

Q2 2023 Presentation

August 15th



Henrik Larsson Lyon
CEO



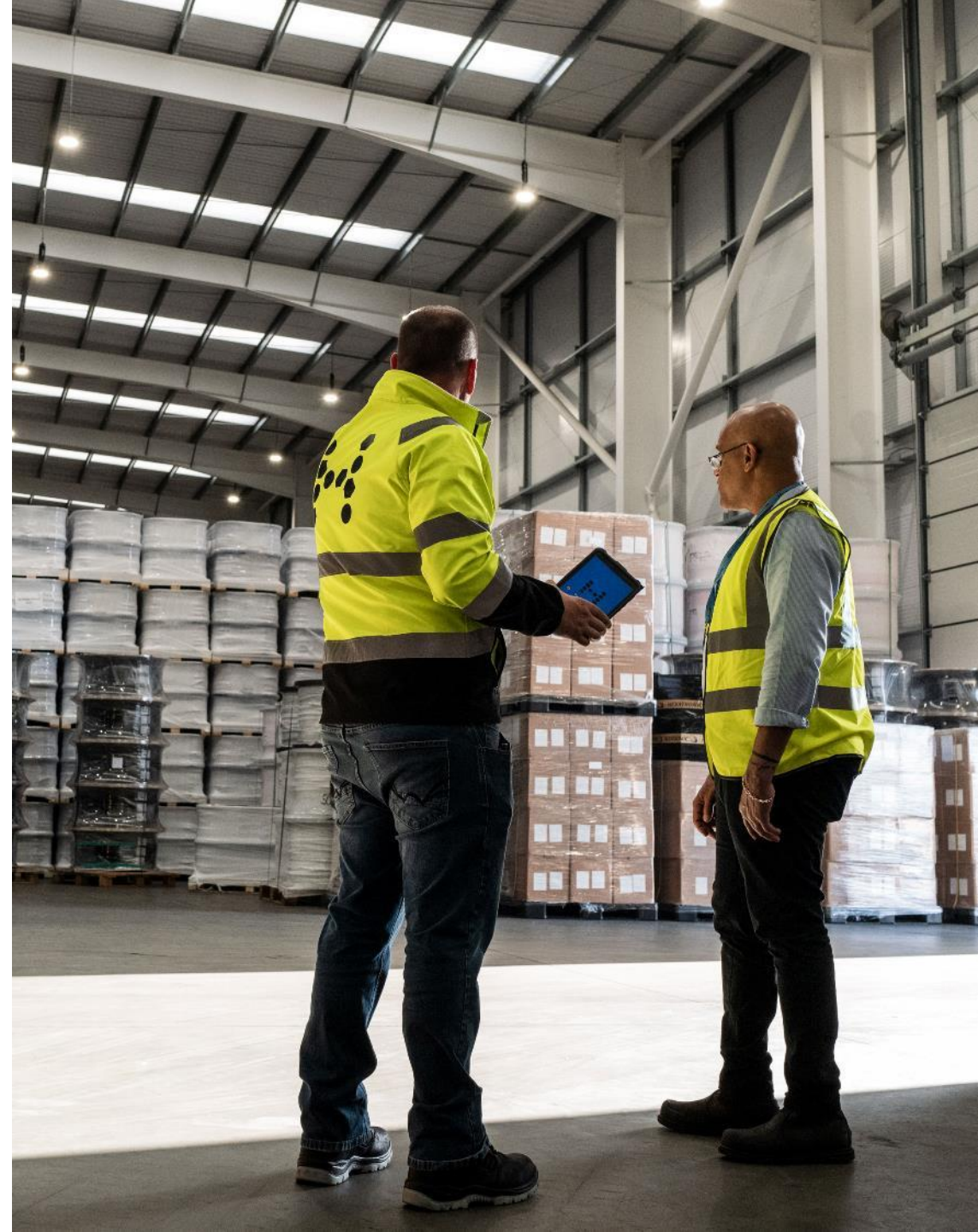
Pernilla Lindén
CFO



Martin Åberg
Deputy CEO

Agenda

1. Hexatronic at a glance
2. Q2 highlights
3. Acquisitions
4. Financial overview
5. Market and business overview
6. Summary and outlook
7. Q&A



Hexatronic at a glance

Hexatronic enables non-stop connectivity for communities worldwide

HTRO NASDAQ Stockholm

+68k

Shareholders

1,970

Number of employees

7.9 Bn

Sales LTM (SEK)

46%

4-year sales
CAGR

15 Bn

Market Cap
(SEK, August 14)

US

The largest
market

1.4 Bn

EBITA LTM (SEK)

84%


4-year EBITA
CAGR

Significant market drivers supporting need for excellent fiber optic technology

- Well-functioning network is a must in modern society.
- 5G deployment drives the need for fiber networks.
- Increasing use of data-intensive technologies creates a growing need for fiber connectivity among enterprises.
- Significant government initiatives supporting long-term fiber expansion in the US, UK, Germany and many other countries.

A diverse business model addressing several customer needs

High-performance
fiber solutions for
connected societies.

 Hexatronic
Fiber Solutions

Engineered solutions
for harsh environments.

 Hexatronic
Harsh Environment

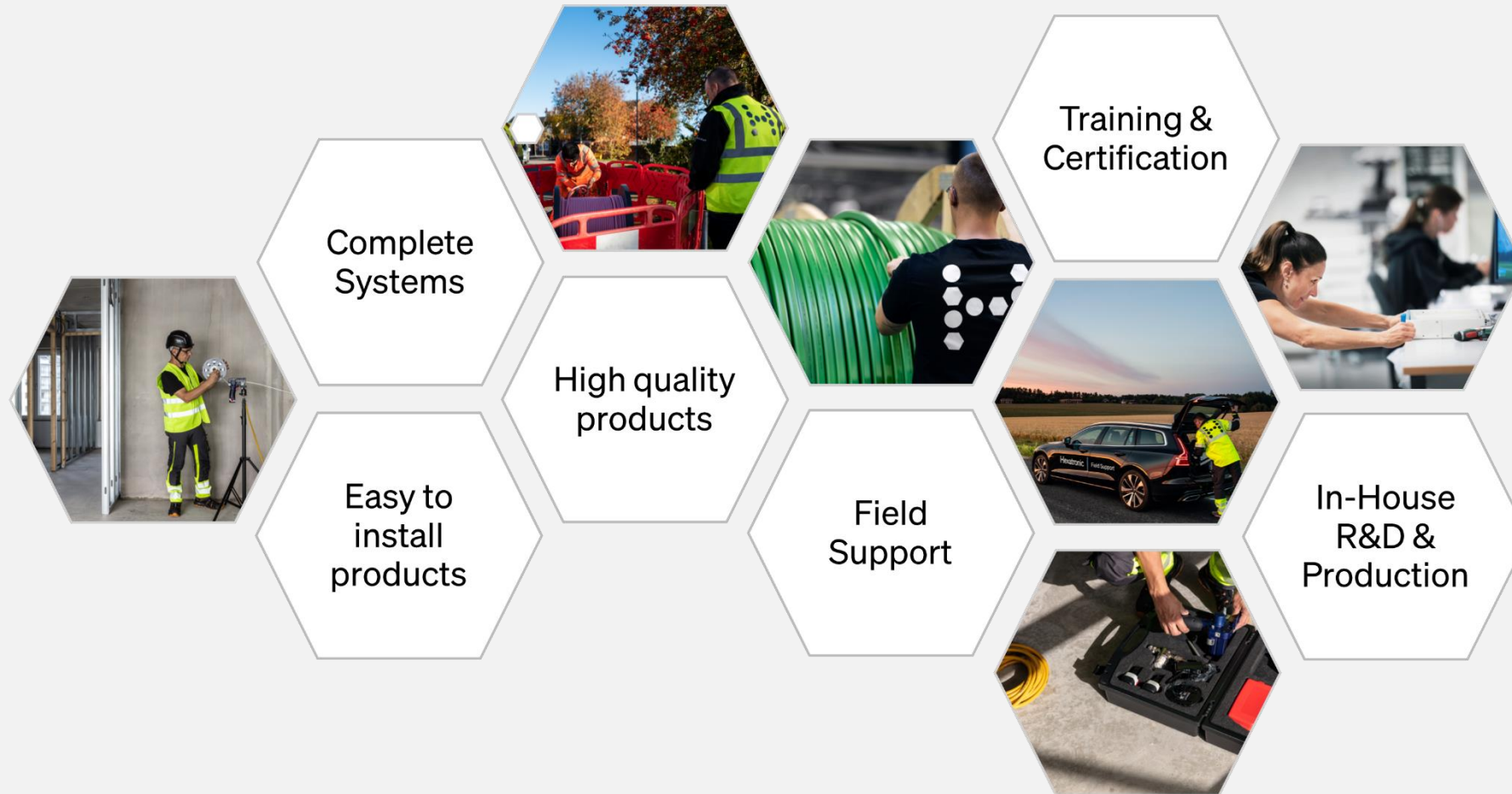
Wireless solutions for
coming generations.

 Hexatronic
Wireless

High-density solutions
for data centers.

 Hexatronic
Data Center

Reasons to choose Hexatronic



Sustainability is high on our agenda



Priority targets based on our 2030 roadmap

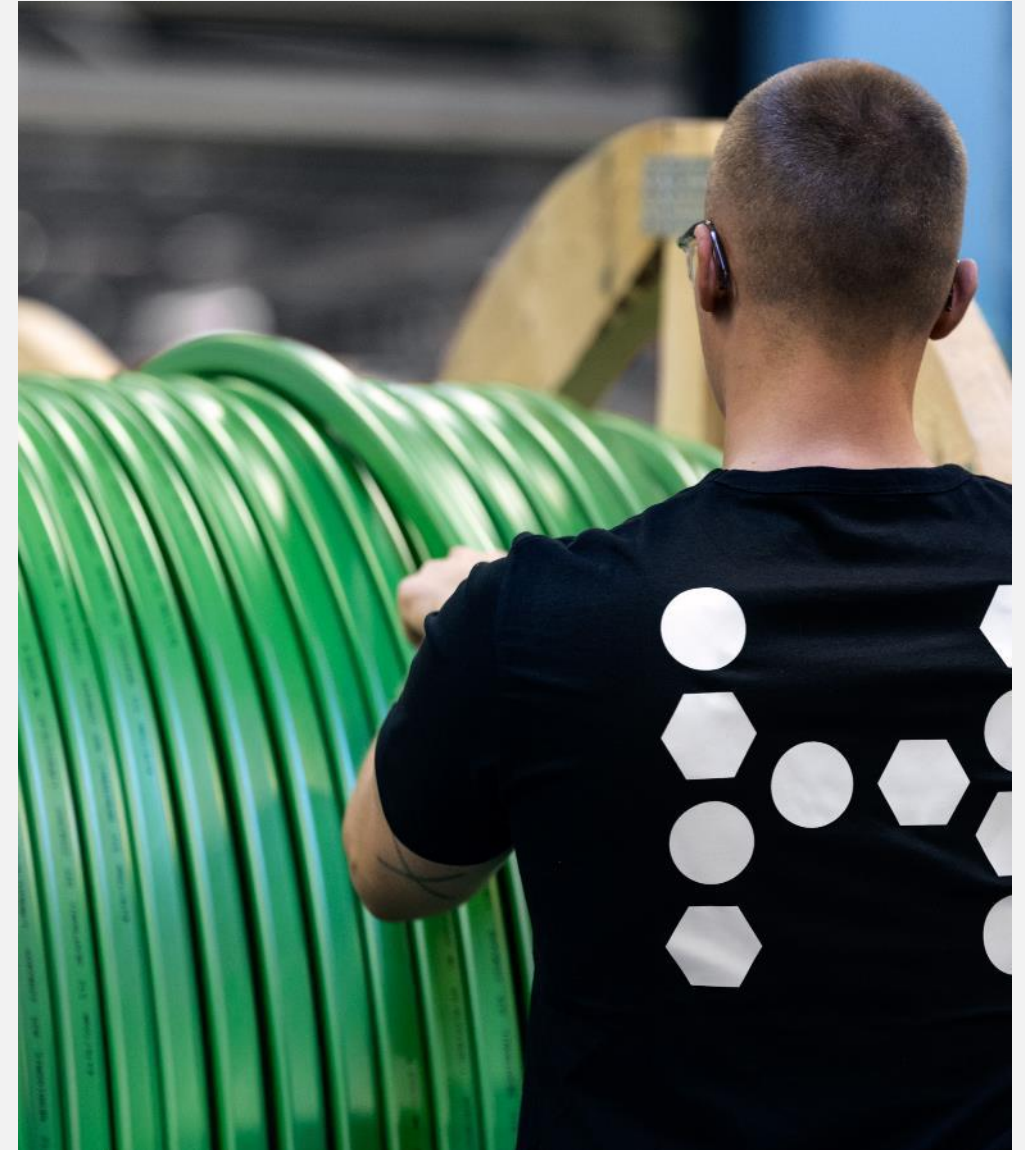
- Climate-neutral operations
- 55% reduction of scope 3 climate intensity tCO₂e/MSEK sales (base year 2022)
- Min. 40% gender equality (all employees)

Q2 highlights

Continued growth, strengthened profitability and cash flow

Financial highlights

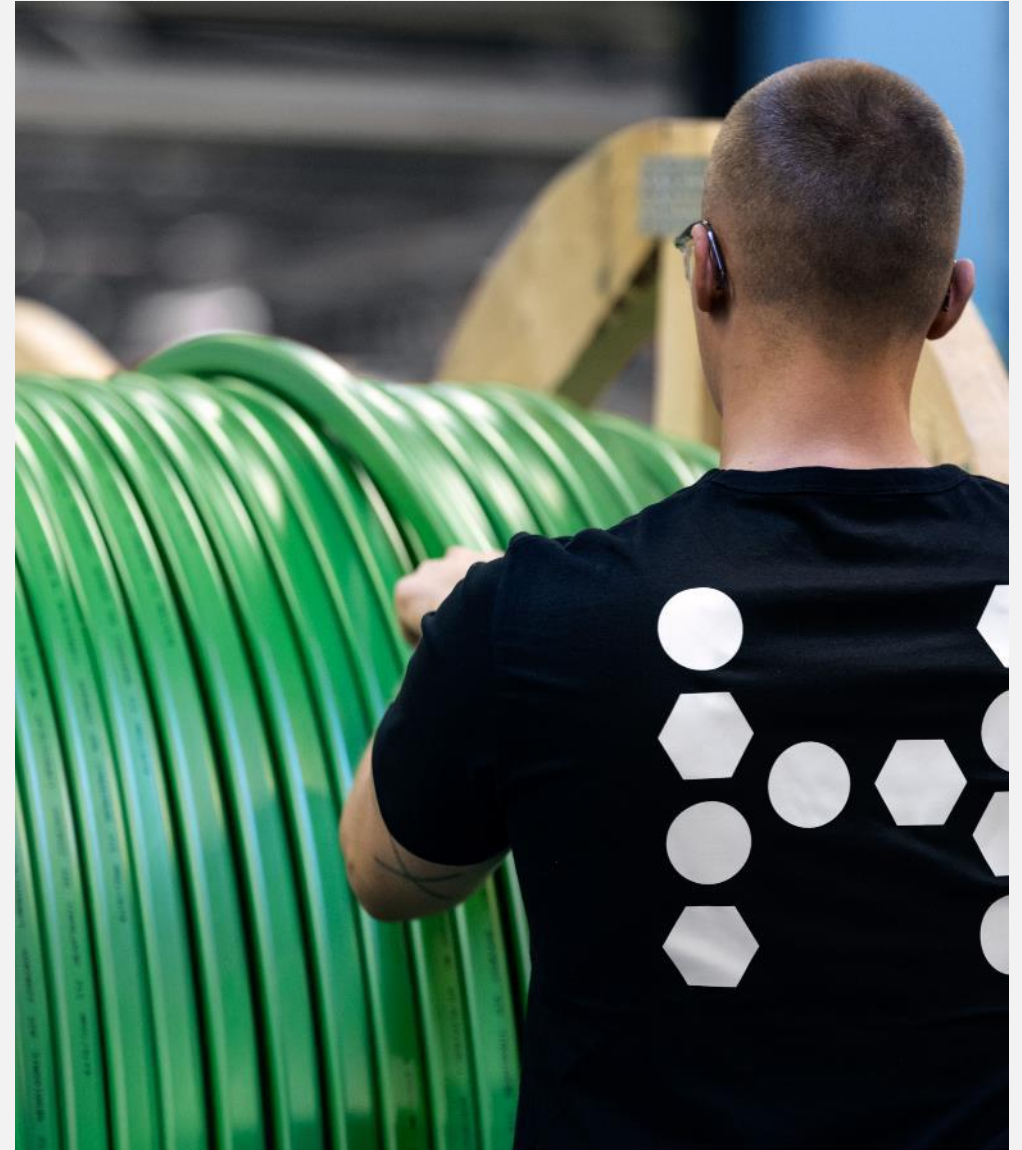
- Net sales increased 36% to 2 258MSEK, of which 7% organic
- EBITA increased 45% to 405MSEK, corresponding to an EBITA margin of 17.9% (16.8%)
- Earnings per share, 1.27 SEK (0.93), 36% growth
- Cash flow from operating activities of 348MSEK or 112% cash conversion
- Leverage ratio of 1.5x
- Organic decline of order book of 29%, primarily due to normalisation of customer behaviour. Back to pre-pandemic behaviour and to a lesser extent a softer marked demand



Winning new customer and continued M&A activities

Important events

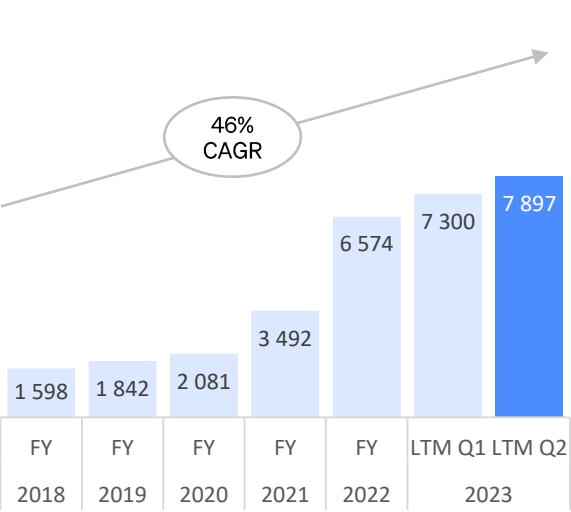
- Hexatronic signed a one-year partner agreement with new network operator in the US to a value of 20MUSD
- Hexatronic authorized and completed a share repurchase of 1,200,000 shares, which is less than 1% of total shares
- Hexatronic signed an agreement to acquire Fibron and strengthens its position in Harsh Environments
 - Harsh Environment will represent approx. 11% of Group revenue post-closing of Fibron



Performed above our financial target throughout the period

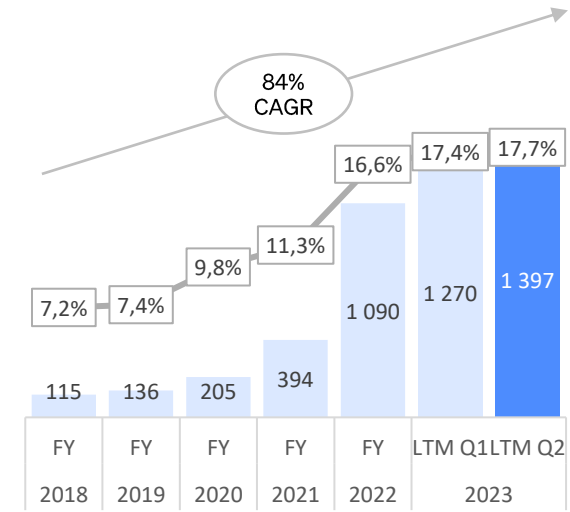
Consistent growth year over year

Revenue (MSEK)



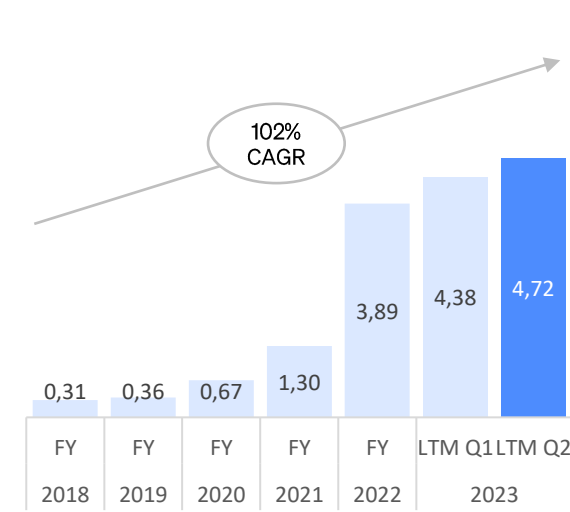
Improved profitability

EBITA (MSEK)/EBITA%



Increase in earnings per share

Earnings per share after dilution, SEK





Acquisitions

Strengthening the position in Harsh Environments

- A leading original equipment manufacturer within harsh environment electro-optical cables
- 114 employees based in the UK, operating a ~7,200 sqm production facility.
- 2023 expected EBITDA of 5.3 MGBP
- Diversification and expansion in Harsh Environments
- Following completion, Harsh Environment will account for over 11% of annual group sales proforma.
- Synergy opportunities with Rochester Cable in production capabilities, utilization, tender bidding, and economies of scale.
- Expected completion during Q3 2023.

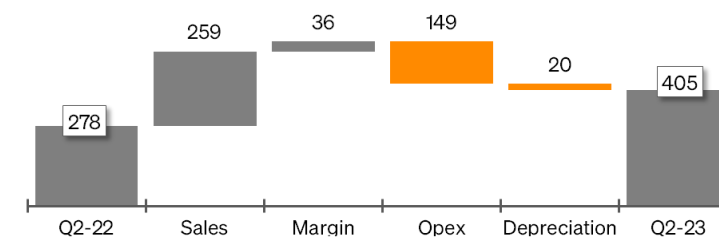
Fibrón

Financial highlights

Growth and EBITA margin above financial target

| (MSEK) | April-June | | | YTD | | |
|------------------|------------|---------|-----|--------------|--------------|-----|
| | Q2 2023 | Q2 2022 | Δ % | Jan-Jun 2023 | Jan-Jun 2022 | Δ % |
| Net sales | 2 258 | 1 662 | 36% | 4 373 | 3 050 | 43% |
| Organic Growth | 7% | | | 15% | | |
| Gross Margin | 44,1% | 42,5% | | 44,4% | 42,1% | |
| EBITA | 405 | 278 | 45% | 769 | 463 | 66% |
| EBITA Margin | 17,9% | 16,8% | | 17,6% | 15,2% | |

EBITA Bridge



Revenue Q2: Growth of 36% of which 7% organic growth

- Continued organic growth in our strategic markets UK, US and Germany. Acquired growth driven by IDS, homeway, Knet and Rochester Cable

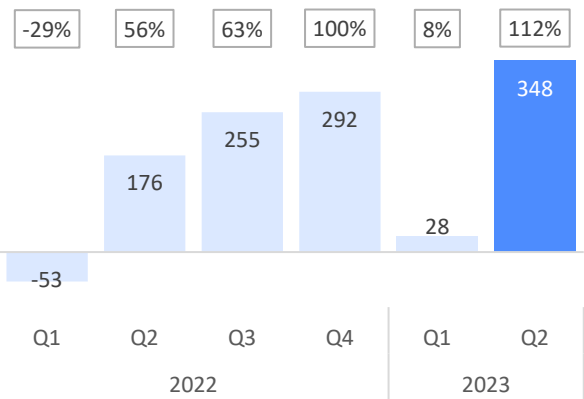
EBITA Q2: Margin 17.9% (16.8%)

- Gross margin at 44.1% (42.5%). Increased compared to last year mainly due to favorable mix of product and market.
- Operating expenses: Increased operating expenses to support growth as well as due to new acquisitions. Operating expenses in % of net sales of 24.7% which is line with last year

Strong cash conversion in Q2 due to focus on reduced WC

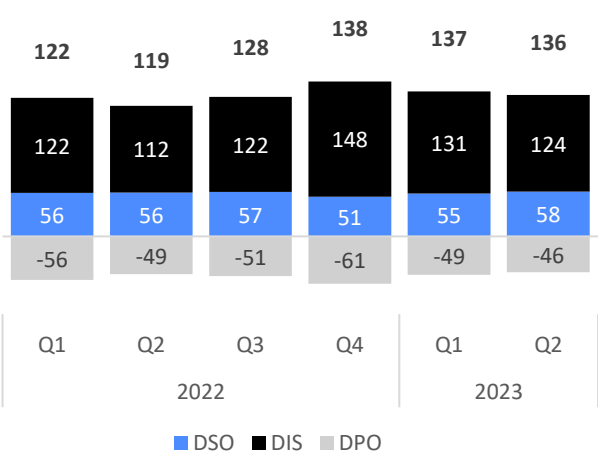
Strong cash conversion in Q2

Operating cash flow after WC changes (MSEK) /
% of Cash flow from operating activities before
changes in working capital



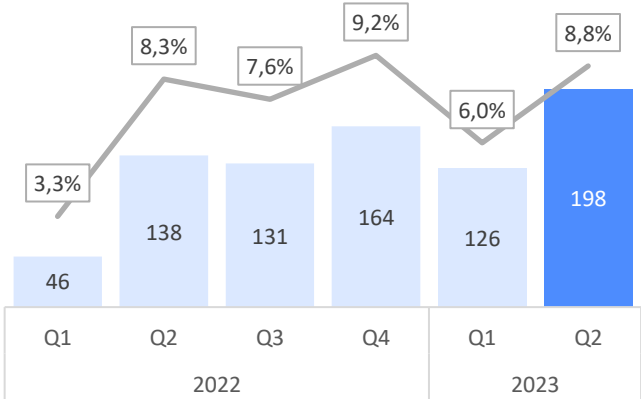
Progress in reduction of inventory

Cash Conversion Cycle = DIS + DSO – DPO



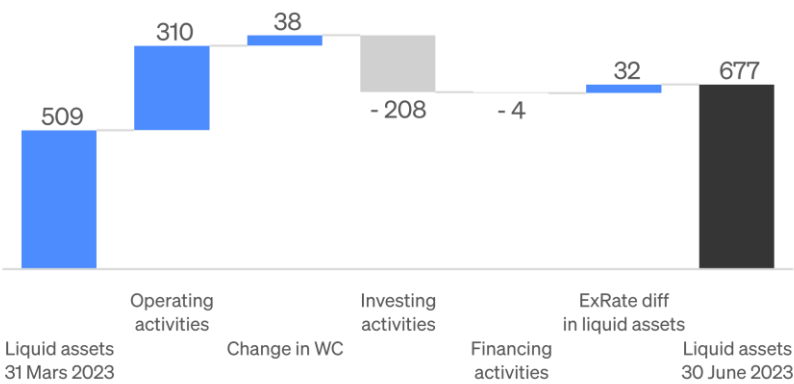
Continued investment in Capacity

Capex investments (MSEK) / % of revenue



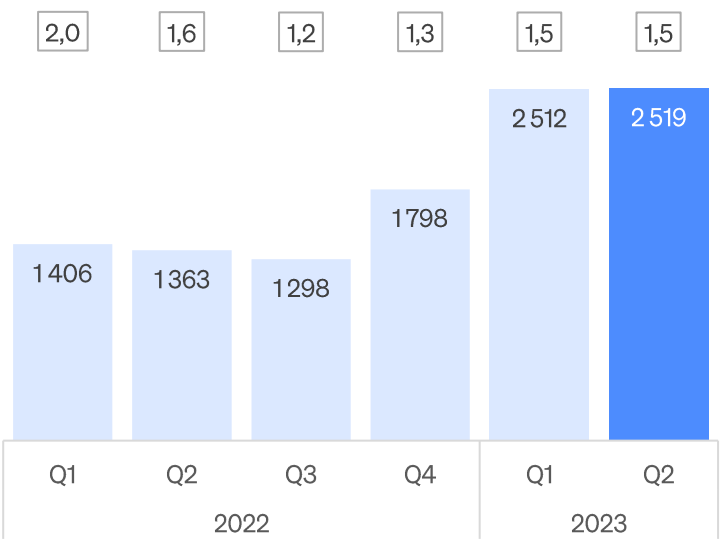
Solid financial position

Cash flow for Q2 (MSEK)



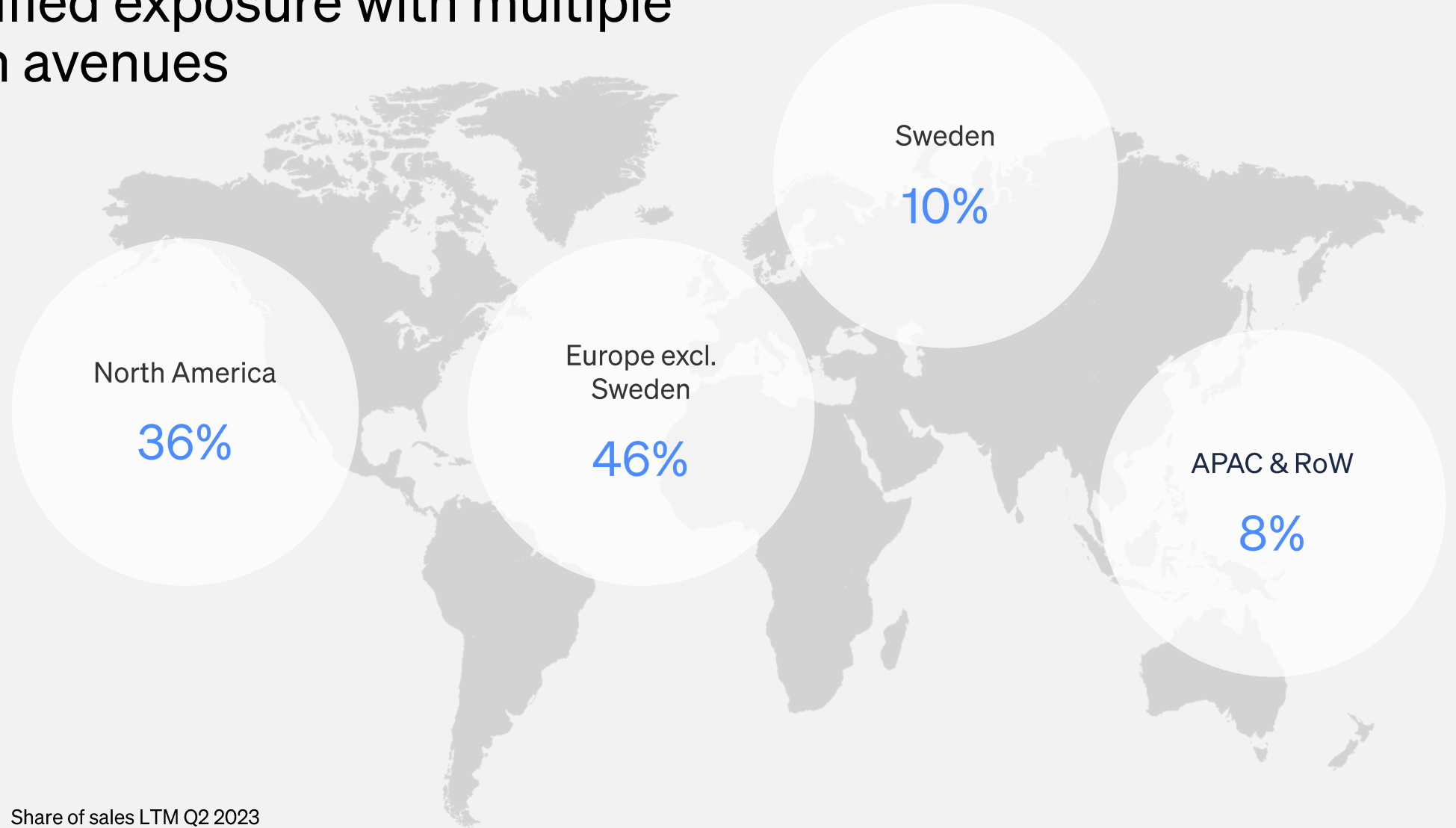
677 MSEK of cash and ~ 707 MSEK of unutilized back-up facilities gives a liquidity of 1 384 MSEK

Total net debt (MSEK) / EBITDA proforma incl. IFRS 16



Market and business overview

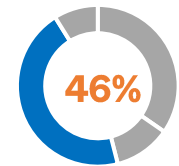
Diversified exposure with multiple growth avenues



Share of sales LTM Q2 2023

Growth in Europe excluding Sweden mainly driven by Germany and UK

% of Group revenue (LTM)



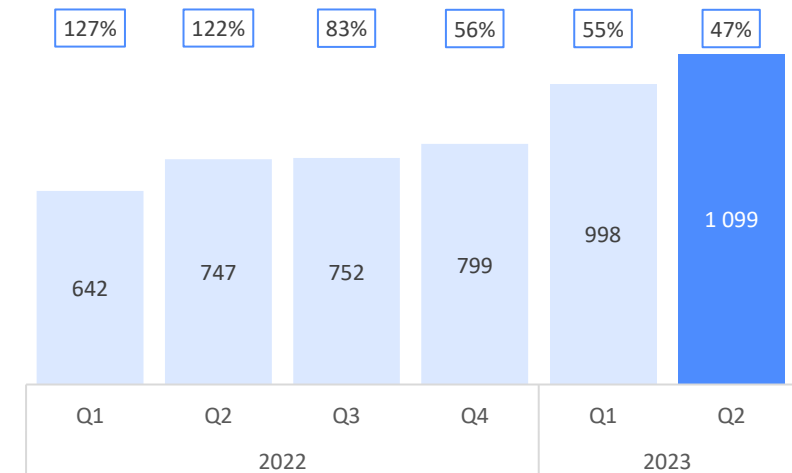
Business update

- Growth mainly driven by Germany and UK
 - CityFibre build plan stable, target more homes connect
 - Growing our business with one of the large incumbents and altnets in the UK
 - Acquisition driven growth from Knet business in mainly Germany complementary to Hexatronic business, plus IDS and Homeway
- Finland is growing

Market development

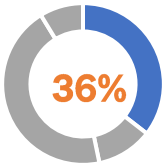
- Generally, higher cost of financing, banks being more restrictive, and inflation slow down growth of the FTTH market.
- Customer prioritizing connecting customers to get revenue from their networks, i.e. less homes passed, and more homes connect.
- We expect to see a UK FTTH market with a 0-5% growth this year.
 - We expect to see more consolidation of altnets in the UK. This primarily due to financing. Most probably the larger actors will be acquiring.
- We foresee a German FTTH market with a 0-5% growth this year

Europe excl. Sweden Revenue / growth %



Growth driven conduit and pipe and FTTH system sales in North America

% of Group revenue (LTM)



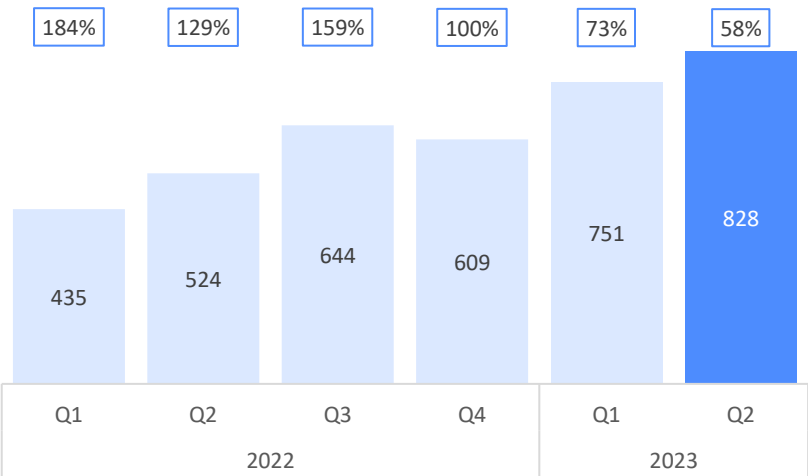
Business update

- Strong performance in our Pipe and Conduit and FTTH business in the US & Canada
- Decision to invest 30MUSD in a new conduit and pipe production facility in the western parts of US (Utah). Production start is expected in early Q3 of 2024.
- Acquisition driven growth from KNET and Rochester Cable
 - Rochester has had very strong order intake and is expected to have group level profitability starting Q1 2024 (expect 9 months of lower profitability after the carve-out was completed)

Market development

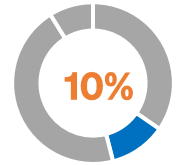
- Slower growth of the fiberoptic market is expected in 2023. We have seen a slowdown of the market in Q2 vs Q1. We expect the market in the second semester to be rather flat vs last year. Interest rates, inflation and inventory levels are the main reasons.
- Announcement made by President Biden of the BEAD program (42.5 BUSD and part of the IIJA act).
 - We expect to start to see effects of the BEAD program in 2024 and increasing in 2025
 - Will have a large positive effect on the market from 2024 and an estimated 7-8 years ahead (both for Hex US and BDI).
 - American made products required. We have plans to ensure US production of fiberoptic cables.

North America Revenue / growth %



Sweden declined due to large submarine cable sales last year

% of Group revenue (LTM)



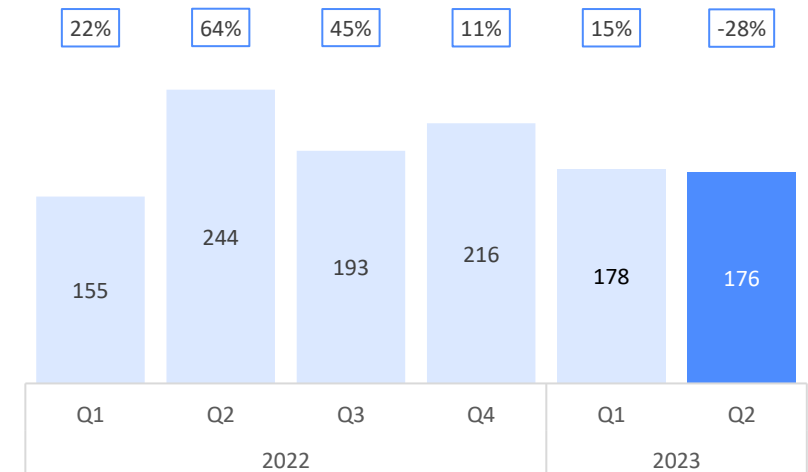
Business update

- Q2 considerably weaker compared to last year due to large submarine projects delivered last year in Q2
- Underlying fiberoptic system market rather flat.
- A good mix of FTTH business, Transport network business and hybrid cable assemblies for mobile towers

Market development

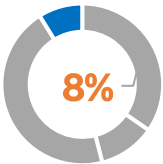
- We expect a flat market vs last year (excluding the Submarine cable projects we had in Sweden in 2022)

Sweden Revenue / growth %



Growth driven in APAC & RoW by the acquisition of Knet

% of Group revenue (LTM)



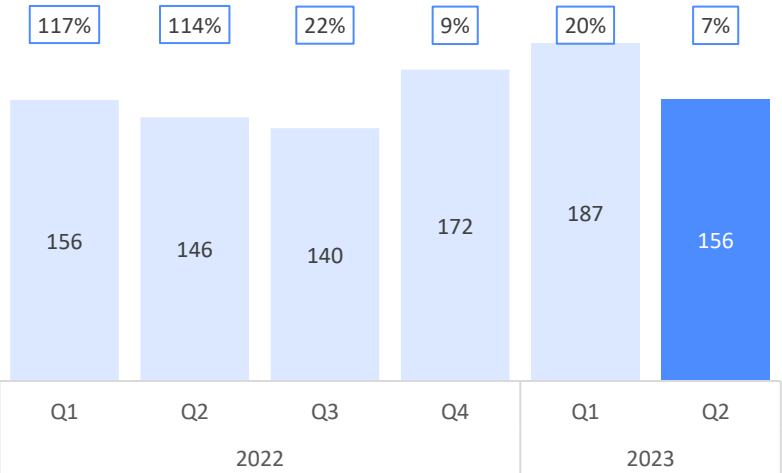
Business update

- Growth driven by Knet,
- New Zealand business stable
- Build-up of our FTTH business in Australia going well

Market development

- We expect the Asian markets (we operate in), New Zealand and Australian market to be rather flat in 2023
- Tough price competition in some Asian markets from Chinese competitors
- Growing markets in Micronesia/Polynesia

APAC and RoW Revenue / growth %



A close-up photograph of a human hand, palm facing up, with a vibrant rainbow light projection on the palm and fingers. The background is a warm, out-of-focus orange and yellow light.

Summary and outlook

Summary Q2 2023 and Outlook

Summary

- Another record quarter, with 36% growth of revenues (7% organic)
- EBITA margin, 17.9%, above the financial target
- Cash flow from operating activities of 348MSEK or 112% cash conversion
- Organic decline of order book of 29%, primarily due to normalisation of customer behaviour. Back to pre-pandemic behaviour and to a lesser extent a softer marked demand

Outlook

- We expect most market we operate in to show flat or low single digit growth in the second semester. Medium- and long-term market outlook remain strong with fundamental macro drivers to support growth.
- BEAD program expected to impact the US market positively from 2024 and for the following 7-8 years.
- With the fourth (Utah) Blue Diamond plant in the US, we become a national supplier of conduit and pipe. Utah plant expected to be in operation in early Q3 2024.
 - We will be well positioned for the Infrastructure Investment & Jobs Act funding (including Bead program)
- Strong M&A pipeline with focus on Harsh Environment, Data Center and Wireless.

Q&A





A lasting link to the future.