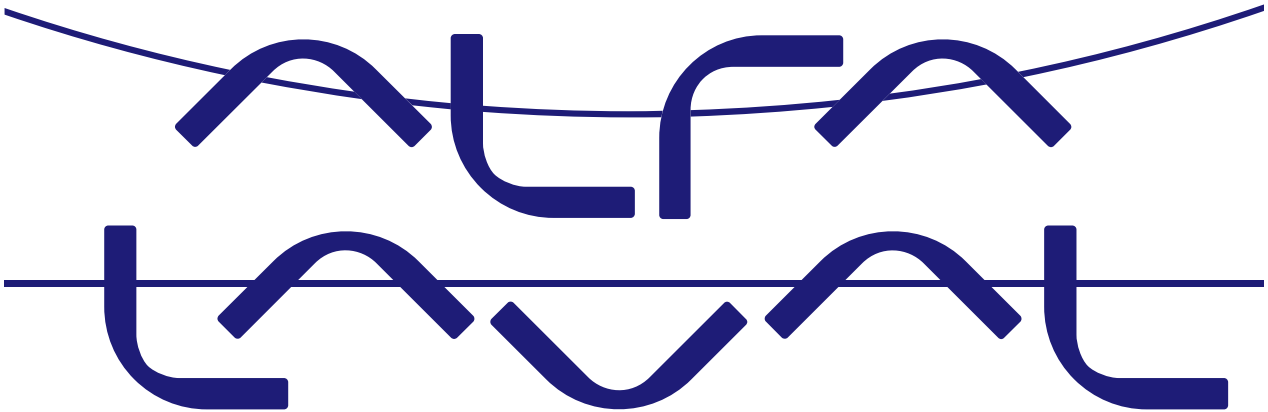
ALFA
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Report for Q2 2019

Tom Erixon
President and CEO
Alfa Laval Group

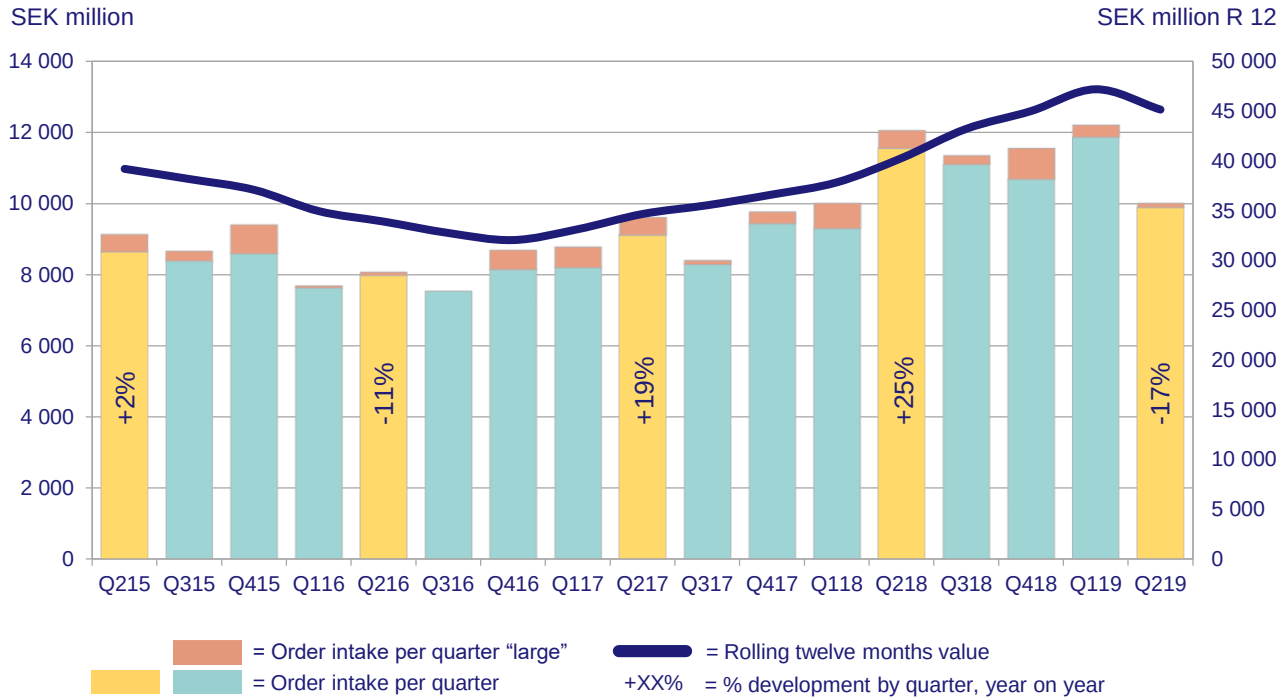
Key figures

	Q2 2019	Q2 2018	%-change	%-▲,org
Order intake	10,025	12,062	-17	-16
Net sales	11,339	10,475	8	7
Adjusted EBITA*	1,870	1,698	10	
Adjusted EBITA-margin (%)	16.5	16.2		

	1H 2019	1H 2018	%-change	%-▲,org
Order intake	22,238	22,087	1	-1
Net sales	21,497	19,326	11	8
Adjusted EBITA**	3,598	3,195	13	
Adjusted EBITA-margin (%)	16.7	16.5		

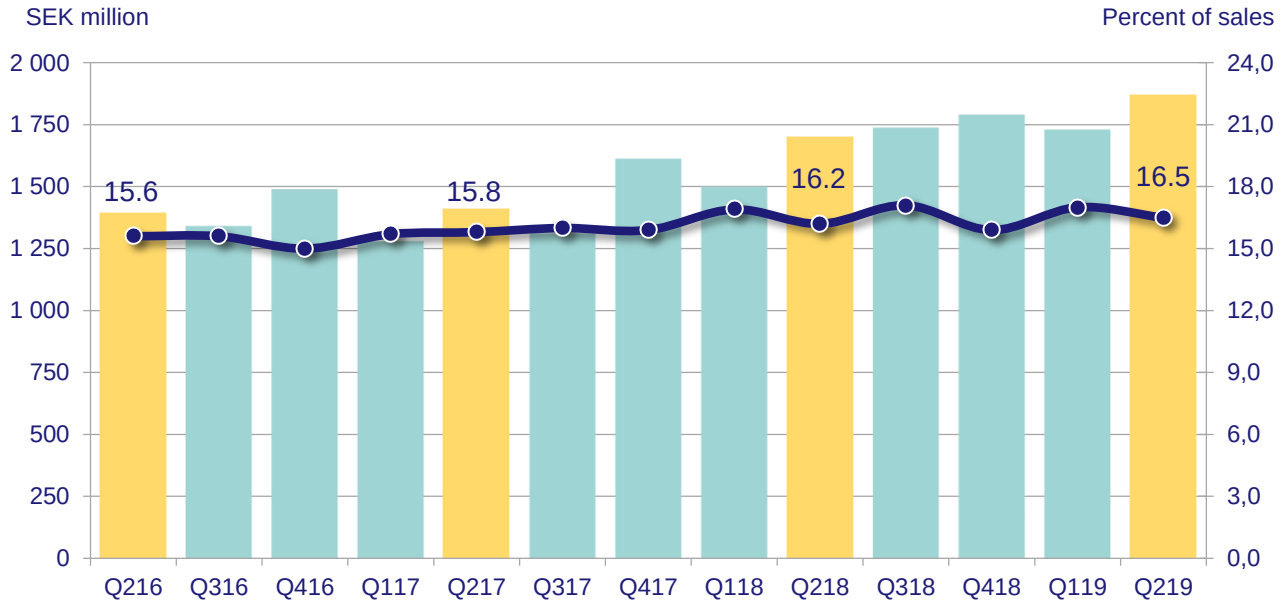
*) Positive currency effect SEK 95 million. **) Positive currency effect SEK 190 million.

Orders received



Adjusted EBITA/margin*

– SEK millions and in percent of sales



* Adjusted EBITA – ”Earnings before interests, taxes, amortization of goodwill and step up values and comparison distortion items.”

Energy division

– Highlights and comments

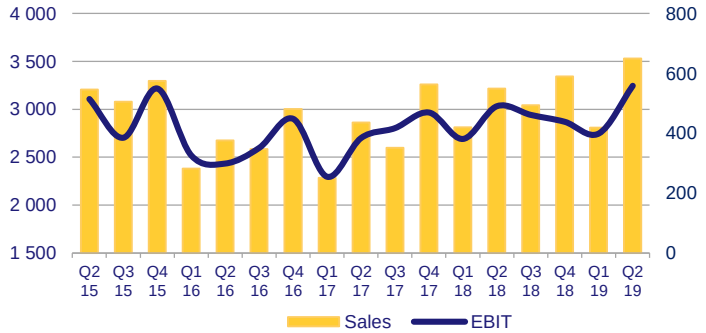
MARKETS & ORDER INTAKE

- Orders from the hydro carbon chain were overall higher, driven by increased demand for equipment for midstream oil & gas. Drilling oscillated at a low level and refinery and petrochemicals declined overall, but the base business showed continued growth.
- HVAC down from last year's record level. Base business however, remained on a high level, driven by investments in data centers and energy efficiency solutions.

PROFITABILITY (EBIT)

- Improved mainly due to higher volumes and a better mix within capital sales.

	Q2 19	Q2 18	YoY %-change	Q1 19
ORDERS	3,566	3,401	+4.9	3,448
SALES	3,531	3,215	+9.8	2,807
EBIT	558	490		399
EBIT (%)	15.8	15.2		14.2



Food & Water division

– Highlights and comments

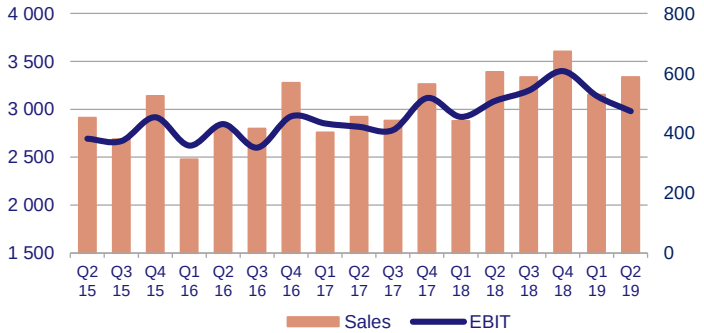
MARKETS & ORDER INTAKE

- Dairy and waste & water were both flat y-o-y. Brewery showed good growth and edible oil, which declined due to fewer larger orders, saw continued growth in the underlying business.
- The project-driven business in Pharma & biotech declined. Market sentiment is however still positive.
- Aftermarket grew, supported by good development for service scopes in most end markets.

PROFITABILITY (EBIT)

- An improved mix within capital sales and between capital sales and service, could not compensate for a decline in volume and higher costs, which weighed on profitability in the quarter.

	Q2 19	Q2 18	YoY %-change	Q1 19
ORDERS	3,520	3,589	-1.9	3,480
SALES	3,335	3,390	-1.6	3,153
EBIT	473	507		524
EBIT (%)	14.2	15.0		16.6



Marine division

– Highlights and comments

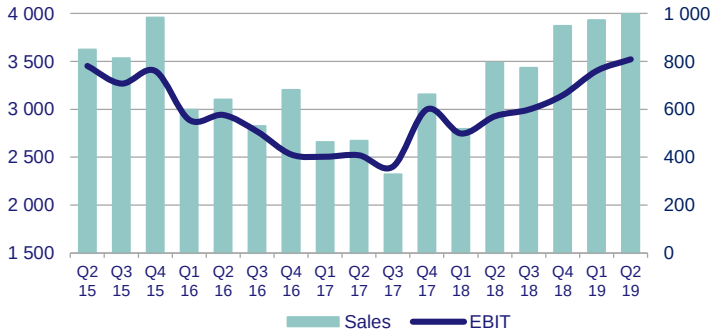
MARKETS & ORDER INTAKE

- Pumping systems dropped due to fewer product and chemical tankers being contracted. Offshore declined amid fewer large orders, however the market sentiment remains positive.
- Scrubbers were down as uncertainties on fuel price delta led to lower market activity. The market also prioritize fast delivery ahead of 2020.
- The rest of the business grew, including boilers and PureBallast.
- Service showed a continued positive development.

PROFITABILITY (EBIT)

- Strong volume growth contributed to an improved profitability in the quarter, even as costs were up and the fact that the sales growth also led to a negative mix between capital sales and service.

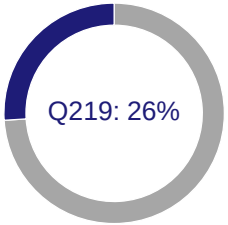
	Q2 19	Q2 18	YoY %-change	Q1 19
ORDERS	3,144	4,685	-32.9	4,963
SALES	4,329	3,486	+24.2	3,932
EBIT	809	571		761
EBIT (%)	18.7	16.4		19.4



Service, by division

– Order intake Q2, share and development

ENERGY

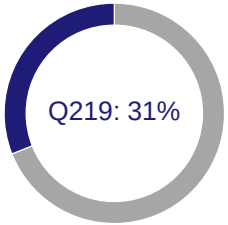


Absolute development

+

YoY

FOOD & WATER

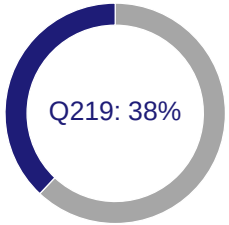


Absolute development

+

YoY

MARINE



Absolute development

+

YoY

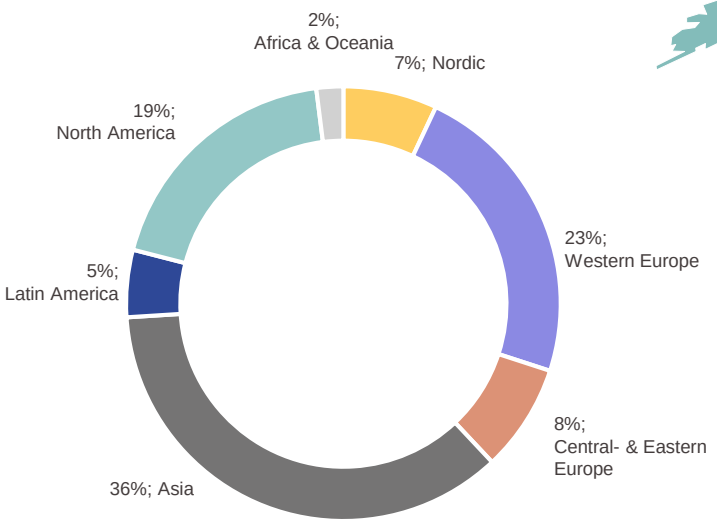
= Service share of total order intake

Divisional sales and profitability

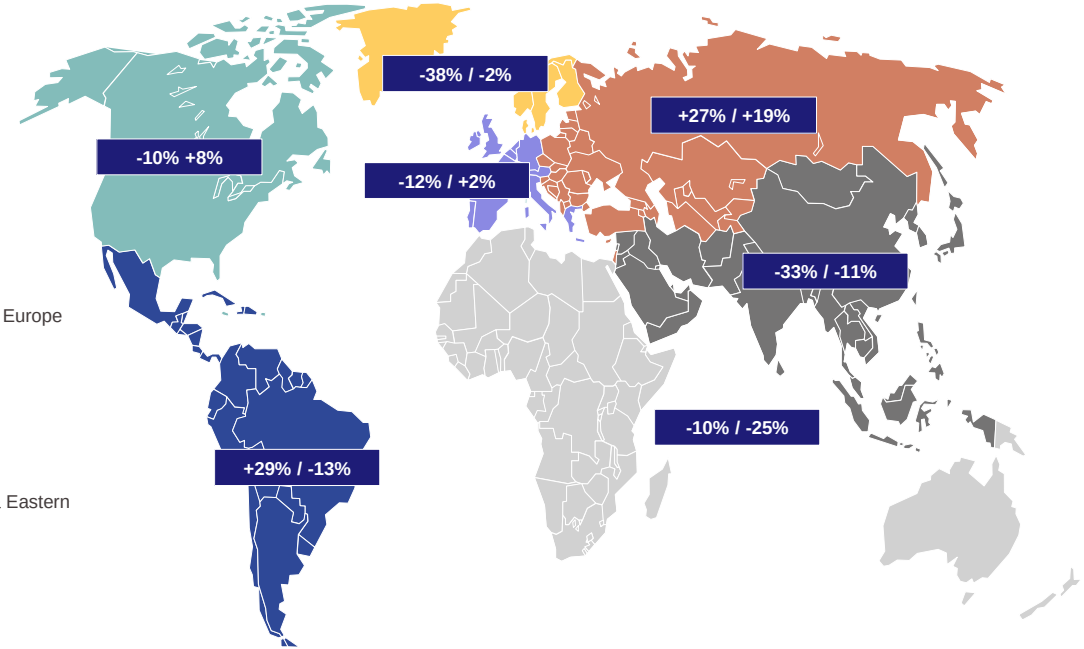
	ENERGY		FOOD & WATER		MARINE	
Q2	2019	2018	2019	2018	2019	2018
Sales	3,531	3,215	3,335	3,390	4,329	3,486
Op. profit	558	490	473	507	809	571
Op. margin, %	15.8	15.2	14.2	15.0	18.7	16.4

Orders received by region

– April – June 2019 & development Q2 vs Q2 and 1H vs 1H, at constant rates



April - June



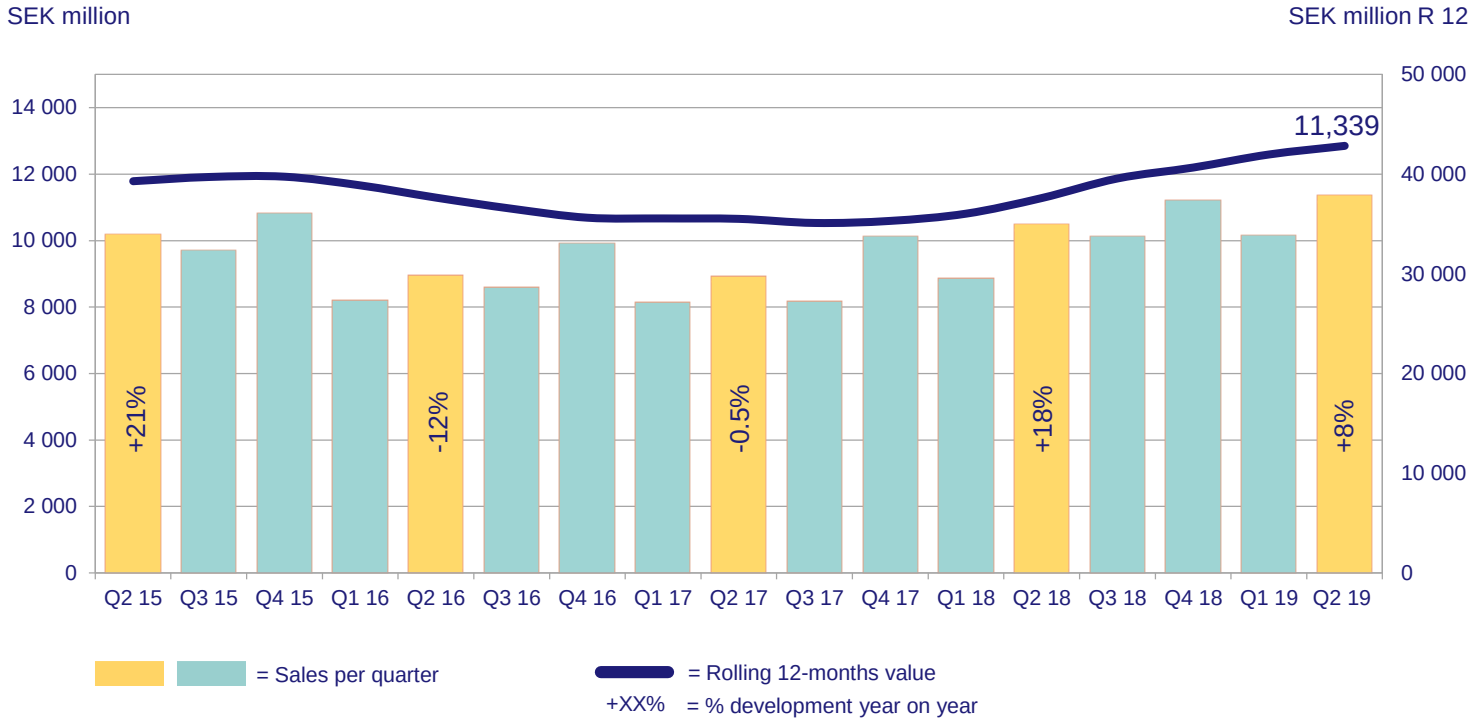
vs Q2 2018/vs 1H 2018

Report for Q2 2019

Jan Allde
CFO
Alfa Laval Group

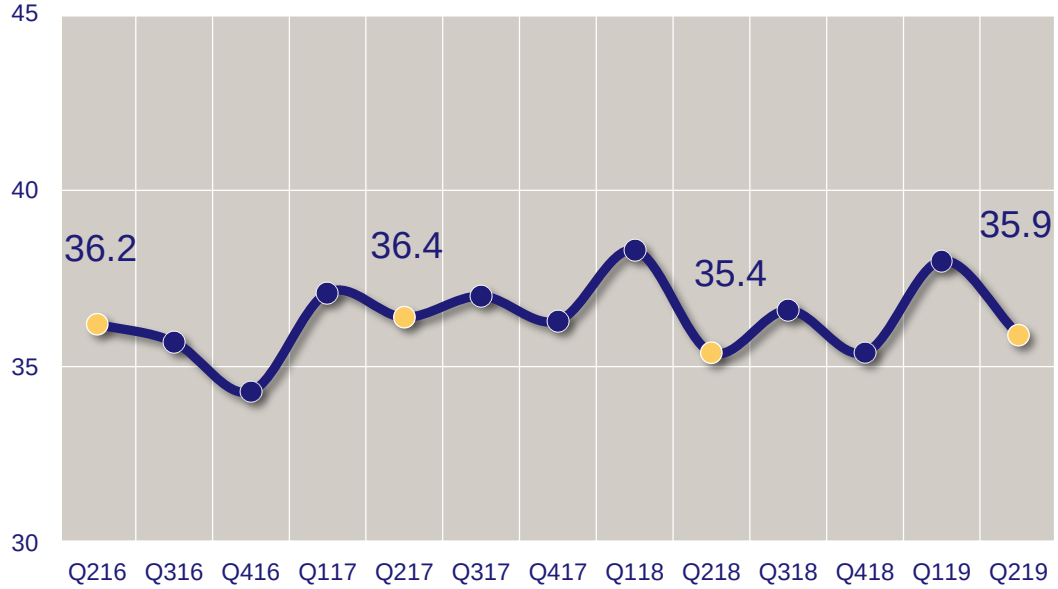
Sales

– MSEK


SEK million
SEK million R 12
14 000
12 000
10 000
8 000
6 000
4 000
2 000
0
50 000
40 000
30 000
20 000
10 000
0
11,339
+21%
-12%
-0.5%
+18%
+8%
Q2 15
Q3 15
Q4 15
Q1 16
Q2 16
Q3 16
Q4 16
Q1 17
Q2 17
Q3 17
Q4 17
Q1 18
Q2 18
Q3 18
Q4 18
Q1 19
Q2 19
= Sales per quarter
= Rolling 12-months value
+XX% = % development year on year

Gross profit margin

– In percent of sales



Q2 2018	35.4
Mix/price	=
Load/volume	-
PPV/metals	+
FX	+
Structure	=
Q2 2019	35.9

Key figures

– April – June, SEK million

	Q2 2019	Q2 2018
Sales	11,339	10,475
Gross profit	3,812	3,441
Sales & Admin	-1,772	-1,647
R&D	-272	-254
Net other cost/income	39	-86
Operating income	1,808	1,463
Financial net	24	36
Profit before tax	1,832	1,499
Taxes	-420	-382
EPS	3.36	2.65

Cash-flow statement

– SEK Million

	Q2 2019	Q2 2018	1H 2019	1H 2018
Cash flow from				
- operating activities	609	1,377	1,584	2,043
- investing activities	203	-240	-291	-350
Financial net paid	41	49	208	-8
Total	853	1,186	1,501	1,685
Pro Forma Free cash-flow*	479	1,109	1,188	1,608

*Incl. operating activities, capital expenditure and financial net paid.

Foreign exchange

− Estimated impact on adjusted EBITA from FX fluctuations, in SEK Million

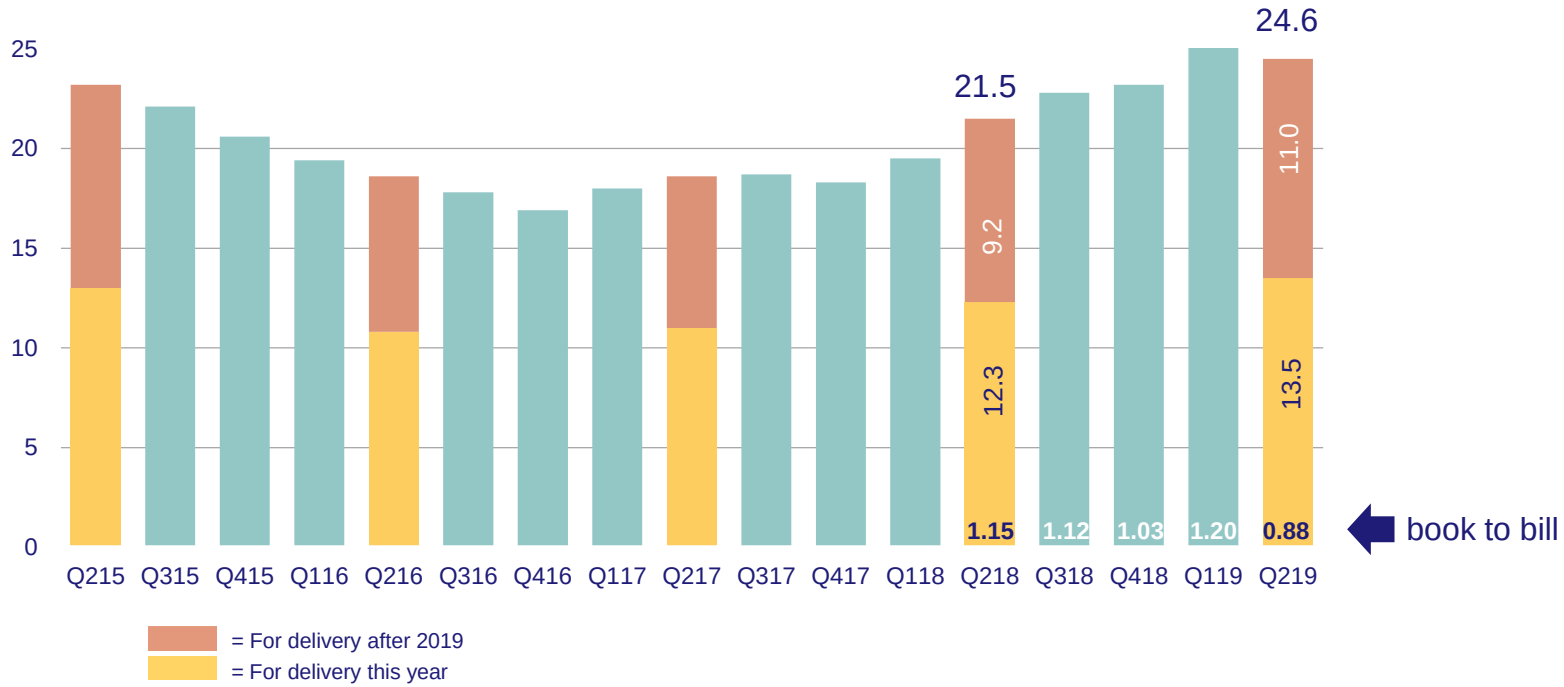
	Q2 2019	1H 2019	FY 2019	FY 2020*
Transaction effect	45	65	225	220
Revaluation	5	25	-	-
Translation effect	45	100	170	-
Total	95	190	395	220

*) Based on EUR/USD 1.167 and EUR/SEK 10.555

Projected FX-effect for 2019 communicated with Q1 report: SEK 385 million

Order backlog as per June 30

– SEK billion



Sales

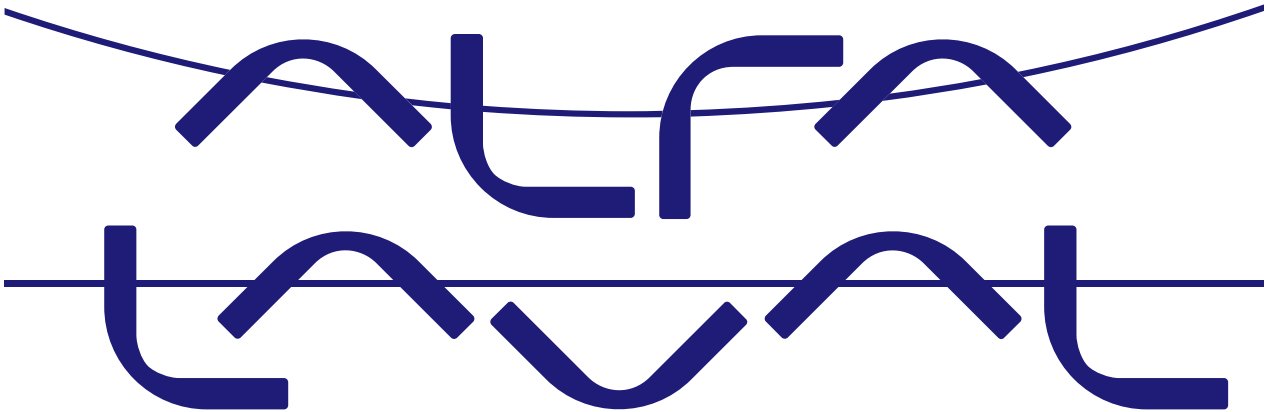
– FY 2019, SEK billion

1H sales	21.5
Backlog, for delivery current year	+13.5
Subtotal	35.0
For you to consider:	
Price	
“In-for-out”*	
FX translation	
Acquisitions	
Full year 2019	

*IFO Q3-Q4 2018 was SEK 8.7 bln.

Outlook for the third quarter:

“We expect that demand in the third quarter will be somewhat higher than in the second quarter.”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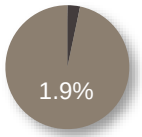
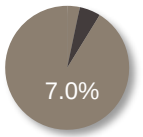
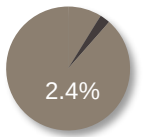
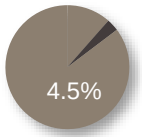
Activity split O&G, total

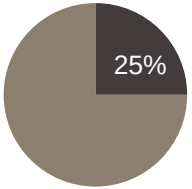
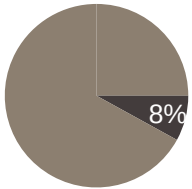
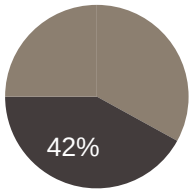
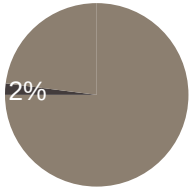
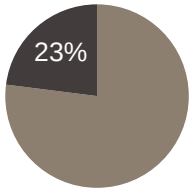
− Distribution of orders Q2 2019 (MSEK)

	Drilling	Processing & Transportation	Refinery	Petrochemicals	*(SEQ/YoY)*
Energy	75	540	238	458	1,311 (+/+)
Marine	112	157	0	0	269 (-/-)
Alfa Laval	= 187	= 697	= 238	= 458	=1,580*(-/-)
Share of total Alfa Laval	 1.9%	 7.0%	 2.4%	 4.5%	= 15.8%

**) incl. aftermarket*

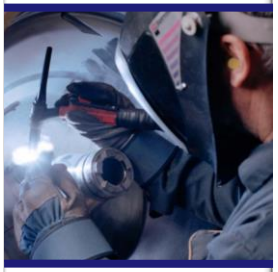
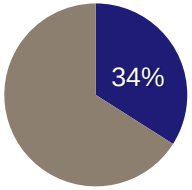
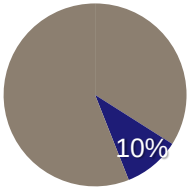
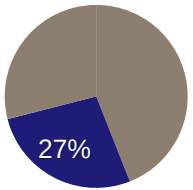
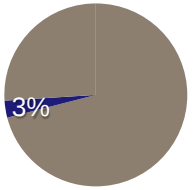
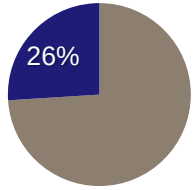
Marine Division's industry split

− Distribution of orders LTM, end of June

	Marine	Offshore oil and gas	Environment & Energy, Marine	Engine power	Service
Driver	World trade & fleet capacity	Oil & gas demand and prices	Legislation & fuel cost	Electrical power needs	World trade
Share					

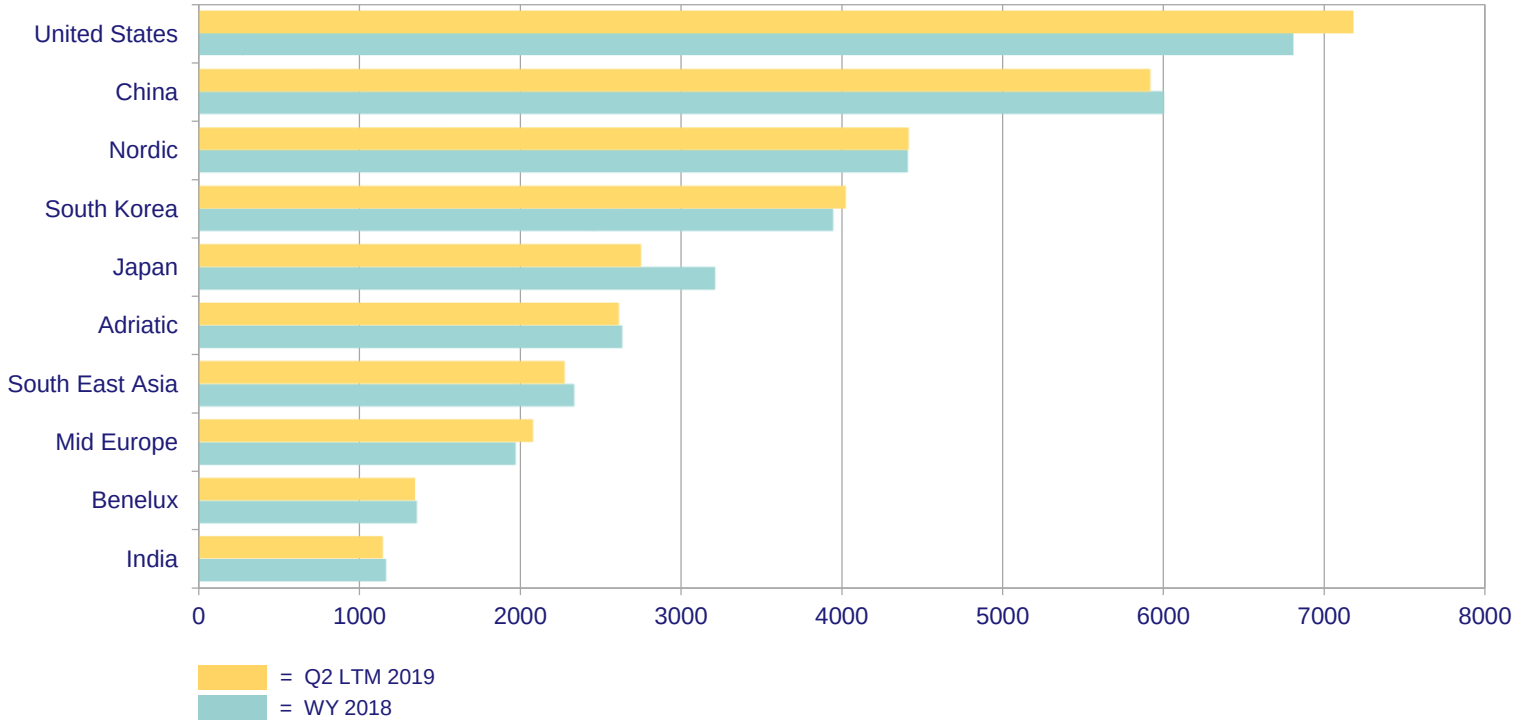
Marine Division's industry split

− Distribution of sales LTM end of June

	Marine	Offshore oil and gas	Environment & Energy, Marine	Engine power	Service
					
Driver	World trade & fleet capacity	Oil & gas demand and prices	Legislation & fuel cost	Electrical power needs	World trade
Share					

Top ten markets*

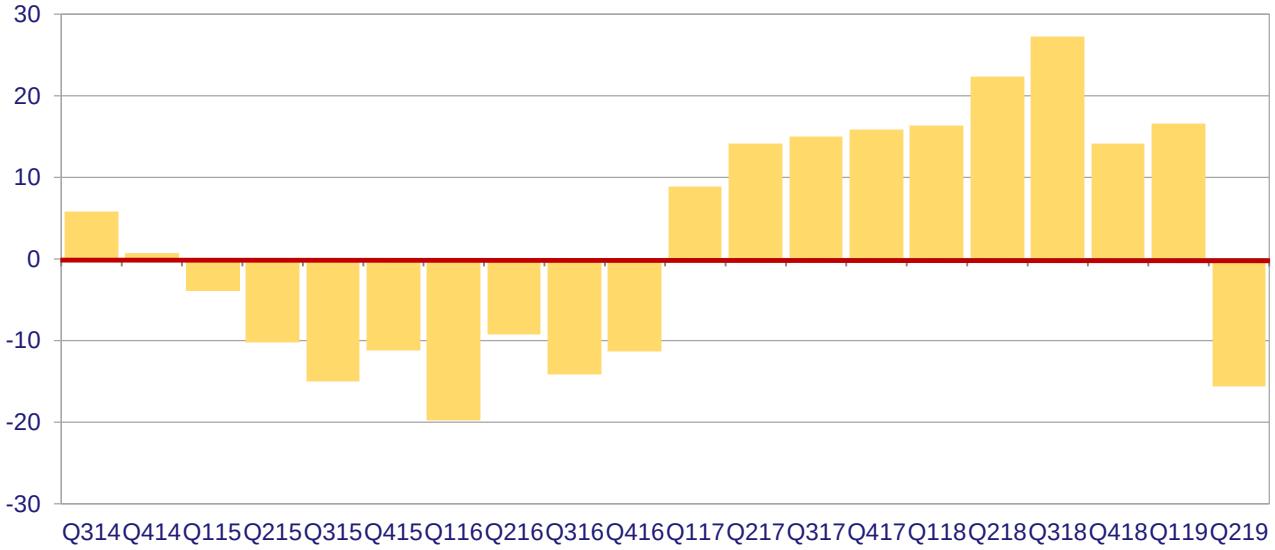
– SEK million at prevailing rates



*The order intake development of the 2018 top ten markets.

Organic growth pace

− Compared with same quarter last year (%), excluding currency effects

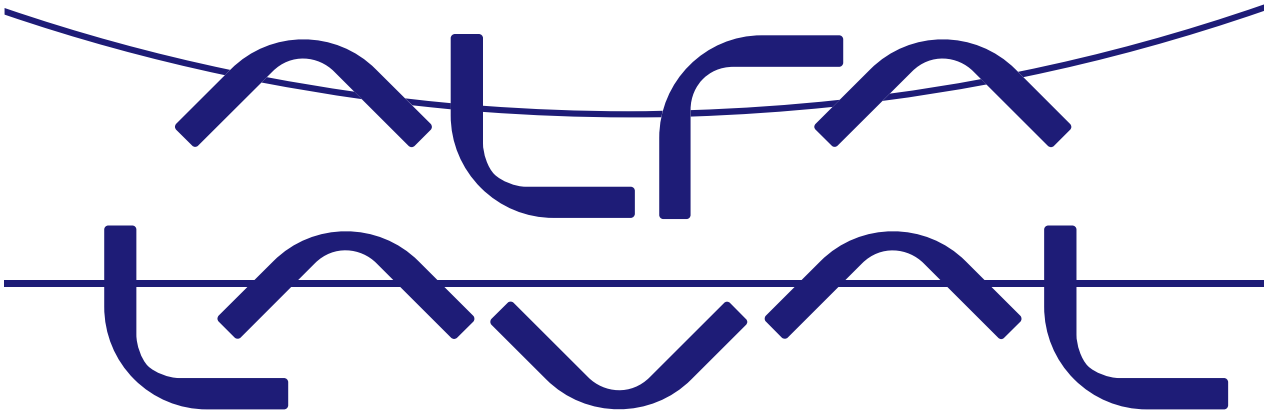


= order intake growth

Cautionary statement

This presentation contains forward-looking statements that are based on the current expectations of the management of Alfa Laval Group.

Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment, other government actions and fluctuations in exchange rates. Alfa Laval undertakes no obligation to publicly update or revise these forward-looking statements, other than as required by law or other regulations.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