



ANNUAL REPORT 2019

Presentation by CEO Frank Gad
27 March 2020

AGENDA



- SP Group in brief
- Highlights 2019
- Financial results 2019
- Outlook for 2020
- Going towards 2022
- Q&A session



Frank Gad

CEO, SP Group since 2004
Born 1960, M. Sc.

This presentation contains forward-looking statements reflecting management's expectations for future events and financial results.

Statements relating to 2020 and the following years are inherently subject to uncertainty and SP Group's actual results may thus differ from expectations and targets. Factors that may cause actual results to differ from expectations include, but are not limited to, changes in raw materials and energy prices, changes in foreign exchange rates, epidemics and pandemics, changes in macroeconomic and political settings, changes in the demand and production patterns of key customer groups and other external factors.

This presentation does not constitute an invitation to buy or sell shares in SP Group A/S.

SP GROUP IN BRIEF



Headquarters in Denmark

established in
1972



Products are marketed and sold in

88 countries



Subsidiaries in

12 countries on
4 continents



Average number of employees increased
in 2019 from 1,994 to

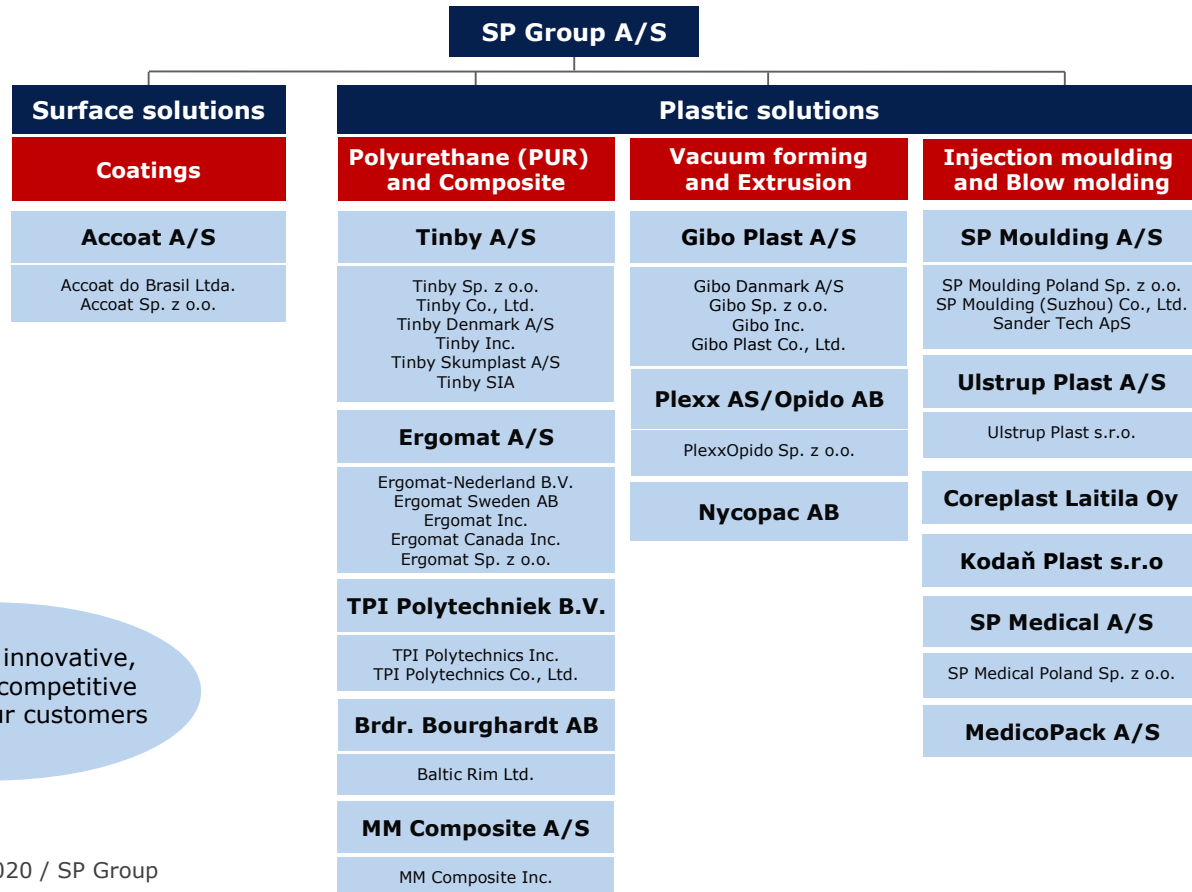
2,114 committed
employees





SP GROUP – AN OVERVIEW

- Manufacturer of moulded plastic and composite components and performs coatings on plastic and metal components
- Supplier of customer-specific solutions for a wide range of industries
- Strong international niche positions – also for our own brands
- Increased sales from own plants in Denmark, China, Brazil, the USA, Latvia, Slovakia, Sweden, Finland and Poland



We act as an innovative, reliable and competitive partner for our customers



HIGHLIGHTS 2019



HIGHLIGHTS 2019 / 1

In 2019, revenue increased by 2.4% to

DKK **2,013m**



In 2019, revenue from own brands fell by 7.3% to

DKK **419m**



In 2019, EBITDA increased by 7.7% to

DKK **308m**



In 2019, EPS, diluted, fell 11.6% to

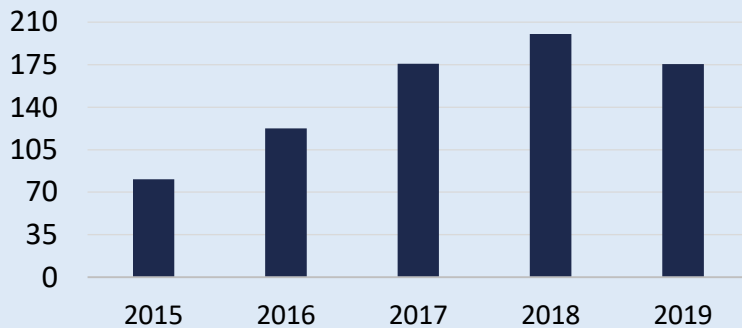
DKK **12.46**



HIGHLIGHTS 2019 / 2

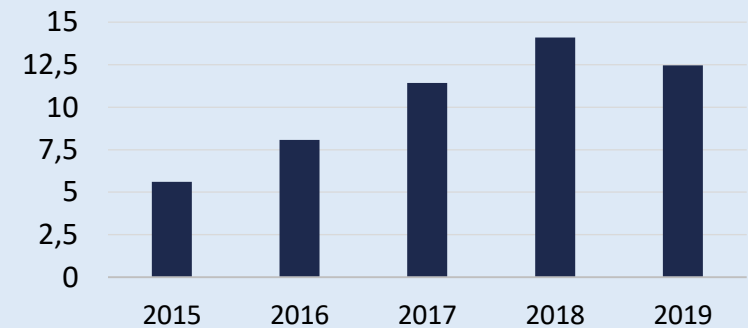
In 2019, Profit before tax fell by 12.4% to DKK 175.4m

DKKm



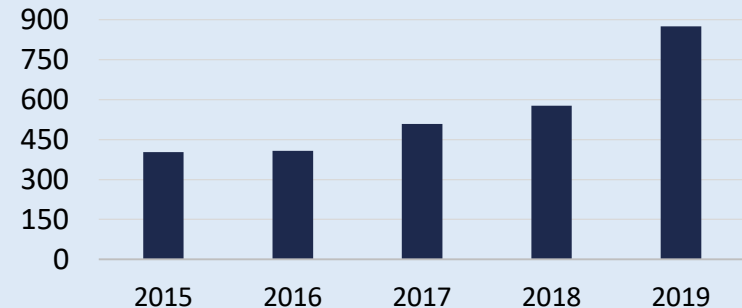
In 2019, EPS, diluted, fell by 11.6% to DKK 12.46

DKK



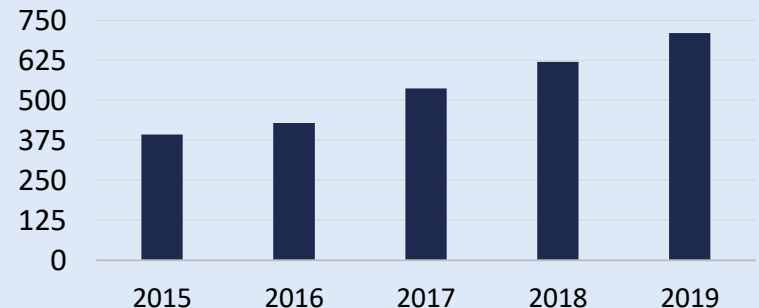
End december 2019, net interest-bearing debt (NIBD) increased DKK 299m to DKK 876m

DKKm



In 2019, equity increased DKK 90m to DKK 710m

DKKm



ACQUISITION OF COREPLAST OY



- SP Group has acquired Coreplast Laitila Oy in Laitila, Finland as per 25 June 2019
- The total price including takeover of debt (enterprise value) will be up to DKK 70m
- Coreplast has a revenue of approx. DKK 100m p.a.
- The acquisition of this well-run company within injection moulding of technical plastics accelerates the growth of SP Group
- Mikko Toivonen stays on as CEO and Kauko Kämäräinen stays on as Sales Director
- The CEO of SP Moulding, Søren Ulstrup, becomes new chairman of the board

About Coreplast Oy

- Coreplast is an advanced injection moulding company with production and assembly in Finland
- Coreplast has roots back to 1968 and has expanded regularly since then. Coreplast has been owned by the former owners since 2004
- One of the leading injection moulding companies in Finland with a strong brand
- The customers are primarily leading Finnish export companies with high requirements for quality
- Coreplast is certified according to ISO13485, IATF16949, ISO9001 and ISO14001
- Coreplast has 45 injection moulding machines, among these several two- and three-component machines with clamping forces from 25 ton to 1,500 ton and peripheral equipment such as robot cells, vision, cooling equipment, material feeding, assembly devices etc.





FINANCIAL RESULTS 2019



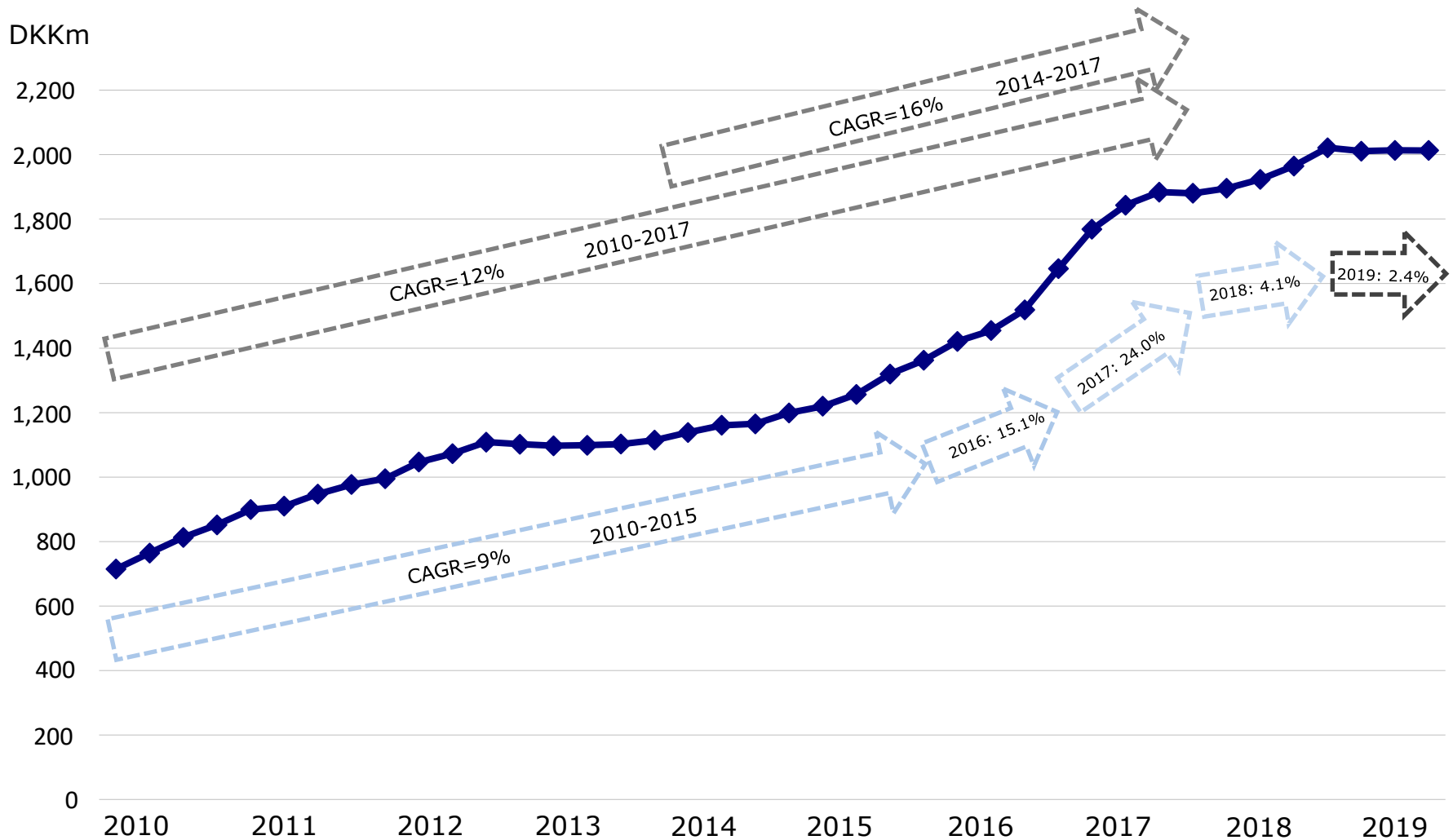
GROUP FINANCIAL HIGHLIGHTS 2019



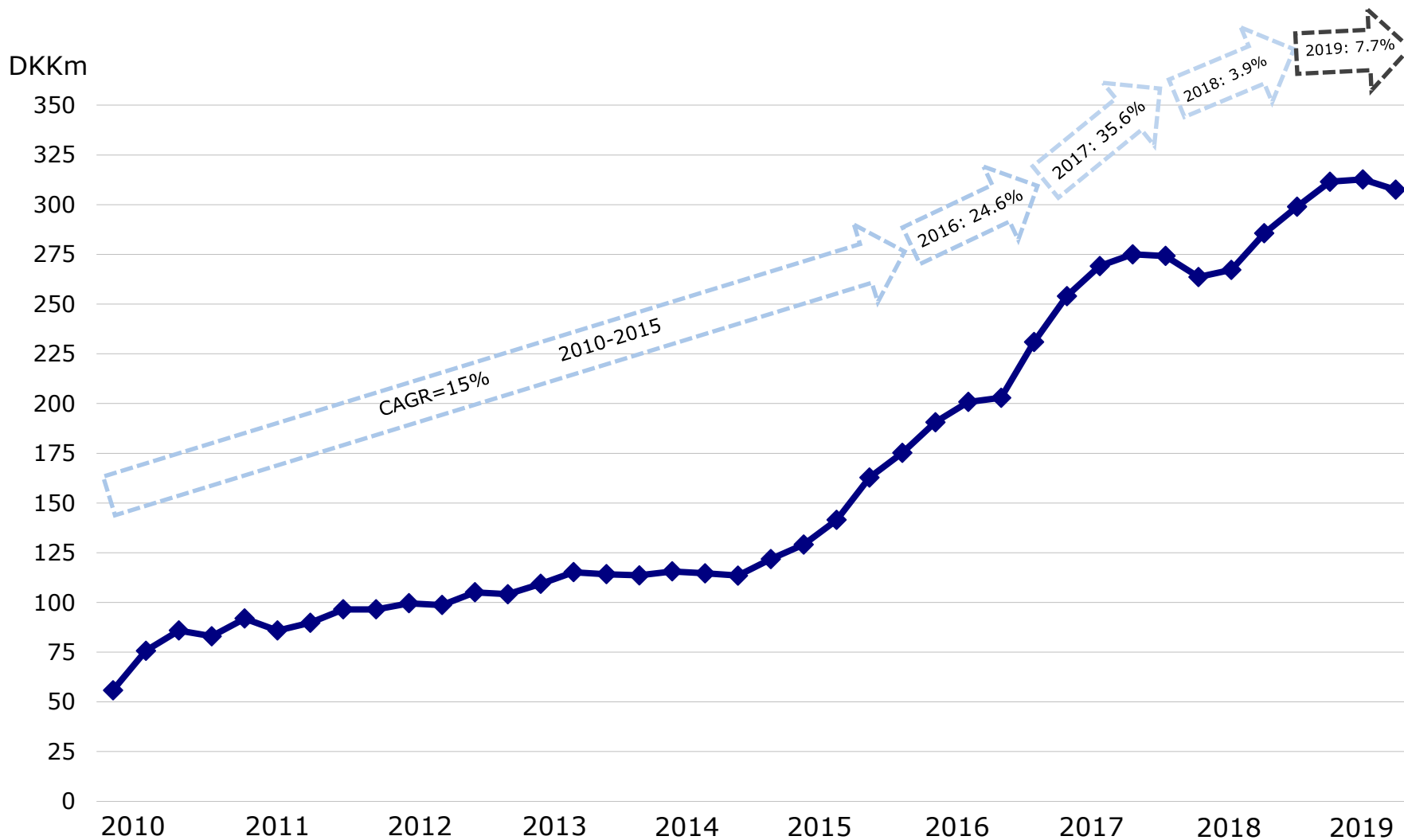
DKKm	2019*	2018	2017	2016	2015	2014	2013
Revenue	2,012.9	1,965.0	1,884.1	1,519.0	1,319.8	1,164.9	1,102.1
EBITDA	307.5	285.6	275.0	202.9	162.8	113.5	114.2
EBIT	177.8	195.9	193.5	133.4	90.8	60.2	65.3
Profit before tax	175.4	200.1	175.7	122.6	80.7	51.5	50.2
Equity	710.4	620.0	537.7	429.0	393.6	276.4	252.3
Cash flows from operations	158.6	173.4	180.8	140.4	171.7	64.1	66.9
Cash flows from investments	-180.2	-124.7	-204.8	-80.1	-116.3	-67.4	-60.1
Cash flows from financing activities	8.8	-62.9	45.9	-50.3	-40.9	4.6	-11.1
Change in cash and cash equivalents	-12.7	-14.2	21.9	10.0	14.5	1.3	-4.3
NIBD	875.7	576.6	509.1	407.7	403.4	467.2	430.0
Equity ratio, %	34.5	37.8	35.5	35.7	36.5	29.3	28.5

* Prepared in accordance with IFRS 16

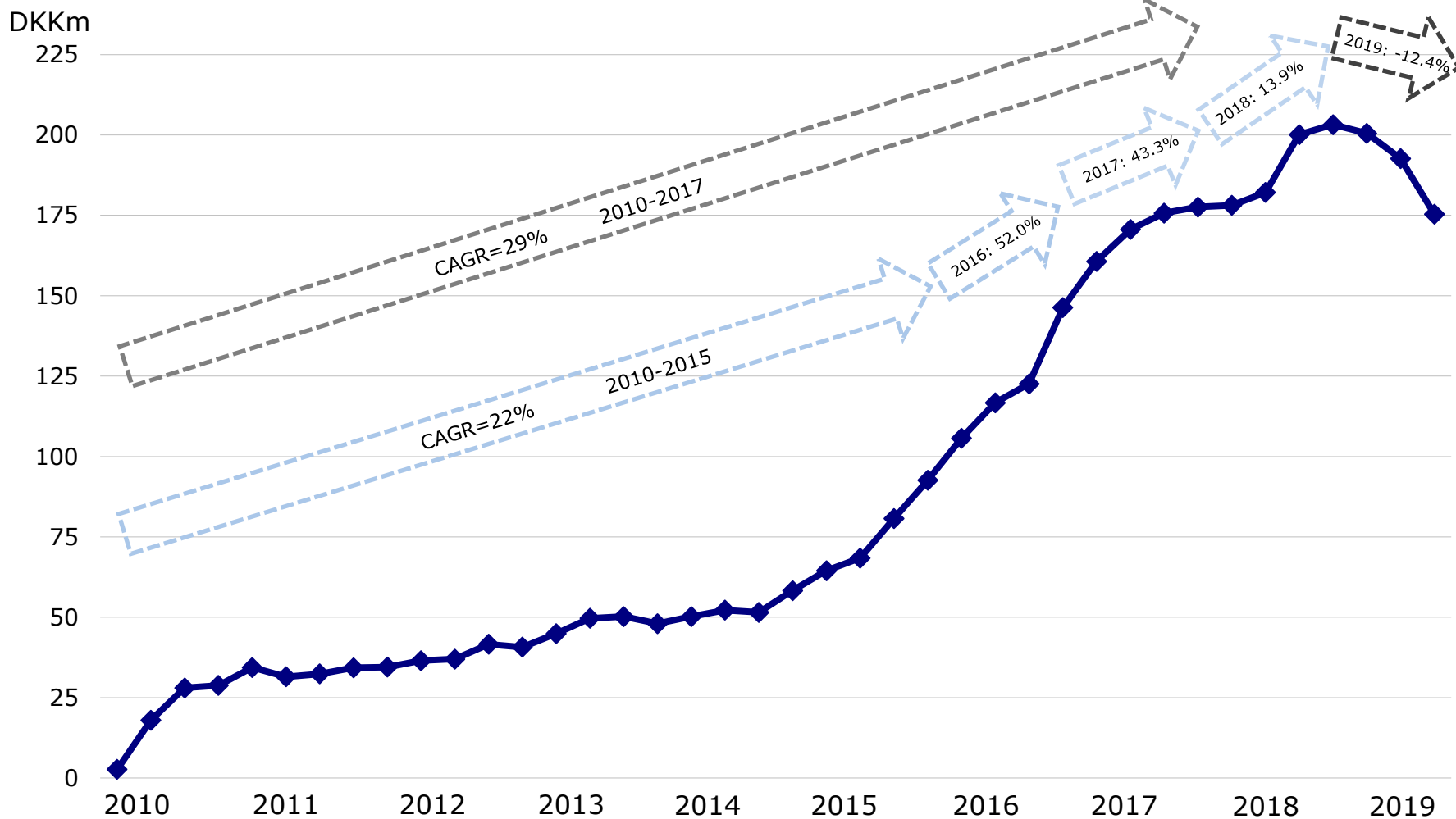
REVENUE 2010 – 2019



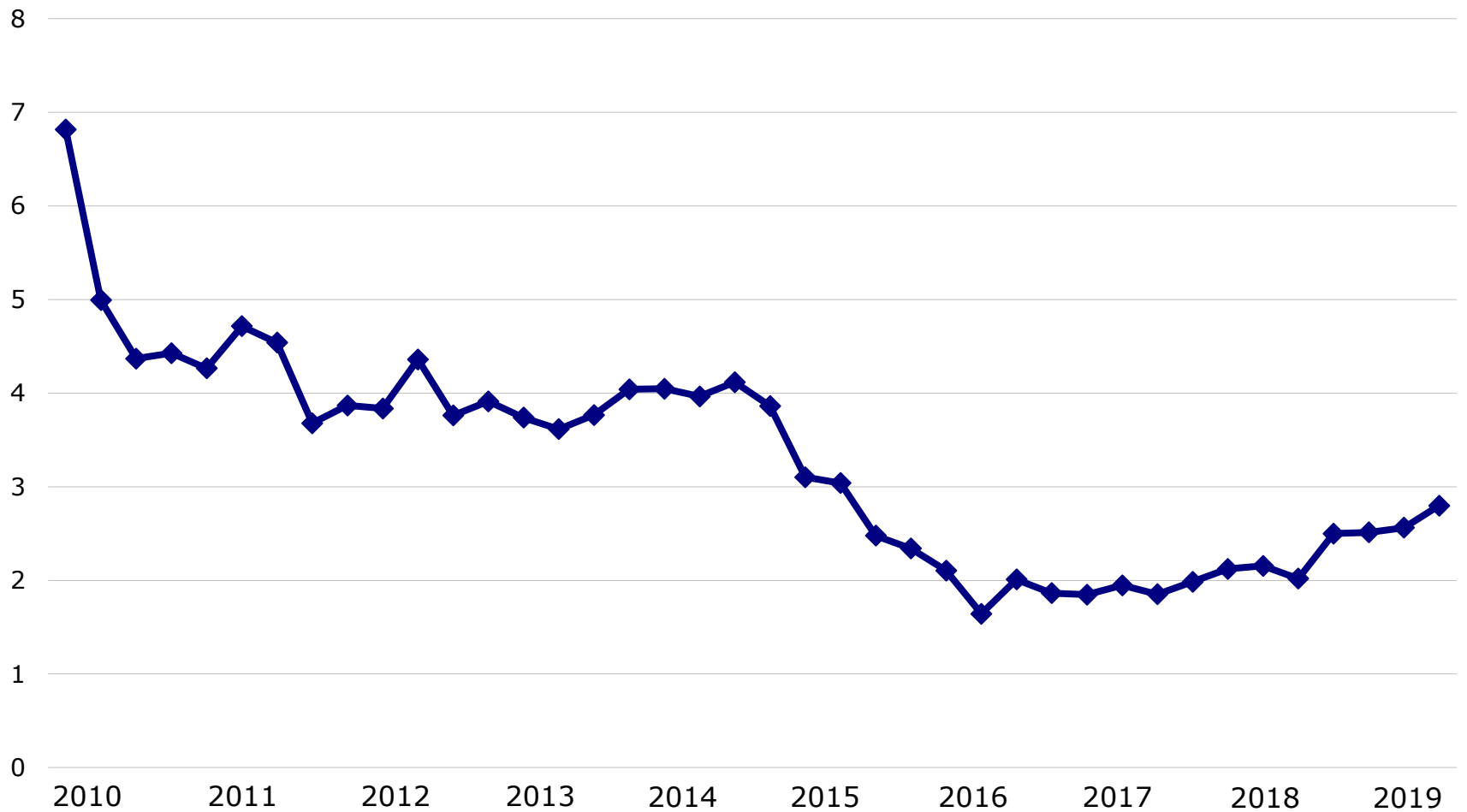
EBITDA 2010 – 2019



EBT 2010 – 2019



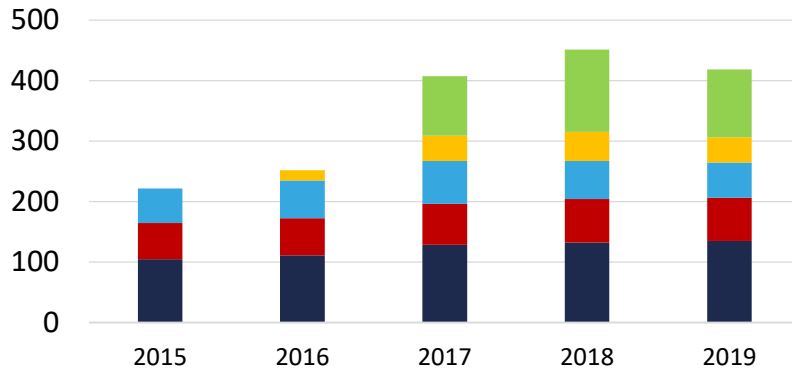
NIBD/EBITDA 2010 – 2019





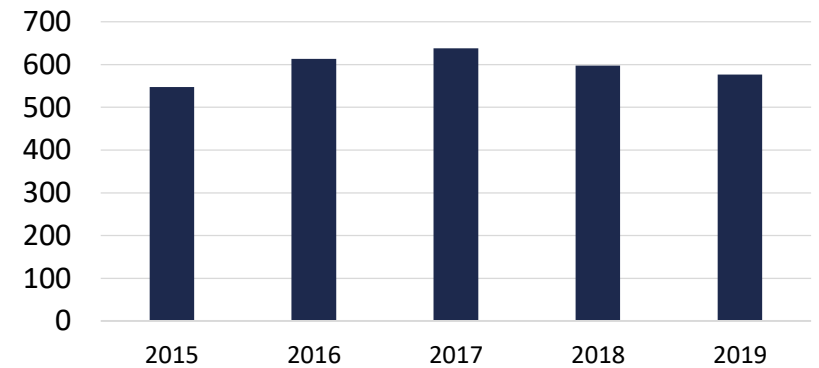
REVENUE SPLIT BY PRODUCT AREA

Revenue from own brands in DKKm

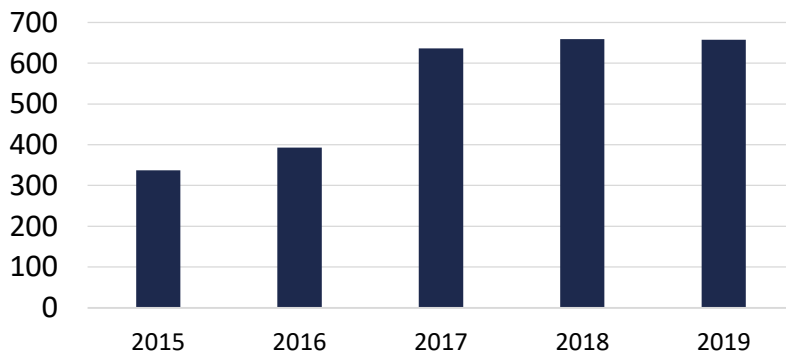


■ Ergonomics ■ Animal housing ventilation ■ Guidewires ■ MedicoPack ■ Industrial components

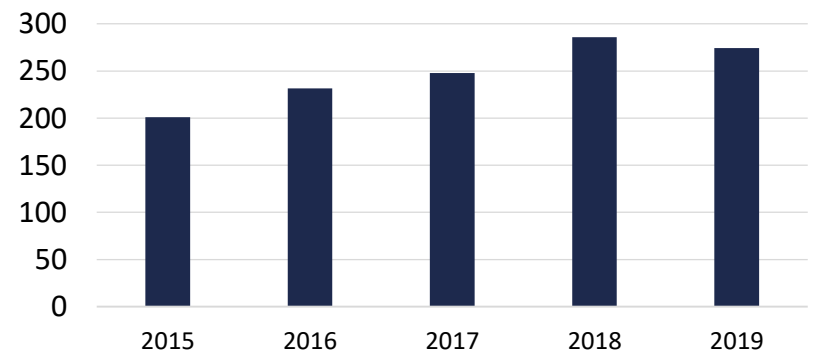
Revenue healthcare products in DKKm



Revenue cleantech industries in DKKm

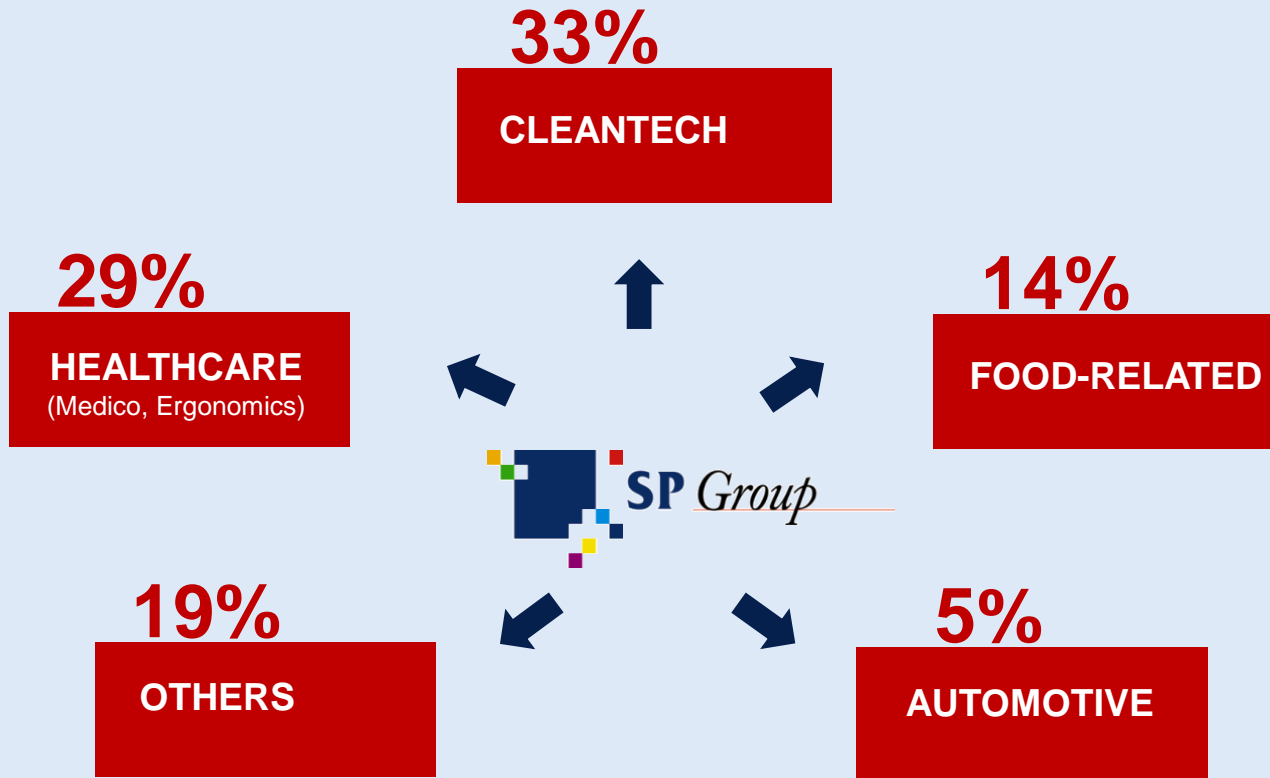


Revenue food-related industries in DKKm





REVENUE BY CUSTOMER GROUPS IN 2019



As of 31 December 2019:

- A total of more than 1,000 customers
- The largest customer accounts for 17% (2018: 18%)
- The 10 largest customers account for 50% (2018: 51%)
- The 20 largest customers account for 61% (2018: 61%)



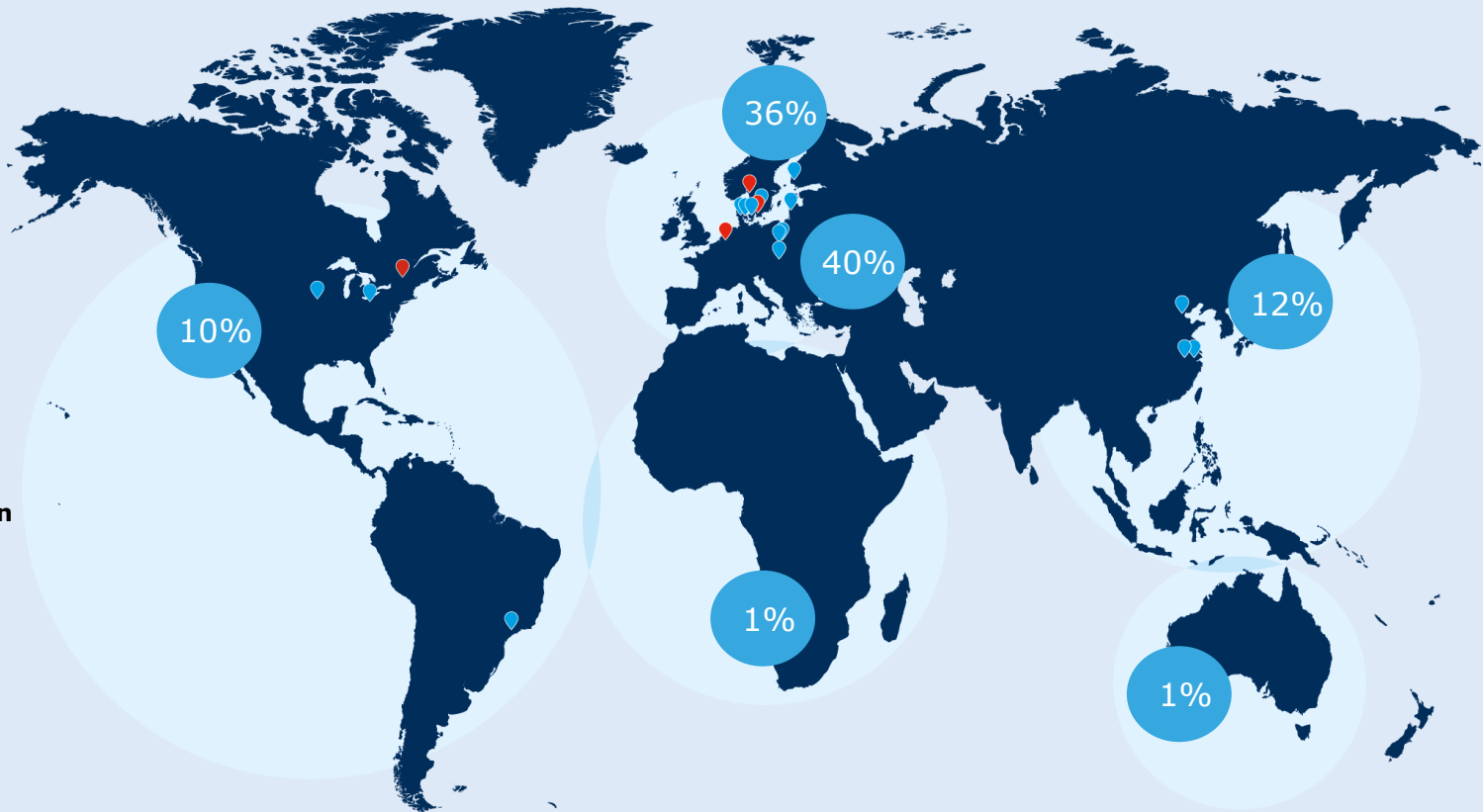
SP GROUP'S GLOBAL PRESENCE

Sales and production

- Denmark (10)
- Poland (6)
- China (3)
- Brazil (1)
- US (2)
- Latvia (1)
- Slovakia (2)
- Sweden (1)
- Finland (1)

Sales and distribution

- Netherlands (1)
- Sweden (3)
- Canada (1)
- Norway (1)



Percentage distribution is based on 2019 Accounts

ACQUISITIONS SINCE 2014



Our strategy has been to make acquisition, when we can create additional value by applying our capabilities

This is especially true when the acquisition's capabilities can improve our existing business or create new platforms for growth



INTERNATIONALISATION

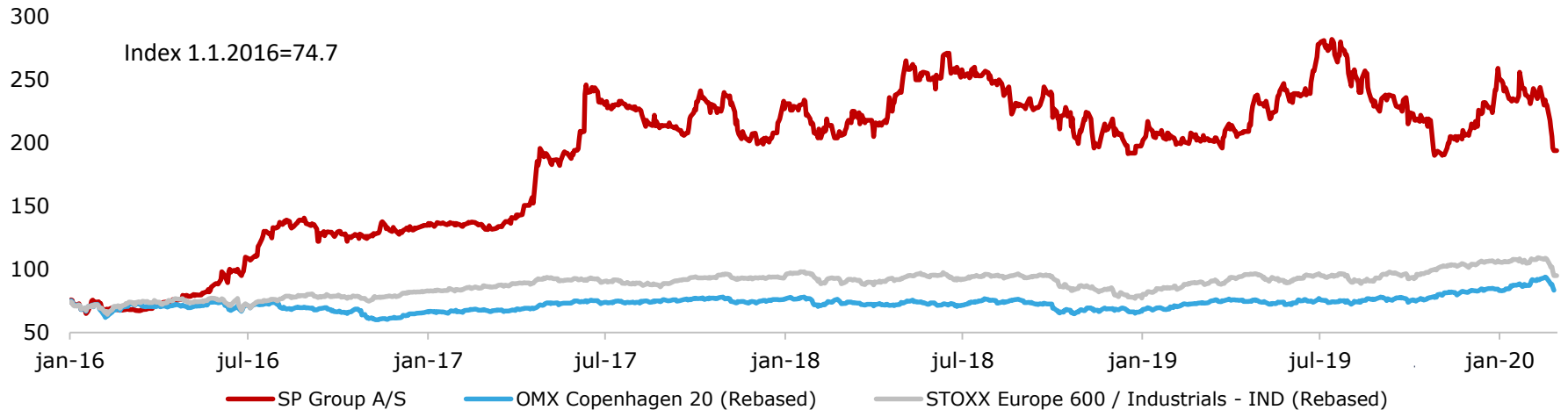


	2005	2010	2015	2018	2019	2022E
Share of sales outside Denmark	37%	46%	54%	62%	64%	~70%
Share of employees outside Denmark (avg)	23%	50%	64%	69%	72%	~75%
Number of factories outside Denmark	2	6	12	15	17	17
Total number of factories	18	15	20	25	27	27



SHARE PRICE PERFORMANCE

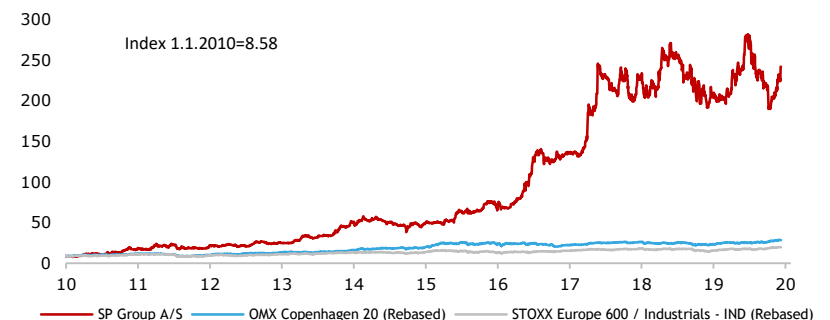
Share price performance from 1 January 2016 to 29 February 2020



Source: FACTSET

- Share capital DKK 22.78m
- All shares have equal rights
- Dividends to the shareholders of DKK 0 in 2020 (2019: DKK 2.40)
- New DKK 40m share buy-back programme established 11 April 2019. Increased to DKK 95m 22 August 2019
- 1 January 2018 Mid Cap company
- May 2018 share split in the ration 1:5

Share price development from 1 January 2010 to 31 December 2019



Source: FACTSET



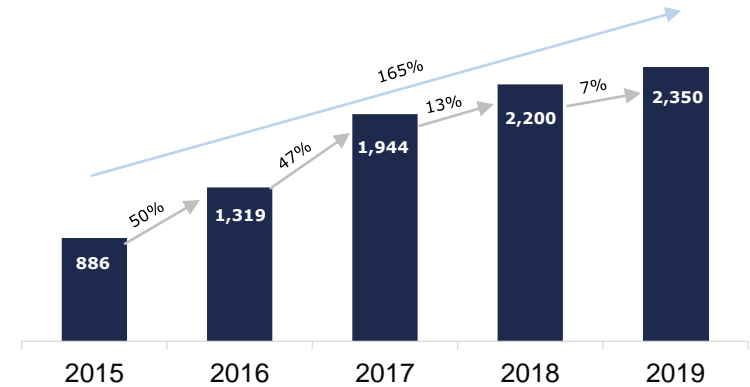
SHAREHOLDERS

December 2015: approx. 886 shareholders

March 2020: approx. 2,350 shareholders

Or up by 165% in the period

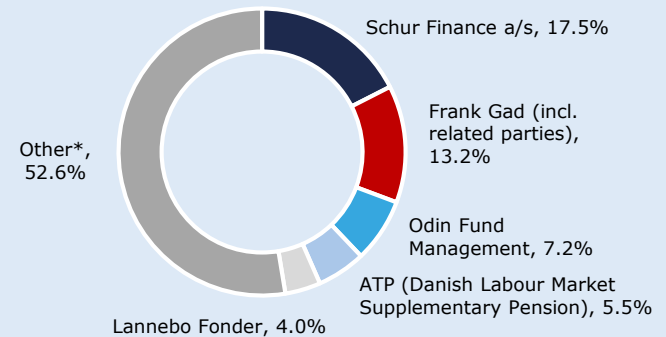
Development shareholders from 2015 to 2019



Among the largest shareholders are:



Shareholder information as per medio March 2020:



* Approx. 12% of 'Others' include the Board of Directors and Executive Management, therefore management amounts to approx. 43%



MARKET CONDITIONS

Demand factors

- Customers demand better and cheaper products
- Customers focus on core business while outsourcing plastics production to specialist suppliers
- Customers want fewer and better suppliers

Megatrends:

Growing, ageing population, climate, scarcity of resources

Value creation at SP Group

- Instead of using wood, metal and glass we substitute with plastics and composite
- Manufacturing globally; with a powerful team, the right equipment and the right technology
- Taking over our customers' plastics production, leveraging our skills and economies of scale to provide customer-specific service
- Ambition to become a preferred supplier
- Strong exposure to growing global industries (healthcare, cleantech and food industries)

GROUP FINANCIAL HIGHLIGHTS Q4 AND Q1-Q4 2019



DKKm	Q4 2019*	Q4 2018	2019*	2018
Revenue	503.0	503.6	2,012.9	1,965.0
EBITDA	71.2	76.4	307.5	285.6
EBIT	36.4	55.4	177.8	195.9
Profit before tax	37.1	54.4	175.4	200.1
Equity			710.4	620.0
Cash flows from operations	31.8	53.6	158.6	173.4
Cash flows from investments	-71.9	-36.7	-180.2	-124.7
Cash flows from financing activities	27.9	-12.0	8.8	-62.9
Change in cash and cash equivalents	-12.2	4.9	-12.7	-14.2
NIBD			875.7	576.6
Equity ratio, %			34.5	37.8

* Prepared in accordance with IFRS 16



EFFECT OF IFRS 16 FOR 2019

Financial statement items	Effect	Effect	Description of effect
Revenue	→		No change
OPEX		Decrease of DKK 34.1m	Decreased as operating lease payments are recognised as depreciation and interest expenses
EBITDA margin	↑	Increase of 1.7%	Significant increase due to lower costs (decrease in rental expenses)
Depreciation/Amortisation		Increase of DKK 28.5m	Increases due to depreciation on capitalised right-of-use assets
EBIT	↑	Increase of DKK 5.6m	Increase in EBIT as part of the rental expenses is recognised as interest expense
Financial expenses		Increase of DKK 7.3m	Increase due to interest expenses on lease commitments
Corporation tax	→		No significant changes
Net profit	↓ ↻ →	Decrease of DKK 1.7m	Minor decrease due to "front loading" of interest expenses
NIBD	↑	Increase of DKK 141.8m	Net interest-bearing debt has increased due to recognition of lease liabilities
Free cash flows	↑	Increase of approx. DKK 34.1m	Increased as operating lease payments are reclassified from cash flows from operating activities to cash flows from financing activities
Assets	↑	Increase of approx. DKK 140.1m	Capitalised user rights
Liabilities	↑	Increase of approx. DKK 141.8m	Recognition of future lease payments

At the beginning of the year, two leased properties were included which were acquired at a price of DKK 24 million.



**Plastics drive innovation,
improve quality of life,
facilitate resource
efficiency and climate
protection**

OUTLOOK FOR 2020

OUTLOOK FOR 2020



- The global economy will hardly grow in 2020, and it is still fragile and associated with political and economic uncertainty
- Due to the spread of the Corona virus and the actions taken by the Authorities, our level of activities and cash flows in the coming months are subject to great uncertainty
- At present, we are therefore unable to reliably state our expectations for revenue and earnings in 2020. We are short of well-functioning markets.



A wide-angle photograph of a grand, ornate hall. The ceiling is a large, circular glass dome with a central skylight. The walls are decorated with intricate carvings and a series of arched windows. The floor is covered with rows of blue chairs, suggesting a large assembly or conference room. The lighting is warm and ambient, highlighting the architectural details.

GOING TOWARDS 2022



2022 AMBITION / 1








- Customer focus and organic growth
- Proprietary products to make up a greater proportion of sales: from 20.8% in 2019 to about 25-30% by 2022
- "Buy and build"; acquisitions, preferably proprietary products (as MedicoPack)
- Investing heavily in both technology and people
- Increased international scope
- Growing competitive strength

**We act as an innovative,
reliable, and competitive
partner for our customers**



2022 AMBITION / 2



	2017	2019		2022 ambition*
Revenue	DKK 1,884m	DKK 2,013m	+ 12-16% yearly 	DKK 3.3-4.0bn
EBITDA	14.6%	15.3%	+ 2 percentage points 	16-17%
EBT	9.3%	8.7%	+ 2-3 percentage points 	10-12%
EBT	DKK 176m	DKK 175m		DKK ~400m
NIBD/EBITDA	1.9	2.8	 2-4 	2.5-3.5
Equity ratio	35.5%	34.5%	 25-45 	35-40%

* Ambition in 2022 or later



UN'S SUSTAINABLE DEVELOPMENT GOALS



- We are working actively with the UN Sustainable Development Goals – read more at pp. 39-47 in our Annual Report 2019

PLASTIC WASTE IN OUR ENVIRONMENT AND OUR OCEANS



Waste left in our environment and in our oceans constitutes a serious problem for all living beings on this planet

SP Group does **NOT** produce:

- Plastic bags
- Plastic cutlery
- Cotton buds
- Plastic straws
- Disposable plastic bottles or caps

- Plastics have no place in the environment. It is a resource that should be recycled and used sensibly
- As a member of the Danish Plastics Federation, we work proactively to be a part of the solution



HOUSEHOLD WASTE CAN BE RECYCLED INTO NEW FENCING



SP GROUP: A PART OF THE SOLUTION, NOT A PART OF THE PROBLEM



SP Group produces technical plastic solutions that contribute to solving the challenges of the future:

- **Cleantech:** Insulation, generating renewable energy, reducing energy consumption, flue gas cleaning, energy meters and water purification
- **Healthcare:** Diagnostic equipment, guidewires, ergonomic solutions, medical packaging and drug delivery devices
- **Food industries:** Farm ventilation equipment, processing equipment, analytical devices, food storage, cooling, eco-friendly coating solutions that make cleaning easier
- **Automotive industry:** Lighter and more energy-efficient vehicles where plastics replace metal
- Only 5% of the world's current oil consumption of about 100 million barrels per day is applied for producing plastics
- After use, plastics can be recycled or combusted without loss of calorific value



Q&A SESSION





APPENDIX

SURFACE SOLUTIONS



- Accoat develops and produces environmentally-friendly technical solutions involving fluoroplastics (Teflon®), PTFE and other pure materials for industrial and medical purposes
- Accoat applies plastic coatings on products and production plants in a number of industries. Articles being coated range from very small syringes to large tank facilities
- Accoat is among the five largest suppliers of industrial Teflon coating in the EU
- Locations: Kvistgård (DK), Sieradz (PL) and São Paulo (Brazil)





2019 in highlights

- New tasks in the food industry
- More tasks in the medical device industry
- 2019 was the year when production of a customer-owned product was phased out and production shut down – product reached the end of its life cycles
- In the remaining part of Accoat Denmark, the level of activities was high
- Accoat was downsized, but still able to meet demand within advanced fluoroplastic coatings
- Focus on high-build core competencies non-stick, low friction and corrosion protection
- Expect total demand for coatings will increase in future
- Accoat has been approved by the Danish Veterinary and Food Administration to manufacture food contact materials

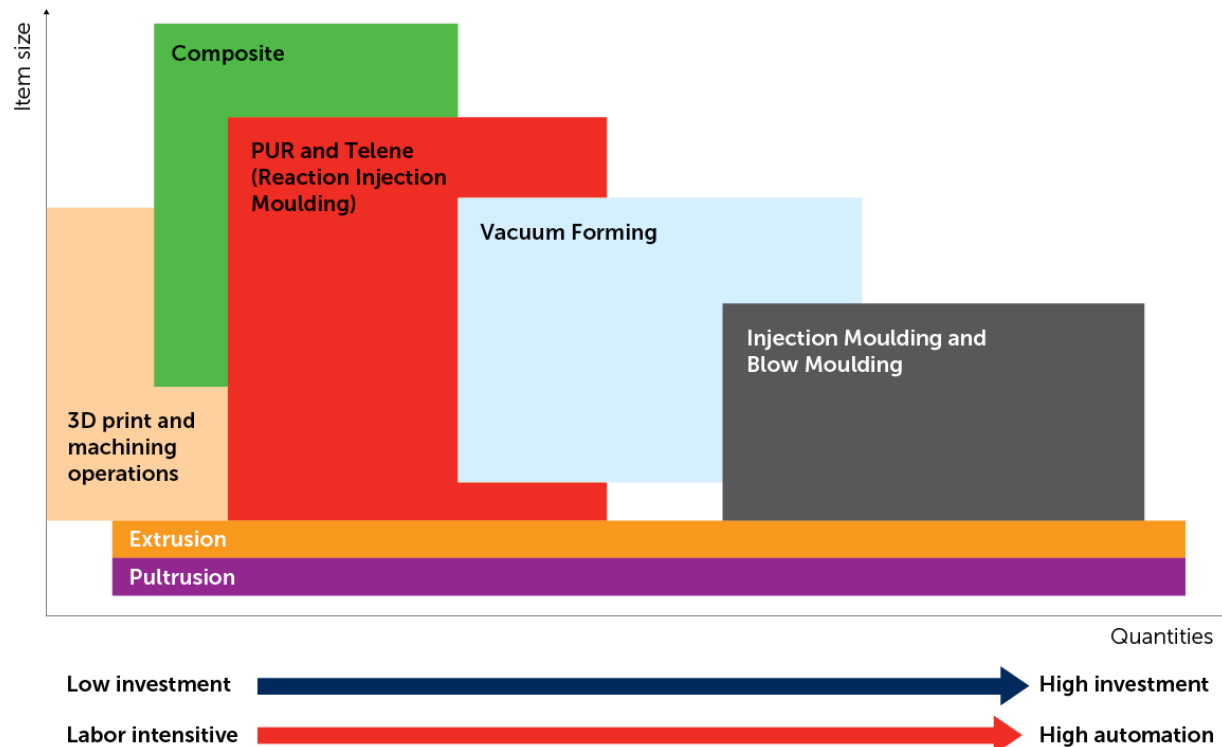


PLASTIC SOLUTIONS



Plastic businesses include:

- **Injection Moulding and Blow Moulding:** SP Moulding, Sander Tech, Coreplast, Ulstrup Plast, SP Medical and MedicoPack
- **Polyurethane (PUR) and Composite:** Ergomat, Tinby, TPI Polytechnik, Bröderna Bourghardt and MM Composite
- **Vacuum Forming, Extrusion and Processing:** Gibo Plast, Plexx Opido, Nycopac and Kodaň Plast





INJECTION MOULDING & BLOW MOULDING / 1

- SP Moulding, Sander Tech, Coreplast and Ulstrup Plast manufactures advanced plastic precision components for a wide range of industries
- SP Moulding and Ulstrup Plast are producers of technical plastic devices and perform assembly work. Market leader in Denmark and among the largest injection moulders in the Nordic region
- SP Medical manufactures products for customers in the medical devices industry, including finished products such as guidewires. Production takes place in clean rooms. SP Medical is among the 2-3 largest players in the Nordic region.
- SP Moulding, SP Medical, Coreplast and Ulstrup Plast have more than 475 injection moulding machines at their disposal with a clamping force ranging from 25 tonnes to 1500 tonnes
- SP Moulding, SP Medical, Coreplast and Ulstrup Plast also provide two- and three-component plastic solutions including more than 40 two- and three-component machines
- MedicoPack makes blow moulding in clean rooms for customers within the medical industry
- Locations: Juelsminde (DK), Stoholm (DK), Karise (DK), Lynge (DK), Langeskov (DK), Sieradz (PL), Zdunska Wola (PL), Laitila (FIN), Pobedim (SK) and Suzhou (CN)



2K moulding



Technical plastics



Medico



3K moulding



Medico



INJECTION MOULDING & BLOW MOULDING / 2

2019 in highlights

- Global progress
- Many new tasks
- **SP Moulding, Sander Tech, Ulstrup Plast and Coreplast** saw a healthy entry of a number of new customers in Europe, the Americas and Asia
- **SP Medical** entered into a number of new agreements with both new and existing customers in the medical device industry
- Considerable amounts were invested in new state-of-the-art production equipment
- **SP Moulding, SP Medical and Ulstrup Plast** have entered into agreements to purchase injection-moulding machines for delivery in 2020 – the machines will be used to expand activities with existing customers
- **MedicoPack** exports approx. 90% of its products and large investments have been initiated to keep up with developments

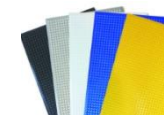




POLYURETHANE & COMPOSITE / 1

- Ergomat A/S, Tinby A/S, TPI Polytechnik BV, Brøderna Bourghardt AB and MM Composite A/S
- Locations: Søndersø (DK), Nørre Aaby (DK), Ejby (DK), Tjæreborg (DK), Zdunska Wola (PL), 's-Hertogenbosch (NL), Helsingborg (SE), Cleveland (USA), Mount Pleasant (USA), Montreal (CAN), Suzhou (CN) and Liepāja (LV)

Ergomat develops and sells ergonomic solutions under own brands, especially Ergomat® mats and DuraStripe® striping tape for corporate customers worldwide. Market leader in the EU.



Mats



DuraStripe

Tinby manufactures moulded products in solid, foamed and flexible PUR as well as laminated plastics and elastomer for e.g. the graphics, medical device, furniture and cleantech industries as well block foaming solutions, and manufactures light-foam products and other plastic solutions primarily for the cleantech industry. Global leader in the market for hard rollers.



Wind turbines



Solid foamed PUR

TPI Polytechnik develops and sells concepts for ventilation of industrial buildings as well as poultry and pig houses, primarily products under its own brand, TPI. Market leader in the EU.



Brøderna Bourghardt manufactures large plastic parts in DCPD (Telene) and composite for heavy vehicle, wind energy and satellite communication industries. Scandinavia's leading manufacturer of Telene® products.



Plastic part in Telene

MM Composite develops and sells high-quality composite components to cleantech and other industries. The products are manufactured using different production technologies such as hand lay-up and vacuum infusion



Wind turbines



Glass fibre



POLYURETHANE & COMPOSITE / 2

2019 in highlights

- Higher activities
- New products
- Expansion in the Netherlands, Poland, USA, China and Latvia
- **Ergomat** reported handsome results in 2019
- **Tinby** expanded its capacity to support global growth
- **TPI** reported further positive developments on the North American markets in 2019. The Asian markets also developed positively, whereas the European market was stable. New products will be launched in several markets in 2020
- **Brdr. Bourghardt** focused on large sales projects in 2019. Some of them have not yet been realised and combined with a less advantageous product mix 2019 slightly weaker than 2018
- **MM Composite** established a new production line in its American factory. The global consolidation in the wind turbine industry meant new challenges and opportunities



VACUUM FORMING, EXTRUSION AND MACHINING / 1



- Gibo Plast and PlexxOpido develop, design and manufacture thermo-formed plastic components for refrigerators and freezers, buses and cars (automotive) as well as in the medical device, lighting equipment and cleantech industries
- Gibo Plast is both specialised in traditional vacuum forming and the state-of-the-art forming methods High-pressure and Twinsheet
- Opido is also specialised in ORS (Opido Reinforced System) with fortified and sound-absorbing vacuum-formed components as well as laser cutting and hot bending
- Kodaň Plast is specialised in rotation and milling of plastic materials as well as bending, bonding and welding of plastics
- Nycopac develops, designs and sells plastic packaging solutions for industrial transportation
- Market leader in Scandinavia
- Locations: Skjern (DK), Ljungby (SE), Fredrikstad (N), Sieradz (PL), Nyköping (SE), Zilina (SK), Mt. Pleasant (USA) and Tianjin (CN)



Vacuum forming



Furniture



Appliance



Cleantech



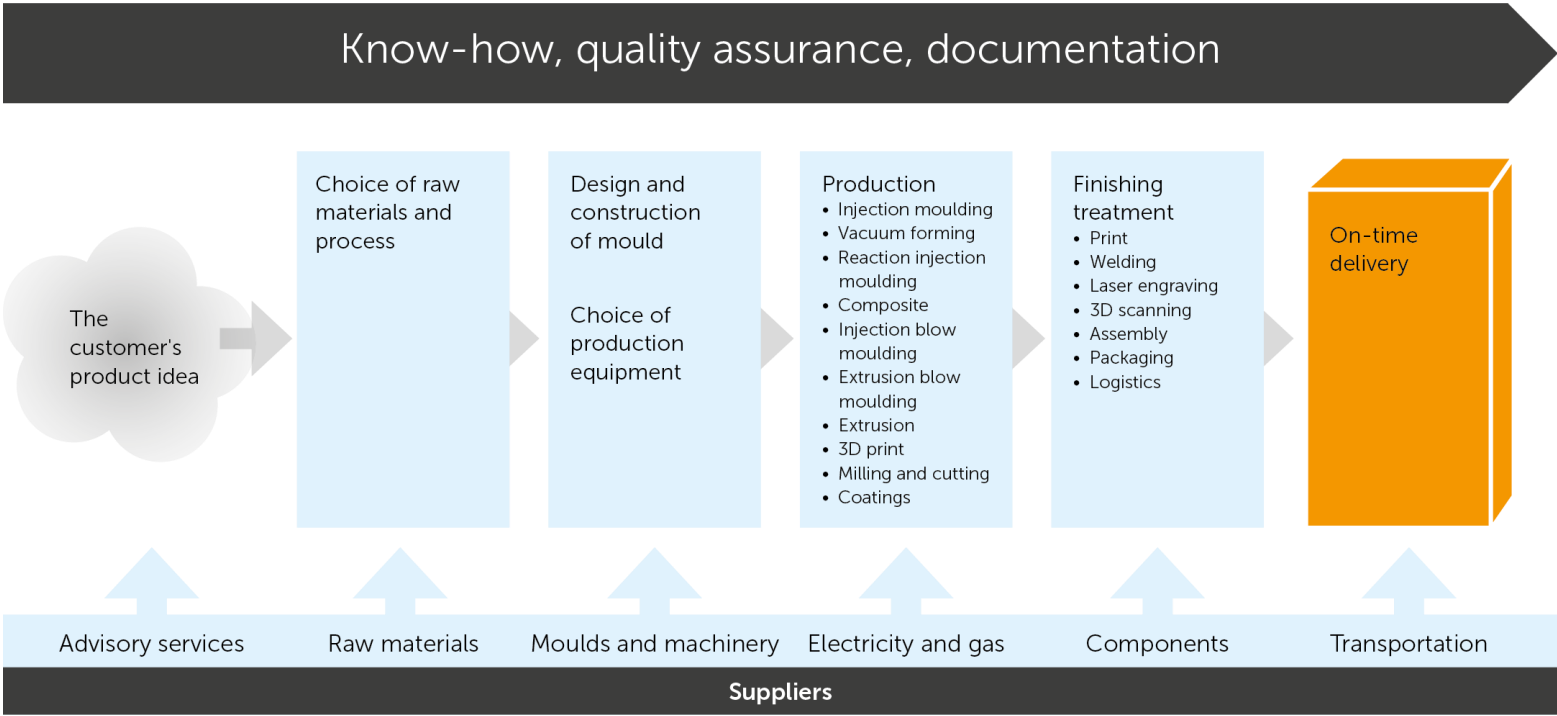
2019 in highlights

- New tasks in several industries
- Establishment in USA and China
- Integration of Nycopac AB in Sweden and Kodaň Plast s.r.o. in Slovakia
- **Gibo Plast** and **PlexxOpido** have succeeded in ensuring an improvement in operating profit and activities
- Intensely work on implementing efficiency-enhancing measures in Denmark, Sweden, Norway and Poland
- Large amounts and many efforts were invested in strengthening the expertise in the production of tools for prototype devices and production of vacuum-formed plastics
- Better and more effective servicing of existing and new customers by reducing time-to-market in connection with new plastic components
- ORS competence gained
- Lower costs and improved results of operations





SP GROUP'S VALUE CREATION



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