

# Q2

## **SECOND QUARTER 2023**

Krister Blomgren, CEO and Jens Blom, CFO

20 July 2023

**engcon**<sup>®</sup>

# VISION

Change the world of digging



~98% of global digging<sup>1</sup>



~2% of global digging<sup>1</sup>  
 ~92% penetration in Sweden<sup>1</sup> –  
 sector transformation under way

# HOW

Superior value proposition



**Productivity**



**Efficiency**



**Flexibility**



**Sustainability**

(Focusing on safety and environmental impact)

# 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

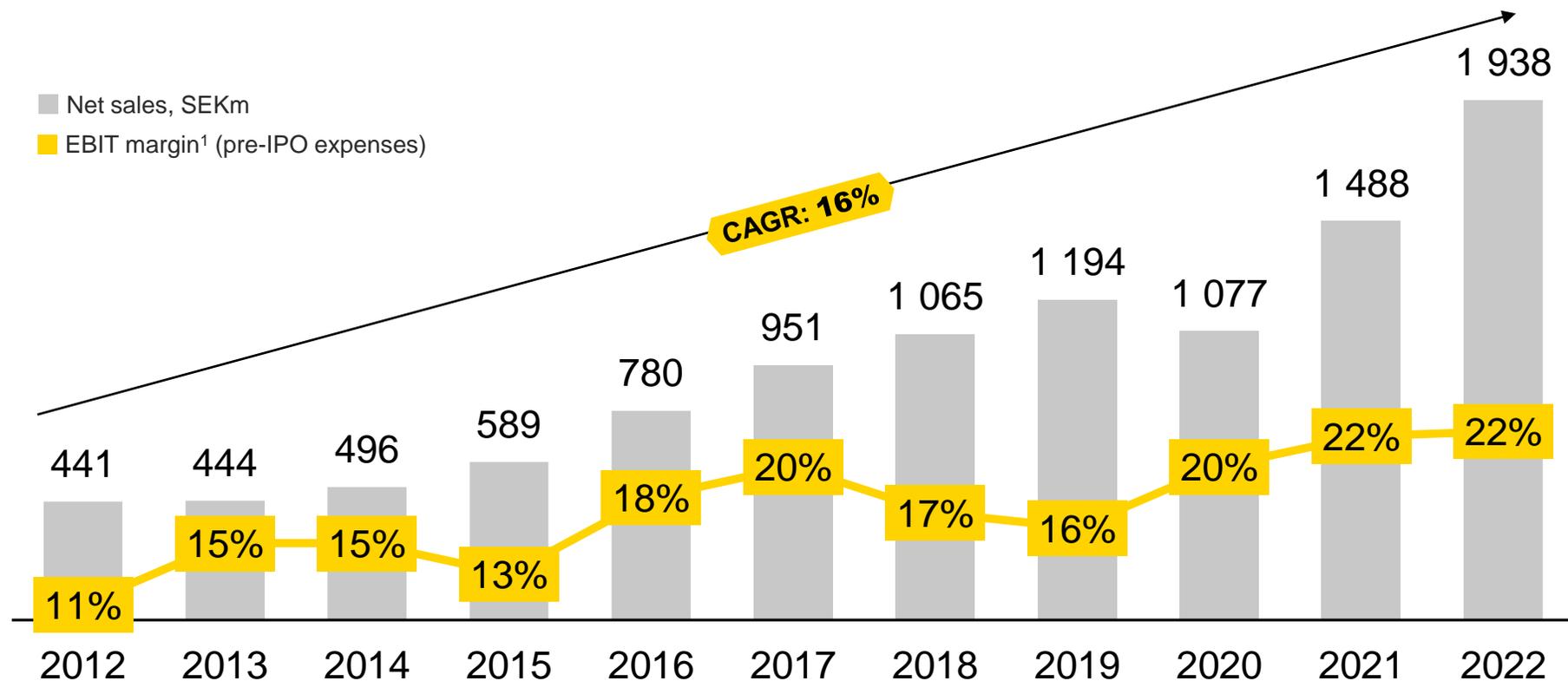
**Control & safety systems**

engcon's proprietary control  
 and safety systems

1) As of 31 December 2021.

Sources: Company information, Strategy& (PwC).

# EXCEPTIONAL HISTORY OF ORGANIC SALES GROWTH AND MARGIN EXPANSION



Note: Information is derived from the audited annual reports reported under K3 of engcon AB and Mähler International AB respectively and chart on this page should not be viewed as proforma financials. The period 2012–2018 has not been recalculated to International Financial Reporting Standards as adopted by the European Union ("IFRS") and thus includes amortisation of goodwill and leasing expenses, and fair value of change in derivatives, all of which affect the comparability of EBITA between the periods. It is the company's assessment that EBITA as reported under K3 could be comparable to EBIT as reported under IFRS. Furthermore, there have been internal sales between the entities. It is engcon's assessment that the effect of amortisation of goodwill and leasing expenses together with the effect of group internal sales between the companies are not material and thus should not affect the overall comparability between net sales and EBITA / EBIT for the period 2012–2021, as show on this page.

1) Years 2012 – 2018 consist of EBITA margin while 2019 – 2021 is EBIT margin. EBIT for the periods 2021 2022 is adjusted for IPO expenses.



## Q2 BUSINESS HIGHLIGHTS

- Good profitability and strong cash flow despite lower net sales.
- Lower order intake due to the macroeconomic situation and dealer stock.
- Gradual improvement of order intake on parts of the European market.
- Compatibility of next generation control systems (DC3) with Cat® NGH.
- Lease contract signed for logistic hub in the US.
- The district court dismisses Rototilt's lawsuit against engcon – no damages awarded.

# Q2 FIGURES IN BRIEF

Decreased organic net sales and good profitability



**-10%**

Organic net sales

**-38%**

Organic order intake

**41%**

Gross margin

**20%**

EBIT margin

**73%**

Return on capital employed

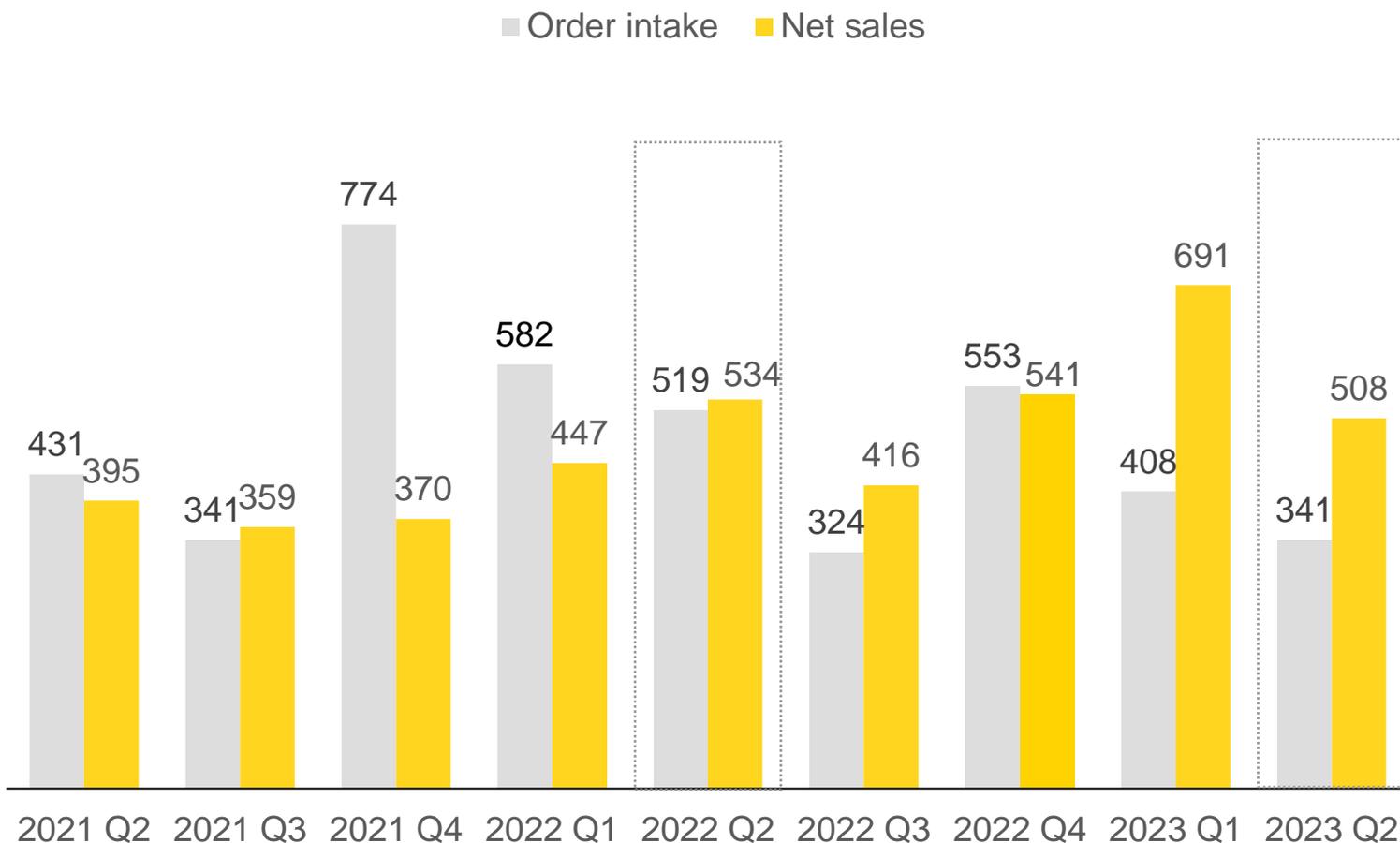


# **BUSINESS AND FINANCIAL DEVELOPMENT**

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# LOWER ORDER INTAKE IN Q2

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

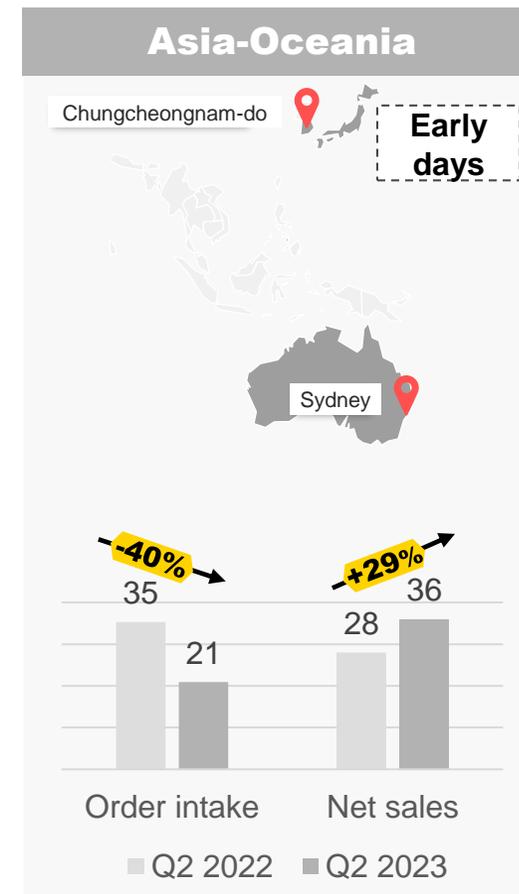
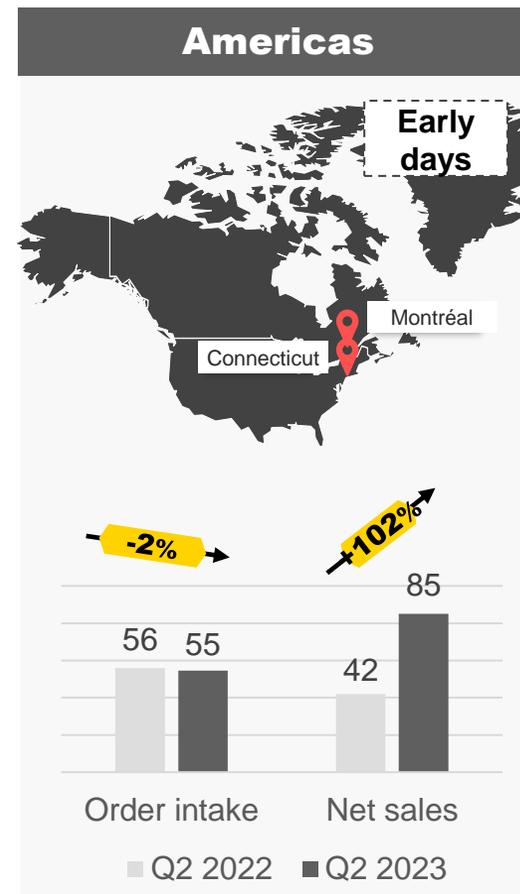
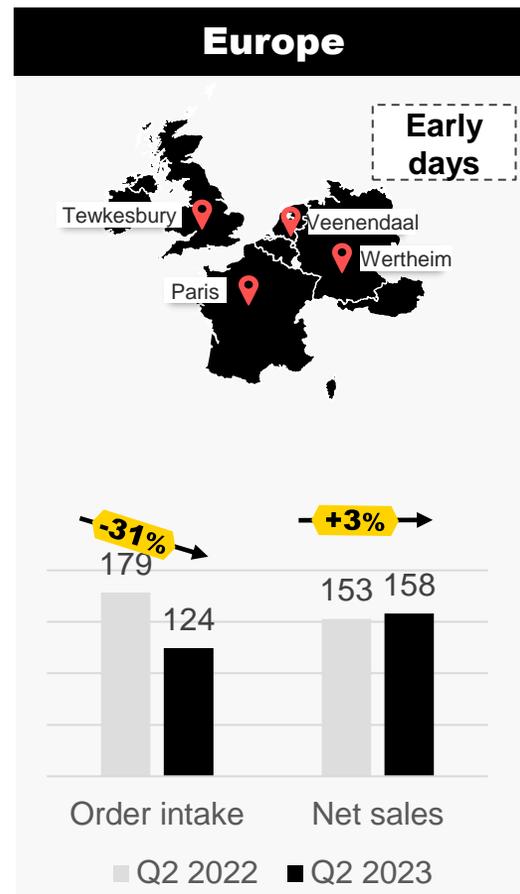
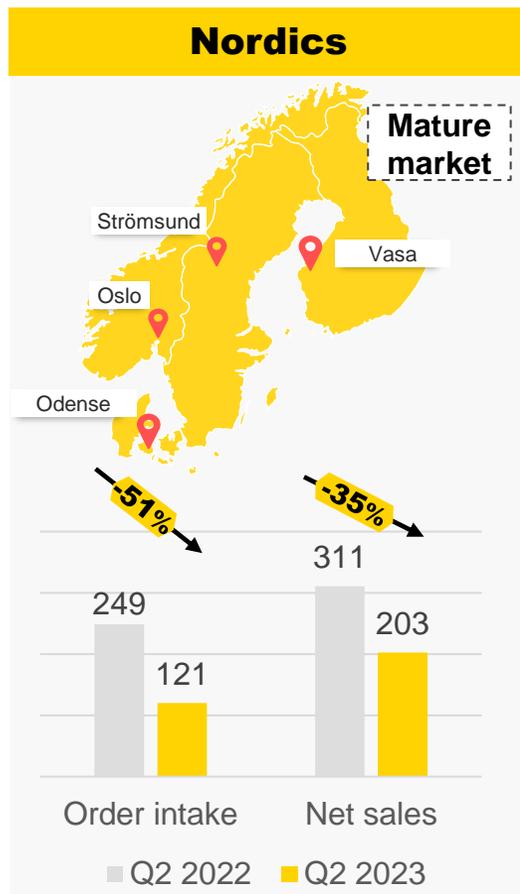


## Key comments

- Net sales decreased -5%, organic -10%, currency effect of 26 MSEK.
- Record net sales in the period Jan – Jun.
- Order intake decreased -34%, organic -38%, currency effect of 20 MSEK.
- Macroeconomic uncertainties impact the end customers' willingness to invest.
- Negative impact on order intake from dealer stock.
- Positive order intake trend in some parts of Europe.

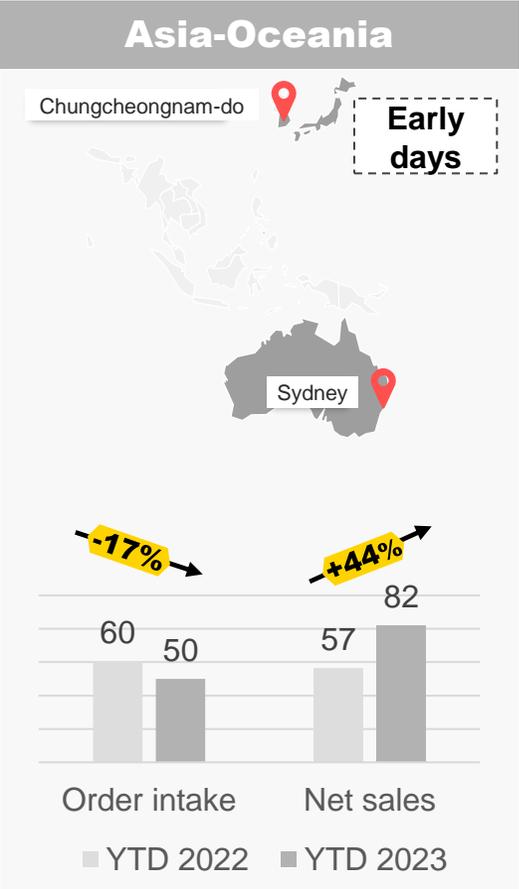
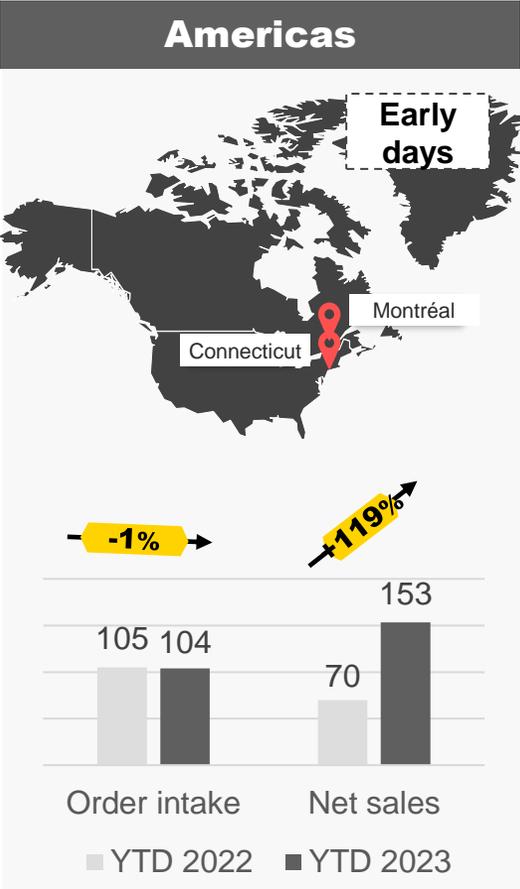
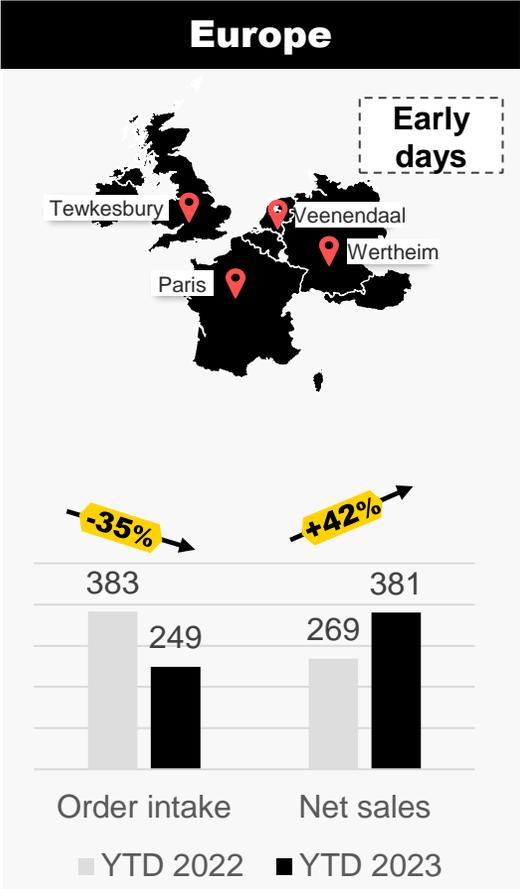
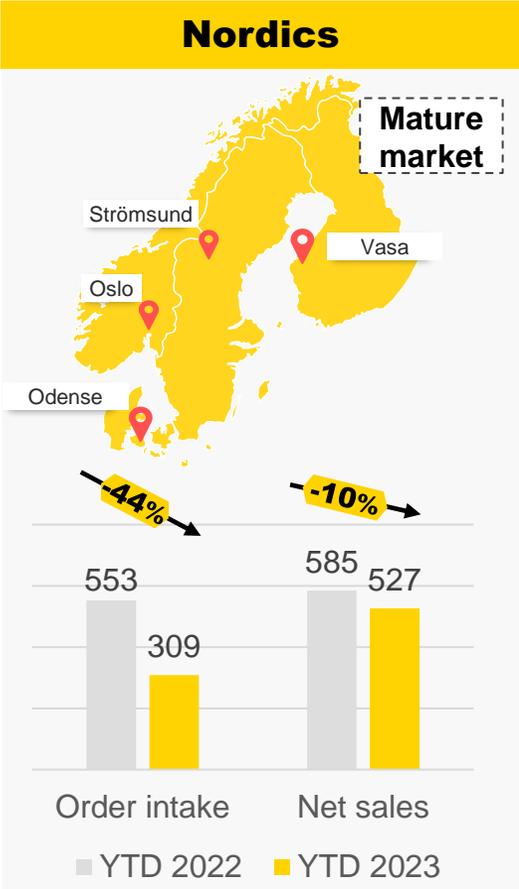
# Q2 – SLOWDOWN IN NORDICS AND EUROPE

## Organic order intake and net sales per geographic region, MSEK

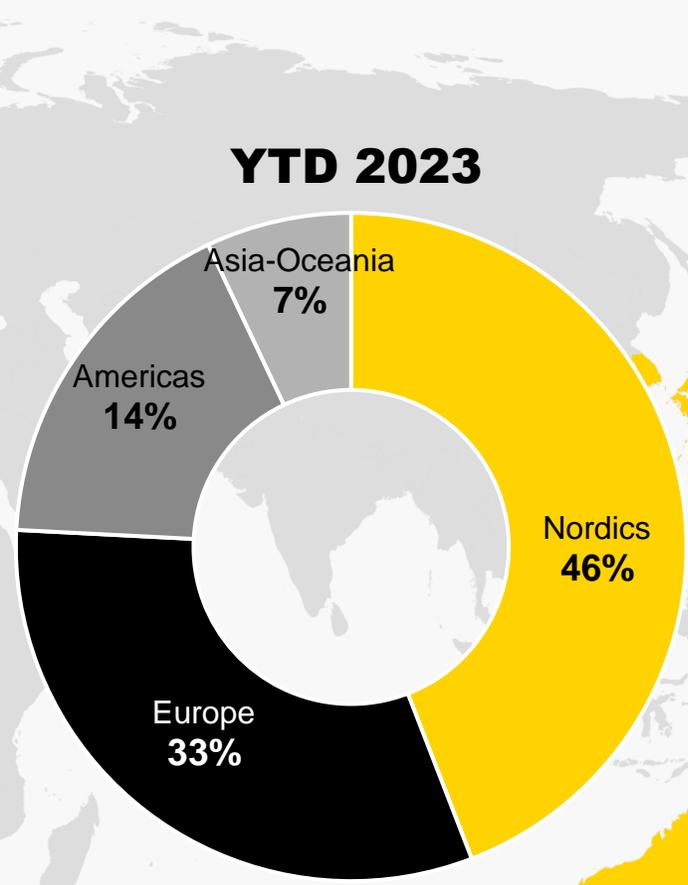
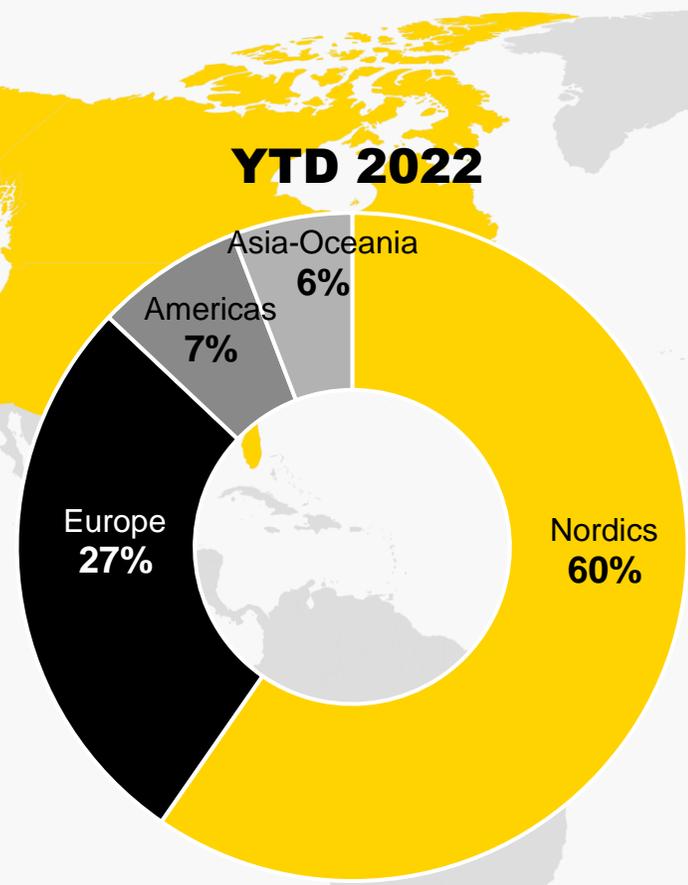


# YTD - STRONG NET SALES GROWTH OUTSIDE NORDICS

## Organic order intake and net sales per geographic region, MSEK

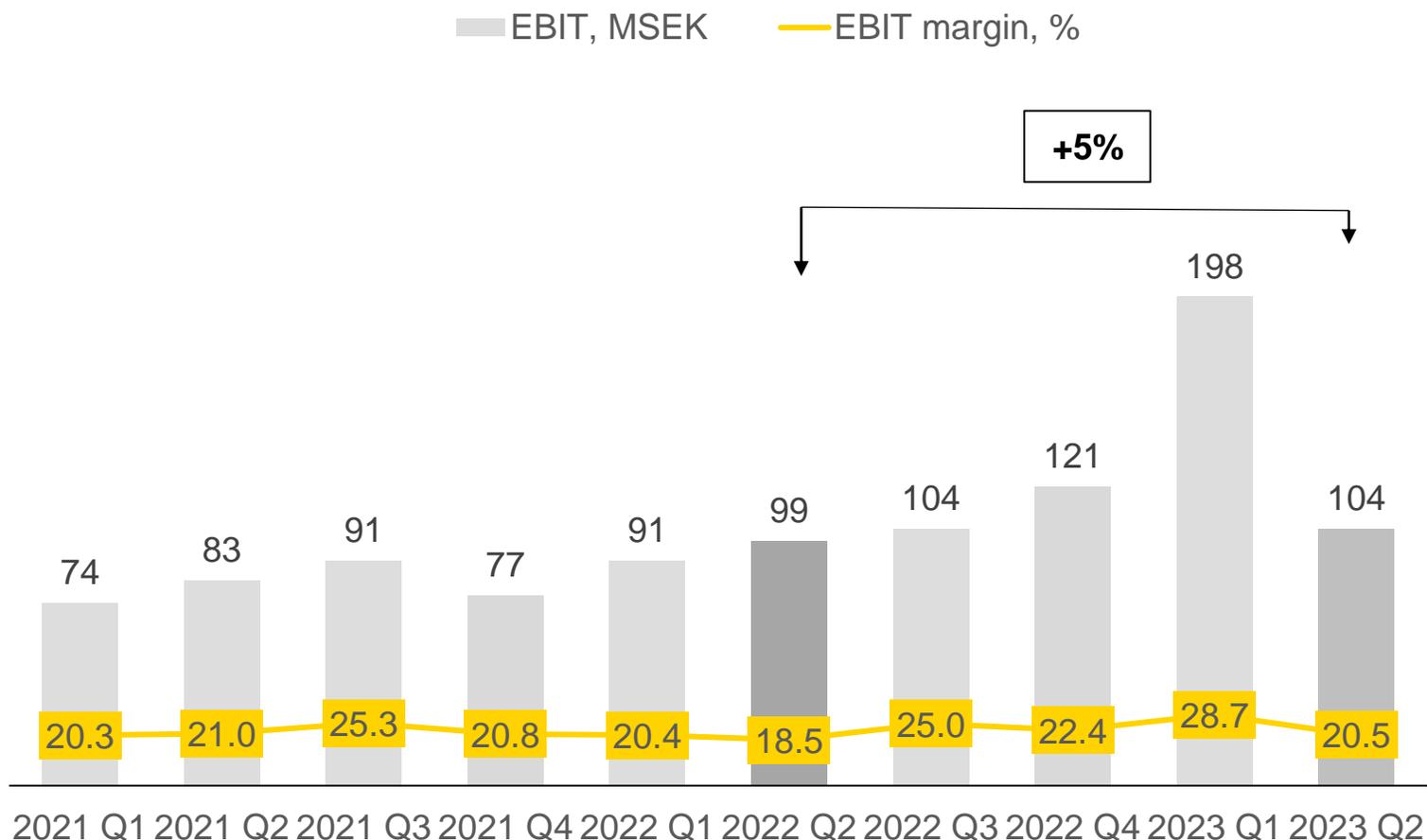


# NET SALES SPLIT BY REGION JAN - JUN



# GOOD EBIT AND LOWER NET SALES

## EBIT and EBIT margin per quarter



## Key comments

- Good EBIT, improved by 5% to 104 (99) MSEK.
- EBIT margin of 20.5% (18.5%).
- The lower net sales gives a negative effect on gross margin.
- Strong EBIT level despite slight lower gross margin.

# OVERVIEW OF COSTS AND EBIT

MSEK	2023 Q2	2022 Q2	2023 R12	2022 FY
Net sales	508	534	2,156	1,938
COGS	-302	-307	-1,210	-1,105
<i>Gross margin</i>	40.6%	42.5%	43.9%	43.0%
Selling expenses	-64	-57	-263	-235
<i>% of net sales</i>	-12.6%	-10.7%	-12.2%	-12.1%
Administrative expenses	-29	-48	-133	-150
<i>% of net sales</i>	-5.7%	-9.0%	-6.1%	-7.7%
R&D expenses	-12	-8	-35	-28
<i>% of net sales</i>	-2.4%	-1.5%	-1.6%	-1.5%
Fair value of derivatives	3	-16	-16	-7
<i>% of net sales</i>	0.6%	-3.0%	-0.7%	-0.4%
Other operating income and expenses	-0	1	-4	2
<i>% of net sales</i>	-0.0%	0.2%	-0.2%	0.1%
<b>EBIT</b>	<b>104</b>	<b>99</b>	<b>527</b>	<b>415</b>
<i>EBIT margin</i>	20.5%	18.5%	24.0%	21.4%
<b>EBIT pre-IPO</b>	<b>104</b>	<b>110</b>	<b>528</b>	<b>432</b>
<i>EBIT margin pre-IPO</i>	20.5%	20.8%	24.5%	22.3%

## Key comments

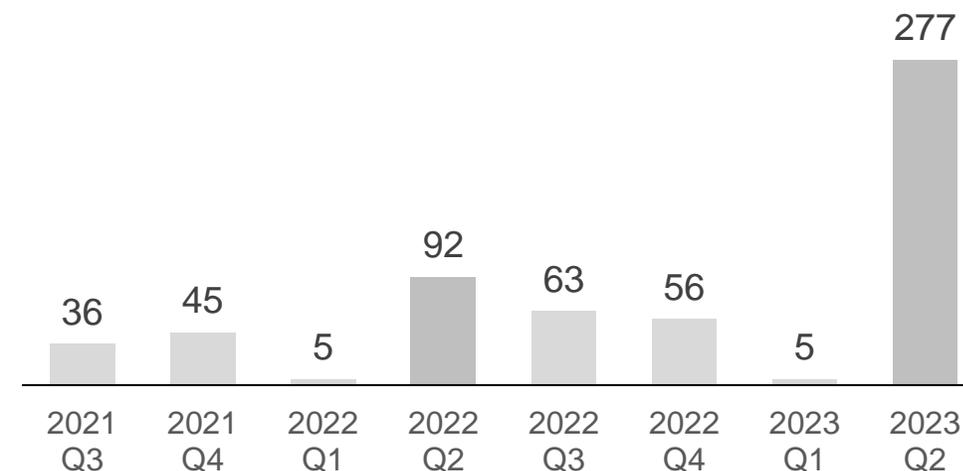
- EBIT margin pre-IPO 20.5% (20,8%) and 24.5% in R12.
- Gross margin of 40.6% (42.5%) and 43.9% in R12.
- R&D expenses 12 (8) MSEK and R&D reported in balance sheet 15 (16) MSEK.
- Expenses for Group Business System (ERP): 9 (6) MSEK.

# STRONG CASH FLOW

## Cash flow and net working capital overview, MSEK

MSEK	2023 Q2	2022 Q2	2022 FY
Cash flow before changes in working capital	110	132	449
Inventories	396	393	443
Accounts receivables	286	298	347
Other receivables	16	62	29
Accounts payables	85	148	146
Other payables	111	44	42
Net working capital	502	561	631
<i>% of net sales, 12 months</i>	23.2%	32.8%	32.6%
Cash flow from operating activities	<b>277</b>	<b>92</b>	<b>216</b>
Investing activities	-11	-11	-45

## Operating cash flow per quarter, MSEK



## Inventories/Accounts payables

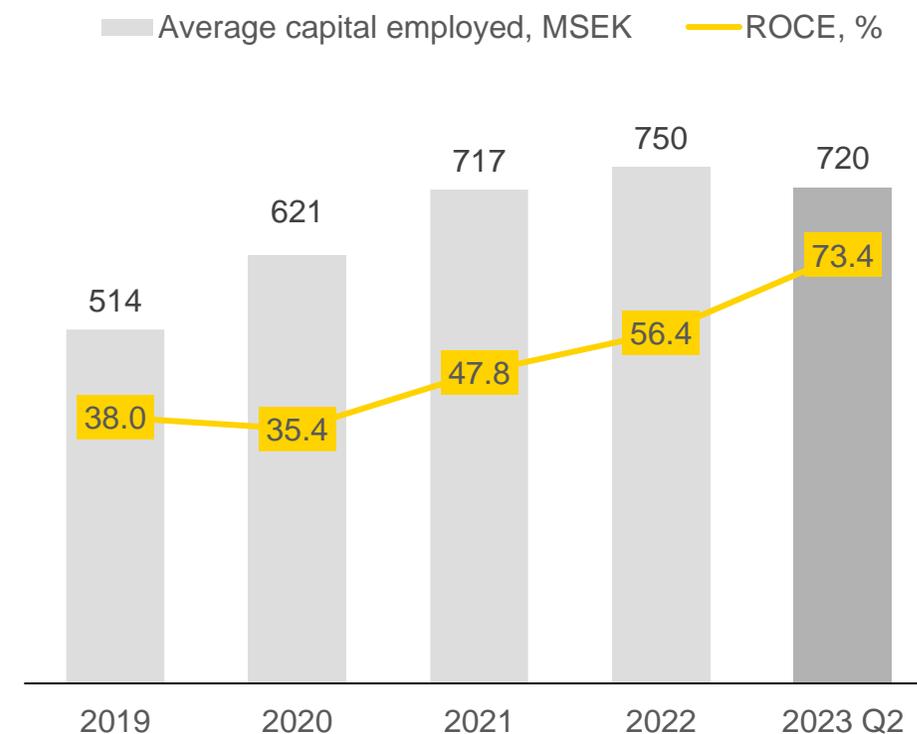
- Lower net working capital as part of net sales.
- High activity at the end of Q1 provide a strong cash flow in Q2.
- Dividend -74 MSEK and amortization -171.

# RECORD HIGH ROCE LEVEL

## Return on capital employed overview

MSEK	2019	2020	2021	2022	2023 R12
EBT	192	218	341	415	512
Interest expense	3	2	2	8	16
Capital employed, beginning of period	484	543	699	735	666
Capital employed, end of period	543	699	735	765	773
Capital employed, average	514	621	717	750	720
Total assets	717	925	1,013	1,186	1,112
Non-interest-bearing liabilities	174	226	278	421	349
<b>ROCE</b>	<b>38.0%</b>	<b>35.4%</b>	<b>47.8%</b>	<b>56.4%</b>	<b>73.4%</b>

## Average capital employed and ROCE



# FINANCIAL TARGETS YTD

## Growth

Exceed the growth in existing market through organic growth.

**17%**

Net sales organic growth

## Profitability

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

**25%**

EBIT margin

## Capital efficiency

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

**73%**

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.

**55%**

Equity-to-asset ratio

## SUMMARY AND OUTLOOK

- Good result and a strong cash flow in the quarter.
- Record high net sales and profitability in the period.
- Less guidance from orderbook for coming quarters and higher dependence on order intake.
- Next generation tiltrotator estimated to Q1 2024.
- Continued high activity level with exhibitions in Q2 and further events planned in Q3.
- Further increase our dialogue with end customer and other stakeholders to highlight the benefits of our products.

# INCREASED STAKEHOLDER DIALOGUE

## Environmental and safety benefits



**~25%** efficiency gains



**~2.2** number of tools or machines that can be replaced



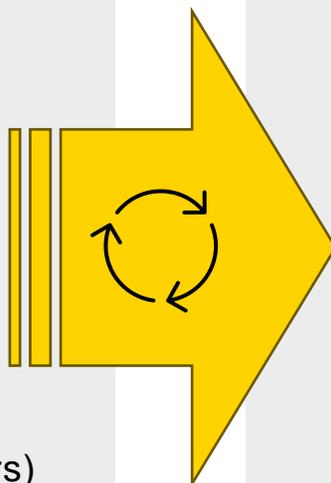
**~6,000 litres** fuel saved per year



**~113,000 kg CO<sub>2</sub>** saved over excavator lifetime (7 years)



**~61%** owners perceive safety as main benefit



## In dialogue with



**End customers**



**Construction companies**



**OEM / OED\***



**Legislators / Unions**

Source: Strategy& (PwC).

\*Original equipment manufacturer / Original equipment dealer

# Q & A

## CHANGE THE WORLD OF DIGGING

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