



NINE MONTHS REPORT, JAN-SEP 2018

TELEPHONE/AUDIO CONFERENCE 25 OCTOBER 2018, AT 15.30 CET
TOMMY ANDERSSON, PRESIDENT AND CEO | HELENA WENNERSTRÖM, EVP AND CFO

DIRECT LINK AUDIOCAST: [HTTPS://TV.STREAMFABRIKEN.COM/BULTEN-Q3-2018](https://tv.streamfabriken.com/bulten-q3-2018)
TELECONFERENCE: SE: + 46856642669, UK: +442030089807, US: +18558315944

AGENDA

1. Bulten in brief
2. Market development
3. Third quarter 2018
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.

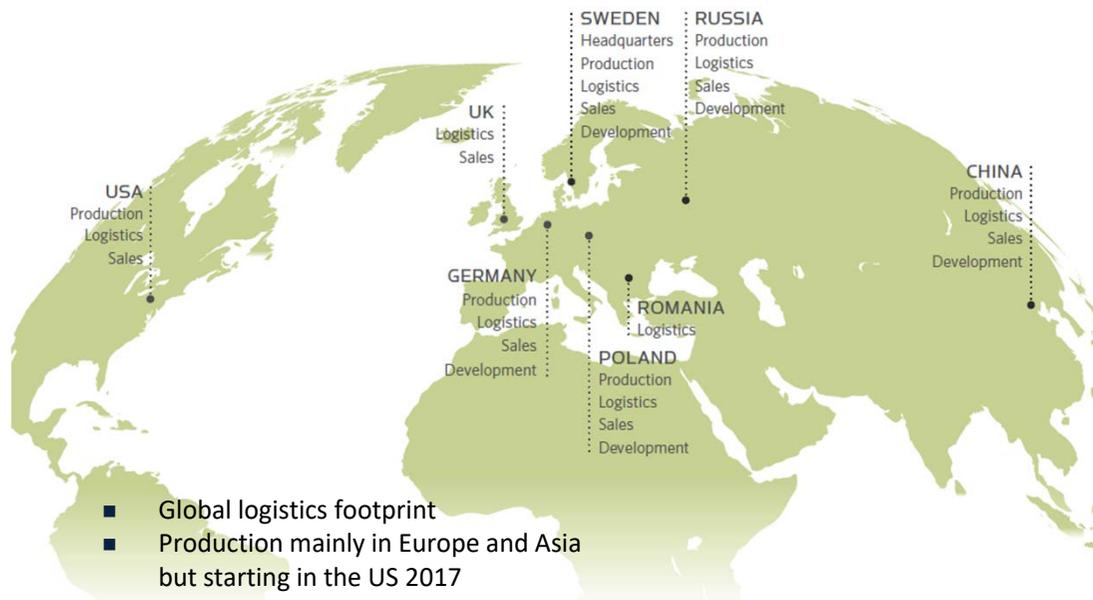
FINANCIAL TARGETS

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

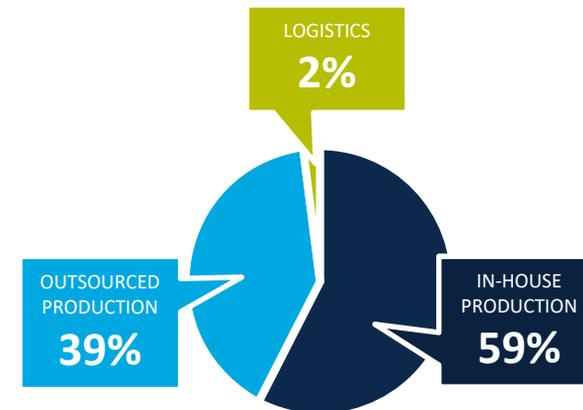


BULTEN HAS A LEAN AND WELL POSITIONED LOGISTICS AND MANUFACTURING FOOTPRINT AND FLEXIBLE SUPPLY CHAIN

LEAN AND WELL POSITIONED LOGISTICS AND MANUFACTURING FACILITIES



IN-HOUSE VS. TRADING (SALES VALUE)



- Bulten produces most products in-house and has but has also production outsourced to optimize efficiency and flexibility



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

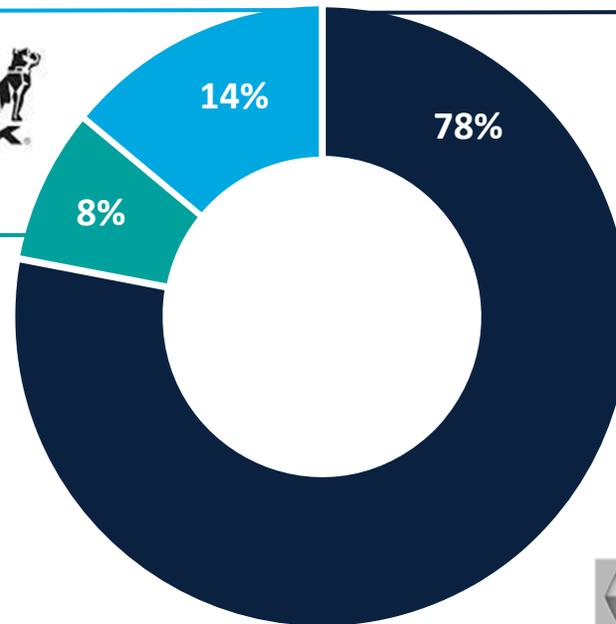
HEAVY VEHICLES



TIERS



LIGHT VEHICLES



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

2 MARKET DEVELOPMENT

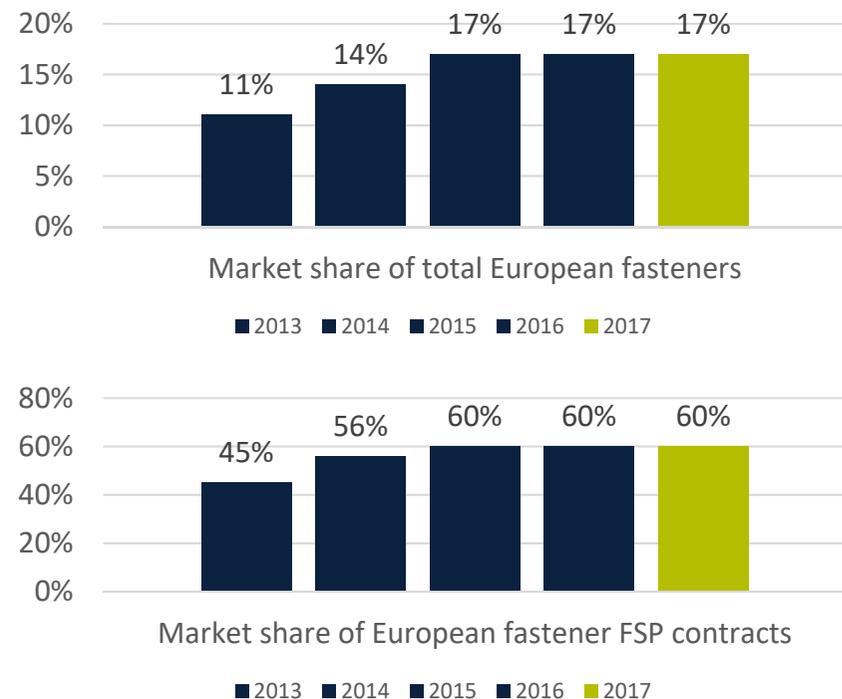




BULTEN MARKET SHARE DEVELOPMENT

- Management estimates*:
 - Market share 17% of the European market of fasteners for the automotive industry 2017, 1 pp above 2016
 - Market share of FSP contracts for the same market to be 60% 2017, flat versus 2016
- Expected growth
 - Growth comes from gradually increasing volumes after model change and deliveries to earlier signed contracts begun
 - Earlier contracts signed (annually value of 66 MEUR at full volume 2020) will support Bulten growth even further in the years to come

BULTEN MARKET SHARE DEVELOPMENT



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



MARKET DEVELOPMENT

- LMC Automotive reports for automotive production in Europe, 2018:
 - Production of LV in 2018 up by 0.6% compared to 2017
 - Production of HCV (>15 t) in 2018 up by 1.6% compared to 2017
 - For Bulten's mix, up 0.7%
 - LV stands for ~86% of sales
 - HCV stands ~14% of sales

- ACEA reports for LV sales in Europe for the nine months, 2018
 - European LV sales for the nine months, 2018 up 2.5% compared to 2017

Source: LMC Automotive Q3, 2018. ACEA nine months, 2018

LMC AUTOMOTIVE REPORTS FOR AUTOMOTIVE PRODUCTION IN EUROPE

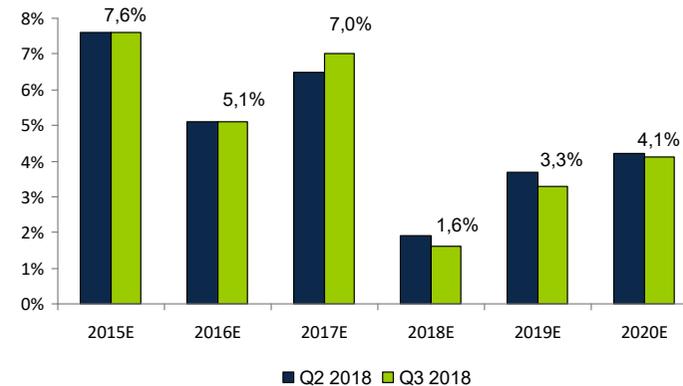


PRODUCTION GROWTH RATE (YEAR ON YEAR)
LIGHT VEHICLES EUROPE



LMC Automotive (Q3 2018 report) has decreased its forecast level on LV production 2018 compared to the Q2 2018 report. LMCA now forecast an increase of 0.6% compared to 2017.

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



LMC Automotive (Q3 2018 report) has decreased its forecast of HCV production 2018 compared to the Q2 2018 report. LMCA forecast an increase of 1.6% compared to 2017.

Source: LMC Automotive Q2 2018 & Q3 2018

MARKET VOLATILITY



- European car registrations surged during summer
- Distortions in many markets caused by the transition to WLTP emissions testing (Worldwide Harmonised Light Vehicle Test Procedure)
- Strong incentives in August for heavy discounting by retailers
- Savvy buyers made purchases before higher taxes linked to CO² emissions were applied (for example Bonus-Malus in Sweden)
- LMC expects the surge in August to be cancelled out in the autumn months
- Raw material prices have increased continuously since the first quarter of 2017 and have become challenging for all players in the value chain
 - No further increases are announced for the fourth quarter



Source: LMC Automotive Q3, 2018.

3. THIRD QUARTER 2018



OPERATIONAL HIGHLIGHTS FOR THE QUARTER



- Sales increased by 14.5%
- Order intake increased 4.7%
- EBIT margin 5.2% (5.5)
 - Higher raw material prices
 - Irregular production pace
 - Negative currency effect
- Bulten's annual report voted best in Sweden
- After the quarter;
 - Bulten awarded electric vehicle drive technologies FSP contract
 - Bulten has decided to relocate its plant in China from Beijing to Tianjin



Bulten's annual report voted best in Sweden in the mid cap segment.

BULTEN CONTINUES TO GROW AND RELOCATE ITS OPERATION IN CHINA



- Bulten has decided to relocate its plant in China
 - from Beijing to Tianjin
- The aim is to expand in the local Chinese market
 - growth opportunities have increase considerably from a previously relatively low level for Bulten
- Relocation to Tianjin Industrial park
 - 150 km from existing plant in Beijing
 - Rent workshop within the park
- Relocation will start in 2018 and be finalized in the end of 2019
- Investment of approximately SEK 25 million
- Cost is estimated to 16-20 MSEK distributed over the moving period, the main part in 2019



XEDA Industrial park in Tianjin.

GROUP SUMMARY



THIRD QUARTER

- Net sales SEK 722 m (630)
- EBIT margin 5.2% (5.5)
- Earnings after tax SEK 25 m (22)
- EPS 1.26 SEK (1.11), increased by 13.5%

COMMENTS

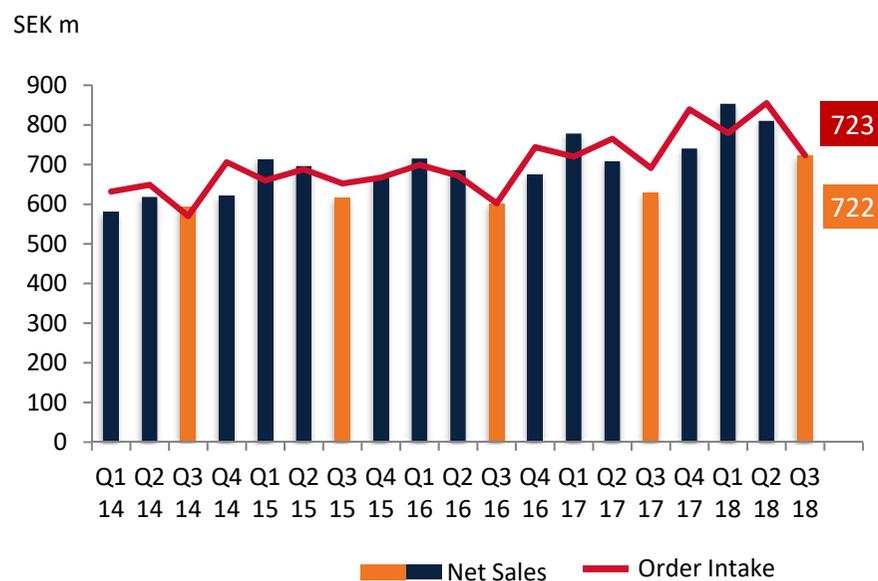
- Strong growth in sales, up with 14.5% and order intake up 4.7%
 - Organic growth comes from gradually increasing volumes after model change and deliveries to a previously announced significant contract
- EBIT negatively impacted by uneven production, higher raw material prices and currency effects

FINANCIAL SUMMARY (MSEK)	Q3			12 ROLLING	FULL YEAR	Δ
	2018	2017	Δ	Oct 2017- Sep 2018	2017	
Net sales	722	630	14.5%	3,125	2,856	9.4%
Gross profit	137	122	15	589	558	31
Earnings before depreciation (EBITDA)	61	55	6	305	290	15
Operating earnings (EBIT)	38	35	3	217	210	7
Operating margin, %	5.2	5.5	-0.3	7.0	7.4	-0.4
Earnings after tax	25	22	3	160	159	1
Order bookings	723	691	4.7%	3,196	3,015	6.0%
Return on capital employed, %	--	--	--	14.0	14.4	-0.4
Return on capital employed excluding goodwill, %	--	--	--	16.0	16.7	-0.7

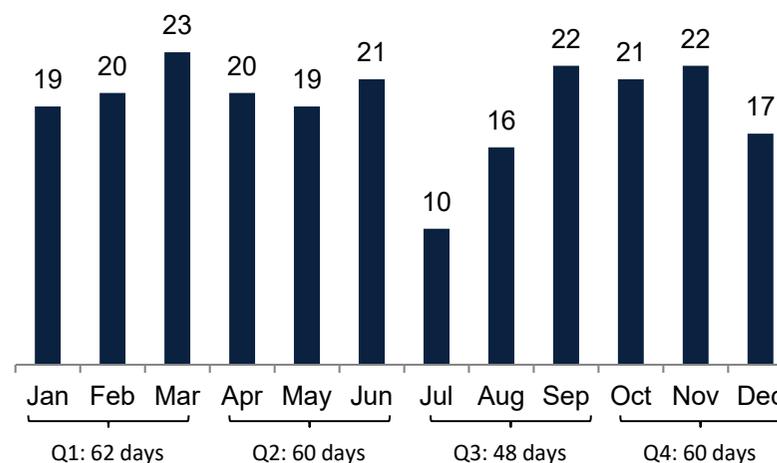


CONTINUED INCREASE IN SALES AND ORDER INTAKE

QUARTERLY VOLUMES



AVG. NUMBER OF PRODUCTION DAYS PER MONTH

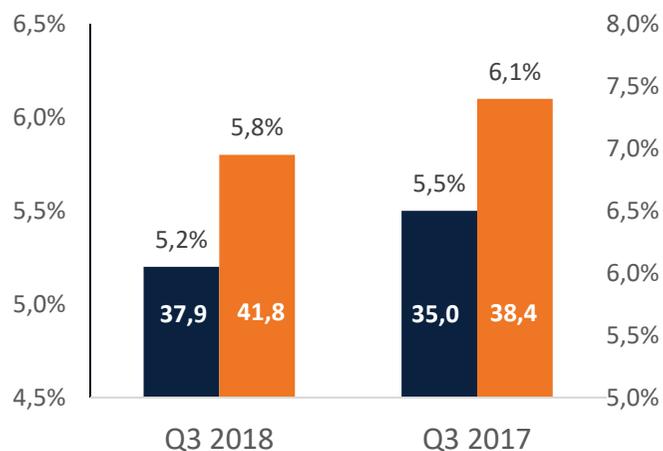


- Sales up 14.5% in Q3 vs last year (5.8% currency adjusted)
- Order intake up 4.7% in Q3 vs last year
 - The slower increase is due to market volatility and a strong order intake Q3 2017

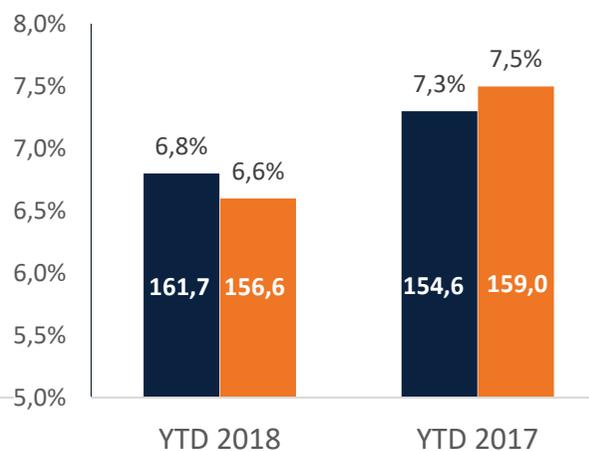


COMPARABLE EARNINGS AFFECTED BY CURRENCY MOVEMENTS AS PER 2018-09

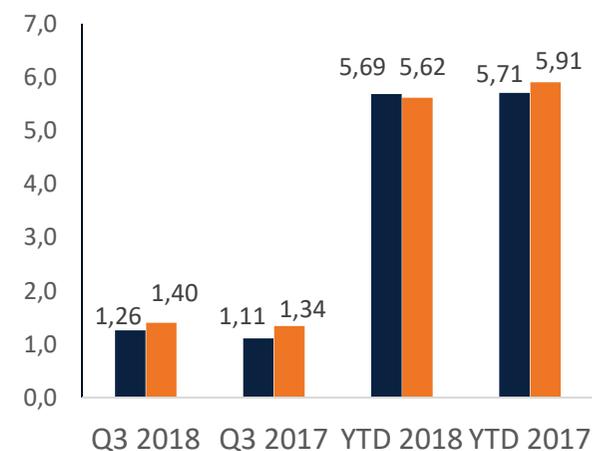
Q3 EBIT margin currency effect



YTD EBIT margin currency effect



Q3 and YTD EPS currency effect



■ EBIT margin ■ EBIT margin excl. currency effect ■ EBIT margin ■ EBIT margin excl. currency effect

■ EPS ■ EPS excl. currency effect

- Q3 EBIT margin 5.2% (5.5), adj. for currency effect 5.8% (6.1)
- Underlying profitability lower level if adjusted for currency fluctuations
 - Higher raw material prices
 - Increased cost for surface treatment
 - Increased cost structure with new establishments and flows (USA and Austria)
 - Project costs

- Disturbances in deliveries has a major impact on the result

CASH FLOW, BALANCE SHEET AND NET CASH



CASH FLOW STATEMENT, MSEK	Q3		JAN-SEP		FULL YEAR
	2018	2017	2018	2017	2017
Cash flow from operating activities before changes in working capital	54	37	196	186	259
Cash flow from operating activities including changes in working capital	-15	21	65	56	58
Cash flow from investing activities	-34	-40	-109	-12	-55
Cash flow for the period	-1	7	-25	-22	-64
Cash and cash equivalents at end of period	25	86	25	86	48

BALANCE SHEET, MSEK	2018-09-30	2017-09-30	2017-12-31
ASSETS			
Total assets	2,328	2,012	2,178
EQUITY AND LIABILITIES			
Equity	1,515	1,381	1,454
Liability	813	631	724
Total equity and liabilities	2,328	2,012	2,178
MSEK	2018-09-30	2017-09-30	2017-12-31
Net cash (+)/net debt (-)	-164	-13	-49
Adjusted net cash (+)/net debt (-)	-128	23	-12

KEY INDICATORS – CAPITAL STRUCTURE AND RETURN INDICATORS



THE GROUP, 12 MONTHS	12 M ROLLING		FULL YEAR
	Oct 2017- Sep 2018	Oct 2016- Sep 2017	2017
RETURN INDICATORS			
Return on capital employed, %	14.0	13.9	14.4
Return on capital employed excluding goodwill, %	16.0	16.1	16.7
Return on equity %	11.3	11.5	11.7
CAPITAL STRUCTURE			
Capital turnover, times	2.0	1.9	1.9
Net cash (+) Net debt (-) / EBITDA	-0.5	-0.0	-0.2
THE GROUP	2018-09-30	2017-09-30	2017-12-31
CAPITAL STRUCTURE			
Net debt/equity ratio, times	-0.1	-0.0	-0.0
Equity/assets ratio, %	65.1	68.6	66.8

FINANCIAL GUIDELINES

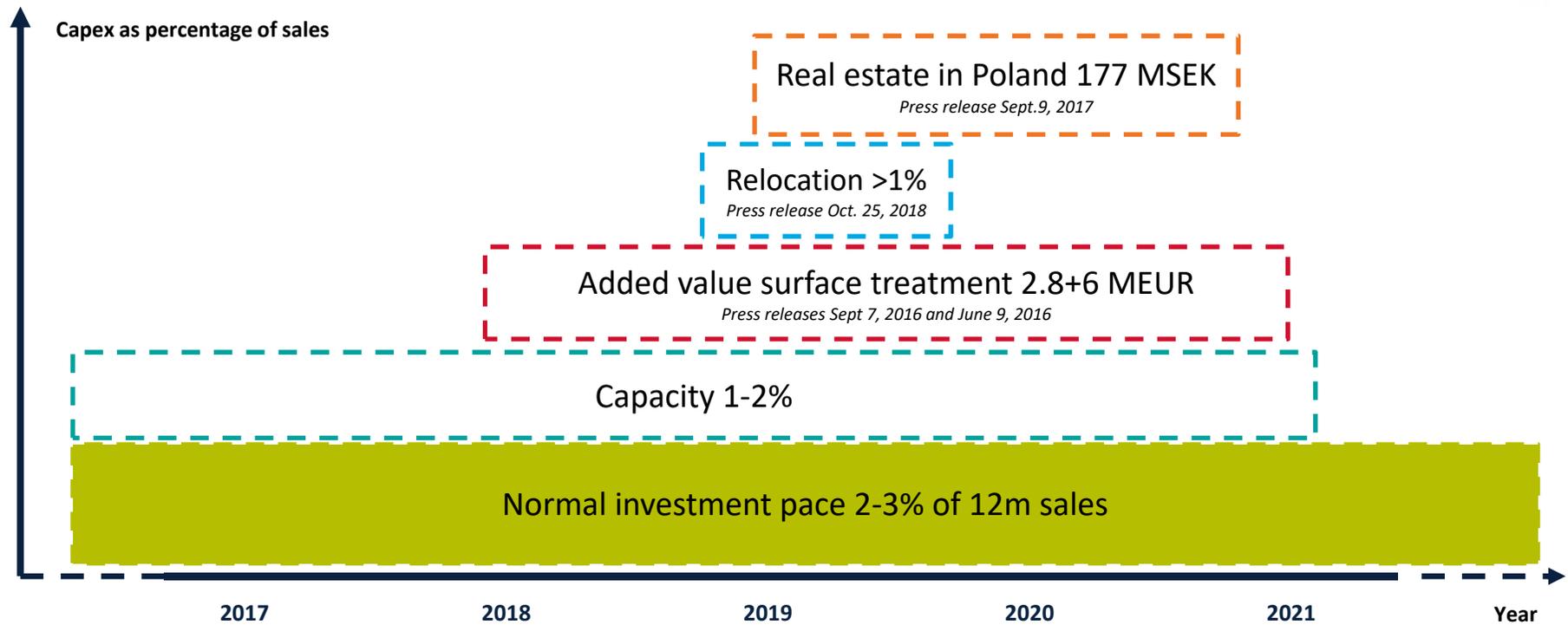


THE GROUP	12 M ROLLING Q3	FULL YEAR 2017	GUIDELINES
Average net working capital as % of sales	21.8	19.6	20
CAPEX as % of sales	4.9	4.3	2-3
Depreciation as % of sales	2.8	2.8	2-3
Tax rate	26.4	24.8	24-28

- NWC in line with our guidelines
 - Increased since year end 2017 due to increased volumes
- Capex higher than our guidelines
- Tax rate and depreciations in line with our guidelines



INVESTMENTS TO HANDLE GROWTH IN COMING YEARS



CURRENCY FLUCTUATIONS AND RAW MATERIAL INCREASES AFFECTED THE TARGETS

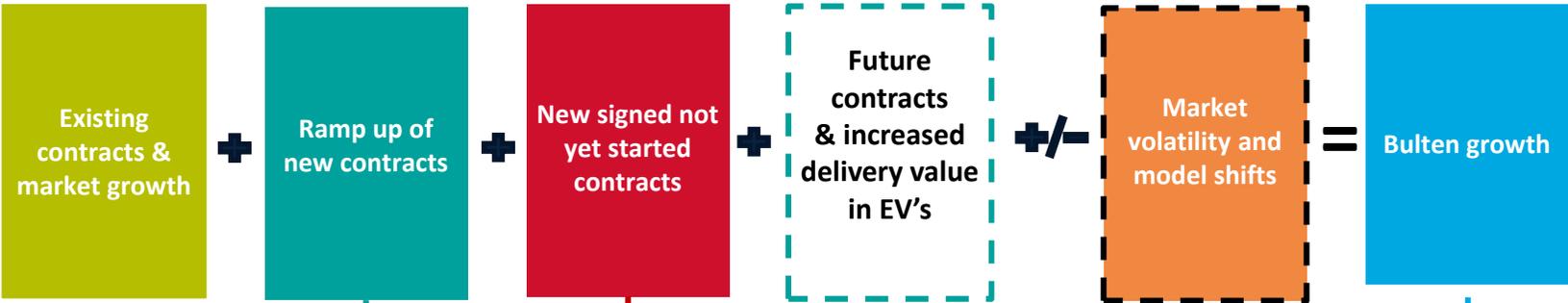


	Growth Profitable organic growth more strongly than the industry average	Margin Operating margin of at least 7%	ROCE At least 15%	EPS EPS development	Dividend At least one third of net earnings after tax
Q3	14.5%	5.2%	Na	1.26 SEK	3.75 SEK
R12	12.0%	7.0%	14.0% 16.0% excl. goodwill	7.95 SEK	per share 47% for 2017 (3.50 + 1.00 SEK /share)
R12 target status	✓	✓	~	→	↗

4 GOING FORWARD



PREDICTED STRONGER BULTEN GROWTH VS THE MARKET



Ramp up and new contracts not yet started
EUR 66 million/year
 Of long term sustainable business in full pace 2020-2021



GOING FORWARD

- Strong organic sales growth
- More moderate increase in order intake
- Continued long-term organic growth potential
- Strong financial position and well prepared to meet increased demand and investment rate
- Becoming the most cost-effective FSP supplier in the industry
- Good potential to achieve new contracts
- Long-term position strengthened by more apparent demand for electric and hybrid cars

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



BULTEN - A STRONGER SOLUTION

