





Advancing better

– From a financial point of view

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Performance 2019

– Key figures, SEK millions



	YTD 2019	YTD 2018	%-change	%- ▲,org
Order intake	32,966	33,444	-1	-3
Net sales	33,553	29,457	14	12
Adjusted EBITA	5,739	4,931	16	
Adjusted EBITA-margin (%)	17.1	16.7		

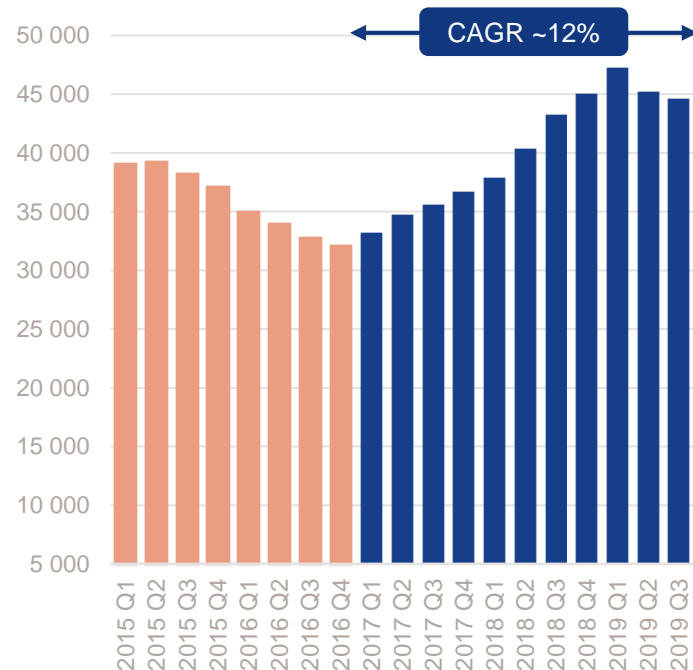
Growth

– SEK millions (rolling 12 months)

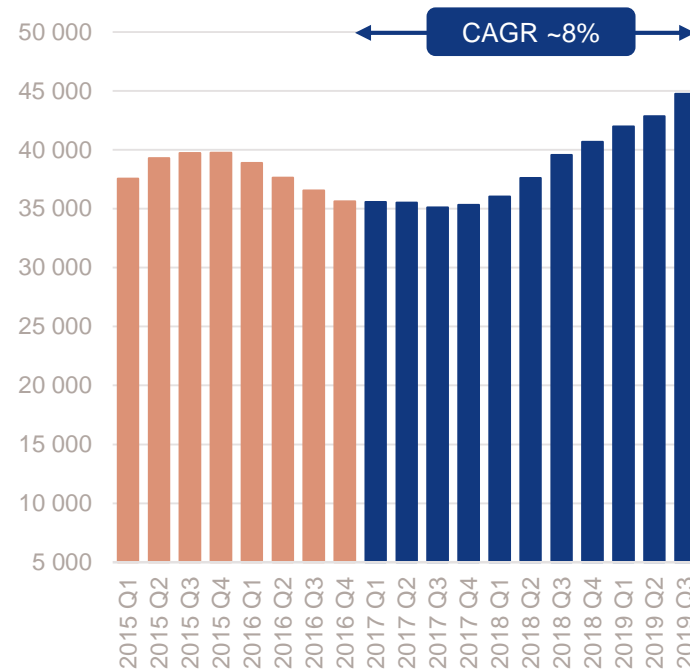
Growth*
5%



Orders received



Sales



- **Order growth** driven by strong global economy, partial recovery in Energy and Marine markets and structural growth in Marine Environmental products
- **Service growth** improving in 2019
- **Sales growth** driven by successful execution of large order backlog

*) Measured over a business cycle

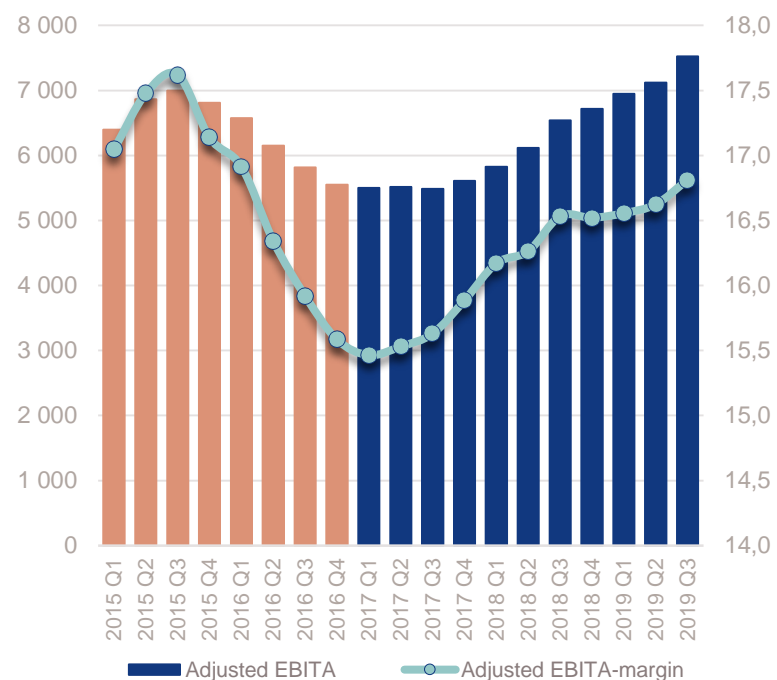
Profitability

– SEK millions (rolling 12 months)

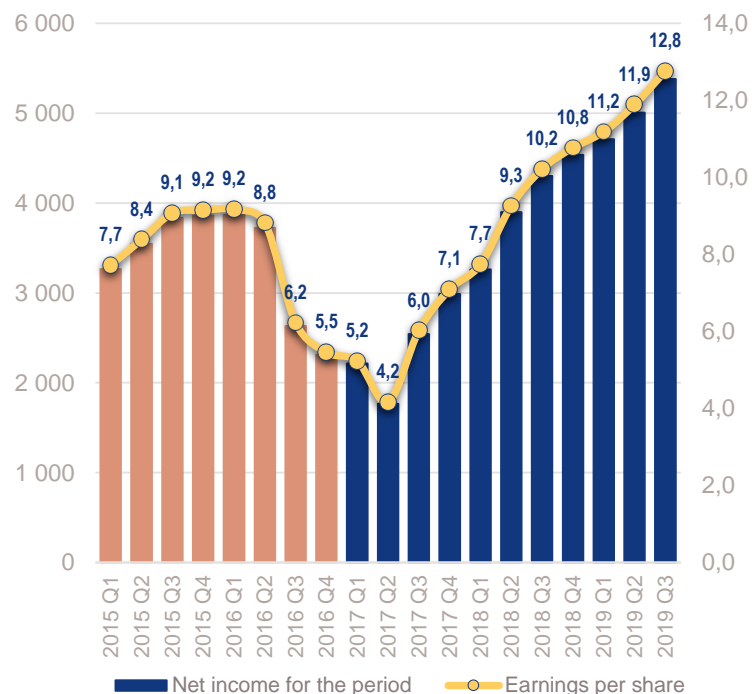
EBITA*
15%



Adj. EBITA & Margin (%)



Net Income & EPS



Adj. EBITA & Margin (%)

- Positive impact from higher volumes, productivity improvements and FX impacts
- Margin negatively impacted by reduced service share and investments in R&D, footprint costs, etc.

Net Income & EPS

- EPS growth driven by higher operating earnings and reduced tax rate
- Tax rate expected at 26% of PBT

*) Measured over a business cycle

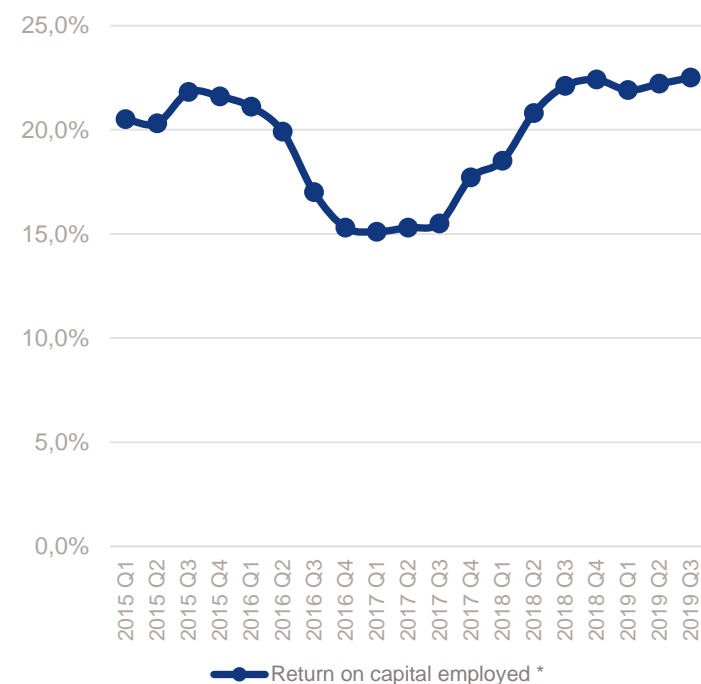
Capital utilization

– SEK millions (rolling 12 months)

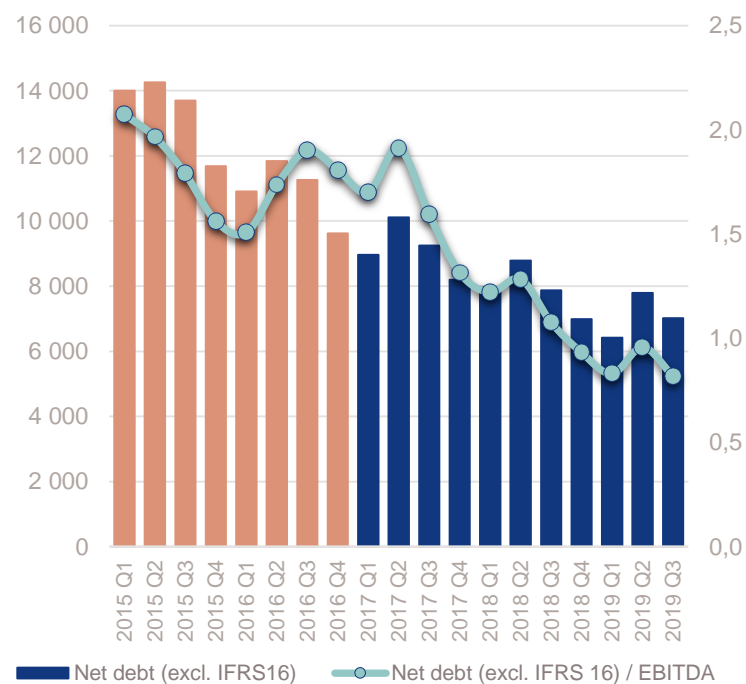
ROCE
20%



ROCE (%)



Net Debt



ROCE (%)

- IFRS 16 capitalization of leased assets, impact of SEK 2.8 bn in 2019
- Step-up values will be reduced from SEK 3.3 bn in 2019 to SEK 2.4 bn in 2020

Net Debt

- Net debt excluding lease liabilities (SEK 2.8 bn) now at SEK 7.0 bn and Net Debt / EBITDA ratio below 1.0*

*) Excluding lease liabilities from IFRS16 implementation

Key drivers of financial goals



Growth*

5%

- Stepped-up product innovation with improved competitiveness
- Service strategy taking effect
- Connectivity solutions
- Sustainability providing new business opportunities
- Strong balance sheet enabling inorganic growth

EBITA*

15%

- Pricing power with strengthened product & service offering
- New product platforms with increased efficiency
- Drive service growth
- Optimized manufacturing footprint and supply chain
- Strong cost control

ROCE

20%

- Strengthen focus on Working Capital and ROCE with new internal financial reporting structure
- Capex level to be reduced after completion of footprint program

*) Measured over a business cycle

Example; Gasketed Plate Heat Exchanger (GPHE)

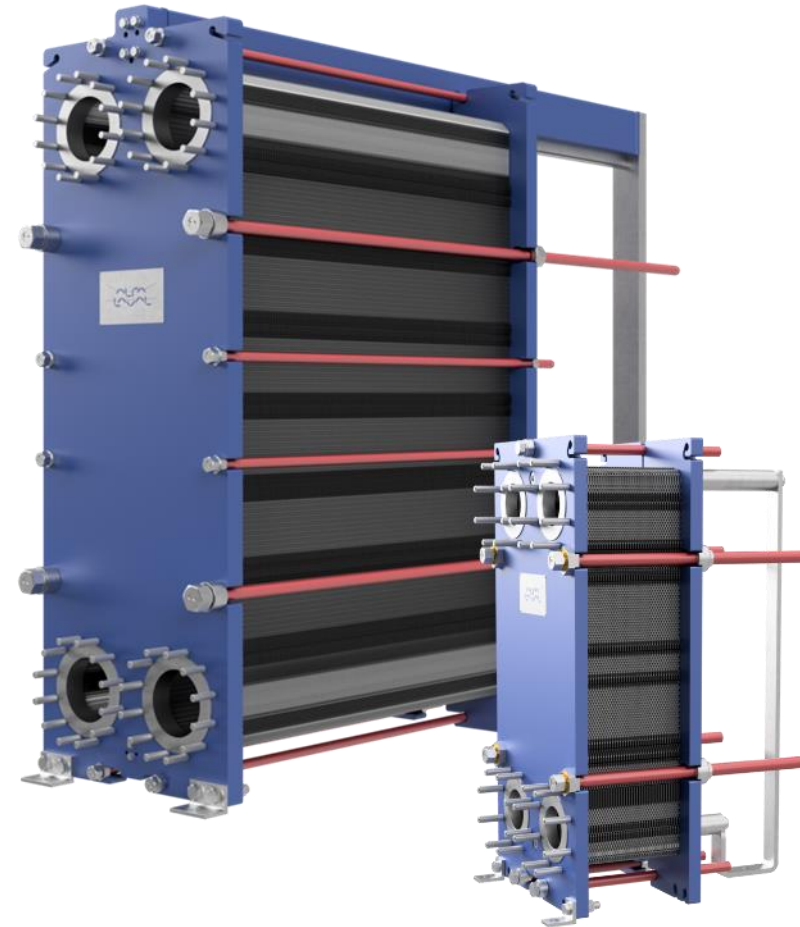


Growth

- New platform with increased efficiency, reliability and serviceability
- Industrial range completed by end of 2021
- Service = large untapped installed base
- Strong on-line presence and connectivity solutions being piloted

Profitability

- New platform with improved competitiveness
- Improved global supply structure
- Target service growth of >5% p.a.



Example; High Speed Separators (HSS)



Growth

- Unique customers values; improved separation performance at lower cost of ownership and increased reliability
- Contributes to our customers sustainability targets; substantially reduced energy and water consumption
- Connected solutions; increased uptime and longer service intervals through condition based maintenance contracts

Profitability

- Modularization and development of common product family platforms
- Increased coverage of the installed base with multi year service contracts
- Target service growth of >5% p.a.



Example; Marine Service



Growth

- Upgrading opportunities for the fuel line and boilers.
- International Marine Service (IMS) is a differentiator; improve the customer experience and market position.
- Alfa Laval PureBallast and PureSox installed base – represents a service growth opportunity.

Profitability

- Environmental compliance systems is expected to have a higher share of service agreements and customer loyalty due to criticality of the systems.
- Target service growth of >5% p.a.

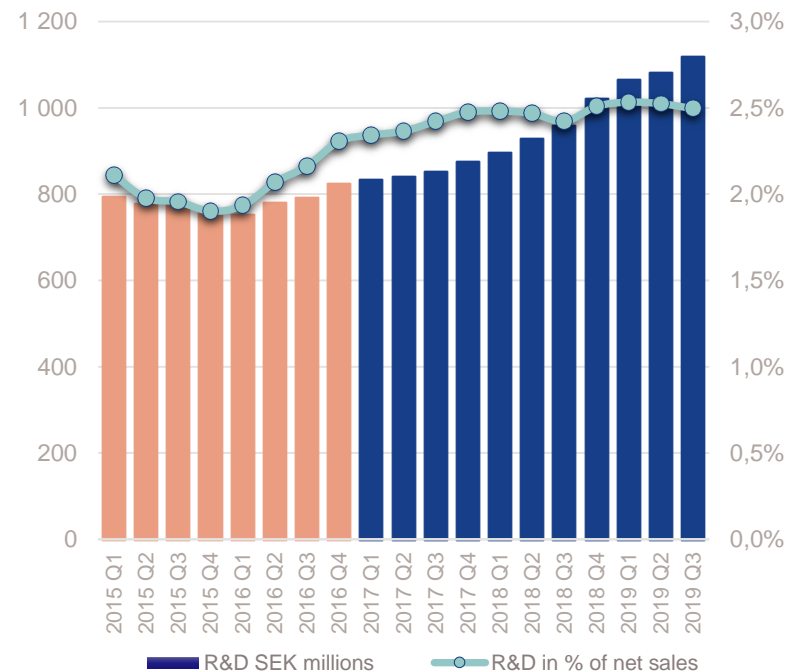


R&D spend

– SEK millions (rolling 12 months) and in percent of sales

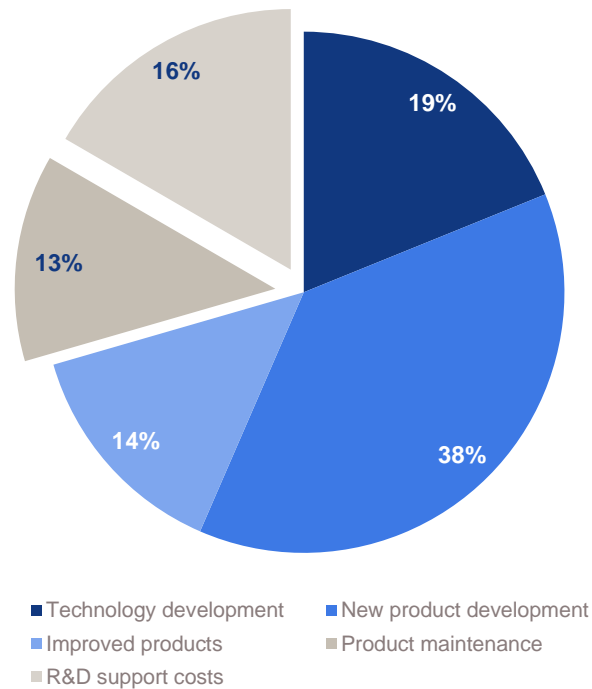


R&D development



R&D spend by category

(% of total 2017-2019)



R&D development

- R&D increased by 14% in 2018 and 14% in 2019 (YTD), excluding currency effects, to develop new product platforms.
- R&D expenses expected to remain at 2.5% of sales

R&D spend by category

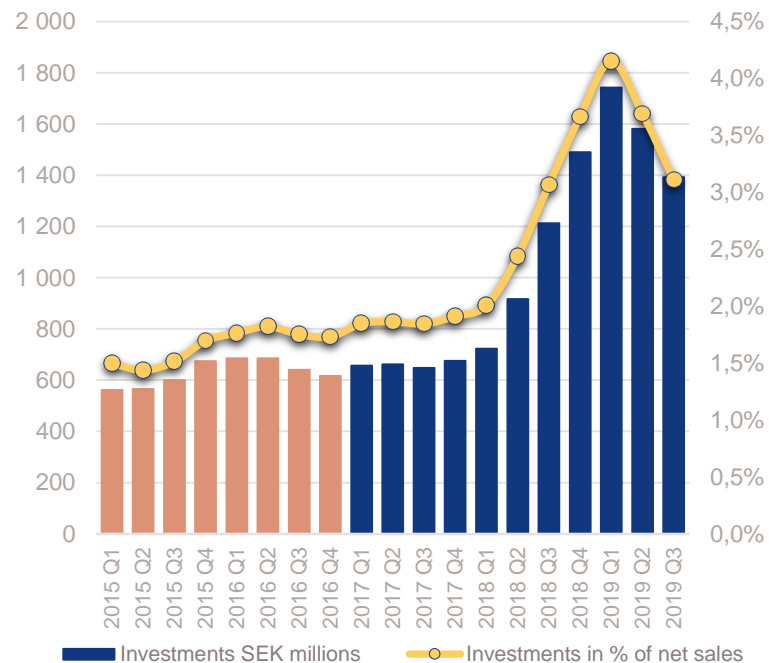
- Majority of R&D spend related to development of new products or improving existing products including driving new product features, cost and/or quality improvements

Capital expenditure

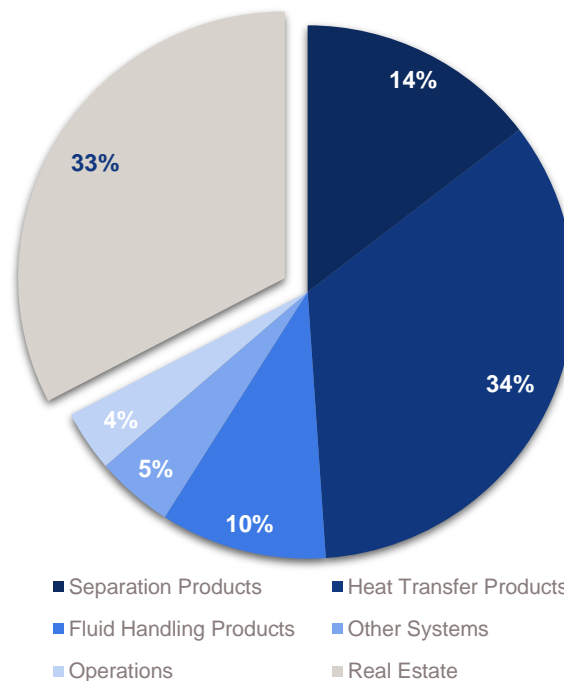
– SEK millions (rolling 12 months) and in percent of sales



Capex development



Capex by category (% of total 2017-2019)



Capex development

- Increased investments driven by manufacturing footprint optimization and capacity expansions (+1.5 bn in 2 years)
- Capex expected at ~2.5% of sales in 2020, and then reduce to ~2.0% of sales in 2021

Capex by category

- Majority of investments related to key product technologies, approx. 1/3 related to improving our real estate assets

Capital expenditure



Footprint Wave 1 during 2017-2019

- Projects to be completed by end of 2019
- Capex of SEK ~ 1.1 bn, whereof ~ 45% in real estate assets
- Opex / footprint costs of SEK 450 million
- Payback 5 years (excl. real estate)

Capacity Expansion during 2018-2019

- Expansion of Brazed Heat Exchanger, High Speed Separation and Scrubber production
- Capex of SEK of SEK 400 million

Capex of ~ 1.5 bn

Footprint Wave 2 during 2020-2021

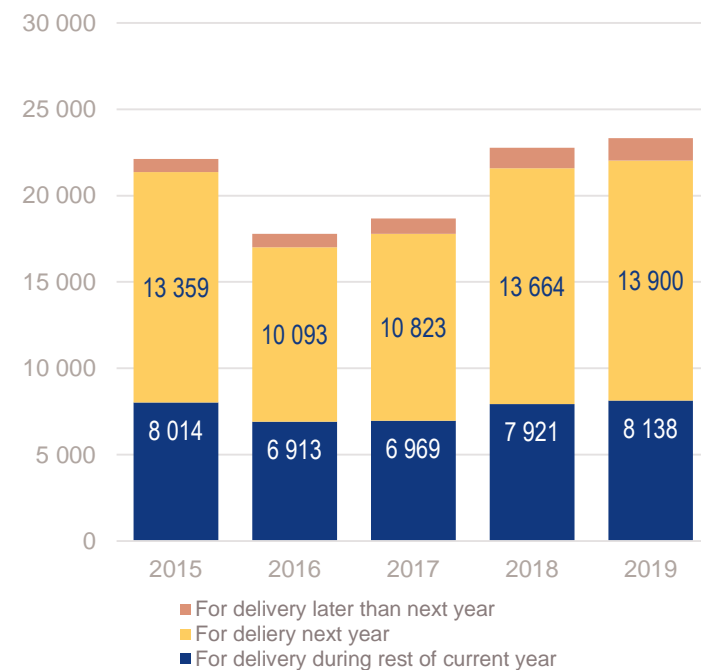
- Include Brazed Heat Exchanger supply chain, Kolding Hygienic Fluid Handling Centre and consolidation India
- Capex of SEK ~ 0.7 bn, whereof ~ 45% in real estate assets
- Opex / footprint costs of SEK 200 - 250 million
- Payback 5 years (excl. real estate)

Order backlog

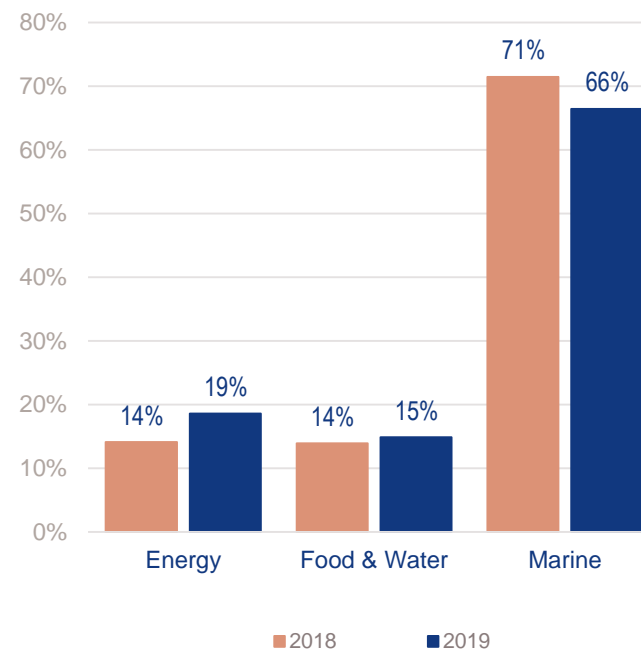
– SEK (million), September 30



Order backlog periodization



Order backlog for "next year" per division (% of total)



- Order backlog for delivery next year: SEK 13.9 (13.7) Bn, increase of SEK +0.2 bn
- Less favorable product mix in order backlog for delivery next year

Sales

– Full-year 2020, SEK (bn)



Full year 2019*	Approx.	45.6
Change in OBL y-o-y	+	0.2
Acquisitions/divestments during 2019	-	0.3
Subtotal		45.5
Change “In-for-out”, FX translation, price, acquisitions/divestments during 2020	+/-	?
Full year 2020		?

*) SME Direkt, consensus estimate as per November 11 2019

Market outlook

- Most end-customer industries in Energy and F&W divisions expected to show stable activity levels in 2019, but readiness for a potential slow-down in 2020
- New ship-contracting levels in Marine market expected to return towards historical levels in 2020-2021, demand for environmental products to stabilize in 2020
- New product platforms with improved competitiveness and service strategy taking effect
- Sustainability trend creating new opportunities.

Mitigations

- Strong OBL for execution in 2020, however product mix less favorable
- Strict cost control of S&A and footprint costs in 2020/2021
- ~15% of employees in Operations are temps/contract employees providing flexibility
- Ambition is to drive service growth through business cycle
- Optimized manufacturing footprint and supply chain

- Capital Expenditure in relation to total revenues, ~ 2.5% in 2020 and ~ 2.0% in 2021
- Step-up amortization of SEK ~ 900 million in 2020, SEK ~ 770 million in 2021
- FX impact on EBITA estimated to SEK 495 million in 2019, SEK 420 million in 2020*
- R&D spend in relation to total revenues, 2.5%
- Taxes in the P&L, 26.0% of PBT
- Dividend pay-out ratio, 40 - 50% of adjusted EPS

Updated

Updated

Updated

*) 2019 = total of transaction and translation FX impact. 2020 = transaction FX impact only, based on EUR/USD 1.115 and EUR/SEK 10.5

