

January 23, 2024

Interim report

Fourth quarter 2023



Safety first

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



Protective equipment



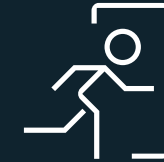
Emergency number



Psychological safety



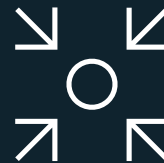
First aid kit



Emergency exit



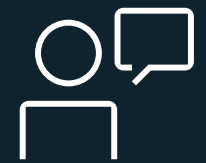
Alarm



Assembly point



Health & well-being



Speak Up

Göran Björkman President & CEO



Full year 2023 highlights

All-time-high revenues

- Mixed demand with tailwind from strong underlying trends
- Growing backlog
- Four prioritized segments increased share of total revenues to 36% (32)

Record-high earnings

- Adj. EBIT growth of 27%
- Higher revenues, improved product mix and price increases
- Strong free operating cash flow

Proposed dividend of SEK 2.00 per share (1.40)

- Corresponds to 30% of profit for the period (adjusted for metal price effects)

Other highlights

- Strengthened offering towards sustainable applications
- Several growth investments
- Acquisition of Söderfors Steel

Revenues
(SEK M)

20,669

Organic revenue
growth

8%

Adj. EBIT
(SEK M)

2,141

Adj. EBIT margin

10.4%

Free op. cash flow
(SEK M)

1,688

Adj. EPS
(Diluted, SEK)

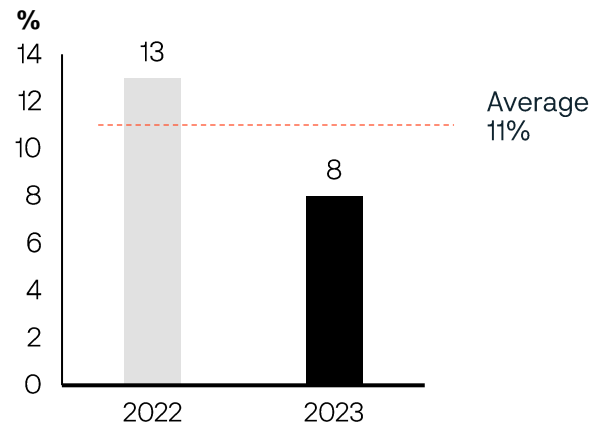
6.56



Performance vs. financial targets

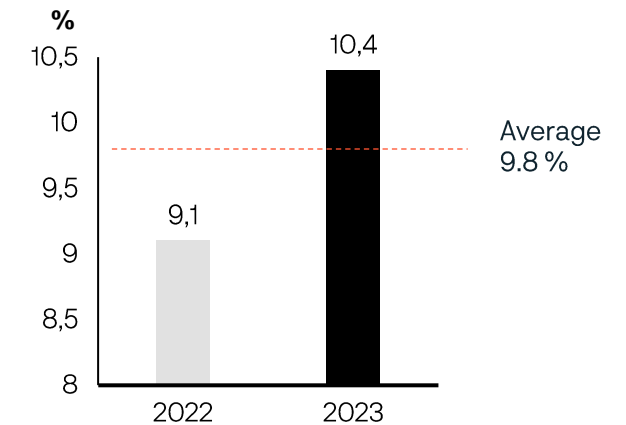
Organic growth

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



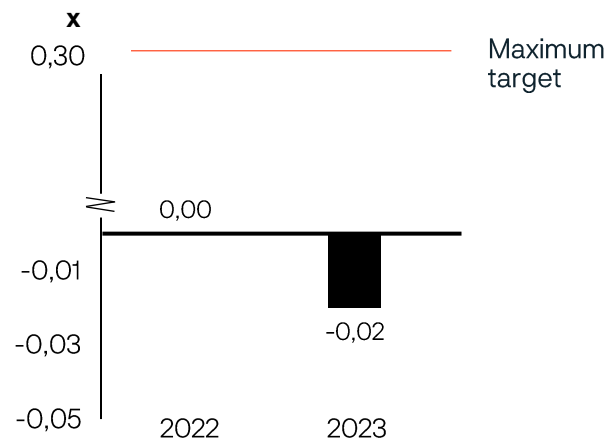
Earnings

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



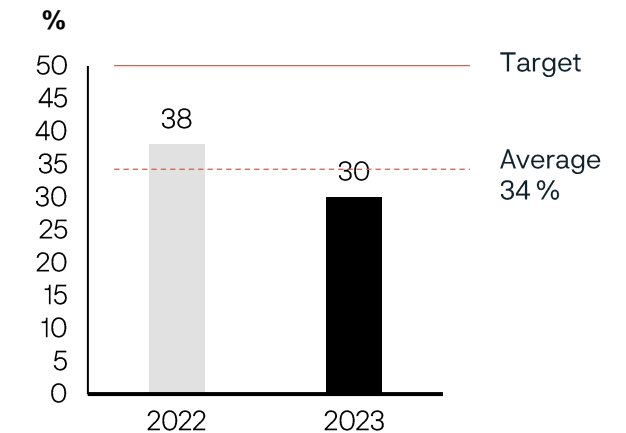
Capital Structure

A net debt to equity ratio below 0.3x



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





Gearing up to meet increasing demand through several growth investments

Ongoing growth investments

Industrial Heating

- Increase silicon carbide production capacity, UK
- Increase capacity for process gas heaters & modules, Germany

Medical

- Increase medical wire capacity, US, EU

Chemical and Petrochemical

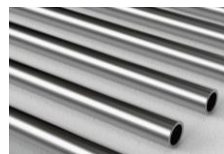
- Broaden the US product portfolio, US
- Increase capacity and capabilities, China



Silicon carbide heating elements



Medical wire



Heat exchanger tubes

Finalized during the quarter

Chemical and Petrochemical

- Inauguration of new heat exchanger production line, India



Mehsana inauguration



Q4 highlights

Continued solid order backlog

- Mixed market demand
- Strong underlying market trends in some customer segments
- Negative organic order intake growth on high comparables
- Solid backlog provides confidence for near-time deliveries
- Slight revenue decline mainly due to low demand in low-refined short cycle business

Earnings growth

- Adj. EBIT growth of 5%
- Positive product mix
- Successful price increases

Consistent strategy execution

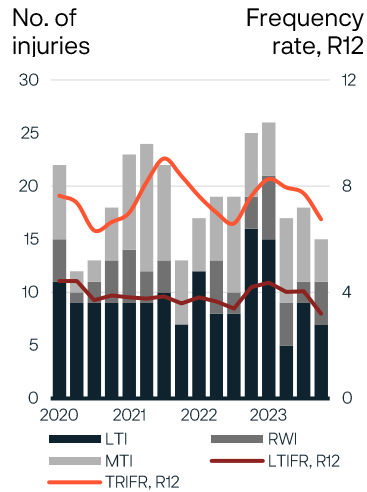
- Inaugurated final production line in the Mehsana plant, India
- Sustainable trends generate business



Leading sustainability

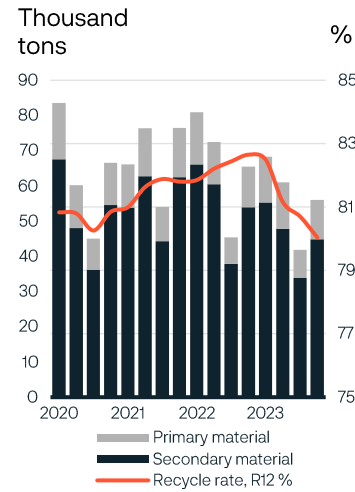
Making an impact through our operations

- Improved safety performance
- Share of recycled steel remains high
- Continued reduction of CO₂ emissions
- Increased share of female managers



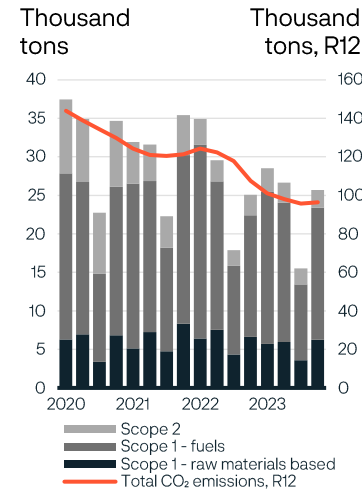
Health and safety

- R12 total recordable injury frequency rate, TRIFR, was 6.8 (7.6). The quarterly outcome improved to 5.2 (9.0).



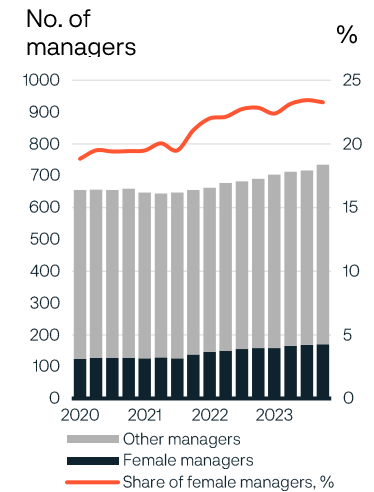
Recycled steel

- R12 share of recycled steel in the steel manufacturing amounted to 80.0% (82.6). The quarterly figure declined to 80.0% (82.6), due to the product mix.



CO₂ emissions

- R12 CO₂ emissions amounted to 96 kton (107), a reduction of 10%. Emissions for the quarter increased 3% to 26 kton (25).



Share of female managers

- The share of female managers increased to 23.3% (22.8) in the quarter.



Towards a more sustainable offering

Making an impact through our products

Electricity generated through nuclear power is an important source of carbon free energy

- Market sentiment and customer activity continued to strengthen
- Several significant orders for steam generator tubing received
- Building a strong order book and securing deliveries for the coming years
- Ready to ramp-up capacity when needed



Steam generator tubes



Market development

- Continued mixed market development
- Signs of stabilization in the short-cycle business
- Solid underlying demand in several customer 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

Reported (SEK M)

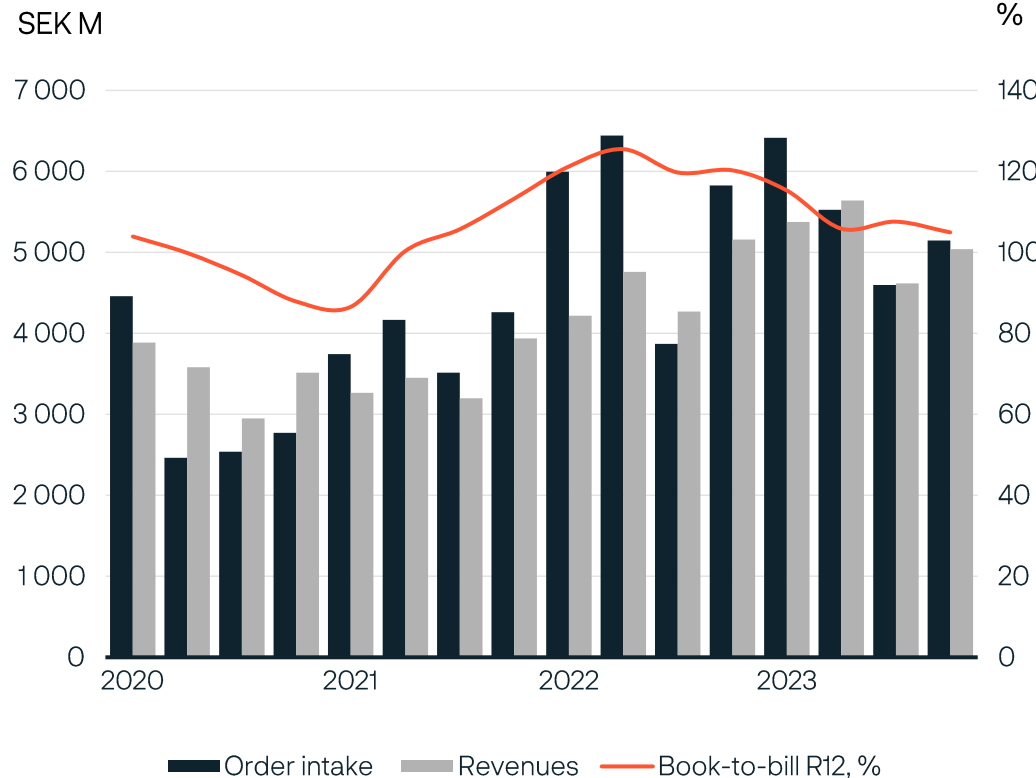
5,147

Revenues

Reported (SEK M)

5,038

Order intake and revenues



- Organic order intake growth for rolling 12 months of -6%
- Organic order intake growth of -10% in Q4. Excluding major orders -4%
- Organic revenue growth of -1% in Q4
- Book-to-bill
 - 102% in Q4
 - 105% for rolling 12 months
- Continued solid order backlog



Earnings

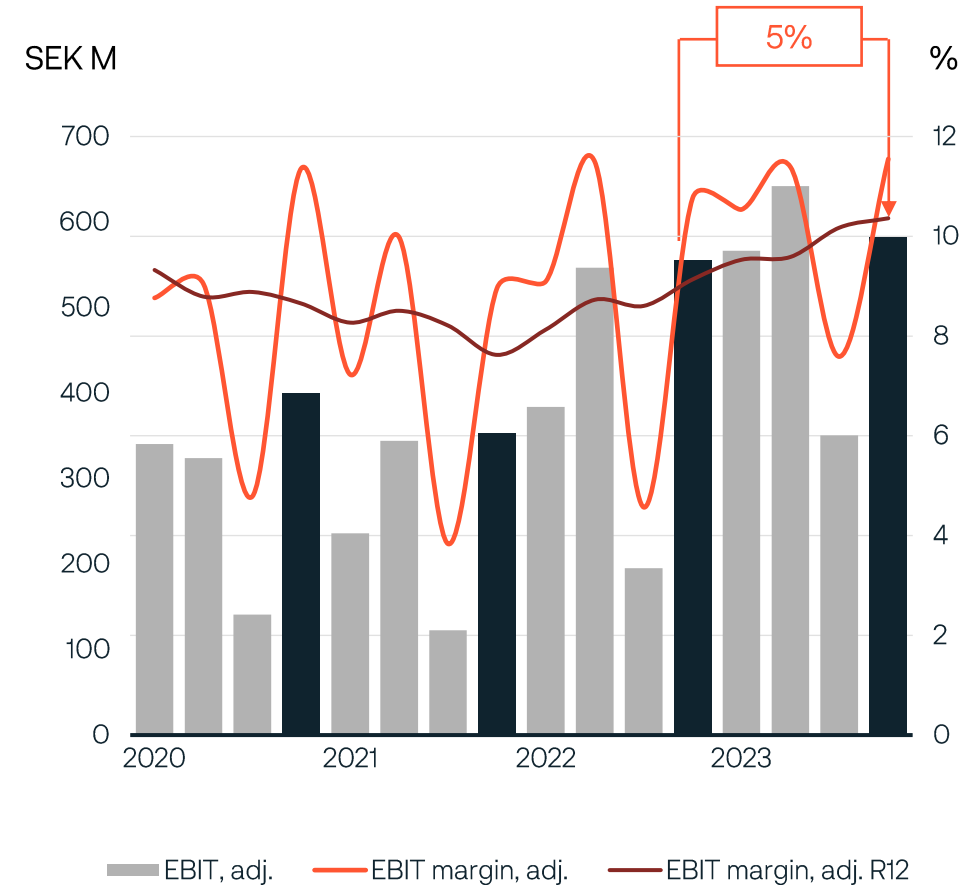
Adjusted EBIT at SEK 582 million (555)

— Margin 11.6% (10.8)

- Positive product mix
- Price increases
- FX impact of SEK 66 million yoy
- Dilution from under-absorption and temporary productivity issues

Free operating cash flow of SEK 400 million (801)

Adjusted EBIT, %





Tube

Backlog remained solid

- Organic order intake growth of -7 % excluding major orders
- Book-to-bill of 111% R12m
- Strong momentum in Oil and Gas and Nuclear
- Organic revenue growth of -1% mainly due to lower volumes in the industrial segment

Significant earnings improvement

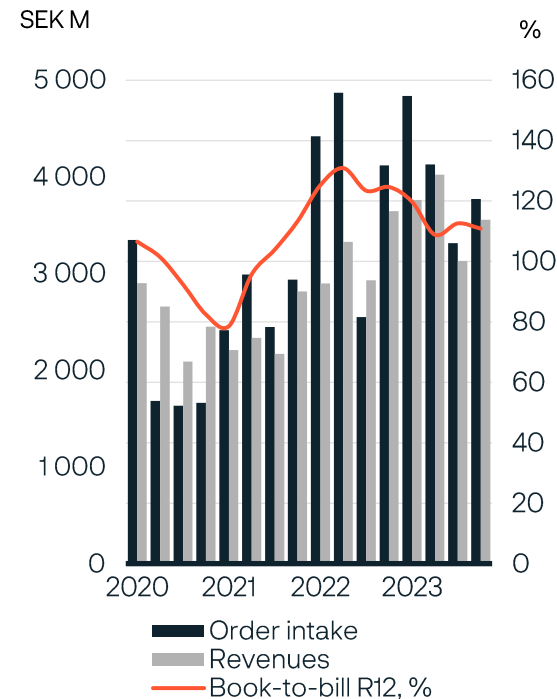
- Adj. EBIT margin increased to 12.1% (10.2)
- Positive product mix and price increases
- Positive FX impact of SEK 64 million yoy
- Dilution from under-absorption and productivity issues

Geared-up for growth in Asia

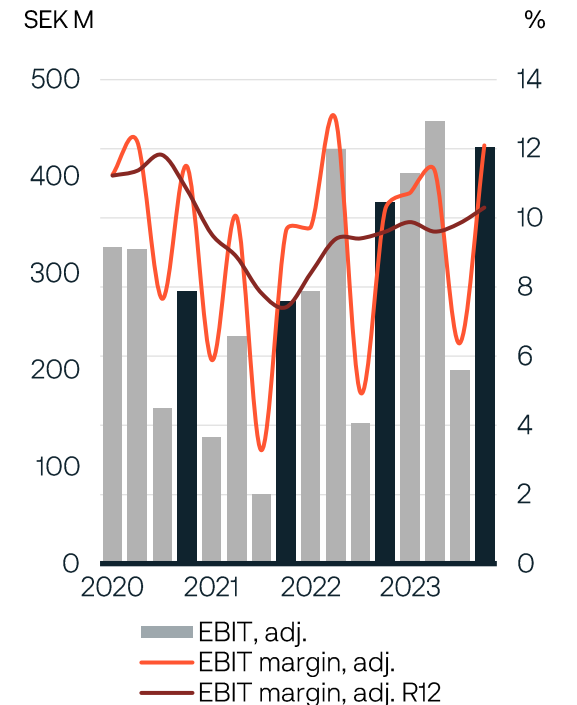
- Finalized and inaugurated the build-out of plant in Mehsana, India

SEK M	Q4 2023	Q4 2022	FY 2023	FY 2022
Order intake	3,770	4,119	16,052	15,959
Organic growth, %	-7	19	-3	25
Revenues	3,557	3,647	14,475	12,804
Organic growth, %	-1	12	9	14
Adj. EBIT	430	374	1,491	1,229
Margin, %	12.1	10.2	10.3	9.6

Order intake and revenues



Adjusted EBIT, (%)





Kanthal

Order intake growth ex. major orders of 5 %

- Lower demand for Industrial Heating yoy on high levels
- Strong underlying demand for Medical
- Organic revenue growth of 6%
- Record-high revenues in Medical

Continued earnings growth

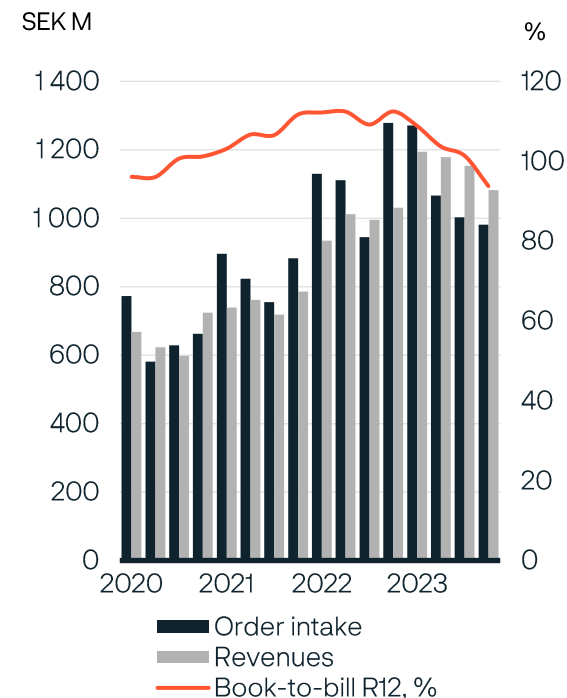
- Adjusted EBT margin at 19.1%
- Increased revenues and a strong product mix
- Price increases

Increasing capacity

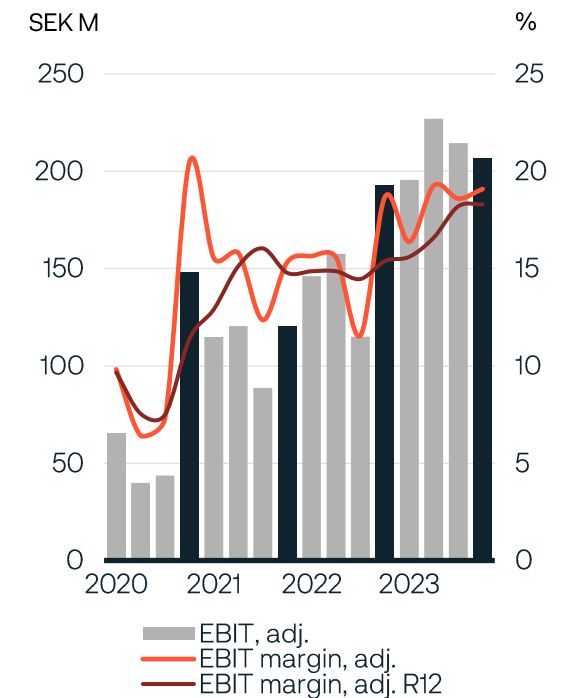
- Increasing capacity for silicone carbide heating elements

SEK M	Q4 2023	Q4 2022	FY 2023	FY 2022
Order intake	981	1,279	4,321	4,466
Organic growth, %	-23	23	-7	9
Revenues	1,082	1,031	4,609	3,972
Organic growth, %	6	13	11	9
Adj. EBIT	207	193	844	611
Margin, %	19.1	18.7	18.3	15.4

Order intake and revenues



Adjusted EBIT, (%)





Strip

Continued soft market demand

- Continued weak consumer segment
- Organic order intake growth of -5%
- Organic revenue growth of -15%

Adjusted EBIT margin at 7.3%

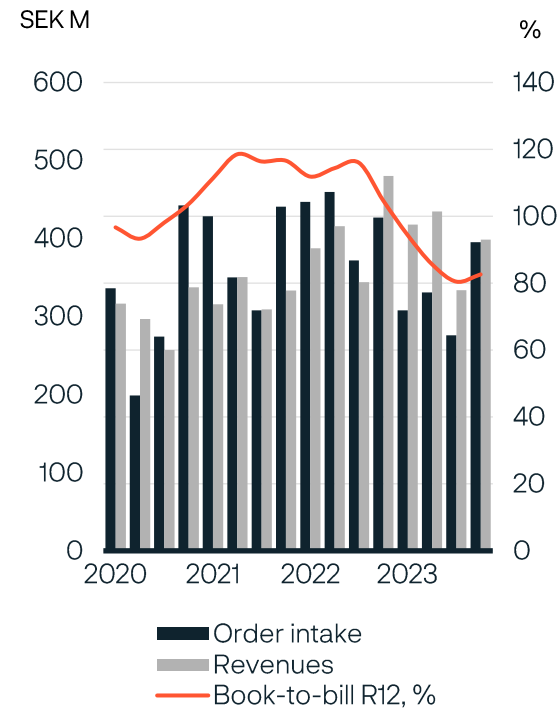
- Continued under-absorption effects from lower production volumes
- Price increases

Mitigating actions

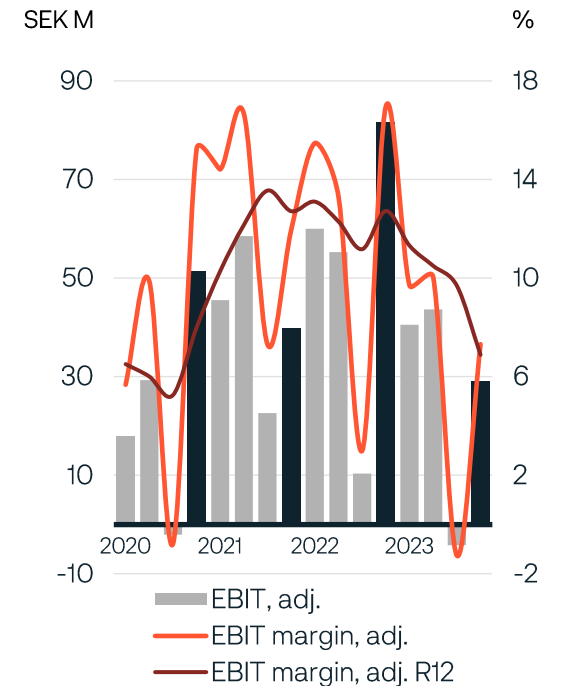
- Actions to adjust capacity and reduce costs are ongoing

SEK M	Q4 2023	Q4 2022	FY 2023	FY 2022
Order intake	395	427	1,310	1,705
Organic growth, %	-5	-11	-24	2
Revenues	399	481	1,585	1,628
Organic growth, %	-15	33	-5	14
Adj. EBIT	29	82	109	207
Margin, %	7.3	17.0	6.9	12.7

Order intake and revenues



Adjusted EBIT, (%)



Olof Bengtsson

CFO





Financial summary

SEK M	Q4 2023	Q4 2022	FY 2023	FY 2022
Order intake	5,147	5,825	21,684	22,130
Revenues	5,038	5,159	20,669	18,405
Adj. EBIT	582	555	2,141	1,681
Adj. EBIT margin, %	11.6	10.8	10.4	9.1
Metal price effects	-138	-149	-95	695
Items affecting comparability	0	0	0	-254
EBIT	444	407	2,046	2,122
EBIT margin, %	8.8	7.9	9.9	11.5
Net financial items	80	102	28	-184
Normalized tax rate, %	23.8	21.7	24.2	24.3
NWC, % ¹	34.6	33.0	34.3	32.8
Free operating cash flow	400	801	1,688	505
ROCE excl. cash, % ²	12.9	14.2	12.9	14.2
Adj. EPS, diluted	2.04	2.11	6.56	4.46

SEK M	Order intake	Revenues
Q4 2022	5,825	5,159
Organic, %	-10	-1
Structure, %	1	1
Currency, %	0	1
Alloys, %	-2	-3
Total growth, %	-12	-2
Q4 2023	5,147	5,038
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.

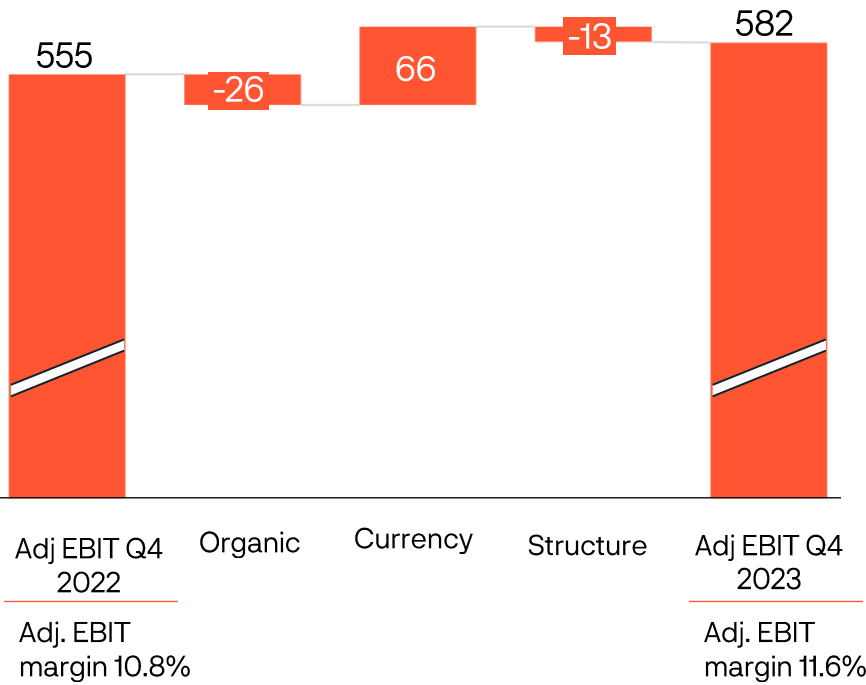


Bridge analysis, adjusted EBIT

Q4 2023

SEK million

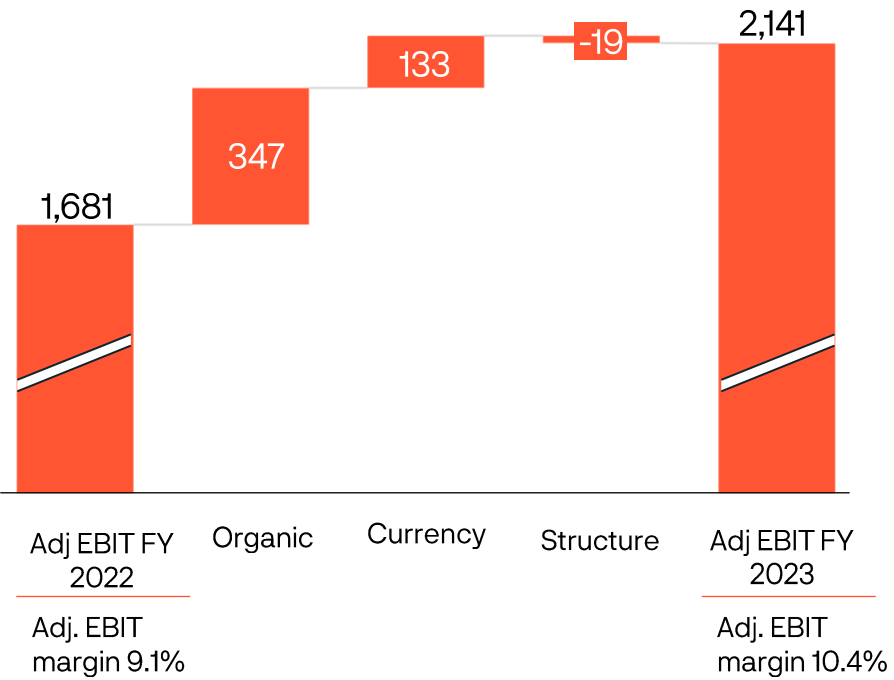
Leverage:
N/A



FY 2023

SEK million

Leverage:
+22%



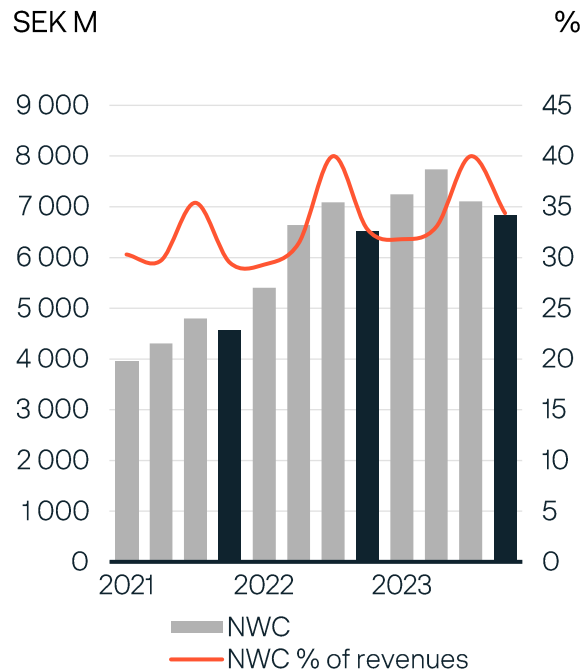
- Under-absorption and temporary productivity issues
- Higher Adj. EBIT and improved margin
- Leverage for the full year on good level



Capital efficiency

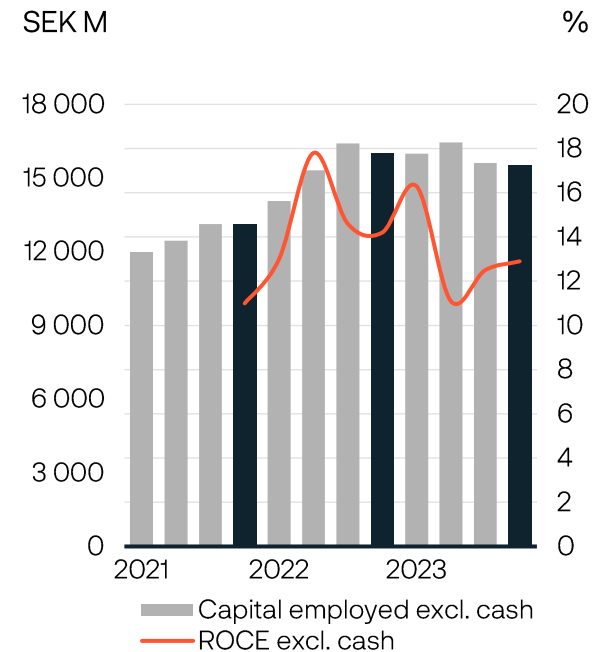
- NWC amounted to SEK 6,825 million (6,519)
- Sequential NWC decrease
- NWC in relation to revenues up to 34.6% (33.0)

Net working capital



- Capital employed excl. cash decreased to SEK 15,533 million (16,020)
- ROCE excl. cash decreased to 12.9% (14.2) in the quarter

Capital employed excl. cash



Note: Based on rolling 12 months and a four-quarter average. Historical ROCE excl. cash figures are not available prior to Q4 2022.



Cash flow

- Free operating cash flow increased to SEK 400 million (801)
- Several ongoing growth investments
 - Capex to revenues below 4% for the full year

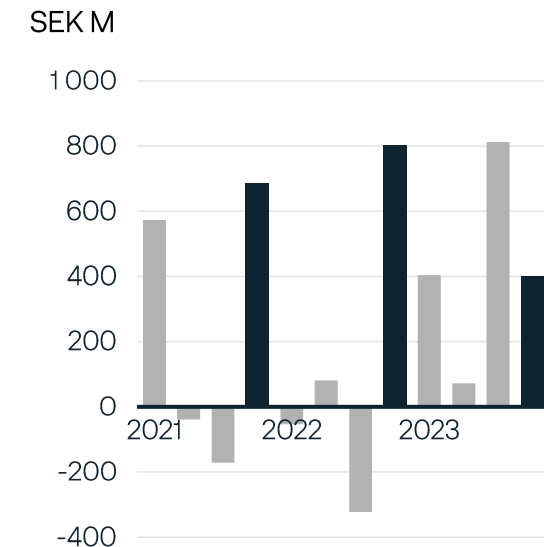
Free operating cash flow

SEK M	Q4 2023	Q4 2022	FY 2023	FY 2022
EBITDA	685	636	2,957	2,980
Non-cash items	54	21	54	-130
Changes in working capital	65	502	-380	-1,590
Capex ¹	-362	-319	-815	-656
Amortization, lease liabilities	-41	-39	-128	-99
Free operating cash flow²	400	801	1,688	505

1) Including investments in tangible and intangible assets of SEK -365 million (-331) for Q4 2023 and SEK -827 million (-679) FY 2023.

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

Free operating cash flow quarterly





Capital structure

- Improving net cash position
- Net debt/equity ratio well below target
- Net pension liability increased due to decreased long-term discount rates in Sweden
- Unutilized revolving credit facility of SEK 3 billion



Net debt/
Equity

-0.02x
(0.00)

Net debt/
Adjusted EBITDA
rolling 12 months

-0.08x
(0.00)



Guidance ahead of the quarter and outcome

	Outcome Q4 2023	Guidance ahead of Q4 2023
Capex (Cash)	SEK 815 million FY 2023	Approximately SEK 800 million in FY 2023
Currency translation and transaction effect	SEK -2 million	SEK 0 million in Q4
Total currency effect	SEK 66 million	-
Metal price effect	SEK -138 million	SEK -200 million in Q4
Tax rate, normalized	24.2% FY 2023	24-26% in FY 2023



Guidance Q1 2024 and FY 2024

Capex (cash)

- Estimated to approximately SEK 950 million for FY 2024

Currency effects (transaction and translation)

- SEK -60 million on operating profit (EBIT) for Q1 2024, compared to the corresponding period last year

Metal price effects

- SEK -300 million on operating profit (EBIT) for Q1 2024

Tax rate

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



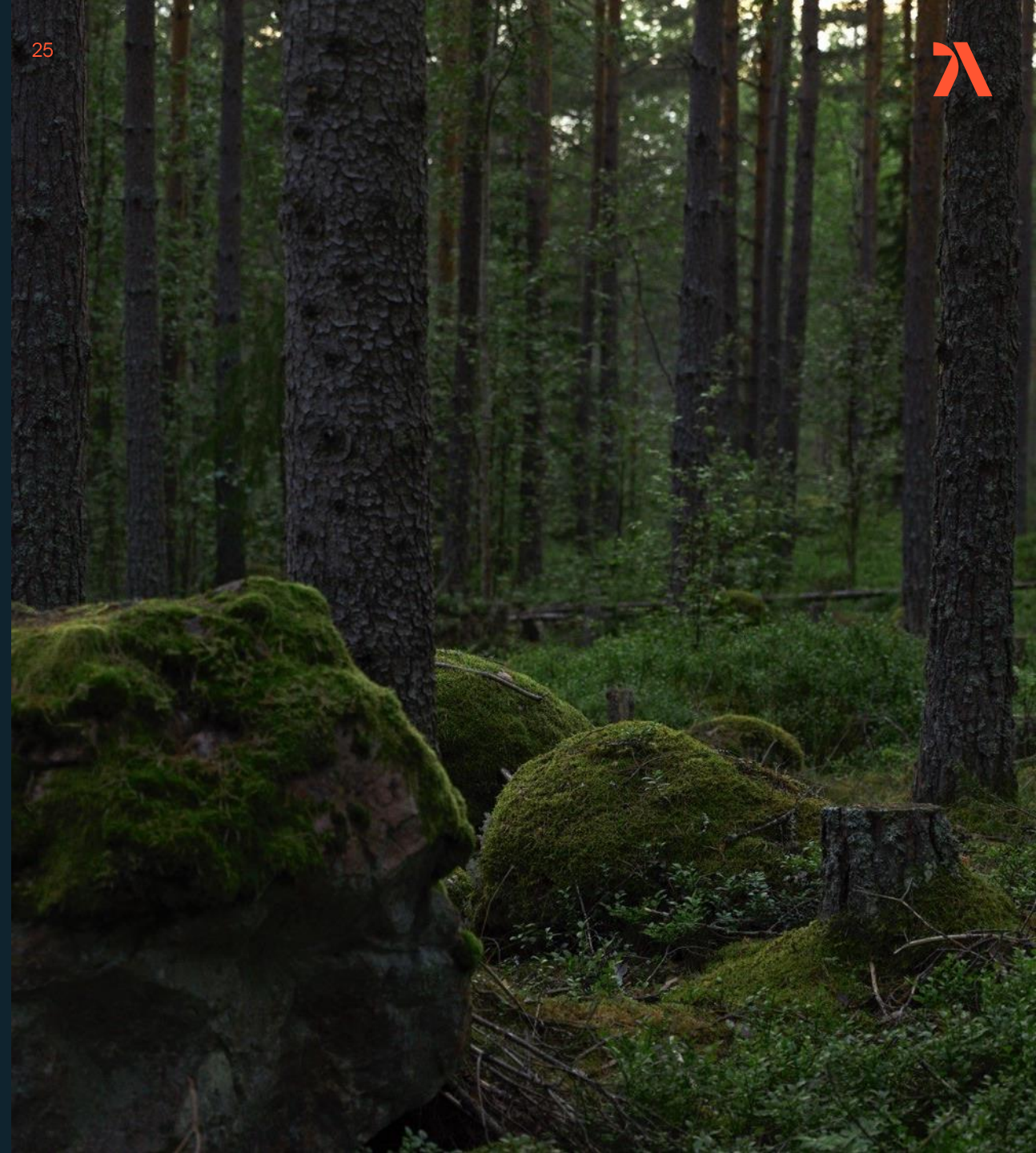
Outlook for the first quarter 2024

- 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.
- With our solid backlog, 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 fourth quarter.
- Cash flow is normally lower in the first half-year compared with the second half.



Summary

- A well executed year with record-high revenues and earnings
- Solid backlog
- Momentum from underlying tailwinds
- Continued soft market conditions in some segments
- Successful price increases
- Consistent strategy execution towards profitable growth





Q&A

Thank you
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