

The background of the slide is a blurred photograph. In the foreground, there are orange and red ribbons, one of which has the "ELTEL" logo printed on it. In the background, a person is visible, but they are out of focus.

**Eltel AB**

**Q2 2020  
Presentation**

23 July 2020

# Today's presenters



Casimir Lindholm  
President and CEO



Salla Miettinen-Lähde  
CFO



## Highlights

- Improved operative EBITA and positive cash flow in Q2
- Strong improvement in net working capital
- Significantly reduced net debt compared to Q2 2019
- Completed the divestments of Communication Germany and Swedish business area Aviation & Security
- Won three major frame agreements
- Moderate COVID-19 impact in Q2





# COVID-19 impact

- Moderate impact in Q2:
  - Lower volumes and slowed down activity in High Voltage
  - Cross border workforce affected by travel restrictions
- COVID-19 will impact Eltel in the second half of 2020:
  - Indications on reduced and delayed investments from a large customer in the Communication segment in Norway



# Divestments

- Divestments resulted in EUR 38 million in cash proceeds and a positive result of EUR 20 million on Group EBIT
  - On 30 April 2020, the divestment of the German Communication business was completed. The transaction had a positive cash flow impact of EUR 19.0 million and a positive result of EUR 13.7 million on Group EBIT.
  - On 30 April 2020, the divestment of the Swedish business area Aviation & Security was completed. The transaction had a positive cash flow impact of EUR 18.9 million and a positive result of EUR 6.7 million on Group EBIT.

# Strong order intake

## Major frame agreements signed during the reporting period

Month	Tender value EUR million	Customer	Valid contract length*	Segment	Market
April	EUR 90 million	Helen Electricity Network	2020-2025**	Power	Finland
April	EUR 23 million	Swedish Transport Administration	2020-2023*	Communication	Sweden
April	EUR 38 million	Valokuitunen	2020-2023***	Communication	Finland
<b>Total</b>	<b>Approx. EUR 150 million</b>				

### Trends:

- Larger contracts
- Larger customers
- Concentrated to larger cities

### Frame agreement advantages:

- Repetitive business model
- Predictable order intake
- Stable Nordic market
- Low net working capital

\*The contract includes an option of an additional two plus two years

\*\* The contract includes an option for an indefinite period

\*\*\*The contract has an option of one additional year



# Termination of three service agreements

## (Communication)

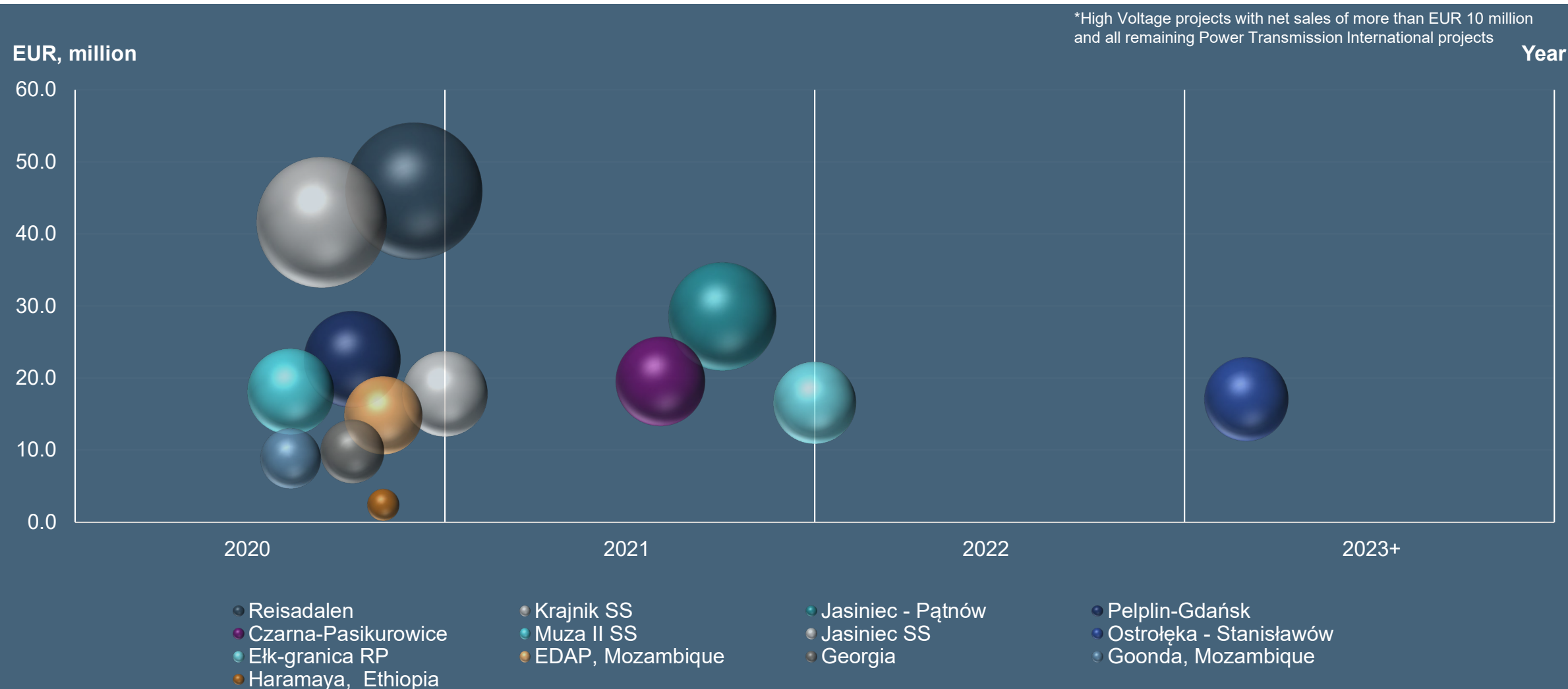
- Termination of three Communication maintenance agreements in Sweden relating to the copper market
  - Production ends in Q4 2020
- In 2019, combined net sales was about EUR 40 million
  - Declining volumes year-on-year
  - Difficulties in making these contracts profitable
- Opportunity to reorganise and streamline the Swedish business and to improve its competitive offering



# Large\* High Voltage and Power Transmission International projects



Project portfolio, EUR 32 million in estimated remaining net sales





# Total Group: Q2 2020

## Total Group

- Net sales EUR 245.5 million (276.0), -11.1%
- Organic growth in Power and Communication\* -3.3%
- Operative EBITA EUR 2.8 million (2.5)
- Operative EBITA margin 1.2% (0.9)
- Operating result (EBIT)\*\* EUR 23.1 million (2.1)
- Cash flow from operating activities EUR 19.2 million (13.5)

\*Adjusted for divested operations and currency effects.

\*\*Includes EUR 20.4 million gain from divestments

# Total Group: January-June 2020

## Total Group

- Net sales EUR 482.1 million (527.0), -8.5%
- Organic growth in Power and Communication\* -2.9%
- Operative EBITA EUR 0.8 million (-0.5)
- Operative EBITA margin 0.2% (-0.1)
- Operating result (EBIT)\*\* EUR 20.8 million (-1.5)
- Cash flow from operating activities EUR 14.4 million (-20.3)
- Net debt\*\*\* ended at EUR 86.4 million (189.5)

\*Adjusted for divested operations and currency effects.

\*\*Includes EUR 20.4 million gain from divestments

\*\*\*Refers to net debt as defined in financing agreement.

# Net sales segments: Q2 2020

## Power

- **Net sales EUR 86.3 million, -8.9%**
  - Strong order backlog in Finland and improved net sales in Denmark
  - Lower activity, reduction of large volume projects and COVID-19 related delays in High Voltage
  - Lower volumes in Smart Grids, in line with expectations
  - Continued project ramp down, discontinuation of the Service business and lowered order back log in Sweden
- **Organic growth\* -8.1%**

## Communication

- **Net sales EUR 152.8 million, -14.1%**
  - Divestments of Polish and German Communication businesses and Aviation & Security impacted EUR -17.6 million
  - Reduced customer investments in Sweden
  - Somewhat higher business activity in Norway, Denmark and Finland
- **Organic growth\*\* -0.4%**

## Other

- **Net sales EUR 6.4 million, 65.7%**
  - Relates almost fully to Power Transmission International
  - In line with the strategy to divest and discontinue operations

\*Adjusted for currency effects

\*\* Adjusted for divested operations and currency effects



# Operative EBITA segments: Q2 2020

## Power

- **Operative EBITA EUR -4.5 million (2.4)**
- **Operative EBITA margin -5.3% (2.5)**
  - Cost overruns and COVID-19 impact in High Voltage Poland and the Norwegian Reisadalen project. Lowered and slowed down activity in Poland
  - Significant additional work in two Finnish Build projects (more than expected in Q1 2020)
  - Lower net sales in Smart Grids

## Communication

- **Operative EBITA EUR 7.3 million (2.1)**
- **Operative EBITA margin 4.8% (1.2)**
  - Performance improved in all markets, mainly driven by Sweden, Finland and Norway
  - Improved project execution, better planning and thereby a more efficient production

## Other

- **Operative EBITA EUR 2.6 million (0.2)**
- **Operative EBITA margin 40.6% (4.7)**
  - The increase relates to a claim compensation received for a Power Transmission International project in Africa, completed in 2019

Going forward

ELTEL




# Focus in 2020

## Continued operational focus

- Tender
- Right people
- Implementation & execution
- Production planning
- Training

## Strategic focus

- Strengthen our position as the nr. 1 Nordic player
- Continuous evaluation of the existing portfolio outside the Nordics
- Restructure Polish High Voltage business
- Strengthen the balance sheet
- Operational Excellence

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- High customer satisfaction
  - Engaged employees
  - Lower risk and fewer capital-intensive projects
  - Cash generation
  - Lower net debt and improved profitability



# Our transformation journey

2017–2018

## House in order

- Reorganisation to strengthen focus on local markets
- Increased focus on operational KPIs to foster continuous improvements and sharing of best practices
- Initiatives to control project business risk

2019–2021

## Operational Excellence

- Prioritise core operational improvements
- Restructure non-performing businesses
- Strengthen the financial position of the company
- Improve profitability
- Continuous evaluation of the existing portfolio outside the Nordics

>2022

## Investing in sustainable profitable growth

- Continued focus on Operational Excellence
- Increased market share in the Nordics
- Pursue structural M&As in the Nordics when the financial situation improves
- Innovation and new market development



# Questions



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