



## **NINE MONTHS REPORT, JAN-SEP 2016**

**TELEPHONE CONFERENCE 25 OCTOBER, 2016, AT 15:30 CET**

**TOMMY ANDERSSON, PRESIDENT AND CEO | HELENA WENNERSTRÖM, EVP AND CFO**

TO PARTICIPATE, PLEASE CALL 5 MINUTES BEFORE THE OPENING OF THE CONFERENCE CALL TO SWEDEN +46 8 5059 6306, UK +44 20 3139 4830, US +1 718 873 9077. CODE: 21090824#



# AGENDA

1. Bulten in brief
2. Market development
3. Third quarter 2016
4. Going forward





# BULTEN IS A LEADING SUPPLIER OF FASTENERS TO THE INTERNATIONAL AUTOMOTIVE INDUSTRY

## VISION

Supporting the global automotive industry with state of the art fastener technology and services.

## BUSINESS CONCEPT

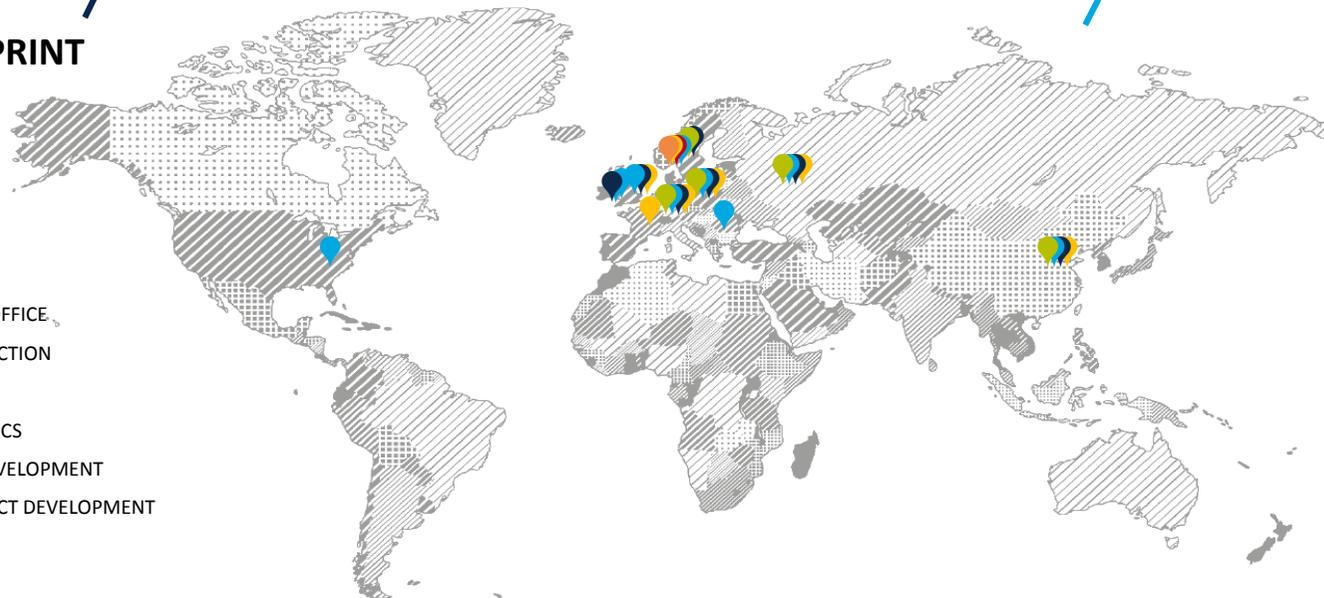
- Bulten shall be the leading business partner and the most cost-effective supplier of fasteners and services to the automotive industry.
- Bulten shall with empowered and dedicated people continuously develop its full service concept and actively launch innovations.
- Bulten shall develop long-term relations based on professionalism and good business ethics.

## FINANCIAL TARGETS

- To grow stronger than the industry in average
- Operating Profit (EBIT) > 7%
- Return on Capital Employed (ROCE) > 15%

## FOOTPRINT

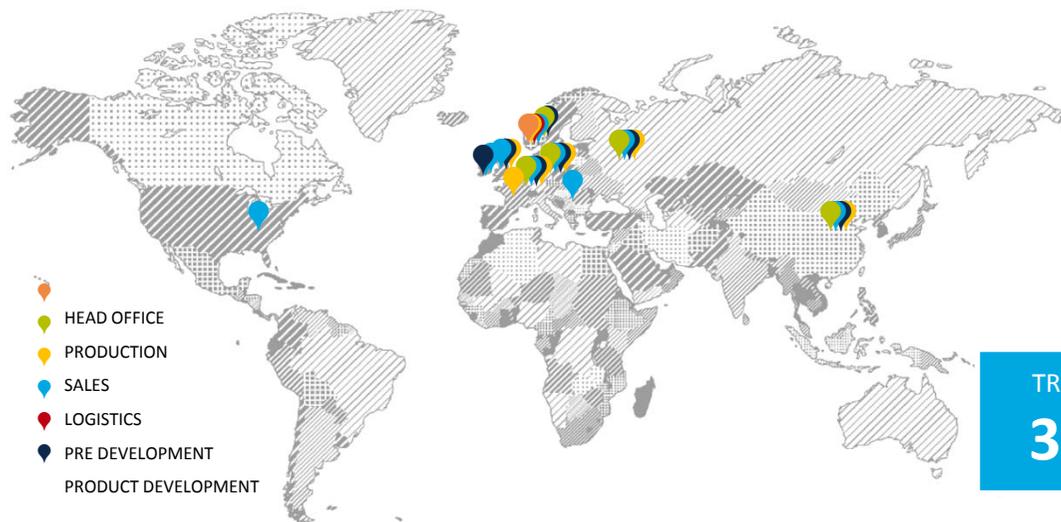
- HEAD OFFICE
- PRODUCTION
- SALES
- LOGISTICS
- PRE DEVELOPMENT
- PRODUCT DEVELOPMENT





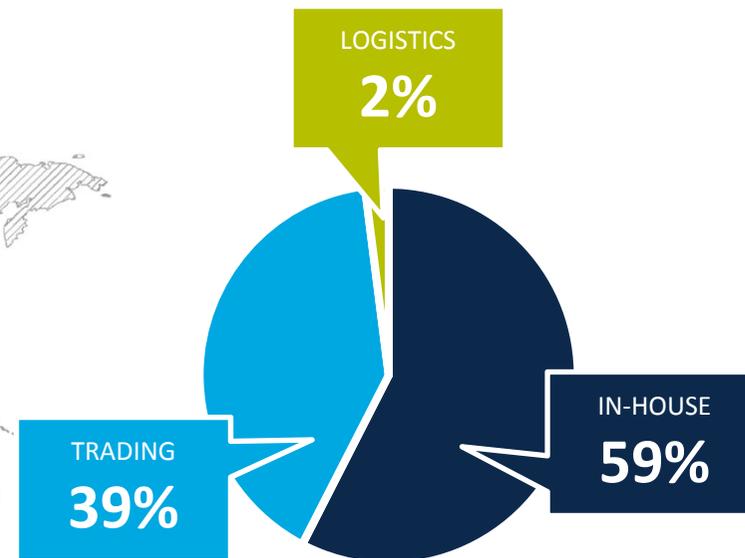
# BULTEN HAS A LEAN AND WELL POSITIONED LOGISTICS AND MANUFACTURING FOOTPRINT AND FLEXIBLE SUPPLY CHAIN

## LEAN AND WELL POSITIONED LOGISTICS AND MANUFACTURING FACILITIES



- Global logistics footprint
- Production mainly in Europe and Asia

## IN-HOUSE VS. TRADING (SALES VALUE)

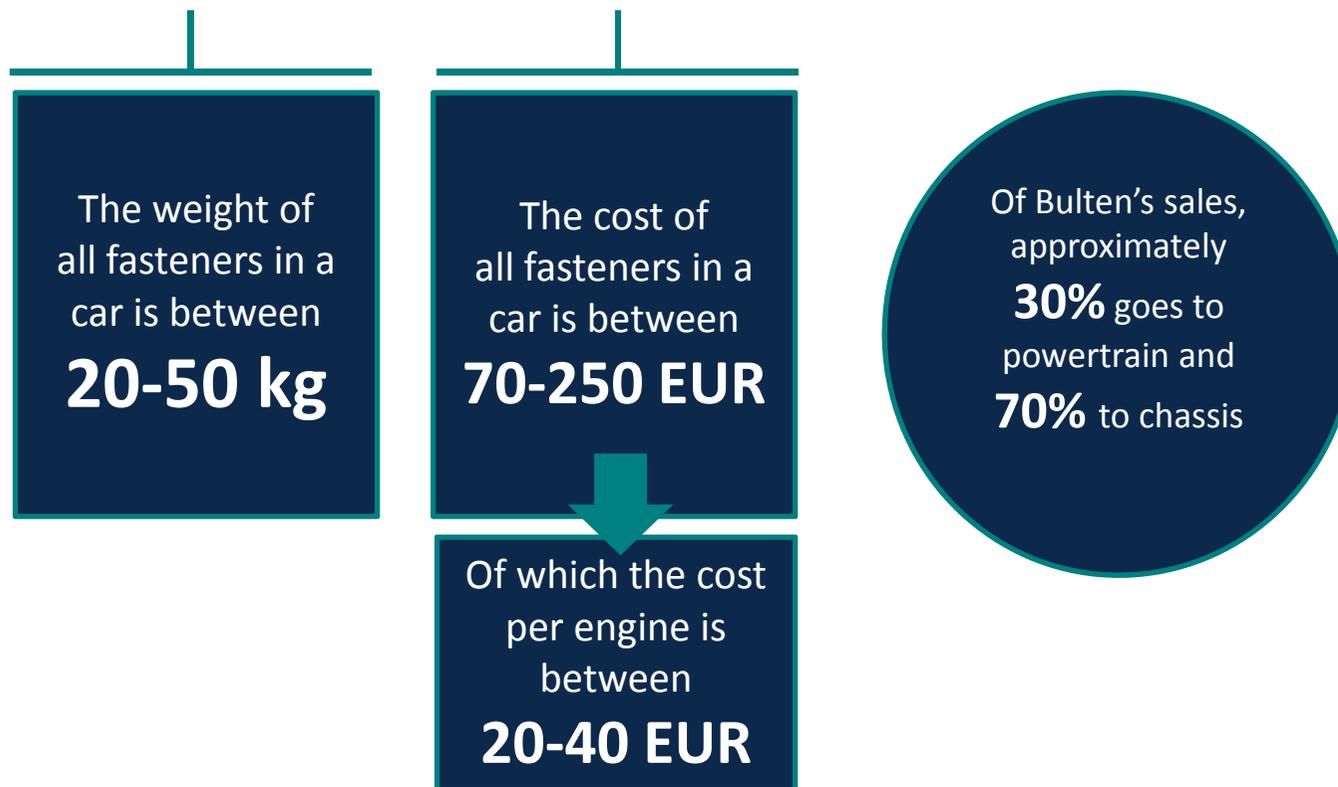


- Bulten produces most products in-house and has a significant trading operation to optimize efficiency
  - Trading - flexibility



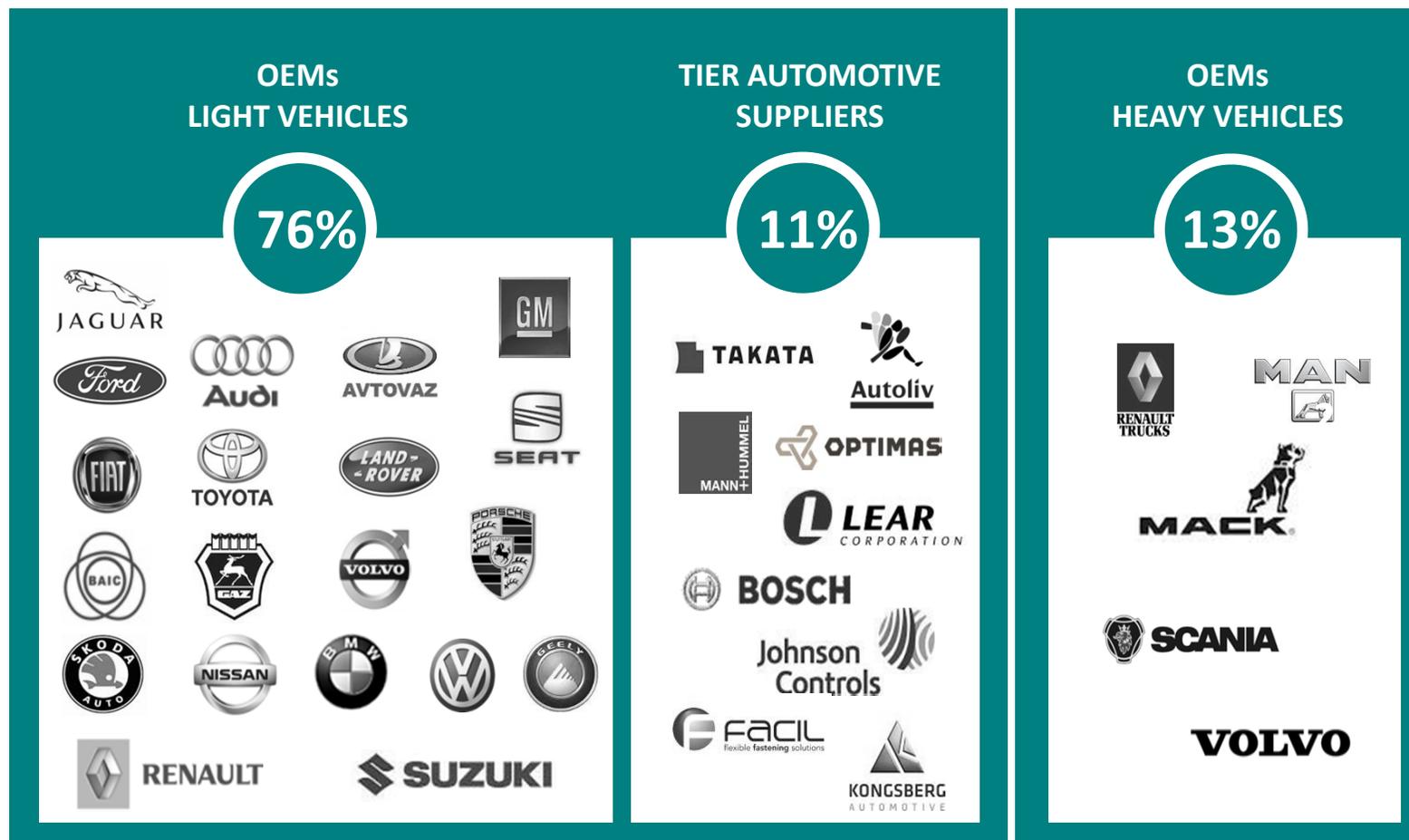
## FASTENER CONTENT IN PASSENGER CARS

A passenger car contains a total of  
**1,500-2,000** fasteners.





# STRONG CUSTOMER BASE AND RELATIONSHIPS WITH MAJOR VEHICLE OEMS AS WELL AS TIER 1 SUPPLIERS

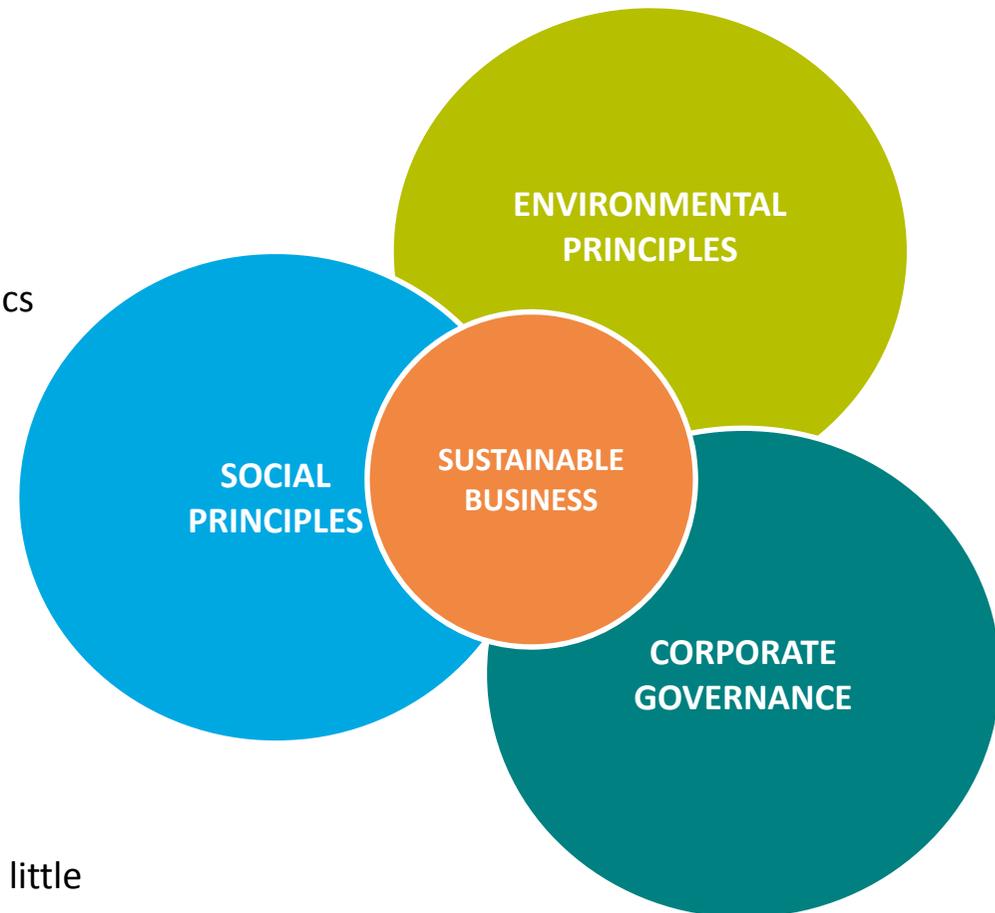


- Selection of customers.
- Share of Bulten's sales YTD



## SUSTAINABILITY IS A NATURAL PART OF ALL OUR ACTIVITIES

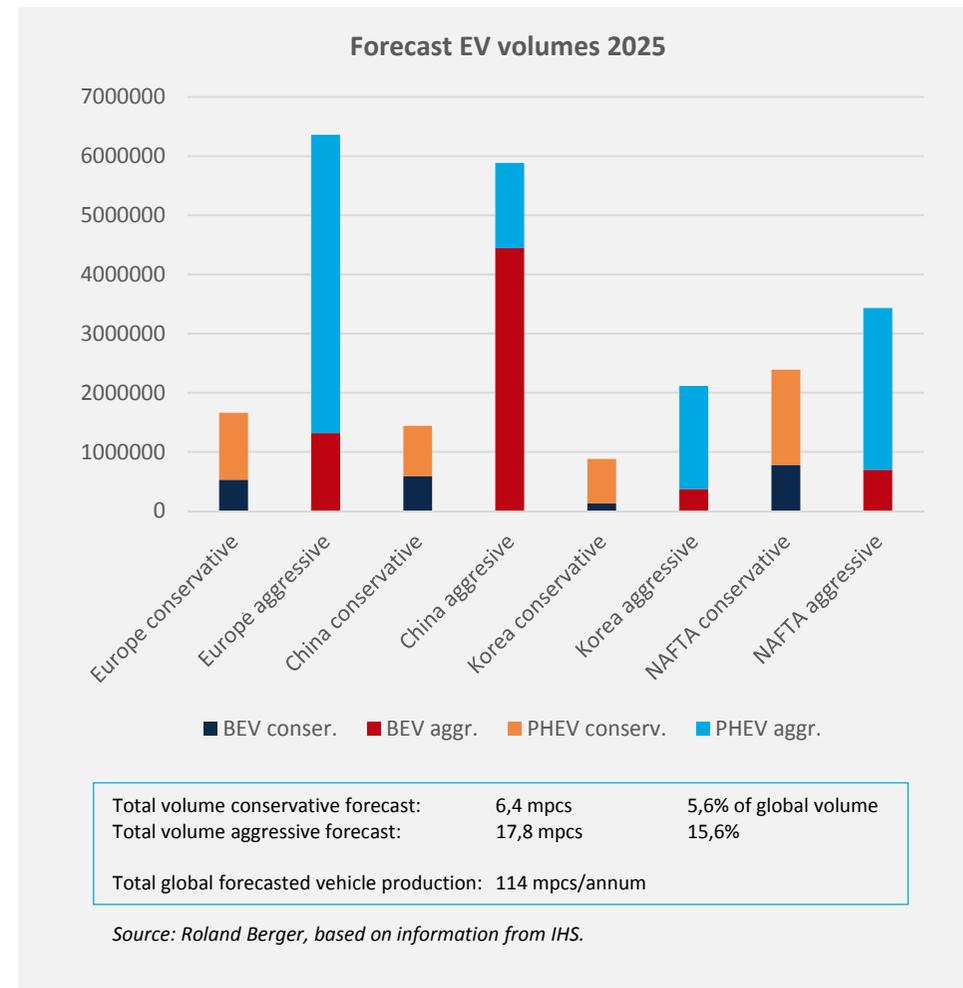
- Social responsibility
  - Consideration to human rights
  - Treat people with respect and good ethics
  - Work methods based on core values
- Corporate governance
  - High business ethics, good risk management and sensible corporate culture
  - Follow rules and regulations
  - Code of Conduct and other policies
- Environmental principles
  - Production shall be carried out with as little environmental impact that is practically possible and economically viable





## THE AUTOMOTIVE INDUSTRY IS FACING MAJOR CHALLENGES WITH ELECTRIFICATION AND AUTONOMOUS CARS MOST IN FOCUS

- The electrification trend is driven by both regulatory requirements and consumer demand
- The world's car manufacturers have investment focus on new technologies as a replacement for combustion engines
- Developing segment Electric Vehicles are defined as
  - PHEV – Plug-in hybrid electric vehicles
  - BEV – Battery electric vehicles and
  - FCEV – Fuel Cell electric vehicles
- Hybrid engines are already becoming increasingly common
- Breakthrough for the electrification technology is expected when the cost of battery technology has been reduced
- High pace of development of autonomous cars





## BULTEN AS A CONTRIBUTOR IN THE SUSTAINABLE DEVELOPMENT

- Bulten is involved in electrification projects with various automotive manufacturers and is helping to drive developments concerning fastener shape and material to create optimal conditions for the new technology.
- Participation in Chalmers program – Future Powertrain, Electrification
- Various customer projects
  - Tesla
  - NEVS
  - American Axle
  - PowerCell



National  
Electric Vehicle  
Sweden



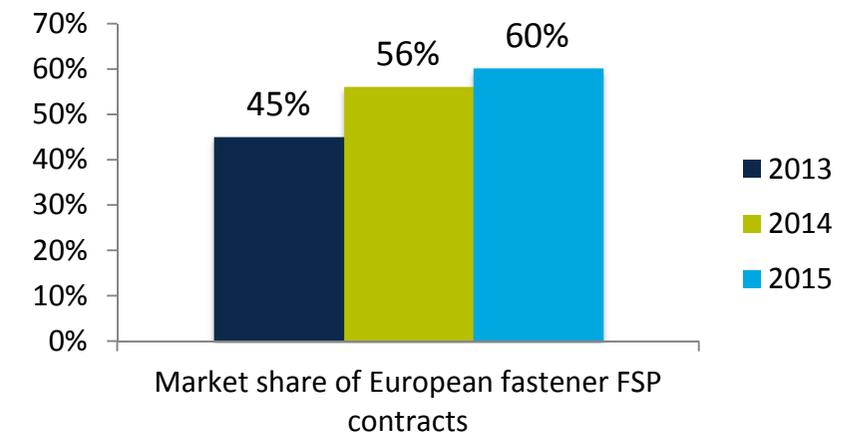
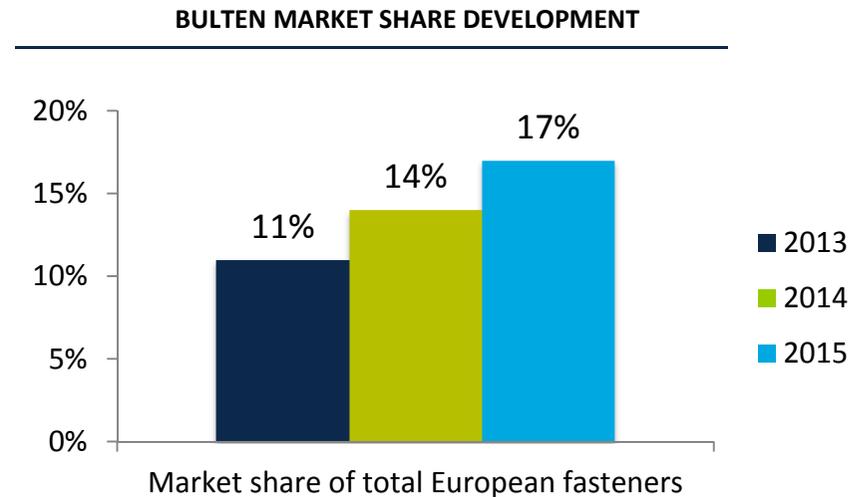
## 2. MARKET DEVELOPMENT





## BULTEN MARKET SHARE DEVELOPMENT

- Management estimates\*:
  - Market share 17% of the European market of fasteners for the automotive industry 2015, up 3 pp.
  - Market share of FSP contracts for the same market to be 60% 2015, up 4 pp.



\* Based on data from EIFI (European Industrial Fasteners Institute)



## MARKET DEVELOPMENT

- LMC Automotive reports for automotive production in Europe, 2016:
  - Production of LV in 2016 up by 2.4% compared to 2015
  - Production of HCV (>15 t) in 2016 up by 1.3% compared to 2015
  - For Bulten's mix, up 2.3%
    - LV stands for ~87% of sales
    - HCV stands ~13% of sales
  
- ACEA reports for LV sales in Europe for the first nine months, 2016
  - European LV sales up 8.0% compared to same period last year

*Source: LMC Automotive Q3, 2016. ACEA nine months, 2016*

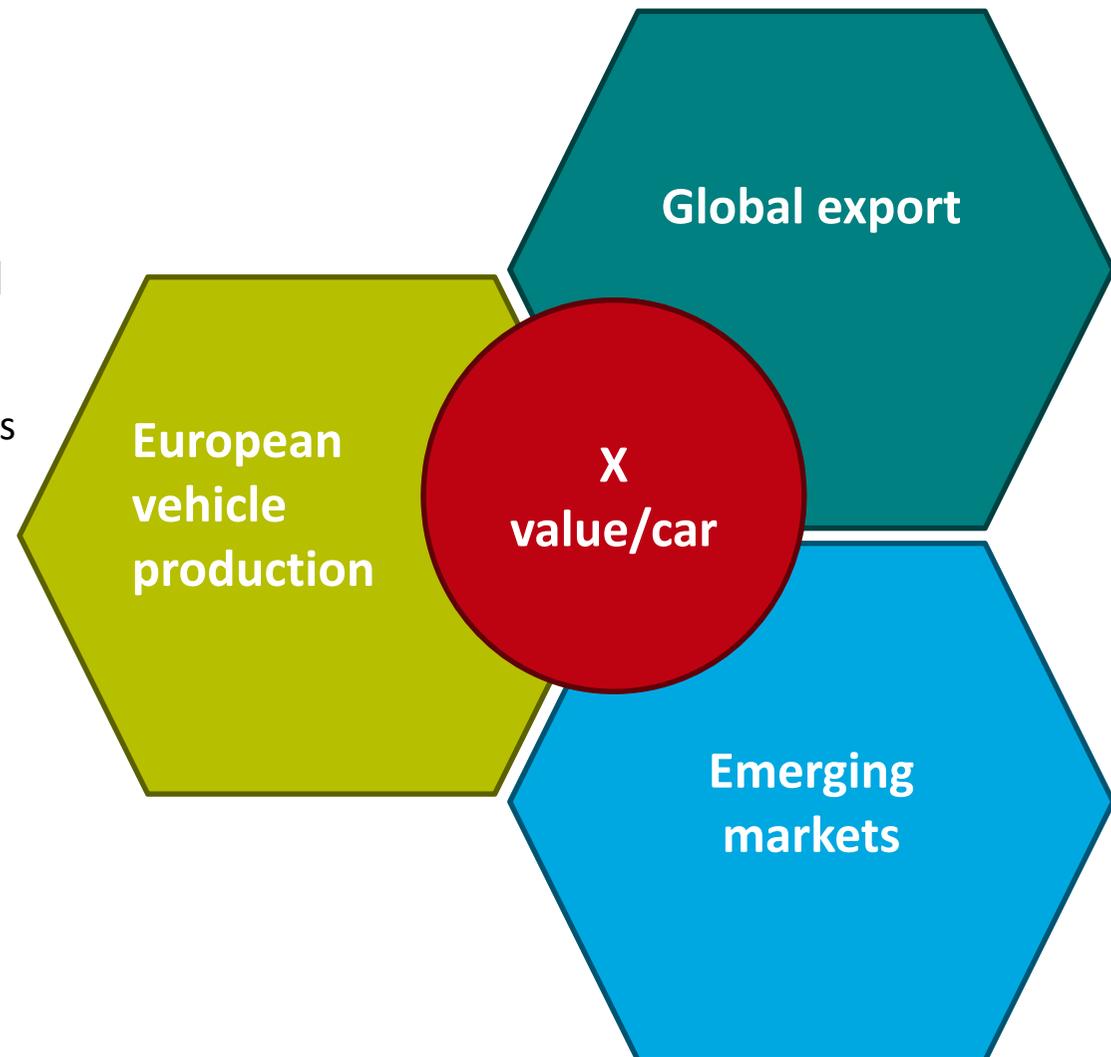


## SALES DEVELOPMENT VS THE MARKET

### - BULTEN'S SALES IS NOT ONLY AFFECTED BY THE EUROPEAN CAR MARKET

Bulten Q3 market development assessment

- Continued good vehicle sales in Europe but affected by:
  - Model shifts by our customers
  - Lower export volumes to China and to heavy vehicle production
  - Some effects of Brexit.

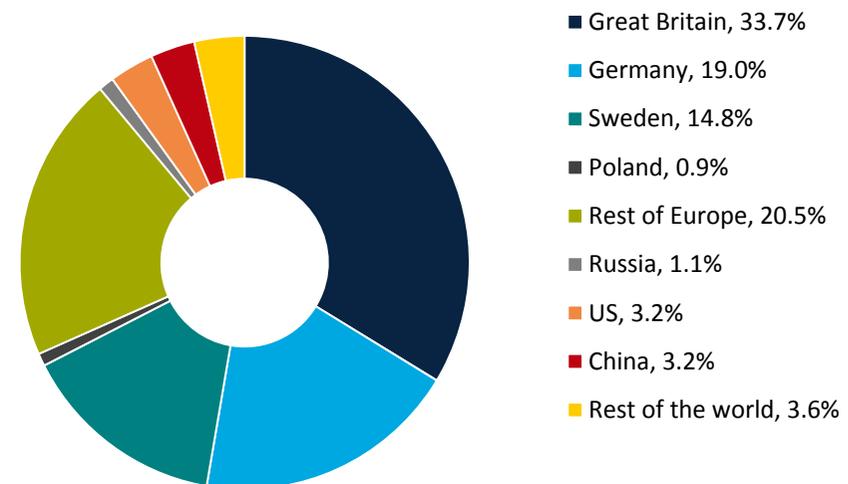




## BREXIT EFFECT ON BULTEN

- The economic development in Europe is characterized by a somewhat higher uncertainty due to Brexit and might lead to an overall lower growth in Europe
- For Bulten, approx. 34% of the direct sales goes to customers in Great Britain
  - Parts of these deliveries go to other markets, both in Europe and RoW

GEOGRAPHIC SALES DISTRIBUTION  
JANUARY – SEPTEMBER 2016

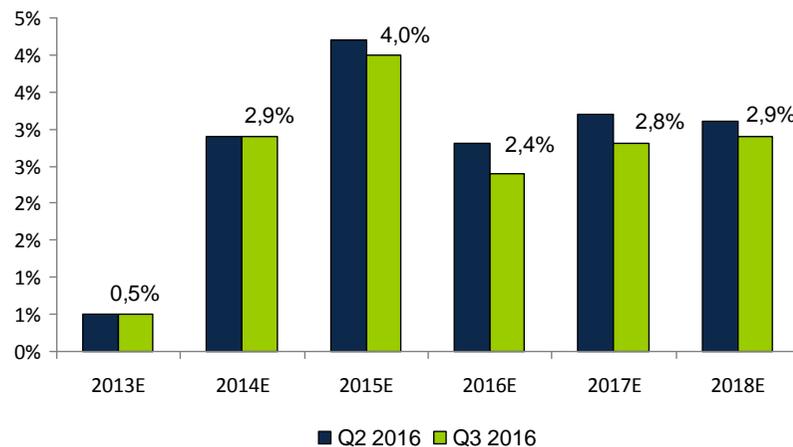


*Sales refers to where the customer's delivery point is located. The major part of sales goes to production of vehicles in Europe, of which a portion is exported to other markets in for example North America and BRIC.*



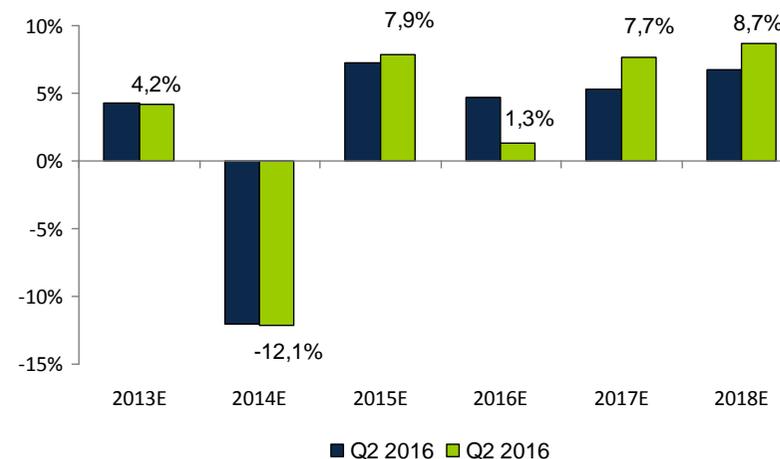
# LMC AUTOMOTIVE REPORTS FOR AUTOMOTIVE PRODUCTION IN EUROPE

PRODUCTION GROWTH RATE (YEAR ON YEAR)  
LIGHT VEHICLES EUROPE



- LMC Automotive (Q3 2016 report) has decreased its forecast of LV production 2016 from last quarter (2.8%) to an increase of 2.4% compared to 2015

PRODUCTION GROWTH RATE (YEAR ON YEAR)  
HEAVY COMMERCIAL VEHICLES (>15t) EUROPE



- LMC Automotive (Q3 2016 report) has decreased its forecast of HCV production 2016 from last quarter (4.7%) to an increase of 1.3% compared to 2015

Source: LMC Automotive Q2 and Q3, 2016

# 3. THIRD QUARTER 2016





## OPERATIONAL HIGHLIGHTS

- Improved earnings with an EBIT margin of 6.5%
  - Effects from optimization program and flexible operations
- Improved financial key ratios
- Sales development slightly below market growth
- New break-through contract in Russia with further potential
- Quality award from Jaguar Land Rover
- Preparing for future growth through investments and continued streamlining



*Bulten wins prestigious quality award from Jaguar Land Rover.*



## INVESTMENTS TOWARDS BECOMING THE INDUSTRY'S MOST COST-EFFICIENT PRODUCER OF FASTENERS

- Bulten has years of experience in surface treatment and has decided to increase its in-house production
- Preparing for future growth through investments and continued streamlining
- Focus on operational efficiency and preparation for ramp-up of signed contracts

### WHY:

- ✓ Competitiveness
- ✓ Improve profitability
- ✓ Reduce working capital
  - ✓ Flexibility
  - ✓ Process control
- ✓ Improve sustainability



## INVESTMENTS IN PLATING LINES IN POLAND AND GERMANY

- Total investments in plating lines appr. EUR 8.8 million of which:
  - appr. EUR 6 million in Poland (decision taken in Q2)
  - appr. EUR 2.8 million in Germany (decision taken in Q3)
- Start of production in both cases is planned late 2018
- Total annual savings of appr. EUR 3.4 million
- Payback period around:
  - three years for Poland
  - two years for Germany





# GROUP SUMMARY

## THIRD QUARTER

- Net sales -2.7%
- EBIT margin 6.5% (5.8)
- Earnings after tax SEK 29.9 m (21.8)
- EPS 1.50 SEK (1.14)

## COMMENTS

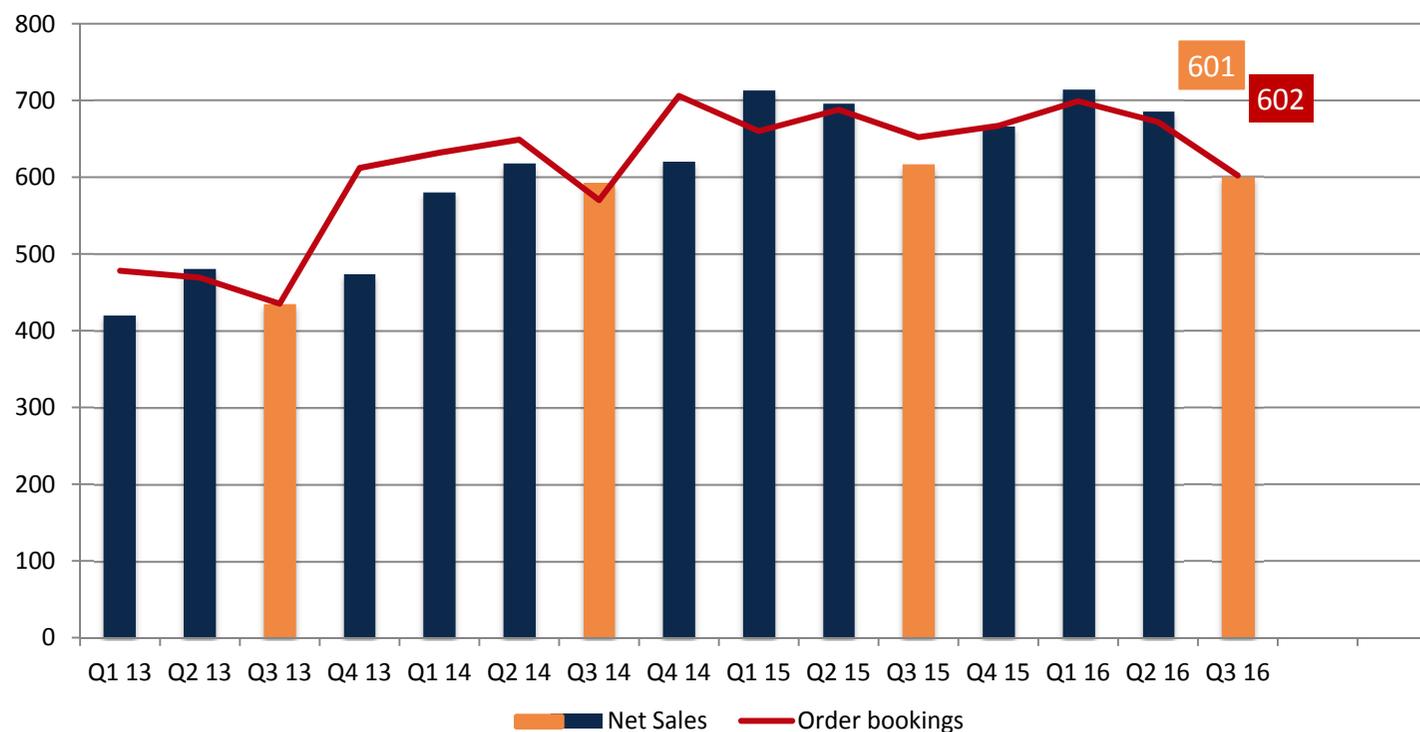
- Sales development in line with European market growth excluding export volumes and Brexit effect
- Strong EBIT margin
  - Effects from optimization program and flexible operations

FINANCIAL SUMMARY (MSEK)	Q3			12M ROLLING OCT 2015- SEPT 2016	FULL YEAR 2015	Δ
	2016	2015	Δ			
Net sales	600.6	617.5	-2.7%	2,669.0	2,693.5	-0.9%
Gross profit	116.6	112.0	4.6	522.3	510.1	12.2
Earnings before depreciation (EBITDA)	57.4	50.9	6.5	263.8	225.0	38.8
Operating earnings (EBIT)	39.3	36.0	3.3	195.6	165.0	30.6
Operating margin, %	6.5	5.8	0.7	7.3	6.1	1.2
Adjusted operating earnings (EBIT)	39.3	36.0	3.3	191.6	157.2	34.4
Adjusted operating margin, %	6.5	5.8	0.7	7.2	5.8	1.4
Earnings after tax	29.9	21.8	8.1	133.5	110.9	22.6
Adjusted Earnings after tax	29.9	21.8	8.1	129.5	103.1	26.4
Order bookings	602.1	652.3	-7.7%	2,646.1	2,673.5	-1.0%
Return on capital employed, %	--	--	--	13.7	11.5	2.2



## SALES AND ORDER INTAKE DEVELOPMENT

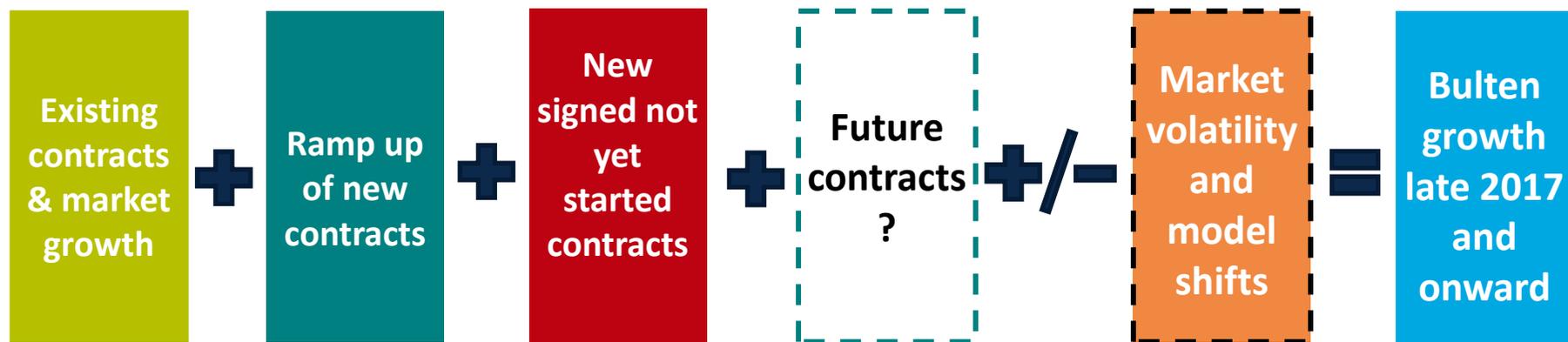
SEK m



- Sales down 2.7% in Q3 vs last year and down 3.0% currency adjusted
- Order intake down 7.7% in Q3 vs last year due to
  - model changes by our customers
  - lower export volumes to China and to heavy vehicle production
  - Brexit effects



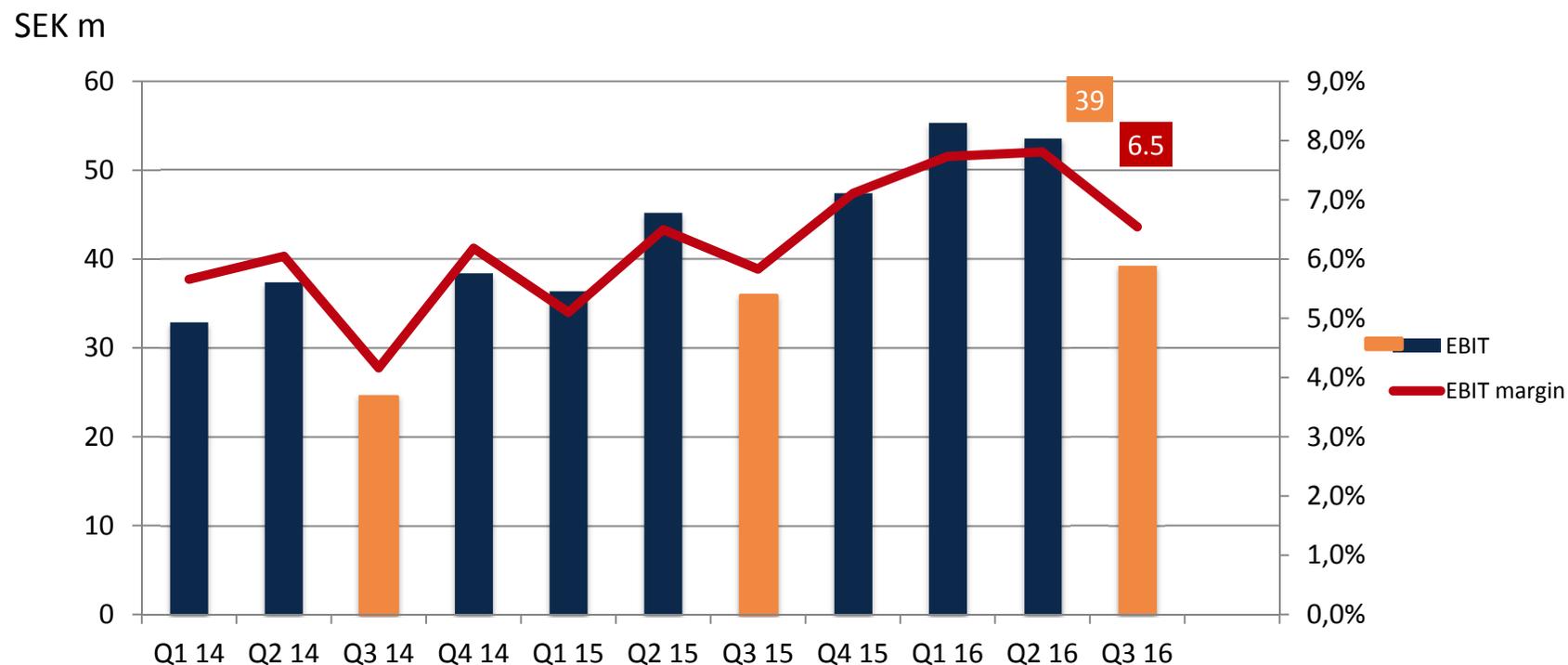
## PREDICTED STRONGER BULTEN GROWTH VS THE MARKET



- Market growth according to LMC Automotive 3.4% 2017
- New contracts under ramp up for Bulten:
  - LV contract. SEK 130 million/year at full pace 2020. Started 2015 with slow ramp-up
  - HCV contract. SEK 17 million/year. Starts late 2016
- New signed contracts to be ramped up:
  - LV contract. EUR 20 million/year. Starts late 2017 full pace 2019
  - China LV contract. SEK 60 million in total. Contract period 2017-2018
  - Russia LV contract. EUR 700 thousand/year. Starts 2017 full pace 2018
- Future contracts; ongoing customer discussions



## IMPROVED EBIT TREND CONTINUED IN Q3



- Improved EBIT of SEK 39.3 m (36.0), EBIT margin of 6.5% (5.8)
  - Improved gross margin
  - Successfully implemented optimization program
  - Flexible operations



## CASH FLOW, BALANCE SHEET AND NET DEBT

CASH FLOW STATEMENT, MSEK	Q3		JAN-SEP		FULL YEAR
	2016	2015	2016	2015	2015
Cash flow from operating activities before changes in working capital	51.2	36.4	184.8	135.6	186.8
Cash flow from operating activities	55.4	-12.4	228.4	50.5	141.3
Cash flow from investing activities	-29.0	-40.0	-51.5	-160.6	-306.9
Cash flow for the period from continued operations	36.2	-47.8	43.7	-175.0	-209.6
Cash flow for the period	36.2	-47.8	43.7	-177.5	-212.1
Cash and cash equivalents at end of period	86.1	78.0	86.1	78.0	40.5

BALANCE SHEET, MSEK	2016-09-30	2015-09-30	2015-12-31
<b>ASSETS</b>			
Total assets	1,938.3	1,870.2	1,944.5
<b>EQUITY AND LIABILITIES</b>			
Equity	1,319.2	1,263.3	1,245.2
Total equity and liabilities	1,938.3	1,870.2	1,944.5

MSEK	2016-09-30	2015-09-30	2015-12-31
Net debt (-)	-62.6	-73.2	-176.0



## KEY INDICATORS – CAPITAL STRUCTURE AND RETURN INDICATORS

THE GROUP, 12 MONTHS	12 M ROLLING		FULL YEAR
	Oct 2015- Sep 2016	Oct 2014- Sep 2015	2015
<b>RETURN INDICATORS</b>			
Return on capital employed, %	13.7	10.9	11.5
Return on equity %	10.8	9.0	9.4
Return on equity, adjusted %	10.6	8.7	8.9
<b>CAPITAL STRUCTURE</b>			
Capital turnover, times	1.8	1.9	1.9
Net debt (-) / EBITDA	-0.2	-0.3	-0.8
<b>THE GROUP</b>	<b>2016-09-30</b>	<b>2015-09-30</b>	<b>2015-12-31</b>
<b>CAPITAL STRUCTURE</b>			
Net debt/equity ratio, times	-0.0	-0.1	-0.1
Equity/assets ratio, %	68.1	67.5	64.0



## FINANCIAL GUIDELINES

THE GROUP	12 M ROLLING Oct2015- Sep 2016	FULL YEAR 2015	GUIDELINES
Average net working capital as % of sales	21.3	19.8	20
CAPEX as % of sales	7.3	9.3	2-3
Depreciation as % of sales	2.6	2.2	2-3
Tax rate	28.3	27.8	26-29

- Temporary higher average NWC due to higher amount end of September 2015
  - NWC Q3, 2015 was affected of the rapid slow down in China but also preparations for taking over new business in production earlier trading
- Capex and depreciation mirrored by the high activity this year
  - Capex excluding acquisition of property in Hallstahammar 2.9%
- Tax rate going forward is estimated to 26-29%. The tax rate will fluctuate between quarters



## FINANCIAL TARGETS

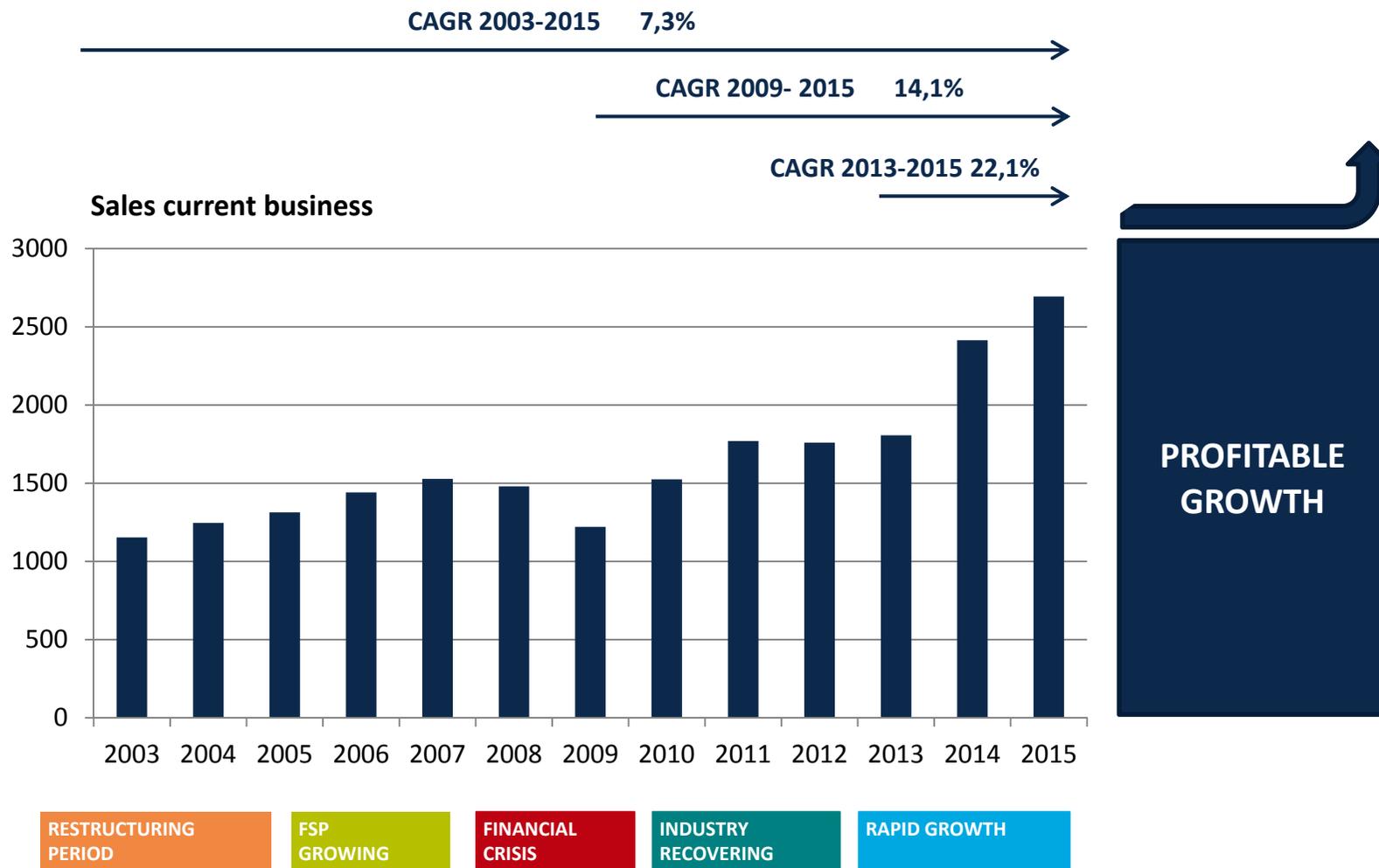
	<b>Growth</b> → Profitable organic growth more strongly than the industry average	<b>Margin</b> → Operating margin of at least 7%	<b>ROCE</b> → At least 15%	<b>EPS</b> → EPS development	<b>Dividend</b> → At least one third of net earnings after tax
<b>Q3</b>	-2.7%	6.5%	na	1.50 SEK	3.25 SEK
<b>JAN-SEPT</b>	-1.2%	7.4%	na	5.45 SEK	per share
<b>R12</b>	-0.9%	7.3%	13.7%	6.78 SEK	59.9% for 2015
	~	✓	✗		✓

## 4. GOING FORWARD





# CAPTURE FUTURE GROWTH





## OPPORTUNITIES AHEAD

Bulten's opportunities ahead are:

- Continued long-term organic growth potential
  - Start second half 2017, based on already won contracts and ongoing discussions
  - Opportunities in emerging markets
  - Development of new fastener technology for EV
- Preparing for future growth through investments and continued streamlining
- Becoming the most cost-effective FSP supplier in the industry
- Strong financial position

**Bulten has taken significant steps forward in the market and has created a high credibility in the automotive industry**



# **BULTEN**

## **– A STRONGER SOLUTION**

