

Report for Q3 2020

Tom Erixon
President and CEO
Alfa Laval Group

Key figures



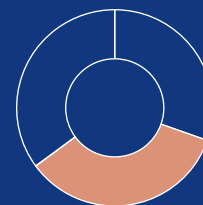
	Q3 2020	Q3 2019	%-change	%-▲,org*
Order intake	8,935	10,728	-17	-9
Net sales	9,728	12,056	-19	-13
Adjusted EBITA**	1,710	2,141	-20	
Adjusted EBITA-margin (%)	17.6	17.8		
<hr/>				
	YTD 2020	YTD 2019	%-change	%-▲,org*
Order intake	30,561	32,966	-7	-4
Net sales	30,773	33,553	-8	-5
Adjusted EBITA***	5,262	5,739	-8	
Adjusted EBITA-margin (%)	17.1	17.1		

*) Organic growth i.e. excluding currency effects and structural changes.

) Positive currency effect SEK 10 million (85) *) Positive currency effect SEK 160 million (275).

Food & Water division

– Highlights and comments



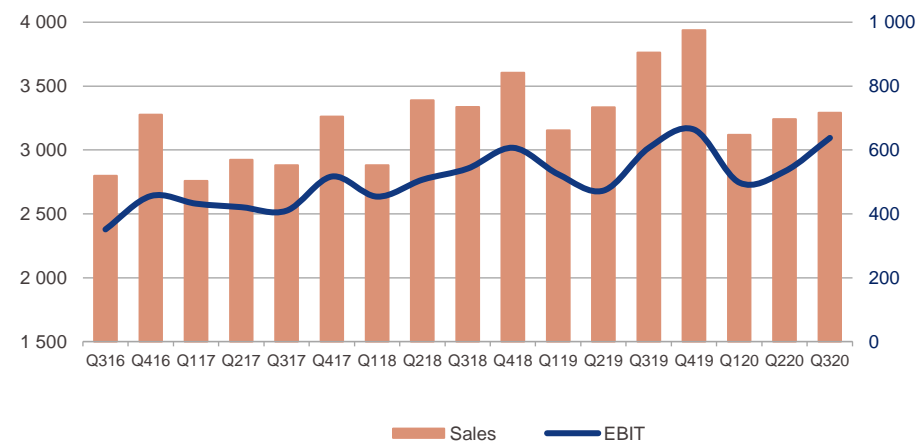
MARKETS & ORDER INTAKE

- Overall demand increased somewhat compared to the same quarter last year.
- All end markets developed better than expected, however project business still slow.
- Service was stable in the quarter.

PROFITABILITY (EBIT)

- Strong operating profit due to good cost control, factory productivity and improved cost of quality.

	Q3 20	Q3 19	YoY %-change	Q2 20
ORDERS	3,083	3,306	-6.7	3,396
SALES	3,291	3,763	-12.5	3,241
EBIT	638	607		533
EBIT (%)	19.4	16.1		16.4



Energy division

– Highlights and comments



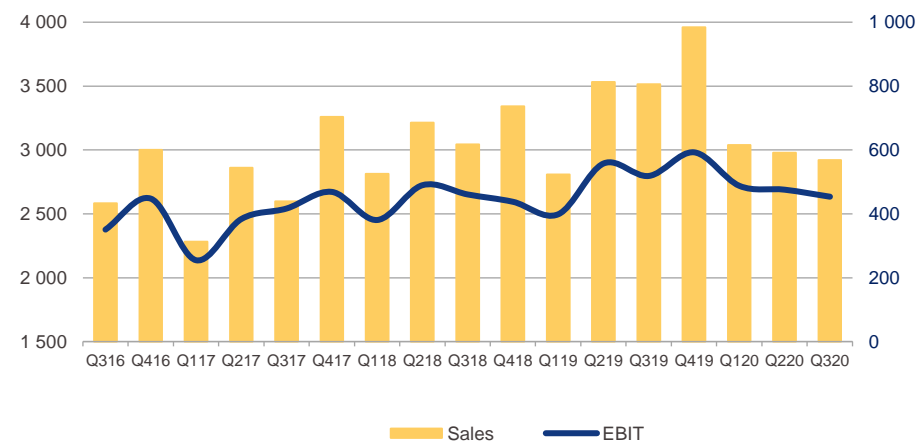
MARKETS & ORDER INTAKE

- Energy transition drives demand in HVAC and refrigeration.
- Overall investment activity in the hydrocarbon chain continues on a low level, except for China.
- Service was negatively impacted by lower activity levels in the oil and gas business.

PROFITABILITY (EBIT)

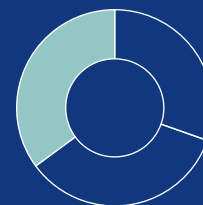
- Improved operating margin as a result from good cost control and positive mix.

	Q3 20	Q3 19	YoY %-change	Q2 20
ORDERS	2,716	3,355	-19.0	3,279
SALES	2,922	3,515	-16.9	2,979
EBIT	454	519		476
EBIT (%)	15.5	14.8		16.0



Marine division

– Highlights and comments



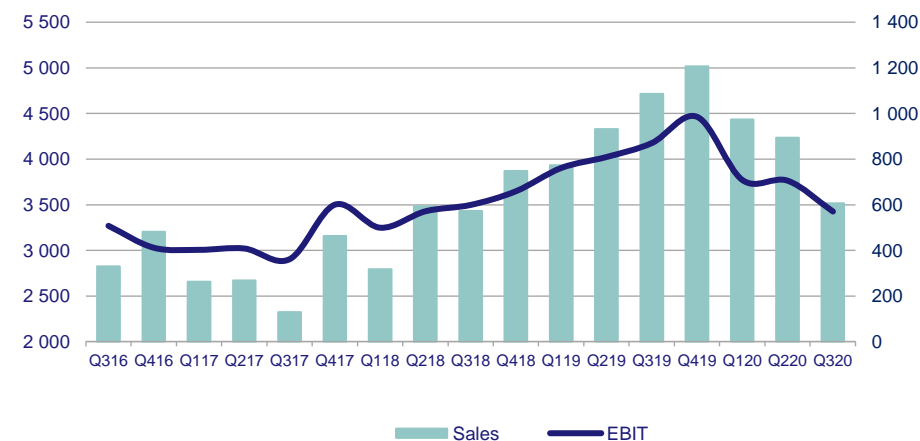
MARKETS & ORDER INTAKE

- Order intake continued on a low level, although 6 percent up sequentially.
- Expected recovery in ship contracting expected to be delayed.
- Service onboard negatively affected, however spare parts stable in the quarter.

PROFITABILITY (EBIT)

- Operating margin negatively affected by lower volume and mix, mainly driven by environmental products.

	Q3 20	Q3 19	YoY %-change	Q2 20
ORDERS	3,136	4,006	-21.7	3,074
SALES	3,515	4,715	-25.5	4,235
EBIT	570	870		705
EBIT (%)	16.2	18.5		16.6

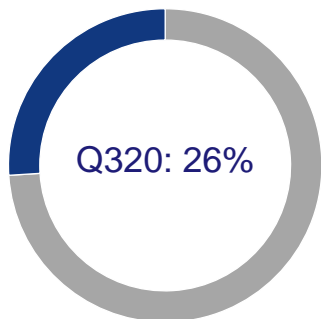


Service, by division

– Order intake Q3, share and development



ENERGY

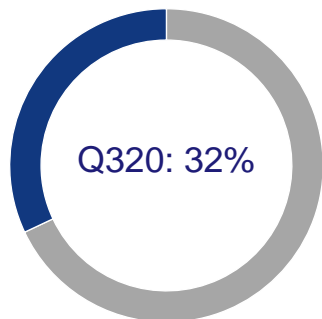


Absolute development



YoY

FOOD & WATER

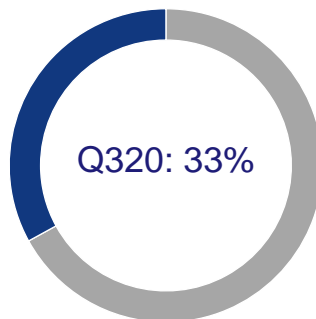


Absolute development



YoY

MARINE



Absolute development

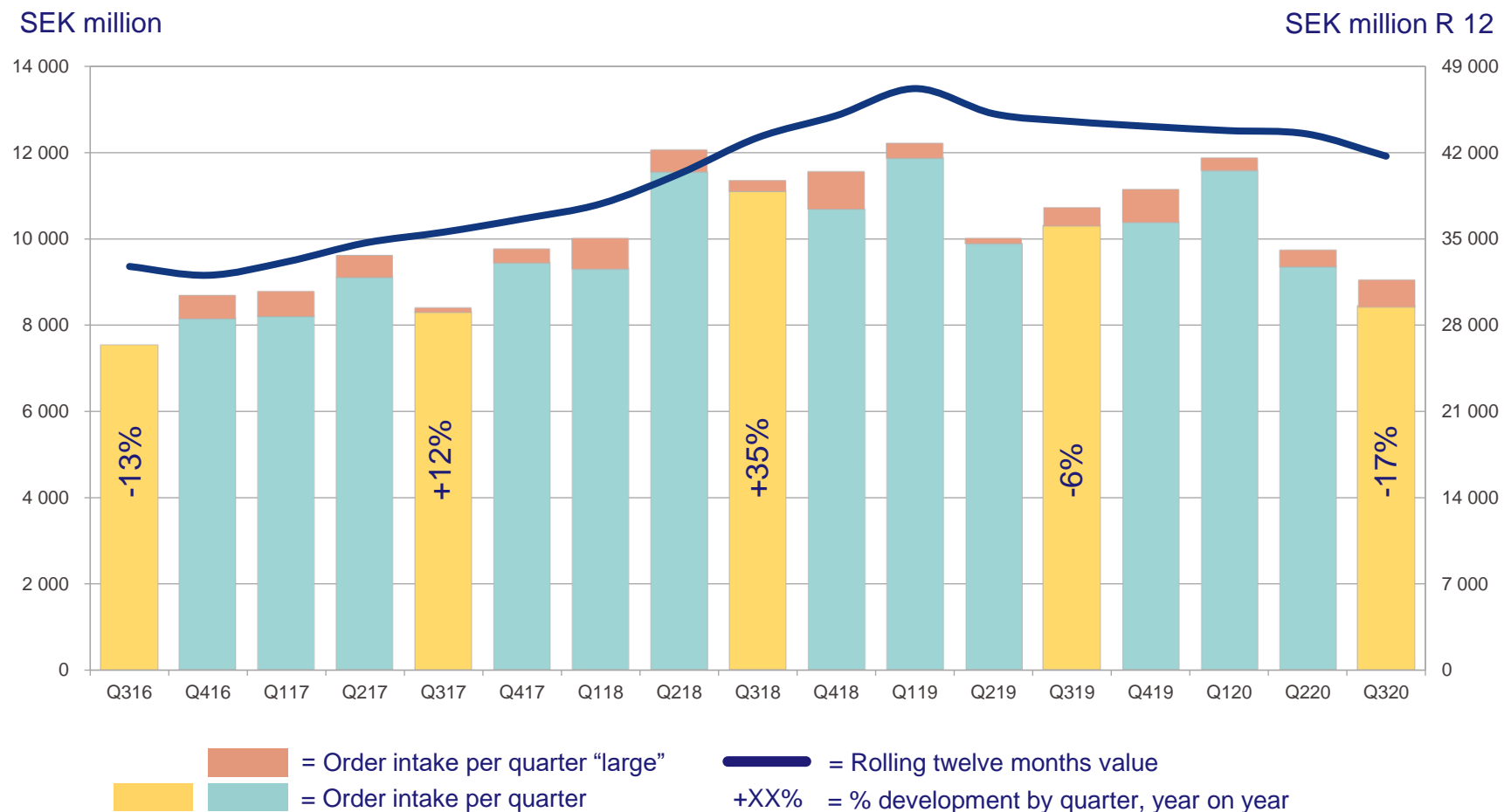


YoY

 = Service share of total order intake



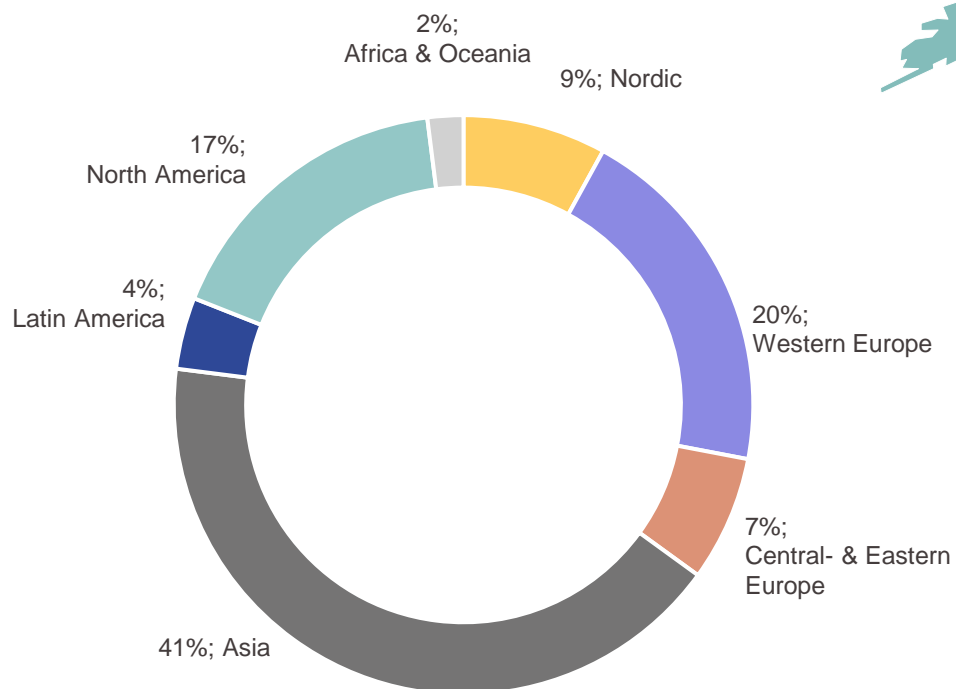
Orders received



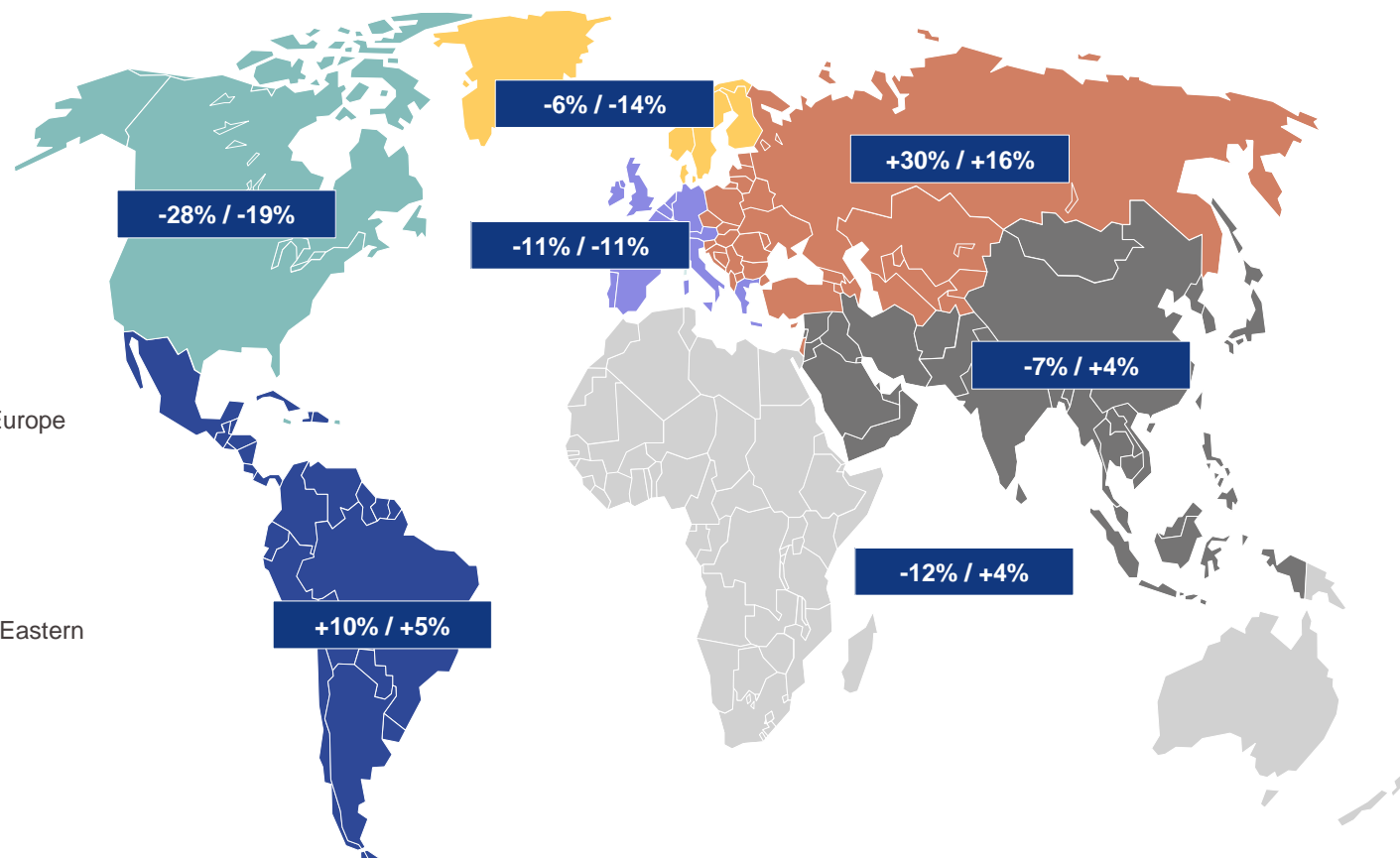
Orders received by region



– Development Q3 vs Q3 / YTD vs YTD, at fixed rates



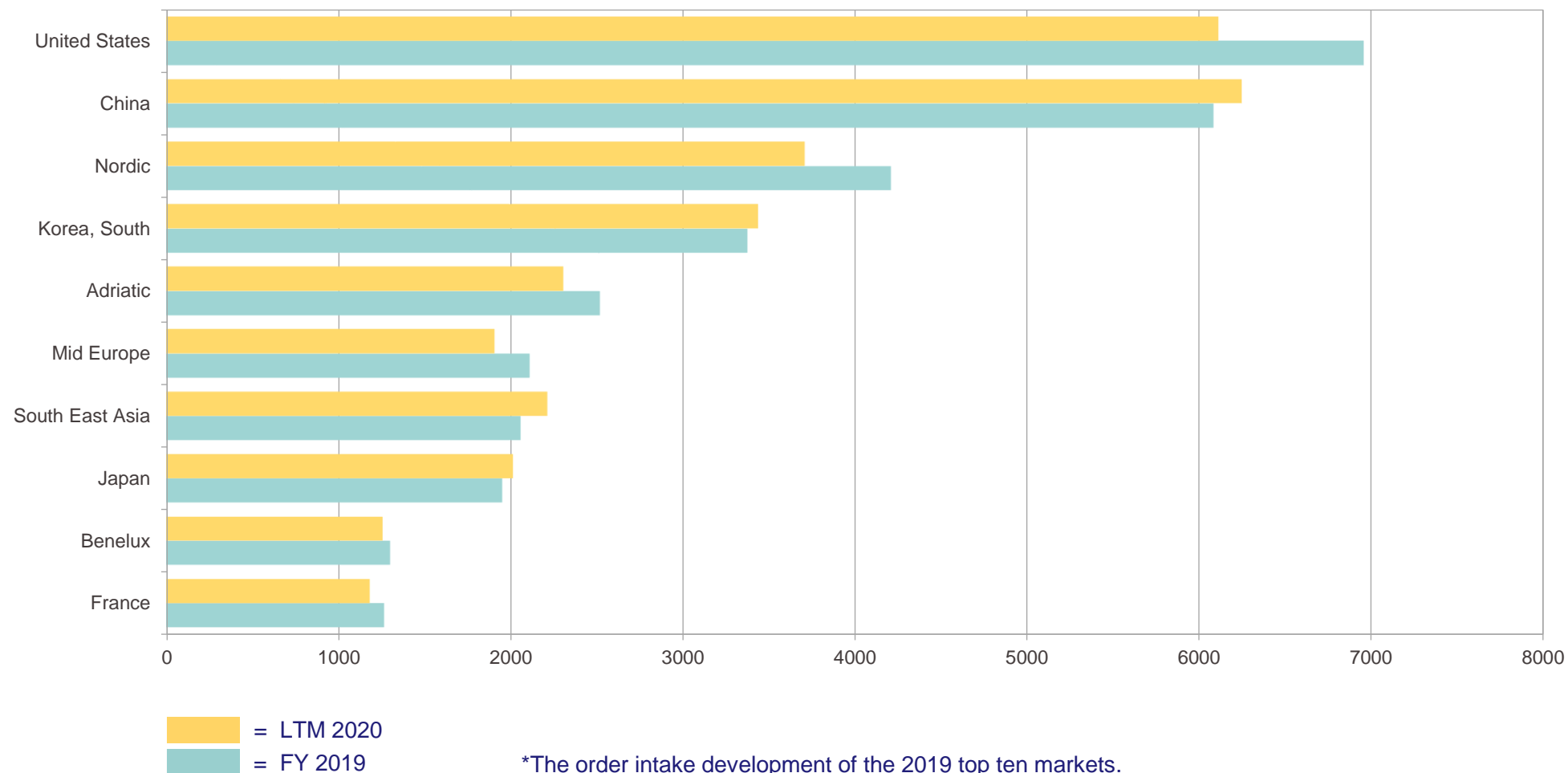
Share %: Jan – Sep 2020



vs Q3-19 / vs YTD 2019

Top ten markets*

– SEK million at prevailing rates





Report for Q3 2020

Jan Alde
CFO
Alfa Laval Group

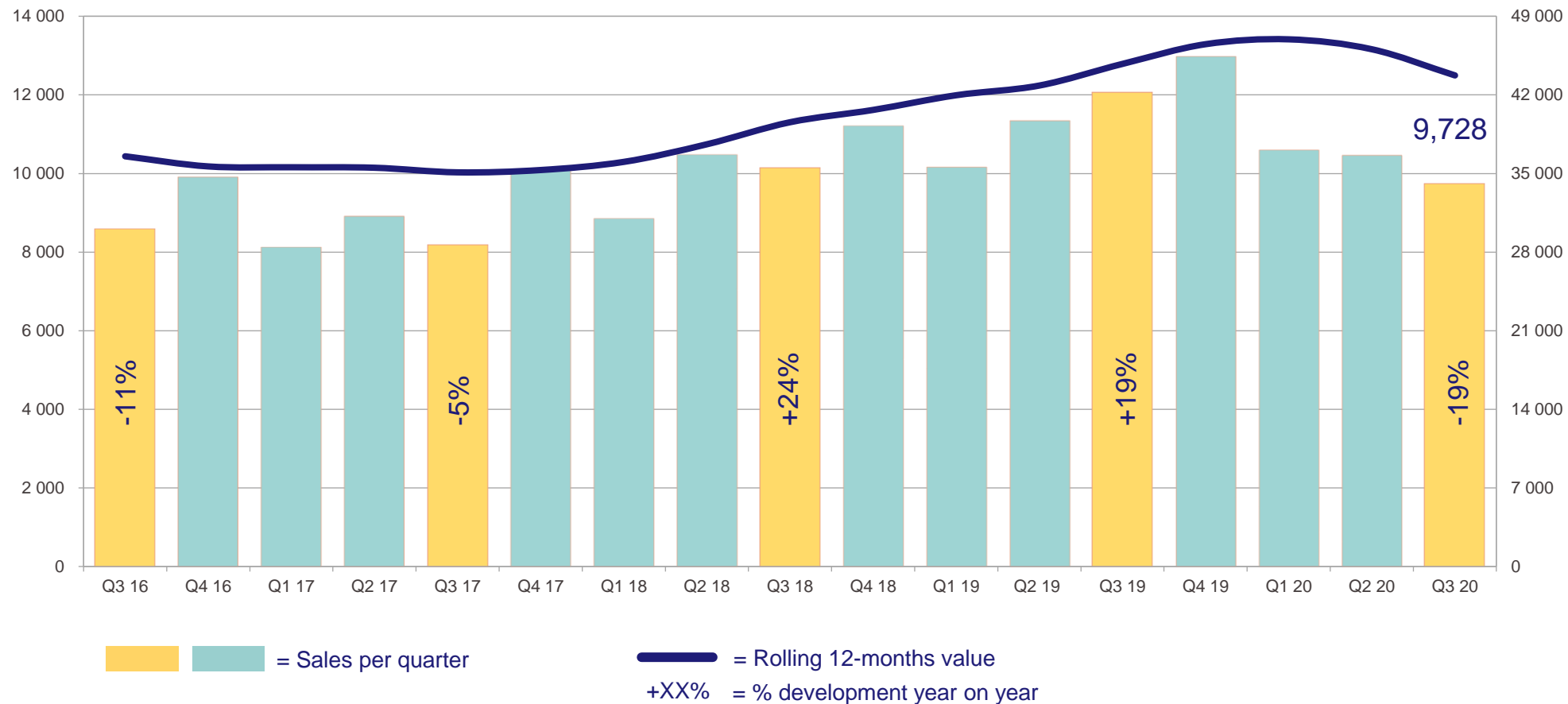
Sales

– MSEK



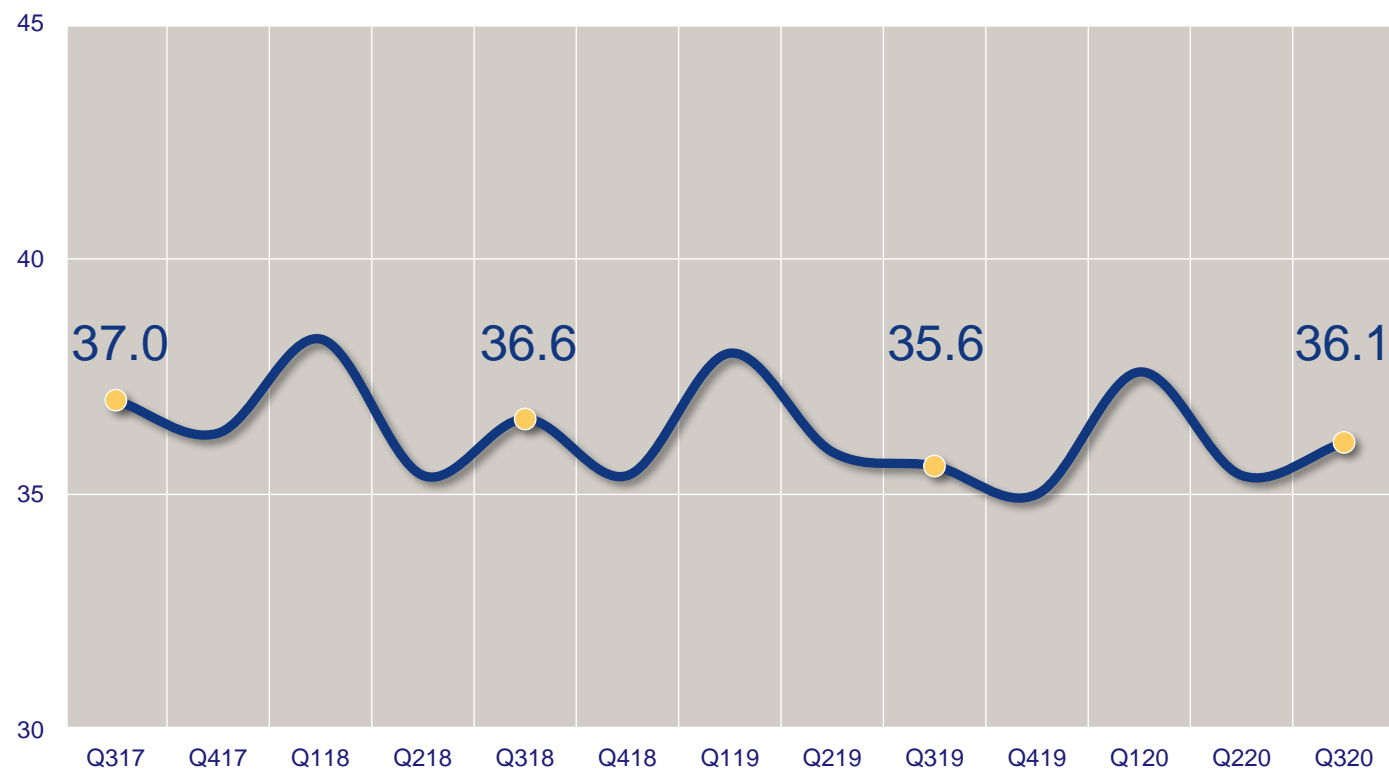
SEK million

SEK million R 12



Adjusted gross margin

– In percent of sales



Q3 2019	35.6
---------	------

Mix/price	--
-----------	----

Load/volume	=
-------------	---

PPV/metals	+
------------	---

FX	+
----	---

Structure	=
-----------	---

Q3 2020	36.1
---------	------

S&A Expense development

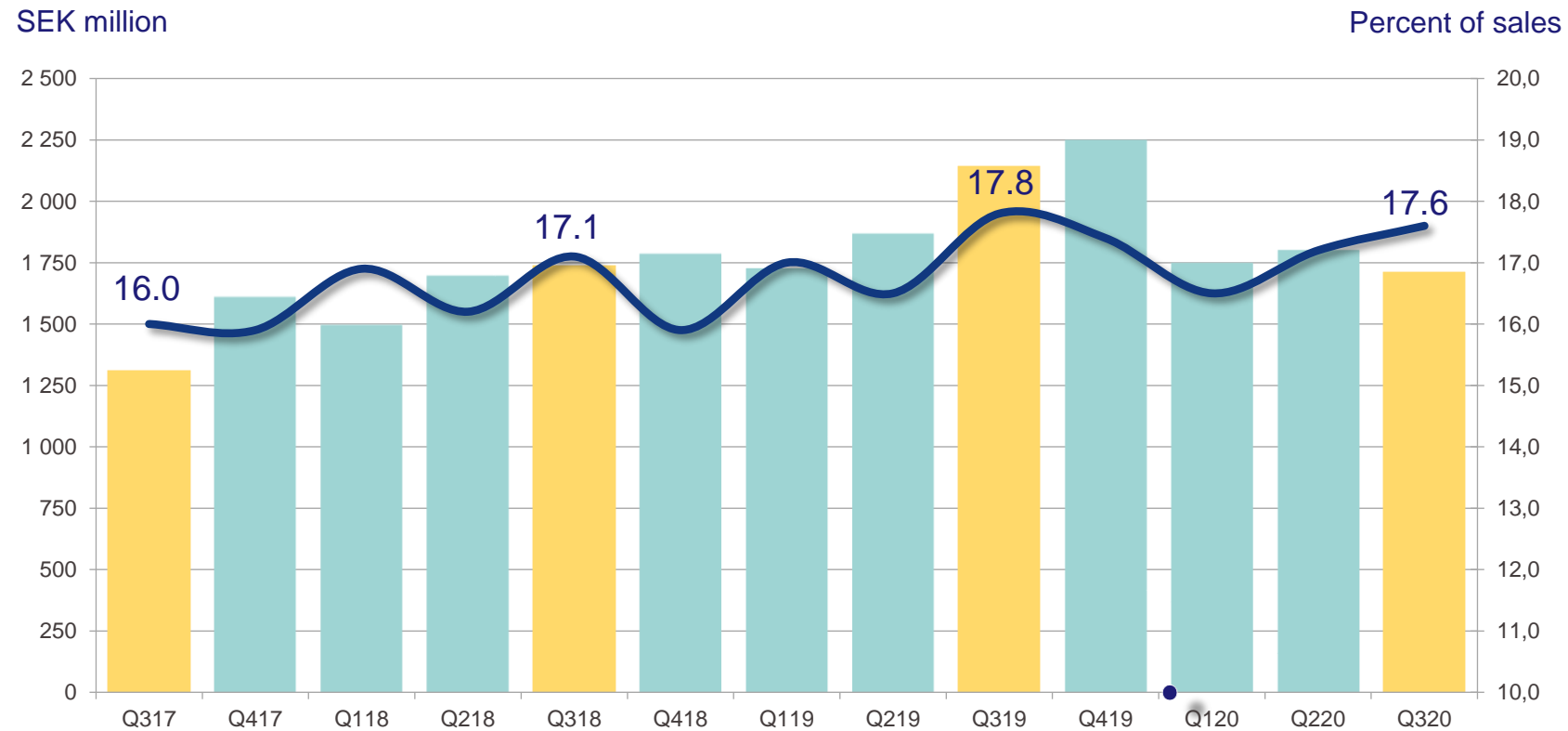
– MSEK



	Q3 2020	Q3 2019		YTD 2020	YTD 2019	
Sales costs	951	1,184	-19.7%	3,110	3,560	-12.6%
Admin costs	417	492	-15.2%	1,376	1,557	-11.6%
Total S&A costs	1,368	1,676	-18.4%	4,486	5,117	-12.3%
<i>Excl. FX impacts and acq./divestments</i>			-12.9%			-9.9%

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."

Key figures

– MSEK



	Q3 2020	Q3 2019
Sales	9,728	12,056
Gross profit	3,298	4,038
Sales & Admin	-1,368	-1,676
R&D	-223	-267
Net other cost/income	-279	-214
Operating income	1,438	1,882
Financial net	-56	25
Profit before tax	1,382	1,907
Taxes	-344	-460
EPS	2.46	3.43

Cash-flow statement

– MSEK



	Q3 2020	Q3 2019	YTD 2020	YTD 2019
EBITDA	1,903	2,364	5,999	6,613
Other non-cash items	71	127	74	-46
Working Capital	-279	-811	278	-2,317
Taxes paid	-439	-433	-1,292	-1,419
Cash flow from operating activities	1,256	1,247	5,059	2,831
Capital expenditures	-377	-228	-776	-834
Disposals	87	-4	218	372
Acquisitions	-10	-	-18	-61
Cash flow from investing activities	-300	-232	-576	-523
Financial net paid	-94	-25	-467	183
Cash flow	862	990	4,016	2,491
Free cash flow*	785	994	3,816	2,180

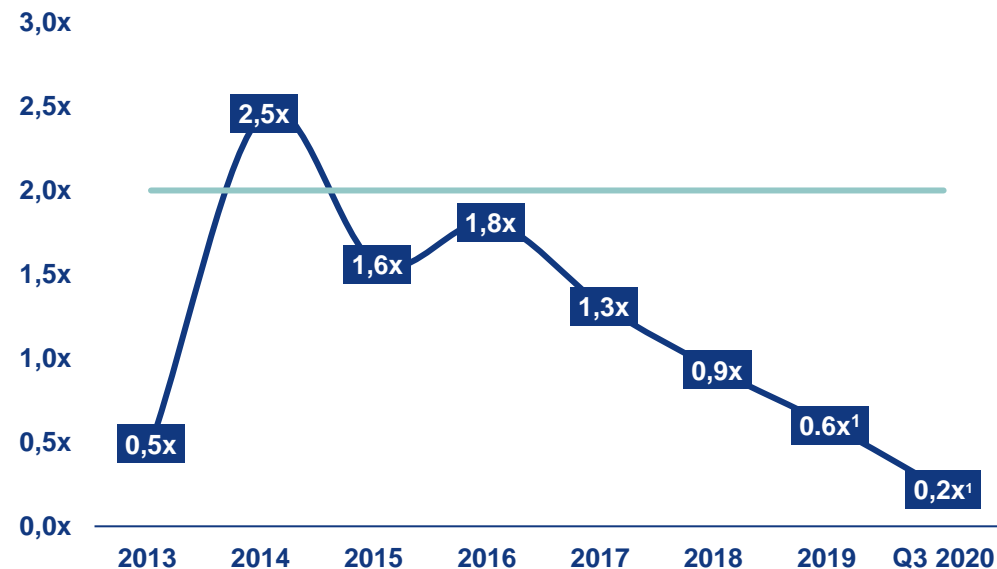
*) Incl. cash flow from operating activities, capital expenditure and financial net paid.

Cash flow and capital structure



– Proven ability to deleverage post a sizeable acquisition

Net Debt / EBITDA (excluding IFRS 16)



- Cash-flow from Operating activities of SEK 5.1 billion during Jan-Sept 2020
- Net debt position reduced from SEK 8.2 billion at end of 2019 to SEK 4.3 billion at end of September 2020 (net debt excluding lease liabilities at SEK 1.9 billion).
- Leverage at level prior to acquisition of Frank Mohn (Framo) in 2014
- Company target: In the long term, Net Debt / EBITDA should not exceed 2.0x

Source: Company filings

1) Excluding the effect of IFRS 16

Foreign exchange



– Estimated impact on adjusted EBITA from FX fluctuations, MSEK

	Q3 2020	FY 2020	FY 2021*
Transaction effect	125	405	250
Translation effect	-115	-225	-
Total	10	180	250

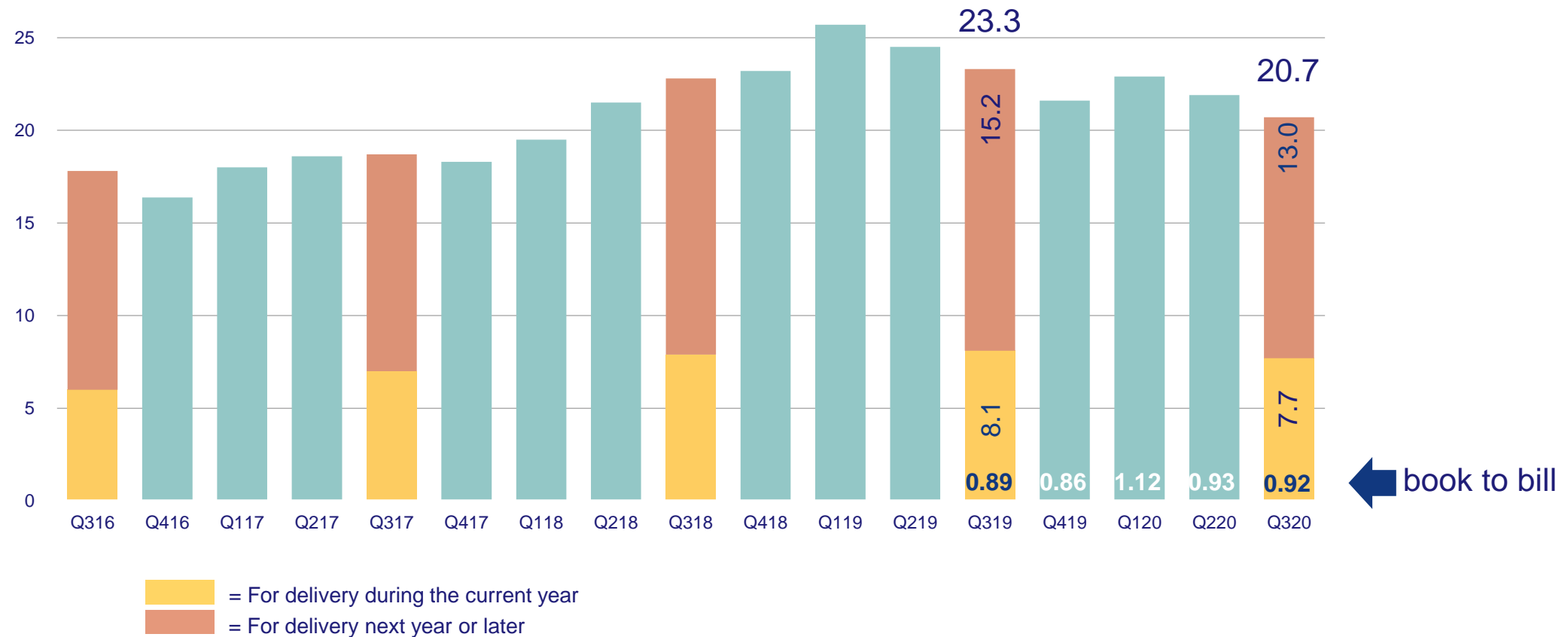
Note: Excludes FX effects caused by revaluation of balance items in foreign currency.

*) Based on EUR/USD 1.179 and EUR/SEK 10.495

Projected FX-transaction effect for 2020 communicated with Q2 report: SEK 440 million

Order backlog as per September 30

– SEK billion



Sales

– FY 2020, SEK billion



YTD Sales	30.8
Backlog, for delivery current year	+7.7
Subtotal	38.5

For you to consider:

Price

“In-for-out”*

FX translation

Acquisitions

Full year 2020

*IFO in Q4 2019 excluding acquisitions/divestments was SEK 4.8 bln.

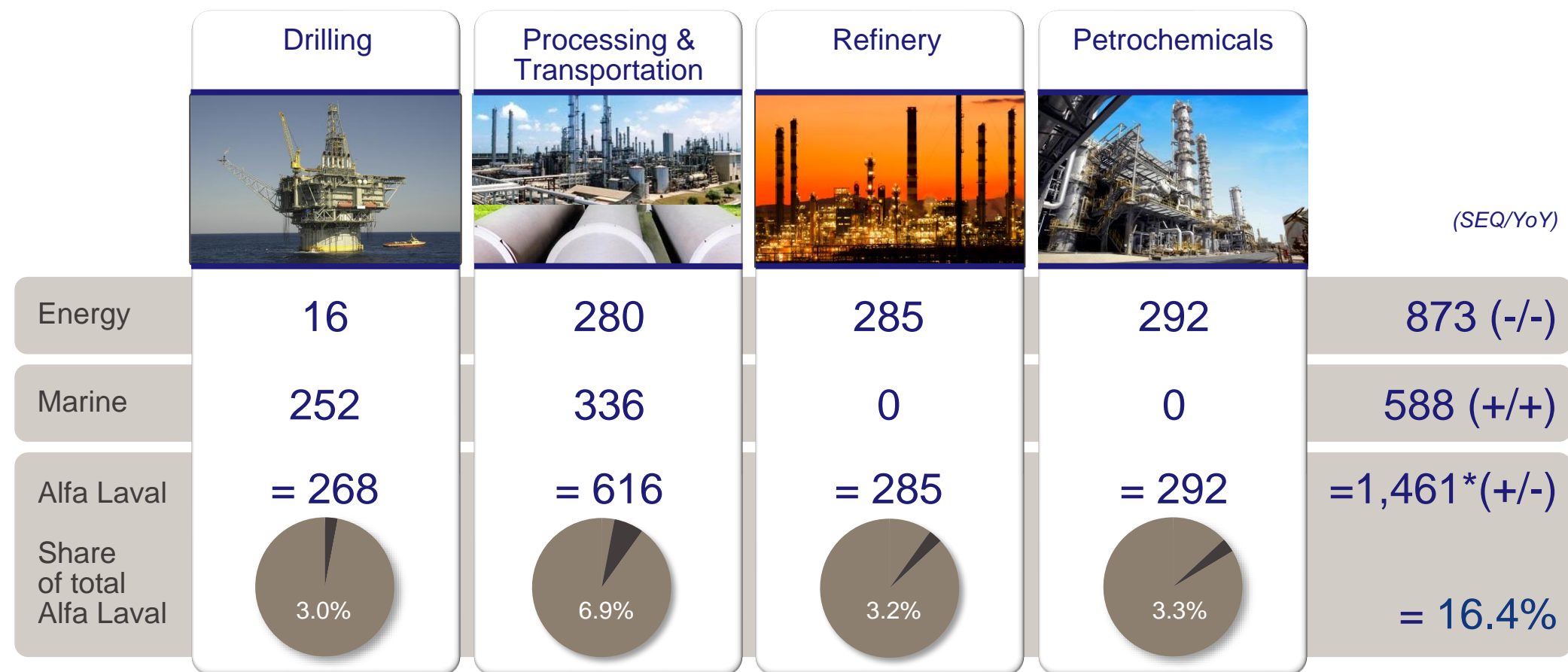
Outlook for the fourth quarter:

“We expect demand in the fourth quarter to be somewhat higher than in the third quarter.”



Activity split O&G, total

– Distribution of orders Q3 2020 (MSEK)

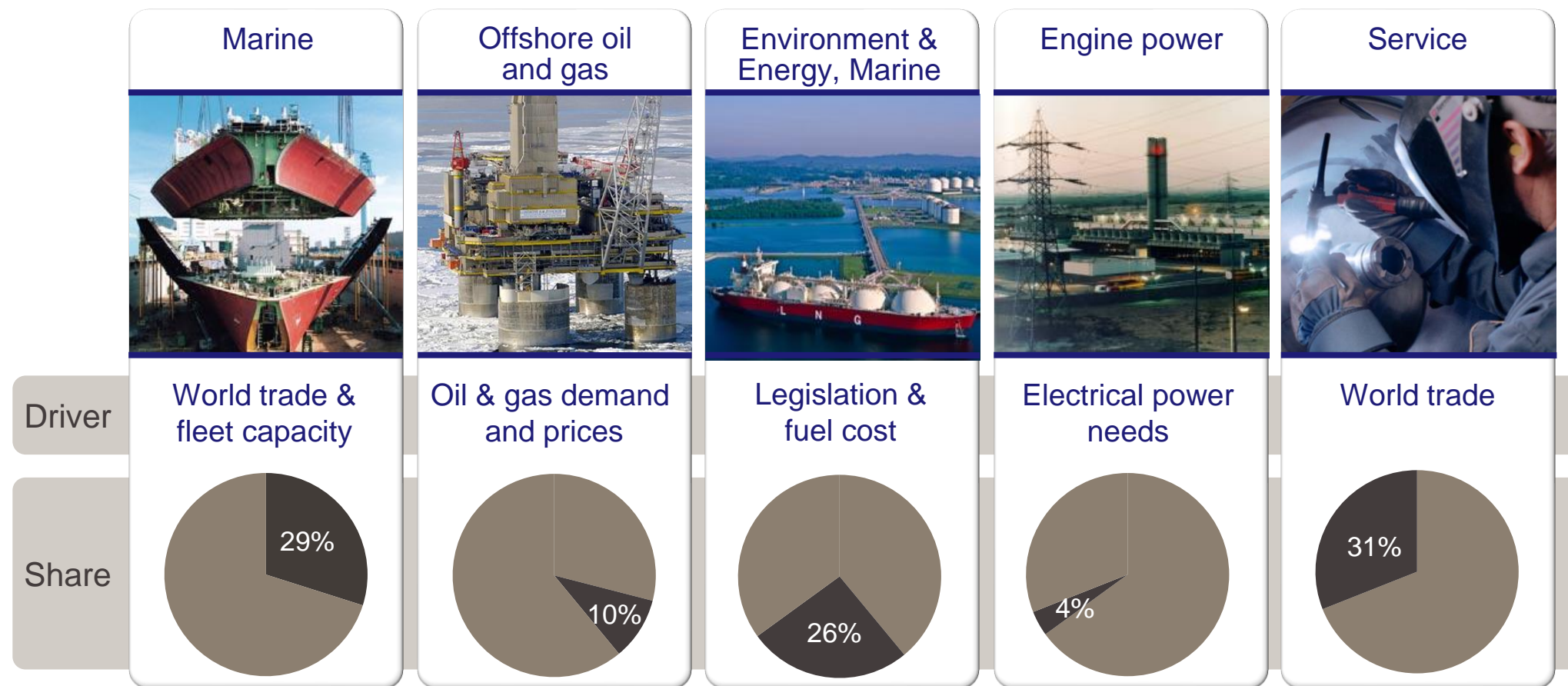


*) incl. aftermarket

Marine Division's industry split



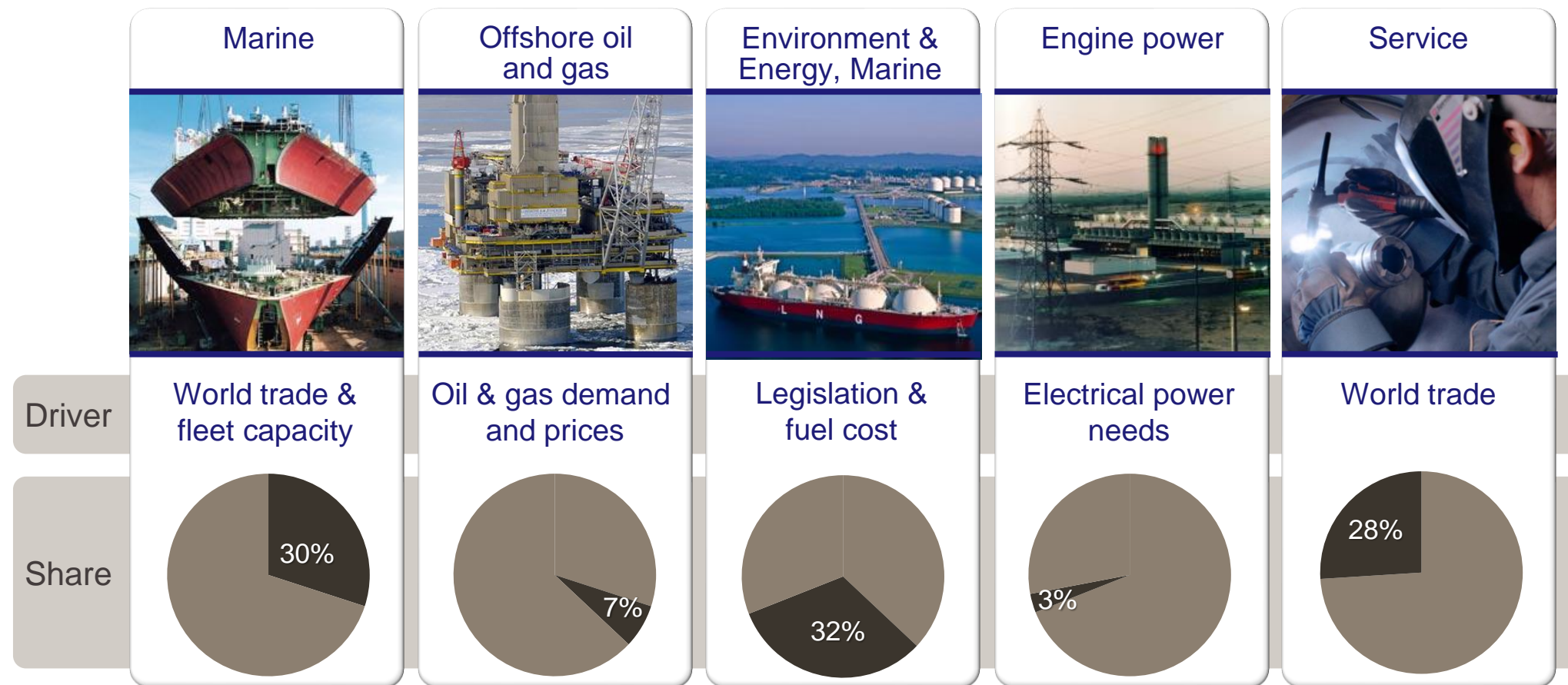
– Distribution of orders LTM, end of September



Marine Division's industry split



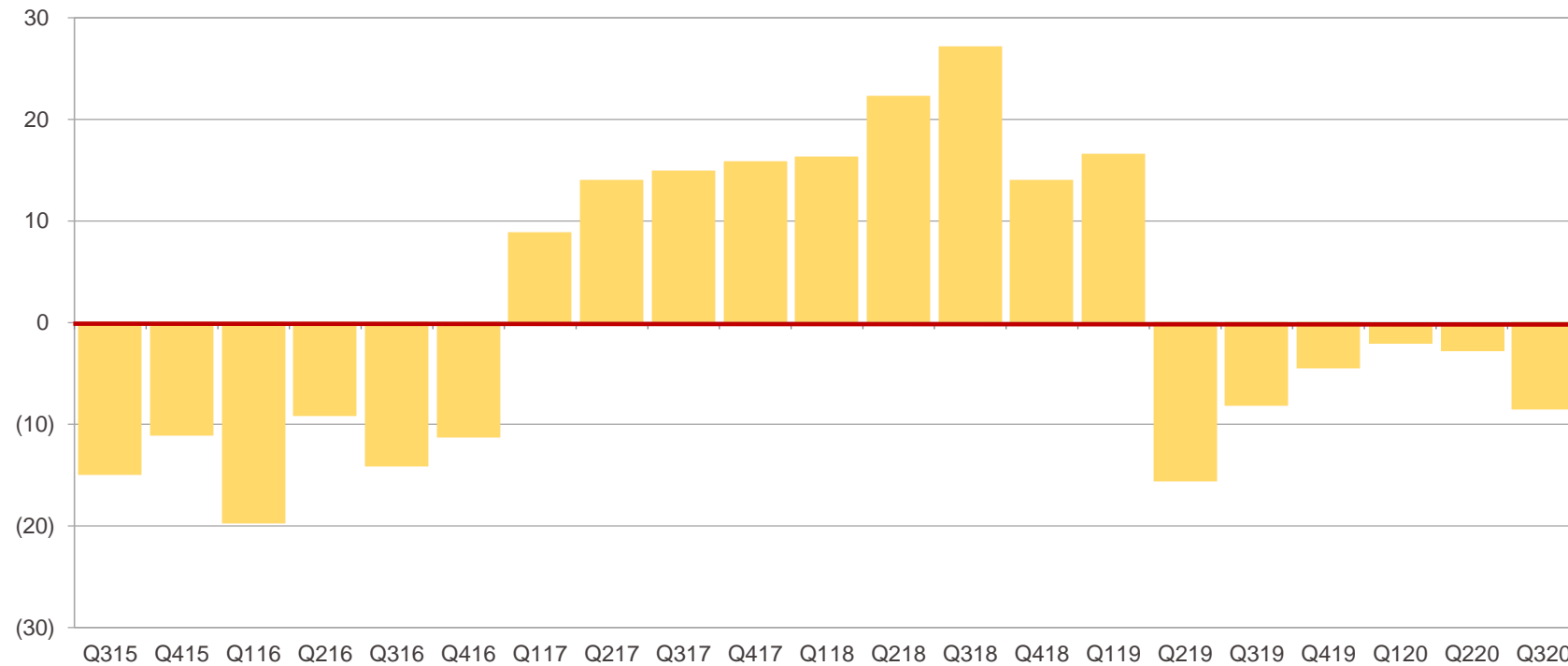
– Distribution of sales LTM end of September



Organic growth pace



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

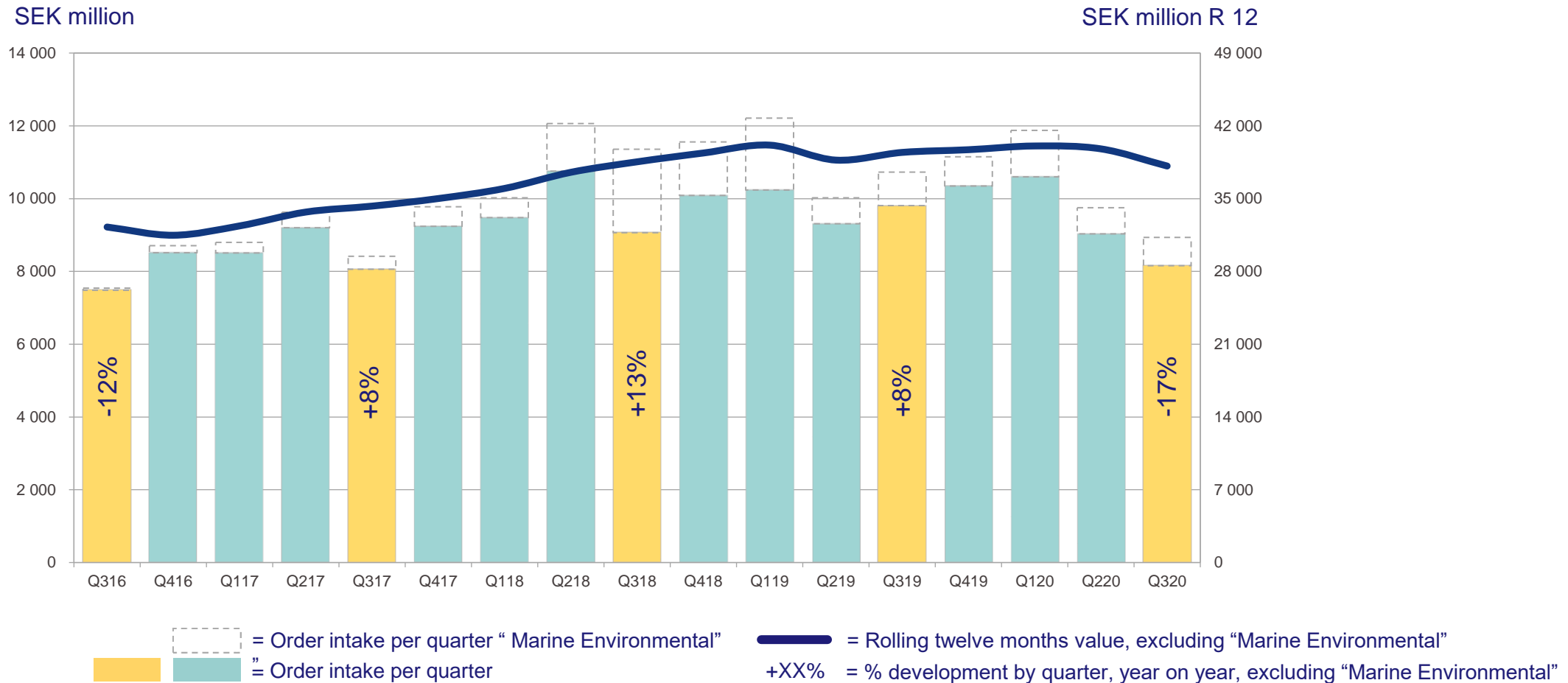


 = Order intake growth

Orders received



– Orders received excluding the “Marine Environmental”* business



*) Alfa Laval PureSOx and Alfa Laval PureBallast.

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.

