Q4 2024 Presentation

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Agenda

1. Hexatronic at a glance
2. Q4 highlights
3. Financial overview
4. Business overview
5. Market outlook and Summary
6. Q&A

Hexatronic at a glance

Hexatronic enables non-stop connectivity for communities worldwide

Proven track record of organic growth and solid profitability

8.2 BSEK
Sales, R12*

39%
5-year sales CAGR

15.1%
EBITA margin, R12*

1.2 BSEK
EBITA, R12*

61%
5-year EBITA CAGR*

1,961
Employees

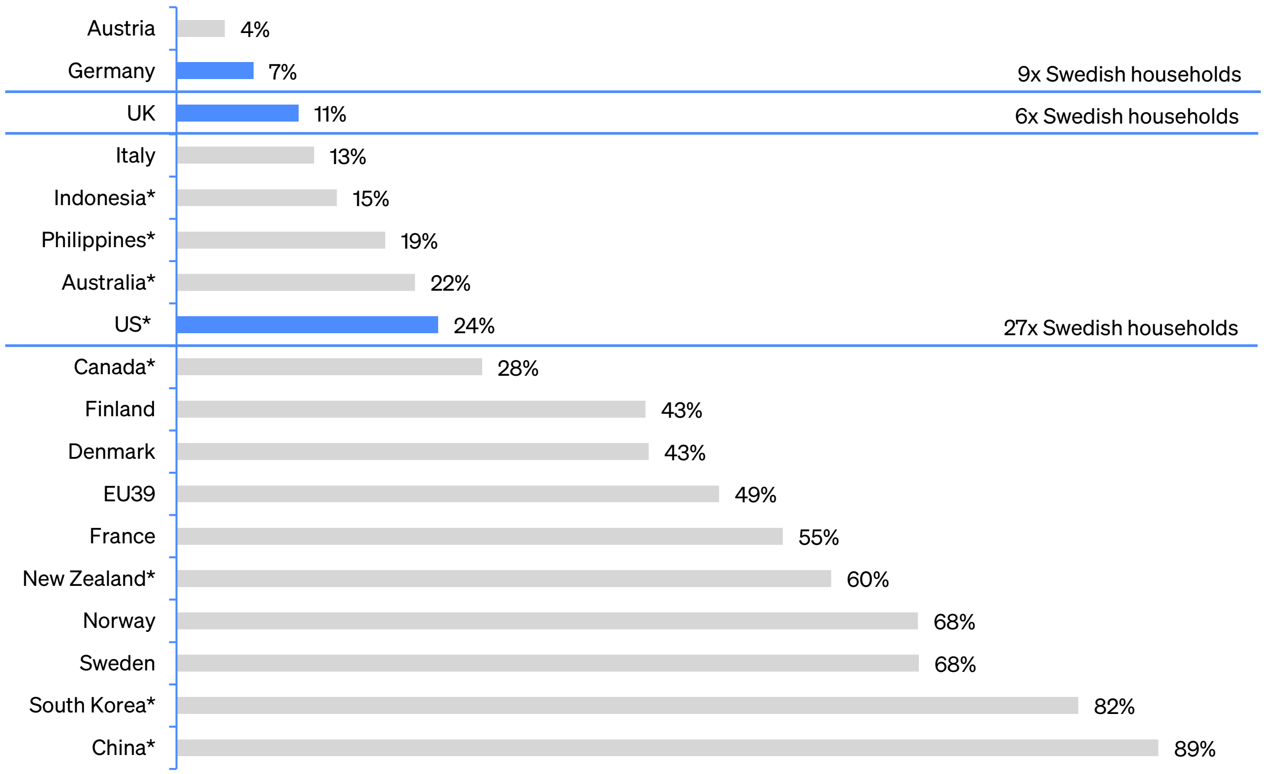
** As per the end of Q4 2023*

Expanding market for fiber optic infrastructure

- Low fiber penetration rates across strategic growth markets
- 5G deployment drives the need for fiber networks
- Increasing use of data-intensive technologies creates a growing need for fiber connectivity among enterprises
- Industrial shift from copper to fiber in demanding industries such as oil and gas, sensing, defense, oceanographic, and subsea applications
- Significant government initiatives supporting long-term fiber expansion in the US, UK, Germany and many other countries

Several government initiatives across strategic growth markets with low fiber penetration rates

Penetration rates (subscribers / no. of homes)
September 2022



** Fibre-to-the-home Global Alliance, April 2023*

USA - BEAD

High-speed broadband coverage
100%

Total subsidies allocated
42.5 BUSD

Additional infrastructure subsidies of **>20 BUSD.**

UK - Project Gigabit

Gigabit coverage
85%

Total subsidies allocated
5 BGBP

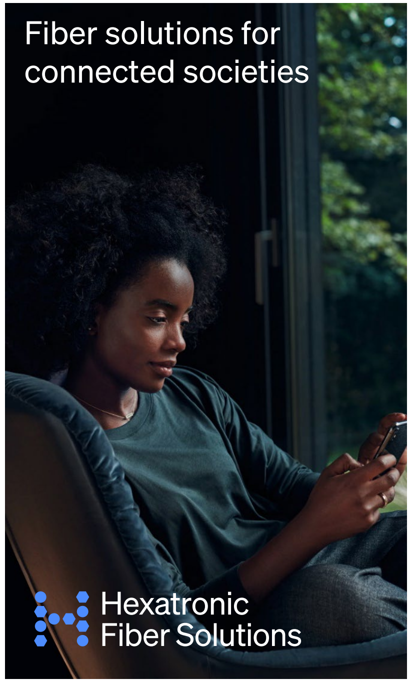
Germany - Gigabit Strategy

FTTH coverage
50%

Allocated subsidies (p.a)
3 BEUR

Addressing several customer needs creates additional growth avenues and diversification

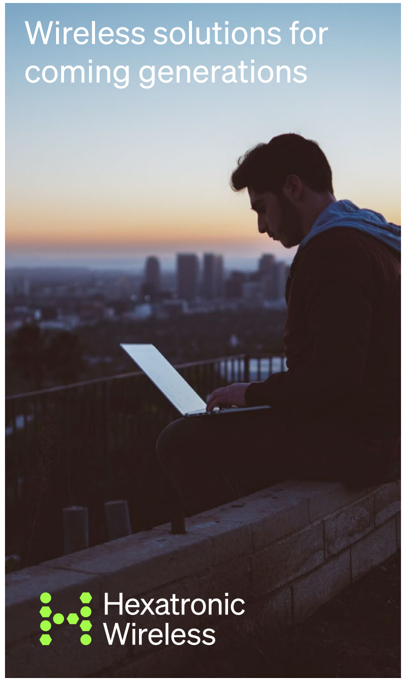
75 %*



13 %*

10 %*

2 %*



** Indicative share of group sales, R12 proforma as per December 31, 2023*

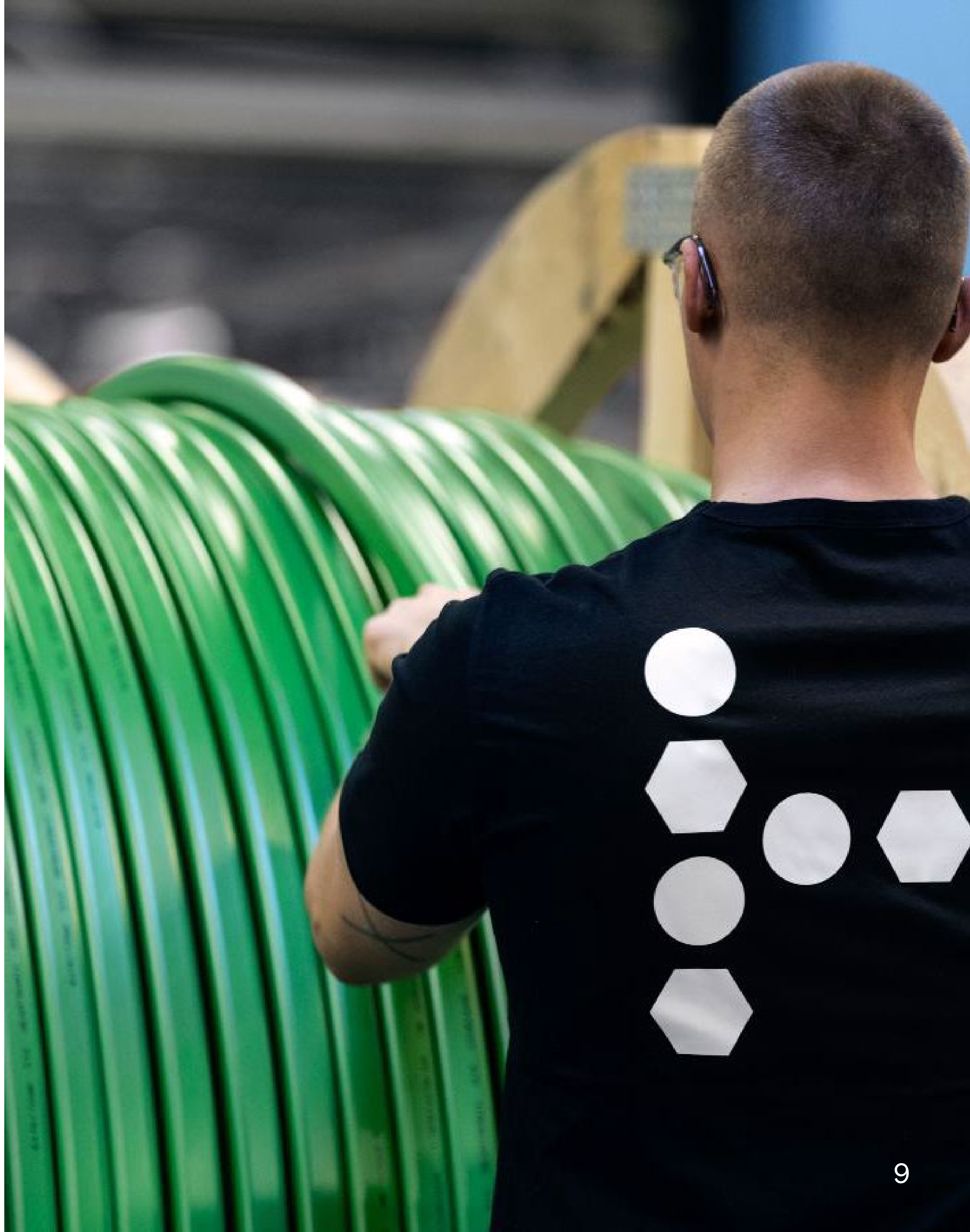
Q4 highlights

Strong operating cash flow and continued growth in new areas

Financial highlights

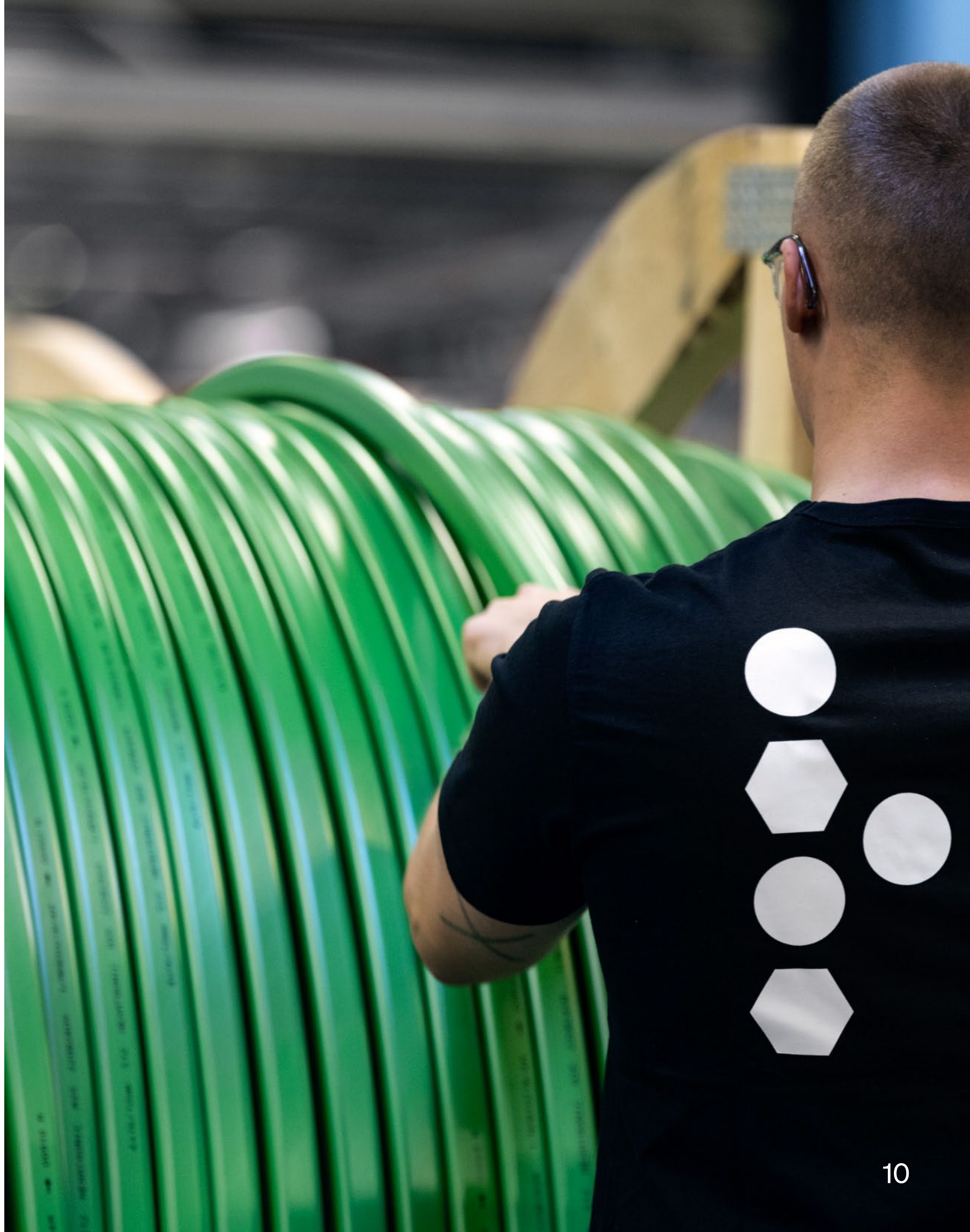
- Net sales increased 4% to MSEK 1,861, of which -23% organic
  - Net sales growth driven by Harsh Environment and Data Center
- EBITA down 45% to MSEK 170, EBITA margin of 9.1% . EBITA margin excluding one-off cost linked to cost-saving program amounted to 10.7%
- Earnings per share amounted to SEK 0.94 (1.06)
- Cash flow from operating activities of MSEK 462 (292), corresponding to a cash conversion of 228% (100), driven by reduced working capital
- Interest-bearing net debt (excl. IFRS 16)** reduced with MSEK 383 to MSEK 2,111 during the quarter, resulting in a sequentially lowered leverage from 1.5x to 1.4x
  - Leverage (incl. IFRS 16)* sequentially down from 1.8x to 1.7x
- Normalised orderbook – 2 months sales, in line with pre-pandemic levels
- Cost saving program with annual savings of approx. MSEK 90 implemented

** Net debt including lease liabilities / R12 EBITDA proforma*
*** Interest-bearing net debt (net debt excluding lease liabilities) / R12 EBITDA proforma*



Significant events

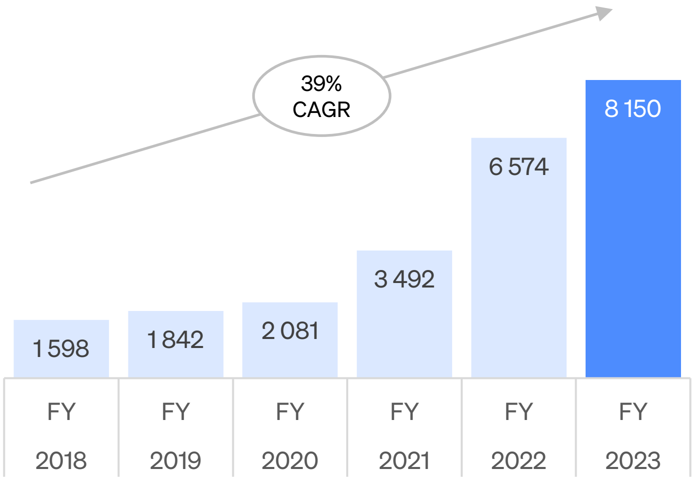
- Acquisition of USNet, to strengthen the exposure to the US Data Center market
- New senior term loan facility agreement of MSEK 500 with existing lenders
- After the end of the quarter, the Board of Directors proposes to the AGM that no payment of dividend will be made for the financial year 2023



Continuous sales and earnings growth

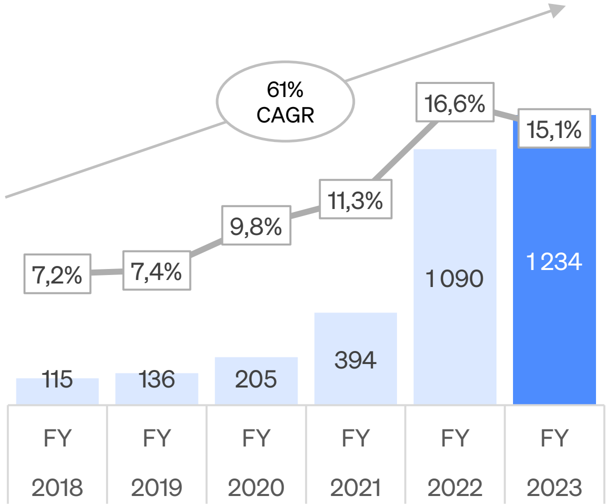
Consistent growth year over year

Revenue (MSEK)



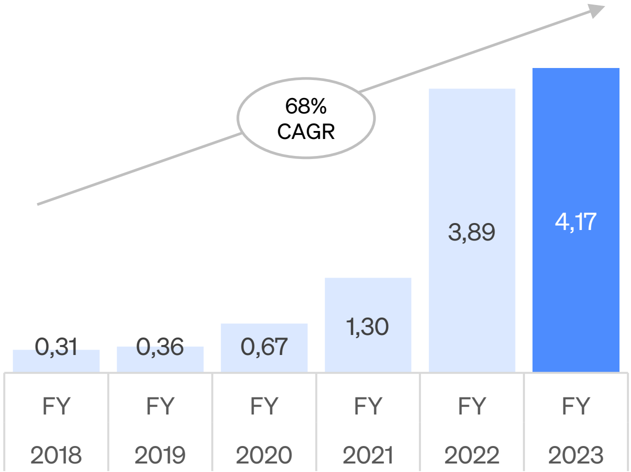
Strong EBITA development

EBITA (MSEK)/EBITA%



Long-term EPS growth

Earnings per share after dilution, SEK



M&A update

- Acquired US Data Center company USNet
- Minor add-on acquisition of IDS subcontractor M Connect in the UK
- Strong end of the year for Rochester Cable in terms of operations and profitability
- Strong quarter for 2023 H2 acquisitions Fibron and USNet
- Substantially lower M&A activity is expected for 2024 compared to previous two years
- Continued focus to develop M&A pipeline within Data Center and Harsh Environment

USNET™

Acquired during the quarter

Mconnect

installing confidence

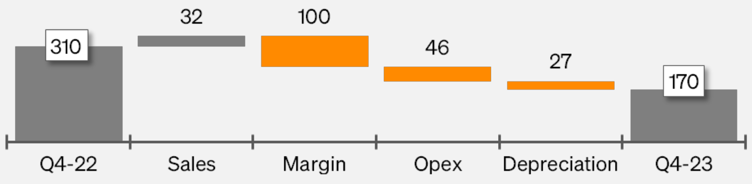
Acquired after the quarter

Financial highlights

Growth primarily driven by Harsh Environment and Data Center – profitability in line with short-term outlook

	October-December			YTD		
(MSEK)	**Q4 2023**	**Q4 2022**	Δ %	**Full year 2023**	**Full year 2022**	Δ %
Net sales	**1 861**	**1 795**	**4%**	**8 150**	**6 574**	**24%**
Organic Growth	*-23%*			*-3%*		
Gross Margin	*40,4%*	*45,9%*		*43,0%*	*43,6%*	
EBITA	**170**	**310**	**-45%**	**1 234**	**1 090**	**13%**
EBITA Margin	*9,1%*	*17,3%*		*15,1%*	*16,6%*	
Adjusted EBITA	*199*	*310*	*-36%*	*1 263*	*1 090*	*16%*
Adj EBITA Margin	*10,7%*	*17,3%*		*15,5%*	*16,6%*	

EBITA Bridge



Revenue Q4: Total growth of 4%, -23% organic decline

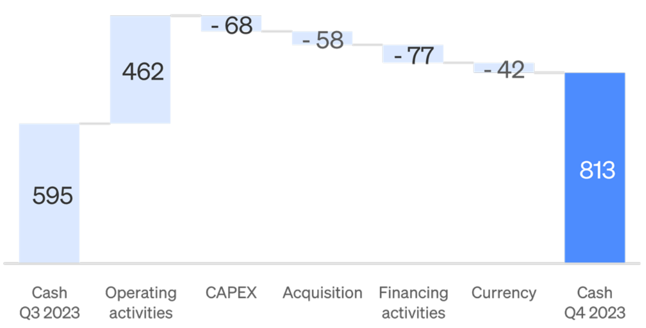
- Organic sales decline primarily in the US, Germany.
- Acquisition driven growth from KNET, Rochester Cable, Fibron, ATG and USNet

EBITA Q4: Margin 9.1% (17.3)

- Gross margin at 40.4% (45.9), mainly due to lower manufacturing utilization, price pressure in some markets and mix effect.
- Operating expenses at 26.1% (27.3), excluding one-off costs, of net sales in the quarter. Operating expenses effected by one-off cost of MSEK 29 linked to cost- saving program, as well as increased cost due to new acquisitions and integration costs compared to last year.
- Adjusted for cost saving program, EBITA margin amounted to 10.7% during the fourth quarter, and 13.1% for the second half of 2023.

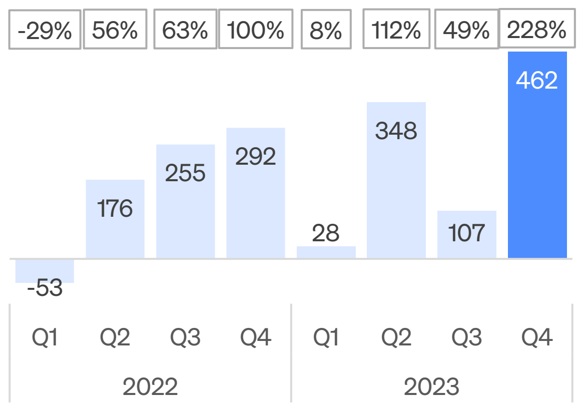
Strong operational cash flow

Cash flow bridge



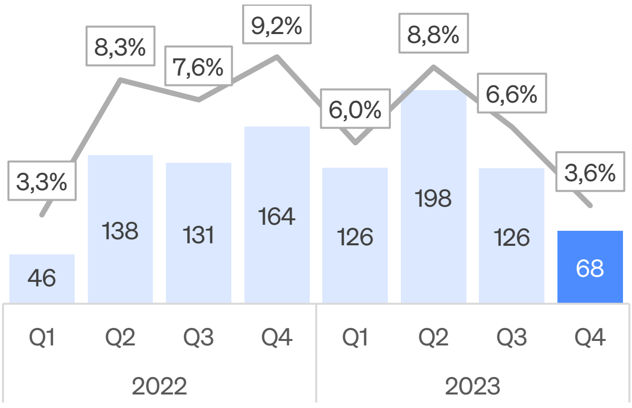
Strong cash conversion due to reduced working capital

Operating cash flow after WC changes (MSEK) / % of Cash flow from operating activities before changes in working capital



Latter part of investment cycle

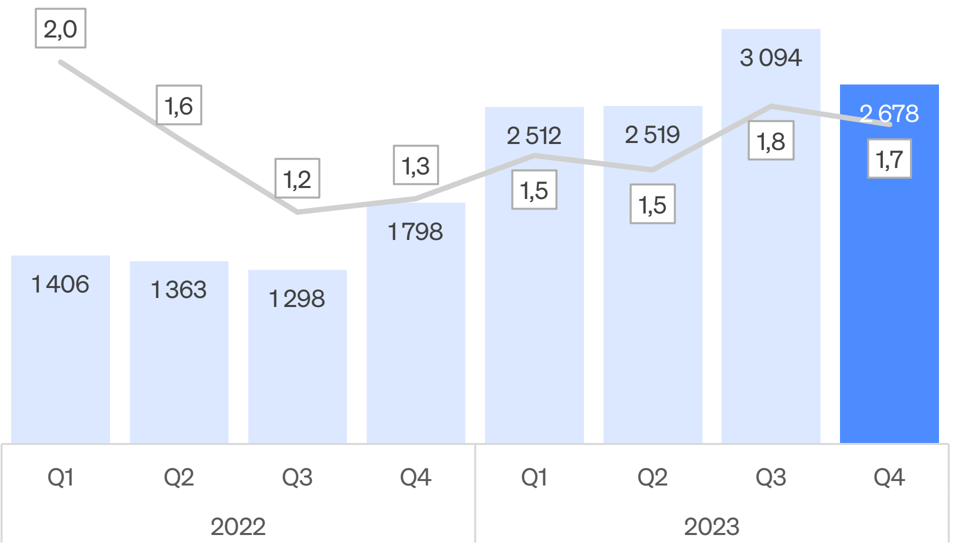
Capex investments (MSEK) / % of revenue



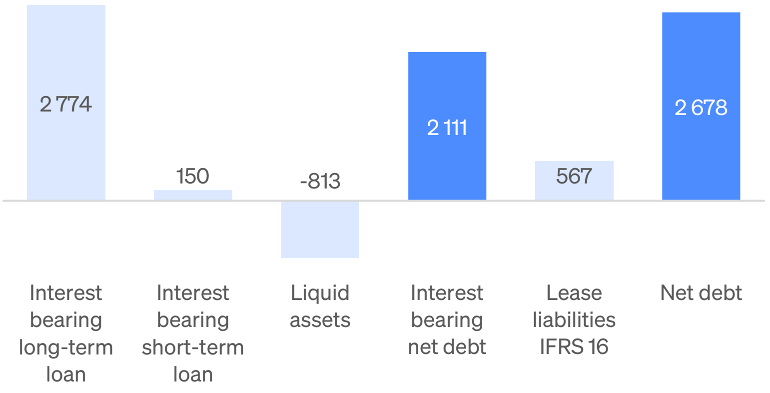
Financial flexibility for long-term value creation

Reduced net debt due to strong cash conversion – Leverage at 1.7x* (1.4x** excl. lease liabilities)

Net debt (MSEK) / EBITDA proforma incl. IFRS 16



Net debt (incl. IFRS 16) as of Q4 2023 (MSEK)

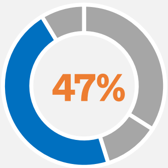


MSEK 813 of cash and MSEK 919 of unutilized back-up facilities gives a liquidity of MSEK 1,732

** Net debt including lease liabilities / R12 EBITDA proforma*
*** Interest-bearing net debt (net debt excluding lease liabilities) / R12 EBITDA proforma*

Business overview

% of Group revenue (R12)



Organic decline in Europe excl. Sweden mitigated by expansion in new areas

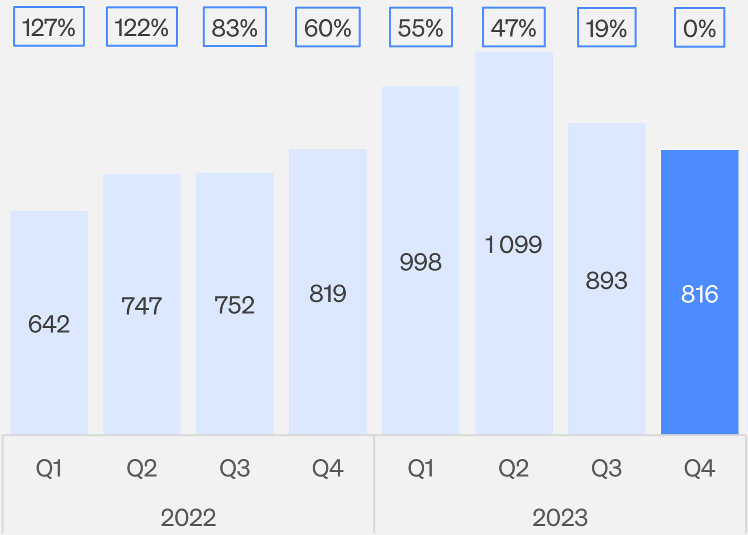
Business development

- Sales in line with corresponding period last year due to acquisitions.
- Organic decline primarily due to Germany and partly UK
- Positive development in Data Center and acquisition of Fibron.

Market development

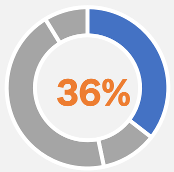
- Higher cost of capital, inflation and high inventory levels has led to a softer German and UK Fiber Solutions markets

Net sales and net sales growth



Continued initiatives to position the company for long-term growth in North America

% of Group revenue (R12)



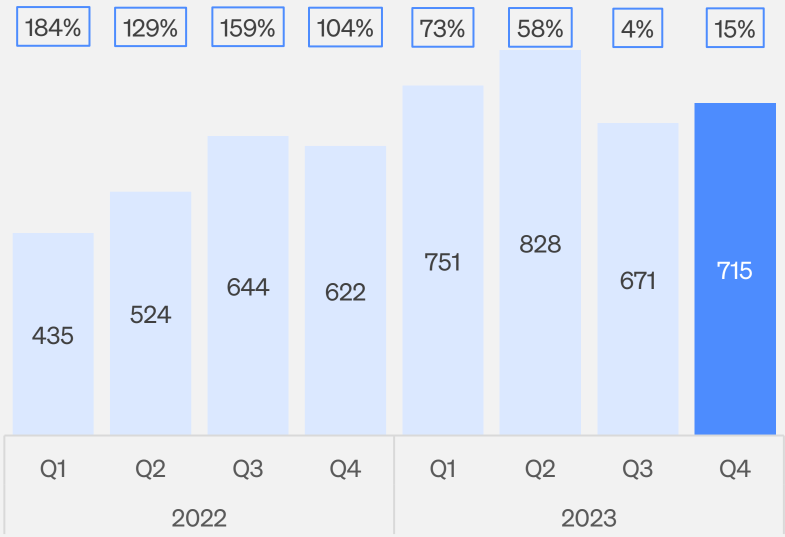
Business development

- Growth of 15% driven by the acquisition of Rochester Cable, strong development in Hexatronic Canada and increased sales of FTTH system sales in the US
- Organic decline due to decreased sales of conduit and pipe
- Continued investments in the new factory in Ogden, Utah, to expand addressable market for conduit and pipe to include the western US, which is a significant market
  - Factory expected to be ready for production in Q3 2024

Market development

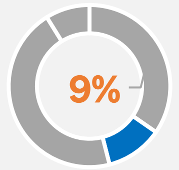
- Higher cost of capital, inflation and high inventory levels has led to a softer US market primarily within conduit and pipe and FTTH
- BEAD programme expected to show effect from H2 2024. First two states (Virginia / Louisiana) fully BEAD approved.

Net sales and net sales growth



Weaker FTTH market in Sweden impacted sales growth

% of Group revenue (R12)



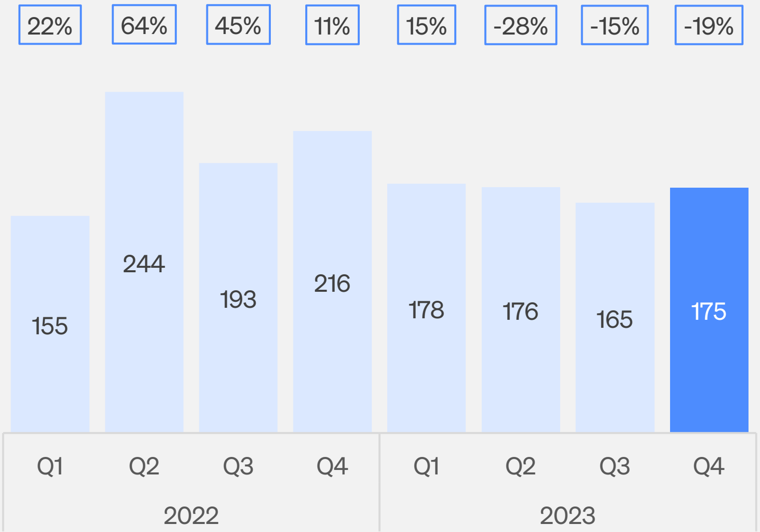
Business development

- Sales decrease by 19% driven by lower FTTH sales and lower sales to mobile operators during the quarter

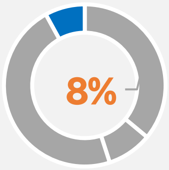
Market development

- Higher cost of capital and inflation has led to a softer market and lower activity among fiber and mobile operators in FTTH and mobile networks

Net sales and net sales growth



% of Group revenue (R12)



Solid performance in APAC

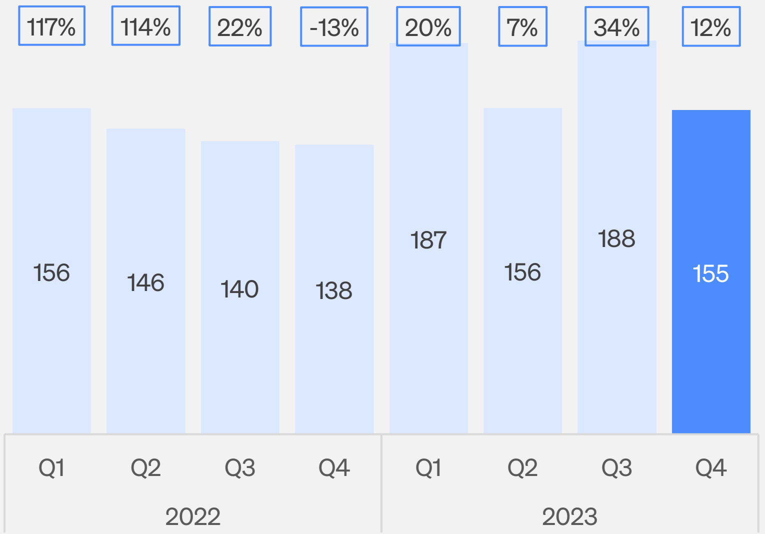
Business development

- Sales growth of 12% driven by the acquisition of Fibron, Rochester Cable and KNET

Market development

- Higher cost of capital and inflation has led to a softer market

Net sales and net sales growth



Market outlook and Summary

Market outlook

- Overall market, lower demand for investments in fiber optic telecommunications infrastructure in the coming quarters, and then gradual increase in market demand in the second half of 2024.
- Harsh Environment and Data Center markets expected to continue to grow
- Governmental subsidies is expected to have an increased impact on the market going forward. In combination with normalizing inventory levels, we expect a gradual market recovery from H2 2024

Summary

- Continued expansion in new areas drove total growth of 4% in Q4
  - Harsh Environment and Data Center ~one third of sales in Q4 and mitigated softer conditions within Fiber Solutions
  - Negative organic growth mainly attributed to softer German FTTH market and US market for duct
  - Sales of FTTH systems in the US grew despite softer market conditions
- Strong cash flow development MSEK 462, corresponding to a cash conversion of 228%, driven by reduced working capital
- Strengthened financial position
  - Reduced leverage ratio* from 1.8x to 1.7x
  - Interest-bearing net debt reduced with MSEK 383 to MSEK 2,111, with leverage ratio (excl. IFRS 16)** decreasing from 1.5x to 1.4x
- Normalised order book – corresponding to ~2 months of sales
- Cost-saving program according to plan – full effect of MSEK 90 in annual savings from Q2 2024
- Reduced CAPEX level going forward – 3-4% of sales (of which 1-2% maintenance) as of FY 2024

** Net debt including lease liabilities / R12 EBITDA proforma*
*** Interest-bearing net debt (net debt excluding lease liabilities) / R12 EBITDA proforma*

Q&A

Hexatronic

A lasting link to the future.