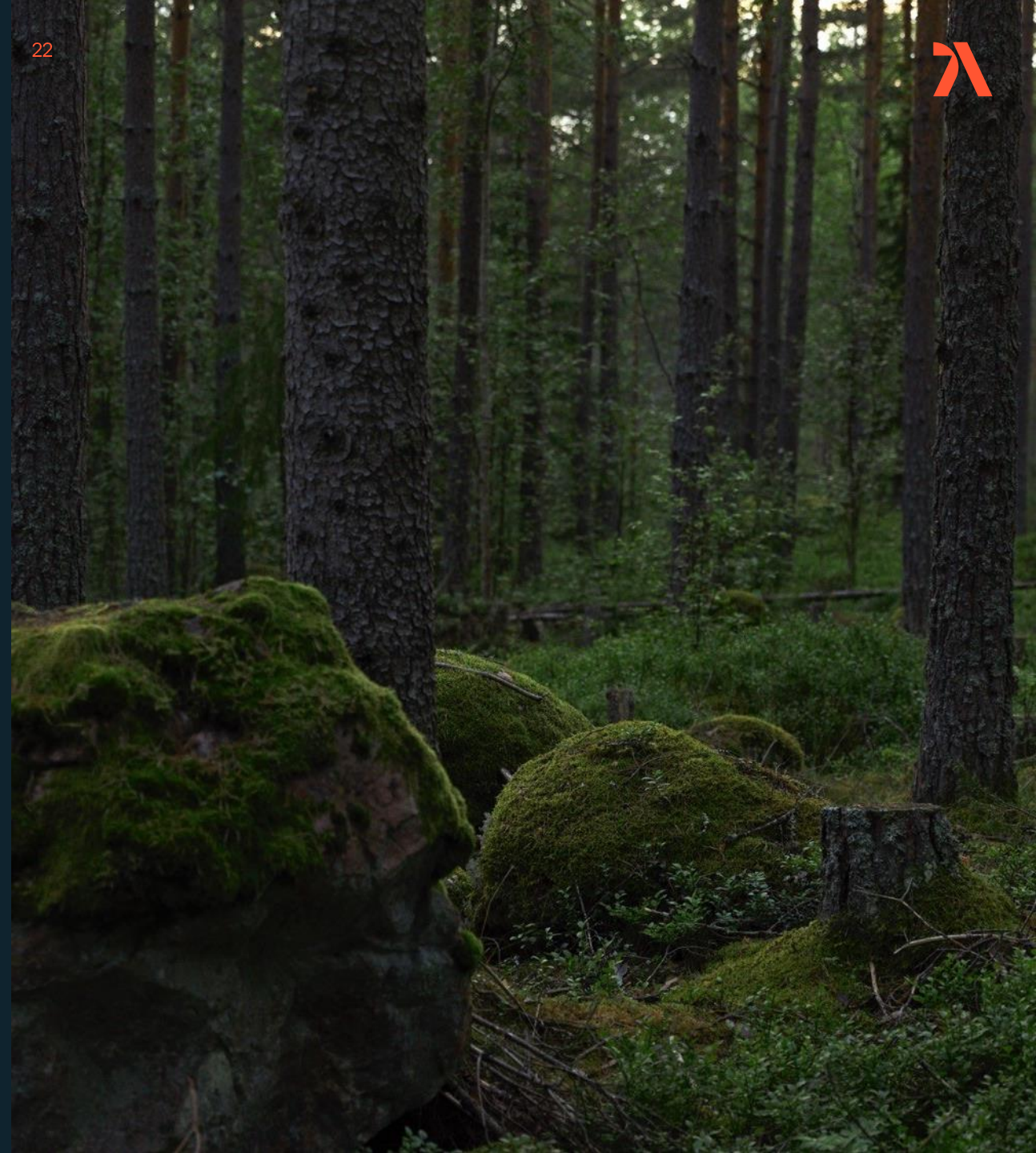
## Outlook for the second quarter 2024

- Despite mixed demand in our markets during the quarter, underlying megatrends are expected to continue to mitigate the impact of uncertainties in the macroeconomic environment in the coming year.
- The backlog is solid in our key segments and we have good visibility in our near-term deliveries.
- We are continuously taking measures to mitigate potential impact from cost inflation and under-absorption of costs from the lower production volumes in certain segments.
- The product mix is expected to be similar to that of the first quarter.
- Cash flow is normally lower in the first half year compared with the second half.



# Summary

- Continued mixed market demand
- Navigating though challenges
- Improved resilience
- Solid order backlog
- Consistent strategy execution towards profitable growth





# Q&A

Thank you  
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