

Q1 2024 Presentation

April 26, 2024



Henrik Larsson Lyon
CEO



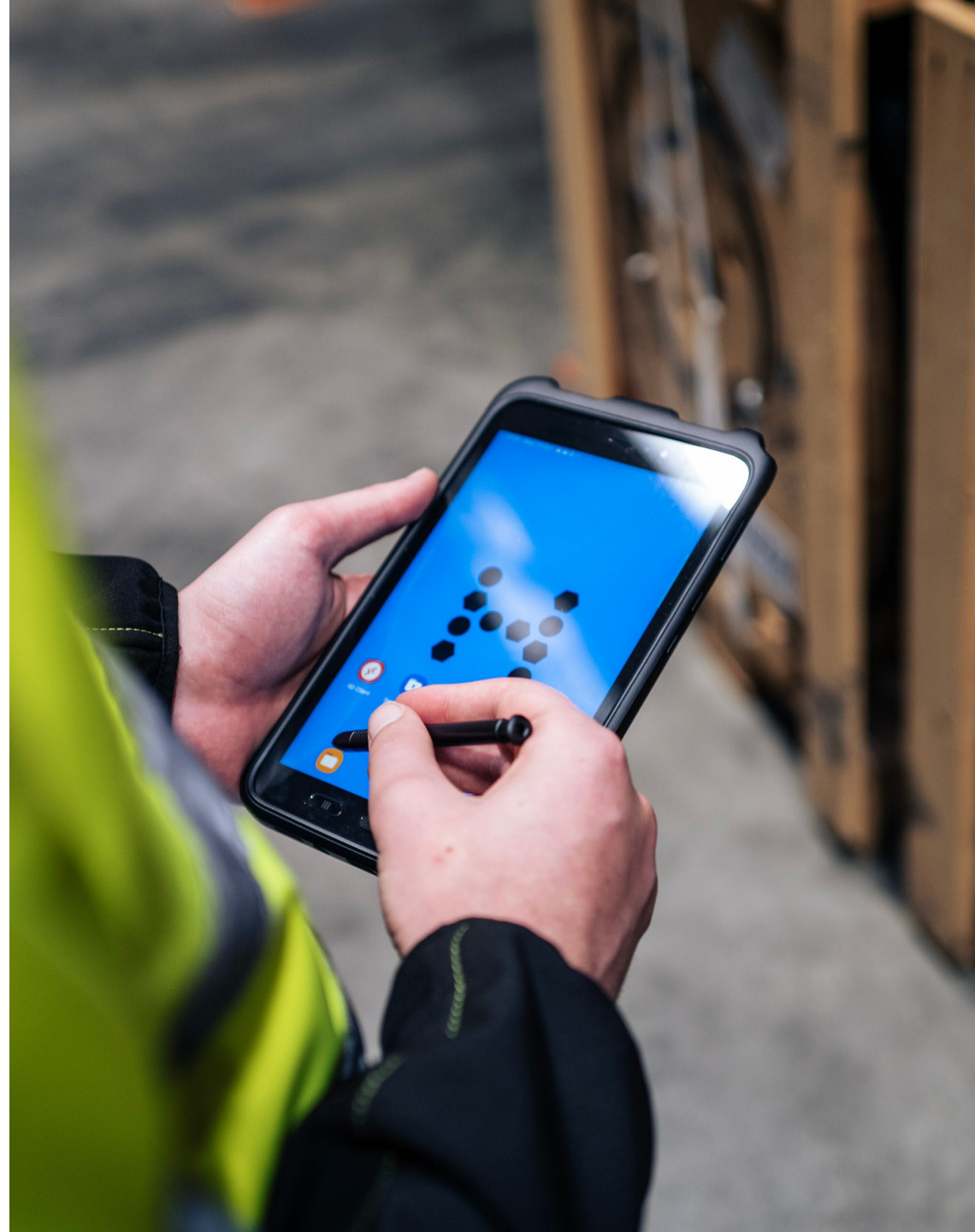
Pernilla Lindén
CFO



Martin Åberg
Deputy CEO

Agenda

1. Hexatronic at a glance
2. Q1 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

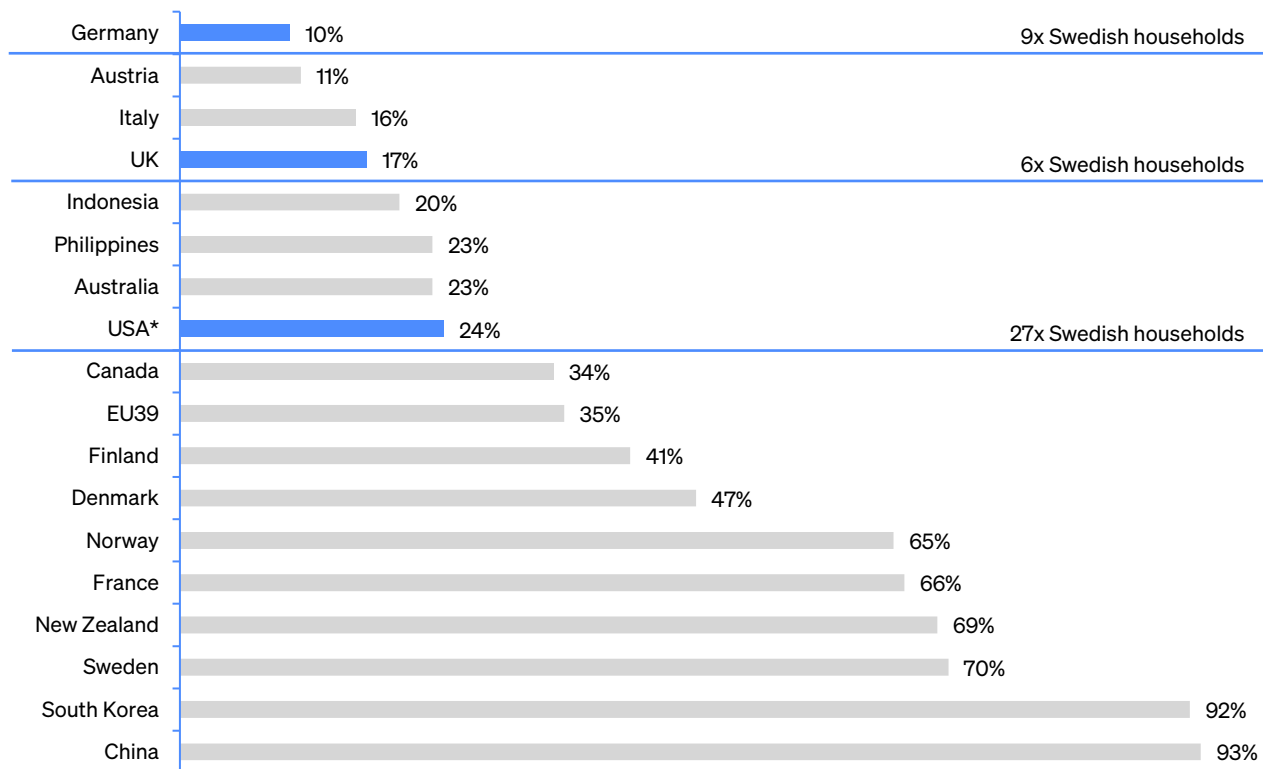
Reliable network is a must in modern society



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

Penetration rates (subscribers / no. of homes)

September 2023



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
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

Hexatronic enables non-stop connectivity for communities worldwide

Proven track record of organic growth and solid profitability

7.8 BSEK

Sales, R12*

36%

5-year sales CAGR*

13.3%

EBITA margin, R12*

1.0 BSEK

EBITA, R12*

55%

5-year EBITA CAGR*

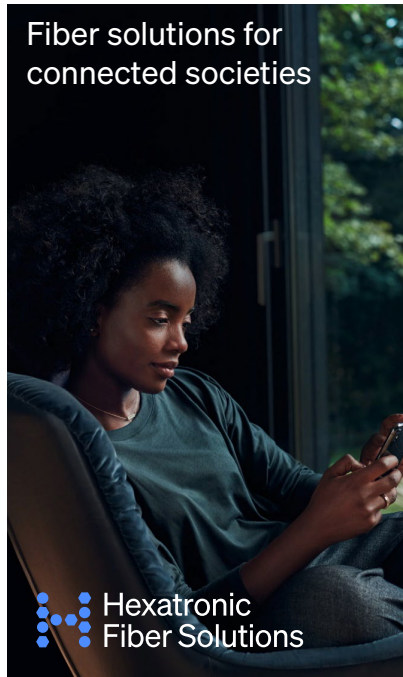
~2,000

Employees

* As per the end of Q1 2024

Addressing several customer needs creates additional growth avenues and diversification

71%*



15%



14%



Share of group sales, Q1 2024
* Including indicative share of Wireless group sales

An aerial night view of a city street grid. The streets are illuminated with warm yellow and orange lights, creating a glowing pattern against the dark sky. Buildings are visible as dark shapes with some windows lit up. The overall scene is a dense urban environment at night.

Q1 highlights

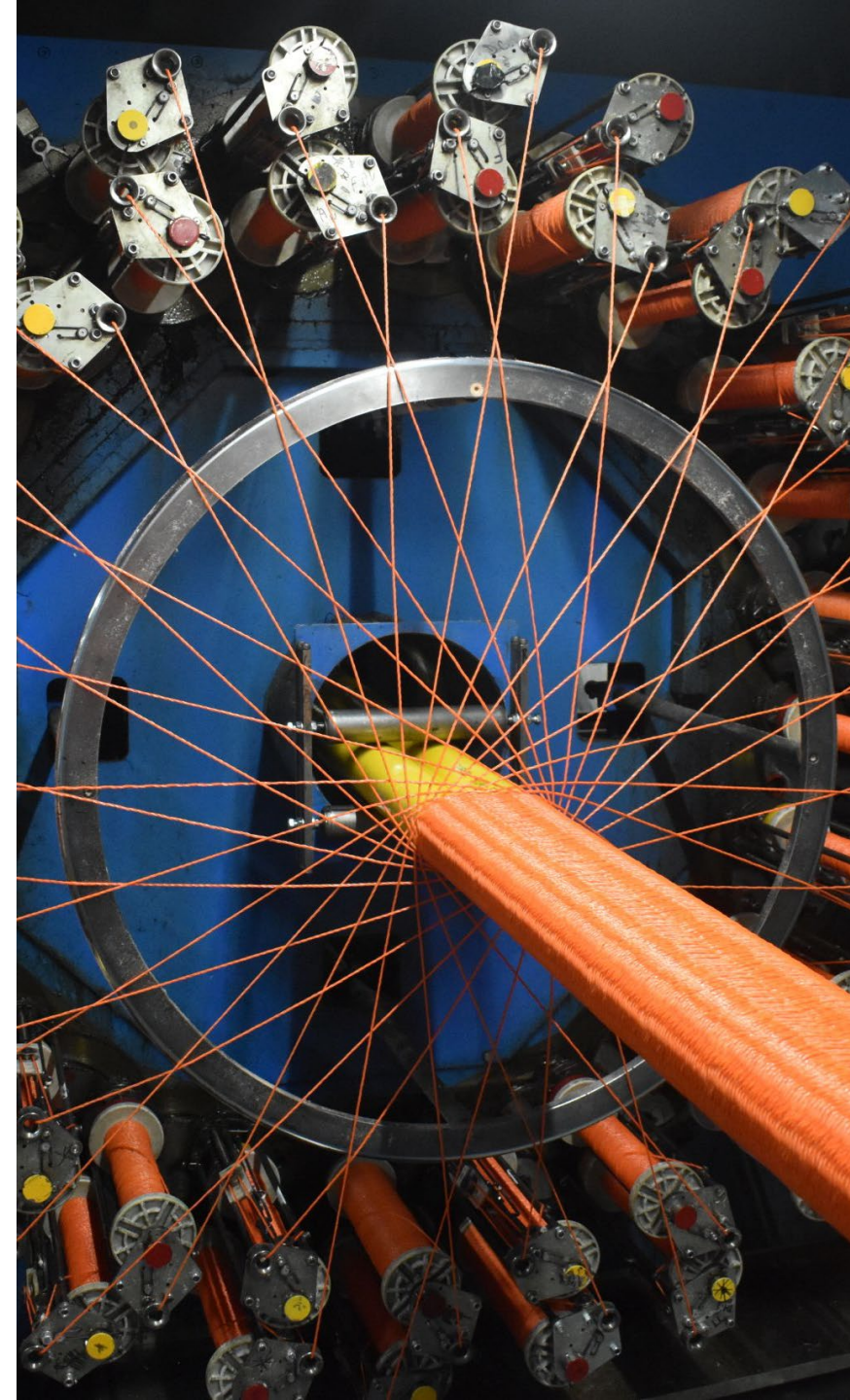
Continued strong operating cash flow and contribution from new focus areas

Financial highlights

- Net sales decreased 16% to MSEK 1,782 YoY and 4% QoQ.
 - Negative organic growth of 27% due to softer market in Fiber Solutions. Comparison also impacted by a very strong Q1 2023 (net sales grew +52% in Q1 2023).
 - Harsh Environment and Data Center grew by 397% and 40%, respectively.
- EBITA amounted to MSEK 168, corresponding to a margin of 9.4%, in line with previous quarter.
- Earnings per share amounted to SEK 0.31 (1.09).
- Cash flow from operating activities of MSEK 270 (28), corresponding to a cash conversion of 234% (8%), driven by continued optimisation of inventories.
- Interest-bearing net debt (excl. IFRS 16) in line with previous quarter and amounted to MSEK 2,102. Leverage ratio** increased from 1.4x to 1.7x during the quarter, due to lower profitability during Q1 2024 compared to Q1 2023.
 - Leverage (incl. IFRS 16)* increased from 1.7x to 2.0x.
- Order book corresponding to ~2 months sales, unchanged from year-end 2023.

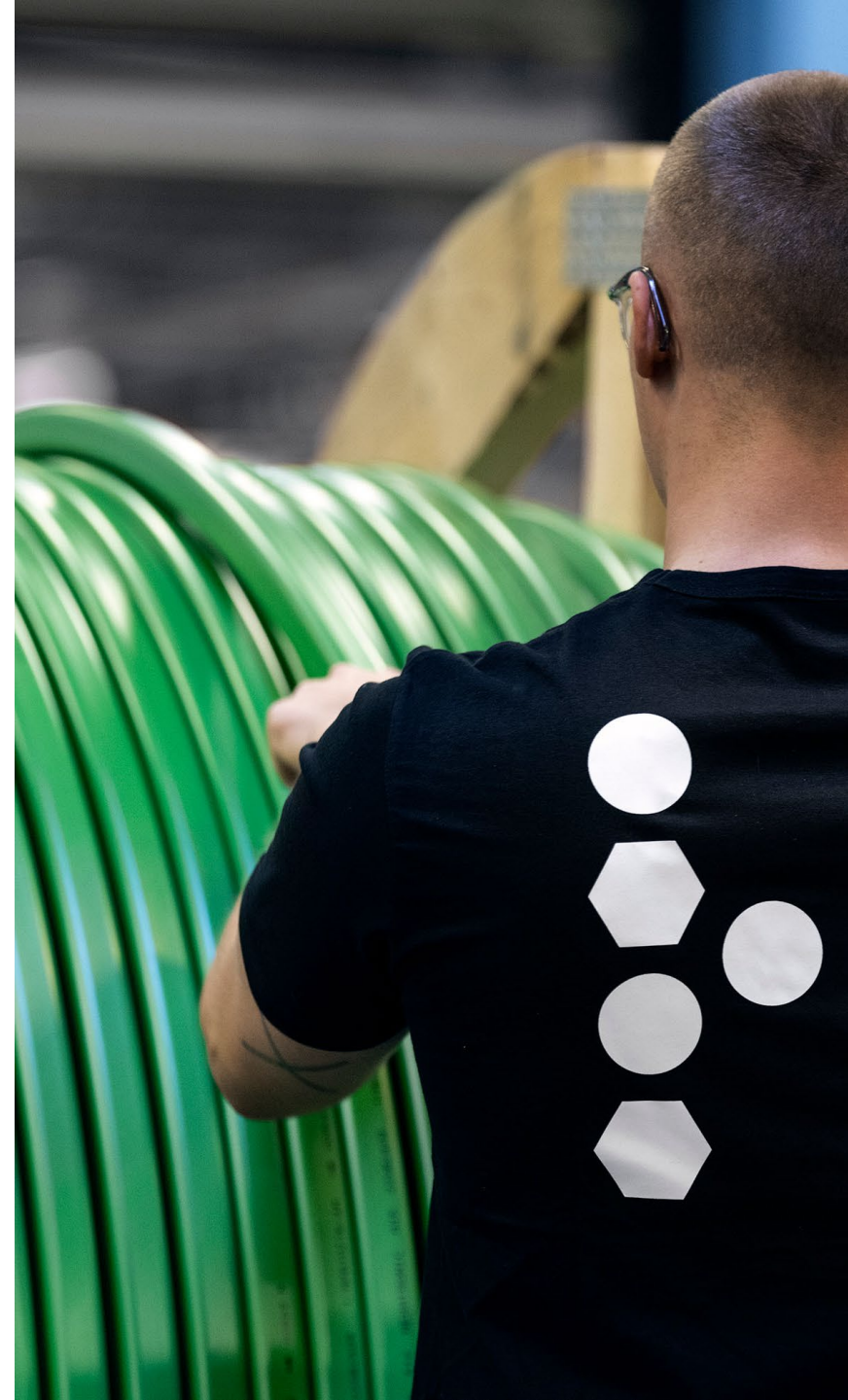
* Net debt including lease liabilities / R12 EBITDA proforma

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



Significant events

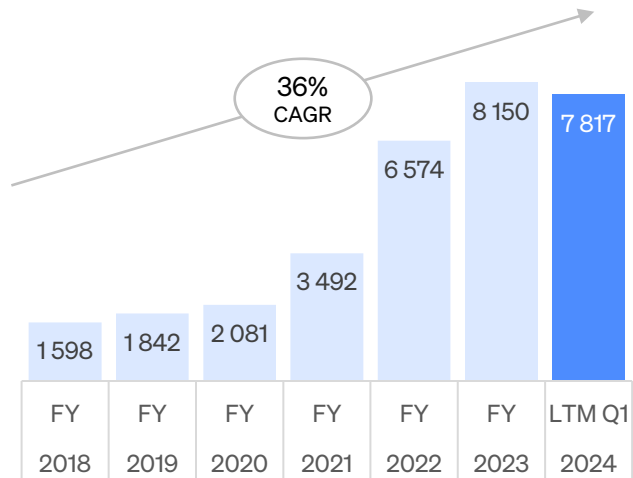
- Hexatronic merges its two Swedish wholly-owned subsidiaries, Hexatronic Cable & Interconnect Systems and Hexatronic Fiberoptic, forming Hexatronic Sweden.
- The Nomination Committee propose Magnus Nicolin for election as Chairman of the Board at the Annual General Meeting on May 7, 2024.
- Board of Directors proposes to the AGM that no payment of dividend will be made for the financial year 2023.
- After the end of the quarter, Hexatronic announces changes in the company's executive management. Jakob Skov, Head of focus area Harsh Environment, will join the company's executive management as of April 2024 and in June 2024 Pernilla Grennfelt will join Hexatronic as Head of Investor Relations and join the company's executive management.



Strong five-year track record of net sales and profitability growth

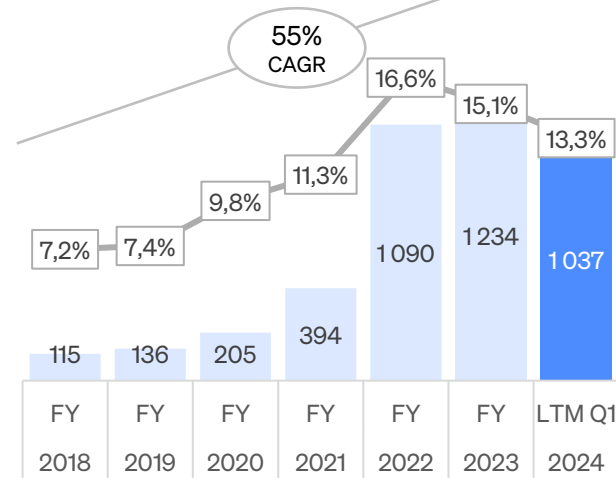
Net sales development

Net sales (MSEK)



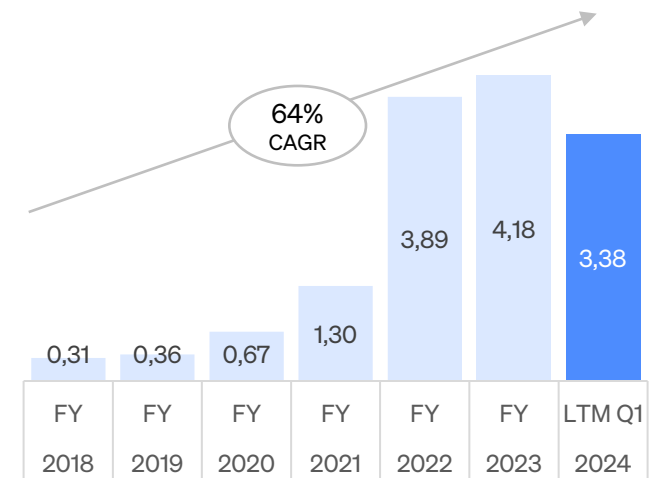
EBITA development

EBITA (MSEK) / EBITA%



EPS development

Earnings per share after dilution (SEK)

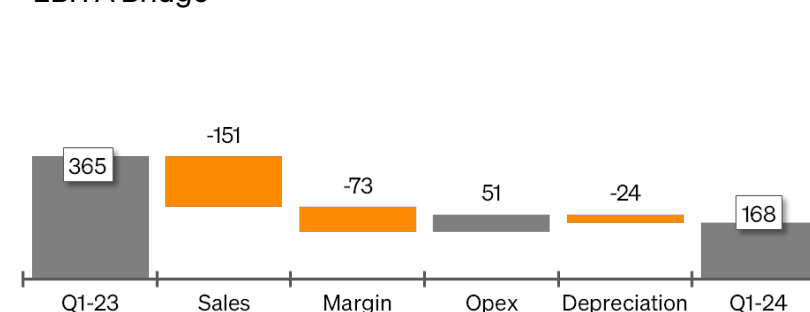


Financial highlights

EBITA margin in line with Q4 2023

(MSEK)	January-March		Δ %
	Q1 2024	Q1 2023	
Net sales	1782	2115	-16%
<i>Organic Growth</i>	-27%		
<i>Gross Margin</i>	40,5%	44,7%	
EBITA	168	365	-54%
<i>EBITA Margin</i>	9,4%	17,2%	

EBITA Bridge



Net sales Q1: Sales development of -16% (-4% compared to last quarter)

- Organic sales decline of 27%, primarily in Germany, the US, and the UK.
- Additional diversification of sales with Harsh Environment and Data Center growing by 397% and 40%, respectively.

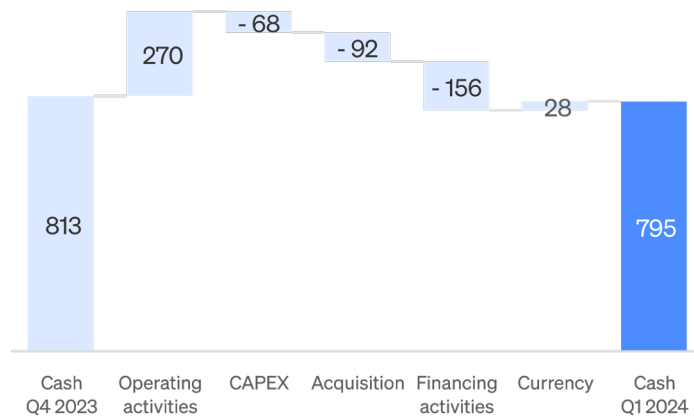
EBITA Q1: Margin 9.4% (17.2) – in line with Q4 2023

- Gross margin at 40.5% (44.7), mainly due to price pressure in some markets and lower manufacturing utilization in production facilities.
- Operating expenses at 27.5% (25.8) of net sales in the quarter.
 - In absolute numbers operating expenses in line with Q4 2023.
 - Cost saving program fully implemented by the end of Q1 2024.

Continued strong operational cash flow

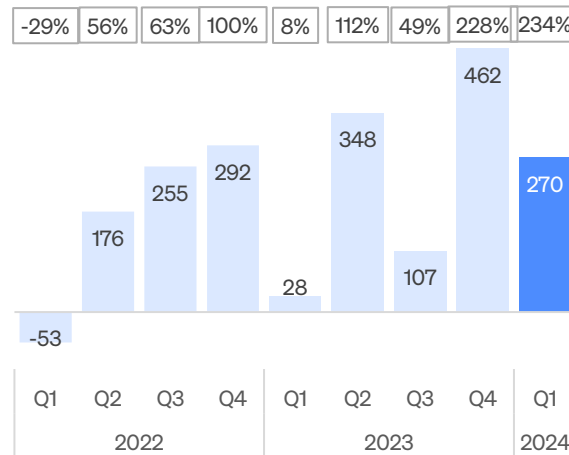
Cash flow bridge

MSEK



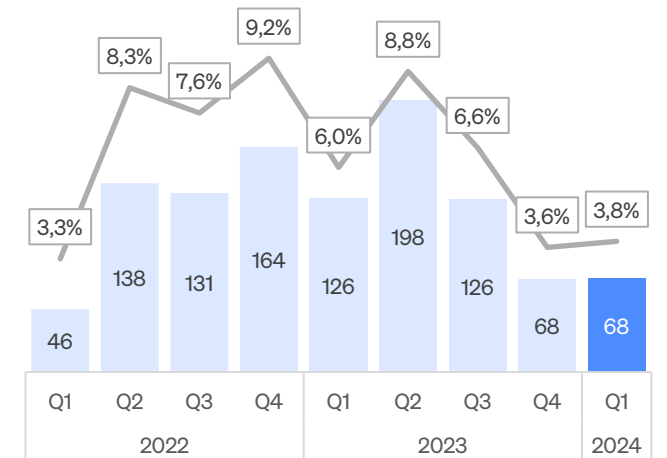
Continued strong cash conversion due to reduced working capital

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

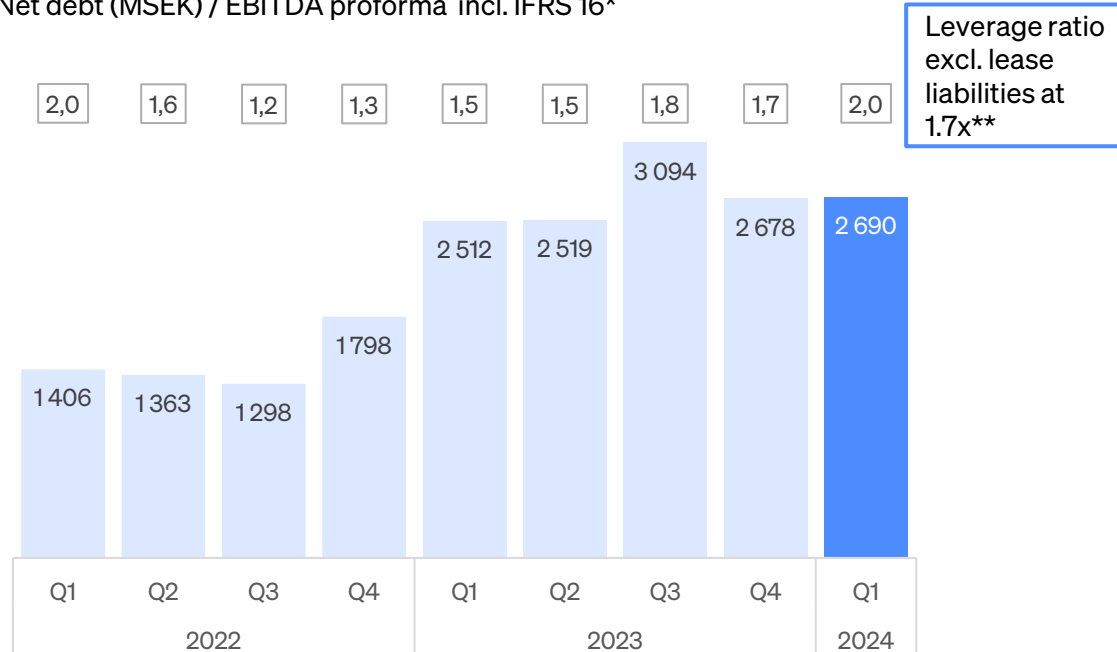
Capex investments (MSEK), % of net sales



Continued financial flexibility

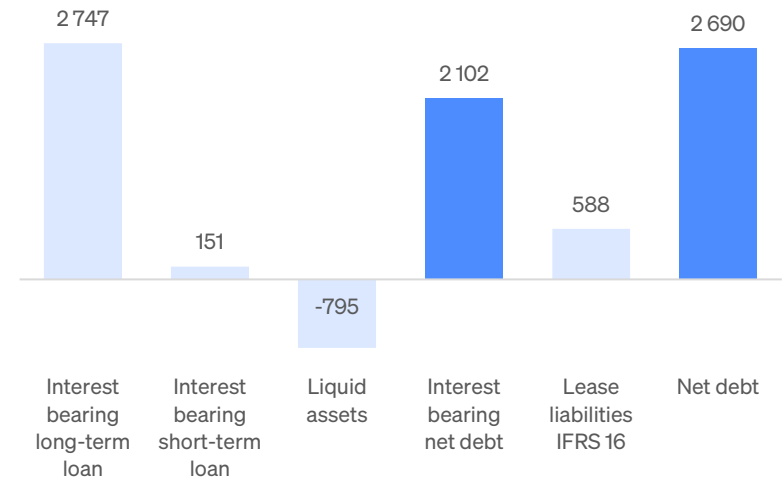
Net debt in line with previous quarter with leverage ratio effected by strong profitability in Q1 2023

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



Net debt (incl. IFRS 16) as of Q1 2024

MSEK



MSEK 795 of cash and MSEK 998 of unutilized back-up facilities gives a liquidity of MSEK 1,793

* Net debt including lease liabilities / R12 EBITDA proforma

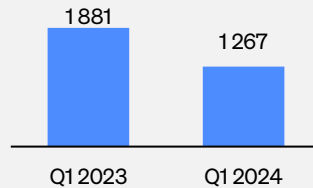
** Interest-bearing net debt (net debt excluding lease liabilities) / R12 EBITDA proforma

Business overview

Performance by focus area

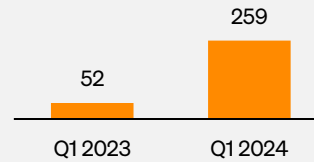
Fiber Solutions – continuing to navigate through a softer market

Net sales, MSEK



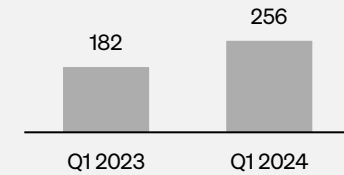
Harsh Environment – capitalizing on trends within defense and energy

Net sales, MSEK



Data Center – organic growth driven by hyperscale buildout

Net sales, MSEK



Business development

- Sales decline primarily driven by higher financing costs, cost inflation and high inventory levels in some geographical markets.
- Comparison is impacted by a very strong Q1 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 primarily organic, while remaining part is attributable 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.

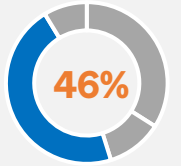
Market development

- Higher cost of capital, inflation and high inventory levels has led to soft markets for Fiber Solutions across geographies.
- 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 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.

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



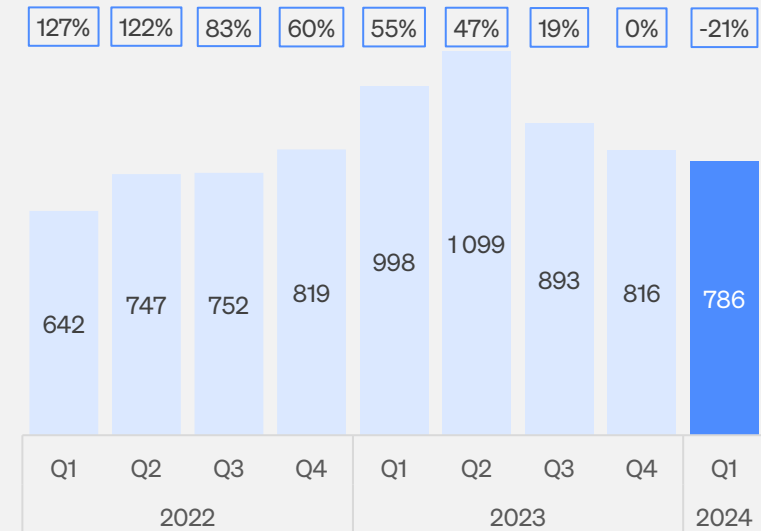
Business development

- 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.
- Continued solid performance within Harsh Environment by way of Fibron Cable.

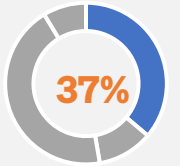
Market development

- Higher cost of capital, inflation and high inventory levels has led to continued soft markets for Fiber Solutions in German and the UK.
- Both Harsh Environment and Data Center continues to show strong demand, underpinned by defence and energy markets and accelerating implementation of AI, respectively.

Net sales and net sales growth



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



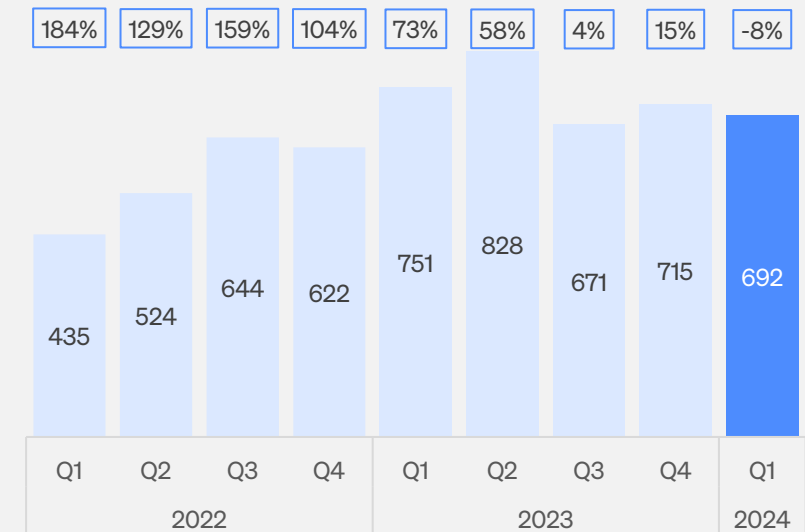
Business development

- A decline of 8% mainly due to decreased sales of duct, partly mitigated by acquisition driven growth from Harsh Environment.
- Our FTTH system sales in Hexatronic US and Canada slightly behind Q1 2023 due to delays in a couple of projects.
- Continued investments in the new factory in Ogden, Utah, to expand addressable market for duct to include the western US, which is a significant market.
 - 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.
- We expect to see small effects of BEAD programme in the later part of the year. Only Louisiana fully approved yet.

Net sales and net sales growth



Weaker FTTH market in Sweden impacted sales growth

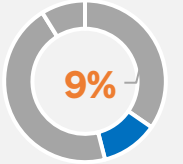
Business development

- Sales decrease by 8% driven by softer FTTH market.

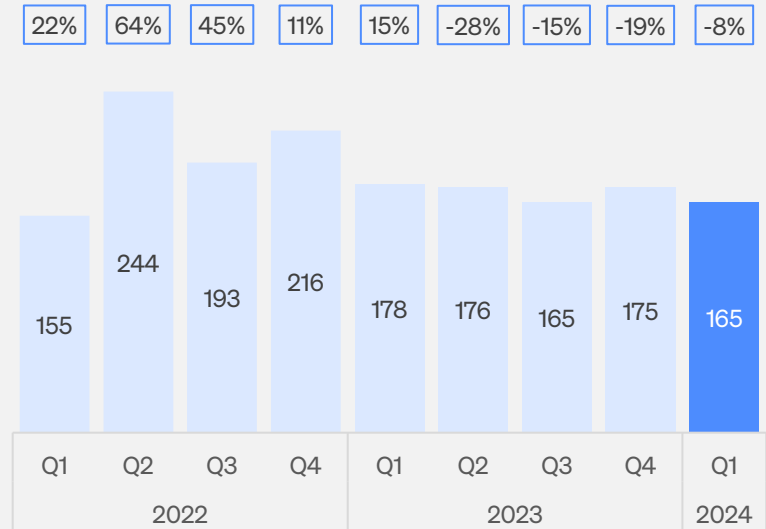
Market development

- 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



APAC performance lower due to submarine cable in Q1 2023

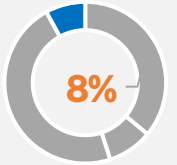
Business development

- Sales decline of 25% primarily explained by a delivery of a submarine cable to South Korea in Q1 2023 and to a lesser effect slower FTTH market in Australia and New Zealand.

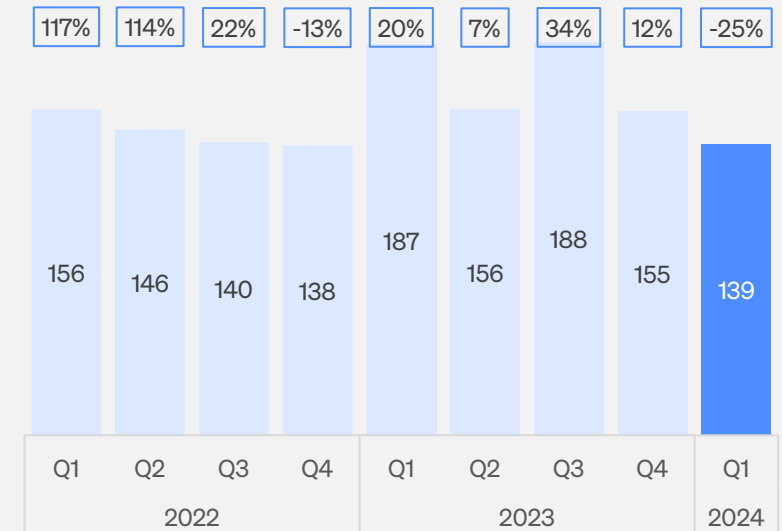
Market development

- 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





Summary and Market outlook

Summary

- Strong cash flow development driven by reduced working capital.
- Continued diversification through Harsh Environment and Data Center mitigated current conditions within Fiber Solutions.
- Net sales primarily impacted by continued challenging conditions within Fiber Solutions and a very strong Q1 2023.
- Profitability in line with previous quarter – EBITA margin of 9.4% compared to 9.1% last quarter.
- Maintained strong financial position – leverage ratio* at 1.7x.

** 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 beyond, fuelled by investments in defence, energy, and AI.
- In Fiber Solutions we expect the market to remain weak in the coming quarters and then a gradual increase in demand in the latter part of 2024.
 - Several factors such as normalizing inventory levels and the BEAD program in the US, expects to contribute to the gradual market recovery.



Q&A





exatronic

A lasting link to the future.