

Q3 2023 Presentation

October 27, 2023



Henrik Larsson Lyon
CEO



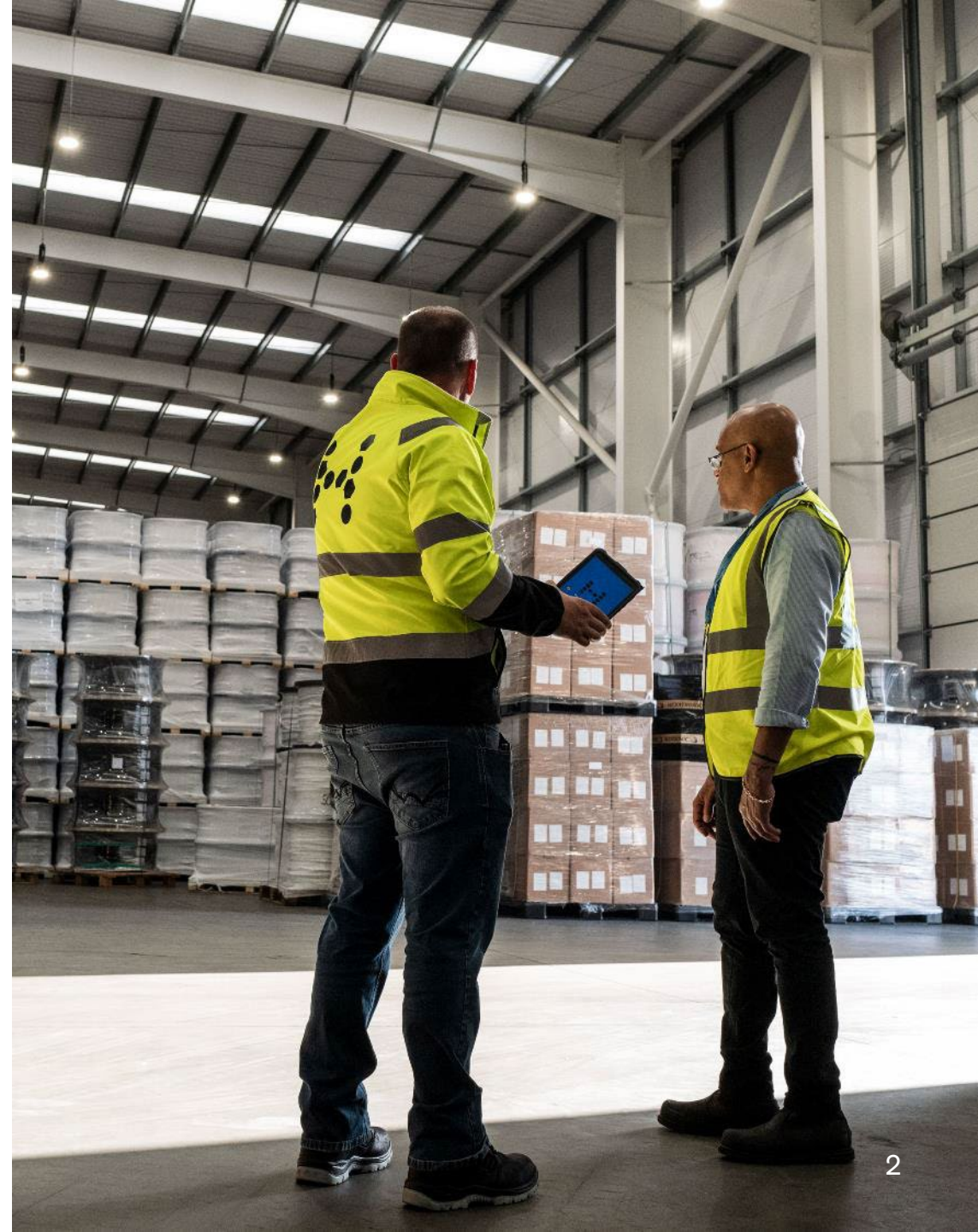
Pernilla Lindén
CFO



Martin Åberg
Deputy CEO

Agenda

1. Hexatronic at a glance
2. Q3 highlights
3. Acquisitions
4. Financial overview
5. Business overview
6. Summary and Outlook
7. Q&A



A close-up photograph of a mechanical system. Three thin, parallel wires in green, blue, and purple run diagonally across the frame. Below them are two metallic pulleys or rollers, one in the foreground and one slightly behind it. The background is a blurred blue-grey color.

Hexatronic at a glance

Hexatronic enables non-stop connectivity for communities worldwide

Proven track record of organic growth and solid profitability

8.1 BSEK

Sales, R12*

45%

4-year sales CAGR

17.0%

EBITA margin, R12*

1.4 BSEK

EBITA, R12*

79%

4-year EBITA CAGR*

>2,000

Employees

* As per the end of Q3 2023

Expanding market for fiber optic infrastructure

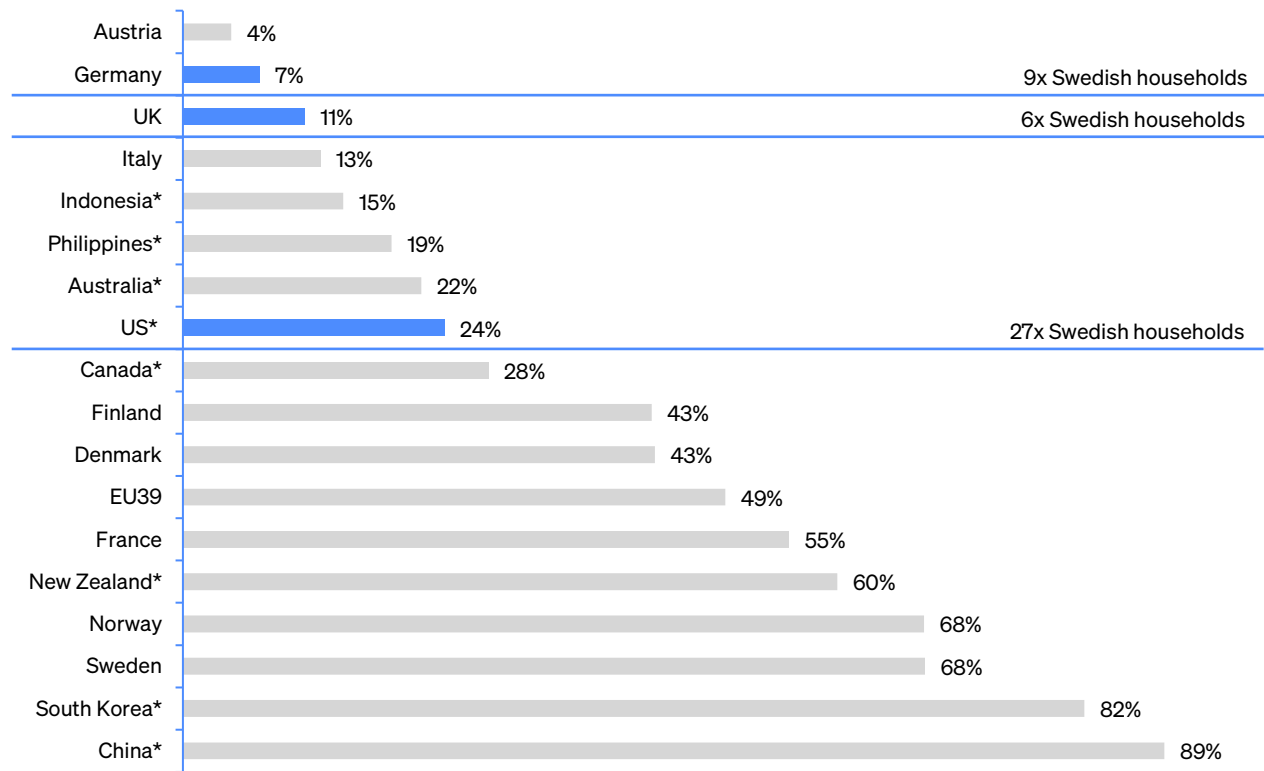
- Low fiber penetration rates across strategic growth markets
- Significant government initiatives supporting long-term fiber expansion in the US, UK, Germany and many other countries
- 5G deployment drives the need for fiber networks
- Increasing use of data-intensive technologies creates a growing 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

Reliable network is a must in modern society



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	Total subsidies allocated
100%	42.5 BUSD

Additional infrastructure subsidies of >20 BUSD.

UK - Project Gigabit

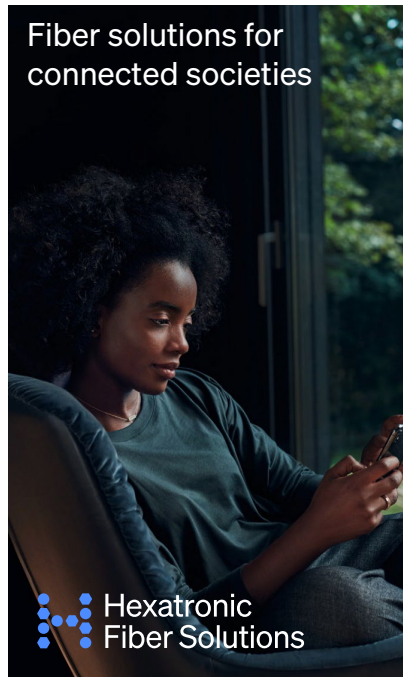
Gigabit coverage	Total subsidies allocated
85%	5 BGBP

Germany - Gigabit Strategy

FTTH coverage	Allocated subsidies (p.a)
50%	3 BEUR

Addressing several customer needs creates additional growth avenues and diversification

80 %*



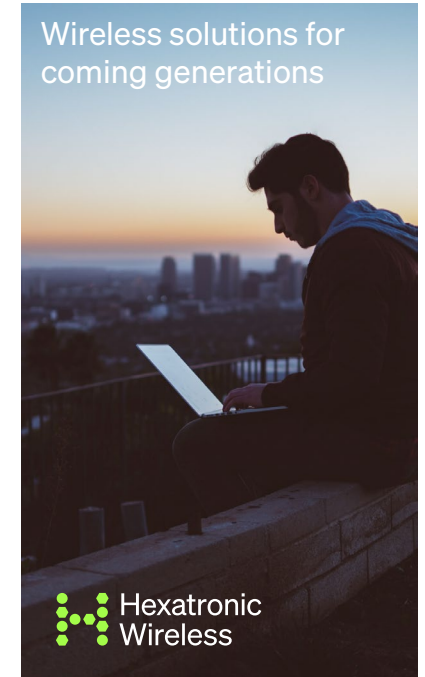
12 %*



6 %*



2 %*



* Indicative share of group sales, R12 proforma including signed acquisitions, as per October 27, 2023

An aerial night photograph of a city street grid. The streets are illuminated by warm yellow lights, and several buildings are highlighted with glowing blue and green lights, suggesting a digital overlay or data visualization. The text "Q3 highlights" is centered over the image in a large, white, sans-serif font.

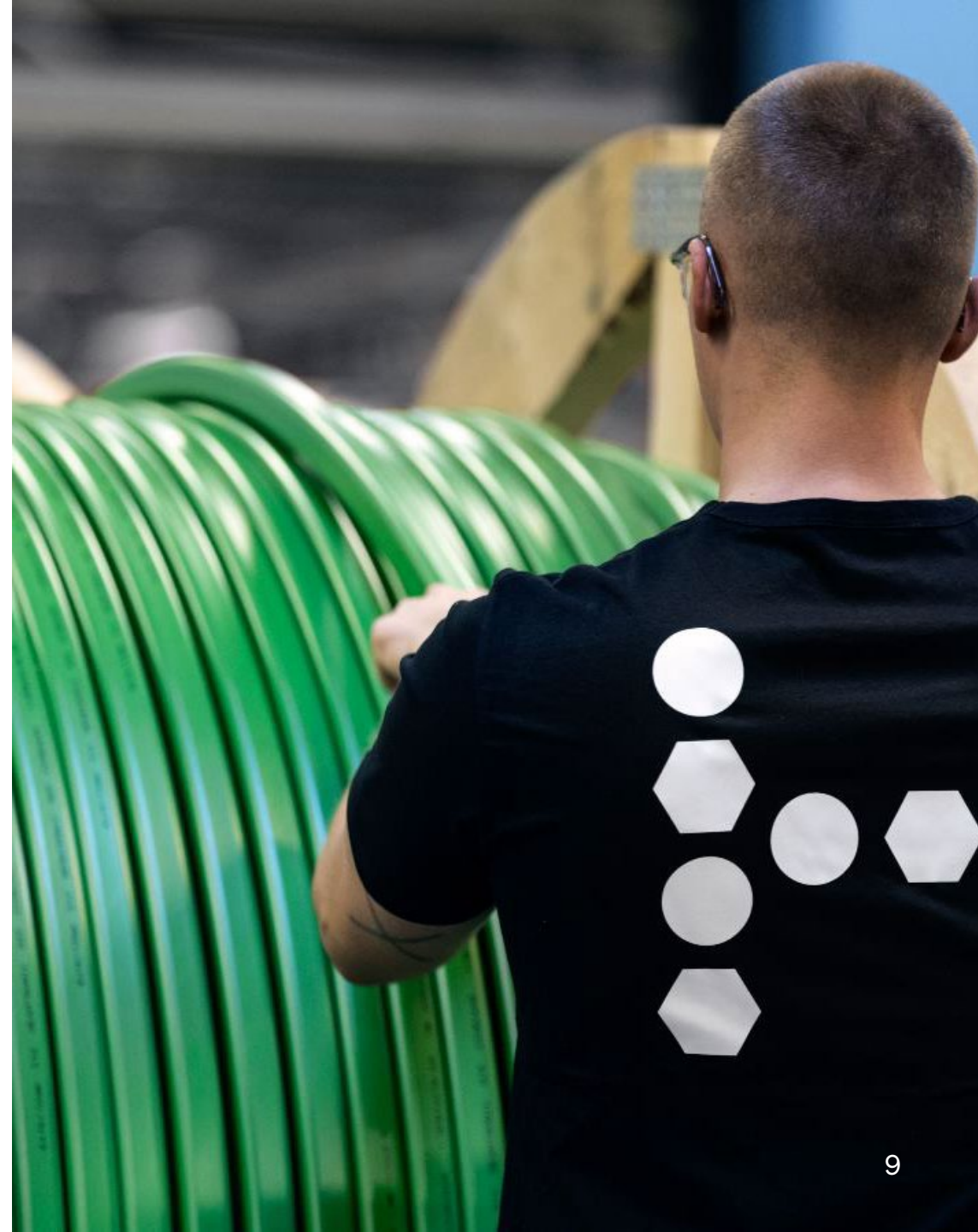
Q3 highlights

Acquisition driven growth in the quarter

Financial highlights

- Net sales increased 11% to 1,917 MSEK, of which -13% organic
- EBITA down 7% to 296 MSEK, EBITA margin of 15.4% (18.3)
- Earnings per share amounted to 0.85 SEK (1.30)
- Cash flow from operating activities of 107 MSEK (255), corresponding to a cash conversion of 49% (63)
- Leverage ratio* of 1.8x compared to 1.5x by the end of Q2 2023, primarily due to Fibron-acquisition
- Normalised customer behaviour and to some extent softer market contributed to shorter order book
- A trading update for H2 2023 on 22 September following softer market conditions in US and Germany
 - Expects negative organic growth
 - EBITA margin expected to be within long term target of 15-17%

* Financial net debt including lease liabilities / R12 EBITDA proforma



Several strategic acquisitions

Significant events

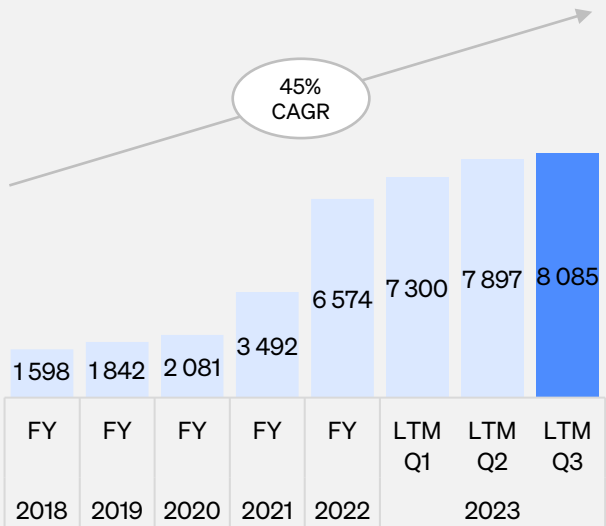
- Completed the acquisition of Fibron strengthening the position in Harsh Environment
- Expanded presence in the New Zealand market through the acquisition of ATG Technology
- Acquisition of USNet, after the end of the quarter, to strengthen the exposure to the US Data Center market



Continuous sales growth with stable earnings development

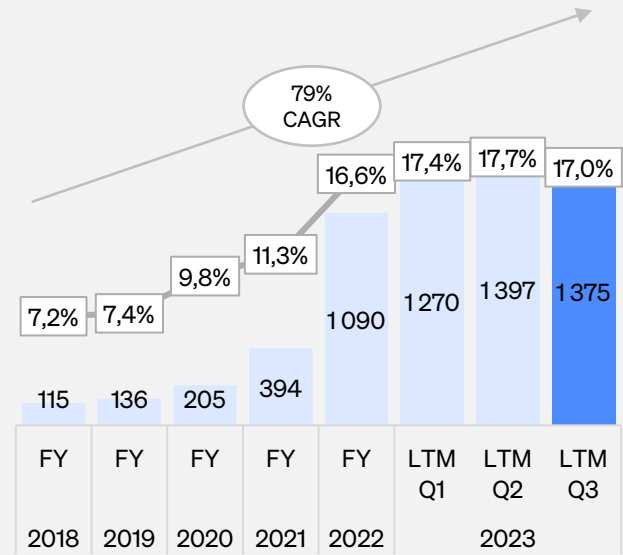
Consistent growth year over year

Revenue (MSEK)



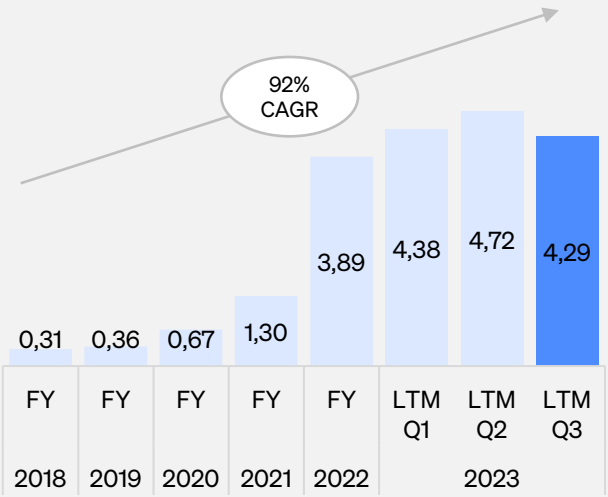
Stable margin development

EBITA (MSEK)/EBITA%



Long-term EPS growth

Earnings per share after dilution, SEK



The background of the slide is a photograph of several large industrial spools of cable. In the foreground, there are spools of dark grey or black cable. Behind them, there are spools of bright orange cable. The spools are made of wood and metal, and they are arranged in rows, creating a sense of depth. The lighting is somewhat dim, with the orange cable providing a strong contrast.

Acquisitions

A strategic tool to improve geographic presence, expand business areas and strengthen product offering

Expanding the New Zealand presence

ATG Technology

- Headquartered in Auckland, New Zealand, with annual revenue of approximately 3 MNZD
- Specializes in optical cable, fiber connectivity, hand tools, fusion splicers, test and measurement equipment for industrial, infrastructure, and enterprise projects
- Complementary acquisition to Hexatronic subsidiary OSA in Australia with several synergy opportunities in e.g., sourcing
- Financed via available cash



Strengthening the US platform within Data Center

USNet*

- Headquartered in Arlington, Texas, with annual revenue of approximately 10 MUSD
- Installation, project management, decommissioning, and relocation services nationwide for large-scale data center customers
- Cross-selling opportunities
- Supports continued growth in new areas and additional diversification for the group
- Data Center business will increase to 6 percent of annual group sales, on a proforma basis
- Financed via available cash

** Acquisition signed after the end of the quarter*

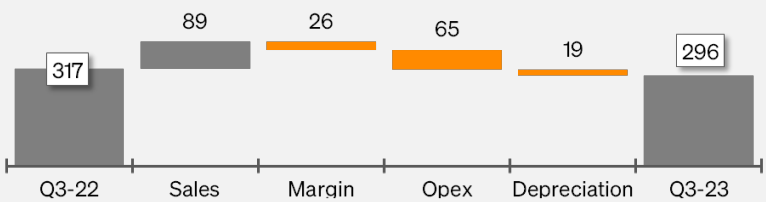


Financial highlights

Growth driven by acquisitions and profitability in line with targets

	July-September			YTD		
(MSEK)	Q3 2023	Q3 2022	Δ %	Jan-Sept 2023	Jan-Sept 2022	Δ %
Net sales	1 917	1 729	11%	6 289	4 779	32%
Organic Growth	-13%			5%		
Gross Margin	42,4%	44,0%		43,7%	42,8%	
EBITA	296	317	-7%	1 065	779	37%
EBITA Margin	15,4%	18,3%		16,9%	16,3%	

EBITA Bridge



Revenue Q3: Total growth of 11%, 13% organic decline

- Organic sales decline primarily in the US and Germany, partly offset by growth in Canada, Australia, Austria, and Finland
- Acquisition driven growth from IDS, homeway, Knet, Rochester Cable, Fibron and ATG

EBITA Q3: Margin 15.4% (18.3)

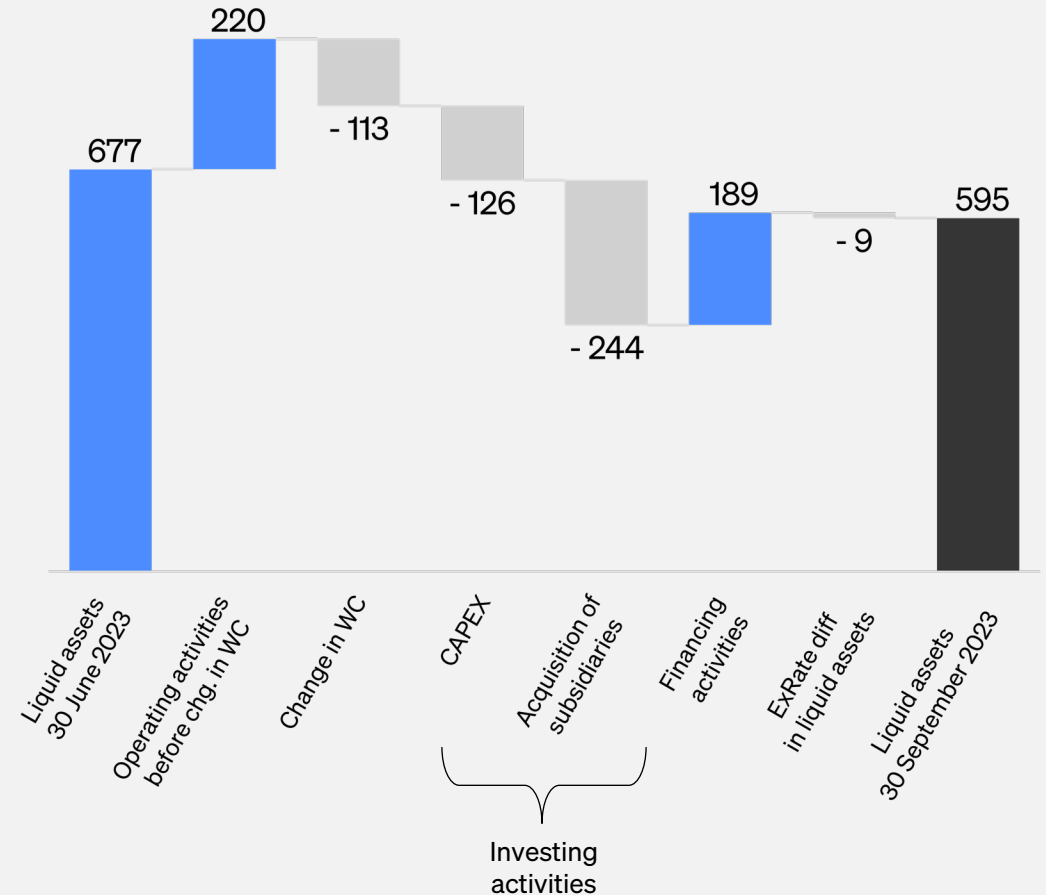
- Gross margin at 42.4% (44.0), mainly due to lower manufacturing utilization, low production efficiency in Rochester Cable and pricing pressure in some markets
- Operating expenses increased due to new acquisitions and integration costs compared to last year. OPEX decline of 13% compared to Q2 2023. Operating expenses at 25.3% (24.3%) of net sales in the quarter
- The lower EBITA margin is affected negatively by 0.8 percent during the quarter, due to integration costs and lower production efficiency in Rochester Cable

Acquisitions and capacity investments impacted cash flow in Q3

Commentary

- Cash flow from operating activities amounted to 107 MSEK (255), corresponding to a cash conversion of 49% (63)
- Reduced inventory and accounts receivable offset by reduced accounts payable
- Capex 6.4% (7.6%) of net sales, mainly due to investment in capacity in the US and Sweden
- Investment activities are primarily driven by acquisition of Fibron
- Financing activities related to utilization of existing credit facility for the acquisition of Fibron
- Continued focus on decreasing inventory levels

Cash flow bridge

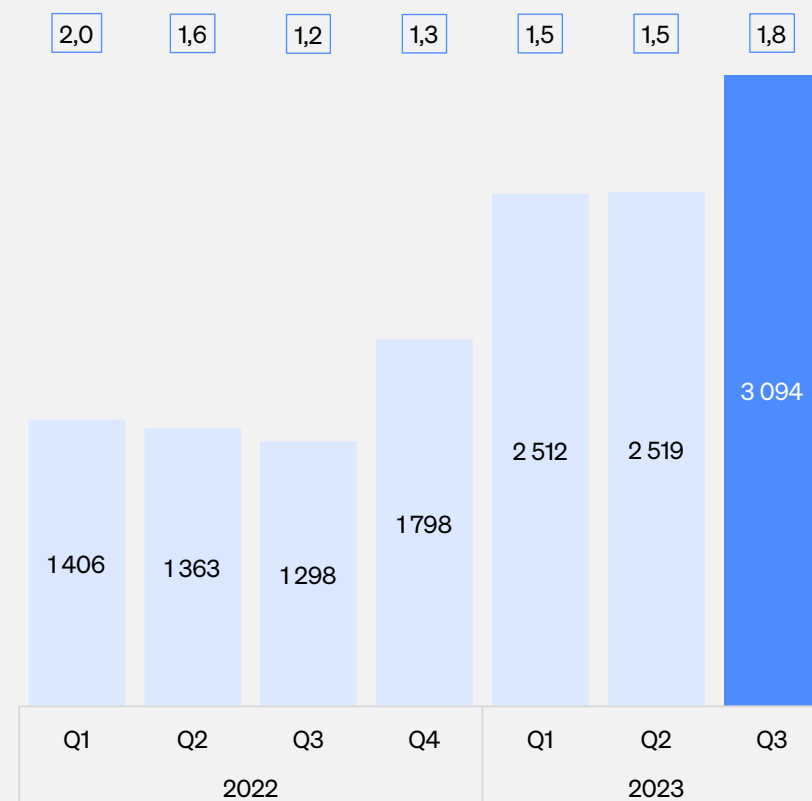


Strong balance sheet provide flexibility

Commentary

- Financial net debt including lease liabilities of 3.1 BSEK, or 1.8 times EBITDA R12 proforma
 - Increase from last quarter primarily driven by the acquisition of Fibron and capacity investments
- 595 MSEK of cash and 381 MSEK of unutilized back-up facilities gives a liquidity of 976 MSEK

Net debt and leverage ratio*



* Financial net debt including lease liabilities / R12 EBITDA proforma

Business overview

Continued growth in Europe excl. Sweden driven by acquisitions

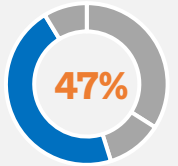
Business development

- Sales growth of 19% driven by acquisitions of IDS, Rochester Cable and Fibron
- Organic decline primarily due to Germany
- Organic contribution from Austria and Finland
- UK business flat year over year driven by existing customer sales

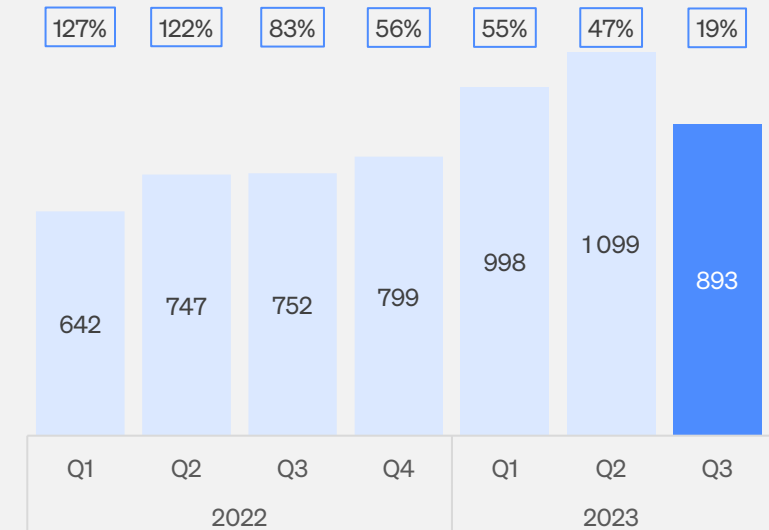
Market development

- Softer UK and German markets
- Higher cost of capital and inflation has led to postponement of projects
- Changed structure of government subsidies in Germany for fiber network expansion in rural areas created a delay in projects

% of Group revenue (R12)

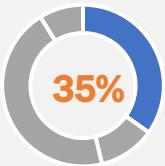


Net sales and net sales growth



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

% of Group revenue (R12)



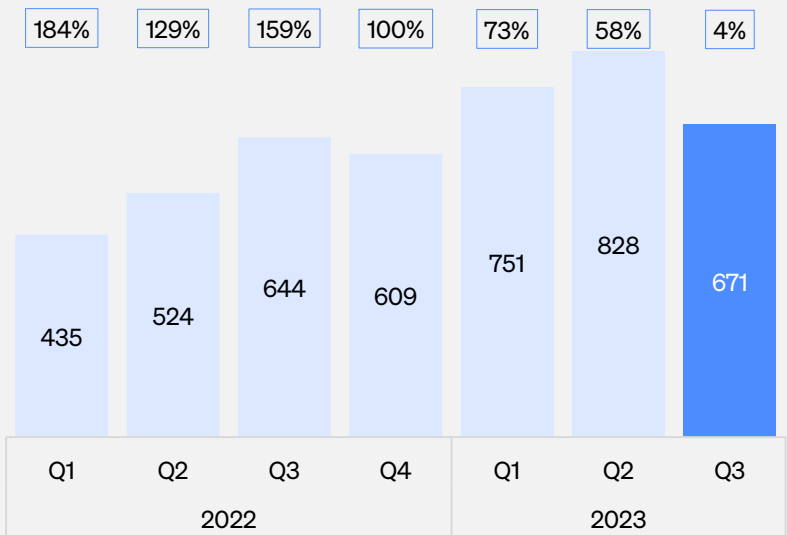
Business development

- Growth of 4% driven by the acquisition of Rochester Cable and strong development in Hexatronic Canada
- Organic decline due to decreased sales of conduit and pipe and FTTH systems in the US
- All production lines installed and fully commissioned in the new factory in Clinton, South Carolina, since the end of September 2023
- 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

- Softer US market primarily within conduit and pipe and FTTH projects
- BEAD programme expected to show effect from H2 2024

Net sales and net sales growth



Weaker FTTH market in Sweden impacted sales growth

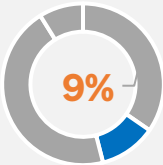
Business development

- Sales decrease by 15% driven by lower FTTH sales and lower sales to mobile operators during the quarter

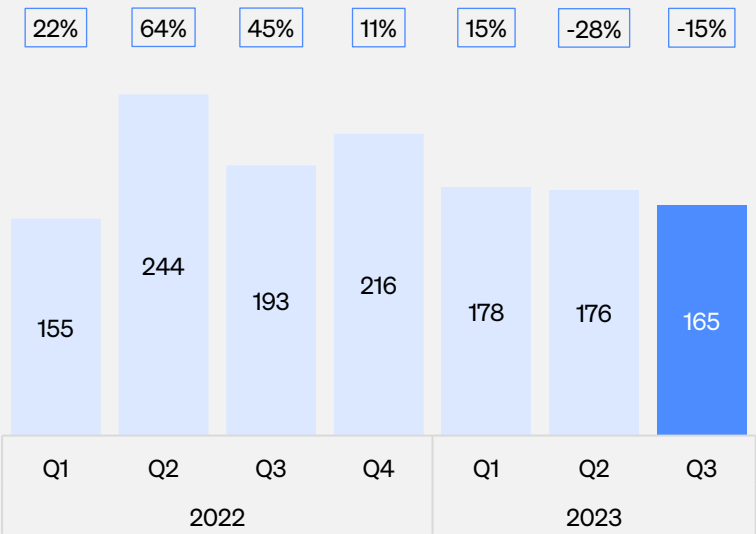
Market development

- Softer market led to lower activity among fiber and mobile operators in FTTH and mobile networks

% of Group revenue (R12)



Net sales and net sales growth



Solid performance in APAC

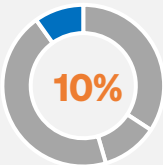
Business development

- Sales growth of 34% driven by several project deliveries in Australia and the acquisition of KNET
- Acquisition of ATG in New Zealand strengthening our presence in the region and enables synergies with OSA in Australia

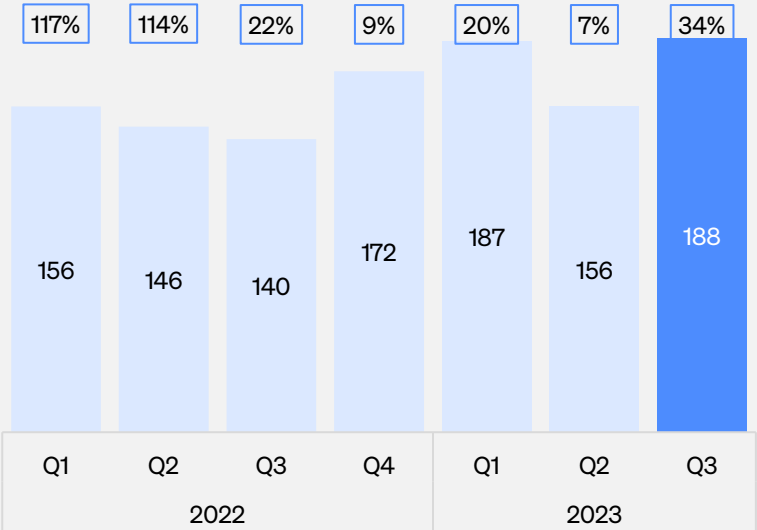
Market development

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

% of Group revenue (R12)



Net sales and net sales growth

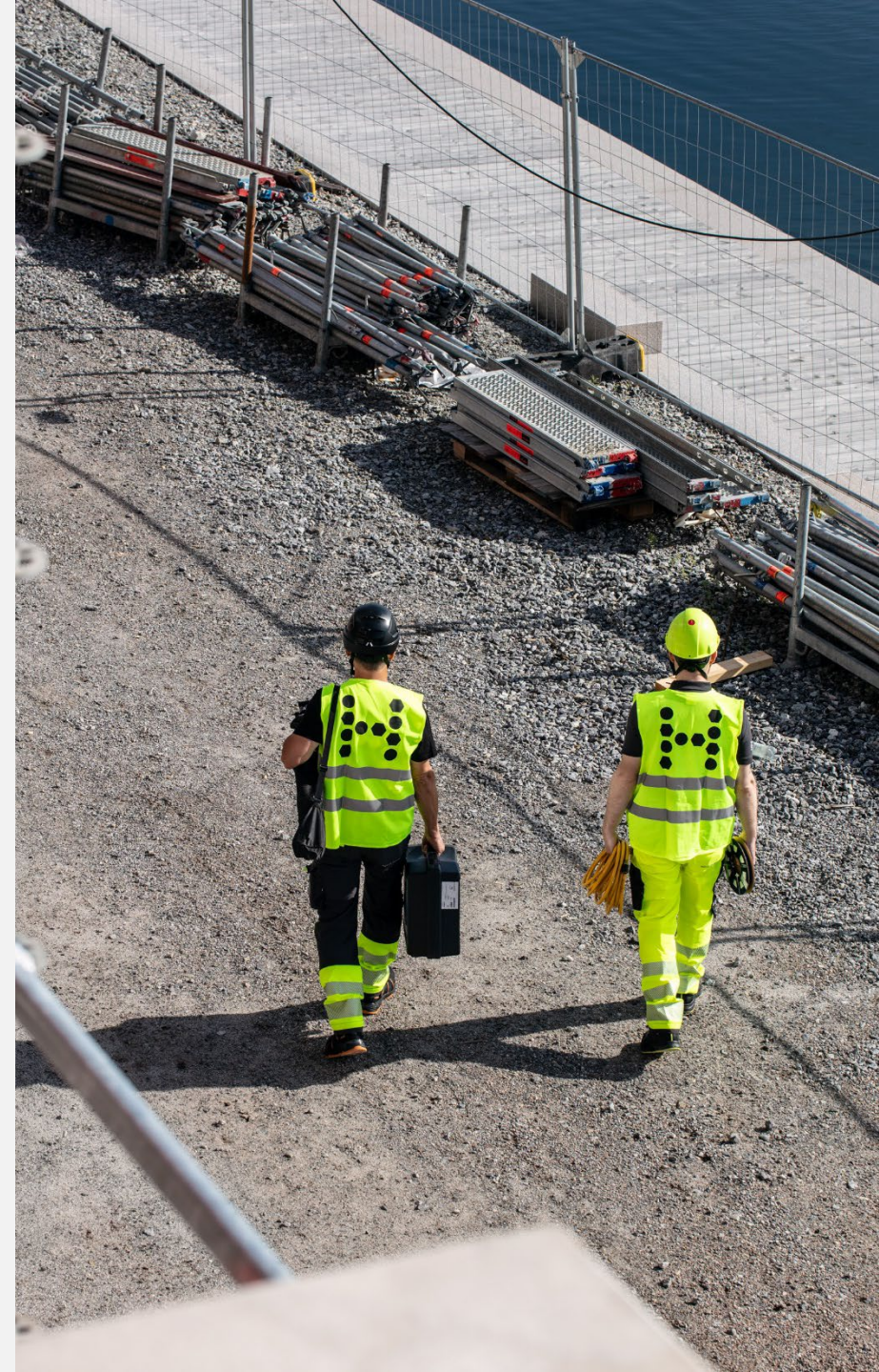




Summary and Outlook

Summary

- Net sales increased 11% driven by acquisitions
 - Organic decline of 13%, primarily decline in the US and Germany partly offset by growth in Canada, Australia, Austria, and Finland
- EBITA margin decreased to 15.4% compared to 18.3% in the record quarter Q3 2022, primarily due to:
 - Lower capacity utilization following softer market conditions
 - Price pressure in some markets
- Continued adjustment of capacity and cost
- Strong balance sheet with leverage of 1.8 which provides flexibility for further expansion
- Complementary acquisitions strengthen expansion in new areas



Outlook

- As communicated, negative organic sales growth and an EBITA margin within financial target of 15-17% expected for H2 2023

Market development

- Overall market for investments in fiber optic telecommunications infrastructure in the coming quarters expected to continue at the same level as in the third quarter
 - Main reasons being higher cost of capital and inventory build-up in some markets
- 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



Q&A





A lasting link to the future.