

An aerial photograph of a white bus with a blue roof driving on a dirt road through a lush green field. The road is a light brown color and runs diagonally from the bottom left towards the top right. The surrounding field is a vibrant green, and there are some power lines visible in the upper left corner.

**Eltel AB**

# **Half-year 2022 presentation**

26 July 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
- Average number of employees 5,050





An aerial photograph showing a white bus with a dark roof driving on a narrow dirt road that cuts through a vast, lush green field. The bus is positioned in the lower-left quadrant of the frame. In the upper-left, a utility pole with two power lines is visible. The overall scene is bright and sunny, with high contrast between the green grass and the brown dirt road.

# Highlights Q2 2022

- Temporary drop in net sales
  - A strike and delayed ground-work season in Finland, lower net sales in Denmark
  - Organic growth in Sweden and Norway, 14.0% and 9.6%, respectively
- Operative EBITA margin in segments 2.4% (3.6), overall 0.2% (2.1)
  - Inflation, increased sick-leave rates
- After the reporting period, large agreements signed in Norway and Denmark



# Inflation

- Cost increases impact Eltel's markets
  - Fuel
  - Materials
- Agreements secured with most customers to recover parts of the cost increases, although full recovery will not be possible
- In Poland processes are expected to be lengthy and there is high uncertainty relating to the outcome



# Major agreements signed

## After the reporting period

Month/year	Tender value, EUR million	Customer	Type of contract	Contract length, years	Service	Country
07/22	36-40 MEUR	Telenor	Project	2 years	Communication	Norway
07/22	47 MEUR	GlobalConnect	Frame agreement	3.5+1+1 years	Communication	Denmark

# Total Group January–June 2022

EUR million	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	208.6	210.4	392.6	392.4	812.6
Net sales growth, %	-0.8%	-14.3%	0.0%	-18.6%	-13.4%
Operative EBITA	0.5	4.4	-2.0	3.7	14.8
Operative EBITA margin, %	0.2%	2.1%	-0.5%	1.0%	1.8%
Return on operative capital employed (ROCE) <sup>1)</sup> , %	13.5%	16.8%	13.5%	16.8%	23.6 %

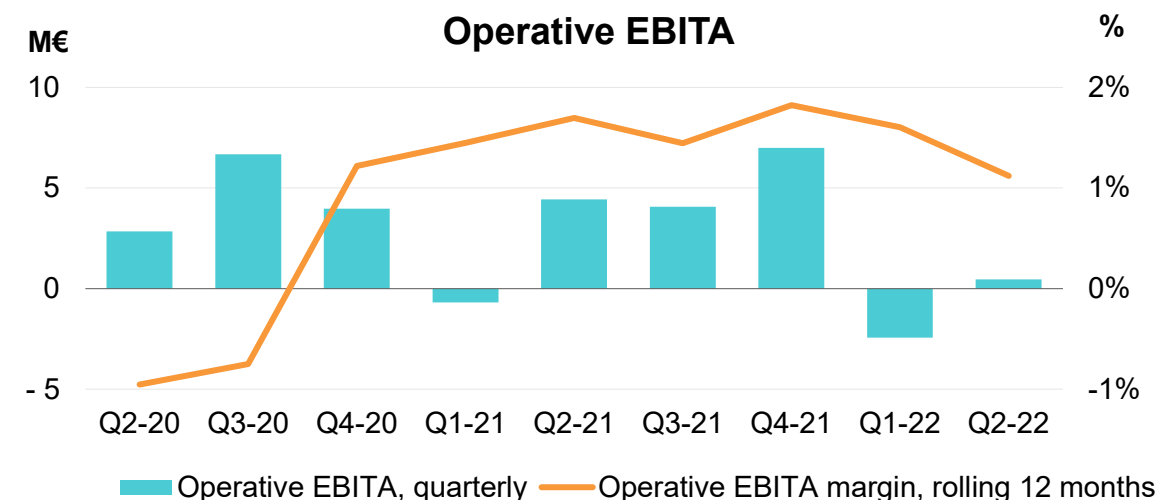
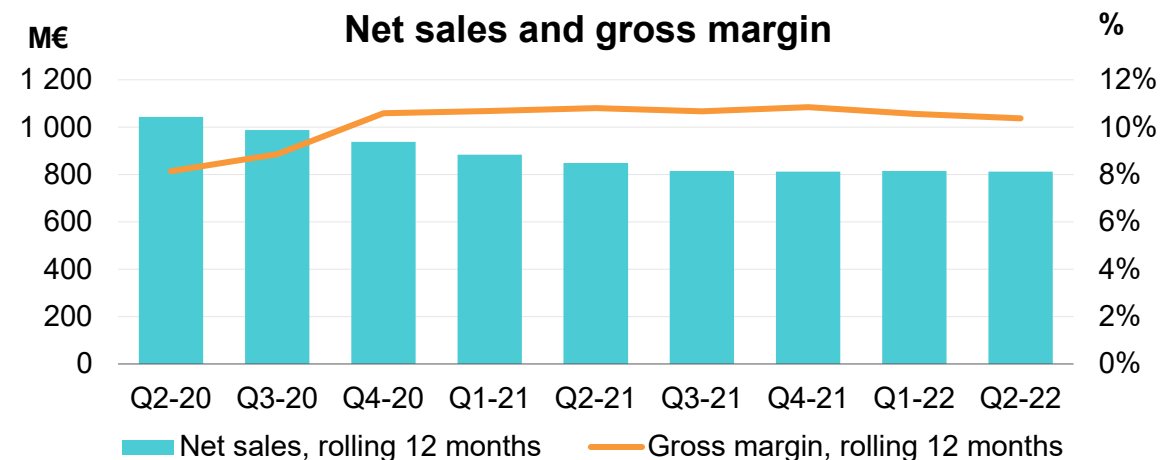
1) Calculated on rolling 12-month basis

## Net sales

- Net sales in line with previous year at EUR 392.6 million (392.4)
- Net sales in segments decreased by EUR 5.2 million and increased in Other business by EUR 6.1 million
- Growth in Norway and Sweden was offset by Denmark and Finland

## Operative EBITA

- Operative EBITA decreased to EUR -2.0 million (3.7)
- Operative EBITA margin was -0.5% (1.0%)
- Inflation main driver. Inefficiencies caused by high sick-leave rates also contributed.



# Finland January–June 2022

EUR million	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	71.9	79.8	130.7	140.6	299.6
Net sales growth, %	-9.9%	2.0%	-7.0%	2.5%	-0.2%
Operative EBITA	3.6	3.1	4.5	3.8	12.7
Operative EBITA-margin, %	5.0%	3.9%	3.4%	2.7%	4.2%
Number of employees, average	1,504	1,477	1,498	1,462	1,478

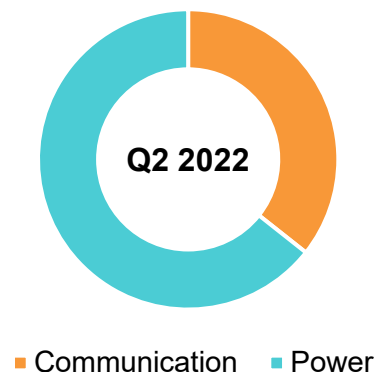
## Net sales

- A strike and late start of ground works impacted revenues
- Strong fibre and 5G market

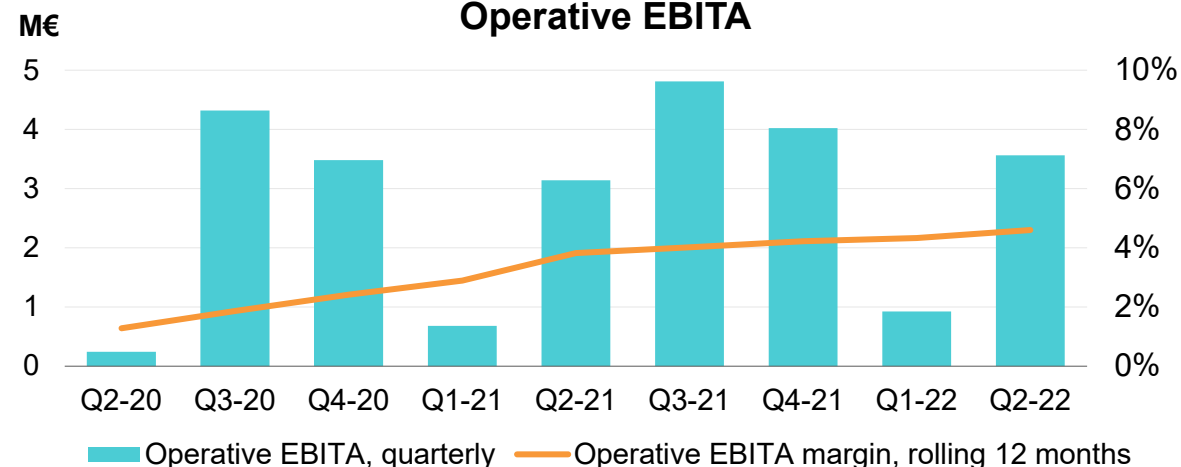
## Operative EBITA

- Closing of certain projects with improved margins
- High pension bonus payments received
- Inflation, mainly increased material and fuel costs, partly offset the performance

## Net sales



## Operative EBITA





# Sweden January–June 2022

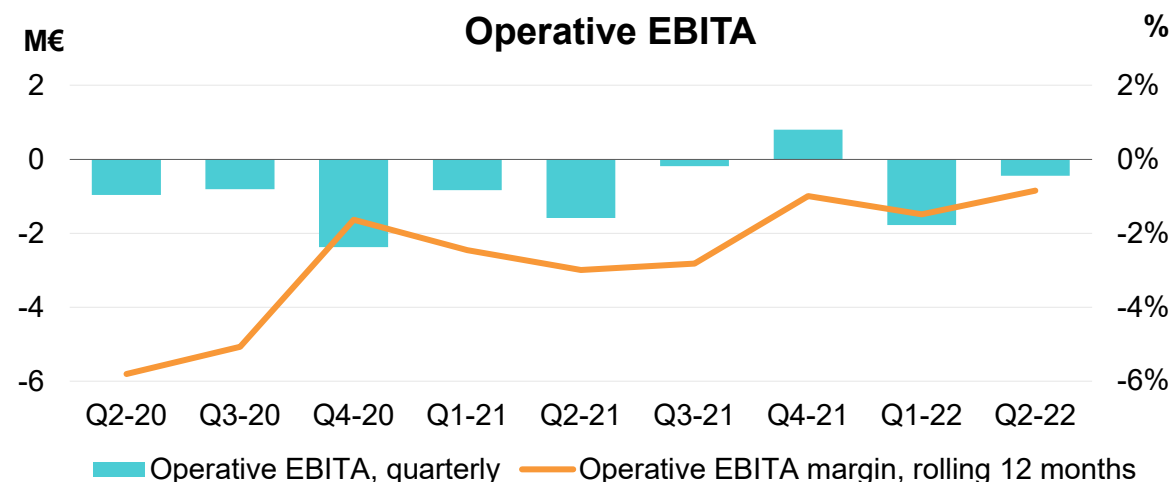
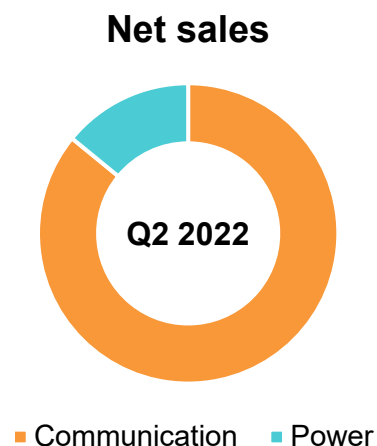
EUR million	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	49.4	44.6	93.3	85.7	182.2
Net sales growth, %	10.7%	-25.2%	8.9%	-30.2%	-18.8%
Operative EBITA	-0.4	-1.6	-2.2	-2.4	-1.8
Operative EBITA-margin, %	-0.9%	-3.6%	-2.4%	-2.8%	-1.0%
Number of employees, average	911	949	912	961	938

## Net sales

- 12.2% growth in local currency
- Growth driven by smart metering projects as well as the Communication business

## Operative EBITA

- Profitability improved from previous year
- Investments in the efficiency programme “One Eltel” to improve productivity
- Margin adjustments in certain old projects, inflation and high sick-leave rates due to COVID-19 impacted negatively



# Norway January–June 2022

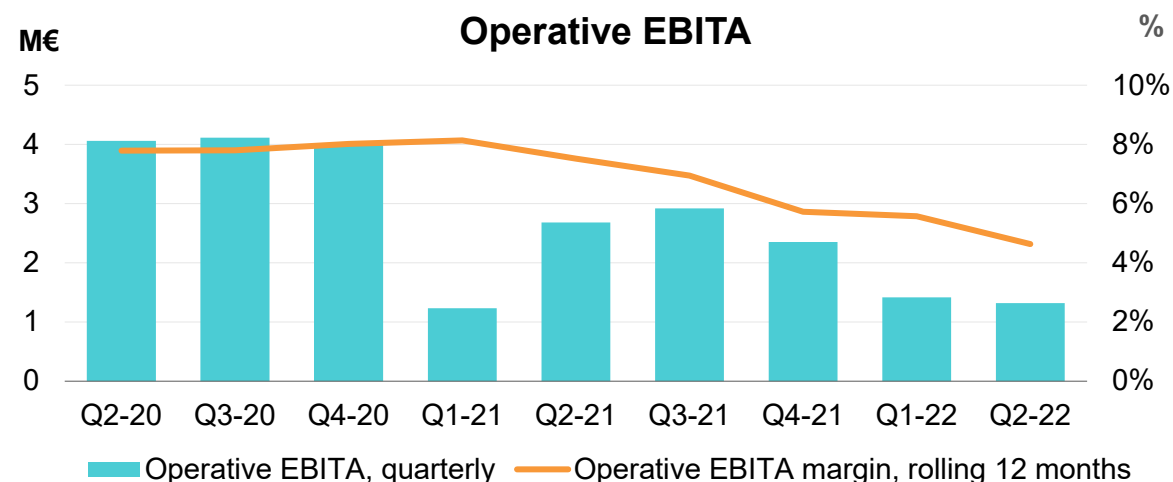
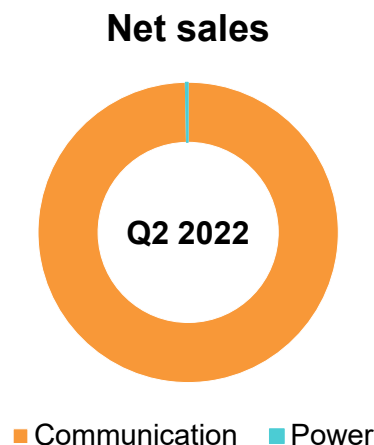
EUR million	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	46.6	42.1	88.2	76.0	160.5
Net sales growth, %	10.9%	-10.3%	16.1%	-19.0%	-9.7%
Operative EBITA	1.3	2.7	2.7	3.9	9.2
Operative EBITA-margin, %	2.8%	6.4%	3.1%	5.1%	5.7%
Number of employees, average	935	913	937	909	919

## Net sales

- 13.3% growth in local currency
- Increased demand for fibre and 5G as customers' investment levels are picking up from previous year

## Operative EBITA

- Change in business mix, increased sick-leave rates and inflation





# Denmark January–June 2022

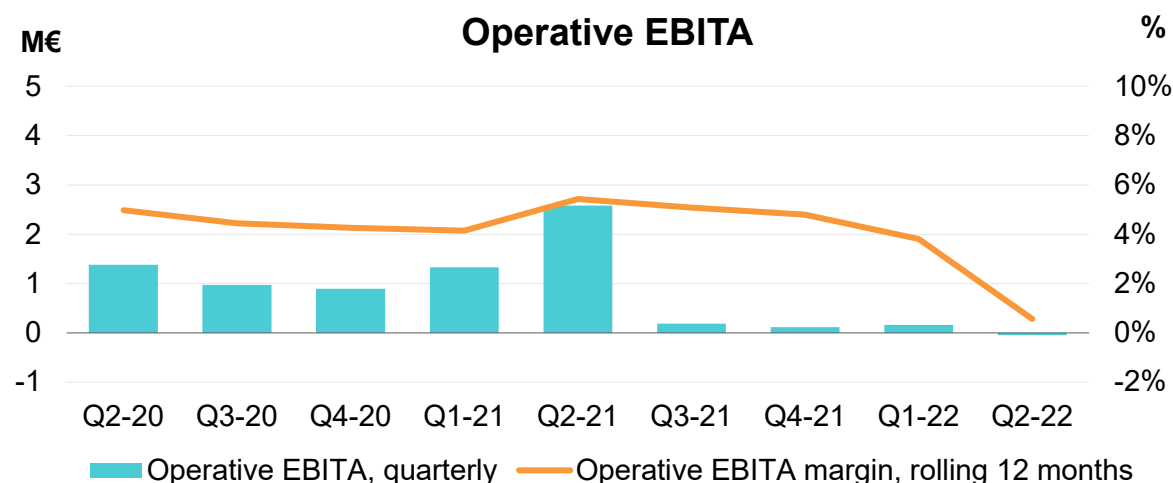
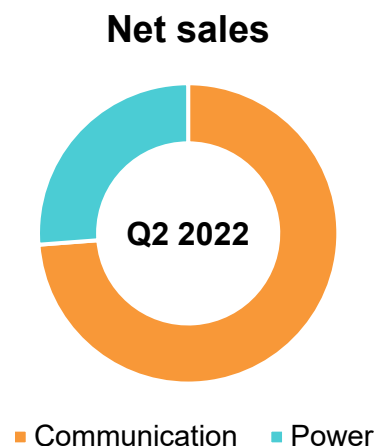
EUR million	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	17.5	24.6	35.6	50.8	87.9
Net sales growth, %	-28.8%	-14.4%	-29.8%	-18.7%	-25.6%
Operative EBITA	0.0	2.6	0.1	3.9	4.2
Operative EBITA-margin, %	-0.3%	10.5%	0.3%	7.7%	4.8%
Number of employees, average	477	632	476	645	562

## Net sales

- Expected decrease due to a partial insourcing of an agreement by a major customer at the end of Q2 2021
- Closing of other agreements and slower than anticipated ramp up of new agreements
- Agreement signed with GlobalConnect in July -22 gives good growth opportunities in the Danish market

## Operative EBITA

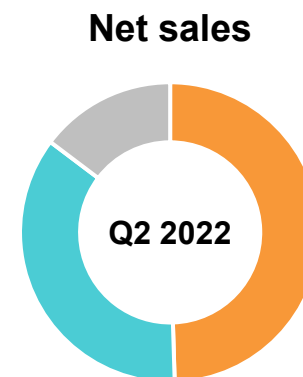
- Decrease comes from the lower net sales



# Other business January–June 2022

EUR million	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Net sales	25.7	21.6	49.1	43.0	91.9
Operative EBITA	-1.9	-0.5	-2.5	-1.4	-1.8
Number of employees, average	1,082	1,092	1,074	1,161	1,123

Other business includes operations in High Voltage, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International and Rail businesses.



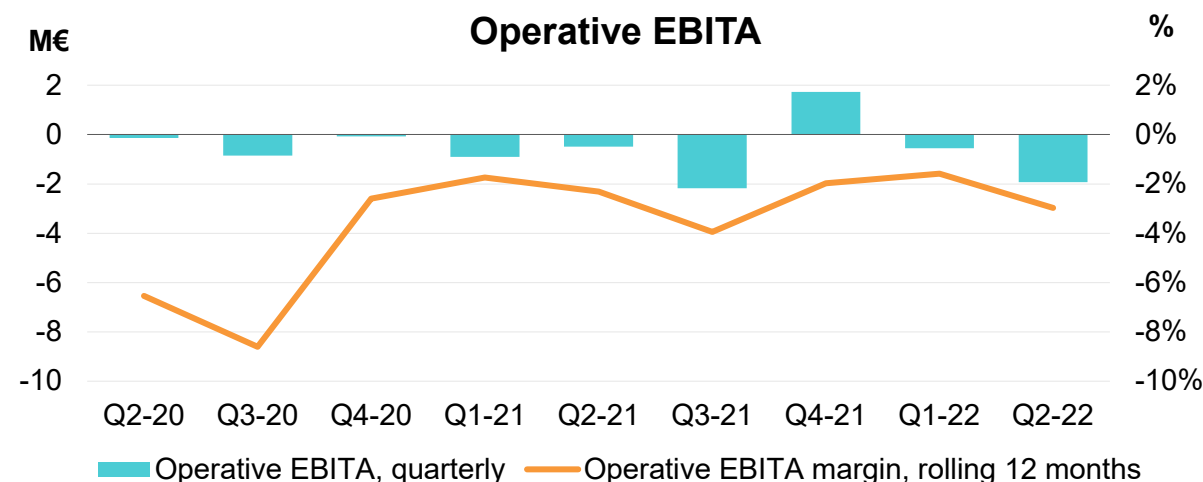
■ High Voltage ■ Smart Grids Germany ■ Other

## Net sales

- Growth mainly from High Voltage Poland thanks to realisation of delayed and postponed volumes from 2021
- Net sales in Smart Grids Germany remained flat

## Operative EBITA

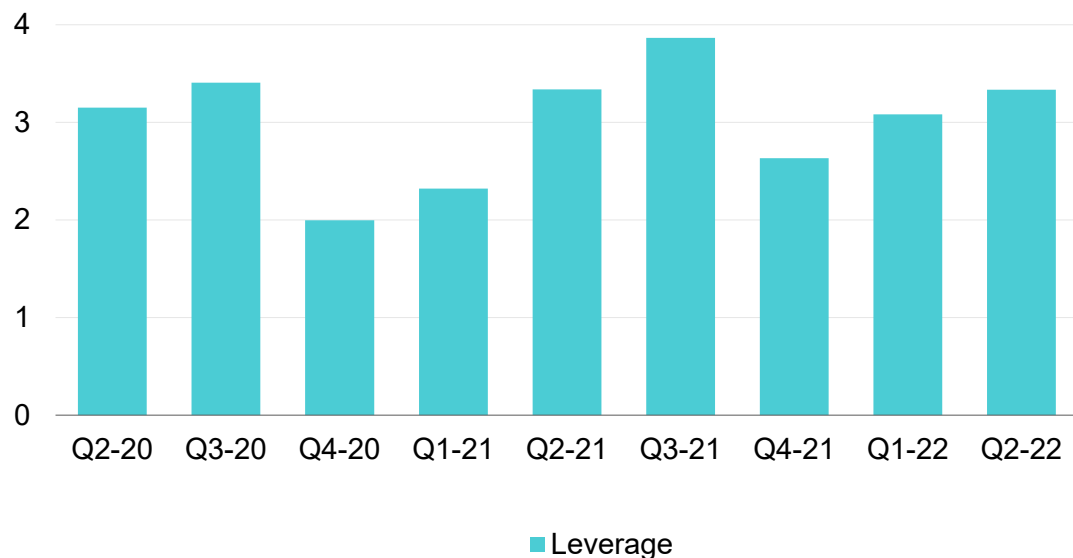
- High margins in Smart Grids Germany
- Inflation and access to materials deteriorated the result in High Voltage Poland
- Actions being taken to mitigate the situation, but processes are expected to be lengthy and there is high uncertainty relating to the outcome





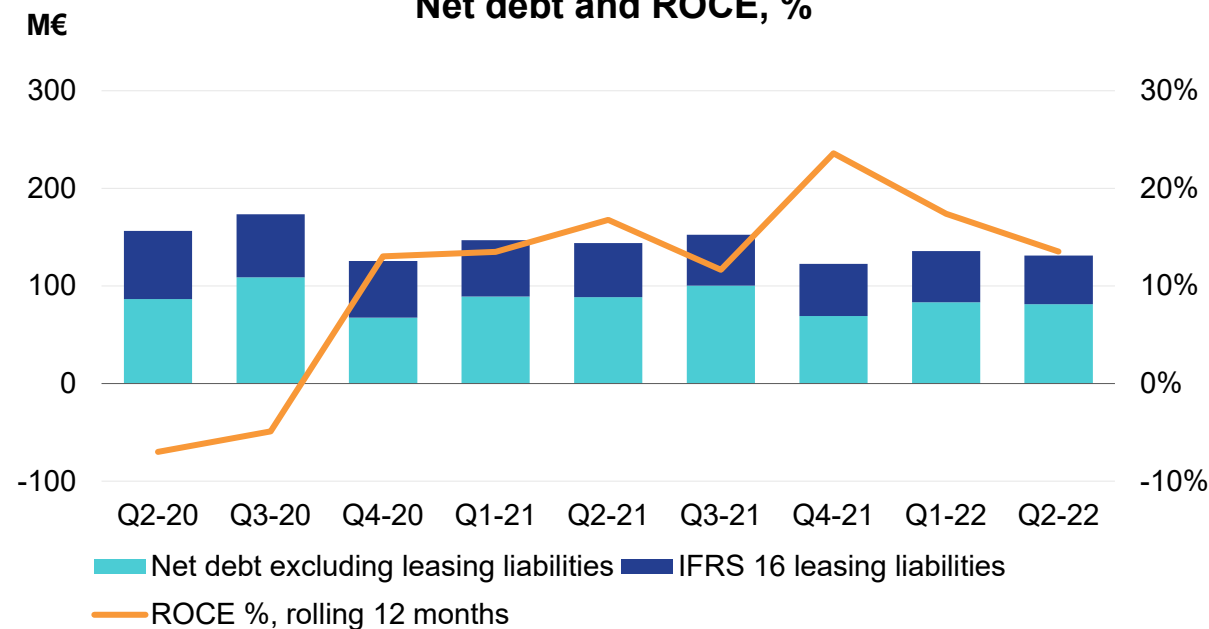
# Group leverage and net debt

## Leverage



Leverage: Net debt/EBITDA. Eltel's leverage target by end of 2025 is 1.5–2.5x net debt/EBITDA.  
 Net debt: Interest bearing debt less cash and cash equivalents.

## Net debt and ROCE, %



Net debt: Interest bearing debt less cash and cash equivalents..  
 ROCE:  $\text{Operative EBITA (R12)} \times 100 / \text{Operative capital employed (average over the reporting period)}$ .

Going forward





# Eltel Group financial targets by end of 2025

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

# 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

# Questions





**ELTEL**