



Eitel AB

Road show
presentation Q1 2016

May 2016



Eltel and the Infranet market

Strategy and financial targets

Q1 business performance

Contracts and business expansion

Summary

Eltel in brief

European market leader

Industry with long term structural growth

Scalable platform for growth and M&A

Solid customer base and recurring revenues

Good financial profile with strong cash generation

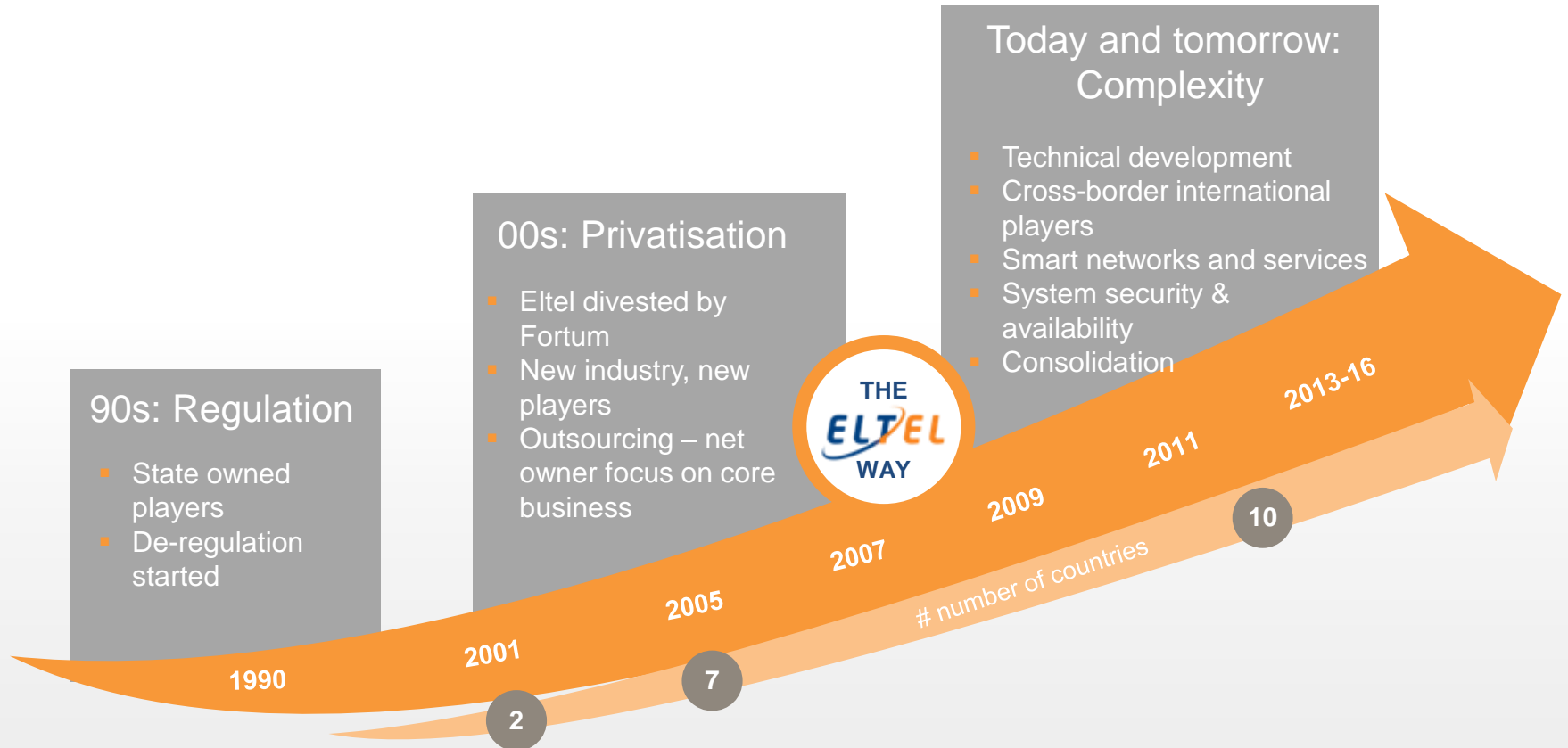
Operations in 10 countries

Net sales EUR 1.25 billion

9,600 employees



Our history – efficiency and growth



Our services – in three business segments



Power



Communication



Transport & Security

FY2015
Net Sales

€1 255 m



45%
€568 m

Power
Transmission

Power
Distribution



43%
€544 m

Fixed
Communication

Mobile
Communication



12%
€152 m

Aviation &
Security

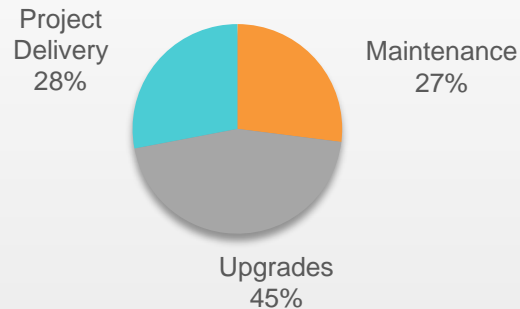
Rail & Road

Contract types

Contract description

- Majority of revenue (>70%) is flow business¹⁾
 - Comprised of maintenance and upgrade work
- Project delivery are generally recurring tender-based projects to stable and large government entities
- Unit pricing, not paid by the hour
- 2.5 million work orders annually
- Average annual revenue per customer of EUR 140,000

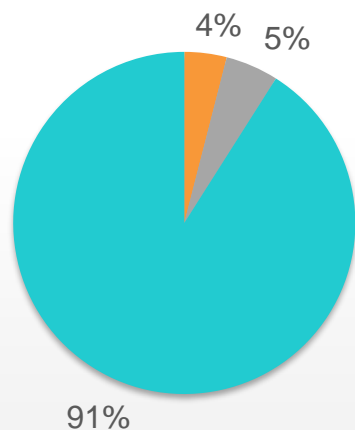
Services split¹⁾



Typical contract type and size¹⁾

		Contract type	Typical work order
Flow Business	Maintenance	Multi-year frame agreement	EUR 100–200
	Upgrades	Multi-year frame agreement	EUR 2 000–6 000
Project Basis	Project delivery	Project basis	EUR 2–20 million

Solid market potential



Eltel sales per market

New markets

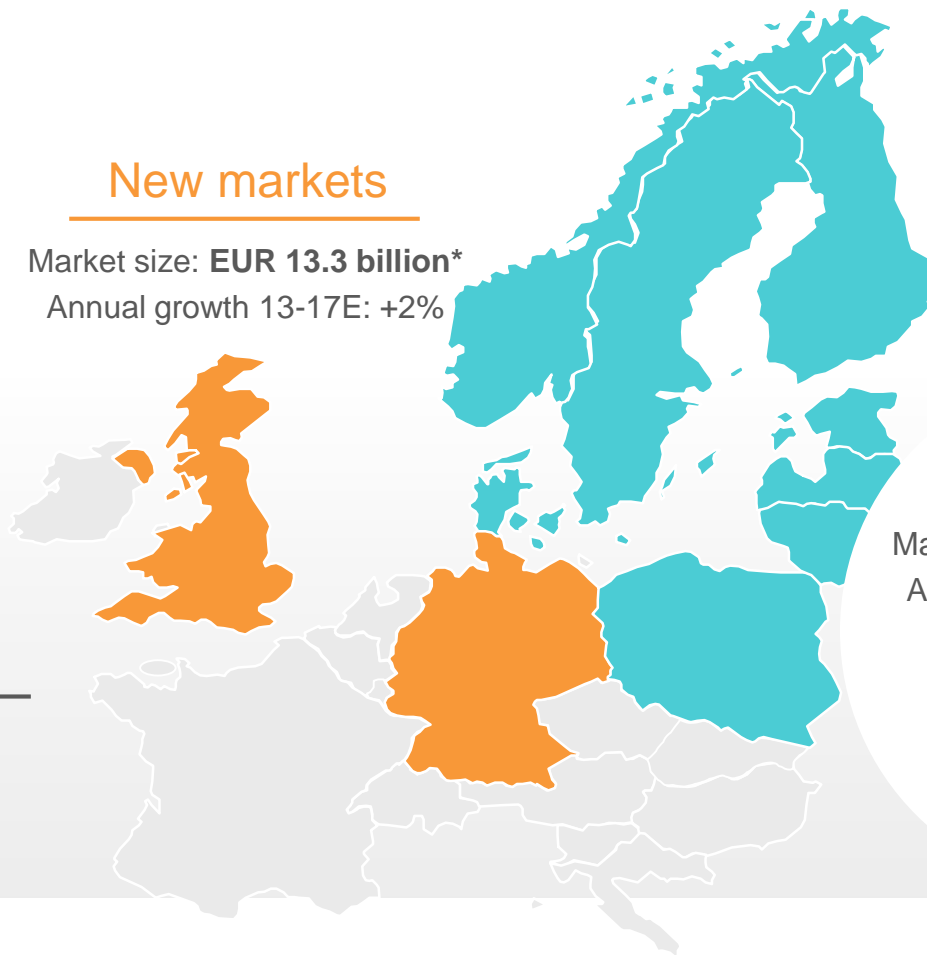
Market size: **EUR 13.3 billion***
Annual growth 13-17E: +2%

Core markets

Market size: **EUR 8.1 billion***
Annual growth 13-17E: +5%

Africa

Market size: **EUR 3.9 billion***
Annual growth 13-17E: +9%





Eltel and the Infranet market

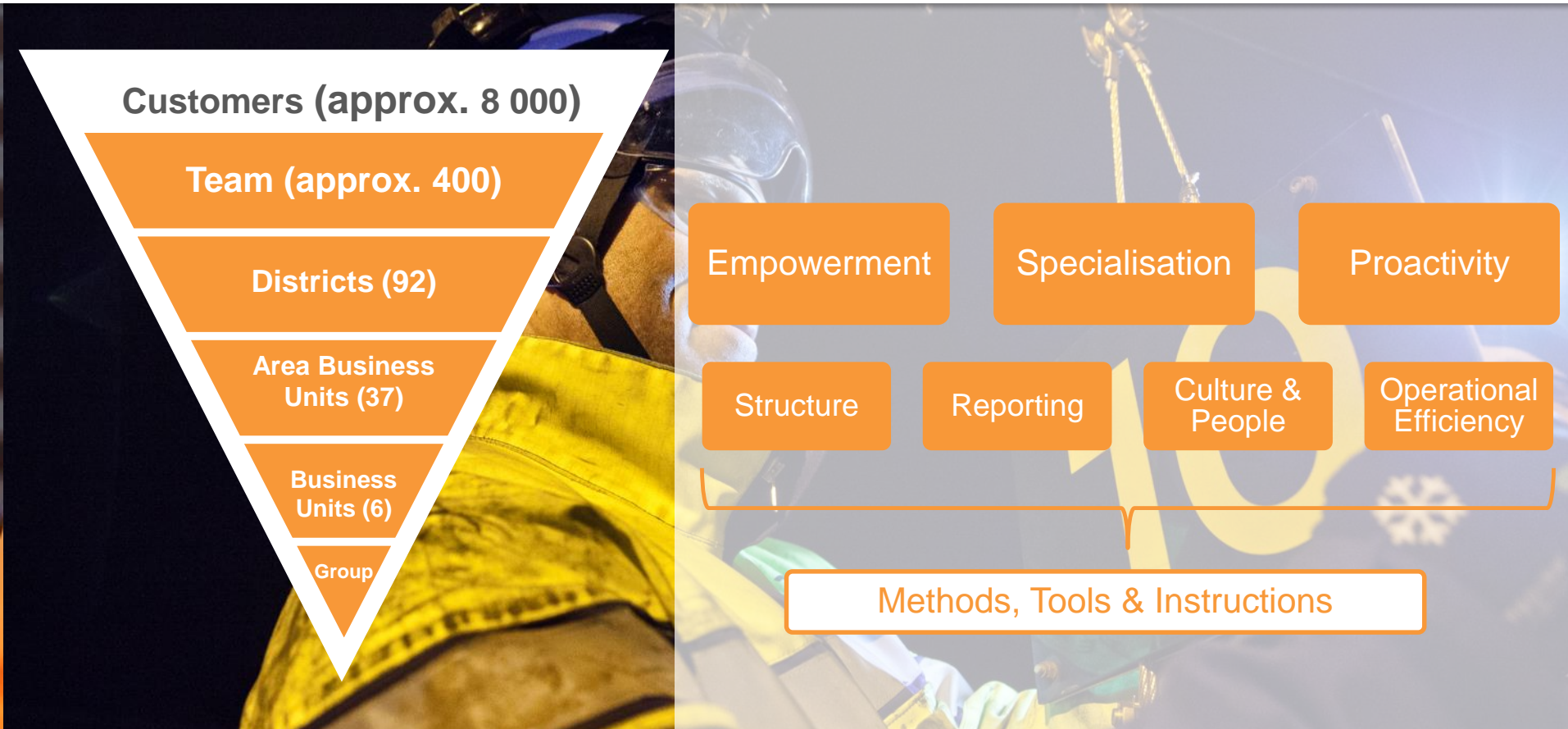
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The Eltel Way – a service model that makes difference



Eltel's strategic agenda

Vision: Be the European Leader in
Infranet Technical Services

Medium- to long-term financial targets

1

Further Improve
Operating Performance

2

Drive Organic Growth

3

Pursue Selective M&A

Financial targets

Financial targets, mid- to long-term (3-5 years)

Sales growth

Average annual sales growth of around 10%, with split into 5% organic and 5% growth from M&A

EBITA-margin

EBITA-margin of approximately 6%

Cash conversion

An average cash conversion of 95-100% of EBITA

Capital structure

Leverage of 2.0-2.5x net debt / EBITDA

Dividend policy

Approx. 50% pay-out ratio of net profit with some flexibility - scope for acquisitions and deleveraging

EUR 0.24 per share
51% of adj. net profit

Agenda 2016: operating performance

- Health & Safety
- Improved efficiency
 - Group shared service functions
- People development
 - Increasing requirements of managerial skills
 - More complex business: broader, more specialised and international
- Specialisation of business lines
- Capitalisation on unique competence and strong growth



Agenda 2016: organic growth

POWER

- Ageing infrastructure
- Smart networks
- Sustainability

COMMUNICATION

- Global connections
- Mobile evolution
- Data traffic volumes

TRANSPORT & SECURITY

- Increased transport needs
- Increased security needs
- Integrated EU-market



MEGA-TRENDS
Underlying drivers for organic growth

2016 improvement focus areas:

- Order intake in power transmission
- Mobile communication geographic mix
- Aviation and security business

Agenda 2016: M&A and business development

- Strong presence ●
- Present ○
- Not Present ○
- Actions 2015 □
- Actions 2016 □

Nordics

	Sweden	Finland	Norway	Denmark	Baltics	Poland	UK	Germany
Fixed Comm.	Strong presence	Strong presence	Strong presence EltelSønnico	Strong presence	Strong presence	Strong presence	Present BT/Carillion	Present
Mobile Comm.	Strong presence	Strong presence	Strong presence EltelSønnico	Strong presence	Strong presence	Strong presence	Present Huawei/EE/ Vodafone	Present
Power Transmission	Strong presence	Strong presence	Strong presence	Not Present	Strong presence	Strong presence	Present	Actions 2015 Edi.Son
Power Distribution	Strong presence	Strong presence	Actions 2015 Hafslund, Soria, Skagerak	Present DONG	Strong presence	Present	Not Present	Actions 2016 U-SERV EVB
Rail&Road	Strong presence	Actions 2016 Celer Oy	Actions 2015 Vete AS	Present	Not Present	Not Present	Not Present	Not Present
Aviation & Security	Strong presence	Not Present	Not Present	Strong presence	Not Present	Not Present	Not Present	Not Present



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Q1 highlights

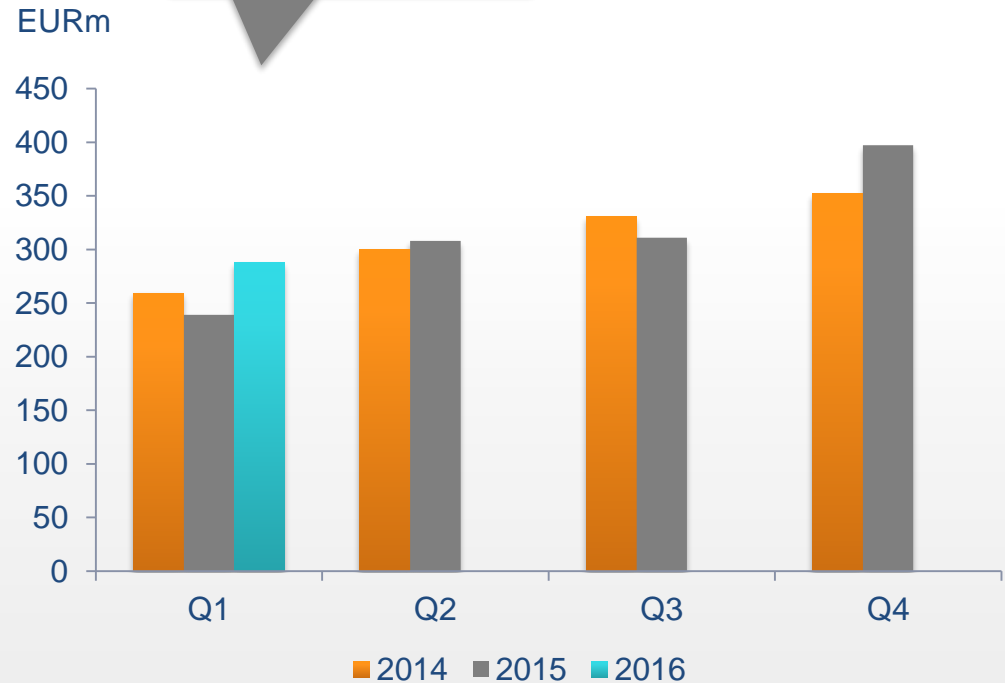
- Long-term positive drivers in the Infranet market remained visible
- Q1 seasonally weakest quarter
- Solid 20% net sales growth driven by acquisitions made in 2015
- Continued positive trend in committed order backlog quarter-on-quarter
- Earnings impacted by seasonality, weather and business mix
- Strong cash conversion on a rolling 12-month basis



Q1 2016 Net sales

- **Q1 net sales** EUR 287.5 million (239.0)
 - +23.2% FX adjusted
 - Driven by acquisitions (Eltel Sönnico, Edi.Son and Vete)
- Organic growth -0.4%
 - Unfavourable weather conditions for power distribution and fixed communication business in the Nordics
- **Committed order backlog**
 - EUR 951 million (Dec 2015: 920) at new record level
 - Still room for improvement in Power

Q1 2016:
 EUR 287.5 m
 +23.2% FX adj.
 -0.4% organic growth



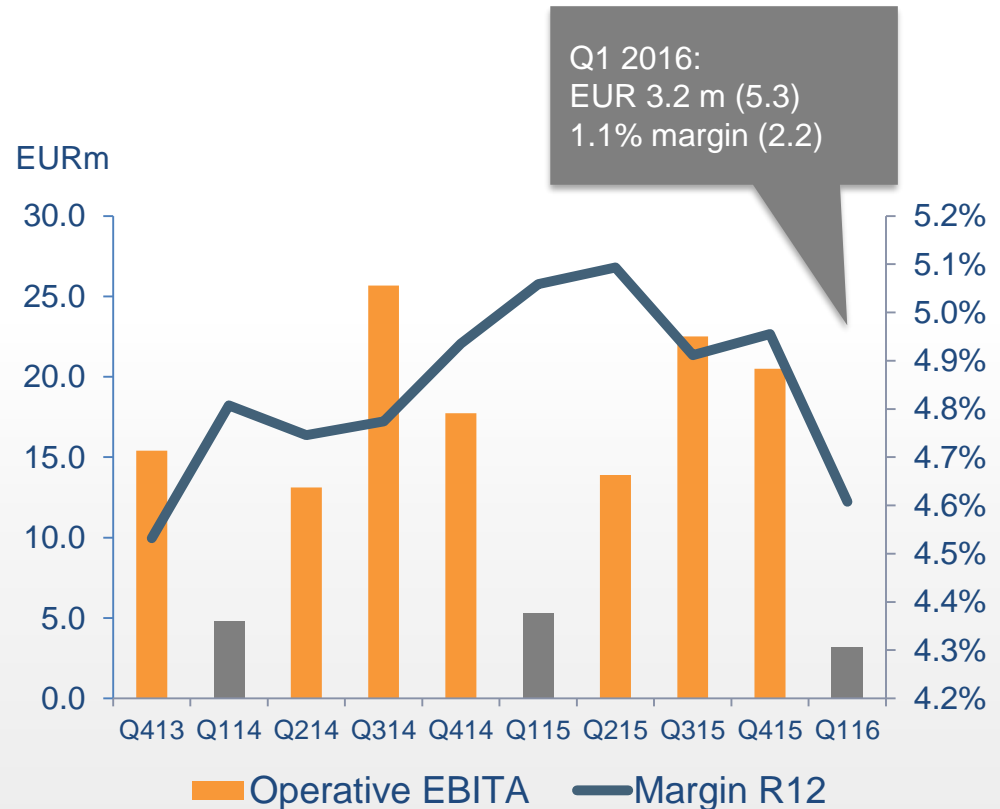
Q1 2016 Operative EBITA

- Q1 2016 Operative EBITA**

- EUR 3.2 million (5.3)
- 1.1% of net sales (2.2)
- Negative effect from weather, African projects and rail in Norway
- Good performance in Power in Germany and Poland and in Communication in Norway
- Weaker business mix and lower profitability in rail business in Norway
- Positive impact of low Group costs

- Q1 2016 EBITA**

- EUR 3.2 (2.7).



Financial KPIs and P&L

EUR million	Q1 2016	Q1 2015	FY 2015	R12
Net sales	287.5	239.0	1,254.9	1,303.4
Operative EBITA	3.2	5.3	62.2	60.1
Non-recurring items	-	-2.6	-1.7	0.9
EBITA	3.2	2.7	60.5	61.0
Operating result (EBIT)	-0.4	-0.4	46.6	46.6
Result after financial items	-4.1	-8.3	32.2	36.4
Net result for the period	-3.6	-7.5	43.2	47.1
Earnings per share EUR, basic and diluted	-0.06	-0.14	0.69	0.73
Operative cash flow	-37.4	-59.9	45.8	68.3

R12 growth driven by acquisitions with effect of Eltel Sönnico until end of August 2015.

Lower net financials due to new financing and low interest rates. EUR 1.3 million non-cash effect from interest hedges

Seasonally weak cash flow from increasing production throughout the quarter. R12 cash conversion >100 %



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Orders from Statnett and E.ON

- confirms the foothold in substation markets in the Nordics

- Statnett order
 - Turnkey delivery of a new 420 kV substation in Norway.
 - Part of a broader programme of transmission system reinforcements.
 - Statnett to increase investments significantly until 2023.
- E.ON order
 - Rebuild of two substations in southern Sweden.
 - Important further step for Eltel's ambitions in the Nordic substation markets.
 - Value EUR 13 million
- Eltel has already a strong position in transmission lines in Finland, Germany and Poland



Further potential in optical fibre roll-outs

- TDC fibre deal confirms Eltel's solid position

- In April, Eltel signed a renewal of a fibre agreement with TDC Group in Denmark
 - 3 years and value of approximately EUR 50 million
- Eltel has over 10 years of fibre experience from large scale roll-out and field services
- 10 million homes passed in Northern Europe

- Next generation mobile (5G) and WiFi require fibre connectivity to fully utilise the bandwidth
 - Core backbones of the network need to be upgraded to serve the “always online” Internet-of-Things users in the future



Nordic fibre penetration 2013-2018E*:

■ Sweden	26 → 43%
■ Norway	20 → 37%
■ Denmark	14 → 25%
■ Finland	11 → 25%

Other markets current fibre penetrations:

■ Germany	2%
■ UK	2%
■ Poland	0%

Acquisition of Celer Oy in Finland

- Clear synergies with existing rail and road offering

- In April, acquisition of Celer Oy – a signalling services company in Finland.
- Well recognised player in the Finnish railway market
- Clear synergies with Eltel's existing rail and road business.
 - Strengthening of Eltel's position in the Nordic signalling service market
 - Complementary to current offering in Finland
- Turnover of approx. EUR 6 million with 29 employees.



Strengthened platform within Power in Germany

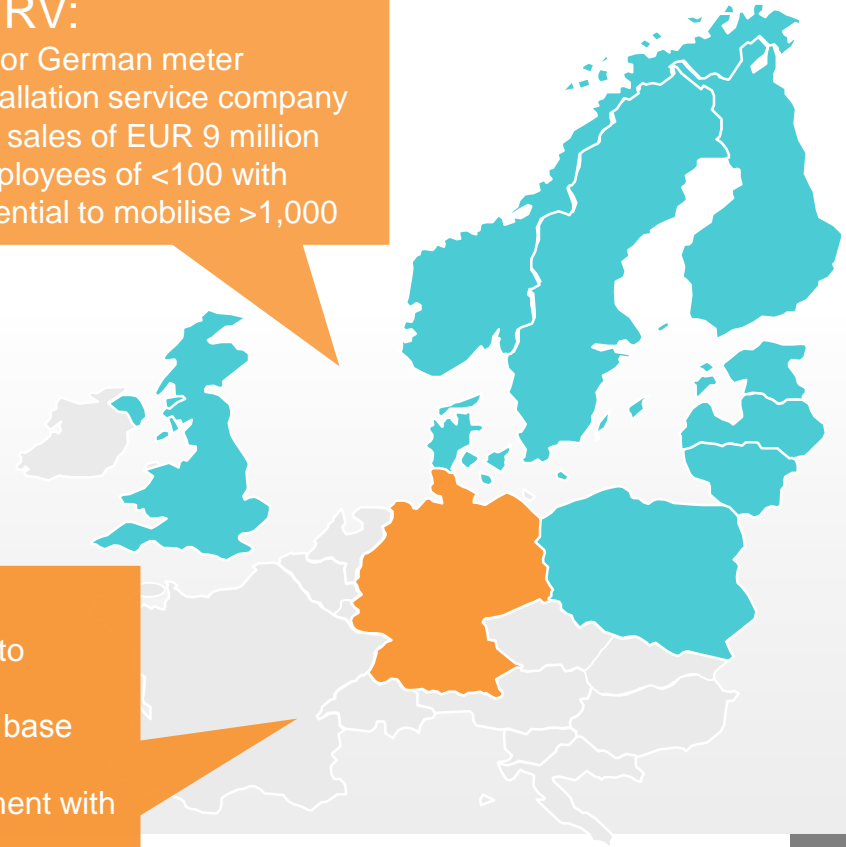
- Organic establishment of substation business in 2014
- Acquisition of Edi.Son in Q2 2015
- New acquisition of U-SERV and EVB field services in April 2016
- Examples of how to expand our local platforms and add critical mass in our new markets
- Germany is expected to account for a more sizeable portion of Group revenues in 2016

U-SERV:

- Major German meter installation service company
- Net sales of EUR 9 million
- Employees of <100 with potential to mobilise >1,000

EVB:

- Field service business related to metering installation
- Acquisition of EVB's customer base
- Net sales of EUR 3 million
- Business development agreement with ATV Energie GmbH



Potential in new German metering legislation

- In Germany new legislation, “Digitale Energiewende”, scheduled for completion in May 2016.
- Would oblige utilities to deploy intelligent electrical meter systems in 2017-2032.
- Tendering for major smart metering projects expected to start in 2016.
- In Germany the total amount of electricity meter points totals 43 million.
- Additional growth opportunity for Eltel provided in the gas metering market in Germany.



Legislation for installation of smart meters in 43m homes



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Appendix

Power

- Good growth related to acquisition

Net sales:

- Net sales growth mainly attributable to acquisition of German Edi.Son
- Positive contribution from power transmission projects in Poland
- Lower volumes in certain African electrification projects
- Power distribution business impacted by cold weather conditions in the Nordics

Operative EBITA:

- Weaker performance and negative impact from fx revaluation in African electrification projects
- Weaker transmission business in the Nordics
- Power distribution business affected by unfavourable weather conditions in the Nordics

Q1 Net sales
EUR 114.8 m (107.8)
+9.2% FX adj.

Q1 Operative EBITA
EUR 1.4 m (2.1)
1.2% margin (1.9)

Communication

- Growth driven by Eltel Sönnico

Net sales:

- Growth related to consolidation of Norwegian Eltel Sönnico
- Higher net sales in fibre upgrade services and increased maintenance volumes in Sweden
- Negative impact of cold winter on fixed communication business in the Nordics

Operative EBITA

- Somewhat weaker profitability in the Nordics
- Harsh weather conditions compared to Q1 2015
- Startup costs related to new contracts and ramp up of new communication business in the UK
- Impact of Eltel Sönnico JV in Q1 2015 ~0.7 pp



Q1 Net sales
EUR 144.3 m (97.4)
+52.1% FX adj.
+2.8% organic

Q1 Operative EBITA
EUR 2.6 m (3.8)
1.8% margin (3.9)

Transport & Security

- Rakel effect & business mix

Net sales

- Impact of terminated Rakel contract compared to last year.
- Phasing in two rail projects in Norway.

Operative EBITA:

- Impact from terminated Rakel contract.
- Weak profitability in two rail projects in Norway.
- Integration costs of Vete in Norway.
- Ramp-up costs for new rail maintenance contracts in Denmark.

- In January, the aviation and security business acquired Exo Consult AS in Denmark (net sales of approximately EUR 1 million)

Q1 Net sales
EUR 29.0 m (34.8)
-15.8% FX adj.

Q1 Operative EBITA
EUR -0.1 m (2.3)
-0.3% margin (6.7)

Financial comments and assessments

Capex

Asset-light business. Historical annual net capex of slightly more than 1% of net sales. In Q1 2016 the net capex was EUR 2.5 million, 0.9% of net sales.

Goodwill

Goodwill of EUR 465 million at end of Q1 2016, mainly related to 3i acquisition of Eltel in 2007. Increase in Q1 from the acquisition Exo Consult AS and FX impact. Annual impairment tests conducted.

Amortisation

Intangible assets of EUR 79 million in balance sheet allocated to customer relations and brand. In Q1 2016 amortisation amounted to EUR 3.6 million (3.1). Pre-IPO assets to be fully amortised in 2017.

Net financials

Loan facility of approx. EUR 210 million, CP programme of EUR 100 million and RCF of EUR 90 million post-IPO. In Q1 net financials were EUR -3.7 million of which EUR -1.3 million was non-cash effect from ceased hedge accounting.

Taxes

In Q1 net tax P&L gain of EUR 0.5 million. With current assumptions 2016 P&L tax expected to be approximately 21% of EBT with cash tax lower than P&L tax.

Large and growing market

Addressable market expected to reach **EUR 28 billion in 2017**

On top potential outsourcing opportunities – ca 30-35% of market not outsourced today

- Upgrades of infrastructure
- Large national rollouts of smart meters

- Rollout of fibre in Europe
- Rollout of 3G/4G in Europe

- Electrification of railways
- Outsourcing of services in security

MEGA-TRENDS

POWER

- Ageing infrastructure
- Smart networks
- Sustainability

COMMUNICATION

- Global connections
- Mobile evolution
- Data traffic volumes

TRANSPORT & SECURITY

- Increased transport needs
- Increased security needs
- Integrated EU-market

Consumers are looking for a more sustainable world

- Contribution to society
- Sustainability
- HSE
- Transparency and management





Thank you!

Eltel to report Q2 2016
on 19 August 2016

For further information:

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