

Q2 2023 presentation

July 13, 2023

Erik Lundén, CEO
Frederick Neely, Acting CFO





Q2 highlights

Erik Lundén
President & CEO

Q2 Summary – Strong operating result and cash flow

- **Stable development with strong operating result and cashflow**
 - Net sales up 2% driven by currency gains
 - Organic growth of -5%, impacted by strong comparative figures and continued weak demand in Segments East and UK/North America. Continued strong development in Segment West
 - Order intake was in line with net sales
- **Strong improvement in EBITA**
 - Somewhat lower gross margin due to less favorable business mix
 - Operating expenses in line with comparison quarter
 - EBITA improved by 37%, corresponding to an operating margin of 14.0% (10.4). Strong EBITA contribution from Segment UK / NA
 - Adjusted for items affecting comparability, the operating margin was 13.5% (14.0)
- **Robust improvement in cash flow - Expected to continue in the coming quarters**
 - As expected, operating cash flow improved, to SEK 488 million (-23), corresponding to a cash conversion ratio of 147% (-1)
 - We expect continued strong cash flow in the coming quarters



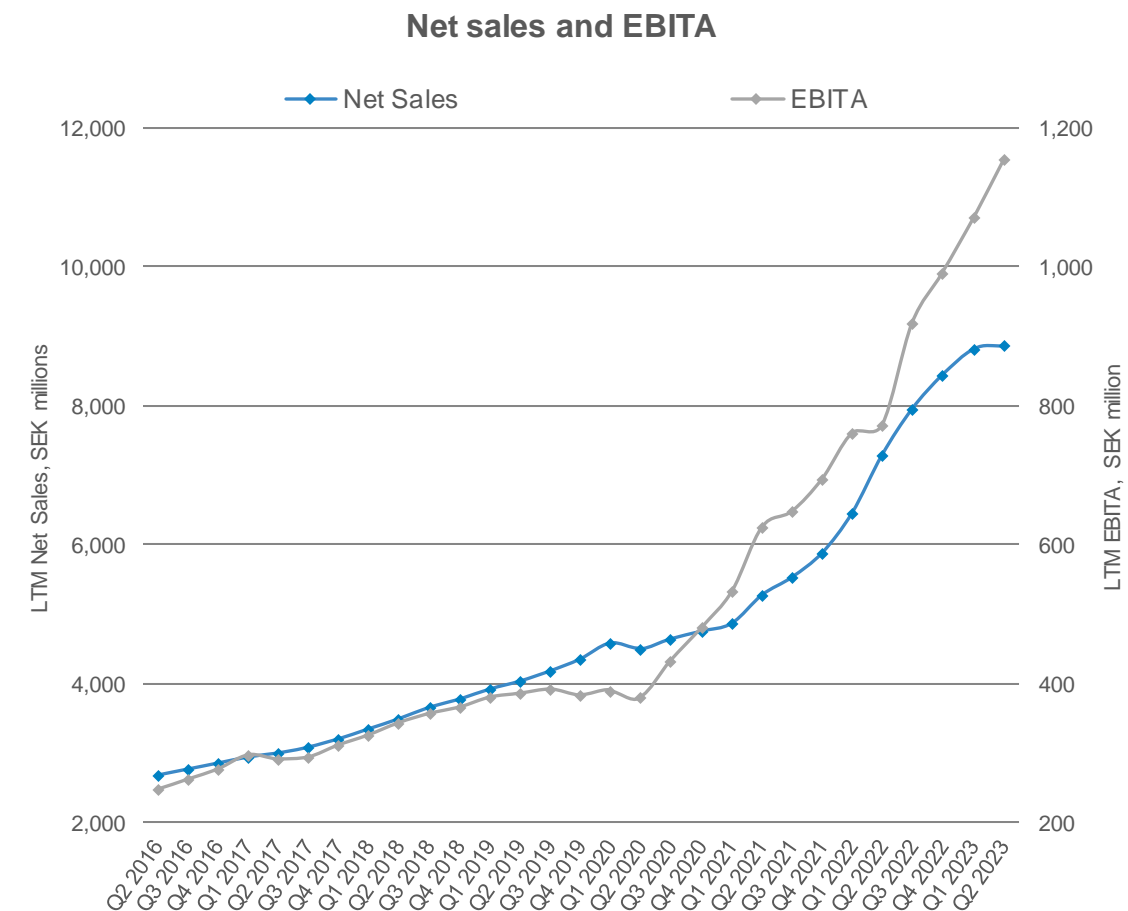
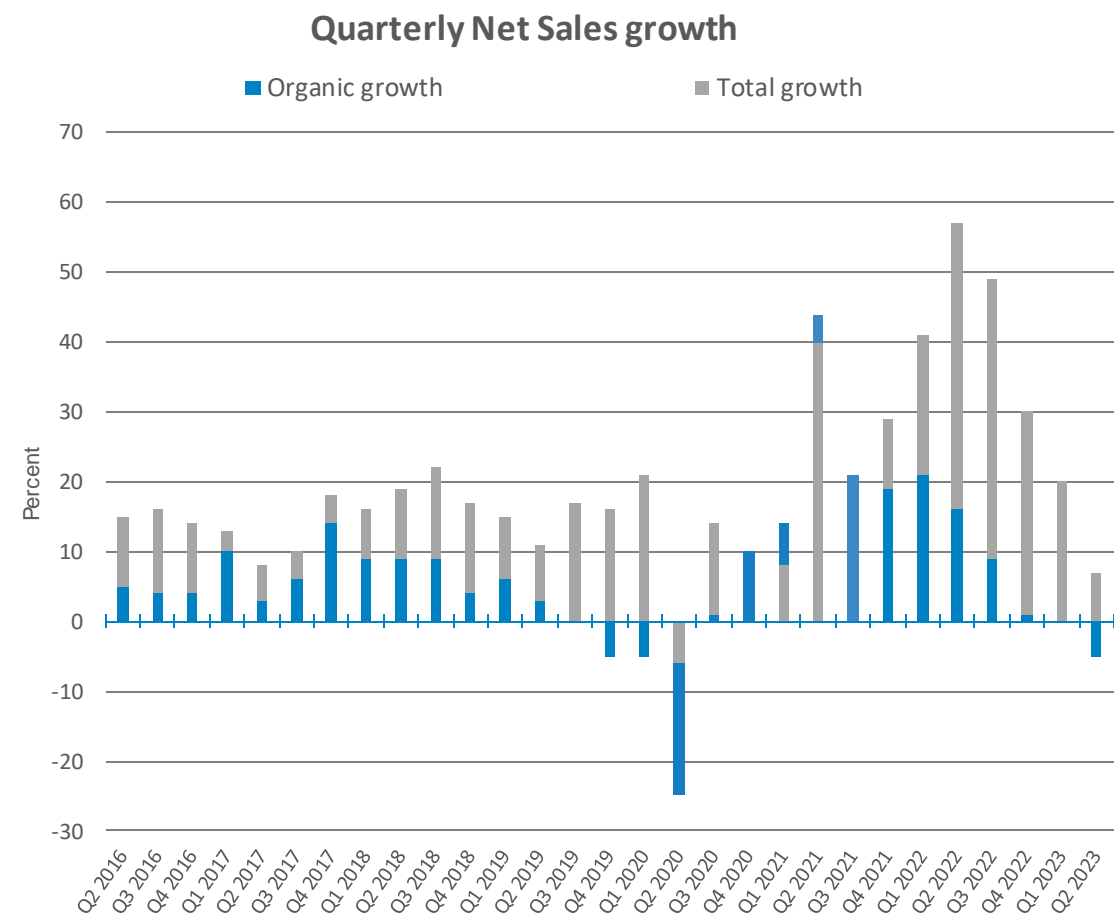
Financial highlights

Frederick Neely
Acting CFO

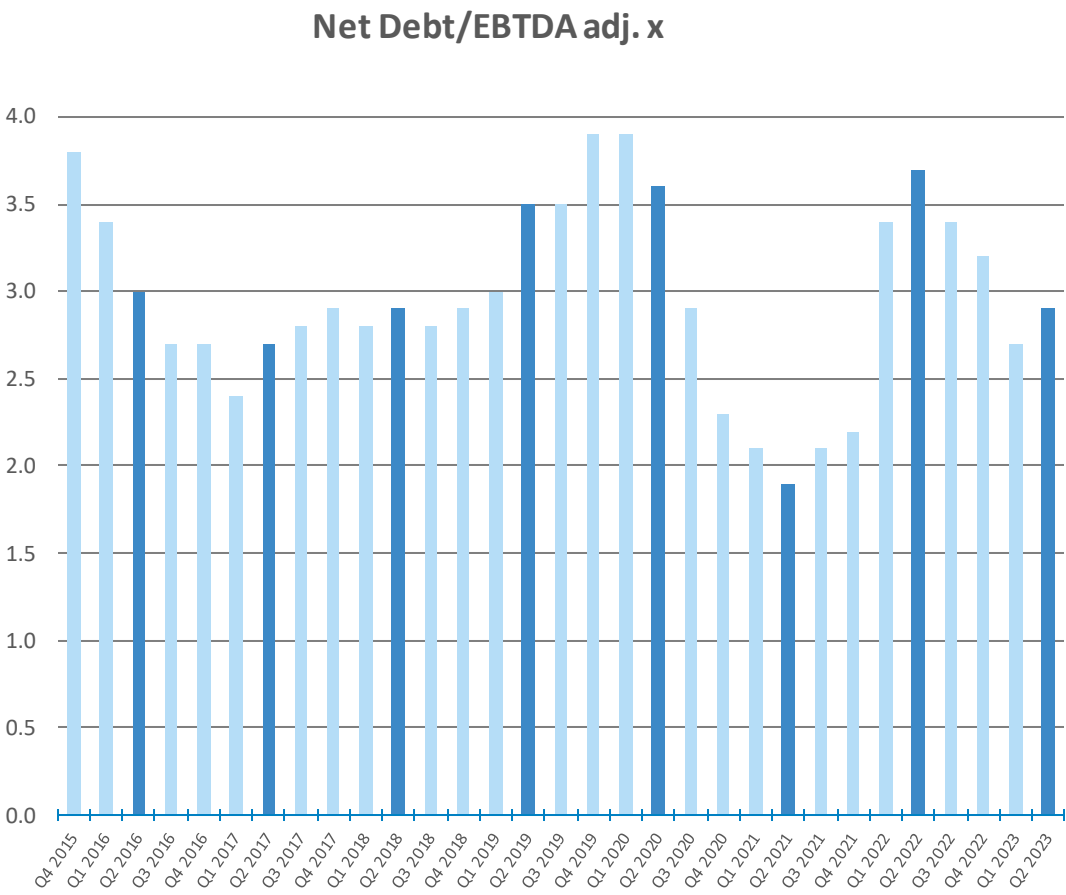
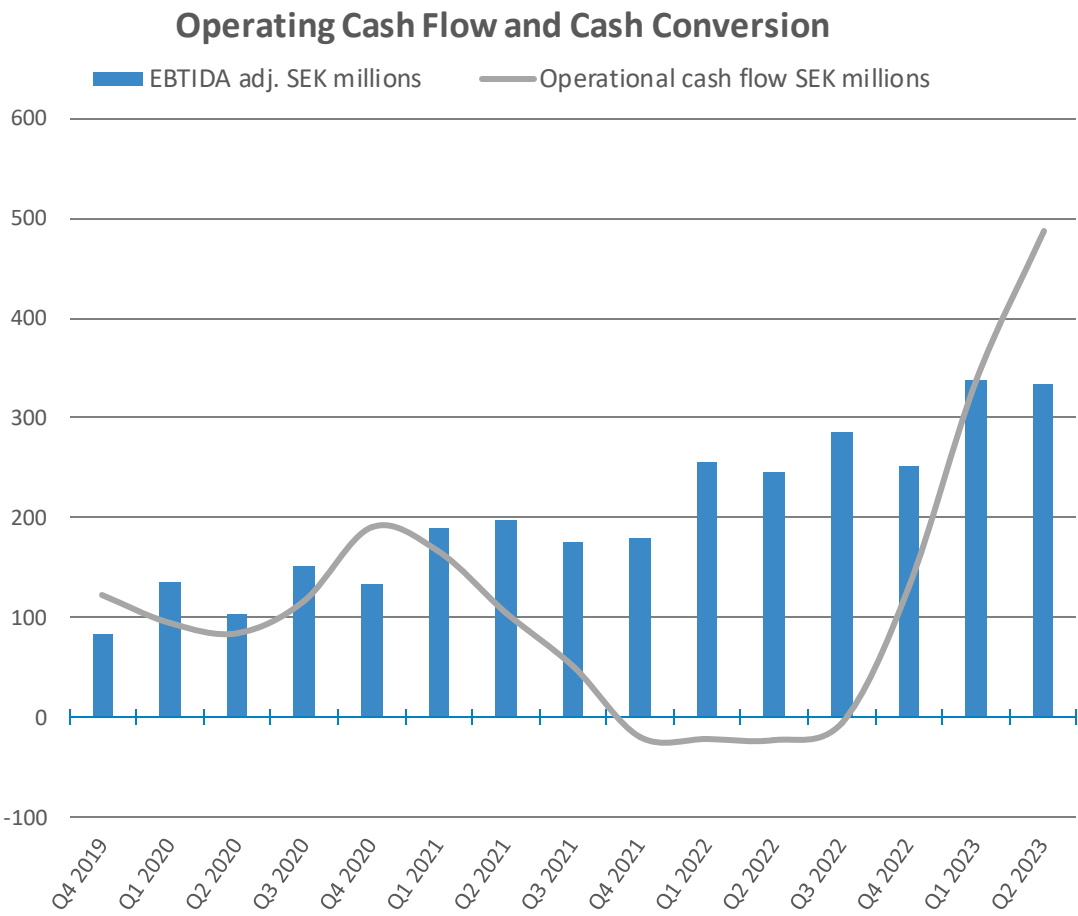
Financial highlights, Group

	Quarter 2			Δ	Jan-June			Δ	12 months rolling	Full year
SEK millions	2023	2022		%	2023	2022		%	2022/23	2022
Order intake	2 263	2 249		1	4 584	4 290		7	8 747	8 453
Net sales	2 280	2 241		2	4 666	4 235		10	8 862	8 431
Gross profit	649	645		1	1 324	1 205		10	2 508	2 389
%	28,5	28,8			28,4	28,5			28,3	28,3
Operating expenses	-331	-411		-20	-682	-729		-6	-1 352	-1 399
%	-14,5	-18,3			-14,6	-17,2			-15,3	-16,6
Operating profit (EBITA)	319	233		37	642	476		35	1 156	990
%	14,0	10,4			13,8	11,2			13,0	11,7
Operating profit	301	223		35	607	455		33	1 082	930
%	13,2	9,9			13,0	10,7			12,2	11,0
Profit after tax	205	132		55	406	298		36	717	609
Earnings per share, SEK	5,41	3,51		54	10,74	7,76		38	19,21	16,23

Financial development



Cashflow and ND/EBITDA



EBITA Bridge

EBITA Q2 2022	233
North	-12
West	13
East	-5
UK/North America	83
Other	7
EBITA Q2 2023	319



Consolidator in a fragmented market



+51

acquisitions since 1977

3

acquisitions
in 2022

900

employees

3,400 MSEK



Segment highlights

Erik Lundén
President & CEO

Segment North – Q2 summary

	Quarter 2			Δ	Jan-June			Δ	12 months rolling	Full year
SEK millions	2023	2022	%		2023	2022	%		2022/23	2022
Order intake	769	761	1		1 558	1 442	8		2 932	2 815
Net sales	764	758	1		1 585	1 452	9		2 970	2 837
Gross profit	195	206	-5		410	388	6		758	737
%	25,5	27,2			25,9	26,7			25,5	26,0
Operating expenses	-103	-102	1		-201	-193	4		-393	-384
%	-13,5	-13,4			-12,7	-13,3			-13,2	-13,5
Operating profit (EBITA)	92	104	-11		209	195	7		366	352
%	12,0	13,8			13,2	13,4			12,3	12,4

- Total growth amounted to 1% with an organic growth of -3%, as the segment experienced a slowdown in the underlying demand, driven by the furniture and kitchen industry
- Decrease in gross margin due to unfavorable business mix
- Operating expenses held stable
- Operating profit and the operating margin decreased driven by the furniture and kitchen industry

Segment West – Q2 summary

	Quarter 2			Δ	Jan-June			Δ	12 months rolling	Full year
SEK millions	2023	2022		%	2023	2022		%	2022/23	2022
Order intake	487	447		9	1 007	904		11	1 806	1 716
Net sales	485	426		14	1 011	866		17	1 839	1 694
Gross profit	114	100		14	242	204		19	445	408
%	23,6	23,5			23,9	23,6			24,2	24,1
Operating expenses	-55	-54		2	-110	-108		2	-221	-219
%	-11,3	-12,6			-10,9	-12,5			-12,0	-12,9
Operating profit (EBITA)	59	46		28	132	96		38	224	188
%	12,2	10,8			13,1	11,1			12,2	11,1

- Total growth amounted to 14%, of which 4% was organic growth
- Underlying demand and increased market shares is still driving organic growth. The operations in the Netherlands (Flos) and France had an especially strong performance
- Gross margin stable due to favourable business mix
- Operating profit and operating margin increased and lower share of expenses due to continued good cost control and operational leverage

Segment East – Q2 summary

	Quarter 2			Δ	Jan-June			Δ	12 months rolling	Full year
SEK millions	2023	2022	%		2023	2022	%		2022/23	2022
Order intake	258	251	3		560	540	4		1 086	1 066
Net sales	275	266	3		572	548	4		1 097	1 073
Gross profit	85	83	2		179	173	3		348	342
%	30,9	31,4			31,3	31,6			31,7	31,9
Operating expenses	-46	-40	15		-90	-93	-3		-187	-190
%	-16,7	-15,0			-15,7	-17,1			-17,0	-17,7
Operating profit (EBITA)	39	44	-11		88	80	10		162	153
%	14,2	16,4			15,4	14,5			14,7	14,2

- Total growth of 3% in the segment driven by acquisitions and currency effects
- Organic growth -6%, due to strong comparative figures and continued weak development in Eastern Europe driven by lower demand in pandemic favourable industries
- Decrease in gross margin due to declining market and business mix
- Operating profit and the operating margin decreased driven by the outdoor and healthcare industry

Segment UK/North America – Q2 summary

	Quarter 2			Jan-June			12 months rolling	Full year
SEK millions	2023	2022	%	2023	2022	%	2022/23	2022
Order intake	749	791	-5	1 458	1 405	4	2 856	2 855
Net sales	757	791	-4	1 498	1 369	9	2 953	2 824
Gross profit	253	253	0	487	441	10	936	890
%	33,4	32,0		32,5	32,2		31,7	31,5
Operating expenses	-123	-206	-40	-261	-309	-16	-520	-568
%	-16,2	-26,0		-17,4	-22,6		-17,6	-20,1
Operating profit (EBITA)	130	47	176	226	131	72	416	321
%	17,1	5,9		15,1	9,6		14,1	11,4

- Total growth amounted to -4%. Organic growth was -11%, due to strong comparative figures and lower demand in the stainless steel and RV industries in the UK and NA
- Higher gross margin due to favourable business mix
- Share of operating expenses much lower than comparable quarter due to revalued earn-out considerations
- Operating result and operating margin improved due to better gross margin and lower operating expenses

Great examples of how Bufab creates value & *Piece of Mind* for our customers

- **Bufab received Quality Award from Schneider Electric**
 - We received the prestigious “Quality Award” from Schneider Electric Europe in the quarter
 - Bufab was selected from among more than 13,000 other suppliers in Europe for our excellent quality results over the past two years
- **Increased interest among customers for our Sustainability offering**
 - We are continuing to integrate sustainability throughout our operations – an increasingly important area for us and our customers
 - We are seeing that more and more customers are placing higher demands on sustainability and on their suppliers
 - Bufab strengthens our customers supply chain through our Sustainable supplier engagement program



Summary & Outlook

Erik Lundén
President & CEO

Summary & Outlook

- **Q2 Summary**

- Solid development in the quarter with very strong operating profit and cash flow
- Sales growth was 2 percent driven by currency effects. Organic growth was -5 percent driven by lower demand in sectors that had strong tailwind during the pandemic and strong comparative numbers
- Strong EBITA-margin of 14.0% (10.4) and Operating cash flow of SEK 488 million (-23), corresponding to a cash conversion ratio of 147% (-1)

- **Outlook**

- Given the geopolitical and macroeconomic situation, there is still a great uncertainty
- A higher level of caution noted among customers in certain industrial segments
- We have a large and well-diversified customer- and article portfolio, with a good diversification of risk in various industries and markets

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- **Short term Priorities**

- Continue securing new business and taking market shares
- Protect margins. Continue working on efficiency improvements, offsetting the gradual improvement of inflationary pressure
- Continue improving our cash-flow and reduce our debt level

Other updates

- **Pär Ihrskog will join as new Group CFO**
 - Will join us in mid-August
 - Pär has a long career within the SKF Group and most recently held the position as Group CFO/CIO of Embellence Group
- **Bufab Capital Market Day will take place in Q4 2023**
 - More information including date, agenda and venue details will be shared in August





Q&A