



**Eltel AB**

**Q4 2021 presentation**

17 February 2022

# 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 2021 EUR 812.6 million
- 5,046 employees at the end of Q4 2021





# Highlights Q4 2021

- Stabilised net sales – new baseline for growth in the Nordics
- Improved profitability
- Maintained a healthy balance sheet
  - Good net working capital
  - Improved return on capital employed
- COVID-19 continued to impact negatively
- Early winter with deep frost
- Continued challenges in High Voltage Poland
- Inflation

# Major agreements signed

## During the reporting period

| Month/year | Tender value, EUR million | Customer    | Type of contract | Contract length, years | Service       | Country |
|------------|---------------------------|-------------|------------------|------------------------|---------------|---------|
| 11/21      | 22 MEUR                   | OX2         | Project          | 2                      | Power         | Finland |
| 12/21      | 41 MEUR                   | Banedanmark | Frame agreement  | 4+1+1                  | Communication | Denmark |

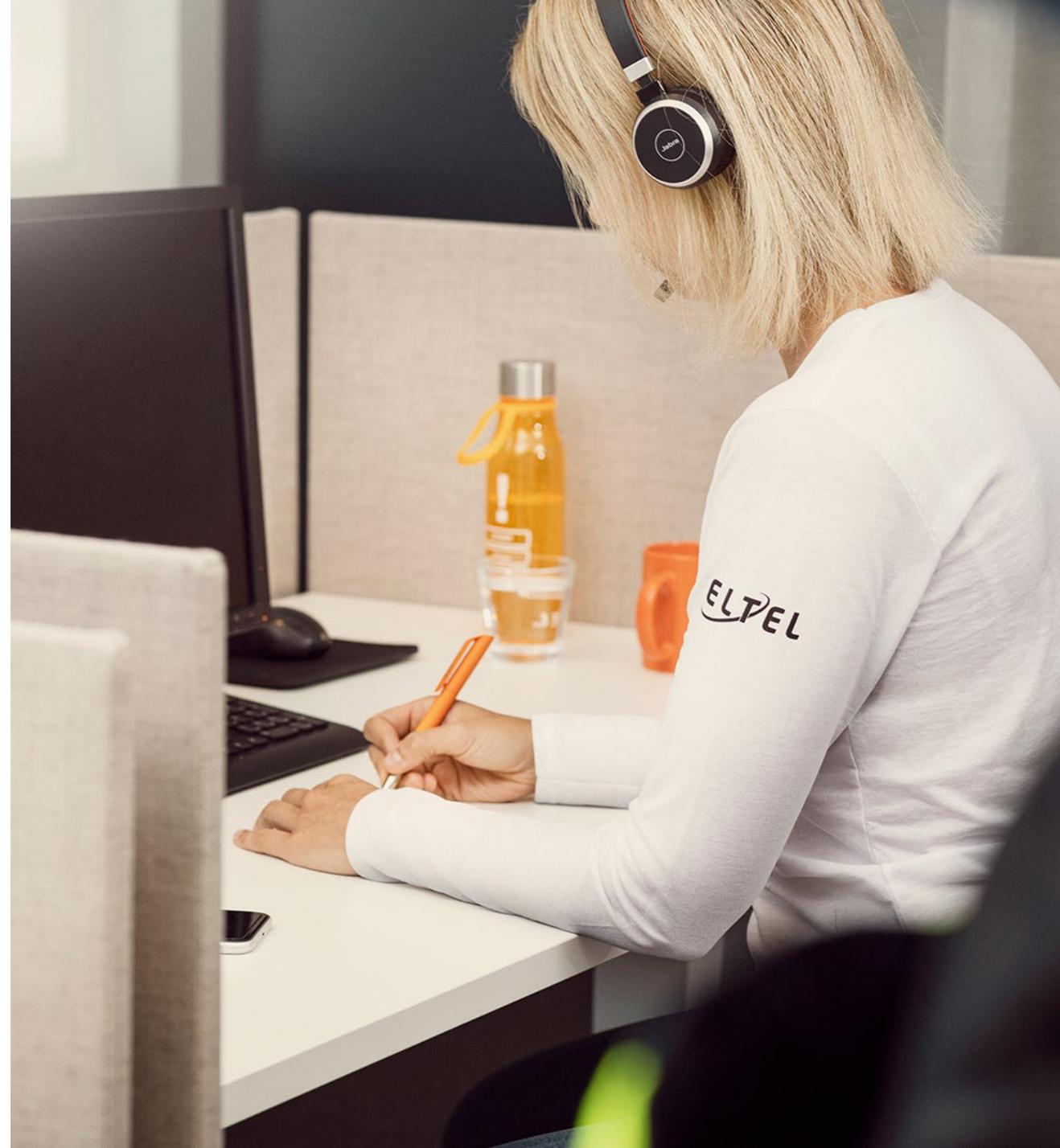
## After the reporting period

| Month/year | Tender value, EUR million | Customer    | Type of contract | Contract length, years | Service       | Country |
|------------|---------------------------|-------------|------------------|------------------------|---------------|---------|
| 02/22      | 33 MEUR                   | Banedanmark | Frame agreement  | 4+1+1                  | Communication | Denmark |
| 02/22      | 15 MEUR                   | VALOREM     | Project          | 2                      | Power         | Finland |

# COVID-19

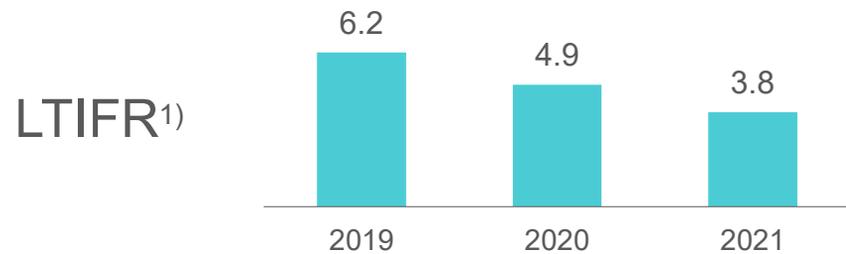
Eltel's business was impacted by the pandemic during 2021

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



# Sustainability in 2021

- Aiming to be the industry leader
- Improved safety performance:



- Committed to SBTi<sup>2)</sup> - work ongoing to set concrete and measurable goals
- Improved score on the CDP Climate Change for taking coordinated action on climate issues

<sup>1)</sup>Lost Time Injury Frequency Rate per one million man hours worked.

<sup>2)</sup>Science Based Targets initiative



# Total Group 2021

| EUR million   | Oct-Dec 2021 | Oct-Dec 2020 | Jan-Dec 2021 | Jan-Dec 2020 |
|---|--------------|--------------|--------------|--------------|
| Net sales   | 226.3        | 229.2        | 812.6        | 938.0        |
| Net sales growth, %   | -1.2%        | -17.8%       | -13.4%       | -13.8%       |
| Operative EBITA   | 7.0          | 4.0          | 14.8         | 11.4         |
| Operative EBITA margin, %                                     | 3.1%         | 1.7%         | 1.8%         | 1.2%         |
| Return on equity (ROE), %                                     | 2.2 %        | 2.4 %        | 2.2 %        | 2.4 %        |
| Return on operative capital employed (ROCE) <sup>1)</sup> , % | 23.6 %       | 13.0 %       | 23.6 %       | 13.0%        |

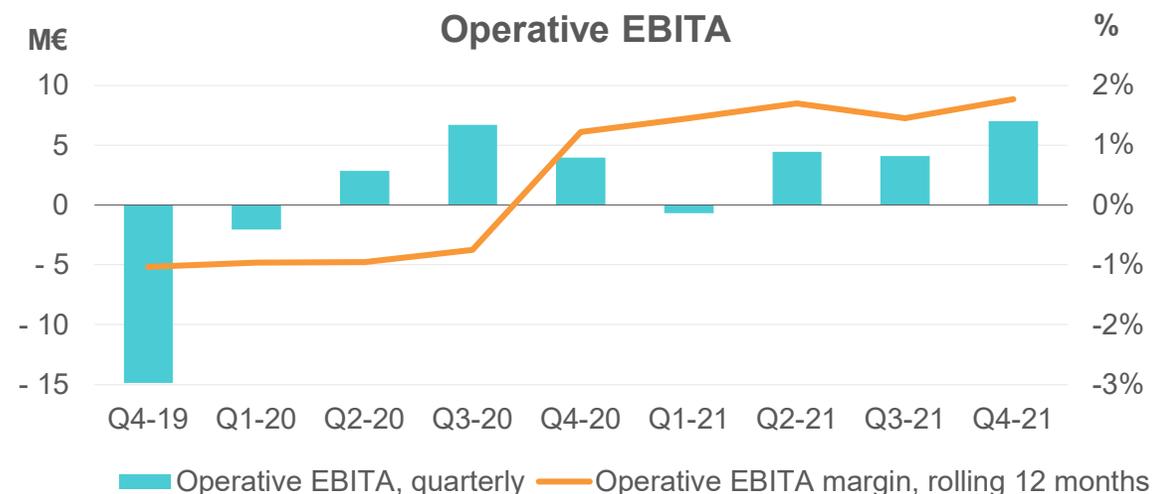
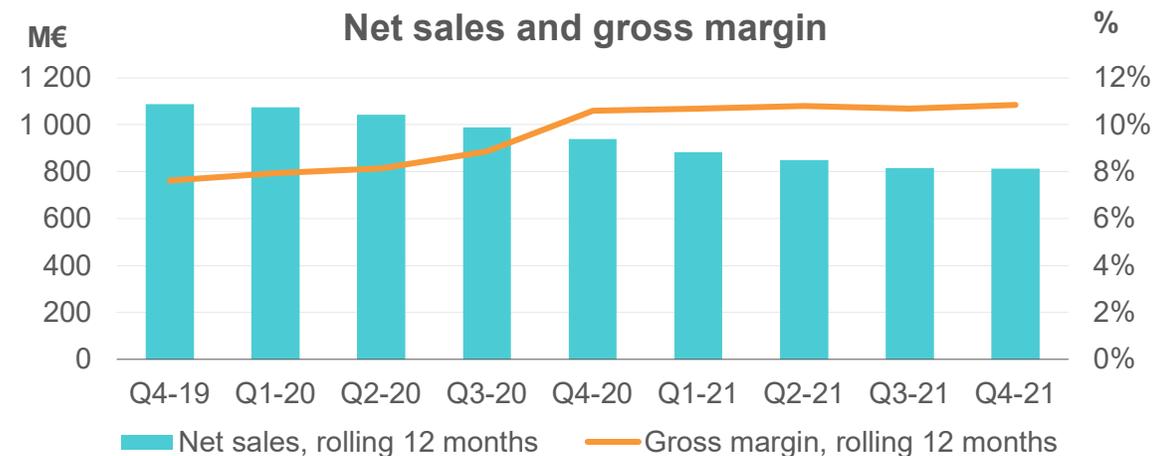
1) Calculated on rolling 12-month basis

## Net sales

- Net sales FY 2021 is the baseline for growth in the Nordics
- Lower customer investments as a result of COVID-19
- Previously announced losses of agreements
- Divestments of German communication business and the Swedish business area Aviation & Security (EUR 19.2 million in 2020)

## Operative EBITA

- Operative EBITA and margin improved
- Significant profitability issues in High Voltage, primarily Poland (EUR -8.8 million)



# Finland 2021

| EUR million               | Oct-Dec 2021 | Oct-Dec 2020 | Jan-Dec 2021 | Jan-Dec 2020 |
|---------------------------|--------------|--------------|--------------|--------------|
| Net sales                 | 81.2         | 82.7         | 299.6        | 300.2        |
| Net sales growth, %       | -1.9%        | 5.6%         | -0.2%        | 10.8%        |
| Operative EBITA           | 4.0          | 3.5          | 12.7         | 7.2          |
| Operative EBITA-margin, % | 5.0%         | 4.2%         | 4.2%         | 2.4%         |
| Number of employees       | 1,496        | 1,470        | 1,496        | 1,470        |



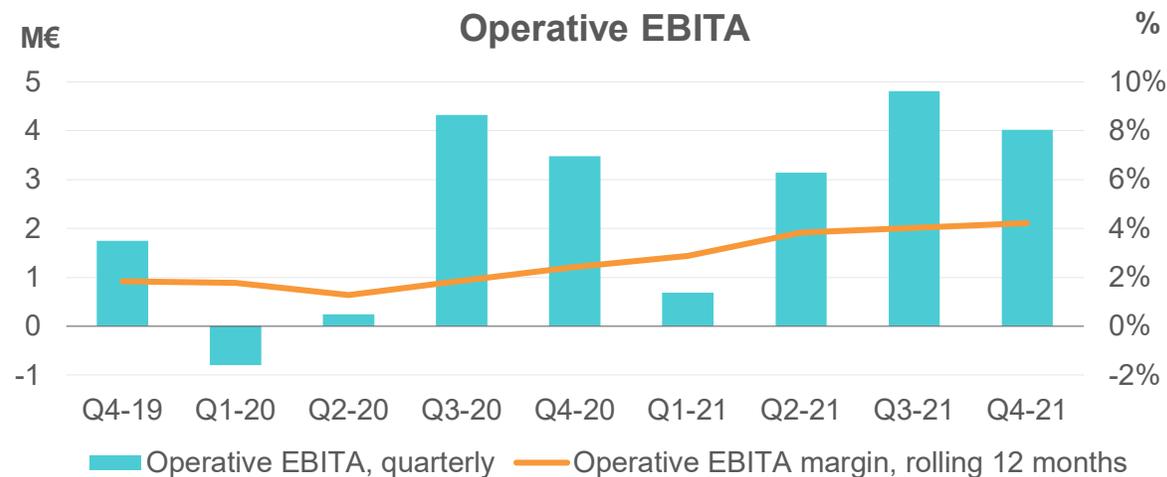
■ Communication ■ Power

## Net sales

- Growth in communication driven by strong market position and increased demand in fibre and 5G
- Decrease in power net sales due to project completions – reduced risk level
- Increased proportion of frame agreements vs. projects in power

## Operative EBITA

- Improved project management and cost control
- Increase in material prices
- During 2020, Finland noted write-downs in certain power projects



# Sweden 2021

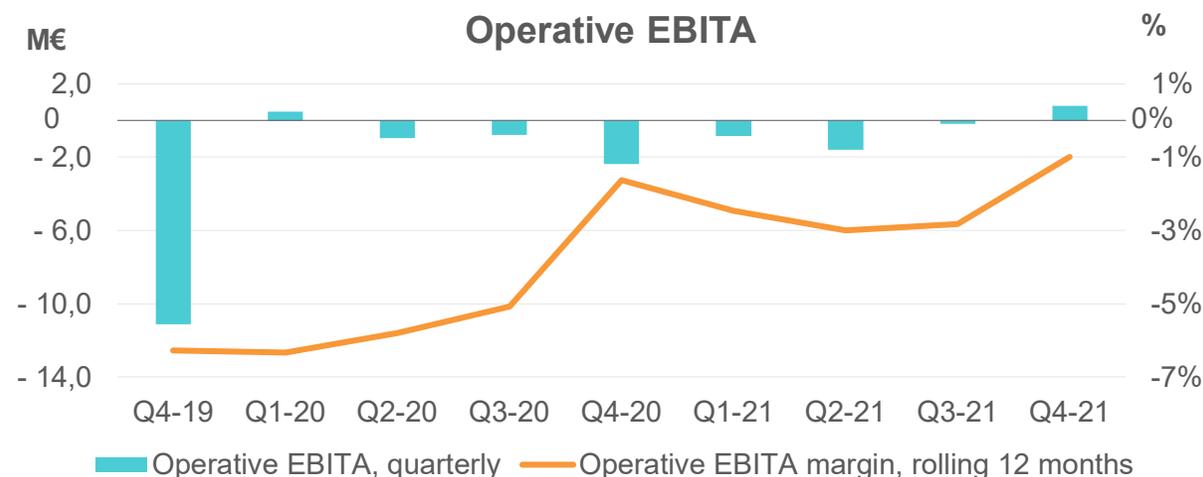
| EUR million               | Oct-Dec 2021 | Oct-Dec 2020 | Jan-Dec 2021 | Jan-Dec 2020 |
|---------------------------|--------------|--------------|--------------|--------------|
| Net sales                 | 56.3         | 50.8         | 182.2        | 224.5        |
| Net sales growth, %       | 10.9%        | -28.2%       | -18.8%       | -22.9%       |
| Operative EBITA           | 0.8          | -2.4         | -1.8         | -3.7         |
| Operative EBITA-margin, % | 1.4%         | -4.7%        | -1.0%        | -1.6%        |
| Number of employees       | 914          | 1,003        | 914          | 1,003        |

## Net sales

- Turn to growth in Q4 with net sales 10.9% above previous year
- Full year impacted by the loss of a large service contract, mainly relating to the copper network, and lower fibre volumes with a specific customer.
- Divestment of the Aviation & Security business area (EUR 8.5 million in 2020)

## Operative EBITA

- Q4 the first positive quarter since Q1 2020 at EUR 0.8 million
- Turnaround increasingly visible in H2
- Accelerated operational excellence initiatives



# Norway 2021

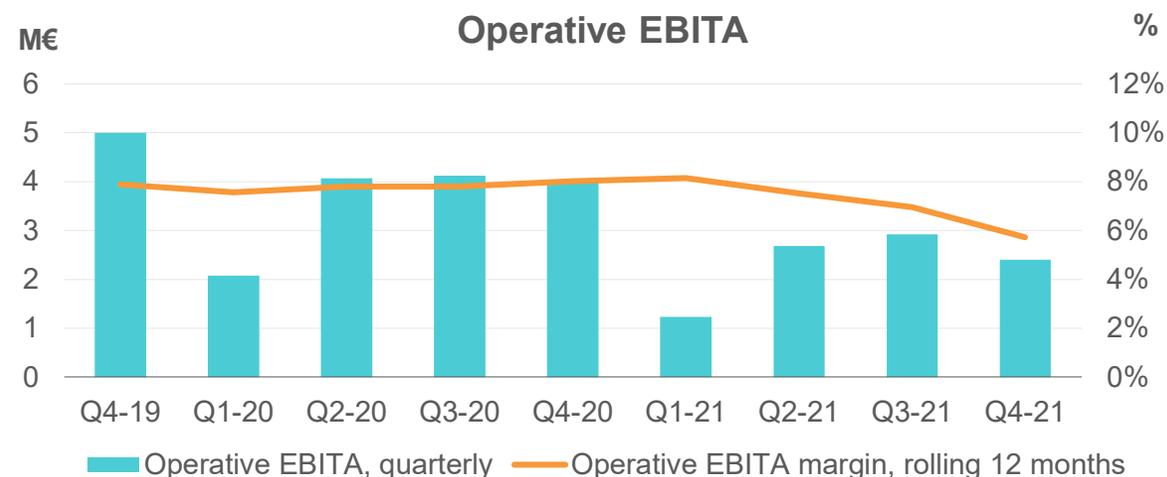
| EUR million               | Oct-Dec 2021 | Oct-Dec 2020 | Jan-Dec 2021 | Jan-Dec 2020 |
|---------------------------|--------------|--------------|--------------|--------------|
| Net sales                 | 46.2         | 41.7         | 160.5        | 177.7        |
| Net sales growth, %       | 10.8%        | -30.0%       | -9.7%        | -18.8%       |
| Operative EBITA           | 2.4          | 4.0          | 9.2          | 14.3         |
| Operative EBITA-margin, % | 5.1%         | 9.6%         | 5.7%         | 8.0%         |
| Number of employees       | 939          | 943          | 939          | 943          |

## Net sales

- In Q4, net sales grew by 10.8% thanks to positive FX contribution, increased demand in 5G and other mobile solutions
- Full year impacted by decrease and delays in customer investments due to COVID-19, ramp up of a renewed frame agreement with Telenor, and harsh winter conditions in Q1 and Q4

## Operative EBITA

- Decrease in Q4 and for the full year due to lower volumes and change in production mix
- Operational efficiency was impacted by the pandemic towards the end of the year



# Denmark 2021

| EUR million               | Oct-Dec 2021 | Oct-Dec 2020 | Jan-Dec 2021 | Jan-Dec 2020 |
|---------------------------|--------------|--------------|--------------|--------------|
| Net sales                 | 19.3         | 29.8         | 87.9         | 118.1        |
| Net sales growth, %       | -35.4%       | -6.6%        | -25.6%       | 8.0%         |
| Operative EBITA           | 0.1          | 0.9          | 4.2          | 5.0          |
| Operative EBITA-margin, % | 0.6%         | 3.0%         | 4.8%         | 4.3%         |
| Number of employees       | 461          | 637          | 461          | 637          |

## Net sales

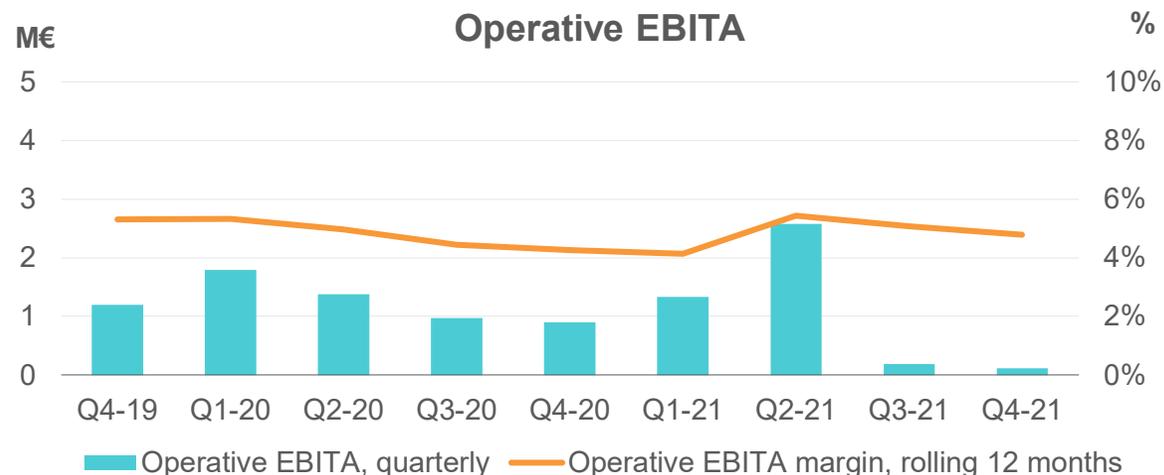
- Net sales down largely due to partial insourcing of a large customer agreement in Q2
- Completion of a large communication project at the end of 2020
- New, large frame agreements awarded during and after reporting period

## Operative EBITA

- Thanks to improved efficiency and project control, the operative EBITA margin for the full year improved



■ Communication ■ Power



# Other business 2021

| EUR million         | Oct-Dec 2021 | Oct-Dec 2020 | Jan-Dec 2021 | Jan-Dec 2020 |
|---------------------|--------------|--------------|--------------|--------------|
| Net sales           | 26.9         | 27.1         | 91.9         | 127.5        |
| Operative EBITA     | 1.7          | -0.1         | -1.8         | -3.3         |
| Number of employees | 1,085        | 1,235        | 1,085        | 1,235        |

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

## Net sales

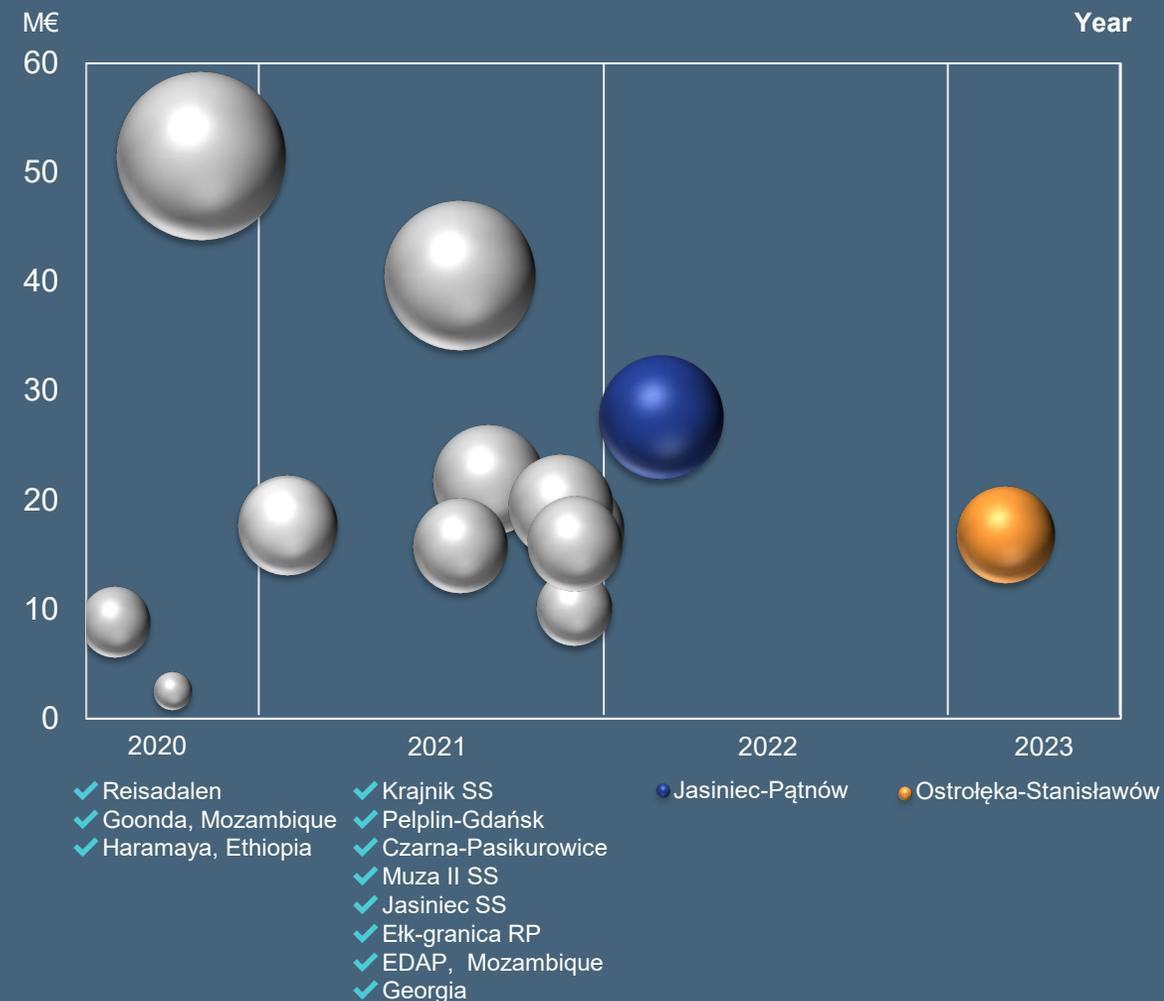
- Decline in the High Voltage business, particularly Poland; continued project delays and postponements by customers
- Volumes in Smart Grids Germany grew in a favourable market
- In PTI, all remaining projects were operationally closed
- Divestment of the German communication business (EUR 10.7 million in 2020)

## Operative EBITA

- Increase driven by Smart Grids Germany and the sale of a real estate in Poland
- PTI contributed positively
- For the full year, High Voltage, mainly Poland, had a negative operative EBITA of EUR -8.8 million

## Large<sup>1)</sup> High Voltage and PTI projects

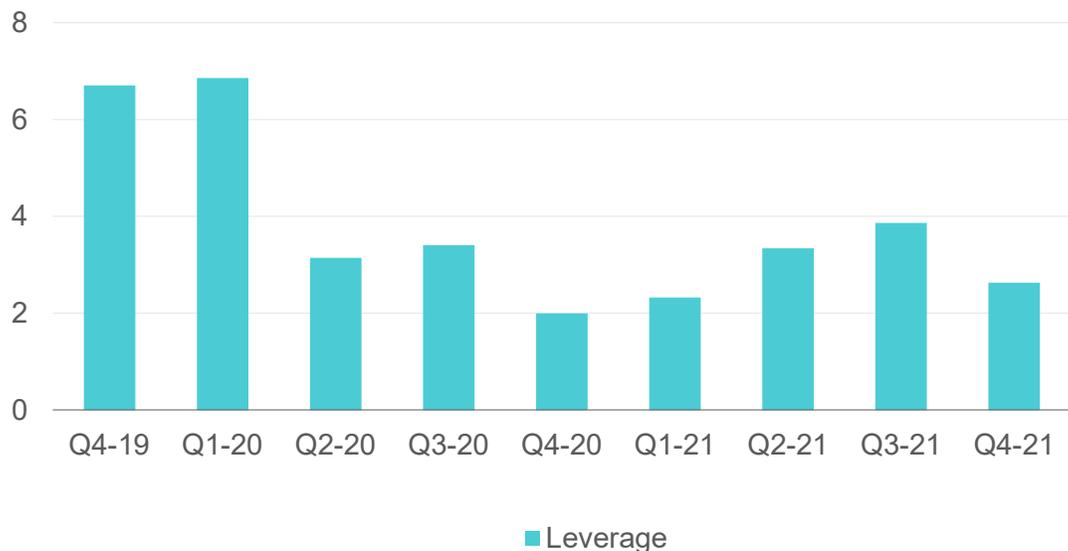
Project portfolio, EUR 17 million in estimated remaining net sales



1) High Voltage projects with net sales of more than EUR 10 million and all remaining PTI projects. Closing procedures related to power transmission international continue, all projects are operationally closed.

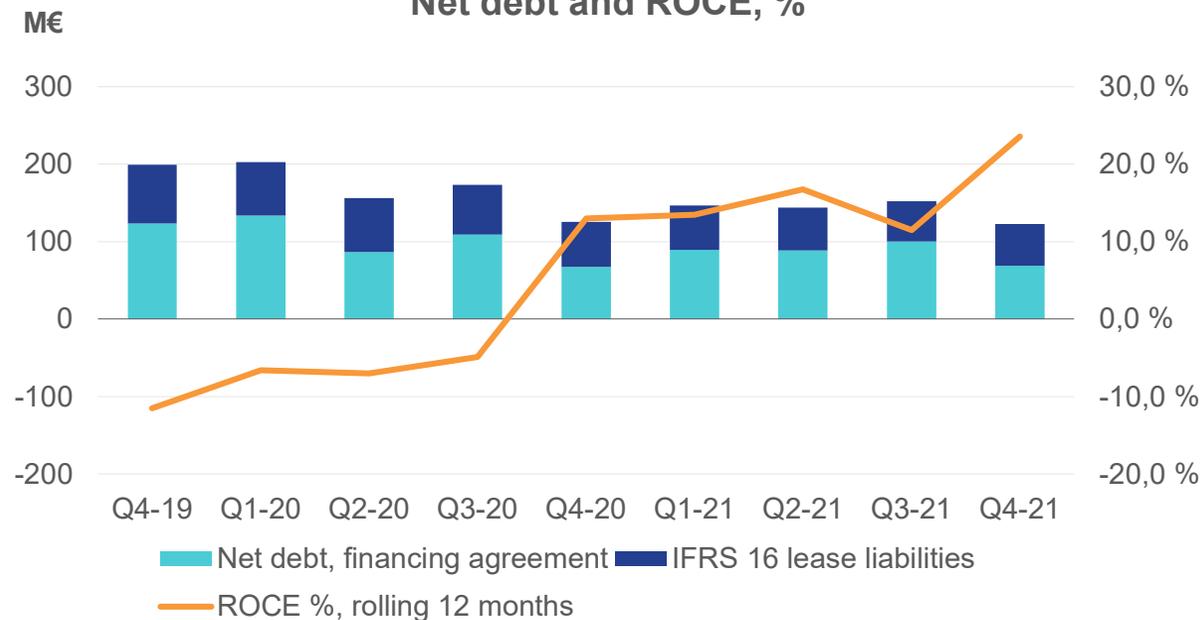
# Group leverage and net debt

### 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 2021  
 ROCE: Operative EBITA (R12)x100/ Operative capital employed (average over the reporting period)

On 17 January 2022, Eltel completed a new financing agreement with banks comprising a EUR 35 million term loan and EUR 90 million revolving credit facility.

# 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

- Increasing market share in the Nordics
- Innovation and new market development
- Replicating successful business models
- Pursuing M&As in the Nordics
- Industry sustainability leadership

# Financial guidance



**Eltel expects the full-year 2022 operative EBITA margin to increase compared to 2021.**

# 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 "T" of the first "ELT".