



**Eltel AB**

**Q3 2022  
presentation**

2 November 2022

# Today's presenters



Håkan Dahlström  
President and CEO



Saila Miettinen-Lähde  
CFO



Elin Otter  
Director, Communications  
and Investor Relations



## Highlights Q3 2022

- Contracts signed with a combined value of EUR 406 million
- Net sales increased by 6.8%
  - In segments, growth adjusted for currency effect was 7.1%
- Operative EBITA margin was 2.0% (2.1)
  - Increased costs and high sick-leave rates
  - Shortage of materials, resources and subcontractors
- Inflation impact higher than anticipated
- Established a Business Development team

On 15 September 2022, Eltel signed its largest fibre agreement ever – contract value of EUR 200 million. Eltel Finland will build fibre to the home for Valokuitunen, a joint venture between CapMan Infra and Telia. The agreement is worth about EUR 200 million over a three-year period and includes an option of one additional year.

# Major agreements

## During the reporting period

- Finland, Valokuitunen, Communication fibre, EUR 200 million
- Finland, Caruna, Power distribution, frame agreement, EUR 75 million
- Norway, Telenor, Communication 5G, EUR 36–40 million
- Denmark, GlobalConnect, Communication fibre, EUR 47 million

## After the reporting period

- Finland, Exilion, Power wind, EUR 11 million
- Denmark, Nexel, Power distribution, frame agreement, EUR 30 million
- Sweden, Ellevio, Power distribution, frame agreement, EUR 32 million



# Inflation

- Impact is more wide-spread and larger than previously anticipated
- Overestimated the degree of compensation in Q2
- It will take time before agreed indexation mechanisms take full effect



# Total Group January–September 2022

EUR million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	207.0	193.8	599.6	586.2	812.6
Net sales growth, %	6.8%	-14.5%	2.3%	-17.3%	-13.4%
Operative EBITA	4.1	4.1	2.1	7.8	14.8
Operative EBITA-margin, %	2.0%	2.1%	0.4%	1.3%	1.8%
Return on operative capital employed (ROCE) <sup>1)</sup> , %	10.2%	11.6%	10.2%	11.6%	23.6%

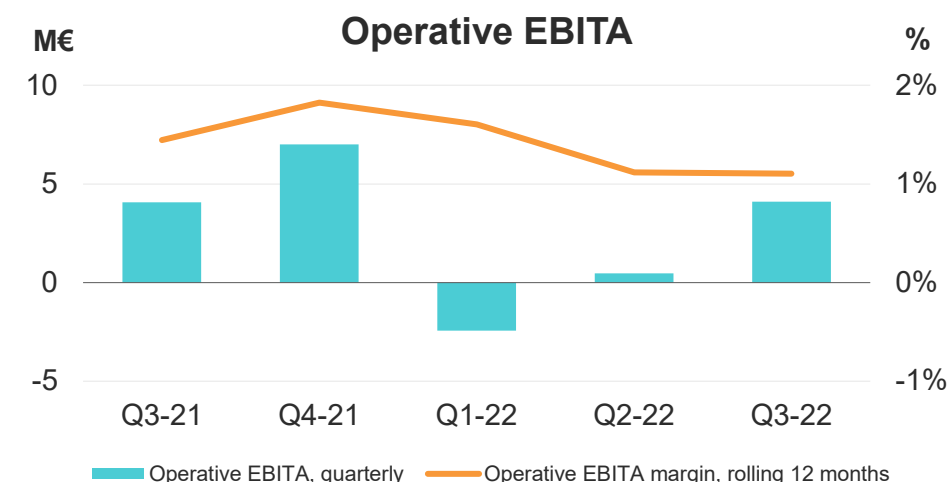
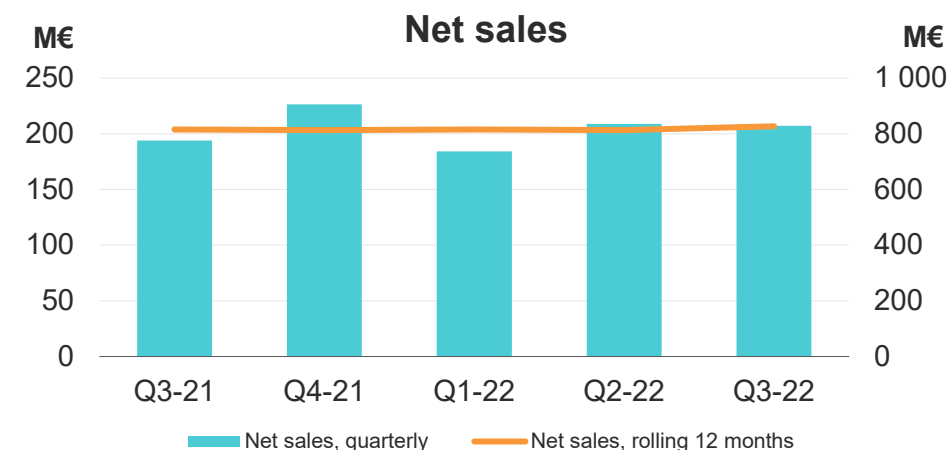
1) Calculated on rolling 12-month basis

## Net sales

- In Q3, net sales increased by 6.8%, and in segments, adjusted for currency effects, by 7.1%
- Market demand increases faster than the supply
- Our customers' investment levels are rising and we have a strong market position
- Shortages in skilled workforce and subcontractors are a risk to volume growth

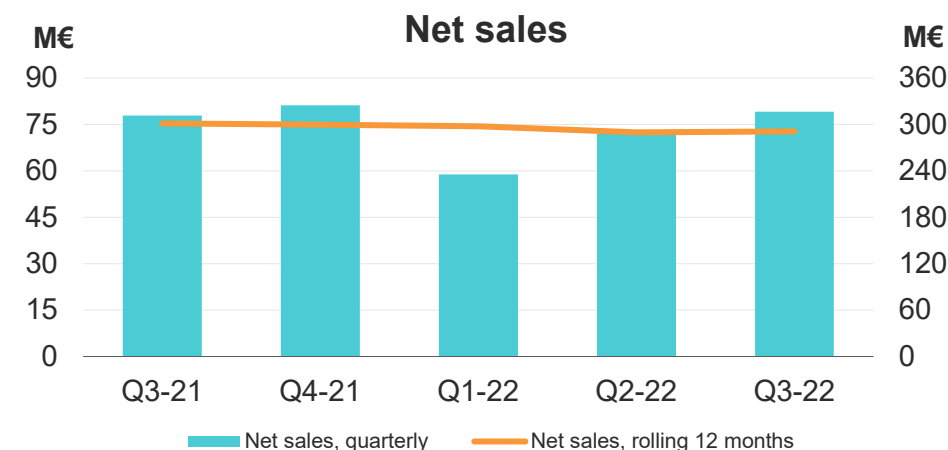
## Operative EBITA

- 2022 is a difficult year in terms of profitability. Year-to-date operative EBITA decreased to EUR 2.1 million (7.8)
- Inflation main driver



# Finland January–September 2022

EUR million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	79.1	77.9	209.8	218.4	299.6
Net sales growth, %	1.5%	-3.1%	-4.0%	0.5%	-0.2%
Operative EBITA	4.9	4.8	9.4	8.6	12.7
Operative EBITA-margin, %	6.2%	6.2%	4.5%	4.0%	4.2%
Number of employees, average	1,495	1,493	1,497	1,472	1,478

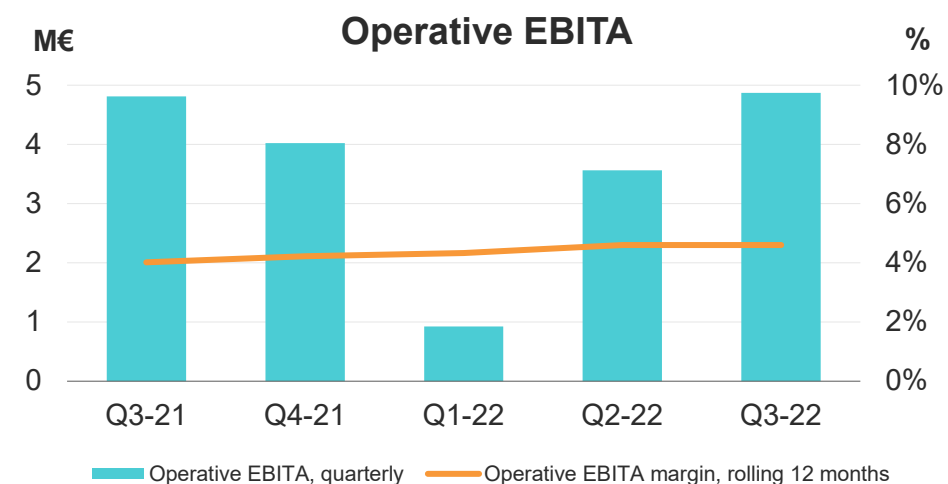


## Net sales

- Q3 net sales increased by 1.5% to EUR 79.1 million, year-to-date decreased by 4.0% to EUR 209.8 million
- Major agreements signed during Q3, combined value of EUR 301 million
- High market demand in Communication and Power Transmission
- Projects being pushed forward due to shortage of resources and lack of materials

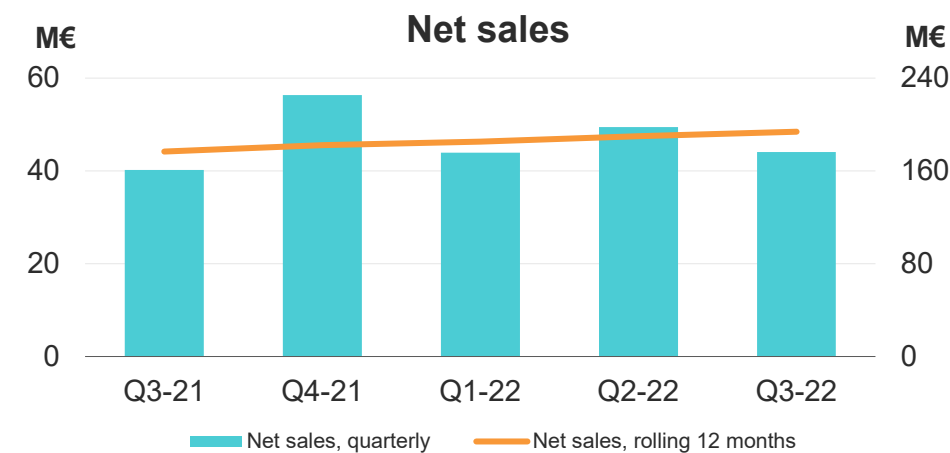
## Operative EBITA

- Operative EBITA margin remained at 6.2% in Q3 and improved to 4.5% year-to-date
- Increased material, fuel and subcontracting costs as well as increased sick-leave rates
- Year-to-date affected by long winter and the six-week ICT strike during spring



# Sweden January–September 2022

EUR million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	44.0	40.2	137.3	125.9	182.2
Net sales growth, %	9.6%	-21.0%	9.1%	-27.5%	-18.8%
Operative EBITA	0.0	-0.2	-2.2	-2.6	-1.8
Operative EBITA-margin, %	0.0%	-0.5%	-1.6%	-2.1%	-1.0%
Number of employees, average	913	913	912	945	938

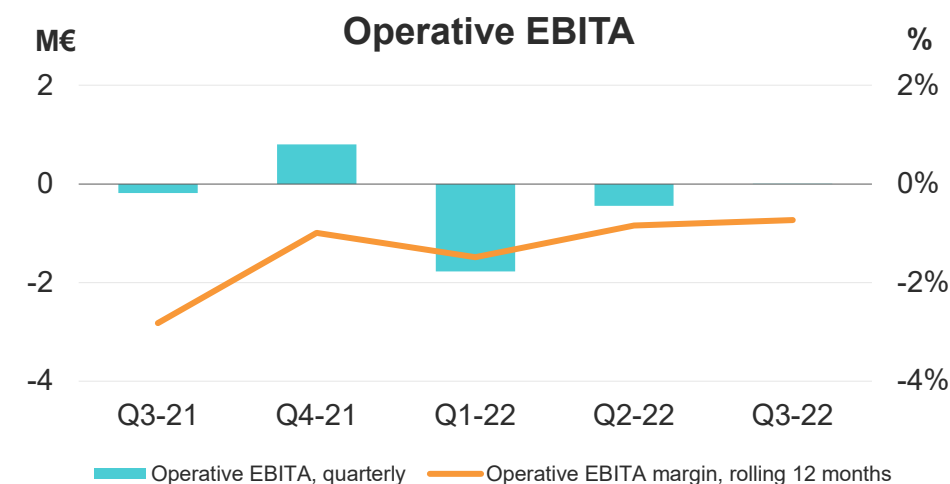


## Net sales

- Net sales growth in local currency was 14.7% in Q3 and 13.0% year-to-date
- Growth driven by Smart Grids and Communication

## Operative EBITA

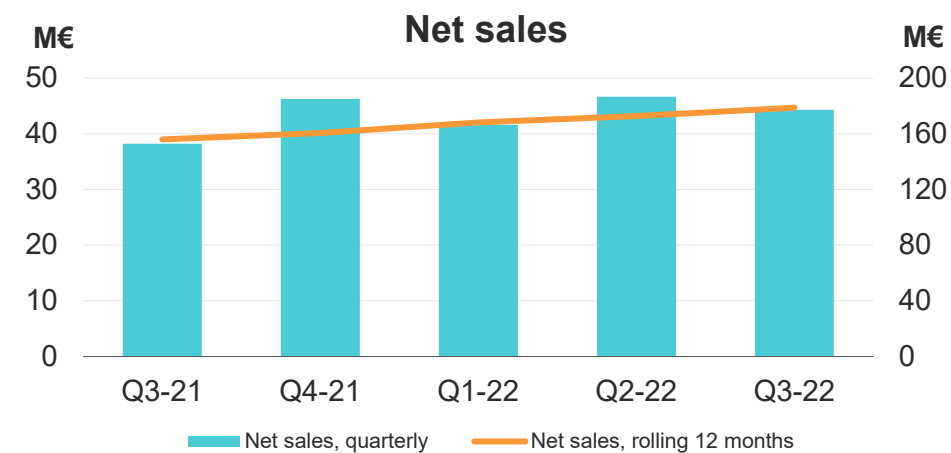
- Operative EBITA improved both Q3 and year-to-date; net sales growth and strong performance in Smart Grids contributed positively
- High employee turnover led to reduced efficiency and higher costs – increased use of subcontractors
- Year-to-date, inflation and investments in the efficiency programme “One Eltel”





# Norway January–September 2022

EUR million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	44.3	38.2	132.5	114.2	160.5
Net sales growth, %	15.8%	-9.3%	16.0%	-16.0%	-9.7%
Operative EBITA	1.6	2.9	4.4	6.8	9.2
Operative EBITA-margin, %	3.7%	7.6%	3.3%	6.0%	5.7%
Number of employees, average	942	919	938	913	919

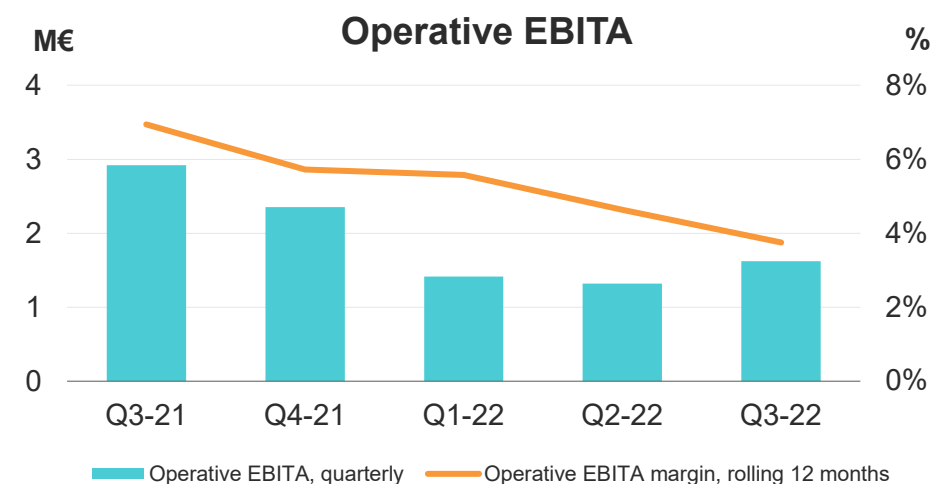


## Net sales

- Net sales growth in local currency was 13.8% in Q3 and 13.5% year-to-date
- Increased production of fibre and 5G as customers' investments have grown from previous year
- Growing business with new customers also contributed positively

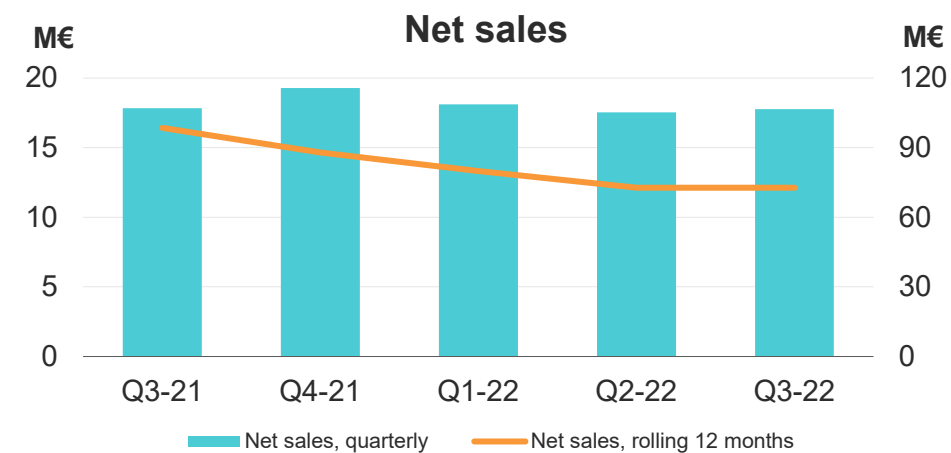
## Operative EBITA

- Weak profitability development both in Q3 and year-to-date
- Change in business mix, inflation and increased sick-leave rates



# Denmark January–September 2022

EUR million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	17.8	17.8	53.4	68.6	87.9
Net sales growth, %	-0.5%	-30.8%	-22.2%	-22.3%	-25.6%
Operative EBITA	0.1	0.2	0.2	4.1	4.2
Operative EBITA-margin, %	0.7%	1.0%	0.5%	6.0%	4.8%
Number of employees, average	485	489	479	593	562

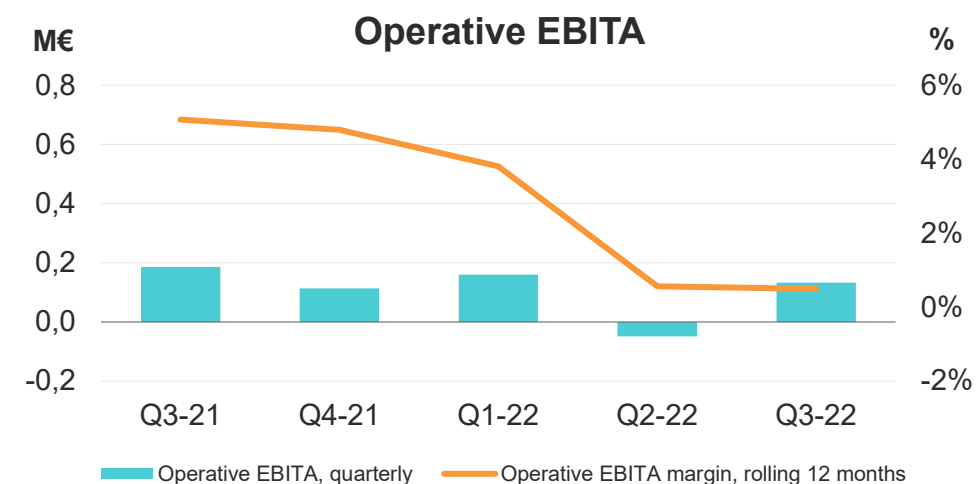


## Net sales

- Net sales are stabilising with Q3 in line with previous year
- In Q3, the order backlog increased thanks to recently awarded agreements

## Operative EBITA

- Modest profitability is a consequence of lower net sales and inflation-related cost increases
- Rolling 12 months indicate we have bottomed out



# Other business January–September 2022

EUR million	Jul-Sep 2022	Jul-Sep 2021	Jan-Sep 2022	Jan-Sep 2021	Jan-Dec 2021
Net sales	24.6	22.0	73.8	65.0	91.9
Operative EBITA	-1.8	-2.2	-4.2	-3.6	-1.8
Number of employees, average	1,078	1,082	1,075	1,135	1,123

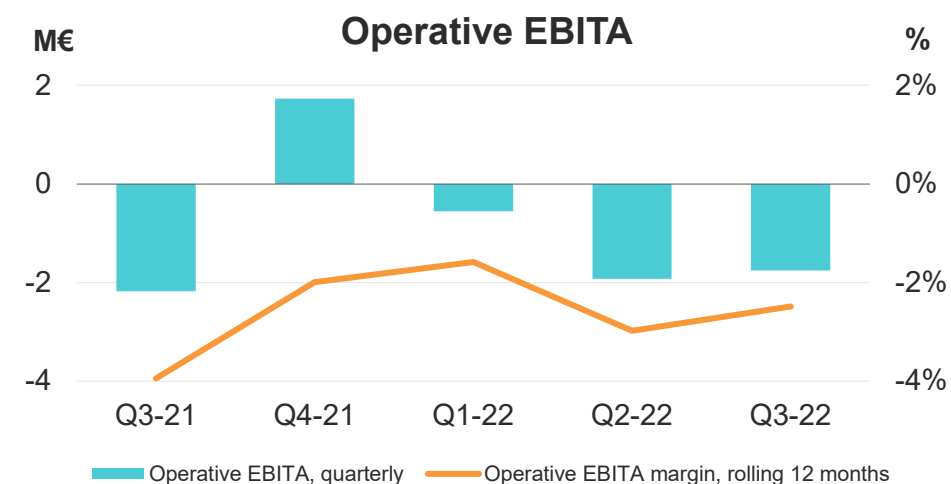
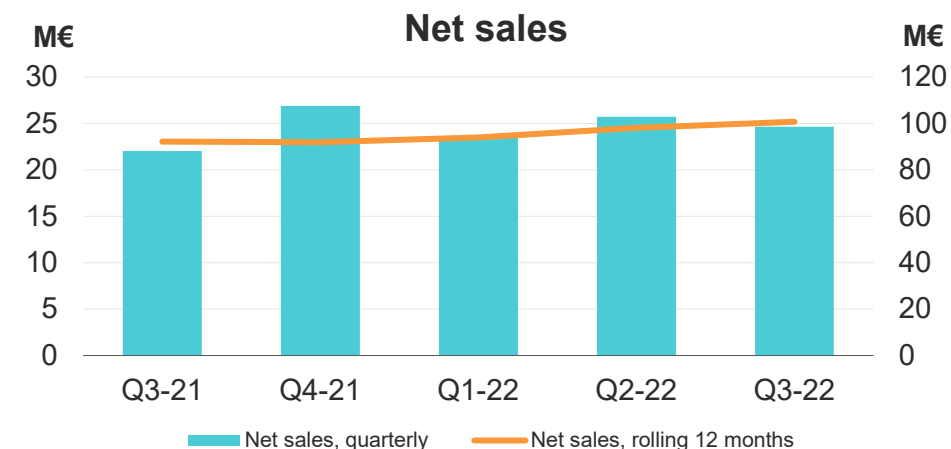
Other business includes operations in High Voltage, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International and Rail businesses.

## Net sales

- Realisation of delayed and postponed volumes from 2021 generated growth in High Voltage Poland
- Year-to-date, net sales in Smart Grids Germany also increased

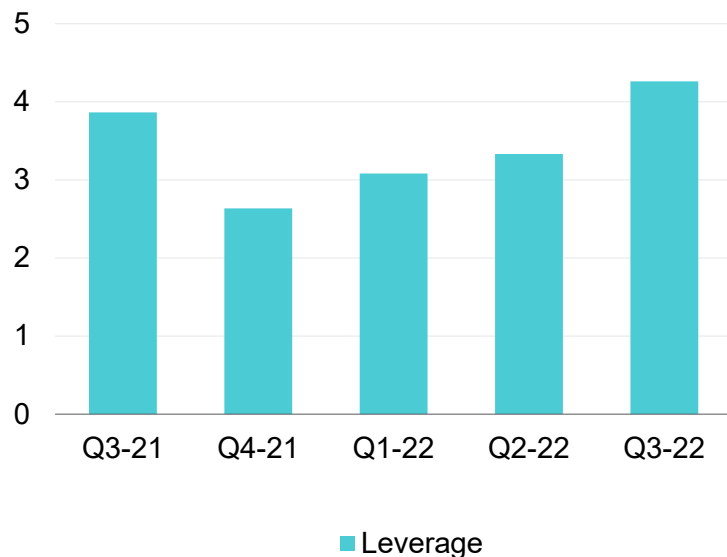
## Operative EBITA

- Strong margins in Smart Grids Germany
- Year-to-date, High Voltage, mainly Poland, had operative EBITA of EUR -6.4 million (-7.6). Inflation and the effects of the war in Ukraine deteriorated the result
- In the comparative period, Power Transmission International contributed positively



# Group balance sheet

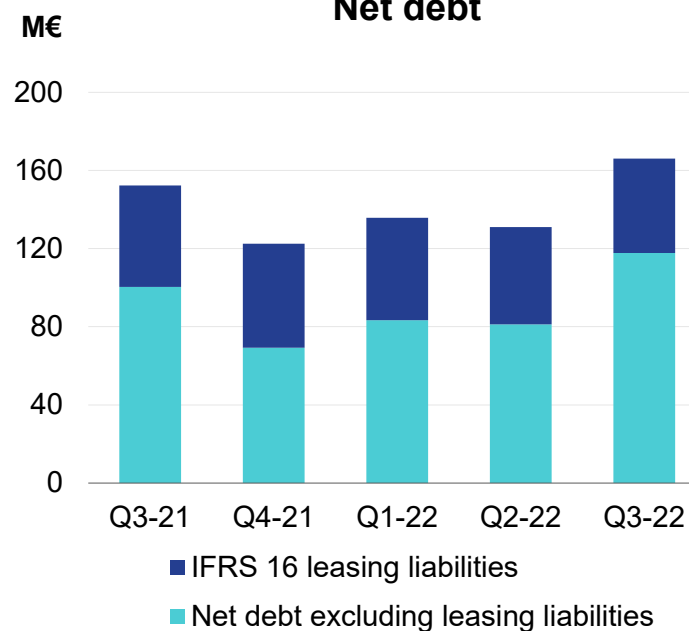
### Leverage



Leverage: Net debt/EBITDA. Eltel's leverage target by end of 2025 is 1.5–2.5x net debt/EBITDA.

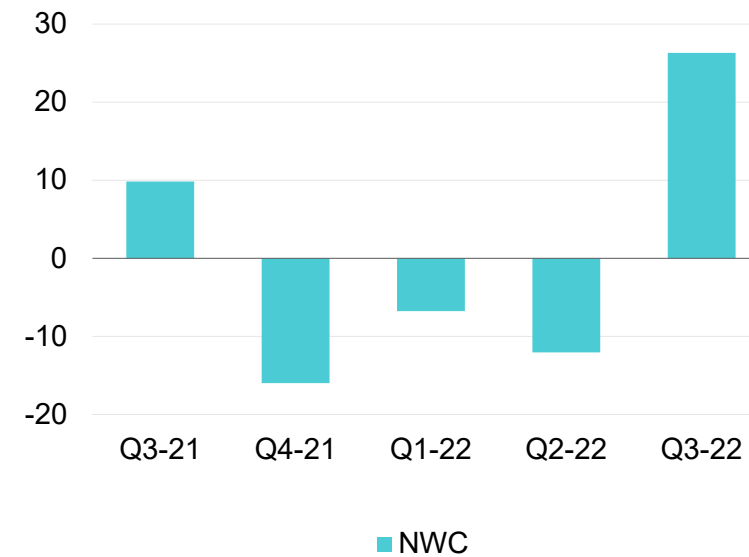
Net debt: Interest bearing debt less cash and cash equivalents.

### Net debt



Net debt: Interest bearing debt less cash and cash equivalents.

### Net working capital



# 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

2022–2025

## Investing in sustainable profitable growth

- Increasing market share
- Innovation and new business development in adjacent markets
- Replicating successful businesses between markets
- Pursuing M&As
- Industry sustainability leadership

# Eltel Group financial targets by end of 2025

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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

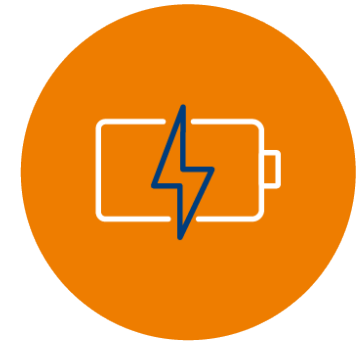
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# Capitalising on mega trends

- Strong megatrends are shaping our markets, opening up for new opportunities
- The Business Development team will
  - Develop and implement existing and new business models and concepts
  - Integrate sustainability in production and our business offering
  - Improve synergies and take further advantage of the expertise and know-how of each market



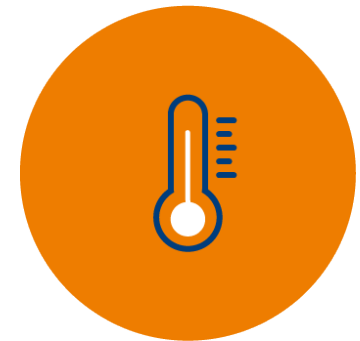
Digitalisation



Electrification



Hybrid working



Climate change

# Finland wind power – A growing market



- Wind power is considered crucial for the green transformation. According to WindEurope, the installed wind power capacity is expected to increase by 50% in Europe 2022–2026
- By the end of 2021, Finland had an installed capacity of 3 GW. It is expected to grow to 11 GW in 2026\*\*

Phase Onshore*	Projects	GW
Early planning phase	236	37
Fully Permitted	51	3
Under Construction	46	4
<b>Total</b>	<b>336</b>	<b>44</b>

Phase offshore*	Projects	GW
Early planning phase	12	10
Fully Permitted	0	0
Under Construction	0	0
<b>Total</b>	<b>12</b>	<b>10</b>

- In total, onshore projects with a capacity of more than 44 GW are being planned in Finland
- Less than 10% of total planned capacity is currently under construction
- In addition, almost 10 GW offshore wind power is being planned, but these projects will come later

\* Source: SWECO report presented by Finish Wind Association 16 Mars 2022.

\*\* Source: Fingrid



# Eltel wind power projects in Finland



- Eltel Finland has a long experience in wind power projects
- Currently involved in 9 projects
- Aiming to take 10% of the addressable market by 2025

Market estimation	2022	2023	2024	2025
New Installed capacity MW	1,000	1,400	1,500	1,500
Total market value MEUR	1,100	1,540	1,650	1,650
Addressable market* MEUR	280	390	420	420

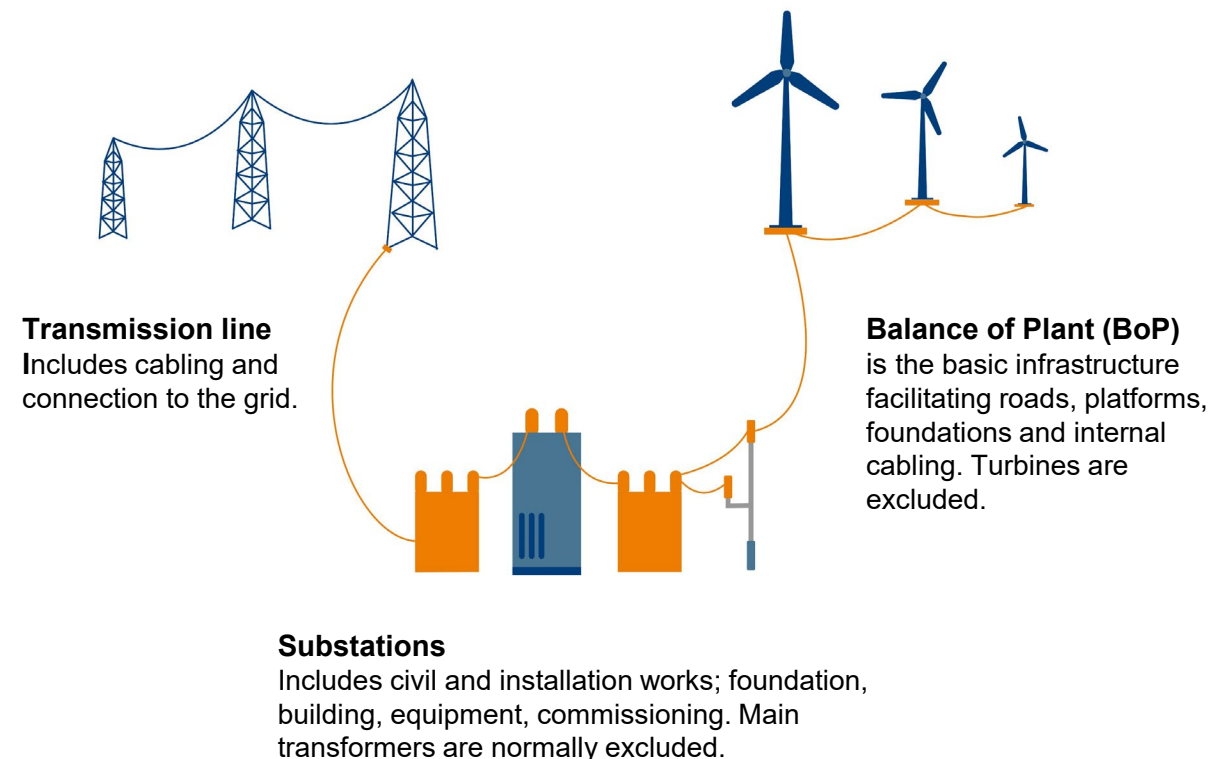
Eltel Projects	BoP	Substations	Transmission line
Completed projects since 2019	5		
Ongoing projects		5	4
Active operation & maintenance agreements		12	

Financial	Order book	Net sales**	Market share
Wind power Finland 2022	47 MEUR	11 MEUR	4 %

\* Addressable market is illustrated in the graph. It includes everything except main transformers and wind turbines.

\*\* Actual Q1–Q3 + outlook Q4

## Eltel Finland's scope of work



# Questions



**ELTEL**

The logo features the word "ELTEL" in a bold, italicized sans-serif font. The letters "ELT" are dark blue, and the letters "EEL" are orange. A blue swoosh underline starts under the "E" and ends under the "L". An orange swoosh underline starts under the "T" and ends under the "L".