



# FIRST QUARTER 2024

26 April, 2024

**engcon**<sup>®</sup>

# PRESENTERS



**CEO – Krister Blomgren**

Tel: +46 70 529 92 65

E-mail: [krister.blomgren@engcon.se](mailto:krister.blomgren@engcon.se)

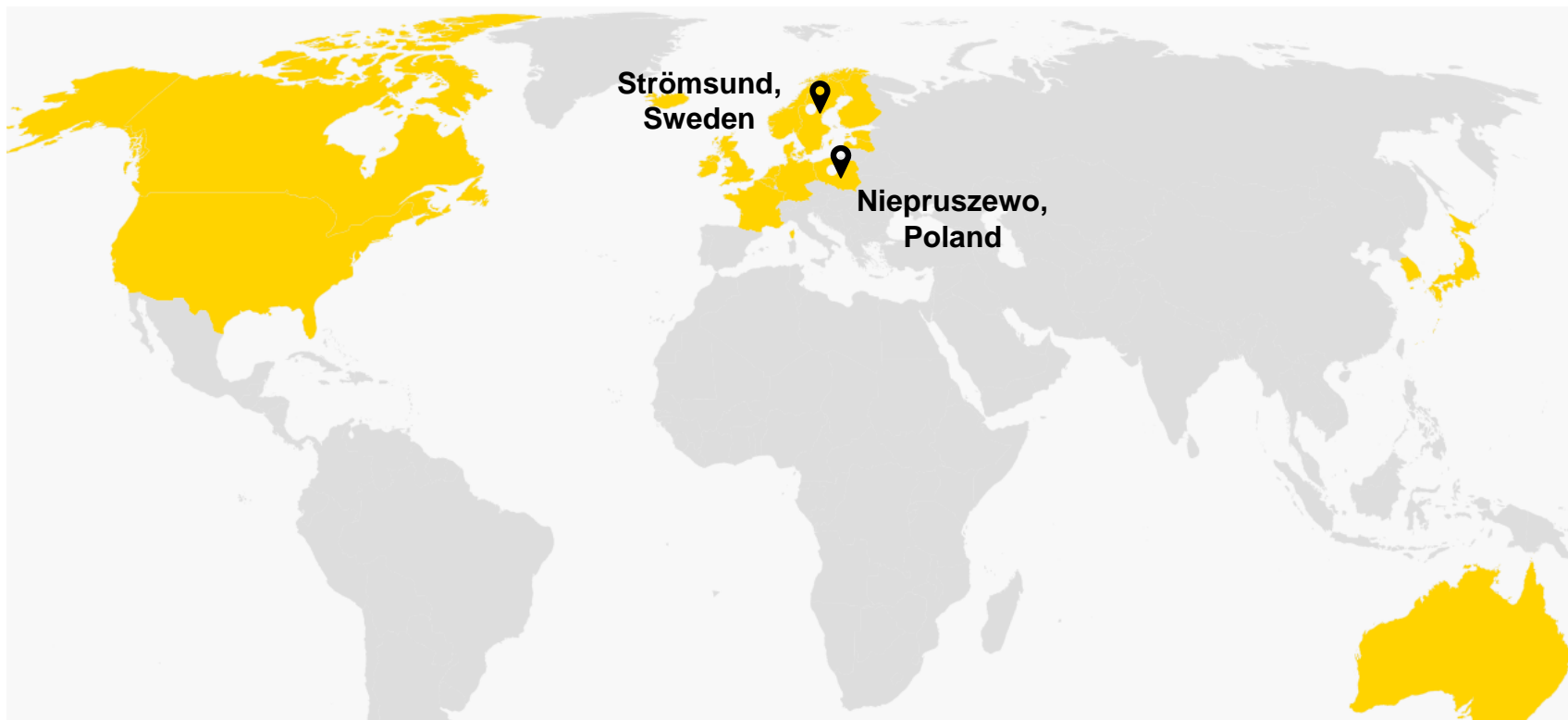


**CFO – Jens Blom**

Tel: +46 76 147 45 77

E-mail: [jens.blom@engcon.se](mailto:jens.blom@engcon.se)

# ENGCON – CHANGE THE WORLD OF DIGGING



## 2023 in brief

**1 898**

Net sales MSEK

**- 6%**

Net sales growth\*

**376**

EBIT MSEK

**20%**

EBIT margin %

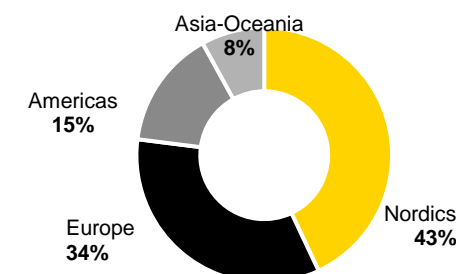
**16**

Markets

**406**

Employees

## Net sales split per region



\* Organic net sales growth

## Q1 BUSINESS HIGHLIGHTS

- Continued stabilization of order intake.
- Strong order intake increase in the European region.
- Net sales increase from last quarter – trend break.
- Profitability back on healthy levels.
- Third generation tiltrotator system available for sale.
- Patent application for self learning configuration system.

## **GENERATION 3**

### **- SMART, SMOOTH AND EFFICIENT**

- Highrunner EC319 first out.
- Self-learning configuration system optimizes tiltrotator installation.
- Energy saving with a minimum of 30 per cent compared with our second generation.
- Higher flow in third generation enables compatibility with more hydraulic tools.
- Remote support and customized settings available in both iOS and Android.
- Prepared for electrified and autonomous/semi autonomous excavators.
- Load sensing technology together with new software (DC3).

# Q1 FIGURES IN BRIEF



**-43%**

Organic net sales

**1%**

Organic order intake

**42%**

Gross margin

**15%**

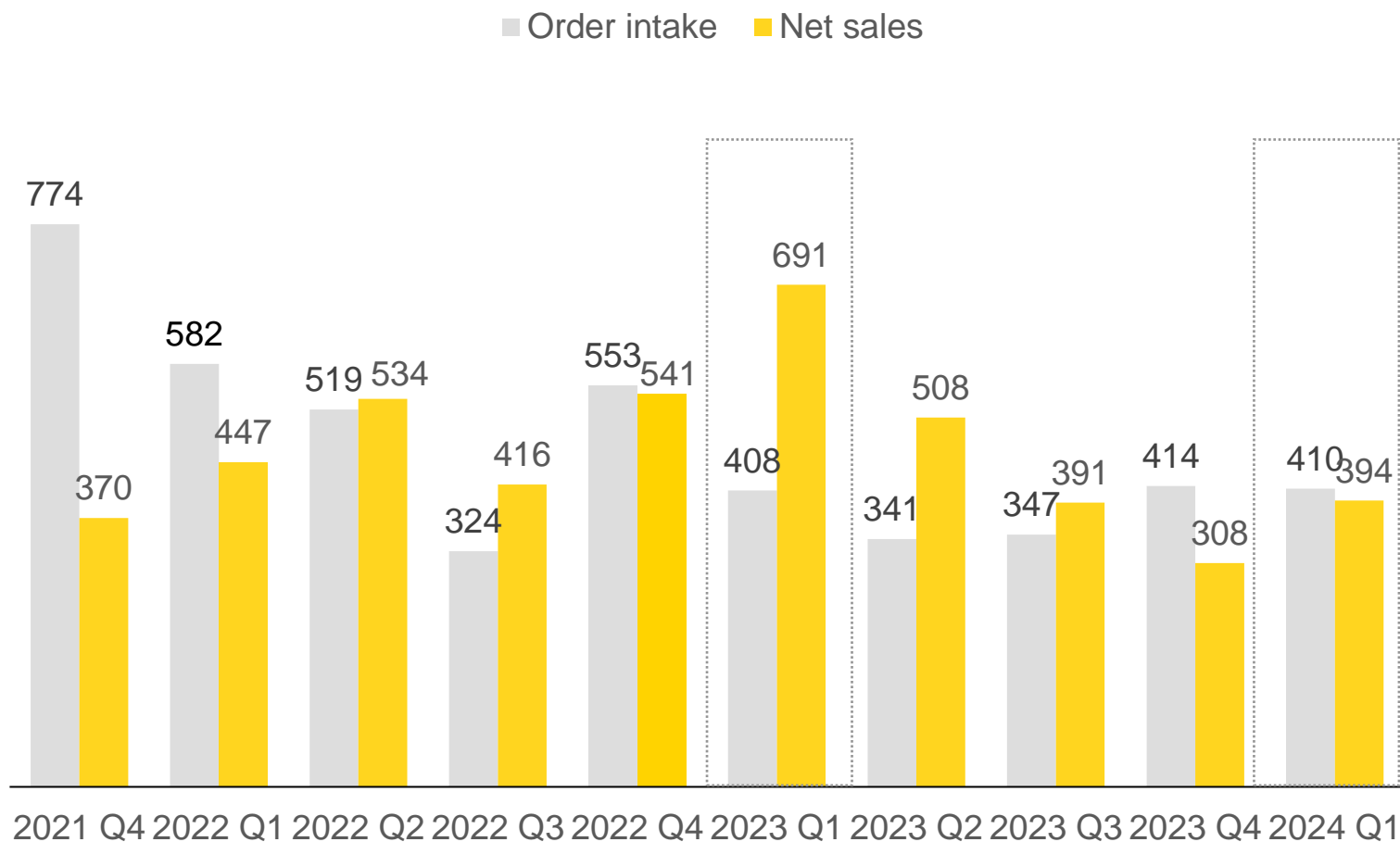
EBIT margin

**28%**

Return on capital employed

# STABILIZATION AND TREND BREAK

## Order intake and net sales development per quarter, MSEK



## Key comments

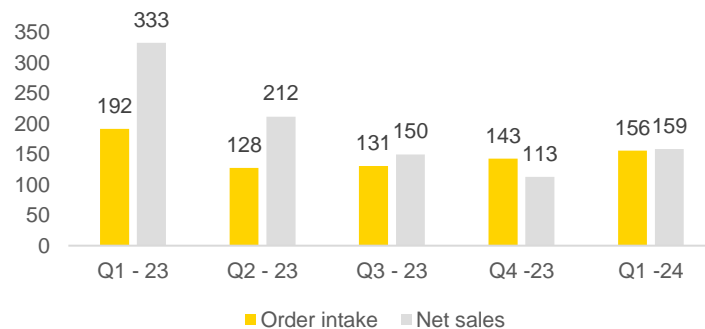
- Net sales decreased 43%, organic 43%, negative currency effect of 1 MSEK.
- Order intake increased 1%, organic 1%, currency effect of 0 MSEK.
- Order intake increase from Q4 2023, pre-buy effect excluded.
- Net sales increase from last quarter – trend break.

# NORDICS

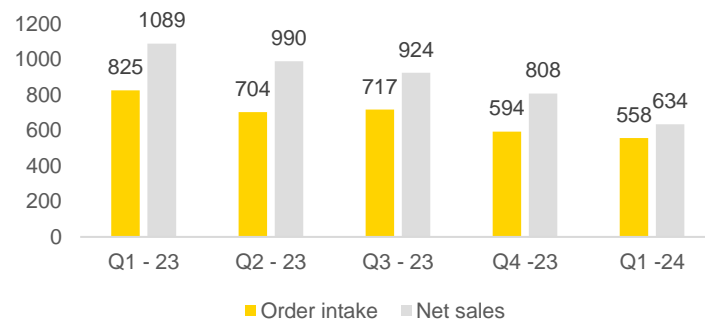
## Q1 2024, Order intake and net sales, MSEK



### Per quarter



### R12



## Key comments

- Net sales decreased 52%.
- Order intake decreased 19%.
- Mixed signals in the region.
- Our most cyclic region - outlook depending on macroeconomic development.

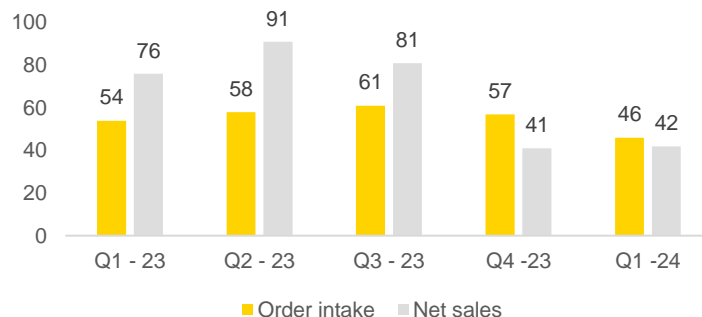


# AMERICAS

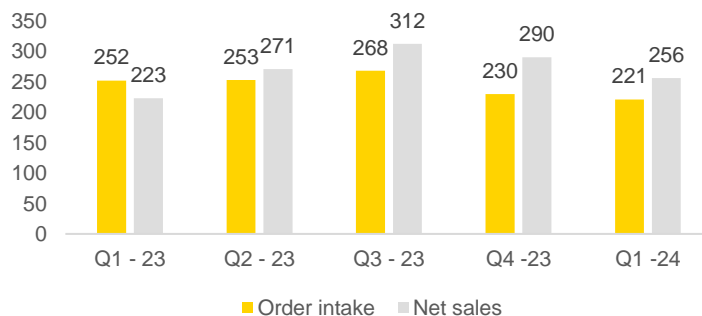
## Q1 2024, Order intake and net sales, MSEK



### Per quarter



### R12



## Key comments

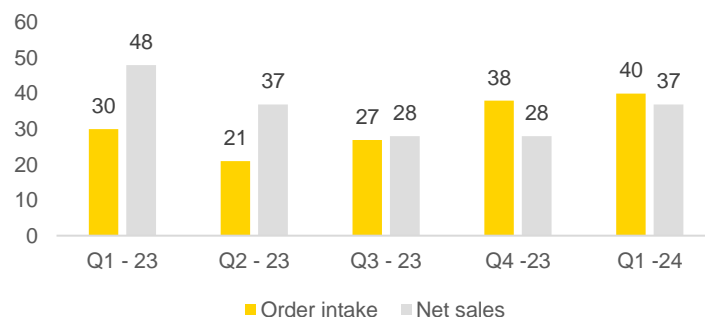
- Net sales decreased 44%.
- Order intake decreased 14%.
- Spring training with John Deere dealers.
- Strengthened service organization.
- Continued challenges.

# ASIA-OCEANIA

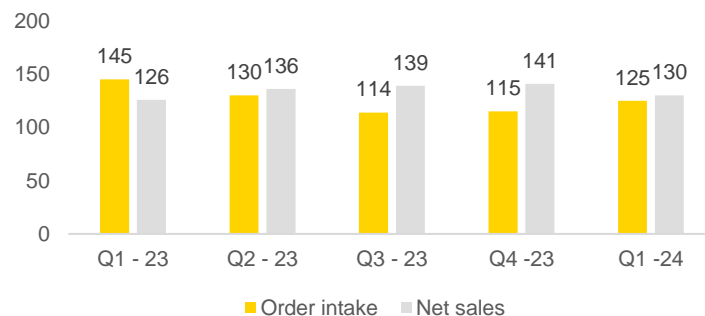
## Q1 2024, Order intake and net sales, MSEK



### Per quarter



### R12

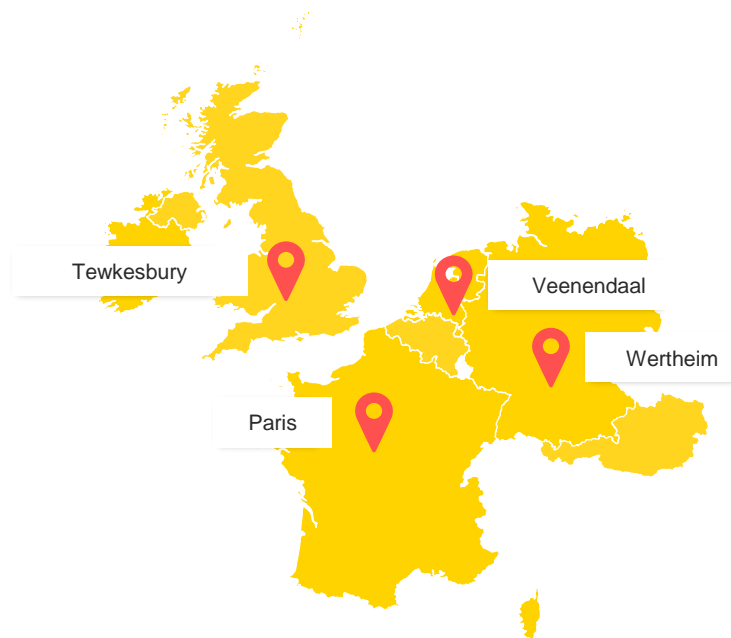


## Key comments

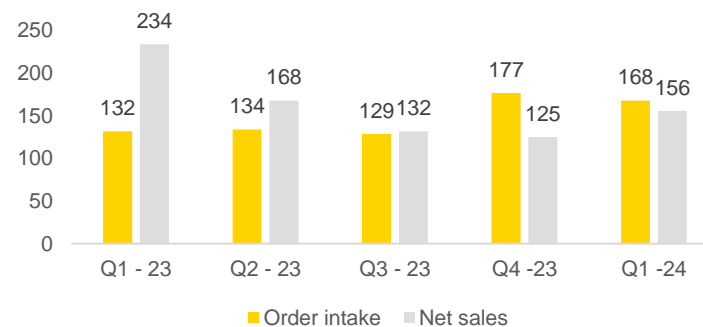
- Net sales decreased 23%.
- Order intake increased 33%.
- Strong order intake increase and positive trend.
- Established sales organizations with end customer focus.
- Increased activity towards the Japanese market.

# EUROPE

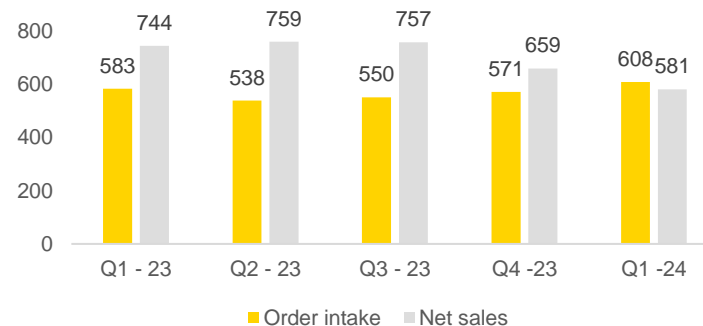
## Q1 2024, Order intake and net sales, MSEK



### Per quarter



### R12

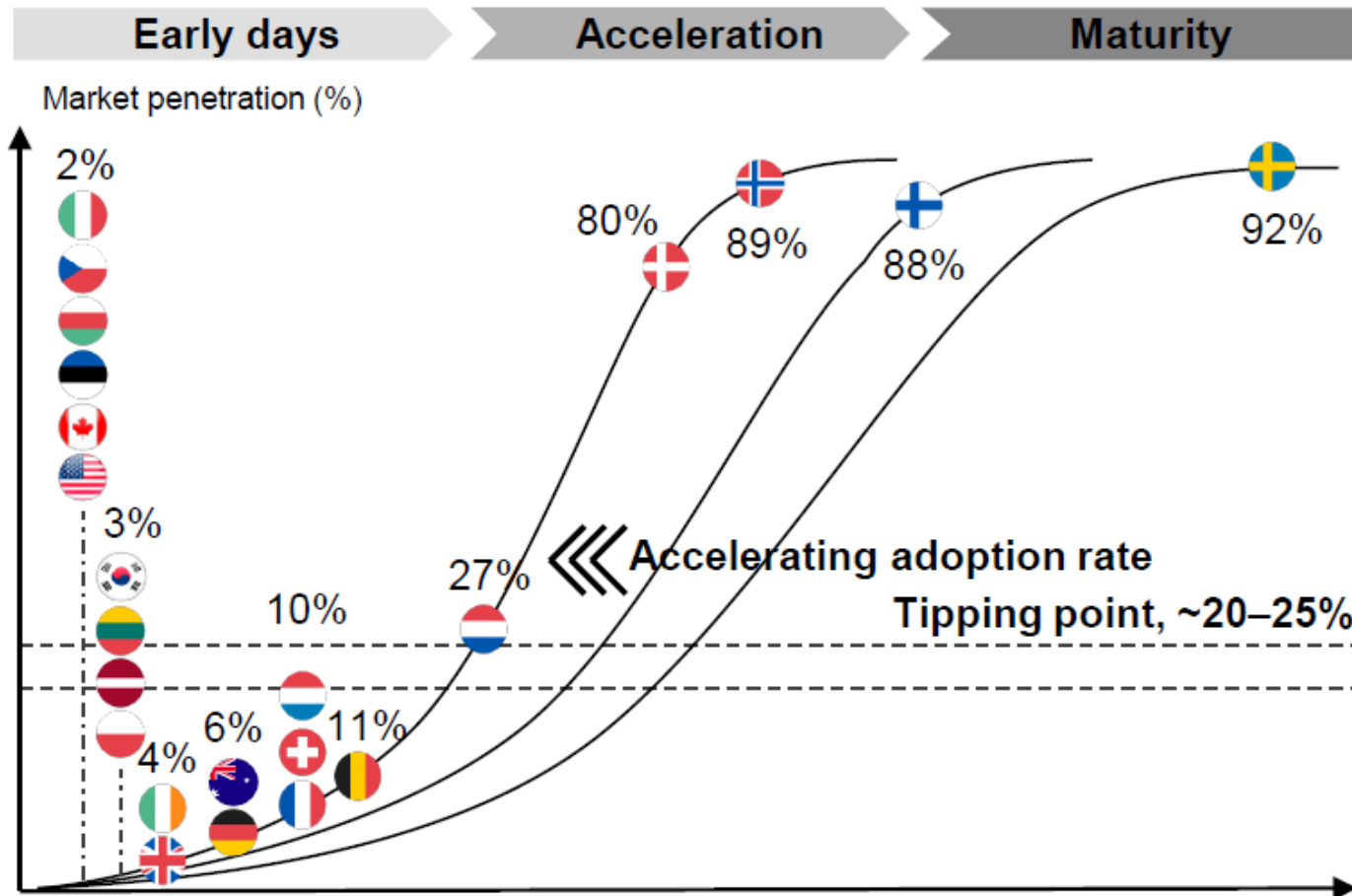


## Key comments

- Net sales decreased 33%.
- Order intake increased 27%.
- Increased willingness to invest.
- The tiltrotator is becoming a more established product.

# HIGH POTENTIAL IN THE EUROPEAN REGION

## Penetration per market



## Key comments

- High growth expectation on the European region.
- Mature sales organizations and management in place.
- Increased awareness of the tiltrotator system.
- Strategic partnership with ZD – Solution KG.

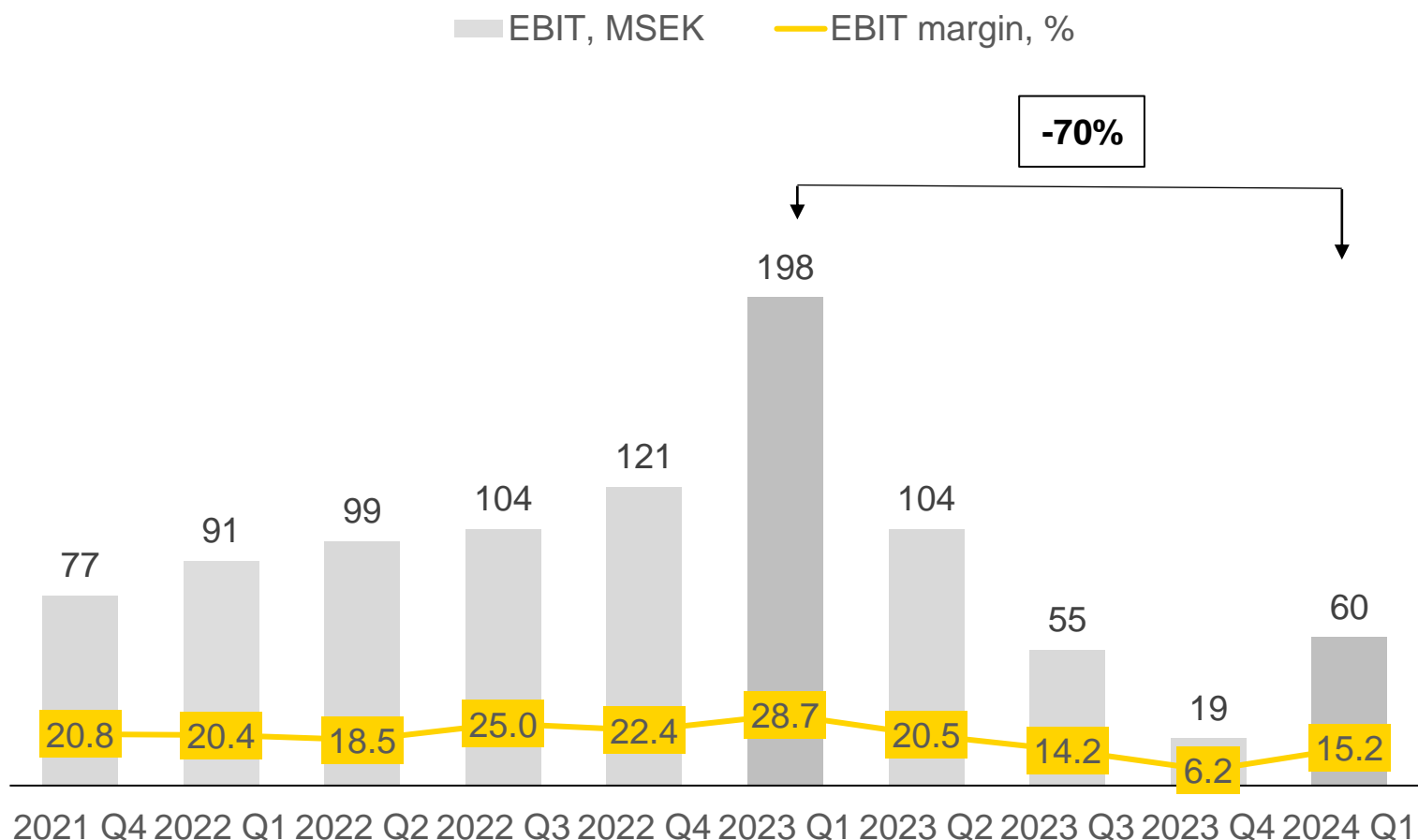


# FINANCIAL DEVELOPMENT

---

# EBIT MARGIN BACK ON HEALTHY LEVELS

## EBIT and EBIT margin per quarter



## Key comments

- EBIT decreased 70% to 60 (198) MSEK.
- EBIT margin of 15.2% (28.7%)
- EBIT margin is back on healthy levels.

# OVERVIEW OF COSTS AND EBIT

MSEK	2024 Q1	2023 Q1	2024 R12	2023 FY
Net sales	394	691	1,601	1,898
COGS	-228	-376	-948	-1,096
<i>Gross margin</i>	42.1%	45.6%	40.8%	42.3%
Selling expenses	-64	-76	-259	-271
<i>% of net sales</i>	-16.2%	-11.0%	-16.2%	-14.3%
Administrative expenses	-29	-32	-117	-120
<i>% of net sales</i>	-7.4%	-4.6%	-7.3%	-6.3%
R&D expenses	-11	-8	-47	-44
<i>% of net sales</i>	-2.8%	-1.2%	-2.9%	-2.3%
Fair value of derivatives	-4	4	10	18
<i>% of net sales</i>	-1.0%	1.2%	0.6%	1.0%
Other operating income and expenses	2	-5	-2	-9
<i>% of net sales</i>	0.5%	-0.7%	-0.1%	-0.5%
<b>EBIT</b>	<b>60</b>	<b>198</b>	<b>238</b>	<b>376</b>
<i>EBIT margin</i>	15.2%	28.7%	14.9%	19.8%

## Key comments

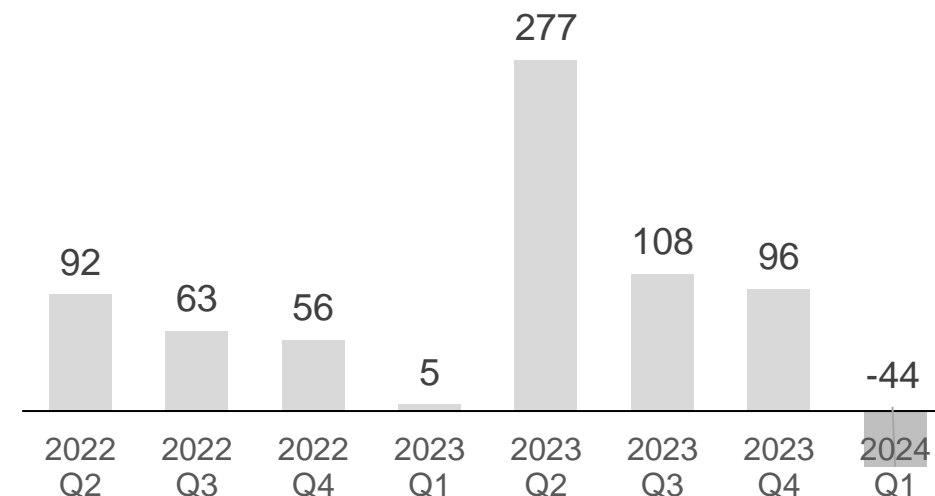
- EBIT margin of 15.2% (28.7%) and 19.8% in FY23.
- Gross margin of 42.1% (45.6%) and 42.3% in FY23.
- ERP implementation cost amounts to 8 (9) MSEK.
- R&D expenses 11 (8) MSEK, 44 in FY23 and R&D reported in balance sheet 70 (43) MSEK.
- Negative impact from derivatives -4 (4) MSEK.

# CASH FLOW

## Cash flow and net working capital overview, MSEK

MSEK	2024 Q1	2023 Q1	2023 FY
Cash flow before changes in working capital	7	107	275
Inventories	329	437	302
Accounts receivables	256	523	193
Other receivables	44	17	27
Accounts payables	123	159	82
Other payables	43	61	34
Net working capital	463	757	406
<i>% of net sales, 12 month</i>	29%	35%	21%
Cash flow from operating activities	-44	5	486
Investing activities	-15	-18	-61

## Operating cash flow per quarter, MSEK



## Key comments

- Negative operating cash flow due to lower operating profit.
- Lower net working capital as part of net sales.
- Unutilised total liquidity is 361 (201) MSEK.

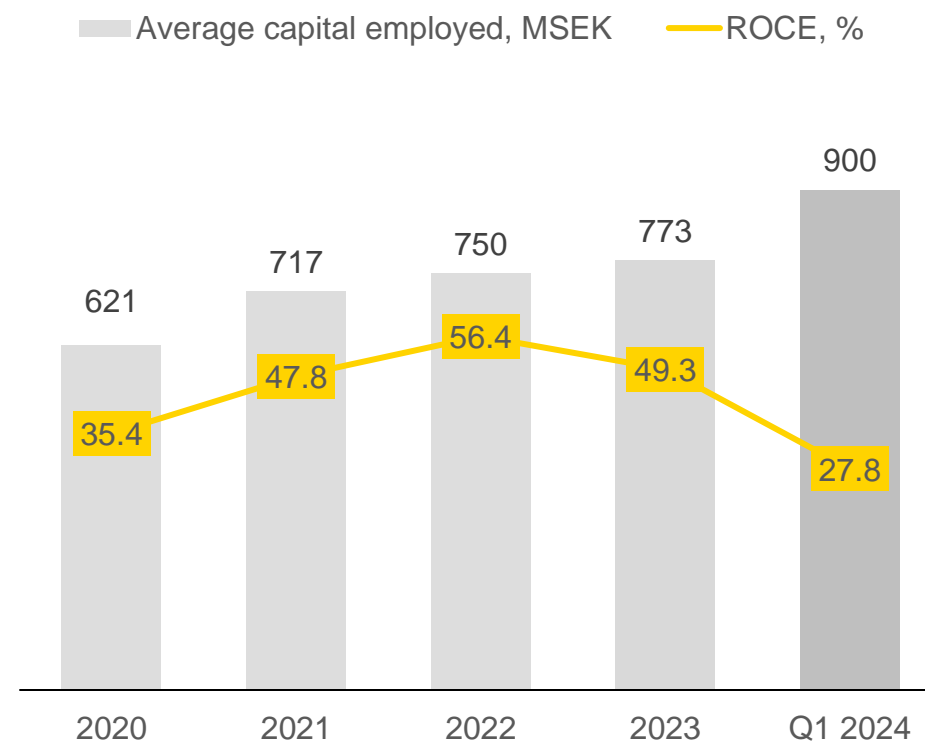


# DECREASED ROCE LEVEL

## Return on capital employed overview

MSEK	2020	2021	2022	2023	Q1 2024
EBT	218	341	415	365	235
Interest expense	2	2	8	16	15
Capital employed, beginning of period	543	699	735	765	950
Capital employed, end of period	699	735	765	781	850
Capital employed, average	621	717	750	773	900
Total assets	925	1,013	1,186	1,012	1,143
Non-interest-bearing liabilities	226	278	421	231	293
<b>ROCE</b>	<b>35.4%</b>	<b>47.8%</b>	<b>56.4%</b>	<b>49.3%</b>	<b>27.8%</b>

## Average capital employed and ROCE



# FINANCIAL TARGETS

## Growth

Exceed the growth in existing market through organic growth.

**-43%**

Net sales organic growth

## Profitability

Have an EBIT margin in excess of 20 per cent, measured over a business cycle.

**15%**

EBIT margin

## Capital efficiency

Continue to achieve an industry-leading capital efficiency. ROCE to exceed 40 per cent, measured over a business cycle.

**28%**

Return on capital employed

## Capital structure

Maintain a strong capital structure supporting further expansive organic growth and dividends to shareholders. Equity-to-asset ratio to be above 35 per cent.

**61%**

Equity-to-asset ratio



## SUMMARY AND OUTLOOK

- Positive signs on many markets.
- Net sales trend break and back on healthy level of profitability.
- Strong performance in Europe.
- INTERMAT in Paris 24 to 27 April.
- Exhibition season starting with focus on third generation.
- Further gradual growth expected.

# Q & A



## CHANGE THE WORLD OF DIGGING

For more information visit [www.engcongroup.com](http://www.engcongroup.com)

**engcon**<sup>®</sup>