Year-end report 2023

THE FULL YEAR

- » Net revenue totalled SEK 3,431 million (3,509)
- » Operating profit amounted to SEK 301 million (341)
- » Profit before tax amounted to SEK 226 million (309)
- » Profit after tax amounted to SEK 175 million (249)
- » Earnings per share were SEK 3.01 (4.30)
- » Cash flow from operating activities amounted to SEK 519 million (128)
- » Proposed dividend per share SEK 1.00 (1.75)

THE FOURTH QUARTER

- » Net revenue totalled SEK 836 million (806)
- » Operating profit amounted to SEK 54 million (34)
- » Profit before tax amounted to SEK 23 million (19)
- » Profit after tax amounted to SEK 18 million (23)
- » Earnings per share were SEK 0.30 (0.40)
- » Cash flow from operating activities amounted to SEK 326 million (95)

Important events during the year

- » Lundgren Machinery (Sweden) was acquired
- » Integrated Packaging Solutions (USA) was acquired

CEO'S COMMENTS ON THE GROUP'S DEVELOPMENT DURING THE PERIOD

The Group

The past year saw a high degree of adjustment for most of the Group's companies. We witnessed declining trends in traditional markets and experienced a generally low willingness to invest, primarily among our European customers in the packaging industry. Sectors that enjoyed strong growth during the pandemic, such as medical technology and food, experienced a return to more normalised conditions. To balance the loss of volume in respect of existing customers, we intensified our efforts in new business areas and in new geographic markets. This resulted in strong growth, primarily within automation for the handling of vehicle batteries and contract assignments in the defence sector. We also conducted two acquisitions with the aim of complementing and strengthening our existing operations. Implemented marketing investments are affecting profitability in the short term, but are supporting our strategic direction and our long-term goals.

Summing up the outcome for the year as a whole, we can observe that the Group's revenue decreased by 2 per cent compared with the previous year. Operating profit fell by almost 12 per cent and the operating margin was 8.8 per cent (9.7). The profit margin stood at 6.6 per cent (8.8). Ongoing activities to improve cash flow generated a healthy inflow at the same time as tied-up capital linked to project operations was at a lower level. Cash flow for the year from operating activities consequently was strong, amounting to SEK 519 million (128).

During the final quarter of the year, we saw slightly higher revenue and a stronger operating profit compared with the previous year. Revenue rose by almost 4 per cent, while operating profit increased by just over 60 per cent. The operating margin amounted to 6.5 per cent (4.2). Profit for the period was affected by significant exchange rate losses attributable to financial items and the profit margin was recognised at 2.9 per cent (2.4). Cash flow from operating activities totalled SEK 326 million (95).

The Industrial Products business unit

In relation to the previous year, sales fell by 6 per cent and operating profit decreased by 13 per cent.

The year was characterised by fluctuations in order intake and differing conditions for the business unit's various customer segments. Despite a slight decline in sales, however, several of the companies increased their market shares. The sale of products to the infrastructure sector and the furniture industry generated healthy contributions. On the other hand, various challenges in the automotive sector and a significant fall in the number of boats sold reduced profitability. Many new innovation projects and collaborations were launched through strategic marketing initiatives. Investments in product and process development did further boost sustainability performance. The introduction of proprietary products in new geographic markets is continued.

The Industrial Solutions business unit

In relation to the previous year, sales were unchanged and operating profit decreased by 4 per cent.

Global financial turmoil and disruptions in the supply chain led to generally lower project volumes. There was also a downward trend in respect of contract assignments for customers within medical technology and packaging. Sales successes in new business niches and geographic areas did, to some extent, compensate for the weak performance in the business unit's traditional markets. The two companies acquired during the year added expertise and strengthened business opportunities, including for our aftermarket services. In addition, the ongoing establishment process in the USA was intensified. Several joint activities and increased cooperation between the sister companies as well as with external partners were initiated.

The Precision Technology business unit

In relation to the previous year, sales fell by 6 per cent and operating profit decreased by 34 per cent.

Saturation in the medical technology sector resulted in significantly lower volumes compared with last year. In other respects, too, the business unit's companies experienced a general decline in demand from established customer segments, which resulted in adaptations to both organisations and technology resources. Short-termism in order placement and shortages in supply chains had a negative impact on both resource utilisation and productivity, and thus on profitability. Strategic marketing efforts did, however, make it possible to win many new assignments, mainly in the defence sector. Such business dealings are only making a limited contribution initially, but there is considerable potential for development, increasing opportunities for growth for the majority of the companies in the business unit.

Future development

It is difficult to come to any conclusion other than that the outlook remains both uncertain and challenging. We are not witnessing any quick turnaround and recovery in the established markets, where we have been experiencing declining trends. The investment ambitions of our major customers are closely linked to the global economic development. As a result, we will probably need to make further adaptations to our operations.

At the same time, we are seeing clear results from our efforts in new business areas and in new geographic markets. Our aftermarket activities have only provided a modest contribution to date, but the conditions have improved thanks to the acquisition of the US company IPS. These investments are in line with our strategic work focused on long-term sustainable business. We are proactive yet humble in the face of the challenges before us.

We have implemented a successful first step in terms of establishing operations in the USA and have a solid foundation for our continued journey. The coordination between IPS and Canline/NPB is also opening up new business opportunities globally. The situation in the can industry is strained at the moment, but we are working to shape organisations and processes in order to be ready when the market turns.

Further developing the Group's operations is central to our business model. The same applies for acquisitions that may strengthen our business units. The evaluation of potentially complementary businesses is therefore an ongoing process.

See also attached full report.

For more information, please contact:

» Lennart Persson, President and CEO, tel +46 36 31 22 33

XANO Industri AB (publ)
www.xano.se

XANO develops, acquires and operates niche engineering companies offering manufacturing and development services for industrial products and automation equipment. The Group's operations are divided into three business units and are represented in the Nordic countries, Estonia, the Netherlands, Poland, China, the USA and Australia. Consolidated revenue totals approx. SEK 3.5 billion and the number of employees is approx. 1,400. The XANO share has been listed on the Stockholm Stock Exchange since 1988.