

**Eltel AB**

# **Half-year 2021 presentation**

27 July 2021



# 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 2020 EUR 938 million
- 5,200 employees by the end of Q2 2021





## Highlights Q2 2021

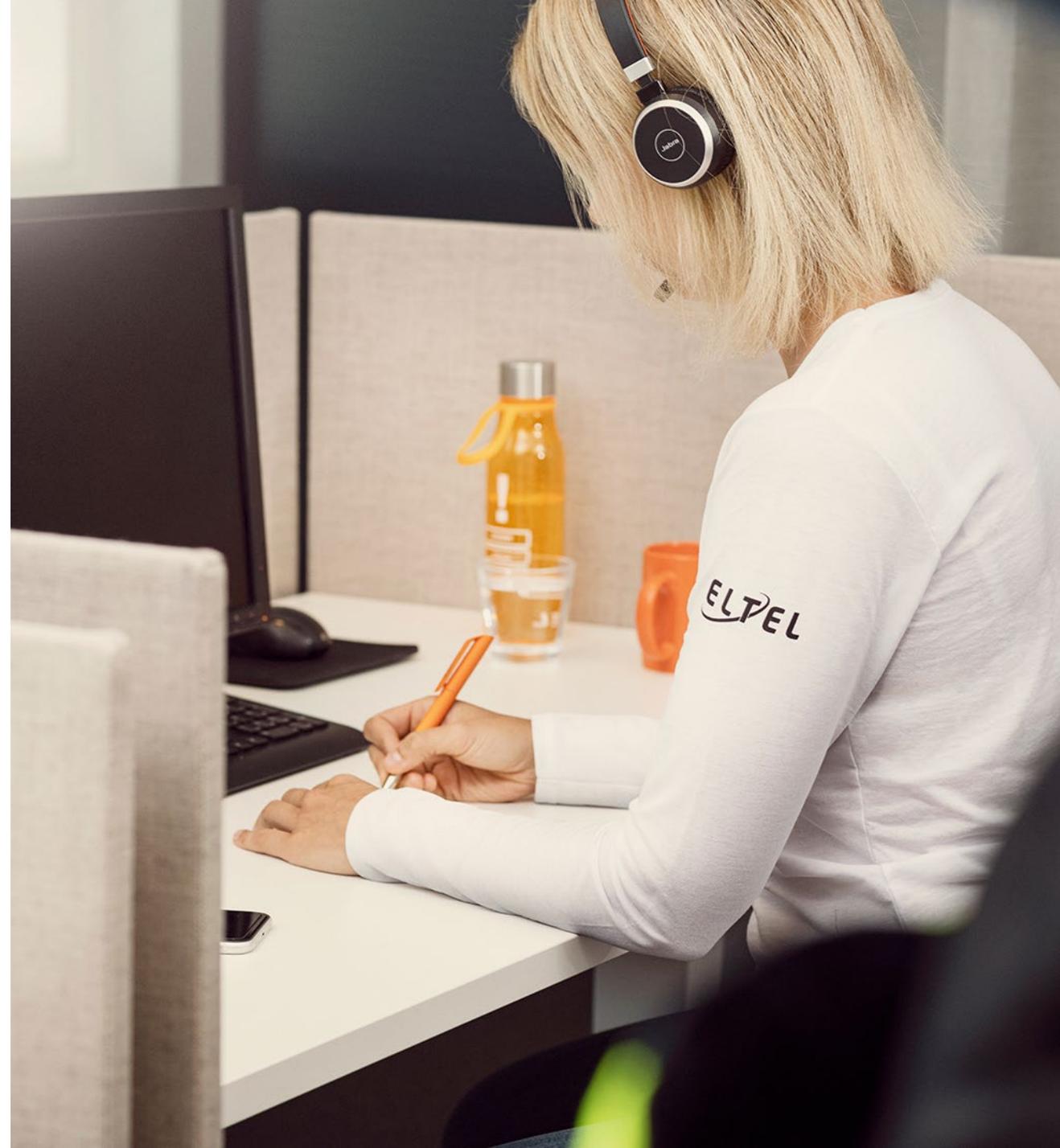
- Improved profitability for the sixth consecutive quarter year-on-year
- Finland, Norway and Denmark were main contributors to the positive result
- Maintained healthy levels of net working capital and net debt
- Improved return on capital employed
- COVID-19 continued to impact net sales negatively
- Committed to Science Based Target initiative, SBTi

# COVID-19

COVID-19 impacts Eltel

Main reasons:

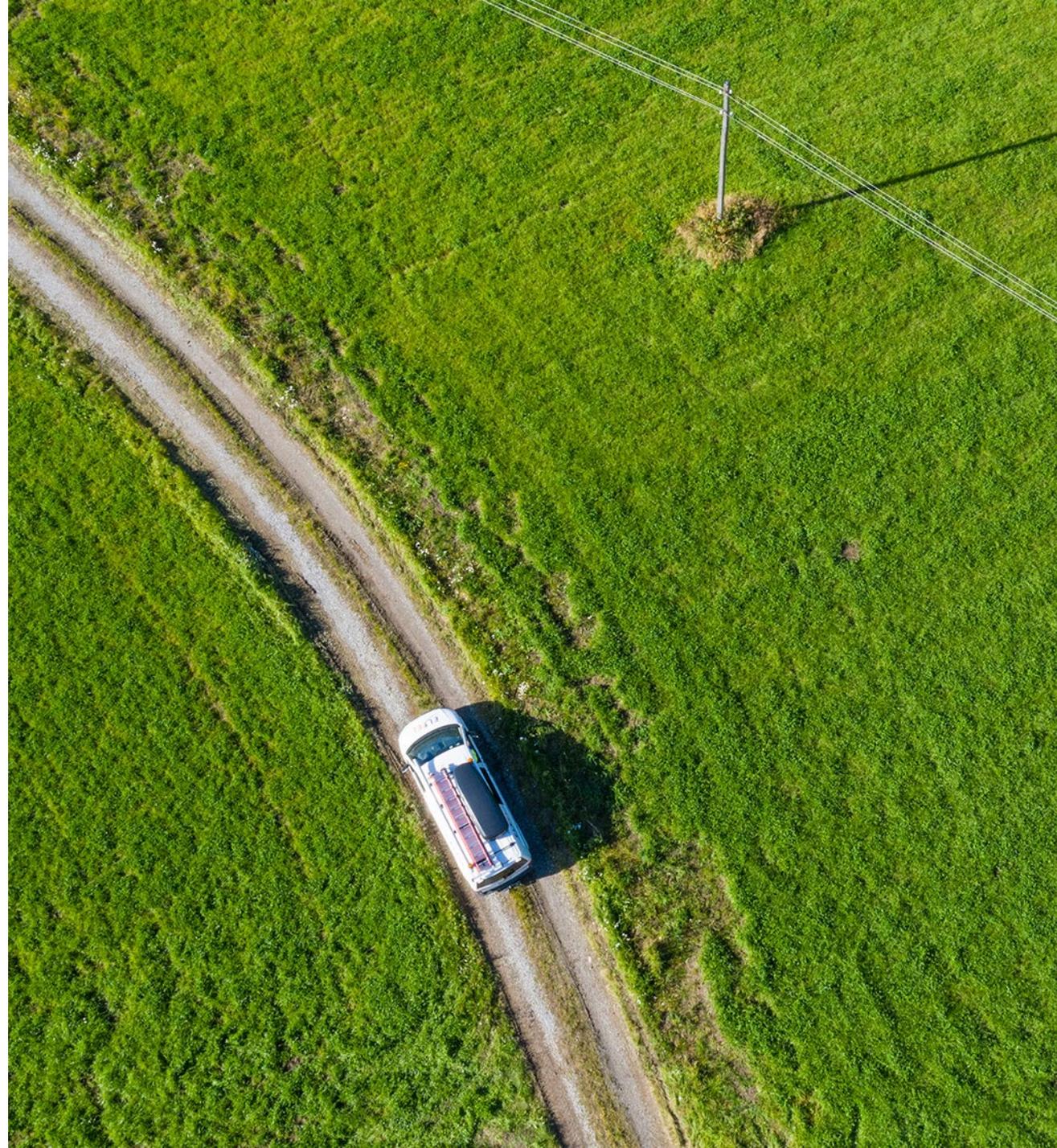
- Reduced customer investments
- Postponed projects
- Delays in project execution
- Slightly increased sick-leave rates



# Sustainability

Committed to Science Based Target initiative, (SBTi):

- Eltel's sustainability ambition is on a high level
- Working towards setting concrete and measurable goals
- Sustainability is business-critical for Eltel
- Customer expectations
- Builds internal pride



# Total Group Jan-June 2021

EUR million	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	210.4	245.5	392.4	482.1	938.0
Net sales growth, %	-14.3%	-11.1%	-18.6%	-8.5%	-13.8%
Operative EBITA	4.4	2.8	3.7	0.8	11.4
Operative EBITA margin, %	2.1%	1.2%	1.0%	0.2%	1.2%
Return on equity (ROE) <sup>1)</sup> , %	-2.2%	-2.8%	-2.2%	-2.8%	2.4%
Return on operative capital employed (ROCE) <sup>1)</sup> , %	16.8%	-7.0%	16.8%	-7.0%	13.0%

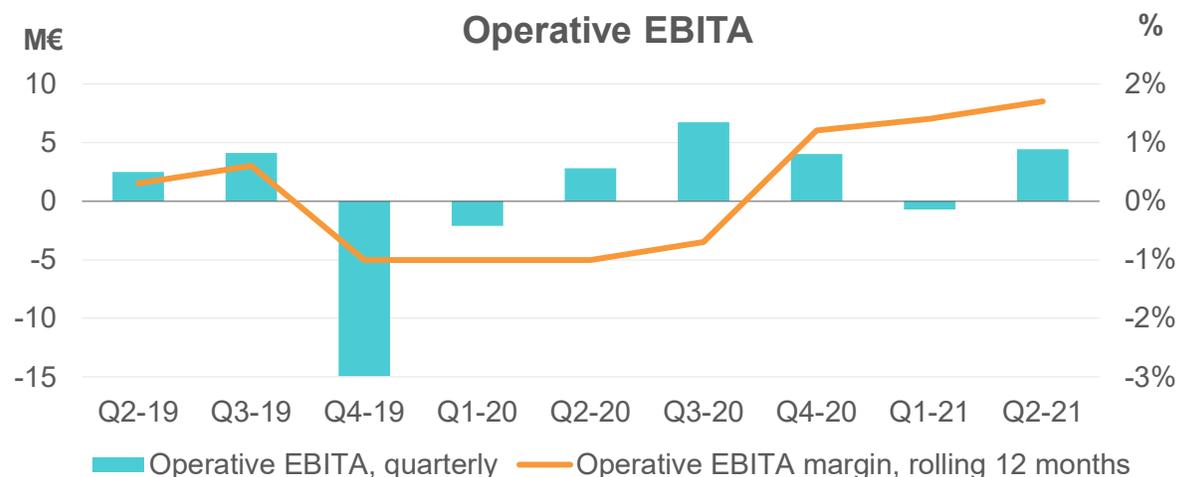
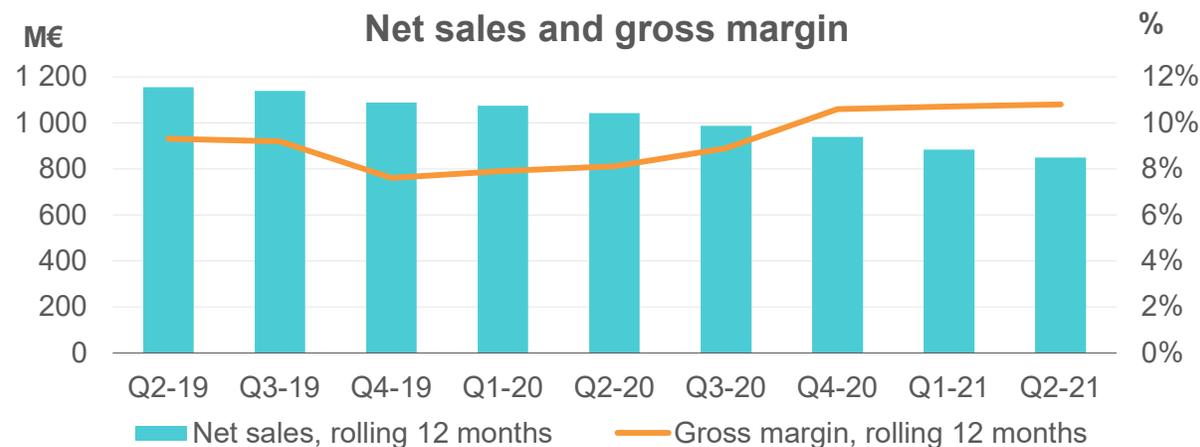
1) Calculated on rolling 12-month basis

## Net sales

- Net sales down overall and in all segments except for Finland
- Postponed and reduced customer investments, largely due to COVID-19
- Loss of a large service agreement in Sweden, mainly relating to the declining copper network (Q2 2020)
- Divestments of German communication business and the Swedish business area Aviation & Security in Q2 2020 (EUR -19.2 million)

## Operative EBITA

- Norway, Denmark and Finland were main contributors to the positive result
- Impact of divestments EUR -1.2 million



# Finland Jan-June 2021

EUR million	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	79.8	78.3	140.6	137.1	300.2
Net sales growth, %	2.0%	16.9%	2.5%	15.8%	10.8%
Operative EBITA	3.1	0.2	3.8	-0.6	7.2
Operative EBITA-margin, %	3.9%	0.3%	2.7%	-0.4%	2.4%
Number of employees	1,503	1,474	1,503	1,474	1,470



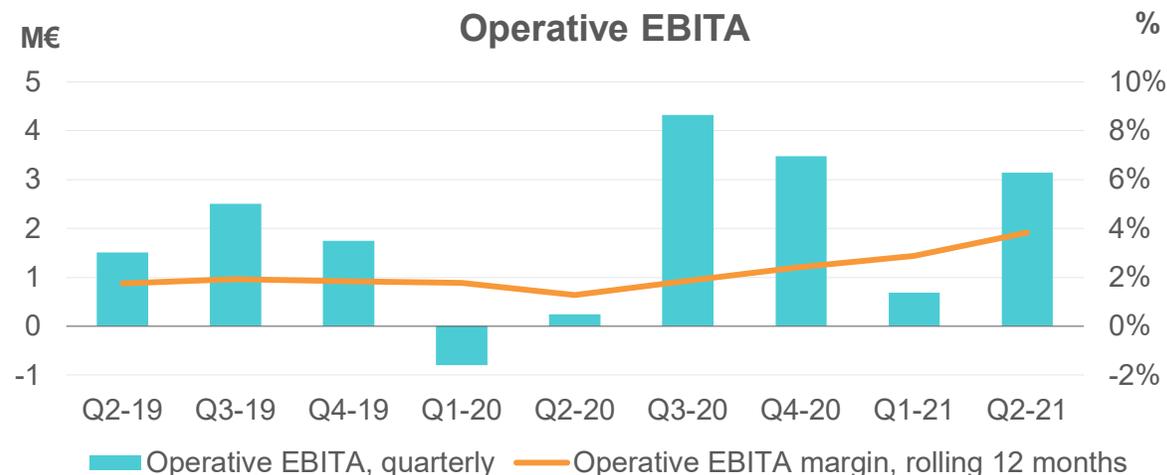
■ Communication ■ Power

## Net sales

- Growth in net sales thanks to strong market position in communication and increased demand in fibre and 5G
- Slight decrease in power net sales

## Operative EBITA

- Net sales growth and good productivity
- Improved project management and cost control
- In 2020, Finland noted write-downs in certain power projects



# Sweden Jan-June 2021

EUR million	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	44.6	59.7	85.7	122.8	224.5
Net sales growth, %	-25.2%	-22.7%	-30.2%	-21.1%	-22.9%
Operative EBITA	-1.6	-1.0	-2.4	-0.5	-3.7
Operative EBITA-margin, %	-3.6%	-1.6%	-2.8%	-0.4%	-1.6%
Number of employees	942	1,304	942	1,304	1,003



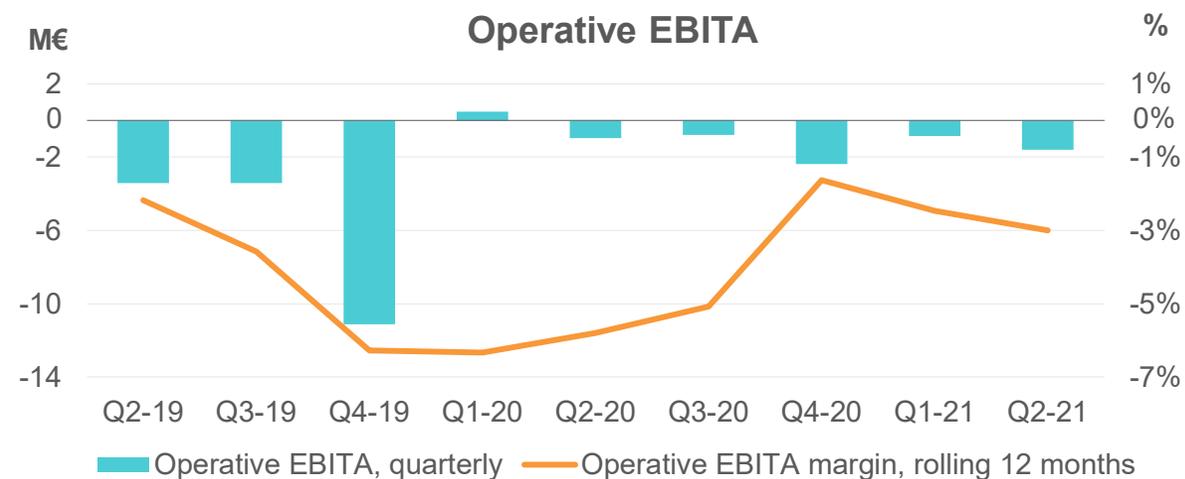
■ Communication ■ Power

## Net sales

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

## Operative EBITA

- Lower volumes
- Write-down in an old power project
- Positive one-off item in comparative period (EUR 0.9 million)
- An efficiency and productivity programme has been initiated



# Norway Jan-June 2021

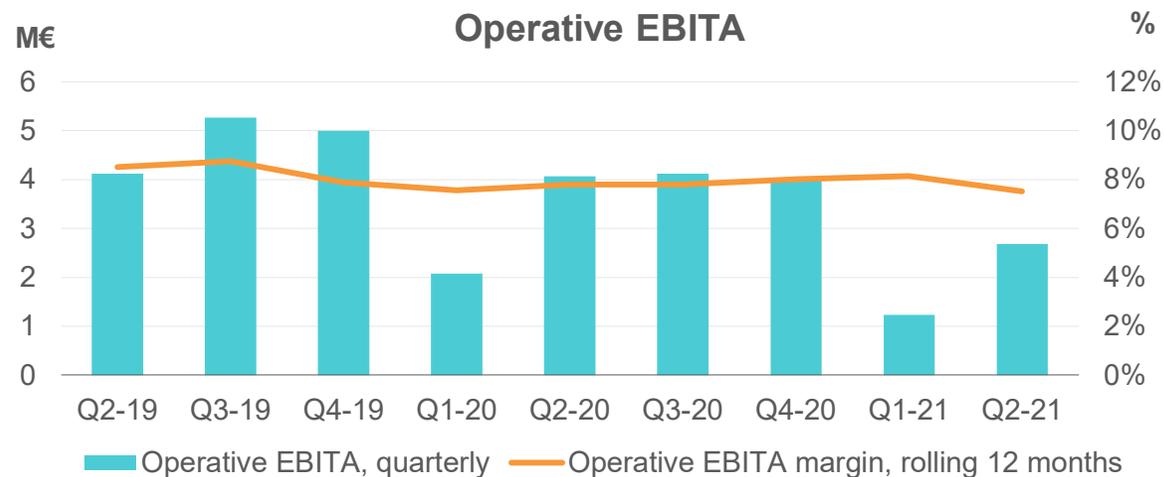
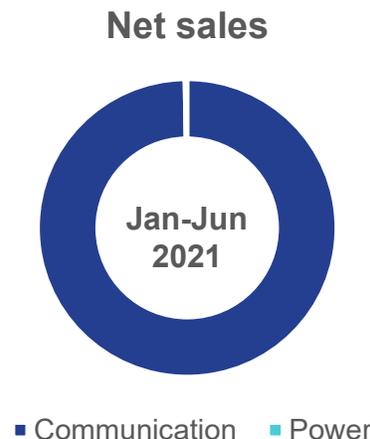
EUR million	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	42.1	46.9	76.0	93.9	177.7
Net sales growth, %	-10.3%	-12.9%	-19.0%	-7.9%	-18.8%
Operative EBITA	2.7	4.1	3.9	6.1	14.3
Operative EBITA-margin, %	6.4%	8.7%	5.1%	6.5%	8.0%
Number of employees	917	1,008	917	1,008	943

## Net sales

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

## Operative EBITA

- Lower net sales
- Improved efficiency and a successful rightsizing partly offset the decrease and ensured good margins



# Denmark Jan-June 2021

EUR million	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	24.6	28.7	50.8	62.5	118.1
Net sales growth, %	-14.4%	10.0%	-18.7%	20.5%	8.0%
Operative EBITA	2.6	1.4	3.9	3.2	5.0
Operative EBITA-margin, %	10.5%	4.8%	7.7%	5.1%	4.3%
Number of employees	611	631	611	631	637



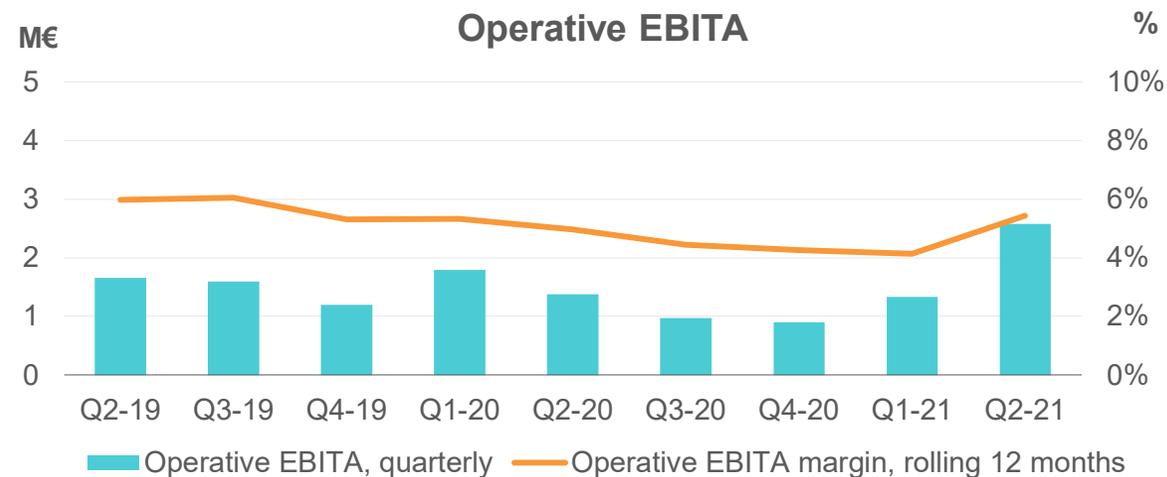
■ Communication ■ Power

## Net sales

- Lower fibre activity compared to a strong 2020
- Completion of a large communication project

## Operative EBITA

- Improved project management and a better project portfolio
- Exceptionally good Q2, in parts due to a positive one-off (EUR 0.8 million)



# Other business Jan-June 2021

EUR million	Apr-Jun 2021	Apr-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Dec 2020
Net sales	21.6	34.0	43.0	70.5	127.5
Operative EBITA	-0.5	-0.1	-1.4	-2.4	-3.3
Number of employees	1,072	1,631	1,072	1,631	1,235

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

## Net sales

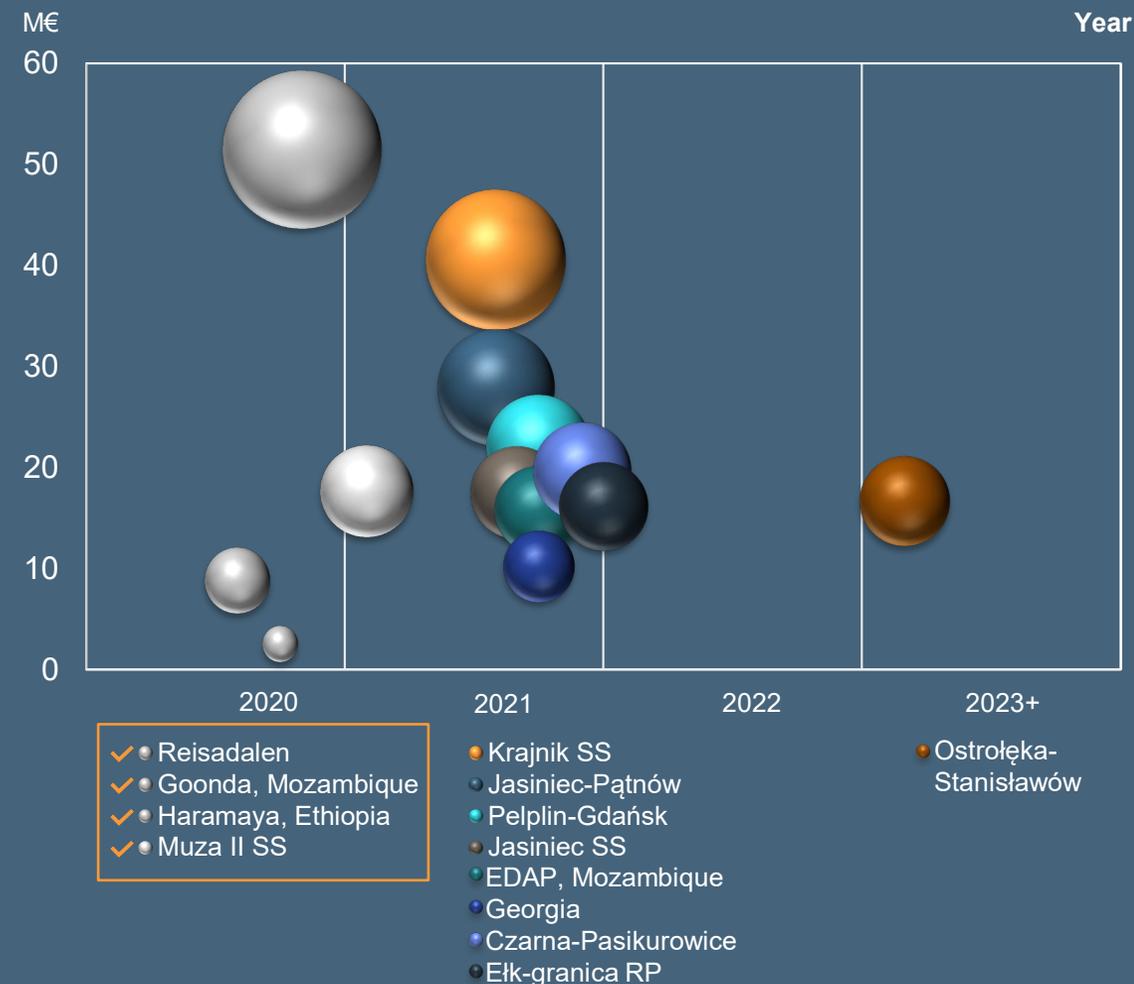
- Smart Grid Germany grew in a favourable market
- High voltage project delays and postponements in Poland
- Operational completion of the Reisdalen high voltage project in Norway in Q4 2020 and ongoing ramp-down of Power Transmission International (PTI)
- Divestment of the German communication business (EUR -10.7)

## Operative EBITA

- Strong performance in Smart Grid Germany
- PTI contributed positively
- Continued difficulties in High Voltage with postponement and cost increases

## Large<sup>1)</sup> High Voltage and Power Transmission International projects

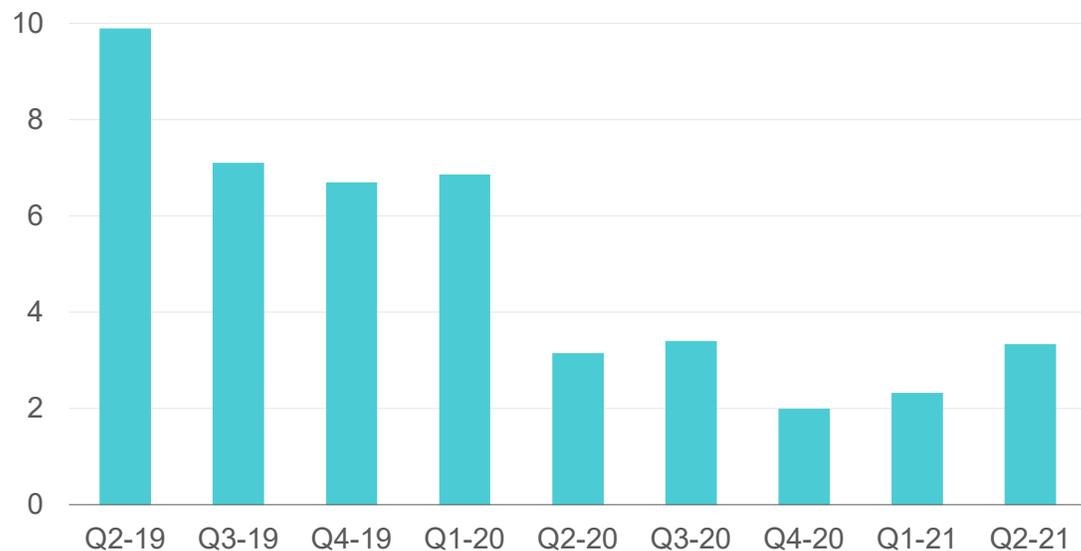
Project portfolio, EUR 20 million in estimated remaining net sales



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

# Group leverage and net debt: Q2 2019–Q2 2021

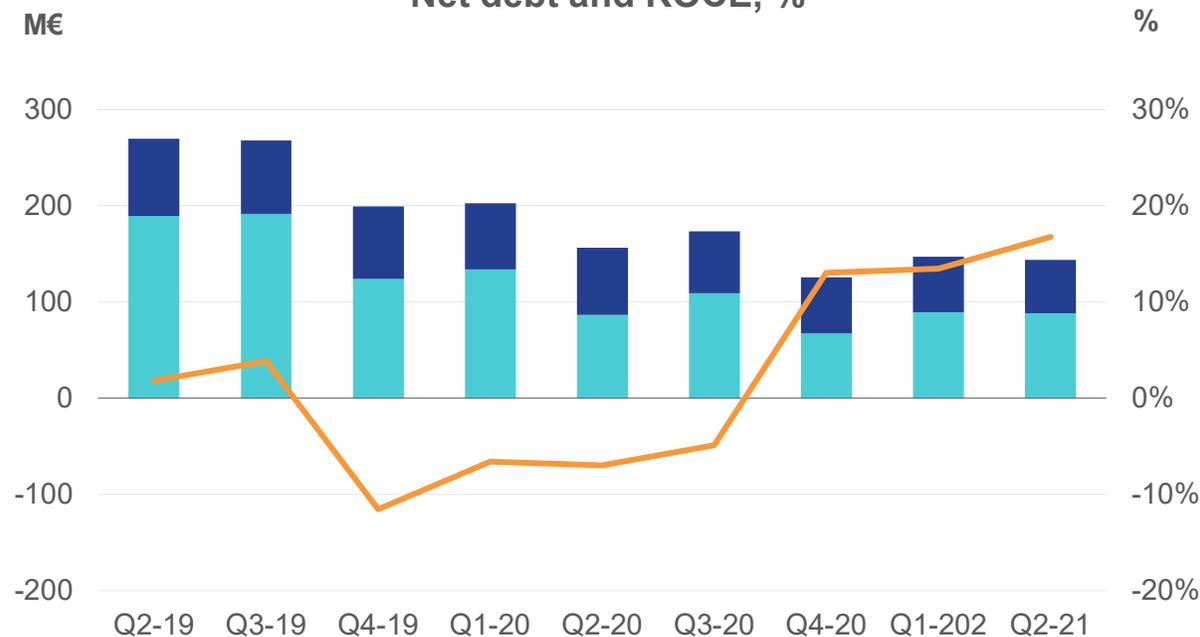
### Leverage



■ 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 ■ IFRS 16 lease liabilities  
 — ROCE %, rolling 12 months

Net debt, financing agreement  
 ROCE: Operative EBITA (R12)x100/ Operative capital employed (average over the reporting period)

**Going forward**



# Eltel Group financial targets by end of 2023

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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

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# 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

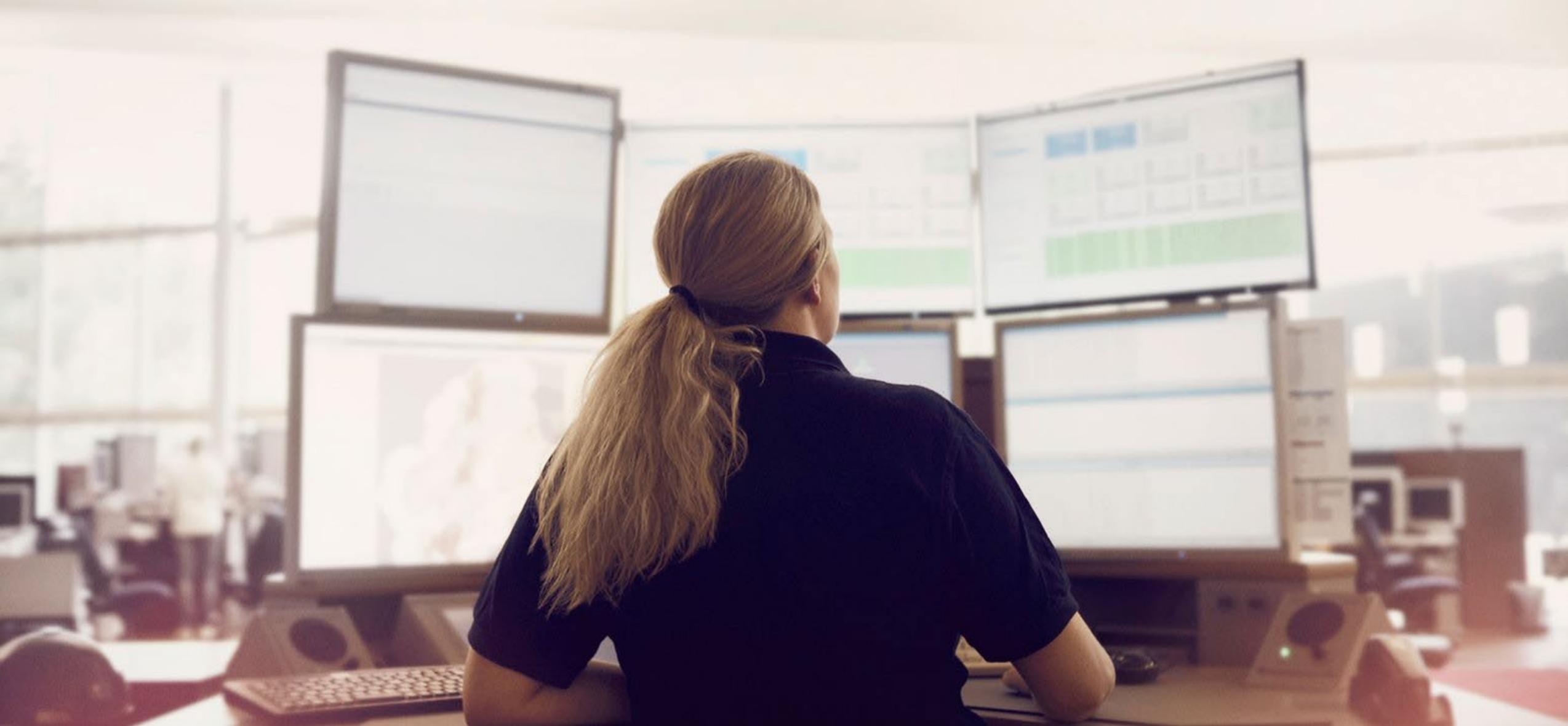
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- Improved profitability
  - Improved quality
  - High customer satisfaction
  - Engaged employees
  - Cash generation

# Financial guidance

A woman with dark hair in a ponytail, wearing a brown jacket, is standing on a balcony with a metal railing. She is smiling and talking on a black smartphone. The background shows a cityscape with buildings and a body of water under a clear sky.

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

# Questions



**ELTEL**

The logo features the word "ELTEL" in a bold, italicized sans-serif font. The letters "ELT" are dark blue, and the letters "EL" are orange. A blue swoosh starts under the "E" and "L" of "ELT", curves under the "T", and then loops back up and over the "E" and "L" of the second "EL". An orange swoosh starts under the "E" and "L" of the second "EL" and curves over the top of the "T" in "ELT".