

Alleima

October 2023

Q3 roadshow

 Alleima



Q3 highlights

Growth and a continued solid order backlog

- Organic order intake growth of 16% in the quarter
- Solid backlog provides confidence for near-time deliveries
- Revenues increased by 5% organically, driven by growth in Tube and Kanthal

Significant earnings growth

- Adj. EBIT growth of 80%
- Higher revenues and positive product mix in Tube and Kanthal
- Successful price increases fully offsetting cost inflation
- Record-high Q3 adjusted EBIT margin
- Strong cash flow

Consistent strategy execution











- Investment in China
- Sustainable trends generate business



Market development

- Continued mixed market development
- Soft demand in the short-cycle business
- Solid demand in most other segments
- Order intake grew in all regions

Perceived year on year underlying market demand trend

	INDUSTRIAL	OIL AND GAS	CHEMICAL AND PETROCHEMICAL	INDUSTRIAL HEATING	CONSUMER
Year on year underlying demand trend					
% of Group revenues 2022	25%	17%	16%	12%	10%
	MINING AND CONSTRUCTION	POWER GENERATION	TRANSPORTATION	MEDICAL	HYDROGEN AND RENEWABLE ENERGY
Year on year underlying demand trend					
% of Group revenues 2022	7%	5%	4%	3%	1%



Tube

Backlog remained solid, organic order intake growth of 26%

- Order momentum in Oil and Gas, Power Generation, Chemical and Petrochemical, Transportation
- Soft demand for low-refined products to the Industrial segment, and Chemical and Petrochemical in North America
- Organic revenue growth of 4% mainly driven by Oil and Gas and Chemical and Petrochemical

Significant earnings improvement

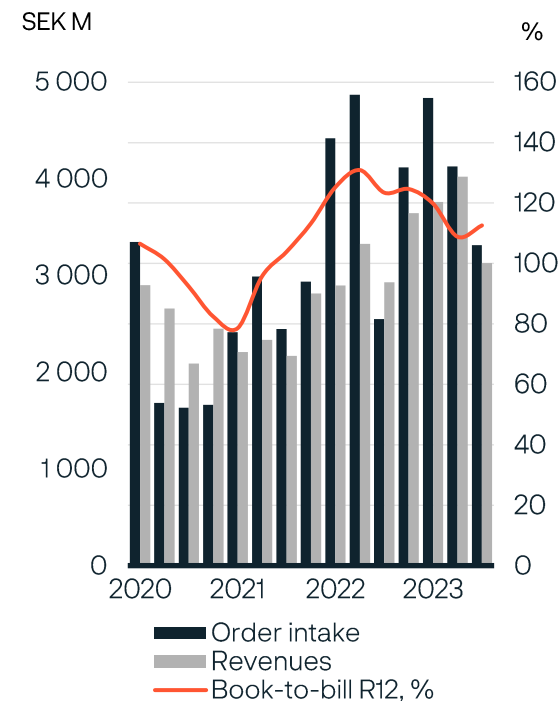
- Adj. EBIT increased 38% to SEK 199 million
- Adj. EBIT margin increased to 6.4% (4.9)
- Higher revenues, positive product mix and price increases
- FX had a negative impact of SEK -63 million yoy

Investment in China

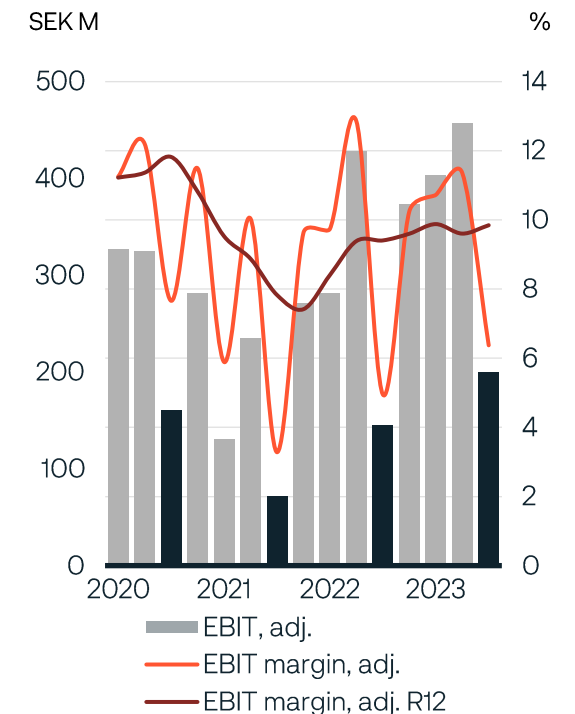
- Greenfield factory to serve Chemical and Petrochemical market

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
Order intake	3,316	2,552	12,282	11,840
Organic growth, %	26	-16	-2	27
Revenues	3,130	2,931	10,917	9,157
Organic growth, %	4	13	13	15
Adj. EBIT	199	145	1,060	855
Margin, %	6.4	4.9	9.7	9.3

Order intake and revenues



Adjusted EBIT, (%)





Kanthal

Growth from underlying tailwinds

- Solid order intake growth in the Medical segment
- Order intake in Industrial Heating segment stable on high level
- Organic revenue growth of 13%, broad based positive development
- Record-high revenues in Medical

Adjusted EBIT margin at strong 18.6%

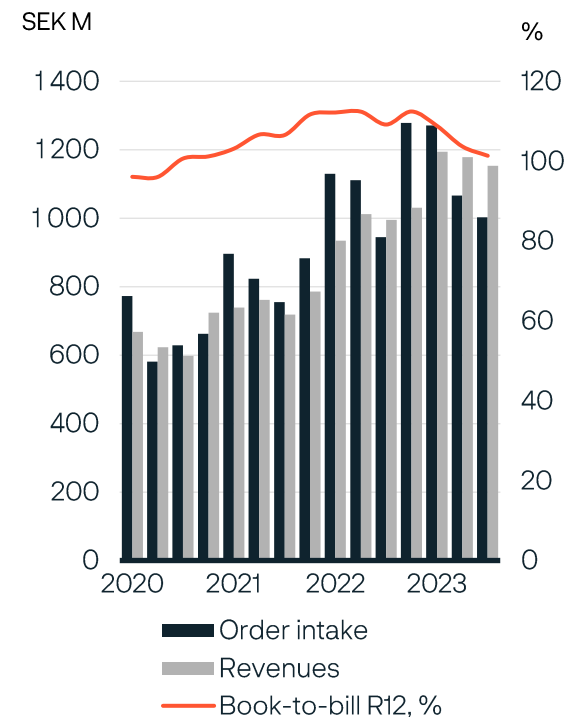
- Increased revenues and a strong product mix
- Successful price increases
- Efficiency improvements

Sustainable trends supporting order growth

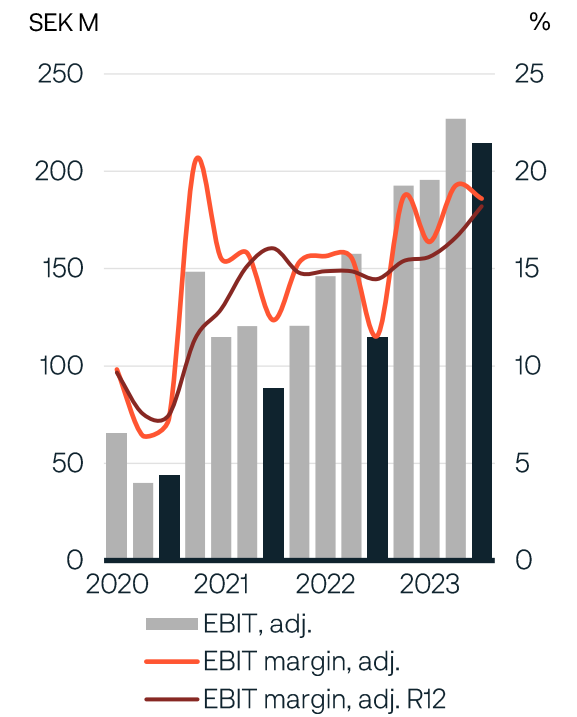
- Several Industrial Heating orders to the solar and steel industry

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
Order intake	1,003	945	3,340	3,187
Organic growth, %	5	2	-1	4
Revenues	1,153	995	3,527	2,942
Organic growth, %	13	12	13	7
Adj. EBIT	214	115	637	419
Margin, %	18.6	11.6	18.1	14.2

Order intake and revenues



Adjusted EBIT, (%)





Strip

Soft market demand

- Continued order intake decline in the Consumer segment
- Consuming backlog
- Organic revenue growth of -3%

Adjusted EBIT margin at -1.3%

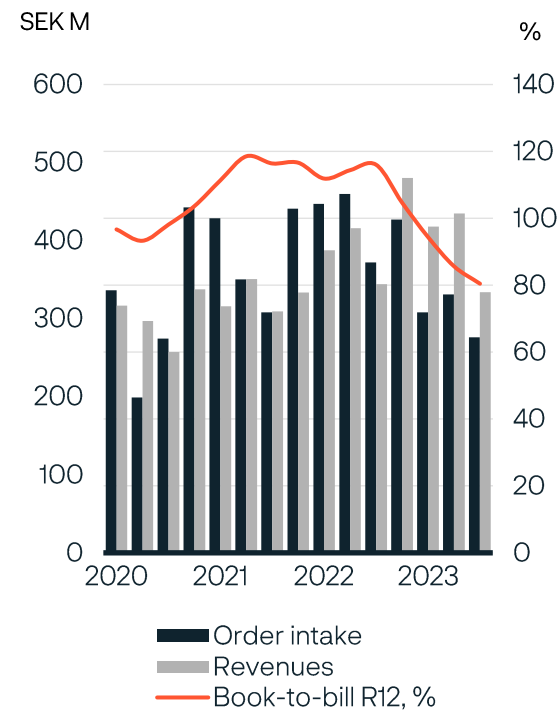
- Continued under absorption effects from lower production volumes
- Mitigating actions to adjust capacity and reduce costs are ongoing

Increasing circularity

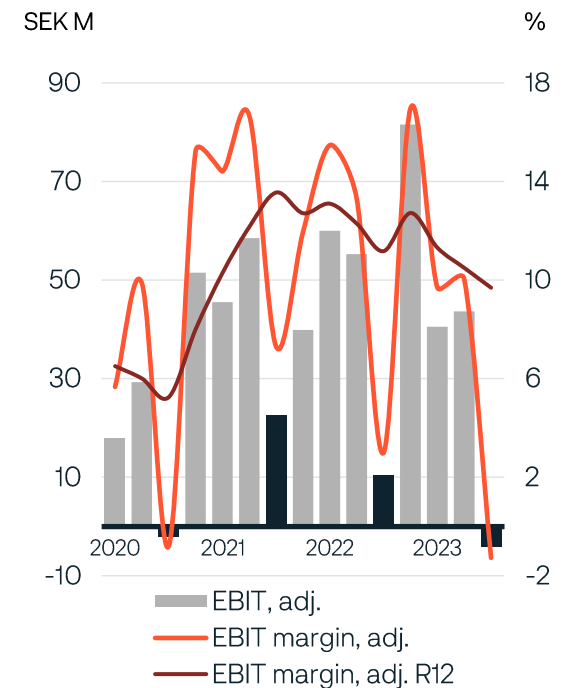
- New customer added to scrap buy-back program

SEK M	Q3 2023	Q3 2022	Q1-Q3 2023	Q1-Q3 2022
Order intake	276	372	915	1,278
Organic growth, %	-25	10	-30	7
Revenues	334	344	1,187	1,148
Organic growth, %	-3	3	0	8
Adj. EBIT	-4	10	80	126
Margin, %	-1.3	3.0	6.7	10.9

Order intake and revenues



Adjusted EBIT, (%)





Outlook for the fourth quarter 2023

- 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 for the remainder of the year.
- With our solid backlog, we have good visibility in our near-term deliveries.
- We are continuously taking actions to mitigate potential impact from cost inflation and under-absorption of cost from the lower production volumes in certain segments.
- The product mix is expected to be similar to the third quarter. Cash flow is normally higher in the second half of the year compared with the first half.



Summary

- A strong quarter
- Continued revenue growth
- Solid backlog
- Momentum from underlying tailwinds
- Soft market conditions in some segments
- Significant earnings improvement
- Successful price execution
- Consistent strategy execution towards profitable growth



Company presentation

A world-leading advanced materials company

- High value-added products in advanced stainless steels and special alloys as well as products for industrial heating
- Strong market positions across a wide range of niche end-markets, serving ten customer segments
- Fully integrated value chain, from industry-leading R&D capabilities to finishing and global sales force

REVENUE	ADJ. EBIT	ADJ. EBIT %	# FTE's
20,790	2,114	10.2%	6,042
SEK M, Q3 2023 R12M	SEK M, Q3 2023 R12M	Q3 2023 R12M	Q3 2023

Three divisions...

TUBE



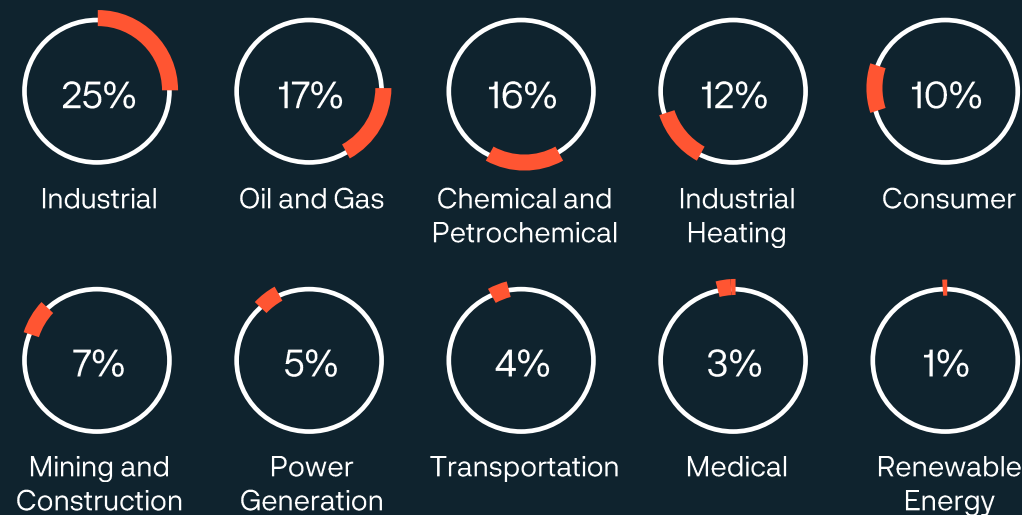
KANTHAL



STRIP

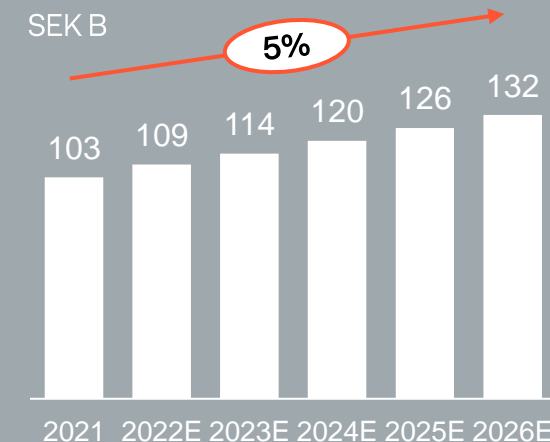


...serving ten customer segments



Sales by customer segment 2022

...adding up to a serviceable addressable market growth of 5% CAGR 2021-2026



Premium offering across three divisions

Tube

Seamless tubes and other long products in advanced stainless steels used in O&G, nuclear & other energy-related end-markets as well as chemicals, automotive and aerospace

2022

12.8bn
Revenues (SEK)

9.6%
Adj. EBIT margin

Market share



Example market positions

#1 Umbilical Tubing

#1 Aerospace Titanium Tube

#2 Steam Generator Tubing

Example products



Umbilical Tubes



High Pressure Tubes



Heat Exchanger Tubes



Hollow Bar



Round Bar



Rock Drill Steel

Kanthal

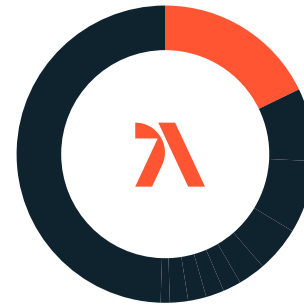
Resistance wire for heating elements (consumer and industrial heating) as well as wire for medical devices

2022

4.0bn
Revenues (SEK)

15.4%
Adj. EBIT margin

Market share



Example market positions

#1 Industrial Heating Solutions

#2 Medical wire

Example products



Flow Heaters



Furnace Rollers



Medical wire



Heating Elements



Diffusion Cassettes



Resistance Heating Wire

Strip

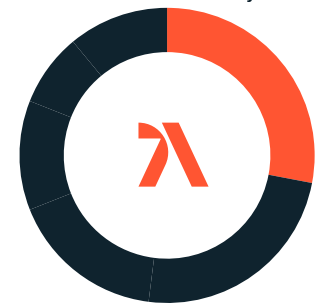
Wide range of strip steel and a variety of strip-based products mainly supplying consumer driven products within white goods, automotive, shaving and the printing industry

2022

1.6bn
Revenues (SEK)

12.7%
Adj. EBIT margin

Market share



Example market positions

#1 Compressor Valve Steel

#3 Razor Blade Steel

#1 Stainless Knife Steel

Example products



Razor Blade



Printing Doctor Blade



Knife & Spring Steel



Coated Strip Steel

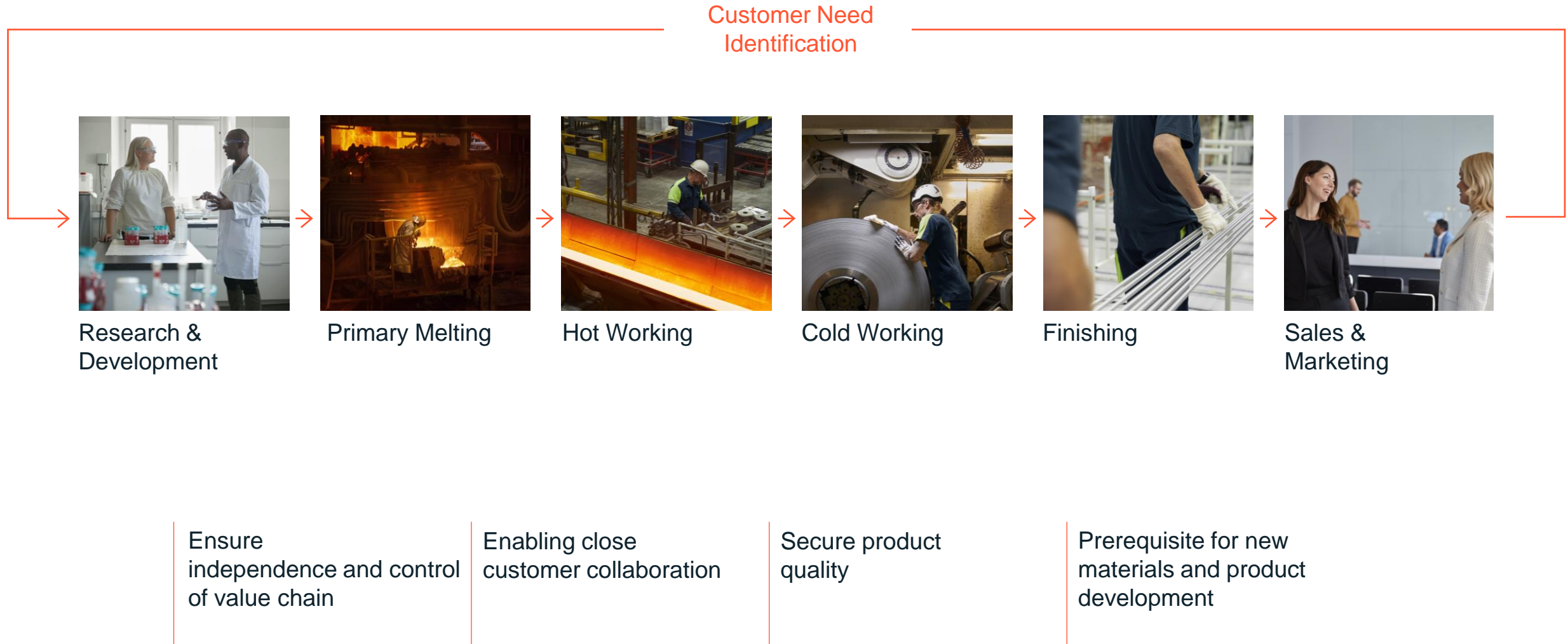


Fuel cell Materials



Compressor Valve Steel

Fully integrated value chain with world-class capabilities



Global production footprint and go-to-market strategy



Focused strategy execution for profitable growth

1



Profitable Growth

- Capitalize on the megatrends of energy transition, energy efficiency, electrification, medical growth and capture O&G rebound
- Expand through M&A within select key verticals and niches to enable accelerated growth and its diversification across products and end markets

2



Materials Innovator and Technology Leader

- Focus R&D towards new business opportunities, defend and strengthen core and widen portfolio
- Increase pace of new product introductions

3



Operational and Commercial Excellence

- Continuous improvements and footprint optimization
- Pricing management and mix optimization
- Strengthen employer branding and competence development

4



Industry Leading Sustainability

- Sustainability deemed key differentiator vs. competitors
- Ongoing investments and development of sustainable offering
- Continuous efforts and process improvements to reduce impact from production and operations

A growth strategy built to capitalize on global megatrends...



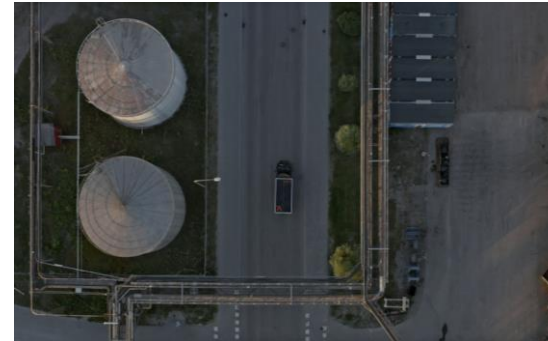
Changing demographics

- Global population growth
- Increased consumption and energy demand
- Share of people aged +60 years is expected to increase
- Increased demand for health care and medical solutions



Increasing and changing energy demand

- Global energy demand driven by
 - Population growth
 - Economic growth
- Electricity price fluctuations
- Shift toward renewable energy production sources



Electrification of industry and transportation

- Electrification of vehicles
- Adoption of renewable energy
- Increasing connectivity



Growth in emerging markets

- Rising living standards
- Industrial development

Focused initiatives in targeted customer segments



Chemical and Petrochemical

4% ➔



Industrial Heating

6% ➔



Medical

7% ➔

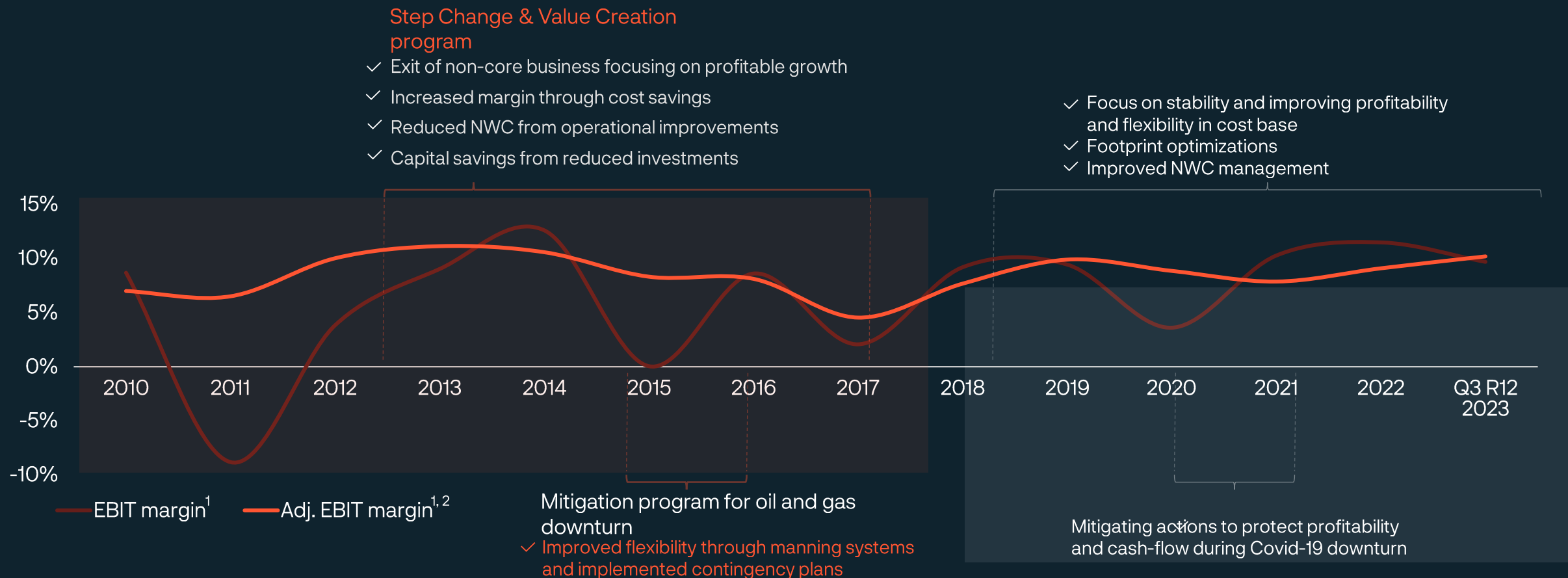


Hydrogen and Renewable Energy

25% ↗

% = Estimated market growth, CAGR 2021-2026

Operational initiatives and improvements have made earnings more resilient



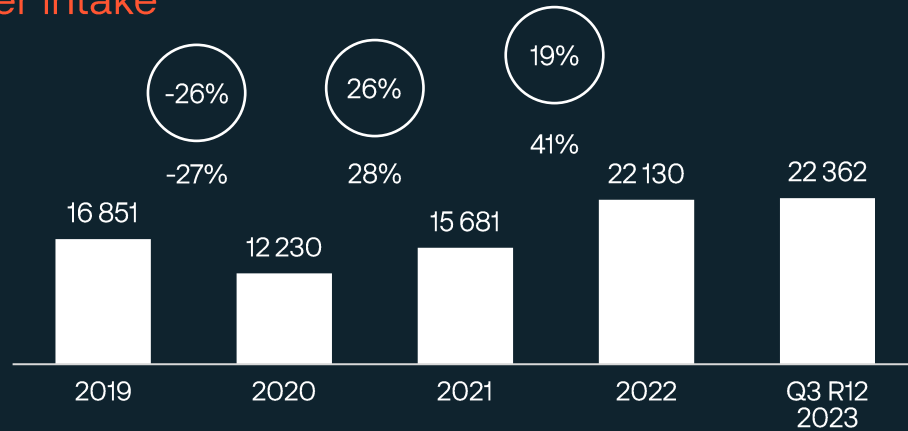
Note: The graph shows the EBIT margin and the adjusted EBIT margin development of the business area Sandvik Materials Technology within Sandvik with respect to the financial years 2010-2021. Alleima's business largely mirrors that of Sandvik Materials Technology and it is the company's assessment that Sandvik Materials Technology is a good indicator of how Alleima would have trended during the same period. It should be noted, however, that acquisitions, divestments and reorganizations have an impact when comparing individual years. (1) Segment reporting for Sandvik Materials Technology as per financials published in Sandvik's financial reports 2010 - 2021 (2) Adj. EBIT is adjusted for metal price effects throughout the period. In addition, 2021, 2020, 2019, 2018, 2017, 2015, 2012 and 2011 are adjusted for items affecting comparability



Financial background – focus on resilience

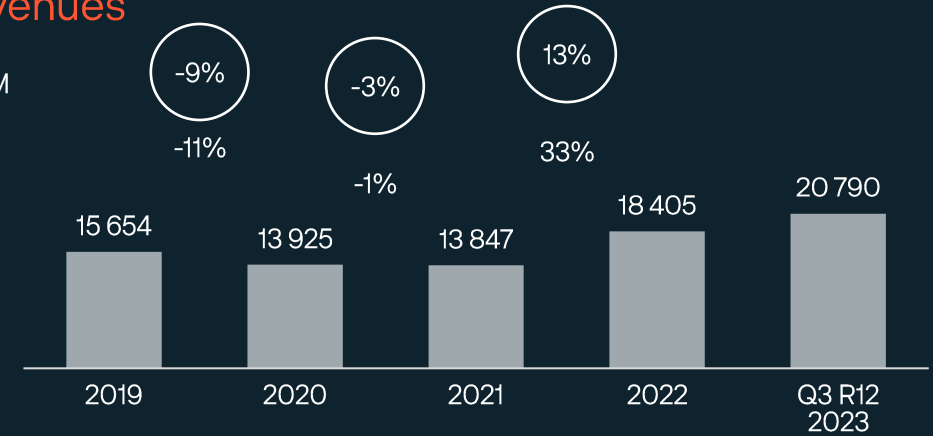
Order intake

SEK M



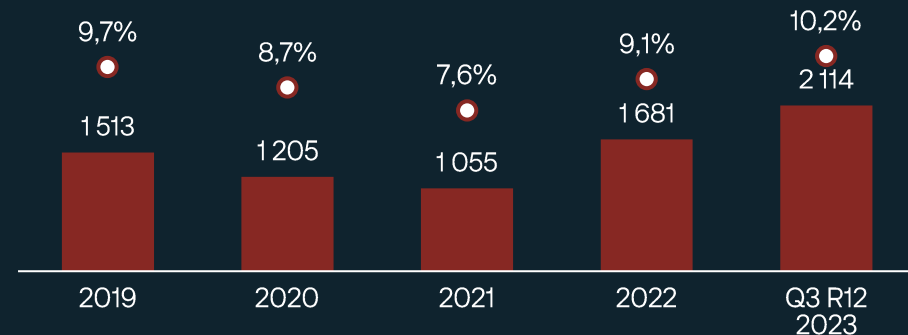
Revenues

SEK M



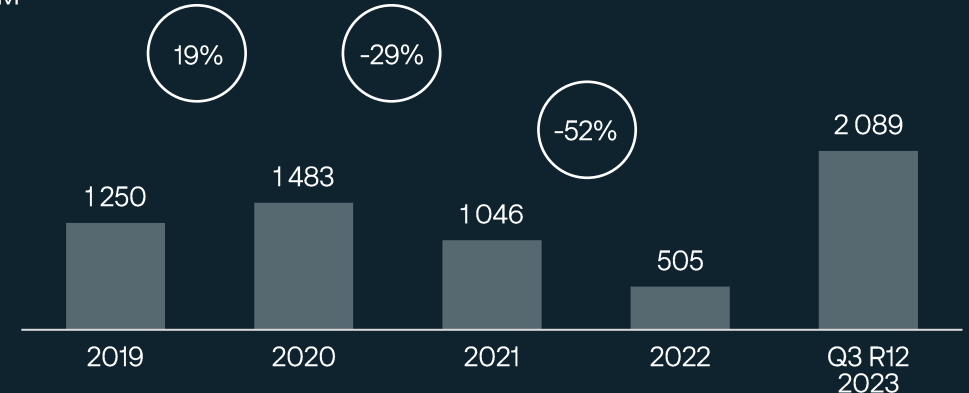
Adj. EBIT and margin %

SEK M



Free operating cash flow¹

SEK M



¹) Free operating cash flow defined as EBITDA adjusted for non-cash items plus changes in net working capital less acquisitions and divestments of tangible and intangible assets and less amortization of lease liabilities



Performance in line with financial targets

Organic growth

Deliver profitable organic revenue growth in line with or above growth in targeted end-markets over a business cycle

13%

Group total, full year 2022

Earnings

Adjusted EBIT margin (excluding items affecting comparability and metal price effects) to average above 9 percent over a business cycle

9.1%

Full year 2022

Capital Structure

A net debt to equity ratio below 0.3x

-0.02x

October 2023

Dividend

Dividend on average 50 percent of net profit (adjusted for metal price effects) over a business cycle. Dividend to reflect financial position, cash flow and outlook

1.40 SEK

Dividend per share, 2022



Corresponding to 38% of net profit (adjusted for metal price effects)



Nature of the business – metal price effect

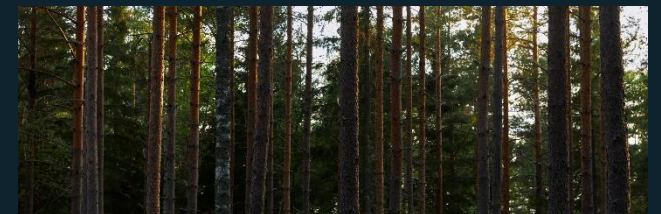
Metal price trend and how it affects different measures

- Isolating the effect from metal price changes in the business where market price for metal has a direct impact on pricing.
- At constant volumes, mix and lead time the effects can be described as follows:

Metal price trend	Order intake	Revenues	Profitability	Inventory	Accounts payable	Accounts receivable	Cash flow
Rising market price 	Increase in value – higher prices	Increase in value – higher prices	Positive - raw material bought cheaper in earlier periods will be sold in current period at higher price.	Higher value - due to higher price for the last added metals when continuously replacing inventory	Increase - higher price on metals from suppliers	Increase due to higher metal price to customers	The conversion of profitability to cash will be affected negatively by cash being tied up in net working capital due to higher metal prices
Decreasing market price 	Decrease in value – lower prices	Decrease in value – lower prices	Negative – raw material bought at higher price in earlier periods will be sold at lower price in current period	Lower value - due to lower price for the last added metals when continuously replacing inventory	Decrease - lower price on metals from suppliers	Decrease due to lower metal price to customers	Cash will be released from net working capital offsetting the cash negative impact from lower profitability

Winning platform set to unlock shareholder value

- 1 Premium offering with solid market positions and diverse customer segment exposure
- 2 Fully integrated value chain with prominent metallurgy expertise and global footprint
- 3 Multiple and tangible levers to deliver profitable growth, capitalizing on global megatrends including the transition to renewable energy
- 4 Solid foundation with attractive and resilient earnings and cash-flow profile



Thank you
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