



Q2

**SECOND QUARTER 2024**

19 July, 2024

**engcon<sup>®</sup>**

# PRESENTERS



**CEO Krister Blomgren**

Tel +46 70 529 92 65

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

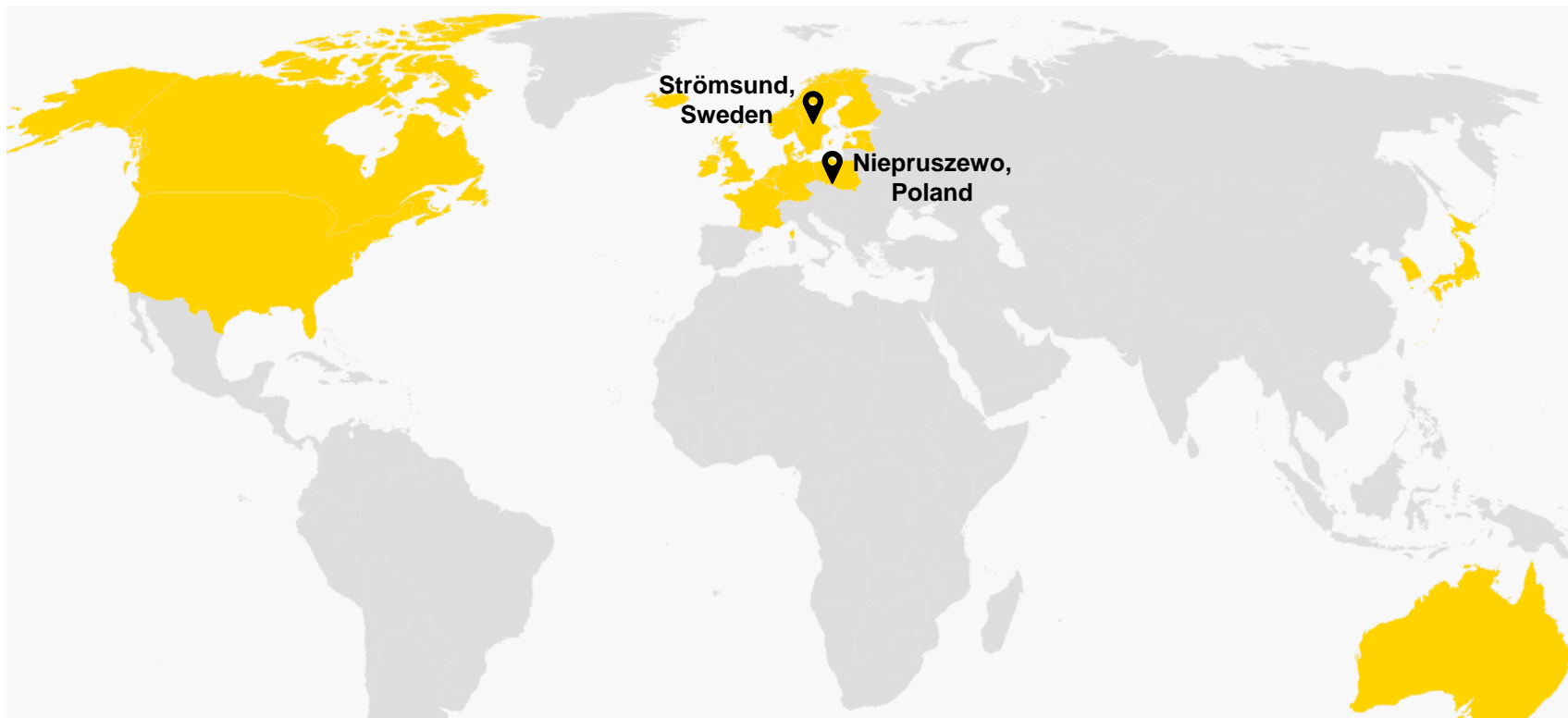


**CFO Jens Blom**

Tel +46 76 147 45 77

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

# ENGCON – CHANGE THE WORLD OF DIGGING



## 2023 in brief

**1 898**

Net sales MSEK

**- 6%**

Net sales growth\*

**376**

EBIT MSEK

**20%**

EBIT margin %

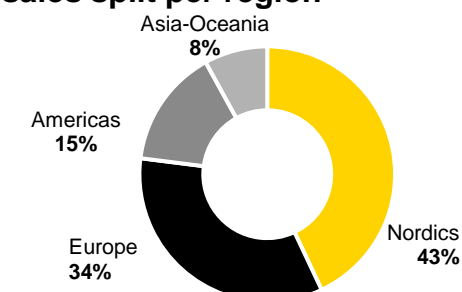
**16**

Markets

**406**

Employees

## Net sales split per region



\* Organic net sales growth

## Q2 BUSINESS HIGHLIGHTS

- Continued recovery with solid profitability.
  - Strong gross margin level mainly impacted by favorable market and product mix.
- Increased order intake in all regions.
  - Continued strong trend in Europe.
- High activity during exhibition season.
  - Intermat, Paris
  - Swedish Machine Fair, Stockholm
  - CSPI, Tokyo

# Q2 FIGURES IN BRIEF



**-12%**

Organic net  
sales

**26%**

Organic order  
intake

**45%**

Gross  
margin

**18%**

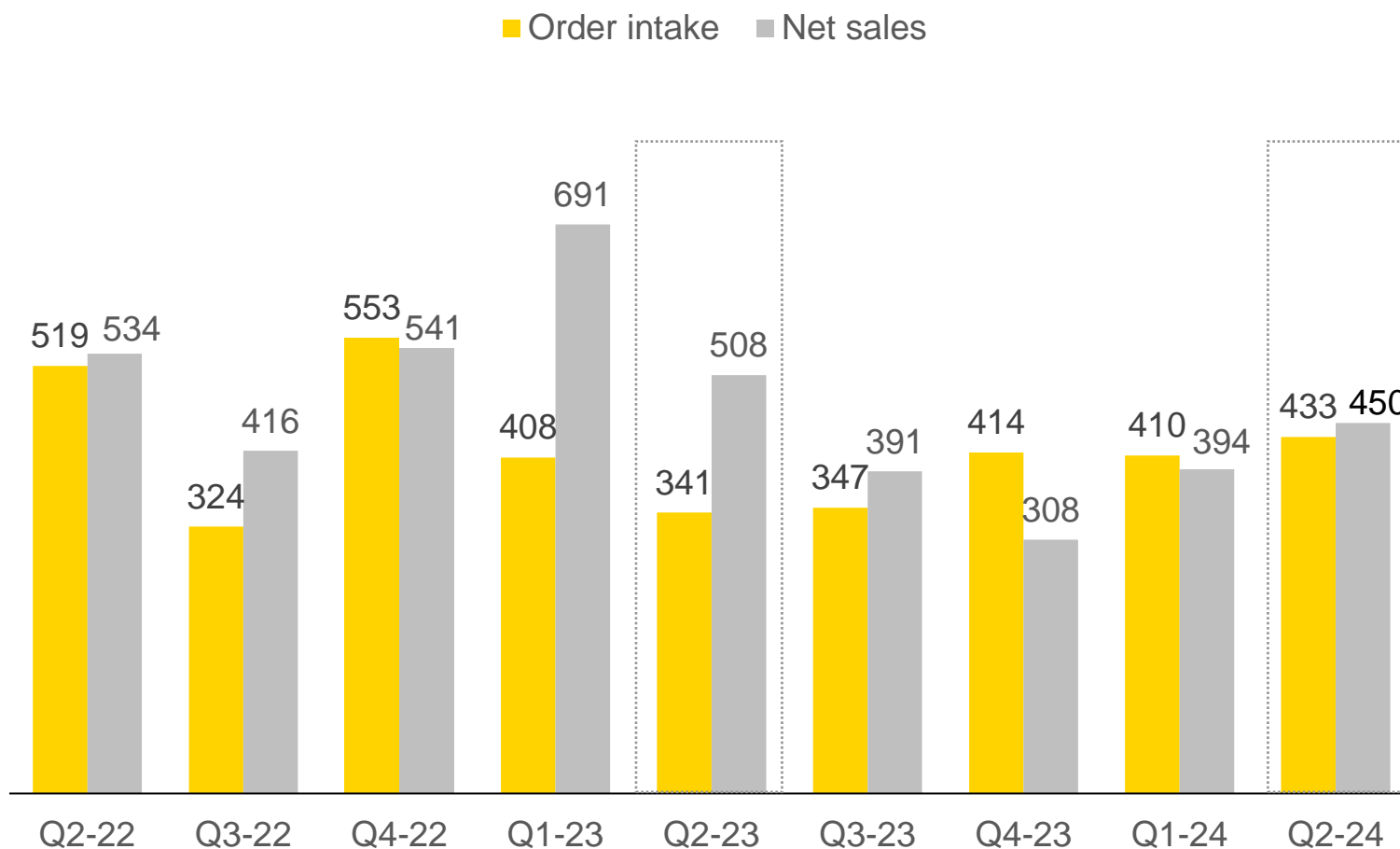
EBIT  
margin

**28%**

Return on capital  
employed

# INCREASED ORDER INTAKE IN ALL REGIONS

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



## Key comments

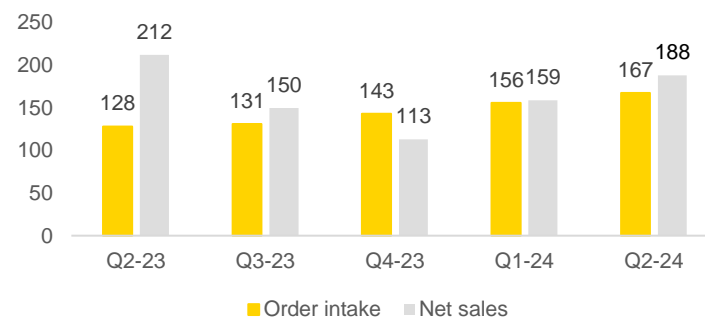
- Order intake increased 27%, organic 26%, currency effect of 3 MSEK.
- Net sales decreased 11%, organic 12%, positive currency effect of 3 MSEK.
- Gradual order intake increase in all regions despite weaker excavator sales.

# NORDICS

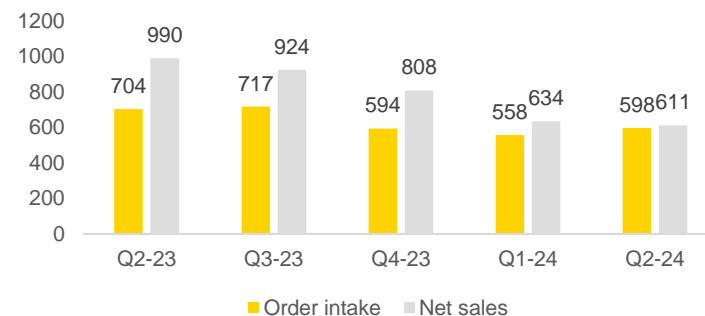
## Q2 2024, Order intake and net sales, MSEK



### Per quarter



### R12



## Key comments

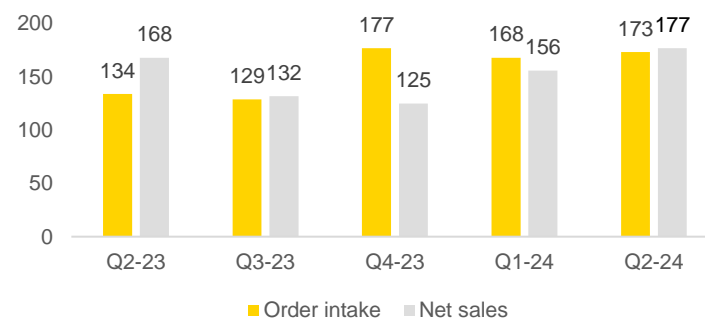
- Order intake increased organic 30%.
- Net sales decreased organic 11%.
- Increasing demand from lower tiltrotator stock at dealers.
- Our most cyclic region.

# EUROPE

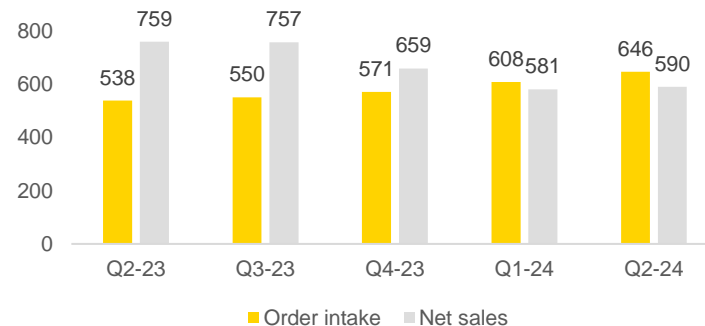
## Q2 2024, Order intake and net sales, MSEK



### Per quarter



### R12



## Key comments

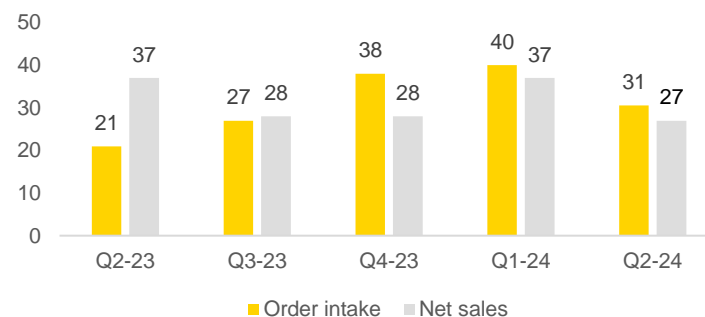
- Order intake increased organic 28%.
- Net sales increased organic 4%.
- Strong performance from all major markets.
- Increasing awareness of the tiltrotator concept.

# ASIA-OCEANIA

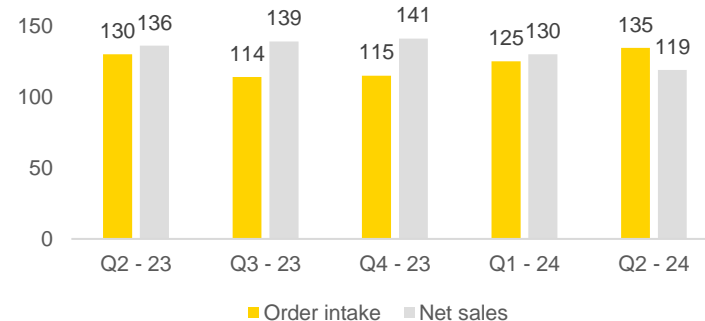
## Q2 2024, Order intake and net sales, MSEK



### Per quarter



### R12



## Key comments

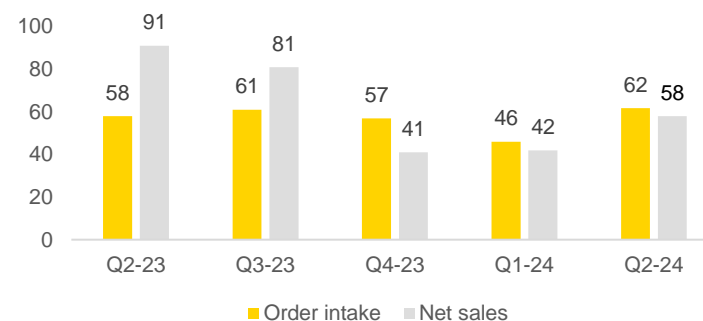
- Order intake increased organic 47%.
- Net sales decreased organic 27%.
- Continued strong trend in Australia.
- Strategic cooperation agreements signed in Japan.

# AMERICAS

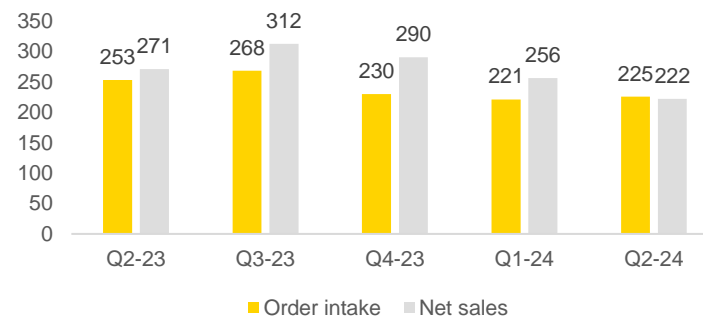
## Q2 2024, Order intake and net sales, MSEK



### Per quarter



### R12



## Key comments

- Order intake increased organic 5%.
- Net sales decreased organic 38%.
- Stabilization at lower levels in the USA.
- High interest rates affect willingness to invest.
- All time high order intake in Canada.

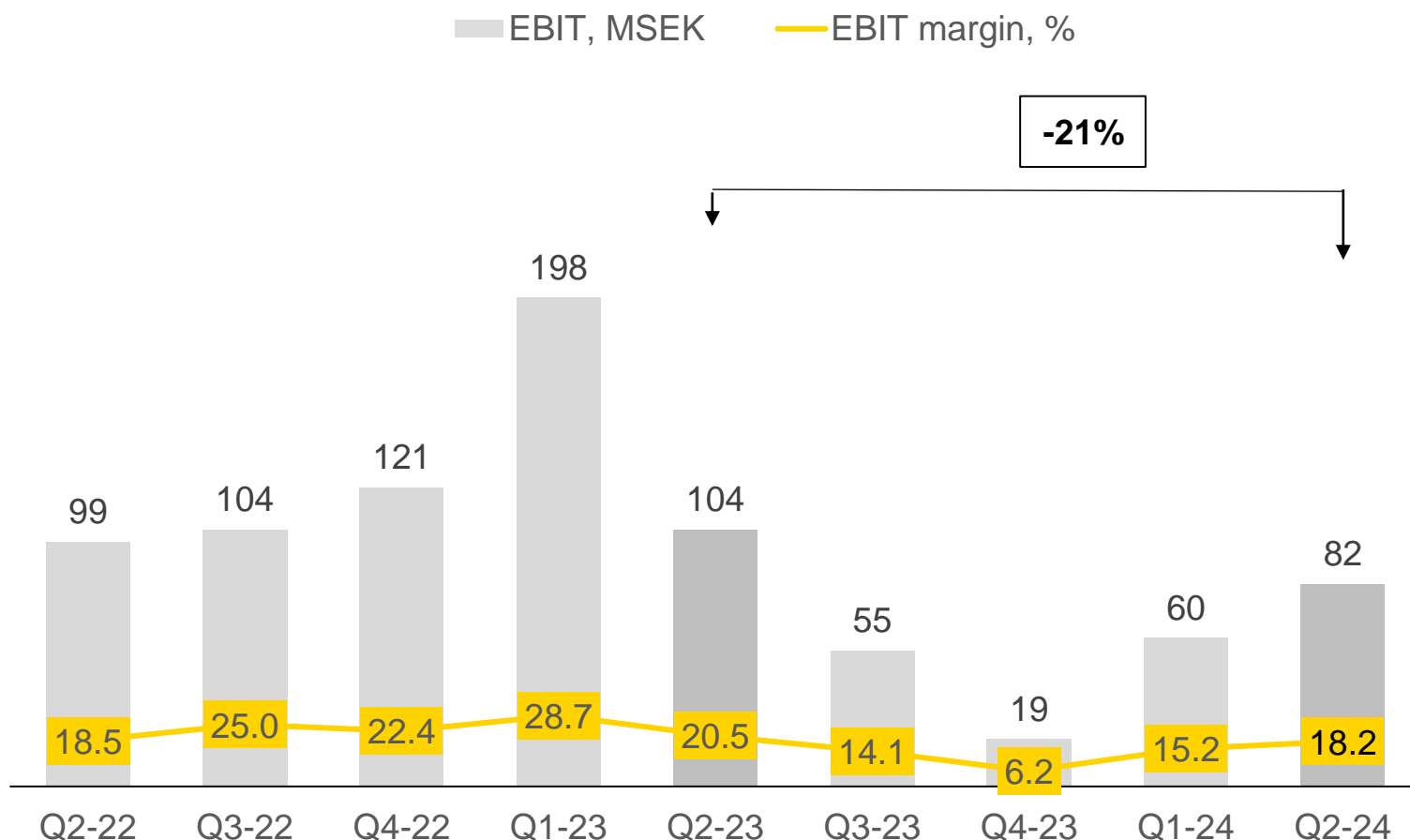


# **FINANCIAL DEVELOPMENT**

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# EBIT MARGIN CONTINUES TO IMPROVE

## EBIT and EBIT margin per quarter



## Key comments

- EBIT decreased 21% to 82 (104) MSEK.
- EBIT margin of 18.2% (20.5%).
- EBIT margin is increasing towards the financial target of 20%.

# OVERVIEW OF COSTS AND EBIT

MSEK	2024 Q2	2023 Q2	2024 R12	2023 FY
Net sales	450	508	1,543	1,898
COGS	-248	-302	-894	-1,096
<i>Gross margin</i>	44.9%	40.6%	42.1%	42.3%
Selling expenses	-73	-64	-268	-271
<i>% of net sales</i>	-16.2%	-12.6%	-17.4%	-14.3%
Administrative expenses	-33	-29	-121	-120
<i>% of net sales</i>	-7.3%	-5.7%	-7.8%	-6.3%
R&D expenses	-16	-12	-51	-44
<i>% of net sales</i>	-3.5%	-2.4%	-3.3%	-2.3%
Fair value of derivatives	2	3	9	18
<i>% of net sales</i>	0.4%	0.6%	0.6%	1.0%
Other operating income and expenses	0	0	-2	-9
<i>% of net sales</i>	0.0%	-0.0%	-0.1%	-0.5%
<b>EBIT</b>	<b>82</b>	<b>104</b>	<b>216</b>	<b>376</b>
<i>EBIT margin</i>	18.2%	20.5%	14.0%	19.8%

## Key comments

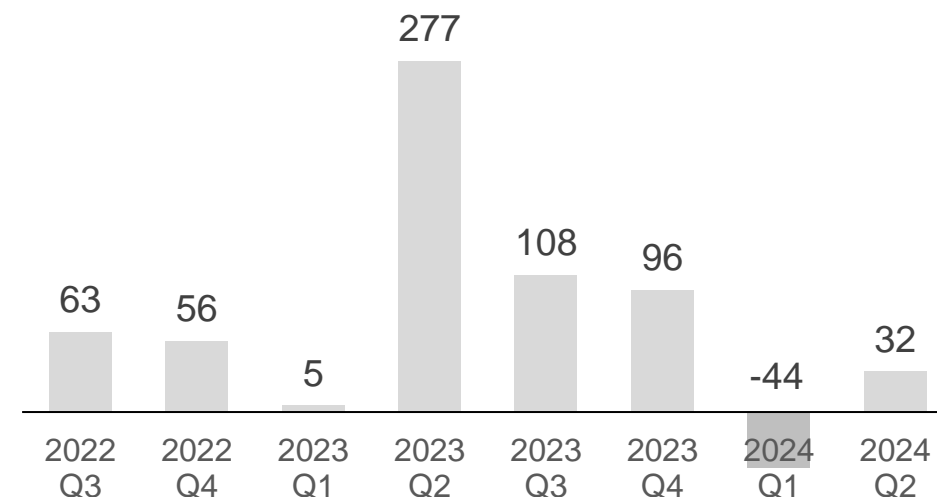
- EBIT margin of 18.2% (20.5%) and 14.0% in R12.
- Gross margin of 44.9% (40.6%) and 42.1% R12.
- High selling expenses due to exhibition season 73 (64) MSEK.
- ERP implementation cost amounts to 10 (9) MSEK.
- R&D expenses 16 (12) MSEK, 51 MSEK in R12. R&D reported in balance sheet 74 (50) MSEK.
- Positive impact from derivatives 2 (3) MSEK.

# CASH FLOW

## Cash flow and net working capital overview, MSEK

MSEK	2024 Q2	2023 Q2	2023 FY
Cash flow before changes in working capital	63	110	275
Inventories	347	396	302
Accounts receivables	282	286	193
Other receivables	51	16	27
Accounts payables	116	85	82
Other payables	122	111	34
Net working capital	442	502	406
% of net sales, 12 month	29%	23%	21%
Cash flow from operating activities	32	277	486
Investing activities	-9	-10	-61

## Operating cash flow per quarter, MSEK



## Key comments

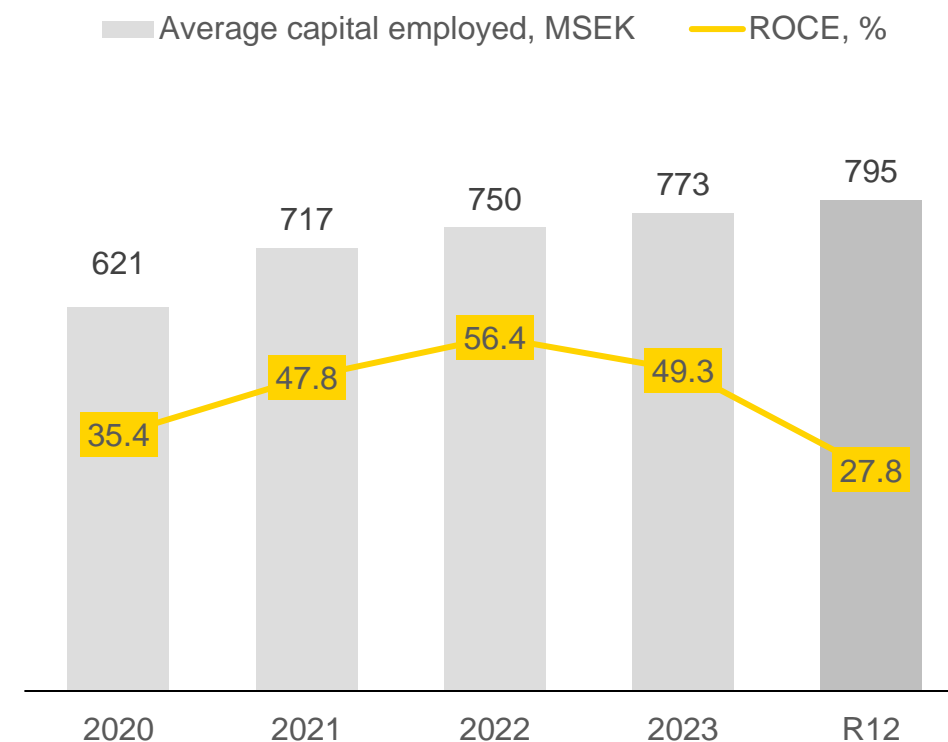
- Lower operating cash flow due to lower operating profit.
- Higher net working capital as part of net sales.
- Unutilized total liquidity of 300 (421) MSEK.

# ROCE LEVEL

## Return on capital employed overview

MSEK	2020	2021	2022	2023	R12
EBT	218	341	415	365	205
Interest expense	2	2	8	16	16
Capital employed, beginning of period	543	699	735	765	773
Capital employed, end of period	699	735	765	781	816
Capital employed, average	621	717	750	773	795
Total assets	925	1,013	1,186	1,012	1,188
Non-interest-bearing liabilities	226	278	421	231	373
<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.

**-12%**

Net sales organic growth

## Profitability

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

**18%**

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.

**52%**

Equity-to-asset ratio

## SUMMARY AND UPDATE

- Continued recovery and solid profitability closer to financial target.
- Increased order intake in all regions and strong performance in Europe.
- In the ongoing patent dispute, engcon appealed in April 2022, the decision to grant the patent in question to the European Patent Office (EPO) and requested that the patent be declared invalid. After consulting with the company's legal advisors, the appeal has been withdrawn.
- Former Head of Sales Anders Smith is returning in the new role as COO 1<sup>st</sup> of January 2025.
- As previously announced Jens Blom takes on new responsibilities within engcon and is replaced by Marcus Asplund as CFO in August.



# LOOKING AHEAD

*“We expect a gradual recovery during the second half of 2024. For the Nordic region we are anticipating an increase during 2025.”*



# Q & A

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THE WORLD OF  
DIGGING**

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