# Eltel AB
# Investor presentation

February, 2019

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# Eltel in brief

- Northern European market leader
- Operations throughout the Nordics, Poland and Germany
- Industry with long-term structural growth
- Solid customer base and recurring revenues
- Net sales EUR 1.2 billion, 7,400 employees
- Listed on Nasdaq Stockholm since 2015

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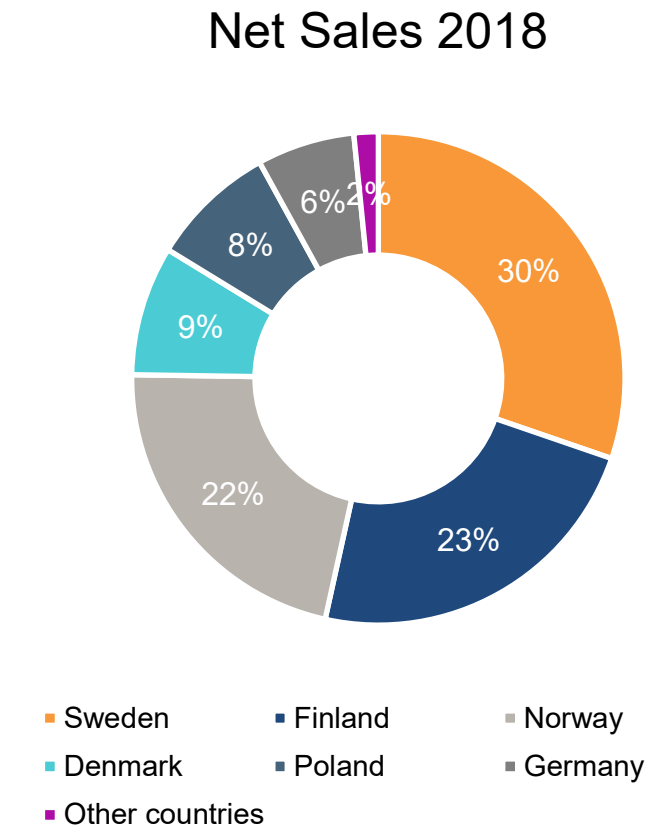
# Focus on segments

Power and Communication

The Nordics, Poland and Germany

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

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# Eltel's business

**– driven by stable customers with long term investment needs**

| Segments | Drivers |
| --- | --- |
| **Power** | ▪ Regulatory demands<br>▪ Outsourcing<br>▪ Ageing infrastructure<br>▪ Increasing end-customer demands<br>▪ Technical shift |
| **Communication** | |

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# Eltel AB
# Q4 2018 Presentation

14 February 2019

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# Q4 2018 highlights

- Strong cash flow
- Improved operative EBITA
- Net sales decreased according to plan
- New Managing Director for Country Unit Sweden

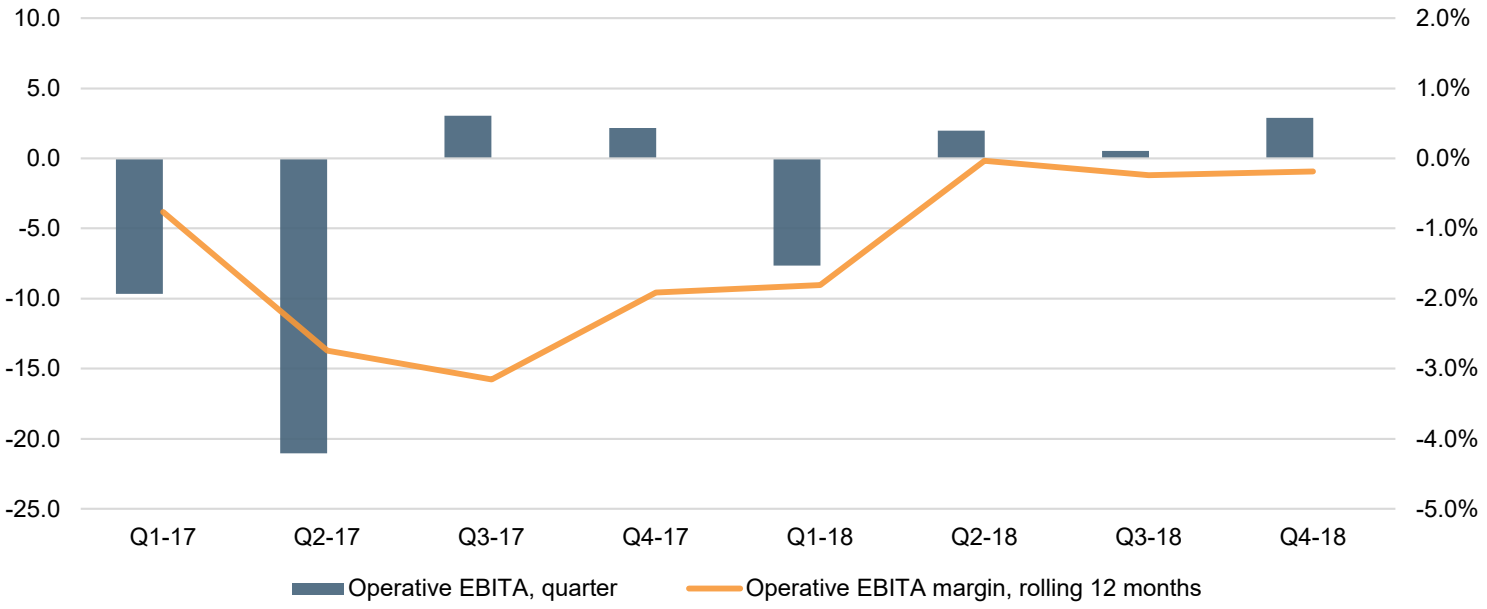
# Total Group: Q4

**Total Group**

- Net sales -11.6% to EUR 330.9 million
- Organic growth in Power and Communication* -5.1%
- Operative EBITA EUR 2.9 million (2.2)
- Operative EBITA margin 0.9% (0.6)
- Cash flow from operating activities EUR 70.0 million (42.3)

*Adjusted for divested operations and currency effects

# Group: Operative EBITA development



# Net sales segments: Q4

| | |
|---|---|
| **Power** | ▪ Net sales -11.9% to EUR 115.1 million<br>  ▪ Lower volumes in Finland<br>  ▪ Ramp down of certain service contracts in Sweden<br>▪ Organic growth in current operations* -11.1% |
| **Communication** | ▪ Net sales -3.9% to EUR 207.1 million<br>  ▪ Lower volumes in Build Sweden and adjustments of revenue recognition<br>  ▪ Increased volumes in Finland and Denmark<br>▪ Organic growth in current operations* -1.5% |
| **Other** | ▪ Net sales -87.1% to EUR 3.6 million<br>  ▪ In line with the strategy of divestments and discontinuing of operations |

*Adjusted for divested operations and currency effects

# Operative EBITA segments: Q4

| | |
|---|---|
| **Power** | ▪ Operative EBITA EUR -1.9 million (-0.5)<br>▪ Operative EBITA margin -1.6% (-0.3)<br>  ▪ Measures taken in High Voltage starts to show effect<br>  ▪ Lower volumes and underperformance in Service Finland |
| **Communication** | ▪ Operative EBITA EUR 9.7 million (12.9)<br>▪ Operative EBITA margin 4.7% (6.0)<br>  ▪ Lower net sales and margin adjustments in Sweden<br>  ▪ Improved gross margin levels and performance in Build Norway |
| **Other** | ▪ Operative EBITA EUR -1.1 million (-5.8)<br>▪ Operative EBITA margin -30.4% (-21.0)<br>  ▪ Majority of Rail business discontinued<br>  ▪ Discontinuation of Power Transmission International according to plan |

# Our long-term plan

**2017-18**

"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"

- Prioritise core operational improvements (operational excellence)
- Strengthen the financial situation of the company

**>2022**

"Investing in sustainable profitable growth"

- Continued focus on operational excellence
- Pursue structural M&A's in the Nordics when financial situation improves
- Innovation and new market development

# Operational focus in 2019

- Tender
- Right people
- Implementation & execution
- Production planning
- Training

- Cash generation
- Lower net debt

# Financial targets

| | Medium to long-term target |
|---|---|
| Growth | Annual growth 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 |

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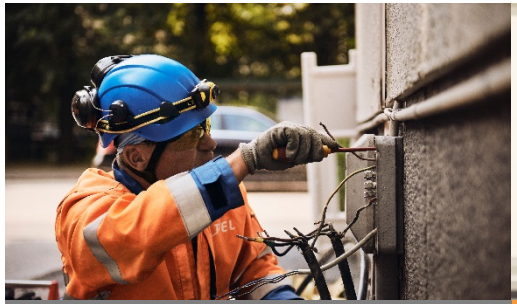
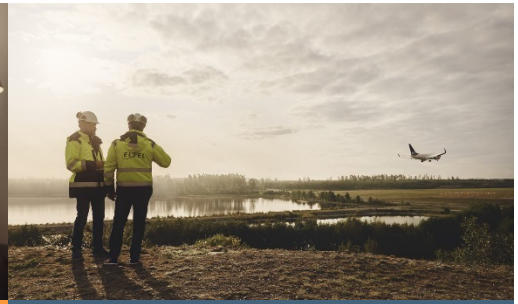
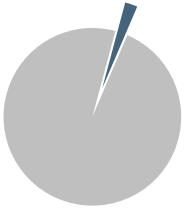
# Appendices

# Our services – in business segments





| | Power | Communication | Other |
|---|---|---|---|
| **FY 2018 Net Sales (MEUR 1,188)** | **37% MEUR 438** | **61% MEUR 727** |  **2% MEUR 23** |
| **Geographical markets** | Nordics, Poland, Germany | Nordics, Poland, Germany | Power Transmission International, Rail in the Nordics |
| **Service offerings** | Design, engineering, installation, commissioning of energy transmission systems | Installation / maintenance of communication networks | |

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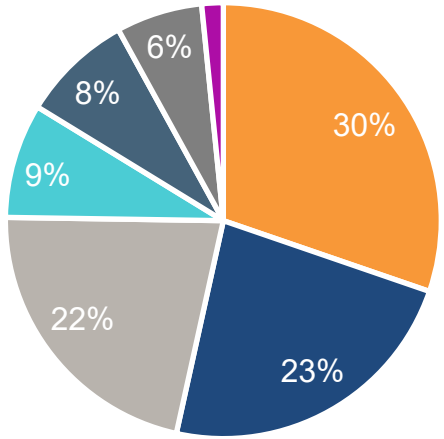
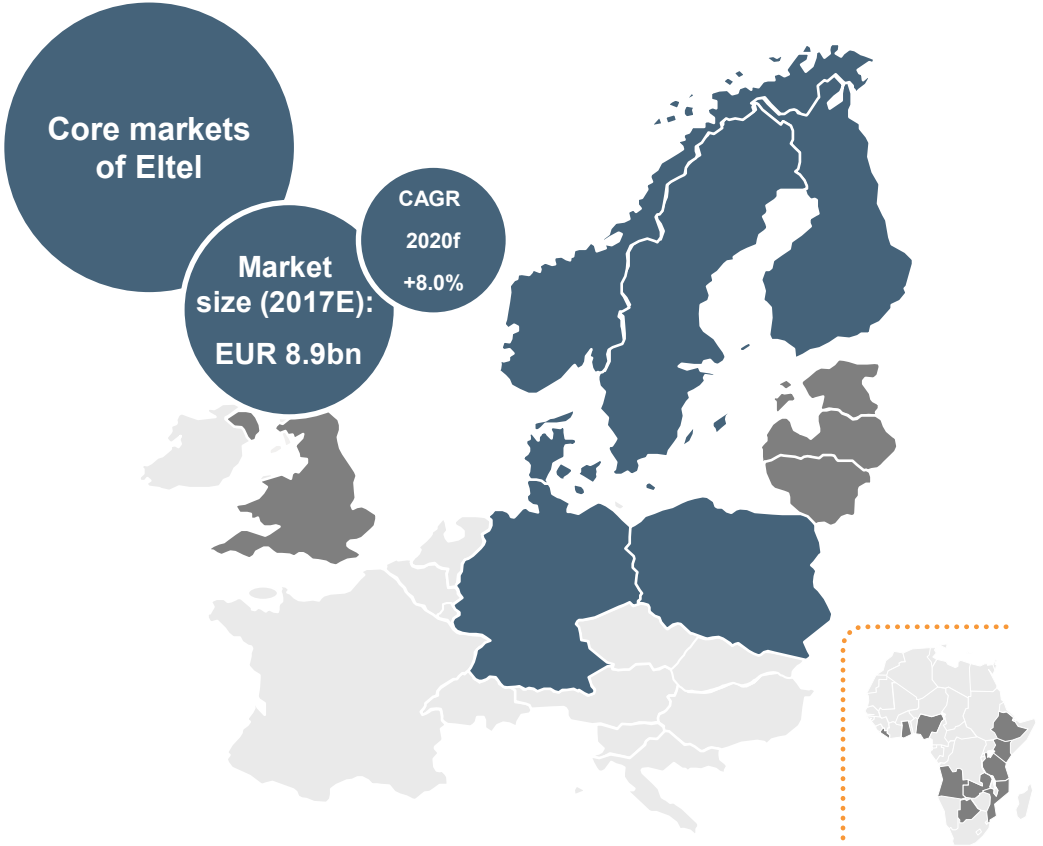
# Our core markets with a foreseen market growth of almost 8%

**Sales split 2018**

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Source: Company information, management estimates

# Eltel's segments

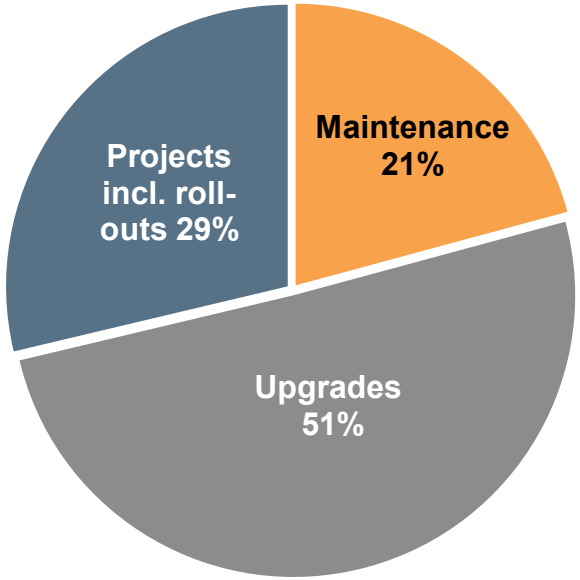
## – built on core competences with solid market position

**Power**

**Communication**

- Maintenance
- Upgrades
- Projects incl. roll-outs

### Services split (2017A)

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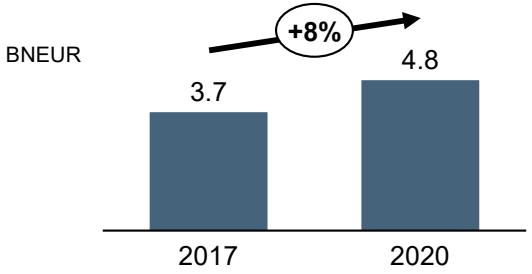
# Market size and outlook

## Power

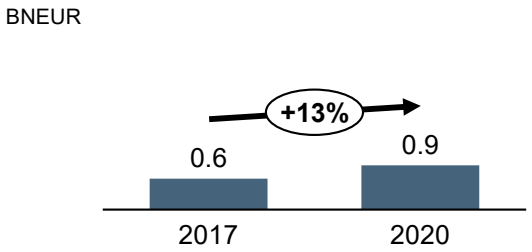
**Stable markets**

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




**Growth platform**

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

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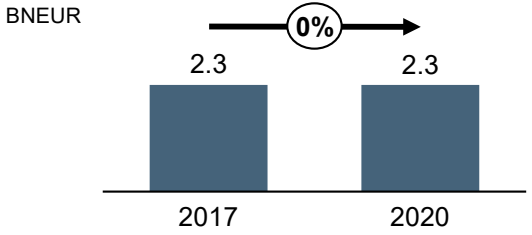
Source: Company information, management estimates

# Market size and outlook

## Communication

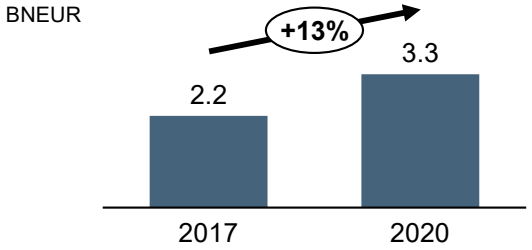
**Stable markets**

- 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




**Growth platform**

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

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