

# Report for Q4 2020

**Tom Erixon**  
President and CEO  
Alfa Laval Group

# Key figures



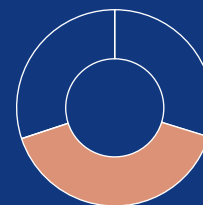
	Q4 2020	Q4 2019	%-change	%-▲,org*
Order intake	9,272	11,153	-17	-10
Net sales	10,695	12,964	-18	-11
Adjusted EBITA**	1,969	2,250	-12	
Adjusted EBITA-margin (%)	18.4	17.4		
<hr/>				
	FY 2020	FY 2019	%-change	%-▲,org*
Order intake	39,833	44,119	-10	-6
Net sales	41,468	46,517	-11	-7
Adjusted EBITA***	7,231	7,989	-9	
Adjusted EBITA-margin (%)	17.4	17.2		

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

\*\*) Positive currency effect SEK 20 million (155) \*\*\*) Positive currency effect SEK 180 million (430).

# Food & Water division

– Highlights and comments, MSEK



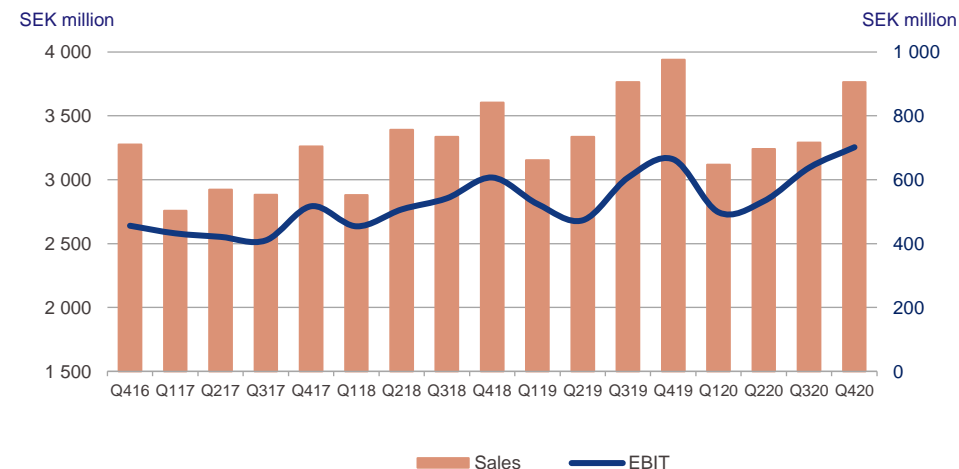
## MARKETS & ORDER INTAKE

- Order intake grew both sequentially and compared to the same quarter last year.
- Strong demand for Edible oil, Pharma and Protein.
- Solid growth in service.
- Acquisition of Sandymont, a US-based beverage technology company

## PROFITABILITY (EBIT)

- Strong operating profit due to higher volume, positive mix and good cost control.

	Q4 20	Q4 19	Tot Δ, %	Org Δ, %	Q3 20
ORDERS	3,723	3,720	0.1	8.8	3,083
SALES	3,764	3,938	-4.4	3.4	3,291
EBIT	702	664			638
EBIT (%)	18.7	16.9			19.4



# Energy division

– Highlights and comments, MSEK



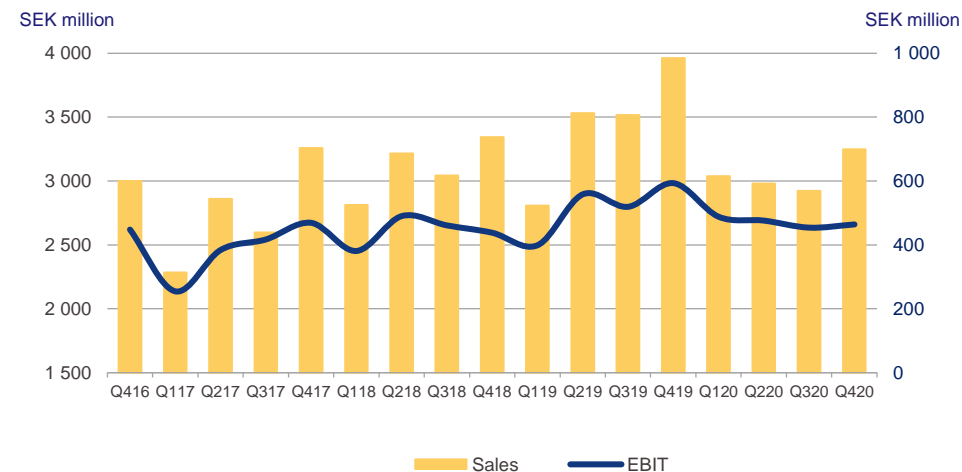
## MARKETS & ORDER INTAKE

- Strong demand from energy efficiency solutions positively impacting HVAC.
- Strong growth through the distribution channel.
- Weak demand for large projects in Refinery and Petrochemicals
- Service declined, entirely due to lower activity level in the Oil & Gas business.

## PROFITABILITY (EBIT)

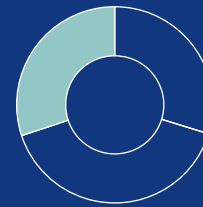
- Operating margin negatively affected by lower volume and mix, partly offset by lower costs.

	Q4 20	Q4 19	Tot Δ, %	Org Δ, %	Q3 20
ORDERS	2,760	3,594	-23.2	-17.2	2,716
SALES	3,247	3,961	-18.0	-11.9	2,922
EBIT	464	593			454
EBIT (%)	14.3	15.0			15.5



# Marine division

– Highlights and comments, MSEK



## MARKETS & ORDER INTAKE

- Demand for environmental products stable compared to last year.
- Order intake supported by firm demand in off-shore.
- Service challenging due to low industry activity.

## PROFITABILITY (EBIT)

- Operating margin positively affected by cost reduction program, strong project execution and low cost of quality.

	Q4 20	Q4 19	Tot Δ, %	Org Δ, %	Q3 20
ORDERS	2,789	3,840	-27.4	-20.6	3,136
SALES	3,684	5,017	-26.6	-20.2	3,515
EBIT	775	985			570
EBIT (%)	21.0	19.6			16.2

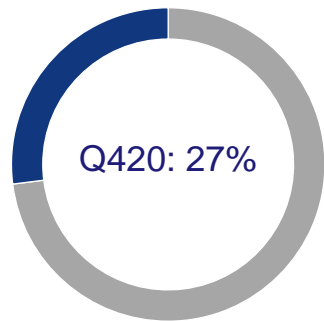


# Service, by division

– Order intake Q4, share and development



## ENERGY

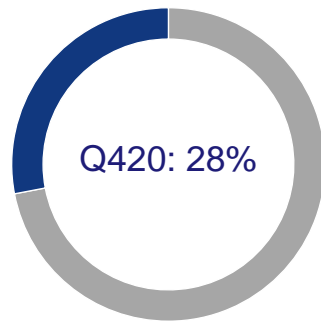


Organic growth



YoY

## FOOD & WATER

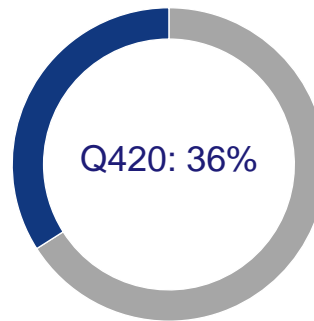


Organic growth



YoY

## MARINE



Organic growth

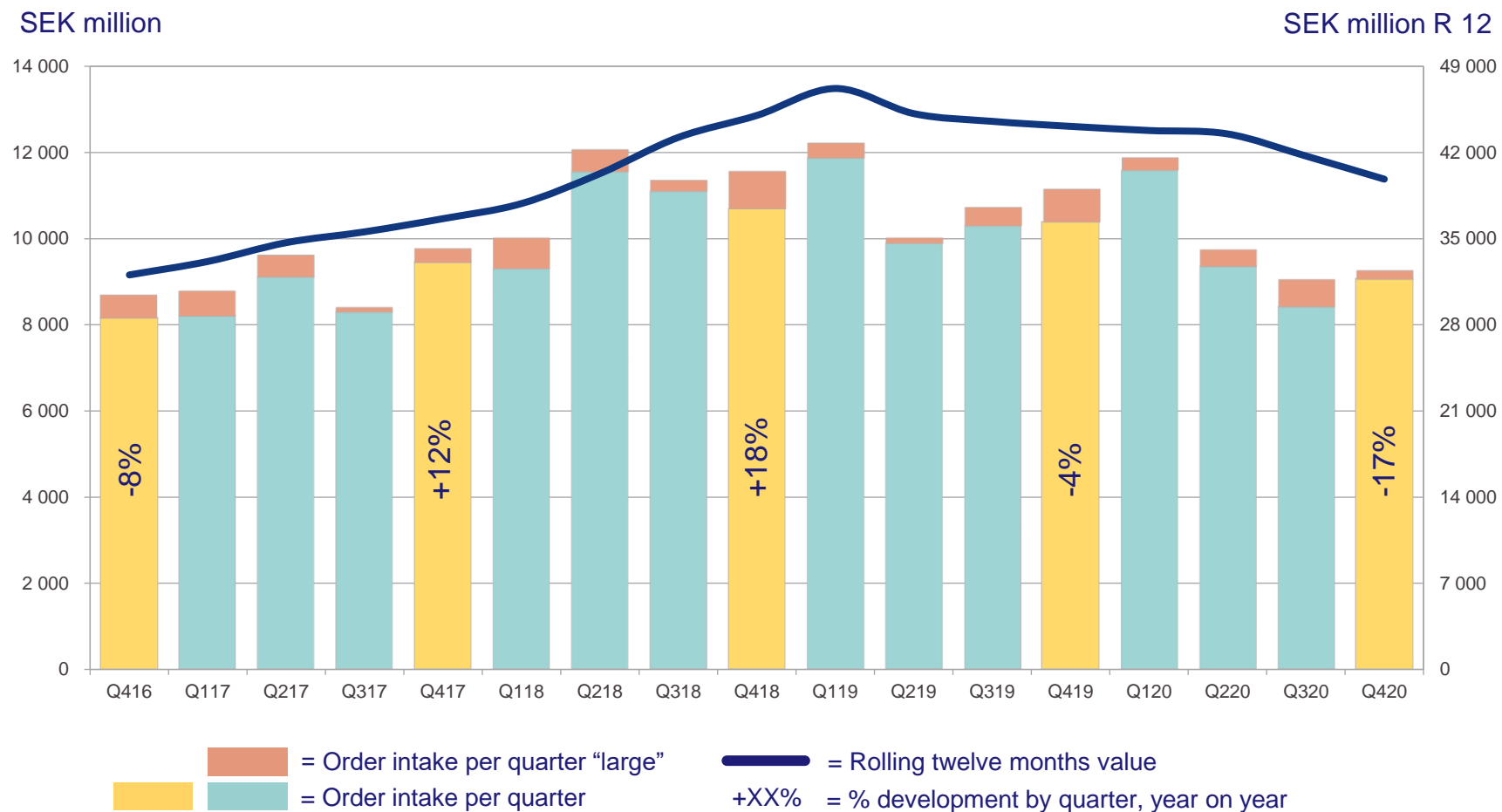


YoY

 = Service share of total order intake



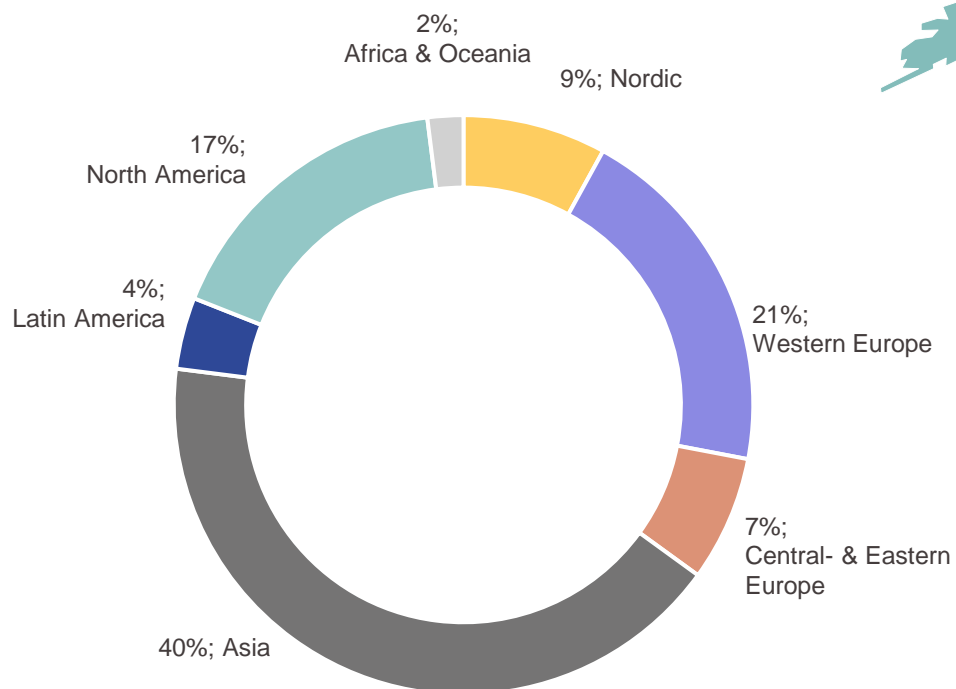
# Orders received



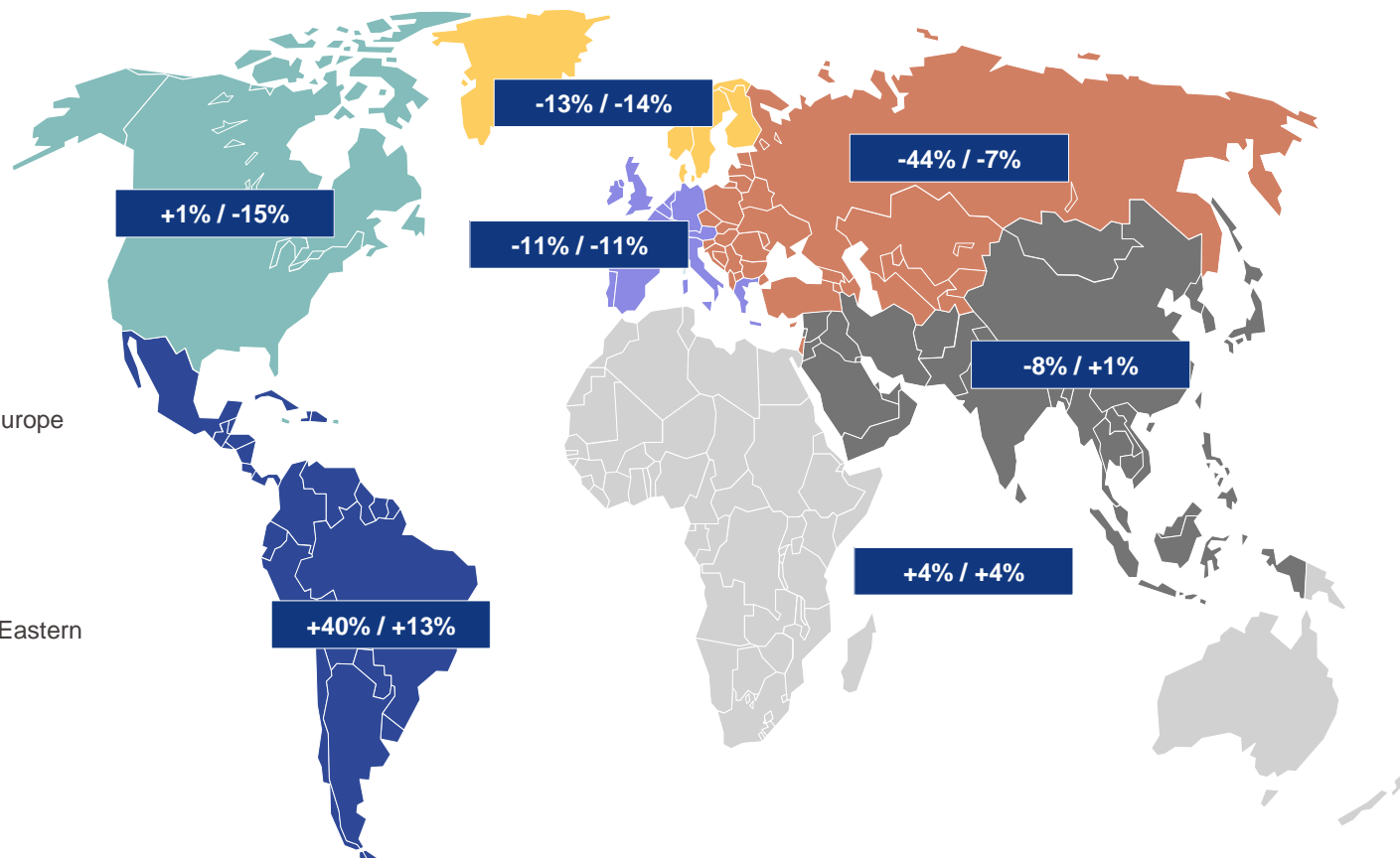


# Orders received by region

– Development Q4 vs Q4 / FY vs FY, at fixed rates



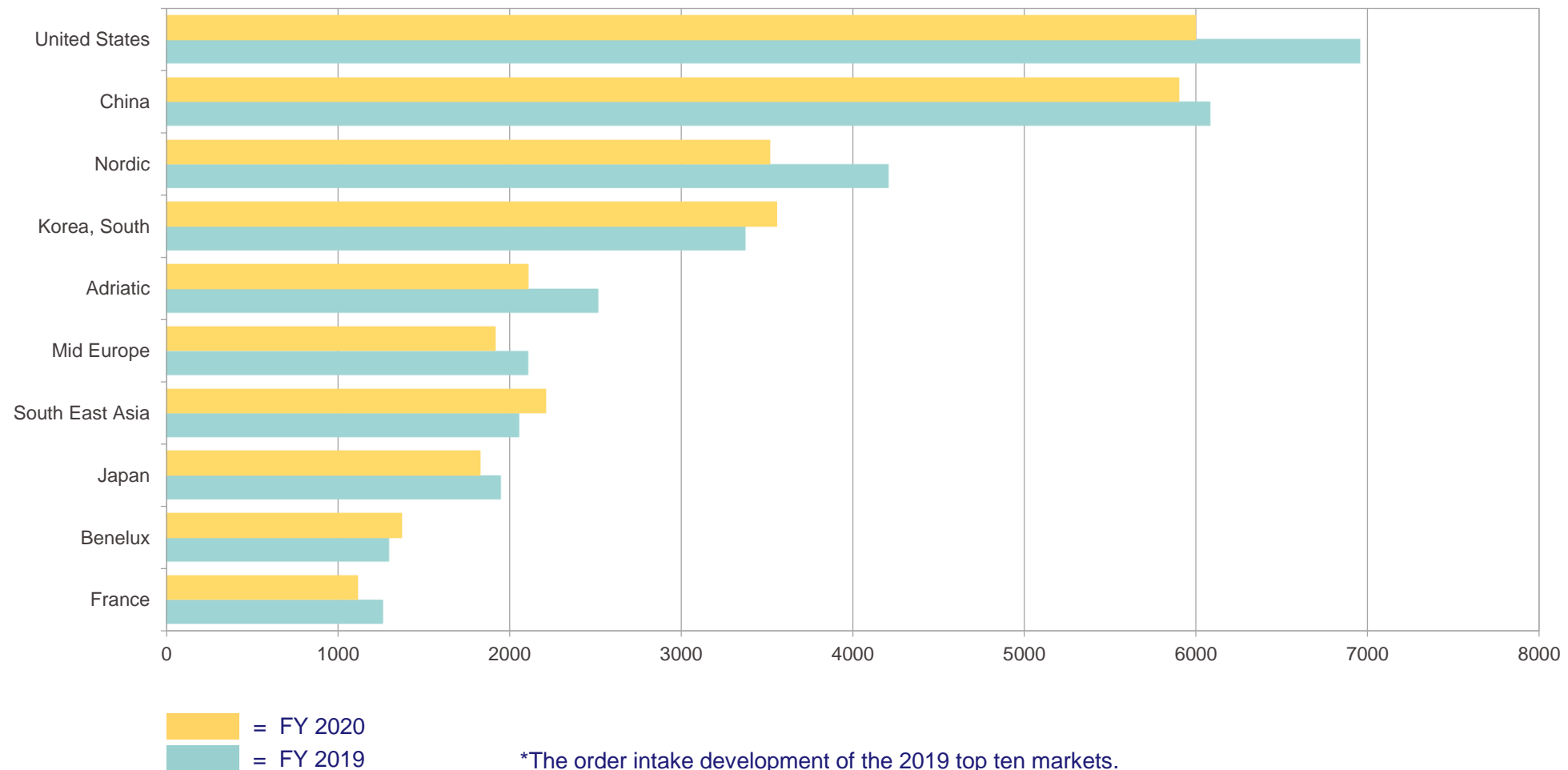
Share %: Jan – Dec 2020

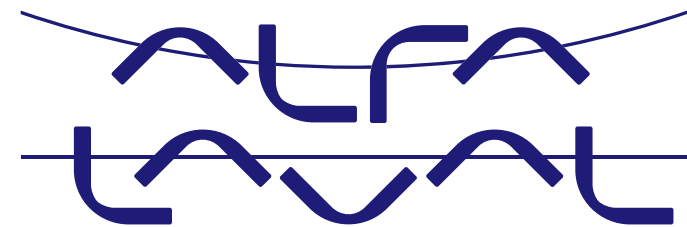


vs Q4-19 / vs FY 2019

# Top ten markets\*

– SEK million at prevailing rates



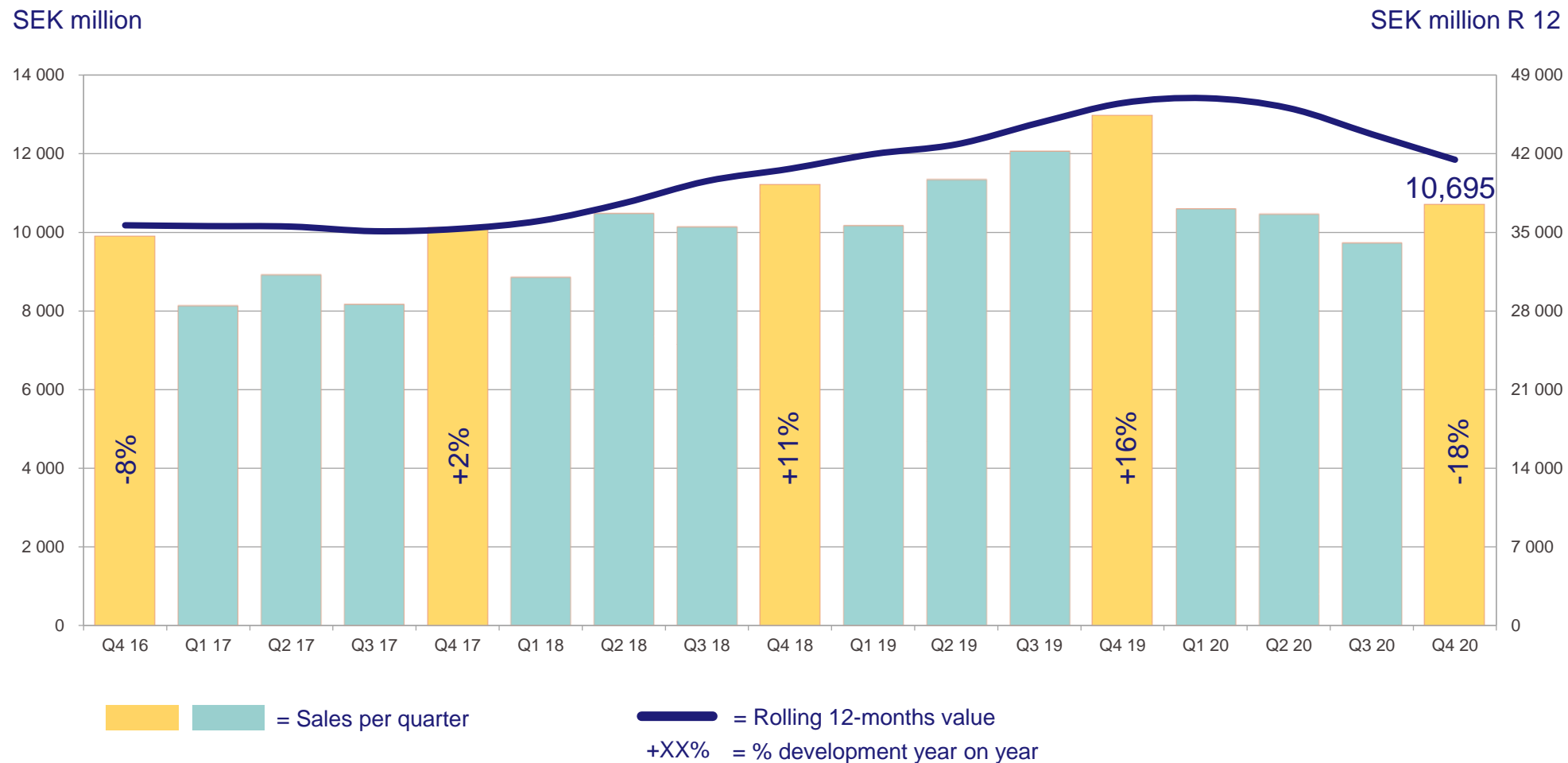


# Report for Q4 2020

**Jan Alde**  
CFO  
Alfa Laval Group

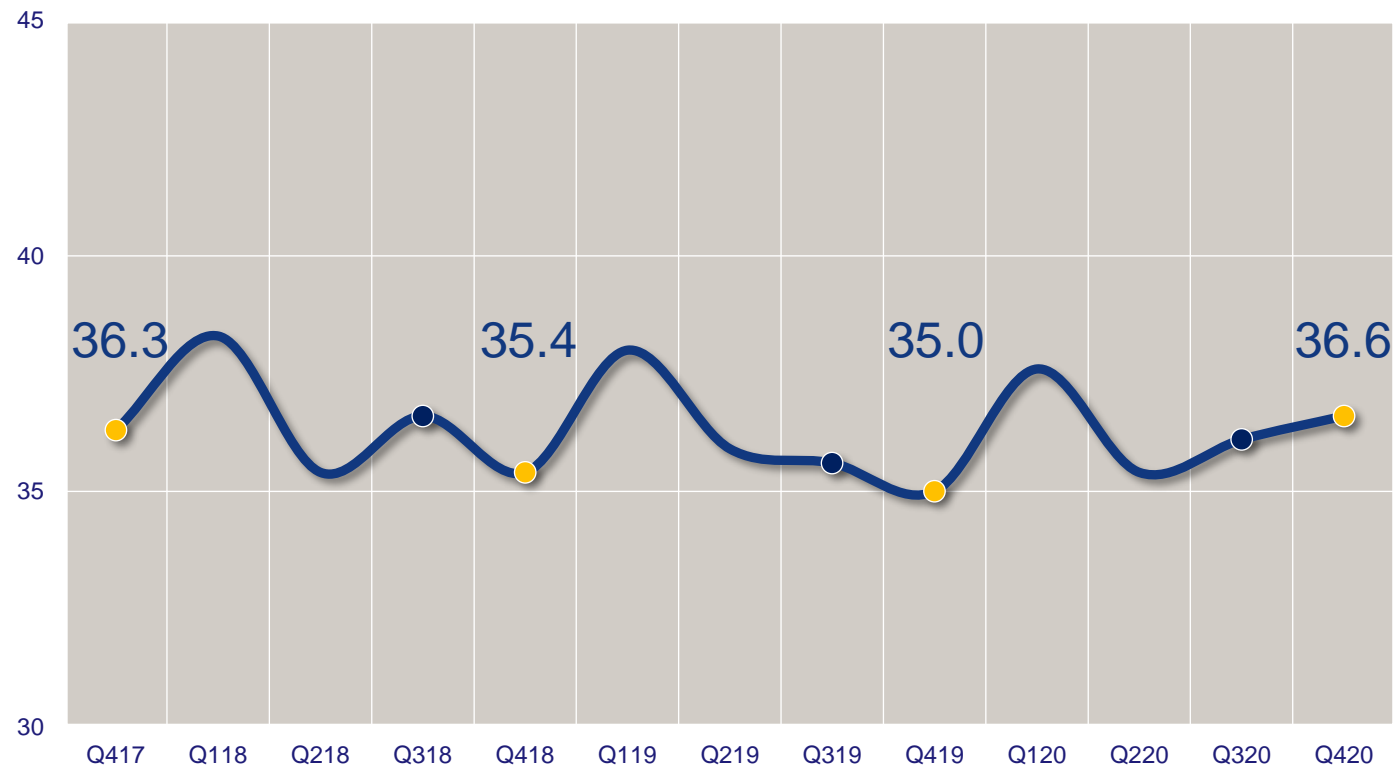
# Sales

– MSEK



# Adjusted gross margin

– In percent of sales



Q4 2019	35.0
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Mix/price	+
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Load/volume	=
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PPV/metals	=
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FX	+
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Structure	=
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Q4 2020	36.6
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# S&A Expense development

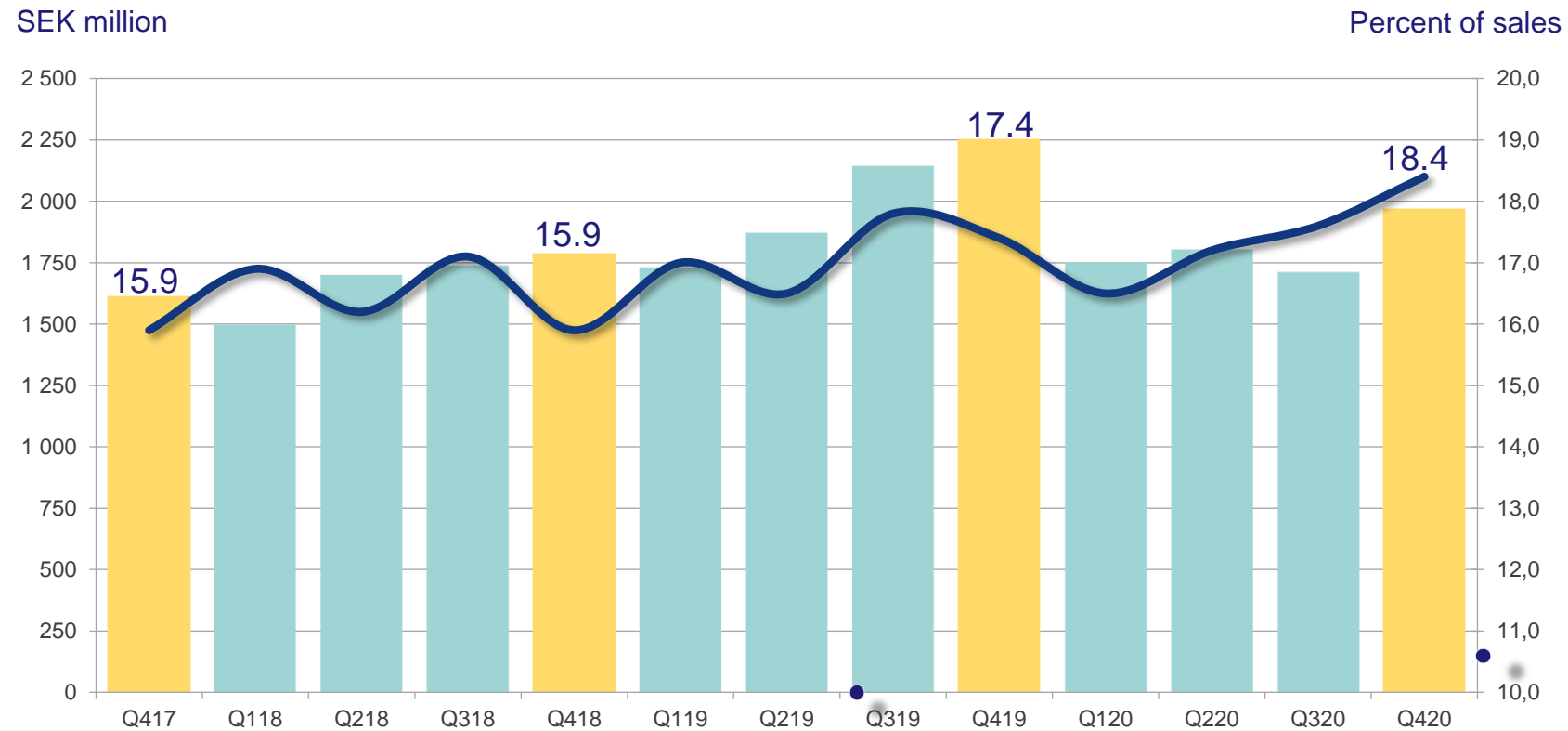
– MSEK



	Q4 2020	Q4 2019		FY 2020	FY 2019	
Sales costs	1,015	1,242	-18.3%	4,125	4,802	-14.1%
Admin costs	458	535	-14.4%	1,834	2,092	-12.3%
Total S&A costs	1,473	1,777	-17.1%	5,959	6,894	-13.6%
<i>Excl. FX impacts and acq./divestments</i>			-11.6%			-10.4%

# 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."

# Restructuring program



– Alfa Laval adapts the organization to changing market fundamentals

- Total restructuring cost of approximately SEK 850 million.
  - SEK 741million, of which 360 MSEK related to goodwill write-downs in Oil and Gas related businesses, was booked in Q4 2020.
  - Remaining cost is expected to be booked in the second quarter of 2021.
  - Restructuring cost booked as a non-recurring item
- Approximately 600 employees mainly in Europe and North America will be affected by the program, of which some have already left the company.
- The program will generate annual savings of around 300 MSEK, with full effect expected from mid-2022.



# Key figures

– MSEK



	Q4 2020	Q4 2019
Sales	10,695	12,964
Gross profit	3,714	4,329
Sales & Admin	-1,473	-1,777
R&D	-279	-287
Net other cost/income	-921	-238
Operating income*	1,034	2,037
Financial net	-110	-177
Profit before tax	924	1,860
Taxes	-360	-436
EPS	1.33	3.39

\*) Q4 2020 includes restructuring costs of SEK 741 million (non-recurring item).

# Cash-flow statement

– MSEK



	Q4 2020	Q4 2019	FY 2020	FY 2019
EBITDA	1,930	2,638	7,929	9,251
Other non-cash items	323	187	397	141
Working Capital	656	49	934	-2,268
Taxes paid	-245	-482	-1,537	-1,901
Cash flow from operating activities	2,664	2,392	7,723	5,223
Capital expenditures	-456	-503	-1,232	-1,337
Disposals	26	-1	244	371
Acquisitions	-52	-	-70	-61
Cash flow from investing activities	-482	-504	-1,058	-1,027
Financial net paid	-149	-604	-616	-421
<b>Cash flow</b>	<b>2,033</b>	<b>1,284</b>	<b>6,049</b>	<b>3,775</b>
<b>Free cash flow*</b>	<b>2,059</b>	<b>1,285</b>	<b>5,875</b>	<b>3,465</b>

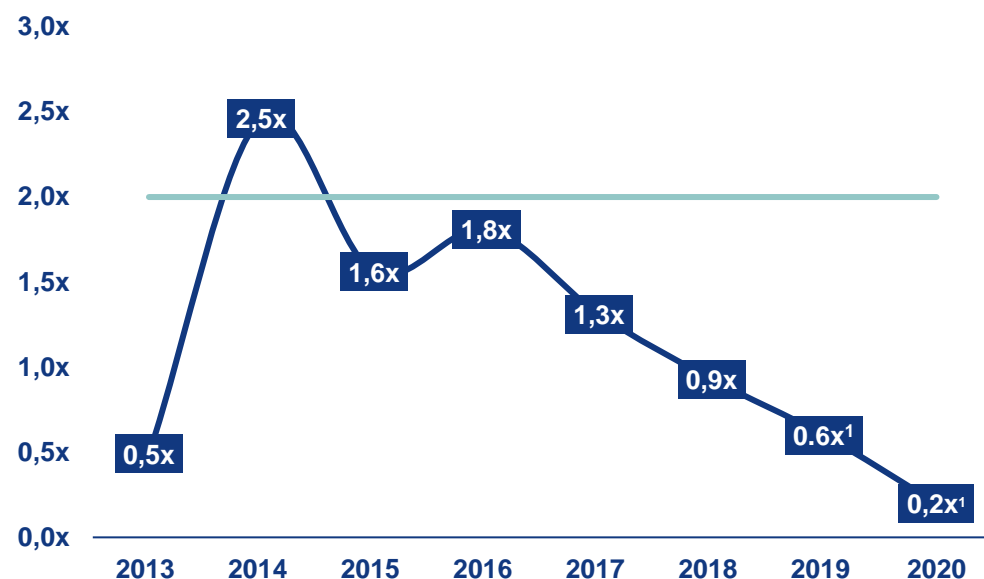
\*) Incl. cash flow from operating activities, capital expenditure and financial net paid.

# Cash flow and capital structure



– Strengthen balance sheet in 2020, dividend reinstated and launch of 3-year share buy-back program

## Net Debt / EBITDA (excluding IFRS 16)



Source: Company filings

1) Excluding the effect of IFRS 16

- Cash-flow from Operating activities of SEK 7.7 billion during 2020.
- Net debt position reduced from SEK 8.2 billion at end of 2019 to SEK 3.6 billion at end of 2020 (net debt excluding lease liabilities at SEK 1.4 billion).
- Board will propose a dividend of 5:50 per share to AGM in 2021.
- Launch of a 3-year share buy-back program of up to 5% of issued shares per year, starting in 2021
- Company target: In the long term, Net Debt / EBITDA should not exceed 2.0x

# Foreign exchange



– Estimated impact on adjusted EBITA from FX fluctuations, MSEK

	Q4 2020	FY 2020	FY 2021*
Transaction effect	120	395	85
Translation effect	-100	-215	-
Total	20	180	85

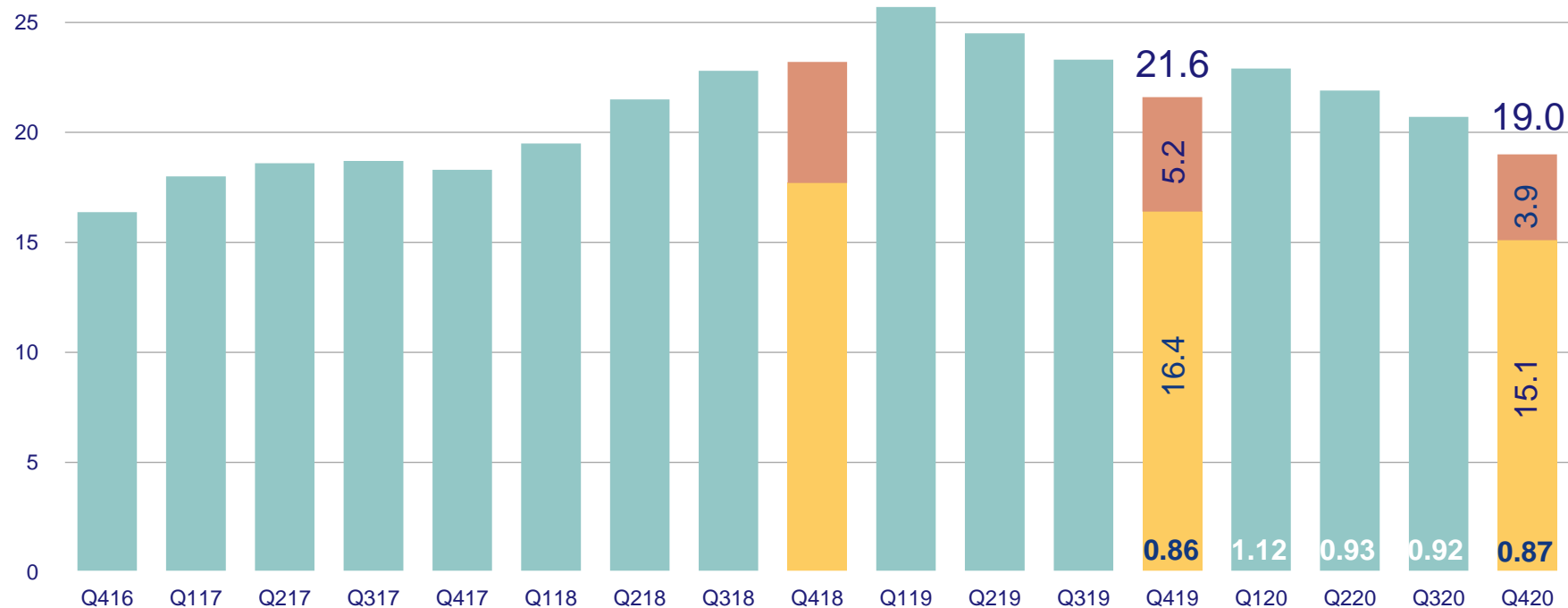
Note: Excludes FX effects caused by revaluation of balance items in foreign currency.

\*) Based on EUR/USD 1.227 and EUR/SEK 10.049

Projected FX-transaction effect for 2020 communicated in Q3 report: SEK 405 million

# Order backlog as per December 30

– SEK billion



= For delivery during the current year  
 = For delivery next year or later

← book to bill

# Sales

– FY 2021, SEK billion



FY 2020	41.5
Change in OBL y-o-y*	-1.3
Acquisitions / divestments during 2020	0
Subtotal	40.2

*For you to consider:*

Price

“In-for-out”\*\*

FX translation

Acquisitions

Full year 2021

\* Change in OBL y-o-y excluding acquisitions/divestments

\*\*IFO in 2020 excluding acquisitions/divestments was SEK 25.1 bln.

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The board proposes a dividend of SEK 5:50 (-)

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## Outlook for the first quarter:

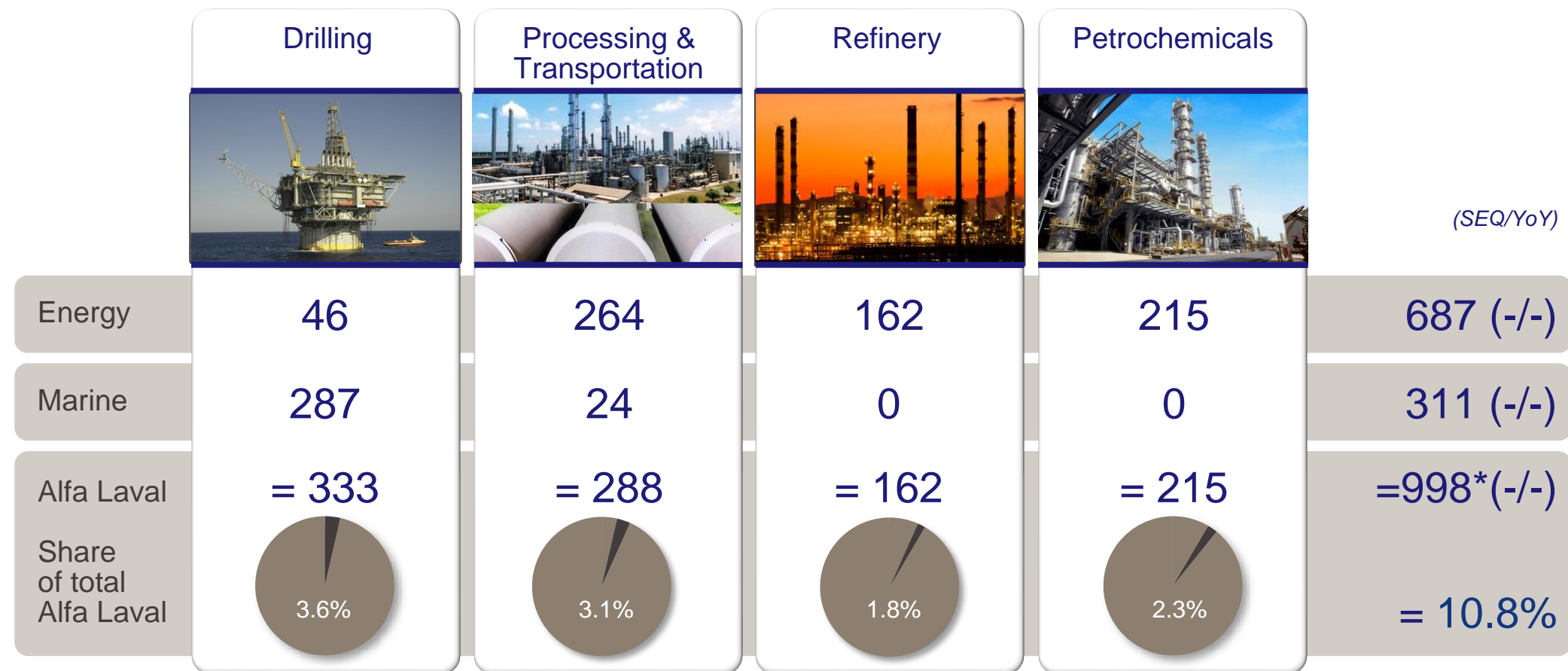
“We expect demand in the first quarter to be on the same level as in the fourth quarter.”





# Activity split O&G, total

– Distribution of orders Q4 2020 (MSEK)

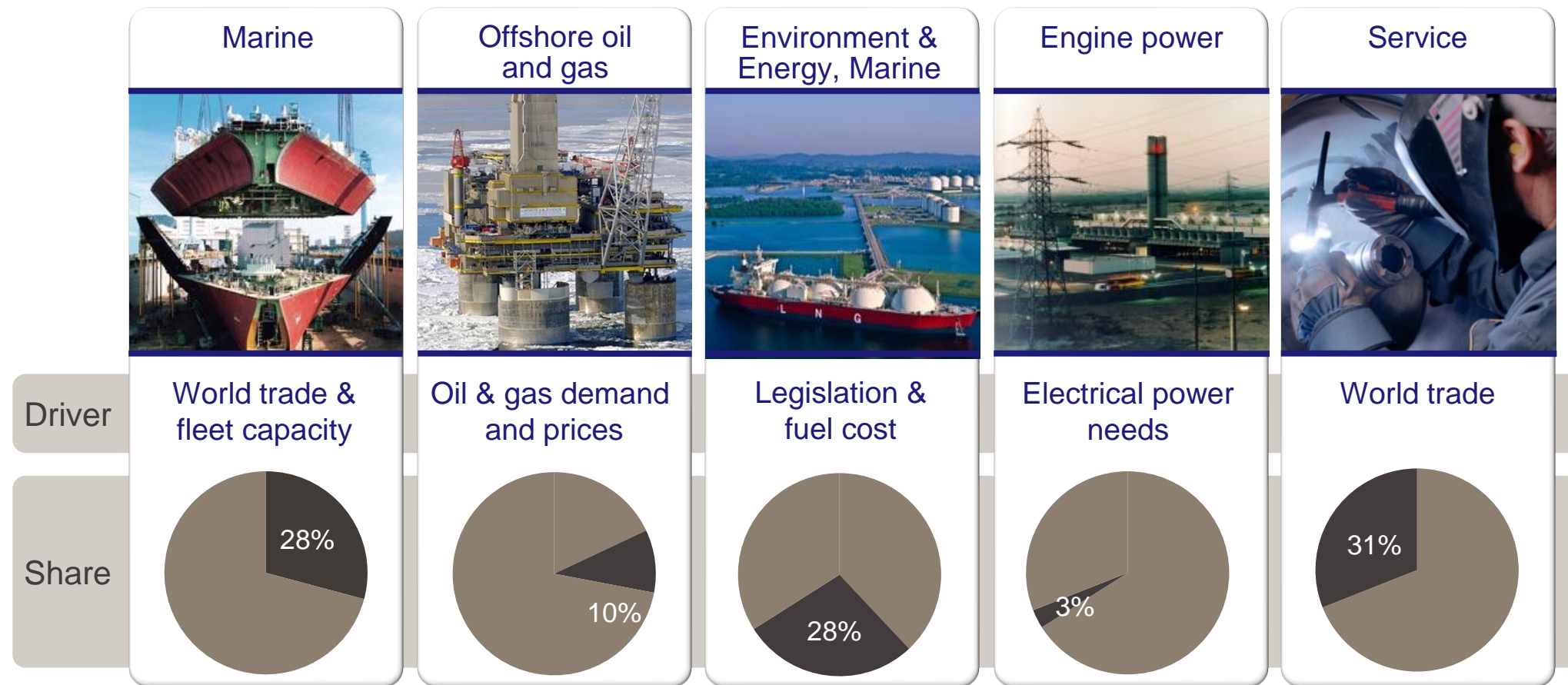


\*) incl. aftermarket

# Marine Division's industry split



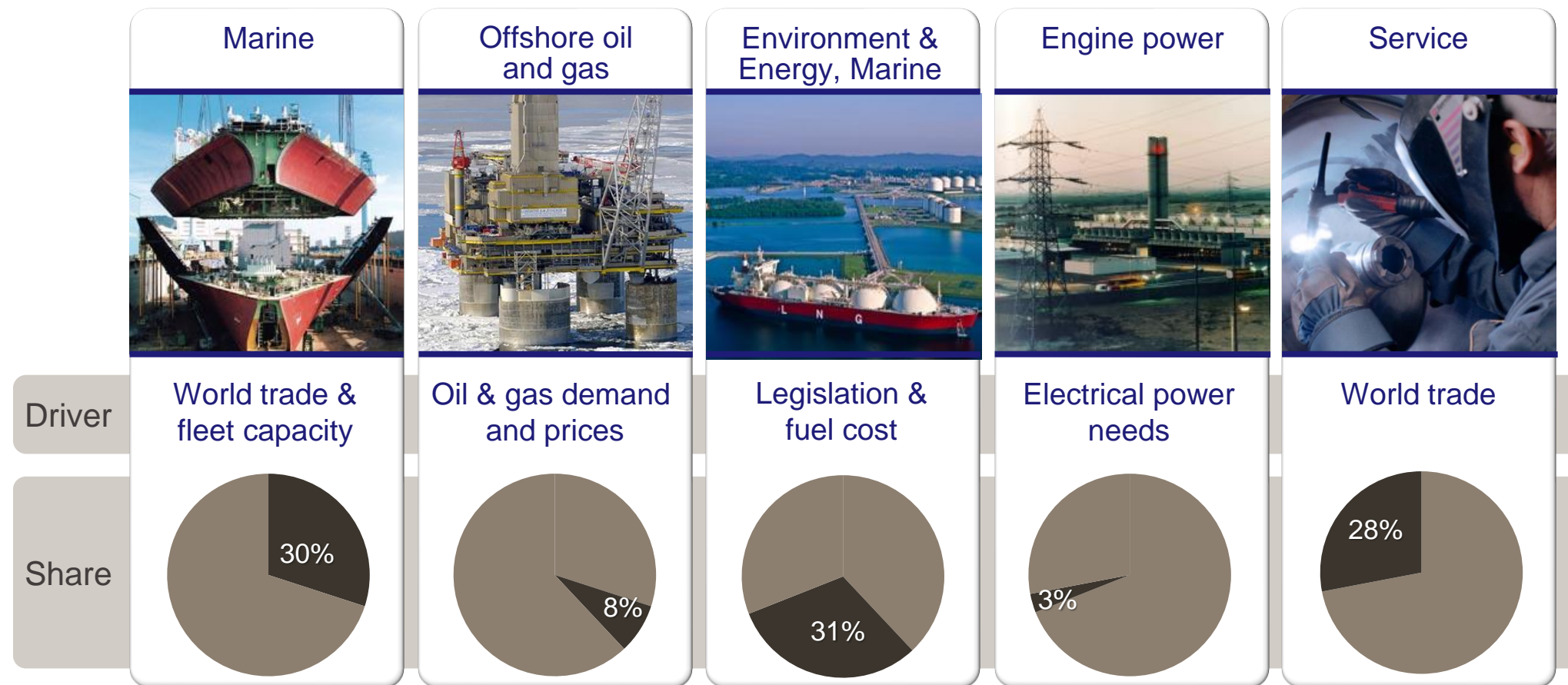
– Distribution of orders LTM, end of December



# Marine Division's industry split



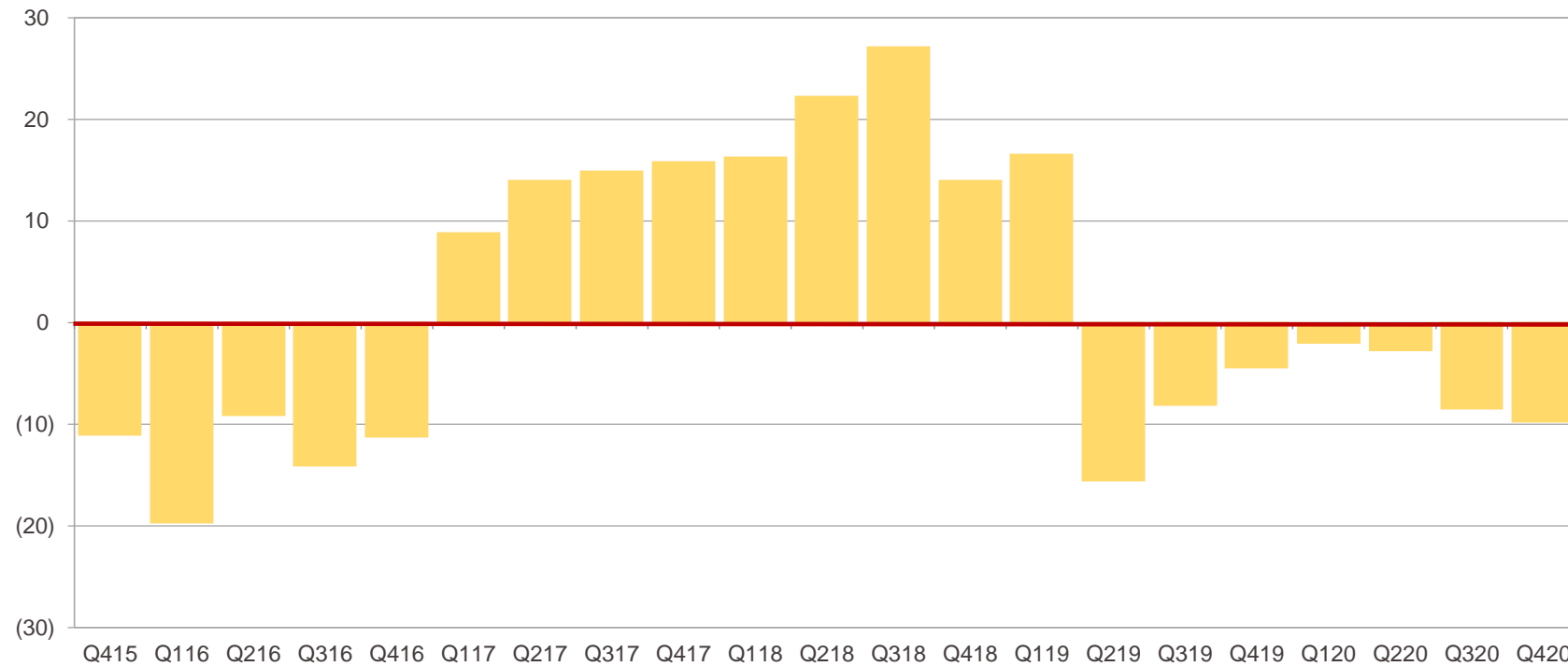
– Distribution of sales LTM end of December



# Organic growth pace



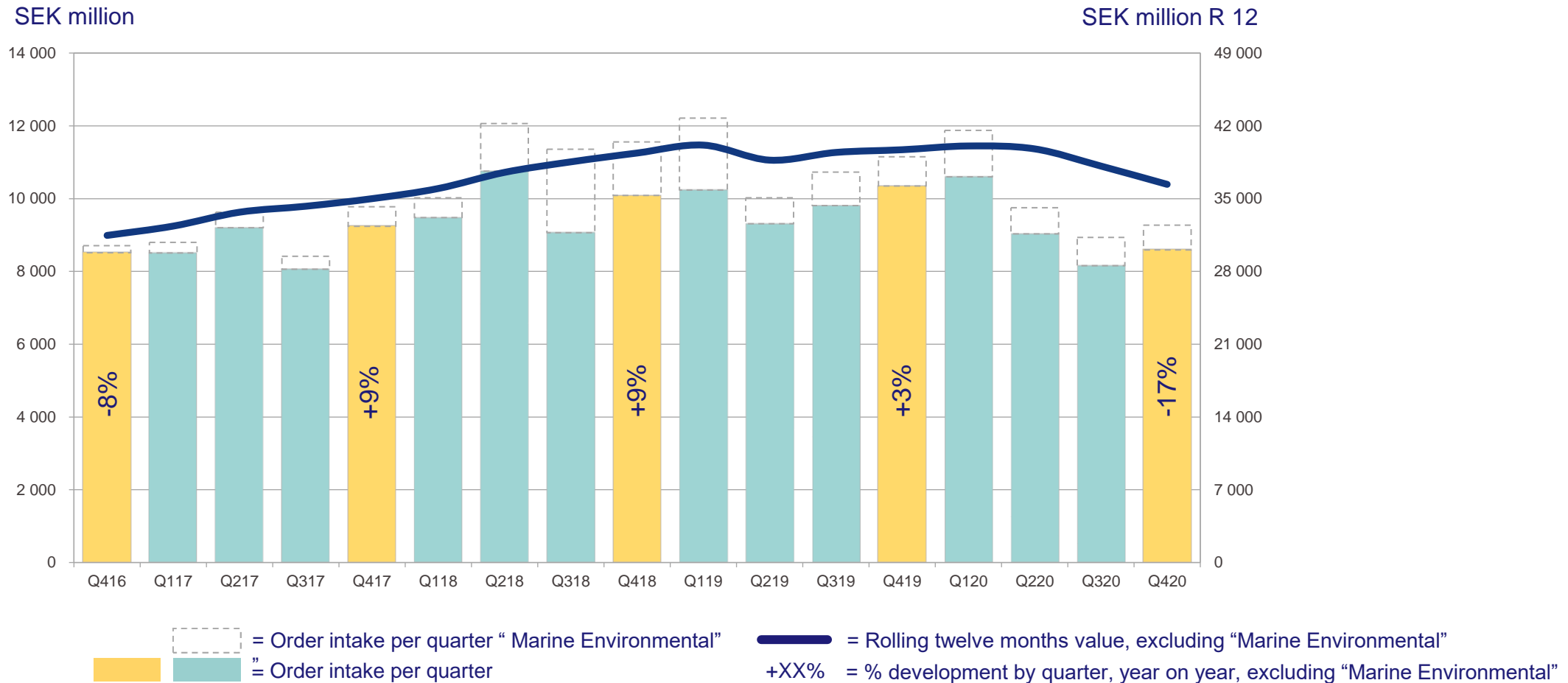
– Compared with same quarter last year (%), excluding currency effects



 = 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.

