

July 19, 2018

Nolato

Q2 2018



Prepared Remarks

- Welcome to a new try of presenting the Q2 of 2018 for Nalotte Group. Sorry about the inconvenience the last time, but let's try again. The summary for the group. We had a very strong quarter for all business areas. We reached the sales of SEK 2,300,000,000, which was healthy growth of 34% adjusted for currency.
- We saw strong growth across all business areas, but extremely high volumes within the Integrated Solutions business area fueled by launch volumes and inventory buildup for the BHP segment. The profit rose to SEK266,000,000 in comparison to SEK178,000,000 during Q2 2017. And this gave a margin of SEK11.6 percent. And during the quarter, we also had very strong cash flow after investments, which reached SEK 352 1,000,000. If we jump into the Medical business area, we had a growth, organic growth of 13%, but adjusted for currency, it was a strong 10%.
- We saw an increase in volumes both within the Medical Device and Pharma Packaging segment. The margin reached 13%, and the total sales was down SEK562,000,000 in the quarter. We see strong and high activity in the market. That was the medical business area in brief. If we then jump into the integrated solution business area.
- And during the Q2, we had exceptionally strong growth of 66%, very high launch volumes and inventory buildup for the BHP product area, particularly on the heating device. During the second half of twenty eighteen, the end customer demand is expected to account for the majority of the volumes, but at a consistent persistently high level, but lower than in the second quarter and more in line with the Q4 and Q1. We've seen continued relatively weak volumes for the mobile phone segment. The margin, EBITA margin reached 11.8%, and the high volumes have had a positive impact. It was a little bit lower than in the Q1, and that was due to more favorable and balanced capacity utilization during the Q1.
- During the second half of this year, we will start production in Suzhou for moving some of the volumes from our Beijing area to that facility. The total sales in the quarter was SEK1.186 million, very strong level of the Integrated Solution business area. If we then look into the Industrial Solutions, we saw a strong growth in this business area as well. It was 13% increase of sales. If we adjusted the currency, it was a very strong 12%.
- And we saw all product areas performing well, but particularly automotive and hygiene was stronger than the rest. We have had highly marketing of development work in production equipment during the Q2 as well. The margin was 9.9% in Industrial Solutions.
- Okay. I will give some financial highlights, which is summarized on Page 13. It was a quarter where we combine a strong growth of 34% with a margin improvement of 1 percentage, of course, giving strong result improvements for all result lines. We had net sales of SEK 2,300,000,000 compared to almost SEK 1,700,000,000 the same quarter last year. The operating profit, EBITDA, was EUR 266,000,000 compared to EUR 178,000,000 and the EBITA margin went up from 10.6 percent to 11.6 percent.
- The earnings per share was on the rolling 12 month period, SEK 28.23 It was affected with a positive nonrecurring item of SEK0.91 giving SEK27.32 for non for excluding nonrecurring items. We had a strong cash flow during the quarter, although increasing CapEx investments, that was because of the positive result impact and also positive working capital development during the quarter. We used supplier finance possibilities for a number of customers, which was positive. We ended up with a strong financial position. The cash situation went positive with SEK 62,000,000 even if we paid out dividends during Q2 with SEK 329,000,000 set to our shareholders.
- After the balance sheet date, we had one event. You can see that summarized on Page 14. We sold a subsidiary, Novarto Hepland, on 5th July. That company had production and sales of standard protective products, which was a bit unique in the group. The company had 25 employees and annual sales of SEK 40,000,000.
- It contributed with SEK 15 over approximately to earnings per share on a yearly basis. The purchase price was \$58,000,000 enterprise value, and the transaction will be recognized in the Q3. We expect a minor capital loss.



To comment a little bit on our current situation by the different business area. If we start with the Medical Solutions, we have a maintained growth strategy, focus on innovation, and we see a high activity on the market with good product activity. Within the integrated solutions area, we have successes with the new product areas. We have a continued strong position within EMC, and we work with our flexible production structure. Within the Industrial Solutions area, we are advancing our market positions.



We have a continued positive development in automotive and hygiene sectors. And of course, we are in a strong economy. We will now unmute the phones in order to take questions. But please, if you don't speak, put your phone on mute.



Yes, Mikhail Afin here, Carnegie. Hello? Hi. Yes, I have a question regarding the route to comment a bit more and elaborate on what you mean with, I mean, your comments regarding the second half? Your comments regarding the second half.



In line with the first half, I'm sure, in line with the first half, I'm sure, in line with the first half, I'm sure, in line with what are you derivative in Q1? A bit more clarity on that would be great. Thanks. More clarity on that would be great.



We



Can you please mute everyone else when you answer the question? It's really difficult to hear, please.



Can you please mute the lines



when you



are asking a question from it is really difficult to hear? Yes. Lidmac, Delmac.

Q&A



Yes. We got a question regarding the volumes and the sales and expectations for the Integrated Solutions business area. And we believe that the rest of the year will be more in line with Q4, Q1 levels than the Q2, which was then boosted by the pipe filling volumes and so on. Any more questions?



Peter Mac, any more questions, Quex?



Should we try some more questions or



If there are more questions



or?



Okay. I can. Hi, it's Johan from ABG. Yes. Speed deal.



That's Joe from ABG. Mark, I have



I haven't followed everything because there is some So



it's hard to I haven't followed everything with



with That was thing. But okay, I'll try.



Yes. But okay, I'll try. Yes.



How about the cost situation in terms of Cost situation in terms of OpEx going forward. Is that going forward? OpEx going forward. OpEx going forward.



Is there anything you can



guide on that?



Is there anything you can guide on that?



Okay. I can comment on the OpEx situation going forward. We see a situation, and I think you can read about that in the papers, all of you, every day that the raw materials and also the situation with personnel cost is increasing, but we have lived with that for quite a long time. And when it comes to raw materials, we have good possibilities to forward that according to contracts and agreements with our customers. We could see some delays in that work, but as said, we have had this situation for several quarters.



When it comes to other operational costs, it is a challenging situation with the personnel right now, finding people in some of our operations. But we have been able to handle it, and we expect that we can also going forward in the next coming quarters.

