



Eltel AB

# Investor presentation

June 2017

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1. Rights issue terms and timetable

2. Background to the rights issue

3. The new Eltel

4. Financial overview

# RIGHTS ISSUE TERMS AND TIMETABLE

# Rights issue summary

|   |  |
|---|--|
| <b>Transaction structure</b>                                | <ul style="list-style-type: none"> <li>• Rights issue with preferential rights for existing shareholders</li> <li>• In addition to subscribing with subscription rights (which will be trading on Nasdaq Stockholm during the period June 8–June 20, 2017), existing shareholders and other investors may subscribe for shares without subscription rights in the event that the rights offering is not fully subscribed for</li> </ul>    |
| <b>Size</b>   | <ul style="list-style-type: none"> <li>• Gross proceeds of approximately SEK 1,500 million</li> </ul>  |
| <b>Subscription ratio</b>                                   | <ul style="list-style-type: none"> <li>• 3:2, i.e. three (3) new shares for two (2) existing shares</li> </ul>   |
| <b>Subscription price</b>                                   | <ul style="list-style-type: none"> <li>• Subscription price of SEK 16 per new share</li> </ul>   |
| <b>Subscription period</b>                                  | <ul style="list-style-type: none"> <li>• Subscription period runs from 8 June–22 June, 2017</li> </ul>   |
| <b>Subscription undertakings and declarations of intent</b> | <ul style="list-style-type: none"> <li>• Eltel's largest shareholders, Zeres Capital, AP4, AP1, Solero Luxco S.á.r.l. (a company controlled by Triton Funds) and Swedbank Robur Funds, support the rights issue and have provided subscription undertakings and declarations of intent respectively, corresponding to c. 52% in total of the rights issue</li> <li>• Underwriting from Danske Bank, OP and SEB of remaining 48%</li> </ul> |
| <b>Use of proceeds</b>                                      | <ul style="list-style-type: none"> <li>• The proceeds from the rights issue will primarily be used to strengthen the Company's balance sheet and to enable the change of the business that the Company's management and Board of Directors have resolved upon</li> </ul>   |

# Rights issue timetable

| DATE      | ACTIVITIES  |
|-----------|---|
| 2 June    | <ul style="list-style-type: none"> <li>First day of trading in the share without right to participate in the rights issue</li> </ul>                        |
| 5 June    | <ul style="list-style-type: none"> <li>Record date, registered shareholders will obtain subscription rights to participation in the rights issue</li> </ul> |
| 7 June    | <ul style="list-style-type: none"> <li>Publication of prospectus</li> </ul>   |
| 8–20 June | <ul style="list-style-type: none"> <li>Trading in subscription rights</li> </ul>  |
| 8–22 June | <ul style="list-style-type: none"> <li>Subscription period</li> </ul>   |
| 28 June   | <ul style="list-style-type: none"> <li>Announcement of preliminary outcome of rights issue</li> </ul>   |
| 30 June   | <ul style="list-style-type: none"> <li>Announcement of final outcome of rights issue</li> </ul>   |



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# ▶ BACKGROUND TO THE RIGHTS ISSUE

# Recognised risks

## High-risk strategy outside core competence

### International expansion outside core competence

- Power Transmission International
- Rail business entry in Norway
- Communication in UK

### Too aggressive revenue recognition

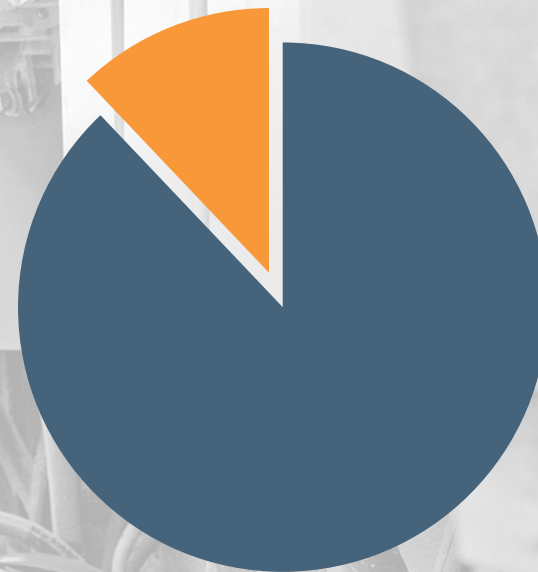
- Power Transmission International

### Weak project governance

- Insufficient control and transparency

**10%**

has caused extensive losses<sup>1</sup>

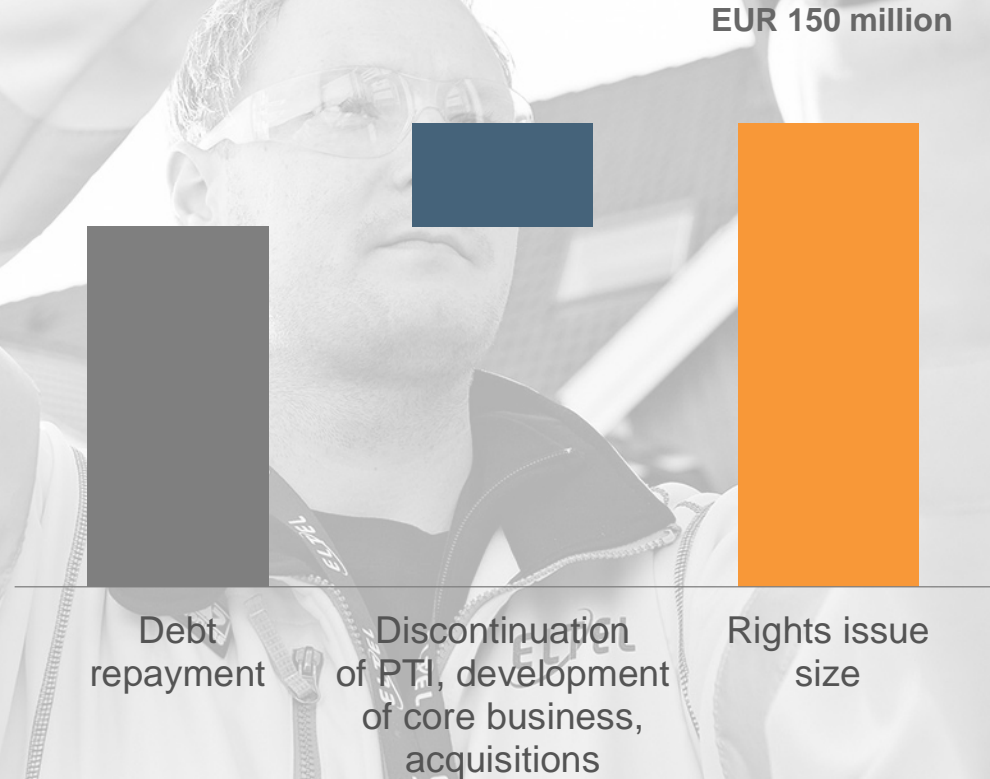


1) Q1 2017 sales from businesses for divestment

# New share issue

## Rationale for rights issue

- Deleverage
- Discontinuation of Power Transmission International
- Development of core business
- Acquisitions





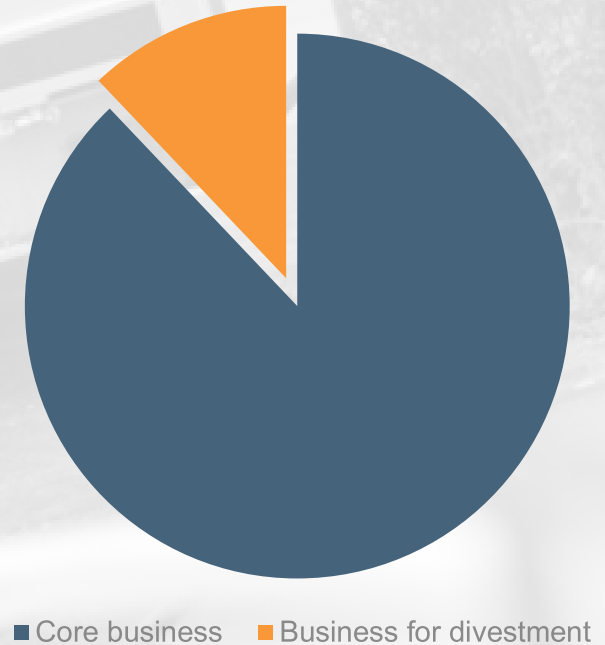
# Focus on core business

Power and Communication

The Nordics, Poland and Germany

Grow in line with market, capitalise on trends, improve operational processes, make selective acquisitions, increase efficiency

Core **90%** of sales<sup>1</sup>



1) Q1 2017 sales from core businesses

# Strong support for new share issue

- Eltel's largest shareholders support the rights issue
- Approx. 52% of Eltel's share capital have undertaken or expressed their intention to subscribe for their respective pro rata share
- The remaining 48% are underwritten by banks

## Strong support from main shareholders

|                                      |            |
|--------------------------------------|------------|
| Solero Luxco S.á.r.l. (Triton funds) | 13.9%      |
| Zeres Capital                        | 12.9%      |
| Fourth Swedish National Pension Fund | 9.5%       |
| Swedbank Robur Fonder                | 9.5%       |
| First Swedish National Pension Fund  | 5.9%       |
| <b>Total commitments<sup>1</sup></b> | <b>52%</b> |
| Underwriting by banks                | 48%        |

1) Triton funds and Swedbank Robur Fonder have expressed their intention to subscribe.

A large spool of copper wire is the central focus, with its intricate braided texture clearly visible. The spool is mounted on a wooden frame, and the background shows a blurred industrial environment with other spools and machinery.

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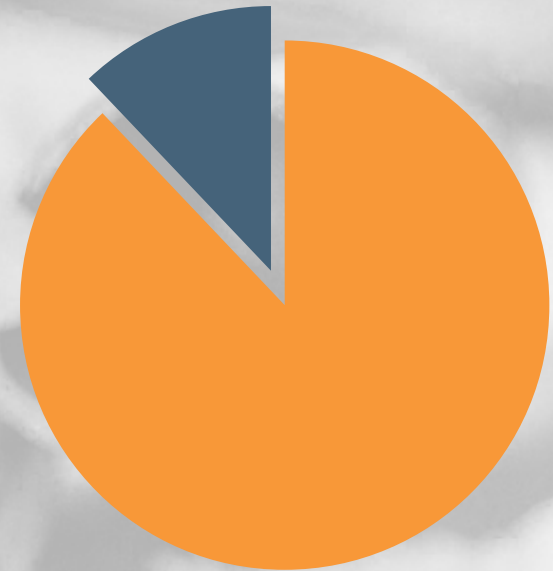
# ▶ THE NEW ELTEL

# New Eltel

## Power and Communication

- Nordics, Poland and Germany
- High degree of repetitiveness
- Long-term customer relationships
- Project business to go down from 24% to 18% of net sales<sup>1</sup>
- Increase competitiveness and customer offering

**90%**  
core business<sup>2</sup>



1) FY 2016

2) Q1 2017 sales from core businesses

# Eltel's core business

– driven by stable customers with long term investment needs

## Core business

---

**Power**

**Communication**

## Drivers

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- Regulatory demands
- Outsourcing
- Ageing infrastructure
- Increasing end-customer demands
- Technical shift

# Eltel's core business

– built on core competences with solid market position

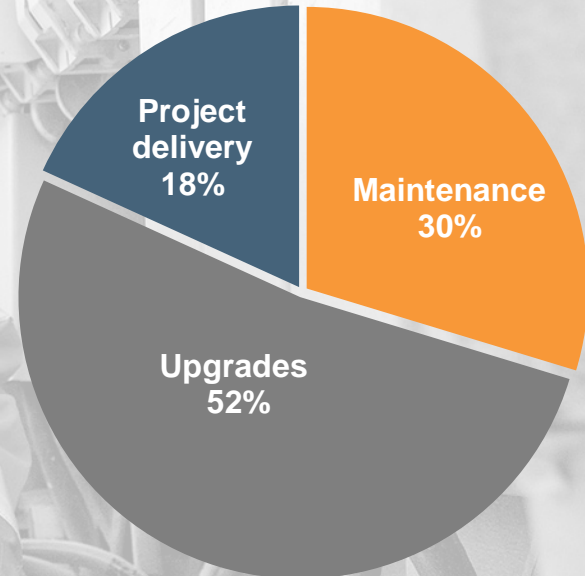
## Core business

Power

Communication

- Maintenance
- Upgrades
- Roll-outs
- Projects

## Services split (2016A)



# Exit or discontinue non-core businesses

... and implement new governance model for projects

## Divest

- Rail business
- Power Distribution Baltics
- Parts of Aviation & Security Sweden

## Discontinue

- Communication UK
- Power Transmission outside Europe



# 2017 and 2018 transition period

**2017**  
“House in order”

**2018**  
Synergies and  
selective M&A's

**2019**  
Profitable  
growth

- 
- Discontinue businesses
  - Complete divestments
  - New business unit organisation in place
  - Governance and control



# Our services – in three business segments



**Power**



**Communication**



**Other**

**FY 2016  
Net Sales  
(MEUR 1,400)**

**Geographical  
markets**

**Service  
offerings**



**35%  
MEUR 487**

Nordics, Poland, Germany

Design, engineering,  
installation, commissioning of  
energy transmission and  
distribution systems



**51%  
MEUR 719**

Nordics, Poland, Germany

Installation / maintenance of  
communication networks

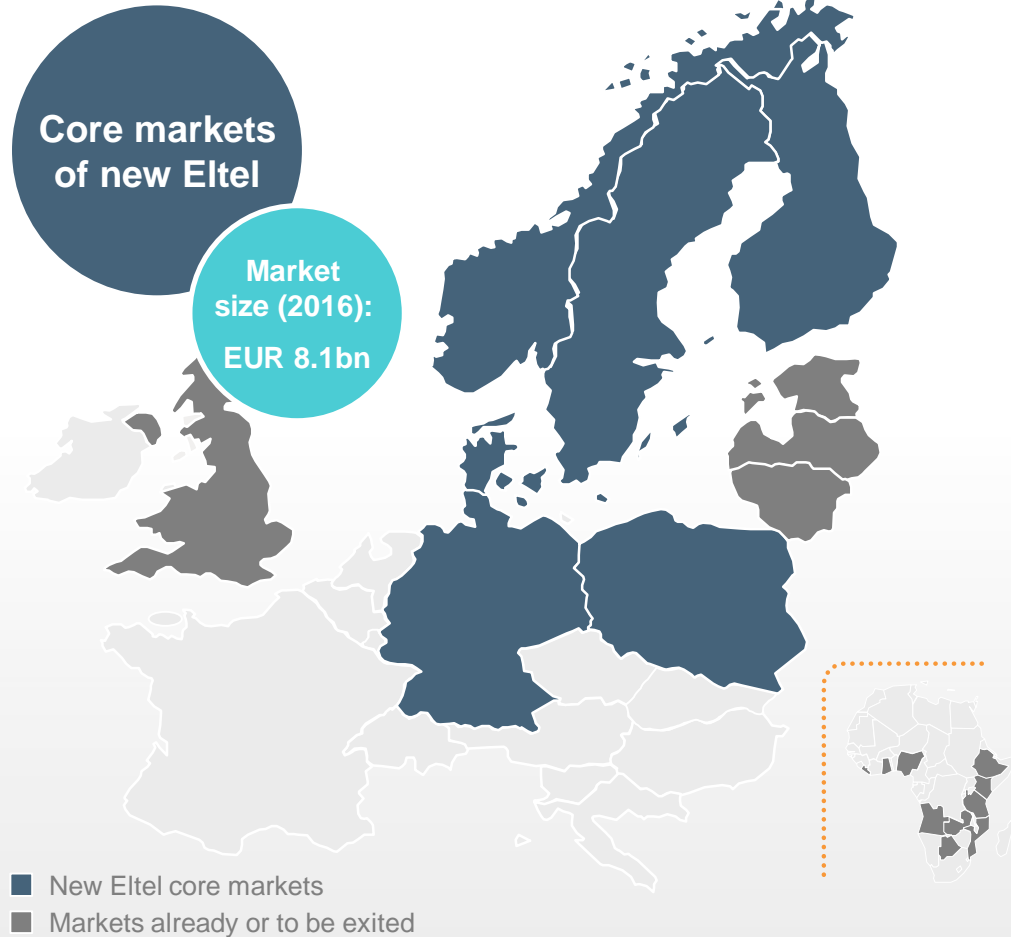
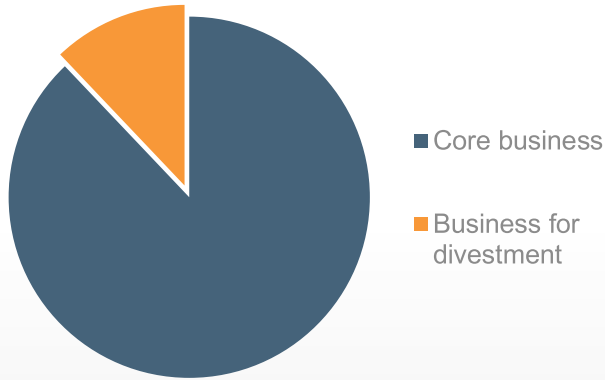


**14%  
MEUR 197**

Power Transmission  
International, Rail in the  
Nordics, Aviation & Security  
in Sweden

# Solid market potential

## Sales split Q1 2017



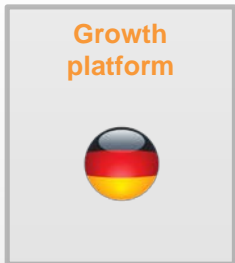
Source: Company information, management estimates

# Market size and outlook

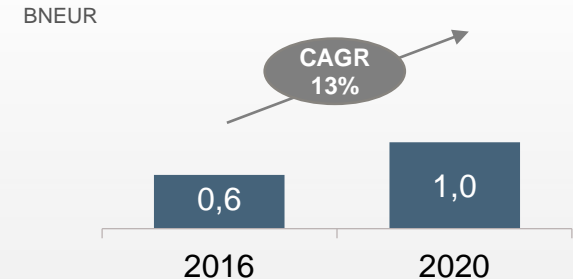
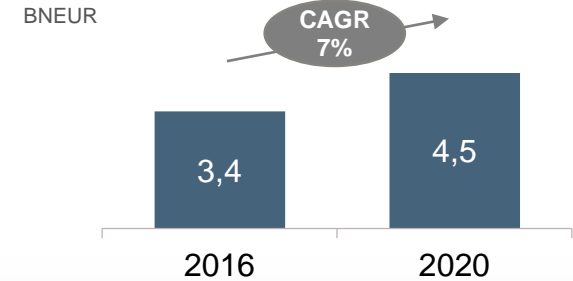
## Power



- Investments by both TSOs and DSOs expected to increase
- Network modernisation and robustness together with smart metering important market drivers



- Significant investment in transmission network driven by renewable energy production
- Smart metering with both electricity and gas considered large growth drivers

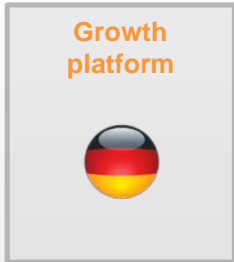


# Market size and outlook

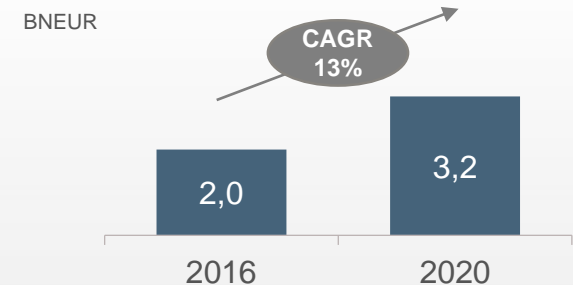
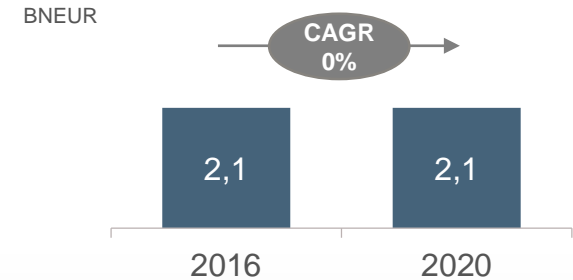
## Communication



- Strong growth in data traffic within both fixed and mobile communication
- Stable markets with tough competition between telecom operator which puts some price pressure on technical Infranet services



- Telecom operators are expected to continue invest in 4G/LTE
- Low fibre penetration in Germany implies strong growth potential within fixed communication



# New financial targets

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

|                   |   |  |
|-------------------|---|--|
| Sales growth      | ▶ | ▪ Annual growth of Eltel's core business of 2-4%, including selective acquisitions   |
| EBITA-margin      | ▶ | ▪ EBITA-margin of at least 5%  |
| Cash conversion   | ▶ | ▪ Cash conversion of 95-100% of EBITA  |
| Capital structure | ▶ | ▪ Leverage of 1.5-2.5x net debt / EBITDA   |
| Dividend policy   | ▶ | ▪ Approximately 50% pay-out ratio, with some flexibility, of the Company's consolidated net profit with annual distributions |

A large spool of copper wire is the central focus of the image. The wire is a bright, metallic copper color and is tightly wound in a helical pattern around a large, light-brown wooden spool. The spool has a circular face with several small, dark holes. In the background, a person in a dark jacket is partially visible, standing near some industrial equipment. The overall scene is dimly lit, with a focus on the copper wire.

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# ▶ FINANCIAL OVERVIEW

# Financial result in 2016

## Income statement

| EUR million  | 2015         | 2016         |
|--|--------------|--------------|
| Net sales  | 1,254.9      | 1,399.8      |
| Cost of sales  | -1,089.6     | -1,279.5     |
| <b>Gross profit</b>  | <b>165.3</b> | <b>120.3</b> |
| Other income   | 4.3          | 4.0          |
| Sales and marketing expenses   | -14.2        | -11.7        |
| Administrative expenses  | -88.0        | -104.4       |
| Other expenses   | -8.3         | -5.6         |
| Share of profit/loss of joint ventures                                   | 1.5          | -0.4         |
| <b>Operating result before acquisition-related amortisations (EBITA)</b> | <b>60.5</b>  | <b>2.1</b>   |
| Amortisation and impairment of acquisition-related intangible assets     | -13.9        | -69.4        |
| <b>Operating result (EBIT)</b>   | <b>46.6</b>  | <b>-67.4</b> |
| Net financial expenses   | -14.4        | -12.6        |
| <b>Result before taxes</b>   | <b>32.2</b>  | <b>-80.0</b> |
| Taxes  | 11.0         | -2.2         |
| <b>Net result</b>  | <b>43.2</b>  | <b>-82.2</b> |

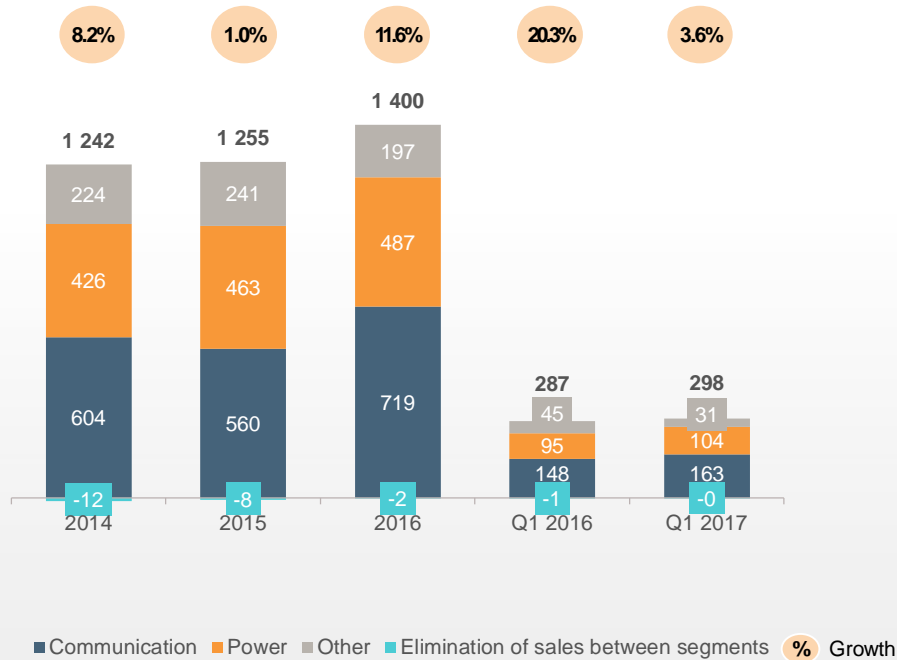
## Comments

- Reported net sales grew by 11.6% to MEUR 1,399.8 (1,254.9). This strong growth was attributable to the Communication segment driven by the acquisition of Norwegian Eltel Sønnico AS, concluded in 2015, and supported by the fixed communication business in the Nordics.
- The Eltel Group's operative EBITA decreased to MEUR 2.1 (62.2), representing 0.1% of net sales (5.0).
- Group profitability was clearly impacted by challenges and underperformance in the project business in Other, and in the full year, provisions and write-downs of MEUR 49.8 were booked in operative EBITA.

# Financial result by business area

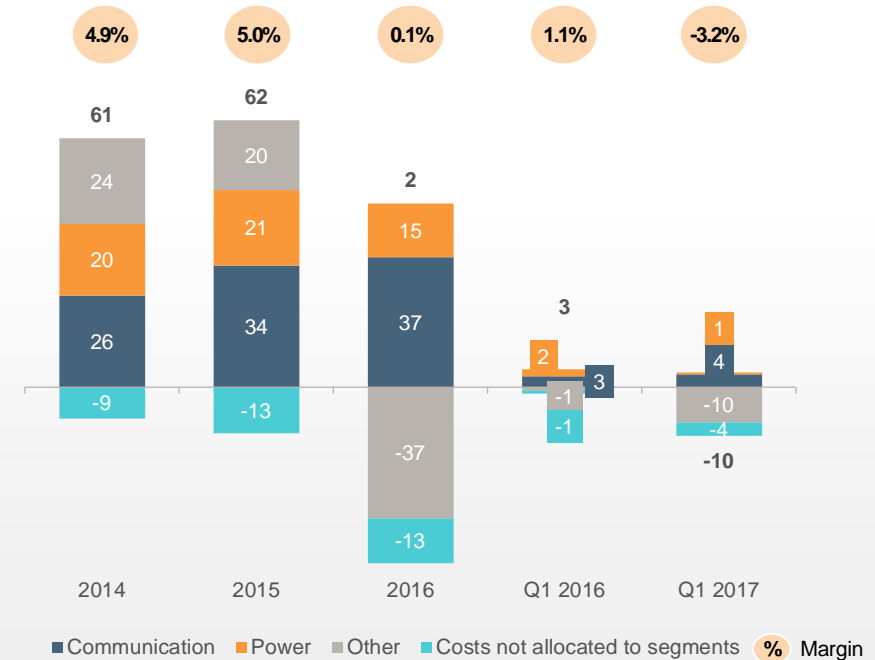
## Revenue

MEUR



## Operative EBITA

MEUR





The background is a blurred image of a modern interior space, likely a train or transit station. A large, stylized 'Eltel' logo is visible on the right side, rendered in a light gray color. In the upper left, there are several bright, out-of-focus light sources, possibly from a display or signage. The overall tone is professional and futuristic.

# Thank you!