



# Q2 2024 Interim Report

Martin Kunz (CEO) & Marcus Whitehouse (CFO)

31 July 2024

# Quarterly highlights

## Q2 2024

- Net sales reduced by 13% to MSEK 955 (1,098), minimal FX movement in the quarter
- Sales of e-Products remain strong, MSEK 224 this quarter, 23% of group sales
- A provision for a customer warranty claim of MSEK 100. The Operating margin before items affecting comparability was 13.0% (16.0)
- Operating income was MSEK 24 (175), resulting in an operating margin of 2.5% (16.0)
- Cash flow from our operations was MSEK 103 (138), profit to cash conversion was 137% this quarter
- Book-to-bill ratio at the end of the quarter was 89%
- Customer demand further reduced during the quarter, especially for hydraulic products

Underlying  
sales -14%

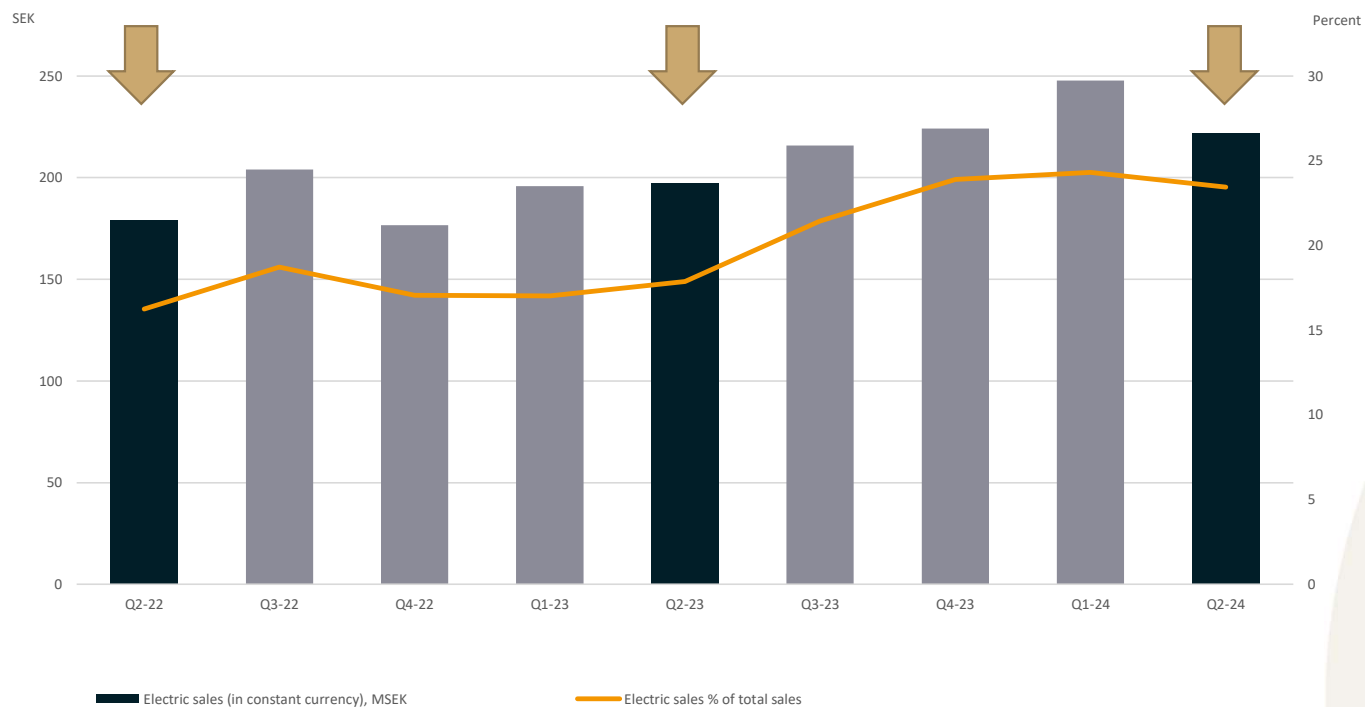
124 MSEK  
Underlying Operating income

103 MSEK  
Cash flow from operations

# Driving our strategic agenda

## Electrification growth

Electric and electric sales percent of total net sales



**Strong YoY electrification sales growth of 12.7%** despite slower adaptation of electrification in the market

**23% of total sales vs. 18% in Q2/2023**

# Driving our strategic agenda

## Electrification & India

- Significant strides have been made in readying our e-pump data centre cooling solution for our inaugural customer
- The enhancements to our Escanaba, US plant for high-voltage fan production are nearing completion
- Ongoing strong shipments of prototypes (+114% vs. Q2/2023) for electric products confirm high customer interest in our electric product range
- We are expediting our electrification strategy by enhancing our capabilities and launching innovative products. Additionally, we are advancing new business opportunities in both our current and emerging markets
- The expansion plans for our Pune facility in India are advancing smoothly

# Driving our strategic agenda



## Alfdex materializes strategic business wins worth 1,300 MSEK

- With the new electric separator product range, Alfdex significantly strengthens its position in the global truck market, whilst making strategic inroads into the off-road market
- Alfdex g-Cleaner eMDS (electric Medium Duty Separator)
  - Supplying to one of the largest manufacturers of off-road agriculture and construction equipment
  - Five-year agreement with a total value of ca. MSEK 300
- Alfdex g-Cleaner SDS (electric Super Duty Separator)
  - Supplying to a globally leading truck manufacturer
  - Eight-year agreement with a total value of ca. MSEK 1000





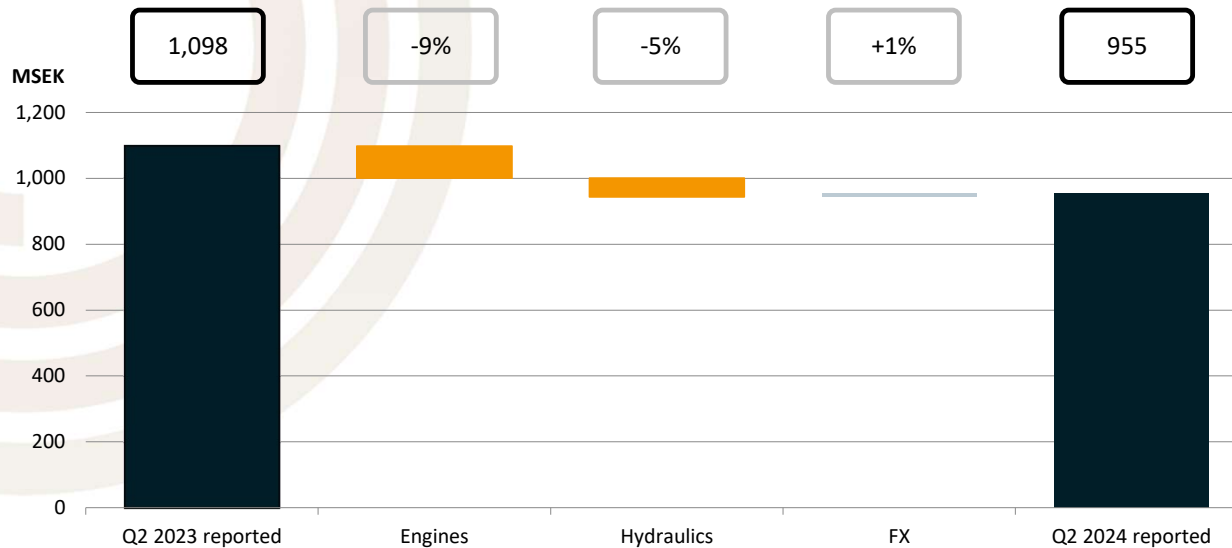
# Financial Results Q2 2024

# Q2 2024 results

## Sales bridge

- Sales for the quarter were 955 MSEK, down 14% yoy, with a minimal 1% impact from foreign exchange movements
- Sales in our two reporting divisions decreased yoy by 13% in Engines and 16% in Hydraulics
- Both divisions were affected by a generally weaker market

Sales bridge

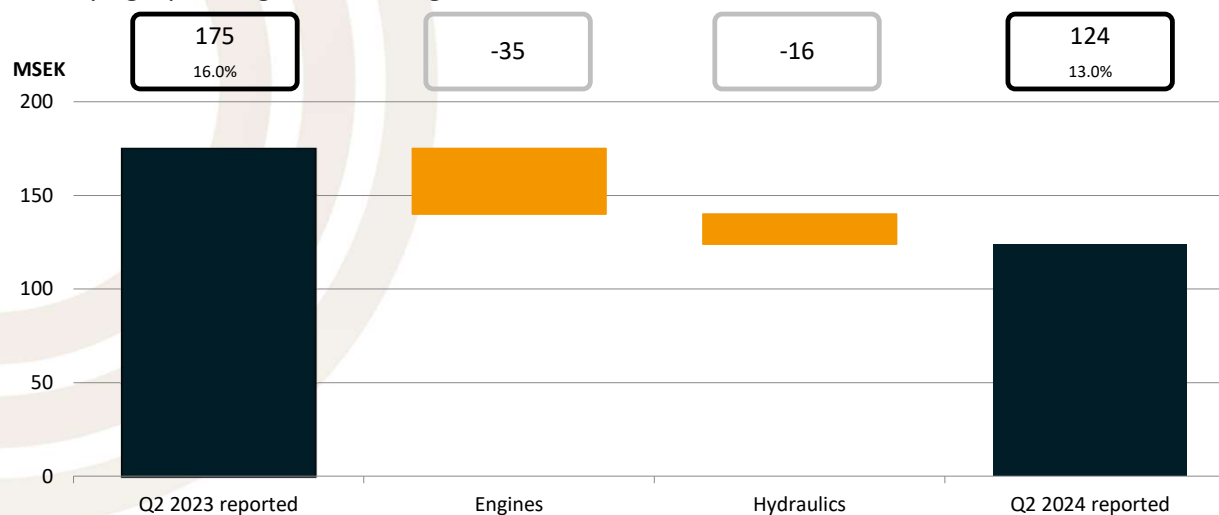


# Q2 2024 results

## Operating income bridge

- Underlying Operating income was MSEK 124 (175) resulting in an Operating margin of 13.0% (16.0)
- Following the recent customer warranty claim from a manufacturing defect we made a warranty provision of MSEK 100

Underlying Operating income bridge

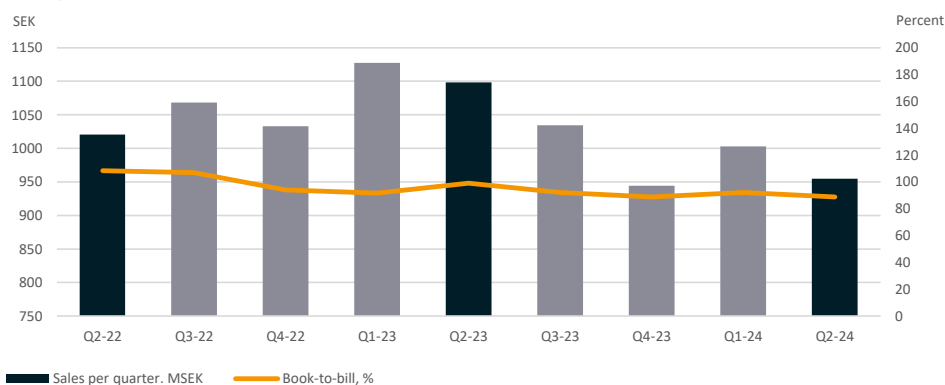




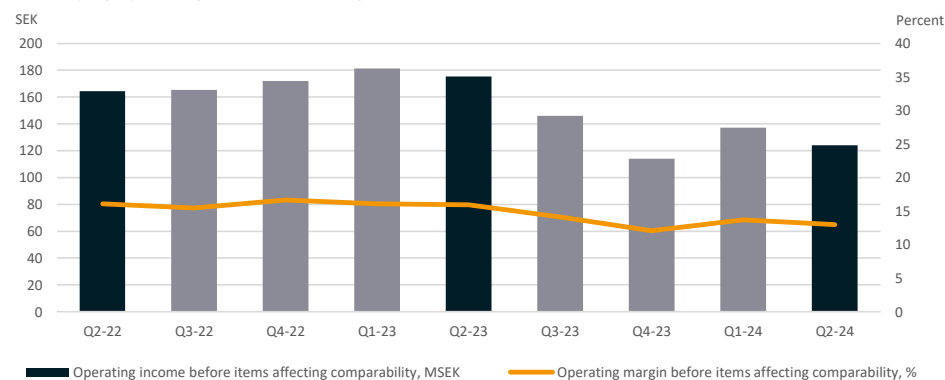
# Q2 2024 results

## Group

Group - Sales and book-to-bill



Underlying operating income and margin



### Underlying sales

- -14%

### Book-to-bill ratio

- 89% (99)

### Underlying operating income

- 124 MSEK (175)

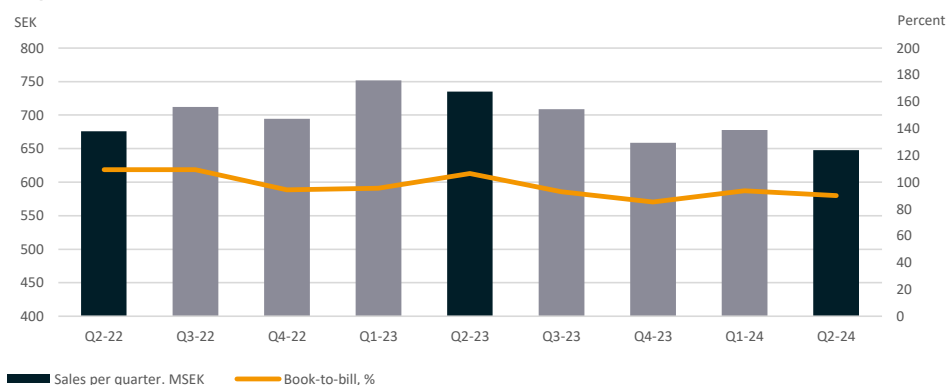
### Underlying operating margin

- 13.0% (16.0)

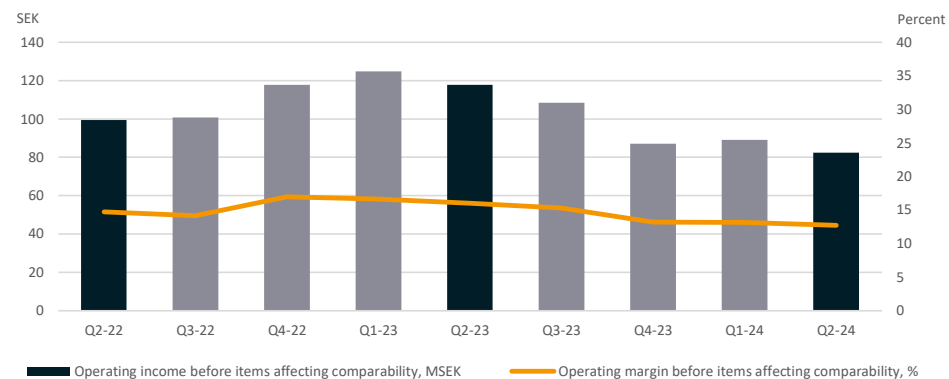
# Q2 2024 results

## Engines division

Engines - Sales and book-to-bill



Underlying operating income and margin



31 July 2024

### Underlying sales

- -13%

### Book-to-bill ratio

- 90% (107)

### Underlying operating income

- 84 MSEK (118)

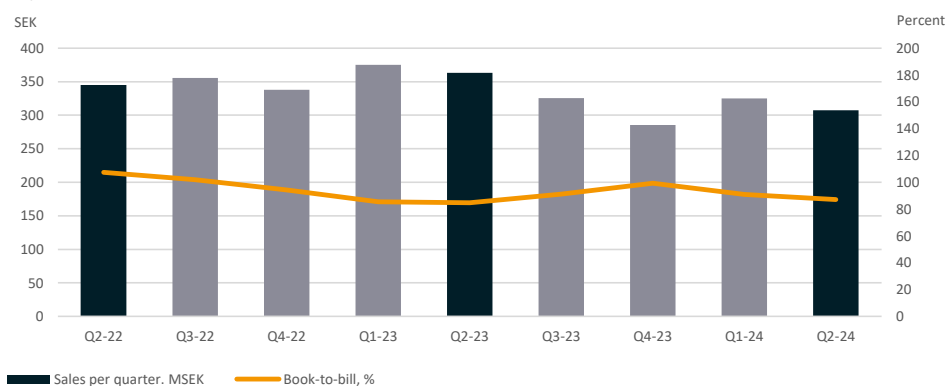
### Underlying operating margin

- 12.9% (16.0)

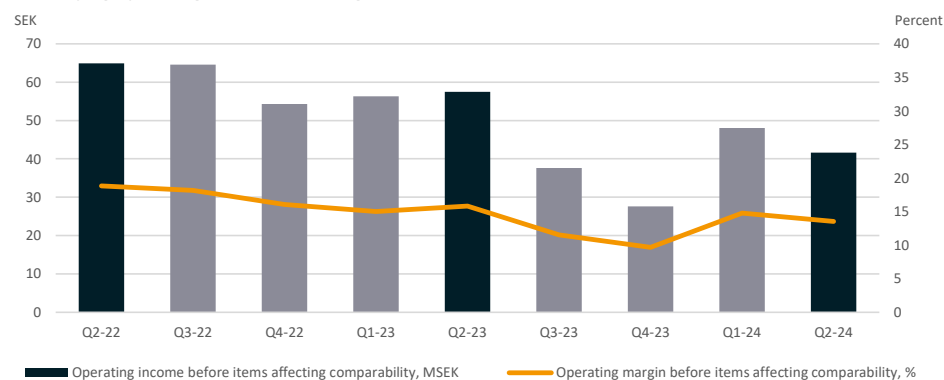
# Q2 2024 results

## Hydraulics division

Hydraulics - Sales and book-to-bill



Underlying operating income and margin



### Underlying sales

- -16%

### Book-to-bill ratio

- 87% (85)

### Underlying operating income

- 42 MSEK (58)

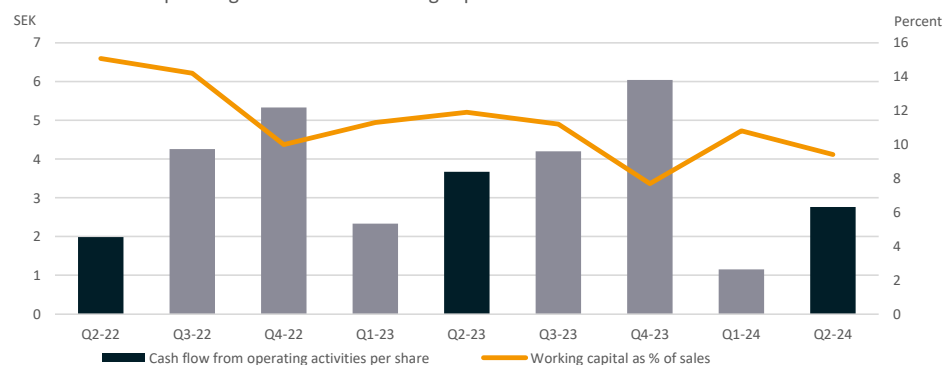
### Underlying operating margin

- 13.7% (15.8)

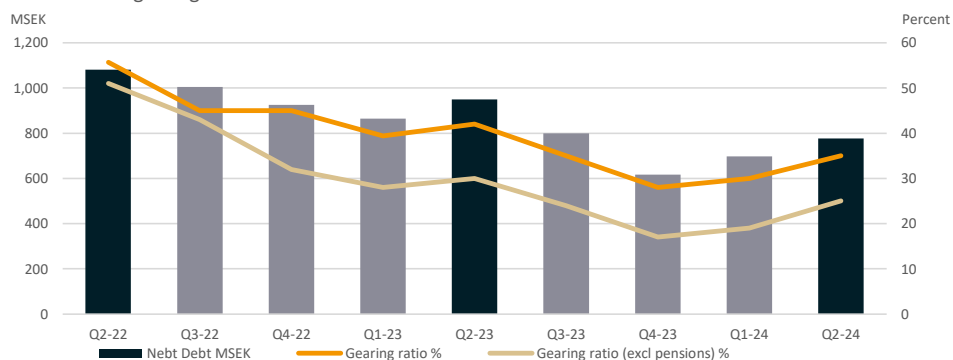
# Q2 2024 results

## Cash flow, working capital and gearing

Cash flow from operating activities and working capital



Net debt and gearing



## Cash flow and working capital

- Operating cash flow was MSEK 103 representing a profit to cash conversion of 137% for the quarter
- Working capital % of sales dropped this quarter to 9.4%, as some progress was made to reduce inventory levels

## Net debt, gearing and cash

- No pension re-measurements have been booked year-to-date
- Group's reported net debt is MSEK 777 (950) and gearing ratio 35% (42)
- Net debt to EBITDA was 1.33 (1.06)
- Cash & cash equivalents MSEK 374 (576), dividend of MSEK 158 paid in the quarter

# Q3 2024 Outlook



# Q3 outlook

- We continue to estimate that our end-markets will be weaker during 2024 compared to 2023
- Net sales in the third quarter of 2024 are expected to be slightly weaker than the net sales achieved in the second quarter of 2024
- The demand for our products from customer has changed and we are proactively implementing additional cost savings measures to maintain robust operating margins during the challenging economic period
- We are also accelerating the execution of our strategy. We anticipate making significant progress in the coming quarters, enhancing our electrification capabilities and securing new electrification business opportunities