



## **NINE MONTHS REPORT, JAN-SEP 2019**

TELEPHONE/AUDIO CONFERENCE 24 OCTOBER 2019, AT 15.30 CET  
ANDERS NYSTRÖM, PRESIDENT AND CEO | HELENA WENNERSTRÖM, EVP AND CFO

DIRECT LINK AUDIOCAST: [HTTPS://TV.STREAMFABRIKEN.COM/BULTEN-Q3-2019](https://tv.streamfabriken.com/bulten-q3-2019).

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# AGENDA

1. Bulten in brief
2. Market development
3. Third quarter 2019
4. In focus 2019



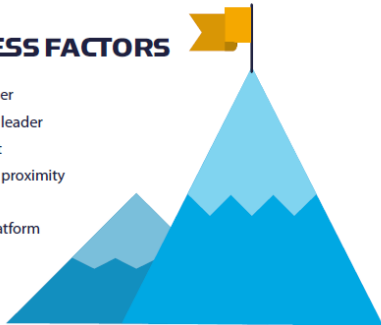
# ABOUT BULTEN



Professional • Innovative  
Dedicated • Empowered

## SUCCESS FACTORS

- Quality leader
- Technology leader
- FSP concept
- Geographic proximity
- Employees
- Financial platform



**USA**  
Hudson & Hagerstown

- Production
- Logistics
- Sales

**GERMANY**  
Bergkamen

- Production
- Logistics
- Sales
- Development



approximately  
**1,400**  
employees (FTE)

**GREAT BRITAIN**  
Scunthorpe & Bridgend

- Logistics
- Sales

**POLAND**  
Bielsko-Biala & Wilkowice

- Production
- Logistics
- Sales
- Development

**ROMANIA**  
Craiova

- Logistics

**SWEDEN**  
Göteborg & Hallstahammar

- Head office – Göteborg
- Production
- Logistics
- Sales
- Development

**RUSSIA**  
Nizhny Novgorod

- Production
- Logistics
- Sales
- Development

**CHINA**  
Beijing

- Production
- Logistics
- Sales
- Development





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

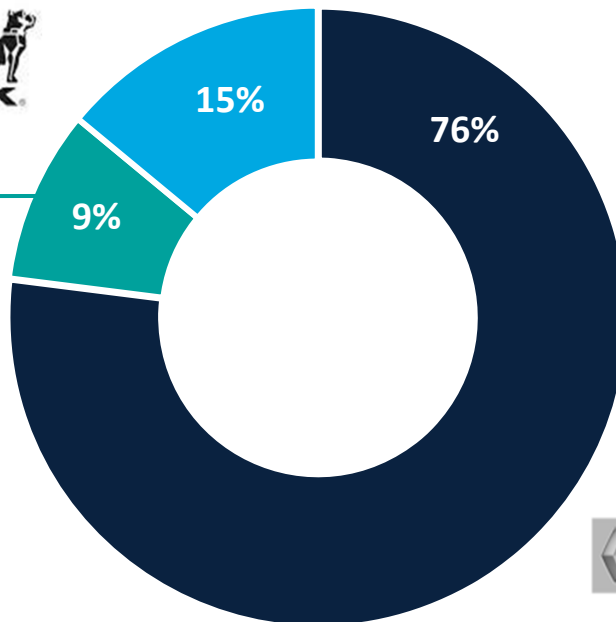
## HEAVY VEHICLES



## SUPPLIERS



## LIGHT VEHICLES



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

## 2 MARKET DEVELOPMENT



## CONTINUED MARKET VOLATILITY IN CAR SALES



- Market uncertainty has continued in Q3
  - Brexit
  - General economy uncertainty
- Reported car sales estimates
  - LMC Automotive: Western European passenger Car sales for the first nine months, 2019 down 1.3% compared to 2018
  - LMC Automotive: key markets down YTD September 2019

*Source: LMC Automotive sales statistics May and June, 2019*



## MARKET DEVELOPMENT

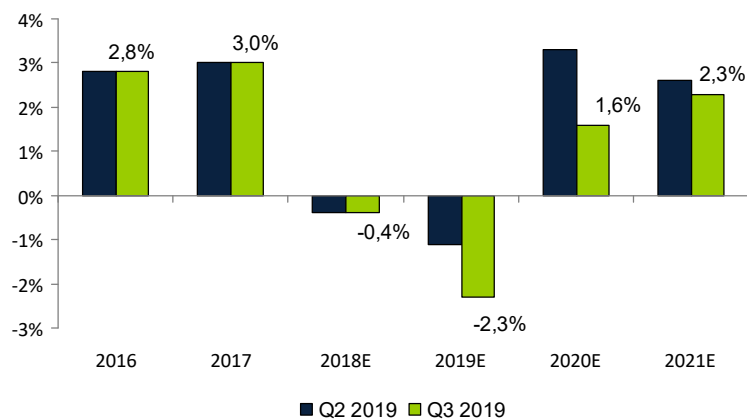
- LMC Automotive reports for automotive production in Europe, 2019:
  - Production of LV in 2019 down by 2.3% compared to 2018
  - Production of HCV (>15 t) in 2019 up by 0.6% compared to 2018
  - For Bulten's mix, down 1.9%
    - LV stands for ~85% of sales
    - HCV stands ~15% of sales
  
- ACEA reports for LV sales in Europe for the first nine months, 2019
  - European LV sales for the first nine months, 2019 down -1.6% compared to 2018. In September 2019, the European demand for new passenger cars increased by 14.5% compared to September 2018.

*Source: LMC Automotive Q3, 2019.*

# LMC AUTOMOTIVE REPORTS FOR AUTOMOTIVE PRODUCTION IN EUROPE

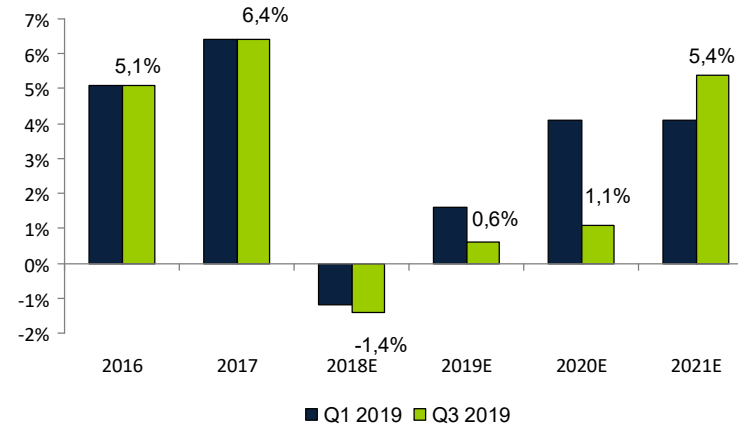


**PRODUCTION GROWTH RATE (YEAR ON YEAR)  
LIGHT VEHICLES EUROPE**



- LMC Automotive (Q3 2019 report) has decreased its forecast of LV production 2019 compared to the Q2 2019 report. LMCA forecast a decrease of -2.3% compared to 2018.

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



- LMC Automotive (Q3 2019 report) has decreased its forecast of LV production 2019 compared to the Q1 2019\*\* report. LMCA forecast an increase of 0.6% compared to 2018.

Source: LMC Automotive Q3 2019

NINE MONTHS REPORT 2019

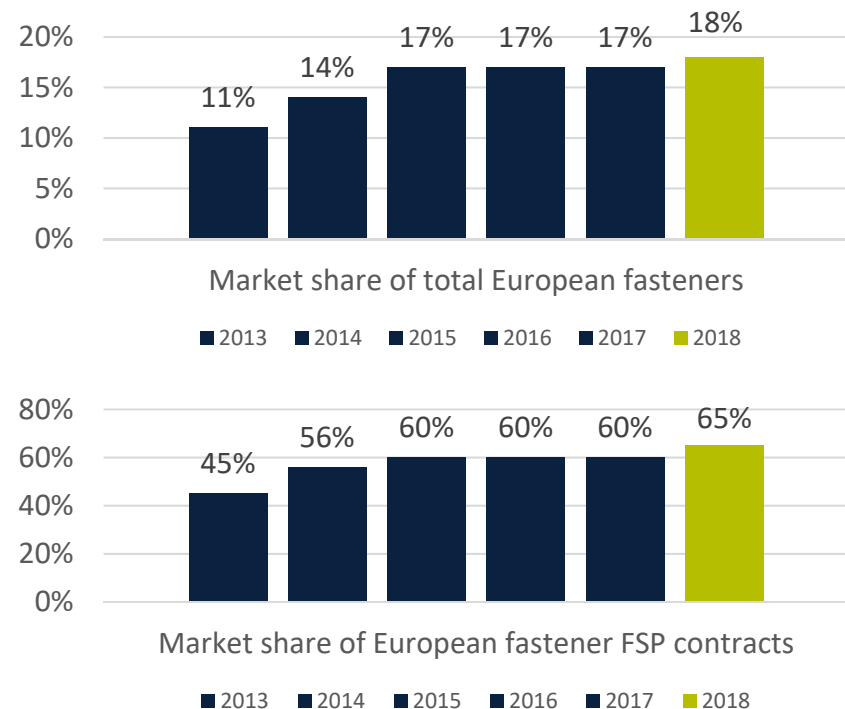


# BULTEN MARKET SHARE DEVELOPMENT



- Management estimates\*:
  - Market share approx. 18% of the European market of fasteners for the automotive industry 2018, 1 pp above 2017
  - Market share of FSP contracts for the same market to be approx. 65% 2018, 5 pp above 2017
  
- Expected development
  - Demand weaker compared to previous year and ramp up period for the new contracts has been prolonged
  - The market uncertainty and concern for Brexit’s exit may affect the production rate in Q4
  - Contracts signed (approx. 67 MEUR/year at full volume 2021) will support

BULTEN MARKET SHARE DEVELOPMENT



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

# 3. THIRD QUARTER 2019



## OPERATIONAL HIGHLIGHTS AND FINANCIAL SUMMARY FOR Q3



- Net sales SEK 718 m (722)
- Operating earnings amounted to SEK -8 m (38).  
Adjusted operating earnings amounted to SEK 19 m (38)
- EBIT margin -1.0% (adj EBIT margin 2.8%)
  - Lower sales volume
  - Production under-absorption, SEK -18 m
  - Still high raw material prices
  - Restructuring costs Bergkamen Germany, SEK -20 m
  - Relocation costs China, SEK -7 m
- Order bookings SEK 776 m (723), +7.3%
- Initiating restructuring program in Bergkamen, Germany
  - Expected annual saving of appr. SEK 25 m from 2020
  - Restructuring costs in Bergkamen Germany, SEK- 20 m in Q3
- Fredrik Bäckström appointed new Senior Vice President Production, member of Executive Management Team.

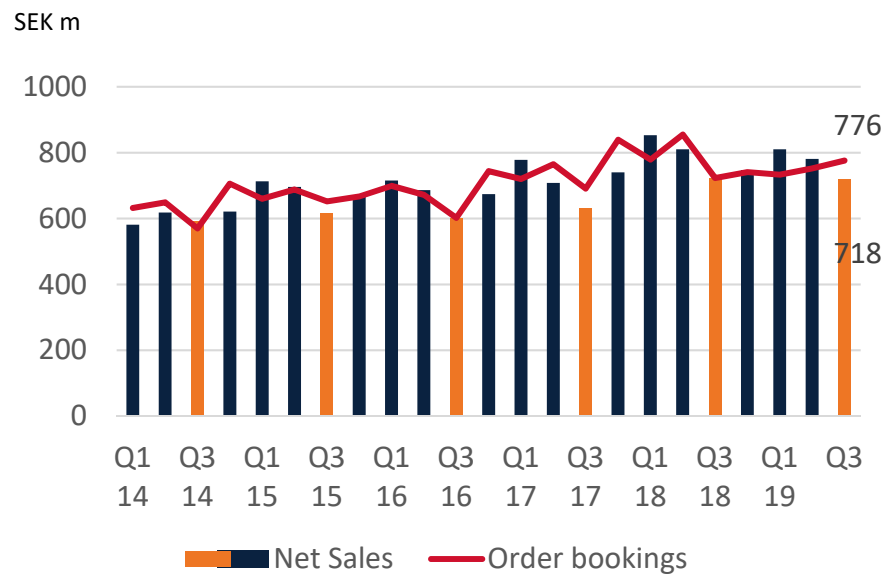
FINANCIAL SUMMARY (MSEK)	Q3		
	2019	2018	Δ
Net sales	718	722	-0.6%
Gross profit	106	135	-29
Earnings before depreciation (EBITDA)	29	61	-32
Operating earnings (EBIT)	-8	38	-46
Operating margin, %	-1.0	5.2	-6.2
Adj operating earnings (EBIT) for non recurring costs	19	38	-19
Adj. operating margin, %	2.8	5.2	-2.4
Earnings after tax	-14	25	-39
Earnings per share before dilution, SEK	-0.75	1.26	-2.01
Order bookings	776	723	7.3%
	<b>RTM Oct 2018- Sep 2018</b>	<b>Full Year 2018</b>	<b>Δ</b>
Return on capital employed, %	6.4	12.8	-6.4
Return on capital employed excluding lease liabilities, %	6.8	12.8	-6.0

*New accounting principles as of January 1, 2019*

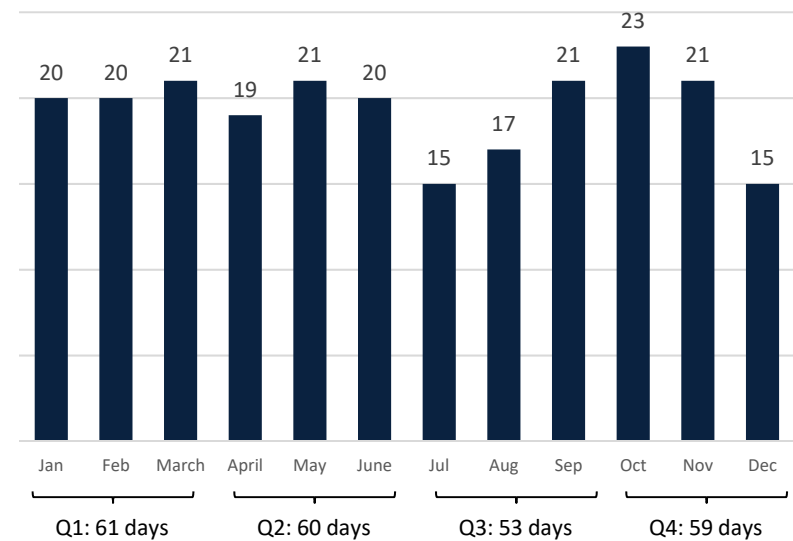


# VOLATILE MARKET AFFECTED SALES AND ORDER INTAKE

QUARTERLY VOLUMES



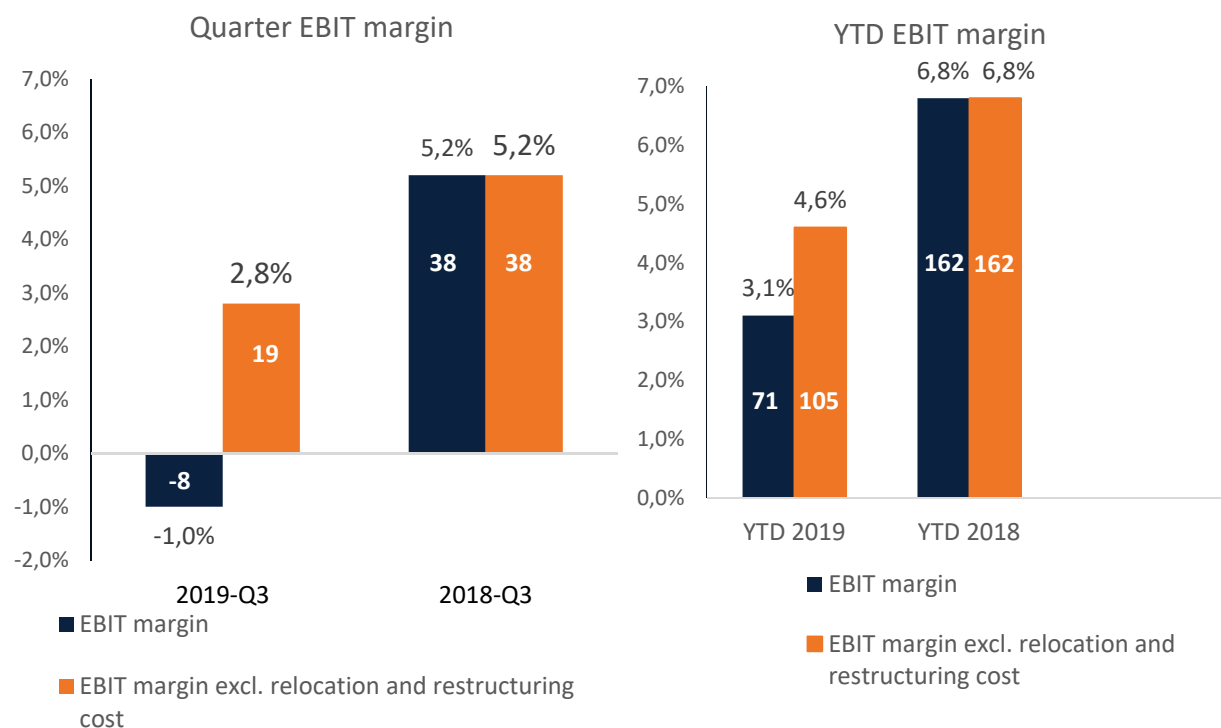
AVG. NUMBER OF PRODUCTION DAYS PER MONTH 2019



- Sales down -0.6% in Q3 vs last year (-2.8% currency adjusted)
- Order intake up 7.3% in Q3 vs last year
  - The market uncertainty and concern for Brexit’s exit makes it hard to predict the development in the market the coming months



# COMPARABLE EARNINGS IMPACTED BY RELOCATION AND RESTRUCTURING COST

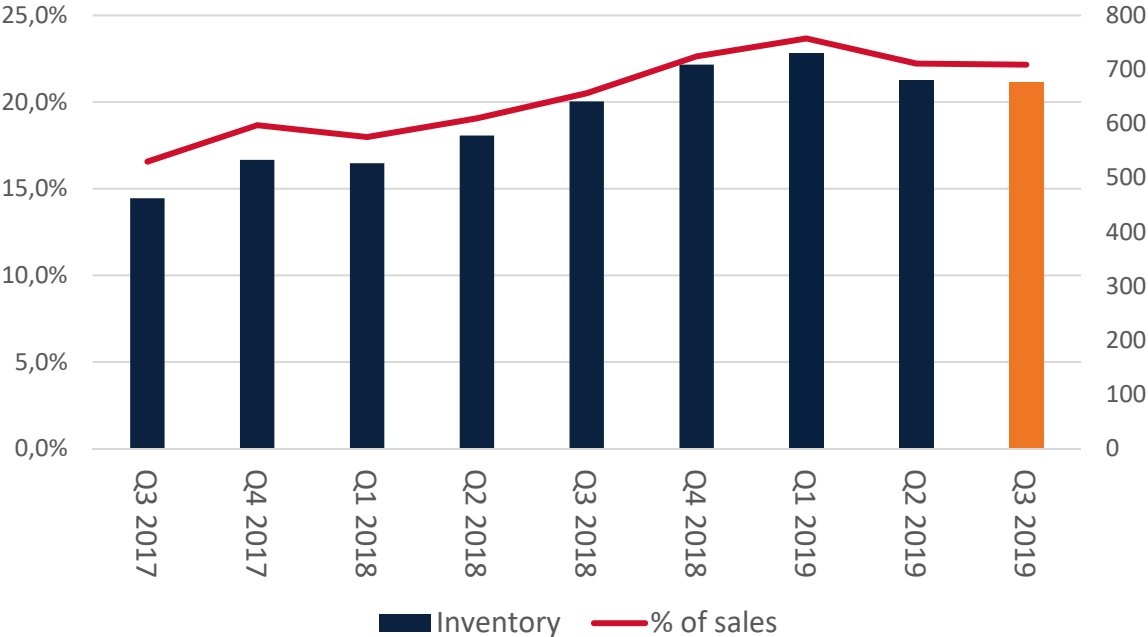


- Quarter EBIT margin -1.0% (5.2), adj. relocation & restructuring 2.8% (5.2)
- Underlying profitability lower level in the quarter due to
  - Lower sales volume
  - Production under-absorption, SEK -18 m
  - High raw material prices
  - Restructuring costs, SEK -20 m
  - Relocation costs, SEK -7 m

# INVENTORY IN FOCUS



Inventory in relation to sales



# CASH FLOW, BALANCE SHEET AND NET CASH



CASH FLOW STATEMENT, MSEK	Q3		JAN-SEP		FULL YEAR
	2019	2018	2019	2018	2018
Cash flow from operating activities before changes in working capital	38	54	143	196	254
Cash flow from operating activities including changes in working capital	114	-15	109	65	125
Cash flow from investing activities	-84	-34	-168	-109	-160
Cash flow for the period	-27	-1	20	-25	-32
Cash and cash equivalents at end of period	39	25	39	27	18
<b>BALANCE SHEET, MSEK</b>			<b>2019-09-30</b>	<b>2018-09-30</b>	<b>2018-12-31</b>
<b>ASSETS</b>					
Total assets			2,751	2,328	2,338
<b>EQUITY AND LIABILITIES</b>					
Equity			1,507	1,515	1,514
Total long-term liabilities			581	191	201
Total current liabilities			663	622	623
Total equity and liabilities			2,751	2,328	2,338
<b>MSEK</b>			<b>2019-09-30</b>	<b>2018-09-30</b>	<b>2018-12-31</b>
Net debt (-)			-596	-164	-181
Net debt (-) excluding lease liabilities according to IFRS 16			-363	-164	-181
Net debt (-) excluding lease liabilities			-328	-128	-145

# KEY INDICATORS – CAPITAL STRUCTURE & RETURN INDICATORS



THE GROUP, 12 MONTHS	12 M ROLLING		FULL YEAR
	Oct 2018- Sep 2019	Oct 2017-Sep 2018	2018
<b>RETURN INDICATORS</b>			
Return on capital employed, %	6.4	14.0	12.8
Adjusted Return on capital employed, %	8.3	14.0	12.9
Return on capital employed, (excluding financial lease), %	6.8	14.0	12.8
Adjusted Return on capital employed (excluding financial lease) , %	8.7	14.0	12.9
Return on equity %	4.8	11.3	9.9
<b>CAPITAL STRUCTURE</b>			
Capital turnover, times *	1.6	2.0	1.9
Net cash (+) Net debt (-) / EBITDA	-2.4	-0.5	-0.6
Adjusted Net cash (+) Net debt (-) / EBITDA*	-1.3	-0.4	-0.5
<b>THE GROUP</b>	<b>2019-09-30</b>	<b>2018-09-30</b>	<b>2018-12-31</b>
<b>CAPITAL STRUCTURE</b>			
Net debt/equity ratio, times	-0.4	-0.1	-0.1
Adjusted Net debt/equity, times	-0.2	-0.1	-0.1
Equity/assets ratio, %	54.8	65.1	64.8
Equity/assets ratio, (excluding financial lease), %	59.9	65.1	64.8

\*) Adjusted for financial lease IFRS 16, 1.7 times as end of September 2019



# FINANCIAL GUIDELINES



THE GROUP	12 M ROLLING 2019	FULL YEAR 2018	GUIDELINES
Average net working capital as % of sales	26.6	23.0	20
CAPEX as % of sales	7.3	5.3	2-3
Depreciation as % of sales	4.1	2.9	-
Depreciation (excluding lease liabilities) as % of sales	3.2	2.9	2-3
Tax rate	35.3	29.1	24-28

- **NWC higher than our guidelines**
  - Increased since half year 2018 due to changed demand, projects and ramp up of new business
    - However lower than previous quarter
    - Good trend development
- **Capex higher than our guidelines**
  - as planned and earlier communicated
- **Depreciations in line with our guidelines**
  - IFRS16 affecting reported depreciation by + 0.6%
- **Tax rate on a higher level 12 months rolling:**
  - High tax rate due to relocation cost and negative result in China
    - Adjusted for this we are in line with the guidelines



# VOLUMES AND INVENTORY ADJUSTMENTS AFFECTED THE TARGETS

	Growth		Margin		ROCE		EPS		Dividend
	Profitable organic growth more strongly than the industry average.		Operating margin of at least 7%.		At least 15%.		EPS development		At least one third of net earnings after tax.
	Q3	R12	Q3	R12	Q3	R12	Q3	R12	DIVIDEND
REPORTED	-0.6%	-2.4%	-1.0%	3.9%	n.a.	6.4%	-0.75	3.59	4.00 SEK/share
ADJUSTED*	n.a.	n.a.	2.8%	5.1%	n.a.	8.7%	0.28	5.02	55,1 % (adj 54,7%) for 2018 (3.75 SEK /share)
	✘		✘		✘		↘		↗

\* Excluding lease liabilities (IFRS 16 adjustment) relocation costs and restructuring costs

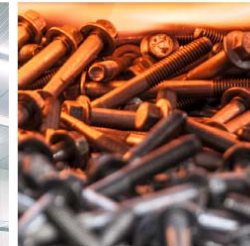
# 4 IN FOCUS 2019



## IN FOCUS 2019

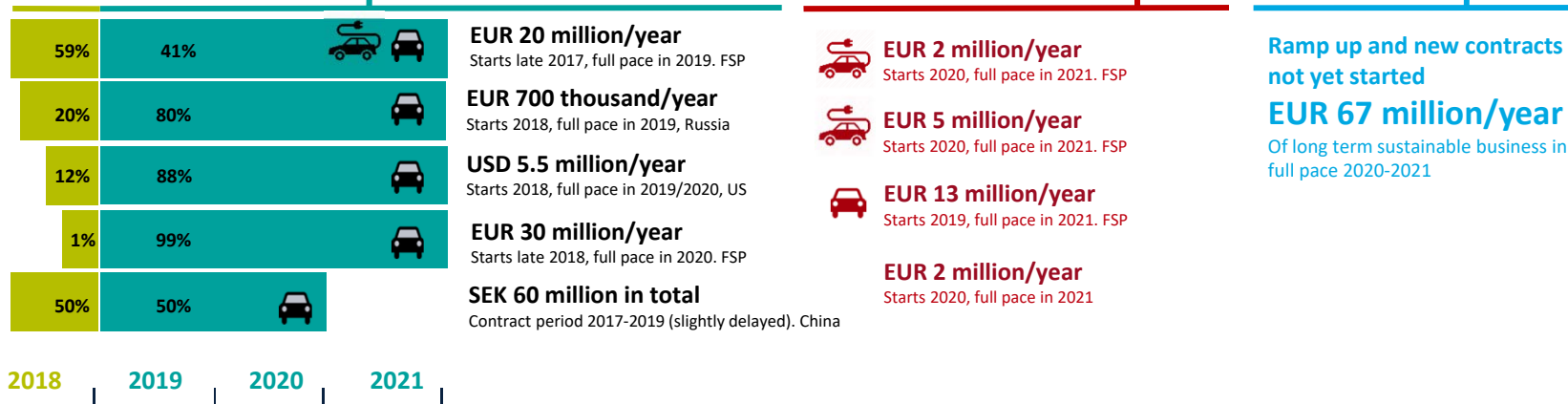
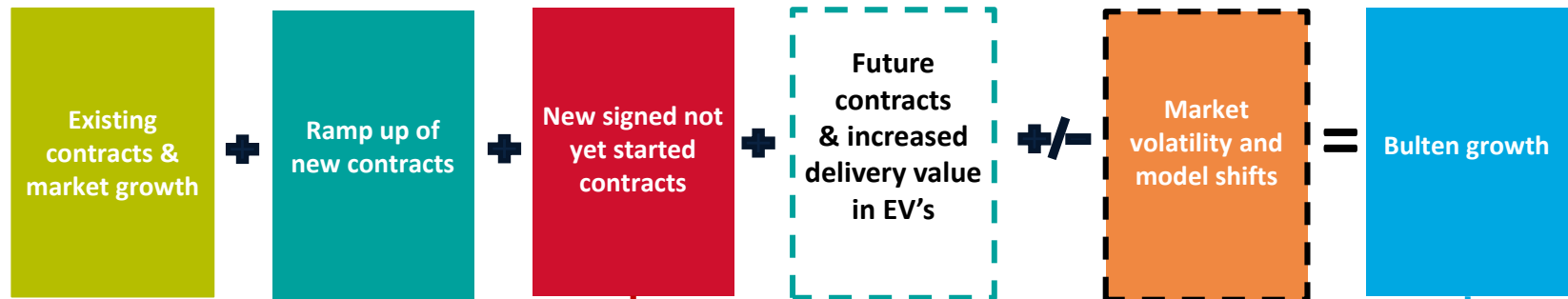


- Balance inventory against demand
- Continue ramping up of won contracts
- Secure continued efficient, profitable production
- Capacity and efficiency investments in Poland
- Complete the relocation in China
- Win new FSP contracts
- Continue to promote innovation and sustainability
- Build on existing strengths





# PREDICTED STRONGER BULTEN GROWTH VS THE MARKET





# **BULTEN - A STRONGER SOLUTION**

