



Eltel AB

FY and Q4 2020 Presentation

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Today's presenters



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President and CEO



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Q4 2020 highlights

- Continued efficiency improvements
- Improved operative EBITA
- Low net working capital and reduced net debt
- Five major customer agreements signed
- Divestments and COVID-19 impacted net sales
- Extended bank agreement

New agreements Q4 2020

Major agreements signed during the reporting period

Month	Tender value EUR million	Customer	Valid contract length	Segment	Market
Nov.	280	Telenor	2021-2023 ¹⁾	Communication	Norway
Nov.	11	Telia	2020-2023 ²⁾	Communication	Norway
Dec.	110	Telia	2021-2023 ³⁾	Communication	Finland
Dec.	55	Telia	2021-2023 ¹⁾	Communication	Sweden
Dec.	14	Kamstrup	2021-2024	Power, Smart Grids	Sweden
Total	EUR 470 million				

Trends:

- Larger contracts
- Larger customers
- Concentrated to larger cities
- Growing 5G demand

Frame agreement advantages:

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

1) The contract is a three-year continuation of a current frame agreement and includes an option of up to two years.

2) The contract includes options for one-year periods thereafter.

3) The contract is a three-year continuation of a current frame agreement.



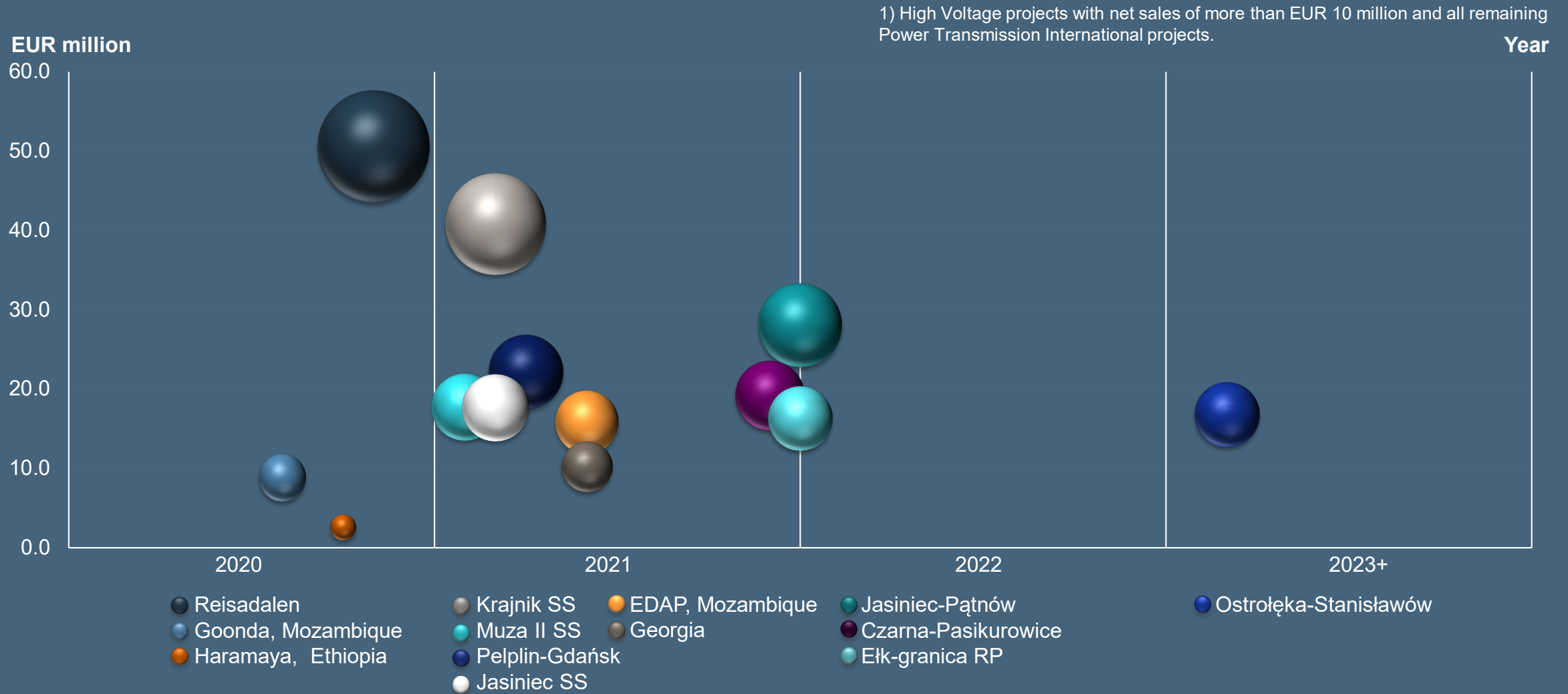
COVID-19 impact

- Our business had a moderate impact from the COVID-19 pandemic during 2020
 - Lower investment levels by certain customers
 - Postponed projects
 - Delays in project execution
 - Local restrictions
 - Favourable payment terms

Large¹⁾ High Voltage and Power Transmission International projects



Project portfolio, EUR 24 million in estimated remaining net sales



Sustainability

- Good progress
 - The main safety indicator “lost-time injury frequency” (LTIF) is at a market-leading level in our industry
 - Reduced carbon footprint



Total Group: Q4 2020

Total Group

- Net sales EUR 229.2 million (278.9), -17.8%
- Organic growth in Power and Communication¹⁾ -11.1%
- Operative EBITA EUR 4.0 million (-14.9)
- Operative EBITA margin 1.7% (-5.3)
- Operating result (EBIT) EUR -1.9 million (-13.7)
- Cash flow from operating activities EUR 51.2 million (65.0)

1) Adjusted for divested operations and currency effects.

Net sales segments: Q4 2020

Power

- **Net sales EUR 84.9 million, -9.2%**
 - Lower activity and COVID-19 related delays in High Voltage
 - Ramp down of projects and service operations in Sweden continued
 - A slight decrease in Finland due to completion of large projects, despite contract expansions
- **Organic growth¹⁾ -8.7%**

Communication

- **Net sales EUR 143.5 million, -21.5%**
 - Divestments of Polish and German Communication businesses and Aviation & Security impacted EUR -17.1 million
 - Reduced customer investments due to Covid-19 in Norway. Impact from lost service frame agreement in Sweden. In Denmark two large projects are coming to an end
 - High volumes in fibre and 5G in Finland
- **Organic growth²⁾ -12.5%**

Other

- **Net sales EUR 1.3 million, -59.9%**
 - Relate to the remaining projects in Power Transmission International
 - In line with the strategy to divest and discontinue operations

1) Adjusted for currency effects.

2) Adjusted for divested operations and currency effects.

Operative EBITA segments: Q4 2020

Power

- **Operative EBITA EUR -2.4 million (-12.0)**
- **Operative EBITA margin -2.8% (-12.9)**
 - High Voltage and Sweden gradually recovering and continue to reduce risks in the projects
 - Smart Grids performed well, albeit from low volumes
 - Finland performed in line with previous year, despite trailing costs from two completed Build projects

Communication

- **Operative EBITA EUR 6.4 million (2.0)**
- **Operative EBITA margin 4.5% (1.1)**
 - Effect of the divestments EUR -1.7 million
 - Norway continued to produce good margins
 - Net sales growth and good production efficiency in Finland
 - The majority of the operative EBITA improvement comes from Sweden

Other

- **Operative EBITA EUR 1.7 million (-0.6)**
- **Operative EBITA margin 134.9% (-20.4)**
 - Increase comes from releasing risk provisions after receiving milestone payments for remaining projects

Total Group: January-December 2020

Total Group

- Net sales EUR 938.0 million (1,087.6), -13.8%
- Organic growth in Power and Communication¹⁾ -7.4%
- Operative EBITA EUR 11.4 million (-11.3)
- Operative EBITA margin 1.2% (-1.0)
- Operating result (EBIT)²⁾ EUR 24.8 million (-11.2)
- Cash flow from operating activities EUR 49.4 million (51.4)
- Net debt³⁾ ended at EUR 67.4 million (123.8)

1) Adjusted for divested operations and currency effects.

2) Includes EUR 20.4 million gain from divestments.

3) Refers to net debt as defined in financing agreement.

Net sales segments: January-December 2020

Power

- **Net sales EUR 329.8 million, -12.7%**
 - Decrease largely from High Voltage due to lower activity and COVID-19 related delays, and reduced exposure to capital-intensive projects
 - Sweden impacted by ramp down of projects and service operations and reduced order backlog
 - Volumes in Smart Grids decreased in line with expectations. New project in Sweden still in early stages
 - Increased net sales in Finland due to growth in Build projects and contract expansions
- **Organic growth¹⁾ -12.2%**

Communication

- **Net sales EUR 549.9 million, -14.8%**
 - Divestments of Polish and German Communication businesses and Aviation & Security impacted EUR -59.6 million
 - Sweden noted reduced customer investments, lower order backlog and loss of large frame agreement
 - In Norway, FX effect of EUR -17 million as well as reduced and delayed volumes from a large customer
 - Decline partly offset by high fibre and 5G volumes in Finland, and increased volumes in Denmark
- **Organic growth²⁾ -4.5%**

Other

- **Net sales EUR 13.3 million, 0.8%**
 - Relates to the remaining projects in Power Transmission International
 - In line with the strategy to divest and discontinue operations

1) Adjusted for currency effects.

2) Adjusted for divested operations and currency effects.

Operative EBITA segments: January-December

Power

- **Operative EBITA EUR -9.5 million (-17.5)**
- **Operative EBITA margin -2.9% (-4.6)**
 - Focus on risk reduction and improved control
 - Sweden and High Voltage gradually recovering, exposure to large projects decreasing
 - Finland showed positive productivity development, with a reduced risk level

Communication

- **Operative EBITA EUR 24.4 million (18.1)**
- **Operative EBITA margin 4.1% (2.6)**
 - Effect of the divestments EUR -4.7 million
 - Norway delivered good margins, but lower net sales and negative FX effect impacted operative EBITA
 - Finland improved through volume growth and better production efficiency
 - Denmark performed in line with previous year, but fell slightly behind during H2
 - Y-o-Y the majority of the operative EBITA improvement comes from Sweden, but still far from target

Other

- **Operative EBITA EUR 4.5 million (-0.8)**
- **Operative EBITA margin 33.7% (-5.9)**
 - Increase relates mainly to a claim compensation
 - The discontinuation of Power Transmission International is targeted to be finalised in 2021

Going forward

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 and German High Voltage business
- Operational Excellence

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- A large white circle is positioned on the right side of the slide, containing a list of five strategic focus items. The circle is set against the orange background of the slide.
- Improved profitability
 - Improved quality
 - High customer satisfaction
 - Engaged employees
 - Cash generation

Financial guidance

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

Eltel Group targets by end of 2023

Group EBITA margin	5%
Annual growth in the Nordics from 2022 onwards	2-4%
Leverage ¹⁾	1.5–2.5x net debt/EBITDA
Dividend payout	Subject to leverage target

1) Net debt/EBITDA is calculated as defined in the financing agreement. Net debt is defined as interest-bearing debt consisting of short-term and long-term debt less cash and cash equivalents. Both net debt and EBITDA exclude IFRS16 impact.

Questions



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