



Eltel AB

Q3 2021 presentation

3 November 2021

Today's presenters



Casimir Lindholm
President and CEO



Saila Miettinen-Lähde
CFO

Eltel is the Nordic market leader in infranets

- Founded in 2001
- Leading Nordic field service provider within communication and power
- Operations throughout the Nordics, Poland, Germany and Lithuania
- UN Global Compact signatory since 2014
- Net sales in 2020 EUR 938 million
- 5,100 employees by the end of Q3 2021





Highlights Q3 2021

- Operative EBITA margin in segments slightly increased
- Operative EBITA affected by lower net sales, High Voltage Poland and material prices
- Maintained a healthy balance sheet
- COVID-19 continued to impact negatively

COVID-19

COVID-19 impacts Eltel

Main reasons:

- Reduced customer investments
- Increased material prices
- Postponed projects
- Delays in project execution
- Slightly increased sick-leave rates



Sustainability

- Sustainability is business-critical for Eltel
- Customer expectations
- Work ongoing to set concrete and measurable goals for SBTi
- 100% electrified fleet in Norway by end of 2026



Total Group Jan-Sep 2021

EUR million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	193.8	226.7	586.2	708.8	938.0
Net sales growth, %	-14.5%	-19.6%	-17.3%	-12.4%	-13.8%
Operative EBITA	4.1	6.7	7.8	7.5	11.4
Operative EBITA margin, %	2.1%	2.9%	1.3%	1.1%	1.2%
Return on operative capital employed (ROCE) ¹⁾ , %	11.6%	-4.9%	11.6%	-4.9%	13.0%

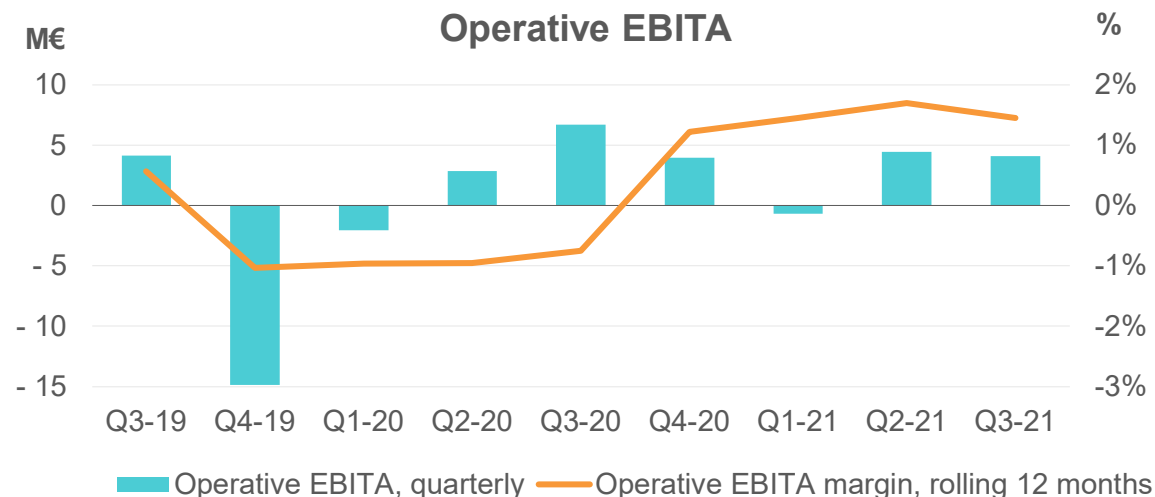
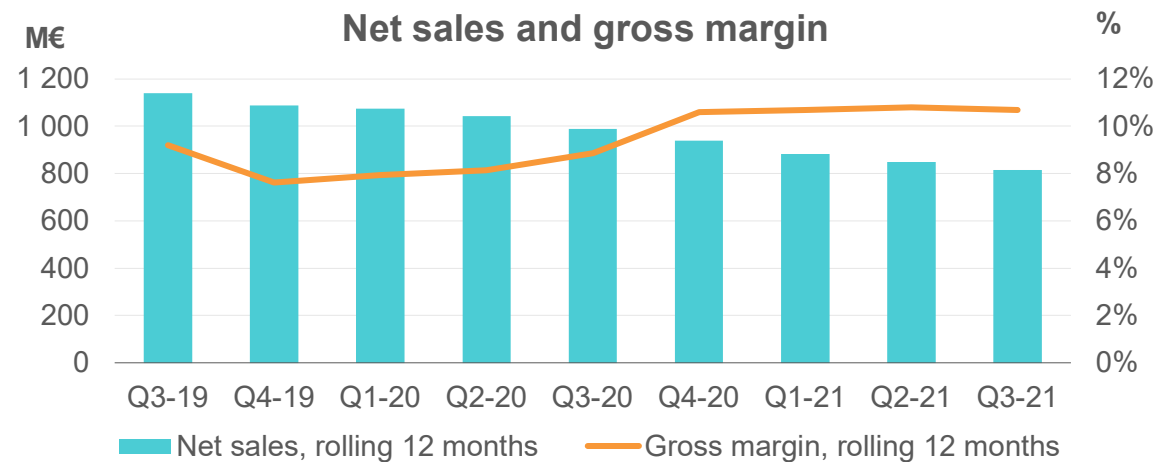
1) Calculated on rolling 12-month basis

Net sales

- A general decrease in net sales, except for in Finland and Smart Grid
- Lower customer investments as an effect of COVID-19
- Previously announced loss of agreements, of which majority relates to the declining copper networks
- Divestments of German communication business and the Swedish business area Aviation & Security in Q2 2020 (EUR -19.2 million)

Operative EBITA

- Year-to-date, both operative EBITA and margins improved
- Significant profitability issues in High Voltage, primarily Poland (EUR -7.6 million)
- Impact of divestments EUR -1.2 million



Segments Jan-Sep 2021

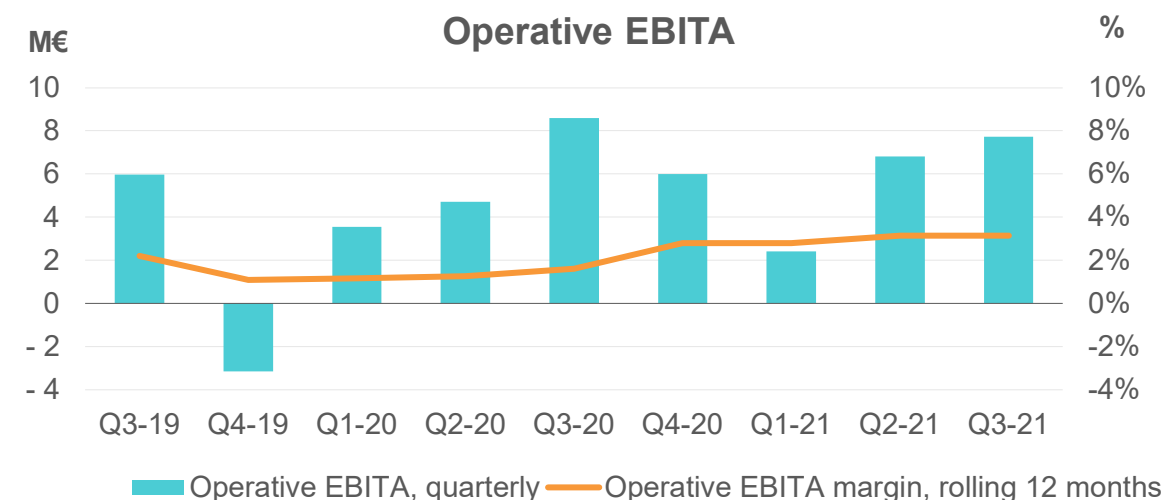
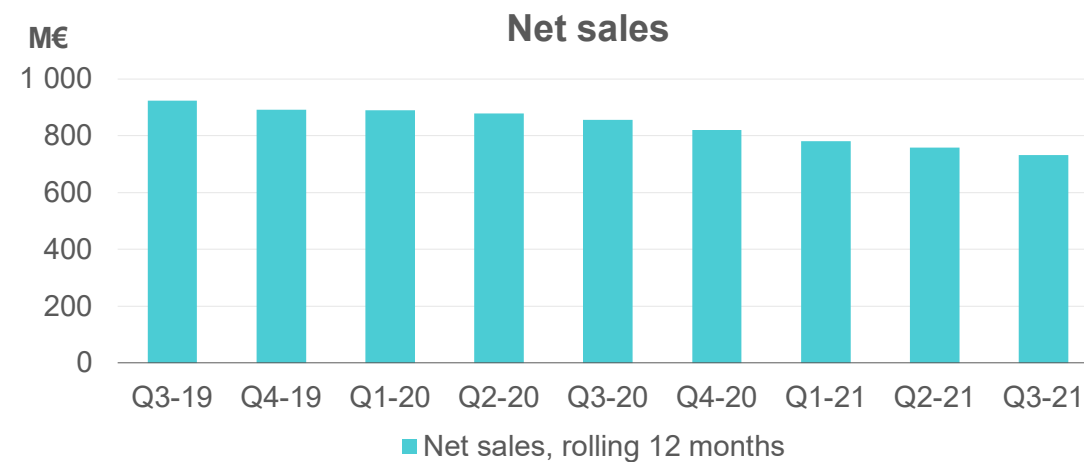
EUR million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales, segments	174.1	199.1	527.2	615.4	820.5
Net sales growth, %, segments	-12.6%	-10.2%	-14.3%	-5.3%	-7.8%
Operative EBITA, segments	7.7	8.6	16.9	16.9	22.9
Operative EBITA margin, %, segments	4.4%	4.3%	3.2%	2.7%	2.8%

Net sales

- Net sales decreased except for Finland, which benefits from a strong market position in communication with increased demand for fibre and 5G
- Lower customer investments as an effect of COVID-19
- Previously announced loss of agreements, of which majority relates to the declining copper networks
- Divestment of the Swedish business area Aviation & Security (EUR -8.5 million)

Operative EBITA

- Operative EBITA remained on the same level
- Margins improved thanks to better efficiency and control both for the quarter and year-to-date



Finland Jan-Sep 2021

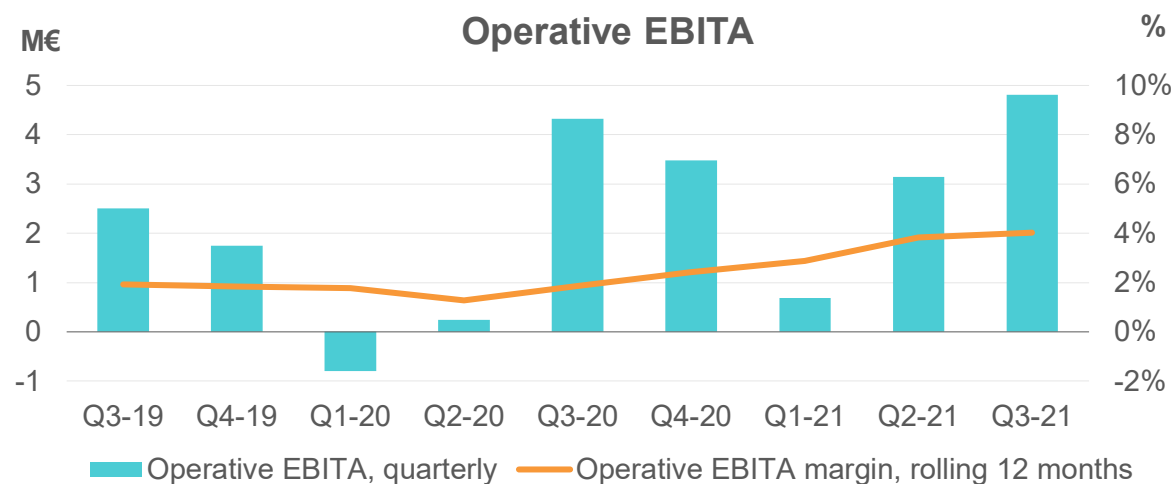
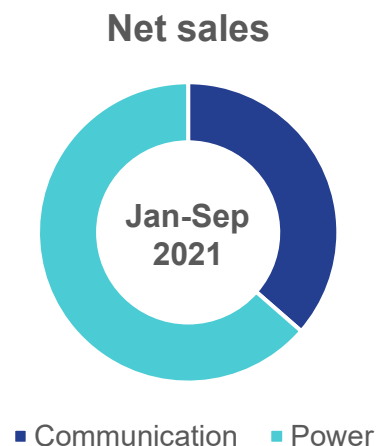
EUR million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	77.9	80.3	218.4	217.5	300.2
Net sales growth, %	-3.1%	8.3%	0.5%	12.9%	10.8%
Operative EBITA	4.8	4.3	8.6	3.8	7.2
Operative EBITA-margin, %	6.2%	5.4%	4.0%	1.7%	2.4%
Number of employees	1,488	1,445	1,488	1,445	1,470

Net sales

- Growth in communication driven by strong market position and increased demand in fibre and 5G
- Decrease in power net sales due to project completions

Operative EBITA

- Improved project management and cost control
- In 2020, Finland noted write-downs in certain power projects



Sweden Jan-Sep 2021

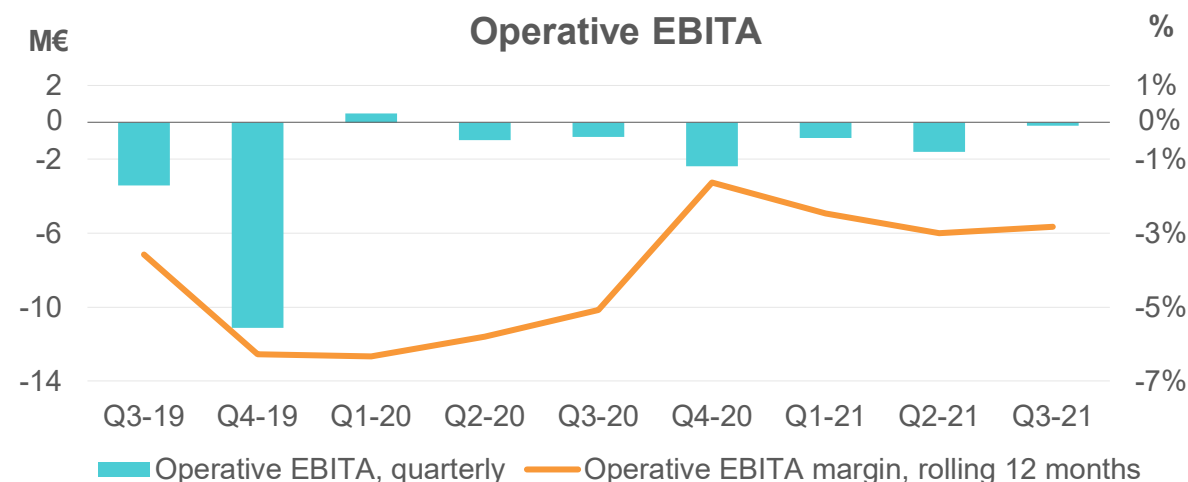
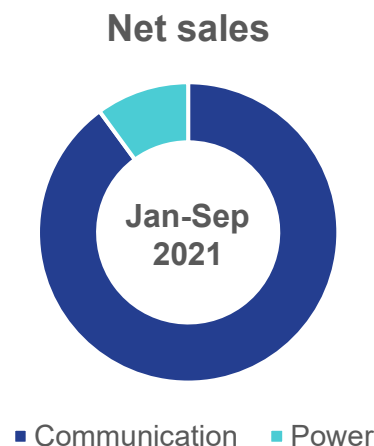
EUR million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	40.2	50.9	125.9	173.7	224.5
Net sales growth, %	-21.0%	-21.6%	-27.5%	-21.2%	-22.9%
Operative EBITA	-0.2	-0.8	-2.6	-1.3	-3.7
Operative EBITA-margin, %	-0.5%	-1.6%	-2.1%	-0.7%	-1.6%
Number of employees	910	1,234	910	1,234	1,003

Net sales

- Reduced fibre volumes with a specific customer
- Harsh winter conditions in Q1 2021
- Loss of a large service agreement in 2020, mainly relating to the declining copper network
- Divestment of the Aviation & Security business area in Q2 2020 (EUR -8.5 million)

Operative EBITA

- Lower volumes
- Write-down in Q2 relating to an old power project
- Positive one-off item in comparative period
- Increased volumes towards the end of Q3 showed a positive impact



Norway Jan-Sep 2021

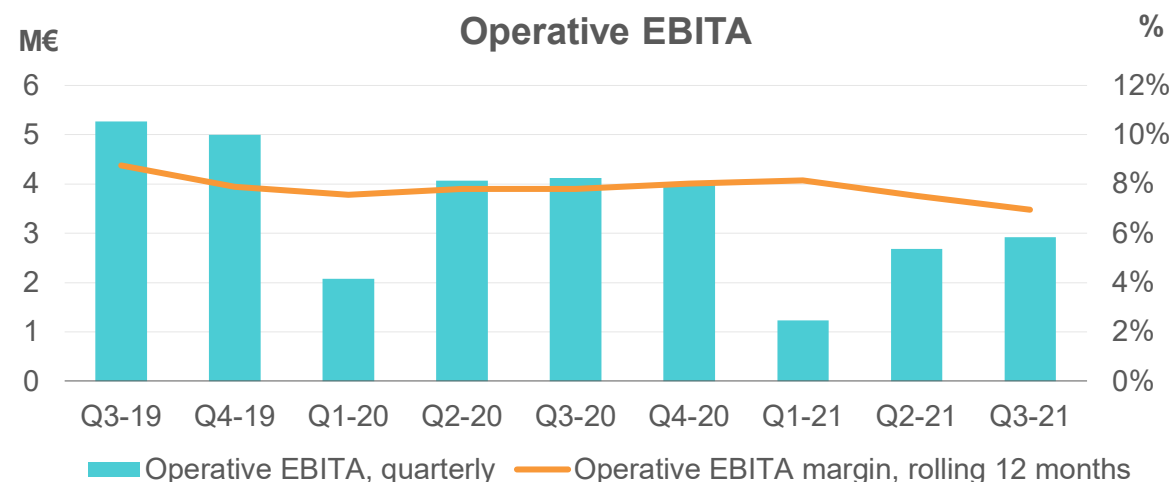
EUR million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	38.2	42.1	114.2	136.0	177.7
Net sales growth, %	-9.3%	-26.4%	-16.0%	-14.6%	-18.8%
Operative EBITA	2.9	4.1	6.8	10.3	14.3
Operative EBITA-margin, %	7.6%	9.8%	6.0%	7.5%	8.0%
Number of employees	929	979	929	979	943

Net sales

- Decrease and delays in customer investments due to COVID-19
- Ramp up of Telenor frame agreement
- Harsh winter conditions in Q1 2021

Operative EBITA

- Change in production mix
- Improved efficiency partly offset the decrease and ensured good margins



Denmark Jan-Sep 2021

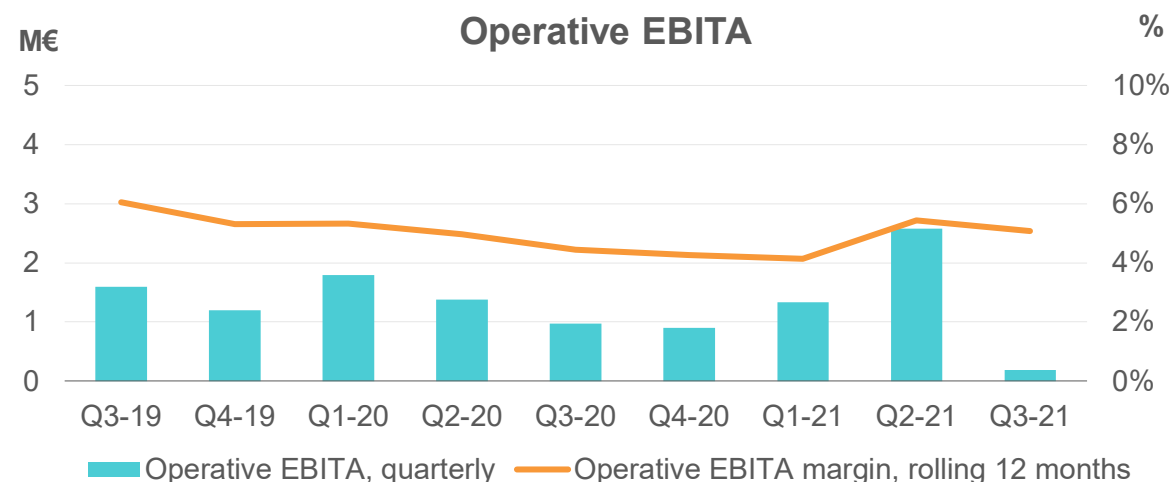
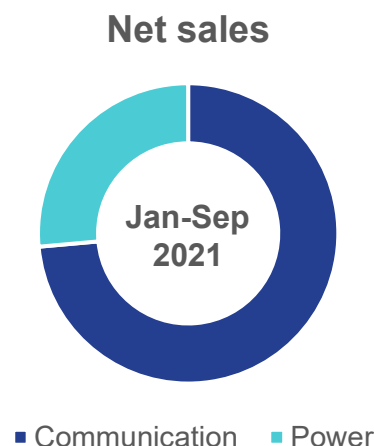
EUR million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	17.8	25.8	68.6	88.3	118.1
Net sales growth, %	-30.8%	0.9%	-22.3%	14.1%	8.0%
Operative EBITA	0.2	1.0	4.1	4.1	5.0
Operative EBITA-margin, %	1.0%	3.8%	6.0%	4.7%	4.3%
Number of employees	490	641	490	641	637

Net sales

- Partial insourcing of a large customer agreement in Q2 2021
- Lower fibre activity compared to a strong 2020
- Completion of a large communication project in Q4 2020

Operative EBITA

- In the quarter, main driver for the reduced operative EBITA was lower volumes
- Improved project management and a one-off in Q2 2021 of EUR 0.8 million had a positive impact



Other business Jan-Sep 2021

EUR million	Jul-Sep 2021	Jul-Sep 2020	Jan-Sep 2021	Jan-Sep 2020	Jan-Dec 2020
Net sales	22.0	29.9	65.0	100.4	127.5
Operative EBITA	-2.2	-0.9	-3.6	-3.2	-3.3
Number of employees	1,089	1,545	1,089	1,545	1,235

Other business includes operations in High Voltage, Smart Grids Germany, Lithuania as well as Power Transmission International (PTI) and Rail businesses that are under ramp down. German communication business was included in Other business until its divestment in Q2 2020.

Net sales

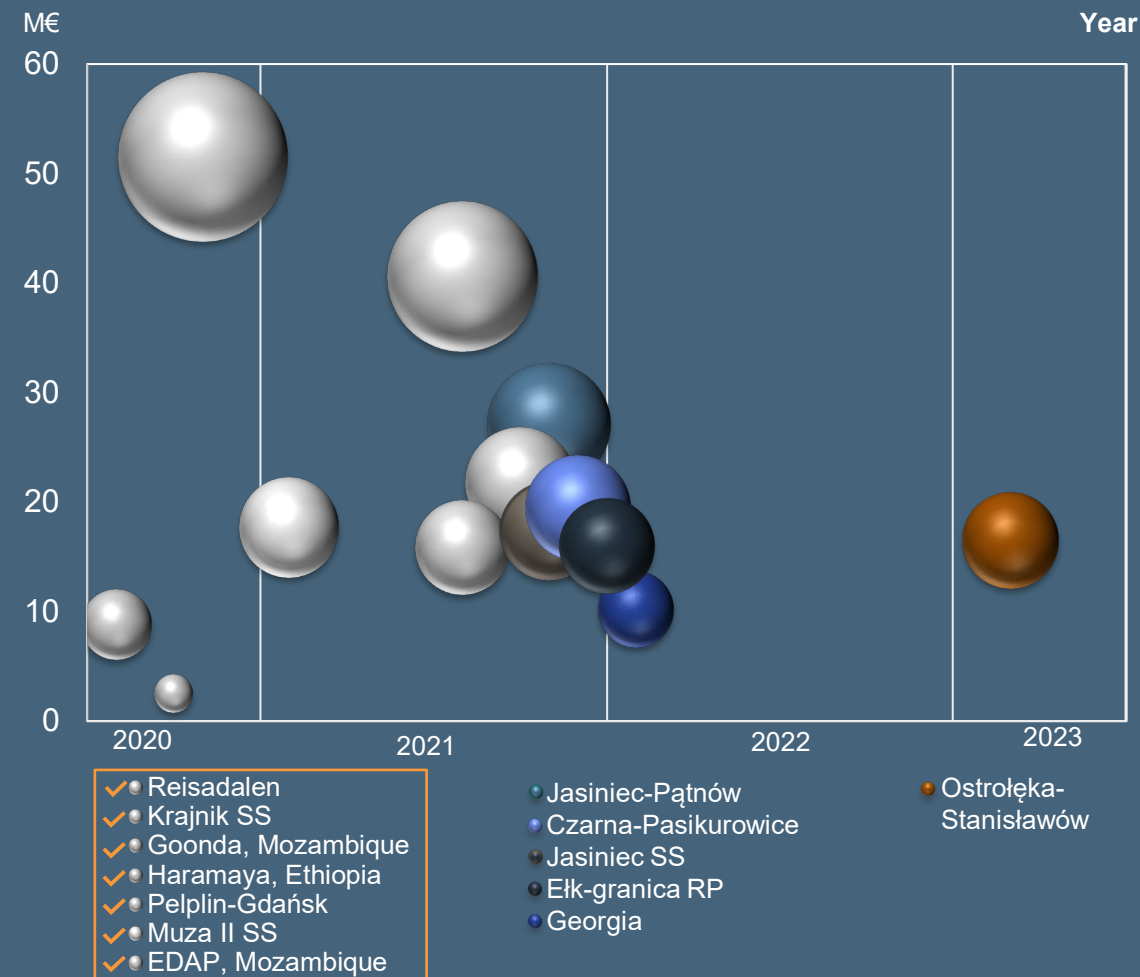
- Smart Grids Germany grew in a favourable market
- High voltage project delays and postponements in Poland continue but two projects closed during Q3 2021
- Ramp down of PTI is ongoing and the last remaining project in Africa was operationally closed this quarter
- Operational completion of the Reisadalen high voltage project in Norway in Q4 2020
- Divestment of the German communication business (EUR -10.7 million)

Operative EBITA

- Operative EBITA of EUR -7.6 million in High Voltage, mainly Poland
- Smart Grids Germany improved compared to last year and contributed positively to the result together with PTI

Large¹⁾ High Voltage and PTI projects

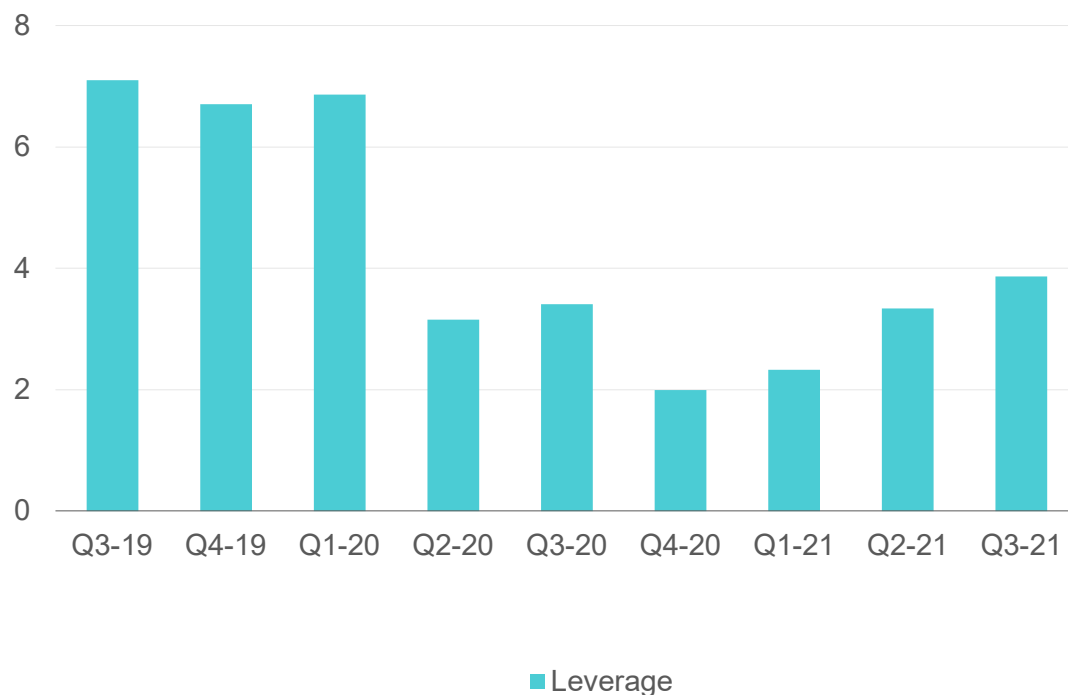
Project portfolio, EUR 18 million in estimated remaining net sales



1) High Voltage projects with net sales of more than EUR 10 million and all remaining PTI projects.

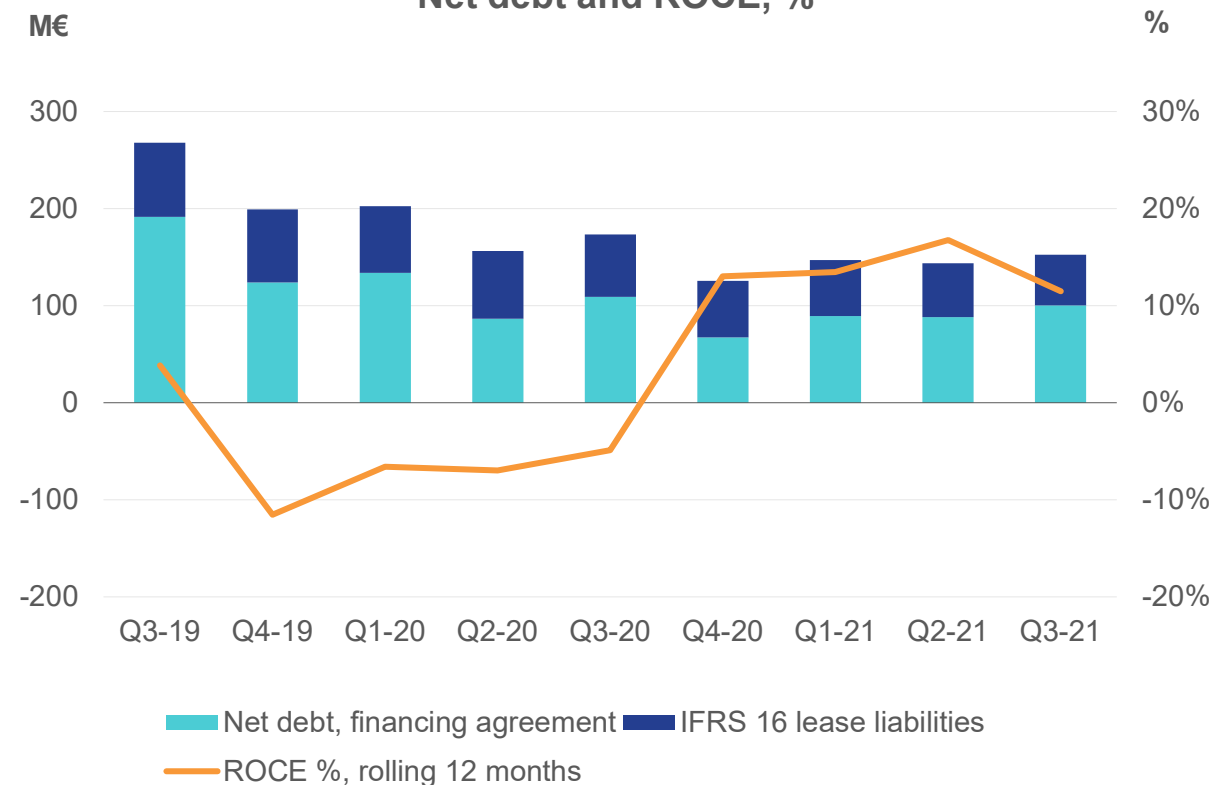
Group leverage and net debt

Leverage



Leverage: Net debt/EBITDA. Eltel's leverage target by end of 2023 is 1.5–2.5x net debt/EBITDA
 Net debt: Interest bearing debt less cash and cash equivalents

Net debt and ROCE, %



Net debt, financing agreement
 ROCE: $\text{Operative EBITA (R12)} \times 100 / \text{Operative capital employed (average over the reporting period)}$

Going forward



Eltel Group financial targets by end of 2023

Group operative EBITA margin	5%
Annual growth in the Nordics from 2022 onwards	2-4%
Leverage	1.5–2.5x net debt/EBITDA
Dividend payout	Subject to leverage target

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

- Improve profitability
- Prioritise core operational improvements
- Upsell on existing customer base
- Restructure non-performing businesses, including potential divestments
- Strengthen the financial position of the company

2022–2023

Investing in sustainable profitable growth

- Increased market share in the Nordics
- Innovation and new market development
- Replicate existing business models across the Nordics
- Pursue M&As in the Nordics


Eltel focus areas 2021

Continued operational focus


- Tender
- Right people
- Implementation & execution
- Production planning
- Training
- Upsell on existing customer base

Strategic focus

- Strengthen our position as the nr. 1 Nordic player
- Restructure non-performing businesses, including potential divestments
- Turnaround Polish high voltage business
- Operational Excellence

- 
- Improved profitability
 - Improved quality
 - High customer satisfaction
 - Engaged employees
 - Cash generation

Financial guidance

A woman with dark hair tied back is standing on a balcony, talking on a black smartphone. She is wearing a brown jacket over a white shirt. The background shows a cityscape with a river and a bridge, likely St. Petersburg, Russia.

Eltel expects the full-year 2021 operative EBITA margin to increase compared to 2020.

Questions

The image shows a close-up of a white fabric, likely a shirt, with the 'ELTEL' logo printed on it. The logo is in a bold, black, sans-serif font. A stylized, dark, curved line sweeps under the letters 'EL' and 'TEL', starting from the bottom left of the 'E' and ending at the bottom right of the 'L'. The background is a blurred interior scene with warm, golden-brown light.

ELTEL