

# Q2 2024 Presentation

July 16, 2024



Henrik Larsson Lyon  
CEO



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CFO



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Deputy CEO

# Agenda

1. Hexatronic at a glance
2. Q2 highlights
3. Financial overview
4. Business overview
5. Summary and market outlook
6. Q&A





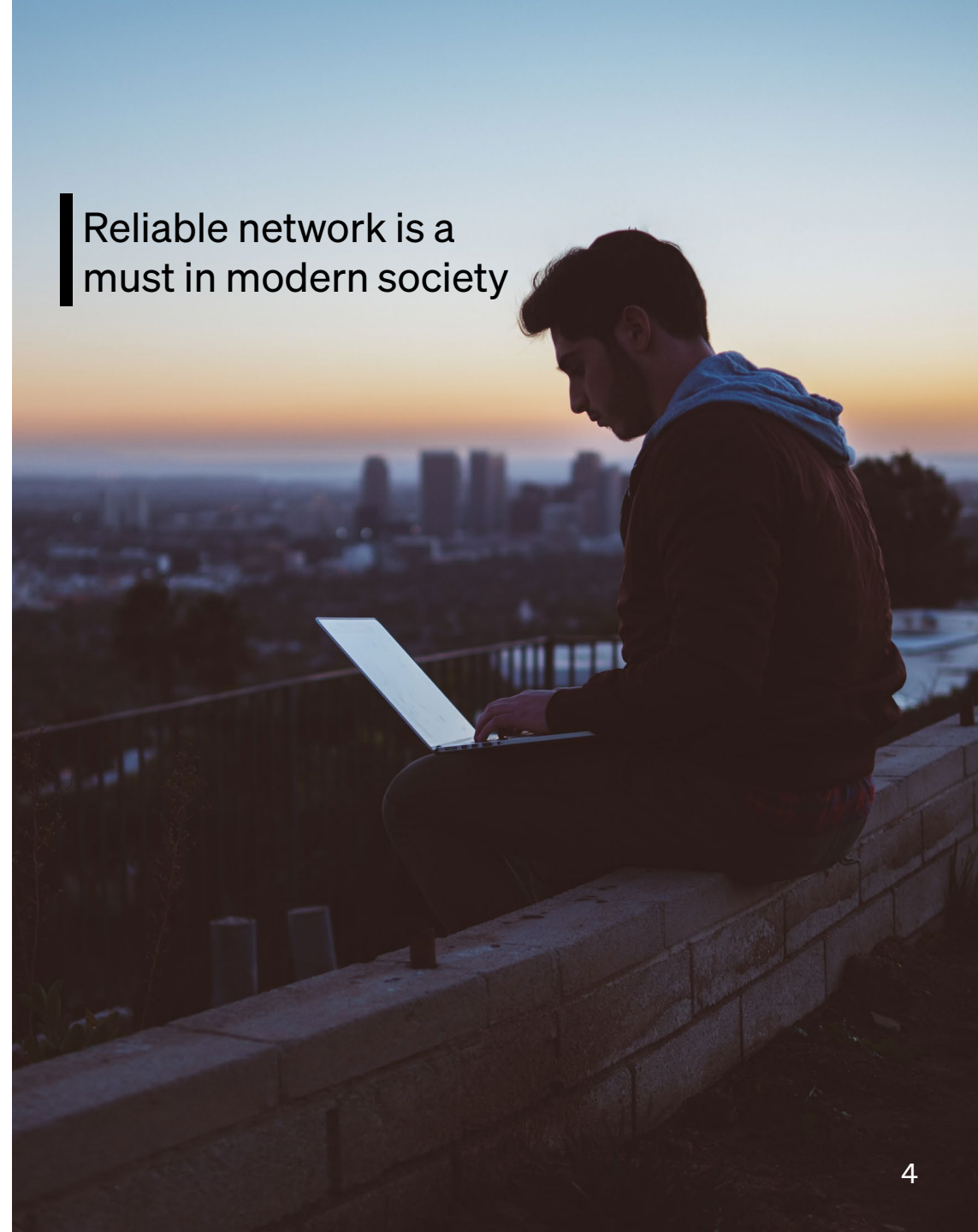
# Hexatronic at a glance



# Expanding market for fiber optic infrastructure

- Low number of homes connected via fiber optic networks across strategic growth markets.
- 5G deployment drives the need for fiber optic networks.
- Increasing use of data-intensive technologies creates a growing need for fiber connectivity among enterprises and large-scale data centers.
- Industrial shift from copper to fiber in harsh environments 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.

Reliable network is a must in modern society



# Sustainability is high on our agenda

Priority targets based on our 2030 roadmap

- Climate-neutral operations
- 100% equal pay
- Min. 40% gender equality (all employees)

## Planet

We reduce our environmental impact and contribute to a circular economy. For present and future generations.



## Ethics

How we do business is just as important as the results we achieve.

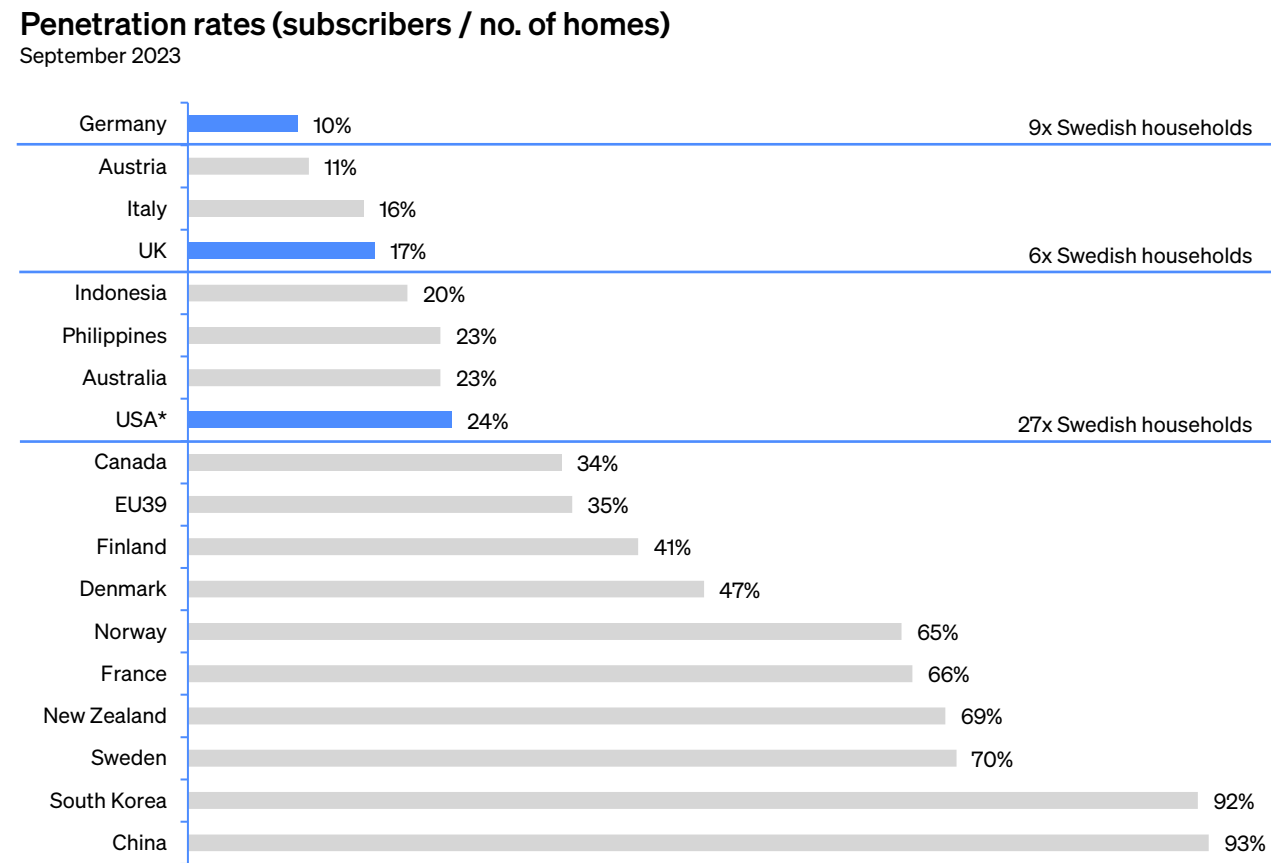


## People

We create a working climate where everyone feels valued, has a sense of belonging, and is given opportunities to succeed and grow.



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



FTTH Council FTTH/B Market Panorama and Global ranking data on penetration rate from September 2023.  
Fiber penetration rate is defined as the FTTH/B subscribers as a portion of the total households  
\* Data from Fiber Broadband Association, December 2023

**USA - BEAD**

High-speed broadband coverage	Total subsidies allocated
<b>100%</b>	<b>42.5 BUSD</b>

Additional infrastructure subsidies of >20 BUSD.

**UK - Project Gigabit**

Gigabit coverage	Total subsidies allocated
<b>85%</b>	<b>5 BGBP</b>

**Germany - Gigabit Strategy**

FTTH coverage	Allocated subsidies (p.a)
<b>50%</b>	<b>3 BEUR</b>

# Hexatronic enables non-stop connectivity for communities worldwide

Proven track record of organic growth and solid profitability

**7.6 BSEK**

Sales, R12\*

**34%**

5-year sales CAGR\*

**11.3%**

EBITA margin, R12\*

**0.9 BSEK**

EBITA, R12\*

**48%**

5-year EBITA CAGR\*

**~2,000**

Employees

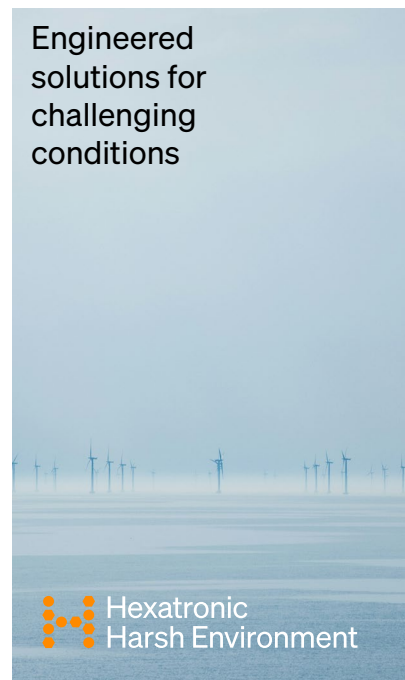
\* As per the end of Q2 2024

# Addressing several customer needs creates additional growth avenues and diversification

73 %\*



15 %



12 %



Share of group sales, Q2 2024





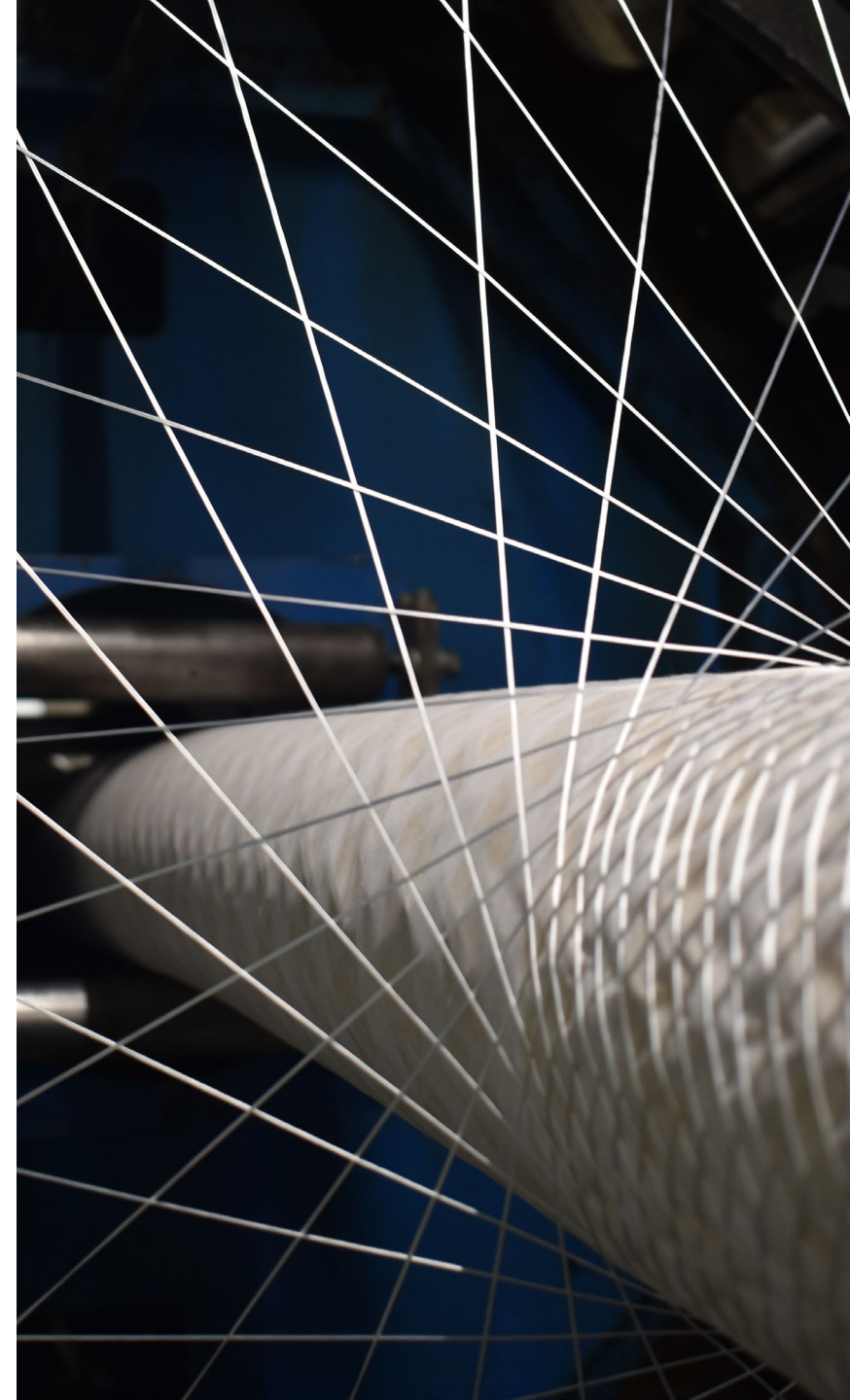
# Q2 highlights

# Continued strong cash flow and modest recovery in Fiber Solutions

## Financial highlights

- Sequential net sales growth of 14% to SEK 2,024m driven by modest recovery in Fiber Solutions and continued growth in new focus areas.
  - Negative growth of 10% compared to Q2 last year, and negative organic growth of 18%, due to a softer market in Fiber Solutions. Comparison impacted by a very strong Q2 2023.
  - Harsh Environment and Data Center grew by 95% and 31% compared Q2 last year, respectively, both organic and through M&A.
- EBITA amounted to SEK 222m (405). EBITA margin amounted to 11.0%, up from 9.4% in Q1 2024 and down from 17.9% in Q2 2024.
- Cash flow from operating activities of SEK 221m (348), corresponding to a cash conversion of 115% (112%).
- Interest-bearing net debt (excl. IFRS 16) reduced SEK ~100m compared to previous quarter and amounted to SEK 1,996m.
  - Leverage ratio\* increased from 1.7x to 1.9x during the quarter, due to lower profitability during Q2 2024 compared to Q2 2023.
- Order book corresponding to ~2.5 months' sales, estimated as a normalized level.

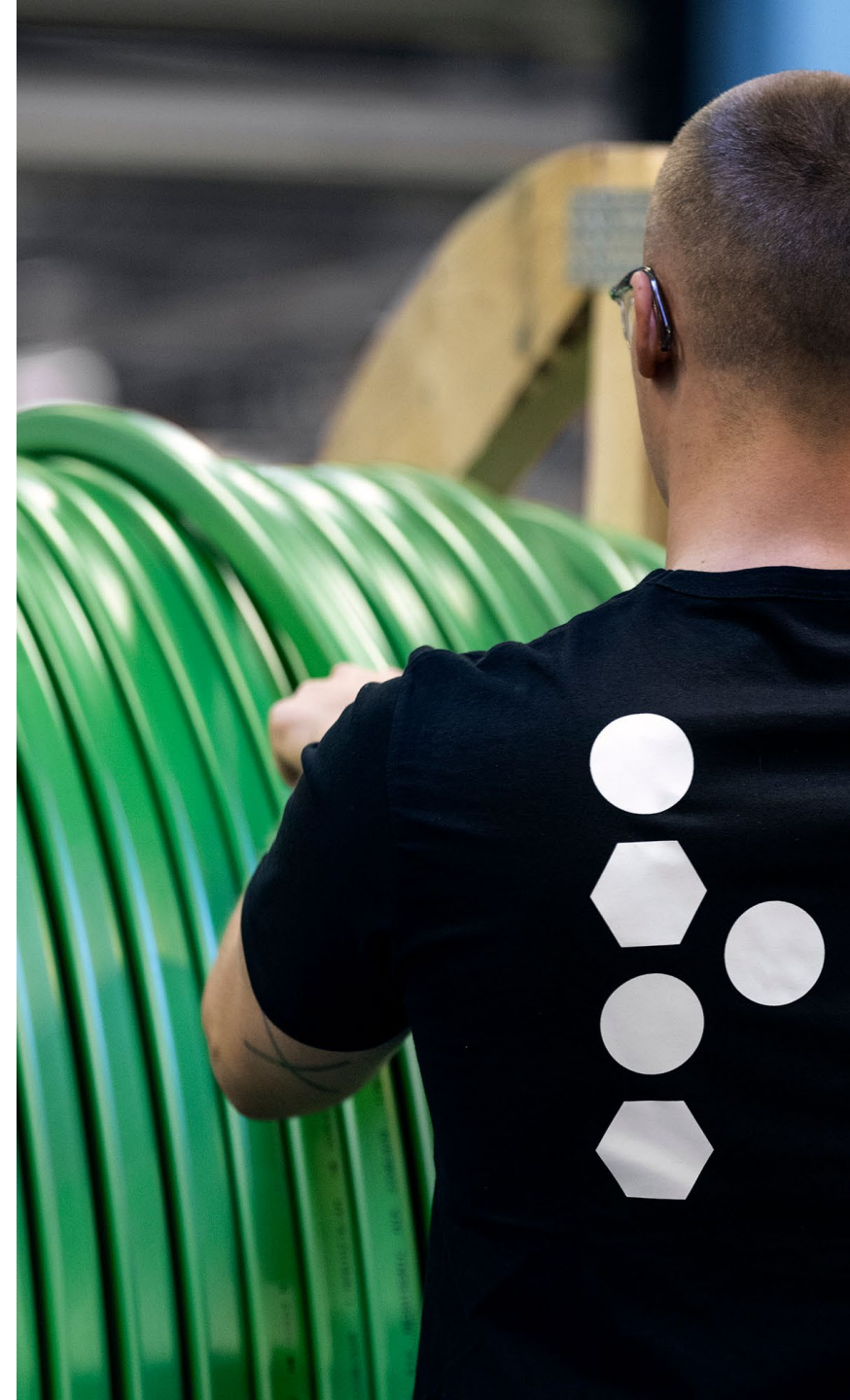
\* Interest-bearing net debt (net debt excluding lease liabilities) / R12 EBITDA proforma





## Significant events

- Hexatronic announced new additions to the company's executive management.
  - Jakob Skov, Head of focus area Harsh Environment
  - Pernilla Grennfelt joined Hexatronic as Head of Investor Relations.
- The AGM resolved, for the period until the next Annual General Meeting, to re-elect Erik Selin, Helena Holmgren and Jaakko Kivinen and to elect Magnus Nicolin, Diego Anderson, Linda Hernström and Åsa Sundberg as members of the Board of Directors. Magnus Nicolin was elected as Chairman of the Board of Directors.
- Hexatronic has been selected by NOVOS FiBER as a strategic partner in the U.S. market for Hexatronic's end-to-end fiber-to-the-home (FTTH) solution. The agreement initially runs for a period of three years and is expected to generate sales of SEK ~400m.

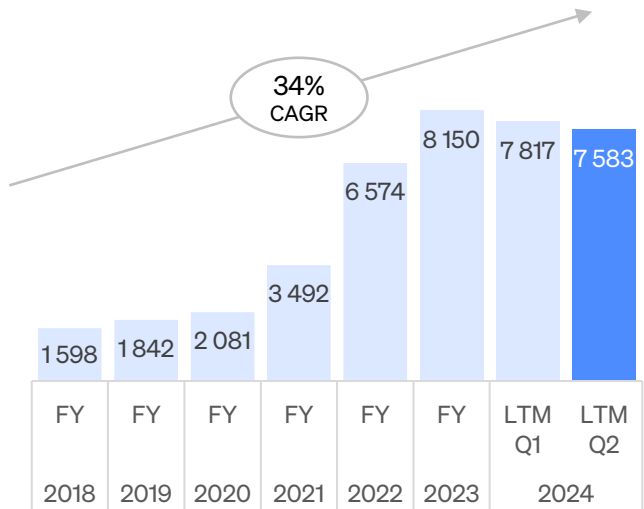




# Strong five-year track record of net sales and earnings growth

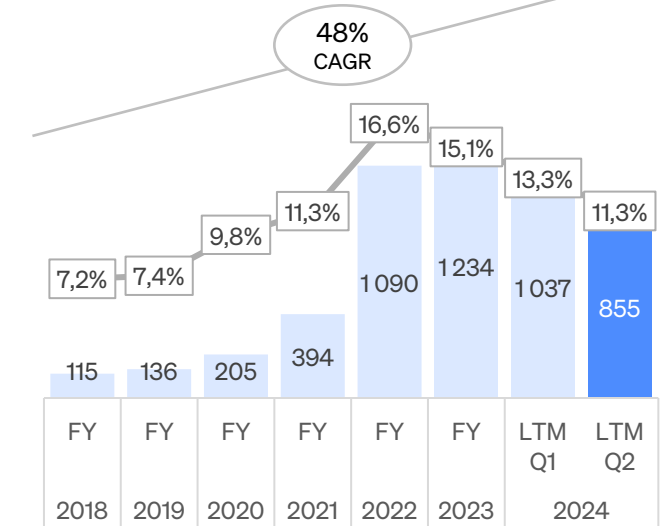
## Net sales development

Net sales (SEKm)



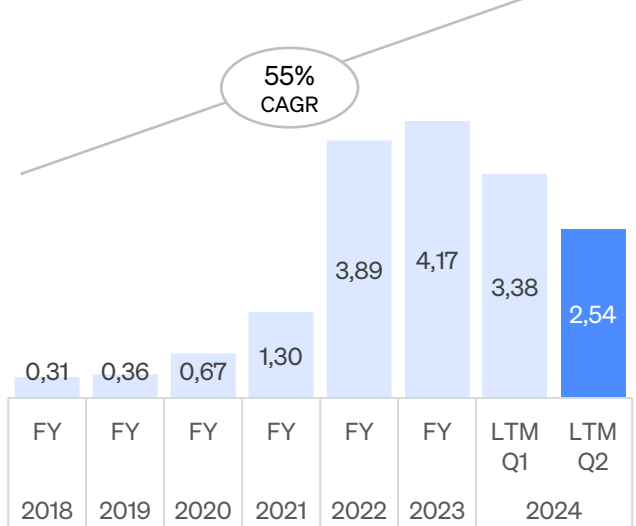
## EBITA development

EBITA (SEKm) / EBITA%



## EPS development

Earnings per share after dilution (SEK)





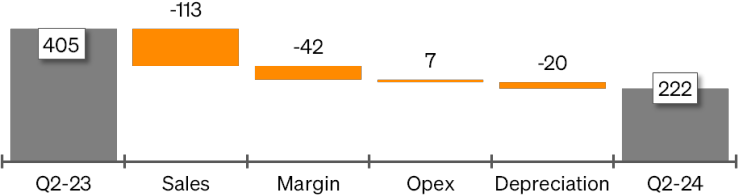
# Financial highlights



# Sequential improvement and challenging comparison

	April-June			YTD		
(MSEK)	Q2 2024	Q2 2023	Δ %	Jan-Jun 2024	Jan-Jun 2023	Δ %
Net sales	2 024	2 258	-10%	3 805	4 373	-13%
Organic Growth	-18%			-22%		
Gross Margin	42,0%	44,1%		41,3%	44,4%	
EBITA	222	405	-45%	390	769	-49%
EBITA Margin	11,0%	17,9%		10,3%	17,6%	

EBITA Bridge



## Net sales Q2: Sales development of -10% (14% growth compared to last quarter)

- Organic sales decline of 18%, primarily Fiber Solutions in Germany, the US, and the UK. Comparison is also impacted by an exceptionally strong Q2 2023.
- Strong organic growth in our new focus areas Harsh Environment and Data Center, total growth of 95% and 31%, respectively.

## EBITA Q2: Margin 11.0% (17.9) – (up from 9.4% last quarter)

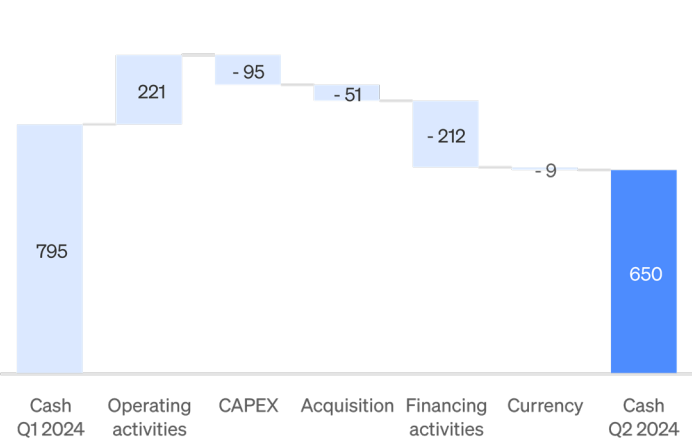
- Gross margin at 42.0% (44.1), mainly due to price pressure in most markets and lower manufacturing utilization in production facilities.
- Operating expenses at 27.6% (24.1) of net sales in the quarter.
  - Operating expenses in relation to net sales in line with Q1 2024.



# Continued strong operational cash flow

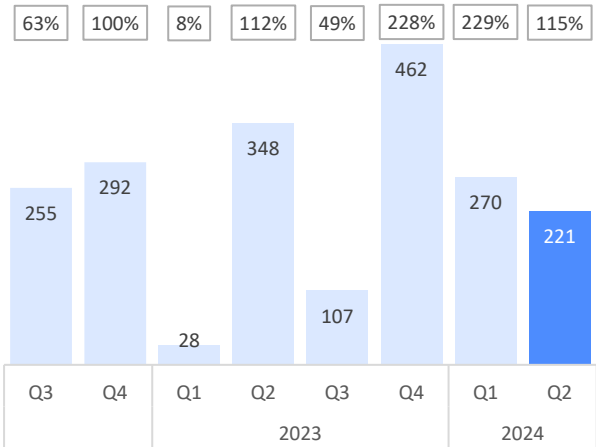
## Cash flow bridge

MSEK



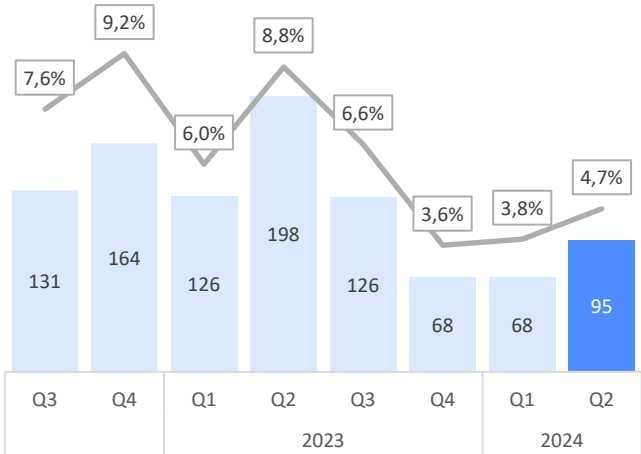
## Continued strong cash conversion due to stabilized working capital

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



## Investments are in the latter part of the cycle

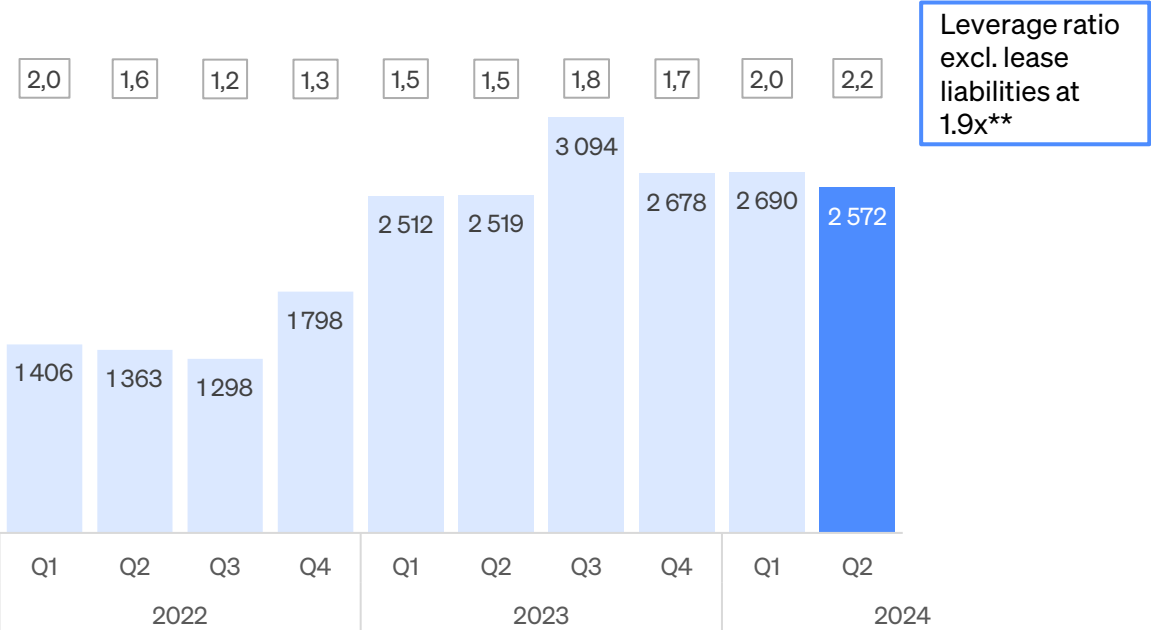
Capex investments (MSEK), % of net sales



# Continued reduced net debt and good financial flexibility

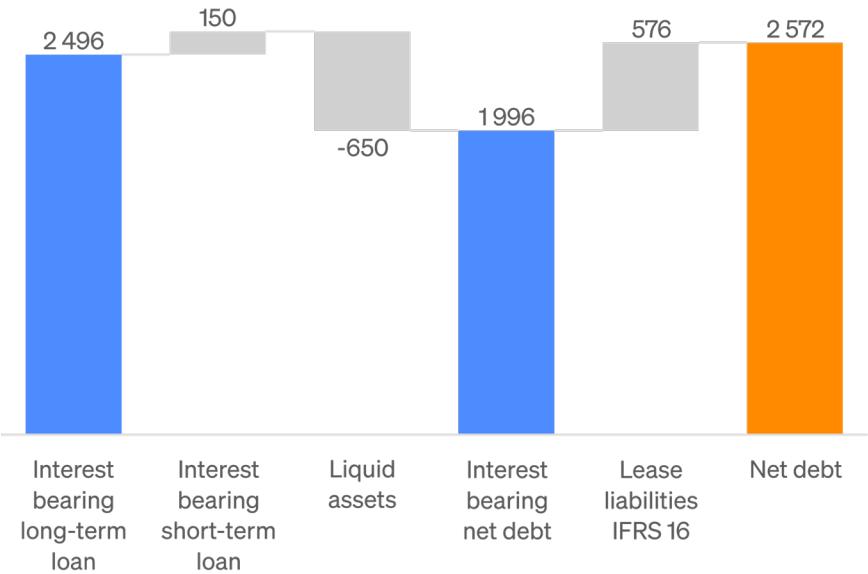
Net debt decreased 118 MSEK compared to last quarter, but leverage ratio effected by strong profitability in Q2 2023

Net debt (SEKm) / EBITDA proforma incl. IFRS 16\*



## Continued solid financial position

Net debt (incl. IFRS 16) as of Q2 2024 (SEKm)



SEK 650m of cash and SEK 1 196m of unutilized back-up facilities gives a liquidity of SEK 1,846m.

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



# Business overview

STINGRAY™

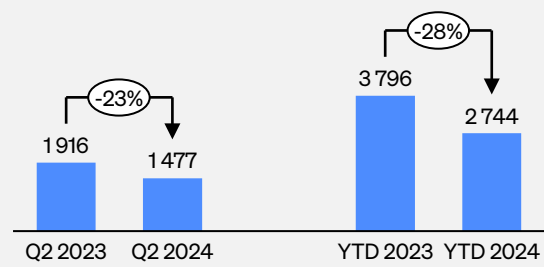
High performance  
air blown fiber.



# Performance by focus area

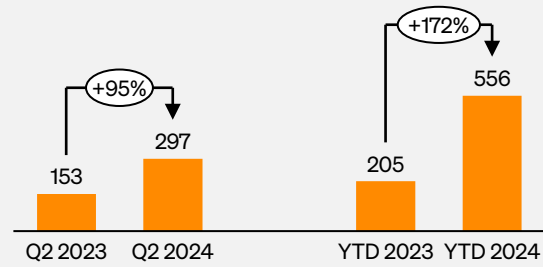
## Fiber Solutions – modest recovery in Q2 2024 but with a still softer demand

Net sales, SEKm



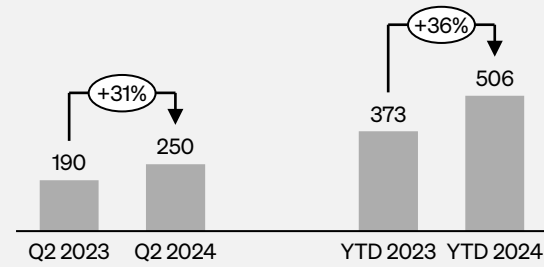
## Harsh Environment – capitalizing on trends within defense and energy

Net sales, SEKm



## Data Center – organic growth driven by hyperscale buildout

Net sales, SEKm



Business development

- Sales decline primarily driven by higher financing costs and cost inflation.
- Continued price pressure in most markets.
- Comparison is impacted by a very strong Q2 2023.

- The growth is driven by the acquisitions of Rochester Cable and Fibron Cable, active in dynamic hybrid cables for applications mainly in energy and defense.

- Net sales growth attributed to both organic and to the acquisition of USNet in the US.
- Strong growth in the product and service business in both of our main geographical markets, the US and Europe.

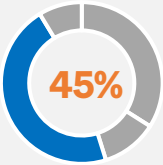
Market development

- Higher cost of capital, inflation and high inventory levels has led to soft markets for Fiber Solutions across geographies.
- Signs that inventory levels start to normalize in the market.
- Governmental subsidies expected to have an increased impact on the market going forward and, in combination with normalizing inventory levels, we expect a gradual recovery in the latter part of 2024.

- Strong demand in defense and energy markets expected to remain for a long time to come.
- Expansion of existing sea-based infrastructure and great interest in renewable offshore energy production.

- Accelerating implementation of artificial intelligence (AI), which requires significant processing power, is driving the expansion of data centers globally.

% of Group revenue (R12)



# Sales decline in Europe (excl. Sweden) partly mitigated by expansion in new focus areas

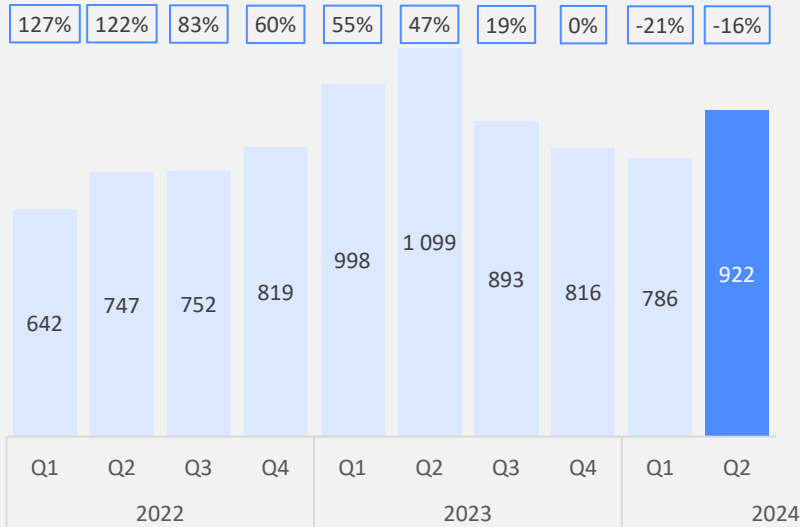
## Business development

- Sales decline compared to corresponding period last year due to softer development within Fiber Solutions.
  - Decline primarily due to Germany and UK, in combination with very strong corresponding quarter last year.
  - Sequential sales growth of 17%.
- Continued solid performance within Harsh Environment by way of Fibron Cable.
- Data Center continue to develop well.

## Market development

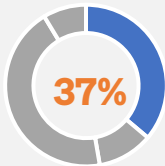
- Higher cost of capital, inflation and high inventory levels has led to continued soft markets for Fiber Solutions in Germany and the UK. Signs that inventory levels start to normalize in the market.
- Both new focus areas continues to show strong demand, underpinned by defense and energy markets and accelerating implementation of AI.

## Net sales and net sales growth



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

% of Group revenue (R12)



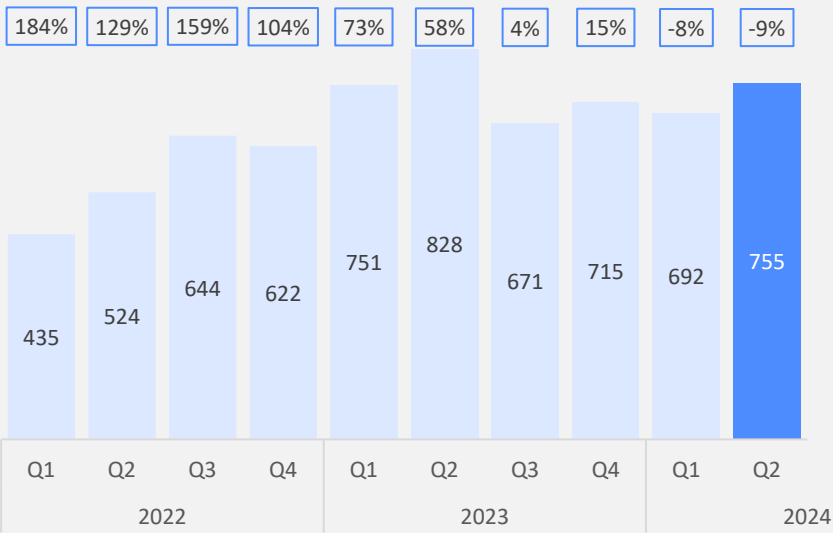
## Business development

- A decline of 9% mainly due to decreased sales of duct, partly mitigated by acquisition driven growth from Harsh Environment and FTTH system sales in Canada.
- Our FTTH system sales in Hexatronic US slightly behind Q2 last year. Sales record high in Q2 2023.
- Continued investments in the new factory in Ogden, Utah, to expand addressable market for duct to include the western US.
  - 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 duct and FTTH. Signs that inventory levels in the market is normalizing.
- We expect to see small effects of BEAD programme in the later part of the year. 17 states are now fully BEAD approved.

## Net sales and net sales growth





# Weaker FTTH market in Sweden impacted sales growth

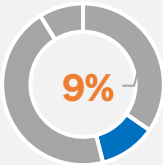
## Business development

- Sales decrease by 6% driven by softer FTTH market.

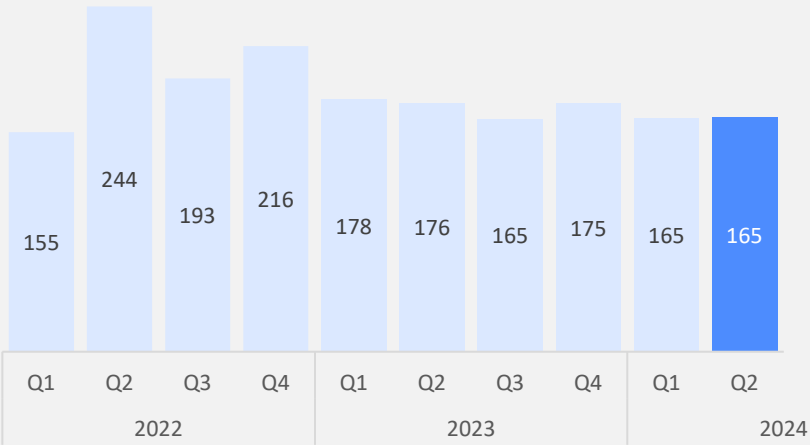
## Market development

- Higher cost of capital and inflation has led to a continued soft market among FTTH operators.

% of Group revenue (R12)



## Net sales and net sales growth



# Strong performance in APAC driven by FTTH projects

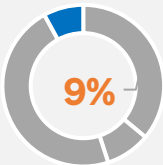
## Business development

- Sales growth of 17% primarily explained by delivery of FTTH projects in the Pacific.

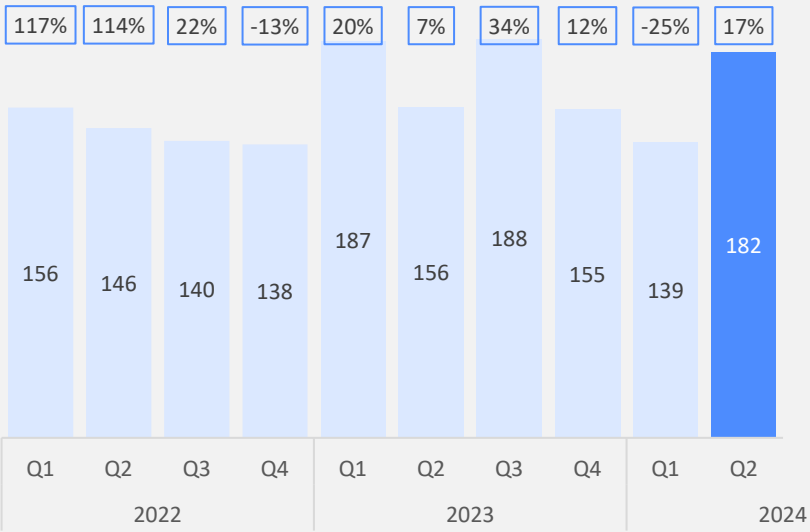
## Market development

- Higher cost of capital and inflation has led to a continued soft market among FTTH operators.

% of Group revenue (R12)



Net sales and net sales growth



A close-up photograph of a human hand, palm facing forward, with a vibrant rainbow light effect projected onto the skin. The light creates a spectrum of colors from red to violet. The background is a soft, out-of-focus warm light.

# Summary and Market outlook



# Summary

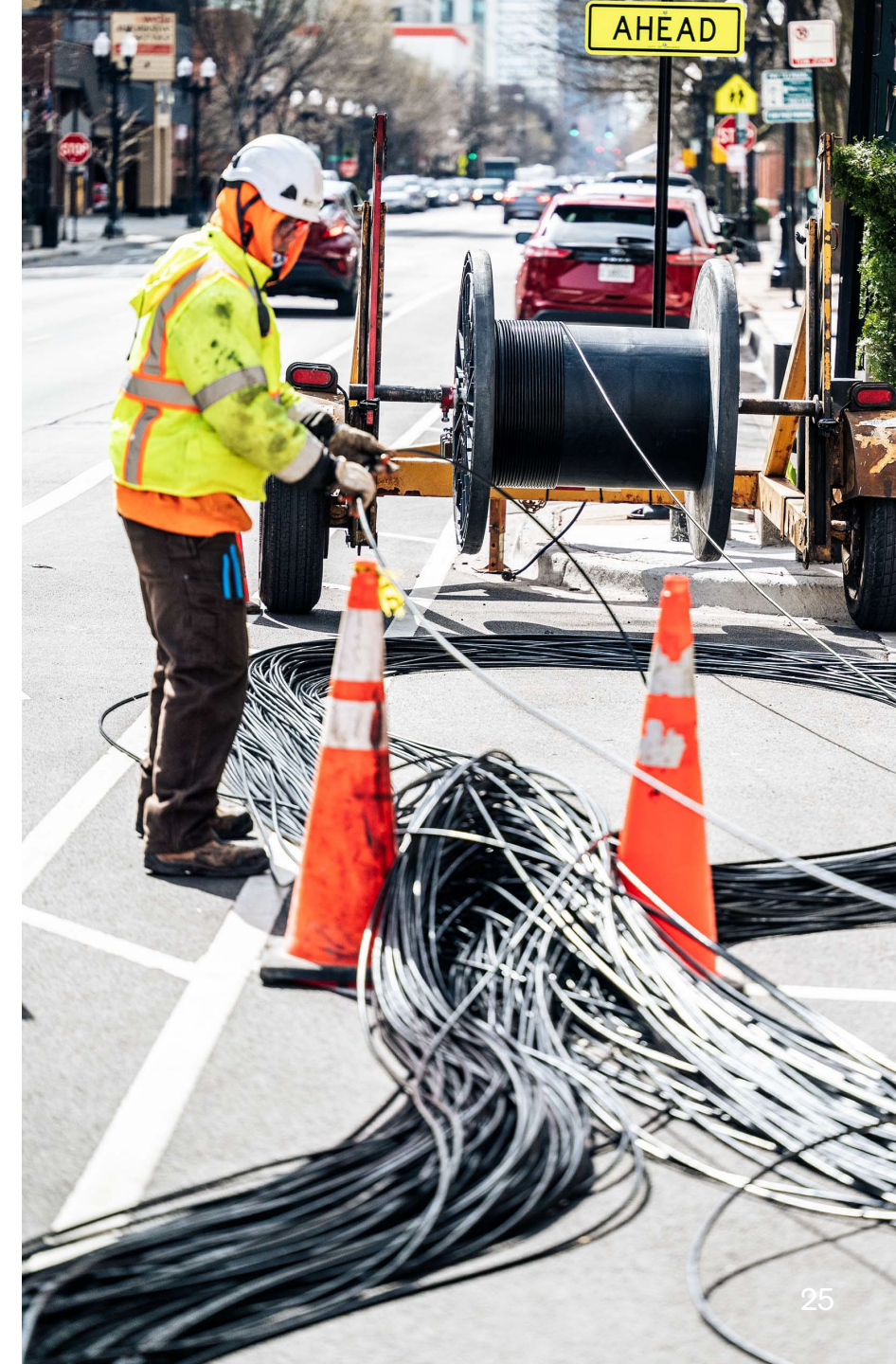
- Sequential net sales growth of 14% to SEK 2,024m driven by modest recovery in Fiber Solutions and continued growth in new focus areas.
- Price pressure in Fiber Solutions expected to remain during 2024.
- Signed contract with Novos Fiber on FTTH systems in the US worth SEK ~400m over 3 years.
- Cash flow from operating activities of SEK 221m (348), corresponding to a cash conversion of 115% (112%).
- Profitability improved in Q2 compared with the previous quarter – EBITA margin of 11.0% in Q2 compared to 9.4% in Q1.
- Maintained strong financial position with a leverage ratio\* of 1.9x at the end of June.

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



## Market outlook

- We expect a strong market within Harsh Environment and Data Center for 2024 and for a long time to come, fuelled by investments in defense, energy, and AI.
- In Fiber Solutions, we expect the market to remain weak in the third quarter and then gradually increase in demand towards the end of 2024.
  - Normalizing inventory levels and the BEAD program in the US are factors that are expected to contribute to a gradual market recovery.
  - We expect the market to show seasonal variation, i.e., lower activity in Q4 and Q1, as we saw before the pandemic.





# Q&A







A lasting link to the future.