



# Q2 2015 presentation

20 August, 2015



# Today's speakers



**Axel Hjärne**  
Chief Executive Officer



**Gert Sköld**  
Chief Financial Officer

A person wearing a blue long-sleeved shirt is holding a rugged, black mobile phone with a keypad. The phone is held in front of a large, white and blue logo that reads "ELTEL". The logo features the word "ELTEL" in a stylized font, with the "E" and "L" in blue and the "T" and "E" in orange. The background is a blurred blue and white, suggesting an outdoor or industrial setting. The overall scene is overlaid with a semi-transparent dark blue rectangle containing the agenda text.

# Agenda

## 1. Eltel in brief

## 2. Q2 Report 2015

- Power
- Communication
  - Eltel Sønnico acquisition
- Transport & Security

## 3. Financials

## 4. Summary & Strategy

# 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 **1.2** billion

**8.600** employees



# Power investments will increase..

Eon fördubblar sina nätinvesteringar



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# Q2 2015 highlights

## Q2 events

- Good underlying infranet market
  - Especially smart meters and fibre installations
- Consolidation of Edi.Son in Germany
  - First order from Amprion in June
- Orders of 800,000 smart meter installations in Norway
- Order from Dong in Denmark and E.ON in Sweden within power distribution
- Listed life positive from customers and employees

## Events after the quarter

- Renewed big contract with Orange in Poland
- Buyout of JV partner in Eltel Sønnico, Norway



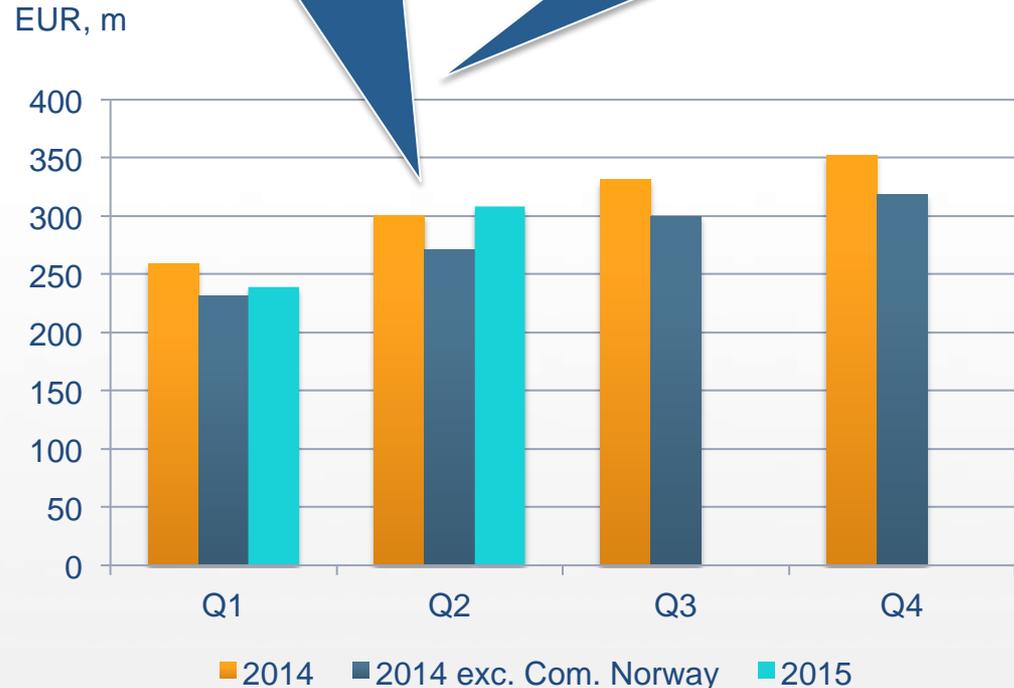
# Q2 Net sales – strong organic growth

## Highlights:

- Good underlying market driven by mega-trends
  - Telecom operators keep investing to support customer demand
  - Adaption to changing power supply and refurbish old networks
  - Continued growth in the building of new railroads
- Increased competition, especially in project business
- Deconsolidation of Communication Norway

**Q2: EUR 308 m**  
 +2.7%  
 +11.8% organic

**Jan-Jun: EUR 547 m**  
 -2.2%  
 +7.8% organic



# Q2 Operative EBITA – increased margin

**Q2:**  
 EUR 13.9 m (13.1)  
 4.5% margin (4.4)

**Jan-Jun:**  
 EUR 19.2 m (17.9)  
 3.5% margin (3.2)

## Operative EBITA

- EUR 13.9 m (13.1)
  - 4.5% of net sales (4.4)
- No non-recurring items
- Increased volume in all segments
- Efficiency improvements in Communication and Swedish power distribution
- Eltel Sønnico JV impacted margin positively

## EBITA

- EUR 14.0 m (13.6)



# Power – strong growth

## Increased sales from:

- Power distribution cabling projects in Finland
- Transmission business in Africa
- Acquisition of Edi.Son in Germany
  
- Offset by a decreasing transmission volumes in Sweden and Norway
- Fierce competition in projects, particularly in Poland and Nordics

## Operative EBITA:

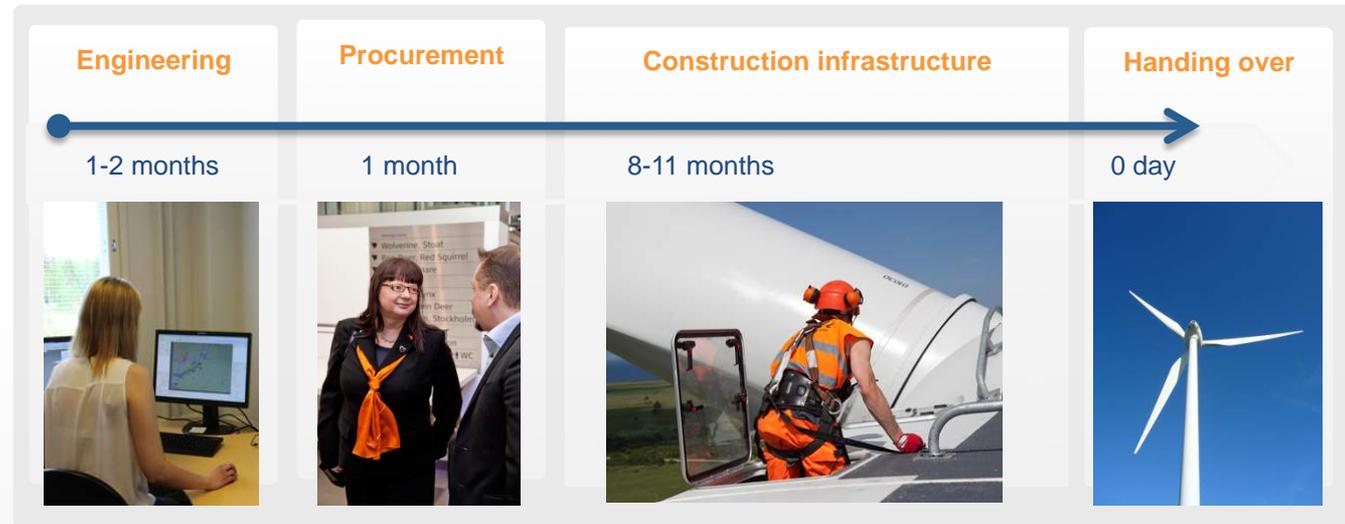
- Positive impact from efficiency improvements in the Nordic power distribution and healthy volumes
  
- Offset by:
  - Increased costs for smart meter tendering activities and business development in Germany
  - Large share of cabling project with high share of pull-through materials

Q2 Net sales  
EUR 152.6 m (123.0)  
**+24%**

Q2 Operat. EBITA  
EUR 7.7 m (6.5)  
**5.1% margin (5.3%)**

# Supporting green power projects

- Eltel can deliver engineering, mechanical and electrical installations, substations and connections to the grid
- Experienced wind power experts team



## Project in Kittilä (Impax Asset Management)

- 17 turbines
- Eltel the main contractor of plant delivery
- Handover in Q3 2015 on time and budget
- Contract value EUR 14.4 m

## Project in Raahе with Suomen Hyötytuuli Oy

- 10 turbines
- Eltel the main contractor of plant delivery, excl. substation
- Contract signed July 2, 2015
- Contract value EUR 6.5 m

# Communication – continuous margin increase

## Increased sales from:

- Fibre roll-out in Sweden
- Mobile communication Denmark
- Offset by decrease in fixed communication Finland

## Strengthened Operative EBITA

- Increased mobile volumes in Denmark
- Higher mobile margins in Germany
- Deconsolidation of Eltel Sønnico (0.7% of margin increase)

## Q2 net sales

-19.8%, EUR 114 m (142)

**+1.9%** excl Norway  
and FX adjusted

## Q2 Operat. EBITA

EUR 6.1 m (5.9)

**5.3%** margin (4.2%)

# Communication: favourable fibre market in Sweden

- Fibre penetration in Sweden from 26% to 43% in 2013-2018E\*
- Eltel Swedish Communication unit is a forerunner
  - Specialized organization since May 1<sup>st</sup> 2015
  - Planning, site works, material and documentation
- Broad mix of customers
  - Incumbents, competitive operators, municipalities / utilities and local cooperatives
- In H1 2015 alone Eltel won order corresponding to 35,000 homes

\*PWC study 2014

## Nordic fibre penetration estimates 2013-2018\*:

- Norway 20 => 37%,
- Denmark 14 => 25%,
- Finland 11 => 25%

## Other markets current fibre penetrations:

- Germany 2%
- UK 2%
- Poland 0%

*The Swedish experience will be utilized in fibre rollouts in other Eltel countries*

# Communication: Eltel buys out its JV partner in Norway

- The JV Eltel Sønnico was formed in the beginning of 2014 to join the communication businesses of Eltel and Umoe in Norway
- At 10<sup>th</sup> Aug, 2015 Eltel agreed to acquire the other half of the JV Eltel Sønnico AS in Norway from its partner Umoe - becoming the sole owner
- Price of NOK 265 million
- The acquisition is subject to the approval of the Norwegian Competition Authority
- Rational behind acquisition:
  - Becoming the sole owner, governance will be aligned with Eltel's group structure and operational model - Eltel Way.
  - Integration with Eltel both within Norway and internationally will be enhanced.



# Transport & Security – continued growth

## Increased sales from:

- Rail & Road projects – particularly in Norway and Denmark
- Strong market demand attracting increased competition
- Supplier consolidation emerging

## Operative EBITA:

- Positive effect from aviation & security
- Continued adjustment of mix affecting margin
  - More rail projects with high material contents

## Q2 Net sales

EUR 42.9 m (37.8)

**+15.9%** FX adjusted

## Q2 Operat. EBITA

EUR 3.4 m (3.2)

**8.0%** margin (8.5)

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# Financial KPI:s

	2015	2014	2014
	Apr-Jun	Apr-Jun	Jan-Dec
Net sales	307.8	299.8	1.242.1
Operative EBITA	13.9	13.1	61.3
Non-recurring items	0.0	0.5	-22.7
EBITA	14.0	13.6	38.6
Operating result (EBIT)	10.9	10.5	26.2
Result after financial items	9.1	6.3	7.2
Net result for the period	8.3	5.1	11.1
Earnings per share EUR, basic and diluted	0.13	0.09	0.12
Operative cash flow	22.7	-2.0	88.9

**Financial Net down to 1.8 MEUR from 2.7 MEUR in Q1 from reduced debt and lower market interest rates**

**Operative cash flow at a satisfactory level considering seasonal build up of working capital**

# Capex, goodwill, amortization, financial net and tax

<b>Capex</b>	<p>Asset light business. Historically annual net capex of slightly more than 1 percent of net sales. Q2 2015 was 0.8 %</p>
<b>Goodwill</b>	<p>Current goodwill of EUR 418 m. Increase coming from Edi.Son acquisition. Relates mainly to 3i acquisition of Eltel in 2007. Impairment test each year. No impairment in Q2 2015</p>
<b>Amortization</b>	<p>Intangible assets of EUR 86m in balance sheet allocated to customer relations and brand. Customer relations of EUR 34 m is the only one to be amortised. Amortization in 2014 was EUR 12.4 m and 3.1 m in Q2 2015. Pre-IPO assets will be fully amortised in 2017. Will increase from new acquisitions, e g EUR 6m from Edi.Son in Q2</p>
<b>Financial net</b>	<p>Loan facility of approx. EUR 210 m post IPO + EUR 90 m RCF. Financial net of EUR 20 m 2014, would be somewhat more than half of 2014 level at current interest rates and assuming no foreign currency movements or effects. Financial Net Q2 2015 of 1.8 MEUR</p>
<b>Taxes</b>	<p>2015 cash tax approx. 15% of profit before tax + amortization. P&amp;L tax will be less than 15% due to additional tax loss carry forward utilisation. EUR 0.9 m tax charge in Q2</p>

# Financial effects of Eltel Sønnico deal

- The price of NOK 265 million in cash
- The price in line with Eltel's target range for acquisitions of 5-7 times EBITA
- 2/3 of the price paid at closing - the remaining 1/3 paid in January 2016
- Net sales will increase with the full amount of the JV's net sales
  - slightly below EUR 200 million per annum
- Net profit will increase with the Umoe 50% of the total JV net profit
- Impact on operative EBITA-margin negative by 0.30-0.35 %-points
  - should the JV have been fully consolidated in Eltel 2015
- The acquisition EPS accretive immediately at closing
- Date of consolidation depends on approval of the Norwegian Competition Authority

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# Group strategic agenda 2015

Vision: Be the European Leader in Infranet Technical Services

1

## Further improve Operating Performance

- Continuing fine tuning of Eltel Way
- Several Centres of Excellence established to leverage specialisation and core competencies

2

## Drive Organic Growth

- Strong market and Eltel performance in fibre and mobile roll-out business
- Hafslund and Skagerak AMM deals in Norway

3

## Pursue selective M&A

- Edi.Son case Germany
- Eltel Sønnico acquisition
- Active M&A function and solid pipeline

Medium to Long Term Financial Targets

# Financial targets

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

### Sales growth

Average annual organic sales growth of around 5% and 5% annual growth from M&A including new outsourcing deals

### 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 percent pay-out ratio of net profit with some flexibility

- The first dividend is expected to occur in 2016, based on the results in 2015
- Scope for acquisitions and deleveraging

# Summary

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



A person wearing a blue long-sleeved shirt and an orange high-visibility vest is using a rugged mobile device. The device is a black handheld PDA with a screen and a keypad. The person is standing next to a white van with blue and orange accents. The word "ELTEL" is printed on the side of the van in large blue and orange letters. Below the logo, the website "www.eltel" is partially visible. The background shows a clear blue sky and some distant structures.

Thank You!

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