



FORTACO

Q4 2023 interim report

Investor call

March 2024

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Introduction to today's presenters



Lars Hellberg

President & CEO

Selected previous experience:

- Board member at Sintercast, Walki, Komatsu and Troax
- President PowerTech & Executive Vice President at Wärtsilä
- Executive Director at General Motors

Education:

- B.Sc. (Eng.) from the University of Gothenburg
- International Management of Technology program, Chalmers University of Technology



Kimmo Raunio

Senior Vice President & CFO

Selected previous experience:

- Associate at HLP Corporate Finance
- Specialist at Pohjola Bank

Education:

- M.Sc. in Industrial Engineering and Management from Tampere University of Technology



Fortaco in brief

Components and engineering for heavy off-highway equipment



Leading market position

Leading position in steel fabrications and cabins working towards the off-highway equipment industry



Tier 0.5 partner

Partners with customers' R&D teams in, e.g., product design and R&D, making the Group a Tier 0.5¹ partner



Wide-spanning offering

Engineering services and steel-based components for, e.g., excavators, bulldozers and mining machinery



Lock-up and high switching costs

Integral part of customers' supply chains with strong lock-up owing to know-how and premium offering



Competitive offering

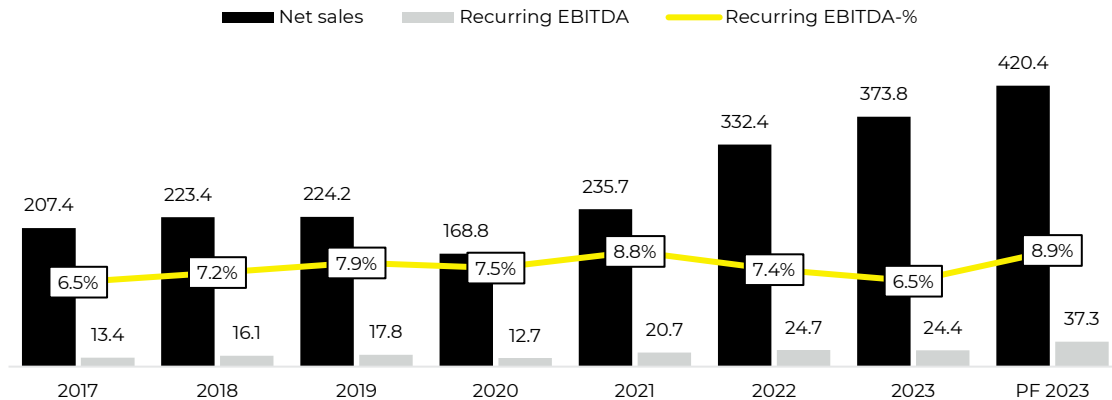
Technology, vehicle cabins, steel fabrication, and assemblies independently of any brands



Expanding operations

Completed acquisitions of cabin manufacturers Buisard and Mauser following the 2023 tap issue

Historical financial development (EURm)



Geographical presence



6 technology hubs



13 business sites²



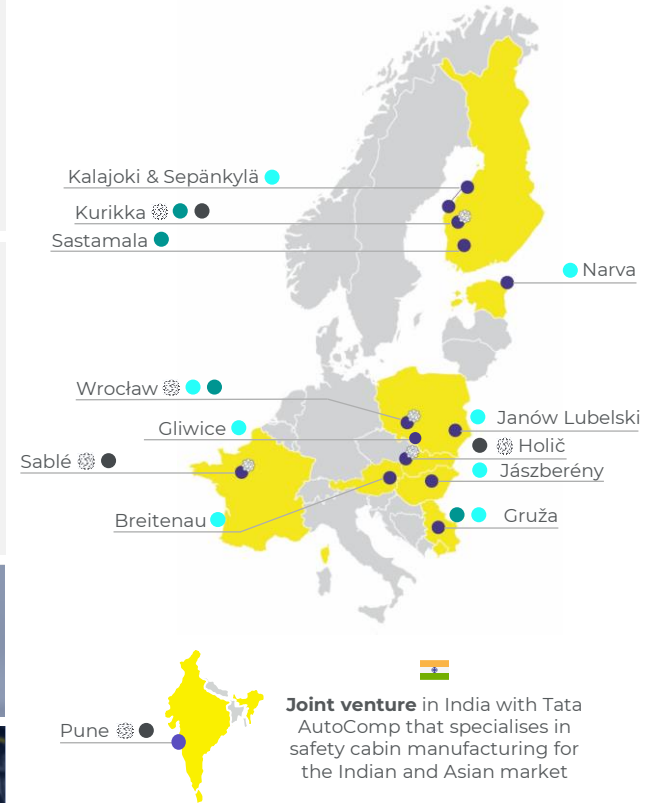
9 countries³



~2,800 employees⁴

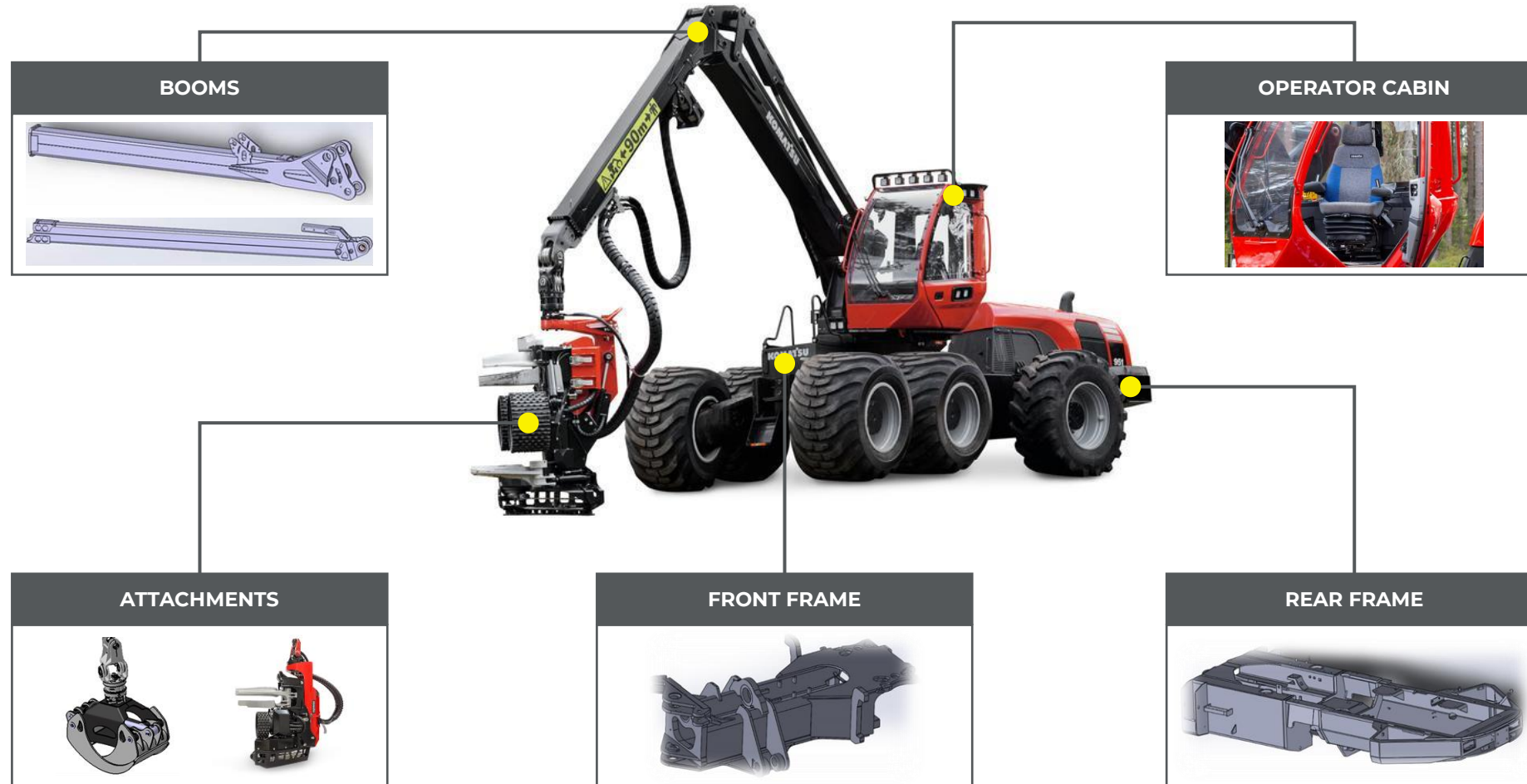
Business sites

- Steel Fabrications
- Vehicle Cabins
- Assembly
- Technology hub

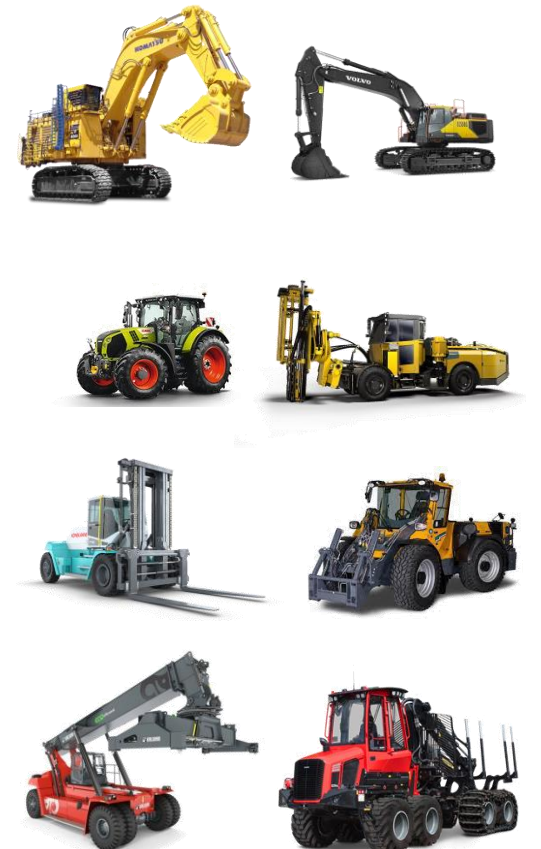


Components and engineering for heavy off-highway equipment

A complete product suite for the off-highway segment



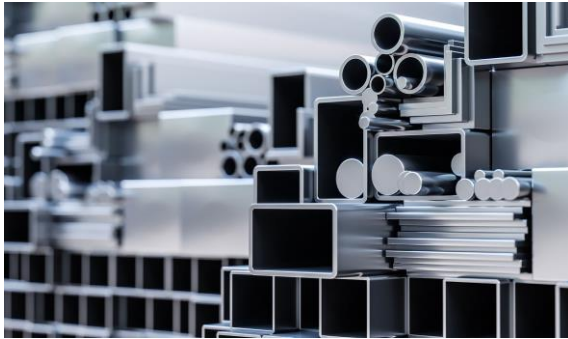
Selected off-highway end products



Strategically composed offering covering the entire value chain

Overview of Fortaco's offerings

ZERO EMISSION SOLUTIONS



- **Development of business and technologies in the main four areas:**
 - **ManuTech:** Modern manufacturing technologies and fossil free steel applications
 - **SystemTech:** Integrated thermal management and systems enhancing cabin ergonomics
 - **SteelTech:** Application of data analysis to develop lightweight structures and enable circular model for steel components
 - **E-mobility:** New business areas related to battery systems and charging solutions

VEHICLE CABINS



- **Supports customers in creating optimal cabin solutions**
- Cabins are tailored to customers' applications, from design to final cabin, e.g.:
 - Fully assembled plug-and-play vehicle cabins
 - High-volume operator cabins
 - Cabins for agricultural applications

STEEL FABRICATIONS



- **Enables customers to focus on their core business, product design and manufacturability**
- Genuine manufacturing partner from design to final delivery of, e.g.:
 - Chassis for various off-highway applications
 - Booms for various lifting applications
 - Mobile equipment components, e.g., steering axles
 - Product specialization line manufacturing of similar components for several OEMs

ASSEMBLY

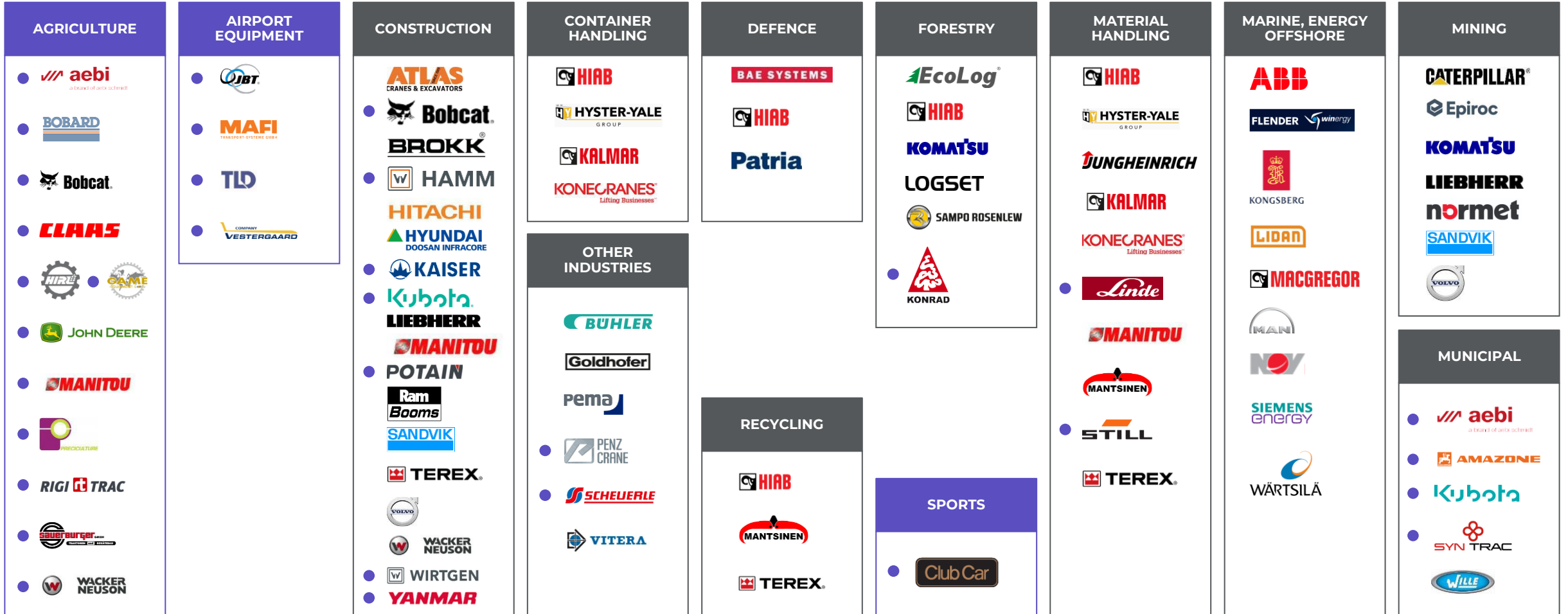


- **Reduces supply chain complexity for OEMs**
- Integrates R&D and concept design with sub-assembly or full assembly and testing of vehicles, e.g.:
 - Heavy duty applications, e.g., mining loaders
 - Medium duty applications, e.g., telehandlers
 - Light duty applications, e.g., warehouse forklift trucks

Solid customer base of blue-chip companies

Fortaco's industries and customers

● Customers originating from recent, strategic acquisitions



Key 2023 highlights

Key highlights

Financial performance

- On a pro forma basis, net sales and recurring EBITDA amounted to EUR 420.4 million and EUR 37.3 million, respectively, in 2023
- Reported net sales amounted to EUR 373.8 million (EUR 332.4 million), corresponding to an increase of 12.5% with recurring EBITDA of EUR 24.4 million (EUR 24.7 million), a 0.9% decline compared to 2022
- EBITDA was at budgeted level excluding losses of EUR 5.6 million incurred in the energy, marine and heavy projects business areas as well as impact of recent acquisitions, implying that core business profitability remained healthy throughout 2023

Main events

- On 6 September 2023, Fortaco acquired 100% of cabin manufacturer Walter Mauser GmbH and on 24 October 2023, Fortaco acquired the remaining 65% of cabin manufacturer Buisard
- On 23 November 2023, Fortaco received a EUR 5 million subordinated shareholder loan from OEP 81 B.V, the sole shareholder of the company with funds applied to fully repay a temporary local financing facility incurred in connection with the acquisition of MauserCABS
- Capacity expansion projects in Narva, Estonia and Holic, Slovakia continued according to schedule and in November 2023, TATA AutoComp's manufacturing facility for vehicle cabins was inaugurated based on Fortaco's cabin design and manufacturing technology
- Fortaco maintained a strong market position and additional business was secured, both from existing and new customers
- The energy, marine and heavy project businesses have been placed under strategic review, and Fortaco is targeting to find a structural solution for these entities with expected completion in H1 2024
- Aside from strategic acquisitions, strengthening the overall position of Fortaco, and businesses currently under strategic review, core businesses performed as planned
- Fortaco remains committed to its strategic agenda and continuously evaluates attractive add-on acquisitions to further strengthen its offering; such acquisitions could materialize in the near term and may be financed with a combination of equity and bond, each in an approximately similar amount

Q4 2023 (lhs) and FY 2023 (rhs) in numbers

EUR 101.9m

Q4 2023 net sales

EUR 420.4m¹

2023 pro forma net sales

EUR 5.0m

Q4 2023 recurring EBITDA

EUR 37.3m¹

2023 pro forma recurring EBITDA

EUR 91.2m

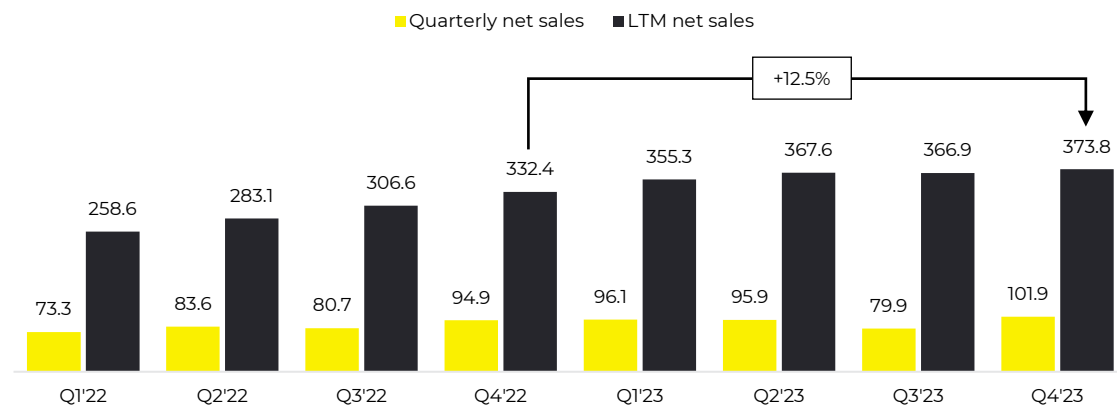
Q4 2023 net debt

2.4x^{1,2}

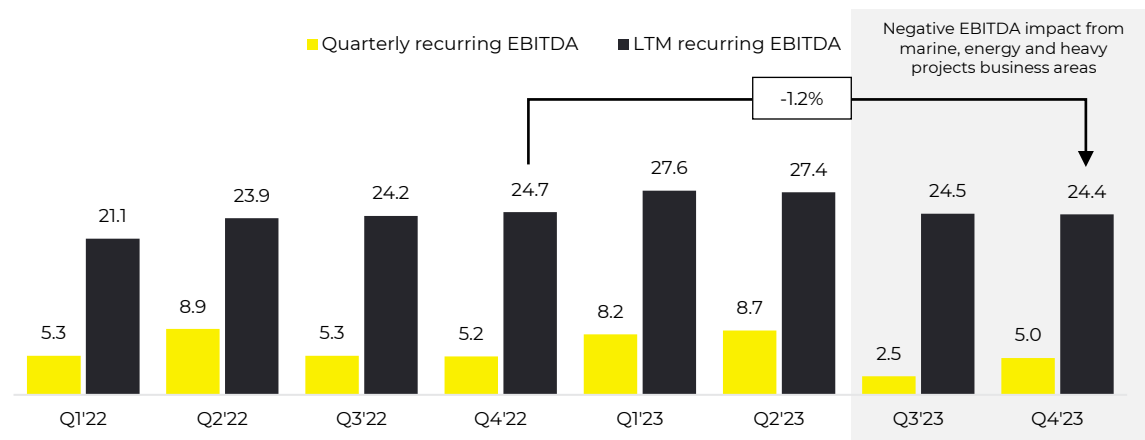
2023 pro forma net leverage

Quarterly and rolling twelve-month financial development

Quarterly and LTM net sales development (EURm)



Quarterly and LTM recurring EBITDA development (EURm)



Commentary

Net sales

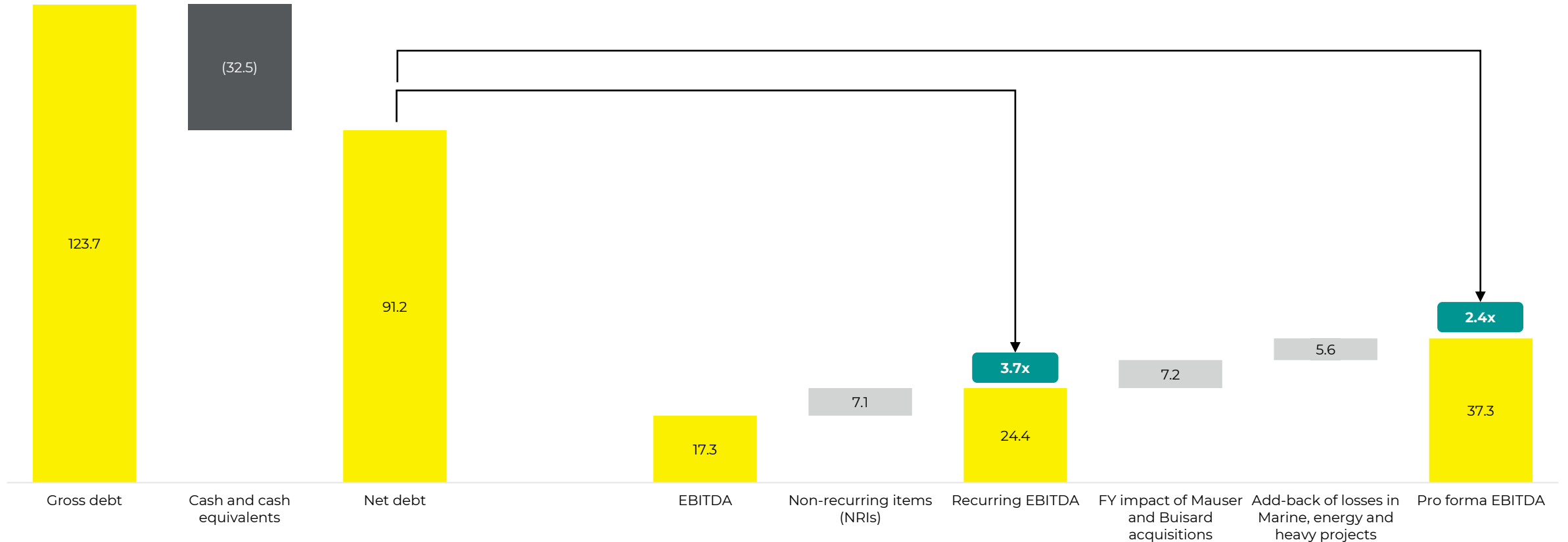
- H1 2023 saw high levels of overall demand, despite elevating economic uncertainties and increasing interest rates, with favourable order intake excluding the marine, energy, and heavy project business areas
- H2 2023 saw softening overall market conditions driven by a combination of market de-stocking and softening demand across some customer segments, particularly construction, while demand in, e.g., underground mining remained strong
- Q4 2023 net sales amounted to EUR 102 million, an increase of 7% compared to the same period the previous year, primarily driven by acquisitions of MauserCABS and Buisard
- Despite a softening market environment in H2 2023, full-year net sales increased by 12% which, alongside inorganic growth, was propelled by volume growth in H1 2023
- During the year, Fortaco continued to win new business from both existing and new customers, expected to contribute positively to net sales moving forward

EBITDA

- Recurring EBITDA amounted to EUR 5.0 million in Q3 2023, essentially flat compared to Q4 2022, and was negatively impacted by losses incurred in the marine, energy and heavy project business areas
- The marine, energy and heavy project business areas have grappled with low order intake throughout 2023 alongside negative impact of current customer restructuring; the business areas are currently under strategic review with expected completion during H1 2024
- Cost inflation, excluding steel prices, continued to increase in H1 2023 and normalised at higher levels in H2 2023
- Fortaco focused on defending its margins by negotiating fact-based price increases with customers, particularly during H1 2023
- Steel prices have declined in 2023 following peak levels observed in 2022; Fortaco passes through most steel price fluctuations to its customers
- In response to uncertainties in the global economy, Fortaco is currently executing certain capacity adjustments including a 12% workforce reduction implemented in H2 2023

Net debt and net leverage

Overview of reported and pro forma net debt and net leverage as of Q4 2023¹



Strategic review of marine, energy and heavy projects business areas

Overview of business sites covered by the strategic review

GRUZA



- Steel fabricated components and assembled products for marine industry
- Acquired in 2021

JASZBERENY



- Manufacturing of heavy, extended lead time steel fabricated components
- Acquired in 2012

KALAJOKI



- Manufacturing of steel fabricated components for the marine and energy industries
- Acquired in 2012

Background to the strategic review

- As announced 28 February 2024, is pursuing a structural resolution for its marine, energy, and heavy project business areas
- In 2023, these business areas collectively contributed less than 10% to pro forma net sales and incurred a negative full-year recurring EBITDA impact of approximately EUR -6 million
- Profitability in the marine, energy, and heavy project business areas has been negatively impacted by low order intake and ongoing strategic customer reorganisation efforts
- As these business areas no longer hold strategic significance for the Company, they have been placed under strategic review
- The Fortaco business sites operating in these segments are situated in Serbia, Hungary and Finland
- The strategic review is expected to be completed during H1 2024

EUR 8.3m

2023 net sales contribution

EUR 22.6m

2023 net sales contribution

EUR 9.6m

2023 net sales contribution

EUR 40.5m

Aggregate 2023 net sales contribution

EUR -1.1m

2023 recurring EBITDA contribution

EUR -3.3m

2023 recurring EBITDA contribution

EUR -1.1m

2023 recurring EBITDA contribution

EUR -5.6m

Aggregate 2023 recurring EBITDA contribution

Completed and ongoing strategic growth initiatives

On-going expansions within the Steel Fabrications business

- Fortaco is currently expanding its steel fabrication capabilities relating to steel plate processing and related operations via new plant construction in Gliwice, Poland
- Operations in Gliwice are expected to be initiated in H2 2024 and will encompass a production area spanning 34,000m² and employ up to 250 people
- Fortaco is also expanding its steel fabrication capacity in Narva, Estonia, aiming to introduce new blue-chip customers to Narva and increase the share of wallet from existing customers
- The Narva expansion consists of 8000m² new floor space and relevant equipment expected to contribute positively to Fortaco's existing strong track record of profitable growth in the region



Extended cabin offering through acquisitions

- Through the premium brands and international capabilities, Fortaco provides vehicle cabin technology and manufacturing for the off-highway equipment industry
- Combined cabin offering ranging from completely assembled plug-and-play vehicle cabins and high-volume operator cabins for agricultural applications
- Vehicle cabin production facilities are situated in Austria, Slovakia, Finland, India (as part of a joint venture) and France
- The ongoing expansion of the Holic business site in Slovakia aims to capitalise on the sales synergies generated by integrating the combined business operations



Q&A