



**Eltel AB**

**Q1 2022 presentation**

4 May 2022

# Today's presenters



Casimir Lindholm  
President and CEO



Salla 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 2021 EUR 812.6 million
- Average number of employees 5,031







# Highlights Q1 2022

- Growth in net sales
  - Norway +22.5%
  - Sweden +6.9%
- Operative EBITA negatively affected by
  - Harsh winter conditions
  - COVID-19
  - Cost inflation
- Three large agreements signed
- Increased collaboration with customers, partners and our supply chain regarding sustainability

# Cost inflation

- Cost inflation impacts all Eltel's markets
- Working hard to mitigate the effects of the inflation - dialogue with customers to seek compensation
- Materials Eltel is dependent on:
  - Fuel
  - Steel
  - Asphalt
  - Cables
  - Concrete
- Risk of impact remaining negative in 2022



# Major agreements signed

## During the reporting period

Month/year	Tender value, EUR million	Customer	Type of contract	Contract length, years	Service	Country
02/22	33 MEUR	Banedanmark	Frame agreement	4+1+1	Communication	Denmark
02/22	15 MEUR	VALOREM	Project	2	Power	Finland
03/22	30 MEUR	DNA	Frame agreement	1+1	Communication	Finland



# Total Group Q1 2022

EUR million	Jan-Mar 2022	Jan-Mar 2020	Jan-Dec 2021
Net sales	184.0	182.0	812.6
Net sales growth, %	1.1%	-23.1%	-13.4%
Operative EBITA	-2.4	-0.7	14.8
Operative EBITA margin, %	-1.3%	-0.4%	1.8%
Return on operative capital employed (ROCE) <sup>1)</sup> , %	17.4%	13.5%	23.6 %

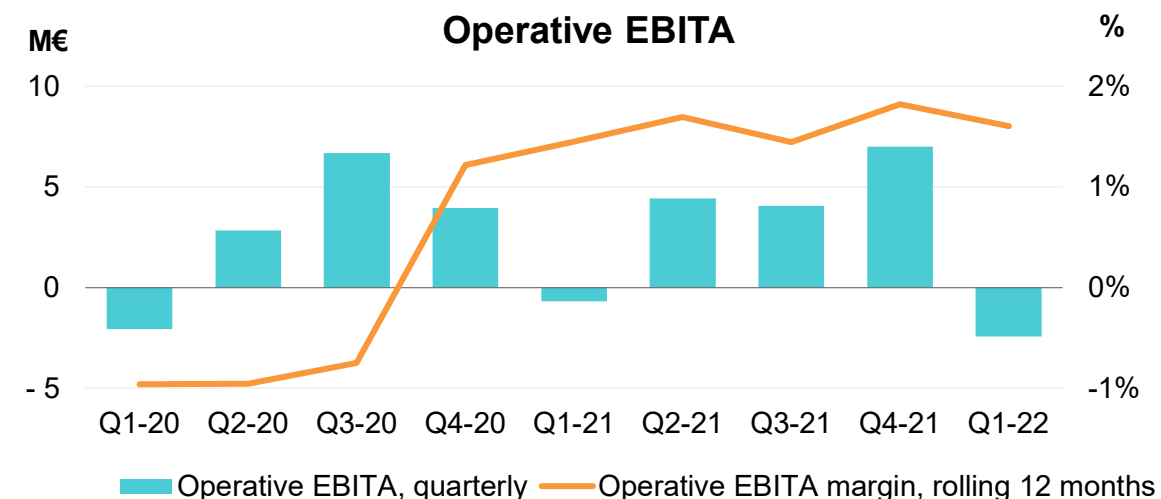
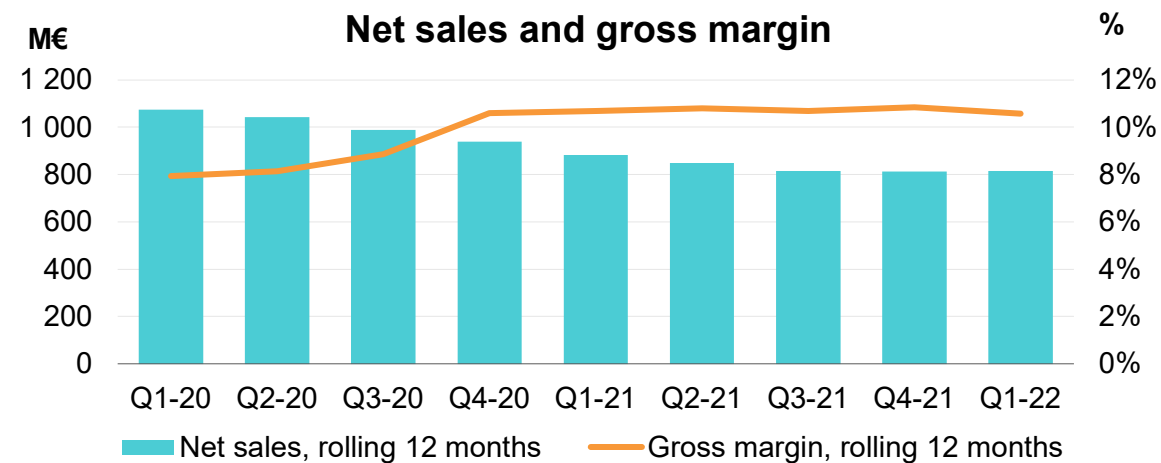
1) Calculated on rolling 12-month basis

## Net sales

- Net sales increased by 1.1% to EUR 184.0 million (182.0)
- In segments net sales increased by EUR 0.4 million and in Other business by EUR 2.0 million

## Operative EBITA

- Operative EBITA decreased to EUR -2.4 million (-0.7)
- Operative EBITA margin was -1.3% (-0.4)
- Winter conditions, COVID-19, and inflation



# Finland Q1 2022

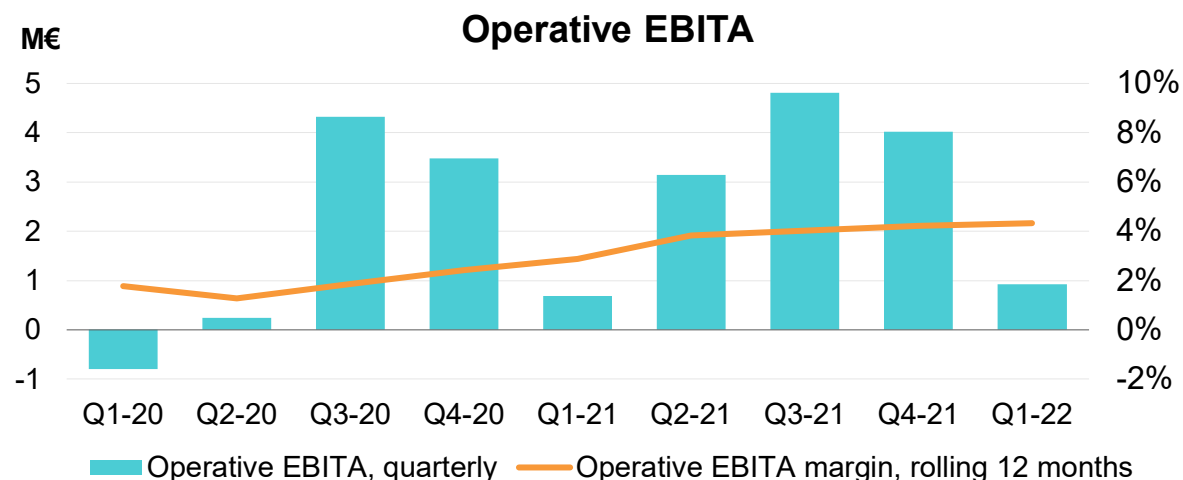
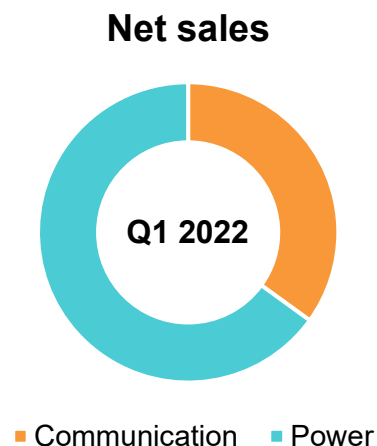
EUR million	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Net sales	58.8	60.8	299.6
Net sales growth, %	-3.2%	3.2%	-0.2%
Operative EBITA	0.9	0.7	12.7
Operative EBITA-margin, %	1.6%	1.1%	4.2%
Number of employees, average	1,491	1,447	1,478

## Net sales

- Strong demand for fibre and 5G but net sales were impacted by harsher winter conditions compared to previous year
- The power transmission market is also strong, but phasing of projects impacted net sales

## Operative EBITA

- Good productivity
- Challenged by harsh winter conditions, COVID-19 and cost inflation
- Annual bonus payments received from pension insurance companies received





# Sweden Q1 2022

EUR million	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Net sales	43.9	41.1	182.2
Net sales growth, %	6.9%	-35.0%	-18.8%
Operative EBITA	-1.8	-0.8	-1.8
Operative EBITA-margin, %	-4.1%	-2.0%	-1.0%
Number of employees, average	912	972	938

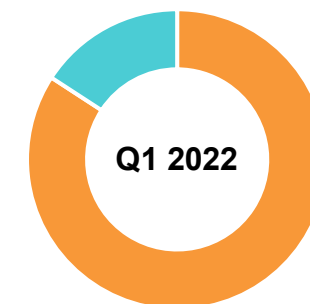
## Net sales

- 10.3% organic growth in local currency
- Growth driven by Smart Grids and its smart metering projects
- Communication grew in local currency

## Operative EBITA

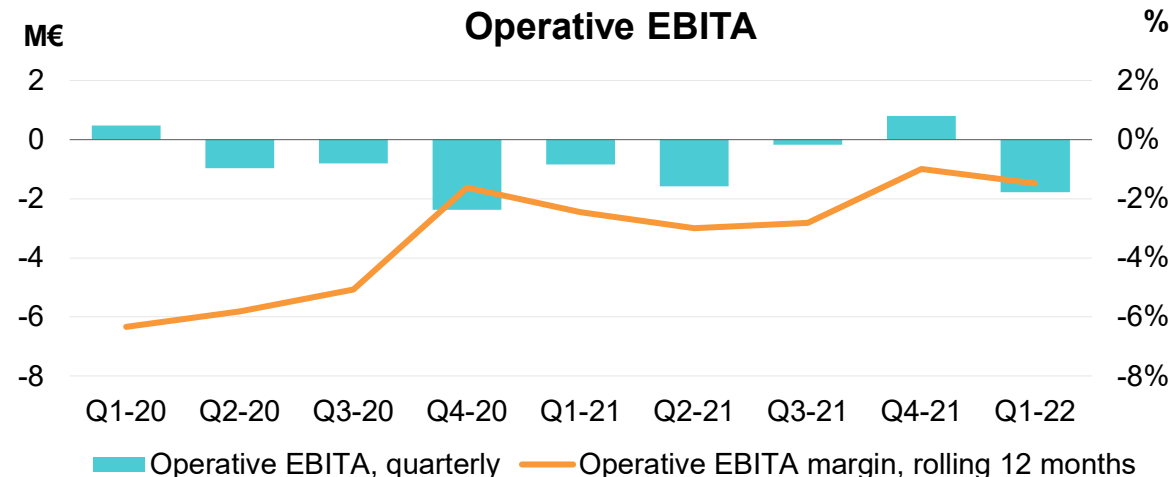
- Growth in Smart Grids had a positive impact
- Investments in the efficiency programme “One Eltel”, to improve future productivity
- Margin adjustments in older projects, cost inflation and high sick-leave rates due to COVID-19

## Net sales



Communication Power

## Operative EBITA



# Norway Q1 2022

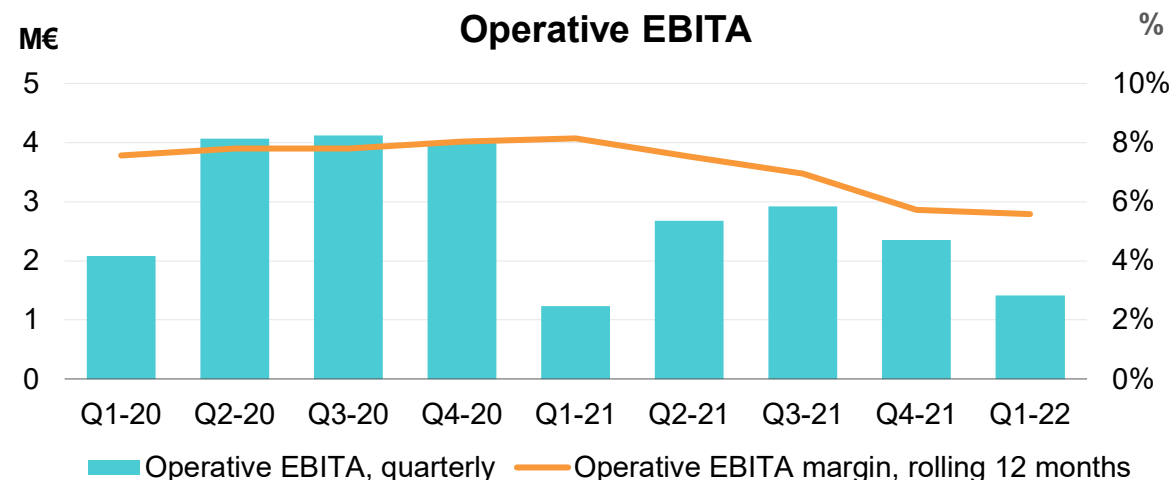
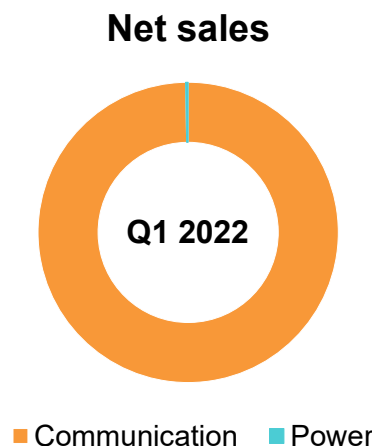
EUR million	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Net sales	41.6	33.9	160.5
Net sales growth, %	22.5%	-27.7%	-9.7%
Operative EBITA	1.4	1.2	9.2
Operative EBITA-margin, %	3.4%	3.6%	5.7%
Number of employees, average	938	906	919

## Net sales

- Strong order backlog
- Investment levels picking up towards the end of the quarter with increased demand for fibre and 5G

## Operative EBITA

- High sick-leave rates due to COVID-19, which peaked in February



# Denmark Q1 2022

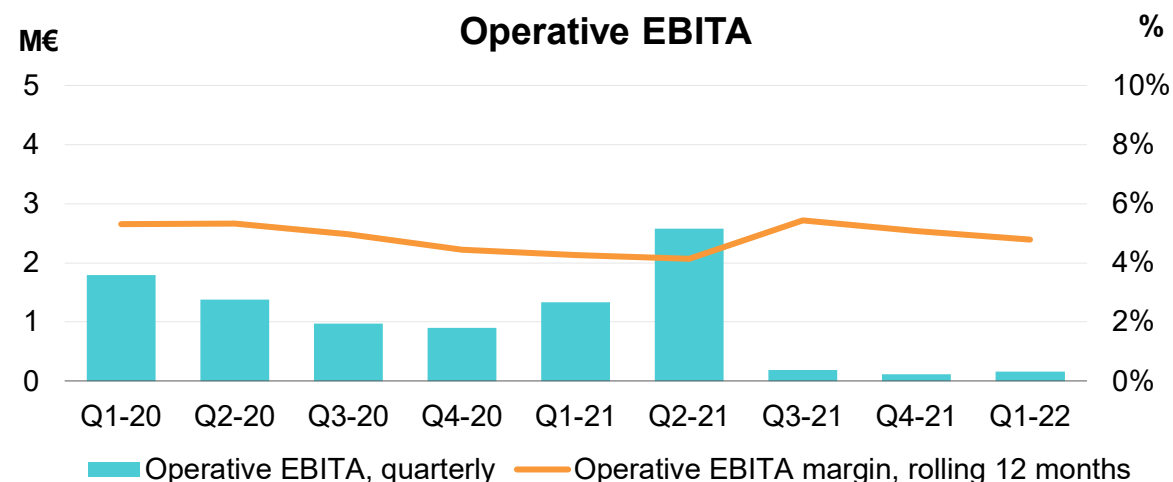
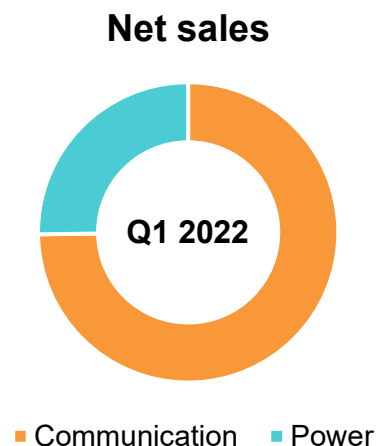
EUR million	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Net sales	18.1	26.2	87.9
Net sales growth, %	-30.8%	-22.4%	-25.6%
Operative EBITA	0.2	1.3	4.2
Operative EBITA-margin, %	0.9%	5.1%	4.8%
Number of employees, average	475	658	562

## Net sales

- Net sales down largely due to partial insourcing of a large customer agreement in Q2
- Slower than anticipated ramp up of new agreements

## Operative EBITA

- Main driver was the lower volumes
- An overview of the cost structure has been initiated due to the slower than expected recovery of net sales



# Other business Q1 2022

EUR million	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Net sales	23.5	21.4	91.9
Operative EBITA	-0.6	-0.9	-1.8
Number of employees, average	1,067	1,230	1,123

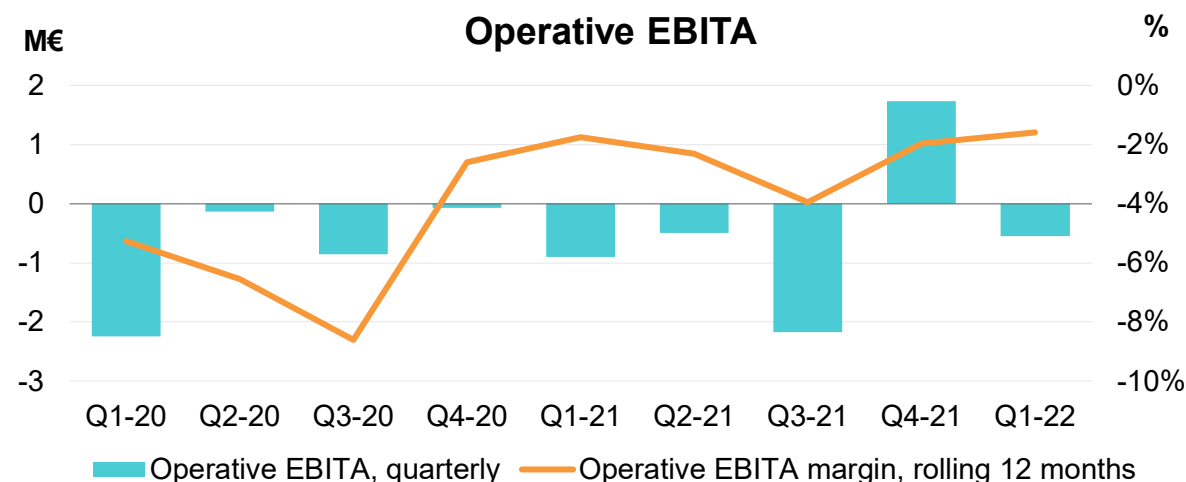
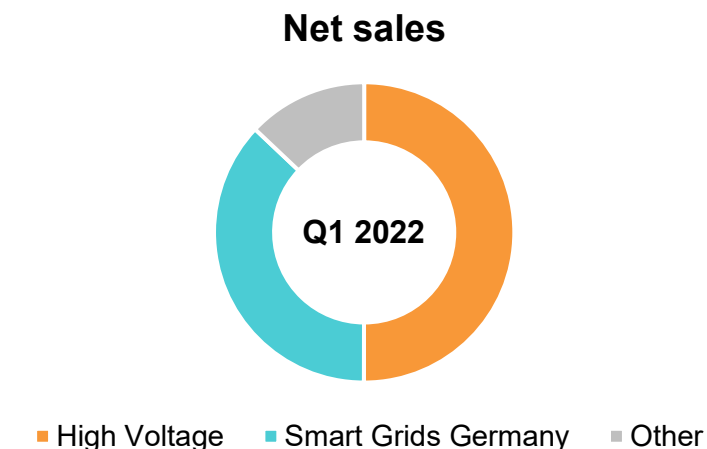
Other business includes operations in High Voltage, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International and Rail businesses.

## Net sales

- Growth mainly from High Voltage Poland thanks to realisation of delayed and postponed volumes from 2021
- Smart Grids Germany also grew in a favourable market

## Operative EBITA

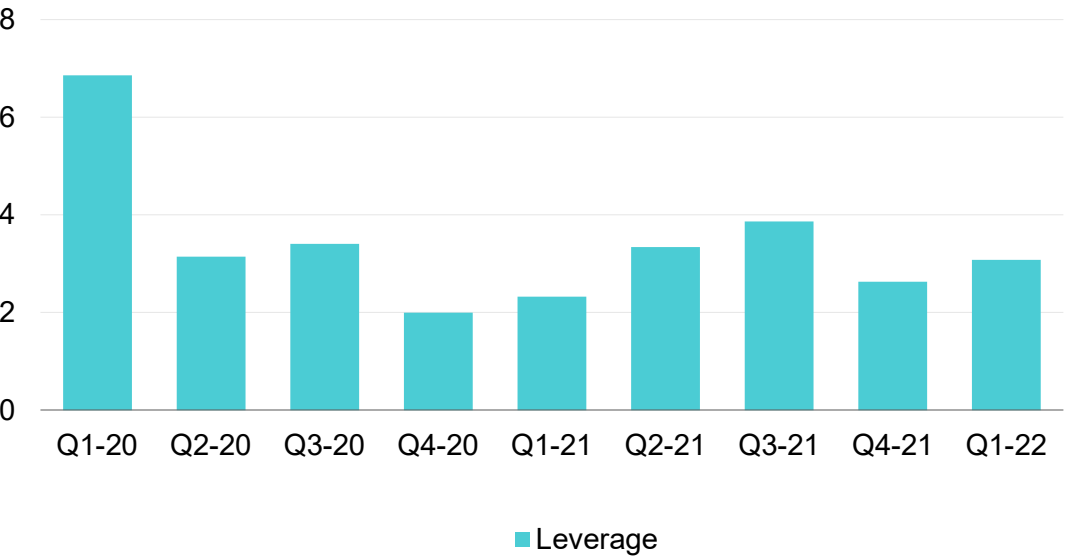
- Smart Grids Germany continued to perform well
- High Voltage is moving in the right direction operationally, but high material prices deteriorated the result, which was EUR -1.3 million





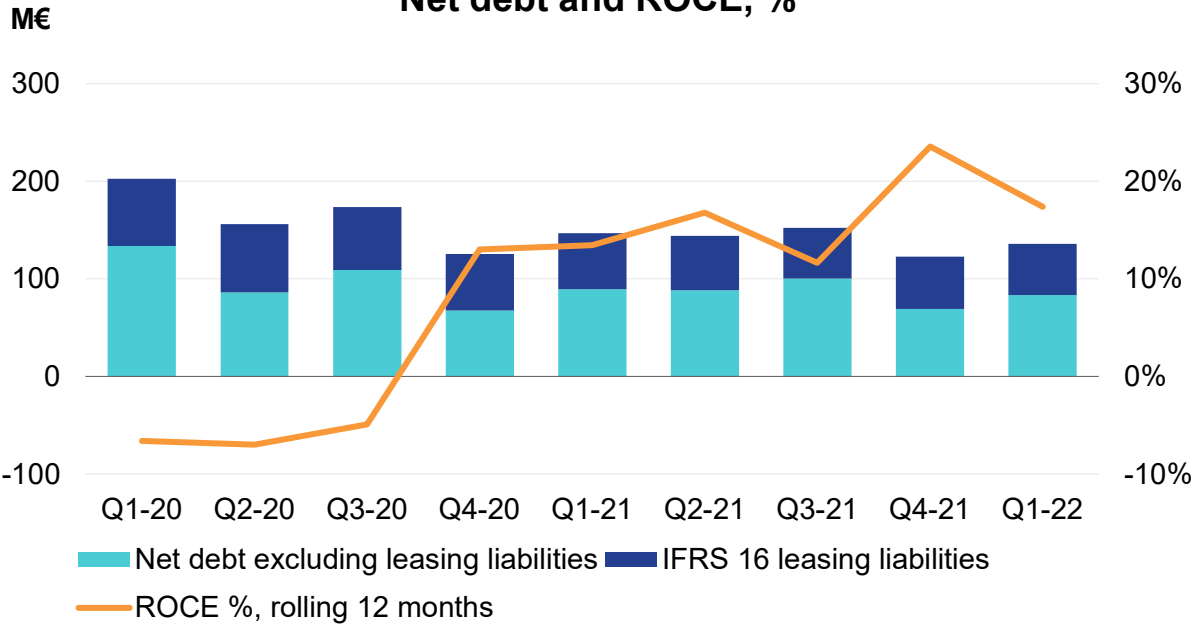
# Group leverage and net debt

Leverage



Leverage: Net debt/EBITDA. Eltel's leverage target by end of 2025 is 1.5–2.5x net debt/EBITDA.  
 Net debt: Interest bearing debt less cash and cash equivalents.

Net debt and ROCE, %



Net debt: Interest bearing debt less cash and cash equivalents..  
 ROCE:  $\text{Operative EBITA (R12)} \times 100 / \text{Operative capital employed (average over the reporting period)}$ .





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Going forward



# Financial guidance



**Given the significant uncertainties in the market due to the war in Ukraine and increased inflation, Eltel is no longer in position to give financial guidance for 2022 and therefore removes such guidance.**

**The previous guidance stated that the company expects the full-year 2022 operative EBITA margin to increase compared to 2021.**

# Eltel Group financial targets by end of 2025<sup>1)</sup>

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

<sup>1)</sup> Previous timeline was by end of 2023.



# 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

- Increasing market share in the Nordics
- Innovation and new market development
- Replicating successful business models
- Pursuing M&As in the Nordics
- Industry sustainability leadership

# Questions



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