



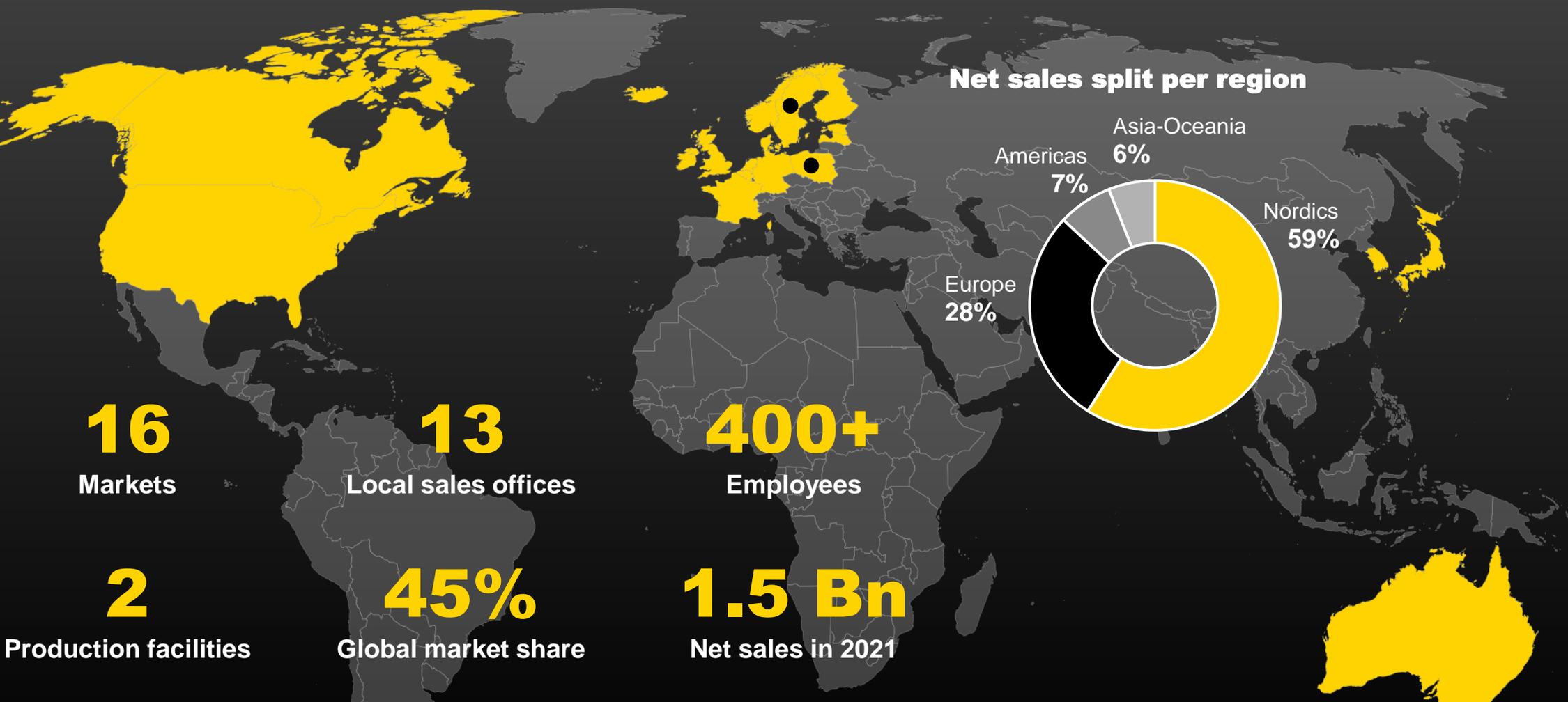
SECOND QUARTER 2022

Krister Blomgren, CEO and Jens Blom, CFO

23 August 2022

engcon[®]

ENGCON – GLOBAL MARKET LEADER IN TILTROTATORS



VISION

Change the world of digging

~98%

of global digging¹



~2%

of global digging



~92%

penetration in Sweden¹ – sector transformation under way

HOW

Superior value proposition



Productivity



Efficiency



Flexibility



Sustainability

WHAT

Full-range product suite

Tiltrotators

360° rotation +/- 45° tilt

Quick couplers

Efficient tool changes without leaving the cab

Tools

Advanced hydraulic and mechanic attachments

Extras

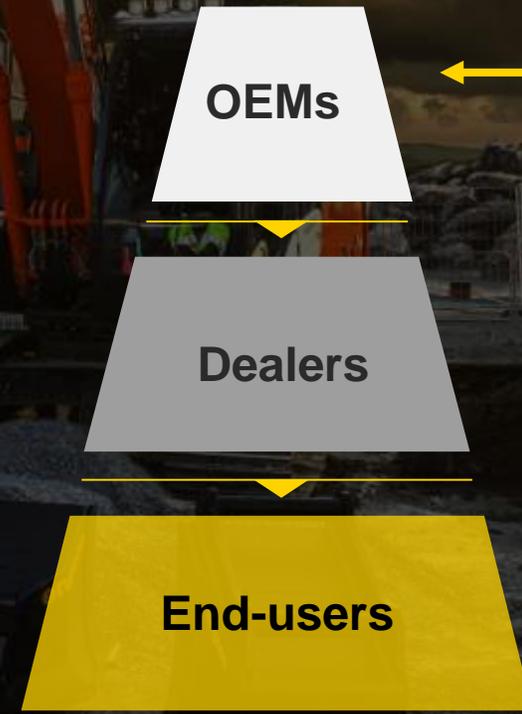
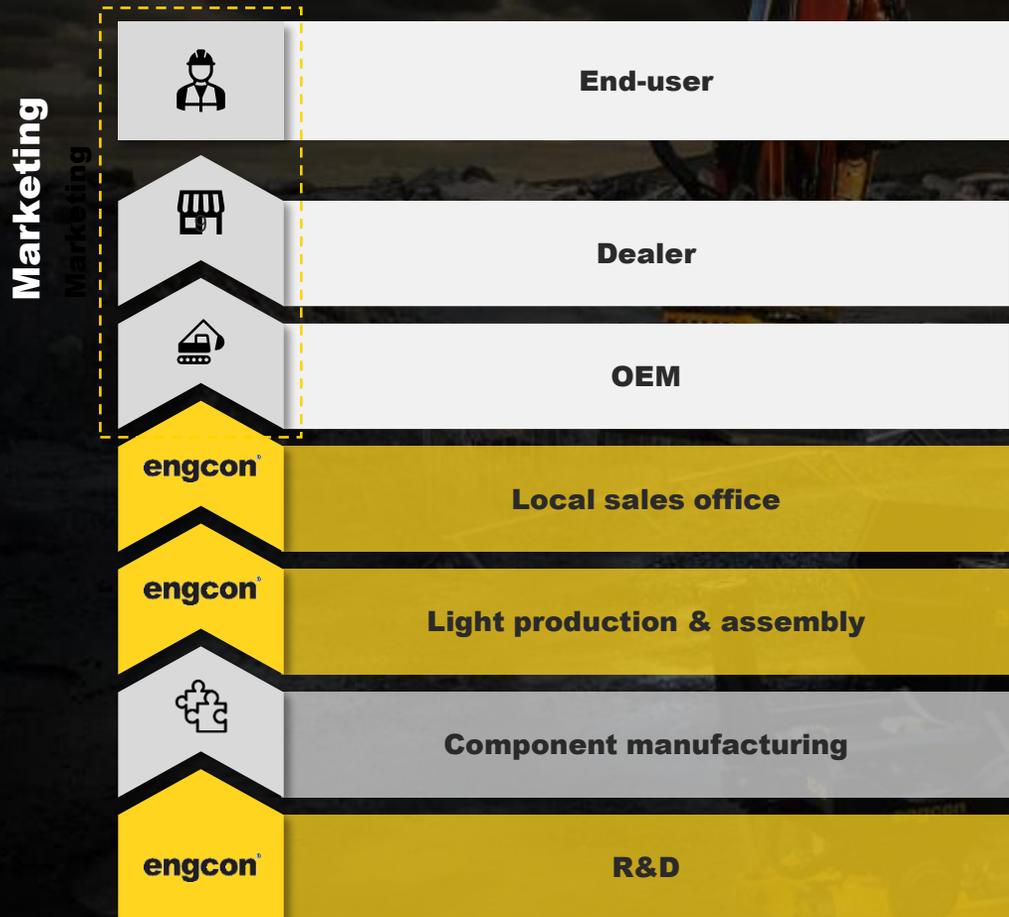
engcon's proprietary control and safety systems

1) As of 31 December 2021. | Sources: Company information, Strategy& (PwC).

END-USER FOCUSED GO-TO-MARKET STRATEGY

R&D and marketing oriented business model

Distribution channel ecosystem and strategy



Pull-effect
 Exponentially increased penetration rate at tipping point – driven by large contractors

Sales organisation with boots on the ground in all key geographies. Distribution channel strategy supported by cost-efficient marketing toolbox focusing on continuous interaction with end-users

ASSET AND CAPEX LIGHT PRODUCTION SET-UP



Sweden (Strömsund)
Production since 1993



~80%

of total net sales from products produced in Strömsund

1/2

Shifts active

~50%

Utilised capacity without additional investments

~200

FTEs



Poland (Niepruszewo)
Production since 2005



~20%

of total net sales from products produced in Niepruszewo

2/2

Shifts active

~80-85%

Utilised capacity without additional investments

~ 50

FTEs

Supplier base diversification

Share of total input prices paid, 2021

Other:
42%



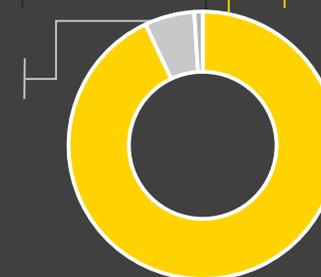
Top 10 suppliers:
58%

Supplier base by geography

Share of total purchased supplies, 2021

Other:
1%

Poland:
6%



Nordics:
93%



SECOND QUARTER 2022

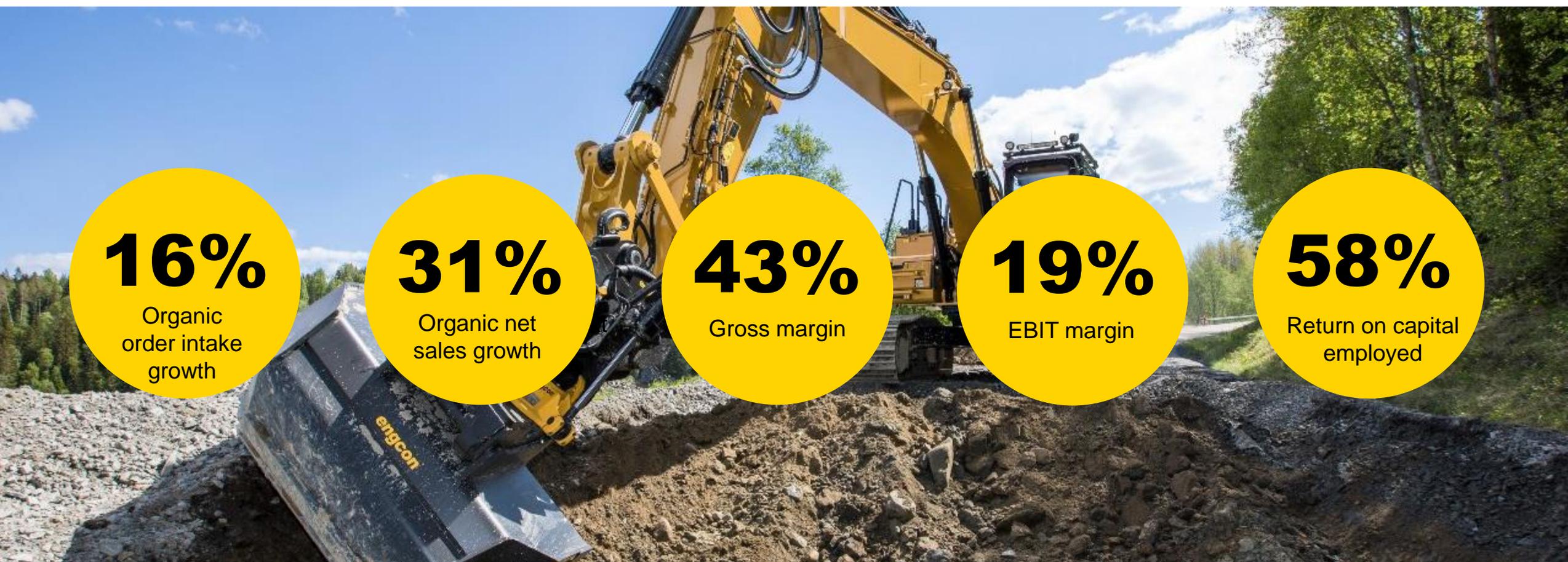


Q2 BUSINESS HIGHLIGHTS

- Strong demand despite uncertain macro environment
- Order intake higher on less mature markets outside the Nordic region
- Improved access to majority of components, however limitation to certain components caps delivery capacity
- Additional price increase to customers announced in April
- Third generation of tiltrotators launched at trade shows, production starts in early 2023
- Successful listing of engcon's class B share on Nasdaq Stockholm

Q2 FIGURES IN BRIEF

Continued healthy growth and stable profitability



16%

Organic order intake growth

31%

Organic net sales growth

43%

Gross margin

19%

EBIT margin

58%

Return on capital employed



Q-SAFE LAWSUIT UPDATE

- In June 2022, Rototilt Group AB filed a lawsuit regarding alleged infringement of patented sensor technology with a damage claim of approx. 120 MSEK
- The technology relates to Q-safe quick coupler and the usage of multiple sensors
- Lawsuit not related to the sensor technology used in the tiltrotator, engcon's main product
- engcon has contested the claim of patent infringement in consultation with patent law experts and legal advisers, no provision has been made
- In April 2022, engcon appealed the decision to grant the patent to the European Patent Office, process is ongoing

THIRD GENERATION TILTROTATOR SYSTEM LAUNCHED

What

Control system



Hydraulics



How

- ✓ Smooth, smart and efficient
- ✓ Load sensing technology
→ electrification ready
- ✓ Autonomous enabled
- ✓ User-friendly and personalised
- ✓ Connectivity with over-the-air support and set-up

- Soft launch at trade shows throughout the year
- Production start in early 2023

SUCCESSFUL IPO AND STRONG SHARE PERFORMANCE



Name	engcon A	engcon B	Capital %	Votes %
Ommapo Förvaltning AB	29,037,204	24,735,396	35.4%	67.1%
Monen Holding AB	6,307,574	42,212,226	32.0%	22.4%
Nordstjernan		7,608,696	5.0%	1.6%
Capital Group		7,010,551	4.6%	1.5%
Svolder		5,434,783	3.6%	1.2%
Formica Capital		3,260,870	2.1%	0.7%
Handelsbanken Fonder		3,260,870	2.1%	0.7%
C WorldWide Asset Management		2,559,806	1.7%	0.5%
Andra AP-fonden		2,173,913	1.4%	0.5%
Krister Blomgren		1,255,399	0.8%	0.3%
Total 10 largest	35,344,778	99,512,510	88.8%	96.4%
Others		16,930,712	11.2%	3.6%
Total number shares	35,344,778	116,443,222	100.0%	100.0%

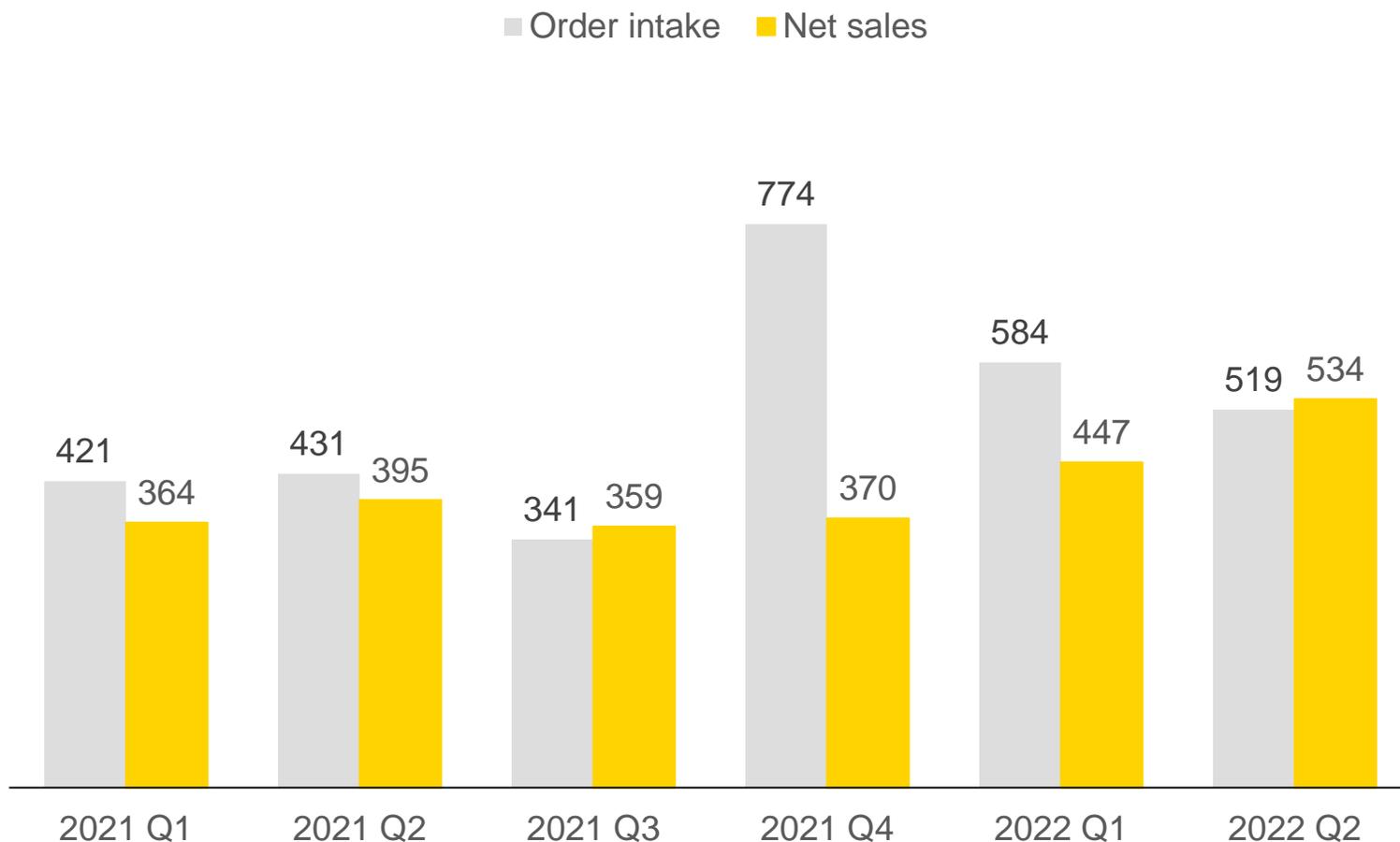
As per 31 July 2022.



FINANCIAL DEVELOPMENT

ORDER INTAKE AND NET SALES DEVELOPMENT

Order intake and net sales development per quarter, MSEK

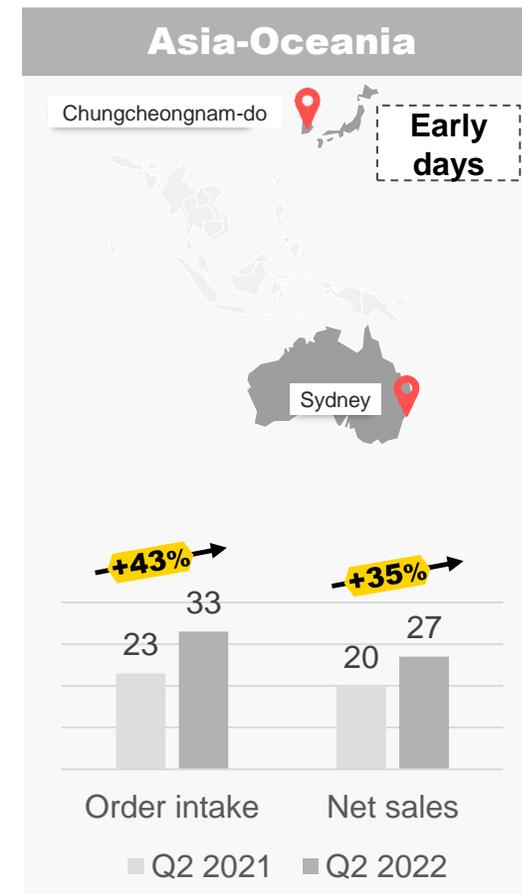
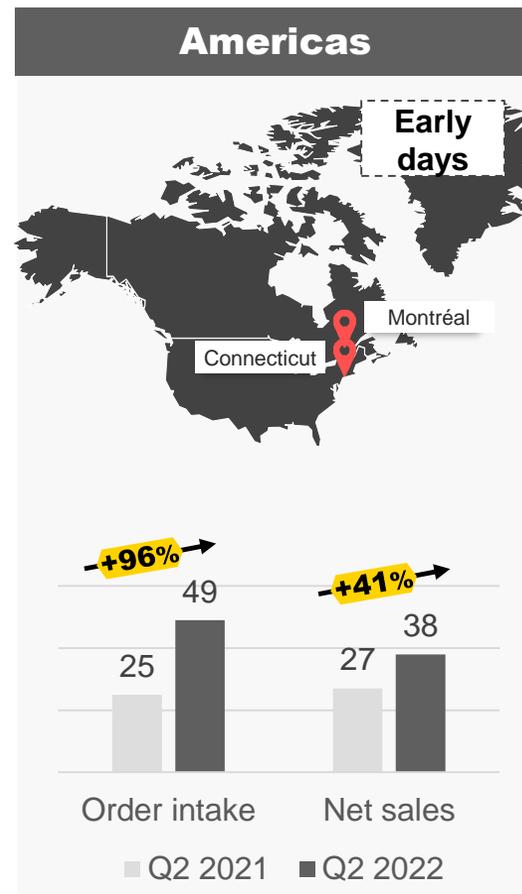
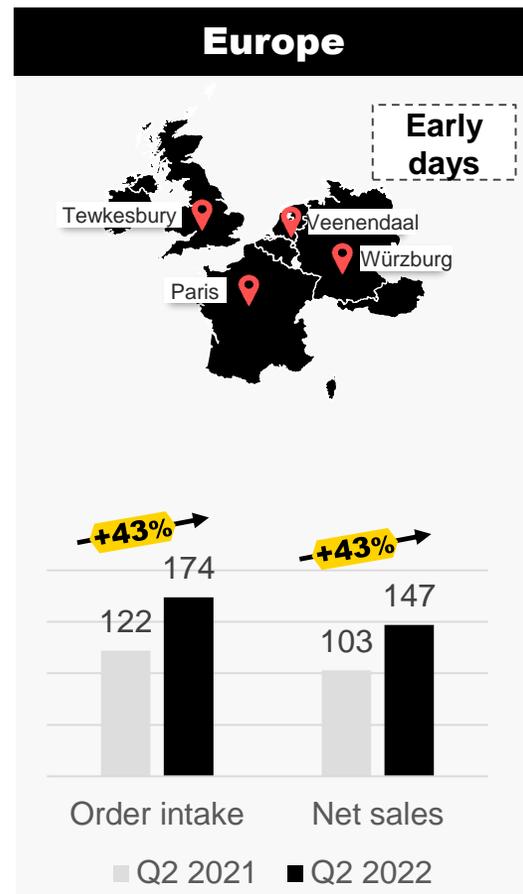
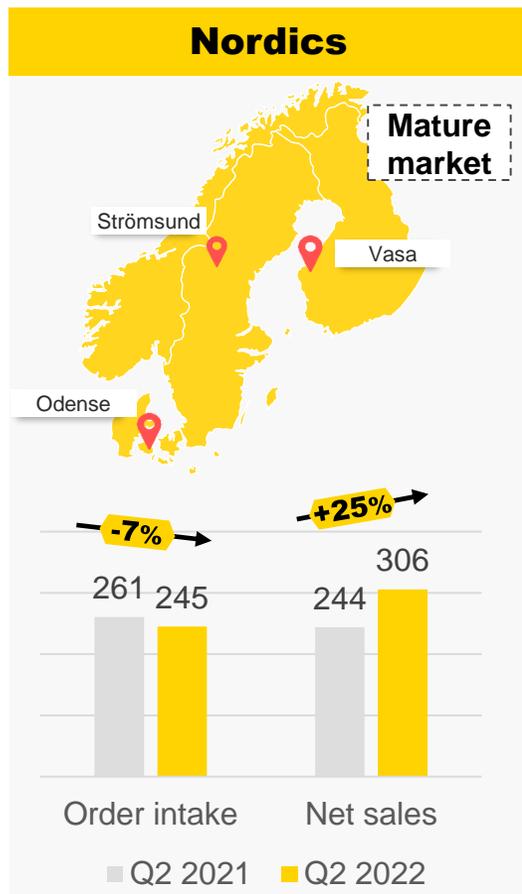


Key comments

- Continued high investment activity among our customers despite uncertain environment
- Order intake increased 20%, organic 16%, currency effect of 19 MSEK
- Net sales increased 35%, organic 31%, currency effect of 16 MSEK
- Strong order book provides conditions for stable earnings in coming quarters
- Extraordinary high order intake in Q4 2021

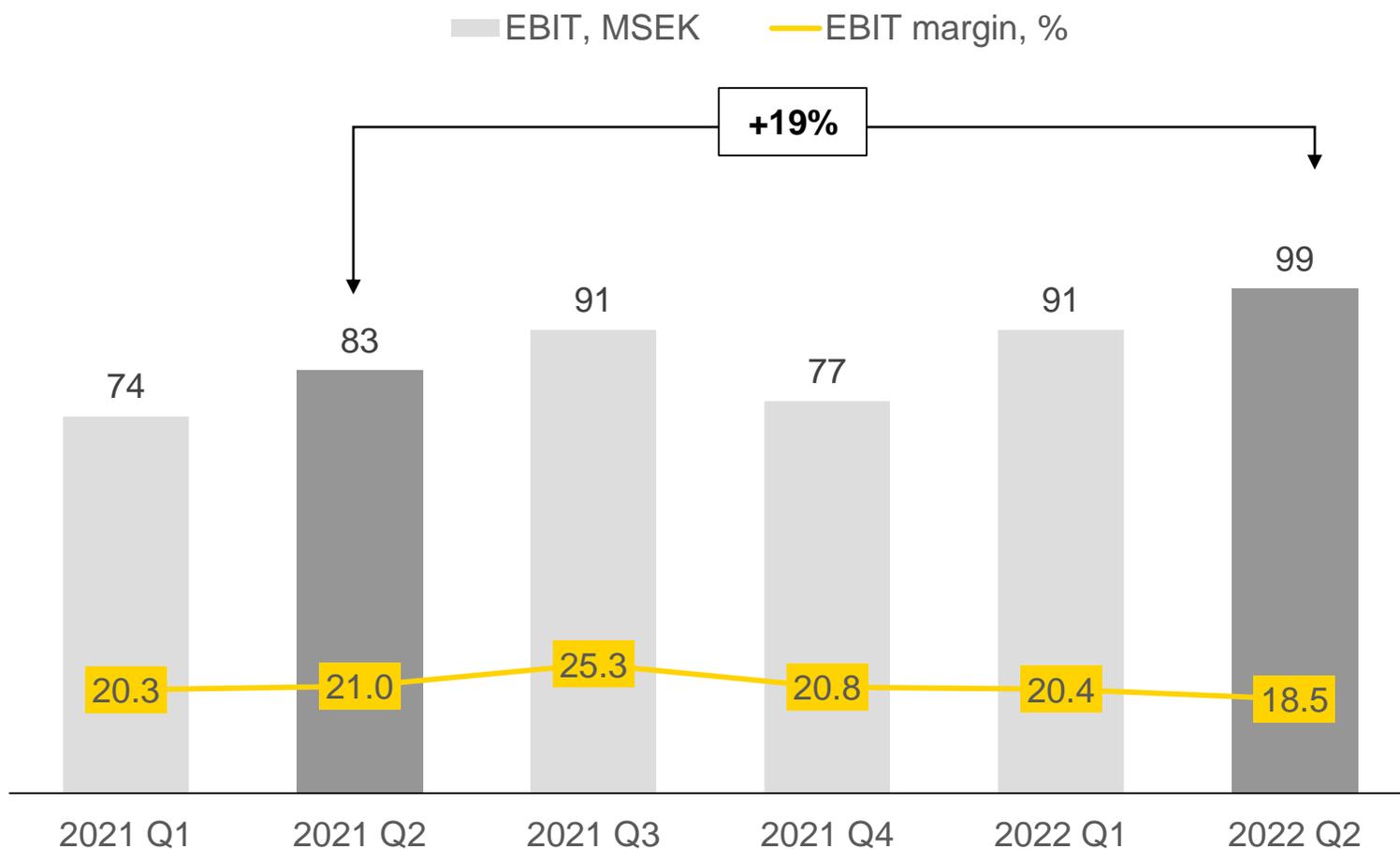
STABLE GROWTH IN ALL GEOGRAPHIC MARKETS

Order intake and net sales per geographic region, MSEK



SOLID EBIT DEVELOPMENT AND PROFITABILITY

EBIT and EBIT margin per quarter



Key comments

- EBIT strengthened by 19% to 99 (83) MSEK
- EBIT margin of 18.5 (21.0)% slightly impacted by
 - Costs related to IPO of 11 (0) MSEK
 - Costs for Group business system of 6 (1) MSEK

OVERVIEW OF COSTS AND EBIT

MSEK	2022 Q2	2021 Q2	2021 FY	2022 R12
Net sales	534	395	1,488	1,710
COGS	-307	-226	-862	-997
<i>Gross margin</i>	42.5%	42.3%	42.1%	41.7%
Selling expenses	-57	-41	-165	-196
<i>% of net sales</i>	-10.7%	-10.4%	-11.1%	-11.5%
Administrative expenses	-48	-24	-84	-117
<i>% of net sales</i>	-9.0%	-6.1%	-5.6%	-6.8%
R&D expenses	-8	-18	-63	-44
<i>% of net sales</i>	-1.5%	-4.6%	-4.2%	-2.6%
Fair value of derivatives	-16	1	0	-16
<i>% of net sales</i>	-3.0%	-0.3%	0,0%	-0.9%
EBIT	99	83	325	358
<i>EBIT margin</i>	18.5	21.0	21.8%	20.9%
EBIT margin pre-IPO	110	83	329	378
<i>EBIT margin pre-IPO</i>	19.5%	21.0%	22.1%	22.1%

Key comments

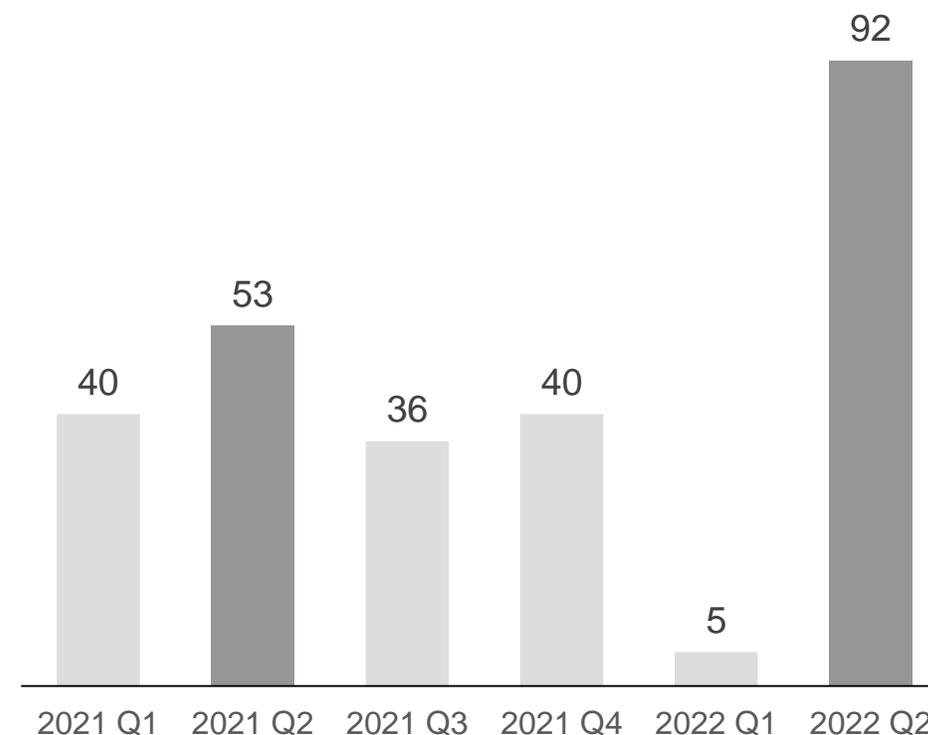
- Strong outcome given challenges in supply chain
- Stable gross margin of 42.5 (42.3)%
- Higher cost of goods sold partly offset by gradual effect from price increases, expected full effect in Q3 and Q4 2022
- R&D reported as investment in the balance sheet instead of cost hence lower in comparison
- Negative effect of fair value of derivative instruments of -16 (1) MSEK

GROWTH WITH IMPROVED CASHFLOW

Cash flow and net working capital overview, MSEK

MSEK	2022 Q2	2021 Q2	FY 2021
Cash flow before changes in working capital	132	74	331
Inventories	393	312	303
Accounts receivables	298	229	208
Other receivables	62	32	24
Accounts payables	148	148	94
Other payables	44	37	34
Net working capital	561	388	407
<i>% of net sales, 12 months</i>	32.8%	-	27.4%
Cash flow from operating activities	92	53	175
Investing activities	-11	-4	-7

Operating cash flow per quarter (MSEK)

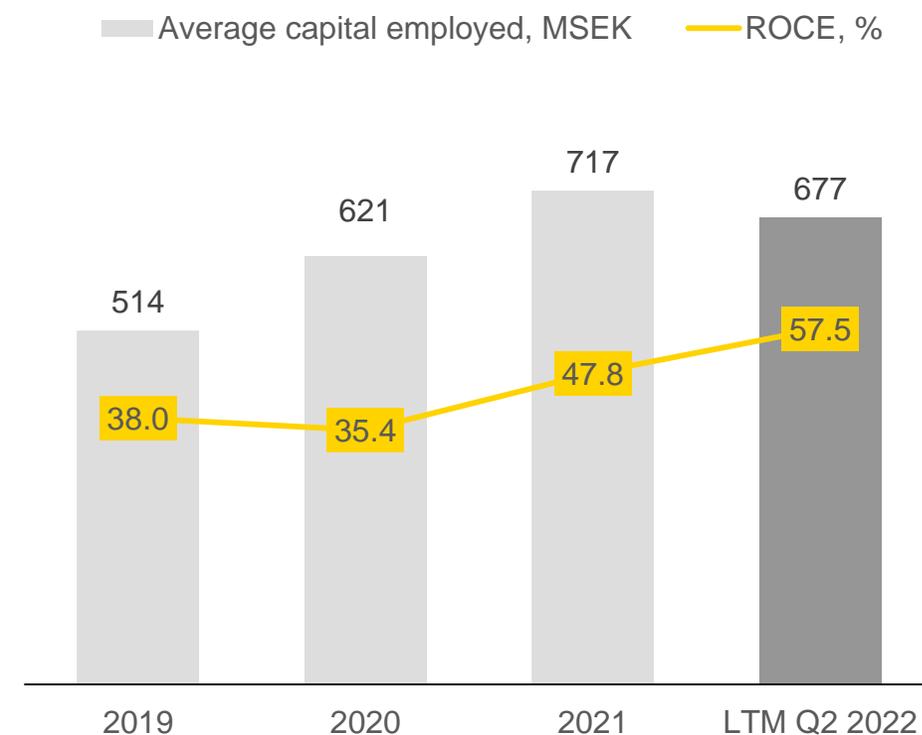


STRONG ROCE DEVELOPMENT

Return on capital employed overview

MSEK	2019	2020	2021	LTM Q2'22
EBT	192	218	341	388
Interest expense	3	2	2	1
Capital employed, beginning of period	484	543	699	687
Capital employed, end of period	543	699	735	666
Capital employed, average	514	621	717	677
Total assets	717	925	1,013	1,059
Non-interest-bearing liabilities	174	226	278	393
ROCE	38.0%	35.4%	47.8%	57.5%

Average capital employed and ROCE



PERFORMING IN LINE WITH FINANCIAL TARGETS

Growth

Exceed the growth in existing market through organic growth.

31%

Net sales organic growth

Profitability

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

19%

EBIT margin

Capital efficiency

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

58%

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.

32%

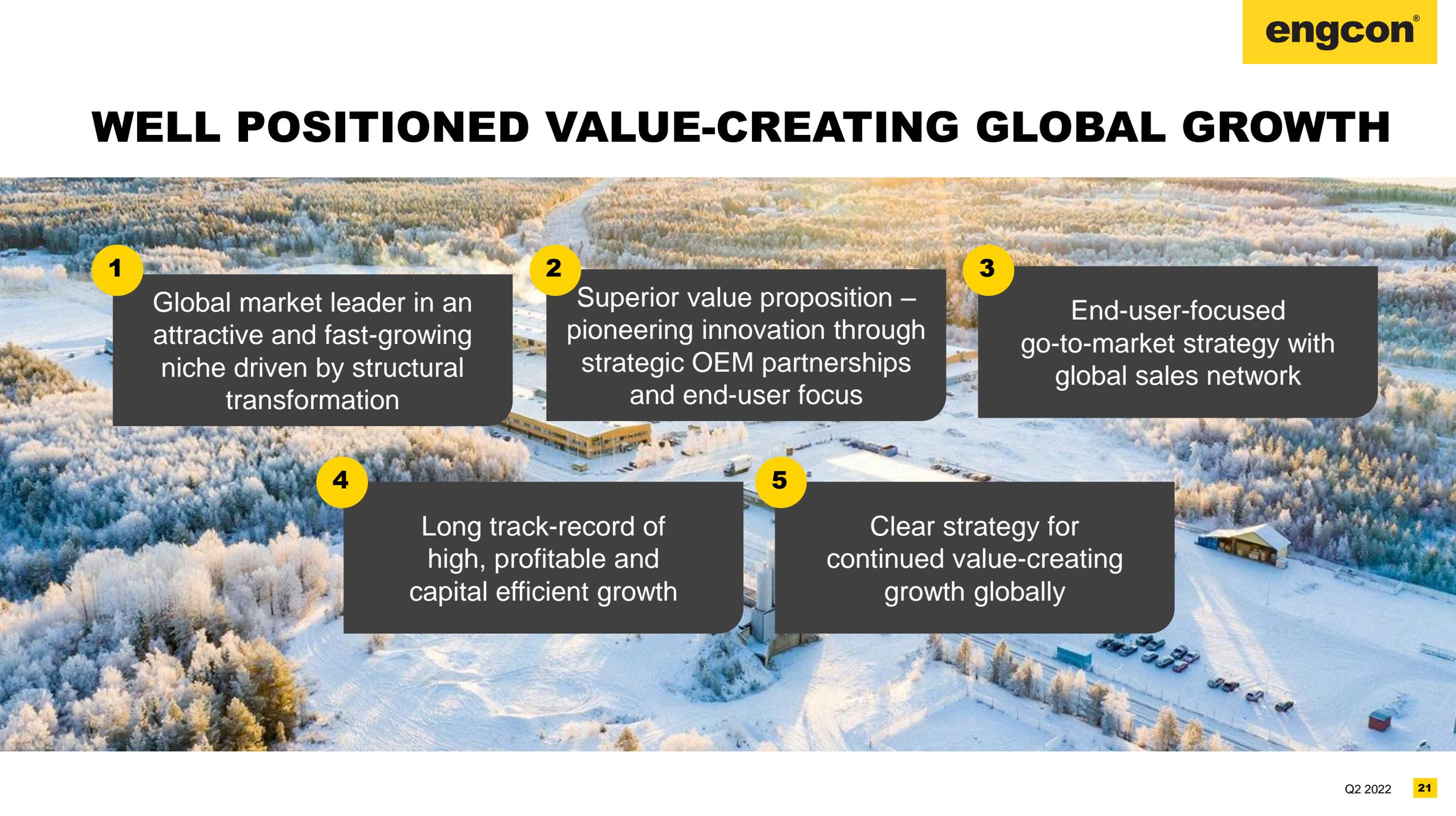
Equity-to-asset ratio



SUMMARY AND OUTLOOK

- Strong order book provides conditions for stable earnings in the coming quarters
- Full effect from price increases to customers expected in Q3 and Q4 2022
- Improved access to components shortens delivery times but limitations remain
- Supply chain improvements reduces inventory need
- Record-high energy prices and subsequent consequences may affect customer demand
- Track-record of handling changes by adapting costs and organisation while still focusing on innovation and product development

WELL POSITIONED VALUE-CREATING GLOBAL GROWTH

An aerial photograph of a snowy industrial site, likely a manufacturing or distribution center, surrounded by a dense forest of snow-covered trees. The site features several large buildings, parking lots with cars, and a road. Five yellow circular callout boxes with black text are overlaid on the image, numbered 1 through 5. The background is a soft, golden light, suggesting a sunrise or sunset.

1

Global market leader in an attractive and fast-growing niche driven by structural transformation

2

Superior value proposition – pioneering innovation through strategic OEM partnerships and end-user focus

3

End-user-focused go-to-market strategy with global sales network

4

Long track-record of high, profitable and capital efficient growth

5

Clear strategy for continued value-creating growth globally

Q & A

**CHANGE
THE WORLD OF
DIGGING**

For more information visit www.engcongroup.com

engcon[®]