

# Q3 2022

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David Bandele, CFO

3 November 2022



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# Agenda

- **Highlights Q3'22**
- **Market update**
- **Financials**
- **Outlook**
- **Summary and Q & A**
- **Appendix:**  
Segment financials & other material

# Highlights

**Group revenues of NOK 1 243 million - growth of 42% year-over-year**

**High costs of production and challenging operating conditions**

**Significant new orders for Mobile Pipeline®, Hydrogen Distribution and Mobile Refuelling**

**Hexagon Digital Wave continuing its strong growth path**

# Driving energy transformation

In the first three quarters of 2022, our low emission solutions have enabled the avoidance of approx.

**935 000**

metric tons of CO<sub>2</sub> equivalent emissions

# Financial summary

## Hexagon excl. Purus

**Revenue:**  
NOK 1 080 million  
*(NOK 848 million)*

**EBITDA:**  
NOK 68 million  
*(NOK 110 million)*

## Hexagon Purus

**Revenue:**  
NOK 222 million  
*(NOK 103 million)*

**EBITDA:**  
NOK -92 million  
*(NOK -80 million)*

## Hexagon Group

**Revenue:**  
NOK 1 243 million  
*(NOK 875 million)*

**EBITDA:**  
NOK -24 million  
*(NOK 30 million)*

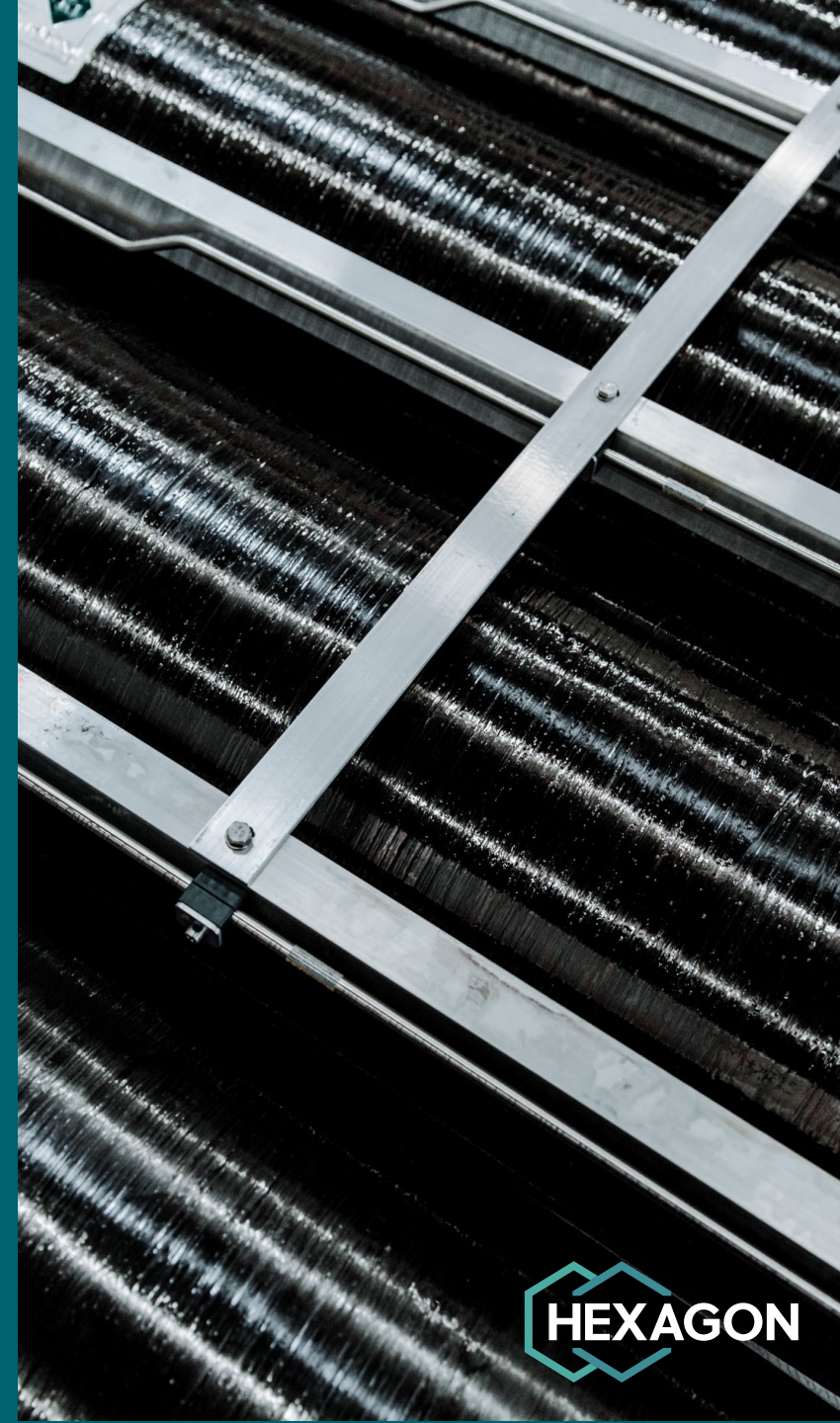
# Operating conditions remain challenging

## Challenges

- Continued high cost of energy, materials and components
- Supply chain shortages and disruptions impacting production planning and efficiency

## Outlook

- Profitability measures including short term cost saving initiatives launched
- Improvements expected in 2023



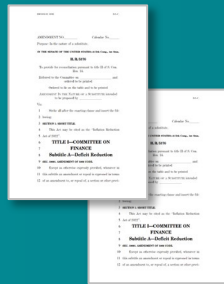
# Renewable natural gas (biomethane) retains regulatory support

## Europe



- **European Commission and industry leaders (European Biogas Association) launched the Biomethane Industry Partnership (BIP):**
  - BIP establishes formal link between RePower EU biomethane target and Transport sector
  - Hexagon member of European Biogas Association and engaged in BIP Transport Committee
- **Heavy Duty Emission Regulation proposal expected early next year:**
  - Strong member state and industry advocacy for “Well to wheel” approach

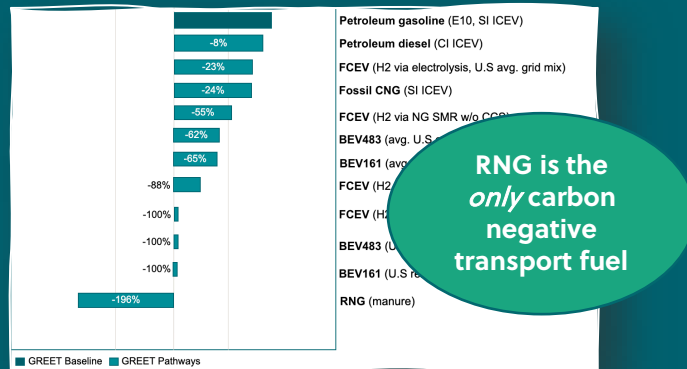
## USA



- **The US Inflation Reduction Act**
  - President Biden signed US bill into law on **16 August 2022**
  - Extension of Alternative Fuel Tax Credit through 1 Jan 2024 – moves from retroactive to prospective
  - Transition to Clean Fuels Production Credit for 2025 to 2027 - creates technology-neutral production tax credit (PTC) for production of low-emissions transportation fuel
  - Extension of Section 48 energy investment tax credit (ITC) to include biogas

# Renewable natural gas (RNG) recognized as high impact transport fuel in North America and Europe

## US & EU government research institutes' study backs RNG for decarbonization<sup>1</sup>



Concludes that RNG offers the biggest opportunities to reduce well-to-wheel GHG emissions

## Strong growth of RNG facilities in North America



Accelerated growth and strong pipeline of new projects

## Industry follows suit



**Archaea Energy to be Acquired by bp for Approximately \$4.1 Billion**

October 17, 2022 7:15am EDT [Download as PDF](#)

HOUSTON--(BUSINESS WIRE)-- Archaea Energy Inc. ("Archaea") (NYSE: LFG), an industry-leading renewable natural gas ("RNG") company, today announced that it has agreed to be acquired by bp (NYSE: BP) for \$26 per Archaea Class A and Class B share in cash, or a total enterprise value of approximately \$4.1 billion, including approximately \$800 million of net debt. The cash consideration represents an approximately 38 percent premium to Archaea's volume weighted average share price for the 30 days ending October 14, 2022.

Energy majors investing significantly in RNG

<sup>1</sup> Decarbonization potential of on-road fuels and powertrains in the European Union and the United States: a well-to-wheels assessment,

# The majority of the natural gas being used in US transportation is now from renewable sources

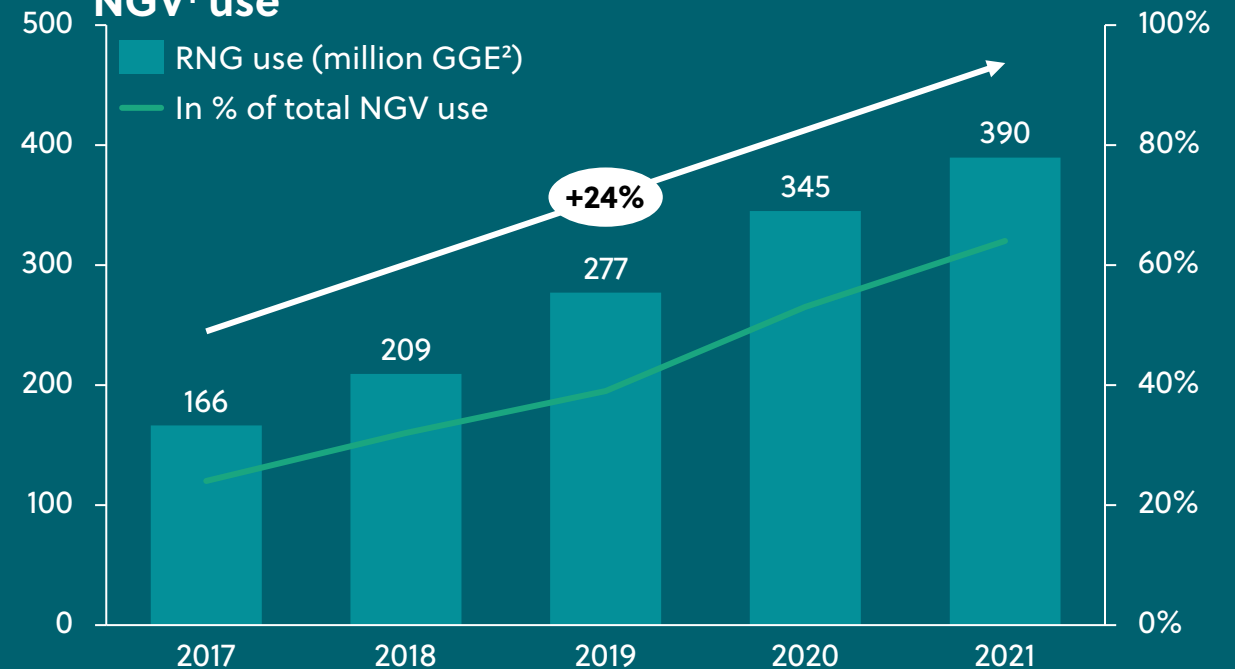
**64%**

of natural gas used in transportation is renewable

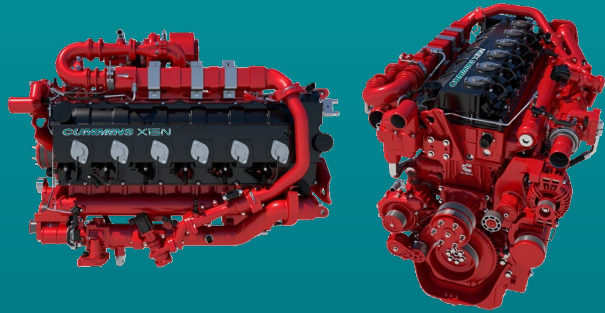
**24%**

CAGR in RNG use in transportation

**RNG use growth in US transportation and share of NGV<sup>1</sup> use**

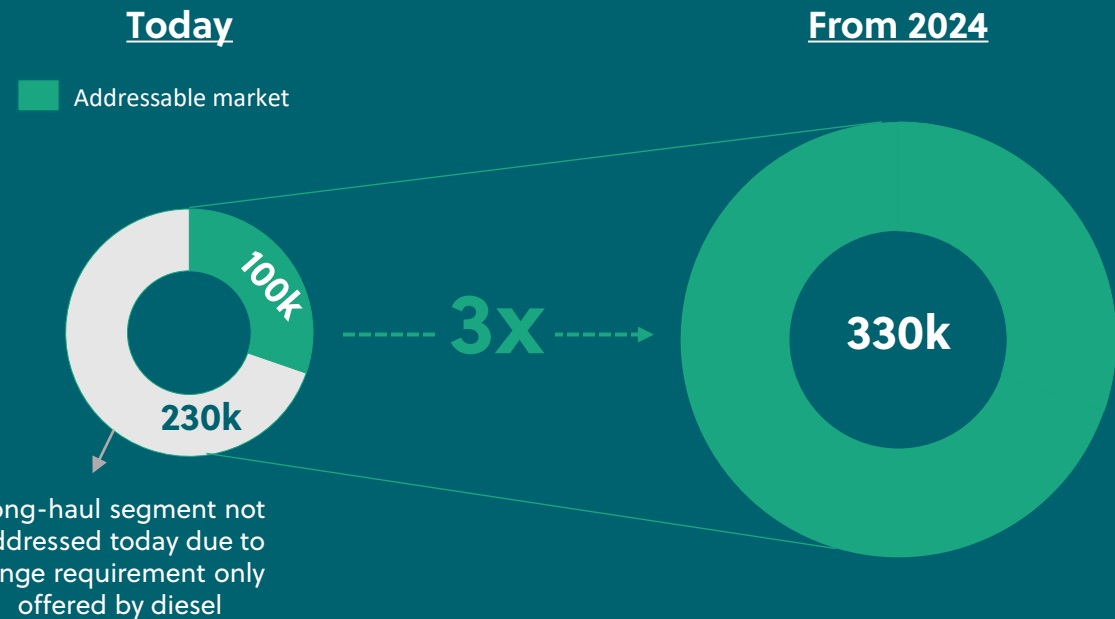


# New industry-changing natural gas engine being launched in 2024 unlocking the long-haul market segment



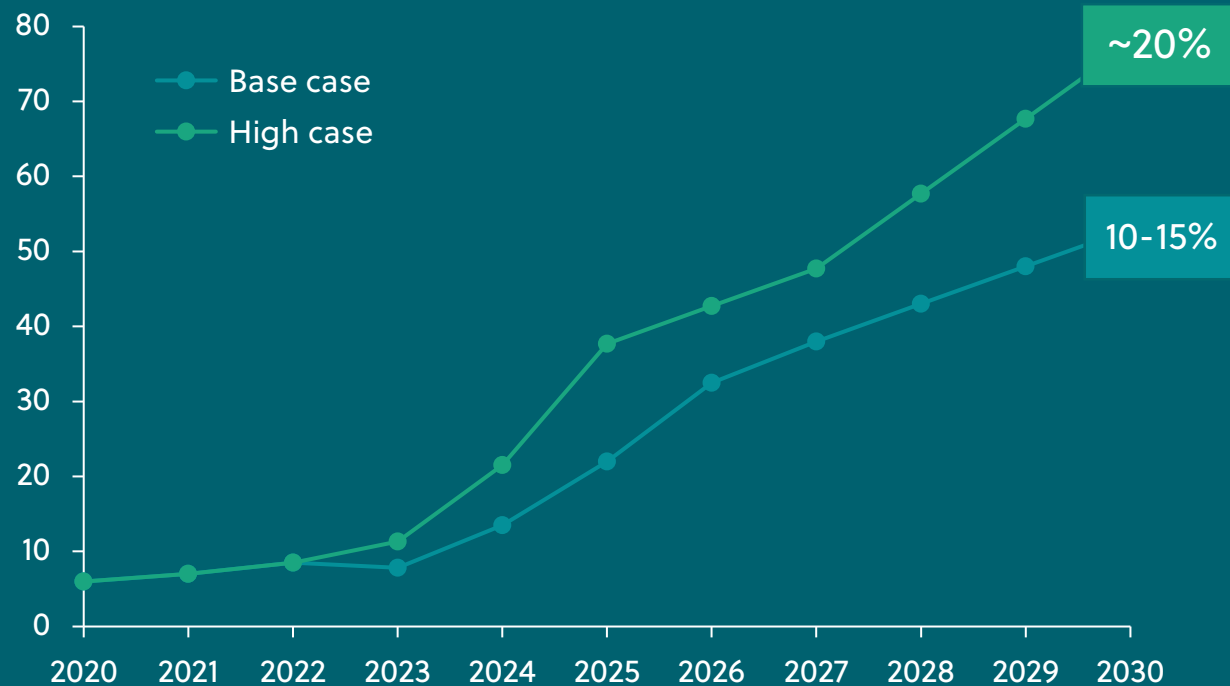
- Cummins' first natural gas engine specifically designed for heavy-duty truck applications
- Offering better fuel economy, efficiency and range
- Opens additional heavy-duty market of around 200-250k vehicles per year for natural gas solutions

## US heavy-duty truck addressable market for natural gas solutions (# trucks sold per year)



# RNG truck demand is strong and will further accelerate in 2024 when the new engine is introduced to the market

CNG/RNG uptake potential in US heavy-duty segment  
# of trucks ('000) % of total fleet



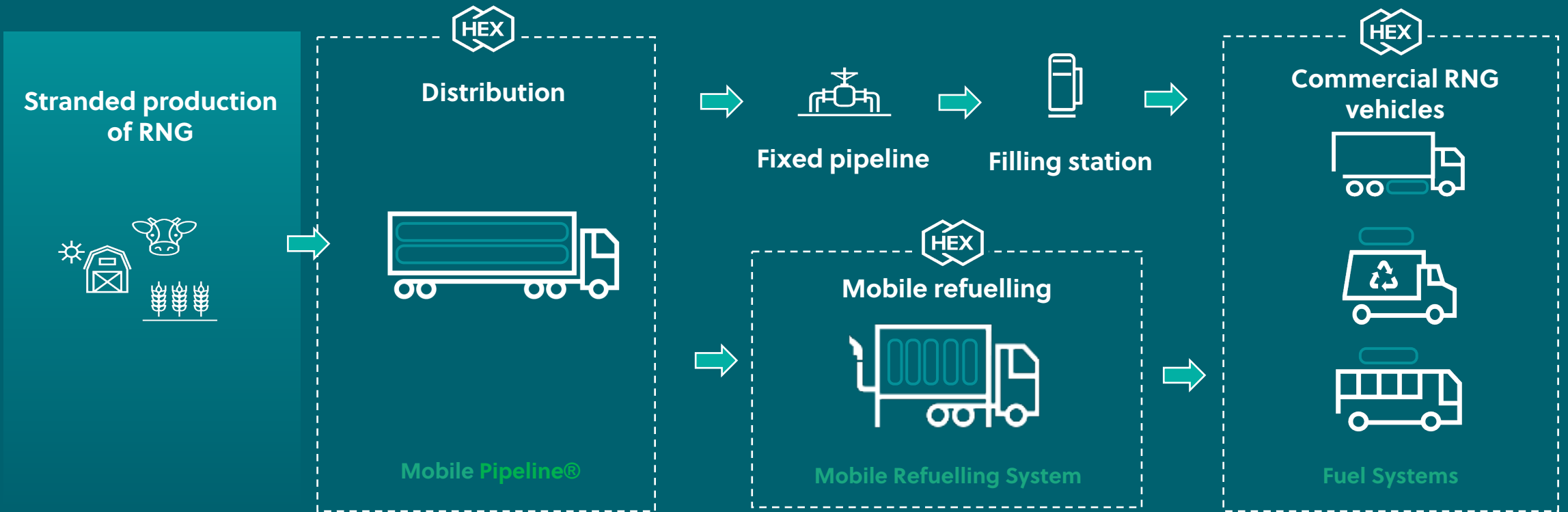
## Comments

- RNG can be an immediate alternative to diesel:
  - Competitive Total Cost of Ownership
  - Highest carbon abatement potential
  - Supportive infrastructure
- Heavy-duty regulation and supply chain capacity will influence direction and pace of growth trajectory

# Hexagon Agility is a key enabler of RNG

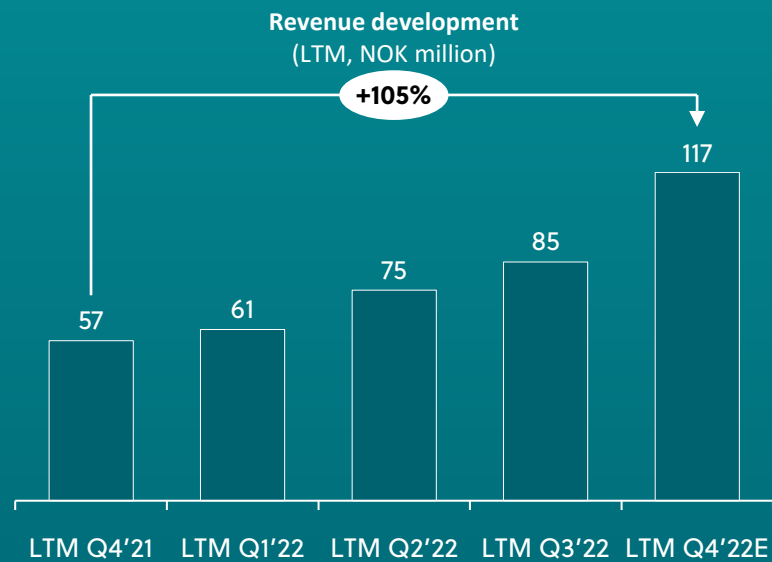
## The RNG (biomethane) value chain

Hexagon offering



# Hexagon Digital Wave on strong growth trajectory

## Digital technologies for testing, recertification and systems automation



Selected key customers

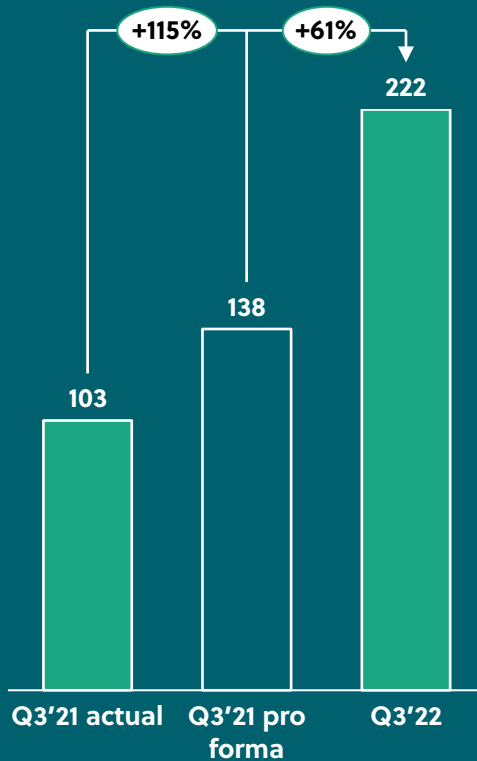


# Hexagon Ragasco preparing for piloting of smart cylinders in 2023

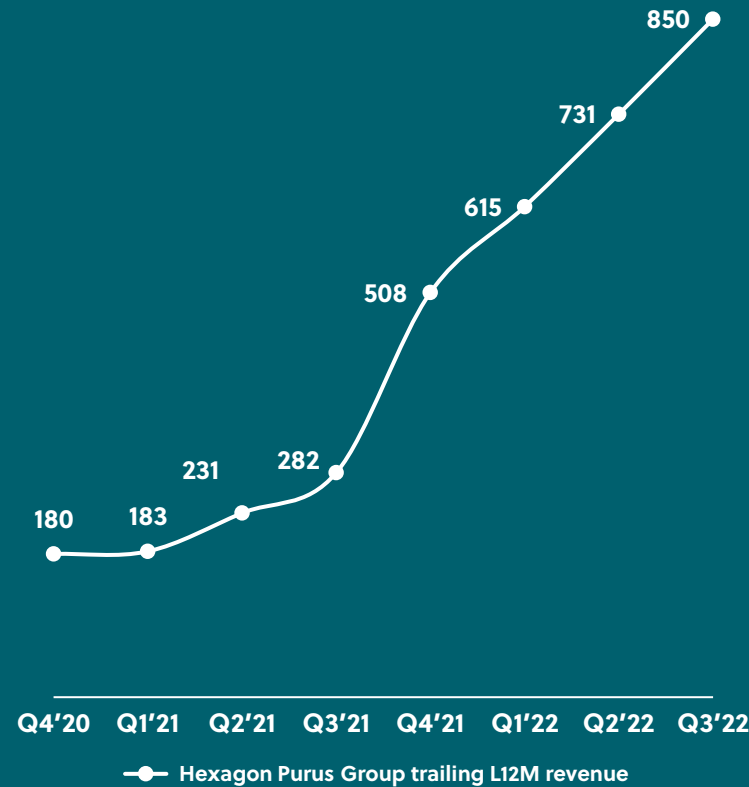


# Hexagon Purus continuing to deliver on revenue growth supported by strong order book

61% PRO FORMA REVENUE GROWTH YOY (NOKM)



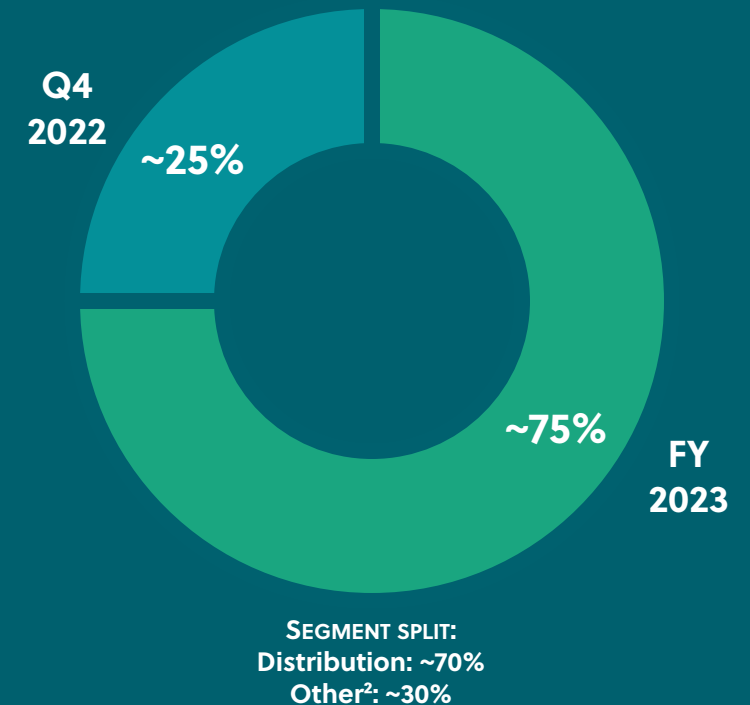
QUARTERLY LTM REVENUE (NOKM)



CURRENT ORDER BOOK

STRONG ORDER BOOK<sup>1</sup> OF

**NOK ~1.3 BILLION**



16 1) Includes minimum order value agreed in framework agreement announced on Fri, 14-Oct.  
2) Include heavy-duty vehicles, rail, aerospace, transit bus and other (e.g. industrial gas)

# Financials

David Bandele, CFO



HEXAGON

# Highlights from Q3 2022

Strong topline performance while supply chain disruption and input price inflation weigh on margin



## NOK 930 million revenue in Hexagon Agility

- 25% revenue growth overall
- Low margins in Heavy & Medium-Duty as price rises lag input cost increases
- Higher margins achieved in Mobile Pipeline



## NOK 119 million revenue in Hexagon Ragasco

- 38% revenue growth includes necessary price rises to combat material cost increases
- High energy costs weigh down on margins



## NOK 30 million revenue in Hexagon Digital Wave

- 58% revenue growth driven mainly by Modal acoustic technology services
- Positive EBITDA from increased volume

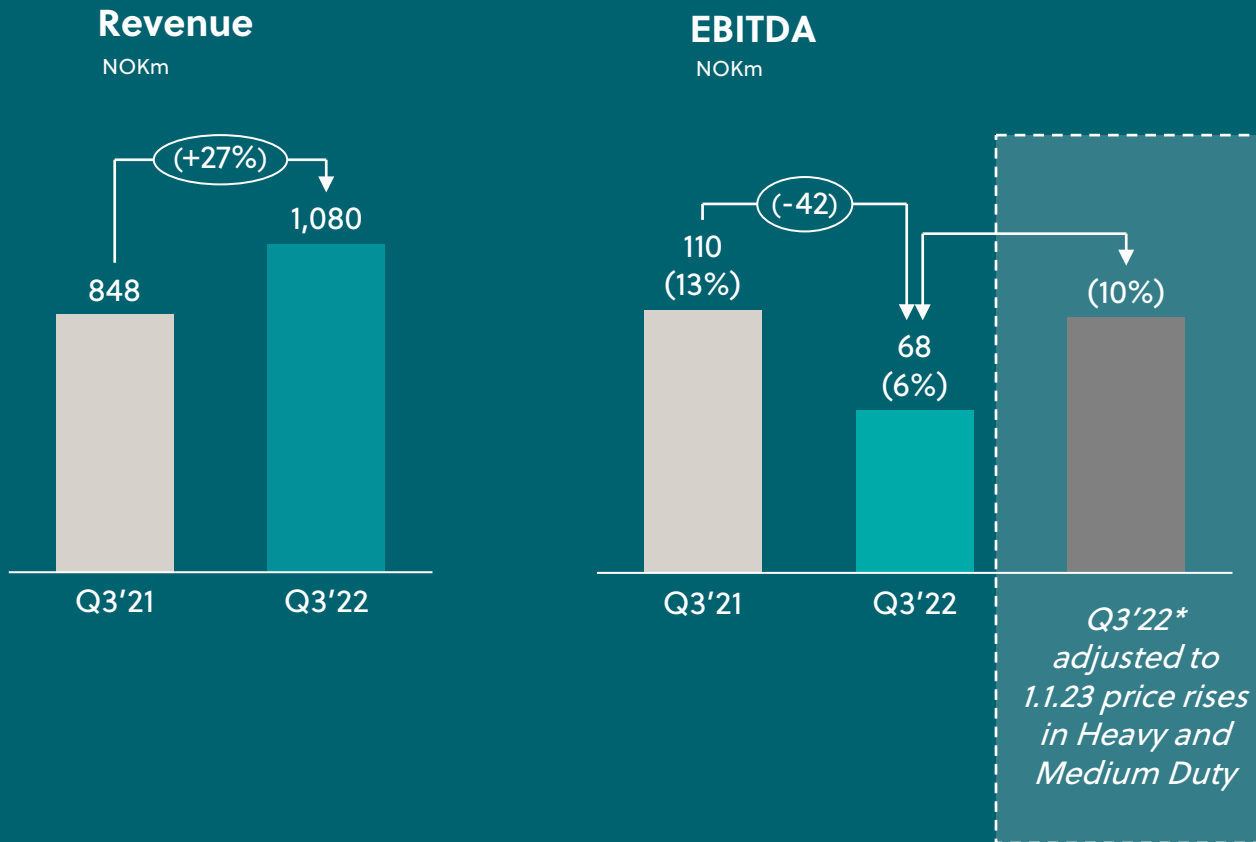


## Hexagon Purus – publicly listed subsidiary

- Doubling revenue with 2022 guidance on track
- 73% ownership investment valued at ~ NOK 3.9 bn<sup>1</sup>

# Financial highlights | Q3 2022

## Hexagon (excl. Purus)

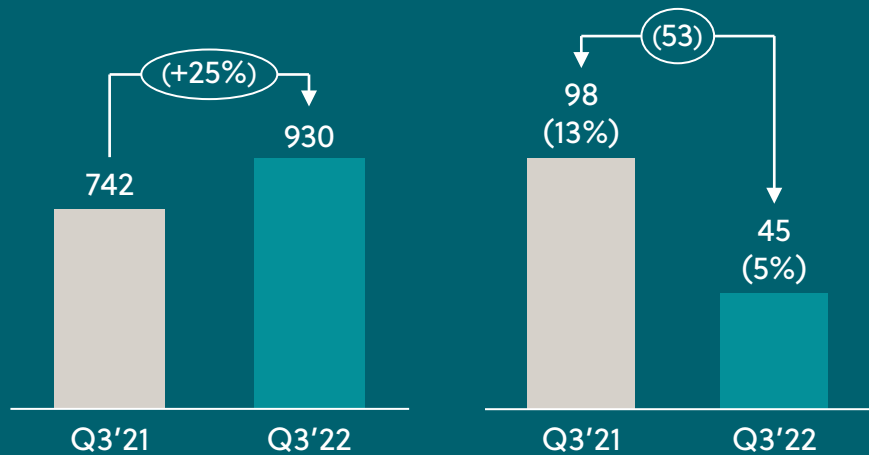


- **27% Revenue growth**
  - 16% growth excluding FX effects
- **Continued margin pressure y-o-y from:**
  - Output inefficiencies caused by supply chain disruptions
  - Sales prices lagging input cost increases in Heavy and Medium-Duty business
    - Estimated margin impact to EBITDA of ~4 percentage points

# Hexagon Agility | Q3 2022

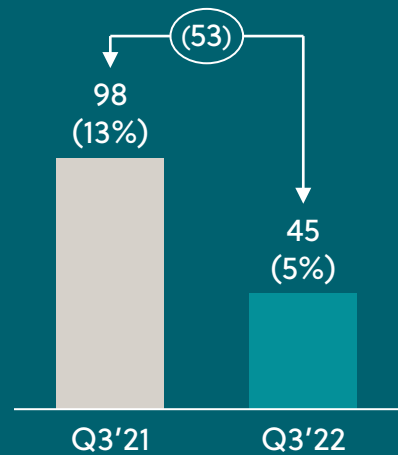
## Revenue

NOKm

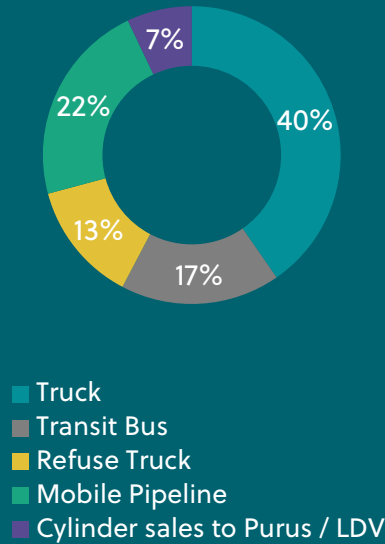


## EBITDA

NOKm



## Revenue split



- **25% Revenue growth**

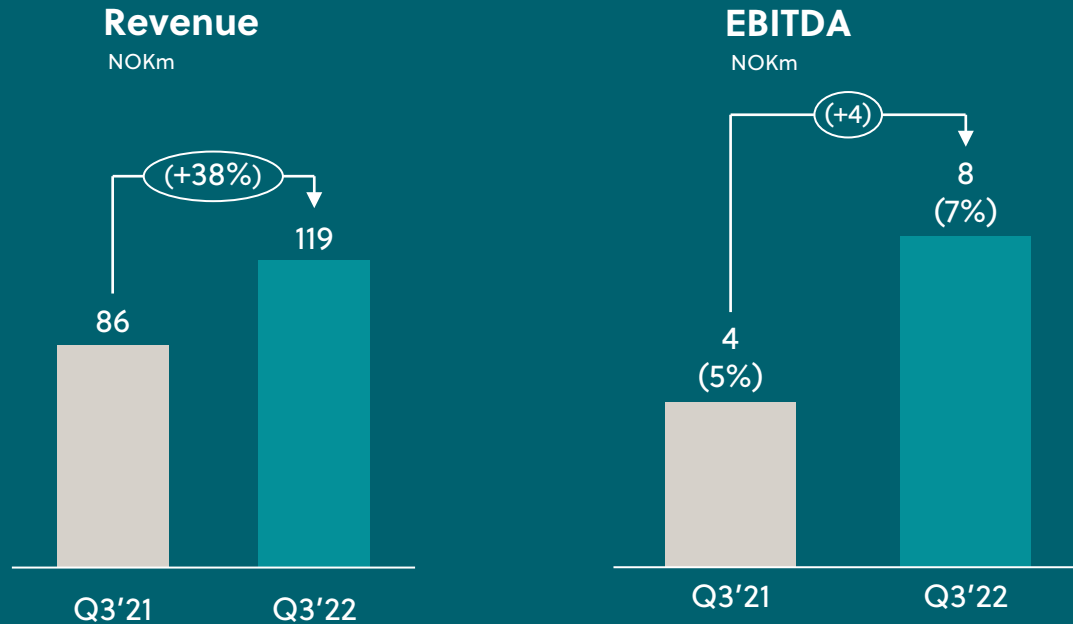
- Strong Medium & Heavy-Duty truck and Mobile Pipeline markets

- **Continued margin pressure from:**

- Elevated carbon fiber price
- Suboptimal efficiency from industry wide disruptions
- Low volumes in Light-duty from key customer

- **Diversified revenue streams supporting critical infrastructure and decarbonization targets**

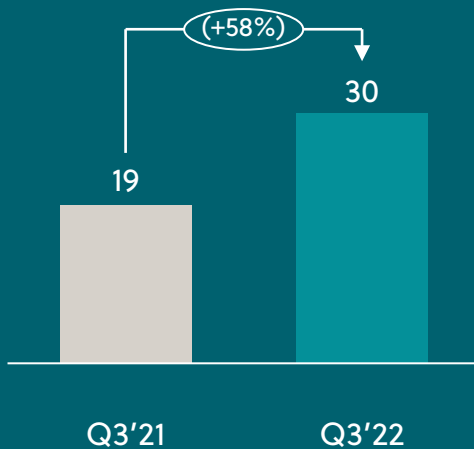
# Hexagon Ragasco | Q3 2022



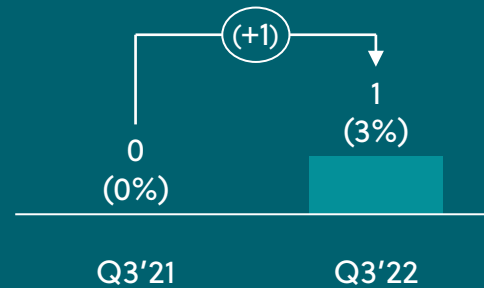
- **38% Revenue growth**
  - Additional sales to Middle-East and African markets
- **Positive margin development:**
  - Better scale from volumes while price offsets material cost rises
  - Absorbing NOK 4m y-o-y energy cost hikes in quarter
- **Resilient business with multiple introductory and repeat emerging markets orders**

# Hexagon Digital Wave | Q3 2022

**Revenue**  
NOKm



**EBITDA**  
NOKm

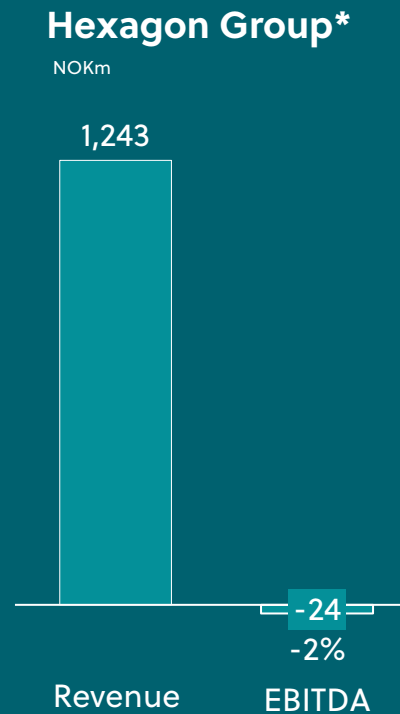
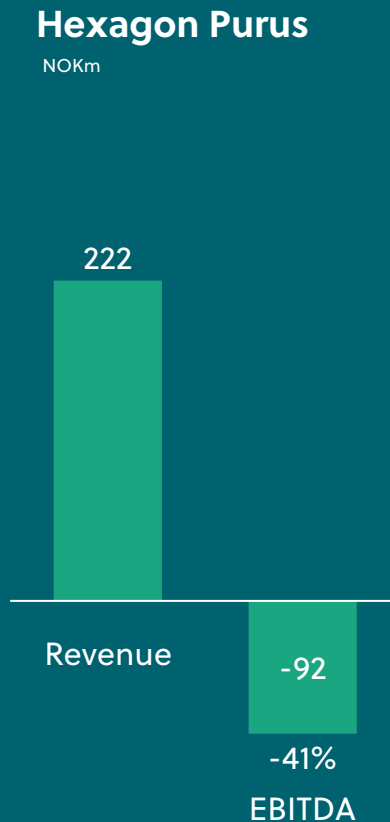
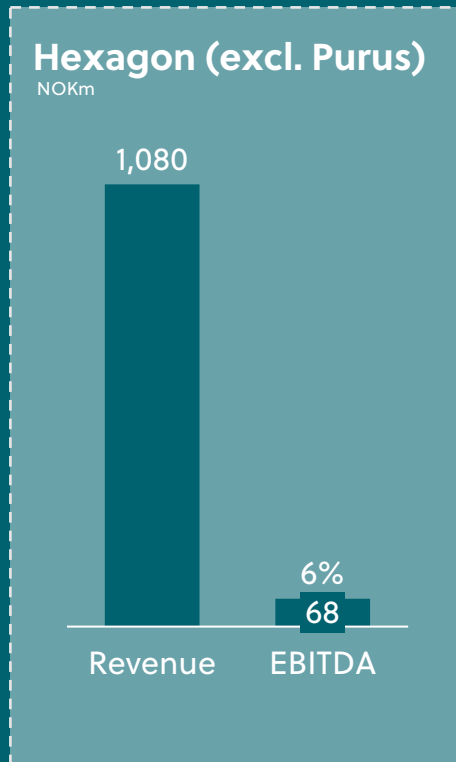


- Profitable revenue growth
- Healthy mix of product and services businesses
- Modal Acoustic Emission (MAE) technology increasingly adopted in inspection and requalification activities
  - USD 2 million long-term agreement with key customer

# Q3 2022 Financials Hexagon Group



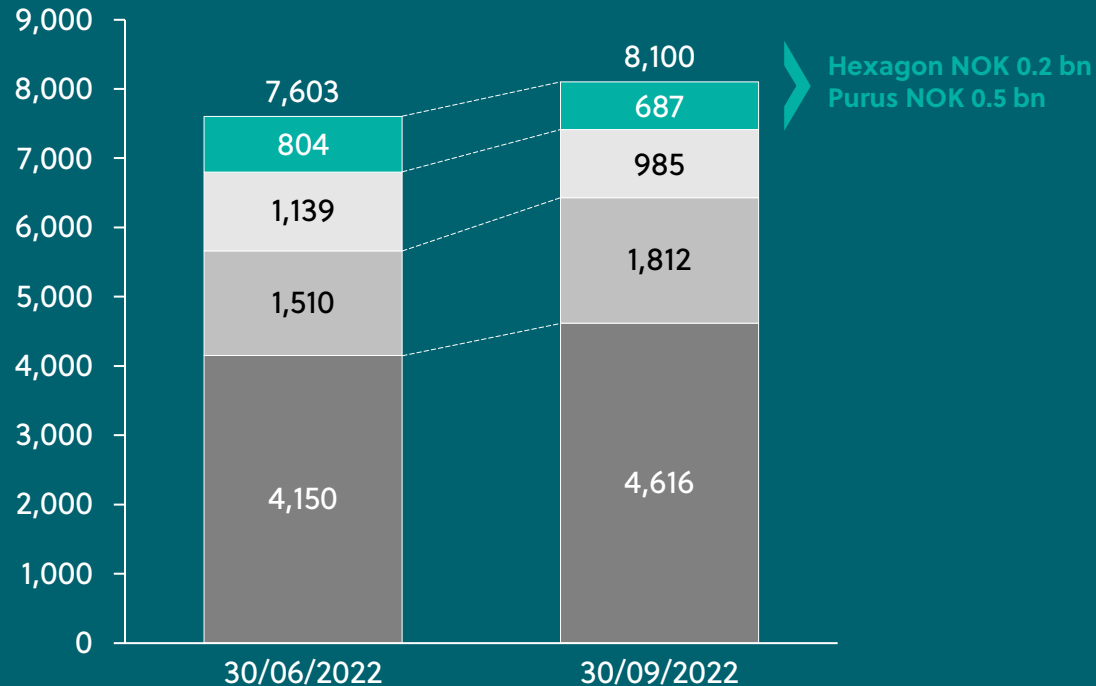
# Overall summary | Q3 2022



- Strong demand in Hexagon Agility
- Seasonally low volumes for Hexagon Ragasco but with profitable growth
- Strong momentum for Hexagon Digital Wave
- Hexagon Purus remains on-track for its growth targets

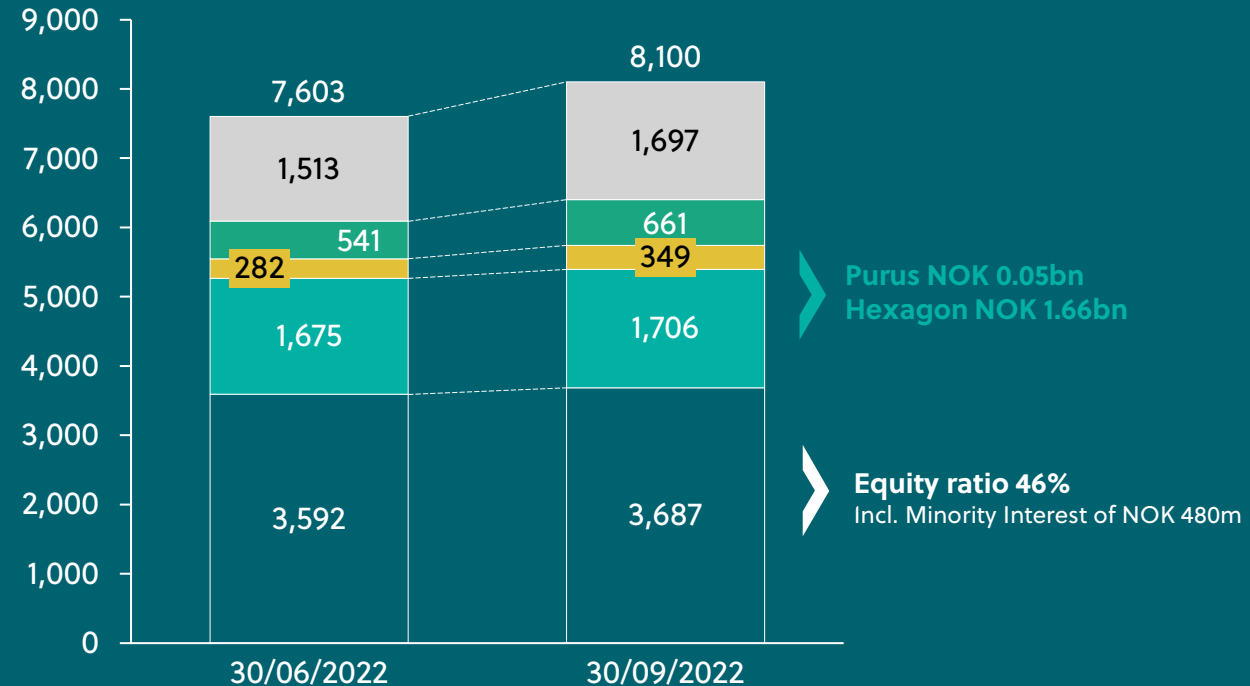
# Hexagon Group Balance sheet | Q3 2022 vs Q2 2022

## Assets NOKm



■ Cash  
■ Receivables  
■ Inventory  
■ Fixed assets

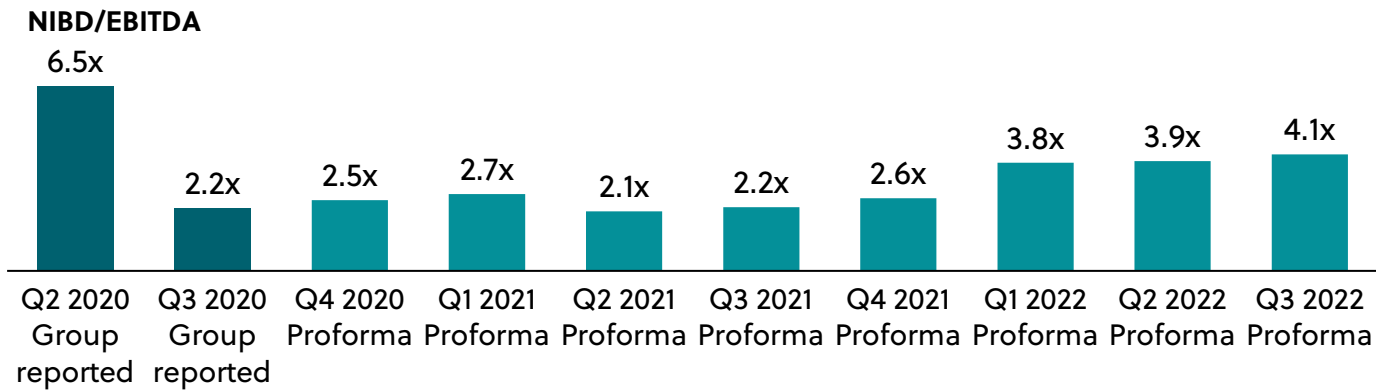
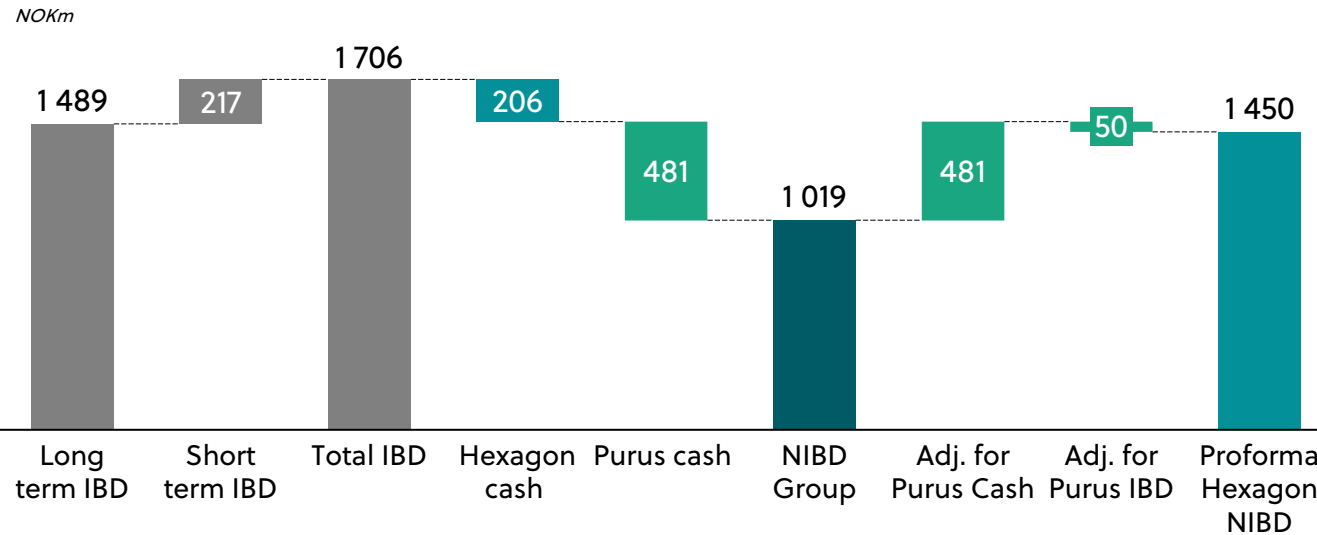
## Liabilities & Equity NOKm



■ Other current liabilities  
■ Lease liabilities from right of use assets  
■ Equity  
■ Other long term liabilities  
■ Interest bearing debt

**Strong balance sheet impacted by USD/NOK currency movements**

# Hexagon proforma leverage | Q3 2022



- Available committed financing facility in Hexagon Composites ASA of **NOK 2,025 million**
- As of Q3 2022, Hexagon has a total NIBD of NOK 1,450 million
  - Total IBD of NOK 1,656 million and cash of NOK 206 million
  - Available liquidity of **NOK ~ 600 million**
- Hexagon Purus currently holds cash of NOK 481 million and IBD of NOK 50 million
  - Hexagon Purus is ring-fenced from financial covenants in Hexagon loan agreements



# Outlook & 2022 Full year guidance

# Hexagon (excl. Purus) Full Year 2022 revised guidance per Q3 2022

## Revenue target 2022

NOKm

~ 3.9bn

Initial 2022 Guidance maintained

## EBITDA target 2022

NOKm

~ 325m

Revised 2022 Guidance\*

Profitability forecasting  
challenging in disruptive  
and inflationary  
environment

# Key takeaways

**Healthy demand  
and strong revenue  
growth**

**Challenging operating  
conditions impacting  
profitability**

**Government commitments  
to decarbonize transport  
in the U.S. & Europe  
driving growth in future  
demand**

**2025 revenue targets:**

**Hexagon excl. Purus:  
NOK 6bn  
Hexagon Purus:  
NOK 4-5bn**



Clean air everywhere

# Appendix

# Investor relations information



## Exchange

Ticker symbol: HEX  
ISIN: NO0003067902  
Exchange: Oslo Børs



## Market cap

**Nok ~4.7 bn**  
Market capitalization



## Investor base

**~ 6,100**  
Shareholders

~ 56%  
International  
ownership



## Financial calendar 2023

Q4'22	16 February
AGM	26 April
Q1'23	11 May
Q2'23	17 August
Q3'23	9 November



## Equity analyst coverage

ABG  
Carnegie  
DNB  
Nordea  
SEB  
Sparebank 1

For details, please visit our  
**website**



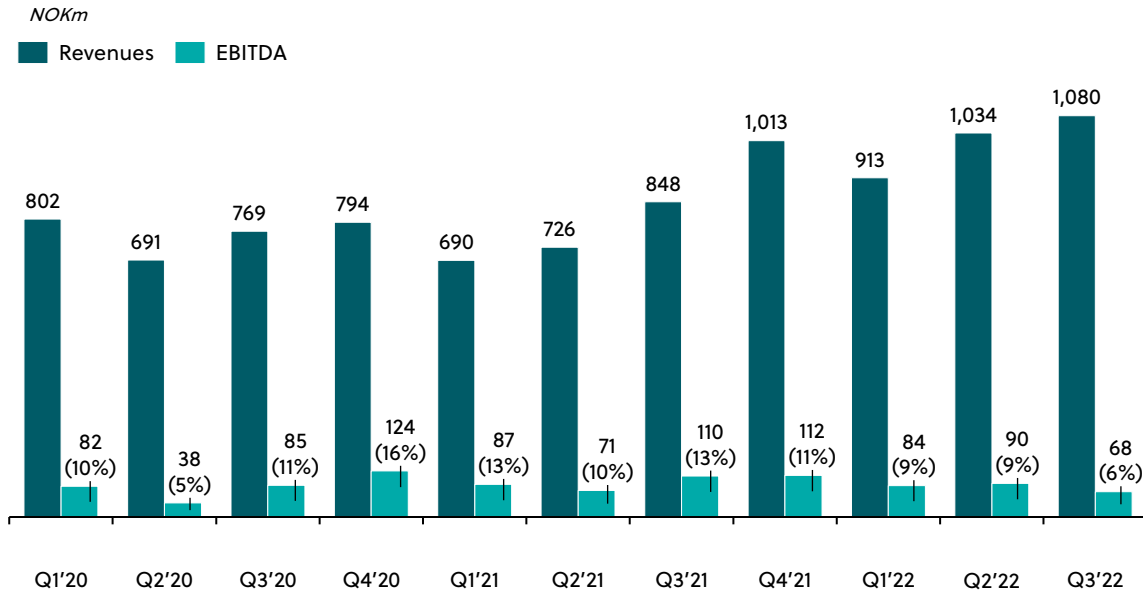
## Investor relations contacts

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Direct: +47 920 91 483

# Hexagon proforma financial highlights (1/3)

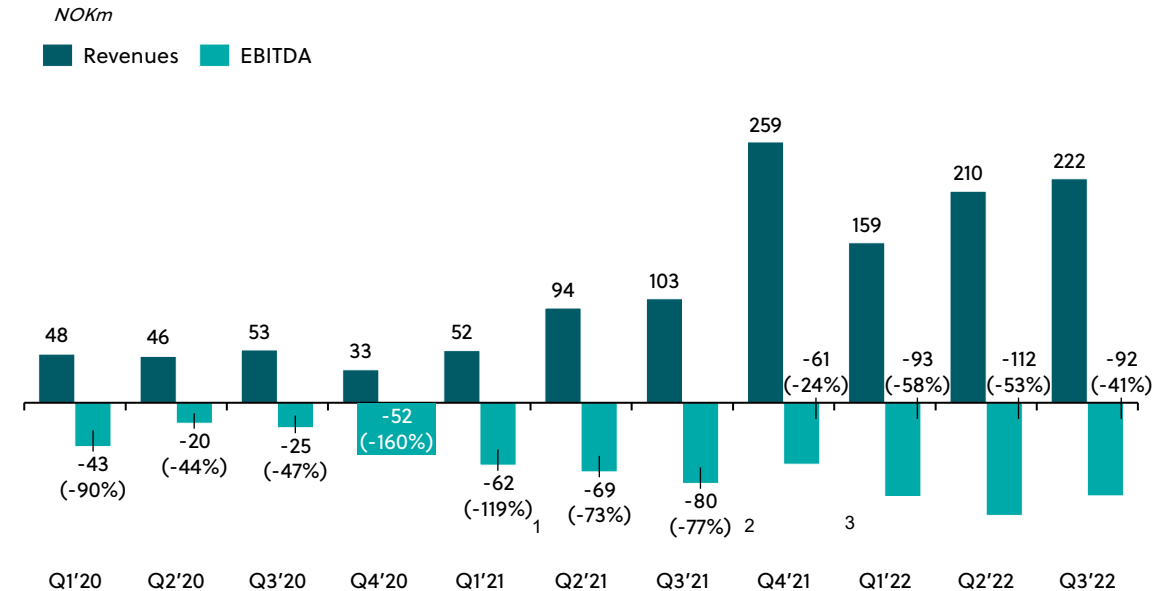
## Hexagon (excl. Purus)\*



- **Hexagon (excl. Purus) provides clean solutions with strong ESG benefits**

- Hexagon Agility\*\*: (renewable) natural gas clean mobility solutions
- Ragasco: Portable LPG cylinders for household and leisure applications
- Digital Wave: smart technology for monitoring and testing of cylinder systems and creating circular economy by extending life expectancy

## Hexagon Purus\*



- **Hexagon Purus provides clean and sustainable fuel solutions for battery electric and hydrogen vehicles**

\*2020: preliminary unaudited pro-forma figures after adjusting for reorganizations; 2021 segment reported and is after central/corporate and eliminations within the segments

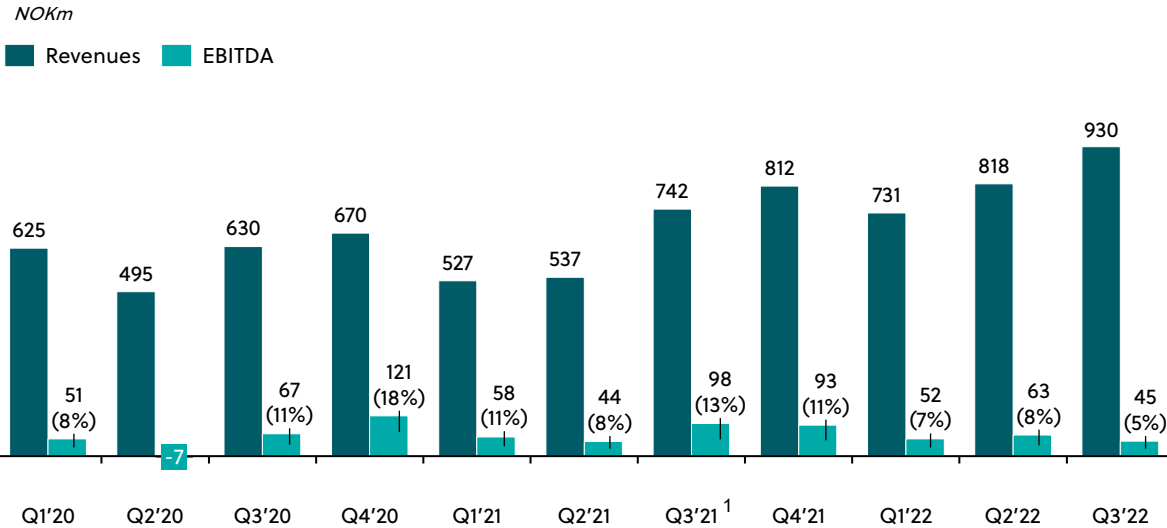
\*\* previously referred to as g-mobility and being rebranded to be consistent with other reported segments and ahead of transferring operational responsibility of CNG LDV business to Hexagon Agility by 1.1.22

1) Correction from NOK 57m ; 2) Correction due to reclassification ; 3) Correction from NOK -57m



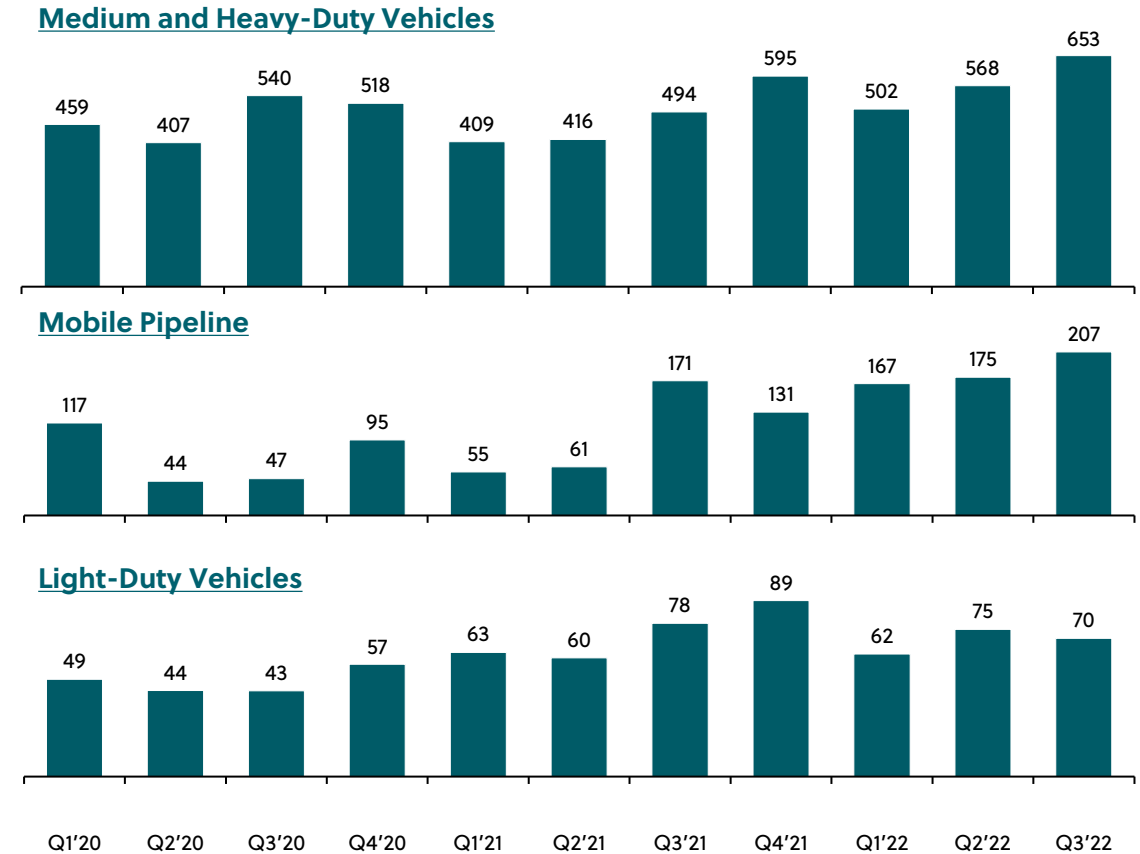
# Segment proforma financial highlights (2/3)

## Hexagon Agility\*



- Hexagon Agility provides (renewable) natural gas clean mobility solutions for Heavy and Medium Duty Vehicles (Agility Fuel Solutions), Mobile Pipeline (MP) and Light- Duty Vehicles (CNG LDV)
- Global leading provider within markets including Heavy-Duty/ Medium-Duty Trucks, Refuse Truck, Transit Bus, Gas Transportation, Mobile Refueling units and Passenger cars

## Hexagon Agility split (after eliminations)\* NOKm



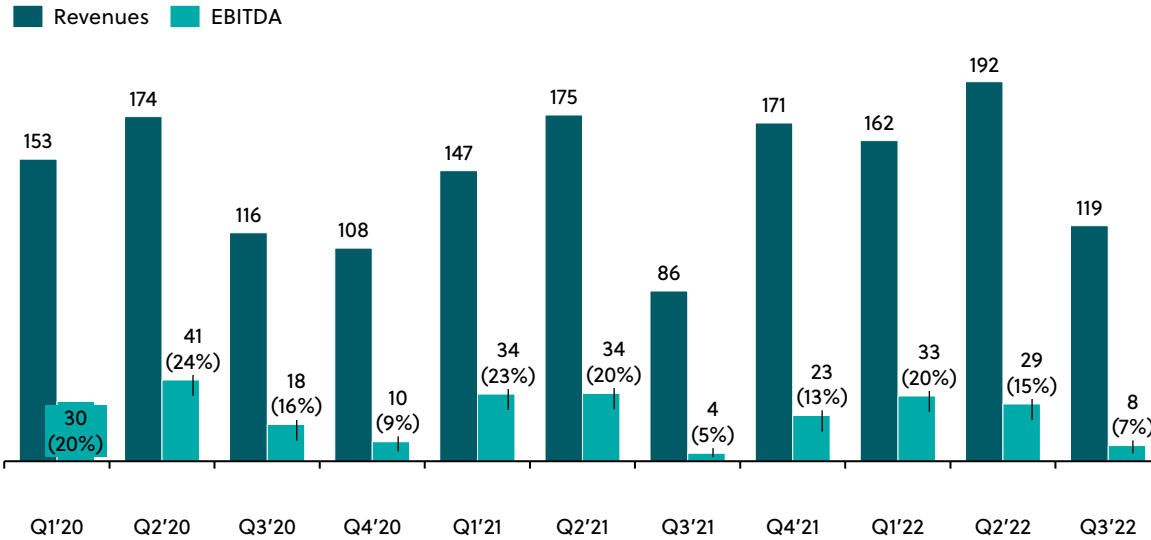
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 2020: preliminary unaudited pro-forma figures after adjusting for reorganizations; 2021 segment reported  
 1) Correction due to reclassification



# Segment proforma financial highlights (3/3)

## Hexagon Ragasco as reported

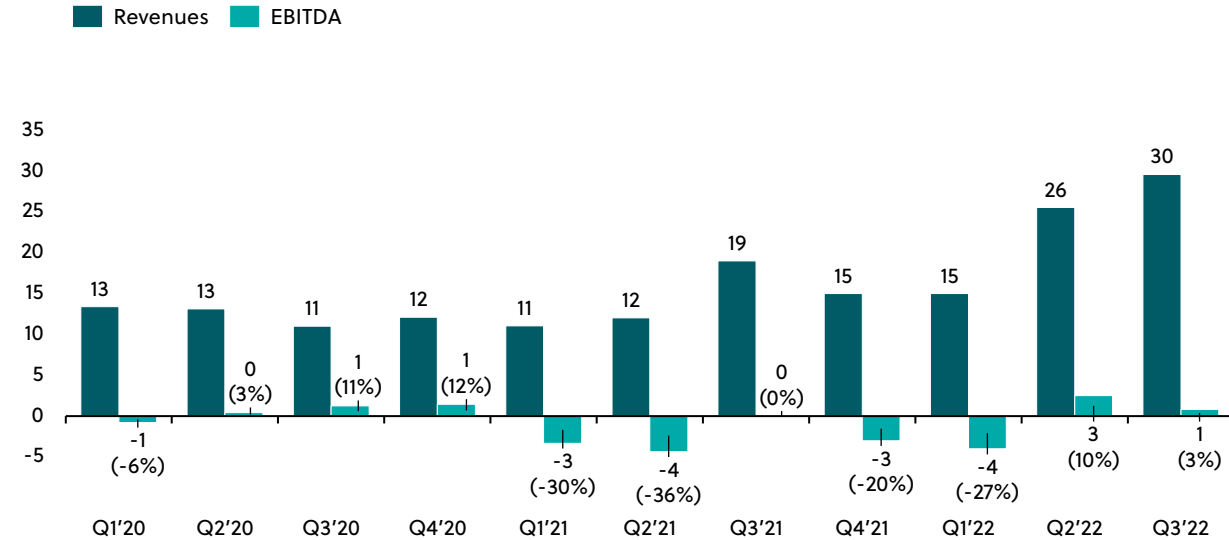
NOKm



- World leading provider of LPG composite cylinders
- Delivered over 20 million cylinders worldwide
- Strategic agenda include IoT and digitalization providing connectivity and driving value chain transformation

## Hexagon Digital Wave

NOKm

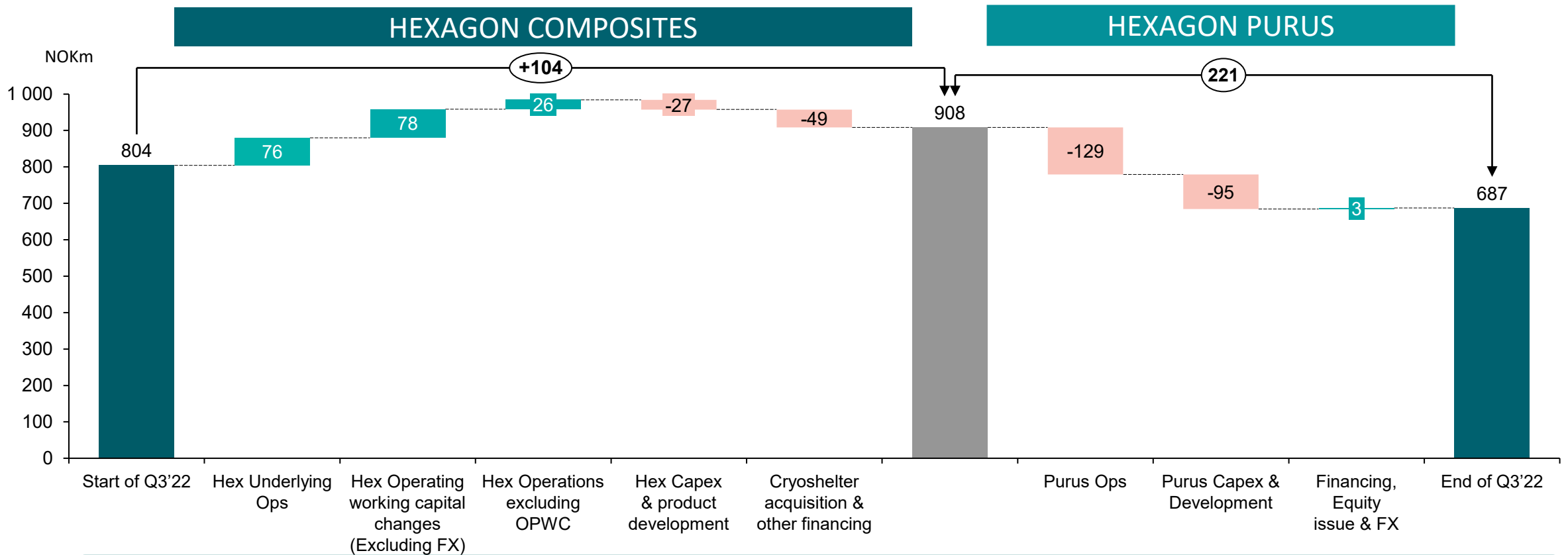


- Proprietary safety technology – Modal Acoustic Emission (MAE) technology for testing and certifying cylinders
- Strategic agenda include cylinder digitalization with real-timing monitoring, testing and certification, creating a circular economy through enabling life extension



# Group cash Q3 2022

## Headline figures



**Hexagon (excl. Purus) cash up NOK 104m to NOK 206m with strong cashflow from operations and active working capital management to fund Cryoshelter acquisition**

**Hexagon Purus cash down NOK 221m to NOK 481m due principally to growth related activities.**



# Consolidated financial statements | P&L

## Hexagon Composites ASA

INCOME STATEMENT (NOK 1 000)	Q3 2022	Q3 2021	31.12.2021	31.12.2020	31.12.2019
Revenue from contracts with customers	1 242 648	874 435	3 539 537	3 070 865	3 404 209
Other operating income	159	745	3 354	9 511	11 915
<b>Total revenue</b>	<b>1 242 807</b>	<b>875 180</b>	<b>3 542 890</b>	<b>3 080 375</b>	<b>3 416 124</b>
Cost of materials	687 634	414 984	1 695 497	1 502 305	1 673 120
Payroll and social security expenses	377 853	268 388	1 101 298	940 096	853 706
Other operating expenses	201 791	162 238	637 512	448 034	599 209
Gain / Fair value adjustment earn-out					-69 625
<b>Total operating expenses before depreciation</b>	<b>1 267 278</b>	<b>845 609</b>	<b>3 4 34 307</b>	<b>2 890 435</b>	<b>3 056 409</b>
<b>Operating profit before depreciation (EBITDA)</b>	<b>-24 471</b>	<b>29 571</b>	<b>108 584</b>	<b>189 940</b>	<b>359 715</b>
Depreciation and impairment	84 149	64 625	262 801	249 212	239 606
<b>Operating profit (EBIT)</b>	<b>-108 620</b>	<b>-35 055</b>	<b>-154 096</b>	<b>-59 272</b>	<b>120 109</b>
Profit/loss from investments in associates and joint ventures	60 381	178	-2 957	-1 885	-749
Net financial items	-28 310	-14 660	-144 692	5 018	-8 114
<b>Profit/loss before tax</b>	<b>-76 549</b>	<b>-49 536</b>	<b>-301 744</b>	<b>-56 138</b>	<b>111 246</b>
Tax expense	4 436	15 424	25 833	91 643	3 755
<b>Profit/loss after tax</b>	<b>-80 985</b>	<b>-64 960</b>	<b>-327 577</b>	<b>-147 781</b>	<b>107 491</b>

# Consolidated financial statements | Balance sheet

## Hexagon Composites ASA

BALANCE SHEET (NOK 1 000)	30.09.2022	30.09.2021	31.12.2021
<b>ASSETS</b>			
Property, plant and equipment	1 374 350	852 462	1 010 625
Right-of-use assets	336 804	264 691	282 309
Intangible assets	2 730 591	2 043 841	2 384 524
Investment in associates and joint ventures	55 553	2 152	7 024
Other non-current financial assets	102 426	379	379
Other non-current assets	2 515	2 493	2 489
Deferred tax	13 678	1 775	13 678
<b>Total non-current assets</b>	<b>4 615 917</b>	<b>3 167 793</b>	<b>3 701 029</b>
Inventories	1 812 276	1 083 867	1 147 004
Trade receivables	749 572	707 755	880 396
Contract assets (incl. prepayments)	7 210	2 258	4 165
Other current financial assets	18	1 228	1 162
Other current assets	228 098	199 393	181 281
Bank deposits, cash and similar	687 204	976 131	600 209
<b>Total current assets</b>	<b>3 484 378</b>	<b>2 970 630</b>	<b>2 814 217</b>
<b>Total assets</b>	<b>8 100 295</b>	<b>6 138 423</b>	<b>6 515 246</b>

BALANCE SHEET (NOK 1 000)	30.09.2022	30.09.2021	31.12.2021
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	2 217 337	2 181 911	2 194 303
Other equity	989 641	908 658	911 989
<b>Equity attributable to equity holders of the parent</b>	<b>3 206 978</b>	<b>3 090 570</b>	<b>3 106 291</b>
Non controlling interests	480 354	337 748	378 010
<b>Total equity</b>	<b>3 687 333</b>	<b>3 428 318</b>	<b>3 484 301</b>
Interest-bearing liabilities (non-current)	1 488 645	1 072 915	1 166 057
Lease liabilities (non-current)	295 487	225 448	230 276
Other financial liabilities (non-current)	368 448	64 662	190 529
Pension liabilities	5 256	3 411	4 645
Deferred tax liabilities	279 757	185 587	247 160
Provisions (non-current)	7 248	4 402	11 686
<b>Total non-current liabilities</b>	<b>2 444 840</b>	<b>1 556 426</b>	<b>1 850 353</b>
Interest-bearing liabilities (current)	217 402	-	13 635
Lease liabilities (current)	53 835	50 496	62 455
Trade payables	618 488	465 826	392 747
Contract liabilities (incl. prepayments from clients)	439 561	172 975	277 658
Other financial liabilities (current)	75 551	-	-
Income tax payable	92 275	140 966	47 201
Other current liabilities	377 668	235 600	320 150
Provisions (current)	93 342	87 816	66 747
<b>Total current liabilities</b>	<b>1 968 122</b>	<b>1 153 679</b>	<b>1 180 592</b>
<b>Total liabilities</b>	<b>4 412 962</b>	<b>2 710 105</b>	<b>3 030 945</b>
<b>Total equity and liabilities</b>	<b>8 100 295</b>	<b>6 138 423</b>	<b>6 515 246</b>

# Consolidated financial statements | Cash flow

## Hexagon Composites ASA

CONDENSED CASH FLOW (NOK 1 000)	30.09.2022	30.09.2021	31.12.2021
<b>Cash flow from operating activities</b>			
Profit before tax	-285 553	-206 059	-301 744
Depreciation, amortization and impairment	242 011	191 155	262 680
Net interest expense	45 272	40 189	52 166
Changes in net operating working capital <sup>1)</sup>	-149 849	-305 846	-455 250
Other adjustments to operating cash flow	111 228	44 528	97 452
<b>Net cash flow from operating activities</b>	<b>-36 891</b>	<b>-236 033</b>	<b>-344 696</b>
Purchase of property, plant & equipment, net of proceeds from sale	-310 995	-183 905	-263 846
Purchase of intangible assets	-45 212	-34 376	-59 755
Interest received	8 214	1 825	4 394
Acquisition of subsidiaries, net of cash	-	-	-146 189
Investment in associated companies	-58 354	-	- 8 580
Other investments	-33 055	-1 915	-1 109
<b>Net cash flow from investing activities</b>	<b>-439 402</b>	<b>-218 372</b>	<b>-475 085</b>
Net repayment (-) / proceeds (+) from interest bearing loans	522 034	-143 165	-126 771
Interest payments on interest-bearing liabilities	-49 672	-37 231	-49 901
Repayment of lease liabilities (incl. Interests)	-60 926	-51 768	-70 716
Net proceeds from share capital increase (subsidiary)	157 817	-	-
Net proceeds from purchase (-) and sale (+) of own shares	-30 495	5 625	9 543
<b>Net cash flow from financing activities</b>	<b>538 758</b>	<b>-226 540</b>	<b>-237 846</b>
Net change in cash and cash equivalents	<b>62 465</b>	<b>-680 944</b>	<b>-1 057 627</b>
Net currency exchange differences	24 530	7 193	7 954
Cash and cash equivalents at start of period	600 209	1 649 882	1 649 882
<b>Cash and cash equivalents at end of period</b>	<b>687 204</b>	<b>976 131</b>	<b>600 209</b>

<sup>1)</sup> Net operating working capital: Inventories, trade receivables, contract assets, trade payables, and contract liabilities